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Sale of Retail Domains and Hosting Business and strategic partnership with Oakley Capital

Webcentral Limited (ASX:WCG)

26 October 2023



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Introduction

Webcentral announces the sale of its Retail Domains and Hosting Business for A\$165M to Oakley Capital and its partners

Transaction overview

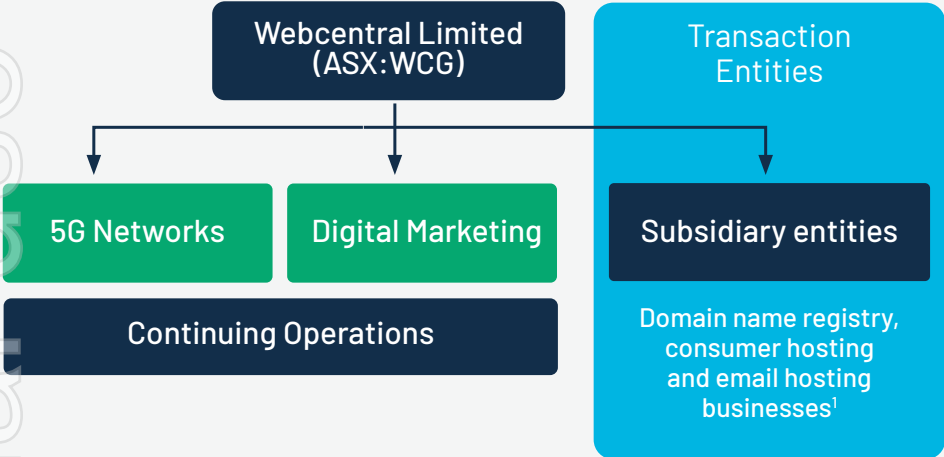
- Webcentral has entered into an agreement with an investment group based in Europe for the sale of two-thirds of its Webcentral and Melbourne IT domain name registry, consumer hosting (cPanel hosting) and email hosting services business ("**Domains Business**") for total value of A\$165M¹ ("**Transaction**")
- The Transaction unlocks significant value for shareholders, and represents more than \$100M profit on the acquisition of the Domains Business by 5G Networks in November 2020
- Webcentral will retain a one-third equity interest in the Domains Business with the other two-thirds equity to be held by an investment group based in Europe consisting of Oakley Capital ("**Oakley**") and its partners
 - Oakley 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
- 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
- Expected cash proceeds of \$115M² will be applied towards repayment of debt facilities \$31M and transaction costs \$5M. The balance of the proceeds will be used for acquisitions and to support future growth initiatives
- Completion is expected by late-November 2023 and is conditional upon the new joint venture company entering into binding long-form debt facility agreements, no material adverse change and completion of an internal restructure
- Webcentral will change its name back to 5G Networks Ltd post-transaction

Note: 1) Including ticker fee payable to seller and assuming closing on 30 November 2023.

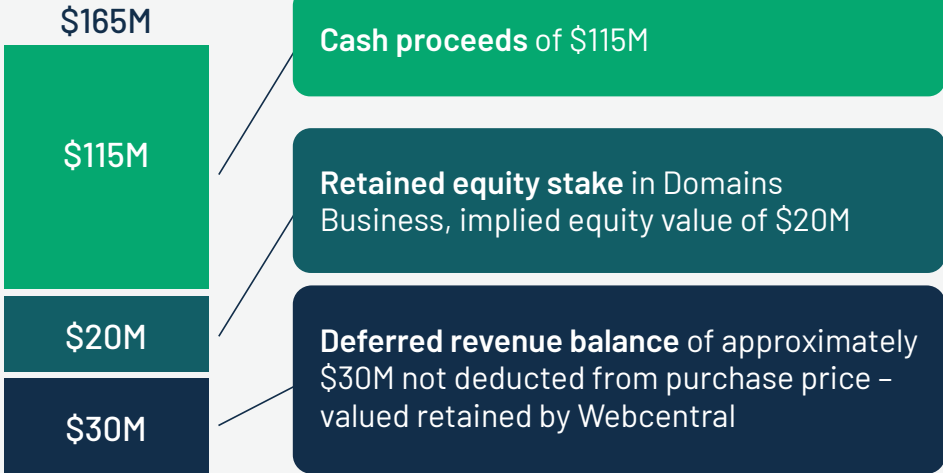
2) Subject to customary locked box completion adjustments.

Transaction Overview

Group Structure



Total value breakdown (A\$M)



Note: 1) Sale brands include: Melbourne IT, Melbourne IT Corporate, Webcentral, Domainz and New Domain Services.

