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XRG
XREALITY GROUP LIMITED

INVESTOR PRESENTATION

FY24 Results & Strategy Update
13 September 2024

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Company Overview

xReality Group Limited **(XRG)** specialises in building and operating immersive XR products and experiences that enhance lives. xReality Group's portfolio includes physical and digital simulation used across the enterprise, defence and consumer markets. Using technology we create experiences without the physical limitations found in the real world.

XR stands for Extended Reality and is a catch-all term for Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR). Extended Reality combines physical and digital simulation for both consumer and enterprise market segments. The XR category is growing rapidly with the market predicted to grow from US $26B in 2020 to US $905B in 2027. Facebook's parent, Meta, is investing $10Bn US/year alone into accelerating development of the Metaverse.

xReality Group companies include Operator XR, a Defence and Law Enforcement simulation training company, Red Cartel, an XR production company, two Australian iFLY Indoor Skydiving Facilities, and four FREAK Virtual Reality venues.

Wayne Jones

Chief Executive Officer

Kim Hopwood

Executive Director

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xReality Group Ltd
Background

xReality Group is an Australian company that specialises in building and operating virtual reality (VR), augmented reality (AR) and physical simulation for the enterprise markets, including law enforcement, defence and consumer leisure markets.

The company serves both entertainment and enterprise segments both locally and internationally.

xReality Group operates four major brands across the end markets including Operator XR which serves our Law Enforcement and Military markets; iFLY Downunder and iFLY Gold Coast (both entertainment and professional); FREAK Entertainment (retail market); and Red Cartel (enterprise).

Operator XR is the fastest growing segment for the company, focusing on defence and law enforcement agencies across the globe. The total addressable market for Operator XR is valued at US$3.37 billion with the US accounting for nearly 40% of the total market.

xReality Group Ltd (ASX:XRG)

Enterprise

Entertainment

Operator XR Pty Ltd (AUS)

In-House Development Studio (AUS)

Indoor Skydiving Centre Sydney

Virtual Reality Centre Bondi Junction

Operator XR LLC (US)

Indoor Skydiving Centre Gold Coast

Virtual Reality Centre Macquarie

Virtual Reality Centre Penrith

Virtual Reality Centre Surfers Paradise

FY24 Overview

PIVOTAL year for XRG, investing in the GROWTH of OPERATOR XR supported by its existing businesses.

US Department of Defence contract win in August 2024 - $5.6m project over 20 months

US Operations Established for Operator XR – 29 Global Customers at year end with 162 active opportunities valued at $24.2m

Largest Sale in Australia to State Government Agency in late June 2024 – $810k (not recognised in FY24)

Entertainment Sector Stable delivering positive cashflows to support growth in Enterprise Sector

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OPERATOR XR significant contribution to XRG in FY24

Operator XR is XRGs flagship vehicle to deliver shareholder value into the future.

Proven success in a large global market:

- *Established operations in the US*
- *Secured a core group of government agencies in the US amplifying the Operator XR brand across the region.*

Total Contract Value

$4.1m **+** 193%

Annual Recurring Revenue

$2.2m **+** 505%

Deferred Revenue
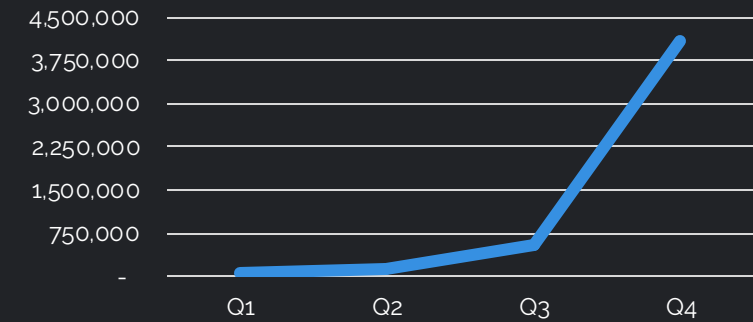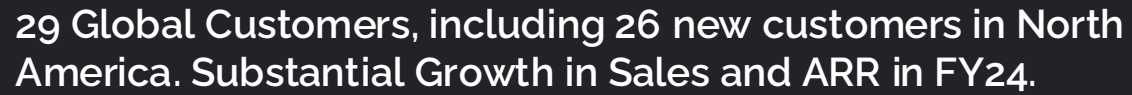
$4.0m **+** 113%

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FY24 XRG Results Overview

Strong increase in **Operator XR** Sales and ARR

Substantial income booked for future years with deferred revenue of $4.01m - $720k of Operator XR revenue recognised in FY24

