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

Webcentral Limited (ASX:WCG)

26 October 2023





## Disclaimer

This presentation contains certain statements that may constitute forward-looking information under applicable securities laws. All statements, other than those of historical fact, which address activities, events, outcomes, results, developments, performance or achievements that Webcentral anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information may involve, but is not limited to, comments with respect to expectations, planned operations or future actions. These forward-looking statements are based on currently available information as of the date of this presentation but are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking information. The forward-looking information contained in this presentation is expressly qualified by this cautionary statement.

A number of risks, uncertainties and other factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the following: risks associated with reliance on key personnel; financial health of Webcentral and its related cash flows; general industry and market conditions and growth rates; legislative and regulatory developments; general economic conditions and levels of economic activity; global financial conditions; financing risks; degree of competition in the industry; risks associated with the development of projects; changes in employee relations; and control of costs and expenses.

Forward-looking information reflects Webcentral's current beliefs and is based on information currently available to Webcentral and on assumptions it believes to be reasonable. The forward-looking information is made as of the date of this presentation and Webcentral assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law. Prospective investors should not read forward-looking information as guarantees of future performance or results and should not place undue reliance on forward-looking information. Nothing in this presentation is, or should be relied upon as, a promise or representation as to the future.



## Introduction

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

#### **Transaction overview**

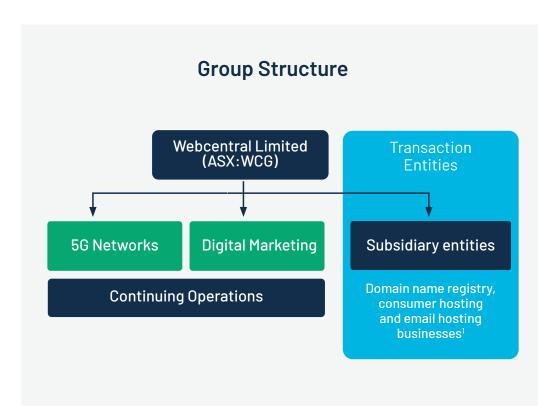
- Webcentral has entered into an agreement with an investment group based in Europe for the sale of two-thirds of its Webcentral and Melbourne IT domain name registry, consumer hosting (cPanel hosting) and email hosting services business ("Domains Business") for total value of A\$165M¹ ("Transaction")
- 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 coinvested in numerous successful collaborations in this space, including Intergenia, 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 \$115M<sup>2</sup> 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

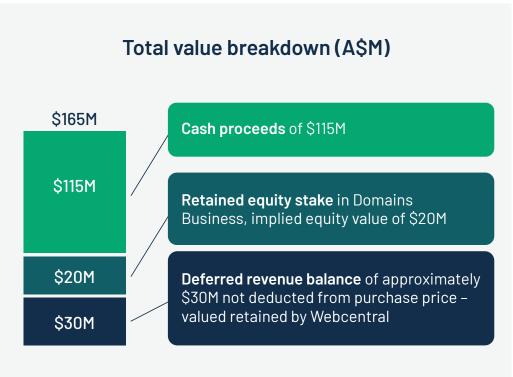
Note: 1) Including ticker fee payable to seller and assuming closing on 30 November 2023.

2) Subject to customary locked box completion adjustments.



## Transaction Overview





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	<ul> <li>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</li> </ul>
02	Consideration	<ul> <li>Expected cash proceeds of \$115M, subject to customary locked box completion adjustments</li> <li>Webcentral will retain a one-third equity interest in the Domains Business implicitly valued at \$20M</li> <li>Deferred revenue balance of approximately \$30M not deducted from purchase price – valued retained by Webcentral</li> </ul>
03	Funding	<ul> <li>Debt Commitment Letter for \$80M</li> <li>Equity Commitment Letter from Oakley and its partners</li> </ul>
04	Conditions Precedent	<ul> <li>Internal Restructure – certain relevant assets, securities &amp; liabilities to be transferred into subsidiary companies prior to Completion</li> <li>Target MAC – No Target MAC occurring between 30 June 2023 and completion (threshold set at 30% of EBITDA)</li> <li>Debt financing – long-form debt documentation to be by the new joint venture company</li> </ul>
05	Timeline to completion	Completion Is expected by late-November 2023
06	TSA/MSA	<ul> <li>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</li> </ul>
07	Change of name	Webcentral Limited will change its name back to 5G Networks Limited post-transaction

