

ASX Announcement | 30 January 2023 X2M Connect Limited (ASX:X2M)

X2M shareholder update following strong first half

HIGHLIGHTS

- 1H23 revenues of \$9.0 million¹, up 96% on the previous corresponding period (pcp)
- X2M reported its first ever quarter with positive cash flows from operating activities
- Connected devices at 31 December 2022 were 361,345, up 100% on the pcp
- Enterprise/government customers increased to 58, up 38% on the pcp
- During the first six months of FY23, X2M has added 13 new customers and other contract wins in South Korea with a combined value of approximately \$6.1 million
- X2M's strategy to "land and expand" is working as market and customer penetration continue to grow

Australian Internet of Things (IoT) technology company **X2M Connect Limited (ASX:X2M)** ("X2M" or "the Company") is pleased to provide a trading update following a strong first half of FY23.

CONTINUED STRONG GROWTH ACROSS KEY OPERATING METRICS

96% year on year growth in first half revenues

The Company achieved revenues of \$9.0 million in 1H23, up 96% on the pcp. This was a fantastic result with South Korea, China, Japan and Taiwan all reporting strong year on year performances.

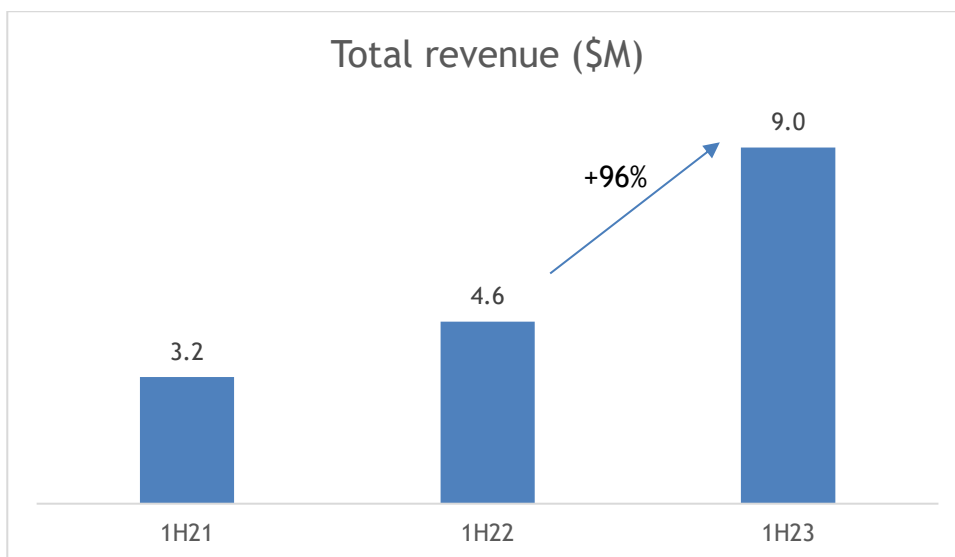


Chart 1: YOY growth in revenue

¹ Unaudited

38% year on year increase in Enterprise and Government customers

X2M’s initial target market is the Enterprise and Government utility sector in the APAC region.

X2M’s Enterprise and Government client base has continued to rise steadily, reaching 58 in 1H23, representing a 38% year-on-year increase. Chart 2 below illustrates growth over the last two comparable periods.

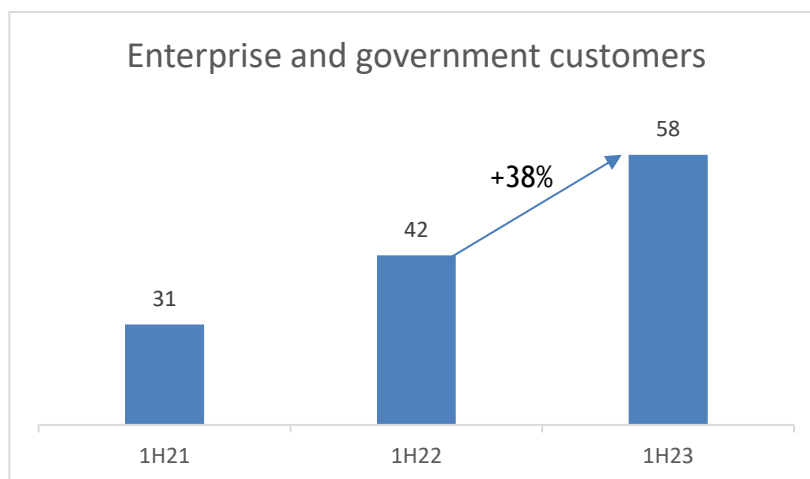


Chart 2: YOY growth in enterprise and government customers

100% year-on-year increase in connected devices

Growth in enterprise and government customers, together with deeper penetration into the addressable market within the Company’s existing customer base, drives growth in devices connected onto the Company’s proprietary platform. This forms part of X2M’s “land and expand” strategy which is clearly succeeding as demonstrated by the relevant metrics in this update. This is a key focus area for the Company and an important lever in establishing the base for future recurring SaaS revenues.

