

1st Half FY24 Results Presentation

21 February 2024



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Comms Group Limited

Introduction

Business Background

Comms Group Limited is a cloud-based communications and managed IT services provider for business.

Established in 2008 and listed on the Australian Stock Exchange (ASX:CCG) in 2017.

The Company is headquartered in Sydney, Australia.

Within Australia, we provide services to small & medium businesses, enterprise and government.

Internationally, we deliver wholesale voice & unified communications services to domestic and international telcos and IT service providers.

We service our customers via three key divisions



Telco service provider to Australian SME & corp. mid-market sectors (<1,000 employees) with the latest products and award winning customer service.

www.nexttelecom.com.au



Specialist UCaaS and CPaaS provider to Wholesale, Enterprise and Global MNCs (>1,000 employees) with global network reach.

www.commsgroup.global



Award-winning IT Managed Service Provider supporting corporate customers' ICT needs, focusing on innovation and developing long-term relationships.

www.onPlatinum.com.au

- Located across Sydney, Melbourne, Gold Coast, Singapore, Philippines, London



Our Global Network

Comms Group is a leader in Microsoft Teams calling for global businesses.

Our Goal is to be the leading provider in the Asia Pacific region for both CPaaS and UCaaS offerings.

We continue to expand our network reach into new countries with a number of licence applications in progress across the Asia Pacific region.

Expect to make further announcements on our global expansion in the next quarter.

Expansion also underway currently into South America, South Africa & the Middle East.

Currently rolling out new customer facing systems for both our CPaaS and UCaaS offerings with goal to automate and streamline many of the interactions with our key wholesale customers.

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Financial Highlights

Key Financial Highlights

Continued Revenue Growth With Solid Underlying Profit Growth Trends In All Business Units



