ASX Announcement
Spacetalk Ltd. (ASX:SPA)
23 November 2022

# ASX ANNOUNCEMENT – ANNUAL GENERAL MEETING PRESENTATIONS

In accordance with the ASX Listing Rules, the Chairman's and CEO addresses and presentations to the Annual General Meeting ("AGM"), are appended.

**This announcement has been authorised by Spacetalk Board of Directors.**

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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/.

# CHAIRMAN'S ADDRESS

Given the geographical dispersion of our shareholders, we are holding this meeting virtually. The Directors would have liked to have met in person and we will do so in the years to come, but we consider this format as working best at this stage of the Company's development. So, greetings to you, wherever you are currently located.

I'd also like to take this opportunity to welcome any new shareholders who have joined us since our last meeting, and I would like to thank existing shareholders for their ongoing support.

Spacetalk is a great company with wonderful products and an even greater potential future. But it is subject to ebbs and flows of consumer and capital markets.

As you all no doubt have witnessed and experienced, the capital markets and global economy have changed over the past twelve months. This has forced many businesses to recalibrate strategies, business models and operating models for this new normal. Spacetalk, like other growing capital hungry technology businesses, also needs to adapt, and this is our year of adaptation to change. We are not pressing a reset button, but we are shifting gears.

After 2-3 months of trying to work with the Company's founder and CEO Mark Fortunatow to adapt the business in strategy and governance to these new realities and an enhanced governance system, we have come to the conclusion that it was time for a change at the top. A business generating more than $20 million of revenues requires internal change to adapt to accelerating external change. As a result, Mark left the business in September 2022 and Saurabh was appointed Acting CEO and Managing Director.

Saurabh's mandate is to undertake a strategic review of the business with a view to enhance performance and shareholder returns, and to position the Company on a sustainable, growth-oriented footing. He brings over 25 years of experience in technology-related roles both from a technical and commercialisation perspective.

The strategic review of the business has been completed, based on this we will commence recruitment for a permanent CEO to permit Saurabh to resume as a Non-Executive Director. Apart from human capital, we are also aligning the capital strategy to the business strategy, which includes the restructure of the Pure loan and the raising of additional equity capital to enable the business to continue to grow. Saurabh will provide more colour around these aspects.

In conclusion, I would also like to thank our customers: the schools, retailers and mobile operators who help deliver our products and services, but ultimately the families, kids and seniors who use and experience the benefits of what Spacetalk delivers. Without our customers, there would be no Spacetalk.

I would also like to thank my fellow Directors and the Spacetalk team. It has been demanding period for the company of late, but I believe that we will be stronger for it. And to the

Spacetalk shareholders, thank you again. I hope we can count on your ongoing support as we strive to seize the opportunities before of us. We are all working together to position Spacetalk for long-term sustainable value growth.

I will now hand over to Saurabh to provide a company update.

# CEO'S ADDRESS

Good morning Spacetalk shareholders. I am Saurabh Jain, your Acting CEO and Managing Director. It is a pleasure to be here with you today.

As the Chairman noted, I have stepped in as Acting CEO and Managing Director for a brief period to facilitate a leadership transition and business realignment. We are currently seeking to recruit and appoint a new and permanent CEO, at which point I will step back into the role of Non-Executive Director.

I appreciate the support of the Board and the team here at Spacetalk, and all the shareholders I have already met. I look forward to speaking to more of you in due course.

One thing that is clear to me is that Spacetalk has fantastic products. And it is these products that provide the foundation for the future. I would like to commend Mark Fortunatow and his teams for developing these great products, without which, we would not be here.

Although this is a General Meeting to discuss our 2022 results and Annual Report, I will take it that you have read the report and our associated disclosures. I will instead talk about our business, market, product roadmap, give you an update on our regions, cost, and cash plan, talk about our debt with Pure, our recently announced capital raise, and finally the CEO succession plan.

