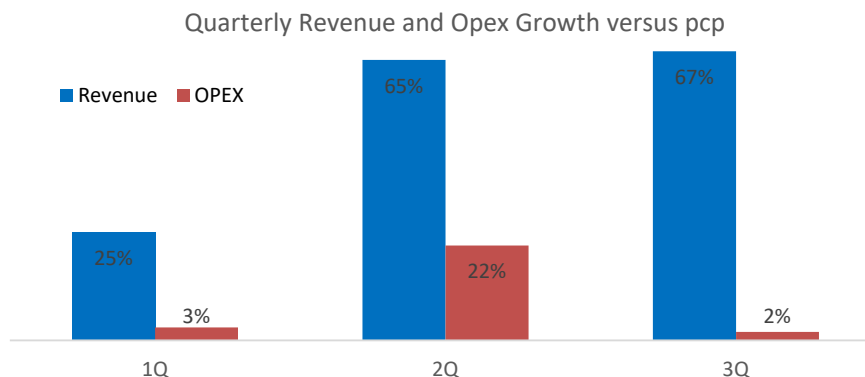


## X2M Powering AI in Utilities for Smart Cities & Communities

### X2M is at a critical inflection point, with increasing global demand and a strong pipeline

- X2M has spent more than ten years building a patent-supported, AI-enabling data processing platform that sits at the centre of smart city infrastructure that requires real-time data from water, gas, electricity and public safety networks to operate effectively
- Data centres have huge demands in energy that need renewable energy support and energy management where X2M has its core products
- X2M reduced convertible loan debt in May by \$800,000, with \$650,000 repaid in cash and \$150,000 converting to equity which will remove \$120,000 in annual cash interest payments
- X2M has connected more than 500,000 devices and serves 89 blue-chip enterprise and government customers across South Korea, Japan, Taiwan, the Middle East and Australia
- Addressable market of its existing customers exceeds \$600 million in upfront revenue<sup>1</sup> and \$40 million in annual recurring revenue<sup>1</sup>
- The global smart cities market was valued at US\$877.6 billion in 2024, with APAC representing 52.3% of the global market and projected to grow at a CAGR of over 30%<sup>2</sup>
- Australia's data centre energy demand is expected to be 2.2 GW-3.2 GW by 2035, or 8–11 per cent of Australia's projected electricity and requiring up to \$135 billion in investment<sup>3</sup>
- X2M is evolving to a high-margin SaaS business model involving up-front fees and recurring revenue
- The Q3 FY26 report showed operating costs increased by only 2% in Q3 while revenue growth on the prior corresponding period (pcp) accelerated from 25% in 1Q to 67% in 3Q<sup>4</sup>



<sup>1</sup> Assumes customers install X2M bundled services to all its households & assumes customers install X2M SaaS services to all its households

<sup>2</sup> Grand View Research, Smart Cities Market Size, Share & Trends Analysis Report, 2025-2030, accessed April 2026

<sup>3</sup> Clean Energy Finance Corporation, "Getting the Balance Right: Data Centre Growth and the Energy Transition," December 2025, accessed May 2026

<sup>4</sup> Operating costs for 2Q FY26 were \$1.9 million, 22% up on 2Q FY25. This was largely due to \$0.25 million in product replacement costs in respect of historical deployments. Normalised growth of operating costs excluding these would be 6% on the pcp reflecting costs associated with growth in the business.



### **Reduction in Convertible Loan Debt**

As previously foreshadowed, a convertible loan debt of \$0.8 million that has been on the books since May 2024 has been repaid in cash (\$650,000) and equity (\$150,000) as part of the Company's drive to strengthen its balance sheet and improve operating cash flows. This repayment substantially reduces the Company's convertible debt and reduces debt servicing costs which will improve operational cash flow with the loan previously costing the Company approximately \$120,000 per annum in cash interest payments.

### **Data Processing is Driving AI applications**

X2M's proprietary software collects, connects, and processes data from any device on any network generating masses of valuable data.

