

## **No zombies as *U Group* thrives**

Six years *after its launch*. *U Group* is a model of success for tech startups chasing global opportunities.

THE U Group & Co was Tyler Spooner's fourth business %encore in what to that point had been a fast-moving and instructive career.

Now 34 sears old, Mr Spooner has not truck with what he calls zombie startups: businesses that survive but will never thrive. He prefers to learn from experience and move on.

That approach is paying off in spades, judging by the success of U Group, which was launched in 2018.

It had revenue last financial year of \$16 million and has contracted sales of more than \$17 million for the year to June 2025.

More importantly. the business has been cash flow positive for more than three years and has bought back half the money it raised from early investors.

These numbers would be the envy of most tech startups, which typically struggle to build consistent revenue and never move into positive cash flow.

With 60 staff, U Group has quietly become one of the larger technology companies in Western Australia.

U Group has done this by monetising a mundane and hitherto overlooked asset: shopping receipts.

Using automation and artificial Intelligence. it harvests valuable data from hundreds of thousands of receipts every day.

The business paid \$3.5 million last year to shoppers who opt-in to its ReceiptJar app.

And it earned a lot more than that by selling the data to market research companies and other customers, primarily in the US but also Canada and Australia.

Mr Spooner said he learned useful lessons from one of his early ventures, the FeedMe app, which rewarded people for shopping at restaurants. "That was where we learned how to appeal to consumers and learn all about mobile app marketing", he said. Feed Me was followed by a hand-picked grocery delivery service.

Mr Spooner's partner in both ventures was Brenda Lai who became a co-founder and chief product officer at U Group. The third cofounder was 16-year old Jason Gan, who was recruited from university where he focused on AI.

One of the first challenges for U Group was signing up shoppers in order to use their receipts.

The early adapters included 'spreadsheet junkies' people who already tracked their supermarket spend - and bargain hunters.

The company utilised paid advertising and signed up online influencers, but over time found that word-of-mouth was more effective.

### **Breakthrough**

"When our marketing budget for paid advertising was getting outperformed by organic growth. we knew we were really onto something," Mr Spooner told Business News. "That was amazing." On the other side of the ledger, U Group had to convince customers it could deliver useful and reliable data. he said. "It's not just taking data off a receipt. it's about understanding what is on the receipt and refining the information", Mr Spooner said.

The data also indicates where people were shopping and whether they are buying online or in store. Mr Spooner said this kind of analysis was previously done offshore. "Our biggest competitors have huge offices In India, and a human would look at that and type it out", he said.

"Our biggest competitive edge was that we could do that in seconds, and it was so much cheaper because we didn't have to pay someone to do it. So it was faster, cheaper and with fewer errors."

Mr Spooner said while many people talked about AI and machine learning, U Group was an early adopter.

"The demand for data is growing so much [that] as we create more it gets harder and harder to clean and structure," he said.

"We were in the right place when we started to build AI effectively to structure and clean data really effectively".

After making inroads in the Australian market, U Group's break came in 2020 when it was signed up by one of the largest market research companies in the US. The business has not looked back since.

While the U Group relied on investors to fund its early operations. the business no longer had to go out and ask for more money.

In fact. it has bought back \$2.1 million of capital through a consolidation of its shares. "I have a big focus on shareholder returns", Mr Spooner said.

### **Leadership**

The company growth has included filling out the management team, with Mr Spooner readily admitting the founders were not strong on financial management. Nor did any of them have experience running a 'scale up' with dozens of staff.

"Some of our backers and investors said you need an executive team", Mr Spooner said.

"We realised we needed some structure".

"One of our most critical hires was Steve Bodeker. our CFO.

"That was amazing. Before that, the founders were doing the bookkeeping on Xero on the side."

Privacy expert Peta Demidenko was recruited from Perth based online gaming company VGW Holdings, which has a very large customer base overseas.

"We needed someone who has done it at scale. across multiple countries," Mr. Spooner said.

Ross Warren, whose past experience includes working with YouTube in London and Google in California, has joined as chief marketing officer.

"The big appeal for me was to come back and find a tech company in Perth that was working at the intersection of data privacy and AI with a global client base." Mr Warren told Business News.

Mr Spooner said the three founders also recognised the need to evolve with the business.

"As we scale. it's really important for the founders to grow, we need to keep up with the business", he said\_ "Their capabilities. their thought processes. operating at scale".

At a personal level. Mr Spooner avidly consumes business books.

He has dyslexia and therefore uses Audible, which he discovered in his early 20's.

"I love it", Mr Spooner said.

"It was the biggest. pivotal moment in my life. I was so uneducated but I got Audible and I started to be able to consume knowledge."

Another important step was joining YPO, which has put him in touch with a network of peers and mentors who have run mature businesses in multiple industries.

### **Board advice**

At the board level. U Group recruited corporate lawyer Adam Sierakowski last year as the chairman.

He joined former federal government minister Michael Keenan as the second non-executive member of the board.

"It was interesting." Mr Spooner said. "I was CEO, chair and major shareholder, which is kind of a red flag if you want to look at listing.

"I needed a safe pair of hands with a whole lot of experience in legal. It was also nice to have other people's views on the company. If you are running everything, you are very one-sided and you can't see the blind spots.

"They don't tell me how to run the business, but they advise me, they have experience.

"That's the value I get from the board, and it was a learning curve to understand that."

The company has also engaged US-based Tim Brewer as an adviser on tech strategy.

### **ASX listing**

While many tech companies aspire to list on the ASX in order to raise capital and lift their profile, U Group turned down that opportunity.

Mr Spooner said U Group was a public company already and had audited accounts. It was pre-approved by the ASX under the profits test.

That means it has achieved \$1 million in aggregated profit over the past three years, or \$500,000 profit during the past year.

"That was weird," Mr Spooner recalled.

"We went to brokers to talk about a listing, and they had never heard of that [a profitable tech startup]. They didn't understand.

"What was more interesting was the fear around shareholders not being locked in with escrow rules.

"Under the profits test, there is no escrow. it's a free market."

Apart from the confused response of brokers, Mr Spooner saw a bigger issue.

"A lot of tech companies go on the ASX and over-promise but don't deliver." he said.

"Investors believe the hype and just get hurt.

"I wanted to under-promise and over-deliver and I didn't want to go on there if I couldn't do that."

One notable feature of U Group's story is that Mr Spooner has never been to the company's largest market or met its major customers.

However, there are no secrets to his sales and marketing strategy in the US.

"A lot of late nights and a lot of Zoom calls," Mr Spooner said.