



# HALF YEAR HIGHLIGHTS

Vonex Ltd. ASX: VN8  
March 2020



**"We are delivering accelerated growth  
and generating largely recurring  
revenue streams as we develop, deliver  
and license our own advanced  
communications technology."**

–Matt Fahey,  
CEO & Managing Director, Vonex



# Agenda

**Corporate Snapshot**

**Strategic Growth Progress**

**Recent Financial Performance**

**Strong Growth Outlook**

# Corporate Snapshot



# Capitalisation Table

|                        |                         |
|------------------------|-------------------------|
| Share Price 02.03.2020 | 10 c                    |
| Quoted Shares          | 170.92 m                |
| Quoted Options         | 7.5 m (20c, 07.06.2020) |
| Unquoted Options       | 34,368,541              |
| Performance Rights     | 21,578,947              |
| Market Cap (Undiluted) | ~\$17m                  |
| Cash 31.12.2019        | \$2.6 m                 |

# Board of Directors

|                  |                         |
|------------------|-------------------------|
| Matthew Fahey    | Managing Director       |
| Nicholas Ong     | Non-Executive Chairman  |
| David Vilensky   | Non-Executive Director  |
| Winnie Lai Hadad | Non-Executive Director  |
| Jason Gomersall  | Non-Executive Director  |
| Greg King        | Chief Financial Officer |

# Share Price & Volume





# Strategic Growth Progress





# SME Focus

Vonex is executing an unique opportunity to position itself as the telco of choice for small to medium-sized enterprises (SME's).

The Australian Bureau of Statistics data illustrates the size of this market to be:

|                        |           |
|------------------------|-----------|
| 1 – 4 Employees :      | 1,844,975 |
| 5– 19 Employees:       | 199,965   |
| 20– 199:               | 51,619    |
| = Over 2 Million SME's |           |

Our goal is to connect businesses simply, efficiently and affordably through better technology.



# NBN BUNDLE PROMOTION

Between now and June 30, when ONdesk or ONsip products are bundled with our three NBN plans, Vonex customers will enjoy special pricing. Enjoy reduced monthly prices and unlimited internet to keep up with the speed of your business.

**\$75**  
per month  
unlimited data

## BUSINESS NBN50

Total minimum cost is \$2700

PLAN CODE: QBRNBN50Bundle

**SAVE \$15 PER MONTH**

At a typical average speed of 47.4 megabits per second during business hours (9am to 5pm AEST). This is a solution offering a significant speed upgrade over most ADSL connections, perfect for busy businesses.

+ FREE  
Modem  
with 36 Month  
Contract



**GET  
CONNECTED**

1800 828 668  
vonex.com.au

# Brand Awareness

Vonex partnered with Qantas Business Rewards (QBR) in August 2019 providing VoIP and Hosted Phone Systems to the QBR program, offering uncapped Qantas Points to QBR's database of 250,000 SME members for doing business in the cloud.

Businesses of any size can now earn uncapped Qantas Points for every purchase made through Vonex's monthly cloud-based phone plans. This has enhanced Vonex's brand and value proposition and created a compelling and trusted reason for prospects to move their business to Vonex.

Partnering with QBR has had an immediate impact on increasing Vonex's higher average revenue per user (ARPU), longer-duration sales contracts, which have accounted for >50% of newly added customers in early FY20.



# Sales Growth

Key hires in sales and marketing have unlocked Vonex's potential for growth in active users of the company's cloud-based phone systems.

Our digital advertising strategy continues to gain momentum attracting new leads which are supplied to Strategic Channel Partners, further cementing their relationship with Vonex.

The campaign is primarily being undertaken through Facebook, LinkedIn, and remarketing tools. Targeted prospects are presented a combination of educational, thought leadership, product feature showcasing, and call to action messages.

There has been a direct correlation of this activity to sales growth, illustrated in the adjacent graph.

