

Spire Global, Inc.
Second Quarter 2023 Earnings Call
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Presenters

Peter Platzter, Chief Executive Officer
Thomas Krywe, Chief Financial Officer
Benjamin Hackman, Head of Investor Relations

Q&A Participants

Austin Moeller, Canaccord Genuity
Erik Rasmussen, Stifel
Ric Prentiss, Raymond James
Jeff Meuler, Baird

Operator

Greetings, and welcome to Spire Global's Second Quarter 2023 Conference 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. As a reminder, this conference is being recorded.

I would now like to turn the conference over to our host, Ben Hackman, Head of IR. Please go ahead.

Benjamin Hackman

Thank you. Hello, everyone, and thank you for joining us for our Second 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 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 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 Platzer

The second quarter was another quarter of strong growth and progress towards profitability. In addition to Spire adding yet another quarter to our unbroken record of quarterly revenue growth since becoming public, we exceeded expectations by delivering more revenue and stronger margins than anticipated. Alongside our strong results, we continue to see broad-based demand for our solutions. We signed another 32 solution customers, achieving nearly \$113 million in ARR and yet again increased our rolling 12-month organic net retention rate to 117 percent.

Based on the first half results that exceeded our guidance and market expectations, we are thrilled to improve our margin guidance for the full year and share these important anticipated milestones: we expect to generate positive cash flow from operations during the fourth quarter of this year, be adjusted EBITDA positive in the first or quarter of next year, 2024, deliver positive operating margins in the second quarter of 2024, and be free cash flow positive in the second or third quarter of 2024.

I could not be more proud or excited about Spire's prospects for profitability and sustainable growth. The macro environment has become more stable over the past quarter. The U.S. Federal Reserve is no longer forecasting a recession, and markets are showing strength. With businesses adjusting to higher interest rates and a more stable outlook, we are seeing a renewed focus from customers looking to drive cost out of their business.

We have not seen a further degradation in time to contract, and in some instances, we have actually seen some of the fastest time to contract since becoming public. The flip side to these improved macro conditions is a still very tight capital market that is putting a conservative overlay to the business environment in terms of customers making investments for their growth. Businesses continue to be evermore aware of the risk and costs that weather and climate have on their operations and are increasingly eager to find solutions to manage, mitigate, and reduce that risk of cost.

At the World Economic Forum in Davos this year, the burgeoning future of space-based businesses was top of mind. The global management consulting firm, McKinsey, values the space market at \$447 billion this year and on track to exceed \$1 trillion by 2030. In fact, McKinsey recently stated that, "We believe that space is at the point at which leaders must consider its potential impact and, more importantly, begin to shape their organizational strategy to unlock the potential of this domain as it accelerates over the next 5 to 10 years."

Irrespective of industry, investments, or daily plans, the world is now remarkably interconnected. Global events from severe weather to cargo congestion draw us closer together. The world has seen the hottest days in hundreds, if not thousands, of years. Wildfire smoke has impacted many cities and communities thousands of miles away, flooding has

severely impacted many diverse geographic areas, and the U.S. has already seen 12 weather events in 2023 alone with losses exceeding \$1 billion each.

These extreme weather events are causing insurance companies to reevaluate the geographic areas they are willing to cover. Against this demand backdrop, Spire has been building over the last 10 years the technology to gain insight to better navigate this changing environment. With more than 100 Low Earth Multi-Use Receiver satellites in orbit, Spire's Earth observation coverage is near real time and spans the entire globe.

This comprehensive network empowers companies and governments worldwide to leverage radio frequency intelligence to make decisions with confidence in a rapidly changing world, reduce costs from climate and weather risks, and strengthen global security. This is not a vision of what we plan to do in the future. It is built today. And we are utilizing it for our customers to make a meaningful impact to the world around us.

Spire's unique data collection methods and world-leading analytics open a range of use cases, enabling weather forecasting, monitoring ocean winds and waves, plotting and monitoring optimal courses for cargo ships, forecasting weather that could impact the power grid, estimating take-off and arrival times for airlines, even measuring headwinds that could impact the flight's fuel usage.

We are leveraging the continued advancements in machine learning and AI to provide insights that were not previously available. We have used this technology to combine our weather forecasts with publicly available data to create even more accurate forecasts and to determine the probabilistic forecast for specific customer needs.

