



ASX Announcement
Spacetalk Ltd. (ASX:SPA)
13 October 2021

Q1 FY2022 BUSINESS UPDATE

Highlights

- **50%¹ revenue growth in first quarter on pcp²**
- **UK expansion performing strongly**
- **Pan-European expansion into Nordic region**

Spacetalk Ltd. (ASX:SPA) (“Spacetalk” or “Company”), developer of innovative technologies that keep families safe and connected, is pleased to update the market on its financial and business highlights for the quarter ending 30 September 2021 (“Q1 FY22”).

Financial Highlights

(Growth rates are compared to Q1 FY21, the previous corresponding period, unless otherwise stated.)

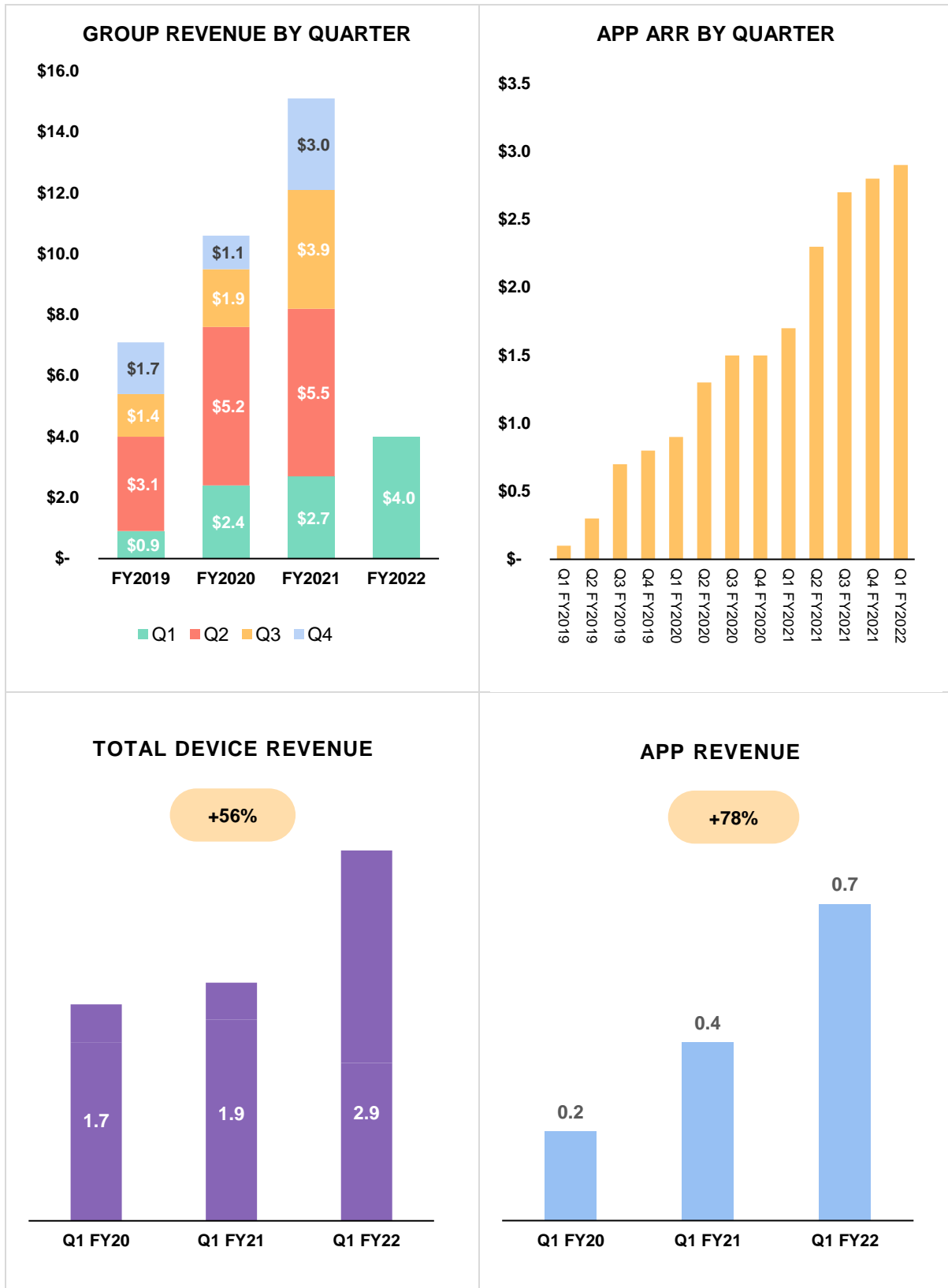
Total Revenue \$4.0m up 50%	Gross Profit Margin 61%	Wearables Revenue \$3.6m up 59%	Device Sales \$2.9m, up 56%
App revenue \$0.7m, up 78%	App ARR ³ \$2.9m, up 70%	Customer Acquisition Costs ⁴ \$19, down 43%	Cash at Bank \$3.0m at 30 Sept. 2021
Schools business revenue \$0.4 million			

¹ Some calculations of changes to prior periods may be impacted by rounding.

² PCP – Previous Corresponding Period.

³ APP ARR = Annualised Recurring Revenue from Spacetalk App monthly subscriptions.

⁴ Customer Acquisition Cost (“CAC”) = Advertising & Marketing Expenses / Units Sold.



All figures are in AU\$ million.



Commentary

For the quarter ending 30 September 2021, Spacetalk achieved solid total revenue of \$4.0 million, a 50% increase on the prior corresponding period. Revenue growth was built upon the combined effect of enhanced sales in the UK plus App subscription fees.

Device revenue growth from UK was up 476%, albeit off a low base. In Australia and New Zealand, revenue was down 22% compared to pcp with sales impacted by full quarter Covid “lock-downs” in the three largest jurisdictions of New South Wales, Victoria and New Zealand and distributors running down inventory.

Annualised Recurring Revenue (ARR) from the Spacetalk App’s monthly subscriptions was an encouraging \$2.9 million, up 70%, supporting Spacetalk’s strategy of building an integrated eco-system around devices and an app-based subscription model.

Growth in device sales was achieved with CAC down 43% to \$19 per unit, as capital discipline and focused spending remain core tenants of the Company’s growth strategy.

Our North America market entry remains on track for this calendar year.

The MGM schools business also performed admirably during the period despite school lockdowns in New South Wales, Victoria, and New Zealand for much of quarter. Total schools business revenue was a \$0.4 million.

Business Highlights

During the quarter, the Company also:

- Commenced distribution of Spacetalk Adventurer with O2 (Telefonica UK). O2 is the UK’s largest mobile network operator with more than 36 million connections. Spacetalk Adventurer was O2’s first entry into the kids smartphone watch category.
- Commenced distribution of Spacetalk Adventurer with Virgin Mobile in the UK, the world’s first virtual mobile network operator.
- Commenced distribution of Spacetalk Adventurer with Sky in the UK.

- Announced a new partnership with Elisa, Finland’s largest telecommunications and digital services company, to range Spacetalk Adventurer from November 2021. This will expand Spacetalk’s distribution into the Nordic region; a new market for Spacetalk.
- Received demanding technical GFC, FCC and TAC approvals for Spacetalk Adventurer in Europe⁵, USA⁶ and Canada⁷ respectively.
- Continued active marketing of Spacetalk Life seniors device to over 50,000 aged care service providers. The B2B2C⁸ sales channel continues to be built out.
- Announced Board governance enhancement with move to Independent Chair and increase from three Directors to five.

Funding and Cash Position

During the quarter, the Company drew down on the remaining \$2 million of its facility with PURE Asset Management to fund inventory build-up. The PURE facility comprised a \$3 million term loan and a \$2 million bridge loan, with a warrant for 11 million Spacetalk shares exercisable at 30 cents per share.

As at 30 September 2021 the Company held cash of \$3.0 million.

Supply Chain and Inventory

Supply chain management issues became a priority focus for the Company with recent power disruptions in China. The Company is advantaged through its proprietary ownership of the design of its devices and by its choice of manufacturing facilities used, which together offer far greater production visibility and control. To date, disruption has been minimal, with inventory production and delivery flowing largely according to pre-determined schedules, with minor delays and slightly lower quantities being produced in some cases.

The Company has sufficient inventory for Q2 FY2022.

⁵ <https://www.globalcertificationforum.org>

⁶ <https://apps.fcc.gov/tcb>

⁷ <https://sms-sgs.ic.gc.ca>

⁸ B2B2C = Business to Business to Consumer



Spacetalk CEO Mark Fortunatow said: “Our continued strong growth, despite intermittent Covid related restrictions is testament to Spacetalk’s quality and brand appeal in this emerging and fast-growing kids wearables category. It is a validation of our brand positioning, quality and values baked into Spacetalk’s device and app ecosystem. We are witnessing the beginnings of a very large, global, new smartwatch phone market for kids, through the growing demand for our devices and App.

Throughout, our original schools business continues to deliver strong, stable and high margin revenue, despite school closures in two of Australia’s largest states.

Our device business is barely four years old since first product launch, yet we have come so far. I am delighted with our progress to date and excited about the opportunities that are before us.”



This announcement has been authorized by Spacetalk CEO Mark Fortunatow.

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About Spacetalk Ltd.

Spacetalk Ltd. (ASX: SPA) is a global technology provider of secure communication solutions for families to stay connected and protected.

Spacetalk's range of all-in-one smartphone GPS watches for children (Spacetalk Kids and Spacetalk Adventurer) and seniors (Spacetalk Life) are purpose built with tailored features, design qualities and best practice data encryption, security and privacy technologies, for families to stay confidently connected. Fun, fashionable, secure and technologically advanced, Spacetalk devices deliver confidence for the child and senior wearer, enhanced controls for the guardian, and engaging functionalities for the whole family to stay connected.

The Spacetalk App is designed to provide a family environment for fun, engaging and secure media consumption beyond its device control functionalities for the guardian. Every linked contact – parents, grandparents, extended family members and friends – regardless of whether they are Android or iOS users, can interact with linked Spacetalk devices and each other through the Spacetalk App.

Spacetalk was founded in 2001 and listed on the ASX in 2003 as MGM Wireless Limited, which developed the world's first SMS student absence notification platform for schools and went on to become Australia's most successful school messaging company. On 12 November 2020 the Company changed its name to Spacetalk Ltd.

To learn more about the Spacetalk devices and app platform, and the Company, please visit: <https://www.spacetalkwatch.com/>. Investor Centre: <https://investors.spacetalkwatch.com/>.