

Secure. Sustainable. Scalable.

FY23 Results

30 August 2023



About us

Spirit Technology Solutions provides services and solutions that enable organisations to:

Secure

- Strengthen their security posture to match the constantly changing cyber threat landscape.

Sustainable

- Leverage intelligent, clean technologies to measure and reduce their carbon footprint, achieve net-zero targets, and potential cost savings.

Scalable

- Remain ahead of the curve and accelerate their digital transformation by adopting agile technology solution that can easily adapt to changing business needs and deliver their ROI goals for technology investments.



Our go-to market strategy

As a business with a national footprint, a skilled team and key partnerships, we are well positioned to help organisations solve the key challenges they face.

The market is asking for solutions that improve their resilience to cyber attacks, climate change and are responsive to challenging business conditions.

Spirit's 7,000+ customers are benefitting from integrated solutions that deliver measurable business outcomes.

We believe this strategy will drive the growth of the business and deliver much better returns for our investors.



Key FY23 highlights

- Group audited FY23 Revenue of \$127M and Underlying EBITDA* of \$5.2M achieved as previously guided and in line with unaudited results
- New go-to market strategy of Secure. Sustainable. Scalable launched
- 300+ new clients and 4 new partnerships secured as at 30 June 2023, delivering \$5M in contracted revenue
- New Cyber Security Operations Centre established – a key competitive advantage – protecting \$22B in client revenue
- Selected data centre and network assets divested December 2022

*Refer Appendix slide 22



Secure



Our Product/Solution

Spirit provides a complete range of Cyber Security solutions:

- Rapid Risk Reduction
- Security Operation Centres
- Governance Risk and Compliance
- Privacy Compliance
- Managed Detection and Response
- Endpoint Security
- Email Protection
- Managed Network

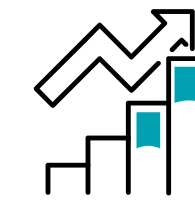


Customers

Medium to large enterprises:
1,000-35,000 personnel

Revenue model

- Managed Security Services, 3-year contracts
- Targeted Professional Services
- Recurring Product Sales, 3-year contracts



Market Opportunity¹

- Australia is ranked ninth in the world for cyber revenue generation.
- In 2020, Australians spent \$5.6 billion on cyber security products and services.
- Spending is expected to rise in light of rising cyber attacks and the cyber market has the potential to generate \$800 million more annually by 2026.

¹ <https://www.austrade.gov.au/news/insights/insight-australia-s-a-7-billion-cyber-security-opportunity>

Sustainable



Our Product/Solution

Spirit offers services and solutions that enable organisations to leverage intelligent, clean technologies to reduce their carbon footprint, achieve net-zero targets, and potential cost savings, including energy efficient code, green software development and partnering with Microsoft, Cisco, and HP to offer best-of-breed technology that promotes sustainability.



Customers

Medium to large enterprises: 300-10,000 personnel

Revenue model

- Managed Services Revenue on 3-5 year contracts
- Product Sales
- Channel arrangements with property developers and real estate asset owners



Market Opportunity

- Buildings produce 25% of Australia's emissions¹.
- The Australian government is committed to carbon targets that have legislated change, and has introduced mandatory reporting.
- Organisations are struggling to execute the “how” on reducing emissions from technology and buildings that consume significant amounts of energy.

¹ <https://theconversation.com/buildings-produce-25-of-australias-emissions-what-will-it-take-to-make-them-green-and-wholl-pay-105652>

Scalable



Our Product/Solution

We provide a range of agile technology solutions to enable our customers to easily adapt to changing business needs, including:

- Secure managed IT services
- Scalable cloud solutions
- Managed Infrastructure and SD WAN
- Business process automation and IoT solutions to drive productivity
- Circular economy technology solutions



Customers

Medium to large enterprises: 300-3,000 personnel.

