



ASX Announcement | 16 November 2023

**Spacetalk Limited (ASX: SPA)**

## **Annual General Meeting Addresses and Presentation**

In accordance with the ASX Listing Rules, the Chairman's and CEO addresses and presentations to the Annual General Meeting ("AGM"), are appended.

**This ASX announcement has been authorised by the Spacetalk Limited Board of Directors.**

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### **About Spacetalk Limited (ASX:SPA)**

Spacetalk Limited (ASX:SPA) is a software services and smartwatch hardware product developer. As a package, the company's technology platform provides a complete digital communication solution that supports safety and security for families across their life cycles and for employees working in remote settings. The company's unique proprietary ecosystem, which has continued to evolve over time, is today recognised as a leader in family safety and the connected wearables industry.

The Spacetalk technology platform comprises both market-leading hardware and a trusted, client-controlled software platform that provides safety and security to users via the benefits of mobile technology.

The multi-functional Software-as-a-Service Spacetalk App can be customised, giving clients the ability to enable or disable individual features. Parents are empowered to block their child's access to the open internet, social media and inappropriate adult content while simultaneously blocking calls and messages from unknown senders. The app can also track the location of vulnerable family members, including children and seniors requiring constant monitoring.



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

Spacetalk's core hardware, its smartphone-watch, is effectively a child's first mobile phone. It offers all the benefits of a smartphone, operating on a secure, private and parent-controlled ecosystem that can be customised to reflect each family's needs and values.

To learn more, please visit: [www.spacetalk.co](http://www.spacetalk.co)

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## CHAIRMAN'S ADDRESS

FY23 has been a truly transformational year for the business, a year in which we repositioned and reinvented Spacetalk to a sustainable business with a clear strategy and high-quality leadership under the helm of Simon Crowther our CEO/MD to execute this strategy. In FY23, we completely restructured the operations and resolved the limitations of the previous capital strategy to support future profitable growth. All this was done in a very short period of time in particular in the 2<sup>nd</sup> half of FY23, which is truly remarkable and for which the board of directors would like to thank all employees and leaders in the business.

Spacetalk is now an emerging wearables-enabled software subscription and Mobile Virtual Network Operator (MVNO) business centring around the theme of "Family Safety". While investment was required to support the transformation, the results show already significant improvement in the operational and financial metrics of the business. The capital raise conducted during Q1/FY24 will further enable the delivery of our growth strategy.

As we reflect on our journey, I want to also express my heartfelt gratitude to our shareholders for their unwavering support, dedication, and trust in Spacetalk's vision and leadership. Your belief in our vision and commitment has been another cornerstone of our success, and I am honoured to address you today with sincere appreciation.

The journey ahead holds promise and potential, and we are eager to embark on it together, hand in hand. Together, we will continue to build a future that is prosperous and sustainable.

## CEO'S ADDRESS

Good afternoon it is great to have the opportunity to meet with you today at my first Annual General meeting as Chief Executive Officer. Alongside me is Tonderai Maenzanise our Chief Financial Officer.

We have achieved a lot in a short period of time since I took on the role in February. We are starting to see the results flow and I am looking forward to sharing details of recent performance and importantly what the rest of the financial year looks like and our priorities. I appreciate that this is largely a meeting focused on prior year performance and the Annual Report but think the time with you is best spent updating you on recent trends, performance and outlook as we continue to focus on execution and the path to profitability.

But first some important context that drove key decisions and priorities in the first 6 months of my tenure that is leading to the transformation of the business. To be successful, it was vital we reset aspects of the business and clearly lay out our growth strategy. We achieved both aspects in May when we released our growth strategy whilst indicating the need to scale back our international operations temporarily. The situation was unfolding and as you can appreciate it takes a bit of time to get across all aspects of the business and put the appropriate remedial measures in place.

