

ASX Announcement | 29 April 2024

**Spacetalk Limited (ASX: SPA)**

**Quarterly Activities Report, Business Update and Appendix 4C**  
**For the quarter ended 31 March 2024**

Spacetalk revenue from continuing operations increased 42% vs PCP and 166% paying Spacetalk Mobile subscriber growth during Q3FY24 vs PCP.

**Spacetalk Limited (ASX: SPA) ("Spacetalk" or "the Company")** is pleased to provide its Appendix 4C for the quarter ended 31 March 2024 (Q3FY24) along with the operational update.

**Highlights**

- **Group revenue** from continuing operations **increased 42%** vs the prior corresponding period ("PCP") to \$4.0m
- **Paid subscribers** for Spacetalk Mobile (MVNO) **grew 166%** vs PCP to over 29k (Q3FY23: 11k)
- Annual recurring revenue (ARR) increased 23% vs pcg to \$9.6m (Q3FY23: \$7.8m)
- Continued momentum towards our target of achieving positive free cash flow in Q4FY24
- Significant progress on strategy execution
- Cash in bank of \$1.4m at period end.

The strategic shift to a subscription-based business model has started to pay dividends, as evidenced by a 23% increase in Annual Recurring Revenue (ARR) to \$9.6 million by end of March 2024. This growth in ARR underscores the company's effective adaptation to market demands for more predictable and steady revenue streams, which are typical of subscription models.

Simultaneously, cost reduction programs have realised savings of \$0.46m this quarter, evident in the decline of total normalised payments before product manufacturing costs from \$4.84m in Q2FY24 to \$4.38m. This downward trend is expected to continue as the cost saving and efficiency measures implemented this quarter take full effect across the coming quarters.

**Spacetalk Chief Executive Officer and Managing Director Simon Crowther, said:**

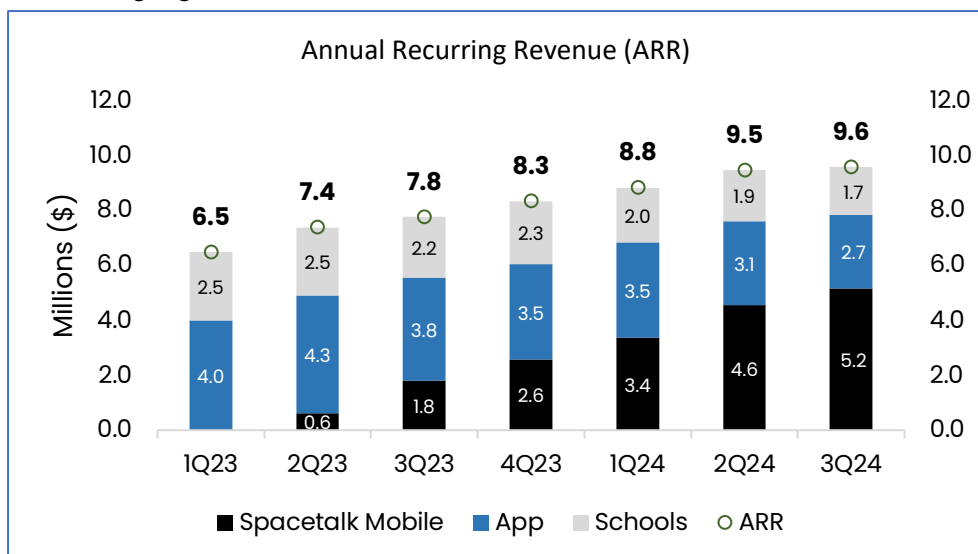
*"I am delighted with our progress in Q3 FY24, which has been a testament to our strategic execution. The positive metrics are a clear indication of our success in realising the goals outlined in our strategy. Central to our mission is the creation of an integrated ecosystem designed to provide families with safety and security. Spacetalk Mobile is at the heart of this ecosystem, linking together our range of products, and the growth in mobile subscribers since its launch in 2022 has been promising. This growth is more than a metric; it symbolizes the strong, ongoing relationships we're building with customers as they transition during their life stages.*

*The excitement for Spacetalk's future is palpable, and our 23% increase in Annual Recurring Revenue (ARR) to \$9.6 million from the corresponding period in the prior year propels us forward. It fortifies our confidence in meeting our goal of \$20 million to \$25 million in ARR in 2026, setting us firmly on the path to realising our long-term objectives."*

**Annual Recurring Revenue (ARR)**

The launch of Spacetalk Mobile in FY23 has been central to our strategy, strengthening our focus on recurring revenue. This product now represents over 50% of our ARR, reflecting our success in building a lasting ecosystem that keeps customers engaged over the long term.

