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4th QUARTER 2023 REPORT

STRONG SUBSCRIBER BASE.
ROBUST CASH BALANCE.
PROFITABILITY TURNAROUND.



Xplora team presenting today



Sten Kirkbak
CEO

25 years experience from telecom, consumer and technology industry. Honored multiple patents and awards within the wearable industry, including the first certified and commercially launched kids smartwatch product in EU/US.



Knut Stålen
CFO

30 years experience from global scale-ups within the software and technology industry. Degree in finance and marketing from BI, and has served as CFO in several publicly listed technology companies.



Kjetil Fennefoss
COO

MSc. in Business Administration from University of Mannheim, Germany. Ex. MBA from LSE, London UK. 25+ yrs. in international telco. business before Xplora (Telenor, VEON, Millicom), incl. C-level positions from sales, distribution and customer operations



Jason Pyne
Executive Vice President
Kids division

30 years experience working in media, digital marketing, and technology, including some of the largest news media organisations worldwide.



Q4 23 at a glance

Group revenues

NOK 212 m

+19% y/y

Recurring services

NOK 60 m

+47% y/y

Subscriptions

257 K (215+42K)

+64% y/y

Gross earnings

NOK 99 m

+40% y/y

Reported EBITDA

NOK 12 m

+NOK 32 m y/y

Cash balance

NOK 137 m



FY 23 at a glance

Group revenues

NOK 689 m

+37% y/y

Recurring services

NOK 210 m

+38% y/y

Subscriptions

257 K (215+42K)

+64% y/y

Gross earnings

NOK 332 m

+40% y/y

Reported EBITDA

NOK 34 m

+NOK 67 m y/y

Cash balance

NOK 137 m



Focus 2023

Key Success factors and deliveries for 2023:

- ✓ **Profitability** (NOK 67m turn-around: to NOK 34m)
- ✓ Strong **growth** (37% growth VS 15% CAGR/market)
- ✓ Focus on **ARR** (257k subscriptions VS 175K budget)
- ✓ Reduce **costs** (43% OPEX of rev. VS 54% in 2022)
- ✓ Laser **focus** (9-3-2 strategy >>> 9-2-2)

Outlook

- Category expected to grow 15% CAGR* which we find reasonable to assume
- Increased confident to deliver a minimum of 175K subscribers
- We are in line with plan to reduce OPEX (intervall) based on initial cost reduction initiatives streamlining processes and embrace new technology
- Remain very focused on profitability in 2023
- Explore options for future family IOT growth

Proficient Market Insights
Mon, March 13, 2023, 10:23 AM GMT+1



2023 Consumer market takeaways:

- Declining consumer market
- Currency (NOK vs \$ vs Euro)
- Component-shortage
- Freight issues / increased costs



Some key takeaways from Q4 report



- ✓ Recurring service revenue of NOK 60m (47% y/y) with 76% of new subscription growth in Q4 outside the Nordics.
- ✓ Our highest ever single-quarter revenue of NOK 212m
- ✓ Ending Q4 with a total of four Revenue Sharing agreements and successfully introduction of Service fee solution.
- ✓ More units at a higher price, with increased conversion at a lower marketing cost.



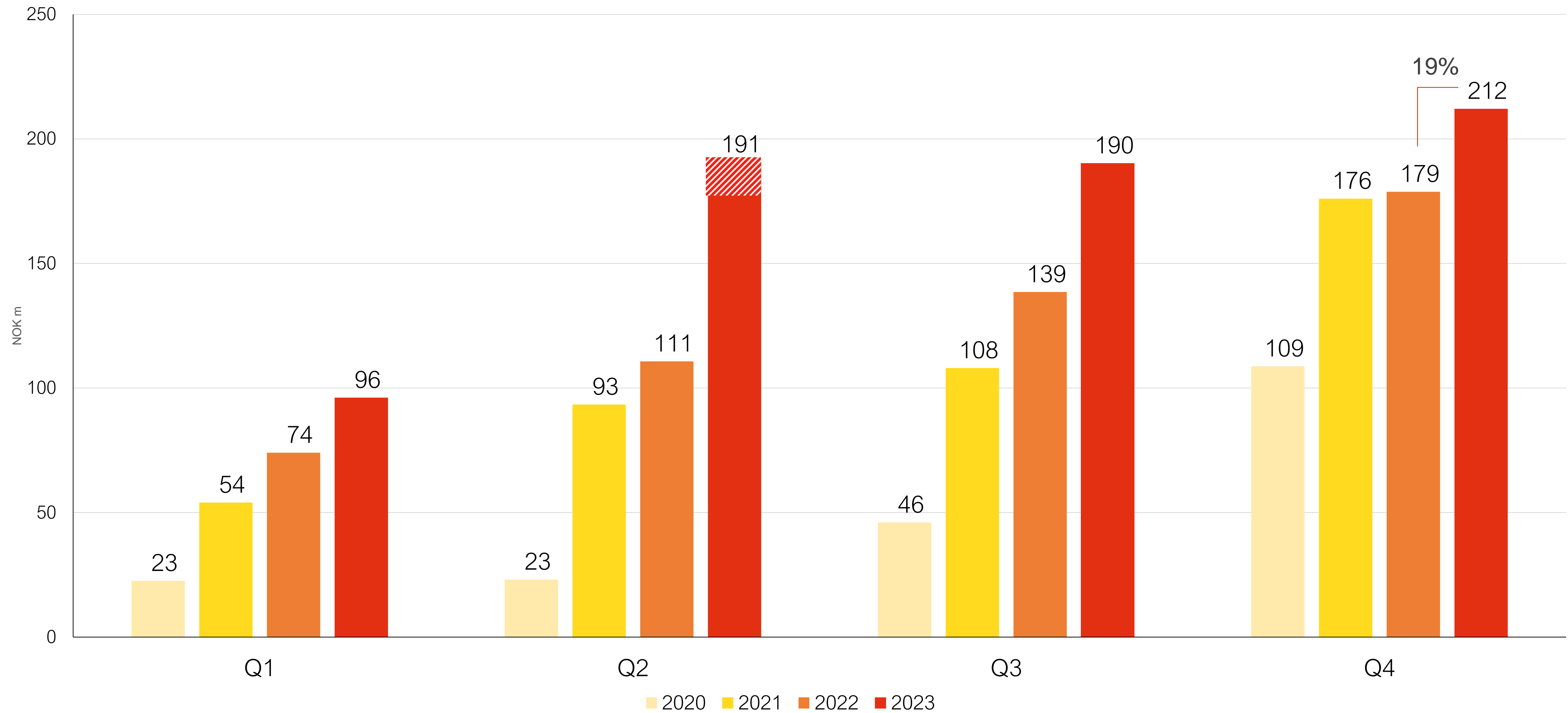
Financial Update

Knut Stålen
CFO



FY revenue growth of 37%

Quarterly Revenue

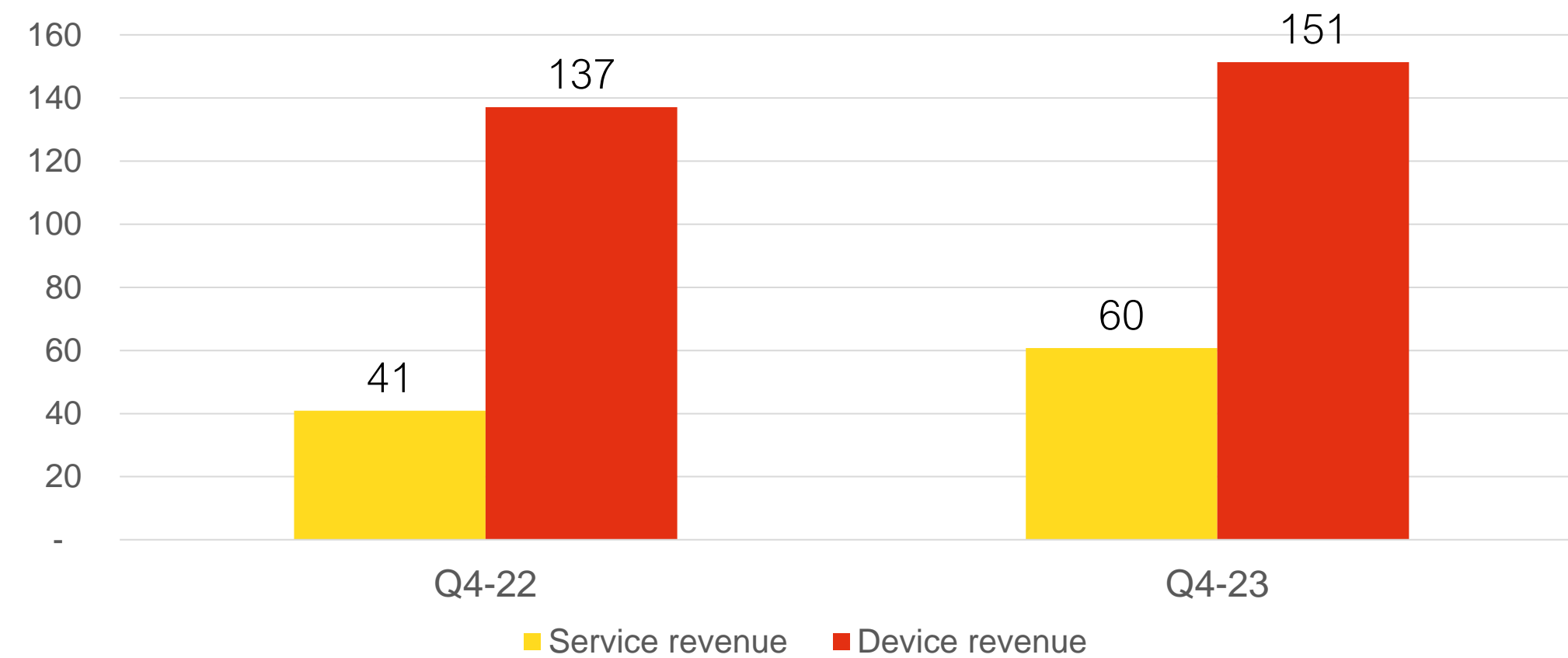




Q4 revenues & gross profit

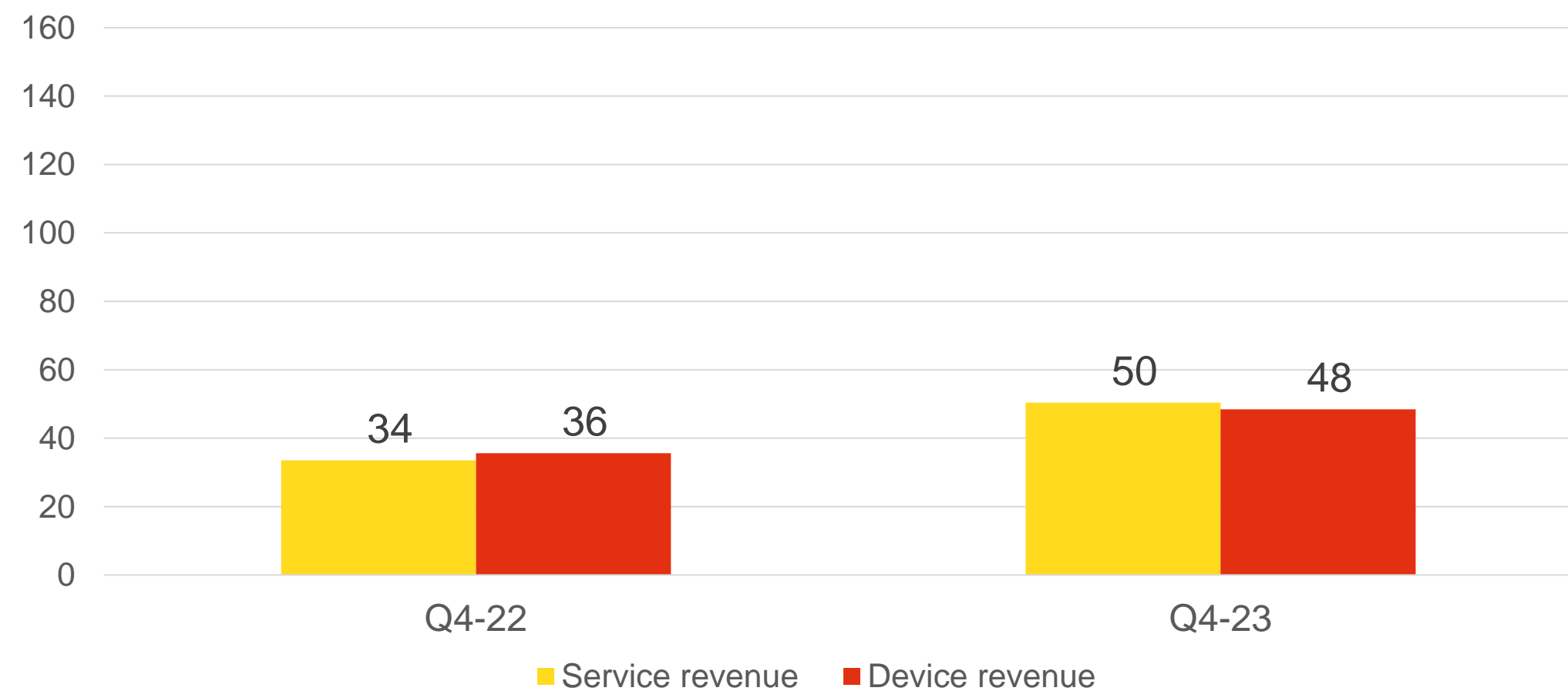
Amount in NOK millions

Revenues



Amount in NOK millions

Gross Profit



- Increased device revenue from NOK 137m in Q4 22 to NOK 151m (NOK 14m or +10%)
- Increased service revenue from NOK 41m in Q4 22 to NOK 60m (NOK 19m or +47%)
- Gross margin on devices improved from 26% in Q4 22 to 32%
- Gross margin on services improved from 82% in Q4 22 to 83%
- Gross profit ended at NOK 99m, compared to NOK 71m in Q4 22



Q4 23 and 2023 Profit & Loss

- Reduced operating expenses, from NOK 92m in Q4 22 to NOK 88m
- NOK 27m increase in employee expenses from 2022 to 2023 explained mainly by:
 - Share based compensation NOK 6m (2022: NOK -4m)
 - Commissions and bonus NOK 6m (2022: NOK 0m)
 - R&D development booked as employee expenses instead of CAPEX (reduced CAPEX of NOK 14m from NOK 38m in 2022 to NOK 24m in 2023)
- EBITDA improvement of NOK 32m, to NOK 12m in Q4 23
 - Full year improvement of NOK 67m, to NOK 34m in 2023
 - The increase is mainly due to increased gross profit and reduced OPEX as a % of revenues
- Positive adjusted EBIT (before amortization of Xplora Mobile) both in the quarter and the full year 2023.