Using AI, we are also able to create better soil moisture estimates at a higher resolution than would be otherwise possible, as well as providing predictive analytics using our historical data to infer the likely estimated time of arrival for a vessel and likely weather conditions during their voyage.

Against this backdrop and the multibillion-dollar global weather forecasting services market that's expected to double by 2023, Spire has continued to invest in our weather prediction capabilities. We recently rolled out our DeepVision weather solution and high-resolution forecast models. DeepVision is a cross-industry weather solution which moves us up the value chain from clean and smart data to decision solutions for our customers.

We help our customers answer the question, "What should I do?" Our weather dashboard and weather risk communication support team are trusted partners for our customers who need the most accurate weather data to be able to quickly make decisions that impact the safety of people and property.

With our new high resolution weather product, we've taken our global weather model and improved the resolution 144 times to a 1 by 1 kilometer resolution. This provides additional detail to help understand what populated areas are at risk, what infrastructure is at risk, and what weather is occurring around important weather transition zones, such as land/sea interface or in mountainous or hilly terrain.

With a powerful combination of our leading forecasts, high-resolution weather model, and on-call weather experts, we can provide enhanced knowledge of likely weather outcomes, coded in simple red, yellow, and green status to indicate levels of risk and allow our customers to take appropriate action. Such action could include prepositioning crews before weather events, so utilities can restore services as soon as possible, or suspending site operations and moving at risk assets, or helping supply-chain leaders make decisions related to transporting weather or time-sensitive goods.

The annual cost of not making these decisions is estimated in the hundreds of billions of dollars. Spire's mission is to help the world reduce that cost, significantly. For over a decade, Spire has actively grown our datasets. Every second our datasets grow, we increase our ability to create machine-learning models and train AI for predictive insights across virtually all industries.

One such data set is radio occultation data. Spire is the largest provider of radio occultation data in the world with the ability today to produce approximately 20,000 so-called RO profiles daily. The addition of these proprietary RO profiles to numerical weather models has resulted in Spire's global forecasts consistently outperforming leading public global forecast models.

However, the forecast improvement does not stop with 20,000 RO profiles. Scientists have demonstrated increased forecast accuracy with the addition of up to 100,000 RO profiles a day. Spire empowers our customers with the ability to predict weather events with heightened precision and accuracy, meaning early warnings for severe weather phenomena are more reliable.

Customers such as NASA are purchasing this data from Spire in increasing amounts. We recently announced that we have renewed and increased our NASA contract to \$6.5 million for Earth observation data, including GNSS-RO, which can be assimilated into weather models, GNSS-R, which can measure sea ice, soil moisture, and ocean surface wind speed, and space weather measurements.

As our customers continue to look for answers in this ever-changing environment, Spire stands ready to serve them with our growing set of unique datasets and powerful insights about Earth. For several years now, the aviation industry was impacted by lower demand, driven by COVID. However, we are now seeing global travel demand approach 2019 levels again, and we have seen domestic travel demand in some markets surpass 2019 levels.

The aviation market was one which Spire targeted early on. While our aviation business lagged our other three businesses and did not contribute as meaningfully into Spire's impressive growth over the past several years, primarily due to the impact of COVID, we are very excited about the opportunities in front of us for our aviation solution and the increased demand for Spire's products and capabilities.

Monitoring planes from space offers one of the most notable advantages, unrivaled accessibility to even the most remote areas, as well as continents with burgeoning and rapidly growing aviation activity like Asia and Africa. These are areas that planes fly over but do not have traditional ground-based assets to track their movements. Spire now has over 500 years of flight heritage, operating sensors and satellites in space, and more than a decade of experience in satellite design, mission operations, and radio frequency technology.

Given this impressive pedigree, Spire, and only Spire, was uniquely positioned to contract with the European Space Agency to build a best-in-class system designed to make the skies safer. This EUR 16 million contract is to design and demonstrate a satellite-based aviation surveillance system for ESA's EURIALO program. Currently, air traffic surveillance heavily relies on radar systems, a technology dating back to World War II. These radar systems have drawbacks, including high costs, demanding maintenance, and some technical limitations.

Additionally, they fail to provide coverage in vast areas, such as the oceans, remote or mountainous regions, as well as the 90 percent of the world population living outside the Western world. Modern air traffic surveillance systems, like terrestrial and space-based ADS-B, depend on the global navigation satellite system to determine an aircraft's position.

