

ASX Announcement/Press Release: 5th February 2024
Xref Limited (ASX: XF1)

H1 FY24 Business Update

- **56% of clients migrated to SaaS during the half**
- **ARR up 95% to \$10.9m due to client migration**
- **Revenue up 3.5% to \$10m as employee engagement grows**
- **Expenses of \$12.9m - forecast to drop 9% in the second half**
- **Cash collections reached \$11.3m in H1FY24**

Global HR tech platform Xref (**ASX: XF1**) today releases its business update for the first half of financial year 2024 (**H1FY24**) and its outlook for the second half. All results in this release are unaudited. The Xref H1FY24 Interim Report will be released in late February.

Xref client offerings include:

- **Xref** - a platform providing automated reference checks, pulse surveys and exit surveys;
- **Engage** - an employee engagement survey and data analytics platform; and
- **Trust Marketplace** - a third party vendor marketplace providing a range of background checks for the employment sector.

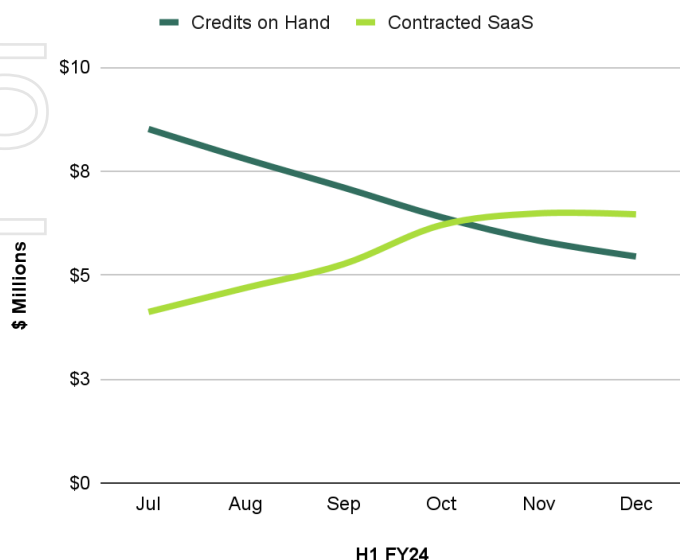
As Xref has expanded its offering from servicing just recruitment, it has extended its total addressable market tenfold and has shifted Xref's global business model from a solely usage-based model to a SaaS subscription model. This has allowed Xref to decouple its revenue recognition from short term recruiting trends and to provide services for the broader employee base of its clients.

Recurring Revenue

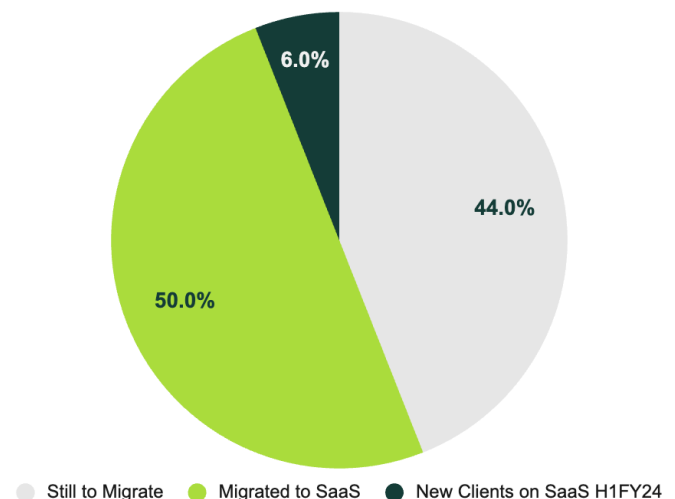
During H1FY24, Xref focused on transitioning current and new clients to SaaS subscription agreements. As a result, Annualised Recurring Revenue (**ARR**) was \$10.9m at the end of the half, a growth of 95% since the \$5.6m reported in July 2023. More specifically, the Xref platform grew ARR 134% from \$3.6m to \$8.6m in the half and Engage grew ARR 27% from \$1.9m to \$2.3m.

So far, 551 clients have transitioned to SaaS contracts and a further 66 new clients signed SaaS contracts in H1FY24. This represents 56% of all key clients. As a result, the amount of previously sold credits that remained unused fell 36% during the half to \$5.4m. Clients from all cohorts welcomed the opportunity to move to subscription contracts including 93% of all new clients won during the half. Xref is now focused on transitioning the remaining 480 key accounts to further grow ARR.

