

# Webcentral Extraordinary General Meeting of Shareholders

ASX Announcement, 1 October 2021



Webcentral Group Limited (ASX:WCG) (**Webcentral**) announces that an Extraordinary General Meeting of Shareholders will be held at 10.00 am (Melbourne time) on Wednesday 3 November 2021. The meeting will be held entirely as a virtual meeting.

The Notice of Meeting has been despatched to Webcentral shareholders today. A copy of the Notice of Meeting and proxy form accompanies this Announcement.

The Extraordinary General Meeting has been primarily called to consider a number of resolutions required to give effect to the proposed merger of Webcentral with 5G Networks Limited (**5GN**) by way of a Scheme of Arrangement (**Scheme**) as announced on 16 July 2021. The passing of those resolutions are conditions of the Scheme.

Annexed to the Notice of Meeting is an Independent Expert's Report prepared by ShineWing Australia Securities Pty Ltd. The Independent Expert has concluded that the transactions considered in the report, being the acquisition under the Scheme of shares held by related parties, are fair and reasonable to the non-associated shareholders of Webcentral. The Independent Expert's conclusion should be read in the context of the full Independent Expert's Report and the Notice of Meeting.

A proposed change of name of Webcentral and a ratification of a prior issue of securities will also be considered at the Extraordinary General Meeting.

Today, the Federal Court of Australia ordered that the meeting of 5GN shareholders to consider and vote on the Scheme be convened on Monday 8 November 2021 at 10 am (Melbourne time).

## Investor Enquiries

Joe Demase  
Managing Director  
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## 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.

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.

# WEBCENTRAL GROUP LIMITED

## ACN 073 716 793

# NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders of Webcentral Group Limited ACN 073 716 793 (**WCG, Webcentral** or **Company**) will be held:

Date: Wednesday, 3 November 2021  
Time: 10.00am (Melbourne time)  
Venue: Online at [www.agmlive.link/wcgegm21](http://www.agmlive.link/wcgegm21)

The Extraordinary General Meeting will be held as a virtual meeting. Shareholders are requested to participate in the Extraordinary General Meeting via the Company's online virtual platform, or by the appointment of a proxy. Please see page 9 for details outlining the process Shareholders should follow to participate in the Extraordinary General Meeting.

In accordance with the *Treasury Laws Amendment (2021 Measures No.1) Act 2021*, the Company will not be mailing physical copies of this Notice of Meeting to Shareholders, and instead this Notice of Meeting will be sent electronically to Shareholders where the Company has a record of their email address, or will otherwise be made available to Shareholders where the Company does not have a record of their email address through a URL set out in a postcard sent to them by mail. Please see page 9 for further details regarding the despatch of this Notice of Meeting to Shareholders.

Certain terms and abbreviations used in this Notice of Meeting and the Explanatory Memorandum are defined in the Glossary to, or elsewhere in, the Explanatory Memorandum.

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### 1. **RESOLUTION 1 – APPROVAL OF THE ISSUE OF CONSIDERATION SHARES TO 5GN SHAREHOLDERS UNDER THE SCHEME**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue the Consideration Shares to 5GN Shareholders under the Scheme, constituting a reverse takeover of the Company, on the terms and conditions set out in the Explanatory Memorandum.”*

#### **Voting exclusion statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- 5GN; and

- any person who will obtain a material benefit as a result of the reverse takeover or the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company or 5GN),

or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 1 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with the directions given to the proxy or attorney to vote on Resolution 1 in that way; or
- the chair of the meeting as a proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the chair to vote on Resolution 1 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 1; and
  - the holder votes on Resolution 1 in accordance with the directions given by the beneficiary to the holder to vote in that way.

## 2. **RESOLUTION 2 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (JOSEPH DEMASE)**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*‘That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire a substantial asset from Mr Joseph Demase, a director of the Company, and his associates, being J D Management Group Pty Ltd, Demase Enterprises Pty Ltd (as trustee for the JMD Superannuation Fund) and Studio Incorporate Pty Ltd, under the Scheme, on the terms and conditions set out in the Explanatory Memorandum.’*

### **Independent Expert’s Report**

Shareholders should read and carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under ASX Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the proposed acquisition, the subject of Resolution 2, to Shareholders whose votes in favour of the proposed acquisition are not to be disregarded under ASX Listing Rule 14.11 (as set out below).

The Independent Expert has determined that the proposed acquisition, the subject of Resolution 2, is **FAIR AND REASONABLE** to non-associated Shareholders.

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

- J D Management Group Pty Ltd, Demase Enterprises Pty Ltd (as trustee for the JMD Superannuation Fund) and Studio Incorporate Pty Ltd;
- Mr Joseph Demase; and
- any other person who will obtain a material benefit as a result of the transaction contemplated by Resolution 2 (except a benefit solely by reason of being a holder of ordinary securities in the Company),

or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on Resolution 2 in that way; or
- the chair of the meeting as a proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with a direction given to the chair to vote on Resolution 2 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 2; and
  - the holder votes on Resolution 2 in accordance with the directions given by the beneficiary to the holder to vote in that way.

### 3. **RESOLUTION 3 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (JOE GANGI)**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*‘That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire a substantial asset from Mr Joe Gangi, a director of the Company, and his associates, being himself and Ms Daniela Dona (as trustees for the Gangi Superannuation Fund) and OR Gangi Services Pty Ltd, under the Scheme, on the terms and conditions set out in the Explanatory Memorandum.’*

#### **Independent Expert’s Report**

Shareholders should read and carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under ASX Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the proposed acquisition, the subject of Resolution 3, to Shareholders whose votes in favour of the proposed acquisition are not to be disregarded under ASX Listing Rule 14.11 (as set out below).

The Independent Expert has determined that the proposed acquisition, the subject of Resolution 3, is **FAIR AND REASONABLE** to non-associated Shareholders.

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- Mr Joe Gangi and Ms Daniela Dona as trustees for the Gangi Superannuation Fund;
- OR Gangi Services Pty Ltd;
- Mr Joe Gangi; and
- any other person who will obtain a material benefit as a result of the transaction contemplated by Resolution 3 (except a benefit solely by reason of being a holder of ordinary securities in the Company),

or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on Resolution 3 in that way; or
- the chair of the meeting as a proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with a direction given to the chair to vote on Resolution 3 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 3; and
  - the holder votes on Resolution 3 in accordance with the directions given by the beneficiary to the holder to vote in that way.

#### **4. RESOLUTION 4 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (JASON ASHTON)**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*‘That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire a substantial asset from Mr Jason Ashton, a proposed director of the Company and current director of an entity that controls the Company, and his associate, being JMAS Pty Ltd, under the Scheme, on the terms and conditions set out in the Explanatory Memorandum.’*

### **Independent Expert’s Report**

Shareholders should read and carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under ASX Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the

proposed acquisition, the subject of Resolution 4, to Shareholders whose votes in favour of the proposed acquisition are not to be disregarded under ASX Listing Rule 14.11 (as set out below).

The Independent Expert has determined that the proposed acquisition, the subject of Resolution 4, is **FAIR AND REASONABLE** to non-associated Shareholders.

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- Mr Jason Ashton;
- JMAS Pty Ltd; and
- any other person who will obtain a material benefit as a result of the transaction contemplated by Resolution 4 (except a benefit solely by reason of being a holder of ordinary securities in the Company),

or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 4 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- the chair of the meeting as a proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the chair to vote on Resolution 4 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 4; and
  - the holder votes on Resolution 4 in accordance with the directions given by the beneficiary to the holder to vote in that way.

### **5. RESOLUTION 5 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (ALBERT CHEOK)**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*‘That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire a substantial asset from Mr Albert Cheok, a director of an entity that controls the Company, under the Scheme, on the terms and conditions set out in the Explanatory Memorandum.’*

### **Independent Expert's Report**

Shareholders should read and carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the proposed acquisition, the subject of Resolution 5, to Shareholders whose votes in favour of the proposed acquisition are not to be disregarded under ASX Listing Rule 14.11 (as set out below).

The Independent Expert has determined that the proposed acquisition, the subject of Resolution 5, is **FAIR AND REASONABLE** to non-associated Shareholders.

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:

- Mr Albert Cheok; and
- any other person who will obtain a material benefit as a result of the transaction contemplated by Resolution 5 (except a benefit solely by reason of being a holder of ordinary securities in the Company),

or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 5 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on Resolution 5 in that way; or
- the chair of the meeting as a proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with a direction given to the chair to vote on Resolution 5 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 5; and
  - the holder votes on Resolution 5 in accordance with the directions given by the beneficiary to the holder to vote in that way.

## **6. RESOLUTION 6 – CHANGE OF NAME OF THE COMPANY**

To consider and, if thought fit, to pass the following resolution as a special resolution:

*“That, in accordance with section 157(1)(a) of the Corporations Act, the name of the Company be changed to ‘Webcentral Limited’.”*

## 7. RESOLUTION 7 – APPROVAL OF PRIOR ISSUED SECURITIES

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve the issue of the Prior Issued Securities on the terms and conditions set out in the Explanatory Memorandum.”*

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 7 by or on behalf of a person who participated in the issue or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 7 by:

- a person as a proxy or attorney for a person who is entitled to vote on Resolution 7, in accordance with the directions given to the proxy or attorney to vote on Resolution 7 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 7, in accordance with a direction given to the chair to vote on Resolution 7 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 7; and
  - the holder votes on Resolution 7 in accordance with directions given by the beneficiary to the holder to vote in that way.

### **EXPLANATORY MEMORANDUM**

An Explanatory Memorandum in respect of the Resolutions set out above is attached to or otherwise accompanies this Notice of Meeting.

Expressions, terms or abbreviations defined in the Explanatory Memorandum have the same meaning when used in this Notice of Meeting.

### **By Order of the Board**



Joe Gangi  
Chairman



## **VIRTUAL EXTRAORDINARY GENERAL MEETING**

In accordance with *Treasury Laws Amendment (2021 Measures No.1) Act 2021*, the Company will not be mailing physical copies of this Notice of Meeting to Shareholders. This Notice of Meeting will be despatched to Shareholders in the following manner:

- if the Share Registry has a record of a Shareholder's email address, the Company will send an email to that Shareholder with this Notice of Meeting included as an attachment to that email; or
- if the Share Registry does not have a record of a Shareholder's email address, the Company will mail a physical postcard to that Shareholder's registered address, containing a URL website address by which that Shareholder can access and download a copy of this Notice of Meeting electronically.

Despite the above, for each Shareholder who has nominated (in accordance with the Corporations Act) to receive documents to which Division 3 of Part 2G.5 of the Corporations Act applies in hard copy only, this Notice of Meeting will be posted to that Shareholder's registered address.

Shareholders are requested to participate in the Extraordinary General Meeting virtually via our virtual Extraordinary General Meeting platform at 10.30am or via the appointment of a proxy.

We recommend logging in to our online platform at least 15 minutes prior to the scheduled start time for the Extraordinary General Meeting using the instructions below.

## **VOTING ENTITLEMENTS**

In accordance with section 1074E(2)(g) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations 2001 (Cth), persons holding Shares at 7.00 pm (Melbourne time) on 1 November 2021 will be treated as Shareholders. This means that if you are not the registered holder of a relevant Share at that time you will not be entitled to attend and vote in respect of that Share at the Extraordinary General Meeting.

## **EXTRAORDINARY GENERAL MEETING CONSIDERATIONS AND SHAREHOLDER QUESTIONS**

A discussion will be held on all Resolutions to be considered at the Extraordinary General Meeting.

All Shareholders will have a reasonable opportunity to participate and ask questions during the Extraordinary General Meeting via the virtual Extraordinary General Meeting platform.

To ensure that as many Shareholders as possible have the opportunity to speak, Shareholders are requested to observe the following procedures at the Extraordinary General Meeting:

- all Shareholder questions should be stated clearly and should be relevant to the business of the Extraordinary General Meeting;
- if a Shareholder has more than one question on an item, all questions should be asked at the one time; and
- Shareholders should not ask questions at the Extraordinary General Meeting regarding personal matters or matters that are commercial in confidence.

Shareholders who prefer to register questions in advance of the Extraordinary General Meeting are invited to do so. A Shareholder question form is available on the Company's website: <https://www.webcentral.com.au/>.

The Company will attempt to address the more frequently asked questions in the Extraordinary General Meeting. Written questions must be received by the Company or Link Market Services Limited by 11.00 am on 1 November 2021, and can be submitted online or delivered by mail, fax or in person.

## **ALL RESOLUTIONS BY POLL**

The chair of the Meeting intends to call a poll on each of the Resolutions proposed at the Extraordinary General Meeting. Each Resolution considered at the Extraordinary General Meeting will therefore be conducted by poll, rather than a show of hands. The chair considers voting by poll to be in the interests of the Shareholders as a whole, and to ensure the representation of as many Shareholders as possible at the meeting.

## **HOW TO VOTE**

### **Using the online platform**

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Extraordinary General Meeting using the instructions below:

- enter [www.agmlive.link/wcgegm21](http://www.agmlive.link/wcgegm21) into a web browser on your computer or online device;
- Shareholders will need their SRN or HIN: and
- proxyholders will need their proxy code which Link Market Services Limited will provide via email no later than 48 hours prior to the Meeting.

Online voting will be open between the commencement of the Extraordinary General Meeting at 11.00 am (Melbourne time) on 3 November 2021 and the time at which the chair announces voting closure.

More information about online participation in the Extraordinary General Meeting is available in the online platform guide at [linkmarketservices.com.au](http://linkmarketservices.com.au).

### **Appointing a proxy**

A member can appoint a proxy to attend the Extraordinary General Meeting and vote on their behalf, using the enclosed Proxy Form (which can also be access online). A member who is entitled to vote at the Extraordinary General Meeting may appoint:

- one proxy, if the member is only entitled to one vote; or
- two proxies, if the member is entitled to more than one vote.

Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be discarded. A proxy need not be a member of the Company.

If you require an additional Proxy Form, please contact Link Market Services Limited at +61 1300 554 474.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Share Registry, Link Market Services Limited, no later than 11.00am at 1 November 2021 (that is, at least 48 hours before the meeting). Proxies received after this time will not be accepted.

Instructions for completing the Proxy Form are outlined on the form, which may be returned by:

- posting it in the reply-paid envelope provided;
- posting it Webcentral Group Limited c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
- hand delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000;
- faxing it to Link Market Services Limited on +61 2 9287 0309; or
- lodging it online at [linkmarketservices.com.au](http://linkmarketservices.com.au) in accordance with the instructions provided on the website. You will need your HIN or SRN to lodge your Proxy Form online.

Proxy Forms from corporate shareholders must be executed in accordance with their constitution or signed by a duly authorised attorney.

A proxy may decide whether to vote on any motion except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as a proxy. If a proxy directs how to vote on an item of business, the proxy may only vote on that item, in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote how he/she thinks fit, subject to any voting exclusions or restrictions.

The Constitution provides that where the appointment of a proxy has not identified the person who may exercise it, the appointment will be deemed to be in favour of the chair of the meeting to which it relates, or to another person as the Board determines.

Subject to any voting exclusions or restrictions, if a Shareholder appoints the chair of the Meeting as the Shareholder's proxy and does not specify how the chair is to vote on an item of business, the chair intends to vote, as a proxy for that Shareholder, in favour of the item on a poll. The Company recommends that Shareholders who submit proxies including proxies in favour of the chair to direct their proxy how to vote on the item concerned.

Shareholders should note that any statement as to how the chair of the Meeting intends to vote undirected proxies expresses the chair's intention at the date of this Notice of Meeting and the chair's intention may change subsequently. If there is such a change, Webcentral will make an appropriate announcement to ASX stating that fact and the reasons for the change.

## **BODY CORPORATE REPRESENTATIVES**

- A Shareholder that is a corporation may, by resolution of its directors or other governing body, authorise a person to act as its representative to vote at the Extraordinary General Meeting.
- A representative appointed by a Shareholder that is a corporation may be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Shareholder of the Company.
- To evidence the authorisation, either a certificate of body corporate representative executed by the corporation or under the hand of its attorney or an equivalent document evidencing the appointment will be required.
- The certificate or equivalent document must be produced prior to the Meeting.

## **FORWARD LOOKING STATEMENTS**

This Notice of Meeting, including the Explanatory Memorandum, may contain certain forward looking statements. Forward looking statements are based on the Company's current expectations about future events. Any forward looking statements are subject to known and unknown risks, uncertainties and assumptions, some of which may be out of the control of the Company and the Directors, which may cause actual results, performance or achievements to differ from future results, performance or achievements expressed or implied by the use of forward looking statements.

Forward looking statements can be identified by the use of words including, but not limited to, 'anticipates', 'intends', 'will', 'should', 'expects', 'plans' or other similar words.

# WEBCENTRAL GROUP LIMITED

## ACN 073 716 793

### EXPLANATORY MEMORANDUM

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#### 1. OVERVIEW OF PROPOSED TRANSACTIONS

##### 1.1 Background

The Company is proposing to merge with 5G Networks Limited ACN 163 312 025 (**5GN**). The merger will be effected by the Company acquiring all of the shares on issue in the capital of 5GN by way of scheme of arrangement pursuant to Part 5.1 of the Corporations Act (**Scheme**).

The Scheme was announced to the ASX on 16 July 2021. To implement the Scheme, the Company and 5GN entered into a merger implementation agreement on that date (**MIA**). A summary of the terms of the MIA is set out later in this Explanatory Memorandum.

Under the Scheme, the Company will issue Shares in the Company (**Consideration Shares**) to the holders of fully paid ordinary shares in 5GN (**5GN Shareholders**) on the applicable scheme record date in exchange for their shares in 5GN on a 2:1 basis. In other words, on implementation of the Scheme, a 5GN Shareholder will receive 2 Consideration Shares (being Shares in the Company) for each 5GN share held by him or her on the applicable scheme record date. Application will be made for quotation of those Consideration Shares on ASX.

The Company is currently a controlled entity of 5GN. However, following implementation of the Scheme, 5GN will become a wholly-owned subsidiary of the Company with 5GN Shareholders holding approximately 74% of the voting shares in the combined entity and WCG shareholders holding the remaining 26%.<sup>1</sup>

There are five resolutions which need to be considered and passed by Shareholders at the Extraordinary General Meeting to permit the Company to proceed with the proposed merger and the Scheme, being:

- (a) Shareholders voting to approve the issue of the Consideration Shares and the acquisition of 5GN for the purposes of the reverse takeover provisions in ASX Listing Rule 7.1 (Resolution 1);
- (b) Shareholders voting to approve the acquisition of a substantial asset from Mr Joseph Demase and his associates (their holding of 18,386,996 shares in 5GN) (**JD Acquisition**). Joe Demase and his

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<sup>1</sup> 5GN currently holds 69,524,461 or 44.71% of the fully paid ordinary shares on issue in Webcentral. The Corporations Act requires these shares to be cancelled following implementation of the Scheme and until that time they may not be voted. These shares have been excluded from this calculation.

associates are related parties of the Company for the purposes of ASX Listing Rule 10.1 (Resolution 2);

- (c) Shareholders voting to approve the acquisition of a substantial asset from Mr Joe Gangi and his associates (their holding of 1,901,932 shares in 5GN) (**JG Acquisition**). Joe Gangi and his associates are related parties of the Company for the purposes of ASX Listing Rule 10.1 (Resolution 3);
- (d) Shareholders voting to approve the acquisition of a substantial asset from Mr Jason Ashton and his associates (their holding of 2,189,456 shares in 5GN) (**JA Acquisition**). Jason Ashton and his associates are related parties of the Company for the purposes of ASX Listing Rule 10.1 (Resolution 4); and
- (e) Shareholders voting to approve the acquisition of a substantial asset from Mr Albert Cheek and his associates (their holding of 4,000,071 shares in 5GN) (**AC Acquisition**). Albert Cheek and his associates are related parties of the Company for the purposes of ASX Listing Rule 10.1 (Resolution 5)

If any one of the above five Resolutions is not passed then the Scheme will not proceed and the Company may become liable to pay a Reverse Reimbursement Fee to 5GN as outlined in section 1.3 below.

Additionally, in connection with the proposed merger with 5GN, the Company wishes to obtain:

- (a) Shareholder approval to change the name of the Company (Resolution 6); and
- (b) Shareholder approval for certain past issues of securities by the Company (Resolution 7).

## 1.2 About 5GN

5GN is a licensed telecommunications carrier operating across Australia and international markets. 5GN offers business customers a unique and seamless digital experience across data network connectivity, cloud and data centres, underpinned through our expertise in managed IT services.

5GN currently has approximately \$16 million of cash and undrawn debt facilities.

5GN currently owns and operates its own nationwide high-speed 100 Gb data network with points of presence in all major Australian capital cities in addition to high speed international connectivity to Japan, New Zealand, Singapore and USA. 5GN has commenced the rollout of fibre in 5 Australian capital cities to connect 80 data centres.

In addition, 5GN offers managed cloud and infrastructure hosting through its 5GN cloud platforms and its 4 owned and operated data centres, which have a combined rack capacity of more than 800 racks and over 8 MW of power. 5GN data centres are connected to secure 100 Gb networks across Melbourne, Sydney, Brisbane and Adelaide.

As an organisation, 5GN is committed and passionate about delivering unique value to its more than 2500 customers which include several top 50 ASX listed and Government organisations. This commitment is strengthened by a core focus on digital leadership, innovation and an exceptional customer experience.

- (a) **Data Networks:** 5GN's data network solutions help businesses to connect with secure world-class technologies to enhance both application performance and availability. 5GN's data network is an agile and secure optical fibre network that enables customers to connect to their data at ultra-high speeds with minimal latency. This is augmented though 5GN's rapidly growing metropolitan fibre network which will soon extend 180 km across major Australian cities, connecting to more than 80 data centres.
- (b) **Data centre & Cloud services:** 5GN provides market leading cloud services that combine the security of private cloud with public cloud platforms. The platform is orchestrated and governed from a single management console which securely manages the cloud ecosystem. 5GN cloud combines the control, flexibility and security of a national private cloud, with the agility and innovation of public cloud. Data centre services are used to host critical infrastructure in addition to the inter-connection of cloud services, partners, network carriers and offices.
- (c) **Managed Services:** 5GN managed services provides solutions which optimise customers ICT environments to accelerate the future opportunities through Managed IT and Service Management. Managed IT provides business solutions through introducing new business models and digitally enabled platforms and services. Service Management provides end to end service management for data networks, cloud and data centre services.

### **5GN Board and senior management personnel**

- (d) Albert Cheok (Chairman)

Mr Albert Cheok possesses over 35 years of high-level experience in the banking, financial and corporate sectors across the Asia Pacific region. Albert's roles range from Chairman of Bangkok Bank Berhad in Malaysia, to a manager of Reserve Bank of Australia. Carrying various accolades of the top REIT Fund Manager in Asia for 2016 and a Fellow of the Certified Public Accountants Australia, Albert is presently the Vice Governor of the Malaysian Institute of Corporate Governance.

- (b) Joseph Demase (Managing Director)

Mr Joseph Demase is the Managing Director of Webcentral and has, since 2017, been the Managing Director of 5GN. With a background in accounting and finance, he has successfully built a number of businesses, including being the founder of 2 ASX listed telecommunications companies. Joe has 25 years' experience in the telecommunications sector in both Australia and UK and this experience allows him to skilfully identify market opportunities. With 10 years' experience as a public company director he has proven his ability

a number of times to improve the performance of and turn around underperforming companies, including companies listed on ASX.

(c) Joe Gangi (Independent Director)

Mr Joe Gangi has over 30 years of experience in corporate management and governance and has been an independent director of 5GN since its inception and initial IPO. He is a member of the RMIT University, Engineering Faculty, Industry Advisory Committee and is an active advisor to several private sector boards. He also provides strategic planning and consulting services to the Local Government sector. His expertise lies in business management and leadership with a focus on business sustainability, growth and development, strategic and client relationship management and risk management.

(d) Jason Ashton (Independent Director)

Mr Jason Ashton has more than 25 years of experience in the Internet and Telecommunications industries. Jason was co-founder (1993) and Managing Director of business ISP Magna Data which was acquired in 1999. Jason was also co-founder (2002) of ASX listed BigAir Group Limited and was its Chief Executive Officer from 2006 until its acquisition by Superloop Limited in 2016 (ASX:SLC). He served as an executive director at Superloop from 2016 to 2018.

(e) Glen Dymond (Chief Financial Officer and Joint Company Secretary)

Mr Glen Dymond has more than 25 years of experience in senior finance and operations management roles at several ASX-listed entities, including Zenitas Healthcare Limited, Spotless Group Limited, Broadspectrum Limited and ConnectEast Group. Glen's commercial finance and operations experience has been achieved across a diverse range of businesses. This includes process development to drive financial performance, as well as client commercial management and driving successful change management across organisations undergoing rapid growth and change.

(f) Michael Wilton (General Counsel and Joint Company Secretary)

Mr Michael Wilton is General Counsel and Joint Company Secretary of Webcentral. He is a corporate and commercial lawyer with many years' experience in mergers and acquisitions and equity capital markets. He also has substantial expertise and experience in information technology and telecommunications advising clients in both the private and public sectors, the latter including the Commonwealth of Australia and the State of Victoria.

### **Principal activities of 5GN**

5GN is a licensed telecommunications carrier operating across Australia and international markets. 5GN supplies a range of IT and telecommunications services to its business customers.



## Financial Information on 5GN

5GN's financial report for the year ended 30 June 2021, as released to ASX on 17 September 2021, is available for download on 5GN's website at [www.5gnetworks.com.au](http://www.5gnetworks.com.au). It may also be accessed through the ASX website at [www2.asx.com.au](http://www2.asx.com.au) (ASX code: 5GN).

## Publicly Available Information about 5GN

5GN is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, 5GN is subject to the Listing Rules and section 674 of the Corporations Act which require continuous disclosure of any information 5GN has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Documents lodged by 5GN with ASX to comply with its continuous disclosure obligations can be viewed online at the ASX website at [www2.asx.com.au](http://www2.asx.com.au) (ASX code: 5GN).

In addition, 5GN is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by 5GN may be obtained from, or inspected at, an ASIC office.

Additional information about 5GN is available at [www.5gnetworks.com.au](http://www.5gnetworks.com.au).

## 1.3 Merger Implementation Agreement

### Overview

On 16 July 2021, the Company and 5GN entered into the MIA. Under the MIA 5GN and Webcentral agreed to merge by way of the Scheme. The key terms of the MIA are summarised below.

A copy of the full MIA is available on the ASX website at [www2.asx.com.au](http://www2.asx.com.au) (ASX code: 5GN), and on 5GN's website at [www.5gnetworks.com.au](http://www.5gnetworks.com.au).

Unless the context indicates otherwise, capitalised terms in this section 1.3 have the meaning given to them in the MIA.

### Conditions Precedent

Implementation of the MIA is subject to the following Conditions Precedent which must be satisfied or waived (as applicable):

- (a) **5GN Shareholder approval:** approval of the Scheme by the Requisite Majority of 5GN Shareholders at the Scheme Meeting;
- (b) **Court approval:** approval of the Scheme by the Court;
- (c) **Restraints:** there is no action by a court or other Government Agency which would restrain, prohibit or otherwise materially adversely affect the Scheme;
- (d) **5GN Prescribed Occurrence:** no 5GN Prescribed Occurrence occurs between 16 July 2021 and 8.00 am on the Second Court Date;

- (e) **5GN Material Adverse Change:** no 5GN Material Adverse Change occurs between 16 July 2021 and 8.00 am on the Second Court Date;
- (f) **WCG Shareholder Approval:** before 10:00 am on the date of the Scheme Meeting, WCG Shareholders approve the Substantial Asset Resolutions and the Reverse Takeover Resolution at the Webcentral EGM;
- (g) **ASX quotation:** before 8.00 am on the Second Court Date, ASX has not indicated to Webcentral that it will not grant permission for the official quotation of the New Webcentral Shares on ASX from the Business Day following the Implementation Date;
- (h) **5GN Options and 5GN Performance Rights:** Before 8.00 am on the date of the Scheme Meeting, the actions specified in Schedule 6 of the MIA are in all material respects taken in relation to the 5GN Options, 5GN Performance Rights and ESOP Shares on substantially the terms specified in that Schedule or otherwise reasonably satisfactory to 5GN and Webcentral;
- (i) **Webcentral Prescribed Occurrence:** no Webcentral Prescribed Occurrence occurs between 16 July 2021 and 8.00 am on the Second Court Date;
- (j) **Webcentral Material Adverse Change:** no Webcentral Material Adverse Change occurs between 16 July 2021 and 8.00 am on the Second Court Date; and
- (k) **No breach:** no material breach of the MIA by either party has occurred (which has not been remedied to the reasonable satisfaction of the other party) before 8:00 am on the Second Court Date.

### **Exclusivity arrangements**

The MIA contains certain customary exclusivity arrangements in favour of the Company and 5GN. These exclusivity arrangements are set out in clause 10 of the MIA. In summary, 5GN and the Company have granted the following exclusivity rights in favour of each other during the Exclusivity Period:

- (a) **No existing discussions** – it and its Subsidiaries and their respective Related Persons are not engaging in or are a party to discussions in respect of a Competing Proposal, and have ceased providing any non-public information which may facilitate a Competing Proposal.
- (b) **No shop** – it and each of its Related Persons and Subsidiaries must not directly or indirectly solicit, invite, encourage or initiate any inquiry, offer, expressions of interest, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to take such actions.

