

July 7, 2022



Level 28
108 St Georges Terrace
PERTH WA 6000

ABN 98 103 348 947
ASX CNW

FY22 Trading Update

Restructure and renewed strategic focus on services deliver record results

HIGHLIGHTS

- Revenue (unaudited) of \$104m, down 2% on FY21 – Record H2 revenue (unaudited) \$59.6m, up 13.5% on 2H21
- FY22 EBITDA (pre options) of \$2.1m - Significant H2 EBITDA (pre options) of \$2.5m, up 150% on 2H21
- Cash from Operations for the year of \$3m
- Record Net Cash of \$9.6m as at 30 June
- All locations delivering strong H2 contributions
- Record backlog of \$12.1m, compared to \$4.9m in FY21
- 31% growth in managed services revenue for FY22 delivering record annuity revenue and margin
- Strong debt-free Balance Sheet maintained
- Solid FY23 earnings outlook and pipeline

Cirrus Networks Holdings Limited (“Cirrus” or the “Company”) (ASX: CNW) has today announced its unaudited full year FY22 results as the Company continues its journey to become a managed service provider of choice within the Australian IT sector.

RECORD H2 REVENUE FOR FY22

Cirrus is expected to deliver consolidated revenue (unaudited) for FY22 of \$104m, representing a 2% decrease year on year. However, H2 revenue was \$59.6m - a new record for the Company and up 13.5% on the prior year. This strong revenue was generated despite backlog (customer orders contracted but not delivered / recognised) carrying into FY23 of \$12.1m, up \$7.2m or 147% from the prior year, as supply chains continue to be impacted by the COVID-19 pandemic. This is an excellent result and maintained the strong momentum from Q2 post the disappointing Q1 which was driven down by significant internal and external headwinds, including a distracting and costly failed low-ball hostile takeover attempt.

Record revenues continue to be earned from an extremely high quality economically robust client base, with Government (Federal, State and Local) representing 66% of FY22 revenues and Tier-1 major Australian Resources companies 16%.

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RECORD SERVICES CONTRIBUTION

Combined services revenue (Professional and Managed) was \$30.9m, up 17% on FY21 \$26.4m, driven by a 31% increase in managed services annuity revenue. The successful transition and operation of the Geoscience managed service in FY22 was a strong contributor to this increase. We remain confident on the managed service trajectory with the significant Icon Water managed service contract to commence during FY23 and a very strong pipeline of qualified opportunities and a number of tenders lodged awaiting final outcomes.

Professional Services revenue was up \$1.9m or 27% in H2 on 2H21, delivering \$9m revenue. This was another excellent H2 result after a lower H1 affected by ongoing project delays caused by supply chain negatively impacting product deliveries for those implementation projects along with continued tightening of the labour market due in large part to the state and international border restrictions.

The record services contribution highlights the success of the business restructure at the end of Q1 and subsequent renewed strategic focus on services to deliver growth.

Commenting on the FY22 result, Cirrus Managing Director, Chris McLaughlin, said:

"It is very pleasing to report this FY22 result after the disappointing first half driven by significant internal and external headwinds, including a distracting and costly failed low-ball hostile takeover attempt. The speed and success of the business restructure decisions executed during October met our expectations and has driven the strong second half result, with improved revenue and margins on a significantly lower annualized overhead cost run rate. Through the restructure the business has been re-energized and I want to recognize and thank the wonderful Cirrus staff across all our locations who have embraced the changes and continue to be recognized for their technical expertise, innovative approach and uninterrupted focus to deliver great client outcomes.

A real positive was the growth in Services revenue and in particular the higher margin annuity based Managed Services which improved 31% year on year. This together with the Icon Water win and ongoing opportunities being qualified and tendered demonstrates Cirrus' evolution into a market leading and innovative national IT managed service provider of choice.

The success in the second half and significant ongoing momentum, coupled with a solid debt free Balance Sheet and \$9.6m of cash, puts the business in the strongest position it has ever been going into a new financial year and provides confidence to deliver continued improvement in FY23 earnings."

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SIGNIFICANT H2 EARNINGS POST RESTRUCTURE

FY22 EBITDA (pre options) was \$2.1m (unaudited), up 2% on prior year. The earnings result should however be viewed across the two halves given the significant negative events in the business during the first half. H1 saw Cirrus successfully defend a very disruptive and costly low-ball hostile takeover bid whilst faced with ongoing Covid headwinds on labour and supply chain. After a comprehensive review, the business executed on a restructure to reduce overhead and simplify the organisational structure to better execute on the strategic services focus as a pathway to earnings growth. The changes included a Board and executive refresh with a new Chairman and CEO.