Total connected devices at 31 December 2022 reached 361,345, an increase of 47% from 30 June 2022 and 100% from 31 December 2021. Chart 3 below illustrates growth over the last two comparable periods.

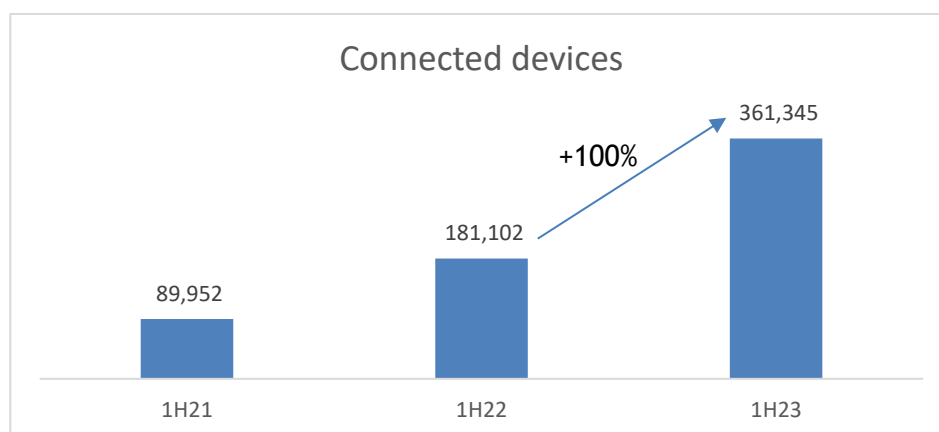


Chart 3: Growth in connected devices

In this context, South Korea continues to be a stand-out performer. The Total Addressable Market (“TAM”) is the total number of households serviced by the customer concerned. Over the last fifteen months, in South Korea, the TAM of X2M’s existing customers has increased from \$A316 million to \$A464 million. This represents an increase from 33% to 49% of the total South Korean country market. During the same period, penetration of customers’ TAM, on average, has increased from 2.7% to 4.4%. X2M continues to receive follow-up orders from existing customers and win new customers and the fact that overall penetration of customers’ TAMs is still relatively low, augers well for future growth of connected devices and Annualised Recurring Revenue (ARR).

The graphic in Chart 4 pictorially shows the TAM and penetration growth data and the future potential.

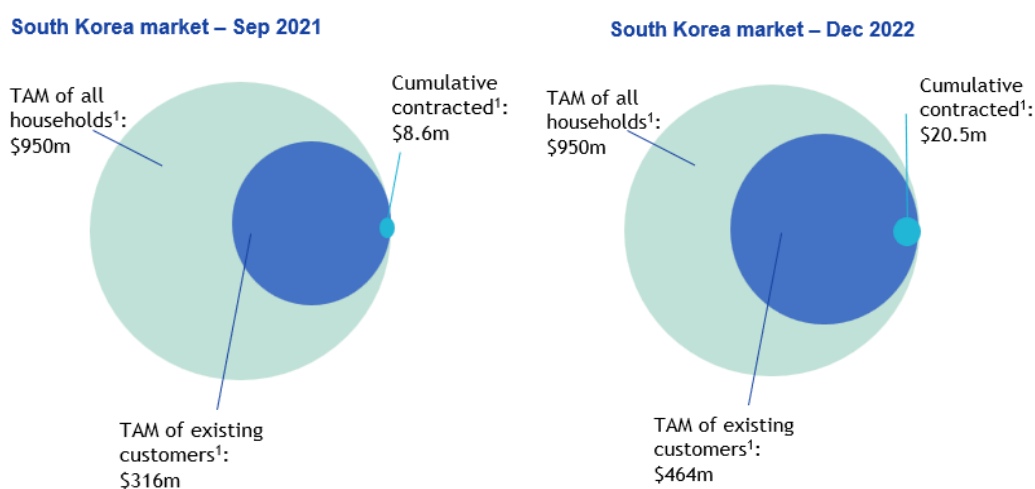


Chart 4: Growth in customer TAM and contracted value

Note 1: Total addressable market (TAM) and contracted values are based on Year 1 device revenues of \$120.

X2M began reporting ARR from the last quarter. ARR is the monthly SaaS and maintenance revenue that is recorded in the last month of the reporting period and annualised by multiplying by twelve. SaaS and maintenance revenues arise from pure subscription services contracts and from subscription allocations in bundled contracts. For December 2022, the ARR is \$1.1 million.