I think it's important to reiterate that it was essential to take this action to deliver our growth focused agenda. Our primary goal is to get our business model working profitably in our home market of Australia and New Zealand to set ourselves up for controlled international expansion. We are focused on building recurring revenue of \$20-25m within 3 years excluding hardware sales and each watch sale should be viewed as low-cost customer acquisition for either Spacetalk Mobile or Spacetalk App subscriptions. Selling hardware with no recurring revenue or ownership of the customer relationship or adequate margin on the hardware is not a viable strategy to maximise the opportunity to build long term value for shareholders.

To achieve this growth, we need the people and the products to deliver the commercial outcomes. We have worked hard in recent months to attract top operators who bring domain expertise whilst managing costs to execute our plans. In addition, we have delivered a range of new hardware and software products that will drive our subscription growth. I am really pleased with the calibre of the people in our organisation.

I feel we are at an important inflection point in the company's journey and it is helpful for those of you less familiar with our strategy to reflect on our new direction and what is it that makes Spacetalk compelling for customers and investors.

We have made a considered and distinct shift in our positioning away from being predominantly a child's wearables business at the start of the year to a wearables enabled

subscription and data business. We are building an eco-system of integrated and complementary products that focus on providing Family Safety at all stages of life with freedom and peace of mind. We connect with families through our watches and companion apps, we connect with families through Spacetalk Mobile using the Telstra Network and we connect with families to help their kids get to and from school safely through our Spacetalk Schools service. We understand who our customers are we are determined to get closer to schools and educators across the country, build our engagement with families particularly Mum and Dad, be a trusted and reliable partner to help Grandma and Grandad and other seniors feel secure and less vulnerable so they can continue to live full lives and in future extend our services to support employers and workers. These customer segments offer us established and growing revenue streams hardware sales remains the largest but will be overtaken by high margin Spacetalk Mobile and App, Software and SMS subscriptions.

We have clarity on our market opportunity and recent new product releases are specifically designed to unlock the potential of these addressable markets – for the first time with family App we now have a product for tweens and teens as they migrate from a Spacetalk Watch to their first smartphone. I have an exciting announcement to make about our reconfigured LIFE mobile personal emergency response device that will enable us to start to unlock the aged care sector, you will have to stay until the end for that. Our soon to be launched Spacetalk Mobile handset plans means we are no longer confined to wearables as we expand our offering to meet the mobile needs of the whole family. These initiatives are the start of our ability to address a larger addressable market and increase customer lifetime value.

So how did we do? We completed the challenging reset while ensuring operations of the business continued which is never easy, and the business has a focused strategy which we are executing on – the new team has only been in place for two full quarters and pleasingly we made solid progress. The metrics moved in the right direction as we continue to prove we have an appealing scalable and profitable business model. During FY 23 we saw the shift in the revenue mix with 54% of total revenue being recurring revenue. We saw a healthy 33% growth in ARR TO \$8.3m for Q4/FY23 with Spacetalk Mobile making a significant contribution of \$2.6m from zero in the prior year. Subscribers grew 17% to 70,000 with again Spacetalk Mobile being the growth engine with 14,720 subscribers since launch in October 2022.

So how are we doing now? Q1 was a big quarter for us, and we covered a lot of ground. We delivered 35% growth in ARR again powered by Spacetalk Mobile subscriptions. We grew revenue from continuing operations by 100% to \$3.6m. We achieved this through a combination of more effective retail leadership internally and execution of our retail engagement externally resulting in increased hardware sales, growing Spacetalk Mobile subscriptions and generally a more disciplined team making smarter decisions. We are acutely aware of the need to manage

our expenses, we run a tight ship with enhanced financial reporting and cost controls in place reflected by our improved cost to income ratio reduced to 80% from 157%.

We raised \$3.3m in a placement and rights issue to support us through to key goal of being cash positive in the second half of the year. We also worked with our friends at Pure to restructure our debt, increase the tenure and improve the covenants.

We communicated clear Horizon 1 goals so now is a good time to update you on delivery and an overview of some new initiatives to look forward to that will drive our growth plans.

