

ASX Announcement | 26 October 2022

X2M Connect Limited (ASX:X2M)

X2M trading update following strong first quarter

HIGHLIGHTS

- Q1 FY23 revenues of \$3.8 million¹, up 137% on previous corresponding period (pcp)
- Connected devices at 30 September 2022 were 292,806, up 92% on pcp
- Enterprise/government customers at 30 September 2022 increased to 52, up 41% on pcp and currently number 55
- During the first four months of FY23, X2M has added 9 new customers and other contract wins in South Korea with a combined value of approximately \$5.4 million
- X2M is well positioned to deliver a solid FY23 result already having 23 contracts worth approximately \$12.5 million in revenue expected to be recognised in the current financial year

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 start to FY23.

CONTINUED STRONG GROWTH ACROSS KEY OPERATING METRICS

137% year on year growth in Q1 revenues

The Company achieved revenues of \$3.8 million in Q1 FY23, up 137% on pcp. An exceptional result with South Korea, China, Japan and Taiwan all reporting strong year on year performances.

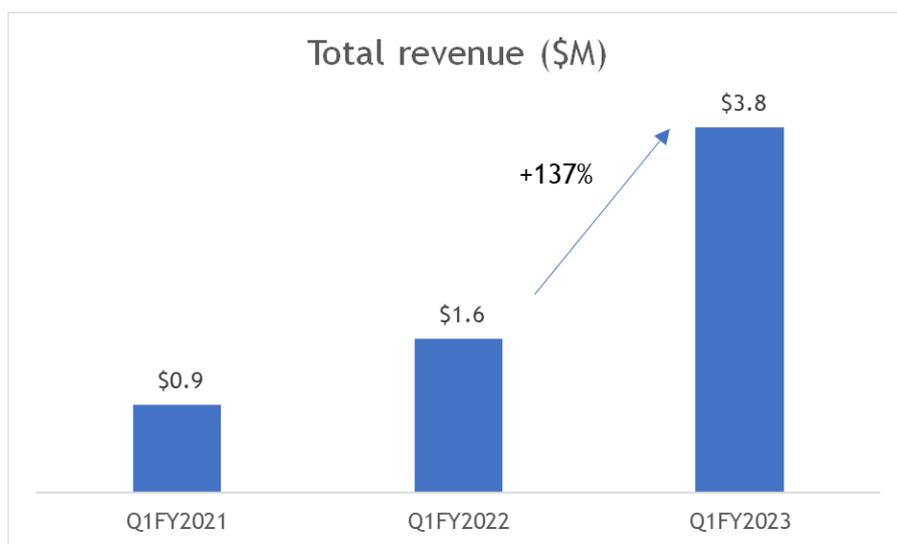


Chart 1: YOY growth in revenue

¹ All FY23 Financial data are in Australian dollars and unaudited.

41% 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 52 in Q1, representing a 41% year-on-year increase. Chart 2 below illustrates growth over the last two periods.

An additional 3 customers have been added this month.

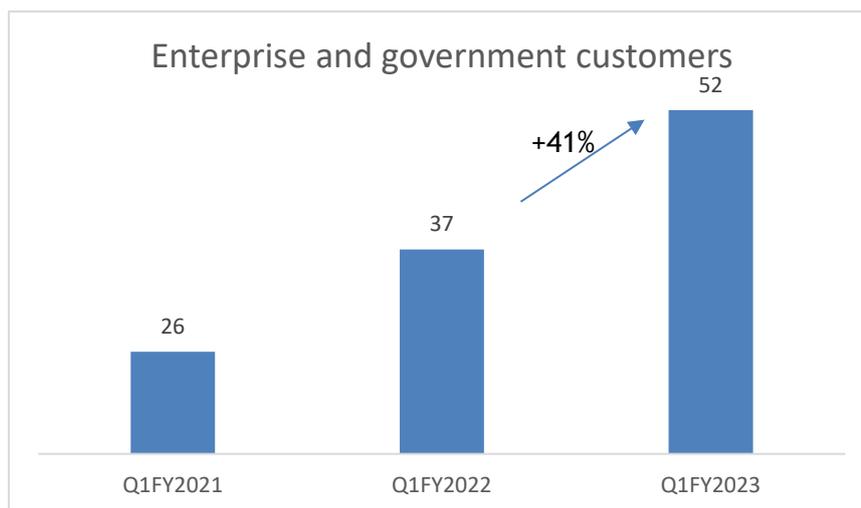


Chart 2: YOY growth in enterprise and government customers

92% 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 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 30 September 2022 reached 292,806, an increase of 19% from 30 June 2022 and 92% from 30 September 2021.

