

# Webcentral Limited

ASX: WCG

## 1H FY23 Results Presentation

27 February 2023



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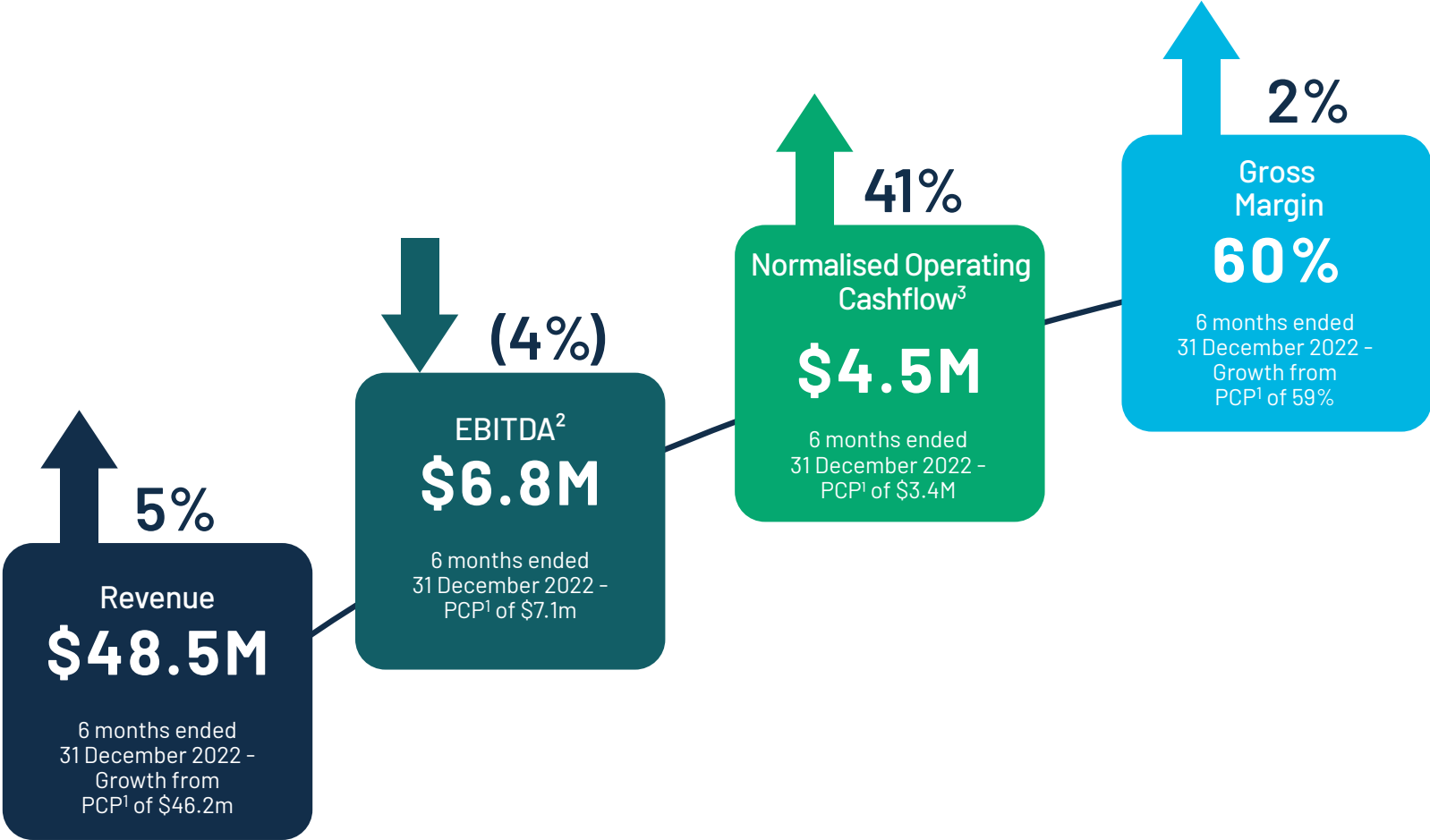
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# H1 FY23 First Half Financial Results - Continued Growth



1. Prior Comparative Period (PCP) six months ended 31 December 2021
2. Underlying EBITDA before acquisition, non-recurring costs and share based payments expenses
3. Normalised Operating Cashflow before net interest, tax and non-recurring costs

