



## ASX Announcement

21 February 2023

### Continued Revenue gains and Gross Profit achieved<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 Appendix 4D and half yearly report for the six-month period ended 31 December 2022 (IH FY23).

#### Key Highlights - IH FY23

- ARR of **\$18.2m** as at Dec 2022, up 39% YoY
- Revenue of **\$8.9m**, up 44% YoY
- Increased gross profit of **\$6.1m**, up 55% YoY
- Maintained solid gross margin at **69%**, up 5 ppts YoY
- Recurring revenue at **99.6%**, up 7% YoY.
- **19** new customers landed and **25** existing customers expanded during the half<sup>2</sup>
- Cash balance of **\$7.0m** down from \$8.2m as at 30 June 2022, inline with projections
- XPON remains on track for continued growth and achievement of **targeted cashflow break-even in FY24**

Founder, Managing Director and Group CEO Matt Forman reiterated remarks from last month's quarterly reporting announcement, "It is very pleasing to see the team continuing to execute in line with our strategy. XPON closed out IH FY23 maintaining strong revenue and gross profit, with growth across nearly all metrics, in tandem with substantial industry recognition."

"As we commence 2H FY23, we are pleased to have achieved a key milestone with a major enterprise client, following the successful delivery of an application modernisation core platform in January 2023, with strong customer satisfaction. We are currently working with the

---

<sup>1</sup> Revenue, Gross profit, Gross profit margin and Cash are audited. All other metrics are unaudited

<sup>2</sup> 21 unique customers expanded during the half.

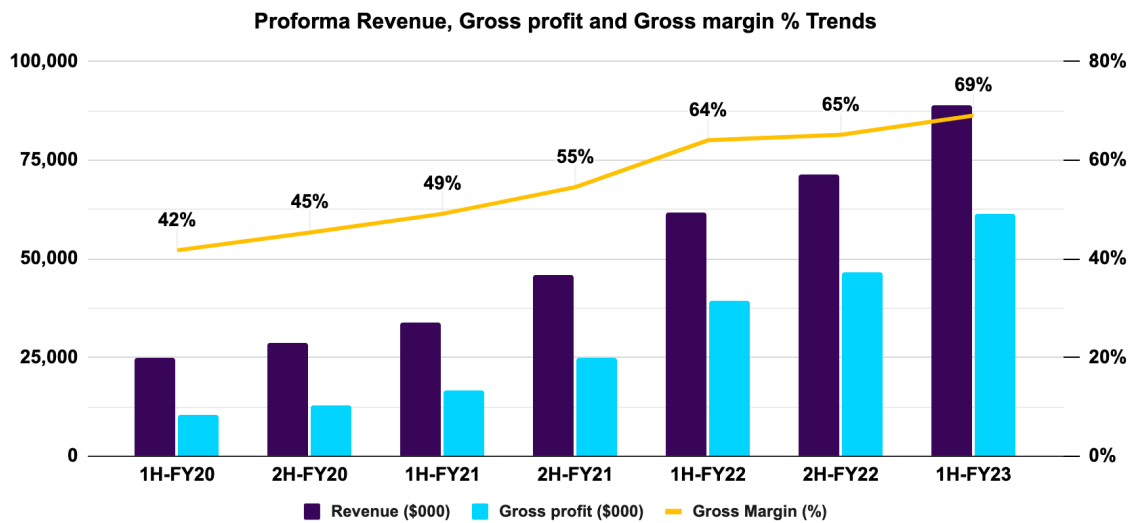
client to finalise next steps to rollout the onboarding of the entire portfolio of businesses across the enterprise to the platform, the timing of which may have some further short-term impacts on ARR and revenue."

### Key Half-yearly Financial Metrics - 1H FY23 vs 1H FY22

	1H FY23	1H FY22
<b>ARR</b>	\$18.2m	+39%
<b>Revenue</b>	\$8.9m	+44%
<b>Gross profit</b>	\$6.1m	+55%
<b>Gross margin</b>	69%	+5 pts
<b>Adjusted EBITDA</b>	(\$3.1m)	+102%
<b>Cash at Bank</b>	\$7.0m	-15%

