

# Spirit Telecom Limited (ASX: ST1)

## FY20 Results & Transformational Growth Presentation

### Building a Modern Telco For Major Market Disruption

#### 25 August 2020

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**Spirit Telecom (ASX:ST1) conference call on Tuesday 25 August**

from 12:30pm to 1:00pm AEST.

To register your attendance, please follow this link:

[https://us02web.zoom.us/webinar/register/WN\\_-la1RAGeRxdqfeE8ao6cTpw](https://us02web.zoom.us/webinar/register/WN_-la1RAGeRxdqfeE8ao6cTpw)



# FY 2020 Summary & FY21 Fast Start

FY20	FY21 – FAST START
<ul style="list-style-type: none"><li>• FY20 revenue up 100% to \$34.9M, marking a transformative year for Spirit.</li><li>• Underlying EBITDA* up 88% on FY19 to \$3.73M, at the upper end of guidance range.</li><li>• Recurring revenue made up 67% of portfolio (\$23.5M over \$34.9M).</li><li>• B2B revenue growth of 147% to \$28.9M on FY19 and total recurring revenue up 48% to \$23.5M on FY19.</li><li>• Balance sheet with \$14M of cash and available debt as of June 30.</li></ul>	<ul style="list-style-type: none"><li>• <b>Current revenue run rate is circa <u>\$80.0M</u></b></li><li>• <b>Current balance sheet capital at <u>\$36.0M</u> (Assumes SPP fully subscribed at \$5.0M)</b></li><li>• <b>Fast start to new year with July new sales (TCV) up 165% month on month from - June FY20 to July FY21, with \$2.3M (TCV) of new sales added in July.</b></li><li>• <b>National advertising campaign launching in Sydney, Melbourne &amp; Brisbane in Q1-Q3.</b></li><li>• <b>Strong pipeline of acquisitions in negotiation stages with capital to deploy.</b></li></ul>

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

# Growth Strategy Targeting Industry Verticals & Geographies



## Modern Telco Offering

High Speed Internet	IT Support	Security	Voice/ Telephone	Cloud Storage
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More in-demand services  
+  
large industry clients  
=  
high value recurring revenue (avg of  
>\$20k pm per customer) with long  
tenure

Spirit IT&T = Revenue \$25M  
← Historical Markets →

+ NSW EXPANSION, TTS & VPD ACQUISITIONS = Revenue \$57M-\$62M  
← Newly Acquired Products, Markets & Geographies in QLD & NSW →

