



30 July 2024

ASX Announcement: DXN

4Q24 Quarterly Report and Trading Update

The Board of prefabricated modular data centre specialist, DXN Limited (“DXN” or “the Company”), is pleased to provide a trading update along with its quarterly report and Appendix 4C for the three months ended 30 June 2024 (“4Q24”).

Unaudited Highlights

- Total revenue for the quarter of \$3.8m was up 145% (4Q23: \$1.6m). FY24 revenue rose 41% to \$10.9m (FY23: \$7.8m). Sales growth has been driven by the deployment of new modular data centre sales across multiple clients.
- During 4Q24, DXN had positive net operating cash flows of \$1.04m and for the first time in DXN’s history ended the year with positive operating cashflows of \$327k.
- FY24 unaudited EBITDA is anticipated to be \$402k compared with FY23 losses of \$4.9m.
- FY24 unaudited Underlying EBITDA is \$1.2m after adjusting for restructuring costs.
- Cash as of 30 June 2024 was \$2.98m.

Operating Update

DXN Completes Exit from Sydney Data Centre (SYD01)

The exit has been completed and the site has been handed over to the landlord. Exiting the Sydney data centre lease saves the Company approximately \$1.4m per annum in lease costs and related expenses over the remaining nine years of the lease.

Modular Data Centre Manufacturing

Modular revenue recognised during 4Q24 was \$3.1 million, bringing FY24 modular revenue to \$8m compared to \$875,000 for 4Q23. DXN has focused on delivering Pilbara Minerals, East Timor, Flow Digital, and other module design and consulting orders.

On the 9 May 2024, DXN announced it signed a contract for four Cable Landing Stations for A\$5.7m for the East Micronesia Cable System (EMCS). The contract is DXN’s largest contract to date. During 4Q24, DXN also signed several other smaller modular data centre contracts ranging from \$0.5m to \$0.9m each and totalling \$1.8m with a global internet company for delivery in 1H25.

The Exclusive Global Distribution License Agreement (Distribution Agreement) between DXN and Flow2Edge Holdings I Pte Ltd (Flow) is no longer exclusive allowing DXN to pursue international markets directly.

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Data Centre Operations

DXN's data centres revenue for 4Q24 is \$632k (4Q23: \$694k which was higher in part due to the sale of assets held).

During the quarter, DXN has commenced streamlining sales and operations (including refining processes, lifecycle management and resources) of both Secure Data Centre (SDC) in Darwin and TAS01 in Hobart.

The new Board is evaluating the strategic options for the data centre business.

Summary of Payments

During 4Q24 the Company's payments included the following:

- product manufacturing and operating costs of \$1.461m (previously \$1.790m) as the Company continues to meet module delivery timelines;
- staff costs of \$662k (previously \$692k);
- administration and corporate costs of \$799k (previously \$934k). This includes the final payments in relation to the decommissioning of the Sydney Data Centre;
- leased assets of \$346k (previously \$396k) in relation to payments to the Sydney Data Centre and our other locations. The payments for the Sydney Data Centre will cease in December 2024; and
- Other payments of \$493k for bank/legal guarantees to be released upon milestones being reached on certain projects.

Operating Cash Flow

For the second consecutive quarter, DXN had a net positive operating cash flow of \$1.04m and for the first time in DXN's history ended the year with a net positive operating cashflow of \$327k.

Cash Position

As of 30 June 2024, DXN had a cash balance of \$2.98m (previously \$2.04m).

Related Party Payments

The aggregate payments to related parties and their associates included in 4Q24 totalled \$43k. These payments consisted of fees, salaries, and superannuation for non-executive directors.

Corporate Governance

On 3 May 2024, DXN announced the appointment of Abigail Cheadle as Non-Executive Director (NED) and Chair of the Board. Further, the Company announced the appointment of its CEO, Shalini Lagrutta as Managing Director.

On 13 June 2024, DXN announced the appointment of Interim Chief Financial Officer, Laila Green.

Outlook

The demand for remote computing power and subsea cable infrastructure deployment remains strong with a growing confidence in the likely new demand to come from high density workloads required for artificial intelligence within prefabricated modular data centres.

FY25 is anticipated to be a pivotal, as the Company refines its focus on core offerings following a comprehensive restructuring. With a reduced cost base and projected sales growth, DXN is poised to achieve profitability and generate positive cash flow.

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For more information please

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Release authorised by the Board.

About DXN Limited

DXN is a vertically integrated manufacturer and operator of modular data centres in Asia Pacific. DXN's core business is designing, engineering, manufacturing, maintaining and operating data centres.

The Company works with major government and blue-chip enterprise customers.

It has two core divisions:

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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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")

30 Jun 2024

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	4,929	12,901
1.2	Payments for		
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(1,461)	(4,752)
	(c) advertising and marketing	0	0
	(d) leased assets	(346)	(1,194)
	(e) staff costs	(662)	(2,802)
	(f) administration and corporate costs	(799)	(2,841)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	3	6
1.5	Interest and other costs of finance paid	(131)	(363)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	37	247
1.8	Other (provide details if material)	(535)	(875)
1.9	Net cash from / (used in) operating activities	1,035	327
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	(5)	(39)
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	(59)	(144)
2.6	Net cash from / (used in) investing activities	(64)	(183)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	1,775
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(160)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	0	1,615
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,039	1,268
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,035	327
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(64)	(183)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	1,615
4.5	Effect of movement in exchange rates on cash held	(26)	(43)
4.6	Cash and cash equivalents at end of period	2,984	2,984

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	2,984	2,984
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)		0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,984	2,984

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	43
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<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>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	4,000	4,000
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	4,000	4,000
7.5 Unused financing facilities available at quarter end		0
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.		
A \$4.0m secured facility with Pure Asset Management to finance working capital. The interest rate (including line fee) is 11.25% p.a. plus a 2.5% establishment fee. The maturity date is 14 October 2025 and the facility is secured by a General Security Agreement over the assets of the company		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,035
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,984
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	2,984
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: 30 July 2024

Authorised by: The Board of Directors
(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.