



## ASX Announcement

21 October 2022

### XPON Q1 FY23 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 30 September 2022.

#### Key Financial Highlights - Q1 FY23

- ARR of **\$18.2m** as at Sept 2022, up 11% on June 2022 levels, and up 66% YoY
- Record quarterly revenue of **\$4.3m**, up 16% QoQ and 44% YoY
- Revenue retention up 12 ppts QoQ and 55 ppts YoY to **172%**
- Record quarterly gross profit of **\$3.0m**, an increase of 22% QoQ and 61% YoY
- Gross margin continued to expand to **69%**, up 3 ppts QoQ and 7 ppts YoY
- Recurring revenue of 99.8% for Q1 FY23, up 1.8 ppts from Q4 FY22 and up 12% YoY
- **10** new customers landed and **14** existing customers expanded during the quarter
- Net cash outflows from operating activities improved by \$1.3m from Q4 FY22 to an outflow of \$1.3m in Q1 FY23
- Cash balance of **\$6.9m** down from \$8.2m as at 30 June 2022, and on-track for continued investment in growth and achievement of targeted cashflow break-even in FY24

#### Key Financial Metrics

	Q1 FY23	Q4 FY22	Q1 FY22
ARR	\$18.2m	+11%	+66%
Revenue	\$4.3m	+16%	+44%

<sup>1</sup> Unaudited

<b>Gross profit</b>	\$3.0m	+22%	+61%
<b>Gross margin</b>	69%	+3 ppts	+7 ppts

Founder, Managing Director and Group CEO Matt Forman noted, "It is very pleasing to see continued strong growth in Q1 FY23. XPON finished the quarter with a \$1.8m increase in ARR to \$18.2m, up 11% on the previous quarter and up 66% on the previous corresponding period."

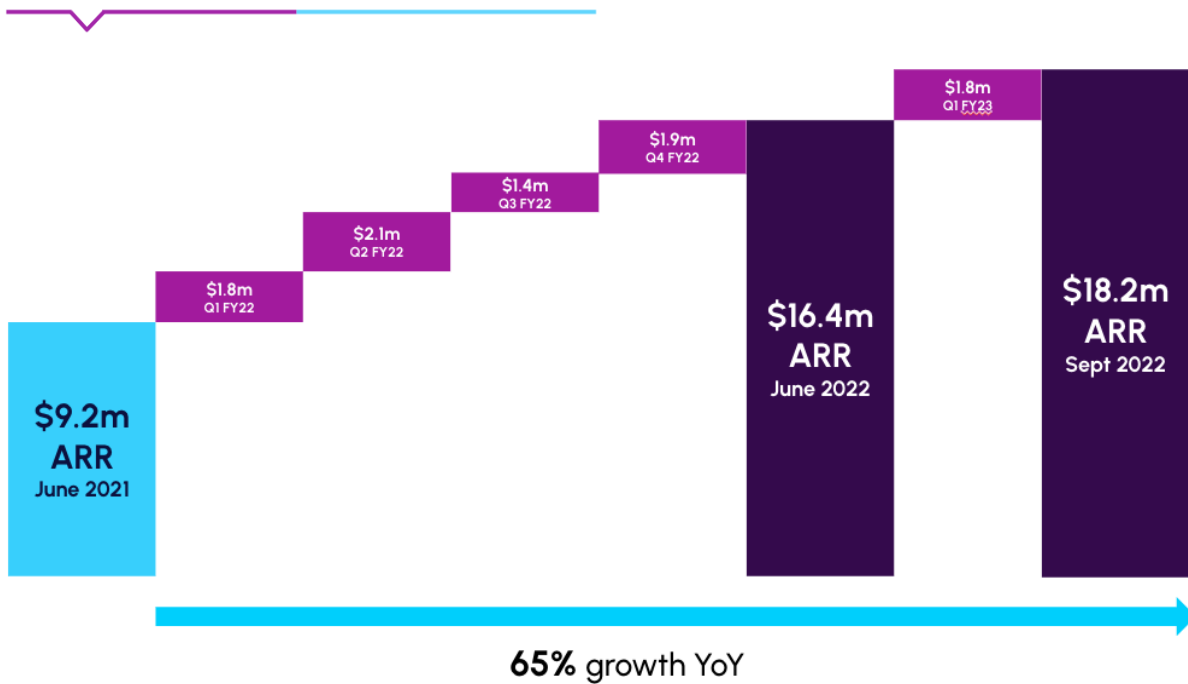
"XPON maintained momentum during the quarter. Revenue climbed 16% to \$4.3m, gross profit was up 22% to \$3.0m and gross profit margin rose a further 3 ppts to 69%, on the previous quarter."

