Spirit Telecom Limited (ST1)

Financial Year 2019 Results

August 2019

Spirit
Different. Better.

Business Highlights FY19

- Revenue increase of 7.5% over FY18 to $17.4m
  - H2/19 increase 13% over H1/19
- Targeted SME/Business revenue up 20% on FY18
- Total Contract Value (TCV) up 28% before the onset of Managed IT services
- Gross profit up to $12.9M (up 14.6% YOY) recording a GP% of 74%
- Operating Cash up 38% to $2.3M
- Underlying FY19 EBITDA illustrating an H2/19 turnaround
  - H2/19 Underlying EBITDA margin 13.7% - exceeding 12% announced on 28th Feb
- $5.6M options underwritten (converted Q1/20 giving ST1 net of debt cash position of $1.15M)
- CBA backs Spirit with an $8M debt facility
- Completed 10Gb Melbourne network upgrade
- Awarded $1.7M tender to build a superfast network in Horsham
- Awarded $1.0M tender to build a superfast network in Morwell

Acquisitions = Increased Product Capability

LinkOne Group
April 2019

Network
- Adds Sydney & Brisbane
- 44 new POP sites for SkySpeed upgrade

Traction
- $3.2m revenue & $1.1m underlying EBITDA *(34% EBITDA margin)*

Building Connect
May 2019

Network
- Extends Sydney network to 31 buildings & business parks

Traction
- Over 200 business customers

Arinda IT
July 2019

Product
- Adds MSP capability (cloud, IT, security)
- National footprint

Traction
- $2.2m revenue & $600k EBITDA *(27% EBITDA margin)*

Phoenix Austec
July 2019

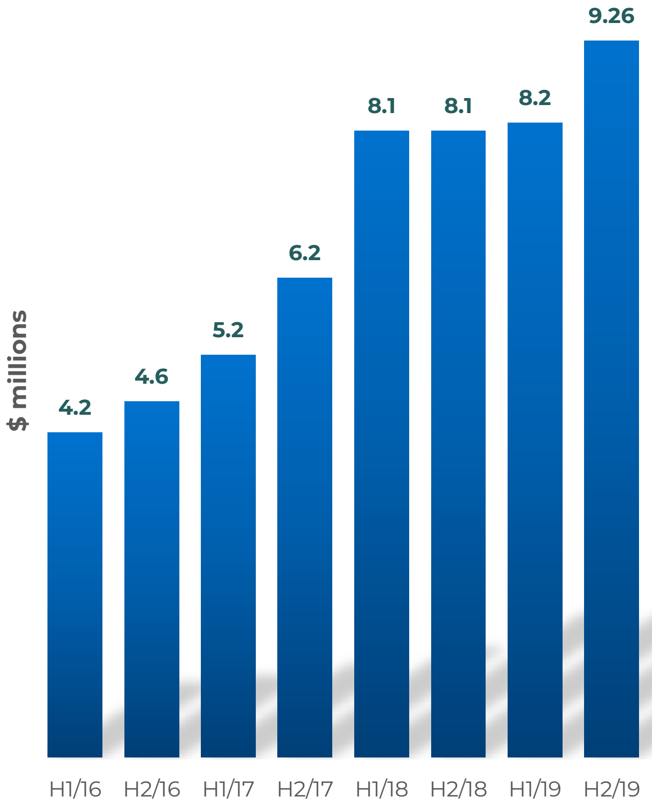
Product
- Strengthens MSP offering
- (managed IT and cloud solutions)

