

Spire Global, Inc.
Second Quarter 2022 Call
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Presenters

Peter Platzter, CEO

Tom Krywe, CFO

Ben Hackman, Head of Investor Relations

Q&A Participants

Erik Rasmussen - Stifel

Ric Prentiss - Raymond James

Jeff Meuler - Baird

Stefanos Crist - CJS Securities

Colin Canfield - Barclays

Operator

Greetings. Welcome to the Spire Global Second Quarter 2022 Call. At this time, all participants are in a listen only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. Please note this conference is being recorded.

I will now turn the conference over to your host Ben Hackman, Head of IR. You may begin.

Ben Hackman

Thank you. Hello everyone and thanks for joining us for our second quarter 2022 earnings conference call. Our results, press release, and SEC filings can be found on our IR website at ir.spire.com. A replay of today's call will also be made available.

With me on the call today is Peter Platzter, CEO, and Tom Krywe, CFO.

As a reminder, our commentary today will include non-GAAP items. Reconciliations between our GAAP and non-GAAP results, as well as our guidance can be found in our earnings press release. Some of our comments today may contain forward looking statements that are subject to risks, uncertainties, and assumptions. In particular, our expectations around our results of operations and financial conditions are uncertain and subject to change. Should any of these fail to materialize or should our assumptions prove to be incorrect, actual company results could differ materially from these forward looking statements. A description of these risks, uncertainties, and assumptions, and other factors that could affect our financial results is included in our SEC filings.

With that, let me hand the call over to Peter.

Peter Platzer

Thank you, Ben. And thank you everyone joining us on the call today. Spire continued to drive the business forward in Q2. We again delivered results that were better than expected for revenue and for margin guidance. Complementing our relentless drive for profitability, we also successfully closed \$120 million credit facility, further strengthening our balance sheet and allowing us to confidently execute on our four growth pillars as we continue on our path towards being free cash flow positive in 19 to 25 months.

While the macro environment has continued to deteriorate meaningfully throughout Q2 with mentions of inflation, recession, and war on a seemingly daily basis, Spire's business prospects and opportunity set continue to be strong. The difficult environment requires businesses to make tough decisions with regards to balancing growth and profitability and we remain at the very core of our customers business plans.

One can see this in the continued improvement of our already high retention rates we delivered yet again in Q2. Our customers look to Spire for data, insights, and solutions to run a more efficient and reliable business and manage the volatility of the current economic environment. Throughout Q2, we saw healthy interest in our data and solutions, adding 65 net new ARR solution customers, beating our expectations.

With a fully deployed large constellation of satellites, monitoring the global flow of assets around the clock, effectively listening to the movement of global trade and weather, Spire provides a unique perspective that is only available from space.

However, we are not immune from the global macro environment. For example, we now expect several million dollars of negative foreign exchange impact to our 2022 revenue, given that Spire sells its solutions to customers in roughly 60 countries, and exchange rates have been highly dynamic. The macro environment has also lengthened the time from initial conversation to contract signature for a handful of our larger pipeline deals. And given the ever-changing market conditions that businesses are contending with, we're also seeing some of our customers needing to go through additional approval cycles, while others are taking longer to obtain the necessary funding. While the pipeline remains extremely robust and growing, we're carefully watching our cycle-time to close.

Turning now to our business, Spire's fully deployed constellation provides global coverage passing over the earth 100 times a day and collecting hundreds of millions of data points. Much like the internet in its early days, we continue to see new and diverse use cases for the data we collect. Whether it be topical conversations like tracking the first grain vessel departing from

Odessa or seeing the changing traffic patterns around Taiwan last week, Spire listens to the heartbeat of global activity.

We are encouraged to see global conversations gain increasing traction on topics such as climate change, for example, evidenced by the U.S. Climate Bill announced last week. Thanks to our deployed scale of operations and investments in innovation made to-date, we are confident that we are exceptionally well-positioned to help government and commercial customers alike solve problems that are becoming front of mind.

I'd like to take a moment to talk about some of these wins we secured in the quarter. Our maritime team was awarded a contract from a Fortune 100 company to provide data that allows them to better meet the needs of their customers. Analyzing this data from Spire, allows their customers to cut costs and improve efficiency by providing insights for example, to perform predictive maintenance. Spire's ability to provide rich insights on multiple different attributes of a vessel, including vessel type, capacity, and size, along with live data, including the vessel's position, current voyage status, reported destination, and ETA was key in winning this competitive account.

