



X2M Connect Limited (ASX:X2M) ASX Announcement

Quarterly Activity Report and Appendix 4C Quarter ended 31 December 2021

28 January 2022

X2M continues its growth story in December quarter with major tender wins in South Korea

New sales in China and Taiwan as well as strong growth in connected devices in Japan and Korea also achieved

Investment Highlights:

- Q2 revenues of \$3.0 million¹, up 31% on previous corresponding period (pcp)
- Total revenues for the first half were \$4.6 million¹, up 44% on pcp
- Connected devices at 31 December 2021 were 181,102, up 101% on pcp
- Enterprise/government customers increased to 42, up 24% on pcp
- Cash at bank of \$5.1 million¹ as of 31 December 2021
- First half revenues plus contracted revenues already at \$8.5m

Australian Internet of Things (IoT) technology company X2M Connect Limited (ASX:X2M) (“X2M” or “the Company”) is pleased to provide its Quarterly Activity Report and Appendix 4C for the period ended 31 December 2021 (Q2 FY22).

The Company achieved revenues of \$3.0 million¹ in Q2 FY22, up 31% on the previous corresponding period. This was a pleasing result in view of the strong revenue in Q2 FY21. Total revenues for the first half were \$4.6 million¹, up 44% on pcp and compared with the FY20 full year result of \$5.7 million.

Key Operating Metrics

Enterprise and Government Customers

X2M’s target market is the Enterprise and Government utility sector in the APAC region. The current base of X2M’s Enterprise and Government customers delivers a total addressable market of approximately 25 million households.

¹ Financial results are unaudited

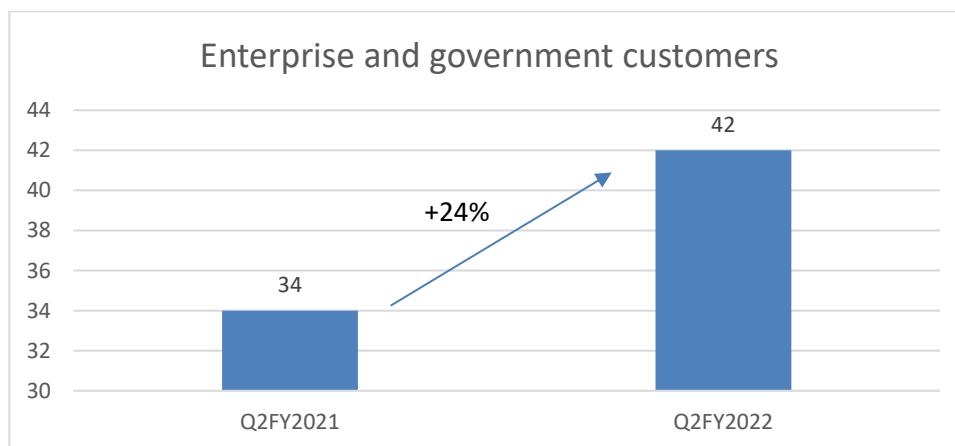


Chart 1: Growth in enterprise and government customers

Connected Devices

A key focus area for the Company is the continuing growth in connected devices. The base of Enterprise and Government customers drives the volume of connected devices. Total connected devices at 31 December 2021 reached 181,102, an increase of 19% from 30 September 2021 and 101% from 31 December 2020.

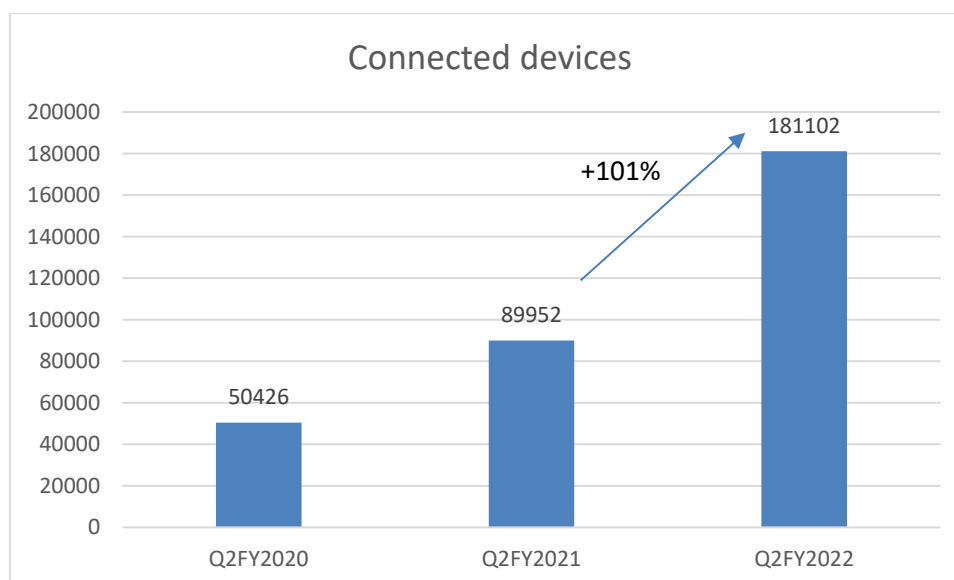


Chart 2: Growth in connected devices, 31 December 2019 to 31 December 2021

Business Development

During the December quarter, X2M was selected by K Water, the Principal Government agency for water management, as the successful bidder for three tenders with an aggregated tender value of approx. A\$4.1 million. Winning a number of these tenders in quick succession shows X2M’s leadership position in the South Korean market. This also aligns with the long-term strategy to secure customers with large numbers of households that will drive future subscription revenues.