However, GNSS signals can be interfered with or spoofed, leading to inaccuracies in tracking aircraft locations, ultimately impacting air traffic control operations. Recent incidents over the Baltic Sea exemplified these potential risks. Frequent GNSS jamming in the area has disrupted civilian air traffic, necessitating rerouting that causes delays and increases fuel burn, resulting in higher emissions and cost.

Even super yachts employing GNSS jamming to evade paparazzi have inadvertently affected ATC operations in their vicinity. The EURIALO program is intended to develop and demonstrate a first-of-its-kind aviation surveillance system that will independently determine aircraft position using geolocation. It will be complementary to existing surveillance systems, providing a reliable and resilient space-based surveillance solution.

Beyond this significant opportunity that could potentially see Spire be selected to build out the full constellation of a large number of satellites, we are seeing growing interest from aviation-related technology companies. One area where space-based ADS-B data has had a significant impact is in airline economics. In the North American market alone, there is an estimated potential of \$600 million to \$800 million of achievable savings for carriers flying narrow-body aircraft.

Having granular and holistic data on cost is crucial for airlines, and it helps them to easily identify areas where they can reduce spending and improve efficiency. This can include everything from fuel consumption and maintenance expenses to fleet planning and route optimization. In order to create comprehensive bottom-up models, accurate historical flight data is needed to better understand which flights actually took place, meaning scheduled flight data cannot be relied upon.

Spire's flight report, which aggregates hundreds of millions of satellite and terrestrial ADS-B positions to provide actionable flight aircraft and airline meta data was chosen by both RDC Aviation and Skailark to support their businesses. With an estimated 1,500 aviation-related technology companies that can benefit from integrating Spire's global flight analytics and insights, Spire has plenty of room to push the envelope with our aviation solution. And that's exactly what we're doing.

Last year, we brought the world insights on the location of sanctioned Russian oligarch yacht movements. Just recently, we noticed something interesting regarding sanctioned Russian oligarch plane movements. We have seen more reporting on airplane turbulence recently, and experts estimate that severe turbulence has increased 55 percent over the past 44 years. Spire has the ability to track clear air turbulence, which can improve the safety of a flight.

And as air travel demand has returned, we're looking to bring insights around fuel burn and emissions, while the aircraft are taxiing on the ground. The EURIALO award is a great example of how geolocation is being utilized for civil and commercial needs in the future. Spire currently operates over 40 satellites that help detect and geolocate signal interference, jamming, and spoofing. We have upcoming deployments of new satellites, such as customer Sierra Nevada Corporation's four satellite RF and geolocation cluster.

These satellites can identify the power, location, and directionality of such events in multiple frequency bands. With these capabilities, we are continuing to see customer demand for our radio frequency geolocation data from those groups tasked with providing global security. While we can't openly discuss the continued demands we're seeing in this segment, we can say we have recently received additional multimillion-dollar agreements for RFGL real-time tasking.

In addition to the strength and future opportunities we see in our weather and aviation businesses, we are continuing to see demand in our space services and maritime businesses. Just yesterday, GHGSat, a leader in greenhouse gas monitoring, announced that they are expanding their existing contract with us to add four additional satellites to their three that were announced last year. And during the quarter, Spire signed an agreement with OroraTech to build, launch, and operate an eight-satellite constellation dedicated to global temperature monitoring.

OroraTech has successfully operated a precursor sensor in orbit on a satellite designed, built and operated by Spire for 18 months. Initially intended as a technology demonstration, it exceeded expectation and is now serving as an active fire monitoring instrument for customers across the globe.

In our maritime business, a market that is early in its digitization journey, we announced that Navidium will integrate Spire's data to help users track vessel positions along a route, re-optimize routes based on various conditions, and automatically record environmental compliance data. Navidium is also leveraging Spire's historical and real-time ARS data to train machine-learning algorithms that provide users with AI insights to augment decision-making and optimize their vessels for safety, emissions, and performance, giving them an edge in a highly competitive environment.

Speaking of AI, not only are we utilizing it to enhance our custom offerings and provide new analytics and insights, we are also using it to improve our internal processes. Given our large number of multisensor satellites, we have a vast number of options to consider when it comes to deciding what data to collect from which satellite at what time as a satellite is passing over an area.

