

Investor Presentation

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ASX Code: X2M

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X2M posts strong H1 FY22 results



Revenue: \$4.6m, up 44% on pcp



Enterprise/government customers: 42, up 35% on 31 December 2020



Customer churn: Zero



Connected devices: 181,102, up 101% on 31 December 2020



Contracted revenue for recognition post 30 June 2021 currently at \$9m



Energy management solution validated in Taiwan

X2M commercial strategy

- X2M Strategy starts with investment for growth:
 - Secure initial sales of hardware and services to gain a toehold in each customer's total addressable market (TAM) - margins tend to improve with future orders
 - Investment in sales and marketing resources - costs exceed revenue - growth losses (current stage)
 - Leverage incumbency to drive repeat orders, expansion into each customer's TAM, SaaS revenues Y2+ and referral to other customers
 - Use hardware sales to lock in future recurring higher margin SaaS platform revenues
 - As SaaS recurring fees become a larger and increasing proportion of total revenues they drive future profitability

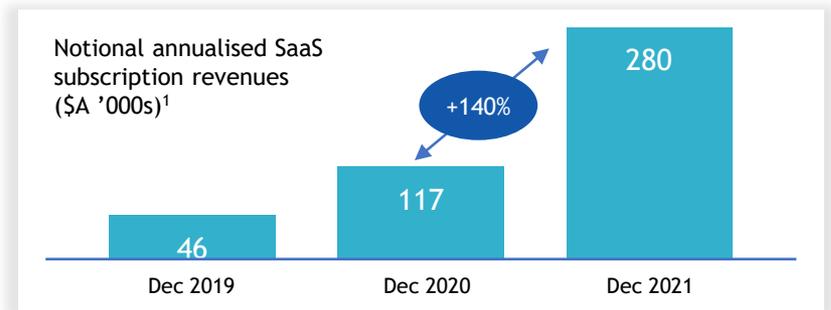
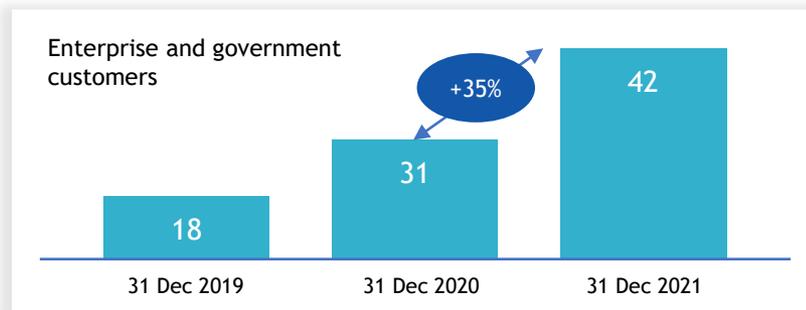
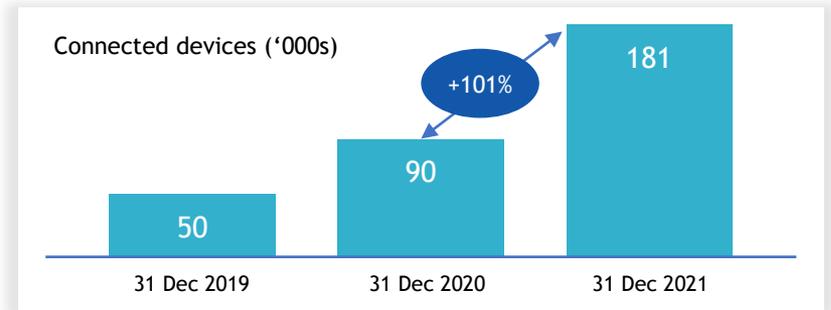
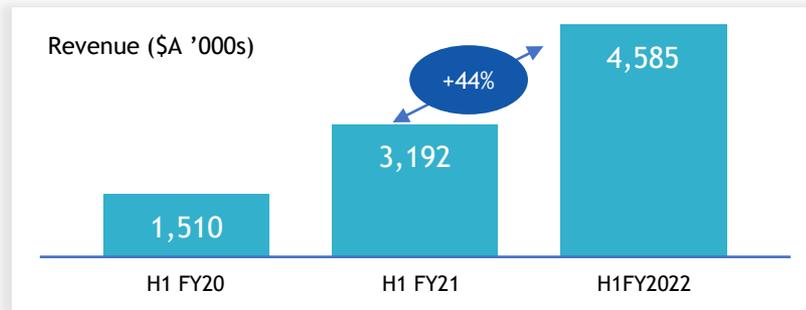
Strategy delivering growth across key metrics²