Traction
- $1.9m revenue
- Over 100 SME's in Vic

FY19 Financial Performance Summary

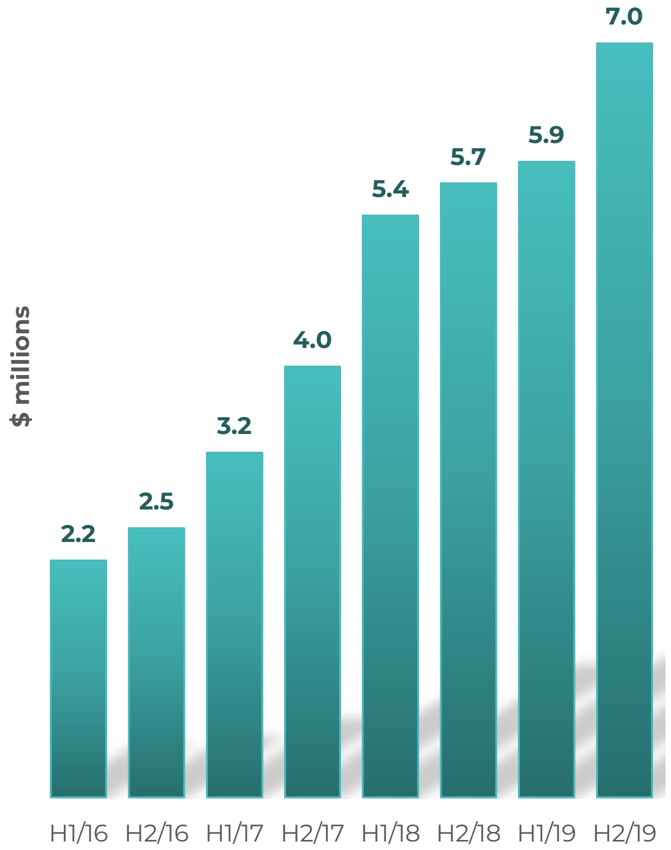
Revenue

13% increase from H1/19
7.5% increase from FY18



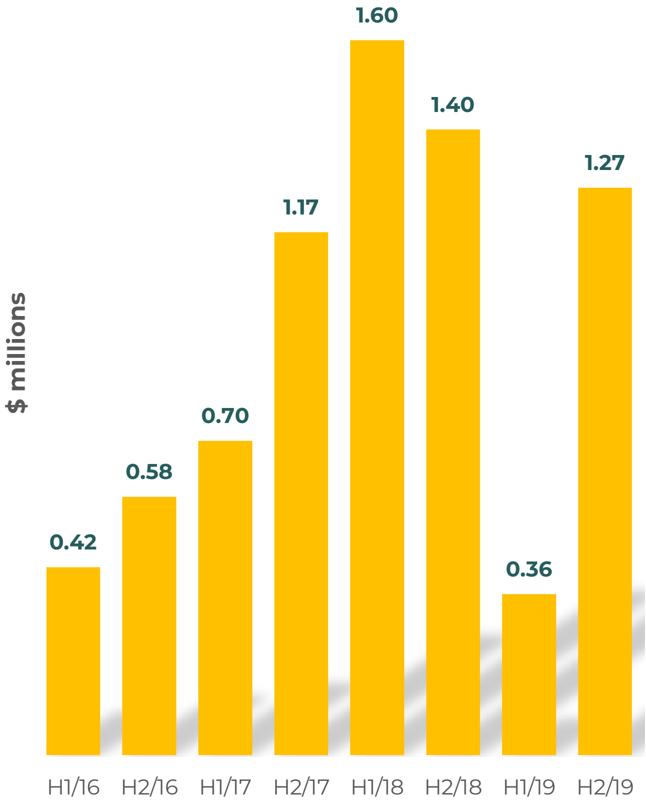
Gross Profit

19% increase from H1/19
