

One to Watch

Xamble

Meeting with CEO Ganesh Bangah

19th September 2023

Venn Brown sat down with Xamble's CEO Ganesh Bangah to discuss the current state of the business and where he wants to take it.

Thanks for being here with us today Ganesh. To start with, can you give us a brief overview of Xamble?

Thanks Andrew. Xamble has two main divisions: the first is the digital marketing services business, and the newer business is our platform business. The services business provides full end-to-end digital marketing services with a focus on influencer marketing supported by social media management and performance marketing. The platform business is a digital ecosystem to support influencer marketing.

Our platform, called Xamble, allows brands to make more effective and informed decisions around their influencer strategy. We enable brands to create more effective and measurable connections with influencers and end consumers and help them generate more effective influencer marketing. The platform manages all sides of each interaction, with the brands, the influencers and consumers, giving brands easier access to influencers and a performance dashboard so they can see the efficacy of their campaigns and influencers. It gives influencers the ability to find brands that align with their interests and audience, and it allows consumers to earn and redeem rewards from brands and influencers.

Brands can use it not only for promotion and marketing but also to sell through it.

You've got quite a complicated ecosystem of products [see Figure 1], can you walk me through it?

First, we've got our services businesses Nuffnang, Sashimi and Plata & Punta. Sashimi is a digital media agency providing full end-to-end digital marketing services. We act as the digital and social marketing departments for companies who don't have the capabilities in-house. Nuffnang is currently our core business from which we're building the Xamble ecosystem. Nuffnang provides influencer marketing services for brands. We provide end-to-end influencer marketing services for brands.

Xamble

ASX:XGL

Sector	Communication Services
Date	19th September 2023
Share price	\$0.031
52-week range	\$0.029 / \$0.090
Market cap	\$8.8m
Free float	17%
Dividend	\$0.00
Yield	0.0%

Year end 30 June	2019	2020	2021	2022
Revenue	\$7.3m	\$7.9m	\$11.5m	\$11.1m
EBITDA	-\$0.2m	\$0.1m	-\$2.2m	-\$1.4m
EBIT	-\$0.3m	-\$0.0m	-\$2.3m	-\$1.5m
Net profit	-\$0.3m	\$0.0m	-\$0.8m	-\$1.1m
Earnings per share	-\$0.00	\$0.00	-\$0.00	-\$0.00
Operating cash flow	-\$0.1m	\$0.4m	-\$0.0m	-\$0.6m
Free cash flow	-\$0.2m	\$0.3m	-\$0.1m	-\$0.8m
Net debt	-\$2.9m	-\$3.2m	-\$5.3m	-\$4.1m
Net debt / EBITDA	na	na	na	na
Dividend per share	-	-	-	-
ROA	-5.5%	0.0%	-8.7%	-14.2%
ROE	-7.4%	0.0%	-14.1%	-20.7%

3-year Price Chart



Analysts

Andrew Wilkinson awilkinson@vennbrown.com

Both Nuffnang and Sashimi are profitable businesses that are funding the development of our Xamble ecosystem.