It delivers millions of raw signals so AI can make real-time decisions to deliver:

- Agentic AI management of large-scale infrastructure such as utilities, smart cities, clean energy systems and data centres
- Cost savings
- Productivity improvements
- Reduced water and energy waste especially by prompt identification of leaks and other faults
- Predictive maintenance before failures occur
- Public safety and community welfare outcomes
- Lower carbon footprints

### **This platform is the connective layer across four of the world's fastest-growing infrastructure sectors:**

- AI systems require high-quality, structured data from the physical world to power agentic AI, where machines control machines
- Smart cities require real-time data from water, gas, electricity and public safety networks to operate effectively
- Renewable energy requires platforms that optimise generation, battery storage systems and enable trading across the grid
- Data centres require energy management that reduces costs, eases the burden on the grid and lowers the risk of downtime.

X2M provides an all-in-one solution across these sectors, collecting massive volumes of data and using its proprietary software to manage it, reducing risks for operators and governments alike.

### **Sticky SaaS Contract Model**

The Company has deliberately shifted its business model away from low-margin hardware only sales toward high-margin, recurring SaaS and platform revenue, providing the software and data layer.

- Upfront platform access and licensing fees generate immediate revenue on entry



- Platform design enables ongoing customer upselling across additional services
- Per-device charges create contracted recurring revenue with 12-month to 10-year terms
- Highly sticky platform that can connect to any device and adapt to any changes in infrastructure without disruption

This shift delivers higher margins, more predictable revenue, and a model that scales without proportional operational cost increases. Around 57% of customers place repeat orders.

### **Proprietary Micro Engine Powering Industrial Scale AI and Data Processing**

- The Company's core technology, the Flexible Micro Engine (FME), is a device-agnostic processing engine that operates at the edge of networks and in the cloud
- It works with any device type and any communication protocol, meaning customers are never locked into a single device vendor or a single technology generation
- Because the FME can be remotely updated, the platform evolves with the customer as requirements change

### **Diversified Pipeline; Multiple Markets**

#### **South Korea**

- X2M in South Korea is the market leader in remote water digitisation, with its existing customer base representing 64% of the national total addressable water monitoring market
- A\$3M Seoul public safety contract for 100,000 HelpMe devices, with the customer planning to deploy up to 1 million devices

#### **Japan**

- X2M has a six-year partnership with Azbil Kimmon across gas and now water monitoring
- The Japanese water market represents 60 million meters and close to A\$100 million per annum in SaaS revenue<sup>5</sup>
- The Japanese business is already profitable

#### **Australia**

- Binding smart community agreements secured with Resi Ventures (1,000 lots) and Riverstown (800 lots), with 4,000 additional lots under a non-binding MoU
- Total pipeline of approximately 5,800 lots represents an opportunity of approximately \$11.8 million in revenue<sup>6</sup>
- The Australian Government's National Housing Accord is accelerating demand for connected infrastructure in new residential developments, while also managing concerns about the strain on the

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<sup>5</sup> Assumes all meters are connected to X2M SaaS services

<sup>6</sup> Assumes all lots take up the X2M Smart Energy bundle



grid

### Other regions

- In Taiwan, X2M has secured initial customers for 'Hive.AI by X2M', its renewable energy platform, covering energy optimisation including solar, battery storage and energy trading
- In the Middle East, X2M's technology is licensed to Dicode Smart Connect Electronics, which is deploying smart gas metering across the UAE and planning to expand into additional Middle East countries
- Plans for X2M to expand into India and the United States

### Next Steps

- The key priority for X2M's Board and management is profitability and positive cashflow
- Continuing the increase in X2M's share of existing customers' addressable market in South Korea
- Commercialising smart communities and adding additional services in Australia
- Rolling out the water platform in Japan
- Converting the extensive pipeline in the UAE
- Converting the renewable energy pipeline in Taiwan

The Board of X2M has approved this announcement.

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### About X2M Connect Limited

X2M Connect Limited (ASX:X2M) is a leading Australian smart city technology company delivering patent supported solutions that enhance productivity, reduce operational costs and improve public safety for utility and government customers. Smart cities involve the collection, aggregation and processing of data from a wide range of sensors to automate controls that improve the speed, effectiveness and accuracy of outcomes for cities and their residents. X2M's platforms enable real-time data exchange, remote control and predictive insights by connecting water, gas and electricity resource devices as well as other critical sensors to edge and cloud based software. X2M delivers a mass of data that enables AI for customers.

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](http://www.x2mconnect.com) or follow us on [LinkedIn](#).