

CIRRUS

# Cirrus Networks Holdings Ltd

Next Generation National Managed Services Provider

Investor Presentation  
H1 FY23 Update

PERTH | CANBERRA | MELBOURNE



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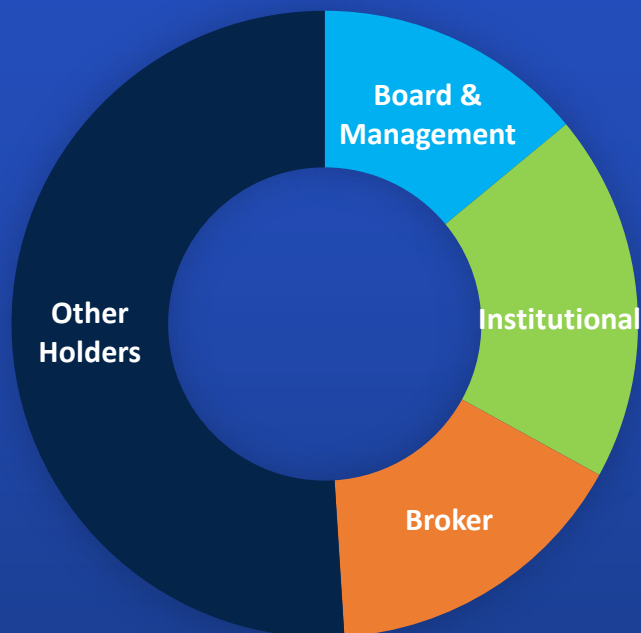
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## Top Shareholders



## Capital Structure and Finance

**Debt Free**

CASH AT 31 DEC 2022

**\$9.5M**

DEFERRED TAX ASSET

**\$4.6M**SHARE PRICE **3.4c**

MARKET CAP \$31.6M

## BOARD OF DIRECTORS

**Paul Everingham** (Non-Executive Chairman)  
**Chris McLaughlin** (CEO and Managing Director)  
**Daniel Rohr** (Non-Executive Director)  
**Adam Waterworth** (Non-Executive Director)


## MANAGEMENT

**Chris McLaughlin** (CEO and Managing Director)  
**Matt Green** (Chief Financial Officer)  
**Darren Grocott** (Chief Solutions Officer)  
**Matt Shelley** (Chief Technology Officer)  
**Helen Weightman** (GM – Integration Services)  
**Paul Crockford** (GM – Managed Services)

