SPACETALK

FY2021 Results Presentation

(ASX: SPA)

AUGUST 2021



CONNECTED FAMILIES • CONFIDENT KIDS • SAFE SENIORS

SPACETALK

Agenda

- Company Snapshot
- Financial Highlights
- Operational Highlights
- FY2021 Key Takeaways
- FY2022 Business & Strategy Update



Company Snapshot

What we stand for

Connecting families

What we deliver

Smartphone watches purpose-built for kids and seniors, with software designed to enhance their independence while enabling guardians to ensure their safety and care.

What sets us apart

End-to-end design, engineering and product development, with software built in-house and IP created and owned. Tested, certified and ranged by global tier-1 Telcos (Telstra, O2, Virgin UK, Vodafone, Sky UK, Spark NZ) and retailers (1,288 bricks and mortar stores globally), meeting the highest standards of security and usability expected of parents and our partners.



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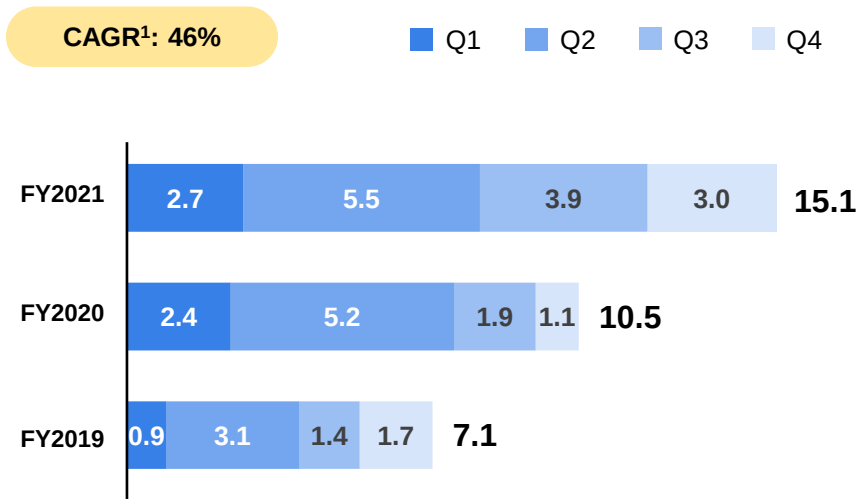
FY2021 Financial Highlights

Group: Record performance, attributable to strong Device sales + App revenue

GROUP REVENUE ▲ **$15.1m** **+44% pcp** **FY2020: $10.5m**

FY2021 Group Revenue ($m)



WEARABLES REVENUE
▲ **$12.7m** +65% pcp FY2020: $7.7m

SCHOOLS REVENUE
▼ **$2.25m** -18% pcp FY2020: $2.7m

GROSS PROFIT
▲ **$9.4m** +26% pcp FY2020: $7.5m

GROSS PROFIT MARGIN
62%

OPEX
▲ **$8.3m** +9% pcp FY2020: $7.6m

EBITDA
▲ **$1.1m** +615% pcp FY2020: -$0.21m

CASH AT BANK **$4.2m** **AT 30-JUN-21**

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Footnote 1: CAGR = Compound Annual Growth Rate.

