ASX Announcement

27 July 2023

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Q4 FY23 RESULTS PRESENTATION

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BRISBANE, Australia - XPON Technologies Group Limited (ASX:XPN), ("**XPON**" or "**the Company**")
provides its Q4 FY23 Results Presentation for release to the market.

This announcement was authorised for release by the Board of Directors of XPON Technologies Group
Limited (ACN 635 810 258).

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Disclaimer

Agenda

- Company overview

- FY23 & Q4 FY23 financial highlights

- Q4 FY23: business highlights

- Outlook and priorities

- Appendices

XPON is a marketing technology company.

Our mission is to modernise marketing and customer experience.

POWERED E**XPON**ENTIALLY

XPON's products and services create a better ROI for businesses by:

✓ Improving targeting and measurement to increase **marketing** effectiveness

✓ Using data and technology to deliver more personalised and profitable **customer experiences(CX)**

Businesses face increasing complexity in achieving marketing ROI due to:

Technology Disruption
Need to accelerate adoption of new technologies including cloud, AI and machine learning (ML)

Privacy Regulations
Increased government regulations, third-party cookies phasing out and first-party data rising in prominence

ROI

Consumer expectations
Scaling personalised and secure digital experiences
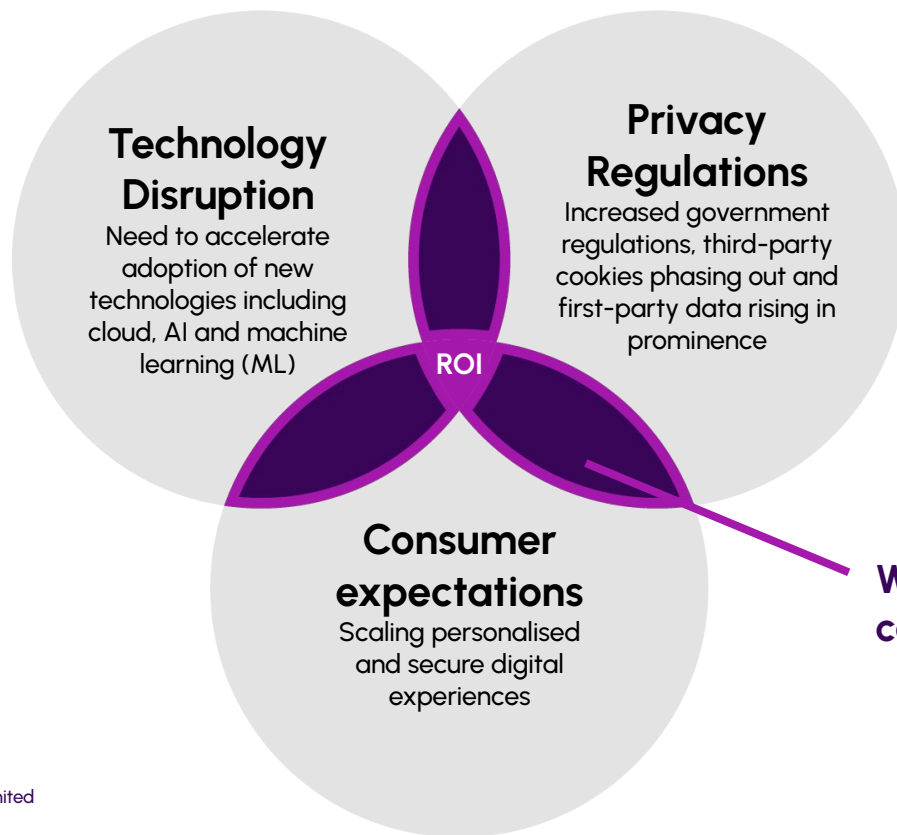
We help simplify the complexity and maximise ROI

