

# Spirit Telecom Limited (ST1)

## Market Update – Q3 20

Spirit delivers high speed Internet and Managed IT services to SMB's & Essential Service Providers

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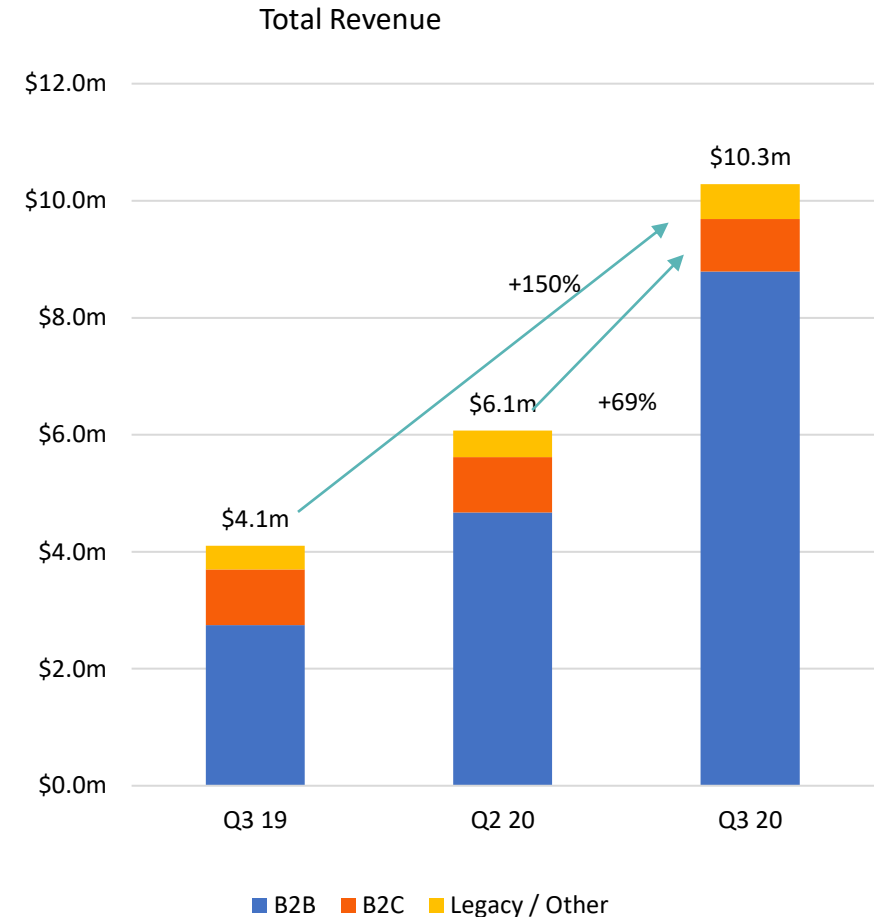
April 2020

# Strong Business Performance: Q3 20

## Transformational Growth across Q3 20:

- Total revenue growth up: **69% to \$10.3M on Q2 20 and up 150% on Q3 19.**
- Recurring/contracted revenue up: **17% in Q3 over Q2 20 and up 66% on Q3 19.**
- B2B Total Contract Value<sup>1</sup> (Sales) for Q3 20 up: **43% on Q3 19 to \$3.8M<sup>2</sup> (pending installation \$2.4M<sup>2</sup>, IT Technology Sales \$2.3M)**
- Solutions and Projects revenue up: **\$3.3M to \$4.0M in Q3 20**
- Strategy execution demonstrated with B2B revenue up: **to 85% through IT/Managed services, Data acquisition & organic growth.**
- CBA approved and expanded debt facility for working capital and acquisitions to: **\$10.9M (+\$2M Mar/April & + \$0.9M Feb) total cash \$6.7M available** (at end of Q3 \$2.1M cash & \$4.6M CBA facility for acquisitions).