FY2021 Operational Highlights

NEW Devices



SPACETALK Life

SPACETALK Adventurer

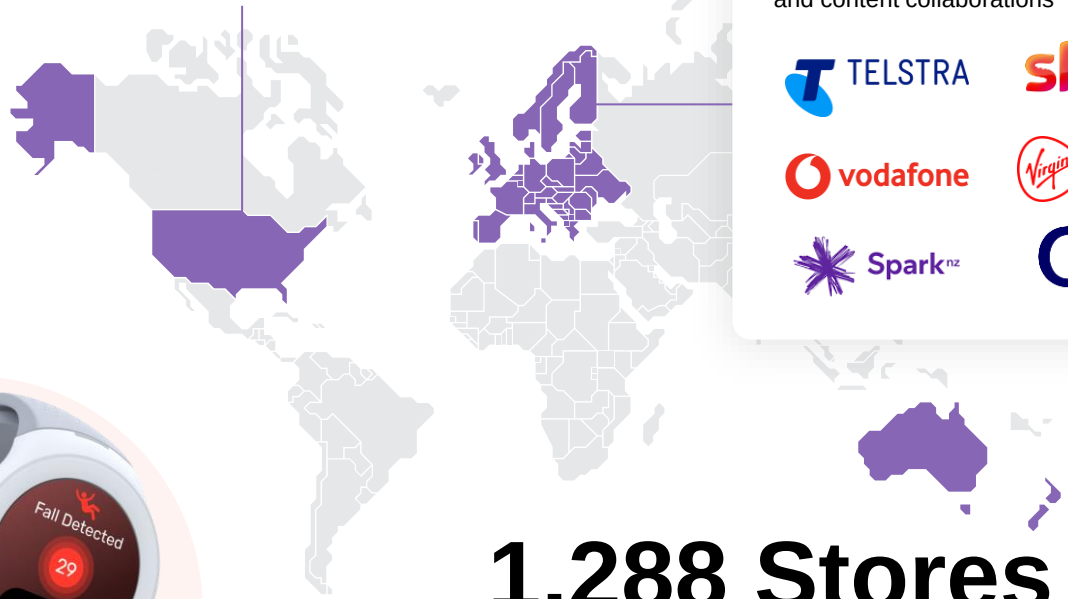
NEW App



SPACETALK App

NEW Countries

USA launch on-track for CY2021. New Country Manager, logistics and distribution agreements being finalised, and customer services staff and operations management being onboarded



NEW

Partnerships with Major Global MNOs

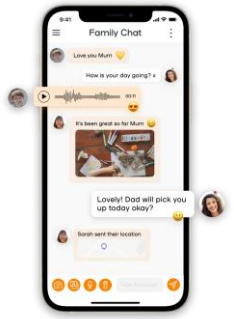
Pan-Europe engagement with leading retailers and MNOs on new partnerships for device sales and content collaborations

TELSTRA · sky · vodafone · Virgin media · Spark NZ · O2

NEW Functionality

Family Chat

Group chat (and share recorded audio, videos and pictures) with other approved contacts in the secure and private Spacetalk ecosystem



Fall Detection

- Real time data + AI + Machine learning
- Continually enhancing its high accuracy in real time as more people use the devices



1,288 Stores IN ANZ AND UK

JB HI-FI · kogan.com · THE GOOD GUYS · Harvey Norman · Officeworks · noel leeming · Currys PC World · dick smith

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FY2021 Wearables Summary

Wearables: Record sales, continued strong ARR growth, expanded distribution, lower CAC

