

1st Half FY23 Results Presentation

22 February 2023

COMMS GROUP LIMITED (ASX: CCG)

<https://commsgroup.limited>

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

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Company Overview

Comms Group at-a-glance

A leading B2B provider of cloud-based communications and managed IT services to businesses

**We service our customers via
three key divisions**

**We enhance
business agility
through innovative
cloud-based
communications
and IT solutions**

next.[®]
telecom
a commsgroup business

Telco service provider to Australian SME & corp. mid-market sectors (<1,000 employees) with the latest products and award winning customer service.

www.nexttelecom.com.au

commsgroup
Global Cloud Communications
Global

Specialist UCaaS and CPaaS provider to Wholesale, Enterprise and Global MNCs (>1,000 employees) with global network reach.

<https://commsgroup.global>

onPlatinum
a commsgroup business

Award-winning IT Managed Service Provider supporting corporate customers' ICT needs, focusing on innovation and developing long-term relationships.

<https://onplatinum.com.au>

- Located across Sydney, Melbourne, Gold Coast, Singapore, Philippines, UK
- Refer <https://commsgroup.limited/managementteam> for management team

Note: Refer glossary for definitions.



Financial Highlights

Key financial highlights

Continued trend in growing revenue and underlying EBITDA

H1 FY23
Revenue

Up 50%
vs pcp to \$26.0m

H1 FY23
Underlying EBITDA¹

Up 16%
vs pcp to \$2.3m

H1 FY23
Gross Profit

Up 54%
vs pcp to \$12.2m

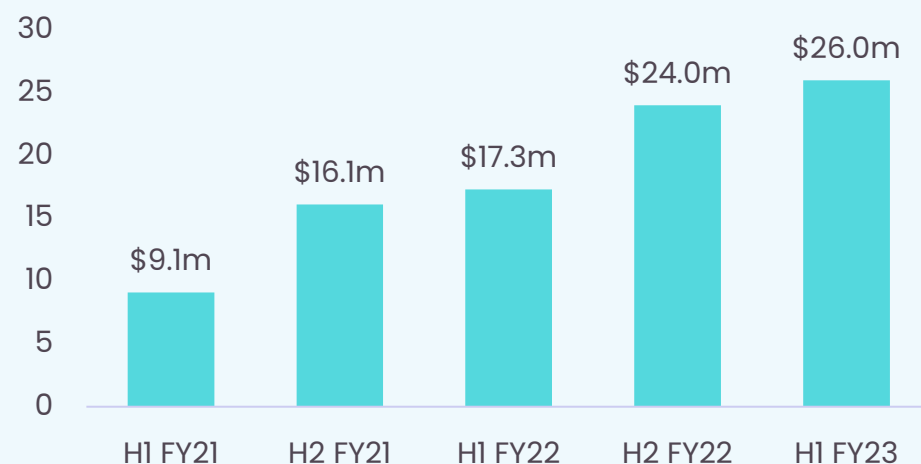
H1 FY23
Gross Margin

47%

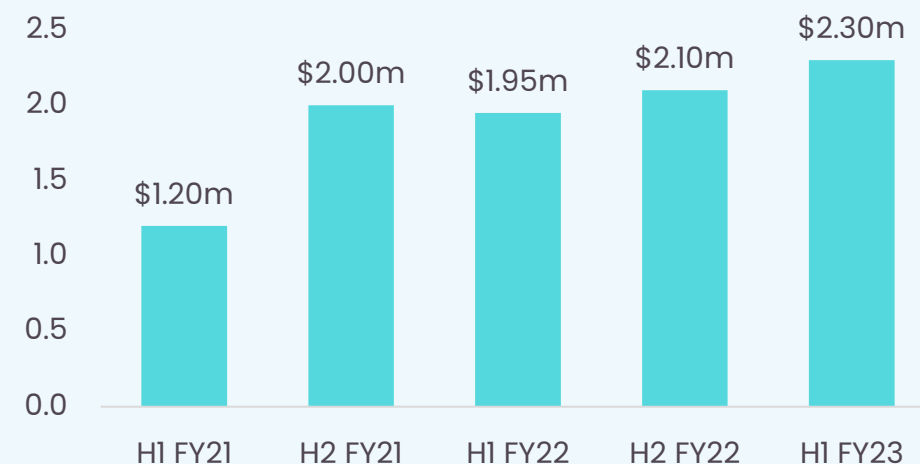
¹ Underlying EBITDA excludes net interest, tax, non-cash share LTIP costs, rent, depreciation, amortisation, business acquisition, integration, restructuring and non-recurring costs.

