ASX Announcement
Spacetalk Ltd. (ASX: SPA)
16 February 2021

H1 FY21 RESULTS
SPACETALK DELIVERS RECORD PERFORMANCE

Spacetalk Ltd. (ASX:SPA) ("Spacetalk," "Company" or "Group"), developer of innovative technologies that keep families safe and connected, is pleased to provide a summary of the Company's audited financial results and operational highlights for the half year ending 31 December 2020 ("H1 FY21").

Financial Highlights

(growth rates are compared to H1 FY20, the previous corresponding period, unless otherwise stated)

Record Group Revenue $8.25m up 9%	Healthy Gross Profit Margin 54%	Positive EBITDA Growth $0.6m, up 36%	Net Cash, No Debt $1.6m at 31 December 2020
Record Wearables revenue $7.1m, up 13%	Highest ever half of device sales $6.3m, up 7%	Continuing strong growth in App revenue $0.9m, up 76%	Exceptional App ARR[1] growth $2.3m, up 76%

Operational Highlights

- Company name changed to **Spacetalk Ltd** from MGM Wireless Limited
- Unifies and simplifies corporate, product and marketing communication
- Reflects the tremendous growth in the Spacetalk Wearables division to more than 3x the size of the Schools business, and the larger business opportunity it presents going forward

NEW Kids device – Spacetalk Adventurer	NEW Seniors device - Spacetalk Life	NEW Spacetalk App built in-house	Ranging with tier-1 retailers in 1,120 stores globally
Leading kids device in the category in ANZ	B2B2C model with aged/home care providers	Family chat, pictures, video, health/fitness, parental controls+	Customer Acquisition Cost[2] ("CAC") down 43% to $28

- Post H1 FY21, unit sales in the first 5 weeks of Q3 FY21 up 44% on the whole of Q3 FY20

[1] ARR = Annualised Recurring Revenue from Spacetalk App monthly subscriptions.
[2] Customer Acquisition Cost ("CAC") = Advertising & Marketing Expenses / Units Sold.

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Spacetalk CEO Mark Fortunatow said: "It has been a very good half for our business. The Company delivered record sales, launched our ground-breaking new Spacetalk Adventurer kids watch, ranged our seniors Spacetalk Life watch with retailers, and released the new Spacetalk App, creating a very strong foundation for an exciting future for our business. Strong continuing growth in Spacetalk App ARR is indicative of the ongoing practical benefits our products deliver to users; and we expect this to continue to build as Spacetalk devices sold through the Christmas sales period lead to increased App user adoption through 2021.

It is an extremely exciting period in the history of our Company, where we expect to see in 2021 the benefit of the strategic investments we have made during 2020, to bring to market new products, onboard new channel partners, and develop go-to-markets for new geographies.

Thank you to all of our customers, employees, suppliers, partner distributors and retailers, shareholders and supporters who helped us achieve another great half year".

Record Spacetalk device sales

Despite the unprecedented and challenging circumstances brought on by COVID-19, the Group recorded its best ever half of revenue of $8.25 million (+9%), largely attributable to the continuing strong sales of the Spacetalk Wearables division of $7.1 million (+13%), with device revenue up to $6.3 million from $5.8 million, App revenue up 76% to $0.9 million, App ARR also up 76% to $2.3 million, and Customer Acquisition Cost ("CAC") down 43% to $28. Bricks-and-mortar distribution expanded from 777 to 1,120 stores globally, with selected tier-1 retailers ranging Spacetalk products across their national footprints.

It is the first half in the Company's history that more than one Spacetalk device was offered in the same category – the original Kids and Adventurer devices – with Spacetalk Life creating a new category of seniors connected wearables.

