



ASX Announcement

26 June 2023

Business restructure update

Key highlights

- *Business restructure to drive profitability and realign cost base to market conditions has been completed - estimated annual cost savings of at least \$3m*
- *Phase-out of low-margin, Australian small business customers has commenced*
- *App Modernisation revenue will no longer be included in ARR metric reporting*
- *XPON remains committed to its goal of achieving cash flow breakeven in FY24*

XPON Technologies Group Ltd (ASX: XPN) ("XPON" or "Company") provides a further market update following the recent operational review announced on 10 May 2023.

Following the review, XPON has completed a restructure, reducing headcount and other operating expenses, resulting in a streamlined organisation. The Company anticipates annual savings of at least \$3m, following one-off restructuring costs of \$0.6m to be incurred in the current quarter (Q4 FY23.)

Two key decisions have been made with regard to contract optimisation and Annual Recurring Revenue ("ARR") calculation methodology:

Firstly, and as previously announced on 10 May 2023, XPON will phase out Australian low-margin, low contract value small business customers in favour of focussing its team on higher-margin and scalable revenue from corporate and enterprise customers. The low-margin, small business customers total 112 and represent approximately \$0.1m in ARR. This revenue will be phased out over the coming quarters.

The Australian business retains a solid foundation and the pipeline remains strong. The streamlined structure should allow for any potential impact on lengthening contract lead times.

Secondly, XPON has adopted more stringent criteria to apply in consideration of whether contracts are defined as ARR, recurring revenue or non recurring revenue.

The majority of App Modernisation revenue is generated in the UK. To date, this revenue has been classified as ARR, however, with the market challenges previously communicated, this revenue has become more volatile. As of the most recent reporting period (31 March 2023), App Modernisation contributed approximately \$9m to ARR. As part of the operational review and the streamlined focus on corporate and enterprise product customers, and in light of the market challenges, App

Modernisation revenue will no longer meet the ARR criteria or be included in the calculation of the metric.

In the upcoming June quarter, XPON's performance metrics are expected to be impacted as follows:

- Decrease in ARR to primarily reflect the impact of the exclusion of the App Modernisation revenue; and
- Phase-out of the low-margin small business customers will improve other key unit economics (e.g. Customer Acquisition Cost ('CAC') Payback, Lifetime Value ('LTV') per Customer Total Customer LTV and LTV/CAC) that were impacted by lower averages contributed by these customers.

These initiatives are designed to realign the cost structure, enhance operational efficiency, and ensure sustainable profitability in the long term. Combined, and based on current forecasts, they position XPON to achieve its goal of cash flow breakeven in FY24.

-ENDS-

This announcement has been approved and authorised for release by the Board of Directors of XPON Technologies Group Limited.

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About XPON

XPON Technologies Group Ltd ACN 635 810 258 (ASX:XPON) (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.