

31 January 2022

December 2021 Quarterly Shareholder Update and Appendix 4C

Highlights:

- **H1 FY22 sales revenue of \$14.94 million, up 67% YoY, in line with expectations.**
- **Total contract value (TCV) for retail sales of ~\$2 million for the December quarter, an increase of more than 25% over the same period in FY21. Vonex's achievement of a record sales month in November (+50% YoY) has set a strong base for continued revenue growth.**
- **In line with growth strategy, the Company acquired 100% of Voiteck Pty Ltd, an established provider of voice and internet services to SME customers in South Australia.**
- **Wholesale division showed continued growth, with NBN and Mobile Voice sales up 26% and 31% respectively over the previous calendar year. Wholesale Voice and PBX revenue increased 34% YoY, contributing to the now more than 90,000 PBX extensions on the Vonex platform.**
- **Cash balance of \$8.34 million as at 31 December 2021.**

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 2021.

FINANCIAL COMMENTARY

- Unaudited sales revenue for the half year of \$14.94 million, an increase of 67% on the prior corresponding period.
- Annualised recurring revenue (ARR) of ~\$34.5 million as at 31 December 2021, up more than 100% YoY.
- \$7.72 million in cash receipts earned during the quarter, a year-on-year increase of 78% driven by a rapidly growing customer base and continued expansion of market share.
- Cash on hand of \$8.34 million as at 31 December 2021, ensuring surplus available liquidity for activities over the coming quarters.

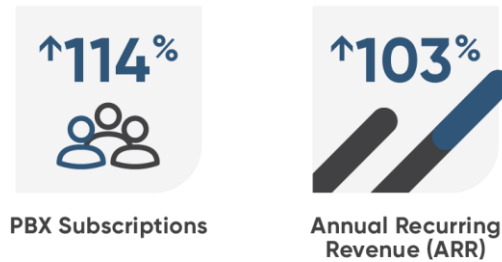
RETAIL BUSINESS GROWTH

Following the successful completion of Vonex's transformational acquisition of the Direct Business operations from MNF Group in August 2021, the Company has continued to deliver growth in both SME customer numbers as well as contracted revenue. The total contract value (TCV) of new customer sales added in the month of November 2021 exceeded \$1 million, which was a record month of sales for the Company's Retail operations. This monthly result represents an increase of 50% compared to November 2020 and was achieved in the face of lockdown disruptions impacting normal trade in Melbourne and Sydney. Vonex achieved TCV of new customer sales during the December 2021 quarter of \$2 million.

Vonex has now attracted approximately 90,000 registered active users to its PBX cloud-based phone service, up 114% year on year, a key indicator of the Company's business development progress.

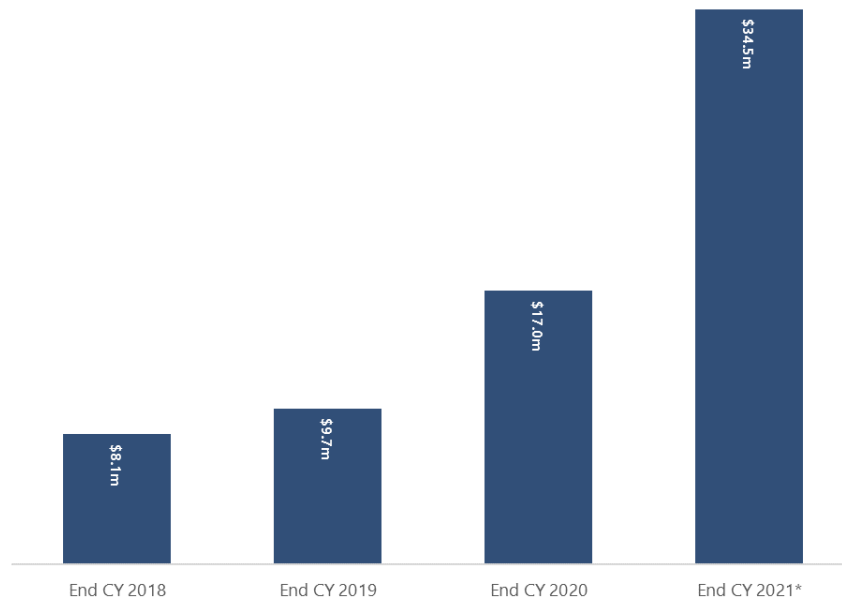
The Company achieved ARR of ~\$34.5 million as at 31 December 2021, up 103% year-on-year.

VN8 Growth



The chart below shows Vonex's delivery of consistent long-term growth in ARR.

Annualised Recurring Revenue ('ARR')



* ARR at year-end CY21 includes Voiteck which completed on Jan 1 2022

DIRECT BUSINESS ACQUISITION

In January 2022, the Company completed its acquisition of Voiteck Pty Ltd ("Voiteck"). Voiteck is an established provider of voice and internet services to SME customers in South Australia.

