

5 October 2022

Vonex to broaden product capability via acquisition of OntheNet

Highlights:

- **Vonex has entered into an agreement to acquire 100% of the shares of OntheNet, a Gold Coast headquartered telecommunications business, that provides data network, voice and hosting/colocation services primarily to business customers**
- **Highly strategic acquisition providing new product capability to Vonex, particularly in data networks, underpinned by ownership of its core network with 7 points of presence (PoPs) across Australia and a highly regarded team of engineers**
- **OntheNet delivered FY22 pro forma¹ revenue of \$15.2 million and pro forma EBITDA¹ of \$1.9 million derived from a high-quality customer base including government bodies, private schools, medical businesses and national retail and franchise chains**
- **Total consideration of \$9.6 million, comprising \$7.7 million payable in cash and \$1.9 million in escrowed shares, contingent upon customer related metrics in the 12 months post completion**
- **Acquisition represents an implied EV / FY22 pro forma EBITDA of 5.1x (before synergies) and is accretive to key financial metrics including EPS, EBITDA and FCF on a full year pro forma basis²**
- **The combined business would deliver \$52.4 million of revenue and \$8.5 million of underlying EBITDA on a FY22 pro forma basis³**
- **Delivers significant growth in annualised recurring revenue (ARR) with approximately 97% of OntheNet's revenue being recurring in nature, delivering a 40% increase in Vonex's ARR to ~\$51.0 million**
- **Vonex has gained approval from the Company's existing debt provider, Longreach Credit Investors, for an incremental \$8 million of debt to fund the cash consideration of the acquisition and to partially fund associated transaction costs**

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.

² EPS is calculated on a pro forma basis assuming a 12-month impact and based on Vonex's pro forma underlying results and OntheNet's pro forma results, excluding the impact of transaction costs.

³ Comprises the OntheNet FY22 pro forma results and Vonex's FY22 pro forma underlying results which exclude: (1) non cash share based payment expenses; and (ii) acquisition integration, migration and capital raising costs and includes the results of the acquired MNF and Voiteck businesses on a full year basis.

Acquisition details

Telecommunications innovator Vonex Limited (“Vonex” or the “Company”) (ASX: VN8) is pleased to announce that it has agreed to acquire 100% of the shares of Network Technology (Aust) Pty Ltd t/as OntheNet (“OntheNet”) for \$9.6 million, comprising \$7.7 million of cash consideration payable on completion and \$1.9 million of escrowed shares, contingent upon customer related metrics (the “Acquisition”).

Vonex Managing Director, Matt Fahey, said:

“This is a highly strategic acquisition for Vonex. It expedites our plan to diversify our product suite, in particular adding market leading data network services. OntheNet is a high-quality telco business that delivers data network, voice and hosting/colocation services primarily to business customers. Both businesses strive for excellence in customer service, with an excellent cultural fit. We are very excited to welcome the talented and highly specialised team from OntheNet to Vonex and look forward to a positive 2023 financial year, as we continue to execute our strategy for organic and inorganic growth.”

OntheNet Managing Director, Tak Woo, said:

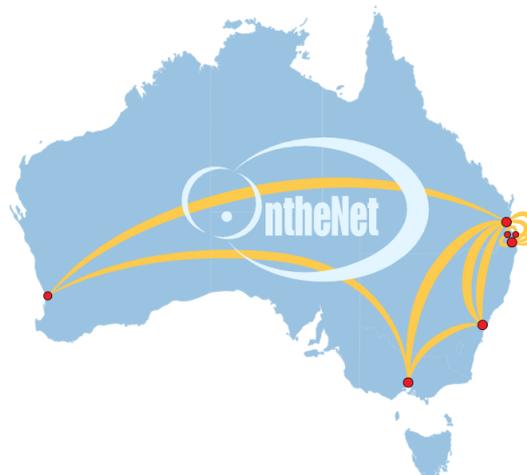
“We are delighted to have been acquired by emerging telco Vonex. We look forward to partnering with Vonex and continuing to provide high quality services to our customers. Vonex’s technical capability in voice widens the product set that we can offer our customers and is a natural fit with our expertise in data networks. Vonex’s network of channel partners will provide an exciting growth opportunity and allow us to better leverage our footprint. We have long been impressed with Vonex’s technical capability, as well as commitment to customer service and these were significant factors in our decision to partner with Vonex.”

About OntheNet

Founded in 1994, OntheNet provides data network, voice and hosting/colocation services primarily to business customers across Australia. The Acquisition will materially widen Vonex’s product capability, bringing 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 has a highly skilled workforce of 35 employees, including a large engineering team with strong capabilities in data networking.

