

13 August 2021

The Manager
Companies Announcement Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

On-market takeover offer by Webcentral Group Limited ACN 073 716 793 (Webcentral) (ASX: WCG) for all ordinary shares in Cirrus Networks Holdings Limited ACN 103 348 947 (ASX: CNW) (Cirrus) – Second Supplementary Bidder’s Statement

We act for Webcentral.

In accordance with subsection 647(3)(b) of the Corporations Act, we enclose a copy of Webcentral’s second supplementary bidder’s statement dated 13 August 2021 (**Second Supplementary Bidder’s Statement**), which supplements Webcentral’s original bidder’s statement dated 30 July 2021 as supplemented by Webcentral’s first supplementary bidder’s statement dated 6 August 2021.

The Second Supplementary Bidder’s Statement will be lodged with the Australian Securities and Investments Commission and sent to Cirrus today.

Yours faithfully



Michael Wilton
Partner
Cornwalls

Encl.

Second Supplementary Bidder's Statement

1 Introduction

1.1 Supplementary Bidder's Statement

This document is a supplementary bidder's statement given pursuant to Division 4 of Part 6.5 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in compliance with the requirements of section 643 of the Corporations Act by Webcentral Group Limited ACN 073 716 793 (**Webcentral**) in relation to its unconditional on-market takeover offer to acquire all of the fully paid ordinary shares in the capital of Cirrus Networks Holdings Limited ACN 103 348 947 (**CNW**).

This document is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) issued by Webcentral to the bidder's statement dated 30 July 2021 issued by Webcentral (**Original Bidder's Statement**) as supplemented by the first supplementary bidder's statement dated 6 August 2021 issued by Webcentral (**First Supplementary Bidder's Statement**). This Second Supplementary Bidder's Statement supplements, and is to be read together with, the Original Bidder's Statement and First Supplementary Bidder's Statement. This document prevails in the event of any inconsistency with the Original Bidder's Statement and First Supplementary Bidder's Statement.

1.2 Important notices

This Second Supplementary Bidder's Statement is dated 13 August 2021 which is the date on which it was lodged with the Australian Securities and Investments Commission (**ASIC**). Neither ASIC, ASX nor any of its respective officers takes any responsibility for the contents of this Second Supplementary Bidder's Statement.

1.3 Defined terms

Unless the context otherwise requires, capitalised terms in this Second Supplementary Bidder's Statement have the same meaning given to them in section 16 of the Original Bidder's Statement.

2 Bidder's intentions in relation to CNW

2.1 General

Section 10 of the Original Bidder's Statement (as supplemented by section 3 of the First Supplementary Bidder's Statement) outlines the Bidder's intentions in relation to CNW based on obtaining various levels of Relevant Interest in CNW by the end of the Offer Period.

In this regard, in section 10 of the Original Bidder's Statement, the Bidder outlines that:

- (a) in the circumstance where it acquires a Relevant Interest of above 90% of CNW Shares, that it will review, and possibly replace, all or some of the current CNW directors; and
- (b) in the circumstance where it acquires a Relevant Interest of less than 90%, that it will seek representation amongst the existing CNW board so that the Bidder's nominees are commensurate with the Bidder's shareholding in CNW.

In the Original Bidder's Statement, the Bidder noted that the statements in section 10 are statements of current intent only (based on publicly available information) which may change as new information becomes available to the Bidder or as circumstances change.

2.2 **Discussions with CNW**

In the Original Bidder's Statement, at section 10.1, the Bidder stated that it had not had the benefit of a due diligence investigation into CNW, and that it does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions.

The Bidder has contacted CNW's nominated advisors, Azure Capital Pty Ltd, in order to discuss the Offer and to request the provision of certain due diligence information. As at the date of this Second Supplementary Bidder's Statement, CNW has not provided any due diligence information to the Bidder nor has it indicated any willingness to enter into discussions with the Bidder in relation to the offer including as to the terms or the basis on which it would allow the Bidder to undertake due diligence.

2.3 **Revised intentions**

On 11 August 2021, CNW issued its Target's Statement (**Target's Statement**). It stated in paragraph 2.1(e) of the Target's Statement that CNW directors and key management and their Associates hold in aggregate 16.59% of the CNW Shares and have confirmed that they will not accept the Offer at the current price. CNW stated that, on that basis, Webcentral will be unable to meet the 90% compulsory acquisition threshold pursuant to the current terms of the Offer.