DEVICE REVENUE
▲ **$10.6m**
+65% pcp
FY2020: $6.4m

APP REVENUE
▲ **$2.2m**
+76% pcp
FY2020: $1.2m

 # RETAIL STORES
▲ **1,288**
+43% pcp
FY2020: 902

REVENUE
$12.7m
▲ +65% pcp



UNIT SALES
▲ **+105%**
ANZ +133% pcp
UK +11% pcp

APP ARR[1]
▲ **$2.8m**
+87% pcp
FY2020: $1.5m

CAC[2]
▲ **$1.5m**
-12% pcp
FY2020: $1.7m

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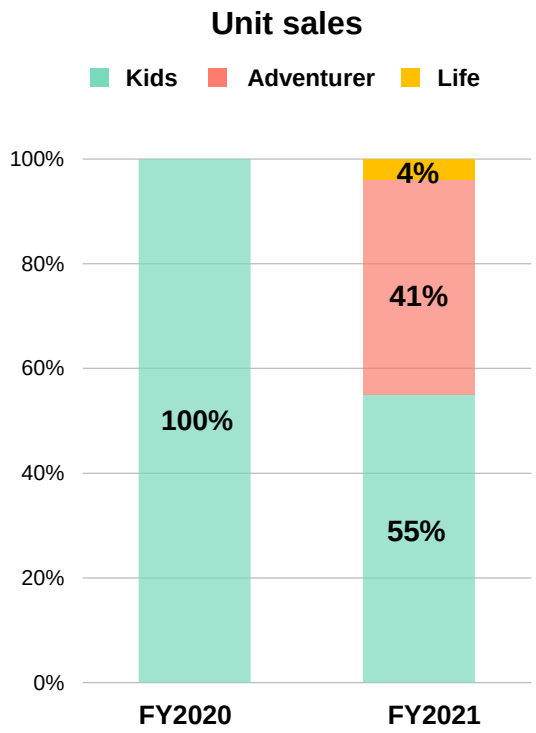
1. ARR = Annualised Recurring Revenue from Spacetalk App monthly subscriptions.
2. CAC = Customer Acquisition Cost = Advertising & Marketing Expenses

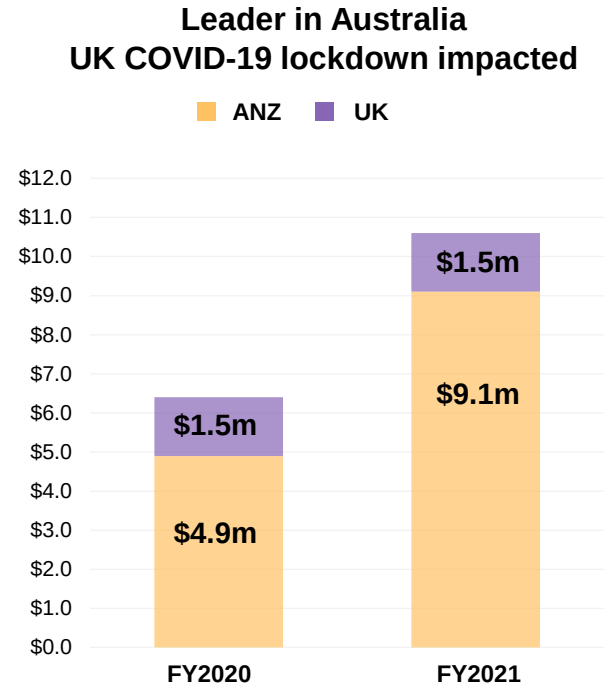
FY2021 Wearables – Devices

Devices: Market leading kids flagship devices, with new B2B2C model for seniors device

- Strong device revenue growth attributable to:
  - ✓ Expanded suite of devices being sold - Adventurer and LIFE launched in FY2021
  - ✓ Australia – device sales revenue of $9.1m, up 85% pcp ($4.9m)
  - ✓ UK – device sales flat at $1.5m
- Strong launch of Adventurer for kids, accounting for 41% of all unit sales in FY2021, and ranging as the sole and flagship offering of some of the world's largest MNOs – Telstra, Telefonica UK (O2)
- LIFE in early stages of its transition to B2B2C model with strong interest from aged care and home care providers
- UK impacted by an extended COVID-19 lockdown and decline in consumer sentiment



- **Adventurer for Kids:** Launched in Dec-20 exclusively via JB Hi-Fi
- **Life for Seniors:** ranging for sales from Jul-20 (e-com, then retailer)



