SPACETALK

Investor Presentation

Spacetalk Ltd.

(ASX:SPA)

OCTOBER 2021



CONNECTED FAMILIES • CONFIDENT KIDS • SAFE SENIORS

Important notice

This presentation has been prepared by Spacetalk Ltd. (“Spacetalk,” or “Company,” or “SPA”).

Information contained in this presentation:

- is intended to be general background information only, and is not intended that it be relied upon as advice to investors or potential investors and is not an offer or invitation for subscription, purchase, or recommendation of securities in Spacetalk
- should be read in conjunction with Spacetalk’s financial reports and market releases on ASX
- may include forward-looking statements about Spacetalk and the environment in which Spacetalk operates, which are subject to significant uncertainties and contingencies, many of which are outside the control of Spacetalk – as such undue reliance should not be placed on any forward-looking statements as actual results or performance may differ materially from these statements
- includes statements relating to past performance, which should not be regarded as a reliable guide to future performance
- includes certain financial information which Spacetalk considers useful to assist in evaluating Spacetalk’s performance, however, such information has not been subject to audit or review in accordance with Australian Auditing Standards

All dollar values are in Australian dollars (A$) unless otherwise stated.

Definitions:

- FY = financial year ended 30 June
- Q1 = quarter ended 30 September

SPACETALK

About Spacetalk

Who We Are

Spacetalk Ltd. is a global technology provider of secure communication solutions for families to stay connected and protected.

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

Proprietary 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 mobile network operators and mass market retailers, meeting the highest standards of security, privacy and usability.

SPACETALK

Company Snapshot



Company Structure

ASX:SPA Overview at 25 October 2021

Shares on Issue (m)	165.7
Share Price ($)	$0.220
Market Capitalisation (A$m)	$36.4
Debt (A$m)	$5.0
Enterprise Value (A$m)	$41.4
Options/Warrants/Retention Rights (m)	31.2

Leadership

Board of Directors

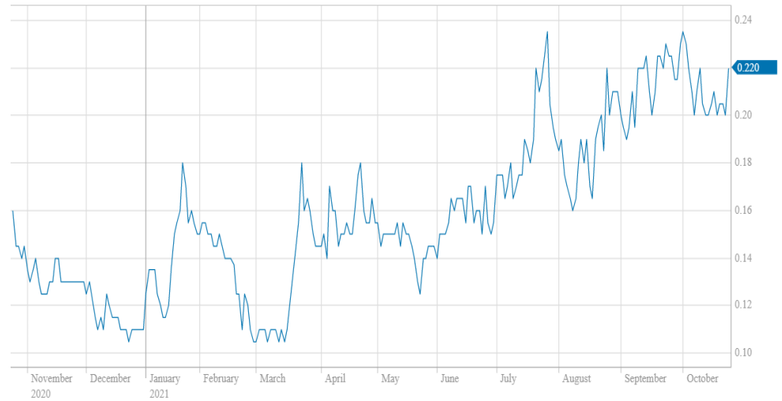
Mark Fortunatow	Co-Founder and Executive Chairman
Martin Pretty	Non-Executive Director
Brandon Gien	Non-Executive Director
Jarred Puro	Chief Financial Officer
David Pridgeon	Chief Technology Officer
Megan Coleman	Global Sales and Marketing Director

Share Register

TOP HOLDERS (GROUPED) AS OF 17/09/2021

Rank	Name	Units	% of units
1	UBS NOMINEES PTY LTD	13,268,088	8.01
2	MRS PAULA FORTUNATOW <A M & J M A/C>	6,827,780	4.12
3	I-HOLDINGS PTY LTD <FORTUNATOW FAM SF A/C>	5,982,710	3.61
4	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	4,313,242	2.60
5	MRS PAULA FORTUNATOW + MR MARK FORTUNATOW <FORTUNATOW FAMILY A/C>	4,285,000	2.59
6	MR NOEL GEORGE HURD	4,000,000	2.41
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,541,079	2.14
8	MR CHRISTOPHER JAMES CAMERON	3,300,000	1.99
9	YAVERN CREEK HOLDINGS PTY LTD	3,200,000	1.93
10	RYANU SERVICES PTY LTD <RYANU FAMILY A/C>	2,524,710	1.52
11	MR PETER COSSETTO + MRS ANNAMARIA STEFANIA COSSETTO <COSSETTO FAMILY SUPER A/C>	2,500,000	1.51
12	MR BRENDAN JON TURNBULL	2,300,000	1.39
13	MR STANISLAV MICHAEL KOLENC	2,231,313	1.35
14	FGDG SUPER PTY LTD <FG HEPPINGSTONE P/L S/F A/C>	2,138,090	1.29
15	DR PRIYA AMARA SELVA-NAYAGAM + DR CRAIG LLOYD JAMES <THE JAMES SUPER FUND A/C>	1,919,544	1.16

Price Chart



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Spacetalk Offer

Spacetalk Ltd. (“Spacetalk” or “Company” or “SPA”), developer of innovative technologies that keep families safe and connected, proposes to raise A$10.5 million in new equity capital to fund new and existing growth opportunities.

