

ASX Announcement | 31 July 2024
Spacetalk Limited (ASX: SPA)

Quarterly Activities Report, Business Update and Appendix 4C
For the quarter ended 30 June 2024

Spacetalk achieved positive cash flow from operating activities of \$0.85 million in Q4FY24 (Q4 FY23: negative -\$1.5 million) and positive free cashflow of \$0.37million (Q4 FY23: negative -\$2.24 million). This turnaround reflects Spacetalk's execution of its strategic plan resulting in effective cost management and revenue strategies, strengthening its financial position and positioning the company for future growth.

Spacetalk Limited (ASX: SPA) ("Spacetalk" or "the Company") is pleased to provide its Appendix 4C for the quarter ended 30 June 2024 (Q4 FY24) along with the operational update.

Highlights

- **Receipts from Customers:** Achieved strong receipts from customers totaling \$3.86 million (Q4 FY23: \$2.45 million), representing a 58% increase vs PCP and demonstrating robust revenue generation and customer engagement.
- **Net Positive Cash from Operating Activities:** Achieved positive net cash flow from operating activities of \$0.85 million (Q4 FY23: neg -\$1.52 million), representing a \$2.37 million improvement vs PCP, highlighting a significant turnaround in operational efficiency.
- **Positive Free Cashflow for Q4 FY24:** Achieved positive free cashflow of \$0.37 million (Q4 FY23: neg -\$2.24 million), representing a \$2.61 million improvement vs PCP.
- **Strong Reduction in Operating Payments by 29%:** Payments before product manufacturing costs were reduced significantly to \$2.69 million (Q4 FY23: \$3.78 million), reflecting a 29% decrease vs PCP due to the impact of cost-saving measures and improved financial management.
- **Significant Paid Subscriber Growth by 110%:** Paid subscribers for Spacetalk Mobile (MVNO) grew by 110% vs PCP to over 30.9k (Q4 FY23: 14.7k).
- **Annual Recurring Revenue (ARR) up:** Increased by 17% vs PCP to \$9.7 million (Q4 FY23: \$8.3 million).
- **Quality of Revenue Improved:** Recurring revenues for the quarter were \$2.5 million representing 68% of total revenues (Q4 FY23: \$2.2 million), up 16% vs PCP.
- **Cash Position:** The company held \$1.79 million in cash as of 30 June 2024 (Q3 FY24: \$1.42 million) up 26% from March 2024.

- **Strategic Milestones Achieved:** Completed key strategic initiatives, including the shift to a more subscription-based model, cost reduction programs, and activated the ANZ '24/7 monitoring' 'Life' sales channel.
- **Renegotiated Loan Facility:** Successfully renegotiated the \$5M loan facility with Pure Asset Management, providing greater flexibility and supporting our growth trajectory with an extended maturity date and structured repayment schedule.

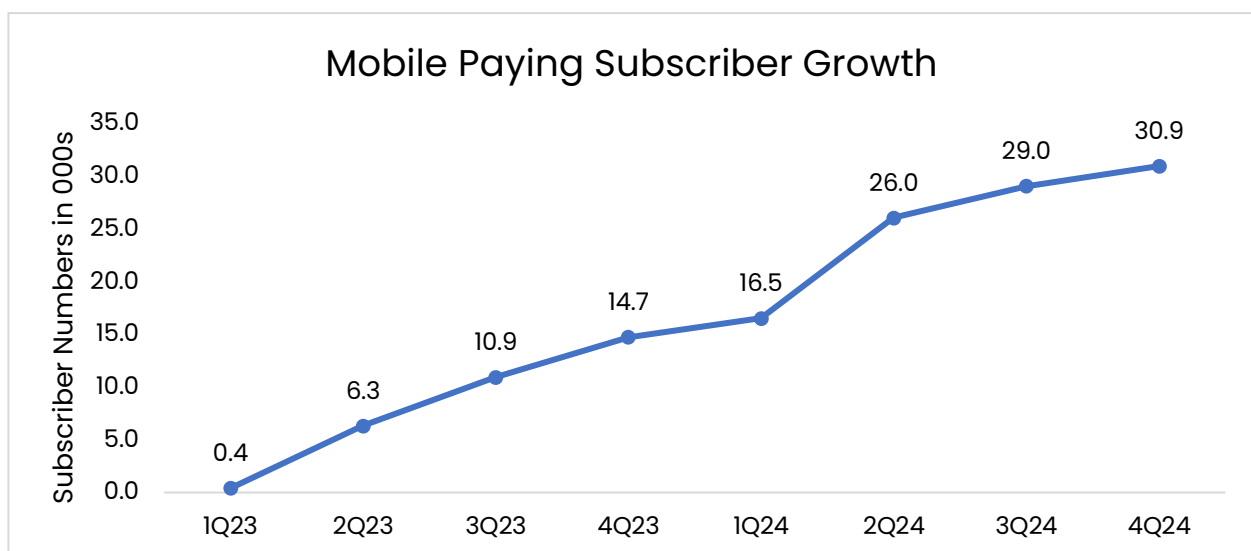
Spacetalk Chief Executive Officer and Managing Director Simon Crowther, said:

