

30 August 2024

X2M Connect demonstrates strong business momentum in FY24

Highlights

- Total FY24 revenue of \$13.4 million, down 17% (FY23: \$16.2 million), reflecting the Company's targeted and previously announced strategy to exit low-margin hardware-only sales
- Recurring SaaS (software as a service) and maintenance revenue of \$1.7 million, up 50% (FY23: \$1.15 million)
- Gross profit for FY24 of \$4.9 million up 29% (FY23: \$3.8 million), reflecting profitable conditions in Japan and South Korea
- FY24 Gross profit margin of 37%, up 14 ppts (FY23: 23%) due to increased ratio of higher-margin SaaS revenue and reduced focus on lower-margin product sales
- Operating expenditure, excluding cost of sales and share based payments, was \$8.5 million, an improvement of 7% (FY23: \$9.1 million) reflecting the result of cost saving initiatives including lower headcount
- Connected devices as at 30 June 2024 were 537,706, up 25% (FY23: 428,801)
- Enterprise/government customers increased to 75, up 15%, (FY23: 64)
- Entered Middle East with \$2.63 million secured via Placement and Converting Loan Facility

Australian Internet of Things (IoT) technology company **X2M Connect Limited** (ASX:X2M) ("X2M" or "the Company") announces its financial results for the year ended 30 June 2024 (FY24).

X2M CEO Mohan Jesudason said: "Our FY24 results demonstrate considerable momentum for a range of our most important key operational and financial metrics. We have a targeted strategy to increase the ratio of higher-margin opportunities for our patented IoT solution while also focusing on markets with strong demand for our smart devices. These opportunities earn us installation fees followed by recurring SaaS and maintenance fees under long-term arrangements, significantly enhancing the quality of our revenue.

"This strategy has seen our gross profit rise 29% from the same period last year to \$4.9 million, and gross profit margins increasing 14 percentage points to 37%. These metrics were driven by increased demand for our integrated platforms in South Korea as customers benefited from the efficiency and cost savings our smart devices and unique platform bring to the utility sector. Also, in both South Korea and Japan, we have operated at higher margins with positive EBITDA as we seamlessly add new technologies and software upgrades remotely over the life of the long-term contract.

"Revenues declined in FY24 by 17% to \$13.4 million as a result a strategic decision made at the start of the year to move away from low-margin hardware sales as the Company drives towards cashflow breakeven.

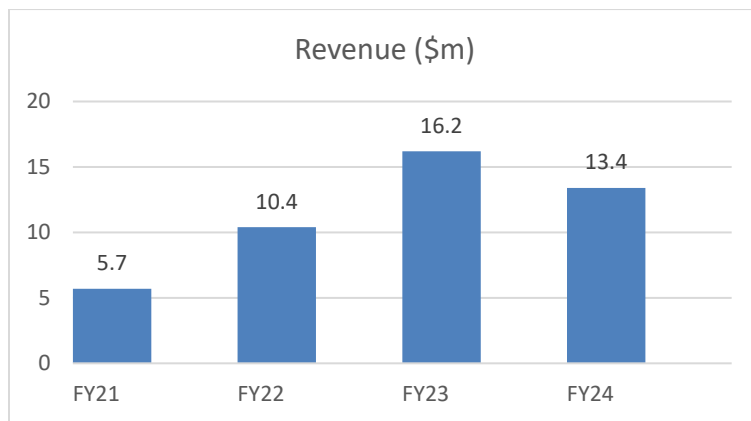
"Pleasingly, our products have continued to resonate well with customers. By the end of the financial year, we had connected 537,706 households, an increase of 25% on the same period last year as customers increasingly roll out our connected smart devices across their network. Customer satisfaction with our devices continues to trend higher, demonstrated by our current repeat order rate of approximately 50%, with four customers now having our devices across 100% of premises in their jurisdiction.

“The breadth of our customer base is also growing well. Not only are we delivering products to local households across South Korea, Taiwan, Japan and Australia, but are now servicing an increasing number of enterprises/government customers. This cohort increased to 75 in FY24, up 15% on FY23. We are riding strong industry tailwinds and government incentives to digitise services in preparation for smart city rollouts and are aggressively targeting new municipalities in the markets of Japan, Taiwan and South Korea.