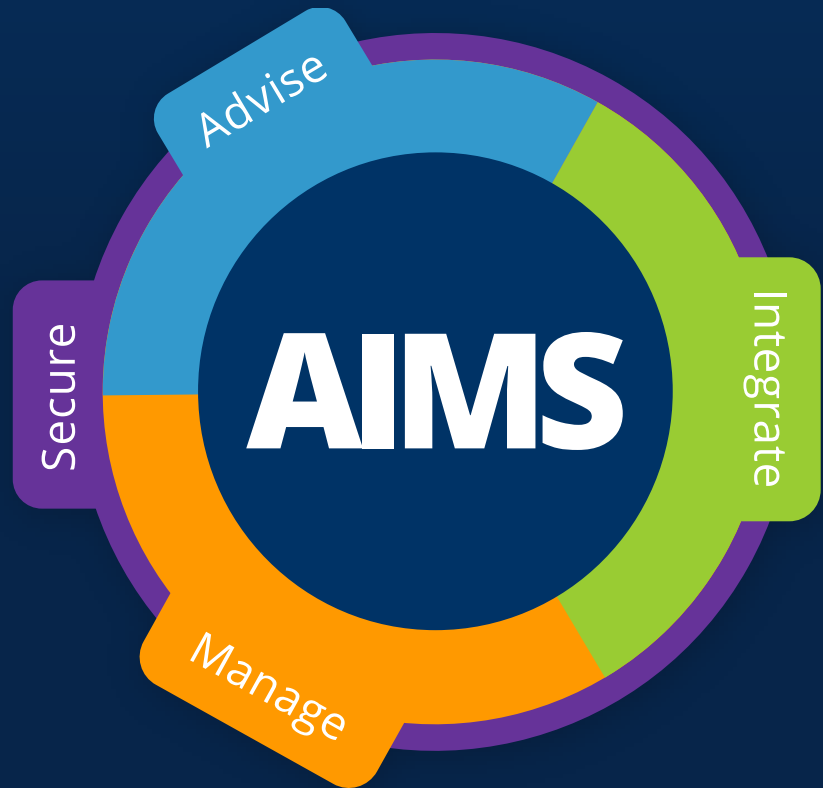
## BROKER RESEARCH COVERAGE

**Veritas**  
**Euroz Hartleys**

# 1H23 Financial Highlights

	1H23	CY22
Revenue	 <b>\$56.7M</b> UP 27%	 <b>\$116M</b> UP 20%
Gross Margin	 <b>\$8.2M</b> UP 30%	 <b>\$16M</b> UP 21%
EBITDA	 <b>\$2.2M</b> UP \$2.6M	 <b>\$4.7M</b> UP \$4.3M
NPBT	 <b>\$1.3M</b> UP \$3.5M	 <b>\$3.1M</b> UP \$5.5M

# Who we are



## Advisory Services



**Pushing the transformation envelope** - We engage our clients via a consultancy approach and push technology innovation specific for the industry type.

**Business Strategy**

**Business Process**

**Project Management**

## Integration Services



**Relentless market disruption** - Staying on top of the emerging technology trends helps us stay ahead of competitors that are too slow to adapt, embrace and seize the available market.

**Networks & Connectivity**

**Collaboration**

**Digital Transformation & Hybrid Cloud**

**Modern Workspace & Mobility**

**Apps, Data & IoT**

## Managed Services



**Annuity focus** - Providing longer term relationships, investment predictability and the opportunity for continuous service improvement.

**Security Services**



# Our Customers

## ACT



## Western Australia



## Victoria



# Our Partners

## Connectivity & Collaboration



## Analytics, Reporting & IoT



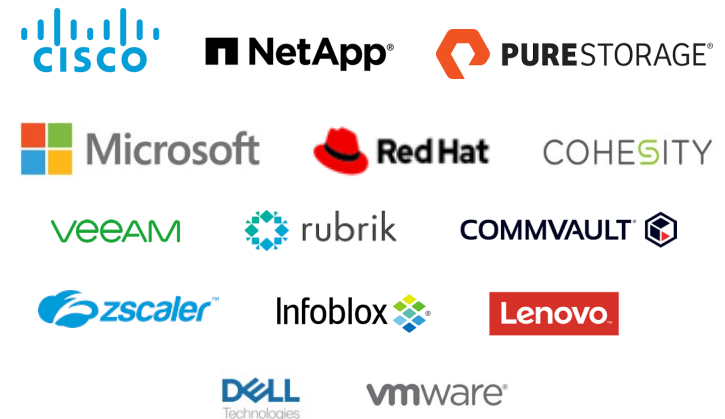
## Security



## Cloud



## Hybrid Cloud Centre



## National Technical Practices

100+ Trained Engineers

## Networks

Route, Switch, Wireless and Firewalls

## Collaboration

Telephony, Video, Meetings and Teams


## Cyber Security

Multi-domain information security

## Hybrid Cloud

Storage, Compute, Automation and Cloud

# Growth Journey to Date

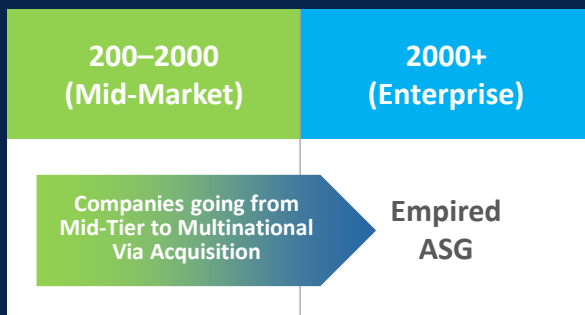
	2015	2016	2017	2018	2019	2020	2021	2022
2012 CIRRUS FOUNDED	Cirrus lists on ASX and relocates to a new corporate office including state of art National Operations Centre (NOC).	New Strategic Focus pushing into IT Services.	Cirrus achieves Cisco Gold status and wins CRN Leader Award.	Major Managed Services Wins - Peter Mac, Crown and UWA. Cirrus awarded Cisco Enterprise Networking Partner of the year. New Offices in Vic and ACT.	Last year of the 5 Year Strategic Plan, moving from Product to Services model.	New WA Office in CBD. COVID-19 Business Strategy implemented.	Major Managed Services Win - Geoscience Australia. Security Practice Growth and Business Restructure.	Major Managed Services Win – Icon Water and ENI. NetApp Star Partnership. National growing team. Enviably client base. Well positioned in mid-market.
Business 								
Acquisitions / Corporate Activity	Cirrus Acquires L7 in WA.	Cirrus Acquires VTS in ACT.	Cirrus Acquires NGAGE in Vic. Cirrus Acquires Correct Comms in ACT.				Cirrus restructure and turnaround launched.	Cirrus turnaround delivered with consecutive record halves.





