

# Financial Year 2020 Results Presentation

**26 August 2020**

CommsChoice Group Limited (ASX: CCG)



# FY20 Financial Highlights

## CommsChoice announces significant increase in profit providing a strong base for future growth

- Full year Underlying EBITDA\* of \$2.3m which is up almost 700% on last year and at the top end of market guidance.
- FY20 total revenue of \$19.3m – lower than FY19 due mainly to some large one-off revenue items booked in FY19.
- NPAT of \$2.6m and Profit Before Tax of \$1.3m.
- Good level of sales contracts signed throughout year
- Customer buying decisions slowed somewhat in late Q3 and Q4. However some excellent prospects emerging now.
- Recent good wins in the UCaaS space with our market leading global Microsoft Teams calling offering. Some key opportunities currently being pursued including offshore.
- Strong balance sheet with cash of \$2.4m as at 30 June 2020. Zero debt and \$1m in undrawn lease and working capital facilities

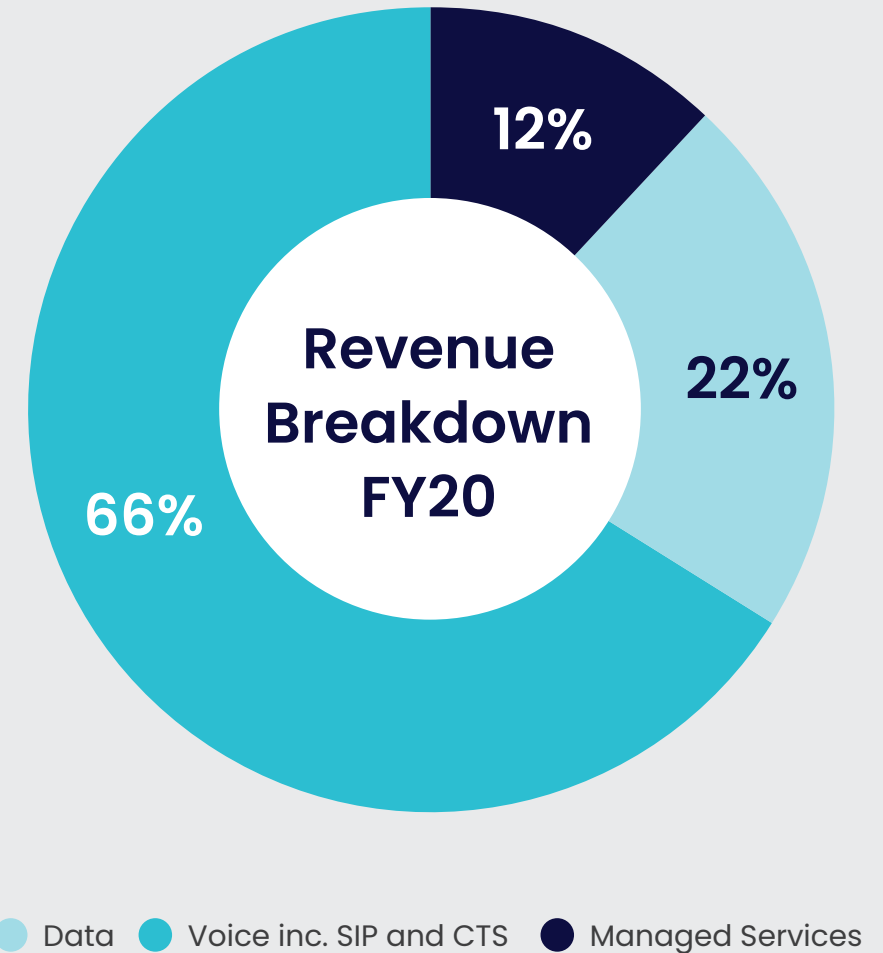
*\*Underlying EBITDA excludes net interest (including interest on rent now accounted for under AASB 16), tax, depreciation and amortization (including amortisation on rent now accounted for under AASB 16), restructuring costs and non-cash LTIP but includes actual rental paid*