X2M has delivered strong H1 FY22 growth in revenues, connected devices, enterprise and government customers and annualised subscription revenues

H1 FY22 revenue of \$4.6m, up 44% on pcp

Connected devices totalled 108,102 by 31 Dec 2021, up 101% on 31 Dec 2020

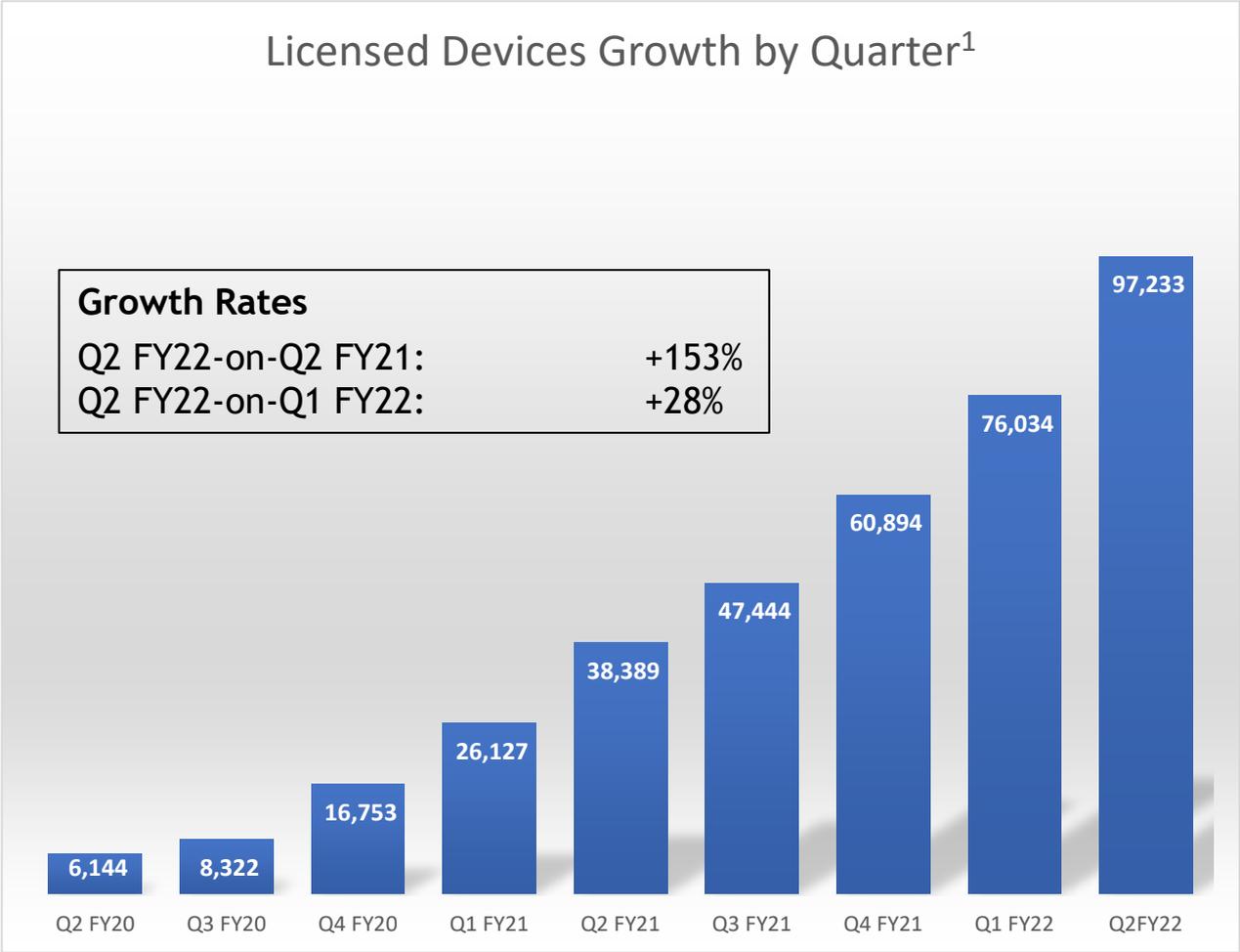
Enterprise and government customers rose by 11 to 42 by 31 Dec 2021, up 35% on 31 Dec 2020