In December 2020, the Company launched Spacetalk Adventurer – our ground-breaking 4G all-in-one smartphone watch and GPS device for kids aged 5-12. Fun, fashionable, safe and technologically advanced, Spacetalk Adventurer is a totally new design build and technology platform, with exciting new features that deliver confidence for the child, enhanced controls for the parent, and new functionalities for the family to stay connected. In its first two weeks of sales and prior to the commencement of advertising campaigns, Spacetalk Adventurer sales exceeded Spacetalk Kids unit sales, with revenue contribution of 18% of all device sales for the half (versus 77% for Spacetalk Kids and 5% for Spacetalk Life).

Leading into the launch of Adventurer, the Company strategically repositioned the original Kids devices at a lower recommended retail price to engage mass-market appeal and to differentiate its value proposition from the next generation Adventurer. The strategy of selling at the reduced price

point delivered a strong uplift in the original Kids device unit sales, a net revenue uplift and further consolidated our reach and brand. Adventurer is the market's leading connected kids wearable device in ANZ, and we expect this trajectory of sales to continue to deliver strong sales growth and record revenue results going forward.

In Australia and New Zealand ("ANZ") revenue grew by 17% to $5.3 million, continuing to cement Spacetalk devices' market leading position amongst ANZ consumers. Spacetalk began ranging through Harvey Norman Australia's 120 retail stores, adding to our presence in ANZ at JB Hi-Fi, Officeworks, the Good Guys, Dick Smith, at Vodafone stores selling Spacetalk on monthly plans, and online with our Company e-commerce store and Kogan. Confidence from new and existing retail and Mobile Network Operator ("MNO") partners to range our products contributed to $5.35 million of sales, with the Company's e-commerce site contributing $0.95 million.

The half ended with the most successful Christmas sales period in the Company's history, with record sales during Black Friday, Cyber Monday and right through Christmas driven in large part by the substantial promotions funded by our retail partners in recognition of the increased brand equity of Spacetalk with consumers.

New Spacetalk App

Annual recurring revenue (ARR or monthly Spacetalk App subscription revenue) continues to grow extremely strongly, up 76% to $2.3 million.

In December 2020, the Company released the new Spacetalk App, replacing the AllMyTribe App and providing new functionality beyond parental controls; featuring group Family Chat with pictures and video, advanced health and fitness, and enhanced parent controls. Every linked contact, regardless of device or age, can now stay connected in the more fun, engaging and secure Spacetalk ecosystem. Spacetalk App subscriptions grew a record c.$202,000 in January 2021, up 6% from December 2020.

The business relevance of the new Spacetalk App is as significant as the continuing strong revenue growth in sales from the Company's suite of devices. The introduction of the Family Chat function (with video and picture sharing) is expected to drive a circular and viral network effect for new customer adoption.

Spacetalk Family Chat is similar to WhatsApp[3] messaging but with significant improvement, enabling young kids to use their Spacetalk devices to engage in group chat with family and friends, but in a highly secure, parent contact controlled and supervised manner.

[3] WhatsApp is a registered Trademark of WhatsApp Inc, a company owned by Facebook, Inc.

Using the Spacetalk App, Parents control the contacts their kids chat with, and can monitor the conversation, all whilst their kids are having fun messaging, sharing pictures and videos with their friends and extended family members.

A circular network affect is created as family and friends need to download the Spacetalk App to participate in Family Chats, which increases users in the Spacetalk ecosystem, that in turn grows brand awareness and the ability to acquire new users of Spacetalk devices.

Schools business – stable and steady growth business

The Schools business revenue was $1.0 million, down 22%, reflecting a change in date of the annual billing cycle of a software license fee relating to a large State Government education department contract, from the first half to H2 FY21.

The Schools business continues to deliver steady profit performance, with multi-year State Government contracts providing stable recurring cash flows.

Group – strong top-line growth, opex discipline and capital management

Record Group revenue of $8.25 million (+9%), gross margin of 54% and lower operating costs of $3.8 million (-17%) contributed to a healthy EBITDA of $0.61 million, an increase of 36%.

Gross profit of $4.45 million (-13%) was impacted by repositioning the original Spacetalk Kids device at a lower price point on the launch of Adventurer, deferred revenue of the Schools business to H2 FY21 and, to lesser extent, higher cost of goods sold ("COGS") for Adventurer.

