

3 August 2020

WEBCENTRAL GROUP LIMITED (ASX: WCG)

Keybridge activity and recommended Web.com scheme

- The Webcentral directors note the recent acquisition of a 5.47% economic interest in Webcentral by Keybridge and strongly recommend Webcentral shareholders **take no action** in response to the Keybridge activity
- The Webcentral directors continue to unanimously recommend the Scheme under which Web.com will acquire all of the shares in Webcentral, and intend to vote in favour of the Scheme, in the absence of a Superior Proposal¹ and subject to the independent expert concluding in its independent expert's report (and continuing to conclude) that the Scheme is in the best interests of Webcentral shareholders
- The Scheme timetable remains on track for a Scheme Meeting in late September 2020

On 13 July 2020, Webcentral Group Limited (**Webcentral**) announced it had entered into a scheme implementation deed with Web.com Group, Inc. (**Web.com**) under which Web.com proposes to acquire all of the shares in Webcentral, by way of a scheme of arrangement (**Scheme**) for A\$0.10 per Webcentral share.

Keybridge activity

Webcentral notes the recent acquisition by Keybridge Capital Limited (**Keybridge**) of a 5.47% economic interest in Webcentral shares.² Keybridge's intentions are unclear and Webcentral has not received any proposal from Keybridge.

The Webcentral directors strongly recommend Webcentral shareholders to **take no action** in response to the recent activity by Keybridge in acquiring its 5.47% economic interest in Webcentral shares, which does not change the Webcentral director's recommendation in relation to the Scheme.

The Webcentral directors continue to unanimously recommend the Scheme and intend to vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the independent expert concluding in its independent expert's report (and continuing to conclude) that the Scheme is in the best interests of Webcentral shareholders.

Update on recommended Web.com scheme

By way of update, Webcentral has made good progress in preparation for the meeting to approve the Scheme (**Scheme Meeting**) and it expects to send its scheme booklet (which will include the independent expert's report and notice of meeting) to shareholders by the end of August 2020.

The Webcentral directors wish to highlight the following advantages of the proposed Scheme:

¹ In this announcement, "Superior Proposal" has the same meaning as given in the scheme implementation deed attached to Webcentral's announcement on 13 July 2020.

² As disclosed by Keybridge in a Form 603 released on the ASX on 31 July 2020.

- **Repayment of existing debt facilities:** Upon implementation of the Scheme, Web.com will ensure the full and final repayment by Webcentral of its existing debt facilities. Webcentral shareholders should note that if the Scheme is not implemented, there is no assurance that Webcentral's financiers will continue to provide the support that Webcentral requires to continue as a going concern.

Webcentral's financiers have provided support to Webcentral throughout its strategic review process (which process was announced in September 2019). However, its financiers currently have the right to cancel, and demand repayment of, the amounts outstanding under Webcentral's debt facilities upon 60 days' written notice.³ As at 31 July 2020, the total amount drawn under the debt facilities was approximately \$47.7 million. The total amount drawn under the debt facilities matures on 2 July 2021 (other than \$2.5 million which matures on 30 November 2020). These debt facilities are now classified as current liabilities.

