



ASX Announcement

24 October 2024

XPON Q1 FY25 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 September 2024.

Key Highlights

- Annualised Recurring Revenue of \$7.9m, up 8% QoQ and 6% YoY - demonstrating the recalibration of the sales strategy to recurring revenue
- Martech Revenue of \$2.1m, down 2% YoY - 94% of revenue recurring and in line with previous guidance regarding softer topline revenue as the sales strategy is recalibrated
- Gross margin of 71%, consistent YoY
- Cash balance of \$3.3m as at 30 September 2024 including a significant reduction in quarterly cash burn to \$0.1m
- Finalist in two categories at the prestigious Australian AI Awards 2024
- Reaffirm our commitment to financial discipline with a clear target of achieving annualised cash flow break-even in FY25, underpinned by our growth trajectory and cost management initiatives
- Founder and Group CEO, Matt Forman's video covering the results of this quarters results is available to view here: <https://investorhub.xpon.ai/link/mPqjKy>

Key Financial Metrics - Q1 FY25 vs Q4 FY24 and Q1 FY24 ¹

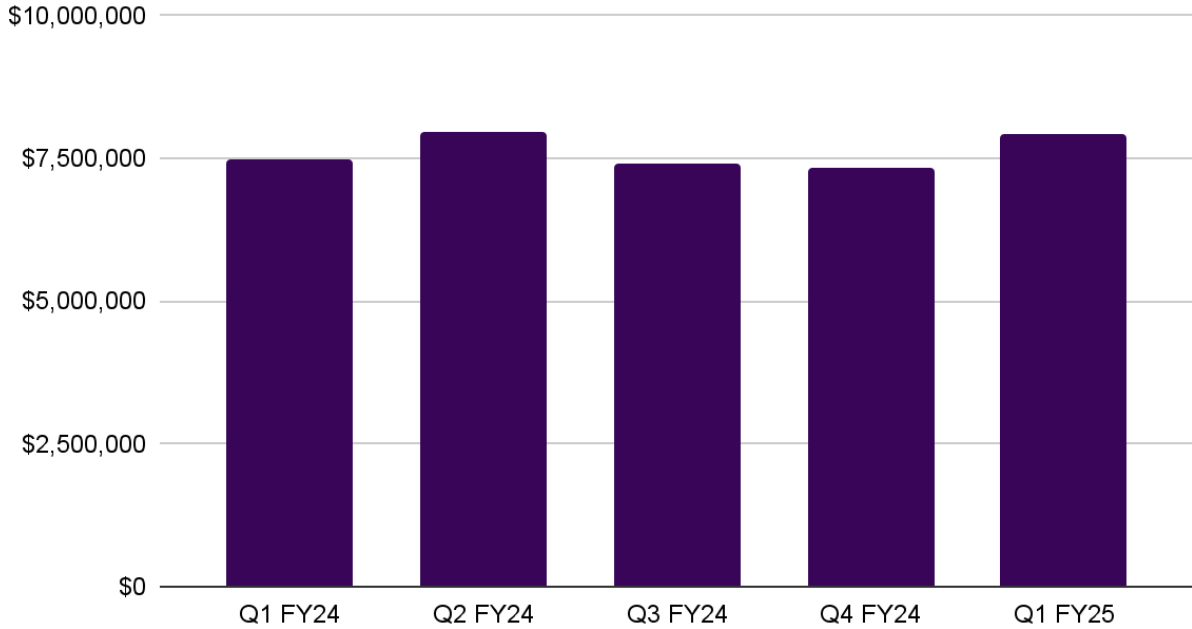
	Q1 FY25	Q4 FY24	+/-	Q1 FY24	+/-
Martech revenue	\$2.1m	\$2.5m	-18%	\$2.1m	-2%
Martech gross profit	\$1.5m	\$1.9m	-21%	\$1.5m	-2%
Martech gross margin	71%	75%	-4 pts	71%	0 pts
Annualised Recurring Revenue (ARR)	\$7.9m	\$7.4m	+8%	\$7.5m	+6%

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

Annualised Recurring Revenue (ARR)

ARR at 30 September 2024 reached \$7.9m, up 8% quarter on quarter and 6% year on year. This growth demonstrates the increasing demand for XPON's AI-powered marketing solutions and the early progress of recalibrating the sales strategy to generate recurring revenue streams. ARR for the quarter was also boosted by strong usage fees.

Martech ARR

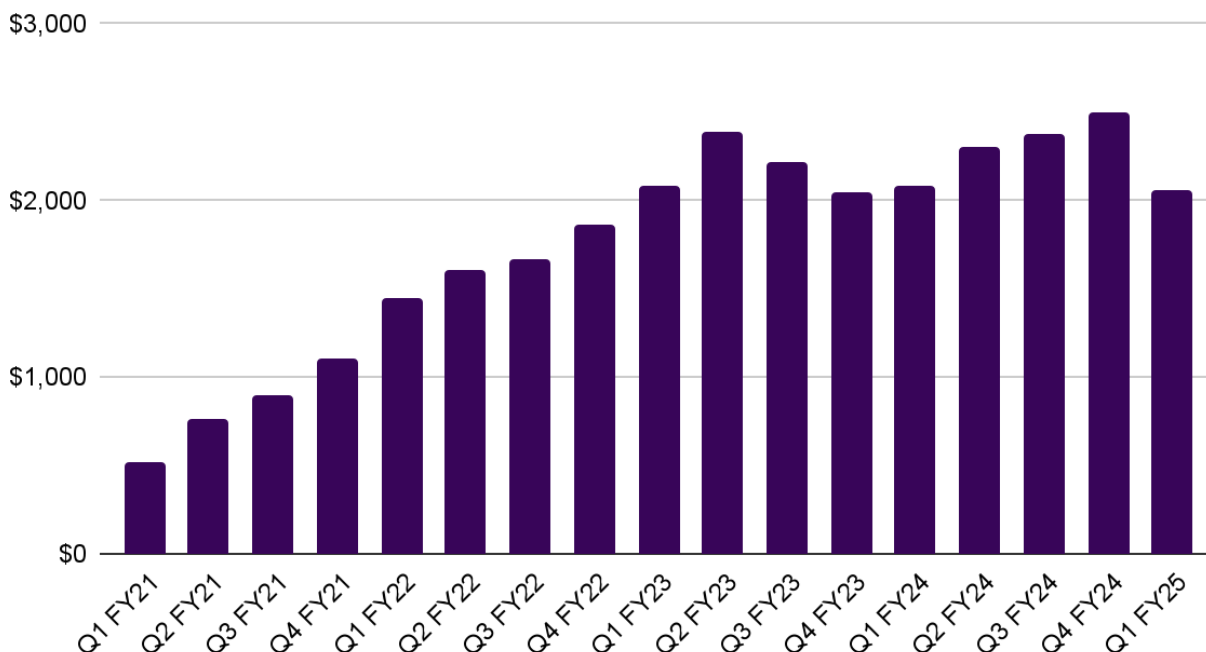


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Financial Performance

In line with previous guidance, Martech revenue decreased by 2% to \$2.1 million year on year as we recalibrate our sales strategy to expand our recurring revenue stream.

Martech Revenue by quarter



XPON maintained a healthy gross margin of 71%, reflecting the efficiency of our operations, and demonstrated strong underlying financial performance, net of public company and corporate costs² which were \$0.5m in the quarter. The Company's disciplined cost management initiatives are contributing to our progress towards achieving cash flow break-even in FY25.

Continued Customer Growth and Strong Customer Retention

XPON continued to demonstrate its strong market position in Q1 FY25, securing 2 new customers and expanding relationships with 7 existing customers. The Company achieved a robust customer retention rate of 98.9%, highlighting the ongoing value we deliver to our clients.