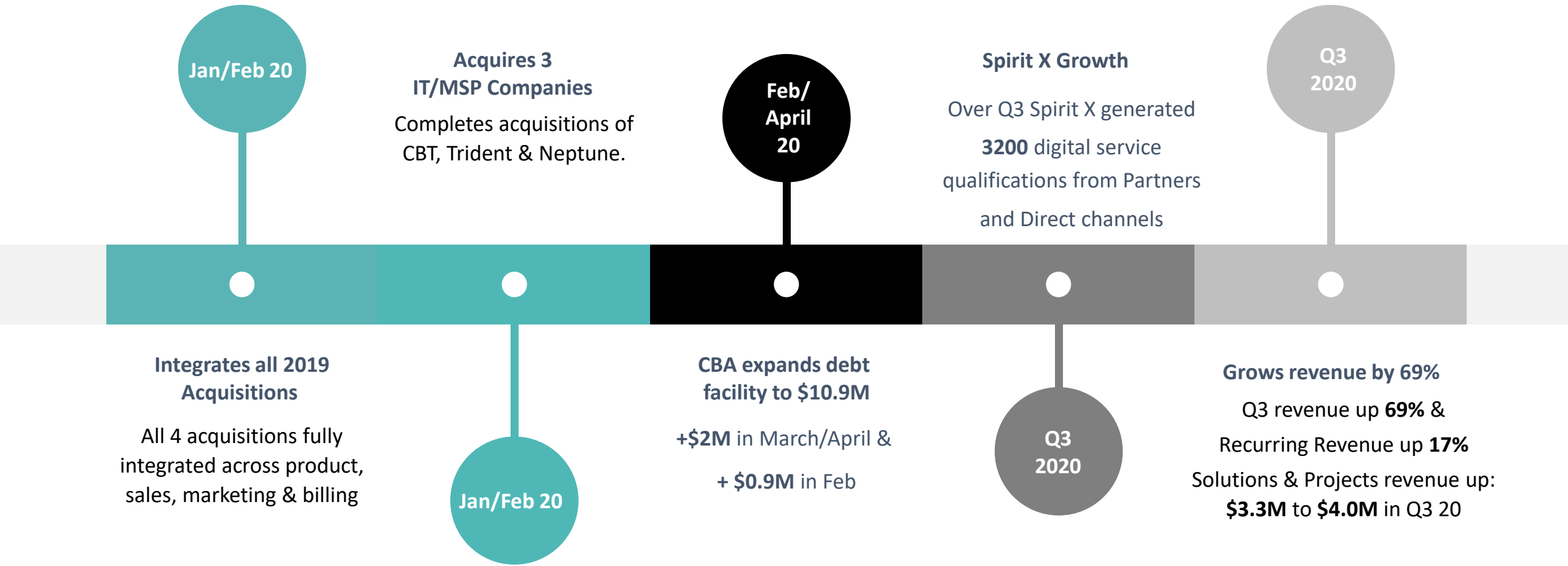
\*All results are provided on an audited basis.



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



# Spirit Executes To Strategy Q3 2020

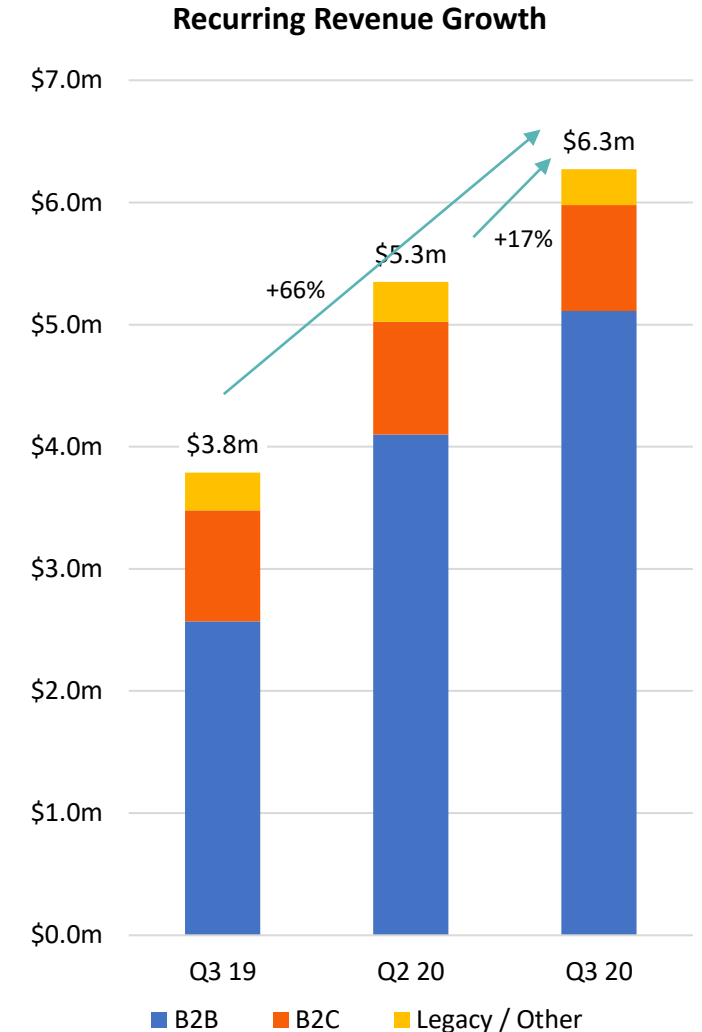


# Recurring Revenues up & Acquisitions Completed

- Recurring revenues grew 17% to \$6.3M on previous quarter and up 66% to Q3 19.
- Capex ratio to revenue was down to 16%, reflecting continuing lower capex cost per revenue dollar. Achieved by executing the Spirit X strategy and IT/MSP Services revenue increasing, an objective aligned to moving to a cash flow positive position.
- Strong balance sheet: **total cash \$6.7M available** (at end of Q3 \$2.1M cash & \$4.6M CBA facility for acquisitions).

