



Netccentric Limited (200612086W)
Listed on the ASX

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ASX RELEASE

4 November 2022

Q3 FY2022 QUARTERLY BUSINESS UPDATE

HIGHLIGHTS:

- Netccentric Group revenue on a year-to-date basis (Jan-Sep FY2022 vs Jan-Sep FY2021) shows growth of 3% to S\$8.63 million (A\$9.27 million¹)
- Focus on services that drive stronger profitability is reflected in gross margins increasing from 37% in Q2 FY2022 to 43% in Q3 FY2022 and in quarterly EBITDA² of S\$30k (A\$32k¹)
- Nuffnang Malaysia's influencer merchandising business, The Merchist by Nuffnang, continues to develop well following its launch in early FY2022. The Merchist achieved quarter-on-quarter (QoQ) growth of more than 200% in Gross Merchandise Value (GMV) in Q3 FY2022 to S\$18k (A\$19k¹)
- The Group's expansion into social commerce and livestream shopping continues to accelerate, with Nuffnang Live Commerce delivering Q3 FY2022 GMV of S\$2.76 million (A\$2.95 million¹), an increase of 137% compared to the previous corresponding period (PCP)
- The Group's social media agency, Sashimi, continues to contribute strongly with 19% revenue growth in Q3 FY2022 versus the PCP
- The Group's development of its blockchain-enabled influencer platform is expected to launch in Q1 FY2023 and drive long term growth by empowering creators to influence wider audiences
- The Group's subsidiary, NFT Technologies, continues to develop a new Web 3.0 creator platform which will empower creators to issue non-fungible tokens (NFTs) with real-world utility, enabling consumers to earn rewards and enjoy unique experiences with their favourite creators

Note: All numbers are unaudited.

¹ Assumes exchange rate of 1 SGD = 1.07 AUD.

² Excludes extraordinary expenses and losses contributed by new investments into the Group's Web 3.0 creator platform and NFT Technologies, options expenses, forex gains/losses, M&A activities and dividend income.



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- **Netccentric retains a strong position to drive continued growth both organically and via M&A with a healthy debt-free balance sheet, S\$4.74 million (A\$5.09 million¹) in cash as at 30 September 2022 and a proven strategy to deliver end-to-end growth solutions**

Social commerce platform provider Netccentric Limited ARBN 605 927 464 (ASX: NCL), together with its subsidiaries (the “Group”), is pleased to provide an update on financial and operational progress across its business units for Q3 FY2022.

Q3 FY2022 Performance

Netccentric achieved revenue of S\$2.85 million in Q3 FY2022, representing a slight decrease of 3% compared to Q2 FY2022. The sequential decline reflects industry-wide pressures on digital advertising spend as consumer brands have shifted a portion of spend back to traditional media following an FY2021 which was characterised by pandemic lockdowns.

Despite the disruptive market conditions, Netccentric has remained competitive and continues to focus on services that drive stronger profitability. This is reflected in the Group's revenue on a year-to-date basis (Jan-Sep FY2022 vs Jan-Sep FY2021) showing growth of 3%. It is also reflected in gross margins for the Group increasing from 37% in Q2 FY2022 to 43% in Q3 FY2022.

Netccentric's focus on financial sustainability has allowed the Group to achieve earnings before interest, tax, depreciation and amortisation (EBITDA)² of S\$30k in Q3 FY2022.

Nuffnang Wins New Business as The Merchist Continues to Gain Scale

Nuffnang, Netccentric's 100%-owned social influencer and content marketing platform, collectively contributed 53% to Group revenue in Q3 FY2022, with Nuffnang Malaysia the biggest contributor.

Total Nuffnang revenue decreased by 16% compared to Q3 FY2021, with the muted activity levels reflecting a continuation of the shift highlighted in the previous quarter of shrinking digital advertising expenditure. Significant portions of Nuffnang's clients' advertising budgets continue to be channelled to outdoor formats as economies reopen from COVID-enforced lockdowns and workers return to offices, as well as on-ground events in the fast-moving consumer goods (FMCG) segment.

The Group's strategy, noted in previous updates, of diversifying Nuffnang by winning new business from non-FMCG clients is beginning to pay off. During the quarter, Nuffnang maintained spend levels with retail and pharmacy giant Guardian, while also securing significant spend from OctaFX (Trading App) and iNova Pharmaceuticals. Incremental to this is spend from a newly won client – Predator Energy Drink, a brand by Monster Energy.

Nuffnang Malaysia's influencer merchandising business, The Merchist by Nuffnang, continues to develop well following its launch in early FY2022. The Merchist achieved quarter-on-quarter (QoQ) growth of more than 200% in Gross Merchandise Value (GMV) in Q3 FY2022 to S\$18k (Q2 FY2022: S\$5.7k). A significant contributor to this growth was the onboarding of emerging local actors and actresses, such as actor and health & beauty entrepreneur Meerqeen (1.4 million followers on

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Instagram @meerqeen). Nuffnang Malaysia will continue to onboard emerging local social media stars with The Merchist to leverage their popularity.

Nuffnang Live Commerce Continues Rapid Growth

The Nuffnang Live Commerce (NLC) platform provides a seamless end-to-end livestream shopping experience by navigating viewers from awareness to the purchase stage instantaneously, as viewers can use their devices to immediately purchase promoted products.