- (c) **No talk** – subject to the fiduciary carve out in clause 10.4 of the MIA, it and each of its Related Persons and Subsidiaries must not directly or indirectly:
  - (i) facilitate, participate in or continue any negotiations or discussions with respect to any Competing Proposal or participate in or continue any negotiations or discussions with respect to any actual, proposed or potential Competing Proposal;
  - (ii) negotiate, accept or enter into, or offer or agree to negotiate a Competing Proposal; or
  - (iii) disclose any non-public information about the business or affairs of the relevant party to any Third Party in connection with such Third Party formulating, developing or finalising a Competing Proposal, or which would reasonably be expected to encourage or lead to receipt of, an actual, proposed or potential Competing Proposal other than as required by law; or
  - (iv) communicate to any person an intention to take any of the above actions.
- (d) **Notification of approaches** – subject to the fiduciary carve out in clause 10.4 of the MIA, it must notify the other in writing within 48 hours if it, any of its Subsidiaries or any of their respective Related Persons, becomes aware of any approach, attempt to initiate discussions or negotiations, inquiry or proposal (or an intention to do any of those things) received by the relevant party in relation to an actual, proposed or potential Competing Proposal, whether direct or indirect, in writing or otherwise.
- (e) **Matching right** – it will not enter into an agreement to undertake a Competing Proposal unless it has given the other party at least 5 business days to provide a matching or Superior Proposal to the terms of the Competing Proposal.

### **Reimbursement fee and Reverse Reimbursement Fee**

#### Reimbursement Fee

5GN has agreed to pay the Company a reimbursement fee of the greater of reasonable actual Third Party costs incurred by the Company and \$500,000 if certain specified events occur, including:

- (a) **Change of recommendation** – a change of recommendation to vote in favour of the Scheme by a member of the Independent Board Committee other than:
  - (i) where the Scheme Independent Expert concludes that the Scheme is not in the best interests of 5GN Shareholders (except where the reason for that conclusion is due wholly or

- partly to the existence, announcement or publication of a Competing Proposal); or
- (ii) the withdrawal of a recommendation or voting intention statement so as to not make any recommendation or voting intention statement occurs because of a requirement or request of a court or Government Agency that one or more 5GN Directors abstain or withdraw from making a recommendation or voting intention statement in relation to the Scheme after the date of the MIA because of an interest he or she has in the Scheme.
- (b) **Competing Proposal** – a Competing Proposal is announced prior to 8.00 am on the Second Court Date and within 12 months of the announcement the Third Party or its Associates completes the Competing Proposal.
- (c) **Termination by the Company** – The Company validly terminating the MIA for a material breach by 5GN.

The Reimbursement Fee is not payable if the Scheme does not proceed merely because 5GN Shareholders do not vote in favour of the Scheme by the Requisite Majority. The Reimbursement Fee arrangements are set out in clause 11 of the MIA.

#### Reverse Reimbursement Fee

The Company has agreed to pay 5GN a reverse reimbursement fee of the greater of reasonable actual Third Party costs incurred by 5GN and \$500,000 if certain specified events occur, including (**Reverse Reimbursement Fee**):

- (a) **Change of recommendation** – a change of recommendation to vote in favour of the Substantial Asset Resolution and Reverse Takeover Resolution by any WCG Director other than:
- (i) where the Independent Expert concludes that the Substantial Asset Resolution is neither fair nor reasonable to WCG Shareholders (except where the reason for that conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal); or
- (ii) the withdrawal of a recommendation so as to not make any recommendation occurs because following receipt of written legal advice from its external legal advisers, one or more WCG Directors, by virtue of the directors' duties of the relevant WCG Directors, is required to abstain or withdraw from making a recommendation so as to not make any recommendation, because of an interest he or she has in the Substantial Asset Resolution or Reverse Takeover Resolution.
- (b) **Competing Proposal** – a Competing Proposal in respect of the Company is announced prior to 8.00 am on the Second Court Date and within 12 months of the announcement the Third Party or its Associates completes the Competing Proposal.

- (c) **WCG Shareholder Approval** – the Scheme does not proceed because the Company or 5GN terminates the MIA on the basis that the Condition Precedent in 3.1(j) of the MIA (*Webcentral Shareholder approval*) has not been satisfied before 10:00 am on the date of the Scheme Meeting.
- (d) **5GN Termination** – 5GN validly terminating the MIA for a material breach by the Company.

### **Representations and warranties**

The Company has given to 5GN a number of representations and warranties, including that:

- (a) the Webcentral Information included in the Scheme Booklet is accurate in all material respects and will not contain any statement which is materially misleading or materially deceptive (with any statement of belief or opinion being honestly held and formed on a reasonable basis) and has been provided to 5GN in good faith and is in compliance with relevant legal and regulatory requirements;
- (b) it has the power and authority to execute the MIA;
- (c) it and its Subsidiaries are not insolvent;
- (d) no litigation, prosecution, arbitration, mediation, or other proceedings relating to the Webcentral Group and which is material to the business of the Webcentral Group is current or, as far as the Company is aware, pending or threatened or would reasonably be expected to arise as a result of current circumstances;
- (e) so far as the Company is aware, each Webcentral Group Member has complied in all material respects with all enterprise bargaining agreements or similar collective agreements;
- (f) it has complied with its continuous disclosure obligations; and
- (g) it has complied in all material respects with all Australian and foreign laws and regulations applicable to it and orders of Government Agencies having jurisdiction over it.

5GN has given to the Company a number of representations and warranties, including that:

- (a) the 5GN Information included in the Scheme Booklet is accurate in all material respects and will not contain any statement which is materially misleading or materially deceptive (with any statement of belief or opinion being honestly held and formed on a reasonable basis) and has been provided to Webcentral in good faith and is in compliance with relevant legal and regulatory requirements;
- (b) it has the power and authority to execute the MIA;
- (c) it and its Subsidiaries are not insolvent;

- (d) no litigation, prosecution, arbitration, mediation, or other proceedings relating to the 5GN Group and which is material to the business of the 5GN Group is current or, as far as 5GN is aware, pending or threatened or would reasonably be expected to arise as a result of current circumstances;
- (e) so far as 5GN is aware, each 5GN Group member has complied in all material respects with all enterprise bargaining agreements or similar collective agreements;
- (f) it has complied with its continuous disclosure obligations; and
- (g) it has complied in all material respects with all Australian and foreign laws and regulations applicable to it and orders of Government Agencies having jurisdiction over it.

### **Termination rights**

Broadly, each of 5GN and the Company may terminate the MIA by written notice to the other party if:

- (a) the other party has materially breached the MIA and the party entitled to terminate has given written notice to the other party setting out the relevant circumstances and the other party has failed to remedy the breach within 5 Business Days;
- (b) a Condition Precedent is not satisfied or waived;
- (c) the Effective Date does not occur on or before the End Date;
- (d) 5GN Shareholders have not agreed to the Scheme at the Scheme Meeting by the Requisite Majority; or
- (e) at any time before 8:00 am on the Second Court Date the Court or another Government Agency has taken any action permanently restraining or otherwise prohibiting or preventing the Scheme, or has refused to do anything to permit the Scheme to be implemented by the End Date.

Broadly, the Company may terminate the MIA before 8.00 am on the Second Court Date if a member of the Independent Board Committee:

- (a) fails to recommend the Scheme in the terms required under the MIA;
- (b) withdraws or adversely changes, adversely modifies or adversely qualifies their support of the Scheme or his or her recommendation that 5GN Shareholders vote in favour of the Scheme; or
- (c) makes a public statement indicating that he or she no longer recommends the Scheme or recommends, supports or endorses another transaction (including any Competing Proposal),

other than where any 5GN Director is required or requested by a court or Government Agency to abstain or withdraw from making a recommendation or

voting intention statement in relation to the Scheme after the date of the MIA because of an interest he or she has in the Scheme.

Broadly, 5GN may terminate the MIA before 8.00 am on the Second Court Date:

- (a) if a member of the WCG Board:
  - (i) fails to recommend the Scheme in the terms required under the MIA;
  - (ii) withdraws or adversely changes, adversely modifies or adversely qualifies their support of the Scheme or his or her recommendation that 5GN Shareholders vote in favour of the Substantial Asset Resolution and Reverse Takeover Resolution; or
  - (iii) makes a public statement indicating that he or she no longer recommends the Scheme or recommends, supports or endorses another transaction (including any Competing Proposal),

other than where the Webcentral Board has reasonably determined, after receiving written legal advice from its external advisers, that the Webcentral Board is required to abstain from making or withdraw its or his or her recommendation so as to not make any recommendation, because of an interest a Webcentral Board member has in the Substantial Asset Resolution or Reverse Takeover Resolution; or

- (b) if the Independent Board Committee or a majority of it has changed, withdrawn, modified or qualified its recommendation as a result of the Scheme Independent Expert providing a report to 5GN that concludes that the Scheme is not in the best interests of 5GN Shareholders or 5GN has received a Competing Proposal and the 5GN Board determines that the Competing Proposal constitutes a Superior Proposal.

#### **1.4 Scheme booklet**

A scheme booklet, which includes the explanatory statement for the Scheme required by sub-section 412(1) of the Corporations Act, will be published by 5GN before the Meeting and will be accessible at:

<https://www2.asx.com.au/markets/company/5gn> (**Scheme Booklet**).

## 1.5 Pro forma capital structure

The below table shows the capital structure of the Company at the date of this Notice and upon completion of the Scheme, including the JA Acquisition, AC Acquisition, JD Acquisition and the JG Acquisition:

	Existing	%	Completion of the Scheme (and issue of Consideration Shares)	%
Existing Shares held by Shareholders (less those held by Joe Demase, Joe Gangi, Albert Cheok, Jason Ashton and each of their associates)	140,010,162	78.46%	70,485,701 *	21.72%
Joe Demase and associates	11,951,206	7.7%	48,725,198	14.89%
Joe Gangi and associates	2,941,176	1.9%	6,744,940	2.06%
Jason Ashton and associates	588,235	0.4%	4,967,147	1.52%
Albert Cheok and associates	Nil	Nil	8,000,142	2.44%
Consideration Shares issued to 5GN Shareholders (other than Joe Demase, Joe Gangi, Jason Ashton, Albert Cheok and their associates)	Nil	Nil	188,365,336	57.55%
<b>Total Shares</b>	<b>155,490,679</b>	<b>100%</b>	<b>327,288,464</b>	<b>100%</b>

**Notes:** \* This amount is the existing Shares in Webcentral less shares held by Joe Demase, Joe Gangi, Albert Cheok and Jason Ashton (and their associates) less the 69,524,461 shares held by 5GN. ASIC has granted in-principle relief from the self-acquisition provisions contained in section 259C(1) of the Corporations Act to permit all of the shares in 5GN to be transferred to the Company even though the Company is controlled by 5GN.



The 69,524,461 shares in the Company held by 5GN will be cancelled by the Company within 12 months of the Implementation Date of the Scheme, in accordance with section 259D of the Corporations Act and until that time may not be voted. They are not included in these calculations.

## 1.6 Merged group information and pro forma balance sheet

As a result of the merger between the Company and 5GN, several operational functions will be integrated. This outcome will include the retirement and integration of several service delivery and customer support platforms, and CRM systems can be rationalised and supporting technology consolidated. In addition, the sales and marketing and finance functions will be consolidated and managed to scale the effective optimisation of all brands and the streamlining of business processes and systems to support over 300,000 customers will continue to be activated. Whilst the merger will clearly deliver cost synergies through this transformation activity, 5GN will also experience improved utilisation of existing infrastructure assets such as 5GN private cloud solutions for hosting services and cross selling of many products into the 330,000 customers of the Company.

An unaudited pro-forma balance sheet for the Company following implementation of the Scheme, JA Acquisition, AC Acquisition, JD Acquisition and JG Acquisition is set out in Schedule 1.

## 1.7 Indicative timetable for the Merger

Subject to the requirements of the ASX Listing Rules, the Company anticipates implementation of Scheme, JA Acquisition, AC Acquisition, JD Acquisition and JG Acquisition in accordance with the following timetable:

Event	Date*
ASX announcement of Scheme	16 July 2021
Notice of Meeting despatched to Shareholders	1 October 2021
Extraordinary General Meeting to approve, among other resolutions, reverse takeover, JD Acquisition, JG Acquisition, AC Acquisition and JA Acquisition	3 November 2021
Issue of Consideration Shares	23 November 2021

**Note:** \* This timetable is indicative only and is subject to change. The Company may alter the dates above, at its absolute discretion, subject to the ASX Listing Rules and the Corporations Act and, where applicable, the consent of 5GN.

## 1.8 Advantages of the proposed merger and the Scheme

Advantages to Shareholders of the Company proceeding with the proposed merger, Scheme, JA Acquisition, AC Acquisition, JD Acquisition and JG Acquisition are as follows:

- (a) 5GN currently holds approximately 44.7% of the shares on issue in the Company following 5GN's 2020 takeover bid for the Company. This holding is not recognised in the market's valuation of 5GN, which now has a market capitalisation in the region of \$100m, as compared to more than \$200m prior to the 2020 takeover bid. Additionally, the Directors consider that the market does not currently fully appreciate the synergies and efficiencies generated between the two entities under the current ownership structure by virtue of the 5GN partial holding in Webcentral, which the Directors believe to be having a depressing effect on both entities' share prices. This valuation and synergies are more likely to be recognised by the market in the combined valuation of the Company and 5GN (**Merged Group**) following completion of the proposed merger and the Scheme to the advantage of not only former 5GN Shareholders who will hold Shares in the Company instead of 5GN but also Shareholders of the Company.
- (b) The Company currently owes approximately \$27 million<sup>2</sup> to 5GN (**5GN Debt**). It was a condition of the Company director support for the 2020 takeover that 5GN pay out the Company's banks at the time (the Company was bordering on insolvency) and while the Company has been able to pay down the 5GN Debt to some extent it remains substantial. The 5GN Debt will, in effect, be extinguished in the Merged Group upon completion of the Scheme as the 5GN Debt will be owed to a wholly-owned subsidiary of the Company.
- (c) The 5GN holding in the Company is also believed to have a depressing effect on the Company's share price. Among other things, this has made it difficult for the Company to raise capital.
- (d) There are likely to be substantial synergies realised by the Merged Group. These include reduced compliance costs from removing one listed entity, revenue synergies from the consolidation of operating platforms, headcount synergies from duplicated corporate roles that could be removed and operational synergies from consolidated property and other overhead suppliers.
- (e) The complementary businesses of the Company (domain name and email supply) and 5GN (managed IT services and infrastructure) will be more readily and efficiently merged operationally (they are already operationally merged to some degree).
- (f) The Scheme offers Shareholders the opportunity to participate in the combination benefits of the two businesses (Webcentral and 5GN).

### 1.9 Disadvantages of the proposed merger and the Scheme

Potential disadvantages to Shareholders of the Company proceeding with the proposed merger, Scheme, JA Acquisition, AC Acquisition, JD Acquisition and JG Acquisition are as follows:

- (a) Shareholders may disagree with the Webcentral independent directors' unanimous recommendation or the Independent Expert's conclusion

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<sup>2</sup> This amount is accurate as at 31 August 2021

and believe that the Scheme is not in Shareholders' best interests or the JA Acquisition, AC Acquisition, JD Acquisition and JG Acquisition are not in your best interests.

- (b) The future value of the Company's Shares is not certain. The market may not fully recognise the combined valuations of the Merged Group.
- (c) Shareholders may be concerned about specific risks associated with business of the Merged Group.
- (d) The voting power of existing Shareholders will be diluted. Following implementation of the proposed merger, Webcentral shareholders will hold approximately 26% of the Merged Group.

#### **1.10 Action to be taken by Shareholders**

Shareholders should read the Notice of Meeting and this Explanatory Memorandum including the Independent Expert's Report carefully before deciding how to vote on the Resolutions.

All Shareholders are invited and encouraged to attend the virtual Meeting. For Shareholders not attending the virtual Meeting, the **accompanying** Proxy Form should be completed, signed and returned to the Company in accordance with the instructions contained in the Proxy Form and the Notice of Meeting. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the virtual Meeting, but the person appointed as the proxy must then not exercise the rights conferred by the Proxy Form at that Meeting.

#### **1.11 Disclaimer**

No person is authorised to give any information or make any representation in connection with the proposed transactions described above which is not contained in the Notice of Meeting or this Explanatory Memorandum. Any information which is not contained in the Notice of Meeting or this Explanatory Memorandum may not be relied on as having been authorised by the Company or the Board in connection with the proposed transactions.

#### **1.12 ASX**

A copy of the Notice of Meeting and Explanatory Memorandum will be lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of the Notice of Meeting and this Explanatory Memorandum.

#### **1.13 Enquiries**

All enquiries in relation to the contents of the Notice of Meeting or this Explanatory Memorandum should be directed to the Company Secretary, Mr Michael Wilton at [m.wilton@webcentral.com.au](mailto:m.wilton@webcentral.com.au).

## **2. RESOLUTION 1 – APPROVAL OF THE ISSUE OF CONSIDERATION SHARES TO 5GN SHAREHOLDERS UNDER THE SCHEME**

### **2.1 General**

As noted in section 1 above, under the Scheme, the Company is proposing to issue Shares in the Company (**Consideration Shares**) to the holders of fully paid ordinary shares in 5GN (**5GN Shareholders**) in exchange for their shares in 5GN on a 2:1 basis.

### **2.2 ASX Listing Rule 7.1**

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue or agree to issue without the approval of its shareholders over any 12 months period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Issues of shares under, or to fund, a takeover bid or merger by scheme of arrangement are currently excluded from the restrictions in ASX Listing Rule 7.1 where the terms of the issue are disclosed in the takeover or scheme documents. However, a “reverse takeover” is not covered by the exception.

In the context of the proposed merger and Scheme, chapter 19 of the ASX Listing Rules defines a “reverse takeover” as being where the number of equity securities to be issued by the Company (the acquirer) to 5GN Shareholders (target shareholders) is equal to or greater than the number of fully paid ordinary securities on issue in the Company at the date of announcement of the Scheme (16 July 2021). This will be the case in connection with the Scheme (as the Company had on issue 155,490,679 Shares and will be required to issue approximately 241,322,246 Consideration Shares based on the ratio of 2:1).

The proposed issue of the Consideration Shares under the Scheme does not fall within any of the exceptions to ASX Listing Rule 7.1 in ASX Listing Rule 7.2 and exceeds the 15% limit in ASX Listing Rule 7.1. It therefore requires the approval of Shareholders under ASX Listing Rule 7.1.

### **2.3 Technical information required by ASX Listing Rule 14.1A**

If Resolution 1 is passed, the Company will be able to proceed with the issue of the Consideration Shares and proceed with the Scheme. In addition, the issue of the Consideration Shares will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1.

If this Resolution is not passed, the Company will not be able to proceed with the issue of the Consideration Shares and will not be able to proceed with the Scheme. In this circumstance, the Reverse Reimbursement Fee (as outlined in section 1.3) will be payable by the Company to 5GN, pursuant to the terms of the MIA.

## 2.4 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (a) The Consideration Shares will be issued to 5GN Shareholders on the basis of 2 Consideration Shares for every 5GN share held by 5GN Shareholders on the record date of the Scheme, pursuant to the terms of the Scheme.
- (b) The maximum number of Consideration Shares to be issued under the Scheme is approximately 241,322,246.
- (c) The Consideration Shares will be fully paid ordinary shares in the capital of the Company ranking equally with existing Shares.
- (d) The Consideration Shares will be issued no later than 6 months after the date of the Extraordinary General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (e) The Consideration Shares will not be issued for cash, accordingly no funds will be raised. The Consideration Shares are being issued in consideration of the transfer to the Company of all the shares on issue in 5GN.
- (f) As outlined in section 1, the Consideration Shares are being issued under the Scheme which constitutes a reverse takeover of the Company by 5GN. More information on the reverse takeover is set out in section 1.

## 2.5 Recommendation

As outlined in section 3.4, the Company established the Webcentral Independent Board Committee (consisting of Joe Gangi and Natalie Mactier) to make decisions in relation to the Scheme. The Webcentral Independent Board Committee excludes Joe Demase given he is an executive director of both the Company and 5GN.

Therefore, the Webcentral Independent Board Committee (with Mr Joe Demase abstaining) recommends that Shareholders vote **IN FAVOUR** of Resolution 1.

Each Director who is entitled to vote on Resolution 1 at the Extraordinary General Meeting has indicated that they intend to vote in favour of Resolution 1 in respect of all Shares they own or control.

## 2.6 Voting exclusion statement

A voting exclusion statement with respect to Resolution 1 is contained in the Notice of Meeting.

### 3. **RESOLUTION 2 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (JOSEPH DEMASE)**

#### 3.1 **General**

If the Scheme proceeds it will involve the acquisition of a substantial asset from a related party of the Company, being the 18,386,996 shares in 5GN (**JD 5GN Holding**) held by Joseph Demase and his associates (**JD Acquisition**).

Resolution 2 seeks Shareholder approval for the purposes of ASX Listing Rule 10.1 and for the acquisition of a substantial asset from a related party of the Company.

#### 3.2 **Independent Expert's Report**

ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. The report must state the expert's opinion as to whether the transaction concerned is fair and reasonable to holders of the Company's Shares whose votes in favour of the transaction are not to be disregarded under ASX Listing Rule 14.11.

The Independent Expert's Report accompanying this Notice of Meeting sets out a detailed independent examination of the JD Acquisition to enable non-associated Shareholders to assess the merits and decide whether to vote in favour of Resolution 2.

The Independent Expert has concluded that the JD Acquisition is **FAIR AND REASONABLE** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

#### 3.3 **ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that a listed entity must ensure that neither it, nor any of its child entities, acquires or agrees to acquire a substantial asset from, or disposes of a substantial asset to, amongst other persons:

- (a) a related party of the entity;
- (b) a substantial holder of the entity; or
- (c) an associate of a related party or substantial holder of the entity,

without the prior approval of holders of the entity's ordinary shareholders.

#### ***Substantial Asset***

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX

under the ASX Listing Rules. Based on the negative equity of the Company as at 30 June 2021 as set out in the Annual Report released on 14 September 2021 ASX has formed the view that the value of the JD 5GN Holding is more than a 5% equity interest in the Company, and that therefore it is considered to be a substantial asset.

***Related parties***

The Joe Demase Group consists of Joe Demase and each of the following entities controlled by Joe Demase: J D Management Group Pty, Demase Enterprises Pty Ltd (as trustee for the JMD Superannuation Fund) and Studio Incorporate Pty Ltd.

The JD 5GN Holding comprises Joe Demase holding 10,948 shares in 5GN, J D Management Group Pty Ltd holding 17,925,094 shares in 5GN, Demase Enterprises Pty Ltd (as trustee for the JMD Superannuation Fund) holding 442,260 shares in 5GN and Studio Incorporate Pty Ltd holding 8,000 shares in 5GN. Under the Scheme, the Company will be acquiring the JD 5GN Holding from the Joe Demase Group.

For the purposes of the ASX Listing Rules, directors and entities controlled by them are related parties of the Company. Mr Joseph Demase is the managing director of the Company and as such is a related party of the Company. The entities listed above as part of the Joe Demase Group are each controlled by Mr Joseph Demase and accordingly are also related parties of the Company.

Even if the companies in the Joe Demase Group were not related parties of the Company, the acquisition of the JD 5GN Holding would still be caught by ASX Listing Rule 10.1 as they would be regarded as associates of Joe Demase.

***Requirement for shareholder approval***

As a result of the above conclusions, the completion of the JD Acquisition will result in the acquisition of a substantial asset from a related party of the Company. The Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

As stated above, ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. Shareholders are encouraged to carefully read the Independent Expert's Report annexed to this Explanatory Memorandum.

If Resolution 2 is passed, the Company will be able to proceed with the JD Acquisition and in turn the Scheme (subject to other Resolutions required to undertake the Scheme also being passed and the remaining conditions of the Scheme being met).

If Resolution 2 is not passed, the Company will not be able to proceed with the JD Acquisition and the Scheme. In this circumstance, the Reverse Reimbursement Fee (as outlined in section 1.3) will be payable by the Company to 5GN, pursuant to the terms of the MIA.

### 3.4 Section 208 of the Corporations Act

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Consideration Shares constitutes giving a financial benefit and the entities within the Joe Demase Group are related parties by virtue of being entities controlled by managing director of the Company, Mr Joseph Demase.

The Board has considered whether the arms' length exception in section 210 of the Corporations Act applies in these circumstances.

The Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies. This is because the benefit to be received by the Joe Demase Group in consideration for the JD 5GN Holding pursuant to the Scheme (i.e., Consideration Shares on a 2:1 basis), is the same consideration to be received by all other 5GN Shareholders in respect of 5GN Shares held by them pursuant to the terms of the Scheme. Further, the independent board committees of 5GN and the Company who negotiated the MIA and the terms of the Scheme did so on an arms' length basis. In the case of the Company, the independent board committee established consists of Joe Gangi and Natalie Mactier (and does not include Joe Demase) (**Webcentral Independent Board Committee**). In other words, the Joe Demase Group is not receiving any special or additional consideration under the Scheme to that of all other general 5GN Shareholders.

On the basis of the above, the Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies, and hence shareholder approval pursuant to section 208 of the Corporations Act is not required. However, despite that section not applying, approval of the JD Acquisition by Shareholders is required under the ASX Listing Rules.

### 3.5 Technical information required by ASX Listing Rule 10.5

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.5, the following information is provided in relation to Resolution 2:

- (a) The names of the parties from which the Company is acquiring the substantial asset is the Joe Demase Group, consisting of Joe Demase and various entities controlled by him, being J D Management Group Pty Ltd, Demase Enterprises Pty Ltd (as trustee for the JMD Superannuation Fund) and Studio Incorporate Pty Ltd.



- (b) Joe Demase and each of the controlled entities within the Joe Demase Group are related parties of the Company for the purposes of ASX Listing Rule 10.1.1.
- (c) The asset being acquired is the JD 5GN Holding, being 18,386,996 fully paid ordinary shares in the capital of 5GN.
- (d) As consideration for the JD Acquisition, the Joe Demase Group will be issued with 36,773,992 Considerations Shares under the terms of the Scheme. The Consideration Shares are to be fully paid ordinary securities in the same class and with the same terms as the existing Shares on issue in the Company.
- (e) The Consideration Shares will not be issued for cash, accordingly no funds will be raised.
- (f) The purpose of the JD Acquisition is to facilitate the Scheme in accordance with its terms.
- (g) The material terms of the JD Acquisition being the material terms of the Scheme, and the timetable for the Scheme, are set out in section 1.
- (h) A voting exclusion statement is included in the Notice of Meeting.
- (i) An Independent Expert's Report is included as Annexure A to this Explanatory Memorandum.

### **3.6 Other information**

Other information in relation to the JD Acquisition such as indicative timetable, advantages and disadvantages and risks can be found in section 1 of this Explanatory Memorandum.

### **3.7 Recommendation**

As outlined in section 3.4, the Company established the Webcentral Independent Board Committee (consisting of Joe Gangi and Natalie Mactier) to make decisions in relation to the Scheme. The Webcentral Independent Board Committee excludes Joe Demase given he is an executive director of both the Company and 5GN.

Therefore, the Webcentral Independent Board Committee (with Mr Joe Demase abstaining) recommends that Shareholders vote **IN FAVOUR** of Resolution 2.

Each Director who is entitled to vote on Resolution 2 at the Extraordinary General Meeting has indicated that they intend to vote in favour of Resolution 2 in respect of all Shares they own or control. A voting exclusion statement with respect to Resolution 2 is contained in the Notice of Meeting.

#### 4. **RESOLUTION 3 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (JOE GANGI)**

##### 4.1 **General**

If the Scheme proceeds it will involve the acquisition of a substantial asset from a related party of the Company, being 1,901,932 shares in 5GN (**JG 5GN Holding**) held by Joe Gangi and his associates (**JG Acquisition**).

Resolution 3 seeks Shareholder approval for the purposes of ASX Listing Rule 10.1 and for the acquisition of a substantial asset from a related party of the Company.

##### 4.2 **Independent Expert's Report**

ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. The report must state the expert's opinion as to whether the transaction concerned is fair and reasonable to holders of the Company's Shares whose votes in favour of the transaction are not to be disregarded under ASX Listing Rule 14.11.

The Independent Expert's Report accompanying this Notice of Meeting sets out a detailed independent examination of the JG Acquisition to enable non-associated Shareholders to assess the merits and decide whether to vote in favour of Resolution 3.

The Independent Expert has concluded that the JG Acquisition is **FAIR AND REASONABLE** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

##### 4.3 **ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that a listed entity must ensure that neither it, nor any of its child entities, acquires or agrees to acquire a substantial asset from, or disposes of a substantial asset to, amongst other persons:

- (a) a related party of the entity;
- (b) a substantial holder of the entity; or
- (c) an associate of a related party or substantial holder of the entity,

without the prior approval of holders of the entity's ordinary shareholders.