How we help customers improve their marketing ROI

1 Understand and simplify the technology mix

2 Leverage and centralise first-party data

Secure / private

4 Use enriched data to power, measure and optimise marketing and customer experience (CX) to drive ROI

3 Enrich data to make it more valuable with Machine Learning (ML) and Artificial Intelligence (AI)
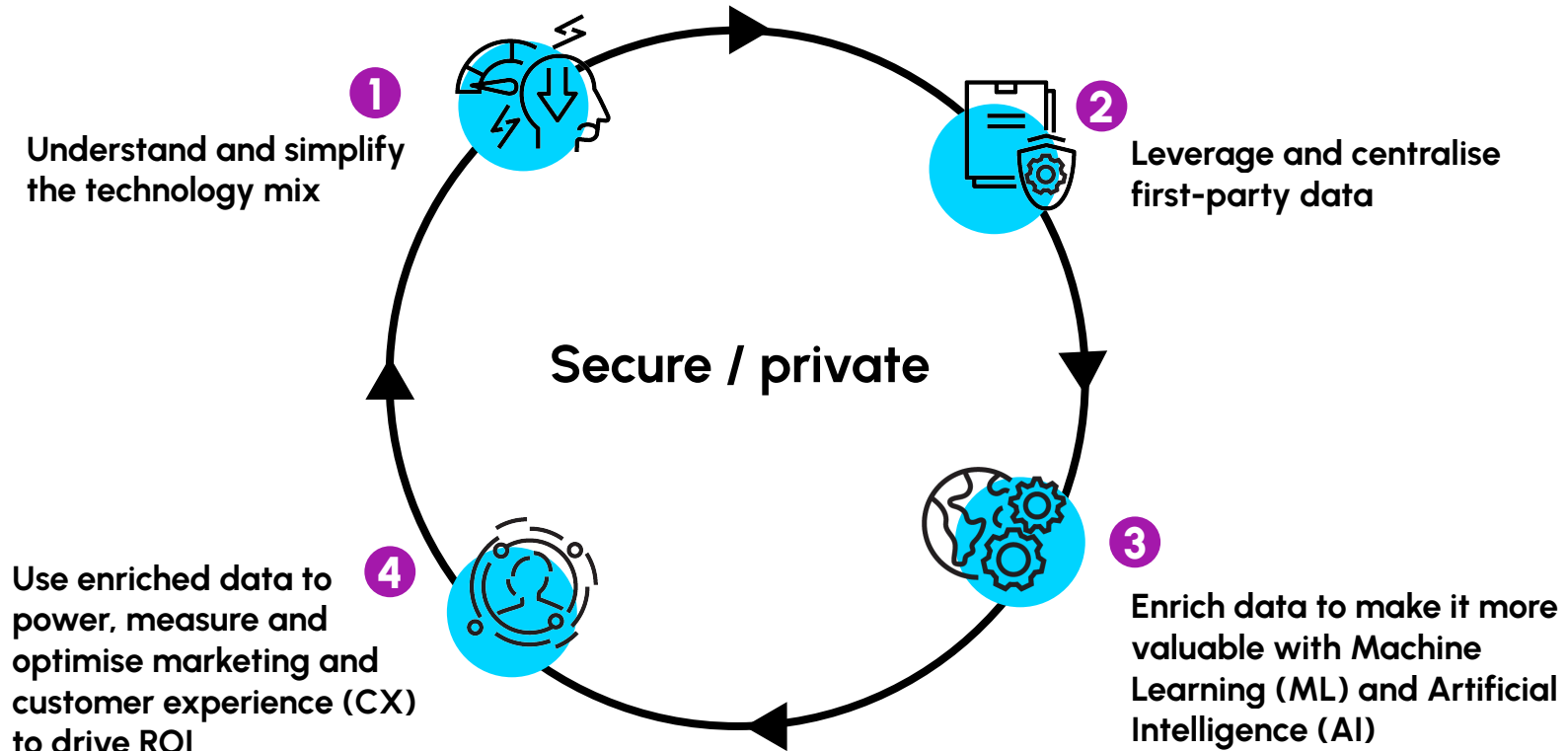
Our products are supported by services to ensure secure and effective value creation for customers

Products

wondaris

XPON's cloud-based platform that centralises customer data, enriches it with Machine Learning (ML) and AI, and allows rapid and simple activation of more profitable marketing programs.

holoscribe

XPON's Extended Reality (XR) publishing tool that enables quick creation of 360-degree content and immersive digital experiences.