We've successfully deployed an optimizer tool to help us with this decision-making. We start by providing requirements, such as how many RO profiles or the number of AIS or ADS-B messages we would like to collect. This information is combined with the capabilities and positions of each satellite. Our optimizer will then suggest how best to configure our satellites to achieve our goal. This has made our satellite operations much more effective and provides the ability for us to scale our constellation as the market dictates without a corresponding growth to our operations. We plan to incorporate AI capabilities to further improve the robustness and operability of our optimizer tool.

In the eight quarters that we have been a public company, we have delivered high revenue growth and improving profitability metrics. Given this reliable execution within a backdrop of a large and growing demand for our products, we are excited about the prospect of all of our key profitability metrics turning positive over the next few quarters, starting with positive cash flow from operation, which is expected in Q4 of 2023.

Just as the Internet brought the world of commerce and utility to our doorsteps, space-based data is connecting us with the environmental and security realities that surround each of us. It is allowing us to make better decisions with speed and confidence in the context of an increasingly complicated relationship between all the activities happening on planet Earth. I could not be more excited about Spire's future as we continue expanding into our growing and global market, convert our top-line growth into bottom-line profitability, and continue to grow our impact on making the world a more safe, sustainable, and prosperous place for all.

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

Thomas Krywe

Thanks, Peter. We had another strong quarter of execution, from the top line down to margins, with revenue, non-GAAP operating loss, adjusted EBITDA, non-GAAP loss per share, and ARR solution customers all coming in above the high end of our guidance. Our results also provided another successful quarter of methodically progressing on our trajectory towards profitability.

Q2 revenue increased 37 percent year-over-year to \$26.5 million, once again hitting a quarterly record and exceeding the high end of our guidance by \$1.5 million. Gross margins expanded to 64 percent on a GAAP basis and 68 percent on a non-GAAP basis, representing a 13 percentage point improvement over Q2 2022 on a GAAP basis and an 11 percentage point improvement on a non-GAAP basis.

ARR at quarter end was \$112.8 million, up 32 percent year-over-year, with adding \$8 million of sequential growth quarter-over-quarter. This included a nice mix of adding new logos while expanding with our existing customers. We finished the quarter above guidance, with 813 ARR solution customers, a net add of 32 customers quarter-over-quarter.

Our Q2 ARR net retention rate was 112 percent, up from 108 percent last quarter and in the same quarter a year ago. The rolling 12-month organic ARR net retention rate was 117 percent, up from last quarter's rolling 12-month organic ARR net retention rate of 116 percent.

Now, I'll be discussing non-GAAP financial measures, unless otherwise stated. We've provided a reconciliation of GAAP to non-GAAP financials in our earnings release that should be reviewed in conjunction with this earning's call. Driven by exceeding our Q2 revenue expectations, our leverage business model across four solutions and our high-asset utilization, our Q2 operating loss came in at \$6.1 million, which is \$2.7 million better than the top end of our guidance.

This is an improvement of \$4 million year-over-year and an improvement of over \$3.7 million quarter-over-quarter. Likewise, total adjusted EBITDA for the second quarter came in better than guidance at negative \$3 million, or negative 11 percent of revenue, a \$4.3 million, or 58 percent improvement, from negative \$7.3 million in the same period a year ago. We ended the quarter with cash, cash equivalents, restricted cash, and short-term marketable securities of \$64.7 million, down \$8.3 million sequentially quarter-over-quarter.

Now, turning to our outlook for the third quarter and full fiscal year 2023. For the third quarter, we expect revenue to range between \$26 million and \$27 million. We are holding our full-year guidance at a range between \$104 million and \$109 million. We expect a single-quarter drop in ARR to range between \$107.5 million and \$108.5 million. This anticipated decrease is due to the timing of one ARR contract finishing prior to other ARR contracts coming online.

We remain confident in the opportunity to win back that contract, along with executing on our strong Q3 and Q4 2023 pipeline like we did in Q1 and Q2 of this year. As such, we are holding our full-year ARR guidance at a range between \$129 million and \$135 million. We are continuing to see expanding demand for our solutions and expect third quarter ARR solution customers to range from 835 to 845. We are increasing the midpoint of our full-year ARR solution customers' guidance, which now ranges from 855 and 875.

