H1 FY21
Results Presentation

Spacetalk Ltd.
(ASX: SPA)

16 February 2021

Hello

Agenda

1. Half year results summary
2. Strategy & outlook

1

Half year results summary

SPACETALK

H1 FY21 Financial Highlights

Group: Record performance despite COVID-19 largely attributable to Wearables revenue

Group Revenue: **$8.25m**
+9% pcp, H1 FY20: $7.6m

Wearables Revenue
$7.1m
+13% pcp
H1 FY20: $6.3m

Schools Revenue
$1.0m
-22% pcp
H1 FY20: $1.3m

Gross Profit Margin: **54%**

Opex
$3.8m
-17% pcp
H1 FY20: $4.65m

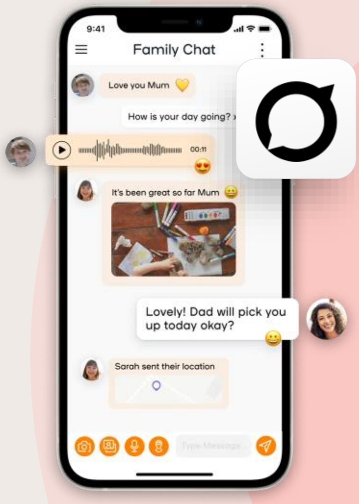
EBITDA
$0.6m
+36% pcp
H1 FY20: $0.45m

Cash at Bank: **$1.6m** at 31-Dec-20

- Spacetalk is the market leader in connected kids and seniors wearables
- Large, growing and global addressable market
- Multi-product offering with launch of new Adventurer for Kids and ranging of Life for Seniors
- New Spacetalk App with expanded suite of functionalities to create a fun, engaging and secure family communication ecosystem
- Resilient top-line growth attributable to strong half of wearables sales and App revenue. Healthy gross margin. Positive EBITDA supported by opex discipline and government funding for business through COVID-19
- Cash at bank, with no drawn debt

H1 FY21 Key Achievements

Group: 2 NEW devices, NEW App, NEW partnerships

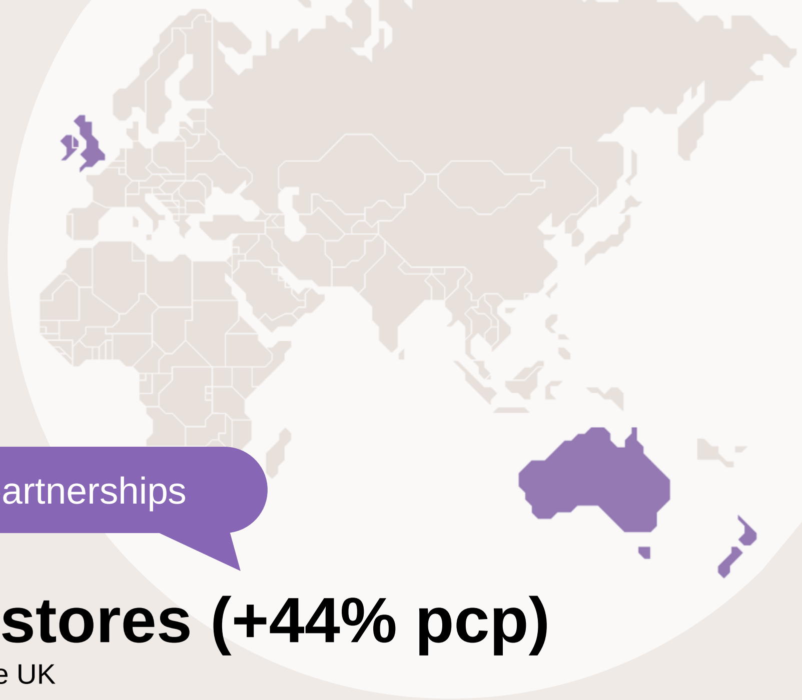


SPACETALK
App

New Products

SPACETALK
Adventurer

SPACETALK
Life



NEW partnerships

1,120 stores (+44% pcp)
in ANZ and the UK

JB HI-FI Exclusive launch of Adventurer and Life	Harvey Norman Kids and Adventurer ranging nationally
vodafone Selling on monthly plans in ANZ	amazon.co.uk Launched on amazon.co.uk