Industrial Parks



Office



Education



Industrial



Health



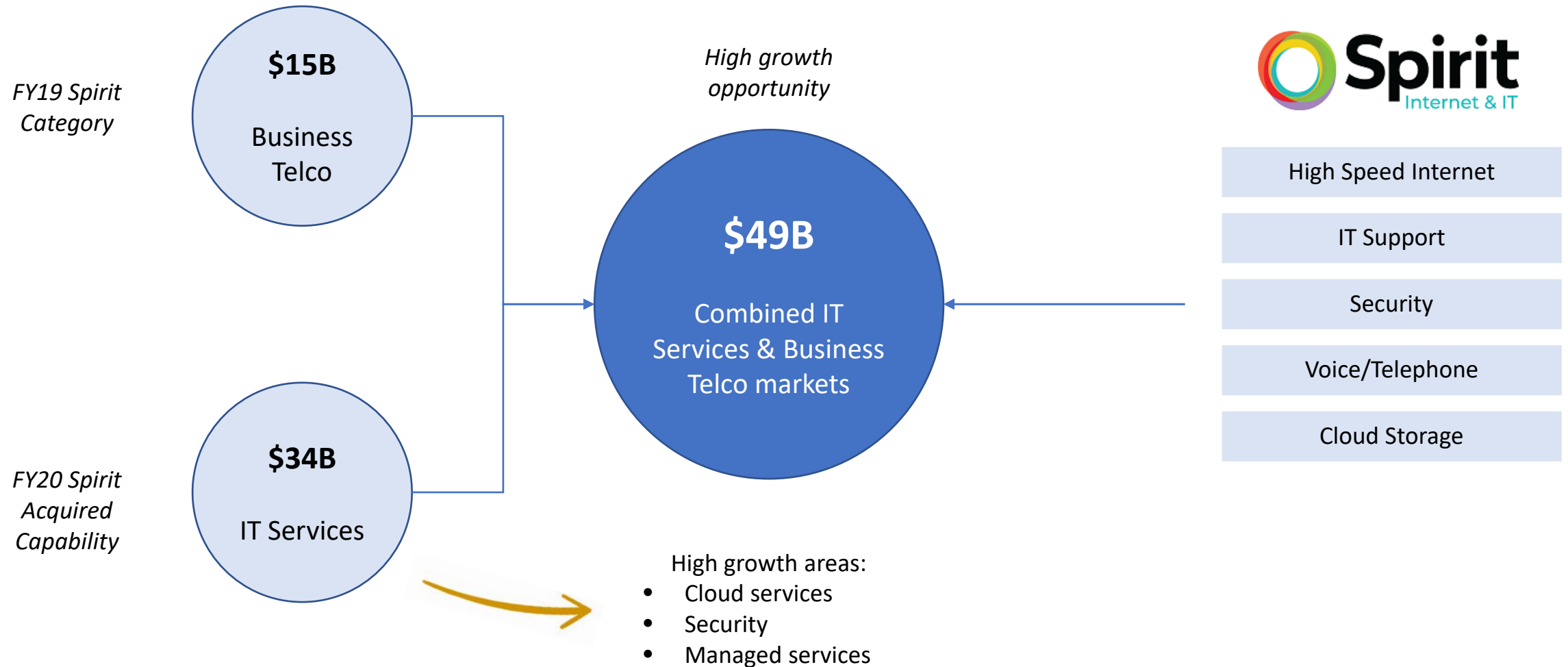
Mining



Aged Care



# Combining the Opportunities of Telco & IT Markets



Data Source: Gartner

# The Need for the Modern Telco for Business

Modern businesses have modern requirements..



***“60% of organizations will use an external service provider’s cloud managed service offering, which is double the percentage of organizations from 2018\*”***



**...but there is no easy-to-deploy end-to-end solution**

- 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

## Problem being solved:

- Major telcos are not equipped to help businesses 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**

\*Gartner Cloud Report Nov 2019

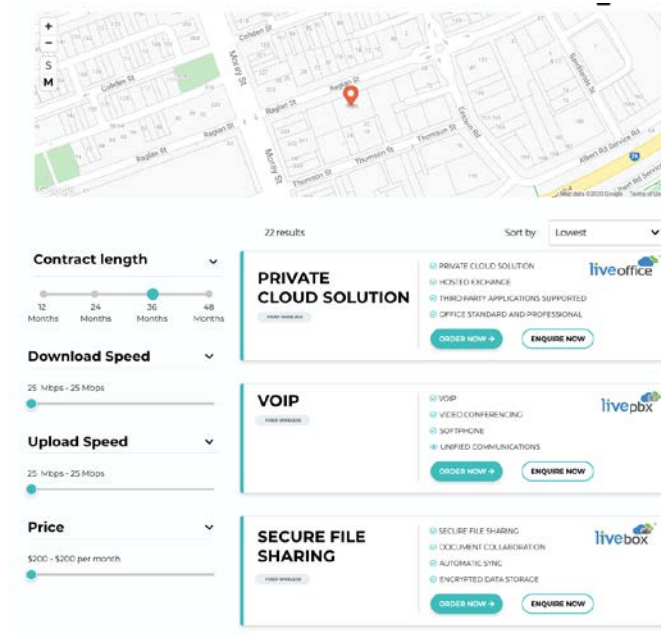
# Outlook Q1 & Q2: Execution & Reaching Scale Quickly