##### ***Substantial Asset***

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX

under the ASX Listing Rules. Based on the negative equity of the Company as at 30 June 2021 as set out in the Annual Report released on 14 September 2021 ASX has formed the view that the value of the JG 5GN Holding is more than a 5% equity interest in the Company, and that therefore it is considered to be a substantial asset.

***Related parties***

The Joe Gangi Group consists of Joe Gangi and Joe Gangi and Daniela Dona (as trustees for the Gangi Superannuation Fund).

The JG 5GN Holding comprises Joe Gangi holding 37,958 shares in 5GN, Joe Gangi and Daniela Dona (as trustees for the Gangi Superannuation Fund) holding 1,563,974 shares in 5GN and OR Gangi Services Pty Ltd holding 300,000 shares in 5GN. Under the Scheme, the Company will be acquiring the JG 5GN Holding from the Joe Gangi Group.

For the purposes of the ASX Listing Rules, directors and their spouses are related parties of the Company. Mr Joe Gangi is the Chairman of the Company and as such is a related party of the Company. The Gangi Superannuation Fund which is controlled by Mr Joe Gangi and his spouse is also a related party of the Company.

Even if that superannuation entity was not a related party of the Company, it would still be caught by ASX Listing Rule 10.1 as it would be regarded as an associate of Mr Joe Gangi.

***Requirement for shareholder approval***

As a result of the above conclusions, the completion of the JG Acquisition will result in the acquisition of a substantial asset from a related party of the Company. The Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

As stated above, ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. Shareholders are urged to carefully read the Independent Expert's Report annexed to this Explanatory Memorandum.

If Resolution 3 is passed, the Company will be able to proceed with the JG Acquisition and in turn the Scheme (subject to other Resolutions required to undertake the Scheme also being passed and the remaining conditions of the Scheme being met).

If Resolution 3 is not passed, the Company will not be able to proceed with the JG Acquisition and the Scheme. In this circumstance, the Reverse Reimbursement Fee (as discussed outlined in section 1.3) will be payable by the Company to 5GN, pursuant to the terms of the MIA.

#### **4.4 Section 208 of the Corporations Act**

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Consideration Shares constitutes giving a financial benefit and the entities within the Joe Gangi Group are related parties by virtue of Mr Joe Gangi being the Chairman of the Company.

The Board has considered whether the arms' length exception in section 210 of the Corporations Act applies in these circumstances.

The Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies. This is because the amount to be received by the Joe Gangi Group in consideration for the JG 5GN Holding pursuant to the Scheme (i.e., Consideration Shares on a 2:1 basis), is the same proportionate amount of consideration to be received by all other 5GN shareholders in respect of 5GN shares held by them pursuant to the terms of the Scheme. Further, the independent board committees of the Company and 5GN who negotiated the MIA and the terms of the Scheme did so on an arms' length basis. In other words, the Joe Gangi Group is not receiving any special or additional consideration under the Scheme to that of all other general 5GN shareholders.

On the basis of the above, the Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies, and hence shareholder approval pursuant to section 208 of the Corporations Act is not required. However, despite that section not applying, approval of the JG Acquisition by Shareholders is required under the ASX Listing Rules.

#### **4.5 Technical information required by ASX Listing Rule 10.5**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.5, the following information is provided in relation to Resolution 3.

- (a) The names of the parties from which the Company is acquiring the substantial asset is the Joe Gangi Group, consisting of Joe Gangi and Joe Gangi and Daniela Dona as trustees for the Gangi Superannuation Fund.
- (b) Joe Gangi and the trustees of the Gangi Superannuation Fund are related parties of the Company for the purposes of ASX Listing Rule 10.1.1. The superannuation fund is also an associate of a related party under ASX Listing Rule 10.1.4

- (c) The asset being acquired is the JG 5GN Holding, being 1,901,932 fully paid ordinary shares in the capital of 5GN.
- (d) As consideration for the JG Acquisition, the Joe Gangi Group will be issued with 3,803,864 Considerations Shares under the terms of the Scheme. The Consideration Shares are to be fully paid ordinary securities in the same class and with the same terms as the existing Shares on issue in the Company.
- (e) The Consideration Shares will be issued for nil cash consideration as they represent consideration for the JG Acquisition, accordingly no funds will be raised.
- (f) The purpose of the JG Acquisition is to undertake the Scheme in accordance with its terms.
- (g) The material terms of the JG Acquisition being the material terms of the Scheme, and the timetable for the Scheme, are set out in section 1.
- (h) A voting exclusion statement is included in the Notice of Meeting.
- (i) An Independent Expert's Report is included as Annexure A to this Explanatory Memorandum.

#### **4.6 Other information**

Other information in relation to the JG Acquisition such as indicative timetable, advantages and disadvantages and risks can be found in section 1 of this Explanatory Memorandum.

#### **4.7 Recommendation**

As outlined in section 3.4, the Company established the Webcentral Independent Board Committee (consisting of Joe Gangi and Natalie Mactier) to make decision in relation to the Scheme. The Webcentral Independent Board Committee excludes Joe Demase given he is an executive director of both the Company and 5GN.

Therefore, the Webcentral Independent Board Committee (with Mr Joe Demase abstaining, as well Mr Joe Gangi abstaining due to his material personal interest in this Resolution 3) recommends that Shareholders vote **IN FAVOUR** of Resolution 3.

Each Director who is entitled to vote on Resolution 3 at the Extraordinary General Meeting has indicated that they intend to vote in favour of Resolution 3 in respect of all Shares they own or control. A voting exclusion statement with respect to Resolution 3 is contained in the Notice of Meeting.

## 5. RESOLUTION 4 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (JASON ASHTON)

### 5.1 General

If the Scheme proceeds it will involve the acquisition of a substantial asset from a related party of the Company, being 2,189,456 shares in 5GN (**JA 5GN Holding**) held by Jason Ashton and his associates (**JA Acquisition**).

Resolution 4 seeks Shareholder approval for the purposes of ASX Listing Rule 10.1 and for the acquisition of a substantial asset from a related party of the Company.

### 5.2 Independent Expert's Report

ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. The report must state the expert's opinion as to whether the transaction concerned is fair and reasonable to holders of the Company's Shares whose votes in favour of the transaction are not to be disregarded under ASX Listing Rule 14.11.

The Independent Expert's Report accompanying this Notice of Meeting sets out a detailed independent examination of the JA Acquisition to enable non-associated Shareholders to assess the merits and decide whether to vote in favour of Resolution 4.

The Independent Expert has concluded that the JA Acquisition is **FAIR AND REASONABLE** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

### 5.3 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that a listed entity must ensure that neither it, nor any of its child entities, acquires or agrees to acquire a substantial asset from, or disposes of a substantial asset to, amongst other persons:

- (a) a related party of the entity;
- (b) a substantial holder of the entity; or
- (c) an associate of a related party or substantial holder of the entity,

without the prior approval of holders of the entity's ordinary shareholders.

#### **Substantial Asset**

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX

under the ASX Listing Rules. Based on the negative equity of the Company as at 30 June 2021 as set out in the Annual Report released on 14 September 2021 ASX has formed the view that the value of the JA 5GN Holding is more than a 5% equity interest in the Company, and that therefore it is considered to be a substantial asset.

***Related parties***

The Jason Ashton Group consists of Jason Ashton and JMAS Pty Ltd.

The JA 5GN Holding comprises Jason Ashton holding 1,956 shares in 5GN, and JMAS Pty Ltd holding 2,187,500 shares in 5GN. Under the Scheme, the Company will be acquiring the JA 5GN Holding from the Jason Ashton Group.

Jason Ashton is currently a director of 5GN, which controls the Company. For the purposes of the ASX Listing Rules, directors of an entity that controls the Company, and entities controlled by them, are related parties of the Company. In addition, Mr Jason Ashton is to become a director of the Company upon completion of the Scheme and, as such, is a related party of the Company by virtue of having reasonable grounds to believe that he will become a director of the Company at a time in the future.

JMAS Pty Ltd is an entity controlled by Mr Ashton and is therefore also a related party of the Company. Even if JMAS Pty Ltd was not a related party, it would still be caught by ASX Listing Rule 10.1 as it would be regarded as an associate of Mr Ashton.

***Requirement for shareholder approval***

As a result of the above conclusions, the completion of the JA Acquisition will result in the acquisition of a substantial asset from a related party of the Company. The Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

As stated above, ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. Shareholders are urged to carefully read the Independent Expert's Report annexed to this Explanatory Memorandum.

If Resolution 4 is passed, the Company will be able to proceed with the JA Acquisition and in turn the Scheme (subject to other Resolutions required to undertake the Scheme also being passed and the remaining conditions of the Scheme being met).

If Resolution 4 is not passed, the Company will not be able to proceed with the JA Acquisition and the Scheme. In this circumstance, the Reverse Reimbursement Fee (as discussed outlined in section 1.3) will be payable by the Company to 5GN, pursuant to the terms of the MIA.

#### **5.4 Section 208 of the Corporations Act**

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Consideration Shares constitutes giving a financial benefit and the entities within the Jason Ashton Group are related parties by virtue of Mr Jason Ashton becoming a director of the Company upon completion of the Scheme and also by being a director of 5GN which controls the Company.

The Board has considered whether the arms' length exception in section 210 of the Corporations Act applies in these circumstances.

The Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies. This is because the amount to be received by the Jason Ashton Group in consideration for the JA 5GN Holding pursuant to the Scheme (i.e., Consideration Shares on a 2:1 basis), is the same proportionate amount of consideration to be received by all other 5GN shareholders in respect of 5GN shares held by them pursuant to the terms of the Scheme. Further, the independent board committees of the Company and 5GN who negotiated the MIA and the terms of the Scheme did so on an arms' length basis. In other words, the Jason Ashton Group is not receiving any special or additional consideration under the Scheme to that of all other general 5GN shareholders.

On the basis of the above, the Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies, and hence shareholder approval pursuant to section 208 of the Corporations Act is not required. However, despite that section not applying, approval of the JA Acquisition by Shareholders is required under the ASX Listing Rules.

#### **5.5 Technical information required by ASX Listing Rule 10.5**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.5, the following information is provided in relation to Resolution 4.

- (a) The names of the parties from which the Company is acquiring the substantial asset is the Jason Ashton Group, consisting of Jason Ashton and JMAS Pty Ltd.
- (b) Jason Ashton and JMAS Pty Ltd are related parties of the Company for the purposes of ASX Listing Rule 10.1.1.



- (c) The asset being acquired is the JA 5GN Holding, being 2,189,456 fully paid ordinary shares in the capital of 5GN.
- (d) As consideration for the JA Acquisition, the Jason Ashton Group will be issued with 4,378,912 Consideration Shares under the terms of the Scheme. The Consideration Shares are to be fully paid ordinary securities in the same class and with the same terms as the existing Shares on issue in the Company.
- (e) The Consideration Shares will be issued for nil cash consideration as they represent consideration for the JA Acquisition, accordingly no funds will be raised.
- (f) The purpose of the JA Acquisition is to undertake the Scheme in accordance with its terms.
- (g) The material terms of the JA Acquisition being the material terms of the Scheme, and the timetable for the Scheme, are set out in section 1.
- (h) A voting exclusion statement is included in the Notice of Meeting.
- (i) An Independent Expert's Report is included as Annexure A to this Explanatory Memorandum.

#### **5.6 Other information**

Other information in relation to the JA Acquisition such as indicative timetable, advantages and disadvantages and risks can be found in section 1 above.

#### **5.7 Recommendation**

As outlined in section 3.4, the Company established the Webcentral Independent Board Committee (consisting of Joe Gangi and Natalie Mactier) to make decisions in relation to the Scheme. The Webcentral Independent Board Committee excludes Joe Demase given he is an executive director of both the Company and 5GN.

Therefore, the Webcentral Independent Board Committee (with Mr Joe Demase abstaining) recommends that Shareholders vote **IN FAVOUR** of Resolution 4.

Each Director who is entitled to vote on Resolution 4 at the Extraordinary General Meeting has indicated that they intend to vote in favour of Resolution 4 in respect of all Shares they own or control. A voting exclusion statement with respect to Resolution 4 is contained in the Notice of Meeting.

## **6. RESOLUTION 5 – APPROVAL OF THE ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY (ALBERT CHEOK)**

### **6.1 General**

If the Scheme proceeds it will involve the acquisition of a substantial asset from a related party of the Company, being 4,000,071 shares in 5GN (**AC 5GN Holding**) held by Albert Cheok (**AC Acquisition**).

Resolution 5 seeks Shareholder approval for the purposes of ASX Listing Rule 10.1 and for the acquisition of a substantial asset from a related party of the Company.

### **6.2 Independent Expert's Report**

ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. The report must state the expert's opinion as to whether the transaction concerned is fair and reasonable to holders of the Company's Shares whose votes in favour of the transaction are not to be disregarded under ASX Listing Rule 14.11.

The Independent Expert's Report accompanying this Notice of Meeting sets out a detailed independent examination of the AC Acquisition to enable non-associated Shareholders to assess the merits and decide whether to vote in favour of Resolution 5.

The Independent Expert has concluded that the AC Acquisition is **FAIR AND REASONABLE** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

### **6.3 ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that a listed entity must ensure that neither it, nor any of its child entities, acquires or agrees to acquire a substantial asset from, or disposes of a substantial asset to, amongst other persons:

- (a) a related party of the entity;
- (b) a substantial holder of the entity; or
- (c) an associate of a related party or substantial holder of the entity,

without the prior approval of holders of the entity's ordinary shareholders.

#### ***Substantial Asset***

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX

under the ASX Listing Rules. Based on the negative equity of the Company as at 30 June 2021 as set out in the Annual Report released on 14 September 2021 ASX has formed the view that the value of the AC 5GN Holding is more than a 5% equity interest in the Company, and that therefore it is considered to be a substantial asset.

***Related parties***

The AC 5GN Holding comprises Albert Cheok holding 4,000,071 5GN shares. Under the Scheme, the Company will be acquiring the AC 5GN Holding from Albert Cheok.

For the purposes of the ASX Listing Rules, directors of a body corporate that controls a company are related parties of the company. Mr Albert Cheok is a director of 5GN, which prior to completion of the Scheme, controls the Company, and as such is a related party of the Company.

***Requirement for shareholder approval***

As a result of the above conclusions, the completion of the AC Acquisition will result in the acquisition of a substantial asset from a related party of the Company. The Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

As stated above, ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert. Shareholders are urged to carefully read the Independent Expert's Report annexed to this Explanatory Memorandum.

If Resolution 5 is passed, the Company will be able to proceed with the AC Acquisition and in turn the Scheme (subject to other Resolutions required to undertake the Scheme also being passed and the remaining conditions of the Scheme being met).

If Resolution 5 is not passed, the Company will not be able to proceed with the AC Acquisition and the Scheme. In this circumstance, the Reverse Reimbursement Fee (as discussed outlined in section 1.3) will be payable by the Company to 5GN, pursuant to the terms of the MIA.

**6.4 Section 208 of the Corporations Act**

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Consideration Shares constitutes giving a financial benefit and Albert Cheek is a related party.

The Board has considered whether the arms' length exception in section 210 of the Corporations Act applies in these circumstances.

The Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies. This is because the amount to be received by Albert Cheek in consideration for the AC 5GN Holding pursuant to the Scheme (i.e., Consideration Shares on a 2:1 basis), is the same proportionate amount of consideration to be received by all other 5GN shareholders in respect of 5GN shares held by them pursuant to the terms of the Scheme. Further, the independent board committees of the Company and 5GN who negotiated the MIA and the terms of the Scheme did so on an arms' length basis. In other words, Albert Cheek is not receiving any special or additional consideration under the Scheme to that of all other general 5GN shareholders.

On the basis of the above, the Board has formed the view that the arms' length exception in section 210 of the Corporations Act applies, and hence shareholder approval pursuant to section 208 of the Corporations Act is not required. However, despite that section not applying, approval of the AC Acquisition by Shareholders is required under the ASX Listing Rules.

#### **6.5 Technical information required by ASX Listing Rule 10.5**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.5, the following information is provided in relation to Resolution 5.

- (a) The names of the party from which the Company is acquiring the substantial asset is Albert Cheek.
- (b) Albert Cheek is a related party of the Company for the purposes of ASX Listing Rule 10.1.1.
- (c) The asset being acquired is the AC 5GN Holding, being 4,000,071 fully paid ordinary shares in the capital of 5GN.
- (d) As consideration for the AC Acquisition, Albert Cheek will be issued with 8,000,142 Considerations Shares under the terms of the Scheme. The Consideration Shares are to be fully paid ordinary securities in the same class and with the same terms as the existing Shares on issue in the Company.
- (e) The Consideration Shares will be issued for nil cash consideration as they represent consideration for the AC Acquisition, accordingly no funds will be raised.
- (f) The purpose of the AC Acquisition is to undertake the Scheme in accordance with its terms.

- (g) The material terms of the AC Acquisition being the material terms of the Scheme, and the timetable for the Scheme, are set out in section 1.
- (h) A voting exclusion statement is included in the Notice of Meeting.
- (i) An Independent Expert's Report is included as Annexure A to this Explanatory Memorandum.

## **6.6 Other information**

Other information in relation to the AC Acquisition such as indicative timetable, advantages and disadvantages and risks can be found in section 1 of this Explanatory Memorandum.

## **6.7 Recommendation**

As outlined in section 3.4, the Company established the Webcentral Independent Board Committee (consisting of Joe Gangi and Natalie Mactier) to make decisions in relation to the Scheme. The Webcentral Independent Board Committee excludes Joe Demase given he is an executive director of both the Company and 5GN.

Therefore, the Webcentral Independent Board Committee (with Mr Joe Demase abstaining) recommends that Shareholders vote **IN FAVOUR** of Resolution 5.

Each Director who is entitled to vote on Resolution 5 at the Extraordinary General Meeting has indicated that they intend to vote in favour of Resolution 5 in respect of all Shares they own or control. A voting exclusion statement with respect to Resolution 5 is contained in the Notice of Meeting.

## **7. RESOLUTION 6 – CHANGE OF NAME OF THE COMPANY**

Section 157(1) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

This Resolution seeks the approval of Shareholders for the Company to change its name to 'Webcentral Limited'.

If Resolution 6 is passed, the change of name will take effect from the day on which ASIC alters the details of the Company's registration.

The proposed new name has been reserved by the Company and, if Resolution 6 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Extraordinary General Meeting in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the future operations and strategic direction of the Company.

Under section 157(1) of the Corporations Act, Shareholders must pass a special resolution to change the name of the Company. Accordingly, Resolution 6 is a special

resolution, requiring approval of at least 75% of the votes cast by Shareholders entitled to vote on the Resolution in order to be passed.

### **Recommendation**

The Board recommends that Shareholders vote **IN FAVOUR** of Resolution 6.

## **8. RESOLUTION 7 – APPROVAL OF PRIOR ISSUED SECURITIES**

### **8.1 General**

Resolution 7 is intended to seek approval of various issues of options by the Company at different times in the past 9 months (collectively, the **Prior Issued Securities**). The Prior Issued Securities occurred as follows:

- (a) 750,000 unlisted options in consideration for services rendered to the Company, issued on 30 March 2021 (**March Services Options**); and
- (b) 1,250,000 unlisted options in consideration for services rendered to the Company, issued on 6 January 2021 (**January Services Options**).

### **8.2 ASX Listing Rules 7.1 and 7.4**

As mentioned above in relation to Resolution 1, broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

As the Prior Issued Securities were issued without the approval of Shareholders and a relevant exception to ASX Listing Rule 7.1 did not apply, it effectively used up part of the Company's 15% limit under Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under that rule.

ASX Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, and the prior issue did not breach ASX Listing Rule 7.1, the issue is taken to have been approved under ASX Listing Rule 7.1 and so does not reduce the entity's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder approval under and for the purposes of Listing Rule 7.4 for the issue of the Prior Issued Securities.

### **8.3 Technical information required by ASX Listing Rule 14.1A**

If Resolution 7 is not passed, the Prior Issued Securities will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the securities.

If Resolution 7 is passed, the base figure (i.e. variable "A") in which the Company's 15% annual placement capacity is calculated will be a higher number which in turn will allow a proportionately higher number of securities to be issued without prior Shareholder approval.

### **8.4 Technical information required by ASX Listing Rule 7.5**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided:

- (a) In regard to the 750,000 March Services Options issued on 30 March 2021:
  - (i) The number of equity securities the entity issued was 750,000;
  - (ii) The exercise price of these options is \$0.45
  - (iii) The expiry date of these options is 30 March 2024; and
  - (iv) These options were issued to the following in their capacity as service providers of the Company:
    - A Renkoz Group Pty Ltd – 200,000 March Service Options;
    - B Barrie Pty Ltd – 250,000 March Service Options; and
    - C JLH Group Pty Ltd – 300,000 March Service Options.
  
- (b) In regard to the 1,250,000 January Services Options issued on 6 January 2021:
  - (i) The number of equity securities the entity issued was 1,250,000;
  - (ii) The exercise price of these options is \$0.20;
  - (iii) The expiry date of these options is 6 January 2024; and
  - (iv) These options were issued to the following in their capacity as service providers of the Company:

- A Capital H Management Pty Ltd – 125,000 January Service Options;
- B Joshua Stephen Baker – 125,000 January Service Options;
- C Arktree Nominees Pty Ltd – 500,000 January Service Options;
- D ABL Private Pty Ltd – 250,000 January Service Options;
- E MX Nominess Pty Ltd – 181,250 January Service Options;  
andand
- F Paul Anthony Bryan – 68,750 January Service Options.

## **8.5 Recommendation**

The Board recommends that Shareholders vote **IN FAVOUR** of Resolution 7.



## 9. GLOSSARY

<b>5GN</b>	5G Networks Limited (ACN 163 312 025)
<b>5GN Shareholder</b>	A person who holds a fully paid ordinary share in 5GN
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ACN 008 624 691) or, where the context requires, the Australian Securities Exchange operated by ASX Limited
<b>ASX Listing Rules or Listing Rules</b>	The official listing rules of ASX, as amended or waived from time to time
<b>Board</b>	Board of Directors of the Company and, where applicable, includes a committee of the Directors.
<b>Company, Webcentral or WCG</b>	Webcentral Group Limited ACN 073 716 793
<b>Consideration Shares</b>	The Shares to be issued to the 5GN Shareholders under the Scheme
<b>Constitution</b>	The constitution of the Company (as amended from time to time)
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Director</b>	A director of the Company
<b>Explanatory Memorandum</b>	The explanatory memorandum which is attached to or accompanies, and is incorporated as part of, the Notice of Meeting and includes any schedule or document annexed to it or incorporated by reference
<b>Extraordinary General Meeting</b>	The extraordinary general meeting of the Company to be held on 3 November 2021
<b>Independent Expert</b>	ShineWing Australia Corporate Finance Pty Ltd
<b>Independent Expert's Report</b>	The report of the Independent Expert attached as Annexure A

<b>Merger Implementation Agreement or MIA</b>	The Merger Implementation Agreement dated 16 July 2021 between Webcentral and 5GN relating to Implementation of (among other things) the Scheme, as announced to the ASX on the same date. See section 1.3.
<b>Notice or Notice of Meeting</b>	The Notice of Extraordinary General Meeting of Shareholders to which the Explanatory Memorandum is attached or otherwise accompanies
<b>Prior Issued Securities</b>	Has the meaning given to it in the Explanatory Memorandum
<b>Resolution</b>	A resolution referred to in the Notice of Meeting
<b>Reverse Takeover Resolution</b>	Resolution 1
<b>Scheme Independent Expert</b>	The independent expert engaged by 5GN, PKF Melbourne Corporate Pty Ltd, to prepare a report regarding the fairness and reasonableness of the Scheme
<b>Share</b>	A fully paid ordinary share in the Company
<b>Shareholder</b>	A person who holds Shares in the Company
<b>Substantial Asset Resolutions</b>	Resolutions 2, 3, 4 and 5
<b>Webcentral Independent Board Committee</b>	The Company's independent board committee established to make decisions in relation to the Scheme, consisting of Joe Gangi and Natalie Mactier (and excluding Joe Demase)

## SCHEDULE 1

### PRO FORMA BALANCE SHEET OF MERGED GROUP

A\$'000	Pro forma financial position as at 30 June 2021
<b>Current assets</b>	
Cash and cash equivalents	19,170
Trade and other receivables	5,963
Lease receivable	1,892
Contract assets	620
Other current assets	1,056
Prepayments of domain name registry charges	5,398
<b>Total current assets</b>	<b>34,100</b>
<b>Non-current assets</b>	
Property, plant and equipment	15,873
Right of use asset	15,478
Lease receivable	1,101
Deferred tax asset	9,978
Goodwill	61,706
Other intangible assets	24,228
Prepayments of domain name registry charges	2,429
Other investments	725
Other assets	1,494
<b>Total non-current assets</b>	<b>133,013</b>
<b>Total assets</b>	<b>167,112</b>
<b>Current liabilities</b>	
Trade and other payables	19,293
Borrowings	428
Lease liability	5,885
Employee benefits	4,712
Provision for income tax	146
Contract liabilities	23,748
Other liabilities	4,866
<b>Total current liabilities</b>	<b>59,078</b>
<b>Non-current liabilities</b>	
Borrowings	20,579
Lease Liability	16,394
Employee benefits	547
Contract liabilities	8,551
Deferred tax liability	12,106
<b>Total non-current liabilities</b>	<b>58,177</b>
<b>Total liabilities</b>	<b>117,255</b>
<b>Net assets</b>	<b>49,856</b>
Contributed equity	80,061
Reserves	(17,381)
Accumulated losses	(12,824)
<b>Equity attributable to members of the parent</b>	<b>49,856</b>
<b>Non-controlling interest</b>	<b>-</b>
<b>Total Equity</b>	<b>49,856</b>

**ANNEXURE A**  
**INDEPENDENT EXPERT'S REPORT**



Accountants & Advisors

Take the lead

1 October 2021

The Directors  
Webcentral Group Limited  
Level 7 505 Little Collins Street  
Melbourne VIC 300

Dear Sirs

## Independent Expert's Report

### Introduction

Webcentral Group Limited (**WCG or Webcentral or the Company**) is listed on the Australian Securities Exchange (**ASX**) and together with its controlled entities (**the Group**) provides online business services including domain names, email and website hosting, digital marketing and website building for small and medium sized businesses in Australia and New Zealand.

5G Networks Limited (**5GN or the Target**) listed on the ASX in 2017 and is a licensed telecommunication carrier operating across Australia. It provides cloud and data centre services, data networks and managed services to its customers across Australia and overseas. 5GN is also the largest shareholder in WCG with a 44.7% shareholding.

On 16 July 2021, WCG announced that it has entered into a Merger Implementation Agreement (**Merger Agreement**) with 5GN under which the two companies will merge by way of a scheme of arrangement (**Scheme**) terms of which are noted in 5GN's Scheme Booklet dated 1 October 2021 (**Scheme Booklet**). The Scheme is subject to several conditions, including 5GN shareholder, court and regulatory approvals, WCN shareholder approval of a reverse takeover resolution and acquisition of related party shares.

If the Scheme is approved and implemented, WCG will acquire 100% of the fully paid ordinary shares in 5GN (**Proposed Merger**). The proposed Scheme consideration is that 5GN shareholders will receive two new WCG share for every 5GN share held (**Merger Ratio**) and 5GN shareholders will own approximately 74% of WCG with WCG shareholders owning the remaining 26%. Post-merger, the merged group will continue to trade as Webcentral and be listed on the ASX and trade under the ASX code "WCG".

Mr Joseph Demase is a director and shareholder of both WCG and 5GN. Mr Joe Gangi is also a director and shareholder of both WCG and 5GN. Mr Demase (and associated entities) and Mr Gangi (and associated entities) own 18,386,996 and 1,901,932 fully paid ordinary shares in 5GN, respectively. Mr Albert Cheok and Mr Jason Ashton are also directors of 5GN and they and their associate entities hold 4,000,0071 and 2,189,456 fully paid ordinary shares in 5GN respectively.

The Proposed Merger is conditional upon WCG's shareholders approving the following five resolutions at the extraordinary general meeting:

- Resolution 1: Shareholders voting to approve the issue of the Consideration Shares and the acquisition of 5GN for the purposes of the reverse takeover provisions in ASX Listing Rule 7.1;

**Brisbane**  
Level 14  
12 Creek Street  
Brisbane QLD 4000  
T + 61 7 3085 0888

**Melbourne**  
Level 10  
530 Collins Street  
Melbourne VIC 3000  
T + 61 3 8635 1800

**Perth**  
Level 25  
108 St Georges Terrace  
Perth WA 6000  
T + 61 8 6184 5980

**Sydney**  
Level 8  
167 Macquarie Street  
Sydney NSW 2000  
T + 61 2 8059 6800



- Resolution 2: Shareholders voting to approve the acquisition of a substantial asset from a related party (Mr Joseph Demase). Mr. Demase and his associates hold 18,386,996 shares in 5GN (**JD Acquisition**);
- Resolution 3: Shareholders voting to approve the acquisition of a substantial asset from a related party (Mr Joe Gangi). Mr. Gangi and his associates hold 1,901,932 of shares in 5GN (**JG Acquisition**);
- Resolution 4: Shareholders voting to approve the acquisition of a substantial asset from a related party (Mr Jason Ashton). Mr Ashton and his associates hold 2,189,456 of shares in 5GN (**JA Acquisition**); and
- Resolution 5: Shareholders voting to approve the acquisition of a substantial asset from a related party (Mr Albert Cheok). Mr Cheok and his associates hold 4,000,071 of shares in 5GN (**AC Acquisition**).

