



ASX Announcement

26 October 2023

XPON Technologies Group Limited Managing Director & Chief Executive Officer's Presentation

Brisbane, Australia: XPON Technologies Group Limited (ASX:XPON)(**XPON**) is pleased to provide its Group Managing Director & Chief Executive Officer's Presentation at the 2023 Annual General Meeting, for release to the market.

-ENDS-

This announcement was authorised for release by the Board of XPON Technologies Group Limited.

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2023

XPON Technologies Group Limited

Annual General Meeting 2023

26 October 2023

POWERED EXPONENTIALLY

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CEO address

Matt Forman - Group MD and CEO





**XPON is a marketing
technology company.**

**Our mission is to
modernise marketing and
customer experience.**





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



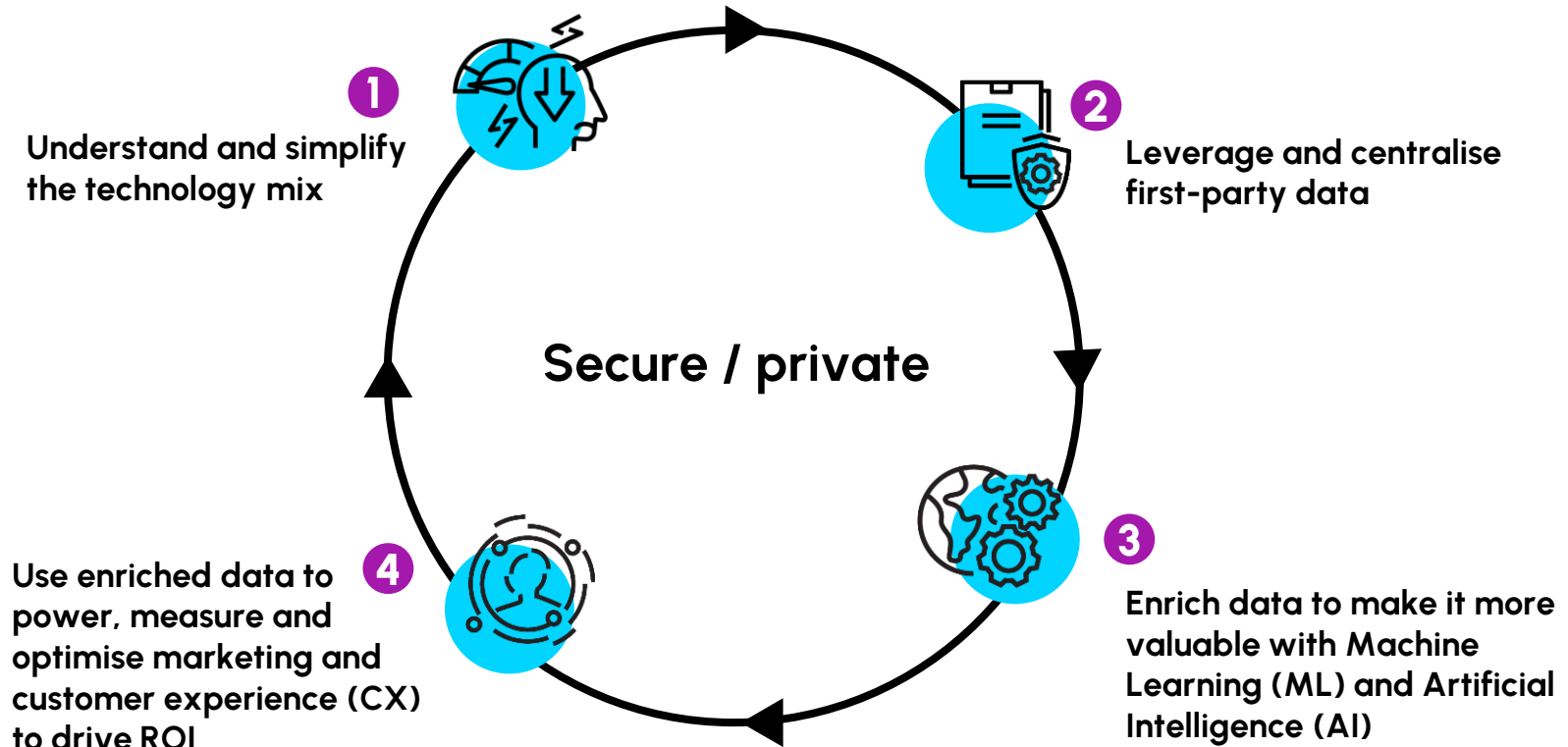
**Improving targeting and
measurement to increase
marketing effectiveness**



