

Spirit Telecom Limited (ST1)

Market Update – Quarter 1

Spirit delivers high speed internet and managed IT services to support Australian SMB's growth

October 2019

Business Performance: Q1 20

A simple focus: *Be Australia's leading provider of IT&T services to Small & Medium Sized Businesses (SMB's)*

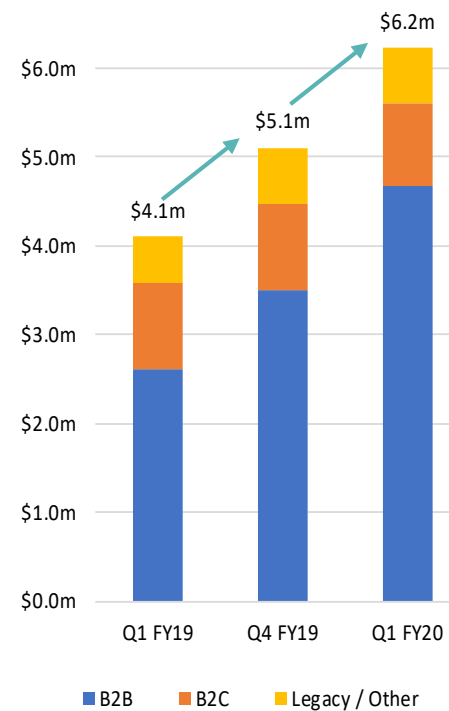
Financial summary:

B2B strategy execution being demonstrated via growth in Telco & IT/Managed Services Integration:

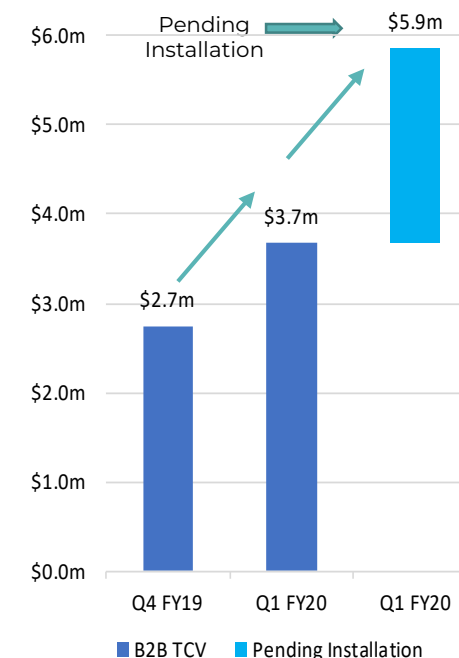
- Total revenue growth up 22% to \$6.23M on previous quarter and up 52% on Q1 19.
- B2B Total Contract Value (TCV) for the quarter up 34% on previous quarter and up 86% to Q1 19. B2B TCV incorporates recurring revenue and non recurring revenue across data, voice and managed services contracts.
- Total Data & IT services including pending installations for Q1 20 up to \$5.9M (pending \$2.1M).
- IT/Managed Service acquisitions and cross selling increased to a significant percentage of Total Revenue in Q1 20.
- Strong balance sheet, Spirit has access to a total of \$8.44M of cash and debt for organic growth and acquisition targets.
- Cash on hand at quarter end is \$3.64m after repaying \$1m on the CBA loan facility at end of September. Spirit also has access to \$4.8m on the CBA facility for growth initiatives.
- Capex to revenue ratio at 20%, expected to be lower through the year through the expansion of less capex intensive product roll out.



