

29 January 2021

December 2020 Quarterly Shareholder Update and Appendix 4C

Highlights:

- **Vonex continues to execute acquisition-led growth strategy, with agreement to acquire established NSW telco service provider Nextel including its business, operations and customer base**
 - **Transaction is highly accretive to earnings and cashflow, valuing Nextel at approximately 0.8x FY20 revenue and 3.5x FY20 EBITDA**
 - **Nextel provides a boost to Vonex's annualised recurring revenue (ARR), with group ARR expected to increase to more than \$18 million on completion**
 - **Acquisition will allow Vonex to replicate the success of its 2SG Wholesale integration, providing cross-selling and product expansion opportunities**
- **Retail sales continuing to grow strongly, adding Total Contract Value (TCV) of new customer sales of \$6.99m for 2020 – a year-on-year increase of 32%**
- **Wholesale division continues to accelerate, with large quarterly year-on-year increases across several products:**
 - **Mobile Voice up 321%**
 - **NBN with 4G Backup up 107%**
 - **Mobile Broadband orders up 88%**

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 31 December 2020.

FINANCIAL COMMENTARY

- Cash receipts from customers totalled \$4.33m for the quarter, an increase of 72% year-on-year
- Unaudited sales revenue for the half year ended 31 December 2020 of \$8.92 million
- Annualised Recurring Revenue (ARR) rises to \$18m as per Nextel announcement of 18 December 2020
- Cash at end of quarter totalled \$3.54m

The December quarter saw the completion of the fitout of Vonex's Brisbane head office, and the Company has received in January 2021 a \$77k fitout incentive refund from the building owners. The December quarter does not include receipt of the Company's application for an R&D tax refund (estimated at \$541k). The Company expects to receive this tax refund in early February 2021. December also saw the cessation of all material cash outlays related to the Oper8tor project.

Nextel Acquisition

In December 2020, Vonex announced it had entered into a conditional binding term sheet with Nextel Pty Ltd ("Nextel") to acquire Nextel's business and operations as a going concern.

Nextel, a provider of telecommunications services to business customers, is recognised as an industry leader in the design, installation and maintenance of voice, data and communications networks. The company has grown to become a meaningful single-source provider to businesses in structured cabling, telephony systems and electrical fit outs, as well as rolling out fibre, RFID and wireless networks to large-scale projects.

Headquartered in Sydney, Nextel's national footprint allows the group to service businesses in remote locations. Its professional services team has rolled out systems from micro 4-5 handset users up to 1,000-end enterprise users.

Nextel brings long-term relationships with tier-1 carriers, network partners and customers spanning a range of industries, including LJ Hooker, Endemol Shine Australia, 4 Pines Brewing Co, Lifeline and the Sydney Harbour Federation Trust.

The acquisition is subject to Vonex completing legal and financial due diligence to its satisfaction, which is now complete.

Total consideration for Nextel's business and operations is approximately \$1.575 million, payable on completion of the transaction, comprising:

- 5,502,795 ordinary shares at a deemed issue price of A\$0.229 (being the volume-weighted average price of Vonex shares for the past 30 trading days), to be escrowed for 12 months post issue ("Consideration Shares");
- A\$315,000 in cash; and
- An amount in cash equal to the cost of tangible stock items as at completion.

The consideration brings Nextel's goodwill, staff and equipment, intellectual property, wholesale contracts with several major telecommunications companies, all end user customers being serviced by Nextel, and stock.

The consideration represents a multiple of approximately 0.8x FY20 revenue and 3.5x FY20 earnings before interest, tax, depreciation and amortisation (EBITDA), making the acquisition accretive to the Company's earnings and cashflow.

The acquisition will provide an immediate boost of approximately \$1 million to the Company's base of annualised recurring revenue ("ARR").

The conservative cash component of the total consideration has helped to preserve Vonex's cash position, while also highlighting the belief that the Nextel vendors have in Vonex continuing to grow the combined businesses and generating attractive returns for shareholders.

