

10 May 2023

NEXION Executes Term Loan Agreement with PARC Capital to Fund M&A Growth

NEXION Group Ltd (**NEXION**) (ASX: NNG), the fast emerging, Hybrid Cloud service provider is pleased to announce it has executed a term loan agreement with PARC Capital Fund Services Pty Ltd (**PARC**) for facilities of up to \$21M to fund the acquisition of complimentary technology services businesses in Australia and New Zealand.

Highlights

- **PARC is an experienced funder of the technology industry with multiple acquisitions already funded in the sector.**
- **PARC completed extensive due diligence on NEXION and the planned acquisitions in New Zealand to make the term loan facilities available.**
- **The first drawdown of up to \$4M will fund planned acquisitions in New Zealand.**
- **The balance can be drawn as required and will be available to fund further Parc approved acquisitions.**
- **PARC will provide ongoing support for NEXION's future M&A activity.**

NEXION's strategy since listing on the ASX in 2021 has been to aggressively grow the company through a combination of innovation, organic growth and acquisitions.

In the first quarter of 2022, the Company began the process of seeking debt funding to complete its second and third acquisitions then fund further acquisitions to increase geographic reach and scale. In November, PARC was identified as a preferred partner for growth and the due diligence process began. NEXION is now very excited to announce that having passed due diligence and completed documentation, the Company has executed a term loan agreement that underpins its present and future M&A plans.

PARC is an experienced debt provider to the technology industry having funded a number of acquisitions similar to those planned by NEXION. PARC's analysis processes are exceptional, and they have a deep understanding of the technology industry, making them a perfect partner.

Executive Chairman and Interim Group CEO Peter Christie said:

"PARC stood out as the perfect partner for our M&A program. They understand the technology industry, how it operates, how to value acquisitions and where to look for risks. This deep understanding makes working with them in technology M&A highly productive and I'm looking forward to making rapid progress now we have this facility in place."

Christie continued,

"Prudent use of debt to partially fund M&A activity can be advantageous because it increases cadence, allowing deals to be completed faster and is less dilutive than using only equity, resulting in a relatively higher share price after each transaction. We remain committed to our M&A strategy and continue to grow our pipeline of prospective acquisitions."

About NEXION Group Ltd

NEXION is an information technology service provider that offers 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.

PARC Facility Terms

The PARC agreement consists of Facility A & Facility B, a total commitment of \$21M. The Facility A commitment of \$4M is for a term of 36 months, with an establishment fee of 3.33%, and a non-utilisation line fee of 3% + BBSW. The drawdown of Facility A is conditional upon an equity raise of at least \$3M. NEXION may seek a further commitment of up to \$17M from PARC. On commitment an establishment fee of 3.0% is payable and a line fee of BBSW + 1.5%. The interest rate of each facility is BBSW + 10.5% on the drawn amount.

The purpose of the facilities is for the acquisition of complimentary technology service companies.

On financial close of Facility A, the Company will issue a number of Warrants calculated at 20% of the amount of the Facility A commitment divided by the lowest of the 30-day VWAP up to the date of Financial Close; or the 30-day VWAP up to the 28th March 2023; or the price at which shares are issued in a placement or offer prior to Financial Close (other than the \$0.015 per share placement announced on 24 April 2023), less the Warrant exercise price of A\$0.01 per Warrant Share.

Upon each drawdown of Facility B, a number of Warrants are to be issued calculated at 10% of the Facility B drawdown divided by the 30-day VWAP to the date of the drawdown less the Warrants exercise price of A\$0.01 per Warrant Share.

On financial close of Facility A, the Company will issue Options with an exercisable value of \$2m divided by an option exercise price of 1.5x the lowest of the 30-day VWAP to the date of Financial Close; or 30-day VWAP up to the 28th March 2023; or the price at which shares are issued in a placement or offer prior to Financial Close (other than the \$0.015 per share placement announced on 24 April 2023).

On financial close of Facility B, the Company will issue Options with an exercisable value of \$8.5m divided by an exercise price equal to a 20% discount to the 30-day VWAP at the date of financial close of Facility B.

Financial close of a facility will occur when that facility is first utilized. The Company intends to seek shareholder approval as required for the issue of Options and Warrants before a financial close occurs.

The PARC agreement also contains terms that are typical for a transaction of this nature including conditions for repayment, cancellation, and termination of the facility, guarantee and indemnity provisions, representations and warranties made by each obligor, information undertakings and general undertakings, and events of default such as non-payment and insolvency. The facilities are subject to debt covenants customary to such facilities including Interest cover ratios, debt service cover ratios, net leverage ratios, asset cover ratios and minimum cash balance.

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

NEXION Group Ltd
Ground Floor, 12 Newcastle Street, WA, 6000, Australia
ABN:48 628 415 887

Should you wish to contact the company in relation to this announcement please contact:
investor.relations@nexiongroup.io