

SPIRIT Telecom Limited(ST1)

2018 Annual General Meeting

Geoff Neate

CEO Presentation

20th November 2018

Why ST1 is a Growth Stock?

Growth Market



- Generational change in Internet and Voice
 - Transition from the 'Past to Fast'
- Geographic and product gaps left by NBN

Growth Company



- High margin, High speed network
- Proven ability to deliver product promise
- Invested for long term growth and viability
- Restructured for organic growth and M&A

Strong product demand



Demand for Speed



- Majority of businesses now have a Cloud First strategy which requires a high speed symmetrical connection
- 60% of global business will be digitized by 2022, increasing importance of reliable high speed Internet access ¹
- Australian spend on Software-as-a-Service up 24% to AU2,597 million in 2018 ¹
- Global spend on Infrastructure-as-a-Service expected to grow 36% to US40.8 billion ¹
- HD content streaming will account for 82% of all Internet traffic by 2022 ²



Technology Innovation



- 5G standard approaching completion, paving the way for full 5G capable fixed wireless services ⁴
- Spirit has launched 5G technology
- Continual improvement in technology is closing the gap between wireless and wired performance
- Unlicensed spectrum and small component size driving mmWave wireless technology as high density low cost alternative to fibre networks ⁵



Service Trends



- 50% of Unified Communications will be cloud based by 2020 ⁶
- 27% CAGR in forecast cloud data centre traffic growth, from 2016-2021 ¹⁰
- Software Defined Networking demand driven by flexible workforce – 40% of employees now working remotely ⁸
- 30 billion Internet-of-Things devices will be online by 2020, driving demand for distributed wireless networks ⁹

2018 allowed for set up and pivot into high demand segments

Calendar 2018 - set up & pivot

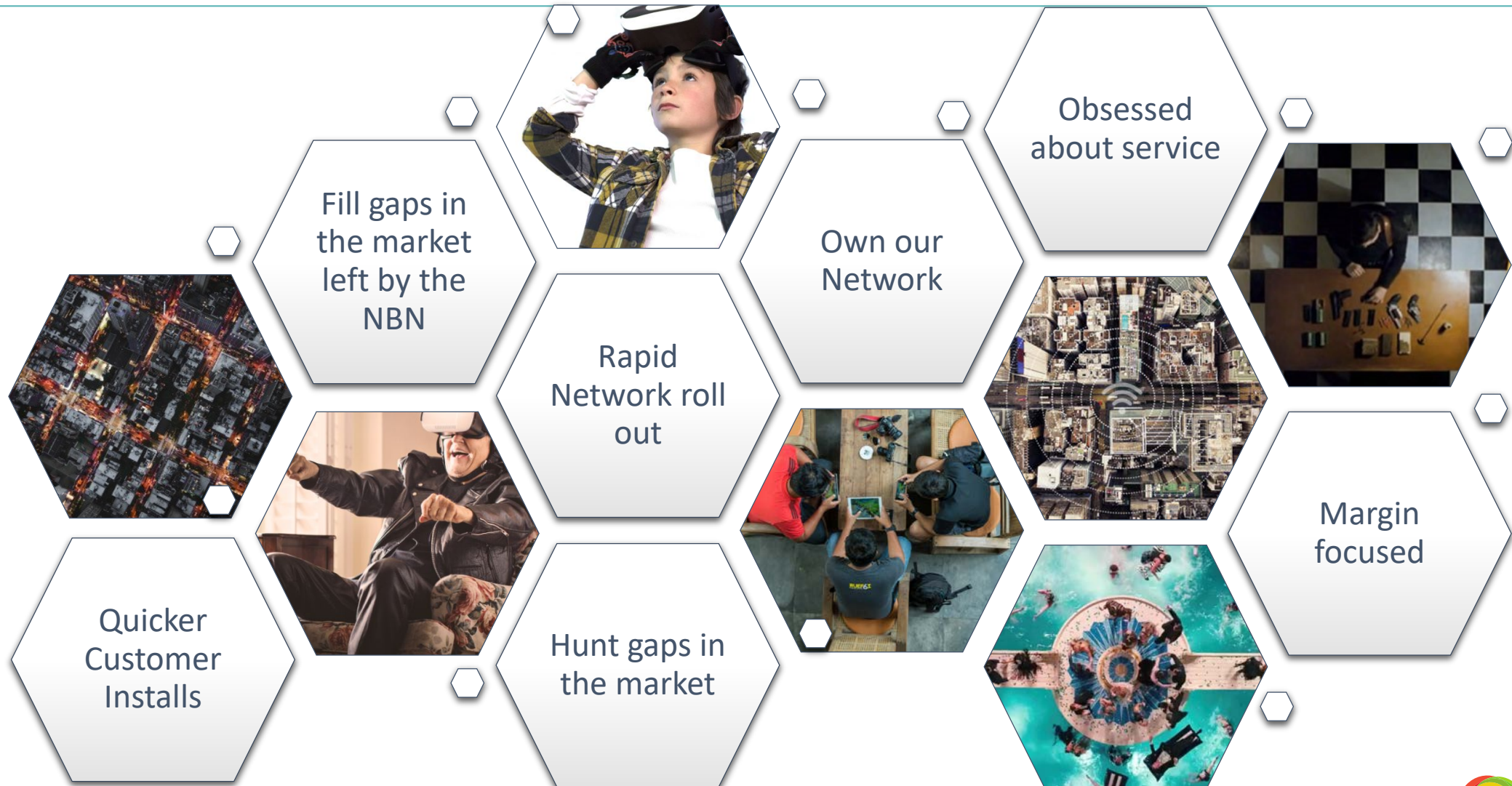
- Delivered 10GB Fixed wireless network expansion
 - Able to deliver 1Gbps services
- Developed Marketing & Sales team
 - Successful marketing to commercial sector is increasing ARPUs
 - Significant B2B demand found
 - Commenced bids for Strategic accounts
 - Horsham Tender win
- Implemented Netsuite ERP to allow scale
- Transitioned the Executive team
 - Re-structured to improve performance
- Developed operational model to allow for scale
 - New product development process

