WebCentral founders walk out rich
Kate Mackenzie
The Australian
JULY 27, 2004

FOUR years after the tech stock crash, 38-year-old Lloyd Ernst and his friends, Joe Altoff and Byron Newton have become dotcom multimillionaires.

Unlike many who struck it rich in the internet, most of their $19.6 million is in cash, so it's not likely to disappear in a hurry.

The three, all in their late 30s, agreed to sell their remaining 50.6 per cent in web host WebCentral to FTR Holdings, which owns the balance of the company, in a deal that values WebCentral at $38.7 million.

FTR Holdings is also the investment vehicle of another successful tech trio, albeit a far wealthier and more Sydney-centric one.

Malcolm Turnbull (now the Liberal candidate for the Sydney seat of Wentworth), Trevor Kennedy and Sean Howard co-founded one of Australia's first commercial internet service providers, OzEmail, which they sold to MCI/WorldCom in 1999 for $540 million.

In a fitting end to a dream run, FTR Holdings will propose a name change to WebCentral at its annual general meeting in October.

Mr Ernst, who will walk away with $7.2 million in cash, stepped aside yesterday as chief executive, but he, Mr Altoff and Mr Newton (the CIO and non-executive director, respectively) will continue working at WebCentral during the transition and will provide consultancy services beyond that.

Mr Ernst said he was confident the business would be well-run by FTR and his own successor, chief operating officer Andrew Spicer.

"This is something we've been aiming for since we started the business.

"It's one of the reasons we put in place people" such as Mr Spicer, commercial executive vice-president; Nicola Seaton, general counsel; and Andrew Kent, CTO. "We wanted to avoid creating a vacuum."

WebCentral sprang up in 1996 as a side business for what was then PowerUp, a successful Brisbane internet service provider, which Mr Ernst, Mr Altoff and Mr Byron started after meeting through their respective bulletin boards in the 1980s.

PowerUp was eventually sold to the MCI-owned OzEmail, by which time WebCentral had been spun off and had established a strong presence in web hosting after being the first Australian company to host Microsoft Frontpage extensions and offer a web-based site management interface.

In 2000, FTR acquired 49.4 per cent in WebCentral for $11 million. It now has 200 staff and claims about 20 per cent of Australian websites, from SOHOs to financial institutions.
All three co-founders continued working there in their different areas of expertise – Mr Ernst, who had previously worked for Apple and Microsoft, had the business smarts, Mr Altoff was the internet networking brain and Mr Byron was the finance/systems whiz.

The proceeds of the sale will be split almost evenly, although Mr Ernst will receive 40 per cent.

Mr Spicer said high-end hosting and expanding the range of hosted applications were the growth areas.

Mr Ernst, hasn't ruled out another venture. "The cash is nice, but we wind up with something like 10 per cent of FTR when we exercise those options. We're still players," he said.

Beyond that, he said, "I haven't given a lot of thought to what's happening in the next six months".

This report appears on australianIT.com.au.