Spirit Telecom Limited (ASX:ST1)
Building A Modern Telco For Business

Financial Year 2020 Results
August 2020

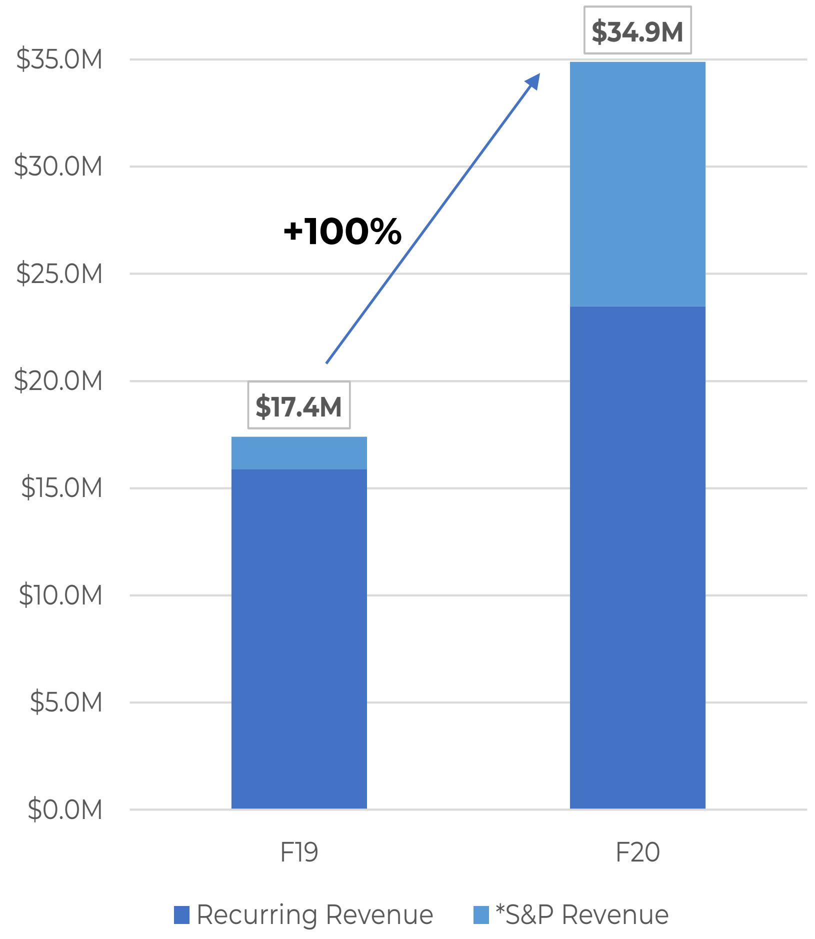
Spirit
Internet & IT

FY 2020 Financial Summary

Spirit Announces Record FY20 Financial Results & Fast Start to FY21 Trading:

