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Investor Presentation

11 June 2019

CommsChoice Group Limited



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FY19 Update

- Revenue expected in range \$19.5m to \$20.5m for full year.
- Underlying EBITDA* of \$0.1m expected for full year due to increased costs Q3 and Q4 2019.
- Restructure to be undertaken to reduce operating costs, improve customer service and responsiveness and to focus organisation on key growth areas.
- Significant costs related to the restructure of \$18.4m (subject to final audit) to be accounted for in FY 2019. Includes \$16.3m non-cash intangible asset write-down costs.
- Restructure will provide cost savings of circa \$2m per annum.
- The business is anticipated to be cash positive from operations from October 2019 onwards once restructuring costs have been paid.

* EBITDA (underlying) excludes net interest, share issue and non-cash LTIP costs, depreciation and amortization and excludes restructuring charges mentioned in this report.

Introduction to CommsChoice

- ❶ We provide Cloud based “Over The Top” (OTT) telco services to business (25 – 200 seat) and corporate (200 - 3,000 seat) customers and speciality OTT cloud based telephone services to our partners for their customers.
- ❷ Key offerings include:
 - ❶ Our leading cloud based global business phone system and MS Teams calling offering providing business PBX functionality across global office locations
 - ❶ With state-of-the-art SD-WAN data networks for corporates – provides private network functionality, high availability, extensive management and reporting.
 - ❶ Combined with telco access services (e.g. NBN resale) offering business customers choice and value.
 - ❶ Plus Partner solutions for our contact centre and IT service provider partners - contact centre SIP based call solutions, global business phone system resale, direct routing/business phone capability for MS Teams etc.

Customer Case Study 1

- Five year Managed Services contract – total value \$18M
- SD-WAN and cloud based business phone system connecting 230+ sites nationwide
- 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
- Significant cost savings compared to existing supplier (30% to 40%)

Leading national charity helping vulnerable Australians move towards independence.

Transitioning from a legacy, MPLS network to a future proof, cloud solution for the digital world.

Customer Case Study 2

- Three year contract.
- Leading international financial services firm.
- Global Cloud business phone rollout with PBX functionality.
- Local “in-country” numbers.
- Offices connected in UK , Spain, Canada, New Zealand, Australia servicing 400+ staff.
- Significant cost savings and increased functionality compared to previous supplier.

Our leading cloud phone system - business PBX functions across global locations + MS Teams business phone calling



Planned Restructure and Investment for Growth

- ❶ Restructure of Australian operations removing non-core costs from operations and sales areas.
- ❷ Offshore operations and call centre downsized and key functions moved back to Australia - workload to be taken up largely by existing resources.
- ❸ Total annualised cost savings (Opex) of circa \$2million
- ❹ Additional resources deployed into our Key Partners and Indirect Sales area where we have seen positive momentum with channel partners, dealers and IT service providers. e.g. Contact centre providers.
- ❺ Investment in an enhanced e-Commerce capability allowing business, corporate and partner customers to order directly from our website and provide CommsChoice with a greater level of customer prospects. Phase 1 circa \$500,000.

FY19 and FY20 Guidance

	FY19	FY20
Revenue	\$19.5m - \$20.5m	\$20m - \$21m
Gross Margin	\$8.0m - \$8.5m	\$8.0m - \$8.5m
EBITDA* (underlying, normalised)	\$0.1m	\$1.8m to \$2.2m

- C The restructure of the business will significantly reduce operating costs and provide a platform to grow the revenue line, focusing on key growth areas.

* EBITDA (underlying, normalised) excludes net interest, share issue and non-cash LTIP costs, depreciation and amortization and excludes restructuring charges mentioned in this report.

Growth Strategy

C Domestic	Key cloud phone, MS Teams calling and SD-WAN offerings to Australian businesses and corporates
C Wholesale Partners	Building key relationships with key contact centre, dealers and IT service provider partners
C Leveraging NBN & 4G/5G Wireless	NBN and 4G/5G wireless for high speed last mile access for multi-site corporate networks
C Asia-Pacific Expansion	Key cloud phone and MS Teams calling offerings to multi-site global customers
C Strategic Acquisitions	Acquisition and merger opportunities in the business services space to accelerate growth

Capital Raising

Placement

- A Placement of approximately \$1.0m via the issue of 25.0m new shares to:
 - Investors exempt from disclosure under section 708 of the Corporations Act 2001, and
 - Directors (subject to shareholder approval at an Extraordinary General Meeting)
- Placement of 25.0m new shares represents 20.9% of existing shares outstanding

Offer Pricing

- The offer price of \$0.04 per new share represents a:
 - 25.9% discount to the last closing pricing of \$0.054
 - 34.7% discount to the 5 day VWAP of \$0.0613
 - 41.5% discount to the 1 month VWAP of \$0.0683

Share Purchase Plan

- Share Purchase Plan (SPP) to eligible Australian and New Zealand shareholders to subscribe for shares up to a value of \$15,000 at the same price of the Placement
- The SPP is partially underwritten by the Lead Manager to \$1.0m, with the ability to accept more than this amount at the discretion of the Board of CommsChoice.
- The Company reserves the right to scale back applications under the SPP

Ranking

- New shares raised under the offer will rank equally with existing shares

Use of Proceeds

- Proceeds of the offer will be used primarily to fund:
 - Restructuring and related costs and costs of capital raising \$1.5m
 - Working capital inc. costs of development of new e-Commerce capability \$0.5m
- Additional funds raised under the offer will be applied to working capital

Lead Manager & SPP Partial Underwriter

- Baillieu Limited

Timetable

Milestone	Date
Record date for eligibility to participate in the SPP	Friday, 7 June 2019
Trading halt lifted	Wednesday, 12 June 2019
Settlement of new shares issued under the Placement	Monday, 17 June 2019
Allotment and normal trading of new shares issued under the Placement	Tuesday, 18 June 2019
SPP booklet dispatched	Thursday, 20 June 2019
Extraordinary Shareholder Meeting	On or around Tuesday, 16 July 2019
Allotment and normal trading of new shares issued under the SPP	TBA

Use of equity raising proceeds

	\$'000 approx.
Staff reductions	600
Legal costs	220
Onerous contracts	460
Working capital	520
Capital raising costs	200

- Working capital will be used in part to fund the online ordering/e-Commerce capability to drive expansion in the business segment.
- The business is anticipated to be EBITDA* and cash positive from operations from October 2019.

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