



12 February 2020

ASX Announcement

DXN Limited executes agreement to acquire Tasmanian DC, expands Edge Data Centre Footprint and Recurring Revenue, announces \$6m Fully Underwritten Capital Raising

Highlights:

- DXN has entered into an agreement to purchase the assets and revenues of DC3, a data centre in Hobart Tasmania, from TasmaNet for \$2.7m in cash and incentive payment
- FY19 revenue of approximately \$860,000 and EBITDA of approximately \$450,000
- TasmaNet to enter into a national customer agreement with DXN for a minimum commitment of \$860,000 p/a over a minimum term of three years as a condition to settlement of the acquisition
- DC3 is a government accredited DC and currently provides services to the Tasmanian Government and is one of only three commercial data centres in Tasmania
- Significant organic growth opportunity with 30 racks currently occupied with the ability to expand to 100 racks
- DXN announces a fully underwritten entitlement issue to raise \$6.0m to fund the Acquisition and other activities including product manufacturing, working capital and data centre marketing

Acquisition of DC3 Data Centre in Hobart from TasmaNet

Pre-fabricated modular data centre specialist, DXN Limited (ASX:DXN, **DXN** or the **Company**), has entered into a binding agreement with TasmaNet Pty Ltd (**TasmaNet**) to purchase the assets and revenues of Data Centre 3 Pty Ltd (**DC3**) (**Assets**), a data centre in Hobart Tasmania, for a cash price of \$2.7 million, which represents 6 X EBITDA multiple, and an incentive payment of 25% of actual EBITDA growth generated by the Assets in the three years following settlement (**Acquisition**).

Matthew Madden, CEO of DXN, said that the agreement includes assets and customer revenue and is an example of how the Company will deliver on its vision to be Australia's leading Edge data centre operator.

Madden said, "Our plan is to continue to expand our carrier neutral Edge data centre footprint in Australia and New Zealand. This target will be achieved by developing new greenfield modular data centres, such as our new Sydney DC and / or acquiring existing operating data centres such as DC3."

The Hobart data centre is a modular DC designed to a minimum of Tier II. It has 30 racks occupied and the capacity to expand to 100 racks. DC3 is a government accredited data centre that provides services to the Tasmanian Government and is one of only three commercial data centres in Tasmania.

Madden said, "It is a condition precedent to settlement of the Acquisition that TasmaNet signs a national customer agreement with DXN with a minimum commitment of \$860,000 per annum for three to five years. To the year ending 30 June 2019 (**FY19**), DC3 generated revenue of approximately \$860,000 and EBITDA of approximately \$450,000. The Acquisition is a low-cost entry into the Edge market.

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Elizabeth Aris, CEO of TasmaNet, said, “We are delighted to be working with DXN and providing ongoing support and sales activity for this data centre and other data centre’s that DXN roll out. The Hobart data centre has a strong customer base including key sovereign clients and we are experiencing very solid annual growth, which is expected to increase in line with nbn™ growth.”

Data consumption on the nbn™ broadband access network has increased by almost 25 per cent in the past 12 months in Tasmania, indicating the potential growth opportunity for the Tasmanian market. DC3 provides DXN with the ability to expand from the 30 racks currently utilised to 100 racks within the next three years, which will provide DXN for strong growth in both revenue and EBITDA generation from the Data Centre.

A 10% deposit in relation to the Acquisition was paid on 7 February 2020, with the remaining 90% due at settlement of the Acquisition.

The key terms and conditions of the Acquisition are summarised in the Appendix to this announcement.

Capital Raising

In order to fund the Acquisition and for other purposes as set out below, DXN has resolved to undertake a non-renounceable entitlement issue on the basis of one (1) new share (**New Share**) for every three (3) shares held by eligible shareholders on the record date (expected to be on or about Thursday, 20 February 2020) at an issue price of \$0.04 per New Share to raise up to approximately \$6.0 million (before costs) (**Entitlement Issue** or **Offer**).

Subscribers in the Entitlement Issue will receive one (1) free-attaching option (**New Option**) for every one (1) New Share subscribed for and issued, exercisable at \$0.08 per Option on or before the date which is one year from the date of issue. Subject to meeting the requirements of the ASX Listing Rules, the Company intends to apply for quotation of the New Options.

The Offer will result in approximately 151,403,658 New Shares and 151,403,658 New Options being issued.

