

**SPIRIT HAS AGREED TO ACQUIRE THREE IT & TELCO COMPANIES
SIMULTANEOUSLY GROWS SYDNEY & NSW MARKETS INSTANTLY
SUCCESSFULLY COMPLETES PLACEMENT OF \$18.2M & ANNOUNCES
SHARE PURCHASE PLAN (SPP) FOR RETAIL SHAREHOLDERS TO RAISE UP
TO AN ADDITIONAL \$5.0M.**

Spirit Telecom (ASX.STI) today announces the agreement to acquire three IT Managed Service providers, the successful raising of \$18.2M in a strongly supported Placement (**the Placement**), which comprises an unconditional placement of approximately \$17.88m to institutional and sophisticated investors and a conditional placement to Directors and Management of approximately \$0.36m (subject to shareholder approval).

The Company also announces the launch of a Share Purchase Plan (**SPP**) to raise up to \$5.0m at the same issue price as the Placement.

Highlights

- Immediate geographic expansion with the acquisition of three IT Managed Service providers across Sydney Metro & Central NSW – accelerating the growth of Spirit Solution Partners network.
- The three businesses bring strong Sales, IP, Products, IT Engineering skills and generate \$12.0M in combined revenue with >60% of this recurring revenue which represents cash EBITDA of \$2.5M for FY20 (21% EBITDA margin).
- EBITDA multiples for new acquisitions of between x3.0-x3.5. Upfront payment of \$5.7M cash and \$2.6M Spirit equity. Total deal value \$10.4M including potential incentive amounts (the earn-outs). All vendors remain with Spirit and become Spirit Solution Partners.
- Spirit announces that it has successfully completed an unconditional 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 a Share Purchase Plan (SPP) which will open on 28 August 2020 and close on 15 September 2020, raising up to an additional \$5.0m.
- The new funds raised will be allocated to pursue additional acquisition opportunities available, accelerate the development of the Cloud product range in the Spirit X Digital Sales Platform and to market the Spirit Brand & Products nationally.

- Spirit is also pleased to confirm that CBA has further increased the Spirit debt facility by \$5.0M, the additional funds raise the debt facility limit to \$15.9M (the \$5.0M increase may be used by Spirit on an optional basis only if required for funding acquisitions).

Acquisitions

The three Companies agreed to be acquired – which will be rebranded as **Spirit Solutions Partners** are:

1. Reliance IT, a Cloud Managed Services Provider based in Central NSW and one of the largest providers of IT services in regional NSW;
2. Beachhead Group, a Sydney based IT Managed Services Provider, specialising in Cloud and Infrastructure deployment to businesses and private schools; and
3. Altitude IT, a Sydney based IT Managed Services Provider with a diverse base of recurring revenue across the commercial & industrial sectors.

The acquisitions will add critical mass to Spirit Solutions Partners (the Company's newly created wholesale division) in Australia's largest Telco and IT market (NSW). These companies are highly complementary to Spirit's IT services business, providing Managed Services, Voice, Cyber-Security and Cloud-Based solutions. The acquisition growth is complemented with 21 new Spirit Solution Partners and Resellers signed up across NSW & QLD in July to sell Spirit products via the new wholesale channel.

The three businesses generate \$12M revenue combined. Approximately 60% of this revenue is recurring, reflecting the established base of B2B customers and long-term contracts across the three businesses. The acquisitions will add a forecast \$2.5M of accretive EBITDA in FY21.

On completion, Spirit will issue the completion shares at a deemed issue price of \$0.32 (32 cents) per share, with the shares escrowed for 12 months from completion date. The earn-out component shares for two of the acquisitions will be issued at a 20 business-day Volume Weighted Average Price (VWAP) at the relevant time. For the third acquisition the earn-out component shares will be issued at a deemed issue price of \$0.32 (32 cents). The Company will utilise its capacity under ASX Listing Rule 7.1 for the completion shares and the earn-out component. The cash component will be paid from Spirit's cash reserves.

Completion is subject to normal closing conditions and is expected to occur on 1 September 2020.

"These acquisitions are consistent with our strategy to bring in right-fit, right price, high-margin IT & Telco services businesses. Additionally, these transactions give us a much deeper presence in Sydney and Central NSW immediately." said Sol Lukatsky, Managing Director of Spirit Telecom.

Increased Debt Facility

Spirit also confirms that CBA has increased the Spirit debt facility by \$5.0M, raising the debt facility limit to \$15.9M (the \$5.0M increase may be used by Spirit on an optional basis only if required for funding acquisitions). The expanded facility from CBA is a vote of confidence in Spirit's financial performance.

Capital Raise

"The new funds raised will allow Spirit to accelerate growth, organically and via further acquisitions. We can now take advantage of national media buys across major advertising networks, online digital platforms at a time when media prices are at historical lows. Furthermore, we push aggressively with the rollout of Spirit Solution Partners, our wholesale network. We have recently signed 21 new partners, and now with these transactions and new funding lines our sales network expands at pace nationally. An expanded dealer network combined with our digital sales platform, Spirit X – a proven lead generator– will be a powerful engine to disrupt the major Telco & IT companies across Australia." said Sol Lukatsky, Managing Director of Spirit Telecom.

