



NEXION Group

An Emerging Global

Cloud, Security, Networking & Data Centre Company

08 April 2021

NEXION Group Ltd completes agreement to acquire Blue Sky Telecom Pty Ltd as part of its growth strategy

Highlights

- NEXION Group Ltd (ASX:NNG) is progressing its growth strategy with the proposed acquisition of Blue Sky Telecom Pty Ltd ('Blue Sky') for an upfront scrip-only consideration of \$2m + earn-outs
- Blue Sky is a national telecommunications & network solution provider focused on local and national customers across Australia with YTD (end Feb 2021) revenue of \$2.9m
- The acquisition is an all-share transaction with a substantial portion of total acquisition price subject to revenue-growth performance hurdles
- The acquisition facilitates a seamless interconnection of all products and services into one "easy to deploy" customer edge to hybrid cloud full stack service offering, which is expected to yield revenue and product synergies.
- The acquisition to substantially increase NEXION's Recurring Revenue base as a percentage of total Revenue and there is a strong potential identified for cost synergies

Introduction

NEXION Group Ltd (ASX:NNG) ('NEXION' or 'the Company'), an emerging provider of full end-to-end enterprise ICT solutions including public, private and hybrid cloud via its own and 3rd party data centres, is pleased to announce that it has entered into an agreement to acquire 100% of the issued share capital of Blue Sky Telecom Pty Ltd ('Blue Sky') ('Acquisition') ('Acquisition Agreement').

Business Overview

Founded in 2013 by Daniel Fairbairn, Blue Sky is a national telecommunications and network solution provider headquartered in Perth, Western Australia, providing industry leading communication solutions to local and national enterprise customers.

More specifically, Blue Sky offers the following product lines:

- Owned and operated international Hosted Voice Platform;
- Owned and operated national Multiprotocol Label Switching (MPLS) Network;

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- International terrestrial internet connectivity, including NBN, Fibre, Fixed wireless and 4G;
- National Satellite network
- Innovative and unique Immersive Media streaming solution to bandwidth-deprived locations, IP designed and built by BlueSky; and
- Managed Services including Wi-Fi, SD-WAN and Cyber Security management.
- A strong focus on providing all services and products across a variety of industries and in particular mining and resources.

Blue Sky currently has over 400 active clients with the majority located in Western Australia. Its revenue has grown by 20% to \$2.4m in FY20 and growth is expected to accelerate materially in FY21. Revenue year-to-date, as at the end of March 2021, was \$2.9m and the Company is very optimistic about the final Quarter of the Financial Year and beyond. The significant increase in FY21 revenue is due to primarily to Blue Sky's new Enterprise and Satellite divisions.

Blue Sky's product solutions compliment various segments of the NEXION Networks existing activities including offering leading ICT solutions and utilising a combination of telecommunications, data, and networking skills to provide secure communication solutions to customers.

Acquisition Rationale

The Acquisition forms part of NEXION Group's expansion strategy outlined in the Company's recent Prospectus, specifically acquiring local ICT service providers that bring relevant skills and expertise to the group as well as the opportunity for accelerated growth.

At its core the Acquisition is about combining products and infrastructure to create a class leading full-service telecommunications Company and the revenue synergies that can be expected to result from this.

The Acquisition creates strong growth opportunities through the combination of Blue Sky's telecommunication services at the "edge" of the customers' networks being bonded to the core SD-WAN and Hybrid Cloud network being rolled out by NEXION.

Blue Sky delivers voice, data and media services to end-users and has a particular focus on mine-site camps. NEXION Networks delivers a wholesale data hosting and core local, national and global inter-connect network. The combination of the two businesses is complementary by expanding demand for NEXION's core services and reducing the delivery cost of Blue Sky's products.

NEXION's strength lies in the significant infrastructure assets it has developed over the last four years to create NEXION OneCloud.

Blue Sky will be a key route for customers to access NEXION Network's global Hybrid Cloud offering, by seamlessly interconnecting all of Blue Sky's "Edge" products and services, into one easy to deploy Hybrid Cloud enabled full stack offering.