Given the operational leverage we are continuing to see across our headcount and infrastructure, we anticipate third quarter non-GAAP operating loss to range between \$7 million and \$6 million, which is a \$4.9 million, or 43 percent, improvement year-over-year at the midpoint. For the full year, we are improving our guidance by \$2 million at the midpoint, and we expect non-GAAP operating loss to range between \$32 million and \$27 million.

Adjusted EBITDA for the third quarter is expected to range from negative \$3.5 million to negative \$2.5 million, which represents an improvement of \$5.3 million, or 64 percent, year-over-year at the midpoint. For the full year, we are improving our guidance by \$1 million at the midpoint, with a range from negative \$18 million to negative \$13 million.

We expect non-GAAP loss per share for the third quarter to range from negative \$0.08 to negative \$0.07, which assumes a basic weighted average share count of approximately 167.1 million shares. We are improving our full-year guidance for non-GAAP loss per share by \$0.04 at the midpoint, with our non-GAAP loss per share to range from negative \$0.32 to negative \$0.29, which assumes a basic weighted average share count of approximately 157.7 million shares.

Given the strong results in the second quarter, we expect some very exciting milestones we have in the coming quarters. We expect cash from operations to turn positive later this year, non-GAAP operating margins turning positive in the second quarter of 2024, adjusted EBITDA turning positive by the first or second quarter of 2024, and we expect positive free cash flow by the second or third quarter of 2024. Additionally, we expect to execute a reverse stock split within the next 30 days, designed to regain compliance with our New York Stock Exchange listing requirements.

We have seen two quarters in a row of revenue, ARR solution customers, non-GAAP operating loss, non-GAAP loss per share, and adjusted EBITDA results exceeding our expectations. And this has allowed us to improve our margin expectations for the full fiscal year. We remain focused on execution, and we are excited about the opportunity ahead.

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

Operator

At this time, we will be conducting a question-and-answer session. If you would 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 would 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.

Our first question comes from Austin Moeller of Canaccord Genuity. Please proceed with your question.

Austin Moeller

Hi. Good afternoon.

Peter Platzer

Good afternoon.

Austin Moeller

My first question here, Peter. Last quarter, we discussed how some contracts and expansions of contracts from customers that had been delayed. Is the takeaway from the strong results and the higher number of ARR solution customers this quarter that some of these delayed contracts got closed out in Q2?

Peter Platzer

I think that's a good way to approach it, Austin. I mean, we certainly have seen the business environment kind of like maintain and in some areas actually improve. Interest rates are still high, but they have stabilized. And businesses seem to feel more confident about plannability. They feel more, "Okay, I understand how this is going to look like." And they're increasingly looking for, "Okay, how can I take now cost out of my system," with having a greater sense of how the world is going to look like.

And so, indeed, we have seen very, very good conversion in the quarter that has continued that momentum into the current quarter. So, we continue to see this greater predictability of a challenging but knowable environment translate into more predictable sales cycles and conversations with customers.

Austin Moeller

Excellent. And are the majority of the customers you are seeing right now for RF (inaudible) currently coming from NATO Europe? I know you can't say who they are.

Peter Platzer

No. We have actually a very, very good mix between, like Five Eyes and non-Five Eyes customers, and feel that we are still just scratching the surface there. Spire has assets, which are purely and exclusively United States assets, so U.S. licensed, U.S. technology downloading data over the U.S. But, we also have assets which are non-U.S. that facilitate that process outside of the U.S., for example in Europe, as you had mentioned.

Austin Moeller

Excellent. Very exciting. Congrats on the quarter.

Peter Platzer

Really appreciate it. Thanks a lot.

Operator

The next question is from Erik Rasmussen of Stifel. Please proceed with your question.

Erik Rasmussen

Yeah. Thanks for taking the questions. Congrats on the strong results and margin improvement.

Peter Platzer

Thanks a lot, Erik. Appreciate it.

Erik Rasmussen

Yeah. And maybe sticking with margins, you obviously continue to see nice progression there, and as you just reported, 64 percent on a GAAP basis. But, as we think about your most recent target, I think you gave the last quarter a goal of GAAP gross margins of 70 percent, what would you see you hitting this target?

