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ASX Announcement | 27 February 2024

X2M announces $3 million capital raise to fund growth and strengthen balance sheet

Highlights

- X2M announces a two-tranche Placement raising approximately $3.0 million (before costs) to institutional and sophisticated investors.
- $1.52 million was raised in the first tranche and the balance is subject to shareholder approval.
- Funds raised from the placement will position X2M well for its next growth phase and strengthen X2M's balance sheet.
- The capital raise follows a solid half-year result with 45% revenue growth and 35% gross profit growth compared to the previous corresponding period (pcp).
- Growth accelerated in Q2 with revenues up 65% and gross profit up 63% on pcp.
- Approximately $4 million in revenue is contracted and expected to be recognised in 2H FY26, providing strong second-half visibility.

Australian Internet of Things (IoT) technology company **X2M Connect Limited** (ASX:X2M) ("X2M" or "the Company") announces a $3.0 million two-tranche Placement to institutional and sophisticated investors with certain elements subject to shareholder approval.

Funds raised will be used to facilitate entry into the Japanese water market, expansion into the Australian market, platform enhancements and general working capital purposes. Together with the expected R&D rebate for FY26, funds will also be used to repay approximately $1.8 million in existing convertible loans (with a proportion of this converting to equity).

The Company has substantially reduced its debt this financial year. The year began with debt of $7.2 million and following the completion of the raise and above repayments, the Company's remaining debt balance is expected to be approximately $602,000 in convertible notes maturing in March 2028. The Company targets for this residual amount to be serviced from future operating cash flows.

X2M CEO Mohan Jesudason said: *"This capital raise provides financial flexibility at an important inflection point for the business. Following a strong H1 and Q2 performance, we are seeing tangible momentum from contracts secured and executed. We expect growth to continue into the second half and with expansion into the Japan and Australian water markets, growth expectations for the Company are positive."*

Approximately $1.52 million will be raised in the first tranche through the issue of approximately 253.3 million fully paid ordinary Shares @ $0.0060 per Share using existing capacity under Listing Rule 7.1 (151,970,618 Shares) and 7.1A (101,313,730 Shares). An additional $1.48 million is subject to shareholder approval of the issue of approximately 247 million Shares at a General Meeting expected to be held within the next eight weeks. Placement Shares issued will rank equally with existing fully paid ordinary shares.

A free attaching Option will be issued for every two Placement Shares issued. The Options will have an exercise price of $0.0080, an expiry date of three years from date of issue and the Company plans to list the Options

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subject to meeting Listing Rule requirements. The Options are free attaching such that they are being issued for nil additional cash consideration. The issue of the approximately 250 million free attaching Options is subject to shareholder approval.

Settlement for tranche 1 Placement Shares is scheduled for 4 March 2026. New Shares under this tranche will be issued on 5 March 2026 and will commence trading on 6 March 2026.

The joint lead managers for the capital raise are Peak Asset Management and Alpine Capital.

All the Company directors participated in the Placement and their allocations will be subject to shareholder approval at the planned General Meeting.

The capital raise follows strong results in the first half of FY26 with revenue growing 45% on the pcp, gross profit growing 35% and adjusted EBITDA losses improving by 10%. Q2 was particularly pleasing with 65% revenue growth and 63% gross profit growth.

X2M CEO Mohan Jesudason said: "*Based on FY26 contracted work, pipeline visibility and current operating conditions, X2M expects continued revenue growth in the second half of FY26, driven by delivery of municipal water digitisation contracts in South Korea, ongoing deployments with major metropolitan customers and revenues from its entry into the Japanese water market. Momentum is expected to continue with approximately $4m in contracted revenues yet to be recognised.*

"As a result, X2M expects to deliver a substantial reduction in FY26 adjusted EBITDA losses relative to FY25".

The Board of X2M has approved this announcement.

Ends

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About X2M Connect Limited

X2M Connect Limited (ASX:X2M) is a leading Australian IoT technology company delivering patent supported solutions that enhance productivity, reduce operational costs and improve public safety for utility and government customers. Its AI-powered platforms enable real-time data exchange, remote control and predictive insights by connecting water, gas and electricity devices as well as other critical sensors to the internet.

X2M's core platform underpins three product families, '*Vision by X2M'*, '*Hive.AI by X2M'* and the '*Help Me'* safety device, supporting more than 85 customers across five key geographies. The Company has connected over 500,000 devices to date and continues to expand its footprint, leveraging strong government and enterprise relationships throughout Japan, South Korea, Taiwan and the Middle East. X2M generates revenue through a mix of hardware sales, recurring SaaS and platform fees, and device connection charges. To learn more about X2M click here: www.x2mconnect.com or follow us on LinkedIn.