

ASX Announcement:

5G Networks Announces Acquisition of Asia Pacific Telecommunications Group for \$6m; Capital Raise of circa \$3.5m



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Highlights

- Acquisition of Asia Pacific Telecommunications Group (“APTel”) in \$6m structured deal
- Supporting Capital Raise to shareholders for circa \$3.5m at \$0.60 per share
- Purchase price represents 4x FY17 EBITDA, with synergies of \$500k per annum recognised within the first 6 months
- Transaction to deliver immediate scale and positive cashflow
- APTel revenue more than \$6.3m across over 800 Melbourne residential/hotel and business customers
- Partnering agreement with the Deague Group for current and future property developments to further enhance the merged business

Commenting on the acquisition, 5G Networks Managing Director Joe Demase stated,

“The acquisition of APTel is a significant illustration of the strategy that we outlined in our IPO prospectus. Immediately it increases our revenue and EBITDA levels to give us scale and cashflow and access to a substantial new customer base that we can use to leverage our core offerings. The integration of the APTel service suite with our own offering delivers a powerful business solution that can meet the modern demands of the mid-tier business market for broadband and cloud services. Our immediate focus will be on the successful integration of the APTel business and personnel and delighting the APTel customer base with the high quality services the combined APTel 5G operation will deliver.”

5G Networks Limited

5G Networks Limited (ASX: 5GN, “5G” or “the Company”) an ASX listed high-speed broadband service and cloud infrastructure company is pleased to announce the acquisition (“the Acquisition”) of Asia Pacific Telecommunications Group (“APTel”) for a purchase price of \$6m and a capital raising of approximately \$3.5m via a placement of approximately 5.85m new shares at \$0.60 per share to shareholders.

Originally developed as an internal business division providing network solutions and telecommunications services to the Deague Group and Deague developments, APTel is a Melbourne based voice, data and cloud communications service provider and aggregator with over 20 years history servicing over 800 mid-market corporate clients, hotel groups and commercial offices throughout Australia.

APTel demonstrates significant strengths within the network, installation and managed services market and the addition of this business to the 5G Networks group will provide positive synergies and growth for 5G. The board of 5G identified APTel as a very attractive business that can enhance the range of services that the Company can bring to 5G’s target mid-market customer group. APTel has a strong customer base of 815 customers that collectively generated revenue of \$6.3m in FY17.

A partnering agreement has also been struck between the two parties for 5G Networks to partner with the Deague Group for current and future Deague Group property developments, including IT infrastructure and network access. 5G will provide all IT services for the Deague Property group under a long term service agreement. Additionally, 5G will have roof top access to all existing and new Deague Group properties across Australia which will accelerate 5G’s wireless network rollout.



Acquisition Details

The Acquisition will be completed in March 2018 with \$3m to be paid on completion and a second payment of \$3m in September 2018.

To support the Acquisition, the Company executed a Capital Raising via a Share Placement of circa 5.85m shares at \$0.60 per share, to raise circa \$3.5m. The Share Placement was made to existing and institutional shareholders and was oversubscribed. The balance of the Acquisition payment will be made from existing cash resources (approximately \$3.5m at 31 December) in addition to approx. \$3.5m raised concurrent to the Acquisition less \$3m for the initial instalment paid for the Acquisition, as outlined in this document.

APTel has a current revenue of more than \$6m delivered from its over 800 customers based across the Group's Victorian properties and businesses. This will double the current revenue of the 5G Networks business. Recognising the importance of integration of the customer base and the opportunity to supply an additional value added service to them 5G has issued 300,000 options under its Executive and Directors Share Option Plan to each of the National Sales Director and the National Program Manager. Vesting of the options will be subject to success of the integration.

The agreed acquisition price represents a 4x EBITDA multiple. The acquisition is expected to produce synergy savings of \$500k per annum which will be recognised in the first six months from transaction completion via migration of APTel customers to the 5G network and operating systems.

As part of the Acquisition of APTel, 5G Networks has signed a partnering agreement, with The Deague Group, one of Australia's leading property and development groups. Under the terms of the Agreement, 5G Networks will have rooftop access to all existing and new properties across Australia, and will be provided with IT infrastructure and network access to accelerate the wireless network rollout. APTel will continue to provide all IT services for the Deague Group under an ongoing long term services agreement.

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About 5G Networks

5G Networks is an innovative and new take on network access. 5G Networks offers a super high speed network and the cloud infrastructure services required by modern businesses today.

5G Networks offers a level of broadband services that businesses can rely upon to succeed. With fibre access technology from third party carriers and our very own wireless network offerings, we are able to offer state of the art services ranging from Integrated Fibre and Wireless, High Speed Internet Access and Cloud Computing Services. 5G Networks provides the end-to-end control, responsiveness and upload and download speeds necessary to fully capture the value of cloud-based computing systems.

About Asia Pacific Telecommunications

Established in 1859, the Deague Group is a leading Australian integrated property development company. APTel was established 20+ years ago, originally as an internal business division providing network solutions and telecommunications services to Deague Group buildings and operating entities – The division grew as part of the Deague Group's strategy to provide a full end to end service to its tenants throughout its commercial office, buildings, serviced offices and hotels – APTel was incorporated in 2000. Growing from an internal division of the Deague Group, servicing only their tenants network requirements, APTel grew to become a standalone service provider with a diverse client base. Recognising an opportunity to leverage their service offering more broadly, APTel progressively began building an independent client base, servicing medium-large sized businesses across Australia.