



6th July 2020

Quarterly Update: Xref achieves strong sales during COVID-19

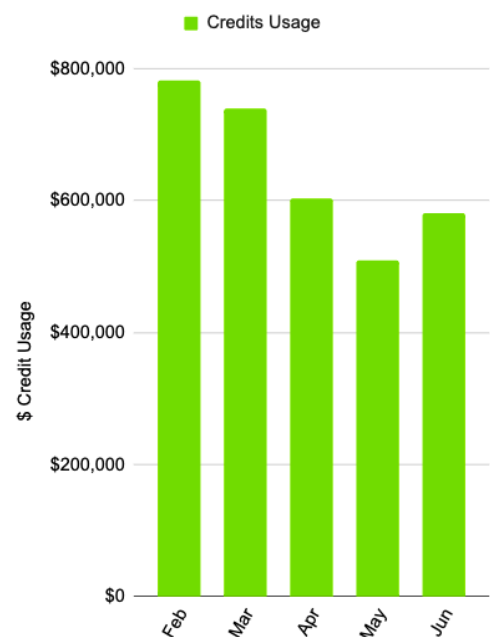
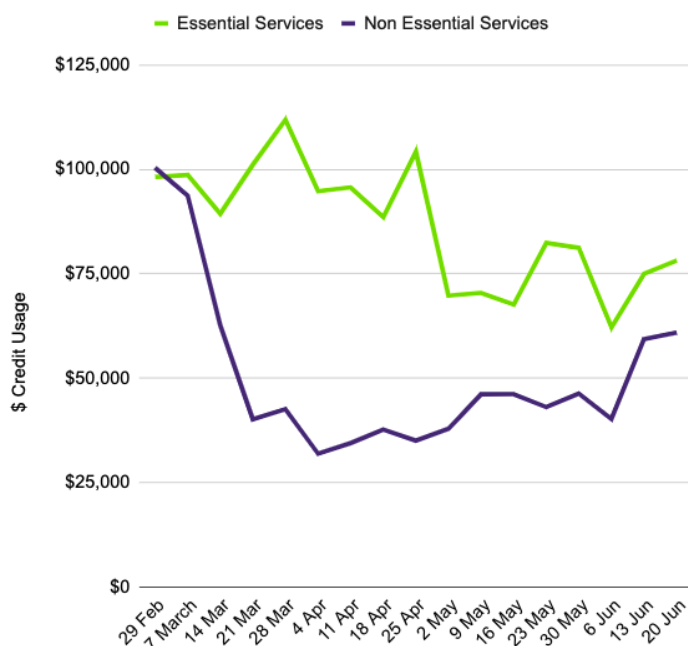
- **Sales** - \$2.7 million
- **Cash Expenses** - totalled \$2.8 million
- **Xref Credits Used** - \$1.7 million
- **Cash Receipts** - totalled \$2.4 million

Xref Limited (**ASX:XF1**), the human resources technology company, today reported a successful fourth quarter of trading, despite the impact of COVID-19. Unaudited results show sales reached \$2.7 million and cash receipts were also strong at \$2.4 million. Credit usage reached \$1.7 million for the quarter, only 18% down on Q4 FY19.

Although faced with turbulent and disrupted market conditions during the quarter, caused by the pressures of COVID-19 globally, Xref was able to deliver a solid sales result. New clients introduced during this time included Laureate International Universities, Frucor Suntory, NSW Public Service Commission and Zip Co in Australia, Land Information New Zealand, The Norwegian Tax Administration and The Telegraph Media Group in the United Kingdom. Further information about these new clients follows as an appendix.

A Strong Foundation for Revenue (Credit Usage)

Over the past four years, Xref has focused on supporting organisations within the 'trust' economy, this has included those in the health, government, not-for-profit and education sectors. Prior to COVID-19, 50% of all credit usage originated from clients in what we now class as essential services. Xref credits used during the quarter totalled \$1.7 million. An increase in usage from non-essential services saw overall usage grow by 14% in June compared to May and showed a clear sign that businesses are starting to recover. Clients that use Xref via an integration accounted for 33% of overall credits used during Q4 FY20.