H1 FY21 Wearables Summary

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

Revenue
$7.1m

+13% pcp

Device Revenue: **$6.3m** ▲ +7% pcp, H1 FY20: $5.8m	Unit sales: **+37%** ▲ ANZ: +50% pcp, UK: -16% pcp
App Revenue: **$0.9m** ▲ +76% pcp, H1 FY20: $0.5m	App ARR[1]: **$2.3m** ▲ +76% pcp, H1 FY20: $1.3m
# Retail Stores: **1,120** ▲ +44% pcp, H1 FY20: 777	CAC[2]: **$28** ▼ -43% pcp, H1 FY20: $48

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

H1 FY21 Wearables – Devices

Wearables: Adventurer – step change advancement

- Next generation 4G kids smartphone watch launched in Dec-20
  - ✓ Purpose-built kid-tough, IP67 water resistance, strong comfortable straps
  - ✓ Eye-catching new design, four on-trend colours, interchangeable straps for personalisation
  - ✓ Advanced mobile technology: true 4G; ultra large 750mA battery
- Unit sales exceeded Spacetalk Kids in its first two weeks of sales, prior to the commencement of advertising campaigns
- Accounted for18% of all device unit sales for the half

Adventurer v Kids Business Strategy

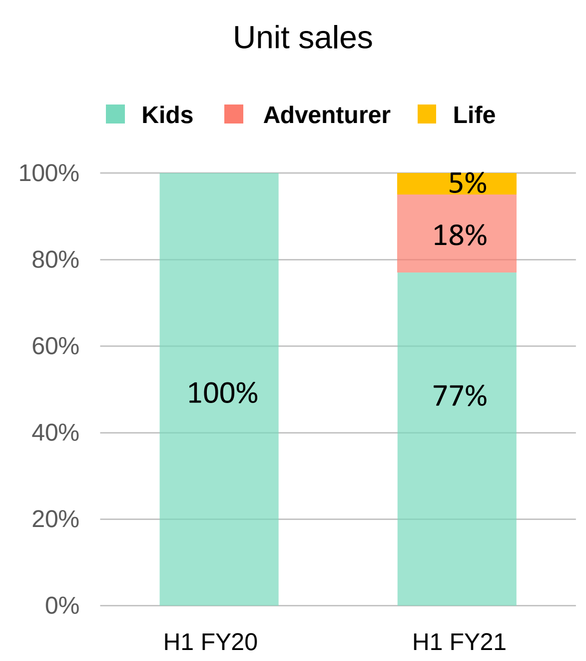
- Kids strategically repositioned at lower recommended retail price
  - ✓ Engage mass-market appeal
  - ✓ Differentiate value proposition from Adventurer
- Strategy working – positive pcp revenue result over Q2 FY21 despite Spacetalk Kids selling at the reduced price point; strong uplift in unit sales

SPACETALK Adventurer	SPACETALK Kids
4G	**3G**
$349	**$249**
Ultra large battery 750mA	**Standard battery 480mA**
IP67 – Tested to 1m water resistance	**IP54 – Splash water resistance**
Interchangeable straps	**---**
Heart rate and fitness tracker	**Fitness tracker**
5MP camera picture and video	**---**
Extra high accuracy GPS	**High accuracy GPS**
1.41” OLED extra bright screen	**1.3” TFT screen**