**+300 hungry wholesale Telco & IT dealer network by DEC 20...**



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

**12,000+ leads in H2 FY20 in SpiritX digital service aggregation platform...**



**...with instant provisioning of services to customers in Q3-Q4**

**Spirit has a growing network of telco dealers**

**National advertising campaign**

**Historically only supplied basic telco services**

**Access to the Spirit bundle of services**

**Powered by SpiritX for online sales**

**Digital fulfilment = improved margins**

# Spirit – Major Expansion & Disruption to Major Telco's

**INSTANT SYDNEY & NSW MARKET EXPANSION WITH THE AGREED ACQUISITION OF THREE IT SERVICES COMPANIES.**

Acquisitions X 3	Capital Raise
<ul style="list-style-type: none"><li>• Immediate geographic expansion with the simultaneous <u>strategic</u> acquisition of <b>three IT Managed Service providers across Sydney Metro &amp; Central NSW</b></li><li>• The three businesses bring strong IP, Products, Engineering skills and generate <b>\$12.0M</b> in combined revenue with <b>&gt;60%</b> of this recurring revenue with EBITDA over <b>\$2.5M</b></li><li>• The three IT Companies acquired – which will be rebranded as <b><u>Spirit Solutions Partners</u></b></li><li>• EBITDA multiples paid upfront between <b>x3.0-x3.5</b>. Upfront payment of \$5.7M cash and \$2.6M Spirit equity.</li><li>• Organic expansion: <b>21 new Resellers and Spirit Solution Partners</b> have also been signed across NSW &amp; QLD .</li></ul>	<ul style="list-style-type: none"><li>• <b>Total capital raise size \$23.2M</b></li><li>• Spirit has successfully completed a Placement to institutional and sophisticated investors raising <b>\$17.88M</b>, and a conditional Placement to Directors and Management raising \$0.36m, subject to shareholder approval.</li><li>• Existing Retail investors will also have the opportunity to participate via (SPP). Opens 28 August 2020, closes on 15 September 2020, raising an additional <b>\$5.0M</b>.</li><li>• The new funds raised will be allocated to:<ul style="list-style-type: none"><li>• Additional acquisition opportunities</li><li>• Accelerate the development of the Cloud product range in the Spirit X Digital sales platform</li><li>• Market the Spirit Brand &amp; Products nationally.</li></ul></li></ul>



# Spirit – Major Expansion & Disruption to Major Telco’s

**INSTANT SYDNEY & NSW MARKET EXPANSION WITH THE AGREED ACQUISITION OF THREE IT SERVICES COMPANIES.**

**1 July Phase:** VPD acquisition created a new Spirit Wholesaler & Reseller Channel nationally:

- **21 new Resellers and Spirit Solution Partners** have also been signed up in July by the Spirit Wholesale Channel (VPD).



