

FY21 Half Year
Results Presentation

25 February 2021

Comms Group Limited (ASX: CCG)

This document has been approved by the Board of Directors

Highlights

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1H FY21 Results

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- Underlying* EBITDA of \$1.2m which compares with pcp of \$1.5m. A strong result in light of the impact of Covid-19 on operating conditions in the first half.
- Total revenue of \$9.1m which was \$0.6m lower than pcp due predominantly to the impacts related to Covid-19 with new business activity slowed by delays in customer decision making. Assisted by some one-off revenue from customers.
- 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.
- C Strong balance sheet with cash at bank of \$5.4m at 31 Dec 2020.

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

Key Business Highlights

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Financial

- Strong result with Underlying EBITDA of \$1.2m 1st half
- Next Telecom half year results (unaudited) tracking well, revenue of \$7.7m and underlying EBITDA of \$0.8m.
- Negligible levels of Bad and Doubtful debts. Churn levels have been at normal levels. Did lose some customers their due to Covid-19 & restructuring related issues.
- Undertook a \$6.5m equity capital raising in late 2020.

Customers & Sales

- Challenging conditions 1st half, many businesses deferred decision making
- Saw some strong sales wins in 1st half in wholesale area & around six MNCs taking unified comms services internationally
- Seeing increased business momentum from Nov 21 onwards.
- Sales pipeline at healthy level with wholesale/partners & corporate direct.

Corporate & Strategic

- Comms Group Ltd became the new name for the Group from Nov 2020
- Completed successful acquisition of Next Telecom Pty Ltd Jan 2021, being consolidated from 1 Feb 2021 onwards
- The Company trades under the CommsChoice and Next Telecom brands domestically as well as Comms Group internationally.
- Continuing to execute on growth and M&A strategy.

Next Telecom Overview Business consolidated from 1 Feb 2021

- C) The acquisition of Next Telecom Pty Ltd was completed on 29 January 2021.
- Very pleased with the trading performance of Next Telecom year to date. Next Telecom half year results (unaudited) are tracking positively with revenue of \$7.7m and underlying / pro-forma EBITDA of \$0.8m.
- Next Telecom has the following key attributes:
 - A telecommunications service provider, established in 2008, servicing the medium sized corporate business markets in Australia with offices in Sydney;
 - The business offers national broadband network (NBN) products, corporate fibre, cloud IP telephony, managed IT services, security offerings and other telecommunication services;
 - High quality management and team with significant industry experience including key sales and operations executives staying on board to run Next Telecom.
 - FY21 (30 June) forecast revenue of \$15.5m and pro-forma annualised EBITDA of \$1.5m+
- The acquisition is transformational for the Group with a significant increase in scale and product offerings of Comms Group. Post acquisition, Comms Group will have revenue of \$30m+ and annualised pro-forma EBITDA of \$4m+, with synergies
- C Large portion of acquisition consideration issued to Next Telecom vendors in Comms Group scrip
- C Significant opportunity to lead consolidation within the domestic market and grow a regional footprint

Financials

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Financial Performance 1H FY21

| \$M | 1H FY21 | 1H FY20 |
|--|---------|---------|
| Revenue | 9.1 | 9.7 |
| - Service Fees | 8.4 | 9.2 |
| - One off / install fees / other | 0.7 | 0.5 |
| Cost of Sales | (4.6) | (5.1) |
| Gross Profit | 4.5 | 4.6 |
| Gross Margin | 49.5% | 47.4% |
| Opex | (3.3) | (3.1) |
| Underlying EBITDA | 1.2 | 1.5 |
| Business acquisition & integration costs | (0.4) | - |
| Share based payments | (0.1) | (0.1) |
| EBITDA | 8.0 | 1.5 |
| Finance expenses | - | (0.1) |
| Depreciation & amortisation | (0.4) | (0.4) |
| РВТ | 0.4 | 1.0 |
| income tax (Expense) / Benefit | (0.2) | 0.5 |
| NPAT | 0.2 | 1.5 |

