

ASX Announcement:

Update on Sale of 5GN Business and Return of Capital



6th August 2024

5GN provides the following information in relation to shareholder questions it has received in order to ensure the market remains fully informed.

Does the implied consideration for the sale of the 5GN business of \$3.2m represent fair value for the business?

5GN is confident that the implied consideration for the sale of the 5GN business of \$3.2m represents fair value as at the time the transaction was agreed on 27 June 2024 having regard to the Company's desire to exit a loss-making business, return surplus capital to shareholders, delist from ASX and voluntarily liquidate the Company in a timely fashion. These were the objectives of the process overseen by an Independent Board Committee (IBC) established in February 2024.

Without the sale of the underlying business, the Company's ongoing obligations under long-term customer contracts, real estate leases and to its employees mean that the Company would not have been in a position to complete the proposed 15 cent per share return of capital while the Company's underlying business continued to be loss-making.

In March 2024, the IBC appointed Auburn Capital to assess an offer received from entities associated with the Managing Director, Joe Demase (the Offer) and advise the IBC with respect to the Offer and the process more generally.

The IBC considered a range of options but as a result of concerns regarding confidentiality that a broader process could compromise and its potential to destabilise the business without any certainty of an actual transaction, the continued losses in the underlying business and relatively small size of the overall business, the IBC elected to continue to negotiate the Offer with those entities associated with Joe Demase while engaging Auburn Capital to perform a limited marketing sounding with eight credible potential purchasers rather than a trade sale process. Part of the IBC's consideration, when adopting this approach, was that if a transaction was agreed there would still effectively be an opportunity for a broader list of potential buyers to make an offer for the business – after the Offer had been announced, and in case a higher sale price could be achieved for the underlying business. This continues to be a credible opportunity until shareholders have approved the Offer.

The IBC continues to believe that agreeing to the Offer and unlocking the 15 cent per share return of capital to shareholders was in the best interests of its shareholders for the reasons set out in the 27 June 2024 announcement. If a superior proposal results in a higher sale price for the underlying business its shareholders would still get the additional benefit of a higher sale price.

This market sounding resulted in eight parties signing confidentiality agreements and conducting due diligence. While a number of these parties initially expressed strong interest in the business and conducted initial due diligence, no parties submitted an offer for the business or elected to continue discussions. None of these parties was comfortable acquiring all parts of the business; a number were concerned about the business' ongoing losses and the strategic value of the business' different divisions and operating footprint. None of these parties offered to acquire part of the business.

The Company's ASX announcement of 26 October 2023 primarily related to the proposed sale of a two-thirds interest in 5GN's domains and hosting business. At this time, 5GN reasonably expected the revenue of the remaining 5GN business to generate \$45m in FY24 with an expected proforma run-rate net profit for FY24 for the listed entity of greater than \$5m. The actual results for FY24 will be known shortly when 5GN releases its results. However, please note that the reference to the proforma run-rate net profit of \$5m in that announcement was to run-rate net profit of 5GN, the listed entity, and not the standalone 5GN business.

Full details of the Company's FY24 results will be reported to ASX by the end of August 2024 as required by the ASX Listing Rules.

Does the statement in 5GN's announcement of 27 June 2024 that the sale will allow 5GN to exit what is currently a loss-making business contradict previous statements regarding 5GN's forecast profitability?

The statement in the ASX announcement of 27 June 2024 that the sale will allow 5GN to exit what is currently a loss-making business does not contradict any earlier forecast regarding 5GN's profitability, including the statements in the ASX announcement of 26 October 2023. See our response above regarding expected revenue and proforma run-rate net profit.

The Board did not consider it either appropriate or necessary to replace management of the 5GN business. The reason the 5GN business is not currently profitable is stated in the ASX announcement of 27 June 2024 - it operates in challenging markets.

It was, and remains, the Board's assessment that a change of management is not likely to improve the profitability of the 5GN business. That was an important driver of the IBC's ultimate decision that it was in the best interests of shareholders to sell the Company's remaining assets and operations and complete the proposed return of capital to its shareholders rather than persist with a turnaround strategy which would likely be longer term and, even if successful, drain cash resources of the Company.



