

Spirit to acquire VPD Group – Expands further into NSW & QLD markets and creates new Wholesale Business for Cloud, Internet & Voice services

- **VPD Group (comprising Now IT Solutions Pty Ltd, Live Call Pty Ltd and Voice Print and Data Australia Pty Ltd) generates combined FY20 revenues in excess of \$15M.**
- **The VPD Group acquisition is the largest and most transformational transaction completed by Spirit.**
- **FY20 Revenue mix was split between private and public Cloud, Security, Voice and Data services.**
- **The VPD acquisition represents a management forecast normalised EBITDA of \$3.0M-\$3.5M for FY20.**
- **Price Paid for Tranche 1: gross purchase price is \$14.0M on circa 4x multiple of EBITDA with a combination of cash & Spirit equity being \$7.0M Cash and \$5.8M Spirit shares (equity component adjusted after net debt adjustment on completion).**
- **Spirit and the VPD Group have agreed to \$1M in cash retention to allow for any adjustments in order to true up FY20 EBITDA (reconciled by end of August 2020).**
- **Tranches 2 and 3 future payments payable where EBITDA performance exceeds performance targets for FY21 & FY22 with payment at 5x any over-achievement. Total maximum purchase price of up to \$27.5M.**

Spirit Telecom (ASX:STI) has agreed to acquire VPD Group - its most transformational transaction to date. VPD Group is an established Voice, Data and Cloud Services provider across Queensland and NSW. This highly strategic move will see Spirit create a new wholesale business: Spirit Partners to focus on distributing its range of products via channel partners across Australia. More than 85% of VPD Group's revenue is recurring, with a 98% retention rate across: Mining, Aged Care and Industrials. The acquisition assists with entry into high data usage for cross sell opportunities within NSW & QLD markets from the Spirit high speed data network and across Spirit X Digital sales platform.

Following the VPD Group acquisition Spirit will have a combined revenue run rate of: \$70M-\$75M (FY21) that delivers a strong integrated sales opportunity across Internet, Security, Cloud and IT services – now across every state in Australia.

The new Spirit wholesale business will focus on delivering cloud-based IT & Internet solutions for high growth verticals using the Spirit X sales platform. VPD Group's clients are moving through a major generational technology change as they migrate to the cloud and require high speed Internet and specialised IT services which Spirit can now provide nationally.

On completion, Spirit will issue the completion shares at a deemed issue price of \$0.20 (20 cents) per share, with the shares escrowed for 12 months from completion date. The earn-out component will be issued at a 5-day Volume Weighted Average Price (VWAP) at the relevant time. The Company will utilise its capacity under ASX Listing Rule 7.1 for the completion shares and the earn-out component. The cash component will be paid from Spirit's cash reserves and from its existing CBA debt facility.

Spirit's Managing Director, Sol Lukatsky, said "This is a game changer for Spirit and through the acquisition of VPD Group, Spirit will build and strengthen its cloud, security, data and managed IT services capabilities whilst providing entry into expanded geographies in QLD and NSW for verticals such as Mining, Industrials and Aged Care."

Spirit is also pleased to announce that the VPD Group Co-Founders will take senior roles across Spirit: Jason Wade as Chief Technology Officer and Luke Briggs as Chief Sales Officer – Wholesale. Jason Wade said: "It's a really exciting time to be joining Spirit for Luke and myself and for our staff, customers and channel partners. The two businesses are highly complementary, and by bringing our products into the Spirit X sales platform we will be a serious threat to the large Telco providers. From the minute we met Sol and his team it was obvious that there were material synergies and growth we could generate together. VPD's customers and national network of highly engaged channel partners will be able to leverage the wider offering available through access to the Spirit groups market leading product offering. Our joint strategy of bundling products for SME's in the Spirit X Digital sales platform is sure to make the larger Telco players wake up and listen. We look forward to shaking things up in Telco & IT across Australia and providing the services that Australian SME's deserve."

Completion is subject to normal closing conditions and is expected to occur on 1 July 2020.

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This announcement is authorised for release to the market by the Board of Directors of Spirit Telecom Limited. For all media enquiries regarding this announcement please contact:

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