We established May to December as our Horizon 1 timeframe and have delivered everything we said we would – our new Adventurer 2 and Loop watches, our new device agnostic Family App aimed at tweens and teens opening a larger addressable market and an all new Spacetalk Schools app built on our new tech stack.

Before the end of this quarter, we will launch our new 4G & 5G handset plans in addition to our wearables, so we have a seamless pathway to grow with children as they move beyond watches to their first smartphone. With the Family App we offer most of the same benefits of the watch for older kids as they hit their teenage years. In addition, to the teen market I am pleased to announce our move into the seniors and aged care sector through a partnership with an established national provider of monitored medical alarms and call centre services. Our partner will provide 24/7 monitoring services for our newly refreshed Life watch which is now a fully-fledged mobile personal emergency response or MPERS device. The Life watch will be bundled with a subscription to Spacetalk Mobile plus 24/7 monitoring and through this relationship we will have access to new market opportunities such as retirement villages and occupational therapists. This is another important step in Spacetalk becoming synonymous with Family Safety as with a touch of a button on the Life watch the monitoring service will be alerted or the Life watch will detect a fall and connect immediately with the monitoring service so that appropriate help can be coordinated.

As with the teen market the senior's market is new for us and we will focus on establishing our presence and initial monetisation and refining our product offering as we onboard these customer groups for the first time. By the end of this financial year my expectation is that we can demonstrate growing subscriptions across a much broader customer group within an ecosystem of interrelated products and services. We will also be much more adept at understanding our customers and being effective at relationship marketing to deepen relationships and trust, minimise churn and maximise inside sales and cross and upselling as we establish customer success inside the business for the first time.

Looking ahead at our Horizon 2 priorities which we categorise as now until May 2025 which is the two-year anniversary of our strategy activation everything is focused on establishing the foundational pillars of the business in Australia and New Zealand. These are things such as

standard products and scalable processes with consistent quarterly free cash generation as we head towards \$20-25m of ARR. We will focus on cost management as we look to efficiencies within the business particularly off shoring standard tasks, the automation of level one customer service enquiries as we significantly enhance our current capabilities and approach so that we are set to expand our footprint overseas in a controlled and focused way that gives us a clear pathway to commercial success.

I would also like to enhance our credentials in the family safety and security space by developing our own IP or collaborating with universities and other organisations who may have interesting IP and technology we can license or otherwise acquire for exclusive use. Let's make full use of the research and development rebates available to us in Australia and build our credentials in the Family Safety category and create unique capabilities that deliver competitive advantage and give our customers reasons to keep buying our products.

Finally let me briefly touch on our outlook for this year. We have set ourselves an ambitious goal to reset the business, rehire the team, reposition the company, launch multiple new products and open up new sectors we also want to achieve a cash flow positive second half. We are building the team and the structure to achieve our stated goal of \$20-25m in ARR within 3 years and looking to overseas markets in due course.

Whilst I appreciate there is frustration amongst shareholders about past decisions there is nothing I can do about the past, but what I can do is create a better future. I appreciate there have been many ups and downs over the years and wish to reassure you that my aim is to demonstrate discipline and focus and start to show the benefits of consistent quarterly performance and delivery. I believe we have a much bigger opportunity now than we did at the beginning of the year and I relish the challenge to prove the naysayers wrong and deliver the outcome for shareholders that the business is capable of. My thanks to the board and to Georg for their unwavering support and to you our shareholders for participating in our recent round and the support of our growth agenda.

- END -

SPACETALK LTD.