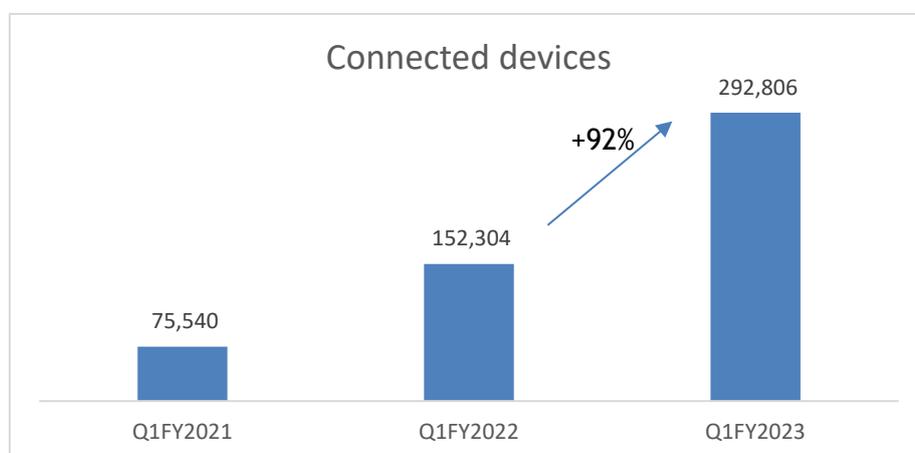


Chart 3: Growth in connected devices

In this context, South Korea has been a stand-out performer. The Total Addressable Market (“TAM”) is the total number of households serviced by the customer concerned. Over the last twelve months, in South Korea, the TAM of X2M’s existing customers has increased from \$A316 million to \$A447 million. This represents an increase from 33% to 47% of the total South Korean country market. Penetration of customers’ TAM, on average, has increased from 2.7% to 4.5 %. 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.

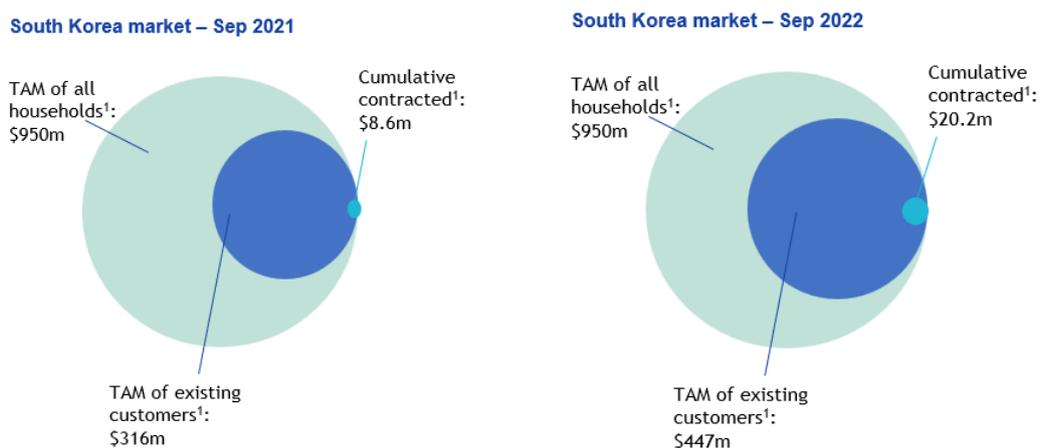


Chart 4: Growth in customer TAM and contracted value

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

X2M will begin reporting on ARR from this quarter. ARR is the monthly SaaS and maintenance revenue that is recorded each month annualised by multiplying by twelve. SaaS and maintenance revenues arise from pure subscription services contracts and from subscription allocations in bundled contracts.

For September 2022, the ARR is \$0.9 million compared with \$0.6 million from September 2021, an increase of 58%. The September 2021 value is calculated after removing the Gochang hardware related subscriptions from the data.

X2M CONTINUES SUCCESS IN SECURING SOUTH KOREAN MUNICIPALITIES AS CUSTOMERS

X2M advises that it has secured four previously unannounced new customers in the South Korean water monitoring market with a combined contract value of approximately \$1.4 million. Whilst each contract is in itself not material, these contracts continue the X2M growth story in South Korea. These contracts bring the number of Enterprise and Government customers across the X2M group to 55 and the number of South Korean municipalities utilising the X2M IoT platform to 31.

The contracts are for water monitoring and control for the municipalities of Yeoncheon, Asan, Siheung and Tongyeong. The contract for Tongyeong is through the Korea Water Corporation (K Water). These contracts include the X2M IoT platform, hardware devices and SaaS based software and device maintenance services for 12 months. The hardware related revenues account for \$1.34 million and \$0.06 million is for 12 months of SaaS and maintenance services with ongoing subscription services to be negotiated during this period. The contracts are for the deployment of monitoring covering approximately 8,600 households. The deployments are to be completed within six months of the date of the contracts. The total addressable market



of these four municipalities is approximately 120,000 households. These households provide the potential for approximately \$14.4 million of revenue in the future if X2M was successful in securing contracts to monitor all these households.

During the first four months of FY23, X2M has added 9 new customers and other contract wins in South Korea with a combined value of approximately \$5.4 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.

OTHER BUSINESS DEVELOPMENT ACHIEVEMENTS

CHINA

Despite the challenges with COVID-19 restrictions, X2M commenced delivery of the contract for Qingyuan district of Baoding City in China, generating \$0.7 million in revenues for Q1. 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 expects to fulfill the contract by the end of October 2022.

JAPAN

Japan continues to deliver strong growth in connected devices with more than 19,000 devices added to the platform during Q1 FY23. This represents 13% growth in the quarter and 126% growth on the pcp.

TAIWAN

In September 2022, X2M's Taiwan subsidiary began its deployment of NBloT devices to monitor and control residential gas meters as part of Great Tainan project, generating \$0.2 million in revenues. These deliveries form part of a two year deployment contract with 10 years of subscription revenues.

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 137% Q1 revenue growth was an exceptional result. During the first four months of FY23, X2M has added 9 new customers and other contract wins in South Korea with a combined value of approximately \$5.4 million. 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. The Company generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 300,000 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 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](#).