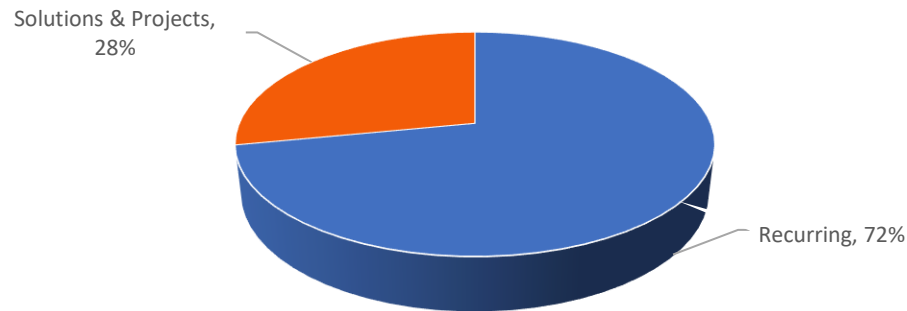
## Q3-Q4 20 Acquisition strategy being executed:

- ✓ January 20 – CBT transaction completed
- ✓ February 20 – Trident & Neptune transactions completed
- Current capital raising in progress will see funds go towards acquisitions.
- Economic environment will allow Spirit to drive an accelerated acquisition process at better value multiples.
- Spirit will exit trading halt on Wed 15 April.



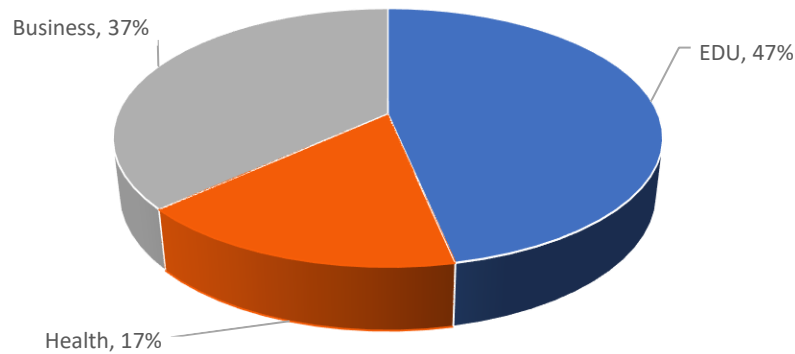
# COVID-19: Defensive & Diverse Revenue Mix

**COVID19 environment:** defensive portfolio with recurring revenues of 72%. Revenue mix made up of: Consumer, SMB's, Schools, Hospitals and Aged Care (Resilient Essential Service Providers).



## Year to Date Revenue Mix By Type

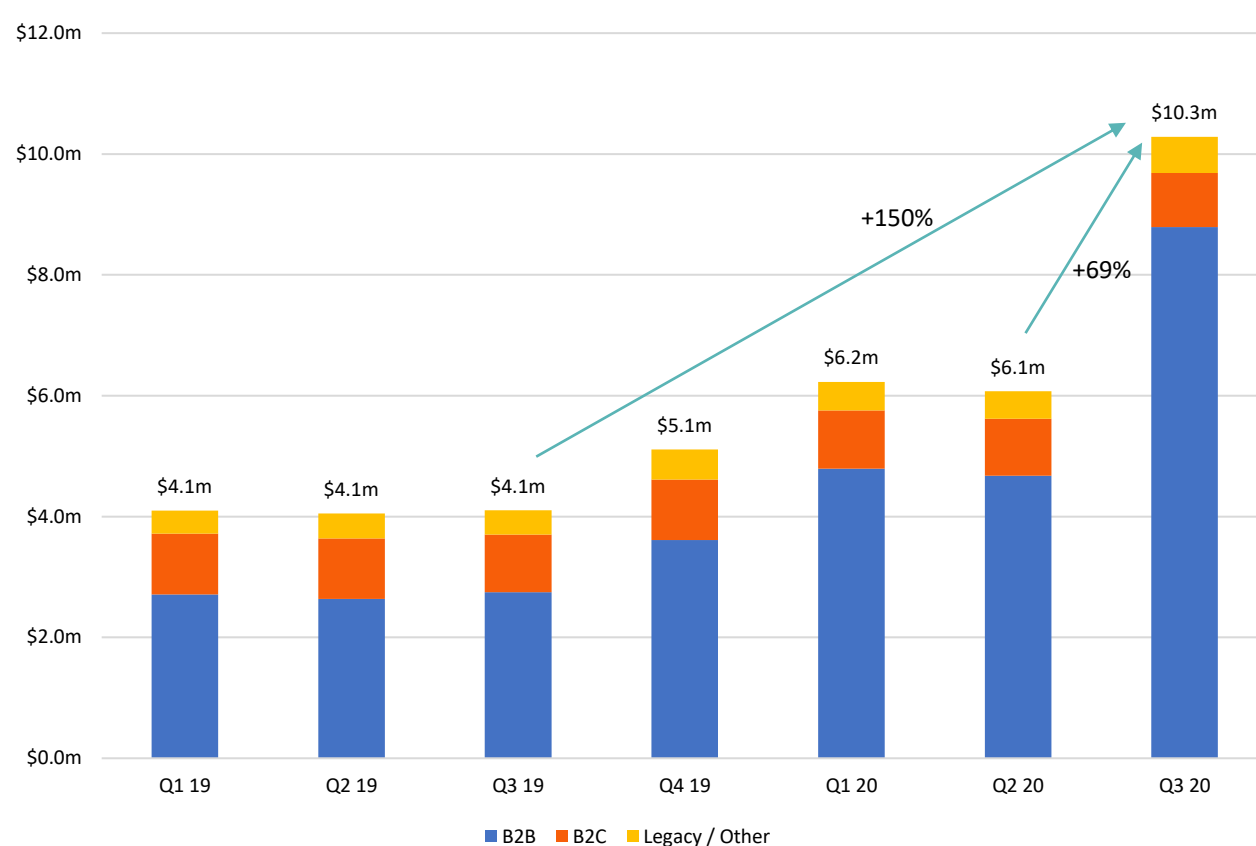
- Includes only 2 months of trading for Cloud Based Technologies and Trident & Neptune Group.
- On a full financial year basis recurring revenue would be higher from Trident.
- Trident billed \$3.4M of Solutions & Projects revenue across the two months.