Transactions referred to in resolutions 2 to 5 above are together referred to as **Proposed Transaction**.

In the event any of the above five resolutions is not passed, the Scheme will not proceed.

ShineWing Australia Securities Pty Ltd (**SW Securities**) have been engaged to prepare an independent expert's report on Resolutions 2 to 5 stating in our opinion whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

### **Purpose of the report**

Chapter 10 of the ASX Listing Rules contains certain provisions in relation to transactions between an entity and persons in a position of influence. ASX Listing Rule 10.1 states that an entity must not acquire a substantial asset from a related party of the entity without the approval of the entity's shareholders not associated with the related party (**Non-Associated Shareholders**). Mr Demase, Mr Gangi, Mr Ashton and Mr Check and their controlled entities (**the Related Parties**) are considered to be related parties of WCG.

ASX Listing Rule 10.2 defines an asset as substantial if its value or the value of the consideration paid by the entity is 5% or more of the equity interest of the entity as set out in the latest accounts. Based on the equity value of WCG shares as at the date of this Report, ASX has formed the view that the value of the holdings of 5GN shares of Mr Demase, Mr Gangi, Mr Cheok and Mr Ashton (including entities controlled by them) are worth more than a 5% equity interest in WCG, therefore their holdings are considered to be substantial assets.

In accordance with ASX Listing Rule 10.5, the notice of meeting sent to shareholders to approve the transaction must include an independent expert report on the transaction. The independent expert's report must state whether the transaction is fair and reasonable to the Non-Associated Shareholders.

This Report has been prepared for inclusion in WCG's Notice of Meeting dated 1 October 2021 (**Notice of Meeting**) to be sent to the WCG's Non-Associated Shareholders to assist them in deciding whether to approve the Proposed Transaction.

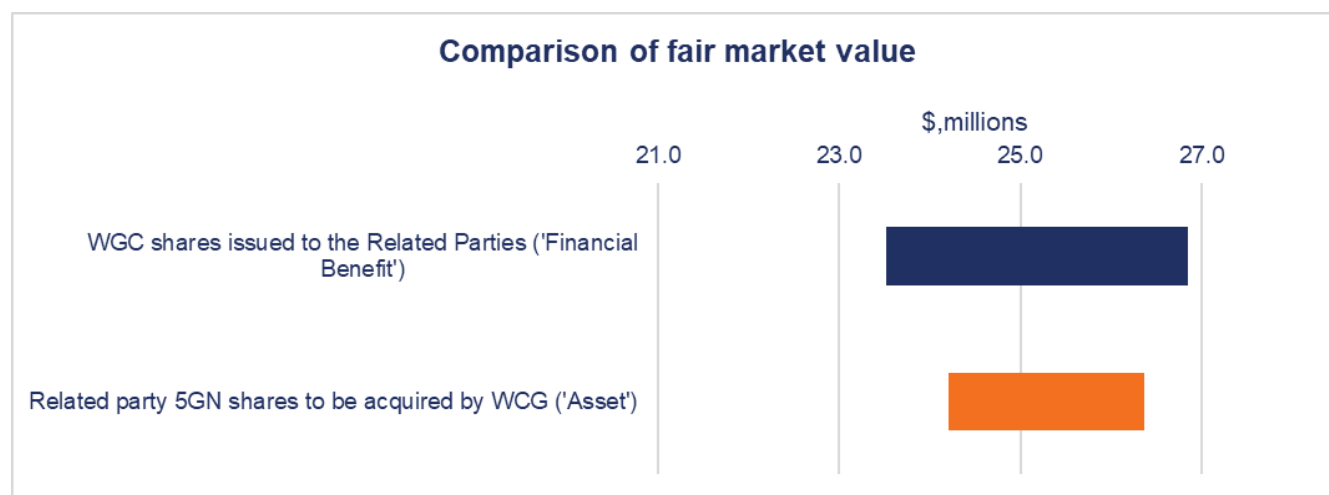
### **Summary of opinion**

In SW Securities' opinion, the Proposed Transaction is **fair and reasonable to the Non-Associated Shareholders of WCG**.

## Assessment of fairness

In accordance with our basis of evaluation (set out in Section 1 of this Report), we have assessed whether the Proposed Transaction is fair to the Non-Associated Shareholders by comparing the fair market value of the WCG shares to be issued to the Related Parties ('financial benefit') and the Related Parties' 5GN shares to be acquired by WCG ('assets').

The results of our analysis are summarised below:



Source: SW Securities analysis

As the fair market value of the 'financial benefit' overlaps the value of the 'assets' to be acquired, we have concluded that the 'financial benefit' is of equal value to the 'assets' being acquired and therefore the Proposed Transaction is **fair** to the Non-Associated Shareholders.

## Assessment of reasonableness

The Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 "Contents of Expert Reports" (**RG 111**) establishes that a proposed related party transaction is reasonable if it is fair. As we have assessed the Proposed Transaction to be fair, we have concluded that the Proposed Transaction is reasonable. Notwithstanding the statutory obligation to conclude that the Proposed Transaction is reasonable, we have also considered the following likely advantages and disadvantages which the Non-Associated Shareholders may wish to consider in assessing whether to approve the Proposed Transaction. As the Proposed Transaction is condition precedent to the Proposed Merger, we have assessed the advantages and disadvantages taking into consideration the broader merger.

### Advantages

1. Reduction in WCG's indebtedness
2. The Non-Associated Shareholders may benefit from a higher share price if the Proposed Merger is approved
3. Increased market capitalisation, size and liquidity may potentially lead to higher demand for WCG's shares
4. Diversification of WCG's revenue stream

### Disadvantages

1. Dilution of the Non-Associated Shareholders' control in WCG
2. Merger integration risk
3. Exposure to risk associated with 5GN's operations

The advantages and disadvantages are discussed in more detail in Paragraph 8.2 of this Report.

## Overall conclusion

After considering the abovementioned quantitative and qualitative factors, SW Securities has concluded the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders.

### Other matters

SW Securities has prepared a Financial Services Guide (**FSG**) in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

This Report has been prepared solely for the purpose of assisting the Non-Associated Shareholders in deciding whether to approve the Proposed Transaction as set out in the Notice of Meeting. We do not assume any responsibility or liability to any party as a result of reliance on this Report for any other purpose.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Our opinion therefore does not consider the financial situation, objectives or needs of individual shareholders. Individual shareholders have different financial circumstances, and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own financial situation, objectives or needs.

SW Securities' opinion should not be construed as a recommendation as to whether or not to vote in favour of the Proposed Transaction. The decision of whether to approve the Proposed Transaction is a matter for each shareholder to decide based on their views as to matters including value and future market conditions, and their particular circumstances including risk profile, liquidity preference, investment strategy and tax position. If in any doubt as to the action they should take in relation to the Proposed Transaction, shareholders should consult their own professional adviser.

Our opinion is made at the date of this letter and reflects circumstances and conditions as at that date.

This letter should be read in conjunction with the full text of the Report as attached including the appendices.

Yours sincerely

**ShineWing Australia Securities Pty Ltd**



Vikas Nahar  
Director



Phillip Rundle  
Director



## FINANCIAL SERVICES GUIDE

We are required to issue to you, as a retail client, a Financial Service Guide (**FSG**). The FSG, dated 1 October 2021 is designed to assist retail clients in their use of the general financial product advice provided by ShineWing Australia Securities Pty Ltd ABN 98 614 606 389, Australian Financial Services License (**AFSL**) number 509026. This FSG contains important information about:

- Who we are, what our engagement is and who engaged our services;
- The services we are authorised to provide under the AFSL held by SW Securities;
- Remuneration that we may receive in connection with the preparation of the general financial product advice;
- Any relevant associations, relationships and or referrals arrangements;
- Our internal and external complaints handling procedures and how you may access them;
- The compensation arrangements that SW Securities has in place;
- Our privacy policy; and
- Our contact details.

This FSG forms part of an Independent Expert's Report (**Report**) which has been prepared for inclusion in a Notice of Meeting to be dated on or about 1 October 2021 prepared by Webcentral Group Limited ACN 073 716 793 (**Notice of Meeting**). The purpose of the Notice of Meeting is to help you make an informed decision in relation to a financial product.

### 1. About us

SW Securities is a related entity of ShineWing Australia and independent member of ShineWing International Limited.

The general financial product advice in our Report is provided by SW Securities and not by ShineWing Australia which provide services primarily in the areas of audit, tax and business consulting.

SW Securities has been engaged by Webcentral Group Limited to issue a Report for inclusion in the Notice of Meeting.

### 2. Financial services we are authorised to provide and our responsibility to you

We are authorised to provide general financial product advice for securities only to retail and wholesale clients.

The Report contains only general financial product advice as it was prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances and consider obtaining personal financial advice from an appropriately licensed person before you act on the general advice in the Report.

You should also consider all other parts of the Notice of Meeting before making any decision in relation to the financial product.

The Report has been prepared for the directors of Webcentral Group Limited. You have not engaged us directly but have received a copy of the Report because you have been provided with a copy of the Notice of Meeting.

SW Securities is not acting for any person other than Webcentral Group Limited.

SW Securities is responsible and accountable to you for ensuring there is a reasonable basis for the conclusions in the Report.

### 3. Fees, commission and other benefits we may receive

SW Securities charges fees for providing reports, which are agreed to upfront, and paid by, the entity who engages us to provide the report.

Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In this case, Webcentral Group Limited has agreed to pay us approximately \$55,000 for preparing the Report.

Except for the fees referred to above, neither ShineWing Australia, nor any of its directors, authorised representatives, employees, associates or related entities, received any pecuniary benefit, directly or indirectly, for or in connection with the provision of the Report. All employees receive a salary and bonus based on overall productivity and not linked to our opinions expressed in this Report.

Further details may be provided on request.

### 4. Associations, relationships and referrals

*The ShineWing Australia group, including ShineWing Australia and SW Securities are members of ShineWing International Limited, consisting of independent member firms and correspondents.*

ShineWing Australia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products in the ordinary course of its business. Partners of ShineWing Australia through their shareholdings will receive a direct benefit from the fees received below.

No individual involved in the preparation of the Report holds an interest in, or is a substantial creditor of Webcentral Group Limited or has other material financial interests in the transaction proposed by the Notice of Meeting.

ShineWing Australia group does not pay commissions or provide any benefits to any person for referring customers to them in connection with the Report.

### 5. Complaints

#### Internal complaints resolution

If you have concerns with the general advice provided in the Report, please contact us at the details provided in section 8 below. If your concerns are not addressed in a timely manner, please send your complaint in writing to the Complaints Manager, ShineWing Australia Pty Ltd, Level 10, 530 Collins St, Melbourne, VIC 3000.

#### **External dispute resolution**

If your concern is not resolved, or if you are not satisfied with the decision, you may contact the Australian Financial Complaints Authority (**AFCA**).

AFCA is an ASIC-approved external dispute resolution body and provides fair and independent financial services complaint resolution that is free to consumers. Their contact details are as follows:

Australian Financial Complaints Authority

GPO Box 3, Melbourne VIC 3001

Telephone: 1 800 931 678

Email: [info@afca.org.au](mailto:info@afca.org.au)

Website: [www.afca.org.au](http://www.afca.org.au)

The Australian Securities & Investments Commission (**ASIC**) is Australia's corporate, markets and financial services regulator. ASIC contributes to maintaining Australia's economic reputation by ensuring that Australia's financial markets are fair and transparent and is supported by informed investors and consumers alike. ASIC seeks to protect consumers against misleading or deceptive and unconscionable conduct affecting all financial products and services. You may contact ASIC by:

Australian Securities & Investments Commission

GPO Box 9827, Your Capital City

Phone: 1300 300 630

Website: [www.asic.gov.au](http://www.asic.gov.au)

Before you send your concern to any of these respective bodies, please contact them first to understand the process of lodging your concern with them.

#### **6. Compensation arrangements**

The law requires SW Securities to have arrangements in place to compensate certain persons for the loss or damage they suffer from certain breaches of the Corporations Act made by its past and present representatives.

#### **7. Privacy Statement**

We are required or authorised to collect personal information from you by certain laws. Details of these laws are in our privacy policy.

Our full privacy policy is available at <http://www.shinewing.com.au/privacy-policy>. It covers:

- a. how you can access the personal information we hold about you and ask for it to be corrected;
- b. how you may complain about a breach of the Privacy Act 1988 (Cth), or a registered privacy code and how we will deal with your complaint; and;
- c. how we collect, hold, use and disclose your personal information in more detail.

We will update our privacy policy from time to time.

Where you have provided information about another individual, you must make them aware of that fact and the contents of this privacy statement.

#### **8. Contact Details—SW Securities**

Level 10, 530 Collins Street

Melbourne, VIC 3000

Australia

T: +61 3 8635 1800

F: +61 3 8102 3400

[www.shinewing.com.au](http://www.shinewing.com.au)

*This Financial Services Guide has been authorised for distribution by the authorising licensee.*

*References to 'we' or 'us' or 'ours' should be read as SW Securities Pty Ltd (ABN 98 614 606 389), AFSL 509026.*

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# 1. Purpose and Scope of the Report

## 1.1. Proposed Transaction

SW Securities have been engaged to prepare an independent expert's report on Resolutions 2 to 5 included in the Notice of Meeting, stating in our opinion whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

## 1.2. Purpose of The Report

In accordance with ASX Listing Rule 10.1, a proposed acquisition of a substantial asset from a related party, requires the approval of the holders of the company's securities not associated with the related party.

ASX Listing Rule 10.2 defines an asset as substantial if its value or the value of the consideration paid by the entity is 5% or more of the equity interest of the entity as set out in the latest accounts. As at the date of this Report, the value of the JD, JG, JA and AC Acquisitions each exceed 5% of the equity interest in WCG as set out in the latest accounts (WCG's reported total equity as at 30 June 2021 was a deficit of \$26.1 million).

We have prepared this Report setting out whether, in our opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders and setting out the basis for our opinion for the purpose of ASX Listing Rule 10.1.

## 1.3. Basis of Evaluation

Neither the Corporations Act nor the ASX Listing rules provide a definition as to the meaning of "fair and reasonable" for the purposes of ASX Listing Rule 10.

In preparing this Report, SW Securities had regard to ASIC Regulatory Guide 76 Related Party Transactions (**RG 76**) and ASIC Regulatory Guide 111 Content of Experts Report (**RG 111**). RG 76.1 states that a related party transaction is any transaction through which a public company provides a financial benefit to a related party and that related party transaction involves conflicts of interest because the related parties are often in a position to influence the decision as to whether the benefit is provided to them, and the terms of its provision. RG 76 refers to RG 111 for guidance as to how the independent expert should assess related party transactions.

In accordance with RG 111 there should be a separate assessment of whether the transaction is "fair and reasonable" and a related party transaction is:

- "Fair" if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the assets being acquired; and
- "Reasonable" if it is fair. It might still be "reasonable" despite being not "fair" if the expert believes that there are sufficient reasons for members to vote for the proposal.

RG 111.54 further states where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should consider what level of analysis of the related party aspect is required. In this consideration, the expert should bear in mind whether the report has been sought to ensure that members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction.

Having regard to the above, we have assessed whether the Proposed Transaction is fair to the Non-Associated Shareholders by comparing the value of the “financial benefit” provided by WCG to the related parties and the “assets” being acquired by WCG. In our assessment, we defined “financial benefit” as the value of ordinary shares in WCG to be issued to the Related Parties in accordance with the Merger Ratio and “assets” to be ordinary shares in 5GN held by the Related Parties that will be received by WCG in accordance with the Proposed Merger.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The potential impact on value from the Proposed Merger for the Non-Associated Shareholders.
- Other likely advantages and disadvantages associated with the Proposed Merger.
- Other costs and risks associated with the Proposed Merger that could potentially affect WCG Shareholders.

For the purpose of our opinion, fair market value is defined as the amount that would be negotiated in an open and unrestricted market between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller acting at arm’s length.

#### **1.4. Limitations and reliance on information**

In preparing this Report, we have used and relied upon the information set out in **Appendix B** and representations made by the Management. All material information and explanations requested to prepare this Report have been made available.

We have considered and relied upon this information. We believe that the information from which this Report was compiled was reliable, complete and appropriate for our purposes and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of preparing our Report. However, we do not warrant that our enquiries have identified or verified all the matters which an audit, extensive examination or ‘due diligence’ investigation might disclose. None of these additional tasks have been undertaken.

An important part of the information used in forming our opinion of the kind expressed in this Report comprises of the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

The information provided to SW Securities included forecasts / projections and other statements and assumptions about future matters prepared by Management. Whilst SW Securities has in part relied upon this information in preparing this Report, WCG remains responsible for all aspects of this information.

SW Securities considers, based on enquiries it has undertaken and analytical procedures applied to the financial data (which do not constitute, and are not as extensive as, an audit or investigating accountant’s examination), there are reasonable grounds to believe that the prospective financial information included in this Report has been prepared on a reasonable basis.

We express no opinion as to whether the prospective financial information will be achieved. Prospective financial information are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may differ from the prospective financial information and such differences may be material. Any variations in the prospective financial information may affect our valuation and opinion.

The statements and opinions included in this Report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

Other than this Report, SW Securities has not been involved in the preparation of the Notice of Meeting or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no

responsibility for the content of the Notice of Meeting as a whole or any other document prepared in respect of the Proposed Transaction other than this Report.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

## 2. Profile of Webcentral

### 2.1. Overview of WCG

WCG offers domain names, email and website hosting, digital marketing and website building service for small and medium sized businesses (**SMB**) in Australia and New Zealand. It trades using three brands, Webcentral, Melbourne IT, and Domainz and services more than 330,000 customers across Australia and New Zealand.

WCG was founded in 1996 as Melbourne IT, primarily focussed on solutions in the domains and hosting market and grew to be the leading domain name registrar in Australia. Since listing in 1999, WCG's service offerings expanded into enterprise cloud services, mobile app development and data analytics solutions following various acquisitions including Netregistry, Web Marketing Experts, Nothing But Web, Results First, UberGlobal, InfoReady and Outware. The company changed its name to Arq Group in 2018.

As part of the company's strategic review in March 2020, Arq Group divested Arq Group Enterprise Pty Ltd (**Enterprise Business**) which provided services such as enterprise cloud, mobile application development and data analytics. In May 2020, the company's name was changed from Arq Group Limited to Webcentral Group Limited.

In last quarter of 2019, WCG announced that it had breached a covenant under its lending facility and that a strategic review of the business was underway. As a result of the strategic review, WCG divested its Enterprise Business and recentered its focus on its SMB business. The proceeds from the sale of the Enterprise Business were used to paydown its debt.

From July 2020 to September 2020, WCG was subject to a takeover battle between Web.com Group (**Web.com**), Inc and 5GN. In September 2020, the WCG board recommended that shareholders accept the 5GN takeover proposal as Web.com's proposal did not provide an equivalent or superior outcome for WCG's shareholders. On the same day, 5GN announced that it entered a Bid Implementation Deed with WCG under which 5GN offered to acquire 100% of the WCG shares on issue that it did not already own by way of an off market takeover bid (**Previous Takeover Offer**). In late October 2020 5GN obtained control of WCG as it held 50.7% of WCG's shares and the takeover offer closed in November 2020 with 5GN holding ownership of 56.7% of WCG's shares. 5GN's ownership in WCG was reduced to 44.7% due to a capital raising that was completed in November and December 2020.

The Group also entered into a Loan Implementation Deed with 5GN, whereby 5GN Finance Pty Ltd which is a wholly owned subsidiary of 5GN agreed to provide a secured loan to WCG in order to facilitate the Group to repay its existing debt providers in full. The loan drawdown occurred in October 2020 and the existing debt facilities were fully paid.

## 2.2. Board and Key Management Personnel

Mr Joseph Demase, Mr Joseph Gangi and Ms Natalie Mactier were appointed to the board after 5GN gained control of WCG.

The current WCG Board and Executive team comprises of the following individuals:

**Table 1: WCG directors and executive team**

Name and Profile	Position
<p><b>Mr Joseph Gangi</b></p> <p>Mr Gangi has been an Independent Director of 5GN its inception and initial IPO. Mr Gangi has over 30 years' experience in corporate management and governance and is an active advisor to several private sector boards and provides strategic planning and consulting services to the Local Government sector. Mr Gangi's experience lies in business management and leadership with a focus on business sustainability, growth and development, strategic and client relationship management and risk management.</p>	Chair of the Board and Non-Executive Director
<p><b>Mr Joseph Demase</b></p> <p>With over 20 years' experience in the telecommunications industry, Mr Demase has been previously involved in two ASX listings within the sector, Uecomm Ltd in 2000 and as Co-Founder of Access Providers Ltd in 2004. Mr Demase also has been shaping business for more than 20 years and has the vision to identify business opportunities and the tenacity and skill to fulfill that potential.</p>	Chief Executive Officer and Managing Director
<p><b>Ms Natalie Mactier</b></p> <p>Ms Mactier has substantial experience in the sales and marketing sector and was SEEK.com.au's inaugural Marketing Manager prior to leaving to her own start up: Kidspot. Ms Mactier helped was part of the Executive Team who took the business to market to be acquired by News Corporation and became the CEO of Kidspot following the acquisition. Ms Mactier then serviced as the CEO of School places prior to becoming the CEO of Vivi International, a global B2B SaaS organisation.</p>	Non-Executive Director
<p><b>Mr Glen Dymond</b></p> <p>Mr Dymond has over 25 years' experience in senior finance and operations management roles and has been achieved across a diverse range of business programs. This includes process development to drive financial performance, as well as client commercial management and driving successful change management across organisations undergoing rapid growth and change. Mr Dymond has held roles at several ASX listed entities that include Zenitas Healthcare Limited, Spotless Group Limited, Broadpectrum Limited and ConnectEast Group. Mr Dymond is also the Chief Financial Officer at 5GN.</p>	Chief Financial Officer and Joint Company Secretarial
<p><b>Mr Michael Wilton</b></p> <p>Mr Wilton has more than 25 years' experience as capital markets and mergers and acquisitions lawyer. In addition to this Mr Wilton also has substantial legal expertise in IT and telecommunications. In addition to his role at WCG, Mr Wilton is also the General Counsel and Joint Company Secretary at 5GN and is a Partner in the Melbourne office of Cornwall Lawyers.</p>	General Counsel and Joint Company Secretarial

Source: WCG Website

## 2.3. Service Offerings

Since the sale of its Enterprise Business, WCG's principal activity is in relation to its SMB operations. SMB provides customers in Australia and New Zealand with affordable domain, website and email hosting, website development and digital marketing services to help them get online, improve their online performance and protect their online brand.

### Domains

Domain revenue primarily consists of domain registrations and renewals as well as aftermarket sales. Domain registration service offers customers the exclusive use of a domain name over a contracted period which includes the provision of domain name system services.



## Website and Email Hosting

Website hosting is a type of internet hosting service that enables business to make their websites accessible through the Internet. Email hosting can be offered as a separate service that enables business to set up custom email address where the domain fits a customer's website or business. Utilising an email hosting service allows customers to have more security and control in comparison to free email providers. Website and email hosting companies provide space on a server for use by customers. WCG hosting revenue is primarily derived from website and email hosting services provided over a contracted period.

## Website Design and Development

WCG offers website design services to its customers where user friendly websites are designed to enable businesses stand out from their competitor and design unique websites based on each customer's vision. WCG also offers website development to customers where websites are search engine optimised (**SEO**) and mobile responsive. The websites built are designed to generate leads, convert sales and be a visual representation of customers brands across all devices. Website design and development revenue consists of fees charged for the creation of website for customers.

## Digital Marketing Services

Digital marketing comprises marketing efforts that use the internet and electronic devices. Businesses leverage digital channels such as social media, email, search engine and websites to connect with prospective and current customers. Digital marketing is important as it assists in the process of reaching and targeting a larger audience who are likely to purchase a product or service in comparison to traditional marketing methods. Furthermore, digital marketing enables businesses to measure success on a daily basis and adapt more efficiently as they see fit. Digital marketing revenue for WGC consists of SEO, pay-per-click (**PPC**) advertising and social media advertising.

### 2.4. On-market takeover offer for Cirrus Networks Holdings Limited

On 30 July 2021, WCG announced an on-market takeover bid to acquire all the fully paid ordinary shares of Cirrus Networks Holdings Limited (**Cirrus**) for 3.2 cents cash per Cirrus share. On 11 August 2021, the directors of Cirrus recommend that its shareholders reject WCG's takeover bid. We note that WCG had 8.86% of the total ordinary shares in Cirrus prior to the takeover offer and has managed to acquire additional shares so that it held 16.74% of the total fully paid ordinary shares in Cirrus at the close of the offer on 16 September 2021.

In its bidder's statement announced on 30 July 2021, WCG disclosed that it had loan facilities from 5GN and Commonwealth Bank to fund its takeover offer.

## 2.5. Financial Performance of WCG

A summary of the historical consolidated financial performance of WCG for 12 months ended 31 December 2019 (CY19), 31 December 2020 (CY20) and 30 June 2021 (FY21)<sup>1</sup> is set out below:

Table 2: Financial performance of WCG

\$'000	Period	Period	Period
	from 1 Jan 2019 to 31 Dec 2019 CY19	from 1 Jan 2020 to 31 Dec 2020 CY20	from 1 Jul 2020 to 30 Jun 2021 FY21 <sup>1</sup>
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>			
Registration revenue	30,289	23,807	23,151
Solutions, hosting & services	53,326	37,541	33,509
Reversal of revenue due to settlement of customer dispute	-	(9,096)	-
<b>Total revenue</b>	<b>83,615</b>	<b>52,252</b>	<b>56,660</b>
Cost of sales	(27,672)	(23,156)	(20,108)
<b>Gross profit</b>	<b>55,943</b>	<b>29,096</b>	<b>36,552</b>
<i>Gross profit margin (%)</i>	67%	56%	65%
<b>Other income</b>	<b>1,113</b>	<b>5,374</b>	<b>4,355</b>
<b>Operating expenses</b>			
Loss on reassessment of contingent consideration liability	98	-	-
Salaries and employee benefits expenses	(30,576)	(26,144)	(21,243)
Other expenses	(12,953)	(16,033)	(15,434)
Transaction costs	(2,259)	(5,840)	(4,670)
Restructuring costs	(365)	(2,235)	(614)
Impairment of goodwill	(41,123)	(33,000)	(33,000)
Net impairment losses on financial assets	-	(684)	(727)
Gain / (Loss) on disposal of businesses	554	384	(784)
<b>Total operating expenses</b>	<b>(86,624)</b>	<b>(83,552)</b>	<b>(76,472)</b>
<b>EBITDA</b>	<b>(29,568)</b>	<b>(49,082)</b>	<b>(35,565)</b>
Depreciation expenses	(7,026)	(7,039)	(6,277)
Amortisation expenses	(3,511)	(2,137)	(606)
<b>EBIT</b>	<b>(40,105)</b>	<b>(58,258)</b>	<b>(42,448)</b>
Interest income	202	239	132
Finance costs	(5,810)	(4,004)	(3,454)
<b>(Loss) / profit before tax</b>	<b>(45,713)</b>	<b>(62,023)</b>	<b>(45,770)</b>
Income tax benefit/(expense)	(238)	3,122	1,824
<b>(Loss) / profit after tax from continuing operations</b>	<b>(45,951)</b>	<b>(58,901)</b>	<b>(43,946)</b>

Source: WCG Annual Reports and semi-annual report (with comparatives), Management, SW Securities analysis

Note 1: FY21 basis of preparation. On 14 December 2020, WCG changed its fiscal year from ending in December to ending in June. As a result, WCG's income statement in its FY21 statutory accounts was prepared on an 18 months basis. To derive the above 12 months financial performance for period ending 30 June 2021, 6 months financial performance for the period 1 January 2020 to 30 June 2020 was subtracted from the 18 months financial performance for the period 1 January 2020 to 30 June 2021.

