

**SERIOUS
INTERNET**

Spirit Telecom Limited

(ST1)

Q2/18 Update

Released 31 January 2018

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Q2/18 Quarter Highlights

Continued Strong Organic Growth

- Continued revenue growth in Q2'18 and 1H18 revenue guidance of ~\$8m (subject to Audit review), which represents 54% growth on 1H17 and 30% growth on 2H17
- Normalised net operating cash flow of \$823k in Q2, up 31% from \$629k in Q1
- Cash receipts of \$4.2M represents a 43% increase on the same period last year (Q2'17)

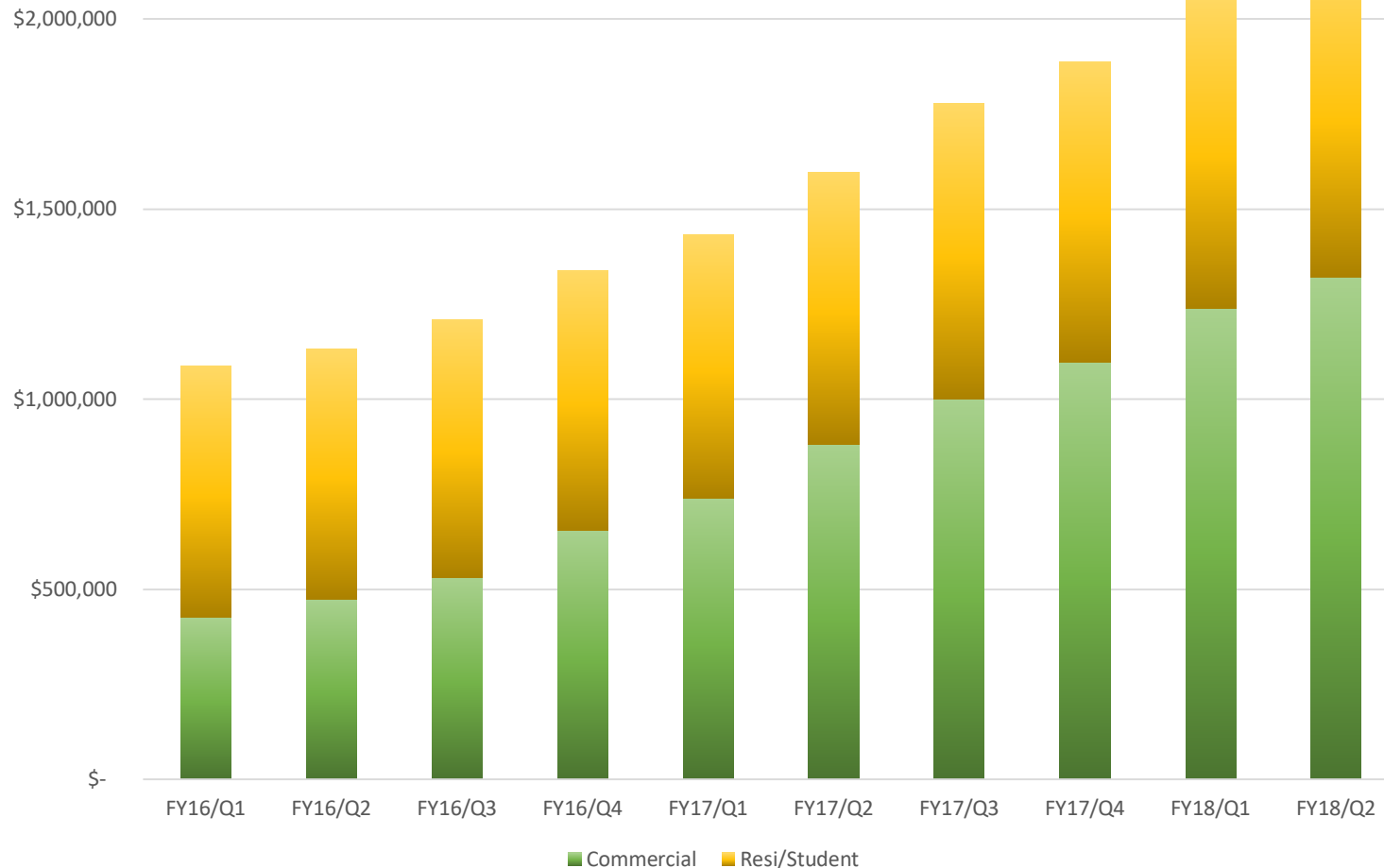
Organic Building Growth the Key Driver

- On-Net Building¹ Revenue grew by 36% on Q2'17, with continued growth in both Commercial (+50%) and Residential (+18%) revenues over Q2'17
