

ASX Announcement | 30 October 2024
Spacetalk Limited (ASX: SPA)

Quarterly Activities Report, Business Update and Appendix 4C
for the quarter ended 30 September 2024

Spacetalk Limited (ASX: SPA) (“Spacetalk” or “the Company”) is pleased to provide its Appendix 4C for the quarter ended 30 September 2024 (1QFY25) along with an operational update.

Financial Highlights:

- **Cash Flow from Operating Activities:** Improved by 56% to \$0.7m used (1QFY24: \$1.5m used).
- **Subscriber Growth:** Paid subscribers for Spacetalk Mobile (MVNO) grew 100% vs PCP to 33.0k (1QFY24: 16.5k).
- **Annual Recurring Revenue (ARR) Growth:** ARR up 11% vs PCP to \$9.8m (1QFY24: \$8.8m), improving the quality and predictability of revenue in line with our strategic goals.
- **Gross Profit Growth:** Gross profit, an underlying proxy of underlying growth in the company increased by 35% vs PCP, reaching \$2.0m (1QFY24: \$1.5m).
- **Recommended International Expansion:** Business development and sales now underway in USA, Canada, Finland, Australia and New Zealand compared with Australia only PCP. Notably all sales drive new subscriptions.
- **Receipts from Customers, less Inventory Payments:** \$2.4m (1QFY24: \$2.9m), a reduction of \$0.5m, primarily driven by the prior year sell-out of legacy Adventurer 1 hardware.
- **Operating Payments:** Payments (excluding Inventory Payments) reduced by 29% vs PCP to \$3.1m (1QFY24: \$4.4m), reflecting the positive impact on costs of the right sizing of the cost base taking effect.

- **Net Cash Used in Operating Activities Before Inventory:** Was -\$0.03m (1QFY24: \$0.06m), reflecting our strategic inventory investment in Q1 of each year to support anticipated sales in Q2 as part of our seasonal sales cycle. Hardware sales have been recalibrated to secure strong margins and generates a robust recurring revenue stream, positioning us to maximise returns in the upcoming quarters.
- **Stronger Cash Position:** On 31 July 2024, Spacetalk successfully refinanced and extended its \$5m borrowing facility, providing additional financial flexibility. Spacetalk also raised \$1.5m in cash during the 1QFY25 and further a \$2m in October 2024, exceeding the initial target of \$3.2m by \$0.3m and laying the foundations for growth.

Strategic Milestones Achieved:

- **eCommerce Reset and Expansion:** The latest version of the Shopify store was launched, providing access to significantly improved eCommerce functionality, enhancing customer experience and scalability.
- **Signed Distribution Agreement with Talius:** Talius Group Limited (ASX:TAL) is a technology enabled care solutions provider for seniors. This distribution agreement marks the activation of the seniors' market which represents a significant growth opportunity for the company.
- **Signed Distribution Agreement with Optus:** Optus, Australia's second-largest telecommunications provider, plays a key role in extending our market presence and adding approximately 350 retail points.
- **International Expansion:** We have expanded our international footprint, and we are now operating in five key markets: Australia, New Zealand, Finland, the United Kingdom, and United States of America. This strategic growth underscores our commitment to broadening our global reach, capitalising on new opportunities, and building both hardware and recurring revenue streams.
- **Achieved ISO 9001 Certification for Spacetalk Schools:** ISO 9001 certification reflects Spacetalk's commitment to maintaining the highest standards in quality management systems. This certification enhances operational processes, providing customers with the assurance of consistent quality, reliability, and continuous process improvement.

Capital Raise Success:

- Raised \$1.5m in cash during the 1QFY25 from a capital raise and further \$2m in October 2024, exceeding the initial target of \$3.2m by \$0.3m and laying the foundations for growth.

Spacetalk Chief Executive Officer and Managing Director Simon Crowther, said:

"I am pleased to report that Spacetalk has made significant progress this quarter, with cash flow used in operating activities improving by \$0.8m compared to the prior corresponding period (PCP). This improvement to -\$0.7m in operating cash flow for 1QFY25 (1QFY24: -\$1.5m), highlights the positive impact of our right sizing of our business that aligns costs with a sustainable growth strategy.

