

Vonex Limited (ASX: VN8)



# Investor Presentation

October 2018

# Vonex Limited (ASX: VN8)

- Vonex is a full-service, award-winning telco service provider
- We are delivering strong growth with diverse revenue streams as we develop, deliver and license our own advanced technology
- Whether you are a sole operator or a multinational corporation, we're all about connecting you, wherever you are in the world



Technology  
Fast 500  
2015 ASIA PACIFIC



**Deloitte.**  
Technology Fast500  
Asia Pacific 2014 Winner

# Executive Summary

**Vonex is executing on a unique opportunity to position itself as the telco of choice for SMEs through the Federal Government's National Broadband Network (NBN) rollout.**

**The Company has delivered several years of rapid growth with retail and wholesale customers on the back of its technology competencies, achieving FY18 revenue of \$8m+.**

**A productive network of several hundred reseller channel partners is connecting Vonex with SME customers in all major Australian cities, driving growth beyond the current 24,000 registered active users.**

**Partnerships with significant telco companies unlock the white labelling potential of Vonex technology and boost customer acquisition.**

**Having completed an initial public offering (IPO) in June 2018, Vonex is debt-free with a strong cash position (\$4m) to fuel a major drive to win market share.**

# Corporate Snapshot (ASX:VN8)

## Capitalisation Data<sup>(1)</sup>

<b>IPO (13/6/18)</b>	A\$	0.20
<b>Share Price</b>	A\$	0.12
<b>Basic S/O<sup>(2)</sup></b>	M	147.6
<b>Market Cap</b>	A\$M	17.71
<b>Net Cash</b>	A\$M	4.00
<b>Enterprise Value</b>	A\$M	13.71

## Management and Board

<b>Matt Fahey</b>	Managing Director
<b>Nicholas Ong</b>	Non-Executive Chairman
<b>David Vilensky</b>	Non-Executive Director
<b>Winnie Lai Hadad</b>	Non-Executive Director
<b>Greg King</b>	Chief Financial Officer

1. As at market close 17 October 2018

2. Fully paid ordinary shares only - does not include quoted/unquoted options, performance shares or performance rights



## Top Shareholders

1. CODE NOMINEES PTY LTD <28351 A/C>	13.31%
2. FINANCE WEST PTY LTD <FINANCE WEST UNIT A/C>	10.98%
3. CARMINE LION GROUP PTY LTD	4.89%
<b>DIRECTORS &amp; MANAGEMENT</b>	<b>~20%</b>

# Vonex Services by Business Unit

## Retail

- Cloud-hosted Private Branch Exchange (PBX) connections
- Voice over IP (VoIP) business phones
- Internet and NBN packages
- Residential and business mobile and landline packages



## Wholesale

- Product sales on a white-label basis to wholesale clients — ISPs, telco carriers and cloud service providers
- Cloud-hosted PBX endpoints, voice minutes, billing and more services on a flexible, scalable basis



# Vonex Services by Business Unit (continued)

## Software Engineering Product Development

### Vonex Phone app

- Oper8tor Conference
- LiveScribe real-time text-to-speech
- Sign on Glass portal empowers efficient customer management and channel partner growth
- Planning launch of the first multi-platform voice, messaging and social media app, Oper8tor

VONEX

always on

Detailed Order Summary

Order: 316

Order: 316

Dealer

Dealer ID	Email	Full Name
2011	dallas@vonex.com.au	Dallas Thomas

Authorised Representative

CustomerID

Vonex Acc Number	FirstName	Surname	Phone	Mobile	Email	Address	Date Of Birth
504179	feel	pain	0730104144	0424223333	test@vonex.com.au	Unit 168 8 Musgrave St, WEST END, END, 4101	28/08/1963

Company

CompanyName	TradingName	EntityType	ABN/ACN	Director - FirstName	Director - Surname	Director - Drivers License
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# Vonex's Competitive Advantage

Vonex stands out from the crowd offering affordable, feature-rich solutions to residential, business and enterprise customers.

Vonex's Cloud PBX systems offer SME clients several benefits compared to on-premise PBX systems:

- Lower cost
- Highly scalable
- Regular software updates
- Much higher reliability with 99.9999% availability
- Users can be located anywhere in the world

# Vonex's Competitive Advantage

No. of End Users	SME customer with 10 users (Cost over 5 years)	
	On-premise PBX	Vonex
One-Time Costs (AUD)		
On-premise PBX	\$6,000	-
IP Telephones		\$2,000
Setup	\$1,500	-
Programming/ Training	\$1,500	\$1,000
Upgrades	\$2,000	-
After- Sales Costs		
Maintenance Contract	\$6,000	-
Hosted PBX Charge	-	\$6,000
Telco Costs (Lines & Toll Charges)	\$46,800	\$17,970
System Support	\$2,550	-
Total Cost	\$66,350	\$26,970
Cost Saving (Vendor/ Vonex %)	246%	100%