Google Cloud

Scalable platform that provides computing, storage, analytics, Machine Learning (ML) and Artificial Intelligence (AI) capability tailored for Marketing and CX.

Google Marketing Platform

Online advertising and analytics platform and tools for business to manage media spend more effectively.

Services

Project services

Consulting to help businesses use our technology products, including implementation, training, digital transformation project services, and end user CX readiness services.

Managed services

Enablement and support to accelerate product uptake and continued value realisation of our technology products.

Client snapshot

Businesses like these partner with us to achieve better marketing and customer experience ROI. Currently 53 recurring and 38 non recurring customers*.

Financial services	Retail & travel	Media & entertainment	Non-profit	Education	Other

*Excludes 112 phased out small business customers and 29 dormant non recurring customers.

Example Marketing client

Products: Licence / usage fees (recurring revenue)
- wondaris
- holoscribe
- Google Cloud
- Google Marketing Platform

Services
- Project Services (PS) non recurring revenue
- Managed Services (MS) recurring revenue

XPON revenue

Marketing and Customer Experience audit / roadmap

Marketing Measurement Improvements and modernisations

Single customer view combines online and offline data and preferences

AI and Machine Learning enrich the data for better decision making and marketing ROI

Marketing Technology creates more personalised digital customer experiences and measurable impact in real-time.

Customer evolution: land and expand

- Project services

- Project services
- Managed services
- Usage fees: GMP

- Project services
- Managed services
- **Licences**: Wondaris
- **Usage fees**: Google Cloud

- Project services
- Managed services
- **Licences**: Wondaris
- **Usage fees**: Google Cloud, GMP

- Managed services
- **Licences**: Wondaris, Holoscribe
- **Usage fees**: Google Cloud, GMP

Example Customer Experience client

The client, a global business of trusted brands in specialist markets across more than 30 countries, engaged XPON to **plan, design, and develop a centralised video content application** to acquire customers and grow revenue from content subscriptions.

Solution components: Land and Expand	XPON Products/ Services mix (Revenue type)
Marketing and customer experience audit / roadmap	Project services
Custom development (Content management system)	Project services

Having *landed* and established the client relationship, XPON has further *expanded* its product and service offering over time.

Integrations with existing tech infrastructure including eCommerce capability	Project services
Scalability to bring on additional brands quickly	Project services
Continuous improvement and ongoing platform maintenance	Managed services
Integrate Wondaris to create smart audiences for better targeting and subscriber engagement	Licenses
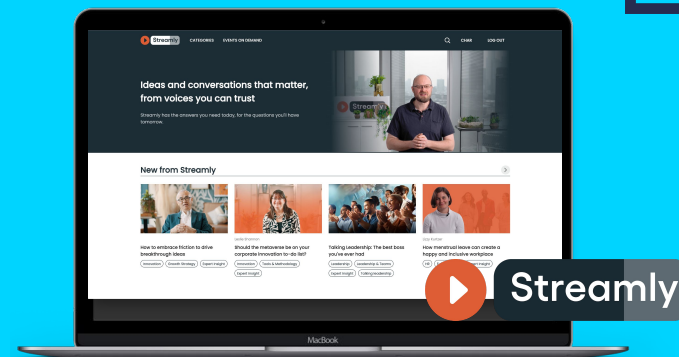
XPON worked with the client to develop Streamly, the business video marketplace that allows brands to distribute specialist knowledge through video content. Streamly helps the client:

- Attract and convert more paid subscriptions to increase revenue
- Deliver more personalised experiences to increase engagement, retention and revenue from subscribers
- Use Wondaris-powered audiences to cross-sell and upsell opportunities to increase revenue per subscriber
- Allow publishers to monetise their content
- Drive ROI across the marketing spectrum