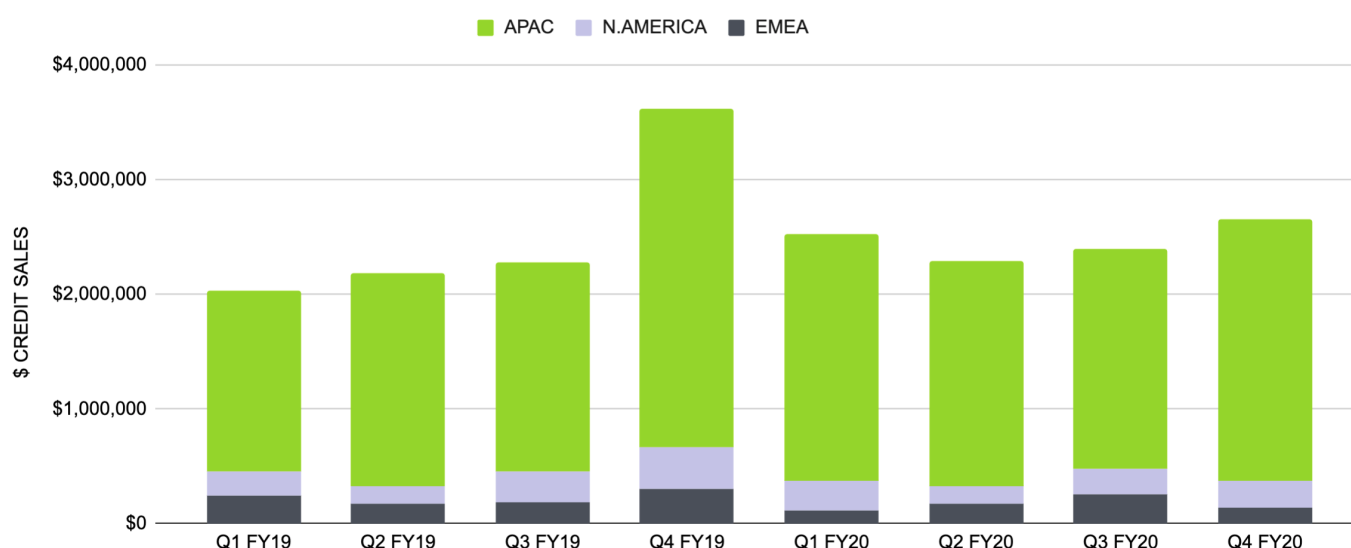


Capturing Growing Market Demand

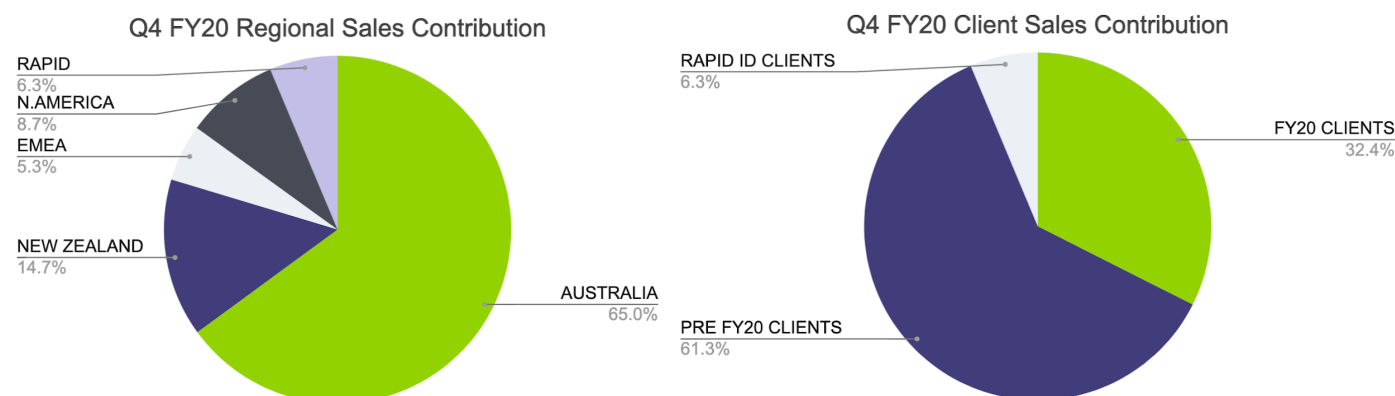
COVID-19 has accelerated global demand for remote working and, as a result, employers' desire to improve governance is increasing and they are seeking improved ways to perform candidate verification. Xref's reliance on outbound direct sales activities is fast becoming replaced by the need to capture growing market demand. The Company has witnessed a rise in inbound leads, in the most part as a result of its channel partner integrations, global digital strategy and the network effect generated through the numerous sectors and global regions it is used in.

Xref can acquire clients via the self-serve platform, its in-house enterprise sales teams or via channel partners. Xref has continued to launch new integration partnerships during the quarter. Integrations with Greenhouse, PageUp, and LinkedIn Talent Hub, as well as the next stage of the CVCheck partnership, which saw Xref references added to the CVCheck platform, are complete and joint go to market campaigns have all been launched.

Sales of Xref credits reached \$2.7 million during the quarter, despite the effects of the COVID-19 pandemic, down by only 25% and the company's second highest sales quarter to date.



