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ASX Announcement | 24 January 2025
Spacetalk Ltd (ASX: SPA)

Quarterly Activities Report, Business Update and Appendix 4C for the quarter ended 31 December 2024

Spacetalk Ltd (ASX: SPA) ("Spacetalk" or "the Company") is pleased to provide its Appendix 4C for the quarter ended 31 December 2024 (2QFY25) along with an operational update.

Financial Highlights:

- **Paid Mobile Subscriber Growth:** Paid subscribers for Spacetalk Mobile (MVNO) increased by 53% vs PCP, reaching 39.8k (2QFY24: 26k), highlighting the strong performance and appeal of the Spacetalk Mobile offering.

- **Annual Recurring Revenue (ARR) Growth:** Improved by 16% vs PCP to $11.0m (2QFY24: $9.5m). This sustained growth highlights our focus on building sustainable, high-quality revenue streams across the business.

- **Gross Profit Growth:** Gross profit, an underlying proxy of underlying growth in the company increased by 18% vs PCP, reaching $3.2m (2QFY24: $2.7m) , reflecting ongoing focus on higher-margin revenue streams.

- **Net Cash Generated From (Used in) Operating Activities Before Inventory Growth:** Was +$1.2m (2QFY24: used in -$0.5m), demonstrating the company's strong ability to generate cash flows from operations before inventory investments.

- **Inventory Payments:** Was $2.2m (2QFY24: $1.6m), $0.6m higher compared to PCP, driven by buying inventory to meet demand for the busy Black Friday and Christmas selling period and bulk purchasing of certain components to support the expected growing international demand over the coming months.

- **Operating Payments Reduction:** Payments (excluding Inventory Payments) reduced by 25% vs PCP to $3.7m (2QFY24: $5.0m), reflecting the positive impact optimising and right sizing the cost base.

- **Cash Used In Operating Activities:** Remained steady at -$1.1m (2QFY24: -$1.1m), reflecting stable cashflow performance supported by disciplined cost management and stable revenue streams.
- **International Expansion:** Business development and sales now underway in USA, United Kingdom, Canada, Finland, Australia and New Zealand compared with Australia only PCP. Notably all sales drive new subscriptions.

Spacetalk Chief Executive Officer and Managing Director Simon Crowther said:

"I am pleased to report that Spacetalk continues to make strong progress this quarter, with cash flow used in operating activities remaining steady at -$1.1m. Excluding inventory investments, we generated $1.2m in net cash from operating activities, demonstrating the underlying stability of our cash flow generation.

Securing inventory ensured we had sufficient stock for the busy Black Friday and Christmas selling period while reducing supply chain risks and ensuring inventory for planned international expansion. The $600k increase in inventory payments compared to the prior corresponding period (PCP) reflects sensible purchases to meet demand and bulk procurement of components to safeguard against possible supply chain disruptions.

Recurring revenue remains a cornerstone of our business strategy, with Annual Recurring Revenue (ARR) growing 16% vs PCP to $11.0m. This growth reflects the sustainability of our revenue streams, supported by a 53% year-on-year increase in paid Spacetalk Mobile subscribers to 39.8k. Additionally, we are prioritising app development as a key initiative to drive ARR growth further. The launch of version 1.5 of our app and ongoing development of a new version underscores our commitment to this area, which we expect to drive future growth.

Looking ahead, we are confident that the strong foundation we have established will enable us to deliver sustainable growth. Our focus remains on scaling the business, enhancing customer lifetime value, and executing our strategy to create long-term value for our stakeholders."