- On-Net Building Revenue grew 5% on Q1'18, with continued quarter-on-quarter growth in Commercial (+7%) and Residential (+3%)
- 10 consecutive quarters of growth in both Commercial/Residential cash receipts with outlook strong
- Number of On-Net buildings grew by 10% from Q1'18 to 439 (41 net adds)
- Number of connected apartments grew by 5% from Q1'18 to 21,435

Other

- World Without Wires acquisition (effective 1 July) grew strongly over the 6 months.
- Spirit was recognised by Ookla as Melbourne's fastest ISP²

10 Consecutive Quarters of Organic Growth



✓ On-Net Building Revenue grew by 32% on Q2'17:

- ✓ Commercial (+44% YoY)
- ✓ Residential (+17% YoY) revenues

On-Net Building Revenue grew by 5% on Q1'18:

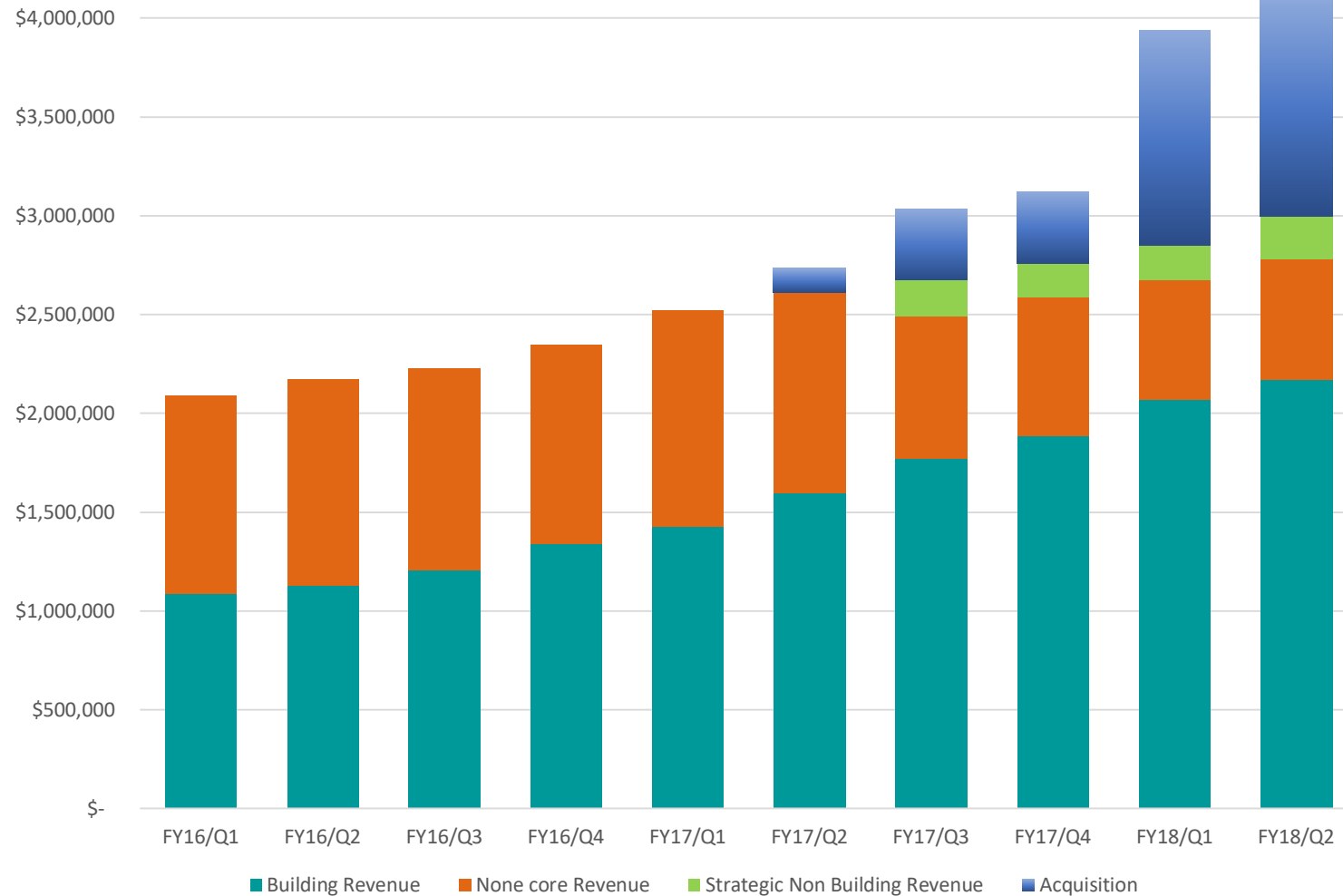
- ✓ Commercial (+7% QoQ)
- ✓ Resi/Student (+3% QoQ) revenues
- ✓ Resi only (+5% QoQ)

