



ASX Announcement
Spacetalk Ltd. (ASX:SPA)
22 April 2021

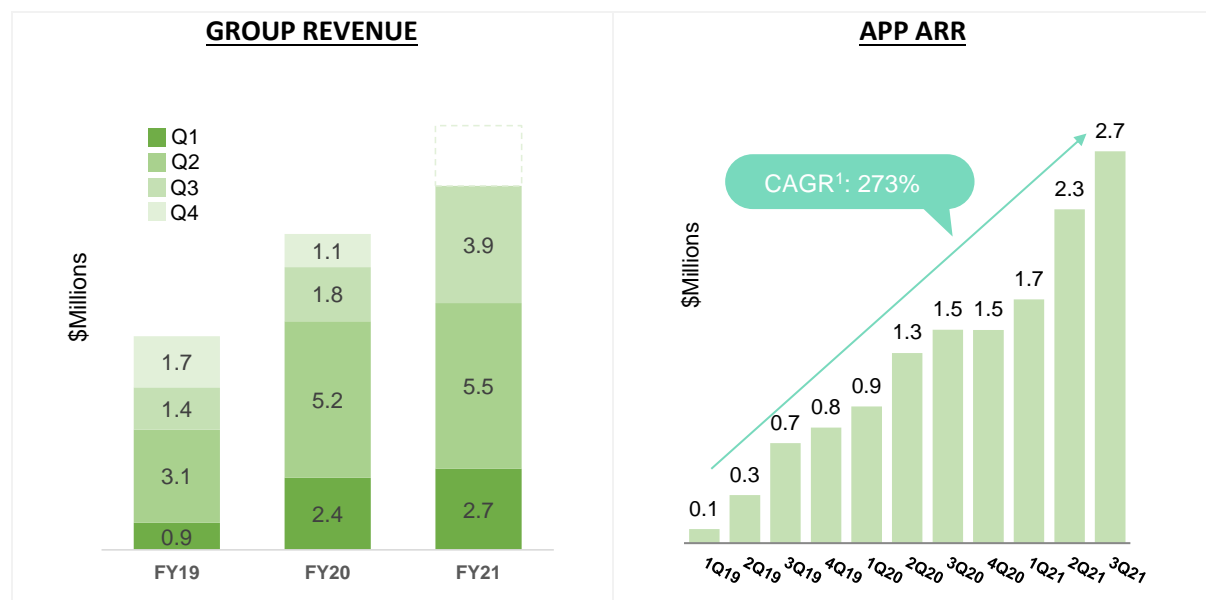
Q3 FY21 BUSINESS UPDATE SPACETALK ACHIEVES 110% YoY GROWTH IN REVENUE

Spacetalk Ltd. (ASX:SPA) (“Spacetalk,” “Company” or “Group”), developer of innovative technologies that keep families safe and connected, is pleased to update the market on the Company’s financial highlights and business achievements for the March quarter of 2021 (“Q3 FY21”).

Financial Highlights

(growth rates are compared to Q3 FY20, the previous corresponding period, unless otherwise stated)

Record Group revenue \$3.9m up 110%	Healthy Gross Profit Margin 69%	Exceptional App ARR ¹ growth \$2.7m, up 72%	Cash at Bank \$4.9m at 31 March 2021
Record Wearables revenue \$3.2m, up 241%	Highest ever quarter of Device sales \$2.6m, up 354%	Continuing strong growth in App revenue \$0.6m, up 70%	Customer Acquisition Costs (“CAC”) ² \$19, down 88%
Schools business revenue down from \$0.9 million to \$0.7 million, reflecting a normalisation of SMS volumes post the uptick recorded due to COVID-related SMS traffic in Q3 FY20			



¹ APP ARR = Annualised Recurring Revenue from Spacetalk App monthly subscriptions.

² Customer Acquisition Cost (“CAC”) = Advertising & Marketing Expenses / Units Sold.