The funds raised from the Entitlement Issue are intended to be applied towards:

Uses	\$
Purchase price – DC3 acquisition ¹	2,430,000
costs associated with DC3 acquisition ²	100,000
Product Manufacturing ³	2,000,000
Working capital ⁴	1,011,146
Offer costs ⁵	425,000
Data centre marketing ⁶	90,000
Total Funds raised in Offer	6,056,146

Notes

1. Balance of purchase price of the DC3 assets and revenues from TasmaNet.
2. Funds to be applied to costs to obtain planning approval to expand the capacity of DC3 and advisory costs associated with the acquisition.
3. Funds to be applied towards DXN Modules product manufacturing.
4. Funds to be applied as working capital for the DXN business.
5. Funds to be applied towards the estimated expenses of the Offer.
6. Funds to be applied to Sydney data centre marketing strategies.

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Pinnacle Corporate Finance Pty Ltd (**Pinnacle**) has been engaged as Lead Manager to the Offer and has executed an underwriting agreement with the Company whereby Pinnacle has agreed to fully underwrite the Offer, subject to standard market termination events and condition precedents to an offer of this nature.

Mathew Madden, DXN's CEO (\$50,000) and other key executives (a further \$50,000) have entered into priority sub-underwriting agreements with Pinnacle. Each party will be entitled to a priority sub-underwriting fee of 3.0% of the amount priority sub-underwritten, on the same terms and conditions as other priority sub-underwriters of Pinnacle.

Further information with respect to the Offer will be disclosed in a Prospectus, intended to be lodged with the ASIC on or about Friday, 14 February 2020 and mailed to eligible shareholders shortly after the record date. Shareholders may view the Company's ASX announcements, including those relating to the Offer, on the ASX website under the ASX code DXN.

Persons should consider the Prospectus before deciding whether to acquire securities and eligible shareholders will need to complete the personalised entitlement and acceptance form that will accompany the Prospectus in order to apply for New Shares and attaching New Options under the Offer.

Key dates for the Offer Event	Proposed Date
Lodgement of Appendix 3B with ASX	12 February 2020
Lodgement of Prospectus with the ASIC & ASX	14 February 2020
Ex-date	19 February 2020
Record Date for determining entitlements	20 February 2020
Prospectus sent to Shareholders and Company announces this has been completed	24 February 2020
Last date to extend the Closing Date	10 March 2020
Closing Date	13 March 2020
Shares and Options quoted on a deferred settlement basis	16 March 2020
Announcement of results of Offer	18 March 2020
Issue date / Shares entered into Shareholder's security holdings / Lodgement of Appendix 2A with ASX	19 March 2020
Quotation of Shares and Options issued under the Offer	23 March 2020

-ends-

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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 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>

About TasmaNet

TasmaNet has been delivering innovative digital solutions for small business, enterprise, and government customers since 2004. What began with a group of mates interested in radio and data connectivity has evolved into a skilled and dedicated team focused on crafting creative solutions to interesting problems often overlooked by the one-size-fits-all approach of our larger competitors. For more <https://www.tasmanet.com.au>

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ASX Release authorised by the Board of Directors

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APPENDIX – KEY TERMS AND CONDITIONS OF THE ACQUISITION

The key terms and conditions of the DC3 Acquisition agreement are as follows:

- **Acquisition:** DXN has agreed to acquire and TasmaNet has agreed to sell, all right, title and interest in the assets and revenues of DC3 (**Assets**) for the consideration set out below.
- **Consideration:** The total consideration to be paid by DXN for the Acquisition comprises:
 - a purchase price of \$2,700,000 (**Purchase Price**); and
 - an incentive payment equal to 25% of actual EBITDA growth generated by the Assets in the three 12-month periods immediately following settlement of the Acquisition (**Incentive Payment**). In return for the Incentive Payment, TasmaNet has agreed to guarantee that the revenue generated by the Assets in each of the three 12-month periods will be not less than \$861,319.00.
- **Conditions Precedent:** Settlement of the Acquisition is conditional upon satisfaction (or waiver by DXN) of the following conditions precedent:
 - execution of a formal agreement;
 - DXN completing the Entitlement Issue;
 - the parties entering in a DXN master sales agreement;
 - the parties entering into a wholesale price agreement;
 - DXN securing a lease for DC3's current premises;
 - all third party consents or approvals necessary to complete the Acquisition being obtained by TasmaNet or DC3 (as required).
- **Settlement:** Settlement of the Acquisition will occur on that date which is 2 business days after satisfaction (or waiver by DXN) of the conditions precedent. It is currently contemplated that settlement will occur no later than 20 March 2020.
- **Post-Settlement Requirement:** 20% of the Purchase Price will be retained until DXN receives a planning permit from the Glenorchy City Council allowing it to expand the DC3 premises so that it can house a total of at least 90 racks.

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