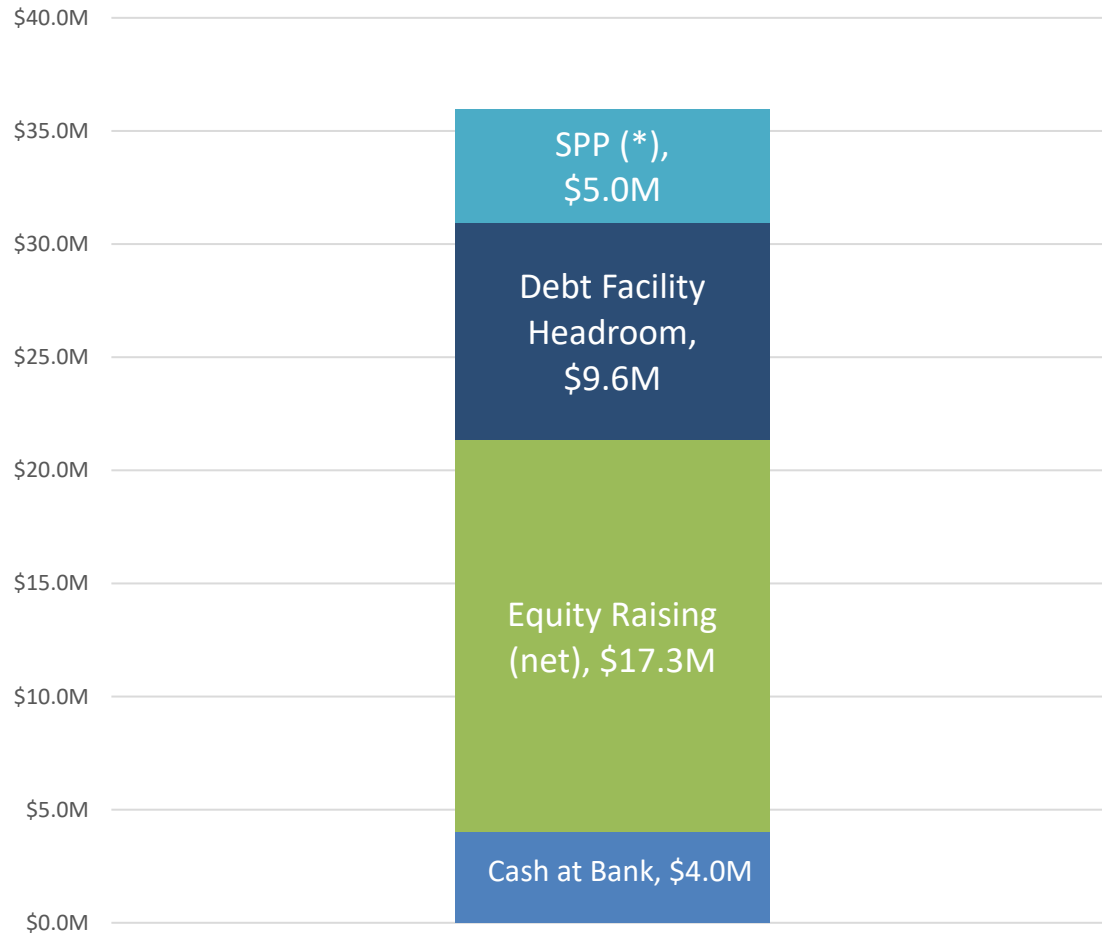
**2 August Phase:** Three IT Companies acquired – who become **Spirit Solutions Partners:**

- 1. Altitude IT**, a Sydney based Cloud, VOIP and IT Managed Services Provider with a diverse base of recurring revenue across the industrial sector.
- 2. Beachhead Group**, a Sydney based IT Managed Services Provider, specialising in Cloud and Infrastructure deployment to business and the private schools;
- 3. Reliance Technology**, a Cloud Managed & Telco Services Provider based in Central NSW and one of the largest providers of IT services in that region.



