

7 June 2021

Vonex Signs Term Sheet to Buy Part of MNF Group's Direct Business

Highlights:

- **Vonex has entered into a conditional, non-binding term sheet for the purchase of part of MNF Group's Direct Business (the "Proposed Transaction")**
- **The Proposed Transaction would be transformational for Vonex delivering considerable scale with more than 5,250 new business customers, more than 100 new Australian telco channel partners and almost doubling Vonex's annualised recurring revenue on a full year basis**
- **The Direct Business (to be acquired by Vonex in the Proposed Transaction) delivered revenue of \$15.6m in CY2020 of which approximately 89% was derived from the Business segment and approximately 11% was derived from the Residential segment. This business reported an EBITDA of approximately \$5m in CY2020**
- **The total proposed consideration is \$31 million in cash payable in installments with \$20 million payable on completion and intended to be funded predominantly via a debt facility and Vonex's existing cash. Deferred consideration is payable in cash in monthly installments over 12 months**

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to announce that it has signed a conditional, non-binding term sheet with MNF Group Limited (ASX: MNF) for Vonex's acquisition of part of MNF's Direct business (the "Direct Business").

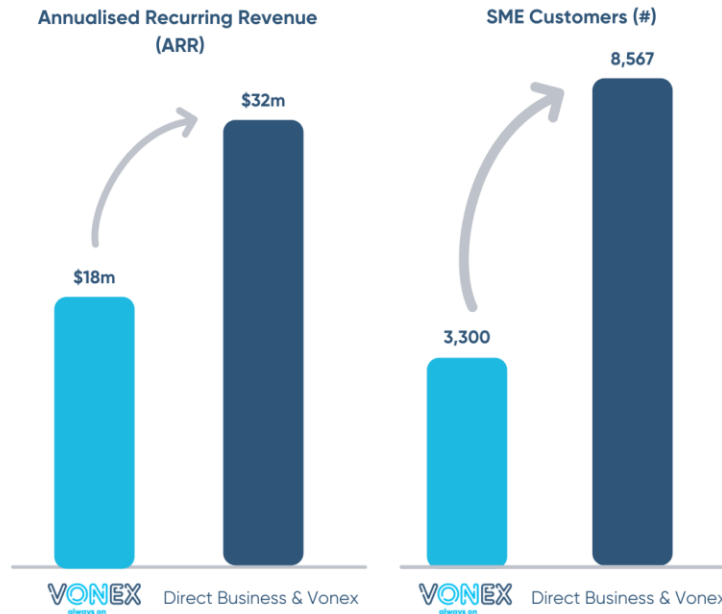
Overview of the Direct Business

The Direct Business sells cloud phone, internet and mobile services directly to SMEs and residential customers in Australia, as well as dedicated audio and video conferencing business. The Direct Business delivered revenue of \$15.6m in CY2020 of which \$13.9m was derived from Business segment and \$1.7m was derived from the Retail segment. Approximately 86% of total revenue has been characterised by MNF Group as recurring and 81% of total revenue is from Voice. The Direct Business reported an EBITDA of \$5m in CY2020.

Strategic Rationale

The Proposed Transaction will materially expand Vonex's footprint of small-to-medium ("SME") and residential customers across Australia and will see the Company migrate approximately 5,250 new business customers to its platform. Vonex's demonstrated capability in migrating and servicing hosted PBX customers makes the Company a natural owner of the Direct Business.

The Proposed Transaction would also significantly strengthen Vonex's channel partner network, bringing more than 100 experienced new channel partners through which the Company can reach new customers. The Direct Business would add to Vonex's existing Sydney presence and provide the opportunity to leverage its proven sales and marketing processes in Melbourne. The Direct Business would also introduce a number of cross-sell opportunities for complementary products.



The Proposed Transaction, if completed, would be transformational to Vonex. Vonex has capabilities across a significant majority of the business products and services provided by the Direct Business, ensuring a smooth transition. The Proposed Transaction would also provide a solid base for Vonex to foray into the new untapped segment of residential internet and mobile phone services.