# Company Positioning

Cirrus is a market leader in  
Mid-Market Managed Services

- ✓ Strong Competency
- ? Not key element for the market segment



CLIENT SEGMENT	 0–200 (Small/SME)	 200–2000 (Mid-Market)	 2000+ (Enterprise)
AGILITY	✓	✓	?
AUSTRALIAN SOVEREIGNTY	✓	✓	?
VALUE	✓	✓	✓
CAPABILITY	?	✓	✓
SUSTAINABILITY	?	✓	✓
Competitive Advantage in the client segment	Small Niche Startup	Cirrus Networks	Multinationals

# EBITDA Growth

## Turnaround delivering on strategic priorities

- Significant uplift in Earnings
- All income types were up on 1H22 revenue and margin
- Continues the momentum from 2H22
- Growth in contribution from Services
- **Delivered \$116m revenue and \$4.7m EBITDA for the 2022 calendar year**
- All geographies performing well and significantly outperforming 1H22.

Adjusted EBITDA Table Half Year Ended	31 Dec 2022 (\$)	31 Dec 2021 (\$)	31 Dec 2020 (\$)	31 Dec 2019 (\$)	31 Dec 2018 (\$)
NORMALISED EBITDA	2,268,438	(343,573)	1,225,288	926,738	758,815
Foreign exchange	(55,624)	(35,537)	(12,646)	(30,355)	(1,649)
<b>EBITDA (PRE-OPTIONS)</b>	<b>2,212,814</b>	<b>(379,110)</b>	<b>1,212,642</b>	<b>896,383</b>	<b>757,166</b>
JobKeeper incentive	-	-	1,634,800	-	-
One off corporate transaction fees	-	(608,053)	-	-	-
Redundancy and business restructure costs	(16,846)	(513,775)	(99,152)	(32,881)	(172,316)
Amortisation and Depreciation	(353,399)	(369,098)	(357,689)	(340,855)	(296,145)
Amortisation – Right-of-use asset	(328,888)	(388,518)	(371,769)	(345,097)	-
Net Interest	(17,252)	(35,595)	(611,137)	(280,832)	(2,250)
Share based options expense	(173,841)	83,473	(399,337)	(140,384)	(151,168)
<b>NET PROFIT / (LOSS) BEFORE TAX</b>	<b>1,322,588</b>	<b>(2,210,676)</b>	<b>1,008,358</b>	<b>(243,666)</b>	<b>135,287</b>

