

ASX: CCG
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CommsChoice Announces Significant Increase In Profit Providing A Strong Base For Future Growth

CommsChoice Group Limited (ASX:CCG) ('CommsChoice') has today released its financial results for the financial year ended 30 June 2020.

Key Highlights

- Full year Underlying EBITDA² of \$2.3m which is up almost 700% on FY19 and at the top end of market guidance.
- Total FY20 revenue of \$19.3m which is lower than FY19 due mainly to some large one-off revenue items booked in FY19.
- Gross Margin has improved from 43% to 48% through better margin management and purchasing controls
- The Company showed good operating cost control in FY20 with annual operating costs (excluding restructuring costs and non-cash LTIP) falling from \$8.7m to \$6.7m.
- Strong balance sheet in place with cash at bank at 30 June 2020 of \$2.4m, zero debt and \$1m in undrawn debt facilities.

Results Summary

A\$M	FY20	FY19
Total Revenue	19.3	21.0
Gross Profit	9.2	9.0
<i>Gross Margin</i>	<i>47.7%</i>	<i>42.9%</i>
EBITDA ¹	2.2	(2.4)
NPAT	2.6	(19.4)
Underlying EBITDA ²	2.3	0.3
<i>Underlying EBITDA Margin</i>	<i>11.9%</i>	<i>1.4%</i>
Underlying EBITDA excluding rent paid	2.5	0.6

Commenting on the FY20 results, CEO and Managing Director Mr Peter McGrath said "FY20 has seen a significant turnaround in the profitability of CommsChoice with Underlying EBITDA of \$2.3m up almost 700% compared with the previous year. We are extremely pleased to have achieved the guidance we provided to the market some 12 months ago and to deliver a result at the top end of expectations.

1. **EBITDA** represent Net Profit before Tax adding back Net Interest (including that now accounted for under AASB 16), Depreciation and Amortisation interest (including that now accounted for under AASB 16).
2. **Underlying EBITDA** represents EBITDA adding back restructuring costs and non-cash LTIP costs but deducts rent actually paid.

Operational Highlights

- The business is now operating with a much-improved cost base with better supplier cost management and lower operating costs.
- A strong focus has been applied to improving customer service levels during FY20 with the key customer support function now run out of Sydney.
- Additional sales resources were added to the corporate and SME sector in the 2nd half of FY20.
- The Company has significantly enhanced its global Microsoft Teams calling (Direct Routing) network. In FY20, additional nodes were rolled out in the USA, Europe and across Asia into China, Japan and the Philippines.
- CommsChoice deployed a number of key Unified Comms solutions domestically in FY20 including to corporates, Government agencies and not for profit customers.
- The majority of our staff continue to work remotely, out of the office. The Group continues to operate effectively, supporting all of the Company's operations and servicing our customers, which is a credit to all our staff.

Business Trading update

The Company continues to receive a good level of enquiries and interest from Corporate prospects and our wholesale partners (inc. offshore partners) for their own customers. A number of Proof of Concept (POC) trials are underway with Unified Comms solutions with key local government and corporate prospects.

Customers have been taking longer to make buying decisions, due to Covid-19 related issues. The SME sector was impacted in late Q3 and Q4 and continues to be impacted and we expect to see some lower call volumes and revenues in this area as a result of the recent lockdowns.

We expect to see some steady growth into the 2nd half of the financial year and are hopeful of closing some sizeable UCaaS deals domestically and offshore.

The Company is also working on the assessment of a number of M&A opportunities and intends to grow via strategic growth if appropriate M&A opportunities arise.

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 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.