

ASX: CCG

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Comms Group Announces Strong FY24 Earnings Growth and Inaugural Dividend Declared

Comms Group Limited (ASX:CCG) (“Comms Group” or the “Group”) has today released its financial results for the full year ended 30 June 2024 (FY24).

FY24 HIGHLIGHTS

- Revenue guidance exceeded for the year with total revenue of \$55.5m, an increase of 7% year-on-year. The growth in revenue is all organic and over 90% of revenue is recurring.
- Underlying EBITDA¹ within market guidance at \$6.6m for the year, a significant increase of 36% year-on-year.
- The focus on cash generation and generating strong shareholder returns has seen operating cashflow increase 153% to \$3.8m and free cashflow increase nearly 200% to \$3.5m.
- A significant achievement was the granting of voice-licences across the Asia Pacific allowing the Group to provide services to wholesale and multi-national corporates (MNCs) in 13 countries across the Asia Pacific region.
- An inaugural dividend of 0.25c (\$0.0025) per share (fully franked) has been declared.

RESULTS SUMMARY

| A\$M | FY24 | FY23 (pcp) | % change pcp |
|--|--------------|-------------------|---------------------|
| Operating Revenue | 55.5 | 51.9 | +7% |
| Gross Profit | 26.3 | 24.2 | +9% |
| <i>Gross Margin</i> | 47.5% | 46.6% | - |
| Underlying EBITDA ¹ | 6.6 | 4.8 | +38% |
| EBITDA | 4.2 | 2.1 | +100% |
| Operating Profit before Tax ² | (0.1) | (2.2) | >100% |
| Operating Cash Flow | 3.8 | 1.5 | +153% |
| Free Cash Flow | 3.5 | 1.2 | +192% |

Commenting on the FY24 results, CEO and Managing Director Mr Peter McGrath said

¹ **Underlying EBITDA** is presented to provide an understanding of the underlying performance of the Group’s operations. It reflects the results generated from ongoing operating activities that excludes non-operating adjustments considered to be non-cash or non-recurring in nature. These exclusions include net interest, tax, non-cash share LTIP costs, depreciation, amortisation and acquisition, integration & restructuring costs.

² Operating profit before tax excludes non-operating income.

“We are extremely pleased with our FY24 results with solid increases in both revenue and underlying EBITDA of the business. The strong increases in both operating and free cashflow were standout results. This combined with our inaugural dividend declared of 0.25c (\$0.0025) per share, fully franked, highlights our key focus on cash generation and generating strong shareholder returns. We are encouraged by the positive results and continued opportunities of each of our three operating businesses. All three business units are showing an increase in underlying EBITDA year-on-year.”

KEY BUSINESS HIGHLIGHTS

Financial

- Total operating revenue for FY24 was \$55.5m and included \$23.9m from the Cloud Communications & Collaboration (SME) business, \$19.3m from the Secure Modern Workplace Solutions (ICT) business and \$12.3m from the Global UCaaS and Wholesale business.
- Group gross profit increased 9% year-on-year to \$26.3m. Group gross margin increased to 47.5%, an increase over FY23.
- Operating expenditure³ was held largely flat at \$19.7m.
- With a strong focus on increasing cashflows, operating cashflow increased 153% to \$3.8m and free cashflow increased nearly 200% to \$3.5m in FY24, which were extremely pleasing results.
- The Company had cash at bank of \$3.6m at 30 June 2024 relative to \$1.9m at 30 June 2023.
- The term loan debt was reduced to \$7.6m at 30 June 2024 after the repayment of \$1.0m in the twelve month period. The facility has been extended until August 2026 with a facility limit of \$7.6m.

Customers, Sales and Growth Initiatives

We have changed our divisional names to provide a more accurate reflection of what these businesses do. Our Global business is now known as Global UCaaS and Wholesale, our domestic SME Telco business is now known as Cloud Communications and Collaboration and our ICT business is now known as Secure Modern Workplace Solutions. We will seek to develop a consistent brand across the Group over the next 12 to 18 months.

- The Group continued to see a strong level of new sales contracts signed in FY24. A total of \$7.5M new ARR⁴ in sales contracts was closed in the year.
- All three business units continue to have a healthy sales pipeline of quality sales deals.
- Our Global UCaaS and Wholesale business has added significant capability across the Asia Pacific region allowing us to service more Tier 1 carriers, MNCs, large OTTs

³ Operating Expenses exclude restructuring, business acquisition, integration and other one-off costs and share based payments.

⁴ ARR is annual recurring revenue from new sales contracts and excludes upfront or one-off sales/revenue from new sales contracts.

(over the top) providers and CPaaS and CCaaS customers with the great products and excellent service levels, for which we are known for in the marketplace.

- In FY24, we expanded our international reach including with telco licences, particularly in the Asia Pacific region. We now have local voice licences in place in Australia, NZ, Singapore, Hong Kong, Indonesia, Japan, Malaysia, Philippines and Taiwan (in progress) and local partnerships in China, South Korea, Thailand and Vietnam.
- The business has continued to expand its relationship with strategic accounts including Vodafone. We have a total of six strategic accounts where these strategic accounts use our services for their own customers and typically bill more than \$100k pcm (or are expected to reach this figure over time). We expect to grow the number of strategic accounts over time.
- Our key partnership with Vodafone Group continues to have a positive trajectory. We continued to grow our business with Vodafone in FY24 and expect further growth in FY25. We also expect to close some key deals in the near term.