16% increase from FY18



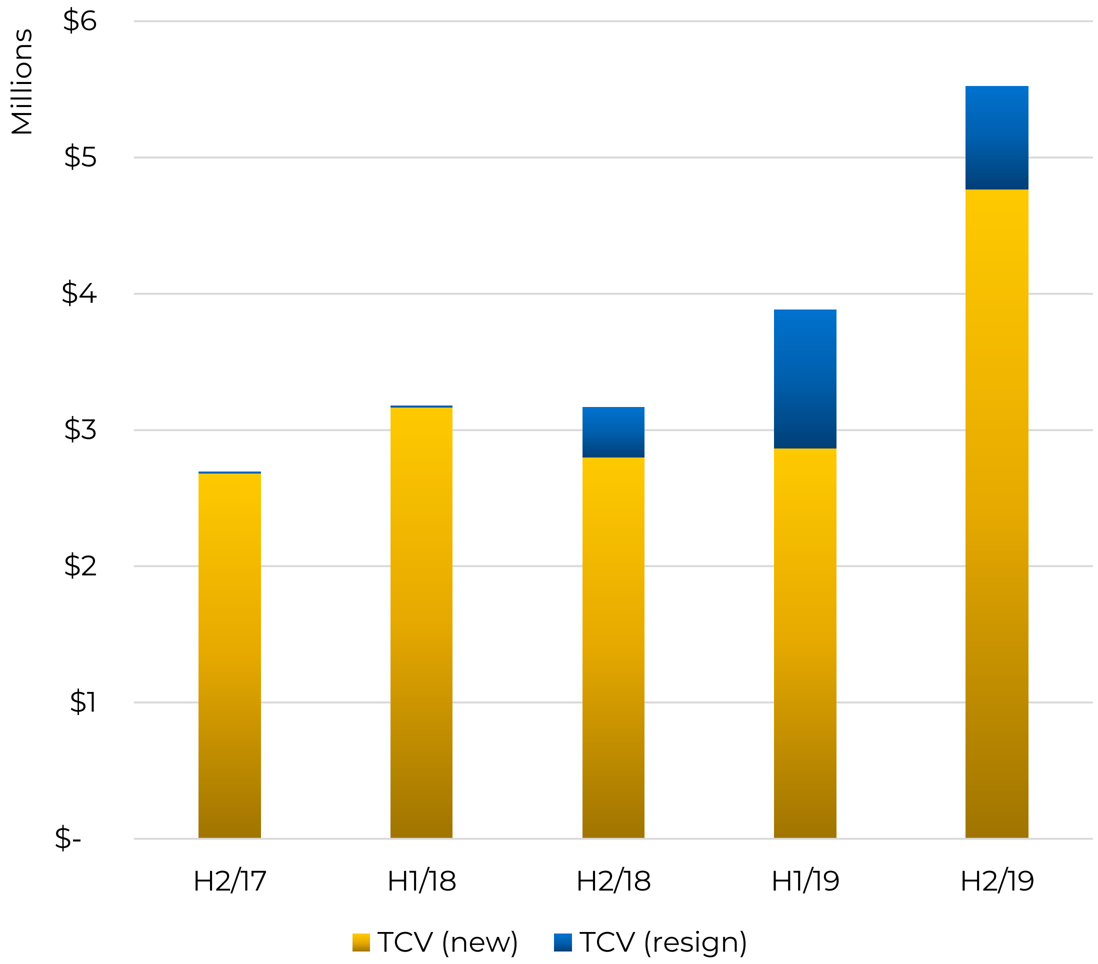
Underlying[1] EBITDA

253% increase from H1/19
46% decrease from FY18



1. Underlying EBITDA excludes ongoing acquisition activity and share based payments

Total Contract Value (TCV)

