



ASX Announcement

21 February 2022

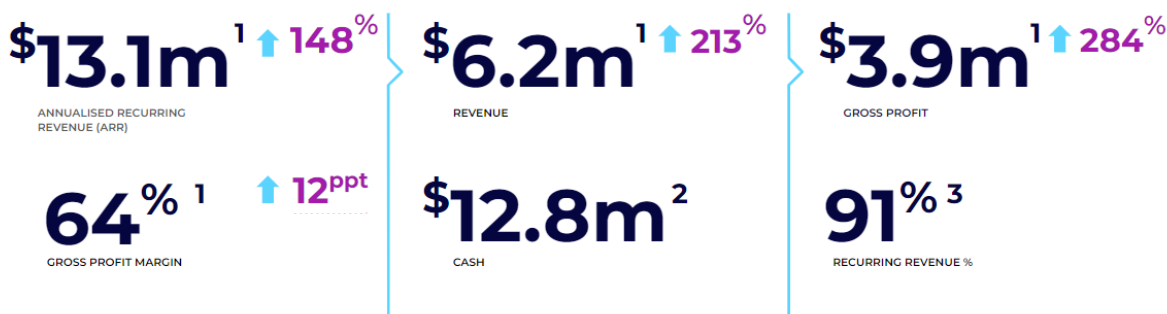
XPON reports continued strong performance across all key metrics for 1HFY22

XPON Technologies Group Ltd (ASX:XPON) (**XPON** or the **Company**), a marketing technology and cloud business providing mission-critical software and solutions to corporate and mid-tier enterprises in Australia, New Zealand, the United Kingdom and Europe, is pleased to release its Appendix 4D and half yearly report for the six-month period ended 31 December 2021 (1H FY22).

Highlights

- Annualised Recurring Revenue (ARR) grew to **\$13.1m** at 31 December 2021, up 148%¹ YoY
- 1H FY22 revenue of **\$6.2m**, up 213% YoY
- Gross profit margins expanded to **64%** for 1H FY22, up **12** ppts; Gross profit of **\$3.9m**, an increase of 284% YoY
- **91%**² of revenue from recurring sources;
- **131%** revenue retention at December 31 2021 and LTV/CAC ratio of **22x**
- Investments made in talent and technology underpin future growth

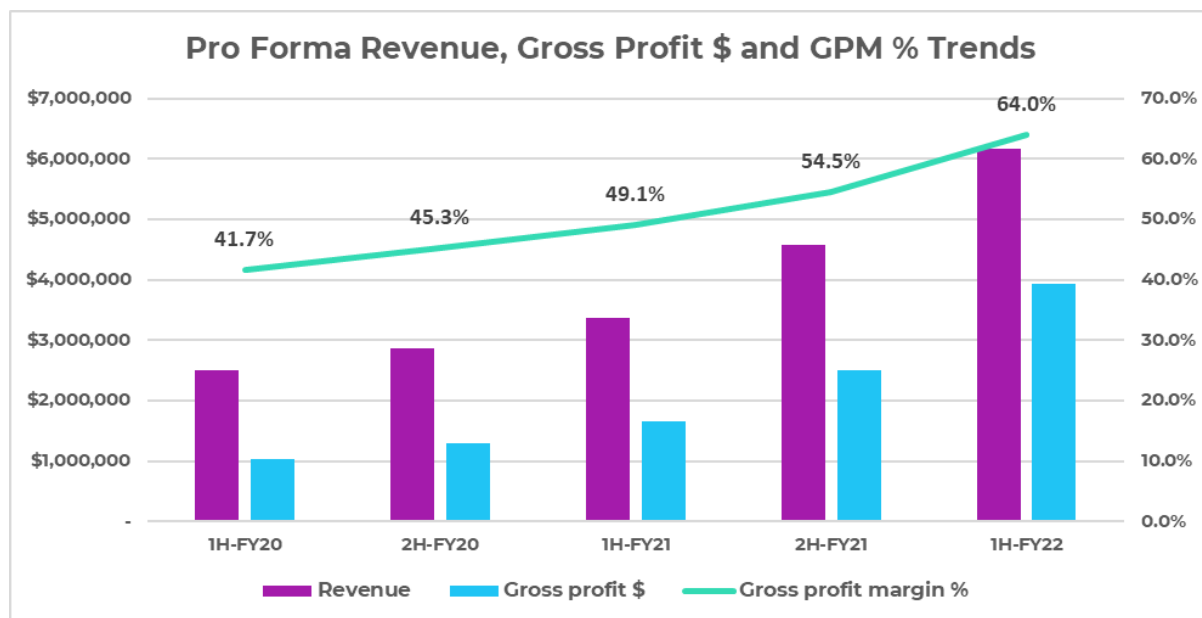
Key Metrics



¹ 1H FY22 vs 1H FY21 for ARR, revenue, Gross Profit, Gross Profit Margin.

² Recurring revenue % - recurring revenue as a percentage of total revenue for the half year ended 31 Dec 2021

Strong Growth Continues



The product-market fit of XPON's full marketing and CX stack along with our core capability to rapidly generate value for customers, continues to generate strong financial outcomes as XPON lands and expands customers. Since 1H-FY20, on a like-for-like basis, the company has generated 57% CAGR revenue growth. Over the same period, scale benefits, efficiencies in service delivery, and growth in higher margin products and solutions has enabled gross profit to grow at a 94% CAGR, and gross margin to expand by 22.3ppts to 64%.

1H FY22 Financial Highlights

During 1H FY22, revenue increased by 213% YoY to \$6.3m, primarily driven by organic growth and assisted by the contribution from the Internetrix acquisition, completed on 5 June 2021. 16 new corporate and enterprise customers were landed and 13 customers expanded into new products and services, which enabled XPON's revenue retention rate to climb by 12ppts YoY to 131%. In tandem, the opportunity pipeline grew by 31% across the period.

Gross profit increased by 284% YoY to \$3.9m, and gross margin expanded by 12ppts to 64% over the half.

Excluding IPO related expenses (of \$1.8m), operating expenses were \$5.5m for the period (up 174% YoY.) The increase was driven by the addition of Internetrix into the group, as well as implementing the Company's growth strategy, including investment in sales and marketing and operating capacities as the company evolves as a listed group entity.

Adjusted EBITDA³ for the period stood at (\$1.5m), a reduction from (\$893k) for the same period in FY20, and in line with the Company's strategy to invest for growth.

The Company's cash balance at the end of 1H FY22 was \$12.8m, including net proceeds from the IPO of \$10.2m (\$12.5m in funds from the IPO, less one-off IPO related costs of \$2.3m).

Founder, Managing Director and Group CEO Matt Forman commented, "We're pleased to report strong growth metrics for our inaugural interim results as a publicly listed company."

