X2M empowering utilities with data

FY24 – 1H Update

X2M
CONNECT

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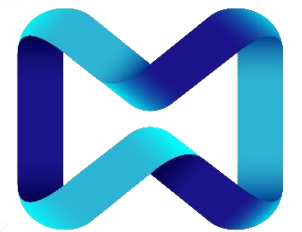
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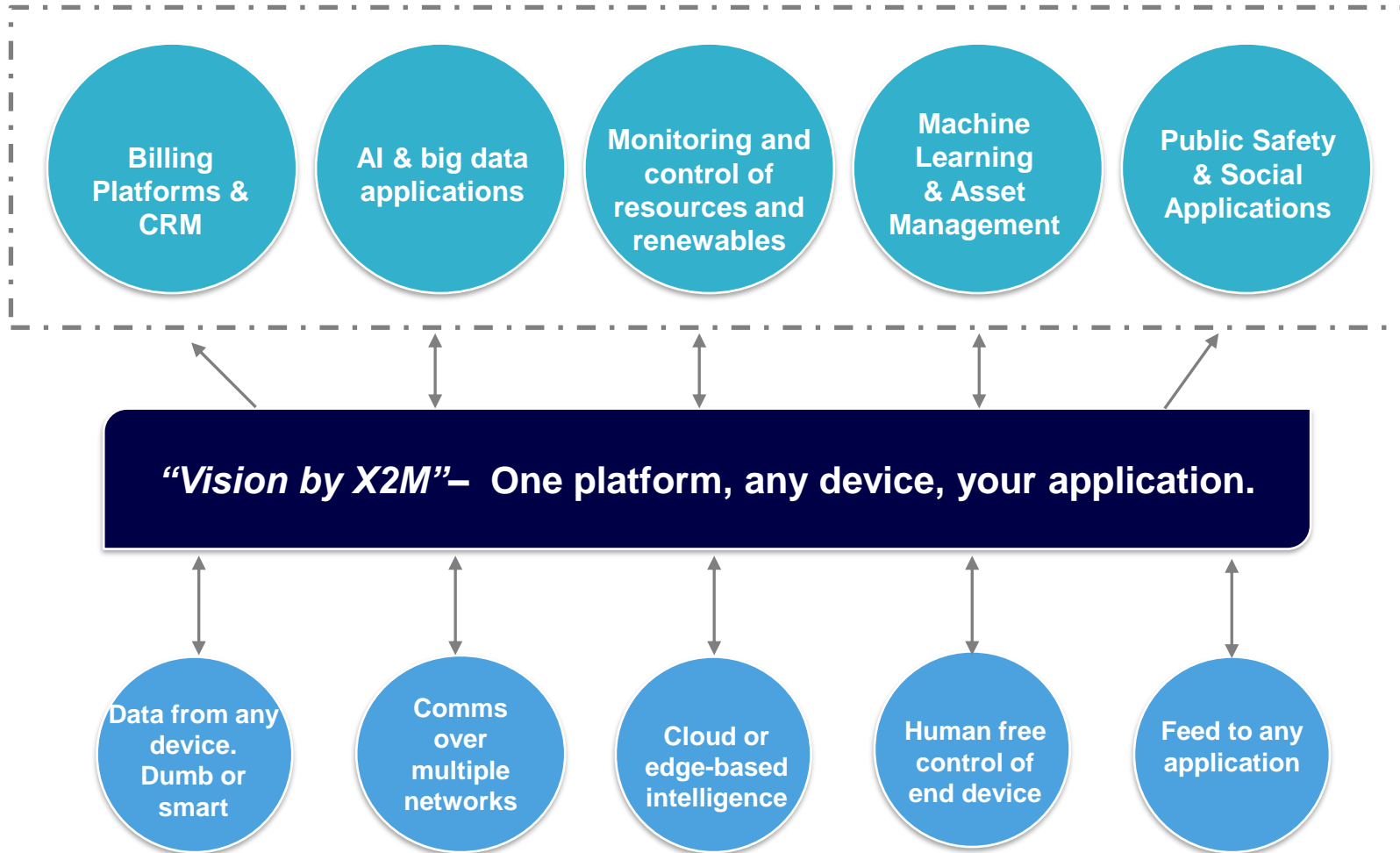
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X2M
delivers rich data for
automation and
artificial intelligence

"Vision by X2M" - digitising utilities for automation and AI

Billing Platforms & CRM

AI & big data applications

Monitoring and control of resources and renewables

Machine Learning & Asset Management

Public Safety & Social Applications

"Vision by X2M" – One platform, any device, your application.

Data from any device. Dumb or smart

Comms over multiple networks

Cloud or edge-based intelligence

Human free control of end device

Feed to any application

Data powers AI and automation

" Artificial Intelligence could help repair Australia's lagging Innovation record, unleash waves of productivity gains and lift the output of workers…" new Productivity Commissioner Danielle Wood says

"…AI could improve productivity…I'm optimistic on this…I think potentially AI has a very big impetus for productivity improvement" Reserve Bank Governor Ms Bullock told an ASIC forum in Melbourne

Source: AFR 21 November 2023

Tom Burton – Government Editor

"Data is the backbone of Artificial Intelligence (AI), acting as the essential ingredient that allows AI, including Machine Learning (ML) and Deep Learning (DL), to learn and adapt"

AI Expert Gerben Vermeulen, author of "Data is not the most sexy part of AI, but it can never succeed without it".

2 October 2023

X2M Adopted in APAC for it's proven AI and automation enablement

- Water digitisation & automation in South Korea
- Bottled gas logistics management in Japan
- Smart communities in Australia
- Renewable energy generation and BESS - Taiwan
- Energy and Water management in Greater China

**X2M for data collection monitoring and device control.
50 patents
14 countries**

- Data generators
- Water, electricity, gas meters
- Heating & air conditioners
- EV, batteries and sensors
- Solar and renewables

Utilities our target market

▶ **Essential community service with long dated arrangements**

▶ **Data hungry, blue-chip customers**

▶ **Very large consumer bases and very large addressable markets**

▶ **Delivers repeat orders to fit with replacement cycles**

▶ **Significant growth potential within existing customers**

X2M's revenue model

Upfront revenue

▶ Initial platform installation charge plus platform customization fees

▶ Per new device connection fee or

▶ Per new device fee for X2M hardware

Recurring revenue

▶ Monthly SaaS fee for data delivered

▶ Monthly maintenance fee for support

1H Results

FY24 strategic priorities

► **Capitalise on incumbency in established markets for scale and share**

► **Drive deeper into existing customer base. Increase penetration into $500m existing addressable market**

► **Focus on margins, cashflow and profitability. Discontinue low margin hardware sales**

► **Increase conversion of existing base into recurring SaaS and maintenance revenues**

► **Deliver on strategic growth initiatives**

Top line numbers – focus on positive cashflow

Revenues down on record 1H23 and exit of low margin hardware sales

Gross margin and gross profit up significantly

Opex down on pcp[1]