X2M also completed the ETC project in Taiwan during this quarter. ETC is the “Taiwan Testing

and Certification Center”, a government-sponsored body that, amongst other things, advises policymakers on technology trends, technology solutions and public policy formulation. ETC through a public tender invited applicants to participate in an energy sustainability project. The project brought together energy from solar and the grid, the ability to distribute this to battery storage, EV charging, servicing all aspects of building energy management, and remotely controlling end devices such as air conditioners. This project forms part of the X2M strategy to participate in the electricity utility ecosystem.

In December 2021, X2M won its fourth contract from Chongqing LianQing Instrument Company. This increased the YTD China revenues to A\$1.4 million².

Connection of devices in Japan continued its fast growth with more than 21,000 devices added on the platform this quarter. This represents 26% growth in the quarter and 153% growth from the Japan devices at 31 December 2020.

Financial and corporate

Receipts from customers for the quarter were \$5.0 million, including \$2.7 million of customer deposits for new contracts signed during the period and delivering revenues during the 2022 calendar year.

Net operating cash outflows were \$1.1 million, which includes \$2.7 million payments for product manufacturing and operating costs. Payments for staff costs were \$2.6 million for the quarter, including one-off payments associated with the IPO as set out in the Replacement Prospectus and timing of other staff related costs.

Net cash outflow from financing activities was \$1.4 million, mainly attributable to \$0.6 million capitalised IPO related costs and \$0.8 million settlement of outstanding borrowings.

Total cash at 31 December 2021 was \$5.1 million.

Related party payments in Appendix 4C section 6.1 of \$72K represent director fees.

On 29 November 2021, the Company held its Annual General Meeting. All resolutions put to shareholders at the AGM passed.

Use of Funds

The Company prepared the Replacement Prospectus in relation to the Public Offer of 32m shares to raise \$8 million.

In section 6.16, the Company provided a proposed use of funds table. The table below shows the use of funds for the period from admission to the ASX on 20 September 2021 to 31 December 2021.

² *Financial results are unaudited*

Use of Funds	Total Allocated Funds (\$000's)	Funds Used 20 Sep 21 - 31 Dec 21 (\$000's)	Commentary
Customer acquisition	1,300	588	In line with expectations
Customer support	1,200	551	In line with expectations
Development, IT services and patents	1,500	853	In line with expectations
Licensing & geographic expansion	1,700	252	In line with expectations
Mergers & acquisitions review	300	-	In line with expectations
Administration	1,750	964	In line with expectations
Working capital	1,100	568	In line with expectations
Expenses of the Public Offer	850	1,022	Above expectations driven by legal costs
Total	9,700	4,798	

Table 1: Use of funds

X2M CEO Mohan Jesudason said: “We are very pleased with our achievements in the December quarter. Since listing in September, we have been focused on growing our customer base across APAC and boosting revenue. Although the standout has been South Korea, we are also excited about the growth in our business we are seeing in other countries such as Japan, China and Taiwan. X2M is well placed to continue executing its strategy objectives and looks forward to providing the market with further updates on our progress.”

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 180,000 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](#).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

X2M Connect Limited

ABN

48 637 951 154

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,027	6,468
1.2 Payments for		
(a) research and development	(95)	(147)
(b) product manufacturing and operating costs	(2,712)	(4,714)
(c) advertising and marketing	(18)	(25)
(d) leased assets	(31)	(136)
(e) staff costs	(2,571)	(3,348)
(f) administration and corporate costs	(915)	(1,350)
1.3 GST/VAT received	184	31
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	324	340
1.8 Other – IPO related costs	(322)	(378)
1.9 Net cash from / (used in) operating activities	(1,130)	(3,261)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(6)
(d) investments	-	-
(e) intellectual property	37	(376)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – Deposits on office leases	(91)	(91)
2.6 Net cash from / (used in) investing activities	(60)	(473)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,000
3.2 Proceeds from issue of convertible debt securities	-	500
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(561)	(561)
3.5 Proceeds from borrowings	-	500
3.6 Repayment of borrowings	(783)	(1,349)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(44)	(83)
3.10 Net cash from / (used in) financing activities	(1,388)	7,007

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,789	1,953
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,130)	(3,261)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(60)	(473)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(1,388)	7,007
4.5 Effect of movement in exchange rates on cash held	(90)	(105)
4.6 Cash and cash equivalents at end of period	5,121	5,121

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,121	7,789
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,121	7,789

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	72
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
6.3	Aggregate amount of payments to related parties and their associates included in item 3	-

Note: if any amounts are shown in items 6.1, 6.2 or 6.3, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,130)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,121
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,121
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.53

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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 gives a true and fair view of the matters disclosed.

Date: 28 January 2022

Authorised by: By the Board of X2M Connect Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.