

28 July 2022

Quarterly Activities Report

For the quarter ending June 30, 2022

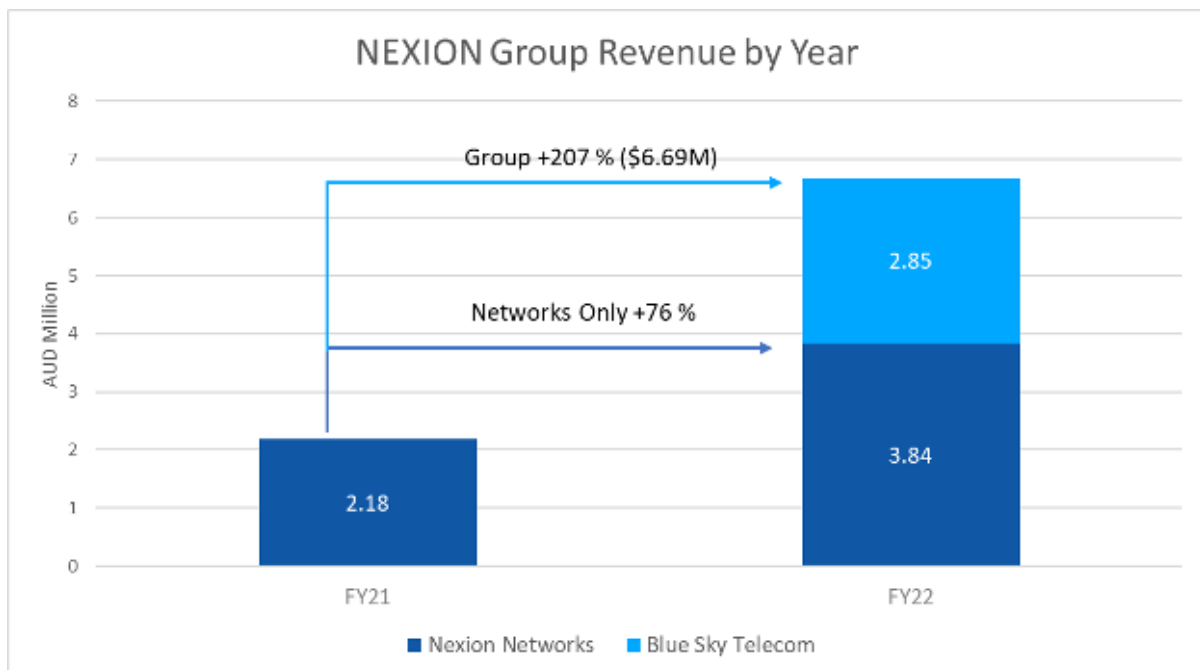
NEXION delivers robust organic revenue growth and higher gross margins

NEXION Group Ltd (**Nexion** or **Company**) (ASX: NNG), the fast emerging, global Cloud service provider is pleased to announce a strong quarter with further improvements to margin and reduced operating costs.

Highlights

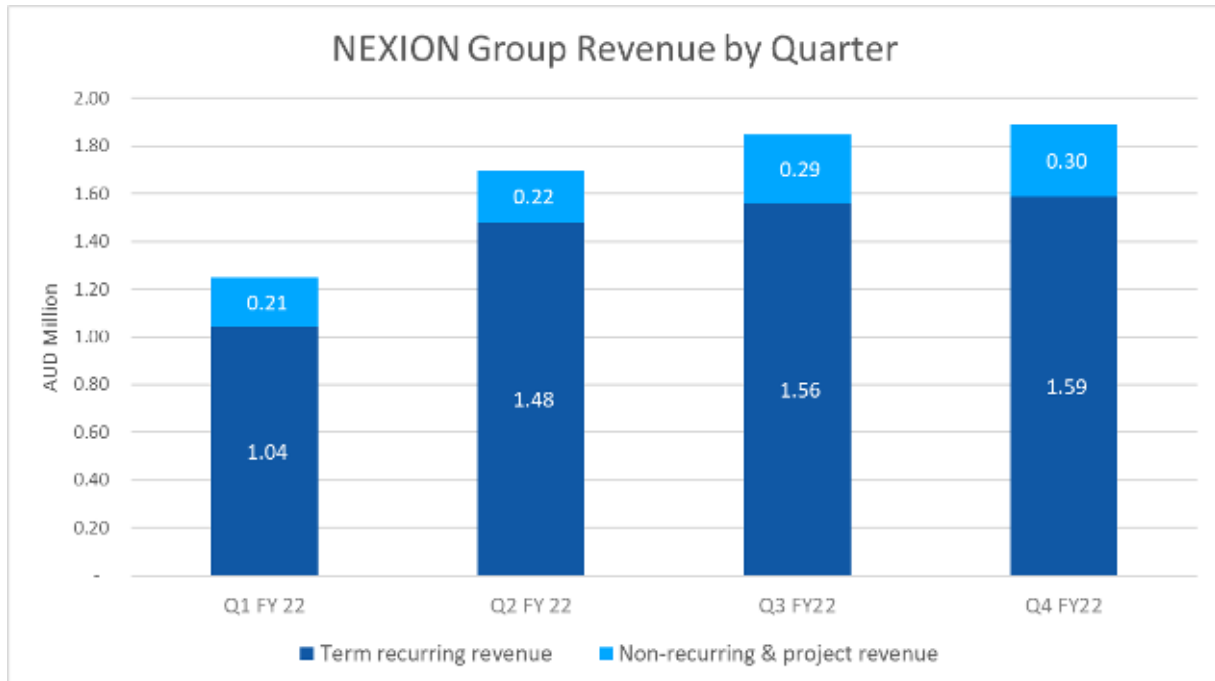
- Annual revenue up 207% YoY.
- Underlying organic growth up 76% YoY.
- Operating business in Australia approaching cash positive.
- New Zealand office open for business in Auckland.
- Acquisitions underway represent consolidated Group pro-forma \$18.4M FY22 revenue.

