



# Q4 21 results presentation

17 February 2022





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# Q4 21 Highlights





# Q4 21 at a glance

- Continued **strong organic sales growth** in core markets with highest revenue in company history.
- Implemented **new Agile organizational structure** and completed merger of Xplora Mobile to accelerate the rollout of connectivity and services in global markets.
- **Refined our Product and Service strategy** to drive higher focus and results from Recurring Services.
- Resulted in strong finish to the year with **positive EBITDA and positive cash flow. First full-year positive EBITDA** with **a strong financial position into 2022.**

## GROUP REVENUES

NOK 176m  
+62% y/y

## ARR

NOK 33.6m  
+74% y/y pro-forma

## EBITDA

NOK 28.6m  
16.2%





# Operational highlights

Delivered on growth in the strong Q4 season, and prepared for a lot to come in 2022

## Product:

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- Key focus on our **upcoming 3 new kids smartwatches** to be announced during MWC 2022 in Barcelona and launched later during 2022.

## Services:

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- **Increased mobile subscriber base** from 111k to 123k in Q4 21
- Completed a key system upgrade for **Dynamic Traffic process**.
- Completed the **penetration test** on the system and further security enhancements, including Log4j vulnerability.
- Completed first round of in market beta-testing **Xplora Pay**
- Implemented **new functionality in Goplay** such as new titles in Arcade, refinement of the publishing module and completed auction feature.

## Distribution:

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- Increased collaboration with **Media Markt and ECI stores** with promoters and display increasing 300% during Christmas.
- Launched **X5 eSIM with Telefonica** and **Telia**
- Increased distribution in **Finland**, reached 12k subscribers
- **New EU distribution** agreements with Coolblue, Makro, Tango and Harvey Norman.

## Business:

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- Implemented **Agile organizational structure** and completed the merger of Xplora Mobile Holding resources.
- **Xplora Connect** launched in the US
- **Service provider/MVNO** discussions initiated and progressing in Germany, US and UK
- Strong focus on operational efficiencies such as **cost efficiency** with 40% chatbot share





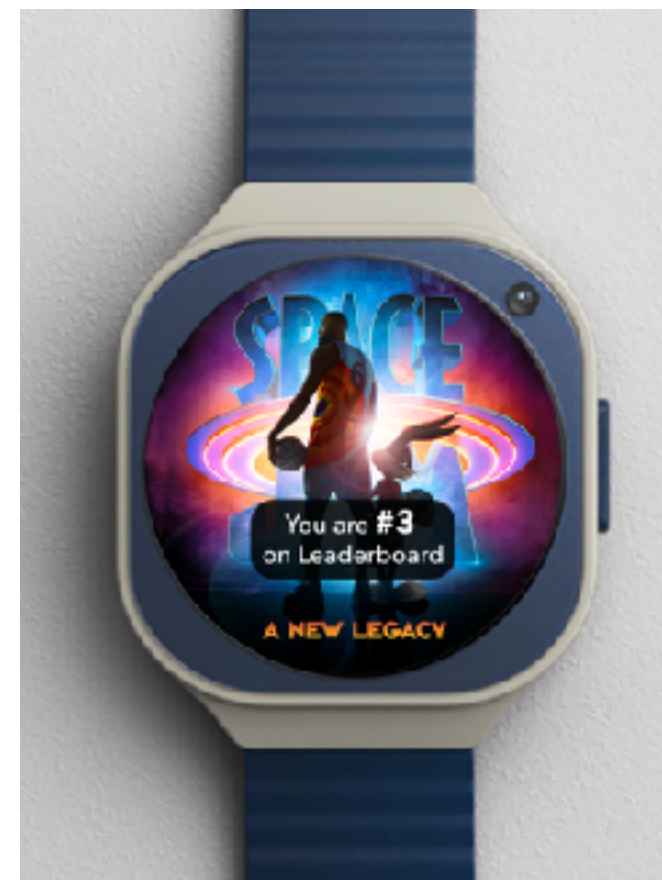
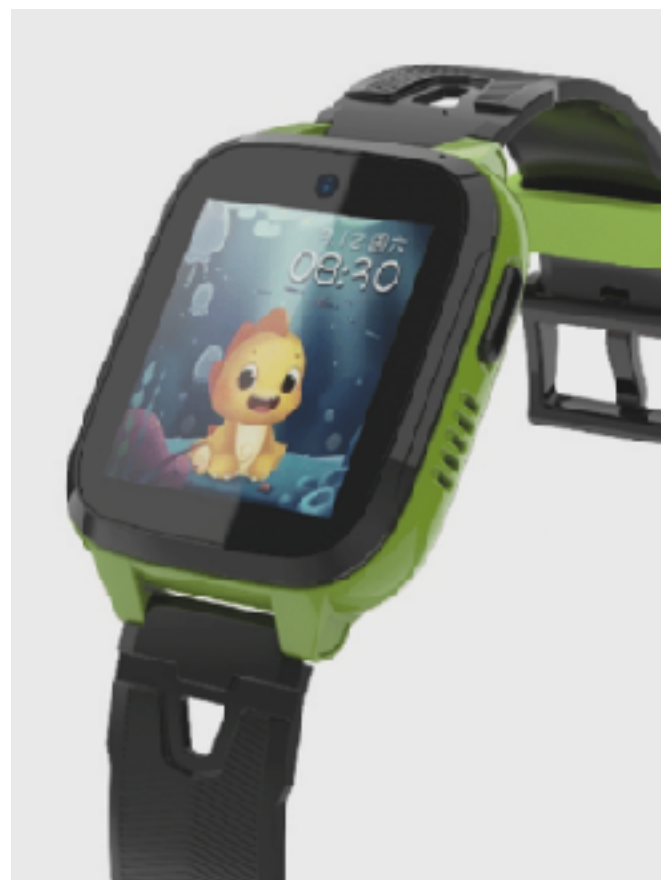
# Refining our product & services strategy

Best in Class IoT family products

Transition from ODM to OEM strategy

Leveraging on unique MVNO strategy

Merge Services and Connectivity to complete  
recurring service propositions



GO	PLAY	PRO
Connectivity Basic Goplay Basic Arcade Basic IOT App Service basic Free upgrades OTA	Same as GO, plus: Goplay Premium access Arcade Premium access Xplora Market Place Content Download Packs Build your own 3D avatar	Same as PLAY, plus: Connectivity Pro Personal e-mail address Personal phone number e-pocket with tap'n pay Xplora Virtual Pet Amazon Alexa on watch
Price \$XX,XX MONTH	Price \$XX,XX MONTH	Price \$XX,XX MONTH
Buy Now	Buy Now	Buy Now