# Profit & Loss – 1H FY23

	Dec-22 \$M	Dec-21 \$M	Change - PCP	
			change \$M	change%
<b>Revenue</b>				
Cloud	16.6	14.3	2.3	16%
Domains	11.8	10.9	0.9	8%
Network & Voice	4.2	4.4	(0.2)	(4%)
Data Centres	4.1	4.8	(0.7)	(15%)
Managed Services	6.0	6.0	-	-%
Digital Marketing	1.7	2.5	(0.8)	(32%)
Hardware & Software	4.1	3.3	0.8	24%
<b>Total Revenue</b>	<b>48.5</b>	<b>46.2</b>	<b>2.3</b>	<b>5%</b>
Other income	0.1	1.8	(1.7)	(94%)
<b>Total Revenue and Other Income</b>	<b>48.6</b>	<b>48.0</b>	<b>0.6</b>	<b>1%</b>
Gross Profit	28.9	28.4	0.5	2%
Gross Margin	60%	59%	1.7%	
<b>EBITDA pre non-recurring costs</b>	<b>6.8</b>	<b>7.1</b>	<b>(0.3)</b>	<b>(4%)</b>
EBITDA margin	14.0%	14.7%	(0.7%)	
Non-operating items	(2.1)	(10.1)	8.0	79%
<b>EBITDA after non-recurring costs</b>	<b>4.7</b>	<b>(3.0)</b>	<b>7.7</b>	<b>257%</b>
Depreciation & amortisation	(6.4)	(7.1)	0.7	10%
Net interest	(1.5)	(1.2)	(0.3)	(18%)
<b>Profit before tax</b>	<b>(3.2)</b>	<b>(11.3)</b>	<b>8.1</b>	<b>172%</b>

- Revenue of \$48.5 million, representing growth of 5.0% compared to PCP

- Focus on largest and most profitable revenue segments rewarded with growth of 16% in cloud and 8% in domains against PCP

- Cloud revenue has grown by \$2.3m PCP driven by a 16% increase in attachment rate for cloud with email revenue growing by a further 12% compared to the PCP

- Launch of the new .au domain name generating more than \$3.8 million in sales with 90,000 .au domains registered with annual recurring revenue of \$3.2m

- Other income reduced as non-core projects and TSA's complete. Internal and external labour costs to be reduced \$3.5m in the 2HY

- \$8m reduction in non-operating items compared to prior corresponding period with share-based payments expense of \$0.75m and non-recurring acquisition and restructuring costs of \$1.2m

# Highlights and Achievements








- ✓ Strong sales of new .au domains generating annual recurring revenue of \$3.2M, over 14% market share

90k .au domains 1HY

Generated \$3.8m 1HY

- ✓ Cloud revenue growth of \$2.3M compared to PCP with attachment rate of 26% on domain sales up from 6%
- ✓ Email revenue growth of 12% from new products
- ✓ 9% increase in ARPU for Webcentral & Melbourne IT
- ✓ Over 60% of all support tickets handled on shore. Completion of OX mail and mail back up products
- ✓ Strong wholesale and enterprise customer growth with more than \$1.7M annual recurring revenue sold in 1H FY23 and strong sales pipeline of \$4.3M
- ✓ Strong hardware revenue of \$4.1M in 1H FY23 supported by sold but unbilled revenue of \$2.5M at HY and \$2.6M sales pipeline
- ✓ Acquisition of New Domain Services, a premium domains email and webhosting business and relaunch of Melbourne IT corporate domains business
- ✓ Completion of Dark Fibre Network with more than 120km fibre installed and more than 50 data centres connected

# Revenue and Margin by Product

	Dec-22 \$M	Dec-21 \$M	% Change	Actual Margin %	Incremental Margin %
Cloud 	16.6	14.3	16%	69%	75%
Domains 	11.8	10.9	8%	72%	70%
Network and Voice 	4.2	4.4	(4%)	66%	80%
Data Centres 	4.1	4.8	(15%)	56%	80%
Managed Services 	6.0	6.0	0%	30%	35%
Digital Marketing 	1.7	2.5	(34%)	38%	35%
Hardware and Software 	4.1	3.3	24%	17%	15%
<b>Total</b>	<b>48.5</b>	<b>46.2</b>	<b>5.0%</b>		

# Webcentral operates in Retail, Enterprise and Wholesale customer segments

Customer Segments (\$M)	Dec-22	Dec-21	Change
Retail	25.5	23.4	9.2%
Enterprise	19.0	19.1	(0.7%)
Wholesale	4.0	3.7	8.5%
<b>Total Revenue</b>	<b>48.5</b>	<b>46.2</b>	<b>5.0%</b>