H1 FY24
Revenue

**UP 4% ON PCP
TO \$27M**



H1 FY24
Gross Profit

**UP 5% ON PCP
TO \$12.8M**



H1 FY24
Underlying EBITDA¹

**UP 29% ON PCP
TO \$3M**



FY24 revenue
target

**\$53M
TO \$55M**



FY24 underlying
EBITDA target

**\$6.5M
TO \$7M**

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

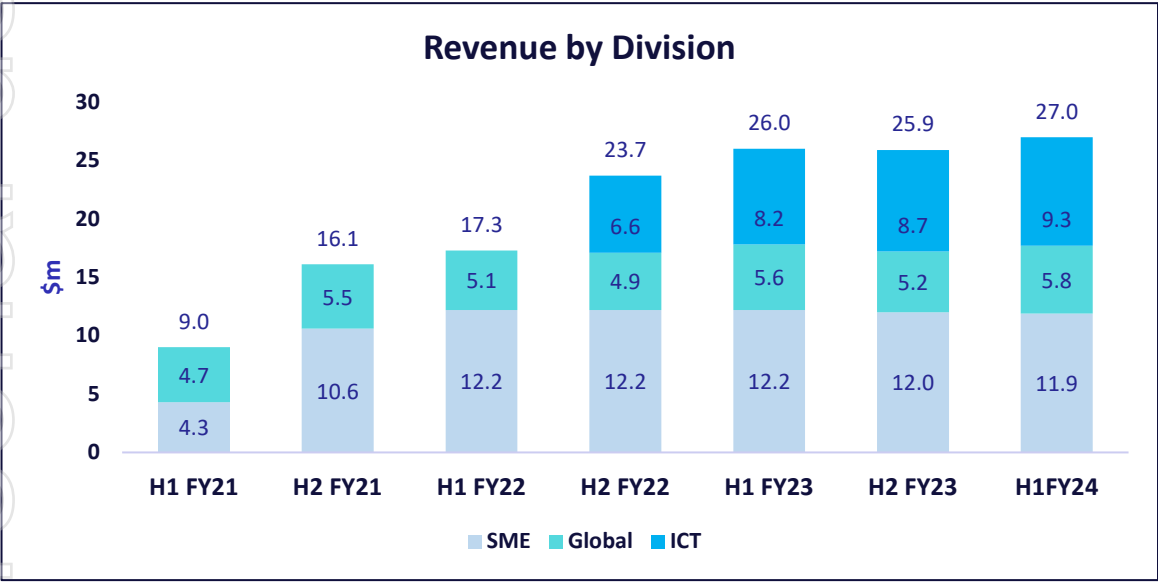
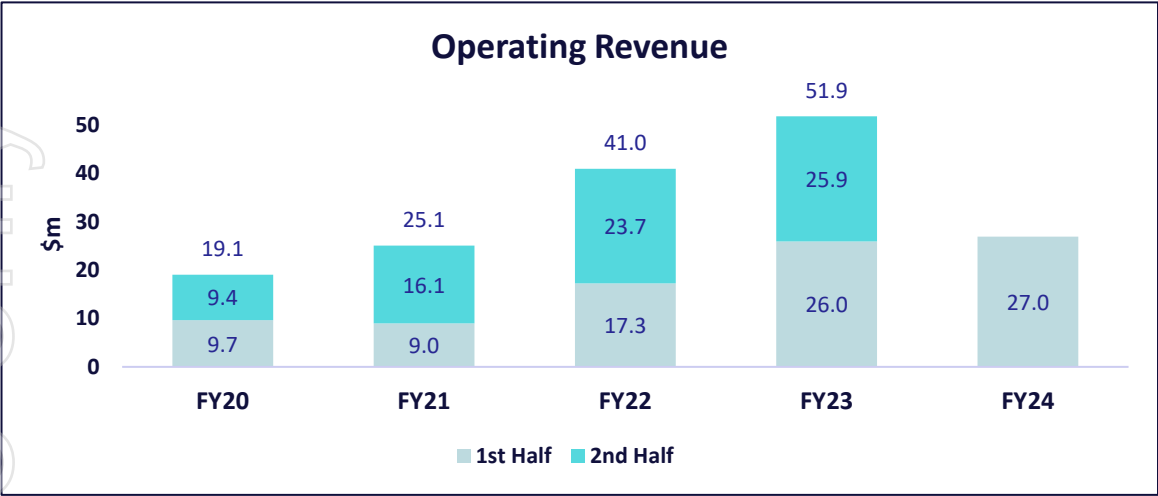
Financial Performance 1H FY24

- Annualised monthly operating revenues tracking above \$53m.
- Group gross margin increased to 48% c.f. pcp of 47%.
- Operating expenses held largely flat - a strong result considering cost increases in the marketplace particularly with wage cost increases.
- Expect to see overall increase in revenue in the 2H FY24.
- Gross profit margin and opex should be largely in line with 1H FY24 with expectation of EBITDA increase in the 2H FY24.

\$M	1H FY23	1H FY24
Operating Revenue	26.0	27.0
Cost of Sales	(13.8)	(14.2)
Gross Profit	12.2	12.8
Gross Margin (group)	47%	48%
Operating expenses	(9.9)	(9.8)
Underlying EBITDA	2.3	3.0

