

Spire Global, Inc.
Third Quarter 2023 Earnings Call
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Presenters

Peter Platzter, Chief Executive Officer
Leo Basola, Chief Financial Officer
Ben Hackman, Head of Investor Relations

Q&A Participants

Austin Moeller, Canaccord Genuity
Erik Rasmussen, Stifel
Ric Prentiss, Raymond James
Steven Pawlak, Baird

Operator

Good day, ladies and gentlemen, and welcome to the Spire Global Third Quarter 2023 Conference Call. Our host for today's call is Ben Hackman, Head of Investor Relations. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. I would now like to turn the call over to your host. Mr. Hackman, the floor is yours.

Ben Hackman

Thank you. Hello, everyone, and thank you for joining us for our Third Quarter 2023 Earnings Conference Call. Our earnings 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 Leo Basola, 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 and in our investor presentation, both of which can be found on our IR website at ir.spire.com. 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 expectations 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 Platzter

Thank you, Ben. The third quarter was yet another quarter of strong revenue growth and steady progress towards profitability. Spire added a ninth quarter to our consecutive uninterrupted record of revenue growth since becoming public. Additionally, we exceeded expectations by delivering more revenue than anticipated, while continuing to drive operational leverage and increase non-GAAP cross margins to nearly 70%. We are holding firm on our now near-term timeline to profitability as becoming operating cash flow positive, adjusted EBITDA positive, and free cash flow positive remain some of the most important near-term objectives for Spire. Leo will talk more about this in his section, but I am very excited about producing our own cash as that means we can start looking into activities like paying down debt, buying back shares, or investing for even more growth.

Additionally, in the coming weeks, we are looking forward to a significant launch that will allow us to provide new data and insights to continue our sustainable growth. The Transporter-9 mission will carry 11 LEMUR satellites aloft, largely for four of our space services customers, and enable an expected recurring, multiyear revenue stream. Customers continue to turn to Spire for our comprehensive space services solution, making it easier for them to implement and benefit a space strategy.

The demand for Spire's solutions continues to be grounded in two large-scale secular trends: climate change and global security challenges. Geopolitical events like the recent armed conflict have once again highlighted the importance of information and transparency in difficult times. And the rapid intensification of Hurricane Otis reminds us of the scale and speed at which climate change is occurring. Spire's global constellation is providing insights that inform decision-makers and increase the safety for people across the world. Our solutions continue to be highly sought after in these dynamic times.

The market for weather data continues to be large, and funding directed at addressing climate change continues to grow rapidly. The weather forecasting services market is a multibillion-dollar market that is projected to grow approximately 50% over the next five years. The U.S. Department of Homeland Security announced a climate resilience funding initiative worth \$3 billion, aiming to fund projects that help communities prepare for extreme weather events. And after spending billions of dollars in recent years rebuilding infrastructure impacted by extreme weather events like floods and hurricanes, the U.S. Department of Defense is seeking proposals for commercial products with unique data sources, production grade models for extreme weather forecasting, and the necessary tooling to ingest, fuse, and leverage preexisting sources and models. These are all areas where Spire has a significant capability and offering. We are excited to help the DOD in its desire to enable U.S. government stakeholders to conduct risk analysis and near-term planning by considering future environmental factors. Additionally, the United States' FY 2023 budget includes nearly \$45 billion to address the climate crisis. Spire is well positioned to support these critical initiatives, given our passionate work for more than a decade to develop capabilities that help countries, communities, and corporations successfully tackle the impact of climate change on our lives and businesses.

As businesses and organizations continue to be evermore aware of the risks and costs associated with severe weather, they are increasingly eager to find solutions to reduce that risk and cost. Some of this demand is for new technologies and capabilities that can deliver new insights, like our recent award of a 12-month \$4.6 million contract to develop a microwave sounder on behalf of NOAA. According to NOAA, microwave sounders provide the highest impact data to input into weather forecast models due to their ability to capture temperature and water vapor. These models inform daily forecasts and help plan for extreme weather.