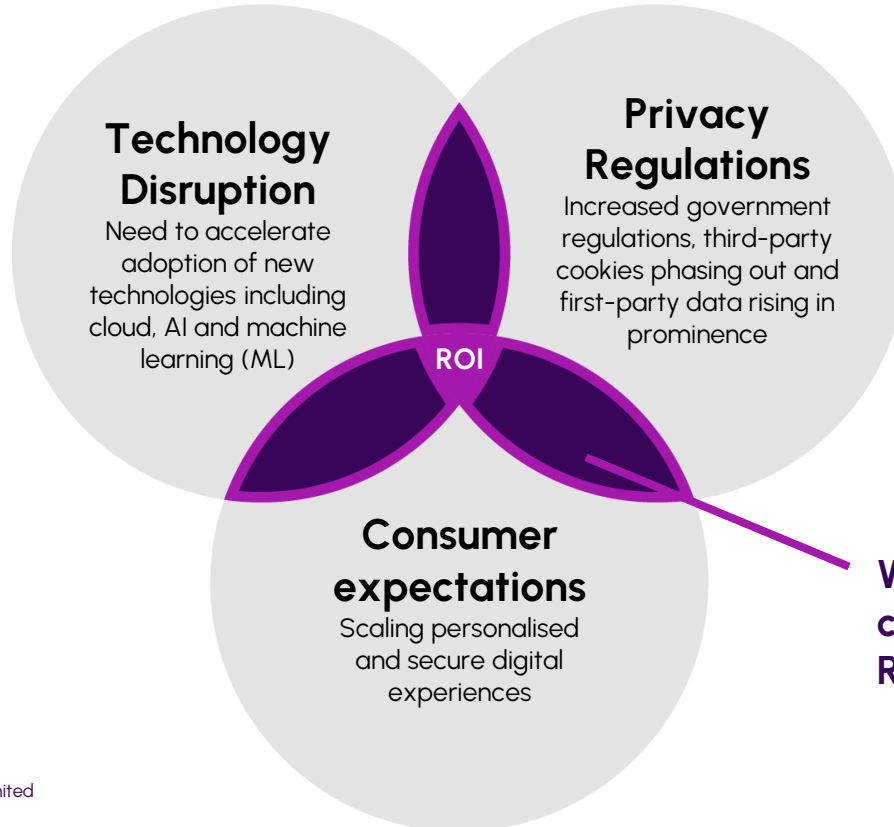
**Activating customer data to
deliver more personalised and
profitable customer experiences**



How we help customers improve their marketing ROI



Businesses face increasing complexity in achieving marketing ROI due to:



We help simplify the complexity and maximise ROI



FY23 Key financial metrics ¹

\$15.1m ↑ 13%

REVENUE

\$10.4m ↑ 22%

GROSS PROFIT

69% ↑ 4ppt

GROSS PROFIT MARGIN

Note:
1. Audited

Q1 FY24 results ¹



\$2.5m ↓ 41%

REVENUE

\$1.7m ↓ 42%

GROSS PROFIT

68% ↓ -1ppt

GROSS PROFIT MARGIN

\$2.8m ²

CASH

Note:

1. Key metrics have not been subject to review by auditors. Comparisons are to the previous corresponding period
2. Cash - closing balance for period ended 30 September 2023



Actions to mitigate softening revenue

Cash flow break-even targeted for FY25.

- Align the cost base with current trading conditions effective October 2023, saving \$1.5m annually.
 - Associated one-off costs of \$250k will be reported in the December 2023 quarter.
- Pursuing App Mod divestment and reduce cash burn by a further c\$1.3m annually.

Go to market through 2 Business Divisions



Marketing Technology (MarTech)

License XPON's technology.

Sells Google's software (Google Marketing Platform, Google Cloud) bundled with XPON's proprietary Wondaris software.

XPON offers a recurring managed service subscription to clients to ensure they maximise value from these products.

App Modernisation (App Mod)

Convert customers to XPON's technology.