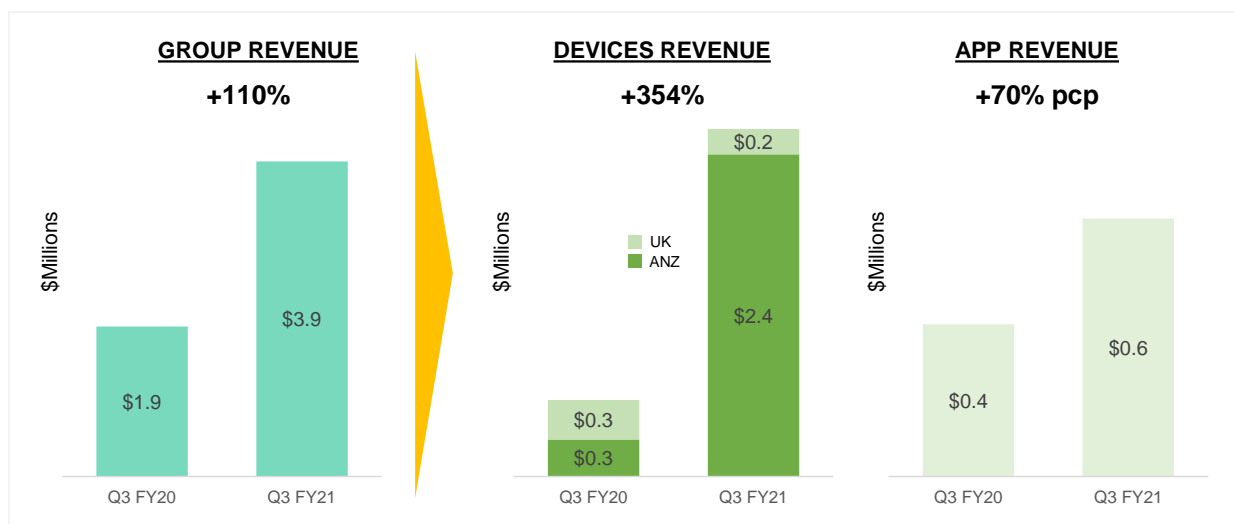
Business Highlights

- Partnering with Telstra, Australia’s largest Mobile Network Operator (“MNO”), to commence selling Adventurer kids devices across all Telstra stores and online channels in Australia
- Expanded retailer distribution of Adventurer to Harvey Norman, Officeworks and Kogan; following successful exclusive launch with JB Hi-Fi for Christmas 2020 sales
- Launch of B2B2C channel for LIFE seniors device with aged care, home care, NDIS providers and Occupational Therapists (“OTs”)
- Roll-out of new Artificial Intelligence Enhanced Fall Detection and Medical History Alert functionalities for LIFE
- Pricing for LIFE repositioned at \$399 + \$7.99 per month for the guardian-App, able to be funded under the Commonwealth Home Support Programme and National Disability Insurance Scheme
- Showcased at CES Tech (<http://www.ces.tech>), one of the world’s most significant consumer technology events hosting the best in new technology from around the world
- Adventurer won the prestigious Red Dot Design Award, one of the world’s largest and most prestigious global design competitions, for Product Design
- Spacetalk (ASX:SPA) ranked by Financial Times, Nikkei Asia and Statista in list of Asia-Pacific’s Top 500 Fastest Growing Companies 2021

Commentary

Continuing Strong Revenue Growth

Coming out of COVID and a particularly strong Christmas 2020 sales period, Q3 FY21 revenue benefited from significant in-fill demand from our channel partners – more than any other period in the Company’s history. Distribution for Adventurer was expanded from its successful exclusive launch with JB Hi-Fi, to Telstra, Harvey Norman, Officeworks and Kogan. Growth in Group revenue of 110% to \$3.9 million is attributable to the lower prior year COVID-19 impacted comparable period and strong sales of the Spacetalk Wearables division of \$3.2 million (+241%), with device sales up 354% to \$2.6 million and App revenue up 70% to \$0.6 million.





In Australia and New Zealand (“ANZ”) devices sales grew to \$2.4 million, up 768%, growing Spacetalk devices’ market share leadership amongst ANZ consumers. Confidence from new and existing retail and MNO partners to range our products contributed to \$2.1 million of sales, with the Company’s e-commerce site contributing \$0.3 million.

Growth in device sales was achieved with CAC down 88% to \$19, as capital discipline and focused spend remain core tenants of the Company’s growth strategy.

Globally: In the UK, revenue was down 36% to \$0.2 million, reflecting the country’s particularly hard lockdown for COVID-19 and the significant ensuing decline in consumer discretionary spend. It has nevertheless been a busy period for the Company in-country, with our efforts focused on progressing discussions with a very substantial mobile network operator and retailers that would give us a bricks and mortar store front presence. We are in advanced discussions in this regard and hope to be able to announce developments in due course. Our USA market entry remains on track for a CY21 launch.

