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SPIRIT TELECOM ANNOUNCES ACQUISITION OF PHONE NAMES SUPPORTED BY \$2.25 MILLION CAPITAL RAISING CORNERSTONED BY MHOR ASSET MANAGEMENT

Highlights

- Acquisition of 100% of Phone Names for a consideration of \$4.2 million
- Phone Names owns and markets inbound 1300 and 1800 phone names
- Implied transaction multiple of 5 X normalised EBITDA of \$800k
- Circa 40% EPS accretive
- Over 2200 Smart Numbers acquired as an on balance sheet asset.
- Strong strategic fit for Spirit with cross selling and growth opportunities from expanding asset base
- The acquisition will be funded via an institutional and sophisticated equity placement of \$2.25M and a new debt package

Spirit Telecom Limited ("Spirit", ASX:ST1) has entered a binding agreement to acquire Phone Names Marketing Pty Ltd and an associated entity (Phone Names) for A\$4.2 million.

Phone Names owns and markets inbound 13/1300/1800 Smart Numbers (eg. 1300 fitness, 1300 Paving) and owns over 2200 phone names. Customers include the likes of Domino Pizza (1300 DOMINOS), Harvey Norman (1300 GO HARVEY), Bendigo Bank (1300 BENDIGO) and Vodafone (1300 VODAFONE).

The business has revenue of \$1.5 M and a normalised earnings before interest and tax of approximately \$800k, for the preceding twelve months. This equates to an approximate multiple of 5 times on the \$4.2 M acquisition price.

The acquisition is subject to customary conditions precedent which are expected to be met over the next 10 days.

The Acquisition will be funded via an equity capital raising of A\$2.25 million from institutional and sophisticated investors of which boutique fund manager MHOR Asset Management (co-founded by Vocus founder and former director James Spenceley) corner stoned the placement. Subscription Agreements for a total of 83,407,369 ordinary shares at 2.7 cents each have been entered into raising the A\$2.25 million. No shareholder approval is required.

The balance of the acquisition will be funded via a proposed new debt facility of \$4.2M which will also be used to refinance existing debt of \$2M.

Spirits Managing Director, Geoff Neate said, “Whilst Spirit is known for its core focus of supplying superfast internet on next generation wireless infrastructure, the acquisition of Phone Names blends well with our model of being a full service provider to our business customers. We see Phone Names as a unique asset along with a blue chip customer base that we can cross sell core Spirit services to.”

MOHR Asset Management’s CEO James Spenceley said, “Spirit is an exciting company that has proven its ability to deliver a superfast Internet service on it’s own wireless infrastructure with resulting expanding margins. The acquisition of Phone Names while providing solid cross sell opportunities for the core business and is incredibly EPS accretive. At 20% utilisation of the numbers, there is real leveraged upside as they increase that utilisation and result cash flow benefits.

Spirit believes the Phone Names business will add significant value

- Provides unique phone names that are in high demand
- Ability to bundle services to existing customers
- High incremental margin by increasing utilisation of the Phone Name portfolio
- Significant cash earnings, no Capex to fund the current business or increased sales.

Spirit has the required knowledge and skills to manage and operate this business successfully given it has an already 10-year history of selling 1300/1800 numbers. This acquisition complements a number of existing business services that Spirit has in its portfolio, such as voice, data and hosted PBX and provides the opportunity to deepen its existing customer relationships as well as open up new customer acquisition opportunities.

About Spirit

Spirit Telecom Limited is a modern telecommunications provider of ultra-fast Internet access and telephony services.

A fast growing niche Telecommunications Carriage Service Provider, Spirit is focused on supplying fibre based broadband services to multi-dwelling user locations including residential, business, student accommodation, community housing and business parks.

Spirit was voted as being Australia’s fastest Internet Service Provider (ISP) for 2015 by PCMag.com. With 10-year brand awareness, Spirit prides itself on delivering real service to its Australian residential and commercial customers and provides customers with the highest quality product.

Spirit has a track record in acquisitions, having already successfully completed Voxcom and My Telecom purchases in the past.

For more information, please visit www.spirit.com.au

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