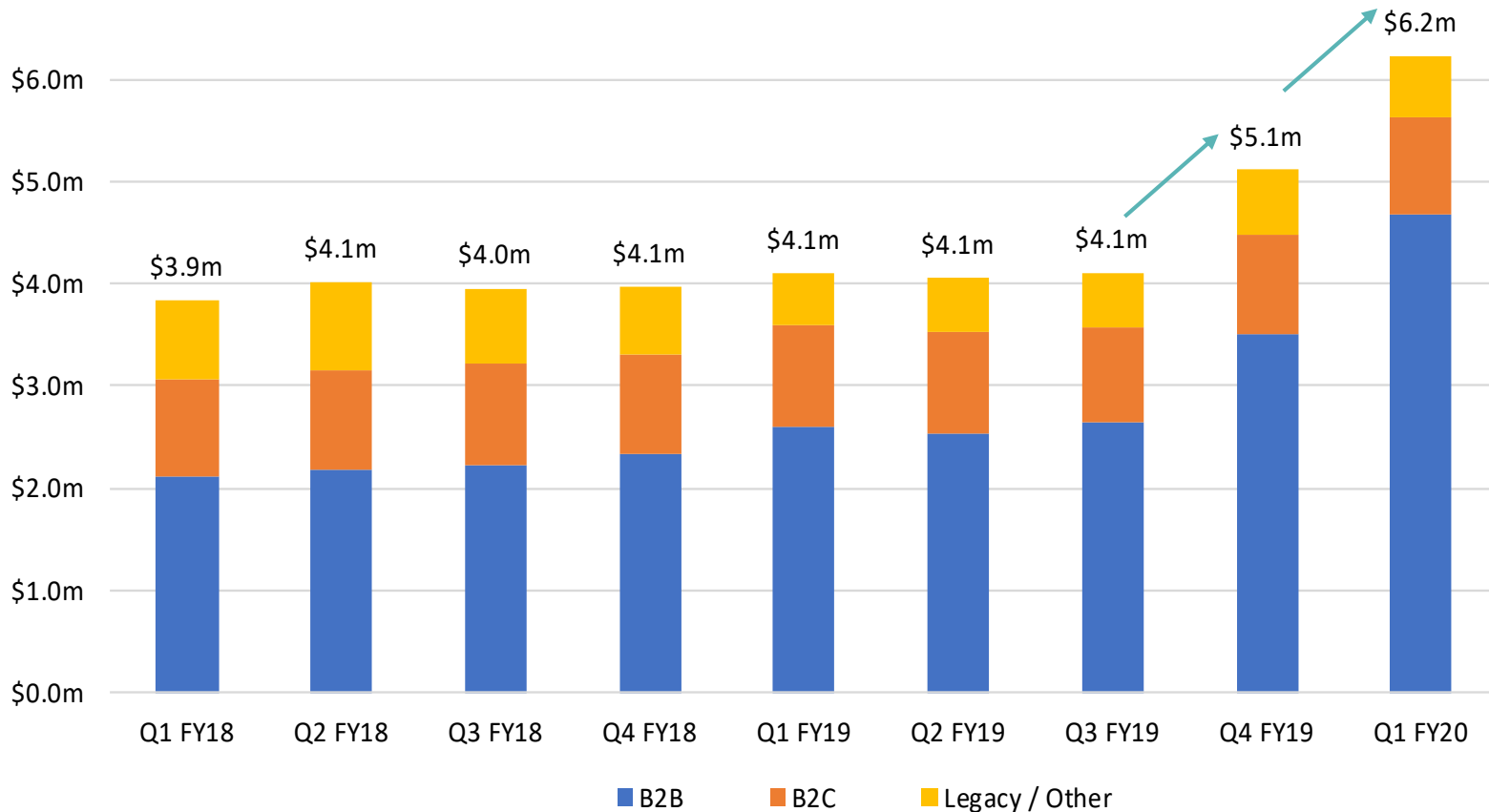
Revenue Growth



Total Contract Value



Total Revenue Growth

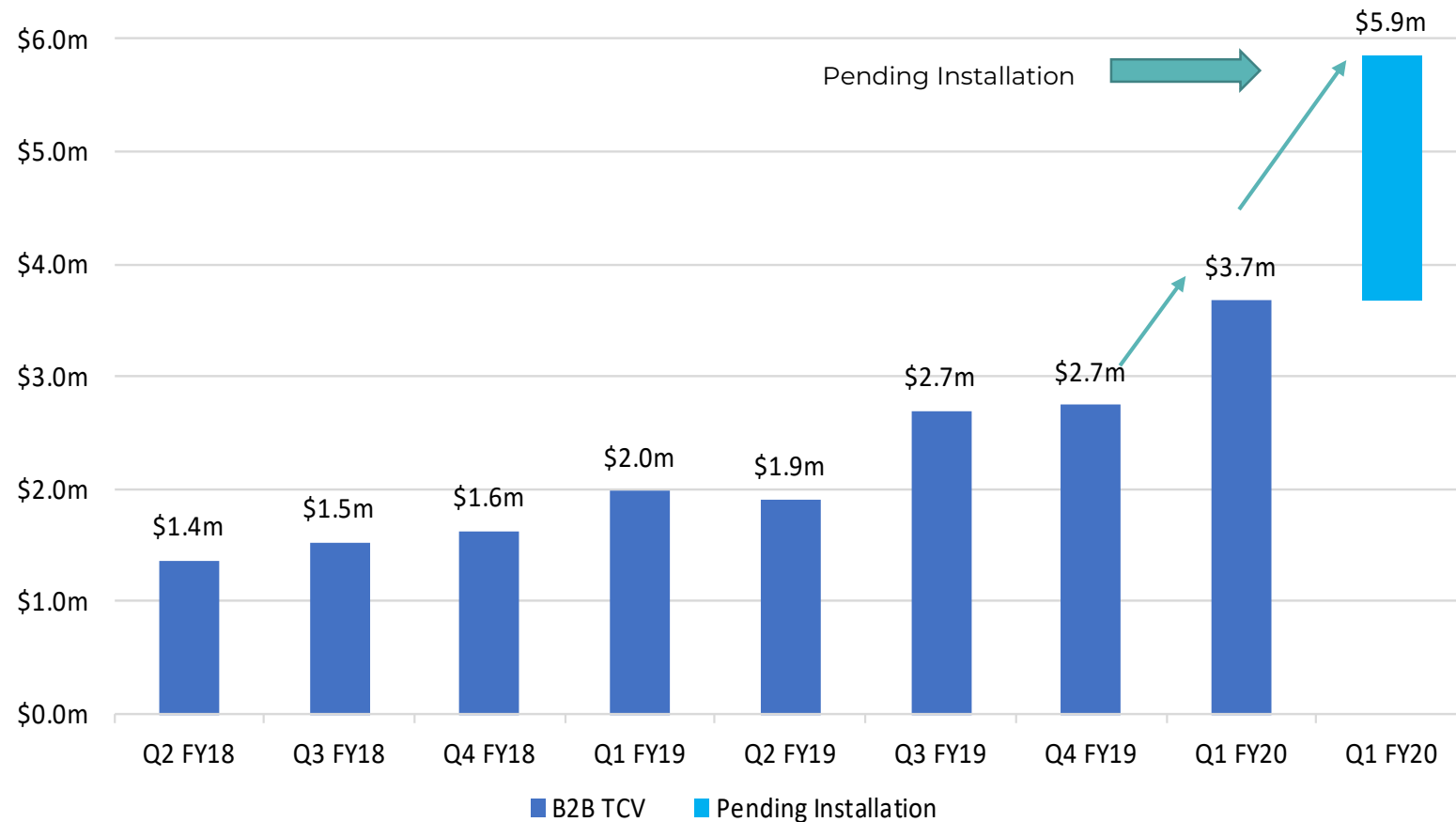


Total Revenue up at \$6.23M:

- Total revenue growth up 22% to \$6.23M on previous quarter and up 52% to Q1 19.
- B2B growth to \$4.7m, up 79% on Q1 19 achieved through both acquisition and cross selling products.
- B2C segment performance remains steady at \$0.9m.

NB: Total Revenue includes all recurring and non-recurring revenue.
Previously reported Core Revenue reflected B2B and B2C on-net recurring revenue and installation revenue only.
Legacy refers to 3rd Party non-core products, e.g. ADSL & PSTN