Telstra

In March 2021, the Company entered a seminal partnership with Telstra, Australia’s largest MNO. Pursuant to receiving Telstra’s Full Technical Approval, marking the completion of exhaustive device testing and certification, Adventurer is now ranging across all Telstra retail stores in Australia and Telstra online channels as part of Telstra’s core wearables device range.

Adventurer’s go-to-market with Telstra includes:

- Joint marketing involving PR, influencer activity, digital marketing and eDM’s
- Spacetalk being included in the Telstra Champions program, involving approximately 100 self-nominated staff members, trained as experts on Spacetalk who will help to drive product knowledge and sales in retail stores
- High impact retail digital displays and billboards at Telstra’s icon stores in Sydney and Melbourne

Adventurer devices will initially be available for outright purchase or on a Telstra hardware repayment option, significantly reducing the friction of the buying experience – ie. where Telstra customers with a new or existing Telstra service (mobile plan, ADSL, NBN) can add a Spacetalk device to their Telstra account and pay for the Spacetalk devices on their bill over 12 or 24 months.

Telstra is working with Spacetalk towards building a compelling monthly SIM service plan specifically for Spacetalk devices which will simplify the offering for Spacetalk customers and allow Telstra to add new mobile service subscribers to their network.

LIFE B2B2C Model Launch

It was a quarter of considerable work and achievement around the LIFE seniors device, to adapt the device and evolve the business model for aged care and home care providers, NDIS providers and OTs; all attracted by LIFE’s potential to support the journey of ageing – enabling guardianship whilst enhancing independence, healthy living, social connectivity, and safety.

On 19 April 2021 the Company announced the expansion of LIFE’s distribution via a B2B2C model, initially via a commercial collaboration with ACH Group, a leading aged care and home care provider employing more than 1,700 staff and supporting more than 20,000 seniors in Australia.



Coinciding with the B2B2C model launch with ACH Group, LIFE was enhanced with new Artificial Intelligence Enhanced Fall Detection and Medical History Alert functionalities. Pricing for LIFE was repositioned to \$399, to enable the cost of the device and the first 12 months of the App fee to be able to be supported by Government funding for eligible older and disabled Australians through the Commonwealth Home Support, Home Care and NDIS programs.

LIFE will continue to sell retail, with JB Hi-Fi commencing a new marketing campaign promoting LIFE as a wearable safety device eligible for Government funding, and Harvey Norman to commence ranging LIFE at its 121 bricks and mortar stores in Australia and on-line from April 26, 2021.

Funding and Cash Position

During the March 2021 quarter the Company established a new \$5 million inaugural loan facility with PURE Asset Management – comprised of a \$3 million term loan and a \$2 million bridge loan, with an option requiring the Company to issue 11 million shares exercisable at 30 cents (the 173% issuance premium indicative of the lender’s view of the investment opportunity).

The funds broaden the capital structure with a competitive and flexible new source of funding, and a supportive lender. The funds will be utilised to fund inventory purchases to support the Company’s strong growth in sales, geographic expansion activities, brand investment, working capital and general corporate purposes.

At 31 March 2021 the Group held cash of \$4.9 million, with positive working capital of \$8.8 million comprising \$4.9 million cash, \$2.6 million receivables, \$1.1 million inventory and \$0.2 million in other current assets and liabilities. The Company has drawn debt of \$3 million.

Spacetalk CEO Mark Fortunatow said: “I could not be more excited about the tremendous progress and growth we are seeing in our business; with the Adventurer and original Kids devices benefiting from their strong leadership in a category now gaining mass market appeal, and the growing recognition by aged care, home care and disability industry participants, of the important contribution our LIFE device makes for enabling their residents and customers live life to the fullest.

I would like to thank all of our customers, employees, suppliers, partner distributors and retailers, shareholders and supporters who helped Spacetalk achieve another great quarter.”

This announcement has been authorized by Spacetalk CEO Mark Fortunatow.



For more information, please contact:

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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/>.

Forward Looking Statements

Any forward looking statements, opinions and estimates provided in this announcement rely on various contingencies and assumptions. Various factors and risks, both known and unknown, many of which are outside the control of Spacetalk, may impact upon the performance of Spacetalk and cause actual performance to vary significantly from expected results. There can be no guarantee that Spacetalk will achieve its stated objectives or that forward looking statements or forecasts will prove to be accurate.