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Presentation by Geoff Neate

Managing Director – Spirit Telecom

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spirit Internet's future

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Who is Spirit?

- Spirit Telecom Limited (ASX: ST1)
  - Market Cap $28M (as at 1 May 2017)
- A fast growing niche Telecommunications Carrier, supplying superfast internet and ancillary services to key segments, including:
  - residential
  - business
  - student accommodation
  - community housing and
  - business parks
- Recognised as being Australia's fastest overall Internet Service Provider (ISP)[1.]
- Successfully acquired and fully integrated Voxcom (2012), My Telecom (2015) and Phone Name Marketing (2016)
- Listed on ASX 26 June 2016

1. PC Mag 2015

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Where have we come from?

Rebill | **Layer 2 Network** | **On-Net**

VOXCOM powered by spirit

mytelecom A SPIRIT COMPANY

PHONE NAMES
Know the name. Know the number.®

13/1300/1800

www

ADSL --------------ADSL2------------------SHDSL -------------- EoC ----------- Fibre ------------- Spirit Air --------------

mobile

Teleconference

Point of Differentiation

Price

Profit Flexibility
Customer Service

Product Leadership
Customer Service

2005 → 2012 → 2014 → 2016 →

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Industry Changes

"Telco is working through a once-in-a-lifetime business model transition with the National Broadband Network (NBN) increasingly gaining traction, at the expense of earnings"

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NBN has disrupted the industry

- Telstra moved from Carrier to Reseller
- TPG moved from Carrier to Reseller
- Optus moved from Carrier to Reseller
- Vocus moved from Wholesaler to Reseller

This is creating a margin squeeze, as ADSL customers move to NBN

ST1's margins have grown from 52% (1H16) to 61% (1H17)

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BUSINESS SPECTATOR

NBN: The good, the bad and the downright unfair

MARK GREGORY
Business Spectator | 9:45PM February 16, 2015

At the end of last year the fanfare surrounding the signing of the revised Definitive Agreements between NBN Co and Telstra overshadowed the release of NBN Co's Fibre to the Basement (FTTB) product technical specification.

NBN Co chief hints that public must pay for future FttN upgrades

01 March 2017 | Written by Sam Varghese | 27 Comments

THE AUSTRALIAN BUSINESS REVIEW

NEWS OPINION BUSINESS REVIEW NATIONAL AFFAIRS SPORT LIFE TECH ARTS TRAVEL HIGHER

S&P ASX 200 +0.07% 5879.60 | AUD/USD -0.13% 0.73 | S&P 500 +0.11% 2399.63 | NIKKEI 225 +0.38% 19976.61 | FTSE 100 +0.59% 7385.24

NBN

NBN says Telstra to blame for download go-slow

...nes Ioppolo and partner Erin Guhl in Perth. Picture: Colin Murty

THE AUSTRALIAN

NEWS OPINION BUSINESS REVIEW NATIONAL AFFAIRS SPORT LIFE TECH ARTS TRAVEL

I was wrong on NBN: It's a turkey

The NBN could become costly.

The Australian | 12:00AM October 15, 2016

ALAN KOHLER
Editor-at-large, The Australian Business Review | Melbourne | @AlanKohler

Unhappily, Australia's national broadband network is a white elephant and, to mix ...phors, an albatross around the nation's neck.

THE AUSTRALIAN

NEWS OPINION BUSINESS REVIEW NATIONAL AFFAIRS SPORT LIFE TECH

NBN stuck in slow lane: Online rage erupts over connection speeds

DARYL and JAYNE COLLINS
Winchelsea, Victoria
ADSL2+, 2.3Mbps
NBN tower nearby and within range but the couple say NBN is forcing them on to NBN Skymuster satellite system, which ...expensive at $260 a month

...promised digi...

Australian households, businesses on NBN slam 'unreliable' connection

John Rolfe, Cost of Living Editor, News Corp Australia Network
March 12, 2017 10:20am
Subscriber only

...y are getting less than a hundredth of the speed they were ...nd network.

...se of the NBN's unreliability.

itnews FOR AUSTRALIAN BUSINESS

Telco rivals slam govt intervention in Telstra price decision

Juha Saarinen | Jul 23, 2015 1:32 PM

Call on Turnbull to drop submission to ACCC inquiry.

...e of Telstra's rivals have come out strongly against the Department of ...mmunications' support for a hike in the regulated wholesale prices Telstra can ...ge access seekers for its copper network.