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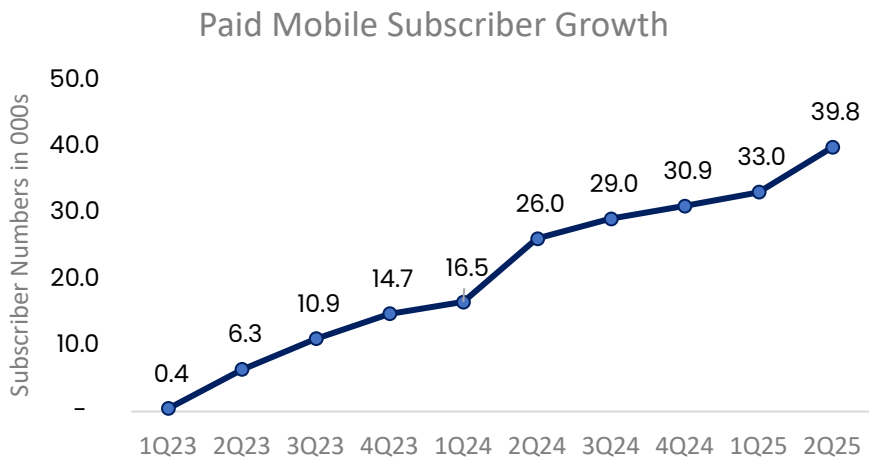
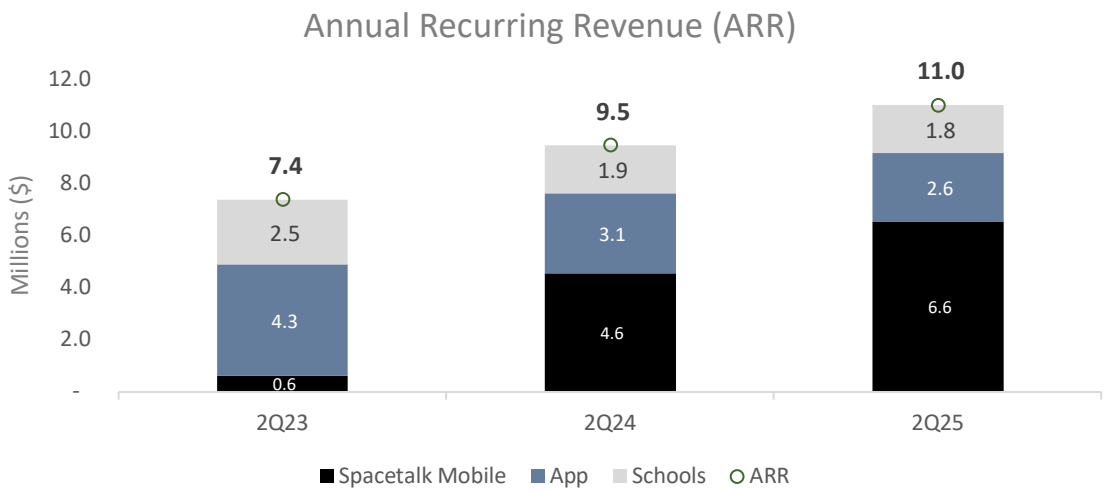
Recurring revenue

Growth in Paid Mobile Subscriber Base



Spacetalk achieved a 53% increase in paid mobile subscriptions vs PCP, reaching 39.8k (2QFY24: 26k). This growth demonstrates the success of Spacetalk Mobile and highlights the scalability of our business model, driven by rising demand for user-focused solutions. The platform also establishes a strong foundation for capital-light international expansion and the exploration of new market opportunities already underway.

Annual Recurring Revenue (ARR) Growth



- Annual Recurring Revenue (ARR) increased by 16% vs PCP to $11.0m (2QFY24: $9.5m), reflecting our focus on building sustainable, high-quality revenue streams across the business.

- ARR from Spacetalk Mobile grew by 44% vs PCP to $6.6m (2QFY24: $4.6m), supported by the ongoing expansion of our paid subscriber base.

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- ARR from the App decreased to $2.6m (2QFY24: $3.1m), reflecting a 16% year-on-year decline. This reduction is intentional, aligning with our strategic focus on transitioning customers to Spacetalk Mobile, where ARR increased by $2.0m year-on-year, and where we achieve higher revenue and profit per customer.

- The focus remains on maximising recurring revenue and increasing customer lifetime value. Ongoing initiatives, including the development of a new app, aim to further enhance the customer experience and support this strategic transition while maintaining high-quality, sustainable growth.

- ARR from Schools decreased slightly to $1.8m (2QFY24: $1.9m), in line with expectations as we effectively manage a legacy software platform.

Revenue and Gross Profit Highlights:

	2Q25 in '$'000s		2Q24 in '$'000s		PCP Change	
	Revenue	Gross Profit	Revenue	Gross Profit	Revenue	Gross Profit
Devices	2,995	874	3,215	1,146	(7%)	(24%)
Schools	480	453	464	440	3%	3%
Spacetalk Mobile	1,640	905	1,051	644	56%	41%
Apps	654	479	773	454	(15%)	6%
Seniors	48	47	26	18	85%	161%
Corporate	445	445	7	7	6,263%	6,263%
TOTAL	**6,262**	**3,203**	**5,536**	**2,709**	**13%**	**18%**

- Revenue from continuing operations increased by 13% vs PCP, reaching $6.3m (2QFY24: $5.5m).