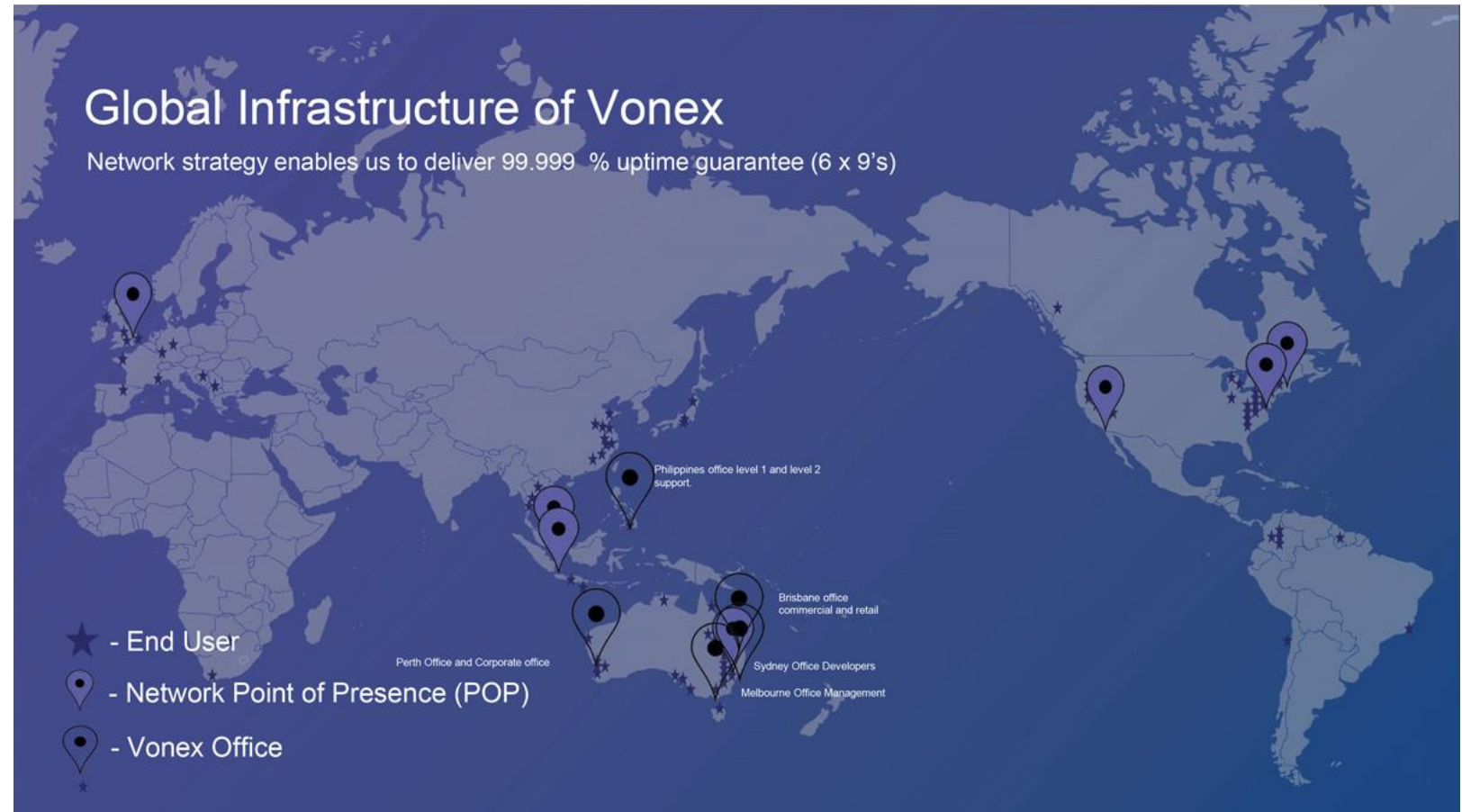
Note: Scenario analysis based on a 10-staff small business premise, factoring identical requirements over 5 years using publicly available pricing from other providers.

Vonex can offer a typical SME up to 60% savings.






# Vonex Infrastructure Deployed Globally

Our growing global footprint, underpinned by leading-edge technology, allows us to deliver our 99.9999% uptime guarantee. This drives outage time of less than 3 seconds per month, compared to nearly 22 hours per month for an industry typical service level agreement of 97%