Amount in NOK millions	Q4 23	Q4 22	FY 23	FY 22
Device revenue	151	137	477	347
Service revenue	60	41	210	152
Other revenue	1	1	2	3
Total Revenue	212	179	689	502
Cost of sales	113	108	357	265
Gross Profit	99	71	332	237
Payroll expenses	29	29	113	86
Marketing expenses	25	29	72	83
Other operating expenses	34	34	113	102
EBITDA	12	-20	34	-34
Depreciation and amortization	6	5	19	14
Adjusted operating profit / EBIT	6	-26	15	-47
Amortization of XM acquisition	9	9	38	38
Operating profit / EBIT	-4	-35	-23	-85



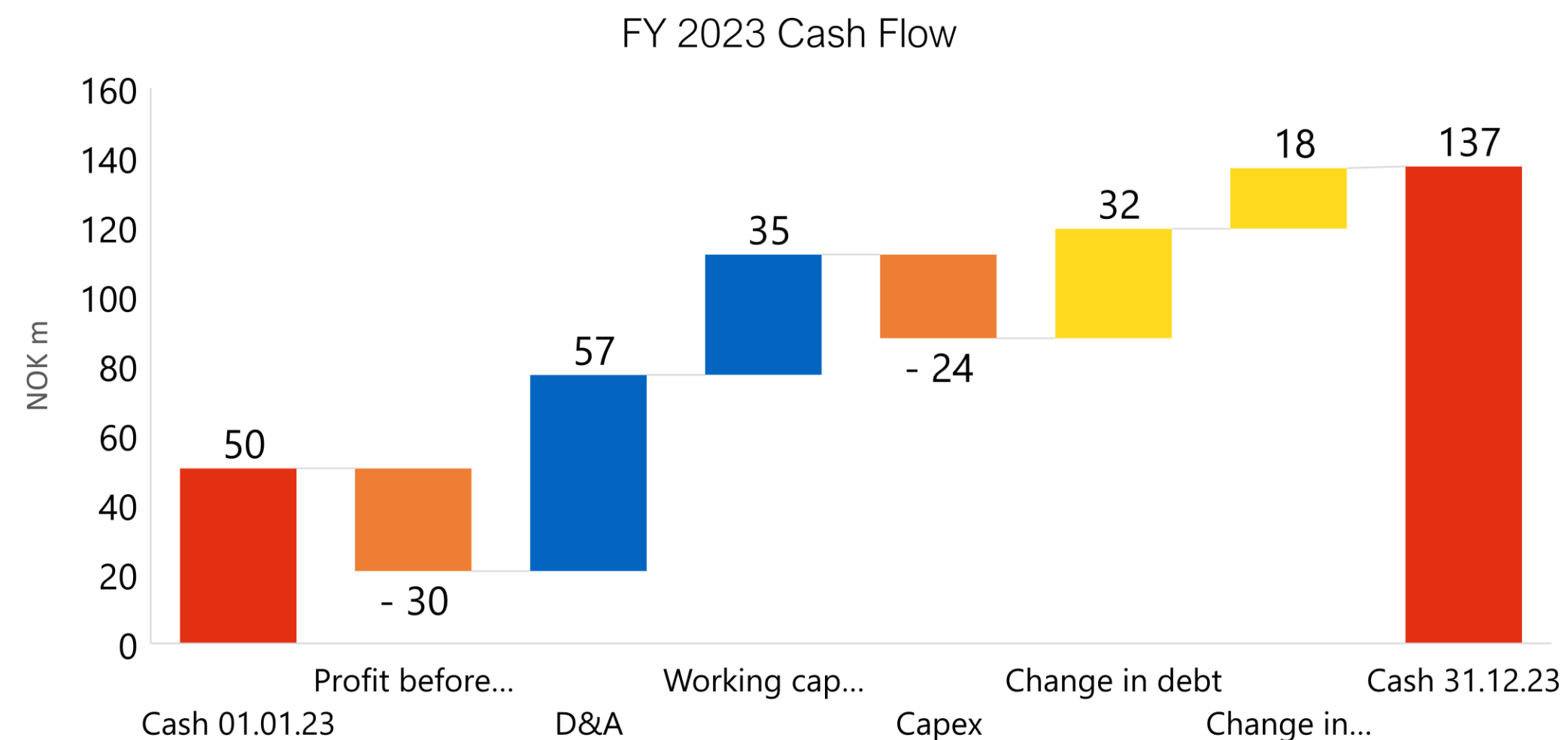
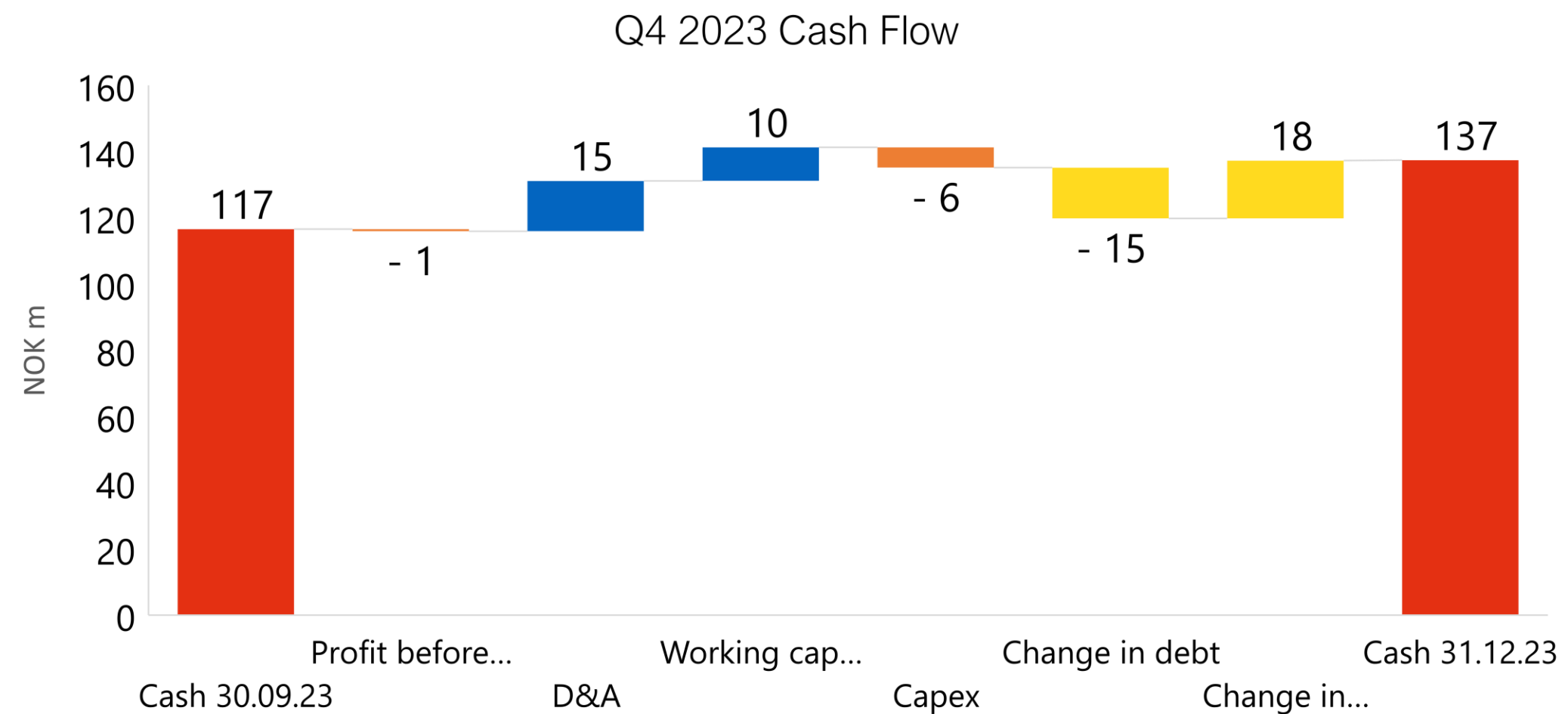
Q4 23 Balance

- Goodwill and customer contracts from the Xplora Mobile acquisition are amortized NOK 38m in 2023
 - Customer contracts fully amortized Q1 25
- NOK 137m in cash and cash equivalents

Amount in NOK millions	Q4 2023	Q3 2023	Q4 2022
Fixed Assets	1	2	2
Goodwill	138	144	155
Customer Contracts	23	28	41
Intangible Assets	47	46	41
Other long-term receivables	7	5	4
Total Non-current assets	216	224	243
Accounts receivable	39	33	44
Inventories	108	97	96
Other receivables	37	56	74
Cash & equivalents	137	117	50
Total Current assets	321	302	265
Total Assets	537	525	508
Total Equity	331	326	351
Debt to credit institutions	0	0	0
Other long-term debt	15	17	23
Total long-term debt	15	17	23
Short-term debt to credit institutions	55	69	15
Accounts payable	47	49	41
Other current liabilities	89	65	78
Total Short-term debt	192	182	134
Total Equity and debt	537	525	508



Q4 23 and 2023 Cash balance



Q4 2023:

- Started the quarter with NOK 117m in cash
- Net positive cash flow from operating activities of NOK 25m, compared to NOK -21m in Q4 22
- Positive NOK 10m in net change in working capital
 - largely due to reduction of other receivables and prepayments for goods not delivered
- Increased Equity of NOK 17.5m from shareholders provided loan guarantees

2023:

- Started the year with 50m in cash
- Capex of NOK 24m in 2023, in line with guided NOK 20-25m forecast
 - NOK 38m in 2022
- Exiting 2023 with NOK 137m in cash



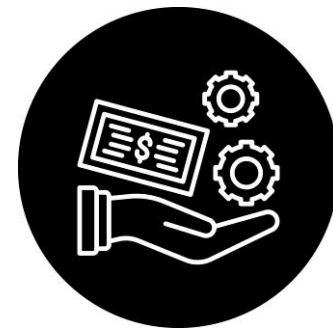
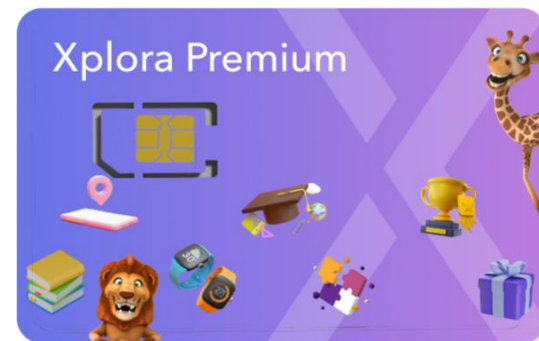
Operational Update

Kjetil Fennefoss
COO

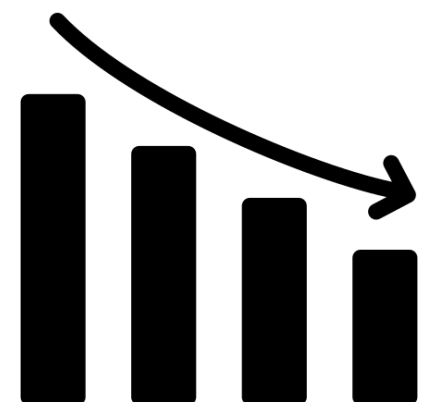


Profitability focus in 2023

- Increase service revenue, grow ASP, reduce OPEX/Revenue



New



- Recurring revenue - Launch and monetize services
 - Mobile subscriptions in five new markets
 - Xplora Premium - value added services
 - Introduce and grow Telco revenue share model
 - Service charge for Xplora app.
- Smartwatch Average Selling Price from NOK 884.- to 1,047.- (+18.4% Q4 '23 vs. Q4 '22)
- OPEX reduction in percent of revenue

