

23 July 2021

Vonex to acquire part of MNF Group's Direct Business in a transformational transaction which is fully funded

Highlights

- Vonex signs binding agreement to acquire the part of MNF Group's Direct Business which services SME and Consumer customers (the "Direct Business") for \$31 million, comprising \$20 million of cash payable on completion and \$11 million of deferred cash payable in monthly installments over 12 months (the "Acquisition")
- The Acquisition is transformational for Vonex, increasing its annualised recurring revenue (ARR) by approximately 70%, providing the Company with more than 5,250 new small-to-medium enterprise ("SME") customers and more than 180 new channel partners, delivering high quality earnings and a strong platform for future organic growth through cross selling internet and mobility products to Direct Business customers
- The Direct Business delivered FY21 pro forma revenue of \$15.0 million and pro forma EBITDA of \$5.5 million¹
- Acquisition represents an implied FY21 EV / EBITDA of 5.6x (before synergies) and 4.8x (post synergies) on a FY21 pro forma basis² and is materially accretive to key financial metrics including EPS, EBITDA and FCF on a FY21 pro forma basis³
- The combined business is forecast to provide \$33.7m of revenue and \$6.3m of EBITDA on a FY21 pro forma basis⁴
- Vonex has secured a \$16 million debt facility from Longreach Credit Investors which will be fully drawn down to partially fund the upfront consideration for the Acquisition
- Vonex is raising up to \$12 million via a two-tranche placement, through the issue of 109 million shares at 11c per share ("Placement") and will offer a Share Purchase Plan (SPP) to existing eligible Shareholders to raise up to an additional \$2 million. The Placement is well supported by new and existing institutional, professional and sophisticated investors
- Subject to shareholder approval, the Company's largest shareholder 2SG Investments and director Jason Gomersall will subscribe for approximately \$570k and \$374k worth of Tranche 2 placement shares respectively

1 Comprises 12 months' consolidated preliminary management accounts for the Direct Business

2 Maintainable synergies of approximately \$1m are expected to be realised from FY23

3 Illustratively assumes 12 month impact of transaction and includes a full year contribution of Direct Business FY21 Forecast EBITDA earnings

4 Comprises 9 months' preliminary consolidated management accounts and a 3 month forecast for Vonex and 12 months consolidated preliminary management accounts for the Direct Business. Vonex and the Direct Businesses' FY21 EBITDA includes certain pro forma adjustments as detailed in the Investor Presentation dated 23 July 2021

Acquisition details

Telecommunications innovator Vonex Limited (“Vonex” or the “Company”) (ASX: VN8) is pleased to announce that it has agreed to acquire MNF Group’s Direct Business which services SME and Consumer customers (the “**Direct Business**”) for \$31 million, comprising \$20 million of cash consideration payable on completion and \$11 million of deferred cash consideration payable in monthly installments over 12 months (the “**Acquisition**”). MNF will retain elements of the business relating to Enterprise and Government Business and Express Virtual Meeting business.

The Direct Business sells cloud phone, internet and mobile services to small-to-medium enterprise (“**SME**”) and residential customers in Australia, as well as dedicated audio and video conferencing services. The Acquisition will materially expand Vonex's footprint of SME and residential customers across Australia and will see the Company migrate approximately 5,250 new business customers to its platform.

The Direct Business delivered an unaudited FY21 EBITDA of \$5.5 million from revenue of \$15.0 million.⁵