Continued growth of the business

Total Revenue



Underlying EBITDA¹



Continued revenue growth, increasing margins and solid EBITDA performance

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

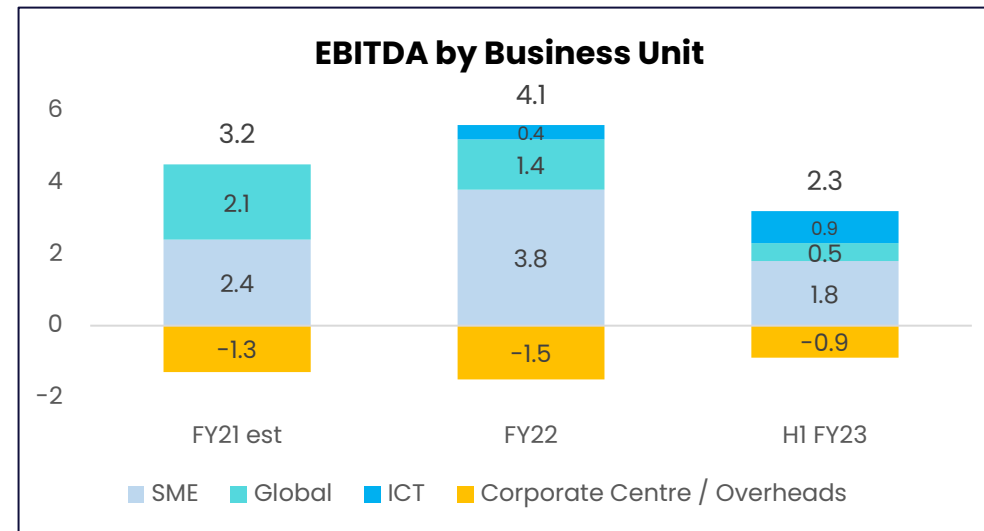
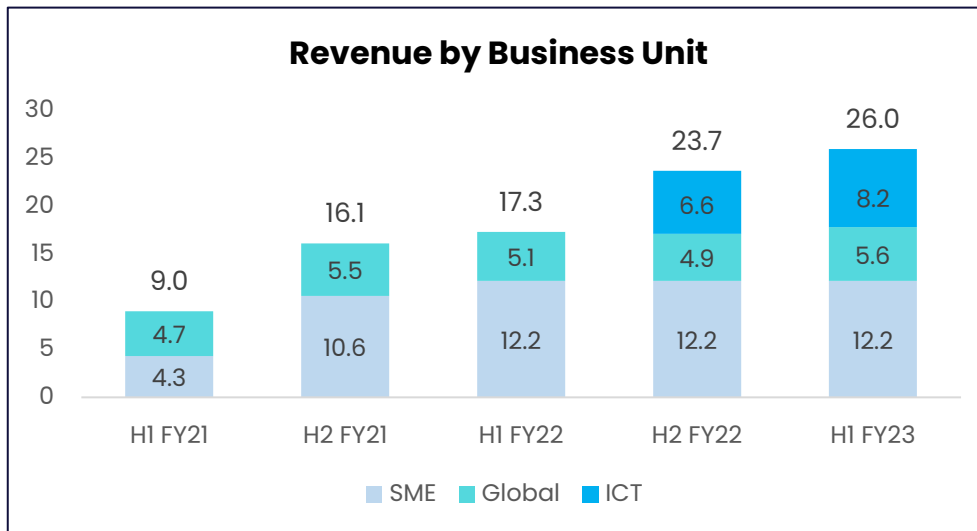
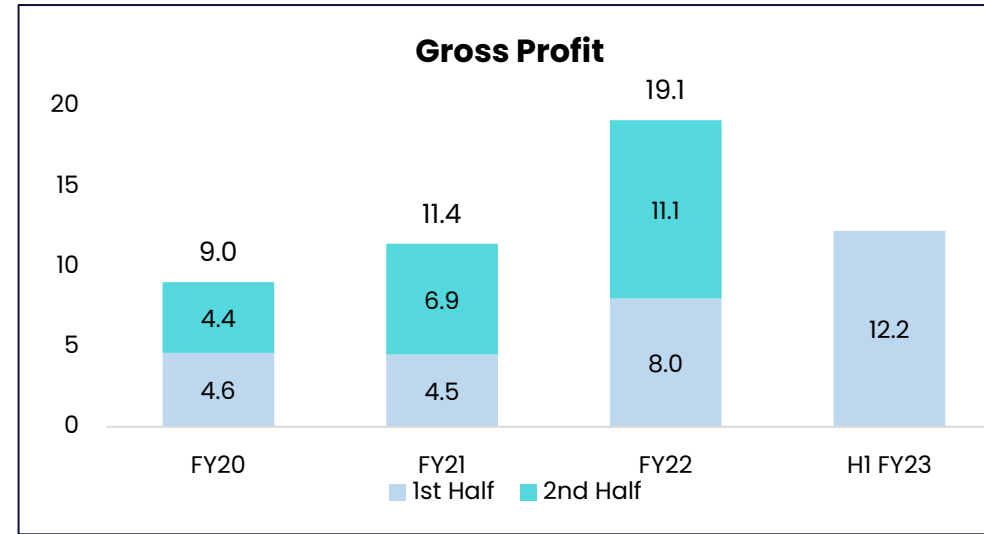
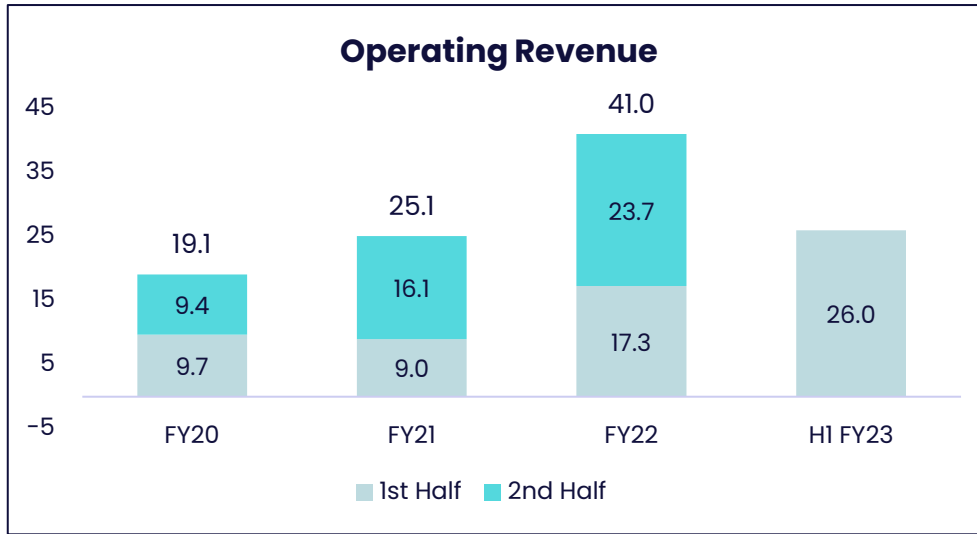
Financial Performance 1H FY23