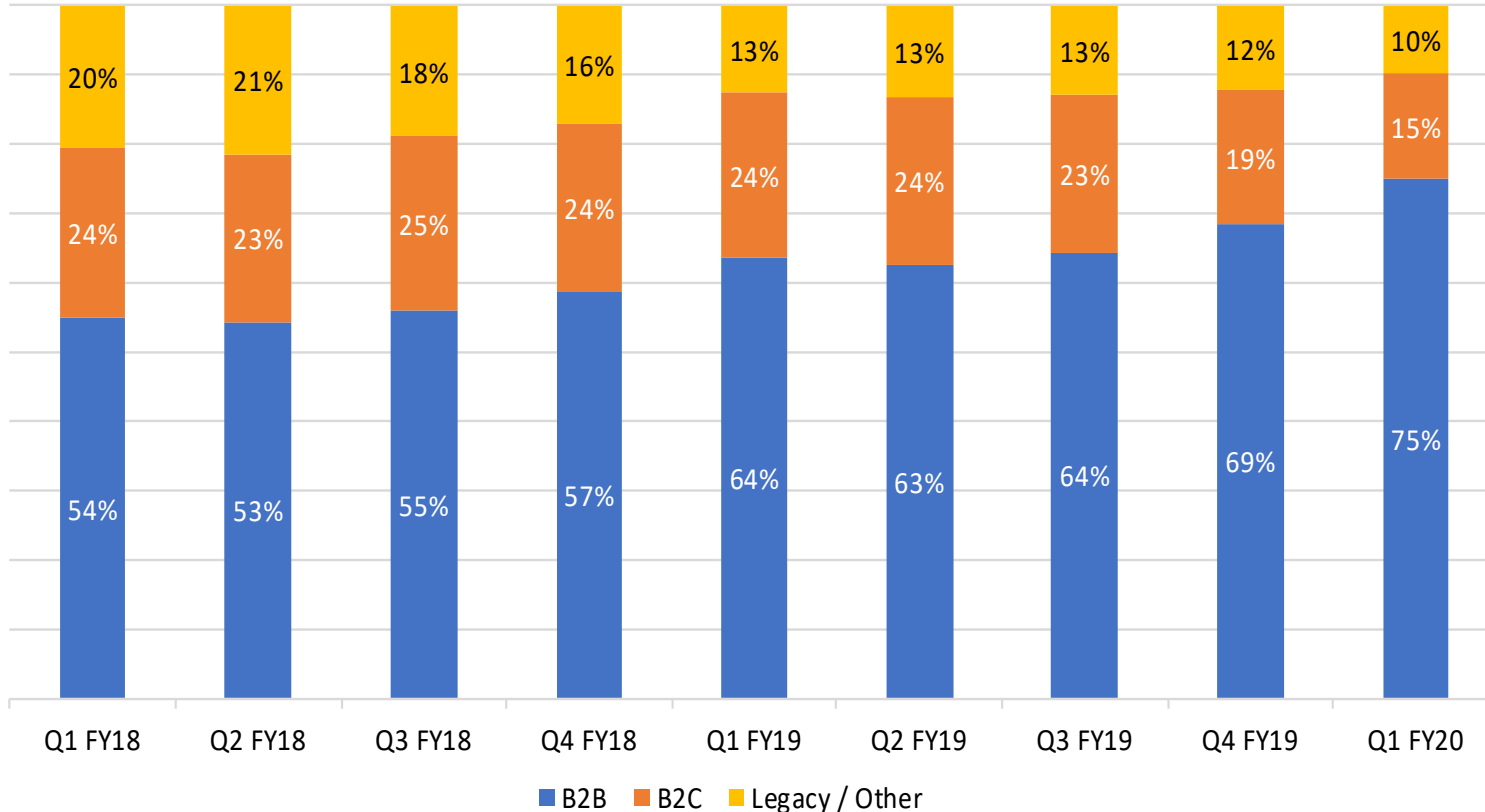
B2B Total Contract Value (TCV)



TCV uplift to \$3.7m excluding pending installations:

- B2B TCV for the quarter up 34% on previous quarter and 86% on Q1 19.
- Total Data & IT services including pending installations for Q1 20 up to \$5.9M (pending \$2.1M)
- Uplift driven through B2B sales growth whilst maintaining ARPU value and average contract length.