Thomas Krywe

Yeah, Erik. We had mentioned that that was in the coming years. We didn't give like a specific date, but we said that was coming in the near term. I think, though, as you can see from the results getting the 64 percent and 68 percent on a non-GAAP basis, we're moving up that path quite fast. The non-GAAP was obviously nearly getting to that 70 percent mark.

I think the most amazing thing that we had in the quarter was the 11 percentage point improvement that we saw both on a GAAP and a non-GAAP basis over the last two quarters. So, that's just been done in the first half of this year, so really happy with that progression and that leveraged infrastructure we have, the leveraged headcount we have.

All that is coming to fruition. Because it's not just the revenue growth. I mean, that's obviously going to be super helpful, but it's also that cost maintaining and spreading that over our four solutions. And that's driving our gross margins up on a fast pace. So, yeah, those numbers are getting closer and closer by the quarter.

Erik Rasmussen

Great. And then, maybe just, you had a number of contract signings and pretty meaningful. It seems like the pace of those awards is picking up, and also the magnitude and level of engagement seems to be increasing. What's driving this relative strength? And how do you see

the split maybe between your data services and space services business as it relates to sort of the opportunities the team is tracking?

Peter Platzer

So, what is driving it is a little bit of what I mentioned earlier, Erik, is that the world feels a little bit more attuned to a challenging but predictable environment. And that is--and it is driving those decisions. I think the other thing you're seeing is that customers are becoming selective with who they work with because they know that it has to work, be that data, be that analytics, be that space services.

Their business relies on that, right? You don't get your 117 percent net retention rate with your customers if you're not reliable. And so, what we see is an environment where those that consistently and reliably deliver for their customers are winning more and more of the business from those customers but are also attracting other companies in terms of like, "Oh, everyone needs to have a space strategy," if you were to believe McKinsey and what they have said. "Who do I work with?"

Well, if I am in the maritime aviation weather or space services, Spire is the place that I probably should be calling first. And it's that confidence and that brand that starts to drive some of those ever-larger wins that you rightfully have called out.

Thomas Krywe

Yeah. And, Erik, just to put some numbers around some of the--that expansion, both landing and expanding with the customers, we were able to get 80 net new customers in the first half of this year. So, we're seeing that progression and being able to land new logos across all four of our solutions.

I think Peter mentioned earlier about--the aviation business is really starting to kick into gear now that we're coming out of COVID years. And that was obviously not our highest growing business during those years. And now, we're starting to see that. So, that's one fourth of our solution really starting to kick into gear.

And then, on the expansion side, there's also just an amount of time has gone by with a lot of customers. And we've listed some of these in the press releases. But, these expansions with--if it's in space services where they might start out with one or two or three satellites, and now, they're doing full constellations with us. A lot of that was built into our contracts when we signed them with them.

And now, they're coming to fruition, like people like OroraTech and other folks that we listed. Or we just announced today expanding with NASA, taking that contract from \$6 million to \$6.5 million for another annual year with them. So, they are just seeing that we can solve more and more use cases with them, and then expanding with them, so not only landing those new ones but then also expanding with the existing.

Erik Rasmussen

Great. And then, maybe on the CFO transition, do you have any updates you could share on how the process is going and what we could sort of expect to see?

Peter Platzer

Yeah. So, you can expect to hear something quite specific from us very soon. Tom has been giving us a lot of time. He's also going to stay on for a transition period as a consultant to the company. So, we feel extremely good about the whole handover, and the process has been going very well. And I'm quite excited about something that I will be able to share pretty soon with you.

Erik Rasmussen

Great. I'll jump back in queue. Congrats again.

Peter Platzer

Thanks a lot, Erik.

Operator

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

Ric Prentiss

Good afternoon, everyone.

Peter Platzer

Good afternoon.

Ric Prentiss

Hey, first, and this is probably the last call for Tom, wanted to say enjoyed working with you. It's been a pleasure, so best wishes.

Thomas Krywe

Thank you very much.

Ric Prentiss

You mentioned on the ARR that there's a timing issue of when ARR finished up. That's the reason for the quarter-to-quarter downtick in the ARRs. But you also, I think, mentioned that you had some confidence about winning it back. Can you give us a little more color on kind of what's involved in that contract and why you think we can win it back, and are they using anybody else right now?