- Gross Margins overall increased to 47% including acquired businesses for the full period.
- Doubtful debts have been kept to a minimum with little impact on collections.
- Opex costs increased by \$3.8m to \$9.9m, \$3.5m of which is accounted for by the inclusion of onPlatinum for the full period.
- Other Opex cost increases, which resulted in reduced EBITDA margins included:
 - Investment in new business development (sales), management & operations staff.
 - IT costs inc. global IaaS hosting costs and SaaS related development costs.
 - Increases in some corporate costs.

\$M	H1 FY22	H1 FY23
Operating Revenue	17.3	26.0
Cost of Sales	(9.4)	(13.8)
Gross Profit	8.0	12.2
Gross Margin (group)	46%	47%
Operating expenses	(6.1)	(9.9)
Underlying EBITDA	1.9	2.3

*Operating Expenses exclude business acquisition, integration and restructuring costs and share based payments

Financial performance over time



Cash Flow

\$M	H1 FY22	H1 FY23
Underlying operating cashflows	1.4	1.1
Less: Payment of business acquisition, restructuring, integration and one-off costs	(0.6)	(0.5)
Net cash from operations	0.8	0.6
Plus: net proceeds from borrowings	-	1.0
Less: rent (lease) payments	(0.2)	(0.6)
Less: net investing activities	(3.9)	(2.1)
Net cash inflows	(3.3)	(1.1)
Opening cash	5.5	2.9
Closing cash	2.2	1.8

- Underlying operating cashflow \$1.1m.
- Net proceeds from borrowings includes \$1.3m term loan drawdown to fund OnPlatinum Tranche 2 payment and loan repayments of \$0.3m.
- Investing activities include \$1.0m Tranche 2 payment for onPlatinum and final payment for Switched On of \$0.5m.
- Expectation is that business continues to be fully funded for current growth profile with no additional capital needed. Group continues to generate positive cashflows moving forward.