Cash burn and EBITDA losses down materially

Recurring revenues up significantly

1. Opex excludes $0.2 million of capital raising costs associated with convertible notes and loan facilities.

1H24 outcomes – key financial metrics on target

Improved margins, reduced costs and significantly declining cash burn are highlights of the 1H24 results c.f. the pcp

Revenues $7.5m down 17%

Gross margin $2.8m up 26%

Opex[1] $4.6m down 3%

Operating cash burn $0.4m down 57%

Adjusted EBITDA loss $1.8m down 17%

Revenue growth is on the back of a very strong 1H23

1. Opex excludes $0.2 million of capital raising costs associated with convertible notes and loan facilities.

1H24 P&L at a glance – margins up, costs down

($'m)	1H24	1H23	Change
Revenue	7.5	9.0	-17%
Cost of Sales	(4.7)	(6.8)	-31%
Gross Profit	2.8	2.2	26%
Other income	0.2	0.4	-50%
Overheads	(4.6)	(4.7)	-3%
Cost of capital raising	(0.2)	-	-
Adjusted EBITDA[1]	(1.8)	(2.1)	-17%
Depreciation and Amortisation	(0.7)	(0.5)	32%
Finance costs	(0.5)	(0.1)	>100%
Share-based Payments	(0.4)	(0.2)	>100%
Loss after Income Tax	(3.3)	(2.9)	16%

" Adjusted EBITDA has improved by 17% as we drive to positive cashflow "

1. Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off expenses.

Business KPI's to drive future performance
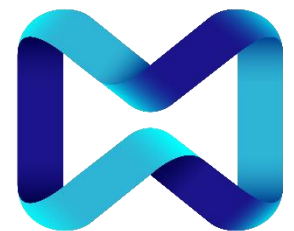
1H24 outcomes – business KPIs

Drivers of future value

Enterprise and government customers
73 up 26%

Connected devices
520,417 up 44%

Average NIC selling price $160 per unit[1]
up 8% on pcp and 53% over four years

Annualised recurring revenues
$1.7m
up 55%

SaaS and maintenance revenues
$0.9m up 53%

1. Network Interface Card based on pricing of KRW136,137 translated into AUD at FX850:1

Operating cash burn a key financial metric

1H24 delivered cash burn from operating activities of $0.4 million compared with $1.0 million in 1H23. The improved performance was driven by better gross margins and very tight control of costs. Chart below shows the improvements over the last three years.

■ FY22 ■ FY23 ■ FY24
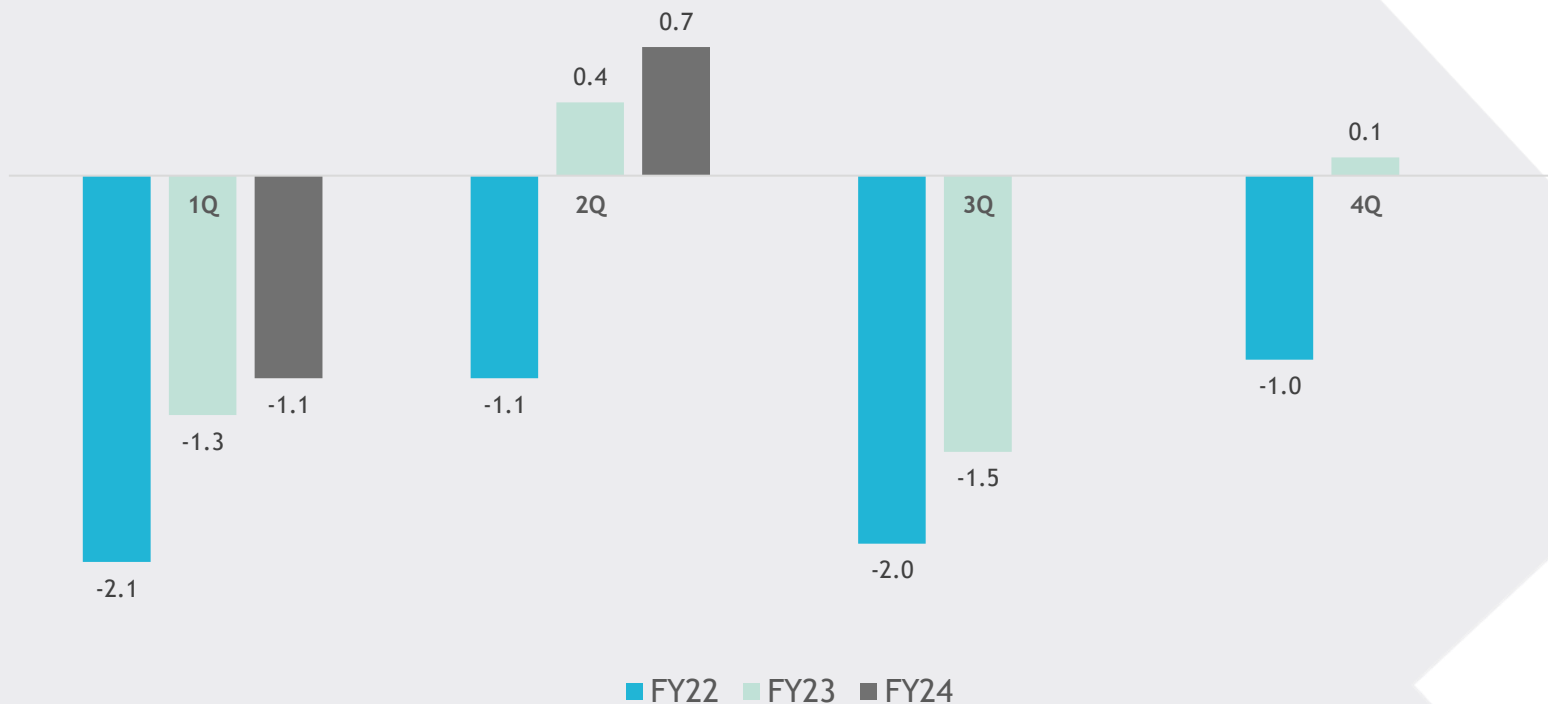
Hardware pricing evolution