STRATEGY

- We see growth opportunities in all of our business areas. Domestically we are focussing on the corporate mid-market sector and see opportunities to cross-sell our secure modern workplace solutions to our wider customer base of circa 5,000 customers.
- We are working to expand our partner program, strategic alliances and channels to market in Australia and the Asia Pacific region.
- Our footprint and licence expansion in the Asia Pacific is opening up opportunities with other wholesale customers. We intend to leverage this significant Asia Pacific footprint to provide unified communications, collaboration and secure modern workplace solutions to MNCs operating across the region.
- We are working on a digital transformation program to implement common Group wide processes and systems with the goal of moving to a common platform and a single brand over time.
- We also have a key focus on cash generation and generating strong shareholder returns, with a goal of increasing operating and free cash flow generation over time.
- We will explore strategic growth opportunities where appropriate in order to increase scale and add additional capabilities.

DIVIDEND REINVESTMENT PLAN

The Company has established a dividend reinvestment plan (DRP) which allows Shareholders to acquire additional Shares by reinvesting dividends paid to that Shareholder. At the time of declaring a dividend, the Company will determine whether the DRP will apply to such dividend. The key features of the DRP are outlined in Appendix A (attached).

OUTLOOK

- We are targeting Group organic revenue growth in FY25 of 5% to 10%.
- Our FY25 underlying EBITDA target is \$7m+ and we will provide further guidance throughout FY25.

RESULTS BRIEFING

Comms Group CEO Peter McGrath, and CFO Matthew Beale will host a webinar to discuss the half year results on Wednesday 21st February at 11:30am (AEDT). Please note that the webinar will be recorded, and a copy will be made available on Comms Group's website shortly after it is completed.

Webinar link: <https://bit.ly/3WFUFjI>

Investors are invited to submit questions prior to the webinar to <https://commsgroup.limited/feedback> or do so via the Q&A function on Zoom.

Authorised for release by the Board of Comms Group Limited.

ENDS

FOR MORE INFORMATION

Peter McGrath
Chief Executive Officer
investors@commsgroup.limited

Matthew Beale
Chief Financial Officer
matthew.beale@commschoice.com

ABOUT COMMS GROUP

We enhance business agility through innovative cloud-based communications and secure modern workplace solutions.

Comms Group provides a full range of advanced communications, collaboration and IT solutions from the Cloud. We specialise in the delivery of secure modern workplace IT solutions, managed services, cloud hosting, cloud communications, CPaaS and UCaaS, delivering reliable and scalable technology solutions to empower businesses.

Cloud Communications and Collaboration (Next Telecom)

Cloud communications service provider to Australian SME & corporates with award winning customer service. Key offerings include unified communications solutions including Microsoft Teams Calling, value added services, cloud business phone/hosted PBX, inbound/toll-free services, mobile services, extensive connectivity solutions including fibre and NBN broadband, SD-WAN and secure firewall services.

Secure Modern Workplace Solutions (onPlatinum)

Award-winning IT & Cloud Services Managed Service Provider supporting corporate customers' ICT needs. We assist mid-market businesses with tailored solutions for enhanced productivity, security, and efficiency. Our proactive IT support and flexible cloud solutions drive your business forward, while multi-layered protections keep your data and systems secure. We work closely with our customers to create a secure, modern workplace where their organisation can thrive.

Global UCaaS and Wholesale (Comms Group Global)

Specialist UCaaS for international business and CPaaS for wholesale customers with global network reach. With our cloud-based network and expertise in Microsoft Teams, Cisco Webex and SIP, we offer fully managed services and PSTN replacement services in over 65+ countries. We provide global MNCs seamless international unified communications solutions over a reliable global network with the latest product solutions and high levels of technical knowledge and global 24x7 support.

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Appendix A

Comms Group Limited (ACN 619 196 539) - Key Features of Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan (DRP) which allows Shareholders to acquire additional Shares by reinvesting dividends paid to that Shareholder. At the time of declaring a dividend, the Company will determine whether the DRP will apply to such dividend.

The key features of the DRP are outlined below:

| Term | Description |
|---|--|
| Eligible participants | <p>All Shareholders with a registered address in Australia or New Zealand (or any other jurisdiction permitted by the Directors) are eligible to participate in the DRP.</p> <p>Eligible DRP participants should complete a DRP application form, which can be obtained from the Company's Share registry.</p> <p>Eligible DRP participants may participate in the DRP at any time and participation will commence with the first dividend paid after receipt of a valid DRP application form.</p> <p>Shareholders may elect to participate in the DRP in full or in part.</p> |
| Optional participation | <p>Participation in the DRP is optional.</p> |
| Securities | <p>Shares issued or transferred to an eligible DRP participant will rank equally in all respects with the Company's existing Shares on issue.</p> <p>The number of Shares to be issued or transferred to each eligible DRP participant depends on the value of the dividend declared. The number of Shares issued or transferred will be the value of the dividend entitlement divided by the issue price, rounded down to the nearest whole number of Shares.</p> |
| Issue price | <p>Shares issued or transferred to participants will be issued or transferred at a price per Share equal to the volume weighted average market price of Shares sold on ASX during the five trading days commencing on the trading day following the relevant record date.</p> |
| Costs | <p>No brokerage or other transaction or administration costs are payable by Shareholders on Shares issued or transferred under the DRP.</p> |
| Variation or withdrawal from DRP | <p>Shareholders may vary their level of participation or withdraw from the DRP at any time by completing a DRP form and providing this form to the Company's Share registry.</p> |
| Quotation | <p>The Company will make an application promptly after each issue of Shares for quotation of those Shares on ASX.</p> |