

Comms Group Limited

FY23 Result & Outlook

Growth while continuing to invest globally

Comms Group Ltd (ASX:CCG) has reported FY23 earnings and provided a more detailed and narrower range for both revenue and EBITDA guidance in FY24. The result was largely in-line with expectations with guidance already provided. Revenue increased 27% and adjusted EBITDA ~17% as the onPlatinum acquisition contributed for a full 12-months and investment was made in the Global business for future growth. FY24 revenue is expected to fall in a narrow range of \$53m-\$55m, +2.5%-6.0% on FY23 and highlights the predictability and recurring nature of CCG revenue. EBITDA guidance of \$6.5m-\$7.0m represents 35%-45% growth on FY23 and is underpinned by recent restructuring (the June 2023 run-rate is said to be ~\$6.3m). Applying the average FY23 (profitable) peer EV/EBITDA multiple of 7.6x to CCG FY24 guidance implies a price of \$0.14/share which incorporates continued investment in the Global division. Our DCF is \$0.16/share and implies 7.4x FY25 EV/EBITDA, which should be more reflective of the global opportunities. Results from the strategic review announced in June are due in the next three months.

Business model

CCG operates three largely independent divisions, but all operate in the broad communications space. The Global division is a niche player in the corporate voice market, predominantly offering wholesale solutions for users of Microsoft Teams across the Asia Pacific. The SME Telco division is essentially a telco service provider to Australian corporates with under 500 employees, while the ICT Services division provides ICT managed services to mid-tier Australian corporates.

Investing for future growth

The Global division is CCG's growth vehicle, providing a range of voice solutions to Microsoft Teams users and other wholesale carriers across a number of regions. An established global network is being strengthened with the prospect of new regional licences while the Teams Calling option is a fraction (~5%) of total Teams monthly users with increasing functionality (mobile and operator connect). Despite this opportunity Global EBITDA declined ~20% in FY23 and had a lower run rate exiting June 2023 as investment for future revenue opportunities continues. Restructuring across the ICT and SME divisions are key drivers of the forecast EBITDA uplift in FY24, but the Global division is the key to medium-term growth. The recent Symbio (ASX:SYM) takeover approach by Superloop (ASX:SLC) highlights the interest in this space and is supportive of the investment by CCG. FY24 multiples for CCG are attractive despite this investment.

Valuation of \$0.16/share or \$61m market cap fully-diluted

From a peer multiple perspective using FY23 estimates CCG is trading at a 5% discount to the average listed (profitable) peer (7.6x EV/EBITDA). Using FY24 EBITDA guidance and FY23 peer multiples the discount is closer to 40%, with a peer average implying a share price of \$0.14/share. Our DCF is reduced to \$0.16/share (down from \$0.18/share) due to a higher RFR, but underpinned by the recent cost reductions, Microsoft Teams calling penetration and modest revenue growth/stable gross margins/lower costs across the ICT/SME businesses. As a sense check, our DCF implies an FY25 PER of 14x and EV/EBITDA of 7.4x based on our estimates.

Historical earnings and RaaS' estimates (in A\$ unless otherwise stated)

Year end	Revenue	EBITDA adj.	NPATA adj.	EPS adj.	PER (x)	EV/EBITDA (x)	EV/EBIT (x)
06/22a	41.0	4.1	2.8	0.008	8.9	7.5	9.5
06/23a	51.8	4.8	2.4	0.006	11.6	7.1	9.2
06/24f	55.5	7.1	3.6	0.009	7.8	4.5	5.3
06/25f	58.7	8.1	4.4	0.011	6.4	3.5	4.0

Source: FY22 actual, RaaS estimates FY23f, FY24f and FY25f

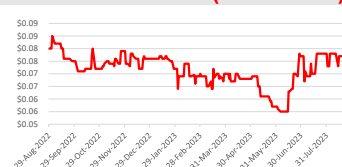
IT Services & Software

29 August 2023

Share Details

ASX code	CCG
Share price (28-Aug)	\$0.073
Market capitalisation	\$27.6M
Shares on issue	381.0M
Net debt at 30-Jun-23	\$6.7M
Free float	39%