THE AUSTRALIAN FOR THE INFORMED AUSTRALIAN

NEWS OPINION BUSINESS REVIEW NATIONAL AFFAIRS SPORT LIFE TECH ARTS TRAVEL HIGHER ED

EDITORIALS

NBN disappoints customers

The Australian | 12:00AM May 16, 2017

Like the Gonski education package and the National Disability Insurance Scheme, Labor's broadband project was a big idea with little serious thought about its practical workings or likely cost. Kevin Rudd promised an outlay of $4.7 bill... towards a National Broadband Network supposed to rev...

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NBN impact on the customer

LAWRENCE DRAYTON
Asquith, NSW

	Download Speed*	Upload Speed*
Telstra $95 plan **	100	40
Test result	1.83	19.04

VICKI OVEN
North Wyong, NSW

	Download Speed*	Upload Speed*
Telstra $95 plan **	100	40
Test result	2.85	3.23

Taken from The Australian March 28 2017

"Every way you cut it the best average download speed for a $60 user on the NBN is 0.587Mbps or 170GB per month"

Bevan Slattery Comms day 1/8/2016

Meanwhile…

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[Spirit delivers 200/200Mbps Internet speed on The Block in Melbourne. Wow! - https://youtu.be/v4ge0rPVqkQ](https://youtu.be/v4ge0rPVqkQ)

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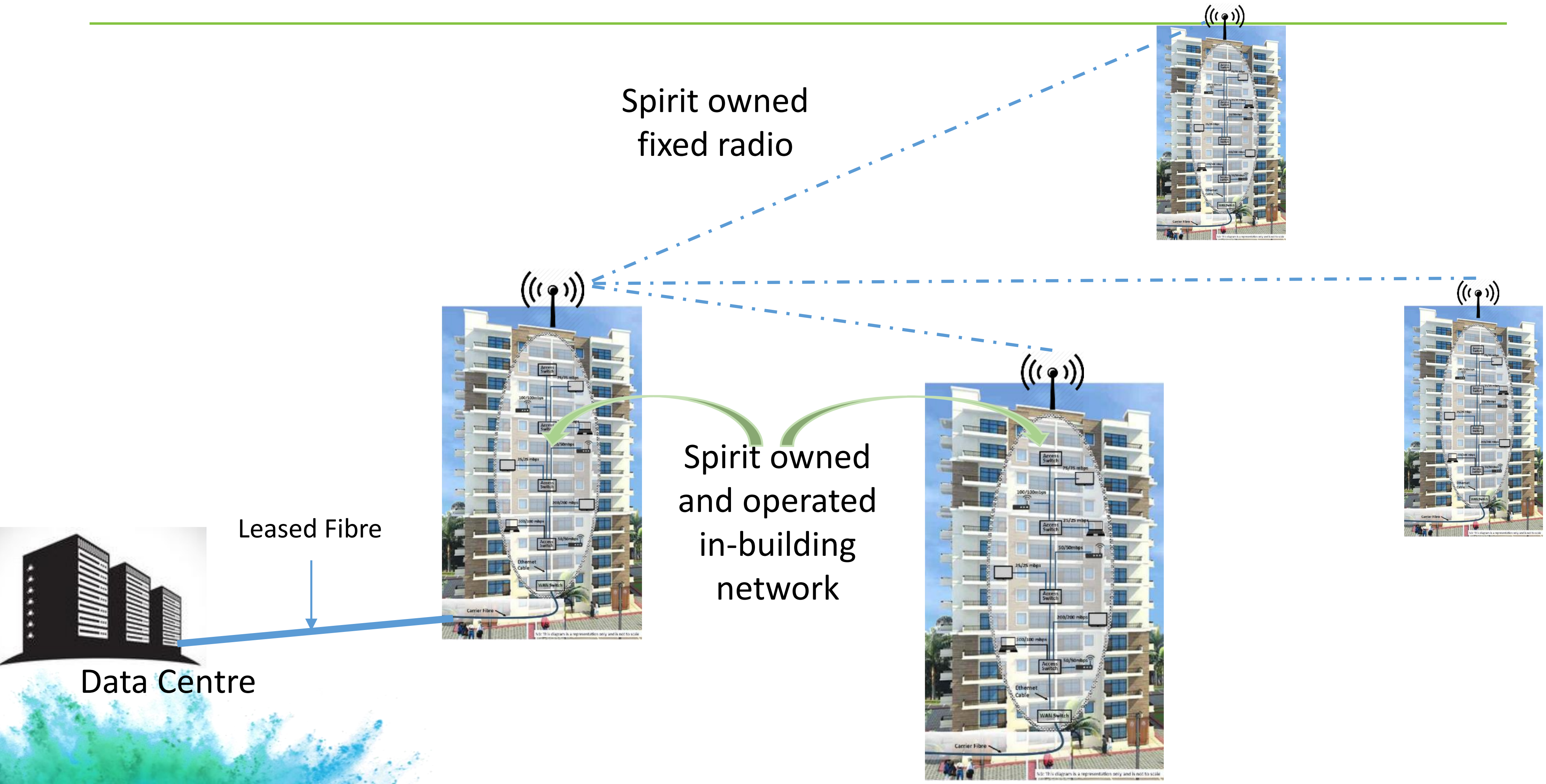
Spirit Business Model



