

FY23 Full Year Results Presentation

23 August 2023

COMMS GROUP LIMITED (ASX: CCG)
www.commsgroup.limited

This document has been approved by the Board of Comms Group Ltd



Agenda

Introduction to Comms Group	3
Financial Highlights FY23	8
Business Highlights FY23	14
Strategy & Outlook	16



Introduction to Comms Group

Business Background

Comms Group Limited is a “cloud” based communications and managed IT services provider to businesses.

Established in 2008 and listed on the Australian Stock Exchange (ASX:CCG) in 2017. The Company is headquartered in Sydney Australia.

We provide services to businesses, Enterprise and Government and wholesale services to domestic and international telcos and IT services companies.

We have 3 key divisions:



Global telco business, voice specialist & leading Microsoft Teams Calling provider in multiple countries.



Domestic Australian telco business, extensive product offering.



Domestic Australian IT managed services provider or MSP.

Comms Group at-a-glance

A leading B2B provider of cloud-based communications and managed IT services to businesses

We enhance business agility through innovative cloud-based communications and IT solutions

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

Note: Refer glossary for definitions.

- Located across Sydney, Melbourne, Gold Coast, Singapore, Philippines, UK
- Refer www.commsgrouplimited/managementteam for management team

Products and services

A full telco & ICT product suite and leading position as a global unified communications provider

 <p>next:telecom a commsgroup business</p> <p>Voice services</p> <ul style="list-style-type: none"> • Replace legacy ISDN/PABX lines • Move traditional "in-office" PABX to the cloud • Advanced cloud business phone/hosted PBX (domestic) • Global PBX for International offices • Inbound 13/1300/1800 services • 4G/5G Mobile & Mobile Broadband 	 <p>next:telecom a commsgroup business</p> <p>Data services</p> <ul style="list-style-type: none"> • High speed fibre-optic based data & internet services • NBN services inc. NBN Enterprise Ethernet • Own our own Layer 2 and Layer 3 (ISP) networks • SD WAN in key capital cities • Multi-carrier diversity services • Access to Cloud Services • Security (Firewall) services • SD-WAN/Firewall services inc. Velocloud (VMWare) and Fortinet specialisations 	 <p>onPlatinum a commsgroup business</p> <p>Managed IT services</p> <ul style="list-style-type: none"> • 24x7 IT Managed services (highly structured and productised offering) • Provision of ICT hardware • Security services inc. Fortinet specialisation • Cloud based services (Azure, VMWare) • Own our own Cloud IaaS Virtual Server cluster (VMWare) • Desktop as a service • Backup as a service • Managed telephony & data services 	 <p>commsgroup Global Cloud Communications Global</p> <p>Unified Comms Solutions (UCaaS)</p> <ul style="list-style-type: none"> • Industry leading Global Microsoft Teams calling (Direct Routing) • Range of value-added applications <ul style="list-style-type: none"> • Contact Centre • Call Recording • Call Analytics • SMS messaging with integration to MS Teams • Extensive Asia Pacific offering 	 <p>commsgroup Global Cloud Communications Global</p> <p>Wholesale/Global</p> <ul style="list-style-type: none"> • UCaaS & CPaaS services • Global MS Teams calling network • Global hosted PBX • SIP Trunks - various countries • Call Termination Services • Global DIDs/Telephone numbers provision • 24x7 Global NOC and support • Dedicated Account management
---	--	--	--	--

Comms Group Global - Network

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

Extensive international network with **in-depth** Asia Pacific coverage and carrier relationships.

Upgraded & expanded capacity of core Global voice network with 6 Super POP locations now in place – Sydney, Singapore, London, Frankfurt, US West & US East

Expanded network capability and capacity in key markets with licence applications in progress

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





Financial Highlights FY23

FY23 Key Results Summary

Continued revenue & EBITDA growth in FY23
with good underlying growth trends in all business units