We have seen additional demand signals that stem from our land and expand strategy. Wildfires are top of mind, given the immense size of Canadian wildfires this summer and the recent resurgence of wildfires in California. In June, we announced an agreement with OroraTech to build, launch, and operate their sensor and on-orbit AI/machine learning platform on a further eight Spire satellites dedicated to fighting wildfires. We were able to expand our relationship with OroraTech after they successfully operated a precursor sensor in orbit on a Spire satellite. This demonstration exceeded expectations and is now serving as an active fire monitoring instrument for customers across the globe. Once the eight satellites are operational, it will represent the first and the largest constellation of satellites dedicated to tracking and monitoring wildfires.

Additionally, we see customers buying new types of data for the first time. Spire received a nearly \$3 million, 12-month contract from NOAA for ocean surface wind speed data. Spire will provide NOAA with global navigation satellite system reflectometry observation data in near real time. The initiative directly addresses the agency's critical need for more precise global sea surface wind measurements essential for applications like hurricane tracking, marine weather forecasts, ocean current analysis, and climate studies.

Spire also successfully competed to be part of a \$476 million NASA IDIQ contract, together with six other companies. Under this contract, we will provide NASA with our comprehensive catalog of earth observation data that can improve global weather forecasting accuracy and be used for climate research. Spire has one of the highest temporal resolution data offerings, due to our large satellite constellation as well as one of the most diverse data catalogs arising from the flexibility of our RF sensors in capturing a wide range of earth intelligence and essential climate variable data. Gaining access to this contract vehicle is important for winning new task orders under the contract.

To date, over 90 countries have committed to net zero CO2 emission targets, recognizing that increased CO2 content in the atmosphere is a powerful contributor to global warming. Recent studies have estimated the aviation and maritime industries are each responsible for approximately 2% to 3% of global CO2 emissions.

Beyond the impact to climate change, McKinsey and Co. estimates the shipping industry, which uses over 200 million metric tons of fuel annually, can decrease fuel consumption by 1%

through optimized vessel execution and performance management mechanisms, utilizing automatic identification system radio signals, or AIS for short, and weather data for route mapping. And often close to \$1,000 per metric ton of fuel, and creating over 3 tons of CO2 for each ton of fuel burned, these savings can make a massive difference. And in some cases, customers utilizing Spire's data have seen even larger savings, which can translate into tens or hundreds of millions of euros saved per year and reductions in the thousands or millions of tons of equivalent CO2 emissions.

We are seeing continued demand from the large and growing segment of companies that leverage data to help the world economy reduce its carbon footprint. This portion of the ecosystem is wide and varied and contains around 4,000 potential customers, from vessel owners to shipping lines to ship management companies.

Customers like MET Energy Solutions are looking to reduce the impact of emissions and optimize marine equipment by integrating Spire AIS and weather data into its digital monitoring and advisory solutions to provide improved performance, maintenance scheduling, and decarbonization insights. Similarly, Estuaire monitors and analyzes aviation emissions, including CO2, non-CO2, and aircraft life cycle effects. By integrating Spire data into its products, Estuaire is able to provide precise and up-to-date analysis of flight routes, enabling the company and its customers to analyze and ultimately reduce aviation emissions.

Spire's mission since its founding has been to make a positive impact on climate change. We are immensely proud of the work we have done for our customers to date and the continued progress we expect to make in the years and decades ahead.

Turning now from top line growth to bottom line improvement, we are consistently looking at ways to fine tune our business model, which already has high operational leverage. One such metric we utilize to measure our progress is ARR and revenue per customer. There is a certain amount of indirect costs that must be expended to acquire and service a customer. In many cases, there is not a meaningful amount of difference required between servicing a smaller revenue contract and a six-digit revenue contract.

Having a large number of customers with smaller contracts will require more resources in customer service, billing, collections, and legal contracting than the same amount of revenue generated from a smaller number of six-digit or higher contract customers. With this mindset, Spire is actively focusing now on cross-selling and up-selling solutions to customers that recognize the value of the data and insight Spire can provide, while de-emphasizing sales to customers with very low ARR or revenue.

