

ASX: CCG

ASX Release 26 February 2020

CommsChoice Group Limited Half Year Results to 31 December 2019

CommsChoice Group Limited (ASX:CCG) ('CommsChoice') has today released its Appendix 4D and is pleased to present commentary on activities to accompany the lodgement of its financial results for the half year ended 31 December 2019 (1H FY20).

Results Summary

| A\$m | 1H FY20 | 1H FY19 |
|---|---------|---------|
| Revenue | 9.7 | 10.7 |
| Cost of Sales | (5.1) | (5.9) |
| Gross Margin | 4.6 | 4.8 |
| Gross Margin % | 47% | 45% |
| EBITDA | 1.5 | 0.1 |
| Underlying EBITDA ¹ | 1.3 | 0.7 |
| Underlying EBITDA Margin % | 13% | 7% |
| Significant Items (restructuring costs) | - | (0.6) |
| Statutory NPAT | 1.5 | (0.7) |

Note: 1 - **Underlying EBITDA** excludes net interest, non-cash LTIP costs, depreciation and amortization and includes rental expenses in FY2020. 1H FY19 excludes restructuring costs.

Key highlights from CommsChoice's 1H FY20 result include:

- Strong return to profitability with Underlying EBITDA of \$1.3m and NPAT of \$1.5m;
- Revenue of \$9.7m which is \$1m lower than pcp. One off revenue declined by \$1.2m due to higher one-off items from key customer projects in FY19, whilst recurring and usage revenue actually increased by \$0.2m.
- Gross margin increased 2% to 47% due to strong cost management;
- New sales contracts signed adding >\$100k of monthly recurring revenue (MRR);
- Operating cashflow of \$0.4m which includes \$1.0m of restructuring cost payments;
- Developed a strong qualified sales pipeline of upcoming projects; and
- Net cash of \$1.7m as at 31 December 2019.

Commenting on the 1H FY20 results, CEO and Managing Director Mr Peter McGrath, said: "Following a business restructure at the end of FY19, we are very pleased with the progress that has been achieved in the short period to 1HFY20. CommsChoice has beaten its expectations and continues to see strong demand from business and corporate mid-market customers for our products and services."

Operational Highlights

- The restructure announced in late FY19 is now complete and has resulted in CommsChoice being a lower cost and more responsive organisation focused on customer requirements;
- Increased focus on Key Partners and Indirect Sales has worked well and resulted in positive sales and a healthy and growing pipeline of qualified sales opportunities;
- Successful launch of CommsChoice's enhanced website and online ordering capability in December 2019 making it easier for customers to review our product offerings and order new services; and
- Investments made to upgrade our global cloud phone infrastructure and MS Teams Calling media gateways, as well as provision of European and USA deployments for our MS Teams Calling offering.

Business Outlook

CommsChoice has reaffirmed its FY20 guidance for EBITDA of \$1.8m to \$2.2m.

The business is adequately funded to support continued organic growth with net cash at bank and deposits of \$1.7m as at 31 December 2019.

Commenting on the business outlook Mr McGrath said, "We are now fully focused on executing a profitable growth strategy and securing new customers via our key channels to market. The market opportunity remains significant for CommsChoice, with our ability to offer additional value for clients and the latest service offerings in the Unified Communications space.

We are particularly pleased to see the uptake for our MS Teams Calling offering by Australian and overseas corporates and believe we are now one of the leading players in the market today with this offering."

Authorised for release by the Board of CommsChoice Group Limited.

ENDS

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About CommsChoice Group:

CommsChoice Group provides cloud communications for business. The company services mid-tier corporate customers in Australia, Asia and internationally using its cloud based global business phone platform and MS Teams Calling/Direct routing integration combined with innovative SD-WAN technology and fibre and NBN access products.