

SPIRIT TO ACQUIRE NEXGEN – LARGEST ACQUISITION TO DATE

DOUBLES B2B CUSTOMER BASE & SUCCESSFULLY COMPLETES

PLACEMENT OF \$23.8M & INCREASES CBA DEBT FACILITY TO \$25.0M

Spirit Technology Solutions (ASX:STI) today announces the agreement to acquire Nexgen and the successful raising in a strongly supported Placement (**the Placement**), comprising of an unconditional placement of approximately \$23.8M to institutional and sophisticated investors. Additionally, the company is pleased to announce an uplift of \$10.0M to its debt facility from CBA to \$25.0M to support the acquisition.

- The Nexgen acquisition brings over five thousand new B2B clients, and one hundred new sales people to Spirit to drive organic growth, complementary products and scale. It is expected to generate \$36.0M in revenue with 80% of this being recurring revenue.
- Nexgen is tracking to a forecast FY21 EBITDA in the range of \$7.2M - \$7.6M. The implied multiple is 6.5x with the completion payment (including a deferred component of \$10.0M) capped at \$50.0M consideration excluding any agreed Milestone Incentives available based on performance target for FY22 and FY23.
- All vendors remain with Spirit for a minimum period of 18 months (on a performance based earnout) and will take 30% of the consideration in Spirit shares and 70% in cash. The cash component will be funded from the capital raising and CBA debt facility.
- Material geographic and commercial expansion with the acquisition being the largest completed by Spirit to date – which doubles its portfolio of B2B customers to over 10,500.
- Spirit has successfully conducted an unconditional Placement to institutional and sophisticated investors raising \$23.8M.
- Spirit is also pleased to confirm that CBA has further increased the Spirit debt facility by \$10.0M. The additional funds raise the debt facility limit to \$25.0M.
- Spirit was unable to include a Retail SPP (Share Purchase Plan) in this capital raising due to timing conditions associated with the bank debt facility increase and the settlement dates agreed with the Nexgen vendors around the Easter Holiday Period.

About Nexgen

- Over 5,500 Data & Voice business customers with 4,000 being contracted and recurring (80%).
- Comprises the Nexgen and Business Telecom businesses.
- Average contract term is 4.5 years with no customer concentration.
- +100 sales team members instantly join Spirit to sell the existing Nexgen products and cross sell Spirit's Internet, Cloud, Voice, Mobiles and Cyber Security.

Nexgen sells a range of high growth Data, Security & Voice products including;

- **Data:** Business internet plans (NBN and high-speed fibre).
- **Voice:** Local, national, international, Nexgen provides a broad range of equipment and software technologies that facilitate communications across multiple modes and from multiple locations and/or devices.
- **Mobile:** Vendor independent mobile plans.

On completion, Spirit will issue the completion shares at a deemed issue price of \$0.365 (cents) per share to the Nexgen vendors, with the shares escrowed for 12 months from completion date. The earn-out component shares for the acquisition will be issued at a 20 business-day Volume Weighted Average Price (VWAP) at the relevant time. The Company will utilise its capacity under ASX Listing Rule 7.1 for the issuance of the completion shares and the earn-out component shares. No shareholder approval for the acquisition or capital raising is required. The cash component will be paid from Spirit's cash reserves, capital raise proceeds and CBA debt facility.

Completion of the acquisition is expected to occur on or about 8th April 2021.

"This acquisition more than doubles the Spirit portfolio of business services and assets in Telco and is consistent with our strategy to bring in right-fit, right price, high-margin IT & Telco businesses. Additionally, this transaction gives us a much deeper presence nationally and in particular in Sydney and Brisbane. Adding over 100 salespeople and 5,500 new customers will immediately have a material impact on our organic growth via an increased sales pipeline." said Sol Lukatsky, Managing Director of Spirit Technology Solutions Ltd.

Elie Ayoub & James Harb, joint-Managing Directors of Nexgen said *"As two leading companies within the telecommunications space, a combined Spirit and Nexgen will be committed to delivering superior end to end business solutions to our combined SMB customer base. Our two companies amalgamated will also sell a wider range of telecommunications products and IT services, offering greater choice and more opportunities for all our customers. We are both excited about the journey ahead and look forward to working with Sol and his team."*

General Business Update

Spirit continues to see strong demand for its range of Cyber Security, Cloud, IT, Internet & Telco services. Revenue, EBITDA and NPAT are all tracking to expectations. Large corporate-sized contract wins also continue in Banking, Health, Mining and Education.

Interest in the divestment of the consumer assets has been positive, with over 10 interested parties participating in the process being led by BDO.

Spirit has also recently launched its newest national marketing campaign – **Do IT with Spirit**. Media is positioned across: Sky News, Digital, Australian Financial Review, Billboards across Sydney and Melbourne Airports.

Capital Raise (Placement)

"The new funds raised will allow Spirit to accelerate growth, organically and via further acquisitions." We continue to integrate acquisitions from 2020 ahead of schedule across CRM, Billing and ERP systems." said Sol Lukatsky, Managing Director of Spirit Technology Solutions.

The Company is pleased to announce that it has received firm commitments to raise A\$23.8M through the issue of approximately 72,161,000 million shares at \$0.33 (33 cents) per share (**the Placement**). The Company will utilise its remaining LR7.1 placement capacity of 18,094,872 shares and the balance to be taken from 7.1A placement capacity.

Use of Funds

The funds raised by the Company under the Placement will:

- Fund the acquisition of Nexgen and Business Telecom;
- 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.

Indicative timetable

An indicative timetable for the Placement is provided below:

Announcement of Acquisitions, re-commencement of trading of shares on ASX	31 March, 2021
Unconditional Placement Settlement	7 April, 2021
Allotment and Issue of Placement Shares	8 April, 2021

Spirit reserves the right to vary any of the dates without prior notice.

- ENDS -

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