Of the \$2.7 million credits sold, 14% were new client sales, 14% came from Xref's international offices in Europe and North America and 63% were from clients deemed essential services during COVID-19. RapidID, a business acquired by Xref in July 2019 contributed \$0.17 million during the quarter.



New Zealand - a Story of Recovery

On the 25th March 2020, New Zealand entered full lockdown restrictions as a result of the COVID-19 pandemic. Credit usage was upheld by the clients deemed 'essential' during the crisis and, despite an initial drop, sales started to grow from mid-April. On June 8th, a week after the New Zealand public holiday (Queen's Birthday), all restrictions were lifted. Sales and usage immediately returned to peak levels.



Cost of Acquisition Decreasing - Cash Preserved

During the June quarter, 60 new clients joined Xref, down only 17% from the 72 clients acquired in Q2 FY20. The transition from outbound to inbound sales is decreasing the overall cost of acquisition. COVID-19 has accelerated adoption and therefore lessened the need for direct sales. As an example, Xref closed its Norwegian operation in April and chose to sell into the region remotely from London, this has been validated by the success with the Norwegian Tax Office joining as a customer in May.

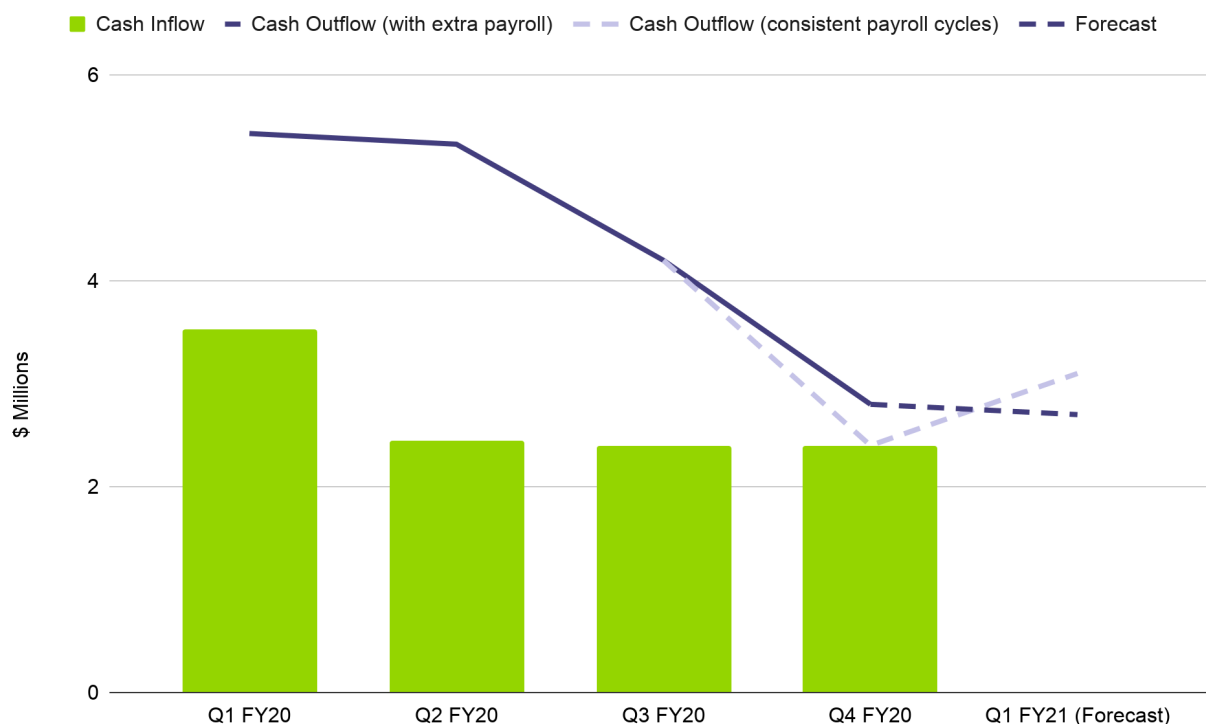
Since December 2019, Xref has scaled back event costs, travel, development costs, office leases and has reduced headcount from 98 to 61 people. This has driven a dramatic and immediate reduction in cash expenses. Cash outflows for the June quarter were down 47% to \$2.8 million from \$5.3 million in Q2 FY20.

Since November 2019, Xref's primary focus has been on preserving cash and reaching cash flow break even. Key initiatives have included:

- building efficiencies in the acquisition, onboarding, support and growth of clients;
- developing a host of channel integrations, multi-regional capabilities, and self-serve features; and
- redirecting marketing efforts from sales support to online lead generation.

