

31 October 2022

September 2022 Quarterly Shareholder Update and Appendix 4C

Highlights:

- September quarter cash receipts of \$10.5 million, +48% YoY, with monthly cashflow improved by \$833k post the final deferred payment for the Direct Business acquisition
- Record quarterly gross unaudited revenue of \$11.7 million (+80% year-on-year (YoY), including intercompany sales
- Continued growth in new business activity with small-to-medium enterprise (SME) customers drove quarterly total contract value (TCV) for new customer sales of \$2.14 million, +64% YoY
- 2SG Wholesale division continues to deliver consistent growth, with NBN and IP Voice revenues up 23% and 35% YoY respectively, led by a leading product suite and world-class platform and user experience
- Highly strategic acquisition of OntheNet provides new product capability, ownership of core network and FY22 pro forma EBITDA of \$1.9 million on pro forma revenue of \$15.2 million¹
- Completion of OntheNet acquisition delivers significant growth in Vonex annualised recurring revenue (ARR) which now stands at ~\$51 million
- Experienced telecommunications industry directors appointed to the Vonex Board: Stephe Wilks as Non-Executive Chair and Brent Paddon as Non-Executive Director
- Vonex remains focused on advancing opportunities to expand the Company's customer base, grow geographic presence in new markets and boost cross-sellable product diversity to drive growth in average revenue per user

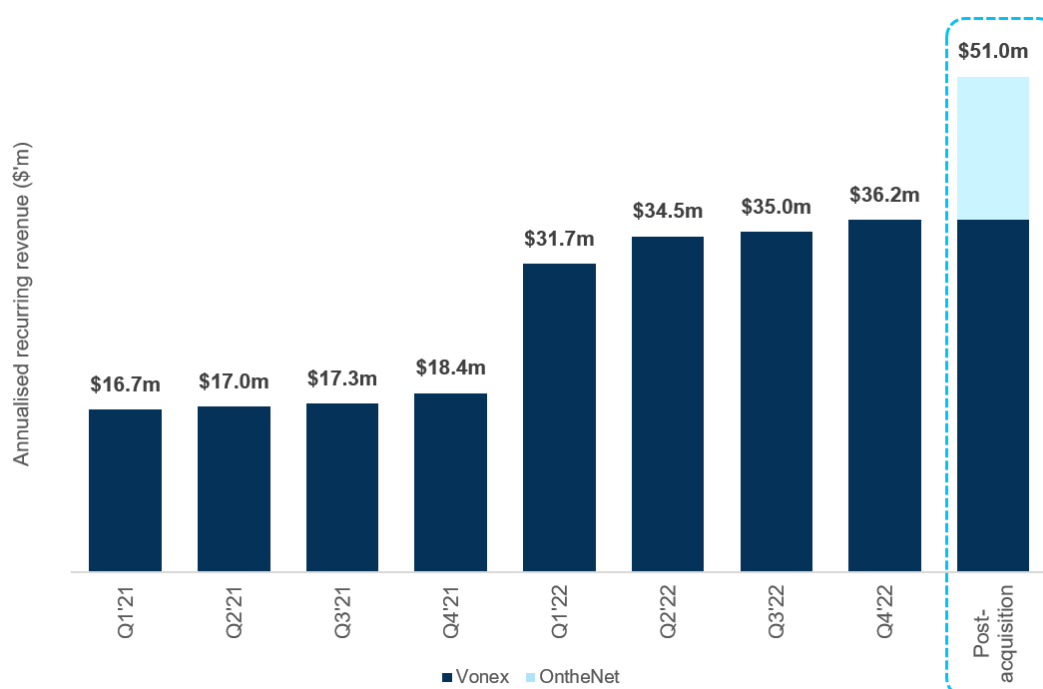
Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 30 September 2022. The quarter was marked by progress in executing the Company's strategy to grow organically as well as through targeted M&A, which has seen Vonex acquire several complementary business units: OntheNet (acquired October 2022), Voiteck (January 2022), the Direct Business (August 2021), Nextel (February 2021) and 2SG Wholesale Division (March 2020).

Financial Commentary

- Gross unaudited sales revenue for Q1 FY23 of \$11.7 million, a YoY increase of 80%.
- Annualised recurring revenue (ARR) of ~\$51 million as at 27 October 2022, up more than 60% YoY.

