



## ASX Announcement | 29 November 2022

### X2M Connect Limited (ASX:X2M)

#### CEO's address to AGM

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Good morning and a very warm welcome to all those in attendance. I am pleased to present my report on the 2022 financial year.

The 2022 financial year was a most pleasing one for X2M. We delivered record revenues, broke new heights in connected devices, materially expanded our enterprise and government customer base, thereby growing our addressable markets, and strategically commenced the work to enter the Australian Market with our innovative Smart Community energy solution. All this together with a listing on the ASX.

Group revenues were \$10.4 million for the year. EBITDA and NPAT were losses of \$9.3 million and \$10.2 million respectively. Importantly the group revenues were the result of 32 contracts secured prior to and during the course of the year, most of which were from competitive tenders or repeat orders. Cash at bank at 30 June 2022 was \$1 million which was subsequently boosted with the proceeds from the non renounceable rights issue which raised \$3.97 million before costs. The Company does not intend to be paying dividends for the foreseeable future.

The financial data reflects the Company's strategy to invest in growth through targeting enterprise and Government customers with large addressable markets.

The key metrics on which we measure ourselves were as follows:

- Year on year revenue growth - FY22 revenue \$10.4 million, up 82% on pcp
- Growth in connected devices - 245,265 at 30 June 2022, up 99% on pcp
- Growth in enterprise and government customers - 46 at 30 June 2022, up 35% on pcp
- Growth in recurring revenues - SaaS/maintenance subscription fees have grown by 30% on the pcp

Importantly these growth rates were not a one off and we have shown consistent performance over a number of years. We have also retained all our customers.

#### **Connected devices**

The number of connected devices matter as this is a driver of future Software as a Service (SaaS) and maintenance revenues.

One of the Company's strategic pillars is to "land and expand". Securing customers and then penetrating their addressable market.

Each device connected to the X2M IoT platform has a subscription associated with it, either under a bundled contract or under a separate subscription or maintenance contract.

Whilst subscription fees per device may vary from country to country or from device type to device type, as the number of connected devices increases, the ongoing recurring revenue is expected to increase.

Growth in connected devices has accelerated over the last few years and over FY22 in

particular, adding 50,000 devices in the last three months of the period.

### **Key markets**

Turning to our key geographies, each of our markets have performed well.

In South Korea, we continue to benefit from our early entry into this market and the extensive customer base we have built up over this time. At last year's AGM, I said we had a customer base of 16 municipalities and a large pipeline of prospects to convert to customers. This is part of our "land and expand" strategy. Over the year we have done just that. Our customer base here grew to 24 by June 2022 and to 31 by 30 September 2022. This delivered customer growth on pcp of 50% and connected device growth of 86% in FY22. Importantly, we have two important achievements in South Korea. Whilst we grew the addressable market of customers on our platform, we concurrently increased the contracted penetration of our customers' addressable market.

Reflecting announcements we made over the last couple of quarters, we expect momentum in this market to continue in this financial year.

Japan, in what is a high margin business for the Company, more than doubled its connected devices during FY22, increasing from 61,000 to reach 142,000. Taiwan continued to be a very effective incubation hub for X2M and we currently have deployments across the gas, energy management and the water verticals. China delivered \$3.3 million in revenues on modest margins which reflects our recent entry into this market. This was in an environment of severe Covid lockdowns in that country.

During the year we announced our entry into the Australian market. Here we leveraged our Taiwan ETC solution and launched our Smart Communities Energy management proposition with our first mandate secured for a 1,000 household deployment in Echuca.

As you know this is a most topical area both from an environmental and sustainability perspective, but also from a cost of living perspective given the run away energy prices in recent months. In this respect our timing has been most opportune.

### **Strategy and trading update**

The Company's strategic growth strategy over the next couple of years builds on progress over the last 12 months. Our focus remains:

- Building on our strong position in existing markets
- Expanding into compatible verticals in existing markets
- Building our Software as a Service (SaaS) business; and
- Selectively expanding into new geographies;

To this we have an added overlay which is to get to being EBITDA and cashflow positive in the near term through scale, cost control and margin growth.

I would now like to provide you with a trading update on the results for the three months to 30 September 2022. This information is unaudited and for information only. In short, the strong growth performance of last year has continued into the 2022 financial year.

The highlights were as follows:

- Group revenues increased 137% on the previous comparable period
- Connected devices grew 19% in the quarter and by 92% on Q1 2022



- Enterprise and Government customers grew by 11 on the pcp, delivering 41% year on year growth

In terms of outlook, over the last two quarters we have received orders from 23 customers that are expected to deliver in excess of \$12.5 million in revenues this financial year. As a result, we expect the momentum to date to continue in the 2023 financial year.

Wrapping up, we finished the last financial year well and are pleased with the overall position and performance of the Company. We have commenced FY23 strongly and we expect this momentum to continue in this financial year.

Finally, I would like to thank you our shareholders for your support during the year, I would like to thank your Board for their contribution and my team for delivering a set of results that we can be proud of.

**ENDS**

The Board of X2M has approved this announcement.

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#### **About X2M Connect Limited**

X2M Connect Limited (ASX:X2M) is an Australian technology company that has developed and commercialised a patented proprietary Internet of Things (IoT) solution which delivers productivity improvements, cost savings and improved public safety to enterprise and government clients in the utilities sector.

X2M's technology connects devices such as water, gas and electricity meters and other utility sensors to the internet, enabling data exchange and the remote control of these devices. The Company generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 300,000 devices connected to its IoT platform and distributed intelligence solution, providing real-time information and control to a steadily increasing customer base operating over multiple radio technologies.

X2M's current focus is on servicing the utility sector in the Asia-Pacific region, where it has a number of government and enterprise customer relationships already in place. Going forward, X2M will look to continue its global expansion, with subsidiaries already operating in Japan, South Korea, Taiwan and, most recently, China.

To learn more about X2M click here: [www.x2mconnect.com](http://www.x2mconnect.com) or follow us on [LinkedIn](#).