+66% pcp

$8.8m

Retail+MNO[1] partners

+63% pcp

$1.8m

Company e-com

Footnote 1: MNO = Mobile Network Operators

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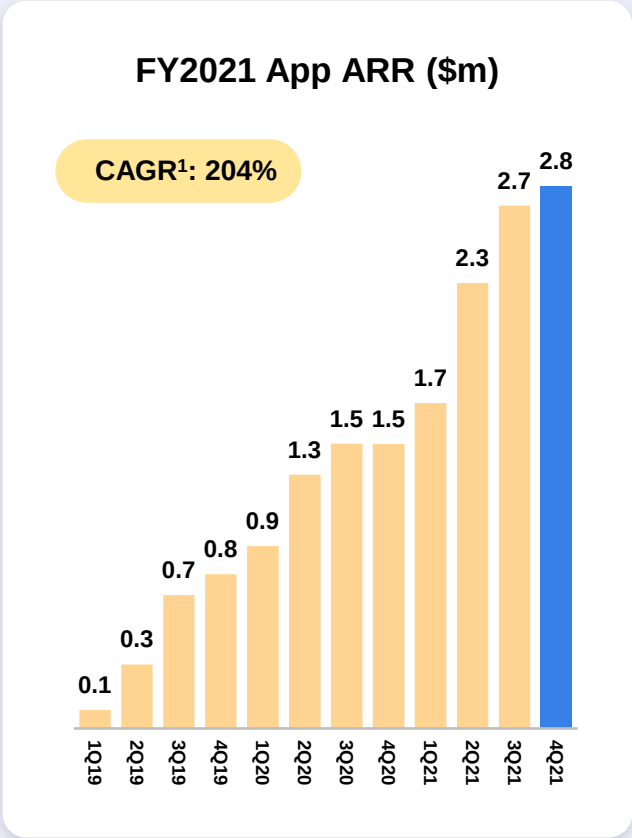
FY2021 Wearables – App

App: continued strong growth in ARR,
greater user engagement, new and enhanced features



SPACETALK App

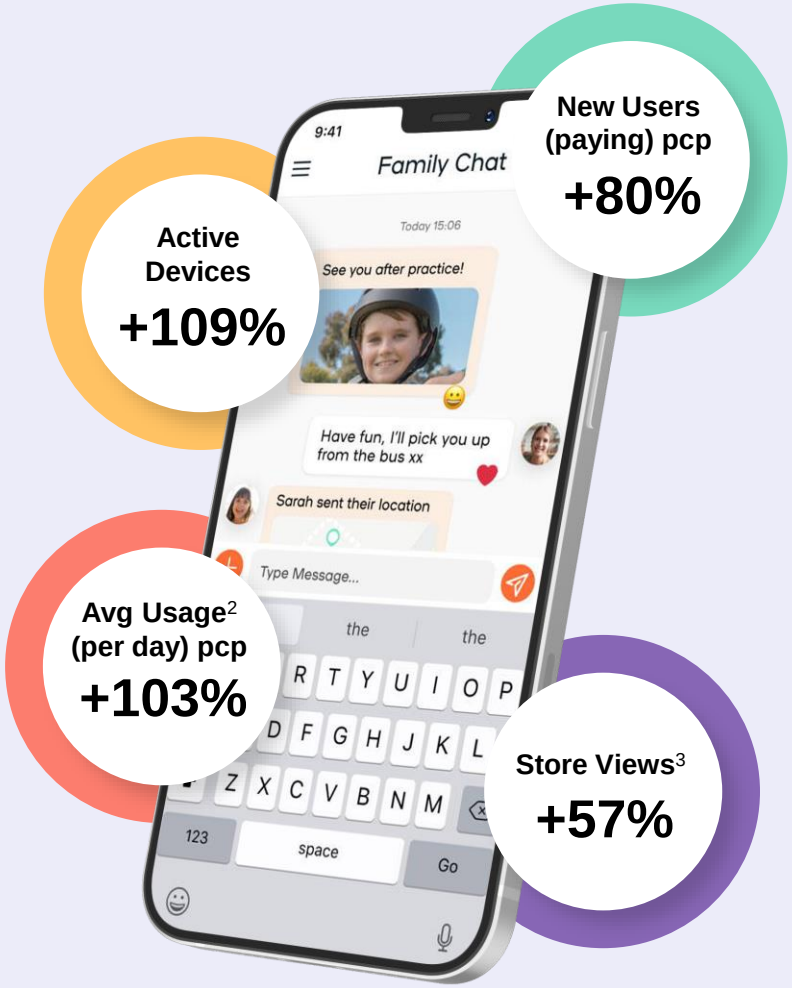
NEW **App launched in Dec-20**

- Replaced AllMyTribe App
- iOS and Android compatible

NEW **Functionalities beyond parental controls**

- Family Chat (with picture, video and audio sharing)
- Fitness, health and wellbeing tracking - heart rate monitor, step counter, GPS, movement sensor