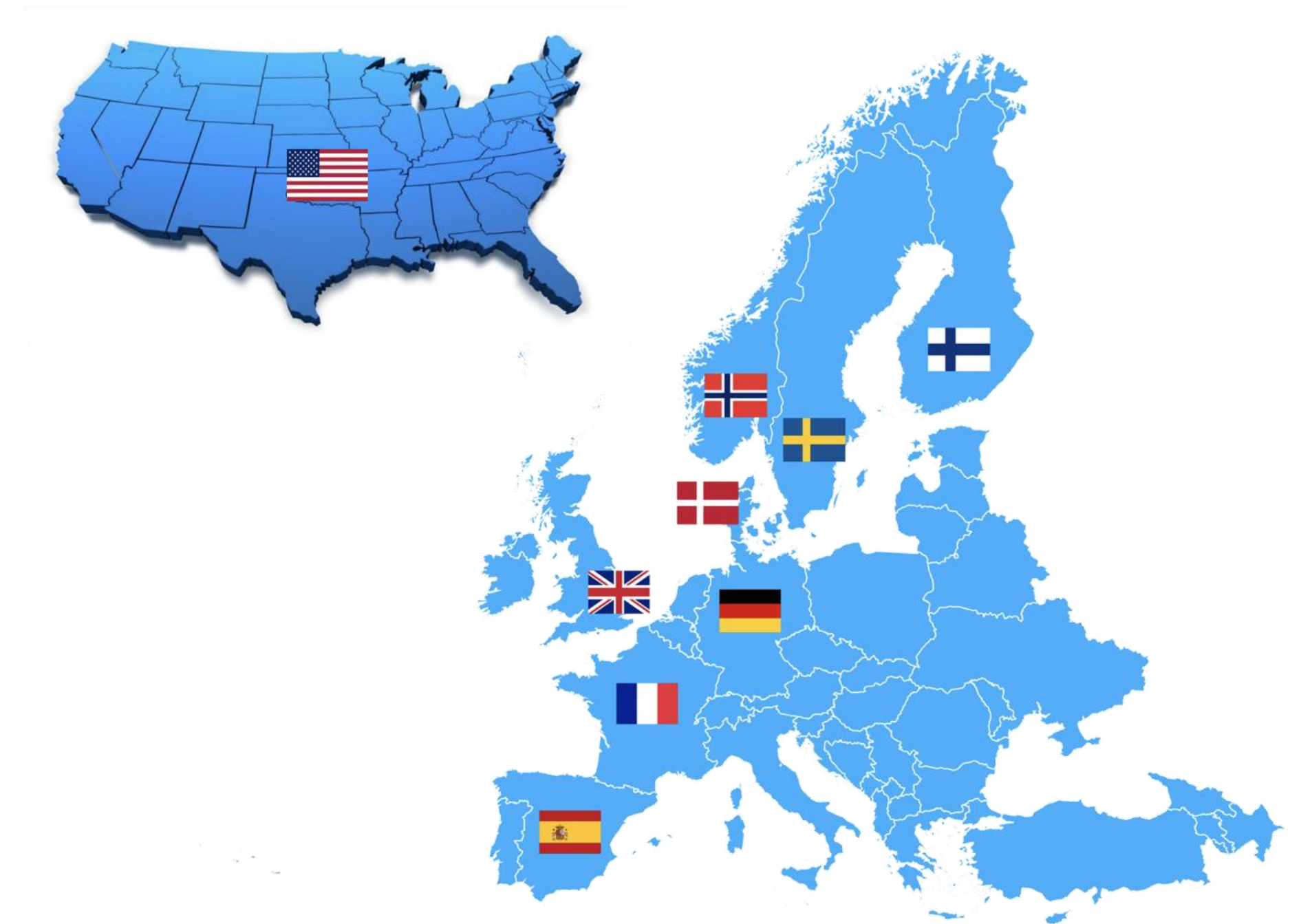
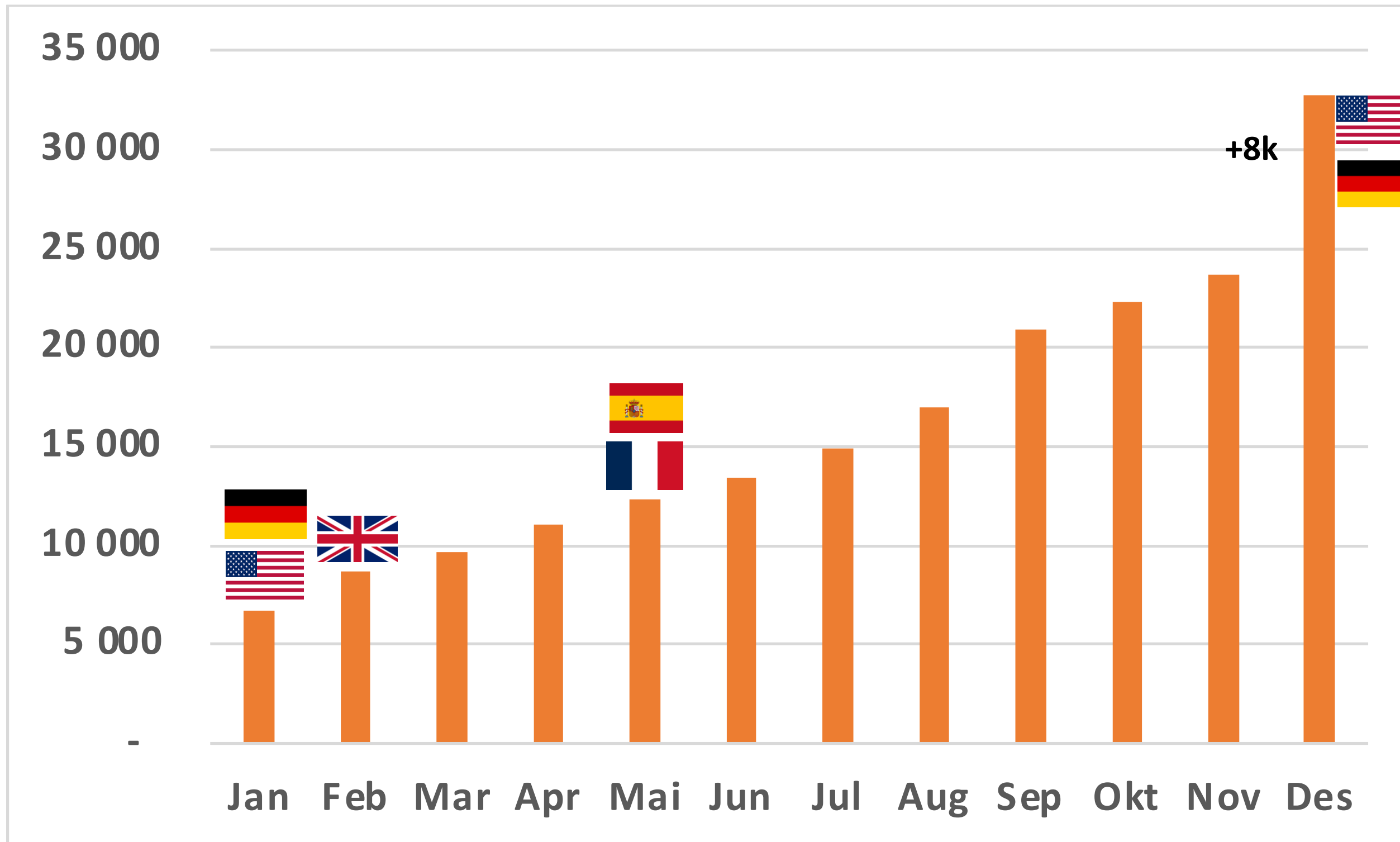


Growth – Expand mobile services footprint

- Five new markets gain momentum

Complex set-up:

- Telco contracts
- Technical MVNO implementation
- Billing and payment solutions
- Customer service

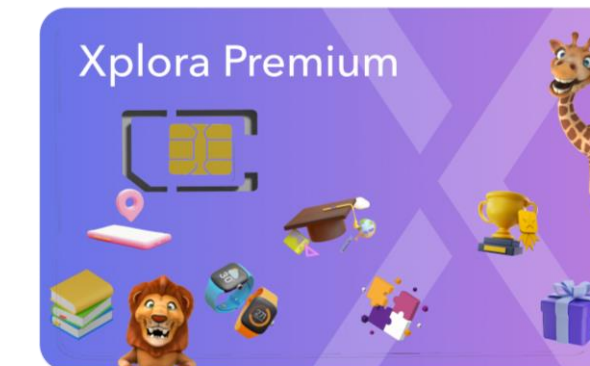




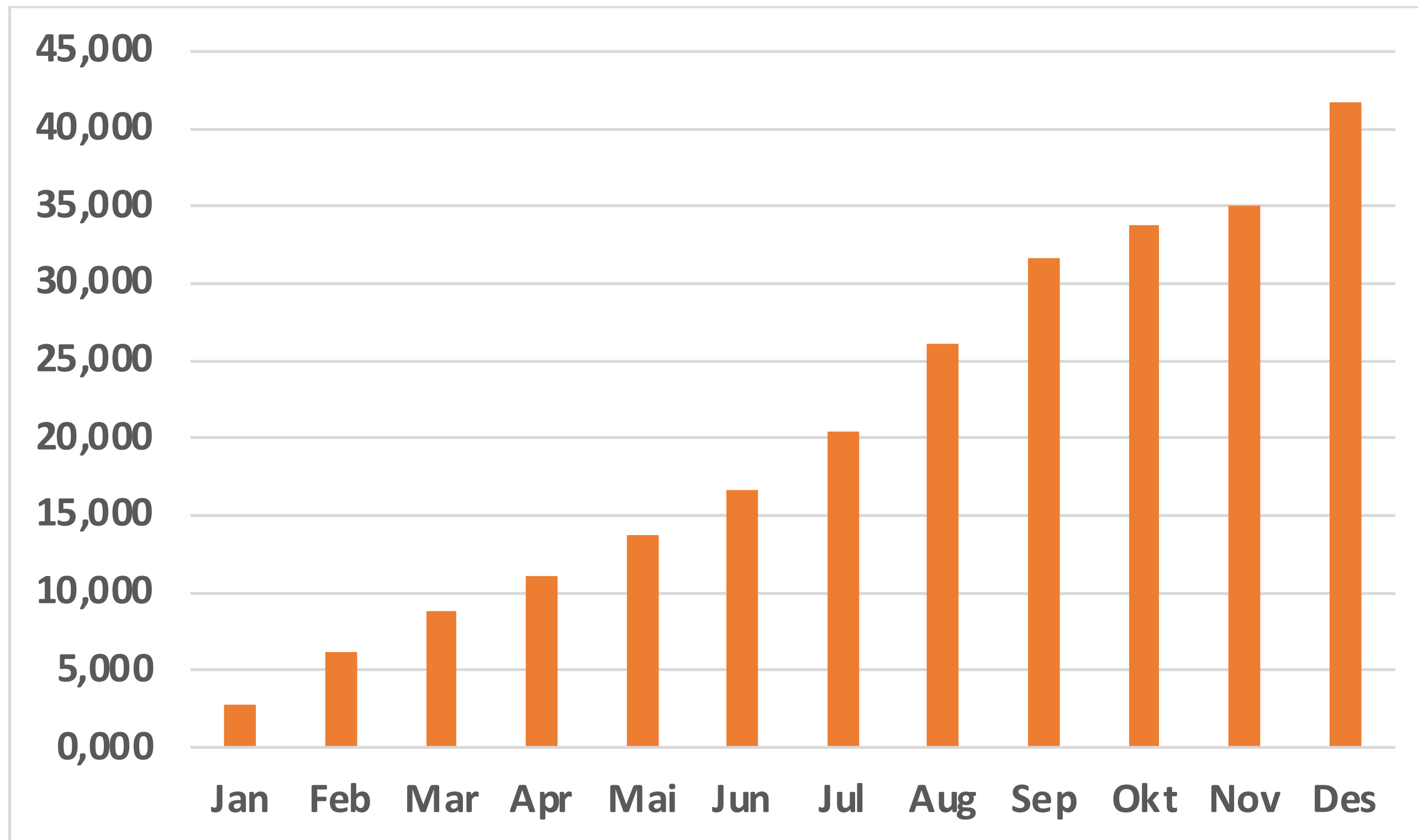
Growth - Premium Service

Xplora Premium:

- EUR 3,- per month
- Jan - Mar: Xplora in-app. sign-up in all markets
- From April: Web, Retail, Amazon (ex. USA)



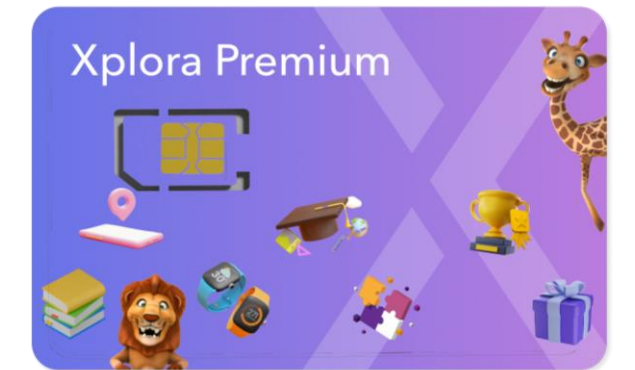
Monthly subscriptions:



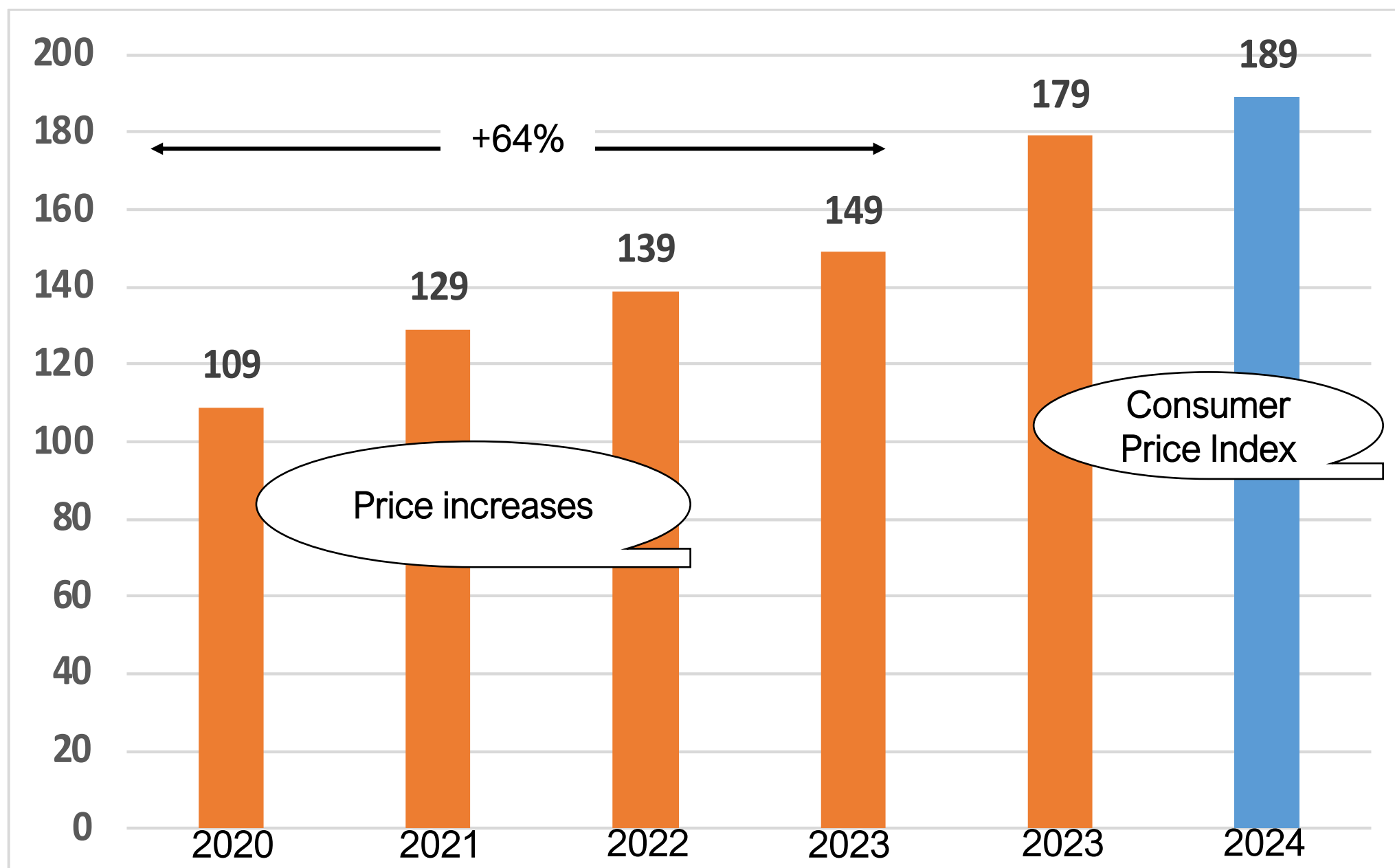
Basic	Premium <i>Mest verdi for pengene</i>
Mobiltelefonabonnement + Foreldre-app + Begrenset tilgang til Xploras aktivitetsplattform – Xplora sitt magiske univers som lar barna bli inspirert til mer fysisk aktivitet, lek og læring.	Mobiltelefonabonnement + Foreldre-app + Ubegrenset tilgang til Xploras aktivitetsplattform – Xplora sitt magiske univers som lar barna bli inspirert til mer fysisk aktivitet, lek og læring.
Fra: 129 kr / mnd	Fra: 159 kr / mnd
159 kr / mnd	12 måneders forhåndsbetaling
169 kr / mnd	6 måneders forhåndsbetaling
179 kr / mnd	Månedlig faktura (179 kr)



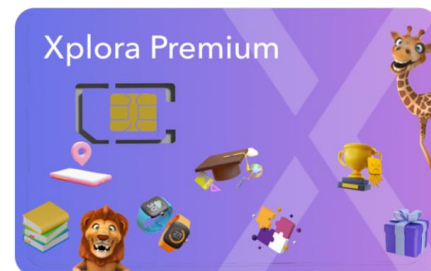
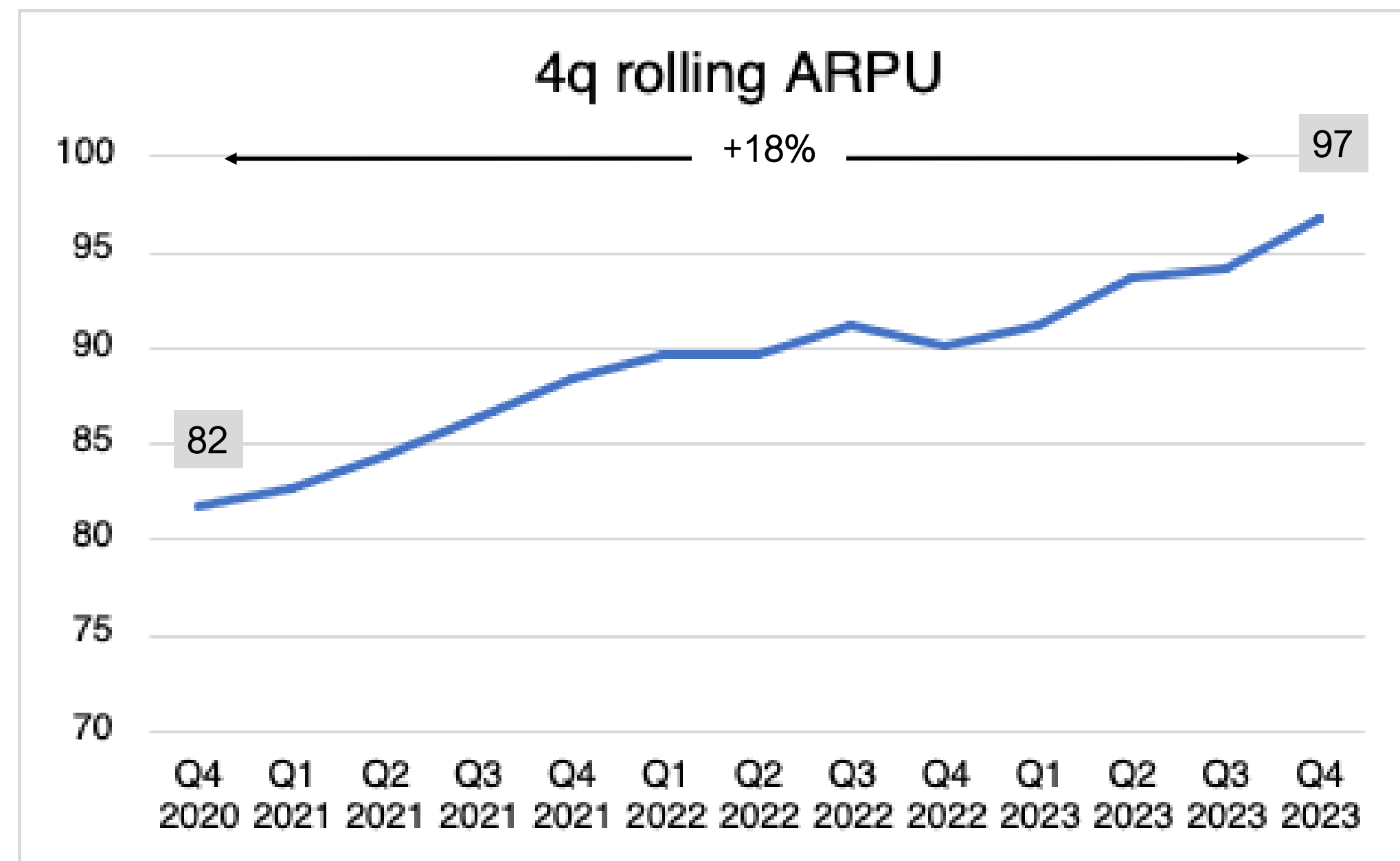
Average Revenue per Subscriber - Price optimization and Premium



Price optimization, example Norway:



ARPU growth, all markets:

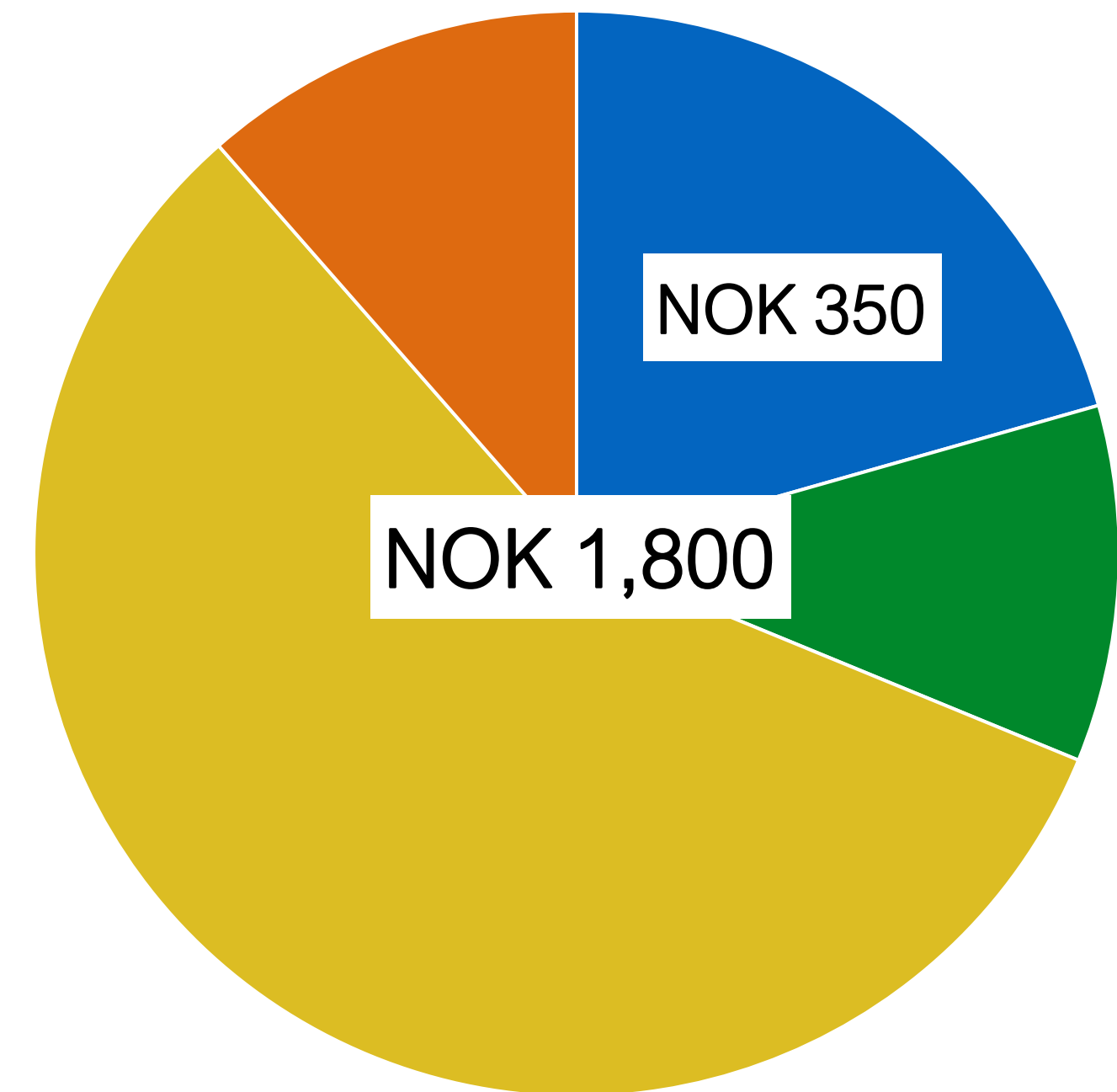
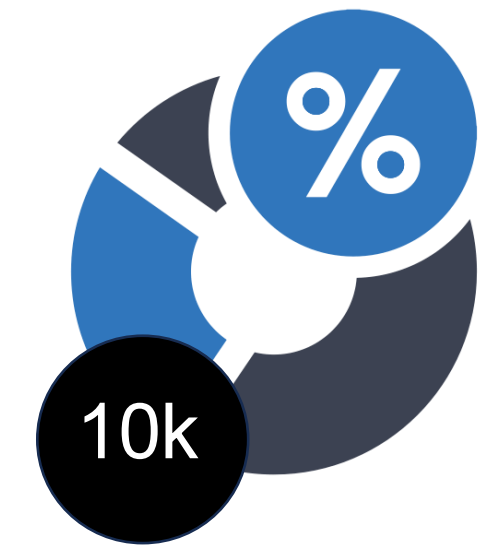




