

ASX ANNOUNCEMENT (in trading halt)

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Cirrus Networks Holdings Limited
Arcadia Chambers Level 3,
1 Roydhouse Street, Subiaco WA 6008
p. +61 8 6180 4222
f. +61 8 9381 2310
www.cirrusnetworks.com.au
ABN. 98 103 348 947
ASX: CNW

Cirrus makes strategic acquisition of leading Canberra based IT services provider

Highlights

- Cirrus executes agreement to acquire leading Canberra based IT services provider Correct Communications
- Highly strategic acquisition to accelerate Cirrus' growth in Canberra
- Combined business will provide greater scale, services and expertise creating a market leading full service Canberra IT services and managed services innovator
- Correct Communications founder, Andrew Weir, to lead Cirrus' Canberra operations

Cirrus Networks Holdings Limited ("Cirrus" or the "Company") (ASX: CNW) is pleased to announce that it has reached agreement to acquire 100% of the share capital of Correct Communications Pty Ltd ("Correct Comms"). The agreement is subject to a number of conditions precedent that are standard for such an acquisition, and the acquisition is anticipated to complete within 30 days.

About Correct Comms

Correct Comms is a leading IT solutions provider specializing in Networking, Storage, Security and Unified Communications infrastructure in Canberra. Correct Comms provides innovative efficient system solutions to Government and large enterprises addressing modern concerns around adaptive security, application availability and data storage.

Founded in 2010, Correct Comms is recognised in the local market for its technical excellence and innovative solutions. Correct Comms had a normalised FY17 EBIT of \$676,000 on total unaudited revenue of \$11.5 million including a doubling of its services revenue each year for the last 2 years. This growth saw it rank in the top 5 CRN Fast50 companies in 2016 despite not having Government Panel status, a key benefit of the combination of the Cirrus and Correct Comms Canberra businesses.

Strong Strategic Rationale

The acquisition of Correct Comms will create a full service IT services and managed services offering in Canberra which is expected to be EPS accretive delivering significant benefits to Cirrus shareholders, including:

- Accelerating **Cirrus' growth in Canberra;**
- **Enhancing Cirrus' capability** by combining Cirrus' Cisco Gold accreditation, government panel access, scalable best practice service capability, large national team and national operating centre with Correct Comm's significant local based expert resources;
- **Expanding Cirrus' service offering** by incorporating Correct Comms high quality local engineering capability; and
- **Increasing Cirrus' market reach** by leveraging off Correct Comms excellent brand in market and strong pipeline of opportunities.

As a result of the acquisition, the current Canberra business of Cirrus will be integrated with Correct Comms to form a new larger services and managed services focused Cirrus Canberra. Correct Comms founder, Andrew Weir, will join the executive team of the expanded Cirrus Group and continue to lead and grow the Canberra business. Under his guidance Cirrus will aim to quickly establish itself as the market leader in Canberra for innovative solutions and technical excellence.

Cirrus Managing Director, Matt Sullivan, commented:

“This is a key acquisition for Cirrus addressing a number of our strategic focus areas while accelerating our greenfields Canberra operation. The excellent standing of Correct Comms as a leading service provider will complement our panel status as well as our Cisco Gold and Managed Services offering. We are excited at the opportunities this presents for clients, staff and shareholders and are delighted to welcome Andrew and the high quality Correct Comms staff to the Cirrus Group.”

“After the very successful purchase of NGage in Melbourne we are very excited to have the capability and passion of Andrew and his team join us. We are very confident of becoming a nationally recognised market leader in enterprise based product, services and managed services within Government and large enterprise.”

Commenting on the acquisition, Correct Comms founder, Andrew Weir, said:

“This is an exciting phase in the short successful history of Correct Comms. Being part of the Cirrus Group will significantly increase our addressable market with Government panel access and Cisco Gold Accreditation while providing a platform for new and innovative solutions across the services and managed services markets. Being recognised for our customer focus and technical excellence, this provides further opportunity for our high quality staff and loyal clients.”

Transaction Summary

Cirrus has entered into an agreement to buy 100% of the share capital of Correct Communications Pty Ltd for 3.92 times FY18 EBIT (“EBIT multiple”) with a minimum purchase price of \$2 million and a maximum of \$5 million.

The purchase price comprises two tranches. The first tranche being \$1.5 million in cash on completion and \$500,000 in CNW shares to be issued at the end of FY18 at an issue price based on 5 day VWAP at the time of issue and escrowed for 2 years.

The second tranche will depend on the EBIT multiple result being greater than \$2million and will be calculated after the release of the audited FY18 full year financial results. Where a payment is due, the first \$1 million will be paid in cash with the balance in cash or CNW shares at CNW’s discretion up to a maximum tranche two payment of \$3 million. Should shares be issued as part of tranche two these shares would be priced based on 5 day VWAP at the time of issue and escrowed for 2 years.

Completion is expected to occur within 30 days subject to satisfying certain conditions precedent.

Transaction Funding

Coincident with the announcement of the acquisition of Correct Comms, Cirrus intends to undertake a capital raising to partly fund the cash component of the acquisition price. Cirrus will remain in a trading halt until we have a further update on the capital raising.

For further comment and information
Mr Matt Sullivan
Managing Director

Mr Matt Green
Chief Financial Officer

Tel: (08) 6180 4222
investor@cirrusnetworks.com.au
www.cirrusnetworks.com.au

About Cirrus:

Cirrus Networks Holdings Limited (ASX: CNW) is an innovative IT solutions provider who works with businesses to understand their technological needs and implement world leading solutions that are both cost effective and provide long term operational gain. The diverse reach of Cirrus means the company is able to provide a wide range of solutions including:

- Data Centre and Cloud;
- Convergence;
- Storage;
- Data management (including big data);
- Network design and optimisation;
- Business continuity;
- End user computing;
- Unified communications and IP Telephony;
- High quality IT Service Management, Consulting and Project Management services.

Excellent service and an innovative, holistic approach has seen Cirrus quickly grow an extensive base of blue chip clients across industry sectors. The rapid expansion of Cirrus awarded the company second place for the fastest growing "Rising Star" technology company as well as second place at Deloitte Australia's Technology Fast 50 Awards.

The Cirrus offering was strengthened further 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 formation of an office in Canberra and the recent acquisition of Melbourne based IT Provider, NGage Technology Group.