2019– scale & grow

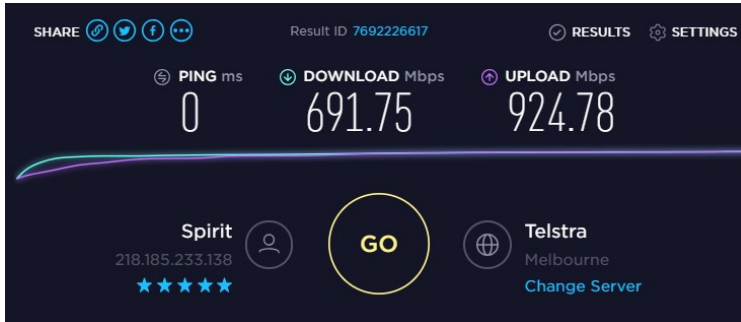
- Scalable operational model
 - Improve moving customers onto our network
 - Maintain improvements in customer service model
- Develop sales & marketing model to:
 - Increase sales in higher value segments
 - Launch aggressive strategy with small business product
 - Strengthen focus on product leadership
- Robust M&A pipeline
 - Execute on attractive prospects
 - Maintain M&A at sensible valuations
 - Bolt on additional network assets for commercialisation



What differentiates Spirit?



Proven ability to deliver product promise



<https://spirit.com.au/theblock/>

WINNER

2017

DELOITTE TECHNOLOGY
FAST 500



NOMINATIONS

2 EDISON
AWARDS



Best fixed wireless operator and best broadband provider

**CUSTOMER
SATISFACTION SCORE**

98%

ABOVE INDUSTRY AVE

17%

Net Promoter Score



Overall 53



Rebill
customers 28



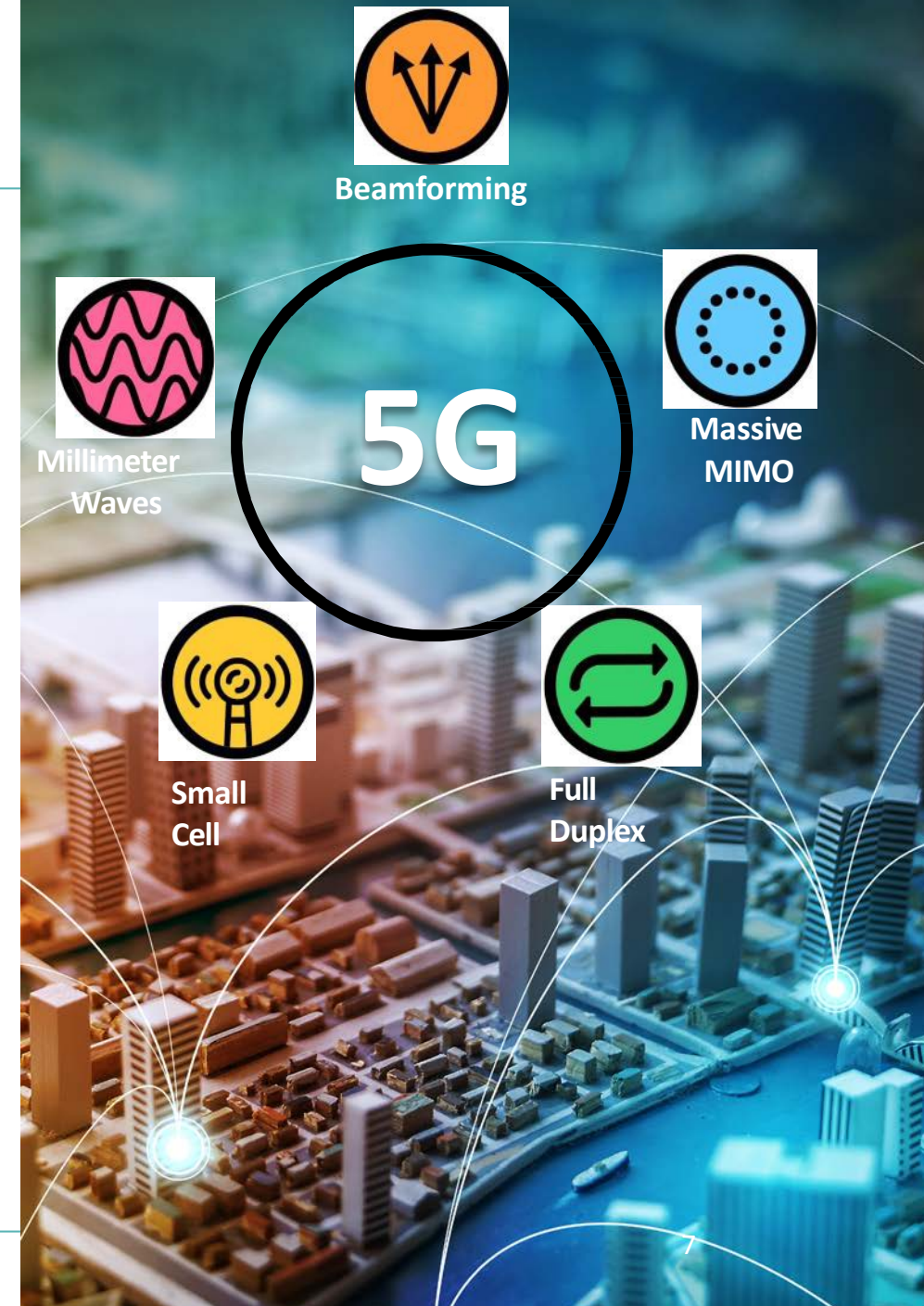
On-net
customers 71

Fixed Wireless & 5G

5G is designed for:

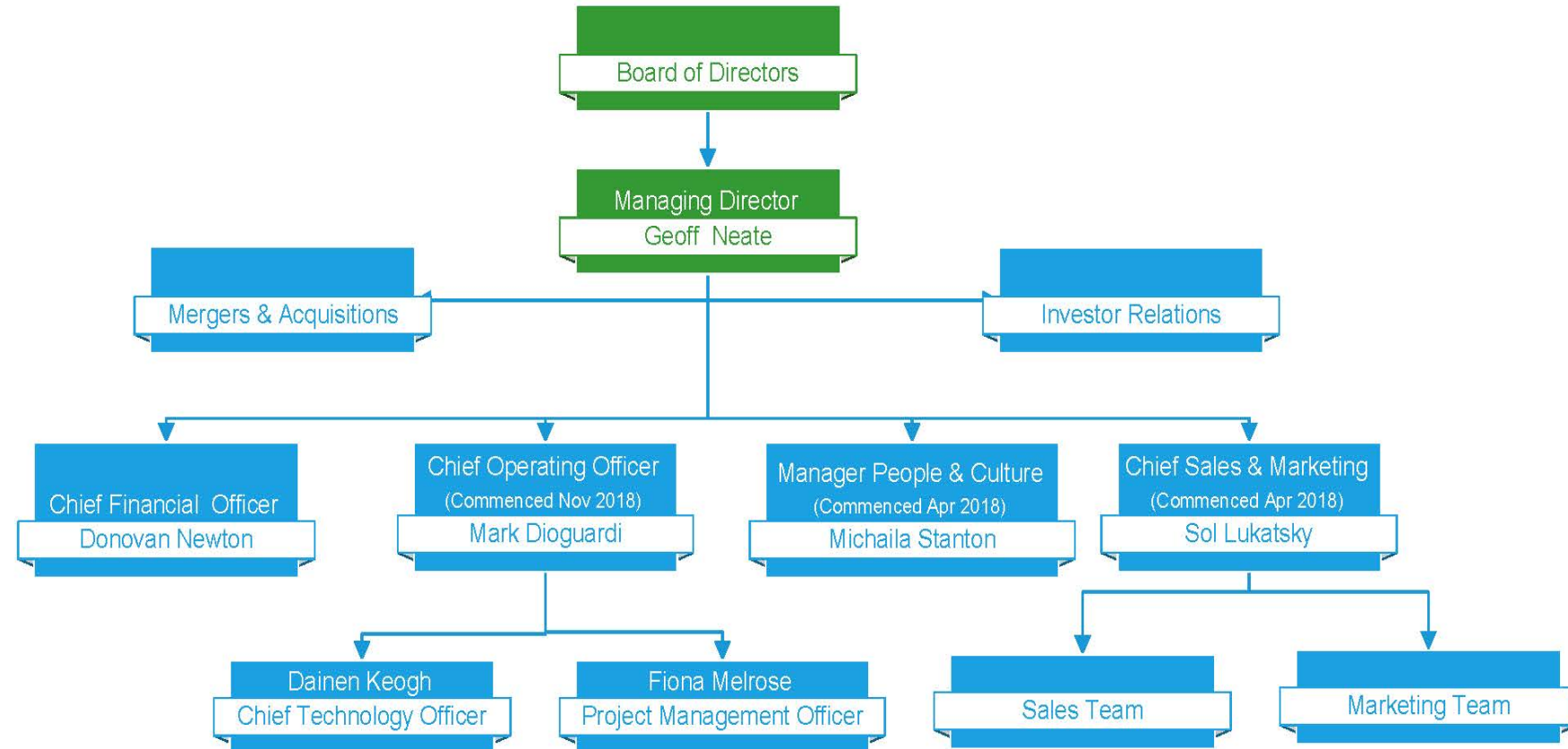
- improved mobility (Mobile carriers)
- machine to machine communications (IoT)
- Improved speed (Fixed Wireless carriers)

As product leader in the Fixed Wireless sector, Spirit has implemented 5G technologies, on 5G spectrum, prior to mainstream carriers.



Re-structured for organic growth and M&A

Recognising the need to improve operational performance



Focus areas for the coming year

Strategic Pillars



Business Growth

Improve top line sales growth

We recognise there is a lot of upside in our performance



Network Expansion

M&A activity

Several opportunities to review

Operational efficiencies

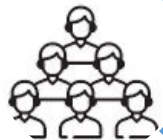
Deliver growing gross margin to bottom line



Product Leadership

Continue our role in product leadership

Fixed Wireless 5G



Empowered, Tenacious, Connected People

2018 Financial Highlights

REVENUES UP
41% 

GROSS PROFITS
UP BY **55%** 

EBITDA
UP **47%** TO **3M**

NET PROFITS
UP BY **22%** 

Appendix

Shareholders

ISSUED CAPITAL

Fully paid ordinary shares:	244,960,135
STIO Listed Options:	28,732,256*
STAC Unlisted Options:	2,500,000
STAB Performance Rights:	2,412,798

*exercisable at 19.688 cents expiring on 31 July 2019

No of Shareholders:	980
Directors/Management/Staff	17.06%
Institutions	6.42%
High net worth	42.72%

