ASX Announcement
Spacetalk Ltd. (ASX:SPA)
21 February 2022

1HFY2022 RESULTS

Highlights

- **Total Revenue of $12.3 million. 50%[1] growth on PCP[2].**
- **Total Wearables Revenue of $11.4 million. 58% growth on PCP.**
- **App Annualised Recurring Revenue ("ARR") of $3.5 million.**
- **Investments in Organisational Capability**

Spacetalk Ltd. (ASX:SPA) ("Spacetalk" or "SPA" or "Company"), developer of innovative and responsible technologies that keep families connected, provides a summary of the Company's financial results and operational highlights for the half year ending 31 December 2021 ("1HFY22").

Financial Highlights

(Growth rates are compared to 1HFY21, the previous corresponding period, unless otherwise stated.)

Total Revenue $12.3m up 50%	Gross Profit Margin 56%	Wearables Revenue $11.4m up 58%	Device Sales $9.9m, up 57%
App revenue $1.5m, up 67%	App ARR $3.5m, up 52%	Total Marketing Expenses $1.0m, Flat	Schools Business Revenue $1.0m, No change
Cash at Bank at 31 December 2021 $9.7 million			

[1] Some calculations of changes to prior periods may be impacted by rounding.
[2] PCP – Previous Corresponding Period.

Commentary

For the half year ending 31 December 2021, Spacetalk achieved total revenue of $12.3 million, a 50% increase on the prior corresponding period. Revenue growth was aided by the benefits of geographic diversification, with Spacetalk wearables now sold in Australia, New Zealand, the United Kingdom, Finland, Norway, Denmark, Sweden, Canada and the United States of America.

Whilst contributing to total revenues, sales in the Nordic and North America regions only commenced in late November 2021.

Annualised Recurring Revenue (ARR) from the Spacetalk App's monthly subscriptions was $3.5 million, up 52% compared to pcp, validating Spacetalk's strategy of building an integrated eco-system.

Device sales growth was achieved with the same quantum of marketing expenses ($1.0 million versus $1.0 million compared to pcp) inferring lower customer acquisition costs. Capital discipline and spending efficiency continue to be core tenants of the Company's growth strategy.

The MGM schools business revenue was $1.0 million, reflecting no change relative to pcp. The schools business has been impacted by two years of Covid related disruptions, particularly in New South Wales and Victoria. The schools business remains a strong net positive cashflow generator for the Group.

Business Highlights

During the half, the Company:

- Commenced on-line and in-store distribution of Spacetalk Adventurer in Continental Europe through Elisa[3] and Elkjop[4].

[3] https://elisa.fi
[4] https://www.elkjop.no

- Commenced on-line distribution of Spacetalk Adventurer with Amazon and Walmart in America and through BestBuy in Canada.
- Achieved record levels of sales in Australia, expanded in-store distribution with Big W into 50 stores and expanded on-line distribution with Amazon Australia.
- Appointed Martin Darbyshire as Chief Design Officer, further enhancing Spacetalk's existing in-house capabilities. Martin was the founder, and remains Chairman of, Tangerine[5].
- Ranked 72 in AFR Fast 100, AFR's list of the fastest growing companies in financial year 2021.
- Received technical acceptance for Spacetalk Adventurer in Europe[6], the United States of America[7], and Canada[8].
- Deployed a major Spacetalk eco-system enhancement, Level-Up[9], which included device and app upgrades to allow for multi-language support, wear detection, Buddies, calculator and light.
- Continued marketing of Spacetalk Life seniors device to over 50,000 aged care service providers through an evolving B2B2C[10] sales channel.

Expanding Distribution

In addition to distribution arrangements previously announced and commenced prior to 31 December 2021:

- Planning is underway to expand into all 189 Australian Big W stores.
- Distribution has expanded to Finland through 42 of Elkjop's Gigganti stores.
- Distribution with Telenor[11], on-line and in-store, in Denmark will launch in January 2022.

The financial impact on Spacetalk of selling through these channels is currently unknown, with no guaranteed or minimum level of revenue, however, the Company expects it to have a direct positive impact on the total revenue of the Company and be reflected in the disclosure thereof.