Capital Management and Cash Flow

XPON had a cash balance of \$3.3 million at 30 September 2024, down \$0.1 million on the previous quarter. The Company is actively managing its capital to ensure financial stability and support future growth initiatives. The Company is actively addressing convertible note refinancing to further strengthen its financial position.

XPON reported net cash flows from operating activities for Q1 FY25 of (\$0.1 million).

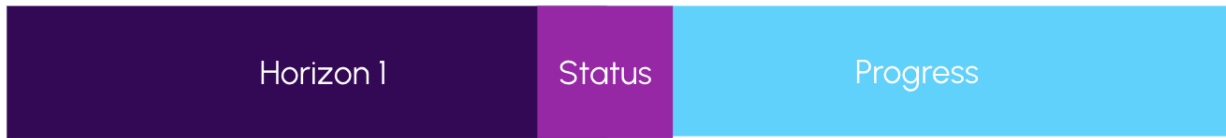
- Total receipts from customers were \$2.5 million for Q1 FY25, down 30% YoY, attributed to the divestment of the App Mod business.

² 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.

- Payments to suppliers, employees and others were \$2.6 million for Q1 FY25 down 51% YoY, reflecting the positive impacts of cost reductions and the App Mod divestment.

As detailed in item 6.1 of the Appendix 4C, payments to related parties and their associates during the quarter totalled \$120k comprising CEO salary, employee associate of CEO and motor vehicle leasing and operating costs for the CEO.

FY25 - FY27 Strategic Roadmap Progress



Realign for sustainable growth

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> ● Reset the sales motion to grow a sustainable recurring revenue base (ARR) with primary focus on AUNZ. | ● | Positive ARR movements for the September 24 quarter. |
| <ul style="list-style-type: none"> ● Develop people & capability to build on our culture, simplify workflows and alignment of rewards to business profitability. | ● | On track with team rewards being aligned with business objectives and ongoing optimisation of people and workflows. |
| <ul style="list-style-type: none"> ● Optimise balance sheet and establish capital profile to support future organic & inorganic growth opportunities. | ● | In progress with positive momentum of M&A activities, convertible note refinancing options and vigilant working capital management. |
| <ul style="list-style-type: none"> ● Cash flow breakeven in FY25 | ● | On track based on current management forecasting. |

Outlook and Priorities

The Company has clear priorities for FY25:

- Continue to monitor and optimise the recalibration of the sales strategy towards high margin long term ARR growth
- 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
- Progress strategic partnering and exploring M&A opportunities to enhance shareholder value while addressing balance sheet and convertible note refinancing to strengthen financial stability
- Ensure XPON sustains a strong corporate culture and maintains high employee engagement and motivation
- Continue to monitor and manage our cost profile in line with business performance to achieve targeted cash flow 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.

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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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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")

30/09/2024

Consolidated statement of cash flows		Current Quarter	Year to date (3 months)
		\$A'000	\$A'000
1.0	Cash flows from operating activities		
1.1	Receipts from customers	2,512	2,512
1.2	Payments for		
	(a) research and development	(80)	(80)
	(b) product manufacturing and operating costs	(543)	(543)
	(c) advertising and marketing	(68)	(68)
	(d) leased assets	-	-
	(e) staff costs	(1,321)	(1,321)
	(f) administration and corporate costs	(561)	(561)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(42)	(42)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(103)	(103)

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2.0	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2	2
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	-
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	2	2

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	-	-
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	-	-
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	-	-

4.0	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,449	3,449
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(103)	(103)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2	2
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(9)	(9)
4.6	Cash and cash equivalents at end of period	3,339	3,339

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	3,339	3,449
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)	3,339	3,449

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	120
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)	(103)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,339
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,339
	Estimated quarters of funding available (item 8.4 divided by item 8.1)	32.4
8.5	<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: 24 October 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.