- Gross profit grew by 18% vs PCP, reaching $3.2m (2QFY24: $2.7m). This reflects our continued focus on higher-margin revenue streams, supported by strong subscription growth and stabilising key segments.

- Devices revenue decreased by 7% to $3.0m (2QFY24: $3.2m). This decrease reflects the impact of initial retail pipeline fills in the prior year following the launch of the new product line, Loop, as well as the activation of the New Zealand retail market, which boosted 2QFY24 results.

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- Spacetalk Mobile continues its growth trajectory, with revenue increasing by 56% to $1.6m (2QFY24: $1.1m). Gross profit rose by 41%, reaching $0.9m (2QFY24: $0.6m). This growth reflects a strong customer retention combined with ongoing expansion in subscriptions and higher ARPU, reinforcing Spacetalk Mobile as a key driver of our sustainable revenue growth.

- App revenue declined slightly, in line with expectations, with revenue decreasing by $0.1m to $0.7m (2QFY24: $0.8m) while the user base was maintained. This decline reflects the ongoing strategic shift towards Spacetalk Mobile, where revenue increased by $0.5m, achieving higher revenue and profit per customer.

- The Spacetalk App is a key focus area, with version 1.5 released this quarter and active development underway for Spacetalk App 2.0 We expect this new version to enhance the customer experience and drive growth in the coming months, further supporting the ecosystem of Spacetalk devices, mobile and software.

- Seniors business results have been reported separately for the first time, highlighting this segment as a growing focus for the company. Revenue increased by 85% to $48k (2QFY24: $26k), showcasing strong momentum in this emerging market as we activate reseller partnerships.

- Corporate revenue increased 6,263% to $0.45m (2QFY24: $0.01m), primarily driven by the completion of R&D grant revenue during this period. The cash for this grant was not included in the cash flow for the quarter and is expected to be received in 3QFY25.

Cashflow from Operating & Investing Activities

- Cashflow used in operating activities remained steady at negative $1.1m (2QFY24: negative $1.1m). This stability reflects disciplined cost management and the ability to offset higher inventory payments with consistent operating cash generation. The result underscores progress in optimising the cost base and maintaining cashflow performance despite seasonal pressures and strategic investments.

- Investing activities increased to $0.45m (2QFY24: $0.39m), driven by Spacetalk's focus on strategic growth initiatives, including app development and product innovation.

Financing Activities

- During the quarter, Spacetalk strengthened its capital structure, reinforcing the foundation for growth.

- The company completed the final part of its equity raise, receiving $1.7m net in cash to support strategic initiatives and enhance financial flexibility.

Related Party Payments

Payments to related parties and their associates during the quarter amounted to $180k, and this related to aggregate remuneration paid to all Directors of the company 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 LTD

Spacetalk Ltd (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.

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Appendix 4C

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

Name of entity

Spacetalk Ltd

ABN	**Quarter ended ("current quarter")**
93 091 351 530	December 2024

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	4,889	7,971
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(2,224)	(2,868)
	(c) advertising and marketing	(449)	(737)
	(d) leased assets	(45)	(63)
	(e) staff costs	(1,744)	(2,718)
	(f) administration and corporate costs	(1,359)	(2,950)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(120)	(361)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	1	-
1.9	**Net cash from / (used in) operating activities**	**(1,051)**	**(1,726)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant, and equipment	(5)	(7)
	(d) investments	-	-
	(e) intellectual property	(443)	(652)
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 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**	**(448)**	**(659)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,807	3,341
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	(138)	(307)
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**	**1,669**	**3,034**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,249	1,770
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,051)	(1,726)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(448)	(659)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,669	3,034
4.5	Effect of movement in exchange rates on cash held	(0)	(0)
4.6	**Cash and cash equivalents at end of period**	**2,419**	**2,419**

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	1,758	2,218
5.2	Call deposits	661	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)**	**2,419**	**2,249**

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*	180
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

** Aggregate amount paid to all Directors of the entity including salary, directors fees, consulting fees and superannuation.*

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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)	(1,051)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,419
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,419
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.3

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.

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**

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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.

24 January 2025

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.

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