

Netlinkz executes key partnerships during the June quarter to underpin long-term revenue growth

Netlinkz achieves significant revenue growth in the June quarter and the financial year ended 30 June 2023, and signs key partnership agreements to further accelerate commercial growth in the next financial year

Highlights

- Group revenue for the June quarter of \$5.5 million was a 90% increase over the same quarter in the prior year, and a 17% increase on the third quarter. Revenue for the year was \$20.7 million, a 32% increase on the prior year
- Cash receipts for the June quarter were \$5.3 million, bringing cash receipts for the year to \$20.9 million, a 24% increase on the prior year
- Satellites Division (Starlink) sales contributed ~\$1 million during the quarter, with future sales pipeline strengthened by partnership agreements with Spark in New Zealand, PT&T in the Philippines and Telestar in Australia
- Network-as-a-Service (NaaS) joint product development with Hutchison Global Communications (HGC) has continued, with customer trials expected to commence in the quarter ending 30 September 2023
- Recognised as a Fast Global Company (ranked #20) by the Australian Financial Review as a result of commercial growth achieved in international markets between 2019 and 2022

Netlinkz Limited (ASX:NET) (“Netlinkz” or “the Company”) is pleased to provide its Appendix 4C for the quarter ended 30 June 2023 (June quarter) along with the following operational update for its key business divisions.

Significant revenue growth achieved and major strategic partnerships agreed

Satellites Division (Starlink)

In November 2022, the Company entered into an agreement with Space Exploration Technology Corp. (SpaceX) for Netlinkz to be a global reseller of the enterprise, mobile and maritime Starlink satellite based high-speed, low-latency broadband internet.

Netlinkz commenced sales of the product in February 2023, and derived ~\$1 million revenue during the June quarter. The NaaS Starlink bundle is proving to be a compelling offer which provides customers with a fully encrypted invisible private network for all devices connected to the network that access the internet.

The Company is developing sales channels via a limited partner network and has to date signed a number of substantial partnership agreements, including with Spark for New Zealand, PT&T for the Philippines and Telestar for Australia. Additional partnership agreements are under negotiation for further markets. Netlinkz also expects new opportunities as Starlink opens up additional eligible countries for satellite internet services. The Company is investing in operations and after sales support services to support the delivery of the service to end customers.

A further \$3.0 million (including tax) was invested in Starlink inventory during the June quarter, bringing the total investment to \$8.0 million (including tax). The company does not have any future purchase commitments with Starlink. The Company will purchase additional equipment in order to meet demand, and as such expects these future purchases to be aligned with contractual sales arrangements.

Network-as-a-Service (NaaS)

The Company is partnering with HGC Global Communications (HGC) on building an integrated global communication platform, Network as a Service (NaaS) for enterprises, based on VSN. Phase 1 will be the rollout of the NaaS for enterprises based in Thailand. This will be followed by a roll out across the South-East Asia region.

During the June quarter, joint development activity was undertaken by both parties to integrate the Netlinkz product to enable a bundled roll-out. Netlinkz expects the first customer trials to commence in the quarter ending 30 September 2023.

Netlinkz has partnered with Dipole, who has significant depth of expertise in our sector, to assist with the rollout of the NaaS and work with customers to implement the NaaS. Dipole is an organization that has over 120 network engineers deployed at various customer locations within Australia and Asia that will provide customer support and servicing. The Dipole partnership ensures Netlinkz maintains a control on its costs but doesn't compromise on the planned speed of the roll out of our key NaaS project.

SSI Telecom Surveillance

SSI Telecom surveillance business continues to perform strongly with revenue of \$1.2 million in the June quarter, an 161% increase over the same quarter in the prior year, and revenue for the year of \$3.9 million, an 83% increase over the prior year. The increase was driven by critical project work for two key customers in Australia and New Zealand.

China Network Engineering Solutions

The China Network Engineering Solutions business (AOFA and iLinkAll) also continued to grow its revenue. Revenue for the quarter of \$3.3 million was a 53% increase over the same quarter in the prior year, and revenue for the year of \$14.9 million was a 20% increase over the prior year. The business achieved this growth by fostering key partner relationships with major Chinese and international technology businesses.

