

Coffee Microcaps – Presentation

FY24 Full Year Results Update

6 September 2024

commsgroup

Global Cloud Communications

COMMS GROUP LIMITED (ASX: CCG)

www.commsgroup.limited

This document has been approved by the Board of Comms Group Limited

Who are we?

- Comms Group Limited is a specialised “cloud” communications and managed IT services provider to businesses.
- Listed on the Australian Stock Exchange (ASX:CCG) in 2017.
- The Company is headquartered in Sydney Australia with operations in Melbourne, Gold Coast, Singapore, London and the Philippines with extensive coverage across the Asia Pacific.
- We provide services to businesses, Enterprise and Government as well as wholesale services to domestic and international telcos and IT services companies.
- We have a key focus on cash generation and generating strong shareholder returns.
- We have 3 key divisions:
 1. **Cloud Communications & Collaboration** for domestic SME and Corporates
 2. **Secure Modern Workplace Solutions** – ICT Services for domestic Corporates
 3. **Global Unified Communications services for global Enterprises & Wholesale Voice Services** for global telcos and large application service providers.

FY24 Key Highlights

FY24 has been a significant year for Comms Group with record **Revenue and EBITDA**

- Total revenue of \$55.5m (exceeding guidance) & underlying EBITDA of \$6.6m (in line with guidance) – over 90% of revenue is recurring.
- Our key focus on cash generation has seen operating cashflow increase 150% to \$3.8m and free cashflow increase nearly 200% to \$3.5m.
- New sales contracts of \$7.5m in new ARR¹.
- Continuing to expand relationship with strategic accounts² (including Vodafone Group PLC) in Australia and the Asia Pacific.
- Previous synergy work with prior acquisitions has been successful, delivering overall Group Gross Margin of over 47.5%.
- Significant achievement in FY24 with granting of voice-licences across the Asia Pacific allowing us to provide services to Multi-National Corporates (MNCs) in 13 countries across the Asia Pacific.
- **Inaugural dividend of 0.25c (\$0.0025) per share declared in Aug-24, fully franked.**

¹ Annual recurring revenue

² Strategic accounts use our services for their own customers and typically bill > \$100k pcm (or are expected to reach this figure over time).



commsgroup
Global Cloud Communications

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

About us

Cloud Communications & Collaboration

Cloud communications service provider to Australian SME & corporates with award winning customer service.

next:
telecom
a commsgroup business

Secure Modern Workplace Solutions

Award-winning IT & Cloud Services Managed Service Provider supporting corporate customers' ICT needs.

onPlatinum
a commsgroup business

Global UCaaS & Wholesale

Specialist Unified Communications as a Service (UCaaS) for international business and Communications Platform as a Service (CPaaS) for wholesale customers with global network reach.

commsgroup
GLOBAL

Note: Refer glossary for definitions.

• Located across Sydney, Melbourne, Gold Coast, Singapore, Philippines, UK

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Global Expansion and International Licences Update

Comms Group is a key provider of unified communications as a service (UCaaS) for global businesses.

We also provide wholesale voice CPaaS services (SIP trunks, DIDs, local voice termination) across the Asia Pacific region for global telcos and OTT (Over the Top) providers inc. CPaaS and CCaaS providers

Our Goal is to be the leading provider in the Asia Pacific region for both CPaaS and UCaaS (unified comms) offerings.

Significant work undertaken in FY24 on regional expansion with local voice licences now 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**.

Recently we added Points of Presence in **South America (Brazil)** and **South Africa**.

FY24 Financial Highlights

In 2024, we delivered solid growth in **Revenue and EBITDA** and a significant improvement in **Operating and Free Cash Flow**



Revenue



**Up 7% on PCP
to \$55.5M**



**Gross
Profit**



**Up 9% on PCP
to \$26.3M**



**Underlying
EBITDA¹**



**Up 36% on PCP
to \$6.6M**



**Operating
Cashflow**



**Up 153% on PCP
to \$3.8M**



**Free
Cashflow**



**Up 192% on PCP
to \$3.5M**

¹Underlying EBITDA excludes net interest, tax, non-cash share LTIP costs, rent, depreciation, amortisation, business acquisition, integration, restructuring and non-recurring costs.