FREE for all connections except controlling App



4.5 user satisfaction rating

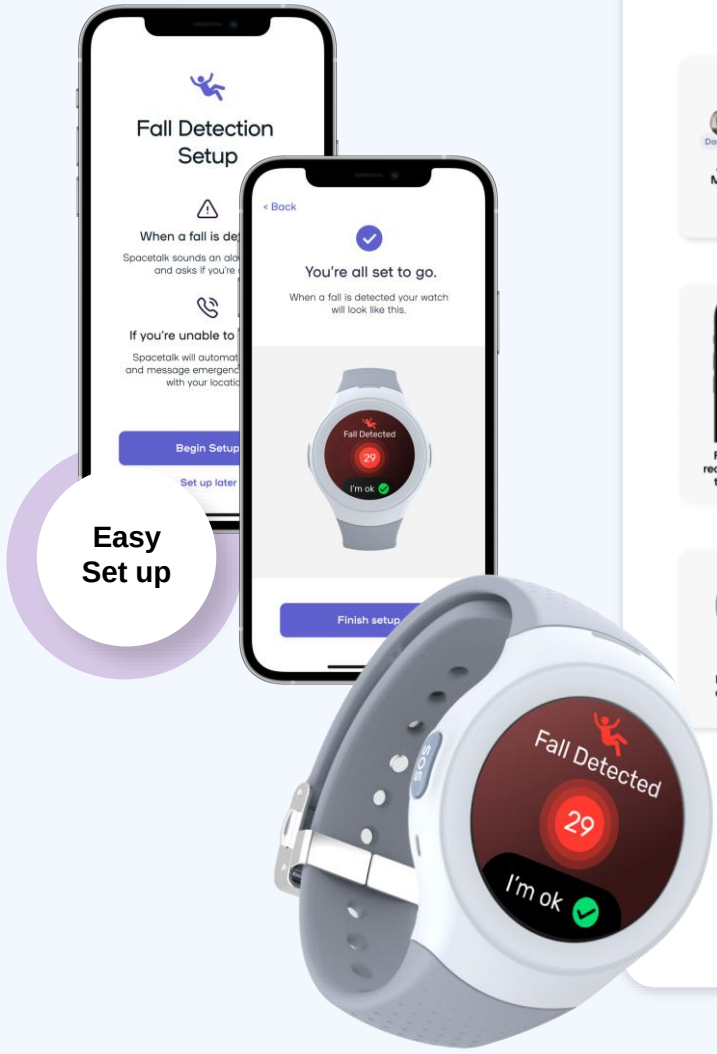
4.0 user satisfaction rating

Footnote 1: CAGR = Compound Annual Growth Rate. | Footnote 2:Total user sessions over year. | Footnote 3: Product page views.

FY2021 Wearables – LIFE Fall Detection

LIFE: Fall Detection the catalyst to growing the B2B2C channel

- Fall Detection launched on all Spacetalk LIFE smartphone watches for seniors
- Enabled automatically via a free over-the-air upgrade
- Ground-breaking new technology incorporating:
  - Real time data recording and triangulation
  - Artificial Intelligence (“AI”), and
  - Machine learning
- Continually enhances its high accuracy in real time as more people use the devices
- World-first for devices designed for seniors and people with special needs





