

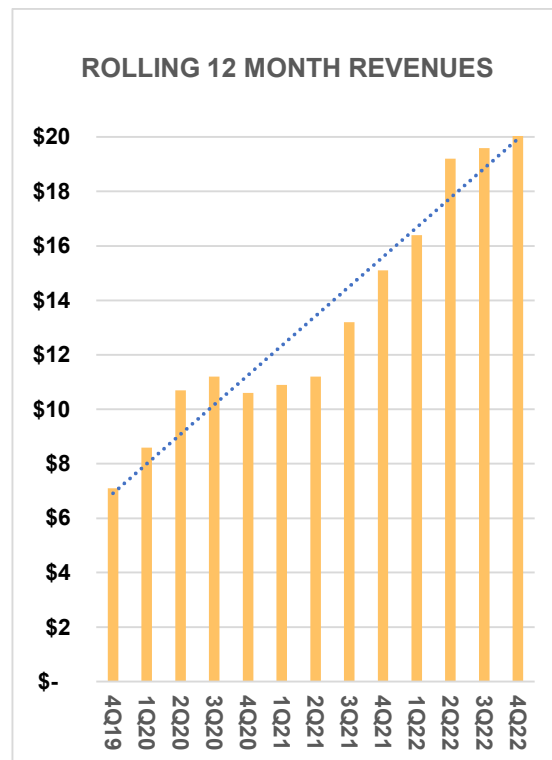
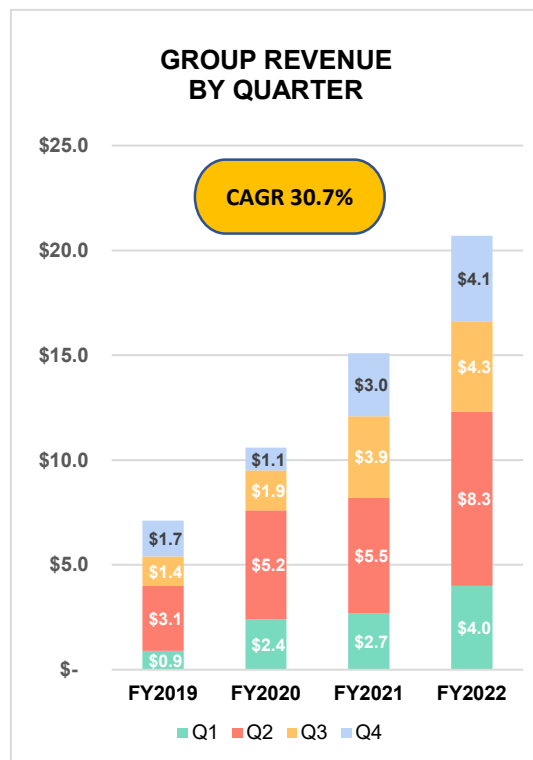
ASX Announcement
 Spacetalk Ltd. (ASX:SPA)
 25 July 2022

4QFY22 BUSINESS UPDATE

4QFY22 Highlights

- **Total Revenue of \$4.1 million. 41%¹ growth on pcp²**
- **Wearables Revenue of \$3.5 million. 52% growth on pcp**
- **App ARR³ of \$3.8 million. 41% growth on pcp**

Spacetalk Ltd. (ASX:SPA) (“Spacetalk” or “Company”), developer of innovative technologies providing child safety and development tools to support wellness, provides an update on its (unaudited) financial and business performance for the three months ending 30 June 2022 (“4QFY22”).



All figures are in AU\$ million.

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

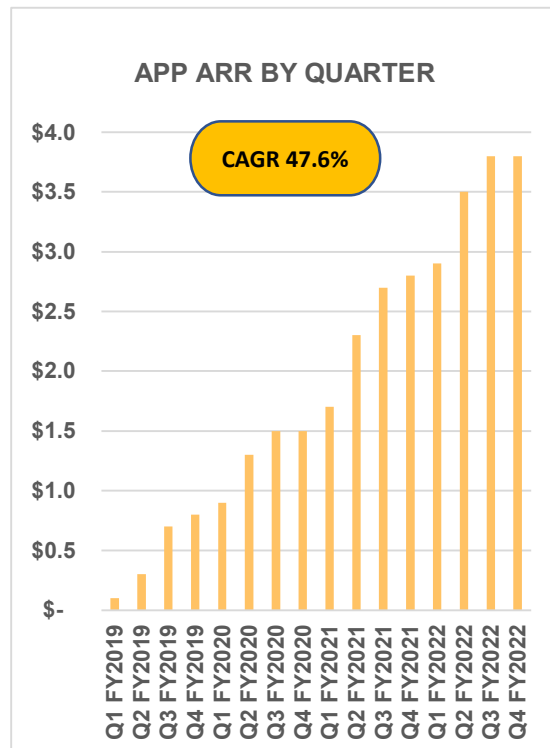
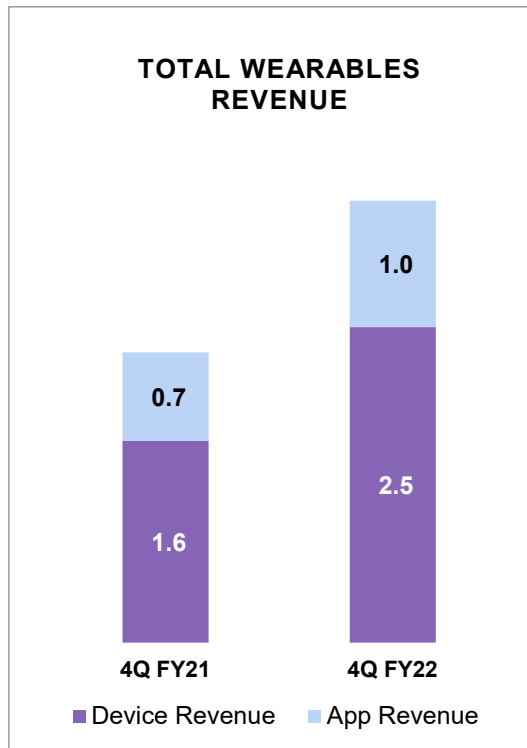
² pcp – Previous Corresponding Period.