¹ FY22 pro forma is based on the 6 months trading to 30 June 2022, annualised. Results have been sourced from the unaudited management accounts of OntheNet and exclude the impact of IFRS-16.

- \$10.5 million in quarterly cash receipts, a year-on-year increase of 48% driven by a rapidly growing customer base and continued expansion of cross-selling and market share.
- Cashflow dynamics improved during the quarter to the tune of \$833k per month following completion on 2 August 2022 of the final monthly cash payment as part of the deferred consideration for the Direct Business acquisition, which is now complete.
- Cash on hand of \$4.7 million as of 30 September 2022, ensuring surplus available liquidity for activities over the coming quarters.
- The chart below shows Vonex's delivery of consistent long-term growth in ARR through to the completion of the Company's acquisition of OntheNet on 28 October 2022.



Retail Business Continues to Grow Strongly

The Company continues to achieve increases in contracted revenue through new and existing small-to-medium enterprise (SME) customers, with step-change growth delivered by Vonex's successful acquisition of the Direct Business operations from MNF Group in August 2021.

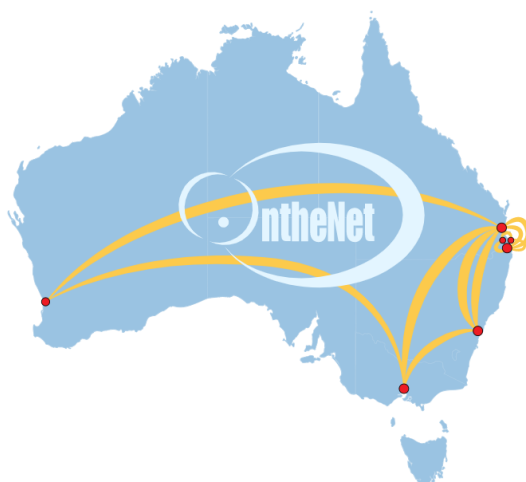
Following record levels of revenue in Q4 FY22, Vonex added total contract value (TCV) for new customer sales of \$2.14 million in the September quarter. This represents YoY growth of 64% and marks four successive quarters in which Vonex has added more than \$2 million of TCV.

Vonex has now attracted more than 100,000 registered active users to its cloud-based private branch exchange (PBX) phone service, a YoY increase of 56% and a key indicator of the Company's business development progress.

M&A Integration Progress

Vonex remains focused on a proactive and disciplined M&A growth strategy, targeting profitable IT and telco businesses that offer potential for growth in revenue, profit and earnings per share. To advance that strategy, after the end of the quarter Vonex acquired Network Technology (Aust) Pty Ltd trading as OntheNet (“OntheNet”).

OntheNet provides data network, voice and hosting/colocation services primarily to business customers across Australia. It also brings ownership of its fully redundant core network, peering at major Australian Internet Exchange Points (IXPs) and a Tier 3 Data Centre located on the Gold Coast. OntheNet's highly skilled workforce of 35 employees, including a large engineering team with strong capabilities in data networking, are now onboarded and contributing to the Company's mission.



OntheNet's 7 Points of Presence (PoPs) across Australia

Acquiring OntheNet significantly expands Vonex's data network capabilities and introduces new product offerings in colocation and hosting. The limited overlap between OntheNet and Vonex's product bases provides a clear opportunity for cross-selling, which was outlined in the Vonex announcement and investor presentation released to the ASX on 5 October 2022.

The acquisition, which completed on 28 October 2022, positions Vonex as a diversified telco and is consistent with the Company's deliberate strategy to pursue organic growth accelerated via selected acquisitions. Across multiple acquisitions, Vonex has successfully demonstrated its ability to identify, acquire and integrate complementary, high-quality ICT companies that add value to shareholders and customers.

Following Vonex's acquisition in January 2022 of Voiteck, the acquired business has integrated well into the Vonex stable. Vonex has migrated Voiteck's voice infrastructure into its own core network, thus improving performance, reliability and product offering for its customers. All finance, technical and billing integration is now complete and the Company is finalising alignment of branding. With Voiteck delivering growth in direct sales of both Fixed and Mobile services, the business unit is now providing the template for the direct sales strategy across the group.

