

A clear path to profitability

Black Pearl Group Limited (“BPG” or “Company”) is pleased to announce its unaudited preliminary results for the year ended 31 March 2023 (“FY23”).

The 2023 financial year was underpinned by purposeful investments in acquisition, technology, and a public listing, all paving the way for the Company's accelerated path to profitability.

Unaudited Financial Results Summary

The FY23 financial statements of BPG are still in the process of being audited, however BPG is not aware of any likely qualifications. The Company is not proposing to pay any dividends for the year ended 31 March 2023.

Key financial highlights:

- **Total Subscription Revenue increased by 97%**
- **Gross Profit Increased by 264%**
- **Total Operating Costs \$7.9m**
- **85% increase in Net Assets**
- **496% increase in customer base**

Revenue

BPG recorded \$1.4m in recurring revenue for FY23, representing a 97% growth in recurring revenue compared to FY22. However, it is worth noting that this growth only includes five months of NewOldStamp (NOS) revenue following its acquisition on November 1, 2022. The remaining increase was due to the growing demand for the Black Pearl Mail service. Total Revenue includes government R&D grants and amortisation of NOS customer contracts purchased.

Revenue Model

BPG's product offerings follow a monthly recurring billing model, generating regular and predictable revenue. As the customer base grows through new sign-ups, each additional subscriber contributes to the overall revenue. This continuous growth is not limited to one-time purchases but compounds over time.

Recurring revenue models focus on future revenue, while Profit and Loss statements only capture historical revenue without accounting for projected revenue resulting from past expenses. Consequently, the Profit and Loss statement does not account for BPG's projected revenue resulting from past expenses.

Total customers increased by 496%, with 55% located in USA. This offers future growth potential via cross-sale opportunities of BPG's new product, Pearl Diver, which was released to the USA market in March 2023.

Gross Profit

Gross Profit increased by 264%, illustrating the Company's strong focus on profitability. One of the factors contributing to this growth is BPG's ability to scale infrastructure at negligible incremental expense. This has been made possible from previous years investment in creating a highly scalable operational framework.

Expenditure

BPG's decision to raise its operating expenditure delivered the FY23 business plan and created a direct path to profitability. FY23 expenditure included \$1.1m of one-off costs associated with the acquisition of NOS and the direct listing on the NZX, as well as R&D to create the new Pearl Diver product (see Investment).

BPG's cost base has been intentionally structured to be flexible in nature, providing additional levers for reaching profitability. After accounting for one-time costs, 31% of the FY23 cost base remains variable in nature.

Balance Sheet

BPG's balance sheet reflects the investment made in the NOS technology, customer base and organic website traffic.

The promissory note and warrants entered into with Crown BP Holdings, LLC immediately prior to listing, has been amended post-year end 31 March 2023. The note is now an unsecured obligation of BPG, the two due dates for repayment of the note have been extended by 12 months each and there is a conditional agreement for the note to be converted to ordinary shares in BPG at a conversion rate of NZ\$1.02 per share.

Investment

In FY23, BPG invested in three core areas to accelerate the Company's path to profitability.

Listing on the NZX: BPG's direct listing on the NZX generated one-off costs pertaining to compliance, legal, accounting, and capital raising.

The Company opted to invest in listing on NZX to support its data and acquisition strategies and ensure better access to capital as and when required.

BPG's recent private placement on 26th of May, 2023 was approximately 80% subscribed in under 72hrs of the announcement – which would have been difficult to achieve as a private company in the current global economy.

Acquisition: BPG's primary drivers in purchasing NOS was its 1 million plus organic website visits, access to world-class and affordable offshore talent, and a noteworthy customer base with associated recurring revenue.

This investment has created the opportunity to cross-sell and upsell BPG's product portfolio to over 1 million site organic visitors (see Pearl Diver) while successfully scaling up the Company's operations to enable 24/7 global coverage across development, marketing, customer support, and sales.