Details of Offer

Number of shares

- $8.0 million through 2-tranche placement
  - 29.6 million shares in tranche 1
  - 12.5 million shares in tranche 2 (subject to subject to additional placement capacity)
- $2.5 million (capped) through Share purchase plan
  - 13.2 million shares

Issue price

- A$0.19 per share

Use of Funds

- Working and growth capital



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US Opportunity

Spacetalk is aiming to launch online in December 2021 in USA and Canada through:



USA

SPACETALK

Walmart

amazon

BEST BUY



Canada

SPACETALK

BEST BUY

Device Business Model Evolution

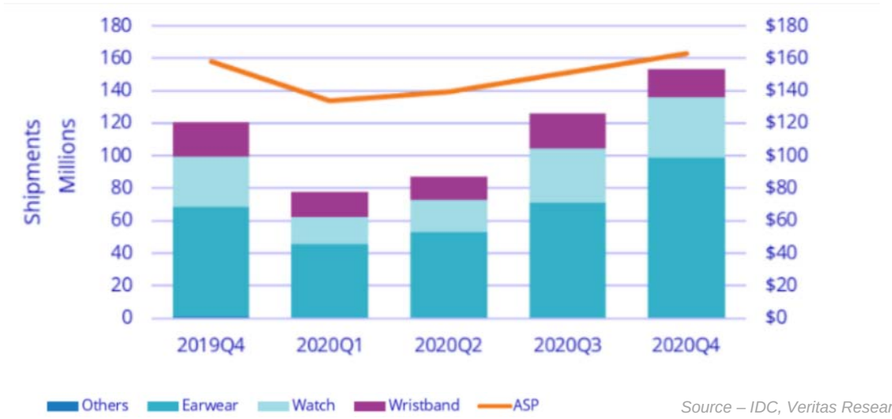


Different Mix in Different Markets

Determined by local conditions

Global market opportunity

Worldwide Wearables Shipment by Product



Source – IDC, Veritas Research

30% of all smartwatch sales will be children aged 5-13

$52B Global spending on wearables forecasted in 2020

109M Global smartwatch shipments expected to reach 108.91m by 2024 from of 43.87m in 2018 (CAGR of 14.5%)

Source: Gartner Research, IDC.

"Worldwide end-user spending on wearable devices will total $81.5 billion in 2021, an 18.1% increase from $69 billion in 2020 ….. The rise in remote work and increased interest in health monitoring during the COVID-19 pandemic was a significant factor driving market growth."

Source: Gartner Research.

"Market forecast predicts that shipments of wrist-worn wearables will hit 232 million units in 2021, a growth of 20% from an already solid 2020. Of sales in 2021, 142 million units will be smartwatches and 90 million will be simpler fitness trackers."

Source – CCS Insight.

Supply Chain and Production Risk Management

Strategic Advantage

- ✓ Spacetalk owns and controls the technology stack. From industrial design to circuitry design to software to firmware to servers
- ✓ Production currently in China across 3 different factories
- ✓ Current Spacetalk Adventurer manufacturing capacity – 1,200 units per day
- ✓ Spacetalk employees on the ground in China closely overseeing manufacturing.
- ✓ On the ground Spacetalk team foresaw possibility of production disruptions

Procurement

Pre-purchase of key components

Production

Close oversight of head manufacturers and tiers 1-3 suppliers

Placement

Distributed logistics across multiple geographies.

