Over the Wire

Acquisition of Digital Sense and associated Capital Raise

October 2020

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Our **purpose** is to

Simplify technology
to empower business

Agenda

Introduction

High quality acquisition with limited integration risk

- Continuation of Over the Wire's existing strategy and will contribute to Over the Wire group earnings from 1 November 2020
- Digital Sense is a high quality cloud business that accelerates Over the Wire's Cloud Pillar, especially with customers in the Enterprise and Government sectors
- The acquisition is attractively priced with relatively limited integration risk due to the nature of the business and transaction structure which retains key employees
- The executive shareholders who remain with the business are primarily compensated by the issue of the vendor shares and achievement of the FY21 and FY22 earnouts, creating long term alignment with the success of Digital Sense and Over the Wire

Acquisition and Capital Raise

- Purchase price comprises:
  - Upfront consideration of $27.0m, comprising:
    - Cash consideration of $21.6m
    - $5.4m in OTW shares[1] which are subject to escrow (100% until 30 June 2021, and 50% until 30 June 2022)
  - Deferred cash consideration of up to $12.0m (up to $7.0m in FY21, and up to $5.0m in FY22), subject to achieving agreed targets
- The upfront consideration is funded via:
  - Institutional placement of 5.0m shares at $4.00 per share, to raise $20.0m
  - Share Purchase Plan capped at $5.0m

Significant contribution to group earnings with EPS accretion

- Upfront consideration of $27.0m represents an EBITDA multiple of 5x, based on historical FY20 EBITDA of $5.4m
- Double digit cash EPS accretion in the first full year of ownership

Strong Balance Sheet post Raising

- Post capital raise, balance sheet includes proforma net debt of approximately $33.0m[2], representing approximately 1.1x proforma EBITDA [3]

[1] At $3.64 per share (10 day VWAP at signing of the LOI)
[2] Represents net cash of $4.9m at 30 June 2020, Zintel and Fonebox acquisition debt of $36.0m and net proceeds of the placement post the Digital Sense acquisition
[3] Based on OTW FY21 consensus EBITDA of $24.8m and Digital Sense FY20 EBITDA of $5.4m

Business Overview - Digital Sense

Sovereign Cloud Service Provider

EBITDA

$5.4m

EBITDA Margin

25%+

Recurring Revenue

90%+

- Founded in 2008, Digital Sense is headquartered in Brisbane and employs >40 staff
- Digital Sense provides a customisable and scalable cloud offering to Enterprise and Government customers including IaaS, DPaaS, DaaS, STaaS
- Digital Sense owns and operates a data centre facility in Brisbane
- 60% of revenue generated by top ten customers, with three largest customers being local or State Government
- Highly cash generative with strong margins
- High quality management team committed to long term success and focused on making cloud simple

Building Strength in our Cloud Solution Pillar through Acquisition

OTW Capability

Cloud & Data Centre Specialists

DIGITAL SENSE

Over the Wire

- Public Cloud
- On-Demand Cloud Connectivity
- PaaS / IaaS
- Backup, Storage & Data Protection
- Colocation

Value

Partnerships with market leading vendors

Transformative blend of public and private cloud

Simplifying our customers' journey to the Cloud.

Market Segment

Direct

- Corporate
- Enterprise
- SME
- Government

Indirect & Wholesale

- MSP
- Security Providers
- IT Service Providers
- Telcos without Cloud Platforms

Digital Sense (DS) Brings Extensive Cloud Offering with Proven Capabilities

DS Cloud	DS Workspace	DS Store	DS Protect
DSPublic • Secure shared cloud offering **DSPrivate** • Dedicated private cloud • Capability hosted either on customer premises or co-located in a data centre facility **DSGov** • Cloud for Government users • Secure multi-tenancy and aligned with Government security and compliance **DSHybrid** • Combination of on customer premises with private and public cloud	**DSDesktop** • Desktop-as-a-service • Virtual desktop infrastructure/ digital workspace resources for customers • Desktop-specific capabilities such as GPU acceleration	**DSObject** • Enterprise data lake storage • Scalable, durable, and secure across multiple data centres, built for Enterprise and Government **DSFile** • Storage-as-a-Service built for Enterprise and Government	**DSProtect** • Data protection-as-a-service • Fully managed backup platform supporting any customer or cloud • Advanced ransomware and data compliance capability