FY18 Performance Summary

GROSS PROFITS
UP BY **55%**

UNDERLYING EBITDA
UP **47%** TO **3M**

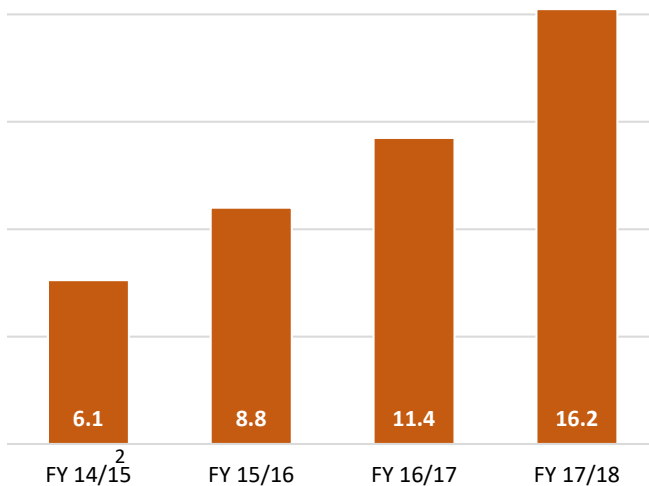
REVENUES UP
41%

NET PROFITS
UP BY **22%**

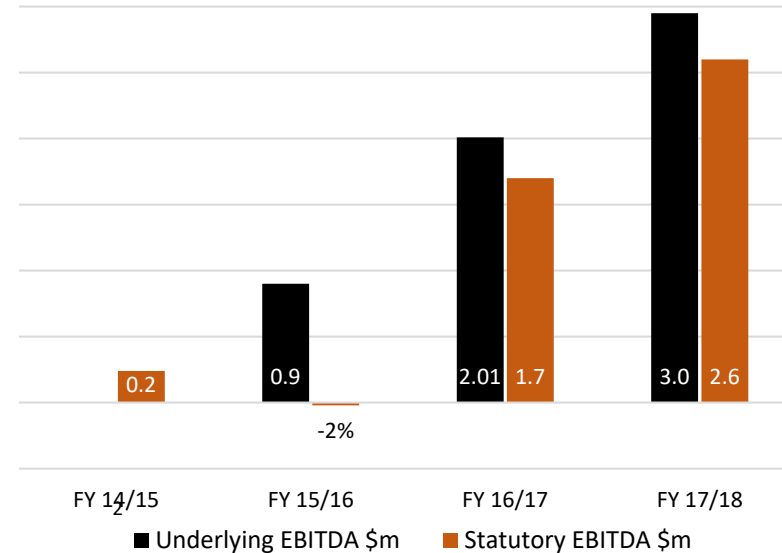


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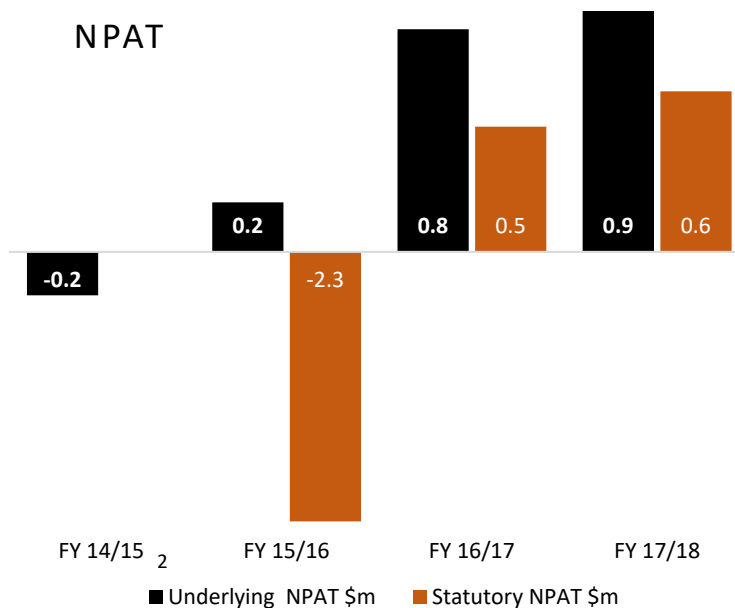
Revenue \$m