## B2B Revenue Mix By Sector

- Key sectors of Education and Health resilient to market conditions (64% mix).
- Business segment ~ 2,500 customers & resilient essential service providers as customers.
- Prepared on the basis of Trident & Neptune Group revenue contribution from 1 July 19 to give a more representative view of the future mix.
- Note: Trident only consolidated into the Spirit Group effective 1 February 2020

# Total Revenue Growth up 69%

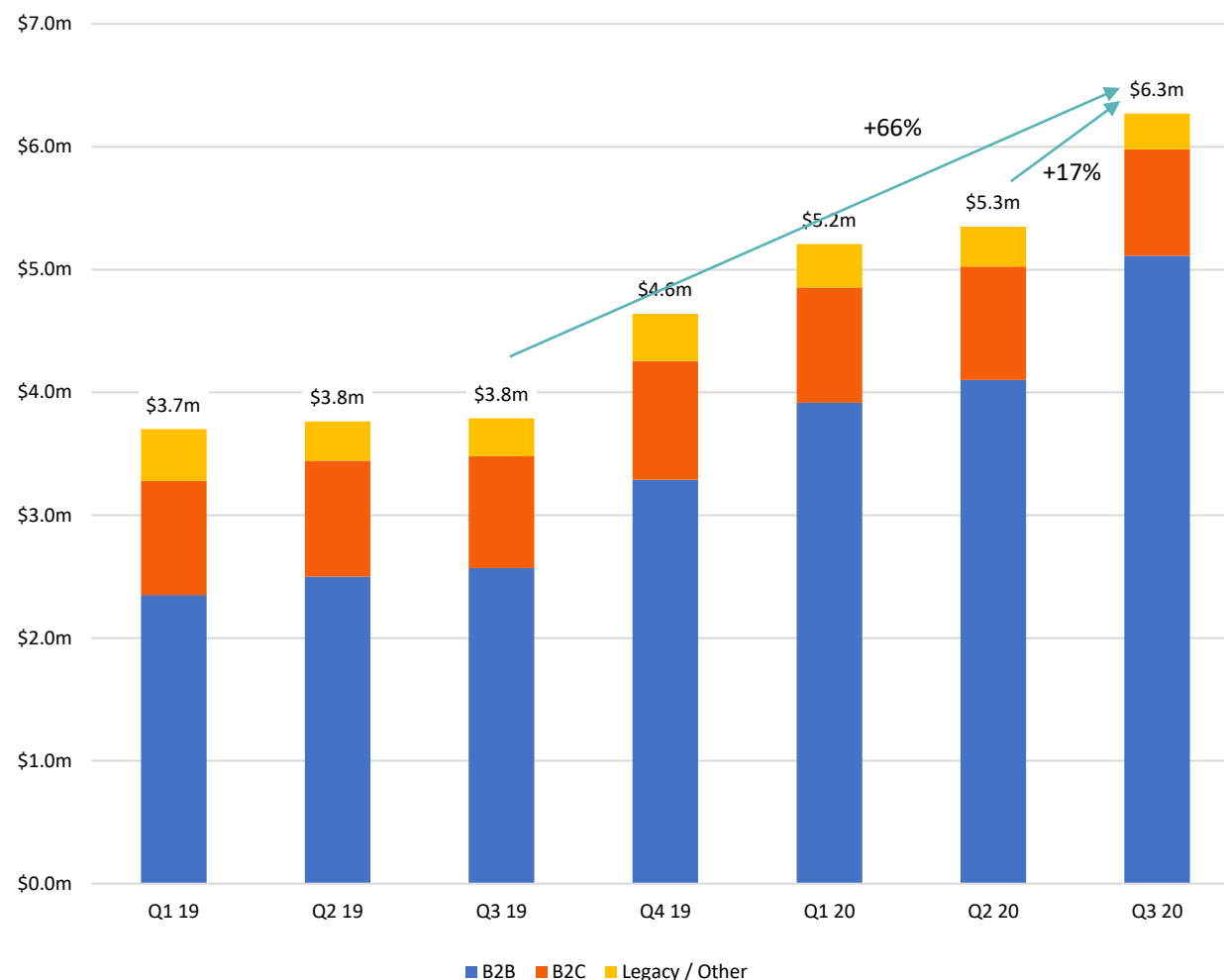


## Total Revenue up to \$10.3M

- Total revenue growth for Q3 20 up 69% to \$10.3M on previous quarter and up 150% on Q3 19.
- B2B growth to \$8.8m, up 220% on Q3 19 achieved through both acquisition and cross selling products.
- B2C segment performance remains steady at \$0.9m.