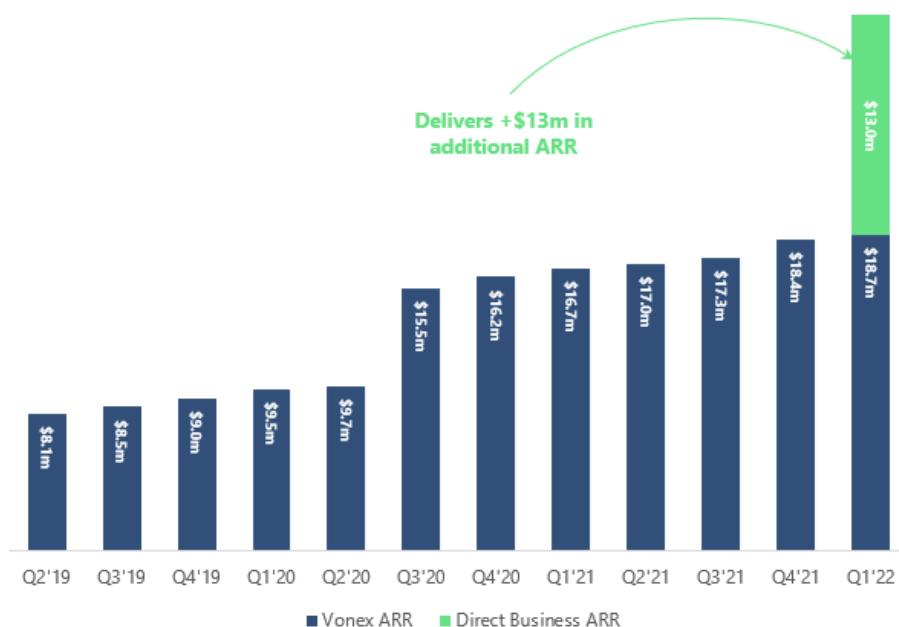
The charts below describe anticipated growth across all key metrics for the combined business.



⁵ Comprises 12 months consolidated preliminary management accounts for the Direct Business

Delivers significant scale, increasing ARR by more than 70%,
de-risking and improving visibility on future revenues

Annualised Recurring Revenue ('ARR')



The Acquisition and associated transaction costs will be funded by a combination of:

- New \$16 million debt facility with Longreach Credit Investors which will be fully drawn less establishment fees to partially fund the \$20 million of consideration payable on completion of the Acquisition;
- Two-tranche placement to raise up to \$12 million from new and existing institutional, professional and sophisticated investors;
- Share purchase plan to raise up to \$2m from eligible shareholders;
- Vonex existing cash (as at 30 June 2021, Vonex had unaudited cash at bank of approximately \$3.6 million); and
- The future cashflows of the combined Vonex business and Direct Business.

Vonex Managing Director, Matt Fahey, said:

"Our acquisition of part of MNF Group's Direct Business will transform Vonex by delivering financial scale and market relevance. Through this deal we are welcoming a highly experienced new team of 30 staff, more than 5,000 new SME customers and more than 180 new channel partners to our platform, and we expect to almost double Vonex's annualised recurring revenue on a full year basis."

"We see this acquisition as highly complementary, as Vonex has strong existing capabilities across most of the products and services offered by the Direct Business. The businesses also operate under the same revenue model, predominantly charging on a fully inclusive monthly subscription basis. This delivers strong annual recurring revenue growth and very

high levels of customer retention.

"We plan to grasp significant opportunities to cross-sell and increase average revenue per user ("ARPU") for the Direct Business, and also deliver cost synergies of approximately \$1 million through immediately lower rates on wholesale pricing. The Direct Business will also provide geographic expansion for Vonex, with an increased presence in Melbourne and Sydney.

"Post settlement of the Placement and drawdown of funds from the new debt facility with Longreach, no further new capital is required to fund the Acquisition and the Company is well positioned for growth. We thank our investors for their support and look forward to delivering accretive value for Vonex shareholders."

The key transaction documents in respect of the Acquisition are an Asset Sale Agreement (ASA) and a Wholesale Supply Agreement. With all major conditions precedent having been satisfied, including due diligence and approval of the debt facility, completion of the Acquisition pursuant to the ASA is expected to occur in early August 2021.

New debt facility

Vonex is pleased to announce that it has received credit approval for a \$16 million debt facility from Longreach Credit Investors (the **"Debt Facility"**). Longreach Credit Investors provides customised private debt solutions to high quality corporate borrowers in Australia and New Zealand.

The net proceeds of the Debt Facility will be used to partially fund the \$20 million of consideration payable by Vonex on Completion of the Acquisition.