✓ Commercial continues to be the key growth driver

✓ Commercial building revenue grown 3 times since Q1/16



Consistent Revenue Growth



✓ High margin on-net building revenues and growth within acquired businesses continue to be the key growth drivers – increasing proportion of overall revenue

✓ Legacy revenues remain steady

✓ World Without Wires exhibiting strong growth in first 6 months under Spirit ownership

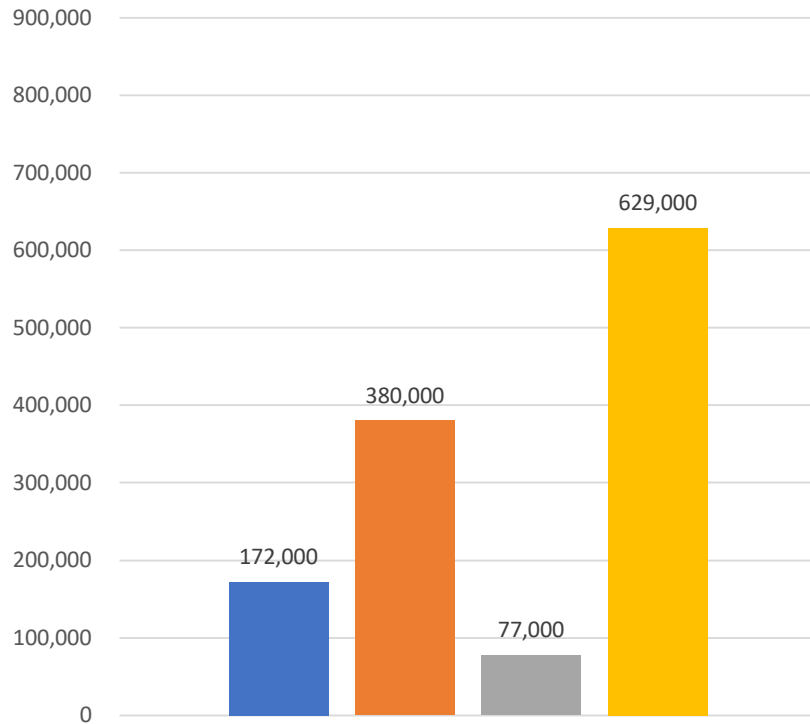
✓ Non-Building Strategic Account revenue growing