Key terms of the Acquisition

The Acquisition Agreement contains the following key terms and conditions:

Consideration for the Acquisition consists of the following:

- upfront consideration of 10,000,000 ordinary shares in NEXION ('Shares');
- deferred consideration of:
 - Tranche 1 - that number of Shares, with a deemed issue price of \$0.20 each, equal to the deemed value of Blue Sky's earned revenue achieved in FY21 that exceeds \$2M;
 - Tranche 2 - that number of Shares, with a deemed issue price of 70% of the Company's 3 month volume weighted average price ('VWAP') from 1 April 2022 to 30 June 2022, equal to the revenue achieved in excess of the 110% of the FY21 number capped at \$9M;
 - Tranche 3 - that number of Shares, with a deemed issue price of 70% of the Company's 3 month VWAP from 1 April 2023 to 30 June 2023, equal to \$2M upon the achievement of Blue Sky Telecom exceeding \$12M revenue in FY23; and
 - Tranche 4 - that number of Shares, with a deemed issue price of 70% of the Company's 3 month VWAP from 1 April 2024 to 30 June 2024, equal to \$2M upon the achievement of Blue Sky Telecom exceeding \$24M revenue in FY24, (collectively the 'Consideration Shares').

The Acquisition is conditional on the Company obtaining all necessary shareholder and regulatory approvals, including shareholder approval for the issue of the Consideration Shares. Additionally, the Acquisition is conditional on all of Blue Sky's shareholders accepting offers for their respective shares and providing the Company with transfer forms. All conditions precedent must be satisfied on or before 180 days after execution of the Acquisition Agreement.

The Acquisition Agreement also contains representations and warranties given by the shareholders of Blue Sky and the Company which are considered standard for an agreement of this nature.

Timetable

Subject to NEXION shareholder approval and the satisfaction or waiver of other conditions associated with the Acquisition, NEXION expects to complete the transaction during Q4 FY21. Further information will be provided to shareholders as the transaction progresses to conclusion.

NEXION Co-Founder and Group CEO, Paul Glass commented:

"We are extremely pleased to announce this acquisition. Blue Sky is a fast growing business with an outstanding product offering. As a result, NEXION will be a stronger combination of infrastructure and products that should yield material cross-sell opportunities and the possibility of lower costs. The business, much like NEXION Networks is underpinned by a focus on recurring revenue and long term contracts. This alignment is key to the NEXION Group growth strategy as we focus on long term shareholder value in a recurring revenue focussed group.

The terms of the acquisition have been designed to strongly align the vendor with NEXION's ongoing success and should the terms of performance milestones be met all shareholders can be expected to benefit strongly in coming years as NEXION's revenue will have grown very significantly.

We are very pleased to be working with Blue Sky's Founder, Daniel Fairbairn and I look forward to working together with him going forward to deliver growth. Finally, it has been a key objective of the Company to materially improve the proportion of Recurring Revenue in NEXION's revenue mix and this acquisition is a huge step towards this goal."

Blue Sky Founder and CEO, Daniel Fairbairn commented:

"By bringing these two businesses together under the NEXION Group, the Company will be able to leverage and combine their respective in-depth expertise and ability to build commercial solutions that adds real value to our customers. I am very committed to replicating Blue Sky's historical success and creating an even stronger commercial proposition for our customers and generating strong returns for NEXION shareholders. The NEXION Networks team have a proven record on delivery and it's great to be a part of this group of executives"



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About NEXION Group Ltd:

NEXION is an information technology service provider that offers compute and data storage equipment as a service that it integrates with Public Cloud services to form a Hybrid Cloud. NEXION Networks Pty Ltd (NEXION Networks) owns and operates Hybrid Cloud infrastructure and provides associated services while NEXION W1 Pty Ltd (NEXION W1) owns and operates a 3 Mega-watt capacity data centre in Perth, Western Australia.

The Company offers private Cloud infrastructure integrated with Public Cloud services to form the NEXION Hybrid Cloud solution it calls OneCloud. NEXION hosts a OneCloud Node in its own data centre in Perth and third-party data centres in other cities and sells capacity to customers on term contracts up to 36-months. NEXION provides project management services to migrate customers to its Hybrid Cloud platform as well as associated equipment and support services for additional fees. The Company also provides SD-WAN to connect customer premises and equipment to its Hybrid Cloud.

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