

# 1H FY24 Results Presentation

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21 February 2024



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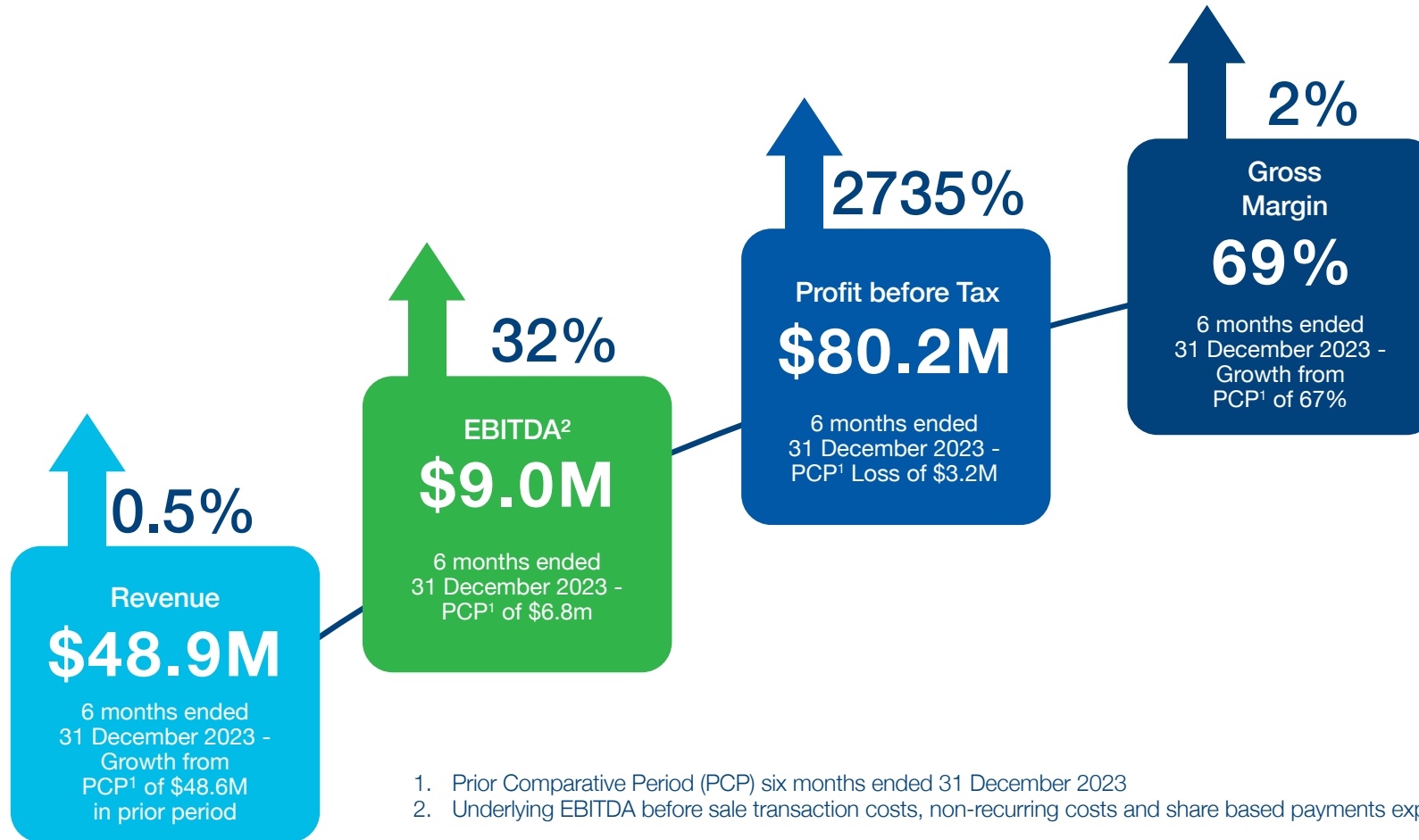
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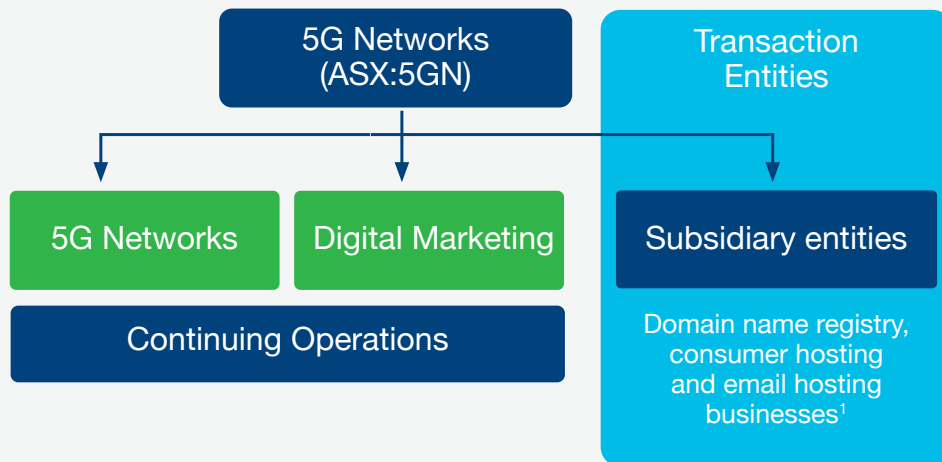
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# FY24 First Half Financial Results – Continued Growth