1. Notional annualised SaaS subscription revenues is December SaaS revenue value times 12 and excludes both Gochang managed services subscriptions and other maintenance and support subscriptions
2. H1 FY20 and Dec 2019 data is from periods when X2M subsidiaries were operated by a prior owner

Licensing business in Japan growing fast

Licensed SaaS device connections are expected to be a major source of growth

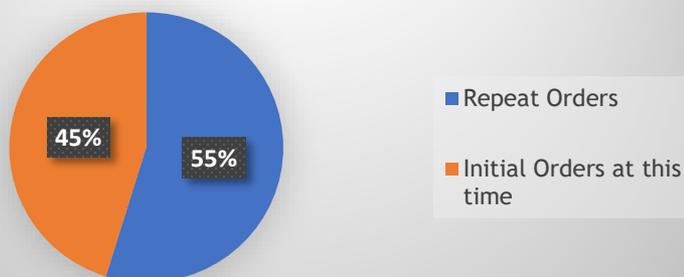


1. Q2 FY20 data is from periods when X2M subsidiaries were operated by a prior owner

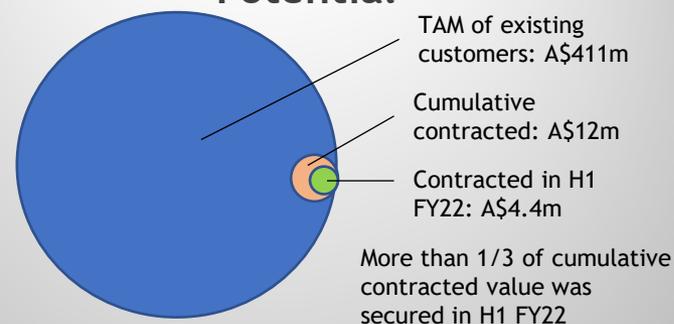
X2M Business model being validated

Pipeline being converted. Customer base presenting a large and growing addressable market. Existing customers giving repeat orders with zero churn validates the X2M strategic programme and sets the basis for future growth

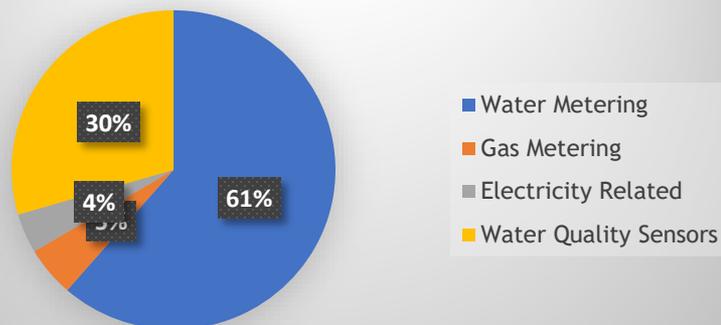
Good mix of new customers and repeat orders