For illustration purposes only





# Q4 21 financials

Play  
to move  
the world<sup>®</sup>

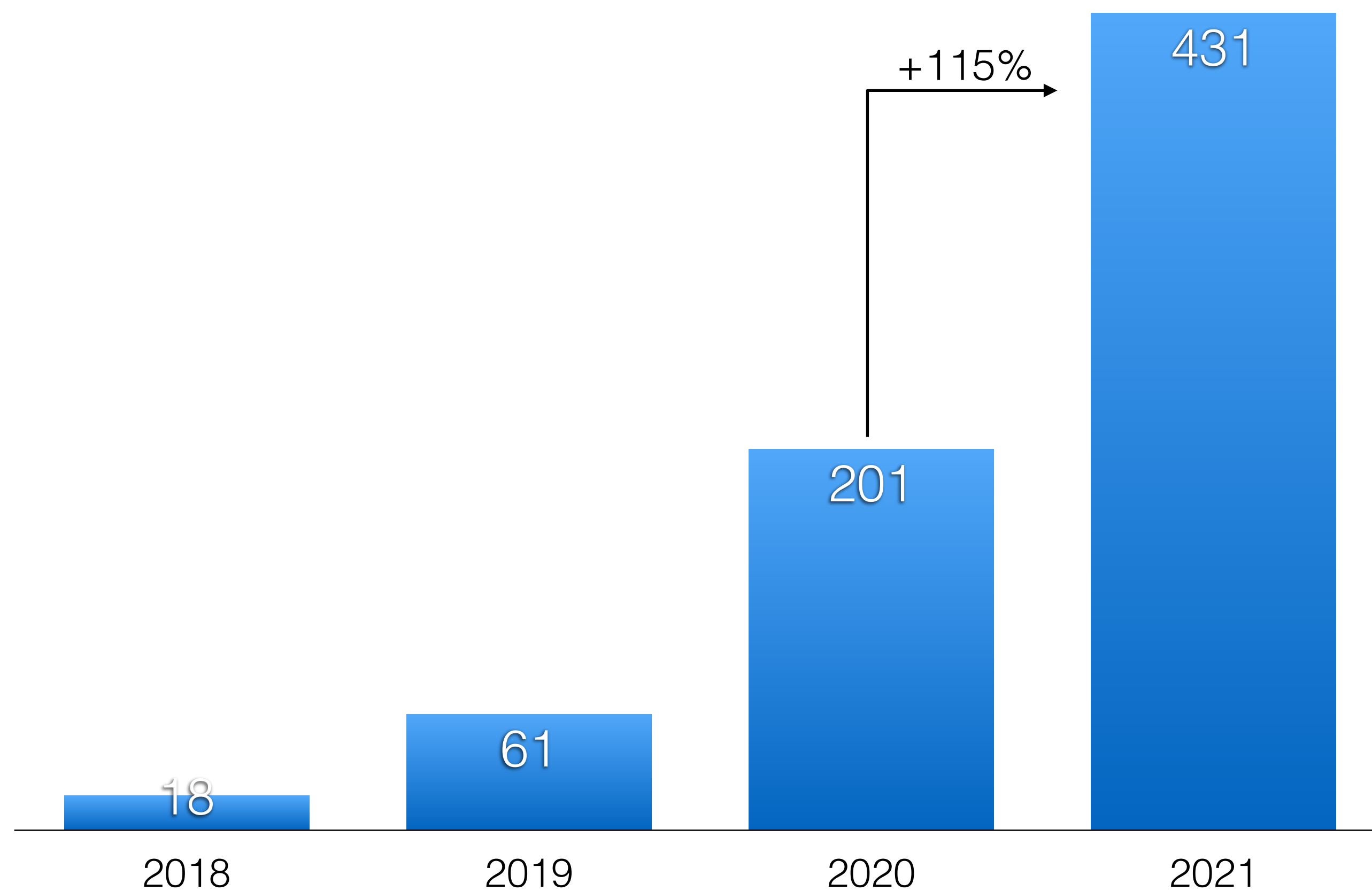




# Sales up 24-fold in 4 years

2018-2021 CAGR of +188% to NOK 431m

Group revenues, NOKm

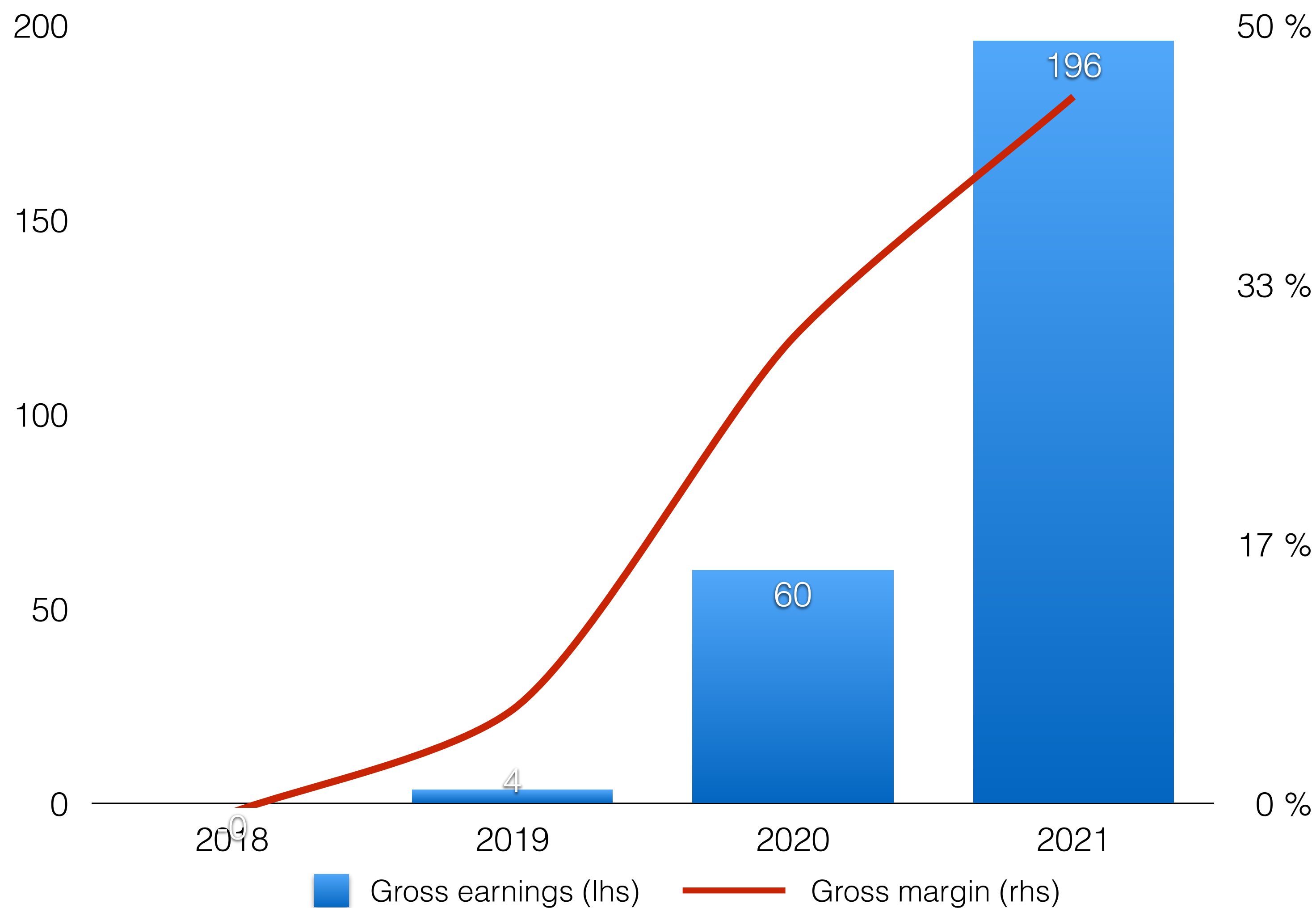






# Gross earnings up 54-fold

From NOK 4m in 2019 to NOK 196m in 2021



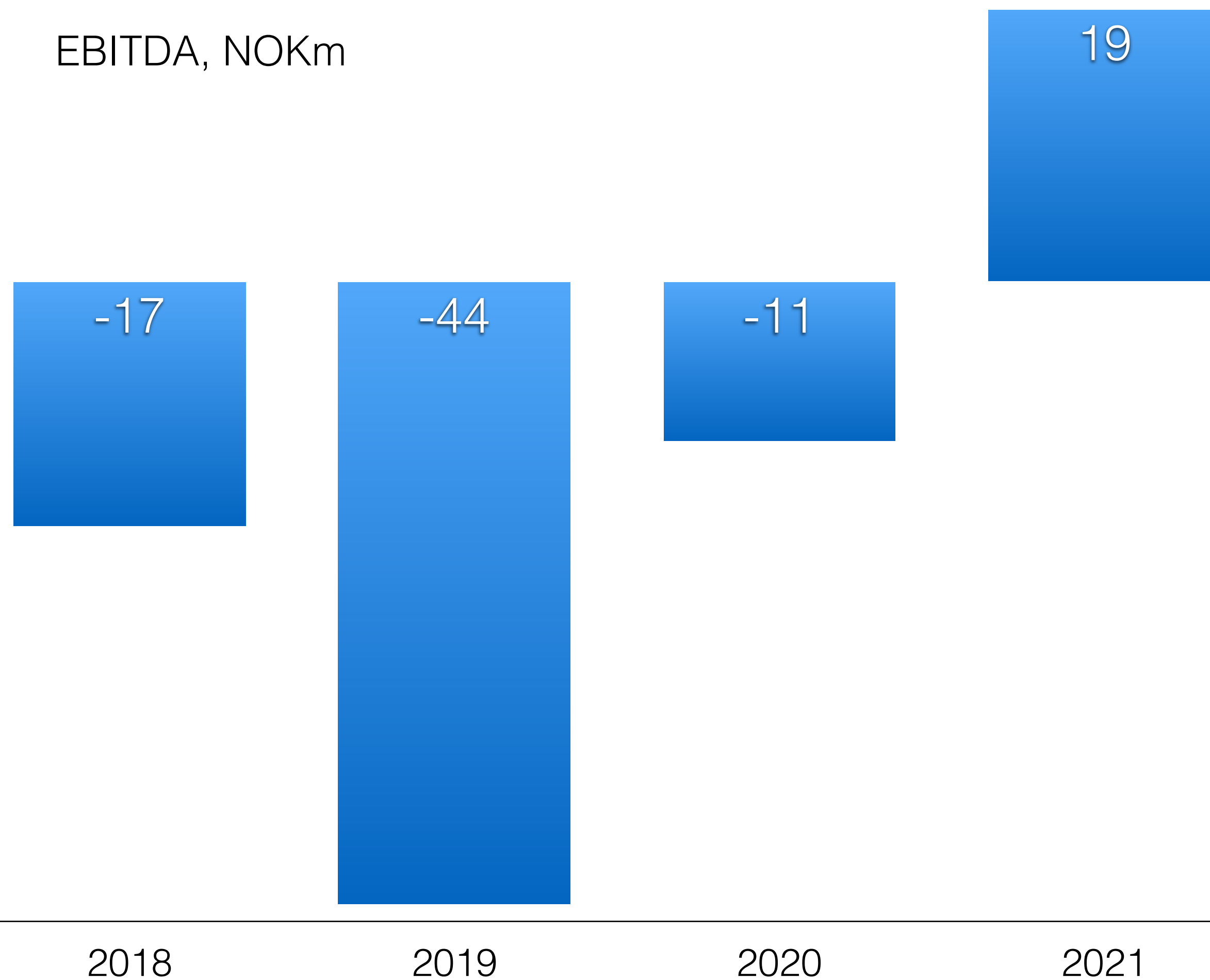




# Profitable operations

Reaching another milestone

EBITDA, NOKm

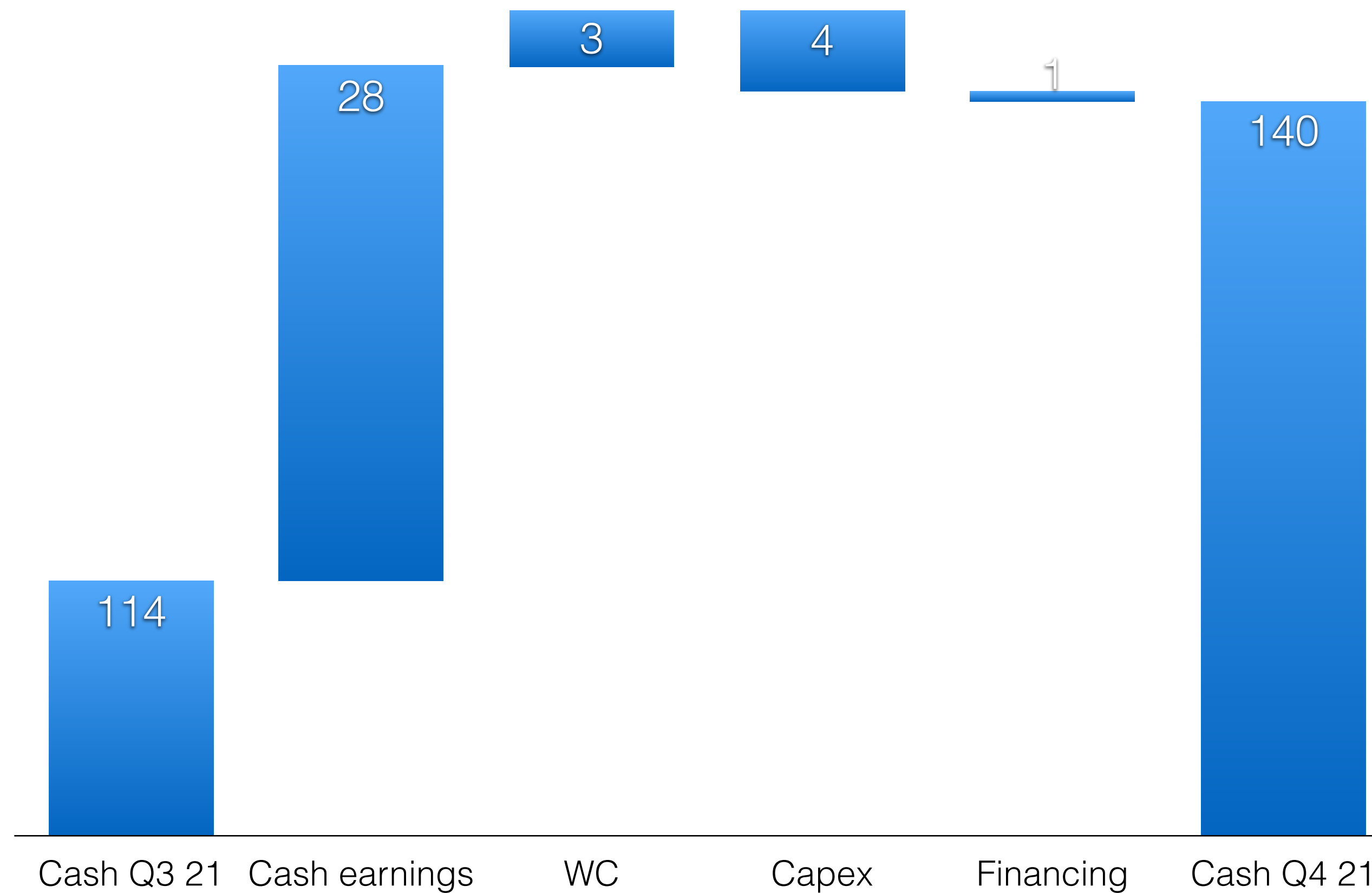






# Positive cash flows, strong cash position

Q4 21 change in cash, NOKm



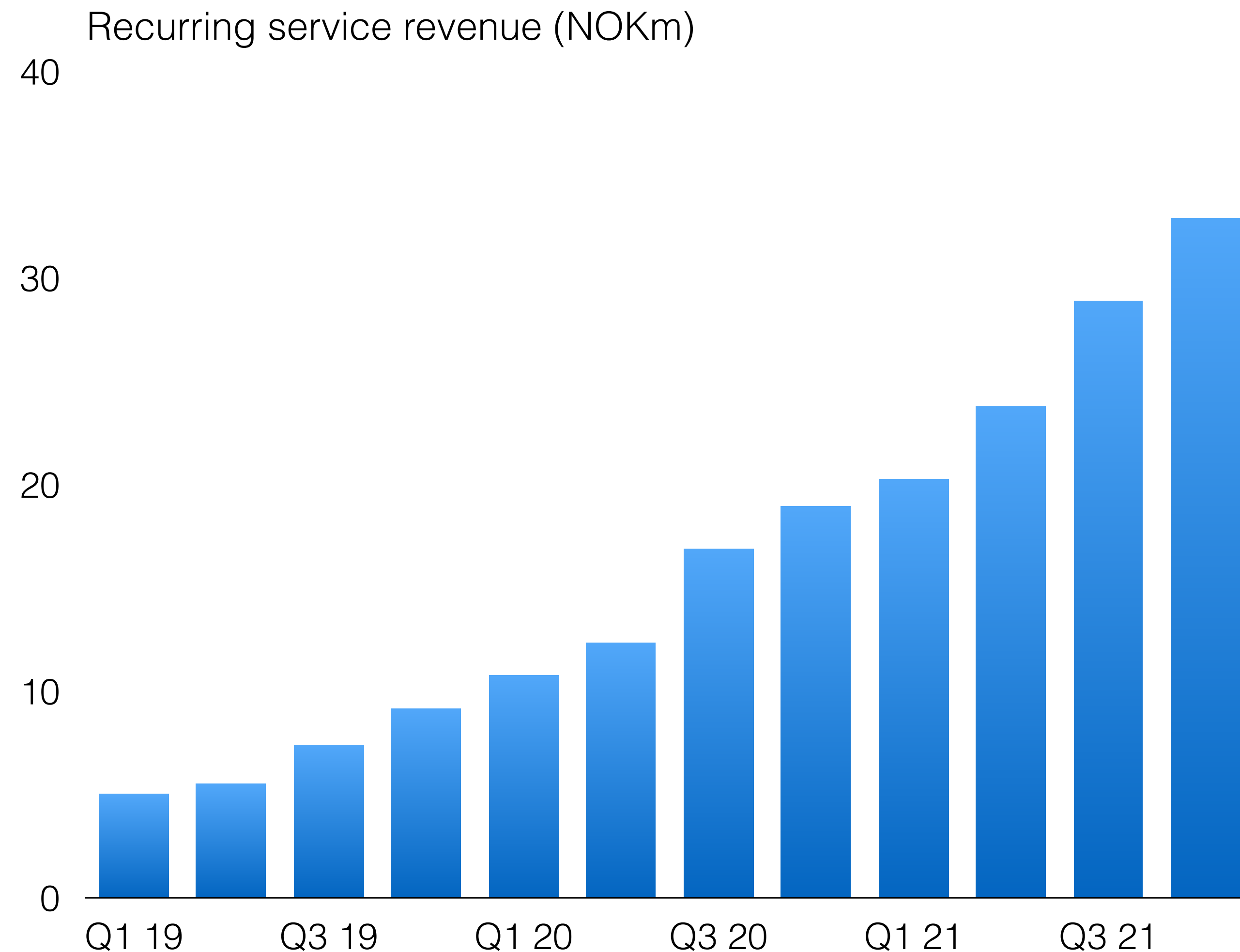
## Highlights

- Xplora entered 2021 with a strong cash balance, raised additional funds enabling the acquisition of XMH and exits the year with a strong financial position to deliver on 2022 targets
- Q4 21 ending cash balance NOK 140m
  - NOK +26m from end of Q3 21
- Cash from operations NOK 31m
  - Cash earnings NOK 28m
  - Working capital change NOK 3m on lower inventories offset by higher receivables
- Capex NOK 4m