# Capital Available for Acquisitions & Growth

## Capital Availability \$36.0M



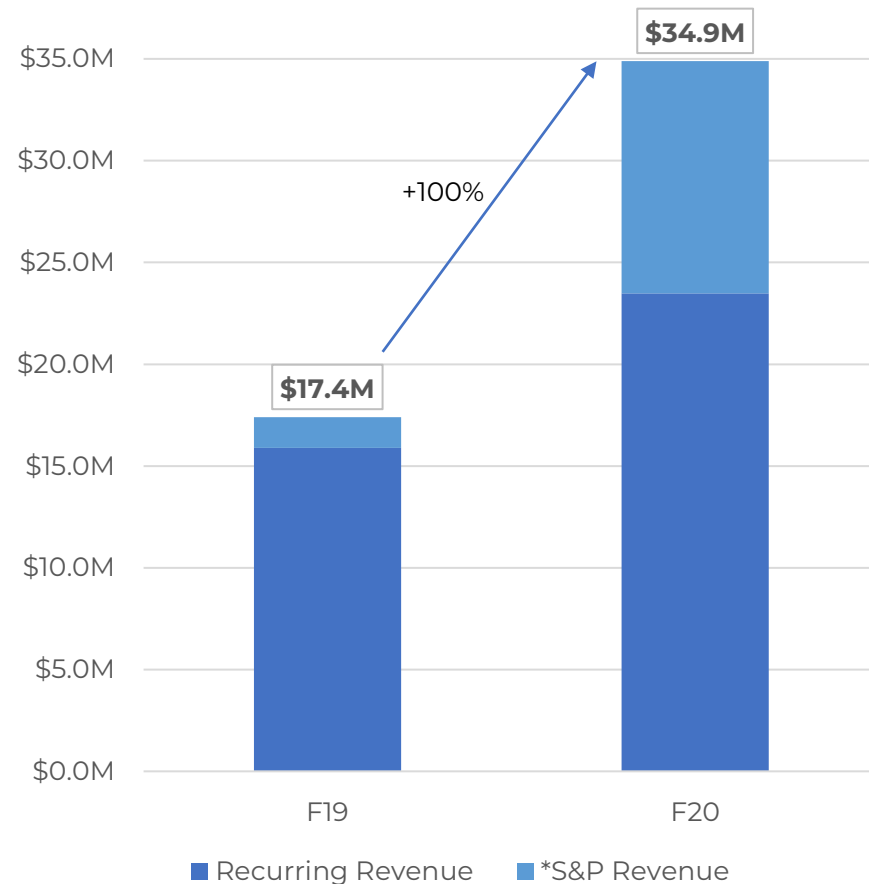
### Capital Components \*

Cash at Bank	\$4.1M
Equity Raising (net)	\$17.3M
Debt Facility Headroom	\$9.6M
Share Purchase Plan **	\$5.0M
<b>Total Capital</b>	<b>\$36.0M</b>

\*Presented before Application of funds (inc. NSW MSP settlements = \$5.7M)