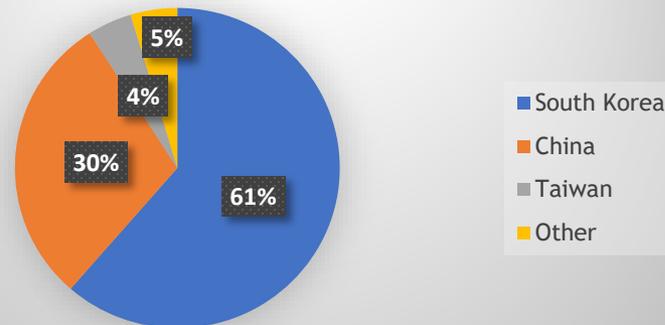
South Korea has Significant Potential²



Percentage Revenue by Vertical



Percentage Revenue by Segment



1. All charts as at 31 December 2021.

2. Total addressable market (TAM) and contracted values are based on a nominal per device charge of A\$120.

Each market performing - country commentary

South Korea

19 municipality customers

Total addressable market (TAM) - 3.4m households

Connected devices exceed 72,000

Preferred supplier to Government - Excellence Certification

Japan

Includes Azbil Kimmon, major meter manufacturer

Connected devices exceed 97,000

High margin Licence model providing high growth in connected devices

Taiwan

Most diversified entity and X2M innovation hub

14 customers connected across water, gas and energy management

First integrated building energy management system completed

China and Australia

China market entered with known partners - initial sales secured

Exploring Australian market extension