NLC's activity levels continued to emerge strongly in Q3 FY2022, with segment revenue of S\$49k representing growth of 50% compared to Q3 FY2021, as new and existing clients continue to adopt the platform and build their understanding of its capabilities.

The strong YoY revenue growth reflects even stronger volume growth in Q3 FY2022, processing quarterly GMV worth S\$2.76 million, representing growth of 137% compared to Q3 FY2021. Average basket size per order increased by 180% YoY, from S\$60 to S\$168, reflecting NLC's emergence and avid e-commerce shoppers continuing to choose to shop online post pandemic.

The Group continued to win new high-profile brands as clients of NLC's end-to-end live commerce managed services. One such brand is XIXILI, a Malaysian fashion lingerie brand which has won the Gold Award for 'Best in eCommerce for Fashion & Apparel' category at the Asia eCommerce Awards in 2019, 2020 and 2021. XIXILI is utilising NLC's technology platform to capture orders through livestream selling and break into new demographic segments on Facebook.

Following the Group's announcement on 23 June 2022 as one of TikTok's multi-channel network partners, NLC is planning to take brands to the forefront of TikTok Shop and TikTok Live, leveraging the Group's registration as a TikTok Shop Partner. This development will empower brands to capture new audiences and customer segments through the various product marketing campaigns run on TikTok.

Sashimi Continues to Contribute Strongly

The Group's social media agency, Sashimi, continued to expand its operations related to brand storytelling, data analysis, marketing technology and commercial production services. Sashimi delivered revenue growth of 19% in Q3 FY2022 to S\$818k as compared to Q3 FY2021 (S\$688K). This reflects growth in demand for social media community engagement during the quarter and was chiefly driven through collaborations with social media creators. As the media landscape continues to fragment across social media platforms, the Group is seeing clients double down on creators who can carry their brand stories across multiple media platforms in an organic fashion.

Sashimi welcomes growth in this area as a complementary extension to its brand story-telling services, built on unequivocal consumer insights. Creator collaborations stretch the runway for brand stories and simultaneously return valuable engagement data for real-time course correction.

Sashimi remains focused on writing and producing brand stories, based on real-time audience insights, and propagating these stories through communities and creators. In Q3 FY2022, Sashimi invested in an expansion of its production studio to enhance its production capabilities. It also increased focus exploring new tools to sharpen its audience insights for clients.

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Plata & Punta Maintains Focus on Developing Agency Partnerships

The Group's performance marketing agency, Plata & Punta (P&P), experienced a revenue decrease of 29% (S\$194k) compared to Q3 FY2021, generating S\$475k for Q3 FY2022. Advertising spend among P&P's e-commerce clients remains volatile, with the revenue decrease exacerbated by a key client affected by ongoing supply chain issues which delayed inventory stocking and in turn impacted growth.

Despite the dip in revenue, the Group maintained P&P's profitability by driving higher gross margins from agency partnerships, which increased from 15% in Q3 FY2021 to 22% in Q3 FY2022. To drive longer-term growth, P&P will continue to focus on developing agency partnerships and is currently working towards closing a sizeable partnership deal in the pipeline.

Netccentric Executive Chairman, Ganesh Kumar Bangah, said:

"We have continued to make solid progress towards sustainable profitability in Q3 FY2022 in the face of volatile and challenging market conditions. The resilience of our diversified model and capital base allows us to weather challenging conditions while investing in strategic initiatives to stoke further growth. Foremost among these is NFT Tech, our recently announced Web 3.0 creator platform. Through this platform, we are building the infrastructure for digital content ownership on the Internet, along with apps that make it easy for the consumer to get involved."

"The non-fungible tokens (NFTs) that we will empower creators to issue will provide real-world utility and applications, enabling consumers to earn rewards and enjoy unique experiences with their favourite creators. These NFTs will also provide opportunities for brands to increase revenue, build loyalty and gain access to Web 3.0 analytics. We are currently engaging with Web 3.0 creators that have a global presence to utilise our platform and we intend to launch this in Q1 FY2023."

"As Netccentric evolves and shifts into the Web 3.0 space, the Group is in the midst of rebranding itself to develop a new and differentiated brand identity for our stakeholders – one that more directly highlights our continued commitment to generate value through innovation and high standards."

"All these efforts would enable the Group to differentiate itself from competitors by providing influencers and brands a unique proposition. As a strategy to drive long-term growth, we remain focused on developing a blockchain-enabled influencer platform that will empower our influencers to cater to a wider client segment. The platform which is expected to launch in Q1 FY2023 will unlock new revenue streams for the Group and further expand our influencer business. We look forward to continuously enhancing the utility of our platform as we promote growth in engagement, total transaction value and revenue."

This announcement was approved for release by the Netccentric Board of Directors.

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About Netccentric Ltd

Netccentric Ltd (ASX: NCL) is a pioneering and established provider of social media influencer marketing solutions. The Company provides its diverse client base of leading brands with results-focused growth strategies backed by end-to-end expertise spanning Influencer Marketing, Social Media Marketing, Performance Marketing and Social Commerce.

Listed on the Australian Securities Exchange and based in Malaysia with offices in Malaysia and Taiwan, Netccentric is rapidly commercialising an innovative social commerce platform which turns the engagement between social media influencers and followers into revenue and sales.

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