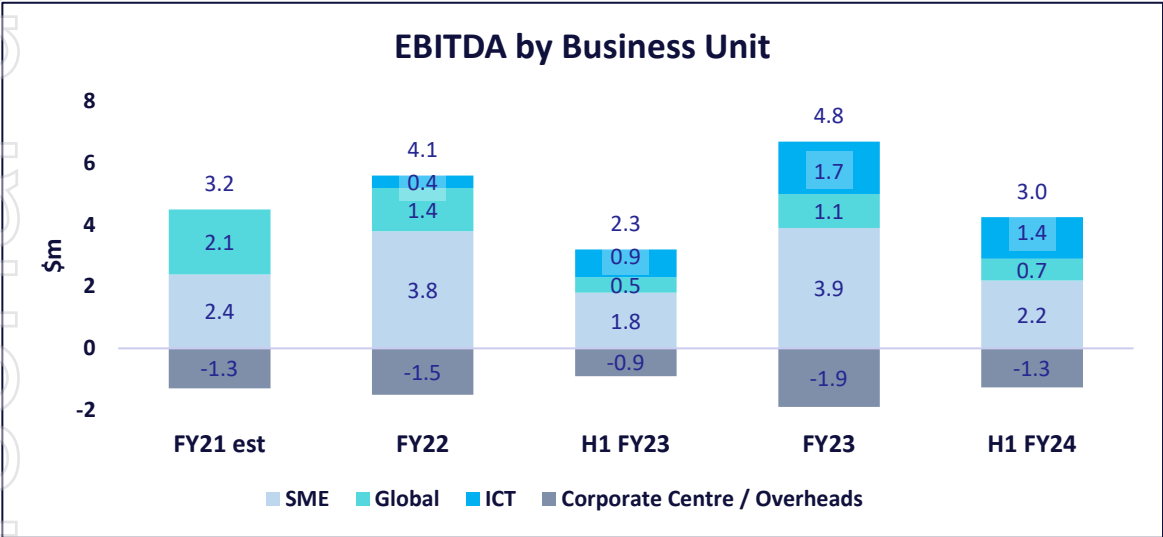
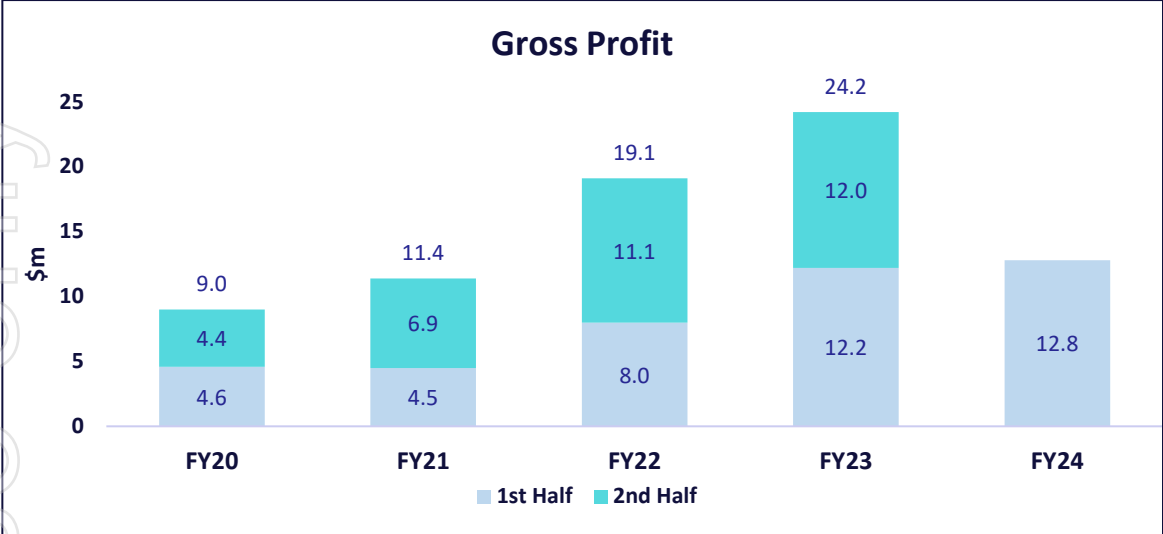
*Operating Expenses exclude restructuring, business acquisition, integration and other one-off costs and share based payments.

Financial Performance Over Time



- **Growth** in overall revenue in 1H FY24 and we expect to see further revenue growth in 2H FY24.
- **ICT** continued growth trajectory with strong performance in the latest half. We expect further growth to revenues in the 2H FY24.
- **Global** has recorded strong growth and reversed previously declining revenues. **Global** also has experienced significant growth in intercompany sales to our other divisions (not shown). We expect to see further growth in revenue in the 2H FY24 for **Global** with forthcoming new customer contracts.
- **SME** revenues were generally flat/slight decline as we refocus the division to higher ARPU services in mid-market sector. Recent success in winning new corporate and govt contracts with pipelines growing. **SME** is gradually exiting low-margin low ARPU products in Micro-SME sector, resulting in some churn.
- **SME** gross margins have increased from 35% 1H FY22 to 41% 1H FY23 to 44% 1H FY24. We expect revenue growth in SME in the 2H FY24 as a result of the new sales contract success YTD.