"I am delighted to report that Spacetalk has achieved a positive cash flow from operating activities of \$0.85 million for Q4 FY24, compared to a negative cash flow of -\$1.52 million in the prior corresponding period. This turnaround is a testament to our disciplined strategic execution, which has focused on increasing receipts from customers and implementing effective cost management initiatives. The significant improvement in our cash flow reflects the strength of our business model and our commitment to driving sustainable growth.

Central to our mission is the creation of an integrated ecosystem designed to provide families with safety and security. Having delivered a significant strategic and operational turnaround resulting in positive changes throughout the business, we are now poised to focus on growth, in line with our goal of achieving \$20 million to \$25 million in ARR by 2026, setting us firmly on the path to realising our long-term objectives.

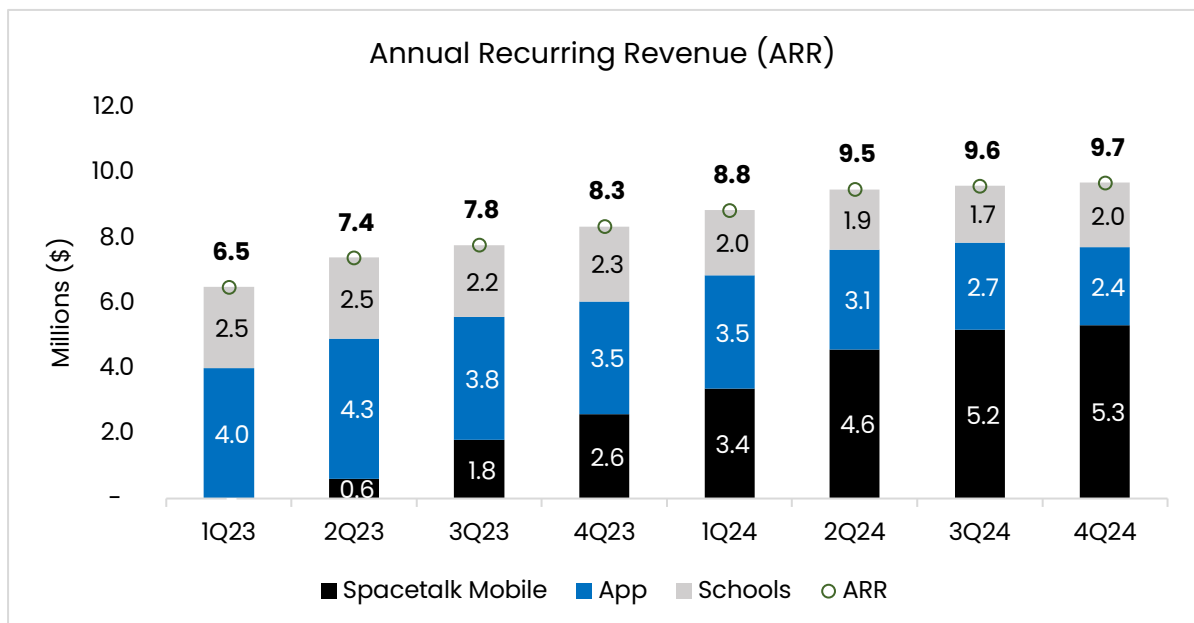
We have successfully renegotiated our loan facility under terms that provide greater flexibility and support our growth trajectory. The extended maturity date and structured repayment schedule align with our strategic initiatives and ensure that we can continue to build on our recent successes. This agreement is a testament to the confidence our lender has in Spacetalk's management, business model and growth prospects. We are committed to maintaining robust financial health while driving product innovation and expanding our market presence.