Margins in South Korea have improved over time as selling prices increase
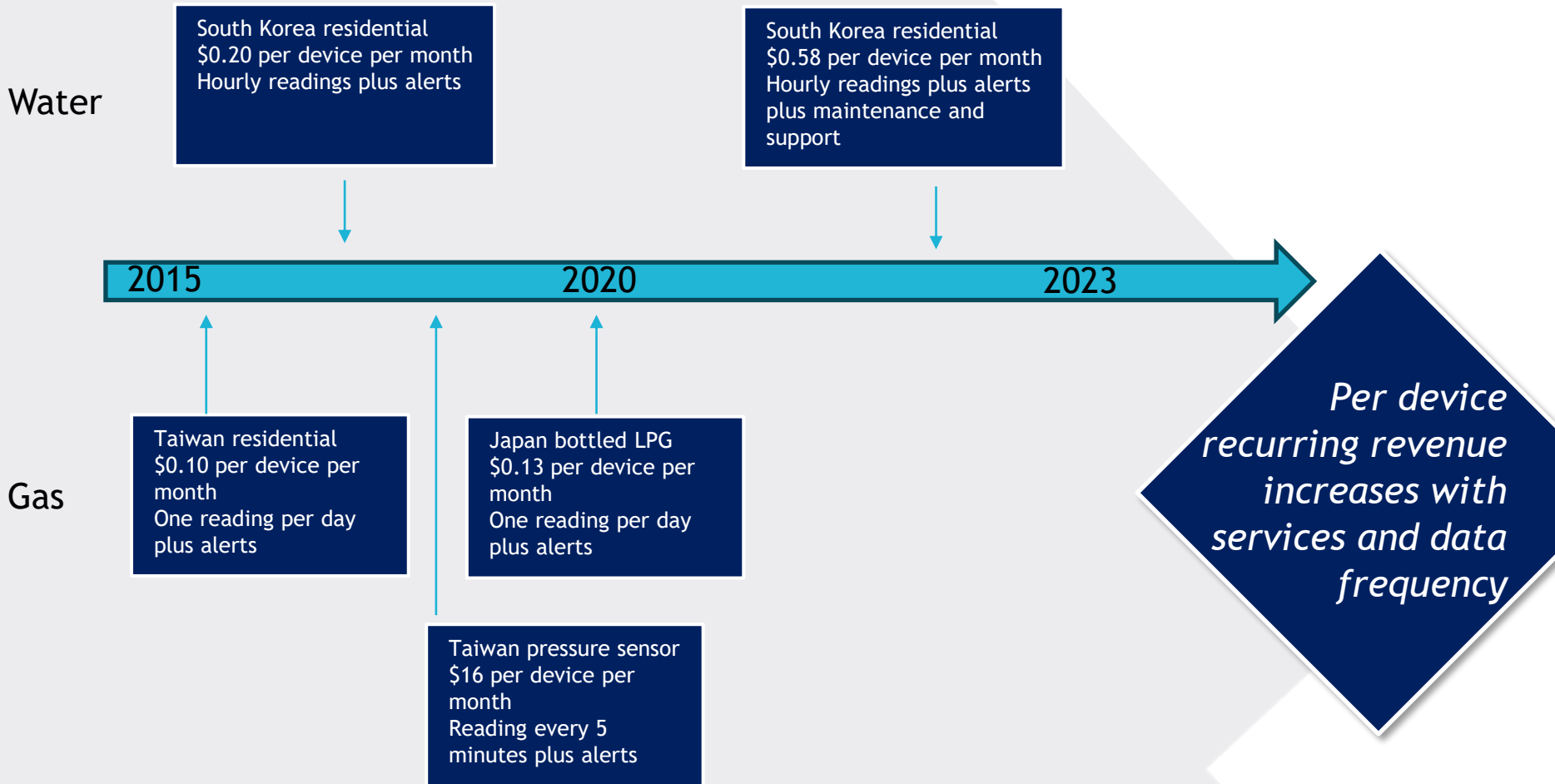
Average NIC sale price[1]

+53% over 4 years

$105 — 2021
$116 — 2022
$149 — 2023
$160 — 2024
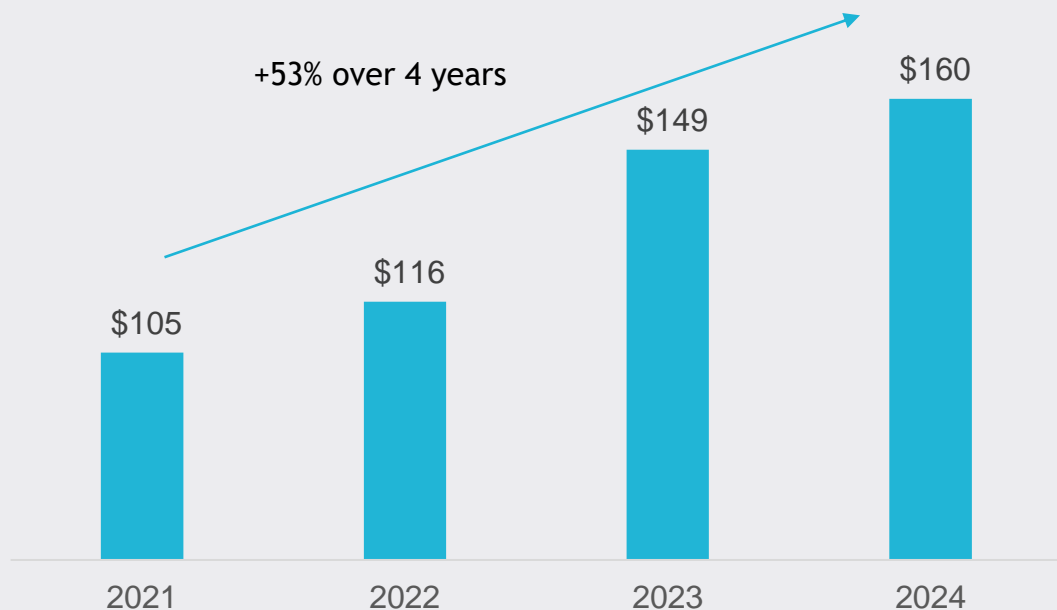
South Korean Network Interface Card Sales Pricing has increased significantly since 2021

Price increases are driven by incumbency and achieving Superior Product Certification allowing higher prices on the Government procurement portal and being able to contract directly with less focus on a tender process

1. Sale price is shown in A$ with conversion at FX850:1

Recurring revenue pricing evolution

Data frequency and additional services are a driver of increased per unit recurring revenue (A$)

Water

South Korea residential
$0.20 per device per month
Hourly readings plus alerts

South Korea residential
$0.58 per device per month
Hourly readings plus alerts plus maintenance and support

2015 — 2020 — 2023

Gas

Taiwan residential
$0.10 per device per month
One reading per day plus alerts

Japan bottled LPG
$0.13 per device per month
One reading per day plus alerts

Taiwan pressure sensor
$16 per device per month
Reading every 5 minutes plus alerts

Per device recurring revenue increases with services and data frequency

Momentum continues with repeat orders

X2M CONNECT

> *Annualised Recurring Revenue increased from $1.1m in December 2022 to $1.7m in December 2023*

6 years to connect first ~50k devices

15 months to connect next ~50k devices

6 months to connect next ~50k devices

6 months to connect next ~50k devices

6 months to connect next ~100k devices

6 months to connect next ~100k devices

6 months to connect next ~100k devices

Quarter	Devices
2Q20	50,426
3Q20	53,889
4Q20	63,713
1Q21	75,540
2Q21	89,952
3Q21	104,804
4Q21	123,256
1Q22	152,304
2Q22	181,102
3Q22	196,037
4Q22	245,265
1Q23	292,806
2Q23	361,345
3Q23	390,626
4Q23	428,801
1Q24	472,882
2Q24	520,417

Cumulative connected devices

1. Q2 FY20 data is from periods when X2M subsidiaries were operated by a prior owner

1H Year on Year financial trends

Revenue ($M)

