

CIRRUS NETWORKS HOLDINGS LIMITED

(ASX:CNW)

QUARTERLY ACTIVITIES REPORT



DECEMBER 2018

SUMMARY OF ACTIVITIES DURING THE QUARTER

Highlights

- Strong H1 revenue of \$45.7m (unaudited) – 49% improvement on H1 FY18
- Positive Q2 operating cash flow of \$282k
- Last 5 quarters operating cash positive
- H1 FY19 operating cash \$564k positive v. H1 FY18 of \$416k negative
- 136% growth in higher margin managed services from H1 FY18
- Continued growth on the eastern seaboard – revenue up 57%

Record H1 FY19 Revenue

Cirrus Networks Holdings Limited (“Cirrus” or the “Company”) (ASX: CNW) has continued to deliver strong revenue growth in the first half of the 2019 financial year. Following the record Q1 revenue of \$19.5m, Q2 delivered \$26.2m in revenue totalling \$45.7m for the Half Year and representing a \$15.1m (49%) improvement for the half year on year.

The Company delivered an impressive 136% year on year H1 increase in managed services based revenue as it continued to advance the strategic goal of being an innovative IT solutions provider and market leader in enterprise managed services. Overall services revenue increased 58% to \$12m for the half and contributed 47% of total gross margin delivered. This represented a 126% increase on prior year H1 services based margin and continues the impressive growth of this higher margin income.

The ongoing success of the strategic geographic expansion was also highlighted in the results with the eastern seaboard operations delivering impressive revenue and margin growth. Year on year revenue grew 57% while margins grew 75% with strong growth in professional and managed services. The company also saw half on half organic revenue growth of 43% from the WA base. This is testament to a high performing local operation growing market presence within improving economic conditions.

Positive Operating Cash Result

With the solid trading result Cirrus continued the strong cash generation with Net Cash from Operating Activities being \$282k for Q2 and \$564k for H1. This compares favourably to H1 FY18 which delivered a negative \$416k result. The Company has now delivered positive cash from operating activities for the last five quarters.

At 31 December 2018, the Company had a cash balance of \$4.174m.

Continued Strong Outlook for FY19

The second quarter has built on the solid first quarter platform to deliver a healthy first half result for the FY19 financial year. With a strong orderbook and positive pipeline of opportunities, the business remains confident to deliver another strong half in H2 as we close year 4 in the 5 year business transformation and geographic expansion plan.

Cirrus remains on track to deliver on its 2020 strategic aspirations of sustained profit growth through continued significant revenue growth momentum in the business and strong gains in the higher margin services profile.

Commenting on the Company's continued strong growth, Managing Director, Matt Sullivan said:

"The business continues to perform strongly. The results for H1 continue the business trend over recent years of growing the revenue base while improving margins and once again validate our focus on the higher margin professional and managed services which were key contributors to this growth.

With continued significant contract wins including Woodside and Federal government agencies the business remains firmly focused on the 2020 strategic aspiration of sustained profit growth delivering increased shareholder value."

For enquiries please contact:

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Managing Director

Mr Matt Green
Chief Financial Officer

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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);
- End user computing;
- Network design and optimisation;
- Business continuity;
- 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 has seen the company receive a number of awards as one of Australia's fastest growing technology companies.

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 recent acquisitions of Melbourne based IT Provider, NGage Technology Group and leading Canberra IT services company Correct Communications.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

CIRRUS NETWORKS HOLDINGS LIMITED

ABN

98 103 348 947

Quarter ended ("current quarter")

31/12/2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 25,935 | 48,791 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product and operating costs | (20,023) | (37,596) |
| (c) advertising and marketing | (104) | (183) |
| (d) leased assets | - | - |
| (e) staff costs | (5,531) | (10,464) |
| (f) other corporate costs | - | - |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 5 | 16 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | 282 | 564 |

| Consolidated statement of cash flows (continued) | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (25) | (46) |
| (b) businesses (see item 10) | - | (2,575) |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material)* | - | - |
| 2.6 Net cash from / (used in) investing activities | (25) | (2,621) |
| *Relates to cash and cash equivalents acquired in Correct Communications Pty Ltd Business Combination | | |

| | | |
|---|--------------|------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 Proceeds from borrowings | - | 1,250 |
| 3.6 Repayment of borrowings | (200) | (283) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | (200) | 967 |

| Consolidated statement of cash flows (continued) | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 4,117 | 5,264 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | 282 | 564 |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (25) | (2,621) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | (200) | 967 |
| 4.5 Effect of movement in exchange rates on cash held | | |
| 4.6 Cash and cash equivalents at end of quarter | 4,174 | 4,174 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances | 4,174 | 4,117 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,174 | 4,117 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 44 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

Directors fees (including superannuation)

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

Marketing services

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Multi Option Facility | 1,000 | 432 |
| • Commercial Advance Facility | | |
| • Bank Guarantee | | 432 |
| • Overdraft Facility | | |
| 8.4 Commercial Advance Facility | 2,083 | 1,800 |

Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

8.3 The Company entered into a Multi Option Facility with Bankwest which forms part of the cash management for general business purposes. This Bankwest Multi Option Facility includes the following facilities drawn down at the Company's discretion across any or all of the facilities and totalling \$1,000,000. The facility options are:

- Commercial Advance Facility with interest payable at the rate of BBSY plus a Margin of 2.20% per annum
- Bank Guarantee Contingent Instrument Facility
- Business Corporate Transaction Account Facility with interest payable at the rate of the variable Bankwest Business Variable Overdraft Reference Rate.

8.4 The Company also entered into a separate Commercial Advance Facility with Bankwest specifically for Acquisition Funding. Interest is payable at BBSY plus a margin of 3.00% per annum. Loan is repayable over 3 years.

| 9. Estimated cash outflows for next quarter * | \$A'000 |
|--|-----------------|
| 9.1 Research and development | - |
| 9.2 Product and operating costs | (19,500) |
| 9.3 Advertising and marketing | (100) |
| 9.4 Leased assets | - |
| 9.5 Staff costs | (5,400) |
| 9.6 Other corporate costs | - |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | (25,000) |

* Cash inflows for the next quarter are estimated to cover the cash outflows

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|--|------------------|
| 10.1 Name of entity | Correct Communications Pty Ltd | Not applicable |
| 10.2 Place of incorporation or registration | Australian Capital Territory | Not applicable |
| 10.3 Consideration for acquisition or disposal | \$2,575,000 | Not applicable |
| 10.4 Total net assets | Correct Communications Pty Ltd had \$300 of net assets on date of acquisition by Cirrus Networks Holdings Limited. | Not applicable |
| 10.5 Nature of business | Leading IT solutions provider specialising in Networking, Storage, Security and Unified Communications Infrastructure to Government and large enterprises in Canberra. | Not applicable |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company secretary)

Date: ...23 January 2019.....

Print name:Catherine Anderson.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.