This is our view of the market, on the x-axis we have the features in the various kids wearables, on the y-axis we have the price.

On the bottom left we have the trackers by Garmin and Fitbit, low cost, low functionality devices. We class these as trackers.

Moving to the right we Xplora, Moochies, Pixbee and Gabb with more features at a higher post. We class these as budget watches.

Moving right again we have Spacetalk's Adventurer, Garmin V2, and Xplora-X6 Pro in the premium sector. And finally in the high end we have the Apple watches and the Oppo smart phones.

Against each of these segments, we have reviewed the attractiveness and our ability to compete out of 50, with the budget being the most attractive market and high-end being the least attractive for us.

Against this backdrop, we have considered what our competitive advantage is, its our software. Here is a brief snapshot of our iOS app rating against the other major players. We are dominant.

So what we want to do is offer a budget watch, at a lower price point than our competitors, powered by our great software. And secondly, we want to get our cost base right so we can

reduce the cost of our next-generation Adventurer watch (there will be an annual update) so we can compete at a lower price point if we want to.

From a product strategy perspective we will launch a new sub $250, maybe even sub $200 watch around the middle of next year, before this we would have also launched our updated premium watch, it will be better quality at a lower cost point for us.

On the services side we have offered a paid subscription services of $5.99 per month since our first watch was launched in Oct '17. In September we launched our JumpySIM mobile network service, which is $16.99 per month in Australia when purchased monthly. We offer an annual plan with a discount. To date we have seen 80%+ uptake of Jumpy with 50% of users signing up for our annual plan. This has accelerated our Average Revenue Per User (ARPU) and will have a strong impact on our working capital.

But there is more, as we pivot to a software focused company we will be offering over the top services that our customers can buy. We hope to have these in market within the next 12 months.

Opening up a new market is like a plane taking off, it takes a lot of energy and resources.

We have found it takes 3-4 years to grow a new market to scale. In Au/NZ where we entered in Dec '17 we are the dominant player with over $14mill in gross profit.
EU/UK we entered in Sep -19, we have a healthy and growing Gross Profit of $1.7mill, and the cash burn is almost negligible now. North America, where we entered in Dec – 21, a year ago, we are still small, and there is a very heavy cash burn.

Though when you overlay these three regions together and look at our cumulative subscriptions (which is our active customers after removing churn) we are having near exponential growth. And as the EU/UK and North America mature over the next few years I expect this line to continue to accelerate.

All of our growth is only possible when we have cash. Historically we haven't been as prudent as we will be from now. We announced our cash reduction plan of $2mill, that is underway, in addition we will supplement that with working capital improvements as users pay for our services for 12 months upfront.

Though more work needs to be done, what our phase 1 cost optimisation plan does is give us the capabilities to optimise the cost base further. Something we will aggressively do as we move towards being a quality low-cost operator.

In regards to our Pure debt, Pure have been an extremely supportive lender, we have renegotiated our terms, extended our repayment dates to July 24 and March 25. More significantly we have dramatically reduced our interest rate going from over 15% to 9.5%. This will help our cash burn.

Also as part of the renegotiations we have agreed to a warrant of 90 million shares at the price that you can see below. If exercised at 6 cents, it will give us enough money to pay back our debt to Pure.

To help recapitalise the business as announced we will be looking to raise up to $4 million by the way of a non-renounceable rights issue at 1:1.65 with a free attaching option at 2X the issue price.

Lets talk about me and my acting role as the CEO. It's taken me a while to form a view, though I believe we need a Saas CEO, as the future of our business will be the software on the devices that we sell. We will now commence the recruitment process and will keep the market updated.

So here is a recap of what we spoke about:

- We have the best user ratings of any app in the market, we are going to use this to create a new budget watch to compete in different segments.
- Our software services will increase the ARPU and help improve our working capital
- The Australian market is mature, with EU/UK growing and North America emerging
- We are going to be a quality low-cost operator with a prudent cash management culture
- With Pure, we have renegotiated the caveats, reduced the interest rate saving $310K per year, and extended the term of our debt.
- And we have a clear view on the type of CEO we want to lead this business, with me remaining for as long as needed.

