

31 January 2022

Record Q2 FY22 revenue driven by strong demand for Telco & Cyber Solutions

Spirit Technology Solutions ("Spirit" ASX:STI) is pleased to provide an update to the market for the first half of the financial year 2022 (unaudited).

- **Total revenue¹ for H1 FY22 of \$66.2M, up 54% year on year (YoY)**
 - **Record Q2 FY22 revenues of \$35.3M, up 28% YoY, and up 14% on Q1 FY22.**
 - **Circa \$4M of Solutions & Project revenue had to be deferred to Q3 FY22 due to staff isolation requirements delaying delivery of hardware to schools in December.**
- **Strong organic sales growth with Total Contract Value (TCV): November (\$12.2M) and December (\$13.6M).**
- **Recurring/contracted revenue grew to \$34.3M in H1 FY22, up \$13.6M on H1 FY21 (up 66%).**
- **Across H1 FY22, positive commercial results were achieved in the COVID disrupted business environment, with cost increases to be partially offset by planned price rises in Q3 FY22:**
 - **Statutory EBITDA² of \$5.5M (up 62% YoY) which includes \$2.5M profit from sale of Consumer assets.**
 - **Underlying EBITDA² of \$4.2M (down 5% YoY) which excludes \$2.5M profit from sale of Consumer assets.**
- **As at 31 December 2021, Spirit had \$17.4M of cash and debt through its CBA facility (\$10.4M of cash acquisition and earn out payments were made in H1 FY22).**

Spirit delivered its strongest quarterly revenue performance to date having also demonstrated organic sales growth in November and December 2021, heavily driven by the Cyber solutions business and mid-market new deal flow. In the first half of FY22, Spirit generated revenue¹ of \$66.2M, up 54% YoY. It also recorded revenue of \$35.3M in Q2, up 28% YoY and up 14% on Q1 FY22. In the first half of FY22, underlying EBITDA² was \$4.2M down 5% YoY. The operating environment in the first half of FY22 was very challenging with cost pressure across the business, through needing to maintain staff levels during lockdowns across Melbourne, Sydney and Brisbane, employee isolation requirements and supply chain delays. Spirit will partially offset these cost pressures through price rises in H2 FY22.

Commercial Summary H1 FY22 (Unaudited)

	H1 FY22 \$'000	H1 FY21 \$'000	Change \$'000	Change %
Recurring and S&P Revenue ¹	66,224	43,135	23,088 ↑	54% ↑
Statutory EBITDA ²	5,466	3,375	2,091 ↑	62% ↑
Underlying EBITDA ²	4,224	4,430	(206) ↓	(5%) ↓

Mid-Market & Corporate Contract Wins (H1 FY22)

Spirit's push into mid-market and corporate continues to show large deal size wins (selection shown).

Sector	\$ / TCV
Banking & Financial Services: two new contracts secured to provide industry leading cloud-based cyber threat detection platforms.	\$3.3M
Services: won a new contract for a sophisticated network segmentation solution.	\$2.6M
Healthcare: after becoming Varonis' first certified delivery partner in Australia, Spirit won the largest Varonis deal in the southern hemisphere to date.	\$2.1M
Mining: won a large regional networks deal to provide high speed Internet to multiple mining sites.	\$1.5M

Sol Lukatsky, Managing Director, commented on the results, *"I am very pleased to deliver record revenue and strong sales growth in a very challenging business environment disrupted by lockdowns and staff isolation requirements. The demand for secure, remote and digital workplace solutions is driving our growth. At the same time, we continue to experience ongoing cost pressures, supply side delays and business disruptions due to Omicron"*.

Fixed Wireless Infrastructure Divestment Update

Spirit is now in an exclusive period of due diligence with the preferred buyer of its fixed wireless tower assets after receiving and considering multiple all cash offers. The divestment would lead to a material return of capital to Spirit, however there is no guarantee this transaction will be completed.

Spirit will provide more detail on its future view on FY22-23 in late February when releasing its fully reviewed H1 FY22 accounts.

¹ Revenue refers to Recurring and Solutions & Projects revenue. Project revenue includes government grant infrastructure revenue. FY22 numbers are presented on an unaudited basis.

² EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA adjusts EBITDA to exclude business acquisition, divestment & integration costs, net fair value gain/(loss) on remeasurement of contingent consideration on business combinations and share-based payments. Statutory EBITDA includes \$2.5M of profit from consumer asset sale. Underlying EBITDA excludes \$2.5M of consumer profit sales (operational Underlying EBITDA of \$4.2M).

- ENDS -

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

For all media enquiries regarding this announcement, please contact:

Sol Lukatsky
 Managing Director
 03 8554 1320 or soll@spirit.com.au
 For more information, please visit www.spirit.com.au
 Business Address: Level 2, 19-25 Raglan Street, South Melbourne VIC 3205