There was immediate positive effect of the changes including improved revenue, margins and significant reduction in the overhead run rate from Q1 to Q2. Pleasingly, the positive impacts of the change continued with H2 delivering significant earnings. H2 EBITDA (pre options) was \$2.5m (unaudited), up 150% on H2 FY21.

	H1 FY22 (\$)	H2 FY22 (\$)	Full Year FY22 (\$)	Full Year FY21 (\$)
NORMALISED EBITDA	(343,575)	2,505,267	2,161,692	2,082,766
Foreign exchange	(35,536)	(6,717)	(42,253)	(41,500)
EBITDA (PRE-OPTIONS)	(379,111)	2,498,550	2,119,439	2,041,266
JobKeeper incentive	-	-	-	1,635,000
One off corporate transaction fees	(608,051)	(17,349)	(625,400)	(109,474)
Redundancy and business restructure costs	(513,775)	-	(513,775)	(166,861)
Amortisation and Depreciation	(369,098)	(386,579)	(755,677)	(710,906)
Amortisation – Right-of-use assets	(388,518)	(357,476)	(745,994)	(738,960)
Net Interest	(35,595)	(68,137)	(103,732)	(640,129)
Share based options expensed	83,473	(45,634)	37,839	(464,449)
NET PROFIT BEFORE TAX	(2,210,675)	1,623,375	(587,300)	845,487

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STRONG BALANCE SHEET AND RECORD CASH

Cirrus continues to maintain a strong Balance Sheet and diligent stewardship across working capital and cash. FY22 was a record year for Cirrus despite the H1 disruptions. The business generated cash from operations of \$3.0m (FY21: \$2.7m) and closed debt free with a net cash position of \$9.6m.

Cirrus has a disciplined approach to capital management with the company abstaining from acquisitions during the market largesse of recent years which pushed valuations above fundamental levels and created a speculative environment.

As financial markets become more volatile and increasing inflation and interest rates create uncertain economic conditions, Cirrus is in a very strong position to take full advantage of business opportunities as they will undoubtedly present during the next financial year. Any inorganic opportunities will be strictly considered for their strategic merit and measured against their fundamental value, but also compared to other capital management initiatives including buy backs and capital returns.

FY23 OUTLOOK WITH CONTINUED FOCUS ON THE STRATEGIC PRIORITIES

Following the strongest half in the company's history and significant ongoing momentum, Cirrus is very well placed for continued growth through FY23.

Earnings growth is underpinned by the significant Icon Water contract, strong backlog, positive pipeline of opportunities, disciplined overhead cost controls and strategic focus on higher margin services revenue.

Consistent with its strategic growth aspirations and supported by a strong debt free Balance Sheet with a year-end \$9.6m cash balance, the company continues its active pursuit of complementary acquisition targets.

ENDS

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The Board of Directors at Cirrus has authorized the release of this announcement.

<i>Contact for further information</i>		
Chris McLaughlin Managing Director	Matt Green Chief Financial Officer	08 6180 4222 investor@cirrusnetworks.com.au cirrusnetworks.com.au

ABOUT CIRRUS

Cirrus Networks Holdings Limited (ASX: CNW) is an innovative Managed Services and IT Solutions provider who engages nationally with organisations and government agencies to understand business needs and convert these to technology outcomes which result in real business value and efficiencies. We implement and manage leading solutions that are flexible, cost effective and of tangible operational benefit.

The diverse reach of Cirrus means the company can provide a wide range of solutions across:

- Networks and Connectivity
- Data Centre and Cloud
- Storage and Data Management
- Business Continuity and Disaster Recovery
- Cyber Security
- Workspace and End User Computing
- Compute and Virtualisation
- Unified communications and Telephony
- IT Service Management, Technology Consulting and Project Management Services.

Excellent service and an innovative, holistic approach have seen Cirrus quickly grow an extensive base of blue-chip clients across industry, government and non-for-profit sectors. The rapid expansion of Cirrus has seen the company receive several awards as one of Australia's fastest growing technology companies.

The Cirrus offering was strengthened in 2015 with the acquisition of Perth-based IT Solutions Provider, L7 Solutions. Since then, an assertive national expansion strategy has enabled Cirrus to establish a robust Eastern states presence with the acquisitions of Melbourne based IT Provider, NGage Technology Group and leading Canberra IT services company Correct Communications. Cirrus has developed into a strong, sovereign, mid-market technology provider.

Cirrus won a managed service contract with Federal Government entity Geoscience Australia in excess of \$13M in March 2021. This contract provided a strong reference for Cirrus to expand its contestable market in terms of client type and contract size. This was further bolstered with the successful award of a \$15.5M contract in April 2022 to implement and operate the network and ICT environment for Icon Water in Canberra. Both contracts are transformational for Cirrus and its ongoing growth position in the Australian market.