

Spirit to Acquire Leading Cyber Security Business – Intalock. Growth also continues to deliver record revenue and sales results in October & November

Intalock Acquisition Key Details:

- Acquisition of Intalock, one of Australia's leading cyber security services businesses with a market leading and sophisticated full Security Operations Centre (SOC) for \$15.0M upfront consideration.
- Allows Spirit to cross sell and deliver highly secure bundled Cyber Security Services with Data,
 Cloud and Voice.
- Comprehensive Cyber Security offering, with blue chip customer portfolio across Corporate and Government – in line with Spirit's market expansion strategy for FY21 into Corporate markets.
- Intalock generated revenue of \$23.6M and normalised EBITDA of \$2.3M in FY20.
- Upfront consideration of \$15.0M paid as a combination of cash (85%) and Spirit equity (15%)
 with a deferred consideration component. An additional earn-out consideration component
 is also available for out-performance in FY22 capped to maximum total transaction value of
 \$22.5M.
- Transaction EBITDA multiple of x6.5.
- Cash component will be paid from cash reserves and CBA debt facility.

Commercial Update:

- Record growth continues, as Spirit builds out a scalable and high growth IT & Telco company across SMB, Essential Services and now Corporate & Govt.
- Spirit generated revenue of \$6.5M in October, up 16% on September and 196% YOY from \$2.2M.
- Record November Sales / Total contract value was \$6.9.M (recurring), up 166% MOM and up 565% YOY, with pending installations at \$2.8M and IT Services & Technology Sales at \$12.1M.
- Large new business wins drove the record sales results with Cloud, Voice and Data products being sold in bundles across Health, Education and Corporate Segments.

Intalock Acquisition

Spirit Technology Solutions ("Spirit" ASX:STI) is pleased to announce that it has agreed to acquire Intalock, a Managed Cyber Security Service business. The acquisition positions Spirit to take a greater share of the Corporate and Government markets in line with its expansionary vision as Spirit Technology Solutions, and growth strategy for FY21.

Founded in 2010, Intalock is one of Australia's leading Managed Cyber Security Services firms, which offers a full range of advisory, technical services, software licensing and managed services and a market leading Security Operations Centre (SOC) providing 24/7 monitoring, technical services and support.

After an extensive market review of assets in the Cyber Security space - Intalock was chosen as the foundational asset for Spirit to enter the Corporate & Government segments. Intalock will be used two ways, firstly as entry into a new segment and secondly, its range of Cyber products and services will be sold into the existing Spirit portfolio. The Cyber Security range of services will complete the Spirit range of IT & Telco bundled products (mobiles to be launched in Q3).

In FY20 Intalock generated revenue of \$23.6M and normalised EBITDA of \$2.3M. This revenue base is largely recurring with 80% of FY20 revenue generated from multi-year managed service agreements and repeat clients. Intalock's customer base includes large organisations spanning Financial Services, Healthcare, Federal and State government, Education, Property and Heavy Industry.

"This acquisition embodies our vision for Spirit Technology Solutions and growth strategy for FY21 – to provide a complete suite of modern IT and Telco Services that can be scaled to meet the needs of Australian businesses, from SMB into Corporates.

Cyber Security Services are now a fundamental risk management requirement for any organisation and is a critical defence mechanism for all our existing and future customers across their IT infrastructure and software layers. Cyber Security bundled with our range of Data, Cloud and Voice services is the modern product range Spirit is becoming a leader in. The Intalock acquisition brings a highly sophisticated Cyber Security offering. A number of esteemed Cyber Security leaders from Intalock will join Spirit, along with a blue chip customer base under the Spirit umbrella. It propels Spirit into a new segment of the market and positions us as a credible contender for market share in the enterprise and government segment and enhances the Cyber Security offering for our existing customers." said Sol Lukatsky, Spirit Technology Solutions Managing Director.

Julian Haber, CEO of Intalock said "We couldn't be prouder and more excited to join Sol and the Spirit team. Their 2021 strategy for Spirit Technology Solutions is very unique and we can't wait to help Spirit scale quickly as Spirit shareholders. We're already working on a number of large Corporate opportunities together."

On completion, Spirit will issue the completion shares at a deemed issue price of \$0.38 (38 cents) per share, with the shares escrowed for 12 months from completion date. The deferred consideration amount and any potential earn-out components will be paid in cash at the relevant time. The Company will utilise its capacity under ASX Listing Rule 7.1 for the completion shares. The cash component will be paid from Spirit's cash reserves and CBA debt facility.

Completion is subject to normal closing conditions and is expected to occur on 3 December 2020.

Major contract wins contribute to strong October & November performance

Spirit is pleased to update the market on trading YTD FY21 reporting record monthly revenue of \$6.5M in October up 16% on September. In November Sales / Total contract value was \$6.9.M (recurring) up 166% MOM and up 565% YOY, with pending installations at \$2.8M and IT Services & Technology Sales at \$12.1M.

Sales / TCV was bolstered by a number of large contracts in the quarter. The contract wins came from the Corporate, Education and Healthcare sectors and are examples of how the operating model is now integrating and creating opportunity to present a bundled offering and increase in contract size.

Mr Sol Lukatsky continued, "We're winning large deals and displacing the major providers. Our nimble approach to finding solutions for our clients coupled with our growing comprehensive offering provides a competitive advantage for Spirit. These notable contract wins are key examples of how the complete offering of Spirit Technology Solutions is helping us to win business, and gives us great confidence that executing on this sales model will continue to drive strong organic growth in 2021."

N.b. All results provided on an unaudited basis.

This announcement is authorised for release to the market by the Board of Directors of Spirit Technology Solutions Ltd.

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