



ASX ANNOUNCEMENT

27 February 2025

X2M poised for growth as business transforms

1H FY25 Highlights

- Results reflect X2M's strategy to position the Company on a clear trajectory to profitability through building its SaaS business, exiting low-margin hardware-only sales and removing associated costs
- Revenue of \$3.4 million down 55% on the pcip, reflecting exit from low-margin sales and market softness in South Korea
- Operating expenditure was \$3.2 million, down 31% on the pcip (1H FY24: \$4.7 million)
- Gross margin of 47%, up 10 percentage points on the pcip (1H FY24: 37%)
- Adjusted EBITDA¹ loss of \$1.4 million, an improvement of 18% on the pcip (1H FY24: \$1.8 million)
- Enterprise/government customers increased to 80, up 10% on the pcip
- Post-results, secured first commercial contract in the Middle East with Dicode Smart Connect Electronics

Australian Internet of Things (IoT) technology company **X2M Connect Limited** (ASX:X2M) ("X2M" or "the Company") announces its financial results for the half year ended 31 December 2024.

X2M CEO Mohan Jesudason said: *"During 1H FY25, we pursued a strategy to capitalise on established presence in key markets and take X2M deeper into software applications focused on utility automation and Artificial Intelligence (AI), which are both a natural and logical extension of our core capabilities and platform IP. We set three clear priorities for the period: reducing reliance on low margin hardware-only sales while scaling our SaaS business, progressing toward profitability, and executing our new market expansion ambitions. I am pleased to report meaningful progress across all three priorities."*

"Our strategic exit from low-margin hardware-only sales strengthened key operational metrics with gross margins improving, costs reducing and adjusted EBITDA improving compared to the same period last year. Notably, our customer base has increased by 10%, while recurring SaaS and maintenance revenue contributed 25% of total revenue. These shifts place us firmly on the path to profitability and positive cash flow. We anticipate a return to growth at the end of FY25 as revenue aligns with FY24."

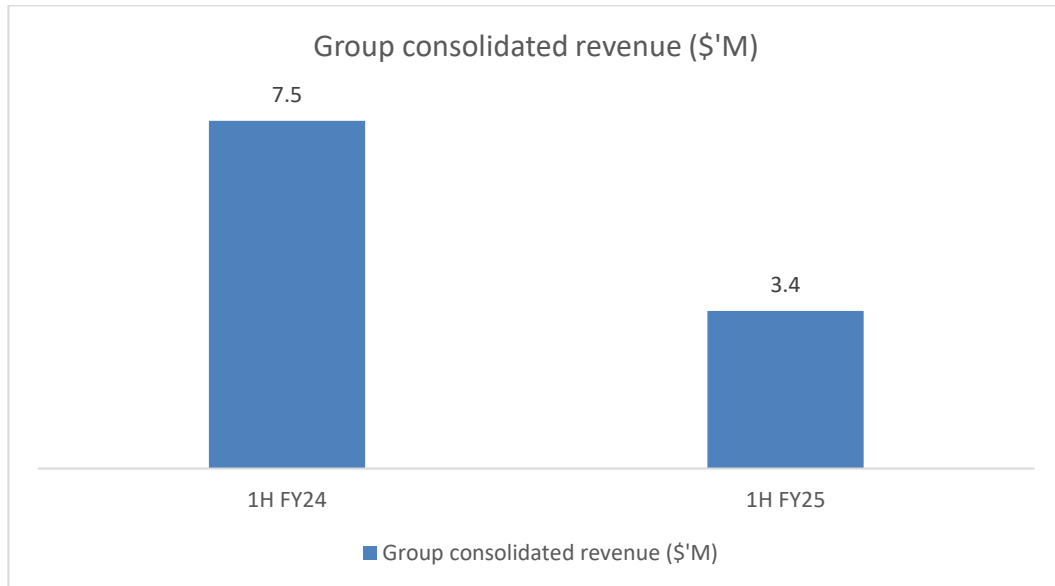
"A major achievement for the half was consolidating our partnership with Dicode in the Middle East, including a joint presence at WETEX 2024 in Dubai and signing our first commercial contract in February. The Middle East presents a considerable growth opportunity for X2M with an addressable market exceeding four million meters. We initiated the first deployment of gas meters across six large apartment complexes serving multiple gas companies with first revenues expected this financial year. The business model for the Middle East is a software-focused technology licensing model. As such it is capital light and high margin."