Revenue growth

- Telco revenue share model

- Previous: NOK 350 smartwatch margin only to telcos
- Now: NOK 1,800 smartwatch and recurring revenue share margin
- Other benefits: Increased brand visibility grows the overall demand
- 9.5k subscriptions on revenue share model (Q4 '23: +5k)



■ HW margin ■ HW margin - extra ■ Revenue share ■ Premium



Jan. 2023



Aug. 2023



Oct. 2023

Nordic operator

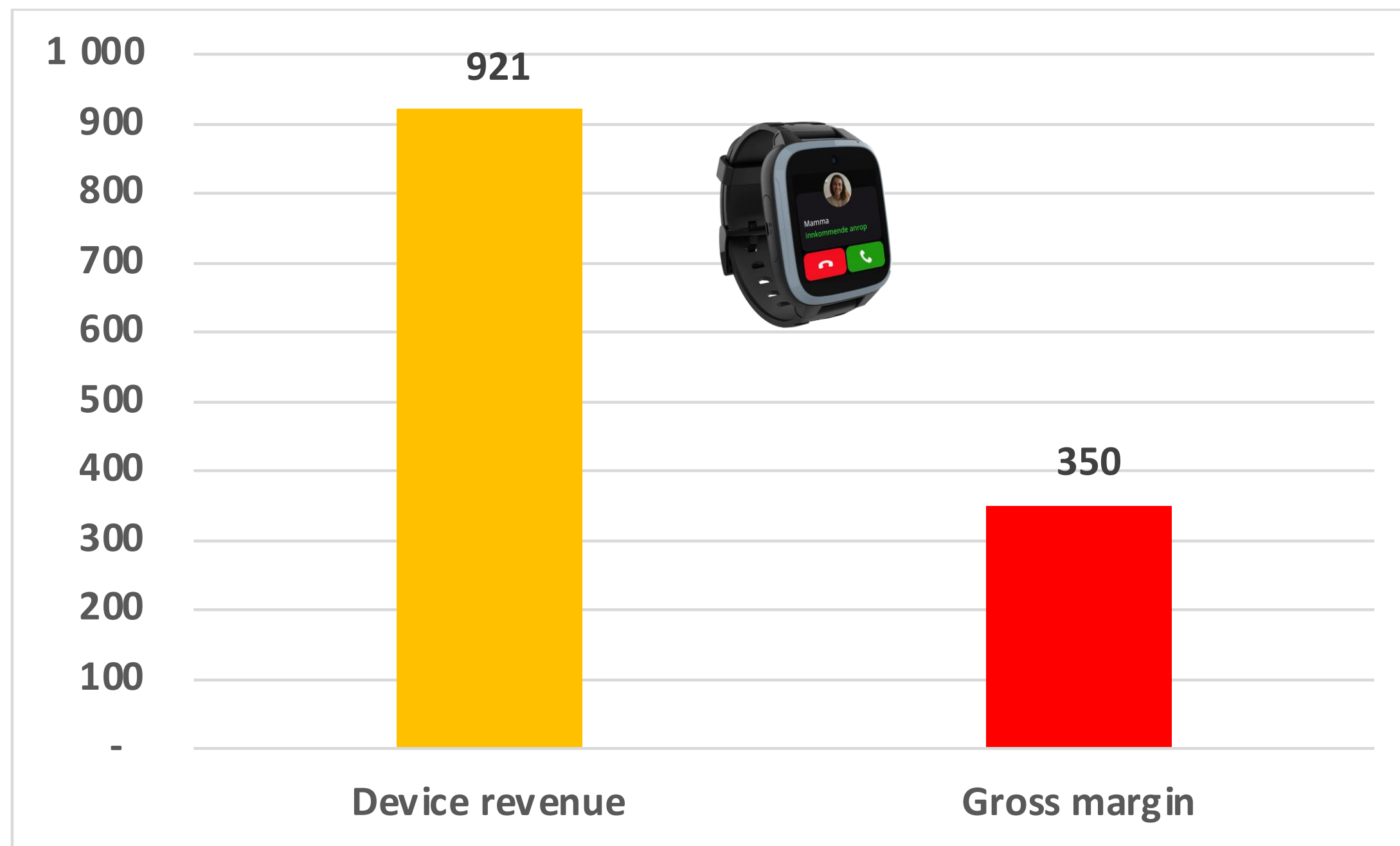
Nov. 2023



Customer LifeTime value*

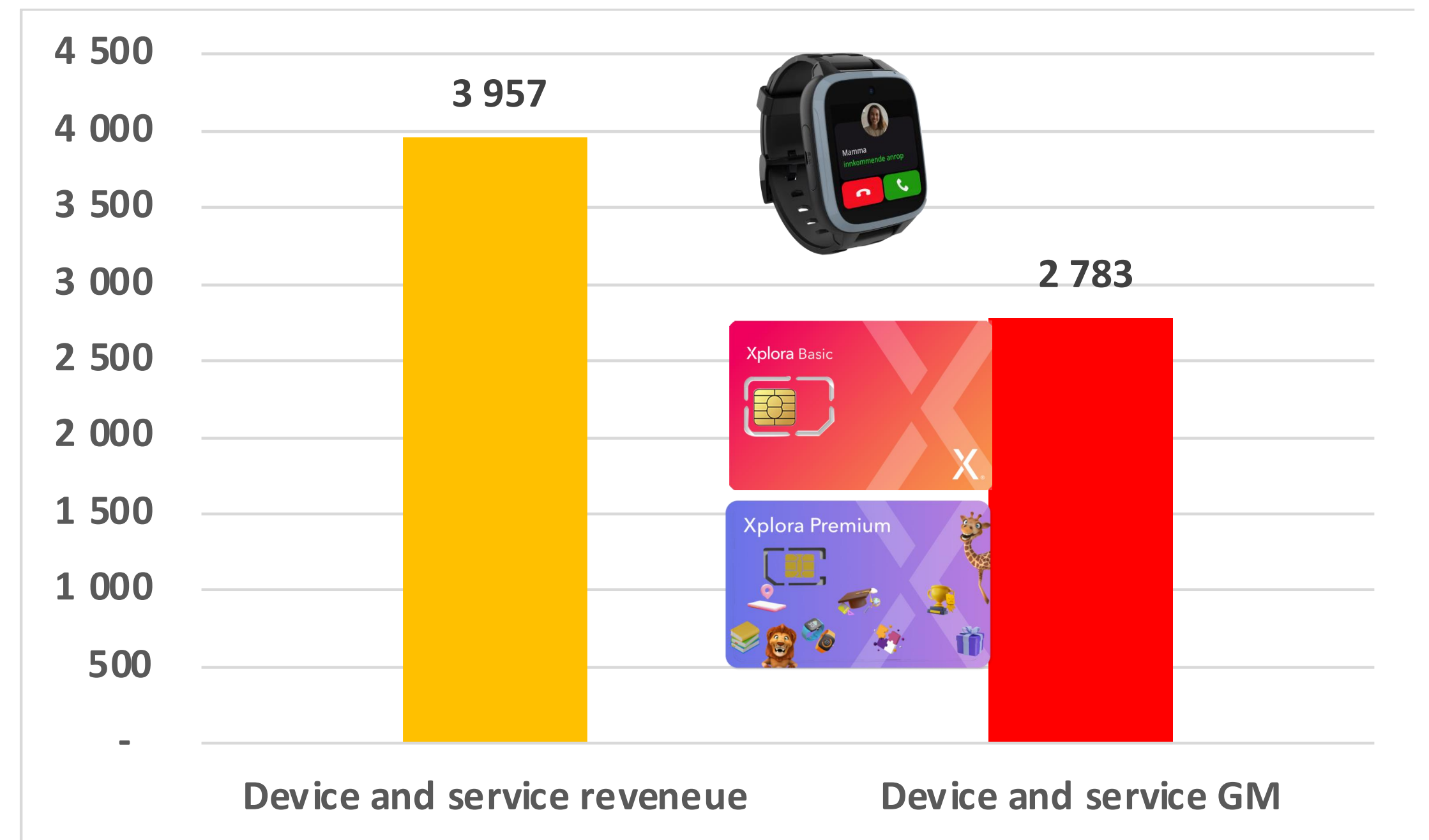
- Transformation of our business model

LTV before IPO, NOK:



Smartwatch:
Revenue: NOK 921
GM: NOK 350

LTV Q4 2023, NOK:



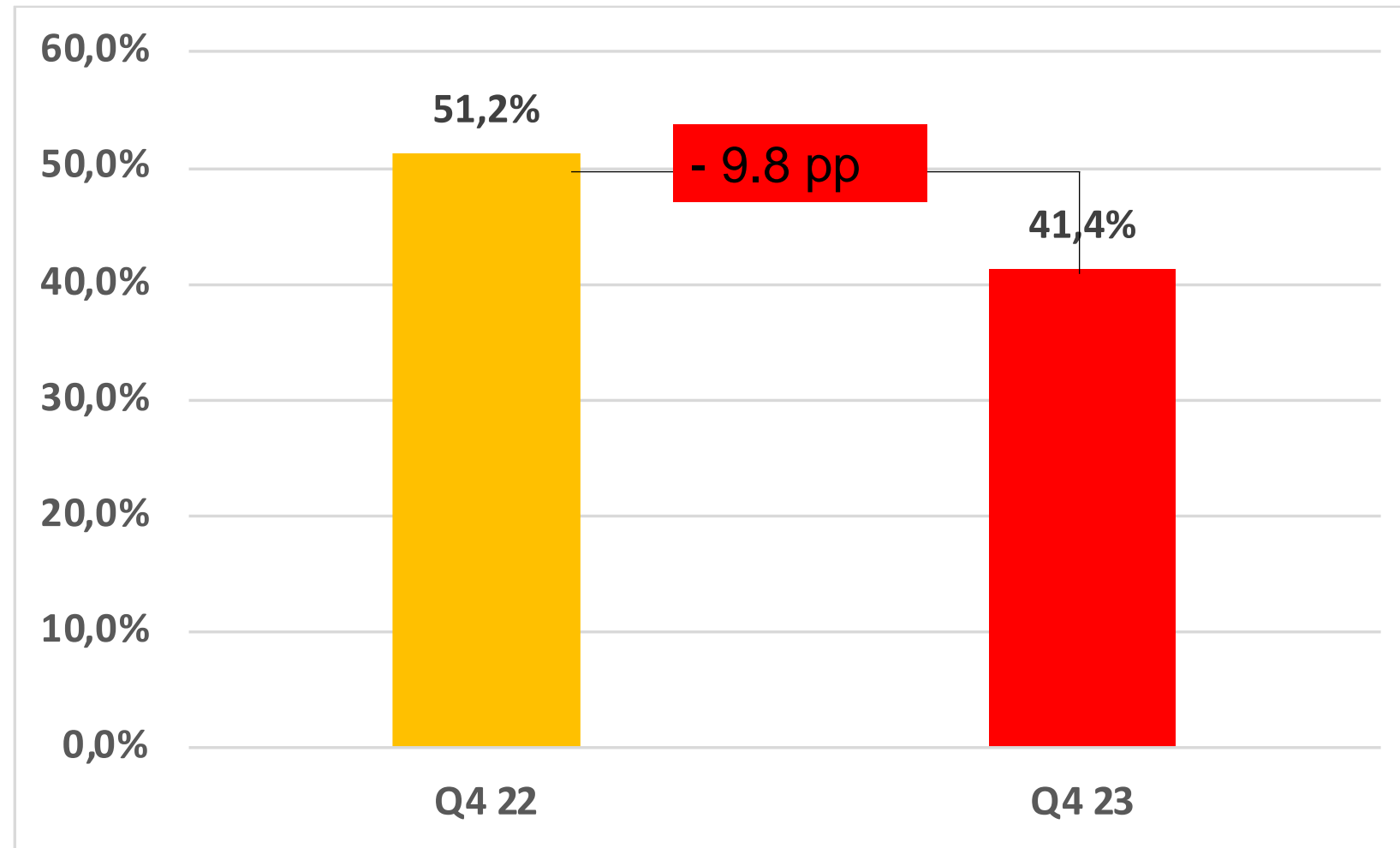
Smartwatch and Services:
Revenue: NOK 3,957
GM: NOK 2,783

- 30 mths.

