



ASX Announcement

22 July 2024

XPON Q4 FY24 activity report and Appendix 4C¹

XPON Technologies Group Ltd (ASX:XPON) (**XPON** or the **Company**), an AI marketing technology company, releases its quarterly activity report / Appendix 4C quarterly cash flow statement for the three-month period ended 30 June 2024.

Key Highlights

- Achieved solid financial performance in FY24 despite market challenges, with revenue reaching \$9.3m, gross profit of \$7.0m, and a robust gross profit margin of 75%
- Delivered strong momentum in Q4 with record quarterly revenue of \$2.5m, representing an impressive 18% year-on-year growth
- Maintained a healthy cash position of \$3.4m as of 30 June 2024, providing a solid foundation for future growth
- Successfully strengthened our financial position with a strategic A\$0.8m capital raise in Q4 FY24, demonstrating strong board confidence and alignment with shareholder interests
- Reaffirm our commitment to financial discipline with a clear target of achieving cash flow break-even in FY25, underpinned by our growth trajectory and cost management initiatives
- Founder and Group CEO, Matt Forman's webinar covering the results of the Quarterly and Q&A is available to view here: <https://investorhub.xpon.ai/link/NPwjKr>

Key Annual Financial Metrics - FY24 vs FY23¹

	FY24	FY23	+/- FY23
Revenue	\$9.3m	\$8.9m	+5%
Gross profit	\$7.0m	\$6.5m	+8%
Gross margin	75%	73%	+2 ppts

Matt Forman, Managing Director and Group CEO said: "The strategic focus on our core Martech business has yielded positive results, with year-on-year growth in both revenue and gross profit following the divestment of our App Mod business. This growth underscores the strength of our core offerings and the market demand for our solutions"

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

"Our ongoing commitment to operational efficiency has resulted in a further \$0.7m of annualised cost savings in Q4 FY24, bringing our total realised annualised savings to \$6.5m. This positions XPON strongly for future profitability and allows us to invest strategically in growth areas"

"As we embark on FY25, our new strategic roadmap focuses on sustainable, scalable growth. We're recalibrating our sales approach to accelerate our Annualised Recurring Revenue (ARR), investing in our people, streamlining our operations, and optimising our balance sheet. These initiatives are designed to create long-term value for our shareholders and customers alike"

"Leveraging our new Board's extensive M&A experience, we're actively exploring accretive inorganic growth opportunities. These potential acquisitions aim to expand our solution portfolio and broaden our recurring customer base, accelerating our growth trajectory"

"The AI-driven disruption in the marketing industry presents a significant opportunity for XPON. Our deep expertise in harnessing data and AI positions us at the forefront of this transformation. We're excited to lead our clients through this evolving landscape, driving innovation and delivering measurable results in the rapidly changing world of marketing technology."

Key Financial Metrics - Q4 FY24 vs Q3 FY24 and Q4 FY23 ²

	Q4 FY24	Q3 FY24	+/-	Q4 FY23	+/-
Martech revenue	\$2.5m	\$2.4m	+5%	\$2.1m	+18%
Martech gross profit	\$1.9m	\$1.8m	+4%	\$1.6m	+16%
Martech gross margin	75%	75%	0 ppts	76%	-1 ppts

- Total Martech revenue increased by 18% to \$2.5million year on year and 5% quarter on quarter.
- 6 new customers were landed and 8 existing customers were expanded during the quarter.
- Maintained a robust monthly customer retention rate of 99.3% .
- Achieved strong gross margin of 75% achieved - consistent quarter on quarter and down 1 ppt year on year, due to a higher ratio of lower margin project work.
- Demonstrated strong underlying financial performance, net of public company and corporate costs³ which were \$0.6m in the quarter.

² Unaudited. On a continuing business basis, excluding all revenue and expenses associated with the App Mod business divested in December 2023

³ Corporate overheads include costs for audit, tax, legal, D&O insurance, company secretarial, ASX, ASIC, corporate software contracts and share registry services in addition to corporate/group/Board roles and their affiliated costs.

FY25 - FY27 Strategic Roadmap



Realign for sustainable growth

- Reset the sales motion to grow a sustainable recurring revenue base (ARR) with primary focus on AUNZ.
- Develop people & capability to build on our culture, simplify workflows and alignment of rewards to business profitability.
- Optimise balance sheet and establish capital profile to support future organic & inorganic growth opportunities.
- Cash flow breakeven in FY25.