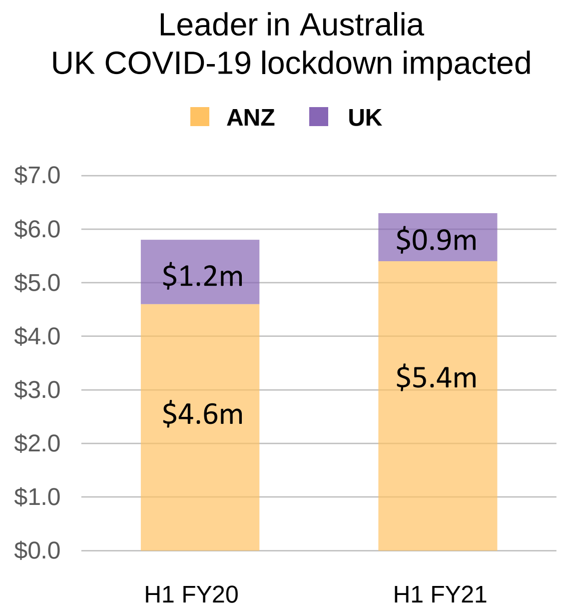
H1 FY21 Wearables – Devices

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

- Strong device revenue growth attributable to:
  - ✓ ANZ revenue +17% pcp to $5.4m
  - ✓ Highest ever unit sales for original **Kids** device pcp
  - ✓ Strong launch of **Adventurer** for Kids in December 2020, accounting for 18% of all unit sales for the half
- Diversified revenue mix - revenue contribution of Kids expected to be overtaken by Adventurer going forward
- UK continues to suffer from COVID-19 decline in consumer sentiment
- Life transitioning to B2B2C model with strong interest from aged care and home care providers



- **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)



▲ 4% pcp

$5.35m

Retail+MNO[1] partners

▲ 40%pcp

$0.95m

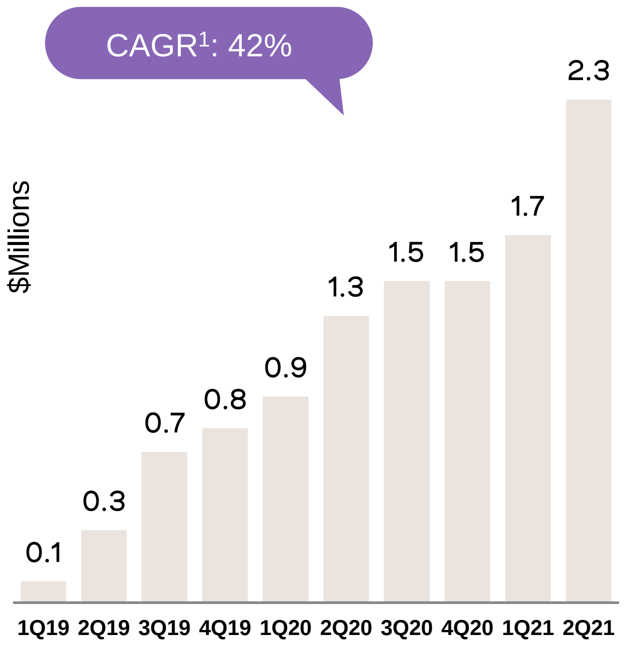
Company e-com

Footnote 1: MNO = Mobile Network Operators

H1 FY21 Wearables – App

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

Annualised Recurrent Revenue (ARR)



New Users (paying) pcp	+76%
Active Devices[2] pcp	+202%
Avg Usage[3] (per day) pcp	+189%
Store Views[4] pcp	+147%

ANDROID APP ON Google play | Download on the App Store

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

Download on the App Store — 4.4 user satisfaction rating

GET IT ON Google Play — 4.1 user satisfaction rating

Footnote 1: CAGR = Compound Annual Growth Rate. | Footnote 2: Peak active devices in Dec-20. | Footnote 3:Total user sessions over half. | Footnote 4: Product page views.

