

5 August 2022

ASX Announcement

SALE OF BUSINESS ASSETS OF DXN

Highlights

- All business assets and subsidiaries of DXN to be sold to Flow2Edge Australia Pty Ltd for approximately A\$26 million in cash, subject to completion adjustments
- Net cash proceeds following completion of the Transaction and repayment of DXN's debts will be distributed to shareholders; currently estimated to be in the range of A\$0.011 - \$0.013 per share
- Directors unanimously recommend shareholders vote in favour of the Transaction, subject to conclusions in the Independent Expert's Report
- Capital raising to be undertaken to provide working capital through to completion of the Transaction

The Board of DXN Limited (ASX: DXN) (“the Company” or “DXN”) is pleased to announce that DXN has entered into a business sale agreement (“Sale Agreement”) with Flow2Edge Australia Pty Ltd (“FLOW”) to sell all of DXN's business and assets, which includes all of the shares in subsidiaries, TAS01 Pty Ltd and Secure Data Centre Pty Ltd and all of the units in the SDC Unit Trust (the “Transaction”).

The consideration payable to DXN is approximately A\$26 million, subject to a cash adjustment upon completion. DXN intends to use the proceeds from the Transaction to repay its debts and make a distribution to its shareholders, which is currently estimated to be in the range of A\$0.011 - \$0.013 per share. The return to shareholders would represent an estimated premium in the range of 88%-123% on the 3-month VWAP of A\$0.006 as of 4 August 2022. The final distribution to shareholders is not certain and will depend on matters such as the time between announcement of the Transaction and completion and the ultimate costs of the Transaction, as well as the repayment of the debt facility of \$4 million.

The Transaction is subject to conditions precedent including the approval of both the Foreign Investment Review Board (“FIRB”) and DXN's shareholders at a general meeting which is expected to be held in late September 2022.

Subject to the Independent Expert's Report commissioned for the purpose of the Transaction concluding that the sale to FLOW is fair and reasonable to, and in the best interests of, DXN shareholders:

- the Directors unanimously recommend the Transaction to shareholders; and
- each Director intends to vote all DXN shares in which they have a relevant interest in favour of the Transaction.

Accordingly, in the absence of a superior offer and subject to the conclusions in the Independent Expert's Report, the Directors believe the Transaction is in the best interests of shareholders and unanimously recommend shareholders vote to approve the Transaction.

Commenting on the transaction, John Baillie, Chairman of DXN said: ‘We have not taken this decision lightly. This transaction is not only a good offer, it also enables us to address the capital requirements for the

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business going forward. Further, it leverages the experience and footprint of FLOW Digital Infrastructure. We are excited about the opportunities this will create for our customers in the medium to long term.'

Kris Kumar, Chairman of FLOW Digital Infrastructure, commented, 'This is an exciting opportunity for FLOW as we expand our footprint and enhance our capabilities to better serve our customers. The acquisition will enable us to leverage DXN's superior EDGE design and construction capabilities, allow us to control our supply chain, and deliver EDGE as a service in the APAC region. This is a key milestone for us as we continue to strategically invest in digital infrastructure to meet the rapidly growing demand across our markets.'

Transaction Summary

DXN has agreed to, subject to satisfaction of certain conditions precedent, to sell the following to FLOW:

- (a) 100% of the shares in TAS01 Pty Ltd (which holds the assets for DXN's data centre in Hobart, Tasmania) ("**TAS01**");
- (b) 100% of the shares in Secure Data Centre Pty Ltd (which holds the assets for DXN's data centre in Darwin, Northern Territory) ("**SDC**");
- (c) 100% of the units in the SDC Trust; and
- (d) all of the business and assets of DXN,

for consideration of approximately A\$26 million, subject to completion adjustments.

A summary of the key terms and conditions of the Sale Agreement is set out in the Appendix to this announcement.

As the sale to FLOW constitutes the disposal of DXN's main undertaking, the Transaction is subject to DXN obtaining shareholder approval under ASX Listing Rule 11.2. The Company is currently in the process of preparing a notice of general meeting for this purpose, which will contain further details about the Transaction. In addition, DXN has engaged RSM Australia to prepare an Independent Expert's Report commenting on the fairness and reasonableness of the Transaction, which will accompany the notice of meeting.