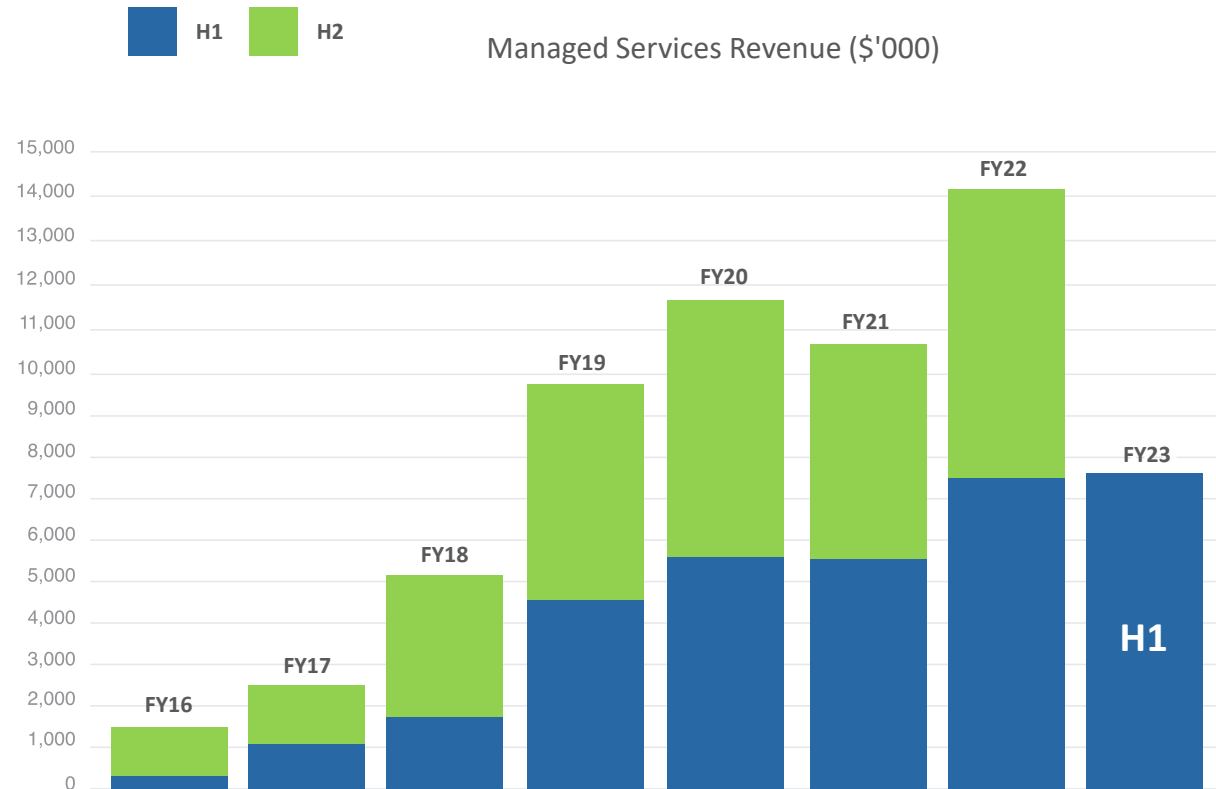
# Managed Services Focus

## Overview

- Multi-year higher margin reoccurring revenue contracts
- Cloud & DC, niche managed services, outsourcing and XaaS, Maintenance/Asset Management
- Australian based National Operations Centres with location-based support including Canberra state-of-art Secured NOC
- Average margin at circa 35%
- Provides a stream of complementary adhoc IT solution projects.

## H1 FY23

- Successful transition new ENI contract - Nov > full contribution for H2
- Implementation of Icon progressing well – MS expected to contribute from Q4
- Continues to grow with some good opportunities awaiting final decisions and strong pipeline across the country.