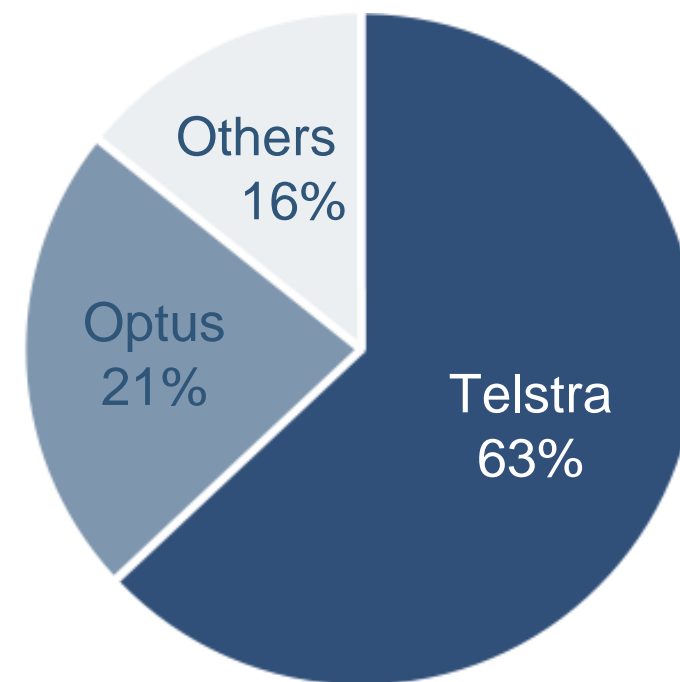


# Industry Overview and Opportunity

Breakdown by Customer Type		%
	Individuals	59-64%
	SME	15-18%
	Enterprise	21-24%

Source: Titan Capital

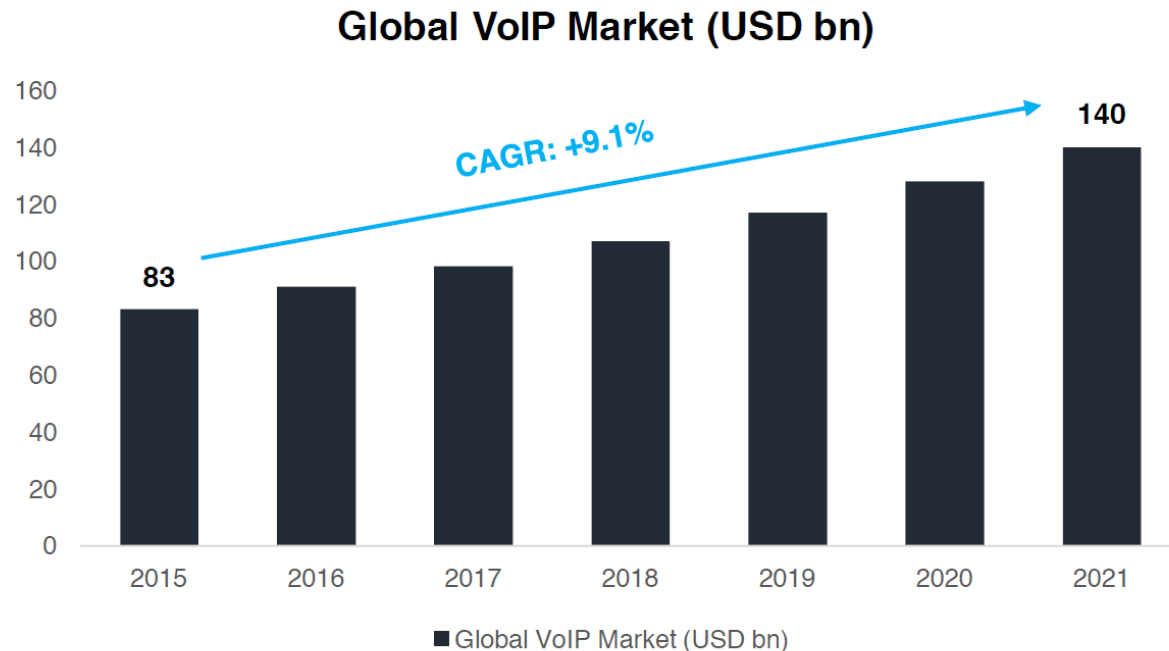
- Vonex is targeting the lucrative SME segment which comprises 15% to 18% of the Australian telco services market, a \$6.6bn to \$7.9bn addressable opportunity



Source: Titan Capital

- The Australian telco services industry is worth \$44bn/year

# Industry Overview and Opportunity (continued)



- Cloud VoIP has grown from a fringe technology to now becoming the preferred IT service by end-users, with a global market size of US\$140bn expected by 2021