Revenue model

- Managed Secure IT Services, 3-year contracts
- Targeted Professional Services
- Recurring Product Sales, 3-year contracts
- Cloud consumption models



Market Opportunity

- The Australian Managed Services market is currently growing at 9.2% and it is estimated the market will be worth \$44.3 billion by 2025¹.
- Cyber threat landscape proving a strong tailwind to the managed services sector.

¹ <https://www.technetics.com.au/managed-it-services-top-reasons-behind-the-rise-in-2022/>

Financial Performance

To be read in conjunction with the Directors' Report and Annual Financial Statements for the year ended 30 June 2023



Business segment performance highlights

Collaboration and Communication

- Recurring revenue has grown to 17.4M for FY23 with a focus to accelerate the recurring book in FY24 through new market offerings
- Customer book continues to grow with 6,000+ business customer accounts and average contract tenure of >4 years
- Development of new market Modern Workplace Solution offering, encompassing managed services & cyber security products tailored to the small business market, that can be sold to the customer base of c. 6,000+ businesses
- Ongoing collaboration with Partners (led by Cisco) to increase opportunities and reach to deliver market leading solutions
- Sales team expansion with a scale up of a new telemarketing team in the Philippines to grow lead generation and in turn conversion success

Cyber Security

- Build and launch of new Security Operations Centre in Brisbane constructed to ASIO “Secret” standard. The new facility is a key differentiator against generic SOC capabilities provided by other Australian managed service providers. It manages a growing number of leading Australian organisations and enables our customers to protect \$22 billion in revenue
- Development of new solutions to drive improved customer experience including AI tools to automate cyber incident response capabilities
- Development of new Microsoft Core to extend the capabilities of the SOC to support Microsoft Security opportunities, a significant growth area
- Rebuilt the Sales & Delivery capabilities in the second half of FY23 with key appointment of an experienced Chief Revenue Officer. This was to address capability gaps left as a consequence of some key departures, including the former divisional CEO post moving to a Non-Executive Director role

Managed Services (IT&T)

- Divestment of selected data centre and network assets in December 2022
- Progressed the development and implementation of Digital Modern Workplace (“MWP”) as a product across our customer base. This enables customer access to improved collaboration tools that promotes greater teamwork for their employees, increases flexibility in terms of where they work, and provides a more secure environment from cyber events. Enabled transition of all key customers of legacy (high maintenance) products
- Strategy restructuring complete. Outcomes:
 - A more defined profitable target base being mid-market customers where the business can target at providing secure and connected MWP
 - Product portfolio streamlined to focus on delivering profitable products into growth segments
 - Implementation of new managed services technology platforms to leverage AI alongside nationalisation of service desk.
 - Consolidation of multiple offices into six primary offices
 - Reduction of labour costs associated with a staged right sizing of the employee base

Operating results

Consolidated Financials

Period Ending June 30

\$ in 000's	2023	2022	Change (\$'000)
Revenue	127,114	135,338	(8,224)
Other income	157	3,394	(3,237)
Revenue and other income	127,271	138,732	(11,461)
EBITDA*	(8,266)	(46,216)	37,950
Share-based payments	942	721	221
Loss/(profit) on divestment of non-core assets	600	(1,823)	2,423
Acquisition & divestment costs	200	1,926	(1,726)
Restructuring costs***	2,732	1,527	1,205
Other restructuring items****	901	-	901
Net fair value loss on remeasurement of contingent consideration on business combinations	8,042	2,747	5,295
Impairment of non-current assets	-	48,374	(48,374)
Underlying EBITDA*	5,151	7,256	(2,105)
Depreciation and amortisation expense	(2,879)	(6,461)	3,582
Finance costs (net)	(1,580)	(1,170)	(410)
Underlying Profit/(Loss) before income tax benefit/(expense)**	692	(375)	1,067
(Loss)/profit after income tax benefit/(expense)***	(11,389)	(53,166)	41,777

- The loss for the Consolidated Entity for the financial year ended 30 June 2023 ("FY23") after providing for income tax amounted to \$11.389M (30 June 2022 ("FY22"): loss \$53.166M)
- Total revenue and other income for the Consolidated Entity for FY23 was \$127.3M (FY22: \$138.7M)