NB: Total Revenue includes all recurring and Solutions and Projects revenue.

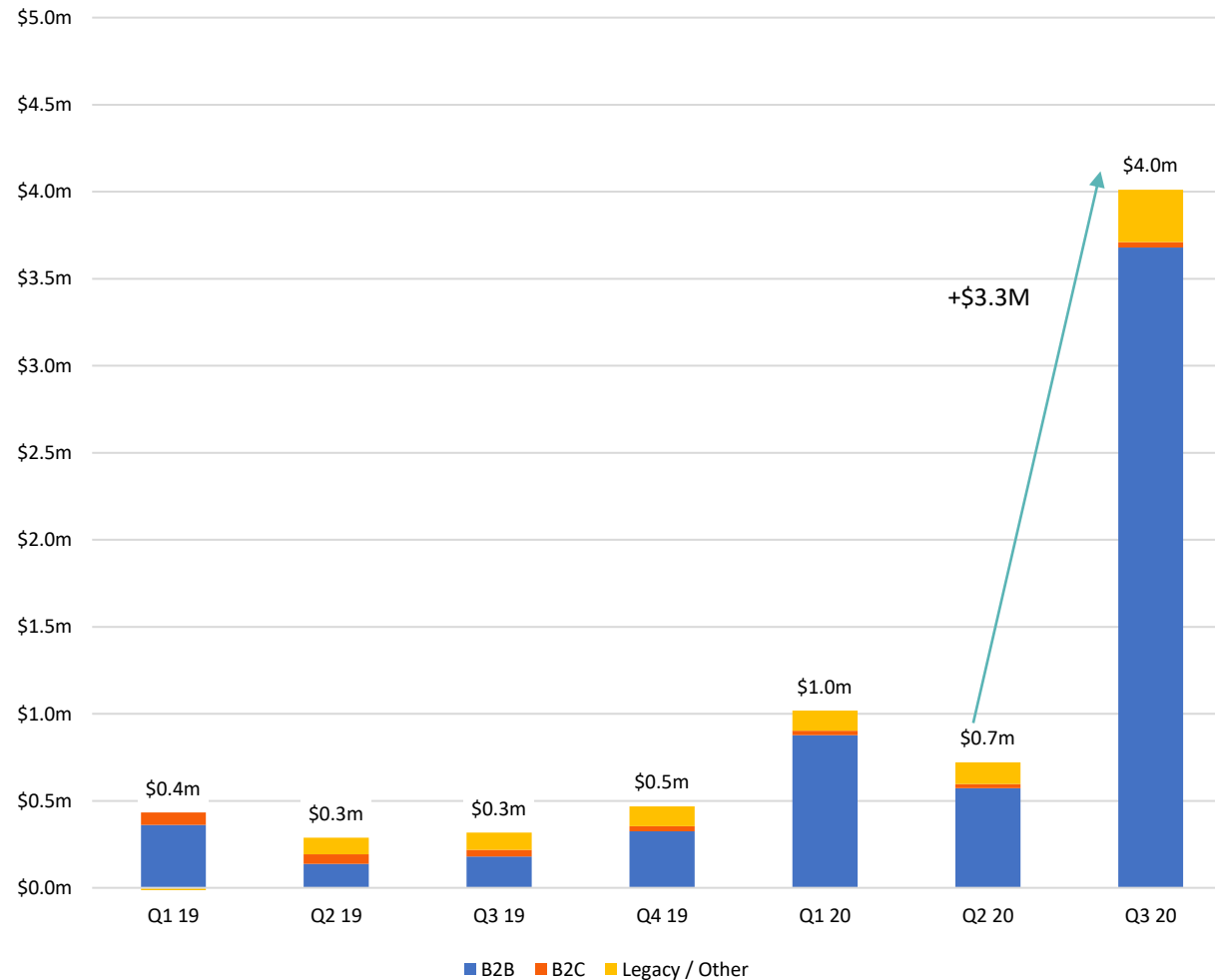
# Recurring Revenue Growth



## Recurring Revenue up at \$6.3M

- Recurring revenue growth up 17% to \$6.3M on previous quarter and up 66% to Q3 19.
- Includes only 2 months of trading for Cloud Based Technologies and Trident & Neptune Group.
- On a full calendar year consolidated basis recurring revenue run rate would be higher from Trident & Cloud Based Technologies
- The recurring percentage in Q3 20 was lower than the YTD mix (as shown) reflecting the higher contribution of Solution & Project revenue following the Trident & Neptune acquisition.