In addition, on 11 August 2021, CNW released to the ASX its full year 2021 financial results for the year ended 30 June 2021 (**FY21 Results**).

The FY21 Results are broadly in line with the Trading Update CNW released to the ASX on 5 July 2021.

Nevertheless, the Bidder considers that the FY21 Results and accompanying report highlight a number of serious deficiencies in the financial and operational management and performance of CNW. These deficiencies include the following:

- (a) Although revenue increased by approximately \$11 million from the previous year, the additional revenue was primarily in lower margin hardware sales, and the cost to deliver this revenue was in the order of \$16 million. This suggests to the Bidder a strategy of increasing revenue at any cost, even to the extent of incurring substantial losses. The FY21 Results give no discernible strategic or other reason for adopting such a loss making strategy.
- (b) Recurring revenue from business projects and managed services has declined. In the Bidder's experience, this type of business typically results in higher margin sales compared to lower margin hardware sales. The decline in this higher margin business is a disappointing outcome and does not auger well for the future profitability or growth of CNW.
- (c) The FY21 Results and accompanying report contain no clear pathway or strategy to turn around the stagnating profitability of CNW, and no discussion of potential growth areas or opportunities to increase margins.

The disappointing FY21 Results and accompanying report are illustrative of a management team and board that are distant from, and not sufficiently engaged in, the day to day operations of the CNW business.

In light of these developments, the Bidder is of the view that the current CNW Board (including the Managing Director) other than Paul Everingham should be replaced as directors of CNW as expeditiously as possible.

Accordingly, the Bidder has today taken steps to remove the current CNW Board (including the Managing Director) other than Paul Everingham by giving notice of its intention to move resolutions for the removal of the CNW directors pursuant to section 203D of the Corporations Act. The Bidder as the holder of at least 5% of the CNW Shares on issue, also intends to give a notice under section 249D of the Corporations Act requesting the directors of CNW to convene a general meeting of CNW. Clause 13.2 of the constitution of CNW provides that the CNW Board must when required by section 249D of the Corporations Act convene a meeting of CNW shareholders. See section 2.4 below for further details.

The Bidder considers it imperative that these steps, as expeditiously as possible, be taken to remove the current CNW Board (including the Managing Director) other than Paul Everingham and replace them with persons nominated by the Bidder. The new CNW Board can then firstly, urgently undertake the strategic and operational review of CNW's business and financial performance referred to in section 10 of the Original Bidder's Statement and secondly, quickly and effectively implement remedies and strategies identified by that review to improve CNW's financial performance, prospects and profitability.

2.4 Board changes

In order to give effect to its revised intentions with respect to the CNW Board set out above, on 13 August 2021, the Bidder served on CNW a notice under section 203D of the Corporations Act, notifying CNW of its intention to move resolutions for the removal of the current CNW Board (including the Managing Director) other than Paul Everingham at a general meeting of CNW.

Subsequently, on or shortly after 16 August 2021, the Bidder intends to give CNW a notice pursuant to section 249D of the Corporations Act requiring the current directors of CNW to call a general meeting of the shareholders of CNW to consider resolutions relating to the removal of the CNW Board (including the Managing Director) other than Paul Everingham and the appointment of new directors of CNW nominated by the Bidder.

The Bidder has not yet finalised the identity of the persons it proposes to nominate as directors of CNW but such persons will be named in the notice given by the Bidder under section 249D of the Corporations Act. Details of the proposed new directors of CNW will be announced to ASX.

Irrespective of whether the Bidder is successful in replacing certain of the current directors of CNW with persons nominated by it, the Bidder still intends, to the extent it is able, to take steps and actions consistent with its intentions outlined in section 10 of the Original Bidder's Statement and section 3 of the First Supplementary Bidder's Statement. However, those steps and actions are likely to be accelerated if certain of the current directors of CNW are replaced with persons nominated by the Bidder.

3 Authorisation

This Second Supplemental Bidder's Statement has been approved by a resolution passed by the directors of Webcentral.

Signed for and on behalf of Webcentral Group Limited.

A handwritten signature in black ink, appearing to read "Joe Demase", written over a horizontal dashed line.

Joe Demase, Managing Director