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ASX CNW

Cirrus Group Delivers Record EBITDA in FY20

HIGHLIGHTS

- Record FY20 unaudited EBITDA (pre options) of \$3.6m
- Unaudited FY20 revenue of \$95m, up 8%
- Record Cash from Operations of \$2.9m
- Managed Services revenue up 20%
- Record Net Cash \$5.6m

Cirrus Networks Holdings Limited ("Cirrus" or the "Company") (ASX: CNW) is pleased to provide the following market update.

FY20 DELIVERS RECORD EBITDA AND OPERATING CASH

Cirrus expects to announce a record FY20 EBITDA (pre options) of \$3.6m (unaudited).

This result is driven by solid revenue growth across all income streams while improving margins with no increase in overhead costs. Overall gross margins were up 10% with the most significant contributor being a 22% uplift in managed services gross margin. Services gross margin continued its growth contributing 50% of total gross margin (\$8.4m in FY20) compared to 46% in FY19 (\$7.4m). Blended gross margins were steady across all services at 29.1% for FY20 (29% in FY19) with overall blended gross margin for the business showing a slight improvement from 17.6% (\$15.5m) in FY19 to 17.8% (\$16.9m) in FY20.

Consistent with the record earnings result, Cirrus generated record Cash from Operating Activities of \$2.9m with a closing net cash position of \$5.6m.

STRONG GROWTH IN CONSOLIDATED REVENUE AND MANAGED SERVICES

Revenue (unaudited) for FY20 is expected to be \$95m, representing an 8% uplift from FY19. Despite challenging economic conditions revenue was consistent with H1 results and up 11.8% on the comparative H2 FY19. Further, the blended gross margin improved from 16% for H1 FY20 to 19.7% for H2 FY20.

Managed services revenue grew 20%, with associated gross margins increasing 22% (\$3.7m in FY19 to \$4.6m in FY20), as the strategic focus on growth through higher margin services continues to yield positive results. Professional services revenue was up 11% year on year at \$17.3m. While this was a good result it was lower than expected due primarily to uncertainty in the labour market created by Covid-19. Despite expectations that Product revenue would be flat for the year it also delivered a 5% improvement year on year.

CONTINUED DELIVERY ON STRATEGIC PLAN

Cirrus has continued to deliver on the strategic plan to focus on growth through higher margin services and a diversified geographic base. Revenue growth and a consistent increase year on year of services contribution to the gross margin line has delivered sustainable improvements in financial outcomes.

DESCRIPTION	FY17	FY18	FY19	FY20 (UNAUDITED)
Revenue	\$54m	\$76m	\$88m	\$95m
Blended Gross Margin %	13.1%	15.4%	17.6%	17.8%
EBITDA (pre options)	(\$784k)	\$437k	\$1.9m	\$3.6m
Cash from Operating Activity	\$0	\$1.3m	\$2.4m	\$2.9m
Staff	101	134	182	203
Services Revenue (Prof & Managed)	\$8m	\$18.5m	\$25m	\$29m
Blended Services Gross Margin %	25.4%	21.9%	29.0%	29.1%
Services Contribution as % of Margin	29%	35%	46%	50%

OUTLOOK FY21

While the unprecedented economic and health impacts of Covid-19 continue, Cirrus remains optimistic for H1FY21 with a solid backlog of orders going into the new financial year and positive pipeline of opportunities.

Commenting on the update, Cirrus Managing Director, Matt Sullivan, said:

“As an Australian listed technology SME, Cirrus is proud to deliver a record earnings result to shareholders in these very uncertain times which is a testament to the resilience of the business. Much credit and thanks go to our wonderful staff across the country who despite significant disruption and uncertainty have remained focused on delivering quality outcomes to our loyal client base in government and corporate sectors while ensuring the health and safety of themselves, their families and our clients.

While we continue to operate in a very unpredictable environment, the ongoing success in growing services revenue and margin positions means the company is well placed to continue to deliver on earnings growth expectations going forward.”

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

<i>Contact for further information</i>		
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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)
- Network design and optimisation
- Business continuity & Cyber Security
- End user computing
- Unified communications and IP Telephony, and;
- High quality IT Service Management, 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 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.