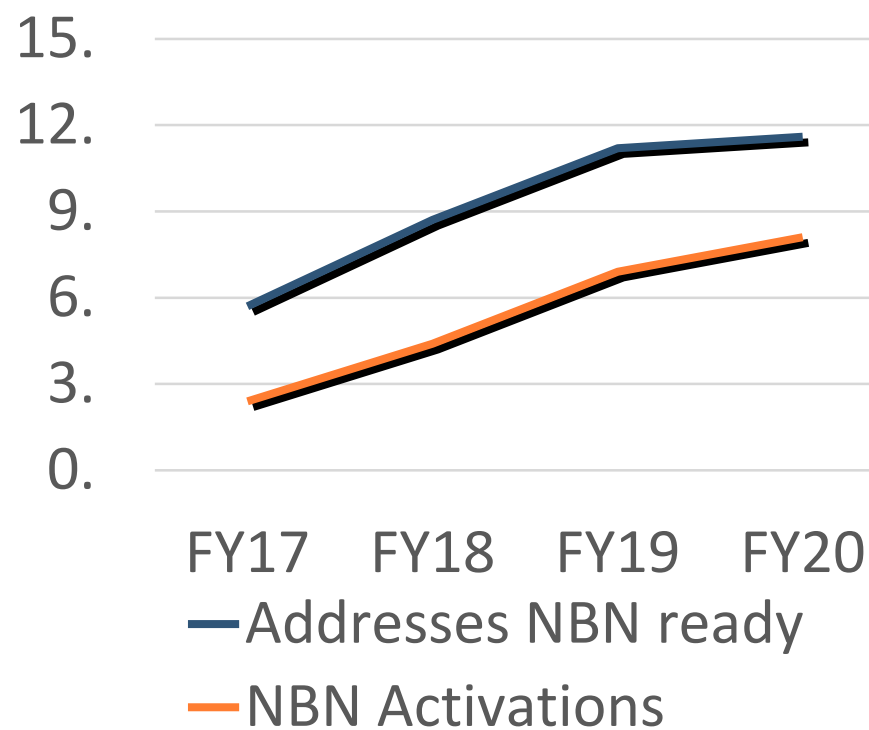
- The global VoIP communication market is expected to grow at a 9.1% CAGR to US\$140bn in 2021
- McKinsey estimates the Small & Medium Enterprises (“SME”) telecoms market to be growing 20% annually

# NBN rollout: Vonex's catalyst to disrupt the market

NBN forecasts  
around 1.5m  
businesses and  
households will  
switch during  
FY19



NBN Targets to FY20  
(million premises)



The copper telco infrastructure is progressively being switched off, forcing disconnections from the Telstra network. This represents a mass churn event and a market share building opportunity for Vonex, particularly among SMEs looking for a sophisticated yet affordable telco solution

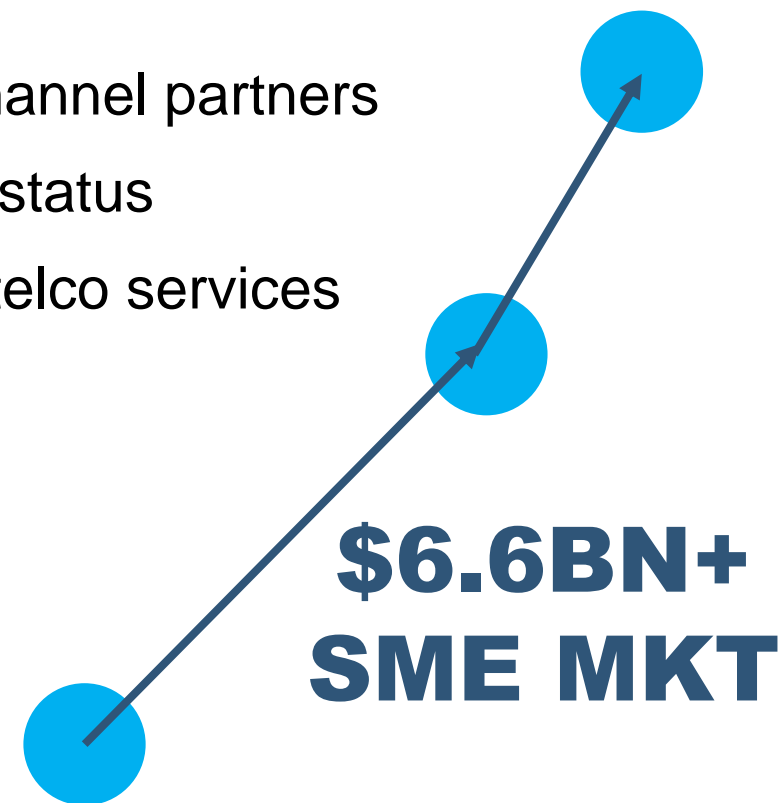
# Strategy to Power Shareholder Returns

## Accelerate Vonex Retail sales during NBN rollout

- Key company priority, supported by continued growth in channel partners
- Marketing efforts targeted by region based on NBN rollout status
- Develop bespoke product packages for the \$6.6bn+ SME telco services market

## Build Vonex Wholesale Recurring Business

- Developing scalable SaaS-style license fee revenue generated from white labelled tech
- Growth through partnerships with global telco leaders



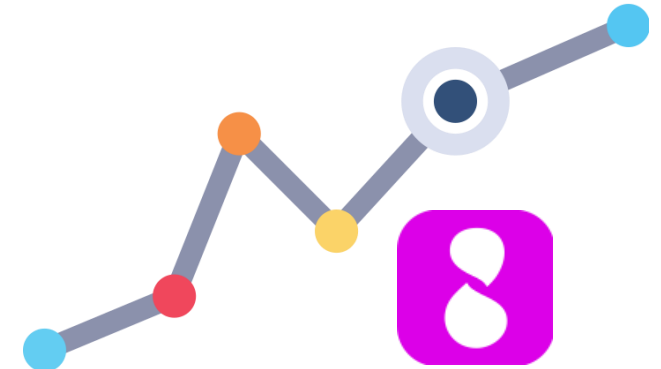
# Strategy to Power Shareholder Returns (continued)

