

X2M Connect Limited (ASX:X2M)

ASX Announcement



X2M launches entitlement offer, with the proceeds to fund growth initiatives

25 July 2022

Key Highlights:

- X2M Connect launches a 1-for-3 Accelerated Non-Renounceable Entitlement Offer (Entitlement Offer), with the proceeds from the issue to fund current and future growth initiatives
- The issue will raise up to \$3.97 million (before costs) at an issue price of \$0.085 per share
- Participating shareholders will also receive one free attaching option (New Options) with an exercise price of \$0.16 for every two new X2M shares they take up under the Entitlement Offer
- X2M Connect's CEO, COO and all Board Members are participating in the Offer
- X2M's growth momentum continues, with unaudited June 2022 quarter (Q4 FY22) revenues of \$4.3 million up 169% on the previous corresponding period
- Unaudited FY22 revenues totalled \$10.4 million, up 82% on pcp.

Australian Internet of Things (IoT) technology company **X2M Connect Limited (ASX:X2M)** ("X2M" or "the Company") is pleased to announce an Accelerated Non-Renounceable Entitlement Offer to raise up to \$3.97 million (before costs), comprising of an institutional component and a retail component. Funds raised under the Entitlement Offer will be used to increase sales and marketing, enhance its platform, hardware and prototypes, administration and general working capital.

The Entitlement Offer will increase X2M's shareholders equity by up to \$3.97 million (before costs). It will see up to 46.7 million new ordinary shares in the Company offered to current shareholders at an issue price of \$0.085 per share. The offer price is a circa 39% discount to X2M's last close ahead of the Company's shares going into trading halt (see ASX Announcement dated 25 July 2022).

X2M shareholders participating in the Entitlement Offer will also receive one free attaching option for every two new X2M shares they take up in the Entitlement Offer. These options will have an exercise price of \$0.16 and an expiry date of 31 August 2024.

X2M will seek quotation of the New Shares and New Options issued under the Entitlement Offer on the ASX.

The Entitlement Offer will provide increased exposure to X2M's growth story

X2M's growth momentum continued in the latest quarter. The Company's unaudited June 2022 quarter (Q4 FY22) revenues of \$4.3 million were up 169% on the previous corresponding period (pcp).

The Q4 FY22 increase took X2M's unaudited FY22 revenues to \$10.4 million. This full-year number was up 82% on pcp, building on the growth momentum reported in FY21.

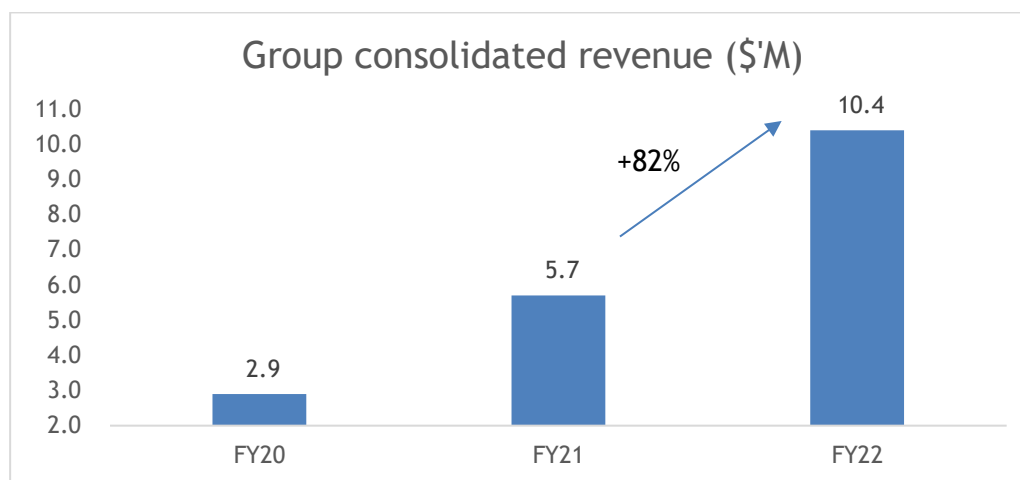


Chart 1: YOY growth in consolidated revenues

The robust revenue gain reported over FY22 reflects X2M's continued ability to grow share in its addressable markets during this period. As at end June 2022:

- Total connected devices had climbed to 245,265, up 99% on pcip
- The number of enterprise/government customers had advanced to 46, up 35% on pcip.

