

Netlinkz Limited (ASX:NET)

ASX Announcement | 31 October 2023

Netlinkz achieves key milestones on its global growth journey and continues to build significant new revenue opportunities

Investment highlights

- Group revenue for the September quarter of \$6.0 million was a 34% increase over the same quarter in the prior comparative period (PCP)
- Network-as-a-Service (NaaS) joint product development with HGC Global Communications (HGC) official launch event to occur on 15 November 2023
- Satellites Division (Starlink) sales contributed \$1.9m during the quarter, up on the prior quarter figure of \$1.0 million
- Offices opened in Thailand, Malaysia, Pakistan and in progress in Dubai, Phillipines and Chile
- Additional funding secured via a Convertible Securities agreement for up to \$10 million and a debt and share offer for up to \$12 million.

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

Significant revenue growth continues to be achieved and a major NaaS milestone is imminent

Satellites Division (Starlink)

Netlinkz derived \$1.9m revenue during the September quarter, up on the \$1.0m in the June quarter of 2023. The NaaS Starlink bundle is proving to be a compelling offer which provides potential 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 partner and agent network and has to date signed a number of substantial partnership agreements, including with Data#3 Limited and Cello Group Limited in Australia, Spark¹, and Kordia² for New Zealand, PT&T for the Philippines³ and Telespazio in Latin America. 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.

The Company did not need to invest any further funds in Starlink inventory during the September quarter. 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.

The growth and diversification of the Group’s revenue base to balance its strength in China will further reduce exposure to seasonal fluctuations going forward.

¹ ASX announcement 30 May 2023: Netlinkz signs partner agreement with Spark New Zealand

² ASX announcement 26 October 2023: NET signs agency agreement with NZ based Kordia Limited

³ ASX announcement 13 June 2023: Netlinkz partners with PT&T Philippines

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 September quarter, the joint development activity continued by both parties to integrate the Netlinkz product to enable a bundled roll-out. The Company will officially launch the partnership with HGC on 15 November 2023. This is the culmination of months of joint efforts and acts as the marker to commence deployment of the product to enterprise customers with HGC.

SSI Telecom Surveillance

SSI Telecom surveillance business continues to perform strongly with revenue of \$0.8m in the September quarter, a slight increase over the \$0.7m in the same quarter in the prior year. Project work continues to be delivered for two key customers in Australia and New Zealand.

China Network Engineering Solutions

The China Network Engineering Solutions business (AOFA and iLinkAll) continued to maintain its revenue base. Revenue for the September quarter of \$3.2m was a 12% decrease over the PCP. The business has focused on higher margin sales opportunities and minimizing its cost base as it continues to foster key partner relationships with major Chinese and international technology businesses.

The China business achieved a break even result for the quarter and further improvement in performance is expected in the balance of the financial year.

Overall group results

The Group derived revenue for the quarter of \$6.0 million a 34% increase over the PCP.

Total cash receipts from customers were \$6.0m for the September quarter a 15% increase over the PCP.

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.

Research and development costs were \$327k for the September quarter, up from \$290k in the PCP, as the Company continues to develop enhancements to its Network-as-a-Service suite of products and services, particularly to support its roll-out with HGC.

Product manufacturing and operating costs were \$2.8m, consistent with the \$2.8 million in the PCP. Staff, administration, and corporate costs were \$3.3 million, also consistent with the \$3.3m in the PCP. These consistent levels of cash outflows were incurred whilst focusing on building the foundations for sales growth opportunities, in Australia, New Zealand, Thailand, Malaysia, Philippines, Dubai and Chile. Key work undertaken included product development tasks (those not classified as R&D) with our partner, Dipole, the development of a Starlink support function (online portal products and service desk development), and the implementation of new systems.

The Company continues to reduce its cost base as it optimises its service delivery.

New funding arrangements established to support growth opportunities

On 6 October 2023 the Company announced that it had executed a Convertible Securities facility agreement to raise up to \$10 million with US investor Obsidian Global GP, LLC ('Obsidian'). The Company received \$2.25 million under the first tranche of this agreement during October 2023.

On 22 September 2023 the Company announced a Second Senior Note Facility to raise up to \$12 million. This facility is currently open and the Company is finalising documentation with a number of lenders.

The Obsidian and the Debt and Share facilities provide diversification of the Company's funding base and provide the Company with funds to finance its well progressed growth strategy.

The \$2 million loan with AFSG Capital was repaid during September and October 2023 and the \$2 million loan with Juel was extended to 15 January 2024, at which time it is intended to be refinanced. On 20 September 2023 the loan facility with Booker Super Service Pty Ltd was terminated as the Company was informed by Booker Super Services that it will be unable to provide additional funding under the facility. The loan balance will not be repaid early, and maintains its existing maturity date of 30 June 2025.