NEXION listed in February 2021 with the intention of growing organically at 35% and with acquisitions, reach \$15M pro-forma revenue for FY22. Organic growth of the original NEXION Networks business was an impressive 76% and with the addition of the Blue Sky Telecom Pty Ltd acquisition, Group revenue came in at \$6.69M, up 207% for the year. With the completion of binding term sheets (announced on 25th July 2022) to acquire two business in New Zealand, the Group has a retrospective pro-forma FY22 revenue of \$18.4M. On completion of these acquisitions and organic growth in the entities, it is anticipated that the group will deliver positive EBITDA in FY23.



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Despite the residual headwinds of COVID increasing sick-leave and making engineering skills scarce commodities, we delivered a solid underlying revenue increase. The pipeline of new business remains strong, and we anticipate this upward revenue trend to continue.



The quarterly revenue chart represents revenue recognised in each quarter following audit adjustments for the relevant revenue recognition period made at year end.

NEXION Pacific

During the quarter we opened our Auckland office, appointed our lead technical architect, and began to bring some new clients on-board.

Our expansion strategy is to establish our Hybrid Cloud capability in a new region, appoint a regional lead technical architect then acquire local businesses whose technical resources we can leverage to deliver services to our blue-chip, global customers. This approach enables us to reach scale faster and by increasing utilisation of the resources in our acquired businesses, also improves their revenue and profitability.

After many months of work we identified, negotiated, and executed binding term sheets to acquire Aiscorp Limited (**Aiscorp**) and Silicon Systems Limited (**Silicon**). The combined un-audited revenue of Aiscorp and Silicon to the end of the NZ financial year 2022 (March 31st, 2022) was AUD \$11.71 million and EBITDA was AUD \$1.12 million assuming an NZD/AUD exchange rate of 0.90.

NEXION Pacific includes the East coast of Australia and extends to the West coast of the USA. The region will be managed from New Zealand and provides a base in an effective time-zone to support our next step into Canada.

Cost Management

The underlying profitability of the NEXION Networks operating business in Australia remains a focus and we