Refer Appendix slide 22 for footnote comments

Segment P&Ls¹

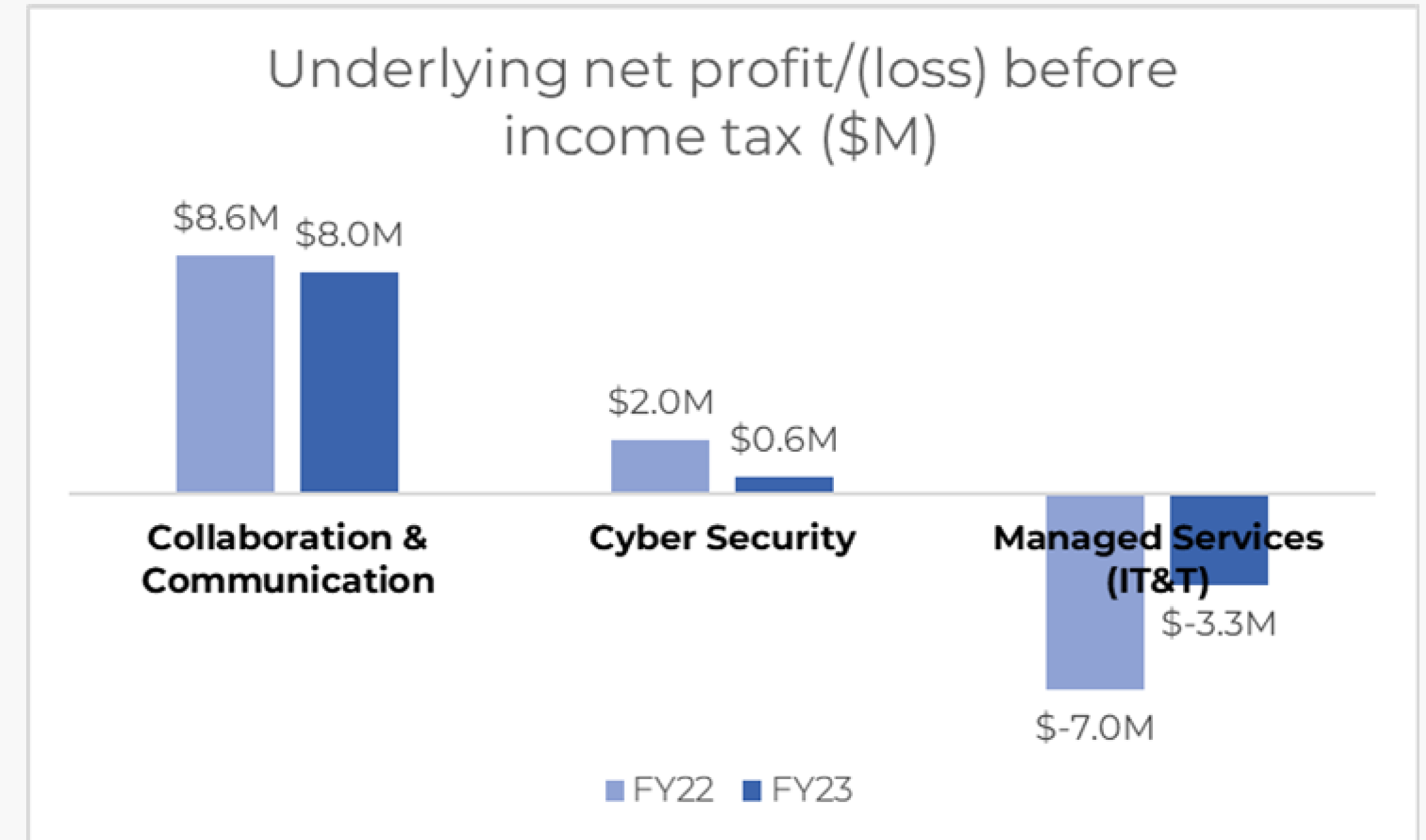