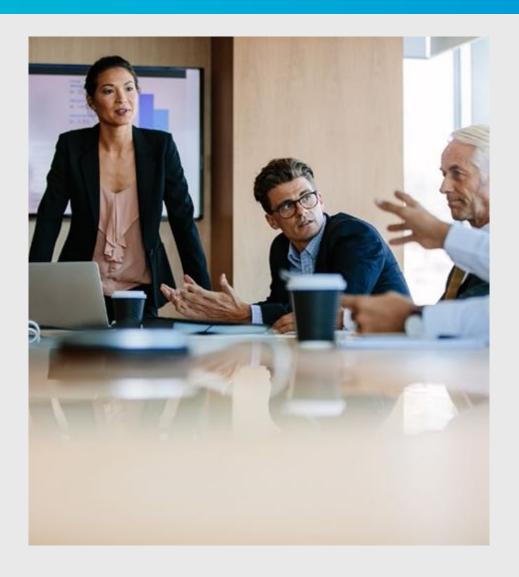
Operating Expenses exclude restructuring and business acquisition / integration costs and share based payments.

- Revenue declines from Covid-19 impacts predominantly. Also, no large customer network rollouts c.f. previous years.
- Strong supplier costs management (COGS) with healthy gross margins.
- Opex cost increases in sales and marketing areas, offset by significant cost savings for the full period from renegotiated and new IT supply contracts.

Balance Sheet

| \$M | 31-Dec-20 | 30-Jun-20 |
|---|-----------|-----------|
| Cash | 5.4 | 2.4 |
| Working Capital (current assets less current liabilities) | 4.8 | 0.9 |
| Non Current Assets | 14.8 | 15.1 |
| Non Current Liabilities | 1.7 | 2.0 |
| Net Assets | 17.8 | 9.4 |

- Strong balance sheet, debt free
- Cash of \$5.4m at 31 Dec 2020.
- Cash of \$6.2m at 31 Jan 2021.
- \$1m in undrawn lease & WC facilities
- Carried forward tax losses of \$2.5m



Cash Flow

| \$M_ | H1 FY21 | H2 FY20 |
|---|---------|---------|
| Underlying operating cashflows | 0.4 | 1.5 |
| Less: other operating payments | - | (0.1) |
| Less: payment of restructuring costs | (0.2) | (1.0) |
| Less: payment of business acquistion and integration expenses | (0.2) | - |
| Net cash from operating activities | 0.0 | 0.4 |
| Plus: net proceeds from capital raisings | 3.5 | 1.8 |
| Less: other financing activities | (0.2) | (0.4) |
| Less: other investing activities | (0.3) | (0.3) |
| Net cash inflows | 3.0 | 1.5 |
| Opening cash | 2.4 | 0.4 |
| Closing cash | 5.4 | 1.9 |

- Positive cashflow from operations of \$0.4m excluding restructuring, acquisition and integration costs.
- Underlying operating cashflows of \$0.7m before payments for prior year expenses of \$0.3m.
- \$3.5m capital raising (Dec 2020) via placement



Comms Group Capital Structure

| Capital Structure | |
|---|---------|
| Total Shares on Issue (22 Feb 2021) | 340.5m |
| Share Price (22 Feb 2021) | 0.084c |
| Market Capitalization | \$28.6m |
| Cash at Bank (31 Jan 2021) | \$6.2m |
| Enterprise Value | \$22.4m |
| | |
| Performance Rights (exercisable from 12.5c to 30c) | ~ 23.5m |



Business Update

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Our expanding global network



- C Comms Group is a leader in Microsoft Teams calling for global businesses.
- C Extensive international network with the most extensive Asia Pacific coverage.
- C Recently completed expansions into China, Japan, Philippines and HK.
- C The first and only provider of Microsoft Teams calling in **China**.
- Continuing to expand into under served markets - currently expanding into India, Indonesia and South Africa.
- C Recently achieved Microsoft Gold Partner status for Communications



CommsChoice Core UCaaS Enhancements Last 6 Months

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In addition to our leading global Teams calling offering supporting Multi-National Corporates (MNCs), the business has added a number of key products to its key Unified Communications offering.