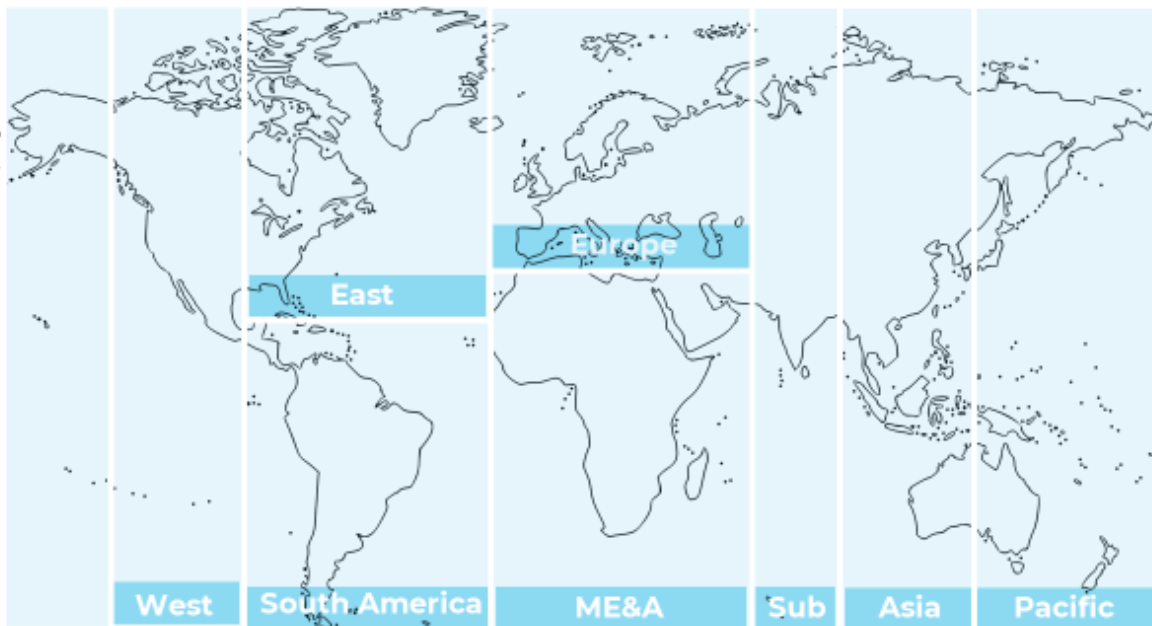
anticipate generating a profit from this business early in FY23 as we shed the remaining overheads from earlier acquisitions including consolidation of two office leases into one, exit some low-yielding initiatives and continue to increase gross profit through higher utilisation of our Hybrid Cloud assets.

The overall cost of running the corporate office of the public company is stable and as we continue to scale the operating business through FY23 and deliver higher profits, the overall Group EBITDA path turns positive.

Conclusion

NEXION has shown strong organic revenue growth, operational cost management and the capability to execute our global acquisition strategy. Our FY23 goal, stated in the prospectus was to reach \$30M revenue and we are confident in our ability to exceed this goal. We have proven our capability to acquire and grow complimentary businesses and will continue to pursue our objective to deploy Hybrid Cloud and SD-WAN services in eight global regions.

NEXION is deploying Hybrid Cloud across 8 regions



About NEXION Group Ltd

NEXION is an information technology service provider that offers global network, compute, security and data storage solutions, 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

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 June 2022 (A\$000's)
Deployment of new OneCloud Nodes	3,300	435
Expenses of the offer	360	360
Administration costs	708	579
Working capital	3,882	3,003
Add: receipts from customers between admission and 30 June 2022		7,829
Less: Product manufacturing and operating costs between admission and 30 June 2022		5,816
Less: other costs between admission and 30 June 2022		5,196
Less: Funds expended in acquiring another entity		2,000
Add: Receipts from issue of shares		2,457
Net funds expended between admission and 30 June 2022		7,102

Payments to Related Parties in Appendix 4C:

The ASX Appendix 4C for the quarter ended 30 June 2022 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.

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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

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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,806	6,681
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,226)	(5,123)
(c) advertising and marketing	(56)	(248)
(d) leased assets	(126)	(400)
(e) staff costs	(697)	(2,469)
(f) administration and corporate costs	(663)	(2,191)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other		
1.9 Net cash from / (used in) operating activities	(961)	(3,753)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	(2,000)
(b) businesses		
(c) property, plant and equipment	(3)	(12)
(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 (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment	-	92
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities	-	(35)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(3)	(1,955)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,750
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	(193)	(193)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(348)	(630)
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
3.10	Net cash from / (used in) financing activities	(541)	2,101

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,791	4,893
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(961)	(3,753)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(1,955)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(541)	2,101
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,286	1,286

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	Previous quarter \$A'000
		30 June 2022	31 March 2022
5.1	Bank balances	1,286	2,791
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,286	2,791

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	(212)
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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7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
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.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(961)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,286
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	1,286
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.3
<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: The Company has experienced on-going sustained growth in revenue. Consequently, the Company expects operating cash flows to continue to improve.	
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: The company has announced the acquisition of Aiscorp Limited and Silicon Systems Limited and has begun negotiations to raise additional funds.	

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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: The Company expects that it will be able to continue its operations and to meet its business objectives. The Company is actively pursuing growth by acquisition, and it expects to achieve enhanced revenue generation as a consequence.

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: 28 July 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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