Transaction with Oakley and its partners delivers compelling value for Webcentral shareholders



\$165M total value represents 9x EBITDA of the Domains Business and more than \$100M profit on acquisition by 5G Networks in November 2020



Transaction unlocks significant value for shareholders, with the implied transaction multiple representing a significant premium to Webcentral's trading multiple



Strengthens balance sheet with Webcentral's post-transaction pro-forma net cash of \$84M after full debt repayment and transaction costs



Webcentral's one-third retained equity in the Domains Business is a **source of further upside for Webcentral shareholders**. Following completion, the Domains Business is expected to benefit 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



Webcentral engaged Macquarie Capital to undertake a comprehensive review process to explore alternative strategic options for its Domains Business, given the significant undervaluing of these operations by market capitalisation in recent months. The Transaction with Oakley and its partners represents a strong sale price with high quality counterparties and certainty in completing the transaction



Post transaction, Webcentral will change its name back to 5G Networks Ltd and will benefit from a **streamlined business model** allowing it to focus on strategic initiatives within its higher growth Cloud and Data Centre Infrastructure businesses primarily focussed on Enterprise and Wholesale customers



The Webcentral Board will review Webcentral's **capital management strategy** post-completion including consideration of the resumption of dividends to shareholders and share buybacks

Key Transaction terms and conditions

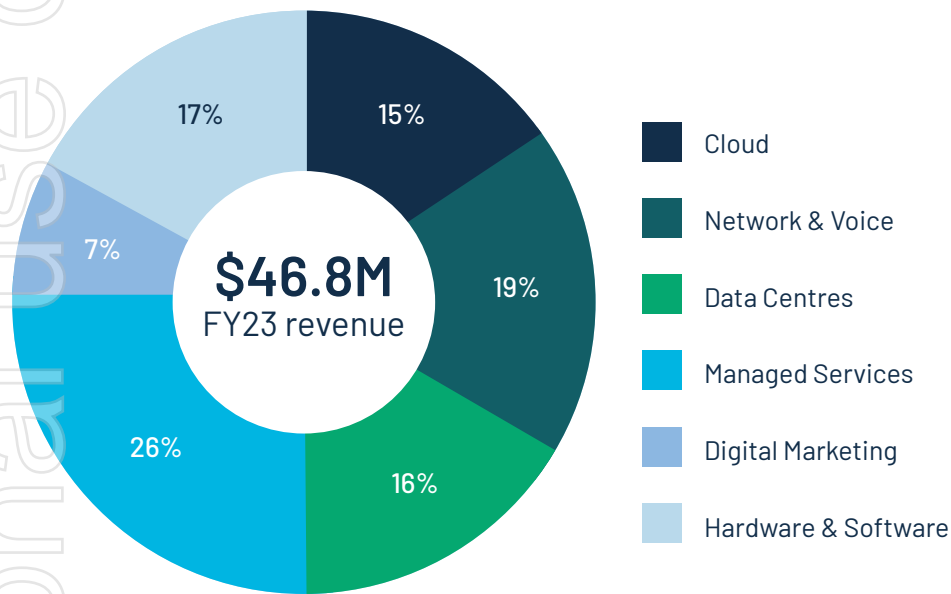
- 01 Transaction structure**
 - Sale of 100% of the shares in subsidiary companies within Webcentral Group to an Australian company (Bidco) ultimately owned by TopCo, a Luxembourg company owned by a consortium of European based investors and Webcentral for total value of A\$165M¹
- 02 Consideration**
 - Expected cash proceeds of \$115M, subject to customary locked box completion adjustments
 - Webcentral will retain a one-third equity interest in the Domains Business implicitly valued at \$20M
 - Deferred revenue balance of approximately \$30M not deducted from purchase price – valued retained by Webcentral
- 03 Funding**
 - Debt Commitment Letter for \$80M
 - Equity Commitment Letter from Oakley and its partners
- 04 Conditions Precedent**
 - Internal Restructure – certain relevant assets, securities & liabilities to be transferred into subsidiary companies prior to Completion
 - Target MAC – No Target MAC occurring between 30 June 2023 and completion (threshold set at 30% of EBITDA)
 - Debt financing – long-form debt documentation to be by the new joint venture company
- 05 Timeline to completion**
 - Completion is expected by late-November 2023
- 06 TSA/MSA**
 - A managed services agreement (MSA) and transitional services agreement (TSA) for \$12M will be entered into for a period of 5 years from completion, with minimum \$4M in the first year
- 07 Change of name**
 - Webcentral Limited will change its name back to 5G Networks Limited post-transaction

Note: 1) Including ticker fee payable to seller and assuming closing on 30 November 2023.

