

# X2M Connect Limited (ASX:X2M) ASX Announcement



## Quarterly Activity Report and Appendix 4C Quarter ended 31 December 2023

31 January 2024

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### X2M REPORTS IMPROVED OPERATING CASH FLOW PERFORMANCE IN 1H24

#### BUSINESS HIGHLIGHTS:

- 2Q24 revenues of \$3.4 million<sup>1</sup>, down 34% on the pcp, reflecting a record quarter in the pcp and a continued focus on higher margin sales
- 1H24 revenues of \$7.5 million, down 17% on the prior corresponding period (pcp)
- Positive cash flows from operating activities for 2Q24 of \$0.7 million, up 81% on pcp
- 1H24 cash burn from operating activities was \$0.4 million, an improvement of 57% on pcp
- Connected devices at 31 December 2023 were 520,417, up 44% on pcp
- Enterprise/government customers increased to 73, up 26% on pcp

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 2023 (2Q24).

#### Key operating metrics

Whilst revenue is lower than the pcp, which was a record performance, all other key metrics are trending well. Importantly, operating cash burn improved significantly, reflecting X2M’s focus on cash management, higher margin revenues and strong cost control.

#### *1H24 revenue performance*

X2M achieved total revenues in 1H24 of \$7.5 million, down 17% on the pcp. The decline in revenue reflects a very strong Q2 in the prior year and a discontinuation of low margin sales.

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<sup>1</sup> All FY24 financial data is unaudited

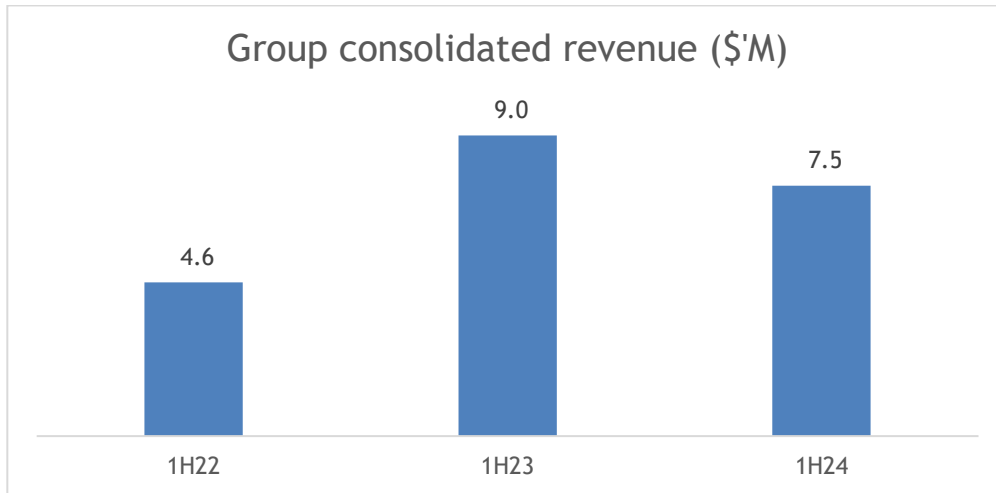


Chart 1: YOY first half revenue performance

**57% reduction in 1H24 operating cash burn vs pcp**

2Q24 delivered positive cashflow from operating activities of \$0.7 million, up 81% on the pcp. This resulted in 1H24 operating cash burn of \$0.4 million, an improvement of 57% on pcp. This improvement was driven by higher gross margins and cost management initiatives.

Chart 2 shows the first half improvement over the last three years.