"We also expanded into the renewable energy and battery storage sector, a market poised for significant global growth. Our proprietary platform is uniquely positioned to capture this opportunity. Following our first commercial partnership with Taiwan-based GreenRock Energy Company in 2024, we secured a solar energy management aggregation and monitoring contract with leading Taiwanese solar photovoltaic company Heying International. We are advancing with building a presence in this high-growth sector."

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

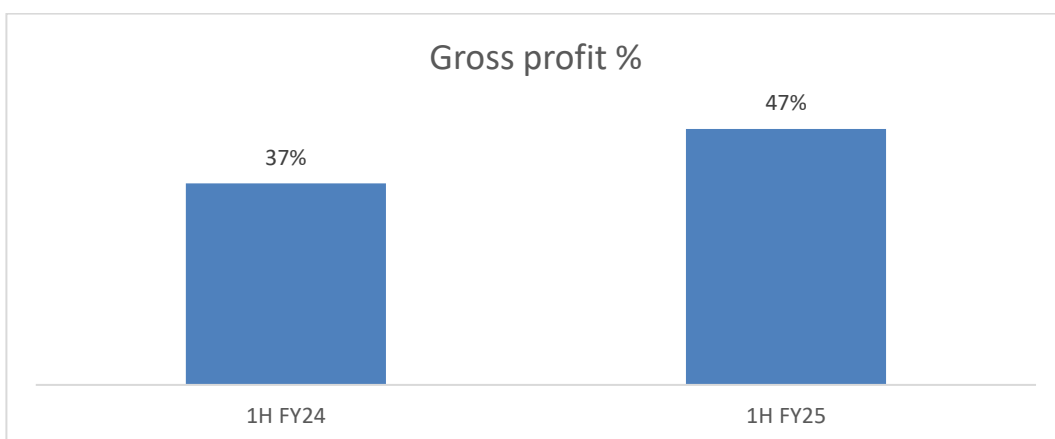
Financial overview

X2M achieved total revenues of \$3.4 million, down 55% on the pcp (1H FY24: \$7.5 million), reflecting a softer market in Korea and the previously announced strategy to exit low-margin hardware-only sales. However, this revenue delivered an improved gross margin of 47%.

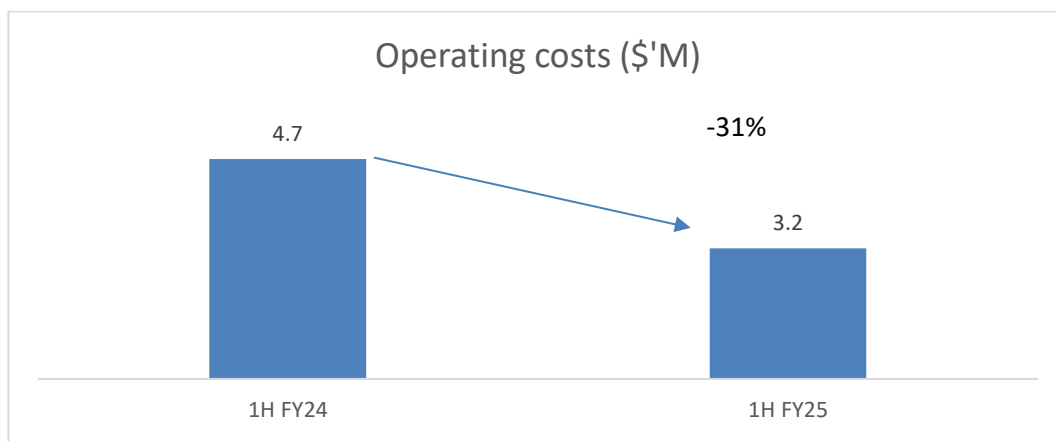


SaaS (software as a service) and maintenance revenue for the Company was \$0.8 million, consistent with the pcp due to increased devices connected to the platform and a slight drop in average revenue per device.