We note the following regarding WCG historical financial performance as summarised above:

- Reported revenue has decreased by approximately 37% from CY19 to CY20.
  - WCG reversed \$9.096 million (excl. GST) of revenue in relation to a customer dispute that occurred in CY19 that was settled in CY20. No consideration was received from the performance of the disputed services with regards to the settlement.
  - The impacts of the COVID-19 pandemic and poor customer experiences in support services (voice, chat, and email), console (customer platform) experiences and technical instabilities in CY20.
- Reported revenue increased by approximately 8% from CY20 to FY21 due to improvements in customer service and support as result of on-shoring of customer service and process improvement initiatives.
- From CY19 to FY21 total expenses have declined as a result of the various cost reduction initiatives which commenced in CY19 and continued into FY21. These initiatives included streamlining contracts, implementing cost synergies, exiting property leases and reducing labour cost.
- Between the income statements for CY20 and FY21 presented in Table 2 there is an overlapping period of 6 months from 1 July 2020 to 31 December 2020. As a result of this overlapping period, the goodwill impairment expense of \$33 million shows up in both CY20 and FY21. This goodwill impairment was driven by the impact of Covid-19 on the business and the decline in revenues in those fiscal years.
- Over the period reviewed, WCG has incurred various non-recurring expenses which relate to restructuring exercises and mergers and acquisitions activities where WCG has divested some businesses and was a target for a takeover proposal. As a result of these non-recurring costs and impairment expense, WCG reported loss in each of the periods.
- The following table summarises the normalised earnings before interest, taxes, depreciation, and amortisation (**EBITDA**) for WCG from CY19 to FY21:

**Table 3: Normalised WCG EBITDA**

\$'000	Period	Period	Period
	from 1 Jan	from 1 Jan	from 1 Jul
	2019 to 31	2020 to 31	2020 to 30
	Dec 2019	Dec 2020	Jun 2021
	CY19	CY20	FY21
<b>Reported EBITDA</b>	<b>(29,568)</b>	<b>(49,082)</b>	<b>(35,565)</b>
<b>Normalisation adjustments</b>			
Reversal of revenue due to settlement of customer dispute	(9,096)	9,096	-
Transaction costs	2,259	5,840	4,670
Restructuring costs	365	2,235	614
Impairment of goodwill	41,123	33,000	33,000
Gain / (Loss) on disposal of businesses	(554)	(384)	784
<b>Total adjustments</b>	<b>34,097</b>	<b>49,787</b>	<b>39,068</b>
<b>Normalised EBITDA</b>	<b>4,529</b>	<b>705</b>	<b>3,503</b>

Source: WCG Annual Reports and semi-annual report (with comparatives), Management, SW Securities analysis

- Normalisation adjustments have been made for one-off transactions which include acquisition and restructuring cost, impairment of goodwill and gain/(loss) on disposal of business. The normalisation adjustments have resulted in a positive EBITDA for CY19, CY20 and FY21.

## 2.6. Financial Position of WCG

A summary of the historical consolidated financial position of WCG as at 31 December 2019, 31 December 2020 and 30 June 2021 is set out below

**Table 4: Financial position of WCG**

\$'000	Actual	Actual	Actual
	As at 31 Dec 2019	As at 31 Dec 2020	As at 30 Jun 2021 <sup>1</sup>
<b>Current assets</b>			
Cash and cash equivalents	8,949	3,468	2,412
Trade and other receivables	13,910	3,002	1,718
Prepayments of domain name registry charges	7,810	7,519	5,398
Lease receivables	2,064	3,115	1,965
Current tax refund	375	2,313	-
Contract assets	-	-	476
Other assets	2,928	1,358	680
Assets held for sale	38,674	-	87
<b>Total current assets</b>	<b>74,710</b>	<b>20,775</b>	<b>12,736</b>
<b>Non-current assets</b>			
Plant and equipment	8,198	3,506	2,191
Right-of-use assets	16,554	7,969	3,513
Intangible assets	77,804	43,074	41,596
Prepayments of domain name registry charges (non-current)	678	670	2,428
Lease receivables (non-current)	1,830	1,951	1,076
Deferred tax assets	7,323	-	3,794
Other financial assets	1,375	725	725
Other assets (non-current)	560	1,884	1,493
<b>Total non-current assets</b>	<b>114,322</b>	<b>59,779</b>	<b>56,816</b>
<b>Total assets</b>	<b>189,032</b>	<b>80,554</b>	<b>69,552</b>
<b>Current liabilities</b>			
Trade and other payables	8,692	12,275	11,419
Income received in advance	22,792	24,835	22,437
Provisions	1,585	1,196	1,270
Derivative financial instruments	510	-	-
Current tax payable	-	-	511
Interest bearing loans and borrowings	61,929	42,409	26,627
Other financial liabilities	5,549	-	-
Lease liabilities	6,160	6,548	3,423
Liabilities directly associated with assets held for sale	15,931	-	-
<b>Total current liabilities</b>	<b>123,148</b>	<b>87,263</b>	<b>65,687</b>
<b>Non-current liabilities</b>			
Income received in advance (non-current)	11,297	7,135	8,551
Provisions (non-current)	3,187	2,970	2,535
Interest bearing loans and borrowings (non-current)	-	-	15,000
Deferred tax liabilities	7,549	-	1,323
Lease liabilities (non-current)	12,970	6,885	3,051
<b>Total non-current liabilities</b>	<b>35,003</b>	<b>16,990</b>	<b>30,460</b>
<b>Total liabilities</b>	<b>158,151</b>	<b>104,253</b>	<b>96,147</b>
<b>Net assets</b>	<b>30,881</b>	<b>(23,699)</b>	<b>(26,595)</b>

Source: WCG Annual Reports and half year reports

Note 1: As a result of a change in fiscal year announced in December 2020, WCG's financial position for FY21 is presented as at 30 June 2021.

We note the following regarding WCG's historical financial position as summarised above:

- Intangible assets account for a large portion of the total assets. It consists of goodwill (largest component), capitalised customer contracts and capitalised software. Intangible assets decreased from \$77.8 million as at 31 December 2019 to \$43 million as at 31 December 2020 as a result of \$33 million in goodwill impairment recognised by the Group during CY19.
- Trade receivables fell from \$13.9 million as at 31 December 2019 to \$3.0 million as at 31 December 2020 as a result of the reversal of customer revenue disputed amount of approximately \$10 million (incl. GST) in CY20.
- The asset held for sale for \$38.6 million as at 31 December 2019 relate to the Enterprise Business, which was targeted for sale after a strategic review performed in September 2019.
- Total interest-bearing loans and borrowings have fallen from \$61.2 million as at 31 December 2019 to \$41.6 million as at 31 December 2021. In CY20, WCG repaid \$22.1 million of its debt facilities with ANZ and NAB by using the proceeds from the sale of the Enterprise Business. In October 2020, the remaining balance of the debt facilities with ANZ and NAB were repaid by the group using loans totalling to \$47.6 million from 5GN. In June 2020, the group executed \$15 million market rate loan with CBA which was used to reduce the balance owing to 5GN. As at 30 June 2021, WCG still had \$26.6 million in loans owing to 5GN.
- In January 2021, the group entered into an agreement to surrender the property lease with landlord of its office premises in Sydney NSW. The group also entered a subleasing arrangement with Arq group Enterprise Pty Ltd (former subsidiary disposed of in the Enterprise Business sale) for part of the group's office space. Due to the sub leasing arrangements, the group derecognised \$4.4 million of right-of-use lease assets bringing the right-of-use assets balance to \$3.5 million as at 30 June 2021.
- WCG has a net liability position for periods ended 31 December 2020 and 30 June 2021.

## 2.7. Recent Capital Raisings

In December 2020, WCG completed a share placement of 33 million ordinary shares at 17 cents per share raising \$5.6 million, including \$3.1 million from institutional and sophisticated investors and \$2.5 million from Mr Demase and Mr Gangi.

## 2.8. Capital Structure and Shareholders

The current capital structure of WCG is set out in the table below:

**Table 5: Capital structure of WCG**

Security Type	Number of shares '000
Ordinary Shares	155,491
Performance Rights	10,000
Options	11,225

Source: ASX announcement 31 August 2021

Below table provides a breakdown of the options on issue of WCG:

**Table 6: Breakdown of WCG options on issue**

Number of options on issue '000	Expiry date	Strike Price (\$)
2,425	Various	Various
750	30-Mar-24	\$0.45
100	30-Mar-26	\$0.45
2,000	18-Dec-25	\$0.20
1,000	15-Jul-26	\$0.45
4,950	15-Jul-26	\$0.45
<b>11,225</b>		

Source: ASX announcement 31 August 2021

As at 31 August 2021, WCG had 155.5 million ordinary shares on issue. In addition, there were 10 million performance rights and 11.2 million options on issue. The performance rights were subject to the achievement of a normalised annualised EBITDA of at least \$10 million. This vesting condition has now been satisfied given the results contained in the WCG Annual Report released on 14 September 2021.

The table below sets out the major shareholders of WCG as 31 August 2021:

**Table 7: Top 5 shareholders of WCG**

Shareholder	Number of ordinary shares held	Stake held
	'000	%
5G Networks Limited	69,524	44.7%
J P Morgan Nominees Australia Pty Ltd	12,228	7.9%
J D Management Group Pty Ltd	11,765	7.6%
Capital H Management Pty Ltd	2,800	1.8%
Arktree Nominees Pty Ltd	2,512	1.6%
<b>Total substantial shareholders</b>	<b>98,830</b>	<b>63.6%</b>

Source: Sharetrak report by Orient Capital Pty Ltd dated 31 August 2021

## 2.9. Impact of COVID-19

Since the onset of the Covid-19 outbreak and resulting market conditions, WCG initially observed a reduction in small business spend away from digital marketing and online business promotion. Beginning from the last quarter of CY20, WCG has witnessed a slow but gradual recovery in customers' digital marketing spend and WCG's trading performance has since been stable.

The effects of ongoing measures introduced by State and Federal governments to limit transmission of Covid-19 (including forced closure of business, overseas and domestic travel bans and quarantine requirements) will likely have a material negative impact on Australia's overall macro-economic environment to which WCG is exposed. Furthermore, there is a risk of WCG's customers not returning to pre-Covid-19 levels.

WCG continues to monitor the impact of Covid-19 and to-date has executed its business continuity framework and implemented crisis management tools to mitigate the impacts of Covid-19 on its business operations. WCG has also identified further cost reduction and cash preservation strategies in the event that the that WCG revenues are materially negatively impacted.

## 3. Profile of 5GN

### 3.1. Overview of 5GN

5GN is a licenced telecommunications carrier operating across Australia. 5GN owns and operates a nationwide high-speed data network with presence in all major Australian capital cities. 5GN also offers managed cloud solutions through its cloud and data centre capabilities as well as managed services to optimise customers IT and network environments. Supporting these capabilities is 5GN's combined 720 rack capacity through its owned and operated data centres across Melbourne, Sydney, Brisbane and Adelaide. 5GN services 2,500 plus customers which include several top 50 ASX listed companies and government organisations.

On 13 November 2017, 5GN purchased 100% interest in Enspire Australia Pty Ltd whose principal activity was the design, delivery and running of cloud-based solutions, managed services and network infrastructure. 5GN was listed on the ASX and commenced trading on 17 November 2017.

In March 2018, 5GN completed the acquisition of Asian Pacific Telecommunications Pty Ltd whose principal activities were operating voice, data and cloud communication services. In August 2018, 5GN completed the acquisition of Hostworks Pty Ltd and Anittel Pty Ltd. Subsequently, to expand its data centre capabilities the group acquired Melbourne Data Centre, Australian Pacific Data Centres Pty Ltd and North Sydney Data Centre and Colocation Australia (**ColoAU**).

In late October 2020, 5GN obtained control of WCG as it held 50.69% of WCG by way of the Previous Takeover Offer that closed with 5GN holding ownership of 56.7% of WCG shares. Due to capital raising conducted by WCG in November and December 2020, 5GN's ownership of WCG shares reduced to 44.7%. In November 2020, 5GN acquired ex Pipe Networks Data Centre in Fortitude Valley, Brisbane and in March 2021 5GN finalised the acquisition of a dedicated cloud provider Intergrid Group Pty Ltd. During the period from 1 June 2020 to 30 July 2021 5GN commenced its fibre build to connect its data centres to over 80 additional data centres across Sydney, Melbourne, Brisbane, Perth, and Adelaide.



### 3.2. Board and Key Management Personnel

The 5GN Board and Executive team comprises of the following:

**Table 8: 5GN directors and executive team**

Name and Profile	Position
<p><b>Mr Albert Cheok</b></p> <p>Mr Cheok has over 35 years of high-level experience in the banking, financial and corporate sectors across the Asia Pacific region. Mr Cheok had held a range of roles including as Chairman of Bangkok Bank Berhad in Malaysia and Manager of Reserve Bank of Australia. In addition to his role as the Non-Executive Independent Chairman at 5GN, Mr Cheok is currently the Vice Governor of the Malaysian Institute of Corporate Governance.</p>	Non-Executive Independent Chairman
<p><b>Mr Joseph Demase</b></p> <p>With over 20 years' experience in the telecommunications industry, Mr Demase has been previously involved in two ASX listings within the sector, Uecomm Ltd in 2000 and as Co-Founder of Access Providers Ltd in 2004. Mr Demase also has been shaping business for more than 20 years and has the vision to identify business opportunities and the tenacity and skill to fulfill that potential.</p>	Managing Director
<p><b>Mr Jason Ashton</b></p> <p>With more than 25 years of experience within the internet and telecommunications industries, Mr Ashton was the co-founder and Managing Director of ISP Magna Data. Mr Ashton also served as the Chief Executive Officer of ASX listed BigAir Group Limited which he also co-founded. BigAir Limited was acquired by Superloop Limited (ASX: SLC) in 2016 and Mr Ashton served as an Executive Director at Superloop from 2016 to 2018</p>	Non-Executive Director
<p><b>Mr Joseph Gangi</b></p> <p>Mr Gangi has been an Independent Director of 5GN its inception and initial IPO. Mr Gangi has over 30 years' experience in corporate management and governance and is an active advisor to several private sector boards and provides strategic planning and consulting services to the Local Government sector. Mr Gangi's experience lies in business management and leadership with a focus on business sustainability, growth and development, strategic and client relationship management and risk management.</p>	Non-Executive Director
<p><b>Mr Glen Dymond</b></p> <p>Mr Dymond has over 25 years' experience in senior finance and operations management roles and has been achieved across a diverse range of business programs. This includes process development to drive financial performance, as well as client commercial management and driving successful change management across organisations undergoing rapid growth and change. Mr Dymond has held roles at several ASX listed entities that include Zenitas Healthcare Limited, Spotless Group Limited, Broadspectrum Limited and ConnectEast Group. Mr Dymond is also the Chief Financial Officer at WCG.</p>	Chief Financial Officer and Joint Company Secretarial
<p><b>Mr Michael Wilton</b></p> <p>Mr Wilton has more than 25 years' experience as capital markets and mergers and acquisitions lawyer. In addition to this Mr Wilton also has substantial legal expertise in IT and telecommunications. In addition to his role at WCG, Mr Wilton is also the General Counsel and Joint Company Secretary at WCG and is a Partner in the Melbourne office of Cornwall Lawyers.</p>	General Counsel and Joint Company Secretarial

Source: 5GN Website

### 3.3. Service Offerings

5GN provides cloud and data centre services, data networks and managed services to government, SMB's, large corporate enterprises and wholesale customers across Australia and New Zealand. A summary of each service offering is as follows:

#### Cloud and Data Centre Services

5GN's cloud services combines the security of private cloud with public cloud platforms. The platform is orchestrated and governed from 5GN cloud, a single management console which securely manages the cloud eco system. 5GN data centre services are used to host critical infrastructure in addition to the inter-connection of cloud services, partners, network carriers and offices. 5GN cloud combines the control, flexibility, and security of a national private cloud, with the agility and innovation of public cloud.

#### Data Networks

Data network solutions help business to connect with secure technologies to enhance both application performance and ability. By augmenting through 5GN's rapidly growing metropolitan fibre network, the managed network is an agile and secure optical fibre network that enables customers to connect to their data at ultra-high speeds with minimal latency. The metropolitan fibre network will soon be extended to 180 km across Australia's major cities, connecting to more than 80 data centres.

#### Managed Services

5GN managed services assist customers to optimise their information and communication technology environments to accelerate future opportunities through Managed IT and Service Management. Managed IT services provide businesses solutions by way of introducing new business models and digitally enabled platforms and services. Service Management provides end to end service management for data networks, cloud, and data centre services.

### 3.4. Financial Performance of 5GN

A summary of the historical consolidated financial performance of 5GN for FY19, FY20 and FY21 is set out below:

**Table 9: Financial performance of 5GN**

\$'000	Period from	Period from	Period from
	1 Jul 2018 to 30 Jun 2019	1 Jul 2019 to 30 Jun 2020	1 Jul 2020 to 30 Jun 2021
	FY19	FY20	FY21 <sup>1</sup>
<b>CONTINUING OPERATIONS</b>			
Network & Voice	6,778	7,413	9,217
Data Centres	4,073	7,666	8,489
Hardware and Software	14,997	7,710	10,825
Managed Services	13,306	12,834	13,378
Domain Services	-	-	15,012
Digital Marketing	-	-	2,405
Cloud Services	12,001	13,702	27,763
<b>Total Revenue</b>	<b>51,155</b>	<b>49,325</b>	<b>87,089</b>
<b>Other income</b>	<b>-</b>	<b>401</b>	<b>4,504</b>
<b>Operating expenses</b>			
Network and data centre costs	(24,656)	(20,098)	(25,317)
Domain registration costs	-	-	(5,432)
Cloud and hosting costs	-	-	(1,456)
Software and licencing costs	-	-	(3,030)
Direct labour costs	-	-	(515)
External labour costs	-	-	(1,715)
Rent and office expenses	(383)	(313)	(989)
Marketing and travel expenses	(552)	(322)	(1,122)
Employee benefits expenses	(20,945)	(19,997)	(32,203)
Other expenses	(1,384)	(2,455)	(3,597)
Impairment of financial assets	(38)	(275)	(850)
Share-based payment expenses	(2,217)	(1,424)	(2,874)
Acquisition costs	(678)	(441)	(2,207)
Restructuring costs	-	(197)	(1,715)
<b>Total operating expenses</b>	<b>(50,853)</b>	<b>(45,522)</b>	<b>(83,022)</b>
<b>EBITDA</b>	<b>302</b>	<b>4,204</b>	<b>8,571</b>
Depreciation expenses	(3,313)	(4,890)	(9,769)
Amortisation expenses	-	(78)	(2,419)
<b>EBIT</b>	<b>(3,011)</b>	<b>(764)</b>	<b>(3,617)</b>
Interest income	17	38	99
Finance costs	(1,147)	(1,425)	(2,027)
<b>(Loss) / profit before tax</b>	<b>(4,141)</b>	<b>(2,151)</b>	<b>(5,545)</b>
Income tax (expense)/benefit	-	606	(319)
<b>(Loss) / profit after tax from continuing operations</b>	<b>(4,141)</b>	<b>(1,545)</b>	<b>(5,864)</b>

Source: 5GN Annual Reports, Management accounts, SW Securities analysis

Note 1: For FY21, 5GN has consolidated the financial performance of WCG as part of its consolidated Statement of Profit or Loss and Other Comprehensive Income. 5GN held 44.75% of WCG as at 30 June 2021 and 5GN's management considers that 5GN had de-facto control of WCG at all times between 28 October and 30 June 2021, although it has held less than 50% of voting rights of WCG since the completion of capital raising activities by WCG in November 2020.

We note the following regarding 5GN's historical financial performance:

- Revenue increased by \$37.7 million or approximately 77% from FY20 to FY21. The key drivers for this are as follows:
  - The consolidation of WCG since 1 November 2021 accounted for approximately \$35 million or circa 93% of the revenue growth for the year.
  - Other acquisitions (ColoAu and Intergrid Group) during FY21 and organic growth for the period contributed to an additional \$2.4 million or approximately 7% of the revenue growth for the year.
- Upon gaining control of WCG in late October 2020, 5GN remeasured the equity interest of WCG to fair value which resulted in a gain and an additional \$1.3 million was recognised as other income during FY21.
- The largest expense items are network and data centre cost and salaries. In FY21, these costs represented circa 69% of total operating expenses. Due to the consolidation of WCG during FY21, operating expenses have increased significantly between FY20 and FY21.
- Although 5GN has reported a net loss between FY19 and FY21, it was profitable at an EBITDA level. EBITDA margin was 9.8% in FY21 which was circa 1.3% improvement from FY20.

### 3.5. Financial Position of 5GN

**Table 10: Financial position of 5GN**

A summary of the historical consolidated financial position of 5GN for the financial years ended, 30 June 2019, 30 June 2020 and 30 June 2021 is set out below.

\$'000	Actual	Actual	Actual
	As at 30 Jun 2019	As at 30 Jun 2020	As at 30 Jun 2021
<b>Current assets</b>			
Cash and cash equivalents	5,660	22,118	19,170
Restricted cash	1,000	1,397	-
Trade and other receivables	3,981	2,808	5,963
Lease receivable	-	-	1,892
Prepayments of domain name registry charges	-	-	5,398
Contract assets	629	700	620
Other assets	1,205	727	1,056
<b>Total current assets</b>	<b>12,475</b>	<b>27,750</b>	<b>34,099</b>
<b>Non-current assets</b>			
Trade and other receivables (non-current)	70	-	-
Property, plant and equipment	5,112	8,417	15,873
Right-of-use assets	14,142	13,014	15,478
Lease receivable (non-current)	-	-	1,101
Deferred tax asset	610	1,725	9,978
Goodwill	12,998	16,567	61,706
Other intangible assets	372	294	24,228
Prepayments of domain name registry charges (non-current)	-	-	2,429
Other investments	-	-	725
Other assets (non-current)	-	-	1,494
<b>Total non-current assets</b>	<b>33,304</b>	<b>40,017</b>	<b>133,012</b>
<b>Total assets</b>	<b>45,779</b>	<b>67,767</b>	<b>167,111</b>
<b>Current liabilities</b>			
Trade and other payables	5,101	6,709	19,293
Borrowings	304	983	428
Lease liabilities	1,896	2,370	5,885
Employee benefits	2,179	2,292	4,712
Provision for income tax	172	41	146
Contract liabilities	1,241	1,313	23,748
Other financial liabilities	-	-	1,100
other liabilities	278	2,951	3,766
<b>Total current liabilities</b>	<b>11,171</b>	<b>16,659</b>	<b>59,078</b>
<b>Non-current liabilities</b>			
Trade and other payables (non-current)	1,349	1,274	-
Borrowings (non-current)	3,476	1,982	20,579
Lease liabilities (non-current)	13,077	11,898	16,394
Employee benefits (non-current)	318	299	547
Contract liabilities (non-current)	-	-	8,551
Deferred tax liability	-	-	12,106
<b>Total non-current liabilities</b>	<b>18,220</b>	<b>15,453</b>	<b>58,177</b>
<b>Total liabilities</b>	<b>29,391</b>	<b>32,112</b>	<b>117,255</b>
<b>Net assets</b>	<b>16,388</b>	<b>35,655</b>	<b>49,856</b>

Source: 5GN Annual Reports, Management accounts, SW Securities analysis

Note 1: FY21 basis of preparation. 5GN held 44.75% of WCG as at 30 June 2021 and Management considers that 5GN had de facto control of WCG at all times between 28 October and 30 June 2021, even though it has held less than 50% of voting rights of WCG since the completion of capital raising activities by WCG in November 2020. 5GN has consolidated the historic financial of WCG as part of its Statement of Financial Position.

We note the following regarding 5GN's historical financial position as summarised above:

- The main drivers of the year-on-year increase in net assets in FY20 and FY21 were the capital raising/ share placements in June 2020 and September 2020 wherein 5GN raised \$18.2 million and \$27.5 million in new capital, respectively.
- Borrowings increased from \$2.9 million in FY20 to \$21 million in FY21 as a result of 5GN taking on additional bank debt to support the \$47.5 million debt facility it extended to WCG pursuant to the terms of the Previous Takeover Offer.

### 3.6. Recent Capital Raising

On 7 September 2020, 5GN announced that it had raised \$27.5 million in capital via a share placement at \$1.80 per share. As a result of this placement, 5GN issued approximately 15.3 million ordinary shares which increased its ordinary shares by approximately 16.7%.

### 3.7. Capital Structure and Shareholders

**Table 11: Capital structure of 5GN**

5GN's Capital structure of the group is set out in the table below:

Security Type	Number of shares '000
Ordinary Shares	120,661
Performance Rights	8,000

Source: ASX announcement 13 September 2021

As at 13 September 2021, 5GN had 120.7 million ordinary shares on issue. In addition, there were 8 million performance rights on issue. The performance rights require the achievement of an EBITDA target.

The major shareholders of 5GN as at 6 August 2021 are set out below:

**Table 12: Top 5 shareholders of 5GN**

Shareholder	Number of ordinary shares held '000	Stake held %
Joseph Demase and related parties	18,387	15.2%
Mr Albert Saychuan Cheok & Mr Eric Victor Cheok	4,000	3.3%
Pacific Custodians Pty Ltd	5,009	4.2%
HSBC Custody Nominees (Australia) Limited	3,222	2.7%
Citicorp Nominees	2,698	2.2%
<b>Total substantial shareholders</b>	<b>33,317</b>	<b>27.6%</b>

Source: FY21 5GN Annual Report, ASX announcement 17 September 2021

### **3.8. Impact of COVID-19**

The COVID-19 pandemic continues to be a significant factor in challenging the macroeconomic conditions. Due to the pandemic, it is likely that 5GN will have increased bad debt risk due to customers facing considerable financial distress. There is also a possibility of a decline in corporate customer revenue caused by customers seeking lower cost services and forced business closures.

5GN's data connectivity, cloud and data centre services and managed IT services are essential services to customers during the COVID-19 pandemic. 5GN has been proactively managing the impact of COVID-19 by working with its key customers to identify more efficient ways of conducting their operations and to support their business requirements. 5GN has significant network and data centre capacity to accommodate the increase in demand for these services.

# 4. Industry Overview

## 4.1. Introduction

WCG is a services company that predominantly operates within the internet and cloud hosting and data processing services industry, internet hosting and web design services industry in Australia.

5GN is a licence telecommunications carrier that mainly operates within the Internet hosting service industry and telecommunications services industry in Australia.

## 4.2. Cloud Hosting and Data Processing Services Industry

### Products and services

Firms in the industry are mainly involved with a range of services including data processing services, cloud hosting and web hosting services, software-based services and business process management.

### Industry performance and outlook

According to IBISWorld Report J5921 Cloud Hosting and Data Processing Services in Australia Industry Report dated July 2021, industry revenue is expected to grow at an annualised 5.0% over the five years to 2021-22. The growth of the industry is projected to continue as businesses and government move internal systems to the cloud and data generated from mobile services increase. An annualised 7.7% of revenue growth is anticipated in the next five years. However, rising cybersecurity concerns and increasing regulations could limit revenue growth.

### Industry demand and drivers

Demand for industry services is driven by finance, insurance, banking and government sectors which heavily demand transaction processing. General economic conditions and business confidence will also influence the likelihood that companies would invest in cloud hosting and data processing services.

Rising domestic internet traffic and the expanding volume and availability of data over the past five years is a key driver of industry revenue growth. The abundance of data has created opportunities for big data analysis, which drives more companies to outsource data processing activities to industry participants due to the lack of capabilities.

Covid-19 had positive impacts on the industry, as it leads to increasing demand for remote working environments and business web platforms due to restrictions, and trends favouring online shopping. However, a global semiconductor shortage in 2020-21 has limited the extent of industry expansion.

Offshoring enables large industry players to reduce their operating expenses by hiring low-cost foreign labour while generating revenue locally. Conversely, offshoring poses a threat of overseas competition and constrains the industry revenue growth. However, due to cybersecurity concerns, public sectors are anticipated to seek industry services locally despite the higher price, whereas private firms are likely to outsource work to foreign companies.

Other key external drivers of the industry revenue include:

- Capital expenditure of computer software
- Demand from online shopping

### Competition

More companies have entered the market to capitalise on the growing demand for cloud hosting and business analytics over the past five years. Industry concentration is relatively low, as the top four players are expected to account for under 40% of industry revenue in 2021-22. Industry concentration has fallen over the past five years as Arq Group sold off portions of its operations.



The industry faces moderate and increasing competition on a combination of service, continuity, skills and price internally and offshoring competition and the overlapping services provided by other industries.

Major players of the industry include iM A/NZ Holdings Pty Limited, Macquarie Telecom group Limited and WCG (formerly Arq Group), with 15.3%, 6.9% and 3.0% market share respectively.

### **4.3. Internet Hosting Services Industry**

#### **Products and services**

Industry firms operate internet services from data centres, allowing content to be stored and accessed through the internet. Industry firms primarily provide a range of cloud and managed hosting services including web hosting, cloud hosting, email hosting and other internet hosting services.

#### **Industry performance and outlook**

According to IBISWorld Report OD5323 Internet Hosting Services in Australia Industry Report dated July 2021, enhanced domestic web accessibility and technology advancements have facilitated the increasing demand from businesses and government in the past five years. In addition, Covid-19 had positive impacts on the industry as businesses seek to expand their online presence. Based on IBISWorld report "Internet Hosting Services in Australia" dated July 2021, the annualised revenue growth rate for internet hosting services is 4.3% over the past five years to 2021. Increased outsourcing of non-core functions by businesses has aided profit margins. As revenue growth has outstripped the rise in costs, industry profitability has risen over the past five years. The industry revenue growth is projected to be an annualised 4.9% over the five years through 2025-26.