Significant Investment in Operator XR Products $2.26m

Investment in Operator XR sales and operations $1.83m

$'000	FY2024	FY2023	Change
Revenues	10,239	10,545	(3%)
Gross Profit	8,614	8,595	1%
EBITDA	(263)	2,157	(112%)
NPAT	(4,112)	(1,691)	(143%)
Cash Receipts	9,402	10,045	(6%)
Deferred Revenue	4,485	1,887	138%
Net Assets	9,432	10,156	(7%)
TCV (Operator XR)	4,096	1,400	193%
Annual Recurring Revenue (Operator XR)	2,210	365	505%

FY24 Operator XR Results Overview

Cumulative TCV FY24

	Q1	Q2	Q3	Q4

Y-axis: 4,500,000 / 3,750,000 / 3,000,000 / 2,250,000 / 1,500,000 / 750,000 / -

ARR Growth FY24

	Q1	Q2	Q3	Q4

Y-axis: 2,500,000 / 2,000,000 / 1,500,000 / 1,000,000 / 500,000 / 0

29 Global Customers, including 26 new customers in North America. Substantial Growth in Sales and ARR in FY24.

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Strategy Update

Sustain
Existing Operations

- Continued operations of existing world class Entertainment business portfolio to sustain future revenue and operational cashflow, supporting future growth
- Maintaining financial health and stability through ongoing engagement and retention of customer base, cost management, diverse revenue streams and the maintenance of cash reserves

Invest
in Enterprise XR & AI product development

- Continue enterprise SaaS development through Operator XR for global military and Law Enforcement applications
- Accelerate development of AI solutions into Operator XR

Expand
Enterprise XR into US market

- Continued focus on expansion into the North America market
- Continue developing infrastructure including cloud products to enable fast scaling of user base
- Merging the immersive capabilities of Virtual Reality with the scalable and recurring revenue model of SaaS.

Ability to keep up with ever changing environment: The ability to conduct affordable training for current and evolving situations both on the battlefield and in our cities.

Operator XR provides a software platform that is easily updated and configured, that allow teams to train and rehearse at a lower risk and significantly less cost over traditional methods, against threats that cannot be replicated by any other means.

Complex and Expensive to replicate targets and facilities: Significant cost and time barriers to replicate and recreate training facilities and scenarios on a case-by-case basis, such as schools, embassies and critical infrastructure from anywhere in the world.

Operator XR has created an immersive platform that overcomes this challenge by utilising a software approach which includes user tools to create any virtual environment at a fraction of the cost and time.

Legacy Technology: The market today exists on legacy approaches such as non-portable projector-based systems, dedicated infrastructure and unrealistic video-based scenarios, which results in restrictive training and a degradation of skills.

Operator XR creates a highly portable and totally immersive environment both audibly and visually whilst free to move freely as a team, utilising their own live weapons and equipment as they would in reality. This leads to higher skill levels, greater preparedness and improved confidence.

Operational Security and Protection of Information: To date, alternative online systems risk exposing critical information such as tactics, procedures and capabilities to potential adversaries.

Operator XR is built to work completely offline allowing training and rehearsal to be conducted anytime, anywhere, safely and securely.

Operator XR: What makes us unique?

Deep subject knowledge and experience

- Operator XR is lead and operated by Special Forces and Law Enforcement veterans with extensive experience in field operations, software and technology
- All software development is created in-house by some of the worlds most talented and innovative engineers and technology experts

Unique product with high barriers to entry

- Unmatched whole of product that is portable, immersive and secure
- Product openness that enables end users to create their own content without specialist skills

Software development and release cycle

- Our combination of in-house software engineering and development operations provides Operator XR with a high-quality and feature-rich platform which can be delivered rapidly and ongoing to an everchanging market that maintains our competitive edge.

**No other product in the world can do what Operator XR can do**

Operator XR: Addressable Market

$3.37BN total addressable market for dismounted soldier and police officer immersive training.

