

ASX RELEASE

25 August 2022

COMMS GROUP ANNOUNCES FINANCIAL RESULTS FOR FY22 AND POSITIONS FOR FURTHER GROWTH

Comms Group Limited (ASX:CCG) (“Comms Group”) has today released its financial results for the financial year ended 30 June 2022 (**FY22**).

Key Highlights

- Total revenue of \$41.3m, 64% up on FY21.
- Full year underlying EBITDA¹ of \$4.1m, 28% up on FY21. This is in line with guidance and includes 10 months trading from Switched On and 5 months trading from onPlatinum.
- Group Gross Margin continues to improve to 47%, up from 45% for FY21.
- The Group finalised two key acquisitions during the year including Switched On and onPlatinum, increasing the Group’s critical mass in the domestic SME and Corporate customer segments, expanding coverage into Queensland, building a stronger base in the Melbourne market and importantly adding new product and service capability to the Group in the managed IT services area.
- Run-rate (annualised) revenue including full year revenue from acquisitions completed during the year is now in excess of \$50m.
- FY23 underlying EBITDA is anticipated to be \$6m+.

Results Summary

A\$M	FY22	FY21
Total Revenue	41.3	25.2
Gross Profit	19.1	11.4
Gross Margin	47%	45%
Underlying EBITDA ¹	4.1	3.2
EBITDA	2.1	1.9
NPAT	(0.7)	0.6

Commenting on the FY22 results, CEO and Managing Director Mr Peter McGrath said “FY22 has seen another year of revenue and profit growth for Comms Group. We continue to extract significant synergies from our acquisitions to further improve our margins. A large focus during the year has been expanding our capabilities within the Global division that should lead to significant organic growth for the Group over the coming years.

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

Revenue was up 64% to \$41.3m and underlying EBITDA increased 28% to \$4.1m. The two acquisitions completed during the year have increased our presence in all three eastern Australian states and provided the Group with a significantly increased capability in the managed IT services market providing key IT services for corporate mid-market customers. Acquisitions completed in the prior year including Next Telecom and Binary Networks have traded within budget and expectation and provided significant financial benefit to the Group through the synergies extracted to date.” said Mr McGrath.

Key Business Highlights

Financial

- Total FY22 operating revenue of \$41.0m includes SME \$24.4m, Global \$10.0m and ICT \$6.6m. SME revenues have been bolstered by the inclusion of a full year of prior year acquisitions (Next Telecom and Binary Networks) and 10 months of revenue from Switched On. ICT revenues represent those from onPlatinum since being acquired in February 2022.
- Continued focus on supply cost management plus significant efforts to extract synergies from acquired businesses resulted in an improvement in the Group Gross Margin from 45% to 47%.
- Underlying EBITDA grew from \$3.2m in FY21 to \$4.1m in FY22 and included \$0.65m in start-up costs related to the key Vodafone Business contract win.
- The Group had cash at bank of \$2.9m at 30 June 2022 with an undrawn overdraft facility of \$0.7m.
- To assist the acquisition of onPlatinum, Comms Group established a Term Loan facility in February 2022 of \$10m with the CBA, along with an increase to existing working capital facilities (overdraft & credit and procurement card facilities). The term loan was drawn to \$8.1m as at 30 June 2022 (and a further \$1m was drawn in July 2022 relating to the tranche 2 payment for the onPlatinum acquisition).

Progress with Synergies

- We are extremely pleased with the progress made in the Group delivering synergies largely to plan. The business finished FY22 with key synergy projects completed in Q4, delivering \$0.8m in annualised cost savings from recent acquisitions including Next Telecom and Binary.
- Further potential synergies have been identified across the Group which could provide up to \$1m in annual cost savings, realisable over the next 12 months.

Customers, Sales and Geographical Reach

- In March 2022, we signed a significant global supply agreement to provide key unified communications and related telecommunications services to leading international telco provider Vodafone Business – the business division of the Vodafone Group PLC. Our Global business unit has undertaken significant work since contract award to be ready for expected launch Q1 FY23. A positive partnership is emerging with some good deals underway.
- New sales contracts signed in FY22 were significant and the strongest level in the Company’s history. Over \$650k MRR (monthly recurring revenue) of new sales contracts were signed in the year with good results across the Group.
- Following the acquisition of onPlatinum and the expansion underway in Comms Group Global, the reach and coverage of the business has expanded. We now have operations in NSW, Queensland and Victoria nationally and in Singapore, Philippines and the UK internationally.

- In FY22, the Group invested in expanding the capacity and reach of its domestic and global networks. We upgraded & expanded capacity of our core Global voice network with 6 SuperPOP locations now in place – Sydney, Singapore, London, Frankfurt, US West & US East. We also expanded network capability and capacity in the key markets of the Philippines, Hong Kong, Vietnam & Thailand.
- Domestically we expanded the capacity of our data (Layer 2), internet (Layer 3, ISP) & cloud hosting platforms in FY22. We also moved a significant number of NBN and fibre services on to our own network, improving the reliability and manageability of the services and improving the margin for these services.

Corporate & Strategic

- In September 2021 we announced the establishment of three distinct business units of the Group being SME (branded Next Telecom), Global (branded Comms Group Global) and ICT (branded onPlatinum).
- Key growth opportunities include further growth in the SME and corporate mid-market sectors domestically through the acquisition of new customers and sales of new products to existing customers. Globally we expect to see growth in the UCaaS² and CPaaS³ areas.
- Our Global business plans to add a core UCaaS service ordering and management platform for customers, inc. MS Teams Operator Connect and other UCaaS products.
- The Group is also keen to pursue expansion opportunities in Brisbane, Sydney, Melbourne and Perth and is looking at further expansion opportunities in key IT and telco services areas targeting the corporate market.

Outlook

- Comms Group expects to see continued growth in revenue and profit in FY23.
- FY23 revenue is anticipated to be \$50m+
- FY23 underlying EBITDA is anticipated to be \$6m+.

Results Briefing

Comms Group Ltd (CCG) FY22 Full Year Results Webinar Thursday, 25 August 2022 commencing at 11:30am (AEST) - Peter McGrath, CEO and Matthew Beale, CFO presenting.

To register for the webinar, please follow this link:

<https://bit.ly/3SqAdAs>

Authorised for release by the Board of Comms Group Limited.

ENDS

² Unified communications as a service (UCaaS) is a 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.

³ Communications Platform as a Service (CPaaS) 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.

FOR MORE INFORMATION

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ABOUT COMMS GROUP

Comms Group provides a full range of IT and Communications services from the Cloud including IT managed services, cloud hosting, cloud communications and UcaaS services.

The company is delivering on its three key strategic growth pillars of International; Domestic - through the **Next Telecom** and **onPlatinum** brands; and Wholesale and Partner services.

Domestic SME/Corporate Services (branded Next Telecom and onPlatinum) – domestically: the group delivers a vast array of comms services for businesses including, data services (Fibre, NBN), IP voice, inbound/toll-free, wrapped into an award-winning state-of-the-art service layer as well as an extensive range of ICT services including managed IT services, cloud and security services.

International Services (branded Comms Group Global): the group uses its cloud based global business phone platform and its global Microsoft Teams telephony calling platform to provide fully managed key UCaaS services for corporate customers in multiple regions, delivered on one invoice. We cover 65 countries for full PSTN replacement and another 30+ countries via on premises solutions / carrier partners.

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