- **Spacetalk Mobile growth:** Revenue from Spacetalk Mobile now constitutes a significant 54% of our ARR, vs 23% in Q3FY23.
- **App Transition:** The ARR for our standalone App has seen a decline as customers have transitioned to Spacetalk Mobile, benefiting from the bundled mobile service offering.
- **Schools ARR:** After a temporary decrease in Schools ARR due to reduced SMS usage, we are seeing signs of stabilization.



## March Quarter Revenue Highlights

- The Group's revenue from continuing operations surged by 42% (vs PCP) to \$4.0 million (Q3FY23: \$2.8m)
- Spacetalk Mobile revenue climbed by an impressive \$0.8m or 162% (vs PCP) to \$1.3m (Q3FY23: \$0.5m) with a slight decrease of \$0.2m in App revenue as we migrate customers towards the Spacetalk Mobile service which offers a higher average revenue per user (ARPU).
- Device revenue continued its strong performance growing by \$0.7m or 69% (Q3FY23: \$0.9m).

Revenue (\$m)	Q3FY24	Q3FY23	Change	
Spacetalk Mobile *	1.3	0.5	161.5%	↑
Apps	0.7	0.9	-25.6%	↓
Schools	0.4	0.4	-7.5%	↓
Recurring Revenue	2.4	1.9	29.2%	↑
Device revenue	1.6	0.9	69.5%	↑
Total	4.0	2.8	42.3%	↑

\* Flagship

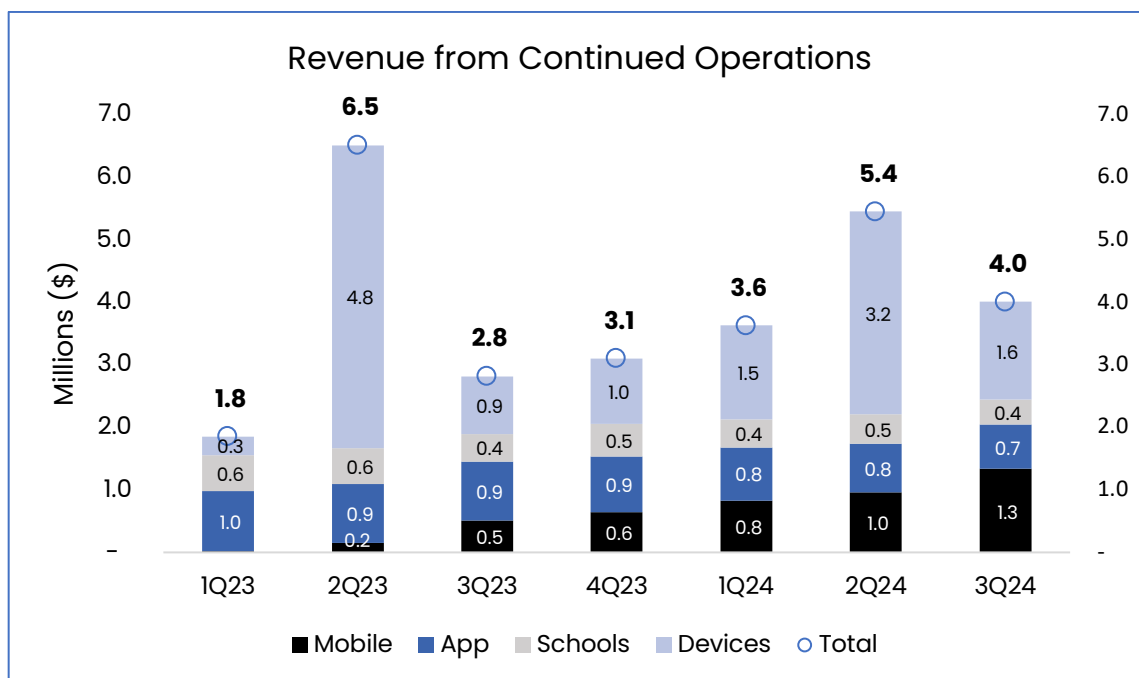
## Quality of revenue

- Recurring revenues for the quarter of \$2.4m (Q3FY23: \$1.8m) up 33% (vs PCP)
- Spacetalk Mobile share of the total group revenue for the quarter increased to 33% (Q3FY23: 18%). This growth is a direct result of the company's strategic emphasis on expanding the Spacetalk Mobile subscriber base, where healthy margins and longer customer lifetimes are anticipated.

The enclosed Quarterly Revenue from Continued Operations chart illustrates the dual success in the company strategy:

- There is a deliberate move towards higher quality recurring revenue streams, notably mobile, which aligns with a focus on long-term value and customer engagement.
- While pivoting to these recurring revenues, the company has strengthened its device sales processes which is more scalable, efficient and predictable than before.

