NEXION GROUP LTD

Quarterly Activities Report for the March 2021 Quarter

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COMPANY HIGHLIGHTS Q3 FY21

+12%
Annualised Recurring Revenue

$2.00M → **$2.24M**[1]
Q2 FY21   Q3 FY21

Strong growth in Hybrid Cloud recurring revenue

+38%
Quarterly Revenue

$0.680M[3] → **$0.938M**
Q2 FY21   Q3 FY21

Total revenue strong across recurring and projects

+170%
Non-Recurring Project Income

$0.14M → **$0.38M**
Q2 FY21   Q3 FY21

Project revenue coming back on-stream post-COVID

+0
OneCloud Nodes

2 → **2**
Q2 FY21   Q3 FY21

OneCloud nodes live in Perth and Melbourne

+1
SD-WAN Points of Presence

0 → **1**
Q2 FY21   Q3 FY21

First Aryaka SD-WAN node live in Perth in March

$6.1M[2]
Total Contract Value of Recurring Revenue

Q3 FY21

Term contracts for Hybrid Cloud growing rapidly

1: Recurring revenue includes partial recognition for IBM and Hames Sharley projects reported in the quarter with the total amount of the recurring revenue estimated to begin billing in the June quarter.
2: Recurring revenue billed in the quarter but out of term contract or with less than one year left is annualised. All other revenue counted as the monthly recurring revenue x remaining contract months.
3: Revenue is measured as earned revenue as per Australian Accounting Standards and includes revenue billed where cash payment remains outstanding.

OPERATIONS SUMMARY Q3 FY21

NEXION's First quarter since IPO was highly successful with the first Aryaka PoP commissioned, a new OneCloud node and Aryaka PoP announced for Auckland and the first acquisition (Blue Sky Telecom) executed and due for completion in FY21.

- **Project revenue grew 170%** from the previous quarter with activity returning to pre-COVID levels and new projects coming on-stream in March.

- **Total quarterly revenue up 38% from previous quarter** with strong growth in new projects that will flow through to stronger recurring revenue growth in the next few quarters as these new customers are on-boarded to NEXION OneCloud.

- **Recurring revenue growth accelerated in March** as new customers began to come online following a strong sales start for the Calendar year.

- **Total contract value of recurring revenue being billed exceeded $6M** and continues to grow rapidly with new long-term contracts coming on-stream across Q3 & Q4.

- NEXION's first Aryaka node (Perth) was commissioned in March with new SD-WAN sales revenue due to be booked in Q4.

- NEXION's second Aryaka node to be deployed in Auckland, New Zealand was announced with deployment due to begin in Q4 for go-live early in Q1FY22.

- **NEXION entered into a binding term sheet to acquire Blue Sky Telecom** (BST) subject to shareholder approval that is due for completion prior to June 30, 2021. BST reported sales revenue of $2.9M to the end of February 2021 and is experiencing rapid growth. Founded in 2013, 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.

- **NEXION Formed a strategic relationship with IBM** to provide the full suite of NEXION's Solutions, including OneCloud Hybrid Cloud services to some of IBM's customers in Western Australia and will look to extend this service to other regions as the NEXION OneCloud network grows.

- NEXION executed to-plan with business growing both organically and via acquisition in-line with the roll-out of additional OneCloud nodes and Aryaka SD-WAN points of presence (PoPs).

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