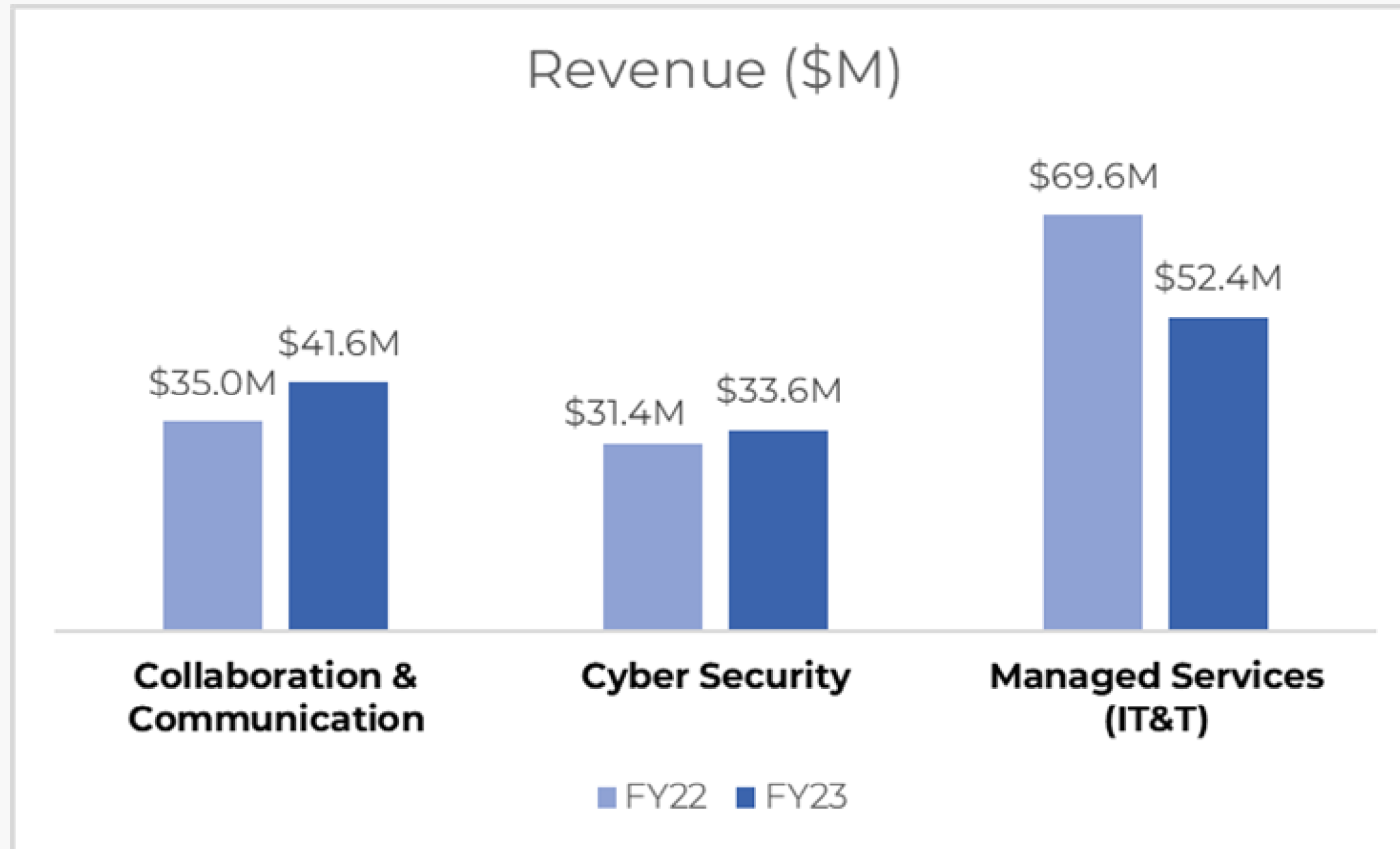
Segment Reporting FY23