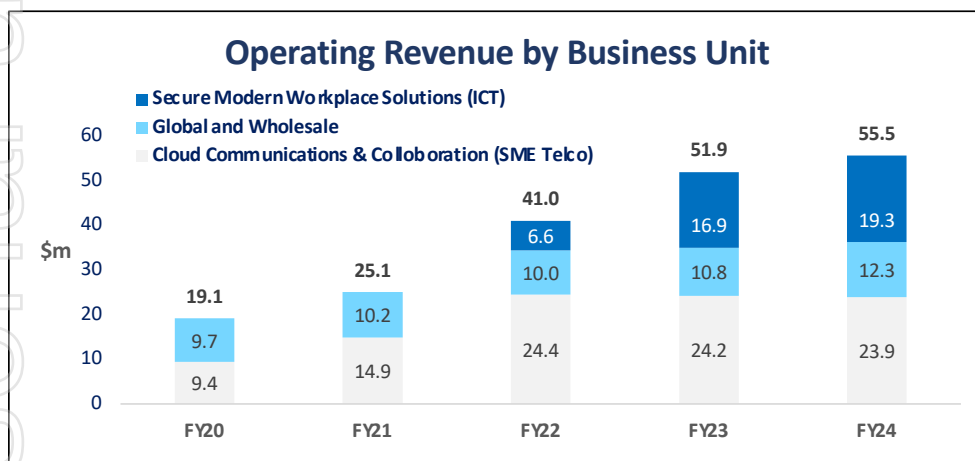
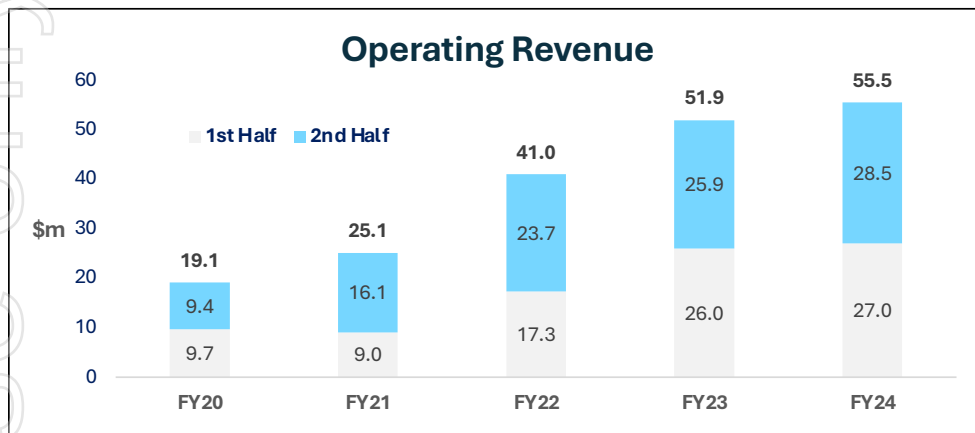
Financial Performance FY24

- **Total revenue increase** of 7% over FY23 all from organic growth.
- **Group gross margin increased** to 47.5% from 46.6% in FY23.
- **Operating expenses held largely flat** despite investing in a number of Global sales and operations positions.
- **Overall increase in revenue** from H1 to H2 FY24.
- **EBITDA increase** from H1 to H2 FY24.

