

ASX RELEASE

10 August 2021

**COMMS GROUP FINALISES FURTHER ACQUISITION
AND ANNOUNCES FY21 TRADING IN LINE WITH GUIDANCE**

Comms Group Limited (ASX:CCG) ("Comms Group") is pleased to announce the acquisition of **Switched On Australia ("Switched On")** and provides a trading update of unaudited FY21 financial results in line with previous guidance. The key highlights are:

- Comms Group has finalised the acquisition of Switched On Australia which will add nearly \$3m in annual revenue and ~\$1m in annual EBITDA.
- Run-rate¹ (annualised) EBITDA for the Group is now expected to be circa \$5m with further guidance to be provided with the full year results due out on 26 August 2021.
- Comms Group unaudited FY21 revenue is \$25.2m (up 30% on FY20) and underlying EBITDA ~\$3m (up 20% on FY20), which is in line with guidance and only includes 5 months trading from Next Telecom and 3 months trading from Binary Networks.

ACQUISITION & STRATEGIC RATIONALE

Comms Group has acquired the assets, customers and brands of Switched On Australia, a Melbourne based telecommunication service provider focused on the SME market. Switched On's services include voice & data solutions, mobile services, business phone system installation and maintenance and managed IT support services.

- The acquisition further strengthens our position in the Melbourne market and bolsters our sales capability in this region.
- All Switched On staff to continue as employees of Comms Group post completion. The founder of Switched On has entered an employment agreement with Comms Group for one year post completion.
- The acquisition of Switched On adds over 900 customers and two additional sales staff to Comms Group, which will drive organic growth and increase cross-selling opportunities.
- The acquisition is both EBITDA and EPS accretive.

Comms Group CEO and Managing Director, Peter McGrath, said: "We are excited to welcome Switched On to the Comms Group business. The acquisition brings a strong SME customer base along with additional sales capability in our Melbourne office. We also welcome the founder of Switched On, Leigh Schwarm to the Group."

FINANCE CONSIDERATION & FUNDING

The assets and working capital of Switched On have been acquired for a total purchase price of \$4.3m comprising:

- Upfront cash consideration of \$3.65m (subject to adjustment for working capital), fully funded from existing cash reserves; and

¹ Run-rate (annualised) – refers to full 12-month revenue or EBITDA contribution from existing business and acquisitions

- Deferred consideration of up to \$0.65m to be paid 12 months following completion, subject to an adjustment based on revenue achieved over the next 12 months.

The acquisition multiple is approximately 4x pro-forma FY21 EBITDA including synergies and is EBITDA accretive for Comms Group.

Completion is expected prior to the end of August 2021 with integration expected to be completed in FY22.

At 30 June 2021, Comms Group had cash at bank of \$5.5m and no debt. Post settlement, the Group will have approximately \$2.0m cash in bank and access to an undrawn overdraft facility of \$0.4m that should be sufficient to meet ongoing working capital requirements for the Group.

OUTLOOK

With a full year contribution from acquisitions including Switched On, run-rate (annualised) EBITDA is now expected to be circa \$5m.

The Company expects to provide further financial guidance for FY22 when the full year results are released on 26 August 2021.

Comms Group will continue to target strategic acquisitions as appropriate M&A opportunities arise.

Henslow acted as Corporate Advisor for the acquisition.

Authorised for release by the Board of Comms Group Limited.

ENDS

FOR MORE INFORMATION

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ABOUT COMMS GROUP

Comms Group provides cloud communications, data and value-added services for business. The company is delivering on its three key strategic growth pillars of International (16 points of presence globally covering 100+ countries); Domestic - through the CommsChoice & Next Telecom brands; and Wholesale and Partner services.

International Services (branded Comms Group): the group uses its cloud based global business phone platform and its global Microsoft Teams Direct Routing telephony calling platform covering 100+ countries, for corporate customers in multiple regions, delivered on one bill.

Domestic SME Business (branded Next Telecom & CommsChoice) – domestically: the group delivers a vast array of comms services for businesses including, Fibre, NBN, IP voice, inbound/toll-free, wrapped into an award-winning state-of-the-art service layer.

Wholesale and Partner Services (branded Comms Group) – both domestic & international: offering all our retail technologies and key wholesale services and leveraging our international network, to key wholesale and partner customers