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FY2021 Schools Business

MGM Schools: Stable and profitable business





REVENUE

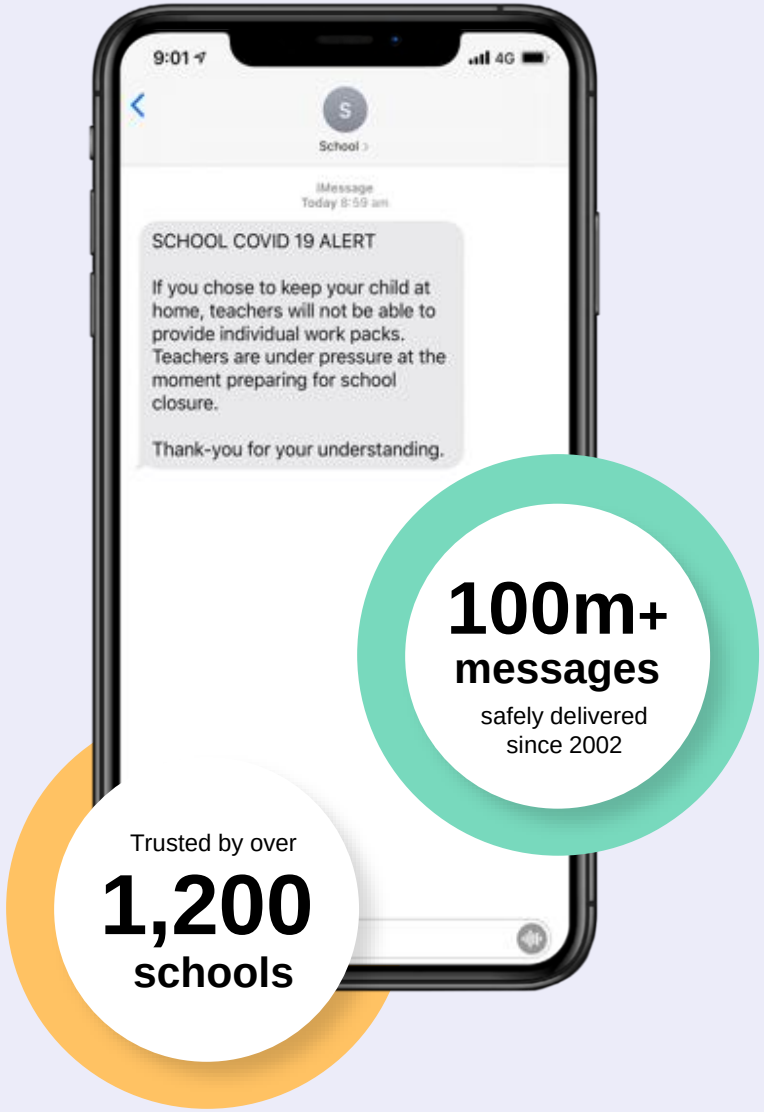
$2.25m

-18% pcp

FY2020: $2.7m

SINCE 2002

- High margin, subscription business with recurring revenue
  - ✓ 19.6m (+9% pcp) messages delivered in FY2021
  - ✓ Supporting families and schools communicate through COVID-19
- Revenue of $2.25m (-18% pcp), reflecting a one-off SMS revenue spike in FY2020 due to increased COVID-19 demand
- Stable, multi-year contract terms - 3 year average length
- Continues to acquire new customers and several significant value creation options with investment



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FY2021 Profit & Loss

Group: Business settings for top-line growth

- Group's best ever year of revenue driven by strong device sales and App revenue.
  - ✓ Spacetalk Wearables division up +65% pcp to $12.7m
- Gross profit of $9.4 million (+26% pcp) at a healthy gross margin of 62%. Positively impacted by strongly increasing sales
- Despite higher operating costs of $8.3m (+9% pcp) the Company generated positive EBITDA of $1.1m (+615% pcp)
- CAC (Advertising and Marketing costs) decreased to $1.5m (-14% pcp), benefiting from operating leverage of partner marketing
  - ✓ These included promotions over the most important shopping days leading up to Christmas and television advertising in Australia and the UK
- Employee costs increased to $3.0 million from $2.8 million (includes 650K COVID related payroll subsidies in FY2021), with a significantly strengthened management team

