

February 17, 2021



Level 28
108 St Georges Terrace
PERTH WA 6000

ABN 98 103 348 947
ASX CNW

Continued Growth Drives Record H1

HIGHLIGHTS

- Record revenue of \$53.8 million, up 13% on H1 FY20
- Record EBITDA (pre options) of \$1.1m, up 29% on H1 FY20
- Strong growth in key Canberra market, revenue up 122% for H1 year on year
- 11% growth in services gross margin a strong contributor to earnings results
- Strong H2 outlook with healthy pipeline of opportunities in key markets
- Full Year FY21 EBITDA (pre-options) expected to be \$4.2m - \$4.6m

Cirrus Networks Holdings Limited (“Cirrus” or the “Company”) (ASX: CNW) is pleased to announce another solid half year result for H1 FY21 as the Company continues its journey to become a provider of choice within the Australian IT sector.

Commenting on the H1 FY21 result, Cirrus Managing Director, Matt Sullivan, said:

“The company has again delivered both solid H1 revenue and earnings growth year on year which is very pleasing in an environment of continued uncertainty. To deliver consistent revenue growth while improving profitability is a credit to our quality staff and their ability to meet and exceed the client expectations.

Of particular note is the 122% growth in revenue from our key Canberra market. This together with the ongoing and increasing revenue and earnings contribution from managed and professional services demonstrates Cirrus’ evolution into a market leading and innovative national IT managed service provider of choice. Our strategic focus in the short to medium term is annuity and outsource services where we see a strong pipeline of qualified opportunities.

The growth in services contribution, coupled with a growing geographically diversified revenue base, provides confidence to deliver another record revenue and earnings year in FY21.”

RECORD H1 FY21 REVENUE

The Company has again, for the sixth consecutive year since listing, delivered revenue growth for the first half of the FY21 financial year. The \$53.8m of revenue for H1 represents a 13% increase on the comparative period in FY20, with services continuing its growth profile.

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H1 year on year Cirrus delivered a 5% increase in services revenue while product sales revenue increased by 15%. With increasingly competitive markets, the Company grew the services gross margin by 11% and this coupled with a flat cost base contributed to the solid earnings result of the business before any impact of the Federal Government JobKeeper program.

Contributing to the strong half were a number of key contracts with leading WA based resource companies and Federal government departments including Defence, Services Australia, Department of Home Affairs and Austrade.

SOLID EARNINGS

Adjusted EBITDA (pre options) for the 6 months to 31 December 2020 was \$1.1m, a 29% improvement to the prior period in FY20 which delivered an EBITDA of \$863k.¹

The NPAT for H1 FY21 was \$1m against a \$244k loss in the prior year H1. The increase was due to the improved trading outcomes along with other income received¹. These were in part offset by increased share based (options) payment expense due to the allocation of options to staff in lieu of salary adjustments during the height of uncertainty created by the global pandemic, along with increased one-off interest cost from large funded deals and a downturn in the Melbourne office performance resulting from Covid-19 lockdowns.

| | HY ENDED 31 DEC 2020 (\$) | HY ENDED 31 DEC 2019 (\$) | HY ENDED 31 DEC 2018 (\$) |
|---|---------------------------------|---------------------------------|---------------------------------|
| UNDERLYING PROFIT AFTER TAX FOR THE PERIOD | 1,225,288 | 926,738 | 758,815 |
| Foreign exchange | (12,646) | (30,355) | (1,649) |
| Redundancy and business restructure costs | (99,152) | (32,881) | (172,316) |
| ADJUSTED EBITDA (PRE-OPTION EXPENSE) | 1,113,490 | 863,502 | 584,850 |
| JobKeeper incentive | 1,634,800 | - | - |
| Amortisation and depreciation | (357,689) | (340,855) | (296,145) |
| Amortisation – Right-of-use asset | (371,769) | (345,097) | - |
| Interest (<i>Net</i>) | (611,137) | (280,832) | (2,250) |
| Share based payments - Options vesting | (399,337) | (140,384) | (151,168) |
| NET PROFIT / (LOSS) AFTER TAX FOR THE GROUP FOR THE PERIOD | 1,008,358 | (243,666) | 135,287 |

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STRONG BALANCE SHEET

During H1 Cirrus paid down the final instalments of the acquisition funding facility and is now debt free with a cash balance of \$7.1m at 31 December 2020. The Company improved the working capital position (Cash + Trade Receivables – Trade Payables) by a further \$3.2m H1 year on year going from a \$1.1m excess at 31 Dec 2019 to a \$4.3m excess at 31 Dec 2020.

Operating Cash Flow also significantly improved year on year with an excellent positive \$1.9m for H1. This was as expected and consistent with trading outcomes and other income¹. We expect this to continue during H2 and deliver positive operating cash in line with earnings expectations for the full year.

CONTINUED POSITIVE OUTLOOK FOR FY21

While the economy continues to operate within the uncertainty of the global pandemic, Cirrus expects revenue growth to continue underpinned by a strong orderbook and positive pipeline of opportunities from Federal Government departments and the WA resources sector.

The company recently appointed Melbourne based Justin Bock to the role of National Sales Manager. His experience and local contacts are already having a positive impact particularly with the Melbourne office showing signs of an improving position after being negatively impacted by lockdowns for a significant portion of H1.

With improved revenues the business expects to deliver an Adjusted EBITDA (pre options) full year FY21 result between \$4.2m - \$4.6m barring any significant change across the company's major customer sectors due to Covid-19.

¹ The EBITDA result excludes any impact of the Federal Government JobKeeper program. The program contributed an additional \$1.6m in other income and cash for H1 FY21. Cirrus does not expect there to be any further contribution from the JobKeeper program during FY21

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

Contact for further information

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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 and 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.