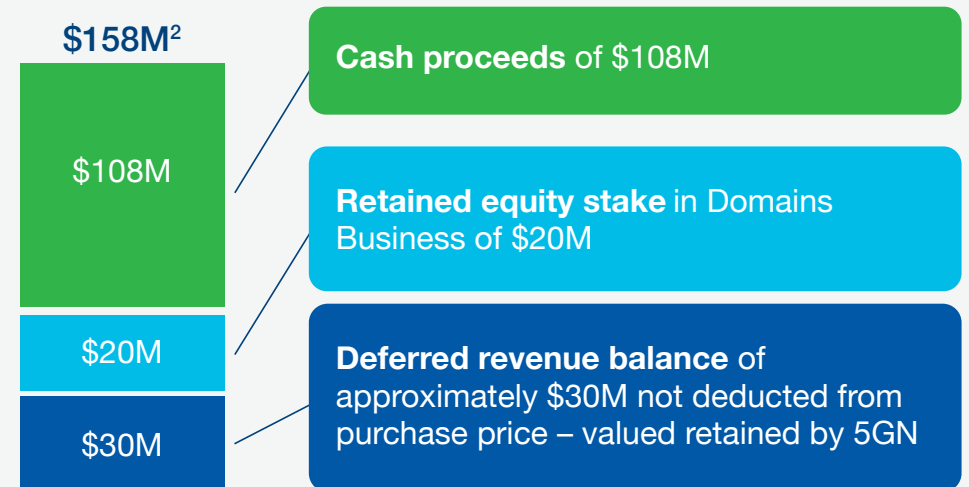


# Webcentral Sale Transaction Summary

## Group Structure



## Total value breakdown (A\$M)



Note: 1) Sale brands include: Melbourne IT, Melbourne IT Corporate, Webcentral, Domainz and New Domain Services.

2) Originally estimate provided of \$165m was adjusted for lock box cash not left in the business, therefore reducing to \$158m.

# Sale of Webcentral Business Benefits



**\$158M total value** represents 9x EBITDA of the Domains Business and nearly \$100M profit on acquisition by 5G Networks in November 2020



**Transaction unlocks significant value for shareholders**, with the implied transaction multiple representing a significant premium to 5GN's trading multiple



**Strengthens balance sheet** with 5GN's post-transaction pro-forma net cash of \$84M after full debt repayment and transaction costs



5GN's one-third retained equity in the Domains Business is a **source of further upside for 5GN shareholders**. Following completion, the Domains Business is expected to benefit from synergies and other value enhancements available to Oakley and its partners, as well as the deep sector expertise they derive from their complementary investments in Webpros (cPanel, Plesk and WHMCS), Contabo and World Host Group



**5GN engaged Macquarie Capital to undertake a comprehensive review process** to explore alternative strategic options for its Domains Business, given the significant undervaluing of these operations by market capitalisation. The Transaction with Oakley and its partners represents a strong sale price with high quality counterparties and certainty in completing the transaction



Post transaction, 5GN will benefit from a **streamlined business model** allowing it to focus on strategic initiatives within its higher growth Cloud and Data Centre Infrastructure businesses primarily focussed on Enterprise and Wholesale customers



The 5GN Board has reviewed 5GN's **capital management strategy** post-completion including the resumption of dividends to shareholders and the announcement of an on-market share buyback

