SPACETALK

ASX Announcement
Spacetalk Ltd. (ASX:SPA)
26 April 2022

3QFY22 BUSINESS UPDATE

Highlights

- **Total Revenue of $4.3 million. 11%[1] growth on pcp[2]**
- **Wearables Revenue of $3.5 million. 9% growth on pcp**
- **App ARR[3] of $3.8 million. 41% growth on pcp**
- **Schools Business Revenue of $0.8 million. 26% growth on pcp**
- **Gross Profit of $2.9 million. 9% growth on pcp**

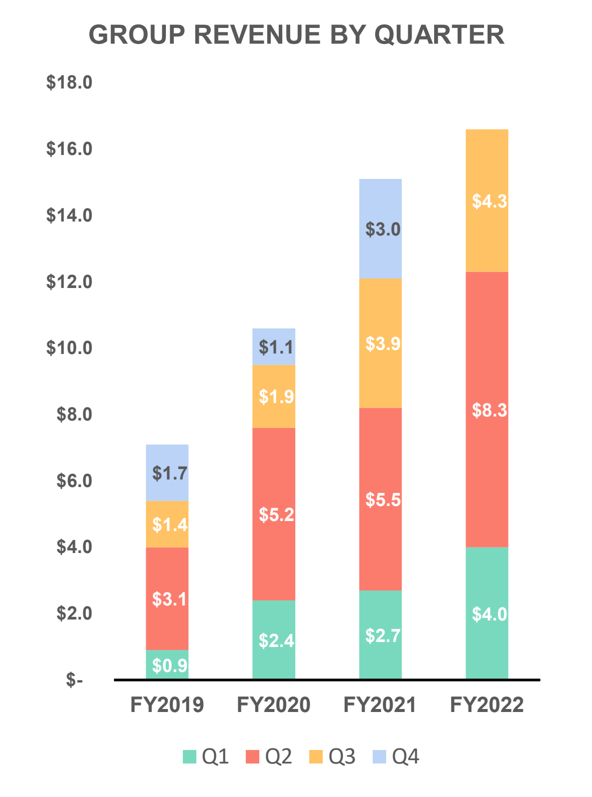
Spacetalk Ltd. (ASX:SPA) ("Spacetalk" or "SPA" or "Company"), developer of innovative technologies that keep families confidently connected, provides an update on is financial and business performance for the three months ending 31 March 2022 ("3QFY22" or "3Q22")[4].

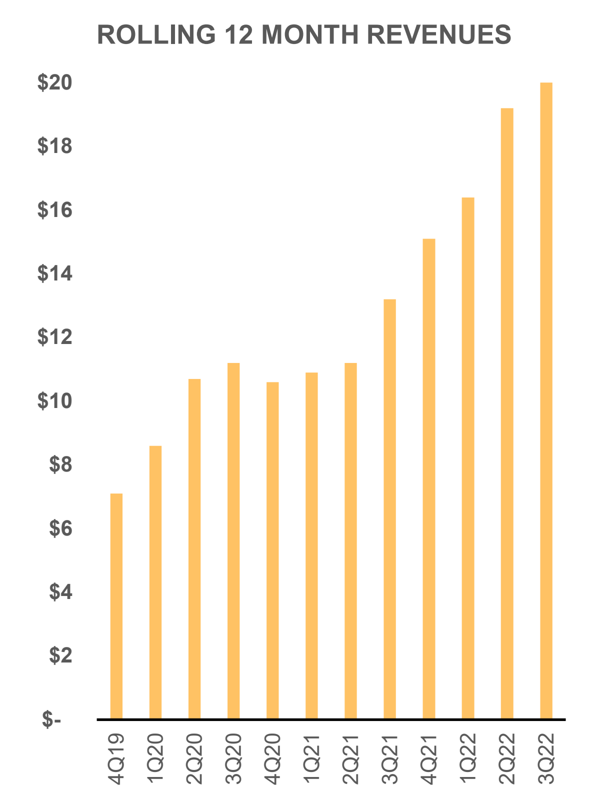
Financial Highlights

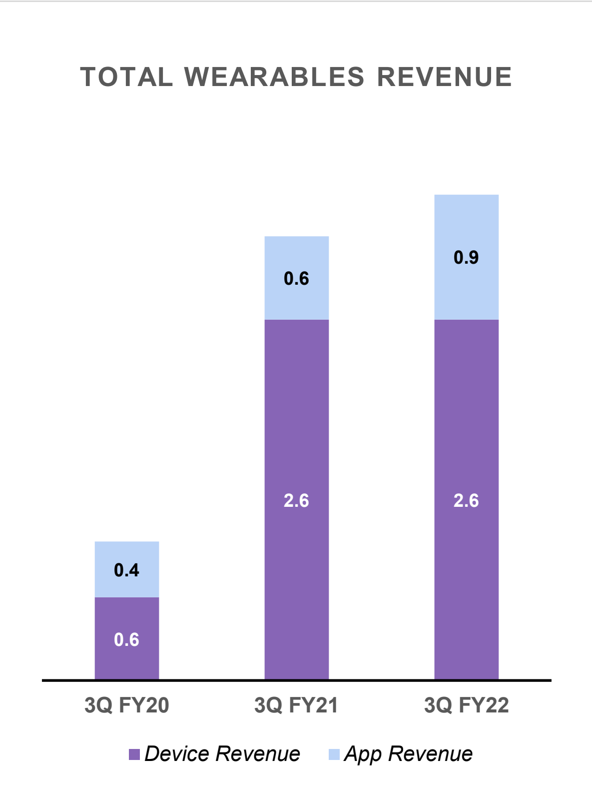
(Growth rates are compared to 3QFY21, the previous corresponding period, unless otherwise stated.)

