

30 October 2020

## SEPTEMBER 2020 QUARTERLY SHAREHOLDER UPDATE & APPENDIX 4C

### Highlights:

- Annual Recurring Revenue (ARR) increased to \$16.7m at Q1 FY21, up 84% year-on-year
- New product launches and improvements to network quality are driving growth in wholesale customers and order value, with Mobile Broadband orders +122%, Mobile Voice +247% and NBN with 4G backup +53% year-on-year in Q1 FY21, and customer feedback consistently positive
- Retail operations continue to expand driven by various marketing channels, including with Qantas Business Rewards, achieving Total Contract Value (TCV) of new customer sales of \$5.3 million in 2020 YTD, +36% year-on-year
- Hosted PBX subscriptions continue to grow, passing the milestone of 40,000 daily active users
- Additional use cases identified for Oper8tor in workforce communication monitoring and financial compliance
- Cash balance of \$4.02 million as at 30 September 2020

Telecommunications innovator Vonex Limited (“Vonex” or the “Company”) (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 30 September 2020.

### FINANCIAL COMMENTARY

- Unaudited sales revenue of \$4.44 million for the quarter increased by 84% compared to the prior corresponding period (PcP) of \$2.41 million
- Annualised Recurring Revenue (ARR) grew by 84% year on year to \$16.7 million
- Cash receipts from customers totalled \$4.22 million, an increase of 68% compared to PcP of \$2.51 million
- Cash at end of quarter totalled \$4.02 million

**Vonex Wholesale**

Vonex's Wholesale operations continue to gain scale as the Company secures new customers and delivers strong growth in revenue.

Successful integration of 2SG Wholesale in 2H of FY20 allowed the Company to expand its offering to small and medium enterprise (SME) customers by developing and delivering new products. Vonex achieved strong sales growth across its new and existing Wholesale product suite in Q1 of FY21, with Mobile Broadband orders +122% year-on-year for the quarter, Mobile Voice +247% and NBN with 4G backup +53% over the same period, as Vonex starts to capture cross-selling opportunities identified prior to acquiring 2SG Wholesale.



Vonex's Wholesale offerings will continue to expand in FY21, with the Company having recently gained a commitment from Optus to open up its 5G network to the Company via 2SG. Vonex is now in the final stages of preparing to launch internet services that utilise 5G speeds powered by Optus.

Developing the latest communications technology and providing access to the most advanced networks form part of Vonex's commitment to continually improve user experience and deliver value for its SME and Wholesale customers. This commitment is translating to new customer wins, most recently with ASX300 company, Data#3 Ltd (ASX: DTL).