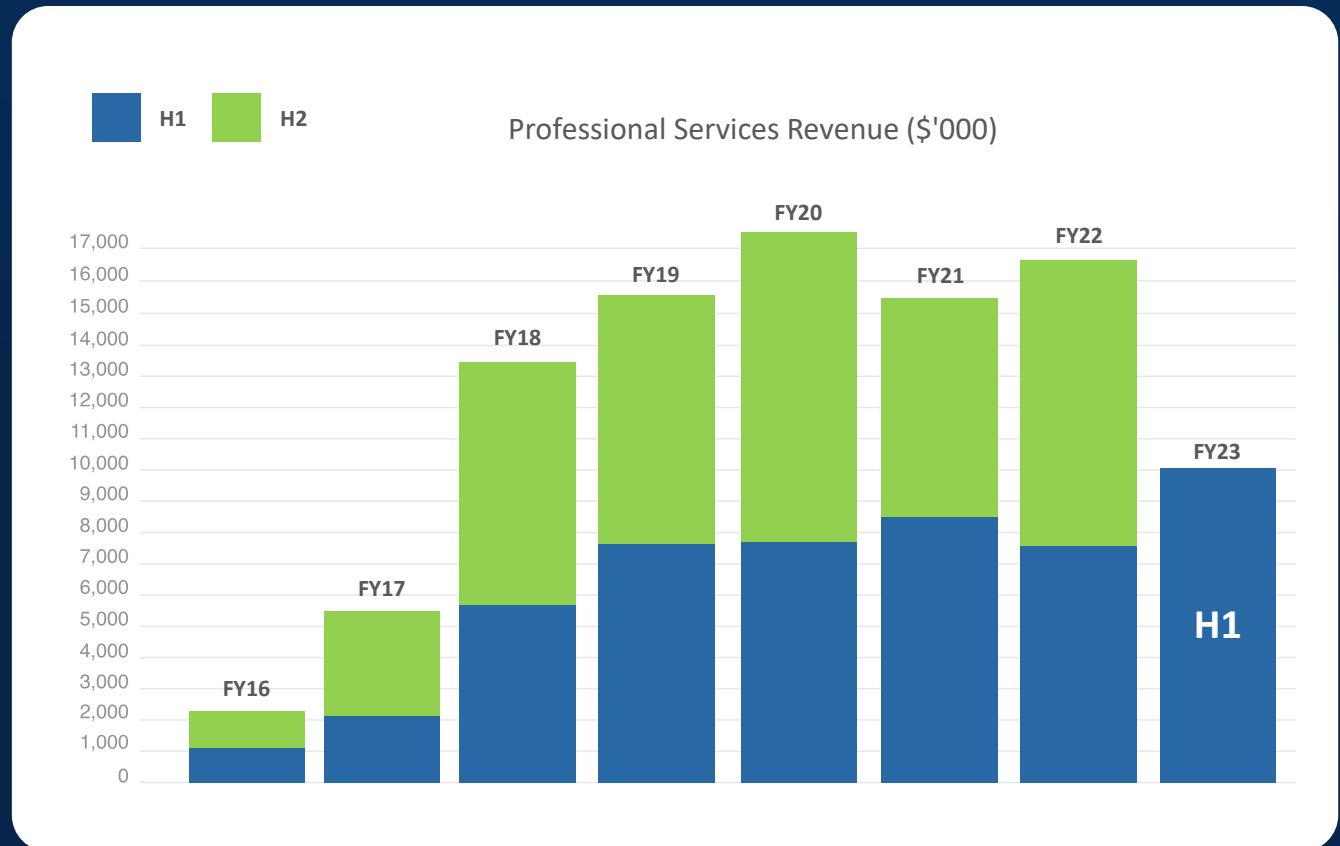
# Professional Services

## Overview

- IP Consulting, architecture, integration and support services
- Continued strategic focus
- Margins average 16% - 18%
  - > labour market headwinds easing
  - > Expect small incremental margin improvements
- Upside of fixed price contracts

## H1 FY23

- Trends of H2 FY22 continue
  - > Strong demand for labour resources
  - > Pandemic challenges continue in both access to and cost of labour
- Headwinds caused squeeze in margins – seeing marginal improvement through Q2
- Executing on H2 FY22 wins in Canberra with a solid pipeline of work
- WA continues to be strong with ongoing work with bluechip resource companies.



