

ASX Release

31 May 2018

## COMMSCHOICE TRADING UPDATE AND REVISED EARNINGS GUIDANCE

**CommsChoice Limited** (ASX: CCG) ('CommsChoice' or the 'Company') today provided an update on trading for FY18 and revised earnings guidance.

CommsChoice revenue growth for the six months to 30 June 2018 has been slower than forecast. This has been driven by the acceleration of the successful business integration process and contract timing delays impacting revenue realisation.

CommsChoice has revised its guidance for the FY18 period against the prospectus forecast. FY18 pro forma revenue is forecast to be in excess of \$20.4m, 14% below the prospectus forecast of \$23.7m. FY18 EBITDA is forecast to be in excess of \$1.8m, 44% below the prospectus forecast of \$3.2m.

The Company is pleased with the year to date gross margin to revenue of 45%, which is in line with prospectus forecast, and the demonstration of strong fiscal discipline. Management has successfully reduced the cost base over this period to bring the operating expenditure in line with forecast. As a result, the shortfall in EBITDA is directly attributable to the timing of revenue realisation.

As previously announced to the market on 6 April 2018, Piers Tyler has joined CommsChoice to strengthen the sales and marketing team. Effective immediately, Piers will become Executive General Manager Sales and Marketing. Grant Ellison has assumed the role of Executive General Manager Strategic Business Development to focus on securing large managed service opportunities, where he has a very strong track record.

Ben Gilbert, CEO of CommsChoice said: "Whilst this forecast announced today is below expectations, our operating costs are on track, gross margins are meeting prospectus forecast, key contracts remain in play and our pipeline is very healthy. We acknowledge the business lost some momentum due to the disruption of the listing process and subsequent organisational integration. That being said, we are taking decisive action to address these issues, and anticipate the monthly recurring revenue run rate to continue to grow and track to Prospectus levels towards the end of 2018. We will be announcing new contracts and revenue as the year progresses."

The Chairman, Mr John Mackay, said: "With a strong balance sheet and solid business model, a robust management team and culture, and integrated systems now in place, we continue to remain confident that CommsChoice has the foundations to deliver on its promises and reward shareholders."

Key highlights include:

- Integration remains on track delivering operational improvements;
- Significant deal pipeline with global opportunities and quality prospects;
- Enhanced competitive position in market; and,
- Improved technical capability and customer service.

## Outlook

Despite the revenue timing challenges, the board and management team are pleased with the business fundamentals: a robust leadership team in place, operational improvements, strong pipeline of local and international opportunities, consistent financial discipline and the overall positive progress of the integration. Pipeline growth is robust and market opportunity is larger and more diverse than previously expected.

## Conference Call

An investor briefing and Q&A session to discuss the trading update will be held at 11:30am (AEST) today. Dial-in details to participate in the conference call:

Toll free (within Australia): Toll:	Conference Pin:
1800 908 299 +61 2 9007 8048	477985#

## About CommsChoice Group

CommsChoice Group is an infrastructure independent, vendor neutral information and communications technology (ICT) managed service provider. The company services clients in Australia, New Zealand, Singapore and internationally using its proprietary Adaptive Connectivity as a Service (ACaaS) delivery platform. CommsChoice Group is focused on serving three core-operating divisions: Enterprise, Business and International. The company currently services almost 3,000 clients globally and together employs more than 50 staff across offices in Sydney, Melbourne, Philippines and Singapore.

### Corporate Enquiries:

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### Investor and Media Enquiries

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