

27 October 2022

Quarterly Activities Report

For the quarter ending 30 September 2022

NEXION delivers highest quarter revenue since inception, on the back of the 6th consecutive quarter of revenue growth

NEXION Group Ltd (**Nexion** or **Company**) (ASX: NNG), the fast emerging, global Cloud service provider is pleased to announce a further strong quarter with continued increases in operating profit and recurring revenue.

Highlights

- **Total Q1 revenue of \$2.25m up 13.9% on the previous quarter and 80.02% on the prior corresponding period in FY22.**
- **Recurring revenue of \$1.79M up 12.6% on the previous quarter and 111.33% on the prior corresponding period in FY22.**
- **Q1 marks NEXION's 6th consecutive quarter of growth and the highest level in the Company's history with annualized recurring revenue (ARR) reaching \$7.12m.**
- **Revenue up 13.9% on the previous quarter and 80.02% on the prior corresponding period in FY22.**
- **Sales growing strongly with over \$2.8M in aggregate Total Contract Value (TCV) signed in the quarter, as well as a host of new customers across full suite of NEXION services.**
- **Rapid revenue growth and further cost optimization drove net cash consumption to its lowest level to-date in September and trending rapidly toward cash-positive.**
- **A growing pipeline of acquisitions offer options to expand NEXION's footprint into New Zealand and beyond.**

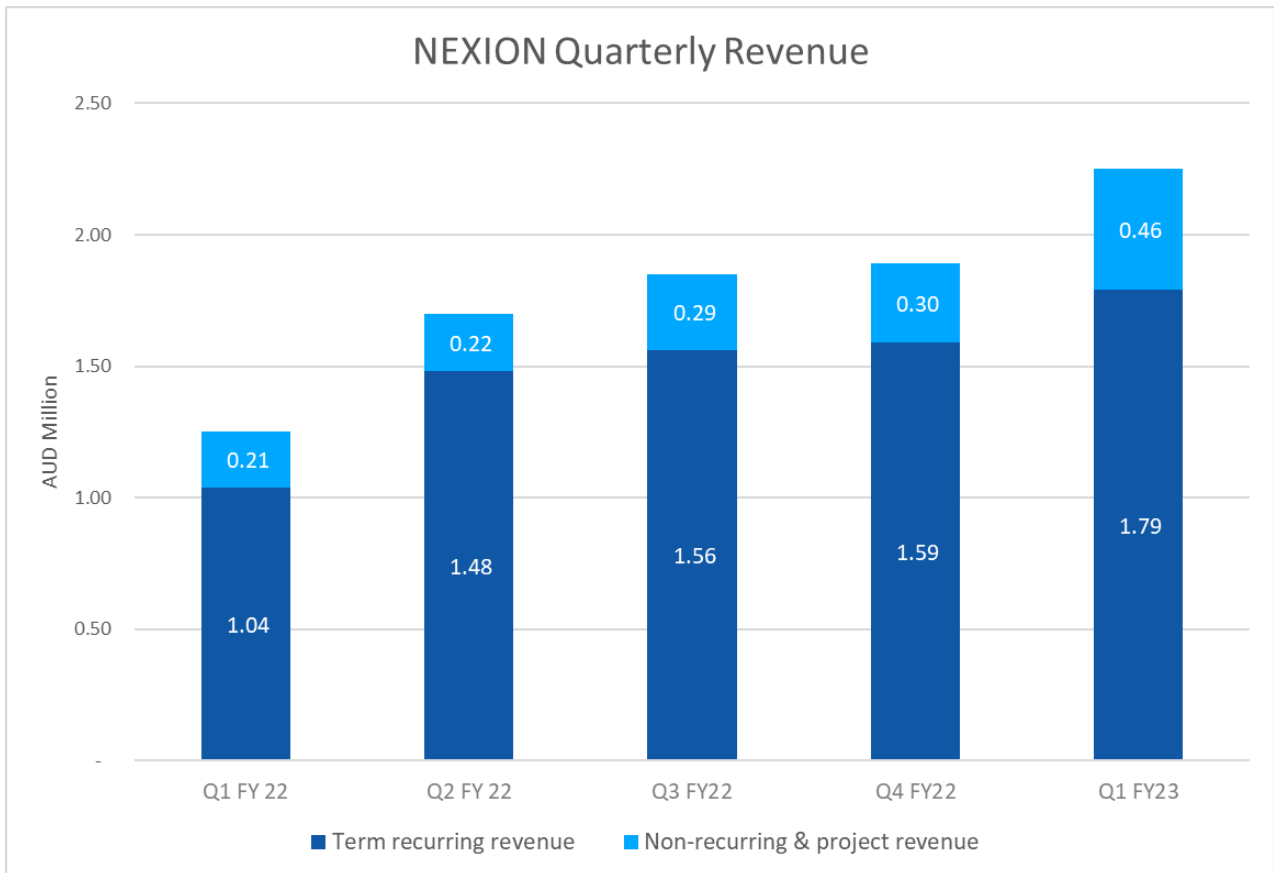
Organic growth continues to improve with each quarter and was up 13.4% in Q1 FY23. Cash receipts of \$2.307M up 27% on prior quarter, with quarterly cash consumption continuing its rapid trend toward zero.

