

# XPON Technologies Group Ltd

## A marketing and cloud technology business

XPON Technologies Group Ltd (ASX:XPON) is a cloud-based marketing technology company focused on modernising the marketing and customer experience technologies used by corporates and mid-tier enterprises. XPON services more than 190 companies across Australia, New Zealand, the United Kingdom and Europe delivering five solution streams: MarTech and AdTech, Data & Analytics, Machine Learning and Artificial Intelligence, Application Modernisation and Digital Experiences. The company's clients include Super Retail Group, Domino's Pizza, Informa, Flight Centre, Webjet, OFX Group, Sunsuper, Virgin Media, Youi Insurance and Ramsay Healthcare. The company is benefiting from tailwinds from the global shift to protect data privacy including increased regulation by governments, the continued degradation of third-party advertising cookies on websites and apps, and increased demand for personalised experiences from end users. XPON listed on the ASX in December 2021 after raising \$12.5m in gross proceeds at \$0.20/share to deliver a market capitalisation on listing of \$60.7m.

### Business model

XPON earns revenue on a recurring and non-recurring basis. Recurring revenue is earned from the sale of its proprietary software licences to its Wondaris® and Holoscribe® products and from Google software licences; from selling integrated managed service subscriptions to support and scale its technology; and from usage fees arising from advertising and cloud consumption and implementation. Non-recurring revenue is derived from professional services and project fees. In H1 FY22, 91% of XPON's revenues were recurring. XPON is a sales partner of Google Marketing Platform with product certifications for the following Google products: Analytics, Tag Manager, Optimize, Data Studio, Display & Video 360, Campaign Manager and Search Ads 360. The company is also a Google Cloud build, service and sales partner, and this enables XPON to sell and support the suite of Google's marketing and customer experience (CX) technologies as part of its "full stack" capability. Wondaris® is XPON's customer data platform that centralises customer and marketing data, leveraging AI for automated advertising activation. Holoscribe® is XPON's extended reality (XR) platform for fast and easy publishing XR and 360-degree content.

### H1 FY22 ARR up 148%, sales up 213%, gross profit up 284%

XPON delivered a 213% increase in H1 FY22 revenues to \$6.2m and gross profit of \$3.9m, up 284% on the previous corresponding period. Annualised recurring revenue (ARR) was \$13.1m at 31 December, a year-on-year increase of 148%. Recurring revenue was 91% for the half and the average monthly customer retention rate during the half was 99.6%. The company's gross profit margin lifted 12 percentage points in the half to 64%. XPON reported an adjusted EBITDA loss of \$1.53m, an increase on the \$0.89m operating loss reported in H1 FY21, reflecting a 148% increase in people costs and a 216% lift in sales and marketing expenses. At half end, XPON was sitting on \$12.8m in cash.

### Look to MarTech and Enterprise SaaS companies for peers

There is no one direct peer to XPON given its broad technology stack. We have looked at a range of marketing technology and enterprise SaaS companies with a market capitalisation range of \$25-\$115m to get a sense of the enterprise-to-sales multiples the market is paying for these companies. The median EV/sales multiple of this group is 7.5x FY21 revenues, which is at a premium to XPON's 4.3x FY21 sales.

#### Historical earnings\* and ratios (In A\$m unless otherwise stated)

Year end	Revenue	Gross Profit	EBITDA	NPAT	EPS (c)	EV/Revenue (x) <sup>a</sup>
06/19a	5.31	3.25	(2.65)	(2.30)	(0.8)	6.5
06/20a	5.37	3.00	(3.73)	(3.50)	(1.2)	6.4
06/21a	7.97	4.16	(3.15)	(3.10)	(1.0)	4.3

Source: Company data; \*Proforma <sup>a</sup>calculated from current enterprise value

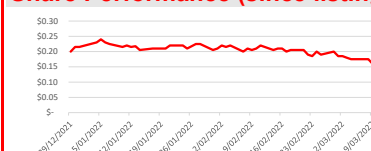
## Software & Services

11<sup>th</sup> March 2022

### Share Details

ASX code	XPON
Share price	\$0.155
Market capitalisation	\$47.1M
Shares on issue	303.7M
Net cash at 31-Dec-2021	\$12.8M
Free float	37.1%

### Share Performance (since listing)



### Upside Case

- Strong industry tailwinds with third-party cookies being phased out by major internet browsers
- More than 90% of revenues are recurring and customer retention rates are above 99%
- Highly scalable with significant opportunity to upsell additional products to existing clients

### Downside Case

- Currency risk with international sales predominantly in UK pounds
- Competitive risk of newer, superior technology emerging
- Investment in people and marketing fails to translate into increased sales

### Catalysts

- Continued growth in ARR and profit margins
- Q3 results in April 2022

### Comparable Companies (Aust/NZ)

8Common (ASX:8CO), CV Check (ASX:CV1), Damstra (ASX:DTC), Dropsuite (ASX:DSE), Pureprofile (ASX:PPL), SenSen Networks (ASX:SEN)

### Board and Management

Phillip Aris	Non-Executive Chair
Matt Forman	Managing Director
Tim Ebbeck	Non-Executive Director
Leanne Wolski	Group CFO

### Company Contact

Matt Forman (MD) [investors@xpon.ai](mailto:investors@xpon.ai)

### RaaS Contact

Finola Burke +61 414 354 712  
[finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)



# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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