

ASX ANNOUNCEMENT

August 4, 2023



Level 28
108 St Georges Terrace
PERTH WA 6000

ABN 98 103 348 947
ASX CNW

Cirrus FY23 Financial Results

Continued momentum delivers record result

HIGHLIGHTS

- Record full year revenue, EBITDA, profit before tax, operating cash flow generation and net cash balance
- Revenue of \$112m, up 8% on FY22
- Gross Margin of \$16m, up 14% on FY22
- **Adjusted EBITDA of \$4.8m, up \$2.7m or 127% on FY22**
- **Cash from Operations for the year of \$5.4m**
- Strong debt-free Balance Sheet maintained, Net Cash of \$13.9m as at 30 June and Deferred Tax Asset retained at \$3.6m
- Solid FY24 earnings outlook and pipeline
- All locations delivering strong FY23 contributions
- Services revenues grew 10% in FY23, with record annuity managed services revenue and margins

Cirrus Networks Holdings Limited (“Cirrus” or the “Company”) (ASX: CNW) has today announced its audited full year FY23 results as the Company continues its journey to become a leading Australian owned technology solutions and managed service provider to Government and large enterprises. The results are consistent with the trading update provided on 6 July 2023.

RECORD REVENUE FOR FY23

Cirrus delivered record consolidated revenue for FY23 of \$112m, up 8% on the prior year. Gross Margins also improved year on year delivering a 14% uplift to \$16m. All revenue categories grew compared to the prior year together with associated gross margins also higher.

Record revenues continue to be earned from a high-quality client base across government and resource sectors. Of the FY23 revenues, Government (Federal, State and Local) represented 45% and Tier-1 major Australian Resources companies 25%.

SIGNIFICANT SERVICES CONTRIBUTION

Combined services revenue (Professional and Managed) was \$33.9m which was up 10% on FY22 (\$30.7m), professional services and annuity managed services advanced on the previous year and were 11% and 9% higher respectively.

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The record annuity managed services revenue and margin was delivered despite the anticipated H2 contribution from the Icon Water managed service contract not commencing due to delays from the client in completing its implementation project. This contract is now anticipated to make a small initial contribution in Q1 FY24 and increase throughout the financial year as implementation milestones are achieved.

Managed Services revenue was \$15.4m for FY23 and gross margin was 35%, in line with expectations despite on-boarding costs associated with new contracts. The Icon Water contract together with a strong pipeline of qualified opportunities (including a number of large tenders awaiting final outcomes), provide the Company with a high degree of confidence that managed services revenues will continue to grow in FY24 and beyond.

Professional Services revenue was \$18.5m, 11% higher than FY22, and gross margins improved to 17.3% reflecting an improving project environment as conditions continue to normalise following a period of post-covid disruption to global supply chains and tight labour markets. In FY24 the Company aims to increase Professional Services gross margin to around 20%.

Product revenues were 7% higher in FY23 at \$78m reflecting improved sales execution within our enterprise sales team. Despite a normalisation of the global supply chain across the year, the product order backlog was still \$7m at 30 June (down from \$12m at 30 June 2022).

RECORD EARNINGS POST RESTRUCTURE

FY23 Adjusted EBITDA was \$4.8m, up \$2.7m or 127% on the prior year. This earnings result reflects the continuing strong momentum in the business, the focus on growing services, particularly annuity managed services, and a disciplined approach to managing expenses with overhead costs down 5% compared to FY22.

STRONG BALANCE SHEET AND RECORD CASH

Cirrus continues to maintain a strong Balance Sheet and diligent stewardship across working capital and cash. The business generated cash from operations of \$5.4m (FY22: \$3.0m) and closed debt free with cash at bank of \$13.9m on 30 June. Additionally the company maintains a deferred tax asset of \$3.6m.

Cirrus has a disciplined approach to capital management and is very well placed to take full advantage of business opportunities with any inorganic opportunities strictly considered for their strategic merit and measured against their fundamental value.

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Commenting on the FY23 result, Cirrus Managing Director, Chris McLaughlin, said:

"The FY23 result is a very pleasing outcome for the business continuing its renewed momentum. The speed, success and sustainability of the business decisions has led to another strong half result, and a record year for all our key indices.

Growing revenue and margins on a lower annualized overhead cost run rate comes from having quality staff. To this end I want to recognize and thank the wonderful Cirrus staff across all our locations who have continued to focus on and deliver great client outcomes and enhanced business value.

The significant ongoing momentum, growing pipeline of opportunities and enviable client base, coupled with a solid debt free Balance Sheet and \$13.9m of cash at year end, 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 FY24 earnings.

Although we are pleased with this result we believe that we can improve execution and financial performance as we accelerate into our growing opportunity set. Strategically we are very well placed in our key locations with large total addressable markets serving a very high-quality client base across government, major resources companies and other enterprise level customers.

We move into FY24 with a high degree of anticipation and excitement."

FY24 OUTLOOK REMAINS STRONG

Following the strongest financial year in the Company's history and with significant ongoing momentum Cirrus is well placed to deliver a robust FY24. This is underpinned by the commencement of the significant Icon Water managed services contract, strong backlog, positive pipeline of opportunities and strategic focus on higher margin services revenue.

Consistent with its objectives and supported by a debt free Balance Sheet with a year-end \$13.9m cash balance, the Company continues its active pursuit of business opportunities to drive strategic growth.

ENDS

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The Board of Directors at Cirrus has authorised 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
- AI 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 a rapidly growing IT solutions provider exposed to the megatrends of AI and digitisation.