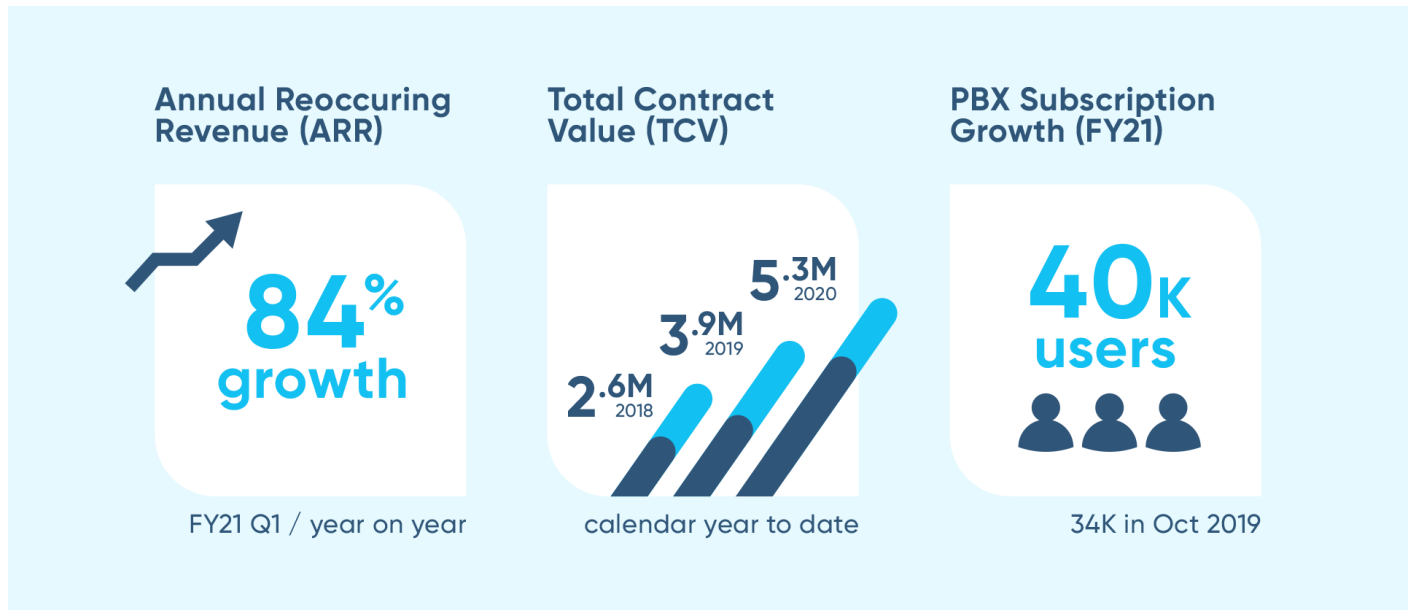
**Vonex Telecom Delivering Sustained Growth**

Vonex's Retail operations continue to expand, with the value of new customer additions increasing year-on-year. The Company has achieved Total Contract Value of new customer sales YTD in 2020 of \$5.3 million, an increase of 36% year-on-year.

Vonex's SME user numbers continue to grow, driven in large part by the Company's partnership with Qantas Business Rewards (QBR) and Vonex's status as Qantas' preferred business-focused telco provider. QBR continues to market Vonex proactively to its base of more than 250,000 SME members who use QBR's exclusive offers to save money, earn Qantas points and plan ahead for the growth of their business.

Vonex has now attracted more than 40,800 registered active users to the Company's Private Branch Exchange (PBX) cloud-based phone services, marking a year-on-year increase of 18%.

Attracting new PBX users is a key indicator of Vonex's business development progress as the Company penetrates the multibillion-dollar Australian market for telco services to SMEs.



### Strong Vonex Customer Satisfaction, Bucking Industry Trend

The Telecommunications Industry Ombudsman's Q1 FY21 Complaints Report shows complaints from small businesses increased by 28% in the first quarter to 5,527. In this quarter, complaints from small businesses made up 16% of total complaints, being the highest proportion and volume for small business complaints in the last five quarters.

In the context of this concerningly sharp increase in complaints from small businesses, Vonex is proud to gain outstanding ongoing customer experience feedback. In Q1 FY21, Vonex recorded zero customer complaints with the TIO. Over the past 30 days, the Company has also achieved an average Net Promoter Score (NPS) of 45, a particularly strong result in an industry notoriously dogged by poor customer satisfaction.

As the relationship between a small business and its telco provider is vital to the ongoing success of that business, Vonex is proud of these results which underscore the Company's commitment to its customer base across Australia.

### Oper8tor Update

Vonex is developing Oper8tor as a multi-platform voice, messaging and social media app that will allow users to connect with all social media friends, followers and contacts from a single app.

With working remotely becoming more commonplace in a post COVID-19 operating environment and an expanding list of platforms and apps that can be used for communication, Oper8tor has identified a growing opportunity for use as a cost-saving real-time workforce communication and monitoring tool which can increase the performance of its clients' sales teams and reduce the risk of legal compliance violations. Oper8tor aims to aggregate all of an employee's communication channels and data into a single interface which businesses can monitor and automatically flag issues for closer inspection via artificial intelligence. With financial compliance a large and labour-intensive industry ready for disruption, Vonex believes

Oper8tor can reduce business risk and assist compliance, surveillance and HR teams.