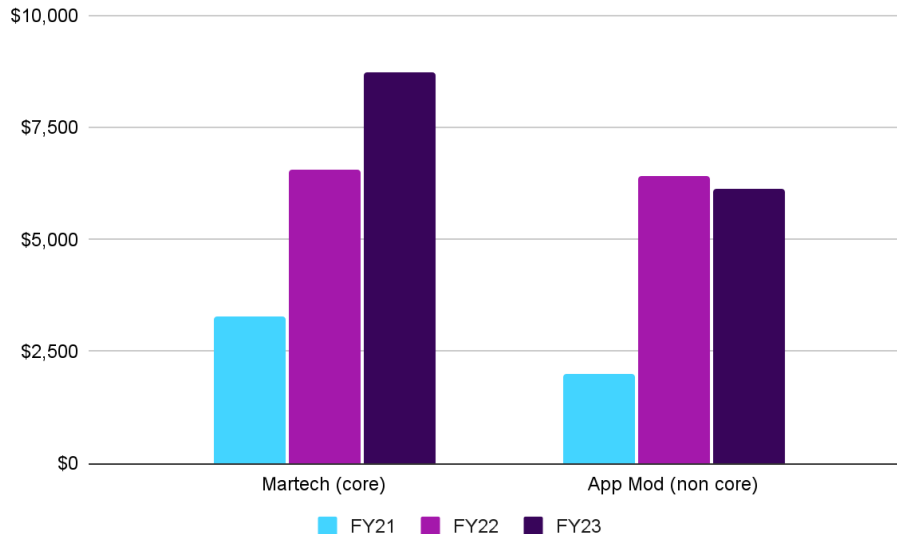
Builds and deploys modern applications and customer experiences for clients.

XPON develops these applications for its clients and offers a managed service subscription to maintain, enhance and upgrade them, with strategy to transition clients to XPON product licences.

Mixed revenue performance across business divisions



Proforma Revenues



- Core MarTech 3 year revenue CAGR of 38% with consistent YoY growth:
 - macroeconomic trends squeezing consumer marketing budgets
 - flat growth in recent quarters
- App Mod 3 year revenue CAGR of 45%, however material decline in H2 FY23:
 - contract and pipeline conversion delays
 - transition of customers to XPON product licenses remains immaterial



App Mod division not sustainable

Proforma revenue



- Growth in 2022 was solid:
 - strategy to grow customers continued
 - \$1.5m Q1 FY22 to \$2.2m Q1 FY23
- Growth stalled from Q2 FY23:
 - Softer economic conditions in the UK
 - key recurring contracts paused in Q2 FY23
 - contracts scheduled to resume in Q1 FY24 have been further delayed
 - pipeline has reduced c35% and deals remain stalled
- Transition to XPON product licenses immaterial:
 - 1 client transitioned to date
 - no further pipeline identified
- Cash burn is not sustainable
 - Q1 FY24 revenue of \$0.4m with \$0.6m of costs.

Pursuing divestment of App Mod division



In discussion with
potential buyers

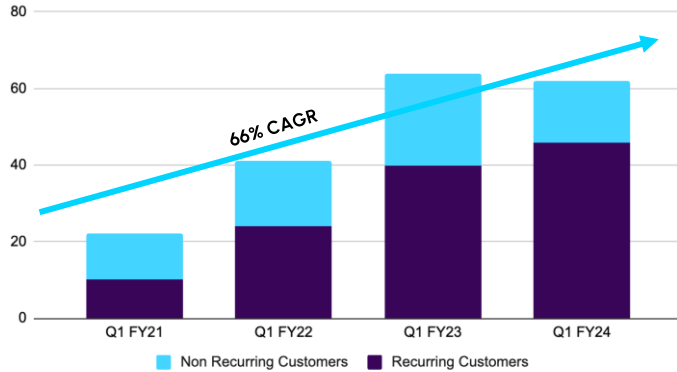
Reduce cash burn by a
further c\$1.3m annually
once divested

Provides clear strategic
focus moving forward
on core MarTech
business

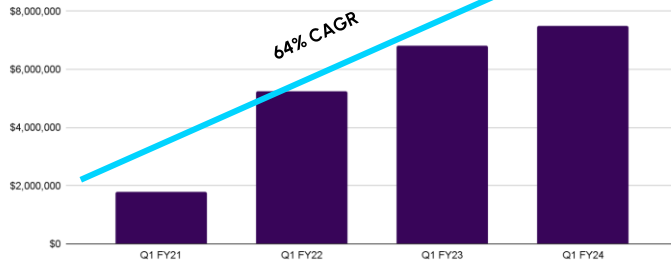


MarTech customer growth reinforces strength

MarTech Customers



MarTech ARR



Note:

Non-recurring: customers that have landed and have not yet expanded into a recurring contract

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- Ongoing customer number growth:
 - Recurring customers up from 10 to 46 over 3 years, 66% CAGR
 - Landed 16 customers over last 12 months with further potential to expand
- Low customer churn
 - 99.3% monthly customer retention
- MarTech ARR 64% CAGR over 3 years
 - Softer Q1 FY24 ARR impacted by customer marketing budgets constraints



Blue-chip MarTech customers with low churn

Currently 46 recurring and 16 non recurring customers, with Net Promoter Score (NPS) of 88.

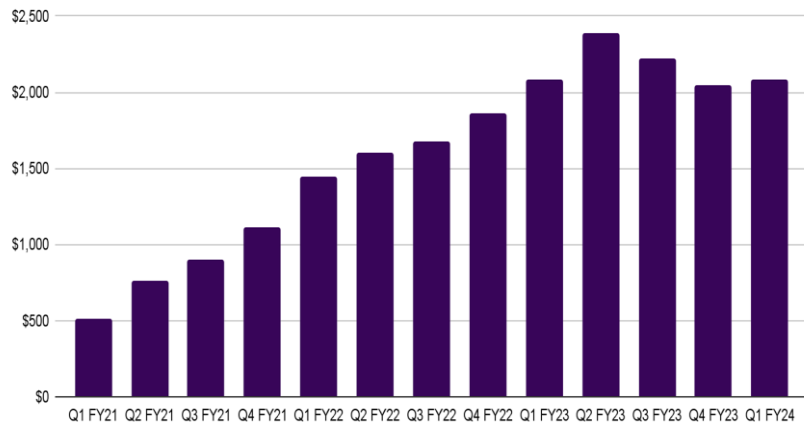
Financial services	Retail & travel	Media & entertainment	Education

Note:
Non-recurring: customers that have landed and have not yet expanded into a recurring contract

MarTech revenue and pipeline strong



Proforma revenue

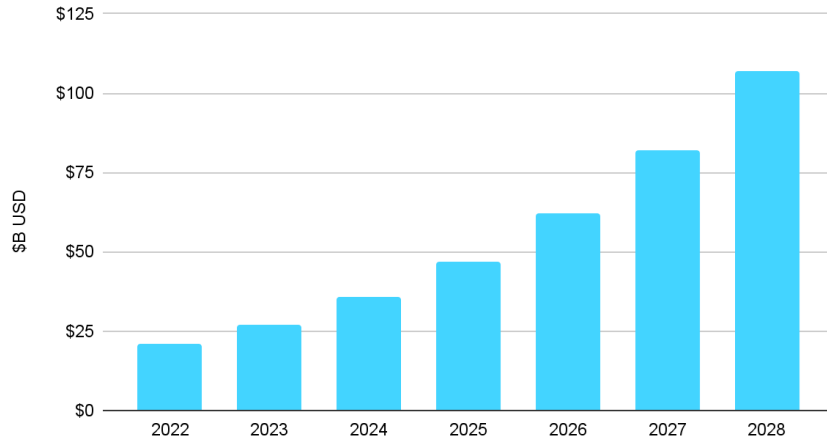


- MarTech core to XPON's growth strategy
 - Resilient business despite tighter customer marketing budgets (reduced ad spend by 10% YoY)
- Revenue up 33% FY23 v FY22
 - Q1 FY24 revenue of \$2.1m, flat YoY and up 2% QoQ
 - Q1 FY24 Gross profit margin 73%, up by 2 ppts YoY
- Healthy pipeline due to increase in sales qualified leads
 - up 55% on pcp (by value)
 - includes large opportunities in both Australia and United Kingdom.
- Leveraging AU/NZ Google Partner of the Year award, the Martech division was launched in the UK in Q4 FY23, with Google relationship expansion in the region.