**Sales Total Contract Value Per Quarter**



TCV of provisioned customers is calculated using the minimum monthly commitment multiplied by the contract length and is typically realised over a period of between two and three years. In the last 12 months Vonex has grown its PBX userbase by approximately 22% to 36,000+ users as at January 2020.

NB: Patterned column indicates current quarter, March sales still to be recorded.



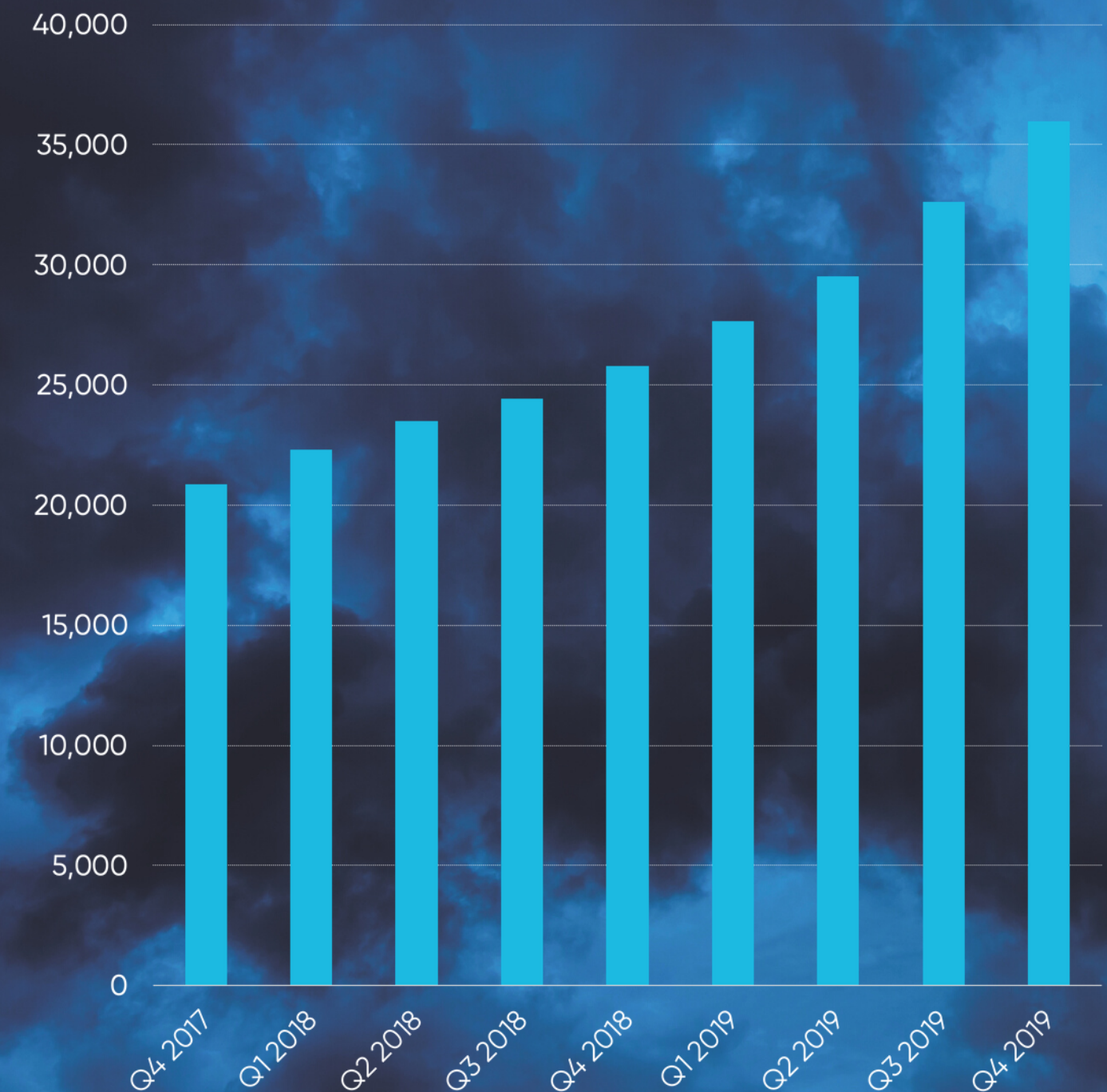
# User Momentum

On 7 November 2019, the Company advised that it continues to deliver consistent user growth, reaching a record 35,000 registered Private Branch Exchange (PBX) users.