\$ in 000's	Collaboration & Communication	Cyber Security	Managed Services (IT&T)	Corporate	Total
Revenue	41,588	33,608	52,371	(453)	127,114
Underlying EBITDA*	9,474	963	(2,141)	(3,145)	5,151
Depreciation and amortisation expense	(1,436)	(387)	(1,056)	-	(2,879)
Finance costs (net of interest Income)	(42)	19	(64)	(1,493)	(1,580)
Underlying net (loss)/profit before tax**	7,996	595	(3,261)	(4,638)	692
Underlying Adjustments:					
Share based payments	-	-	-	(942)	(942)
Loss on divestment of selected data centre & network assets	-	-	(600)	-	(600)
Acquisition and divestment costs	-	-	(104)	(96)	(200)
Restructuring costs***	-	(103)	(2,529)	(100)	(2,732)
Other restructuring items****	-	-	(901)	-	(901)
Net fair value loss on remeasurement of contingent consideration on business combinations	-	-	-	(8,042)	(8,042)
Amortisation of customer relationships	(1,194)	-	-	-	(1,194)
(Loss)/profit before income tax benefit	6,802	492	(7,395)	(13,818)	(13,919)
Income tax benefit					2,530
(Loss) after income tax benefit					(11,389)

¹ Spirit is reporting results under its existing CGUs/business segments

Refer Appendix slide 22 for footnote comments

Segment performance



Revenue Callouts

- Collaboration & Communication record revenue performance YoY up 19% – ongoing build in recurring and out performance on product sales particularly in H1 FY23
- Cyber Security YoY up 7%
- Managed Services YoY down 25%. Impacted by Network Asset divestment and customer novations, portfolio right sizing to drive earnings (not revenue) and impacts of internal customer retention focus (legacy product issues) over new growth

uNPBT* Callouts

- Collaboration & Communication YoY down 7%. Impact of product margin and operating cost pressures in context of current inflationary environment
- Cyber Security YoY down 70%. Range of temporary product margin challenges and integration cost investments
- Managed Services YoY up 54%. Reflects reshaped P&L following divestment program and reduction in D&A and associated capex investments

* refer Appendix Financial Notes

Strategy and investment case



Growth strategy

- Organic growth through expanding Australian presence, new customers and upselling offering to existing customers
- Launch of several new high-growth market offers to drive earnings growth:
 - Managed Services cyber security defence and workplace productivity offer for SME customers, to be sold into the existing SME customer base of 7,000+ customers
 - Cyber managed security solution delivered from new SOC enables expansion into the growing higher value defence industry supply chain
 - New cyber contracts signed from a number of new and renewing ASX 100 customers in the last 3 months
 - Development of Sustainable business enhanced with new high-growth AI offers targeting a number of customers
- Target acquisitions to grow further in the Secure, Sustainable and Scalable space
- Further agreements and partnerships with our leading global technology partners
- Developing unique intellectual property (IP) that supports accelerated project delivery timeframes and builds capabilities that deliver measurable outcomes for customers

Investment highlights



Strong barrier to entry being a leading Australian provider of cyber security, sustainability and managed services IT solutions.



Strong market tailwinds across all three core markets of cyber security, sustainable IT solutions and managed services.



Advancing accretive acquisition opportunities and organic growth through geographic and customer expansion and upsell to existing customers.



Experienced board and executive team with extensive experience across cyber security, managed services and IT&T.



Return to positive operating cashflows in FY24 and positive earnings contributions from all segments.

Appendices



Our Vision

To create and be part of a thriving and resilient Australian economy, community and environment through improved use of advanced technology.

Our Mission

Make our customers secure, sustainable and scalable, while living our team values.

Our Values



Customer Experience

We partner with our customers to create value.



Excellence

We challenge how we empower, collaborate and communicate to deliver excellence to our customers.



Community

We show deep respect for human beings inside and outside of Our company. We want our employees to enjoy work in their lives.