Total Addressable Market	ARR > Market Share Sensitivity (USD$m)					
	1%	3%	5%	10%	20%	Total Market
Law Enforcement						
United States	2.73	8.19	13.65	27.30	54.61	273.04
Rest of the World	4.10	12.29	20.48	40.96	81.91	409.56
Law Enforcement ARR	6.83	20.48	34.13	68.26	136.52	682.60
Military						
United States	10.75	32.24	53.74	107.48	214.96	1,074.80
Rest of the World	16.12	48.37	80.61	161.22	322.44	1,612.20
Military ARR	26.87	80.61	134.35	268.70	537.40	2,687.00
Combined						
United States	13.48	40.44	67.39	134.78	269.57	1,347.84
Rest of the World	20.22	60.65	101.09	202.18	404.35	2,021.75
Total ARR	33.70	101.09	168.48	336.96	673.92	3,369.59

Source - company research, BLS Census of State and Local Law Enforcement Agencies (CSLLEA), 2008 (ICPSR 27681), Bureau of Justice Statistics, Census of Federal Law Enforcement Officers, fiscal years 2016 and 2020
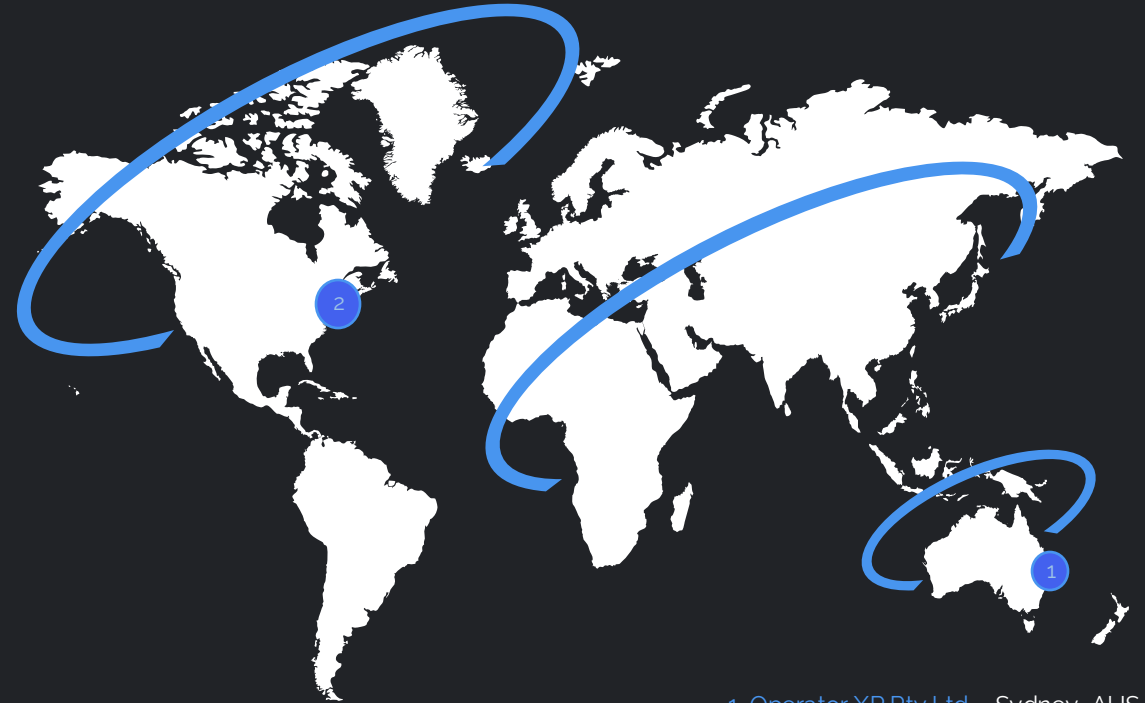
1. Operator XR Pty Ltd – Sydney, AUS
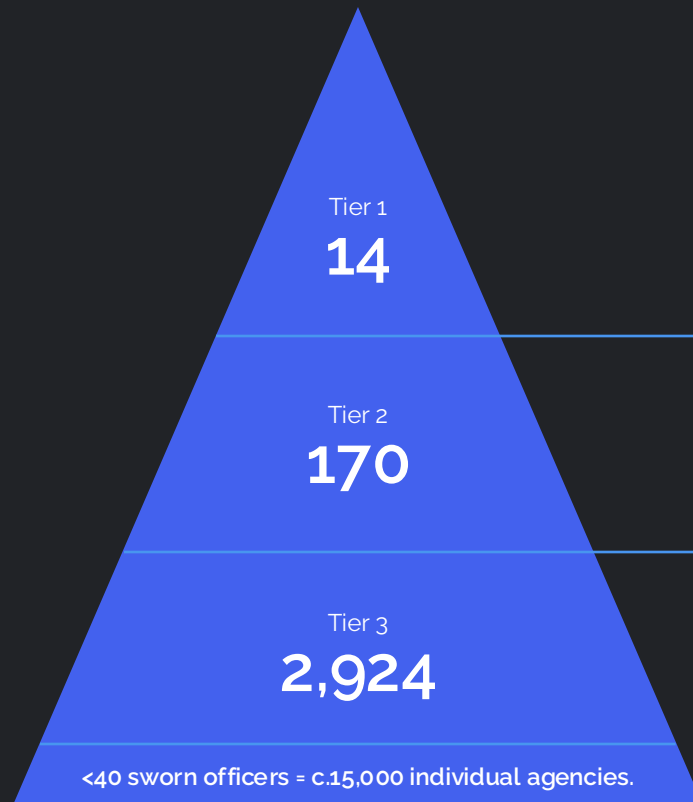2. Operator XR LLC – Virginia, USA

