

Xped Limited



Company Update

Australian Internet of Things (IoT) technology company, Xped Limited (ASX: XPE) (“Xped” or “the Company”) is pleased to provide this market update regarding recent progress and developments since the previous company update released on the 19th of April 2018.

Highlights

- First orders received for DiscoverBus products from Singapore and US partners.
- First payment received from Heuresy initiating the Physical Security Token hardware design project.
- Binding collaboration agreement signed to deliver the Xped Infrastructure Platform as the smart home platform for Telekom Malaysia under the TM One brand.
- Xerts coupon management system delivered to Market Place Services IT Pty Ltd as part of a three-month trial with a government services organization.
- Xped completes a major restructuring of its health care business.

Business progress

Xped’s core product is the Xped Infrastructure Platform (XIP) which offers a complete end to end Internet of Things solution for Business to Business (B2B) customers, providing app, cloud, gateway, devices and a platform for delivering services. XIP can be used to deliver home security, home safety, home automation, office security, smart building and data center solutions that assist with energy optimization.

Xped has made significant development progress in the last 9 months on both the smart home and smart building solutions for Xped’s existing B2B partners. Selling products and services through B2B channels is Xped’s primary go-to-market strategy and will provide the Company with access to established markets where Internet of Things solutions are actively being sought. The smart home offering brings existing third party products into the Xped platform. The products integrated first have been driven by partner requirements to target the following sectors:

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- Telecommunications – in some countries fixed line broadband connections are on the decline and telcos are looking for ways to retain these customers and replace falling revenues
- Property developers – need to differentiate their properties to sell them quickly. By installing a smart home system during the build, a property becomes more attractive to the potential buyers and increases its sale price
- Energy providers – are under pressure on several fronts including increased competition, government requirements to assist customers use energy more efficiently, falling demand due to solar and the cost of paying feed-in tariffs

For companies operating in these sectors, providing a smart home solution and delivering associated services to their existing customers on a monthly plan is an attractive proposition. Xped has worked with its B2B partners to integrate XIP into their business processes so that it seamlessly works in with their help desk, installation and field service, service activation and reporting requirements.

In the second half of 2018 The Company expects to begin business development as follows:

- Singapore (via Vital Xense) for smart building and data centers
- North America (via Heuresy) for smart home and smart building
- Australia for smart building

Telekom Malaysia Agreement

On the 1st of May, Xped executed a binding Collaboration Agreement with VADS Berhad, a fully owned subsidiary of Telekom Malaysia Berhad (TM), to rollout XIP as the smart home platform for Telekom Malaysia under the TM One brand. The agreement allows TM One to provide a smart home platform built upon the Xped cloud, Xped's smart-home gateway, Xped's ADRC stack and Xped's device browser mobile applications on iOS and Android.

Upon formal launch of the smart home platform, the agreement accommodates the promotion of the platform by TM One across a number of channels:

1. **B2B**, via high density property developers where the smart home shall utilise Xped's XIP, Xped SH2 Gateway, and Xped supplied devices, to be controlled via one of two methods:
 - a. Directly controlled via the Xped app; and
 - b. Controlled via the property developer's own user interface, which talks to the XIP APIs.

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Such deployments shall be supported and installed by Xped's in-country partner. Telekom Malaysia has a partially owned subsidiary (InneoNusa) within the property development sector which is intended to provide the initial path to market for this channel.

2. **Mass market**, where TM One shall offer the platform and devices directly to its broadband service subscribers. These installs will be performed both by TM's designated mass market installers and on a DIY basis, subject to customer preference.
3. **Retail**, where TM One intends to work with third party retail partners to promote the Xped app as the 'super app' that can bring together a vast array of devices operating on different protocols into the one control and automation interface. These installs will be performed by the consumer on a DIY basis.