# Solutions & Projects Revenue Growth to \$4.0M

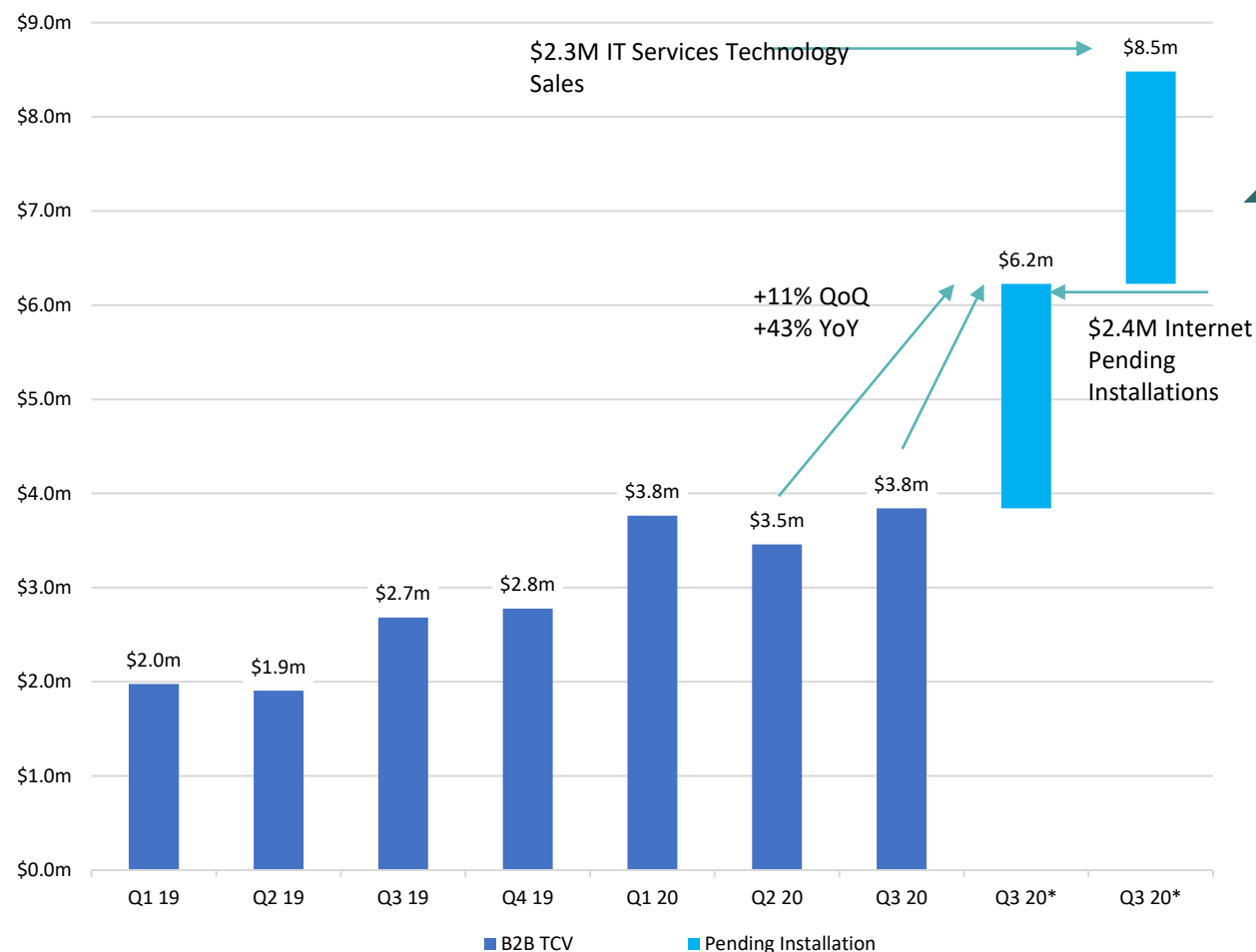


## Solutions and Projects Revenue up at \$4.0M

- Solutions & Projects revenue growth up \$3.3M to \$4.0M on previous quarter and up \$3.7M to Q3 19.
- Trident acquisition contributed an additional \$3.4M to Q3. Trident revenue reflects February and March revenue only post acquisition.