No major production disruptions

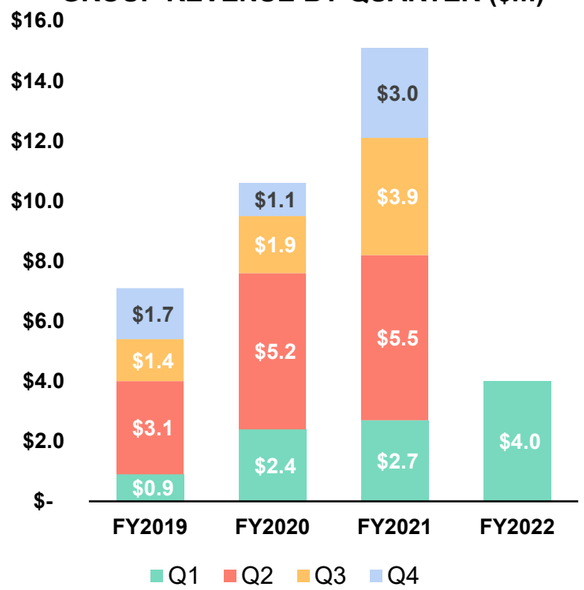
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Q1 2022 Financial Highlights*

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

GROUP REVENUE ▲ **$4.0m** **+50% pcp** **Q1 2021: $2.7m**

GROUP REVENUE BY QUARTER ($m)



TOTAL DEVICE REVENUE ($m)

APP REVENUE ($m)

Q1 2022 Wearables Summary

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

DEVICE SALES
▲ **$2.9m**
+56% pcp
Q1 2021: $1.9m

TOTAL REVENUE
$3.6m
▲ **+59% pcp**

APP ARR[1]
▲ **$2.9m**
+70% pcp
Q1 2021: $1.7m

APP REVENUE
▲ **$0.7m**
+78% pcp
Q1 2021 : $0.4m

CAC[2]
▲ **$19**
-43% pcp
Q1 2021: $34

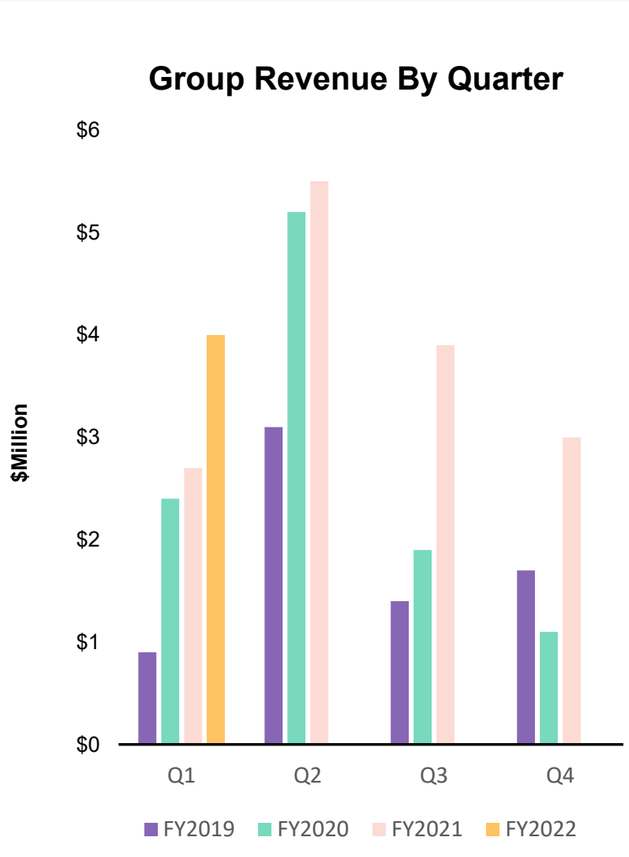


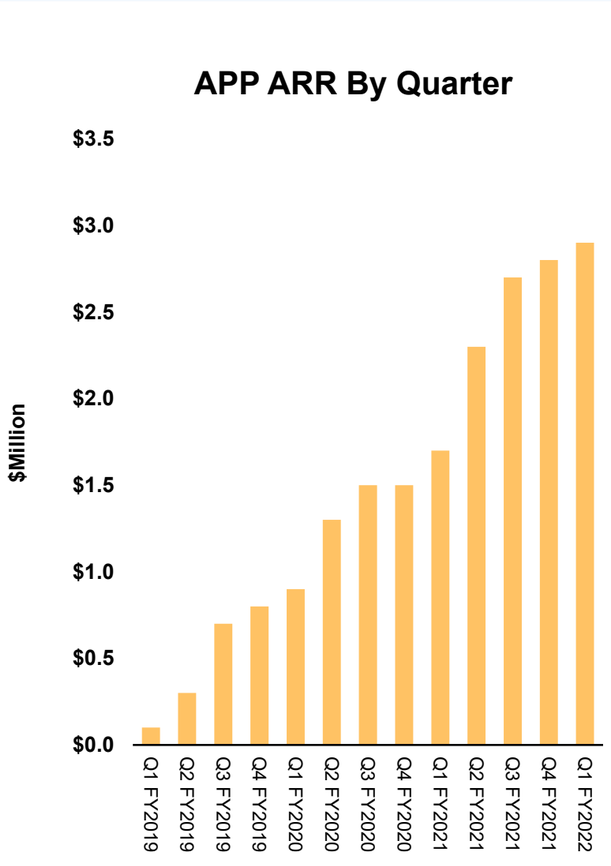
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* Unaudited