Founded in 2009 by telecommunications industry veteran Declan O'Callaghan, Voiteck has grown to now service more than 10,000 hosted PBX phone system users through approximately 1,000 customers, spanning a range of end-markets including Aged Care and Community Clubs.

Voiteck's established presence across several niche verticals and its strong standing in the South Australian market

have launched Vonex into a new geographic region which presents exciting growth opportunities. The acquisition also provides Vonex for the first time with a much-needed branded physical presence in South Australia, through a customer showroom located on King William Street in the Adelaide CBD. This showroom will allow Vonex to manage its South Australian channel partners more closely and accelerate growth in this market.

The acquisition significantly boosts Vonex's base of recurring customer revenue, with group ARR rising to more than \$34.5 million post completion. Beyond ARR, the acquisition provides further scale benefits.

This acquisition is consistent with Vonex's deliberate strategy to pursue growth via organic and inorganic channels. Across several transactions, Vonex has successfully demonstrated its ability to identify, acquire and integrate complementary, high-quality ICT companies that add value to shareholders and customers. Vonex is looking forward to integrating Voiteck's operations with its established SME-focused full-service telecommunications platform, bringing Voiteck's customers better systems with more functionality all backed by Vonex's reliability guarantee.

Transaction Details

Vonex has paid total upfront consideration of approximately \$2.75 million, comprising:

- \$2.2 million in cash; and
- 4,983,246 ordinary shares at a deemed issue price of A\$0.11 (being the volume-weighted average price of Vonex shares for the 10 trading days to 13 December 2021), which are escrowed for between 6 months and 24 months post issue.

The cash component of the upfront consideration has been paid utilising Vonex's existing cash reserves. Additional consideration of up to \$2.75 million may be paid to the vendors subject to the realisation of certain synergies and EBITDA growth delivered in FY22 and FY23.

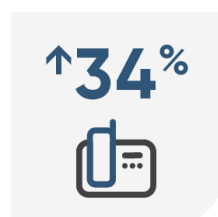
The total upfront consideration represents a multiple of <4.5x LTM Sept 21 pro forma EBITDA, with the acquisition expected to be double-digit earnings accretive on a full year basis.

TCA Partners acted as financial advisor to Vonex on the acquisition.

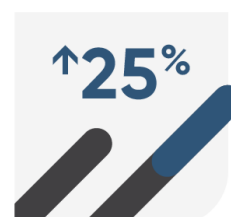
WHOLESALE BUSINESS GROWTH

Vonex's Wholesale division (2SG) showed continued growth into December, with Mobile Voice up 31% and NBN with 4G backup increasing by 26% over the previous calendar year. Vonex's flagship IP voice product has also delivered significant ongoing growth, with wholesale voice revenues up 34% YoY, reflecting strong achievement of cross-selling.

VN8 Sales Performance



Wholesale Voice



Total Contract Value (TCV)

The Company has rolled out 5G services to its customers, providing another significant value proposition to support sales. After having been selected by Optus as a key 5G partner, 2SG has now launched a brand new Service Qualification and an automated ordering system for partners and customers. With the 5G network rollout continuing to gather pace, the business expects the ongoing sales contribution of this product to accelerate.

CORPORATE

Cash Position

As at 31 December 2021, the Company had approximately \$8.34 million of cash and \$15.5 million drawn from a financing facility with Longreach Credit Investors. Vonex has \$6.4 million of deferred cash consideration payable to MNF Group in monthly installments, which the Company intends to repay through a combination of cash at hand and future cashflows from the business. The Company retains sufficient funding to carry out its activities over the coming quarters.

Annual General Meeting

The Company's Annual General Meeting was held on 29 November 2021. All resolutions were passed by way of a Poll.

OUTLOOK

Vonex is well placed to capitalise on its increased market presence, lower marginal cost base and capacity to realise cross-selling opportunities. The acquisition of MNF Group's Direct Business in August 2021 and Voiteck in January 2022 were highly complementary to the Company's growth strategy and have transformed Vonex by delivering financial scale and market relevance. Through these two deals, Vonex is welcoming a highly experienced combined new team of 40 staff in Sydney, Melbourne and Adelaide, approximately 6,000 new SME customers and 180 new channel partners to its platform. Through completing these acquisitions and delivering organic growth, in CY21 the Company doubled Vonex's base of annualised recurring revenue on a full year basis.

Vonex has identified and is pursuing opportunities to increase the value of the acquired and combined business by targeting growth in lead generation, brand awareness and average revenue per user (ARPU). In 2SG Wholesale, Vonex plans to deliver organic growth, accelerated by the recent acquisition by way of cross-selling opportunities, product range expansion and network cost efficiencies. The Company's focus continues to be on the recruitment of new Channel Partners across Australia to support the anticipated growth in Hosted PBX and Unified Communications in the region. National marketing programs in Australia's capital cities remain underway to gain traction with SME customers and facilitate strong growth in registered PBX users.