# Financial Performance FY20

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\$1M	FY20	FY19
Recurring revenue	18.3	18.8
Up front and hardware/software revenue	0.8	2.2
Other	0.2	0.0
<b>Total Revenue</b>	<b>19.3</b>	<b>21.0</b>
COGs	10.1	12.0
<b>Gross Profit</b>	<b>9.2</b>	<b>9.0</b>
<b>Gross Margin</b>	<b>47.7%</b>	<b>42.9%</b>
Operating Expenses *	7.0	11.4
EBITDA	2.2	-2.4
Finance expenses	0.1	-
Depreciation & amortisation	0.8	18.2
Income tax (Expense) / Benefit	1.3	1.2
<b>NPAT</b>	<b>2.6</b>	<b>-19.4</b>
<b>EBITDA</b>	<b>2.2</b>	<b>-2.4</b>
Add: share based payments	0.1	-
Add: Restructuring costs	0.2	2.7
Less: property rent	0.2	-
<b>Underlying EBITDA</b>	<b>2.3</b>	<b>0.3</b>
<b>Underlying EBITDA excluding rent paid</b>	<b>2.5</b>	<b>0.6</b>

\*Operating Expenses include restructuring costs and share based payments.



# Balance Sheet

\$1M	30-Jun-20	30-Jun-19
Cash	2.4	0.4
Working Capital (current assets less current liabilities)	0.9	-2.2
Non Current Assets	15.1	12.5
Non Current Liabilities	2.0	0.9
<b>Net Assets</b>	<b>14.0</b>	<b>9.4</b>

- C Strong balance sheet – debt free
- C Cash of \$2.4m at 30 June 2020
- C \$1m in undrawn lease & WC facilities
- C DTA of \$0.8m brought on to balance sheet relating to carried forward tax losses of approx. \$3m





# Cash Flow

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\$1M	FY20	FY19
Operating cashflows including rent and capitalised wage payments	2.4	-1.9
Less: payment of restructuring costs	1.4	-
Less: payment of prior year corporate tax	0.3	-
<b>Adjusted operating cashflows</b>	<b>0.7</b>	<b>-1.9</b>
Less Other investing activities	0.2	0.4
Plus other financing activities	1.5	1.0
<b>Net cash inflows</b>	<b>2.0</b>	<b>-1.3</b>
Opening cash	0.4	1.7
<b>Closing cash</b>	<b>2.4</b>	<b>0.4</b>

- Positive cashflow from operations of \$2.4m net of capitalised wages for key systems & network developments
- \$1.9m capital raising (July 2019) via placement & SPP
- \$0.4m in loan repayments



- C CommsChoice is a leading business Telco service provider with a broad product suite servicing SME & corporate customers and wholesale & partner customers.
- C Primarily operating in Australia and increasingly offshore supporting corporate customers and key partners who resell our offerings to their customers.
- C Well positioned to take advantage of strong growth in the corporate ICT market – Technology change, Cloud services (UCaaS) & fast networks (NBN, wireless, SD-WAN).
- C Our broad customer & product set has allowed the business to achieve a:
  - Profitable business – delivered strong EBITDA in FY20
  - Focused go-to-market approach with 3 key channels to market (SME, corporate, wholesale/partners) and a greater focus on customer service
  - Strong base to build future growth through domestic and overseas growth + wholesale partners to strengthen offering and strategic acquisitions
  - Unique IP with a Global POP network for our Global PBX International and Global Microsoft Teams calling offerings targeting multi country corporate customers

**Unified Communications as a Service** – a communications delivery model based on the cloud, that allows companies to access a wide range of applications and services including telephony (voice), video, messaging, chat, collaboration, document storage etc.

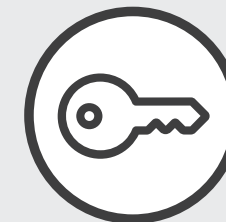
# Product & Customer Examples



## Voice Networks



## Data Network



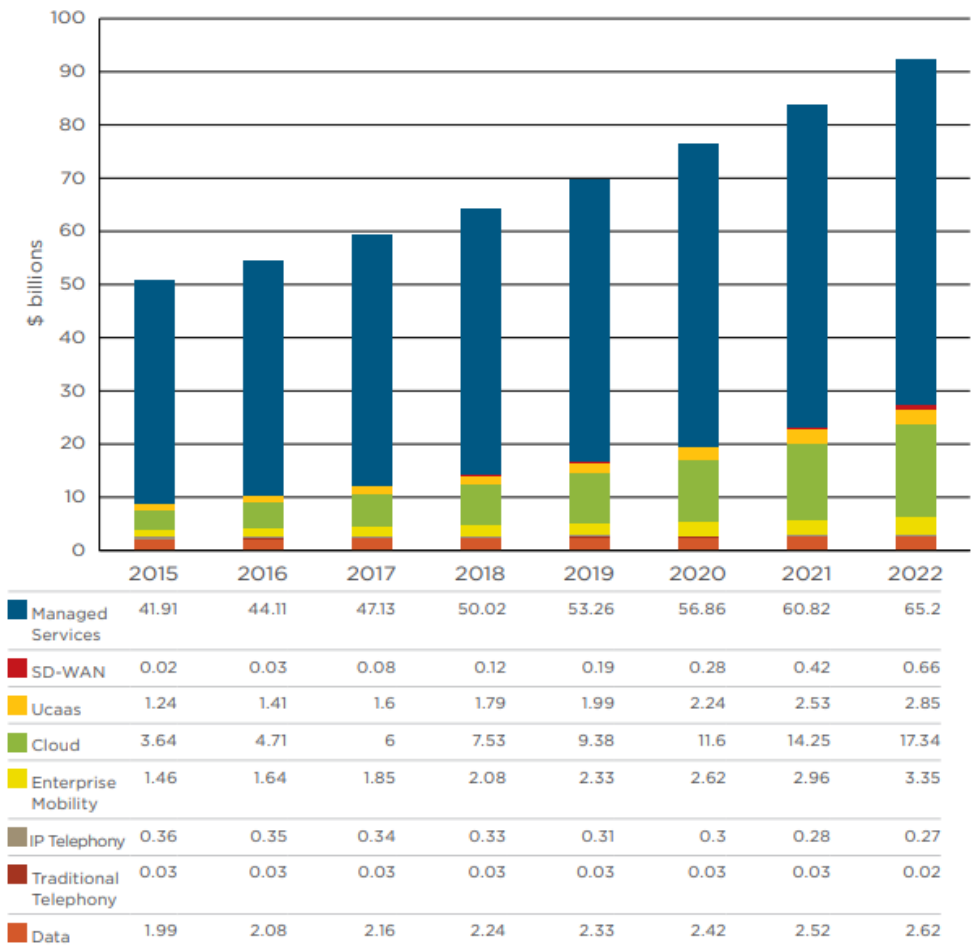
## Managed Services

Services	<ul style="list-style-type: none"> <li>• Replace legacy ISDN &amp; PABX lines</li> <li>• Advanced cloud business phone (domestic)</li> <li>• Global PBX International</li> <li>• Industry leading Global Microsoft Teams calling (Direct Routing)</li> <li>• Inbound 13/1300 services</li> <li>• SIP Trunks</li> <li>• Mobile voice/data plans</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-carrier</li> <li>• Fibre, NBN</li> <li>• NBN Enterprise Ethernet</li> <li>• Simplify networks</li> <li>• Connect to the cloud</li> <li>• Mobile data plans</li> </ul>	<ul style="list-style-type: none"> <li>• SD WAN</li> <li>• Design, Deliver, Ongoing Management and Support</li> <li>• High availability, redundancy, greater control</li> <li>• Better access to Cloud services</li> </ul>
Example Corporate and SME customers	<ul style="list-style-type: none"> <li>• National childcare operator</li> <li>• Major local Govt organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Large charity</li> <li>• Regional corporate multi sites</li> </ul>	<ul style="list-style-type: none"> <li>• Large not for profit organization</li> </ul>
International	<ul style="list-style-type: none"> <li>• Global cloud contact centre providers</li> <li>• Technology services Co, global offices</li> </ul>		
Est. Revenue contribution	65%	20%	15%

# Industry Overview

- CommsChoice addresses the market for Corporate and Business ICT, including the delivery of ICT solutions, services and equipment
- The chart on the right shows the current and forecast growth of the addressable Enterprise and Business ICT markets (ICT solutions and managed services) for CCG in Australia, New Zealand and Singapore
- Large growth expected particularly in the UCaaS and Cloud services markets.

**Enterprise and Business ICT Solutions and Managed Services  
Market Revenue in Australia, New Zealand and Singapore, 2015 to 2022**



Source: Frost & Sullivan analysis<sup>28</sup>



# CommsChoice's UCaaS Offering

- ❏ In the UCaaS space, CommsChoice focuses on Microsoft Teams calling offerings with our own leading Global platform for Direct Routing telephony integration into Teams.
- ❏ Microsoft is a leader in the UCaaS space today
- ❏ Teams is one of the fastest growing collaboration apps in the industry
- ❏ Microsoft Teams supports everything from team and personal messaging, video conferencing and enterprise telephony
- ❏ CommsChoice can offer enterprise telephony for Microsoft Teams – in circa 80 countries globally today



# Customer Case Study 1

## Managed Services Contract – Voice, Data (NBN), SD-WAN

- Leading national charity helping vulnerable Australians move towards independence
- Five year Managed Services contract (from 2018)
- State-of-the-art Unified Comms solution and cutting edge software-defined network for multi-site network agility, reliability & improved visibility and performance
- Australia's largest SD-WAN deployment of its time, connecting regional areas with Metro results – 200+ sites nationwide
- Transitioned from a legacy, MPLS network to a future proof, cloud solution for the digital world.
- Significant cost savings compared to existing supplier (30% to 40%)

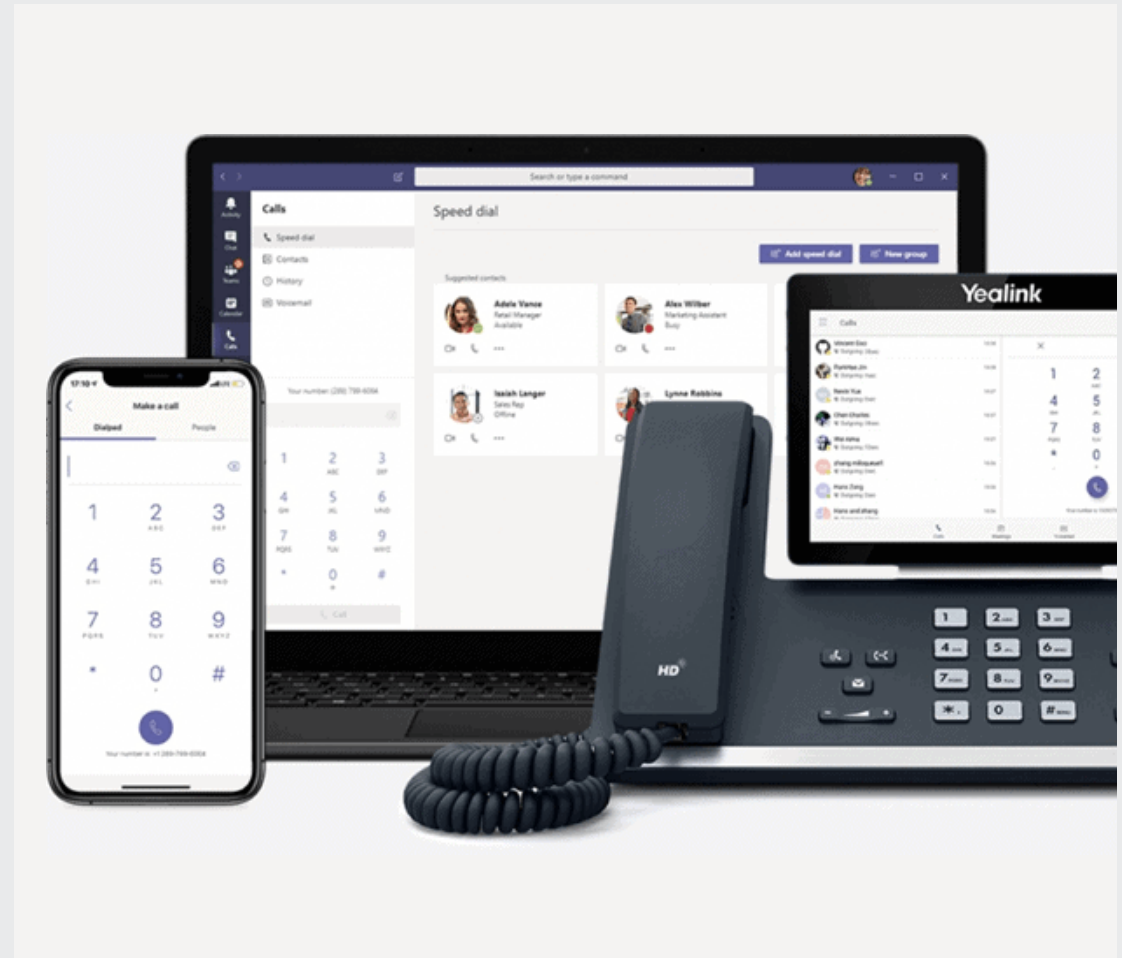




# Customer Case Study 2

## Microsoft Teams calling

- A national childcare operator had an urgent requirement for a remote working / work-from-home comms solution at the beginning of the COVID-19 crisis
- The customer wanted to roll out a state-of-the-art Unified Comms solutions and Microsoft Teams with telephony calling (PSTN integration) was their preferred choice
- CommsChoice enabled 100 MS Teams calling users and had them on-line and taking phone calls within 3hrs of the initial contact
- The customer is now expanding this deployment to circa 350 users