Registered users of these PBX connections are a key indicator of business development progress as Vonex penetrates the multibillion-dollar Australian market for telco services to SMEs.

Achieving this milestone reflects the Company's strong first half of FY20, signing Total Contract Value (TCV) of new customer sales worth more than \$3m in HY FY20, an increase of 63% compared to HY sales in FY19.

**PBX Registrations Last 2 Years**







# Recent Financial Performance

# H1 FY20 Financial Results

- Strong financial progress with a positive EBITDA turnaround of approximately \$640k, driven by sales growth of more than 15% and government rebates for ongoing R&D
- Continuous improvement in cash flow dynamics
- Strong balance sheet with cash balance of \$2.6 million as at 31 December 2019, set to be boosted by up to an additional \$2.5 million on completion of the conditional sale of non-core mining royalties (announced 3 February 2020)

A reconciliation between statutory results and underlying results is provided below:

|                                   | 31 December 19   | 31 December 18     |
|-----------------------------------|------------------|--------------------|
| Statutory profit (loss) after tax | (\$829,383)      | (\$1,628,791)      |
| Add back:                         |                  |                    |
| Tax expense (benefit)             | \$0              | \$0                |
| Net finance (income)/expense      | \$17,482         | (\$10,790)         |
| Share based expense payments *    | \$307,025        | \$458,513          |
| Operator development expense **   | \$581,776        | \$585,603          |
| Depreciation and amortisation     | \$191,052        | \$76,667           |
| <b>Underlying EBITDA</b>          | <b>\$267,952</b> | <b>(\$518,798)</b> |

\* Share based expense payments are a non-cash outlay. These expenses are reported book valuations placed on share/option issue related transactions in accordance with relevant Australian Accounting Standards that relate to the reporting period. Please refer to the Annual Report for further disclosures made on these reported expenses.

\*\* Expenses will be considered for inclusion in the Company's 2019-20 financial year R&D claim in accordance with joint Australian Government Department of Industry, Innovation and Science and Australian Taxation Office guidelines.