Financial Performance Over Time (cont)



- **Continued increase** in overall gross profit in 1H FY24
- **All businesses** are showing **an increasing trend** in monthly EBITDA.
- **Expect to see an increase in gross profit and EBITDA in the 2nd half:**
 - Annualised EBITDA in **ICT** is expected to move to circa \$3m in 2H FY24
 - Annualised EBITDA in **SME** is expected to move to circa \$5m in 2H FY24
 - Annualised EBITDA in **Global** expected to increase into 2H FY24 and FY25 as some larger enterprise UC services contracts are expected to be won.

Cash Flow

\$M	1H FY23	1H FY24
Underlying operating cashflows	1.5	3.4
Less: payment of business acquisition, restructuring, integration & other one-off expenses	0.5	1.1
Less: net Interest paid	0.4	0.4
Less: income tax paid	-	0.2
Net cash from operations	0.6	1.7
Plus: proceeds from bank borrowings	1.3	-
Less: term loan repayments	0.3	0.5
Less: rent (lease) payments	0.6	0.6
Less: net investing activities	2.1	0.1
Net cash inflows	(1.1)	0.5
Opening cash	2.9	1.9
Closing cash	1.8	2.4



Underlying cashflow from operations \$3.4m.



Increased one-off payments in relation to strategic review and higher legal costs for overseas business establishment



Term loan repayments of \$0.5m includes \$0.25m per quarter, bringing term loan balance to \$8.1m.

Balance Sheet

Balance sheet continues to strengthen. Net assets increasing to \$31.3m.

Cash at bank \$2.4m at 31 Dec 2023. Undrawn overdraft \$0.7m.

Total Intangibles including Goodwill \$42.9m with significant margin between assessed and book values.

CBA term loan reduced to \$8.1m at 31 Dec 2023. Covenant testing indicates significant margin to minimum requirements.

Carried forward tax losses of \$1.3m with a tax benefit of \$0.3m



\$M	30 June 2023	31 Dec 2023
Cash	1.9	2.4
Working Capital (current assets less current liabilities)	(0.3)	(0.1)
Non-Current Assets	48.1	46.7
Non-Current Liabilities	16.5	15.3
Net Assets	31.2	31.3

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Business Highlights

1H FY24

Business Highlights 1H FY24

Positive New Sales Level Continues

- Continued to see excellent levels of new sales contracts signed into FY24.
- Total of \$4.0m ARR¹ of new sales contracts closed in 1H FY24
- All three business units have a healthy sales pipeline of quality sales deals.

Continued strong supply cost management

- Majority of synergy projects in the SME & ICT businesses have been delivered over the last 2 years.
- We continue to optimise some supplier costs in our SME business resulting in cost savings.

Excellent momentum with Vodafone partnership

- Vodafone relationship continues positive trajectory with many key sales deals in the pipeline.
- We expect to close some good sales deals via this partnership over the next 6 months.
- Expectation of expanding the relationship with Vodafone to provide coverage for additional countries over time.

Margins and Cost Inputs

- Overall gross margin increased in the 1H FY24 c.f. previous corresponding period (pcp).
- We have managed to keep overall opex flat in 1H FY24 c.f. previous corresponding period.

Business Unit Performance

- As outlined, all businesses are seeing a good level of new sales and upward trend in monthly EBITDA.
- Expect continued trending up of business unit EBITDA based on sales contracts signed and expected future sales contract closings.

¹ ARR is annual recurring revenue from new sales contracts and excludes upfront or one-off sales / revenue from new sales contracts.

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Strategy & Outlook

Strategic Review Update

As announced to the ASX on 21 June 2023, a strategic review is currently underway to consider all options available to the Board including a potential sale of one or more of Comms Group's businesses in order to maximise shareholder value.