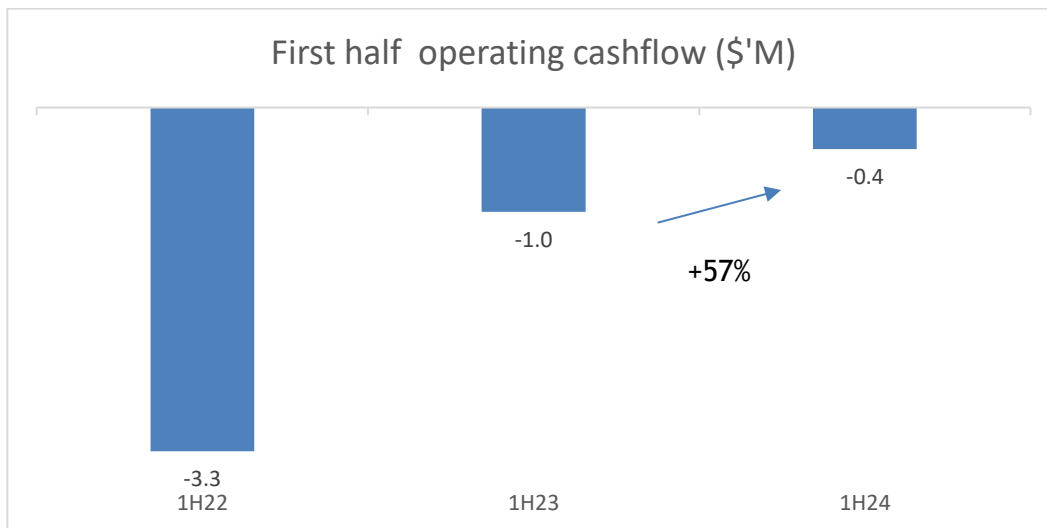


Chart 2: Cash flow from operating activities

**26% year on year increase in Enterprise and Government customers**

X2M's target market is the Enterprise and Government utility sector in the APAC region. As shown in Chart 3 below, X2M's Enterprise and Government client base has continued to rise steadily, reaching 73 at 31 December 2023, up 26% on the pcp. Importantly this customer group delivers a large addressable market estimated to be in excess of \$500m in potential revenues<sup>2</sup> and in excess of \$40m in potential annual recurring subscription revenues<sup>3</sup> for the Company. Pleasingly, X2M has continued to win repeat orders during the quarter.

<sup>2</sup> Assumes customer installs X2M current bundled services to all its households

<sup>3</sup> Assumes customer installs X2M SaaS services to all its households

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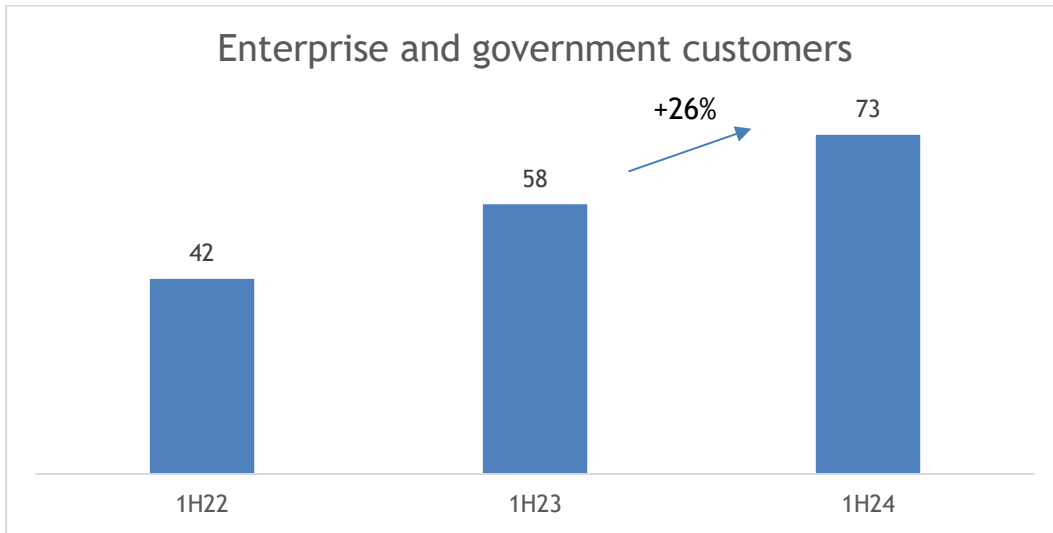


Chart 3: Growth in enterprise and government customers

**44% year on year increase in connected devices**

A key focus area for the Company is the continued growth in the number of connected devices which provides the base for future recurring SaaS revenues. The rise in connected devices is driven by the Company’s core Enterprise and Government customers.

Total connected devices at 31 December 2023 reached 520,417, an increase of 44% on pcp.

Performance of connected devices over the last three years is shown in Chart 4.

