

ASX ANNOUNCEMENT
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KEY ACQUISITION, DOMESTIC EXPANSION AND FY22 EARNINGS UPGRADE

Comms Group Limited (ASX:CCG) (“Comms Group” or the “Company”) is pleased to announce the acquisition of onGroup Holdings Pty Ltd (“onPlatinum”) and provides an upgrade to financial guidance for FY22. The key highlights are:

- Comms Group acquires onPlatinum, a leading provider of ICT¹ services to mid-market corporate² customers in the QLD and NSW markets.
- The acquisition strengthens Comms Group’s position in the corporate mid-market, expanding the Company’s footprint into the QLD market.
- Adds ~\$16m in total group revenue, representing a ~45% increase on current business revenue.
- Purchased for an initial consideration of \$12m and an additional out-performance earn out component up to \$6m, taking the potential maximum consideration up to \$18m.
- The onPlatinum acquisition will be funded by a new debt facility of \$10m established with the CBA and CCG shares issued to the vendors.
- For the full year FY22, Comms Group guidance for underlying EBITDA³ has been upgraded from the previous guidance of \$4.5m to \$5m to new guidance of \$5m to \$5.5m which includes 5 months trading from onPlatinum.
- Post-acquisition, Comms Group annualised revenue is expected to be over \$50m and annualised underlying EBITDA of \$7m+ including expected synergies from the onPlatinum integration and based on full year contributions from all businesses acquired over the past 12 months.

ACQUISITION AND STRATEGIC RATIONALE

The acquisition is consistent with the Company’s previously advised strategy providing:

- Expansion of domestic footprint via onPlatinum services to SME⁴ and corporate mid-market customers in QLD and NSW.
- A transformational acquisition with a circa 45% increase in total group revenue, the addition of a high-quality corporate customer base and the broadening of Comms Groups product set into the IT services market.
- onPlatinum’s managed IT services and cloud offerings will extend Comms Group’s offerings, providing additional product and service offerings for Comms Group’s existing customer base.

¹ ICT refers to Information Technology (IT) services as well as Communications Services.

² For Comms Group, Corporate Mid-Market refers to larger organisations with typically 500+ employees and monthly spend (MRR) of typically > \$5,000.

³ Underlying EBITDA excludes net interest, tax, non-cash share LTIP costs, depreciation, amortisation and business, integration & restructuring costs.

⁴ For Comms Group, SME refers small to medium enterprises typically up to 500 employees.

Comms Group's CEO and Managing Director Peter McGrath said: "We are extremely pleased to welcome onPlatinum's CEO Shannon Overs and his team to Comms Group in both QLD and NSW. We are committed to driving sustained growth within the business and the acquisition of onPlatinum allows CommsGroup to further strengthen our position in the corporate mid-market by extending our product offerings and provides expansion into the strategically important QLD market."

onPlatinum's CEO Shannon Overs said: "onPlatinum is very excited to become part of this new dynamic business ICT group. We decided to join Comms Group to be part of this growth journey and bring to the group our leading IT services portfolio and relationship with many great companies. I am pleased to be continuing as the Head of onPlatinum and look forward to working closely with the Comms Group team."

ONPLATINUM BUSINESS OVERVIEW

onPlatinum was founded in 2012 and has a strong reputation for quality, expertise and innovation. The business is headquartered in the Gold Coast and has an office in Sydney, with a total of over 60 employees. The business trades via the onPlatinum and Tango Technology businesses.

The business has approximately 500 customers with average revenue per customer (ARPU) of circa \$3,000 per month, and generally aims to have customers on longer term contracts of 3+ years. onPlatinum has a strong focus on customer service and operates four key divisions:

Managed services

- Managed services proactively ensure that onPlatinum's customers' information, communications and technology are secure and working all the time.
- Key offerings include: managed services, provision of hardware, professional and security services.
- Approximately 54% of total revenue.

Cloud services

- onPlatinum Cloud provides its clients with the flexibility to access their 'office' at any time, on any device, from anywhere with an internet connection.
- Key offerings include: desktop as a service, Office 365 services, Windows cloud services, and Backup as a service.
- Approximately 25% of total revenue.

Data services

- onPlatinum's data network offerings include business grade data and internet services that offer fast and reliable connections backed by a service level agreement.
- Key offerings include: Wide Area Network (WAN) maintenance and services, WAN provisioning and SD-WAN offerings.
- Approximately 11% of total revenue.