✓ Phone Names EBITDA remains steady



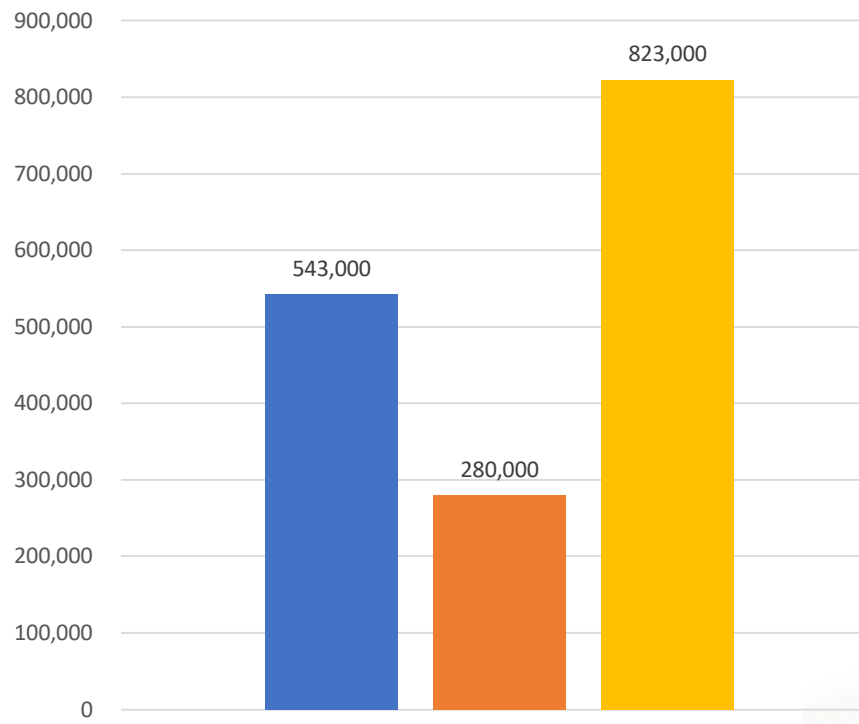
Operating Cash Breakdown

Q1/18 Normalised Operating Cash



- Q1/18 net cash from operating activities
- Q3/4 accruals for creditors
- Excess prepayments Q1 v Q4
- Normalised Q1/18 net cash from operating activities