# Consolidated Statement of Cash Flows

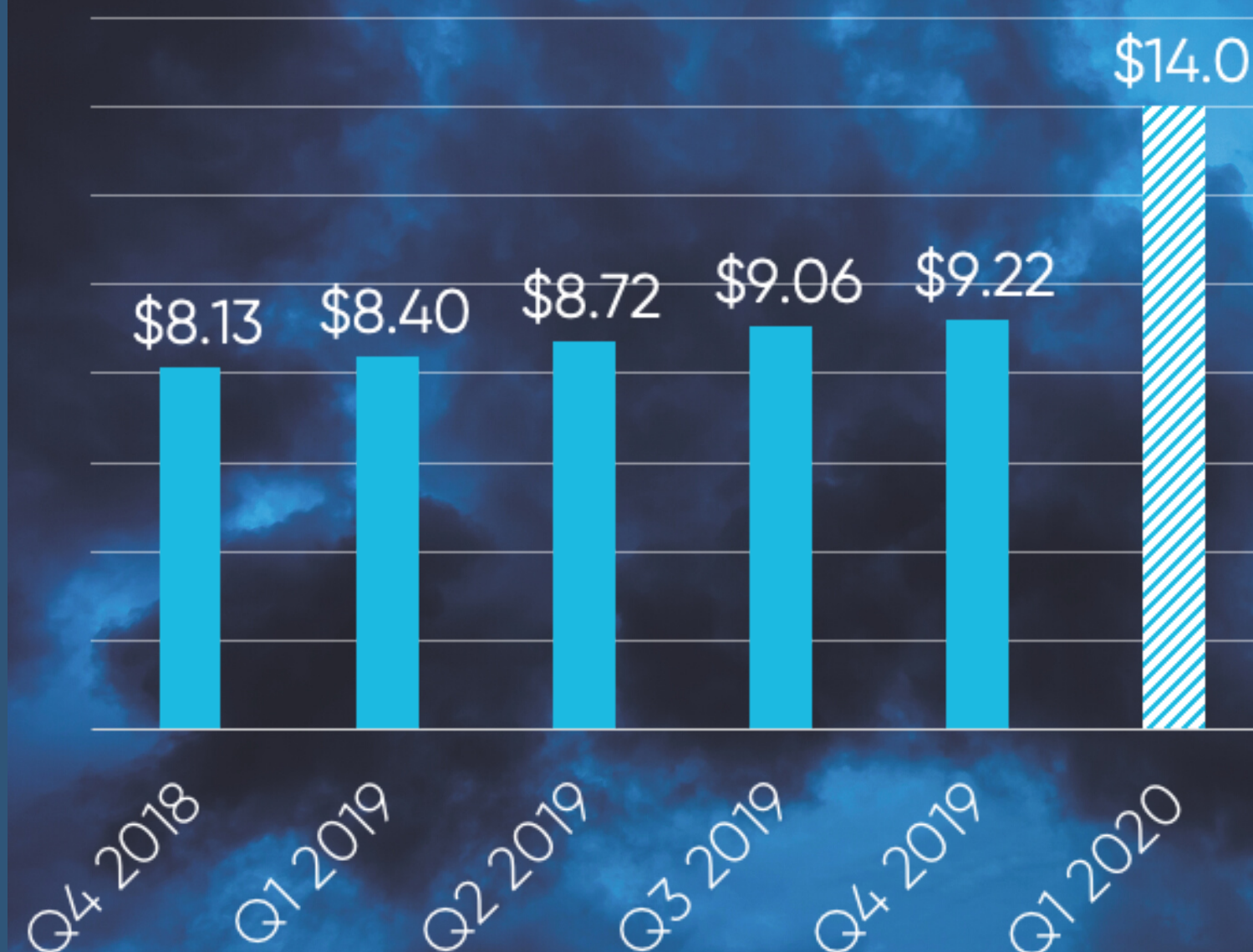
|   | 31 December 19   | 31 December 18     |
|---|------------------|--------------------|
|   | \$               | \$                 |
| <b>Cash Flows From Operating Activities</b>                     |                  |                    |
| Receipts from customers   | 5,027,399        | 4,457,223          |
| Payments to suppliers & employees                               | (6,087,641)      | (5,703,692)        |
| Research & development grant received                           | 629,569          | -                  |
| Interest paid   | (947)            | (770)              |
| Interest received   | 6,372            | 11,560             |
| <b>Net cash used in operating activities</b>                    | <b>(425,248)</b> | <b>(1,235,679)</b> |
| <b>Cash Flows From Investing Activities</b>                     |                  |                    |
| Payments for property, plant & equipment                        | (45,560)         | (93,061)           |
| Proceeds from disposal of property, plant & equipment           | 218              | -                  |
| Payment for research & development (intangibles)                | -                | (6,787)            |
| Net movement in bonds   | -                | 3,919              |
| <b>Net cash used in investing activities</b>                    | <b>(45,342)</b>  | <b>(95,929)</b>    |
| <b>Cash Flows From Financing Activities</b>                     |                  |                    |
| Net payment of borrowings                                       | (362)            | (26,850)           |
| Payments for operating leases                                   | (83,938)         | -                  |
| Interest paid on operating leases                               | (22,907)         | -                  |
| <b>Net cash used in financing activities</b>                    | <b>(107,207)</b> | <b>(26,850)</b>    |
| <b>Net (decrease)/increase in cash &amp; cash equivalents</b>   | <b>(577,797)</b> | <b>(1,358,458)</b> |
| Cash & cash equivalents at the beginning of the financial year  | 3,173,355        | 5,223,854          |
| Exchange rate movements   | (874)            | -                  |
| <b>Cash &amp; cash equivalents at end of the financial year</b> | <b>2,594,684</b> | <b>3,865,396</b>   |