Through its integration of the Direct Business, the Company has continued to deliver its phased migration of former MNF customers to Vonex's network and PBX platform. Vonex has applied learnings from the first phase of the migration project which is now well advanced, redesigning its methods to optimise for customer experience and

retention outcomes rather than speed at all costs. This strategy has delivered a very strong net promoter score (NPS) of 64 for migrated customers and will see the migration complete in the first half of FY23, with revenue from all migrated and unmigrated former MNF customers accruing to Vonex throughout.

Wholesale Growth Continues

Vonex's Wholesale division (2SG) continued to deliver consistent growth in the September quarter, with quarterly revenues for NBN with 4G backup up by 23% YoY. Vonex's flagship IP voice product has also delivered ongoing growth, with quarterly wholesale voice revenues up 35% YoY, with the strong sales increases across the product suite reflective of successful delivery of the Company's cross-sell / up-sell strategy.

2SG's project to integrate directly to NBN's 121 Points of Interconnect is progressing with the network build due for December completion. The Company's acquisition of OntheNet will expedite this project and significantly reduce network operation costs, which will facilitate the best commercial and technical platform for the delivery of Business Broadband services nationwide.

Partnership with More, Telco Partner of CBA

In June 2022, Vonex partnered with telecommunications service providers More Telecom Pty Ltd and Tangerine Telecom Pty Ltd ("More") to become More's exclusive provider of hosted PBX services. This partnership will see Vonex deliver a new hosted PBX and IP telephony enablement platform for More's new and existing SME customers. More Telecom have 8,800 existing Hosted PBX business services on their own network which as part of the deal will be moved to Vonex's platform.

In anticipation of the custom platform delivery scheduled for the March quarter, More has begun registering users on the Vonex platform with ~1,600 current extensions live and growing quickly. The Company expects volumes to increase significantly post launch of platform delivery.

CORPORATE

Board Appointments

After the end of the quarter, Vonex announced the appointments of Stephe Wilks as Non-Executive Chair and Brent Paddon as Non-Executive Director.

Stephe Wilks is an experienced company director with a long record leading successful global technology companies in high growth and disruptive industries. He has headed several Australian and international telecommunications and technology companies, including as Regional Director (Asia and Japan) Regulatory Affairs for BT Asia Pacific, Managing Director of XYZed Pty Ltd (an Optus company where Stephe developed and managed Australia's first competitive broadband wholesaler), Chief Operating Officer of both Nextgen Networks and Personal Broadband Australia, and as Consulting Director of NM Rothschild and Sons. Stephe is currently Non-Executive Chair of 1st Group Limited (ASX: 1ST) and a Non-Executive Director of Bluglass Limited (ASX: BLG).

Brent Paddon is an experienced company director and manager with over 25 years' experience in the telecommunications and IT services sectors. After completing a Bachelor of IT from QUT in 1996, Brent co-founded Brisbane Internet Technology which was sold to Asia Online in 1999. He then held senior management roles at WebCentral and PIPE Networks and subsequently co-founded Over the Wire (OTW) in 2007, which listed on the ASX

in 2015. Based in Brisbane, Brent additionally holds a Graduate Diploma in Business Administration from QUT.

Both Stephe and Brent were Directors of Over the Wire Holdings Limited (ASX: OTW) (Brent as co-founder) prior to its acquisition in March 2022 by Aussie Broadband Limited (ASX: ABB).

Board Changes

As part of the changes at Board level, Nick Ong stepped down from the role of Chairman in October 2022, while staying on as a Non-Executive Director. Non-Executive Director Winnie Lai Hadad has confirmed she will not stand for re-election at the Company's upcoming Annual General Meeting.

The Company thanks both Nick and Winnie for their tremendous contributions to the Company and for their integral roles in fostering Vonex's growth over several years.

Executive Appointments

Three recent appointments will help to underpin the company's expansion strategy: in Vonex's Brisbane head office, Alex Morfea as National Channel Manager and Darin Blanchette as National Growth & Retention Manager, together with Sydneysider Russell Rodger as State Manager for New South Wales.

With 15 years of experience in Telstra, Nexgen Australia, FBT Group and RBC Group, Alex will now lead Vonex's national channel strategy designed to position Vonex as the telecommunications partner of choice for Australia's channel community.