The company has managed to balance growth in new areas without neglecting its established revenue streams.



## Operating Expenses

Total normalised payments before product manufacturing costs reduced significantly from \$4.84m in Q2FY24 to \$4.38m. This downward trend is expected to continue as the cost saving measures implemented this quarter take full effect across the coming quarters.

## Capital, Cash Flow & Funding

We've negotiated with Pure Asset Management to adjust our financing terms, aligning them more closely with our cash flow needs. The key outcomes of our negotiations include:

- The Q3FY24 operating cash flow covenant has been waived, providing immediate financial breathing space.
- For Q2FY25, the operating cash flow covenant has been reduced from \$750k to \$250k, reflecting our understanding of business seasonality and cash flow trends.
- The stipulation for a \$1 million cash balance, once a trigger for default, has been recast as a review event until the end of December 2024, easing potential liquidity constraints.
- We've instituted a new covenant that requires maintaining our cash reserves at a minimum of \$750k, reinforcing our commitment to financial stability.

These proactive measures ensure operational flexibility taking to account the seasonality of our business. The Company held \$1.38m cash on 31 March 2024. The Company's fully drawn debt facilities, amounting to \$5m, have a maturity date of 20 March 2025.

## **FY24 STRATEGY UPDATE**

<b>1</b>	<b>Raise funds to support strategy delivery</b>	<b>Complete</b>
<b>2</b>	<b>Get to cash positive</b>	<b>Anticipated Q4FY24</b>
<b>3</b>	<b>Wind down US &amp; UK operations</b>	<b>Complete</b>
<b>4</b>	<b>Hire org backbone (Segment Sales, Engineering, Product)</b>	<b>Complete</b>
<b>5</b>	<b>Align whole business behind Spacetalk brand</b>	<b>Complete</b>
<b>6</b>	<b>Review MVNO commercial agreements</b>	<b>Complete</b>
<b>7</b>	<b>Reset &amp; increase Australian education sales</b>	<b>Planned H2FY24</b>
<b>8</b>	<b>Reset &amp; increase ANZ retail 'Kids Watch' sales</b>	<b>Complete</b>
<b>9</b>	<b>Reset &amp; increase ANZ eComm 'Kids Watch' sales</b>	<b>Complete</b>
<b>10</b>	<b>Evaluate &amp; launch* 'Agnostic App' (Family App)</b>	<b>Complete</b>
<b>11</b>	<b>Evaluate &amp; launch* 'MVNO Family Plan'</b>	<b>Complete</b>

<b>12</b>	<b>Activate ANZ '24/7 monitoring' 'Life' sales channel</b>	<b>In progress</b>
<b>H2</b>	<b>Evaluate and upgrade* 'Schools Messaging Product Suite'</b>	<b>Complete (Additional Item – Moved Forward from Horizon 2)</b>
<b>H2</b>	<b>Evaluate &amp; launch* 'Budget Watch'</b>	<b>Complete (Additional Item – Moved Forward from Horizon 2)</b>

#### **Statements pursuant to ASX Listing Rule 4.7C**

A \$0.8m cash outflow from operating activities, before one off costs, showed the Company is continuing to progress towards its target of positive free cash flow in Q4FY24. This underlying result reflected strong working capital management during the quarter. The improvement in product mix and the resultant increase in high margin recurring revenue, has enhanced gross margin and cash generation.

**For further information, please contact:**

**Spacetalk Limited (ASX: SPA)**

Simon Crowther  
CEO and Managing Director  
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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).

**For more information**



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**This ASX announcement has been authorised by the Board of Spacetalk Limited (ASX: SPA)**

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Spacetalk Ltd

**ABN**

93 091 351 530

**Quarter ended ("current quarter")**

March 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,011	13,721
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,045)	(4,112)
(c) advertising and marketing	(326)	(959)
(d) leased assets	(31)	(89)
(e) staff costs	(1,807)	(5,358)
(f) administration and corporate costs	(1,876)	(5,510)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(121)	(363)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	410	410
1.8 Other (provide details if material) *	(348)	(1,165)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,132)</b>	<b>(3,426)</b>