The number of industry enterprises has increased modestly over the past five years, the entry of new operators has intensified competition and is forecast to limit the growth in profit margins over the next five years. Operators that provide cloud hosting solutions aimed at SMB primarily compete on price, however, large corporations and government agencies usually award long-term contracts based on the quality of service. Due to cost advantages and ease of management, many of the industry's large clients have switched to cloud hosting solutions over the past five years, which has driven the industry companies to upgrade the cloud computing capabilities of their servers. This is projected to reduce the costs as a share of revenue, as cloud hosting services are more automated and demand for staff is reduced.

#### **Industry demand and drivers**

Key determinants of demand include business sentiment, the price of servers, changing technology and the required level of data security.

Clients' increasing preference to outsource IT services due to cost and management advantages have driven much of the industry's growth over the past five years.

Other key external drivers of the industry revenue include:

- Demand from online shopping
- Business confidence
- Demand from financial and insurance services
- Government consumption expenditure
- Mobile telecommunications density

#### **Competition**

Industry concentration is at a medium level, with the top four players expected to account for less than 50% of industry revenue in 2020-21. For industries where competitive is high, and the market share is usually more fragmented.

Major players of the industry are Macquarie Telecom Group Limited, IBM A/NZ Holdings Pty Limited and WCG. The three companies make up of 21.1%, and 13.6% and 5% share of industry revenue respectively.

A large number of small companies exist; however, many larger companies have been purchasing smaller players and industry concentration has been increasing.

#### **4.4. Web Design Services Industry**

##### **Products and services**

Firms in the web design services industry offer integrated services that incorporate aspects of web design and development to provide online solutions for their clients. A wide range of services is offered including programming and coding, web graphic design, search engine optimisation, intellectual property development and other services such as ongoing maintenance of website content.

##### **Industry performance and outlook**

According to IBISWorld Report OD5166 Web Design Services in Australia Industry Report dated October 2020, industry revenue is forecast to grow at an annualised 0.7% over the five years to 2020-21. However, revenue is expected to fall by 1.8% in the current year, as businesses seek alternative designers overseas to cut costs.

The ongoing expansion of internet connections and web activities is projected to present growth opportunities for industry players over the next five years. Despite the offshoring being an outsourcing threat, demand for web design services is forecast to increase and industry revenue is forecast to increase at an annualised 2.0% over the next five years. Profitability has also fallen as the operators reduced prices to compete with offshore competitors in respond to Covid-19 impacts.

##### **Industry demand and drivers**

The industry has benefited from the growth in internet subscribers, the surge in mobile internet connections and subsequent surge in mobile web browsing activity over the past five years.

Search engine optimisation has been one of the fastest growing areas in the industry as a result of increased e-Commerce popularity.

Other key external drivers of the industry revenue include:

- Development in search engine optimisation
- Ongoing mainstream integration of social media channels
- Need to customise design for new technological applications
- Demand from data processing and web hosting services
- Growing internet subscribers
- Demand from online shopping
- Number of businesses

## Competition

The market concentration in the industry is low, as the industry is dominated by many small businesses. No single player is estimated to generate more than 5.0% of industry revenue in 2020-21. Market concentration is expected to remain stable over the next five years.

As more small businesses and independent contractors have entered the industry, the industry has become more fragmented over the past five years. However, the number of industry enterprises is forecast to decrease over the next five years, as the larger companies expand, and the market becomes more saturated.

The industry competition is very high and increasing. Industry companies also compete based on various factors, including price, portfolio quality, reputation and quality of the pre-sales and after-sales service provided. Industry companies compete externally with the services of in-house IT professionals.

Online outsourcing platforms have intensified the globalisation and global competition of the industry.

## 4.5. Digital Marketing

Digital marketing is the component of marketing that utilises internet and online based digital technologies such as desktop computers, smart phones and other digital media and platforms to promote products and services. As digital platforms become increasingly incorporated into marketing strategies, and as people increasingly use digital devices in their everyday lives, digital marketing campaigns have become prevalent, employing combinations of SEO services, search engine marketing, content marketing, e-commerce marketing and e-mail direct marketing.

Online marketing is a form of marketing and advertising which uses the internet to deliver promotional marketing messages to consumers. Like other advertising media, online advertising frequently involves a publisher, who integrates advertisements into its online content, and an advertiser, who provides the advertisements to be displayed on the publisher's content.

## 4.6. Telecommunications Services Industry

### Products and services

Telecommunication Services mainly include mobile services and wired services sold directly to consumers and businesses.

### Industry performance and outlook

According to IBISWorld Report J5800 Telecommunications Services in Australia Industry Report dated September 2020, driven by rising mobile data consumption and mobile connectivity, revenue derived from wireless services has increased over the past five years. However, demand for fixed line services has fallen, whereas strong price competition in mobile services have constrained the ability to generate revenue. Overall, revenue is expected to fall at an annualised 3.2% over the five years through 2020-21, with a 4.2% decline in the current year.

Subdivision revenue and profit are expected to decline over the five years to 2020-21 due to ongoing price competition and losses from fixed line services. Revenue is projected to fall at an annualised 0.5% over the next five years, with growth in wireless telecommunications expected neutralising the negative impacts from fixed line services.

Covid-19 pandemic had negative impacts on the industry's profitability internet use has increased pressure on NBN services, resulting in more capacity required at no extra costs until August 2020.

### Industry demand and drivers

Consumers and business preferences for mobility lead to a shift from fixed wire services to mobile services. Wired revenue has declined, largely due to a shift towards internet services at the retail level. As a result, telecommunications companies have lowered prices to retain their market share.

Policy shifts regarding NBN from fibre-to-the-premises to fibre-to-the-node are anticipated to generate significant competition from 5G fixed wireless alternatives, as FTTN connections can be unreliable and slower than 5G fixed wireless.

Population growth and household income levels are the main determinants of demand from consumers, whereas economic conditions are likely to influence commercial clients' and government's demand.

Other key external drivers of the industry revenue include:

- Mobile telecommunications density
- Number of households
- Real household disposable income
- Demand from telecommunications and other electrical goods wholesaling
- Number of businesses

### **Competition**

Market concentration in the industry is high, with the four largest companies expected to account for over 90% of industry revenue in 2020-21. The competition level has been increasing, with industry companies competing directly with each other on the basis of price, external platforms such as Skype poses threat to the revenue from phone calls and text messaging services of telecommunications companies.

Major players in the industry include Telstra Corporation Limited, Singtel Optus Pty Limited, NBN Co Limited and TPG Corporation Limited with respective market shares of 42.6%, 20.6%, 14.9% and 13.6%.

The merger between TPG Telecom and Vodafone Hutchison Australia in 2020 has reduced competition in the industry.

Small-scale niche players have entered the industry to capitalise on the NBN rollout over the past five years. Smaller operators are expected to have the opportunities to develop private networks and other telecommunications systems in respond to increasing demand for high-speed private networks

# 5. Merged Group

## 5.1. Overview of the Merged Group

The Proposed Merger will combine the strengths and resources of two similar business in 5GN and WCG to create one of the top three domain providers in Australia and the largest Australian owned operator of fibre networks, cloud and data centres. The Proposed Merger will ensure the integration of WCG and 5GN businesses occurs swiftly as the merger began in October 2020 following 5GN's acquisition of a substantial shareholding in WCG. WCG will continue to operate 5GN and WCG business in a similar manner to its current operations, while focusing on the realisation of expected merged group synergies.

## 5.2. Board and Key Management Personnel

The proposed Board and Executive team of the merged group comprises of the following:

**Table 13: Merged group directors and executive team**

Name and Profile	Position
<p><b>Mr Joseph Gangi</b></p> <p>Mr Gangi has been an Independent Director of 5GN its inception and initial IPO. Mr Gangi has over 30 years' experience in corporate management and governance and is an active advisor to several private sector boards and provides strategic planning and consulting services to the Local Government sector. Mr Gangi's experience lies in business management and leadership with a focus on business sustainability, growth and development, strategic and client relationship management and risk management.</p>	Chairman
<p><b>Mr Joseph Demase</b></p> <p>With over 20 years' experience in the telecommunications industry, Mr Demase has been previously involved in two ASX listings within the sector, Uecomm Ltd in 2000 and as Co-Founder of Access Providers Ltd in 2004. Mr Demase also has been shaping business for more than 20 years and has the vision to identify business opportunities and the tenacity and skill to fulfill that potential.</p>	Managing Director
<p><b>Ms Natalie Mactier</b></p> <p>Ms Mactier has substantial experience in the sales and marketing sector and was SEEK.com.au's inaugural Marketing Manager prior to leaving to her own start up: Kidspot. Ms Mactier helped was part of the Executive Team who took the business to market to be acquired by News Corporation and became the CEO of Kidspot following the acquisition. Ms Mactier then serviced as the CEO of School places prior to becoming the CEO of Vivi International, a global B2B SaaS organisation.</p>	Non-Executive Director
<p><b>Mr Jason Ashton</b></p> <p>With more than 25 years of experience within the internet and telecommunications industries, Mr Ashton was the co-founder and Managing Director of ISP Magna Data. Mr Ashton also served as the Chief Executive Officer of ASX listed BigAir Group Limited which he also co-founded. BigAir Limited was acquired by Superloop Limited (ASX: SLC) in 2016 and Mr Ashton served as an Executive Director at Superloop from 2016 to 2018</p>	Non-Executive Director
<p><b>Mr Glen Dymond</b></p> <p>Mr Dymond has over 25 years' experience in senior finance and operations management roles and has been achieved across a diverse range of business programs. This includes process development to drive financial performance, as well as client commercial management and driving successful change management across organisations undergoing rapid growth and change. Mr Dymond has held roles at several ASX listed entities that include Zenitas Healthcare Limited, Spotless Group Limited, Broadspectrum Limited and ConnectEast Group.</p>	Chief Financial Officer and Joint Company Secretarial
<p><b>Mr Michael Wilton</b></p> <p>Mr Wilton has more than 25 years' experience as capital markets and mergers and acquisitions lawyer. In addition to this Mr Wilton also has substantial legal expertise in IT and telecommunications. In addition to his role at WCG, Mr Wilton is also a Partner in the Melbourne office of Cornwall Lawyers.</p>	General Counsel and Joint Company Secretarial

Source: Scheme Booklet

### 5.3. Pro forma Financial Performance of Merged Group

The pro forma financial performance of the Merged Group following the completion of the Proposed Transaction is set out below:

**Table 14: Normalised pro forma financial performance of Merged Group**

100% Acquisition Scenario \$'000	Pro forma FY21 <sup>1</sup>
<b>Revenue</b>	<b>108,975</b>
Cost of sales	(44,407)
<b>Gross profit</b>	<b>64,568</b>
<i>Gross profit margin (%)</i>	59.3%
<b>Other income</b>	<b>3,712</b>
<b>Operating expenses</b>	
Salaries and employee benefits expenses	(37,685)
Other expenses	(13,212)
Share based payments expenses	(2,874)
Acquisition costs	(739)
<b>Total operating expenses</b>	<b>(54,510)</b>
<b>Normalised Pro forma EBITDA<sup>2</sup></b>	<b>13,770</b>
Depreciation expenses	(12,080)
Amortisation expenses	(698)
<b>Normalised Pro forma EBIT</b>	<b>992</b>
Net interest income / (expenses)	(3,315)
<b>Normalised Pro forma (Loss) / profit before tax</b>	<b>(2,323)</b>
Income tax benefit / (expense)	(3,110)
<b>Normalised Pro forma (Loss) / profit after tax</b>	<b>(5,433)</b>

Source: Scheme Booklet, SW Securities analysis

Note 1: The pro-forma FY21 income statement has been prepared based on a 12-month consolidation of the financial performance of WCG and 5GN.

Note 2: \$0.065 million of finance cost have been excluded from the normalised pro-forma EBITDA which is the difference between above pro-forma EBITDA and the pro forma EBITDA as disclosed in the Scheme Booklet.

**Table 15: Pro forma and normalisation adjustments**

<b>\$'000</b>	<b>Pro forma FY21</b>
Acquisition, transaction and restructuring costs	3,611
Synergies implemented	4,333
Gain on FV of equity interest in WCG	(1,350)
Normalisation adjustments	627
Write-offs	1,782
<b>Total adjustments</b>	<b>9,003</b>

Source: Scheme Booklet

The table above summarises the pro-forma normalisation adjustments made to the above pro-forma EBITDA of the Merged Group. Details of the above adjustments are as follows:

- The acquisition, transaction and restructuring cost of \$3.6 million relates to \$1.31 million worth of acquisition cost incurred by 5GN in relation to the Previous Takeover Offer of WCG and \$2.3 million of transaction and restructuring cost incurred by WCG. These cost are one-off in nature and have been normalised.
- Synergies of \$4.33 million relates to cost synergies already implemented in WCG between October 2020 and June 2021 and represents the annualised savings moving forward.
- Gain on fair value \$1.35 million relates to the gain recognised by 5GN on fair value adjustments of its equity interest in WCG upon gaining control in October 2020. This gain has been normalised as it is one-off in nature.
- Normalisation adjustments of \$0.627 million include Jobkeeper subsidy received, gain on disposal of assets, doubtful debt expenses and various write-offs during the period. These transactions are one-off in nature and have been normalised; and
- Write-offs of \$1.78 million are in relation to abnormal debtor write-offs and credit adjustments recorded by WCG in FY21. These expenses are non-recurring transactions and have been normalised.

#### **5.4. Pro forma Financial Position of Merged Group**

*5GN held 44.75% of total outstanding shares in WCG as of 30 June 2021 and 5GN management considers that 5GN has de-facto control of WCG at all times between 28 October and 30 June 2021, even though it has held less than 50% of voting rights of WCG since the completion of capital raising activities by WCG in November 2020. In its FY21 statutory accounts, 5GN has consolidated the financials of WCG as part of its Statement of Financial Position which also represents the proforma financial position of the Merged Group (refer to **Table 10**).*

#### **5.5. Potential Synergies**

The Proposed Merger is anticipated to produce revenue and cost synergies of \$2 million. Cost synergies are projected to arise from the consolidation of operating platforms, corporate cost rationalisation and labour synergies from eliminating identical roles and functions.

Furthermore, the Merged Group may realise potential revenue synergies through cross selling and up selling opportunities to customers.

## 5.6. Merged Group Capital Structure

The table below shows the capital structure of the Merged Group assuming the Proposed Merger is approved. Based on the Merger Ratio and other terms of the Proposed Merger, the Merged Group will have 335.9 million ordinary shares on issue.

Table 16: Merged Group Capital Structure

	Fully paid ordinary shares '000
WCG shares on issue	155,491
5GN shares converted into Merge Group <sup>1</sup>	241,322
<b>Less:</b> WCG shares currently owned by 5GN <sup>2</sup>	(69,524)
<b>Merged Group ordinary shares</b>	<b>327,288</b>

Source: SW Securities analysis

Note 1: Based on 120,661 5GN ordinary shares converted at the Merger Ratio

Note 2: The WCG shares owned by 5GN prior to the Proposed Merger will be cancelled.



# 6. Valuation of the “Financial Benefit”

## 6.1. Valuation Approach

The ‘financial benefit’ to the Related Parties comprises the WCG shares which will be issued in relation to the JD Acquisition, JG Acquisition, JA Acquisition and AC Acquisition, collectively referred to as **WCG shares to be issued to Related Parties**.

RG111.58 states that where the financial benefit given by the entity is securities in the entity and the consideration is securities in another held by a related party, the value of the entity’s securities should be compared to the value of the securities it is purchasing.

Based on the above, we have assessed the value of the WCG shares to be issued to Related Parties before the financial impact of the Proposed Merger as we do not believe it would be appropriate to include any synergies from the Proposed Merger in our valuation of the shares.

There are a number of commonly accepted valuation methodologies that can be used to value shares in a company. These methodologies are as follows:

- Capitalisation of future maintainable earnings (**CFME**)
- Discounted cash flow (**DCF**)
- Net asset value (**NAV**)
- Quoted market price basis (**QMP**)

A description of each methodology is included in **Appendix C**.

In considering the various valuation methodologies to apply, we have considered the circumstances of the Proposed Transaction and the nature of the financial information available. In particular, we note that the Related Parties are not receiving any special or additional consideration under the Proposed Merger to that of all other 5GN shareholders.

We have adopted the QMP methodology as our primary valuation approach. We have selected this approach as there is a liquid and active market for the trading of WCG’s ordinary shares. We have cross-checked our primary valuation methodology using the CFME methodology.

## 6.2. QMP

The QMP for a share trading on a stock exchange represents a minority interest value. We note that none of the Related Parties will have more than circa 14.89% shares in WCF as a result of the Proposed Merger, therefore their ownership levels in WCG will represent a minority interest position. The table below summarises the number of WCG shares to be issued to the Related Parties and their expected ownership levels if the Proposed Merger is successfully completed.

**Table 17: Number of WCG shares to be issued to Related Parties**

	Shares ('000)	Stake %
Joe Demase and associated entities	36,774	11.2%
Joe Gangi and associated entities	3,804	1.2%
Jason Ashton and associated entities	4,379	1.3%
Albert Cheek and associated entities	8,000	2.4%
<b>Total WCG shares (Merged Group)</b>	<b>52,957</b>	<b>16.2%</b>

Source: Notice of Meeting

Note 1: We note that Mr Demase, Mr Gangi and Mr Ashton (including their associated entities) already own 11,951,206, 2,914,176 and 588,235 shares in WCG, respectively. As a result of the additional shares being issued to them as the consideration for Proposed Transaction, their ownership in WCG will increase to circa 14.9%, 2.1% and 1.5%, respectively.

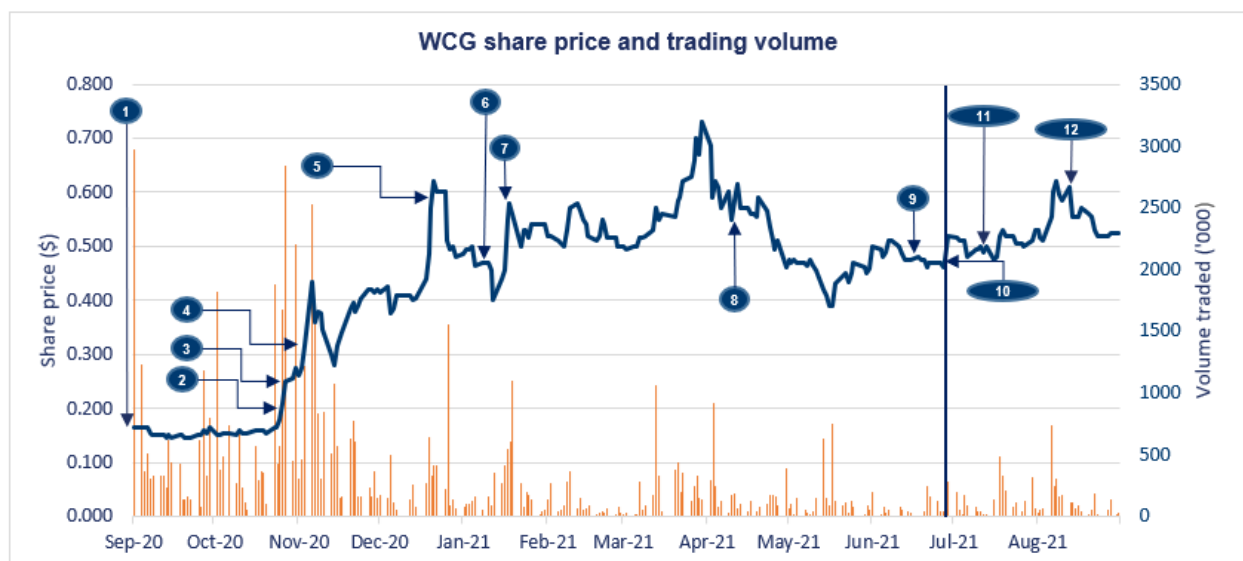
According to RG111.58, if the expert uses the market price of either of the securities as a measure of their value, it should consider, among other things, the factors set out in RG111.32(a) to RG111.32(b). RG111.32 stipulates that if the expert uses the market price of securities as a measure of the value of the offered consideration, the expert should consider and comment on:

- (a) The depth of the market for those securities.
- (b) The volatility of the market price.

### 6.3. Share Price and Trading Volume

The following graph shows the daily share price on the ASX and the trading volume of WCG shares from 18 September 2020 to 17 September 2021.

**Figure 1: WCG share price and trading volume**



Source: S&P CapitalIQ

Over the period analysed, the share price has appreciated from \$0.165 at 18 September 2020 to \$0.525 at 17 September 2021. We believe a key reason for the strong performance is 5GN gaining control of WCG

in October 2020 and the financial support it provided WCG via loan funding facilities as part of the terms of the Previous Takeover Offer.

In addition to above, the following announcements made by WCG between the period 18 September 2020 to 17 September 2021 may have had an impact on the share price: The level of announcement activity indicates that WCG has been regularly communicating with market participants which is important for efficient price discovery.

**Table 18: Significant ASX announcements made by WCG from 18 September 2020 to 17 September 2021**

Event	Date	Description
1	18-Sep-20	WCG announced that the Directors of WCG have withdrawn their recommendation to vote in favour of the scheme of arrangement announced on 13 July 2020 involving Web.com and that WCG has terminated the Scheme Implementation Deed dated 12 July 2020 and paid the \$500k reimbursement fee to Web.com. WCG also issues 5GN's investor presentation in relation to the WCG takeover bid by 5GN
2	11-Nov-20	WCG announced that closure of the takeover bid by 5GN and at the close of the offer period, 5GN had relevant interested in 56.7% of WCG's shares.
3	13-Nov-20	WCG announced a capital raising of \$5.6 million via a share placement to institutional and sophisticated investors.
4	20-Nov-20	WCG, announced it has divested its 50% holding in Netfleet drop catching business operated by Netalliance Pty Ltd for \$500,000 cash.
5	8-Jan-21	WCG advised that it has signed a Heads of Agreement in relation to surrender of the property leases with landlord of levels 22 and 23, 690 George Street Sydney. The net annualised saving to WCG is expected to be \$2 million following the surrender of the property lease.
6	29-Jan-21	WCG announced a business transformation update where WCG has made the strategic decision to simplify and streamline a number of key areas across the business to enable cost savings and drive efficiency improvements.
7	5-Feb-21	WCG announced its interim result for FY21.
8	28-Apr-21	WCG announced its financial performance for Q3 FY21
9	5-Jul-21	WCG announces that it amalgamated its brands Netregistry and WME into a single brand, Webcentral, in a move designed to both improve and simplify the customer experience.
10	16-Jul-21	WCG and 5GN enter into a Merger Implementation Agreement under which they will merge by way of a scheme of arrangement
11	30-Jul-21	WCG announced an on-market takeover bid to acquire all of the fully paid ordinary shares in the capital of CNW for \$3.2 cents cash per CNW share.
12	31-Aug-21	Webcentral announced its full year results for FY21.

Source: ASX announcements

## Share price volatility and trading liquidity

The Proposed Merger was announced on 16 July 2021 (**Announcement Date**). The tables below summarise the trading performance of WCG share on the ASX for six months to the Announcement Date. Our analysis has excluded the trading of the shares after the Announcement Date given its potential influence on the trading of the shares.

**Table 19: Share price volatility and trading liquidity of WCG to 15 July 2021**

	Low (\$)	High (\$)	Volume traded ('000)	Volume traded as % of total free float shares <sup>1</sup>
5 day	0.450	0.475	425	0.5%
10 day	0.450	0.480	767	0.9%
1 month	0.450	0.525	1,495	1.7%
2 month	0.350	0.525	4,712	5.5%
3 month	0.350	0.740	8,085	9.4%
4 month	0.350	0.740	12,562	14.6%
5 month	0.350	0.740	14,587	16.9%
6 month	0.350	0.740	19,678	22.9%

Source: S&P CapitalIQ, SW Securities analysis

Note 1: Free float refers to shares that can be publicly traded and are not restricted. In our calculation of free float, we have excluded 69.2 million shares held by 5GN.

We have reviewed the intraday trading movements in our analysis of the share price volatility. Over the past six months, WCG have traded between a price of \$0.35 to \$0.74 on an intraday basis. This trading range suggests that the shares have been volatile over the period. A review of **Figure 1** shows that the main reason for this volatility is the significant fall in share price between April and June 2021. One possible reason for this movement is the Q3 FY21 earnings announcement which was made at the end of April 2021. Although this Q3 FY21 earnings update showed an improving performance, it may have been less than market expectations. We note that the WCG's share price has been more stable over the last two months.

With regards to the trading liquidity of WCG shares, over the last month and last six-month period, the volume traded as a proportion of free float was 1.7% and 21.1% respectively. Our analysis indicates that there is regular trading of WCG shares on the market and that the level of trading indicates that the shares are reasonably liquid.

## Volume Weighted Average Price (VWAP)

WCG's share price closed at 47.5 cents on 15 July 2021. The table below summarises our VWAP analysis. For completeness, we note that the VWAP from the Announcement Date to our Report date is \$0.54.

**Table 20: VWAP analysis of WCG to 15 July 2021**

	Volume traded ('000)	Total value of shares traded (\$'000)	VWAP (\$)
5 day	425	198	0.465
10 day	767	355	0.462
1 month	1,495	705	0.472
2 month	4,712	2,094	0.444
3 month	8,085	4,097	0.507
4 month	12,562	6,701	0.533
5 month	14,587	7,761	0.532
6 month	19,678	10,390	0.528

Source: S&P CapitalIQ, SW Securities analysis

Our analysis suggests that the VWAP has been relatively stable over the period analysed. The VWAPs have ranged from 44.4 cents to 53.3 cents.

In forming our view on the value of WCG shares, we have placed more emphasis on:

- WCG’s trading performance up until the Announcement Date, given the potential impact of the Proposed Merger in its trading performance since then; and
- the VWAPs over the last three months as the market participants would have priced-in the earnings announcement for Q3 FY21 released at the end of April 2021.

Based on above, we have assessed the value of WCG’s ordinary shares in the range of 44.4 cents to 50.7 cents.

#### 6.4. Valuation of the WCG shares to be issued to Related Parties

Based on our assessed value of an ordinary share in WCG and the total number of WCG shares to be issued to Related Parties we have assessed the fair market value of the WCG shares to be issued to the Related Parties (“financial benefit”) to be between \$23.5 million and \$26.8 million.

**Table 21: FMV of WCG shares to be issued to Related Parties (‘financial benefit’)**

\$,millions	Low	High
WCG per share value based on QMP approach	0.444	0.507
WCG shares to be issued to Related Parties ('000)	52,957	52,957
<b>FMV of WCG shares to be issued to Related Parties</b>	<b>23.5</b>	<b>26.8</b>

Source: SW Securities analysis

#### 6.5. Valuation cross-check

We have performed a cross-check of our assessed per share price using the QMP approach. We calculated an implied multiple using the CFME approach and compared the implied multiple to comparable trading and transaction multiples.

##### Future Maintainable Earnings (FME)

FME represents the level of earnings which are currently sustainable. For our analysis we have selected the current WCG EBITDA run rate as our FME.

In assessing the current WCG EBITDA run rate, we have taken into consideration the historical performance of the business and WCG’s earnings guidance in FY21. We consider the recent earnings guidance to be a more appropriate indicator of the WCG EBITDA run rate compared to the historical performance. The various restructuring exercises and divestments performed in previous years along with the ongoing cost cutting measures (as discussed in Section 2.5 of this Report) and improvements in business performance have made the historical financial performance less relevant as a measure for current and future performance. In considering the current WCG EBITDA run rate, we have considered the following:

- The normalised FY21 EBITDA as shown in **Table 3: Normalised WCG EBITDA Table 3**.
- 1HY21 earnings guidance (annualised basis) released on 24 Feb 2021
- Six-month underlying EBITDA up to June 21 announced in the shareholder presentation on 31 August 2021.

The table below summarises our consideration for the current WCG EBITDA run rate.

**Table 22: Assessment of the WCG EBITDA run rate**

	YTD	Annualised (\$,000)
Normalised EBITDA FY21		3,503
1HY earnings guidance (released 24 Feb 2021)		7000 - 8000
6 month June 21 underlying EBITDA (released 31 Aug 21)	6,300	12,600
<b>EBITDA run rate</b>		<b>12,000</b>

Source: ASX announcements, SW Securities analysis

As shown above, WCG has announced improvement in its earnings run rate over the past six months primarily due to the cost cutting initiatives. Based on the above, we have selected an WCG EBITDA run rate of \$12.0 million to be the FME.

### Implied WCG EBITDA multiple

The EBITDA multiple implied by the WCG share price assessed using the QMP approach is shown in the table below.

**Table 23: Assessment of the implied WCG EBITDA multiple**

	Low	High
Share price assessed under QMP	0.444	0.507
Total number of ordinary shares on issue ('000)	155,491	155,491
Implied market capitalisation (\$'000)	69,038	78,834
Net debt as at 30 June 2021	39,215	39,215
Implied Enterprise value (\$'000)	108,253	118,049
Current EBITDA run rate (\$'000)	12,000	12,000
<b>Implied WCG EBITDA multiple</b>	<b>9.0x</b>	<b>9.8x</b>

Source: SW Securities analysis

The implied WCG EBITDA multiple based on the WCG share price assessed using the QMP approach is between 9.0x and 9.8x.