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

Financial Summary

(Growth rates are compared to 4QFY21, the previous corresponding period, unless otherwise stated.)

Total Revenue \$4.1m up 40.9%	Wearables Business Revenue \$3.5m up 51.5%	Schools Business Revenue \$0.6m up 4.9%	Gross Profit Margin 63% from 76%
Wearables - Device Sales \$2.5m up 55.3%	Wearables - App revenue \$1.0m up 42.9%	Wearables - App ARR \$3.8m up 40.7%	Total Marketing Expenses \$0.5m, from \$0.3m
Cash at Bank as at 30 June 2022 \$5.5 million			



Commentary

For the quarter ended 30 June 2022, Spacetalk achieved total revenue of \$4.1 million, a 40.9% increase on pcp. Total revenue for 2022 financial year was \$20.7 million, a 37.1% increase on pcp. This the first time the Company's annual revenues exceeded \$20 million.

Wearables revenue for the three months to end June 2022 was \$3.5 million, a 51.5% increase on the prior corresponding quarter. 4QFY22 Annualised Recurring Revenue ("ARR") from Spacetalk App monthly subscriptions was \$3.8 million, up 40.7% compared to pcp. Wearables sales for the quarter were achieved with marketing expenses of \$0.5 million compared to \$0.3 million in the pcp.

Revenue for the MGM Schools Business for the three months to 30 June 2022 was \$0.6 million, a 4.9% increase on the pcp. The MGM Schools Business continues to be a strong net cashflow contributor for the Company.

Wearables Business – Device Sales Geographic Breakdown

- **Australia-New Zealand** sales were \$1.5 million, up 25.0% on the pcp result of \$1.2 million.
- **Europe** sales were \$0.5 million, up 30.8% on the pcp result of \$0.4 million.
- **North America** sales were \$0.5 million.

Funding and Cash Position

As at 30 June 2022 the Company held cash of \$5.5 million.

Business Optimisation

With recent capital markets volatility, Spacetalk has taken steps to reduce operating expenses and accelerate progress to cash-flow positivity. A key element has been a 15% reduction in headcount with several Spacetalk employees having regrettably been made redundant, including US based Chief Operating Officer Mr Jim Quinn. Some unfilled positions will also continue to remain unfilled.

Spacetalk remains confident in the growth opportunities available as the global connected wearables segment evolves towards a mass market tipping point. Spacetalk will continue investing in its core software, services, and devices to ensure that it retains a leading and differentiated position in the connected wearable market.



Distribution

Further to the prior announced distribution arrangement with BestBuy US, during 4QFY22 Spacetalk additionally expanded its distribution in Finland, the United Kingdom, and North America.

[Verkkokauppa](#), Finland's best-known and most visited on-line retail store operator, now ranges the Spacetalk's Adventurer. Finland's largest consumer electronics retailer, Verkkokauppa, operates four mega-stores and a network of 2,500 pick-up points for on-line purchases.

BestBuy US and Verkkokauppa distribution arrangements are subject to "in-fill" orders whereby inventory is purchased and held by BestBuy US and Verkkokauppa and "re-filled" as required.

In addition, Spacetalk Adventurer wearables now are also available on-line through [John Lewis](#) in the United Kingdom, and in North America through:

- [Amazon Canada](#)
- [Lowe's.com](#)
- [Officedepot.com](#)
- [Staples.com](#)
- [Target.com](#)
- [Walmart.com](#)

Fulfilment for purchases through these additional channels is via Spacetalk's existing third-party logistics partners. Consequently, no additional "in-fill" orders for these channels were placed. Subject to sales and gross margin performance, distribution may progress to fulfilled-by-retailer with associated "in-fill" orders.