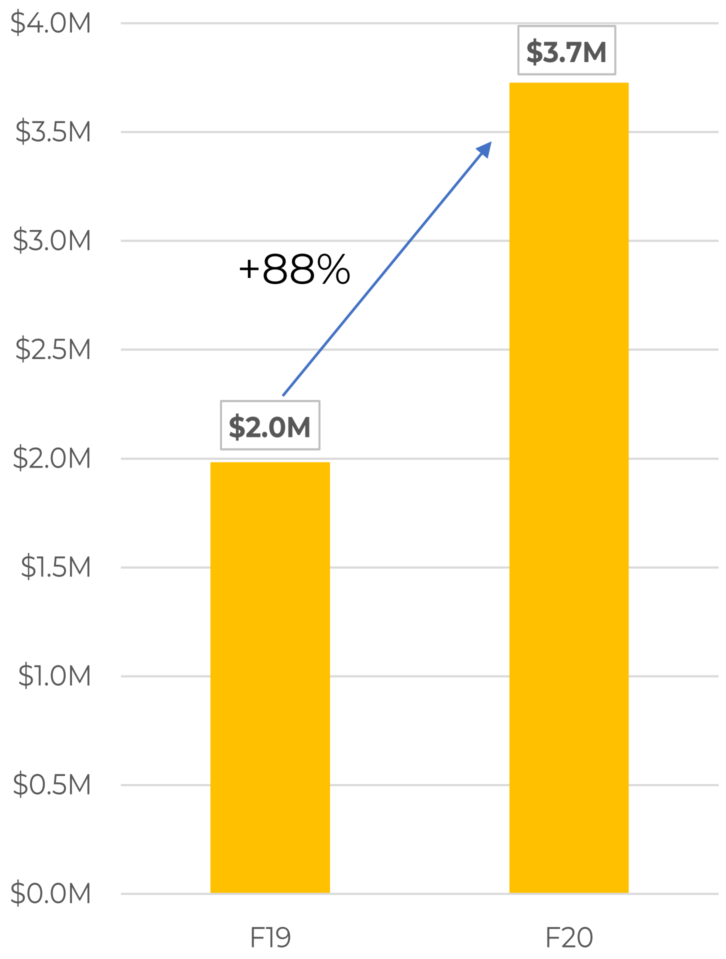
- FY20 revenue up 100% to $34.9M, marking a transformative year for Spirit
- Underlying EBITDA* up 88% on FY19 to $3.73M, at the upper end of guidance range.
- B2B revenue growth of 147% to $28.9M on FY19 and total recurring revenue up 48% to $23.5M on FY19.
- Fast start to new year in FY21 with July new sales (TCV) up 165% month on month from - June FY20 to July FY21, with $2.3M of new sales added in July (TCV), bolstered by recent VPD acquisition and organic demand for Spirit products.
- Healthy balance sheet with $14M of cash and available debt as of June 30 (VPD settled 1 July with $6.0M drawdown).
- Strong pipeline of acquisitions in negotiation and Due Diligence stages.

Year on Year Revenue up 100%



*Underlying EBITDA; excludes business acquisition & integration costs, share based payments & restructuring costs. Refer profit and loss slide for detail.

FY 2020 Underlying EBITDA* Growth

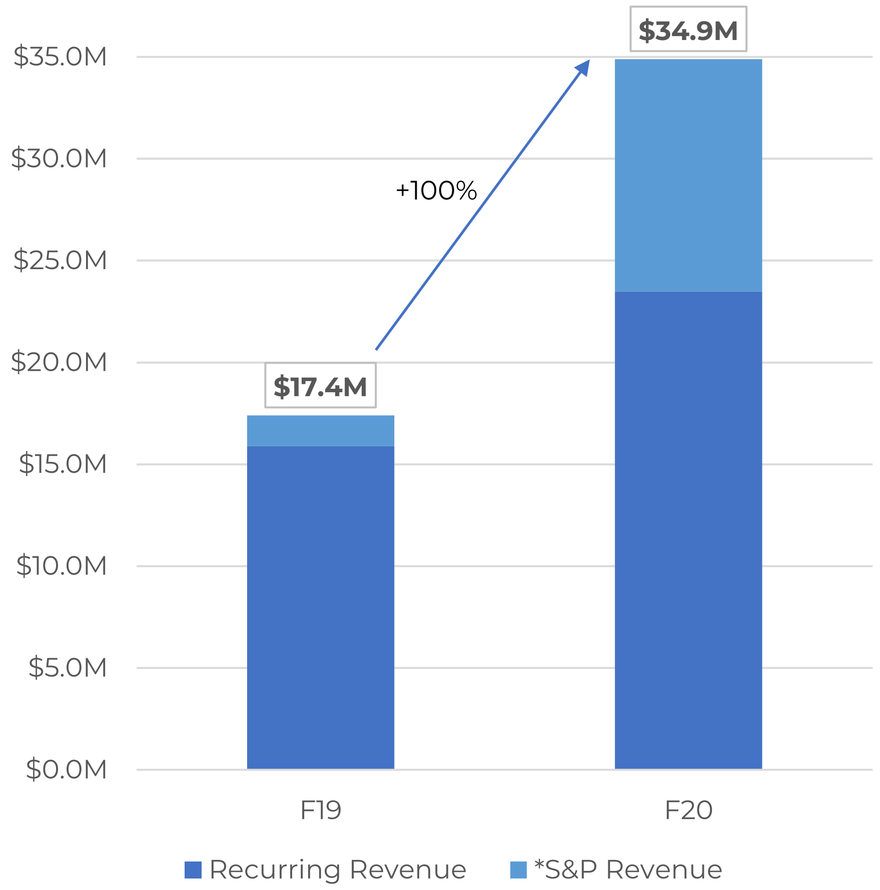


Highlights – Underlying EBITDA GROWTH to $3.73M

- Total EBITDA growth up 88%.
- Economics of Telco & IT cross selling, bundling into solutions for B2B showing material gains.
- Full year EBITDA gains from Trident and VPD acquisitions yet to be realised.