We expect this strategy to increase our ARR and revenue per customer, increase our ARR in total, and reduce our customer count as we drive towards the most efficient use of our resources. This is one of many initiatives we are embarking on as we seek to extract more value out of our existing infrastructure and in turn increase the positive impact we have in the

world by helping larger customers adapt and improve their service offerings and business model.

As we approach the end of the year, I could not be prouder of the accomplishments the Spire team has achieved in a year marked by a challenging business environment. We have been relentless and moved faster to capture opportunities. We were unbounded when obstacles arose that required us to adjust our business and plans. We have remained reliable in delivering business results, in particular with regards to our path to profitability, all while helping our customers tackle truly global challenges and opportunities.

I could not be more excited about Spire's prospects for positive operating cash flow, positive adjusted EBITDA, and positive free cash flow in the near future, the impactful ways we intend to deploy the cash we expect to generate, and our continued sustainable growth over the long term as we remain focused on our mission of improving life on earth with data and insights that can only be collected from space.

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

Leo Basola

Thank you, Peter. We had another strong quarter of execution as we progress on our path towards profitability and positive free cash flow generation. For the third quarter in a row, we exceeded the top end of our revenue guidance with Q3 revenues of \$27.3 million. This represented 34% growth year-over-year and was the ninth consecutive quarter of growth above 30% on a year-over-year basis.

Gross margins expanded to 65% on a GAAP basis and 69% on a non-GAAP basis, an improvement of about 15 percentage points over Q3 2022 on a GAAP basis and 14 percentage points on a non-GAAP basis. Our operationally leveraged business model across our four solutions continues to translate into strong gross margin accretion as we deliver on our sales targets and march towards our targeted gross margins in the low to mid-70s.

ARR at quarter end was \$103.1 million, which reflects a previously announced radio occultation, or RO order renewal, that we were not awarded by our largest weather customer during the last bidding process. We have very close relationships with this customer and have won new contracts with them this quarter. This relatively large RO contract is only one of many contracts we have with them. We are a proven provider of high quality RO data with a strong delivery record and look forward to participating in the upcoming bid for RO data with this customer before year-end.

Let me make a quick side note here. At \$103 million, we missed our ARR guidance by \$5 million in Q3 2023. However, most of that variance was driven by a contract with NASA for a microwave sounder that Peter mentioned earlier. We anticipated this contract would include a follow-up commitment for continued services. But, that ended up not being the case.

We won the \$4.6 million order, as we shared publicly, but we could not count that towards ARR in the quarter, given our stringent definitions. Given our past experiences with these kind of orders, we remain optimistic about future service orders in continuation of this contract. I think it's also important to point out that at the end of the third quarter, we had over \$200 million of remaining performance obligations that have not yet been recognized as revenue. You can find this information on Point 3 of the notes to our financials of our Q3 10-Q filing. This creates a good line of sight regarding a meaningful amount of contractually committed future revenues.

We had 827 ARR solution customers at the end of the quarter. Through the end of the third quarter, we have added 94 net ARR solution customers year-to-date. Our Q3 ARR net retention rate was 86%, reflecting the previously discussed missed renewal for the RO sales order in July. The rolling 12 months organic ARR net retention rate as of the end of the third quarter was 103%, reflecting a net retention rate that continues to exceed 100%.

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 and investor presentation, both of which are available in our Investor Relations website and should be reviewed in conjunction with this earnings call.

Our Q3 operating loss was within our expected range at \$6.2 million and reflects an improvement of \$5.2 million or 45% year-over-year. Operating margin was negative 23% for the quarter and represents a 33 percentage point operating margin improvement year-over-year.

Adjusted EBITDA for the third quarter came in at negative \$3.4 million or negative 12% of revenues and was also within our expected range. This result reflects a significant year-over-year advancement on our path to profitability. Adjusted EBITDA improved \$5 million or 60% over the same period a year ago, and the adjusted EBITDA margin improved 29 percentage points.