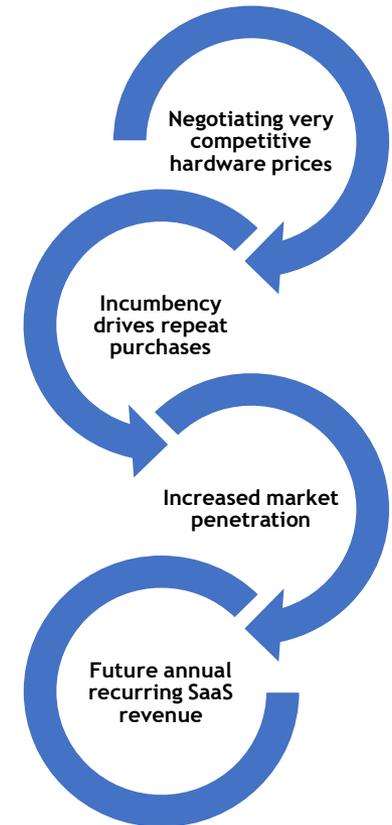


Strategy

X2M investing now for rapid growth

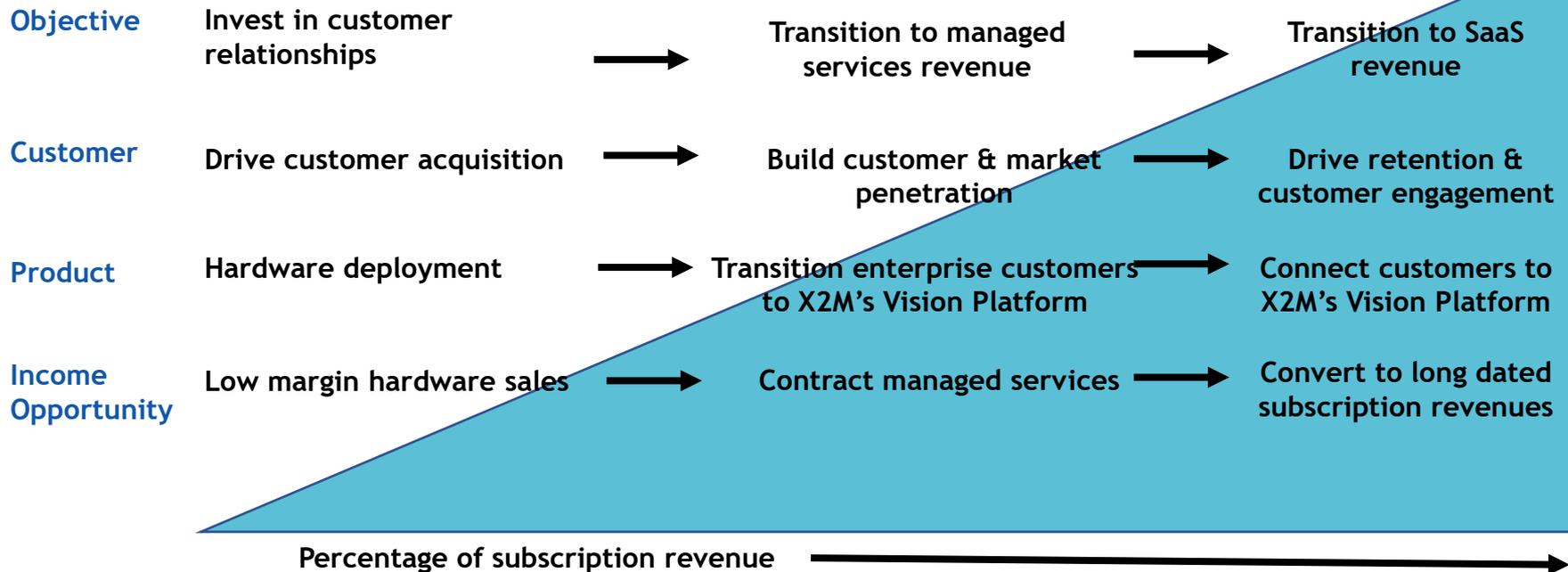
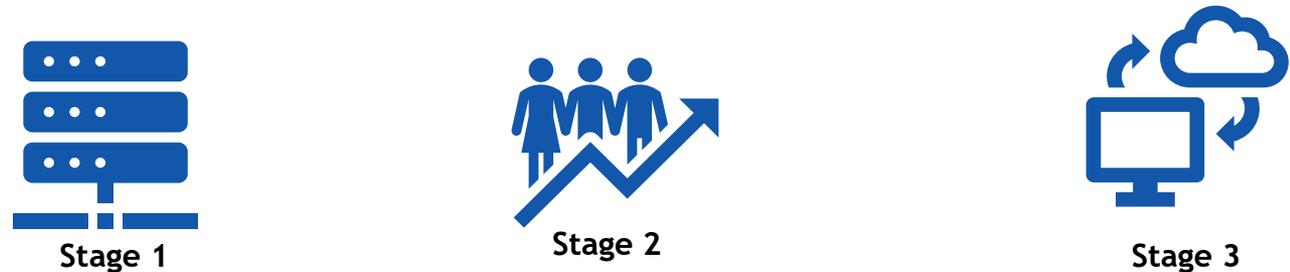
Core strategy based on rapid growth at early stage of the business

1. Competitive pricing for initial hardware sales :
 - incumbency strongly tends to drive repeat orders increasing penetration into the total addressable market of each customer: and
 - hardware sales strongly tend to lock in future annual recurring SaaS revenues
2. SaaS revenues are at higher gross margins than hardware sales.
3. As SaaS recurring revenues become a larger and increasing proportion of total revenues, they will drive future profitability.



X2M well into stage 2 - on cusp of software scale

Conversion of customers to SaaS contracts commenced





Financial Results

P&L summary

The H1 FY22 P&L reflects the Company's strategy to invest in growth, move into new markets and one off costs associated with the September 2021 IPO