I would like to close my address by thanking my fellow directors, the Spacetalk team and Spacetalk's customers. I also would like to thank you, our shareholders, for your ongoing support.

**- END -**

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# AGM Presentation

23 November 2022



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# Agenda





01 Product Market View

02 Product Road Map

03 Regional Overview

04 Cost and Cash Plan

05 Pure Update

06 Capital Raise

07 CEO succession plan

# Kids wearable market

0 — 50 Market attractiveness

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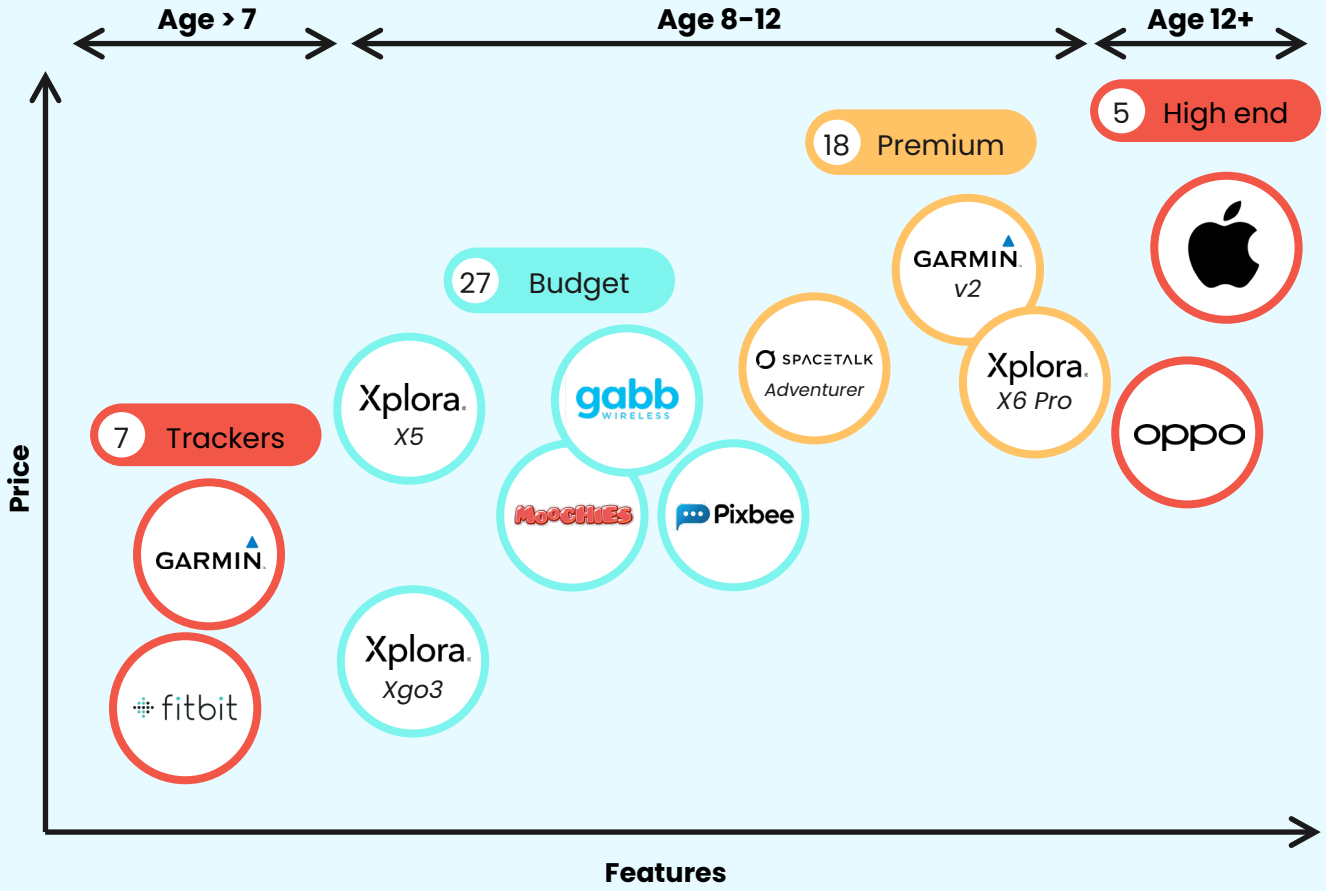