# Profit & Loss - 1H FY24

	Dec-23	Dec-22	Change - PCP	
	\$M	\$M	change \$M	change%
<b>Revenue</b>				
Cloud	16.7	17.4	(0.7)	(4.0%)
Domains	11.4	11.8	(0.4)	(3.4%)
Networks	3.7	3.5	0.2	5.7%
Data Centres	4.2	4.5	(0.3)	(6.7%)
Managed Services	6.0	5.5	0.5	9.1%
Digital Marketing	1.3	1.7	(0.4)	(23.5%)
Hardware & Software	3.7	4.1	(0.4)	(9.8%)
<b>Total Revenue</b>	<b>47.0</b>	<b>48.5</b>	<b>(1.5)</b>	<b>(3.1%)</b>
Other income	1.9	0.1	1.8	1800.0%
<b>Total Revenue and Other Income</b>	<b>48.9</b>	<b>48.6</b>	<b>0.3</b>	<b>0.5%</b>
Gross Profit	32.2	32.4	(0.2)	(0.7%)
Gross Margin	65.9%	66.5%	(0.6%)	
<b>EBITDA pre non-recurring costs</b>	<b>9.0</b>	<b>6.8</b>	<b>2.2</b>	<b>32.0%</b>
EBITDA margin	18.4%	14.0%	4.4%	
<b>Gain on sale of business</b>	<b>95.4</b>	<b>-</b>	<b>95.4</b>	<b>100%</b>
Non-operating items	(16.2)	(2.1)	(14.2)	(679%)
<b>EBITDA after non-recurring costs</b>	<b>88.2</b>	<b>4.7</b>	<b>83.4</b>	<b>1734%</b>
Depreciation & amortisation	(5.8)	(6.3)	0.5	7.5%
Net interest	(2.0)	(1.6)	(0.4)	(26.3%)
<b>Profit before tax</b>	<b>80.2</b>	<b>(3.2)</b>	<b>83.4</b>	<b>2735%</b>

- Revenue and other income of \$48.9m flat PCP assisted by the sale of non-core assets, delivering a profit of \$1.6m







- Profit on sale of non-core assets represents \$1.6m of other revenue

- EBITDA increased by 32% driven by reduction in labour costs and rationalisation of activities

- Non-operating items include Sale transaction costs \$5.0m, Sale warranty and other provisions \$8.6m (non-cash) and Share based payment expense \$1.0m (non-cash)

- Net Profit after tax \$61m an increase of 2324%

# Revenue and Margin by Product

	Dec-23 \$M	Dec-22 \$M	% Change	Actual Margin %	Incremental Margin %
Cloud 	16.7	17.4	(4.0%)	60%	75%
Domains 	11.4	11.8	(3.4%)	72%	70%
Networks 	3.7	3.5	5.7%	5%	80%
Data Centres 	4.2	4.5	(6.7%)	20%	80%
Managed Services 	6.0	5.5	9.1%	30%	35%
Digital Marketing 	1.3	1.7	(23.5%)	38%	35%
Hardware and Software 	3.7	4.1	(9.8%)	15%	15%
Other Income 	1.9	0.1	1800%		
<b>Total</b>	<b>48.9</b>	<b>48.6</b>	<b>(3.1%)</b>		

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

## **New sales of \$3.05M in MAR<sup>1</sup> 1HFY24**

- 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 \$0.8M MAR<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 \$2.2M recurring revenue and \$6.3M hardware**

- 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. Monthly annualised revenue



# 5GN operates in Retail, Enterprise and Wholesale customer segments

Customer Segments (\$M)	Dec-23	Dec-22	Change
Retail	24.5	25.5	(0.4%)
Enterprise	18.3	19.0	(0.3%)
Wholesale	4.1	4.0	3.0%
<b>Total Revenue</b>	<b>47.0</b>	<b>48.5</b>	<b>(0.3%)</b>

- Retail growth in domains and 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
- Continued growth from Wholesale customer segment due to several large contract wins, supported by industry sales and digital marketing

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

# Security Shift Acquisition



- 5GN acquired Security Shift, a cyber security consultancy business in January 2024
- Normalised Revenue \$4M and EBITDA of \$1.3M
- Security Shift business provides cyber security consultancy, end-to-end managed services and outsourced IT engineering & software development with a strong focus on public cloud, data centre, critical infrastructure, and Australian Government ISM compliance
- Over 25 years pedigree designing, implementing, securing and operating critical infrastructure for various nations - currently securely operating several critical infrastructure systems with ISM compliance up to protected level and other systems that are PCI-DSS service provider certified
- Owner Chris Wright has been appointed CTIO of 5GN
- Acquisition will drive the expansion of security services to 5GN customers
- Transaction Details:
  - \$4M Purchase Price
  - \$1.66M Upfront Cash Consideration funded from existing cash reserves
  - \$1.24M 5GN Shares
  - Two \$550k Deferred Cash Payments over next two years

