

ASX: CCG

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Business Update and FY20 Guidance Update

CommsChoice Group Limited (“CommsChoice”) (ASX:CCG) provides an update on guidance for the year ended 30 June 2020 (“FY20”) and business trading conditions.

Highlights

- Updated guidance of FY20 underlying EBITDA¹ of at least \$2.1m and revenue of approximately \$19m;
- Staff continue to successfully work remotely to support the business;
- Current trading remains healthy in spite of COVID-19.

CommsChoice Chief Executive, Peter McGrath commented, “We are extremely pleased to be tracking at the upper end of guidance provided back in August 2019. Despite the wider problems caused by Covid-19, the business remains in good shape with a healthy level of new sales opportunities and solid demand for our services “

The health and wellbeing of our staff and customers remains a key priority of the Company, which as a result of Covid-19, has led to the majority of our staff, both in Australia and the Philippines, continuing to successfully work remotely.

Under these arrangements, we are pleased to advise that the Company continues to operate effectively, supporting all of the Company’s operations and servicing our customers, which is a credit to all our staff.

Update on FY20 Earnings Guidance

The Company has completed a review of full year financial results and the audit of the full year results is currently underway.

Preliminary (unaudited) financial results for FY20 are anticipated to show underlying EBITDA of at least \$2.1m, which is at the upper end of previous market guidance for underlying EBITDA for FY20 of between \$1.8m to \$2.2m.

Revenue for FY20 is anticipated to be approximately \$19m, which is lower than FY19 revenue due predominately to the absence of larger one-off revenue that was experienced in FY19.

¹ **Underlying EBITDA** excludes net interest, non-cash LTIP costs, depreciation and amortization and includes actual rental expenses in 2020.

The Company maintains a strong balance sheet with cash at bank of \$2.4m at 30 June 2020, compared to \$1.6m as at 31 March 2020. The Company has no Debt at 30 June 2020 having repaid all existing facilities and has retained access to an overdraft facility and a lease facility totalling \$1m, which is undrawn.

Business Trading update

CommsChoice targets the market through three key sales channels being:

- *SME (Small to Medium Enterprise)*, typically less than 50 employees with billings of less than \$5,000 per month;
- *Corporate (mid-market)*, typically 50 to 3,000 employees (seats) with billings of \$5,000 to circa \$200,000 per month; and
- *Wholesale & Partners*, customers have billings of \$10,000+ per month.

The Company continues to receive a good level of enquiries and interest from Corporate prospects. Whilst customers are typically taking longer to make buying decisions, due to Covid-19 related issues, we are seeing a good level of interest in our key Unified Communications solutions, particularly Microsoft Teams calling (Direct Routing), which enable our customers to operate their businesses remotely with both video and telephony integration. A number of Proof of Concept (POC) trials are underway with key local government and corporate prospects and these are expected to close shortly.

In the SME segment, we have put significant resources into migrating legacy (ADSL / PSTN / ISDN / Copper based) internet services to new generation services (typically NBN based) over the last 12 months. This is resource intensive and results in lower revenue. However, the bulk of this work has now been completed and attention has turned to new business generation for FY21. We expect to see some lower call volumes in the SME area, particularly in Victoria, as a result of the recent lockdowns.

The Wholesale segment has achieved good sales wins recently in the wholesale CTS (call termination services) and calls areas with key partner customers. We have also experienced strong levels of call volumes in this segment over the last quarter.

The level of total sales wins in the fourth quarter FY20 (June quarter) was lower than the three previous quarters as a result of Covid-19 delays. New sales contract wins in the current quarter are looking positive and are expected to be at strong levels with some good wholesale and corporate (mid-market) deals.

Solid Progress with Restructure and Systems Integration

In FY20, the Company made significant progress towards to a lower cost base and improving the level of our systems automation and integration. We are now at a cost base level for the core business that we are happy with and that will enable us to better cope with the current challenging business conditions.

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We continue to enhance and refine our website, core billing and financial management platforms as well as our CRM, work automation & services ordering systems. As a result, we expect to continue reducing opex costs in these areas whilst improving the level of functionality and integration.

Further updates in relation to this will be provided in the Company's full year results presentation to be released by 31 August 2020.

Authorised for release by the Board of CommsChoice Group Limited.

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About CommsChoice Group:

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

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