1H24 revenue of $7.5m, down 17% on the pcp

- 1H22: 4.6
- 1H23: 9.0
- 1H24: 7.5
- -17%
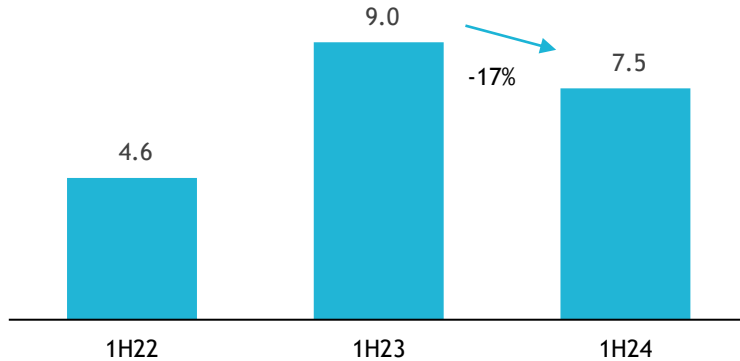
Gross profit ($M)

1H24 gross profit of $2.8m, up 26% on the pcp

- 1H22: 0.9
- 1H23: 2.2
- 1H24: 2.8
- +26%
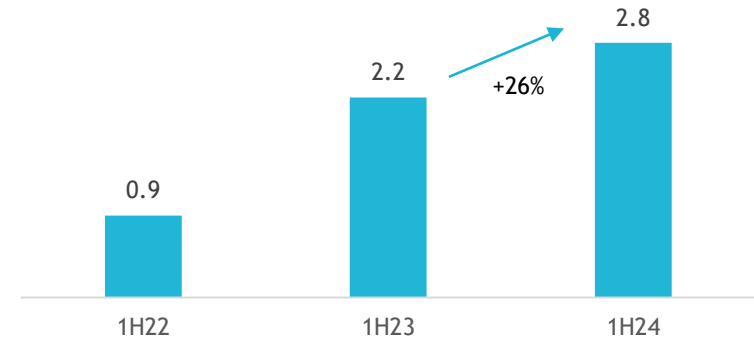
Net cash burn from operating activities

1H24 net cash burn from operating activities of $0.4m, 57% reduction on pcp

- 1H22: -3.3
- 1H23: -1.0
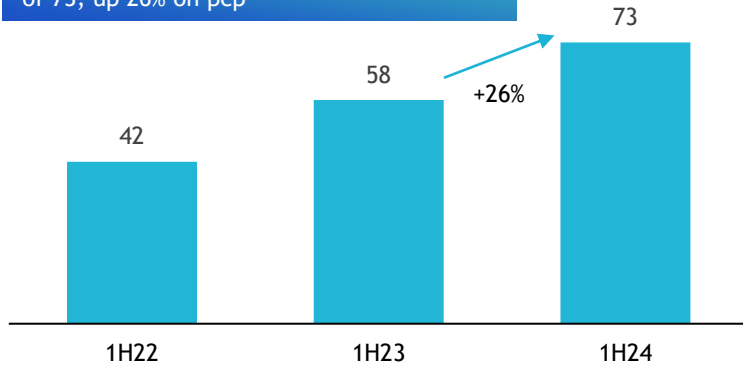- 1H24: -0.4
- 57% reduction
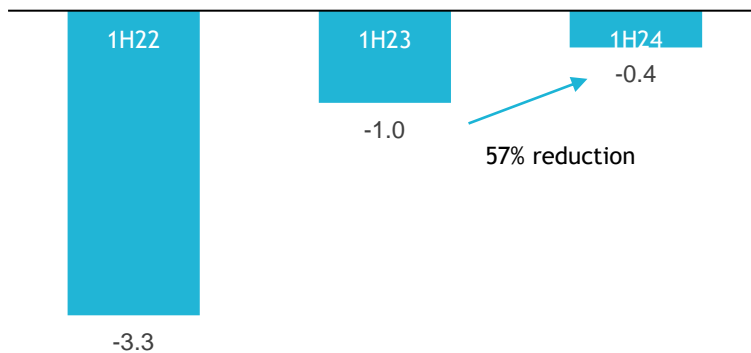
Adjusted EBITDA

1H24 Adjusted EBITDA loss of $1.8m, an improvement of 17% on pcp

- 1H22: -3.0
- 1H23: -2.1
- 1H24: -1.8
- 17% improvement
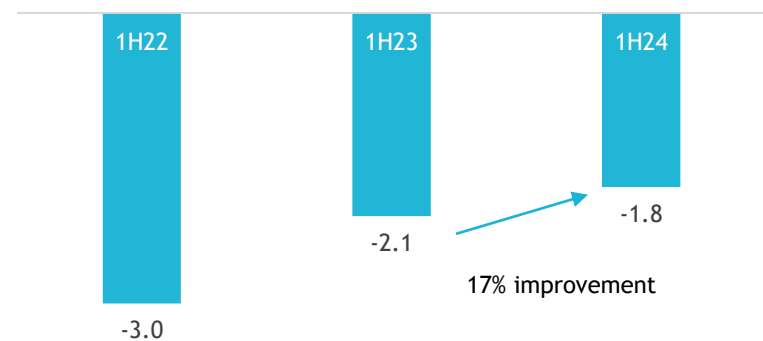
1H Year on Year business metric trends

Enterprise and government customers

1H24 Enterprise and government customers of 73, up 26% on pcp

42 — 1H22
58 — 1H23
73 — 1H24
+26%

SaaS and maintenance revenues

1H24 SaaS and maintenance revenues of $0.9m, up 53% on pcp

0.7 — 1H22
0.6 — 1H23
0.9 — 1H24
+53%
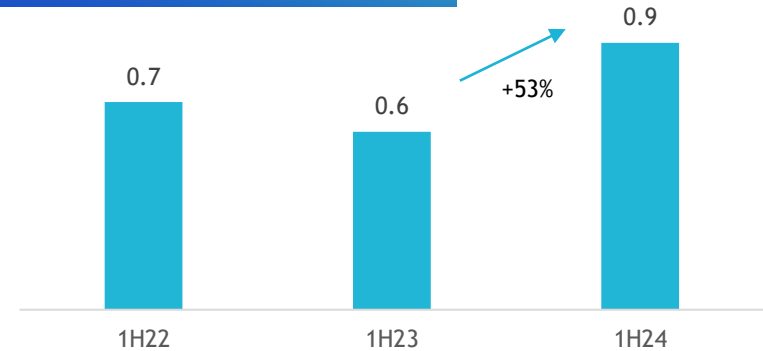
Connected devices

