



## ASX Announcement

30 January 2024

### XPON Q2 FY24 activity report and Appendix 4C<sup>1</sup>

XPON Technologies Group Ltd (ASX:XPON) (**XPON** or the **Company**), a marketing technology and cloud business providing mission-critical software and solutions to corporate and mid-tier enterprises in Australia, New Zealand and the United Kingdom has today released its quarterly activity report / Appendix 4C quarterly cash flow statement for the three-month period ended 31 December 2023.

#### Key Points

- Martech business revenue of \$2.3m grew by 10% QoQ approaching the levels achieved in Q2 FY23
- Gross margin of 79%, up 11 ppts QoQ
- Won Google Marketing Platform Maturity Megastar and Advanced Data & AI awards for 2023
- App Mod business divestment completed, reducing annual cash burn by c\$1.3m from Jan 2024
- Further cost reductions implemented in October reducing annual cash burn by c\$1.5m. In aggregate, annualised cost saving initiatives since May 2023 total c\$5.8m.
- Improved operating cash outflows of \$0.2m (accounting for the timing of supplier payments, customer receipts, savings following cost reductions and App Mod divestment) with \$2.26m cash balance as at 31 Dec 2023
- Reiterate cashflow break even targeted for FY25

#### Key Financial Metrics - Q2 FY24 vs Q1 FY24 and Q2 FY23 <sup>1</sup>

	Q2 FY24	+/- Q1 FY24	+/- Q2 FY23
<b>Martech revenue</b>	\$2.30m	+10%	-5%
<b>App Mod revenue</b>	\$0.15m	-66%	-93%
<b>Total revenue</b>	\$2.45m	-4%	-46%
<b>Total gross profit</b>	\$1.92m	+11%	-39%
<b>Gross margin</b>	79%	+11 ppts	+10 ppts

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<sup>1</sup> Unaudited

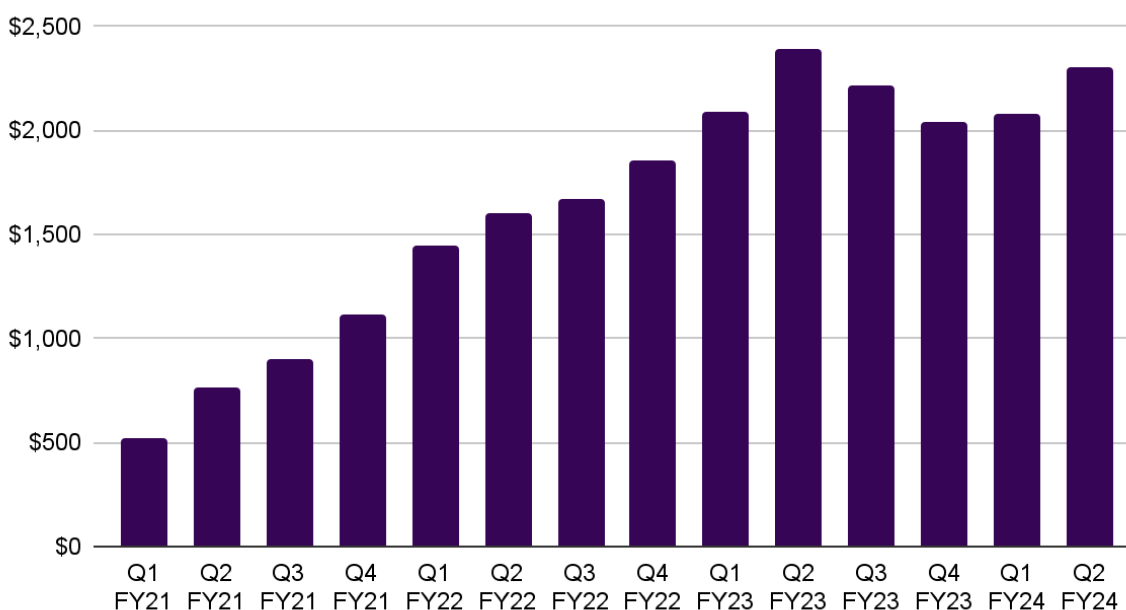
- Total revenue decreased by 4% to \$2.45 million and Martech revenue increased by 10% quarter on quarter including strong expand opportunities with existing customers and increased usage fees. 1 new customer was landed and 9 existing customers were expanded during the quarter. App Mod experienced a 93% revenue decline.
- Gross margin up 11 ppts quarter on quarter, assisted by the higher margin Martech revenue mix.