Subscriber and Annual Recurring Revenue (ARR)



The focus on growth of Spacetalk Mobile since FY23 has been pivotal in driving our strategic direction, with a strong emphasis on generating recurring revenue. This initiative has significantly contributed to our business, demonstrating our ability to create a sustainable ecosystem that fosters long-term customer loyalty and engagement. The impressive growth in paying subscribers, especially towards the end of the quarter, reflects the value and trust our customers place in Spacetalk Mobile.

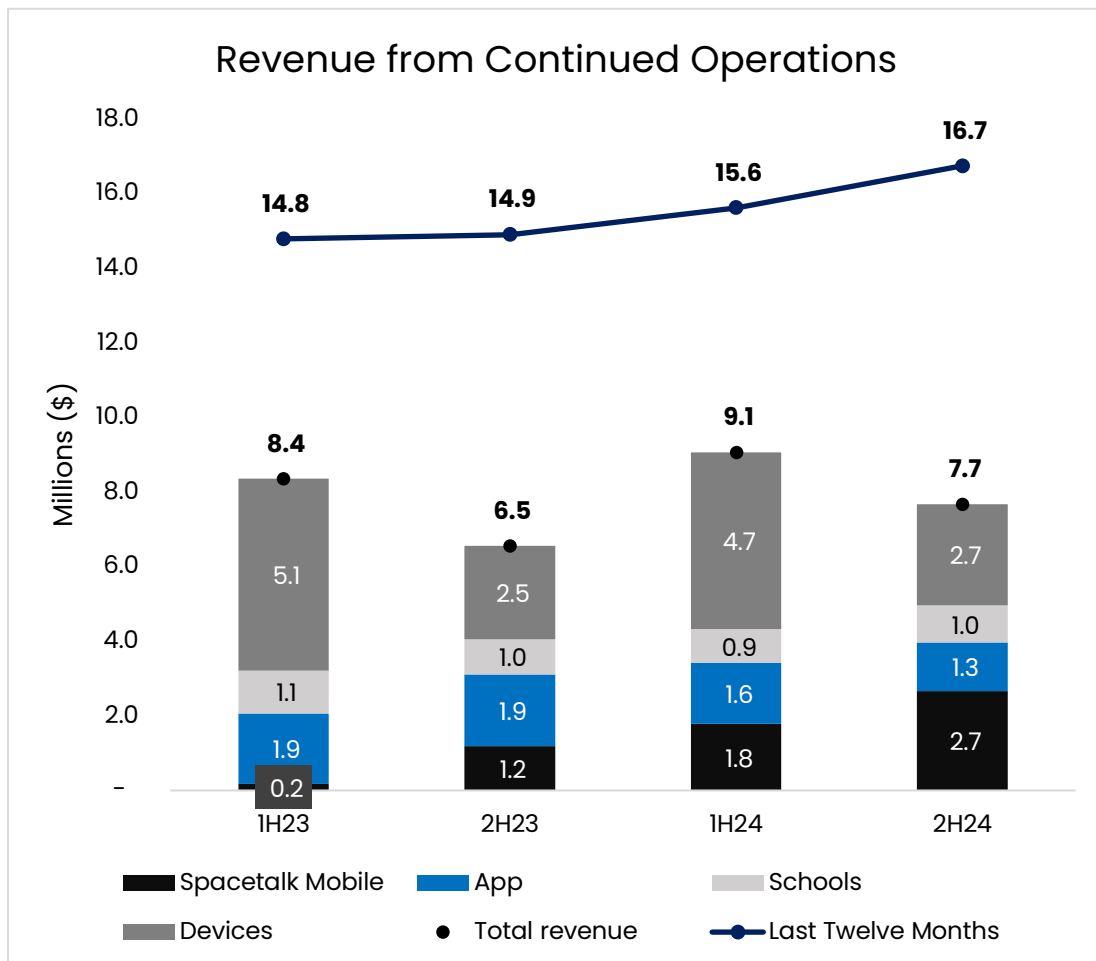
- **ARR growth continued:** up 17% to \$9.7million (4Q23: \$8.3 million) largely driven by strong mobile growth.
- **Spacetalk Mobile growth:** ARR from Spacetalk Mobile have grown by 104% vs PCP to \$5.3 million (Q4FY23 \$2.6 million).
- **App Transition:** The ARR for our Companion App has continued its transition to Spacetalk mobile, benefiting from the bundled mobile service offering.
- **Schools ARR:** More schools have taken advantage of year-end offers, leading to an increase in Schools ARR to \$2 million. This reflects higher utilisation and engagement with Spacetalk's services.



