

Spirit Telecom Limited (ST1)

Market Update – H1 & Q2 20

Spirit delivers high speed internet and managed IT services to support
Australian SMB's growth

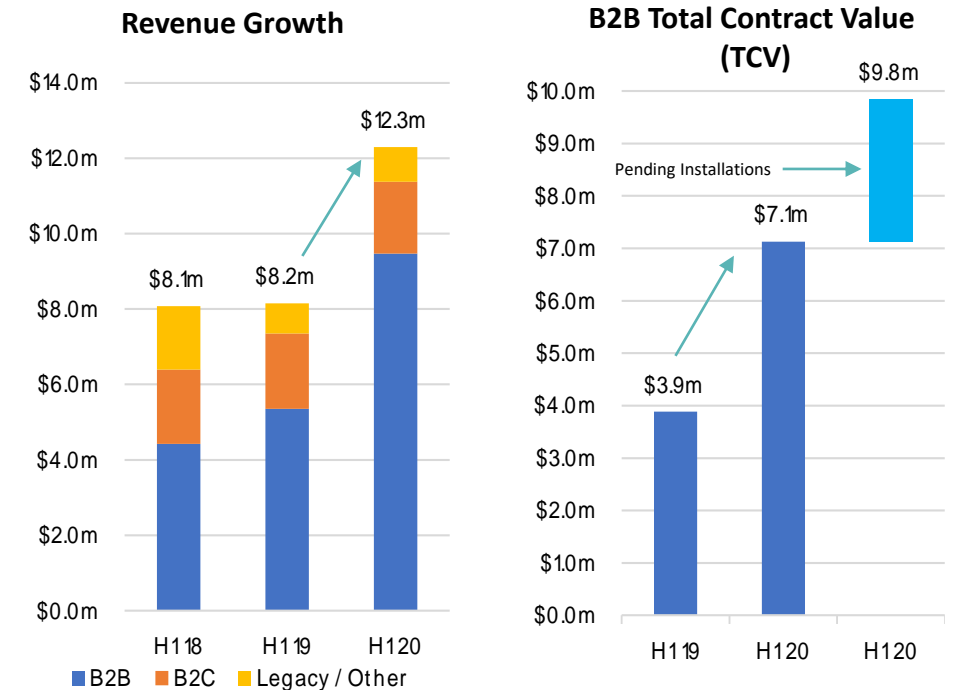
January 2020

Business Performance: H1 & Q2 20

A simple focus: *Be Australia's leading provider of IT&T services to Small & Medium Sized Businesses (SMB's)*