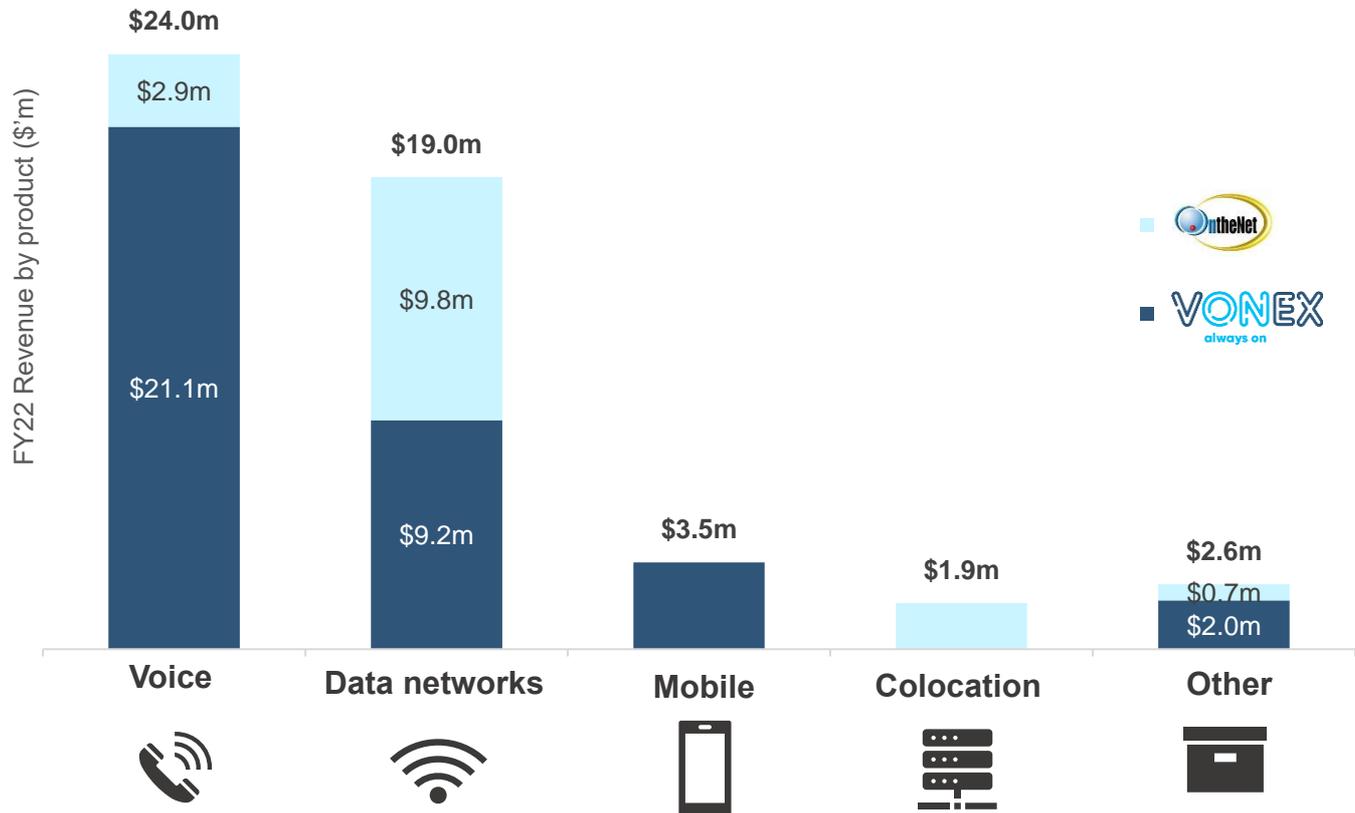
In FY22, OntheNet delivered revenue of \$15.2 million of which approximately 97% is recurring in nature and recorded pro forma EBITDA (unaudited) of \$1.9 million.

National Coverage - OntheNet has 7 PoPs across Australia



The Acquisition significantly expands Vonex’s data network capabilities and introduces a new product offering through colocation and hosting. The limited overlap between product bases provides a clear opportunity for cross-selling. The chart below outlines the combined FY22 pro forma revenue mix post Acquisition.