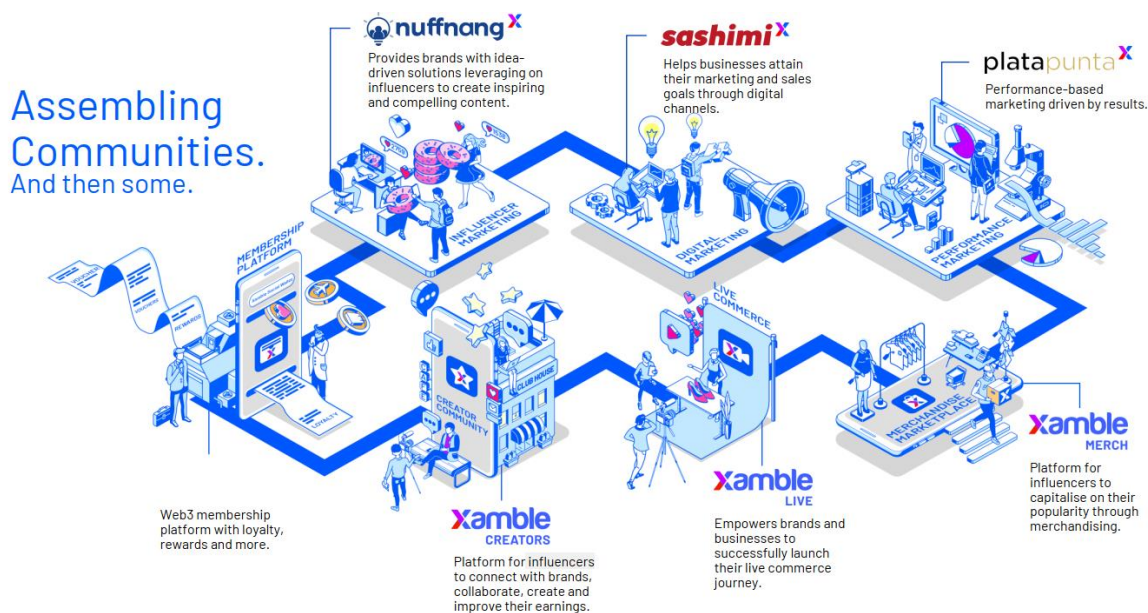
Plata & Punta is our performance marketing agency which provides digital marketing consulting services to build and enhance our clients’ marketing strategies across paid media, online analytics and SEO.

At the centre of our new platform business is Xamble Creators. Xamble Creators is a marketplace for influencers where they can be matched with campaigns of their interest.

Influencers can basically look and see campaigns that they like, they then apply to be involved and brands can choose to accept them or not. At the moment, brands must work through us [Nuffnang] to access the app. We are developing the product so that soon brands will have direct access to influencers. Just like an Uber. What Uber is for drivers, we are for influencers. We give them campaigns, we collaborate with them, and even pay them via the app.

Then we have Xamble Live, which allows influencers to stream and sell live, which is a billion-dollar sector in China that is rapidly spreading into other markets. Underpinning this is our Xamble Social Wallet, which enables payments between all parties within the Xamble ecosystem. While the payments may sound simple and unnecessary given all the different payment options already available, what it provides our consumers is a seamless engagement and transaction process while enabling performance monitoring and tracking for our brands. It’s the combination of all these individual components that empowers the ecosystem.

Figure 1: Xamble is building a digital ecosystem for brands, influencers & consumers



Source: Xamble

Tell us more about Social Wallet?

Social Wallet is basically the consumer app. The consumer app enables followers of the influencer to collaborate with the influencer. Followers can download the app and can earn brand membership points, or discounts or anything else the brand wishes to promote. The Wallet enables users to basically track rewards. It’s like a loyalty card in your wallet. And the

brands and influencers have flexibility in choosing what type of reward they give their followers.

We're also signing up with other loyalty programs as well. We are in the midst of talking with some of the largest loyalty programs in Malaysia right now. Basically, if a follower of an influencer walks into an outlet, if a normal consumer gets 10 points, the influencer's follower gets 20 points. And it's all managed through Social Wallet.

What is the current state of your ecosystem in terms of how much is built out and how many of each of the different three sides of your marketplace are there?

Xamble Creators we launched about two or three months ago, and by August 30, we had about 734 registered influencers in the platform and had processed approximately S\$0.35 million (MYR1.16 million) of payments to influencers. In July, we launched Communities within the app, allowing brands to create branded communities with their influencers. Imagine if you're an influencer for a brand and your friend is the influencer of the brand. You're both communicating with one another, the brand can communicate with you and can ask you to share the next influencer's campaign, and that induces virality.

Which geographies are you currently operating in?

We're in Malaysia, Singapore and Taiwan. Singapore, we actually serve out of Malaysia. We're looking at setting up a presence in Singapore as well, having a physical office there. Then potentially, to go to places like Indonesia and the Philippines.

