

Chairman's Letter

Dear Shareholders,

It gives me great pleasure to present the interim financial report for Vonex Limited (ASX: VN8) for the FY21 half year, reflecting on our Company's achievements over the six-month period and providing our outlook for the second half of the financial year.

Vonex has achieved another period of strong financial performance, with our group revenue increasing by 74% to \$9.8 million compared to the same period in FY20 (\$5.6 million). Our gross profit was also up, increasing 31% on the previous corresponding period. While our net loss also increased, this was primarily due to the acquisition and integration of 2SG's business and operations, additional employee expenses, dealer commissions and share based payments as we pursue growth and build out our capabilities.

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

	31 / Dec / 20	31 / Dec / 19
Statutory profit (loss) after tax	(\$1,663,030)	(\$829,383)
Add back:		
Tax expense (benefit)	\$0	\$0
Net finance (income)/expense	\$28,756	\$17,482
Share based expense payments *	\$1,334,176	\$307,025
Operator Development expense **	\$330,044	\$581,776
Depreciation and amortisation	\$185,362	\$191,052
Underlying EBITDA	\$215,308	\$267,952

* Share based expense payments are a non-cash outlay. These expenses are reported book valuations placed on share issue related transactions that have occurred during the reporting period and in order to meet reporting requirements under the Australian Accounting Standards.

** Expenses will be considered for inclusion in the Company's 2020-21 financial year R&D claim in accordance with Australian Taxation Office guidelines.

Vonex continues to execute an acquisition-led growth strategy, building on the solid foundation established to date. During the period, we announced TOR Corporate Advisory's appointment to seek out and evaluate complementary businesses for the Company to acquire – this appointment has generated an immediate pipeline of potential acquisition opportunities which are subject to varying stages of review.

Our plans to acquire established NSW-based telco service producer Nextel, including its business, operations and customer base were also announced

during the period. The acquisition, which completed in February 2021, has been highly accretive to earnings and cashflow and has boosted Vonex's annualised recurring revenue to more than \$18 million.

The transaction with Nextel followed our earlier acquisition and successful integration of 2SG Wholesale, which was a key component of the strong financial results achieved in H1 FY21 and will provide further cross-selling and product expansion opportunities.

In the Wholesale division, Vonex achieved increased sales across a range of products, including mobile voice (up 275%), NBN with 4G Backup (up 76%) and mobile broadband (up 101%). All Vonex wholesale services are combined and branded as 2SG Wholesale as of 1 January 2021, and we plan to continue to improve the 2SG Wholesale offering in CY21, with the Company receiving commitment from Optus to open up its 5G network to the Company via 2SG.

As a further boost to the Wholesale division, we have recently announced a three year wholesale agreement to supply Orange Business Services, a network-native digital services company and the global enterprise division of the Orange Group (EPA: ORA), with business-grade Mobile Broadband services throughout Australia. We expect Orange and other customers such as ASX 300 Data 3 (ASX:DTL) who have also recently joined 2SG Wholesale to create significant opportunities for Vonex given the large numbers of customers these businesses service.

In our existing business segments, retail sales continued to perform well, achieving growth in Total Contract Value of \$6.99m for 2020, up 32% on 2019.

Our relationship with Qantas Business Rewards, which has a base of more than 250,000 small to medium enterprise (SME) members, continued to drive new business for Vonex in the SME space. We look forward to further developments from this partnership in CY21 and beyond.

Development of our multi-platform voice and message Oper8tor software concluded during the period. Oper8tor will now transition from a phase of Vonex funded research and development to focus on identifying and engaging the right technical and financial partners to guide Oper8tor's further development and commercialisation. We will continue to protect intellectual property related to Oper8tor during this process but do not expect to commit further development capital at this stage.

We ended the calendar year with a strong cash balance of \$3.54 million. The addition of a recent refund of ~\$541,000 for our latest Research and Development tax rebate further bolsters our position.

This year we will focus on the integration of Nextel's operations with our own, delivering our unique product offerings to Orange Business Services and other wholesale customers, as well as continuing to investigate and pursue other opportunities for acquisitive and organic growth.

It continues to be an exciting period for our company as we execute on our strategy for growth, and I look forward to keeping you updated on our progress.



Nicholas Ong
Non-Executive Chairman