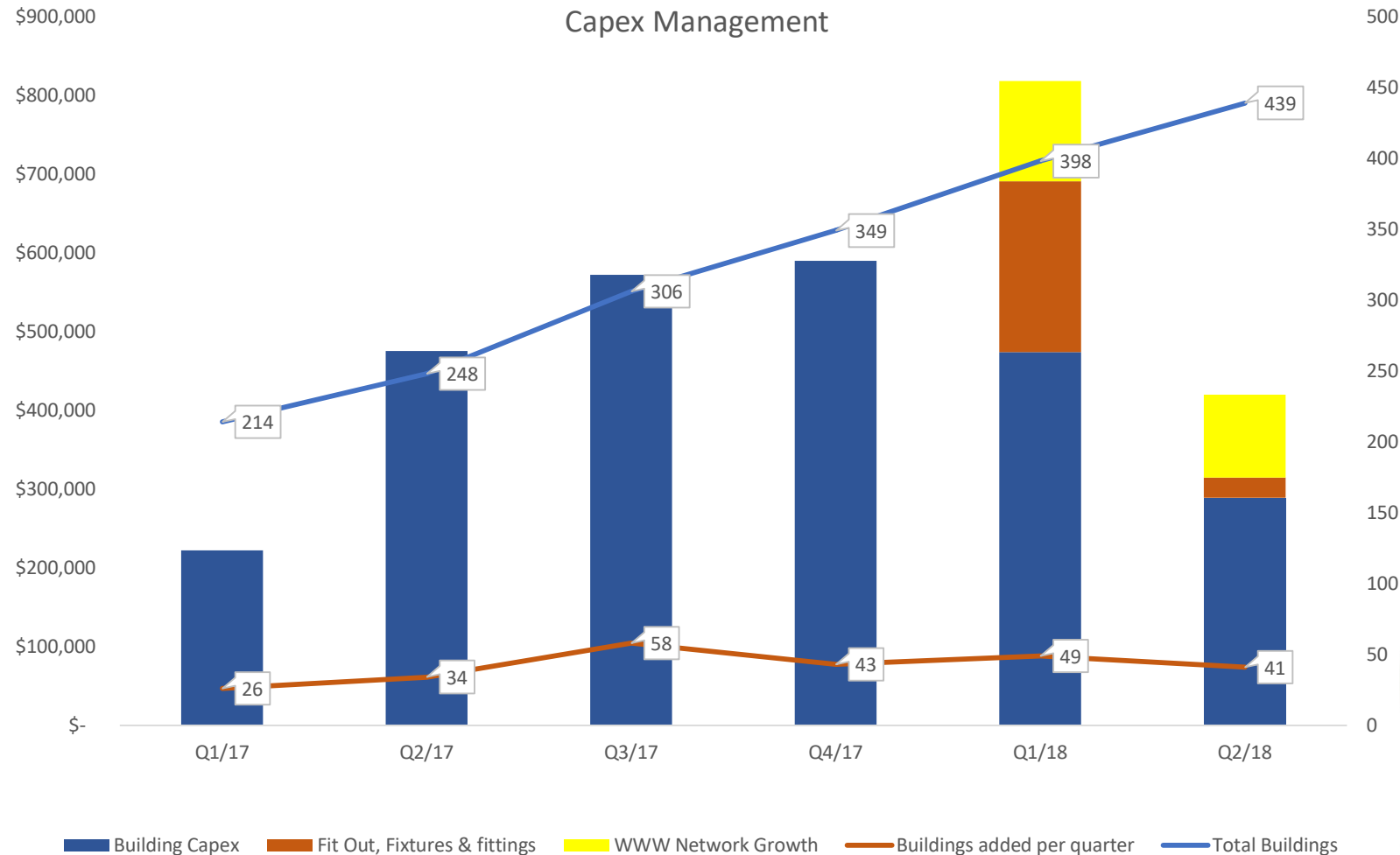
Q2/18 Normalised Operating Cash



- Q2/18 net cash from operating activities
- Non-recurring Acquisition costs
- Normalised Q2/18 net cash from operating activities

- ✓ Normalised net operating cash flow of \$823k in Q2, up 31% from \$629k in Q1
- ✓ Q2/18 includes \$280K non-recurring Acquisition costs
- ✓ Q1/18 included a number of one-off non-recurring items:
 - ✓ Net pre-payments increase over Q4 of \$77k
 - ✓ Accrued payable of \$380k paid in Q1 relating to services provided during Q3/Q4'17 (timing delay)