Total Revenue Breakdown

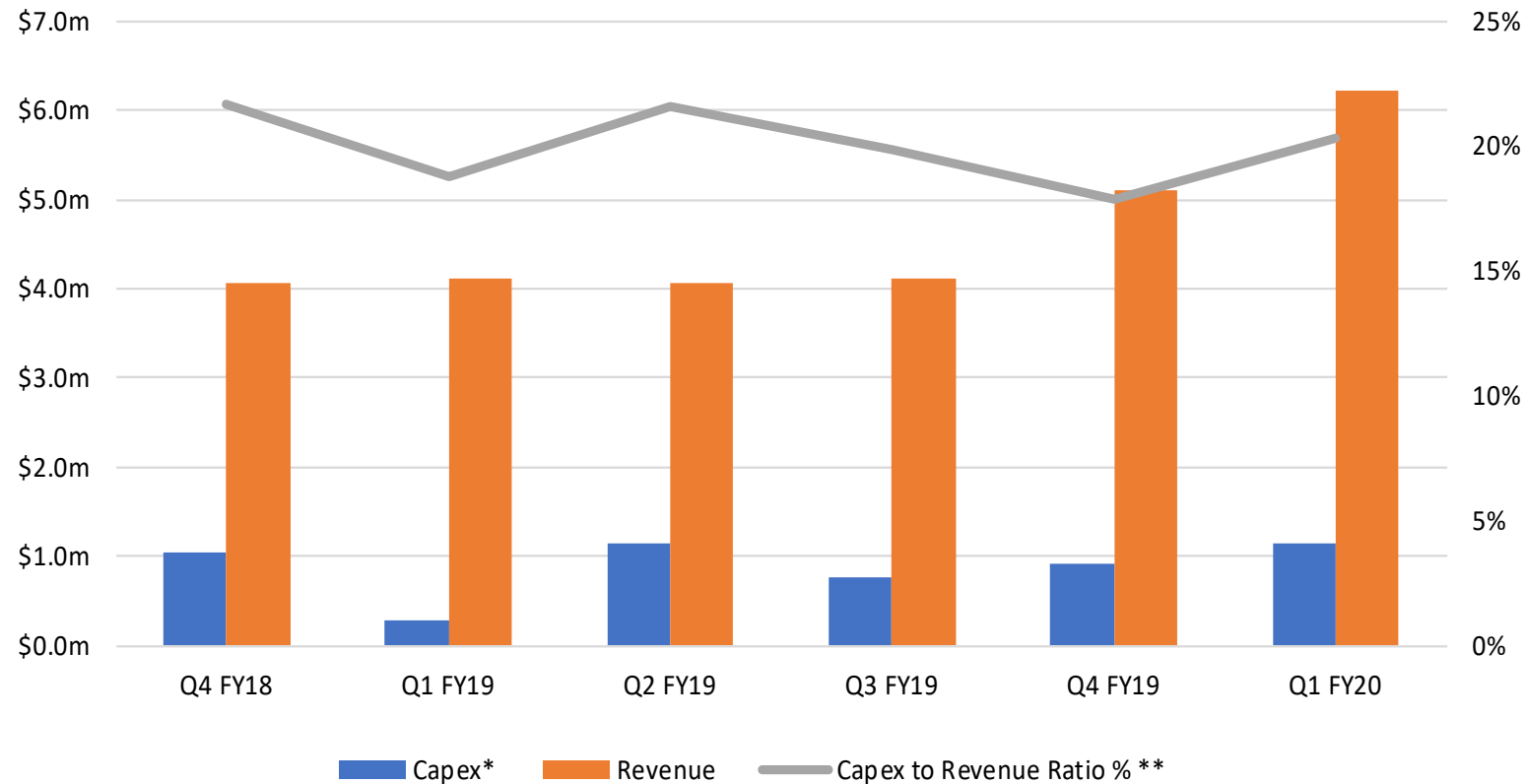


B2B and IT/Managed Services focus for continued growth:

- IT/Managed services bundles and cross sell will further drive growth through higher ARPU, a lower capex cost base and increase in sales conversions.
- The revenue mix now maximises more capex intensive fixed wireless services with over the top Managed Services revenue when bundled with on-net/ Internet/Data services.
- Additional B2B revenue streams are also defensive against legacy products which are migrating to new Data and VOIP products.

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Capex to Revenue



Capex movements across quarters through network integration and upgrades:

- Capex ratio to revenue is 20% for the quarter reflecting lower capex cost and revenue growth through managed services.
- Capex growth reflects expansion of investment in network integrations to support growth in core revenue.
- Capex percentage may also fluctuate as new Fixed Wireless POP's go online in high demand geographies like Sydney.

