

ASX Announcement
Spacetalk Ltd. (ASX:SPA)

24 January 2023

2Q FY2023 BUSINESS UPDATE

Spacetalk Ltd (ASX:SPA) ("Spacetalk" or "Company"), the Australian company that strives to bring the best wearables and software ecosystem to families around the world to advance child safety, development, and wellness, provides this update for the quarter ending 31 December 2022 ("2Q FY2023").

\$3.3m improvement in 2Q FY2023 free cash flow as compared to 1Q FY2021 (excludes proceeds of rights issue)

- First time Spacetalk has had a positive quarterly cashflow since 3Q FY2021 with a \$0.4m increase excluding proceeds of rights issue. This has been a fantastic transformation from Q1 FY2023 where there was an outflow of \$2.9m.
- Spacetalk exited a lower profitable product line (budget watch.) The budget watch will be replaced with a profitable alternative in Q4. It was historically 28% of revenue and 40% of ARR.
- Significant cost reduction program with \$2mill annualised savings completed with benefits flowing over Q3.
- Various improvements to working capital management such as shortening vendor terms, focus on direct consumer e-commerce sites where we are paid the next day, and the introduction of Jumpy Sim that allows for the creation of deferred revenue as users often pay annually in advance.

Strong foundation for future sustainable growth

- \$4.2m cash in bank this give us a strong foundation for future growth, this is up 55% including the rights issue vs Q1 and up 15% excluding the rights issue.
- PURE loan agreement was renegotiated, this was announced at the AGM, the pure agreement now has a lower interest rate, and the repayment dates have been pushed out.
- Increase of total ARR to \$7.4mill, 43% increase in wearables ARR and 10% for the schools business. This ARR for wearables shows the underlying growth rate of the business.
- Plans to replace the phased-out budget watch to close the temporary revenue gap with higher margin revenues such as JumpySim.

Progress in enhancing future growth capabilities and stability of Spacetalk

- CEO search is in the final stage, we are excited about the candidates we are talking to and hope to announce something to the market shortly.
- The first phase of the capital raise is completed, and the second phase is to complete by 22 March 2023. We will continue to monitor this closely and will be reviewing whether to keep it open for the full period.

- Identified a second phase of cost reductions (additional \$2mill annualised) this will help ensure we have the right cost base for our business as we continue our growth.

We are very pleased about the transformation that the board and executive team have been able to execute during a relatively short period. Now we are looking forward to the growth which will come from some of our existing opportunities in North America, the UK and Europe as well as some of the add-on services that we are selling such as Jumpy.

This announcement has been authorised by the Spacetalk Board.

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About Spacetalk Ltd.

Spacetalk Ltd. (ASX:SPA) is an Australian company that strives to bring the best wearables and software ecosystem to families around the world to advance child safety, development, and 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/>.