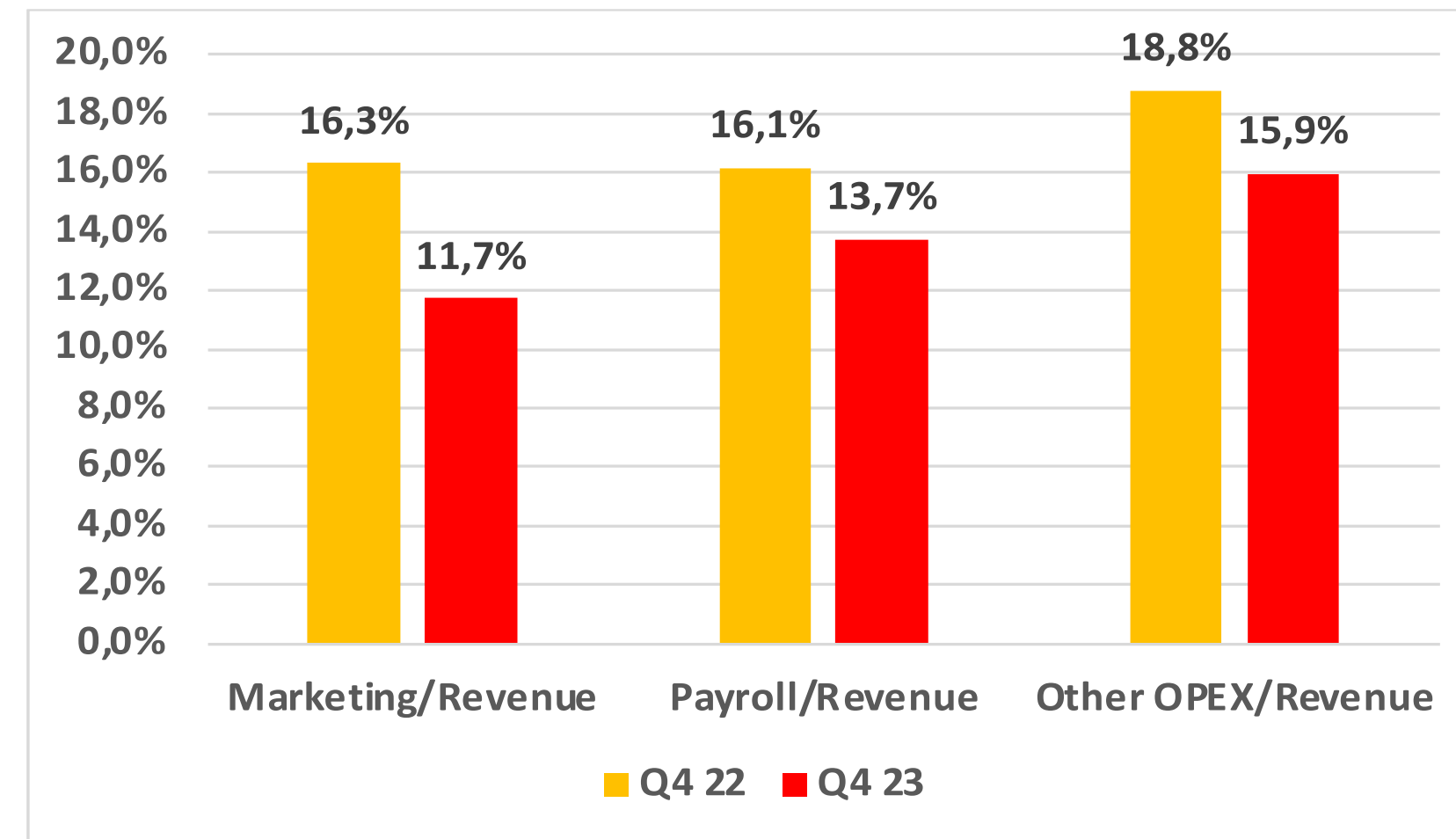


We deliver on our 2023 cost optimization program

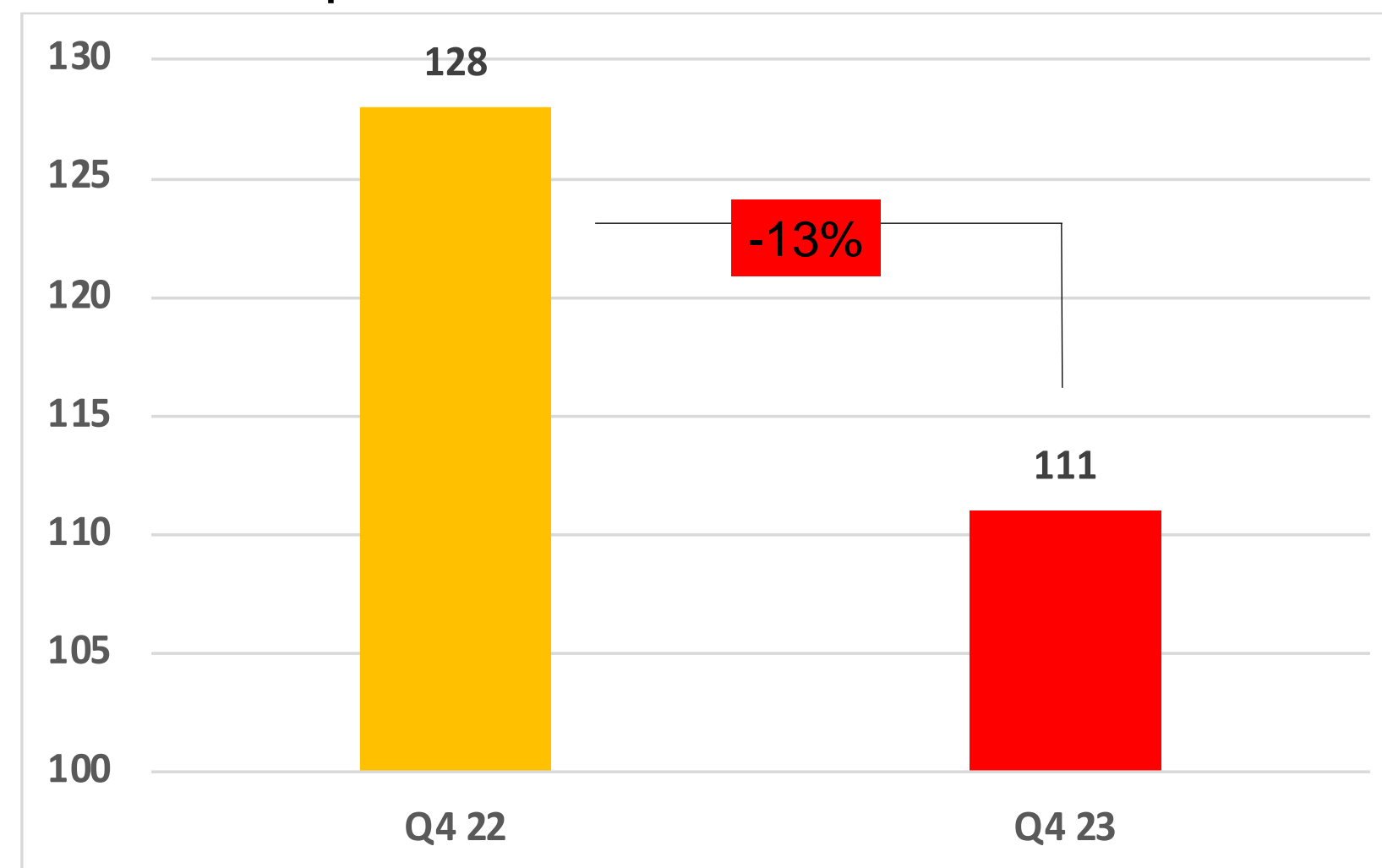
OPEX/Revenue in percent:



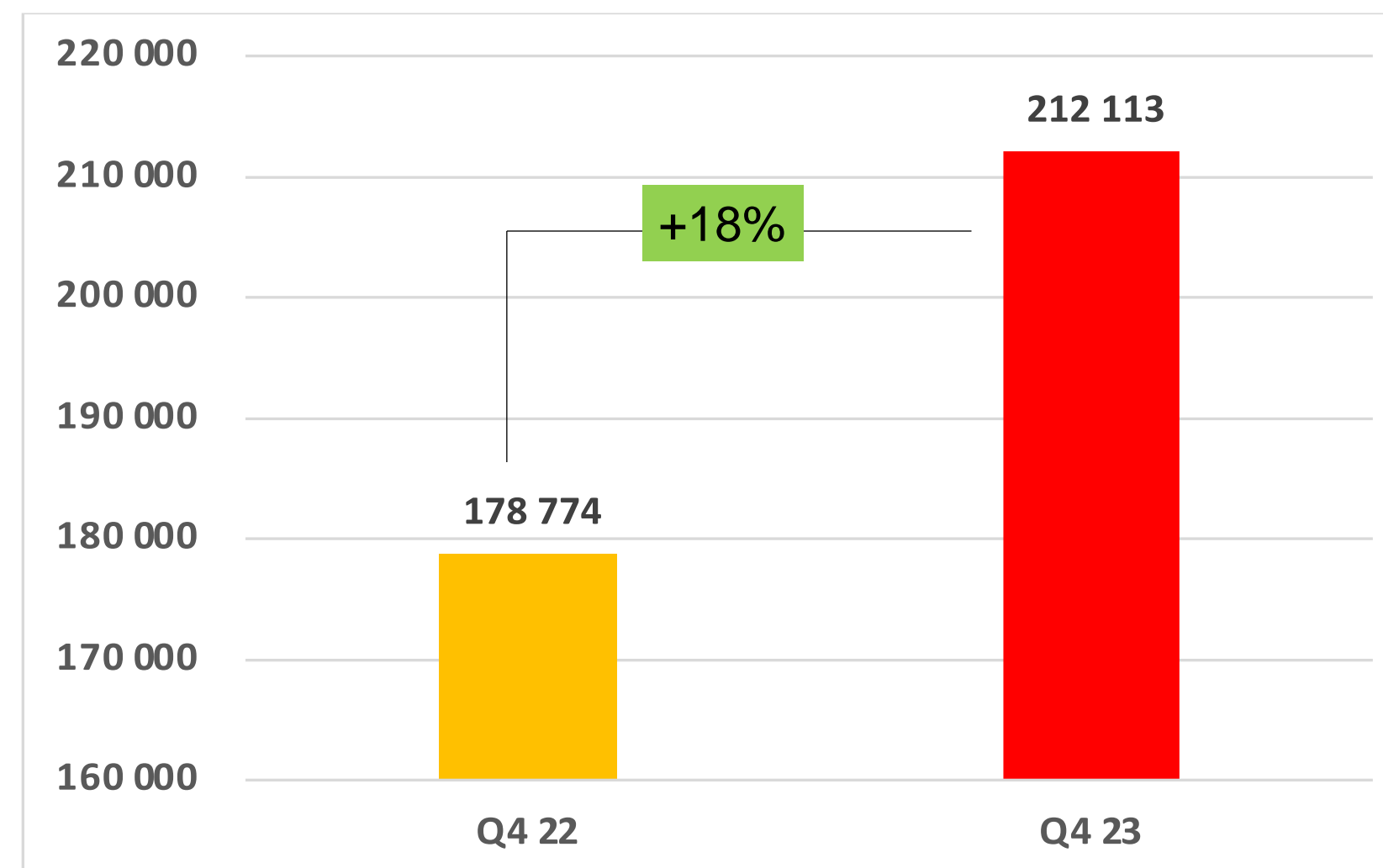
OPEX over revenue in percent:



Full time equivalents:



Revenue kNOK:





Kids Division

Jason Pyne
Executive Vice President

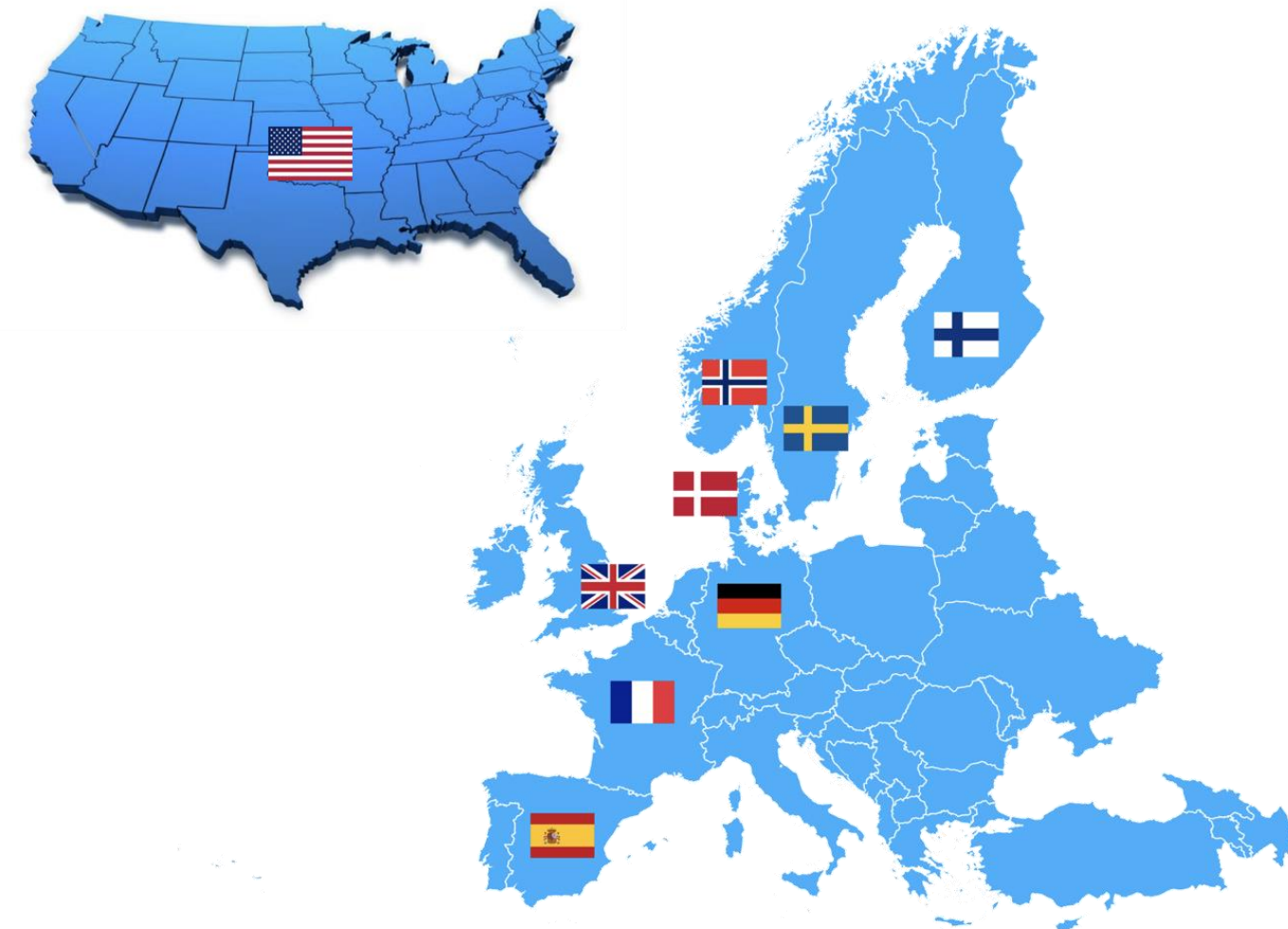


Key strategies for growth in 2023



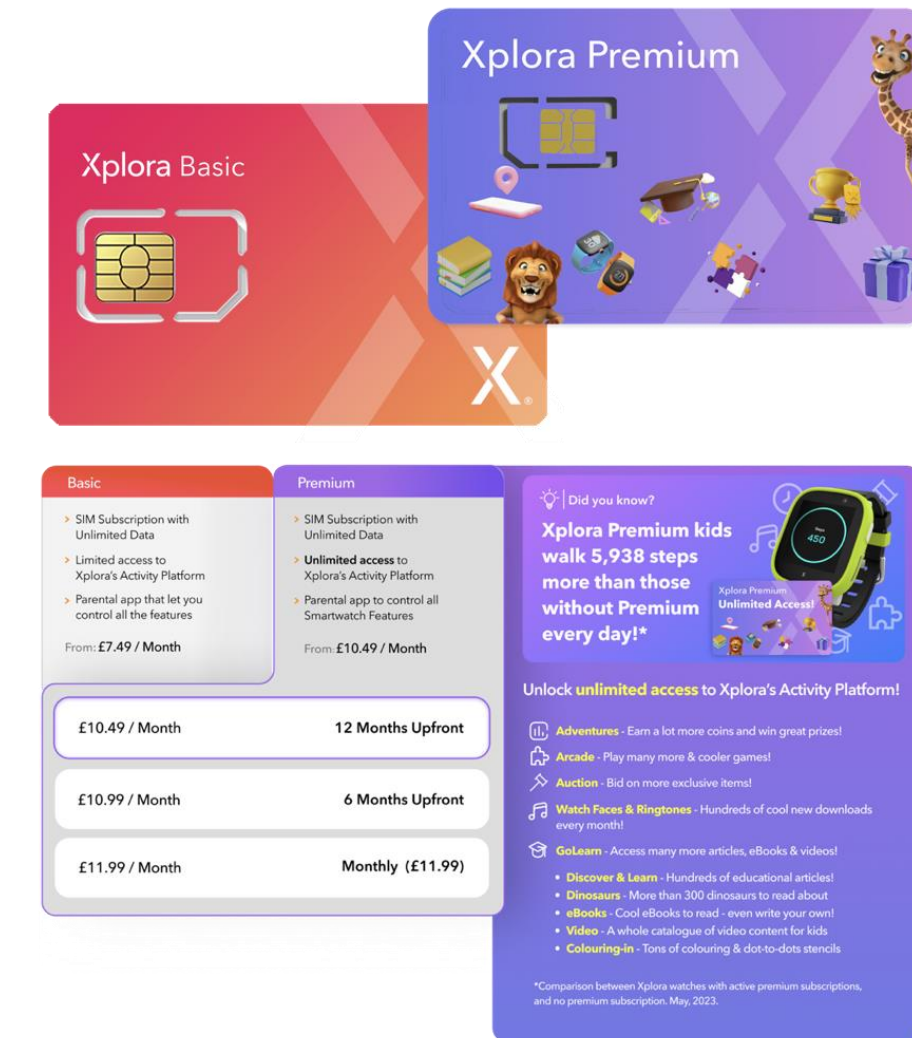
3 New products

XGO3, X6Play and X6Pro



9 Core Markets

With Mobile subscriptions



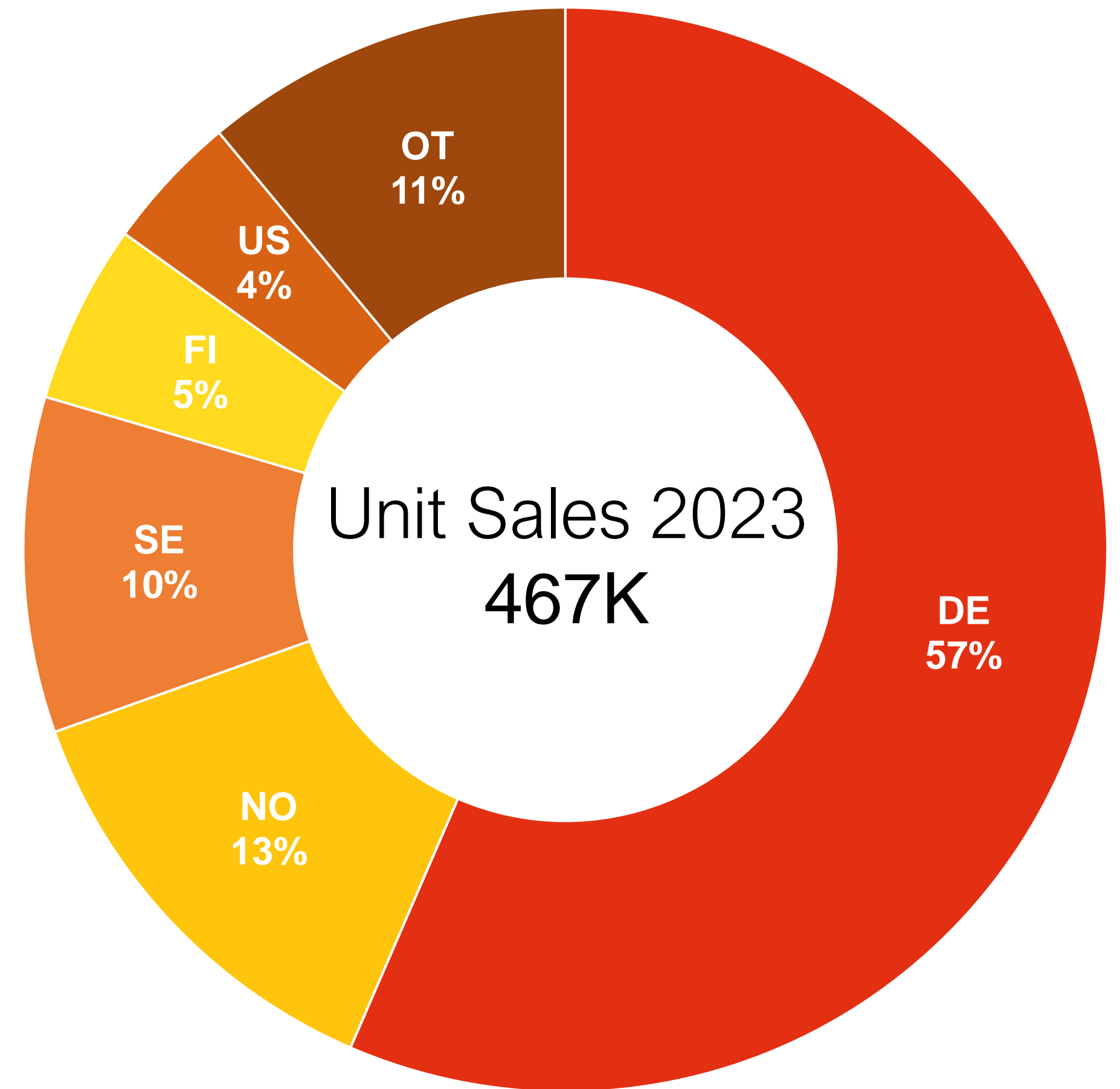
SIM - 2 price points

To increase ARPU



Sales performance – smartwatches

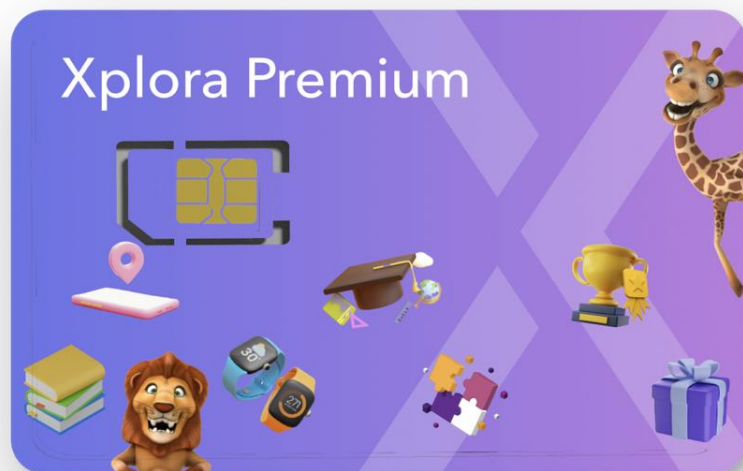
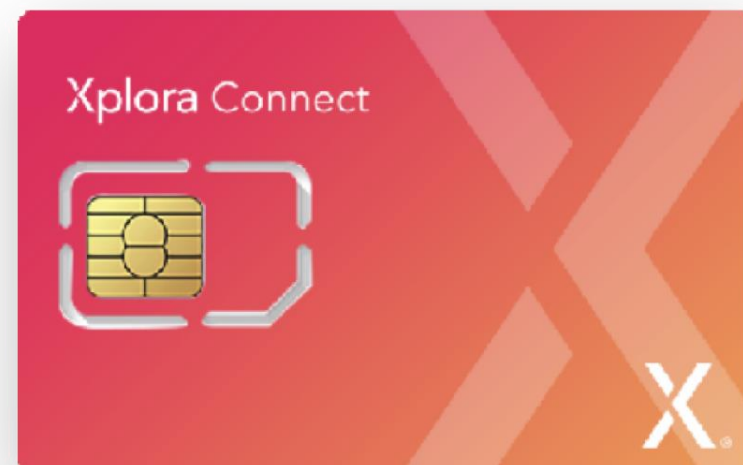
Revenue (NOK)	2022	2023	
Q4	137m	151m	Y/Y (+10%)
Full Year	347m	477m	Y/Y (+37%)





Sales performance – services

Mobile Subscriptions and Services



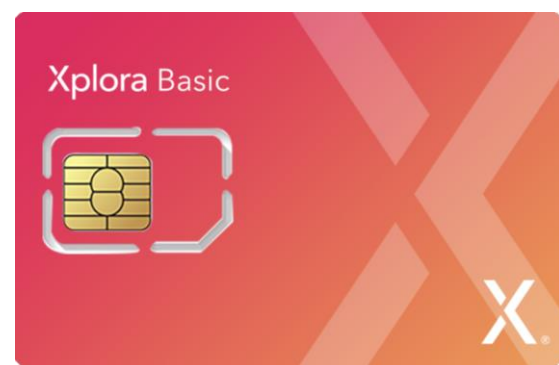
2023 Target	175k
Q1	169K
Q2	189K
Q3	226K
Q4 2023 Reported Subscriptions	257k
Service Revenue 2023	NOK 210m (Gross margin 83%)
2022 Service revenue comparison	NOK 152m
ARR (Annual Recurring Revenue)	NOK 240m



Sales performance – services

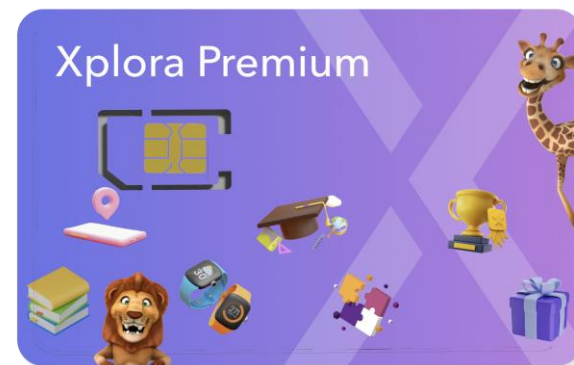
Share by product

Subscriptions 2023 257k



SIM 205k

>2023



Premium 42k

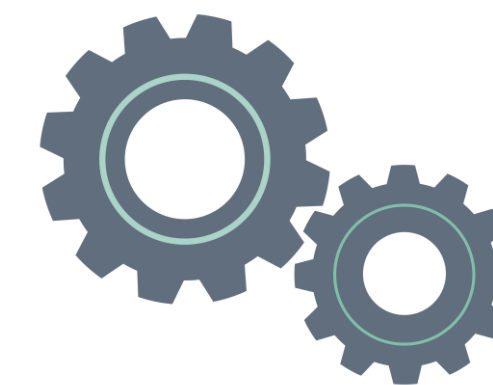
NEW from Jan. 2023



Rev Share 9k

NEW during 2023

(Norway, Finland, US)