FY23
Revenue

Up 27%
to \$51.9m



FY23
Underlying EBITDA¹

Up 17%
to \$4.8m



FY23
Gross Profit

Up 27%
to \$24.2m



FY24 revenue
target

\$53m
to \$55m



FY24 underlying
EBITDA target

\$6.5m
to \$7m

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

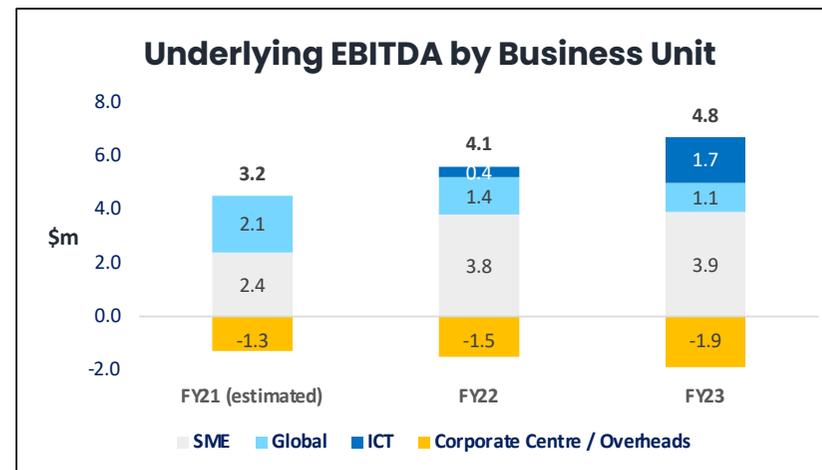
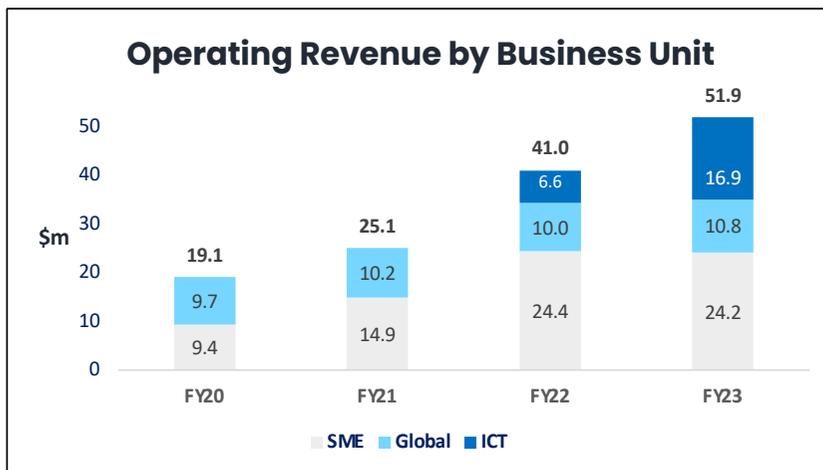
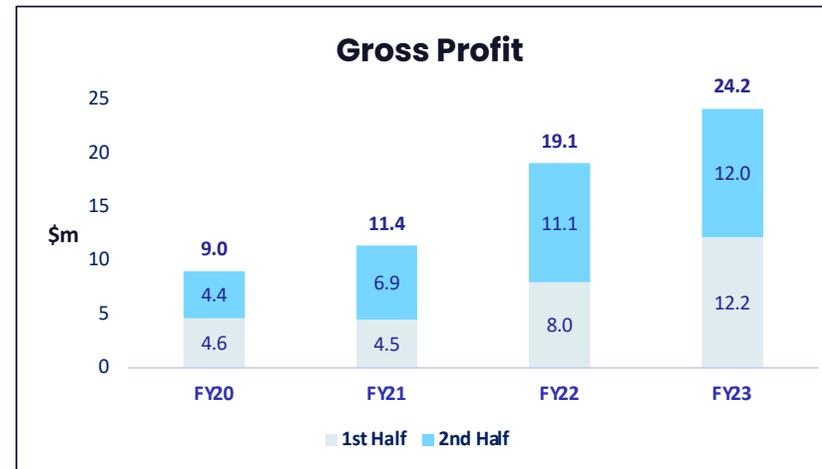
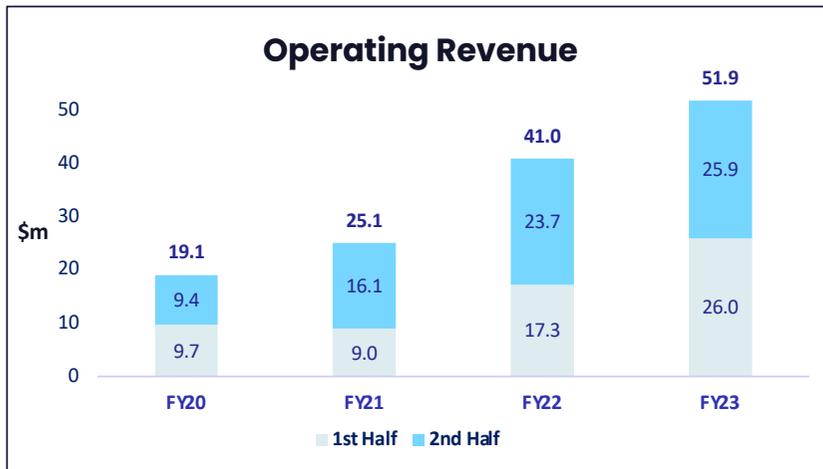
Financial Performance FY23