\*\*Assumes SPP is fully subscribed to the \$5M maximum

# Year on Year Revenue up 100%

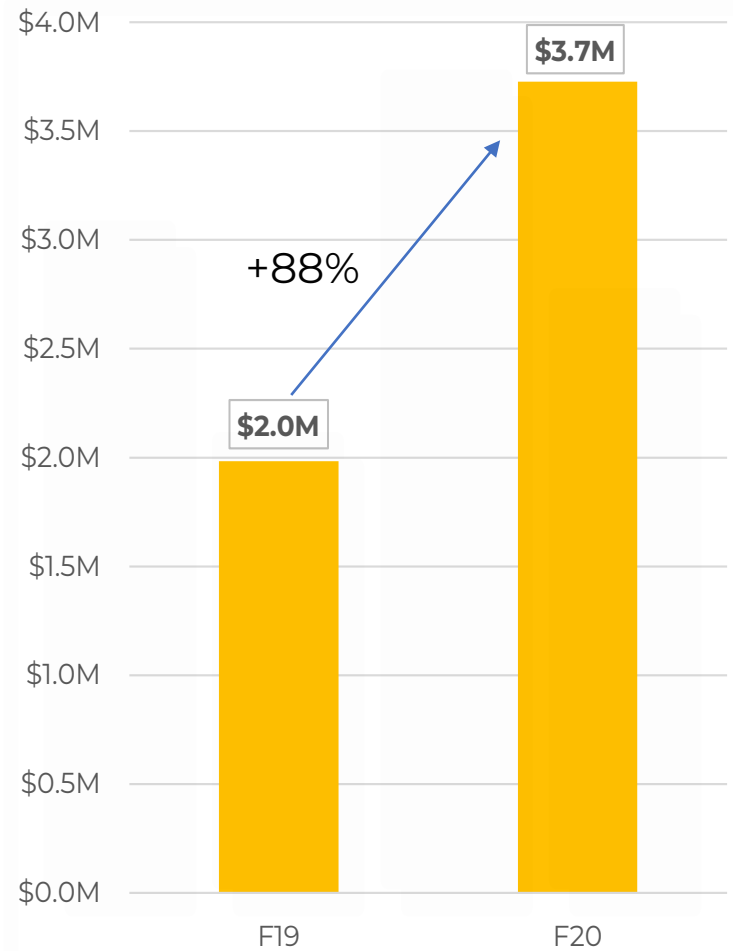


## Highlights - Total Revenue Growth to \$34.9M

- 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

# FY 2020 Underlying EBITDA\* Growth



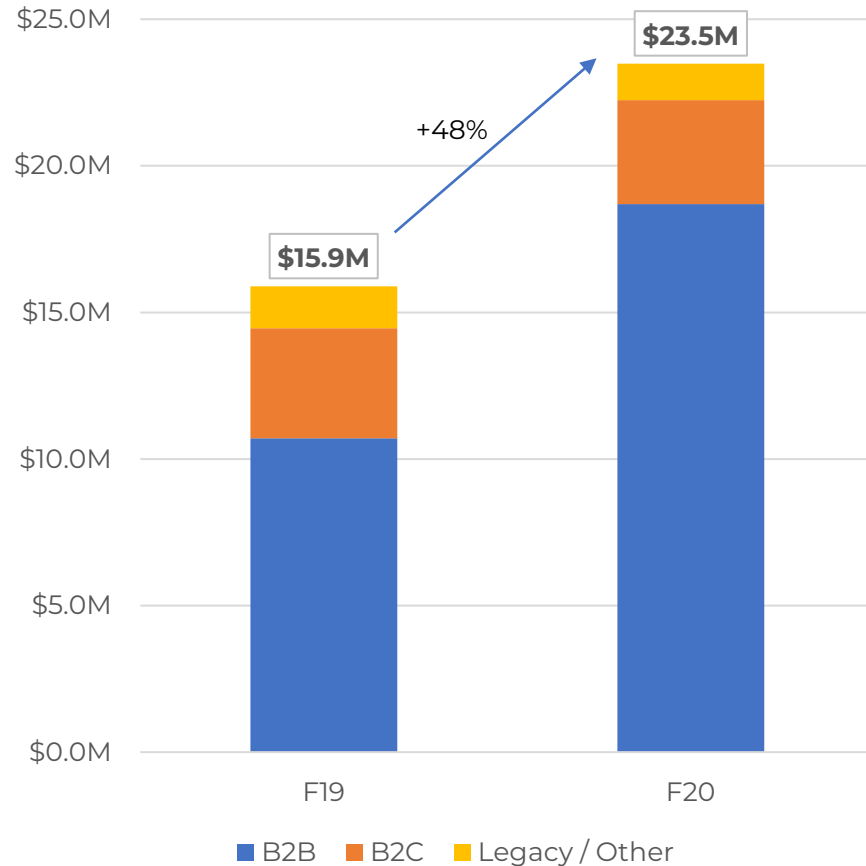
## Highlights – Underlying EBITDA GROWTH to \$3.73M

- 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.