Additional details on capital raise

The Company is pleased to announce that it has received firm commitments to raise A\$18.2 million through the issue of approximately 57.0 million shares at \$0.32 (32 cents) per share (**the Placement**), which will be conducted in two tranches, with Tranche 2 being subject to shareholder approval (refer to further details below).

In parallel, the Company announces a Share Purchase Plan (**SPP**) to raise up to A\$5 million through the issue of approximately an additional 15.6 million shares at the same issue price as the Placement, being \$0.32 (32 cents) per Share.

Placement

New shares under the Placement will be issued in two tranches totaling approximately 57.0 million new ordinary fully paid shares at \$0.32 (32 cents) per share ("Issue Price") to raise \$18.2 million ("the Placement") as split between two tranches below:

- **Tranche 1 (T1 Shares)** – Unconditional placement of 55.9 million shares issued utilising Spirit's placement capacity under Listing Rule 7.1 (12.8m shares) and 7.1A (43.1 million shares), raising \$17.88m. The Company is not utilising the temporary ASX facility of additional 10% capacity under Listing Rule 7.1.
- **Tranche 2 (T2 Shares)** – Conditional placement of 1.125 million shares raising \$0.36m, subject to shareholder approval.

Directors and Management are expected to participate in Tranche 2 of the Placement, subject to the approval of the Company's shareholders.

The Issue Price of \$0.32 (32 cents) represents a:

- 13.5% discount to the last close price of \$0.37
- 13.7% discount to the 5-day VWAP of \$0.371 (as at 17 August 2020)

New shares issued under the Placement will rank equally with existing Spirit shares.

Shaw and Partners Limited is acting as lead manager to the Placement.

Share Purchase Plan

The Company will give eligible shareholders an opportunity to subscribe for new fully paid ordinary shares (SPP Shares) in the Company by way of an SPP. The SPP Shares will be offered at an issue price of \$0.32 (32 cents) per Share (being the same issue price per SPP Share as the price under the Placement).

Under the SPP each shareholder who held shares in the Company at 7.00pm (AEST), Wednesday, 19 August 2020 and who had a registered address in Australia or New Zealand will be entitled to acquire up to \$30,000 of SPP Shares without brokerage. The SPP will raise up to A\$5m (before costs). Full details of the SPP (including details of any scale back in the event of oversubscription) will be set out in the SPP Offer Booklet which is expected to be released to ASX and despatched to eligible shareholders on 28 August 2020.

Use of Funds

The funds raised by the Company under the Placement and SPP will:

- Fund the acquisition of three IT Managed Services Providers in NSW;
- Strengthen the Company's balance sheet in order to take advantage of potential acquisition opportunities;
- Allow for expansion of existing products, infrastructure and branding; and
- Provide general working capital and pay the costs of the Placement and SPP.

Indicative timetable

An indicative timetable for the Placement and SPP is provided below:

Record Date for SPP	Wednesday, 19 August 2020
Announcement of Acquisitions, Placement, SPP and re-commencement of trading of shares on ASX	Thursday, 20 August 2020
Unconditional Settlement (TI Placement Shares)	Wednesday, 26 August 2020
Allotment and Issue of TI Placement Shares	Thursday, 27 August 2020
Normal trading commences (TI Placement Shares) (subject to ASX Listing Rules)	Friday, 28 August 2020
Announcement and Dispatch of SPP Offer Booklet	Friday, 28 August 2020
SPP Opens	Friday, 28 August 2020
SPP Closes	Tuesday, 15 September 2020
SPP Results announced to the ASX	Friday, 18 September 2020
Issue of SPP Shares under the SPP	Tuesday, 22 September 2020

Trading of all SPP Shares (subject to ASX Listing Rules)	Thursday, 24 September 2020
Company AGM to be held (for T2 Placement approval)	October 2020 (TBC)
Conditional Settlement (T2 Placement)	October 2020
Allotment and Issue of T2 Placement Shares (subject to shareholder approval)	October 2020
Normal trading commences of T2 Placement Shares (subject to shareholder approval)	October 2020

Spirit reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary any or all of the dates and times of the Placement and SPP without prior notice, including extending the SPP or to withdraw the SPP without prior notice. Any extension of the Closing Date of the SPP will have a consequential effect on the issue date of shares under the SPP.

The commencement of quotation of the SPP Shares under the SPP is subject to confirmation from ASX.

All times are Melbourne time.

- ENDS -

This announcement is authorised for release to the market by the Board of Directors of Spirit Telecom Limited. For all media enquiries regarding this announcement please contact:

Sol Lukatsky

Managing Director

03 8554 1320 or soll@spirit.com.au

Business Address: Level 2, 19-25 Raglan Street, South Melbourne VIC 3205