Voice services

- onPlatinum provide a fully supported PBX hosted system that combines traditional phone systems, VOIP and cloud computing.
- Approximately 10% of total revenue.

For the financial year ending 30 June 2022, onPlatinum is forecast to generate revenue of \$16m+ and pro-forma annualised EBITDA of approximately \$2m based on end of year run-rate earnings.

FINANCE CONSIDERATION AND FUNDING

The Company has acquired 100% of the shares in onGroup Holdings Pty Ltd for a total initial consideration of \$12m, consisting of the following:

- Upfront Payment of \$10m ("Upfront") comprising:
 - Cash consideration of \$8m subject to adjustment for working capital and net debt; and
 - \$2m in CCG ordinary shares issued at the 30-day VWAP of approximately 10.5c per share, with 100% escrowed for a period of 12 months and 50% escrowed for a period of 18 months from the date of completion.
- Deferred Payment to be paid on 1 July 2022 ("Deferred") comprising:
 - A further cash payment of \$1m; and
 - \$1m in CCG ordinary shares issued at the lower of the 30-day VWAP or the closing share price at the issue date.

Completion of the transaction is expected to occur on or around 7 February 2022.

Effective EBITDA multiple of 6x (accretive EBITDA multiple for Comms Group) based on Upfront and Deferred consideration.

In the event onPlatinum outperforms, the vendors will be entitled to an Out-Performance Payment (earn-out) of:

- Up to \$6m based on a calculation of 24 times 2Q FY23 (December Qtr. 2022) audited EBITDA, subtracting the Upfront and Deferred payments. By way of example, if 2Q FY23 audited EBITDA was \$600k, then a \$2.4m Performance Payment would be payable to the vendors (\$600k x 24 = \$14.4m, less Upfront of \$10.0m, less Deferred of \$2.0m, equals \$2.4m).
- In the event of the Performance Payment being due, consideration will be paid as follows:
 - 80% cash; and
 - 20% in CCG ordinary shares issued at the lower of the 30-day VWAP or the closing share price at the issue date with a floor price of 5c per share.

Commonwealth Bank of Australia (CBA) Funding

Comms Group is pleased to announce the approval by the Group's existing bank, CBA, of a Term Loan facility of \$10m along with an increase to existing working capital facilities (overdraft & credit and procurement card facilities).

The Term Loan facility will cover in full the cash consideration components related to the Upfront and Deferred payments as well as associated transaction costs. Comms Group believe that the negotiated terms and conditions are favourable and typical for facilities of this nature.

EARNINGS OUTLOOK

Post-acquisition, Comms Group annualised revenue is expected to be over \$50m and annualised underlying EBITDA of \$7m+ including expected synergies from the onPlatinum integration and based on full year contributions from all businesses.

Comms Group FY22 EBITDA guidance has now been upgraded. For the full year FY22, Comms Group anticipates underlying EBITDA of \$5m to \$5.5m which includes 5 months trading from onPlatinum.

Comms Group will continue to target strategic acquisitions as appropriate M&A opportunities arise.

Henslow acted as corporate advisor for the acquisition.

ACQUISITION WEBINAR

Comms Group will host a webinar on Monday 7 February 2022 at 11am (AEDT) to discuss the acquisition and earning outlook in further details. Click the below link to register your attendance:

https://us02web.zoom.us/webinar/register/WN_-8nwIqNgTZqFJhucyi8Qnw

Authorised for release by the Board of Comms Group Limited.

ENDS

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ABOUT COMMS GROUP

Comms Group provides a full range of IT and Communications services from the Cloud including IT managed services, cloud hosting, cloud communications and UcaaS services.

The company is delivering on its three key strategic growth pillars of International (16 points of presence globally covering 100+ countries); Domestic - through the **Next Telecom** and **onPlatinum** brands; and Wholesale and Partner services.

Domestic SME/Corporate Services (branded Next Telecom and onPlatinum) – domestically: the group delivers a vast array of comms services for businesses including, data services (Fibre, NBN), IP voice, inbound/toll-free, wrapped into an award-winning state-of-the-art service layer as well as an extensive range of ICT services including managed IT services, cloud and security services.

International Services (branded Comms Group): the group uses its cloud based global business phone platform and its global Microsoft Teams Direct Routing telephony calling platform covering 100+ countries, for corporate customers in multiple regions, delivered on one invoice.

Wholesale and Partner Services (branded Comms Group) – both domestic & international: offering all our retail technologies and key wholesale services and leveraging our international network to key wholesale and partner customers.