Our focus on growing high-quality, recurring revenue streams continues to pay off, as demonstrated by the 11% increase vs PCP in Annual Recurring Revenue (ARR), which reached \$9.8 million (1QFY24: \$8.8 million). This growth, coupled with a 100% increase in paid Spacetalk Mobile subscribers, underscores the strength of our business model and the successful execution of our strategic initiatives.

We are optimistic about the new distribution agreements we have signed, particularly with Talius, which opens a valuable distribution channel for our seniors' products. The seniors market is a growing and strategically important segment for Spacetalk, and we are excited about the opportunities this partnership brings. Similarly, the agreement with Optus, Australia's second-largest telecommunications provider, strengthens our domestic market presence and retail reach.

Additionally, the update of our eCommerce platform to the latest version, powered by Shopify, is key to our online growth strategy. The enhanced platform provides greater scalability and improved customer experiences, which we expect will drive higher conversion rates and increased revenues from our digital channels.

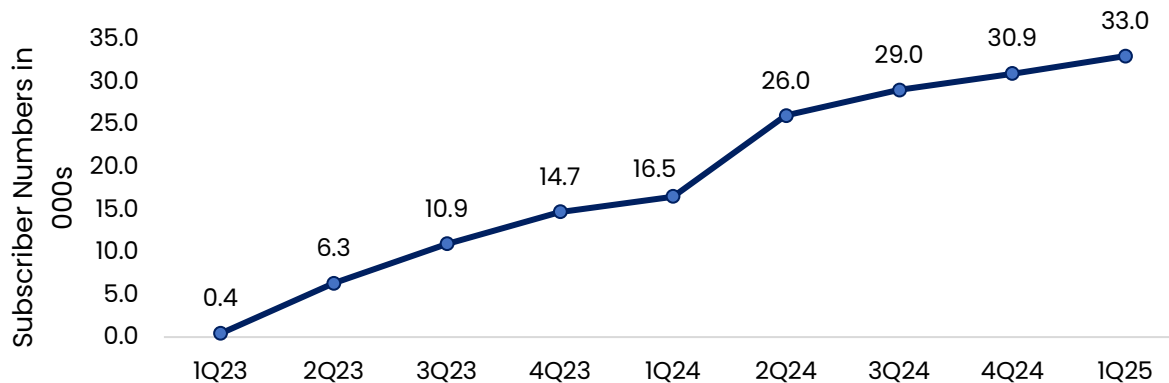
Our international expansion efforts are also showing promising results, with disciplined execution leading to operating results ahead of expectations. The objective has always been to recommence international operations once certain criteria were met. We are proceeding in a disciplined manner in expanding internationally.

The recent reset of our capital structure, including the renegotiation of repayment terms with Pure Asset Management and our successful capital raise, has substantially strengthened our financial position. These initiatives reduce near-term financial obligations and provide greater flexibility to invest in future growth, including inventory purchases, product development, and targeted marketing initiatives.

Looking forward, we will continue to build on the strong foundation we have laid, focusing on scaling the business and increasing customer lifetime value. I am confident that Spacetalk is on the right path to achieve its long-term goals, and we are well-positioned to deliver value to our stakeholders."

