

# Quarterly Activities Report

For the quarter ending September 30, 2021

## NEXION reports extremely strong start to FY22

NEXION Group Ltd (ASX: NNG), the fast emerging, global provider of end-to-end enterprise ICT Managed Services, Hybrid Cloud and SD-WAN solutions is pleased to announce a strong September Quarter with revenue up 130% to \$1.25M (unaudited) compared to Q4 FY21. Including the pro-forma contribution from Blue Sky Telecom prior to acquisition, **revenue is up 252% to \$1.91M** (unaudited), the highest revenue reported in the history of the company. Going forward, the company now has a new baseline of **\$7.64M annualised** exit run-rate and with continued growth of just 25% quarter-on-quarter is set on a trajectory toward its FY22 Prospectus target of \$15M revenue.

### Highlights

- Quarterly revenue up 252% to **\$1.91M** including acquisition revenue prior to completion on September 1st.
- Annualized Recurring Revenue (ARR) up 145% to **\$5.9M**.
- Total Contract Value (TCV) up 38% on top of Q4 FY21's exceptional 68% increase to **\$14.15M**.
- Acquisition of Blue-Sky Telecom (BST) completed with \$900k of efficiencies realised.
- Executive team enhanced to include Chief Revenue Officer, Chief Financial Officer and Chief Technology Officer in preparation for further expansion.
- Strategic partnership formed with Spectrum Consulting Limited a to deliver the full suite of NEXION solutions throughout New Zealand.



### Commentary

NEXION has made a step-change in revenue generation both organically and with the addition of its first acquisition since IPO. With the Blue Sky business consolidated into the Group, NEXION's sales and delivery capacity has doubled, setting the foundation for accelerated growth in the coming months.

The Blue Sky acquisition for \$2M cash was completed late in the quarter and \$900K of annual cash costs were extracted after consolidation into NEXION Group. These efficiencies plus the addition of two new high-margin recurring revenue streams (satellite and voice) brings NEXION Group closer to EBITDA positive later in the financial year.

NEXION Group previously announced key appointments to its executive management team in preparation for its next phase of growth. Evelyn Hogg, FCA, MAICD, took on the Group CFO role. Jamie Morgan has joined the company from IBM as Chief Revenue Officer responsible for national and global sales and Luke Poyner has been promoted internally to Chief Technical Officer. The enhanced executive team allows Paul Glass to focus attention on acquisitions and global expansion knowing that the core business is being managed well by a group of highly skilled individuals.

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To build on the New Zealand business that was established in the last half of FY21, NEXION formed a strategic relationship with (circa. \$8M revenue) Spectrum Consulting Limited (Spectrum) in Auckland which will see it deliver the full suite of NEXION solutions. Founded in 2001, Spectrum's has a long history delivering mission-critical Cloud, Networks & Security, and Data Management services for enterprise clients across most industries. The relationship with Spectrum provides NEXION with access to local resources that can deliver services to NEXION's customers in the Pacific region.

Other highlights for the quarter included an agreement (previously announced) with Global data storage vendor NetApp® to deliver the region's first Keystone storage-as-a-service offering across Australia and New Zealand and further geographic expansion with Aryaka.

As enterprise shifts to consumption of technology as a service, the demand for NEXION's Hybrid Cloud solutions continues to grow. NEXION is fast becoming a contender in the enterprise IT Managed Services market, having established a strong position with key partners IBM, Aryaka and now NetApp. Enterprise customers continue to select NEXION to provide all aspects of technology-as-a-service, including networks, helpdesk, storage, cloud, compute, security, wireless, professional services, satellite, and voice.

### 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 centers 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)

A summary of expenditure since listing, and a comparison with the use of funds statement in the Company's prospectus dated 30 November 2020, is set out below:

Use of proceeds under Prospectus	Funds allocated under Prospectus (A\$000's)	Funds expended between admission and 30 September 2021 (A\$000's)
Deployment of new OneCloud Nodes	3,300	274
Expenses of the offer	360	360
Administration costs	708	380
Working capital	3,882	1,644
Add: receipts from customers between admission and 30 September 2021		2,297
Less: Product manufacturing and operating costs between admission and 30 September 2021		1,645
Less: other costs between admission and 30 September 2021		2,596
Less: Funds expended in acquiring another entity		2,000
Net funds expended between admission and 30 September 2021		6,601

### Payments to Related Parties in Appendix 4C

The ASX Appendix 4C for the quarter ended 30 September 2021 included payments to related parties in item 6.1. These payments relate to directors' fees for that quarter.

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

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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 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,149	1,149
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(953)	(953)
(c) advertising and marketing	(82)	(82)
(d) leased assets	(85)	(85)
(e) staff costs	(506)	(506)
(f) administration and corporate costs	(633)	(633)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,111)</b>	<b>(1,111)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(2,000)	(2,000)
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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	(57)	(57)
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>(2,057)</b>	<b>(2,057)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(111)	(111)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (cash balance of acquired entity at date of acquisition)	174	174
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>63</b>	<b>63</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	4,850	4,850
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,111)	(1,111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,057)	(2,057)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	63	63
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,745</b>	<b>1,745</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000  30 Sept 2021	Previous quarter \$A'000  30 June 2021
5.1	Bank balances	1,745	4,850
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,745</b>	<b>4,850</b>

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(165)
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>		

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,111)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,745
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	1,745
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.6
<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: No, the cash from operating activities includes payments of amounts related to the acquisition of Blue-Sky Telecom, not all of which are expected to occur again.	
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: No	

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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: Yes, company expects increase of revenue growth quarter on quarter to continue as well as operational efficiencies. GP levels have increased by 42% over the past three quarters and expected to remain at current increased level, which will support improved cash flows.

*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.*

## 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: 20/10/21

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.

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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.