* Capex adjusted for government funded projects and IT capex.

** Calculated on a rolling 12 month basis.

Focus Q2-Q3

A simple focus: *Be Australia's leading provider of IT&T services to SMB's*

Operational & Acquisition:



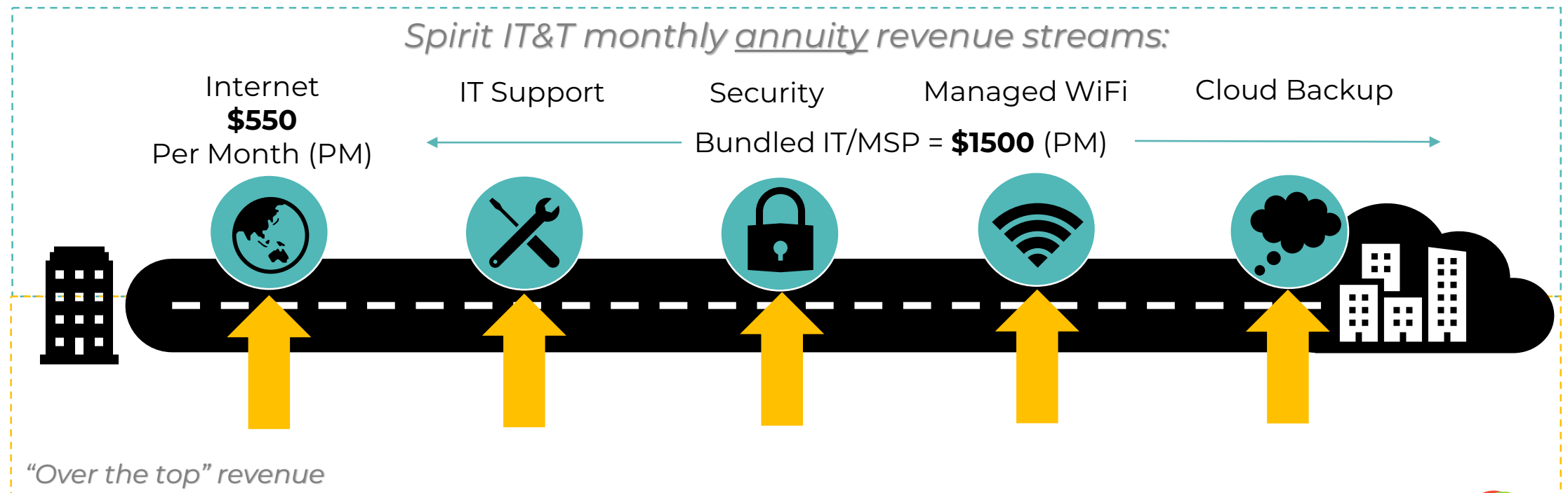
- Streamlining of Executive Leadership Team under new Managing Director, Sol Lukatsky.
- Operational expenditure and headcount reductions to maximise efficiencies and margins.
- Acquisition: 3-4 new target companies moving through due diligence gates (Telco & IT/MSP).
- Digital sales distribution: Spirit X platform build and launch; now includes national coverage across circa >5500 commercial buildings across all capital cities.
 - Allows for multi-network aggregation in one platform through 3 clicks for resellers and wholesalers for sales of Spirit products.
- Horsham network online and delivering sales.
- Product bundles for SMB's: Data, Voice, Security and Cloud products on one bill (ARPU target >\$1,500PM)
- Acquisition integrations: all FY19 acquisitions ahead of schedule on integration timeframes
- A focus on continued improvement of EBITDA margins
- SMB to the cloud and back (1 supplier ; 1 invoice ; 1 point of contact)

Spirit – own the journey, not the entire road

A simple focus: *Be Australia's leading provider of IT&T services to SMB's*

A traditional Internet Service Provider model is like owning a road. But travellers on the road use many other services the toll provider does not share in. Spirit simply adds more toll gates on a “tolled road” and increases share of wallet by inserting itself into the customer journey at the service level - adding “over the top IT&T” services.

Demand is market driven by the move to cloud based business applications requiring bundled services of Internet & IT/MSP at ARPU of circa \$1500-\$2000 per month per site or SMB.



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