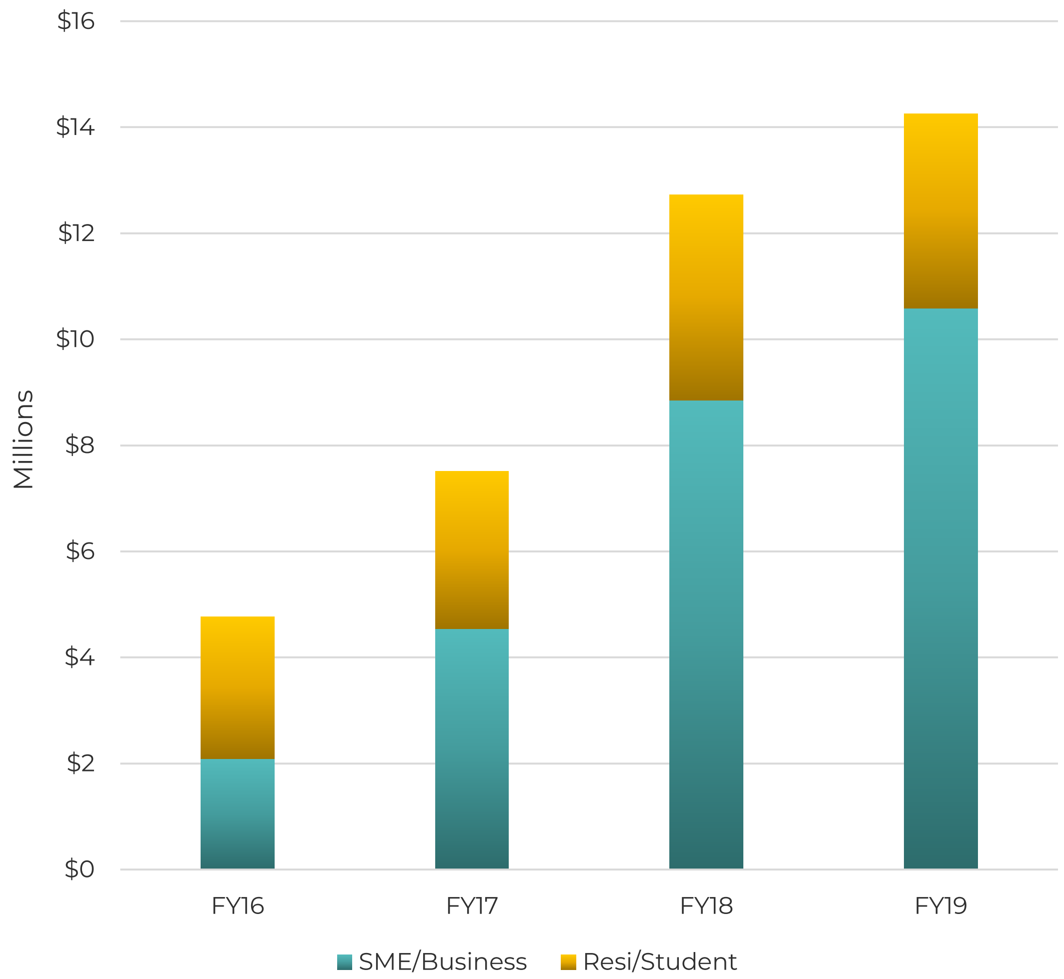


Continued TCV* uplift

- $7.6M in SME/Bus Total Contract Value (TCV) (excluding Horsham & Morwell).
- A Total Contract Value increase of 28% on FY18
- Forward TCV will include Managed IT services
- SME/Business growth continues

*TCV refers to contract value of provisioned customers. Average contract length approximately 3 years