FY23 & Q4 FY23
financial highlights

Key financial metrics [1,4]

FY23	$**15.1m** ↑ 13% REVENUE	$**10.4m** ↑ 22% GROSS PROFIT	**69%** ↑ 4ppt GROSS PROFIT MARGIN
Q4 FY23	$**2.4m** ↓ 35% REVENUE	$**1.6m** ↓ 36% GROSS PROFIT	**66%** − 0ppt GROSS PROFIT MARGIN
	$**4.4m** [2] CASH	$**(0.8)m** [3] NORMALISED NET OPERATING CASH FLOW	**6 qtrs** [3] NORMALISED QUARTERS OF FUNDING AVAILABLE

Note:
1. Key metrics have not been subject to review by auditors
2. Cash - closing balance for period ended 30 June 2023
3. Excluding one-off restructuring costs incurred in Q4 FY23 of $0.6m (cash impact)
4. Metrics are compared as follows: a) FY23 compared to FY22 b) Q4 FY23 compared to Q4 FY22

Q4 FY23: Business highlights

- Implemented more streamlined organisational structure to drive towards profitability and realign the cost base to market conditions

    - estimated annualised cost savings of at least $3m

    - $0.7m[1] in one-off restructuring costs

- Landed 5 new customers and expanded 7 existing customers

- Maintained customer satisfaction with Net Promoter Score (NPS) of 88

- Strong team engagement recorded with Employee Satisfaction score of 90.2 for the year

- Lisa Young started as CFO on 15 May 2023, taking over from Leanne Wolski

- Appointment of Commercial Director, UK (commencing in August 2023)

- New Machine Learning (ML) models added to Wondaris, including "propensity to buy"

Note:
1. $0.7m in one-off restructuring costs on a P&L basis ($0.6m cash impact in Q4 FY23)

App modernisation revenue

App modernisation projects help our customers migrate from legacy applications onto cloud-based, scalable platforms which allow them to leverage AI and Machine Learning (ML) capabilities of today's marketing technology.

- In FY23 App modernisation accounted for $5m in revenue.

- When included in XPON's calculation of ARR, it equated to approximately $9m[1] of future annualised recurring revenue.

- From Q4 FY23 App modernisation no longer meets XPON's recurring revenue criteria and is no longer included in the calculation of the ARR metric.

App modernisation will continue to be a driver of our Customer Experience (CX) offering. It is expected to generate ongoing non-recurring revenue and remain a meaningful contributor to the achievement of our FY24 cash flow break-even target.
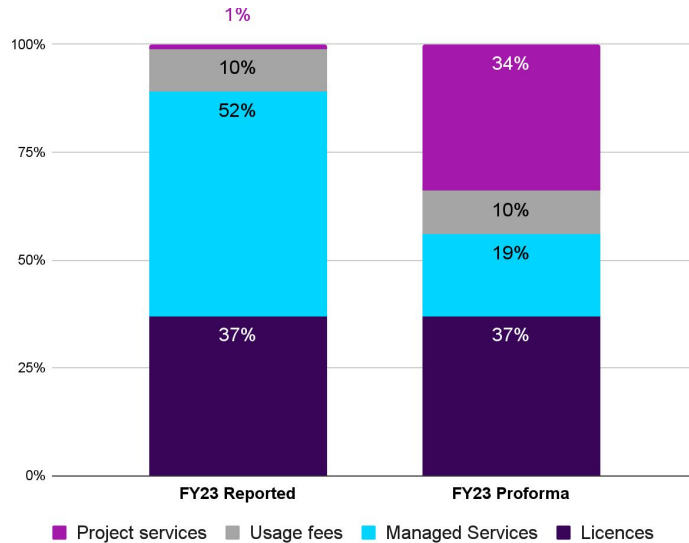
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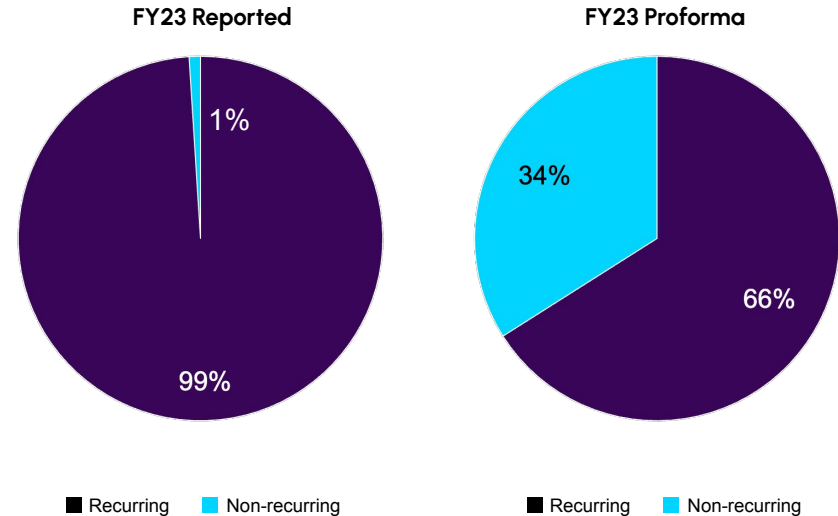1. as at 31 March 2023