"Our unit economics remain compelling with our revenue retention rate growing a further 12 ppts to 172% during the quarter and our average customer retention rate remaining relatively consistent at 99.4%."

"As expected, our Customer Acquisition Costs (CAC) climbed by \$14k to \$57k, as we continued to invest in our sales and marketing capabilities. With much of our investment phase now complete, we expect that CAC should continue to sit within our targeted payback range of 12 months or less."

"Our balance sheet remains strong and our cash balance on-track to drive organic growth and achieve our target of cashflow break-even in FY24."

## ARR Growth



XPON added \$1.8m in ARR during the quarter to finish Sept 2022 at \$18.2m. ARR growth was +11% QoQ and +66% YoY. Over 12 months ARR has grown by \$7.2m.

During the quarter, XPON won 10 new customers and expanded 14 existing customers.

## Unit Economics

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

**99.4%**

AVERAGE MONTHLY  
CUSTOMER RETENTION RATE

**\$639k**

LIFETIME VALUE PER  
CUSTOMER

**\$57k**

CUSTOMER ACQUISITION  
COST (CAC)

**\$136m**

TOTAL CUSTOMER  
LIFETIME VALUE

**172%**

REVENUE RETENTION RATE

**11x**

LTV/CAC RATIO

**9<sup>mth</sup>**

CAC PAYBACK

Unit economic highlights include:

- **Average Monthly Customer Retention Rate** was consistent at 99.4% during the quarter.

- **Revenue Retention Rate** increased 12 ppts to a record 172% from 160% in Q4 FY22, as 14 existing customers expanded the number of products and services they use across the Company's full Marketing and CX stack.
- **Total Lifetime Value** remained flat on the previous quarter at \$136m. A lower Lifetime Value per customer due to slight decrease in customer monthly retention rate and was offset by growth in gross margin and average revenue customers.
- **Customer Acquisition Costs (CAC)** increased by \$14k to \$57k on Q4 FY22. This was in-line with the Company's expectations and due to increased investment in sales and marketing.
- **LTV / CAC Ratio** was 11x, down from 16x in Q4 FY22 and the **CAC Payback** also declined by 1 month to 9 months, due to the higher CAC over the quarter. We expect that CAC should continue to sit within our targeted payback range of 12 months or less.

## Q1 FY23 Execution Milestones

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In Q1 FY23, the team achieved a number of key milestones:

- Record financial metrics including ARR, revenue, revenue retention rate, gross profit and gross profit margin.
- Appointment of Independent Non-executive Director Jodie Leonard to the Board. Jodie is an experienced ASX director with expertise in technology, financial services, consumer goods and the media/entertainment industries.
- Appointment of Matt Daniels as Chief Technology and Security Officer for the group.
- Successful completion of our registered Vietnam office with the Department of Industry and Trade, further supporting our employees in Vietnam.
- Achievement of Premium Partner Status in the AUNZ Google Cloud Partner program.
- Exited the quarter with a global headcount of 141<sup>2</sup>.
- Above benchmark Net Promoter Score (NPS) of 84.5 from clients surveyed during the quarter.

## Cash Flow

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Net cash flows from operating activities for Q1 FY23 was (\$1.3m), an improvement of \$1.3m from Q4 FY22.

Receipts from customers were \$3.9m for Q1 FY23, up 32% on Q4 FY22.

Payments to suppliers, employees and others were \$5.2m for Q1 FY23, down 7% on FY22.

The Company's cash balance at the end of Q1 FY23 was \$6.9m, a decline of \$1.3m from Q4 FY22. XPON remains confident that its current cash position is on-track to drive organic growth and achieve our target of cashflow break-even in FY24.

As detailed in Item 6.1 of the Appendix 4C, Payments to related parties and their associates during the quarter totalled \$39k comprising Directors fees, people and culture consulting, and motor vehicle costs.

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<sup>2</sup> Includes 13 on-demand contractors.

## Outlook

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FY23 has commenced strongly. We continue to build momentum and scale and remain positive on the outlook for the balance of the year.