At the end of the September quarter the Company had cash of \$0.6 million and debt of \$8.0 million (see analysis in Item 7 below) which includes \$1.0 million from with various lenders to fund working capital. The loans are unsecured and due for repayment after 3 months.

The Company continues to review longer term funding options to support the operations of the business.

Netlinkz Managing Director & CEO James Tsiolis said: *"We have continued to deliver quarter on quarter revenue growth whilst also developing the base for significant new opportunities for NaaS and Starlink, particularly across the Asia Pacific region. It is encouraging to have the support of a new funding partner, Obsidian, to help us deliver on our significant and varied growth opportunities. I look forward to providing further details on our achievements and progress at the Company's Annual General Meeting on 30 November 2023."*

**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 September 2023

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	6,024	6,024
1.2	Payments for		
	research and development	(327)	(327)
	product manufacturing and operating costs	(2,803)	(2,803)
	advertising and marketing	(75)	(75)
	leased assets	(36)	(36)
	staff costs	(1,124)	(1,124)
	administration and corporate costs	(2,173)	(2,173)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(121)	(121)
1.6	Income taxes paid	(91)	(91)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	(17)	(17)
1.9	Net cash used in operating activities	(743)	(743)

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(3 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	(6)	(6)
	d) investments	-	-
	e) intellectual property	-	-
	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)	(8)	(8)
2.6	Net cash from / (used in) investing activities	(14)	(14)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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	1,060	1,060
3.6	Repayment of borrowings	(300)	(300)
3.7	Transaction costs related to loans and borrowings	(60)	(60)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(26)	(26)
3.10	Net cash from / (used in) financing activities	674	674

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	715	715
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(743)	(743)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(14)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	674	674
4.5	Effect of movement in exchange rates on cash held	(42)	(42)
4.6	Cash and cash equivalents at end of period	590	590

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	590	715
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)	590	715

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	259
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	8,010	8,010
7.2	Credit standby arrangements	-	-
7.3	Other (Regal)	4,000	4,000
7.4	Total financing facilities	12,010	12,010
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.		

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. On 20 September 2023, with an outstanding balance of \$3.25m. The loan balance will not be repaid early, and maintains its existing maturity date of 30 June 2025.

The Company entered an unsecured short-term facility of \$2.0m 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 15 January 2024.

The Company entered a short-term loan arrangement for \$2.0m 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 was secured, and was partially repaid by \$0.3m during September 2023, with the remainder repaid during October 2023.

During September 2023, the Company entered in to short-term loan arrangements for \$1.0m with various lenders to fund working capital. The loans are unsecured and due for repayment after 3 months.

See ASX announcement 22 September 2023. The Company entered a Second Senior Note Facility to raise up to \$12m. At 30 September 2023, \$0.06m had been received under this facility.

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 \$20.5m. The facility is for a period of 3 years, with terms as outlined in the ASX announcement.

* As at 30 September 2023 the Company 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)	(743)
8.2	Cash and cash equivalents at quarter end (item 4.6)	590
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	590
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.8
	<p>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.</p>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p>	
	<p>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?</p>	
	<p>Answer: Yes. The Company intends to maintain its current level of net operating cash flows as it continues to advance its well progressed growth strategy. The Company expects that with Starlink sales gaining traction and a run down of inventories, the Company will move towards positive quarterly cash flows.</p>	
	<p>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?</p>	
	<p>Answer: Yes. On 6 October 2023 the Company announced a convertible securities facility agreement to raise up to \$10m with US investor Obsidian Global GP, LLC. The initial drawdown of the convertible securities facility saw Netlinkz receive \$2.25m in funds during October 2023. Subsequent to 30 September 2023, the Company also raised \$0.5m from other sources, but repaid \$1.7m in principal of debt held at 30 September 2023. The Company expects to fund a proportion of its working capital requirements from existing trade debtors and future cash inflows from sales.</p>	
	<p>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?</p>	
	<p>Answer: Yes. The entity expects that with the Obsidian funding in place and with operational cash flows moving positive with sales traction and a run down of inventory, it will continue to meet its business objectives.</p>	
	<p>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.</p>	

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 October 2023

Authorised by: The Board

For further information, please contact:

Netlinkz Limited

James Tsiolis

Managing Director & CEO

T: + 61 (2) 9329 9700

E: jtsiolis@netlinkz.com

Media & Investor Enquiries

The Capital Network

Julia Maguire

T: +61 2 8999 3699

E: julia@thecapitalnetwork.com.au

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>

For more information



Follow us on [LinkedIn](#)



Follow us on [Twitter](#)



Subscribe on our [YouTube](#)



Subscribe to our [mailing list](#) to receive updates



Visit our investor website: <http://www.netlinkz.com>

About other company mentioned in ASX announcement

To learn more about Netlinkz Limited (ASX:NET) please click here: <http://www.netlinkz.com>