



31st January 2020

ASX Release

DXN Limited (ASX:DXN) is pleased to provide its quarterly report and Appendix 4C for the three months ended 31 December 2019 (2Q20)

Highlights

During the quarter DXN achieved a large number of key milestones as the company continues to build towards becoming Australia's largest edge modular DC company for both colocation and turnkey solutions.

- Successful commissioning of Niue Prefabricated Cable Landing Station
- Successful commissioning of two Cook Islands Cable Landing stations
- SES modular satellite earth station for PNG design acceptance and in production with a full completion in Q3
- Three Radlink radio container modules shipped to site with two awaiting factory acceptance testing
- Customer win SX Next cable landing stations \$2.4m
- SES Satellite Earth station in PNG \$200k (reported in last quarterly update but sale was recorded in Q2)
- Additional security overlay for Sydney data centre completed and marketing activity has begun
- Total work in hand for modules now at \$7m.

Operating update

Colocation Division – Sydney Data Centre (SYD01), 6MW capacity

- Post completion of the facility, marketing activity to promote the data centre has been the focus.
- Our 'channel first' focus has been well received with three new partner agreements lifting our partners to a total of 12 providing an extensive sales reach to customers.

Modular Division – Perth based, fully integrated, modular DC manufacturing facility

- DXN is focused on selling modular DC solutions with attached life of asset maintenance contracts to create a strong annuity revenue model
- Two contracts signed in Jan 2020 - AGIG for \$700k turnkey modular DC as well as a three-year maintenance contract with Synergy Energy for \$75k. The maintenance contract is a good demonstration of DXN comprehensive capabilities for full life cycle management; being able to support customers from the concept and design phase of a project through ongoing use and maintenance.
- CEO Matthew Madden has just returned from the PTC conference in Hawaii. There was strong validation during his discussions with global industry executives that the vertically integrated, edge focused DC model will succeed. This is because demand for compute closer to population centres to assist in latency issues is the right model and a significant number of new opportunities have been uncovered.

DXN Limited

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Pipeline update

Colocation

- Unweighted Pipeline value remains steady at \$13m (unchanged from AGM Nov 2019)
- Weighted Pipeline Value unchanged at \$3m

Modular

- Unweighted pipeline increased 243% during the quarter i.e. \$110m to \$377m
- Demand is increasing in SE Asia and the Pacific in line with our marketing focus
- The closure of our competitor FlexEnclosure has increased our pipeline growth opportunities

Sales update and financial summary highlights

Colocation

- Sales expected in Q3 from expanding channel partners

Modular

- FY20 Work in Hand increased from \$6.2m at AGM to \$7m - DXN signed AGIG Modular DC \$700k & Synergy maintenance contract \$75k in early Jan 2020
- SES \$200k (Repeat Customer)
- Southern Cross \$2.4m

Finance

- Expect to receive \$1.6m in cash receipts from contracted customers in the March quarter
- Forward costs for the next quarter include one off's (manufacturing and Sydney data centre construction costs) which are required to complete projects to ensure future revenue growth
- Continuing focus on managing costs

Outlook:

We are seeing good interest from channel partners for our colocation product including systems integrators, facilities managers and alternative telcos and expect a further 8 to sign. We expect these channel partners and our direct sales team to deliver several new customers in the near term. Australian Modular DC growth is expected to increase off the back of the NSW Government RFP release in Q3/Q4 for regional DC and recent announcements around 5G roll out and capacity increases for Telstra and Optus.

We are seeing a good demand in our modular product which will be driven by both external sales and our Sydney DC demand. Our medium-term target remains creating a large modular sales pipeline ie >\$500m which should create a sustainable reported revenue of c\$25m per annum.

-ends-

About DXN Limited

DXN Limited designs, builds, owns and operates data centres. Offering integrated, customised and tailored solutions to clients, DXN provides businesses with the option of delivering solutions to site through

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containerised modules, or space in DXN's modular colocation facilities to suit technical specifications and operational requirements. From a single rack in the colocation facilities through to fully customised Edge Infrastructure, DXN can deliver a range of solutions to meet modern data centre requirements. DXN has achieved an industry first and become the first modular data centre developer in the world to receive both Uptime Institute Tier-Ready III and Tier-Ready IV design review awards. For more <https://dxn.solutions>

For more information please contact:

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ASX Release authorised by the Board of Directors

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DXN Limited

ABN

46 620 888 548

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	661	1,278
1.2 Payments for		
(a) research and development	(9)	(26)
(b) product manufacturing and operating costs	(596)	(816)
(c) advertising and marketing	(56)	(175)
(d) property leased assets	(723)	(1,128)
(e) staff costs	(1,664)	(3,164)
(f) administration and corporate costs	(206)	(619)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	76
1.5 Interest and other costs of finance paid	(59)	(95)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	918	918
1.8 Other	15	9
1.9 Net cash from / (used in) operating activities	(1,708)	(3,742)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,222)	(3,912)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	(24)	(41)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Payment of bank guarantees	-	(250)
2.6 Net cash from / (used in) investing activities	(1,246)	(4,203)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,981	3,981
3.2 Proceeds from issue of convertible notes	1,000	1,000
3.3 Proceeds from issue of performance right	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(364)	(369)
3.5 Finance facility drawdown	-	1,183
3.6 Repayment of finance facilities	(253)	(542)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	1	-
3.10 Net cash from / (used in) financing activities	4,365	5,253

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,259	5,362
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,708)	(3,742)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,246)	(4,203)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,365	5,253
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,670	2,670

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	486	529
5.2	Call deposits	2,184	730
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,670	1,259

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
114
-

Includes director's fee, salaries & superannuation for all directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,200	3,562
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

A \$5 million secured Chattel Finance Facility (revolving) with ANZ Bank to finance generators, chillers and battery/power supply equipment. The interest rate is 4.77% pa.

A \$200,000 secured Chattel Finance Facility with the ANZ Bank to finance various vehicles. The interest rate is 4.77% pa.

Security

- Specific Commercial Agreement (Fixed Charge) – Cash Deposits with ANZ of \$2m given by the Company; and
- General Security Agreement (Fixed & Floating Charge) over the assets of the Company.

Conditions & Covenants

- Provision of semi-annual Financial Statements within 30 days of the end of each financial half year;
- The Adjusted Gearing Ratio for each financial half year of the Company will **not** be greater than 1:1.
- Adjusted Gearing Ratio is calculated as (Total Liabilities - Non-Current Subordinated Debt) divided by (Tangible Net Worth + Non-Current Subordinated Debt)

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	10
9.2 Product manufacturing and operating costs	710*
9.3 Advertising and marketing	146
9.4 Leased property	535
9.5 Staff costs	1,295
9.6 Administration and corporate costs	170
9.7 Other (Data Centre Construction)	400**
9.8 Total estimated cash outflows	3,266

The Company will have sufficient cash to fund its estimated cash outflows for the next quarter as it expects to receive \$1.6m in cash receipts which are contracted revenues from customers and return of a \$0.25m bank guarantee.

** Relates to direct manufacturing and maintenance costs for existing contracts.*

*** Relates to costs to finalise security and customer build rooms and storage areas and expansion costs to increase the "ready for service" rack space by 400kW to 800kW at the Homebush datacentre (DXN-SYD01).*

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Chief Financial Officer

Date: 31 January 2020

Print name: Greg Blenkiron

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.