

31ST January 2018

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDED 31 DECEMBER 2017

ASX Symbol: ST1

REGISTERED OFFICE

Level 4, 100 Albert Road
South Melbourne VIC AUS 3205

PRINCIPAL PLACE OF BUSINESS

Level 2
19-25 Raglan Street
South Melbourne VIC 3250

CONTACT

P 1300 007 001
F 1300 887 813
www.spirit.com.au

BOARD OF DIRECTORS

Mr James Joughin (Chairman)
Mr Terry Gray (Director)
Mr Geoff Neate (Managing Director)
Mr Luke Waldren (Director)

ISSUED CAPITAL

Fully paid ordinary shares:	227,837,268
ST10 Listed Options:	44,654,523
ST1AC Unlisted Options:	2,500,000
ST1AB Performance Rights:	1,970,600

Spirit Telecom Limited (ASX ST1) ("Spirit") is pleased to provide shareholders with the quarterly activities report and Appendix 4C for the quarter ended 31 December 2017.

Highlights:

- Continued revenue growth in Q2'18 and 1H18 revenue guidance of ~\$8m (subject to Audit review), which represents 54% growth on 1H17 and 30% growth on 2H17
- 10 consecutive quarters of growth in both Commercial/Residential cash receipts
- On-Net Building¹ Revenue grew by 36% on Q2'17, with continued growth in both Commercial (+50%) and Residential (+18%) revenues over Q2'17
- Number of On-Net buildings grew by 10% from Q1'18 to 439 (41 net adds)
- Number of connected apartments grew by 5% from Q1'18 to 21,435
- Capex per building averaged \$8,500 during 1H18 – 26% lower than FY17 average
- Finished the period with \$2.27m of net debt, implying a trailing FY17 net debt/EBITDA ratio of 0.67x and the company remains well within its banking covenants.

Summary of Activities:

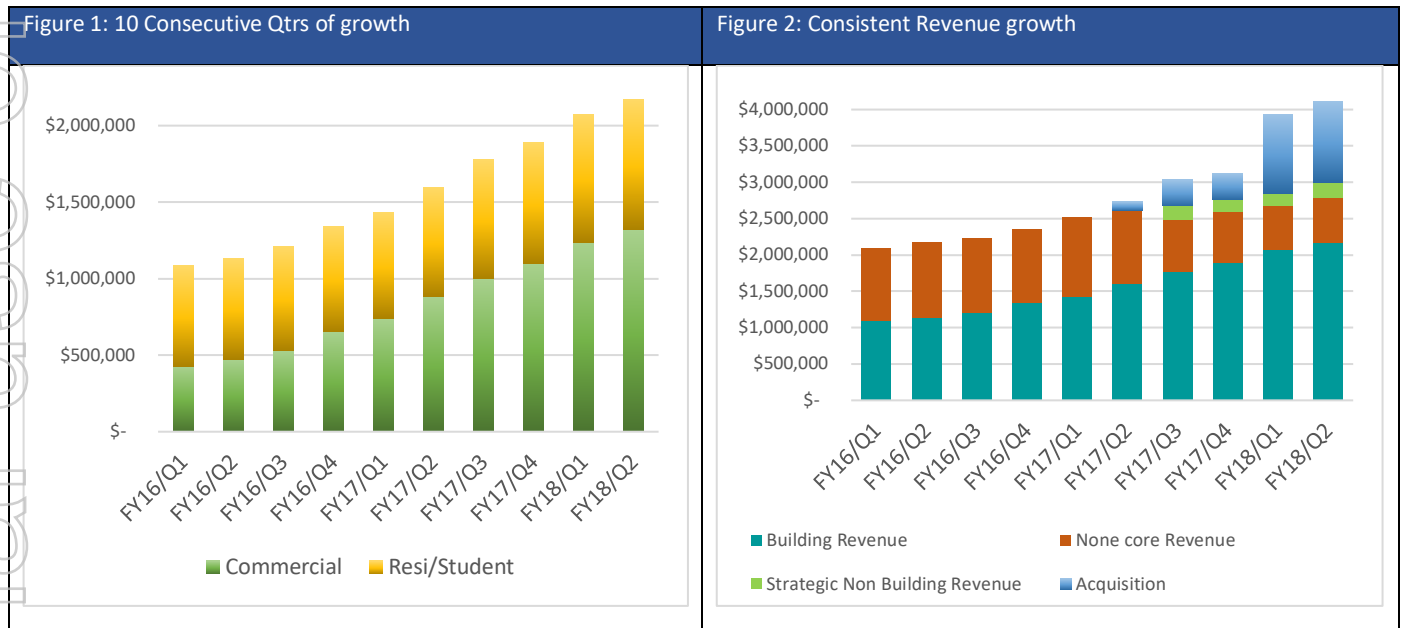
- Normalised net operating cash flow of \$823k in Q2, up 31% from \$629k in Q1 – marking the 6th consecutive quarter of cash flow positivity for the Company. Operating expenses during the quarter included a one-off acquisition costs of \$280k
- Reported net operating cash flow grew by 216% to \$543k in Q2, up from \$172k in Q1
- Spirit was recognised by independent internet speed testing firm, Ookla, as Melbourne's fastest internet service provider (ISP)
- World Without Wires acquisition (effective 1 July) grew strongly over the last 6 months