As announced in the June quarter, the Company has engaged London-based investment advisory firm Ragnar Capital Partners LLP (Ragnar) to target potential partners who could help take Oper8tor through its rollout and commercialisation phases. The Company is working closely with Ragnar regarding various funding options for Oper8tor.

## **CORPORATE**

### **Results of General Meeting**

At a General Meeting of Vonex shareholders held on 4 September 2020, all resolutions put to the meeting passed by way of a Poll. The total number of proxy votes exercisable by all proxies was in respect of 88,263,963 shares from the validly appointed proxies of 48 shareholders. The resolutions related to the ratification of prior share issues under Listing Rule 7.1.

### **Issue of Shares**

During the quarter, the Company issued a total of 1,750,000 Vonex shares under its placement capacity under listing rule 7.1. It issued 150,000 Vonex shares relating to the conversion of certain employee leave entitlements in lieu of cash and 1,600,000 Vonex shares to a Digital Marketing service provider in lieu of a cash payment, with 800,000 of these shares subject to voluntary escrow to 31 December 2020 and 800,000 shares subject to voluntary escrow to 31 March 2021.

### **Cash Position**

As at 30 September 2020, the Company had approximately \$4 million of cash and nil debt. The Company retains sufficient funding to carry out its activities over the coming quarters.

### *Note 6 to Appendix 4C*

Payments to related parties of the entity and their associates during the quarter:

- Director fees and wages of approximately \$161,393
- Company secretarial and accounting fees of approximately \$9,000

This announcement has been authorised for release by Matt Fahey, Managing Director of Vonex Ltd.

**ENDS**

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**ABOUT VONEX:**

Vonex is a Brisbane-based full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, and hosted PBX and VoIP services - predominantly to small to medium enterprise ("SME") customers under the Vonex brand. The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX, call termination services, NBN & 4G mobile broadband at wholesale rates through a white label model.

Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system. Vonex is developing the Oper8tor App, a multi-platform real-time voice, messaging and social media app that allows users to connect with all social media friends, followers and contacts across different social medias, all consolidated into one app.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Vonex Limited

**ABN**

39 063 074 635

**Quarter ended ("current quarter")**

30 September 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,221	4,221
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,858)	(2,858)
(c) advertising and marketing	(94)	(94)
(d) leased assets	-	-
(e) staff costs	(997)	(997)
(f) administration and corporate costs	(813)	(813)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(10)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	113	113
1.8 Other (provide details if material)	(43)	(43)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(481)</b>	<b>(481)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (2SG – stamp duty)	(137)	(137)
(c) property, plant and equipment	(11)	(11)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	1	1
	(d) investment - mining royalty	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (payments for security deposit)	(76)	(76)
2.6	Other (payments for office fit-out costs – to be reimbursed)	(60)	(60)
<b>2.7</b>	<b>Net cash from / (used in) investing activities</b>	<b>(283)</b>	<b>(283)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Proceeds from application funds held in trust	-	-
3.8	Payment in advance for capital raising fees	-	-
3.9	Payments for lease liabilities (excl. interest charged)	(25)	(25)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(25)</b>	<b>(25)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>4,812</b>	<b>4,812</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(481)	(481)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(283)	(283)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(25)	(25)
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,022</b>	<b>4,022</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,087	3,439
5.2	Call deposits	1,935	1,373
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,022</b>	<b>4,812</b>

**6. Payments to related parties of the entity and their associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1	170
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
\$A'000**

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

Consulting fees and directors' fees	\$161,393
Company secretarial and accounting fees	\$ 9,000



## Quarterly cash flow report for entities subject to Listing Rule 4.7B

**7. Financing facilities**

*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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** -

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(481)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,022
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,022
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>8</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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

- 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

- 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

## 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 October 2020

Authorised by: .....  
Daniel Smith – Company Secretary

## 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.