YoY Core Revenue Growth



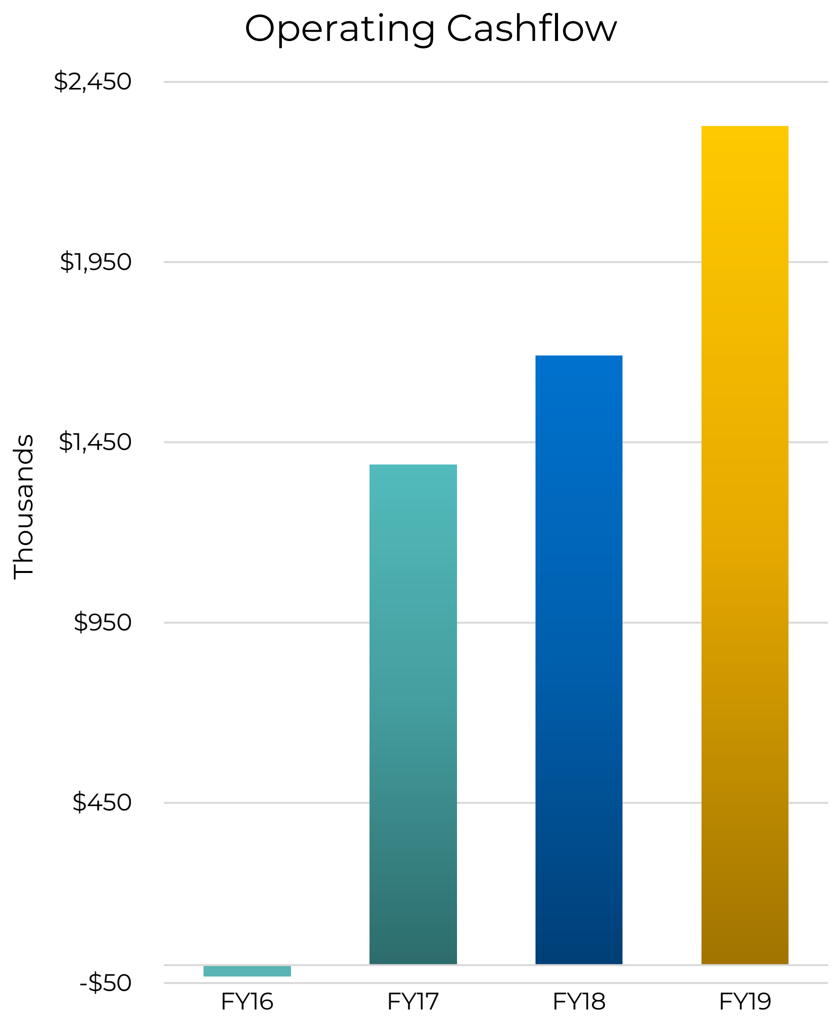
On-net revenue grew by 11% on FY18

- SME/Business (+20% on FY18)
- Resi/Student (-5% on FY18)
- Legacy (copper based) declined 19%

- Overall Revenue hit $17.4M up 13% on H1/19 and 7.5% 0n FY18

- SME/Business continues to be key growth driver

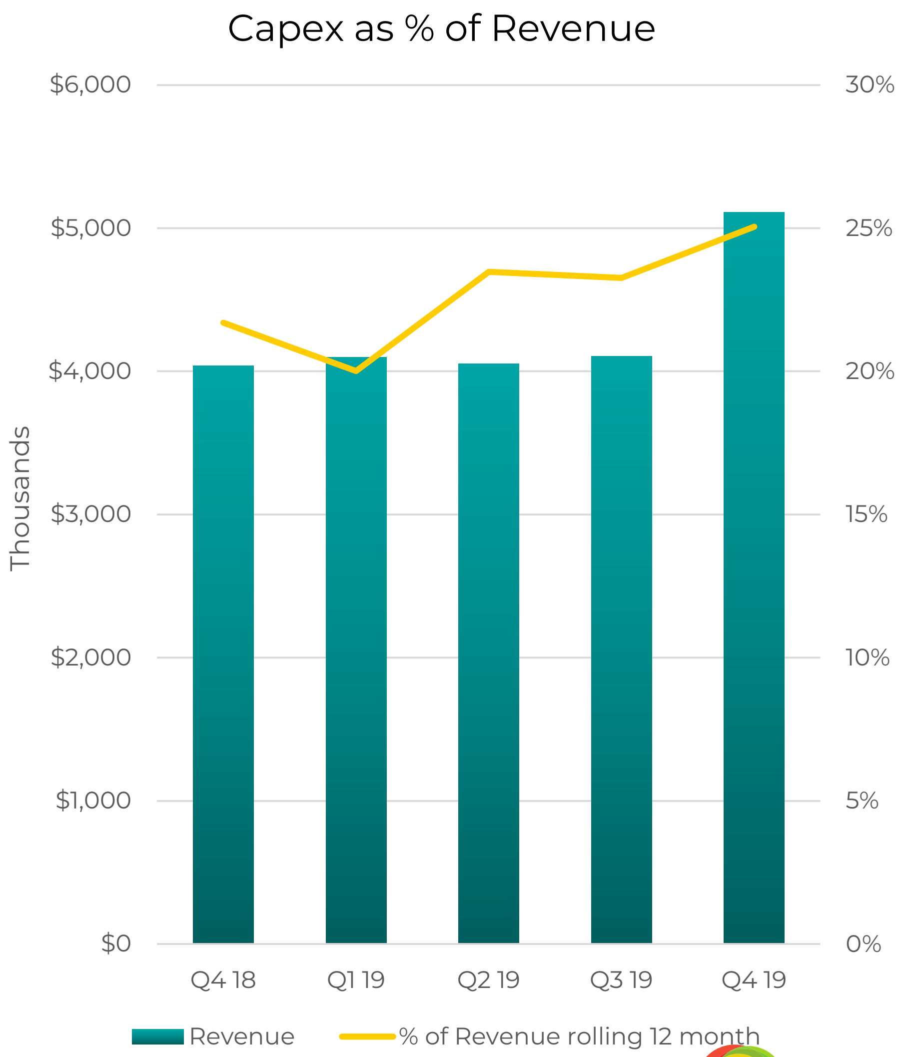
Operating Cash & Capex



Operating cash was $2.3M for FY/19 a 38% increase on FY18

Capex investment increased in Q4, due mainly to LinkOne (Brisbane) upgrade of $200k and circa $650k for Horsham build

