



28 February 2024

ASX Announcement: DXN

HALF YEARLY RESULTS

DXN REPORTS STRONG TURNAROUND WITH REPOSITIONING OF THE BUSINESS INCLUDING EXIT OF LOSS-MAKING SYDNEY DATA CENTRE

DXN Ltd (ASX: DXN) (“DXN” or “the Company”) is pleased to announce its half yearly results for the six months ended 31 December 2023 (**1H FY24**).

HALF YEAR HIGHLIGHTS

- Total sales revenue of \$4.5m for the half, an increase of 19% on 1H FY23.
- Underlying EBITDA¹ for the half of \$0.8m, an increase of 390% on 1H FY23 of \$0.16m.
- Underlying EBITDA, less the remaining property lease charges excluding Sydney lease², was \$0.54m for 1HFY24.
- An increase in the Company’s gross margin by 53% to \$3.0m from \$2.0m in 1H FY23.
- DXN raised A\$2.1m via an equity placement in the half-year, which has significantly bolstered the Company’s balance sheet. The funding is being used to facilitate the exit from the Sydney lease, repay some existing liabilities, and provide working capital for growth of its modular data centre division.
- During the half-year DXN made a key announcement, with the successful exit from our Sydney data centre including the SYD01 lease liability which will save approximately \$1.4m in cash costs per annum in lease liabilities over the remaining nine years of the lease.
- On 22 November 2023, DXN announced that it has received a notification of award to build multiple modular cable landing stations to a consortium of government owned enterprises. This is a major win for the Company. The contract will generate revenues of approximately A\$5.5m, subject to successful completion of contract negotiations.

¹ Underlying EBITDA is presented to provide an understanding of the underlying performance of the operations. It reflects the results generated from ongoing operating activities that excludes non-operating adjustments considered to be non-cash or non-recurring in nature. These exclusions include net interest, tax, depreciation, amortisation, restructuring & other one-off costs such as non-cash employee share plans.

² Remaining property lease charges, not included in EBITDA in line with AASB 16, were \$0.26m for the half-year. Property lease charges for the exited Sydney data centre were \$0.54m for the half-year.

RESULTS SUMMARY & CEO COMMENTARY

	HY 31 Dec 2023
	\$
Gross margin	2,996,489
Add: other income	132,055
Less: operating expenses	(2,405,076)
EBITDA¹	723,469
add back: other non cash and one-off non operating items, and restructure costs	78,575
Underlying EBITDA¹	802,044

¹ EBITDA excludes property lease charges which under AASB are included in Amortisation and interest costs. Total property lease charges for the period were \$798,054 or \$262,096 excluding Sydney lease charges.

Commenting on the 1H FY24 results, CEO Ms Shalini Lagrutta said

“We are pleased to see the increase in the revenue and underlying EBITDA of the business in the 1st half of FY24. The re-negotiation and exit of the Sydney data centre lease is a key outcome for the Company and will save DXN approximately \$1.4m per year in lease charges of the remaining 9 years of the lease.

We are also strongly encouraged by the results and opportunities in the Modular Manufacturing business with significant wins in the resources sector and undersea/submarine cable market.

In addition, our two remaining corporate data centres in Darwin and Tasmania (SDC and TAS01) continue to perform well and are both profitable. We expect to see a continued trend in revenue and profit increases in these two centres.

The restructuring program that DXN commenced in FY23 continues to see positive results, with the intent of DXN reaching operating cash flow breakeven and profitability during CY24.”

Review of Operations

DXN continued its strong momentum in modular DC manufacturing sales in H1 FY24, namely:

- In September 2023, DXN announced it has executed a contract for a cable landing station with the Government of Timor Leste for the design, build and supply of a DXN cable landing station with total contract value of USD\$1.4m (A\$2.1m).
- In November 2023, DXN announced the receipt of a notification of an award to build modular cable landing station to a consortium of government-owned enterprises. The

award is expected to generate revenues of approximately A\$5.5m and is subject to successful completion of contract negotiations; and

- In December 2023, DXN announced it has executed a contract for design, supply and delivery of a modular data centre contract with Stanmore SMC Pty Ltd for A\$1.9m.

The DXN team has secured over 50 modular data centre sales since 2020 with demand for modular cable landing stations and prefabricated data centres continuing to grow in the region. Prefabricated custom-built modular data centres have strong structural demand with sales currently averaging one per month (\$1-2m revenue each). The new customer pipeline has been materially expanded and additional new orders are expected during the remainder of FY24.

OUTLOOK

Following completion of the equity capital raise in late 2023, which was executed with the support of cornerstone strategic and new investors raising \$2.1m, the company is funded to expand the DC modular manufacturing business. As at 26th of February 2024, DXN's cash balance sits at \$2.7m and all payables are current.

Given the company's experience and expertise in this line of business and continued cost restructuring program to streamline business operations across its Data Centre Operations, the company is seeking to reach operating breakeven and profitability during CY24.

Authorised for release by the Board of DXN Ltd.

FOR MORE INFORMATION

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ABOUT DXN Ltd

About DXN Limited

DXN is Asia Pacific's only vertically integrated manufacturer and operator of modular data centres. DXN's core business is designing, engineering, manufacturing, maintaining and operating data centres.

The Company a leading provider across the Asia Pacific region with a significant track record with major government and blue-chip enterprise customers.

It has two core divisions that provide a complete symbiotic relationship. These divisions are:

1. Modular Division – designs, engineers, manufactures, and deploys EDGE facilities and critical DC infrastructure; and
2. Data Centre Operations - operates, maintains and markets data centres and critical infrastructure for our own DXN data centres as well as our modular customers. For more <https://dxn.solutions>.