	H1 FY22	H1 FY21	% Mvt	Comment
	(\$'000)	(\$'000)		
Revenue	4,585	3,192	44%	Strong growth on topline
Cost of sales	(3,652)	(2,184)	67%	Reflecting increased sales volumes, higher cost of semi conductors (driven by global supply shortages) and planned lower margins for first sales into China market.
Gross profit	933	1,008	(7%)	As above for Cost of Sales
Other income	178	413	(57%)	Australian government assistance received in prior year
Operating expenses	(4,137)	(2,777)	49%	Additional costs: resources for growth strategy, China market entry, product upgrade and listed company costs
EBITDA (Adjusted)	(3,026)	(1,356)	123%	As above for operating expenses
Share based payments expense	(1,935)	-	-	Non-cash expense. Including \$1.8 million for employee options fully expensed during the period
Depreciation/amortisation	(617)	(616)	0%	
Finance Costs	(62)	(35)	77%	
IPO expenses	(866)	(249)	248%	Non-recurring in nature
Pre-tax loss	(6,506)	(2,256)	188%	
Tax expense	(15)	(71)	(79%)	
Loss after tax	(6,521)	(2,327)	180%	

Balance sheet summary

Balance sheet strengthened following a successful IPO and repayment of the majority of borrowings - cash and cash equivalents \$5.1 million at 31 Dec 2021

	31 December 2021	30 June 2021	% Mvt	Comment
	(\$'000)	(\$'000)		
Assets				
Cash and cash equivalents	5,121	1,953	162%	Uplift reflects net proceeds from IPO
Current assets	2,252	2,025	11%	Driven by customer growth
Non-current assets	3,314	2,957	12%	X2M continued to invest in innovation
Total assets	10,687	6,935	54%	
Liabilities				
Current liabilities	5,075	6,387	(21%)	Primarily reduction in debt
Non-current liabilities	619	363	71%	Primarily increase in liabilities for HQ lease
Total liabilities	5,694	6,750	(16%)	
Net assets	4,993	185	2,599%	
Total equity	4,993	185	2,599%	Proceeds from IPO raise, net of cost of capital raising. Conversion of convertible notes



X2M in the field - what we do

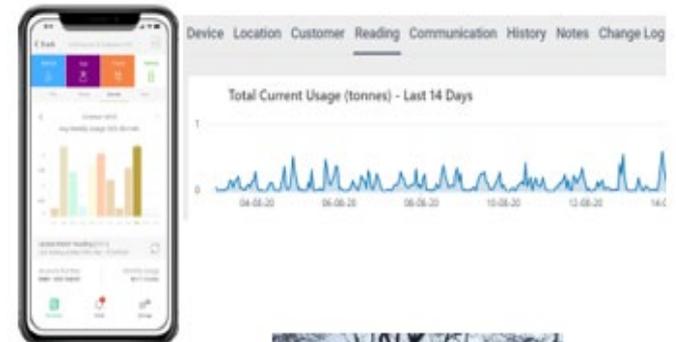
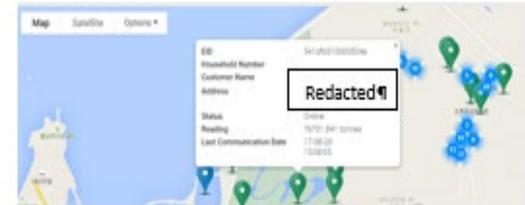
Water digitisation - South Korea building penetration

Supporting government ambitions to revolutionize water management

Now servicing 19 municipalities for water monitoring and control in South Korea

Driving new customers and repeat orders from existing customers through providing them with improved:

- Service to their end customers
- Safety and efficiency data
- Data analytics
- Infrastructure management and leak detection
- Billing and process automation



Gas monitoring - Japan driven by the value of data generated

Licensed deployments in Japan continue to increase at pace with compelling use cases

