



19th January 2021

Quarterly Update: Strong Sales Growth & Record Revenue

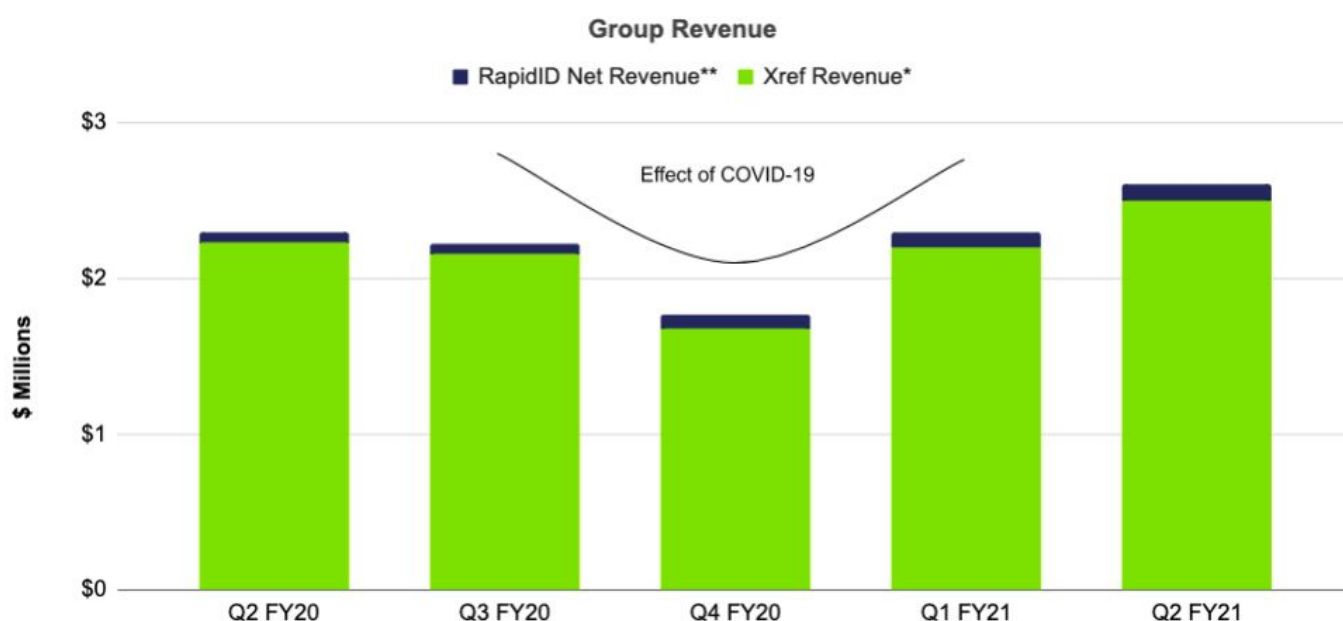
- **Revenue** - \$2.6 million - up 13%
- **Sales** - \$2.7 million - up 18.5%
- **Cash Receipts from Sales** - \$2.9 million - up 19%
- **Cash Expenses** - \$3 million - down 44%
- **Cash Balance** - \$6.7 million

Xref Limited (**ASX:XF1**), the human resources technology company, today reported a successful second quarter of trading. Group revenue was a record \$2.6 million, sales reached \$2.7 million and cash receipts from sales were also strong at \$2.9 million for the quarter.

New clients acquired in the quarter contributed 15% of total sales achieved. New clients in Australia included Woolworths, The Department of Education (NSW), DHL Express and Think Childcare. In the United States & Canada, new clients included IRET, Cost-U-Less, Compugen Inc. and Friendship Public Charter Schools. In Europe, ByrneLooby, Luminare and Norwegian Air were introduced to the platform. Details about these companies can be found in the appendix.