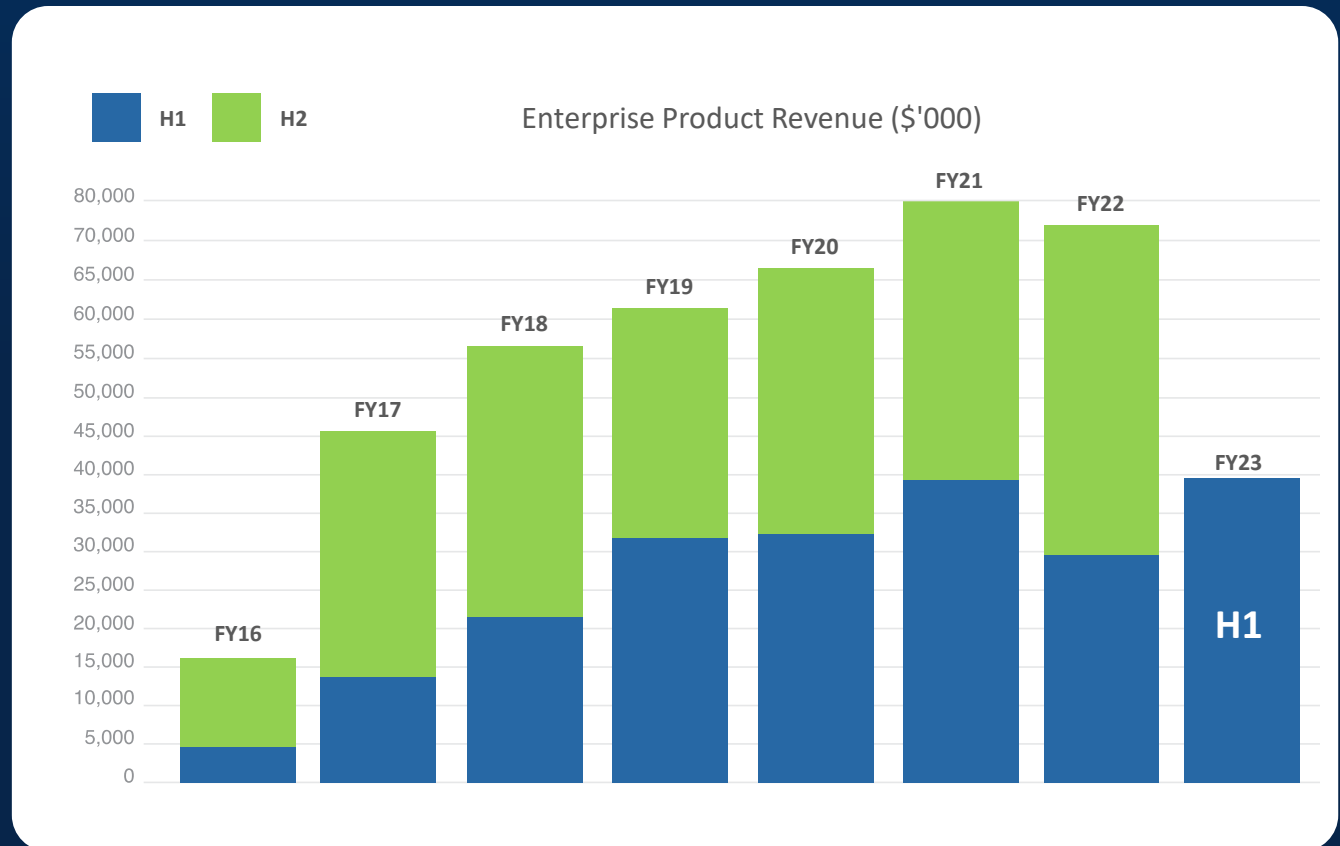
# Enterprise Product

## Overview

- Enterprise level product resale, both hardware and software
- Integral in full-service solutions-based IT provider
- Tier 1 vendors and technical knowledge support and integration
- Average margins 8% - 10%, lower margins as we move into larger enterprise deals
- Transitioning business to services growth with less underlying reliance on product margin

## H1 FY23

- High calibre national Enterprise Sales team continue to drive opportunities
- Strong demand yielded significant H1 product revenue growth and record 31 Dec Backlog going into H2
- Pandemic related supply chain challenges easing
- Margins continue to be under pressure in competitive commoditised space and shift to Enterprise
- Solutions focused to drive greater value in associated services rather than a “box drop”.