	Group Year Ended	
	30/06/2021	**30/06/2020**
	$	$
Continuing Operations		
Revenue	**15,121,573**	10,486,518
Cost of sales	**(5,759,779)**	(3,049,807)
Doubtful debts	**(75,170)**	(14,544)
Interest expense	**(172,128)**	(127,632)
Amortisation & depreciation	**(2,993,992)**	(2,458,697)
Option and share issue costs	**(351,342)**	(2,477,662)
Corporate and administration	**(3,292,530)**	(3,167,824)
Advertising and marketing	**(1,491,229)**	(1,741,184)
Employee costs	**(3,029,154)**	(2,762,209)
(Loss)/ Gain on foreign exchange	**(391,968)**	41,696
(Loss)/Profit before tax	**(2,435,719)**	(5,271,345)
Income tax benefit	**655,571**	1,005,893
Net loss for the period attributable to owners of the company	**(1,780,148)**	(4,265,452)
Other comprehensive income/Items that may be classified subsequently to profit or loss		
Exchange differences on translating foreign operations	**(11,881)**	(4,485)
Other comprehensive income net of tax	**(11,881)**	(4,485)
Total comprehensive (loss)/income for the year	**(1,792,029)**	(4,269,937)
(Loss)/Profit attributable to:		
Owners of the Company	**(1,792,029)**	(4,269,937)
Earnings per share		
Basic (cents per share)	**(1.09)**	(3.10)
Diluted (cents per share)	**(1.03)**	(3.03)

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FY2021 Cash Flow

Group: Resilient through COVID-19

- Cash balance $4.2m
- In July 2020 the Company undertook a $2.5m Share Purchase Plan (“SPP”)
  - Valid applications in excess of $5m were received, exceeding the original target of $1.5m by 236%
  - Offer size was increased to $2.5m to facilitate the Company’s growth objectives
- In March 2021 the Company secured a $5m debt facility. Cash balance includes drawing of $3m from this facility
- Predominant uses of cash – product development investment $3m and working capital $1.2m
- Increased non-cash working capital by $1.3m pcp

	Group Year Ended	
	30/06/2021	**30/06/2020**
	$	**$**
Cash flows from operating activities		
Receipts from customers	**15,264,874**	10,175,388
Payments to suppliers	**(16,842,404)**	(10,065,525)
Tax receipts	**650,612**	955,103
Interest payments	**(257,596)**	(127,632)
Net cash generated (used in)/from operations	**(1,184,514)**	937,334
Cash flows from investing activities		
Payments for plant and equipment	**(48,089)**	(42,044)
Payment for development	**(2,997,639)**	(3,101,983)
Net cash (used in)/from investing activities	**(3,045,728)**	(3,144,027)
Cash flows from financing activities		
Proceed from issue of shares	**2,495,047**	5,500,003
Costs associated with issue of shares	**(35,653)**	(289,224)
Proceeds from options		14,000
Proceeds from borrowings	**3,000,000**	
Issue of convertible note		500,000
Payment of lease liabilities	**(197,363)**	(234,348)
Repayment of convertible notes		(1,750,000)
Net cash (used in)/from financing activities	**5,262,031**	3,740,431
Net increase/(decrease) in cash held	**1,031,789**	1,533,738
Cash at the beginning of the year	**3,165,125**	1,635,872
Effect of exchange rate changes	**(11,881)**	(4,485)
Cash at the end of the year	**4,185,033**	3,165,125

FY2021 Balance Sheet

Group: Strengthened to fund growth

- Positive working capital $6.2m, up $2.4m pcp
  - ✓ Inventory value of $1.7m
  - ✓ $1.2m in prepayments of outstanding inventory
  - ✓ R&D tax incentive of $0.5m
  - ✓ $2.2m in receivables
- Despite the global COVID related chip shortages and supply chain challenges, the Company successfully navigated its way to meeting MNO and Mass Market Retailer inventory demands
- Cash of $4.2m at 30-Jun-21, including $3m of drawn debt
  - ✓ $2.0 million undrawn line of credit available