The recent acquisitions of 'Capex light' managed IT service providers, Arinda IT and Phoenix, will lower the Capex: Revenue ratio



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Profit & Loss

19.6% growth in high margin SME/Business contributing to a 14.6% growth in Gross Profit

H2/19 Opex outside of M&A and share based payments decreased to $5.25M

H2/19 EBITDA margin 13.7%

Recent acquisitions will grow EBITDA throughout FY20

	FY18 $000	FY19 $000	
SME/Business	8,851	10,587	↑
Student/Resi	3,880	3,672	↓
Other/Legacy	3,049	2,481	↓
Non-recurring	391	626	↑
Interest & Other income	129	87	↓
Revenue	**16,300**	**17,453**	↑
Gross Profit	**11,258**	**12,896**	↑
Gross Profit %	69%	74%	↑
Operational Expenses	8,216	11,269	↑
Underlying EBITDA	**3,042**	**1,627**	↓
Acquisition & integration Costs	301	236	↓
Share based payments	143	200	↑
EBITDA	**2,598**	**1,191**	↓
Interest	289	271	↓
Depreciation & Amortisation	1,276	1,929	↑
Tax	460	(186)	↓
NPAT	**570**	**(823)**	↓

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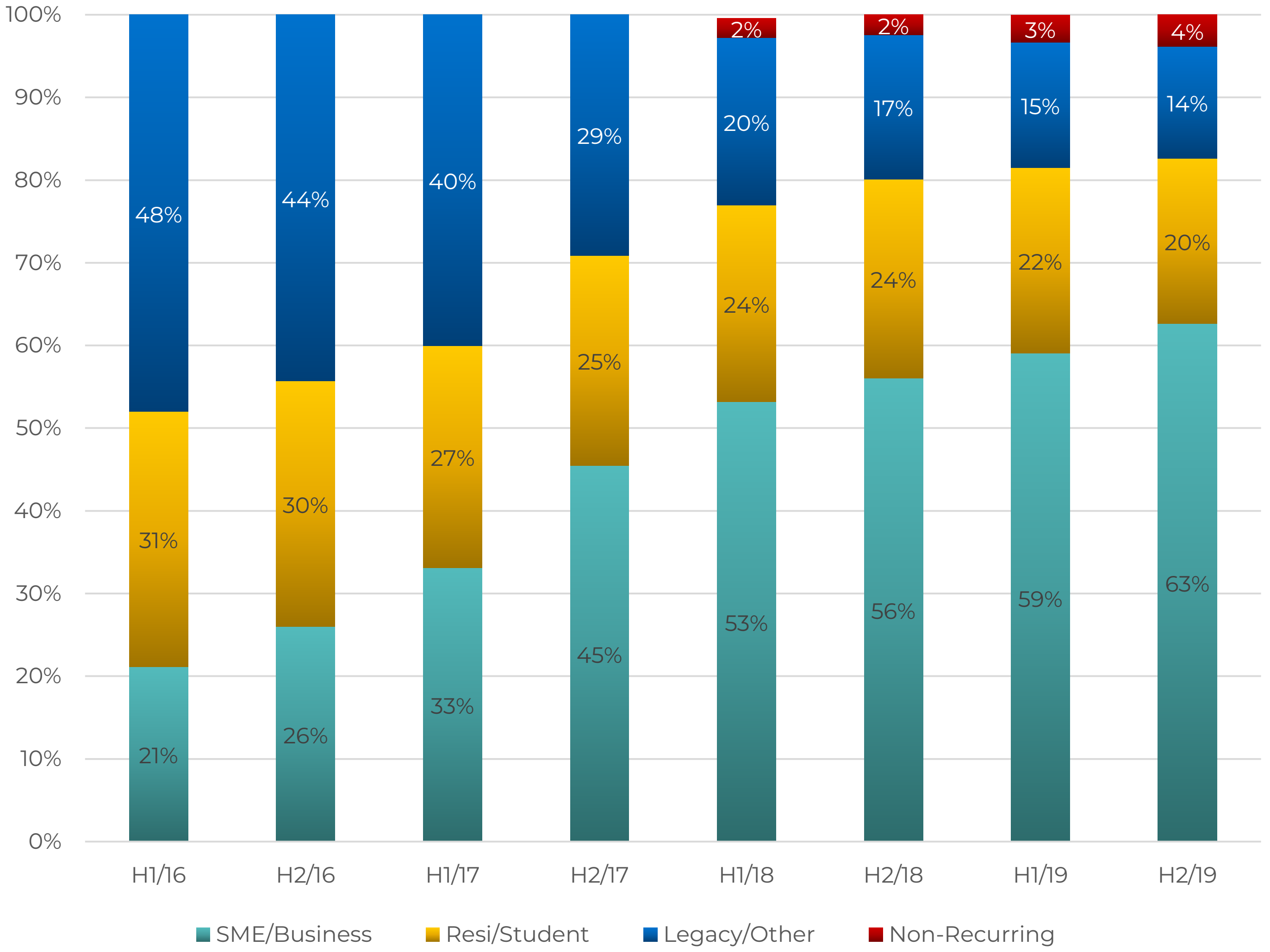
Revenue Breakdown



