

ASX RELEASE

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OVER THE WIRE HOLDINGS LIMITED

BUSINESS UPDATE

Over the Wire Holdings Limited (ASX:OTW) ("Over the Wire" or "Company") is pleased to provide the following business update.

- 1H21 EBITDA will be in the range of \$10.0-\$10.5m (subject to audit, and including the contribution of Zintel, Fonebox and Digital Sense).
- The recent acquisitions are contributing Revenue and EBITDA in-line with expectations on acquisition.
- A significant new contract with Eagers Automotive (ASX:APE) will contribute to Revenue and EBITDA from February 2021.
- Positive progress with our Tier 1 Voice Provider (Carrier Interconnect) platform, opens up additional opportunities for the Company, especially with larger wholesale customers.
- Increased pipeline of signed contracts, giving us confidence as we enter 2H21.

1H21 EBITDA

The EBITDA range of \$10.0-\$10.5m indicated above includes a positive contribution to EBITDA in the order of c.\$2.5m from the acquisitions in 1H21 of Zintel, Fonebox and Digital Sense, consistent with our acquisition expectations.

Our existing businesses are expected to contribute c.\$7.5-\$8.0m EBITDA in 1H21, which is a commendable performance considering:

- Non-recurring revenue is expected to be c.\$3.5m below initial expectations, mainly reflecting client caution on some project spend in recent months;
- A reduction in recurring data services revenue of c. \$1.0m when compared to 2H20, primarily as a result of the migration to NBN and clients downsizing services to reduce costs;
- Expensing of acquisition costs of c. \$650k in 1H21; and
- ACMA fees which landed c. \$250k greater than our estimate.

Balancing the softer than expected result in non-recurring revenues, the Company has won recurring revenue of c.\$15m in net new and extended total contract value (TCV) in the half, and

customer retention rates remain elevated, which gives us confidence as we move into the second half.

Major Client Win

Over the Wire has recently been awarded a contract to provide Eagers Automotive (ASX: APE) with SD-WAN, WAN carriage, ongoing management services and assisting with Internet Security across its Australia and NZ-wide operation, which will contribute meaningfully to Company Revenue and EBITDA from 2H21.

Shane Pearce, APE Infrastructure and Strategic Procurement Manager, said of the new contract "Through an extensive market review, we found that Over the Wire's offering was technically superior and would bring the flexibility and end-to-end service that Eagers needed. We are happy to be partnering with Over the Wire for this service and look forward to developing the relationship further over time."

Tier 1 Voice Provider Update (Carrier Interconnect)

The Carrier Interconnect project has progressed well, and most of the Telstra implementation has been completed. The remaining elements will be finalised in the new year and Over the Wire expects to commence the migration of numbers off its carrier partners and onto its own voice network in March 2021. The migration of these numbers is expected to be completed by calendar year-end 2021, and when complete is expected to generate a c.\$2m positive impact to Company annualised EBITDA. This important platform development also positions the Company to support the larger wholesale UCaaS, CCaaS and CPaaS providers, and is expected to add substantial value over the medium to long term.

Pipeline of signed contracts

Over the Wire is on track to deliver its most successful quarter to date in terms of new recurring Revenue signed, exceeding \$350k contracted monthly recurring revenue (MRR).

Pleasingly, the growth has come from Over the Wire's offering around its key pillars of Cloud. Connect. Collaborate. Our solution development around SD-WAN, Security and network access aggregation, also positions the Company to win additional business, particularly from clients in the larger customer segments.

Summary

The Company remains confident about prospects for 2H21 and beyond this, as we continue to invest heavily to strengthen our competitive position, build on the positive sales results in the first half, and generate growing Revenue and EBITDA from our recent acquisitions.

Meanwhile, the Company continues to generate positive operating cash flow, retains a strong Balance Sheet, and remains open to appropriate value-adding acquisitions as opportunities arise.

OTW Managing Director Michael Omeros commented, "In a challenging period for most of the community, I am proud of the significant achievements of the company in this half, which is a credit to the whole team at Over the Wire. As a result of our progress, we enter the new year in even better shape to support our clients as we continue simplifying technology to empower business".

This document was authorised for release by the Over the Wire Holdings Limited Board.

ENDS

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About Over the Wire Holdings Limited

Over the Wire Holdings Limited (ASX: OTW) is an ASX listed telecommunications, cloud and IT solutions provider that has a national network with points of presence in all major Australian capital cities and Auckland, NZ. The company offers an integrated suite of products and services to business customers including Data Networks and Internet, Voice, Data Centre co-location, Cloud and Managed Services.

Over the Wire Holdings Limited companies include Over the Wire, NetSIP, Faktortel, Sanity Technology, Telarus, VPN Solutions, Access Digital Networks, Comlinx, Zintel Communications, Fonebox and Digital Sense.