Let's now move to the balance sheet and specifically our cash position. We ended the quarter with cash, cash equivalents, restricted cash, and short-term marketable securities of over \$50 million. We continue to see our cash used in operating activities improve sequentially. We finished Q3 by utilizing \$5.1 million of operating cash, including approximately \$4 million of debt interest payments.

This is down from the \$11.3 million we used in Q2 2023, which reflects a 54% improvement quarter-over-quarter. Similarly, cash used in operations in Q3 2022 was \$10.2 million. This improved performance year-over-year and sequentially quarter-over-quarter gives us confidence in our stated goal of generating positive operating cash flow in Q4 of 2023.

Regarding our current debt and interest payments, we believe our credit profile and rating is better now than what we're currently paying for. When our loan was taken out six quarters ago, Spire was in a very different financial position. We were burning roughly \$20 million of cash a quarter, and we were two years away from being free cash flow positive, with significantly less ARR.

Over the last two quarters, we have made significant progress in reducing our operating losses and improving our margins. We expect to generate positive operating cash flow from operations next quarter, along with lower Spire funded CapEx. We believe this makes Spire attractive to more traditional lenders, and we have already begun to cultivate relationships that might improve our funding costs. We expect that we will need several quarters of positive results to refinance our loan. But, it is our goal to reduce our debt interest costs. We do not intend to hold our current loan to maturity.

To achieve our cash goals, we have deployed sensible cash and working capital best practices. They include diligent and timely billing and collections, renegotiation of vendor payment terms with key suppliers, and on-time delivery of critical milestones in our pre-space satellite services offerings, nothing other than focused execution and daily management.

Let me turn now to CapEx to clarify some important concepts associated with our business model. Our CapEx is split in two main components. The first is Spire's reinvestment CapEx to maintain our satellite manufacturing and testing facilities to replenish our fully deployed constellation of satellites and ground stations that support our data and analytics businesses.

We have previously disclosed that we spend about \$10 million to \$12 million a year on this. We have continued to optimize this portion of our reinvestment CapEx bill and expect to continue to reduce this to \$5 million to \$7 million on an annual cash flow basis over the coming years. This would result in lower depreciation cost flowing into our cost of revenue, which in turn will be a lever to enhance our gross margins in the future.

The second main component of CapEx is associated with our space services business. These cash flows are generally offset by customer payments and can vary quarter to quarter, depending on the orders and the amount of build we're deploying for our customers. We may see \$8 million of CapEx in one quarter, \$3 million of CapEx in the next, and \$11 million in another.

Well, let me briefly explain how this works. In a space services deal, the first 12 to 18 months are typically what we call the pre-space portion of the deal. During pre-space, we design the integration of the payload for the customer's mission into our own bus and satellite form factor. We assemble and test those units. We achieve flight worthiness and integrate the finished product into a deployer that will be used during launch.

We also coordinate the launch and place the satellites in functioning order when they get to orbit. Our subscription contracts accommodate for fees charged to our customers to fund these activities. Hence, pre-space CapEx is largely funded by customer billings. Receipts and payments do not always perfectly match month-to-month or even quarter-to-quarter. However, typically over the pre-space portion of the deal, we are paid for what we spend.

Since Spire retains full ownership of the satellites, we capitalize on non-R&D expenses of pre-space as fixed assets, or PP&E. The past two quarters have had elevated pre-space CapEx, as we built a significant number of assets to be launched soon, as Peter discussed.

Looking to next quarter, we expect CapEx to moderate to approximately \$8 million. Well, after pre-space, the data provision portion of the contracts start. The assets we build allow us to secure a three- to five-year data subscription with billings and revenue streams from the data these assets produce. The depreciation expense from those assets match the revenue that emerges from those contracts, generating a predictable and leveled gross margin performance.