- Retail growth from new domains and hosting products including .au and Cpanel hosting offset by decline in digital marketing
- Enterprise decline on PCP due to legacy data centre contracts offset by growth in new cloud hosting services and Melbourne IT corporate sales
- Strong growth from Wholesale customer segment due to several large contract wins, supported by industry sales and digital marketing activities

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

## Services provided to each customer segment:

- **Retail:** domains, web hosting, email hosting and digital marketing services to consumer and small and medium enterprise customers
- **Enterprise:** cloud hosting, domain names, data centre, networks and voice, IT managed services, hardware and software and digital marketing products and services provided to Enterprise and Government customers
- **Wholesale:** cloud hosting, data centre, networks and voice products and services provided to wholesale

# Enterprise and Wholesale: Strong new sales, customer re-signs and pipeline

## New sales of \$3.8M TCV<sup>1</sup> in 1HFY22

- New contracts across cloud, data centre and networks and MIT service lines
- Engagement at industry seminars and digital marketing campaigns generating significant new customer leads

## Existing customer re-signs of \$2.1M TCV<sup>1</sup>

- Strong re-sign of existing customers across cloud hosting, data centre & networks and Managed MIT
- Re-signs of other long standing key customers in health, education and services sectors

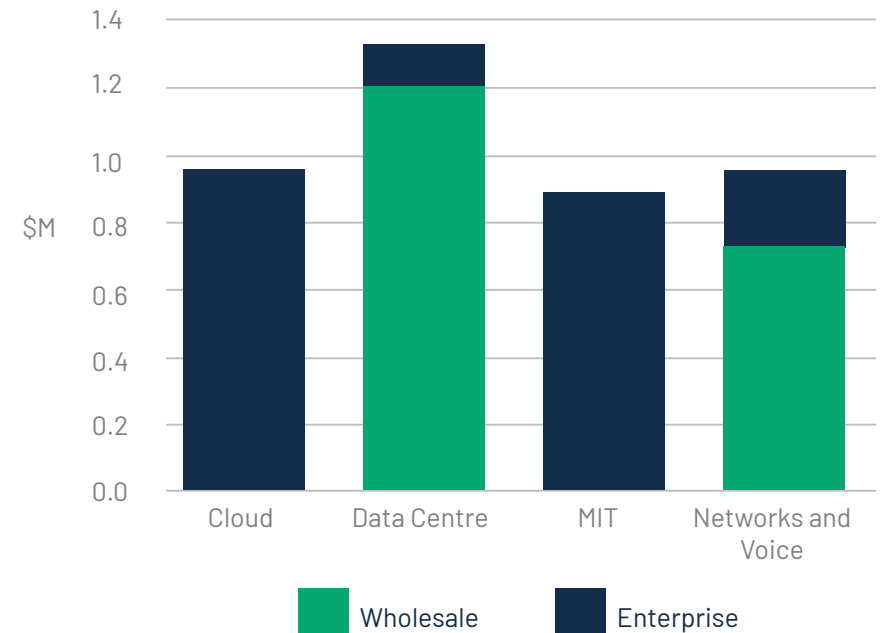
## Strong sales pipeline of \$4.1M recurring revenue

- Wholesale - data centre and networks across several large customers
- Enterprise - across all revenue streams with focus on cloud and managed IT in health, education and services sectors