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

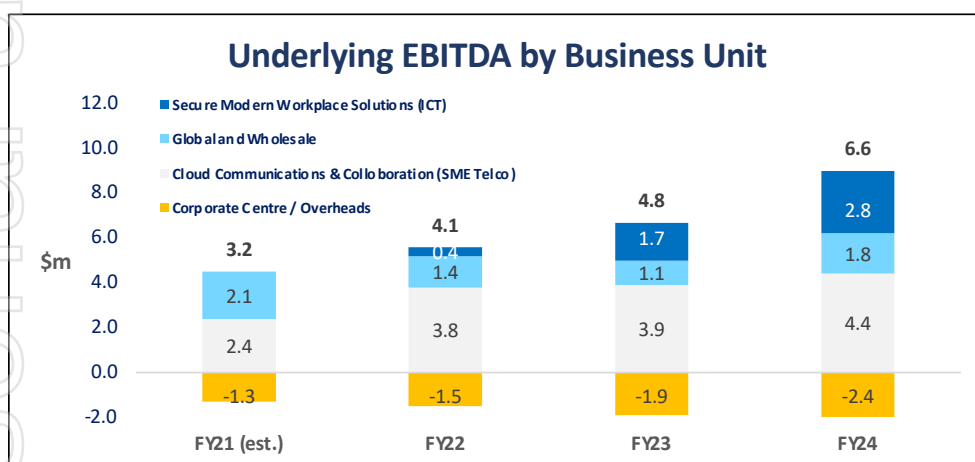
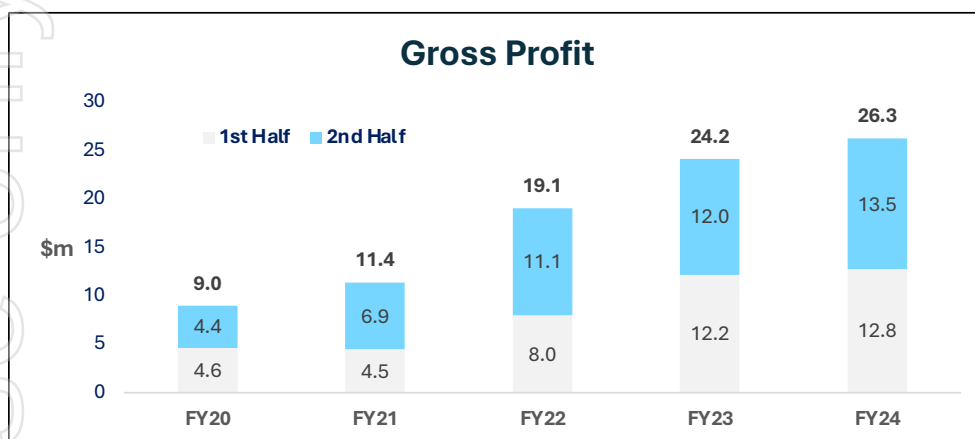
\$M	FY23	FY24
Operating Revenue	51.9	55.5
Cost of Sales	(27.7)	(29.1)
Gross Profit	24.2	26.3
Gross Margin %	46.6%	47.5%
Operating expenses*	(19.6)	(19.7)
Underlying EBITDA	4.8	6.6
Non-recurring items & share incentive costs	(2.9)	(2.4)
Depreciation & amortisation	(3.1)	(3.4)
Net interest	(1.0)	(0.9)
Operating Profit before tax	(2.2)	(0.1)
Plus Other Non-operating Income	2.7	0.2
Profit before tax	0.5	0.1
Income tax	(1.1)	(0.2)
Net Profit After Tax	(0.6)	(0.1)

Financial Performance Over Time



- **Solid revenue increase** in FY24 from organic growth.
- **All business units saw growth in revenue** in the 2nd half c.f. the first half.
- **Secure Modern Workplace Solutions** had a strong year with continued strong interest in its best-of-breed hybrid cloud, managed ICT and enhanced security solutions.
- **Cloud Communications & Collaboration** was able to maintain revenues despite market pressures with an increase in the 2nd half from a **major client win**.
- **Global & Wholesale** saw good growth in revenue in the year with additional revenue secured from the Vodafone key account.
- Increasing **cross-sell of secure modern workplace solutions** to existing telco customers delivering on the expected synergies.