	Group As At	
	30/06/2021	**30/06/2020**
	$	**$**
ASSETS		
Current Assets		
Cash and cash equivalents	**4,185,033**	3,165,125
Trade and other receivables	**2,218,826**	1,049,580
Inventories	**1,736,994**	977,851
Other current assets	**2,774,845**	1,061,566
Total Current Assets	**10,915,698**	6,254,122
Non-Current Assets		
Property, plant and equipment	**205,911**	182,731
Intangible assets	**3,941,220**	3,713,004
Right-of-use asset	**289,016**	134,111
Deferred tax assets	**655,661**	458,488
Total Non-Current Assets	**5,091,808**	4,488,334
Total Assets	**16,007,506**	10,742,456
LIABILITIES		
Current Liabilities		
Trade and other payables	**1,944,348**	2,084,841
Provisions	**418,494**	208,790
Current Tax Liabilities	**51,379**	0
Lease liabilities	**183,539**	135,642
Total Current Liabilities	**2,597,760**	2,429,273
Non-Current Liabilities		
Borrowings	**1,538,125**	-
Warrants	**2,409,726**	
Lease liabilities	**109,304**	-
Deferred tax liabilities	**1,046**	
Total Non-Current Liabilities	**4,058,201**	-
Total Liabilities	**6,655,961**	2,429,273
Net Assets	**9,351,545**	8,313,183
EQUITY		
Issued capital	**18,686,099**	16,124,617
Reserves	**6,442,745**	6,185,717
Accumulated losses	**(15,777,299)**	(13,997,151)
Total Equity	**9,351,545**	8,313,183

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FY2021 Key Takeaways

Scorecard: Record revenue and improved returns through more products and new channels, with continued high customer satisfaction

Record revenue, strong ARR growth

- Revenue growth outperformed pcp in every quarter of FY2021, with significant momentum into the year end
- More devices sold this year than any prior period
- Rollout of Adventurer globally is establishing Spacetalk as the market leader in our niche

More products and channels

- **Adventurer** is ANZ's #1 selling device and establishing as the leader globally
- B2B2C model for LIFE gaining strong interest and support
- New **App** has a stronger network effect
- Onboarding of tier-1 new retailers and MNOs

Capturing the global market opportunity

- Launched Adventurer across ANZ and UK
- New partnerships - Telstra, Telefonica UK (O2), Virgin UK
- On track for CY21 USA launch

High customer satisfaction

- Strong customer retention
- Lowered CAC with increasing scale and mass-market brand recognition
- Growing recognition of the practical benefits our products deliver to users

Quality management

- Attracting high quality talent globally
- Recognition of product leadership and global market opportunity
- Key hires made in senior leadership and operational roles

Poised for growth

- Growing consumer confidence as COVID-19 vaccines rolled out
- Strong operating leverage from focused efforts of new tier-1 global MNOs to grow the category
- Network effect enhanced with new App and Family Chat
- USA go-to market imminent
- Strong Balance Sheet

FY2022 Business & Strategy Update

The Company is well positioned for strong growth in FY2022

FY2022 has started strong

- FY2022 has started strong with O2 successfully launching in August 2021
- Adventurer continues to grow market share with increased distribution and sell-through, continuing to consolidate its position as the market leading connected kids wearable device globally
- The Company is working with several NDIS, aged care and home care service providers to pilot a mass market, scalable go-to-market strategy to enable over 39,000 Aged Care and NDIS service providers in Australia to promote and sell Spacetalk LIFE to their clients
- Pan-Euro dialogues being progressed for launches with new bricks and mortar retail and global MNOs
- CY2021 launch in the USA on track. Logistics and distribution agreements being finalised, and customer service staff and operations management being onboarded

The Company is committed to the following objectives for FY2022 –

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, with funding in place to pursue growth
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 Spacetalk Device/App/Server Ecosystem through new, engaging functionality, multi-language support and creating new subscription/ARR business models and revenue streams
4. Expanding our global market penetration, in the UK and pan-Europe by advancing new bricks and mortar launches and onboarding new MNOs, and in the USA by rolling out more broadly the go-to-market planned for CY2021
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



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