# XMH delivered well ahead of target



## Highlights

- 2021 recurring service revenue (ARR) reached NOK 108.2m, +84% y/y\*
  - Well ahead of NOK 100m target for the year
- ARR NOK 33.6m in Q4 21, +74% y/y
  - Annualised run-rate ARR NOK 134.4m
- Gradually rising ARPU
- Full earnout NOK 20m for remaining consideration of XMH acquisition to be paid in Q1 22 as both EBITDA and free cash flow targets for 2021 were exceeded

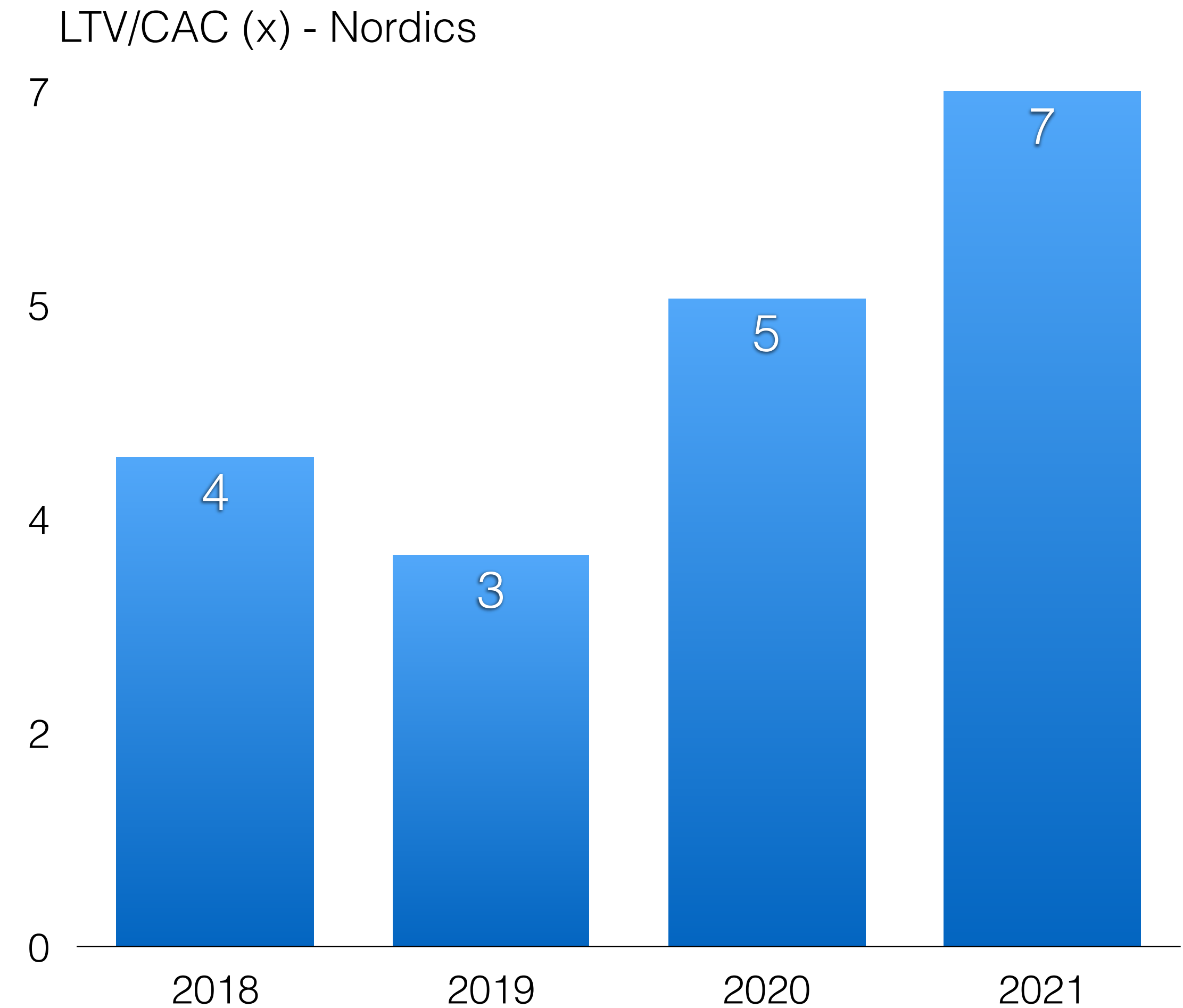
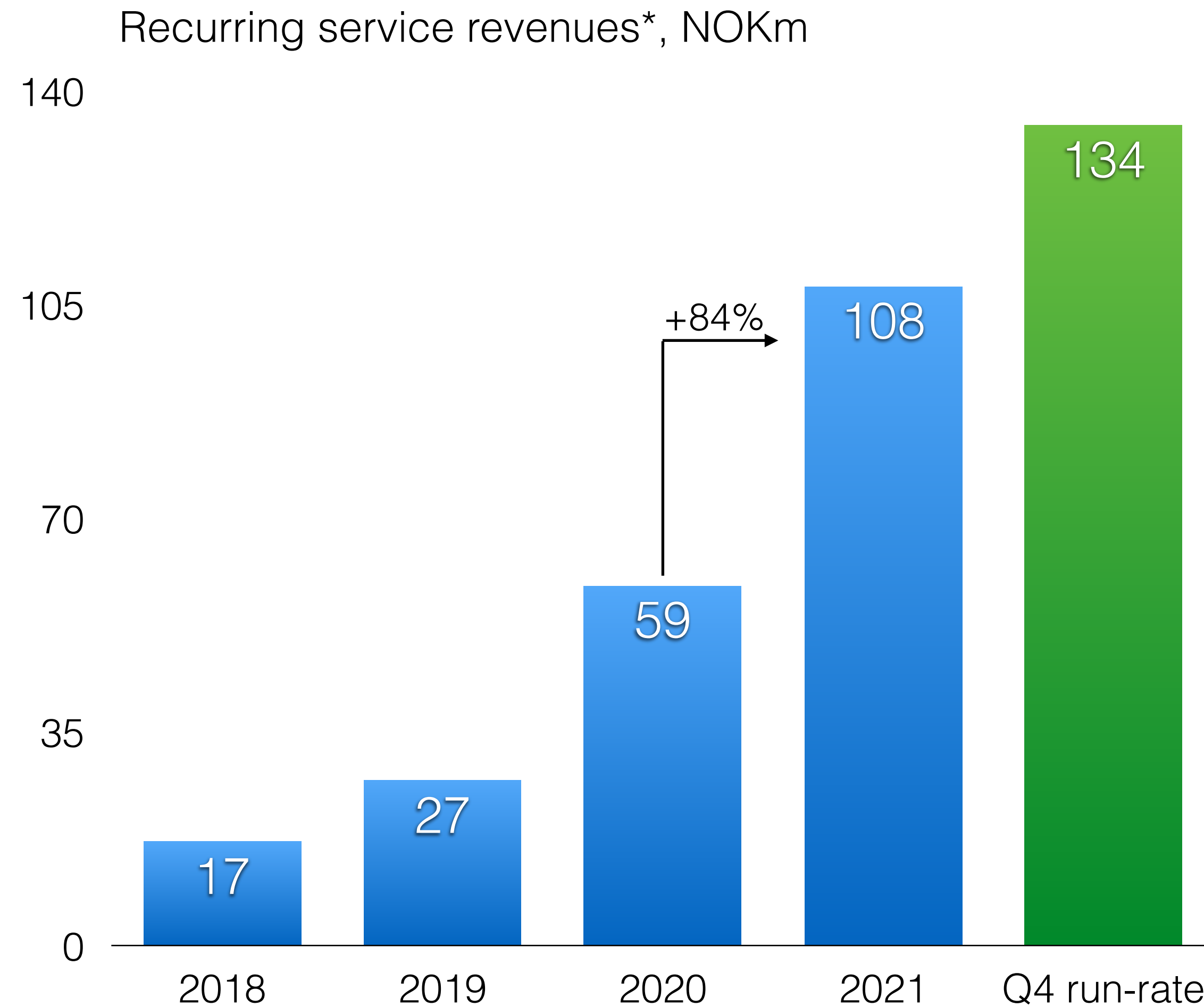
\* Full-year pro-forma figure. Xplora Mobile Holding (XMH) consolidated from Q2 21





# Strong ARR growth from highly profitable subs

2018-2021 ARR CAGR 85% to NOK 108m



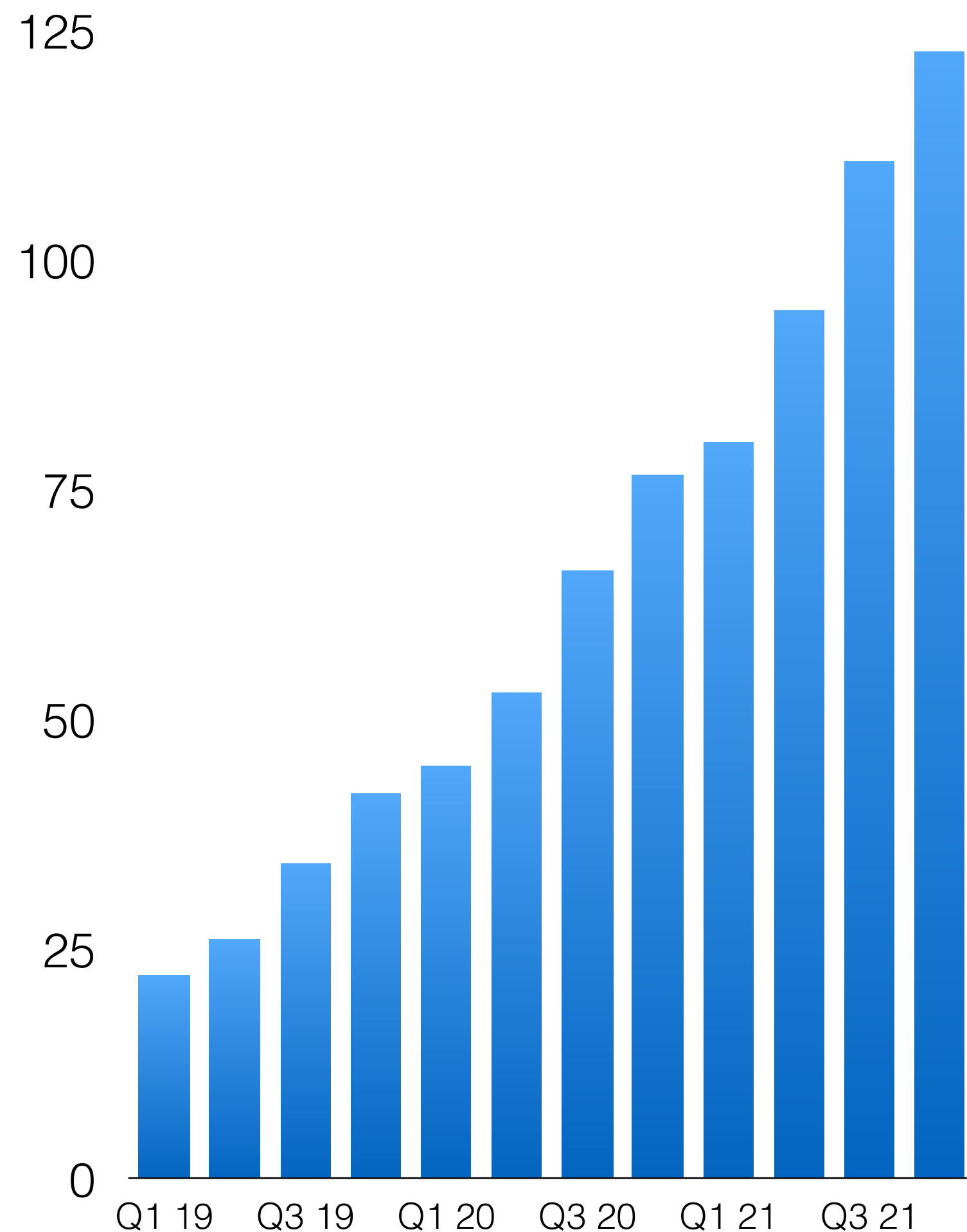
\* Xplora Mobile Holding consolidated from Q2 21. NOK 91m recurring service revenues in Xplora Technologies 2021 accounts. 2018 LTV/CAC Norway only.