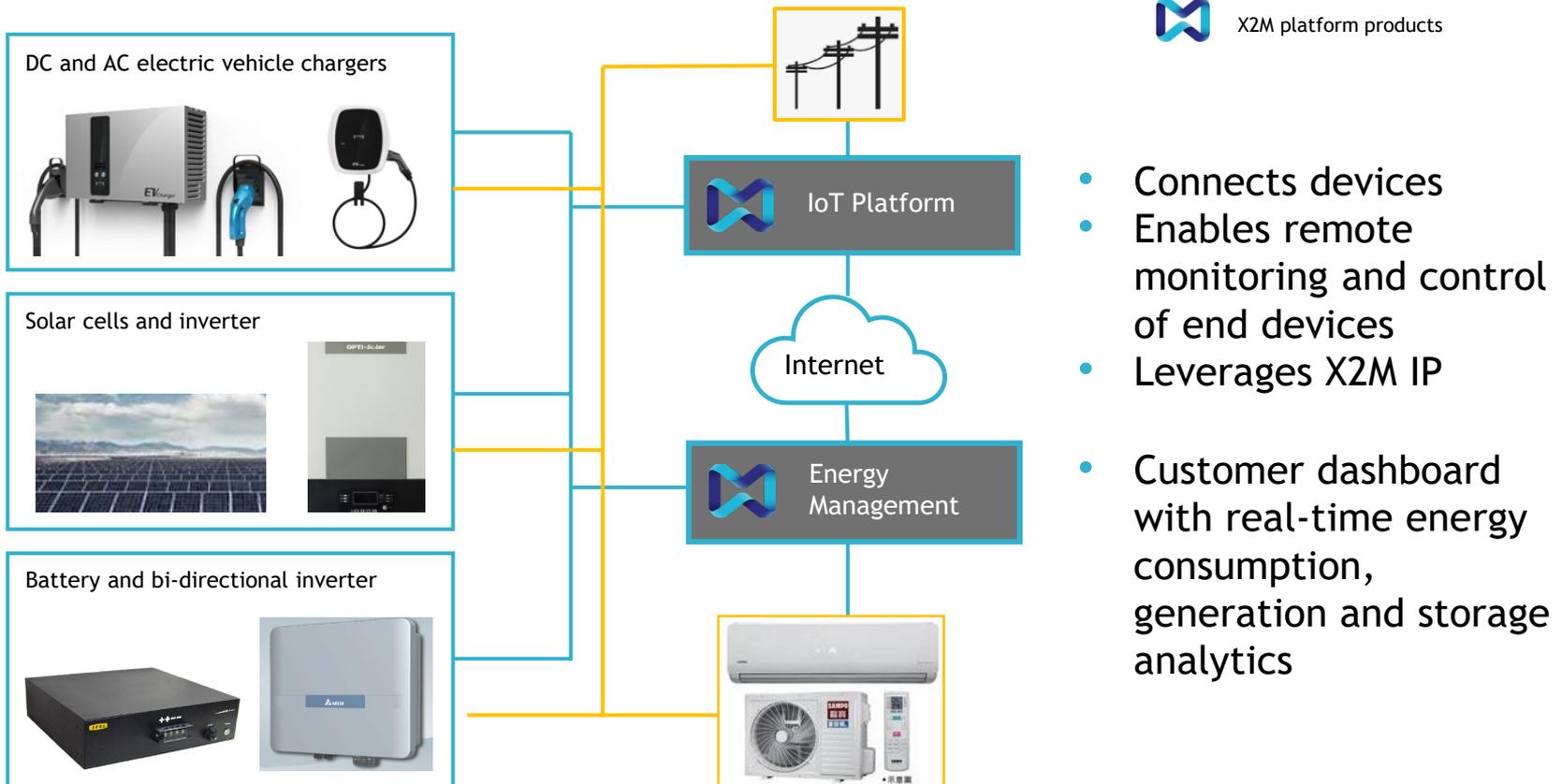
Growth in the Japanese market driven by licensing to customers monitoring gas bottles

- centralised platform acting as point of coordination to remotely monitor usage and levels
- enterprise productivity improvement through data analytics and improved logistics management
- customisation additions to the platform to enhance gas bottle distributor appeal



Energy management and net zero emissions - our next opportunity

X2M's energy management solution optimises energy generation, storage and usage. Plays to the strength of our patents and platform