1% of Global Market = US$33m ARR

Operator XR: US Law Enforcement Market

Number of US Law Enforcement agencies by size.

Tier 1 5,000 to 50,000 sworn Officers
Annual Software Licence Range = $500k-$5m

TAM = 14 x $500k-$5m = **$7m-$70m ARR**

Tier 2 500 to 5,000 sworn Officers
Annual Software Licence Range = $100k-$500k

TAM = 170 x $100k-$500k = **$17m-$85m ARR**

Tier 3 40 to 500 sworn Officers
Annual Software Licence Range = $50k-$100k

TAM = 2,924 x $50k-$100k = **$146m-$292m ARR**

Tier 1
14

Tier 2
170

Tier 3
2,924

<40 sworn officers = c.15,000 individual agencies.

Source - company research, BLS Census of State and Local Law Enforcement Agencies (CSLLEA), 2008 (ICPSR 27681), Bureau of Justice Statistics, Census of Federal Law Enforcement Officers, fiscal years 2016 and 2020

US Law Enforcement Market = **US$170m - $447m ARR**

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Operator XR: US Military Market

US Military Budget **294%** higher than Law Enforcement

US Army Microsoft Augmented Reality Contract Value = **$22b** over 10 years

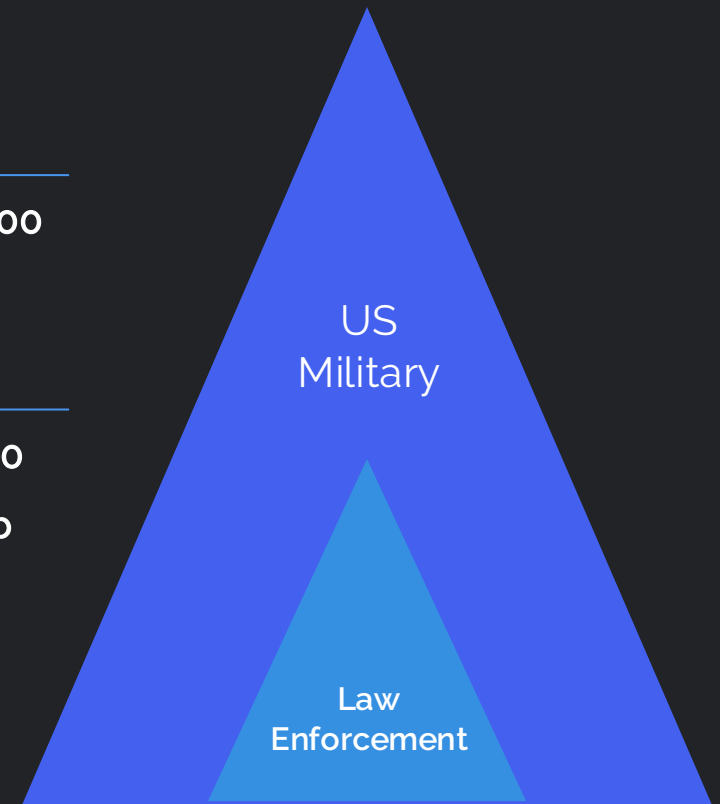Estimated Military VR TAM = **$499m – $1.3b** ARR

US Military	
Personnel	1,304,300
Annual Budget	$842b
US Law Enforcement	
Total sworn Officers	800,000
Annual Budget	$213.9b

US Military

Law Enforcement

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US Military VR Total Addressable Market = **US$499m - $1.3b ARR**

Operator XR: Delivering on Strategy

Short Term Milestone Tracker

FY2024

- Established entry into the US market

- Built Sales and Operations teams in the US

- Building on customer base - 29 global customers

- Building Annual Recurring Revenue - $2.21m

- Achieving Sales in excess of $4.1m in products and services

- Established regional distributors in Asia and Europe

FY2025

- Secure material US department of Defence Customer

- Continued investment in the US operations, customer service and sales teams

- Net Cashflow Positive including all development and expansion outflows

- Foundation customers established through international distribution network

- Capitalise on rapid early progress in the US

Rapid product validation in all key markets

Appendices

John Diddams
Chairman Non-Executive

- Highly Experienced and strategic public company director
- 40 years of financial management in Australia and overseas
- Experience in driving business performance, mergers & acquisition, due diligence and corporate governance.
- Formal qualifications include; Batchelor of Commerce from UNSW, John is also a Fellow of the Australian Society of CPA's and a Fellow of the Australian Institute of Company Directors.