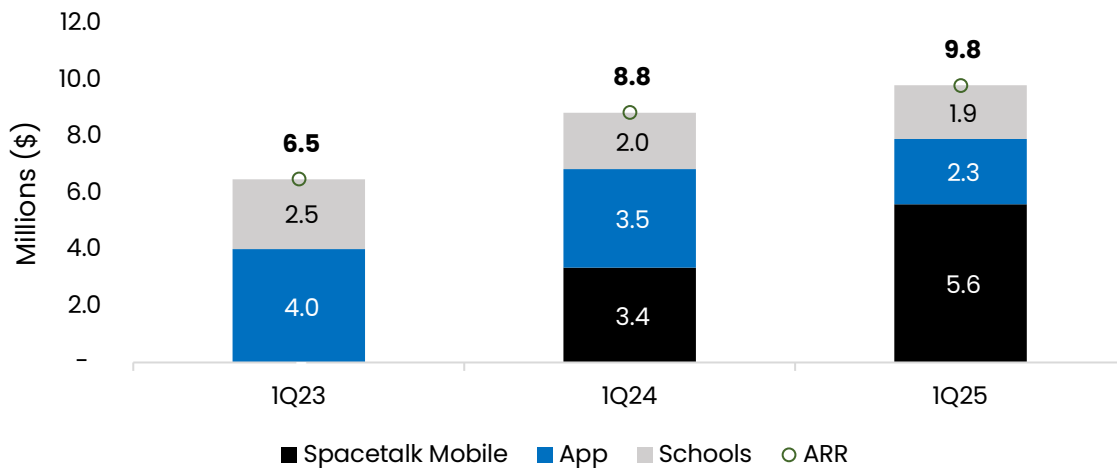
Subscriber and Annual Recurring Revenue (ARR)

Paid Mobile Subscriber Growth



The focus on growth of Spacetalk Mobile since FY23 has been pivotal in driving our strategic direction, with a strong emphasis on generating recurring revenue. This initiative has significantly contributed to our business, demonstrating our ability to create a sustainable ecosystem that fosters long-term customer loyalty and engagement.

Annual Recurring Revenue (ARR)



- Annual Recurring Revenue (ARR) Growth: ARR up 11% vs PCP to \$9.8m (1QFY24: \$8.8m), improving the quality and predictability of revenue in line with our strategic goals.
- Spacetalk Mobile growth: Paid mobile users doubled to 33.0k vs PCP (1QFY24: 16.5k).
- ARR from Spacetalk Mobile has grown by 64.7% vs PCP to \$5.6m (1QFY24: \$3.4m).
- ARR from APP reduced to \$2.2m (1QFY24: \$3.5m) as customers transition towards Spacetalk Mobile.
- ARR from Schools reduced slightly to \$1.9m (1QFY24: \$2.0m) in line with expectations.

Revenue and Gross Profit Highlights:

- Revenue from continuing operations increased by 11% vs PCP, reaching \$4.0m (1QFY24: \$3.6m).
- Gross profit increased by 35% vs PCP, reaching \$2.0m (1QFY24: \$1.5m). The revenue from PCP included sales of Adventurer 1 (ADV 1) hardware, which were sold at a lower margin to clear this older inventory. This Legacy inventory from the failed initial entry into Europe undertaken by previous management has now been successfully sold out. This quarter marks the final period whereby poor legacy inventory decisions will impact results.
- The strategy of focusing on increasing Spacetalk Mobile subscriptions, with a higher Average Revenue Per User (ARPU) and higher gross profit per product, has delivered planned results. MVNO revenue increased by 68% compared to PCP, reaching \$1.4m (1QFY24: \$0.8m), while MVNO gross profit grew by 40% to \$0.7m (1QFY24: \$0.5m). We anticipate that adding more users to Spacetalk Mobile, along with retaining users through the app, will extend customer lifetimes and deliver additional financial benefits in the future.

	1Q25 in '\$'000s		1Q24 in '\$'000s		PCP Change	
	Revenue	Gross Profit	Revenue	Gross Profit	Revenue	Gross Profit
Devices	1,622	498	1,508	(100)	8%	(598%)
Schools	439	425	444	405	(1%)	5%
MVNO	1,393	712	830	510	68%	40%
Apps	566	387	845	670	(33%)	(42%)
Corporate	10	10	18	18	(46%)	(46%)
TOTAL	4,030	2,032	3,645	1,503	11%	35%

Cashflow from operating & investing activities

- Cashflow used in operating activities improved by \$0.9m compared to the prior corresponding period (PCP), reaching negative \$0.6m (Q1FY24: negative \$1.5m). This improvement is attributed to more stable revenue streams and the realisation of cost reductions resulting from the company's rightsizing efforts.
- Cashflow before financing activities improved by \$1.0m, resulting in an outflow of \$0.9m compared to \$1.9m (PCP). This improvement reflects the positive impact of the company's restructuring and focused business strategy.
- This accomplishment underscores Spacetalk's dedication to maintaining financial health, driving sustainable growth, and creating value for stakeholders.