5 core pillars of the X2M strategy



Consolidate strong position in existing markets

- **South Korea** - adding more municipalities
- **Japan** - aggressively grow connected devices
- **Taiwan** - expand into adjacent verticals
- **China** - commercialise
- **Existing customers** - to be a significant source of revenue growth



Expand into compatible verticals in existing markets

- Remote battery energy monitoring
- Integrated sustainable energy management



Continue development of SaaS business

- Replicate model implemented in Japan within other markets
- Maintain market leading IoT platform offering with high customer focus



Expand into new geographies

- **China** - Proof of concepts (POCs) completed, initial hardware contracts as reseller - leverage now-completed POCs
- Exploring Australian energy market
- Watching brief on other APAC markets

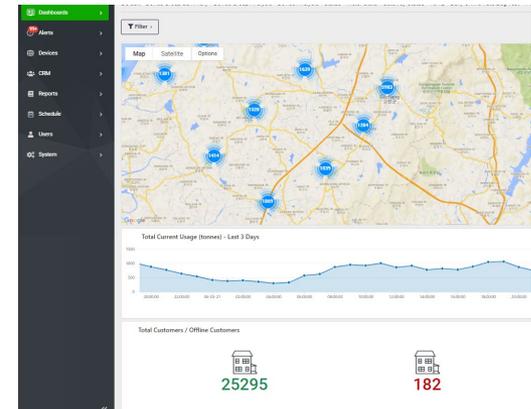


Manage margin and cash burn

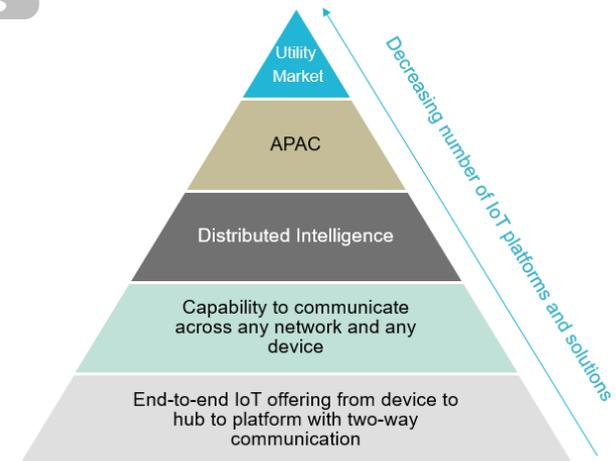
- Strong focus on operational and financial controls and efficiency
- Tight opex management
- Cash burn reductions

Capitalise on key market differentiators

- **Leading edge patented platform**
 - making dumb devices smart
 - distributed intelligence autonomously monitors and controls devices
 - IoT platform provides visibility, control, aggregation, predictive and pre-emptive device management
- **Many devices, radios, networks** - operating simultaneously across short range, long range, cellular, unlicensed communications and radio networks
- **Maintain patent portfolio** - building on > 60 patents with 5 additional applications pending
- **Competitive advantage** - few competitors with the same capabilities



WiSUN | NB-IoT | ZigBee | LoRa



X2M's growth outlook is bright



Revenue:
\$4.6m, up 44% on pcp



Enterprise/government customers:
42, up 35% on pcp



Connected devices:
181,102, up 101% on pcp

Strong 1st half lays solid foundation
for further growth



Consolidate strong position in existing markets - lock in government enterprise customers with large utility client bases



Expand into compatible verticals in existing markets - get an increased number of households using the X2M solution



Continue development of SaaS business - convert all households over time to the platform



Expand into new geographies - exploring Australia's energy management space

Targeting strong growth in revenue, delivering 'stickiness' to its revenue base and setting up future SaaS revenue growth

Why X2M is an attractive investment proposition



A good half year delivering consistent performance



The pipeline and customer base together with their available market suggests a sustainable growth trajectory going forwards



The strong growth in connected devices sets X2M up well for future subscription revenues



Exploring Australian market extension with patented technology



X2M CONNECT

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