Capex Efficiency Continues To Improve

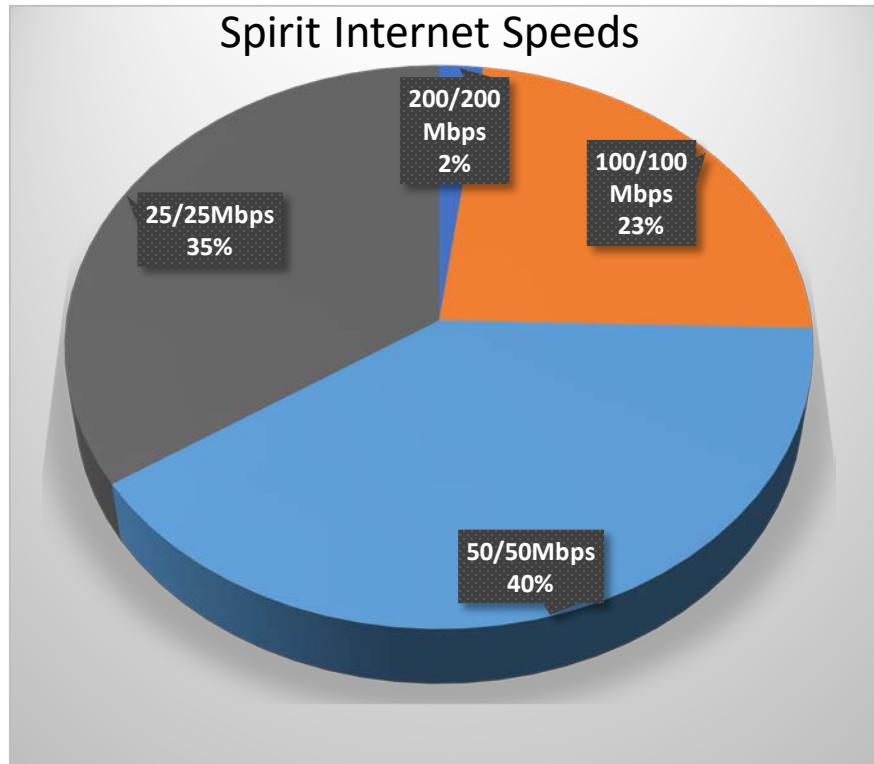


✓ Capex per building averaged \$8,500 during 1H18 – 26% lower than FY17 average

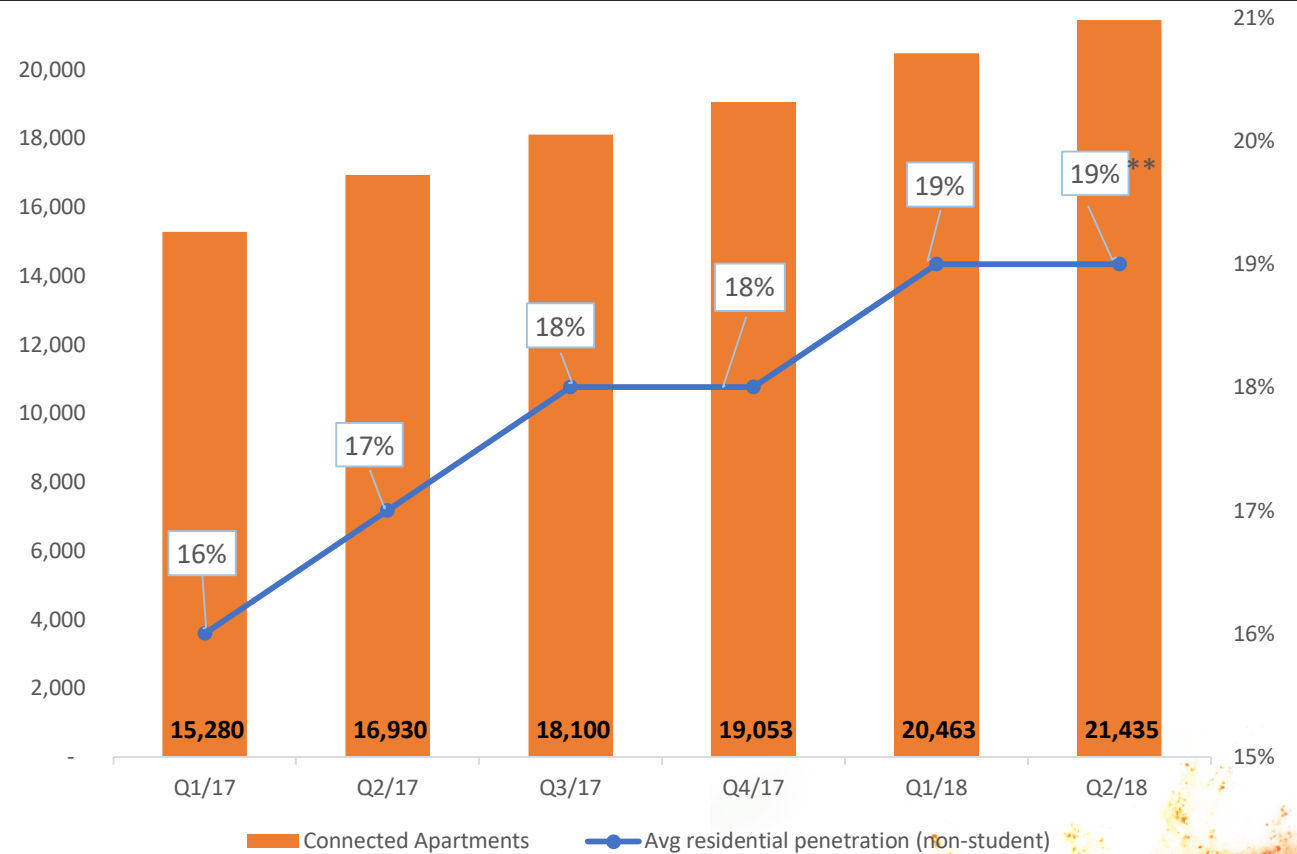
✓ Number of On-Net buildings grew by 10% from Q1'18 to 439

