



Global Cloud Communications

# FY21 Half Year Results Presentation

25 February 2021

Comms Group Limited  
(ASX: CCG)

This document has been approved by the Board of Directors

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# Highlights

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- Underlying\* EBITDA of \$1.2m which compares with pcg 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 pcg 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.
- 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

## Financial

- Strong result with Underlying EBITDA of \$1.2m 1<sup>st</sup> 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

- 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
- Large portion of acquisition consideration issued to Next Telecom vendors in Comms Group scrip
- Significant opportunity to lead consolidation within the domestic market and grow a regional footprint

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# Financials

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# Financial Performance 1H FY21

\$M	1H FY21	1H FY20
<b>Revenue</b>	<b>9.1</b>	<b>9.7</b>
- Service Fees	8.4	9.2
- One off / install fees / other	0.7	0.5
Cost of Sales	(4.6)	(5.1)
<b>Gross Profit</b>	<b>4.5</b>	<b>4.6</b>
Gross Margin	49.5%	47.4%
Opex	(3.3)	(3.1)
<b>Underlying EBITDA</b>	<b>1.2</b>	<b>1.5</b>
Business acquisition & integration costs	(0.4)	-
Share based payments	(0.1)	(0.1)
<b>EBITDA</b>	<b>0.8</b>	<b>1.5</b>
Finance expenses	-	(0.1)
Depreciation & amortisation	(0.4)	(0.4)
<b>PBT</b>	<b>0.4</b>	<b>1.0</b>
Income tax (Expense) / Benefit	(0.2)	0.5
<b>NPAT</b>	<b>0.2</b>	<b>1.5</b>

\* 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
<b>Net Assets</b>	<b>17.8</b>	<b>9.4</b>

- 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
<b>Underlying operating cashflows</b>	<b>0.4</b>	<b>1.5</b>
Less: other operating payments	-	(0.1)
Less: payment of restructuring costs	(0.2)	(1.0)
Less: payment of business acquisition and integration expenses	(0.2)	-
<b>Net cash from operating activities</b>	<b>0.0</b>	<b>0.4</b>
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)
<b>Net cash inflows</b>	<b>3.0</b>	<b>1.5</b>
Opening cash	2.4	0.4
<b>Closing cash</b>	<b>5.4</b>	<b>1.9</b>

- 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
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Share Price (22 Feb 2021)	0.084c
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Market Capitalization	\$28.6m
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Cash at Bank (31 Jan 2021)	\$6.2m
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Enterprise Value	\$22.4m
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<i>Performance Rights (exercisable from 12.5c to 30c)</i>	<i>~ 23.5m</i>
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# Business Update

# Our expanding global network

## commschoice worldwide network



- Comms Group is a leader in Microsoft Teams calling for global businesses.
- Extensive international network with the most extensive Asia Pacific coverage.
- Recently completed expansions into **China, Japan, Philippines** and **HK**.
- 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**.
- Recently achieved Microsoft Gold Partner status for Communications

Microsoft  
Partner

Gold Communications



# CommsChoice Core UCaaS Enhancements

## Last 6 Months



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.

1. **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, AI-driven Speech Analytics license, which measures conversation pace, volume, pitch, and tonality.

# Strategy and Outlook

- ❶ Comms Group is positioning itself for sustained growth via 3 key strategies:
  - ❶ **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.
  - ❶ **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)
  - ❶ **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
- ❶ 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

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

- 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 pro-forma 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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