

Spirit Telecom Limited (ST1)

VPD Acquisition – Transformational Growth

26 June 2020



Spirit
Internet & IT

VDP Acquisition Transforms Spirit's Wholesale Sales Channel

Spirit has agreed to acquire Voice Print Data Group (VPD) expanding its reach further into NSW & QLD markets. VPD becomes the new Wholesale Business arm for Spirit selling a range of Cloud, Internet & Voice services via its channel partners.

- VPD Group generates combined **FY20 revenues in excess of \$15M.**
- 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 to be made 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.
- VPD has deep reseller and partner relationships across Australia and will become the Spirit wholesale sales channel using Spirit X Digital sales platform. The business will be branded Spirit Partners.



- Recurring revenue sits at 85%¹
- With a 98% retention rate²
- Across: Mining, Aged care and Industrials.



- VPD becomes the Spirit wholesale sales channel via the Spirit X Digital platform.



- Significant Opex cost synergies exist across data transit, cloud services and data centre locations

1. Defined as contracted or naturally sticky
2. FY19 customer retention calculated as # of lost customers in last twelve months/# of customers at start of period

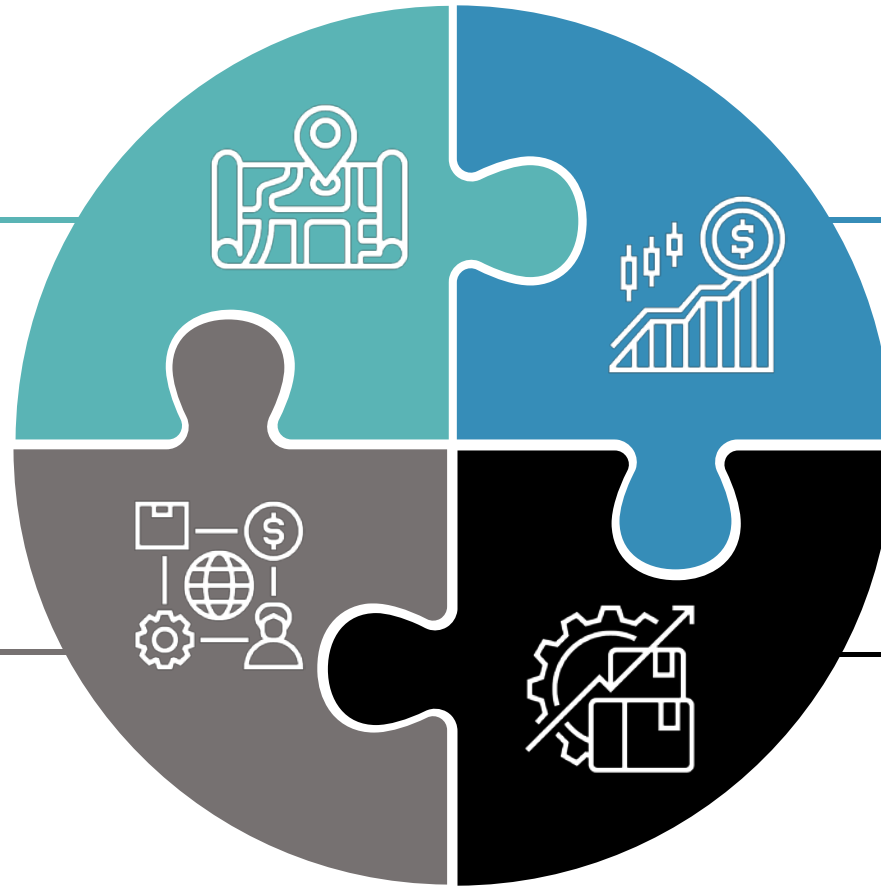
VPD Transaction Rationale

Expands Geographies

Providing instant access to
NSW and QLD markets
via its wholesale dealer
channel partners

New Verticals & Diversity

Spirit continues to diversify its
reach into new data hungry
verticals up the NSW and QLD
corridor: **Mining, Industrials
and Aged Care**



Grows scale & products

**\$15M in revenue and
estimated management
EBITDA of \$3.0M-\$3.5M**
Adds new high margin
product bundles: Cloud,
Internet & Voice

Adds a wholesale dealer sales channel for Spirit X

A new low acquisition cost sales
channel to distribute more
product at increased gross
margin via **Spirit X**

VPD Customer View

The strength of VPD Group's service and product offering is evidenced by its very high customer retention rate (>98%).

The VPD Group has an average term of 41 months with its customer contracts providing highly visible future earnings.

