

10 August, 2022



Level 28
108 St Georges Terrace
Perth WA 6000

ABN 98 103 348 947
ASX CNW

Cirrus Group FY22 Financial Results

HIGHLIGHTS

- Revenue of \$104m, down 2% on FY21 – Record H2 revenue \$60m, up 13.5% on 2H21
- FY22 EBITDA (pre options) of \$2.1m - **Significant H2 EBITDA (pre options) of \$2.5m, up 150% on 2H21**
- **Record Net Cash of \$9.6m as at 30 June**
- **Preferred tenderer on significant Managed Service contract**
- All locations delivering strong H2 contributions
- Record backlog of \$12.1m, compared to \$4.9m in FY21
- **30% 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**

Leading Australian managed service and IT solutions company Cirrus Networks Holdings Limited ('**Cirrus**' or '**the Company**') (ASX: CNW) announces its audited financial results for the FY22 financial year in which Cirrus delivered a record H2 after a significant restructure during 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. The results are consistent with the trading update provided on 7 July 2022.

RECORD H2 REVENUE AND CASH

Cirrus delivered solid revenue for the financial year (FY22 revenue: \$104m), representing a 2% decrease year on year. However, H2 revenue was \$60m – a record half for the company and an uplift of 13.5% on the prior year comparative period. This strong revenue was generated despite the ongoing impacts on product supply chains due to the COVID-19 pandemic. The customer orders contracted but not delivered or recognized (backlog) increased 147% to \$12.1m as at 30 June. While the COVID-19 pandemic continues to disrupt normal business operations, the company's high quality economically robust client base provide a solid foundation for continued growth.

SERVICES FOCUSED STRATEGY DELIVERS

Combined services revenue (Professional and Managed) was up 17% to \$30.7m (FY21: \$26.4m) driven by managed services annuity revenue of \$14.1m, up 30% on prior year. The successful transition and operation of the Geoscience managed service in FY22 was a strong contributor to the improved performance.

While product delivered \$6.1m gross margin, the combined services gross margin was \$8m and a blended gross margin percentage of 26%, with managed services margin at 36%. Professional services margins were lower than expected, particularly in H1, due to project delays caused by global supply chain issues negatively

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impacting product deliveries on a number of implementation projects along with tightening of the labour market due in large part to border restrictions. H2 delivered professional services margins of 19% and we expect this more normalized level to continue into FY23.

The Company expects service revenue and margin to continue its positive trajectory with the significant Icon Water managed service contract to commence during FY23 (ASX Announcement “Cirrus wins managed services contract with Icon Water”, 4 April 2022) and a very strong pipeline of qualified opportunities and tenders.

Cirrus is the preferred tenderer on a significant managed services contract with a blue chip resources company. Final contract negotiations are ongoing.

FY22 EBITDA AND STRONG DEBT FREE BALANCE SHEET

FY22 adjusted EBITDA (pre options) was \$2.1m up 2% on prior year (FY21: \$2.0m). 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 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. The positive impacts of the change continued into H2 delivering significant earnings. H2 EBITDA (pre options) was \$2.5m, up 150% on H2 FY21.

With renewed focus on its Services-led strategy and with the structural changes delivering strong business outcomes, the company expects the momentum of improved earnings and solid cash generation to continue into FY23.

Cirrus generated cash from operations of \$3.0m in FY22 (FY21: \$2.7m), closing the year debt free with a cash position of \$9.6m. The company’s strong balance sheet provides a solid foundation for continued growth and expansion into key geographies and capabilities. 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.

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

"It is very pleasing to report this FY22 result after the mixed first half driven by significant internal and external headwinds, including a distracting and costly failed low-ball hostile takeover attempt. While never an easy decision the restructure has re-energized the business and I want to recognize and thank the wonderful Cirrus staff across all our locations who have embraced the changes. The Cirrus team 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 contribution and in particular the higher margin annuity based Managed Services. This together with the Icon Water win, preferred tenderer status on another significant managed service contract and ongoing opportunities being qualified and tendered demonstrates Cirrus' evolution into a market leading and innovative national IT managed service provider of choice.

The 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."

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. This has been reinforced with a very strong start to the new financial year.

Earnings growth in FY23 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.

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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.

Australian sovereignty, 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. Cirrus was founded and is headquartered in Perth but has expanded into Canberra and Melbourne via a number of strategic acquisitions.

Cirrus is strategically focused on recurring-revenue high-margin Managed Services and in March 2021 won a transformational managed service contract with Federal Government entity Geoscience Australia in excess of \$13M. This contract provides a strong reference for Cirrus to expand its contestable market in terms of client type and contract size, and the record March 2022 Icon Water contract win is further evidence of delivering on company strategy.

Cirrus is a rapidly growing IT solutions provider exposed to the megatrend of digitisation.