- Increase in operating revenues includes a full year's operations of prior year acquisitions including Switched On (Sep 21) and onPlatinum (Feb 22).
- Annualised monthly operating revenues continue to track above \$51m.
- Group gross margin remained stable at 47% with Group gross margins currently trending above this level.
- Increase in operating expenses to \$19.6m due to a full year inclusion of the above acquisitions.
- Whilst wage costs have come under pressure from overall industry trends, through restructuring and tight cost control and further synergy extraction, operating expenses were below the full year budget.

\$M	FY22	FY23
Operating Revenue	41.0	51.9
Cost of Sales	(21.9)	(27.7)
Gross Profit	19.1	24.2
Gross Margin (group)	47%	47%
Other income	0.1	0.2
Operating expenses	(15.1)	(19.6)
Underlying EBITDA	4.1	4.8

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

Financial Performance Over Time



Cash Flow

\$M	FY22	FY23
Underlying operating cashflows	3.4	4.6
Less: Payment of interest, tax, business acquisition, restructuring and integration expenses	(1.4)	(2.8)
Net cash from operations	2.0	1.8
Plus: net proceeds from bank borrowings	8.1	0.5
Less: rent (lease) payments	(0.8)	(1.1)
Less: net investing activities	(11.9)	(2.2)
Net cash inflows	(2.6)	(1.0)
Opening cash	5.5	2.9
Closing cash	2.9	1.9





Underlying cashflow from operations \$4.6m.



Net investing payments of \$2.2m include final payments of \$1.9m for acquisitions of Switched On and onPlatinum.



Net investing activities have been funded by term loan draw downs of \$1.3m and \$0.9m from cash on hand.

Balance Sheet

Balance sheet continues to strengthen, net assets increasing to \$31.2m.

Cash at bank \$1.9m at 30 June 2023. Undrawn overdraft \$0.7m.

Final payments for acquisitions of Switched On and onPlatinum of \$1.9m.

CBA term loan drawn to \$8.7m at 30 June 2023. Covenant testing indicates significant margin to minimum requirements.

Carried forward tax losses of \$1.3m with a tax benefit of \$0.4m



\$M	30 June 2022	30 June 2023
Cash	2.9	1.9
Working Capital (current assets less current liabilities)	1.0*	(0.3)
Non-Current Assets	51.6	48.1
Non-Current Liabilities	17.2	16.5
Net Assets	30.0	31.2

* FY22 working capital excludes \$5.4m deferred consideration for acquired businesses.



Business Highlights FY23

Business Highlights FY23

Strong New Sales Level Continues

- FY23 finished with strong new sales in the fourth quarter, mirroring the strong sales in the first three quarters.
 - Total of \$4.5m ARR¹ of new sales contracts closed in 1H23
 - Total of \$5.1m ARR of new sales contracts closed in 2H23
- Continuing to see some good sales prospects in the Global business including via the Vodafone partnership.

Cost Reductions & Synergies Delivered

- Restructure announced 4 April has been successfully implemented resulting in circa \$2m annualised cost savings.
- Majority of targeted synergies in the SME & ICT businesses have been delivered over the last 2 years with further synergies delivered in Q4-FY23.
- Cross sell opportunity of IT services to wider customer base emerging with some key opportunities live.

Significant Additional agreement with Vodafone

- In June 2023 we announced we had signed an additional supply agreement with Vodafone Business (the business division of Vodafone Group PLC) to expand the range of services provided.
- This is a significant further development for the Group with meaningful and recurring revenues now starting to flow from this contract and a min. monthly commitment for the new operator connect service.

Margins and Cost Inputs

- As previously advised, gross margins are continuing to hold up in the business at similar to recent historical levels.
- There has not been any major key supplier cost increases impacting the business.
- Staff salaries to increase into FY24 at manageable levels.

Business Unit Performance

- Run rate EBITDA¹ by year end FY23 by business unit:
 - SME Telco ~ \$4.9m annualised
 - ICT ~ \$2.5m annualised
 - Global ~ \$1.0m annualised

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

² Expected run-rate EBITDA excludes head office costs of circa \$2m.