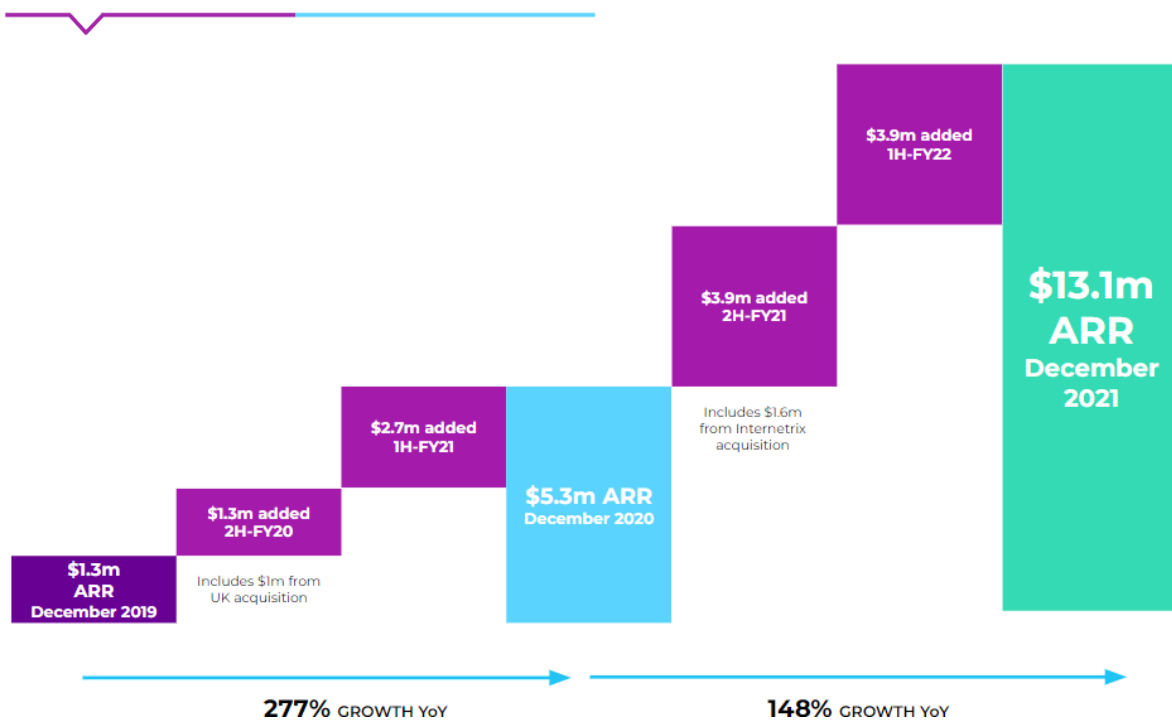
"As we continue to land and expand customers, the product-market fit of XPON's marketing & CX stack along with our core capability to rapidly generate value for customers, underpins our pleasing increase in annualised recurring revenue, which finished up 148% YoY at \$13.1m and has generated 217% CAGR growth over the last two years.

"With a total addressable market for Australia and Europe⁴ estimated to be valued at \$201b by 2025 and strong tailwinds, the opportunity for XPON to support new and existing customers is significant. As we move further into 2H FY22, we continue to invest in ramping up our teams to ensure we're landing, expanding and retaining customers. We'll also be focused on optimising our product and customer mix to drive further positive trends in our gross margins."

³ Adjusted EBITDA is calculated by adding back IPO transaction related expenses.

⁴ Source: Frost & Sullivan Independent Market Report, XPON Prospectus December 2021. | Note: Figures are for Australia & Europe markets only. CAGR calculated over 5 year period 2020 - 2025

ARR Growth



1H FY22 Execution Milestones

Through 1H FY22, XPON grew the business and executed on a number of key milestones:

- Completed oversubscribed ASX initial public offering, raising \$12.5m with strong support from institutional, high net worth and retail investors
- Successfully completed the integration of Internetrix acquisition, consolidating Internetrix and XPON's existing Datisan business into XPON Technologies AU/NZ, and growing overall margin base
- Subsequently renewed and expanded key Internetrix customers including Carsales, Dominos Pizza and Webjet (February 2022) as well as increased the blended gross margin across both businesses
- Experienced technology leader and ASX director, Tim Ebbeck was appointed to the Board of XPON as Non-Executive Director, providing additional leadership through XPON's ASX listing and beyond
- Key operational roles were added through the period, including Chief Marketing & Experience Officer, Head of Group Operations and Corporate Strategy Director
- XPON Technologies AU/NZ won the "Best Customer Use Case" award at the 2021 AU/NZ Google Marketing Platform Partner Awards. The Best Customer Use Case is awarded to a partner who best executed a strategy that used technical creativity to resolve their client's challenges using Google

Marketing Platforms. The strategy also included implementation of Wondaris customer data platform

- Integrated the Wondaris platform with Fivetran, enabling over 180 new data connectors to accelerate data ingestion and management for customers
- Wondaris was recognised as a Finalist in the ARN Innovation awards for 2021 in the Start-up Innovation category
- Successful review and audit of Wondaris' security systems and procedures for ISO 27001. Accreditation received Feb 2022

