NEXION GROUP LTD

Half Year FY21 Update

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COMPANY HIGHLIGHTS H1 FY21

+66%

Annualised Recurring Revenue

$1.2M → $2.0M
H1 FY20   H1 FY21

Strong growth in Hybrid Cloud recurring revenue

+17%

Quarterly Recurring Revenue

$0.46M → $0.54M
Q1 FY21   Q2 FY21

Continuing growth from existing customers

-90%

Non-Recurring Project Income

$1.51M → $0.14M*
H1 FY20   H1 FY21

Shortfall in new project starts during COVID period

+1

OneCloud Nodes

1 → 2
H1 FY20   H1 FY21

OneCloud nodes live in Perth and Melbourne

+0

SD-WAN Points of Presence

0 → 0
H1 FY20   H1 FY21

First SD-WAN node being deployed now

+1

Geographic Regions

2 → 3
H1 FY20   H1 FY21

NEXION active in Perth, Melbourne and Adelaide

Note: All $ values for revenue and income are to December 30, 2020 and exclude revenue from the contract with IBM announced on Feb 25th, 2021.

OPERATIONS SUMMARY H1 FY21

- **Recurring revenue remained strong** through the last half of calendar 2020, growing 66% year-on-year and 17% across quarters.

- New project work to bring customers onto the OneCloud platform tapered off toward the middle of the year and a lull across the COVID lockdown periods in Perth and then Adelaide and Melbourne led to limited new project work in the last half.

- New projects resumed late in CY20 and have come on-stream in February including IBM (see previous announcement). **Project revenue has returned to pre-COVID levels in Q3 FY21**.

- NEXION signed a unique agreement with Aryaka to build, own and operate SD-WAN PoPs (Points of Presence) in select global regions starting with Perth then potentially Auckland, Africa, select regions in Europe and Canada. The Aryaka agreement puts NEXION OneCloud immediately online in 65 locations globally via the existing Aryaka PoP network. NEXION and Aryaka share revenue from customers using the NEXION-owned Aryaka PoPs.

- The first **Aryaka** SD-WAN PoP (Point of Presence) was approved, ordered, configured and "burnt-in" late in the year. Installation in Perth has begun with **go-live expected in the current quarter** (Q3 FY21).

- **Two capital raises totalling $9.2M** were successfully completed oversubscribed during and after this reporting period. The IPO prospectus was completed in late November and NNG was admitted to the Official List of ASX Limited on the 16th of Feb 2021. EBITDA for the half-year includes $0.640M of costs, fees and interest associated with the IPO and the remainder will be taken up in the Q3 accounts.

- **Additional sales resources** have been added to the team in Perth with more team members to come on-stream on the East Coast of Australia during the coming months.

- The company remains on track to execute its plan of expanding sales, support and technical capability in locations where it rolls-out OneCloud nodes by **acquiring information technology businesses** that have customers aligned with its Hybrid-Cloud and SD-WAN services.

- With capital now available from the highly successful IPO, the company has activated its plan to roll-out **new SD-WAN PoPs and OneCloud nodes globally.**

ABOUT NEXION GROUP

NEXION Growth Strategy

NEXION aims to become a global operator of Hybrid Cloud SD-WAN infrastructure and capital from the IPO will be used to fund OneCloud expansion. The Company currently operates in Perth, Adelaide and Melbourne.

NEXION's intends to deploy OneCloud Nodes in strategic locations globally. The existing OneCloud nodes in Perth and Melbourne will be followed by nodes in other Australian capital cities and in regions globally such as Auckland, Africa, Europe and America.

Global data networks are the arteries of the Cloud. Thus, NEXION has recently entered into a global first agreement with Aryaka to leverage their network to provide connectivity to OneCloud Nodes. Aryaka is a Silicon Valley global leader in Software-defined wide are networking (SD-WAN) and will be integral to NEXION's global expansion. The agreement immediately renders NEXION 'live' in 65 existing Aryaka Points of Presence (PoPs) globally and allows NEXION to build new Aryaka PoPs in locations such as Perth and other cities where NEXION is building OneCloud nodes.

NEXION's Business

NEXION offers Private Cloud Infrastructure coupled with Public Cloud Products such as Amazon AWS and Microsoft Azure to create a Hybrid Cloud service called OneCloud. NEXION uses software-defined wide-area network (SD-WAN) technology to connect its corporate customers to its OneCloud Nodes. OneCloud Nodes consists of compute and storage capacity, bonded globally via SD-WAN that customers rent to deploy their corporate applications and integrate their operations into public cloud services offered by Microsoft, Amazon and Google etc.

Public clouds offer agility, elasticity and scalability on a global basis. Companies embrace Public Cloud to make their information technology services more responsive to the needs of their businesses. By shifting workloads to the cloud, businesses can make great strides in reducing costs and boosting productivity. This allows them to focus on their core operations and more quickly pivot to new market opportunities. However, Public Cloud is not always the best solution. It may be relatively expensive for a particular compute or storage workload, too slow if it is not in region or perceived as less secure than a Private Cloud equivalent. Hybrid Cloud thus evolved as companies embraced different models of Public, Private and on-premises solutions to meet the diverse requirements their business units have, globally.

The Hybrid Cloud segment is one of the fastest growing segments of the IT industry today as corporations accelerate their migration from traditional owner-operated compute resources to pay-as-you-go platforms. NEXION's core business in in the sweet spot of this irreversible trend.

NEXION has focused on deployment and rental of NEXION OneCloud and interconnection of these OneCloud Nodes using SD-WAN networks. NEXION owns its own data centre in Belmont, Western Australia, from which it will centrally control its growing network of OneCloud and Aryaka SD-WAN infrastructure. NEXION is a full-stack information technology service provider offering sales of associated information technology, project management and support services that complement its Hybrid Cloud infrastructure service.

This announcement has been authorised by the Board of NEXION Group Ltd