



Australian Government

Takeovers Panel

MEDIA RELEASE

No: TP20/61

Thursday, 22 October 2020

Webcentral Group Limited – Panel Receives Application

The Panel has received an application from Keybridge Capital Limited in relation to the affairs of Webcentral Group Limited. Webcentral is subject to a takeover bid from 5G Networks Limited.

Details of the application, as submitted by Keybridge, are below.

A sitting Panel has not been appointed at this stage and no decision has been made whether to conduct proceedings. The Panel makes no comment on the merits of the application.

Details

On 17 September 2020, Webcentral announced that:

- it had entered into a bid implementation deed with 5G Networks to acquire all the shares in Webcentral pursuant to a conditional off-market takeover bid offering 1 5G Networks share for every 12 Webcentral shares
- Webcentral directors, who collectively had a relevant interest in approximately 19% of the total number of Webcentral shares on issue, intended to accept, or procure acceptance, of the 5G Networks bid in the absence of a superior proposal
- the Webcentral board had determined that the 5G Networks bid was a superior proposal to a competing revised proposal from Web.com Group, Inc. offering \$0.18 in cash
- 5G Networks would provide funding to Webcentral to enable Webcentral to repay its existing financiers in full, if 5G Networks acquires a relevant interest in at least 50.1% of the Webcentral shares and the 5G Networks bid becomes or is declared wholly unconditional (**5G Networks Conditional Funding**) and
- 5G Networks had agreed to provide an unsecured loan of \$500,000 to Webcentral to be used by Webcentral to pay a reimbursement fee to Web.com.

On 18 September 2020, 5G Networks issued its bidder's statement, which disclosed the following in relation to the debt facilities to be repaid by the 5G Networks Conditional Funding:

"As at 31 July 2020, the total amount drawn under the Existing Debt Facilities was approximately \$47.6 million. This amount includes:

- approximately \$41.6 million of term debt;*
- bank guarantees of approximately \$5.5 million, of which approximately \$1.9 million are subject to guarantees held in favour of Webcentral from sub-tenants. Net exposure after deducting these back-to-back arrangements is approximately \$3.6 million; and*
- an interest rate hedge, of which the estimated mark-to-market valuation as at 31 July 2020 is approximately \$450,000.*

Webcentral has been in default under these facilities for some time.

Notwithstanding their previous support, there can be no assurance that the Existing Financiers will remain supportive of Webcentral if the Offer is not successful."

On 13 October 2020, 5G Networks declared its bid unconditional and disclosed that all of Webcentral's directors had accepted into the 5G Networks bid and that 5G Networks had voting power in Webcentral of 34.75%.

On 16 October 2020, Webcentral announced (among other things) that it had appointed Messrs Joseph Demase and Joe Gangi, who were directors of 5G Networks, as directors of Webcentral.

5G Networks bid is due to close at 7pm (Sydney time) on Tuesday, 27 October 2020.

Keybridge submits, among other things, that:

- Disclosures in 5G Networks' bidder's statement and Webcentral's target's statement in relation to the 5G Networks Conditional Funding *"create a highly coercive effect on shareholders to accept the [5G Networks] Bid to cause control to pass in a manner inconsistent with that of an efficient, competitive and informed market"*.
- The statements by the Webcentral directors that they would accept into the 5G Networks bid was anti-competitive (in light of the competing proposal by Web.com that Keybridge submits was superior) and contravened s606.
- Disclosure in Webcentral's target's statement is unclear, in particular in relation to why Webcentral has formed the view that the 5G Networks bid was superior to the Web.com proposal.

Keybridge seeks interim orders that 5G Networks not process any acceptances until such time as the Panel has considered this application and that 5G Networks extends its bid by 3 weeks.

Keybridge seeks final orders that Webcentral shareholders be provided with withdrawal rights under the 5G Networks' bid (or the bid be withdrawn), that all shares acquired in contravention of s606 be vested in ASIC for sale and further disclosure.

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