

February 24, 2020



Arcadia Chambers
Level 3, 1 Roydhouse Street
Subiaco WA 6008

ABN 98 103 348 947
ASX CNW

Managed Services Growth Drives Solid Result in H1 FY20

HIGHLIGHTS

- Record revenue of \$47.8 million, up 5% on H1 FY19
- EBITDA (pre options) of \$864k and Underlying Profit of \$927k
- 22% growth in managed services a strong contributor to earnings results
- Full Year FY20 EBITDA (pre-options) expected to be \$3.6m - \$4.1m
- Strong start to H2 with a number of key contract wins
- Healthy pipeline, particularly in managed services up 200% YoY

Cirrus Networks Holdings Limited (“Cirrus” or the “Company”) (ASX: CNW) is pleased to announce another solid half year result for H1 FY20 as the Company continues its journey to become a managed services provider of choice within the Australian IT sector.

Commenting on the H1 FY20 result, Cirrus Managing Director, Matt Sullivan, said:

“The 5th consecutive year of H1 revenue growth is very pleasing and demonstrates that Cirrus remains on track to deliver on our strategic goal. As the Company matures, its ability to deliver top line growth while maintaining profitability is a credit to our quality staff and their ability to meet and exceed the client expectations.

Of particular note is the 22% growth in managed services revenue. This together with the ongoing contribution of our eastern seaboard businesses and continued strong market position in WA demonstrates Cirrus’ evolution into a market leading and innovative national IT managed service provider of choice.

The growth in managed services revenue, coupled with a strong pipeline of qualified opportunities, good organic growth and a geographically diversified revenue base, provides confidence to deliver on our full year revenue expectations of +\$100m.”

RECORD H1 FY20 REVENUE

The Company has again delivered revenue growth for the first half of the FY20 financial year. The \$47.8m of revenue for H1 represents a 5% increase on the comparative period in FY19, with managed services a significant contributor to this growth.

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Cirrus delivered a 22% increase in managed services revenue during H1 while product sales revenue increased by 3.5% and professional services remained relatively flat after a slow start to the half. This growth in higher-margin managed services revenue contributed to the solid earnings result with the business on track to be nationally recognized as an innovative IT solutions provider and market leader in enterprise managed services. This, together with the strongest pipeline of managed service opportunities since listing, with monthly values up 200% year on year, ensures the business remains very confident for the H2 services outlook.

SOLID EARNINGS

Adjusted EBITDA (pre options) for the 6 months to 31 December 2019 was \$864k, a \$279k improvement to the prior period in FY19 which delivered an EBITDA of \$585k. The EBITDA result was positively impacted by the adoption of AASB16 Leases accounting standard with base rents previously reported above the line now being amortised as a right of use asset. The slow start to professional services in H1 had a negative impact on the H1 result, with the performance of professional services improving to date in H2. After adjusting for one-off redundancy costs the underlying profit was \$927k.

	HY ENDED 31 DEC 19 (\$)	HY ENDED 31 DEC 18 (\$)	HY ENDED 31 DEC 17 (\$)
UNDERLYING PROFIT AFTER TAX FOR THE PERIOD	926,738	758,815	460,556
Foreign exchange	(30,355)	(1,649)	(155)
Redundancy costs	(32,881)	(172,316)	(82,172)
Voluntary escrow payment	-	-	(50,000)
Acquisition costs for due diligence	-	-	(82,943)
Investment in Canberra (<i>Pre - Acquisition</i>)	-	-	(272,003)
ADJUSTED EBITDA (PRE-OPTION EXPENSE)	863,502	584,850	(26,717)
Amortisation and Depreciation	(340,855)	(296,145)	(163,282)
Amortisation – Right-of-use asset *	(345,097)	-	-
Interest (<i>Net</i>)	(280,832)	(2,250)	26,102
Share based payments - Options vesting	(140,384)	(151,168)	(225,668)
NET PROFIT / (LOSS) AFTER TAX FOR THE GROUP FOR THE PERIOD	(243,666)	135,287	(389,565)

* Relates to amortisation from the new accounting standard AASB 16.

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STRONG BALANCE SHEET

Cirrus maintained a strong balance sheet for the half with the company continuing its positive net cash position including a cash balance of \$2.7m. The company improved its working capital position (Cash + Trade Receivables – Trade Payables) by \$1.4m H1 year on year going from a \$300k deficiency at 31 Dec 2018 to a \$1.1m excess at 31 Dec 2019.

Operating Cash Flow for H1 was a disappointing outflow of \$1.49m. This was due to timing of receipts and payments around the Christmas close period and some tightening of vendor and distributor credit terms during the half. We expect this to normalize during H2 and deliver positive operating cash in line with earnings expectations for the full year.

CONTINUED POSITIVE OUTLOOK FOR FY20

With a strong orderbook and positive pipeline of opportunities, Cirrus reaffirms its \$100m revenue expectations. With H2 performance to date significantly up on prior year, the business expects to deliver an Adjusted EBITDA (pre options) full year FY20 result between \$3.6m - \$4.1m.

Management is monitoring the potential consequences from the 2019 Novel Coronavirus outbreak on the Company's operations, including any potential supply chain delays and any potential negative impact from the Novel Coronavirus has not been factored into the Company guidance at this stage.

Contact for further information

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ABOUT CIRRUS

Cirrus Networks Holdings Limited (ASX: CNW) is an innovative IT solutions provider who works with businesses to understand their technological needs and implement world leading solutions that are both cost effective and provide long term operational gain. The diverse reach of Cirrus means the company is able to provide a wide range of solutions including:

- Data Centre and Cloud
- Convergence
- Storage
- Data management (including big data)
- Network design and optimisation
- Business continuity
- End user computing
- Unified communications and IP Telephony, and;
- High quality IT Service Management, Consulting and Project Management services.

Excellent service and an innovative, holistic approach have seen Cirrus quickly grow an extensive base of blue-chip clients across industry sectors. The rapid expansion of Cirrus has seen the company receive a number of awards as one of Australia's fastest growing technology companies.

The Cirrus offering was strengthened further in 2015 with the acquisition of Perth-based IT Solutions Provider, L7 Solutions. Since then, an assertive national expansion strategy has enabled Cirrus to establish a robust Eastern states presence with the recent acquisitions of Melbourne based IT Provider, NGage Technology Group and leading Canberra IT services company Correct Communications.

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