



ASX Announcement

18 April 2024

XPON Q3 FY24 activity report and Appendix 4C¹

XPON Technologies Group Ltd (ASX:XPON) (XPON or the **Company**), an AI marketing technology business, releases its quarterly activity report / Appendix 4C quarterly cash flow statement for the three-month period ended 31 March 2024.

Key Points

- Martech revenue of \$2.4m, up 5% YoY and approaching record levels
- Gross margin of 75%, up 2 ppts YoY
- Cash balance of \$2.9m as at 31 March 2024
- Successful completion of A\$1.125m capital raising in February 2024
- Board refresh with the appointment of Mark Simari and Jamie Olsen after quarter end aligns with XPON's focus on:
 - Driving organic revenue growth and sustainable profitability
 - Capitalising on the Company's leading and recognised AI capability within the Martech industry and Google ecosystem
 - Exploring strategic partnering, sell-side and buy-side M&A opportunities
- Reiterate cashflow break even targeted for FY25

Key Financial Metrics - Q3 FY24 vs Q2 FY24 and Q3 FY23¹

	Q3 FY24	+/- Q2 FY24	+/- Q3 FY23
Martech revenue	\$2.4m	+3%	+5%
Martech gross profit	\$1.8m	-2%	+7%
Martech gross margin	75%	-4 ppts	+2 ppts

- Total Martech revenue increased by 5% to \$2.4million year on year and 3% quarter on quarter. 3 new customers were landed and 10 existing customers were expanded during the quarter.
- Strong gross margin of 75% achieved - up 2 ppts year on year, assisted by the higher margin Martech revenue mix and down 4 ppts quarter on quarter due to a higher proportion of project revenue.

¹ Unaudited. On a continuing business basis, excluding all revenue and expenses associated with the App Mod business divested in December 2023

- The Martech business shows strong underlying financial strength, net of public company and corporate costs² which were \$0.6m in the quarter.

Matt Forman, Managing Director and Group CEO said: "Mark and Jamie join XPON at a time when we are building on our market position as leaders in marketing technology with industry leading AI capability. Their collective expertise in corporate strategy, M&A and technology will be invaluable as we explore new avenues for growth and innovation. I am excited about the future and confident that their leadership will help guide XPON towards achieving our strategic goals and deliver shareholder value."

"The strength in our core Martech business is underpinned by the disruption that AI is driving in the marketing industry and comes at an opportune time for XPON as our experience in harnessing and deploying data and AI places us at the forefront to facilitate this transformation."

Go Forward Strategy

Under the stewardship of the new board, XPON is focused on three core areas to drive shareholder value:

1. Capitalising on the market position as a leader in AI marketing technology

AI is having a transformative impact on the marketing industry and this is expected to accelerate. AI tools are driving efficiencies through automation and XPON is well placed to benefit from this shift.

As customers look for proven tools and capabilities, XPON's AI credentials are further strengthened by the Company's Advanced Data & AI Excellence award by Google Marketing Platform in December 2023.

CMO's are under continued pressure to do 'more with less' and are demanding more holistic solutions that include content, media, data and AI from their marketing agencies.

The ongoing development to modularise our Wondaris platform for prebuilt AI use cases enables customers and marketing agencies to more quickly and easily deploy our tools to meet these demands, utilising AI insights to deploy hyper-targeted advertising in digital channels.

2. Driving organic revenue growth and sustainable profitability

XPON has stabilised operations while streamlining its focus on AI-driven Martech. Martech revenue is approaching an all time high and \$5.8m of annualised costs have been removed from the business in past initiatives.

Opportunities are emerging to accelerate organic revenue growth with new and existing customers, driven by the combined themes of:

- A hard end to 3rd party cookies in late 2024; and
- AI disruption in the marketing industry.

Customers are already achieving outstanding results with AI in the areas of improved advertising efficiencies, cost savings on labour and improved customer satisfaction.

² Corporate overheads include costs for audit, tax, legal, D&O insurance, company secretarial, ASX, ASIC, and share registry services in addition to corporate/group/Board roles and their affiliated costs.