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NBN versus Spirit

So, a single end user on a 25/5Mbps NBN service requires a $27 access fee and $15.25 of CVC[2], compared to Spirit's less than $10 for 25/25Mbps

1. Based on a 25/5 Mbps service
2. Based on industry average of 1Mbps/user

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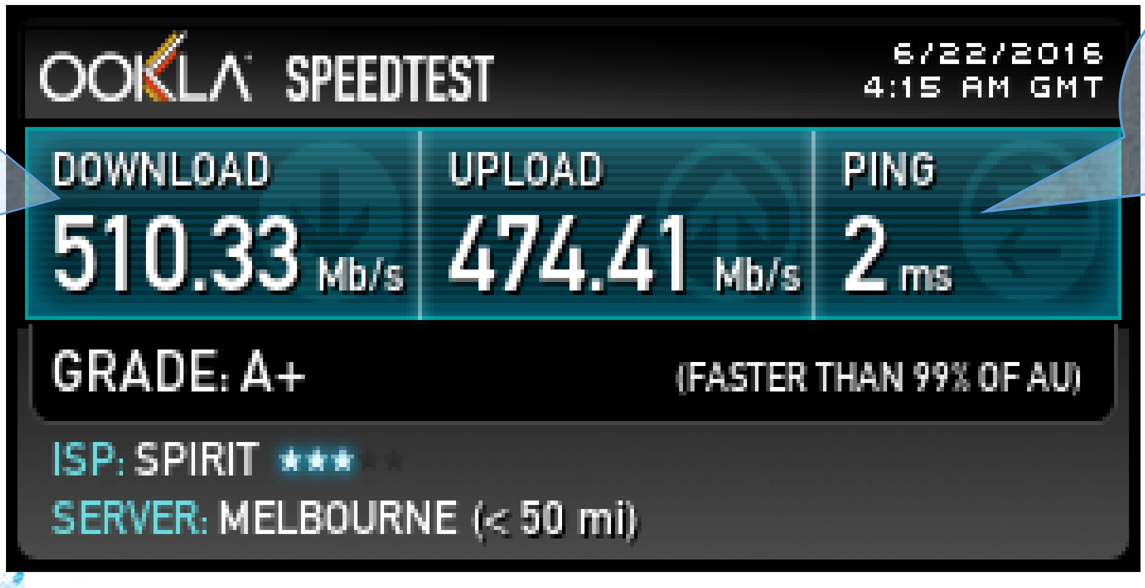
What makes fast internet?

There are two critical components that determine Internet Speed

1. Latency: the time to transmit data between points A and B
2. Bandwidth: The transmission capacity of a given connection

So using a freeway analogy…….

Bandwidth: how many cars can travel on a freeway



Latency/ "Ping" speed: how fast a car travels on a freeway

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Case Study 1 – Spirit v NBN

Eureka Towers – Melbourne's tallest building

- NBN Installed November 2015
- Spirit signed 9th January 2017
- Spirit installed 24th February 2017
    - 1st customer connected 2pm 24th Feb 2017
    - 100th customer installed April 2017
- ROI
    - Revenue to date $19k (includes some commercial)
    - Capex $70k
    - Cash return <11 months