Credit to Subscription migration progress



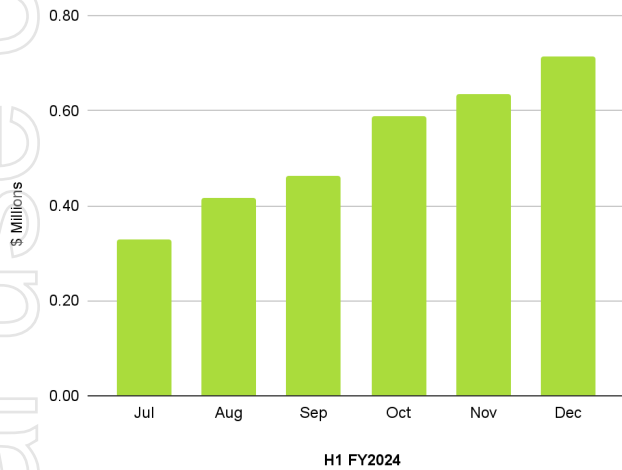
Key Client Migration to SaaS



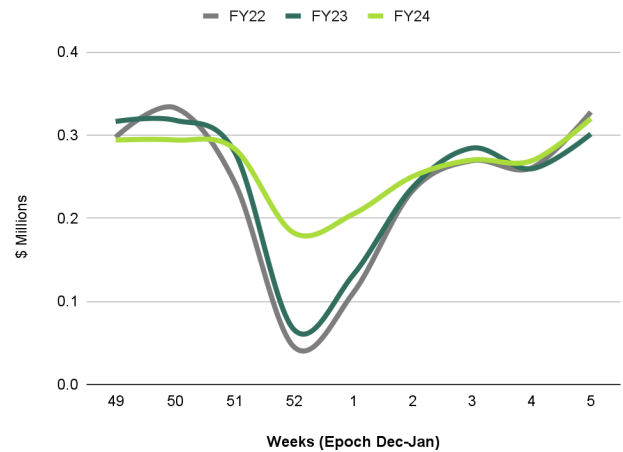
As a result of the migration monthly recognised revenue (MRR) grew 116% to \$0.7m in December. To demonstrate the impact of the transition to a subscription model it is helpful to compare past recruitment seasonal trends. Xref monitors hiring recovery rates and hiring trends over time to predict the resilience of the industry and forecast activity.

Revenue for week 52, traditionally the lowest week of the year, grew 175% year on year and highlights the impact subscription revenue has on leveling out recruitment trends.

Monthly Recurring Revenue (MRR) Growth



Christmas Revenue Recovery

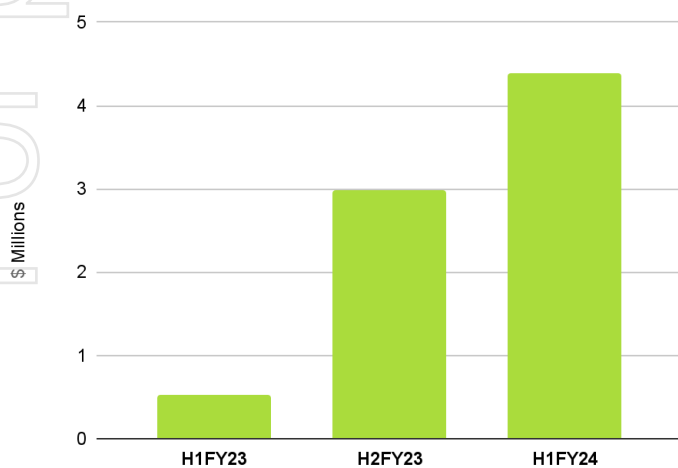


Recognised Revenue

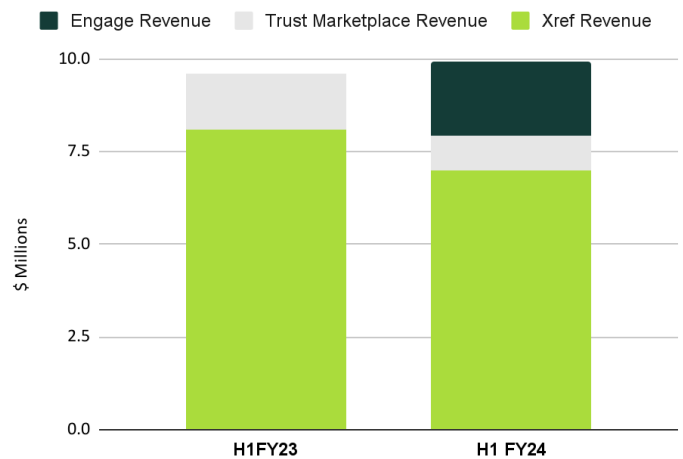
Overall recognised revenue was relatively flat with growth of just 3.5% when compared to the corresponding half in H1FY23. Whilst the recruitment sector has been down the demand for Engagement surveys has been strong. This result supports Xref's strategy to offer hire to retire products and further reduce the impact of seasonal and economic changes within the industry. The newly acquired Engage business (formerly Voice Project) grew 13% in the half following its rebranding and integration to Xref in July 2023. SaaS revenue from Xref and Engage grew 47% when compared to the preceding period in H2FY23.

Checks taken via Trust Marketplace were in line with H2FY23. Trust Marketplace is now less dependent on revenues from the cryptocurrency sector and the integration with Xref Enterprise will further aid the growth of this business in H2FY24.