- Contact Centre for Microsoft Teams Native contact centre for Microsoft Teams.

 Intuitive and powerful web administration.
- 2. Calls Recording for Microsoft Teams Native cloud-based Call Recording for Microsoft Teams PCI Compliant.
- 3. Call Analytics for Microsoft Teams Measure Call Sentiment through
 CommsChoice Insights, Al-driven Speech
 Analytics license, which measures
 conversation pace, volume, pitch, and
 tonality.

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Group Strategic Positioning

- Comms Group is positioning itself for sustained growth via 3 key strategies:
 - Corporate Mid Market Sector expansion targeting businesses with 50 to 1,000+ seats via additional products & services and via key acquisitions to add capabilities and build scale. Key product and service areas the group is keen to add include: IT services, security, cloud services and other corporate ICT services.
 - C Expansion into Asia/ROW building strong momentum in this space today via our leading UCaaS position with Microsoft Teams calling, focused on key alliances/partners, Singapore presence and support in Philippines. Potential to expand into other key continents over time (USA, Europe, Africa, South America)
 - C Niche strategies inc. potential expansion into other parts of Australia and adding key product and systems capabilities via key acquisitions and enhancing Comms Group's capabilities
- Comms Group has strong capabilities with systems and products providing key capabilities to the combined group. Currently working on enhancing this to provide advanced on-line ordering, services management and support as well as automation of key processes.

4 Pillar Growth Strategy

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C Comms Group has a longer-term roadmap to grow to scale through the following 4 growth pillars:

Domestic Growth

- SME
- Corporate
- Niche markets (inc. regional)

Cloud business phone,
MS Teams calling,
SD-WAN offerings, fibre
& NBN access
services

Wholesale Partners

- Contact centre
- IT Providers
- Global & Regional Telcos

SIP services, CTS and cloud business phone & MS Teams calling.

Contact centre enablement

Overseas Growth

- Corporate MNC
- Asia Pacific focus

Global PBX, MS Teams calling & SD-WAN offerings to multi-site global customers

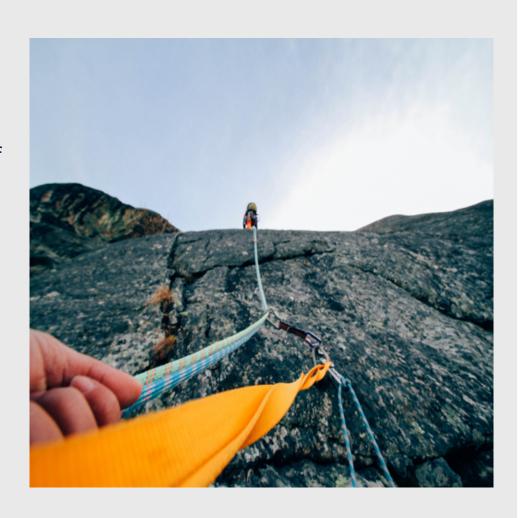
Strategic Acquisitions

- SME
- Corporate

SME and/or
Corporate service
providers,
data & Managed
IT competencies

Outlook

- The Company is pleased with the results achieved so far this year in light of the wider Covid-19 induced challenges arising in the marketplace
- We expect to see some steady growth into 2nd half of financial year and are hopeful of closing some sizeable UCaaS 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 proforma EBITDA of \$4m+, with synergies.
 - We expect to also continue to grow via strategic acquisitions as appropriate M&A opportunities arise.



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The material in this presentation is a summary of Comms Group Ltd's (CCG) activities and results, and is current at the date of preparation, 25 Feb 2021. Further details are provided in the Company's full and half year accounts and results announcements released to the ASX.

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