# Driving rapid penetration in new mobile segment

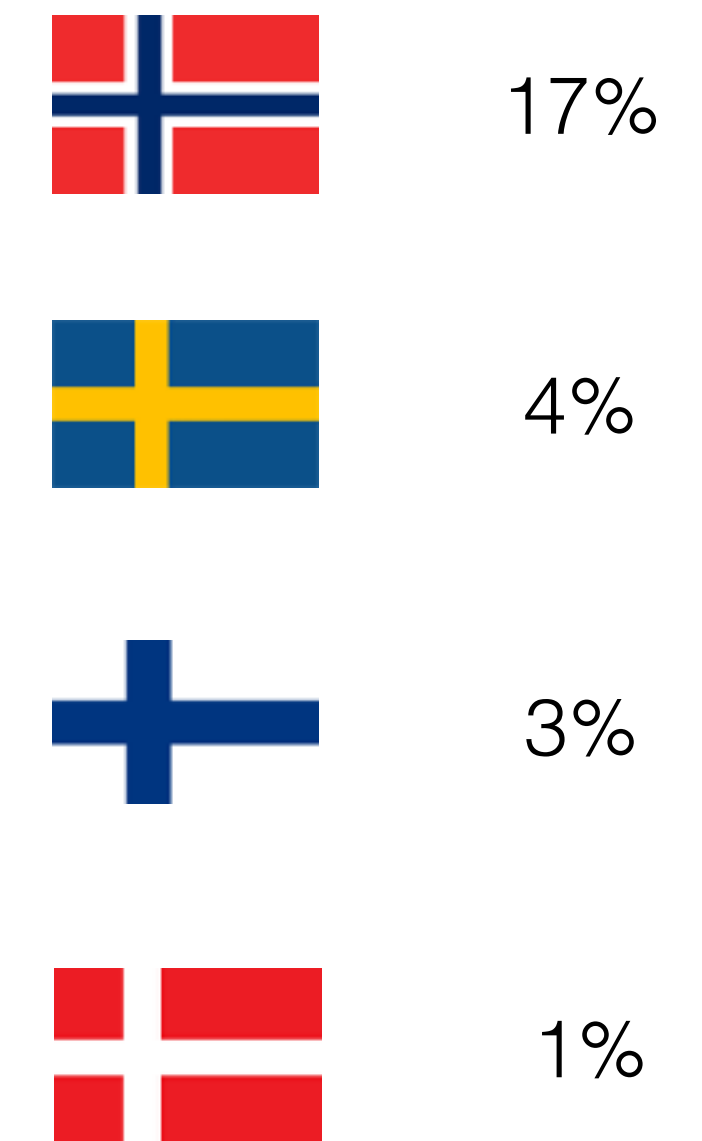
Mobile subscribers (k)



Xplora subscribers by market (k)



Xplora penetration\* rates

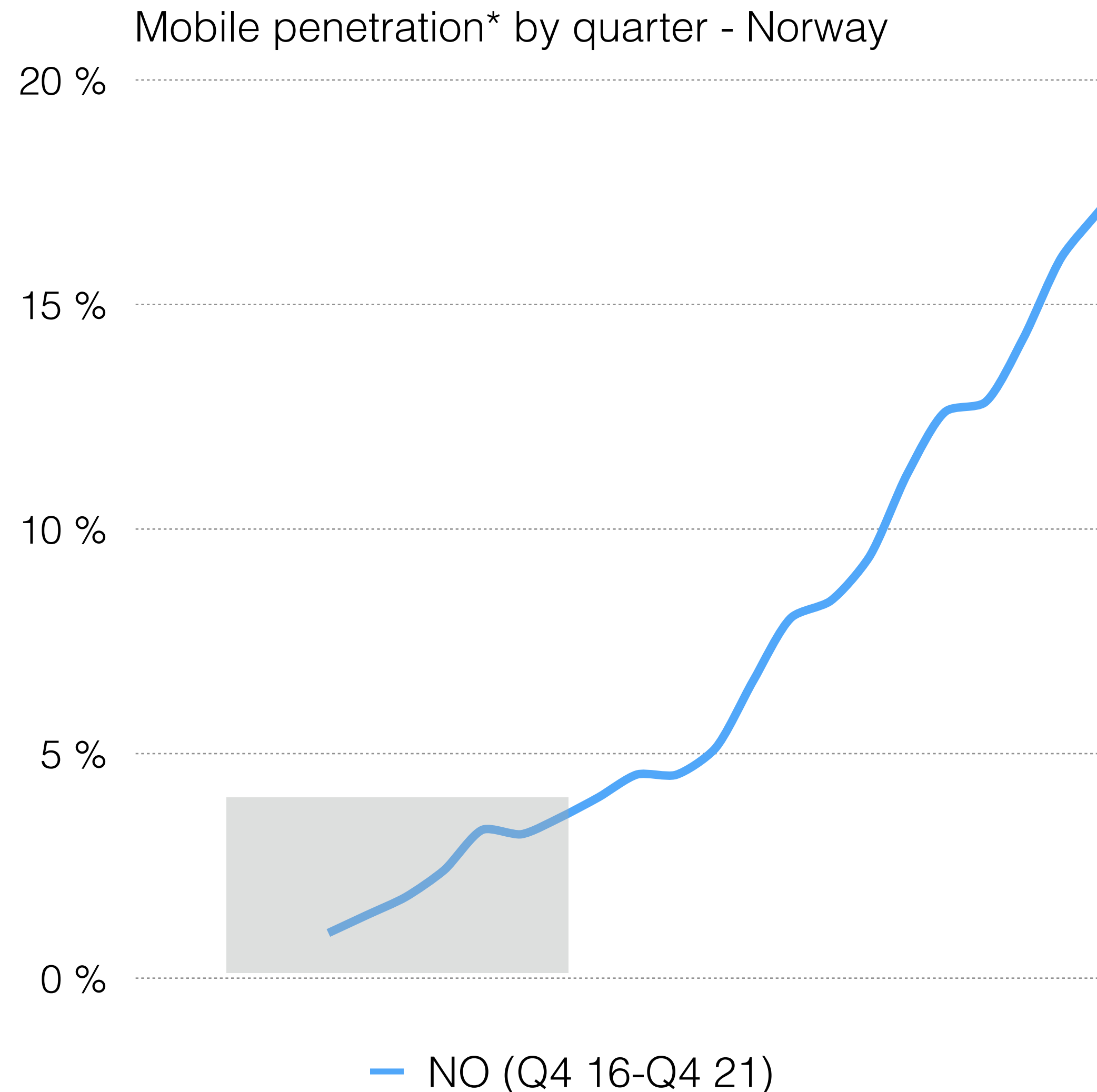


\* penetration in target segment in Nordics according to UN population data

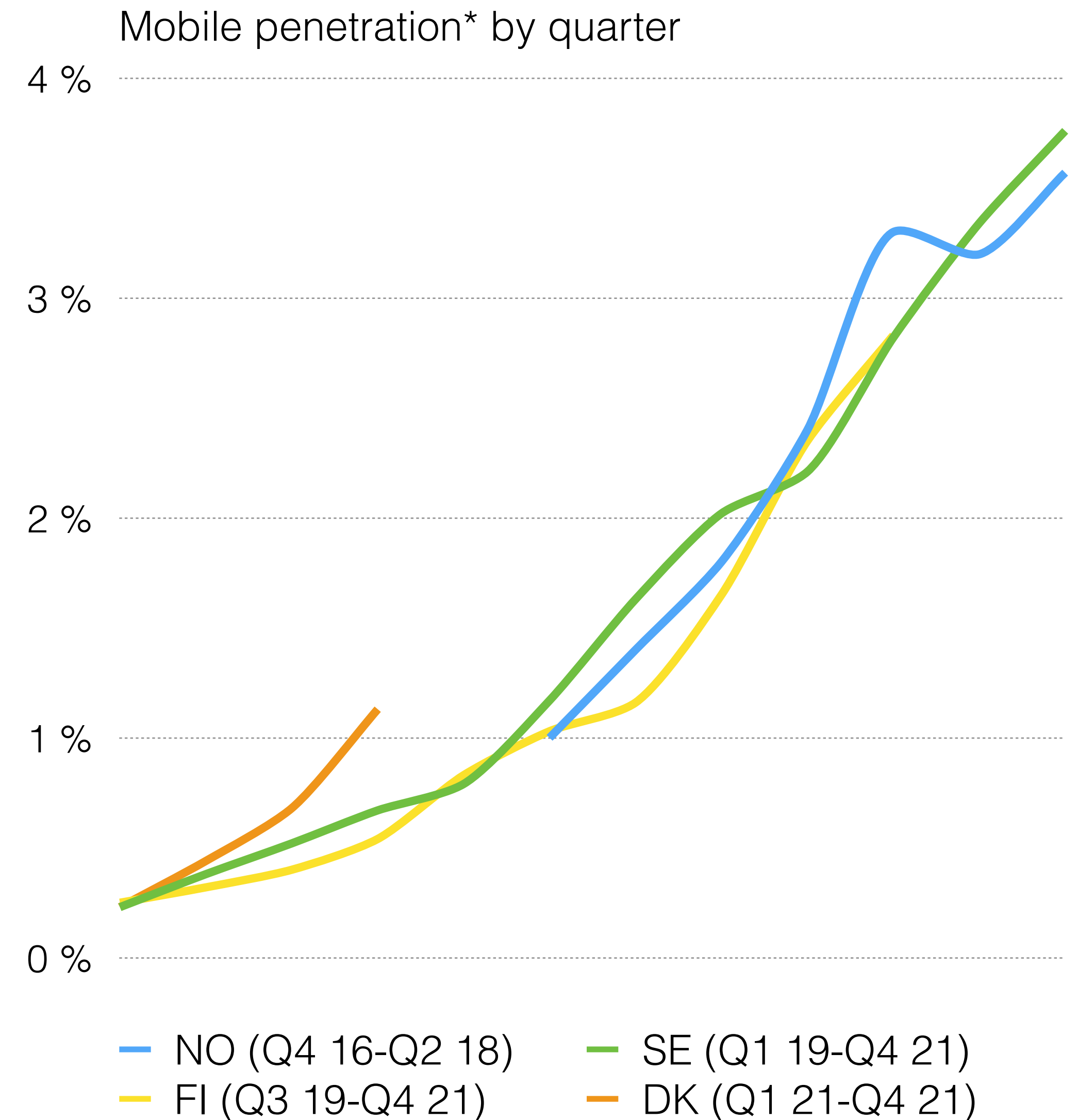




# Strong go to market strategy drives penetration



\* estimated penetration in target market age 4-10 according to UN population data