Passion

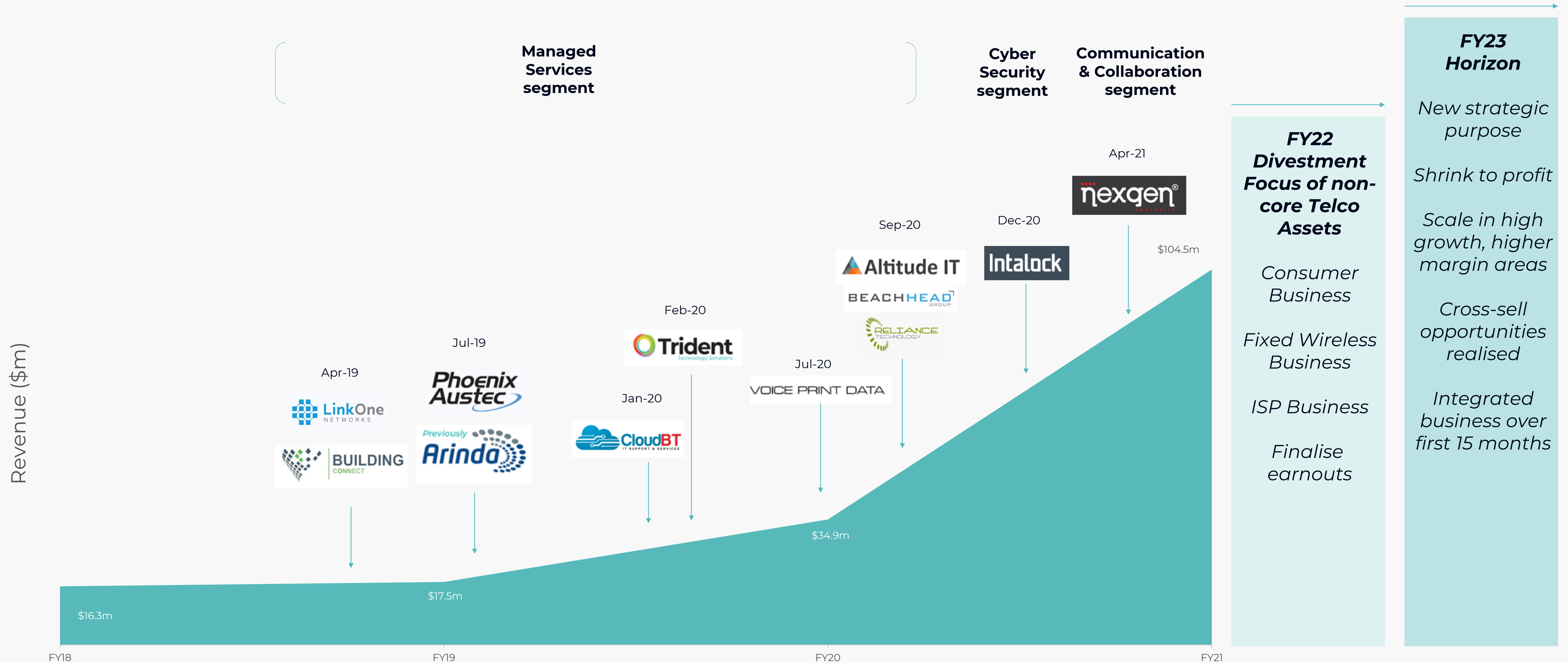
We are passionate about everything we do. We are continuously moving forward, innovating and improving.



Integrity

We are honest, open, ethical and fair. We do what we say.

Spirit Group, came together through a significant number of acquisitions. A strategy refresh is transitioning the business from B2C to B2B¹



¹Dollar values refer to Revenue and Other Income.

Our trajectory

Our past

Spirit was a provider of fixed wireless infrastructure and IT Services including high-speed internet, security, cloud, mobile, voice and managed services.

February 2022: introduction of Spirit 2.0 to focus on providing modern and secure digital workplaces.

June 2022: Spirit completes the sale of its wholesale fixed wireless assets, reducing debt by \$13 million.

