

# X2M Connect Limited (ASX:X2M) ASX Announcement



## Quarterly Activity Report and Appendix 4C Quarter ended 30 September 2021

27<sup>th</sup> October 2021

**X2M continues its growth story with FY2022 off to a strong start posting a 75% increase in revenues for Q1FY2022 compared with the pcp**

Australian Internet of Things (IoT) technology company X2M Connect Limited (X2M or the Company) is pleased to release its Quarterly Activity Report and Appendix 4C for the period ended 30 September 2021.

### Key Highlights:

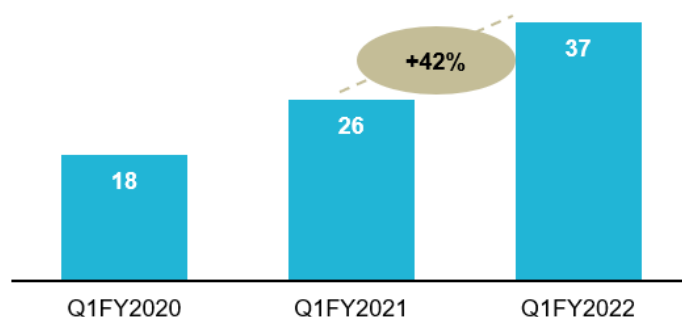
- Q1 revenues of \$1.6m, up 75% on the prior corresponding period (pcp)
- Connected devices at 30 September were 152,203, up 101% on pcp
- Enterprise/government customers increased by 11, up 42% on pcp
- Cash at bank \$7.8m
- Q1 revenues plus contracted revenues already at \$5.2m

### Key Operating Metrics

#### *Enterprise and Government Customers*

- X2M's target market is the Enterprise and Government utility sector in the APAC region. The current base of X2M's Enterprise and Government customers delivers a total addressable market of approximately 25m households.

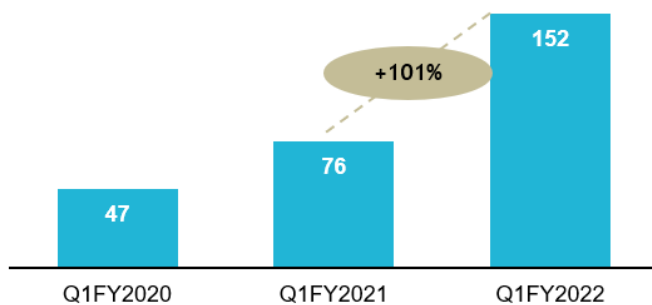
#### Enterprise and government customers



#### *Connected Devices*

- A key focus area for the Company is the growth in connected devices. The base of Enterprise and Government customers drives the volume of connected devices. Total connected devices at 30 September 2021 reached 152,203, an increase of 24% from 30 June 2021 and 101% from 30 September 2020.

Connected devices ('000's)



### Business Development

- Product rollout under existing contracts and new business in the quarter have delivered 75% revenue growth on pcp and set the base for a strong FY2022 sales performance.
- Key points to note are as follows:
  - 6 new customer orders secured across South Korea, Taiwan and China
  - 5 out of 6 orders are repeat orders from existing customers
  - Q1 revenues plus contracted revenues already at \$5.2m

### Financial

- Receipts from customers for the quarter were \$1.4 million.
- Net operating cash outflows were \$2.2 million, which includes \$2 million in payments for product manufacturing and operating costs. Given the lead time required to manufacture devices, payments were made to manufacturers in advance of customer receipts to ensure prompt delivery and deployment.
- Payments to acquire intellectual property relate to \$0.4 million of capitalised development costs for the quarter.
- Net cash from financing activities was \$8.4 million. This follows the \$8 million IPO and the issue and conversion of \$0.5 million in convertible notes prior to the IPO.
- Total cash at 30 September 2021 was \$7.8 million.
- Related party payments in Appendix 4C section 6.1 of \$42K were made to directors as NED fees.
- Related party payments in Appendix 4C section 3.6 of \$329K were made to Perle Ventures Pty Ltd as repayments of related party loans. These payments were made prior to lodgment of the Prospectus on 26 July 2021.