Outlook

Macro tailwinds currently supporting growth of the XPON business include:

- The increased data privacy and security regulation by governments;
- The continued degradation of 3rd party advertising cookies;
- The increased demand for personalised experience by end consumers; and
- An increased awareness and interest around Extended Reality (XR) and the journey to the Metaverse based around XPON's Holoscribe platform

Heading further into 2H FY22, XPON maintains a positive outlook based on the following core activities:

- Strategic investment in additional sales and marketing capability to accelerate the XPON pipeline and land new customers
- Continue ramping sales teams in Australia, New Zealand and UK, to drive increases in new landed customers (in line with the enterprise sales cycle)
- Continued focussed on product and customer mix to accelerate gross margin expansion
- Steadily increasing customer revenue retention, validating the Company's expand approach to grow alongside its customers
- Ongoing product development against the XPON roadmap to extend integrations and the Wondaris ecosystem
- Continued investment in people programs to support scaling of the business

This announcement was approved by the Board of Directors of XPON Technologies Group Limited ACN 635 810 258

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About XPON



XPON Technologies Group Ltd ACN 635 810 258 (ASX: XPN) (“XPON”) is a founder-led Marketing Technology and Cloud Business providing mission-critical services and software solutions to corporate and mid-sized enterprises in Australia, New Zealand, the United Kingdom and Europe.

Our mission is to help customers better leverage their first party data by deploying the XPON Marketing & CX technology stack and accelerate the modernisation of their marketing and customer experience capabilities.

XPON helps customers modernise their marketing and customer experience technologies, offering modern architecture and ready-to-deploy platforms like Wondaris[®] and Holoscribe[®]. Wondaris[®] is XPON’s Customer Data Platform that centralises customer and marketing data, leveraging Artificial Intelligence for automated advertising activation, and Holoscribe[®] is XPON’s Extended Reality (XR) platform for quick and easy publishing XR and 360-degree content.

For more information visit xpon.ai

Glossary

Annualised Recurring Revenue (ARR):	represents monthly contracted recurring revenue multiplied by 12. An annualised measure of the revenue that XPON expects to earn from its customers on a repeatable basis. This metric shows the impact of new customer contracts less any churn from customers leaving or downgrading their contracts.
Customer Acquisition Costs (CAC):	calculated by total customer acquisition costs spent on acquiring customers over the last 12 month period divided by the number of customers acquired during the period. It includes 80% of the salary costs of all sales & marketing team members and 100% of sales commissions, advertising costs, costs for customer marketing activities and resources.
CAC Payback:	the average number of months that it takes for XPON to receive back its customer acquisition costs.
Customer Revenue Retention Rate (CRRR):	the percentage of recurring revenue retained from existing customers over the last 12 months. This accounts for increased revenue from existing customers utilising more of XPON's solutions and lost revenue due to churned customers.
Lifetime Value (LTV):	LTV per customer is the gross profit expected on average from a recurring customer over their lifetime. This is calculated by taking the average customer lifetime (1 minus the monthly retention rate to get monthly churn, then 1 divided by churn) multiplied by ARPC, multiplied by the gross margin percentage for the last quarter. Total LTV represents the total gross profit XPON expects to receive from its current recurring customer base by taking the average LTV per customer and multiplying it by the number of recurring customers.
LTV/CAC Ratio:	LTV divided by CAC, expressed as a ratio to indicate the net return on the cost of acquiring a customer on average, after cost of sales and before operating expenses.
Year-on-Year (YoY) ARR Growth Rate (%):	shows the change in XPON's ARR over a rolling 12-month time frame. This metric demonstrates the impact of the acquisition of new customers, the retention of customers and the expansion of existing customer contracts less any churn from customer's leaving or downgrading their contracts over a 12-month time frame.
Recurring Revenue	revenue realised from the sale of software licences, managed service subscriptions and usage fees.
Non Recurring Revenue	revenue realised from the sale of one-off project services, onboarding and implementation fees.