Financing activities

Capital Structure Reset and Strengthening

During the quarter, Spacetalk successfully reset and significantly strengthened its capital structure. This was achieved through the renegotiation of the repayment schedule for the Pure Asset Management debt, allowing for a more favourable timeline without incurring penalties, combined with a successful capital raise. These initiatives have provided greater financial flexibility and a solid foundation for future growth.

Capital Raise

Subsequent to quarter end, the company completed a capital raise of \$3.5m. This capital will be used to fund inventory purchases, costs associated with data-led growth marketing, product development (including the Adventurer 3 device) and costs of the offers.

Borrowing Facility Extension

On 31 July 2024, Spacetalk successfully refinanced and extended its borrowing facility, providing additional financial flexibility. While the facility has a total loan balance of \$5 million, only \$1 million is payable within the next 12 months, significantly reducing near-term obligations.

Related Party Payments

Payments to related parties and their associates during the quarter amounted to \$91k, and this related to the Managing Director's remuneration for the period.

To keep up to date with company news and announcements visit investorhub.spacetalk.co.

For further information or investor enquiries, please contact:

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ABOUT SPACETALK LIMITED

Spacetalk Limited (ASX: SPA) develops and sells hardware and software to provide safety at every stage of life. Spacetalk offers families a suite of solutions: Australia's best-selling Kids Smart Watches (GFK Report July 2024: Total Sales of Kids Smartwatch in Australia), Spacetalk Mobile, Spacetalk App, and Adult Wearables. The Spacetalk ecosystem provides freedom with peace of mind. To learn more, please visit: www.spacetalk.co

FORWARD-LOOKING STATEMENTS

This announcement may contain forward-looking statements. These statements are based on Spacetalk's expectations, estimates, and projections at the time the statements are made. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Actual outcomes and results may differ materially from those expressed or implied in these forward-looking statements. Spacetalk undertakes no obligation to update these statements for events or circumstances occurring after the date of this announcement.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Spacetalk Ltd

ABN

93 091 351 530

Quarter ended ("current quarter")

September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,082	3,082
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(644)	(644)
(c) advertising and marketing	(288)	(288)
(d) leased assets	(18)	(18)
(e) staff costs	(974)	(974)
(f) administration and corporate costs	(1,591)	(1,591)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(241)	(241)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	(1)	(1)
1.9 Net cash from / (used in) operating activities	(675)	(675)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant, and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	(209)	(209)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant, and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(211)	(211)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,534	1,534
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(169)	(169)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,365	1,365

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,770	1,770
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(674)	(674)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(211)	(211)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,365	1,365
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	2,249	2,249

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,218	1,739
5.2	Call deposits	31	31
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,249	1,770

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1*	91
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

* Aggregate amount paid to Managing Director including salary and superannuation.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	5,000	5,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,000	5,000
7.5	Unused financing facilities available at quarter end	NIL	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
On 31 July 2024, Spacetalk successfully refinanced and extended the loan facility. The revised terms include an extension of the loan maturity date by two years to March 2027. This extension provides Spacetalk with significant financial flexibility and supports the Company's strategic growth initiatives. KEY TERMS: • Interest rate: remains at 9.50% • Maturity date: extended to March 2027 AMORTISATION SCHEDULE: • March 2025: repay \$1,000,000, leaving a total loan balance of \$4,000,000 • September 2025: repay \$750,000, leaving a total loan balance of \$3,250,000 • March 2026: repay \$1,000,000, leaving a total loan balance of \$2,250,000 • March 2027: repay \$2,250,000, fully repaying the loan. FINANCIAL COVENANTS: • Minimum cash balance: cash to exceed \$750,000 at all times. • EBITDA covenants: Specific targets to be met quarterly from 31 March 2025 onwards.			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(675)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,249
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,249
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions: 8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A		

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: **N/A**

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: **N/A**

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

30 October 2024

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.