

30 April 2021

March 2021 Quarterly Shareholder Update and Appendix 4C

Highlights:

- \$630k in operating cashflow generated in Q3 FY21 from \$4.1 million in receipts from customers (+45% YoY), including receipt of R&D tax offset payment of \$542k
- 3 year wholesale supply agreement signed with the enterprise division of Orange Group, the Paris-listed communications and technology multinational, elevating the profile of Vonex in the market and underpinning a positive growth outlook for the Company in CY21
- Rapid growth across the Wholesale division, with orders of mobile voice services up 242% year-on-year (YoY); mobile broadband orders rising 72% YoY, and orders of NBN with 4G Backup services 101% higher than the same period last year
- Retail SME customer numbers up 32% YoY
- Nextel acquisition completed, delivering a quarterly financial contribution in line with expectations
- In addition to the strong organic growth, Vonex is negotiating with a number of vendors / sellers for acquisition opportunities that fit within its target criteria
- Cash balance of \$3.9 million as at 31 March 2021

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 31 March 2021.

FINANCIAL COMMENTARY

- Unaudited sales revenue of \$5.2 million, an increase of 60% from \$3.2 million in the prior corresponding period
- \$4.1 million in cash receipts, a year-on-year increase of 45%
- \$3.9 million in cash at end of quarter, after receipt of \$542k R&D tax offset

Cash receipts rose to \$4.1 million in the period, an increase of 45% over the prior corresponding period, which followed growth across both the Retail and Wholesale (2SG) businesses.

The Nextel business, of which Vonex completed its acquisition on 3 February 2021, contributed unaudited revenue of \$0.26 million during the period, which is in line with expectations.

The \$315k cash component for the purchase of Nextel paid during the quarter was more than covered by the \$542k R&D tax offset received in the period.

Vonex Wholesale and Orange Business Services Agreement

The period marked strong continued growth and operational progress for the Wholesale division. In February 2021,

Vonex signed an agreement with the enterprise arm of the European telco giant, Orange Group, to supply business-grade mobile broadband services as part of their rollout strategy throughout Australia.

Vonex is planning to support the Australian launch of new products for Orange Business Services' enterprise customers. Orange Business Services delivers enterprise connectivity to customers in a range of industries such as the automotive, mining, oil & gas and public sectors, including Internet of Things (IoT) connectivity for transport, logistics and smart cities.

The agreement has an initial three-year term and will roll into successive 12-month terms thereafter unless either party provides advance notice of its intention not to renew the agreement.

Vonex has grown to 82 mobile broadband customers through 2SG and with the addition of Orange, highlighting the Wholesale division's growth trajectory. The Company's rising brand recognition and business development profile were also supported by the integration of all wholesale services under the 2SG Wholesale name, an initiative implemented from the start of the quarter.

2SG SALES GROWTH



FY21 Q3 | year on year

Results delivered by the Wholesale division in the period reflect its momentum: quarterly orders of mobile voice services were 242% higher year-on-year; mobile broadband orders rose 72% on the same period last year; and orders of NBN with 4G Backup services increased by 101% compared to the same period last year.

The Company accelerated its product development efforts during the quarter to achieve release of its new NBN Assure product. This delivers NBN services to enterprise customers, which comprises a full speed connection with unlimited business failover (i.e. assured redundancy support). This market-leading product allows Vonex to deliver affordable, secure and redundant connectivity solutions to both the wholesale and retail markets without the barrier of onerous excess usage charges or reduced speeds.

The March quarter also saw the launch of Vonex's new NBN Wholesale Connect portal, delivering automated ordering and management to Vonex Wholesale customers. This portal offers improved self-serve capability for wholesale customers while also providing the Company with reductions in operational overheads.

The Company's ongoing efficiency drive has seen the Wholesale business unit identify and remove excess network costs and inefficiencies to the tune of ~\$500k per annum. The Company expects these efficiencies to take full effect in June 2021.

During the quarter, the Company also completed billing and service integrations for both 2SG and Nextel, providing a more efficient base for growth in FY22.

Looking forward, the expanding product and service range on offer for wholesale customers adds to Vonex's ability to capture market share in a growth industry benefiting from the rise in remote workforces and the interconnectivity between traditional and home offices which provides flexibility to both employees and employers.

Nextel Acquisition

Nextel officially joined the Vonex group on 29 January 2021. The addition of the New South Wales telco builds on Vonex's relationships with tier-1 carriers with a list of prominent customers, including LJ Hooker, Endemol Shine Australia and Lifeline.

Nextel, a provider of telecommunications services to business customers, is recognised as an industry leader in the design, installation and maintenance of voice, data and communications networks. The acquisition has brought Nextel's goodwill, staff and equipment, intellectual property, and wholesale contracts with several major telecommunications companies.