- Driving towards SME/Business Sector
  - Higher margin
  - Higher ARPU
- Recent Managed IT services acquisitions (Arinda IT & Phoenix Austec) will increase commercial revenue and ARPU
- Resulting in Gross Margin increase from 69% in FY18 to 74% in FY19

Legacy revenue includes copper based services (ADSL/PSTN etc.) and other non-core services

Outlook FY2020

- Strong growth with double-digit percentage increase in turnover
- Continued improvement of EBITDA margins and operating cashflow
- FY20 acquisitions of Arinda IT and Phoenix additional circa $1M EBITDA
- Capitalising on expansion of network and product ranges
- Bundled SME product range across Data, Voice and Managed IT offers material ARPU uplift
- Well positioned as very strong demand continues from SME's moving to cloud based services which require high speed links
- Integration of Managed IT acquisitions into Spirit well on track to maximise EBITDA impact
- Total contract value uplift ensures customer base and annuity income are locked in
- Strong capital position (access to debt facility and equity) ensures acquisition focus continues

With the recent expansion into Managed IT services, Spirit assists SME's and business customers from the laptop to the cloud and back.

Top 20 Shareholders as at 30th June 2019

	HOLDER NAME	As at: 30/06/19	%
1	MR PETER J DIAMOND (& RELATED PARTIES)*	61,140,000	19.99%
2	MR GEOFFREY NEATE (& RELATED PARTIES)*	34,616,586	11.32%
3	JOSHART INV PL	33,667,749	11.01%
4	MAUNDER TODD*	9,406,208	3.08%
5	WIGNELL INV PL	7,269,174	2.38%
6	MAGNUM OPUS HLDGS PL	6,100,000	2.00%
7	CS THIRD NOM PL	4,254,587	1.39%
8	MDJD PL	3,850,000	1.26%
9	MAUNTA NOM PL*	3,670,715	1.20%
10	HSBC CUSTODY NOM AUST LTD	3,525,237	1.15%
11	KEOGH DAINEN	3,499,891	1.14%
12	JASFORCE PL	3,352,165	1.10%
13	LENZI ENRICO + SUSAN C	3,017,000	0.99%
14	WAINWRIGHT SUPER PL	3,000,000	0.98%
15	MAKAREWICZ DAMIEN ALEXY*	2,984,115	0.98%
16	THREE ZEBRAS PL	2,817,000	0.92%
17	TEMPEST ASSET MGNT	2,602,134	0.85%
18	THREE ZEBRAS PL	2,537,000	0.83%
19	CHEMBANK PL	2,500,000	0.82%
20	PENBURY GRANGE PL	2,185,189	0.71%
		195,994,750	64%

* Denotes merged holders

No of shareholders:	1,285
Issued Capital	
Fully paid ordinary shares:	305,723,988
ST1O Listed Options*:	28,732,256
ST1AC Unlisted Options:	2,500,000
ST1AN Unlisted Options:	18,000,000
ST1AB Performance Rights:	3,042,418

*exercisable at 19.688 cents expiring on 31 July 2019

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