



29 April 2022

ASX Announcement

Quarterly Report

The Board of pre-fabricated modular Data Centre specialist, DXN Limited (ASX:DXN) (“DXN” or “the Company”) is pleased to provide its quarterly report and Appendix 4C for the three months ended 31 March 2022 (“Q3FY22”).

Highlights

- Cash receipts - A\$3.86m for Q3, up 159% on the previous corresponding period (“pcp”) (prior year Q3 cash receipts of A\$1.49m) and A\$11.76m for YTD FY22, up 160% on pcp FY21 (prior year YTD cash receipts of A\$4.52m)
- Second consecutive quarterly positive operating cash flow
- New contracts signed in the period ~A\$4.88m (prior year Q3 new contracts of A\$1.0m)
- Stable cash position - A\$2.87m at 31 March 2022
- New cloud product being introduced to data centres

Operating Update

Modular Manufacturing

The Company secured its largest single contract in its’ history during the quarter - the Multiplex modular data centre and communications modules contract with a total contract value of A\$3.5m.

Net cash generated from operating activities for the quarter was A\$98k, which is the second consecutive quarter of positive net cash flow.

During the quarter, DXN also successfully completed delivery of the following projects:

- Multiplex – Centre of National Resilience (Perth) - Main Data Centre
- 2 Edge Data Centres for Covalent Lithium
- Cosmos Capital Design Delivery

New contracts awarded during the quarter totalled ~A\$4.88m (~A\$3.88m more than the same period last year) and included:

- Multiplex Modular data centre and communication modules contract of A\$3.5m (as announced to the market on 25 January 2022);
- A further Sub.Co contract of ~A\$1.2m (as announced to the market 21 March 2022); and
- Variations to existing customer contracts including the Cosmos Capital & Covalent Lithium contract of ~A\$183k.

DXN Limited

ABN: 46 620 888 548

5 Parkview Drive, Sydney Olympic Park, Sydney, NSW 2127

W: dxn.solutions | T: 1300 328 239 | E: info@dxn.solutions

Data Centre Operations

Our data centres continued to operate in line with expectations, with revenues for the quarter of A\$634k (pcp A\$274k), noting Darwin was not owned during Q3 FY21.

Staff Costs

As announced on 18 January 2022, Mr. Matthew Madden resigned as Managing Director of the Company. The amount of A\$1,446k for 'staff costs' in the current quarter's Appendix 4C includes entitlements paid to Mr. Madden and other outgoing staff, and payment of deferred payroll tax for NSW.

Summary of expenditure

During the quarter, the company's expenditure totalled A\$4,914,00, split as follows:

- Product manufacturing and operating costs of A\$2,196,000
- Other operating overhead costs of A\$1,798,000
- Depreciation and Amortisation costs of A\$889,000
- Research and development costs of A\$24,000
- Advertising and marketing costs of A\$7,000

It should be noted that 'Other operating overhead costs' included staff costs of A\$1,044,000 and Darwin operating expenses of A\$261,000.

Cash Position

As of 31 March 2022, DXN had a cash balance of A\$2.87m.

Company Update

Post the quarter end, the Company's Unmarketable Parcel Sale facility closed on 22 April 2022. The number of shares acquired under this facility is 24,113,336 representing 905 shareholders. As announced to the market on 9 March 2022, the estimated date of payment to these shareholders will be as soon as practicable after 20 May 2022.

Related Party Payments

The aggregate amount of payments to related parties and their associates included in the current quarter totalled A\$50k. These payments consisted of Director's fees, salaries, and superannuation for non-executive directors. All payments were on normal commercial terms.

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Outlook

At the end of the March 2022 quarter, DXN's Modular Division sales bookings for YTD FY22 was at ~A\$13.8m. DXN has achieved consistent new bookings in the first 3 quarters of this financial year as follows:

- Q1-FY22 - ~A\$5.7m
- Q2-FY22 - ~A\$3.2m
- Q3-FY22 - ~A\$4.9m

Sales opportunities for the modular data centre division for the rest of the financial year remain strong as we continue to focus on our key market segments of Subsea Cables, Resources, Telecommunications, Satellite and Edge data centres across the APAC region.

During the final quarter of FY22, DXN plans to soft-launch the DXN Cloud product into our data centre portfolio. A pilot customer program is currently underway to ensure a smooth introduction.

Taking into consideration the new modular manufacturing contracts already signed and data centre revenue expected in FY22, DXN is on track to outperform the previous year's revenue.

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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 has two core divisions that provide a complete symbiotic relationship that better captures what we do, how we do it and why we do it.

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>.

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For more information please contact:

Shalini Lagrutta, CEO

T +61 1300 328 239

E: investorrelations@dxn.solutions

ASX Release authorised by the Board

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Appendix 4C

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

Name of entity

DXN Limited

ABN

46 620 888 548

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,856	11,756
1.2 Payments for		
(a) research and development	(24)	(37)
(b) product manufacturing and operating costs	(1,070)	(5,387)
(c) advertising and marketing	(1)	(3)
(d) leased assets	(507)	(1,348)
(e) staff costs	(1,446)	(3,975)
(f) administration and corporate costs	(710)	(1,610)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	874
1.8 Other (provide details if material)	-	
1.9 Net cash from / (used in) operating activities	98	254
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(188)	(4,014)
(b) businesses	-	-
(c) property, plant and equipment	(13)	(20)
(d) investments	-	-
(e) intellectual property	(19)	(26)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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)	-	197
2.6	Net cash from / (used in) investing activities	(220)	(3,863)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,144
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	-	(202)
3.5	Proceeds from borrowings	-	4,000
3.6	Repayment of borrowings	-	(1,626)
3.7	Transaction costs related to loans and borrowings	(110)	(480)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(110)	4,836

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,109	1,664
4.2	Net cash from / (used in) operating activities (item 1.9 above)	98	254
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(220)	(3,863)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(110)	4,836
4.5	Effect of movement in exchange rates on cash held	-	(14)
4.6	Cash and cash equivalents at end of period	2,877	2,877

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	2,808	2,740
5.2	Call deposits	69	369
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)	2,877	3,109

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	(50)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p><i>Includes directors fees, salaries and superannuation for non-executive directors.</i></p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	4,000	4,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	4,000	4,000
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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.</p> <p>A \$4,000,000 secured facility with Pure Asset Management Pty Ltd to finance working capital and acquisitions. The interest rate (including line fee) is 11.25% p.a plus a 2.50% establishment fee. The maturity date is 14 October 2025. The facility is secured by a General Security Agreement over the assets of the company.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	98
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,877
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,877
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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?	
	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	
	<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>	

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.

Date: 29 April 2022

Authorised by: "By the Board"

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.