

ASX Announcement | 29 February 2024
Spacetalk Limited (ASX: SPA)

Spacetalk Delivers Strong Growth, Announces Annualised Cost Savings of \$2.7m and further financial flexibility provided with improved debt covenants

Spacetalk Limited (ASX: SPA) (“Spacetalk” or “the Company”) is pleased to provide its half year results for the six months ended 31 December 2023 (“1H24”).

1H24 Highlights

- Annual recurring revenue (ARR) increased 28% on the prior corresponding period (“pcp”) to \$9.5m.
- Active subscriber growth for Spacetalk Mobile (MVNO) grew 272% on pcp to over 26,000 active subscribers.
- Revenue from continuing operations increased 31% vs pcp to \$9.2m.
- Gross profit from continuing operations increased by 40% on pcp to \$4.2m.
- Annualised cost savings of \$2.7m identified.
- Covenant concessions agreed with funder, providing financial flexibility over the coming periods.
- Cash in bank of \$2.9m at period end.

	1H24	1H23	Change	Change
FINANCIAL HIGHLIGHTS	\$m	\$m	\$m	%
Revenue from continuing operations	9.2	7.0	2.2	31%
Gross profit from continuing operations	4.2	3.0	1.2	40%
Gross profit margin	46%	43%	-	3ppts
Operating expenses before one off costs	5.5	5.5	-	-
Normalised EBITDA from continuing operations	(1.3)	(2.5)	1.2	48%
Annual recurring revenue (ARR)	9.5	7.4	2.1	28%
Subscribers (#)	70,955	64,469	6,486	10%
Cash balance ¹	2.9	3.0	(0.1)	(3%)

1. Comparative balance as at 30 June 2023

Commenting on the half year performance, Spacetalk's CEO and Managing Director Simon Crowther said:

"The first half of the financial year has delivered positive metrics that reflect the focused delivery of outcomes detailed in our strategy. The financial results demonstrate the strength of our unique ecosystem of interconnected products that deliver safety and security for families. This sets us apart and positions us for future growth. The recent entry into the seniors 24/7 safety monitoring market further enhances our addressable market and expands the reach of our product offering.

I am pleased with the rapid growth of Spacetalk Mobile since launch in November 2022 and the product is core to connecting the Spacetalk suite of products.

The positive financial results for the half are a strong step forward to achieving sustainable profitability in the near term and cash generation.

I am excited about the potential to grow Spacetalk and we are confident that we are on track to deliver our long-term objectives. The 28% growth in ARR to \$9.5m continues our momentum to achieving our target of \$20m - \$25m ARR in 3 years from FY23."

Positive Financial Results

Growth in group revenue of 31% on pcp was driven by the subscription-based revenue streams. Spacetalk Mobile revenue increased by 850% to \$1.9m. Hardware revenue grew 26% on pcp, driven by a 20% increase in sales volume on pcp.

The half year results reflected the Company's strategic shift to a subscription-based business model with the 28% increase in ARR to \$9.5m in the period ended 31 December 2023 and a 10% increase in combined App & Spacetalk Mobile subscribers to 70,955.

Spacetalk Mobile subscribers grew to 26,036 at the end of the half, a 272% growth on pcp.

The Company continued to reduce its cash outflow. On an underlying basis, cash outflow from operating activities of \$0.9m in the half compared to outflows of \$1.9m in pcp.

Reported net operating cash outflow of \$2.2m for the half included \$1.3m one-off, non-recurring expenses, including expenses from exiting overseas operations, redundancy expenses and others - no further material one off costs, other than restructuring expenses from the cost out program are expected to be incurred.

The Company continues to focus on managing its cost base and has identified annualised cost savings of \$2.7m. The program includes employee rationalisation, outsourcing and a reduction in discretionary expenses and is critical to driving the Company towards cash positive.

Funding

The Company's cash balance at December 31, 2023, was \$2.9m. As the Company positions itself for a sustainable cash flow positive position and manages cash flow seasonality, the Company's financier, Pure Asset Management ('Pure AM'), has agreed to covenant concessions providing greater flexibility. Pure AM has waived the 3QFY24 operating cash flow covenant and lowered the 2QFY25 operating cash flow covenant. A prior covenant that cash be sustained at \$1.0m has been amended to a Review Event and a new covenant that cash exceeds \$750,000 at all times has been agreed.

Pure will receive additional interest of \$62,500, to be paid through the issue of up to a maximum of 6.25m shares based on the VWAP for the final 10 trading days of FY24.

For further information, please contact:

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About Spacetalk Limited (ASX: SPA)

Spacetalk Limited (ASX: SPA) is a software services and smartwatch hardware product developer. As a package, the company's technology platform provides a complete digital communication solution that supports safety and security for families across their life cycles and for employees working in remote settings. The company's unique proprietary ecosystem, which has continued to evolve over time, is today recognised as a leader in family safety and the connected wearables industry.

The Spacetalk technology platform comprises both market-leading hardware and a trusted, client-controlled software platform that provides safety and security to users via the benefits of mobile technology.

The multi-functional Software-as-a-Service Spacetalk App can be customised, giving clients the ability to enable or disable individual features. Parents are empowered to block their child's access to the open internet, social media and inappropriate adult content while simultaneously blocking calls and messages from unknown senders. The app can also track the location of vulnerable family members, including children and seniors requiring constant monitoring.

Spacetalk's best-in-class software platform additionally supports children's development by facilitating engaging, confidence-building experiences that the whole family can participate in and enjoy.

Spacetalk's core hardware, its smartphone-watch, is effectively a child's first mobile phone. It offers all the benefits of a smartphone, operating on a secure, private and parent-controlled ecosystem that can be customised to reflect each family's needs and values.

To learn more, please visit: www.spacetalk.co.

For more information

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This ASX announcement has been authorised by the Board of Spacetalk Limited (ASX: SPA)