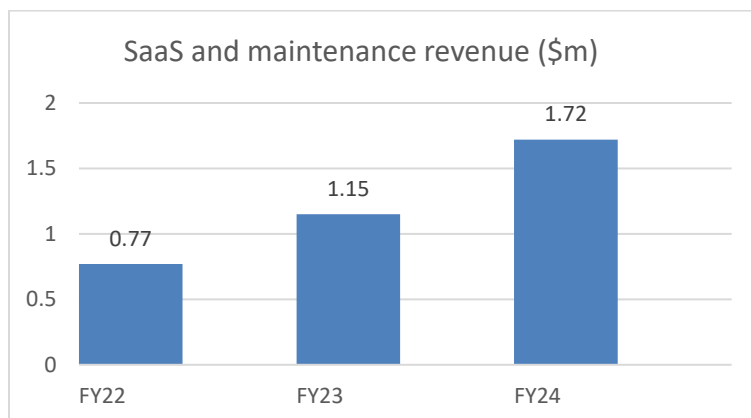
“The \$2.63 million we secured via a Placement and Converting Loan Facility during FY24 has supported our entry into the Middle East with the Placement strongly supported by our Middle East channel partner Dicode and other new investors. Post-balance date we announced that we had signed a Term Sheet with Dicode that ensures they will use X2M’s platform exclusively in the Middle East for the next 10 years. We also announced a \$2 million entitlement offer that will also support scaling up Australia, this entry into the Middle East plus India and customisations to our renewable platform.”

Financial overview

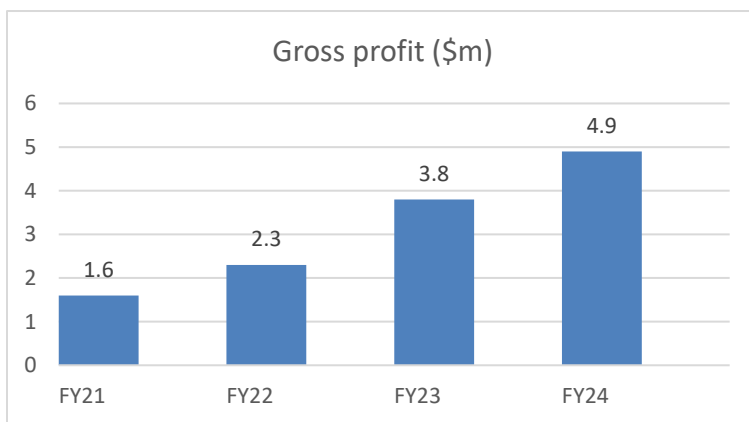
X2M achieved total revenue for FY24 of \$13.4 million, down 17% on the previous corresponding period (pcp), reflecting X2M’s targeted strategy to increase higher margin contracts and exit low-margin hardware-only sales, and as government subsidies for digitisation of utility services came to an end in South Korea and other jurisdictions.



SaaS (software as a service) and maintenance revenue for the Company rose to \$1.7 million, up 50% on the pcp due to increased devices connected to the platform and increased per unit revenue.



FY24 Gross profit of \$4.9 million increased 29% on the pcp largely due to the market in South Korea becoming profitable, while the margin was 37%, up 14 percentage points on the pcp on the back of reduced low-margin sales and lowered product costs.



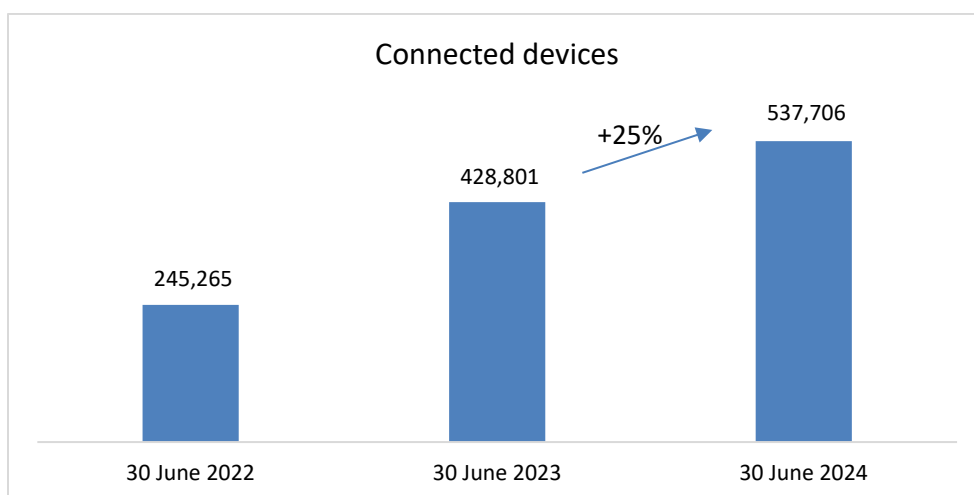
Net cash outflows from operating activities in FY24 was \$2.38 million (FY23: \$2.33 million) reflecting lower revenues offset by reductions in operating expenses.

Total cash at 30 June 2024 was \$1.9 million.