Revenue mix update[1,2]

Proforma impact of reclassification of non-recurring app modernisation revenue for FY23:

Revenue by type

Recurring vs. non-recurring revenue

Note:
1. Adjusted revenue classification methodology to commence 1 July 2023.
2. Detailed breakdown provided in Appendix.

Q4 FY23 Business metrics [1,2]

Average monthly
revenue per customer

$14.8k ⬇9%

Lifetime Value per
customer ⬇3%

$1.7m

Annualised recurring
revenue (ARR)

$9.4m ⬇41%

Average monthly
customer retention rate

99.4% 0%

Customer acquisition
(CAC)

$95k ⬆109%

CAC payback ⬆100%

8 months

Revenue per FTE[3] ⬆62%

$179k

Note:
1. All metrics relate to recurring revenue customers with the exception of Revenue per FTE, CAC and CAC Payback
2 Prior corresponding period metric movements are presented on a like for like basis (ie SME customers removed from PY comparative) and metrics are under adjusted revenue classification criteria
3. Industry benchmarks are $160-$210k per year

Growth pillars

Strengthen existing solutions, may include strategic acquisitions

Expand value creation, product adoption from existing customers

Leverage sales & marketing capacity

Expand channel relationships

Extend Wondaris platform ecosystem

Outlook and priorities FY24

XPON priorities for sustainable growth in FY24:

- On target to achieve cash flow break-even in FY24
  - recurring revenue and non-recurring project services revenue to drive outcome
- Focussed cost management to maintain alignment with market conditions and drive towards profitability
- Continued focus on customer acquisition in key customer segments to drive high margin recurring revenue
- Ongoing investment in AI and ML enhancements and integrations to extend the Wondaris ecosystem
- Maintain high monthly customer retention rate and service quality (measured by NPS)
- Maintain strong corporate culture and high employee satisfaction
- Leverage Google channel partnership to further validate and grow new customer segments