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# Our competitive advantage is our software




Spacetalk
Navigation
★★★★½ 1.9K

Garmin Connect™
beat yesterday.
★★★★½ 6.3K

Fitbit: Health &...
Activity, Sleep & N...
★★★★☆ 13K

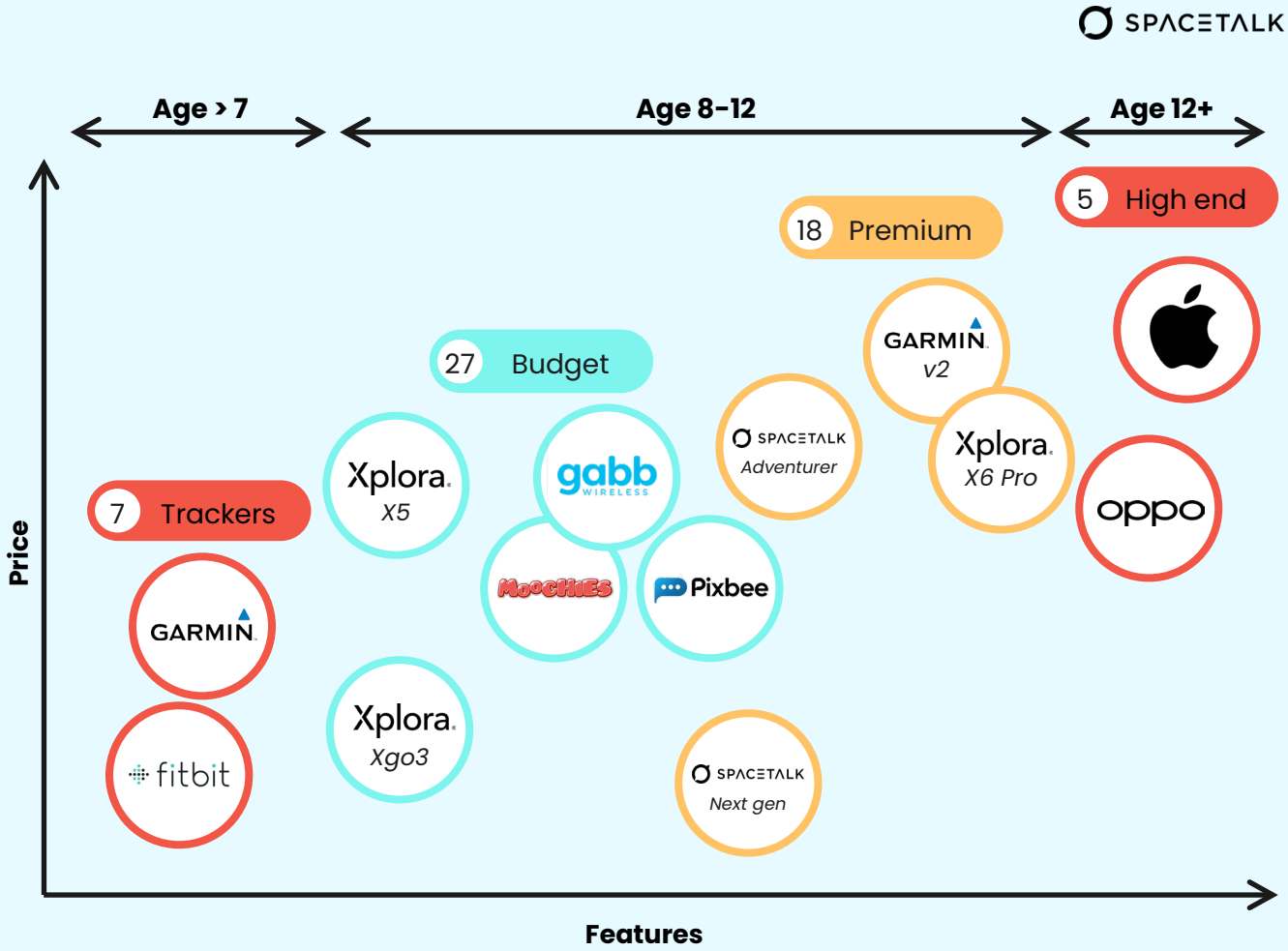
Xplora
For X5 Play, XGO2, X4, XMOVE
★★★☆☆ 61