Customers continue to appreciate the value of our weather offerings and have consistently awarded us follow-on contracts. During the quarter, we received a follow-on contract for \$6 million from NASA for Earth observation data. This data was provided under the Commercial Smallsat Data acquisition program, and Spire has been providing data since 2018. The CSDA program offers Earth observation data that is critical to the efforts of U.S. government agencies and researchers solving some of humanity's biggest challenges, like climate change.

Recently heatwaves in Europe and diametrically opposed weather events of concurrent drought and flooding in the United States clearly indicate the immediate risks posed by extreme weather. The U.S. Congress is poised to enact the largest bill to-date, releasing billions in funding to help fight this threat.

The success of the CSDA program and Spire's role in it is a great example of how partnerships between the private and public sector can accelerate our path to building a better, more sustainable future. Spire is extremely well-positioned to take advantage of opportunities to partner with the U.S. government and others around the world to tackle the risk posed by climate change.

Also during the quarter, Spire was awarded a TCOM Subcontract for Weather Forecasts at Aerostat sites. The multimillion dollar subcontract is Spire's largest numerical weather prediction deal to-date. Spire's weather forecasts will play a crucial role in efficient and effective operations of these large scale tethered weather balloons. Space based data is a differentiator between potentially damaging downtime and operational success, especially in remote areas of the world.

Spire's unique ability to assimilate large amounts of weather data into Spire's proprietary numerical weather model was crucial for TCOM in placing their trust in us.

Turning to space services, Spire recently won a highly competitive contract for a greenhouse gas monitoring service from space. This contract has the potential to grow to over \$100 million of revenue for Spire, showcasing the scalability of our solution. The customer will leverage Spire's robust, reliable, and scalable infrastructure to receive the data through a simple API on a global basis. The data is used to spot and contain greenhouse gas leaks, as well as provide insights for other key decisions on the fight against climate change. This is a great example of what we can do with space services, helping amazing companies who are doing important work, scale and expand their impact quickly, building a more sustainable and prosperous future for all.

We have continued to see strong customer adoption of our space services model. We previously announced a deal with NorthStar focused on space situational awareness and space debris that could grow to more than \$200 million of revenue to Spire, along with an eight-figure deal with Sierra Nevada Cooperation for a service to the U.S. government in signal intelligence and signal geolocation. Just to give you a rough sense of the scope of our space services business, over the past several quarters, space services has on average accounted for roughly 25% of our business.

Turning now to technology updates where we continue to make prudent investments in our technology to add value to existing customers and aid in the acquisition of new customers. These investments span both our hardware and software capabilities and allow us to widen our already substantial competitive mode and pave the way for future business opportunities. The weather market continues to be one of our larger long-term opportunities, with an estimated near term market size of \$22 billion.

Listening to our customer needs, we invested in the capability to deliver optimized forecasts 15 days out, expanding our previous offering of the more industry typical seven-day forecast. Investing in this technology allows us to solve additional use cases for an even broader set of customers.

Utilizing machine learning, we continuously work to optimize our forecasts by leveraging the vast data vault that we have accumulated to train our models to deliver better and more valuable forecasts. We recently announced a partnership with RAL Space to deploy hyperspectral microwave sounders to augment our already substantial weather data collection. These microwave sounders will enable us to deliver a higher level of measurement accuracy for both moisture and temperature, which are essential in numerical weather prediction.

This data will join our existing data from radio occultation, reflectometry, and polarimetric RO. Fed into our proprietary Data Assimilation System, this data drives our in-house global numerical weather prediction model, which runs on our high performance compute cluster of up to 10,000

cores. This affords Spire a unique sustainable competitive advantage in providing our customers with highly valuable accurate weather prediction solutions.

We also have continued to invest in our signal geolocation and intelligence capabilities. We recently deployed additional satellites and equipped them with an RF chain capable of capturing and geolocating SATCOM in the L-Band. Presence of these signals in certain locations and under certain circumstances is indicative of activities that are of critical importance to some of our government customers.

Further enhancing our signal geolocation, and coordinated Earth observation offering, Spire also developed the ability to fly our satellites autonomously in formation using differential drag. Our autonomous software uses the Earth's atmosphere to control the distance between satellites, causing them to fly in a coordinated formation without the need for additional hardware or costly propulsion.