### Notes:

1. Total Contract Value

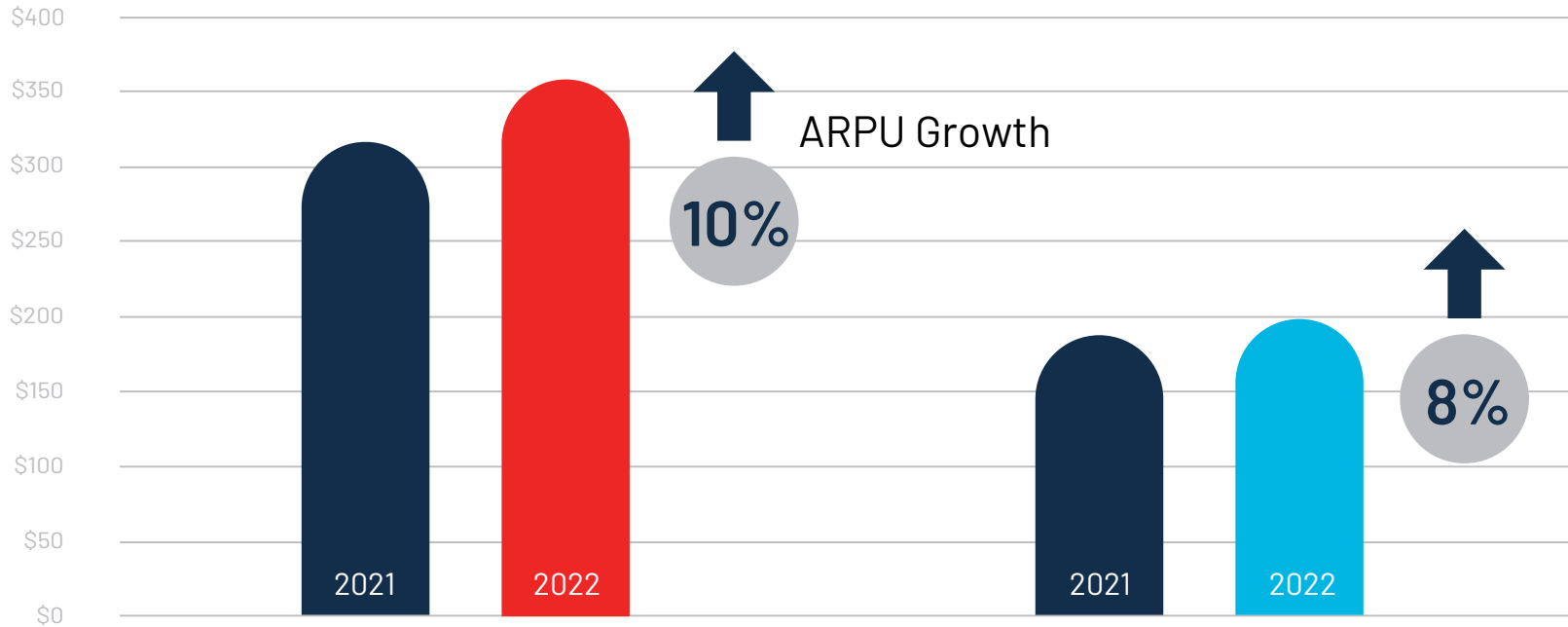
### Enterprise and Wholesale Pipeline





# Webcentral - Increase in average revenue per customer

9% Improvement in ARPU<sup>1</sup> in 1H FY23 from upsell to higher value products



Lifetime value per customer \$5.3k



Lifetime value per customer \$2.7k

**Notes:**

1. ARPU for 12 months to 31 December 2022 compared to 12 months to 30 June 2022

# Cashflow – 1H FY23

	HY Dec 22 \$M	HY Dec 21 \$M	% Change v PCP
Receipts	54.4	54.1	1%
Payments	(49.9)	(50.7)	2%
Net Interest Paid	(1.5)	(1.2)	(20%)
<b>Underlying Operating Cashflow</b>	<b>3.0</b>	<b>2.2</b>	<b>36%</b>
Restructuring, acquisition and transaction costs	(2.1)	(2.1)	-
<b>Operating Cash Flows</b>	<b>0.9</b>	<b>0.1</b>	<b>800%</b>
Net Cash - Acquisitions/Investments	2.0	(0.9)	122%
Capex	(3.1)	(3.8)	23%
Other investing cashflows	-	(4.3)	100%
<b>Investing Cash Flows</b>	<b>(1.1)</b>	<b>(9.0)</b>	<b>718%</b>
Share buybacks	(1.9)	-	-
Proceeds from shares/options	-	1.0	(100%)
Dividends paid	(1.5)	-	-
Net borrowings	4.0	1.6	150%
Transaction costs	-	(0.2)	(100%)
Payments of performance rights	-	(4.0)	(100%)
Other financing cash flows	(2.0)	(3.7)	85%
<b>Financing Cash Flows</b>	<b>(1.4)</b>	<b>(5.3)</b>	<b>277%</b>
<b>Net Cash Flows</b>	<b>(1.6)</b>	<b>(14.2)</b>	<b>786%</b>

- Significant improvement in underlying operating cashflows (before non-recurring costs)

- Investing cashflows includes purchase of New Domain Services in Dec-22 for \$3.5m and sale of CNW shares in Aug-22 for \$5.5m

- Reduction in capex from completion of fibre and DC/cloud upgrades 2HY Capex \$1m to \$1.5m

- Expected improved cashflow in 2HY due to reduced internal and external labour costs

- Share buybacks \$1.9m during the half

- Dividend paid \$1.5m (Nov-22)

# Balance sheet – 1H FY23

	Dec-22 \$M	Jun-22 \$M	Change
Cash and cash equivalents	3.8	5.4	(1.6)
Trade and other receivables	5.1	3.7	1.4
Deferred COGS	6.4	5.6	0.8
Other current assets	4.5	4.4	0.1
<b>Total Current Assets</b>	<b>19.8</b>	<b>19.1</b>	<b>0.7</b>
Intangible assets	91.1	87.4	3.7
Property, plant and equipment	15.9	15.7	0.2
Investments	0.7	5.2	(4.5)
Other non-current assets	3.8	3.2	0.6
<b>Total Non-Current Assets</b>	<b>111.5</b>	<b>111.5</b>	<b>-</b>
Trade and other payables	12.9	15.6	(2.7)
Borrowings	0.6	0.6	-
Deferred revenue	25.2	23.4	1.8
Property lease liabilities	3.3	3.5	(0.2)
Employee provisions	3.6	3.9	(0.3)
Deferred acquisition consideration	2.3	1.3	1.0
Other current liabilities	3.2	2.3	0.9
<b>Total Current Liabilities</b>	<b>51.1</b>	<b>50.6</b>	<b>0.5</b>
Borrowings	28.8	25.4	3.4
Other non-current liabilities	26.7	25.8	0.9
<b>Total Non-Current Liabilities</b>	<b>55.5</b>	<b>51.2</b>	<b>4.3</b>
<b>Net Assets</b>	<b>24.7</b>	<b>28.9</b>	<b>(4.2)</b>

- Increase in deferred COGS from New Domain acquisition and sales of multi-year domain products

- Bank debt maturity not until July 2025 and low margin of 3.4% on drawn funds

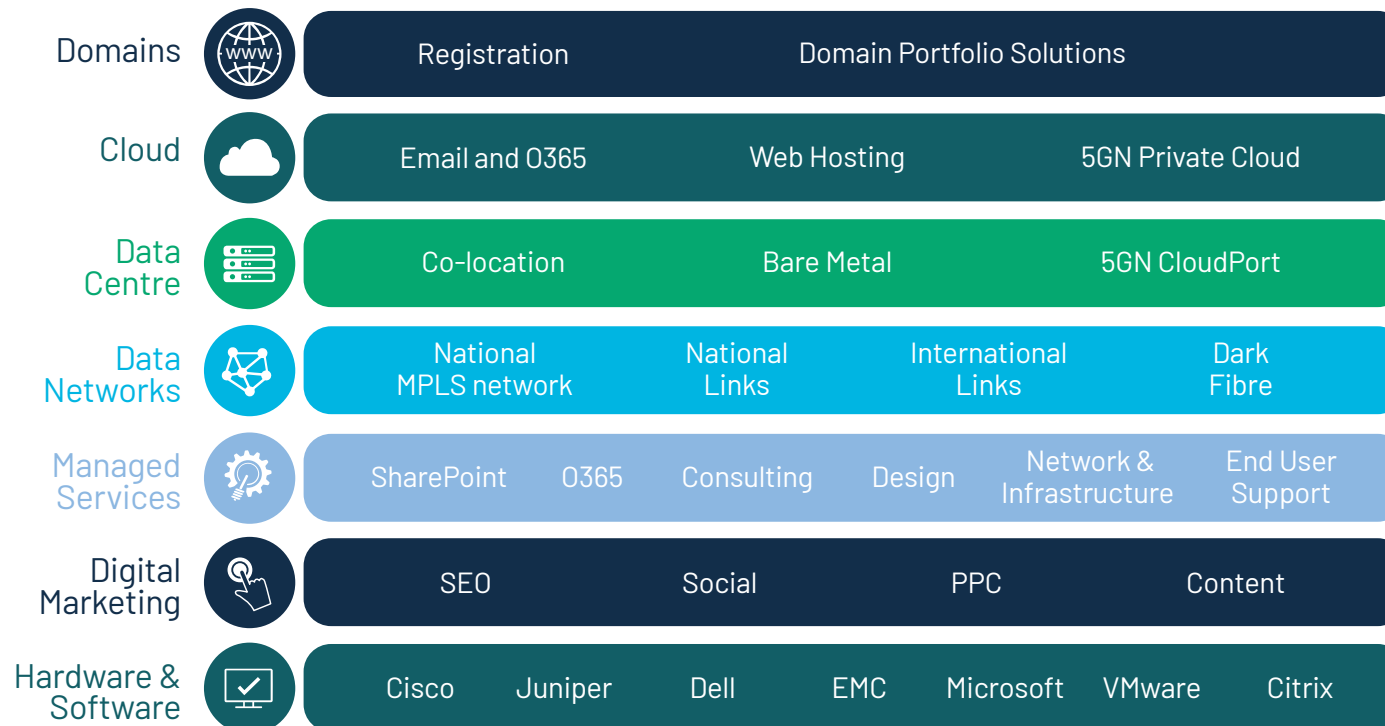
- Trade Creditors Reduced by \$2.7m, Payment of 1/2 Cent Dividend \$1.5m and Share Buy Back of \$2m