5GN Post Transaction

Post transaction, 5G Networks will benefit from a streamlined business model focused on its Cloud, Networks and Data Centre Infrastructure businesses servicing Enterprise and Wholesale customers

FY23 Revenue Contribution (%)



Expected Cash Position¹

	A\$M
Cash proceeds from Transaction	115
Less: Debt repayment	(31)
Less: Transaction costs	(5)
Cash after debt repayment and transaction costs	79
Existing cash (30 June 2023)	5
Pro forma net cash	84
Number of Shares on issue (M)	329.1
Net cash per share	25 cents


Note: 1) Subject to customary locked box completion

Operating structure post-transaction

Post-transaction 5G Networks will continue to operate in Enterprise, Wholesale and Retail customer segments, servicing more than 2,500 Enterprise, Government, Wholesale and Retail customers across Australia, New Zealand, Asia and the USA







Services provided to each customer segment

- **Enterprise:** Data centre, networks and voice, IT managed services, hardware and software and digital marketing products and services provided to Enterprise and Government customers
- **Wholesale:** Cloud hosting, data centre, networks and voice products and services provided to wholesale customers
- **Retail:** Digital marketing services to consumer and small and medium enterprise customers



Leading Managed Service Provider operating under the 5GN Brand

Product offering

Cloud		5GN Private Cloud						
Data Centre		Co-location	Bare Metal	5GN CloudPort				
Data Networks		National MPLS network	National Links	International Links	Dark Fibre			
Managed Services		SharePoint	0365	Consulting	Design	Network & Infrastructure	End User Support	
Digital Marketing		SEO	Social	PPC	Content			
Hardware & Software		Cisco	Juniper	Dell	EMC	Microsoft	VMware	Citrix

Services / Segment	Continuing operations						Discontinued operations	
	Cloud	Data Centre	Networks & Voice	Managed Services	Hardware & Software	Digital Marketing	Domains	Cloud, Email & Webhosting
Retail			✓			✓	✓	✓
Enterprise	✓	✓	✓	✓	✓	✓	✓	✓
Wholesale	✓	✓	✓		✓			

Future potential upside from retained equity interest

Webcentral will retain a one-third equity holding in the Domains Business post transaction

Highlights



The objective and mission of the Domains Business following Closing is to be a **consolidator primarily in the worldwide shared hosting market**



Oakley and its partners will apply their extensive experience **scaling SaaS and hosting companies** across Europe to help unlock opportunities **in a fragmented, international hosting market that continues to grow**, as global demand for cloud infrastructure solutions accelerates



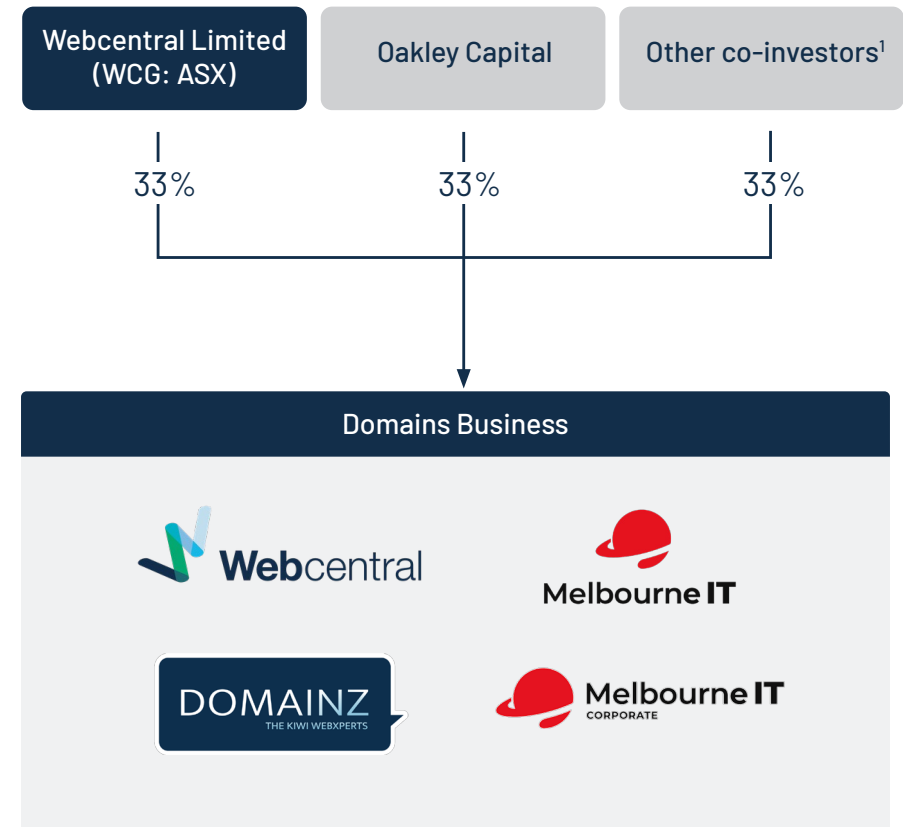
Webcentral shareholders will benefit from the **synergies and other value enhancements available to Oakley and its partners**, who own complementary investments in Webpros (cPanel, Plesk and WHMCS), Contabo and World Host Group, through its **retained equity holding in the Domain Business**