Financial Performance Over Time (cont)

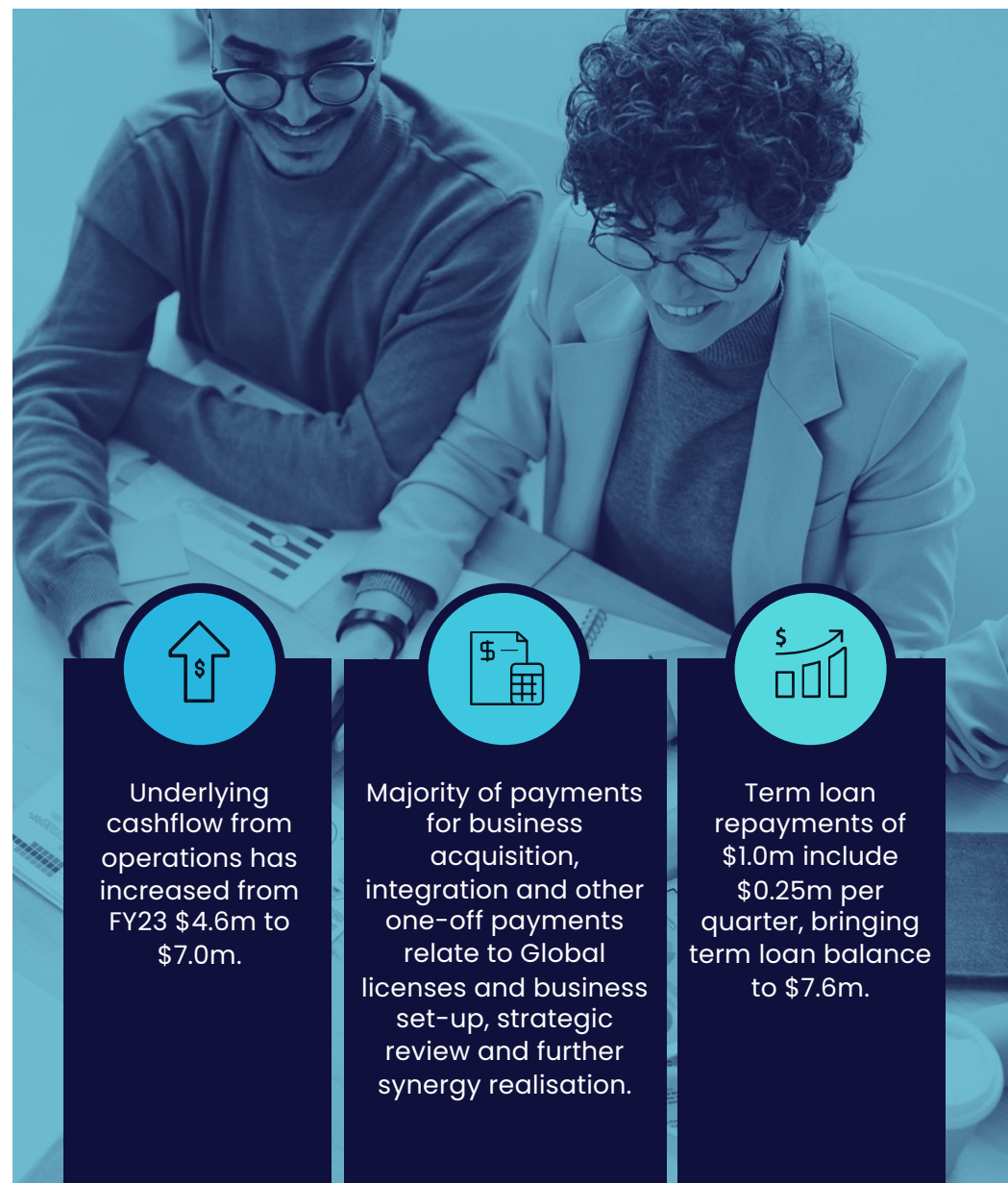


- Substantial increase in overall gross profit in FY24.
- Gross profit also benefited from organic revenue growth via new customer wins, targeted price increases and product and services cross-sell.
- Continued strong focus on managing and rationalising supplier costs also assisted gross profit improvements.
- 2nd half gross profit saw a sizeable increase over 1st half.
- Since acquisition, Secure Modern Workplace Solutions (onPlatinum), has continued to produce EBITDA growth year-on-year, which is expected to continue.
- All business units demonstrated growth in gross profit and EBITDA in the year.