In addition to organic growth initiatives, Vonex is pursuing a disciplined M&A growth strategy for FY22 and FY23, targeting profitable IT and telco businesses that offer potential for growth in revenue, profit and earnings per share through further product expansion, scale and cross-selling.

With the latest Communications Report from the Australian Communications and Media Authority forecasting the Australian telecommunications industry revenue to grow from \$44 billion in 2018 to \$47 billion by 2022, Vonex continues to see a positive outlook for growth in sales as the Company's customer base expands.

DISCLOSURE

Listing Rule 4.7C.1

The net operating cash inflow for the December 2021 quarter was \$1.95 million from cash receipts of \$7.72 million (September quarter: inflow of \$0.4 million on \$7.05 million in cash receipts). Quarterly expenditure was in line with internal budgets and was focused on the following areas:

- Cost of goods relating to sales across the wholesale and retail divisions, including the Qantas Business Rewards partnership of \$3.16 million
- Transaction expenses associated with the acquisition of Voiteck of \$0.08 million
- Advertising and marketing including investments in cross-selling opportunities of \$0.11 million
- Employment, customer support and contractor costs of \$1.54 million
- Channel Partner training and expansion of \$0.08 million
- Maintaining and continual improvements to the Company's systems and data security of \$0.16 million

Note 6 to Appendix 4C

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

- Director fees and wages of approximately \$161,854
- Legal fees of approximately \$42,670
- Company secretarial and accounting fees of \$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 full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, infrastructure solutions and hosted PBX and VoIP services - predominantly to small to medium enterprise ("SME") customers under the Vonex brand. Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system.

The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX, 5G mobile broadband and call termination services at wholesale rates via a white label model. Vonex is pursuing a disciplined M&A growth strategy, targeting profitable IT and telco businesses that offer potential for growth through further product expansion, scale and cross-selling.

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 2021

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	7,718	14,769
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,164)	(7,247)
(c) advertising and marketing	(106)	(188)
(d) leased assets	-	-
(e) staff costs	(1,522)	(2,668)
(f) administration and corporate costs	(1,242)	(2,405)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(23)	(37)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	287	131
1.9 Net cash from / (used in) operating activities	1,948	2,355
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) businesses (MNF)	(2,867)	(24,942)
(b) businesses (stamp duty)	-	-
(c) property, plant and equipment	(211)	(266)
(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	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(3,078)	(25,208)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	14,000
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	-	(644)
3.5	Proceeds from borrowings	-	16,000
3.6	Repayment of borrowings	(500)	(500)
3.7	Transaction costs related to loans and borrowings	(399)	(1,375)
3.8	Proceeds from lease liability borrowings	169	169
3.9	Payments for lease liabilities (excl. interest charged)	(54)	(116)
3.10	Net cash from / (used in) financing activities	(784)	27,534

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,253	3,658
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,948	2,355
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(3,078)	(25,208)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(784)	27,534
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,339	8,339

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	8,339	10,253
5.2	Call deposits	-	-
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)	8,339	10,253

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

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

214

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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	\$ 161,854
Company secretarial and accounting fees	\$ 9,000
Legal fees	\$ 42,670

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	16,000	15,500
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	16,000	15,500

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.

Vonex entered into a \$16 million debt facility from Longreach Credit Investors. Longreach Credit Investors provides customised private debt solutions to high quality corporate borrowers in Australia and New Zealand.

The key terms of the Debt Facility are as follows:

Maturity:	3 years
Principal repayments:	\$500k per quarter commencing 15 December 2021
Security:	First ranking General Security Interest
Key covenants:	Net leverage cover, interest cover, debt service cover and minimum cash at bank
Interest costs:	The interest rate payable depends on the prevailing net debt / pro forma Last Twelve Months ("LTM") EBITDA.

Provided Vonex maintains a pro forma net debt / LTM pro forma EBITDA^[1] below 2.0x, the Company will secure Longreach's lowest interest rate (interest rate payable ranges between 8% and 13% depending on the prevailing pro forma net debt / LTM pro forma EBITDA).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	1,948
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,339
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	8,339
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

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

^[1] LTM pro forma EBITDA is calculated as the combined businesses FY21 pre-synergy EBITDA of \$6.3m, which comprises 9 months' preliminary consolidated management accounts and a 3 month forecast for Vonex and 12 months consolidated preliminary management accounts for the Direct Business. Vonex and the Direct Businesses' FY21 EBITDA includes certain pro forma adjustments as detailed in the Investor Presentation dated 23 July 2021

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: 31 January 2022

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.