



Australian Government

Takeovers Panel

MEDIA RELEASE

No: TP21/02

Tuesday, 12 January 2021

Webcentral Group Limited 03 - Panel Receives Application

The Panel has received an application from Keybridge Capital Limited (ASX: KBC) in relation to the affairs of Webcentral Group Limited (ASX: WCG).

Details of the application, as submitted by the applicant, 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 18 September 2020, 5G Networks Limited (ASX: 5GN) lodged a bidder's statement to acquire Webcentral for 1 5GN share for every 12 Webcentral shares, which (according to the bidder's statement) impliedly gave a cash value of 14.5 cents per share.

On 10 November 2020, the 5GN bid closed, with 5GN having voting power in 56.68% of Webcentral shares. The Webcentral board was then entirely made up of representatives of 5GN.

On 13 November 2020, Webcentral announced that it had received commitments for an equity subscription package of approximately \$5.6 million (before expenses), comprising:

- approximately \$3.1 million (before costs) by way of a placement to institutional and sophisticated investors at an issue price of \$0.17 per share and
- a further \$2.5 million by way of the issue of shares at an issue price of \$0.17 per share to entities associated with two of the directors of Webcentral who are also directors of 5GN, subject to shareholder approval.

Webcentral also sought to issue 10 million performance rights and 2 million director options to two potentially related parties of 5GN, subject to shareholder approval.

On 18 December 2020, Webcentral shareholders approved the issue of the shares under the equity subscription package and the issue of the performance rights and director options at an extraordinary general meeting.

Keybridge understands that prior to the 5GN bid commencing, Webcentral had agreed to pay a \$1.9 million cash success fee to its financial adviser if 5GN achieved a 50.1% interest in Webcentral and that the purpose of the capital raising *“appeared to be to pay an undisclosed success fee for the 5GN Takeover... and to reduce the recently advanced 5GN debt”*.

Neither the existence of the success fee nor the intention to conduct the capital raising were disclosed in Webcentral’s target’s statements or 5GN’s bidder’s statements.

Keybridge submits, among other things, that:

- The payment of the success fee in circumstances where 5GN obtained less than 100% of Webcentral *“represents clear unacceptable circumstances”*. Webcentral shareholders *“who unwittingly did not accept the bid have been saddled with this material expense”* while those shareholders *“who accepted without knowledge of the Success Fee, may have held back their acceptance if they knew they were contributing to triggering such Success Fee”*.
- It is *“very reasonable to infer that the intention to conduct the capital raise was known to 5GN and WCG prior to the end of the Bid”* and that *“the design of the agreement to purchase shares by 5GN associates less than 48 hours after the close of the Bid, without adequate disclosure during the Bid, flies in the face of the purpose of s621 of the Corporations Act, in a circumstance where the purchase price is some 20% higher than the consideration of the Bid.”*
- The failure to disclose the success fee and Webcentral’s intention to conduct the capital raising and issue securities to potentially related parties of 5GN immediately following the close of the 5GN bid in Webcentral’s target’s statements and 5GN’s bidder’s statements constitutes multiples breaches of sections 638 and 644 (in the case of Webcentral) and sections 636 and 643 (in the case of 5GN) of the *Corporations Act 2001 (Cth)*.

Keybridge submits that the effect of the circumstances is that Webcentral shareholders have relied on disclosure by Webcentral and 5GN that was materially deficient and that had such disclosure been made, it is likely that shareholders would have made a different election in respect of the 5GN bid.

Keybridge seeks final orders that Webcentral shareholders be provided with withdrawal rights under the 5GN bid (or the bid be withdrawn) and that corrective disclosures be made by Webcentral and/or 5GN.

Allan Bulman
Director, Takeovers Panel
Level 16, 530 Collins Street
Melbourne VIC 3000
Ph: +61 3 9655 3500
takeovers@takeovers.gov.au