✓ Continued strategic focus on Commercial roll-out; Lower capex and higher ARPU – improved return on capital

Connected Apartments



65% of Spirit's residential customers are on Speeds greater than 25Mbps, compared to NBN's 18%¹



^{**} Includes penetration in buildings deployed up to Sept. 2017

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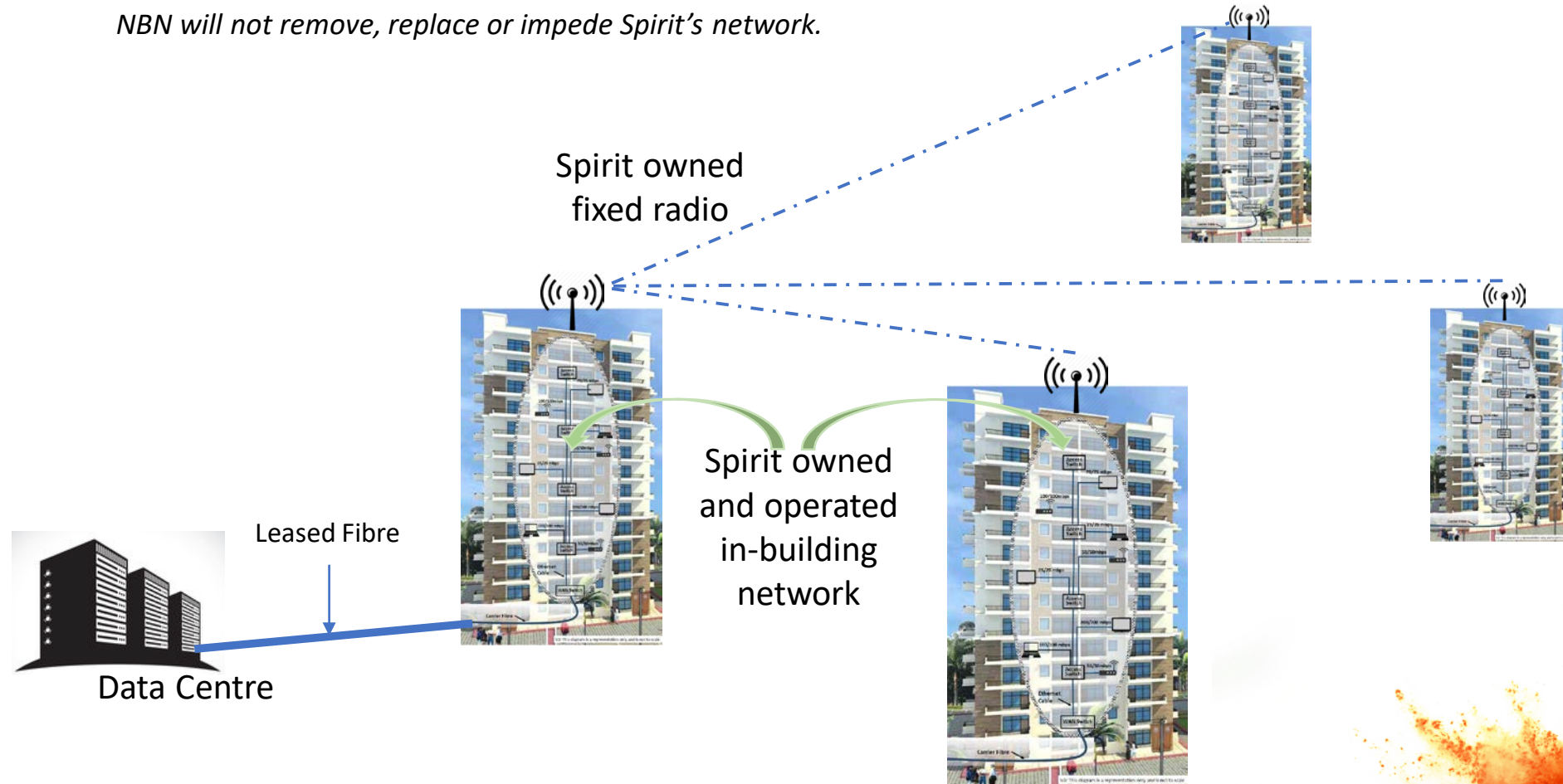
Appendix

Who is Spirit?