### Comparable companies trading and transaction multiples

In assessing whether the above implied WCG EBITDA multiple is reasonable, we compared the multiple against the trading and transaction multiples for companies which are comparable to WCG.

There is a limited number of listed companies in the ANZ region comparable to WCG and therefore we broadened our comparable company search to include listed foreign companies. The comparable companies operate within the domain name registration, cloud services and data centre service industries. The table below shows the trading multiples for WCG's comparable companies. A detailed description of each company is included in **Appendix D**.

**Table 24: Trading multiples**

Company name	Country	Latest FY	Market capitalisation (A\$m)	Enterprise value (A\$m)	EBITDA multiple LTM	EBITDA multiple FY+1
<b>Domain name, cloud services and data centres</b>						
VeriSign, Inc.	United States	31/12/2020	33,854	35,951	28.3	28.5
GoDaddy Inc.	United States	31/12/2020	17,082	20,905	20.8	18.7
NEXTDC Limited	Australia	30/06/2021	6,144	6,353	49.9	38.9
Internet Initiative Japan Inc.	Japan	31/03/2021	4,637	4,506	8.2	9.0
Tucows Inc.	United States	31/12/2020	1,076	1,270	38.8	na
CentralNic Group Plc	United Kingdom	31/12/2020	545	666	23.6	16.2
iomart Group plc	United Kingdom	31/03/2021	480	579	8.9	7.3
Over the Wire Holdings Limited	Australia	30/06/2021	276	313	16.2	9.9
Dominion Hosting Holding S.p.A.	Italy	31/12/2020	123	120	nmf	10.1
NameSilo Technologies Corp.	United States	31/12/2020	23	27	33.9	na
				<b>Mean</b>	<b>25.4</b>	<b>17.3</b>
				<b>Median</b>	<b>23.6</b>	<b>13.2</b>
				<b>Low</b>	<b>8.2</b>	<b>7.3</b>
				<b>High</b>	<b>49.9</b>	<b>38.9</b>

Source: S&P CapitalIQ

We make the following observations with regards to the above trading multiples:

- Verisign and Godaddy are American multinational companies who have global operations and are significantly larger than WGC. The observed EBITDA multiples for these companies are indicative of their size and global growth opportunities.
- NextDC is a large data centre service company that is experiencing strong revenue growth. It is also significantly larger than WGC and although it provides cloud services, it doesn't provide any domain name registration services.
- NameSilo Technologies is a Canada based company. It announced the sale of a key asset in December 2020 which was subsequently cancelled in Aug 2021. The size of the transaction was significant relative to its market capitalisation and may have influenced its market capitalisation. Therefore, we have placed less reliance on its EBITDA multiple.
- Dominion Hosting is of similar size to WCG and its FY+1 EBITDA multiple is 10.1x
- The range for the last twelve-month (**LTM**) EBITDA is between 8.2x to 49.9x and the range for the one year forecast (**FY+1**) EBITDA is between 7.3x and 38.9x. This EBITDA range is wide and is reflective of the difference in size and growth opportunities of the above comparable companies.
- The median for LTM and FY+1 multiple is 23.6x and 13.2x respectively.

The implied WCG EBITDA multiple range of 9.0x to 9.8x is within the range of the above LTM and FY+1 albeit on the lower end. However, we note that the Implied WCG EBITDA multiple is similar to Dominion Hosting's FY+1 EBITDA multiple which is of comparable size to WCG. Based on the above, the implied WCG EBITDA multiple does not appear to be unreasonable.

The table below presents the comparable transaction multiples for WCG.

**Table 25: Transaction multiples**

Completion date	Target	Acquirer	Stake %	Implied enterprise value (\$'m)	Implied EBITDA transaction multiple (times)
<b>Domain name, digital marketing, cloud services and data centres</b>					
na	Intergrid Group Pty Ltd	5G Networks Limited	100%	3.0	4.0
10/02/2021	Endurance International Group Holdings, Inc.	Clearlake Capital Group, L.P.	100%	4,031.0	9.0
10/11/2020	WebCentral Group Limited	5G Networks Limited	46.5%	73.3	9.8
9/07/2020	Assets of National Business of Colocation Australia Pty Ltd	5G Networks Limited	na	2.9	4.0
12/02/2020	North Sydney Data Centre of Server	5G Networks Limited	100%	2.0	3.0
19/09/2019	Australian Pacific Data Centres Pty Ltd	5G Networks Limited	100%	3.5	7.0
1/08/2019	TPP Wholesale Pty Limited	CentralNic Group Plc	100%	24.4	6.3
2/04/2019	Melbourne Data Centre Pty Ltd	5G Networks Limited	100%	5.7	7.0
11/10/2018	Web.com Group, Inc.	Siris Capital Group, LLC	100%	2,772.1	12.8
18/06/2018	ICM Registry LLC	Minds + Machines Group Limited	100%	54.4	na
1/03/2018	Asia Pacific Telecommunications Group Pty Ltd	5G Networks Limited	100%	6.0	4.0
13/11/2017	Enspire Australia Pty Ltd	5G Networks Limited	100%	1.8	na
27/07/2017	Rightside Group, Ltd.	Donuts Inc.	100%	160.4	na
23/05/2017	Web Marketing Experts Group	ARQ Group Limited	100%	39.0	6.4
3/04/2017	HEG	GoDaddy Operating Company, LLC	100%	2,436.6	24.7
16/02/2017	Outware Systems Pty Ltd	ARQ Group Limited	100%	57.8	4.7
1/04/2016	InfoReady Pty Ltd.	ARQ Group Limited	100%	15.4	4.5
30/04/2015	Uber Global Pty Ltd.	ARQ Group Limited	100%	15.5	6.3
31/03/2014	NetRegistry Pty Ltd.	ARQ Group Limited	100%	50.4	8.4
				<b>Mean</b>	<b>7.6</b>
				<b>Median</b>	<b>6.3</b>
				<b>Low</b>	<b>3.0</b>
				<b>High</b>	<b>24.7</b>

Source: S&P CapitalIQ, Mergermarket, ASX announcements and other publicly available sources

Note 1: The acquisition of Intergrid Group was completed but we were unable to identify its completion date.

The above transaction multiples would include a control premium. All things being equal, we would expect the transaction multiples to be higher than the implied WCG EBITDA multiple which represents a minority interest. We make the following observations:

- The implied transaction multiple for 5GN's Previous Takeover Offer is 9.8x. This multiple was based on forward (NTM) EBITDA. Notwithstanding the control premium element, it is similar to our implied WCG EBITDA multiple.
- The transactions for Endurance International Group, TPP Wholesale Pty Ltd and Web.com Group are the most comparable transactions as these companies' operations are focussed on domain name registration and web hosting services. The implied transaction multiples are 9.0x, 6.3x and 12.8x respectively.
- There are quite a number of small transactions (ten transactions) below \$25 million transaction value in the above list. The smaller transactions tend to have lower transaction multiples resulting in our average transaction multiple being skewed towards these lower multiples. Excluding the sub-\$25 million transactions, the average transaction multiple is 10.8x.
- Our implied WCG EBITDA multiple falls within the transaction multiple range of 3.0x to 24.7x.

Based on the above analysis, the data from comparable transaction multiples support the implied WCG EBITDA multiple.

Overall, the valuation cross-check supports the conclusion of the fair market value for the WCG shares assessed using the QMP method.



# 7. Valuation of the related party “Assets”

## 7.1. Overview

The related party ‘assets’ acquired by WCG are the 5GN shares identified as JD Acquisitions, JG Acquisitions, JA Acquisitions and AC Acquisitions, collectively referred to as **Related Party 5GN shares to be acquired by WCG**.

Similar to Section 6, we have selected the QMP approach as our primary valuation method as there is a liquid and active market for the trading of 5GN’s ordinary shares and have selected the CFME methodology as a cross-check to our primary valuation methodology.

## 7.2. QMP

The QMP for a share trading on a stock exchange represents a minority interest value. While collectively, the number of 5GN Related Party shares to be acquired by WCG may suggest some level of control, each of the four Related Parties are separate parties and therefore on an individual basis, the number of 5GN shares acquired represents a minority interest position. The table below shows the total number of Related Party 5GN shares to be acquired by WCG.

**Table 26: Number of Related Party 5GN shares to be acquired by WCG**

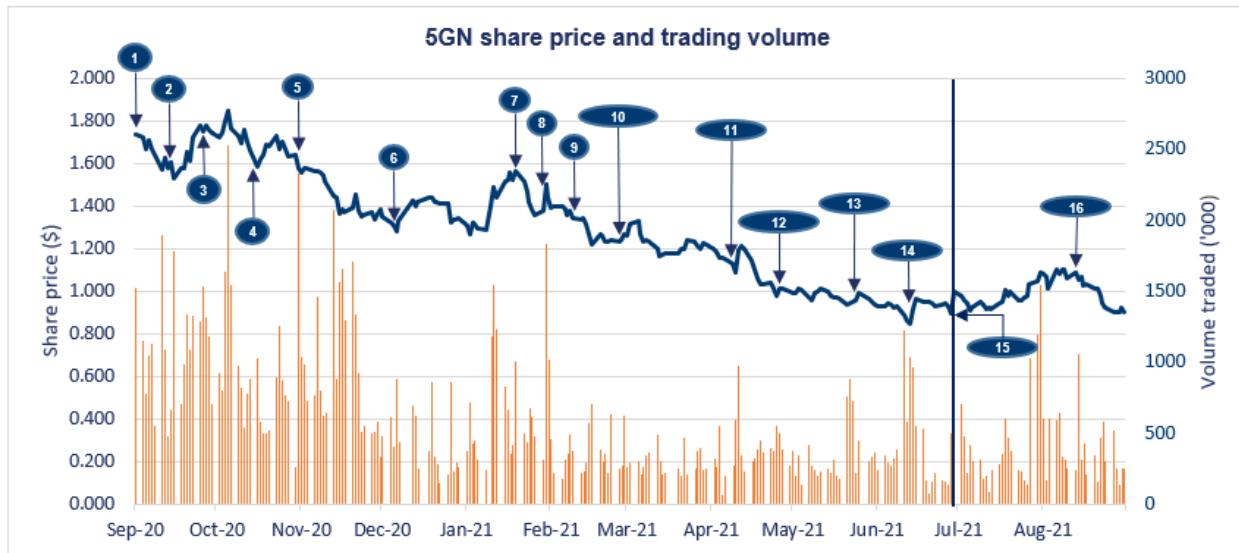
	'000
Joe Demase and associated entities	18,387
Joe Gangi and associated entities	1,902
Jason Ashton and associated entities	2,189
Albert Cheek and associated entities	4,000
<b>Total Related Party 5GN shares to be acquired by WCG</b>	<b>26,478</b>

Source: Notice of Meeting

### 7.3. Share Price and Trading Volume

The following graph shows the daily share price on the ASX and the trading volume of 5GN shares from 18 September 2020 to 17 September 2021.

Figure 2: 5GN share price and trading volume



Source: S&P Capital IQ

Over the period analysed, the share price has dropped from \$1.74 on 18 September 2020 to \$0.90 at 17 September 2021. Based on our review of the key developments which have taken place over the last 12 months, it appears to us that one of the reasons for the decline in share price during the last quarter of the calendar year 2020 was the acquisition of WCG.

The following announcements made by 5GN between the period 18 September 2020 to 17 September 2021 may have had an impact on its share price: We note that 5GN has been regularly communicating with market participants through announcements which is important for efficient price discovery.

Table 27: Significant ASX announcements made by 5GN from 18 September 2020 to 17 September 2021

Event	Date	Description
1	18-Sep-20	5GN issued presentation in relation to the WCG takeover bid by 5GN
2	30-Sep-20	5GN issued an operational update report to its shareholders.
3	13-Oct-20	5GN announced that the Board of Directors of WCG have accepted 5GN's off-market take bid offer.
4	2-Nov-20	5GN announced its quarterly activities report and 4C.
5	19-Nov-20	5GN announced that it has acquired the ex-Pipe Networks Data Centre in Fortitude Valley at the purchase price of \$1.1 million which included all operating infrastructure at the facility. The acquisition boosted 5GN's infrastructure capacity to over 1,000 racks.
6	22-Dec-20	5GN announced a partial repayment of loan (\$5.2 million) from WCG.
7	5-Feb-21	5GN announced record EBITDA of \$3.5 to \$3.8m from revenue of \$27.5m to \$28.5 for the half year ended 31 December 2020, representing an EBITDA margin of 13%.

Event	Date	Description
8	16-Feb-21	5GN announced that it has been chosen to be a strategic supplier to the South Australian Government Managed Platform Services panel. The panel enables purchases by South Australian government agencies for key infrastructure and cloud services valued at over \$300 million.
9	26-Feb-21	5GN announced its interim results for FY21.
10	17-Mar-21	5GN announced that it has entered into an agreement to acquire 100% of Intergrid Group Pty Ltd allowing 5GN to further strengthen the range of wholesale cloud offerings.
11	28-Apr-21	5GN announced its financial performance and operations update for Q3 FY21.
12	13-May-21	5GN announced that it has launched its partner sales channel and wholesale to its Melbourne base with launches in Brisbane and Sydney to follow and that 5GN expects to grow revenue by \$10m per annum.
13	9-Jun-21	5GN issued an investor presentation.
14	1-Jul-21	5GN announced that WCG repaid \$15 million of the outstanding loan provided to WCG and that the funds received from the loan repayment are expected to be utilised for acquisition opportunities.
15	16-Jul-21	5GN announced a merger with WCG by Scheme of Arrangement.
16	31-Aug-21	5GN announced its full year financial results for FY21.

Source: Various ASX announcements

### Share price volatility and trading liquidity

The tables below summarise the trading performance of WCG share on the ASX for six months to the Announcement Date. Similar to Section 6, our analysis has excluded the trading of the shares after the Announcement Date given its potential influence on the trading of the shares.

**Table 28: Share price volatility and trading liquidity of 5GN to 15 July 2021**

	Low (\$)	High (\$)	Volume traded ('000)	Volume traded as % of total free float shares <sup>1</sup>
5 day	0.890	0.960	1,184	1.2%
10 day	0.890	1.005	2,670	2.8%
1 month	0.850	1.005	9,038	9.4%
2 month	0.850	1.040	16,229	16.9%
3 month	0.850	1.250	24,329	25.4%
4 month	0.850	1.330	30,895	32.2%
5 month	0.850	1.550	40,301	42.1%
6 month	0.850	1.600	53,072	55.5%

Source: S&P CapitalIQ, SW Securities analysis

Note 1: Free float refers to shares that can be publicly traded and are not restricted. In our calculation of free float, we have excluded the 5GN shares held by Joseph Demase as he is a Substantial Shareholder owning more than 5% of 5GN ordinary shares on issue and is the founder and managing director of 5GN.

We have reviewed the intraday trading movements in our analysis of the share price volatility. Over the past six months, 5GN have traded between a price of \$0.850 to \$1.60 on an intraday basis. A review of **Figure 2** shows a gradual decline in the share price from February to July 2021.

With regards to the trading liquidity of 5GN shares, over the last month and last six-month period, the volume traded as a proportion of free float was 9.4% and 55.5% respectively. Our analysis indicates that there is regular trading of 5GN shares on the market and that the level of trading indicates that the shares are reasonably liquid.

### Volume Weighted Average Price (VWAP)

5GN's share price closed at 89.5 cents on 15 July 2021. The table below summarises our VWAP analysis. For completeness, we note that the VWAP from the Announcement Date to our Report date is \$1.01

**Table 29: VWAP analysis of 5GN to 15 July 2021**

	Volume traded ('000)	Total value of shares traded (\$'000)	VWAP (\$)
5 day	1,184	1,098	0.927
10 day	2,670	2,510	0.940
1 month	9,038	8,261	0.914
2 month	16,229	15,272	0.941
3 month	24,329	24,221	0.996
4 month	30,895	32,312	1.046
5 month	40,301	45,079	1.119
6 month	53,072	63,372	1.194

Source: S&P CapitalIQ, SW Securities analysis

Our analysis suggests that the VWAP has been relatively stable over the period analysed. The VWAPs have ranged from \$0.91 to \$1.19 over the past six months. In forming our view on the value of 5GN shares, we have placed more emphasis on the VWAPs over the last three months as the market participants would have priced-in the financial performance and operations update for Q3 FY21 announced at the end of April 2021. Based on the QMP approach, we have valued 5GN's ordinary shares between 91.4 cents and 99.6 cents being the VWAP range over the last three months.

## 7.4. Share Price and Trading Volume

Based on our assessed value of an ordinary shares in 5GN and the total number of Related Party 5GN shares to be acquired by WCG, we have assessed the fair market value of the shares to be between \$24.2 million and \$26.4 million.

**Table 30: FMV of Related Party 5GN shares to be acquired by WCG ('asset')**

	Low	High
5GN per share value based on QMP approach	0.914	0.996
Related Party 5GN shares to be acquired by WCG ('000)	26,478	26,478
<b>FMV of Related Party 5GN shares to be acquired by WCG</b>	<b>24.2</b>	<b>26.4</b>

Source: SW Securities analysis

## 7.5. Valuation Cross-Check

We have performed a cross-check of our assessed per share price using the QMP approach. We calculated an implied multiple using the CFME approach and compared the implied multiple to comparable trading and transaction multiples. For this cross-check, we have analysed the implied 5GN EBITDA multiple on the basis of a full consolidation with WCG over a twelve-month period.

### Future Maintainable Earnings (FME)

FME represents the level of earnings which are currently sustainable. For the purpose of this analysis, we selected the Normalised pro-forma EBITDA of the Merged Group as the FME. This represents a full consolidation with WCG over a twelve-month period and before any synergies that have yet to be implemented.

The pro-forma EBITDA for the Merged Group is \$13,770k (Refer to **Table 14**).

### Implied 5GN EBITDA multiple

The EBITDA multiple implied by the 5GN share price assessed using the QMP approach is shown in the table below.

**Table 31: Assessment of the implied 5GN EBITDA multiple**

	Low	High
Share price assessed under QMP	0.914	0.996
Total number of ordinary shares on issue ('000)	120,661	120,661
Implied market capitalisation ('000)	110,284	120,178
Consolidated net debt/ (cash)	1,837	1,837
Minority interest in WCG	38,169	43,585
Implied combined enterprise value	148,455	163,765
Adjusted pro-forma EBITDA	13,770	13,770
<b>Implied 5GN EBITDA multiple</b>	<b>10.8x</b>	<b>11.9x</b>

Source: SW Securities Analysis

To assess the implied 5GN EBITDA multiple, we performed our analysis on a fully consolidated basis with WCG. This was because the stand-alone FY21 EBITDA for 5GN was not publicly available at the time of drafting this report. In this regard, we performed the following:

- Assessed the combined market capitalisation for both 5GN and WCG by including the value of the minority interest in WCG that is not owned by 5GN to 5GN's market capitalisation. The market capitalisations for 5GN, WGC and the minority interest value shown in **Table 31** were calculated using the 5GN and WCG share price as assessed using the QMP approach.
- The Normalised pro-forma EBITDA represents the 12 month fully consolidated EBITDA between 5GN and WGC before any synergies yet to be implemented at the date of this Report.

Based on the above, we have assessed the implied 5GN EBITDA multiple to be between 10.8x to 11.9x.

**Table 32: Minority Interest value in WCG**

	Low	High
WCG ordinary shares on issue	155,491	155,491
WCG shares held by 5GN	(69,524)	(69,524)
Number of minority interest shares of WCG	85,966	85,966
Price of WCG Shares under QMP	0.444	0.507
<b>Value of minority interest in WCG</b>	<b>38,169</b>	<b>43,585</b>

Source: SW Securities Analysis

### Comparable companies trading and transaction multiples

In assessing whether the above implied 5GN EBITDA multiple is reasonable, we compared the multiple against the trading and transaction multiples for companies which are comparable to 5GN as a consolidated group.

We have identified companies in the ANZ region that are telecommunications and data network service providers. However, there is a limited number of listed companies in the ANZ region comparable to domain name, cloud services and data centre industries and therefore we have broadened our comparable company list to include overseas companies. The table below shows the trading multiples for 5GN's comparable companies. A detailed description of each company is included in **Appendix D**.

**Table 33: 5GN's comparable companies**

Company name	Country	Latest FY	Market capitalisation (A\$m)	Enterprise value (A\$m)	EBITDA multiple LTM	EBITDA multiple FY+1	
<b>Telecommunications and data network providers</b>							
Telstra Corporation Limited	Australia	30/06/2021	47,019	64,379	12.7	8.8	
TPG Telecom Limited	Australia	31/12/2020	12,049	17,812	14.0	10.2	
Chorus Limited	New Zealand	30/06/2021	2,956	5,968	6.0	9.7	
Aussie Broadband Limited	Australia	30/06/2021	904	858	63.2	25.7	
Superloop Limited	Australia	30/06/2021	488	465	13.7	14.7	
Swoop Holdings Limited	Australia	30/06/2021	381	384	nmf	na	
Pentanet Limited	Australia	30/06/2021	199	168	nmf	na	
Field Solutions Holdings Limited	Australia	30/06/2021	95	97	41.5	na	
Vital Limited	New Zealand	30/06/2020	27	62	9.5	na	
<b>Domain name, cloud services and data centres</b>							
VeriSign, Inc.	United States	31/12/2020	33,854	35,951	28.3	28.5	
GoDaddy Inc.	United States	31/12/2020	17,082	20,905	20.8	18.7	
NEXTDC Limited	Australia	30/06/2021	6,144	6,353	49.9	38.9	
Internet Initiative Japan Inc.	Japan	31/03/2021	4,637	4,506	8.2	9.0	
Tucows Inc.	United States	31/12/2020	1,076	1,270	38.8	na	
CentralNic Group Plc	United Kingdom	31/12/2020	545	666	23.6	16.2	
iomart Group plc	United Kingdom	31/03/2021	480	579	8.9	7.3	
Over the Wire Holdings Limited	Australia	30/06/2021	276	313	16.2	9.9	
Dominion Hosting Holding S.p.A.	Italy	31/12/2020	123	120	nmf	10.1	
NameSilo Technologies Corp.	United States	31/12/2020	23	27	33.9	na	
					<b>Mean</b>	<b>24.3</b>	<b>16.0</b>
					<b>Median</b>	<b>18.5</b>	<b>10.2</b>
					<b>Low</b>	<b>6.0</b>	<b>7.3</b>
					<b>High</b>	<b>63.2</b>	<b>38.9</b>

Source: S&P CapitalIQ

We make the following observations with regards to the trading multiples:

- Aussie Broadband provides internet, mobile and telephony services in Australia. It has experienced significant revenue growth over the last four years and the market consensus is for this rapid growth to continue into the future. Given its rapid growth rate, the market is valuing it on a large LTM EBITDA multiple.
- Superloop Limited operates as a telecommunications infrastructure company. Superloop is involved in the operation of a fixed wireless network and provision of cloud and managed services which is similar to 5GN. We note that it has a LTM EBITDA multiple of 13.7x and a FY+1 EBITDA multiple of 14.7x.
- Field Solutions Holdings Limited is a telecommunications carrier and technology company that provides connectivity and business solutions for rural, regional and remote areas in Australia whereas 5GN operates mostly within the capital cities of Australia such as Sydney, Melbourne and Brisbane.
- Verisign and Godaddy are American multinational companies who have global operations and are significantly larger than 5GN. The observed EBITDA multiples for these companies are indicative of their size and global growth opportunities.

- NextDC is a large data centre service company who is growing revenue at a fast pace. It is significantly larger than 5GN.
- NameSilo Technologies is Canadian based company announced a sale of a key asset in Dec 2020 which was subsequently cancelled in Aug 2021. The size of the transaction was significant relative to its market capitalisation and may have influenced its market capitalisation. Therefore, we have placed less reliance on its EBITDA multiple.
- Dominion Hosting is an Italian based company of similar size to 5GN and its FY+1 EBITDA multiple is 10.1x

The implied 5GN EBITDA multiple range of 10.8x to 11.9x is similar to the above median FY+1 EBITDA multiple of 10.2x and within the range of the above LTM and FY+1 EBITDA multiples. Based on the above, the implied 5GN EBITDA multiple appears to be reasonable.

The table below presents the comparable transaction multiples for 5GN.

**Table 34: 5GN Transaction multiples**

Completion date	Target	Acquirer	Stake %	Implied enterprise value (\$'m)	Implied EBITDA multiple (times)
<b>Telecommunications and data networks</b>					
25/06/2021	Vocus Group Limited	A Consortium led by Macquarie Infrastructure and Real Assets	100%	4,695.2	29.5
13/11/2020	OptiComm Ltd	Uniti Group Limited	100%	674.9	20.0
29/06/2020	TPG Telecom Limited	Vodafone Hutchison Australia Pty Limited	100% (Merger)	8,687.8	10.3
31/07/2019	Vodafone New Zealand Ltd	Infratil Limited; Brookfield Asset Management Inc.	99.9%	3,224.9	7.1
1/11/2018	Access Digital Networks Pty Ltd	Over the Wire Holdings Limited	100%	14.5	5.0
6/08/2018	Inabox Group Limited (Direct business)	5G Networks Limited	100%	5.7	2.0
<b>Domain name, digital marketing, cloud services and data centres</b>					
Not completed	Intergrid Group Pty Ltd	5G Networks Limited	100%	3.0	4.0
10/02/2021	Endurance International Group Holdings, Inc.	Clearlake Capital Group, L.P.	100%	4,031.0	9.0
10/11/2020	WebCentral Group Limited	5G Networks Limited	46.5%	73.3	9.8
9/07/2020	Assets of National Business of Colocation Australia Pty Ltd	5G Networks Limited	na	2.9	4.0
12/02/2020	North Sydney Data Centre of Server	5G Networks Limited	100%	2.0	3.0
19/09/2019	Australian Pacific Data Centres Pty Ltd	5G Networks Limited	100%	3.5	7.0
1/08/2019	TPP Wholesale Pty Limited	CentralNic Group Plc	100%	24.4	6.3
2/04/2019	Melbourne Data Centre Pty Ltd	5G Networks Limited	100%	5.7	7.0
11/10/2018	Web.com Group, Inc.	Siris Capital Group, LLC	100%	2,772.1	12.8
18/06/2018	ICM Registry LLC	Minds + Machines Group Limited	100%	54.4	na
1/03/2018	Asia Pacific Telecommunications Group Pty Ltd	5G Networks Limited	100%	6.0	4.0
13/11/2017	Enspire Australia Pty Ltd	5G Networks Limited	100%	1.8	na
27/07/2017	Rightside Group, Ltd.	Donuts Inc.	100%	160.4	na
23/05/2017	Web Marketing Experts Group	ARQ Group Limited	100%	39.0	6.4
3/04/2017	HEG	GoDaddy Operating Company, LLC	100%	2,436.6	24.7
16/02/2017	Outware Systems Pty Ltd	ARQ Group Limited	100%	57.8	4.7
1/04/2016	InfoReady Pty Ltd.	ARQ Group Limited	100%	15.4	4.5
30/04/2015	Uber Global Pty Ltd.	ARQ Group Limited	100%	15.5	6.3
31/03/2014	NetRegistry Pty Ltd.	ARQ Group Limited	100%	50.4	8.4
				<b>Mean</b>	<b>8.9</b>
				<b>Median</b>	<b>6.7</b>
				<b>Low</b>	<b>2.0</b>
				<b>High</b>	<b>29.5</b>

Source: S&P CapitalIQ, Mergermarket, ASX announcements and other publicly available sources

Note 1: The acquisition of Intergrid Group was completed but we were unable to identify its completion date



The above transaction multiples would include a control premium. All things being equal, we would expect the transaction multiples to be higher than our implied 5GN EBITDA multiple which represents a minority interest. We make the following observations:

- Vocus Group Limited is a large international telecommunications company and operates one of the largest intercapital fibre networks in Australia<sup>1</sup>. The large transaction multiple paid for Vocus is likely to represent the strategic value of its assets. In this regard, we consider the implied transaction multiple for Vocus to be less comparable for 5GN.
- There are quite a number of small transactions (twelve transactions) below \$25 million transaction value in the above list. The smaller transactions tend to have lower transaction multiples resulting in our average transaction multiple being skewed towards these lower multiples. Excluding the sub-\$25 million transactions, the average transaction multiple is 13.0x.
- If we excluded the Vocus Group transaction given its strategic value, the transaction multiple range narrows to 2.0x to 20x and our implied 5GN EBITDA multiple falls approximately in the middle of this range.

Based on the above analysis, the data from comparable transaction multiples support the implied 5GN EBITDA multiple.

Overall, the valuation cross-check supports the conclusion of the fair market value for the 5GN shares assessed using the QMP method.