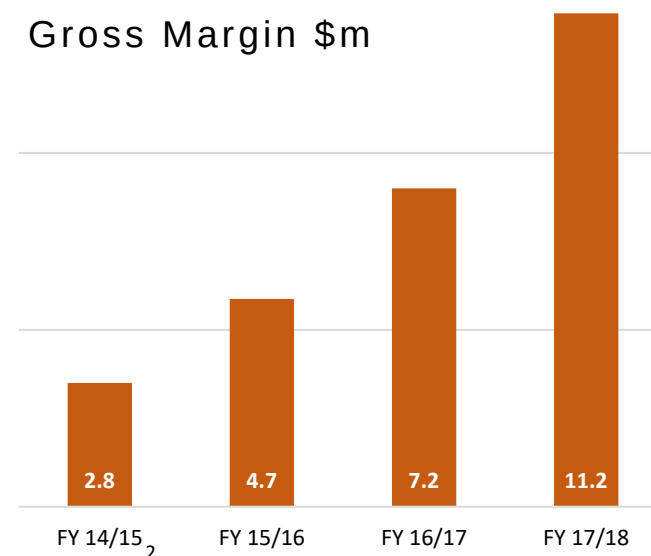
Underlying¹ EBITDA



NPAT

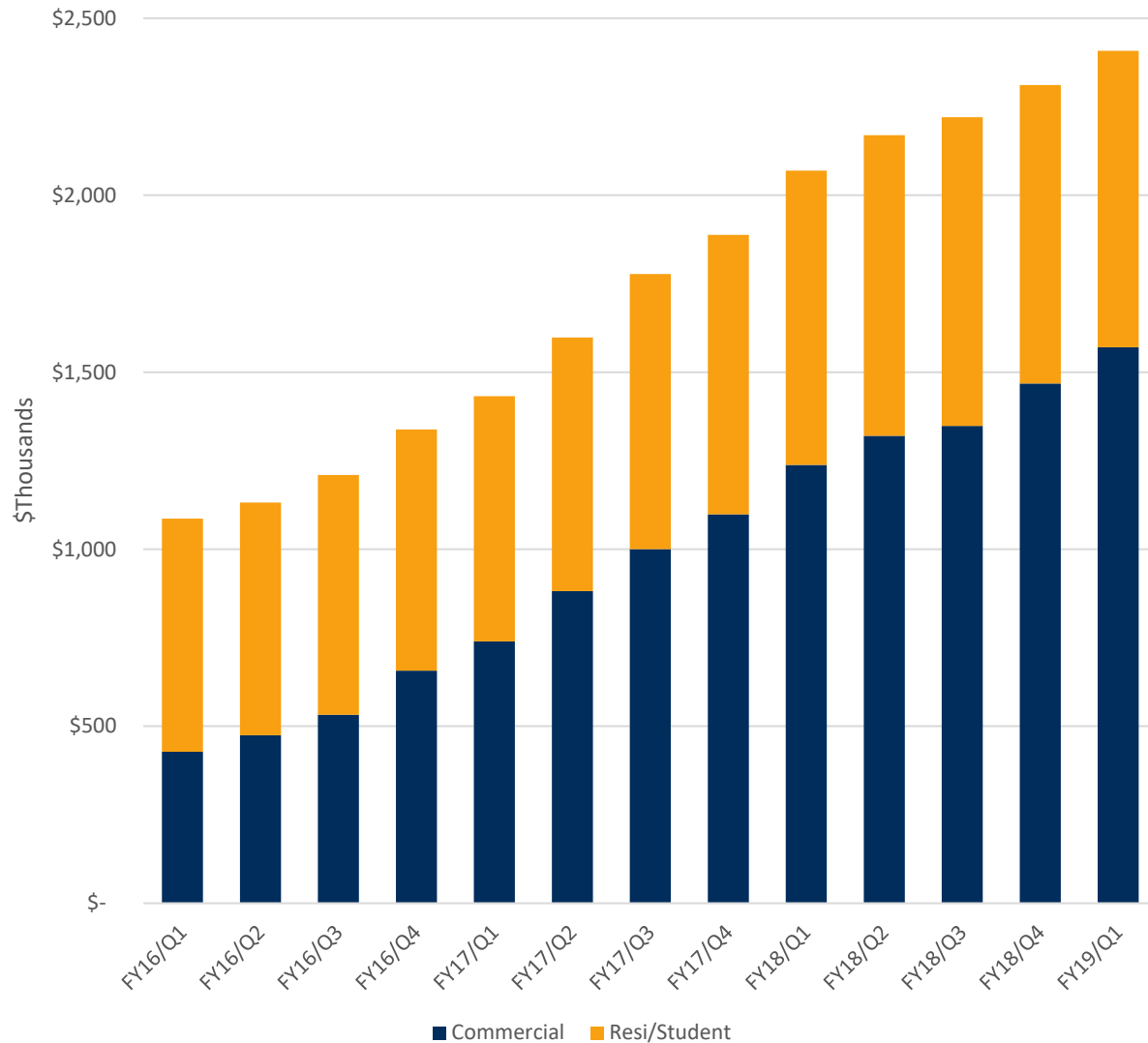


Gross Margin \$m



1. Items associated with acquisition activity have been removed
2. Unlisted: Spirit Telecom (Australia) Pty Ltd

13 Consecutive Quarters of Organic Growth



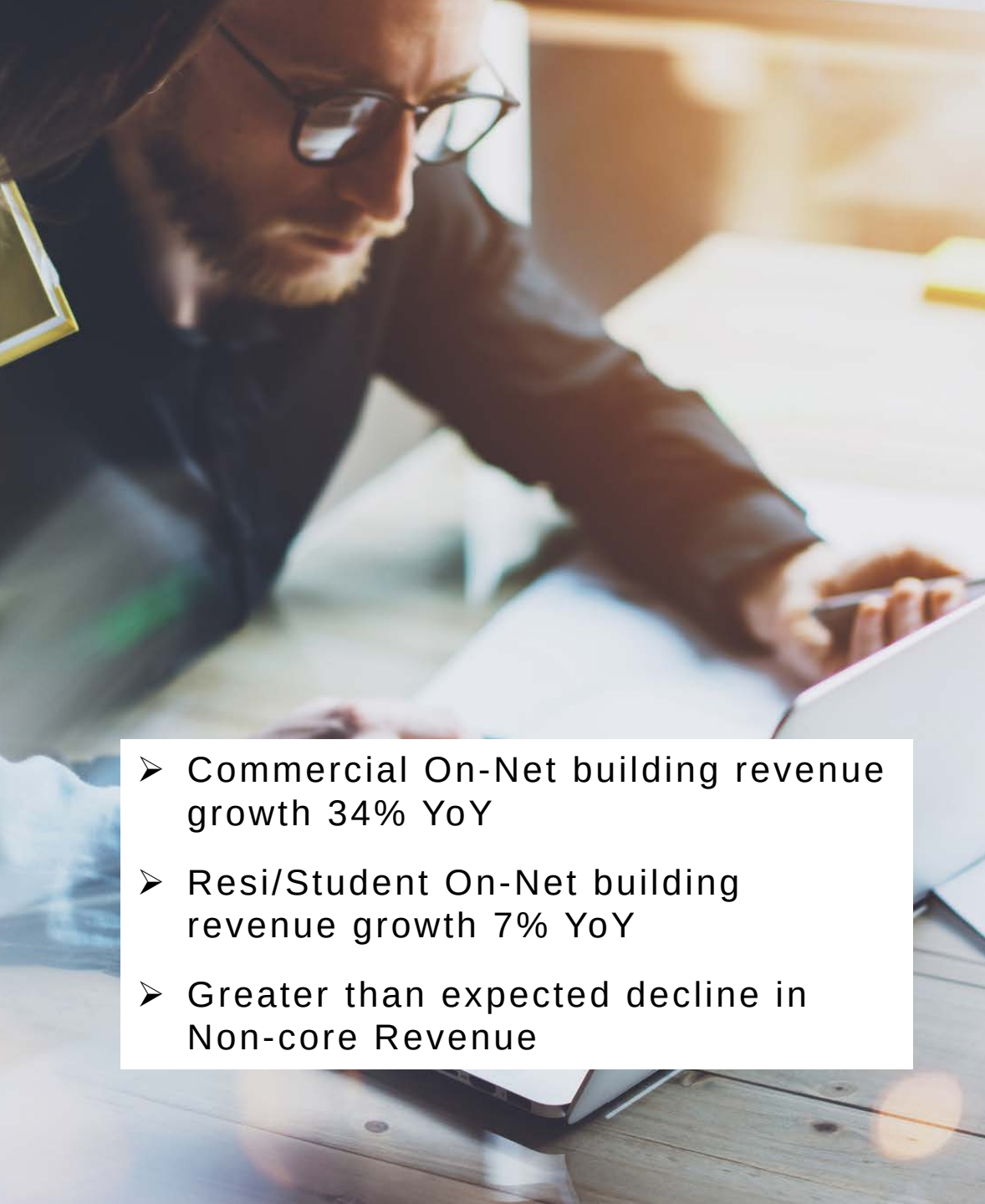
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On-Net Building Revenue grew by 16% on Q1'18:

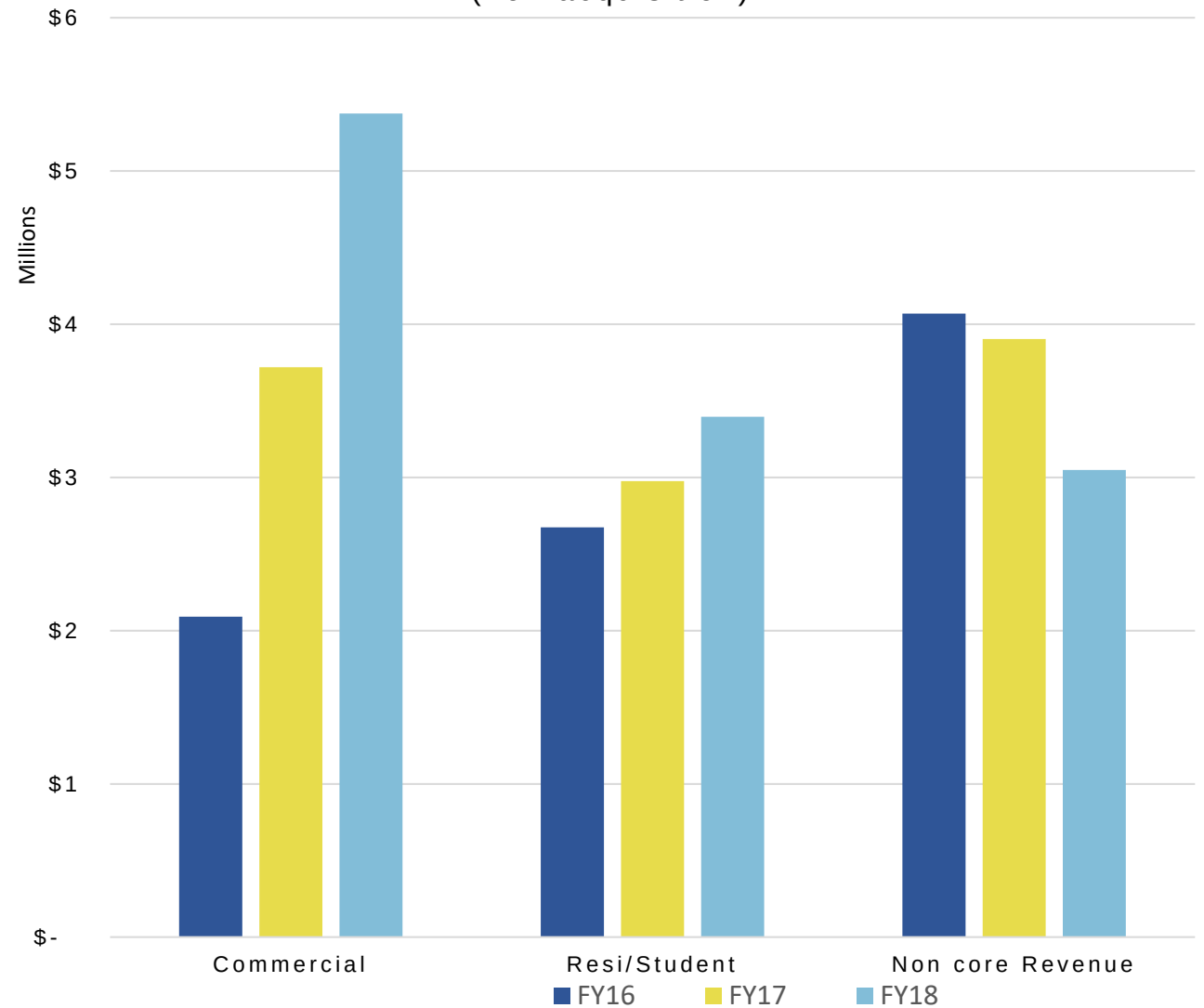
- Commercial (+27% YonY)
- Residential (+1% YonY) revenues

On-Net Building Revenue grew by 4% on Q4'18:

- Commercial (+7% QonQ)
- Resi/Student (-1% QonQ) revenues
- Resi only; flat. Commercial continues to be the key growth driver