Operational overview

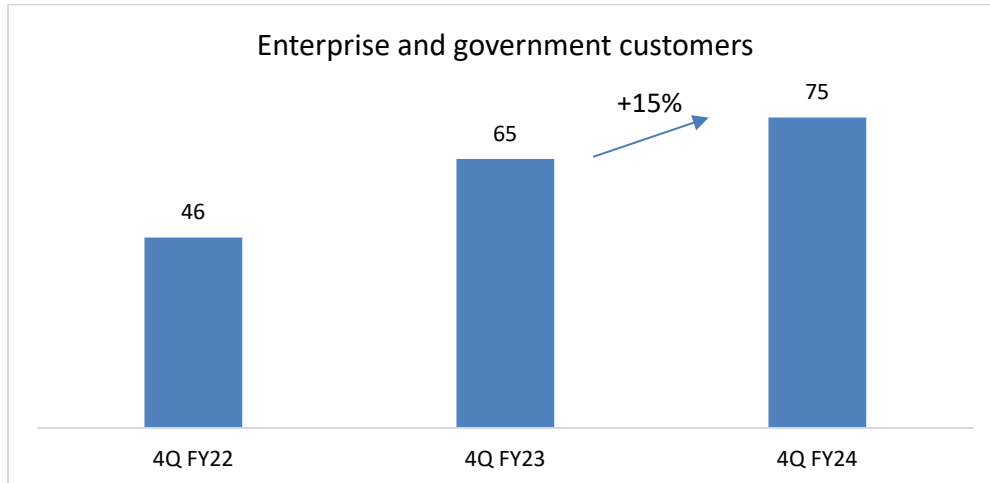
Connected devices, enterprise customers and recurring revenue

A key focus for the Company is continued growth in the number of connected devices which provide the base for future recurring SaaS revenues under long-term contracts. The rise in connected devices is driven by the Company's core enterprise and government customers. Total connected devices at 30 June 2024 reached 537,706 an increase of 25% on the 30 June 2023 figure.



X2M's enterprise and government client base continued to rise steadily, reaching 75 at 30 June 2024, up 15% on 30 June 2023. X2M has continued to win repeat orders during the quarter.

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Entitlement Offer, Placement, Converting Loan Facility and Dicode partnership extended

During the last quarter of FY24 X2M successfully completed a Placement to raise \$1.13 million and secured a Converting Loan Facility of \$1.5 million.

The funds raised, which was strongly supported X2M’s channel partner, Dicode Technologies LLC, were earmarked to facilitate X2M’s entry into the Middle East – initially the United Arab Emirates (UAE) – as well as platform enhancements for renewable energy applications and ongoing operations.

In August 2024, X2M announced the signing of a Term Sheet with Dicode Technologies by which Dicode will exclusively use the X2M platform, “Vision by X2M” for a term of 10 years. While Dicode has an obligation to exclusively use X2M’s platform, no such exclusivity applies to X2M.

X2M anticipates around \$0.4 million in EBITDA per annum for every 100,000 smart devices installed and understands that there is considerable market opportunity with the UAE population of 10 million across 2.5 million households with potential opportunities across the gas, water and electricity sectors.

On 19 August 2024, X2M launched a \$2.0 million non-renounceable 1 for 7 Entitlement Offer of up to 50 million New Shares at an issue price of \$0.04 per New Share. Proceeds of the offer will be used to fund scaling up business development in Australia, market entry into the Middle East and India, renewable energy platform customisation, customer support and ongoing operations. The closing date and time for acceptance and payments is 5.00pm AEST on 11 September 2024.

Outlook

X2M CEO Mohan Jesudason said: *“In FY25 our evolution from a hardware company to a data management and software company will continue. There is a push by governments globally to harness the internet of things (IoT) and AI to more efficiently manage data inherent in their essential services to enable them to operate more efficiently. X2M Connect is ideally placed to service this need through our unique, world-leading IoT solution which enables smart cities by digitising and integrating seamless communication between property, industry and government organisations on one centralised platform. Our platform also provides data collection and control points for automation algorithms used in AI and machine learning.*

“We expect to see a continued increase in ARR as we start to scale our SaaS revenue through the servicing of our higher-margin contracts with our government and utility customers. These customer numbers will also grow through increased activity across several municipalities and government and enterprise customers in Japan, Taiwan and South Korea. And we will start to roll out our sensors through our Middle East partner,



Dicode, initially in gas in the UAE, while also examining potential opportunities in the water and electricity sectors in the UAE and many opportunities in India.”

Investor webinar

CEO Mohan Jesudason will host an investor webinar on the FY24 results at **11:00am (AEST) on Wednesday, 4th of September 2024**, with the presentation followed by Q&A.

To pre-register for this webinar, please use the following link below:

https://us02web.zoom.us/webinar/register/WN_MbR03bs7RBiDSx8CsnyMNA

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 530,000 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 is now extending 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](#).