



Spirit Telecom Limited (ASX: ST1)

Capital Raise & Acquisition/s Rationale
Building a Modern Telco For Major Market Disruption

20 Aug 2020

Spirit – Major Expansion & Disruption to Major Telco’s

INSTANT SYDNEY & NSW MARKET EXPANSION WITH THE AGREED ACQUISITION OF THREE IT SERVICES COMPANIES.

Acquisitions X 3	Capital Raise
<ul style="list-style-type: none">• Immediate geographic expansion with the simultaneous <u>strategic</u> acquisition of three IT Managed Service providers across Sydney Metro & Central NSW• The three businesses bring strong IP, Products, Engineering skills and generate \$12.0M in combined revenue with >60% of this recurring revenue with EBITDA over \$2.5M• The three IT Companies acquired – which will be rebranded as <u>Spirit Solutions Partners</u>• EBITDA multiples paid upfront between x3.0-x3.5. Upfront payment of \$5.7M cash and \$2.6M Spirit equity.• Organic expansion: 21 new Resellers and Spirit Solution Partners have also been signed across NSW & QLD .	<ul style="list-style-type: none">• Total capital raise size \$23.2M• Spirit has successfully completed a Placement to institutional and sophisticated investors raising \$17.88M, and a conditional Placement to Directors and Management raising \$0.36m, subject to shareholder approval.• Existing Retail investors will also have the opportunity to participate via (SPP). Opens 28 August 2020, closes on 15 September 2020, raising an additional \$5.0M.• The new funds raised will be allocated to:<ul style="list-style-type: none">• Additional acquisition opportunities• Accelerate the development of the Cloud product range in the Spirit X Digital sales platform• Market the Spirit Brand & Products nationally.

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1 July Phase: VPD acquisition created a new Spirit Wholesaler & Reseller Channel nationally:

- **21 new Resellers and Spirit Solution Partners** have also been signed up in July by the Spirit Wholesale Channel (VPD).



2 August Phase: Three IT Companies acquired – who become **Spirit Solutions Partners**:

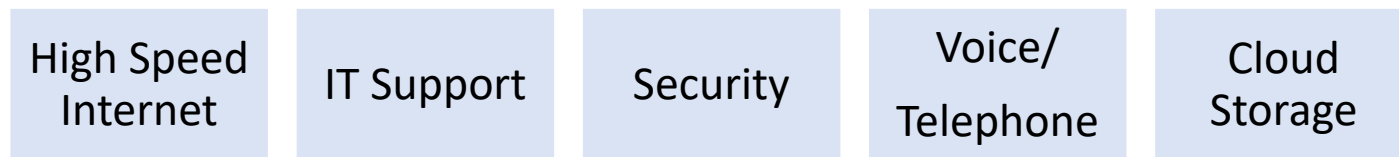
- 1. Altitude IT**, a Sydney based Cloud, VOIP and IT Managed Services Provider with a diverse base of recurring revenue across the industrial sector.
- 2. Beachhead Group**, a Sydney based IT Managed Services Provider, specialising in Cloud and Infrastructure deployment to business and the private schools;
- 3. Reliance Technology**, a Cloud Managed & Telco Services Provider based in Central NSW and one of the largest providers of IT services in that region.

3

Organic Growth Targeting Industry Verticals & Geographies



Modern Telco Offering



More in-demand services
+
large industry clients
=
high value recurring revenue (avg of >\$20k pm per customer) with long tenure (avg 6.3 years)

Spirit IT&T = Revenue \$25M
← Historical Markets →

+ NSW EXPANSION, TTS & VPD ACQUISITIONS = Revenue \$57M-\$62M
← Newly Acquired Products, Markets & Geographies in QLD & NSW →

