

28 July 2021

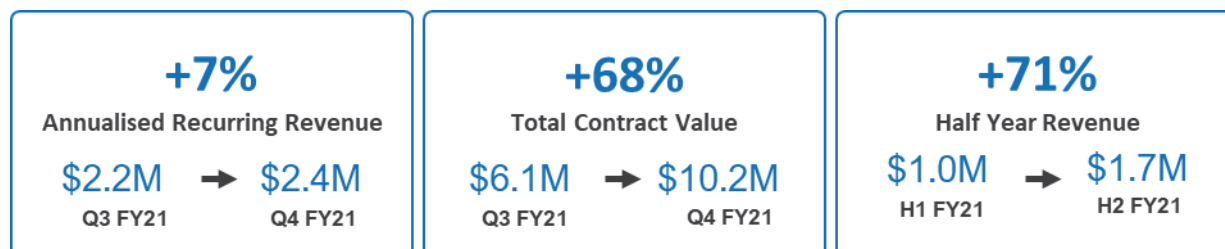
# Quarterly Activities Report & Appendix 4C

For the quarter ending June 30, 2021

NEXION Group Ltd (ASX:NNG), an emerging global provider of enterprise Hybrid Cloud and SD-WAN solutions is pleased to announce a strong quarter ending June 30, 2021.

## Highlights

- Total Contract Value (TCV) increased 68% from \$6.1M to \$10.2M following sign-off on several new projects from enterprise customers in Western Australia.
- Annualised recurring revenue (ARR) grew steadily by 7% to \$2.4M excluding additional revenue from new projects signed in the quarter but not due to commence billing until Q1 FY22.
- Second half revenue increased by 71% compared to the first half of FY21 as business conditions in most regions trended back up toward pre-COVID levels.
- A number of new 5-year contracts signed in the quarter and starting in Q1 FY22, contributed \$5.2M to the TCV reported in this quarter and will add \$1.1M in annual revenue for FY22.
- Acquisition of Blue-Sky Telecom (subject to ASX and Shareholder approvals) is set to add pro-forma \$5.5M revenue to NEXION Group in FY22.
- NEXION was awarded the prestigious Tier 1 Global Partner status with IBM Global Technology Services allowing IBM to purchase from NEXION anywhere in the world.
- NEXION remains on track to meet or exceed its FY22 objectives on all fronts including recurring revenue growth, network expansion, acquisitions, and entering new global regions.



Following the successful ASX debut in February, NEXION has rapidly moved to deliver on its core objectives of building a global Hybrid Cloud platform interconnected by a single cohesive SD-WAN network then build on its core recurring revenue base via a combination of organic growth and acquisitions.

As the shift to consumption of technology as a monthly service and away from large single project spend drives the market consumption of cloud and managed services, NEXION is fast becoming a contender in the enterprise IT Managed Services market. A strong position is being established with key partner IBM and enterprise customers selecting NEXION to provide fully managed technology-as-a-service covering networks, help-desk, storage, Cloud, compute, security, wireless communications, professional services, voice, and digital transformation. This foothold in the market will allow NEXION to leverage the services it provides to core industry verticals including Utilities, Oil & Gas and Resources when tackling new growth opportunities. NEXION is currently bidding for a large number of multi-million-dollar service contracts across a range of industry sectors.

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In the first quarter of operating as a public company, the team established its first SD-WAN point-of-presence (PoP) in Perth, Western Australia, setup Pacific operations in New Zealand then in the second quarter, made its first acquisition namely Blue Sky Telecom.

After a slow start in the first half of FY21 due to the impact of COVID on new project starts, revenue returned to its pre-COVID trajectory with a number of new projects kicking off in the second half. Subsequent to the end of Q4, the consolidation of Blue Sky's revenue into NEXION and new projects coming online in Q1 indicates a strong FY22 revenue trend that's in-line with the performance hurdles set for the executive team in the Company's prospectus.

NEXION enjoys an exceptional relationship with two key technology partners, IBM and Aryaka. During the quarter, NEXION was awarded Tier 1 Global Partner status with IBM which makes it possible to take the successful operating experience between the two companies from Perth and deliver in a similar fashion to customers in all the global locations where NEXION chooses to expand. Also in the Quarter, the relationship with Aryaka was extended from Perth and Auckland to include approval for NEXION to add satellite nodes linked to the Perth and Sydney Aryaka PoPs, to deliver OneCloud services in new regions.