*Underlying EBITDA; excludes business acquisition & integration costs, share based payments & restructuring costs. Refer profit and loss slide for detail.

Year on Year Revenue up 100%

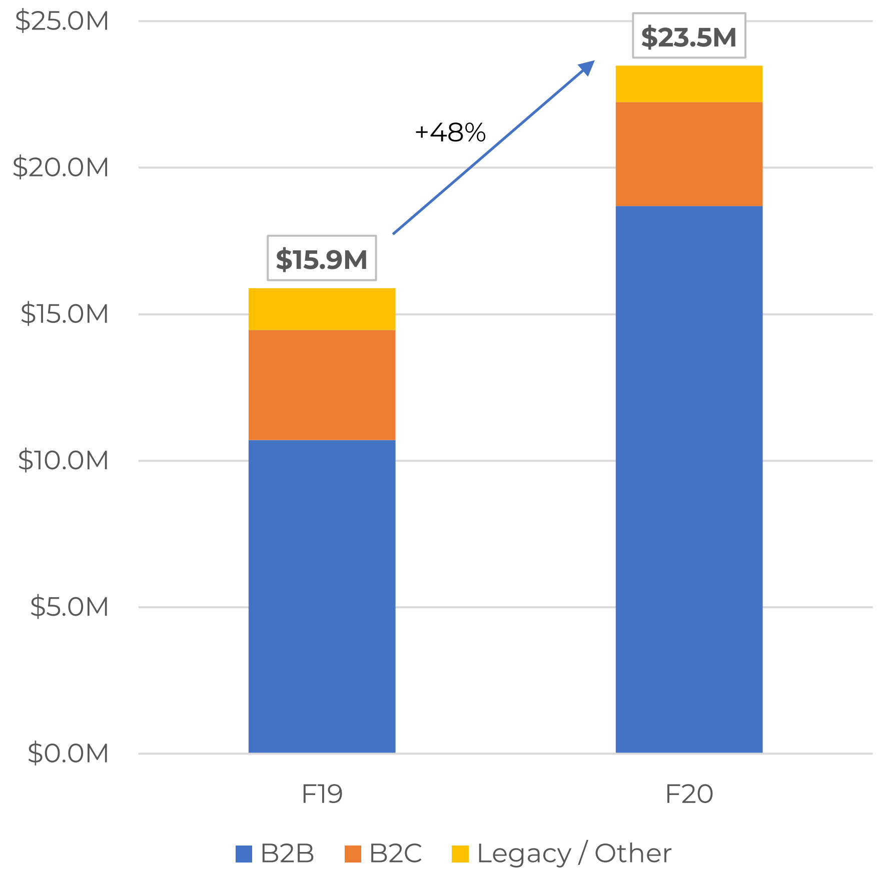


Highlights - Total Revenue Growth to $34.9M

- Total revenue growth up 100% to $34.9M.
- Recurring revenue growth up 48% to $23.5M.
- S&P revenue growth up to $11.4M.

*S&P = Solutions & Projects Revenue. Project revenue includes government grant revenue