Appendices

Appendix 1: Leadership Team

**Phillip Aris,
Non Executive
Chairman**

BOARD

**Tim Ebbeck,
Non Executive
Director**

BOARD

**Jodie Leonard,
Non Executive
Director**

BOARD

**Matt Forman,
Founder, Managing
Director & Group CEO**

BOARD + EXEC

**Lisa Young,
Group CFO**

EXEC

**Jennifer Killian,
CMXO**

EXEC

**Chris Rozic,
CRCO**

EXEC
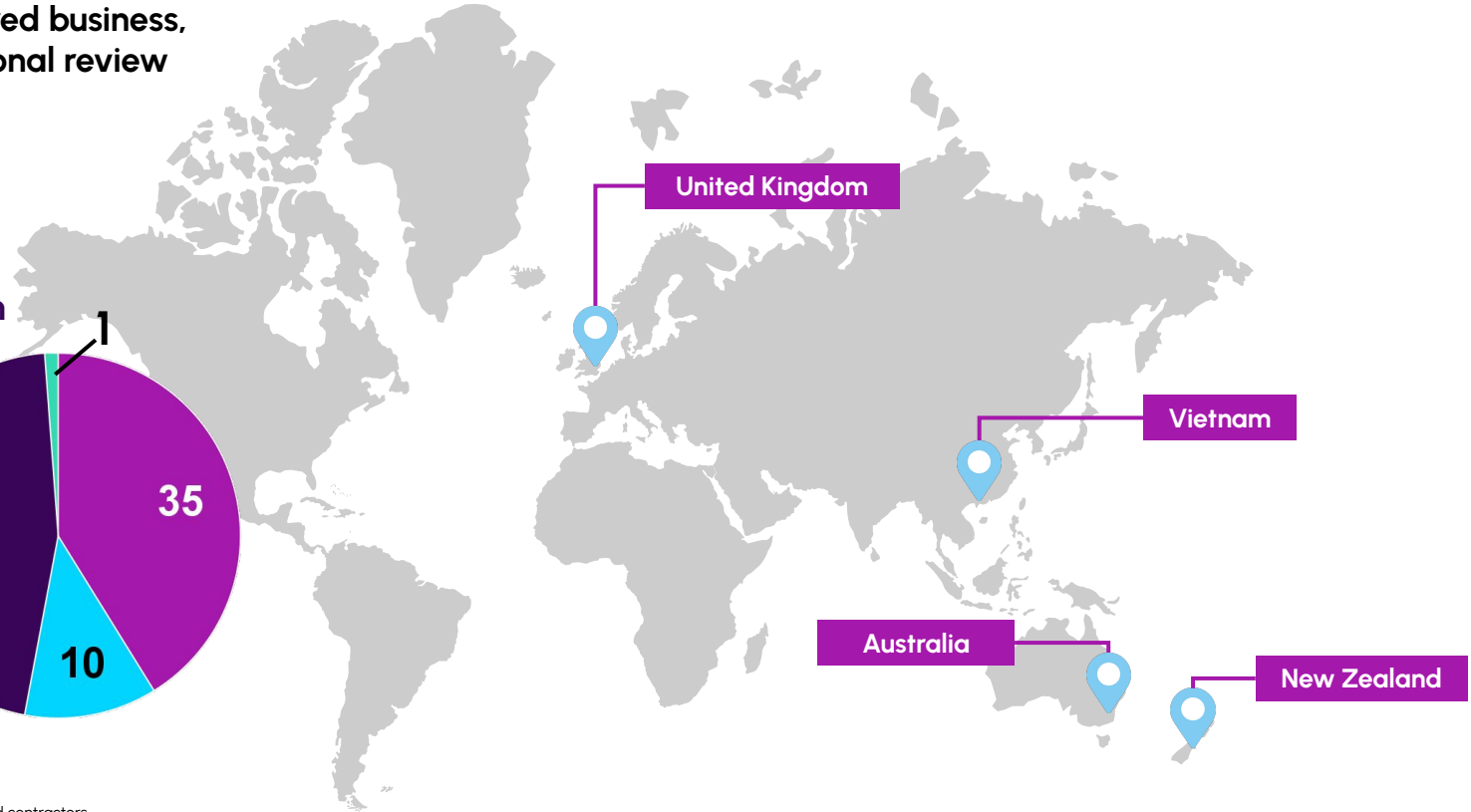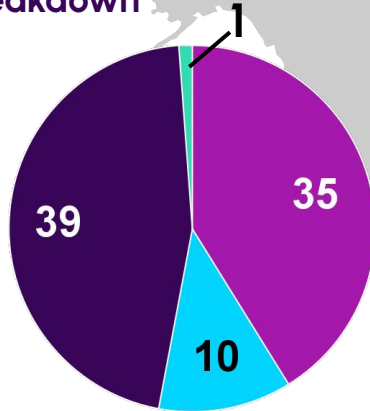
**Ben Fogarty,
CPIO**

