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18 February 2021

NEXION Group Ltd Raises \$8m via IPO to Expand its Hybrid Cloud Offering Globally

Highlights

- Leading hybrid cloud, network, security and data centre group, NEXION Group Ltd (NEXION) commences trading on the ASX today;
- NEXION raised \$8m at 20c per share via an oversubscribed IPO capitalising the Company at \$25.4m, fully diluted;
- NEXION is a hybrid-cloud hosting and management service provider leveraged to the accelerating consumption of information technology as-a-service targeting large corporations and Government agencies;
- Capital raised will fund the continued growth of NEXION in Australia but primarily facilitate international expansion into a global market;
- Recurring revenue makes up ~60% of total revenue and we expect our recurring revenue to continue to grow.

IPO Summary

NEXION Group Ltd (ASX:NNG) commences trading today after raising \$8m via an Initial Public Offer (IPO) of 40m shares at \$0.20. Bridge Street Capital Partners acted as Lead Manager of the Offer. The market capitalisation at the Offer Price is \$25.4m with 126.8m securities on issue, fully diluted.

There was no sell down by directors as part of the IPO. The Company's Founders, Paul Glass (CEO) and Kevin Read (COO) together own 21.4% of the ordinary shares at listing. Directors and Key Management will own 28.7% of the ordinary shares in NEXION providing a high degree of alignment with investors.

The Funds raised will provide NEXION with working capital to execute its expansion plans in Australia and the next phase of its growth globally. NEXION is approaching the international market opportunity in a staged approach with customers in New Zealand, Canada and Africa the initial targets.

NEXION's Business

NEXION offers Private Cloud Infrastructure coupled with Public Cloud Products such as Amazon AWS and Microsoft Azure to create a Hybrid Cloud service called OneCloud. NEXION uses software-defined wide-area network (SD-WAN) technology to connect its corporate customers to its OneCloud Nodes. OneCloud Nodes consists of compute and storage capacity, bonded globally via SD-WAN that customers rent to deploy their

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corporate applications and integrate their operations into public cloud services offered by Microsoft, Amazon and Google etc.

Public clouds offer agility, elasticity and scalability on a global basis. Companies embrace Public Cloud to make their information technology services more responsive to the needs of their businesses. By shifting workloads to the cloud, businesses can make great strides in reducing costs and boosting productivity. This allows them to focus on their core operations and more quickly pivot to new market opportunities.

However, Public Cloud is not always the best solution. It may be relatively expensive for a particular compute or storage workload, too slow if it is not in region or perceived as less secure than a Private Cloud equivalent. Hybrid Cloud thus evolved as companies embraced different models of Public, Private and on-premise solutions to meet the diverse requirements their business units have, globally.

The Hybrid Cloud segment is one of the fastest growing segments of the IT industry today as corporations accelerate their migration from traditional owner-operated compute resources to pay-as-you-go platforms. NEXION's core business is in the sweet spot of this irreversible trend.

NEXION has focused on deployment and rental of NEXION OneCloud and interconnection of these OneCloud Nodes using SD-WAN networks. NEXION owns its own data centre in Belmont, Western Australia, from which it centrally controls its growing network of OneCloud and Aryaka SD-WAN infrastructure. NEXION is a full-stack information technology service provider offering sales of associated information technology, project management and support services that complement its Hybrid Cloud infrastructure service.

Growth Strategy

NEXION aims to become a global operator of Hybrid Cloud SD-WAN infrastructure and capital from the IPO will be used to fund OneCloud expansion. The Company currently operates in Perth, Adelaide and Melbourne.

NEXION's intends to deploy OneCloud Nodes in strategic locations globally. The existing OneCloud nodes in Perth, Melbourne and Adelaide and will be followed by nodes in other Australian capital cities. Following the IPO, NEXION will look to deploy additional OneCloud Nodes in cities globally starting in New Zealand and abroad.

Global data networks are the arteries of the Cloud. Thus NEXION has recently entered into a global first agreement with Aryaka to leverage their network to provide connectivity to OneCloud Nodes. Aryaka is a Silicon Valley global leader in Software-defined wide area networking (SD-WAN) and will be integral to NEXION's global expansion. The agreement immediately renders NEXION 'live' in 65 existing Aryaka Points of Presence (PoPs) globally and allows NEXION to build new Aryaka PoPs in locations such as Perth and other cities where NEXION is building OneCloud nodes.

Business Update

Since establishing the business in 2017 NEXION has achieved a compound annual growth rate in revenue of 173%. Despite the recent challenges to general business activity presented by COVID-19, in FY20 the Company's revenue almost doubled year-on-year to \$4.5m. We achieved EBITDA profitability in FY20 as the business demonstrated outstanding scalability with operating costs increasing a mere 14%.

A key feature of our business model is long term contracted recurring revenues with high gross margins. Recurring revenue contributed approximately 60% of FY20 revenue. As we bring more service providers into NEXION and migrate more customers to OneCloud, our recurring revenue base should continue to grow.

NEXION rents its OneCloud Nodes to corporations on a per-unit-per-month basis. A customer typically purchases a number of virtual servers, multiple gigabytes of virtual data storage and network connectivity to multiple locations on term contract, typical being 36 months.

Given these factors, the outlook for NEXION is favourable and should support strong growth in revenue and EBITDA over the medium to long term time.

Co-Founder and CEO, Paul Glass commented:

"We are extremely pleased by the level of support from investors and the success of the IPO is testament to the market's enthusiasm for our business. On behalf of the Board, I would like to welcome our new shareholders to the Company.

Since we founded the Company in 2017, NEXION has demonstrated outstanding growth in our initial target market of Australia, but we believe that the best is yet to come. The capital raised will allow us to expand the business in a staged approach beyond its existing domestic footprint and into global markets. Our strategic relationship with Aryaka is instrumental to our global ambitions.

NEXION is a business with strong revenue growth potential, a high level of recurring revenue, excellent scalability and a vast market opportunity driven by an irreversible trend towards pays-as-you-go IT platforms. I look forward to reporting on the continued success of the Company.

This announcement has been authorised by the Board of NEXION Group Ltd.

Investors

NEXION Group

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About NEXION Group:

NEXION is an information technology service provider that offers compute and data storage equipment as a service that it integrates with Public Cloud services to form a Hybrid Cloud. NEXION Networks Pty Ltd (NEXION Networks) owns and operates Hybrid Cloud infrastructure and provides associated services while NEXION W1 Pty Ltd (NEXION W1) owns and operates a 3 Mega-watt capacity data centre in Perth, Western Australia.

The Company offers private Cloud infrastructure integrated with Public Cloud services to form the NEXION Hybrid Cloud solution it calls OneCloud. NEXION hosts a OneCloud Node in its own data centre in Perth and third-party data centres in other cities and sells capacity to customers on term contracts up to 36-months. NEXION provides project management services to migrate customers to its Hybrid Cloud platform as well as associated equipment and support services for additional fees. The Company also provides SD-WAN to connect customer premises and equipment to its Hybrid Cloud.

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