Background on FLOW Digital Infrastructure

FLOW Digital Infrastructure ("**FLOW DI**") is a PAG managed platform founded to develop a leading digital infrastructure platform across the Asia Pacific region. FLOW, as part of FLOW DI, is to be funded through capital resources of PAG managed funds. The platform has been set up to invest in and operate key physical assets that constitute the digital infrastructure ecosystem, including cloud, hyperscale, edge and enterprise data centres as well as network and fibre assets.

FLOW DI believes the Asia Pacific region is currently underinvested in digital infrastructure and an opportunity exists to address gaps in the digital ecosystem. The region has substantial runway for growth underpinned by emerging market demand, core data centres, fibre networks and edge computing.

FLOW DI was founded by PAG and Kris Kumar (Chairman, FLOW DI), a pioneer in digital infrastructure in the Asia Pacific region, with three decades of experience in investment, development and operations. PAG

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is a leading Asia Pacific focused investment firm with US\$50 billion in assets under management and US\$2bn in existing data centre investments. FLOW DI is managed by a team which comprises of senior executives with decades of industry experience and deep expertise across the digital infrastructure ecosystem. The team has a proven track record across the region in investment, site selection, design, build and operation, and the building of successful joint ventures.

FLOW DI has plans to invest US\$10 billion in digital infrastructure over the next 5 to 7 years.

Indicative Timetable for the Transaction

Set out below is an indicative timetable for completion of the Transaction.

Event	Date
Notice of Meeting and Independent Expert's Report for the Transaction sent to DXN shareholders	Late August 2022
DXN Shareholder Meeting to approve the Transaction	Late September 2022
Expected Completion of the Transaction	By 30 November 2022

**The above timetable is an indication only and is subject to change and timing of when all conditions precedent are satisfied.*

Placement

DXN intends to undertake a placement to raise approximately \$2.125 million through the issue of up to 250 million fully paid ordinary shares at \$0.0085 per share, being priced at a 70% premium to DXN's last closing share price of \$0.005 as at 4 August 2022 (**Placement**). The Placement will be used to fund DXN's working capital position up until the expected completion date of the Transaction. PURE Asset Management (**PURE**) has committed to subscribe for at least two-thirds of the Placement, and DXN intends to finalise the Placement over the coming days.

Facility Agreement with PURE

DXN advises it has breached its financial covenants under the Facility Agreement entered into with PURE in October 2021. PURE has agreed to waive its rights in relation to the relevant default of the financial covenants and the relevant default of the financial covenants will not constitute a default under the Facility Agreement.

DXN was advised by TMT Partners as its financial advisor and Steinepreis Paganin as its legal advisor. FLOW was advised by MA Moelis Australia as its financial advisor and King & Wood Mallesons as its legal advisor.

For more information please contact:

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Release of this ASX announcement has been authorised by the Board of DXN Limited

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APPENDIX: KEY TERMS AND CONDITIONS OF SALE AGREEMENT

DXN has entered into a Sale Agreement with FLOW pursuant to which it has agreed, subject to satisfaction of certain conditions precedent, to sell:

- 100% of the shares in TAS01;
- 100% of the shares in SDC;
- 100% of the units in the SDC Trust; and
- all of the business and assets of DXN, including goodwill, plant and equipment, inventory, intellectual property, equipment leases, property leases, statutory licences, contracts, employees, systems, book debts and business records,

(the “Sale”).

(a) **Parties:** The parties to the Sale Agreement are DXN Limited and FLOW.

(b) **Consideration:** The consideration for the Sale comprises:

(i) A\$26,069,733 cash;

(ii) as:

a. increased by for the amount of accrued interest on DXN’s facility agreement with PURE Asset Management Pty Ltd (ACN 616 178 771) as trustee for The Income and Growth Fund (ABN 80 976 293 282) (“**PURE Asset Facility**”); and

b. reduced by the amount of cash retained by DXN at completion of the Transaction (as this cash will remain an asset of DXN).

