

Wednesday 24th October 2018

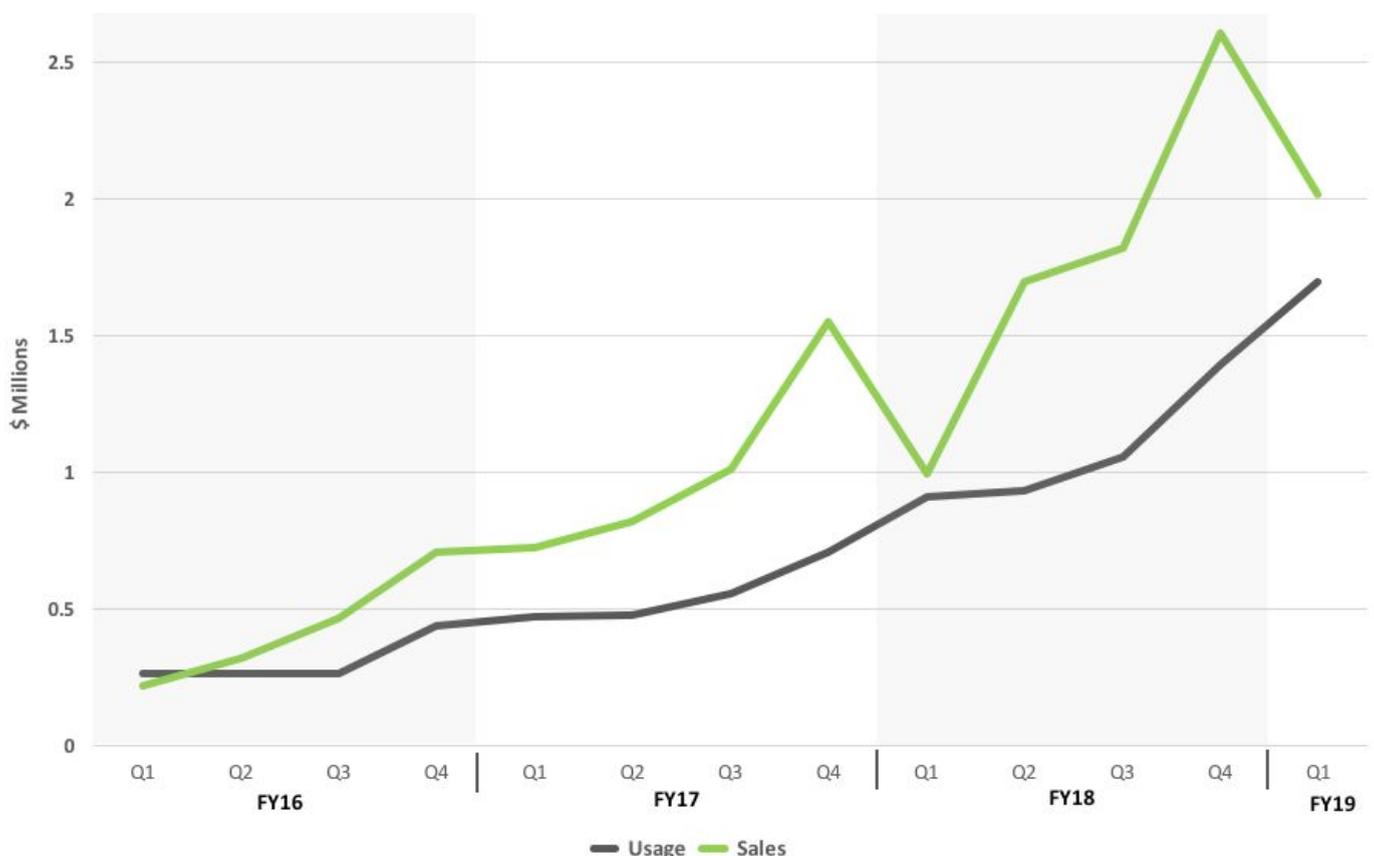
## Record-breaking Q1 sets Xref up for strong FY19

- Sales for Q1 FY19 of \$2.0 million, up 100% on Q1 FY18
- Record cash receipts of \$2.7 million, up 107% on Q1 FY18 - a fifth consecutive quarterly record
- Record credit usage of \$1.7 million, up 86% on Q1 FY18
- 103 new clients worldwide secured during the quarter
- Successful \$8 million placement to new and existing institutional investors

Xref Limited (**ASX:XF1**), the human resources technology company, today reported its most successful first quarter to date. For Q1 FY19, credit sales reached \$2.0 million, up 100% from \$1.0 million in Q1 FY18. Quarterly cash receipts were \$2.7 million following the Company's record sales in June, a 107% increase on \$1.3 million for the previous corresponding quarter.

Xref's strong growth trajectory continued throughout Q1 FY19. Q1 is traditionally the Company's lowest sales period due to seasonal fluctuations in the Australian recruitment industry and the summer holiday season in the Northern Hemisphere.

Usage of credits sold, which is recognised as revenue, reached \$1.7 million, up 86% from \$0.9 million in Q1 FY18.



Australian credit sales constituted 77% of the total, while the remaining 23% came from international markets, including 11% from sales to North American organisations. International sales grew significantly compared to Q1 FY18 when Australian sales were 87% and international 13% of the total, including 4% North American sales.

**More than 100 new clients acquired in the quarter**

During Q1 FY19 Xref acquired 103 new clients. New clients secured included ASX-listed companies Healthscope and Monadelphous in Australia; WSP Global Inc. in North America and JM Norge (Norway) and Gold Care Housing (UK) in Europe. Numbers of direct clients grew to over 850 whilst overall retention rates remained at 94%. Further information about these companies follows as an appendix to this announcement.