Share Performance (12 Months)



Upside Case

- Microsoft Teams and wholesale voice services uptake of voice telephony across APAC
- Additional product/services revenue across SME and ICT
- Complementary acquisitions

Downside Case

- Competition from new telephony products
- Loss of key SME/ICT contracts
- Integration of acquisitions

Board of Directors

John Mackay	Non-Executive Chair
Peter McGrath	Executive Director/CEO
Claire Bibby	Non-Executive Director
Benjamin Jennings	Non-Executive Director
Ryan O'Hare	Non-Executive Director

Company Interview

[Comms Group RaaS Interview 29 August 2023](#)

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FY23 Result Summary

Highlights from the FY23 result release are presented in the table below and include:

- **Revenue growth of 26%**, driven by a full 12-month contribution from the onPlatinum acquisition and solid (8%) growth in the Global division with minimal contribution from Vodafone or KDDI.

SME sales declined 1% to \$24.2m, with H1 flat and H2 declining 2%.

- **Gross margin was steady at 46.5%**, with H1 FY23 margin at 46.9% and H2 FY23 at 46.2%.
- **Adjusted EBITDA growth of ~17%** was lower than the rate of revenue growth due to investment in the Global division in anticipation of growth, particularly from Vodafone.

Divisionally, management accounts (before corporate costs) suggest SME EBITDA increased ~5% to \$3.9m, ICT delivered \$1.7m in the first full year of ownership against \$0.4m in the pcip (four months' ownership), and Global EBITDA declined ~20% as the business scales and expands into new regions.

- **D&A was higher** due to the onPlatinum acquisition contributing for a full 12 months, **as was interest expense** for the same reason.
- **RaaS estimates adjusted NPATA of \$2.4m**, 16% below the pcip and against a reported NPAT of - \$0.6m.
- **Net debt of \$6.7m**, with covenants clearly covered and \$0.6m headroom in the CBA facility remaining.
- **Adjustments** included share-based payments of \$932k (\$723k in FY22) and acquisition, integration, establishment and restructuring costs of \$2.0m (\$1.5m in FY22).

Exhibit 1: CCG H1 FY23 earnings summary

Variable (A\$000')	FY22	FY23	% CHG	Comments
Sales	41.0	51.9	26	
Global	10.0	10.8	8	Solid growth
SME	24.4	24.2	(1)	
ICT	6.7	16.9	154	onPlatinum for a full 12 months
Gross profit	19.1	24.1	26	
GP%	0.465	0.465	0	Gross margins held
Operating costs	15.0	19.3	28	12 months of onPlatinum
Adjusted EBITDA	4.1	4.8	17	
Depreciation	1.8	2.2	19	
Amortisation	1.6	2.0	28	
EBIT	1.7	1.7	5	Higher D&A
Interest expense	0.1	0.6		Higher interest due to acquisition
Pre-tax	0.9	0.3	(65)	
Adjusted NPATA	2.8	2.4	(16)	
Reported NPAT	(1.0)	(0.6)	(41)	

Source: Company announcements and RaaS estimates

FY24 Guidance And Strategic Review

FY24 guidance

Revenue has been guided to fall within a tight range of between \$53m-\$55m compared to previous RaaS estimates of \$55.5m, highlighting the predictability and recurring nature of CCG revenue. This implies growth of between 2.5% and 6.0% on FY23.

Underlying EBITDA has been guided to a range of between \$6.5m-\$7.0m, which implies growth of 35%-45% on FY23 and compares to a previous RaaS estimate of \$7.4m, now revised down to the top-end of the range (\$7.0m). The June 2023 EBITDA run rate is said to be \$6.5m, underpinned by recent restructuring across the SME and ICT divisions.

Divisionally this run rate assumes:

- SME EBITDA of \$4.9m;
- ICT EBITDA of \$2.5m;
- Global EBITDA of \$1.0m;
- Head Office/Corporate costs of -\$2.0m; and
- Group EBITDA of \$6.3m, at the top of the \$6.0m-\$6.5m run rate proved in June, mainly due to SME and ICT.