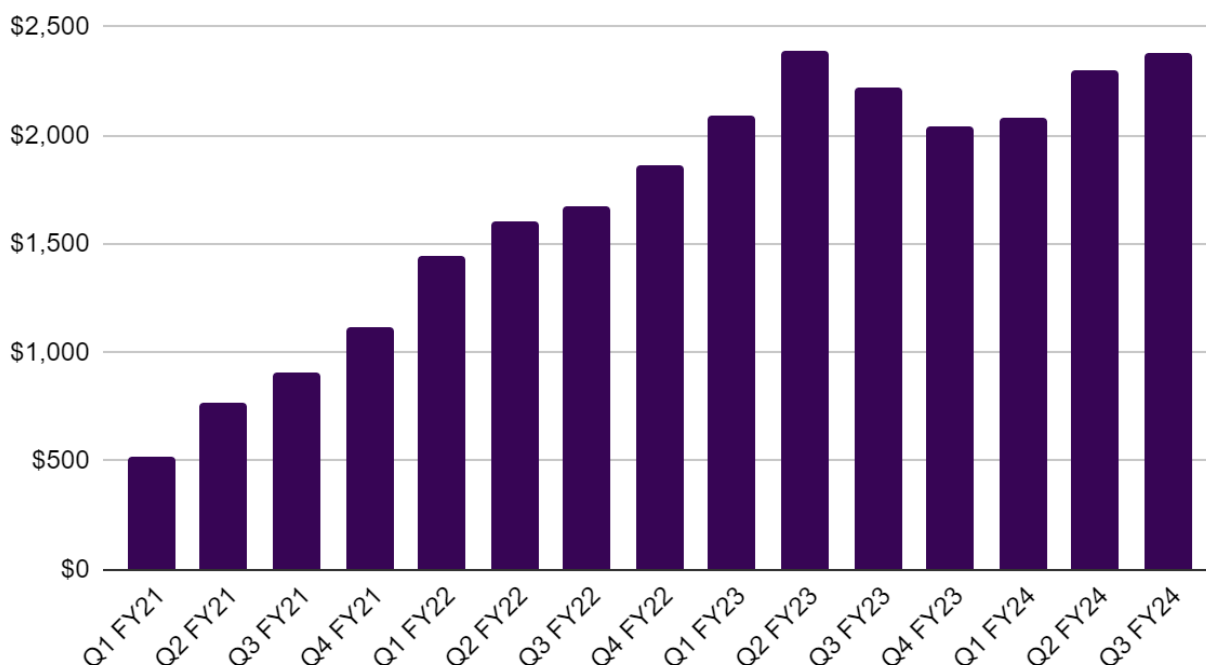
Over the past three quarters, the Company has right-sized its cost base to align with its objectives of driving towards sustainable profitability. This has now been completed.

The new board is committed to aligning its interests with shareholders and will be seeking shareholder approval to receive their remuneration in an equity based program to be determined and agreed.

3. Exploring strategic partnering, sell-side and buy-side M&A opportunities to enhance shareholder value

XPON is exploring all avenues to enhance shareholder value. This includes exploring strategic partnering, sell-side opportunities as well as non-dilutive buy-side opportunities. Sequoia Corporate Finance has been appointed to assist with this.

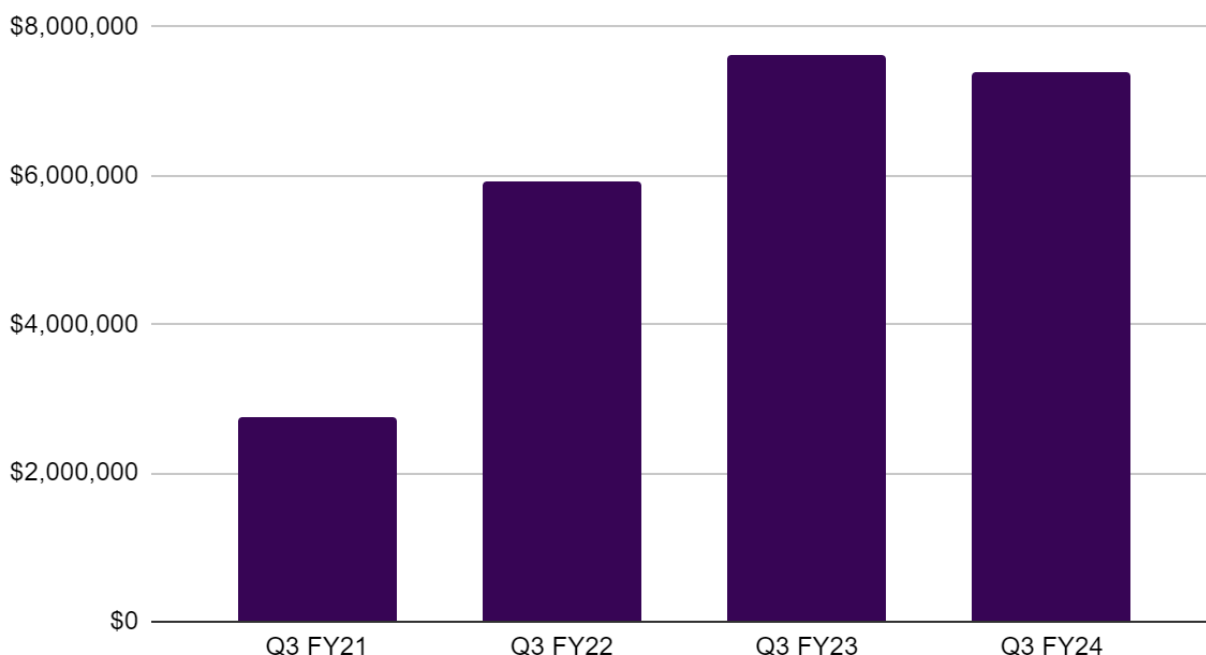
Martech Revenue by quarter



Annual Recurring Revenue at 31 March 2024 was \$7.4m, representing a CAGR of 39% over the last 3 years.