Now, turning to our outlook for the fourth quarter and the full fiscal year of 2023, for the fourth quarter, we expect revenues to range between \$27 million and \$31 million with a midpoint of \$29 million as we continue to execute on our plan. We are increasing the midpoint of our full-year guidance by half a million dollars to \$107 million, with a range between \$105 million and \$109 million.

Despite the miss of \$5 million in Q3, we expect ARR to range between \$125 million and \$135 million and ARR solution customers to range from 800 to 830. The ARR solution customer guidance incorporates our plans to increase our ARR per customer. We expanded the range of outcomes for ARR, acknowledging that we have a few large potential deals in Q4 that make the outcome slightly more uncertain.

Given the operational leverage we're continuing to see across our headcount and infrastructure, we anticipate fourth quarter non-GAAP operating loss to range between \$7.5 million and \$3.8 million, which is a \$4.6 million or 45% improvement year-over-year at the midpoint. For the full year, we expect non-GAAP operating loss to range between \$29.7 million and \$26 million, an improvement of \$1.7 million at the midpoint versus the guidance given in August.

Adjusted EBITDA for the fourth quarter is expected to range from negative \$3 million to positive \$1 million, which represents an improvement of \$6.3 million or 86% year-over-year at the midpoint. For the full year, we are expecting a range from negative \$16.1 million to negative \$12.1 million. This represents an improvement of \$1.4 million at the midpoint versus the guidance given in August.

We expect our non-GAAP loss per share for the fourth quarter to range from negative \$0.62 to negative \$0.42, which assumes a basic weighted average share count of approximately 20.8

million shares. We are improving our non-GAAP loss per share guidance for the year by shy of \$0.10 at the midpoint, with a range from negative \$2.45 to negative \$2.24, which assumes a basic weighted average share count of approximately 19.6 million shares.

Given our continued execution, we continue to expect cash flow from operations to turn positive in the fourth quarter, adjusted EBITDA to turn positive in the first or second quarter of 2024, and we expect to reach positive cash flow in the second or third quarter of 2024.

Thanks for joining us today. Now, I would like to open up the call for questions.

Operator

If you have a question at this time, please press star, then the number one on your telephone keypad. Once again, to ask a question at this time, please press star, then the number one on your telephone keypad. Your first question comes from Austin Moeller with Canaccord. Your line is open.

Austin Moeller

Hi. Good afternoon, Peter.

Peter Platzer

Hey, Austin.

Austin Moeller

So just my first question here - within the quarter, are you able to talk about the percentage of ARR solution customers that were associated with weather relative to maritime or global security?

Peter Platzer

We do not break this out at this point in time, Austin, partially because there are some customers which consume multiple solutions from us. We are looking into finding ways to point to that a little bit more in the future. Is there something in particular you're trying to learn because maybe there is a different question that I can answer?

Austin Moeller

Sure. Maybe a second question. Can you talk about the quality of the imagery for wildfire monitoring collected by the LEO satellites you're building with OroraTech relative to perhaps imagery that you might be able to collect from a surveillance plane?

Peter Platzer

Yes. So, as with all space-based products versus aviation products, the trade-off is coverage and response time and the costs associated with it. Of course, when you fly a plane over a wildfire directly, you will have higher resolution imagery, right? But, you might actually have a bit of a more difficult time getting the right perspective.

And then, you have to dispatch a plane to launch from somewhere when you know that something is happening. So, using planes for early detection is very, very tricky or very, very costly and is often not the preferred method. People try to use other kind of means often to have an early warning system.

I think the power of the system from Spire and OroraTech is the global coverage, that as we are adding more assets to it and as you've heard, building the world's first dedicated constellation for wildfire, monitoring early detection, and then resource allocation to fight wildfires is the global coverage area, and the ability to detect things before you find out on the ground. It's also particularly, once there is a fire, flying over those fires with smoke and the high turbulence is not necessarily the safest and easiest thing versus what you can do from space.