Peter Platzer

Yeah. So, I mean, as you see, we've delivered very, very strong revenue, 37 percent year-over-year growth, we exceeded all the margins, we kept a revenue guidance for the year constant. But, you saw that we improved the margin guidance. So, that gives you a good sense of how confident we are about the revenue side.

Indeed, ARR had like this mathematical plot. It's an RO contract with NOAA. We have multiple contracts with NOAA. They decided to give in their last award only to one company and not to two companies. They give them a six month, so a reasonably short-term contract. So, very, very, near term, we have the opportunity to add to that, again with our \$59 million IDIQ contract.

In the meantime, NOAA has reached out to us for other data types that we have with regards to weather. So, that gives us great confidence on that. But, even more importantly, is like the traction that we have seen as we have reallocated assets that are for RO into RF geolocation. And those contracts are multimillion-dollar contracts often for very, very short delivery times. And we have seen several of those coming repeatedly also from the same customer.

So, that reallocation has helped us a lot and given us great confidence in the growth. The momentum that we talked about a little bit on this call already, that we've seen in the second quarter, has carried into the third quarter. So overall, we feel very confident about the guidance that we have given. I think we've done--Tom has done a very good job historically in giving very accurate guidance. And so, we have every intention of continuing on that trend.

Ric Prentiss

Very good. And the stock split is coming up in the next 30 days. Has the decision been made yet as far as what magnitude of reverse split it will be?

Peter Platzer

So, we have spoken with numerous advisers, investors, and parties. And there is certainly, I would say like a common consensus emerging from that. You need to balance the amount of shares that will trade on a number of shares per day with the stock price that you achieve, keeping in mind that above a stock price of \$3, \$4, \$5, you open yourself up to a lot more of the investor community that can invest in stocks that are a little bit higher, in that \$3, \$4, \$5, \$6 range.

So, taking all of that into consideration, we feel pretty good. And we have received very positive feedback. The sense that I have is there's a lot of people waiting for us to do this because it allows them to actually be part of the Spire story.

Ric Prentiss

Exactly. And when will that decision be made and announced, do you know?

Thomas Krywe

Yeah. We were just waiting for the earnings stock activity just to settle down, and then we'll take action.

Ric Prentiss

Makes sense. Okay. And the final one for me, Tom, you mentioned some of the per-share numbers out there. And the share count is going up more significantly than we had in our model. Is there anything going on specifically as far as the share count?

Thomas Krywe

Yeah. We had set up the ATM a year ago. And we hadn't used it up until actually June. In June, there were some unique days where there was high volume and high trade activity. We did take advantage of that to help boost the balance sheet a bit and get a little bit of that ATM money through. Obviously, that was why we put the ATM in place. We haven't used it since the month of June because we just felt we hadn't had a need to do it thereafter.

But, if there's other days like that where there's some opportunistic days to take advantage of using the ATM to improve the balance sheet and give us more business flexibility with investments, then we'll take advantage of that. So, that was the reason for the share count increase.

Ric Prentiss

Okay. And that's also--since it was June, it doesn't reflect much within 2Q, but it affects more so--

Thomas Krywe

--Correct because we're a weighted average share count. It really shows up kind of in the Q3 time frame and not so much--because we did it the last month of the quarter.

Ric Prentiss

Right. Okay, appreciate it. Stay well again, Tom. Best wishes.

Thomas Krywe

Thanks so much.

Peter Platzer

Thanks a lot.

Operator

As a reminder, if you would like to ask a question, please press star, one on your telephone keypad. Our next question is from Jeff Meuler of Baird. Please proceed with your question.

Jeff Meuler

Yes, Peter. Thanks for all the use case and the AI examples. But, just on the financials, like I know this has been asked. But, it does look like a really big step up sequentially from Q3 to Q4 to hit the full-year ARR guidance. And you've announced a bunch of really large contracts. Are a lot of these large contracts not hitting until Q4, and that's a big part of the answer? Or is it more based upon confidence in pipeline of large opportunities that are at an advanced stage but which you've not yet announced?

Thomas Krywe

Yeah. It's definitely the confidence in the pipeline. What we've been able to do to date and making those conversions and making those things happen, the expansions that we've had with our customers along the way, we still have a lot of activity in the pipeline for the rest of the year in that front.

