



1 March 2022

ASX Announcement

Half Yearly Results

The Board of pre-fabricated modular Data Centre specialist, DXN Limited (ASX:DXN) (“DXN” or “the Company”) is pleased to provide its half yearly results for the six months ended 31 December 2021 (1HFY22).

Half Year Highlights:

- Sales \$6.6m – an improvement of 60% on 1HFY21
- New contracts secured - \$7.9m (1HFY21 \$3.6m)
- Positive Operating Cash Flow in 1HFY22
- Cash at bank - \$3.1m as at 31 December 2021
- Modular Data Centre Manufacturing revenue growth of 61% from \$3.6m in 1HFY21 to \$5.7m in 1HFY22
- Data Centre Operations revenue growth from \$483k in 1HFY21 to \$913k in 1HFY22. Revenue growth of 7.5% excluding the Darwin acquisition
- Acquisition of Secure Data Centre in Darwin and completion of associated capital raising
- Resolution of Melbourne lease dispute

	1HFY2022	1HFY2021
	\$	\$
Revenue		
Sales to customers	6,624,060	4,133,406
Cost of sales	(4,899,689)	(2,706,127)
Gross profit	1,724,371	1,427,279
Other income	874,861	1,160,128
Less: Other operating expenses	(4,322,360)	(2,813,221)
EBITDA	(1,723,128)	(225,814)
Depreciation & amortisation	(1,782,657)	(1,726,598)
Foreign exchange gains/(losses)	21,250	(79,756)
Equity-settled employee costs	(105,929)	(88,438)
Finance expenses	(294,853)	(263,237)
Finance income	618	8,927
Net loss before tax	(3,884,699)	(2,374,916)

DXN Limited

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CEO Commentary

DXN produced a significantly improved performance in 1HFY22 benefitting from the new Edge-focused strategies implemented during FY21. DXN recorded its best half-yearly sales performance and booked a record ~\$7.9m worth of new modular data centre contracts, well above the \$3.6m secured in the comparable period last year. Significant blue-chip customers have been added to the portfolio of customers from DXN's key targeted market segments including mining, Edge data centres and cable landing stations.

The Melbourne data centre legal dispute is now resolved, eliminating a significant negative cash drain on the company, and inventory housed in the facility has been sold to Wingu Africa. The resolution of Melbourne incurred one-off expenses, which affected margins in the half. DXN expects improved margins in the second half of the year, including through continued focus on operating expenses.

Looking forward, DXN expects the Modular Data Centre Manufacturing business to maintain its strong sales momentum, with new and repeat customer demand reflecting DXN's growing reputation in the expanding Edge data centre market.

DXN also expects to see growth in its Data Centre Operations revenue through the recently acquired Darwin data centre, the introduction of new products and solutions across our data centre network and strategic partnership activity with DC Alliance's Perth-based data centre, Pier DC.

Modular Data Centre Manufacturing

DXN recorded its best half year revenue of \$5.7m (up 61% on 1HFY21) and new contracts signed worth \$7.9m (\$3.6m in 1HFY21).

We expect further growth in subsea cables within the region, as well as the increases in automation in the resources sector and new applications of Edge Data Centres. These will drive greater demand for DXN's modules. As an Australian manufacturer, DXN is also positioned well for national opportunities in defence and subsea.

Project Management Services are an important sales facilitator for the company. During the half DXN increased professional services sales relating to turnkey modular manufacturing projects; this reduced overall margin as professional services attract a lower margin than modular manufacturing.

Data Centre Operations

Data Centre Operations revenue growth from \$483k in 1HFY21 to \$913k in 1HFY22, revenue growth of 7.5% (excluding the Darwin acquisition). Each of DXN's data centres are well positioned for further growth:

- Sydney (SYD01) – focused on a connectivity and cloud strategy across our data centres and modules business, with DXN SYD01 at the centre of the strategy. We intend to make strategic investments in the coming quarters to support the introduction of cloud services.
- Hobart (TAS01) – primary customer at the data centre is Tasmanet, one of only two accredited suppliers to the Tasmanian Government for the Tasmanian Cloud.

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- Darwin Secure Data Centre (SDC) – well positioned for growth through the introduction of cloud services, as well as significant new cable infrastructure coming into the Northern Territory.

Other Operating Expenses

During the half, other operating expenses increased by ~1.5m, however, a large portion (~\$1.2m) of this was non-recurring, as set out below:

- Melbourne lease settlement – \$500,000 bank guarantee was forfeited and treated as rent (i.e. \$454,545 plus GST)
- Melbourne lease settlement – associated legal expenses of \$245,559
- R&D expenditure – the company capitalised R&D costs over the last three years – when receiving R&D grants, historically these costs were not offset against the grant income received. A decision has been made to fully expense the capitalised R&D costs of \$504,972

Outlook

Since the end of the December, DXN signed a new contract with Multiplex worth ~\$3.5m (ASX announcement 25 January 2022) taking DXN's Modular Data Centre Manufacturing Division contracts for YTD FY22 to ~\$12.5m.

Looking ahead to the rest of the financial year, sales opportunities for the Modular Data Centre Manufacturing Division remain strong as we continue to focus on our key market segments of Subsea Cables, Resources, Telco, Satellite and Edge data centres across the APAC region.

The combination of new contracts in the Modular Data Centre Manufacturing Division expected to be delivered in FY22 and the inclusion of revenues for the full half from the Secure Data Centre acquisition in Darwin puts the Company in a strong position to significantly outperform the previous year's revenue.

Webinar

DXN CEO, Shalini Lagrutta, will be providing a video market update at 10am (AEDT) on 9 March 2022. Further details will be provided in a separate ASX release to market.

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ASX Release authorised by the Board

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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 Data Centre Manufacturing** – 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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