Under the agreement, Xped will receive a once-off fee for each new subscriber to the XIP platform, with the option for a further annual support fee per subscriber. Xped shall also be the sole provider of devices for use with the platform, with the exception of devices purchased through retail partners or procured by consumers themselves. Xped shall also receive a margin on all devices sold to TM One or its partners. Xped and its in-country partner will be responsible for smart home installations with Xped receiving an installation fee. The Company is currently in discussions relating to a further agreement to integrate XIP with the Incident Operations Center (IOC) in Johor. Any such integration work, as well as development performed in relation to feature requests and new device requests outside of a device roadmap agreed between the two parties, shall be charged to TM at commercial rates on a fee for service basis.

The Collaboration Agreement reflects the commercial beginnings of Xped's market focus on the telecommunications sector as announced on the 31st of January 2018 and is the outcome of many months work by the company's engineering and management teams. In order to maximise the likelihood of success of the collaboration with TM, a steering committee consisting of 3 senior staff from each Party has been established between Xped and TM to manage the relationship and subsequent projects.

Following on from the Collaboration Agreement, a separate Definitive Agreement for the supply and support of the XIP Platform and devices is currently being negotiated. Details of any subsequent definitive agreements, which are expected to be on a per project basis, will be released in due course. The Definitive Agreement, once executed, will pave the way for the first orders to be placed.

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Healthcare business

JCT Healthcare (“JCT”), Xped’s 100% owned subsidiary, is a provider of innovative technology solutions for the Healthcare sector. JCT Healthcare develops and distributes its own range of Nurse Call hardware and software solutions for use across multiple healthcare sectors including Hospitals, Aged Care, Disability Care and Supported Independent Living.

The healthcare business has undergone a major restructuring and has turned around from a loss making business to break even with a solid project pipeline forming for FY 2019.

JCT continues to invest in software development and has recently released an updated version of the flagship Nurse Call Management software product, NuCaMS. Some of the recently released features include:

- NuCaMS Cloud - Support for cloud-based deployment (In addition to existing on-premise deployment)
- New release of JCT App for staff incorporating physical BLE duress pendant integration – addressing a key staff safety need
- New Android app for clients\patient use with secure staff assist \voice call integration and JCT SmartCare and smart device control capability
- Integration of client\patient app for use with Grid3 for people living with a disability
- Enhanced support for integration with an expanded range of smart care and home\building automation devices including fall detection pendants, activity sensors, lights, cameras, locks, powered doors, door locks, PIRs, blinds, roller shutters
- A range of other security-related and user-driven functionality enhancements

JCT primarily sells products and services through its Australian Channel Partner and reseller network (“CPN”), with partners in most states of Australia. JCT works closely with existing partners in collaborating on tender submissions and in partner technical and sales training. JCT is currently in discussions with new potential partner companies to increase access to revenue opportunities.

JCT has new hardware products and solutions under development with an expectation these will be available for sale later this calendar year. More details will be released once products are commercially available.

JCT revenue (unaudited) for FY18 was approximately \$1.4m. As a result of a combination of the completion of existing in-progress projects, the release of new products and solutions, and an increase in marketing and business development activities resulting in an increase in CPN sales, JCT is forecasting a growth in revenue for FY19.

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Smart home project

- The smart home platform is now functionally complete and undergoing field and stress testing.
- The platform supports DiscoverBus® (ADRC enabled) devices and many popular Z-Wave and Wi-Fi devices.
- Acceptance testing of the smart home platform was conducted between 27-Jun and 5-July at the Telekom Malaysia Alpha Testing labs in Putrajaya. During this period, 80% of the acceptance tests were performed. Xped is waiting to be notified of the testing outcome. The remaining 20% of tests are scheduled to be performed later in early August.
- Passing these acceptance tests will be a significant milestone and is a condition for the execution of The Definitive Agreement with VADS.