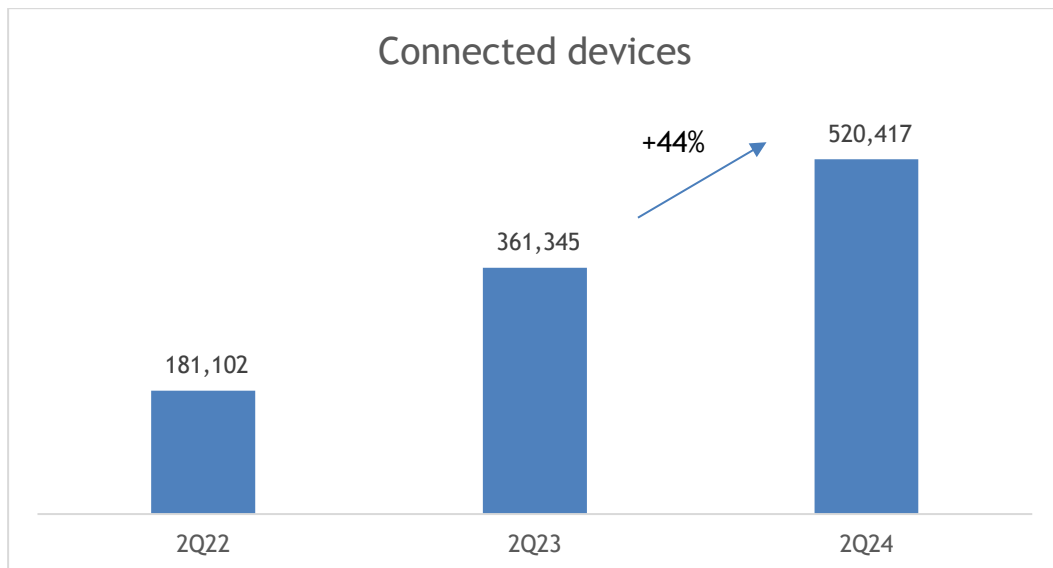


Chart 4: Growth in connected devices

X2M began reporting Annualised Recurring Revenue (ARR) in the last financial year. ARR is the monthly SaaS and maintenance revenue that is recorded in the last month of the reporting period annualised by multiplying by twelve. SaaS and maintenance revenues arise from pure subscription services contracts and from subscription allocations in bundled contracts. For December 2023, the ARR is \$1.7million<sup>4</sup>.

<sup>4</sup> Unaudited

## Financial and corporate

Receipts from customers for the quarter were \$6.1 million, including \$3 million from Korean deployments and \$1.9 million deposits for new contracts.

Net cash flows from operating activities were \$0.7 million, an improvement of 81% on the pcp.

Net cash outflow from investing activities was \$0.8 million, mainly attributable to continued investment on capitalised development costs.

Net cash flows from financing activities were \$1.3 million, including \$0.9 million received on completion of share placement and \$0.7 million from an unsecured loan, offset by costs of capital raising and repayment of lease liabilities.

Total cash at 31 December 2023 was \$2.9 million.

Related party payments in Appendix 4C section 6.1 of \$97K represent director fees.

**X2M CEO Mohan Jesudason said:** “We are pleased with our 2Q24 and 1H24 performance, especially in light of exceptional performance in the prior year. A focus on higher margin sales drove gross margin improvement and operating expenditure was well controlled leading to reduced cash burn.”

## Ends

The Board of X2M has approved this announcement.

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### For further information contact:

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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. X2M generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 520,000 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 significant 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](http://www.x2mconnect.com) or follow us on [Linkedln](https://www.linkedin.com/company/x2mconnect).

## 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 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6,058	8,619
1.2 Payments for		
(a) research and development	(84)	(160)
(b) product manufacturing and operating costs	(4,242)	(5,966)
(c) advertising and marketing	(11)	(11)
(d) leased assets	(62)	(76)
(e) staff costs	(1,524)	(2,797)
(f) administration and corporate costs	(765)	(1,383)
1.3 GST/VAT received/(paid)	(53)	(9)
1.4 Interest received	12	14
1.5 Interest and other costs of finance paid	(79)	(105)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,456	1,461
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>706</b>	<b>(413)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(35)	(36)
(d) investments	-	-
(e) intellectual property	(682)	(1,380)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
	(c) property, plant and equipment	-	-
	(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 – Security deposits	(48)	(35)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(765)</b>	<b>(1,451)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	850	955
3.2	Proceeds from issue of convertible debt securities	-	1,675
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(154)	(184)
3.5	Proceeds from borrowings	680	680
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Repayment of lease liabilities	(58)	(122)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,318</b>	<b>3,004</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,658	1,785
4.2	Net cash from / (used in) operating activities (item 1.9 above)	706	(413)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(765)	(1,451)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,318	3,004
4.5	Effect of movement in exchange rates on cash held	-	(8)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,917</b>	<b>2,917</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	2,917	1,658
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,917</b>	<b>1,658</b>

<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	97
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.*

<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	2,000	1,947
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>2,000</b>	<b>1,947</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>53</b>
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.		
<p>\$2 million loan facility is with Brownvalley Family Trust which \$1.947 million was drawn down as at 31 December 2023. This was an advance secured against X2M's FY23 RDTI. The interest rate for the loan facility is 14% per annum. X2M must repay the loan, together with all interest accrued on the earlier of 30 June 2024 or 14 business days after receipt of an early repayment notice from the lender. This loan facility was fully repaid on 25 January 2024.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	706
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,917
8.3 Unused finance facilities available at quarter end (item 7.5)	53
<b>8.4 Total available funding (item 8.2 + item 8.3)</b>	<b>2,970</b>

8.5 **Estimated quarters of funding available (item 8.4 divided by item 8.1)**

N/A

*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: 31 January 2024

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.