Strategic Review

The Board commenced a Strategic Review of the group's portfolio in June to consider all options available to maximise shareholder value, believing the sum of the parts is worth more than the group's current market valuation.

By definition the RaaS DCF valuation of \$0.16/share also suggests this, with much of the upside forecast in the Global division given a small near-term EBITDA contribution but significant long-term opportunities.

Value could be extracted by selling one or more of the divisions well above the current group multiple and at the same time improving the group's balance sheet.

Findings from the review are due within the next three months.

Vodafone Update

Initially announced in March 2022, the Teams offering went live in October 2022 but has seen slow uptake due to the imminent release of Microsoft Operator Connect, which brings a more simplified, customer-focused and enhanced environment at a more competitive price. Operator Connect allows Vodafone to manage the PSTN connection to Teams and bring true enterprise telephony to customers.

Vodafone is an example of a wholesale UCaaS client, meaning the CCG provides the interface for Teams as part of Vodafone's customised Teams offering to its own customers.

CCG will provide advanced orchestration and automation capabilities to automate many processes, with solutions including Microsoft Teams calling (direct-routing), SIP trunking, and value-added services (including call recording, call reporting, contact centre and Teams-to-text messaging).

Key terms to the revised contract include:

- Five-year minimum commitment period, after which the service will be provided on a month-to-month basis and may be terminated by either party with a minimum notice period of 12 months;
- Services will be provided to Vodafone's Business Enterprise team which services multinational corporations as well as Vodafone UK and Germany;
- Revenue for CCG will be based on the number of users onboarded; and
- Vodafone will pay CCG a minimum A\$30k/month beginning October 2023.

Our revenue assumptions for FY25 include \$3.2m from Vodafone (against the minimum \$360k), which implies ~150k users or ~2.5% of Vodafone's total unified customers globally by our estimates.

Peer Comparisons

Exhibit 2 below summarises some key financial variables for our selected peer group with a mixture of FY22 and FY23 financial years, and will be updated post the FY23 reporting season.

Exhibit 2: Peer group FY23f financial comparison (in A\$m unless otherwise stated)										
Company name	Ticker	Share price (A\$/share)	Mkt. cap.	Net debt (cash) @ Dec-22	Adj. EBITDA	Revenue	FY22 working capital/sales (%)	FY22 GP margin (%)	Capex/sales (%)	EV/EBITDA (x)
Symbio	SYM	2.47	209	-38.1	26.6	203	0.07	0.47	3	6.4
Dubber	DUB	0.12	35	-56.7	-40.0	42	(0.12)	0.07	12	0.5
Field Solutions	FSG	0.04	33	-5.3	4.6	60	(0.05)	0.53	27	6.0
SOCO Corporation	SOC	0.26	33	-6.4	3.0	20	0.02	0.38	1	8.9
Pentenet	5GG	0.09	27	-5.7	-3.3	23	(0.16)	0.44	56	-6.4
Spirit Technology	ST1	0.04	27	9.4	9.0	128	(0.01)	0.50	2	4.0
Activeport	ATV	0.10	29	0.2	-4.0	17	(0.11)	0.41	0	-7.3
Cirrus Networks	CNW	0.04	40	-9.5	3.5	110	(0.05)	0.32	0	8.7
Vonex	VN8	0.03	10	19.0	7.5	42	(0.18)	0.49	0	3.9
AVERAGE							(0.07)	0.40	11	7.6
Comms Group (FY23)	CCG	0.07	27	6.7	4.8	51.8	0.03	0.47	0	7.1
Comms Group (FY24)	CCG	0.07	27	3.5	7.1	55.5	0.03	0.47	0	4.4

Sources: Company financials, Refinitiv Eikon; Prices as of 28 August 2023; # SYM, FSG, ST1, CNW, VN8, BCC, SOC

Looking at CCG relative to the peer group we would highlight the following:

- Six of the eight are profitable;
- Based on FY23 estimates CCG is trading at a 5% discount to the estimated 7.6x adjusted peer EBITDA multiple (of those with positive-adjusted EBITDA);
- If we apply the FY23 adjusted EV/EBITDA average peer multiple to our forecast FY24 CCG estimates the discount widens to 40%. A peer multiple would imply a share price of \$0.14/share;
- The majority have a net cash position, with only VN8, ST1, and CCG having net debt, supported by positive adjusted EBITDA;
- The capital intensity (as measured by FY22 capex/sales) varies significantly between peers, with 5GG and FSG relatively high as they are building physical networks, while the balance of peers (and CCG) is very low as they utilise third-party networks, with the cost in the COGS line;
- The average share price of the peer group since June 30 has declined 2% against a 4% increase for CCG;
- The average peer FY23 EV/EBITDA multiple has increased from 4.9x to 7.6x over the past four months, with the sector particularly hard hit from tax loss selling and benefitting recently from the Symbio (ASX:SYM) bid by Superloop (ASX:SLC);and
- On August 1 SYM announced it had received a proposal to acquire the company at \$2.85/share by Superloop (ASX:SLC) before any dividend payments, a 47% premium to the three-month VWAP at the time. SYM's UCaaS and CPaaS business (the majority of its earnings) is similar in nature to the Global division within CCG and is likely to provide some valuation guide for this division down the track.

Investment Case Revisited

CCG has established a solid earnings base from which to expand organically and via acquisition. Consider the following:

- Management has forecast FY24 revenue between \$53m-\$55m, + 2.5%+6.0% above FY23, and EBITDA of \$6.5m-\$7.0m, +35%-45% on FY23 despite limited contributions from the Vodafone deal.
- Significant growth is expected in the Global division, with management divisional valuation assumptions in FY22 assuming at least 8% medium-term revenue growth. This growth is driven by UCaaS wholesale deals for Microsoft Teams into the likes of Vodafone and KDDI, and other CPaaS deals, with FY24 likely to be the first material year with the introduction of Microsoft Operator Connect.
- CCG is piggy-backing Microsoft Teams in the Asia Pacific, the most popular meetings tool worldwide with ~300m monthly users in Q3 FY23 according to Microsoft, up from just 2m active daily users in 2017. With only ~20m Teams calling users currently and the recent introduction of Teams Phone Mobile and Operator Connect there is ample growth for UCaaS Teams voice solution providers like CCG.
- The SME Telco and ICT Services divisions offer more modest growth but recurring revenue of ~95% under three-year+ contracts provide some revenue/earnings security. There is upside from cross-selling, an extension of services offered, and strengthening regional positions in the key states of NSW, VIC, and QLD.
- CCG is trading at a 7% discount to the (profitable) peer average using FY23 EV/EBITDA multiples-based consensus estimates, and closer to a 42% discount using FY24 estimates.
- Our DCF valuation is \$0.16/share.
- Key management is incentivised by both tenure and the share price reaching and maintaining levels between \$0.125/share and \$0.20/share medium term. This implies a minimum of 95% share price upside should performance hurdles be met.