AI impact on MarTech exploding



AI spend in marketing¹



1, 2 Source: <https://t.ly/fRPyW>

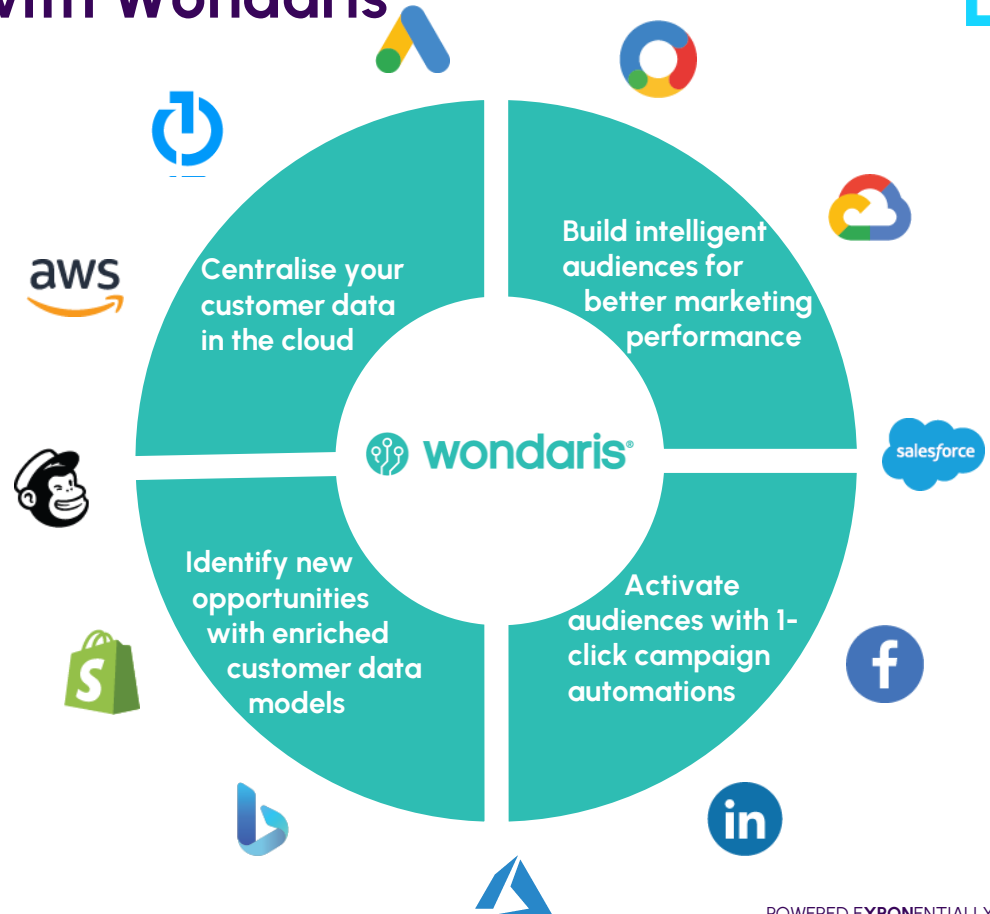
- Marketing predicted to be leading adopter of AI
- Forecast 31% CAGR to \$107B in AI marketing spend from 2022 - 2028
- Companies that implement AI technologies see a 451% increase in qualified leads²

XPON's has embedded AI in our MarTech solutions

MarTech moat created with Wondaris



- Continued IP innovation
 - AI to enrich customer insights
 - faster time to value for customers
 - platform integrations to accelerate value
- Competitive differentiator
 - Modular tools reduce initial customer investment and product activation time
 - Customer-enabled Machine Learning. Make-your-own models





Outlook and priorities

Cash flow break-even targeted for FY25.

Clear priorities for the balance of the financial year:

- Align the cost base with current trading conditions, saving \$1.5m annually.
- Pursuing App Mod divestment and reduce cash burn by a further c\$1.3m annually.
- Retain and grow revenue from existing MarTech customers
- Focus on growing and converting the pipeline of new MarTech custom
- Continue to leverage the Google relationship for pipeline generation in both AU and UK.
- Continued AI innovation with Wondaris modules to accelerate sales cycles and value realisation for customers
- Ensure XPON maintains a strong corporate culture and highly motivated team, by maintaining strong employee engagement score of 90.



Summary

Core MarTech business has solid base of long-term blue chip customers with strong pipeline, and low churn. Opportunity to expand

MarTech gaining traction in UK, expanding relationship with Google in the region, replicating our success in Australia

AI impact on MarTech exploding, Wondaris has integrated AI and we are well positioned to leverage AI to grow scale



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