Southcloud ISP

Southcloud was acquired in June 2022. The Company has just concluded a strategic review of the business which is to be implemented for the 2024 financial year. The business is to focus on growing its NBN customer base (both retail and enterprise) and connecting enterprise customers in regional Australia to satellite internet services via Netlinkz.

Overall group results

The Group derived revenue for the quarter of \$5.5 million was a 90% increase over the same quarter in the prior year, and revenue for the year of \$20.7m was a 32% increase over the prior year.

Total cash receipts from customers were \$5.3 million for the June quarter, bringing cash receipts for the year to \$20.9 million, a 24% increase on the prior year.

Payments for operating costs for the June quarter included \$3.0 million payments for Starlink equipment. At 30 June 2023, the Company held \$6.5 million in Starlink inventory.

Gross margins were in excess of 20% and were largely unchanged from the prior year. Gross margins are expected to increase once higher volume Starlink sales occur and high margin NaaS subscription revenues grow. Cash outflows on product manufacturing costs will vary between quarters due to timing of payments.

Research and development costs were \$343k for the June quarter, and \$1.5 million for the year as the Company continues to develop enhancements to its Network-as-a-Service suite of products and services, and invest in the integration of the NaaS and Starlink satellite.

Initial Starlink equipment purchases completed and cost reduction measures implemented to balance investment and growth

The Company continues to manage its cost base, with staff costs, administration and corporate costs of \$2.6 million continuing a quarter-on-quarter downward trend, whilst still supporting significant business growth.

Cash at the end of the quarter was \$0.7 million. The Company has unused facilities of \$6.75 million (see analysis in Item 7 below).

Equity facility agreement

At 30 June 2023 the Company had drawn down \$7.0 million of the Regal Funds Management Pty Ltd (Regal) \$20.5 million facility. These funds were principally used to fund Starlink equipment purchases. No drawn downs were made during the June quarter.

At the time the Regal facility was put in place it was not intended to fund the purchase of Starlink equipment. The Company has currently reached its share issuance capacity under the Regal facility (not the drawdown limit) and are in confidential discussions with Regal on its operation going forward.

Debt facilities

\$3.425 million was drawn down from debt facilities during the June quarter. \$2.0 million was drawn from a new facility from AFGS Capital Pty Ltd to fund the purchase of Starlink inventory. The remaining \$1.425 million was drawn from the facility from Booker Super Services Pty Ltd to fund ongoing working capital.

At 30 June 2023 the Company had \$7.25 million in outstanding debt, of which \$4.0m was current.

Board and Management

The Company paid directors \$106,000 during the quarter comprised of salaries, superannuation, and expense reimbursements.

During the June quarter, Mr Jordi Martin joined as Chief Operating Officer. Mr Martin is an experienced executive and has held senior roles with LendLease and JLL (Jones Lang LaSalle). He was CEO of JLL's APAC property outsourcing business from 2014 to 2023, based out of Singapore. He brings extensive skills to improve the Company's operation delivery.

Netlinkz Managing Director & CEO James Tsiolis said: *"We have made great progress during the quarter, signing significant partnerships to accelerate our Starlink rollout, and moving our NaaS collaboration with HGC through some key hurdles. We expect further progress in both areas during the next quarter as Netlinkz transitions to the next stage of growth."*

**Quarterly cash flow report for entities
subject to Listing Rule 4.7B**

Name of Entity: Netlinkz Limited
ABN: 55 141 509 426
Quarter ended ("current quarter"): 30 June 2023