Exhibit 3: CCG Financial Summary

Comms Group Limited (ASX:CCG)						Share price (28 August 2023)						A\$	0.073
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 Jun	FY21A	FY22A	FY23A	FY24F	FY25F	Revenue	H122A	H222A	H123A	H223A	H124F	H224F	
Revenue	25.1	41.0	51.8	55.5	58.7	Revenue	17.3	23.7	26.0	25.8	27.4	28.1	
Gross profit	11.4	19.1	24.1	25.8	27.5	EBITDA	1.9	2.2	2.4	2.4	3.1	4.0	
GP margin %	45.3%	46.5%	46.6%	46.5%	46.9%	EBIT	0.9	0.7	0.9	0.9	1.5	2.5	
Adj. EBITDA	2.6	4.1	4.8	7.1	8.1	NPATA (normalised)	1.4	1.4	1.1	1.3	1.5	2.1	
Depn	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	Adjustments	(0.9)	(1.3)	0.6	(1.5)	0.0	0.0	
RoU	(0.3)	(0.8)	(1.0)	(1.0)	(1.0)	NPAT (reported)	(0.5)	(0.8)	0.6	(1.3)	0.5	1.2	
Amortisation	(0.8)	(1.6)	(2.0)	(2.0)	(1.8)	EPS (adjusted)	0.004	0.004	0.003	0.003	0.004	0.006	
EBIT	1.5	1.7	1.7	4.0	5.2	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000	
Interest expense	(0.1)	(0.5)	(1.0)	(0.9)	(0.7)	Imputation	0.0	0.0	0.0	0.0	0.0	0.0	
Tax	(0.1)	0.1	(0.3)	(1.5)	(1.9)	Operating cash flow	na	na	na	na	na	na	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	na	na	na	na	na	na	
NPATA normalised	2.1	2.8	2.4	3.6	4.4	Divisionals	H122A	H222A	H123A	H223A	H124F	H224F	
Adjustments	(0.8)	(2.0)	(1.0)	0.0	0.0	Revenue	17.3	23.7	26.0	25.8	27.4	28.1	
NPAT (reported)	0.5	(0.7)	(0.6)	1.6	2.6	Global	5.2	4.8	5.6	5.3	6.0	6.4	
Cash flow (A\$m)						SME	12.1	12.3	12.2	12.0	12.6	12.8	
Y/E 30 Jun	FY21A	FY22A	FY23A	FY24F	FY25F	ICT	-	6.7	8.3	8.6	8.5	8.7	
Adj EBITDA (after rent)	2.2	3.3	3.7	6.1	7.1	Other	0.1	0.2	0.1	0.1	0.2	0.2	
Interest	(0.1)	(0.2)	(0.7)	(0.9)	(0.7)	Gross profit	7.9	11.2	12.2	11.9	12.6	13.2	
Tax	(0.0)	0.0	(0.3)	(1.5)	(1.9)	Gross Profit Margin %	45.7%	47.1%	46.9%	46.2%	46.1%	46.9%	
Working capital/other	(1.7)	(1.7)	(1.2)	(0.1)	(0.1)	Employees	4.3	6.8	7.3	7.7	7.0	6.9	
Operating cash flow	0.4	1.4	1.6	3.6	4.4	Administration	0.6	0.6	0.6	0.5	0.6	0.5	
Mtce capex	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	Other	1.2	1.6	1.9	1.2	1.9	1.7	
Capitalised Software	(0.5)	(0.7)	(0.2)	(0.3)	(0.3)	Total costs (ex SBP/1-off)	6.1	9.0	9.8	9.5	9.6	9.2	
Free cashflow	(0.2)	0.5	1.3	3.2	4.0	Adj. EBITDA	1.9	2.2	2.4	2.4	3.1	4.0	
Acquisitions/Disposals	(2.7)	(10.7)	(1.9)	0.0	0.0	EBITDA margin %	10.7%	9.3%	9.2%	9.4%	11.2%	14.2%	
Other	0.0	(0.2)	0.0	0.0	0.0	Margins, Leverage, Returns		FY21A	FY22A	FY23A	FY24F	FY25F	
Cash flow pre financing	(2.9)	(10.4)	(0.7)	3.2	4.0	EBITDA margin %		10.3%	9.9%	9.3%	12.7%	13.8%	
Equity	5.9	0.0	0.0	0.0	0.0	EBIT margin %		5.8%	4.1%	3.4%	7.2%	8.8%	
Borrowings(repayments)	0.0	8.1	0.5	(1.0)	(1.0)	NPAT margin (pre significant items)		8.2%	6.9%	4.6%	6.5%	7.6%	
Net Dividends paid	0.0	(0.1)	0.0	0.0	0.0	Net Debt (Cash)	-	5.50	5.18	6.70	3.49	0.55	