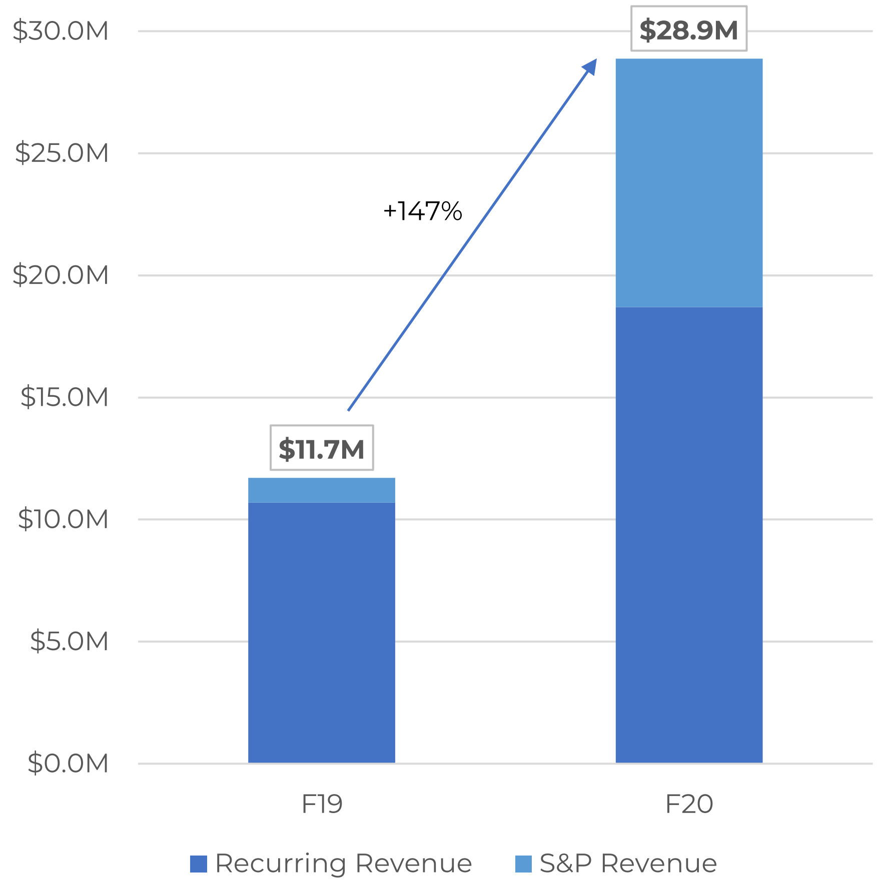
Year on Year Recurring Revenue up 48%



Highlights - Recurring Revenue Growth to $23.5M

- Recurring revenue growth up 48% to $23.5M.
- B2B recurring revenue growth up 75% to $18.7M.
- B2C recurring revenue at $3.5M.
- Legacy and other recurring revenue at $1.2M.

