



## ASX Announcement

22 April 2022

### XPON Q3 FY22 activity report and Appendix 4C<sup>1</sup>

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 quarterly activity report and Appendix 4C quarterly cash flow statement for the three-month period ended 31 March 2022.

### Highlights

---

- ARR of **\$14.5m** as at March 2022, up 183% YoY<sup>2</sup> from March 2021 (up 104% on a like-for-like<sup>3</sup> basis)
- Consistently solid unit economics throughout Q3 FY22 including **140%** revenue retention reinforces strong customer lifetime value.
- Gross margin continued to expand to **66%** for Q3 FY22, up 12 ppts compared to Q3 FY21 on a like-for-like basis.
- Q3 FY22 revenue of **\$3.4m**, up 133% YoY (up 60% on a like-for-like basis).
- 90% of revenue in the quarter was recurring
- Gross profit of **\$2.2m**, an increase of 145% YoY (up 97% on a like-for-like basis)
- 8 new customers landed and 10 existing customers expanded during the quarter
- Cash balance of **\$11.1m**, providing balance sheet strength for ongoing investment in growth
- 5 new sales and marketing team members onboarded, primarily in February and March

---

<sup>1</sup> Unaudited

<sup>2</sup> Internetrrix was acquired on 5th June 2021.

<sup>3</sup> Includes historical financials on a proforma basis of Internetrrix as if it were part of XPON as a combined entity.

## Key Financial Metrics

	Q3 FY22 (actual)	Q3 YoY (actual)	Q3 YoY (like-for-like)
<b>ARR</b>	\$14.5m	183%	104%
<b>Revenue</b>	\$3.4m	+133%	60%
<b>Gross profit</b>	\$2.2m	145%	97%
<b>Gross margin</b>	66%	3 pts	12 pts

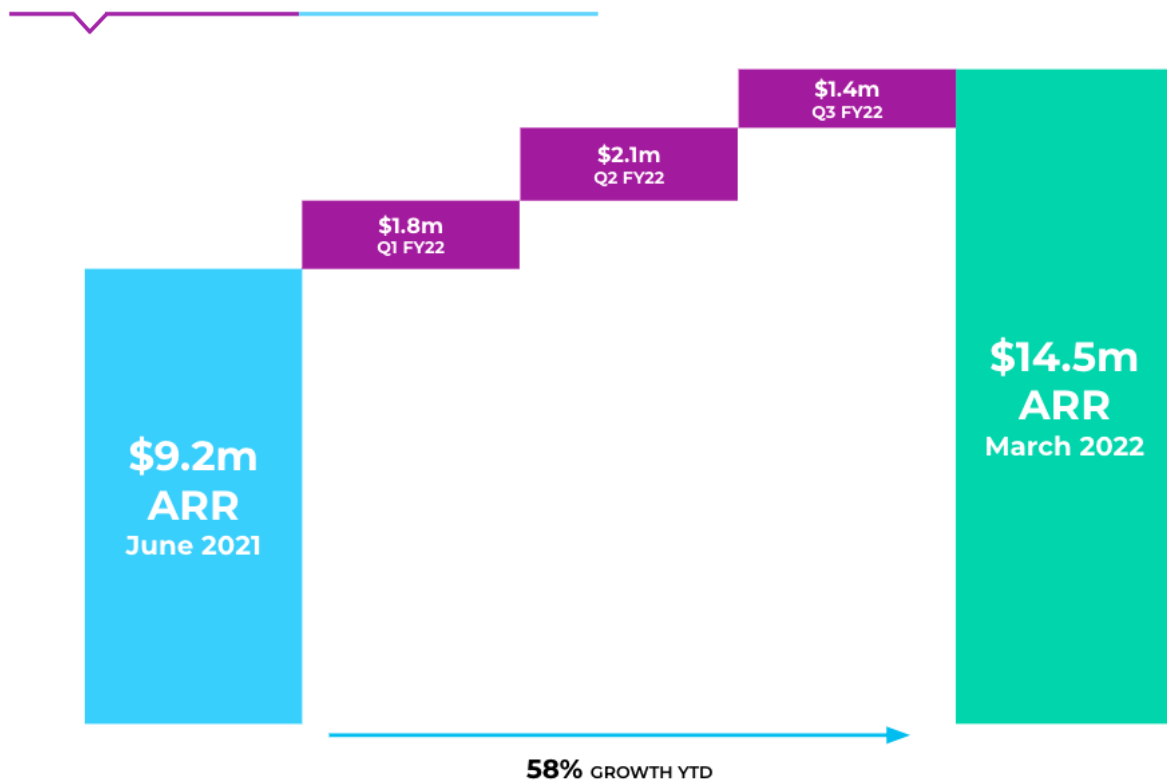
Founder, Managing Director and Group CEO Matt Forman noted, “it is very pleasing to see that the growth momentum achieved in Q2FY22 has continued into Q3.”