Balance Sheet

- Strong balance sheet, net assets \$32.3m representing an increase of \$2.3m since 30 June 22.
- Cash of \$1.8m at 31 Dec 22 post the final acquisition payment of \$0.5m for Switched On and Tranche 2 payment for onPlatinum of \$1.0m.
- \$9.1m debt at 31 Dec 22 amortising at \$1.0m per annum.
- Intangible assets \$44.6m a decrease of \$1.1m from 30 June 2022.
- Carried forward tax losses of \$1.4m.

\$M	30 June 2022	31 Dec 2022
Working Capital (current assets less current liabilities)	(4.4)	(0.2)
Non-Current Assets	51.6	49.4
Non-Current Liabilities	17.2	16.9
Net Assets	30.0	32.3



Business Update

Business Update



OVERALL PERFORMANCE

- ✓ Businesses continues to see good customer demand.
- ✓ Additional staff hires and some opex increases being experienced in order to support growth initiatives.
- ✓ Some additional one-off legal and bus dev't costs of circa \$0.3m to \$0.4m incurred in period.



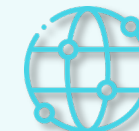
STRONG NEW SALES

- ✓ Continuing strong new sales levels - tracking to FY22 levels or better.
- ✓ New sales contacts signed for 6 mths to end Sept-22 of \$4.5m ARR.
- ✓ Strong Jan-23 new sales of \$0.5m ARR.



INVESTING FOR FURTHER GROWTH

- ✓ ONP earn out ended 31 Dec 22 - don't expect further consideration payable at this stage.
- ✓ Synergy plan commencing. Expect original business case of \$2m EBITDA to be achieved from base business + synergies.
- ✓ Plan formulated for Next-ONP co-sell synergies
- ✓ Significant work undertaken last 6 months on Asia Pac strategy inc. expansion & licences in 6+ countries.



KEY CUSTOMER WINS GLOBALLY

- ✓ Some good wins with global carriers and global contact centre providers YTD.
- ✓ Three new large Asia Pacific carrier partnerships established.
- ✓ Solid progress made with Vodafone with some new initiatives underway. Expect to see solid increases in revenue commencing in CY23

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

Comms Group strategic imperatives

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Extend our services in the corporate mid-market sector with a full ICT service offering



Become a key UCaaS and CPaaS provider throughout APAC region and globally to wholesale & enterprise sectors



Grow to scale organically and via acquisitions to over \$100m revenue with commensurate increase in profitability



Expand domestically to become a national provider

Outlook



FY23 Revenue is
expected to be
\$50m+



Expect to start to
see some solid
growth in Global
division from
Vodafone &
other Partners



FY23 Underlying
EBITDA is expected
to be
\$5m+



We expect to
also continue to
grow via
strategic
acquisitions as
appropriate M&A
opportunities
arise.

“We are singularly focussed on continuing our growth journey and enhancing business agility through innovative cloud communications solutions for targeted businesses globally.”

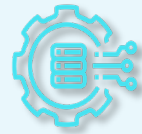
Appendix 1 – Products and services

A full telco & ICT product suite and leading position as a global unified communications provider



Voice services

- Replace legacy ISDN/PABX lines
- Move traditional “in-office” PABX to the cloud
- Advanced cloud business phone/hosted PBX (domestic)
- Global PBX for International offices
- Inbound 13/1300/1800 services
- 4G/5G Mobile & Mobile Broadband



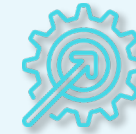
Data services

- High speed fibre-optic based data & internet services
- NBN services inc. NBN Enterprise Ethernet
- Own our own Layer 2 and Layer 3 (ISP) networks
- SD WAN in key capital cities
- Multi-carrier diversity services
- Access to Cloud Services
- Security (Firewall) services
- SD-WAN/Firewall services inc. Velocloud (VMWare) and Fortinet specialisations



Managed IT services

- 24x7 IT Managed services (highly structured and productised offering)
- Provision of ICT hardware
- Security services inc. Fortinet specialisation
- Cloud based services (Azure, VMWare)
- Own our own Cloud IaaS Virtual Server cluster (VMWare)
- Desktop as a service
- Backup as a service
- Managed telephony & data services



Unified Comms Solutions (UCaaS)

- Industry leading Global Microsoft Teams calling (Direct Routing)
- Range of value-added applications
 - Contact Centre
 - Call Recording
 - Call Analytics
 - SMS messaging with integration to MS Teams
- Extensive Asia Pacific offering