## Scale up Oper8tor

- Develop product via staggered release for early commercialisation
- Maintain low development costs

## Leverage Development and Engineering Expertise

- Continual product upgrades
- New products planned for CY19 to maintain Vonex's competitive advantage



# Vonex Highlights

**GROWTH**



Key growth metrics are increasing

**+28%**

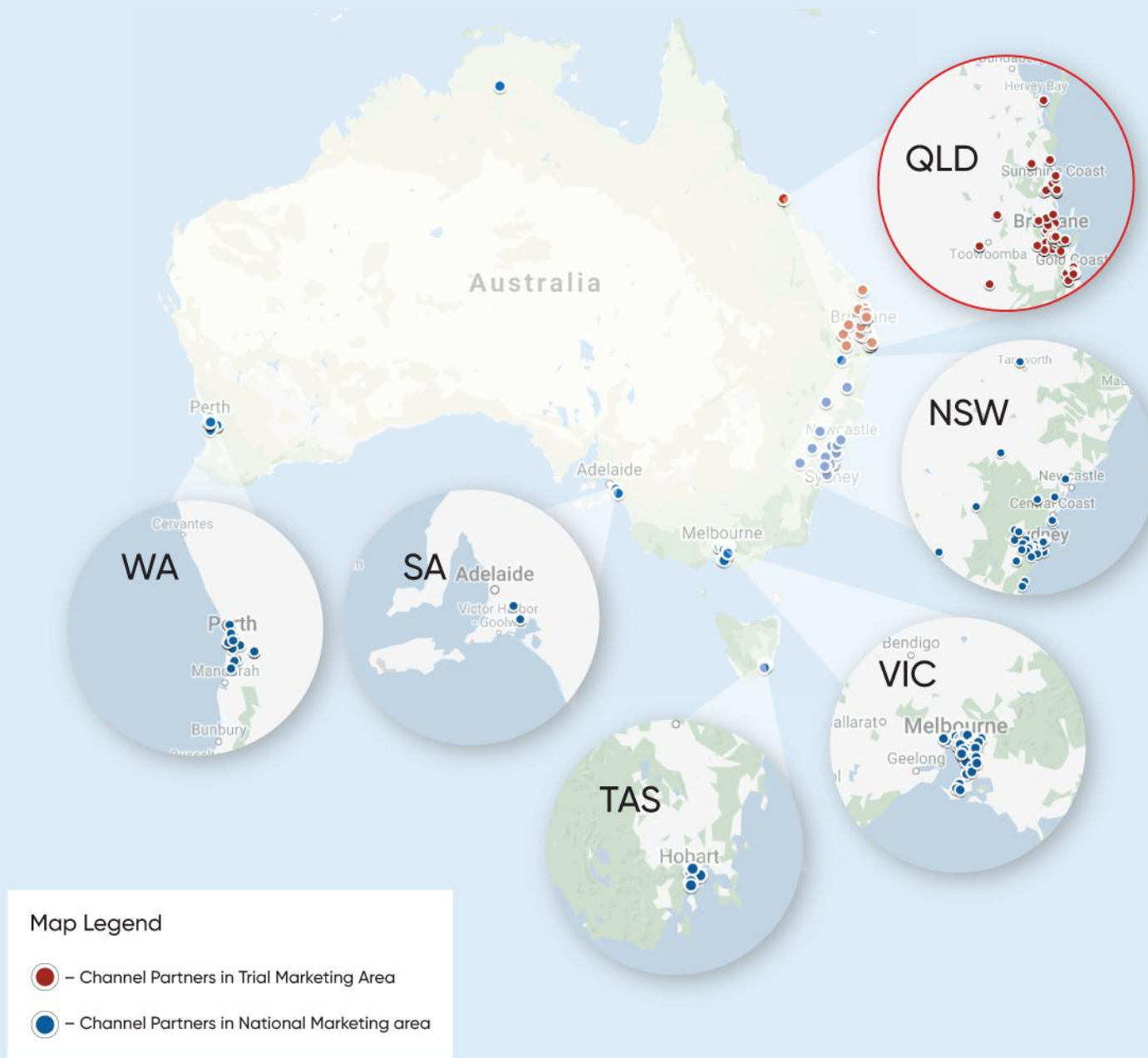
**PBX**

24,000 registered active PBX users represents a 28% gain in the year to August 2018

**+17%**

**Retail → 2,281 CUSTOMERS**

Net retail customers increased 17% over the 2017 - 2018 financial year to 2,281



**National Coverage  
with more than  
400 Australian  
Channel Partners**



# Vonex Retail Performance

**85%**

**OF FY18 GROUP  
SALES REVENUE**

The Vonex retail arm is delivering strong growth, with \$7m in sales accounting for 85% of FY18 group sales revenue

