



ASX Announcement

27 February 2024

XPON 1H FY24 results and Appendix 4D

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 is pleased to release its Appendix 4D and half yearly report for the six month period ended 31 December 2023 (1H FY24).

The following commentary and financial metrics have been presented on a continuing business basis, excluding all revenue and expenses associated with the App Mod business divested in December 2023.

Key Points - 1H FY24

- Positive momentum with two consecutive quarters¹ of revenue growth - revenue of \$4.5m in 1H FY24
- Gross margin of 75%, up 4 ppts YoY
- Improvement in Adjusted EBITDA by 49% YoY to \$1.8m loss compared to a \$3.4m loss in 1H FY23
- 7 new customers were landed and 19 existing customers were expanded during the half year and strong monthly customer retention at 99.4% during the half
- Cost reduction initiatives - to deliver c\$4.5m in annualised cost savings, excluding App Mod divestment
- App Mod business divestment - completed in December 2023, bringing total cost reductions to c\$5.8m per annum, a c25%² reduction in the cost base since May 2023
- Won Google Marketing Platform Advanced Data & AI and Maturity Megastar awards for 2023
- The convertible note raising of \$1.125m received after 31 December 2023 strengthens the balance sheet and positions the Company to deliver on its growth and profitability strategy
- Continuing trend of reducing controllable operating cash burn, managing collections and payments, and reiterate cashflow break-even targeted for FY25

¹ QoQ Martech revenue growth in Q1 FY24 and Q2 FY24 - continuing business only

² % reduction as compared to FY23 cost base (cost of sales and operating expenses) as disclosed in the FY23 Annual Report

Key Financial Metrics - 1H FY24 vs 1H FY23

	1H FY24	+/- 1H FY23
Revenue	\$4.5m	-4%
Gross profit	\$3.3m	+1%
Gross margin	75%	+4 pts
Adjusted EBITDA ³	(\$1.8m)	+49%

- The Company is seeing positive momentum with two consecutive quarters of revenue growth⁴. Existing customers are continuing to expand and licence revenue is up 13% YoY, offset by a reduction in managed and project management services.
- Gross margin up 4 pts YoY to 75%, assisted by the higher margin revenue mix.
- Adjusted EBITDA losses decreased by 49% to \$1.8m, due to operating expense reduction of \$1.7m - cost reductions implemented since May 2023 amount to annualised cost savings of c\$4.5m.
- Loss after tax of \$2.9m from discontinued operations relating to the App Mod business recognised in 1H FY24 - this includes the financial performance and impairment of intangibles in relation to the App Mod business up until divestment.

Commenting on the Group's performance, Founder, Managing Director and Group CEO, Matt Forman said: "Leading into and during the first half, we made some difficult but necessary decisions in right-sizing our operations. We are now starting to see the benefit of these decisions, through the narrowing of losses.

With the divestment of the App Mod business complete, and cost initiatives substantially realised, we are clearly focused on growing our Martech business. This business continues to remain resilient, with blue chip customers that experience high customer satisfaction and excellent retention rates.

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 Advanced Data & AI and Maturity Megastar awards.

We are committed to driving the Company towards profitability and achieving cashflow breakeven in FY25."

³ Adjusted EBITDA is an unaudited metric calculated by excluding discontinued operations and write off of related party loans receivable

⁴ GoQ Martech revenue growth in Q1 FY24 and Q2 FY24 - continuing business only

Outlook and Priorities

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

- Build on resilient revenue base:
 - Continue to grow and convert pipeline of new customers, retain and grow revenue from existing customers
 - Continue to leverage the Google relationship for AU and UK growth
- Continue to monitor and manage the cost profile of the business to achieve targeted cashflow break-even in FY25
- Capitalise on AI advantage with continued innovation of Wondaris modules to accelerate customer sales cycles and value realisation
- 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

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

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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).

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