**Client acquisition growth**



\*Excludes non-direct clients using Xref via RPOs and Channel Partners

**Anticipated growth in client adoption from new clients**

Based on Xref’s ongoing estimates of new clients’ hiring needs, the Company expects new clients acquired during Q1 FY19 to employ a combined total of approximately 40,000 employees per year. Xref’s total client base now collectively hires approximately 679,000 employees per year.

Credits purchased by the 103 new clients acquired in Q1 represented 36% of their total available hires. This adoption rate is forecast to rise as the new clients continue to purchase credits throughout FY19.

Xref’s demonstrated ability to increase the utilisation of its services amongst existing clients is an important contributor to the Company’s growth rate.

### **Growing Average Revenue Per Account (ARPA)**

Credit sales to new clients in Q1 FY19 were \$604,000, up from \$586,000 in the previous quarter. Clients that joined Xref during FY19 contributed an average of \$5,900 in sales revenue during Q1. Clients that joined Xref before FY19 contributed an average of \$12,218 during Q1, an increase of 32% since ARPA was first announced in January 2018. ARPA reflects the sales cycle and is lower in the first quarter compared to subsequent quarters in the financial year. As sales increase, ARPA continues to grow.

### **Channel sales and usage increase**

Integrations are an important growth channel as they enable enterprises to consume Xref's services from within their organisation's existing systems. The number of companies using Xref through an integration increased to 136 in Q1 FY19 from just 10 in Q1 FY18. Sales to integrated clients were \$0.3 million during Q1 FY19, representing 16% of the total.

Usage of credits sold through integration was \$300,000 for Q1 FY19, a four-fold improvement on \$59,000 for Q1 FY18. Q1 FY19 usage also exceeded the previous quarter's usage of \$286,000.

### **Xref platform gains ISO 27001 certification**

In September 2018 the Company's platform was awarded ISO 27001 certification, a globally recognised standard which confirms Xref's platform meets the highest levels of data security and privacy measures. ISO 27001 certification provides clients with confidence that their data is protected and it is a mandatory requirement for providing services to many large enterprises.

### **Strong investor support**

During September 2018, Xref raised \$8 million before costs through a very successful placement to new and existing institutional investors, including AustralianSuper. The funds raised will be used to drive further adoption, increased APRA and growth in client acquisition globally. This will be achieved through continued product development, additional integrations and an ongoing focus on improving sales cycle efficiencies.

### **Expenditure trend**

Expenses for Q1 were \$4.3 million, in line with management's expectations. Xref has a four-week payroll period and four cycles occurred in Q1 FY19, resulting in higher than average expenses for the quarter. Q2 includes just three payroll cycles so expenses are due to reduce and are estimated at \$3.7 million. The company expects continued revenue growth in FY19.

The Company received an R&D refund of \$1.7 million during the quarter and at 30 September 2018 held cash on hand of \$12.2 million.

**Executive director / CEO Lee-Martin Seymour said:** *"This was our best first quarter to date. Client and sales growth continued to accelerate during the quarter and we look forward to building on this in the year ahead. The growing average revenue per account (ARPA) confirms the benefits of our commitment to continued product enhancement, as well as our focus on larger clients and faster adoption."*

**Executive director / CTO Tim Griffiths said:** *"Our platform is highly scalable and secure and we expect that our ISO 27001 certification will help drive further sales to large enterprise clients. Higher usage through integrations demonstrates the importance and effectiveness of our channel sales strategy as more clients add Xref to their existing workflow and combine Xref with their other business platforms of choice."*

**Chairman / Brad Rosser said:** *“We thank investors for their support during the placement. Xref is making very positive progress on all metrics and with every organisation now prioritising data security, ISO certification ensures we are well positioned for further global growth.”*

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## Key points about Xref

<b>First mover advantage</b>	Xref provides the first automated solution for the candidate referencing process and is capitalising on its first-move position by investing for international growth.
<b>Business model</b>	Under Xref’s business model, when clients purchase credits (credit sales) to use the candidate referencing platform, the value of their purchases is recognised as unearned income. When they pay for the credits, the cash is recognised as cash receipts. Once the credits are used by the client (usage), Xref recognises the value of the credits used as revenue (recognised revenue).
<b>Global addressable market</b>	Xref’s addressable market includes more than 180 million employees in North America, 120 million employees in Europe and 15 million employees in Australia and New Zealand.

## Appendix – New clients

### Australia

**Healthscope** - Healthscope is a leading private healthcare provider in Australia with 43 hospitals, as well as a market leading international pathology operation in New Zealand. Healthscope has a team of more than 18,000 employees to providing quality care to their patients 24/7, 365 days a year.

**Monadelphous** - Monadelphous is a leading Australian engineering group providing construction, maintenance, and industrial services to the resources, energy and infrastructure sectors. Monadelphous currently employs more than 5,800 construction and maintenance personnel across Australia.

### North America

**WSP** - WSP Global Inc. is a Canadian business providing management and consultancy services to the built and natural environment. WSP employs approximately 43,000 staff, operating from 550 offices across 40 countries.

### Europe

**JM Norge** - JM Norge is one of Norway's largest and most reputable housing suppliers. Operations focus on new production of homes in attractive locations, with a core aim of expanding metropolitan areas and university towns in Sweden, Norway, and Finland. The company currently has around 2,500 employees.

**Gold Care Housing** - Since 1999, Gold Care Homes has been redefining the care industry and providing exceptional living environments for residents across 21 care homes throughout the UK. Gold Care Housing offers a range of services including respite and daycare, palliative and end of life care, residential care, dementia care and nursing care.