

BUSINESS DEVELOPMENT AT XTPL - UPDATE

LICENSING AS THE METHOD OF COMMERCIALIZATION OF THE TECHNOLOGY IN THE DISPLAY MARKET FOR APPLICATION IN OPEN DEFECT REPAIR

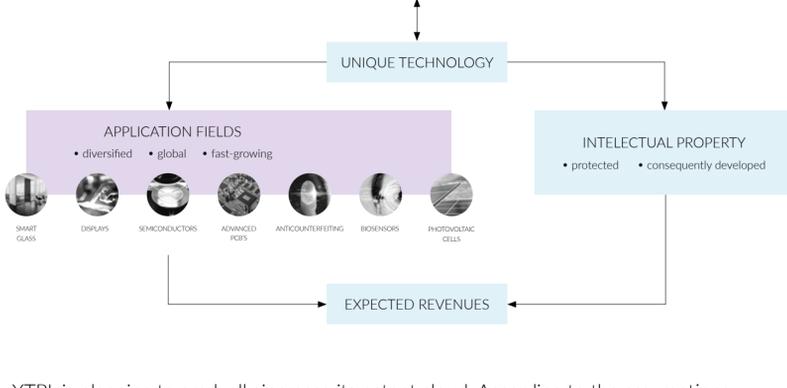
As a result of talks with partners interested in acquiring the XTPL technology and following analyzes confirming the advantages of applying such a solution, the company's management board decided to adopt licensing as a method of commercialization of its technology in the display market for application in open defect repair.

At this stage, the licensing model is very attractive for XTPL mainly due to the favorable ratio of expected costs to potential effects – stable and scalable revenues – and the shorter time needed to introduce the developed technology to production lines in the display sector. Licensing is the preferred model for most of the potential clients who have declared their interest in acquiring the solution offered by the company. What XTPL saw as a key factor was that licensing gives a possibility of using the existing potential of the future licensee to prepare the technology effectively for industrial implementation. Such work usually involves testing the solution in several cycles in production conditions. It should be emphasized that in this model, it is the licensee that is responsible for all aspects related to the sale of the final product (logistics, distribution and customer support).

The technology developed by XTPL has a chance to be used in the production of newly designed generations of displays to be put on the market in the coming years. For this reason, the company has launched an additional R&D project designed to meet the technological requirements for these generations of products as well. If successful, the project will increase the market value and attractiveness of the XTPL solution, as this will mean extending the economic lives of the licenses held by licensees by another several years. Cooperation in the licensing model will allow the company to implement its technology in the particular sector in the most effective way, secure recurring revenues and focus on the next application field.

PLANS TO INCREASE THE PATENT CLOUD BY THE END OF 2020

XTPL is a company developing deep technology that requires appropriate laboratory infrastructure and involvement of an interdisciplinary team of engineers. For deep tech companies intellectual property is a product and a competitive advantage, while the size of the patent cloud has a major impact on their value.



XTPL is planning to gradually increase its patent cloud. According to the assumptions presented by the company, it intends to submit 26 international patent applications from 1 September 2019 to the end of 2020. By the date of publication of the forecast, XTPL had submitted nine such applications, which means that in the coming several months, the company expects an almost three-fold increase of its patent cloud.

Development and protection of the patent family is a priority for XTPL, as it is on secured, unique intellectual property that international technology companies build their value and strong business position in the commercialization process. The potential of intellectual property is primarily determined by the level of revenue estimated on its basis, expected after the implementation of the company's solutions on the market in individual application fields. This value is also influenced by: the size and expected growth of target markets, the number and diversification of application fields as well as the value proposition for each of those markets. Given the platform character of the XTPL technology, which enables its effective implementation in many application fields, the company's potential is significant.

The first few patent applications included in the forecast will relate to the solutions for application in open defect repair, which are to be covered by a potential license for clients from the display sector. This is important as the XTPL solution is gaining increasing interest in this sector, where it is often the scope and level of protection of intellectual property that determine the firm's market position. The highest level of intellectual property protection is to guarantee safe commercialization and appropriate negotiating position for the company before the first commercial contracts are signed with selected partners.

NEXT POTENTIAL XTPL CLIENT WILL VISIT THE COMPANY'S HEADQUARTERS

XTPL is currently in active business talks with several large global corporations that have expressed interest in using the company's technology for open defect repair in the display sector. Most of these entities have already made reference visits to XTPL laboratories or have declared their readiness to make such visit soon.

The next meeting at the company's headquarters with one of the leading manufacturers of production equipment for the display sector will take place in the second half of September this year. The purpose of the meeting will be to validate XTPL's technological capabilities according to the partner's specification, and to determine the next step towards establishing business cooperation. The meeting of representatives of the two companies will be an opportunity to discuss preliminary assumptions of the potential license agreement, and to present a roadmap for further dedicated development of the company's technology.

XTPL AT IMID CONFERENCE IN SOUTH KOREA

Developing globally significant technologies entails consistent building of strong partnerships with experienced global players. XTPL regularly participates in events which build its brand recognition in target groups and help create new and develop existing relationships with business partners. In the last week of August, XTPL took part in the 19th edition of the International Meeting on Information Display (IMID 2019) in South Korea. This is one of the world's most important events in the display sector: this year it attracted more than 2000 participants representing global manufacturers of displays and other electronic devices that use displays. This year's exhibitors included among others Samsung Display, LG Display and Konica Minolta



At this stage, XTPL is in business talks with two groups of interested partners. Among them are the company's direct potential clients, including manufacturers of devices for production lines dedicated to this branch of industry. These devices are bought and implemented on production lines at end customers: manufacturers of advanced electronics (e.g. displays), who are the second group of the company's partners. At the IMID 2019, XTPL took part in meetings with representatives of the two groups of entities. The company also met with a potential strategic partner, a manufacturer of printing devices dedicated to the display market.

Talks with the market experts present at the event confirmed the company's belief that the XTPL technology is groundbreaking and awaited by the market. Developing and preparing for the industrialization of the company's solutions is a complicated and multi-stage process, as is always the case with high technologies. Its delivery, completed with implementation of the technology on the production lines of leaders of specific industries, will give XTPL an advantage in the form of high entry barriers for potential competitors. The very same process also creates high barriers of exit from the business relationship with the company's partners. Implementing the new technology to the client's production line significantly increases the probability of long-term cooperation and repeatability of revenues for XTPL.

SHARES **121.0** PLN **-2.81%**
12/09/2019

RESULTS **QUARTERLY REPORT FOR Q1 2019**

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INVESTOR CALENDAR **30** Publication of the half-yearly report
SEPTEMBER For 2019
MONDAY

29 Publication of the quarterly report
NOVEMBER For Q3 2019
FRIDAY

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