Connected devices as at 31 December 2023 was 520,417 up 44% on pcp

181,102 — 1H22
361,345 — 1H23
520,417 — 1H24
+44%
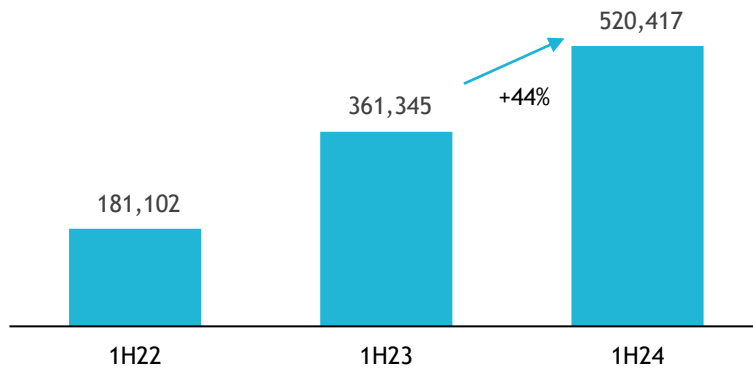
Annualised recurring revenues (ARR)

1H24 ARR of $1.7m, up 55% on pcp

0.7 — 1H22
1.1 — 1H23
1.7 — 1H24
+55%
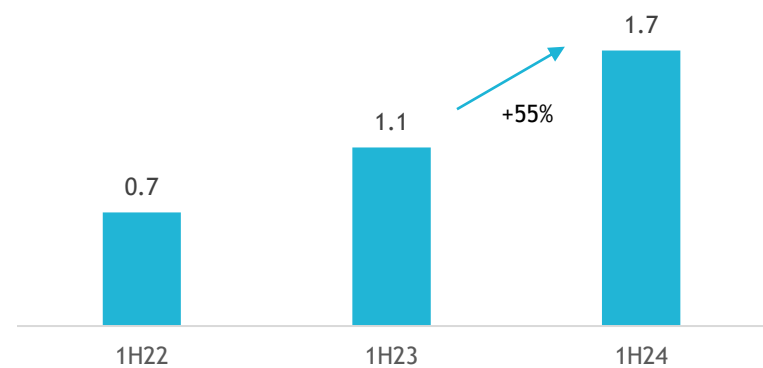
THE MARKET OPPORTUNITY

CURRENT MARKETS
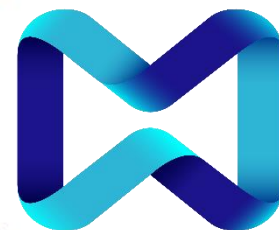
X2M's Addressable market is large

Australia
26m people
9m households

Beijing, China
22m people
9m households

Japan
126m people
55m households

South Korea
52m people
22m households

Taiwan
24m people
9m households

Addressable market in current geographies: 250 million people. 104m households

Addressable market across existing customers: >10m households[1] .
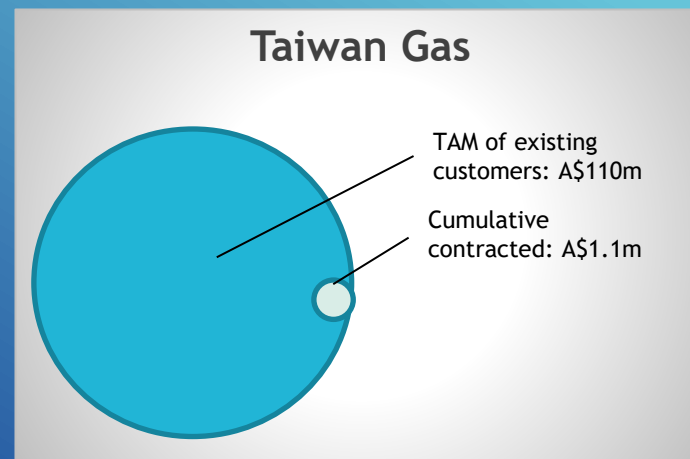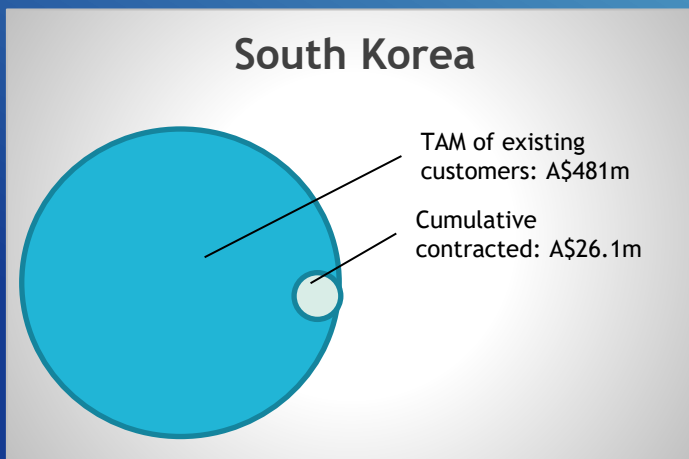Revenue potential >$500m

Annual recurring revenue potential across existing customers[2] :
Approximately $40m per annum

>50% of customers placing repeat orders

1. Assumes customer installs X2M current bundled services to all its households
2. Assumes customer installs X2M SaaS services to all its households

The potential market is large in target countries

The total addressable market leaves much space for future conversion

South Korea

TAM of existing customers: A$481m

Cumulative contracted: A$26.1m

Taiwan Gas

TAM of existing customers: A$110m

Cumulative contracted: A$1.1m

Japan Bottled Gas
Annual Revenue

Revenue TAM of all customers: A$41m

TAM of existing customers: A$3.6m

Contracted: A$0.5m pa

Japan Bottled Gas
Devices

Device TAM of all customers: 24m

TAM of existing customers: 2.2m
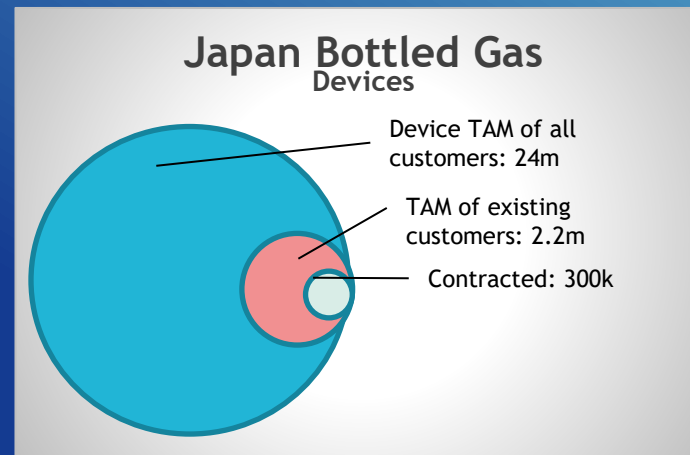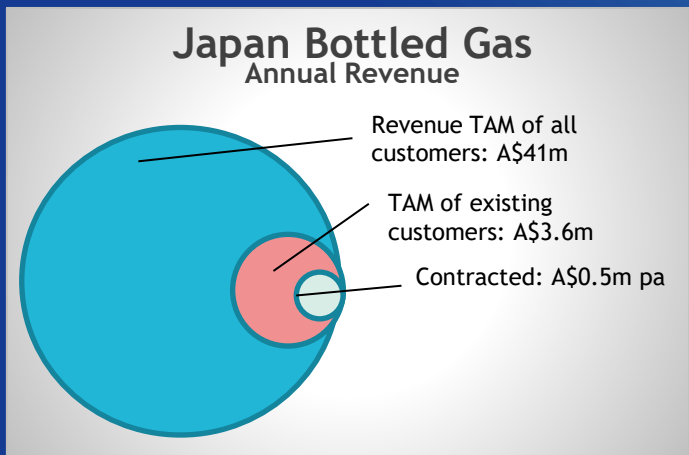
Contracted: 300k