**GREW  
15%**

**34%**

Gross Profit Margin **FY18**

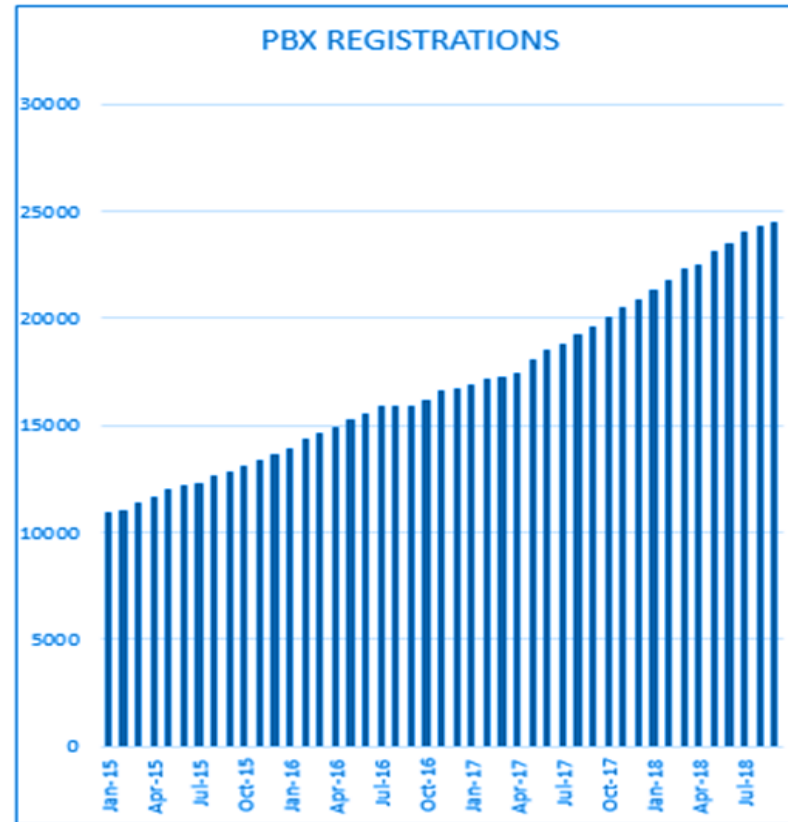
Retail sales revenue grew 15% in FY18 with average gross profit margins of 34%

# Vonex Wholesale Highlights

**+28%**

## USERS

28% increase in  
number of users



**LARGEST**

## WHOLESALE

In FY18, Vonex onboarded  
the largest wholesale  
customer since the  
Company's founding in 2009

# Vonex Wholesale Performance

**15%**

**OF FY18 GROUP  
SALES REVENUE**

The Vonex wholesale arm is delivering strong growth, with \$1.09M in sales accounting for 15% of FY18 group sales revenue

**GREW  
13%**

**59%**

Gross Profit Margin **FY18**

Wholesale sales revenue grew 13% in FY18 with average gross profit margins of 59%

# Selected Vonex Platform Clients



# Vonex Wholesale & Retail Combined Performance

**JULY-AUG 2018**

.....

**REVENUE \$1.44M**



**+13%**

**JULY-AUG 2017**

.....

**REVENUE \$1.27M**

During FY18:

- Sales revenue of \$8.07M
- Sales revenue increased 16%
- Average GP margins of 38%

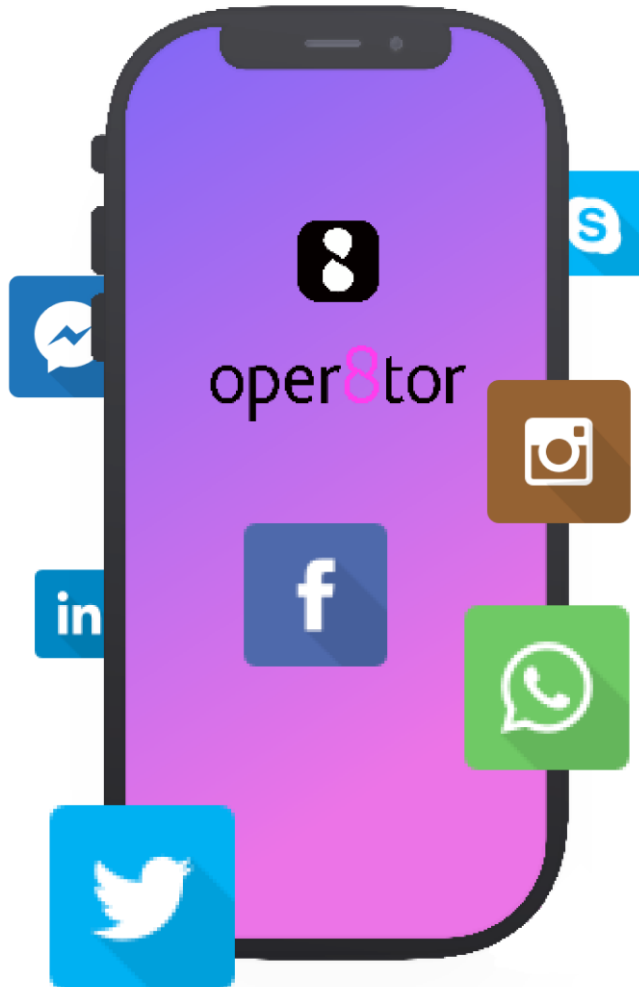
# Building Operational Momentum

AUD	2014	2015	2016	2017	2018
Sales Revenue	\$3.74m	\$4.57m	\$5.47m	\$7.02m	\$8.07m
Cost of goods	\$2.63m	\$3.04m	\$3.56m	\$4.70m	\$5.03m
Gross Profit	\$1.11m	\$1.53m	\$1.91m	\$2.32m	\$3.04m
Gross Profit%	30%	33%	35%	33%	38%
Other revenue	\$362,000	\$304,000	\$537,000	\$272,000	\$36,000
Cost of operations	\$2.39m	\$2.2m	\$2.15m	\$1.86m	\$1.81m
EBITDA	(\$685,000)	(\$80,000)	\$523,000	\$861,000	\$1,320,000

R&D revenue received by the parent entity FY 2017 \$222,330 & FY18 \$253,126

# Software Engineering Product Development

# Oper8tor: Seamlessly linking all voice calls



- The soon-to-be-released Oper8tor app provides a world-first, patent-protected voice aggregation system. This solves the issue of time delays and technical trouble when multiple parties participate in a conference call using differing technologies
- Upon successful completion, Oper8tor's call-blast technology will facilitate calls across mobiles, landlines and top social media apps, connecting everyone together
- As more competitors and alternatives enter the market, the need for a communication aggregator app will become ever greater. With the ability to also aggregate contacts, messaging and future plans for video, Oper8tor aims to be the only communications app you'll ever need



# Oper8tor: Seamlessly linking all voice calls (continued)

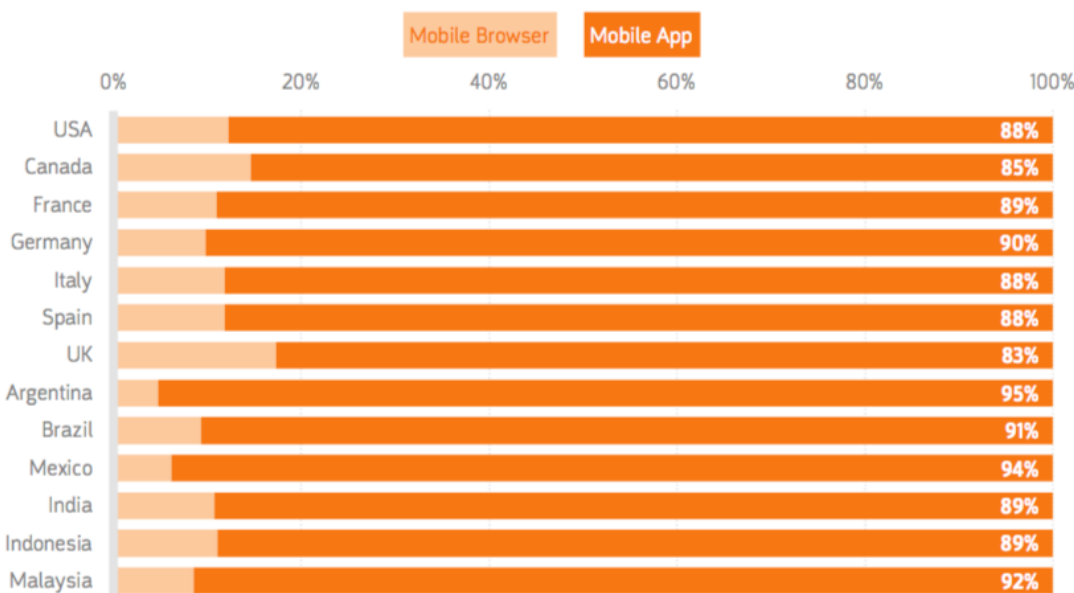


- Multiple commercialisation avenues:
  - In-app advertising
  - Paid premium version with no ads
  - In-app purchases to make larger conference calls
  - Phone calls to standard numbers

# Oper8tor: Upcoming Catalysts

- Beta testing to commence in October
- Up to 5,000 controlled tests for data collection, bug reporting and quality assurance
- Soft launch anticipated in early CY19, initially targeting European market of ~750 million people

Apps Account for Over 80% of Mobile Time  
Share of Total Mobile Minutes by Browser / App



When considering mobile (smartphone and tablet) minutes in isolation, they are overwhelmingly dominated by app consumption – over 80% of all mobile time in the markets considered for this report.