October 2022: Spirit Transfer Consumer ISP to complete transition from B2C to B2B business model.

June 2023: Managed Services Restructure program reduces labour cost by \$12 million annualised as part of 'Shrink to profit' restructuring program and offboard customers from proprietary products with low margin to higher-margin solutions

September 2023: Planned completion of integrated technical backbone, getting all key business units onto one ERP platform to support future growth.

Where we are now

Spirit currently focuses on providing secure digital workplaces with three key offerings:

Managed Services (IT&T) – a comprehensive range of managed IT and professional services to SMB and mid-market customers.

Cyber Security – specialist cyber managed services and industry leading solutions to corporate and enterprise customers

Collaboration and Communication – voice solutions, data and office technology for small business.

Where we are going

Spirit is moving toward becoming one of Australia's leading providers of modern and secure digital workplaces via the following services:

Secure: Helping companies create a secure organisation and reduce risks through our Cyber Security solutions.

Sustainable: Working with our partners Cisco and Microsoft to provide companies with smart networks, IoT devices and carbon reporting and management models to help reduce their carbon footprint.

Scalable: We help businesses to be scalable at low cost through our smart infrastructure solutions.

Partnering with leading tech brands

We partner with leading global technology vendors to ensure our clients can access the latest and most advanced technology solutions.



Corporate overview

Substantial Shareholders	%	Comment
Crazy Diamond Pty Ltd and Peter + Diana Diamond ATF (Peter + Diana Diamond Super Fund)	14.00%	
Elie Ayoub and associated companies	10.06%	Founder of Nexgen
James Harb and associated companies	9.18%	Founder of Nexgen
Tiga Trading Pty Ltd / Thorney Opportunities Ltd / Thorney Technologies Ltd	7.84%	
Regal Funds Management Pty Limited and its associates	6.52%	
Bank of America Corporation and its related bodies corporate	5.19%	
<u>Securities on issue:</u>		
Fully Paid Ordinary Shares	736M	
Options and Performance Rights	27M	
Capital Market Engagement		
Appointment of Automic Group Investor services to drive Investor base expansion and presentation uniformity		
Engagement of Wodden (US firm) to build a consistent market message across Managed Services and Cyber Security		

Substantial holders:

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out above.

Financial Notes

To be read in conjunction with the Directors' Report and Annual Financial Statements for the year ended 30 June 2023

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude share-based payments, gain/(loss) on divestment of non-core assets, acquisition & divestment costs, restructuring costs, net fair value loss on remeasurement of contingent consideration on business combinations and impairment of non-current assets. Underlying EBITDA for the year to 30 June 2023 also includes a notional gross margin adjustment add back to reflect the one-off loss on customer retention initiatives – shown as 'Other restructuring items'.

** Underlying net profit/(loss) before income tax benefit/(expense) ("uNPBT") is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and adjusts underlying EBITDA* to deduct depreciation & amortisation (excluding amortisation of customer relationships) and finance costs (net of interest revenue). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

*** Restructuring costs encompasses: Product IP development costs (\$0.4M) related to costs associated with the development of the new Modern Workplace Solution ("MWS") and Small Business Managed Services ("SBMS") offerings. The portion related to the half year to 31 December 2022 ("H1 FY23") was \$0.3M and the portion related to the half year to 30 June 2023 ("H2 FY23") was \$0.1M. This represents a restatement of the normalisations reflected in the Interim Financial Report for H1 FY23, System reengineering costs (\$0.6M) and Employee redundancy costs (\$1.7M).

**** Other restructuring items covers a notional add back for professional services margin loss on customer retention migrations (\$0.9M). This relates to the assessed gross margin forgone on supporting customers to move from acquisition legacy products that were end of life to new product MWS offerings. The portion related to H1 FY23 was \$0.3M and the portion related to H2 FY23 was \$0.6M. This represents a restatement of the normalisations reflected in the Interim Financial Report for H1 FY23.

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- Investors are cautioned that any forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in any forward-looking statements made.



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