(c) **Conditions Precedent:** Completion of the Sale is conditional on the following conditions being fulfilled or waiver on or prior to 30 November 2022 (or such other date as agreed between DXN and FLOW in writing) (“**Sunset Date**”):

(i) the shareholders of DXN resolving to approve the Transaction in accordance with the requirements of Chapter 11 of the ASX Listing Rules;

(ii) DXN obtaining consents to the Transaction from relevant parties, specifically in relation to change of control effects and the assignment or novation of contracts to FLOW;

(iii) the execution of service agreements between FLOW and key executives of DXN and DXN employees accepting employment offers from FLOW;

(iv) no occurrence of a prescribed or materially adverse event in relation to DXN;

(v) no commencement of any material claim, dispute or litigation against DXN, FLOW or any of TAS01, SDC or the SDC Trust;

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- (vi) the warranties given by DXN being true and correct in all material respects at all times between the date of the Sale Agreement and as at completion, except where expressed to be operative at another date; and
- (vii) the signing of a draft tax sharing agreement, incorporating TAS01, SDC or the SDC Trust as parties.

The **Transaction** is also conditional on FIRB approval for the Transaction being obtained by FLOW.

FLOW must use its reasonable endeavours to satisfy the FIRB approval condition as expeditiously as possible. If the FIRB approval condition is not satisfied within 2 Business Days of 30 September 2022 (“**FIRB Condition Date**”), FLOW may (in its sole discretion) notify DXN that it will continue to pursue satisfaction of the FIRB approval condition by the Sunset Date (“**FIRB Extension**”).

- (d) **Break Fee:** DXN or FLOW will pay a break fee to the other party of an amount of no more than A\$800,000 (excluding GST) to compensate for actual third-party advisory costs incurred (“**Break Fee**”) in the following circumstances:
 - (i) DXN will be required to pay the Break Fee to FLOW in the event of termination of the Sale Agreement due to a competing proposal, a change of recommendation from any of DXN’s directors in relation to the Transaction, or a valid termination of the Sale Agreement for failure to satisfy conditions precedent by the Sunset Date (provided there is no unremedied breach by FLOW of its obligations related to satisfying conditions precedent), material breach of the Sale Agreement by DXN or failure by DXN to satisfy its completion obligations.
 - (ii) FLOW will be required to pay the Break Fee to DXN in the event that FIRB approval is not obtained by the Sunset Date if the FIRB Extension is exercised or upon a valid termination of Sale Agreement for material breach of the Sale Agreement by FLOW or failure by FLOW to satisfy its completion obligations.
- (e) **Exclusivity:** The parties are subject to an exclusivity period ending on the earlier of termination of the Sale Agreement or completion of the Transaction (“**Exclusivity Period**”). During the Exclusivity Period, DXN is subject to customary ‘No-shop’ and ‘No-talk’ obligations, DXN must notify FLOW of any approaches related to actual, proposed or potential competing proposals and FLOW will have a matching right in the event of a competing proposal which constitutes a superior proposal, subject to customary fiduciary duty carve-outs. A “competing proposal” includes any proposal which would mean a third party: (a) acquires an interest of 10% or more in the Company or any DXN group member; (b) acquires any shares or units in TAS01, SDC or the SDC Trust or a substantial part of DXN’s business or assets; (c) acquires control of the Company or any DXN group member; or (d) otherwise amalgamates or merges with the Company or any DXN group member.
- (f) **Completion:** Completion of the Transaction will occur on the date that is 5 business days after the satisfaction (or waiver) of the final condition precedent, or at such other date as agreed by DXN and FLOW in writing.
- (g) **Termination:** Either party may terminate the Sale Agreement at any time before Completion by notice to the other party if:



- (i) the FIRB condition is not satisfied by the FIRB Condition Date, FLOW has not provided the FIRB Extension, and more than 2 business days have passed following the FIRB Condition Date;
- (ii) the FIRB condition is not satisfied by the Sunset Date;
- (iii) any of the conditions precedent are not satisfied or waived by the Sunset Date or are incapable of being satisfied either on or before the Sunset Date;
- (iv) an insolvency event occurs in respect of the other party;
- (v) the other party is in material breach of the Sale Agreement, which is not remedied within 10 business days after it receives a notice setting out the breach or the scheduled time for completion.

In addition, FLOW may terminate the agreement at any time before completion by notice to DXN if any director of DXN publicly withdraws their recommendation, or adversely changes or qualifies their recommendation that shareholders of the DXN vote in favour of the Transaction or publicly recommends a competing proposal or otherwise makes a public statement indicating that they no longer support the Transaction.

The Sale Agreement otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties, indemnities and confidentiality provisions). DXN's liability for claims under the warranties and indemnities after completion of the Transaction is limited to \$1, except for title and capacity warranties.

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