Record Revenue (Credit Usage)

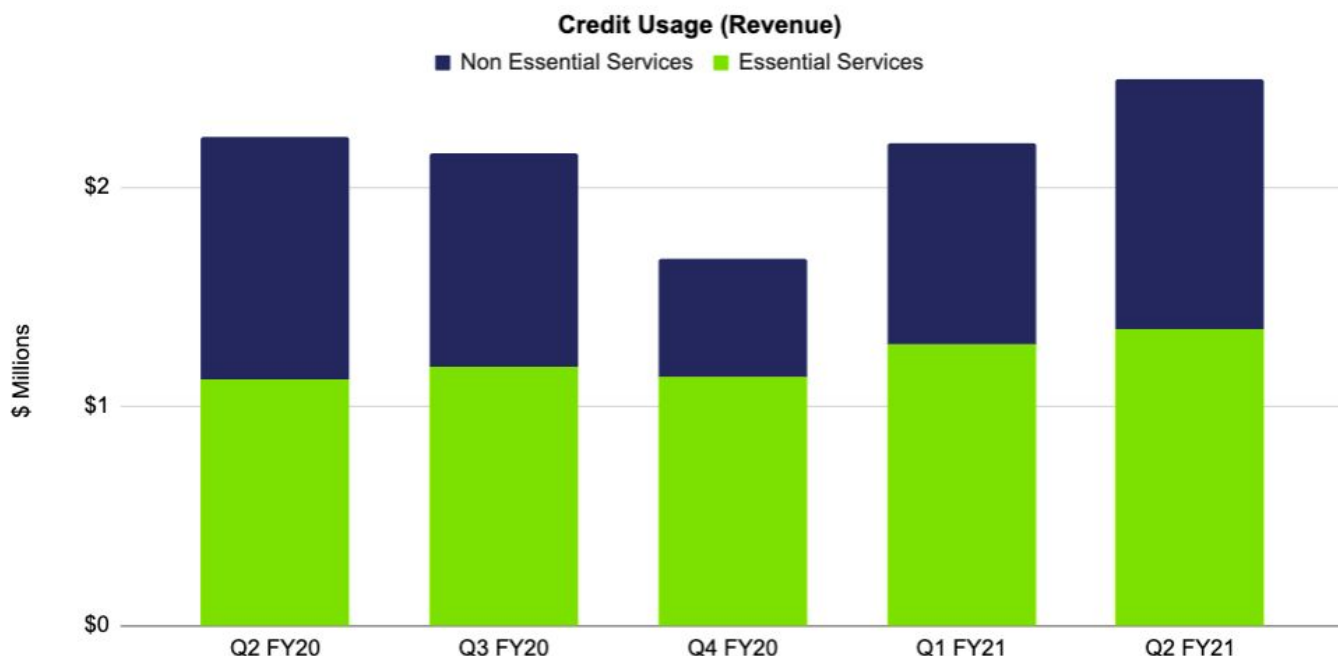
Xref credits used during the quarter totalled \$2.5 million and, together with a RapidID net revenue of \$0.1 million, contributed to a record quarterly revenue of \$2.6 million. Xref credit usage grew 13%, exceeding pre-COVID-19 levels and RapidID's net revenue also grew 58% on the previous corresponding quarter (Q2 FY20).



* Xref credits are recognised as revenue when used

** RapidID Net Revenue is gross revenue less the cost of 3rd party checks

Xref's ongoing focus on organisations within the 'trust' economy has continued to underpin revenues and support growth. The recovery of non-essential service clients has resulted in growth of 112% since Q4 FY20, demonstrating a strong recovery back to pre-COVID-19 levels.



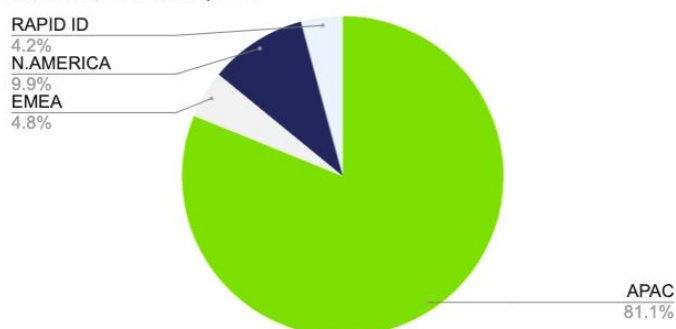
Xref credits used via integration partners grew by 42%, to \$0.7 million, when compared to Q2 FY20 and represented 28% of all credits used during the quarter.