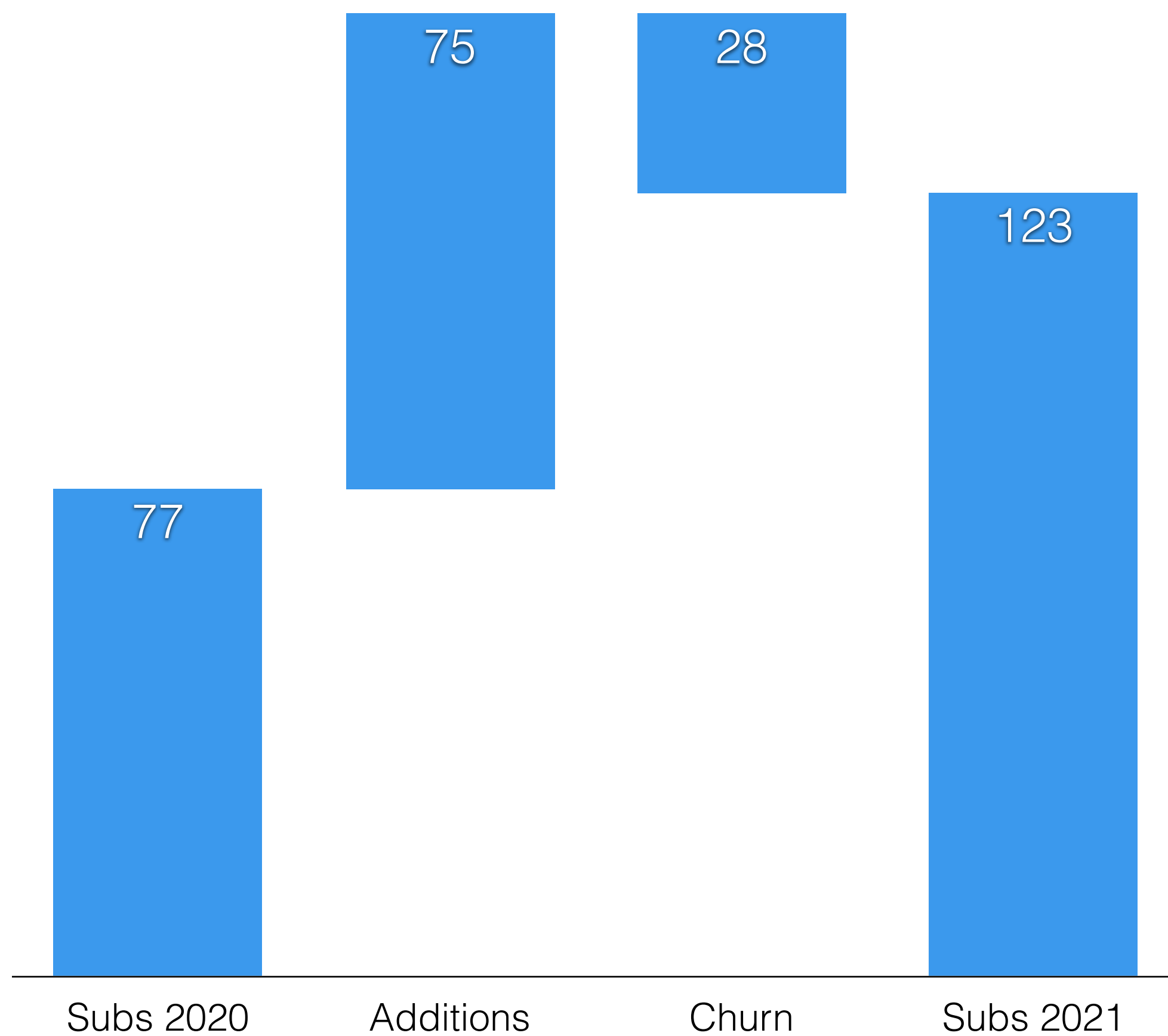




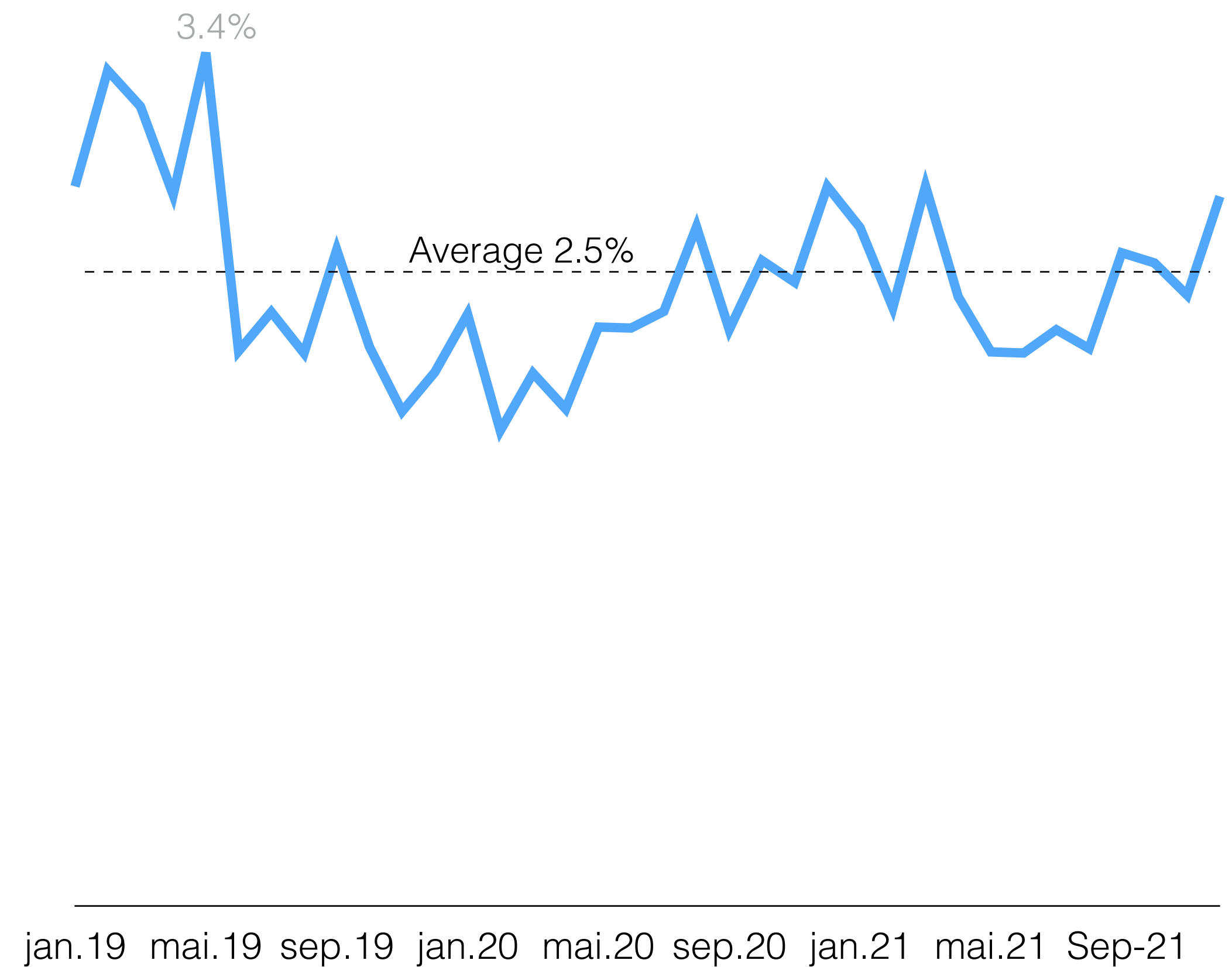


# Strong ARR dynamics

Change in subscriber base 2021 (k)



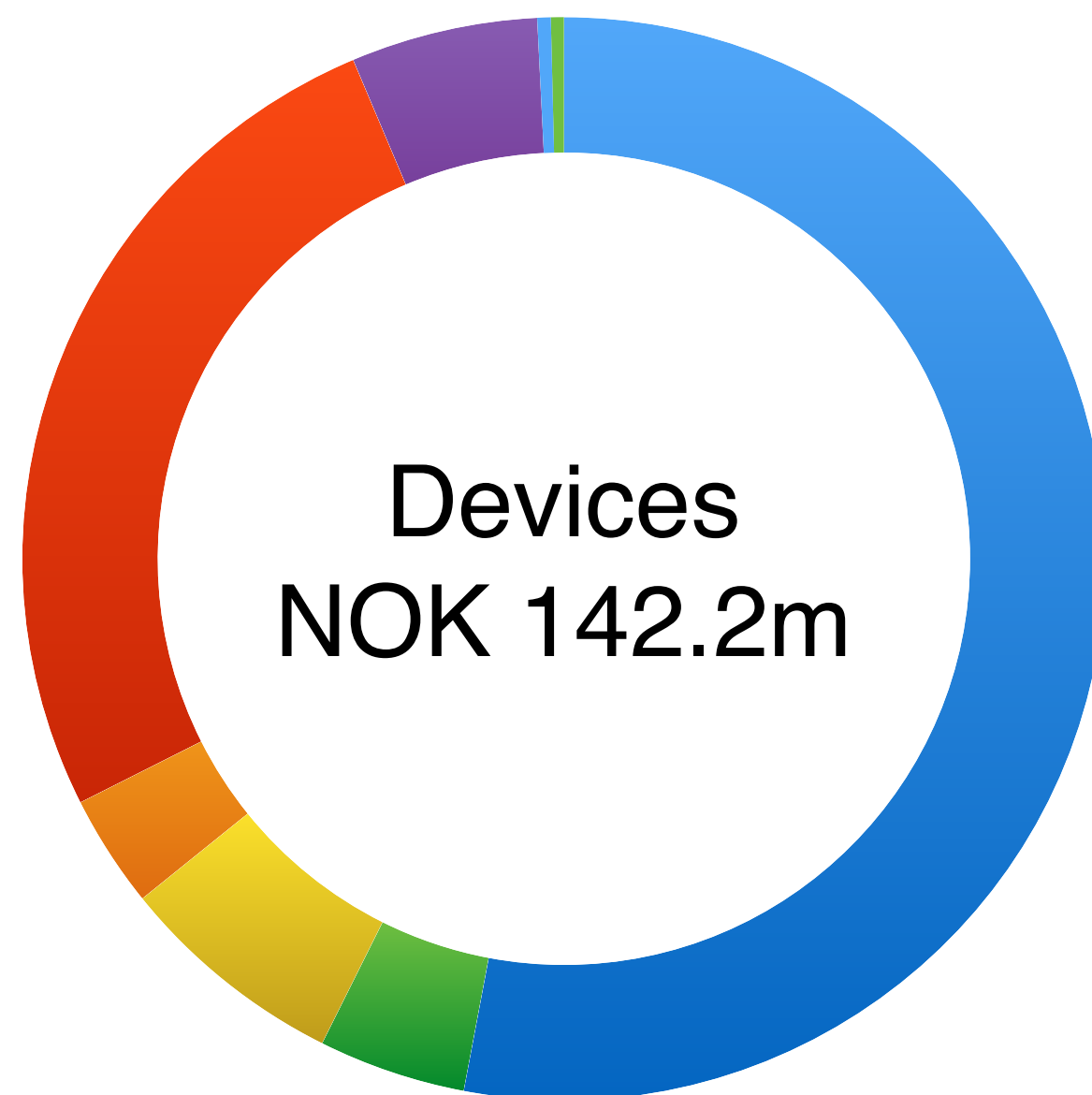
Monthly churn (%)