The financial impact of selling through these channels is currently unknown, with no guaranteed or minimum level of revenue. However, the Company expects it to have a direct positive impact on the total revenue of the Company.

Spacetalk continues to engage with other potential distribution partners in ANZ, North America, and Europe. Spacetalk will focus its distribution strategy to prioritise high quality, better yielding accounts in recognition of the opportunity cost of inventory, working capital, marketing, and staff resources, all with a view to improving gross profit margins.

Product Development and Innovation

Spacetalk continues to invest in the development of its products and eco-system. A new software update is scheduled for release in 1Q2023, offering new device and software functionality. The Company also continues to develop plans for new wearable device offerings.

Supply Chain and Inventory

Spacetalk did not experienced any material supply chain disruptions during 4QFY22.

The Company manages its supply chain and inventory risk by maintaining component buffers and inventories. Input expenses are managed with particular care due to intermittent supply disruptions, and more recently inflationary pressures emanating from global energy market volatility. Spacetalk currently holds sufficient inventory to meet forecast requirements and to down-risk supply chain issues. Shipping, handling, and warranty expense variabilities however remain.

Spacetalk's proprietary ownership of the design of its devices and applications provides a strategic competitive advantage in supply chain risk management.

Jumpy SIM MVNO

During the quarter, Spacetalk launched its [JumpySIM](#) Mobile Virtual Network Operator ("MVNO") service in the US. It further announced that a JumpySIM service in Australia is in development with a target launch in 1QFY23 in advance of the Black Friday/Cyber Monday sales period.

Corporate Governance Update

During the quarter, the Company appointed [Mr Georg Chmiel as Independent Non-Executive Chairman](#) and [Mr Mike Rann as Independent Non-Executive Director](#). Further, the Spacetalk Board constituted Audit and Risk Management, and Nomination and Remuneration Committees of the Board. The membership of these committees is as follows:

Audit and Risk Management Committee:

- Mr Martin Pretty, Chair
- Dr Brandon Gien, member
- Mr Saurabh Jain, member

Remuneration and Nomination Committee:

- Mr Saurabh Jain, Chair
- Mr Martin Pretty, member
- Dr Brandon Gien, member

Spacetalk has also updated and published several Corporate Governance documents and policies which are available for review at the [Spacetalk Investor Centre](#).



Spacetalk CEO Mark Fortunatow said: *“Our fourth quarter revenue performance was strong, recording 41% year on year growth. Notably, our wearables business delivered a pleasing 52% growth performance. This result also enabled Spacetalk revenues to exceed \$20 million for the first time in our history.*

“It is very pleasing to note that our US business has already, from a standing start in late calendar 2021, generated meaningful 4QFY22 revenue. This demonstrates the magnitude of the opportunity in the North America region.

“We launched our JumpySIM business in the US late in late June 2022 to enhance our customer experience, and to capture additional recurring revenue and value created from Spacetalk device sales. In the 4 weeks since its launch through BestBuy US, JumpySIM has acquired near 50 customers. While this may sound modest, it is just the start. Each JumpySIM subscription comes with a Spacetalk Adventurer sale, another delighted customer to promote our products, and a new recurring revenue stream.

“Spacetalk also continues to invest to develop distribution across key geographies, especially the US, a sizeable, complex but highly rewarding market. Dialogues with new distribution partners for both on-line and in-store are on-going. And not to be forgotten, our MGM Schools Business continues to perform well and generate significant free cash flows for the Company.

“Spacetalk’s business trajectory remains positive. The kids wearables revolution is still in its early days. We have a strong market and brand position, leading products, and an outstanding team to drive the success of the business.

“The opportunities before us are great and I remain excited about our future.”

This announcement has been authorized by the Board of Directors.



For more information, please contact:

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About Spacetalk Ltd.

Spacetalk Ltd. (ASX:SPA) is the developer of a technology platform providing child safety and development tools to support wellness.

The ASX-listed company is recognised globally as a leader in the connected wearables industry thanks to its unique proprietary ecosystem that keep families connected. This market-leading hardware and trusted, parent-controlled software platform enable children and families to experience the benefits of mobile technology securely and with confidence.

With the Spacetalk App, parents can prevent their children's access to the open internet, social media and inappropriate adult content while blocking calls and messages from unknown senders. The app also keeps track of a child's location and is customisable so every feature can be enabled and disabled as needed.

Spacetalk's best-in-class software platform supports children's development by facilitating engaging, confidence-building experiences that the whole family can participate in and enjoy.

The Spacetalk smartphone-watch is a child's first mobile phone, offering all the benefits of a smartphone and operating on a secure, private and parent-controlled ecosystem that can be customised to reflect each family's needs and values. Together, the watches and software platform provide a complete digital communication solution that families can rely on at all times.

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/>.