



31 July 2019

ASX Announcement / Media Release

## CIO RECURRING REVENUE GROWTH

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### HIGHLIGHTS

- **Four consecutive quarters of revenue growth.**
- **Annual revenue to 30 June 2019 totals \$2.67m which represents 60% increase on previous year.**
- **Highest ever cash receipts in June quarter reached \$1.05m.**
- **Strong outlook to maintain the growth trend into 2020.**

### Revenues Increased – Expenses Decreased

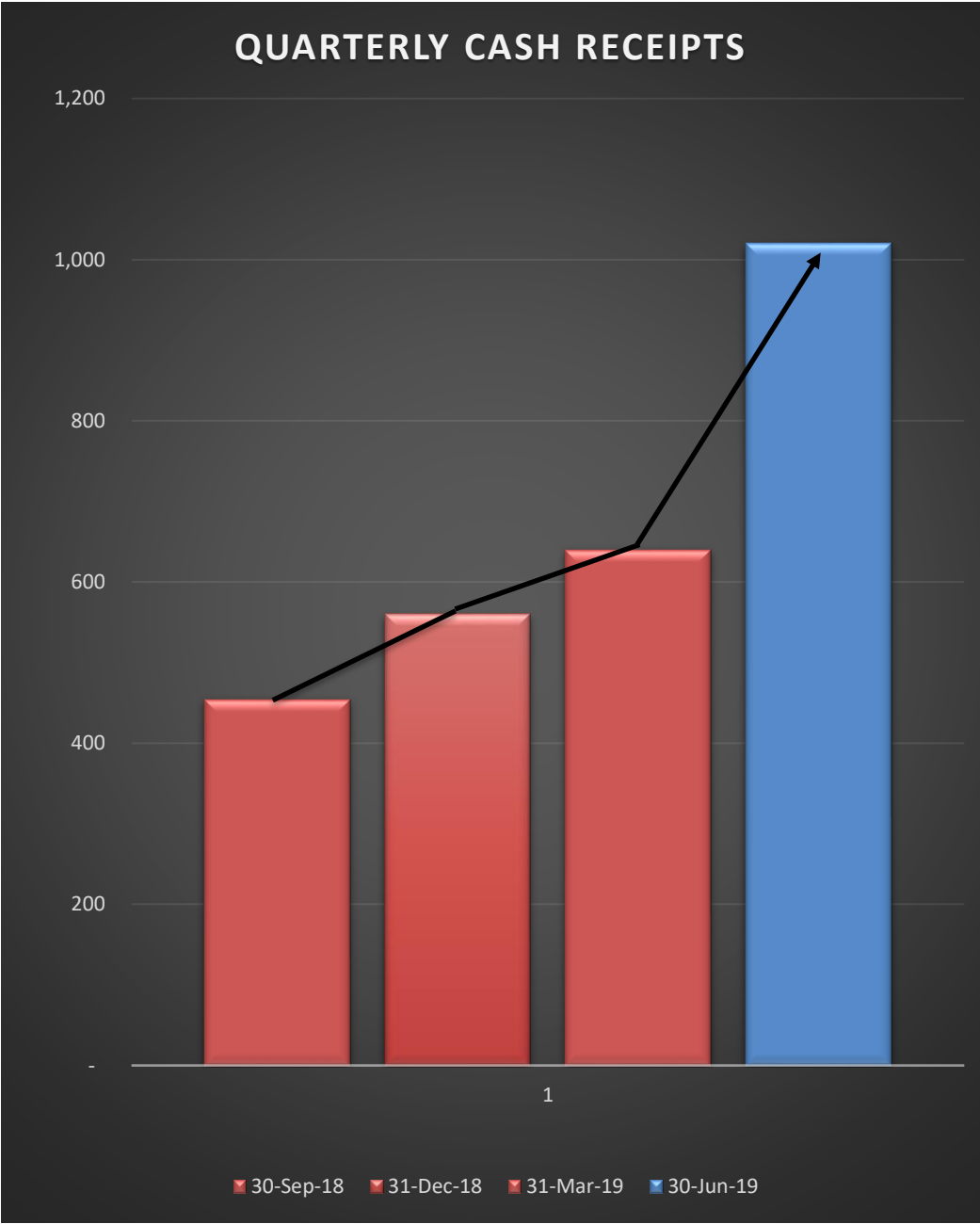
Connected IO Limited (“**CIO**” or “**Company**”) is pleased to announce<sup>1</sup> that the Company achieved substantially higher revenues for the recent financial year ending 30 June 2019 reaching \$2.67m. The revenues for the previous 2018 financial year were \$1.67m which equates to an increase year on year of 60%.

This was achieved while the total Company expenses for the financial year ended 30 June 2019 were substantially decreased, despite the increase in manufacturing activity. Expenses for the 2019 financial year were \$4.0m compared to 30 June 2018 of \$6.7m representing a 40% reduction. The Company had the foresight to move its manufacturing from China to Taiwan which has mitigated the risk of any adverse tariffs or subsidies being enacted as a result of the US – China trade war effecting CIO, and it looks to continue to improve its terms of trade with its current manufacturer U-Media Inc.

The 2019 June quarter cash receipts of AUD\$1.05m demonstrated significant growth on previous quarters and continued 12 months of consecutive quarter on quarter growth. CIO recorded expenses of \$1.337m in the June 2019 quarter, illustrating that continued growth in quarterly cash receipts in the near term is likely to see the Company achieve break even. Product manufacturing costs made up 55% of expenses incurred in the June 2019 quarter.

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<sup>1</sup> All figures quoted for the June 2019 financial year are based on preliminary, unaudited, results.



**Solid Profit Margin and New Revenue Stream**

The Company consistently has maintained at least a 40% plus gross profit margin on products manufactured despite its increase in purchase order size and recurring customer commitments. The company’s gross profit margin will increase with the commencement of sales of CIO’s cloud based management platform on new ranges of products as it’s subscription fee SaaS revenue model is scaled up.

## **Strong Pipeline of Purchase Orders and New Markets**

The CIO range of products continues to penetrate the United States IoT market, with the last financial year seeing the Company achieve its largest ever pipeline with purchase orders totalling \$2.5m. Equally impressive is the fact that 90% of these purchase orders were from recurring customers, who's increasing desire for CIO products was demonstrated by increasing order size.

In addition the outlook for continued growth is also enhanced by the size and diversity of the market verticals into which CIO products are currently sold which include:

- Automotive IoT
- Cyber Security
- Video Surveillance and Security
- Retail and Smart Shelf applications
- Enterprise and branch office connectivity and back up connectivity

The Company recently announced that its products were being made available to deploy for the diverse needs of state, county and local agencies for Texas. This includes but is not limited to digital signage, traffic control, public safety, kiosks, network failover and disaster response. Texas which has a population greater than Australia (approx 29 million) is looking to build connected smart cities across the state which represents a substantial potential market for CIO.

Another example of the potential scalability of new markets is the recently announced relationship with a major US retail solution provider. This relationship provides an opportunity for CIO products to be deployed into major US retail store groups that in aggregate number exceed 200,000.

CIO has demonstrated historically its ability and continues to innovate with its products which through its customer and purchase order growth illustrates its competitive advantage. The Company will focus on increasing market share and penetrating new market verticals.

## **Debt Funding Secures Future Growth While Defending Dilution**

CIO has greatly appreciated the continued support of convertible note holders and debt funding solution providers that have enabled to Company to grow its manufacturing base and inventory without raising further equity capital at historically low Company valuations. The debt funding solution has been achieved due to the greatly improved financial performance and increasing quarter on quarter cash receipts. The debt funding has been provided on what the Company considers to be very competitive commercial terms and should this style of facility be expanded then CIO anticipates it will be able to be funded to profitability.

## ABOUT CONNECTED IO

Connected IO Limited has its operations based in Dallas, in the USA. Its business is a wireless technology innovator and manufacturer operating in the multi-trillion-dollar “IoT” (Internet of Things) sector. CIO specializes in machine to machine (“M2M”) connectivity, providing hardware and software solutions to some of the world’s largest companies. CIO’s software solutions also include a customised cloud management interface and a variety of support services. Cisco predicts there will be 50 billion connected devices by 2020.



## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Connected IO Limited

**ABN**

99 009 076 233

**Quarter ended ("current quarter")**

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,051	2,698
1.2 Payments for		
(a) research and development	(70)	(330)
(b) product manufacturing and operating costs	(734)	(1,017)
(c) advertising and marketing	(9)	(151)
(d) leased assets	(27)	(103)
(e) staff costs	(366)	(1,390)
(f) administration and corporate costs	(128)	(1,088)
1.3 Dividends received (see note 3)		
1.4 Interest received		1
1.5 Interest and other costs of finance paid		(3)
1.6 Income taxes paid	(3)	(6)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(286)</b>	<b>(1,389)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		(60)
(b) businesses (see item 10)		
(c) investments		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 Months) \$A'000</b>
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities	(12)	(1,101)
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)	(2)	(2)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(14)</b>	<b>(1,163)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		2,534
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		-
3.4 Transaction costs related to issues of shares, convertible notes or options		(128)
3.5 Proceeds from borrowings	291	455
3.6 Repayment of borrowings	(19)	(169)
3.7 Transaction costs related to loans and borrowings		(74)
3.8 Dividends paid		-
3.9 Other - repayment of convertible note		-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>272</b>	<b>2,618</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at the beginning of quarter/year to date	282	1,067
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(286)	(1,389)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(14)	(1,163)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	272	2,618

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 Months) \$A'000</b>
4.5	Effect of Exchange rates on cash held	(2)	(4)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>252</b>	<b>1,129</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	252	162
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details) Outstanding cheques		
<b>5.5</b>	<b>Cash and cash equivalents at the end of quarter (should equal item 4.6 above)</b>	<b>252</b>	<b>162</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
46

**7. Payments to related entities of the entity and their associates**

7.1 Aggregate amount of cash flow from loans to these parties included

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
14

Intercompany loans

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4

Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
1,500	1,370
291	271

8.1 Secured debt facility with an interest rate of 9%

8.3 Cozi Capital

8.3 Tyche Capital - 2.5% interest (monthly) paid in full 07/01/19

<b>9. Estimated cash outflows for the next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(35)
9.2 Product manufacturing and operating costs	(862)
9.3 Advertising and marketing	(45)
9.4 Leased assets	(27)
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(130)
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>(1,499)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		



### 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 give a true and fair view of the matters disclosed.

Sign here:

  
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Director

Date: 31 July 2019

Print name: Yakov Temov

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.