27th August 2019

Spirit
Different. Better.

FY19 Market Update

Spirit Telecom Limited (ASX:STI) is pleased to announce its FY19 report for the period ending 30 June 2019, with highlights including:

- Revenue increased to $17.4M (up 7.5% over FY18), boosted by a second half turnaround which saw a 13% increase over H1/19
- Gross Profit increased to $12.9m, with group gross margins increasing to 74%
- Operating Cash up 38% to $2.3M
- Underlying EBITDA at $1.6M, with a strong H2/19 accounting for $1.3M of the full year EBITDA
- Significant network expansion in Melbourne, Brisbane and Sydney
- Completed LinkOne and Building Connect acquisitions
- Awarded 2 Victorian Government tenders (Horsham & Morwell)
- $5.6M Listed options were underwritten and subsequently received (Q1/20)
- Facilitated $8M debt facility with CBA

Following a flat first half due to delayed network expansion, Spirit has been able to deliver a 13% increase on H1/19 brought about by an improved execution on company strategy. Gross profit continued its trajectory, growing to 74% of revenue or $12.9M. This illustrates the benefit of adding customers to a purpose-built network. In an active period, Spirit has continued its appetite for complimentary acquisitions, seeing expansion up the eastern seaboard via the acquisitions of LinkOne and Building Connect. As expected, operational expenses (before acquisitions and share based payments) reduced in the second half of the financial year which, along with the growing revenue and gross profit margin, significantly improved the EBITDA in the second half. Notwithstanding this the year saw an overall decline in EBITDA and NPAT.

An overview of the Company's financial performance during FY19 is detailed in the table below.

Period ending 30 Jun 2019	FY18	FY19	Change
Statutory Revenue and other Income	$16,299,985	$17,452,445	7.1%
Gross Profit ($)	$11,258,551	$12,896,441	14.5%
Gross Profit (%)	69%	74%	5%
Underlying EBITDA[1,2]	$3,041,835	$1,628,703	-46.5%
Statutory EBITDA	$2,597,303	$1,191,288	-54%
Underlying EBIT[3,4]	$1,765,201	($300,630)	-117%
Statutory EBIT	$1,320,669	($738,045)	-155%
Statutory NPAT	$570,605	($832,742)	-245%
	Cents	**Cents**	
Underlying Earnings Per Share[5]	0.46	(0.19)	
Statutory Earning Per Share	0.26	(0.32)	

[1] Refers to earnings before interest, tax, depreciation and amortisation
[2] Items associated with acquisition activity and share based payments have been removed
[3] Refers to earnings before interest and tax
[4] Items associated with acquisition activity and share based payments have been removed
[5] Items associated with acquisition activity and share based payments have been removed

Commenting on the result, Spirit Managing Director Geoff Neate said "Given the slower than expected start to the financial year, we are pleased with the turnaround and the momentum that we have harnessed in the second half. The acquisitions of LinkOne and Building Connect have seen our addressable market expand, while the more recent acquisitions of Arinda IT and Phoenix provide our team with and expanded product line. These two factors, coupled with the increased speeds coming from our network means that our ability to service our targeted SME customer has significantly improved for the forthcoming FY20."

FY20 Outlook

Spirit now services a much larger target market with a far broader product offering. This will see continued improvement in our top line growth and margin expansion commensurate with the H2/19 improvement. Acquisitions will continue to be part of Spirit's growth as will delivering innovative initiatives to grow its customer base and products per customer. A focus on bundles voice, data and Managed IT products will result in key metrics, such as Average Revenue Per User (ARPU) improve over the course of the year. Whilst significant progress with M&A integration has already been made, continued focus in this area will see improved value returned to our shareholders.

For further Information:

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