The system can be enabled on any Spire satellite through a remote software upgrade, highlighting the power of Spire's focus on software upgradeable space systems. The global signal intelligence market is estimated to be over \$13 billion currently, with a sizeable and rapidly growing contribution from space-based geolocation and spectrum monitoring capabilities. Bringing these capabilities online expands our offering for new and existing customers, providing insights to governments to help make the world a safer place.

Our regulatory and licensing strategy is helping Spire to propel the business forward by capturing high value moat extending licensees. For several years, Spire has been working with U.S. government stakeholders to secure U.S. licensing support for Spire's inter-satellite link technology. In Q2, we successfully completed pre coordination efforts with NASA, NOAA, and the U.S. Air Force. The FCC is now processing Spire's inter-satellite link authorization request, and we anticipate that the license will be issued shortly.

Furthermore, we recently completed coordination of more than 20 S-Band and X-Band ground stations. This effort, another multi-year process, represents an approximately 30% expansion of Spire's ground station network. The ability to implement inter-satellite links on our U.S. assets and the coordination of our ground station network are a great example of how Spire's regulatory strategy is designed to help the company maintain its first mover advantage in an increasingly competitive area.

Last, but certainly not least, we bolstered our people team this quarter with leaders who bring decades of experience to their roles and will help us innovate and implement best practices in people operations, talent acquisition, and total rewards as we drive recruitment of top talent and elevate the employee experience.

Every day, my colleagues at Spire are pushing the envelope of what is possible. Our people are the driving force of our organization, continually propelling us forward and are critical to our long-term success. This is yet another way Spire is investing to stay ahead of the curve and recognizes the importance of people for our ability to take full advantage of the massive long-term opportunity in front of Spire.

As we continue to prudently invest in geographical locations where people can congregate, collaborate, and innovate together, we are excited about opening a Melbourne office, which is expected to open in Q3. We have long been committed to the Australian market and the opportunities in the wider APAC region. A dedicated, diversified, growing team, and a physical location in the region will allow us more direct access to customer opportunities and top talent from the region.

The achievements in the second quarter highlight our continued execution across all four of our growth pillars. We remained focused on investing in sales, marketing, and product, expanding into new geographies and use cases, expanding the capabilities of our data and our analytics, and executing strategic acquisitions to strengthen our market position.

Notwithstanding the current headlines, I have never seen the long-term future for Spire as bright as I do today. Awareness and interest in Spire solutions continue to rise, fueled by the global trends of fighting climate change, increasing global security demands, and ensuring sustainable and peaceful use of space.

With an addressable market of nearly \$100 billion over the next several years and countless opportunities beyond that, we are well-positioned to help build a better future thanks to our substantial scale, competitive advantage, and market leadership in our core verticals.

And with that, I'll turn it over to Tom.

Tom Krywe

Thanks Peter. The second quarter saw another strong quarter of results. Q2 revenue increased 113% year-over-year to \$19.4 million, which topped the high end of our guidance of \$19.2 million and was driven by increased adoption of our solutions by existing customers and recent new customer additions.

ARR at the quarter end was \$85.3 million, up 133% year-over-year. ARR was impacted by the recent macroeconomic environment, which resulted in some of our greater than seven-digit deals taking longer to close. We ended the quarter with 692 ARR solution customers, a 243% increase year-over-year. This exceeded our expectations by 27 ARR solution customers over the high end of our guidance.

Our organic Q2 ARR net retention rate was 108%, up from 106% in the first quarter of 2022. We continue to execute on our land and expand strategy as we added just over 90 net new ARR solution customers during the first two quarters of fiscal year 2022. The addition of these new customers will then provide the future opportunity to expand just like we've seen in our recent quarter-over-quarter improved ARR net retention rates by offering our customers various levels of value for coverage, latency, datasets, analytics, and the number of solutions.

Next, I'll be discussing non-GAAP financial measures unless otherwise stated. We have provided a reconciliation of GAAP to non-GAAP financials in our earnings release that should be reviewed in conjunction with this earnings call.

We improved our operating margin to negative 52% from negative 124% a year ago and negative 71% last quarter, showcasing our operational leverage and focus on driving profitability. Our Q2 operating loss was \$1.9 million better than our guidance, which was a loss of \$10.1 million. The outperformance in the quarter was a result of strong revenue flowing through the margin and lower headcount-related spend. While we continue to make investments in our future growth, we remain focused on driving efficiencies in the business to reach profitability.