Industrial Parks

Office

Education

Industrial

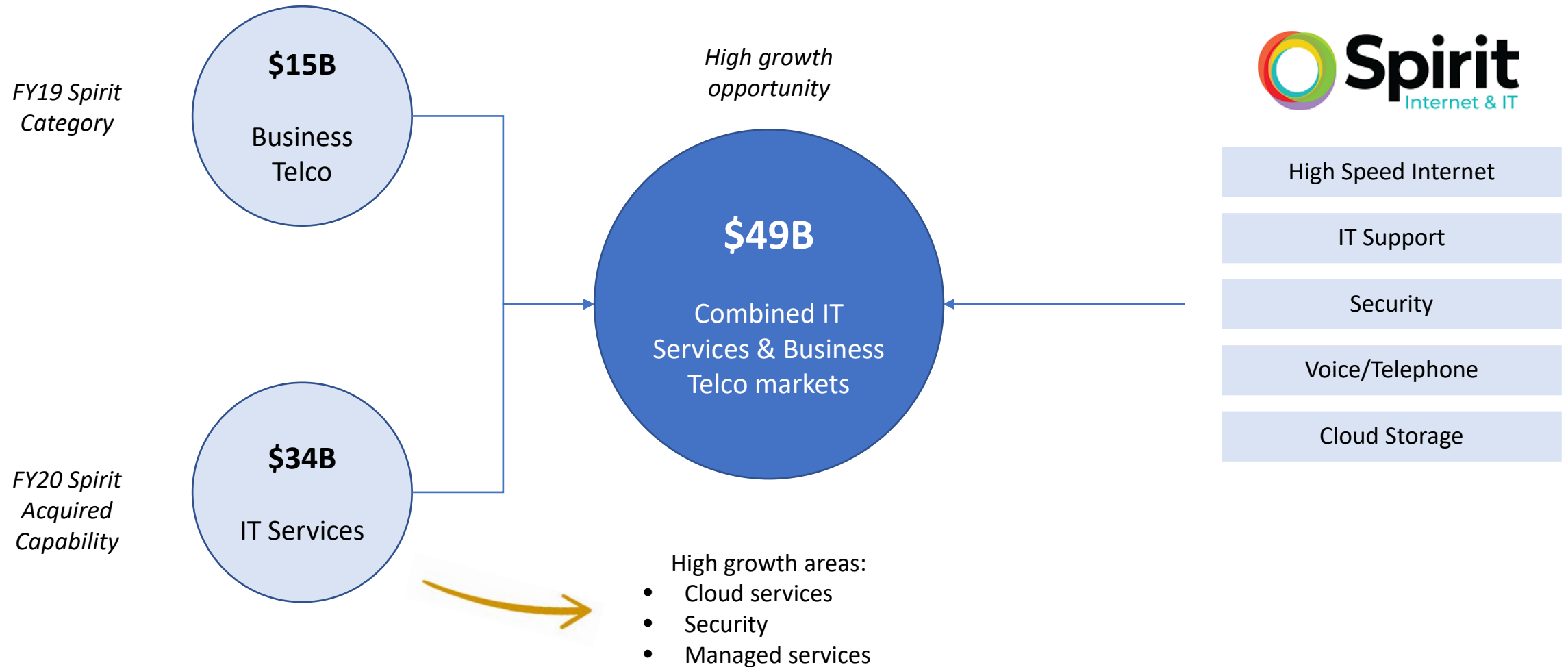
Health

Mining

Aged Care



Combining the Opportunities of Telco & IT Markets



Data Source: Gartner

The Need for the Modern Telco for Business

Modern businesses have modern requirements..



“60% of organizations will use an external service provider’s cloud managed service offering, which is double the percentage of organizations from 2018”*



...but there is no easy-to-deploy end-to-end solution

- Distributed workforce
- High bandwidth/ fast speed requirement
- Migrating to cloud-based digital tools
- Conduct all activities (eg sales/support) online
- Integrate and manage many device types

Problem being solved:

- Major telcos are not equipped to help businesses transition to this new work environment
- Business owners have to go to multiple service providers to create a solution
- Each service provider doesn’t own any issues that arise in the solution
- **A significant gap exists for a modern telco to be a ‘one stop shop’ for businesses in the current market**

*Gartner Cloud Report Nov 2019

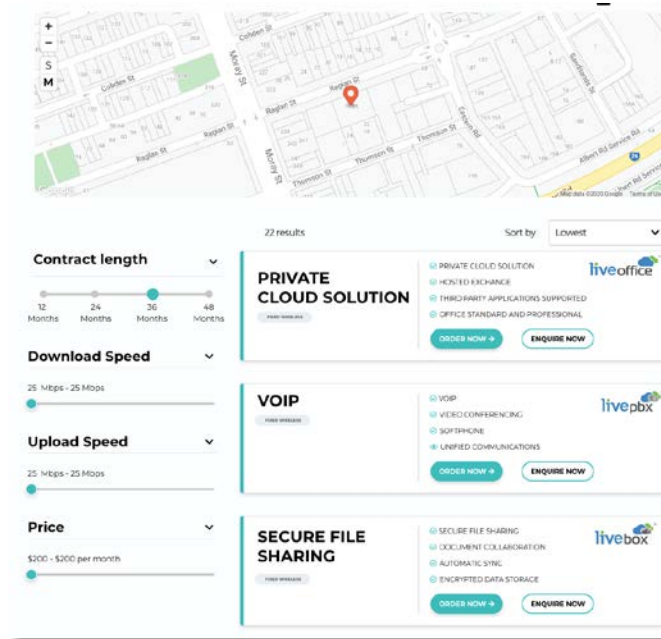
Outlook Q1 & Q2: Execution & Reaching Scale Quickly

+300 hungry wholesale Telco & IT dealer network by DEC 20...



...with new services to offer their existing client base via a digital platform

SpiritX digital service aggregation platform...



...with instant provisioning of services to customers in Q3-Q4

Spirit has a growing network of telco dealers

National advertising campaign

Historically only supplied basic telco services

Access to the Spirit bundle of services

Powered by SpiritX for online sales

Digital fulfilment = improved margins

STI ACCELERATED GROWTH PLAN 2020-21



ORGANIC

1. **NSW expansion via acquisitions & 300 active Spirit Solution Partners & resellers in Spirit X by Dec 20**
2. **VPD Acquisition has performed strongly in July 20.**
3. National marketing launch of Spirit & VPD bundles via Spirit X
4. Launch Trident IT Solutions products nationally
5. Identify \$1.5M in additional Opex synergies across acquisitions

2020-21 STI TARGET

1. **Build scale via organic + M&A**
2. Circa +\$85M Revenue run rate target by CY Dec 20
3. 15% Normalised EBITDA run rate at end of FY21

M&A

1. **At negotiation stages with multiple vendors / sellers**
2. **Major new institutional investors entered the register in Q3 20 to accelerate acquisition cadence.**
3. Current acquisition targets identified; have >\$35M in annuity based revenue

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