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Revenue Commentary

High margin building revenues continue to be the key growth driver for the Company, and each quarter account for an increasing proportion of overall revenue. On-Net Building Revenue grew by 36% on Q2'17, with continued quarter-on-quarter growth in both Commercial (+7%) and Residential (+3%) revenues (Figure 1). Residential non-student grew by 5%. Number of Connected Apartment numbers grew by 10% from Q1'18 to 21,435, while average residential penetration held at 19%.

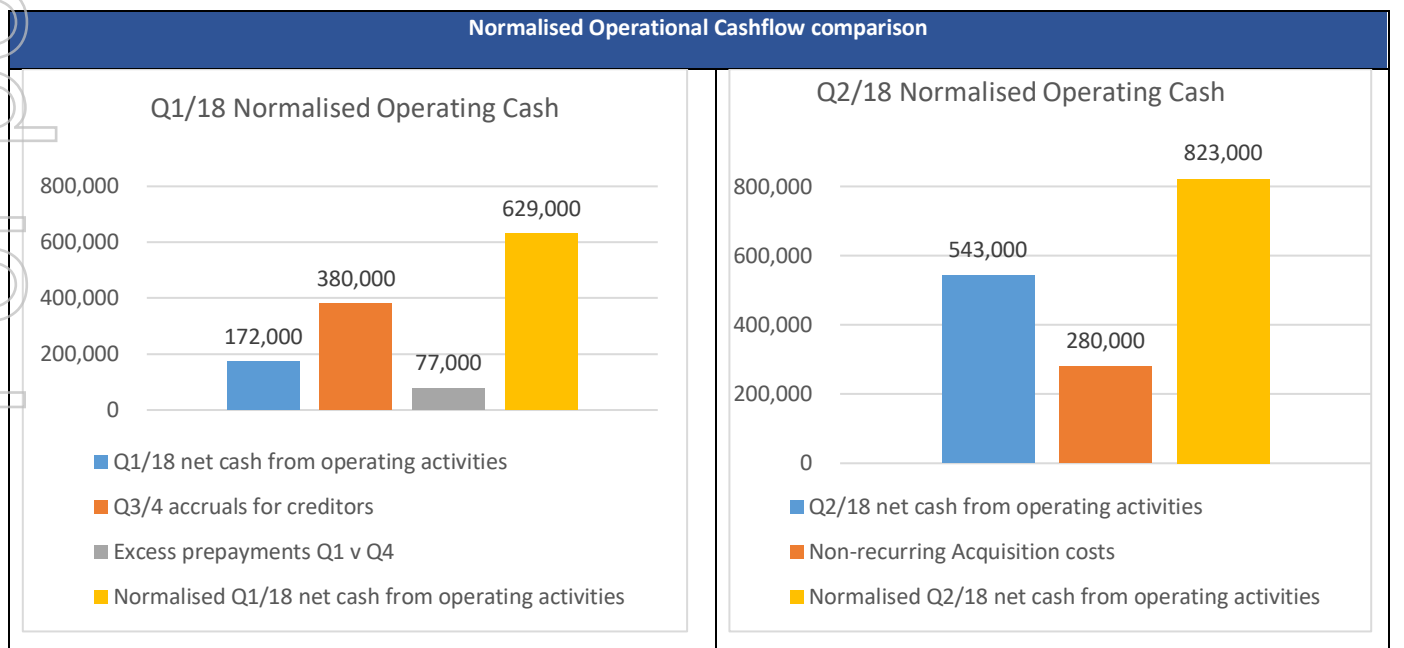
World Without Wires has exhibited strong growth in the first six months under Spirit ownership, and Phone Names EBITDA remains steady.



