

30 August 2023

Spirit positioned for growth in FY24

Highlights:

- Reported audited FY23¹ Revenue of \$127M and underlying EBITDA² of \$5.2M as previously guided and in line with unaudited results
- 300+ new clients and 4 new partnerships secured as at 30 June 2023, delivering \$5M in contracted revenue
- Launch of new go-to market strategy of Secure, Sustainable, Scalable
- New Security Operations Centre established – a key competitive advantage – protecting \$22B in client revenue
- Selected data centre and network assets divested December 2022

Spirit Technology Solutions ("Spirit" ASX:ST1), a leading provider of secure digital transformation and modern work environments provides its financial results for the 12 months ended 30 June 2023 (FY23¹).

FY23 Financial Summary

	FY23 ('000)	FY22 ('000)
Revenue	127,114	135,338
Underlying EBITDA²	5,151	7,256
Underlying net profit (loss)³	692	(375)
Reported net loss after tax	(11,389)	(53,166)
Cash	7,024	11,733

Operational review

As at 30 June 2023, Spirit had secured 300+ new clients and 4 new partnerships, delivering \$5M in contracted revenue.

Launch of new go-to market strategy

In May 2023, Spirit launched a new go-to market strategy focused on three high growth areas. The new strategy progresses the Group's move towards becoming one of Australia's leading providers of modern and secure digital workplaces via the provision of the following services:

- **Secure:** Helping companies create a secure organisation and reduce risks through our Cyber Security solutions.
- **Sustainable:** Working with our partners Cisco and Microsoft to provide companies with smart networks, IoT devices and carbon reporting and management models to help reduce their carbon footprint.
- **Scalable:** We help businesses to be scalable at low cost through our smart infrastructure solutions.

Bringing these three market offerings together gives the Group a platform for growth going into FY24⁴.

Cyber Security

Spirit's new Security Operations Centre in Brisbane went live on 1st June 2023. The facility, which is built to ASIO "Secret" standards, manages a growing number of leading Australian organisations, with the SOC team currently enabling the Group's customers to protect \$22B in client revenue.

The new facility is a key differentiator against generic SOC capabilities provided by Australian managed service providers. It will support Spirit's SOC services and enable the cyber team to scale and underpins the sale of security services into the Managed Services customer base.

Managed Services

In December 2022, Spirit transferred selected data centre and network assets to a Melbourne-based business associated with the principals of the Maret Group which acquired Spirit's Fixed Wireless business in June 2022.

The Group made significant progress with the Managed Services restructuring program which has achieved:

- Sale of non-core assets reducing ongoing liabilities by \$18 million;
- Reduction of labour costs by an annualised \$12 million;
- Transition of all key customers of legacy products onto modern scalable solutions; and
- Consolidation of multiple offices into six primary offices.

Financial results

Spirit reported audited Group revenue of \$127 million for FY23¹, down 6.1% on FY22 and audited Group Underlying EBITDA² of \$5.2 million, in line with previous guidance and with the unaudited results reported earlier in August.

The loss for the Group for FY23¹ after income tax was \$11.4 million, down from the \$53.2 million loss in FY22.

Collaboration and Communication achieved an underlying net profit before tax³ of \$8.0 million (FY22: \$8.6 million) on a record full year sales revenue of \$41.6 million (FY22: \$35.0 million). The record revenue was driven by strong demand for products and a proven and well-disciplined sales methodology.

Cyber Security achieved an underlying net profit before tax³ of \$0.6 million (FY22: \$2.0 million) on full-year sales revenue of \$33.6 million (FY22: \$31.4 million), impacted by significant investment initiatives to develop new products and automation considered necessary to lay the foundation for forward growth, differentiate on customer experience and to enable cyber sales into the other Company segments.

The Managed Services segment reported an underlying net loss before tax³ of (\$3.3 million) (FY22 loss: \$7.0 million) on full year revenue of \$52.4 million (FY22: \$69.6 million), with the revenue reduction reflecting the segment's divestment programs alongside its customer target and profitability refocus initiatives.

Cash and cash equivalents as at 30 June 2023 totalled \$7.0 million (FY22: \$11.7 million).

Outlook

Spirit enters FY24⁴ with a refocused Company and growth platform that is expected to drive the Managed Services business back into positive earnings given the improving market conditions.

Spirit Managing Director and CEO Julian Challingsworth said: "Spirit commences the new financial year with momentum. Our investment this year in stable technology platforms gives our Company a strong base to integrate acquisition opportunities and continue to grow our new market offerings. We continue to work towards our aim of becoming one of Australia's leading providers of modern and secure digital workplaces, with appropriate earnings return."

Spirit will hold its annual investor presentation when it releases its Annual Report end of September.

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

2 EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit/(loss) under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude share-based payments, gain/(loss) on divestment of non-core assets, acquisition & divestment costs, restructuring costs, other restructuring items, net fair value loss on remeasurement of contingent consideration on business combinations and impairment of non-current assets. Refer to the 2023 Appendix 4E - Directors' Report and Financial Statements for additional detail and commentary.

3 Underlying net profit/(loss) before income tax benefit/(expense) ("uNPBT") is a financial measure which is not prescribed by Australian Accounting Standards and adjusts underlying EBITDA² to deduct depreciation & amortisation (excluding amortisation of customer relationships) and finance costs (net of interest revenue).

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

This announcement was authorised on behalf of the Spirit Technology Solutions Ltd Board by:

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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.