

27 January 2022

# Quarterly Activities Report

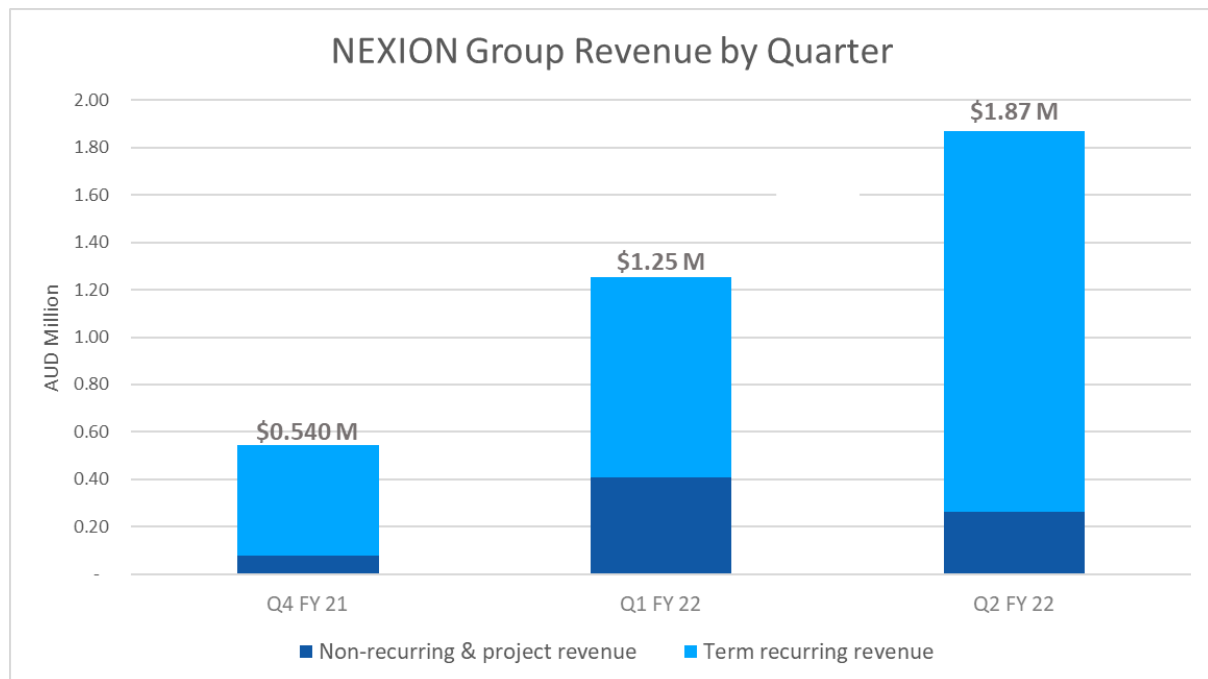
For the quarter ending 31 December 2021

## NEXION continues to deliver outstanding revenue growth

NEXION Group Ltd ("NEXION" or "Company") (ASX: NNG), the fast emerging, global Cloud service provider is pleased to announce a solid December quarter with total revenue up 50% to \$1.87M (unaudited) compared to Q1 FY22 including a **91% increase in monthly recurring revenue**.

### Highlights

- Continued Quarter on Quarter revenue increase
- Recurring revenue up as additional customers select NEXION.
- Gross Profit Margin continues to trend up.



### Commentary

December saw NEXION report its first full quarter of revenue following the successful integration of its Blue Sky Telecom Pty Ltd ("Blue Sky") acquisition that resulted in a significant 91% increase in the company's recurring revenue base. Blue Sky's team and technology is now fully integrated into NEXION Networks with cost rationalisation objectives exceeded.

The team placed a strong focus on improving gross profit margins and reducing cash consumption in the quarter. Gross Profit is up at 44% for the quarter compared to 21% for the previous financial year and continues to trend up quarter-on-quarter.

In the first half of FY22, the executive team has focused on cost elimination following the acquisition of Blue Sky, improvement in gross profit and consolidation of the technical teams, including the integration of highly valued satellite communications skills. NEXION has further diversified its customer base and built a strong sales pipeline for accelerated growth in the second half of the financial year.

The Group's executive team is preparing for NEXION's next phase of national and international expansion on the back of growing customer demand and new opportunities with its global technology partners.

In November 2021, NEXION completed a capital raising of \$2.75 million (before costs), comprising 16,562,500 shares issued on 24 November 2021 at \$0.16 each plus a further 625,000 shares to be issued to directors and senior staff at \$0.16 each, subject to approval at a shareholder meeting to be held on 4 February 2022. In addition, subscribers will be issued one attaching unlisted option for every two placement shares issued with an exercise price of \$0.30 and expiring three years from their date of issue, subject to shareholder approval on 4 February 2022.

#### About NEXION Group Ltd

NEXION is an information technology service provider that offers network, compute and data storage as-a-service that it integrates with Public Cloud services to form NEXION's hybrid cloud solution called **NEXION OneCloud**. NEXION sells its OneCloud capacity and technology management services to enterprise customers on term contracts up to 60-months. The company's enterprise ICT managed services division offers Technology as a Service across the globe.

#### [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 31 December 2021 (A\$000's)
Deployment of new OneCloud Nodes	3,300	321
Expenses of the offer	360	360
Administration costs	708	459
Working capital	3,882	2,184
Add: receipts from customers between admission and 31 December 2021		4,241
Less: Product manufacturing and operating costs between admission and 31 December 2021		2,748
Less: other costs between admission and 31 December 2021		3,295
Less: Funds expended in acquiring another entity		2,000
Add: Receipts from issue of shares		2,650
Net funds expended between admission and 31 December 2021		4,476

Payments to Related Parties in Appendix 4C:

The ASX Appendix 4C for the quarter ended 31 December 2021 included payments to related parties in item 6.1. These payments relate to directors' fees for that quarter.

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

Media

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**NEXION Group Ltd**

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**ABN:48 628 415 887**

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

Paul Glass – Group Chief Executive Officer at [paul.glass@nexiongroup.io](mailto:paul.glass@nexiongroup.io)

## 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")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,944	3,093
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,102)	(2,055)
(c) advertising and marketing	(61)	(144)
(d) leased assets	(86)	(172)
(e) staff costs	(570)	(1,076)
(f) administration and corporate costs	(619)	(1,252)
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>(496)</b>	<b>(1,607)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(0)	(2,000)
(b) businesses		
(c) property, plant and equipment	(8)	(8)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2 Proceeds from disposal of:		
(g) entities		
(h) businesses		
(i) property, plant and equipment	92	92
(j) investments		
(k) intellectual property		
(l) other non-current assets		
2.3 Cash flows from loans to other entities	(0)	(57)
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>84</b>	<b>(1,974)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,650	2,650
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	(145)	(257)
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 and cash held in respect of shares issued in subsequent quarter)	33	207
<b>3.10 Net cash from / (used in) financing activities</b>	<b>2,538</b>	<b>2,600</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,745	4,850
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(496)	(1,607)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	84	(1,974)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,538	2,600
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>3,870</b>	<b>3,870</b>

<b>5.</b>	<b>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>31 Dec 2021</b>	<b>30 Sept 2021</b>
5.1	Bank balances	3,870	1,745
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>3,870</b>	<b>1,745</b>

<b>6.</b>	<b>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	(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>		

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<b>7.</b>	<b>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.</b>	<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)	(496)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,870
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	3,870
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	7.8
<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>		

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**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: 27 January 2022

Authorised by: Paul Glass, Group CEO, 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 – e.g., 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.

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