



1Q 2018 Xurpas Analyst Briefing

16 May 2018, 9:00 AM

Xurpas Inc. Attendees:

Nico 'Nix' Jose Nollo do	Chairman and Chief Executive Officer, Xurpas
Alexander 'Mar' Corpuz	Chief Finance Officer and Chief Compliance Officer,
Xurpas Jose Vicente 'JV' Colayco	Chief Business Development Officer, Xurpas
Erica Lim	Investor Relations Manager, Xurpas

Ms. Erica Lim

Good morning, ladies and gentlemen. Thank you for taking time to call in our analyst briefing today. With us are: Mr. Mar Corpuz, our CFO and Chief Compliance Officer, Mr. JV Colayco, our Chief Business Development Officer. Mr. Nix Nollo do, our Chairman and CEO, has prepared a recorded message for his portion of the briefing. I am Erica Lim, Investor Relations Manager of Xurpas.

We will be discussing the first quarter of 2018 earnings results, as well as the general updates, plans, and prospects for the Xurpas Group. Please be reminded that this is a recorded briefing, and we will be uploading the recording as well as its transcript on our website soon after. All participants will be put on mute for the entire discussion, but the floor will be open later for Q&A. With this, I would like to call on Mr. Mar Corpuz for the summary of our earnings results.

Mr. Alexander Corpuz:

Total revenues of Xurpas decreased by ₱421.97 million or 56%, from ₱749.00 million in the first quarter of 2017 to ₱327.03 million for the comparable period in 2018. The net decrease was brought about by the 79% decrease in the mobile consumer revenues. The Group's mobile consumer segment was hit by various challenging market conditions, such as new policies governing Value-Added Services (VAS) from one of its major telco partners, as well as spill-over weakness in its digital advertising business, Art of Click, from 2017.

Despite the net decrease in total revenues, it is noteworthy that the Group's enterprise revenues increased by 11% from ₱160.31 million in 1Q2017 to ₱177.46 million in 1Q2018; while for the same period, other Services, referring to Storm revenues, increased from ₱10.32 million to ₱27.22 million or 164%. For Storm, the increase is attributed to its aggressive growth plans and improving diversified client mix. Art of Click also implemented measures to improve its client mix coming from its revenue decline in the previous year, but the immediate effects have not yet been realized in the first quarter of 2018.

As a result of the revenue decline, gross profit decreased by 76% from ₱243.64 million for the first quarter of 2017 to ₱59.67 million for the same period in 2018. Xurpas recorded a net loss of ₱77.93 million in the first three months of 2018, coming from earnings of ₱103.24 million for the same period in the previous year.

So at this point, here is the discussion of our CEO, Mr. Nix Nollo do.

Mr. Nico Jose Nollo do:

Thanks, Mar. Good morning, everyone.

I apologize I cannot be there to discuss our results and provide you with an update in person. At present, I am attending Consensus, a major blockchain conference held here in New York. But I have much more to say about this this later.

The first quarter of 2018 has been a very challenging quarter for us.

Our mobile consumer segment, which has historically been a major pillar of our business, continues



to be significantly impacted by major policy changes implemented by the telecom companies. These new rules govern the marketing and charging of VAS (or Value Added Services,) to subscribers, and ultimately severely affects our ability to acquire users for, and monetize our mobile casual games. We continue to work with our telco partners to find ways to address these challenges.

Art of Click's recovery from last year has also been slower than anticipated. While we continue to service the venture-backed startup firms that have customarily been a major source of business for us, as we discussed during our last call, Art of Click is also transitioning itself to service larger brand advertisers from traditional industries such as FMCG and retail. The flipside, however, of targeting such clients representing more consistent revenues, is that the sales cycle for winning and then onboarding these high value brands is much longer.

These combined resulted in a 79% decline in our Mobile Consumer business.

Storm was a high note for us, with revenues climbing 164%, and continuing the momentum from last year. Storm's focus remains two-pronged: first, to continue aggressive business development, securing more clients and increasing the headcount on Storm's platforms; and second, to increase the utilization of its platforms by client employees who are already on-board.

Our enterprise segment enjoyed modest growth, increasing 11% on the strength of Yondu's IT outsourcing division and solutions development business. We continue to diversify our client base, and where early on were heavily concentrated on the telco sector, we now have a substantial proportion of our revenues coming from the financial services, BPO, food and other industries.

A large proportion of our development teams, however, continue to be dedicated to in-house projects, specifically our platforms. Because these platforms are works-in-progress and not revenue generating in the short term, our enterprise segment's overall profitability is adversely affected. We believe these investments however are critical for our future.

We will continue to focus on continuing the strong momentum for Storm, while rebuilding our mobile consumer business for the rest of 2018. Beyond this however, I would like to discuss a major new area of focus for Xurpas, which you will see unfold in the weeks and months to come.

During our last call, we briefly touched on the blockchain— often referred to as crypto currency but digital assets is probably the more appropriate term of use—and how we believe we can leverage this exciting and disruptive technology to build much larger businesses for our core business units.

There are at least three specific areas of opportunity we see for our businesses: 1) Mobile Games and Content; 2) HR Benefits; and 3) Enterprise services. While you can expect more disclosures from us in the near future, I would like to discuss our first major blockchain initiative, called ODX.

ODX Pte. Ltd. ("ODX"), a 100% wholly-owned subsidiary of Xurpas Inc. incorporated in Singapore, stands for the Open Data Exchange. The opportunity that we see here is that in most emerging markets 90% of the population are only online less than 10 out of 30 days. Data access is limited to those days when they are online. ODX intends to allow consumers in emerging markets to access the internet for free, through sponsored data packages. Our goal is to make most of these 90% of these subscribers to be online 30 out of 30 days through ODX. We are looking at selling up to USD 100 million worth of ODX tokens. Currently based on our conversations with various groups, we are seeing a very strong demand for these tokens. In the very short term, you will be able to hear more disclosures and announcements about the progress of this token sale. Proceeds from the sale shall be used to build the ODX infrastructure, as well as for business development with internet service providers, publishers and partners across multiple markets. The tokens are not available for sale to citizens or residents of the Philippines, United States or China. We have a number of



thought leaders who are coming in as advisors to these projects. Again, expect to hear many disclosures in the coming weeks around these, as well as partners we have already established the moment we roll out the Open Data Exchange. That's it for at the moment. Looking forward to all of these new initiatives as we share them with you.

Ms. Erica Lim:

Thank you, Mar and Nix for the message that you prepared for us.

Please be reminded that this briefing is recorded. It will be uploaded in our website, as well the transcript. I will now open the floor for Q&A. Please introduce yourself with your full name, and as well as the company or fund that you represent.

Q&A Portion:

No question was raised.

Ms. Erica Lim:

For any other concerns, please refer to our contact details in the disclosure of this analyst briefing. Once again, we thank you for participating in our analyst briefing this morning and for listening to our growth story.

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