Webcentral will have the right following completion to **propose for appointment one representative to the Domains Business Board**

Note: 1) Includes veteran hosting entrepreneurs Jochen Berger and Tom Strohe.

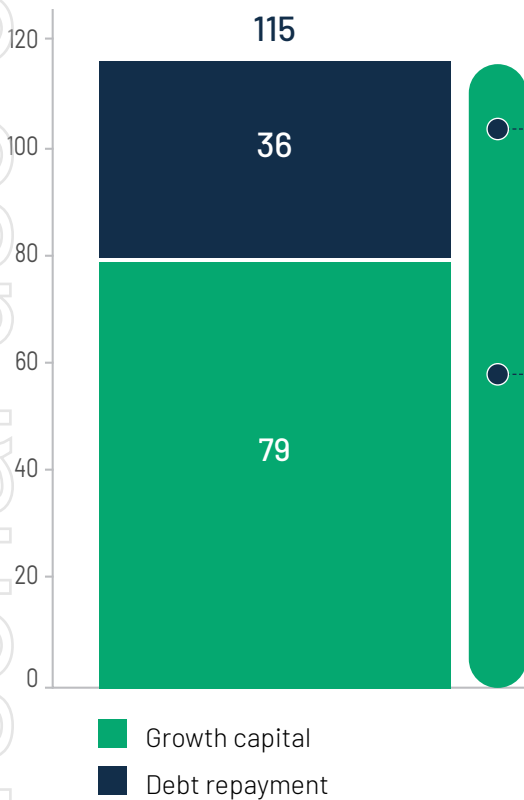
Group Structure (post-completion)



Use of proceeds

The transaction will strengthen Webcentral's balance sheet, preserving its ability to act opportunistically and invest in organic growth opportunities and EBITDA – accretive acquisitions

Cash Proceeds (A\$M)



Debt repayment (\$31M) and transaction costs (\$5M)

- \$31M of cash proceeds to be applied towards repayment of debt facilities and transaction costs of approximately \$5m
- Webcentral's net cash expected to be \$84M after transaction costs and full debt repayment



Growth capital (\$79M)

- Remaining net proceeds are expected to be applied towards acquisitions and organic growth initiatives
- Targeted acquisitions of complementary hosting, cloud and managed services businesses at <5x multiple of EBITDA

The Webcentral Board will review Webcentral's **capital management strategy** post-completion including consideration of the resumption of dividends to shareholders and share buybacks

Pro forma balance sheet post transaction

Significant improvement to net asset position post-transaction with repayment of debt and reduction in other liabilities

\$M	Jun-23	Sale	Proforma post sale ¹
Cash	4.5	79.1	83.6
Trade and other receivables	5.1	(0.5)	4.6
Deferred COGS ²	6.3	(6.3)	-
Intangible assets	71.3	(49.0)	22.3
Property, plant and equipment	9.8	(1.0)	8.8
Investments	0.7	18.0	18.7
Property lease assets, prepayments and WIP	19.1	(2.0)	17.1
Total Assets	116.8	38.3	155.1
Trade and other payables	14.7	(4.6)	10.1
Deferred revenue ²	35.1	(35.1)	-
Borrowings	29.2	(29.2)	-
Employee provisions	4.0	(1.9)	2.1
Property lease liabilities, other liabilities and provisions	23.5	-	23.5
Total Liabilities	106.5	(70.8)	35.7
Net Assets	10.3	109.1	119.4

1. Proforma unaudited numbers as if the transaction completed on 30 June 2023

2. Unearned revenue relating to domains business removed from Balance Sheet

Conclusion



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Thank you

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