In acquiring Nextel, Vonex aims to replicate the success of its previous integration of 2SG Wholesale into its business, adding further value to vendors, shareholders and customers. The Company believes the acquisition will help it better meet an unmet need among Australian SMEs for telco services that are reliable, affordable, flexible, scalable and friendly to the new 'work from home' paradigm. Vonex's strong focus on product-market fit, efficiency and customer satisfaction strongly resonate with SME customers, and acquiring Nextel enhances the Company's ability to service this

market.

The Company views Nextel's capabilities as highly complementary to those of Vonex, focusing on:

- Immediate efficiency on margin on services revenue and at the wholesale supplier level;
- Expertise in network infrastructure and cabling, representing a new service which Vonex can commence offering to its channel partners; and
- Nextel's established presence across several niche verticals and strong standing in the NSW market.

The Company anticipates completing the Nextel acquisition on February 2nd.

Vonex Wholesale

Vonex's Wholesale division showed continued growth in the December quarter following the successful integration of 2SG Wholesale. All Vonex wholesale services are combined and branded as 2SG Wholesale as of 1st January 2021.

Successfully integrating 2SG Wholesale has allowed the Company to expand its offering to SME customers by developing and delivering new products. 2SG's sales growth was strong across its new and existing Wholesale product suite in Q2 FY21, including a +88% increase in Mobile Broadband orders year-on-year for the quarter, Mobile Voice up 321% and NBN with 4G backup increasing by 107% over the same period. This strong growth reflects Vonex beginning to capture the cross-selling opportunities the Company identified prior to acquiring 2SG Wholesale.

Vonex expects the 2SG Wholesale offering to continue to improve in CY21, with the Company receiving 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.



Vonex Retail

Vonex's Retail operations continue to expand, with Total Contract Value (TCV) of new customer sales in 2020 of \$6.99 million, an increase of 32% on 2019.

Vonex's SME user numbers demonstrated further growth, largely driven 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 achieved approximately 42,000 registered active users on its Private Branch Exchange (PBX) cloud-based phone service, a key indicator of Vonex's business development progress.



Oper8tor Update

Vonex resolved to transition Oper8tor from a state of active research and development, to one which focuses on identifying and engaging the right technical and financial partners to guide Oper8tor's further development and commercialisation. Vonex will maintain in good standing all intellectual property, websites and internationally granted patents relating to Oper8tor, however it does not anticipate committing further development capital to the project at this time.

CORPORATE

Results of Annual General Meeting

At Vonex's Annual General Meeting of Vonex shareholders held on 27 November 2020, all resolutions put to the meeting passed by way of a Poll.

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 full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, and hosted PBX and VoIP services - predominately to the small to medium enterprise ("SME") customer under the Vonex brand. The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX and call termination services at wholesale rates via a white label model.

Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system. Vonex is also 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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,330	8,551
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,034)	(5,892)
(c) advertising and marketing	(92)	(186)
(d) leased assets	-	-
(e) staff costs	(893)	(1,890)
(f) administration and corporate costs	(723)	(1,536)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(12)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	37	150
1.8 Other (provide details if material)	18	(25)
1.9 Net cash from / (used in) operating activities	(368)	(849)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (2SG – stamp duty)	-	(137)
(c) property, plant and equipment	(13)	(24)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	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)
2.6	Other (net reimbursement of office fit-out costs)	(52)	(112)
2.7	Net cash from / (used in) investing activities	(65)	(348)

3.	Cash flows from financing activities		
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)	(44)	(69)
3.10	Net cash from / (used in) financing activities	(44)	(69)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,022	4,812
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(368)	(849)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(65)	(348)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(44)	(69)
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	3,545	3,545

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,058	2,087
5.2	Call deposits	1,487	1,935
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,545	4,022

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	165
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	\$ 151,687
Company secretarial and accounting fees	\$ 13,500

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.

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

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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(368)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,545
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,545
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	10

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

1. 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

2. 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.

3. 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: 29 January 2021

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.