Total adjusted EBITDA for the second quarter was negative \$7.3 million, which was \$1.6 million better than our guidance. We ended the quarter with cash, cash equivalents, restricted cash, and short-term marketable securities of \$93.5 million. In addition, we have approximately \$20 million in an escrow account that we will be able to access once we reach \$96 million of ARR, which we expect to achieve before the end of the fiscal year 2022.

The \$120 million credit facility we obtained from Blue Torch Capital during the quarter highlights the strength of our business and bolsters our healthy balance sheet. Proceeds from the new credit facility were utilized to extinguish our existing facility, and the remaining balance will be used to drive our four growth pillars, providing the strategic flexibility to run the business.

Now, turning to our outlook for the third quarter and full year 2022. For the third quarter, we expect year-over-year revenue growth of 109% at the midpoint, with a range between \$19.5 million and \$20.5 million. The sequential increase in our Q3 2022 revenue reflects the incremental ARR added during the first half of fiscal year 2022, while also taking in account exchange rate headwinds.

We expect Q3 year-over-year ending ARR growth of 101% at the midpoint, with a range between \$90.3 million and \$91.3 million. ARR solution customers for Q3 is expected to range between 710 and 720. We expect non-GAAP operating margin to be at negative 57% at the midpoint of both the revenue and non-GAAP operating loss compared to 142% in the year ago quarter. Non-GAAP operating loss for Q3 is expected to range between \$11.8 million and \$10.8 million. Our non-

GAAP operating loss guidance reflects increased hiring to support our rapid growth and investments in our growth pillars.

Adjusted EBITDA for the third quarter is expected to range from negative \$8.7 million to negative \$7.7 million and we expect our non-GAAP loss per share for Q3 to range from negative \$0.11 to negative \$0.10, which assumes a basic weighted average share count of approximately 139.9 million shares.

For the full fiscal year, we expect year-over-year revenue growth at 88% at the midpoint, with a total revenue range between \$80 million and \$83 million. Revenue guidance reflects continued headwinds from both exchange rates and further impact from the macro environment, with exchange rates being the primary contributor to our guidance range. We expect year ending ARR to range between \$101 million to \$105 million and our ARR solution customers to range between 735 and 745.

We expect non-GAAP operating loss for the full fiscal year to range between \$46.5 million to \$43.5 million or a negative 55% operating margin at the midpoint of both the revenue and the non-GAAP operating loss. This compares to negative 105% from the full fiscal year 2021.

The guidance continues to reflect our ongoing focus on investments in our growth pillars and ability to drive operating leverage and improve margins in the pursuit of profitability. We expect adjusted EBITDA for the full year to range from negative \$33 million to negative \$30 million.

Non-GAAP loss per share for the full fiscal year is expected to range from between negative \$0.42 to negative \$0.40 and assumes a basic weighted average share count of approximately 139.8 million shares. We continue our progression towards being cashflow positive in 19 to 25 months, reiterating our previous projections.

In closing, this quarter we saw continued success in our land and expand strategy by adding new ARR solution customers and increasing our revenue growth from our existing customers. We also continue the relentless drive towards the path to profitability and took the opportunity to improve the balance sheet and our cash position with the new credit facility.

Thanks for joining us today. And with that, I'd like to open the call up for questions.

Operator

At this time, we will be conducting a question and answer session. If you'd like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

Our first question is from Erik Rasmussen with Stifel. Please proceed with your question.

Erik Rasmussen

Yes, thanks. Congrats on the results and execution in this tough environment. Maybe just going to guidance and your outlook for the year, you did maintain the ARR and held your net loss at \$45 million even as you lowered revenue, I think roughly by \$6 million at the midpoint. You cited FX, but then you also talked about longer sales cycles and customers having issues, some customers having longer time to get funding. If you sort of look at that \$6 million, where does that fall within sort of the FX and those other areas?

Tom Krywe

Yes, thanks Eric. I would say the FX was the driving force there, was the primary reason for us having to lower that guidance. We did talk about some of the deals pushing out a little bit. But we are really excited about the Q3 and Q4 sales pipeline that we have in front of us, the deals that we've closed already in Q3, such as the NOAA deal of \$1.7 that we announced a couple of weeks ago. And that is the -- that's reflected in our guidance and why we are maintaining our ARR at \$101 million to \$105 million for the end of the year.

