

X2M Connect Limited (ASX:X2M) ASX Announcement



Quarterly Activity Report and Appendix 4C Quarter ended 31 March 2024

30 April 2024

**Operating cash burn improves 47% for the quarter and 51% for the year to date
Key business metrics tracking well**

BUSINESS HIGHLIGHTS:

- Softer revenues reflect the strategy to discontinue low margin hardware sales
- 3Q24 revenues of \$3.9 million¹, down 6% on the pcp, reflecting a record quarter in the prior corresponding period (pcp) and a continued focus on higher margin sales
- YTD total revenues of \$11.3 million¹, down 13% on the pcp
- YTD gross profit of \$4.0 million¹, up 33% on the pcp
- Cash burn from operating activities for 3Q24 of \$0.8 million, an improvement of 47% on pcp
- YTD cash burn from operating activities was \$1.2 million, an improvement of 51% on pcp
- Connected devices at 31 March 2024 were 537,652, up 38% on pcp
- Enterprise/government customers increased to 74, up 21% on pcp

Australian Internet of Things (IoT) technology company X2M Connect Limited (ASX:X2M) (“X2M or the Company”) is pleased to provide its Quarterly Activity Report and Appendix 4C for the period ended 31 March 2024 (3Q24).

Key operating metrics

Whilst revenue is lower than the pcp, (the pcp included \$1.8 million in lower margin hardware sales which has been discontinued by the Company), all other key metrics are trending well. Importantly, operating cash burn continued to improve, reflecting X2M’s focus on cash management, higher margin revenues and strong cost control.

Revenue performance

X2M achieved total revenues of \$3.9 million in 3Q24, down 6% on the pcp. Total revenues for the nine months to 31 March 2024 were \$11.3 million, down 13% on the pcp. The decline in revenue reflects the discontinuation of low margin sales.

Gross profit for the YTD to 31 March 2024 was \$4.0 million, up 33% on the pcp, reflecting the benefits of higher margin sales.

¹ All revenue figures are unaudited

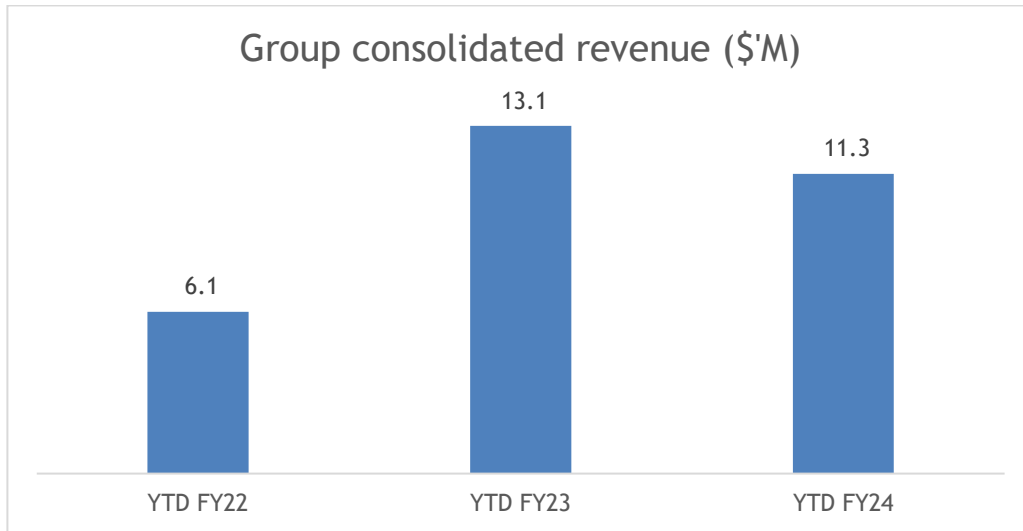


Chart 1: YOY revenues performance for the first three quarters

47% reduction in 3Q24 operating cash burn vs pcp

3Q24 delivered cash burn from operating activities of \$0.8 million, an improvement of 47% on the pcp. This resulted in YTD operating cash burn of \$1.2 million, an improvement of 51% on pcp result of \$2.4 million. This improvement was driven by higher gross margins and cost management initiatives.