“During the quarter XPON onboarded eight new customers and expanded our product and service offerings to 10 existing customers, which assisted in ARR growing a further \$1.4m in the quarter to \$14.5m.”

“With the investment from the IPO, XPON has now commenced scaling its marketing and sales teams. During the period, we onboarded 5 sales and marketing personnel, including three business development managers (BDMs). This expanded team will be instrumental in driving customer and revenue growth into the future.”

“I believe we remain well positioned to meet our growth objectives, with our unit economics reinforcing strong customer lifetime value.”

## ARR Growth

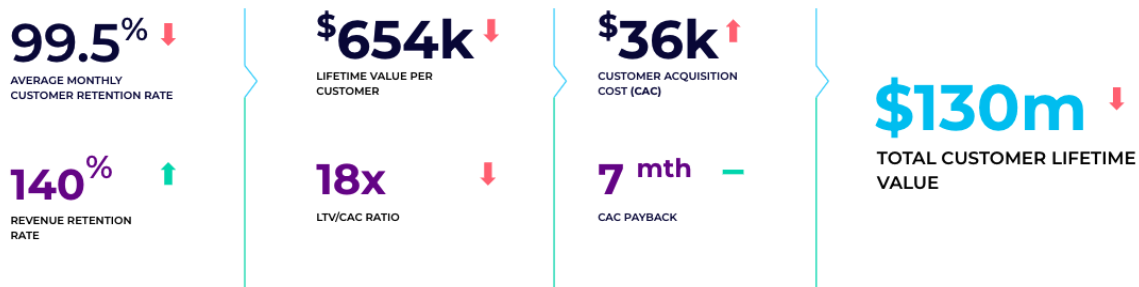


XPON added \$1.4m in ARR during the quarter to finish March 2022 at \$14.5m. ARR growth was 183% YoY and up 104% on a like-for-like basis. Year to date, ARR has grown by 58% or \$5.3m.

During the quarter, XPON won eight new customers and expanded 10 customers, taking new customer wins to 24 and expanded customers to 23 for the year to date.

## Unit Economics

XPON continues to exhibit compelling unit economics, including customer and revenue retention, underpinned by the successful 'land and expand' strategy.



Unit economic highlights include:

- **Average Monthly Customer Retention Rate** at 99.5% during the quarter.
- **Revenue Retention Rate** increased 9 pts to 140% from 131% in Q2 FY22 as 10 existing customers expanded the number of products and services they use across the Company's full Marketing and CX stack
- The calculated metric of **Lifetime Value Per Customer** reduced 16% to \$654k, similarly the **Total Lifetime Value** reduced 15% to \$130m. This was due to the 0.1 pts decrease in Customer Retention Rate from Q2 FY22.
- **Customer Acquisition Costs (CAC)** increased slightly, in-line with the Company's expectations to \$36k, up from \$35k in Q2 FY22. This was primarily due to the investment in growth, with 3 BDMs added towards the end of the quarter. The Company expects attractive payback on this investment in future periods, especially with the customer retention and revenue retention metrics outlined above.
- **LTV / CAC Ratio** was 18x, down from 22x in Q2 FY22. **CAC Payback** was consistent with the previous quarter at seven months.

## Q3 FY22 Execution Milestones

---

In Q3 FY22, the team achieved a number of key milestones:

- Increased its headcount by 21 people, bringing total global headcount to 116. This represents an increase of 18% over the quarter.
- Onboarded 5 new sales and marketing team members with 3 BDMS commencing towards the end of the quarter.
- Appointed first business development manager in New Zealand to focus on growing this market commencing Q4 FY22.
- Achieved Net Promoter Score (NPS) of 84 from clients surveyed during the quarter.
- Successful attained ISO27001 certification for information security management for the Wondaris customer data platform.

## Cash Flow

---

Receipts from Customers was \$3.8m for the Q3 FY22, up 81% on Q3FY21, assisted by \$1.9m of payments in January 2022, due in Q2 FY22, but disrupted by the Christmas and New Year holiday period. For the nine months to Mar 2022, receipts totalled \$9.3m, up 61% on the previous corresponding period.

Net cash flows from operating activities for Q3 FY22 was (\$1.6m). Staff costs increased to \$2.6m, as XPON expanded its team and administration and corporate costs of \$1.4m which includes a one-off cost of \$0.7m for Prospectus Liability Insurance.

The Company's cash balance at the end of Q3 FY22 was \$11.1m, a decline of \$1.6m from Q2 FY22.

As detailed in Item 6.1 of the Appendix 4C, payments to related parties and their associates during the quarter totalled \$80k comprising Directors fees, people and culture consulting associate of CEO and motor vehicle leasing and operating costs for the CEO.

## Outlook

---

With 16 customers added over the last 2 quarters, XPON continues to build momentum and remains positive on its outlook with respect to ARR growth while demonstrating strong underlying customer profitability.

Heading into the last quarter of 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 focus 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.

## Webinar Invitation - Investors and Analysts

---

XPON invites investors and analysts to attend an online briefing to be presented by Founder, Managing Director and Group CEO, Matt Forman, and CFO Leanne Wolski, at 11.00am (AEST). This will be followed by a Q+A session.