Erik Rasmussen

Right. And maybe what's so -- seems with the FX having a fair amount exposure there. I think you cited 60 different countries; do you have any hedging strategies to sort of maybe mitigate this risk?

Tom Krywe

Yes, we are -- I mean, trying to focus on more customers doing U.S. dollar deals, we actually did lower our percentage of revenue coming from currencies other than the U.S. So that is that -- is one big driver trying to get more contracts in U.S. dollars. Beyond that, we haven't looked into any specific hedging aspects other than really focusing on getting more contracts in USD to start with.

Erik Rasmussen

Great. Thanks for taking the questions.

Operator

Our next question is from Ric Prentiss with Raymond James. Please proceed with your question.

Ric Prentiss

Good afternoon -- evening everyone. I want to follow up on Eric's question there a little bit. On the ARR guidance, is that saying that even with FX hits, you expect to achieve \$101 million to \$105 million in ARR? Or is ARR really not reflective of kind of the FX pressure?

Tom Krywe

No, it does. The ARR is reflective because we are adjusting the sales pipeline to deal with the obviously the ever-changing rates. So, yes, it is -- it does include that impact. So -- and we are maintaining that. And again, it just comes down to the confidence we have with the pipeline and what activity we have in front of us for the rest of the year, such as how well we've been expanding with our existing customer base, you can see that the net retention rates are on the climb two quarters in a row. And the deals that we've been closing and announcing over the over the press releases recently.

Ric Prentiss

Okay. And when you think of the relentless pursuit of free cash flow -- positive, free cash flow, help us understand the different levers there as far as revenue growth, cost control, but also willing to invest in the four silos in CapEx. CapEx did look really (ph) high to us in the quarter, but just help us understand what levers are pulling to get to that positive in the next two years?

Tom Krywe

I mean, we're looking at all of them and we're focused on all of them. Clearly, we are driving the topline growth with how many customers we've been adding quarter-over-quarter. We had over 90 customers we added since the beginning of the year, so very focused on that. On the landing customers, we're obviously focusing on expanding with them with offering multiple sets of data sets across the stack up the value chain stack and we've seen that with the net retention rates on the climb.

On the cost front, as we mentioned in the past, the leverage cost structure obviously pays huge dividends where we're leveraging that constellation and the ground stations across some of it, all four solutions, some of it over the three solutions. So, those are levers we're looking at.

On the -- you mentioned the CapEx, we do expect that the CapEx to decline in the Q3 and Q4 range to get in the more of the \$4 million to \$5 million range. We just had an anomaly of timing issue this quarter for CapEx. So we're looking at all those levers and finding any which -- any way that we can do that to drive that down. And you can see that in the stats, right.

Our gross margins improved five percentage points quarter-over-quarter both GAAP and non-GAAP. The non-GAAP operating loss not only improved on a margin standpoint, but also on a dollar standpoint quarter-over-quarter and year-over-year. So all those are great indicators on that path to profitability.

Peter Platzer

And if I maybe add something to that, Ric, you've seen us now repeatedly talk about the power of our software defined space infrastructure, you know, adding capabilities by software upgrades

that allow us to solve for additional use cases with the existing assets monetizing even stronger what we have deployed is yet another lever of the type of technology that we have built and that we are executing against

Ric Prentiss

Makes sense. One more on the financial side, you're able to maintain the adjusted EBITDA guidance midpoint, tightening the range a little bit, are FX benefits that are helping you on the adjusted EBITDA line kind of make up for the revenue shortfalls? Are they where (ph) all the different employees or base for the cost side?

Thomas Krywe

Yes, we did, of course, get benefits, because we did have -- we do have international employees just like we do a lot of the sales international also. So we did get some benefit from that. But there was a lot of leverage and efficiencies that we pulled through some things that we'll be able to announce and hopefully in the next earnings and things like that on improvements we're making on the cost front.

Ric Prentiss

Last one for me is more strategic. A lot of interesting news in space over this earning season, kind of a race to merge of some of the talking satellites. Also, the FCC came out in kind of a rare four zero ruling Democrats and Republicans together saying it's time for the FCC in the United States to kind of update their view on the space race. Peter, can you give us some kind of thoughts about why we're seeing consolidation happening now in some different areas of space? And what you would like to see the FCC address as they look at space more closely?