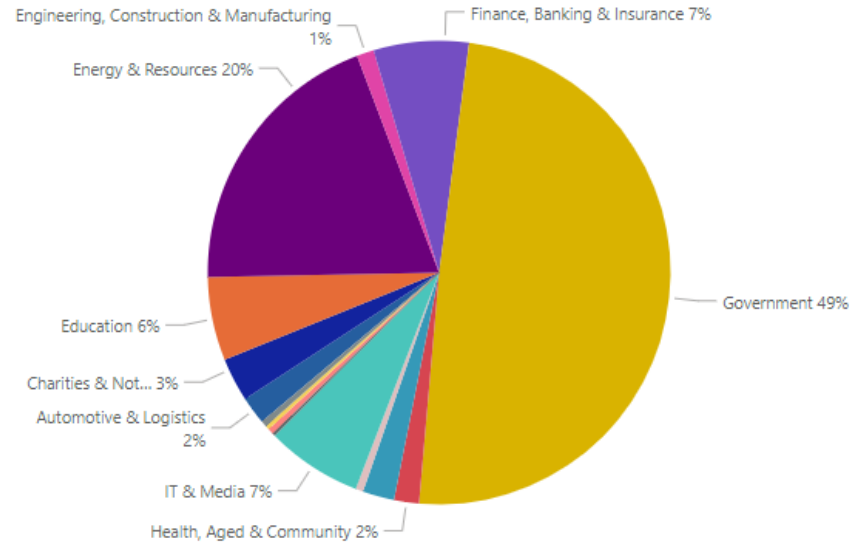


# H1 Industry Sectors and Clients

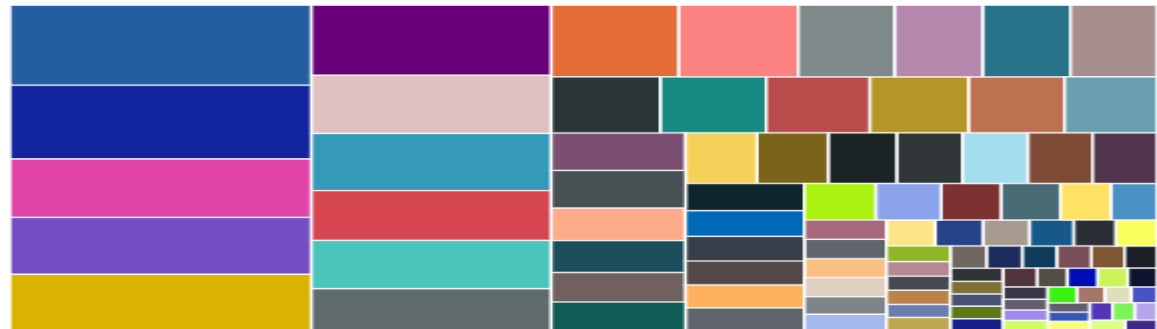
## Spread of clients across key sectors

- Cirrus continues its strong position in Government and Resources with significant growth opportunities
- We remain focused on growth Nationally across services
- Positioned for expansion in a number of large corporate and government clients.

### Revenue by Sector



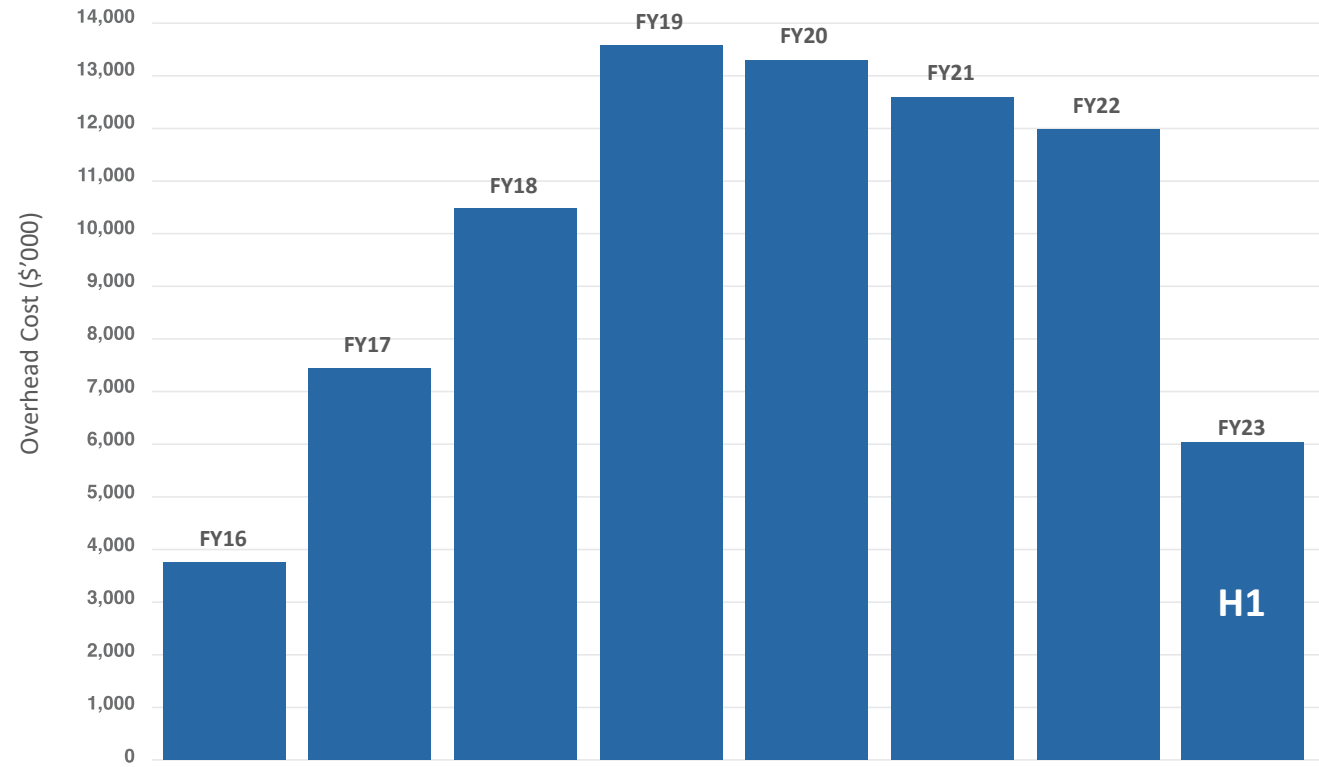
### Revenue by Customer



# Cost Management

**Significant business restructure benefits maintained**

- Continued disciplined focus on overhead spend
- Continued to yield benefit of CirrusWay business systems powered by Netsuite/OpenAir and Microsoft Power BI overlay
- Reviewed and automated processes to deliver improved efficiency and governance.