- Deferred revenue increase due to New Domain acquisition and increased multi-year domain sales

- Non-current liabilities includes property lease liability \$13.3m, deferred tax liabilities \$2.7m & deferred revenue \$10.2m

# Product Offering

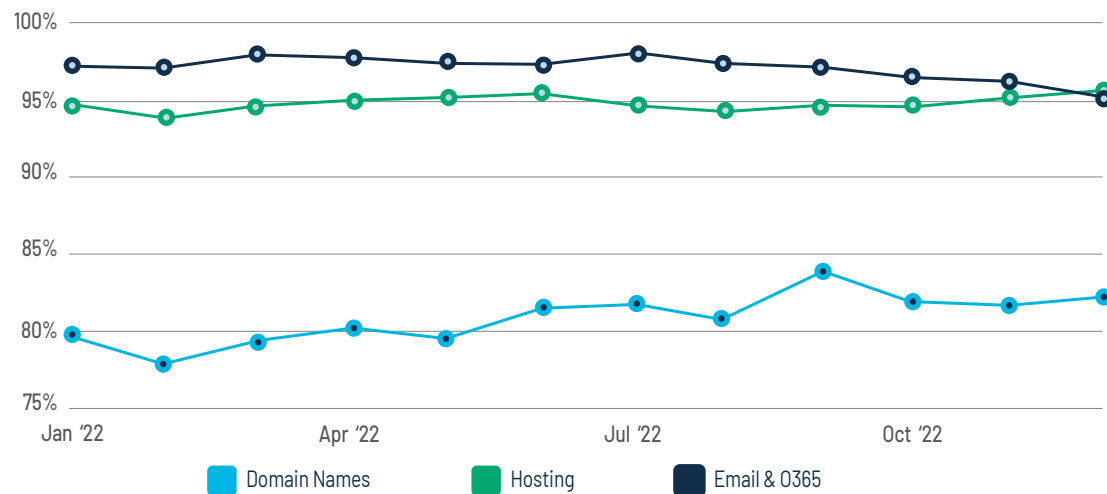
Webcentral services more than 330,000 Government, enterprise, wholesale, and small and medium business (SMB) customers across Australia and New Zealand. With 300 employees we seamlessly provide a range of cloud enabling solutions to businesses which consist of the following:



**Webcentral is one of the Top 3 Domain providers in Australia and the largest Australian owned operator of Fibre Networks, Cloud and Data Centres**

# Continued increase in renewal rates across domains, email and hosting

Improved customer renewal rates from initiatives to improve customer service, systems and billing processes



- Higher renewal rates across domains, email and web hosting products due to customer service, systems and process improvements

- Domain name renewal rates up to 82% from 75% in 2020

- Email renewal rates consistently 95%+

- Web hosting renewal rates from 92% to 96%

# Acquisition of New Domain Services

- In December 2022 Webcentral acquired New Domain Services, a premium domain email and webhosting services business
- Normalised revenue of \$2M and EBITDA of \$1.2M
- 25,000 customers
- Vendor Jonathan Horne has been appointed CEO of Melbourne IT to drive growth in corporate domains services – Jonathan has established several successful domains and hosting businesses including Hosting Australia in 2016
- Corporate Domains Services is a strategic growth objective – previous Board sold Melbourne IT’s Digital Brand Services (DBS) business in 2013 for \$152.5M
- New Domain has been integrated with Webcentral’s business and will benefit the broader Webcentral business as customer services changes, process improvements and product innovation are implemented
- Transaction details:
  - \$5M purchase price – \$3.5M upfront and \$1.5M deferred
  - Earn outs for 6 months ending Jun-23 and FY24 based on Melbourne IT and New Domain revenue growth
  - Purchase funded from operating cash and acquisition debt facility



# Webcentral Owned and Operated Network Infrastructure





# Thank you

For further information contact:

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