Cash Flow

\$M	FY23	FY24	
Underlying operating cashflows	4.6	7.0	 +52%
Less: payment of business acquisition, restructuring, integration & other one-off expenses	(1.7)	(1.8)	
Less: income tax paid	(0.3)	(0.3)	
Less: lease (inc rent) payments	(1.1)	(1.1)	
Operating Cash Flow	1.5	3.8	 +153%
Less: Capex	(0.3)	(0.3)	
Free Cash Flow¹	1.2	3.5	 +192%
Less: net Interest paid	(0.7)	(0.8)	
Less: investing activities	(1.9)	-	
Plus: proceeds from bank borrowings	1.3	-	
Less: term loan repayments	(0.8)	(1.0)	
Cash Flow Movement	(1.0)	1.7	 +270%
Opening cash	2.9	1.9	
Closing cash	1.9	3.6	 +90%

¹ **Free Cash Flow** is defined as Operating Cashflow (Net Cash from Operations less Interest on finance facility) less Capex





Underlying cashflow from operations has increased from FY23 \$4.6m to \$7.0m.



Majority of payments for business acquisition, integration and other one-off payments relate to Global licenses and business set-up, strategic review and further synergy realisation.



Term loan repayments of \$1.0m include \$0.25m per quarter, bringing term loan balance to \$7.6m.

Balance Sheet

Balance sheet continues to strengthen. Net assets increasing to \$31.8m.

Cash at bank increased to \$3.6m from \$1.9m FY23

Working capital including cash on hand but excluding borrowings has increased from \$0.8m in FY23 to \$2.2m.

Total Intangibles including Goodwill \$41.7m with significant margin between assessed and book values.

CBA term loan reduced to \$7.6m. Covenant testing indicates significant margin to minimum requirements. CBA facilities renewed until August 2026.



\$M	30 June 2023	30 June 2024
Cash	1.9	3.6
Working Capital (current assets less current liabilities but exc. borrowings)	0.8	2.2
Current borrowings	1.0	7.6
Non-Current Assets	48.1	44.8
Non-Current Liabilities	16.5	7.6
Net Assets	31.2	31.8

Inaugural Dividend Declared

- A key focus of the business is on cash generation and generating strong shareholder returns.
- Comms Group is pleased to declare an inaugural dividend of 0.25 cents (\$0.0025) per share, fully franked.
- We have also introduced a Dividend Reinvestment Plan (DRP) that will be in operation for the inaugural dividend.
- Key dates as follows:

• Ex-dividend Date	27 September 2024
• Record Date	30 September 2024
• Last Date for DRP Elections	1 October 2024
• Cash Payment Date	16 October 2024
• Share Issue Date under the DRP	16 October 2024

Comms Group Limited

Strategy & Outlook



Strategy

To become a leading cloud communications, collaboration and secure modern workplace solutions provider across the Asia Pacific region

- A strong focus on the corporate mid-market sector domestically.
- Cross-sell of secure modern workplace solutions to our wider customer base of circa 5,000 customers.
- Expand our partner program, strategic alliances and channels to market in Australia and the Asia-Pacific region.
- Expand relationship with strategic accounts to include additional products and services and expand geographical reach. Plan to add additional strategic accounts over time.
- Leverage our significant Asia-Pacific footprint to provide unified communications, collaboration and secure modern workplace solutions to MNCs operating across the region.
- Digital transformation of the business to implement common Group-wide processes and systems with the goal of moving to a common platform and "One" business over time.
- Increasing operating and free cash flow generation and improving shareholder returns.
- Strategic growth opportunities where appropriate in order to increase scale and add additional capabilities.

Group Outlook



Targeting Group organic **Revenue** growth in FY25 of **5% to 10%.**



FY25 Underlying EBITDA target
\$7.0m+



Targeting increase in operating cashflow and improvement in FCF conversion to generate strong shareholder returns.



Business exploring strategic growth opportunities.