Smart building projects

Vital Xense, Singapore Data Centre

- A first purchase order has been received from Singapore partner Vital Xense for 55 sensors and 3 Xped gateways. The objective of this order is to equip one room of the Singapore based data centre to demonstrate IoT monitoring and control capability. Traditionally, this monitoring is achieved through Programmable Logic Controller (PLC) hardware. The latest generation IoT solutions are proving to be a more cost-effective solution due to the ease of installation, configuration and maintenance.
- This purchase order consists of the temperature sensors and barometric pressure sensors which are already production ready. It also covers supplying Carbon Dioxide (CO2) sensors which Vital Xense will integrate into the building management system to monitor when to vent rooms with fresh air. The CO2 sensor was a new development for Xped and is now running on the bench and ready for field testing when the housings plastic enclosures are ready. Monitoring parameters such as CO2, Temperature, Humidity and room pressure (achieved with Xped barometric pressure sensor) can be used to minimise air changes within the data centre, which in turn can allow air conditioning systems to run more efficiently, reducing running costs.
- A 4-20mA sensor is also now being developed for Vital Xense, to allow the Xped IoT system to easily integrate into existing sensors that use this control interface, simplifying retro-fit installations into air conditioning and other industrial applications.
- The Singapore data centre is also scheduled to add a battery monitoring system to its Uninterruptable Power Supply (UPS) which consists of hundreds of lead acid batteries. These batteries are periodically replaced to minimise system failures, such as flat batteries,

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or battery explosions. Xped has developed and been bench testing the sensors that monitor battery voltage and battery charge and discharge current in these battery strings, that typically consist of 50 batteries per string. The injection mold tooling for these sensors is now complete and off tool samples have arrived with only small adjustments needed for production ready tooling. Once the final samples are approved, Xped will deliver a battery monitoring system for evaluation for one string of 50 batteries.

Heuresy, USA smart buildings

- Heuresy has placed an order for the purchase of 20 of each of the DiscoverBus products (a total of close to 400 devices). Heuresy is a reseller for the Xped product range, with target markets being focused on the corporate and government sectors in the US which are heavily reliant on secure systems. The DiscoverBus products to be delivered cover the complete range of battery powered wireless sensors and keyfobs, as well as Xped's range of wired products that will be used to monitor environmental conditions within the building, as well as controlling lighting. These products will be used for the purpose of demonstrating XIP for smart building applications in the US, starting with fitting out the Heuresy offices.
- Heuresy and Xped are working closely with one of Heuresy's security development partners on providing the level of security needed for these target markets. This will set up the Heuresy offices as the first USA based display, demonstration and training site for Xped's product range. This site will also become a key site for developing and testing the additional security layers being built into the platform, which will provide a key advantage for selling into the corporate and government sectors.

Heuresy project

Heuresy and Xped are working together to add additional security systems to the Xped platform. The current project involves building a security dongle. The dongle will be battery powered, pocket portable and connect to the Xped platform using BLE, in order to authenticate devices and content in the IoT network.

- Subsequent to executing a technology development agreement with Heuresy Labs LLC (Heuresy), Xped received the first US\$250,000 payment on the 25th of May 2018.
- Development work on the Physical Security Token project has begun. The major hardware components have been selected and a hardware proof of concept system is being built. An additional system is now built, of which one will be dispatched to Heuresy allowing Xped and Heuresy developers to work jointly on the project.

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- Heuresy is developing the software applications and the first application is now at a point where it can be tested against a virtual hardware simulator supplied by Xped.

MPS project

- Xped has delivered an implementation of its Xerts coupon management system to Market Place Services IT Pty Ltd (MPS).
- MPS has integrated the Xerts technology into its own product and is currently running a 3-month proof of concept trial with a state government services organization.
- Pending the outcome of this trial, Xped and MPS are expecting to enter into commercial agreements.

It has taken around two years for the Company to find a niche that it can confidently deliver its advanced technologies into. We have taken the core ADRC technologies and built them into a full end to end platform tailored for B2B customers. This is quite a different path than we all had initially envisioned. However, we are confident that this is the right approach for the business moving forward. The IoT landscape has changed markedly over the past two years with the likes of Apple, Google and Amazon competing for the retail smart home customer. All three have advanced artificial intelligence voice assistants that can provide voice control for the smart home. Xped is currently integrating XIP with Amazon Alexa which will enable our platform to be voice controlled in the near future; a feature that has been requested by several of our B2B partners.

It is an exciting time for Xped now that we have made our first sales of ADRC enabled products and are poised to expand business development activities in Asia, America and Australia.

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CTO and Executive Director
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ASX RELEASE // 31.07.18

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