## Martech Business

Martech revenue has returned to quarterly growth with revenue from continuing operations up 10% QoQ. This was driven by ongoing strong monthly customer retention of 99.4% and expansion of 9 customers.

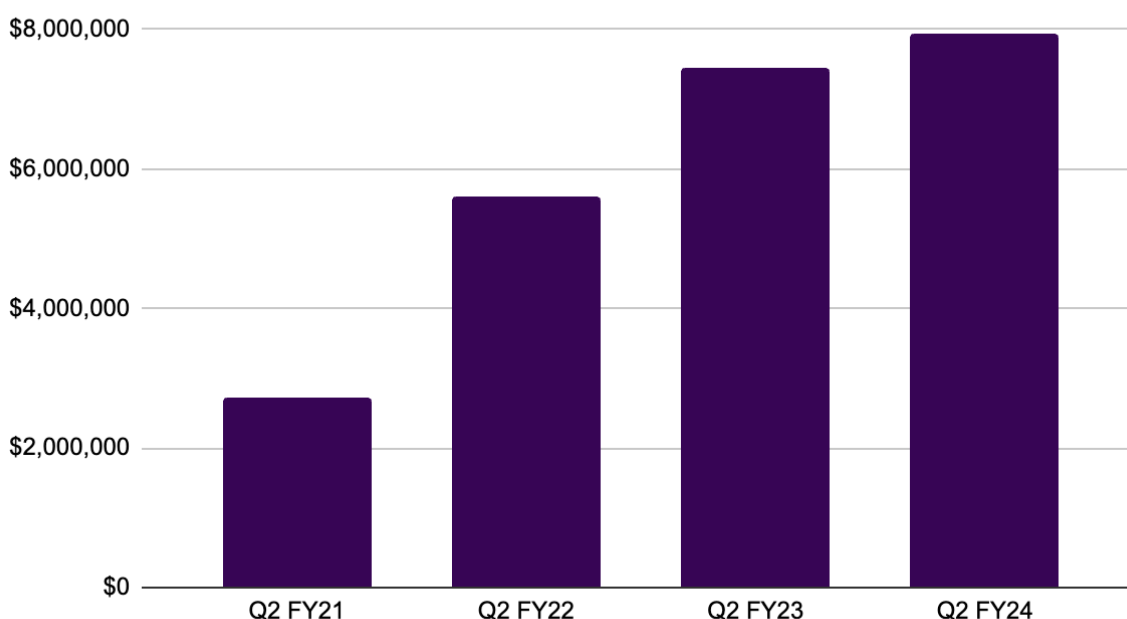
The clear focus on Martech is unearthing new organic growth opportunities in Australia and the UK markets.

### Martech Revenue by quarter



Annual Recurring Revenue at 31 December 2023 was \$7.95m, representing a CAGR of 43% over the last 3 years.

## Martech ARR



## Cash Flow

XPON reported net cash flows from operating activities for Q2 FY24 of (\$0.2 million). Receipts from customers were \$3.3 million for Q2 FY24, down 8% on Q1 FY24, and down 40% on the pcq attributed to the decline in the App Mod business..

Payments to suppliers, employees and others were \$3.5 million for Q2 FY24 down 33% on the previous quarter.

The Company's cash balance at 31 December 2023 was \$2.26 million, down \$0.5 million on the previous quarter. Cash outflows consisted of operating cash outflows of \$0.2m and \$0.3m investing cash outflows relating to a standard working capital adjustment in connection with the App Mod divestment. The Appendix 4C calculation shows approximately thirteen quarters of funding remains available - this has principally arisen due to one-off factors (including the App Mod divestment and strong working capital management).

As detailed in item 6.1 of the Appendix 4C, payments to related parties and their associates during the quarter totalled \$161k comprising Director fees and salaries, employee associate of CEO and motor vehicle leasing and operating costs for the CEO.