Normalised Operational Cashflow commentary

Opex

As already noted, Operating expenses during the quarter included non-recurring items relating to the World Without Wires acquisition of \$280k paid in Q2/18. As a result, normalised net operating cash flow was \$823k for the quarter. Underlying Operating net cashflow for Q1/18 was \$629k.



Capex

Capex totalled \$430k during the quarter including World Without Wires (WWW) network and customer growth (\$105k).

Capex per building reduced substantially to \$8,500 during 1H18, (↓26% FY17 average), highlighting improved capital efficiency and the Company's continued strategic focus on accelerating Commercial deployments.

Outlook

Taking into account seasonal student fluctuations, the company has enjoyed positive momentum early in FY18 and anticipates continued quarter-on-quarter growth in overall revenues. Commenting on the outlook, Managing Director Geoff Neate stated, "This is our 10th consecutive quarter of growth in all strategic revenue drivers and we are pleased to have delivered on our promise at listing to grow the Company both organically and through acquisition. With our strengthened executive team now well settled within Spirit and the World Without Wires acquisition largely integrated, we believe the Company is well positioned to continue delivering positive results for shareholders and capitalising on high demand for our superfast internet services."

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Spirit Telecom Limited

ABN

73 089 224 402

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to Date (6 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,241	8,487
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(193)	(316)
(d) leased assets		
(e) staff costs	(641)	(1,416)
(f) administration and corporate costs	(2,803)	(5,915)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(61)	(124)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	543	716

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment*	(420)	(1,238)
(b) businesses (see item 10)	-	(3,152)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to Date (6 Months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets*	(130)	(210)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	20	20
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Cash acquired on acquisition)	(83)	2
2.6 Net cash from / (used in) investing activities	(613)	(4,578)

* Includes appropriately capitalised wages

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,000	4,500
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(180)	(270)
3.5 Proceeds from borrowings	-	6,000
3.6 Repayment of borrowings	(300)	(4,156)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,520	6,074

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	974	1,212
4.2 Net cash from / (used in) operating activities (item 1.9 above)	543	716
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(613)	(4,578)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,520	6,074

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Consolidated statement of cash flows		Current quarter \$A'000	Year to Date (6 Months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,424	3,424

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,424	974
5.2 Call deposits	2,000	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,424	974

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

50

-

Director's fees and salaries paid to directors during the December 2017 quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

138

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7.1 – Total payments to Lodge Corporate Advisory Services are \$138,000 for acquisition success fees. Terence Gray is a consultant with Lodge and a Director of Spirit Telecom Ltd.

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,700	5,700
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered or are proposed to be entered into after quarter end, include details of those facilities as well.		

An initial loan facility of \$6,000,000 (disclosed at Section 3.5) has been provided by Bank of Melbourne. The interest rate applied is BBSY plus a margin of 3.5%. The scheduled principal repayments to Bank of Melbourne are \$300,000 per quarter with the first payment made in December 2017. The facility is secured.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(210)
9.4 Leased assets	-
9.5 Staff costs	(850)
9.6 Administration and corporate costs	(3,100)
9.7 Other – Investing activities – Capital Expenditure**	(1,100)
Other – Financing activities - Repayment of borrowings **	(300)
9.8 Total estimated cash outflows	(5,560)

* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast revenue.

** Includes previously advised capex including network expansion and system implementations. Timing could vary subject to project progress.

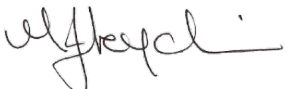
** The principal of the loan provided by Bank of Melbourne is to be repaid by Scheduled Repayments of \$300,000 per quarter.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	N/A
10.2 Place of incorporation or registration	-	N/A
10.3 Consideration for acquisition or disposal	-	N/A
10.4 Total net assets	-	N/A
10.5 Nature of business	-	N/A

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 31 January 2018

Print name:MELANIE LEYDIN.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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