

2nd July 2019

SPIRIT TELECOM ANNOUNCES ACQUISITION OF ARINDA IT

Highlights:

- Acquisition of 100% of Bigscreensound Pty Ltd, trading as 'Arinda IT' ("Arinda") for \$2.6million
- Immediate expansion of Spirit's product offering and the flagship entry into the Managed Service Provider (MSP) sector
- Arinda is a long-term partner of Spirit's having worked together on mutual customers including several Quest apartments and Punthill apartments
- 12 staff across Melbourne, Sydney, Perth, Tweed Heads and Byron Bay
- \$2.2 million revenue across more than 300 customers
- Solid revenue growth of 16% on Arindas' FY2018 revenue
- Implied transaction multiple of 4.3x EV/EBITDA of \$600k
- Vendor taking 20% scrip and joining Spirit team
- The acquisition will be funded via Spirits' cash reserves and vendor scrip (at \$0.21c), 100% escrowed for 12 months.

Acquisition of Arinda

Spirit Telecom Limited ("Spirit" ASX:STI) has entered into an agreement to acquire 100% of Arinda IT, effective 1st July for upfront consideration of \$2.6 million, comprising:

- 80% consideration paid in cash (\$2.1 million)
- 20% of consideration paid in scrip (\$0.5 million issued at \$0.21)
- Completion is expected before mid-July and subject to normal closing conditions
- The Company will utilise its capacity under ASX Listing Rule 7.1 for the Vendor script

The acquisition of Arinda is expected to be highly earnings accretive. Arinda was established in 2002 primarily to provide the hospitality industry with in-room internet billing systems and internet kiosks. It has since expanded into fully managed IT services including data security and protection, Microsoft Office 365 management, Business Wi-Fi solutions, network implementation and disaster recovery services.

Highlights of the business include:

- 300 Business customers
- High margin/low capex managed services offering
- Strong growth track record

This acquisition will enhance Spirit's existing product and service offering to its current SME customer base, as well as providing Spirit with greater access and focus to attractive vertical markets in hospitality and healthcare.

Spirit's Managing Director, Geoff Neate said, "The acquisition of Arinda IT brings to Spirit an instantly accretive expansion into Managed Services and the opportunity to diversify our product and service offering to our growing customer base. This marks Spirits' third acquisition in as many months and is an exciting foray into the complementary sector of managed services. Arinda has a smart team that has demonstrated its ability to grow its top line in a disciplined and well executed manner."

Arinda CEO Ben Smith said “Arinda has worked with Spirit for a number of years and we are excited by the opportunity to work closer towards our growth targets. The Arinda team will become part of a bigger company and with that brings bigger opportunities. We become Spirit’s first MSP and can see the great opportunities for our customers, employees and shareholders.”

The acquisition represents a multiple of circa 4.3 times EV/EBITDA for FY2019. Of the scrip consideration, 100% will be escrowed for 12 months from the date of issue.

About Spirit

Internet Service Provider, Spirit Telecom Limited (Spirit), is Australia’s leading alternative to the NBN, providing super-fast Internet speeds through the air, ensuring over 7,500 business and residential customers can stream, game, work and connect without disruption.

The ASX listed (STI) company owns its advanced fixed wireless network, delivering symmetrical speeds of up to 1Gbps for business and 500Mbps to residential consumers - that’s over 16 times quicker than the national average. It’s the Internet that Australia deserves.

Spirit is built on an ethos of being different to be better. Its fixed wireless network is built for speed right to end users in more than 500 buildings around Australia. Additionally, it offers a range of cloud solutions and unified communications services.

Spirit provides industry-leading services and is continually expanding to meet demand, both organically and through acquisitions, which have recently included Building Connect, LinkOne, Voxcom, My Telecom, Phone Names and World Without Wires. With these companies on board, Spirit is prepared for future growth that is powered by its super-fast Internet.

For more information, please visit www.spirit.com.au

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