Pixbee
Utilities
★★½☆☆ 28

MyMoochies
Lifestyle
★☆☆☆☆ 21

# Kids wearable market

0 — 50 Market attractiveness



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# Product strategy

Oct '17 | Dec '20 | Dec '22

**Services**

- Ongoing, app subscription
- Over the top services 1
- OTS 2
- Jumpy Sim

**Products**

**Premium**
> $300

- Adventurer 1
- Adventurer 2

**Budget**
< $250

- Kids 1
- End of life
- New Gen

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# Regional update

Entering a new market takes 3-4 years to grow scale



**Au/NZ Market**

Entered in Dec 17

Gross profit **AU $14mill** (12 months to Sep 22)



**EU/UK Market**

Entered in Sep - 19

**GP $1.7mill** with a cash burn rate for UK market is -$0.46mill (12 months to Sep 22)



**US Market**

Entered in Dec - 21

**GP $0.38mill** with a cash burn rate of US market is -$2.44mill (12 months to Sep 22)

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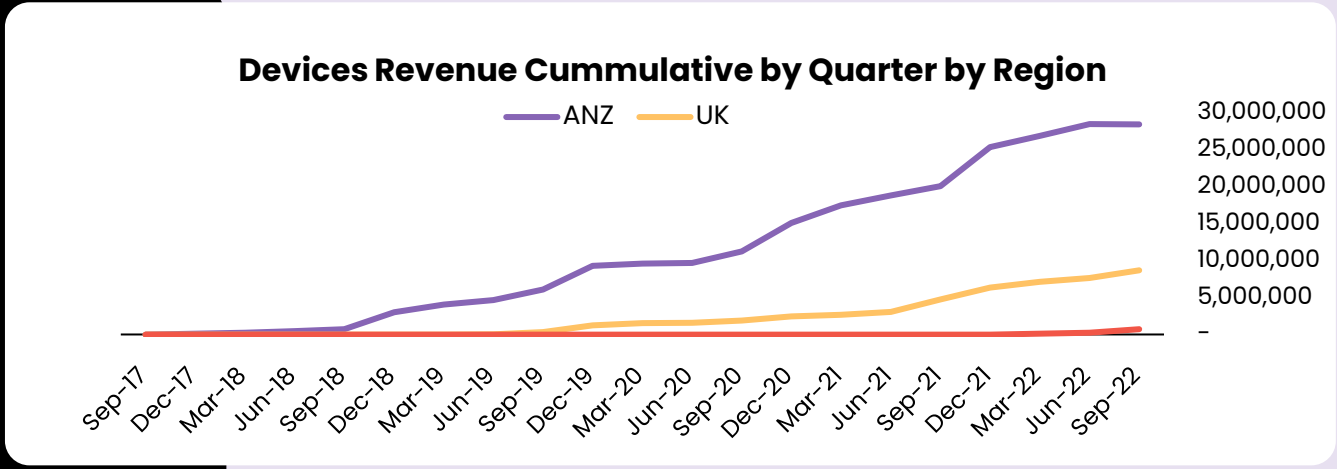
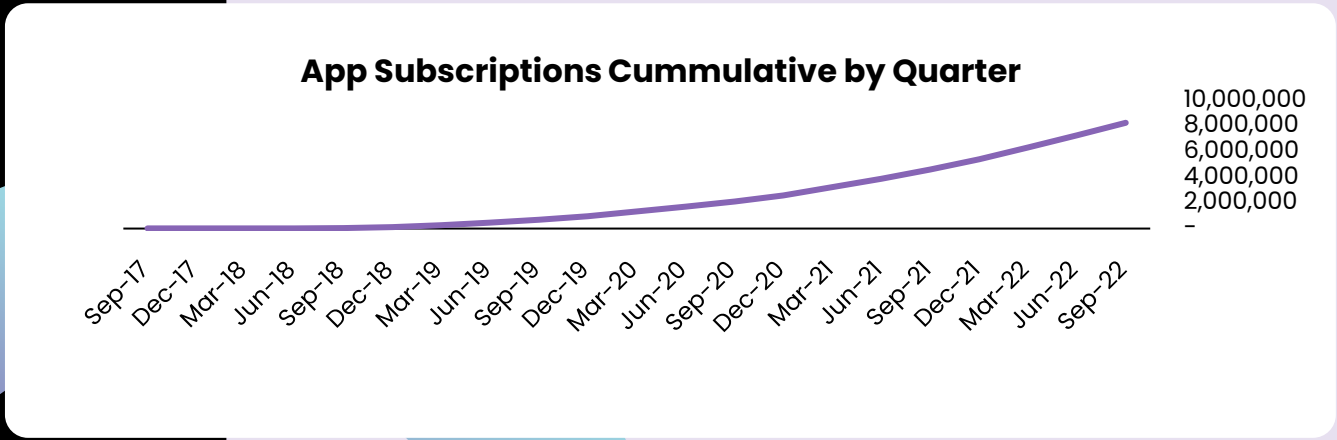
# Regional update





# Cost and cash plan

**Cost optimisation** plan is underway

Looking at **additional capital management improvements**

**Building capabilities** to further optimise the cost base

# Pure update

Pure Finance.

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**Terms of the agreement**

- $5mill of debt
- $2mill payable 1st July 2024
- $3mill payable 20th March 2025
- 9.5% interest