# Annual General Meeting

16 November 2023



Safety at Every Stage of Life





**Capturing the  
mobile technology  
opportunity at  
every stage of life**



# Transformation

CEO and leadership have transformed Spacetalk since February 2023

- Communicated a focused strategic plan in May 2023
- Wound down unprofitable overseas operations
- Strengthening of a subscription-based business model in ANZ
- Recruited key personnel to execute strategy
- Released new products to drive subscription-based business model



# Spacetalk product suite & market opportunity



# Spacetalk's family safety technology business on a page

## One Theme:

1. Family Safety

## Two Emotional Experiences:

1. Freedom
2. Peace of Mind

## Three Product Sets:

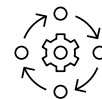
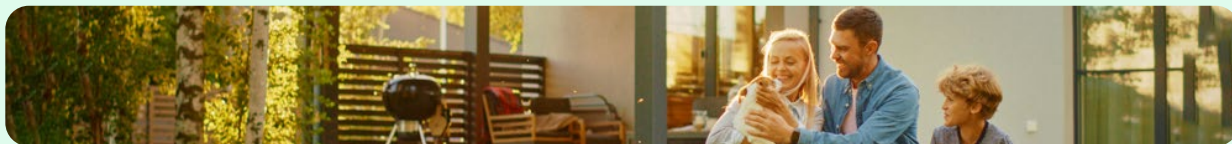
1. Wearable Hardware & Companion Apps
2. Mobile Connection (MVNO Plans)
3. Schools Messaging Suite

## Four Customer Segments:

1. Schools and Educators
2. Young Families
3. Seniors and Vulnerable Families
4. Employers and Workers

## Five Established Revenue Streams:

1. Hardware Sales
2. MVNO Subscriptions
3. App Subscriptions
4. Software Subscriptions (SaaS)
5. SMS Subscriptions



We continue to focus on Product Ecosystem innovation

# Market opportunity

## Addressing family safety needs

### 01. Schools and Educators

We want to easily communicate with parents, reduce admin burden but keep it cost effective and easy to use"

- › Duty of care to ensure students are present, and 'at risk' absence patterns are highlighted
- › Reduction in cost of admin effort of ~0.5 FTE per day
- › Increase in engagement between families and schools
- › Student wellbeing and access to education monitored and reported

### 02. Young Families

I want to keep my kids safe, but give them the freedom to grow and explore as well as safely use technology"

- › Fear of children not developing their independence or missing out
- › Freedom and time to do more as parents, and experience more as children
- › Peace of mind and ability to relax, knowing a child is safe without watching over them
- › Confidence that access to technology and connection with others is controlled

### 03. Seniors & Vulnerable Families

I want to remain independent, but ensure I am safe and keep in touch with my family to provide peace of mind to my loved ones"

- › Compliance for retirement living, where personal emergency systems are required
- › Reducing costs for 24/7 monitoring providers by triaging calls through personal emergency contacts before call centres
- › Aging in place for longer for seniors who are at risk, but are not yet ready to move
- › Peace of mind for seniors, families and carers that falls will be automatically alerted, SOS calls are one button press away, and location is shared instantly

### 04. Employers & Workers

I want to ensure the safety of my workers, particularly those most vulnerable or working alone"

- › Duty of care to ensure all employees have a safe work environment
- › Efficiency, utility and compliance through activity and location sharing by employees and/or contractors
- › Peace of mind for workers, employers and families that lone worker falls will be automatically alerted and SOS calls are one button press away

# FY23 Key financial metrics

## +33% Growth ARR

### ARR \$8.3m

- › Reflects strong Spacetalk Mobile growth with \$2.6m ARR vs NIL in prior year
- › Spacetalk Mobile 31% of ARR (FY22: NIL)
- › Solid foundation for recurring revenue growth

## +15ppts Growth Recurring Revenue mix

### Recurring revenue 54% of total revenue

- › Shift in revenue mix to recurring consistent with strategic shift to software driven business
- › Recurring revenue is high margin and underpins future growth in profitability and cash

## +17% Growth Subscribers

### Total subscribers ~70,000

- › Subscriber growth driven by strong Spacetalk Mobile performance since launch in Q2FY23
- › 14,720 Spacetalk subscribers added by June 2023
- › Shift from App subscription to high average revenue per user (ARPU) Spacetalk Mobile
- › Subscriber growth consistent with shift to a subscription focused business with recurring revenue streams