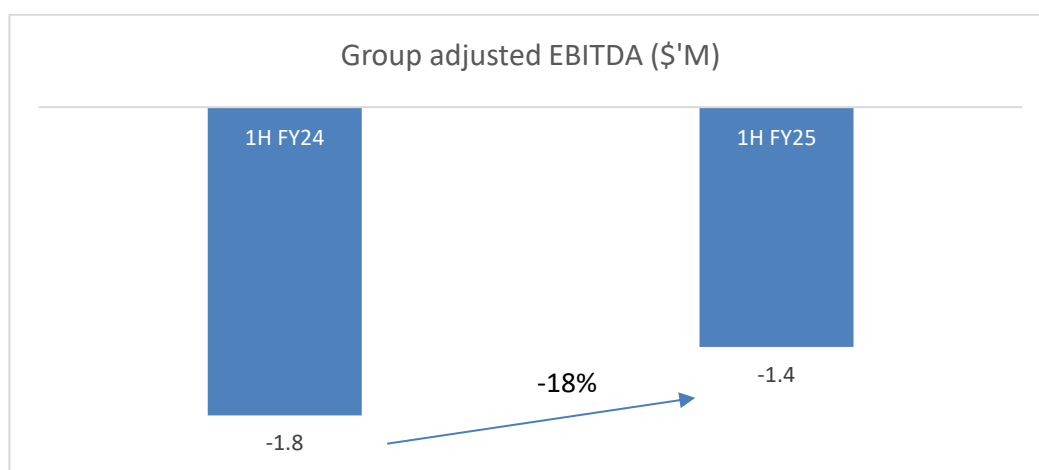
Gross profit of \$1.6 million decreased 43% on the pcp despite revenue reducing 55%, while the gross margin was 47%, up 10 percentage points on the pcp (1H FY24: 37%). These primarily reflected the decline in hardware-only sales and the growth in SaaS and maintenance revenue percentage.



Operating costs for 1H FY25 were 31% down on 1H FY24. This was primarily a result of scaling back operations in China, reductions in head count and reduced administrative expenses.



The adjusted EBITDA² loss was \$1.4 million versus a loss of \$1.8 million in the pcp. This reflected the benefit of lower operating costs despite the decline in gross profit.



Net cash outflows from operating activities in 1H FY25 were \$1.8 million (1H FY24: \$0.4 million). This variation was primarily driven by the timing of receipt of the FY24 R&D tax refund which was received in January 2025 as opposed to being received in November 2023 for the previous period.

Total cash at 31 December 2024 was \$0.7 million.

In addition, the Group had undrawn loan facilities of \$0.5 million.

X2M has entered into agreements to sell its shareholding in GreenRock Energy Company for NTD 11 million (approximately A\$0.5m). This shareholding was no longer regarded as a core asset. The sale settled in February 2025.

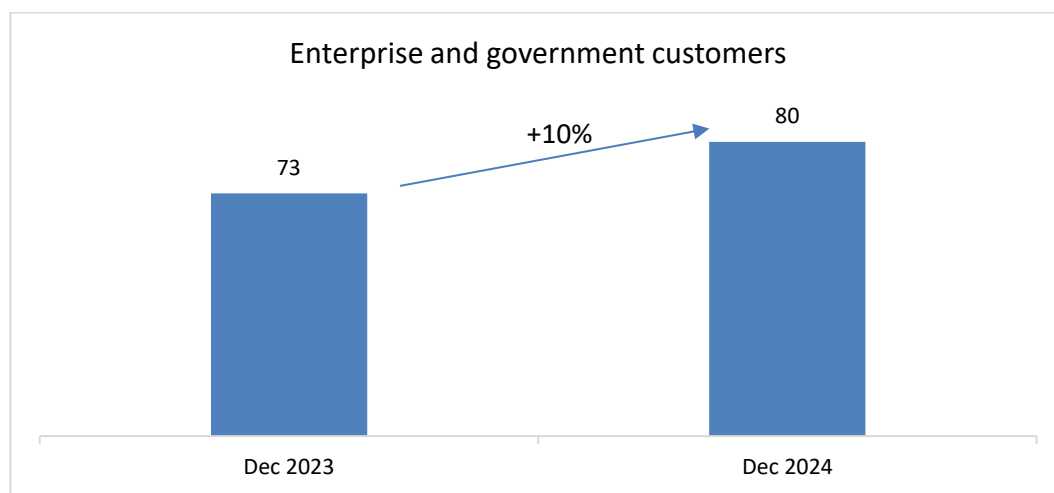
Strengthening the balance sheet remains a priority for the Company.

² Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs and share based payments.

Operational overview

A key focus for the Company has historically been growth in the number of connected devices which provides the base for future recurring SaaS revenues under long-term contracts. The number of connected devices is driven by the Company's core enterprise and government customers. Total connected devices at 31 December 2024 reached 544,910, up 5% on the 31 December 2023 figure. As X2M adds renewables and AI-based platform elements to the business, SaaS and maintenance revenues will begin to transition away from a dependence solely on connected device numbers.

X2M's enterprise and government client base continued to rise steadily, reaching 80 at 31 December 2024, up 10% on the pcp. X2M has continued to win repeat orders from existing customers during the half. These customers collectively deploy a broad range of devices from water and gas meters to smart homes onto the X2M platform, which in turn drive our SaaS and recurring revenue base.



As previously announced, X2M signed a term sheet for a licensing agreement with Dicode in Dubai which forms the foundation for its gas Metering-as-a-Service offering in the Middle East market with initial operations focused on the United Arab Emirates (UAE).

On 20 February 2025, X2M announced the signing of the first formal commercial contract for this licensing agreement with Dicode Smart Connect Electronics (DSCE), an associate entity of Dicode.

DSCE will use 'Vision by X2M' as the only platform in the Metering-as-a-Service offering for an initial period of ten years. The parties intend to expand this offering beyond the UAE into the broader Middle East region.

X2M anticipates around A\$0.4 million EBITDA per annum for every 100,000 smart devices installed on the "Vision by X2M" utility solution in the Middle East.

The contract revenue structure includes upfront charges; an annual per instance licensing fee; an annual per device monitoring fee; and additional charges for customisation and ad-hoc support services. Revenue from the contract is expected to exceed A\$250,000 during the first 12 months of operation with the first revenues to occur in the current financial year.

DSCE is operating piped gas meter monitoring and control deployments connected to the X2M platform in four gas companies and expects a further five gas companies to deploy soon. DSCE is also evaluating gas bottle monitoring by leveraging X2M's experience in the Japan bottled gas market and this market provides a significant opportunity for X2M.



Outlook

X2M CEO Mohan Jesudason said: *“We are well placed to execute a series of high-impact strategic initiatives over coming months, including market rollouts in the Middle East and a potential entry into India along with deeper penetration into AI applications. These regions are rapidly emerging as major growth opportunities. Our progress is underpinned by strong local partnerships, with initial integrations either completed or well advanced.*

“Our expansion in India and the Middle East together with upcoming product releases has the potential to transform our Company, while our established markets will provide the foundational revenue base to support this next phase of growth.

“Global demand for data aggregation continues to accelerate, driven by the increasing adoption of AI, industry automation, and machine learning applications alongside government-led digital transformation initiatives. X2M’s incumbency in early markets, combined with our strategic expansion, places us in a strong position to capitalise on these opportunities.

“With these factors aligning, we anticipate 2025 to be a year of significant momentum and value creation for our stakeholders.”

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. 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 540,000 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.

X2M has now extended its focus into the Middle East licensing its platform to partners based in Dubai. To learn more about X2M click here: www.x2mconnect.com or follow us on [LinkedIn](#).