

February 22, 2019



Arcadia Chambers
Level 3, 1 Roydhouse Street
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ABN 98 103 348 947
ASX CNW

Cirrus Delivers Record H1 Revenues and Strong H1 Earnings

HIGHLIGHTS

- Revenue of \$45.7million up 49% on H1 FY18
- Record EBITDA (pre options expense) of \$585k and Underlying Profit of \$759k
- 136% growth in managed services
- Eastern seaboard revenue growth of 57%
- H1 FY19 operating cash \$564k positive against \$416k negative in H1 FY18
- Continued improvements in margins

Cirrus Networks Holdings Limited (“Cirrus” or the “Company”) (ASX: CNW) is pleased to announce another strong half year result for H1 FY19 highlighting the Company’s ongoing success in delivering on its strategy of transitioning to a Managed Services provider of choice within the Australian IT sector.

Speaking about the strong H1FY19 result, Cirrus Managing Director, Matt Sullivan, said:

“The continued improvement in revenue and margins is once again very positive and demonstrates that Cirrus remains on track to deliver on our 2020 strategic goal. The Company’s ability to deliver significant top line growth while increasing profitability is a credit to our team and the value based solutions they deliver to a quality loyal customer base. It is extremely pleasing to see services grow 58% and contribute 47% of total margin delivered. The impressive 136% growth in managed services in particular, together with the growing contribution of our eastern seaboard businesses, demonstrates Cirrus’ evolution into a market leading and innovative IT managed service provider.”

RECORD H1 FY19 REVENUE

The Company has again delivered strong revenue growth for the first half of the 2019 financial year. The \$45.7m of revenue for H1 represents a 49% increase on the comparative period in FY18. Importantly, the revenue growth was driven by increases in key strategic areas of growing higher margin services revenue and diversifying the revenue base through focused geographic expansion.

Cirrus delivered a 58% increase in overall services revenue year on year including 136% increase in managed services based revenue. This growth in higher margin services revenue contributed to the improved earnings result and continues to advance the strategic goal of being an innovative IT solutions provider and market leader in enterprise managed services.

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The ongoing success of the Company's focused geographic expansion was also highlighted in the results with the eastern seaboard operations continuing to deliver good revenue and margin growth. The first half delivered revenue growth of 57% while margins grew 75% as the Company also sees the benefit of higher margin service based revenue increasing on the eastern seaboard.

RECORD EARNINGS

The Company has also delivered a strong H1 earnings result underpinned by the record revenues and improving margins. EBITDA (Pre Options Expense) for the 6 months to 31 December was a record \$585k. This compared favorably to the prior period in FY18 which delivered an EBITDA (Pre Options Expense) of \$27k loss. After adjusting for one-off redundancy cost the underlying profit was \$759k. The statutory result for the consolidated entity after providing for income tax amounted to a net profit of \$135k compared to H1 FY18 of a \$390k net loss.

	CURRENT H1 FY19	H1 FY18	H1 FY17
UNDERLYING NET PROFIT / (LOSS) AFTER TAX FOR THE PERIOD	\$758,815	\$460,556	\$202,922
> Investment in Canberra <i>(Pre CC Acquisition)</i>	-	(\$272,003)	(\$513,311)
> Redundancy Cost	(\$172,316)	(\$82,172)	-
> Voluntary Escrow Payment	-	(\$50,000)	-
> Acquisition Costs for due diligence	-	(\$82,943)	-
> Foreign Exchange Impact	(\$1,649)	(\$155)	(\$41,196)
EBITDA (Pre Options Expense)	\$584,850	(\$26,717)	(\$351,585)
> Amortisation and Depreciation	(\$296,145)	(\$163,282)	(\$44,517)
> Interest <i>(Net)</i>	(\$2,250)	26,102	27,583
> Share Based Options Expensed	(\$151,168)	(\$225,668)	(\$95,774)
> R&D Tax Offset	-	-	\$1,188,686
NET PROFIT / (LOSS) AFTER TAX FOR THE CONSOLIDATED ENTITY FOR THE PERIOD	\$135,287	(\$389,565)	\$724,393

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STRATEGY GAINING MOMENTUM

The strong financial result and continued half on half improvement demonstrates that Cirrus' strategy to grow services based revenue and diversify and expand the revenue base geographically is delivering sustainable improvements in financial outcomes.

As noted above, services revenue was up 58% to \$12m for the half and contributed 47% of total gross margin earned. This represented a 126% increase on prior year H1 services based margin and continues the impressive growth in higher margin income.

The results highlight the ongoing success of this with eastern seaboard operations delivering good revenue and margin growth. With strong growth in managed services and professional services, year on year revenue grew 57% while margins grew 75%. The most recent acquisition Cirrus Correct Communications in Canberra continues to be a stand out performer and continues to exceed Cirrus' expectations.

POSITIVE OPERATING CASH

Cirrus' continued strong cash generation has seen the company deliver positive cash from operating activities for the last five quarters. Net cash from operating activities was positive \$564k for H1 which compared favorably to the negative \$416k result last year.

At 31 December 2018, the company had a cash balance of \$4.174m and was in a positive net cash position.

CONTINUED STRONG OUTLOOK FOR FY19

With a strong orderbook and positive pipeline of opportunities, the business remains confident to deliver a strong second half of the FY19 financial year.

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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
- 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.