NEXION's quarterly revenue reached its highest level since the company's inception. Customer contract renewals and extensions for additional services consumed from partners such as IBM, sees the group TCV (total contract value) and monthly contracted revenue also hit their highest marks. The satellite division experienced significant customer expansion of LEO and GEO satellite services into the Northern Territory, The Murchison, Mt Magnet, and Gascoyne regions in Western Australia.

The company has seen a strong increase in managed services, with the extension of contracted services into full cloud managed services, disaster recovery and backup as well ITIL process management and mapping. The company expects strong growth in this division as we move into the provision of services on a multi-site international scale.

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The recent increase in cyber security risks, has highlighted the need for companies to invest in cyber security solutions and testing, the company expects its partnership with leading cyber security companies such as Fortinet, to deliver growth in this division.



Notably in Q1 the company extended service contracts with existing customers, providing solid confirmation of Nexion’s quality service delivery. The pipeline of new business is strong, and we anticipate this upward revenue trend to continue. The benefits of further cost rationalisation following the Blue-Sky acquisition, coupled with this quarter’s expected revenue growth, further underpins NEXION’s pathway to profitability.

In this quarter, the company completed new service contracts and extension of services with key customers IBM, Hames Sharley, and others to a value of \$216K per month. Project Revenue (\$460K) was strong with an uptick in professional services work. New customers are from a broad range of industry sectors including Mining, Energy, Retail and Telecommunications. Overall, the trading results for the quarter have been exceptional with several new contracts signed with existing and new customers.

The company is proud to confirm its ISO27001 and SOC II certifications. SOC II is a compliance standard for service organizations, which specifies how organizations should manage customer data. The standard is based on Trust Services Criteria of security, availability, processing integrity, confidentiality and privacy.

Expansion & Acquisitions

The company continues to progress the proposed acquisitions of Aiscorp Ltd (Aiscorp) and Silicon Systems Ltd (Silicon) to create a larger, profitable group of companies. The pipeline of potential

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additional acquisitions is expanding in Australia and Canada in preparation for completion in the second half of the year. These strategic acquisitions offer skills that complement NEXION’s current capabilities and deliver a broader operational footprint to support new service delivery opportunities with our global customers.

In New Zealand, NEXION has partnered with key global data storage vendor, Netapp to build a storage-as-a-service model, leveraging the success of this strategy in Australia. The New Zealand team is developing a strong pipeline of opportunities locally and on the East coast of Australia.

Cost Management

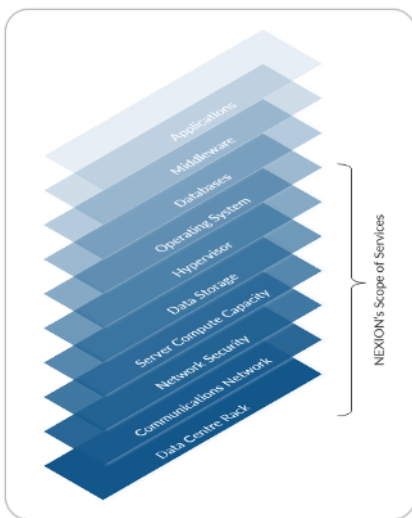
With the addition of significant new business in Q1 and continued optimisation of costs, cash consumption for the group was substantially lower in September compared to the first two month of the quarter. We expect this trend of higher revenue and lower costs to continue into Q2 and as a result see the P&L trend to positive as we progress through this year. The completion of the cost rationalization process from earlier acquisitions has now been successfully completed with final savings flowing through to the bottom line in Q2.

Conclusion

NEXION has shown strong organic revenue growth, operational cost management and the capability to execute our global acquisition strategy. We have demonstrated the ability to grow revenue for six consecutive quarters and proven ourselves in delivery of services, by the noted customers re-signs and industry leading certifications. We have proven our capability to acquire and grow complimentary businesses and will continue to pursue our objective to deploy Hybrid Cloud and managed connectivity services in eight global regions.

NEXION's Scope of Services


NEXION provides core compute, storage, network and security services, essential for enterprises to operate.