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<sup>1</sup> <https://www.zdnet.com/article/vocus-sets-sights-on-top-three-fibre-ranking-in-australia/>

# 8. Evaluation of the Proposed Transaction

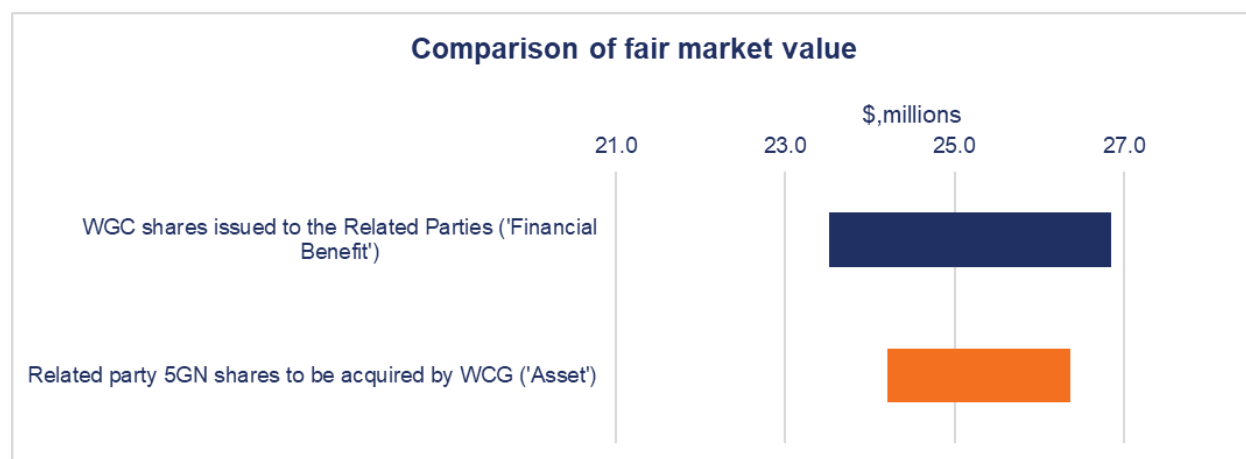
## 8.1. Is the Proposed Transaction Fair?

In our assessment of whether the Proposed Transaction is fair, we have compared the fair market value of the WCG shares to be issued to Related Parties ('financial benefit') to the Related Party 5GN shares to be acquired by WCG ('assets'). According to RG111, the Related Party Transaction will be fair if the fair market value of WCG shares to be issued to the Related Parties is equal or less than the fair market value of Related Party 5GN shares to be acquired by WCG.

We note that the Related Parties are not receiving any special or additional consideration under the Proposed Merger to that of all other general 5GN shareholders.

The chart below summarises the fair market value of the above-mentioned items

**Figure 3: Comparison of the fair market value**



Source: SW Securities analysis

Our valuation assessment suggests that the fair market value of the 5GN shares being purchased from the Related Parties is within the range of the fair market value of the WCG shares being issues as consideration. As such, we have concluded that the Related Party Transactions are fair to the Non-Associated Shareholders.

## 8.2. Is the Proposed Transaction Reasonable?

RG 111 establishes that a proposed related party transaction is reasonable if it is fair. As we have assessed the Proposed Transaction to be fair, we have concluded that the Proposed Transaction is reasonable. Notwithstanding the statutory obligation to conclude that the Proposed Transaction is reasonable, we have also considered the following likely advantages and, disadvantages which the Non-Associated Shareholders may wish to consider in assessing whether to approve the Proposed Transaction.

## Advantages of the Proposed Transaction

- **Reduction in WCG's indebtedness**

WCG currently owes approximately \$26 million to 5GN. This was a condition of WCG's directors support for the Previous Takeover Offer that 5GN pay out WCG's bank debts at the time. If the resolutions for the Proposed Transaction are voted down, then the Proposed Merger will not be approved and the current debt to 5GN will not be extinguished. The table below shows the net debt to EBITDA and net debt to total assets before and after the Proposed Merger.

**Table 35: Net debt ratios pre and post Proposed Merger**

	Pre-Merger	Post-Merger
Net debt ('000)	39,215	1,837
Normalised EBITDA ('000)	3,503	13,770
Total assets ('000)	69,552	167,111
<b>Net debt to normalised EBITDA</b>	<b>11.2x</b>	<b>0.1x</b>
<b>Net debt to total assets</b>	<b>56.4%</b>	<b>1.1%</b>

*Source: SW Securities' analysis*

As shown in the table above, the ratios for net debt to normalised EBITDA and net debt to total asset both improve if the Proposed Merger is approved. The Merged Group will also have greater financial capacity to borrow as a result of its increased size and reduced borrowings.

- **Non- Associated Shareholders may benefit from a higher share price if the Proposed Merger is approved**

We have analysed the potential value of the Merged Group's share price to determine whether the value impact of the Proposed Merger to the Non-Associated Shareholders. Pre-merger we have assessed the per WCG share value to be between 44.4 cents and 50.7 cents (refer to Paragraph 6.2.). The analysis below includes the value of potential synergies which have not yet been implemented. This was quantified in the Scheme Booklet to be circa \$2 million.

The table below summarises our analysis.

**Table 36: Potential share value of the Merged Group**

	Low	High
Market capitalisation of 5GN (minority interest basis)	110,284	120,178
Less: value of interest in WCG	(30,869)	(35,249)
Market capitalisation of WCG (minority interest basis)	69,038	78,834
Potential market capitalisation of Merged Group before synergies	148,453	163,763
Expected synergies	2,000	2,000
Implied EBITDA multiple range	9.0x	11.9x
Capitalisation of synergies	18,042	23,786
Potential market capitalisation of Merged Group after synergies	166,495	187,549
Number of outstanding shares in Merged Group	327,288	327,288
<b>Potential value per share of Merged Group</b>	<b>0.51</b>	<b>0.57</b>
Assessed value per share of WCG (pre-merger)	0.44	0.51

Source: SW Securities' analysis

The market capitalisations for 5GN and WCG along with the value of minority interest in WCG were calculated based on the share price of WCG and 5GN as assessed in Paragraph 6.2 and Paragraph 7.2 respectively. In assessing the capitalised value of the expected synergies, we have applied the implied EBITDA multiple range from the WCG and 5GN analysis performed in Paragraph 6.5 and Paragraph 7.5 of this Report.

Our analysis suggests that the Merged Group per share value is higher than the value of the WCG share pre-merger both on the low end and high end of the range. Based on this analysis, it appears that the Non-Associated Shareholders would benefit from a higher share price in the event the Proposed Merger is approved.

- **Increased market capitalisation, size and liquidity may potentially lead to higher demand for WCG's shares**

The Proposed Merger is likely to lead to an increase in market capitalisation and business size. Trading volume may also increase due to the increase in the number of ordinary shares on issue. An increase in these factors may lead to an increase in demand for its shares as higher market capitalisation and liquidity creates more opportunity for larger institutional funds to invest. Increased market capitalisation and liquidity also provides better prospects for WCG to be included in one the ASX indices as compared to if it was a smaller company with less liquid trading of its shares. Inclusion as an index constituent would further enhance its visibility and demand for its shares.

- **Diversification of WCG's revenue stream**

Currently, WCG offers the following services: domain name registration, website and email hosting, website design and development and digital marketing service. Post the Proposed Merger, it would add the following services to its service offerings: cloud and data centre, data networks and managed services. The additional services would diversify both the revenue stream and customer concentration which adds resilience to the business.

## Disadvantages of the Proposed Transaction

- **Dilution of the Non-Associated Shareholders' control in WCG**

Currently, the Non-Associated Shareholders collectively own circa 45.7% of the shareholding in WCG with 5GN and its related parties controlling approximately 54.3%. If the Proposed Merger is approved, the Non-Associated Shareholders' interest in the Merged Group will be diluted to 21.7%. In this regard, the Non-Associated Shareholders will be giving more control to 5GN and its related parties if the Proposed Merger is approved.

- **Merger integration risk**

Merging two companies brings an element of integration risk. In general, some of the integration risk can be attributed are caused by system/ technology integration failures, clash of corporate cultures/people issues, lack of clear and consistent communication to staff, clients, which may cause disruption to business operations and dyssynergies.

- **Exposure to risk associated with 5GN's operations**

If the Proposed Merger proceeds, the Non-Associated Shareholders would be exposed the following risks that is associated with 5GN's business operations. These risks include but are not limited to operational risks, system failures, technological obsolescence, intellectual property risks, regulatory risk, employee related risk, financial risks, Covid-19 pandemic risk, network attacks or security breaches and customer litigation.

Based on the qualitative factors identified above, it is our opinion that on balance, the Proposed Transaction is **reasonable** to WCG Shareholders.

### 8.3. Overall Conclusion

After considering the abovementioned quantitative and qualitative factors, SW Securities has concluded the Proposed Transaction is **fair and reasonable to the Non-Associated Shareholders**.

# Appendix A - Qualifications, limitations and consent

## Qualifications

SW Securities Pty Ltd ABN 98 614 606 389 holds Australian Financial Services Licence 509026.

SW Securities provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures.

The individuals responsible for preparing this report on behalf of SW Securities are Vikas Nahar and Phillip Rundle.

Vikas Nahar is an Authorised Representative of and a Director in SW Securities Pty Ltd. Vikas is a CFA Charterholder and holds a Master of Business Administration with majors in Finance. Vikas has significant experience in valuation of businesses, financial instruments and intangible assets for financial reporting, taxation, strategy, and merger and acquisition purposes. He also has extensive experience in preparation of independent expert reports under Corporations Act and ASX Listing Rules.

Phillip Rundle is an Authorised Representative of and a Director in SW Securities Pty Ltd. Phillip is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Australian Institute of Company Directors, a Fellow of the Financial Services Institute of Australasia, an Accredited Business Valuation Specialist by Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce and Graduate Diploma in Applied Finance & Investment.

## Independence

Prior to accepting this engagement, SW Securities considered its independence with respect to WCG and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 *Independence of expert (RG 112)* and APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to WCG, its shareholders and all other parties involved in the Proposed Transaction.

SW Securities and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with WCG or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

SW Securities has no involvement with, or interest in the outcome of the transaction, other than the preparation of this Report.

SW Securities will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the transaction. SW Securities' out-of-pocket expenses in relation to the preparation of this Report will be reimbursed. SW Securities will receive no other benefit for the preparation of this Report.

SW Securities considers itself to be independent in terms of RG 112.

### **Draft reports**

An advance draft of this Report was provided to the management of WCG for their comments as to its factual accuracy. As a result, certain changes were made to factual statements in this Report. No alterations were made to the methodology or valuations as a result of these factual reviews.

### **Indemnity**

Recognising that SW Securities may rely on information prepared by WCG and its officers, WCG has agreed to make no claim against SW Securities to recover any loss or damage which WCG may suffer as a result of reasonable reliance by SW Securities on the information provided by WCG, and to indemnify SW Securities and its officers and employees, who may be involved in or in any way associated with the preparation of this Report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of services by SW Securities in connection with our assessment and occasioned by reliance by SW Securities on information provided by WCG or its representatives which is subsequently found to be false or misleading or not complete. Complete information is deemed to have been provided, which at the time of completing our Report, should have been available to SW Securities and would reasonably have been expected to have been made available to SW Securities to enable us to form our opinion.

### **Consents**

SW Securities consents to the inclusion of this Report in the form and context in which it accompanies the Notice of Meeting to be issued to the shareholders of WCG. Neither the whole nor any part of this Report or any reference thereto may be included in any other document without the prior written consent of SW Securities as to the form or context in which it appears.

### **Professional standards**

Our Report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

# Appendix B - Sources of information

In preparing this Report, we have considered the following key sources of information:

- Notice of meeting dated 1 October 2021
- 5GNs Scheme Booklet dated 1 October 2021
- Annual Report of WCG for the financial year ended 31 December 2019, 31 December 2020, and 30 June 2021 (with comparatives)
- Annual Report of 5GN for the financial year ended 30 June 2019, 30 June 2020 and 30 June 2021 (with comparatives)
- Various ASX announcements by 5GN and WGC
- Discussion and correspondences with management of WCG and 5GN
- IBISWorld reports
- Mergermarket
- Sharetrak report by Orient Capital Pty Ltd
- 5GN company website
- WCG company website
- S&P CapitalIQ
- Other publicly available information



# Appendix C - Valuation methodologies

## Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

## Discounted future cash flows

An analysis of the net present value of forecast cash flows or discounted cash flows (**DCF**) is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital (**WACC**). The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

## Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

## Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

## Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

# Appendix D - Description of comparable companies

Company	Business Description
Aussie Broadband Limited	Aussie Broadband Limited provides telecommunications services to residential and businesses in Australia. It operates in two segments, Residential and Business. The company offers NBN services to residential, small business, and large business/ enterprise customers. It also provides a range of other telecommunications services, including VoIP, mobile plans and headsets, and entertainment bundles. As of June 30, 2021, it served approximately 386,412 customers. The company was incorporated in 2008 and is headquartered in Morwell, Victoria.
Field Solutions Holdings Limited	Field Solutions Holdings Limited, a telecommunications carrier and technology company, provides connectivity and business solutions for rural, regional, and remote areas in Australia. It offers cloud computing, cloud application development, and cloud software development services. The company provides various end-to-end solutions from concept and strategy, to design, implementation, and support; and designs and builds custom software systems; establishes private and public cloud hosting services. It also designs and deploys private networks; migrates existing products and software to the cloud; manages, monitors, and optimizes cloud and network infrastructure; and builds disaster recovery scenarios. In addition, the company offers business and enterprise, government, and residential solutions, such as internet access, private network, enterprise voice solutions, and managed services; and regional access solutions, including fiber and fixed wireless spectrum to broadband solutions. Field Solutions Holdings Limited was incorporated in 2004 and is based in Belrose, Australia.
Pentanet Limited	Pentanet Limited, a telecommunications carrier and internet service provider, provides wireless internet services through its fixed-wireless network and other fixed-line networks to residential, business, and enterprise customers in Perth. The company also offers a range of fixed-line internet services including national broadband network, local broadband network, enterprise fibre, and apartment broadband product. In addition, it offers subscription-based entertainment services, such as cloud gaming. The company was founded in 2017 and is headquartered in Balcatta, Australia.
Superloop Limited	Superloop Limited engages in the design, development, construction, and operation of independent telecommunications infrastructure in the Asia Pacific region. It offers network solutions for wholesale, enterprise, and channel customers. The company is also involved in the operation of a fixed wireless network; and provision of cloud and managed services, and cyber security and cyber safety services. In addition, it manages and delivers broadband solutions for various environments, including student accommodations, hotels, and schools; and offers residential and small business broadband services through fixed wireless or fixed line NBN services. The company was incorporated in 2014 and is headquartered in Brisbane, Australia.
Swoop Holdings Limited	Swoop Holdings Limited operates as a fixed wireless and wholesale network infrastructure carrier with national and international network for delivering services in Australia. The company's Internet is built to support businesses looking to access the cloud, run VoIP, video conference, security and surveillance applications, VPNs, and data hosting services. It also provides fixed broadband and licensed telecommunications carrier services for residential and

Company	Business Description
	business customers. The company was founded in 2004 and is based in Sydney, Australia.
Vital Limited	Vital Limited provides mobile radio networks and high speed broadband services in New Zealand. The company operates in two segments, Wireless Networks and Wired Networks. It offers fibre and Ethernet solutions; and broadband connectivity and ancillary related services to a range of wholesale customers and end users. The company also provides data and GPS tracking products, as well as finance leasing services. It serves government, civil defense, emergency service, health, utility, public transport, education, logistics and freight, agriculture, and channel partner customers. The company was formerly known as TeamTalk Limited and changed its name to Vital Limited in July 2019. The company was founded in 1994 and is headquartered in Wellington, New Zealand.
Chorus Limited	Chorus Limited provides fixed line communications infrastructure services in New Zealand. It offers phone and broadband services over copper and fiber networks for residential and business customers; and very high-speed digital subscriber line broadband services. The company also provides colocation services. Chorus Limited was founded in 2008 and is based in Wellington, New Zealand.
Telstra Corporation Limited	Telstra Corporation Limited provides telecommunications and information services to businesses, governments, and individuals in Australia and internationally. It operates in four segments: Telstra Consumer and Small Business, Telstra Enterprise, Networks and IT, and Telstra InfraCo. The company offers telecommunication products, services, and solutions across mobiles, fixed and mobile broadband, telephony and Pay TV/IPTV, and digital content; and online self-service capabilities, as well as operates inbound and outbound call centres, owned and licensed Telstra shops, and the Telstra dealership network. It also provides sales and contract management; and product management services for data and Internet protocol networks, mobility services, and network applications and services products, such as managed network, unified communications, cloud, industry solutions, and integrated services and monitoring. In addition, the company engages in the development of industry vertical solutions; planning, design, engineering architecture, and construction of Telstra networks, technology, and information technology solutions; and delivering network technologies. Further, it provides telecommunication products and services through its networks and related support systems to other carriers, carriage service providers, and Internet service providers; access to fixed network infrastructure assets; disconnection services; and network services under the Infrastructure Services Agreement and commercial contracts, as well as holds fixed network infrastructure, including data centres, non-mobiles related domestic fiber, copper, HFC cable, international subsea cables, exchanges, poles, ducts, and pipes. The company was formerly known as Australian and Overseas Telecommunications Corporation Limited and changed its name to Telstra Corporation Limited in April 1993. Telstra Corporation Limited was founded in 1901 and is based in Melbourne, Australia.
TPG Telecom Limited	TPG Telecom Limited provides telecommunications services. It owns and operates fixed and mobile network infrastructure, including fixed voice and data network with approximately 27,000 kilometers of metropolitan and inter-capital fiber networks; international subsea cable systems connecting Australia to principal hubs in North America and Asia; and mobile network. The company provides its fixed and mobile products under the Vodafone, TPG, iiNet, Internode, Lebara, and AAPT brands. The company, formerly known as Vodafone Hutchison Australia Limited, is based in North Sydney, Australia.

Company	Business Description
GoDaddy Inc.	<p>GoDaddy Inc. engages in the design and development of cloud-based technology products in the United States and internationally. The company provides domain name registration product that enables to engage customers at the initial stage of establishing a digital identity. It also offers shared Website hosting products that provide various applications and products such as web analytics, SSL certificates, and WordPress; Website hosting on virtual private servers and virtual dedicated servers products, which allows customers to select the server configuration suited for their applications, requirements, and growth; managed hosting products to set up, monitor, maintain, secure, and patch software and servers for customers; and security products, a suite of tools designed to help secure customers' online presence. In addition, the company provides presence products, such as Websites + Marketing, a do-it-yourself mobile-optimized online tool that enables customers to build websites and e-commerce enabled online stores; online appointments and store capabilities that allows customers to transact business directly on their websites; and a range of marketing tools and services designed to help businesses acquire and engage customers, and create content, as well as search engine optimization that helps customers get their websites found on search sites; and social media management services. Further, it offers business application products, such as Microsoft Office 365, email accounts, email marketing, and Internet-based telephony services. The company serves small businesses, individuals, organizations, developers, designers, and domain investors. GoDaddy Inc. was incorporated in 2014 and is headquartered in Scottsdale, Arizona.</p>
Tucows Inc.	<p>Tucows Inc. provides network access, domain name registration, email, mobile telephony, and other Internet services in Canada, the United States, and Europe. It operates through two segments, Network Access Services and Domain Services. The Network Access Services segment offers mobile phones and retail telephony services; fixed high-speed Internet access services; and professional services, including implementation, training, consulting, and software development and modification services, as well as operates Mobile Services Enabler platform that provides network access, provisioning, and billing services; The Domain Services segment offers wholesale and retail domain name registration services; portfolio services; and value-added services, such as hosted email, Internet security services, Internet hosting, WHOIS privacy, publishing tools, and other value-added services for end-users under the OpenSRS, eNom, Ascio, and Hover brands. The company was formerly known as Infonautics, Inc. and changed its name to Tucows Inc. in August 2001. Tucows Inc. was incorporated in 1992 and is headquartered in Toronto, Canada.</p>
iomart Group plc	<p>iomart Group plc provides managed cloud services in the United Kingdom and internationally. It operates through two segments, Cloud Services and Easyspace. The company offers a range of products to the micro and SME markets, including domain names, shared, dedicated and virtual servers, and email services. It also provides infrastructure solutions, such as private cloud, virtual desktop, storage, colocation, managed azure, Microsoft 365, infrastructure as a service, virtual machines, and ecommerce; data protection services, including backup as a service, disaster recovery as a service, and business continuity; and various security services, including DDoS protection, application defense, intrusion detection and prevention, abnormal access protection, malware and ransomware protection, vulnerability management, multi factor authentication, data loss prevention, and AI security. In addition, the company offers connectivity solutions, such as managed SD-WAN, cloudlink, last mile, managed WAN, data centre connectivity, and radio and satellite; and consultancy services. iomart Group Plc was founded in 1998 and is headquartered in Glasgow, the United Kingdom.</p>

Company	Business Description
CentralNic Group Plc	CentralNic Group Plc provides domain name services worldwide. It operates through Indirect, Direct, and Monetisation segments. The company's Indirect segment distributes domain names to retailers and resellers through a network of channel partners. Its Direct segment provides ancillary services; monitoring services to protect brands online; and technical and consultancy services to corporate clients, as well as licenses its registry management platform and sells domain names to large corporations. The company's Monetisation segment offers advertising placement and data traffic management services, as well as sells domain names. It also provides social marketing, search engine marketing advertising, and display advertising services. The company was founded in 1996 and is based in London, the United Kingdom.
NameSilo Technologies Corp.	NameSilo Technologies Corp., through its subsidiaries, provides domain name registration and management services in Canada. The company also offers marketplace services for buying and selling domain names; and hosting, website builder, SSL, premium DNS, and email services. It provides its services under the NameSilo brand. The company was formerly known as Brisio Innovations Inc. and changed its name to NameSilo Technologies Corp. in December 2018. NameSilo Technologies Corp. is headquartered in Vancouver, Canada.
VeriSign, Inc.	VeriSign, Inc., together with its subsidiaries, provides domain name registry services and internet infrastructure that enables internet navigation for various recognized domain names worldwide. It enables the security, stability, and resiliency of internet infrastructure and services, including providing root zone maintainer services, operating two of the 13 internet root servers; and offering registration services and authoritative resolution for the .com and .net domains, which support global e-commerce. VeriSign, Inc. was incorporated in 1995 and is headquartered in Reston, Virginia.
Dominion Hosting Holding S.p.A.	Dominion Hosting Holding S.p.A. provides web hosting and software services for small and medium-sized enterprises in Europe. The company also offers cloud computing, such as solutions as-a-services (SaaS), IaaS, and PaaS services; cloud hosting; domain name registration, website builders, data management certificates, and business mail products; shared and dedicated hosting; virtual private server hosting; domain name transfer; and housing and colocation solutions. In addition, it offers productivity tools, which include website creation software; SSL certificates; mail services for email management; cloud appliance, a tool for infrastructure safety; cloud data protection; cloud monitor, a tool for monitoring websites, servers, networks, and applications; cloud backup for backup of computer, desktop, workstation, server, and virtual machine; cloud object storage to store and archive files and media; cloud streaming platform to support the main definition streaming format; and control panel to manage all the functionalities of domain and all customers account. The company was founded in 2015 and is headquartered in Milan, Italy.

Company	Business Description
Internet Initiative Japan Inc.	<p>Internet Initiative Japan Inc. provides Internet connectivity, WAN, outsourcing, systems integration, and network-related equipment sales services in Japan. It operates through two segments, Network Services and Systems Integration Business, and ATM Operation Business. The company offers mobile communication and remote access/telework services; WAN/network services, including SDN, multi cloud network, closed connection, internet VPN, SEIL, remote access, and wireless LAN; leased line and broadband services; IJ DNS platform, and domain name registration and maintenance services; IJ access ID management, dial-up access, and IJ IPv6 fiber access services; and security solutions for network, mail, Web, endpoint, ID management and authentication, and security assesment/consulting. It also provides cloud solution, such as HaaS/laaS, cloud storage, monitoring/operation, virtual desktop, Paas/SaaS, IoT/M2M, IJ cloud exchange, IJ cloud integration, and specialized solutions, as well as IJ cloud exchange, and IJ cloud integration solutions; mail hosting and security, Web hosting and security, online storage, content delivery/CDN/CMS, and system integration solutions; IoT services and solutions; and industry specific solution. In addition, the company offers IT outsourcing, IJ consulting, cognitive factory, IJ private cloud, IJ GIO DB advanced, IJ security audit, IJ malware analysis, IJ content management, and data centre construction engineering solutions, as well as IJ data centre services. Further, it provides prepaid SIM cards; PrimeSeat, a streaming software for PC; and ATM services. The company was incorporated in 1992 and is headquartered in Tokyo, Japan.</p>
NEXTDC Limited	<p>NEXTDC Limited, a technology company, provides data centre outsourcing solutions, connectivity services, and infrastructure management software in Australia. The company offers cloud connectivity for organizations; data centre-as-a-service solutions; universal interconnection solutions; cloud centre ecosystems; and data centre asset management services. It also provides technical assistance on-the-ground; and data centre professional services for the infrastructure life cycle, including technical advisory, planning, project management, managing deliveries, and operational infrastructure support. In addition, the company provides data centre colocation solutions comprising rack packages for individual or multiple racks; Rack Blocks to share the total power allocation across various racks; and Quarter Racks for smaller footprints. Further, it offers security systems and protocols that include multi-layered access systems with biometric fingerprint technology and ID access cards. Additionally, the company provides ONEDC, a data-centre infrastructure management tool, which delivers real-time intelligence across entire NEXTDC data centre footprint to manage infrastructure; disaster recovery solutions; and AXON virtual interconnectivity platform. NEXTDC Limited was incorporated in 2010 and is headquartered in Brisbane, Australia.</p>
Over the Wire Holdings Limited	<p>Over the Wire Holdings Limited provides telecommunication, cloud, and IT solutions to business customers in Australia and New Zealand. The company offers data networks and internet, voice, data centre co-location, cloud, and managed services. It provides cloud solutions, such as private cloud, public cloud connects, and colocation; connect solutions, including business internet, private networks, SD-WAN, and hybrid networks; collaborate solutions comprising business VoIP, hosted PBX, Microsoft teams calling, mobile fleet, and converged voice and data; and security and IT support solutions, including IT support services and data security. The company was formerly known as Impirical Pty Ltd and changed its name to Over the Wire Holdings Limited in September 2015. The company was founded in 2007 and is headquartered in Brisbane, Australia.</p>

Source: S&P CapitalIQ

# Appendix E - Glossary

1HY	First six months of the fiscal year
5GN or the Target	5G Networks Limited
AC Acquisition	the acquisition of a substantial asset from Mr Albert Cheok and his associates (their holding of 4,000,071 of shares in 5GN)
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services License
Announcement Date	Proposed Merger announced on 16 July 2021
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CFME	Capitalisation of future maintainable earnings
Cirrus	Cirrus Networks Holdings Limited
ColoAU	Colocation Australia
CYXX	Calendar Year - 12 months ending 31 December 20XX
DCF	Discounted cash flow
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
Enterprise Business	Arq Group Enterprise Pty Ltd
FME	Future maintainable earnings
FSG	Financial Services Guide
FY+1	One year forecast
FYXX	Financial Year- 12 months ending 30 June 20XX
JA Acquisition	the acquisition of a substantial asset from Mr Jason Ashton and his associates (their holding of 2,189,456 of shares in 5GN)
JD Acquisition	the acquisition of a substantial asset from Mr Joseph Demase and his associates (their holding of 18,886,996 shares in 5GN)
JG Acquisition	the acquisition of a substantial asset from Mr Joe Gangi and his associates (their holding of 1,901,932 of shares in 5GN)
LTM	Last twelve month
Merger Agreement	Merger Implementation Agreement between 5G Networks Limited and Webcentral Group Limited
Merger Ratio	5GN receiving two new WCG share for every 5GN share held as per scheme of arrangement
NAV	Net asset value
Non-Associated Shareholders	The entity's shareholders not associated with the related party

Notice of Meeting	Notice of Meeting to be dated on or about 1 October 2021 prepared by Webcentral Group Limited
NTM	Next twelve months
PPC	Pay-per-click
Previous Takeover Offer	5GN's Bid Implementation Deed with WCG under which 5GN offered to acquire 100% of the WCG shares on issue that it did not already own by way of an off-market takeover bid
Proposed Merger	WCG acquiring 100% of the fully paid ordinary shares in 5GN as per scheme of arrangement
Proposed Related Party Transactions	JD, JG, JA and AC Acquisition
QMP	Quoted market price basis
Related Party 5GN shares to be acquired by WCG	Approximately 26.5 million 5GN ordinary shares
RG 111	ASIC Regulatory Guide 111 Contents of Expert Reports
RG 76	ASIC Regulatory Guide 76 Related Party Transactions
Scheme	Scheme of arrangement between 5G Networks Limited and Webcentral Group Limited
Scheme Booklet	5GN's Scheme Booklet dated 1 October 2021
SEO	Search engine optimisation
SMB	Small and medium sized businesses
SW Securities	ShineWing Australia Securities Pty Ltd
the Group	Webcentral Group Limited together with its controlled entities
the Related Parties	Mr Demase, Mr Gangi, Mr Ashton and Mr Check and their controlled entities
VWAP	Volume weighted average price
WCG EBITDA run rate	\$12 million
WCG or Webcentral or the Company	Webcentral Group Limited
WCG Shares to be issued to Related Parties	Approximately 52.9 million WCG ordinary shares
Web.com	Web.com Group, Inc