



First phase of  
**Spacetalk turnaround**  
delivers **record positive**  
**cash flow growth**

# 2Q FY2023 Update

January 2023



# Important notice

**This presentation has been prepared by Spacetalk Ltd. (“Spacetalk,” or “Company,” or “SPA”).**

**Information contained in this presentation:**

- is intended to be general background information only, and is not intended that it be relied upon as advice to investors or potential investors and is not an offer or invitation for subscription, purchase, or recommendation of securities in Spacetalk
- should be read in conjunction with Spacetalk’s financial reports and market releases on ASX
- may include forward-looking statements about Spacetalk and the environment in which Spacetalk operates, which are subject to significant uncertainties and contingencies, many of which are outside the control of Spacetalk – as such undue reliance should not be placed on any forward-looking statements as actual results or performance may differ materially from these statements
- includes statements relating to past performance, which should not be regarded as a reliable guide to future performance
- includes certain financial information which Spacetalk considers useful to assist in evaluating Spacetalk’s performance, however, such information has not been subject to audit or review in accordance with Australian Auditing Standards

**All dollar values are in Australian dollars (A\$) unless otherwise stated.**

**Definitions:**

- 2Q2023 = Second quarter 2023 financial year ended – period end 31 December 2022



# First phase of Spacetalk turnaround completed



- +
**\$3.3m improvement in 2Q FY2023 cash flow over Q1**  
 (excludes proceeds of rights issue)
  - First time **positive quarterly cashflow** since 3Q FY2021 with a \$0.4m increase excluding proceeds of rights issue
  - **Exit of lower profitable** product lines (budget watch)
  - Strong growth in sustainable, **higher margin business**
  - Significant **cost reduction program** with \$2mill annualised savings **completed**
  - Various **improvements to working capital management**
  
- Strong foundation for **future sustainable growth**
  - **\$4.2m cash** in bank
  - PURE loan agreement renegotiated
  - Increase of **total ARR to \$7.4mill**, 43% increase in wearables ARR
  - Plans to replace the phased-out budget watch to close the temporary revenue gap with higher margin revenues
  
- Progress in enhancing future **growth capabilities and stability** of Spacetalk
  - CEO search in the final stage
  - First phase of the capital raise is completed, the second phase is to complete by 22 March 2023
  - Identified second phase of cost reductions (additional \$2mill annualized)

# 2Q2023 Financial Highlights



## Q2 Cash Flow

**+\$0.4m**

excludes proceeds of capital raise

+\$3.3m

1Q2023: \$-2.9m

## Cash in bank

**\$4.2m**

(\$3.1 excluding cap raise)