- Spirit Telecom Limited is a modern telecommunications provider of super-fast internet access and telephony services
- A fast growing niche Telecommunications Carrier, supplying fibre based broadband services to multi-dwelling user locations including:
 - residential
 - business
 - student accommodation
 - community housing and
 - business parks
- Recognised as Melbourne's Fastest ISP Nov 2017 ¹.
- Acquired World Without Wires (2017)
- Successfully acquired and fully integrated Voxcom (2012), My Telecom (2015) and Phone Name Marketing (2016)

Spirit Business Model: Totally Non-NBN

NBN will not remove, replace or impede Spirit's network.



Commercial, Residential, Community, Student & Business parks

Pro forma FY 2017 (un-audited)

	Combined*
Revenue	\$14.7M
Gross Profit	\$9.6M
EBITDA (underlying)	\$3.4M
Net Assets	\$8.9M
NPAT (underlying)	\$1.7M
Debt/Equity	67%
Debt/EBITDA	1.76
Earnings/Share (207 mill shares)	.820c



* Includes full effect of Phone Names acquisition, but only 7 months in stat accounts

Regulatory Changes

Superfast Broadband Access Service (SBAS) determination

- Declaring speeds greater than 25Mbps must be available for wholesale
- Does not include Fixed-wireless
- Does not include business services
- Small Service Provider less than 12,000 services are exempt

\$7 NBN Levy

- In draft form
- Does not include Fixed-wireless
- Does not include business services

More than half of Spirit's current and future buildings are fixed-wireless

“Both the government and the opposition moved quickly to rule out any plan to extend the \$7 levy to high-speed wireless services, and Morrow notably did not repeat the sentiments in later interviews yesterday.” Communications day Tuesday 24th October 2017

NBN 'versus' Spirit



So, a single end user on a 25/5Mbps NBN service requires a \$27 access fee and $(\$15.25 \times 25)$ \$381.25 of CVC, compared to Spirits less that \$10

Shareholders

Top 10 Shareholders at 31st December 2017

SPIRIT TELECOM LIMITED FULLY PAID Top Listing



Rank	Holder Name	Designation	Current Date - 29/12/2017 Time - 21.28.46		Previous Top * As at: 22/12/17 *		Rank
			Current Securities	%	Prev. Securities	%	
* 1	JOSHART INV	TIGEL FAM A/C	33,667,749	14.78%	33,667,749	14.78%	1
2	CHLOEDARCY INV PL	NEATE FAM A/C	33,096,253	14.53%	33,096,253	14.53%	2
* 3	J P MORGAN NOM AUST LTD		15,012,190	6.59%	15,359,790	6.74%	3
4	HSBC CUSTODY NOM AUST LTD		14,154,861	6.21%	14,154,861	6.21%	4
5	MAGNUM OPUS HLDGS PL	MAGNUM OPUS S/F A/	13,100,000	5.75%	13,100,000	5.75%	5
6	WIGNELL INV PL		7,269,174	3.19%	7,269,174	3.19%	6
* 7	LENZI SUSAN	LENZI FAM A/C	5,032,549	2.21%	5,032,549	2.21%	7
8	KEOGH DAINEN		4,966,771	2.18%	4,966,771	2.18%	8
9	NATIONAL NOM LTD		4,873,072	2.14%	4,897,667	2.15%	9
10	BNP PARIBAS NOMS PL	DRP	3,408,355	1.50%	3,408,355	1.50%	10

* Denotes merged holders

No of Shareholders: 810

ISSUED CAPITAL

Fully paid ordinary shares:	227,837,268
ST10 Listed Options:	44,654,523
ST1AC Unlisted Options:	2,500,000
ST1AB Performance Rights:	1,970,600

Geoff Neate
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www.spirit.com.au