Acquired without debt, the financial contribution from Nextel during the quarter provided an immediate boost to earnings and annualised recurring revenue.

With Nextel having landed an infrastructure contract valued at \$140k during the quarter, the business is on target to perform ahead of the revenue and profit expectations which were set when the acquisition was announced in December 2020.

The conservative cash component of the purchase relative to the share-based consideration supported the Company's strong net cash position at period end. Vonex issued 5,502,795 ordinary shares to Nextel as part of the acquisition, which are subject to 12 months' voluntary escrow.

The equity component of the purchase highlights the belief that the Nextel vendors have in Vonex continuing to grow the combined businesses and generating attractive returns for shareholders.

Vonex is focused on replicating the success of the integration of 2SG Wholesale into the group as it seeks to build on the immediate contribution made by Nextel. Nextel's established presence in verticals including Aged Care and Education in NSW allows Vonex to identify other needs among enterprises in these critical industries where the group can offer value. The broadened product mix and cross-selling opportunities are levers that Vonex is using to gain additional ground in the market and elevate its competitiveness.

Vonex Retail

Vonex Retail has delivered another quarter of growth. Vonex grew its number of small to medium enterprise (SME) customers by 32% year-on-year.



Total contract value (TCV) for new customer sales added in the first nine months of FY21 was \$6.4 million. Although this result represents only slight growth from the same period last year, it also reflects a shortening of contract durations post-COVID: the Company's annualised TCV continues to expand.

On its Private Branch Exchange (PBX) cloud-based phone service, Vonex had more than 43,000 registered active users by the end of March. This represents year-on-year growth of 16%.

Acquisition Strategy

Vonex continued its proactive approach to acquisition opportunities during the quarter. M&A advisors, Tor Corporate Advisory, are actively engaged to identify value-accretive targets on Vonex's behalf.

Vonex is negotiating with a number of vendors / sellers for acquisition opportunities that fit within its target criteria.

Having successfully demonstrated an ability to rapidly integrate 2SG Wholesale and Nextel in a way that adds value for vendors, staff and shareholders, Vonex remains very well positioned to augment its strong organic growth via selective acquisition to accelerate its growth plans.

CORPORATE

Cash Position

As at 31 March 2021, the Company had approximately \$3.9 million of cash and nil debt. The Company retains sufficient funding to carry out its activities over the coming quarters.

Note 6 to Appendix 4C

Payments to related parties of the entity and their associates during the quarter:

- Director fees and wages of approximately \$140k
- Legal fees of approximately \$20k
- Company secretarial and accounting fees of \$13.5k

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

ENDS

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ABOUT VONEX:

Vonex is a full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, and hosted PBX and VoIP services - predominately to the small to medium enterprise ("SME") customer under the Vonex brand. The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX and call termination services at wholesale rates via a white label model.

Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system. Vonex is also developing the Oper8tor App, a multi-platform real-time voice, messaging and social media app that allows users to connect with all social media friends, followers and contacts across different social medias, all consolidated into one app.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Vonex Limited

ABN

39 063 074 635

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,132	12,683
1.2 Payments for		
(a) research and development	542	542
(b) product manufacturing and operating costs	(2,289)	(8,181)
(c) advertising and marketing	(55)	(241)
(d) leased assets	-	-
(e) staff costs	(858)	(2,748)
(f) administration and corporate costs	(923)	(2,459)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(14)	(36)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	14	164
1.8 Other (provide details if material)	81	56
1.9 Net cash from / (used in) operating activities	630	(219)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) businesses (Nextel)	(334)	(334)
(b) businesses (2SG – stamp duty)	-	(137)
(c) property, plant and equipment	(8)	(32)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	1
	(d) investment - mining royalty	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (payments for security deposit)	-	(76)
2.6	Other (net reimbursement of office fit-out costs)	70	(42)
2.7	Net cash from / (used in) investing activities	(272)	(620)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Proceeds from application funds held in trust	-	-
3.8	Payment in advance for capital raising fees	-	-
3.9	Payments for lease liabilities (excl. interest charged)	(48)	(117)
3.10	Net cash from / (used in) financing activities	(48)	(117)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,545	4,812
4.2	Net cash from / (used in) operating activities (item 1.9 above)	630	(219)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(272)	(620)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(48)	(117)
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	3,855	3,855

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,766	2,058
5.2	Call deposits	1,089	1,487
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,855	3,545

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

174

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Consulting fees and directors' fees	\$ 140,212
Company secretarial and accounting fees	\$ 13,500
Legal Fees	\$ 19,871

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

630

8.2 Cash and cash equivalents at quarter end (Item 4.6)

3,855

8.3 Unused finance facilities available at quarter end (Item 7.5)

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8.4 Total available funding (Item 8.2 + Item 8.3)

3,855

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A.

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2021

Authorised by:
Daniel Smith – Company Secretary

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.