Chart 2 shows the 3Q improvement over the last three years.

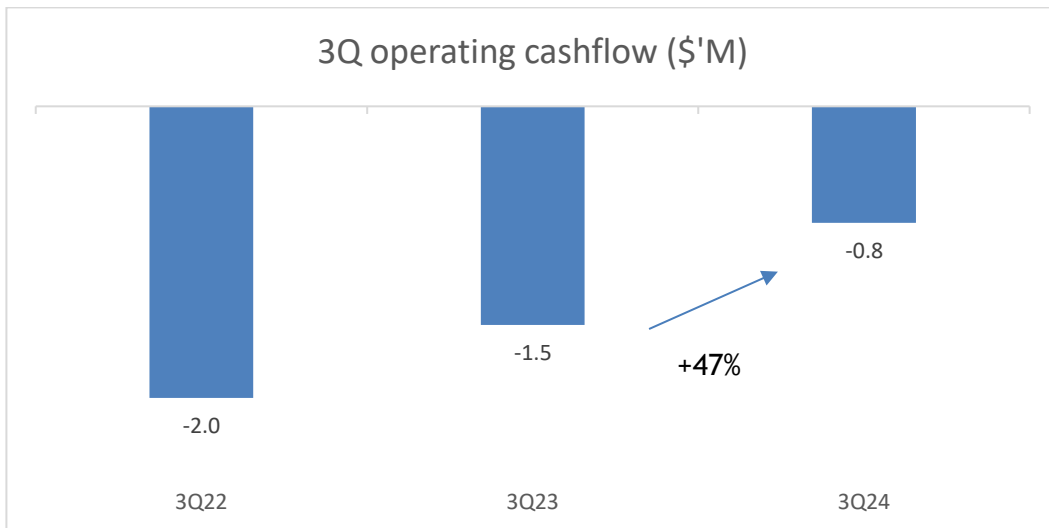


Chart 2: Cash burn from operating activities

21% year on year increase in Enterprise and Government customers

X2M’s target market is the Enterprise and Government utility sector in the APAC region. As shown in Chart 3 below, X2M’s Enterprise and Government client base has continued to rise steadily, reaching 74 at 31 March 2024, up 21% on the pcp. Importantly this customer group delivers a large addressable market estimated to be in excess of \$500m in potential revenues² and in excess of \$40m in potential annual recurring subscription revenues³ for the Company. Pleasingly, X2M has continued to win repeat orders during the quarter.

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

³ Assumes customer installs X2M SaaS services to all its households

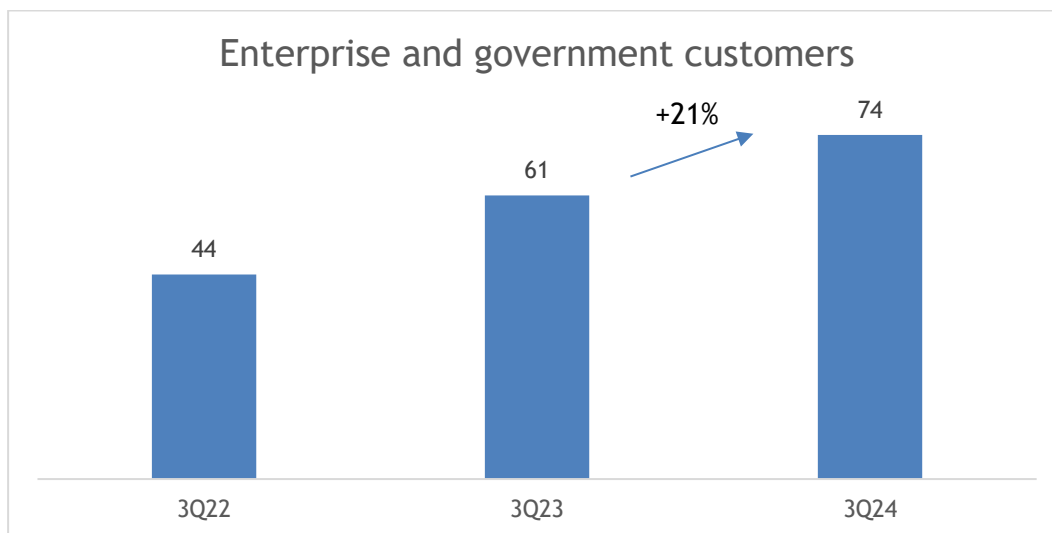


Chart 3: Growth in enterprise and government customers

38% year on year increase in connected devices

A key focus area for the Company is the continued growth in the number of connected devices which provides the base for future recurring SaaS revenues. The rise in connected devices is driven by the Company's core Enterprise and Government customers.

Total connected devices at 31 March 2024 reached 537,652, an increase of 38% on 31 March 2023.

Performance of connected devices over the last three years is shown in Chart 4.

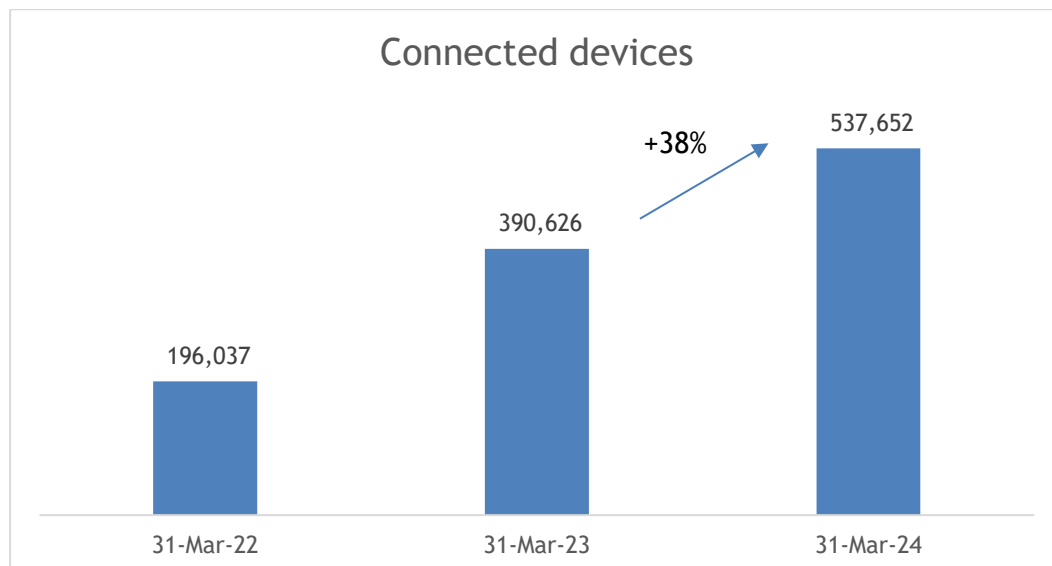


Chart 4: Growth in connected devices

X2M began reporting Annualised Recurring Revenue (ARR) in the last financial year. ARR is the monthly SaaS and maintenance revenue that is recorded in the last month of the reporting period annualised by multiplying by twelve. SaaS and maintenance revenues arise from pure subscription services contracts and from subscription allocations in bundled contracts. For March 2024, the ARR is \$1.7million⁴

⁴ Unaudited

Financial and corporate

Receipts from customers for the quarter were \$2.6 million, including \$0.5 million from Korean deployments and \$1.4 million deposits for new contracts.

Net cash outflows from operating activities were \$0.8 million, an improvement of 47% on the pcp.

Net cash outflow from investing activities was \$0.7 million, mainly attributable to continued investment on capitalised development.