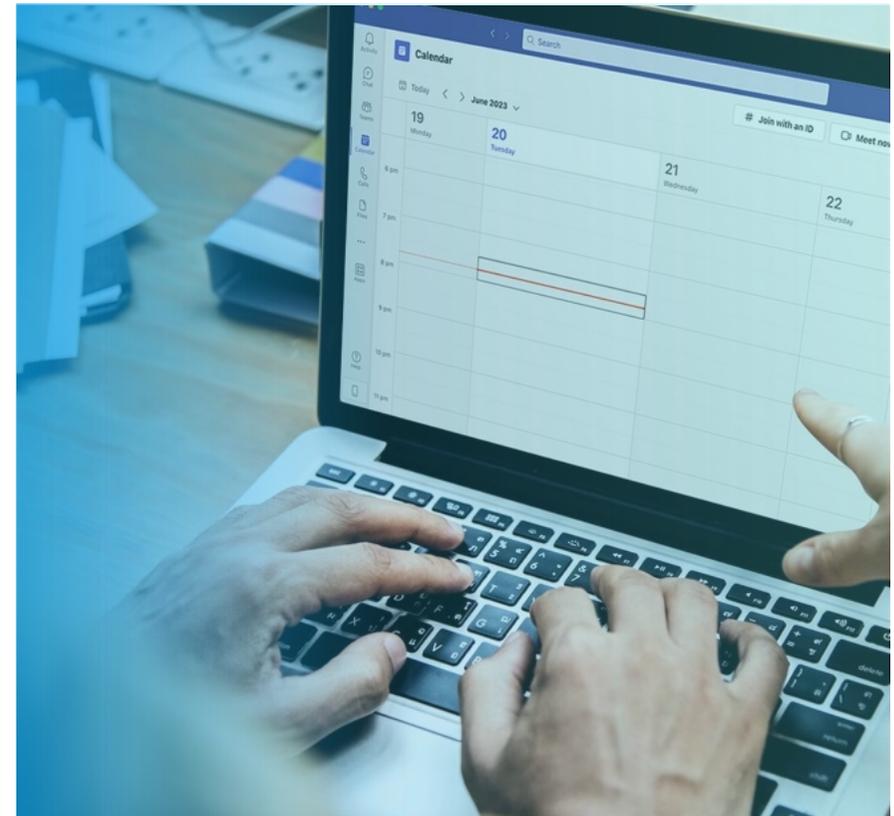
Strategy & Outlook

Strategic Review Update

The Board is of the view that the current market valuation does not reflect the strong profitability and market position of the SME Telco & ICT businesses or the inherent value and market position of the Global business.

As announced 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.

It is expected that the results of the strategic review will be clear within the next 3 months and the market will be updated at the time and in the interim as appropriate.



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.



Contact Us

Website: www.commsgroup.limited

Email: www.commsgroup.limited/feedback

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.

Disclaimer

The material in this presentation is a summary of Comms Group Ltd's (CCG) activities and results, and is current at the date of preparation, **23 August 2023**. Further details are provided in the Company's full and half year accounts and results announcements released to the ASX.

No representation, express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in the presentation ("forward-looking statements"). Such forward-looking statements are by their nature subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of CCG and its Directors) which may cause the actual results or performance of CCG to be materially different from any future results or performance expressed or implied by such forward-looking statements.

Undue reliance should not be placed on forward-looking statements and except as required by law or regulation, CCG assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, CCG and its related corporations, Directors, officers, employees and agents disclaim any obligations or undertaking to release any updates or revisions to the information in this presentation to reflect any change in expectation or assumptions and disclaim all responsibility and liability for these forward-looking statements (including without limitation, liability for fault or negligence.)

This presentation provides information in summary form only and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

Due care and consideration should be undertaken when considering and analysing CCG's financial performance. All references to dollars are to Australian Dollars unless otherwise stated.

To the maximum extent permitted by law, neither CCG nor its related corporations, Directors, officers, employees or agents, nor any other person, accepts any liability, including, without limitation, any liability arising from fault or negligence, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

Certain financial data included in this presentation may be "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. The non-IFRS financial information in this presentation may include underlying profit. CCG believes this non-IFRS financial information, where included, provides useful information to users in measuring the financial performance and conditions of CCG. The non-IFRS financial information measures do not have standardised meanings prescribed by International Financial Reporting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be considered as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Undue reliance should not be placed on any non-IFRS financial information.

This presentation is not and should not be considered as an offer or an invitation to acquire shares in CCG or any other financial product and does not and will not form any part of any contract for the acquisition of shares.

This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of CCG is available on our website <https://commsgroup.limited>