Looking ahead, X2M's FY23 revenue growth outlook is already bright. With this financial year only just getting underway, contracts with revenue expected to be recognised in H1FY23 already total \$9.6 million as at 19 July 2022. This number is expected to grow as X2M successfully builds scale in its existing addressable markets. The Company is also now broadening its service offering, entering the Australian energy management market in May 2022 with its first customer Resi Ventures.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer on the terms and conditions set out in the investor presentation and prospectus dated 25 July 2022, with the Institutional Entitlement Offer opening on 25 July 2022 and closing on 26 July 2022.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their entitlement. New Shares in relation to entitlements not taken up under the Institutional Entitlement Offer, or new Shares in relation to entitlements that would have been offered to ineligible institutional shareholders, will be offered to eligible institutional investors and other institutional investors at the offer price of \$0.085 per share through a bookbuild process.

X2M shares have been placed in a trading halt while the Institutional Entitlement Offer is undertaken. It is expected that the trading halt will end at market open on 27 July 2022.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand as at the Record Date (Eligible Retail Shareholders), have the opportunity to take up their entitlement of new Shares at the offer price with a 1 for 2 free attaching option, on the terms and conditions outlined in the prospectus lodged with ASIC and the ASX dated 25 July 2022 to be sent to Eligible Retail Shareholders on or about 29 July 2022. The Retail Entitlement Offer is anticipated to close on 17 August 2022. Eligible Retail Shareholders can choose to take up all, part or none of their entitlements. Furthermore, the Retail Entitlement Offer will include a shortfall facility under which Eligible Retail Shareholders who take up their entitlement in full may also apply for additional shares in the Retail Entitlement Offer that were not taken up by other Eligible Retail Shareholders. There is no guarantee that applicants under the shortfall facility will receive all or any of the additional shares for which they apply. New Shares under the Retail Entitlement Offer are expected to be issued on or around 19 August 2022.

Please note that Shareholders with a registered address outside of Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer.

Bell Potter Securities Limited have been appointed Lead Manager to the Entitlement Offer. Further, each of the directors of the Company, the Chief Executive Officer and the Chief Operating Officer has confirmed their intention to participate in the Entitlement Offer.

Indicative Accelerated Non-Renounceable Entitlement Offer Timetable

An indicative timetable in relation to the Entitlement Offer (which has been approved by the ASX) is set out below.

Event	Date
Request for trading halt Announcement of Offer Lodgement of Appendix 3B with ASX Lodgement of Prospectus with ASIC and ASX	Before market open Monday, 25 July 2022
Institutional Offer opens	Monday, 25 July 2022
Announcement of results of Institutional Offer	Before market open Wednesday, 27 July 2022
Trading halt lifted Trading resumes on an ex-entitlement basis	Wednesday, 27 July 2022
Record Date for the Retail Offer	Wednesday, 27 July 2022 (5:00pm AEST)
Prospectus despatched to Shareholders Company announces the despatch has completed Opening Date for Retail Offer	Friday, 29 July 2022
Settlement of Institutional Offer	Friday, 29 July 2022
Issue of Shares under Institutional Offer and Lodgement of Appendix 2A	Monday, 1 August 2022 (no later than 12:00pm AEST)
Quotation of Shares issued under the Institutional Offer	Tuesday, 2 August 2022
Last day to extend Retail Offer closing date	Before 12:00pm (AEST) Friday, 12 August 2022
Closing Date of the Retail Offer	Wednesday, 17 August 2022 (5:00pm AEST)
Announcement of results of Retail Offer	Before 12:00pm (AEST) Friday, 19 August 2022
Issue of Shares under the Retail Offer and Options issued under the Entitlement Offer and lodgement of Appendix 2A	Friday, 19 August 2022 (no later than 12:00pm AEST)
Quotation of Shares issued under the Retail Offer and New Options issued under the Entitlement Offer	Monday, 22 August 2022
Expected despatch of holding statements for retail holders	Tuesday, 23 August 2022

An Appendix 3B will accompany this announcement.

X2M CEO Mohan Jesudason said: “We are thrilled with the revenue growth achieved by the X2M business over the course of its 2022 financial year. It clearly demonstrates our ability to build scale in our addressable markets by both deepening relationships with existing clients and onboarding new ones. And it is clearly evident that this growth momentum has extended into the new financial year, with contracted revenue expected to be recognised in the year already approaching \$10 million.

Looking ahead, a key focus will be to realise the huge upside potential still available in our current round of growth initiatives. But the scope to grow our revenue base does not stop there. We are also intent on leveraging off identified demand for our service and product offerings in market segments adjacent to those where we already have a presence. We have just delivered some early success here, with our recent entry into the Australian energy management market.

The raising announced today will provide us with the capital required to finance these current and planned growth initiatives. Shareholders participating in this attractively priced raising will gain increased leverage to the growth story we offer. The free options attached to shares issued in the raising provide further upside to participating investors. Over coming months, we look forward to keeping the market updated of more contract signings and other positive developments.”

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.

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 245,000 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](#).