Strong Sales Growth

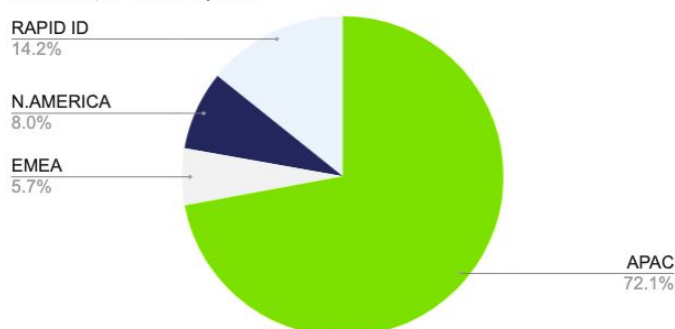
COVID-19 has accelerated the global demand for remote working and, as a result, employers' desire to improve governance is increasing. Accordingly, organisations are seeking improved ways to perform candidate verification. Our reliance on outbound, direct sales activities are fast being replaced by inbound, marketing-led demand. As a result, Xref witnessed a rise in inbound leads from, in the most part, channel partner integrations, Xref's improved global digital strategy and the network effect generated through the numerous sectors and global regions Xref's services are used in. Xref can acquire clients via its self-serve platform, its in-house enterprise sales teams or via its 30 channel partners.

Group sales reached \$2.7 million during the quarter, up 18.5% on the previous corresponding quarter (Q2 FY20). New clients accounted for 15% of sales, while 14% came from Xref's international offices in Europe and North America and 14% from RapidID. Sales by Xref North America and RapidID grew by 40% and 206% respectively when compared to the previous corresponding quarter (Q2 FY20).

SALES Q2 FY2020 - \$2.3m

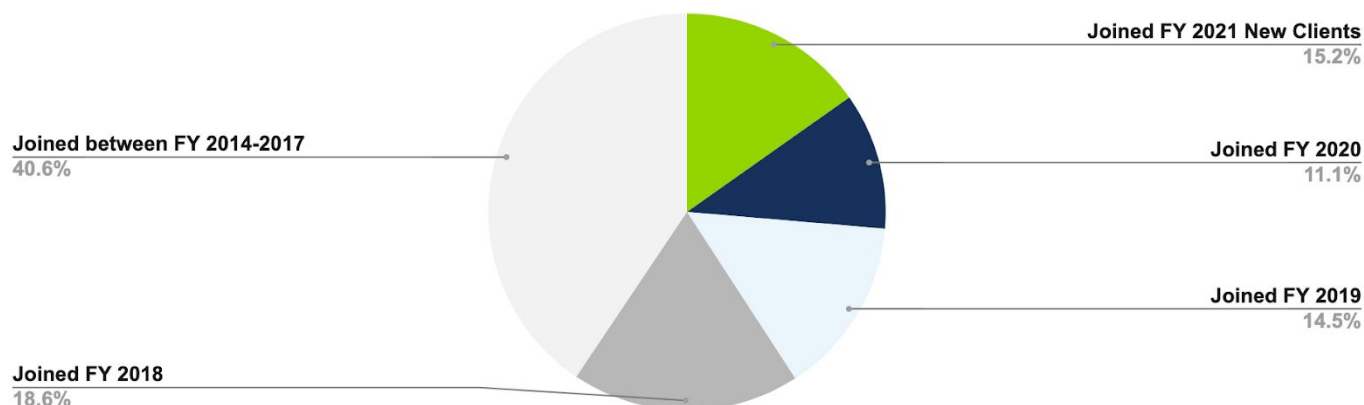


SALES Q2 FY2021 - \$2.7m



Clients who joined Xref prior to FY17 accounted for 41% of sales during Q2 FY21 despite significant sales growth since then, demonstrating Xref's ability to retain and grow clients over time. Sales to new clients that joined within the quarter represented 15% of total sales, demonstrating Xref's ability to acquire new, high-value clients.