So, I'm extremely excited about the capabilities that OroraTech and Spire bring to bear here. The combination of AI/machine learning now being pushed onto the spacecraft, given the super compute power capabilities that the Spire LEMUR spacecrafts have, combined with the Spire weather forecasting capabilities, from a soil moisture to wind forecasts and temperature forecast, I think is really starting to put together a package that arms humanity and our customers with a very, very powerful weapon to tackle that menace of wildfires that unfortunately is impacting more and more countries, communities, and people.

Austin Moeller

Great. That's very exciting. And then, just a follow-up for Leo. Did you say that your expectations for 2024 for CapEx was \$8 million?

Leo Basola

For the fourth quarter of 2023. We are still not providing guidance for 2024, but once we close Q4, we will give you some guidance on that.

Austin Moeller

Okay, great. Thank you.

Operator

Your next question comes from Erik Rasmussen with Stifel. Your line is open.

Erik Rasmussen

Yeah, thanks for taking the questions, and congrats on the steady results, especially on the profitability.

Peter Platzer

Thanks, Erik.

Erik Rasmussen

Maybe just, sure. Maybe just on the NASA IDIQ award, how should we think about Spire's opportunity and potential, given there are six others who have been named in that award? How do you separate yourself to potentially win a higher share of this award?

Peter Platzer

Yeah. Well, I mean, I can't tell you exactly how we are thinking about it, other than we are quite excited about it. I mean, it's certainly a quite sizeable award here. But, when you think about it from a customer's perspective, what is the customer looking for? One thing that is relevant for the customer is high temporal resolution of the data, which basically means you need to have a large number of spacecraft.

Someone has to go and run the actual numbers, but I think Spire might have more spacecraft than the other awardees combined. We have a very, very substantial spacecraft contingent on orbit, so I think that's the first one, right?

The next one that the customer is looking for is for a broad set of data, not just one or two things, but a broad set of data that describes the Earth environment and helps them monitoring anything from weather to climate to space weather to other kind of areas. Now, Spire is known for having the world's largest multi-purpose constellation that has the ability to bring down a large number of very, very diverse data sets.

So, we have the temperature data sets from our RO, we have altitude measurements from grazing angle RO, we have soil moisture measurements from GNSS-R, we have ocean surface wind speeds also from GNSS-R, we have space weather measurements, right? We have a new contract where we provide images from our star trackers, given that we have so many satellites and are very, very interesting data points with regards to space situational awareness.

There is a data source with our Adler relationship, which is micro space debris on orbit. And the list goes on and on and on. So, Spire has a very, very broad set of data that makes us really excited about being able to solve not just one or two cases for the customer and the PIs, the principal investigators that this customer supports, but many, many broad set of customers and use cases.

Erik Rasmussen

Great, thanks. That's helpful. And maybe just, this speaks to maybe the growth. Obviously, it's been pretty impressive. But, you had to make some adjustments given the macro challenges you faced, but what is the current view from your customer base? Are you getting the right signals where you can maybe be more aggressive on the sales front to achieve even higher growth rates?

Peter Platzer

I think overall, I wish I could say that the world is getting calmer and more peaceful, but unfortunately that is not quite the case. And the big macro trends that we have based our

products on over a decade ago, climate change, extreme weather, and global security, continue to dominate headlines. And as such, we continue to see very, very high demand for the product we provide.

And they start to now encompass not just the more obvious areas, right, maritime, aviation, weather, maritime weather, and space services, but also we started to see this in aviation. We talked about the past how aviation due to COVID was a little bit of a smaller segment for us but recently has picked up tremendously, starting with the contract we talked about recently, EURIALO for independent air traffic surveillance of GPS constellations to geolocate civilian aircraft through a constellation in that multilateral or RFG location of those aircraft, independent of any kind of GPS jamming or interference or degradation or denial in certain areas.

And generally speaking, the air traffic control is absolutely at its limit as air traffic continues to grow actually now and is now reaching and starting to reach beyond the pre-COVID levels. So, there is an absolutely massive demand for making more use of that limited resource. Whenever you find that there is a limited resource that is like an economic blood vessel into a country, people get very, very creative in squeezing the last bit of efficiency out of that vein, be that in early days where we got evermore creative in using phone lines for faster Internet speed or how we now are getting evermore creative in using different modulation schemes to get more and more bandwidth out of frequency spectrum as it becomes a scarce resource.