Service FEE 1k

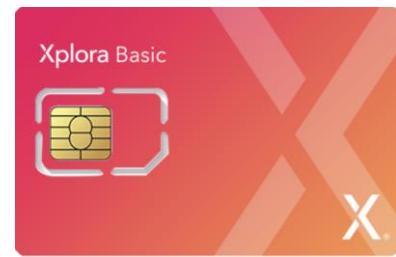
NEW from Nov. 2023

(Nordic pilot)

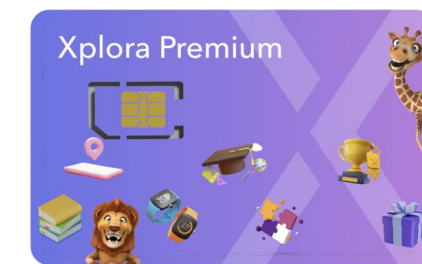
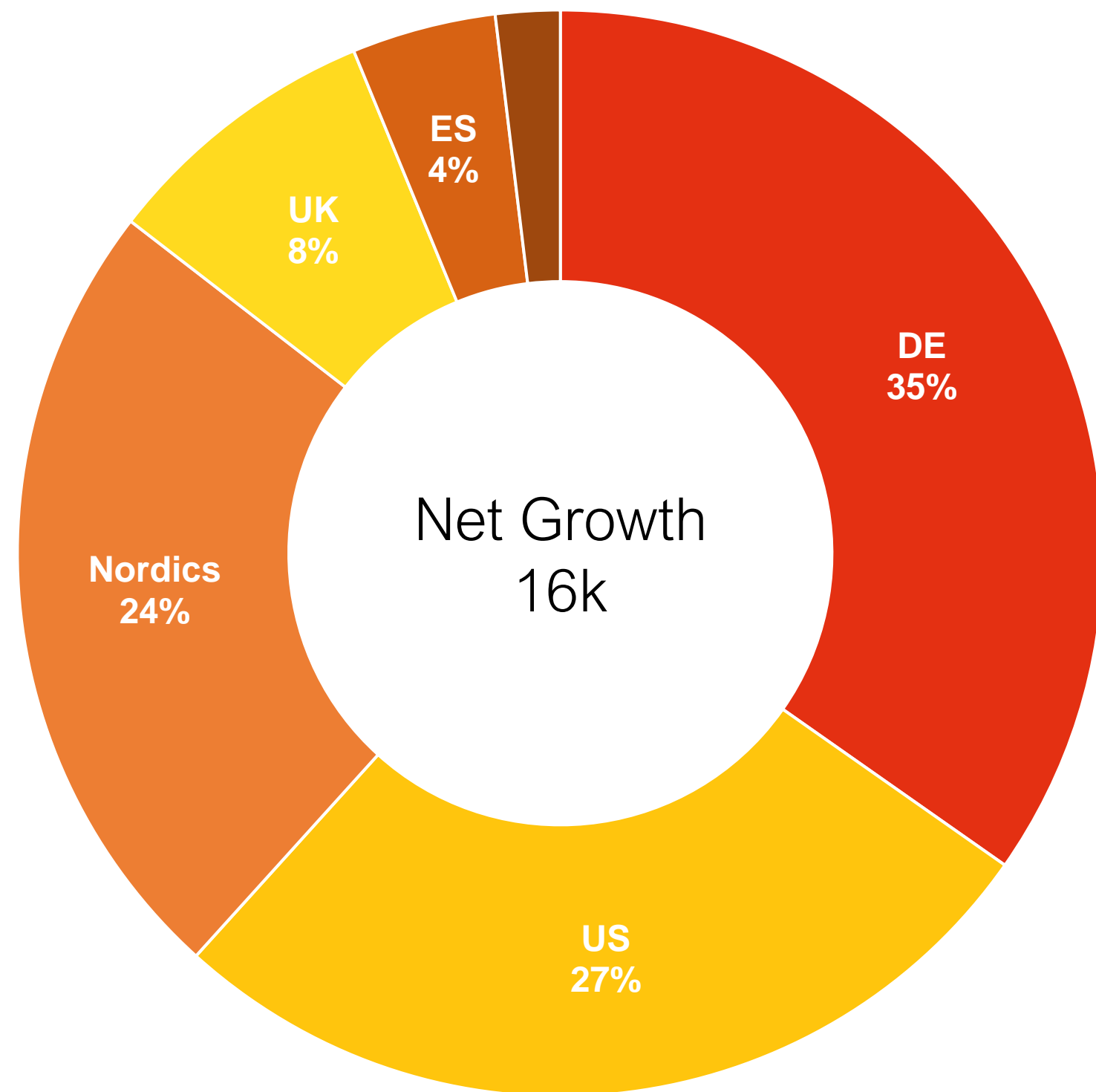
52k additional subscriptions adding increased ARPU



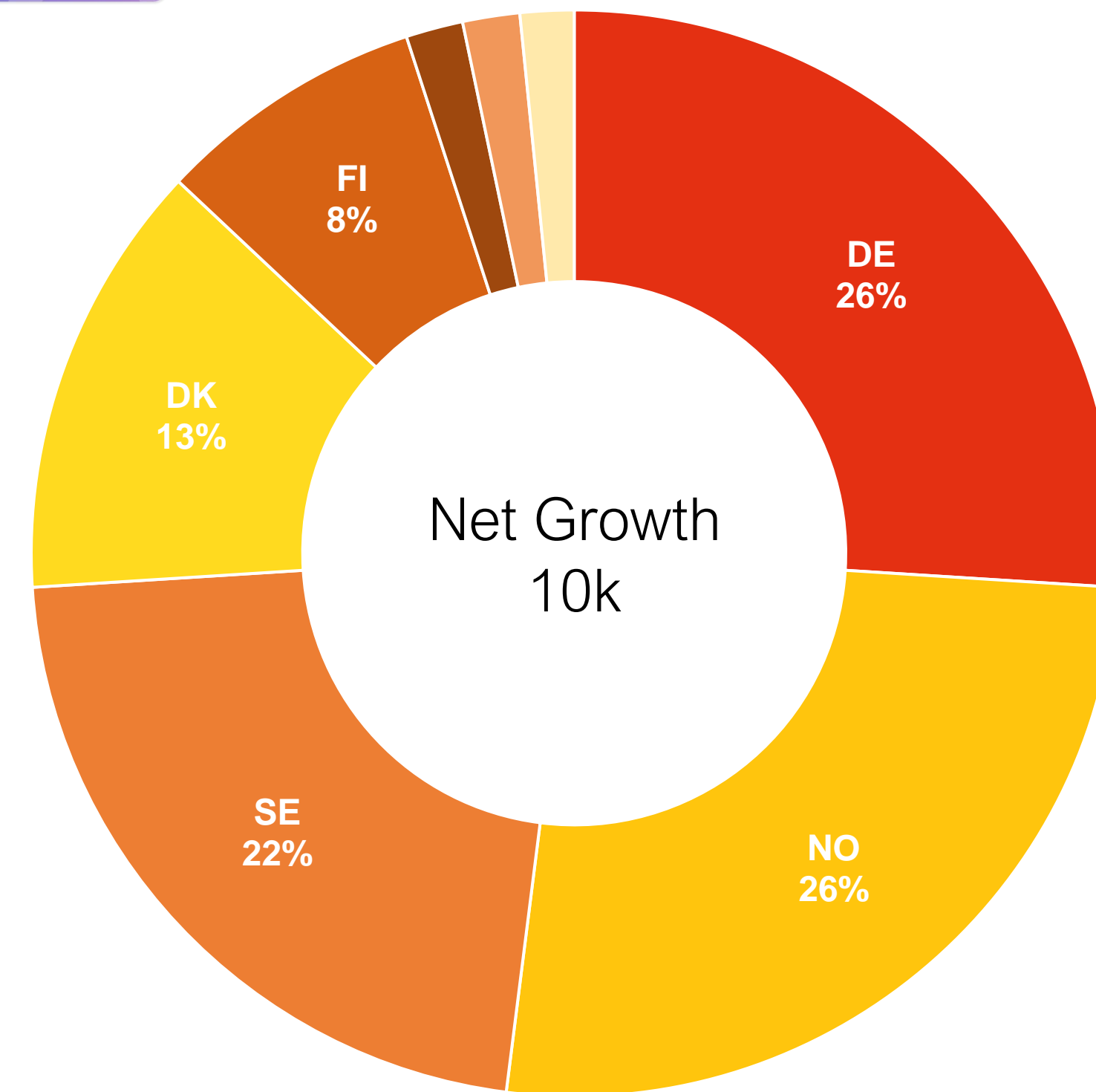
Sales performance – services



Q4 Net growth in SIM subscription



Q4 Net growth in premium





User Engagement - 2023 Year in Review



458K

New Activated Watches

605K

New App Accounts

NOW 1.92M Total Accounts



82M

Chat messages sent by watch



User Engagement - 2023 Year in Review



581

Billion Steps Walked in 2023



User Engagement - 2023 Year in Review



581

Billion Steps Walked in 2023

322 **MILLION** km



User Engagement - 2023 Year in Review



581

Billion Steps Walked in 2023

322 **MILLION** km

which is more than 8,000 times around the Earth
418 round trips to the Moon and 1 round trip to the Sun



The road ahead

Sten Kirkbak
CEO



Key takeaways

- ✓ Sold **more units and increased price** (ASP), while spending less on marketing
- ✓ Increase in **conversion rate and service revenue** (ARPU) thanks to three new service offerings (Premium, Revenue share and Service fee)
- ✓ Favorable exchange rates and currency hedging secured **record gross profit** of NOK 332m, an improvement of *almost NOK 100m*
- ✓ Exiting the year with a **very robust cash balance**, giving us room to invest for the future)

Cash

NOK 137 m in the bank
+ inventory net value
of NOK 67 m

ARR

Annualized Recurring
Revenue of NOK 240 m
with 82% margin

EBITDA

Major EBITDA turnaround
from negative NOK 33m
positive NOK 33m YTD



Post Quarter Events

- ✓ **Business:** New Telco agreement in DACH region with Swisscom
- ✓ **Product:** Initiated key R&D processes to optimize customer satisfaction & experience
- ✓ **Future:** Acceleration in our Family IoT strategy, with objective to commercialize in 2024.

Xplora Family IoT Strategy

Kids

Senior

SaaS





Kids Strategy

- ✓ Continued focus on **9-3-2 strategy** (80/20)
- ✓ Continue to **increase ARR** (Germany+US)
- ✓ **Product updates** (X6Play eSim & XGO3 gen2)
- ✓ **4 new platform (SW) upgrades** to further improve customer experience, onboarding user engagement.

Market size kids 4-10. Core markets:

N.America
30 million
Kids

Europe
25 million
Kids

Nordics
2 million
Kids



Kids Proposition

Kids 4 to 10 years
Safe onboarding to Digital world
Your Child's first phone



- Call
- Messaging
- GPS location
- Safe Zones
- SOS
- Activity Platform



Senior Strategy

- ✓ First generation product will use our **X6Pro hardware platform** with some additional features.
- ✓ **Currently performing live testing** in three markets, with commercial launch target in H2 2024.
- ✓ Objective to replicate our success with **recurring service revenue** (extended LTV with low data usage)

Market size seniors 65 - 85. Core markets:

N.America
51 million
Seniors

Europe
36 million
Seniors

Nordics
6 million
Seniors



Senior Proposition

65 - 85 years
(fall detection focus)
Watch alongside phone



- Basic Xplora Services
- Medical alert
- Fall detection
- Surveillance mode
- mPERS option
- Activity platform



SaaS Strategy

- ✓ Our **Intellectual property** from MVNO/SIM/IoT/VAS solutions under SaaS division.
- ✓ Our SaaS division will provide these services to our **Kids and Senior Division.**
- ✓ In addition, SaaS division will target to sell and distribute our solutions to **other IoT players.** Objective to have first 3rd party agreement before H2.

Market size/opportunity, estimations:

For every **100K** unit we are selling in our core markets, **500K-1m** units are being shipped.

B2B
business
model

SaaS Proposition

Fast time to market solutions
Compelling business model
Low risk and low Capex



- Certified IoT platform
- Xplora SIM (Rev share)
- VAS (Revenue Share)

Outlook

- Similar 15% CAGR **growth** expectation for kids industry in 2024 (Revenue level). As in 2023 we will prioritize profitability over growth alone.
- Subscription (**ARR**) growth more important than unit growth.
- Continued focus on **cost efficiency** (OPEX in % of revenue) and increase in lifespan of our new devices to reduce CAPEX compared to earlier years.
- Launch our first products and services from **SaaS and Senior division**





Q&A