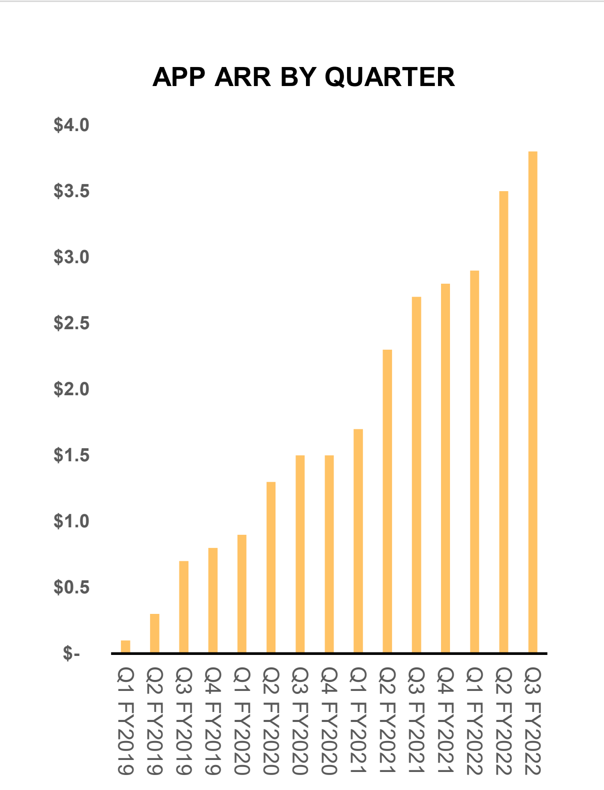
Total Revenue $4.3m up 11.3%	Gross Profit Margin 67%	Wearables Revenue $3.5m up 9.0%	Device Sales $2.6m, down 0.4%
App revenue $0.9m, up 47.6%	App ARR $3.8m, up 40.7%	Total Marketing Expenses $0.5m	Schools Business Revenue $0.8m, up 26.2%
Cash at Bank as at 31 March 2022 $8.7 million			

[1] Some calculations of changes to prior periods may be impacted by rounding.
[2] PCP – Previous Corresponding Period.
[3] APP ARR = Annualised Recurring Revenue from Spacetalk App monthly subscriptions.
[4] Unaudited









All figures are in AU$ million.

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SPACETALK

Commentary

For the three months ending 31 March 2022, Spacetalk achieved total revenue of $4.3 million, an 11.3% increase on pcp. Total revenue for the nine months to end March 2022 exceeds total revenue for the twelve months to end June 2021 by $1.5 million.

Wearables revenue for the three months to end March 2022 was $3.5 million, a 9.0% increase on the prior corresponding quarter. 3Q22 Annualised Recurring Revenue ("ARR") from Spacetalk App monthly subscriptions was $3.8 million, up 40.7% compared to prior corresponding period. Device sales for the quarter were achieved with marketing expenses of $0.5 million compared to $0.3 million in the pcp.

The MGM schools business revenue was $0.8 million for the three months, up 26.6% compared to $0.7 million in the pcp. The schools business continues to be a strong net positive cashflow generator for the Group.

Comparisons to the 3Q21 prior comparable period should be considered in the context of the 2021 launch of the Adventurer watch and accompanying one-off channel 'in fill' sales. Based on internal Company analysis, Spacetalk wearables sold to end consumers ('sell-out') increased by greater than 40% compared to the pcp.

The third quarter of the financial year is also historically the quietest quarter of the financial year. It follows the second quarter which encompasses the Black Friday-Cyber Monday and Christmas sales periods.

Geographic Commentary

***Australia-New Zealand* –** ANZ sales performance was below the Company's expectations. ANZ revenues were down 34.2% compared to the pcp reflecting mainly one-off Adventurer 3Q21 channel in fill sales. Cautious consumer sentiment also translated into lower retail and telecommunication channel inventory re-fills.

Europe **–** UK and Nordic region sales growth continues to improve increasing by 367% compared to the pcp. Sales have been promising but have also been slower than expected due to consumer caution flowing from the regional proximity of the Russia-Ukraine war.