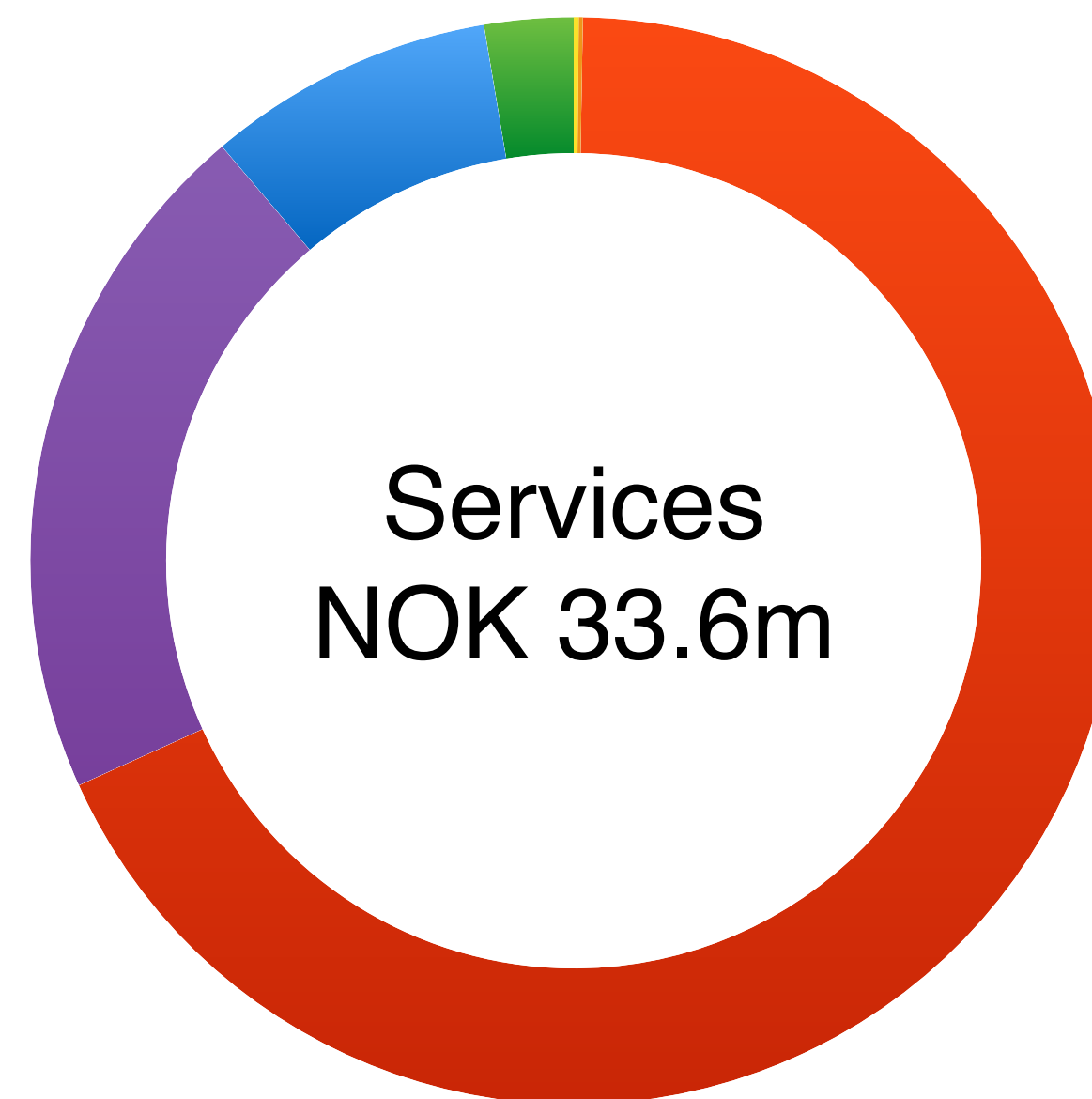




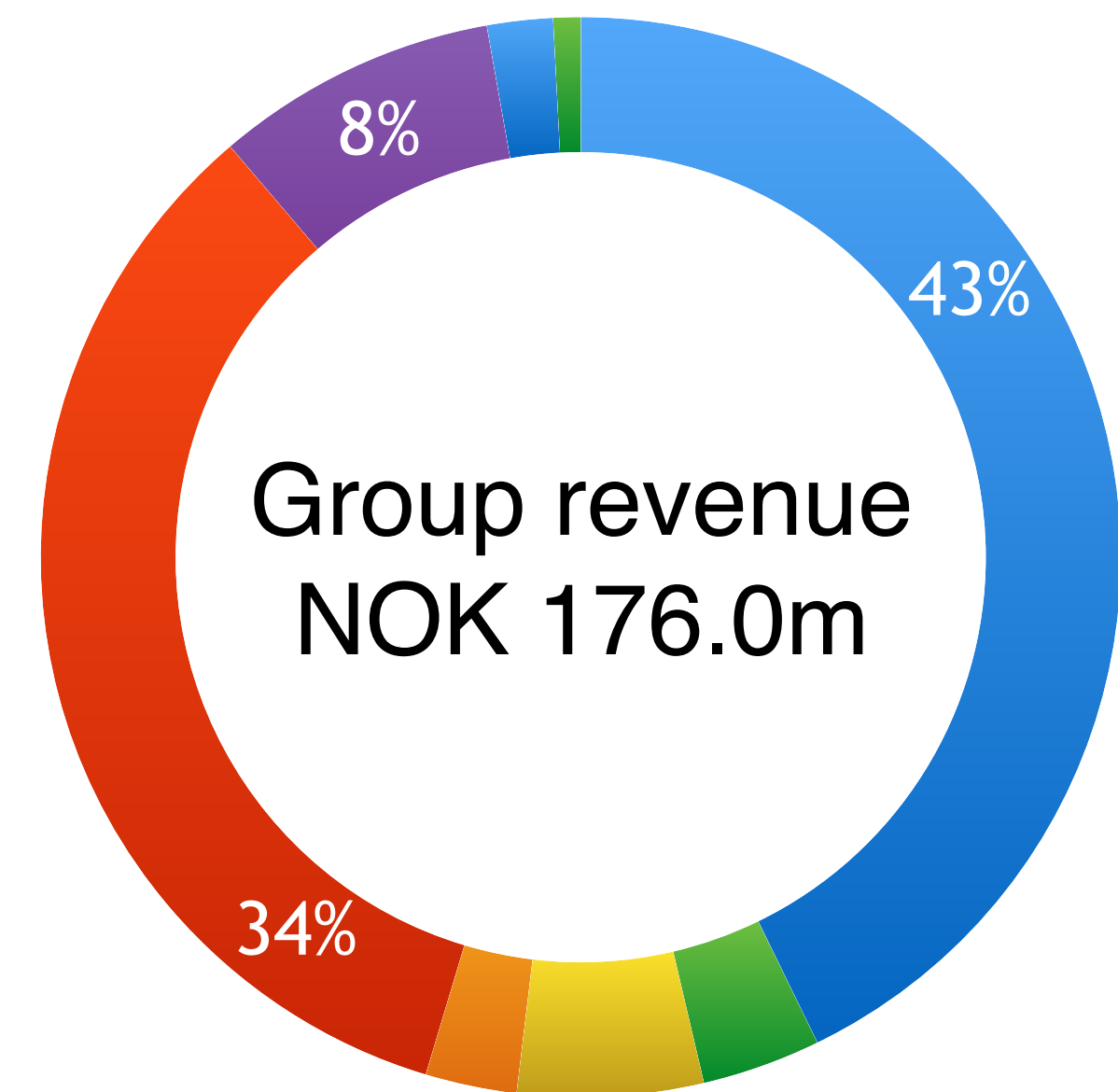
# Q4 21 regional revenue breakdown



- Germany
- Spain
- UK
- US
- Norway
- Sweden
- Finland
- Denmark



- Germany
- Spain
- UK
- US
- Norway
- Sweden
- Finland
- Denmark



- Germany
- Spain
- UK
- US
- Norway
- Sweden
- Finland
- Denmark





# Profit & Loss Q4 21

Amounts in NOKk	Q4 2021	2021	Q4 2020	2020
Revenue - sales of watches	142 350	339 792	104 233	190 967
Revenue - services/other	33 672	91 594	4 494	9 528
<b>Total Revenue</b>	<b>176 022</b>	<b>431 385</b>	<b>108 727</b>	<b>200 495</b>
Cost of sales	92 057	235 434	69 018	140 621
<b>Gross Profit</b>	<b>83 965</b>	<b>195 952</b>	<b>39 710</b>	<b>59 874</b>
Payroll Expenses	21 797	72 435	12 073	27 352
Other Operating expenses	33 624	104 345	21 275	43 469
<b>EBITDA</b>	<b>28 595</b>	<b>19 171</b>	<b>6 361</b>	<b>-10 947</b>
Depreciation and amortization	10 367	30 686	587	2 215
<b>Operating profit / EBIT</b>	<b>18 177</b>	<b>-11 515</b>	<b>5 775</b>	<b>-13 162</b>
Finance (income)/expenses - net	346	1 176	5 803	7 960
Other finance costs	318	833	399	3 413
<b>Profit (loss) before tax</b>	<b>17 513</b>	<b>-13 523</b>	<b>-427</b>	<b>-24 534</b>
Income tax	-	-	-	-
<b>Net profit (loss)</b>	<b>17 513</b>	<b>-13 523</b>	<b>-427</b>	<b>-24 534</b>

## Q4 21 highlights

- Group sales NOK 176.0m +62% y/y
  - Recurring service sales (ARR) 19% of group sales at NOK 33.6m (+73% y/y\*)
  - Smartwatch sales +37% y/y to NOK 142.3m
- Gross margin 47.7% (36.5%) in Q4 21 with gross earnings +112% y/y to NOK 84.0m
- Opex NOK 55.4m, including NOK 15.1m marketing costs. 90 employees year-end, flat vs Q3 21
- Record EBITDA NOK 28.6m (6.4m). 16.2% margin.
- D&A NOK 10.4m from amortization of intangibles from XMH acquisition Q2 21
- EBIT NOK 18.2m and pretax earnings NOK 17.5m including NOK 0.7m financial items

Figures are unaudited. Xplora Mobile Holding consolidated from Q2 21.\*Pro-forma





# Profit & Loss 2021

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<b>Net profit (loss)</b>	<b>17 513</b>	<b>-13 523</b>	<b>-427</b>	<b>-24 534</b>

## 2021 Highlights

- Group sales NOK 431.4 +115% y/y
  - Recurring services NOK 90.7m, at 21% of group sales.
- Gross margin 45.4% (29.9%) with gross profit +227% y/y to NOK 196.0m
- Group opex NOK 176.8m (70.8m)
  - NOK 72.4m payroll expense and NOK 104.3m other opex, of which marketing NOK 47.5m in 2021 (16.5m). Employees up from 40 to 90.
- First full-year positive EBITDA NOK 19.2m for a margin of 4.4%.
- Operating profit NOK -11.5m (-13.2m)
- Profit before tax NOK -13.5m (-24.5m)

Figures are unaudited. Xplora Mobile Holding consolidated from Q2 21.





# Balance sheet

Amounts in NOKk	Q4 2021	Q3 2021	Q4 2020
Fixed assets	1,109	930	416
Goodwill	170,115	174,713	
Customer contracts	59,914	64,523	
Intangible assets	19,075	16,994	6,812
Other LT receivables	160	153	
<b>Financial fixed assets</b>	<b>250,373</b>	<b>257,312</b>	<b>7,228</b>
Accounts receivable	78,333	47,399	27,198
Inventories	82,479	93,763	24,440
Other receivables	25,792	30,866	15,405
Cash & equivalents	139,751	113,796	118,216
<b>Total current assets</b>	<b>216,354</b>	<b>285,825</b>	<b>185,259</b>
<b>Total assets</b>	<b>576,727</b>	<b>543,137</b>	<b>192,487</b>
<b>Total equity</b>	<b>401,135</b>	<b>384,244</b>	<b>127,964</b>
Long term IB debt	29,850	30,500	25,000
Short term IB debt	5	6	2,388
Accounts payable	36,103	28,587	19,699
Other ST liabilities	109,633	99,800	17,436
<b>Total equity and debt</b>	<b>576,727</b>	<b>543,137</b>	<b>192,487</b>

## Q4 21 highlights

- Total assets NOK 576.7m from NOK 543.1m at Q3 21
  - Financial fixed asset NOK 250.4m on goodwill and customer contracts from XMH acquisition
- Accounts receivables NOK 78.3m (47.4m) on strong year-end sales
- Inventories NOK 82.5m (93.8m), slightly down on seasonality
- Cash balances NOK 139.8m (113.8m)
- Other short-term liabilities NOK 109.6m (99.8m) includes XMH earnout provision NOK 20m (20m).
  - Prepayments from rising subscriber base and factory orders make up remainder NOK 89.6m
- NOK 29.9m (30.5m) interest-bearing loans
- Equity NOK 401.1m (384.2m), equity ratio of 70%





# Cash flows

Amounts in NOKk	Q4 2021	2021	Q4 2020	2020
Profit before tax	17 513	7 382	-426	-24 534
Depreciation and amortization	10 367	35 285	587	2 215
Working capital changes	3 024	-44 831	23 587	-5 793
<b>Net cash from operating activities</b>	<b>30 904</b>	<b>-27 667</b>	<b>23 747</b>	<b>-28 112</b>
XMH acquisition	0	-76 921	0	0
Capex	-4 420	-12 125	-2 393	-5 691
<b>Net cash from investing activities</b>	<b>-4 420</b>	<b>-89 046</b>	<b>-2 393</b>	<b>-5 691</b>
Change in debt	-651	-9 092	-1 064	5 680
Change in equity	0	146 770	84 756	130 214
Other	121	563	-8 987	3 413
<b>Net cash from financing activities</b>	<b>-530</b>	<b>138 249</b>	<b>74 705</b>	<b>139 306</b>
<b>Net change in cash and equivalents</b>	<b>25 954</b>	<b>21 535</b>	<b>96 059</b>	<b>105 503</b>
Cash and equivalents start of period	113 796	118 216	22 157	12 713
Cash and equivalents end of period	139 750	139 750	118 216	118 216

## Q4 21 highlights

- Cash from operations NOK 30.9m in Q4 21
  - Cash earnings NOK 27.9m
  - NOK 3.0m working capital change with lower inventories and other receivables, and higher short-term liabilities and accounts payable offset by higher accounts receivable
- Cash from investments NOK -4.4m from capitalized development expenses
- Cash from financing NOK -0.5m on debt payment
- Net change in cash NOK 26.0m in Q4 with cash balances at NOK 139.8m at y/e 2021





