

Webcentral announces sale of Retail Domains and Hosting Business for \$165M and strategic partnership with Oakley Capital

ASX Announcement, 26 October 2023



On 26 October 2023 Webcentral Limited (ASX:WCG) (**Webcentral**) entered into binding agreements with an investment group based in Europe consisting of Oakley Capital (**Oakley**) and its partners to sell two-thirds of its Webcentral and Melbourne IT domain name registry, consumer hosting (cPanel hosting) and email hosting services business ("**Domains Business**") for total value of A\$165M ("**Transaction**").

Transaction Highlights

- **Total Transaction Value of \$165M**
- **Net cash proceeds of \$115M**
- **Net cash position of \$84M after debt repayment and transaction costs**
- **Retained one-third equity interest in Domains Business**
- **Agreement to purchase \$12M of cloud services and managed support services from Webcentral over 5 years, with a minimum of \$4M in the first year**
- **Completion expected by late-November 2023**

Transaction Details

The Webcentral Board engaged **Macquarie Capital** to undertake a comprehensive review of the business and identify opportunities to unlock value within the group. The Transaction with Oakley was identified as the best outcome to maximise value, representing a strong sale price with high quality counterparties and certainty of transaction completion.

The Transaction will involve the sale of the Domains Business to a new joint venture company based in Australia (**Company**) with Webcentral retaining a one-third equity interest in the Domains Business via an investment in the Company's parent based in Luxembourg (**Lux Company**). The other two-thirds equity is to be held by Oakley and its partners. Oakley Capital is a European, mid-market private equity firm with c. €10bn in assets under management. Oakley will be investing in partnership with veteran hosting entrepreneurs, Jochen Berger and Tom Strohe, who have previously co-invested in numerous successful collaborations in this space, including Intergenica, HEG, WebPros and Contabo.

1. Including ticker fee payable to seller assuming closing on 30 November 2023

Webcentral's retained one-third equity interest in the Domains Business is a source of further upside as it benefits from synergies and other value enhancements available to Oakley and its partners, as well as the deep sector expertise they derive from their complementary investments in Webpros (cPanel, Plesk and WHMCS), Contabo and World Host Group.

The total value of A\$165M comprises cash proceeds of \$115M¹, a one-third equity interest in the Domains Business implicitly valued at \$20M, and a deferred revenue balance of \$30M that will not be deducted from the purchase price. The Domains Business will also continue to source cloud services and managed support services from Webcentral under a services agreement valued at \$12M over 5 years, with a minimum of \$4M in the first year.

On completion of the Transaction, Webcentral will change its name to 5G Networks Limited and continue carrying on its remaining businesses as a telecommunications carrier and owner of infrastructure servicing enterprise and wholesale customers. The 5GN business owns and operates data centres, private cloud, fibre optic cables and provides managed IT services to 2,500 enterprise clients and 100 wholesale customers. The 5GN business is expected to generate pro forma revenue of \$45M in FY24 with proforma run-rate net profit of greater than \$5M before acquisitions.

The pro forma net cash position of Webcentral is approximately \$84M from expected total cash proceeds of \$115M following repayment of debt of \$31M and transaction costs of \$5M, subject to customary locked box completion adjustments. This represents approximately 25 cents per share.

The balance of the proceeds from the Transaction are expected to be used for EBITDA-accretive acquisitions of complementary technology, cloud hosting and managed IT businesses and to support future growth initiatives. The Webcentral Board will review Webcentral's capital management strategy post-completion including consideration of the resumption of dividends to shareholders and share buybacks.

Completion of the Transaction is expected by late-November 2023 and is conditional upon the Lux Company's subsidiaries entering into binding debt facility agreements, no material adverse change and completion of an internal restructure.

Macquarie Capital is acting as financial adviser to Webcentral.



Peter Dubens, Founder and Managing Partner of Oakley Capital, commented,

"We look forward to working alongside Joe and his management team to further develop Webcentral into a leading hosting business and accelerate its growth. We also welcome the opportunity to achieve this in partnership with our long-term partners Tom Strohe and Jochen Berger, proven leaders in the webhosting space who we have been fortunate enough to collaborate with over the last 10 years."

Joe Demase, Managing Director of Webcentral, commented,

"Oakley and their partners combine a deep understanding of the domains and hosting sector with a proven value creation playbook. In partnership with Tom and Jochen, the Oakley team is uniquely positioned to support the next stage of Webcentral's growth, enabling us to expand our capabilities, further improve our services to clients, and pursue new growth opportunities internationally."

About Oakley Capital

Founded in 2002, Oakley Capital is a pan-European private equity firm backing ambitious growth companies across four core sectors – Technology, Business Services, Digital Consumer and Education. Oakley is able to deliver differentiated investment opportunities and strong returns by leveraging its entrepreneurial mindset and deep sector expertise. The Oakley team works closely with its network of entrepreneurs and successful management teams to help source primary, proprietary opportunities and gain valuable insights into the businesses in which it invests. Its ability to overcome complexity, and a flexible approach to value creation, allows Oakley to support its portfolio companies to achieve sustainable growth. Oakley invests across two strategies: its Flagship Funds focus on buyouts with controlling positions and EVs between €100-500 million; and Origin, Oakley's platform focused on lower mid-market companies. Today, Oakley has c.€10 billion assets under management with a team of c.160 professionals working across our European hubs in London, Munich, Milan and Luxembourg.

www.oakleycapital.com

About Webcentral

Webcentral is an Australian owned digital services company who empower more than 330,000 customers to grow and thrive in the online world. Our portfolio of digital services is extensive, with market leading offers across domain management, website development and hosting, office and productivity applications and online marketing.

Webcentral currently owns and operates its own Nationwide highspeed Data Network with points of presence in all major Australian capital cities. In addition, the Company offers managed cloud solutions through its Cloud and Data Centre capabilities as well as managed services to optimise customers' IT and network environments. Supporting this is the Company's combined rack capacity of over 1,000 racks through its owned and operated Data Centres across Melbourne, Sydney, Brisbane and Adelaide.

Our customer focussed heritage has been built on expertise, innovation and personalised service; critical attributes delivered through our culture and embraced by our people. This is demonstrated through more than 25 years of online industry leadership across Australia's digital foundation brands such as Melbourne IT, Netregistry and WME.

The Webcentral mission is dedicated to leading online success for our customers. We achieve this by building trusted and valued client relationships which convert successful business outcomes at each milestone across the customers' digital journey.

Investor Enquiries

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