Contact Us

Investor Website
www.commsgroup.limited

Enquiries
www.commsgroup.limited/feedback

Glossary

Term	Definition
Cloud Communications	The provision of key communications services from cloud servers based in data centres and over high speed internet connections.
Cloud PBX, Cloud Phone, Hosted PABX	A cloud PBX functions the same as an in office PABX but is hosted in a cloud server accessed via the internet. This is becoming the preferred option for providers and customers today. Comms Group operates a global Cloud Phone network.
Corporate mid-market	For Comms Group, this is larger organisations with typically 500+ employees and monthly spend (MRR) of typically > \$5,000.
CPaaS	Communications Platform as a Service is a cloud-based platform that enables developers to add real-time communications features to their own applications without needing to build backend infrastructure and interfaces. Comms Group provides call termination (SIP Trunks), telephone numbers and management across multiple geographies.
CTS	Call Termination Services – provision of a service by wholesale service providers to terminate voice calls in different markets or countries and on to different networks such as mobile and fixed voice networks.
Data Service	A broadband service that delivers voice, video and data over a private network or the Internet. NBN and fibre optic services are the most common forms of data services in the SME and corporate mid-market. Comms Group operates a domestic Layer 2 (data) and Layer 3 (internet) network with key Points of Presence (PoPs) in Sydney, Melbourne & Brisbane and aggregates a range of layer 2 wholesale access services.
Enterprise	For Comms Group, this is organisations with typically > 1,000 employees and operating multi-nationally as an MNC.
Fibre (optic)	Use of fibre optic networks to carry digital signals (data) via light transmission at very high speeds, transforming the telco and cloud services market globally.
ICT	Information Communication Technology is an umbrella term that covers the wide range of IT services and Communications services provided to businesses.
MNC	Multi-national corporate whereby the corporation has offices, facilities and assets in multiple countries.
MRR	Monthly recurring revenue is the monthly recurring annuity style revenue received from customers.
NBN	Australia's national broadband network, which is a wholesale open access data network, replacing older copper and cable broadband with optic fibre networks, high speed switches and other technologies.
PABX	A typically in-house telephone switching system that interconnects telephone extensions to each other as well as the outside telephone network known as the public switched telephone network (PSTN).
SD-WAN	A software-defined wide-area network (SD-WAN) uses software-defined network technology, such as communicating over the Internet with encryption between an organisation's locations. Allow companies to build higher-performance WANs using lower-cost and commercially available Internet access. SD-WAN is replacing traditional data networks such as MPLS.
SIP	Session Initiation Protocol – being the standard IP telephony signalling protocol used to manage voice calls over the internet.
SME	For Comms Group, this is small to medium enterprise businesses typically up to 500 employees.
Unified Communications (UCaaS)	A communications delivery model based on the cloud, providing key communications services including telephony (voice), video, messaging, chat, collaboration, document storage supporting teamwork, agility, mobility and work from anywhere. Comms Group is a leading provider of MS Teams calling with a global network and offering.

Appendix – Our Products and services

Comms Group empowers businesses worldwide with a comprehensive, cutting-edge suite of communications and technology solutions across key market segments.



Cloud Communications and Collaboration

- Industry leader in Microsoft Teams Calling
- Full suite of Teams VAS inc. call recording, contact centre & analytics
- Modern cloud business phone/hosted Private Branch Exchange (PBX)
- Inbound 13/1300/1800 services
- 5G Mobile & Broadband
- Full range of broadband solutions including NBN (TC4 & EE), Fibre Ethernet, MPLS and Point-to-Point.
- Multi-Carrier diversity via our own national network plus Layer 3 offerings.
- SD-WAN and Secure Firewall Solutions



Secure Modern Workplace Solutions

- 24x7 IT Managed services (structured and productised offering)
- Modern Workplace solutions
- Provision of ICT hardware
- Security services inc. Fortinet
- Cloud based services (Azure, private cloud)
- Own our own Cloud Infrastructure as a Service (IaaS) Virtual Server cluster
- Desktop as a service
- Backup as a service
- Managed telephony & data services



Global UCaaS & Wholesale

- Global Microsoft Teams & Cisco Webex calling solutions to enterprise.
- Focus on Global MNC's to enable VAS solutions including Contact Centre, Call Recording, Call Analytics, SMS Messaging
- White-label UCaaS and CPaaS solutions to global carriers and contact centres with fast-enablement and managed services
- SIP Trunking and Call Termination Services (CTS) across APAC and Europe
- Global DIDs in more than 65+ countries with geographic and toll-free options.
- 24x7 Global NOC and support
- Extensive Global Network with APAC focus

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