NEXION and Aryaka also commenced the negotiations on a principal partner relationship with a full go-to-market plan spearheaded by NEXION in-region. This will see NEXION take the helm of Aryaka Australia and New Zealand to represent and grow the Aryaka channel and enterprise business. This is a global first agreement for NEXION and affords customers and channel partners access to not only global SD-WAN and OneCloud Hybrid Cloud, but additional routes to major global Public Cloud giants such as Google, AWS, Azure and Alibaba. It is expected this agreement will be implemented by the end of July 2021.

Since the end of the quarter, the team has focused on closing out additional deals to accelerate organic growth of the existing business, completing the Blue-Sky acquisition, expanding East into New Zealand and considering options for extending the OneCloud network West into Africa.

The team at NEXION is excited to be making solid progress on all fronts but especially in sales. The \$4.1M increase in total contracted revenue for the quarter was the largest quarterly addition to the recurring revenue base to-date and demonstrates that the team's capacity to tackle larger enterprise projects is growing rapidly.

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

#### **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. 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 60-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 local and global SD-WAN to connect customer premises and equipment to its Hybrid Cloud.

[www.nexiongroup.io](http://www.nexiongroup.io)

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Should you wish to contact the company in relation to this announcement please contact:

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Nexion Group Ltd

**ABN**

48 628 415 887

**Quarter ended ("current quarter")**

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	733	2,723
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs – relating to current quarter	(352)	(2,429)
(b) product manufacturing and operating costs – payments relating to amounts owing prior to the current quarter, pre-IPO		(602)
(c) advertising and marketing	(19)	(55)
(d) leased assets	(63)	(183)
(e) staff costs	(363)	(1,123)
(f) administration and corporate costs	(264)	(1,892)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		(103)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		308
1.8 Other – <i>Security Bond paid on rented premises</i>	(114)	(114)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(442)</b>	<b>(3,470)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		(6)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	(360)	(360)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(360)</b>	<b>(366)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		8,000
3.2	Proceeds from issue of convertible debt securities		1,215
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(625)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>0</b>	<b>8,590</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,695	139
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(442)	(3,470)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(360)	(366)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		8,590
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,893</b>	<b>4,893</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
		<b>30 June 2021</b>	<b>31 March 2021</b>
5.1	Bank balances	4,893	5,695
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,893</b>	<b>5,695</b>

<b>6. Payments to related parties of the entity and their associates</b>		<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(121)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
The amount in item 6.1 relates to directors' fees paid for the quarter.		
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(442)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,893
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	4,893
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	11
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

**9. Additional Disclosure****Classes A and B Performance Rights**

Nexion Group Ltd (“NNG” or “Company”) has issued 4,383,664 Class A Performance Rights and 5,096,908 Class B Performance Rights (together “Performance Rights”). All Class A Performance Rights expire on 29 January 2025 and all Class B Performance Rights expire on 30 January 2025.

On vesting, each Performance Right converts into one ordinary share in the Company. Class A Performance Rights will vest on the Company achieving a Total Pro-forma Revenue of \$15,000,000 for a financial year ending on or before 30 June 2022 (“Class A Deadline”). Class B Performance Rights will vest on the Company achieving a Total Pro-forma Revenue of \$30,000,000 for a financial year ending on or before 30 June 2023 (“Class B Deadline”).

Where the Total Pro-forma Revenue achieved by the Class A and B Deadlines as a percentage of the respective Total Pro-forma Revenue targets is less than 50% then no Performance Rights will vest; or 50% or more then the relevant Performance Rights will vest pro-rata equal to the percentage of Total Pro-forma Revenue achieved by the respective Class A and B Deadlines. Total Pro-forma Revenue for a financial year means the total consolidated revenue for that financial year of NNG plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

Any Performance Rights not vested before their expiry date, will lapse. The Performance Rights have remained on issue since their date of issue.

No Performance Rights have been vested, converted or cancelled since their date of issue. None of the Performance Rights vesting conditions have been met since their date of issue.

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2021

Authorised by: Peter Christie, Director  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity’s activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: “By the board”. If it has been authorised for release to the market by a committee of your board of directors, you can insert here: “By the [name of board committee – eg Audit and Risk Committee]”. If it has been authorised for release to the market by a disclosure committee, you can insert here: “By the Disclosure Committee”.
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.