## Use of Funds

In section 6.16 of the Replacement Prospectus issued on 24 August 2021, the Company provided a proposed use of funds table. The table below shows the use of funds for the period from admission to the ASX on 20 September 2021 to 30 September 2021.

Use of Funds 20 Sep 21 - 30 Sep 21	Allocated Funds (\$000's)	Used Funds (\$000's)	Commentary
Customer acquisition	1,300	71	In line with expectations
Customer support	1,200	102	In line with expectations
Development, IT services and patents	1,500	81	In line with expectations
Licensing & geographic expansion	1,700	-	In line with expectations
Mergers & acquisitions review	300	-	In line with expectations
Administration	1,750	37	In line with expectations
Working capital	1,100	104	In line with expectations
Expenses of the Public Offer	850	136	In line with expectations
<b>Total</b>	<b>9,700</b>	<b>531</b>	

The Board of X2M has approved this announcement.

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### For further information contact:

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### About X2M Connect Group

X2M Connect (X2M) is an Australian technology company with proprietary Internet of Things (IoT) technology that uses the internet to deliver productivity improvements, cost savings and improved public safety to enterprise and government customers. The technology connects devices over the internet and enables data exchange and the remote control of devices. Revenue is generated via the sale of hardware, as well as monthly subscription services (Software as a Service (SaaS)).

The Company's strategy is to invest in growth and scale the business internationally. X2M's current focus is on servicing the utility sector in the Asia-Pacific (APAC) and the Company has successfully established a number of government and enterprise customer relationships. The business is head quartered in Melbourne Australia and has subsidiaries in Japan, South Korea, Taiwan, and the recently established subsidiary in Beijing, China.

Further information on can be found on the Company's website [www.x2mconnect.com](http://www.x2mconnect.com)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

X2M Connect Limited

**ABN**

48 637 951 154

**Quarter ended ("current quarter")**

30 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,441	1,441
1.2 Payments for		
(a) research and development	(52)	(52)
(b) product manufacturing and operating costs	(2,002)	(2,002)
(c) advertising and marketing	(7)	(7)
(d) leased assets	(131)	(131)
(e) staff costs	(777)	(777)
(f) administration and corporate costs	(435)	(435)
1.3 GST/VAT paid	(153)	(153)
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	16	16
1.8 Other (provide details if material)	(56)	(56)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,157)</b>	<b>(2,157)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(413)	(413)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(413)</b>	<b>(413)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,000	8,000
3.2	Proceeds from issue of convertible debt securities	500	500
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	500	500
3.6	Repayment of borrowings	(566)	(566)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(13)	(13)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>8,421</b>	<b>8,421</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,953	1,953
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,157)	(2,157)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(413)	(413)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,421	8,421
4.5	Effect of movement in exchange rates on cash held	(15)	(15)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,789</b>	<b>7,789</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	7,789	1,953
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,789</b>	<b>1,953</b>

<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	42
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
6.3 Aggregate amount of payments to related parties and their associates included in item 3	329

*Note: if any amounts are shown in items 6.1, 6.2 or 6.3, your quarterly activity report must include a description of, and an explanation for, such payments.*

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	500	500
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>500</b>	<b>500</b>

**7.5 Unused financing facilities available at quarter end**

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Lender: Brownvalley Super Fund  
Amount: \$250,000 unsecured loan  
Interest rate: 15% per annum  
Maturity date: 31 December 2021

Lender: Brownvalley Family Trust  
Amount: \$250,000 unsecured loan  
Interest rate: 15% per annum  
Maturity date: 31 December 2021

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,157)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,789
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,789
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.61
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2021

Authorised by: By the Board of X2M Connect Limited  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively