

5 September 2024

Telecommunications innovator Vonex Limited (ASX: VN8) refers to today's announcement by Swoop Holdings Limited (ASX:SWP) that it has submitted a non-binding indicative proposal to acquire 100% of Vonex as a competing proposal to the scheme of arrangement with Maxo Telecommunications Pty Limited.

Vonex confirms that it has received the proposal from Swoop, which - prior to its release to the ASX by Swoop - the Company had understood to be confidential. As Swoop has now made the offer public, we attach a copy of that to this release to ensure the market has the full context.

The text of the Company's response to Swoop is set out as an attachment below.

The nominal \$0.04 offer price would be payable with a combination of a maximum of 25% cash and fully paid shares in Swoop valued at 23c (above the SWP closing price on the market today). The offer is also conditional on credit approval from Swoop's lender and the execution of a binding Scheme Implementation Deed. Vonex has not received a draft of the proposed Scheme Implementation Deed, and it is unclear what other terms and conditions may be attached to the Swoop offer.

Considering the conditionality and uncertainty around the Swoop offer there is no certainty that it will lead to a binding offer from Swoop. **Accordingly, the Vonex Board does not consider the Swoop offer to be superior to the MaxoTel offer and shareholders should take no action in relation to the Swoop offer.**

Vonex's board continues to unanimously recommend that Vonex shareholders vote in favour of the Scheme of Arrangement with MaxoTel, and each Director intends to vote all of the Vonex shares controlled or held by, or on behalf of them in favour of the Scheme in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Vonex shareholders.

Full details of the Scheme are set out in the Scheme Booklet, a copy of which was sent to shareholders and released to the ASX on 20 August 2024.

This announcement has been authorised for release by the Board of Vonex Ltd.

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ABOUT VONEX

Vonex is a full service, award-winning telecommunications business, offering 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, 4G mobile broadband and call termination services at wholesale rates via a white label model.

Text of the Vonex response to Swoop, of 5 September 2024

We do not believe the indicative offer is superior to the Maxo scheme, but believe there is a reasonable likelihood that it could be crystallised into a superior offer within what we anticipate are Swoop's likely commercial parameters, and so are willing to entertain a further proposal addressing our concerns, if you wish to proceed.

Key challenges from our perspective are the need for credit approval, the minimal nominal price increase (under 7%) which is compounded by potential deal uncertainty, uncertainty around Swoop's equity value, and anticipated shareholder desire for a specific mix of cash and equity.

Since our original conversations, and our agreement to the Maxo Scheme offer at 3.75c cash, we have had substantial movement on the Vonex share register. In our view, that increases the likelihood that a larger number of shareholders would now prefer a cash deal, than at the time we originally discussed Swoop's interest in Vonex.

With that background, to confirm this as a superior proposal would require the following parameters – which, if met, we would be comfortable formally nominating as such under the Scheme Implementation Deed with Maxo (which would involve a brief 'matching period', following which (if not matched), we would sign a new SID with you, and proceed to execution):

1. A marked-up version of the Scheme Implementation Deed with Maxo with any changes clearly identified – obviously, if there are any material changes, that would require additional consideration.
2. Formal confirmation of unconditional and irrevocable finance approval for that deal (and a sources document for the cash component of the transaction, including transaction and break fees etc). Obviously, the Vonex Board will be concerned about the level of debt the combined business would have relative to its cash EBITDA (and the challenge of recommending that our shareholders roll from one over-leveraged business into another potentially in a similar position).
3. At 4c, the offer needs to include a 100% cash option, which would allow the less than substantial price differential to be considered superior.
4. We understand the desire to have an equity component, particularly given our previous discussions around the value of synergies being captured in that equity component. However, given the complexities and inherent uncertainty in equity, an equity offer at such a marginal price differential does not constitute a superior offer (and, without a significant premium, will necessarily require a full or at least majority cash option alternative).
5. While we understand that Swoop's share price has appreciated recently, to allow this to be a superior offer would require a minimum 'smoothing' of recent movements of the 30 day VWAP, rather than a nominal 23c. That would be fixed as the ratio at the time of the deal, and we would anticipate very limited 'outs' in any SID around equity value, assuming a majority cash alternative being available.



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STRICTLY PRIVATE AND CONFIDENTIAL

3 September 2024

Mr. Stephe Wilks
Chairman
Vonex Limited
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By email – stephe.wilks@vonex.com.au

Dear Stephe

PROJECT VOYAGE – SUPERIOR INDICATIVE PROPOSAL TO PURSUE A STRATEGIC COMBINATION WITH VONEX LIMITED

Further to our last indicative proposal dated 17 May 2024, and following extensive past due diligence and progression of funding sources with Westpac in the background, Swoop Holdings Limited (**Swoop**) is pleased to submit a revised non-binding indicative proposal (**Superior Indicative Proposal**) to acquire all of the issued ordinary shares in Vonex Limited (**Vonex** or the **Company**) by way of a shareholder and court approved Scheme of Arrangement (**Proposed Transaction**).

As previously outlined, Swoop believes the Proposed Transaction stands to create significant value for both Vonex and Swoop shareholders and represents superior value to that of the Maxo Telecommunications Pty Ltd (**MaxoTel**) acquisition of Vonex via Scheme of Arrangement (**MaxoTel Scheme**). The Superior Indicative Proposal is greater than the value proposed by MaxoTel, will allow for ongoing upside and exposure to significant synergies given material scrip component and will be subject to limited conditions.

1. Superior Proposal to MaxoTel Scheme

We believe the Superior Indicative Proposal represents a superior offer to that of the MaxoTel Scheme currently being presented to shareholders, through a combination of factors, including:

- ✓ Offer of \$0.040 per Vonex share representing a premium to the current MaxoTel Scheme at \$0.0375
- ✓ Majority scrip consideration with ability to elect for different scrip and cash alternatives
- ✓ Opportunity to share in value upside through ongoing exposure to the combined organisation and identifiable synergies (Swoop currently anticipate this could be over \$5.0m EBITDA on an annualised basis)
- ✓ Potential for rollover relief for Vonex shareholders receiving scrip consideration as part of their election
- ✓ Swoop has received an indicative term sheet and support from its existing financier Westpac to fund the Proposed Transaction
- ✓ Swoop is prepared to enter a scheme implementation deed with Vonex on substantially the same terms as the agreement signed with respect to the MaxoTel Scheme (tailored to cater for the cash/scrip consideration)

2. Commitment to the Strategic Combination with Vonex Limited

Swoop's extensive due diligence process earlier this year provided us with fundamental insights into the Vonex business, reinforcing our belief in the significant value that this strategic combination will deliver to both sets of shareholders. Our conviction in the strategic fit and synergy potential between our companies has been reaffirmed from past due diligence, driven by comprehensive findings and a clear vision of the mutual benefits. We are eager to progress the Proposed Transaction and are confident that the deal will enhance shareholder value and improve the overall market position of the combined entity.

As previously demonstrated, we believe the synergy opportunity is significant and will create material benefits and potential upside opportunity for Vonex shareholders. In the immediate term we believe those synergies could represent approximately \$3.0m EBITDA per annum and increasing to over \$5.0m EBITDA per annum in the future.

3. Proposed Offer Terms

Swoop's Superior Indicative Proposal is based on **\$0.040** per Vonex share (**Scheme Consideration Price**) with the equity component issued at \$0.23 per Swoop share.

In summary, the Scheme Consideration Price of \$0.040, represents a:

- premium to the current MaxoTel transaction of \$0.0375;
- 122.2% premium to the last closing price of Vonex shares on 24 June 2024 of \$0.018, being the last trading day prior to the announcement of the Vonex entering into a Scheme Implementation Deed with MaxoTel;
- 104.9% premium to the 1-month VWAP of Vonex shares to 24 June 2024 of \$0.0195; and
- 154.8% premium to the 3-month VWAP of Vonex shares to 24 June 2024 of \$0.0157.