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

Additional Financial Information





FY22 YTD Business Highlights

Distribution

- ✓ UK distribution of Spacetalk Adventurer with O2 (Telefonica), Virgin Mobile and Sky.
- ✓ Spacetalk Adventurer regulatory technical acceptance in Europe, USA and Canada.
- ✓ Partnership with Elisa in Finland (MNO) from November 2021.
- ✓ Continued Spacetalk Life B2B2C sales channel build out.

New Distribution

- USA launch (on-line) in December 2021 through Walmart, Amazon, Best Buy and Spacetalk online.
- Canada launch (on-line) in December 2021 through Best Buy and Spacetalk online.

New Product

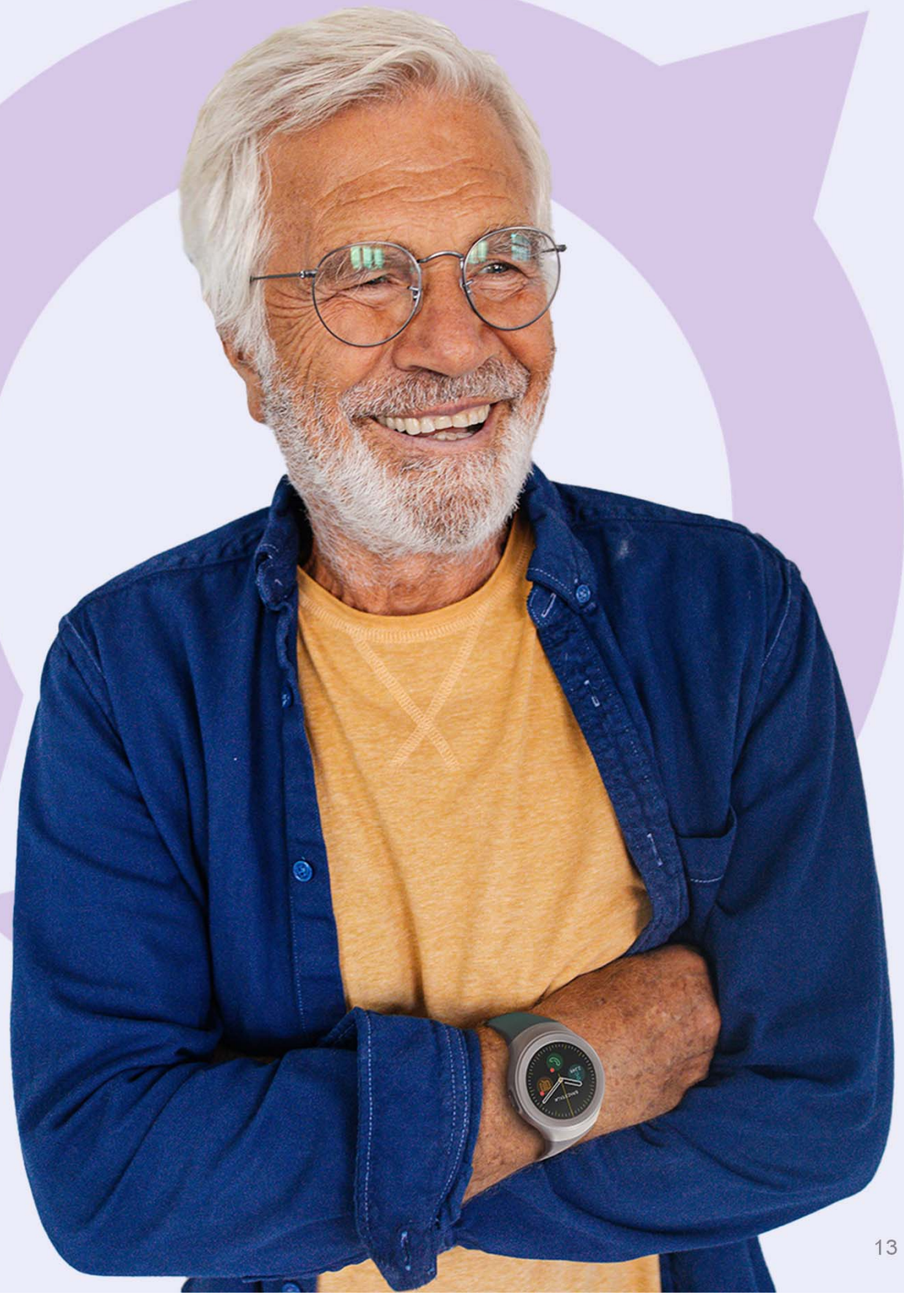
- ✓ Spacetalk device and App upgrades
  - Additional languages
  - Additional features

