SPIRIT ACQUIRES PHOENIX AUSTEC GROUP
SECOND MANAGED IT SERVICE PROVIDER

Highlights:

- Acquisition of 100% of Phoenix Austec Group Pty Ltd, trading as 'Phoenix Austec' ("Phoenix") for $1.6million
- Expands and strengthens Spirit's entry into the Managed Service Provider (MSP) sector for Small-Medium Enterprise (SME's)
- Phoenix has been operating since 2007 providing SME's with managed IT support, IT security and consulting services
- $1.9 million revenue across more than 100 customers
- Solid Compound Annual Revenue Growth (CAGR) since 2016 of 19%
- Implied transaction multiple of 4.3x EV/EBITDA of $370k
- Vendor taking 20% scrip and joining Spirit team
- The acquisition will be funded via Spirits' cash reserves and vendor scrip (at $0.24c), 100% escrowed for 12 months

Acquisition of Phoenix Austec

Spirit Telecom Limited ("Spirit" ASX:ST1) has entered into an agreement to acquire 100% of Phoenix Austec, effective 1st July for upfront consideration of $1.6 million, comprising:

- 80% consideration paid in cash ($1.3 million)
- 20% of consideration paid in scrip ($0.32 million issued at $0.24)
- Completion is subject to normal closing conditions

The acquisition of Phoenix is a valuable addition to the growing managed IT services portfolio of Spirit and is expected to be earnings accretive. Phoenix was established in 2007 to provide small business with an outsourced managed IT solution including hosted firewall, IT security and consulting and cloud-based support services. Phoenix has been particularly successful in the real estate sector but also boasts a broad range of SME customers.

Highlights of the business include:

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

This acquisition is Spirit's 4th in as many months and the third using existing cash reserves. Phoenix will add to the recently acquired Arinda managed services product range, which now represents circa 20% of Spirit's overall revenue.

Spirit's Managing Director, Geoff Neate said, "We approached Phoenix a few months ago and were impressed by its strong competency in providing managed IT and SAAS solutions to a customer base that is typical of Spirit's target market. We now have a strong growing MSP IT product and customer portfolio and our team are already focused on integrating Phoenix and Arinda into a Spirit IT division."

Phoenix Managing Director Amelia Buchanan said "We have been growing Phoenix since 2007 and have been approached by other potential acquirers. Once we understood the direction Spirit is headed and the growth opportunity that this delivers the Phoenix team, we became eager to be part of the journey. We were particularly impressed with the integration methodology that Spirit has created for MSP's inside its operations. We have met a lot of the Spirit team and we are already working on realising the potential that the newly formed Spirit IT will deliver."

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 8,000 businesses and residential customers can stream, game, work and connect without disruption.

The ASX listed (ST1) company owns its advanced fixed wireless network, delivering symmetrical speeds of up to 1Gbps for business and 500Mbps to residential consumers - that's over 19 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 delivers super-fast Sky-Speed Internet to end users in the three biggest cities across Australia's East Coast. Additionally, it offers a range of Managed Services, 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 included World Without Wires (QLD), Phone Names (NSW), My Telecom (VIC), Voxcom (VIC) and more recently Arinda IT, LinkOne Group (QLD, NSW & VIC) and Building Connect (NSW). 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 or contact:

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