B2B Year on Year Revenue up 147%

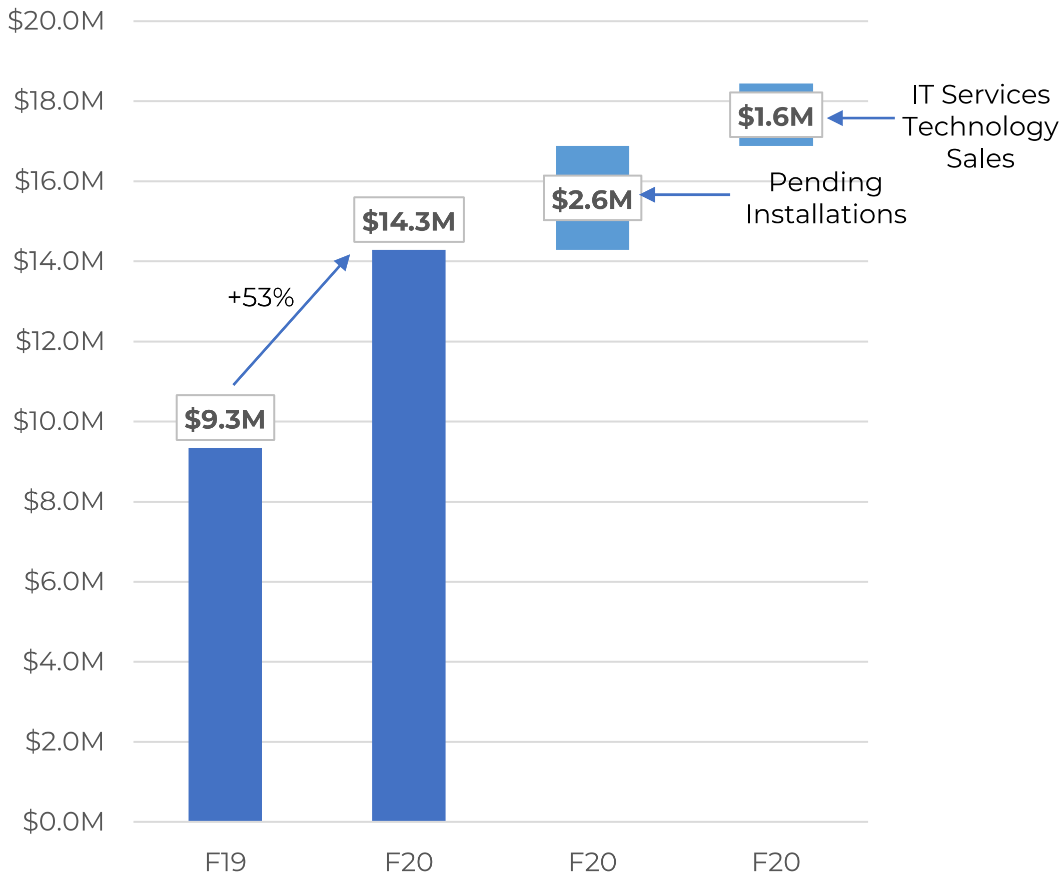


Highlights - Total Revenue Growth to $28.9M

- B2B revenue growth up 147% to $28.9M.
- B2B recurring revenue growth up 75% to $18.7M.
- B2B S&P revenue growth up to $10.2M.

*S&P = Solutions & Projects Revenue.

B2B New Sales/TCV Growth up 53%

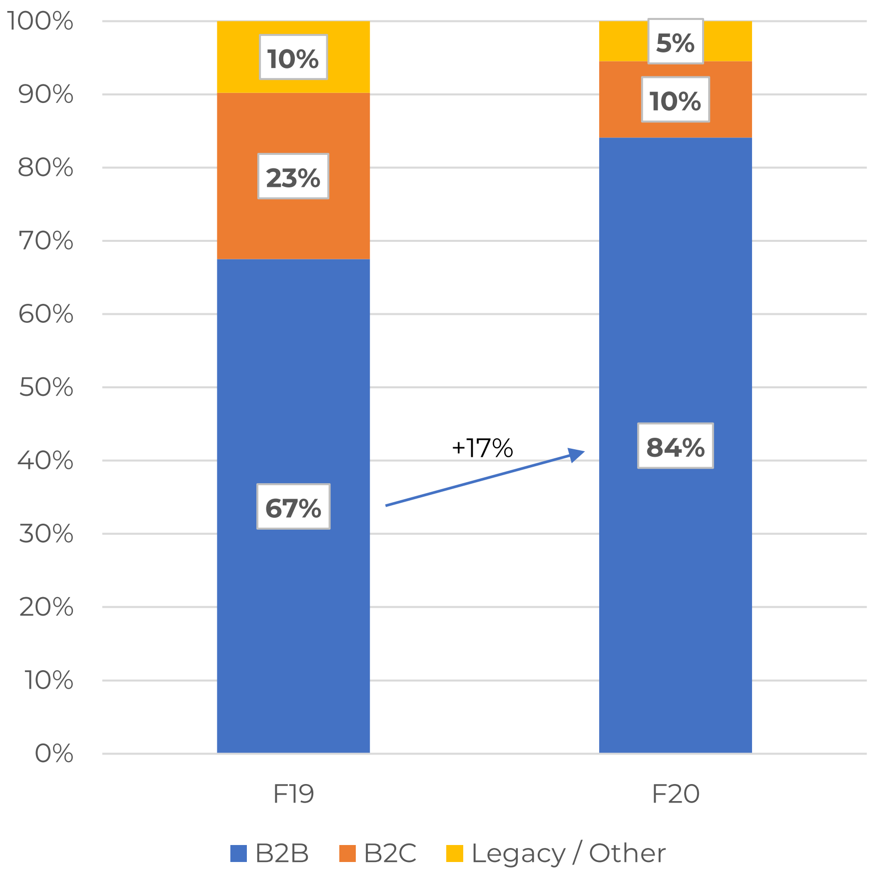


TCV at $14.3m excluding pending installations & IT Sales:

- B2B TCV at $14.3M, up 53% year on year.
- Total Data & IT services including pending installations at $18.4M (pending installations $2.6M, IT Services Technology Sales $1.6M).
- Uplift driven through B2B telco sales and managed services whilst maintaining ARPU value.
- Small decrease in contracts lengths in Q3-Q4 and minor hardware supply chain delays in H2 from Asia.

NB:
B2B TCV incorporates recurring revenue across data, voice and managed services contracts calculated as monthly recurring revenue x contract tenure in months.
IT Services Technology Sales reflect orders placed for non-recurring revenue items to be billed in July./August

Total Revenue Breakdown



B2B Mix 17% uplift to 84% 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 leverages 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.