Essential Enterprise Information Technology


NEXION operates in a large addressable Market of US\$1.1 trillion (AU\$1.52 trillion). The market grew 3.4 percent in 2022 and predicts annual growth of 4.0 percent through 2023 to 2034, according to new research from IDC

NEXION's Revenue Streams

- 

Cloud
We host servers and data storage in our points of presence (PoPs) for our customers
- 

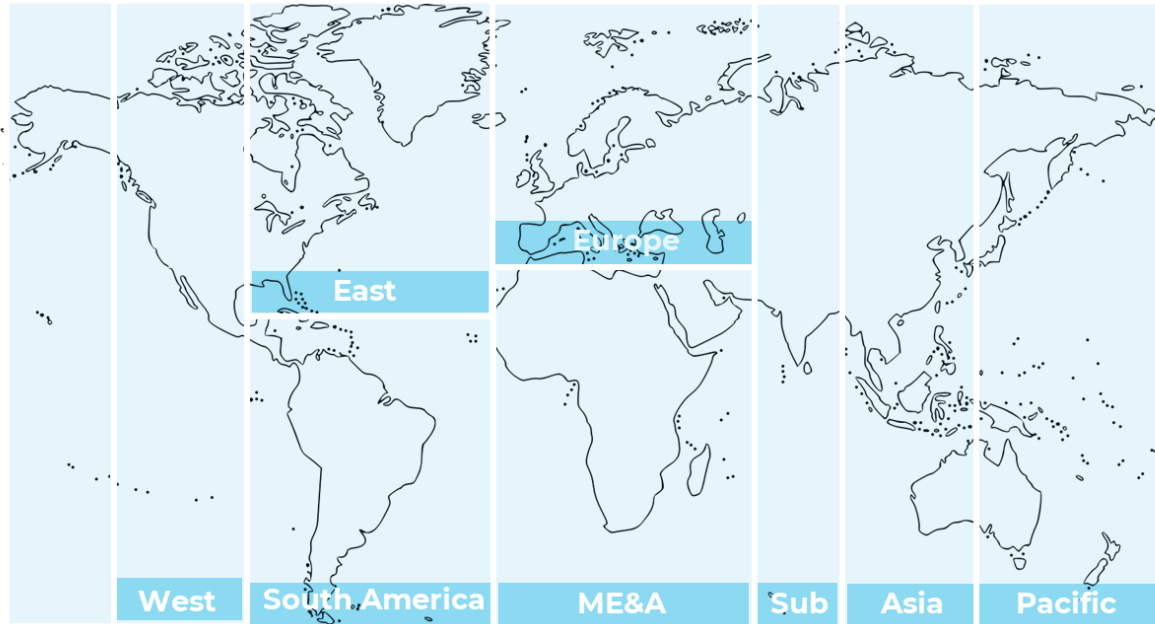
Network
NEXION delivers data and voice across fibre, satellite and wireless networks including security management from end-to-end.
- 

Services
NEXION provides the smart-hands customers need to keep their information technology running
- 

Products
Where necessary, NEXION sells hardware and software to our customers to support their business.

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NEXION is deploying Hybrid Cloud across 8 regions



The proposed acquisition of Aiscorp and Silicon was announced on 25 July 2022. Other individual agreements referred to in this announcement are not material on their own, however their combined effect demonstrates continued growth.

Payments to Related Parties in Appendix 4C:

The ASX Appendix 4C for the quarter ended 30 September 2022 included payments to related parties in item 6.1. These payments relate to directors' fees for that quarter.

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 the prospectus	Funds allocated under prospectus (A\$000's)	Funds expended between admission and 30 September 2022 (A\$000's)
Deployment of new Onecloud Nodes	(3,300)	(595)
Expenses of the offer	(360)	(360)
Administration Costs	(708)	(668)
Working Capital	(3,882)	(3,488)
Add: receipts from customers between admission and 30 September 2022		10,137
Less: Product manufacturing and operating costs between admission and 30 September 2022		(6,686)
Less: other costs between admission and 30 September 2022		(5,946)
Less: Funds expended in acquiring another entity		(2,000)
Add: receipts from issue of shares		2,457
Net funds expended between admission and 30 September 2022		(7,148)

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

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

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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,308	2,308
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(970)	(970)
(c) advertising and marketing	(10)	(10)
(d) leased assets	-	-
(e) staff costs	(587)	(587)
(f) administration and corporate costs	(711)	(711)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	33	33

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(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:		
	(g) entities	-	-
	(h) businesses		
	(i) property, plant and equipment	(75)	(75)
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(75)	(75)

3.	Cash flows from financing activities		
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	(4)	(4)
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)	-	-
3.10	Net cash from / (used in) financing activities	(4)	(4)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,284	1,284
4.2	Net cash from / (used in) operating activities (item 1.9 above)	33	33
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(75)	(75)

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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)	(4)	(4)
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	1,237	1,237

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 September 2022	30 June 2022
5.1	Bank balances	1,237	1,284
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)	1,237	1,284

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	
<p>The amount in item 6.1 relates to directors' fees and other plant and equipment costs paid for the quarter.</p> <p><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></p>		

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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)	33
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,237
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,237
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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. Vesting conditions for the Class A Performance Rights are still being assessed to determine to what extent they have been met, if any. None of the Class B 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 October 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.