

2 May 2023

Restructuring and Trading Update

Highlights:

- **Significant progress with restructuring program, which is expected to be completed in June 2023, albeit two months later than anticipated.**
- **Managed Services customer migration to new market offerings founded on *Secure, Sustainable and Scalable workplace solutions* is slower than anticipated with some customers. While this has delayed some cost offboarding, the underlying issues have now been addressed and the restructuring program is expected to deliver significant benefits from July.**
- **Communication and Collaboration is seeing signs of deal hesitancy in the current economic climate with extended days to close sales evident from February, although average deal size remains consistent.**
- **Group FY23³ Underlying EBITDA² has been revised to \$5.0M**
- **FY24⁴ Underlying EBITDA² ambition is \$10 to \$11 million post restructure and return to growth.**
- **Significant pipeline of new opportunities in Managed Services segment of \$10m supports return to positive Underlying EBITDA² in FY24, with a target to grow Group Underlying EBITDA² by more than 120%.**

Spirit Technology Solutions ("Spirit" ASX:ST1), a leading provider of secure digital transformation and modern work environments, provides the following trading update.

Strong progress with restructuring program

Spirit has continued to progress its restructuring program within Managed Services that commenced in 2022. A new leadership team is in place, and all previous Managed Services acquisitions have been integrated into a single Spirit brand. In addition, Spirit as part of its migration from its Telco legacy towards modern IT Managed Services has completed the following:

- Sale of fixed wireless unit, reducing debt by \$13 million;
- Exited selected data centre and network assets ("ISP business"), to realise a positive annualised impact of \$1.8 million;
- Reduced annual labour costs by \$10 million⁵;
- Offboarded unprofitable customers;
- Reduced the product portfolio by 60% to simplify sales and support processes; and
- Launched a new Managed Service product offering into Collaboration and Communication 6,000+ customer base.

Spirit will complete the restructure by June 2023 (later than anticipated), with the Company's focus now on completing the following by September 2023:

- Finalising the common IT system across business units, reducing ERP systems from 3 to 1;
- Removing aged proprietary legacy systems not capable of supporting future growth;
- Finalising a new organisation design that utilises the new IT platforms to reduce future cost and further enhance service quality for customers.

Revised FY23 Group Underlying EBITDA² guidance

In August 2022, Spirit provided FY23 guidance for Group revenue in the range of \$122 million to \$131 million, and Underlying EBITDA² of \$8.5 million to \$9.5 million.

This forecast was made prior to the Managed Services' restructuring program commencing and was based on expectations for the program at that time. Subsequent to this, the plan required a change in methodology, which resulted in timing delays in achieving in full the goals that were included in the forecast. The remaining restructure initiatives will now be achieved by June 30, 2023 and will not result in a permanent difference.

Significant pipeline of \$10M in new opportunities supports Managed Services return to positive Underlying EBITDA² in FY24

The Company will also launch a refreshed strategy and market focus in May 2023 to support growth in the key focus areas of: Secure, Sustainable and Scalable workplace solutions.

Based on the revised timelines and a portion of contract wins the Group FY24 Underlying EBITDA² ambition will be between \$10M to \$11M.

Spirit Managing Director and CEO Julian Challingsworth said: "Spirit has made significant progress across our restructuring program. Key activities have been completed and the Company is on track to close out the program in September 2023. While it is disappointing that there has been an unexpected near-term financial impact, we will soon have a refocused Company and growth platform that is expected to drive the business back into positive earnings given the strong pipeline in place and improving market conditions."

¹ Financial numbers presented for FY23 are unaudited.

² EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude acquisition, divestment & integration costs, net fair value loss on remeasurement of contingent consideration on business combinations, restructuring costs, impairment of non-current assets and share-based payments. Underlying EBITDA also excludes one-off gains/losses on divestment of non-core assets.

³ FY23 refers to the 12 month period 1 July 2022 to 30 June 2023.

⁴ FY24 refers to the 12 month period 1 July 2023 to 30 June 2024.

⁵ Labour annualised savings includes the impact from the ISP business transfer.

This announcement is authorised for release to the market by the Board of Directors of Spirit Technology Solutions Ltd.

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About Spirit Technology Solutions:

Spirit Technology Solutions is an ASX listed provider to Australian businesses of innovative IT&T managed services, cyber security and collaboration and communications platforms.

We are building the modern secure digital workplace for Australian businesses. Our mission is to "Make our customers secure, sustainable and scalable, while living our team values"

'Secure by design' is in our mantra and our world class cyber security solutions help Australian businesses take a different, data-centric and strategic approach to effective security.

Our collaboration and communications business was awarded by Cisco as Webex partner of the year for 2022 in the Asia-Pacific region, recognizing our world class team and focus on delivering amazing experiences to SMB customers.