Discussions are underway with a range of parties in relation to the potential sale of our ICT and SME Telco businesses with the goal of focusing our resources on the Global business where we believe there are significant growth opportunities.

There is no certainty that any transaction will be finalised. The market will be updated at the time and in the interim as appropriate.



2024: Comms Group Future Dividend Policy

The Directors of Comms Group are pleased to advise that they have resolved to adopt a dividend policy from the end of FY24.

The dividend policy from FY24 onwards is to pay a target payout ratio of 30% to 40% of sustainable profits. Noting that payment of dividends will continue to be at the discretion of the Board and subject to liquidity.

Future payment of dividends will be dependent on factors including funds required for strategic growth, an acquisition or an investment opportunity that may arise and the requirement for working capital.

To the extent Comms Group sells a key division or business unit, the Company would look to return funds to shareholders via a capital return / dividend or via a share buyback.



Group Outlook



FY24 revenue target

\$53m
to \$55m



We expect growth across all 3 business units in the Group in FY24



FY24 Underlying EBITDA target

\$6.5m
to \$7m



Strategic Review Underway which may change the composition of the Group.



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www.commsgroup.limited

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Global Cloud Communications

Glossary

Term	Definition
Cloud Communications	The provision of key communications services from cloud servers based in data centres and over high speed internet connections.
Cloud PBX, Cloud Phone, Hosted PABX	A cloud PBX functions the same as an in office PABX but is hosted in a cloud server accessed via the internet. This is becoming the preferred option for providers and customers today. Comms Group operates a global Cloud Phone network.
Corporate mid-market	For Comms Group, this is larger organisations with typically 500+ employees and monthly spend (MRR) of typically > \$5,000.
CPaaS	Communications Platform as a Service is a cloud-based platform that enables developers to add real-time communications features to their own applications without needing to build backend infrastructure and interfaces. Comms Group provides call termination (SIP Trunks), telephone numbers and management across multiple geographies.
CTS	Call Termination Services – provision of a service by wholesale service providers to terminate voice calls in different markets or countries and on to different networks such as mobile and fixed voice networks.
Data Service	A broadband service that delivers voice, video and data over a private network or the Internet. NBN and fibre optic services are the most common forms of data services in the SME and corporate mid-market. Comms Group operates a domestic Layer 2 (data) and Layer 3 (internet) network with key Points of Presence (PoPs) in Sydney, Melbourne & Brisbane and aggregates a range of layer 2 wholesale access services.
Enterprise	For Comms Group, this is organisations with typically > 1,000 employees and operating multi-nationally as an MNC.
Fibre (optic)	Use of fibre optic networks to carry digital signals (data) via light transmission at very high speeds, transforming the telco and cloud services market globally.
ICT	Information Communication Technology is an umbrella term that covers the wide range of IT services and Communications services provided to businesses.
MNC	Multi-national corporate whereby the corporation has offices, facilities and assets in multiple countries.
MRR	Monthly recurring revenue is the monthly recurring annuity style revenue received from customers.
NBN	Australia's national broadband network, which is a wholesale open access data network, replacing older copper and cable broadband with optic fibre networks, high speed switches and other technologies.
PABX	A typically in-house telephone switching system that interconnects telephone extensions to each other as well as the outside telephone network known as the public switched telephone network (PSTN).
SD-WAN	A software-defined wide-area network (SD-WAN) uses software-defined network technology, such as communicating over the Internet with encryption between an organisation's locations. Allow companies to build higher-performance WANs using lower-cost and commercially available Internet access. SD-WAN is replacing traditional data networks such as MPLS.
SIP	Session Initiation Protocol – being the standard IP telephony signalling protocol used to manage voice calls over the internet.
SME	For Comms Group, this is small to medium enterprise businesses typically up to 500 employees.
Unified Communications (UCaaS)	A communications delivery model based on the cloud, providing key communications services including telephony (voice), video, messaging, chat, collaboration, document storage supporting teamwork, agility, mobility and work from anywhere. Comms Group is a leading provider of MS Teams calling with a global network and offering.

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