X2M REPORTS FIRST EVER QUARTER WITH POSITIVE OPERATING CASH FLOW

X2M reported its first ever quarter on positive operating cash flow in its Appendix 4C for 31 December 2022. In part this reflected seasonal factors that traditionally deliver a strong Q2. The graphic in chart 5 shows the operating cash flow for Q1 and Q2 as reported in the relevant Appendix 4Cs.

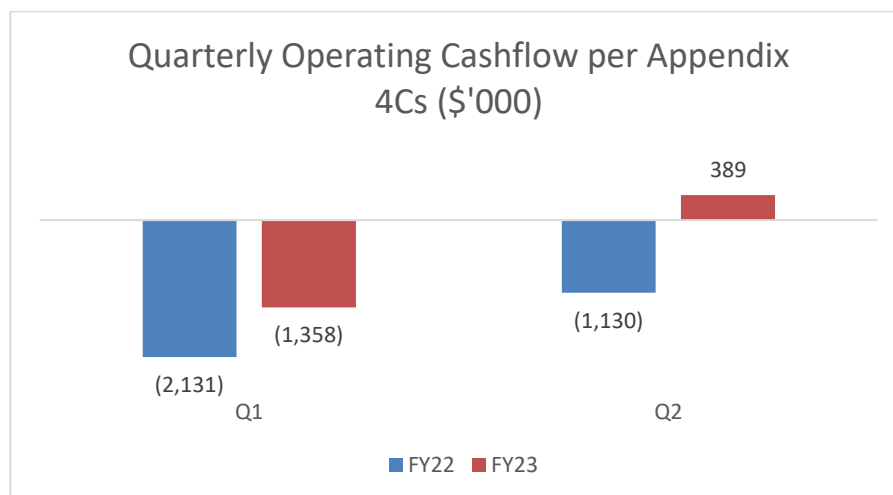


Chart 5: YoY improvement in operating cash flow

X2M CONTINUES SUCCESS IN SECURING SOUTH KOREAN MUNICIPALITIES AS CUSTOMERS

During the first six months of FY23, X2M has added 13 new customers and other contract wins in South Korea with a combined value of approximately \$6.1 million. Continuing to win a number of these contracts in quick succession confirms X2M's leadership position in the South Korean market. This also aligns with the Company's long-term strategy to secure customers with large numbers of households that will drive future subscription revenues.

GOVERNMENT INITIATIVES PROVIDE POTENTIAL TAILWINDS

A number of government initiatives are being put in place that are expected to have the effect of driving momentum in our business. In Australia, a number of State and Federal funding programmes have been announced including battery and renewables subsidies and regional development support. In Japan, the government has a JPY 13.8b (Approx. A\$150m) budget to reduce LPG gas prices by strengthening the management structure of LP gas companies through implementing equipment such as smart meters that can remotely open and close gas taps and remotely read meters, delivery vehicles, and other equipment.

OTHER BUSINESS DEVELOPMENT ACHIEVEMENTS

CHINA

Despite the challenges with COVID-19 restrictions, X2M completed delivery of the contract for Qingyuan district of Baoding City in China, generating \$1.4 million in revenues for H1. As previously announced (ASX announcement 20 June 2022), this is a new customer that will see the deployment of approximately 22,000 water meters. X2M also completed delivery of a contract for approximately 5,000 water meters deployed in the Shunping county which is administered by Baoding City.

JAPAN

Japan continues to deliver strong growth in connected devices with more than 28,000 devices added to the platform during 2Q23. This reflects 41% growth in the half and 106% growth on the pcip.



TAIWAN

X2M secured a new customer through a contract with the National Chung Cheng University (CCU) in Taiwan for the delivery of a smart water resources management system for the university campus. The contract includes software to monitor the water usage, flows and levels around the campus plus supply, installation and connection of an on-premises server and communications hardware. The contract will be delivered by June 2023. New product released for CCU takes X2M deeper into the customer's eco system and has the potential to be taken into South Korea where X2M has a strong presence in the water sector.

AUSTRALIA

In Australia, X2M continues to pursue opportunities in the energy management market.

X2M CEO Mohan Jesudason said: "We are pleased to report on the ongoing momentum of X2M as shown across all our key metrics and the 96% 1H revenue growth was a superb result. Reporting our first ever quarter with positive operating cash flow was an important achievement which in part is a function of seasonal factors that usually see a strong 2Q, particularly in South Korea. We continue to execute our strategy of securing customers with large addressable markets that will provide the base for future subscription revenues."

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. X2M generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 360,000 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 significant 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 or follow us on [LinkedIn](#).