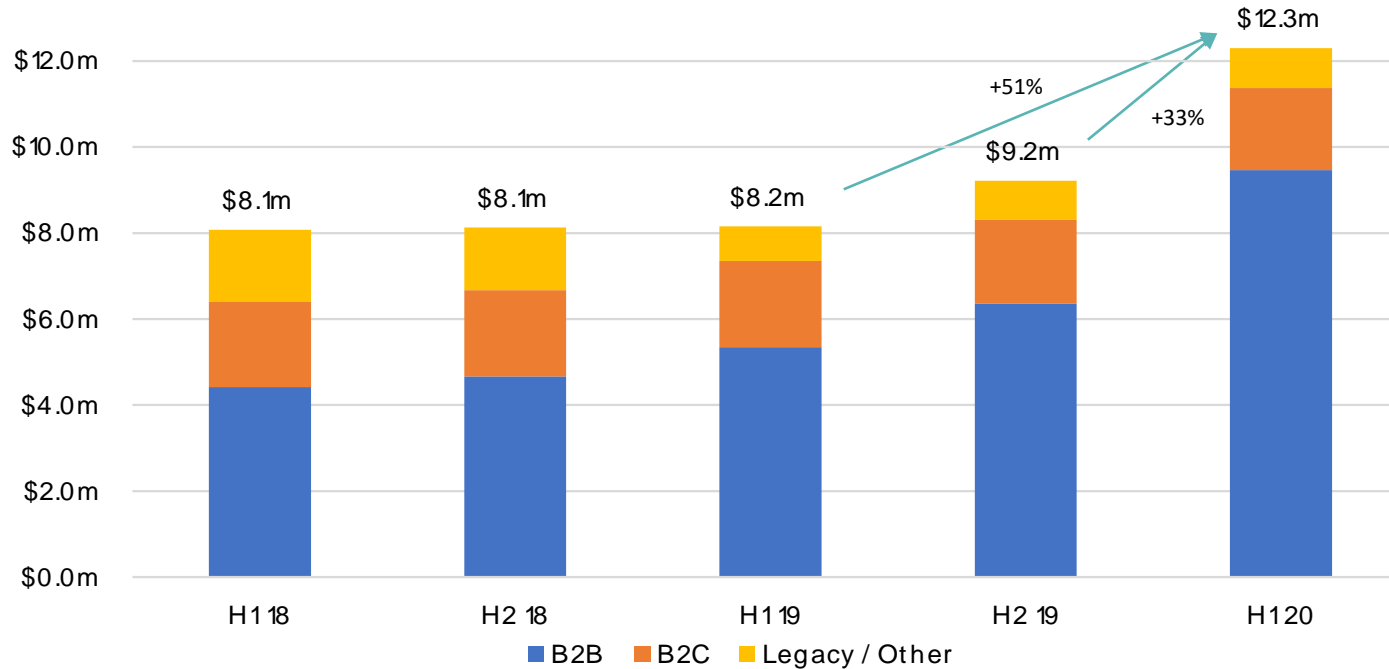
Financial & Commercial summary:

- Total revenue growth up 33% to \$12.3M on H2 19 and up 51% on H1 19.
- Recurring revenue up +3% (11% annualised) in Q2 over Q1.
- Signed a material agreement with OptiComm for Spirit to be the key commercial reseller across 80,000 unique addresses.
- Spirit X digital platform showing immediate impact. In Dec 19 new sales up 87% YoY and a record \$1.9M in Total Contract Value sold in a short/holiday period month.
- Strategy execution demonstrated with B2B revenue mix % uplift to 77% through IT/Managed services & Data acquisition & organic growth.
- B2B average contract length sold now at 36 months in Q2. Up 4 months on H1.¹
- B2B TCV² for H1 20 up 32% on H2 19 and up 83% to H1 FY19. B2B services including pending installations for H1 up to \$9.8M (pending installation \$2.7M)
- Acquisition focus continues with announcement of Cloud BT acquisition with additional multiple targets in DD & negotiations.
- Strong balance sheet: total \$7.31M available (at end of Q2 \$2.31M cash & \$5.0M CBA facility for acquisitions).
- Capex to revenue ratio at 19% for the half, expected to be lower through the year through the expansion of less capex intensive product roll out.



1. B2B TCV incorporates recurring revenue across data, voice and managed services contracts.
2. All recurring revenue contracts

Total Revenue Growth By Half



Total Revenue up at \$12.3M:

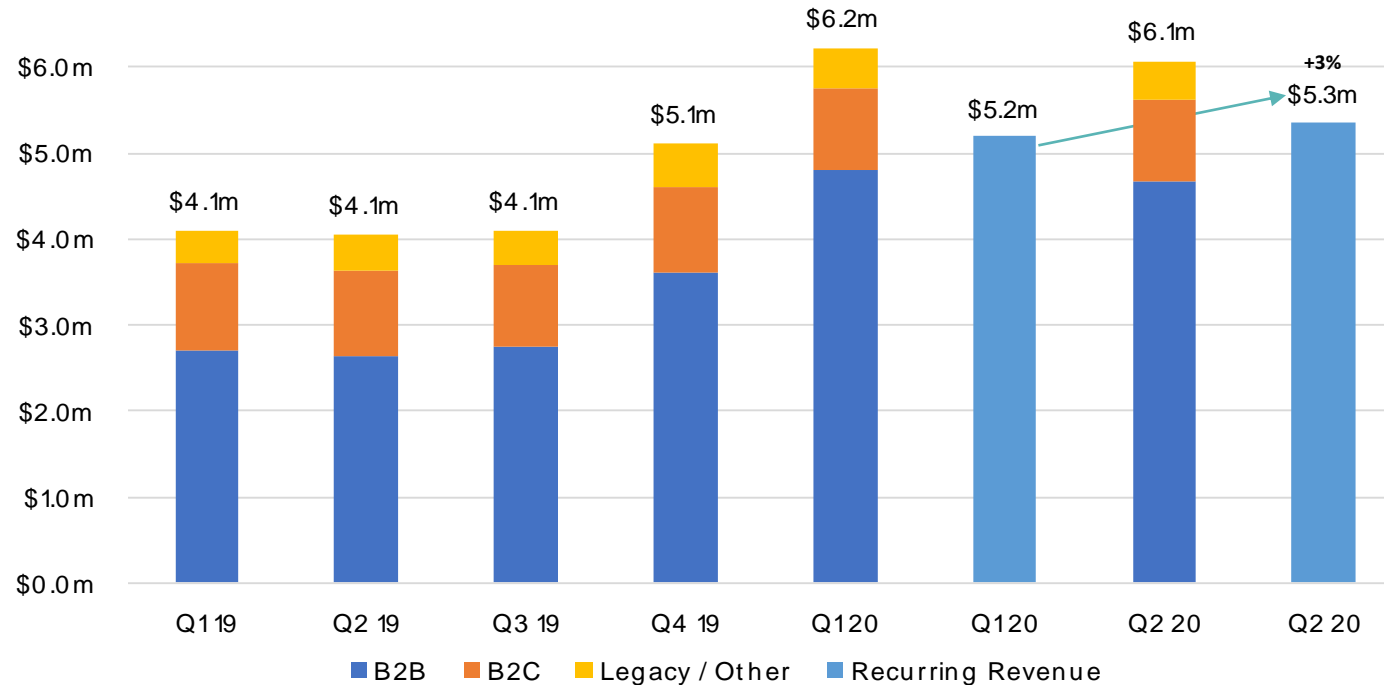
- Total revenue growth up 33% to \$12.3M on previous half and up 51% to H1 19.
- B2B growth to \$9.5m, up 77% on H1 19 achieved through both acquisition and cross selling products.
- Managed Service acquisitions contributed an additional \$2.1m in accretive revenue for the half.
- B2C segment performance remains steady at \$1.9m.

NB:

Total Revenue includes all recurring and non-recurring revenue.

NBN Business and Residential customers have been recategorized to B2B and B2C from Legacy / Other since the Q1 update.

Total Revenue Growth By Quarter



Q2: Total Revenue of \$6.1M with recurring revenue component for Q2 up to \$5.3M:

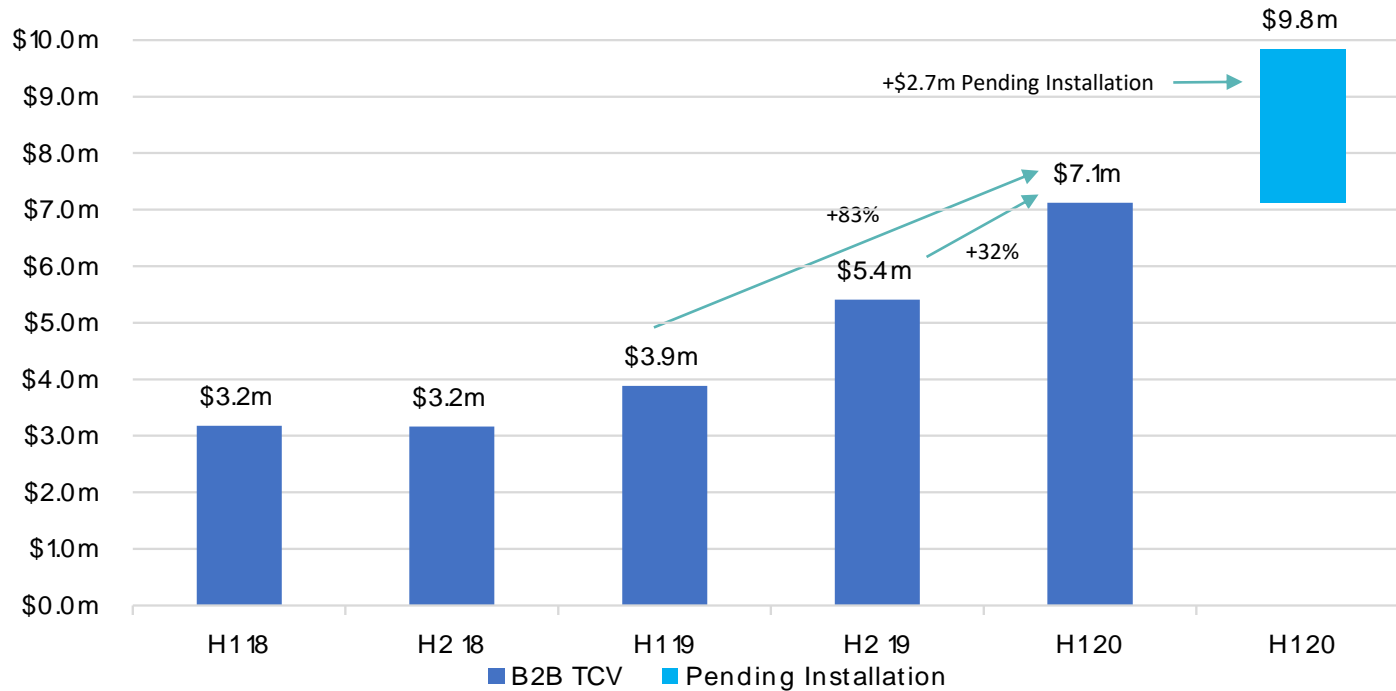
- Total revenue was \$6.1M on previous quarter, impacted slightly by shorter December holiday period with lower install days available. Up 50% to Q2 19.
- Installs delayed by December holiday period to be accounted for in January from record December sales.
- Recurring revenue growth to \$5.3m for Q2, up 3% (11% Annualised) on Q1 20 driven through B2B segment.

NB:

Total Revenue includes all recurring and non-recurring revenue.

NBN Business and Residential customers have been recategorized to B2B and B2C from Legacy / Other since the Q1 update.

B2B Total Contract Value (TCV)



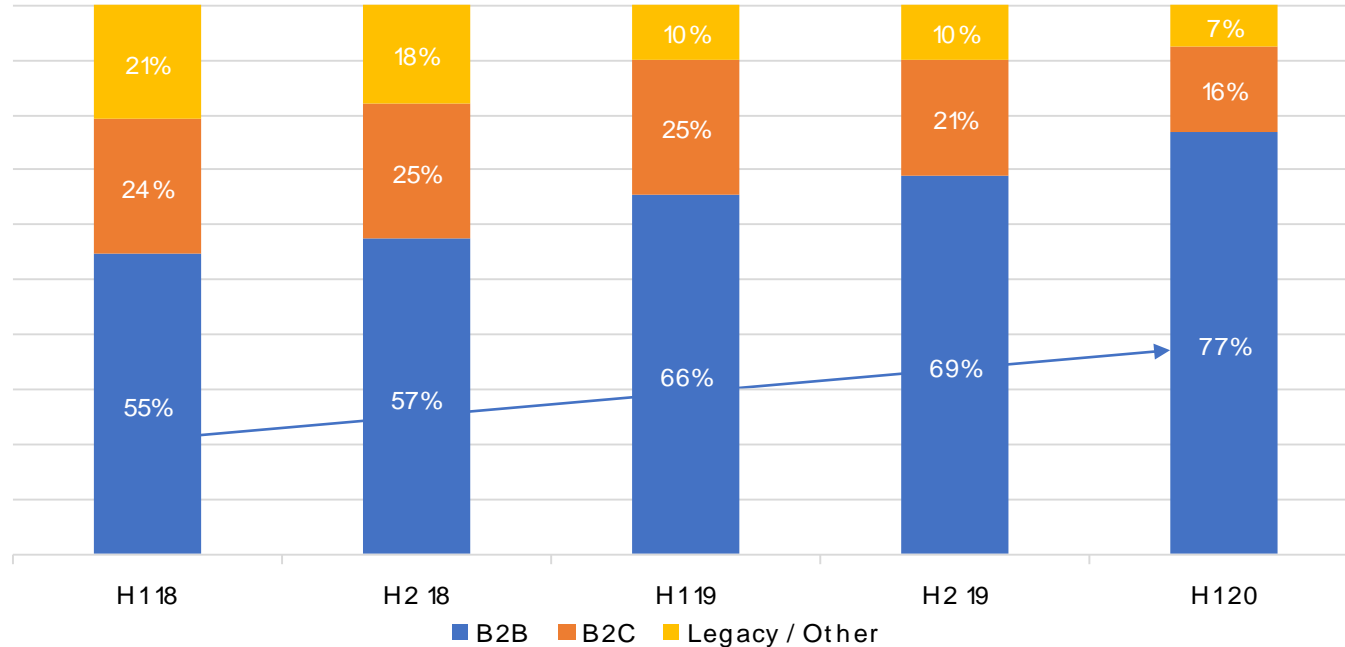
TCV uplift to \$7.1m excluding pending installations:

- B2B TCV for the half up 32% on previous half and 83% on H1 19.
- Total Data & IT services including pending installations for H1 20 up to \$9.8M (pending \$2.7M).
- Uplift driven through B2B telco sales and managed services whilst maintaining ARPU value and average contract length.

NB:

NBN Business and Residential customers have been recategorized to B2B and B2C from Legacy / Other since the Q1 update.

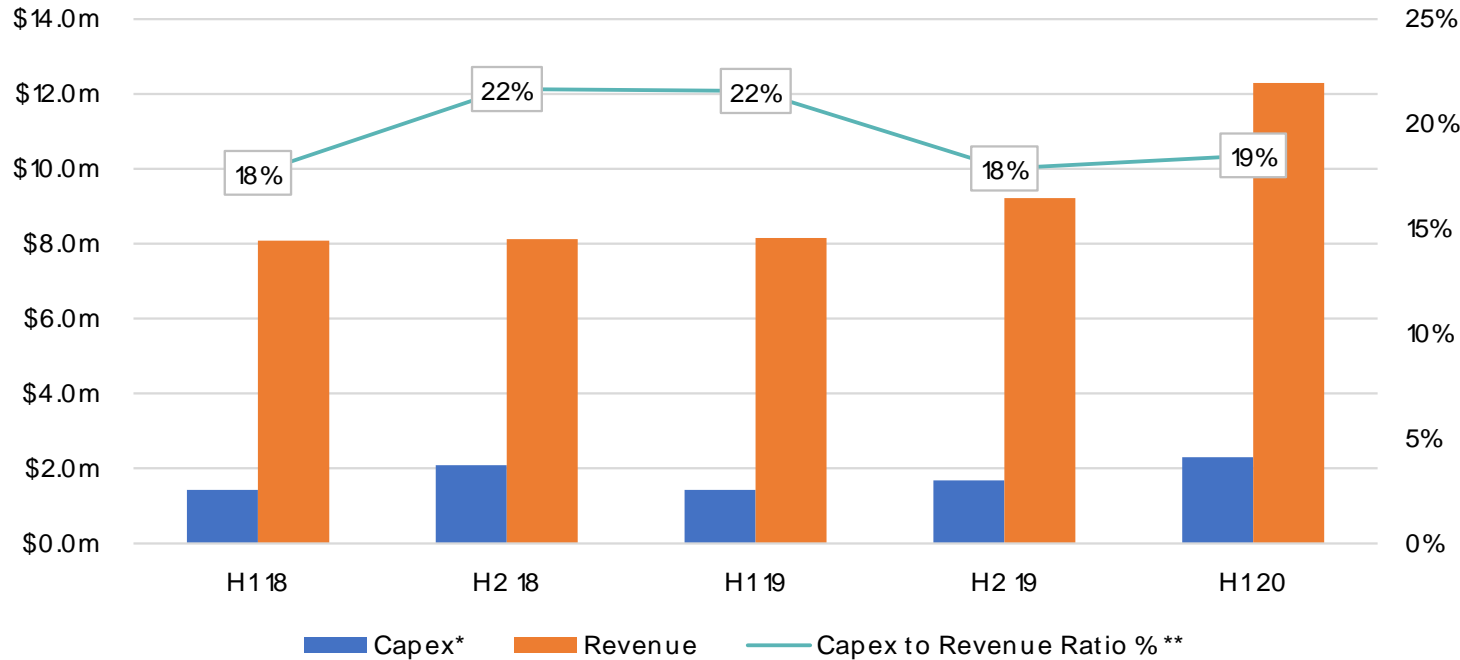
Total Revenue Breakdown



B2B and IT/Managed Services focus for continued growth:

- B2B Mix % uplift to 77% through IT/Managed services & Data acquisition & organic growth.
- IT/Managed services bundles and cross sell will further drive growth through higher ARPU, a lower capex cost base and increase in sales conversions.
- The revenue mix now maximises fixed wireless services with over the top Managed Services revenue when bundled with on-net/Internet/Data services.
- Additional B2B revenue streams are also defensive against legacy products which are migrating to new Data and VOIP products.

Capex to Revenue



Capex movements across quarters through network integration and upgrades:

- Capex ratio to revenue is 19% for the half reflecting lower capex cost** and revenue growth through managed services.
- Spirit X launch will continue to lower capex % as the business migrates to a more diversified product mix.
- Capex growth reflects expansion of investment in network integrations to support growth in core revenue (NSW expansion).
- Capex percentage may also fluctuate as new Fixed Wireless PoP's go online in high demand geographies like Sydney.

* Capex adjusted for government funded projects and IT capex.

** Calculated on a rolling 12 month basis.

Q2 Growth & Operational Achievements

Spirit X Platform:

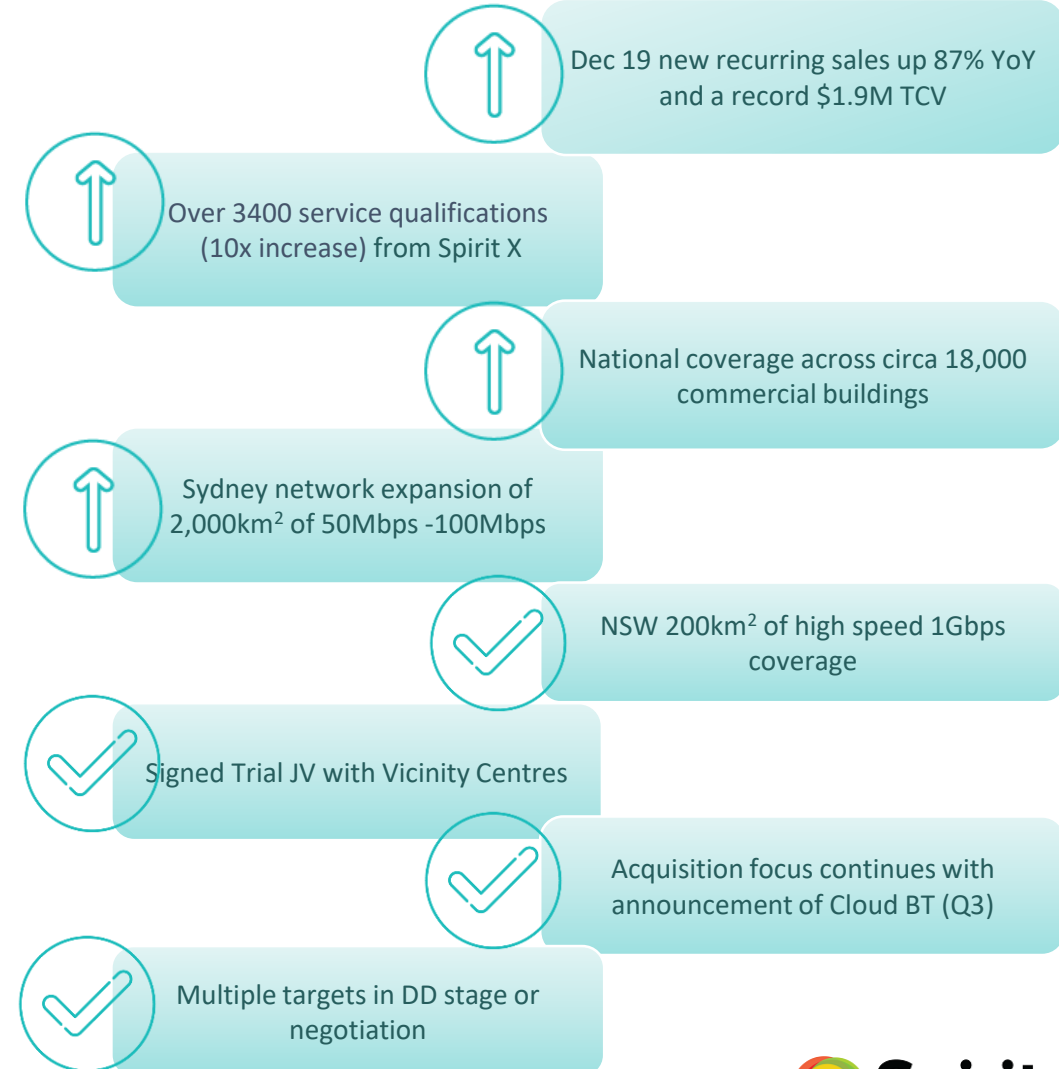
- Spirit X digital platform showing immediate impact, in Dec 19 new sales up 87% YoY.
- Signed agreement with OptiComm for Spirit to be the key commercial reseller via Spirit X platform.
- Over 3,400 service qualifications (10x increase) have been put through the platform since Dec 19.
- Spirit high speed network being sold in platform with additional coverage across circa 18,000 commercial buildings in metro areas (sourced from seven Telco providers which include Vocus, TPG & Optus).
- Over 37 unique types of high-speed data product types.

Spirit Network Expansion:

- Sydney network expansion of 2,000km² of 50Mbps -100Mbps coverage across Sydney metropolitan area potentially reaching a further 2.5 million people and more than 50% of Sydney's populated areas.
- 200km² of high speed 1Gbps coverage with 33 network-ready (lit) buildings with minimum speeds of 100Mbps.
- Launch of Horsham network completed on budget and on time for the VIC Gov with signed customers.
- Start of build of Morwell network for VIC Gov.
- Signed Trial JV with Vicinity Centres to roll out new transmission towers across key shopping centres and to provide IT services to retailers.

A focus on M&A, People and Efficiencies:

- Acquisition focus continues with announcement of Cloud BT.
- Healthy acquisition pipeline with multiple targets in DD stage or negotiation.
- Appointment of key people:
 - Mr. Greg Ridder as Non-Executive Director
 - Mr. Paul Miller as CFO
- Opex reductions with streamlining of Executive Team.



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