June Quarter Revenue Highlights:

- The Group's revenue from continuing operations increased by 5% vs PCP, reaching \$3.7 million (Q4 FY23: \$3.5 million).
- Spacetalk Mobile revenue grew by \$0.64 million or 93% vs PCP, totalling \$1.3 million (Q3 FY23: \$0.7 million). This increase comes alongside a decrease of \$0.37 million in App revenue, as we strategically migrate customers towards the Spacetalk Mobile service, which offers a higher average revenue per user (ARPU) and where we are expecting longer customer lifetimes.

Revenue (\$m)	Q4FY24	Q4FY23	Change	
Spacetalk Mobile *	1.3	0.7	93%	↑
Apps	0.6	1.0	-38%	↓
Schools	0.6	0.5	15%	↑
Recurring Revenue	2.5	2.2	16%	↑
Device Revenue	1.2	1.3	-14%	↓
Total	3.7	3.5	5%	↑



The above half yearly revenue from continued operations chart illustrates the dual success in the company strategy:

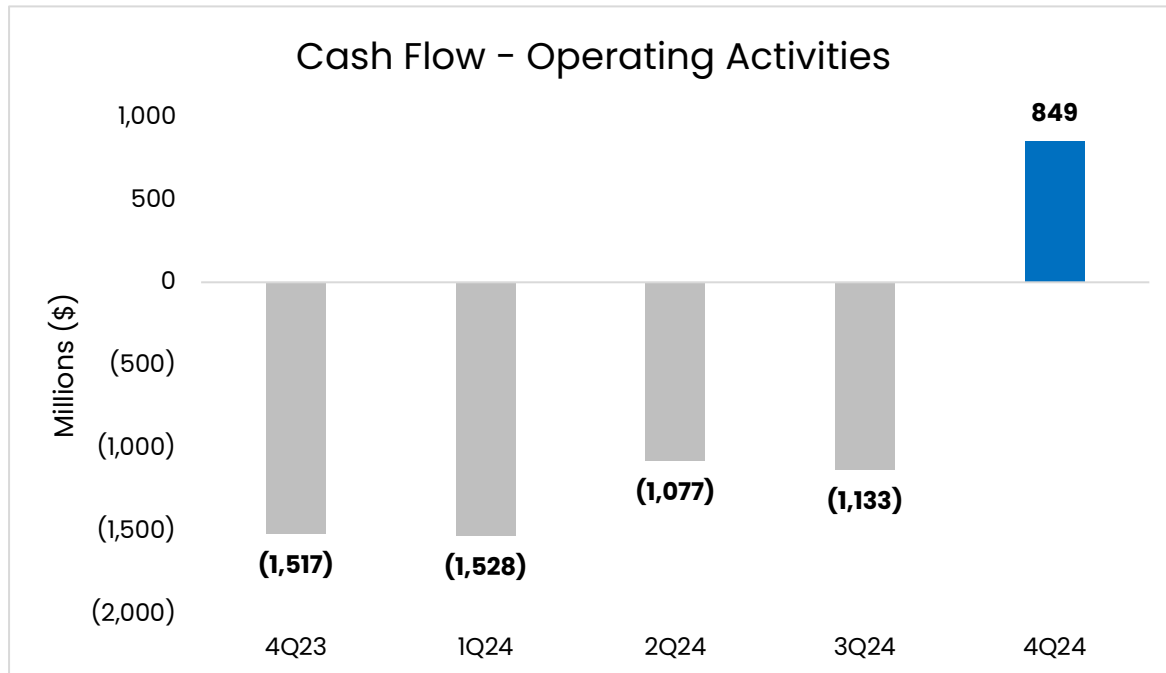
- There is a deliberate move towards higher quality recurring revenue streams, notably mobile, which aligns with a focus on long-term value and customer engagement.
- While pivoting to these recurring revenues, the company has strengthened its device sales processes which is more scalable, efficient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