SME (89% CY20 revenue)				Residential (11% CY20 revenue)
<p>Phone systems</p> <p>NBN-ready office phone solutions. Options for on-premise and cloud</p> <p>Hosted PBX SIP Trunks Microsoft Teams Integration</p>	<p>4G Mobile</p> <p>Set your business free with SIM-only mobile plans</p> <p>4G Voice and Data Mobile Fleet</p>	<p>Internet & NBN</p> <p>Choose future-proof nbn or high speed ethernet</p> <p>NBN Fibre Wireless Broadband</p>	<p>Add Ons</p> <p>1300 numbers, conferencing, ex-fax desktop SMS & more</p> <p>Virtual Fax Phone Numbers</p> <ul style="list-style-type: none"> • DID, 1300/1800 • International numbers <p>Desktop SMS Audio Conferencing</p>	<p>Home Phone VOIP</p>
Vonex current capabilities				Vonex new capabilities

Consideration and Funding

The proposed consideration for the acquisition of the Direct Business is \$31 million payable in cash, comprising \$20 million upfront on completion and \$11 million in deferred consideration payable in 12 monthly instalments post completion. Vonex will also benefit from \$1 million in wholesale credit returning to its account.

Assuming all conditions are met, Vonex and MNF Group plan on signing the Asset Sale Agreement in July 2021 with completion expected to take place on 31 July 2021.

Vonex intends to fund the upfront consideration primarily from a new debt facility and through its existing cash reserves. The Company will provide further details on the proposed new debt facility and its funding strategy once due diligence has been completed by the proposed debt provider, the terms of the facility have been finalised and the facility is capable of being drawn-down. Vonex intends to fund the deferred consideration utilising cashflow generated from the combined businesses, supplemented through the raising of incremental debt and/or equity capital as required.

Summary of Key Provisions of the Term Sheet

Vonex has been provided with exclusivity in relation to the Proposed Transaction for 8 weeks with requirements to reconfirm the offer and certain other matters at intervals.

The Term Sheet will be terminated on the earlier of: 30 July 2021, on written notice to the other party and execution of the Asset Sale Agreement (which would then supercede the terms of the Term Sheet).

The Term Sheet includes a requirement for the parties to enter into an exclusive wholesale supply agreement for phone numbers and minutes with a five-year contract term on the same pricing as currently in place between Vonex and MNF Group. The Direct Business currently incurs approximately \$3m of wholesale cost per annum.

MNF Group is restricted from competing with the Direct Business for 3 years from completion.

The parties anticipate the Asset Sale Agreement would have the following material conditions precedent:

- (a) Vonex conducting legal and financial due diligence on the Direct Business;
- (b) Vonex successfully obtaining a debt funding facility to fund the significant majority of the upfront consideration; and
- (c) Vonex and MNF obtaining board approvals for the Proposed Transaction.

ASX has advised that the proposed acquisition of the Direct Business will not trigger the application of Listing Rules 11.1.2 and 11.1.3; as such, shareholder approval is not required for completion of the Asset Sale Agreement.

There will be no Board changes as a result of the Proposed Transaction.

Vonex Managing Director, Matt Fahey, said:

"We would be delighted to welcome MNF's Direct business and its customers to the Vonex group. As the new 'work from home' paradigm has become part of life for more Australians, we have increasingly focused on providing Australian SMEs with telco services that are reliable, affordable, flexible and scalable. Migrating and integrating the

Direct Business with our own will bring us a meaningful national footprint and help us to gain the scale through which we can continue to deliver strong value to customers and investors."

MNF Group CEO, Rene Sugo, said:

"The divestment of these direct businesses is in line with our strategy to simplify MNF's business and drive growth in Communications Platform as a Service (CPaaS) and Unified Communications as a service (UCaaS) services. Importantly, funds from the sale will be reinvested into our growing wholesale business and our expansion offshore. Assuming all conditions are met, we expect the sale to be completed by the end of July 2021. Vonex has been a long-term partner to MNF Group and we have been very impressed with their technical capability and detailed migration plan. This was a significant factor in our decision to select Vonex to acquire the Direct Business."

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.

ABOUT MNF GROUP:

MNF Group Limited (ASX: MNF) is one of Asia-Pacific's fastest growing technology companies. Listed on the ASX since 2006, it is now capitalised at around \$420m, and twice winner of the Forbes Asia-Pacific "Best under a Billion" award. Headquartered in Sydney, Australia, the company has over 500 people located across Asia-Pacific, Europe and North America. MNF develops and operates a global communications network and software suite enabling some of the world's leading innovators to deliver new-generation communications solutions.

As the world moves to IP, MNF Group is building the brands, services, network and technology to lead the way. For further information about MNF Group Limited please visit: <http://mnfgroup.limited/>