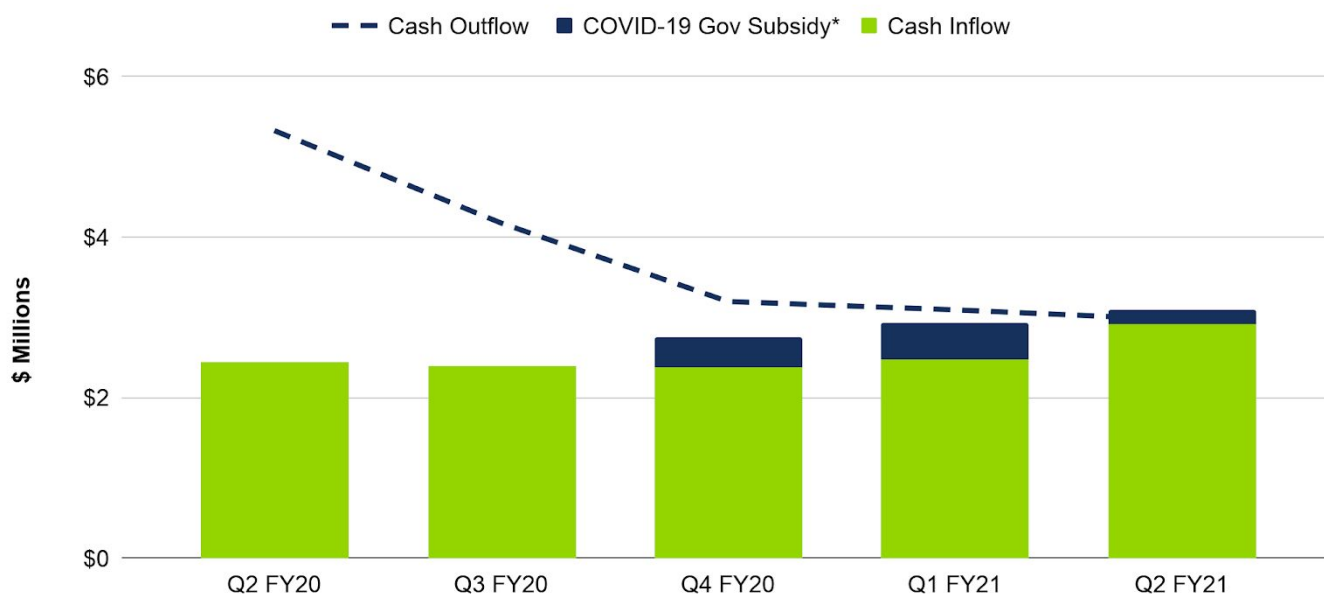
Q1 FY2021 Sales Mix (Client Cohort : Year Joined)



Reduced Cash Outflows

Since December 2019, Xref has scaled back event costs, travel, development costs, and office leases and has reduced headcount from 98 to 60 people. This has driven a material reduction in cash expenses while continuing to support growth in sales. Cash outflows for the December quarter were down 44%, to \$2.97 million, from \$5.3 million in Q2 FY20. Cash receipts from sales were up by 19% on the previous corresponding quarter. Together with the remaining government COVID-19 subsidy, Xref was able to achieve an operating cash flow surplus of \$127,000.

Cash Flow



* Government COVID-19 subsidy payments finished in early October 2021. Total subsidies were: Q4FY20 (\$376k) Q1FY21 (\$461k) Q2FY21 (\$184k)

Due to its strong recovery during Q2 FY21, Xref will no longer be eligible for the Australian JobKeeper subsidy. The final subsidy of \$184,000 was received in early October. Further growth in sales and revenues are expected to move Xref towards cash-flow break-even in H2 FY21.

Since November 2019, Xref's primary focus has been on preserving cash and reaching cash flow break even. Key initiatives have included:

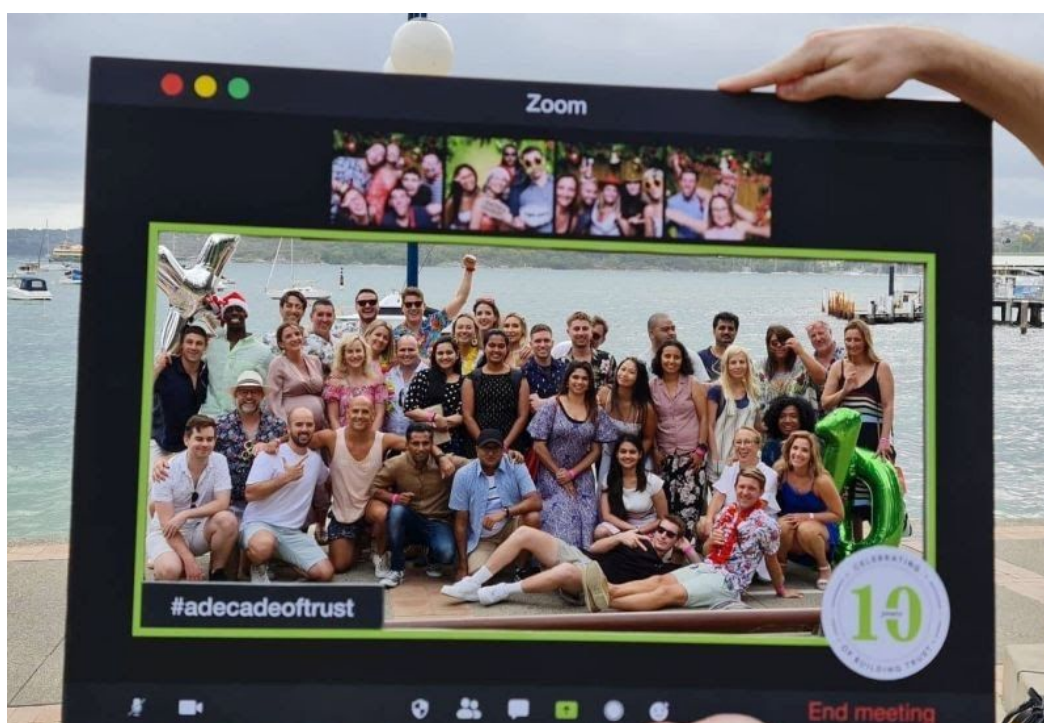
- redirecting marketing efforts from sales support to online lead generation has led to a 66% reduction in marketing cost;
- building efficiencies in the acquisition, onboarding, support and growth of clients has led to a reduction in headcount and in turn a 34% reduction in wages and salaries; and
- adopting a working from home policy has reduced occupancy costs by 44% currently and a further 24% reduction is expected during H2 FY2021.

Cash on hand at the end of December was \$6.73 million.

Product Investment

Although Xref's European and North American markets are continuing to be adversely impacted by the effects of COVID-19, Xref is preparing for the growth that is anticipated to come from millions of returning workers globally. Xref is working with some of its largest global clients to expand the current platform to support their future requirements. The enhanced platform will dramatically increase the global addressable market through the provision of additional services, allow for 100% digital acquisition of new clients and add a subscription-based ARR to the current credit-based model. During the quarter, Xref capitalised a proportion of internal and external development costs related to these platform features.

Celebrating 10 Years of Building Trust



Sydney, Australia Xref Team during 10-year celebrations.

Xref celebrated its 10th anniversary during the quarter, including five years as a private start-up and five years as a publicly listed entity. In December, Xref recognised the hard work of its team and made a record number of promotions across the global business to help lead the company in the future. More about the Xref journey to date can be found [here](#).

Most Highly Rated Reference Checking Platform - Globally

During the quarter, Xref was named a leader by independent software review site, [G2](#), appearing as its highest-rated and easiest to use reference checking solution. With a 4.7 star rating on [G2](#), [Capterra](#) and [Google](#), Xref is ideally placed to be found and trusted by new clients globally.



Business Update: Investor Call - 19th January

Chief Executive Officer, Lee-Martin Seymour, will host an investor call to discuss Xref's Q2 FY21 results on Tuesday, 19th January 2021 at 11:00 am AEST. The number for Australian investors is 1800 093 431 and for international investors is +61 2 8047 9393. The conference ID is 48770657#.

Management Comments:

Executive director / CEO Lee-Martin Seymour said: "The results this quarter are testament to the sheer determination and hard work of the whole Xref team during the past 12 months. Achieving an operating surplus while growing our sales is achievement enough but adding integrations, new client wins and platform development is exceptional. We celebrated our 10th anniversary in December and have started 2021 in our strongest position to date. We are now lean and keenly focused on bringing new products to market at a time when the opportunity is expanding."

Executive director / CSO Tim Griffiths said: "The strategic decisions we made years ago have helped Xref combat pressures brought about by COVID-19 in 2020 and have positioned us well for the opportunities it has created. Our platform features, credit model, integration strategy and global reach have held up well against one of the biggest disruptions to the global economy. A particular highlight has been the growth and success of RapidID which, this quarter, has delivered a material contribution in both sales and net revenue."

Brad Rosser / Chairman said: "Staying focused on the core business has seen the Xref management team navigate the pandemic well. As the world returns to the new normal, Xref can take full advantage of its ability to scale without additional cost to achieve positive operating cash flow."