Xref has also taken the decision to change the payroll calendar for FY21 from the current 13 periods a year to the more traditional 12 months per year. The June payroll set for the 1st July was rescheduled for the 30th of June. As a result:

- cash outflows for the June quarter rose from \$2.4 million to \$2.8 million;
- September quarter will include 3 payrolls instead of 4 as per the previous year; and
- cash outflow forecast for Q1 FY21 is \$2.7 million (after government subsidies), 50% down on Q1 FY20.



On April 1st 2020 all Xref employees, senior management and executives opted to reduce standard working hours to a four-day week until the end of the June quarter. Xref replaced salary reductions with ordinary fully paid shares. Shares will be issued during the week commencing 6th July 2020 at the then average volume-weighted share price. Xref returned to a five-day working week on the 1st July as a result of the successful fourth quarter.

Business Update: Investor Call - 6th July

Chief Executive Officer, Lee-Martin Seymour, will host an investor call to discuss the Xref's April results on Monday, July 6th 2020 at 11:00 am AEST. The number for Australian investors is 1800 093 431 and for international investors is +61 2 8047 9393. The conference ID is 55768070#

Management Comments:

Executive director / CEO Lee-Martin Seymour said: "For the majority of this year we have worked through both national and global crises and have, during these times, continued our focus to reduce costs, grow sales and achieve break-even. Our business is in a great position, we have an enormous opportunity ahead and our people, product and brand are simply the best in the world. We have contributed to the global effort during the pandemic and in many areas have been a critical platform to essential services during the pandemic. Despite the disruptions of COVIDo-19 we have a robust growth strategy for FY21 and are excited about the coming year."

Executive director / CSO Tim Griffiths said: "During the pandemic, development has not stopped, we have seen an increase in partnership requests, further integrations launched, bespoke development requirements, go to market activities with partners and the developments of additional features on both the Xref and RapidID platforms."

Brad Rosser / Chairman said: "The Xref business has been able to adapt to change quickly, the management team has remained focused on the key objectives despite having to recalibrate targets and has continued to win and grow new clients during an extremely difficult period."

Investor and media enquiries:

Presentation: xf1.com

Investor Centre: xref.com/en/investor-centre

Twitter: [@xf1](https://twitter.com/xf1)

Email: investors@xf1.com

Authorised by the Board: Xref Limited (ASX : XF1)

Xref Limited, Suite 17, 13 Hickson Road, Dawes Point, Sydney NSW 2000 Australia

Key points about Xref

First mover advantage	Xref provided the first automated solution for the candidate referencing process and it is capitalising on its first-mover advantage by focusing on and investing for international growth.
Business model	Under Xref's business model, when clients purchase credits (credit sales) to use the candidate referencing platform, the value of their purchases is recognised as unearned income. When they pay for the credits, the cash is recognised as cash receipts. Once the credits are used by the client (usage), Xref recognises the value of the credits used as revenue (recognised revenue).
Global addressable market	Xref's addressable market includes more than 180 million employees in North America, 120 million employees in Europe and 15 million employees in Australia and New Zealand.

Appendix – New clients

Laureate International Universities Australia

Laureate Education, Inc. is the largest international network of degree-granting higher education institutions, with more than 850,000 students enrolled at over 25 institutions with more than 150 campuses. Across all campuses, it has more than 75,000 employees.

Frucor Suntory Australia

Frucor Suntory has been making juice since 1962. It began in New Zealand and moved into the Australian market in 1999, along with V Energy. Since 2009, it's also become part of the Japanese Suntory Group. Suntory now employs almost 40,000 people globally and nearly 1,000 of them work across Australia and New Zealand.

NSW Public Service Commission - Australia

The Public Service Commissioner (PSC) is an independent office holder and is a small department created to support the Commissioner in the execution of their function. The PSC has the lead role in designing and implementing workforce management strategies and reform to ensure the capability of the NSW public sector workforce. The PSC currently employs approximately 155 staff.

Zip Co Australia

Zip Co Limited offers point-of-sale credit and digital payment services to consumers and merchants. Over 2,100,000 customers choose to pay with Zip, and it is available online and instore at more than 23,000 retailers. Zip Co Limited currently has more than 330 employees.

Land Information New Zealand

Land Information New Zealand (LINZ) makes sure New Zealand has accurate information about where people and places are, that people have confidence in their property rights and that Crown property is well managed for future generations. LINZ currently employs more than 550 people.

The Norwegian Tax Administration

The Norwegian Tax Administration is a government agency responsible for resident registration and tax collection in Norway and is based at Helsefyr in Oslo. It currently employs more than 2,400 people.

The Telegraph Media Group in the United Kingdom

Telegraph Media Group is a multi-media news publisher and is the proprietor of two well-known newspapers in the UK, The Daily Telegraph and The Sunday Telegraph. It currently employs more than 1,100 staff.