# B2B Total Contract Value (TCV)



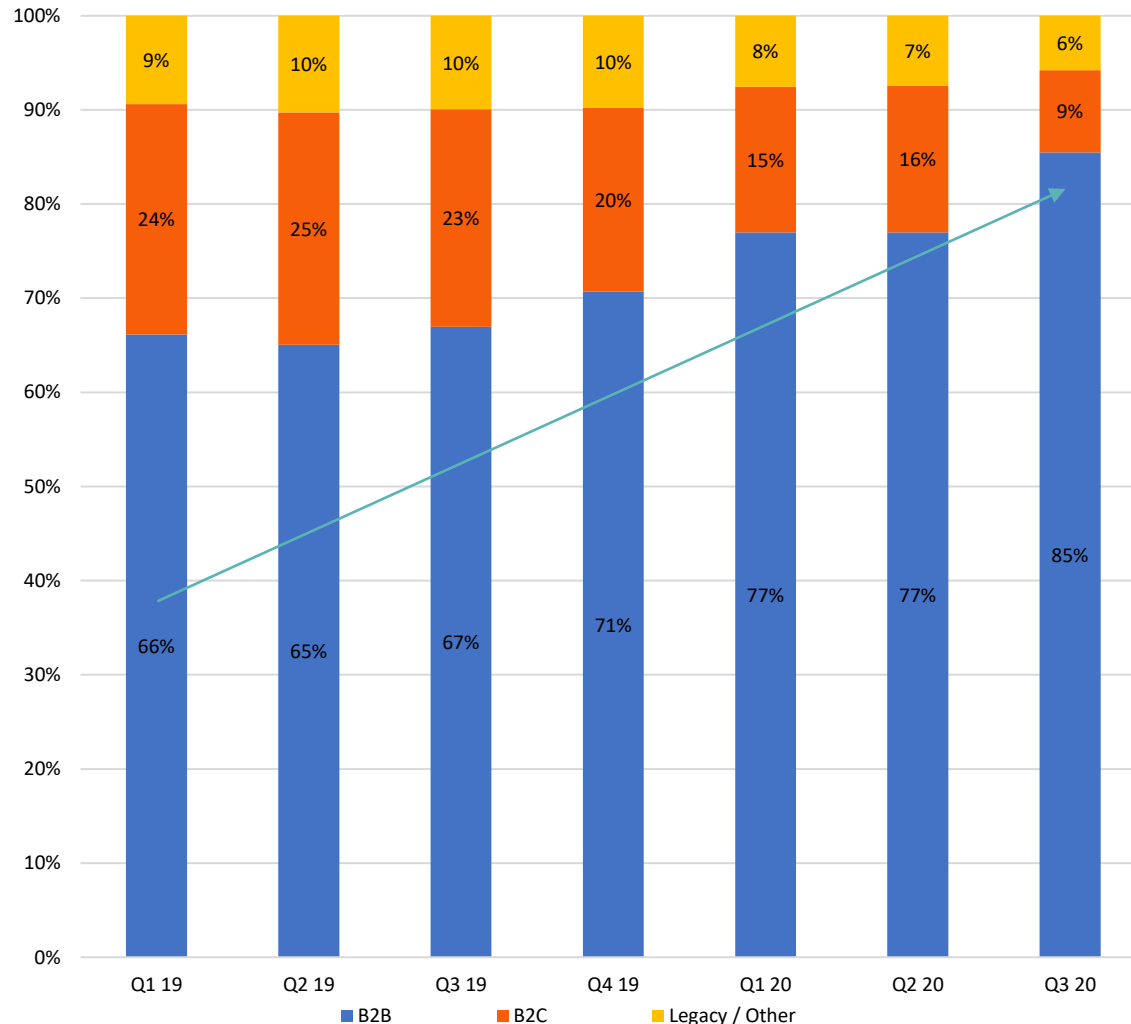
**TCV at \$3.8m excluding pending installations**

**& IT Sales:**

- B2B TCV for the quarter at \$3.8M, up 11% on Q2 and 43% to Q3 19
- Total Data & IT services including pending installations for Q3 20 at \$8.5M (pending installations \$2.4M, IT Services Technology Sales \$2.3M).
- Uplift driven through B2B telco sales and managed services whilst maintaining ARPU value and average contract length.

NB: IT Services Technology Sales reflect orders placed for Solutions & Projects items to be billed in Q4.