With over 30 years of experience in telecommunications, Darin brings a proven track record running dynamic, successful and highly profitable national account management teams across Ericsson, Spark NZ (formerly Telecom NZ) and TPG Telecom.

In New South Wales, to optimise Vonex's end-to-end customer experience and provide on-the-ground support and local market expertise, Russell Rodger will bring a wealth of knowledge to Vonex as State Manager. Russell previously held senior sales and key account management roles at Telstra, Optus, Cable & Wireless and most recently Vodafone Global Enterprise.

Vonex Managing Director, Matt Fahey, said:

"We are proud to report our continued delivery of our three-pronged growth strategy, focusing on growth in Retail, in 2SG Wholesale and through targeted acquisitions. We are particularly pleased to receive a strong vote of confidence in our business in attracting our two incoming Non-Executive Directors, Stephe Wilks and Brent Paddon. Along with my fellow directors, I look forward to working with Stephe and Brent to leverage their wealth of experience and commercial nous in telecommunications M&A."

"We are pleased by the continued progress of our M&A program and note that OntheNet is a highly strategic acquisition for Vonex. OntheNet is a high-quality telco business that delivers data network, voice and hosting/colocation services primarily to business customers. This expedites our plan to diversify our product suite, particularly by adding market-leading data network services."

"We remain focused on advancing other pipeline opportunities which offer the potential to expand Vonex's customer base, provide geographic presence in new markets and boost our cross-sellable product diversity. We look forward to"

greater cross-selling activities in FY23 which we expect to boost our average revenue per user.

“We continue to see a positive outlook for growth as the Company’s customer base expands driven by organic growth initiatives, acquisition opportunities and market tailwinds.”

Cash Position

As at 30 September 2022, the Company had approximately \$4.7 million of cash and \$14.5 million drawn from a financing facility with Longreach Credit Investors. The Company retains sufficient funding to carry out its activities over the coming quarters.

DISCLOSURE

Listing Rule 4.7C.1

The net operating cash inflow for the September 2022 quarter was \$1.6 million from cash receipts of \$10.5 million (June quarter: inflow of \$1.3 million on \$9.5 million in cash receipts).

Quarterly expenditure was focused on the following areas:

- Cost of goods relating to sales across the Wholesale and Retail divisions of \$4.9 million
- Acquisition/Transaction-related expenses of \$0.1 million
- Advertising and marketing, including investments in cross-selling opportunities of \$0.2 million
- Employment, customer support, MNF migration, Voiteck integration/migration, contractor and training/HR costs of \$2.3 million
- Channel Partner training, support and expansion of \$0.1 million
- Staff redundancies/other termination payments of \$0.1 million
- Maintenance and improvements to the Company’s systems and data security of \$0.2 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 \$152,940

This announcement has been authorised for release by the Board 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")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,523	10,523
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,922)	(4,922)
(c) advertising and marketing	(158)	(158)
(d) leased assets	(5)	(5)
(e) staff costs	(2,180)	(2,180)
(f) administration and corporate costs	(1,538)	(1,538)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(18)	(18)
1.6 Income taxes paid	(146)	(146)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	58	58
1.9 Net cash from / (used in) operating activities	1,616	1,616
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) businesses (MNF, Voiteck, OnTheNet)	321	321
(b) businesses (stamp duty)	-	-
(c) property, plant and equipment	(69)	(69)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	252	252

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	Transaction costs related to loans and borrowings	(292)	(292)
3.8	Proceeds from lease liability borrowings	-	-
3.9	Payments for lease liabilities (excl. interest charged)	(71)	(71)
3.10	Net cash from / (used in) financing activities	(363)	(363)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,195	3,195
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,616	1,616
4.3	Net cash from / (used in) investing activities (item 2.7 above)	252	252

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(363)	(363)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,700	4,700

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	4,700	3,195
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)	4,700	3,195

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**

152

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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	\$ 152,240
Company secretarial and accounting fees	\$ -

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	14,500
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	16,000	14,500

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).

^[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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,626
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,700
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,700
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. 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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by:
Daniel Smith – Company Secretary

Notes

- 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.
- 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.
- 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.