Supply Chain Oversight

- Minor to negligible disruptions to date.
- Proprietary ownership of device design and distributed manufacturing enhances control and reduces risk.

Enhanced Governance

- Board enhancement with transition to 5-person board and independent Non-Executive Chair.

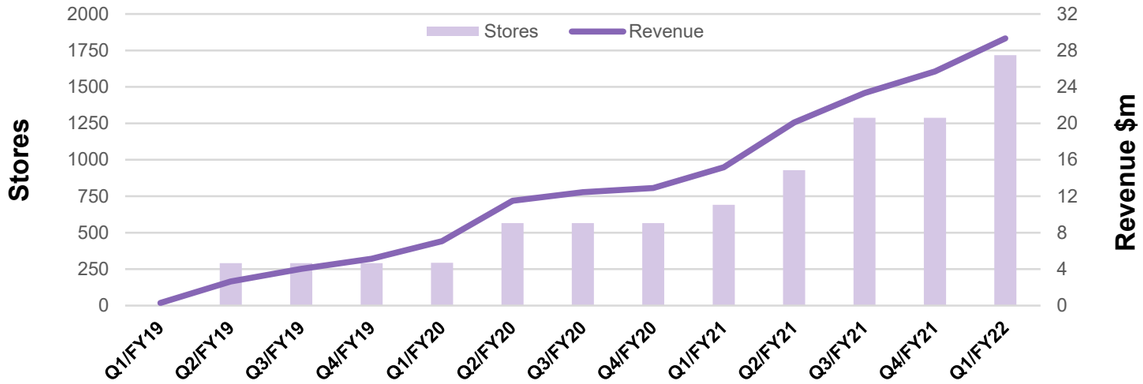


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Devices and Distribution

Distribution

Physical Stores vs Cumulative Revenue



Global Partnerships

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

TELSTRA · sky · vodafone · Spark nz · O2 · Virgin media · elisa

1,718 Stores Globally

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

Devices



SPACETALK Kids



SPACETALK Adventurer



SPACETALK Life

App



SPACETALK App

New Languages

English · Danish · Finnish · French · Norwegian · Spanish · Swedish

SPACETALK

Customer Value Proposition

For Mobile Operators and Retailers

Strong CAC:LTV

Driving new non cannibalised sales to large new market sector, children 5-12 years old

Provides retailers and mobile network operators an opportunity to responsibly acquire new customers at an early age

Opportunity for mobile network operator to acquire customer at lower cost (less than AU $90)

Customers are likely to continue with the same mobile network when the user upgrades to a smart phone

For Families

Peace of Mind

Safety and Security

Reliability and Trust

Privacy and Responsibility

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FY2021 Accounts

Profit & Loss Statement

	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)

Balance Sheet

	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

Uses and Sources of Funds

Uses of Funds	
Growth and Working Capital • Growth Capital for North America and Europe • Inventory build-up and bolstering supply chains • Development of next generation devices and applications • Working Capital	$9.9m
Costs	$0.6m
Total	**$10.5m**

Sources of Funds	
Tranche 1 Placement	$5.6m
Tranche 2 Placement*	$2.4m
Share Purchase Plan	$2.5m
Total	**$10.5m**

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* subject to additional placement capacity.

Timetable

Event	Date
Trading Halt	**Friday, 29 October 2021**
Placement Offer opens	**Friday, 29 October 2021**
Placement Offer closes	**Friday, 29 October 2021**
Record Date for Share Purchase Plan (SPP)	**Monday, 1 November 2021**
Trading Halt Lifted	**Tuesday, 2 November 2021**
Tranche 1 Placement (DvP) settlement date	**Tuesday, 9 November 2021**
Quotation of new Tranche 1 Placement shares	**Wednesday, 10 November 2021**
Spacetalk Annual General Meeting	**Tuesday, 30 November 2021**

This announcement has been authorized by Spacetalk CEO Mark Fortunatow.

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.

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