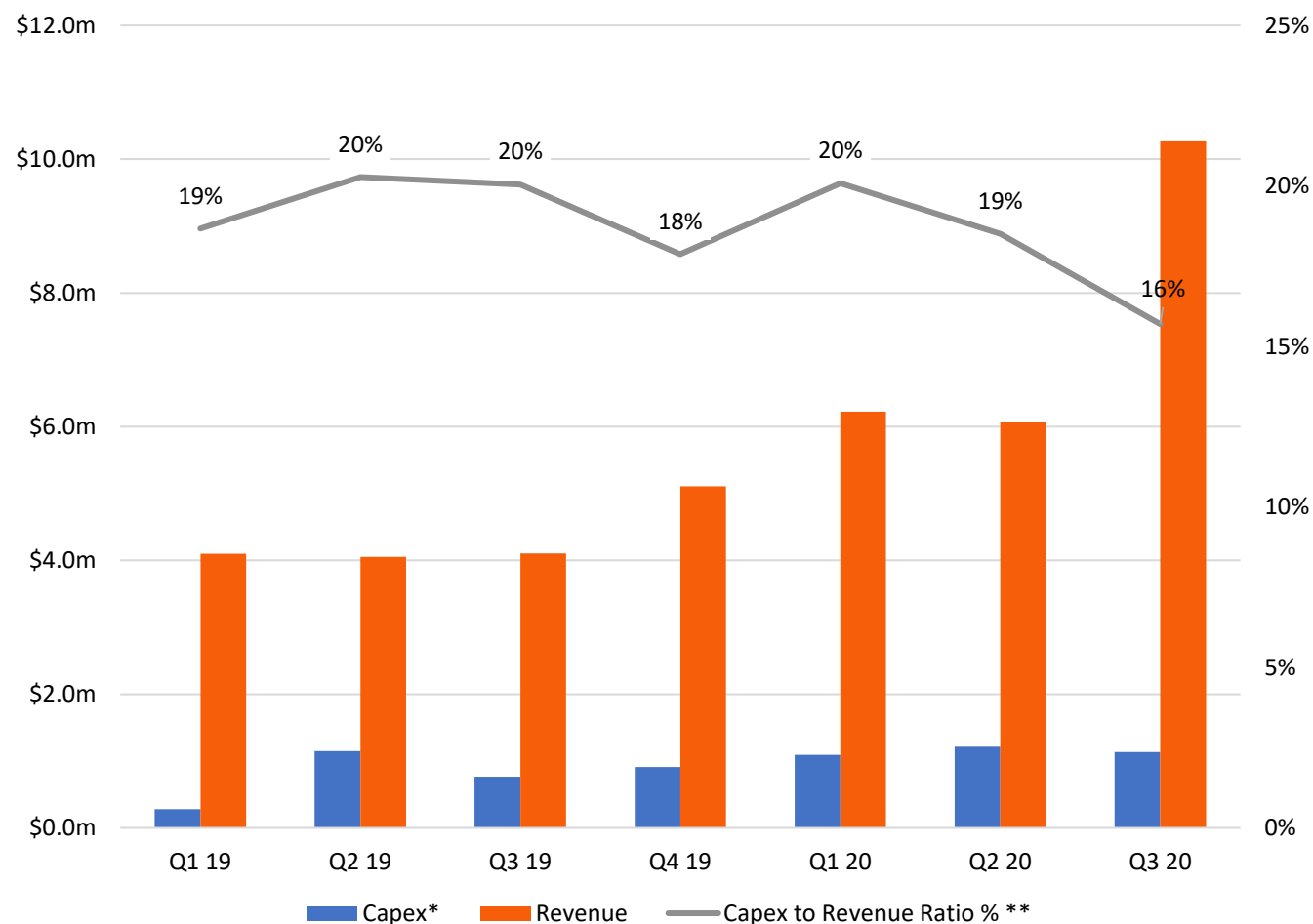
# Total Revenue Breakdown



## B2B & IT/Managed Services focus for continued growth up 8%

- B2B Mix % uplift to 85% 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 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 spend reduction in line with strategy to move to cash flow positive status

- Capex ratio to revenue was down to 16%, reflecting continuing lower capex cost per revenue dollar. Achieved by executing the Spirit X strategy and IT/MSP Services revenue increasing, an objective aligned to moving to a cash flow positive position.
- Trident acquisition and Spirit X launch will continue to lower capex % as the business migrates to a more diversified product mix.
- Capex spend reflects expansion of investment in network integrations to support growth in NSW

\* Capex adjusted for government funded projects and IT capex.

\*\* Calculated on a rolling 12 month basis.

# Spirit is now a Fully Integrated Telco & IT Services company

Spirit has been transformed into a fully integrated Telco & IT Services company servicing SMB's and Essential Service Industries across High Speed Internet, IT Services, Cloud, Security and Voice Products.



Spirit X Digital

Spirit Internet & IT

Trident Technology Solutions

**\*Current CY20-21 Revenue Run Rate: circa. \$60M**

- **A leading digital B2B Internet / Telco aggregator with +100,000 addresses serviced qualified in seconds**
- Generates +500 business leads a month across wholesales, resellers and direct from businesses
- 3 clicks to buy
- IP owned & developed in-house

- **Monthly ARPU range \$600-\$1,200**
- Small & Medium Businesses
- High-speed Internet & Managed IT Services
- Product bundles
- Owns its own high speed fixed wireless network across the East Coast & in regional centres

- **Monthly ARPU's of \$20K-\$40K**
- High growth verticals: Health, Education and Aged Care
- Managed IT Services
- Complex IT Solutions
- Data & IoT hungry verticals

\*CY20-21 Revenue Run Rate: circa. \$60M: takes into account the additional seasonal revenue Trident generates from the Education segment across Nov-Jan.

# Spirit continues to be a very nimble company Q3-Q4



## Spirit Remote Workforce

100% working from home capability with all staff working from home without issue, including 100% of offshore support.

## COVID-19 CONTINUITY HUB

### COVID-19 Products

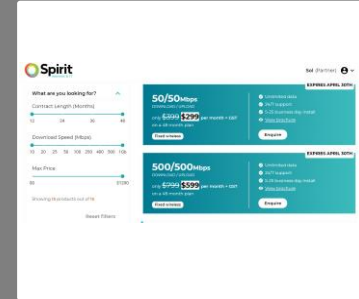
Launched 6 new COVID-19 products to assist industry and community:

<https://spirit.com.au/continuity-hub/>



### Prudent Capital Management

Opex and capex reductions to prudently adjust in line with financial landscape.



### Spirit X Expansion

Spirit X launched with promotional products and expanded product range to **100,000** addresses and generated **3200** service qualifications in Q3



### Spirit to Trident Cross sell

Good early stage signs of cross selling Internet and IT products between Spirit and new Trident acquisition with sales & marketing teams already merged.



# ST1 Accelerated Growth Plan 2020-21

Road map of accelerated growth across Organic and M&A



**Organic**

1. Launch Trident IT Solutions products nationally
2. National marketing launch of Spirit IT&T bundles
3. 300 active partners & resellers in Spirit X by Dec 20
4. Identify \$1.5M in additional Opex synergies across acquisitions



**2020-21 ST1 target**

1. Build scale via organic + M&A
2. \$80M-\$100M Revenue target by Dec 21
3. 15% Normalised EBITDA (before M&A costs)



**M&A**

1. Multiple acquisition targets identified
2. At DD & negotiation stages
3. Current acquisition targets identified; have >\$35M in annuity based revenue

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Internet & IT