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

Cashflow from operating activities

We are delighted to announce a positive cash flow of \$0.85 million for Q4 FY24. This marks a significant recovery from a negative cash flow of -\$1.13 million in the previous quarter and -\$1.52 million vs PCP.

- This positive outcome showcases Spacetalk's diligent cost management and successful revenue and customer growth strategies.
- Through prudent expenditure management and a focus on increasing customer receipts, Spacetalk has enhanced its financial stability.
- This accomplishment underscores Spacetalk's dedication to maintaining financial health, driving sustainable growth, and creating value for stakeholders.



Successful refinancing and extension of loan facility

We have successfully negotiated a re-financing and extension of our loan facility with Pure Asset management giving us significant financial flexibility and supports the Company's strategic growth initiatives.

Highlights:

- Extension of the maturity date for the \$5 million loan to March 2027
- Structured amortisation schedule to ease repayment burdens
- Interest rate set at 9.50%
- Financial covenants to ensure financial stability.

Key Terms of the Refinanced Loan Facility:

- Interest Rate: 9.50%
- Maturity Date: Extended to March 2027
- Amortisation Schedule:
 - March 2025: Repay \$1,000,000, leaving a total loan balance of \$4,000,000
 - September 2025: Repay \$750,000, leaving a total loan balance of \$3,250,000
 - March 2026: Repay \$1,000,000, leaving a total loan balance of \$2,250,000
 - March 2027: Repay \$2,250,000, fully repaying the loan.

Financial Covenants:

- Minimum Cash Balance: Cash to always exceed \$750,000
- Operating Cash Flow: Specific targets to be met quarterly.

Related Party Payments

Payments to related parties and their associates during the quarter amounted to \$97k, and this related to the CEO & Directors remuneration for services provided.

FY24 STRATEGY UPDATE

1	Raise funds to support strategy delivery	Complete
2	Get to cash positive	Complete (Cash flow positive in Q4 FY24)
3	Wind down US & UK operations	Complete
4	Hire org backbone (Segment Sales, Engineering, Product)	Complete
5	Align whole business behind Spacetalk brand	Complete
6	Review MVNO commercial agreements	Complete
7	Reset & increase Australian education sales	Planned FY25
8	Reset & increase ANZ retail 'Kids Watch' sales	Complete
9	Reset & increase ANZ eComm 'Kids Watch' sales	Complete
10	Evaluate & launch* 'Agnostic App' (Family App)	Complete
11	Evaluate & launch* 'MVNO Family Plan'	Complete
12	Activate ANZ '24/7 monitoring' 'Life' sales channel	Complete
H2	Evaluate and upgrade* 'Schools Messaging Product Suite'	Complete (Additional Item - Moved Forward from Horizon 2)
H2	Evaluate & launch* 'Budget Watch'	Complete (Additional Item - Moved Forward from Horizon 2)

To keep up to date with company news and announcements visit investorhub.spacetalk.co.