North America **–** The development of Spacetalk's North American business continues. Sales remain modest consistent with the Company's soft launch strategy. Development of new distribution relationships continues to progress as the Company accumulates invaluable on-line and on the ground intelligence.

Conversations continue with potential on-line and physical distribution partners. The scale and heterogeneity of the North American retail and telecommunications market requires a patient approach.

Schools Business

Revenue for the MGM Schools Business for the three months to 31 March 2022 was $0.8 million, compared to $0.7 for the pcp, a 26.2% increase. During the quarter, the Schools Business service agreement with the Western Australian Government was also extended for a further 12 months.

The MGM Schools Business continues to be a strong net cashflow contributor.

Funding and Cash Position

As at 31 March 2022 the Company held cash of $8.7 million.

Distribution

During the quarter, the distribution agreement with Virgin Mobile UK was combined into O2 due to the Virgin and O2 merger. Additionally, the Vodafone Australia distribution agreement was terminated as the arrangement was under performing with inventory being reallocated to higher productivity channels. The financial impact on the Company is immaterial.

The Company continues to discuss distribution opportunities with new mass market retailers and network operators across existing and new geographies. Spacetalk will advise of any confirmed new distribution arrangements.

Corporate Governance Update

In 2Q22, the Company advised that it was undertaking a Governance enhancement project including an expansion of the Board and appointment of an independent non-executive Chair.

In February 2022, the Company announced the appointment of Mr Saurabh Jain as a non-executive Director and the engagement of Russell Reynolds and Associates to lead the search for a non-executive Chair.

The Russell Reynolds search has identified a shortlist of three candidates with whom interviews have commenced. Spacetalk will provide further updates on the recruitment of the Chair as and when available.

The Spacetalk board is also currently establishing Audit and Risk and Nomination and Remuneration Committees of the Board and finalising various corporate governance policies and charters. Once approved, these policies and Committee charters will be posted on the Corporate Governance section of the Spacetalk Investor Centre.

Adventurer 2

Development of Spacetalk's next generation Adventurer watch continues. Design and supply chain work is continuing to ensure that Adventurer 2 can offer a faster, thinner, smaller, and more aesthetically pleasing wearable device with improved battery performance and new hardware functionality. The Company is working towards a product launch in calendar 2023.

Supply Chain and Inventory

Supply chain management continues to be a priority focus for the Company.

During 3Q2022, there was a Covid related lock down in Shenzhen China and Spacetalk's manufacturer partner was briefly, but not materially, impacted.

Spacetalk manages its supply chain and inventory risk by maintaining supply chain buffers and inventories. Spacetalk's proprietary ownership of the design of its devices and applications, provides a strategic competitive providing the Company with relevant risk management options.

Jumpy SIM MVNO

Subject to the satisfactory completion of technical testing, Spacetalk will be launching a mobile operator service (Mobile Virtual Network Operator) in the United States ("US") in 4Q2022. This service will operate under a newly developed brand, Jumpy SIM.

Delivered over a leading US mobile (cellular) network in the US, Jumpy SIM will provide mobile network services specifically designed for any brand of smart wearable device and other low data consumers .

Once launched, Spacetalk will bundle a Jumpy SIM cellular (mobile) network SIM with its Spacetalk Adventurer devices sold in the US through e-commerce and mass market retail channels. The inclusion of a Jumpy SIM with Spacetalk wearables will simplify and improve the customer proposition and user experience and will generate new and additional recurring revenues for Spacetalk.

It is anticipated that Jumpy SIM will generate a gross margin in the order of US$4-5 per user per month depending on the plan purchased.

Financial Times High-Growth Companies Asia-Pacific list

During the quarter, Spacetalk was recognised by the Financial Times-Statista coming in 153rd on their 2022 High Growth Companies Asia-Pacific list. Spacetalk was the 17th ranked Australian company on this list.

Spacetalk CEO Mark Fortunatow said: "Our third quarter revenue performance did not meet the Company's expectations. Post-Christmas 2021 retail conditions have been inconsistent as evidenced by the results of leading retailers, however, below the surface, positive signs exist.

"When measuring sales to end consumers (in contrast to sales to distributors), the number of Spacetalk devices sold increased by more than 40% over the prior corresponding period. Additionally, our recurring revenues continue to grow. Coupled with our new Jumpy SIM initiative, we expect additional device sale and recurring revenue growth.

"The addition of Jumpy SIM to our business portfolio will improve customer experience with our brand and products, and enhance our business economics.

"The Company will also continue to invest to develop distribution across key geographies, especially the US, a sizeable, complex but highly rewarding market. Dialogues with new distribution partners for both on-line and in-store are on-going, and our MGM Schools Business continues to perform well and generate free cash flows for the Company.

"Overall, the Company's trajectory remains positive. The wearables revolution is still in its early days. We have a strong market position, leading products, and an outstanding team to drive the success of the business.

The opportunities are before us are substantial and I am excited about our future."

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/.