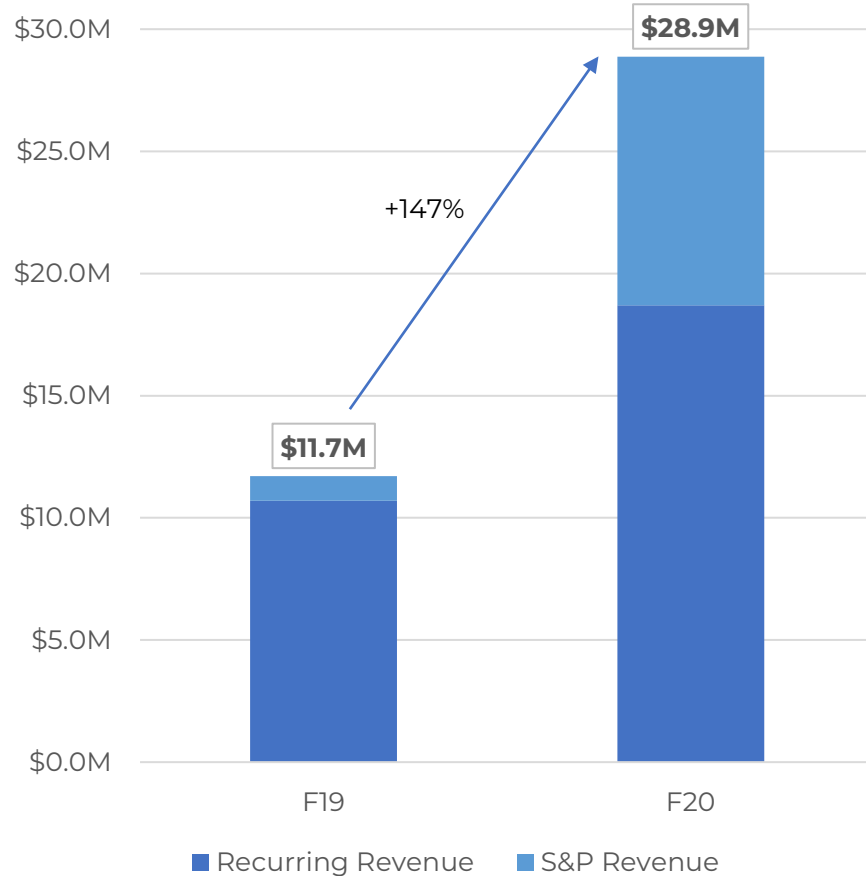
# Year on Year Recurring Revenue up 48%



## 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%

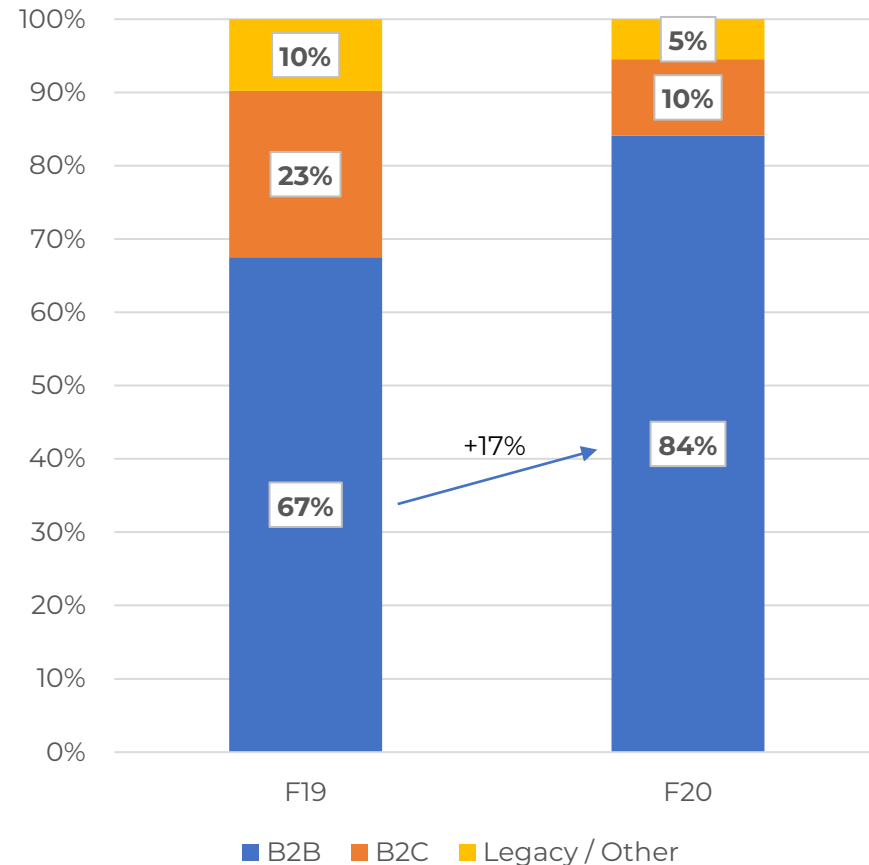


## Highlights - Total Revenue Growth to \$28.9M

- 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.

# 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.



# STI ACCELERATED GROWTH PLAN 2020-21



## ORGANIC

1. **Current revenue rate is circa \$80.0M**
2. **National marketing launch of Spirit Sydney, Melbourne and Brisbane in Q1-Q3.**
3. NSW expansion via acquisitions & 300 active Spirit Solution Partners & resellers in Spirit X by Dec 20.
4. VPD Acquisition has performed strongly in July 20.
5. Identify \$1.5M in additional Opex synergies across acquisitions.



## 2020-21 STI TARGET

1. **Build scale via organic + M&A.**
2. **Circa +\$85M Revenue run rate target by CY Dec 20.**
3. 15% Normalised EBITDA run rate at end of FY21.



## M&A

1. **Total current balance sheet capital availability at \$36.0M (Assumes SPP fully subscribed at \$5.0M).**
2. **At negotiation stages with multiple vendors / sellers.**
3. Current acquisition targets identified; have >\$35M in annuity based revenue.

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