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Netlinkz

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C JUNE 2022

Netlinkz Ltd (ASX:NET) (Netlinkz or Company) is pleased to provide an update on its activities for the quarter ended 30 June 2022 ("June Quarter"), together with its Appendix 4C.

Highlights

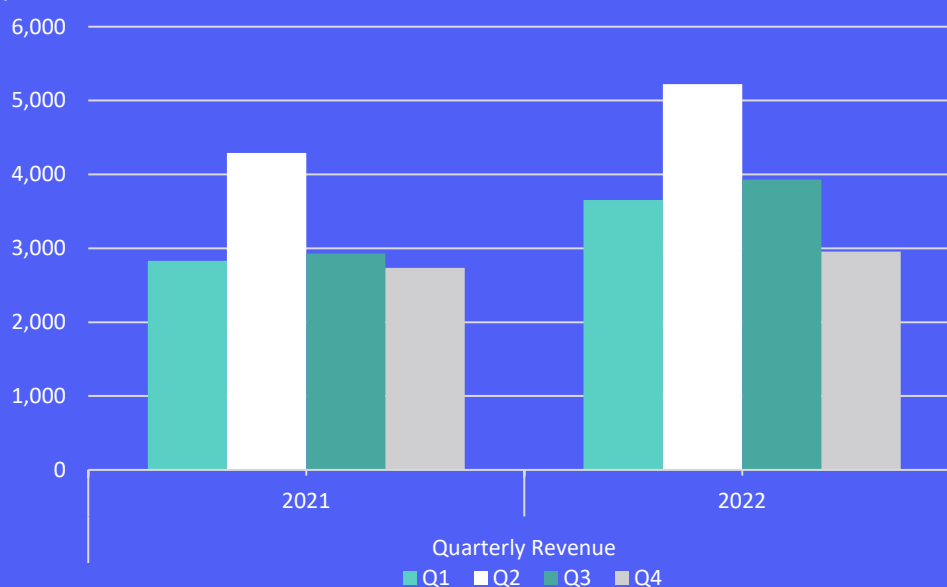
- **Revenue** for the quarter in line with the prior year at \$3.0m but impacted by China major city lockdowns.
- **YTD revenue** at \$15.7m, 9% up on prior year and 22.5% up on prior year excluding hardware sales.
- **Netlinkz acquired SouthCloud** a regional Internet Service Provider on 29 June 2022 and launched three new product bundles underpinned by Netlinkz Naas (see www.southcloud.online/friends-family)
- **VSN 2.3** demonstrating 100% availability with improved operations, platform stability and security features.
- **VSN 2.4** in final stages of development and including NaaS support will dramatically simplify customer onboarding and improve VSN's global reach.
- Netlinkz company and office established in **Pakistan** to take advantage of opportunities being presented in this market and capitalise on regional relationships.
- **Debt facility** of \$10m established to accelerate worldwide growth.

Operational and Corporate overview

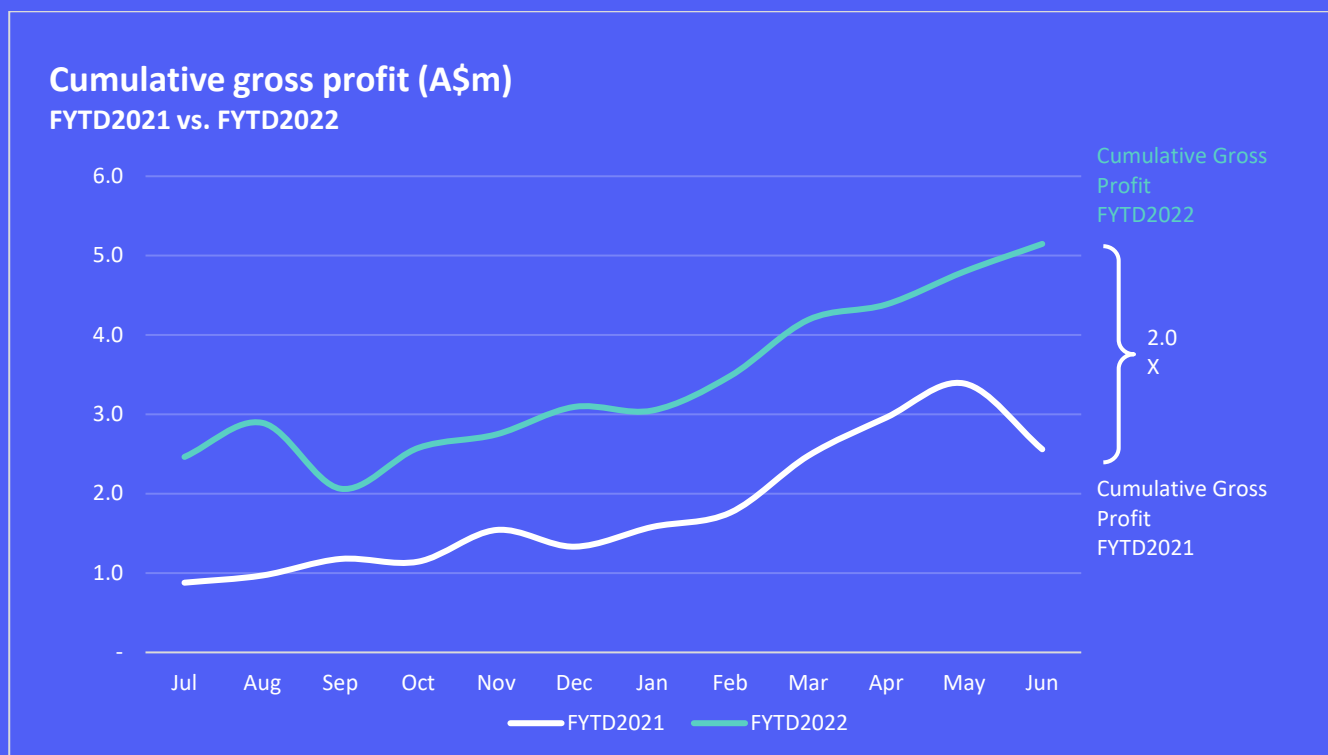
Results for the quarter (unaudited)