H1 FY21 Schools Summary

MGM Schools: Stable and steady growth business

Revenue
$1.0m

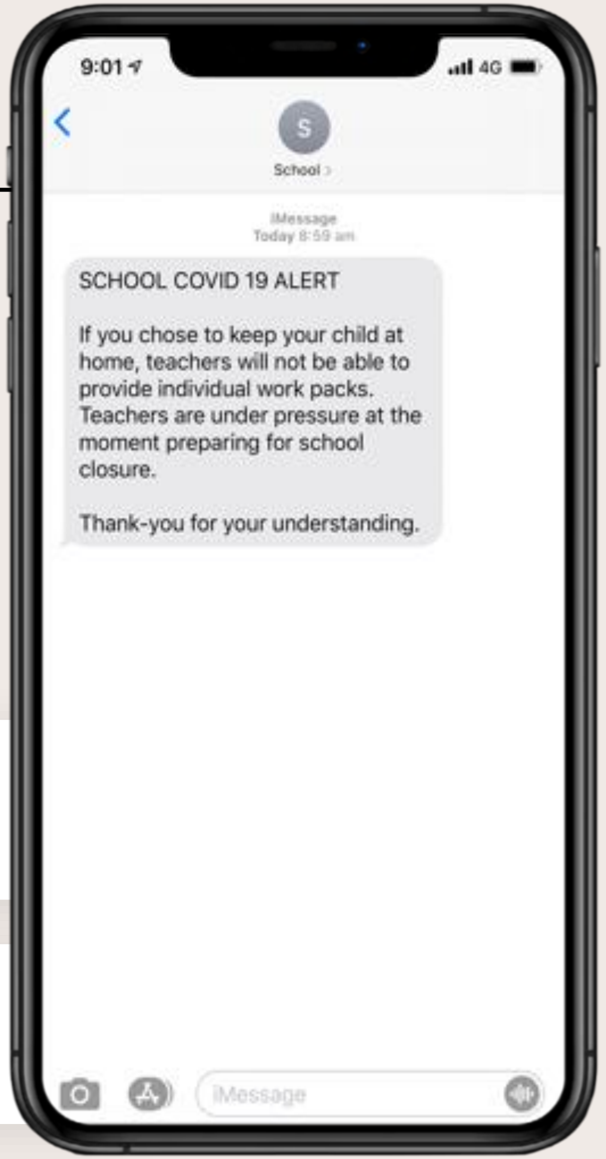
-22% pcp

SINCE 2002

- High margin, subscription business with recurring revenue
  - ✓ 9.3m (+25% pcp) messages delivered in H1 FY21
  - ✓ Supporting families and schools communicate through COVID-19
- Half year revenue impacted by change in date of annual billing cycle of a software license fee relating to a large State Government education department contract
  - ✓ Payment forwarded to 2H FY21
- Stable, multi-year contract terms - 3 year average length
- Continues to grow steadily, with several significant value creation options with investment

Trusted by over
1,200 schools

100m+ messages
safely delivered to parents and teachers since inception in 2002



H1 FY21 Profit & Loss

Group: Business settings for top-line growth

- Group's best ever half of revenue
  - ✓ Spacetalk Wearables division up +8% pcp to $6.3m
- Reduced Gross Profit primarily due to:
  - Repositioning original Spacetalk Kids device at a lower price point on the launch of Adventurer
  - Deferred revenue of Schools business to H2 FY21
  - To lesser extent, higher COGS of Adventurer
- Gross Profit Margin strong at 54%
- Positive EBITDA of $0.61 (+36% pcp)
  - ✓ Lower operating expenses of $3.8m (-17% pcp)
- COVID-19 government support packages
  - ✓ JobKeeper of $499,500 - reported as a reduction to the associated employee costs
  - ✓ Cashflow Boost of $100,000 - recognised as revenue

		Consolidated Group	
		Half- Year Ended	
	Notes	31/12/2020	31/12/2019
		$	$
Revenue		8,250,907	7,601,633
Cost of sales		(3,804,707)	(2,496,606)
Gross Profit		4,446,200	5,105,027
Interest expense		(2,024)	(49,991)
Amortisation & depreciation		(1,337,641)	(1,171,691)
Issue of options	4	(110,752)	(2,389,964)
Corporate and administration		(1,437,205)	(2,068,867)
Advertising and marketing		(948,333)	(1,209,553)
Employee costs		(1,432,004)	(1,430,516)
(Loss)/ Gain on foreign exchange		(14,876)	58,100
Loss before tax		(836,635)	(3,157,455)
Income tax benefit		214,194	452,032
Net loss for the period attributable to owners of the Company		(622,441)	(2,705,423)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(10,880)	4,030
Other comprehensive income for the period (net of tax)		(10,880)	4,030
Total comprehensive income for the period attributable to owners of the Company		(633,321)	(2,701,393)
Earnings per share			
Basic (cents per share)		(2.73)	(2.1)
Diluted (cents per share)		(1.82)	(2.0)

H1 FY21 Cash Investment Settings

Group: Resilient through COVID-19

- In July 2020, the Company undertook a $2.5m Share Purchase Plan ("SPP")
  - ✓ In excess of $5m applications received, exceeding original target of $1.5m by 236%
  - ✓ Use of proceeds – inventory, development of Adventurer, Spacetalk App and working capital
- Operating cash $(2.3)m with positive non-cash working capital movement of $3.2m
- $1.5m capitalised product development
- Cash balance of $1.6m at 31-Dec-20