+55% vs 1Q

+15% ex cap raise vs 1Q

1Q2023: \$2.7m

## ARR

**\$7.4m**

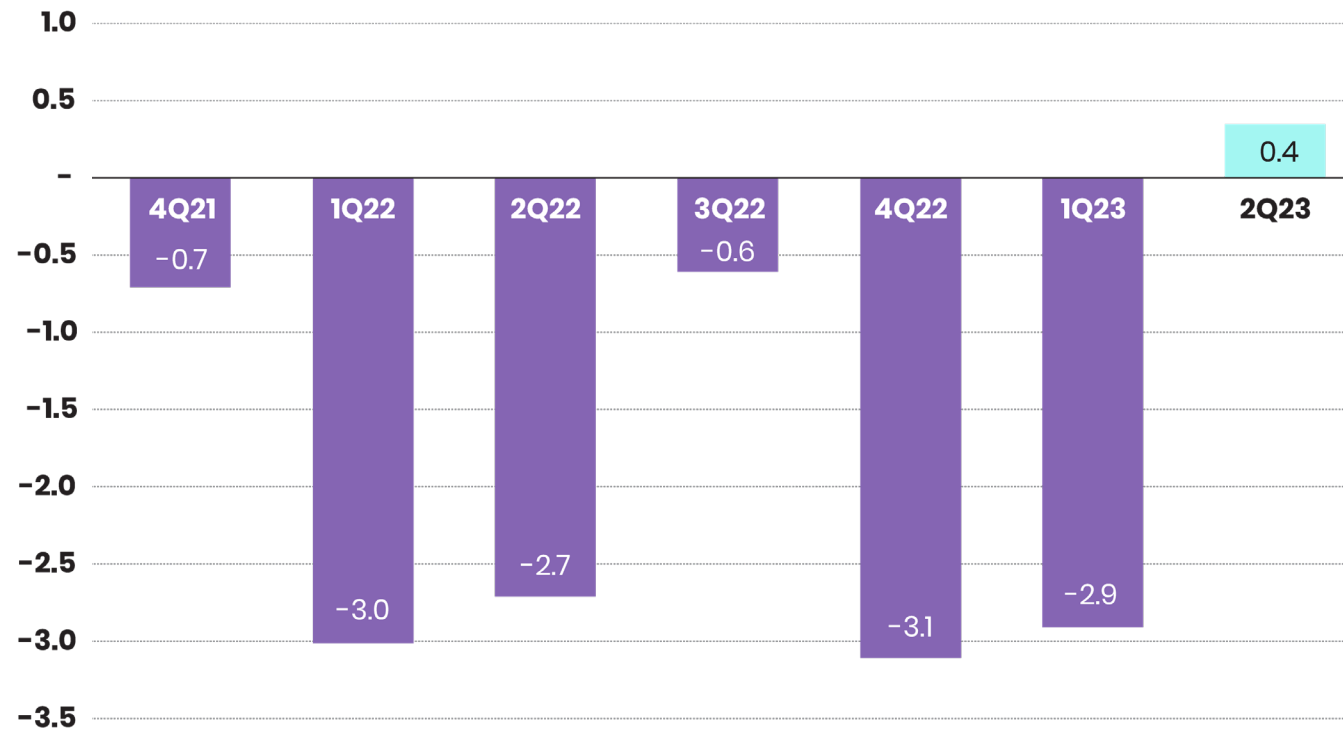
+43% wearables pcp

+10% Schools pcp

2Q2022: \$5.71m

# Cash flow

## Cash flow by quarter in AUD millions



Represents net cash movement in quarter excluding any financing such as capital raise or borrowings

# 2Q2023

## Financial Highlights

### Group Revenue

# \$6.9m

-17% pcp

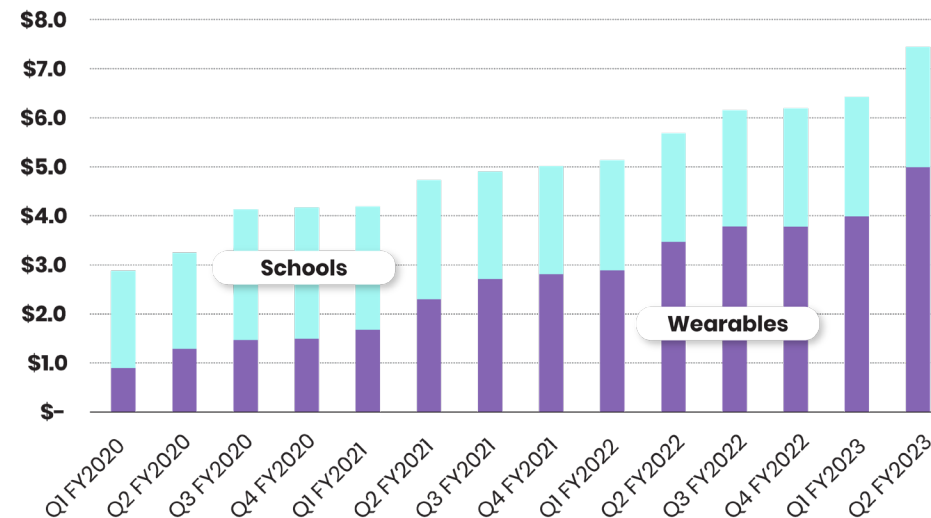
+8% pcp \$8.95m  
If budget watch was ranged

**2Q2022: \$8.3m**

Unaudited results



### ARR by Quarter (Wearables & Schools)





# Financial Update

- Cash flow positive quarter during a quarter which is traditionally a weaker cash flow quarter (as December sell-in orders are paid in Q3)
- Exited out of unprofitable budget watch (Kids RRP \$179) and focused on Premium watch (Adventure RRP \$349)
- The budget watch was historically 28% of revenue and 40% of ARR
- Spacetalk will re-enter the budget watch market in Q4 with a profitable offering along with an update to our premium watch in the half.
- ARR Q2 increase vs PCP of 31% (43% watches and 10% schools) outcome of strategic focus to grow ARR and driving average revenue per user (ARPU) increases
- Initial cost optimisation target of \$2mill met by centralising functions, consolidating roles, and a narrower focus



# JUMPY SIM



- Strong growth
- Generates negative working capital
- Increases average revenue per user (ARPU)
- Opportunity to upsell to existing customers

Monthly user growth for Jumpy





# Non- Renounceable Rights Issue



\$1.38m raised before costs with \$0.23m subject to EGM approval (directors' take up of short fall)

---

We will be reviewing our capital requirements and whether to keep it open for the full period

---

# Cost optimisation **update**



Initial **cost reduction** target of \$2m run rate exceed



Identified further cost reduction resulting an **overall savings run rate of \$4m pa**



Setting up platform for **profitable growth**



# Focus for Q3

01

CEO appointment

02

Profitable growth

03

Continued strong cost management culture

04

Focus on positive cash flow

05

Strong opportunities in Europe and North America





# Turnaround Summary



**Cash Flow Positive**



**Budget watch re-entry in Q4**



**ARR Increase**



**Strong opportunities in North America and Europe**



**Cost Optimisation**



**Renegotiated covenants, reduced interest rate, extended term of debt**



**CEO Appointment**

## **This announcement has been authorized by the Spacetalk Board.**

**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.

**Investor Centre:** <https://investors.spacetalkwatch.com/>

### **Investor Enquiries**

Saurabh Jain

Acting CEO and MD

+61 400 748 587

[sjain@spacetalkwatch.com](mailto:sjain@spacetalkwatch.com)





[spacetalkwatch.com](https://spacetalkwatch.com)