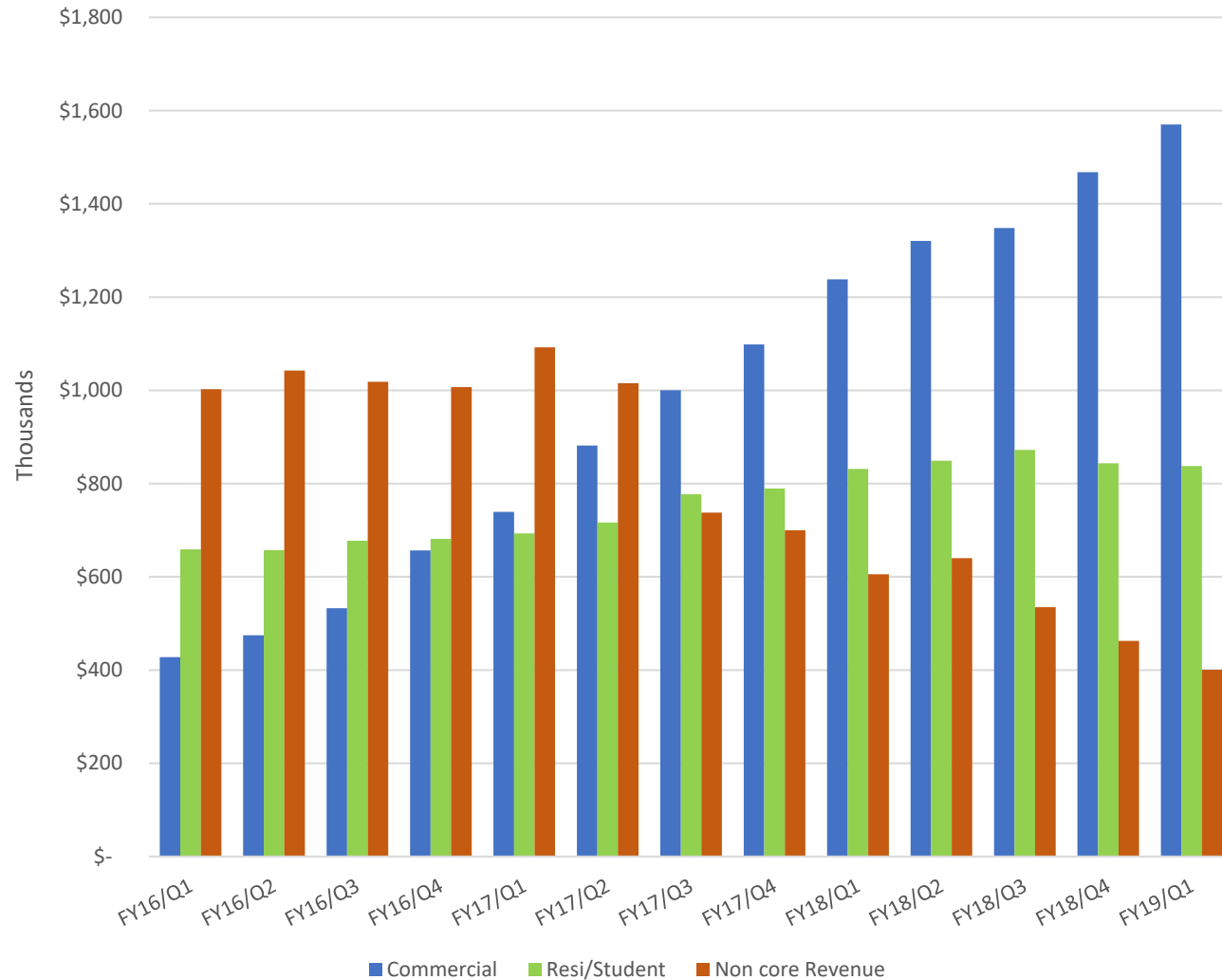


Spirit revenue breakdown (non acquisition)



- Commercial On-Net building revenue growth 34% YoY
- Resi/Student On-Net building revenue growth 7% YoY
- Greater than expected decline in Non-core Revenue

Changing Revenue Pattern



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Since Q1 2016 On-Net Building Revenue has grown 2.22 times

- Commercial has grown 3.67x
- Resi/student 1.27x

Non-core revenue has shrunk to 0.4x

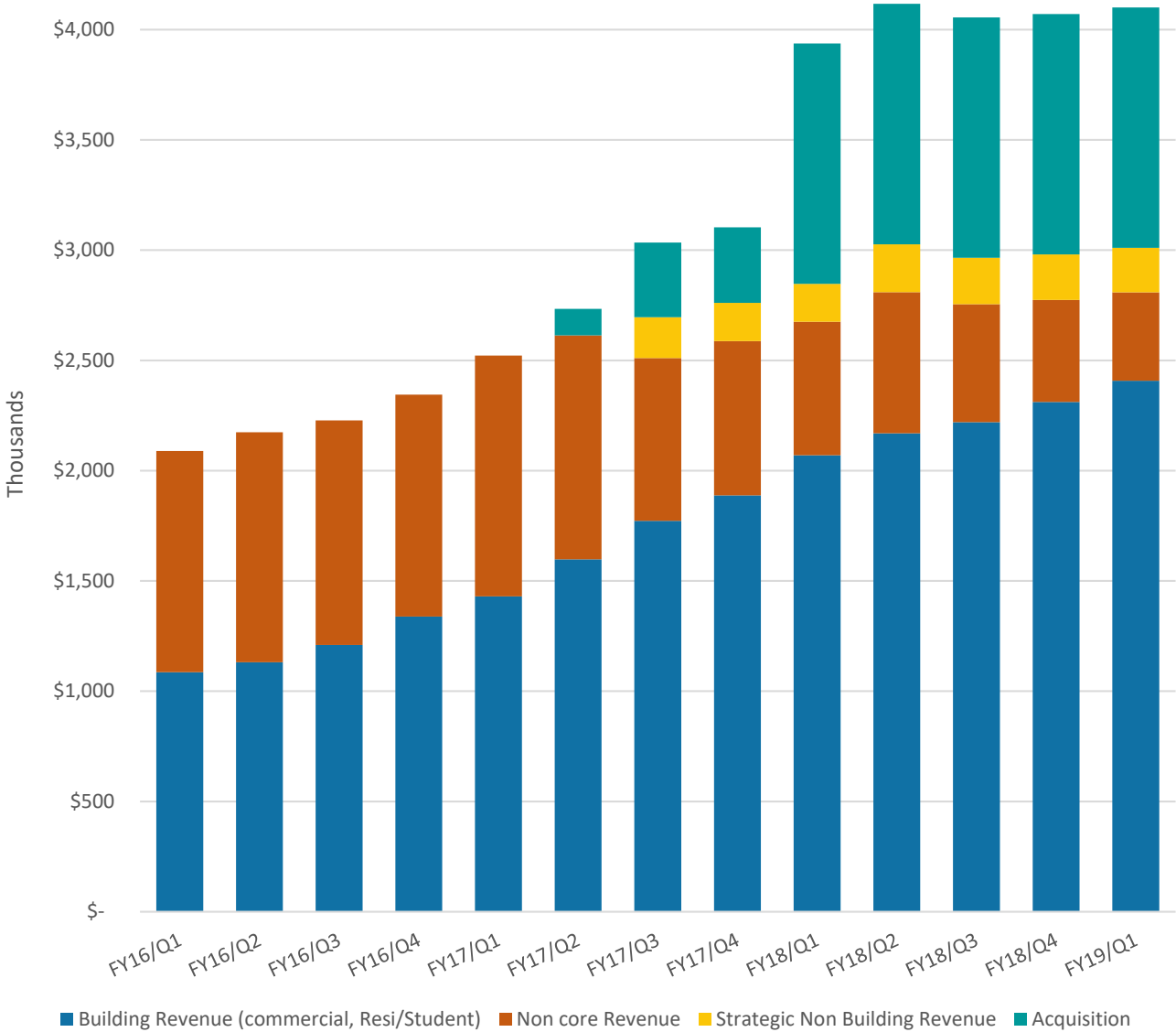
Copper based re-sell services no longer pursued