EXEC

**Matt Daniels,
CTSO**

EXEC
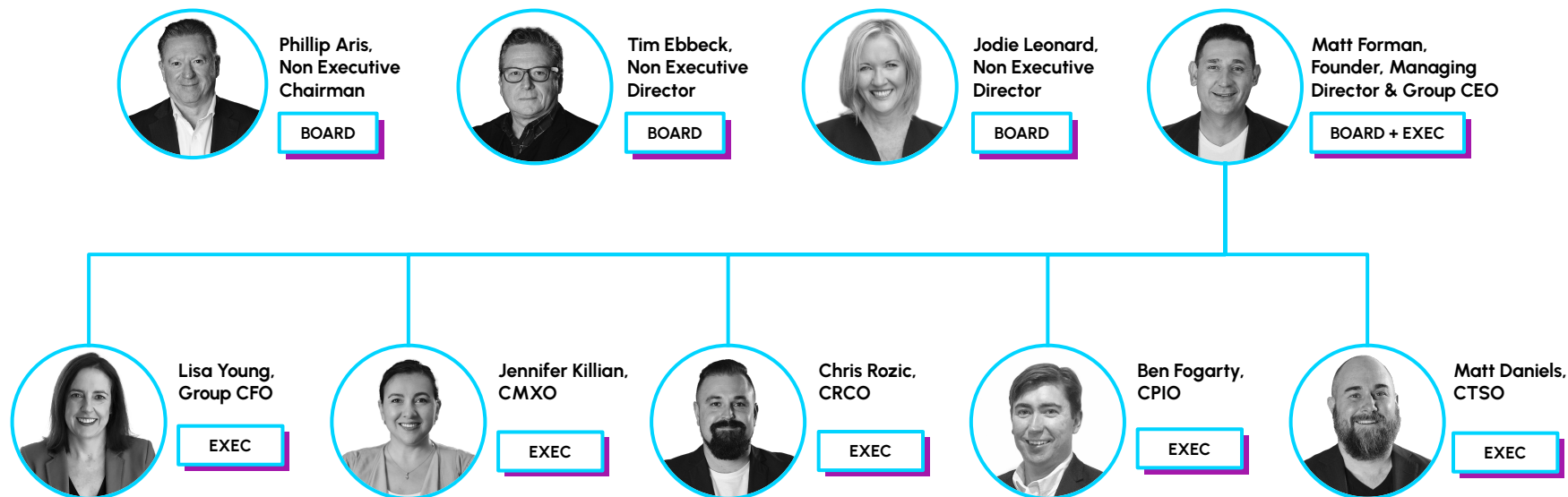
Team footprint

XPON's restructured business, following operational review

Team breakdown

- Vietnam
- UK
- Australia
- New Zealand

1

35

10

39

Note:
As at 30 June 2023, excludes on-demand contractors.

United Kingdom

Vietnam

Australia

New Zealand

Wondaris

Centralised data from any of the public cloud vendors, including GCP, AWS, Azure and Snowflake, either via the pre-built connectors or businesses' existing integration stack

Enriched with ML and AI, data insights managed with ISO-certified standards to deliver a privacy-safe, infinitely scalable 1st party data solution

High-value audiences are activated easily through automated workflows, to deliver highly-personalised customer experiences for better campaign conversion rates

Holoscribe

- Content creators and collaborators **rapidly and easily publish** rich extended reality (XR) and 360 experiences **to any channel** via web interface

- Polls, quizzes and engagement tools offer consumers **personalised experiences and create actionable insights** on segmentation