Change in cash	3.0	(2.3)	(0.2)	2.2	3.0	Net debt/EBITDA (x)	(x)	-2.1	1.3	1.4	0.5	-0.1	
Balance sheet (A\$m)						ND/ND+Equity (%)	(%)	(21.3%)	16.6%	20.5%	10.5%	(1.6%)	
Y/E 30 Jun	FY21A	FY22A	FY23A	FY24F	FY25F	EBITDA interest cover (x)	(x)	45.5	8.4	4.7	8.3	12.4	
Cash	5.5	2.9	1.9	4.1	7.2	ROA		nm	nm	2.9%	6.9%	8.7%	
Accounts receivable	4.1	4.9	5.6	6.0	6.3	ROE		nm	nm	(1.8%)	4.9%	7.4%	
Other receivables	0.0	0.0	0.0	0.0	0.0	NTA (per share)		0.02	-0.05	-0.03	-0.02	-0.01	
Other current assets	0.8	1.9	2.1	2.1	2.1	Working capital		2.1	1.9	1.9	2.0	2.1	
Total current assets	10.4	9.8	9.6	12.2	15.6	WC/Sales (%)		8.5%	4.5%	3.6%	3.6%	3.6%	
PPE	0.1	0.2	0.2	0.1	0.1	Revenue growth			63.4%	26.2%	7.1%	5.7%	
Capitalised Software	8.1	25.1	22.0	19.8	17.6	EBIT growth pa		(3.5%)	13.5%	4.6%	130.8%	28.7%	
Goodwill	15.6	20.6	21.7	21.7	21.7	Pricing			FY21A	FY22A	FY23A	FY24F	FY25F
Right of Use Asset	1.5	3.2	2.3	1.3	0.3	No of shares (y/e)	(m)	340	361	381	386	393	
Other non current assets	2.0	2.5	1.8	3.5	5.1	Weighted Av Dil Shares	(m)	258	348	378	385	392	
Total non current assets	27.3	51.6	48.1	46.4	44.9	EPS Reported	A\$ cps	0.0018	(0.0019)	(0.0015)	0.0042	0.0067	
Total Assets	37.7	61.4	57.7	58.6	60.5	EPS Normalised/Diluted	A\$ cps	0.0080	0.0082	0.0063	0.0093	0.0113	
Trade payables	2.0	3.1	3.7	4.0	4.2	EPS Growth (norm/dil)			2%	-23%	48%	21%	
Deferred revenue	1.0	0.8	0.7	0.7	0.8	DPS	cps	0.000	0.000	0.000	0.000	0.000	
Borrowings	0.0	0.8	1.0	1.0	1.0	DPS Growth		n/a	n/a	na	na	na	
Other	2.8	9.6	4.5	4.5	4.5	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Total current liabilities	5.8	14.2	9.9	10.2	10.5	Dividend imputation		0	0	0	0	0	
Borrowings	0.0	7.4	7.6	6.6	5.6	PE (x)		9.2	8.9	11.6	7.8	6.4	
Deferred tax	2.4	7.0	6.9	6.9	6.9	PE market		15.0	15.0	15.0	15.0	15.0	
Other	1.5	2.8	2.0	2.0	2.0	Premium/(discount)		(39.0%)	(40.4%)	(22.7%)	(47.9%)	(57.1%)	
Total long term liabilities	3.9	17.2	16.5	15.5	14.5	EV/EBITDA (x)		7.3	6.3	5.7	4.0	3.5	
Total Liabilities	9.7	31.4	26.4	25.7	25.0	FCF/Share	A cps	(0.011)	(0.030)	(0.002)	0.008	0.010	
Net Assets	28.0	30.0	31.2	32.9	35.5	Price/FCF share		(6.5)	(2.5)	(41.8)	8.8	7.1	
Share capital	45.6	47.8	48.9	48.9	48.9	Free Cash flow Yield		(10.5%)	(37.6%)	(2.4%)	11.6%	14.7%	
Reserves	0.4	1.0	1.4	1.4	1.4								
Accumulated losses	(18.1)	(18.7)	(19.1)	(17.5)	(14.9)								
Total Shareholder funds	28.0	30.0	31.2	32.9	35.5								

Source: Company data for actuals, RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

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Effective Date: 6th May 2021

About Us

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

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Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

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