

ASX: CCG

ASX Release 25 February 2021

**CommsChoice Announces Solid Financial Results for 1H FY21
despite challenging trading conditions**

Comms Group Limited (ASX:CCG) ("Comms Group") has today released its financial results for the half year ended 31 December 2020 (**1H FY21**).

Key Highlights

- Underlying¹ EBITDA for the first half of \$1.2m. A strong result in light of the impact of Covid-19 on operating conditions in the first half.
- Total revenue and other income of \$9.1m with some reduction in revenue due to Covid-19 related impacts, with some delays to customer decision making and reductions in some volume-based services.
- Underlying operating cashflows of \$0.7m before payments for prior year expenses of \$0.3m (considered outside of normal working capital movements) and before business acquisition and integration and restructuring expenses of \$0.4m.
- Continued solid gross margin level of 49.5% through good margin management and purchasing controls.
- Continued strong level of operating cost control in 1H FY21. Opex of \$3.3m which was a \$0.2m increase on pcp due predominantly to increased sales and marketing resources and expenditure.
- Recently completed the successful acquisition of Next Telecom Pty Ltd, an award-winning, industry-leading, Australian business telecommunications Service Provider. Completion occurred on 29 Jan 2021. The acquisition is transformational for the Group with a significant increase in scale and product offerings of Comms Group.
- The Company recently completed a \$6.5m capital raising, partially to fund the acquisition of Next Telecom.
- Strong balance sheet in place with cash at bank at 31 Dec 2021 of \$5.4m, zero debt and \$1m in undrawn debt/lease facilities.

1. **Underlying EBITDA** excludes net interest, tax, non-cash share LTIP costs, depreciation, amortisation and business, integration & restructuring costs.

Results Summary

A\$M	1H FY21	1F FY20
Total Revenue & Other Income	9.1	9.7
Gross Profit	4.5	4.6
<i>Gross Margin</i>	49.5%	47.4%
EBITDA	0.8	1.5
NPAT	0.2	1.5
Underlying EBITDA ¹	1.2	1.5

Commenting on the 1st Half FY21 results, CEO and Managing Director Mr Peter McGrath said “1st half FY21 has been a challenging period for Comms Group and the whole market however we are pleased with the strong financial result we have achieved with a solid underlying EBITDA of \$1.2m”.

Key Business Highlights

Financial

- Next Telecom produced pleasing half year results (unaudited) which showed revenue of \$7.7m and underlying EBITDA of \$0.8m. Next Telecom will be consolidated from 1 Feb 2021.
- The business was able to maintain the improved cost base during the last 6 months both at the COGs and the Opex levels. Additional resources were added to sales and we ramped up our marketing activities.

Customers & Sales

- We saw some strong sales wins in the 1st half in the wholesale area as well as winning some key Unified Comms deals for MNCs across Asia. There was also a healthy level of renewals of contracts with existing customers. We did lose some customers during the period due to Covid-19 and restructuring related issues.
- The business has experienced increased momentum from November 2021 onwards with our sales pipeline at healthy levels with both wholesale/partners & corporate direct prospects.

Corporate & Strategic

- Comms Group Ltd became the new name for the Group from Nov 2020.
- The Company trades under the CommsChoice and Next Telecom brands domestically as well as Comms Group internationally.
- The Company continues to enhance its global Microsoft Teams calling (Direct Routing) network. We expanded into Hong Kong and more recently India, Indonesia and South Africa.

Outlook

- We expect to see some steady growth in the 2nd half of the financial year and are hopeful of closing some sizeable Unified Comms and wholesale deals.
- FY21 EBITDA guidance to meet or exceed \$3m which includes 5 mths trading from Next Telecom.
- Comms Group, including Next Telecom, will have annualised revenue of \$30m+ and annualised pro-forma EBITDA of \$4m+, with synergies.
- The Company is also working on the assessment of a number of M&A opportunities and intends to grow via strategic growth if appropriate M&A opportunities arise.

Results Briefing

Comms Group is pleased to invite shareholders and interested investors to a results briefing where management will provide an overview of the 1H FY21 results for the period ending 31 December 2020.

The webinar will be hosted via Microsoft Teams at 11.00am (AEDT) on 25 February 2021.

Please see details below:

<https://bit.ly/3qT7qqe> (for Teams Video Webinar)

or call: [+61 2 8318 0009](tel:+61283180009) Conference ID: 302 597 9#

Authorised for release by the Board of CommsChoice Group Limited.

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Corporate & Media Enquiries:

Peter McGrath, CEO and Managing Director
Phone: +61 2 9137 1175

About Comms Group:

Comms Group provides global cloud communications for business. The company services SME and corporate customers in Australia, Asia and internationally using its cloud based global business phone platform and its global Microsoft Teams calling/Direct routing telephony calling offering combined with innovative SD-WAN technology and fibre and NBN access products.