*The accompanying notes form part of this interim financial report*

# Annual Recurring Revenue (ARR)

The chart adjacent displays the consistent growth in ARR that Vonex has delivered as its Retail and Wholesale businesses have gained scale in FY19 and FY20.

Post completion of the 2SG acquisition, ARR is projected to rise to ~\$14 million as illustrated. With 2SG expected to provide additional annual revenue of \$7 million.



NB: Patterned column indicates current quarter, March sales still be recorded.





# Strong Performance Outlook



# Strategic Acquisition: 2SG

Vonex has acquired the business of 2SG Wholesale, an established wholesale provider of hardware and connectivity solutions.

The business has direct and established relationships with Optus and nbn™ and boasts 140 wholesale customers.

These carrier existing relationships are valuable in facilitating better support, rates, control of customer internet and cost of supply.

This acquisition presents an opportunity to expand the existing wholesale business from 20 to 160+ wholesale partners and increase revenue considerably over the medium term.



# Acquisition Outcomes

## Immediate Expansion of Products & Services

- Proprietary wholesale provisioning and billing platforms enabling immediate expansion of products to existing Vonex wholesale customers
- No voice products offered by 2SG presently, providing an immediate opportunity to offer Vonex hosted PBX to 140 new wholesale customers

## New Non Executive Director to join VN8 Board

Jason Gomersall, Co-Founder of 2SG, will join the Vonex board. Bringing over 20 years of telecommunications industry experience

## Purchase Price ~\$2.66M;

- 80% Scrip / 20 % Cash
- Proprietary billing & provisioning systems
- Staff & Equipment
- Contracts with Tier One carriers
- 140 Wholesale customers
- Stock
- Clean business acquisition as a going concern
- No historic debts





# Oper8tor Update

Oper8tor is the first multi-platform voice, messaging and social media app will allow users to connect with all social media friends, followers and contacts from a single app.

Currently in final stages of testing ahead of launch:

- Version 1 to demonstrate Call Blast, cross-platform social media messaging incorporating SMS, improved contact management, Oper8tor-to-Oper8tor message chat and voice calls
- Expansion of granted patent protection to de-risk commercialisation
- Initial launch of V1 in Australia to precede commercial rollout in the key test market of Europe





# Divestment of Mining Royalty

As announced on 3 February 2020, Vonex has agreed to a proposal from SilverStream SEZC, a Canadian mining-focused royalty and streaming company, to divest the Koolyanobbing royalty for total consideration of up to A\$2,500,000.

Koolyanobbing is currently being mined by Yilgarn Iron Pty Ltd, a subsidiary of Mineral Resources Limited. When ore has been mined and sold from tenement M77/1258, Vonex has been entitled to a 2% royalty calculated on a quarterly basis.

Vonex and SilverStream intend to enter into a Definitive Purchase Agreement before the end of March 2020, Vonex has convened a shareholder meeting to approve the royalty sale on the 26th of March 2020. Silverstream anticipates listing on the TSX before the end of April 2020.



# Investment Highlights



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



Rollout of national marketing campaign is driving growth in user numbers and recurring revenue through expansion of Vonex's retail operations



Vonex plans to materially ramp up Direct / Indirect and Oper8tor operations and revenue by securing additional industry partnerships



Significant blue-sky potential through upcoming launch and rollout of Oper8tor

## Material Scope for Growth

Compelling valuation of approximately 1 x expected ARR post 2SG acquisition.

Based on the market cap of ~\$17M

\* ARR excludes one-off sales revenue and does not factor in net churn as the business continues to deliver positive net growth in active users



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