During FY23, XPON maintains a strategic focus on the following priorities:

- Maintaining organic growth momentum while achieving target of cashflow break-even in FY24.
- Ongoing product development against the XPON roadmap to extend integrations and the Wondaris ecosystem.
- Strategic investment in people and operations to support scaling of the business.
- Continued focus on product and customer mix to accelerate gross margin expansion
- Continued focus on developing sales and marketing capability to accelerate the XPON pipeline and land new customers.
- Steadily increasing customer revenue retention, and continuing to execute on its land and expand strategy with its customers.
- Leveraging Google channel partnership to further validate new customer segments for the Wondaris ecosystem.

## Annual General Meeting

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XPON invites shareholders to attend its inaugural Annual General Meeting, scheduled for 10.30am (AEDT) on Monday, 24 October 2022. The meeting will be conducted as a hybrid meeting. Those wishing to attend in person are invited to the offices of Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000.

A virtual meeting option will also be provided. Please click on the following link below to register your interest in attending using the online platform:

[https://us02web.zoom.us/webinar/register/WN\\_SrzEFIE8Q0qzZyyExjQ5-w](https://us02web.zoom.us/webinar/register/WN_SrzEFIE8Q0qzZyyExjQ5-w)

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

**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

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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.



## Appendix 1: Use of Funds

Pursuant to Listing Rule 4.7C.2, the Company confirms that, in the 10 months 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	\$1,077,180	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	\$515,525	Additional team members to expand product development and delivery capacity
<b>Capital expenditure</b>	\$150,000	\$300,000	\$450,000	\$140,139	Tools (laptops etc) for new employees
<b>General working capital</b>	\$660,000	\$914,913	\$1,574,913	\$806,926	Streamline payment terms for contractors to be consistent with the Group and general OPEX costs including new team members
<b>TOTAL</b>	<b>\$5,145,087</b>	<b>\$7,354,913</b>	<b>\$12,500,000</b>	<b>\$4,720,932</b>	

## Appendix 4C

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

**Name of entity**

XPON TECHNOLOGIES GROUP LIMITED

**ABN**

37635810258

**Quarter ended ("current quarter")**

30/09/2022

Consolidated statement of cash flows		Current Quarter \$A'000	Year to date (3 months) \$A'000
<b>1.0</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3,885	3,885
1.2	Payments for		
	(a) research and development	(320)	(320)
	(b) product manufacturing and operating costs	(1,345)	(1,345)
	(c) advertising and marketing	(361)	(361)
	(d) leased assets	(29)	(29)
	(e) staff costs	(2,567)	(2,567)
	(f) administration and corporate costs	(560)	(560)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	(0)	(0)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,295)</b>	<b>(1,295)</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	(31)	(31)
	(d) investments	-	-
	(e) intellectual property	-	-
	(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>(31)</b>	<b>(31)</b>

<b>3.0</b>	<b>Cash flows from financing activities</b>		
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	-	-
3.6	Repayment of borrowings	(6)	(6)
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>(6)</b>	<b>(6)</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	8,237	8,237
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,295)	(1,295)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(31)	(31)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6)	(6)
4.5	Effect of movement in exchange rates on cash held	12	12
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,916</b>	<b>6,916</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>\$A'000</b>	<b>\$A'000</b>
5.1	Bank balances	6,916	8,237
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>6,916</b>	<b>8,237</b>

<b>6.0</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current Quarter</b>
		<b>\$A'000</b>

6.1	Aggregate amount of payments to related parties and their associates included in item 1	39
6.2	Aggregate amount of payments to related parties and their associates included in item 2	NA

*Note: Payments in 6.1 relates to employee associate of CEO and motor vehicle leasing and operating costs for the CEO.*

<b>Financing facilities</b>		<b>Total facility amount at quarter end</b>	<b>Amount drawn at quarter end</b>
		<b>\$A'000</b>	<b>\$A'000</b>
7.0	<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	Loan facilities	92	92
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>92</b>	<b>92</b>
7.5	<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.			
7.6	<p><b>National Westminster Bank plc</b>  The Group has a loan with National Westminster Bank plc at fixed 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.</p>		

<b>8.0</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,295)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,916
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,916
	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>5</b>
8.5	<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: 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	

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: 21 October 2022  
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Authorised 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.