# The road ahead

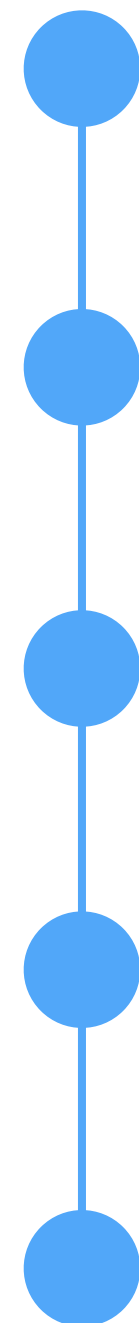
Play  
to move  
the world<sup>®</sup>





# Xplora Commercial Strategy

## Go 2 market



**Technical**  
preparation & and  
localization

**Online** launch and  
initial market  
feedback

**Retail** launch and  
roll-out increased  
marketing

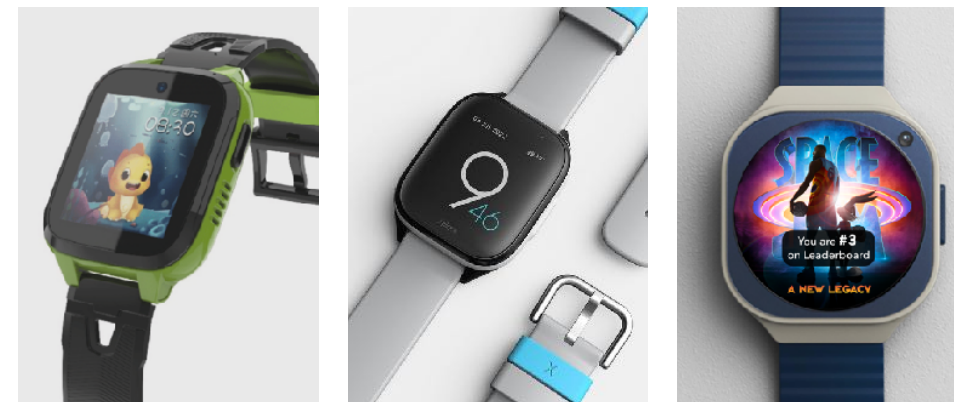
**Telco** Homologation  
and first major  
agreement

**Growth** phase with  
mass marketing and  
broad roll-out

## Revenues

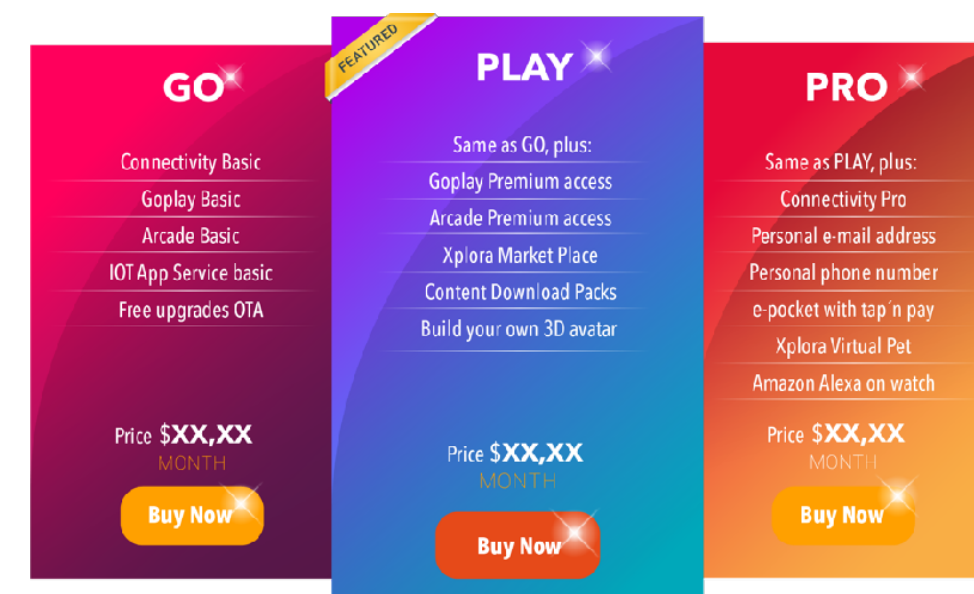
### Watch Sales

3 different price points based on 2 Product lines (XGO3 and X6/X6 PRO) X6 series is optimized to work with Telcos.



### Recurring Service Sales

Using our best practice during initial sales and connectivity activation, to drive one Value proposition where we merge our Core service to include both Connectivity and Various degrees of Value added Services. In total 3 different price points.



## Channels

### Online Sales

Default to bundle all sales with our 3 Service packs. Objective to drive highest possible conversion and upsell from Go to Pro services.

Est.  
20%  
volume

### Retail Sales

Default to bundle all sales with our Service packs. However, some sales might be watches only. We can upgrade via our Xplora App.

Est.  
30%  
volume

### Telco Sales

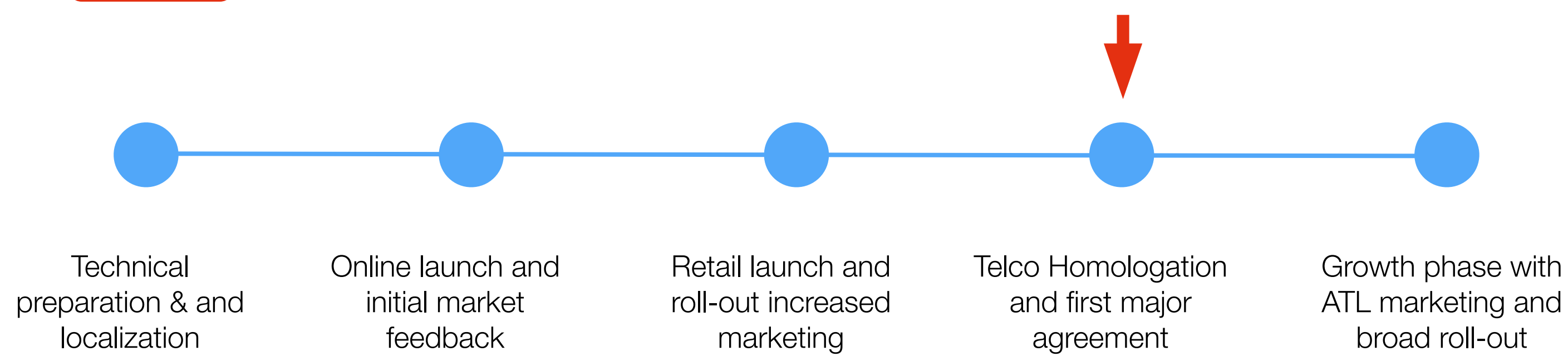
Units will be delivered without our default service pack. Objective to either include as pre-paid and part of Telco deal, or separate Service upgrade packs (i.e services without Connectivity)

Est.  
50%  
volume

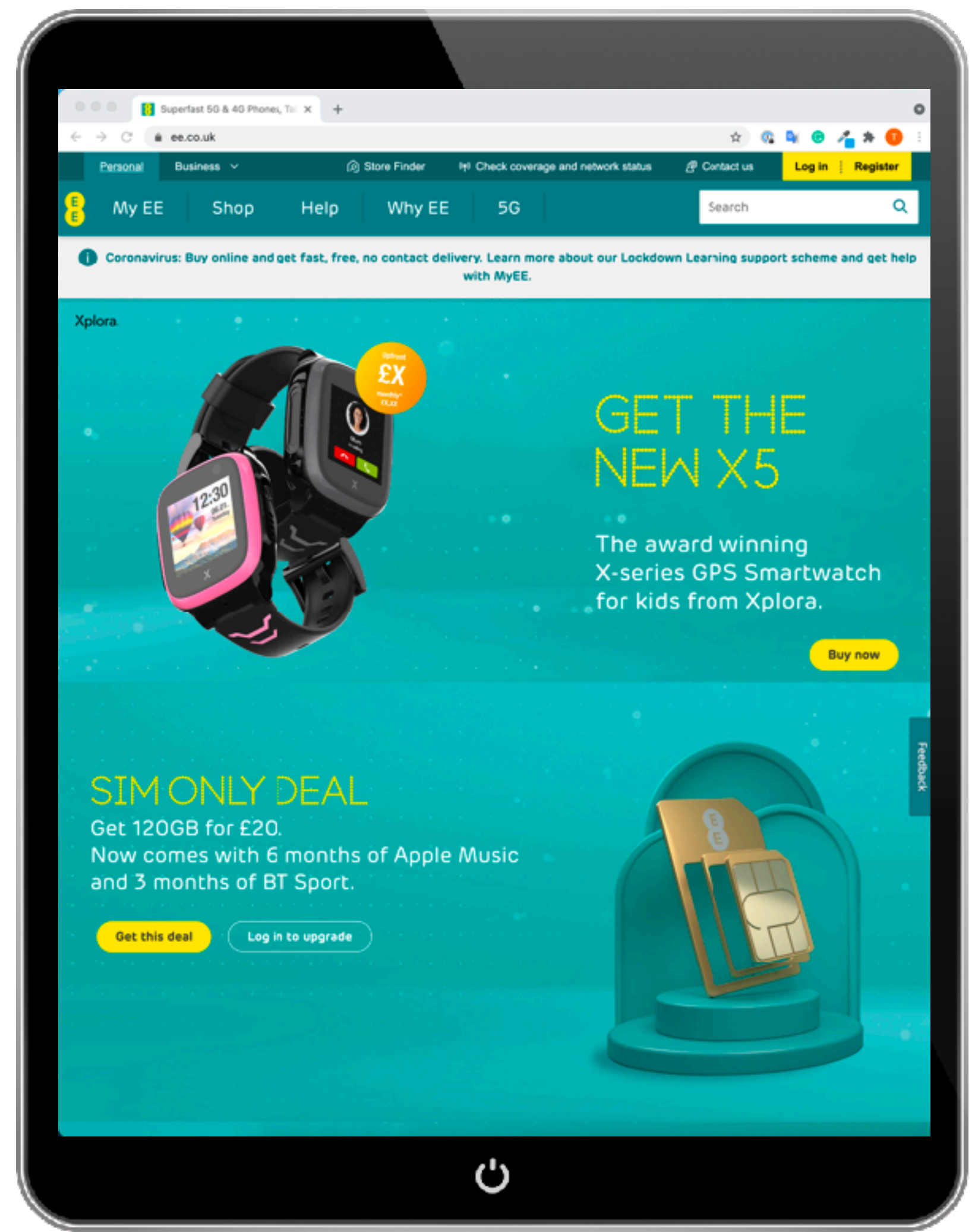
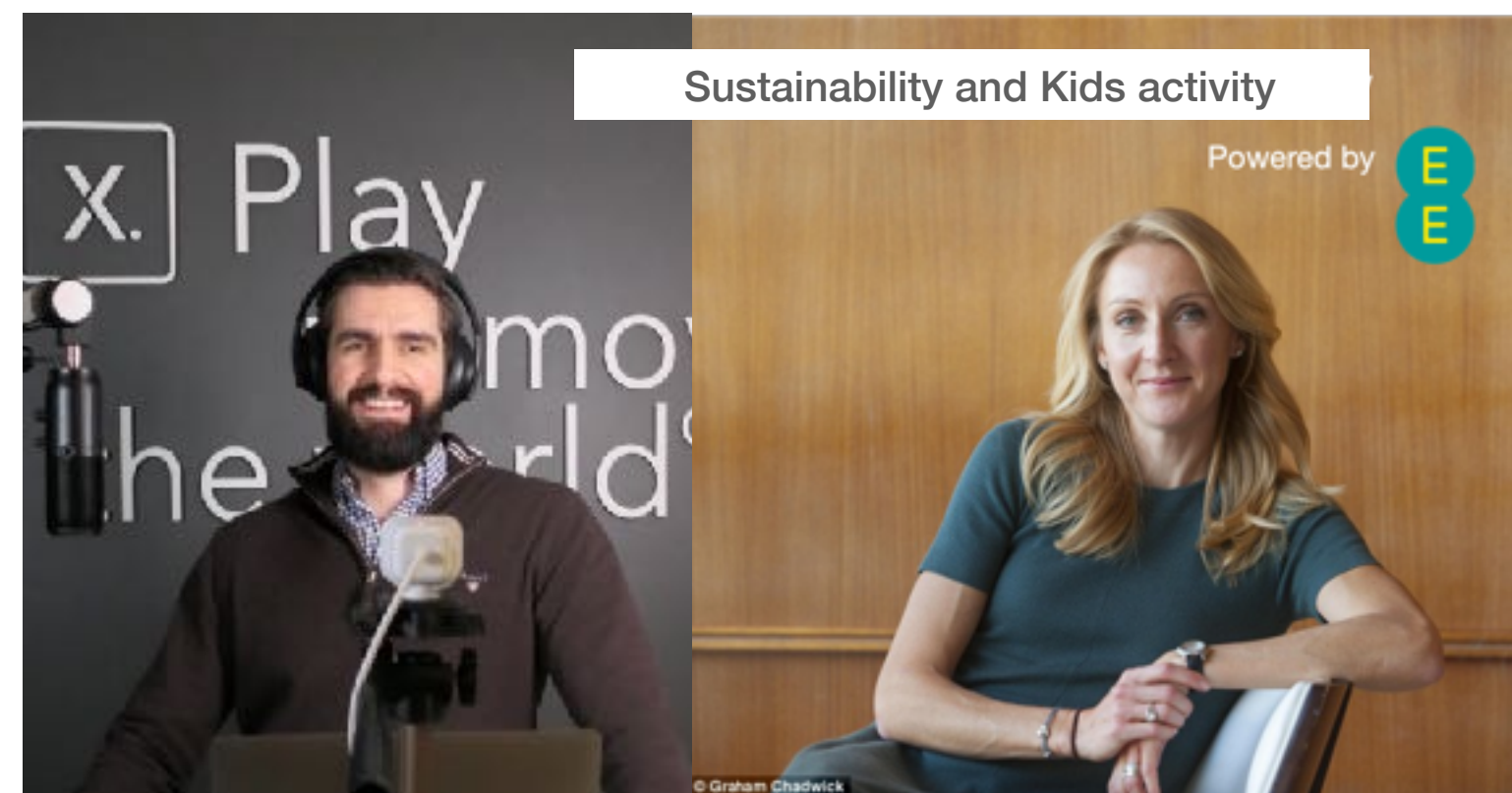