Peter Platzer

That's like a jammer. I love talking about this. So I think when you assess the value of merging or consolidation, you need to start with what are the costs and the revenue synergies for the combined entity that you get like this fabled one plus one is three. So it makes a lot of sense when people have products that are not very differentiated from each other and looking for the same customer. Obviously, you're going to get a lot of cost synergies, and you're going to get stronger market leadership position.

And that has been, I think, a pretty successful consolidation or roll up strategy. And I think Spire has done a little bit of that ourselves. So I look for consolidation where that is true, where you have this clear and obvious cost and revenue synergies. I think some of the talk that I have seen and I'm curious to have a longer conversation with you offline, is more like sticking things together, that don't actually have necessarily a big customer overlap or revenue overlap or cost overlap. And I think that does not necessarily make that much sense.

I think this third type of consolidation, either organically or inorganically, that sometimes makes sense is vertical integration. When you think of probably the strongest story there, SpaceX, they started with the launch segment, and then getting into the data service segment, leveraging their launch capability as being fully vertically integrated and keeping all the margins from the launch business inside the overall data business.

So that's how I would think about the consolidation across the industry. I think some of the talk, quite frankly, is quite a bit overblown. But I think that where you have highly overlapping technologies that are not very differentiated with regards to what they offer to the customer, it is going after the same customer, that it's probably -- that's probably where it makes the most sense. Did that answer your question?

Ric Prentiss

Yes. That helps. On the FCC?

Peter Platzer

On the FCC side, I think, the FCC is in a powerful position to strengthen the global competitiveness of the US space environment. And I have seen regulators in other countries kill an existing or diminish, destroy a burgeoning space economy by taking missteps on the regulatory side. And I think the -- I mean, the FCC has been a very, very strong and reliable partner for Spire. You've heard us talk about expanding our assets that we have with the FCC in terms of spectrum.

And I think the FCC is in a really strong position to strengthen the US global competitive landscape by bringing on board regulation that enhances the competitiveness rather than diminishes the competitiveness that is based upon the new technology that exists today and will drive the capabilities that can be delivered from space for everything from Earth observation to national security over the next decades, rather than backward looking, and looking at what has been in place in the 1950s and 1960s during the Cold War, when everyone was launching bus sized devices for the next 25 years.

So really looking at the new technology, and the rapid innovation that is happening, can give a country a massive competitive advantage in driving innovation inside the country, building space giants, rather than driving it out of the country, as I've seen some other countries do by the regulators making a bit missteps.

So I'm really looking forward to the FCC leaning into their powerful role in strengthening US competitiveness, and driving commercial capabilities and innovation to deliver to both the commercial market, but also the local government and DoD market, capabilities that are becoming more and more relevant as space is becoming a contested environment.

Ric Prentiss

Great. That helps a lot. Thanks for your thoughts.

Operator

Our next question is from Jeff Meuler with Baird. Please proceed with your question.

Jeff Meuler

Yes. Thank you. I know, this is what the third question you've gotten on the topic. But I'll try to ask at a pointed way. That Q -- or the 2022 ARR guidance, it implies, I guess, at least 12 million of sequential growth, going off of the Q3 guidance, that would historically be a really nice quarter for you. I hear you that the pipeline supports it. But anything else you can say seasonal factors, just other supporting evidence to give us confidence in that Q3 to Q4 ramp to reconcile with the elongation of the pipeline conversion process, even if the pipeline could remain good? Thank you.

Peter Platzer

So let me try this time around and see if I can add something that Tom hasn't said already. I think we highlighted some of our gross deals on the space services side, which have the capacity and capability to grow from the current size into the tens and hundreds of millions of dollars by moving from providing data to our customers from one or two payloads an orbit to 20 or 30 payloads an orbit. That is a huge leverage in our system that we have.

Similarly, I mentioned beforehand, the software upgradeable nature, which allows us to roll out capabilities across our constellation very rapidly, and then provide capabilities to customers from a large number of locations so to speak on orbit, again, providing that scale that really, truly no one else can do, but Spire. I don't know if that adds additional flavor. Tom, what maybe you can add something as well.