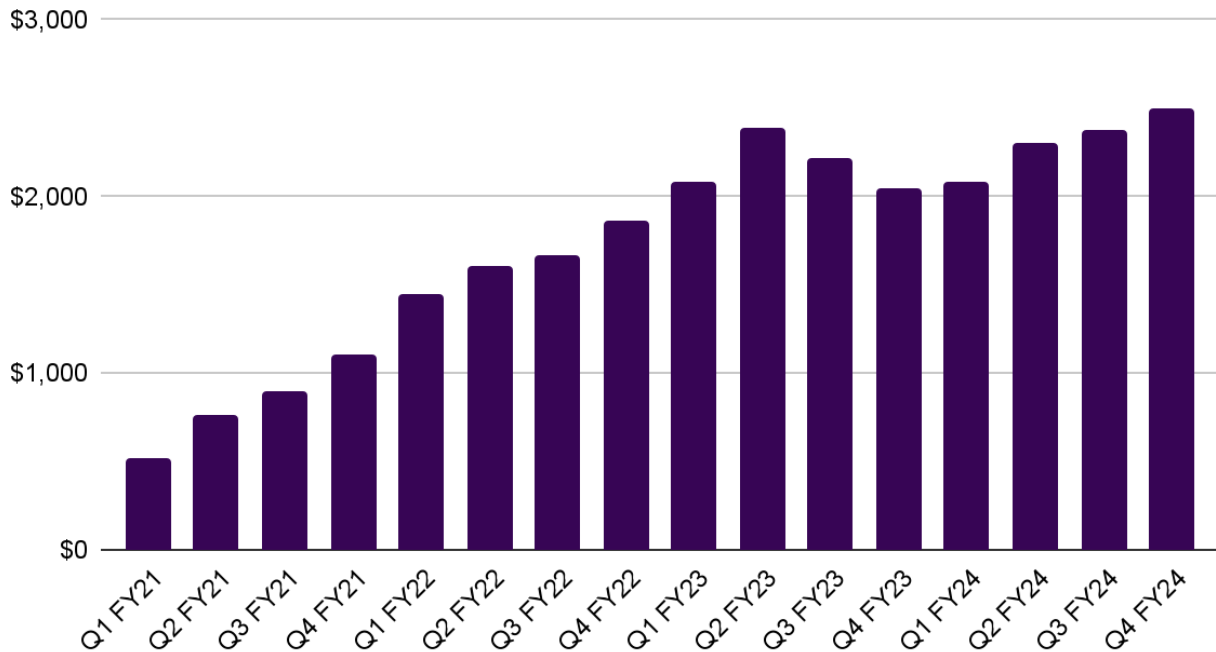
Platform for scale

- Extend and diversify the distribution channels for our solutions.
- Explore accretive inorganic growth opportunities to expand solution offerings and recurring customer base.
- Invest in developing Wondaris® and AI solutions to further accelerate product adoption and global appeal.
- AI automation and simplification of workflows and service delivery.
- Strengthen balance sheet and optimise a self funding cash flow and EBITDA profile.

Scalable profitability

- Accelerate accretive inorganic growth that will scale on the XPON platform.
- Targeting organic growth at rule of 40 or better.
- Annualised Recurring Revenue (ARR) represents $\geq 85\%$ of revenues.
- Extension of vertical industry offerings to new sectors.
- Advanced AI adoption that streamlines service delivery and co-pilots our people.