	Consolidated Group Half-Year Ended 31/12/2020	Consolidated Group Half-Year Ended 31/12/2019
	$	$
Cash flows from operating activities		
Receipts from customers	4,041,723	4,315,464
Payments to suppliers and employees	(6,982,551)	(5,640,717)
Tax benefits	-	532,018
Interest and other costs of finance	(2,024)	(49,991)
Government subsidies	599,500	-
Net cash provided by operating activities	(2,343,352)	(843,226)
Cash flows from investing activities		
Payments for plant and equipment	(17,567)	(33,450)
Payment for research and development	(1,526,018)	(1,264,286)
Net cash (used in)/provided by investing activities	(1,543,585)	(1,297,736)
Cash flows from financing activities		
Proceeds from issue of shares	2,495,047	5,500,003
Share issue costs	(35,278)	(378,371)
Options issued	-	14,000
Issue of convertible note	-	500,000
Payment of lease liabilities	(119,605)	(94,458)
Net cash (used in)/provided by financing activities	2,340,164	5,541,174
Net increase / decrease in cash held	(1,546,773)	3,400,212
Cash and cash equivalents at 1 July	3,165,125	1,635,872
Effect of exchange rate changes	(10,880)	4,030
Cash at the end of the year	1,607,472	5,040,114

H1 FY21 Balance Sheet

Group: Healthy Balance Sheet

- Positive working capital $5.6m, up $1.6m from June
  - ✓ Low inventory value of $184k
  - ✓ $1.4m in prepayments of outstanding inventory
  - ✓ R&D tax incentive of $0.6m
  - ✓ $4.0m in receivables
- Net cash with no drawn debt

	Notes	Consolidated Group As at 31/12/2020 $	30/06/2020 $
ASSETS			
Current Assets			
Cash and cash equivalents		1,607,472	3,165,125
Trade and other receivables	6	4,036,554	1,049,580
Inventories		184,447	977,851
Other current assets		2,561,138	1,061,566
Total Current Assets		8,389,611	6,254,122
Non-Current Assets			
Property, plant and equipment		187,805	182,731
Intangibles	7	4,032,536	3,713,004
Right-of-use assets	8	15,450	134,111
Deferred tax assets		458,488	458,488
Total Non-Current Assets		4,694,279	4,488,334
Total Assets		13,083,890	10,742,456
LIABILITIES			
Current Liabilities			
Trade and other payables		2,251,381	2,084,841
Provision		402,919	208,790
Lease liabilities	8	16,036	135,642
Income tax liabilities		163,170	-
Total Current Liabilities		2,833,506	2,429,273
Non-Current Liabilities			
Lease liabilities		-	-
Deferred Tax Liabilities		-	-
Total Non-Current Liabilities		-	-
Total Liabilities		2,833,507	2,429,273
Net Assets		10,250,383	8,313,183
EQUITY			
Issued capital	3	18,648,386	16,124,617
Reserves		6,221,589	6,185,717
Accumulated losses		(14,619,592)	(13,997,151)
Total Equity		10,250,383	8,313,183

H1 FY21 Key Takeaways

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

Record revenue, strong ARR growth

- Despite COVID-19 resilient revenue and strong ARR growth
- More devices sold this half than any prior period
- Cementing position as the market leader in our niche

More products and channels

- **Adventurer** is ANZ's #1 selling device
- B2B2C represents a large opportunity for **Life**
- New **App**'s stronger network effect
- Onboarding of tier-1 new retail and MNOs

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 at senior leadership and operational roles

Poised for global growth

- Growing consumer confidence as COVID-19 vaccines rolled out
- Network effect enhanced with new App and Family Chat
- New UK channel partners and USA go-to market imminent
- Strong Balance Sheet