Thomas Krywe

Yes. I think, as I mentioned earlier, that it just is where a large influx at the end of the calendar year tends to be bulky quarters, everybody's cramming to get things done before the end of the year. And we see that in the pipe. We see that in the number of opportunities that are available in the quarter, which is significantly higher than other quarters. And plus, I think there's we had in the early part of the year some new teams get formed on the sales side and the momentum that they're building and building that pipe will start to really kick in now in the third and fourth quarter.

Jeff Meuler

Okay. And then I mean so -- some of the talking points come off of that answer. But you gave us, the software upgrades, the sales teams. In Peter's prepared remarks, he talked about the executive team build out. Just help us understand any other marks of the productivity is driving

the better profitability, instead of being kind of behind on where you'd want to be on the growth investments, and what still is a tight labor market for the winner skill set that you pursue?

Peter Platzer

I mean, literally, just before this, we were talking about the time it takes to go through the earning script when we do it the first time and when we do it the second time, and that time goes in half. And that is just true for just about any human activity that you can think off. The first time you do it just takes substantially longer.

As we have people now with more and more experience that have done this more often, we just get better and more efficient in what we do and how we do it; and being just very, very conscious, and having now actual people because we are at the right size, whose job it is to make us faster and more efficient, allows us to get -- to take the benefit of those economies of scale, as well as the economies of scope that we have. It just takes us today substantially less time to do something then it took us 12 months ago.

And that is from the hardware side, all the way down to the contract side. To give you a really stupid example, it used to take probably a week to two weeks to get an NDA signed, because there was lawyers involved and we had to send it around and mark up and stuff like that. Now, there is a self-service form that anyone in Spire can click on a link on the intranet, send it to the customer, it gets signed, and self-served within 36 hours an NDA signed. And we can engage in detailed conversations with a customer. Just to give you one stupid little example there.

Thomas Krywe

And I think -- oh, sorry, just to just to add on that, I think with a certain business units, we had the acquisition in Q4 of last year, things are really starting to click into gear as we get in the back half of this year, we are really, dialing it in on the on the acquisition. And in space services, early on, a couple of years ago, we started with certain sets of customers. And now they're getting to the point where they're getting their API, they're getting the data. And now they're looking into, as Peter mentioned, the expansion with those contracts going from say one satellite to five, six to eight to 10 satellites, you can see a very significant jump in a contract going from, doing one set to five to six. It's almost a multiplier effect of how large then the deal size gets. So we have a lot of that opportunity as we get in the back half of the year.

Jeff Meuler

And then last for me, Thomas, can you just help us with understanding kind of formulaic calculation, how do you -- how does how and when does FX impact ARR? So if the FX headwinds toughen during Q2 was that a headwind to rebasing the ARR figure in this Q2 ending ARR figure that you're giving us and FX was also a contributing factor to the Q2 ARR variance for skylum (ph)?

Thomas Krywe

Yes, I mean, obviously, we do the best we can with the pipeline and try to reset things within the CRM tool to make things revalued at the new rates, because what the sales team will do is put it in local currency. And then we do our best to try to constantly make those adjustments and then look at the pipeline adjusted accordingly. So that gets factored in, we usually tend to focus on that at the -- at the quarter ends, and reset the bar for the rolling it forward for the rest of the year.

So yes, we looked at it the end of December, at the end of Q1, the end of Q2, and rolling it all forward. Obviously, the rates got -- the currency dollar got stronger as we went from last quarter's earnings to this one and it had a much further impact.

Jeff Meuler

Are you only adjusting for the pipeline? Or are you also adjusting the existing subs base to update it to current FX spot rates?

Thomas Krywe

Yes, I mean, so we're constantly looking at and adjusting for -- like you mentioned, we are looking at both factors. I mean, especially when, obviously the customer comes up for renewals or there's a reset. Of course, the ARR gets reset at the exchange rates, at the current rate, yes.

Jeff Meuler

Thank you.

Operator

Our next question is from Stefanos Crist with CJS Securities. Please proceed with your question.

Stefanos Crist

Hey, thanks for taking my questions. You mentioned the inter satellite links, can you just give us a little more color there? Were you able to add any satellites with the ISLs? And maybe is there an expectation for when the fleet will be fully capable?

Peter Platzer

Yes, so we did add capabilities on the ISL side, both with regards to RF ISL, as well as with optical ISL. And we continue to launch those satellites as we do replenishments, as well as for our customers that want clusters of capabilities of satellites that are inter satellite linked. And you can expect that again, as we keep on going forward and replenishing our satellites that we roll out more and more off those satellites with ISL capabilities, serving our customers where it enhances our offering and they're willing to pay for the additional service that we provide.