Data - Pearl Engine: The Pearl Engine is BPG's proprietary data technology platform. Since listing BPG gained improved access to new data sets to enable the rapid creation of new features and products. BPG's latest service, Pearl Diver, is a direct result of accessing unique data streams and leveraging over a decade of experience in data and digital engagement.

Summary

The unaudited result was in line with the Board's expectations for the year-end and sees BPG continue to deliver on its drive to profitability in FY24.

Please also refer to the attached Black Pearl Group - FY23 Financial Statements and Black Pearl Group - Financial Results Announcement for the detailed results.

Outlook – a clear path to profitability

BPG's Listing Document outlined the Company's strategic initiatives that are driving its path to profitability. A key component of this strategy involved the continual augmentation of data streams within the Pearl Engine, enabling the development of novel services. These services serve as catalysts for acquiring new customers while also providing avenues for cross-selling to the existing customer base.

By adopting this approach, BPG was able to swiftly deploy Pearl Diver to the market.

Blackpearl Diver

Pearl Diver is a SaaS product that shows businesses the individuals that are visiting their website, including the visitor's name, contact numbers, email addresses, physical addresses, job information, and more.

Key contributors to the success of Pearl Diver include:

- The ability to sell directly to the existing customer base (3,800) across all Services
- The ability to upsell directly to inbound traffic on the NOS (1m+ annually) and BPM (140k+ annually) websites
- Higher Annual Recurring Revenue (ARR) per customer than existing products (minimum of approx. 10x greater than the NOS service)
- Access to new markets and distribution through partner networks

The image displays a laptop screen showing the Pearl Diver SaaS interface. The main dashboard features a blue header with the Pearl Diver logo and a navigation bar. A prominent blue box indicates 'Identified website visitors' with a count of 6,803. Below this, a table lists identified visitors with columns for Name, Email, Personal visits, Location, Company name, Company visits, and Visit date. A detailed record for Jake Peterson is overlaid on the right, showing his name, title (CEO, Director), company (Jake & Sons Law Company), corporate email (jake@jlaw.com), phone number (345 678 9987), company domain (jlaw.com), revenue (5 million to 10 million), employee count (20 to 100), industry (Law company), department (Management), and LinkedIn profile (linkedin.com/company/jlaw). A photo of Jake Peterson is also shown with a '15 visits | last 28 days' indicator. The interface is clean and professional, with a focus on data visualization and user identification.

The compounding nature of the higher-value Pearl Diver service has a positive impact on BPG's growth trajectory.



Diagram 1: Shows compounding nature of Pearl Diver revenue and resulting ARR based on various potential customer acquisition rates.

Throughout March, Pearl Diver was released to the US market in a staged approach, during which the BPG secured over 50 orders from both existing and new customers.

In May, new sales have generated **\$282,942.00 in net new ARR** (in addition to already recurring ARR), with an immediate provisioning queue of new customers worth **\$56,331.00 ARR**.

Chief Financial Officer Comment

“For technology companies, ‘profit is the new growth’. Over the FY23 financial year, there was a seismic shift in how technology companies were valued - with a premium being placed on profitability. BPG worked hard over FY23 to not only get ahead of this trend but to ideally position itself to capitalize on it.

Given the stability of the Company’s servicing costs, the availability of affordable and flexible resources, and the rapid growth of BPG’s data services the Board expresses strong confidence in BPG's favourable positioning to achieve substantial results in FY24 and beyond.”

- Karen Cargill - Chief Financial Officer, Black Pearl Group Limited.

For and on behalf of the Board,

Karen Cargill
Chief Financial Officer

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About Black Pearl Group

Blackpearl Group is a data technology company, relentlessly focused on unlocking the potential of data for small and medium-sized businesses.

We build, acquire, and market cutting-edge, cloud-based services that empower businesses to make data-driven decisions, drive productivity, and generate demand.

Our suite of tools and applications are designed to help businesses of all sizes harness get trenchancy over their data, facilitating better decisions and unlocking new revenue opportunities.

**Better
growth,
together.**

blackpearl