# Major new telco win in the UK



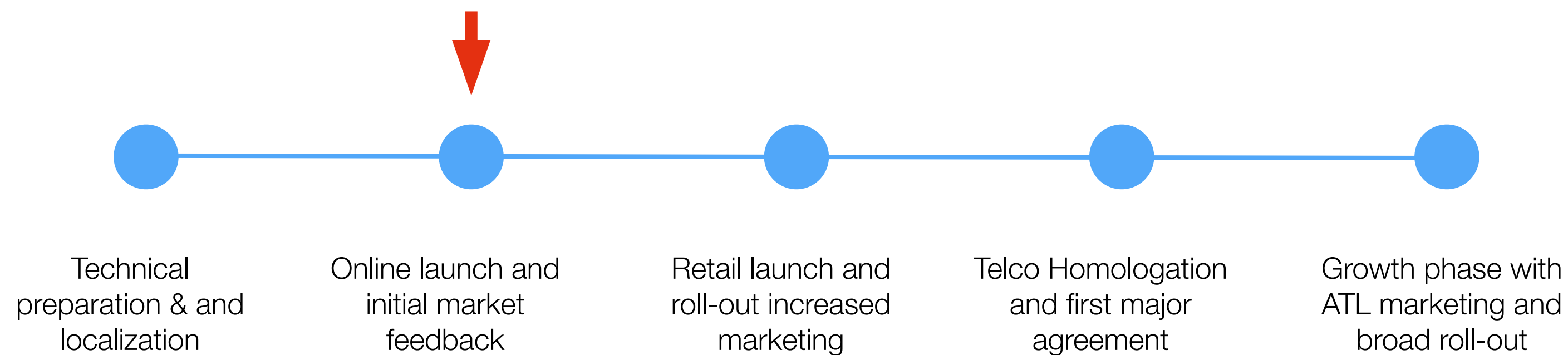
On February 11 Xplora announced distribution agreement with EE, part of the BT group. We have partnered up with Paula Radcliffe as brand ambassador. EE will distribute Xplora products in 500 stores and online sales channel ee.co.uk.







# Expanding to North America



Encouraging attendance at CES 2022 in Las Vegas, NV in January

Xplora office lease signed in New York City

Recruitment in process

Xplora Technologies Inc,  
311 W 43rd Street  
New York, NY 10036.





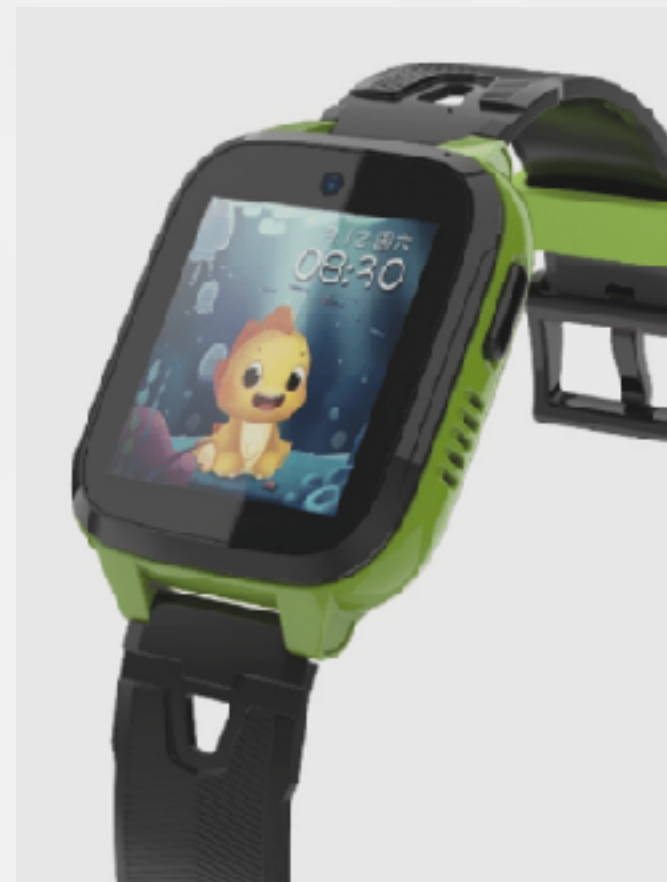


# Major leap in product development

Best in Class IoT family products

Transition from ODM to OEM strategy

Family of three connected products







# Ambitious service roadmap

3D Avatars



Virtual Pet



Tap & Pay



Alexa



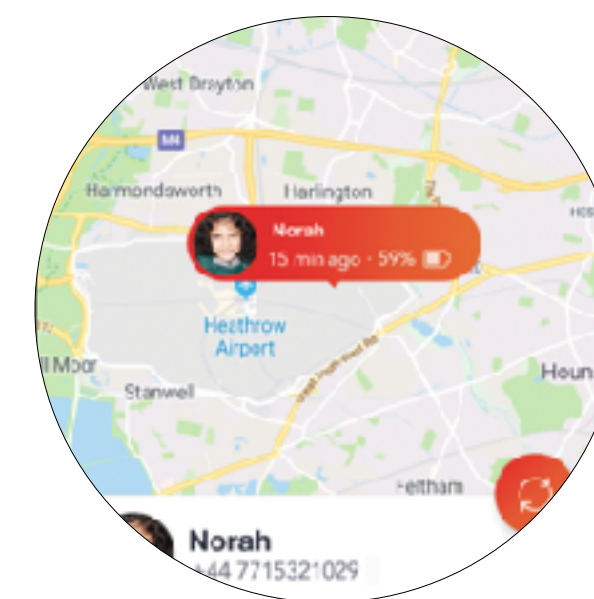
Goplay Auction



Safeguard App



Content Download



Next Gen App



NFT / Market Place





# Driving focus and results from ARR

Xplora is refining its service strategy

Strong focus on recurring revenue growth to drive operating leverage

### GO

- Connectivity Basic
- Goplay Basic
- Arcade Basic
- IOT App Service basic
- Free upgrades OTA

Price \$XX,XX  
MONTH

Buy Now

FEATURED

### PLAY

Same as GO, plus:

- Goplay Premium access
- Arcade Premium access
- Xplora Market Place
- Content Download Packs
- Build your own 3D avatar

Price \$XX,XX  
MONTH

Buy Now

### PRO

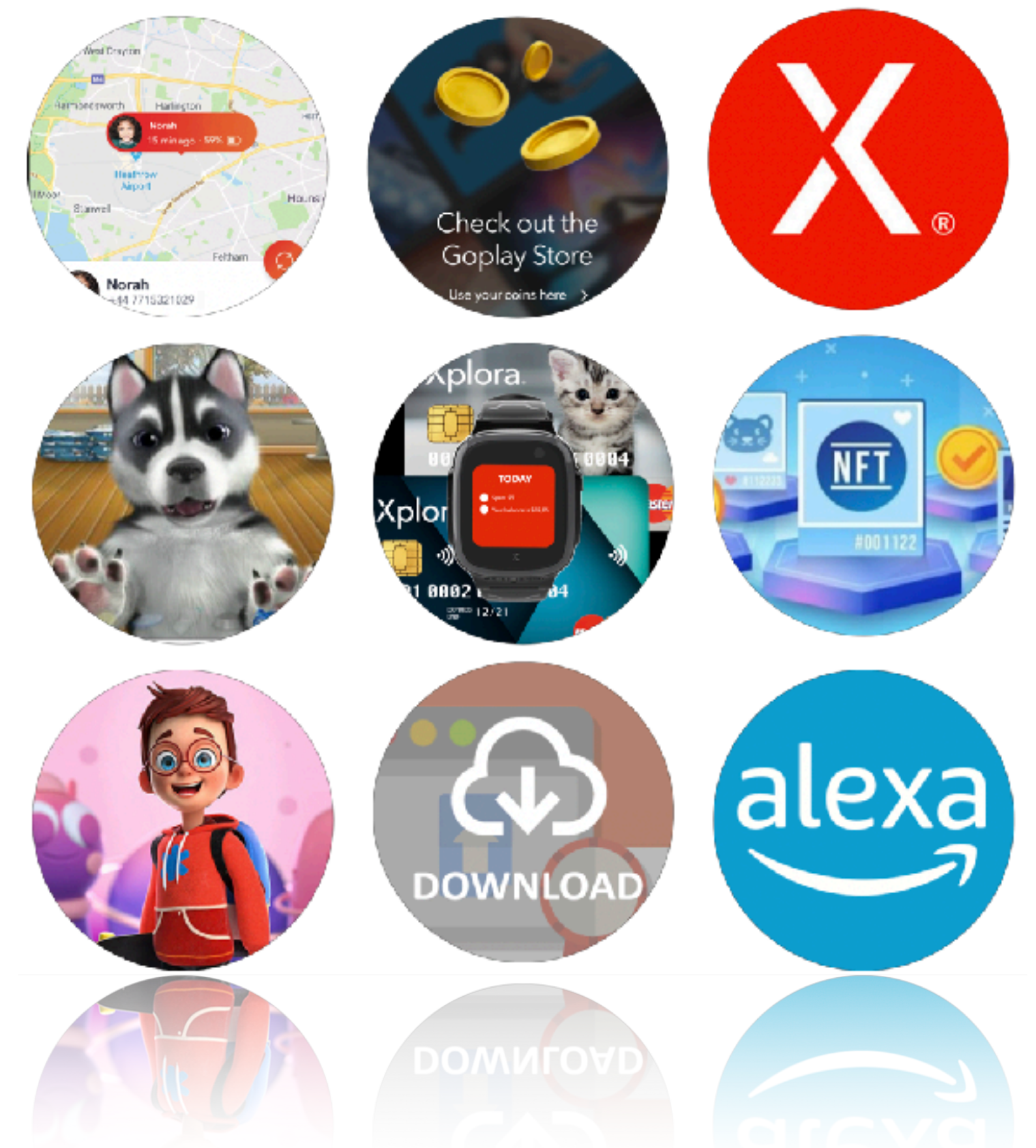
Same as PLAY, plus:

- Connectivity Pro
- Personal e-mail address
- Personal phone number
- e-pocket with tap'n pay
- Xplora Virtual Pet
- Amazon Alexa on watch

Price \$XX,XX  
MONTH

Buy Now

For illustration purposes only







# Outlook

- Xplora aims to reinforce its market lead, extend reach through wider distribution capacity and an ambitious product and service roadmap. MVNO in 1-3 new markets.
- 2022 capex expected at NOK 30-35m on new ERP systems, OEM development and software/systems development.
- Supply chain challenges are expected to persist through 2022. Xplora continues to assess and manage challenging market conditions.
- 2022 revenue growth expected up at least 50% with improved profitability on scaling of operations.
- Xplora is securely funded to deliver on its growth ambitions.







# Play to move the world.

[xplora.com/investor](https://xplora.com/investor)