- ARR at December 2022 was \$18.2m, a growth rate of +39% YoY, adding \$5.1m over the previous 12 months
- Revenue increased by 44% to \$8.9m, assisted by the benefit of 19 landed customers and 25 expanded customers over the period, but tempered by softening in Q2 FY23 usage fees (less than 10% of overall revenue), due to macroeconomic factors, resulting in a slowdown in client advertising spend on the Google Marketing Platform
- Gross profit grew by 55% to \$6.1m and gross margin expanded by 5 pts, assisted by operating leverage achieved from scale benefits, with some minor impact from lower usage fees
- EBITDA losses increased by 102% to (\$3.1m), primarily due to operating expenses increasing by 70% to \$9.3m. This is consistent with the Group's growth strategy including investment in sales and marketing, overall operating capacities, and listed company expenses, as XPON builds scale and expands globally
- Cash-burn during the half year was restricted to \$1.2m, with cash declining to \$7.0m at 31 December 2022
- XPON remains committed to maintaining organic growth whilst targeting cashflow break-even in FY24

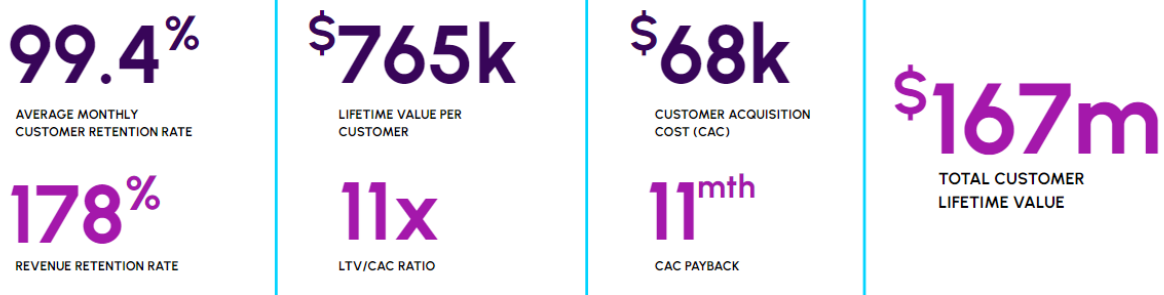
## Strong Growth Continues



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 37% 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 56% CAGR, and gross margin to expand by 27ppts to 69%.

## Unit Economics

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



Unit economic highlights include:

- **Average Monthly Customer Retention Rate** was consistent with the previous corresponding period

- **Revenue Retention Rate** increased 47 ppts to 178% from 131% in 1H FY22, as 25 existing customers expanded the number of products and services they use across the Company's full Marketing and CX stack
- **Total Lifetime Value** grew strongly to \$167m, up 9% on the previous corresponding period due to improvement in ARPU, gross margin and new customers landed
- **Customer Acquisition Costs (CAC)** increased by \$33k to \$68k on 1H FY22. This was in line with the Company's projections and due to increased investment in sales and marketing. We continue to focus on maintaining the CAC payback below 12 months
- **LTV / CAC Ratio** was 11x, down 50% 1H FY22, and within the target range

## 1H FY23 Business Highlights

Key operating achievements in 1H FY23 included:

- Appointment of 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 the registered Vietnam office with the Department of Industry and Trade, further supporting its employees in Vietnam
- Inaugural Investor Day event as an ASX-listed entity in November 2022
- Consistent quality customer service record, with NPS at/above 85% for the period
- Wondaris integration with The Trade Desk media buying platform

## Awards & Recognitions

In 1H FY23, the team was also recognised with a number of awards and achievements. These included:

- XPON was recognised for its high-growth results in Australia:
  - Deloitte Fast50 Rising Star #18
  - AFR 100 Fast Starter #59
- XPON also achieved a number of channel partner milestones, including:
  - Google Cloud Partner - Premier Status
  - Google Marketing Platform - ANZ Partner Awards
    - Partner of the Year 2022
    - Best Collaboration Award
    - Loudest Voice

## Outlook

XPON remains positive on the outlook for the full year, as it scales the business, and maintains a strategic focus on the following priorities during FY23:

- Maintaining organic growth while achieving target of cashflow break-even in FY24
- Ongoing product development against the XPON roadmap to extend integrations and the Wondaris ecosystem
- Leveraging the investment in people and operations to support the scaling of the business; this includes the recruitment of a Chief People Officer to continue to support its people
- 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 our land and expand strategy with customers
- Leveraging Google channel partnership to further validate new customer segments for the Wondaris ecosystem

## Investor Briefing:

XPON will host a virtual investor briefing on Tuesday, 21 February at 10:30am AEDT. To register, click here:

[https://us02web.zoom.us/webinar/register/WN\\_eqFCKX2tQgGrDGcT\\_3A15g](https://us02web.zoom.us/webinar/register/WN_eqFCKX2tQgGrDGcT_3A15g)

**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.