For further information or investor enquiries, please contact:

Spacetalk Limited (ASX: SPA)

Simon Crowther

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www.spacetalk.co

ABOUT SPACETALK LIMITED

Spacetalk Limited (ASX: SPA) is a software services and wearables 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 stages 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 SaaS Spacetalk App can be customised, giving clients the ability to enable or disable individual features. Parents are empowered to block their kids access to the open internet, social media, and inappropriate adult content while simultaneously blocking calls and messages from unknown senders. The app can also monitor the location of vulnerable family members, including children and seniors bringing enhanced peace of mind for the entire family.

Spacetalk's core wearables hardware is effectively a child's first mobile phone. It offers all the benefits of a smart device, 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.

FORWARD-LOOKING STATEMENTS

This announcement may contain forward-looking statements. These statements are based on Spacetalk's expectations, estimates, and projections at the time the statements are made. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Actual outcomes and results may differ materially from those expressed or implied in these forward-looking statements. Spacetalk undertakes no obligation to update these statements for events or circumstances occurring after the date of this announcement.

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")

June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,860	17,842
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(329)	(4,583)
(c) advertising and marketing	(458)	(1,189)
(d) leased assets	(37)	(126)
(e) staff costs	(1,217)	(6,659)
(f) administration and corporate costs	(857)	(6,944)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(368)
1.6 Income taxes paid	(4)	(4)
1.7 Government grants and tax incentives	-	410
1.8 Other (provide details if material) *	(112)	(1,276)
1.9 Net cash from / (used in) operating activities	849	(2,889)

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

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	-	(2)
(c) property, plant, and equipment	(77)	(105)
(d) investments	-	-
(e) intellectual property	(231)	(1,359)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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)	-	-
2.6	Net cash from / (used in) investing activities	(308)	(1,466)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,391
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	-	(110)
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)	-	-
3.10	Net cash from / (used in) financing activities	-	3,281

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,421	3,026
4.2	Net cash from / (used in) operating activities (item 1.9 above)	849	(2,889)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(308)	(1,466)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	3,281
4.5	Effect of movement in exchange rates on cash held	(168)	(158)
4.6	Cash and cash equivalents at end of period	1,794	1,794

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	1,763	1,390
5.2	Call deposits	31	31
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,794	1,421

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	97
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>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	5,000	5,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,000	5,000
7.5	Unused financing facilities available at quarter end	NIL	
7.6	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.		
As at 30 June 2024			
Facility in place is a term loan with 2 tranches from Pure Asset Management with the following terms:			
<ul style="list-style-type: none">• Secured• First Loan interest rate 9.50% pa• Second Loan interest rate 9.50% pa• Maturity dates<ul style="list-style-type: none">○ First Loan (\$3m) 20 March 2025○ Second Loan (\$2m) 20 March 2025			
On 31 July 2024, Spacetalk successfully refinanced and extended the loan facility			
The revised terms include an extension of the loan maturity date by two years to March 2027. This extension provides Spacetalk with significant financial flexibility and supports the Company's strategic growth initiatives.			
<u>Key terms:</u>			
<ul style="list-style-type: none">• Interest Rate: remains at 9.50%• Maturity Date: Extended to March 2027			
<u>Amortisation Schedule:</u>			
<ul style="list-style-type: none">• March 2025: Repay \$1,000,000, leaving a total loan balance of \$4,000,000.• September 2025: Repay \$750,000, leaving a total loan balance of \$3,250,000.• March 2026: Repay \$1,000,000, leaving a total loan balance of \$2,250,000.• March 2027: Repay \$2,250,000, fully repaying the loan.			

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	849
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,794
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,794

8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)

N/A

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.

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: **N/A**

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: **N/A**

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: **N/A**

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.

31 July 2024

Date:

By the Board

Authorised by:
(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.