DIGITAL SENSE

Innovation **Protection** **Control**

Equity Raising

Sources and Uses

Sources	
Institutional placement	$20.0m
SPP	Up to $5.0m
Cash as at 30 June 2020	$10.4m
Total sources	**$35.4m**

Uses	
Digital Sense upfront cash consideration	$21.6m
Estimated transaction costs	$1.0m
Provision for earn-out payments	$12.0m
Available cash as at 30 June 2020	$0.8m
Total uses	**$35.4m**

Note: Over the Wire will have approximately 59.4m shares on issue post the issue of Vendor shares, Placement and SPP

Equity Raising

Institutional Placement and SPP

Acquisition of Digital Sense to be **fully funded** by an institutional placement with a SPP to provide additional balance sheet support for potential earn-out payments and future acquisitions.

Offer size	Institutional placement of 5.0m shares (New Shares) to raise approximately $20m Share purchase plan capped at $5.0m
Offer price	Offer price of $4.00 per share (Offer Price) Offer Price represents: 6.10% discount to the closing price on 30 September 2020 of $4.26 5.02% discount to the 5 day VWAP 3.40% discount to the 10 day VWAP Offer Price reflects **double digit cash EPS** accretion in the first full year of ownership
Ranking	New shares will rank equally with existing ordinary shares from their time of issue
Placement distribution	Australia / New Zealand to sophisticated and institutional investors
Joint Lead Managers	Morgans Corporate Limited and E. L. & C. Baillieu Limited
Share purchase plan	A SPP will be undertaken to allow all shareholders the opportunity to acquire up to $30,000 of new shares at the Offer Price subject to a cap of $5.0m in total Details will be provided to eligible shareholders in due course

Equity Raising

Indicative Offer Timetable

Thursday 1 October 2020	Trading halt (before market open) Bookbuild conducted for Placement Record date for SPP (6pm Brisbane time)
Friday 2 October 2020	Announcement of completion of Placement Trading halt lifted, normal trading resumed
Wednesday 7 October 2020	Settlement of New Shares issued under the Placement
Thursday 8 October 2020	Allotment and normal trading of new securities under the placement
Friday 9 October 2020	SPP Offer opens and Booklet dispatched
Monday 26 October 2020	SPP closing date
Thursday 29 October 2020	Issue of new shares under the SPP
Friday 30 October 2020	Completion of acquisition
Monday 2 November 2020	Normal trading of new shares under the SPP

Note: Dates and times are indicative only and subject to change without notice. Over the Wire reserves the right to alter the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and the Corporations Act 2001 (Cth). All dates refer to Brisbane, Australia time.

Investment Highlights

High quality acquisition with limited integration risk

- Continuation of Over the Wire's existing strategy and will contribute to Over the Wire group earnings from 1 November 2020
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Strong growth outlook

- Over the Wire will continue to target organic recurring revenue growth as outlined in its full year presentation, together with very high customer retention
- Recent acquisitions provide significant growth in EBITDA and a platform to achieve continued organic growth in future years

Key Risks

Competition and loss of reputation
Over the Wire operates in a competitive landscape, which is subject to rapid and significant change, alongside a number of other telecommunications and IT service providers with competing offerings, which may impact on Over the Wire's existing or anticipated growth in market share and presence.

Customer relationships
The growth of the Over the Wire group depends in part on increasing the number of its customers and retaining existing customers. Failure to maintain levels of customer numbers, or to increase the number of customers, could result in the Over the Wire group's revenue or margin declining or operating results being materially and adversely affected.

Supplier relationships
Over the Wire is dependent on ongoing relationships with key suppliers, including wholesale suppliers of data and voice networks, as well as third party data centres. Termination or failure to renew agreements with key suppliers could have a material adverse effect on Over the Wire's operations and financial position. In addition, any change to applicable rates and charges by key suppliers could impact on Over the Wire's gross margin and profitability.

Changes to laws or regulations
Over the Wire will be subject to local laws and regulations in each jurisdiction in which it provides its services. Changes in or extensions of laws and regulations affecting Over the Wire's business could restrict or complicate Over the Wire's business. For example, Over the Wire will need to consider ongoing changes to data retention laws and the impact these laws may have on its business.