1. FY23 Audited results compared with FY22

# Q1 FY24 Key financial metrics

## +35% Growth ARR

### ARR \$8.8m

- › Continues to grow, underpinned by Spacetalk Mobile growth
- › Spacetalk Mobile now 39% of ARR vs 31% in Q4FY23
- › ARR grew 500bps from Q4FY23
- › Continued momentum in shift to higher yielding subscription business model

## +100% Growth Revenue

### Revenue \$3.6m

- › Retailer collaboration drives increase in device sales
- › Product rationalisation results in effective pricing management
- › Spacetalk mobile revenue for the quarter at \$0.8m, underpinned by strong subscriber growth
- › Schools rebuild continues into Q2

## 77ppts improvement in CTI Ratio

### Expenses of \$2.9m

- › Capability enhanced across key functions to drive strategy execution
- › Management of expenses a key priority and sustained reduction of CTI ratio a key objective

1. Q1 FY24 is unaudited results compared with Q1 FY23
2. Represents revenue from continuing operations (excluding discontinued overseas Device revenue sales)
3. CTI is cost to income

# Capital and Debt

## **\$3.3m (before costs) raised in placement and rights issue**

- › Capital raise 95% subscribed
- › Funds raised to provide working capital to support strategy execution
- › Spacetalk targeting cash flow positive position in 2H24
- › Shortfall of \$0.25m before costs to be placed during Q2FY24

## **Pure Debt facility restructure**

- Loans 1 maturity date extended to align with Loan 2 date of 20 March 2025
- Cash covenant reduced from \$1.25m to \$1.0m effective from 1 January 2024
- Operational covenants agreed
- Restructure provides flexibility to allow strategy execution





# Strategy execution

Horizon 1  
May – December 2023

## Capability

### Stated objectives



- › Hire key executives
- › Build specialist capability to deliver strategy
- › Do the basics well

## Sales

- › Increase Young Families sales, margins & lifetime value
- › Renewed focus on Schools & Educators segment
- › Activate Seniors & Vulnerable Families segment

## Products

- › Adventurer 2 Watch
- › New 'Affordable' Watch
- › Family-focused mobile virtual network operator (MVNO) service
- › Device agnostic mobile application product
- › Schools messaging platform

### Progress & outcomes



- › Hired specialists including, Head of Product; VP Engineering; Head of Business Development – Schools; Growth Marketing Director and Product Marketing Managers
- › Key business functions including finance, engineering, product and operations completely reset
- › Retailer sales margins reset with significant improvement for Spacetalk
- › Major new retailers and ~ 240 new retail sites added
- › Revenue increasing in line with strategy execution, with Q4FY23 and Q1FY24 showing 21% and 100% increases vs prior corresponding period ("pcp") respectively
- › Annual recurring revenue (ARR) increasing +30% over last 2 quarters
- › Dedicated business development resources hired to focus on Schools & Educators segment
- › New B2B channels under development for Seniors & Vulnerable Families Segment
- › Adventurer 2 watch delivered
- › Loop 'Affordable' Watch delivered in October 2023
- › New Spacetalk Mobile plans release planned for November 2023
- › Further enabled Life watch planned for November 2023
- › Device agnostic 'Family App' released in September 2023
- › New parent <> school communication app released in September 2023

# Key priorities

**Horizon 2**  
November – May 2025

**Stated  
objectives**



Capability

- › Deeper and broader expertise to continue strategy delivery

Sales

- › Optimise sales, margins and customer lifetime value across segments
- › Activate Employers and Workers segment
- › Activate Seniors & Vulnerable Families segment

Products

- › New Spacetalk Mobile plans release planned for November 2023
- › Product refreshes
- › New digital products for several segments

# Outlook

- 2H24 cash flow positive
- \$20m - \$25m ARR within 3 years
- Innovation stream to identify unique IP
- Focused execution
- Effective cost management



# Thank You



Connected Families • Confident Kids • Safe Seniors





Spacetalk.co