Revenue of \$3.0 million for the quarter was in line with Q4FY2021 (\$2.7m), but adversely impacted by rolling lockdowns in Beijing and Shanghai, where Netlinkz base operations. For the YTD revenue was 9% above the prior year and up 22.6% excluding prior year low margin hardware sales. The hardware sales combined with network engineering consulting in previous period assisted with establishing the Netlinkz brand and VSN 1.0 in the market and building a commercial footprint – at lower operating margins. The business is continuing to focus on building recurring income to remove seasonal fluctuations driven by product subscription revenues.

Quarterly Revenue (A\$000s)*



*adjusting for hardware sales in Q1 2021



Total cash receipts from customers for Q4 FY2022 was \$3.6 million, an increase of \$1.9 million or 112% increase on Q4 FY2021. On a YTD basis cash receipts were \$16.9m a 14% increase on 2021.

Gross margins steady at 30% for the year to date (2021: 23.4%) reflecting the shift to recurring NaaS VSN subscription revenue.

Research and development continued with the release to the market of VSN2.3 and VSN 2.4 to be released in the next quarter which will improve VSN global reach. Certification of two additional NaaS hosting providers has also improved the NaaS geographical footprint in China and Asia.

Product manufacturing and operating costs/cost of sales. On an accounting (AASB15) revenue recognition basis gross margin is as outlined above, currently at 30%. Cash outflows on product manufacturing costs will vary between quarters due to timing of payments.

Staff and overhead costs/cash outflows were in line with the previous quarter at \$2.2m and 26% down on the same quarter prior year (2021: \$3m) and 20% down on a YTD basis \$10.7m (2021: \$13.4m).

Cash used in operating activities for the quarter was an outflow of \$1 million compared to \$3m in 2021. On a YTD basis operating cash outflow was \$6.5m (2021: outflow \$10.2m).

Netlinkz acquired regional internet service provider SouthCloud Holdings Pty Ltd and its subsidiary SouthCloud Pty Ltd on 29 June 2022. The consideration was cash ~\$0.18m and the effective capitalisation of its development loan to SouthCloud of ~\$1.2m. Springboarding off this channel the Company launched Netlinkz VSN Lite, Netlinkz Cloud Services and Netlinkz Protect (see southcloud.online/friends-family). VSN was rolled out to 100 customer locations in May/June.

Cash at the end of the quarter was \$2.7 million.

Other

The Company paid directors \$0.081 million during the quarter comprised of salaries and superannuation.

Appendix 4C

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 2022**

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	3,593	16,942
1.2	Payments for		
	research and development	(42)	(1,491)
	product manufacturing and operating costs	(1,831)	(10,543)
	advertising and marketing	(76)	(129)
	leased assets	(13)	(58)
	staff costs	(895)	(4,781)
	administration and corporate costs	(1,302)	(5,731)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	(2)	17
1.5	Interest and other costs of finance paid	(68)	(369)
1.6	Income taxes paid	(74)	(283)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	(6)	(37)
1.9	Net cash used in operating activities	(716)	(6,463)

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	(931)	(1,387)
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	(11)	(26)
	(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	(942)	(1,413)
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	-	820
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,130)	(1,150)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(20)	(82)
3.10	Net cash from / (used in) financing activities	(1,150)	(412)

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	5,311	10,836
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(716)	(6,463)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(940)	(1,413)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,150)	(412)
4.5	Effect of movement in exchange rates on cash held	184	141
4.6	Cash and cash equivalents at end of period	2,689	2,689

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	2,689	5,311
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)	2,689	5,311

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	81
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
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.		

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	10,000	-
7.2 Credit standby arrangements	-	-
7.3 Other	-	-
7.4 Total financing facilities	10,000	-
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, interest rate 6.8% as adjusted by increase in cash rate by Reserve Bank. The facility is unsecured, with a maturity date of 30 June 2025.

Given rising interest rates the Company is exploring alternative facilities, however this would be subject to further negotiation and execution of an agreement.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(716)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,689
8.3	Unused finance facilities available at quarter end (item 7.5)	10,000
8.4	Total available funding (item 8.2 + item 8.3)	12,689
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	17.7
<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?	
	<div>Answer: N/A</div>	
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?	
	<div>Answer: N/A</div>	
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?	
	<div>Answer: N/A</div>	
<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>		

Netlinkz Limited (Netlinkz or the Company) (ASX:NET) is a networking vendor with a vision to create secure personalised connections for every user. The Netlinkz VSN solution is a NaaS (Network-as-a-Service) 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.

The Netlinkz VSN 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).

Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

To learn more about Netlinkz technology and the Company please visit www.netlinkz.com

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