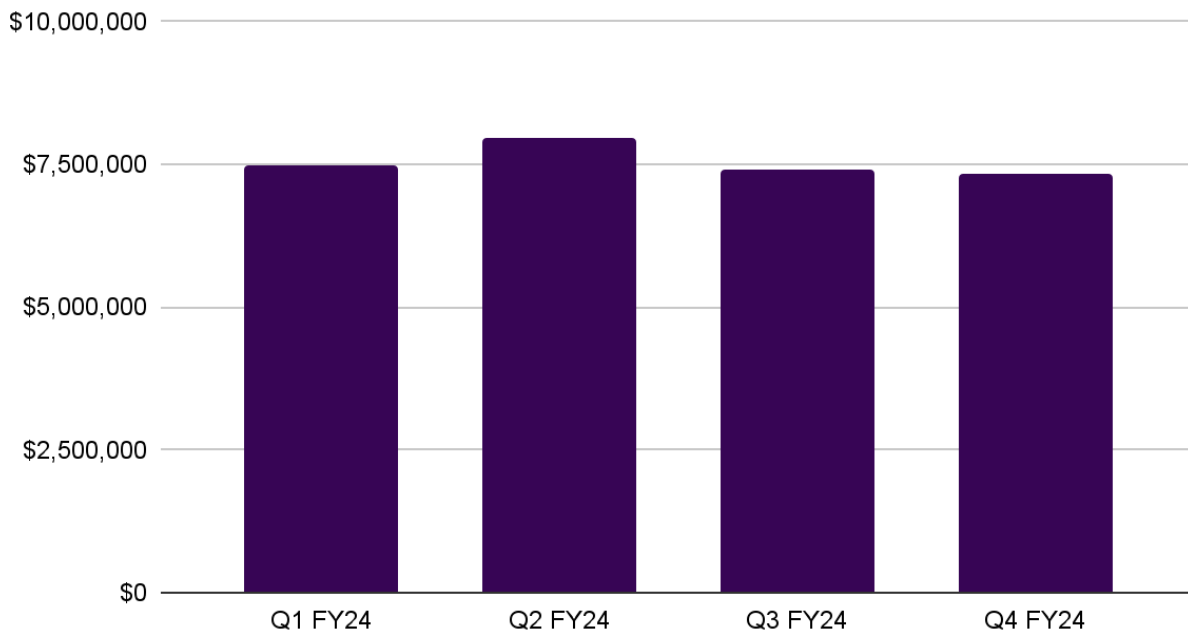
Martech Revenue by quarter



Annual Recurring Revenue at 30 June 2024 was \$7.4m, representing a CAGR of 29% 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 Q4 FY24 of (\$0.2 million).
 - Total receipts from customers were \$2.5 million for Q4 FY24, down 25% YoY, attributed to the divestment of the App Mod business.
 - Payments to suppliers, employees and others were \$2.7 million for Q4 FY24 down 45% YoY.
- The Company's cash balance at 30 June 2024 was \$3.4 million, up \$0.6 million on the previous quarter, comprised of the following:
 - Operating cash outflows of \$0.2 million
 - Net \$0.8 million financing cash inflows relating to Investor and Director placement and the Share Purchase plan.
- As detailed in item 6.1 of the Appendix 4C, payments to related parties and their associates during the quarter totalled \$111k comprising CEO salary, employee associate of CEO and motor vehicle leasing and operating costs for the CEO.

Outlook and Priorities

The Company has clear priorities for FY25:

- Capitalise on our leading market position by driving continued AI innovation with Wondaris to accelerate sales cycles and enhance value realisation for customers
- Focus on sustainable profitability by leveraging our relationship with Google for pipeline generation and growing our recurring customer base, supported by a strong NPS of 83

- Explore strategic partnering and M&A opportunities to enhance shareholder value
- Ensure XPON sustains a strong corporate culture and maintains high employee engagement and motivation
- Address balance sheet and convertible note refinancing to strengthen financial stability
- Continue to monitor and manage our cost profile 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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About XPON Technologies Group Limited (ASX: XPN)

XPON Technologies Group Limited is a leading AI marketing technology business with operations in Australia, New Zealand and the United Kingdom. We help businesses simplify complex marketing challenges and achieve superior ROI from their customers.

At the heart of our approach is the integration of data and AI, which powers our tools to predict consumer behaviour, automate marketing processes, and drive effective, data-driven decisions.

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")

30/06/2024

Consolidated statement of cash flows		Current Quarter	Year to date (12 months)
		\$A'000	\$A'000
1.0	Cash flows from operating activities		
1.1	Receipts from customers	2,553	12,154
1.2	Payments for		
	(a) research and development	(102)	(465)
	(b) product manufacturing and operating costs	(597)	(4,633)
	(c) advertising and marketing	(143)	(480)
	(d) leased assets	-	-
	(e) staff costs	(1,479)	(7,560)
	(f) administration and corporate costs	(413)	(1,545)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	7
1.5	Interest and other costs of finance paid	(42)	(46)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	130
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(222)	(2,438)
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)	882	882
3.2	Proceeds from issue of convertible debt securities	-	1,125
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(82)	(216)
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	800	1,734

4.0	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,854	4,415
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(222)	(2,438)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(258)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	800	1,734
4.5	Effect of movement in exchange rates on cash held	17	(4)
4.6	Cash and cash equivalents at end of period	3,449	3,449

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	3,449	2,854
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)	3,449	2,854

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	111
6.2	Aggregate amount of payments to related parties and their associates included in item 2	NA

Note: Payments in 6.1 relate to Director 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
7.0	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>	\$A'000	\$A'000
	<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		-
	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.		
7.6	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.		

8.0	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(222)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,449
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,449
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	15.5
	<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>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	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?	
	Answer:	
	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?	
	Answer:	

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: 22 July 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.