FY22 pro forma⁴ revenue by product



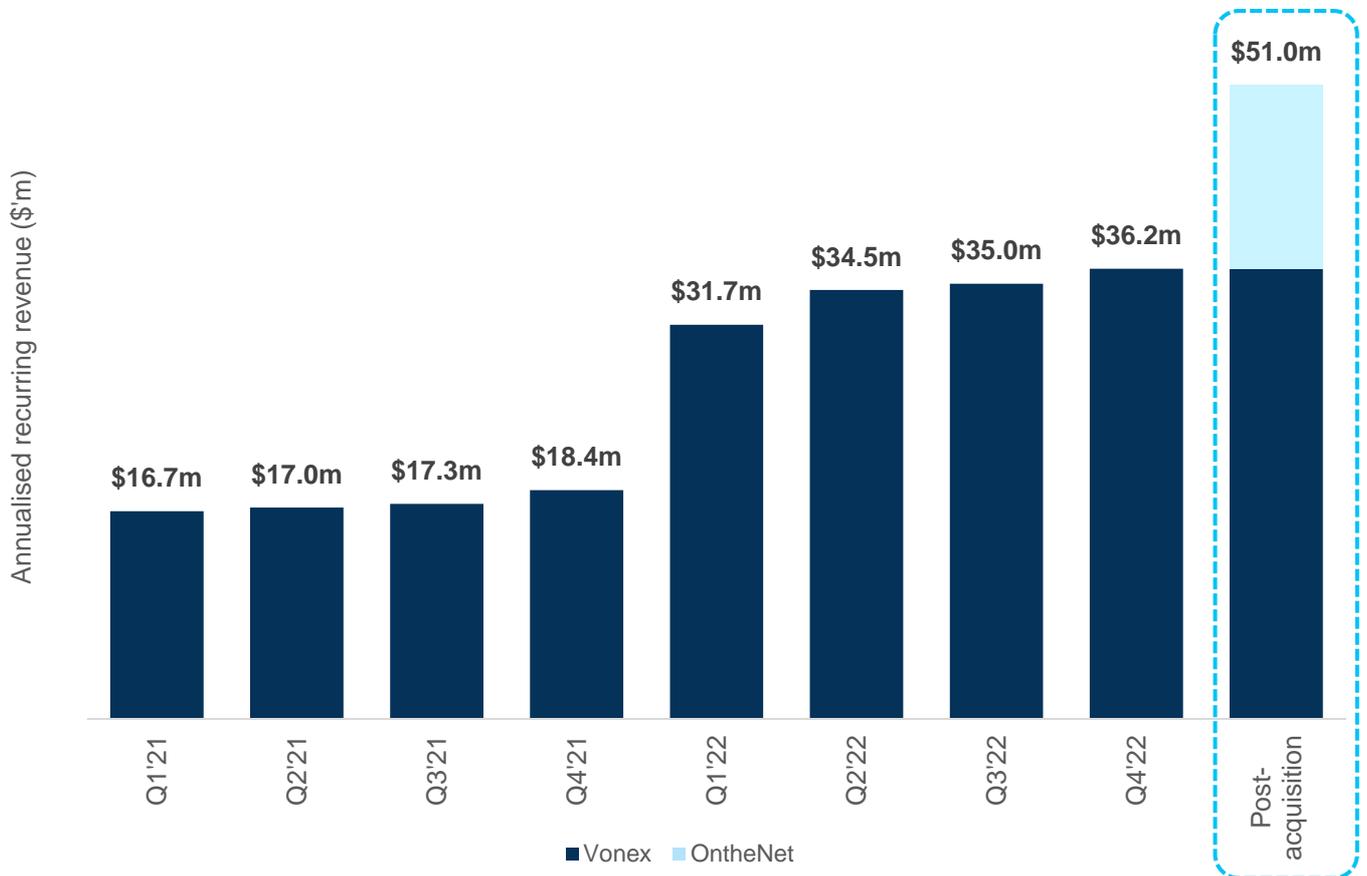
Strategic Rationale

- Acquisition positions Vonex as a diversified telco with a significant opportunity to cross-sell additional services to Vonex’s customer base.
- High quality earnings providing a significant step-change in annualised recurring revenue (“ARR”) which will grow to ~\$51 million post completion.
- Significant opportunity to realise future synergies through ownership of core network.
- Acquisition is accretive to Vonex and provides significant free cash flow to the combined group with OntheNet EBITDA to FCF conversion of >90%.

⁴ Includes the full year impact from the Direct Business and Voiteck. Voiteck pre-acquisition revenue assumed to be 100% voice, while the Direct Business has been allocated based on the relevant proportions of revenue in the period LTM March-21

- Execution of Vonex’s disciplined M&A growth strategy, at a valuation that is consistent with previous deals representing an acquisition multiple of 5.1x OntheNet’s pro forma EBITDA of \$1.9 million.

Annualised recurring revenue⁵ (“ARR”)



- The Acquisition of OntheNet increases the Company’s ARR by 40%, accelerating Vonex’s growth trajectory and scale.

Transaction Details

Total consideration of approximately \$9.8 million is payable on completion of the transaction, comprising:

- \$7.7 million in cash; and
- 27,098,743 ordinary shares at an issue price of A\$0.0709 (being the volume-weighted average price of Vonex shares for the 10 trading days to 5 October 2022), to be escrowed for 12 months. The issue of shares is contingent upon customer related metrics in the 12 months post completion.

⁵ Recurring revenue is based on the nature of services provided as classified by OntheNet management.

The cash consideration and associated transaction costs are to be funded through a mix of existing Vonex cash and \$8 million of new debt to be provided by Vonex's existing debt provider, Longreach Credit Investors, utilising existing Facility Documents and on comparable terms.

Total consideration represents a multiple of 5.1x FY22 pro forma EBITDA and is EPS accretive.

Australian Securities Exchange ("ASX") has confirmed that the Acquisition does not require shareholder approval. Completion under the Share Acquisition Agreement ("SAA") remains subject to satisfaction of conditions precedents which include:

- Change of control consents from relevant customers and suppliers (which have been largely received); and
- OntheNet entering into new employment agreements with key employees

The SAA contains other warranties and indemnities which are customary for a transaction of this nature. The Acquisition is expected to complete by the end of October 2022.

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

This announcement has been authorised for release by Matt Fahey, Managing Director of Vonex Ltd.

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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.