The same thing is happening with maritime shipping ways and with the aviation ways, where traffic is starting to overwhelm, I would say, a more pedestrian, simple way of managing it and more data, more insights, more tracking further away from any airport or harbor is needed, so that we can do this, right? I think overall we see a lot of that land and expand strategy working for us.

On the data side, we just talked about that. But also on the space services side, where now more and more customers are coming to us and expanding their number of assets that they want on orbit from one or two to four or eight. You just heard me talk about wildfires. But, we had with a couple other customers in this quarter, GHG one for example, which is also expanding dramatically because the global demand for these types of solutions keeps on rising rapidly.

Erik Rasmussen

Great. Thanks.

Operator

The next question comes from Ric Prentiss with Raymond James. Your line is open.

Ric Prentiss

Thanks. Good afternoon, everybody.

Peter Platzer

Hello.

Leo Basola

Hey.

Ric Prentiss

A couple quick questions. One, appreciate you're looking at the cash and the working capital policies, what are you thinking you need kind of on a normal basis cash to run the business? Where would you like to see the balances stay at?

Leo Basola

Yeah. So, I think that the balance will remain between \$40 million and \$50 million for the foreseeable future. So, we talked about Q4 being an operating cash flow positive quarter with about \$8 million of CapEx, so we're going to be landing year-end north of \$40 million of cash. Going forward, and as we described, there are two components of cash, right? So, we talked about the Spire cash for replenishment of our assets and our fully deployed constellation.

But then, on top of that, we have the pre-space CapEx that we have that is mostly funded by our customers. So, you need to think about that as timing, right? So, you may see a month or a quarter with a peak on receivables and a peak on CapEx that kind of come hand in hand, but very shortly after we'll receive the cash from the customers to really fund those cash outlays. So generally speaking, I don't expect the cash flow to really swing more than maybe \$10 million to \$15 million of where we sit right now as of today.

Ric Prentiss

And I appreciate you all looking at your debt and looking to get better rates, so your different situations where you're at is, I think, put up several quarters of positive results. But, remind us what the renew current debt has as far as covenants and requirements on ARR items out there?

Leo Basola

Yeah, so the negotiation with Blue Torch was very interesting. They were very open, and we had a very good relationship with them as we renegotiated the deal we have with them. Actively, we have reduced some of the covenants that we had before, right? So, you know this was triggered basically by an ARR covenant that we missed in July.

So, we were able to lower our ARR covenant all the way through June, which is when we shift from ARR to EBITDA. And we think we are fairly covered with those, because they allowed us to put the covenants where we expect to have a comfortable buffer for ARR and for EBITDA going forward.

From a cash standpoint, we have a minimum liquidity covenant that was increased from \$25 million to \$30 million. And again, as I mentioned before, we feel we have a significant amount of buffer to operate with the level of cash that we have at the moment plus the cash improvements that I discussed earlier on in the call.

So, we are actively putting in place some working capital cash flow actions, which is really block and tackle. It's really a playbook that you can have for most industrial settings where you work on receivables, you work on payables, you work basically on your inventory management. And that in itself will free up a significant amount of cash.

And then, as I said, from a CapEx standpoint, we think we have a very good plan and a very good strategy in terms of our design of our contracts, where most of the CapEx that you see for pre-space, which people may look into as like, "Oh, you're spending \$20 million of CapEx, what's going on?"

Well, what's going on is I'm setting up a paycheck for four years, right, with assets that I'm building. And by the way, the customers are helping us fund these deployments, right, of the assets in the pre-space portion of the deals. So, I feel very comfortable that our cash position is way sufficient for us to continue to operate without any problems going forward.

Ric Prentiss

Okay. Thanks, and have a good day.

Leo Basola

Thank you.

Operator

Your next question comes from the line of Jeff Meuler with Baird. Your line is open.