Appendix 4C item 6 explanatory note

As required by listing rule 4.7C.3 the amount of \$222k shown at item 6 within this quarters 4C is payment of directors fees & salaries to executive directors plus statutory entitlements.

Investor and media enquiries:

Presentation: xf1.com

Investor Centre: xref.com/en/investor-centre

Twitter: [@xf1](#)

Email: investors@xf1.com

Authorised by the Board: Xref Limited (ASX : XF1)

Xref Limited, Suite 17, 13 Hickson Road, Dawes Point, Sydney NSW 2000 Australia

Key points about Xref	
First mover advantage	Xref provided the first automated solution for the candidate referencing process and it is capitalising on its first-mover advantage by focusing on and investing for international growth.
Business model	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).
Global addressable market	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 and New Zealand

The Department of Education (NSW) - Early childhood, primary school, secondary school, vocational, adult, migrant and higher education in the state of New South Wales, Australia.

DHL Express - Founded in 1969, DHL is the world's leading logistics company. Employing 380,000 people in over 220 countries and territories.

Think Childcare in Australia - provides fair value childcare with the benefits of corporate ownership in the rapid growth and consolidation phase of the childcare sector in Australia. It employs more than 2,000 people across 78 Australian childcare centres.

Woolworths - Woolworths is an Australian chain of supermarkets and grocery stores owned by Woolworths Group. Founded in 1924 with 225,000 employees across 1,024 locations.

The United States and Canada

IRET - IRET is a real estate company focused on the ownership, management, acquisition, redevelopment, and development of apartment communities. As of March 31, 2020, it owned interests in 70 apartment communities consisting of 12,135 homes.

Cost-U-Less - Cost-U-Less operates warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean.

Compugen Inc. - Compugen is a system integrator offering IT infrastructure products and services to medium- and large-sized corporations and government organisations. As of July 2020, Compugen employed 1,400 staff across Canada and the United States in 11 offices.

Friendship Public Charter Schools - Friendship Public Charter School was founded in 1998 with a vision to provide families on the east side of Washington, DC with an opportunity for quality education. Today, Friendship Public Charter School has 11 campuses and serves more than 4,200 students.

Europe

ByrneLooby - Founded in 1998, ByrneLooby is an international firm providing world-class engineering solutions for unique and challenging construction projects.

Luminate - Established in 2018, Luminate is a global philanthropic organisation with the goal of empowering people and institutions to work together to build just and fair societies. To date, Luminate's global work has supported 296 organisations, in 17 countries with more than \$378 million in funding.

Norwegian Air - is a Norwegian low-cost airline and Norway's largest airline. It is the fourth largest low-cost carrier in Europe and employs more than 10,000 people.



Appendix 4C

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

Name of entity

Xref Limited

ABN

34 122 404 666

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,915	5,390
1.2 Payments for		
(a) research and development	(10)	(24)
(b) product manufacturing and operating costs	(379)	(764)
(c) advertising and marketing	(83)	(217)
(d) leased assets	(126)	(290)
(e) staff costs	(2,256)	(4,303)
(f) administration and corporate costs	(118)	(469)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	184	645
1.8 Other (provide details if material)		
- Upfront annual subscriptions paid	(98)	(258)
- GST for the period	(112)	(325)
- Net foreign exchange	20	14
1.9 Net cash from / (used in) operating activities	(58)	(594)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(4)	(21)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets - Website	(192)	(230)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	1	2
2.6	Net cash from / (used in) investing activities	(195)	(249)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	5,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(235)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(125)	(125)
3.10	Net cash from / (used in) financing activities	(125)	(4,640)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,112	2,937
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(58)	(594)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(195)	(249)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(125)	4,640
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,734	6,734

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,699	7,037
5.2	Call deposits	35	75
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,734	7,112

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	188
6.2	Aggregate amount of payments to related parties and their associates included in item 2	34

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	5,000	5,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	5,000	5,000
7.5 Unused financing facilities available at quarter end		-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

\$5m fully drawn facility with PURE Asset Management. 4-year term. 9.95% interest rate, interest to be paid every 3 months. No principal amortisation, repayable at maturity. Secured against assets of Xref Limited & subsidiaries. [ASX release 31 July 2020](#)

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(58)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,734
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,734
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	116.10
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: *Not Applicable*

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: *Not Applicable*

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: *Not Applicable*

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 19 January 2021

Authorised by: *The Board of Directors of Xref Limited*