1. Data as at 31 December 2023.
2. Total addressable market (TAM) and contracted values are based on Year 1 bundled revenues of A$120 (SK) and A$100 (TW) per device.
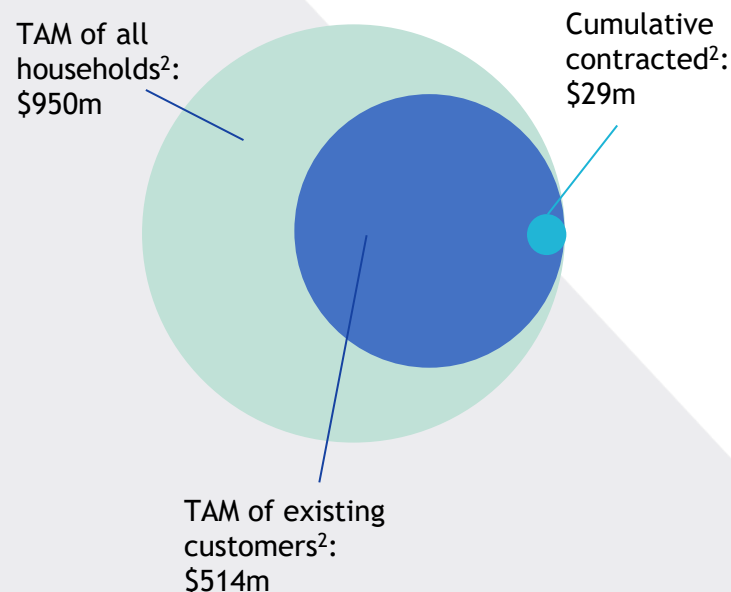
X2M is growing penetration of its customer base – South Korea example

Share of TAM increasing as X2M gets embedded into customer eco systems generating follow up orders

SOUTH KOREA MARKET – SEP 2021

TAM of all households[2]: $950m

Cumulative contracted[2]: $8.6m

TAM of existing customers[2]: $316m
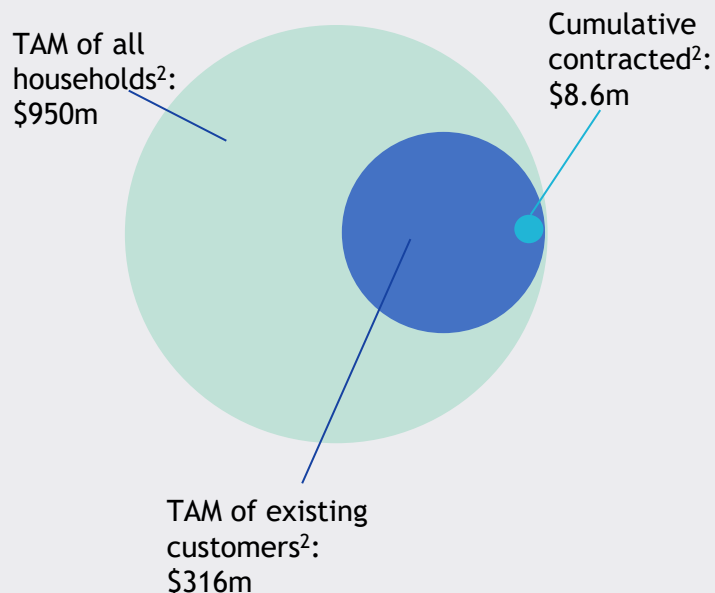
SOUTH KOREA MARKET – DEC 2023

TAM of all households[2]: $950m

Cumulative contracted[2]: $29m

TAM of existing customers[2]: $514m

Over the last twenty seven months, in South Korea, the TAM of X2M's existing customers has increased from $A316 million to $A514 million. This represents an increase from 33% to 54% of the total South Korean country market. Contracting of the customers' TAM, on average, has increased from 2.7% to 5.6%. Despite strong growth, overall penetration of customers TAM is low and augers well for future growth
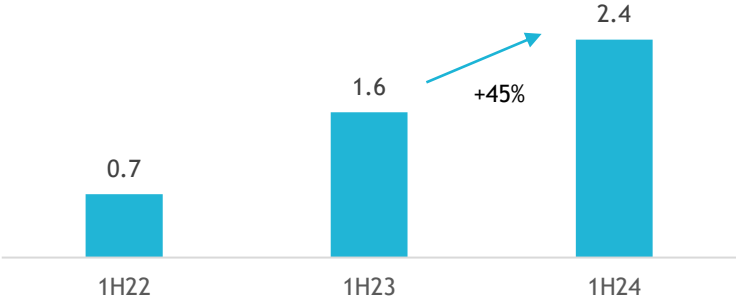
1. Data as at 31 December 2023.
2. South Korea total addressable market (TAM) and contracted values are based on Year 1 bundled revenues of A$120 per device.

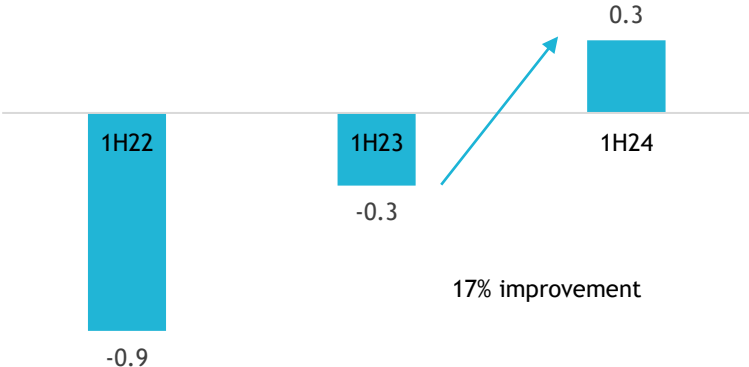# South Korea operation records first profitable half year

South Korea Gross profit ($M)
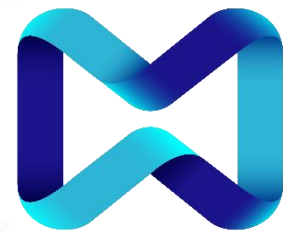
1H24 gross profit of $2.4m,
up 45% on the pcp

1H22	1H23	1H24
0.7	1.6	2.4

+45%

South Korea Adjusted EBITDA

1H24 Adjusted EBITDA of $0.3m, an
improvement of 193% on pcp

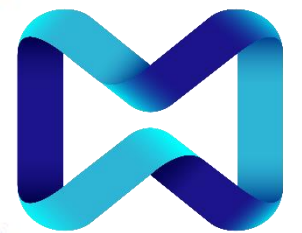| 1H22	1H23	1H24
-0.9	-0.3	0.3

17% improvement

MARKET OPPORTUNITY
New Markets

GreenRock

Dicode

GreenRock

X2M entered into a strategic partnership with GreenRock Energy Co.

