



ASX Announcement
Spacetalk Ltd. (ASX:SPA)
26 April 2023

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Q3 FY23 Update: Cash Flow Neutral Quarter with ARR up 4% to \$7.8 million.

Spacetalk Limited (ASX: SPA) ("Spacetalk" or the "Company"), the developer of the technology platform providing family safety and development tools to support child wellness, is pleased to announce a business update for the period ending 31 March 2023 ("Q3 FY23" or "Q3").

Q3 FY23 Highlights:

- **Key leadership team appointed to support future strategy.**
- **Critical steps actioned to reduce annualised cost and complexity.**
- **Improved cash position of +\$1.1 million with neutral free cash flow.**
- **Annual recurring revenue (ARR) +4% quarter on quarter, to \$7.8 million (+24% versus PCP).**
- **Recurring revenue now represents over 60% of total revenue.**
- **Revenue -30% versus the prior corresponding quarter (PCP) to \$3.0 million, primarily impacted by timing of budget watch replacement.**
- **Strong cash balance of \$5.3 million to support growth plan.**
- **Preview of Spacetalk's refreshed strategy to be provided no later than Wednesday, 10th May 2023, with significant progress already underway.**

Commenting on the update, Chief Executive Officer and Managing Director Simon Crowther said:

"We continue to focus on resetting the business, managing our costs effectively whilst implementing a focused growth strategy. Our objective is to be the leading family safety provider in the country. The quarter was a key step in transforming the organisation and setting ourselves up to build a profitable subscription business. Overall, I am pleased with the progress made and look forward to discussing our plans in more detail in May".

Key leadership team appointed to support future strategy.

During the quarter, Spacetalk appointed several key personnel to its leadership team, including:

- Simon Crowther as Chief Executive Officer (CEO) and Managing Director
- Craig Boshier as Chief Operating Officer (COO)
- Chris Neary as Chief Marketing Officer & Head of Digital (CMO)
- Tonderai Maenzanise as Interim Chief Financial Officer (CFO)
- Steven Fenton as Vice President Sales; and
- Susan Graney as Chief Financial Officer (CFO)

The Company is extremely pleased with the calibre of individuals it has attracted.



Critical steps actioned to reduce annualised cost and complexity.

In conjunction with the incoming key leadership team, an ongoing strategic review is being undertaken to form the optimal future strategy for the Company.

During the quarter, significant steps have been actioned, with many initiatives well-advanced. As the Company's paramount focus shifts to profitability within the Australian and New Zealand (ANZ) business, the Company also focuses on managing costs effectively. The leadership has commenced a thorough global review of operations, suspending its European and US operations; this remains a work in progress and is designed to reduce cost and complexity. Additional efforts are also focused on improving internal systems and processes to drive efficiency and better decision-making while re-instating positive organisational culture.

Spacetalk's future growth will be anchored to a strategic plan released to ASX **by Wednesday, 10th May 2023**.

Preview of refreshed Spacetalk strategy

While the Company's board and management target a more wholesome update in the coming weeks, some key initiatives will form the foundations of this refreshed strategy, including but not limited to:

1. Increased focus on subscription revenue, evolving towards a software-led, hardware-enabled business.
2. Significantly re-negotiate and improve retail margin performance in ANZ.
3. Less reliance on discounting, increased emphasis on value-add features and promotions.
4. Successful launch of new Adventurer 2 watch (targeting mid-May 2023).
5. Launch of new budget watch in FY24.
6. Increased focus on building schools' business.
7. Development and activation of the seniors' segment.

The board and management look forward to providing additional strategic details.

Quarterly cash generation momentum sustained as focus on working capital remains.

During Q3, the Company reported a positive increase in cash (+\$1.1 million) with neutral free cash flow, normalised for \$0.6 million of non-recurring, one-off restructuring costs.

The cash generation improvement versus PCP reflects a focus on working capital and OPEX reduction, despite lower revenue and gross margin. Spacetalk maintains a strong cash balance of \$5.3 million at 31st March 2023 to support the refreshed strategy.

Favourable revenue trends emerging.

Q3 Revenue declined 30% to \$3.0 million versus PCP, while ARR grew +4% quarter on quarter to \$7.8 million (+24% versus PCP). Pleasingly, this increased ARR reflects a sharpened focus on generating higher-yielding subscription revenue, notably the impact of JumpySIM revenue growth. JumpySIM now represents >20% of ARR (versus 0% PCP).

Growth in App and JumpySIM revenue contributed to a favourable revenue mix-shift during the quarter, notwithstanding lower Q3 revenue overall. App and JumpySIM contributed 48% of Q3 revenue (versus 22% PCP). Pleasingly, total App and JumpySIM subscriptions have grown 18% since JumpySIM's launch in July 2022, with over 11,000 JumpySIM subscriptions added since launch. Migration from App to JumpySIM can also be observed as upsell opportunities are realised – another encouraging trend considering JumpySIM's average revenue per user (ARPU) is higher than App ARPU. Equally, JumpySIM revenue has the added benefit of positively contributing to cash generation, producing negative working capital given the timing of paid subscriptions.



Because recurring revenues are higher margin versus devices, this continued mix-shift will likely drive higher future profitability, particularly considering recurring revenue streams account for more than 60% of total revenue.

This announcement was authorised by the Board of Spacetalk Limited.

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About Spacetalk Ltd.

Spacetalk Ltd. (ASX:SPA) is the developer of a technology platform providing family safety and child 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 keeps 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 12th 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: www.spacetalk.co

Investor Centre: www.investors.spacetalk.co