ASX RELEASE
6 April 2021

For personal use only

STRATEGIC ACQUISITION & UPGRADE TO FINANCIAL GUIDANCE

Comms Group Limited (ASX:CCG) ("Comms Group") is pleased to announce the acquisition of Binary Networks Pty Ltd ("Binary") and upgrade financial guidance. The key highlights are:

- The acquisition of Binary (a telecommunications services provider to SMEs in Australia) for $1.8m to be fully funded from existing cash reserves and a share issue to the vendors.
- Upgrade to financial guidance with run-rate[1] revenue of $35m+ (over 90% recurring revenue) and run-rate EBITDA to $4m+.
- Comms Group has achieved strong new sales momentum from recent sales contract wins in the March quarter.
- The recently acquired Next Telecom business has met all new sales KPIs since it was acquired.

ACQUISITION & STRATEGIC RATIONALE

Comms Group has acquired Binary which further strengthens our position in the market and brings significant technology platforms, systems and talent to the business. The acquisition is consistent with our previously advised strategy namely:

- Binary services SMEs in Australia and expands our footprint.
- Binary has advanced on-line real-time ordering and automation capability which will be added to the existing group's brands to accelerate organic growth.
- Binary delivers immediate Layer-2 data network roll-out to the group, with key Points of Presence ("PoPs") in Sydney, Melbourne and Brisbane, to add additional products, enable an uptick in gross margin and enhanced capabilities in terms of service ordering, automation and an overall enhancement in terms of quality of service.
- Binary has strong engineering capabilities with data networks, advanced voice services and IP.
- Enables expansion of head office personnel and strengthens sales capabilities including the appointment of Michael Diamond (founder of Binary) as Head of Systems & M&A Systems Integration which will assist with future acquisitions.
- EBITDA and EPS accretive transaction.

Comms Group CEO and Managing Director, Peter McGrath, said: "We are pleased to welcome Binary Networks to the Comms Group business. The acquisition of Binary Networks will assist the group to modernise our systems, automate key processes and add on-line ordering and automation of delivery of certain key products (e.g. NBN[2]) to speed up organic sales and sales ordering and assist with growth in our gross margins and thus earnings longer term. We also welcome the founder of Binary, Michael Diamond to our Group."

---

[1] *Run-rate revenue - full 12-month revenue or EBITDA contribution from existing business and acquisitions*
[2] *NBN, NBN Co and Powered by the NBN are trademarks of NBN Co Limited.*

For personal use only

Founder of Binary Networks, Michael Diamond said "I'm very excited to become part of this new dynamic business telecoms group. We decided to join Comms Group to be part of this growth journey and bring to the group our great technology and data networks that I'm so proud of. I am pleased to be joining as the Head of Systems & Systems Integration and look forward to working closely with the team."

FINANCE CONSIDERATION & FUNDING

Binary has been acquired for $1.8m which will be fully funded from existing cash reserves and comprises:

- Cash consideration of $1.44m subject to adjustment for working capital and net debt.
- $0.36m in ordinary shares issued at $0.09 per share, to be issued 50% on the 12-month and 50% on the 24-month anniversary of Michael Diamond's (CEO of Binary) employment with Comms Group.

Binary has annual revenue of circa $2m with expected pro-forma annualised EBITDA of circa $0.35m post synergies (adjusted to remove non-continuing costs).

Acquisition multiple of ~5x pro-forma FY21 EBITDA including expected synergies and is EBITDA accretive for Comms Group.

The acquisition of Binary was completed on 1 April 2021 with integration expected to be completed in FY22.

ORGANIC GROWTH ACCELERATING

The March 2021 quarter was a strong new sales quarter for Comms Group with solid performance across the group.

The Next Telecom business has met all sales KPIs since it was acquired by Comms Group in January 2021 with the month of March being particularly strong.

OUTLOOK

Comms Group FY21 EBITDA guidance is maintained to meet or exceed $3m which includes 5 months trading from Next Telecom. Comms Group run-rate Revenue and EBITDA is now expected to be $35m+ (over 90% recurring revenue) and $4m+ respectively.

Comms Group will continue to target strategic acquisitions as appropriate M&A opportunities arise.

Peter McGrath reiterated and expanded upon recent guidance saying: "*We expect to see some steady organic growth in the 2nd half of the financial year. We did close some decent corporate and wholesale deals in the March quarter. We also have a solid pipeline of new sales deals which are expected to close in the June 2021 quarter. These include some large UCaaS (Unified Comms as a Service) deals with international customers as well as some large wholesale deals*."

Henslow acted as corporate advisor for the acquisition.

Authorised for release by the Board of Comms Group Limited.

ENDS

Corporate & Media Enquiries:
Peter McGrath, CEO and Managing Director
Phone: +61 2 9137 1175

ABOUT COMMS GROUP

Comms Group provides cloud communications, data and value-added services strictly for business. The company is delivering on its three key strategic growth pillars of International (16 points of presence globally covering 100+ countries); Domestic - through the CommsChoice & Next Telecom brands; and Wholesale and Partner services.

Comms Group - International*:* the group uses its cloud based global business phone platform and its global Microsoft Teams Direct Routing telephony calling platform covering 100+ countries, for corporates in multiple regions, delivered on one bill.

Next Telecom & CommsChoice – *domestically:* the group delivers a vast array of comms services for businesses including, Fibre, NBN, IP voice, inbound/toll-free, wrapped into an award-winning state-of-the-art service layer.

Wholesale and Partners – *both domestic & international:* offering all our retail technologies and key wholesale services and leveraging our international network, to key wholesale and partner customers.

For personal use only