Building marketplaces is always a chicken and egg problem; they only provide value when sufficient users are on both sides of the transaction. How are you building out your ecosystem, given your three-sided marketplace with brands, influencers and consumers?

The advantage is we've already got a bunch of clients. Some of our clients operate in potential new geographies, which helps with country expansion as the clients operate in places like Australia, Singapore, and Thailand. We either need a brand or influencers and we can look at it [expanding into new geographies]. If we get a big brand in a new market, we get a few clients in new market, then we can roll out the app and we can get influencers on board. We just tell them [the client] to give us a deal in Australia or Thailand, and we'll roll this out through our tech.

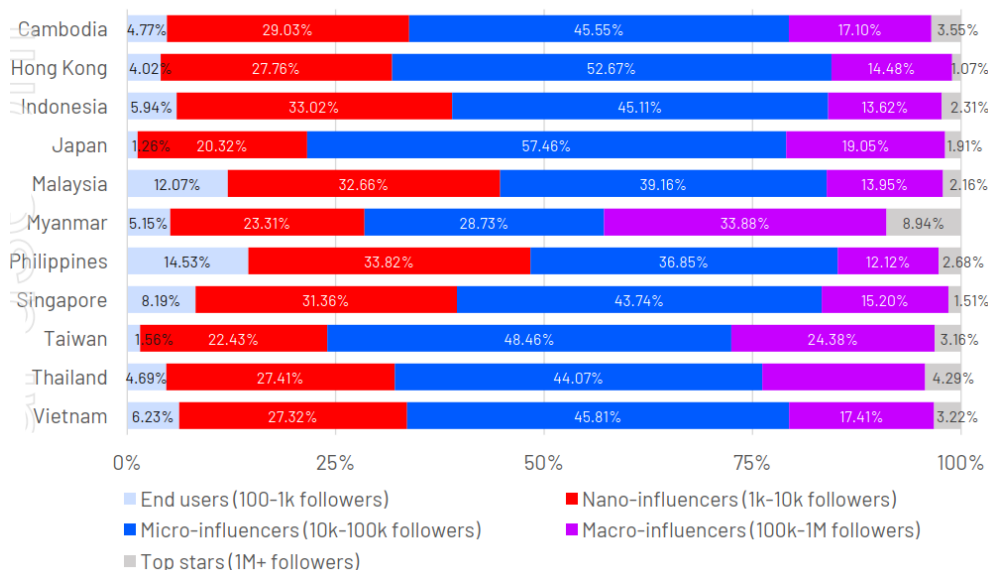
We're also looking at expanding into markets via M&A, like in the Philippines, Indonesia, and even Australia.

Can you tell us about the influencers you're targeting for the platform?

We're targeting nano [1,000 – 10k followers] and micro [10k – 100k followers] influencers for the platform. The reason why micro and nano influencers are the future is because they are more personal and authentic. This level of influencer communicates in a more personal, authentic manner with their followers.

Figure 2: Nano and micro influencers provide a more personal and authentic voice

Influencers categorised by follower volume



Source: Xamble

Are brands receptive to the idea of using nano and micro-influencers rather than more traditional major celebrity endorsements?

Yes. I’ll give you an example. I recently attended a new store launch of a large bedding brand. At the launch they had ten influencers. They didn’t spend anything else on marketing for the launch, just those influencers. And they were all nano and micro-influencers; there wasn’t a big celebrity. If you have ten influencers each promoting to their 10,000 followers. If you choose the right influencers, that’s 100,000 people that you’re directly marketing to within your target demographic. And those ten influencers are much cheaper than a single large celebrity.

Everyone can see there is a huge shift going on with a greater share of marketing and advertising spend going towards influencers. Anyone can buy online banner ads, Facebook ads or Google ads and so they don’t help build brand credibility. We’re currently seeing a huge shift of advertising and marketing money going to influencers and it’s a shift that is only growing because it’s really the most effective way to build credibility.

What types of brands are you targeting?