GreenRock a leading Taiwanese energy generation, storage and trading co.

o   Takes a 11% stake in X2M and gets a Board seat

o   Partnership to develop renewable energy generation and Battery Energy Storage Systems (BESS) in APAC

o   X2M to be the software provider for energy management

o   Initial focus for global expansion is Australia and Japan

o   GreenRock becomes X2M priority battery partner for X2M's Australian Smart Communities

o   Revenues to come on stream from 1Q25

o   News stream to follow

BESS market in Australia

Australia leads the global market for BESS with announced pipeline exceeding 40GW[2]

AEMO outlined that 61GW of storage capacity is required by 2050 which is 17 times the current capacity[1]

This indicates that the BESS market for Australia could be equivalent to a value of around $40 billion with the associated EMS market being $1.2 billion
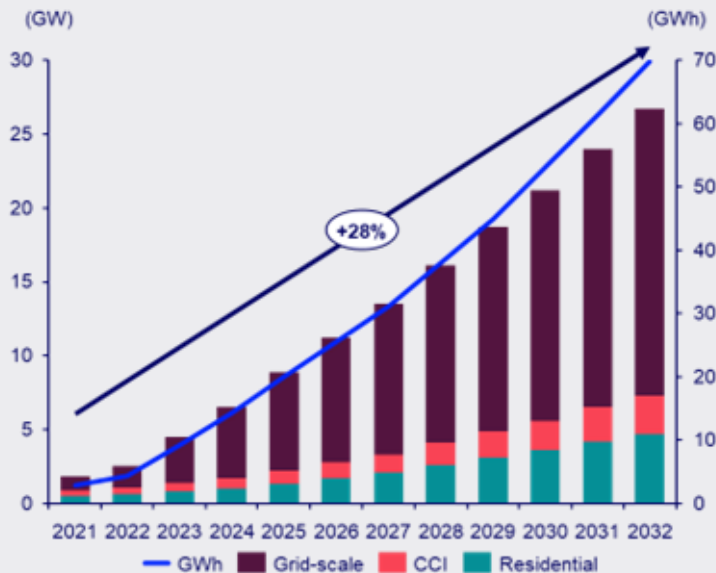
"We expect a 28% increase in the country's battery storage capacity from now until 2032," said Kashish Shah, senior research analyst at Wood Mackenzie[2]

1. https://www.energycouncil.com.au/analysis/storage-across-the-nem/
2. https://www.woodmac.com/press-releases/australia-leads-global-market-for-battery-energy-storage-systems/

Battery Energy Storage Systems (BESS) market in Taiwan reflects global trends

Taiwan has set a target of 20% (vs 8.3% now) renewable energy (Wind+Solar) generation by 2025

Taiwan BESS Total Addressable Market[1]
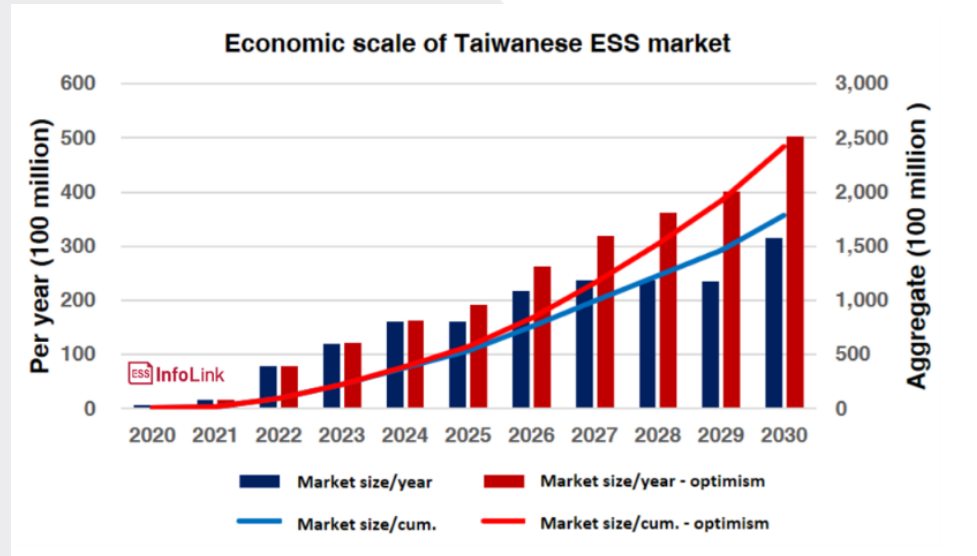
2023: NT$10b (A$500m)

2026: NT$20b (A$1b)

2030: NT$ 200b (A$10b)

EMS software represents 2-3% of total spending equating to

A$15m in 2023

A$30m in 2026

$300m in 2030

Economic scale of Taiwanese ESS market

ESS InfoLink

Market size/year | Market size/year - optimism
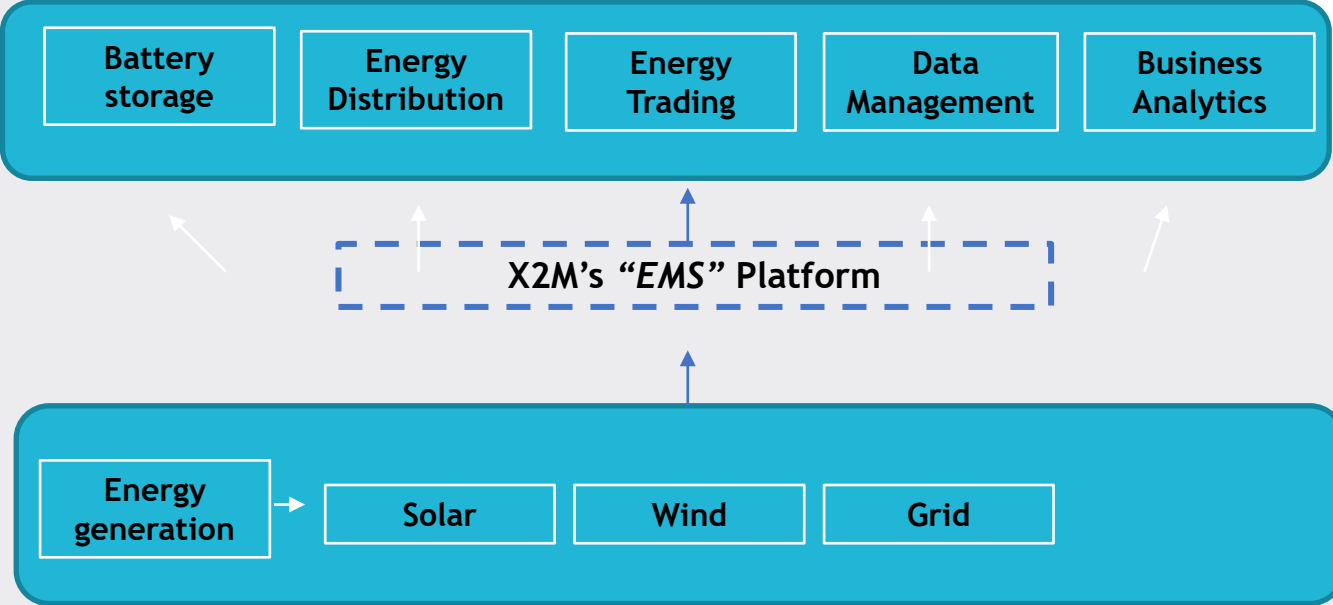Market size/cum. | Market size/cum. - optimism