- Diversified and high quality business customer base underpinned with long-term contacts
- Average per top 20 customers monthly ARPU of >\$17k
- Average tenure of customers of 6.3 years
- c.\$14m in forward contracted revenue over next 3 years
- Customer retention of >98% in FY19³



Average customer satisfaction score

>97%¹

Recurring revenue

>85%²



Customer retention

>98%³

**Average contract length:
41 months**



1. Based on internal VPD Group Survey
2. Typically contracted are highly sticky
3. FY19 customer retention calculated as # of lost customers in last twelve months/# of customers at start of period

Integrate VPD Products into Spirit X to Dealers

Add high margin VPD Products into Spirit X:



- Private Cloud Solution
- Hosted Exchange
- Third party applications supported
- Office standard and professional



- VOIP
- Video Conferencing
- Softphone
- Unified communications



- Secure file sharing
- Document collaboration
- Automatic Sync
- Encrypted data storage



- Hybrid Public/Private Cloud
- M365 Suite
- MS Exchange & SharePoint Online
- Published hosted Application delivery & Private Legacy application support



22 results Sort by Lowest

Contract length

12 Months 24 Months 36 Months 48 Months

Download Speed

25 Mbps - 25 Mbps

Upload Speed

25 Mbps - 25 Mbps

Price

\$200 - \$200 per month

PRIVATE CLOUD SOLUTION

- PRIVATE CLOUD SOLUTION
- HOSTED EXCHANGE
- THIRD PARTY APPLICATIONS SUPPORTED
- OFFICE STANDARD AND PROFESSIONAL

ORDER NOW → ENQUIRE NOW

VOIP

- VOIP
- VIDEO CONFERENCING
- SOFTPHONE
- UNIFIED COMMUNICATIONS

ORDER NOW → ENQUIRE NOW

SECURE FILE SHARING

- SECURE FILE SHARING
- DOCUMENT COLLABORATION
- AUTOMATIC SYNC
- ENCRYPTED DATA STORAGE

ORDER NOW → ENQUIRE NOW

HYBRID PUBLIC/PRIVATE CLOUD

- HYBRID PUBLIC/PRIVATE CLOUD
- M365 SUITE
- MS EXCHANGE AND SHAREPOINT ONLINE
- PUBLISHED HOSTED APPLICATION DELIVERY & PRIVACY LEGACY APPLICATION SUPPORT

ORDER NOW → ENQUIRE NOW



VPD Dealer Sales Channel

VPD has established a highly effective sales model consisting of dedicated in-house expertise and an extensive dealer channel network .

VPD employ a high touch model, for the first 3 months, followed by regular weekly training on sales techniques and product.

This is then followed up by relevant staff providing the additional support.

Training and evaluation

- Full training and end to end for all channel partners on a weekly basis
- Testing and evaluation of channel sales staff for comprehension

Sales support

- Weekly calls to progress deals
- Provide self service tools to quote at point of sale
- Assist with sales management to help complete the sales forecasting and review

Increasing share of wallet

- Enabled to cross and up sell the various products from Hosted PBX to cloud services
- Provide with the tools to engage a full ICT conversation with their customer to gain maximum share of wallet

Deal closure

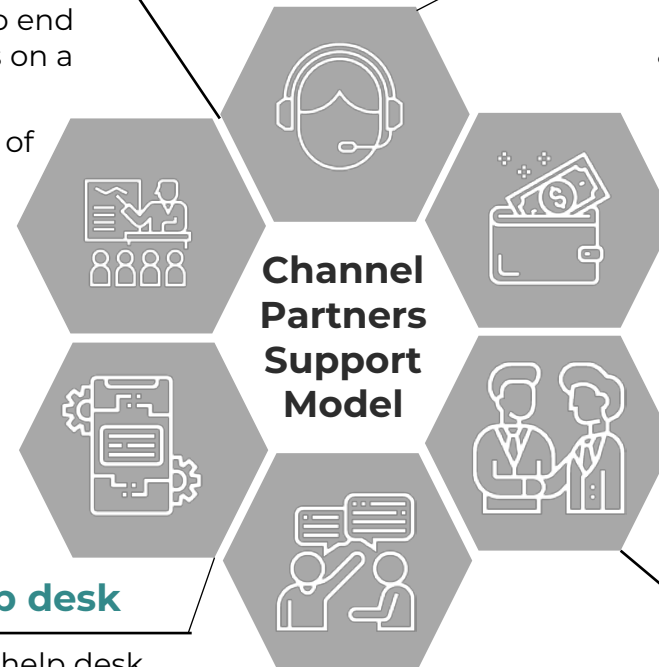
- Regular attendance from the technical teams, where required, at meetings to help the close deals

Customer testimonials

- Provide customer testimonials and call points to perspective channel clients

Back end and help desk

- Manage all back end help desk and related services
- Provide services to the channel partners that they cannot provide themselves directly



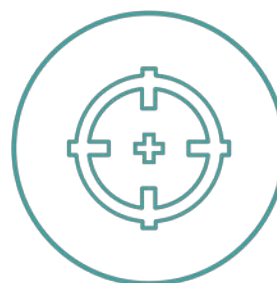
STI Accelerated Growth Plan 2020-21

Road map of accelerated growth across Organic and M&A



ORGANIC

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



2020-21 STI TARGET

1. Build scale via Organic + M&A
2. Circa \$75M-\$80M Revenue run rate target by CY Dec 20
3. 15% Normalised EBITDA run rate at end of FY21



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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