Profit And Loss

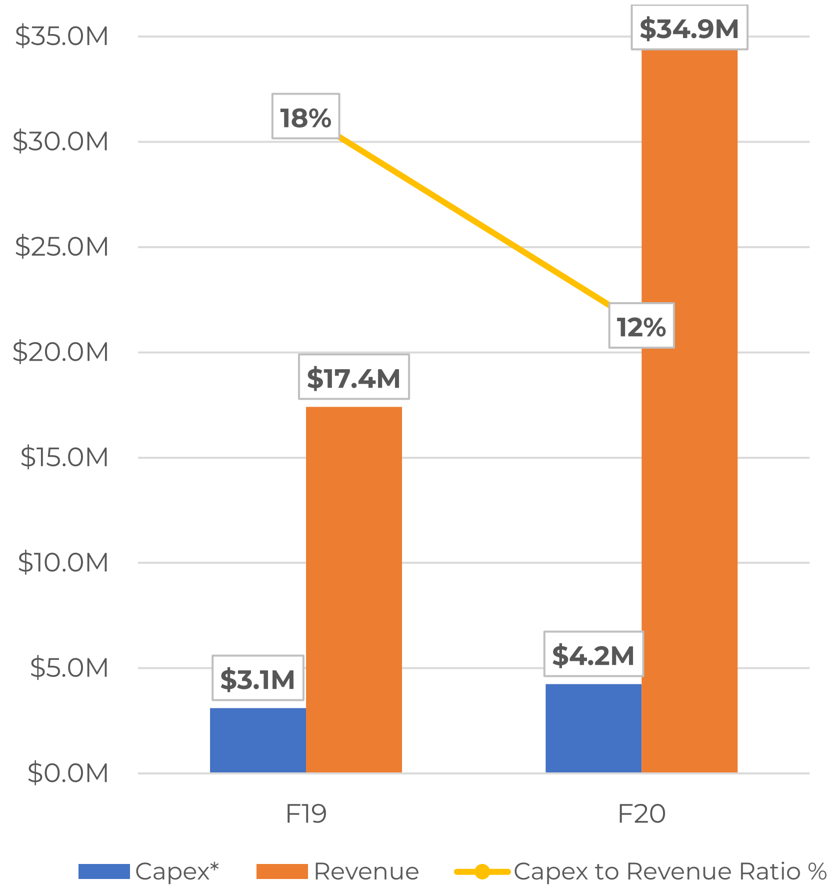
	F19	F20	YoY	YOY %
Recurring Revenue	$15.9M	$23.5M	$7.6M	48%
S&P Revenue	$1.5M	$10.9M	$9.5M	644%
Other Income	$0.1M	$0.4M	$0.4M	409%
Total Revenue	**$17.5M**	**$34.9M**	**$17.4M**	**100%**
COGs	($4.6M)	($12.7M)	($8.1M)	(179%)
Gross Profit	**$12.9M**	**$22.2M**	**$9.3M**	**72%**
Gross Profit %	73.9%	63.6%		(10%)
Operating Expenses	($11.4M)	($20.0M)	($8.6M)	(76%)
EBITDA	**$1.5M**	**$2.2M**	**$0.6M**	**41%**
EBITDA %	8.9%	6.3%		(3%)
Acquistion & Integration Costs	$0.2M	$0.6M	$0.4M	170%
Business Restructuring Costs	$0.0M	$0.4M	$0.4M	N/A
Share Based Payments	$0.2M	$0.5M	$0.3M	139%
Underlying EBITDA*	**$2.0M**	**$3.7M**	**$1.7M**	**88%**
Underlying EBITDA* %	11.4%	10.7%		(1%)
Finance Costs	($0.3M)	($0.4M)	($0.0M)	(14%)
Depreciation & Amortisation	($2.3M)	($3.9M)	($1.6M)	(69%)
Income Tax (Expene) / Benefit	$0.2M	$0.5M	$0.3M	(184%)
NPAT	**($0.9M)**	**($1.5M)**	**($0.6M)**	**(75%)**

P&L

- Recurring revenue up 48% to $23.5M
- Total revenue up 100% to $34.9M
- Underlying EBITDA* up 88% on FY19 to $3.73M.
- Net loss after tax was $1.5M for FY20 after investing in an aggressive acquisition and organic growth strategy to create scale, size and product depth

*EBTDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition & integration costs, business restructuring costs and share based payments. AASB 16 Leases was adopted for the first time requiring capitalisation and amortisation of the company's Right of Use Assets. The modified retrospective approach was used and as such the comparatives have not been restated in the 2020 financial statements. However, the 2019 EBITDA, Underlying EBITDA and NPAT comparatives in the table above have been restated to reflect the notional AASB 16 adjustment had it been effected during that year. Had the Consolidated Entity early adopted AASB 16 from 1 July 2018, $354,373 in lease rental expenses would have been reversed and replaced by depreciation and interest totalling $397,489. *Numbers subject to rounding variances. Refer 2020 Financial Statements for full detail.*

Capex To Revenue



Capex ratio reduction by 32% in line with strategy to cash flow positive

- Capex ratio to revenue is 12% for the year reflecting continuing lower capex cost and revenue growth through managed services.
- VPD acquisition and Spirit X sales will continue to lower capex % as the business migrates to a more diversified product mix.

* Capex adjusted to exclude government funded projects and IT capex.

** Calculated on a rolling 12 month basis.

SPIRIT ACCELERATED GROWTH PLAN

ORGANIC

1. **300 active Spirit Solution Partners & resellers in Spirit X by Dec 20**
2. **VPD Acquisition has performed strongly in July 21.**
3. National marketing launch of Spirit & VPD bundles via Spirit X
4. Launch Trident IT Solutions products nationally
5. Identify $1.5M in additional Opex synergies across acquisitions

2020-21 STI TARGET

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

M&A

1. **At DD & negotiation stages with multiple vendors / sellers**
2. **Major new institutional investors entered the register in Q3 20 to accelerate acquisition cadence.**
3. Current acquisition targets identified; have >$35M in annuity based revenue

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The Need for the Modern Telco for Business

Modern businesses have modern requirements…

- Distributed workforce
- High bandwidth/ fast speed requirement
- Migrating to cloud-based digital tools
- Conduct all activities (eg sales/support) online
- Integrate and manage many device types

…but there is no easy-to-deploy end-to-end solution

Still only 42% of Australian businesses use cloud services[1]

Problem being solved:

- Major telcos are not equipped to help SMEs transition to this new work environment
- Business owners have to go to multiple service providers to create a solution
- Each service provider doesn't own any issues that arise in the solution
- A significant gap exists for a modern telco to be a 'one stop shop' for businesses in the current market

1. ABS, 2018

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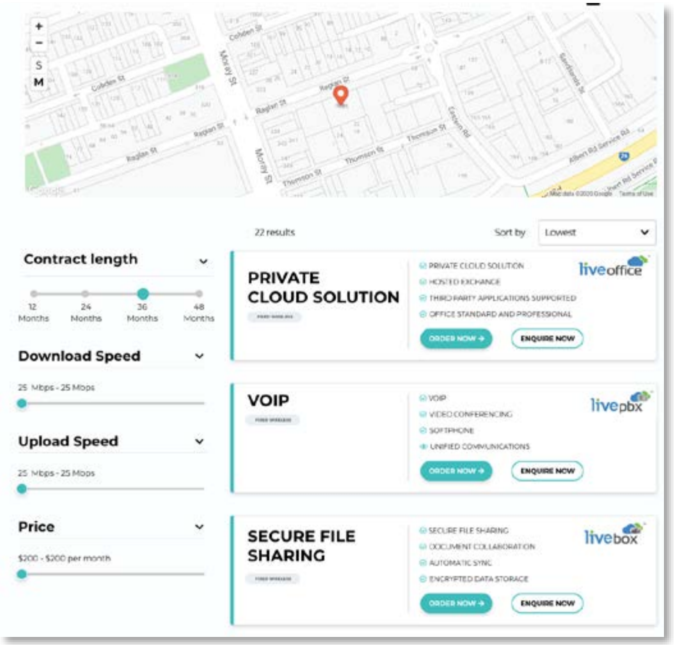
Outlook Q1 & Q2: Execution Reaching Scale Quickly

+300 hungry wholesale Telco dealer network by DEC 20…

…with new services to offer their existing client base via a digital platform

SpiritX digital service aggregation platform…



…with instant provisioning of services to customers in Q3-Q4

- Spirit has a growing network of telco dealers
- Historically only supplied basic telco services
- Access to the Spirit bundle of services
- Powered by SpiritX for online sales
- Digital fulfilment = happy customers

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