- **Native integration** with Wondaris for data automated activations.
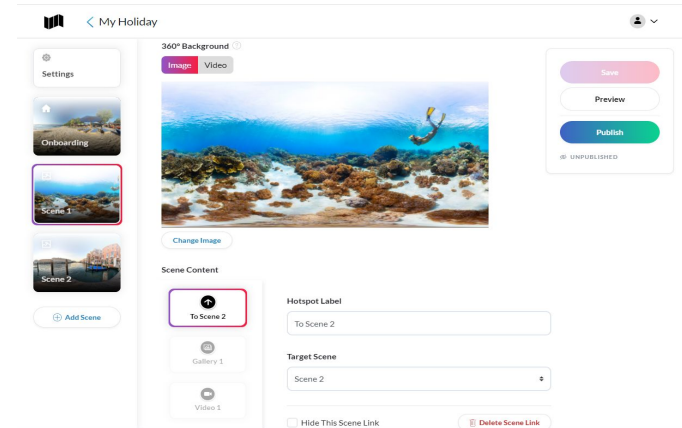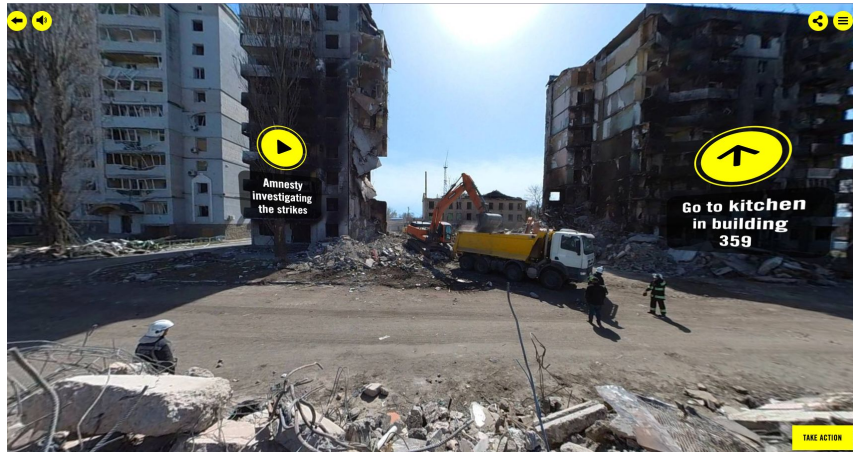
- Holoscribe users average +**9 mins average dwell time** compared to 4.5 min on standard websites

- More than **8 million consumer** sessions delivered through the platform since 2018.

- **Users interact with more than 80%** of content once they enter a Holoscribe experience

Revenue segmentation[1,2]

Revenue	FY21 (Full Year)	FY22 (Full Year)	+/-	FY23 (Full Year)		H1 FY22	+/-	H2 FY22	+/-	H1 FY23	+/-	H2 FY23	+/-
Licences	$2,114	$3,765	78%	$5,556	48%	$1,776	N/A	$1,989	12%	$2,776	40%	$2,780	0%
Managed Services	$2,533	$7,183	184%	$7,903	10%	$3,086	N/A	$4,097	33%	$5,298	29%	$2,604	-51%
Usage Fees	$303	$1,388	358%	$1,505	8%	$714	N/A	$674	-6%	$772	15%	$734	-5%
Project Services	$489	$974	99%	$106	-89%	$585	N/A	$389	-34%	$29	-93%	$78	171%
Total Revenue	$5,439	$13,310	145%	$15,070	13%	$6,162	N/A	$7,149	17%	$8,875	24%	$6,196	-30%
App Modernisation contribution to Managed Services	*$1,357*	*$4,703*	*247%*	*$5,010*	*7%*	*$1,985*	*N/A*	*$2,717*	*37%*	*$3,585*	*32%*	*$1,425*	*-60%*

App Mod revenue included here ➤ (Managed Services)

App Mod will be included here from FY24 ➤ (Project Services)

Appendix 2: 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.

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.

Average Revenue Per Customer (ARPC): calculated as annual revenue for recurring customers for the last 12 months divided by the number of customers at that time (and divided by 12 to get a monthly view).

Monthly Customer 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).

Customer 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.

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.

GTM: Go-to-market, meaning the strategy by which XPON wins business.

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.

Revenue per FTE: represents total revenue over the last 12 months divided by the FTE count at the end of the period.

Contact

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