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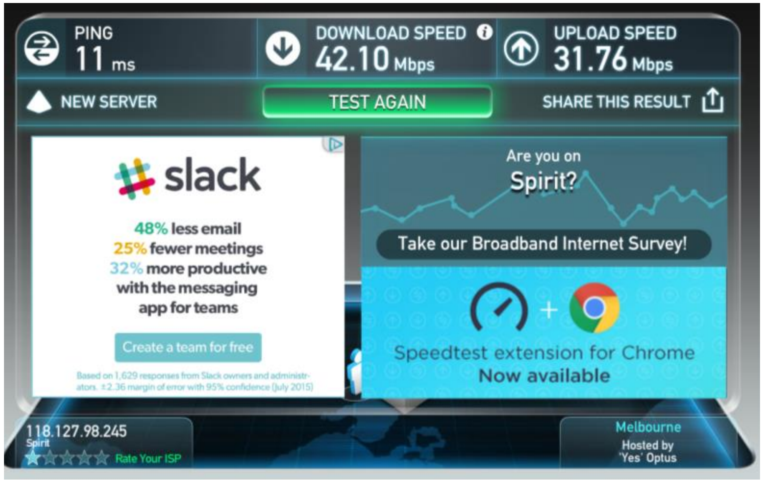
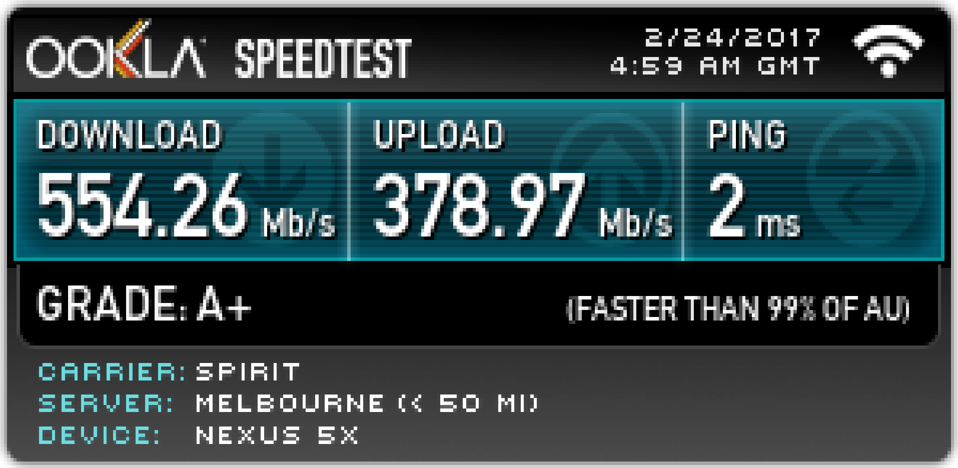
Eureka Speed Tests



Apartment in Eureka on NBN



WiFi speed test in Eureka foyer

- Same Building
- Same Provider (Spirit)
- Different network
- Dramatic improvement!

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Case Study 2 – Spirit v Superfast competition

Southport Central – Gold Coast

- 700+ apartments, 300 SME's
- Freedom Internet already installed
- Spirit Install completed Dec 2016
  - 4 week install
- ROI
  - Revenue to March $24k (includes commercial)
  - Capex $80k
  - Cash return <11 months

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Case Study 3 - Small and unloved

Irving Apartments Melbourne

- 12 Apartments
- NBN – “Jan-Jun 2019”
- Telstra – not sighted
- TPG – not sighted
- Spirit – Installed Aug 2016
  - 100% achieved Jan ‘17
- ROI
  - Capex $10k
  - YTD Revenue to March $7k
  - Cash return <11 months

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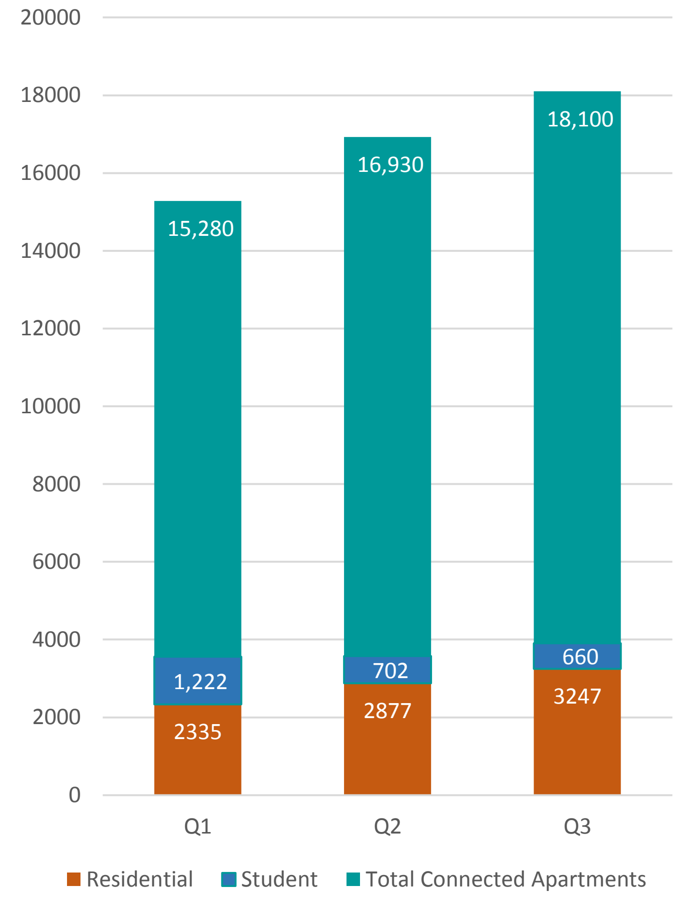
Growth & Leverage