Corporate and administrative expenses fell to $1.4 million from $2.1 million, including lower shipping costs, product warrantees, travel, consulting fees and commissions.

Advertising costs decreased to $0.95 million from $1.2 million, with a greater share of advertising and promotion undertaken by partners. These included promotions over the most important shopping days leading up to Christmas and television advertising in Australia and the UK.

The Group received the Government's JobKeeper wage subsidy for qualifying Australian businesses amounting to $499,500 and Cashflow Boost of $100,000. JobKeeper is reported as a reduction to the associated employee costs and the Cashflow Boost is recognised as revenue in the Consolidated statement of Profit and Loss, and Comprehensive Income.

Employee costs were flat at $1.4 million. The Company significantly strengthened the management team, with senior appointments in marketing and sales, in ANZ and the UK, and hires across sales, marketing and product development management. At 31 December 2020, the Company employed 43 staff in ANZ and 5 in the UK.

Significant once-off non-cash expenses included options and share issue costs of $0.1 million, down from $2.4 million, and depreciation and amortisation of $1.3 million, up from $1.2 million.

In July 2020, the Company undertook a $2.5m Share Purchase Plan ("SPP"). In excess of $5m applications were received, exceeding the original target of $1.5m by 236%. Capital raised through the SPP was used for inventory build, development of Adventurer and working capital.

At 31 December 2020 the Group held cash of $1.6 million, with positive working capital of $5.6 million (up $1.6 million from 30 June 2020), including a low inventory value of $184,447, $1.4 million in prepayments of outstanding inventory, an R&D tax incentive of $0.6 million and $4.0 million in receivables (net of a loss allowance of $623,188 predominately for rebate provisions and discounts). The Company has no drawn debt.

Trading update

H2 FY21 has started strong, with unit sales in the first 5 weeks of Q3 FY21 up 44% on the whole of Q3 FY20. Adventurer is the market's leading connected kids wearable device. The Company is in advanced conversations with aged care and home care providers in relation to Spacetalk Life, as we look to expand distribution using a B2B2C model. The Company's highest ever quarter of Spacetalk device sales through the 2020 Christmas period (Q2 FY21) is expected to lead to a material increase in App user adoption through H2 FY21. In the UK, the Company is in advanced dialogues for our bricks and mortar retail launch, and with MNOs, led by the Company's new UK Country Head. Finally, Spacetalk's launch in the USA remains on track, with an exciting go-to-market planned.

The Company is committed to the following objectives –

1. Growing the top-line with our expanded product suite – original Kids, Adventurer and Life – and channels – bricks and mortar retail, MNO and new geographies
2. Expanding Spacetalk Life for seniors distribution to a B2B2C model, where we are seeing strong interest from aged care and home care providers
3. Advancing our App and leveraging the ecosystem's network effect to enhance user engagement and grow both device sales and ARR
4. Focusing on our global market penetration, in the UK with our new Country Head progressing a bricks and mortar launch as well as onboarding new MNOs, and in the USA with an exciting go-to-market planned for CY21
5. Improving operating cost efficiencies as we grow, with the aim of acquiring new customers at a lower cost as we scale in ANZ and take a disciplined approach to capital management with our international expansion

This announcement has been authorized by Spacetalk CEO Mark Fortunatow.

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About Spacetalk Ltd.

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.

To learn more about the Spacetalk devices and app platform, and the Company, please visit: https://www.spacetalkwatch.com/. Investor Centre: https://investors.spacetalkwatch.com/.

Forward Looking Statements

Any forward looking statements, opinions and estimates provided in this announcement rely on various contingencies and assumptions. Various factors and risks, both known and unknown, many of which are outside the control of Spacetalk, may impact upon the performance of Spacetalk and cause actual performance to vary significantly from expected results. There can be no guarantee that Spacetalk will achieve its stated objectives or that forward looking statements or forecasts will prove to be accurate.