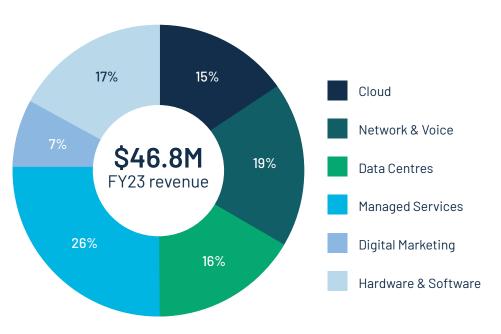
Note: 1) Including ticker fee payable to seller and assuming closing on 30 November 2023.



## **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





#### Expected Cash Position<sup>1</sup>

	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



#### **Product offering** 5GN Private Cloud Data Co-location Bare Metal 5GN CloudPort Centre National National Dark MPLS network Fibre **Networks** Managed Services Digital PPC SE<sub>0</sub> Social Content Marketing Hardware & Cisco Juniper Dell EMC Microsoft **VMware** Citrix Software

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



## 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

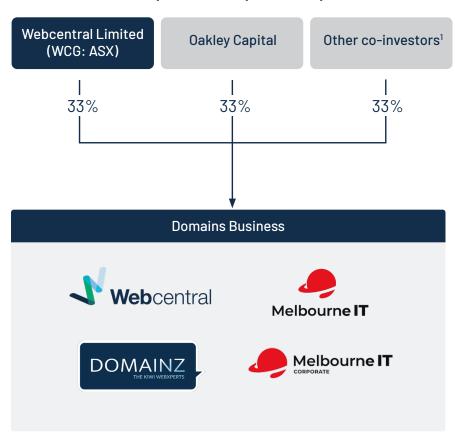


Webcentral shareholders will benefit from the synergies and other value enhancements available to Oakley and its partners, who own complementary investments in Webpros (cPanel, Plesk and WHMCS), Contabo and World Host Group, through its retained equity holding in the Domain Business



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

#### **Group Stucture (post-completion)**



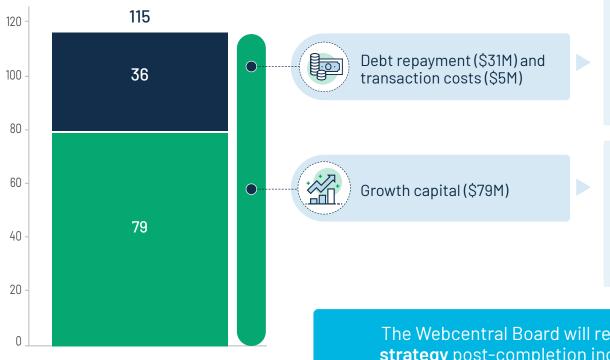
Note: 1) Includes veteran hosting entrepreneurs Jochen Berger and Tom Strohe.



## 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)



- \$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
- 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



Growth capital

Debt repayment

## 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 <sup>1</sup>
Cash	4.5	79.1	83.6
Trade and other receivables	5.1	(0.5)	4.6
Deferred COGS <sup>2</sup>	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 <sup>2</sup>	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

<sup>2.</sup> Unearned revenue relating to domains business removed from Balance Sheet



<sup>1.</sup> Proforma unaudited numbers as if the transaction completed on 30 June 2023

## Conclusion



**\$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





## Thank you

## For further information contact:

#### Joe Demase

Managing Director jd@webcentral.com.au 1300 10 11 12

#### **Glen Dymond**

Chief Financial Officer gd@webcentral.com.au 0408 199 712