# Profit & Loss

Strong revenue, higher margin services contribution and cost reduction delivering record earnings

- Revenue increased 27% to \$56.7m
- Profit before tax \$1.3m v. 1H22 (\$2.2m) Loss – 1H22 restructuring costs of \$514k and hostile takeover defense costs of \$608k
- 1H23 EPS 0.099c
- Strong earnings and pipeline outlook for 2H23, seasonally stronger earnings half historically.

		HALF YEAR ENDED	
		31 Dec 2022 (\$)	31 Dec 2021 (\$)
Revenue		56,704,973	44,534,523
Cost of goods sold		(48,543,400)	(38,286,650)
Gross Margin		8,161,573	6,247,873
Overheads		(5,948,759)	(6,626,983)
EBITDA (PRE-OPTIONS)		2,212,814	(379,110)
One off corporate transaction fees		-	(608,053)
Redundancy and business restructure costs		(16,846)	(513,775)
Amortisation and depreciation		(353,399)	(369,098)
Amortisation – Right-of-use asset		(328,888)	(388,518)
Net interest		(17,252)	(35,595)
Share based payments expense		(173,841)	83,473
NET PROFIT / (LOSS) BEFORE TAX		1,322,588	(2,210,676)



# Balance Sheet

## Strong Debt-Free Balance Sheet maintained

- Strong Balance Sheet with no borrowings
- Net cash of \$9.5m as at 31 Dec - H1 Average daily cash balance \$9.4m v. \$7.3m for FY22
- The business generated H1 cash from operations of \$445k, consistent with seasonal cash generation
- Cash from Operations for calendar year 2022 was \$4m, representing an 85% cash conversion and has had a 95% EBITDA to cash conversion since 2019 - our outlook for cash generation 2H23 is strong, which should normalize cash conversion for FY23
- Efficient working capital model, net working capital improvement in line with trading outcomes – net working capital closing 31 Dec at \$6.5m against \$4.3m at 30 Jun2022 and \$2.6m at 31 Dec prior year performance
- DSO solid at 32.9
- Deferred Tax Asset of \$4.6m.

ASSETS	NOTE	As At	
		31 Dec 2022 (\$)	30 June 2022 (\$)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		9,496,743	9,580,888
Trade and other receivables		13,966,343	16,338,560
<b>TOTAL CURRENT ASSETS</b>		<b>23,463,086</b>	<b>25,919,448</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		593,850	629,853
Right-of-use assets		1,546,337	1,860,670
Intangible assets		7,608,932	7,775,509
Deferred tax asset		4,573,661	4,971,995
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14,322,780</b>	<b>15,238,027</b>
<b>TOTAL ASSETS</b>		<b>37,785,866</b>	<b>41,157,475</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		16,934,546	21,357,948
Provisions		1,150,713	914,360
Lease liabilities		676,821	642,311
<b>TOTAL CURRENT LIABILITIES</b>		<b>18,762,080</b>	<b>22,914,619</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		227,306	176,340
Lease liabilities		990,544	1,358,675
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,217,850</b>	<b>1,535,015</b>
<b>TOTAL LIABILITIES</b>		<b>19,979,930</b>	<b>24,449,634</b>
<b>TOTAL NET ASSETS</b>		<b>17,805,936</b>	<b>16,707,841</b>
<b>EQUITY</b>			
Issued capital	3.1	15,019,054	15,019,054
Reserves	3.1	394,701	220,860
Retained earnings		2,392,181	1,467,927
<b>TOTAL EQUITY</b>		<b>17,805,936</b>	<b>16,707,841</b>

# Strategic Priorities

## Key Priorities

### 1. Grow Managed Service Recurring Revenue

- Key-market focus 200–2000 seats
- Promote operational excellence and reference ability.

### 2. Expand transformation offerings for digital, data and cloud

- Advisory agile approach
- Use Microsoft Gold and other technology partners as a platform for growth.

### 3. Broaden Offerings for Cyber Security and Consulting Practice

- Leverage Defence Industry Security Program (DISP) certified Canberra secure NOC.

### 4. Accelerate Acquisition Plan

- Build out geographic diversity along with Managed Service and Security capability.

# Business Capabilities



# National Offices

1800 549 616

ACT



Equinox 4  
Level 1, 70 Kent St  
Deakin ACT 2600

VIC



Level 2  
5 Queens Rd  
Melbourne VIC 3004

WA



Level 28  
108 St Georges Terrace  
Perth WA 6000