Philip Copeland
Non-Executive Director

- Experienced senior leader in the enterprise software-as-a-service (SaaS) sector
- Former CEO and co-founder of Avoka Software, a highly successful digital business enablement platform which sold for US$245M in 2018.
- Experience dealing with some of the largest and highly regulated government agencies in the world
- Philip resides in Colorado and is Chairman of XRG's International Growth Committee

Danny Hogan
Non-Executive Director

- Danny enlisted in the Australian Regular Army in 1991, successfully completing the SASR selection course and was selected for further service within SASR.
- He has been recognised and awarded for his actions and leadership during his 21 year military career.
- He was selected and completed a two year military exchange in the USA with two of the USA's elite Special Forces Commands where he gained his freefall qualifications with extensive use of VWT simulation training.
- His ability to plan, manage and execute tasks in complex and fast moving environments with sound judgment are proven.

Mark Smethurst
Non-Executive Director

- Mark's significant Defence experience spans over 35 years in Australian Army, with 27 years as a Senior Special Forces Officer commanding at all levels including the Deputy Commander of the Australian Special Forces
- Mark Commanded the NATO Special Forces in Afghanistan during 2011/12 and was the Deputy Chief of Operations for the US Special Operations Command in 2013/14.
- He currently holds a variety of board and advisory roles with several private and public companies and is an Advisor to the Global SOF Foundation and Chairman of the Commando Welfare Trust.
- Through his other business interests, Mark remains well positioned to support the HIGHCOM Group in Australian and international markets.

Kim Hopwood
Executive Director & CPTO

- Kim brings 20 years of experience across technology, media, and user experience.
- Kim was co-founder and CEO of digital agency Pusher from 2004, which sold to global communications group Publicis in 2014. Kim stayed on as Publicis Managing Director of Digital until late 2017.
- Kim has worked with XRG since 2012 as supplier, then freelance consultant before joining full time in 2019. His role as Chief Technology and Products Officer includes advancement and direction of all products along with the development of company strategy.

Wayne Jones
Executive Director & CEO

- Wayne Jones is the CEO of XRG and was appointed to the role on the foundation of the company in November 2011. As Chief Executive, Wayne has developed and managed multiple business ventures and projects within Australia, APAC, China and the US.
- Prior to establishing the company, Wayne was a commander in the Special Air Service Regiment (SASR) and responsible for the development and performance of teams in complex and challenging environments. His goal focused approach and strategic vision resulted in Wayne being highly decorated throughout his military career.
- Wayne holds formal qualifications in Project Management, Business, Security and Risk Management and Management (Financial Management) and is a Member of the Australian Institute of Company Directors. He has over 25 years' experience in leading teams and delivering results.
- Wayne maintains his involvement with the Australian Military and the Special Forces community as Chairman of the Special Air Service Association (NSW Branch)

OP-1 FOR MILITARY

Portable | Secure | Immersive

OP-1 is a dedicated Military solution allowing front-line roles to conduct virtual missions using their own specific service weapons and equipment. True integration of combat equipment for immersive near-real experience.

Users can upskill tactics, techniques and procedures against any virtual target around the world, while operating in high-stress and high-risk simulated environments.

- Fully mobile system can be setup in minutes
- No internet required, fully portable and secure
- No need for any fixed networks, repeaters, or any additional IT equipment
- Extensive After-Action Review for deep learning outcomes.

OP-1 LE FOR LAW ENFORCEMENT
Portable | Secure | Immersive

OP-1 LE is changing the approach of Law Enforcement training.

Through our highly portable and scalable virtual reality training system, officers train operational tactics and procedures more often, leading to increased preparedness for a broad range of scenarios. This ultimately means safer outcomes in the field for Officers and the Public.

- Fully mobile system can be setup in minutes
- No internet required, fully portable and secure
- No need for any fixed networks, repeaters, or any additional IT equipment
- Extensive After-Action Review for deep learning outcomes.

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