And as we did mention, we have the capability to win back some portion or all of that contract in the fourth quarter also that would help boost the ARR too. So, it's a mix of all that. But, we are very confident with the pipeline and where we're at. And that's why we're keeping that guidance at that point.

Jeff Meuler

And can you get into the guidance range without winning back a portion of the NOAA contract before year end?

Thomas Krywe

Yeah. I mean, we could. Yeah. There's very significant deals out there, and deals. It just depends on closing time and all that wonderful stuff. But, yeah, we could. Yeah, we're very confident with that.

Jeff Meuler

Got it. And then, Peter, you referenced kind of unusual weather activity in the first half of the year and insurance companies stopping writing business in certain states. Just help me with like the insurance market opportunity for you. Have you started to make good inroads there? Do you tend to go direct to the insurers? Or do you tend to partner with or sell into some of the other data and analytic solution providers that sell through to the insurance industry? Just talk through the insurance market as an opportunity for you.

Peter Platzer

So, I would say that the insurance market--the reason why we mention it is, one, that it's becoming more to the forefront as their business model is now starting to be impacted. And I don't know how much time you have spent with insurance companies. I apologize if you have covered them in the past, and I'm not aware of it. They are not the fastest changing industries. I'm thinking of some companies from Switzerland that have been around for a couple hundred years.

So, what has happened, though, is that the ever-increasing amount of extreme weather events--and you said the extreme weather events in the first half of the year. And I think that statement has been true for the last decade. But now, after a decade of those surprising extreme weather events, even that industry has to start to adjust their business model. A lot of parametric insurance starts coming into play. The reinsurance industry has to adjust. There is a quite active provider industry with analytics for the insurance industry which has arisen.

And we certainly are a beneficiary of that change in business model, of that change in how they approach weather, given the type of data that we have and in some instances, the long history that we have for some of our data facts.

Jeff Meuler

Okay. And then, just last, anything you can say about like from a geographic perspective? It looks like your growth has been quite a bit stronger in the Americas. Just any reason for that? I don't know if it's sales resources-driven or opportunity-driven.

Peter Platzer

It's more opportunity-driven, I would say, rather than sales force. And from my perspective, the way I look at it, is it just means that the opportunities we have in the other parts of the world have not been unearthed, and we have great opportunity to leverage them by paying even more attention to the other parts of the world as well. If you think about it from an overall GDP growth perspective, 80 percent of the world's GDP growth is outside of the Western world.

And I think we have absolutely just scratched the surface there in providing that large GDP growth, large population area, large land mass area that very often does not have the traditional land-based infrastructure, be that for weather information, be that for flight tracking, that the Western world has, which creates even more opportunities for Spire to deliver directly a space-based solution, leapfrogging the traditional development of having something installed on land that eventually gets augmented with something from space, which is something you see more in the Western world, but actually leapfrogging that for large portions of the Earth, delivering space-based solutions directly.

Spire owns a large constellation that covers the Earth at least 100 times a day, and in many instances 200 times a day. That's a pretty big coverage area and a pretty high advantage from a low-temporal resolution that we have to deliver solutions to these areas.

Jeff Meuler

Okay. Thanks.

Operator

There are no additional questions at this time. I'd like to turn the call back to Peter Platzer, CEO, for closing remarks.

Peter Platzer

Thank you. And in closing, I would really like to thank our customers, employees, and numerous suppliers for partnering with us in bringing innovative solutions to solve the challenges that people, communities, and countries face every day across the globe. As uncertainty and challenges in the world at large increase, we see ever-increasing demand for space-based solutions, as I just talked about, be that supply chain or mobility, communication, remote Internet, weather, climate change, global security, agriculture, energy.

That list of areas which increasingly use and depend on space just keeps growing. And just like computers and the Internet, driven by Moore's Law, became inextricably linked with our daily lives and the global economy in the '80s, '90s, and early 2000s, we see the same thing happening today with space, driven by similar law of constant performance improvement, tenfold every five years for satellite capabilities.

And that has been working now for a quarter century and shows no sign of abating anytime soon. The mission-driven and incredibly motivated team that we have here at Spire we are proud to be part of and, indeed, I would argue shaped this transformational wave of change to create a safer, more prosperous, and sustainable future on Earth by serving our customers everywhere in the world every single day. And I look on with great optimism to the rest of 2023 and onwards into the future as we drive towards profitability and sustainable growth.

Operator

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