As demonstrated via discussions and merger analysis provided to date, we believe that Swoop scrip consideration will provide Vonex shareholders with the opportunity to receive value significantly beyond the upfront premium, through greater scale, liquidity and the realisation of significant synergies.

4. Offer Structure and Funding

Swoop continues to believe the material component of scrip consideration and flexibility in consideration mix is attractive to Vonex shareholders relative to the MaxoTel Scheme.

Accordingly, and consistent with our previous indicative proposal, we would propose that Vonex shareholders would have the option to elect to receive **Scheme Consideration**¹ in one of four ways:

- 75% share consideration and 25% cash consideration (**Default Consideration**);
- 50% share consideration and 50% cash consideration (**Split Consideration**);
- 100% cash consideration (**Cash Consideration**); or
- 100% share consideration (**Share Consideration**).

The Scheme Consideration would be subject to the maximum total cash consideration payable by Swoop not exceeding \$3.8 million (**Maximum Cash Consideration**). From a practical perspective, this would represent an overall maximum cash component of 25% and maximum scrip component of 100% respectively.

¹ The number of Swoop shares to be issued as Scheme Consideration for elections including share consideration will be calculated based on an issue price of \$0.20 per Swoop share. We note this was previously \$0.25 per Swoop share in the previous indicative proposal submitted on 17 May 2024 and therefore represents an increase in the attractiveness of the current Swoop Superior Indicative Proposal.

If Vonex shareholders elect (or are deemed to have elected) to receive Scheme Consideration in cash that exceeds the Maximum Cash Consideration, then each Vonex shareholder that has elected to receive cash (or is deemed to have elected to receive cash) will have their cash consideration scaled back.

With respect to funding, we confirm that our existing financier, Westpac remains highly supportive of Swoop and intends to make available an additional debt facility to assist in funding of the Proposed Transaction and extinguish the existing Vonex Longreach debt. Westpac has received access to Swoop's past extensive due diligence reports and integrated financial model and is expected to commence a formal credit approval process shortly. Swoop currently expects to receive credit approved terms in approximately 10 business days and ahead of signing a scheme implementation deed.

5. Other Considerations

This Superior Indicative Proposal is intended as a reconfirmation of Swoop's interest and is an incomplete proposal, containing current intentions only. It is not an offer capable of acceptance or otherwise capable of giving rise to a binding contract. Unless and until a definitive agreement is entered into between Swoop and Vonex regarding the Proposed Transaction, Swoop will not be under any obligation to Vonex with respect of the Superior Indicative Proposal (including, without limitation, to negotiate the terms of the Superior Indicative Proposal with Vonex). This Revised Indicative Proposal does not constitute a proposal to make a takeover bid for the purposes of section 631 of the Corporations Act 2001.

We reserve the right to revise or revoke our Superior Indicative Proposal, considering new information released publicly or disclosed to us in the final stages of negotiation and access to confidential information.

6. Next Steps and Timetable

We trust that this Superior Indicative Proposal demonstrates the ongoing seriousness of our interest and our strong belief in this opportunity and the combined value of our organisations. We believe the Superior Indicative Proposal to be strategically and financially compelling for Vonex Shareholders, offering an attractive premium and the opportunity to participate in the long-term value potential of the combined entity.

As previously mentioned, should the terms of our Superior Indicative Proposal be acceptable, we would request a short and final period to negotiate a scheme implementation deed and announce a binding agreement publicly by mid-September 2024. Swoop has reviewed the existing scheme implementation deed with MaxoTel and would be prepared to enter into an agreement on substantially the same terms (tailored for the cash and scrip consideration) with Vonex and would not require a financing condition.

We look forward to hearing from you on this Superior Indicative Proposal and engaging with Vonex in respect of negotiating final definitive transaction documents. Given timing is of utmost importance here, we would expect a formal response from Vonex by no later than Thursday 5th September.

Yours sincerely



James Spenceley
Non-Executive Chairman