Acquisitions
Over the Wire's due diligence processes in relation to the acquisition of Digital Sense may not be successful and an acquisition may not perform to the level expected. In particular key customers and employees may be lost which could cause a material adverse change to the financial position of the company that was acquired and therefore to Over the Wire (from 1 November 2020).

Over the Wire's growth strategy may be impacted if it is unable to find additional suitable acquisitions.

Reliance on information provided for due diligence
Over the Wire has undertaken and is continuing to undertake a due diligence review in respect of the acquisitions. Despite taking reasonable efforts Over the Wire has not been able to verify the accuracy, reliability or completeness of all the information provided against independent data.

There is a risk that information provided by the sellers (including financial information) was incomplete, inaccurate or unreliable and there is no assurance that the due diligence was conclusive or identified all material issues in relation to Digital Sense. Limited contractual representations and warranties have been obtained from Digital Sense in respect of the adequacy and accuracy of the materials disclosed during the due diligence process.

Dependence upon key staff
Over the Wire depends on the talent and experience of its staff as its primary asset. There may be a negative impact on Over the Wire if any of its key staff leave.

Requirement to raise additional funds
Over the Wire group may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be unsatisfactory to Over the Wire.

Growth
There is a risk that Over the Wire may be unable to manage its future growth successfully. The ability to hire and retain skilled staff as outlined above may be a significant obstacle to growth.

Insurance
Over the Wire will maintain adequate insurance coverage in line with industry practice, but there may be some losses against which it cannot be protected. If Over the Wire incurs uninsured losses or liabilities, its assets, profits and prospects may be materially adversely affected.

Key Risks (continued)

Lease arrangements for data centres
Over the Wire's business strategy includes commitment of substantial operational and financial resources to develop, lease and operate data centres, which may be jeopardised if Over the Wire is unable to secure its current or future data centre lease arrangements.

Share investment risk
Any potential investor should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the Offer carry no guarantees with respect to the payment of dividends, return of capital or market value.

Catastrophic loss
Computer viruses, fire and other natural disasters, break-in or other security problems, a failure of power supply, information systems, hardware, software or telecommunication systems or other catastrophic events could lead to interruption, delays or cessation in service to Over the Wire's customers.

Equity raising dilution risk
If shareholders do not participate in the Placement or SPP then their percentage shareholding in Over the Wire will be diluted as a result of the Placement, SPP and scrip consideration payable to certain vendors under the Digital Sense Hosting acquisition.

Even if a shareholder does take up their full allocation under the SPP, the percentage shareholding in Over the Wire may be diluted by the Placement and scrip consideration and possibly also from the SPP because participation is limited to a fixed amount and shareholders are not entitled to participate in the SPP on a pro rata basis relative to their existing shareholdings.

Hacking and vandalism
Over the Wire may be adversely affected by malicious third party applications that interfere with or exploit potential security flaws in its software and infrastructure, which may result in a material adverse effect on Over the Wire's operations and financial position.

Technology developments
A failure by Over the Wire to adapt to technological changes could have an adverse effect on Over the Wire's business, operating results and financial position.

Technology and infrastructure systems performance
Whilst Over the Wire believes it is using proven technologies and has established systems to efficiently carry out its operations, the viability of its endeavours can be affected by force majeure circumstances, incompatibility of hardware or software with customer systems, market access constraints, cost overruns, the performance of associated parties or unforeseen claims and events.

Protection of proprietary technology
Some of Over the Wire's success depends on its ability to protect its proprietary technology. It may be possible for a third party to copy or otherwise obtain and to use Over the Wire's software and products without authorisation, or develop similar software independently.

COVID-19
The nature and extent of the effect of the COVID-19 outbreak on the performance of the Company remains uncertain. The Company's share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the operations of the Company and are likely to be beyond the control of the Company. Additionally, COVID-19 may adversely affect the sales cycles and decision making processes of key target customers of the Company. The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continuing to evolve and the consequences are uncertain. In compliance with its continuous disclosure obligations, the Company will provide updates to the market as and when COVID-19 has a material impact on the Company and its business and finances.

Cloud. Connect. Collaborate.

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