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	5,329	20,939
1.2	Payments for		
	research and development	(343)	(1,545)
	product manufacturing and operating costs	(3,190)	(14,117)
	advertising and marketing	(201)	(723)
	leased assets	(30)	(118)
	staff costs	(1,097)	(4,706)
	administration and corporate costs	(1,498)	(7,240)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	4
1.5	Interest and other costs of finance paid	(93)	(265)
1.6	Income taxes paid	529	466
1.7	Government grants and tax incentives	-	250
1.8	Other (provide details if material)	(3,000)	(8,000)
1.9	Net cash used in operating activities	(3,593)	(15,055)
Amounts shown in item 1.8 relate to payments for Starlink inventory			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	(7)	(94)
	d) investments	-	-
	e) intellectual property	(12)	(25)
	f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	-	-
	d) investments	-	-
	e) intellectual property	-	-
	f) 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	(19)	(119)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,000
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	-	(550)
3.5	Proceeds from borrowings	3,435	8,250
3.6	Repayment of borrowings	-	(1,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	26	(404)
3.10	Net cash from / (used in) financing activities	3,461	13,296

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	905	2,689
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,593)	(15,055)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(119)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,461	13,296
4.5	Effect of movement in exchange rates on cash held	(39)	(96)
4.6	Cash and cash equivalents at end of period	715	715

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
5.1	Bank balances	715	905
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)	715	905

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	106
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Amounts shown in item 6.1 relate to remuneration payments made to Directors.		

CONSOLIDATED STATEMENT OF CASH FLOWS

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	14,000	7,250
7.2	Credit standby arrangements	-	-
7.3	Other (Regal)	20,500	7,000
7.4	Total financing facilities	34,500	14,250
7.5	Unused financing facilities available at quarter end (excluding Regal)*		6,750
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.		

See ASX Announcement 9 May 2022 – Lender Booker Super Services Pty Ltd, initial interest rate 6.8%, adjusted by increases in cash rate by Reserve Bank of Australia. The facility is unsecured, with a maturity date of 30 June 2025.

The Company entered into an unsecured short-term facility of \$4.0 million provided by Juel Finance Pty Ltd to fund equipment purchases from Starlink Internet Services Pte Limited, at an interest rate of 20% per annum. The facility is unsecured, with a maturity date of 30 September 2023.

The Company entered into a short-term loan arrangement for \$2.0 million with AFSG Capital Pty Ltd to fund equipment purchases from Starlink Internet Services Pte Limited, at an interest rate of 30% per annum. The facility is secured, with a maturity date of 16 August 2023.

See ASX Announcement 1 August 2022. The Company entered an equity facility agreement with Regal Funds Management Pty Limited (Regal) for an amount up to \$20.5 million. The facility is for a period of 3 years, with terms as outlined in the ASX announcement.

* As at 30 June 2023 the Company could not issue further shares to Regal under the facility agreement and is in discussion with Regal on the use of the facility going forward. Therefore, the undrawn value of the facility has not been included as part of unused financing facilities available at quarter end.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,593)
8.2	Cash and cash equivalents at quarter end (item 4.6)	715
8.3	Unused finance facilities available at quarter end (item 7.5)	6,750
8.4	Total available funding (item 8.2 + item 8.3)	7,465
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.1
	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.	
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: N/A	
	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: N/A	
	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: N/A	
	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.	

COMPLIANCE STATEMENT been prepared in accordance with accounting standards and policies which

1 comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

31 July 2023

Authorised by: The Board



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About Netlinkz Limited (ASX:NET)

Netlinkz Limited (ASX:NET) is a networking vendor with a vision to create secure personalised connections for every user. The Netlinkz Network-as-a-Service (NaaS) proposition that is user-centric, creating a per-user private network that is available, secure and performance optimised, for authorised users regardless of their location.

Netlinkz allows enterprises to embrace their new-normal by allowing IT departments to consistently enforce employee connectivity policies (compliance), simplifying operations (cost), improving security (business continuity), while directly correlating technology investment to user productivity (value).

The company offers a range of products across three broad categories:

- Secure Internet, with Netlinkz transforming Starlink technology into a business grade service providing secure high-speed internet and an invisible cloud network
- Network Security, which future proofs clients' business with Netlinkz's high-speed, secure cloud first private work solutions
- Secure CCTV and IoT, with Netlinkz ensuring that all clients' video feeds and data from their CCTV and IoT systems are securely transferred, integrity checked and securely stored.

To learn more, please visit: <http://www.netlinkz.com>

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