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| Share details   |  |  | | --- | --- | | ASX Code | DXN | | Share Price | $0.056 | | Market Capitalisation | $19.9M | | Number of shares | 361.27M | | Enterprise Value | ~$10.9M | | Sector | Technology | | Free Float | ~58% |   Share price performance (12-months)   |  | | --- | |  |   Upside Case   |  |  |  | | --- | --- | --- | | * Edge Infrastructure and Manufacturing facility in Perth assists in early cashflows and has capacity to meet both internal and external customer demand |  |  | | * Capital light compared to traditional data centre operators as building 1MW at a time |  |  | | * Modularised and smaller data centres will be critical to 5G mobile and the Internet of Things |  |  |   Downside Case   |  |  |  |  | | --- | --- | --- | --- | | * Small player in a market dominated by global   players with deep pockets | |  | | | * Significant data centre capacity currently in the   market | |  | | | * Growth of mature centres reverts to CPI | |  | | | Catalysts   * Commissioning of Sydney data centre in July 2019 | | | | * Further contract wins for DXN Modules |  | | | Comparative companies (Australia & NZ)   |  |  |  | | --- | --- | --- | | MAQ, NXT |  |  | | | | Substantial Shareholders  Carason Ward Pte Ltd (Dean Coetzee and Tim  Desmond) 15.42%,  Buttonwood Nominees Pty Ltd (Newgate Capital  Partners) 15.48%,  SG Hiscock & Company Limited 9.88% | | |   RaaS Advisory contacts   |  |  | | --- | --- | | Finola Burke | +61 414 354 712  finola.burke@raasgroup.com | |

## Data Exchange Network

## New contract win

The Data Exchange Network Ltd (ASX:DXN) is a vertically integrated prefabricated modular data centre business with manufacturing facilities in Perth and a soon to be commissioned data centre at Sydney Olympic Park in Sydney. The company has announced it has secured its third contract in as many months to build two state-of-the-art cable landing stations in the Cook Islands for the Manatua Cable. DXN was awarded the NZ$1.2m (A$1.15m) by Avaroa Cable Ltd, the state-owned enterprise from the Cook Islands and part of the Manatua Cable Consortium. The two landing stations, destined for Rarotonga and Aitutaki, are expected to be installed later this year with full commissioning in May 2020. The contract win also follows confirmation late last month that DXN’s SYD01 data centre was progressing as planned with civil works now complete, cooling towers and back-up generators installed, and mechanical services close to completion. Our base case DCF valuation is $0.24/share (WACC 10.7%, terminal growth rate of 2.2%) and includes the dilution from anticipated capital raises from FY19-22. On the current share count of 361.3m shares, our base case valuation is $0.34/share.

## Business model

The Data Exchange Network is building pre-fabricated modular co-location data centres in leased premises in Sydney, utilising its established engineering and manufacturing facility in Perth to deliver its custom-designed, inhouse data centre infrastructure. The company also has a site at Port Melbourne which is at an earlier stage of development. The company’s strategy is to build capacity in stages starting with 1 MW or 145 racks in Sydney and gradually installing 5MW in Sydney and 6MW in Melbourne as demand fills existing infrastructure. This enables DXN to maintain a capital light model compared to traditional DCs which build greater capacity upfront. Revenue will be derived from manufacturing data centre modules for third parties, operating and renting rack space in its co-location data centres and from software licence fees for its monitoring, management and access control system. We forecast breakeven at 2.9MW built and $10m pa in DXN Module sales.

## DXN Modules putting runs on the board

DXN continues to benefit from the recently formed and focused DXN Modules which has now secured more than $2.5m contracts since May. This includes the $500,000 contract to engineer, manufacture and install a cable landing station for the Government of Niue, a $1.06m contract with WA wireless communications leader Radlink Communications to engineer and manufacture prefabricated communications modules for a global mining company’s Queensland mine and the just announced Cook Islands’ contract. We had factored in an uptick in contract wins as a result of the new focused DXN Modules in our recent re-initiation report “Manufacturing the edge in its data centre strategy”. We are pleased to see that the sales progress remains in line with our expectations.

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| Historical earnings and RaaS Advisory estimates (in A$m)   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Year end | Revenue | EBITDA reported | NPAT reported | EPS (c) | EV/Sales (x) | EV/EBITDA (x) | | 0618a | 2.0 | (4.0) | (5.7) | (5.86) | na | na | | 06/19e | 2.6 | (7.3) | (6.1) | (2.04) | 5.77 | na | | 06/20e | 18.8 | (2.1) | (2.2) | (0.46) | 0.96 | na | | 06/21e | 32.1 | 3.2 | 0.9 | 0.16 | 0.62 | 6.29 |   Source:Company data, RaaS Advisory Estimates for FY19e, FY20e, FY21e |

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

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* who we are
* our services
* how we transact with you
* how we are paid, and
* complaint processes

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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