Commenting on the quarterly results, Founder, Managing Director and Group CEO, Matt Forman said: "I am pleased with the progress the business has demonstrated in Q2 FY24. We improved key financial metrics across the board, successfully divested the App Mod businesses and completed a further round of cost-out initiatives. This enables the XPON team to focus on growth and strategic opportunities in our streamlined Martech business."

"Our technical capability, AI expertise and value proposition for customers was again validated at the Google Marketing Platform 2023 partner awards where XPON was awarded the Maturity Megastar and Advanced Data & AI awards."

"The primary focus of the Company is growing sustainably while driving toward profitability. The Martech business has a unique position in the market as evidenced by its resilient nature and ongoing revenue growth."

## Outlook and Priorities

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

- Focus on streamlined Martech business, retain and grow revenue from existing customers
- Focus on growing and converting the pipeline of new MarTech customers
- 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
- Continue to monitor and manage the cost profile of the business in line with business performance to achieve targeted cashflow break-even in FY25
- Explore strategic opportunities to bolster XPON's medium / long term value creation
- Ensure XPON maintains a strong corporate culture and highly motivated team, by maintaining strong employee engagement score of 90

**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 1: Use of Funds

Pursuant to Listing Rule 4.7C.2, the Company confirms that, in the 24 months since listing on the ASX, it has incurred expenditures largely in line with the Use of Proceeds set out in its Prospectus, as detailed below.

Use of Funds	Prospectus			Actual to date	Comments
	Year 1	Year 2	TOTAL		
<b>Expenses of the Offer</b>	\$1,801,587	-	\$1,801,587	\$2,181,162	XPON acquired a multi (7yrs) prospectus liabilities insurance policy instead of annual as it is more cost effective for the company
<b>Sales &amp; Marketing</b>	\$2,038,500	\$5,075,000	\$7,113,500	\$2,605,663	Marketing investment and customer acquisition costs including new team members
<b>Expansion of product development and delivery capacity</b>	\$495,000	\$1,065,000	\$1,560,000	\$847,786	Additional team members to expand product development and delivery capacity
<b>Capital expenditure</b>	\$150,000	\$300,000	\$450,000	\$548,362	Tools (laptops etc) for new employees and new ERP (FinancialForce)
<b>General working capital</b>	\$660,000	\$914,913	\$1,574,913	\$1,659,019	Streamline payment terms for contractors to be consistent with the Group and general OPEX costs including new team members
<b>TOTAL</b>	<b>\$5,145,087</b>	<b>\$7,354,913</b>	<b>\$12,500,000</b>	<b>\$7,841,992</b>	

## 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")**

31/12/2023

Consolidated statement of cash flows		Current Quarter	Year to date (6 months)
		\$A'000	\$A'000
<b>1.0</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3,299	6,896
1.2	Payments for		
	(a) research and development	(83)	(255)
	(b) product manufacturing and operating costs	(519)	(2,920)
	(c) advertising and marketing	(132)	(191)
	(d) leased assets	-	-
	(e) staff costs	(2,234)	(4,492)
	(f) administration and corporate costs	(500)	(832)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	5
1.5	Interest and other costs of finance paid	-	(4)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(172)</b>	<b>(1,793)</b>
<b>2.0</b>	<b>Cash flows from investing activities</b>		

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)	(262)
	(c) property, plant and equipment	3	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	<b>Net cash from / (used in) investing activities</b>	<b>(259)</b>	<b>(259)</b>

3.0	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(52)	(57)



3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.1</b>	<b>Net cash from / (used in) financing activities</b>	<b>(52)</b>	<b>(57)</b>

<b>4.0</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,757	4,415
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(172)	(1,793)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(259)	(259)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(52)	(57)
4.5	Effect of movement in exchange rates on cash held	(17)	(49)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,257</b>	<b>2,257</b>

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

<b>6.0</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current Quarter</b>
		<b>\$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	161
6.2	Aggregate amount of payments to related parties and their associates included in item 2	NA
<i>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.</i>		

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>  <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	\$A'000	\$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<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> <p>n/a</p>		

8.0	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(172)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,257
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,257
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  <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>	13.1
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>	

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: 30 January 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.