Participants can pre-register ahead of time via the following link:  
[https://us02web.zoom.us/webinar/register/WN\\_9kEBarQORLOgUTmqLwPMMg](https://us02web.zoom.us/webinar/register/WN_9kEBarQORLOgUTmqLwPMMg)

Once the registration form is completed, investors will receive a confirmation email with details on how to access the briefing.

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

**-ENDS-**

For further information, please contact:

[investors@xpon.ai](mailto:investors@xpon.ai)

For media inquiries, please contact:

[marketing@xpon.ai](mailto:marketing@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.
Monthly Retention Rate:	the percentage of customers that are retained on a monthly basis and are not lost due to customer churn over the last 12 months (and divided by 12 to get a monthly view).

## Appendix 1: Use of Funds

Pursuant to Listing Rule 4.7C.2, the Company confirms that, in the month since listing on the ASX, it has incurred expenditure largely in line with the Use of Proceeds set out in its Prospectus, as detailed below. The Company is well funded to achieve its strategic objectives and planned activities.

Use of Funds	Prospectus			Actual to date	Comments
	Year 1	Year 2	TOTAL		
<b>Expenses of the Offer</b>	\$1,801,587	-	\$1,801,587	\$2,181,162	XPON acquired a multi (7yrs) prospectus liabilities insurance policy instead of annual as it is more cost effective for the company
<b>Sales &amp; Marketing</b>	\$2,038,500	\$5,075,000	\$7,113,500	\$172,933	Marketing investment and customer acquisition costs including new team members
<b>Expansion of product development and delivery capacity</b>	\$495,000	\$1,065,000	\$1,560,000	\$31,625	Additional team members to expand product development and delivery capacity
<b>Capital expenditure</b>	\$150,000	\$300,000	\$450,000	\$23,024	Tools (laptops etc) for new employees
<b>General working capital</b>	\$660,000	\$914,913	\$1,574,913	\$492,758	
<b>TOTAL</b>	<b>\$5,145,087</b>	<b>\$7,354,913</b>	<b>\$12,500,000</b>	<b>\$2,901,502</b>	



## Appendix 4C

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

#### Name of entity

XPONENTIAL TECHNOLOGIES GROUP LIMITED

#### ABN

37635810258

#### Quarter ended ("current quarter")

31/03/2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.0</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3,788	9,340
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,049)	(1,812)
	(c) advertising and marketing	(305)	(852)
	(d) leased assets	(36)	(101)
	(e) staff costs	(2,598)	(5,612)
	(f) administration and corporate costs	(1,384)	(3,893)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	69
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,583)</b>	<b>(2,862)</b>
<b>2.0</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(23)	(78)
	(d) investments	0	(189)
	(e) intellectual property	(22)	(40)
	(f) other non-current assets	-	-
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(45)</b>	<b>(307)</b>

<b>3.0</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	12,500
3.2	Proceeds from issue of convertible debt securities	-	1,110
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(986)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5)	(13)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.1</b>	<b>Net cash from / (used in) financing activities</b>	<b>(5)</b>	<b>12,611</b>

<b>4.0</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	12,763	1,722
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,583)	(2,862)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(45)	(307)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5)	12,611
4.5	Effect of movement in exchange rates on cash held	2	(33)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>11,132</b>	<b>11,132</b>

<b>Reconciliation of cash and cash equivalents</b>		<b>Current quarter</b>	<b>Previous quarter</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>SA'000</b>	<b>SA'000</b>
5.0			
5.1	Bank balances	11,132	12,763
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>11,132</b>	<b>12,763</b>

<b>6.0</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter</b>
------------	---	------------------------

		SA'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	80
6.2	Aggregate amount of payments to related parties and their associates included in item 2	NA

*Note: Payments in 6.1 relates to Directors fees, people and culture consulting / employee associate of CEO and motor vehicle leasing and operating costs for the CEO.*

Financing facilities	Total facility amount at quarter end SA'000	Amount drawn at quarter end SA'000
<b>7.0</b>	<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>	
7.1	92	92
7.2	-	-
7.3	-	-
<b>7.4</b>	<b>Total financing facilities</b>	<b>92</b>
<b>7.5</b>	<b>Unused financing facilities available at quarter end</b>	
-		
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.		
<b>7.6</b>	<b>National Westminster Bank plc</b> The Group has a loan with National Westminster Bank plc at an interest rate of 2.5% for a term of 6 years. The bank debt is unsecured as part of the BBLS created by the UK Government in response to Covid-19.	

8.0	Estimated cash available for future operating activities	SA'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,583)
8.2	Cash and cash equivalents at quarter end (item 4.6)	11,132
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	11,132
<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>		<b>7</b>
<b>8.5</b>	<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>	
<b>8.6</b>	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: N/A		
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: N/A		
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: N/A		
<i>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.</i>		

## 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: 22 April 2022

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.