**Covenants**

Renegotiated to a more appropriate level focused on cash in bank

**Warrants**

**90mill shares**

The lower of the following per Warrant:
(a) A price equal to the exercise price of options issued to participants in an equity raise.

(b) $0.06

(c) A 20.00% discount to any change of control event below the Exercise Price, announced to the ASX.

(d) The Anti-Dilution Price Adjustment.

# Capital raise

**Capital raise project** proceeding as prior discussed/approved with a view to raising a minimum $3.0 million and a maximum $4.0 million

**Raising will be by way of a non-renounceable rights** issue of 1 new share for every 1.65 currently held. An option exercisable at 2x the issue price will be provided for every 2 new shares subscribed

**Veritas** will be leading the raise



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# CEO succession plan

01 Hardware to Software transition

02 We have commenced recruitment

03 Saurabh has agreed to stay for as long as needed

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# Summary



**Best user ratings** in market



**Budget watch** to compete in different segment



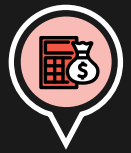
**Increase our ARPU**



**Australia is mature,** with UK/EU growing and US emerging



**Quality low cost operator** with prudent cash management



**Renegotiated caveats,** reduced interest rate, extended term of debt



**Clear view** on CEO succession plan




**spacetalkwatch.com**