Stefanos Crist

Got it. Thanks. And then just trying to -- figure this out. So you mentioned longer sales cycles, but then the number of ARR customers beat expectations by quite a bit. Do you think that could have been even better? Or are those headwinds more recent just for the second half? And just your expectations the back half of the year?

Peter Platzer

Yes, I mean, it would have been slightly better because what we talked about was some of the deals that slipped were the more the seven digit ones, so then the quantity wasn't necessarily a huge thing there. So we really executed extremely well, and some of the deals that had the smaller sizes. And we didn't see the impact there as much as the as the very large deals that were in the mix.

Stefanos Crist

Got it. Thank you so much.

Operator

Our next question is from Colin Canfield with Barclays. Please proceed with your question.

Colin Canfield

Hey, good evening, guys. Can we talk a little bit about kind of consumer or like consumption appetites within your customers, kind of the trend that we're looking at, it seems like there's a lot of kind of movement towards multi-vendor data sources. And, obviously, it helps the customer to kind of have one geospatial analytics tech stack to work through. So maybe you can kind of talk about Spire's consumption of its data and the level of multi-vendor solutions that your customers are pursuing?

Peter Platzer

So there's a lot to unpack there. The number of customers that are looking for overlapping data that say a combination of a SAR imagery with a maritime RF tracking solution is actually very focused on the defense side. So if you look at it, of course, from a number of customer's perspective, it is actually not massive. Of course, when you look at the budgets that those customers have, it is -- it is actually potentially quite large. But I think people often underestimate or overestimate this, oh, I want like everything combined and delivered to me, versus what we actually see a lot is customers want data as easy and as simply and as smoothly to be integratable into their existing dashboards and solutions as possible.

So we see a lot off the later, and we see a little bit off of the former, we do see customers, they want to double up. Quite honestly, in our field given the leadership position that we have in the data that we collect. Customers might take a secondary data source, but very often we are their primary, if not their only data source, given the advantages in terms of coverage, latency, refresh

rate, accuracy that we provide over anything which might be also available, if there is anything else available.

Colin Canfield

Got it. And just within the context of kind of the sort of joint platform. I appreciate that it's, not a large percentage of revenues now, but over time, you expect kind of a more exquisite customer acquisition -- customer acquisition appetite. So within the construct that you just kind of put out there, leadership with data. Can you just talk about kind of the maturity of your geospatial analytics platform? And to the extent that you're providing that level of analytics on upsell, or is it more of the upsell on the quality of the data?

Peter Platzer

Oh, no, it's absolutely the upsells that are happening are on the -- we call it smart data and predictive data elements. So the clean data is kind of like the entrance door, the data that we have cannot be found by any other means then through a large satellite constellation, and very often is can only be found in an adequate coverage and accuracy and revisit rate from Spire. But then really where the drive of our net retention rate comes in is, is adding value added packages. I think we talked about our fortune 100 customer that we signed; and our ability to add the basic data set with predictive solutions like ETA, when will a vessel arrive in a certain location, really made us win that very, very competitive account.

So, it's absolutely the analytics platform. We also talked about expanding our weather prediction capabilities from the more plain vanilla seven days to 15 days, which allows additional use cases in particular in logistics and supply chain. Again, that is the additional capability on the raw data driven by anything from data fusion and big data analytics to AI machine learning when you make really smart predictive tools for customers so that they can make better decisions about their business.

Colin Canfield

Got it. Appreciate the color.

Operator

We have reached the end of the question and answer session. And I will now turn the call over to CEO, Peter Platzer for closing remarks.

Peter Platzer

As we wrap-up, I would like to thank our nearly 700 customers, close to 400 employees, and numerous suppliers for partnering with us as we continue our substantial growth trajectory. Without our customers, employees, and business partners, we would not be where we are today.

On a daily basis, news remind us that the shocks of climate change and geopolitical events shake the often fragile world in which we live. With our data and solutions, we strive to provide transparency and stability to that world.

September 16th, marks our 10 year anniversary and what an amazing decade it has been. Yet, I could not be more excited about the prospects for Spire over the next 10 years and beyond as we heed Steve Jobs' famous call to make a dent in the universe and work together to create a more sustainable, equitable, and prosperous future right here on planet Earth.

Operator

This concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.