GreenRock has 300MW in deployment = approx A$285m of BESS and A$8.5m of EMS. Recurring SaaS expected to be 15% of EMS. Revenue to grow as deployed MW's grow

1. https://www.infolink-group.com/energy-article/Taiwan-could-hit-20-GWh-energy-storage-and-200-bn-economic-scaleby-2030
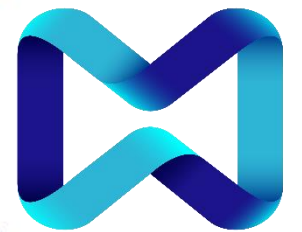
GreenRock focus – large scale renewable energy infrastructure

900mw under management. 300MW under development

Energy sector – Renewable generation and storage
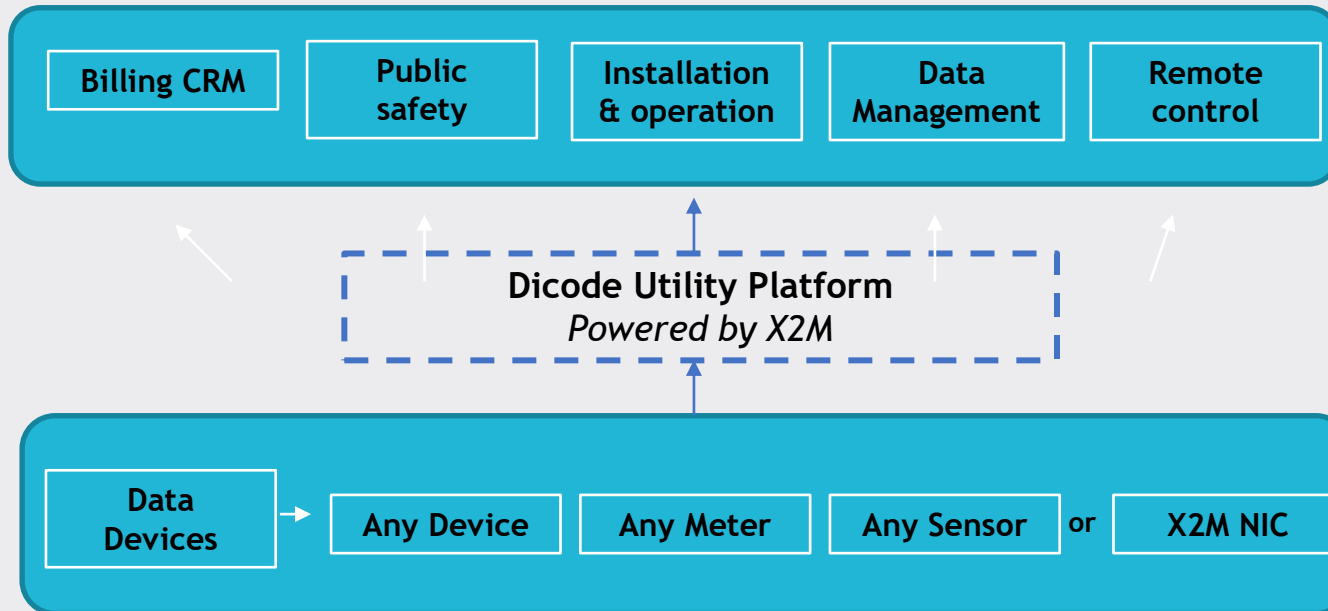
Battery storage	Energy Distribution	Energy Trading	Data Management	Business Analytics

X2M's *"EMS"* Platform

Energy generation	→	Solar	Wind	Grid

Dicode

Middle East – Dicode to be X2M's channel partner

X2M executes Services Agreement to develop the ME market

Gas Industry – Dubai, Abu Dhabi & other emirates

| Billing CRM | Public safety | Installation & operation | Data Management | Remote control |

Dicode Utility Platform
Powered by X2M

Data Devices → Any Device | Any Meter | Any Sensor | or | X2M NIC

About Middle East

- Dicode is a Dubai based company aiming to provide Meter as a Service to gas companies in ME and sell the X2M platform

- Gas market is fragmented and economics are attractive

- Expect to rollout POC's this calendar year

- Opportunities in water and electricity are also available

Middle East market

There is an immediate opportunity in gas and likely upcoming opportunities in electricity and water monitoring

- The UAE Government has mandated piped gas be fitted to all new buildings creating a transition away from bottled gas. Smart gas meter usage in the UAE is new and penetration is approximately 7% of users.

- There are an estimated 500,000 piped gas connections in Dubai alone.

- The gas market in the UAE is severely fragmented with many small independent gas companies

- The X2M platform provides the ability to monitor and control gas and other meters and eliminate expensive manual reading. The X2M platform delivers large amounts of data for artificial intelligence and analytics applications.

- There are more than 4 million water and electricity meters in the UAE.

Summary – X2M delivering

1H24 results show the path to positive cashflow and other improved business and financial outcomes

Attractive business model with sticky customers

Opex, cash burn, margins, EBITDA all heading in the right direction

Existing markets represent a large TAM

New markets represent material potential upside

The team to deliver: board and senior management

Hon. Alan Stockdale AO
Non-Executive Chair

- Currently Emeritus Counsel of Medical Research Commercialisation Fund and Chairman Knosys Limited (KNO.ASX)
- Previously Treasurer of Victoria, as well as Investment banking at Macquarie

Keith Jelley
COO

- 9 years in the X2M business
- 40 years of development and operations experience across 9 countries in military, telecommunications and embedded systems industries

Mohan Jesudason
CEO and Managing Director

- 10 years leading the X2M business
- Previously Managing Director Gaming at TABCORP, led Telecom NZ mobiles business and grew AXA/AMP to leading positions in the market

Yongsun Kim
MD Korea

- Previously CEO of Kathrein Korea and Country Manager of NextWindow

Damien Johnston
Non-Executive Director

- Formerly CFO of Tabcorp
- Held several senior finance roles at BHP
- Fellow of CPA Australia and a Member of the Australian Institute of Company Directors

Steve Fang
MD Greater China

- 20 years of experience with Splunk, VMWare, Huawei, Delta Electronica and Ericsson

John Stewart
Non-Executive Director

- Extensive Investment banking experience at Gresham, Lazard & JP Morgan
- Founder and Managing director at Health&
- Bachelor of Laws (Honors), Bachelor of Commerce from the University of Melbourne

Thank you