

2018 ANNUAL GENERAL MEETING - CEO Speech to Shareholders

Good morning everyone and thank you for joining us today and for your support.

As John has outlined, in the first year as an ASX listed company I am extremely disappointing that we did not meet our earnings forecast detailed in the IPO prospectus and that our share price is trading significantly below the IPO price.

I joined CommsChoice because I fundamentally believe in our opportunity to develop an innovative telecom company with a difference. At Commschoice group we live by the mission “we simplify your journey to the cloud.” This is the essence of everything we do; from solution architecture to supporting our customers.

We provide a fresh approach to innovative, vendor neutral managed network services and hosted voice for Australian businesses to optimise costs and improve performance. Our proven onboarding capability, experience and service delivery allows our clients to focus on their business. We are their trusted partner.

We are competitive in a market that is growing, we offer our clients exceptional value as today organisations want to focus on running their business and not managing their data networks and they need capability to move their IT workload to the cloud.

To put this all in to perspective, CommsChoice has deployed the largest completed managed SD-WAN and hosted voice solution to one of the country’s leading Not For Profits, connecting staff in more than 220 sites. Businesses are moving to SD-WAN technology which has many compelling benefits for both operational efficiency and cost savings. We are in the right market, with the right capabilities, today!

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We have recently recruited 3 new sales people, including as previously announced an executive general manager of sales & marketing, all with considerable pedigree to capitalise on this obvious market opportunity.

While it is easy to focus on the negative aspects of the last 12 months, it is important that we also focus on the positive:

- We are debt free and profitable
- We do not need additional capital for our steady state business
- Our key contracts have been bedded down this year and continue to perform well and our recently announced managed service win supports the capability we bring to the market and validates our value proposition
- We have a strong executive team in place to deliver the original objectives for the business

[slide 4 – FY18 Financial]

We have clearly missed our targets for FY18 and CY18 revenue and EBITDA. We have reset our growth expectations and continue to reiterate our previous market guidance of double-digit growth for the business into FY19.

There are a number of areas across deals, integration and sales capability I want spend some time talking to in addressing our prospectus year forecast and reasons for the performance against forecast.

Firstly, there were some larger deals that we updated the market in in April about timing delays impacting revenue realisation. Allow me to explain in more detail...

In one example, our global channel partner went through a significant organisation restructure with a new CEO being appointed

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and subsequently the company was acquired. Through this corporate activity, we lost significant momentum and sales stalled, but together we are now working with our client on new and exciting opportunities. Last week we won the hosted voice contract for the third largest foreign exchange business in the world. We are providing hosted voice across their six international locations for some 350 employees.

In another example, we have chosen not to fully pursue a contracted arrangement with a large national not-for-profit client owing to unfavourable economics. The client's decentralised procurement model would clog our operational capability with small transactions, high costs and minimal return.

We recently announced our first major deal being a 5 year \$5m managed service agreement for a leading disability employment service provider operating across Australia. This deal was originally forecast to be won at the start of the year and was delayed to almost the end of the year.

As alluded to earlier, we identified that our sales capability was less mature than originally anticipated. We have been addressing this since then and have introduced 3 key sales leaders into the business to drive strong organic growth.

While the integration of the businesses is now going well, it was certainly a lot harder for the vendors and employees of the companies we bought together. With differences in the way each company sold and delivered services created a big impact on the business as usual assumption we expected. There were also some cultural alignment issues to deal with as we bought vendors together who had done things "their way" in the past and needed to do things a new way inside of CommsChoice.

And finally, we had some unhappy clients that needed a lot of attention. The listing process was long and intensive and took a lot of management time away from the businesses which impacted on some client relationships. We have been working overtime since the start of the year and have bedded down most of these clients but unfortunately have lost some clients also.

[slide 5 – Integration]

We are now very comfortable with the progress made to consolidate legacy systems (financial, CRM, billing and provisioning) and processes into a single operating structure further augmenting our capability to service the full spectrum of our clients' needs efficiently.

The integration of the business is going well, and we are on track to deliver NetSuite company-wide as our ERP by the end of this year. We will also be using NetSuite to provide the core elements for our customer onboarding systems and processes including project management, provisioning, ticketing, product and price catalogue, procurement and the asset register.

We have implemented Salesforce as our CRM and this will be integrated with NetSuite early in the new year. We will shortly have a 'single view' of the customer lifecycle, the nirvana for most businesses – giving us the opportunity to increase sales, improve satisfaction and build lifetime value.

Our business model is simple – ongoing value is created around building our monthly recurring revenue within long-term contracts with our clients and as we don't invest significant capex into network infrastructure, we will have a high EBITDA-to-cash conversion cycle.

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To prepare ourselves for continuing growth, we have built upon the existing offshore customer operations capability in Manila to provide services for the integrated business. Onshore onboarding and project management teams now orchestrate offshore provisioning and billing resources to ensure better delivery outcomes, whilst leveraging the salary arbitrage benefit. Level 1 and 2 customer service is now completely offshored, with Level 3 in Sydney and Melbourne. We are continually rotating local staff through the facility to ensure we build a great culture, train people and promote teamwork.

It's not easy bringing five businesses together, no matter how big or small but ultimately, it's all about people.

We have aligned ourselves in four core functions, each with an executive lead; sales and marketing, operations, technology and finance. In the new year, we will be issuing new employment agreements to the team who will then be on a single payroll, and at this point integration will almost be complete.

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[slide 6 – Brand]

We have invested significant time in developing the foundations of a clear, contemporary brand. Our aim is to telegraph our slightly maverick, friendly, casual style combined with our passion and expertise. We want to stand out from the pack.

We have taken time to refresh our recently released website.

We are building an events calendar for the coming year, kicking off with a local government event in Coffs Harbour this month. We are already on the Local Government Procurement panel, so we can prospect with some confidence in this space.

[Slide 7 – Future Proof Product Suite]

Our Connect | Collaborate | Manage product portfolio provides our clients with the next generation of solutions such as SD-WAN and global hosted voice wrapped up with valuable but scalable managed services.

Our product portfolio allows for a simple conversation with our clients around their requirements as they move to the cloud.

Connect (data networks) provides access to a scalable, global platform delivering data networks, internet and access technology to securely connect our clients to their world. We have the ability to quickly roll out hosted voice and SD-WAN quickly through our 24 global points of presence.

Collaborate (unified communications) combines hosted telephony with a wide range of collaboration tools including desktop and room video, instant messaging, presence and desktop sharing.

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Manage – our portfolio of managed services aimed at enabling clients to focus on their core business, saving them time and money by streamlining operations. We have scale which enables us to deliver considerable economies. Our cloud technology portfolio lends itself to building a business case for managed services.

Wholesale (Call Termination Services) – our CTS product enables large scale distribution of voice calls across the globe. Our network delivers over 120 million minutes per annum and hosts over 50,000 DIDs. With our global connectivity we are able to support Tier 2 service providers across the globe – outside APAC, we also have customers in Europe and the US.

[Slide 8 – Market Opportunity]

We have made the decision to focus on the mid-market, or companies where there are 50-250 staff with revenues between \$10M and \$250M. We're aiming to build a pipeline focussed around this, but we will also stretch ourselves to bring in some larger contracts to capitalise on our experiences with Mission Australia. This market is traditionally under-served by the Telcos and other MSPs, and has a high inclination to buy managed services owing to the high cost of IT staff, the expense of procuring and maintaining a reliable network - and a desire to focus on core business.

For the foreseeable future, we will continue to focus on:

- Building a sustainable pipeline of opportunities
- Focus on mid-market of businesses around 50-250 seats
- Land and expand with our clients as we build out the brand and offerings
- Target multi-site customers who are currently using costly carrier MPLS technology
- Target multi-region customers based out of Australia

Our ability to scale managed services is most efficient because our business model is not capital intensive and our product portfolio is modular and scalable. Our experienced group of engineers is providing support for multiple businesses, providing considerable economies unlike a business building its own internal IT capability.

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