High margin on-net building revenues and growth continue to be the key growth drivers – Developing Government and Enterprise focus

Lower margin legacy revenue run off accelerating, but decreasing proportion of overall revenues

Quarterly Revenue Profile



Citations:

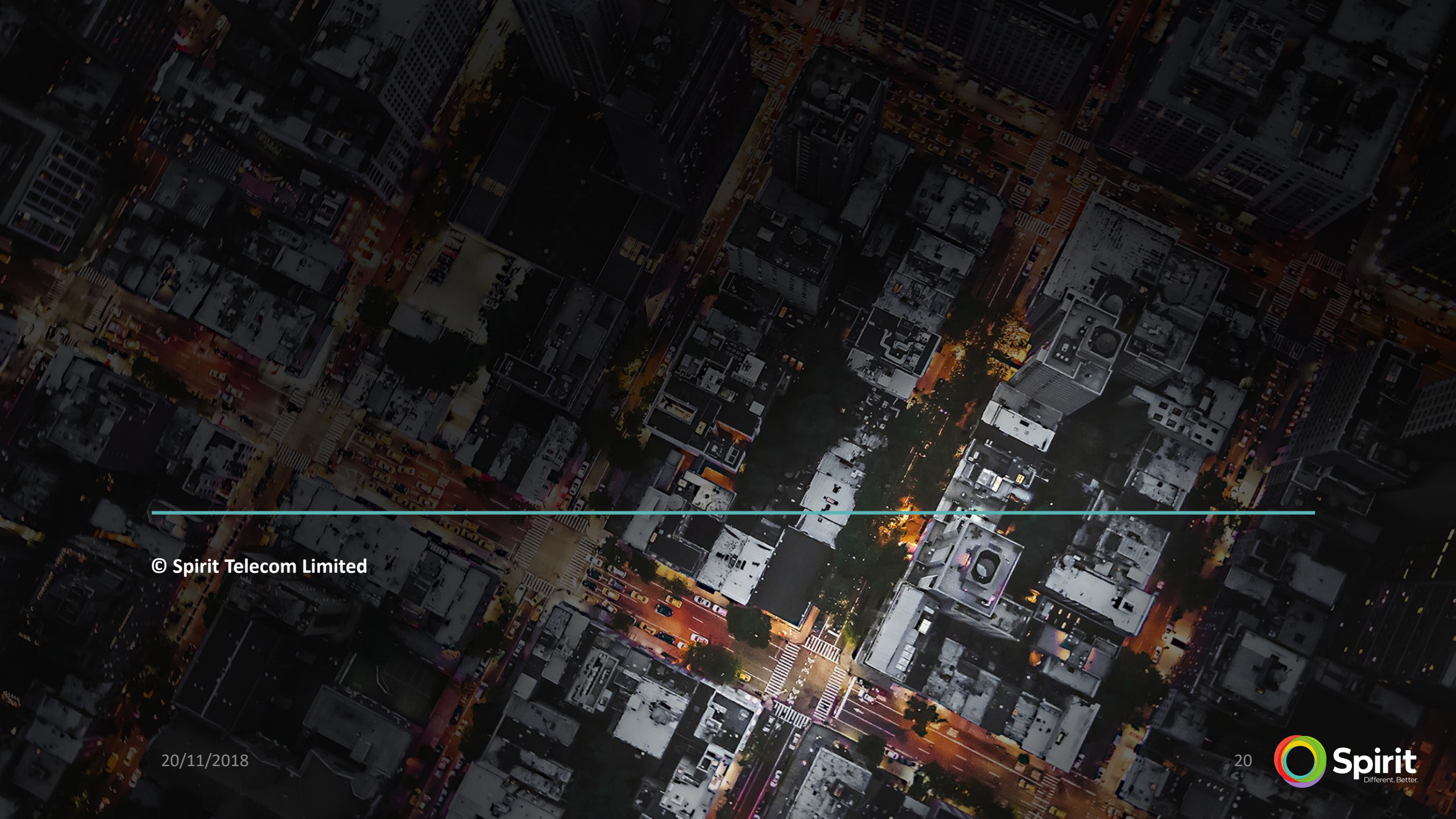
Slide 3:

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3. <https://www.itnews.com.au/news/nbn-cos-build-costs-rise-2bn-to-51bn-511802>
4. <https://alliancecorporation.ca/news/2018-wireless-broadband-predictions-and-trends/>
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7. <https://www.securityroundtable.org/security-without-boundaries-perimeter-dead/>
8. <https://www.forbes.com/sites/forbestechcouncil/2017/12/27/eight-sd-wan-predictions-for-2018/#da46ab02d0a2>
9. <https://blog.hubspot.com/marketing/iot-trends>
10. Cisco Global Cloud Index” Forecast and Methodology, 2016-2021



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