Steven Pawlak

Yeah, thank you. Steven Pawlak on for Jeff. Any comments here you can give around how sales are trending? It sounded like last quarter, things were stabilizing, just how that's evolving, whether new business or delay in expanse strategy.

Peter Platzer

Well, I mean, I don't know. We just delivered more revenue than we thought we would deliver. We just came in and rise to revenue guidance for the full year. I don't know what else to tell you. I think it's going pretty well. We see customers coming to us both from a new customer perspective. And we see customers coming for us for more, which is always a great sign from an expand perspective.

We see customers coming to us sometimes with very, very large contracts, unfortunately related often to imminent negative events, be that on the climate side or be that on the global

security side, that we get to monetize very quickly, even though we don't chalk them up immediately as ARR because they are now coming in very quickly, even though we feel very confident they will eventually turn into very large, often multiyear ARR contracts.

So, I would say the underlying premise that we had a long time ago that climate change, extreme weather, and global security is going to continue to be a secular massive trend that is exponential, and it is driving demand that is impacting massive portions of the global economy and creating tens, if not hundreds of billion-dollar markets for companies to operate in, continues to be absolutely true.

I mean, you know we have set out a profitability target almost two years ago now way before wars happened, before inflation happened, before extreme risk happened, before a whole bunch of things happened. And we have been able to hold that course without any deviation. and on the margin have delivered better profitability results almost every single quarter because of the diversified nature of our portfolio. We're not a one-trick pony.

And we have a balance book. We have 55% commercial, 45% government roughly, right? We have at least four different solutions; aviation, maritime, weather, space services, now you add RFGL to it that is all supported from one single shared infrastructure that we get to monetize in many, many ways. And that has allowed us to keep on growing at a rapid pace and improve our profitability at an even more rapid pace. So, I don't know what to tell you. I think the numbers speak for themselves when it comes to how is the growth going, and how is the prospect from that perspective?

Steven Pawlak

Appreciate that. And on--I hear you on determining ARR per customer strategy. I guess, just how are you balancing achieving that with sort of not leading customers to the table? And then, as far as the sales force goes, is it just a change in priority or is there like a change in incentive? They come through on that.

Peter Platzer

It is a change in strategy, right but, I mean, Spire has as one of its six values to be collaborative. And that is not just how we operate internally with each other. But, that is how we operate with all of our stakeholders, and first and foremost, top of the stack, with our customers. So, of course, we will never let a customer in the dark, right? We're not a bully. But, we do have to look at like, okay, what is efficient for us, right?

And do we maybe have to create different mechanisms for customers, maybe make them completely self-serve, and we have nothing to do with them, right? It's just--we do have to take care of a customer that writes me a check for \$250,000 different than for a customer that writes me a check for \$2,500, right? I think that's very understandable for everyone. And I think we also have like taken over a large number of customers through the prior company that

we incorporated a couple years ago, where they probably got away with paying a rock-bottom price for very, very high value, right?

And that's the prerogative. That's what most customers do. They find diamonds and pay for them as if it were like a crystal, right? I think we just need to have like, in some of those instances, a bit more of a fair relationship between the value of our data and the value the customers provide to us.

Honestly, I think that's just par for a business growing and getting better. We have added a large number of customers over a short period of time. And so now, you go back, and you just structure it a little bit better, a little bit more profitable, so that you can match the service that you provide to the customer and the value that you provide to every single customer with the value that the customer provides back to you.

I think that's totally fair. We're not going to leave anyone in the lurch, but we need to like maybe restructure things here or there a little bit to make them more fair, which I think at the end of the day will create better value for our customers. It will allow us to have together with and through our customers a larger positive impact on planet Earth. And I think it will please our shareholders as well as we continue to drive profitability.

Steven Pawlak

Thanks very much.

Peter Platzer

Of course.

Operator

At this time, there are no further questions. This concludes today's Spire Global third quarter 2023 conference call. Thank you for attending, and have a wonderful rest of your day.