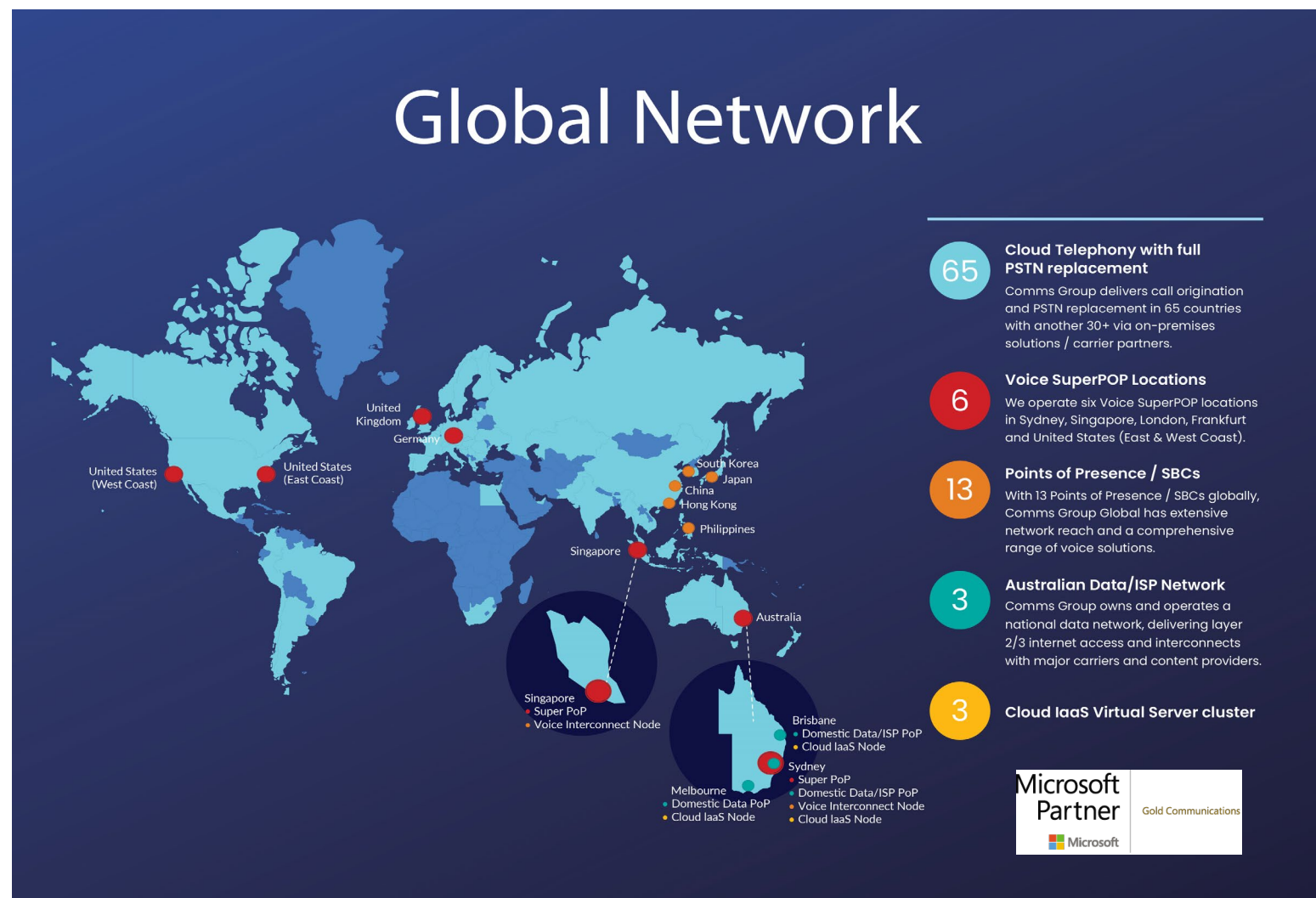


Wholesale/Global

- UCaaS & CPaaS services today
- Global MS Teams calling network
- Global hosted PBX
- SIP Trunks – various countries
- Call Termination Services
- Global DIDs/Telephone numbers provision
- 24x7 Global NOC and support

Appendix 2 – Comms Group global network

- ✓ Comms Group is a leader in Microsoft Teams calling for global businesses.
- ✓ Extensive international network with in-depth Asia Pacific coverage and carrier relationships.
- ✓ Upgraded & expanded capacity of core Global voice network with 6 SuperPOP locations now in place – Sydney, Singapore, London, Frankfurt, US West & US East
- ✓ Continue to expand network capability and capacity in key markets in Asia Pacific
- ✓ Currently finalising adoption of service management portal for key partner clients allowing enhanced deployment of MS Teams calling services



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 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.

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