Right now, we are targeting FMCG brands. Unilever, P&G, KFC, McDonald’s are all clients. Historically we’ve been focused on the FMCG industry, but now we are expanding to more industries. We are aggressively looking and entering into more industries now. Retail is a market we are looking at, telco is a market we are looking at.

We’ve been operating in the digital marketing space for many years and we have a pretty diverse group of clients, including KFC, Pepsi, Seek, Suzuki, Unilever, Danone, McDonald’s, Nestle, Netflix, Panasonic and many more. Importantly last year our client retention rate was 78%.

Figure 3: Xamble’s clients include many of the world’s largest FMCG labels



Source: Xamble

Can you talk through your revenue model?

Basically, the brands give us a budget. We work with all the large agencies as well. They give us a budget, and we share a bit more than half with the influencer. Of course, there are different ratios that we do depending on the influencer, but in terms of just average margin, we earn slightly less than half, the influencer earns slightly more than half.

For now, the brand and agencies need to engage us to reach the influencers on the app, but by first half of next year, we'll be launching a brand dashboard where brands can access the platform themselves and then directly search, find and engage with any influencer on our platform. At that point, we'll have a true marketplace that brands and agencies can use to find and engage with influencers.

There are already several influencer marketplaces out there, and more being developed, what makes Xamble different? And once a brand has connected with an influencer why do they need you, can't they simply sidestep you?

Xamble isn't simply a marketplace, but a whole ecosystem that not only allows brands and agencies to find influencers, but provides whole-of-campaign tracking and performance monitoring. The Xamble ecosystem will allow brands and agencies to track the efficacy of their campaigns and individual influencers through every stage of a campaign.

Brands engage influencers via the app, providing them with rewards, badges or discounts which they then share with their followers. The followers then use the app to redeem the awards either online or in-store. We capture this data and pass it to the brands via our performance dashboard. The system removes the blind guesswork from marketing spend as brands and agencies can see, in real-time, the impact every campaign and every influencer is having.

Where do you see Xamble in 3-5 years' time?

Right now, our revenue is around \$12 million. Over time, we see that the software component, the SaaS component would actually grow from very little now to half of total revenue.

The market's growing at 30% a year, and according to an independent study, by 2024, influencer marketing in Southeast Asia is expected to grow to US\$2.6 billion, which is 10% of the global market. We hope to grow our services business in tandem with the market and the platform business, the Xamble ecosystem will grow to equal that. So within three to five years, we can easily double if not more than double the services business and then match

that through the Xamble platform. Our goal is to grow revenue aggressively in the next three to five years.

I want Xamble to be a dominant player in the influencer space and I think we have the technology, the people, and the experience to do that. We would like to capture 20-30% of the influencer marketing market in South East Asia.

Is this realistic given your current size?

Yes, I think it is. As I said, we have the people, technology, experience and clients. We're early players in a rapidly growing market space, so now we need to execute. I've previously built a \$800 million business. I want to build Xamble into a billion-dollar business.

What are the biggest risks to reaching these goals?

I think the biggest risk, really, is the fact that we need our app to really reach mass scale. That means a lot of influencers have to use it as soon as possible and we need to expand to more industries. I don't think we've reached the limit on the existing verticals, but we are seeing an overall softening in global marketing and advertising spending. We have seen in the last couple of quarters spend on FMCG has reduced a bit.

If you look at influencer marketing as a growth industry, and if you are operating in an industry that is not spending as much money as they used to in terms of overall budget, you actually have to expand into new industries. The good news is in a lot of these industries influencer marketing is catching up to be the premium way of advertising.

Thanks for your time today Ganesh. Finally, what do you wish more investors knew about your business?

I think most important to me is we are operating in a fast-growing industry. I believe it's the future of marketing. We are innovating in the space and we believe that we can be a market leader in the regions that we operate in. What is one of the fastest-growing components of advertising, if not digital advertising? I think we are a very unique solution that enables us to provide a unique and innovative solution to dominate that market.

Share price performance



Source: S&P Global

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