18,100 (March 17) Connected Apartments

⇒ $65 ARPU

⇒ 21% average penetration

⇒ $247,000 monthly revenue



If 100% penetration*

⇒ @$65 ARPU = $1,176,500 monthly revenue

Additional $929,000 monthly

Or $11,154,000 annual…straight to EBITDA

*For demonstration purposes only, not an expectation of reaching 100% of all buildings

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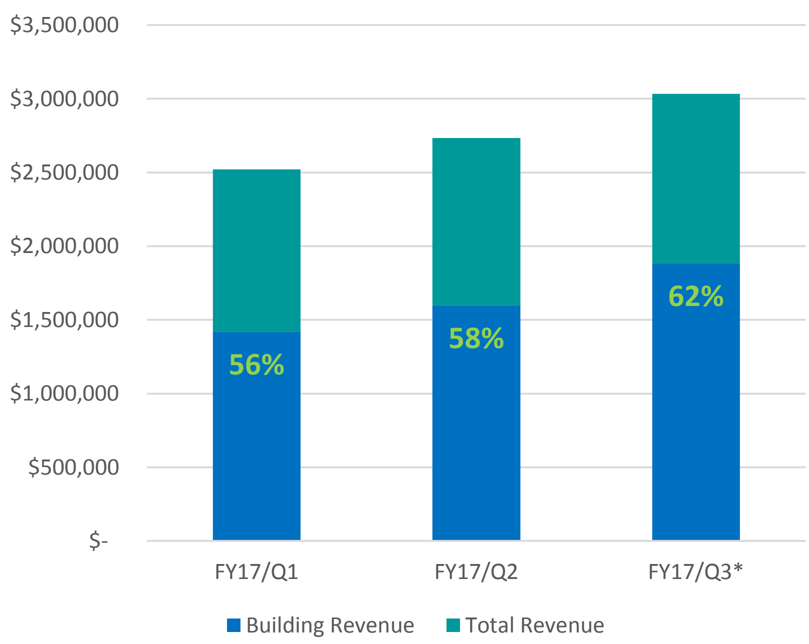
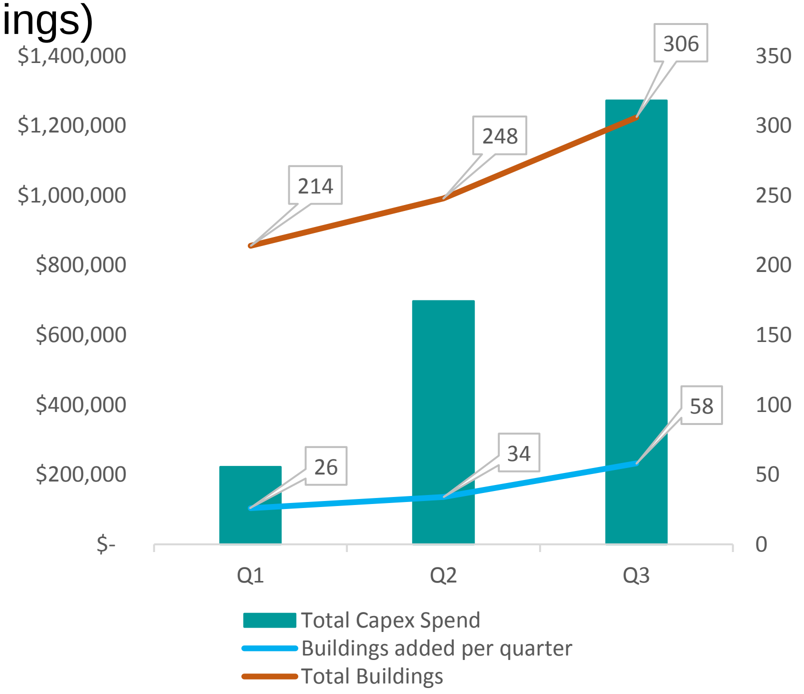
The Greater Spirit

- 70% Commercial – MDU's; Business Parks & Single dwellings (factories, shops)
- 306 On-net buildings
  - 118 added this FY
  - Capex/building $10-$11k (outside marquee buildings)





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Think Again!

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