Levels appear marginally higher in Latin America, with Argentina, Brazil and Mexico all falling within the top 5 of the markets shown here.

comSCORE

Source: comScore Mobile Metrix, Dec 2017

© comScore, Inc. Proprietary 8

Source: comScore global mobile report 2018

# Vonex Development & Engineering



**With 12 staff, our development and engineering teams are delivering innovative and bespoke software for new and existing customers**



## **Vonex Phone app**

- An app that registers as your business phone
- Provides mobility whilst maintaining phone system functionality

# Vonex Development & Engineering (continued)



## Oper8tor Conference

- A new way to schedule and manage business conference calling
- Available in the browser, no additional software required
- The platform runs on the Oper8tor Switchboard – the genesis to Oper8tor

# Vonex Development & Engineering (continued)



## Sign On Glass (SOG)

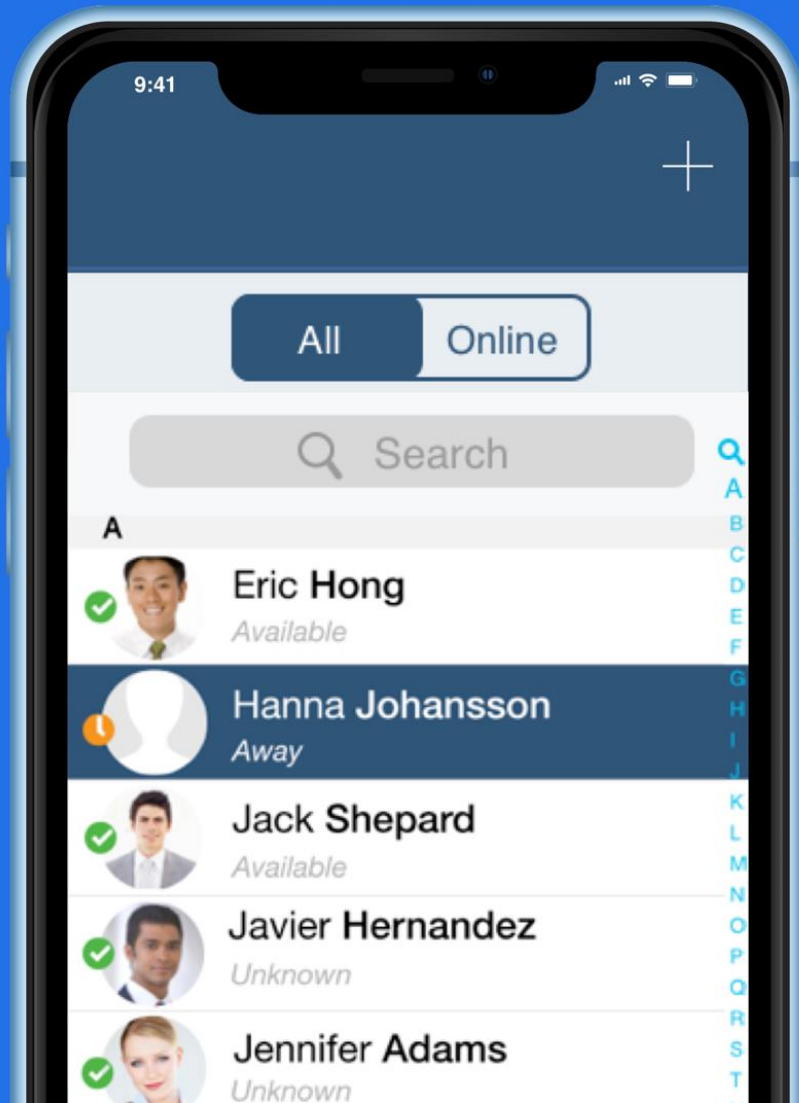
- A streamlined customer management tool for Vonex channel partners
- SOG software streamlines the service ordering and provisioning process
- Provides live data on customers to permit upgrades, additions and modifications in real-time
- Vonex plans to white label licenses to other online sales networks

# Key Partnership Secured



**Cooperative Marketing and Master Partnering Agreement secured in August 2018 with Vancouver-based CounterPath Corporation (NASDAQ: CPAH) (TSX: PATH), a global unified communications specialist which sells tech into major brands including Cisco, AT&T, Nokia, NEC, Rogers and Verizon.**

# Bria to deliver Vonex white label and branded growth



- CounterPath's Bria softphone platform replaces the need for a telephone to connect to a VoIP phone service or hosted PBX extension. Millions of users globally, yet limited marketing to date in Australia
- Vonex has made an initial order of 10,000 Bria licenses
- Solution to be jointly marketed by Vonex and CounterPath
- Collaborative engineering activities to turbocharge Vonex innovation

# Vonex Investment Highlights



Vonex is grasping a unique, near-term opportunity to scale up rapidly with the imminent opening of the primary NBN cutover window



Rollout of national marketing campaign in late CY18 is set to drive growth in user numbers and revenue through expansion of Vonex's retail operations



Vonex plans to materially ramp up wholesale operations and revenue by securing additional industry partnerships



Debt-free balance sheet with solid cash position empowers Vonex's drive to win market share in FY19

**MARKET CAP**  
**\$18M**  
at 12C/SHARE

Compelling valuation with market cap of less than \$18 million at 12c/share



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