Net cash flows from financing activities were \$0.6 million, including \$3 million received on completion of share placement, entitlement offer and entitlement shortfall, offset by \$2.4 million in repayment of borrowings.

Total cash at 31 March 2024 was \$2 million.

Related party payments in Appendix 4C section 6.1 of \$94K represent director fees.

X2M CEO Mohan Jesudason said: “We are pleased with our performance to date. Disciplined execution of our strategic program is being reflected in the results of key metrics and reductions in operating cash burn specifically. We remain focused on achieving cash breakeven in the near term.”

Ends

The Board of X2M has approved this announcement.

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About X2M Connect Group

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. The strategy is to stay focused on the utility sector where X2M has proven performance and tap the growing artificial intelligence, renewable energy generation and battery storage markets' demand for data collection, analytics and device control.

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 collection of large volumes of data from meters or sensors and our ability to go back and control devices also provides the basis for artificial intelligence or machine learning applications to build upon our platform. The Company generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 537,000 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 communications 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. The addressable market across the region is large and importantly, the addressable market within X2M's existing customer base is also large with penetration growing. 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](#).

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")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,596	11,215
1.2 Payments for		
(a) research and development	(91)	(251)
(b) product manufacturing and operating costs	(1,326)	(7,292)
(c) advertising and marketing	(19)	(30)
(d) leased assets	(51)	(127)
(e) staff costs	(1,122)	(3,919)
(f) administration and corporate costs	(554)	(1,937)
1.3 GST/VAT received/(paid)	(217)	(226)
1.4 Interest received	3	17
1.5 Interest and other costs of finance paid	-	(105)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,461
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(781)	(1,194)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(40)
(d) investments	-	-
(e) intellectual property	(712)	(2,092)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(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 – Security deposits	-	(35)
2.6	Net cash from / (used in) investing activities	(716)	(2,167)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,064	4,019
3.2	Proceeds from issue of convertible debt securities	-	1,675
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(46)	(230)
3.5	Proceeds from borrowings	-	680
3.6	Repayment of borrowings	(2,363)	(2,363)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Repayment of lease liabilities	(60)	(182)
3.10	Net cash from / (used in) financing activities	595	3,599

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,917	1,785
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(781)	(1,194)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(716)	(2,167)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	595	3,599
4.5	Effect of movement in exchange rates on cash held	1	(7)
4.6	Cash and cash equivalents at end of period	2,016	2,016

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,016	2,016
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,016	2,016

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	94
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	-

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.

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	269	269
7.2 Credit standby arrangements	-	-
7.3 Other – Convertible notes	1,631	1,631
7.4 Total financing facilities	1,900	1,900
7.5 Unused financing facilities available at quarter end		-
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.		
<p>Loan facility X2M secured a loan facility from SBC Global Investment Fund (SBC) in October 2023. The loan is unsecured with a 12-month term. No interest is payable however the facility has a face value of \$720,000 of which SBC advanced \$650,000.</p>		

Convertible notes

In August 2023, X2M Completed a capital raising of \$1.7 million through entering into convertible note arrangements with professional and sophisticated investors. The key

- Face value: \$1.7 million (\$1 per note)
- Expiry date: 30 June 2025
- The Convertible Note holder can convert Notes at any time into Shares at the rate of \$0.05 per Share.
- Interest on Convertible Notes not yet converted or redeemed accrues at the rate of 18% per annum, however a minimum of 12 month's interest must be paid.
- X2M may, at its sole discretion, redeem the Convertible Notes at any time by repaying the then outstanding unconverted Convertible Notes and accrued interest, provided at that time it pays at least 12 months of interest and it notifies and provides the Convertible Note holder the opportunity to issue a Conversion Notice for 5 business days prior to any redemption.
- The Convertible Notes are partly secured parri passu against X2M's anticipated FY24 R&D tax refund amount and the Company must keep that refund in a trust account until the total amount outstanding under the Convertible Notes is less than the trust account amount.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(781)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,016
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,016
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.58
	<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: 30 April 2024

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.