\* Relates to non-recurring, one off corporate restructuring costs, including redundancies and overseas exit payments.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	-	-
(c) property, plant, and equipment	-	(33)
(d) investments	-	-
(e) intellectual property	(366)	(1,310)
(f) other non-current assets	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant, and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(366)</b>	<b>(1,343)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,390
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(10)	(235)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(10)</b>	<b>3,154</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,884	3,026
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,132)	(3,426)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(366)	(1,343)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	3,154
4.5	Effect of movement in exchange rates on cash held	45	10
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,421</b>	<b>1,421</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,390	2,852
5.2	Call deposits	31	31
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,421</b>	<b>2,883</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	144
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	5,000	5,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>5,000</b>	<b>5,000</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>NIL</b>
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Facility is a term loan with 2 tranches from Pure Asset Management with the following terms:</p> <ul style="list-style-type: none"> <li>- secured</li> <li>- First Loan interest rate 9.50% pa</li> <li>- Second Loan interest rate 9.50% pa</li> <li>- maturity dates <ul style="list-style-type: none"> <li>o First Loan (\$3m) 20 March 2025</li> <li>o Second Loan (\$2m) 20 March 2025</li> </ul> </li> </ul>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,132)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,421
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,421
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.3</b>
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The operating cash flow for Q4FY 2024 is anticipated to deviate from the current level due to a few key factors:

1. **Seasonal Patterns:** Our cash flow traditionally ebbs in Q3 post the December selling period. During the December selling period, re-sellers tend to stock up for the holiday season, resulting in substantial cash inflows, including upfront payments for yearly mobile plans received from end consumers. Subsequently, in January, we fulfill significant supplier payments, including our obligations to our MVNO provider, which leads to outflows. This creates a temporary mismatch with the bulk of cash being received in December, while major outflows are scheduled for January.
2. **Restructuring Costs:** We have incurred a one-time cash expenditure of \$348k related to cost-out and discontinued operations initiatives in Q3. These initiatives are part of the concluding phase of our strategic restructure, designed to sharpen our focus on core business operations. We expect this restructure to yield substantial cost savings, estimated at \$2.7 million annually. As part of these efforts, we have transitioned some functions—such as customer support, finance, and e-commerce marketing—to outsourced providers.
3. The actions outlined above are aligned with our strategic objectives to optimize operations and create a more agile and cost-effective business structure. We anticipate these changes will positively influence our operating cash flow from Q4 FY 2024 onwards.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

1. We are proactively managing our capital to support operations and have secured continued support from our financing partner, Pure Asset Management (Pure AM). To align our financing with operational cash flow patterns, we have successfully renegotiated terms with Pure AM, enhancing our financial flexibility:
  - Pure AM has agreed to waive the Q3 FY24 operating cash flow covenant.
  - We have amended the Q2 FY25 operating cash flow covenant, reducing it from \$750k to \$250k to better accommodate the seasonality in our business and expected future patterns.
  - The \$1m threshold previously constituting a default event has been revised to a review event until 31 December 2024, offering us additional leeway to manage our finances without the immediate pressure of default.
  - A new covenant has been established requiring our cash reserves to exceed \$750k at all times, ensuring we maintain a healthy liquidity position.
2. Additionally, our financial strategy includes specific instruments tailored to provide liquidity over time. The company holds outstanding options and warrants, which are our primary instruments to provide additional financing in future years. With exercise prices set between 2.3 to 6.0 cents and expiration dates stretching from December 2024 through December 2026.
3. Operationally, our core business remains robust, reflected in a strong cash gross profit of \$4.2M for the first half of FY24. This profitability provides us with a resilient foundation to sustain our business activities. Moreover, if required, we are prepared to implement further cost control measures to maintain financial stability and adapt to changing economic conditions.
4. Given the initiatives as described above, we expect the business to generate sufficient cashflows to meet ongoing obligations in the next 2 quarters and beyond.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, the company confidently anticipates continuing its operations and achieving its business objectives. This outlook is supported by several pivotal factors:

1. **Restructuring Benefits:** The recent restructuring has streamlined our operations, making them more efficient and better suited to the dynamic market environment.
2. **Operational Cash Generation:** We are generating sufficient cash from our operations, primarily due to the enhanced efficiencies and cost savings resulting from our restructuring efforts.
3. **New Product Revenue:** The introduction of innovative products like Spacetalk mobile has significantly expanded our revenue streams.
4. **Recurring Revenue Growth:** Our recurring revenue models have proven to be robust, as evidenced by a year-on-year revenue surge of over 170%. We expect growth to continue.
5. **Cash Gross Profit:** With a solid cash gross profit of \$4.2M in the first half of FY24, we have a strong financial buffer that supports our operational continuity and strategic initiatives.
6. **Cost Management:** We maintain a vigilant approach to cost management, with the ability to scale back expenses further if necessary, to preserve financial health.

Collectively, these elements form the basis of our confidence in sustaining business operations and meeting our strategic goals.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

29 April 2024

Date: .....

Authorised by: .....By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been

prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.