

30 June 2022

Spirit Strategy: Implementation Update

- **Spirit progresses next stage of strategy with operational restructure, aligns segment reporting to key operating businesses of Intalock, Spirit IT&T and Nexgen.**
- **Intalock and Nexgen have continued to demonstrate strong organic revenue and EBITDA growth since acquisition.**
- **Operational restructure expected to release significant costs from Spirit IT&T and Corporate functions following the implementation of the restructuring plan.**
- **Supports improved EBITDA and operating cashflow performance in FY23 with strengthened Balance Sheet following divestment of fixed wireless assets.**

Spirit Technology Solutions ("Spirit" ASX:STI) is providing an update on the implementation of the next stage of its strategy.

As announced to shareholders on 1 June 2022, Spirit successfully completed the divestment of its fixed wireless infrastructure assets. The divestment of these assets (including the earlier consumer divestment in Oct'21) is an important step in the strategy to position the Spirit IT&T business to focus on secure, connected modern workplace solutions to a refined target customer market.

The business has progressed its strategic review in order to streamline operations supporting Spirit IT&T's evolved market positioning and is accelerating implementation of its plan to deliver profitability and cashflow improvements.

As a consequence of the divestments and operating initiatives being undertaken, the Spirit Board has resolved to implement a restructuring plan ("the Plan"). The strategic review also considered customer and legacy service profitability, and implementation of the Plan will result in an initial reduction in revenue for the IT&T segment over the short term. This temporary reduction will be accompanied by a more than commensurate reduction in operating costs within the Spirit IT&T business and at the Corporate level.

As a result of the restructure, the defined operating and reporting structure for the Group will be:

- Nexgen brand offering award-winning voice solutions, data and office technology for small business;
- Spirit brand offering a comprehensive range of managed IT and professional services including end-user, public cloud, infrastructure and networking, data and voice solutions to SMB and mid-market customers;
- Intalock brand offering specialist cyber managed and professional services, security operations and specialist cyber software to Corporate and Enterprise customers.

The Board is confident that as a result of this strategic realignment and implementing the Plan, financial performance will improve during FY23. As a consequence of the Board approving the Plan, Spirit will recognise an initial restructure provision in the order of \$1M¹ as at 30 June 2022 to provide for estimated costs associated with employee restructuring costs at the Corporate level. The exact amount of the provision to be recognised remains subject to audit and will be advised to the market in Spirit's FY22 financial results, planned to be released in the week commencing 22 August 2022. It is expected that additional costs associated with the restructure Plan will be recognized in FY23 as the Business continues to refine its operating structure for the Spirit IT & T business.

¹ Remains subject to audit.

As part of the strategic review, the move to a segment focus and approval of a restructure plan, the Company has undertaken a review of the carrying value of assets for impairment including the carrying value of goodwill and other intangibles associated with those operations. It is estimated that in addition to the restructuring provision, the asset impairment review will result in a non-cash impairment expense of ~\$47M¹ FY22.

The operational restructure reflects Spirit's strategic priorities and better aligns management responsibility and accountability. It sharpens the focus on customers, improved EBITDA performance and cashflow positive operations. Further details on progress will be advised in due course.

Update on appointment of Managing Director

The Board is well progressed in the process to appoint a new Managing Director to the Group. A number of exceptional and well credentialed candidates have been 'short listed' and we are seeking to move forward with the appointment of a preferred candidate shortly.

¹ Remains subject to audit.

- ENDS -

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

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