[5] https://tangerine.net
[6] https://www.globalcertificationforum.org
[7] https://apps.fcc.gov/tcb
[8] https://sms-sgs.ic.gc.ca
[9] https://www.spacetalkwatch.com/pages/level-up
[10] B2B2C = Business to Business to Consumer
[11] https://www.telenor.com

Funding and Cash Position

As at 31 December 2021 the Company held cash of $9.7 million.

During the half, the Company successfully raised $9.5 million of new equity capital before costs ($9.0 million after costs[12]). Capital raised will be used for working and growth capital, including the development of the next generation Spacetalk wearables, app and eco-system.

Supply Chain and Inventory

Supply chain management remains a priority focus for the Company with no material disruptions experienced for the half year.

Spacetalk's proprietary ownership of the design of its devices and applications, provides many powerful strategic competitive advantages including the Company's ability to manage supply chain risks.

Trading update and outlook

Group revenues in January 2022 were ahead of January 2021 by approximately 15%.

In Australia, the Company is planning a significant sales promotion for March 2022 in collaboration with distribution partners. This is expected to translate into a positive sales effect.

Within Europe, the outlook continues to appear positive. UK sales continue to improve, and Nordic sales continue to grow since the November 2021 launch, reflecting the opportunities available in geographies where market awareness of kids wearables is strong.

[12] Costs include (principally) management, distribution, registry and quotation fees.

North America sales remain positive but modest at this very early stage. The Company continues to build awareness, refine operational systems, and optimise search algorithms. Based on the Company's experiences in launching in other markets, such efforts can take some months to build momentum, particularly recognising the market size and scale of North America.

Organisational Capability

In addition to the recruitment of Mr Martin Darbyshire to the role of Chief Design Officer, the Company is pleased to advise that it has made the following additional key appointments to support its growth:

- Mr Saurabh Jain joins Spacetalk as an Independent Non-Executive Director. Mr Jain is an experienced technology executive and leader. Mr Jain was previously Chief Executive Officer and Executive Director of Urbanise Limited, an ASX listed SaaS company.

- Mr Jim Quinn joins Spacetalk as (US based) Chief Operating Officer. Mr Quinn has extensive executive experience across US technology companies, including at Apple, FitBit and Kinsa. At FitBit, Mr Quinn led the build of the global supply chain function.

- Mr Mark Moloney joins Spacetalk as Global Sales Director. Mr Moloney joins from JB Hi-Fi where he was previously General Manager of the wearables, fitness, and other consumer electronics categories. Prior to JB Hi-Fi, Mr Moloney was National Business Manager for Sony Pictures Entertainment.

Spacetalk additionally notes that it has engaged the services of Russell Reynolds Associates to lead the search for an Independent Non-Executive Chairman for the Company. Russell Reynolds Associates is a globally recognised leadership advisory and executive and board search firm.

Spacetalk CEO Mark Fortunatow said: "Our half year results reflect the strength and potential of the Spacetalk business.

"Group revenue for the half year was a record $12.3 million, of which $11.4 million (93%) came from our wearables business; a great achievement. These revenues also reflected contributions from our Nordic and North America expansions, which only launched very late in the half.

"We continue to develop and invest in our eco-system. This includes on-going developments in our Spacetalk App, cloud infrastructure and developing our next generation of wearable devices.

"Spacetalk also welcomes Saurabh Jain as Non-Executive Director, Jim Quinn as Chief Operating Officer and Mark Moloney as Global Sales Director.

"Saurabh's executive and technology experiences are a great addition to the Spacetalk Board at this exciting period in our development. I, and the other Directors, look forward to Saurabh's board table contributions and working with him.

"Jim and Mark are also great additions to the Spacetalk management team, and I look forward to them helping build the Spacetalk business and franchise.

"It has been just over four years since we launched our wearables business. In this time, our distribution has expanded to three continents and generated cumulative revenues of greater than $37 million. And we have done this by keeping true to our brand and values of trustworthiness and responsibility, including by respecting the privacy and data of our customers.

"I continue to delight in our progress to date and remain excited about our opportunities ahead."

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/.