- **Lack of alternative financing solutions on commercial terms:** If the Scheme is not implemented and Webcentral's financiers do not continue to provide the support that Webcentral requires to continue as a going concern, it is expected to be challenging for Webcentral to find an alternative refinancing solution on terms that are commercially reasonable or at all, particularly in light of the challenges that have arisen as a result of the COVID-19 pandemic, given its high net leverage ratio and failure to satisfy its financial covenants in four consecutive reporting periods. In such circumstances, there is a real risk that Webcentral may have insufficient liquidity to meet its debts as and when they fall due, which may require the Webcentral directors to consider the appointment of a voluntary administrator on the basis that Webcentral may be insolvent or likely to become insolvent in the future.
- **Certainty of value for Webcentral shareholders:** The 100% cash consideration payable under the Scheme provides Webcentral shareholders with the opportunity to realise certain cash value for their Webcentral shares at an attractive premium to recent trading.
- **Superior outcome following broad reaching strategic review:** Webcentral's strategic review was prompted by markedly softened trading conditions and downgraded forecasts for the Webcentral Group's underlying EBITDA announced in June 2019 and September 2019 – in the latter case, by approximately 37% below the guidance issued in August 2019.⁴ The Webcentral directors determined that Web.com's offer emerged from the strategic review as the superior offer for Webcentral shareholders, balancing the maximisation of shareholder value with transaction certainty.
- **Removal of exposure to risks associated with Webcentral's business:** The Scheme provides certainty against the risks associated with the execution of Webcentral's long term strategy and the risk that Webcentral's financiers cease to provide the support that Webcentral requires to continue as a going concern. As mentioned above, Webcentral's financiers currently have the right to cancel, and demand repayment of the amounts outstanding under Webcentral's debt facilities upon 60 days' written notice. Given the current operating challenges the business is facing, particularly in light of the COVID-19 pandemic, the Scheme provides shareholders with a certain value as there is no certainty that the financiers will continue to support Webcentral in the absence of the Scheme.

³ Certain of the non-binding indicative offers received as part of the strategic review process required the financiers to extend the maturity date of the debt facilities and/or to compromise part of the principal amount outstanding under the debt facilities – neither of these conditions were acceptable to the financiers.

⁴ Mid-point of disclosed guidance range. June 2019 underlying EBITDA guidance was restated in August 2019 following the adoption of AASB 16. No effective change to the guidance was made following the restatement.

- **Financing difficulties absent the Scheme:** In light of Webcentral's existing debt levels and ongoing costs (including those associated with remaining as a listed entity), it is expected to be difficult, particularly in light of the COVID-19 pandemic, for Webcentral to raise additional funding from its existing financiers, or from third party debt providers, to support any substantial development or growth of its business or for strategic acquisitions.
- **No Superior Proposal:** Since the Scheme was announced, no other party (including Keybridge) has presented Webcentral with a Superior Proposal.

Indicative timetable and next steps

The scheme booklet containing information relating to the Scheme, the independent expert's report on whether the Scheme is in the best interests of Webcentral shareholders, the reasons for the Webcentral Directors' unanimous recommendation and details of the Scheme Meeting is currently expected to be sent to Webcentral shareholders by the end of August 2020. The Scheme Meeting, where Webcentral shareholders will have the opportunity to vote on the Scheme, is currently expected to be held in late September 2020.

Subject to the various approvals being obtained and other conditions of the Scheme being satisfied or waived (if applicable), the Scheme is currently expected to be implemented in October 2020.

These dates are indicative and subject to change.

1H FY20 results

Webcentral will publicly release its 1H FY20 results in late August 2020. Shareholders are encouraged to read those accounts when they are published on the ASX before deciding how to vote on the Scheme.

Until the Scheme is implemented, Webcentral may also require additional short-term funding and the ongoing support of its lenders to continue to provide the existing facilities and any required additional funding to be able to continue as a going concern.

Further information

Please contact Ms Emma Jewell of Red Agency for any media enquiries or Mr Andrew Reitzer for any investor queries.

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ENDS.

The release of this announcement to the ASX was authorised by the Webcentral Board of Directors

About Webcentral Group Ltd

Webcentral Group Ltd is Australia's largest full-service digital services partner for small and medium businesses - fuelling the growth of local businesses from inception to acceleration.

Since its founding in 1996, Webcentral Group Ltd (previously Melbourne IT Group and Arq Group) has helped fuel the digital success of more than one million Australian small to medium businesses. With roots in domain name and hosting, Webcentral Group Ltd are

the small and medium business digital growth solution experts helping businesses get online, improve their online performance, and protect their online presence.

Webcentral Group Ltd consists of the brands Netregistry, WME, Melbourne IT, and Domainz. The Webcentral Group Ltd Enterprise division was divested March 2020.