# Customer Case Study 3

## Global PBX International

- C Leading international wholesale travel business, three year contract (from 2019)
- C Global Cloud business phone rollout with advanced PBX functionality
- C Local “in-country” numbers
- C Global short-dial plan across all offices
- C “On-net” free calling office to office internationally.
- C 14 offices connected across USA, UK, Italy, France, Belgium, Switzerland & Netherlands with 500 users
- C Significant cost savings and increased functionality compared to previous provider
- C Consistent features and functionality across all offices globally

### Our leading cloud phone system – business PBX functions across global locations





# Key Differentiator – Our Microsoft Teams calling Global Network

- C A core strength of the business is our competence and engineering excellence in the IP Telephony space where we trace our origins back to the Telegate business we acquired in 2017. Telegate is a pioneer in IP Telephony from as early as 2011.
- C CommsChoice delivered its first Microsoft Teams calling solution to a major Sydney based customer back in August 2018, being one of the first to market
- C Since then we have gone on to deliver many customer deployments across Australia and offshore into Asia and the Northern Hemisphere.
- C In early 2020 we expanded our Microsoft Teams calling nodes in to the USA and Europe.
- C Recently we expanded our nodes into China, Japan and the Philippines.
- C Today we have one of the most extensive coverages across Asia of any global service provider which will prove to be a highly strategic asset for the Company moving forward.

# Our expanding global network

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## commschoice worldwide network



# 4 Pillar Growth Strategy

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## Domestic Growth

- SME
- Corporate

Cloud business phone,  
MS Teams calling,  
SD-WAN offerings  
& NBN access  
services

## Wholesale Partners

- Contact centre /  
IT service provider,  
Global Telcos

SIP services, CTS and  
cloud business phone  
& MS Teams calling.  
Call centre  
enablement

## Overseas Growth

- Corporate  
Multi-national  
(MNC)

Global cloud business  
phone and MS Teams  
calling offerings to  
multi-site global  
customers

## Strategic Acquisitions

- SME
- Corporate

SME and/or Corporate  
service providers,  
data & Managed  
IT competencies

- C Very pleasing result in FY20, returning the business to profitability
- C Recent Covid-19 challenges have resulted in some delayed buying decisions in Q3 & Q4
- C We expect to see some steady growth into 2nd half of financial year and are hopeful of closing some sizeable UCaaS and key wholesale & partner deals domestically and offshore
- C We expect to also grow via strategic acquisitions if appropriate M&A opportunities arise



# Appendices



# Appendix 1 – CCG Investor Metrics



	Value
Number of shares	191.4m
Share Price (21 Aug 2020)	\$0.099
Market capitalization	\$18.9m
Cash at bank 30 June 2020	\$2.4m cash Zero debt
Enterprise Value	\$16.5m
Performance Rights	
• 50% vesting at 12.5c per share	18.0m
• 50% vesting at 20c per share	
Options on Issue	
• Exercisable at 31.25 cents (expire Dec 2020)	3.5m

# Appendix 2 – Key Product and Systems Initiatives FY20

- C Major refresh of website plus Phase 1 of on-line ordering capability introduced. Further developments with on-line ordering to be undertaken in FY21.
- C Undertook a review and rationalisation of our product set including reducing pricing of some key offerings. Some key new products introduced including NBN Enterprise Ethernet with highly competitive price points.
- C Enhancement of CommsChoice's Global Cloud Phone infrastructure – additional Nodes and enhanced capabilities implemented globally.
- C Enhancement of our Microsoft Teams Calling product set, offerings and global call plans. Additional Nodes installed in USA, Europe, Asia including China, Japan, Philippines recently announced.
- C Replacement of and enhancement of various operational systems including CRM.
- C Reducing ongoing cost of core systems platforms whilst improving capabilities and integration.





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