SaaS Revenue Growth



Recruitment slowed as Engagement Grew



71 newly acquired customers joined Xref in the half contributing \$0.75m in sales revenue and 66 of those new clients chose 12-month SaaS contracts. The remaining 5 clients joined Xref on the previously offered credit model. 15 of these new clients joined us from North America.

Expenses

Total operating expenses grew 5.6% to \$12.9m when compared to the proceeding 6-month period H2FY23. This included \$1.45m of wages invested into continued product development. Operating expenses were, however, reduced 4% between Q1 and Q2 and are forecast to be \$11.7m in H2FY24 following further cost savings driving a reduction of 9% when compared to H1FY24. The reduction in expenses has been largely driven by:

- headcount has been reduced to 103 across the half. Xref previously expected the wages and salaries expense for FY24 to be \$16.5m (after accounting for capitalisation of wages relating to product development) this has now been reduced to \$14.2m due to a planned organisational restructure and cost reduction exercise. UK operations were reallocated to Canada in October to focus on North America and 18 staff in the Australian team were made redundant between December and January. The impact on expenses will largely be seen from February 2024. Despite the reduction in overall headcount the new development office in Pakistan grew 200% to 15 developers during H1FY24.
- marketing spend was also reduced by 70% to \$0.25m when compared to the H2FY23 quarter. During the half, Xref primarily focused on the retention and growth of current clients by expanding their use of the platform and migrating them to subscription agreements;
- a reduction in travel and event costs associated with marketing events;
- a reduction in lease costs with the closure of Xref's Sydney office in October 2023; and
- further improvement to internal systems including billing, revenue recognition, performance reporting and talent management.

Cash collected during the half was \$11.3m and cash on hand at December 31st 2023 was \$3.7m.

Debt Facility

Xref is pleased to announce that it has entered into a new four-year secured US\$5.5m (approximately A\$8.45m) debt facility with Element SaaS Finance to support the Company's growth strategies. This replaces the A\$5m facility provided by PURE Asset Management Pty Ltd in 2020. The key terms of the facility are:

- Facility Limit: US\$5.5m total facility with approximately US\$4.6 million drawn initially with an additional US\$0.9m available;
- Term: 4 year term;
- Interest Rate: 14% p.a. interest rate, paid monthly plus 2.75% p.a. accruing over the term of the loan and paid at maturity;
- Amortisation: 9-month interest only period following drawdown with monthly principal amortisation thereafter;
- Security: first-ranking charge over all assets of the Company and its Australian subsidiaries, supported by subsidiary guarantees;
- Prepayment: the facility may be prepaid at any time during the term in part or in whole (subject to early exit fees which reduce every 12 months of the loan term).

Outlook

During FY24 Xref will continue to focus on executing its product innovation strategy, delighting its customers and rewarding and retaining its employees. By offering its extended services Xref will increase its share of wallet of its existing clients and continue to attract new clients to increase overall revenue growth. At the same time, focusing on cost efficiencies and maximising recurring revenue to build a pathway to sustainable and growing profit. Xref will measure its progress against these strategic priorities by reporting on ARR growth, expenses and profitability.

Xref CEO and Founder, Lee-Martin Seymour, said *"In the last 12 months we have expanded our product with the development of Pulse and Exit surveys, Trust Marketplace and through the successful acquisition of Voice Project 12 months ago to create Xref Engage. We have also formed key partnerships with background checking vendors such as Certn and negotiated strategic integrations such as the recently announced partnership with [Seek](#). We have also migrated our business model to SaaS with 56% of clients from the past 10 years now moved to subscription. We have performed this difficult transformation during one of the toughest economic markets and whilst doing so we have reduced expenses and refinanced and increased our debt facility. We have worked hard to position our business to survive the pressures of the current market as well as take full advantage of the opportunity moving forward."*

This announcement has been approved by the board of directors of Xref Limited.

To learn more or ask questions, please visit

Website: xref.com

Investor Centre and Presentation: xf1.com

Twitter: @xf1

About Xref



Headed up by Founder and CEO Lee-Martin Seymour, Xref supports over 16,000 active users from 2,600 entities across over 1,300 organisations servicing large global enterprises and sectors within the trust economy such as Healthcare, Aged Care, Not For Profit, Government and Education.

Xref allows employers to verify a candidate's references and ID, together with other key checking services, bringing all these onto one platform, via a partner marketplace. Xref's growth trajectory continues as employers want to safeguard their company from breaches in fraud, privacy and discrimination. The marketing-led, data-driven organisation ranks #1 in reference checking globally.

With talent acquisition becoming remote on a more permanent basis, business-critical platforms such as Xref are in high demand. Reference surveys, identity verification, and other pre and post-employment checks are crucial to give organisations confidence in their hiring and retention strategies and Xref is meeting that demand with its continuing product development roadmap.

The evolution of Xref's business reflects the leadership team's unwavering focus towards an enhanced platform that increases Xref's global addressable market. Xref will continue to meet the changing needs of recruitment and HR teams globally.