During the quarter, the Company took advantage of immediate project revenue driven by AI adoption and 3rd Party Cookie deprecation. ARR was down YoY due to this focus and revenue churn. The sales motion is being recalibrated to deliver longer-term recurring revenue.

Martech ARR



Cash Flow

- XPON reported net cash flows from operating activities for Q3 FY24 of (\$0.4 million).
 - Total receipts from customers were \$2.7 million for Q3 FY24, down 33% YoY, attributed to the pre-divestment decline in the App Mod business.
 - Payments to suppliers, employees and others were \$3.3 million for Q3 FY24 down 37% YoY.
- The Company's cash balance at 31 March 2024 was \$2.9 million, up \$0.6 million on the previous quarter, comprised of the following:
 - Cash outflows consisted of operating cash outflows of \$0.4 million
 - Net \$1.0 million financing cash inflows relating to the \$1.125 million convertible note raising before costs.
- As detailed in item 6.1 of the Appendix 4C, payments to related parties and their associates during the quarter totalled \$170k comprising Director fees and salaries, employee associate of CEO and motor vehicle leasing and operating costs for the CEO.

Outlook and Priorities

The Company has clear priorities for the balance of the financial year:

- Capitalising on the market position as a leader in AI marketing technology
 - Continued AI innovation with Wondaris modules to accelerate sales cycles and value realisation for customers
- Driving organic revenue growth and sustainable profitability
 - Continue to leverage the Google relationship for pipeline generation
- Exploring strategic partnering, sell-side and buy-side M&A opportunities to enhance shareholder

value

- Ensure XPON maintains a strong corporate culture and highly motivated team
- Continue to monitor and manage the cost profile of the business in line with business performance to achieve targeted cashflow break-even in FY25

The announcement has been approved for release by the Board of Directors of XPON Technologies Group Limited ACN 635 810 258

-ENDS-

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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.
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).

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")

31/03/2024

Consolidated statement of cash flows		Current Quarter	Year to date (9 months)
		\$A'000	\$A'000
1.0	Cash flows from operating activities		
1.1	Receipts from customers	2,706	9,602
1.2	Payments for		
	(a) research and development	(107)	(362)
	(b) product manufacturing and operating costs	(1,116)	(4,036)
	(c) advertising and marketing	(146)	(337)
	(d) leased assets	-	-
	(e) staff costs	(1,589)	(6,081)
	(f) administration and corporate costs	(300)	(1,132)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	6
1.5	Interest and other costs of finance paid	-	(4)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	130	130
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(421)	(2,214)
2.0	Cash flows from investing activities		

2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	-
	(a) entities	-	-
	(b) businesses	-	(262)
	(c) property, plant and equipment	-	3
	(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)	-	-
2.6	Net cash from / (used in) investing activities	-	(259)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	1,125	1,125
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(134)	(134)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(57)

3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.1	Net cash from / (used in) financing activities	991	934

4.0	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,257	4,415
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(421)	(2,214)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(259)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	991	934
4.5	Effect of movement in exchange rates on cash held	27	(22)
4.6	Cash and cash equivalents at end of period	2,854	2,854

Reconciliation of cash and cash equivalents		Current Quarter	Previous quarter
5.0	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	2,854	2,257
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,854	2,257

6.0	Payments to related parties of the entity and their associates	Current Quarter
		\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	170
6.2	Aggregate amount of payments to related parties and their associates included in item 2	NA

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

Financing facilities		Total facility amount at quarter end	Amount drawn at quarter end
		\$A'000	\$A'000
7.0	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) - Convertible Note	1,125	1,125
7.4	Total financing facilities	1,125	1,125
7.5	Unused financing facilities available at quarter end		-
<p>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.</p>			
7.6	<p>As announced to the ASX on 26 February 2024, the Company raised A\$1,125 million (before costs) via the issue of 45,000,000 secured convertible notes plus 22,500,000 free warrants. The convertible notes have a 12 month maturity date with the ability to extend by a further 6 months at the noteholders discretion. The convertible notes have a face value of \$0.025 per note. 15% per annum simple interest is payable on the face value of the convertible notes, quarterly in arrears from the issue date of 26 February 2024. Further details available in the ASX release of 26 February 2024.</p>		

8.0	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(421)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,854
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,854
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.8
<p><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></p>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer:</p>	
	<p>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?</p> <p>Answer:</p>	

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:

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: 18 April 2024

Authorised by: The Board of Directors
(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.