



ASX RELEASE

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OVER THE WIRE TO ACQUIRE DIGITAL SENSE HOSTING PTY LTD

Over the Wire Holdings Limited (ASX:OTW) ("Over the Wire" or "Company") is pleased to announce that it has entered into a binding agreement to acquire all of the shares in Digital Sense Hosting Pty Ltd ("Digital Sense"). Completion is expected to take place on 30 October 2020 ("Completion") and is subject to a limited number of customary conditions precedent.

Headquartered in Brisbane and employing approximately 40 staff, Digital Sense is a high-quality cloud business that provides a customisable and scalable cloud offering to Enterprise and Government customers.

Strategic Rationale

- Acquisition of a leading Sovereign Cloud platform provider in Australia delivering proven solutions to the Enterprise and Government markets
- Introduces further solution capability in the areas of Infrastructure as a Service (IaaS), Desktop as a Service (DaaS), Storage as a Service (STaaS) and Data Protection as a Service (DPaaS)
- Extensive Cloud offering offers cross sell opportunities to existing Over the Wire customers and offers cross sell opportunities of Over the Wire solutions to Digital Sense customers
- Digital Sense accelerates Over the Wire's growth and capability in our Cloud Solution pillar, resulting in further diversification of revenue across each of the *Cloud. Connect. Collaborate.* pillars
- Leverage Over the Wire's existing national network to take Digital Sense's offering national
- Strengthens Over the Wire's ability to provide a complete and integrated solution set to Enterprise and Government customers across their data, voice and cloud requirements
- High quality management team committed to long term success
- High levels of recurring revenue with strong margins
- EBITDA and EPS accretive transaction

Financial Consideration and Funding

Upfront consideration of \$27.0m comprises \$21.6m in cash plus \$5.4m in Over the Wire shares (at \$3.64 per share, being the 10 day VWAP at signing of the LOI). The cash component is fully funded by an institutional placement of \$20.0m (priced at \$4.00 per share) and existing cash.

The shares issued as consideration to the executive shareholders of Digital Sense will rank equally with existing Over the Wire shares and will be subject to voluntary escrow in full until 30 June 2021 and 50% until 30 June 2022.

The executive shareholders of Digital Sense are entitled to receive further deferred consideration of up to \$12.0m (up to \$7.0m in FY21, and up to \$5.0m in FY22) based on achieving agreed targets, which include a mix of retention (key staff and key clients) and growth targets based around revenue and EBITDA.

With revenue of approximately \$18.3m and EBITDA of approximately \$5.4m for the 12 month period to 30 June 2020, upfront consideration of \$27.0m represents a valuation of 5 times historical FY20 EBITDA.

Capital Raising

Institutional Placement

Over the Wire has funded the acquisition by raising \$20.0m through a placement of 5 million shares to institutional and sophisticated investors at \$4.00 per share (representing a 3.4% discount to the 10 day VWAP) ("Placement"). Morgans Corporate Limited and E. L. & C. Baillieu Limited were Joint Lead Managers to the Placement, which was heavily oversubscribed.

Share Purchase Plan (SPP)

Over the Wire is delighted to offer eligible shareholders in Australia and New Zealand the opportunity to participate in a Share Purchase Plan at the same price of \$4.00 per share ("SPP"). The SPP will be capped at \$5.0m with a maximum allotment of shares to the value of \$30,000 per shareholder. The SPP will open on 9 October 2020 and close on 26 October 2020. Details of the SPP will be sent to all eligible shareholders who are on the Over the Wire share register as at close of business on 1 October 2020.

Commenting on the announcement, Managing Director Michael Omeros said, "Digital Sense is a high quality cloud business that delivers customisable and scalable cloud solutions to Enterprise and Government customers. We are very excited to welcome such a talented and specialised team to the Over the Wire group. The cloud solutions industry is expected to benefit from tailwinds based on digital transformation, with Digital Sense well positioned to capitalise on the industry's strong growth outlook."

This document was authorised for release by the Over the Wire Holdings Limited Board.

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About Over the Wire Holdings Limited

Over the Wire Holdings Limited (ASX: OTW) is an ASX listed telecommunications, cloud and IT solutions provider that has a national network with points of presence in all major Australian capital cities and Auckland, NZ. The company offers an integrated suite of products and services to business customers including Data Networks and Internet, Voice, Data Centre co-location, Cloud and Managed Services.

Over the Wire Holdings Limited companies include Over the Wire, NetSIP, Faktortel, Sanity Technology, Telarus, VPN Solutions, Access Digital Networks, Comlinx, Zintel Communications and Fonebox.