# Cashflow - 1H FY24

	HY Dec 23 \$M	HY Dec 22 \$M	% Change v PCP
Receipts	52.5	54.4	(3.5%)
Payments	(53.9)	(49.8)	(8.2%)
Net Interest Paid	(1.1)	(1.5)	26.7%
<b>Underlying Operating Cashflow</b>	<b>(2.5)</b>	<b>3.1</b>	<b>(180.6%)</b>
Restructuring, acquisition and transaction costs	(7.4)	(2.1)	(252.4%)
<b>Operating Cash Flows</b>	<b>(9.9)</b>	<b>1.0</b>	<b>(1090.0%)</b>
Sale of Domains Business	107.4	-	100.0%
Net Cash - Other Acquisitions/Investments	(1.5)	(3.5)	57.1%
Capex	(1.1)	(3.1)	64.5%
Other investing cashflows	(3.2)	5.5	(158.2%)
<b>Investing Cash Flows</b>	<b>101.6</b>	<b>(1.1)</b>	<b>9336.4%</b>
Proceeds from shares/options	0.1	-	-
Net borrowings	(28.0)	4.0	(800.0%)
Dividends paid	-	(1.5)	(100.0%)
Payments for share buyback	-	(1.9)	(100.0%)
Other financing cash flows	(2.0)	(2.0)	-
<b>Financing Cash Flows</b>	<b>(29.9)</b>	<b>(1.4)</b>	<b>(2035.7%)</b>
<b>Net Cash Flows</b>	<b>61.8</b>	<b>(1.5)</b>	<b>4220.0%</b>

- \$20m investment in privatised Webcentral business with 33 % share

- Net cash proceeds after 33% purchase of Webcentral of \$107m

- Debt repayment of \$28m with a balance for equipment leases of \$1.2m

- Deferred Payments of the new domain business purchase of \$1.5m

- Supplier payments back to terms, attracting greater discounts

- Dividend of \$6.2m to be paid in Feb '24


## Balance sheet – 1H FY24

	Dec-23 \$M	Jun-23 \$M	Change
Cash and cash equivalents	71.1	4.5	66.6
Trade and other receivables	3.8	5.1	(1.3)
Deferred COGS - Domain names	-	6.3	(6.3)
Other current assets	4.5	5.1	(0.6)
<b>Total Current Assets</b>	<b>79.4</b>	<b>21.0</b>	<b>58.4</b>
Intangible assets	13.4	81.7	(68.3)
Property, plant and equipment	8.8	9.8	(1.0)
Investments	21.0	0.7	20.3
Other non-current assets	0.1	3.6	(3.5)
<b>Total Non-Current Assets</b>	<b>43.3</b>	<b>95.8</b>	<b>(52.5)</b>
Trade and other payables	9.8	14.7	(4.9)
Borrowings	1.2	29.2	(28.0)
Deferred revenue	0.2	25.4	(25.2)
Property lease liabilities	3.2	3.9	(0.7)
Employee provisions	2.5	3.5	(1.0)
Deferred acquisition consideration	0.4	1.9	(1.5)
Other current liabilities	18.6	4.6	14.0
<b>Total Current Liabilities</b>	<b>35.9</b>	<b>83.2</b>	<b>(47.3)</b>
Other non-current liabilities	14.7	23.4	(8.7)
<b>Total Non-Current Liabilities</b>	<b>14.7</b>	<b>23.4</b>	<b>(8.7)</b>
<b>Net Assets</b>	<b>72.1</b>	<b>10.3</b>	<b>61.8</b>

- Cash at Bank increased by \$67m
- Bank loans repaid \$28m, remaining equipment leases \$1.2m
- Investments includes \$20m Webcentral 33% share
- Significant reduction in deferred revenue and COGS following sale of Domains Business
- Other current liabilities include accounting provision for income tax on sale \$14m and other sale financial liabilities and provisions of \$4.6m
- Non-current liabilities includes property lease liability \$10.8m & other financial liabilities \$3.5m

# Product Offering

5GN services more than 2,500 Government, enterprise, wholesale, and small and medium business (SMB) customers across Australia and New Zealand. With 170 employees we seamlessly provide a range of cloud enabling solutions to businesses which consist of the following:

Cloud		Email and 0365	Web Hosting	5GN Private Cloud				
Data Centre		Co-location	Bare Metal	5GN CloudPort				
Data Networks		National MPLS network	National Links	International Links	Dark Fibre			
Managed Services		SharePoint	0365	Consulting	Design	Network & Infrastructure	End User Support	
Digital Marketing		SEO	Social	PPC	Content			
Security		Cyber consulting	SaaS	ISO & ISM Audit	PCI-DSS			
Hardware & Software		Cisco	Juniper	Dell	EMC	Microsoft	VMware	Citrix

**5GN is the largest Australian owned operator of Fibre Networks, Cloud and Data Centres**

# 5GN Owned and Operated Network Infrastructure



# Thank you

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