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The IBC was cognizant that while the 5GN business was loss-making in its hands, another purchaser with different cost structures may be able to implement a turnaround strategy for the business in a timeframe that may not have been achievable by the Company or at all. The IBC was also cognizant that as an unlisted business the 5GN business will not be subject to the same cost structure and reporting requirements as a listed business – this may reduce any losses and allow management to focus more exclusively on its operations rather than reporting as a listed company and investor management.

The proposed return of capital of \$0.15 per share appears to be lower than the estimated available cash in the business, following the sale of 100% of the Domains business.

The proposed return of capital of 15 cents per share takes into account costs that the Company is likely to incur before winding up, including transaction costs, legal settlement costs, delisting and winding up costs, insurance costs and operating costs it expects to incur until the time the Company is formally wound up. It also includes contingencies and provisions for any potential unknown costs which may arise and the expected operating cash shortfall of the 5GN business.

The proposed return of capital is necessarily a conservative amount as it needs to allow for all costs until winding up of the Company, the timing of which is not yet certain. As noted in the 27 June 2024 ASX announcement, it is expected that there may be a small additional distribution to shareholders at the time of the winding up. The Company will provide information as to cash balances and expected costs and contingencies in the Notice of Meeting which the June announcement contemplated the Company would send to shareholders in August 2024.

Please provide further details of the process conducted by Auburn Capital.

Please refer above for some further detail regarding the market sounding conducted by Auburn Capital on behalf of the IBC.

While the IBC does not believe it was necessary to conduct a market sounding from a process perspective, in the circumstances it felt that doing so was in the best interest of its shareholders and that the management of this by Auburn Capital was independent, appropriate and effective. Following the receipt of the offer from the Managing Director to buy the Company's loss-making operating business, the Board formed the IBC comprising all the non-executive directors. The IBC appointed Auburn Capital following a selection process involving several potential advisers.

Auburn Capital's role is and has been to advise the IBC in relation to the proposed sale, assist in its negotiations for the proposed sale of the 5GN business to the Managing Director or a third party, and seek expressions of interest from potential purchasers determined in consultation with the IBC. As stated in the ASX announcement of 27 June 2024, that market sounding process did not result in any non-binding indicative offers to purchase the 5GN business from any of the eight potential purchasers.

The IBC is confident following and implementing the market sounding process that the offer by the Managing Director was the best offer available in all the circumstances and allows the Company to execute its sale, capital return and delisting strategy.

The IBC does not consider it appropriate nor is it any longer relevant to disclose details of the parties that were asked to express interest in the 5GN business or provide copies of the sell-side materials that were provided to them or other particulars of the market sounding process.

The proposed sale will not proceed without advice from the independent expert, SW Accountants and Advisers, that the proposed sale is fair and reasonable (or not fair but reasonable) and in the interests of non-associated shareholders.

Was Auburn Capital the appropriate adviser appointed

The IBC is firmly of the view that its decision to appoint Auburn Capital was the appropriate decision in the circumstances particularly having regard to transaction size and adviser fees. Auburn Capital is independent to 5GN and its directors and has not previously worked with either the Company or any of its directors but is experienced working with technology businesses similar to 5GN and running successful trade sale processes.



Investor Enquiries

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About 5GN

5GN is an Australian owned digital services company who empower more than 2,500 corporate clients to grow and thrive online. Our portfolio of digital services is extensive, with market leading offers across Cloud, Data networks, Data centre, managed IT services and digital marketing.

5GN currently owns and operates its own Nationwide and Internationally highspeed Data Network with points of presence in all major Australian capital cities, Singapore, USA, Hong Kong and New Zealand. In addition, the Company offers managed cloud solutions through its Cloud and Data Centre capabilities as well as managed services to optimise customers' IT and network environments. Supporting this is the Company's combined rack capacity of over 1,200 racks through its owned and operated Data Centres across Melbourne, Sydney, Brisbane and Adelaide.

Our customer focussed heritage has been built on expertise, innovation and personalised service; critical attributes delivered through our culture and embraced by our people.

The 5GN 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.