2

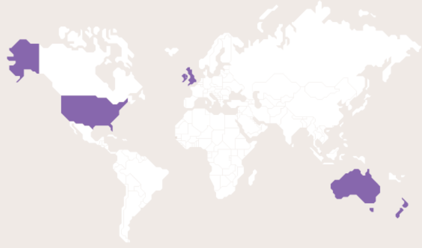
Strategy & outlook

SPACETALK

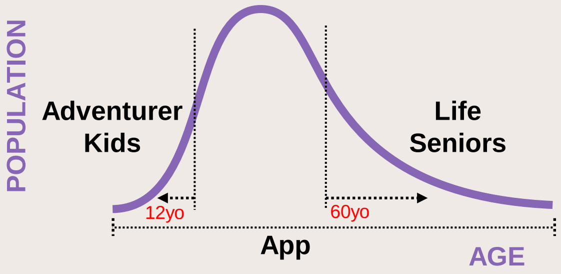
Market and Business Model

Market for Spacetalk Device Sales

Global



Niche



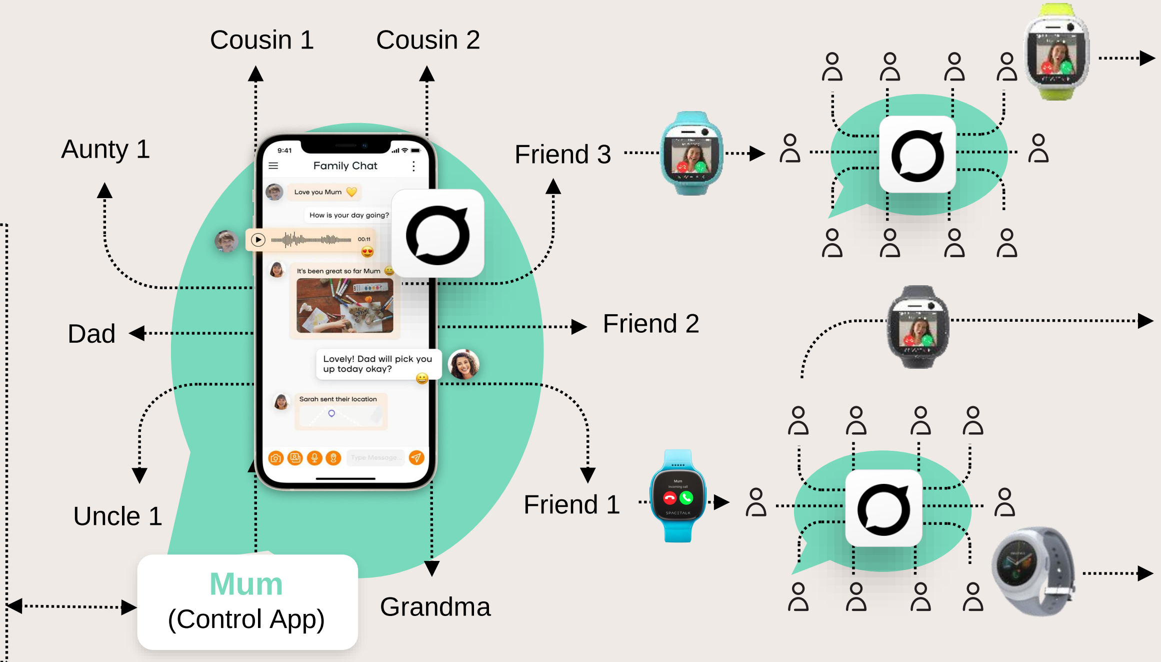
Large

Addressable population
(ANZ, UK, USA)

- Kids – 60m; Seniors – 85m
- Smartwatch penetration for adults is c.12.5%, kids currently c.5%; seniors lower
- Wearables growth forecast at 15% pa CAGR over next 5 years; watch wearables are the fastest growing category

Market for Spacetalk App: Everyone!

Network Effect



Device sales enable the App's Family Chat → **Family Chat creates connected networks** → **Connected networks drive new device sales**

Business Objectives and KPIs

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

Trading Update

H2 FY21 has started strong

- Unit sales in the first 5 weeks of Q3 FY21 up 44% on the whole of Q3 FY20
- **Adventurer** is the market's #1 selling kids device in the category
- Advanced conversations with aged care and home care providers in relation to **Life**
- 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 2021
- In UK, advanced dialogues for bricks & mortar retail launch, and with new MNOs; led by new UK Country Head
- Launch in the USA on track, with partner discussions and go-to-market planning

Thank You

Connecting families | safe | engaging | reliable

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

Definitions:

- FY = financial year ended 30 June
- H1 = half year ended 31 December

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