The key terms of the Debt Facility are as follows:

Maturity:	3 years
Principal repayments:	\$500k per quarter commencing 15 December 2021
Security:	First ranking General Security Interest
Key covenants:	Net leverage cover, interest cover, debt service cover and minimum cash at bank
Interest costs:	The interest rate payable depends on the prevailing net debt / pro forma Last Twelve Months (" LTM ") EBITDA.

Post settlement of the equity raise and completion of the Acquisition, Vonex is forecast to have a pro forma net debt / LTM pro forma EBITDA⁶ of approximately 0.8x, and provided Vonex maintains this below 2.0x, the Company will secure Longreach's lowest interest rate (interest rate payable ranges between 8% and 13% depending on the prevailing pro forma net debt / LTM pro forma EBITDA).

⁶ LTM pro forma EBITDA is calculated as the combined businesses FY21 pre-synergy EBITDA of \$6.3m, which comprises 9 months' preliminary consolidated management accounts and a 3 month forecast for Vonex and 12 months consolidated preliminary management accounts for the Direct Business. Vonex and the Direct Businesses' FY21 EBITDA includes certain pro forma adjustments as detailed in the Investor Presentation dated 23 July 2021

Equity raising

Vonex is pleased to announce that it has received firm commitments from new and existing sophisticated and institutional investors to subscribe for a placement of 109,090,909 fully paid ordinary shares ("**Shares**") at \$0.11 each to raise \$12 million before costs ("**Placement**") which it will use to partially fund the Acquisition. Vonex also plans to offer a Share Purchase Plan ("**SPP**") to eligible, existing shareholders to raise up to an additional \$2 million at the Placement price.

Net proceeds from the Placement and SPP will be used to part fund the remaining balance of the \$20 million consideration payable by Vonex on Completion of the Acquisition, as well as the \$11 million of deferred cash consideration payable in monthly installments over 12 months.

Details of the Placement

The Placement will be completed in two tranches, comprising:

- **Tranche 1** to raise \$2.475m via the issue of 22.5m shares under Vonex's remaining Listing Rule 7.1 Placement capacity
- **Tranche 2** to raise up to \$9.525m via the issue of 86.58m shares, consisting of:
 - 78,010,188 shares to unrelated investors of the Company (**Unrelated Investors**)
 - 8,578,670 shares to related parties (**Related Parties**)

The issue of the Tranche 2 shares to the Unrelated Investors and the Related Parties is subject to shareholder approval at a meeting expected to be held in late August / early September.

The Placement was undertaken at a 15.4% discount to the last closing price.

Indicative Placement timetable:

Settlement of Tranche 1	29 July 2021
Allotment of Tranche 1 shares	30 July 2021
General Meeting to vote on Tranche 2 shares	30 August 2021
Allotment of Tranche 2 shares	3 September 2021

Share Purchase Plan

Participation in the SPP will be available exclusively to shareholders who are registered as holders or underlying beneficial holders of Vonex Shares at 7pm (AEST) on the Record Date of 22 July 2021 and whose registered address is in Australia (**Eligible Shareholders**).

Pursuant to the SPP, Eligible Shareholders can subscribe for parcels of Shares up to \$30,000 without incurring brokerage or transaction costs. Full details of the SPP will be set out in an offer document which the Company will send to eligible shareholders in accordance with the below timetable.

The new Shares to be issued under the SPP will be offered at \$0.11 per Share, which represents a 15.4% discount to the last closing price.

An indicative timetable for the SPP is set out below. Other than the Record Date and announcement of the SPP, Vonex may change these dates (including the closing date) and times at its discretion, subject to the Listing Rules and Corporations Act.

SPP Record Date	22 July 2021
Announcement of SPP	23 July 2021
SPP Opens	30 July 2021
SPP Offer Document Dispatched	30 July 2021
SPP Offer Closes	13 August 2021
Announcement of SPP results	18 August 2021
SPP Allotment Date	24 August 2021
Quotation Date	24 August 2021

Additional details

Further details of the Acquisition and Equity Raising are set out in Vonex's Investor Presentation provided to ASX today. The Investor Presentation contains important information including key risks of investing in Vonex with respect to the Equity Raising.

Vonex plans to hold an investor webinar with a presentation from CEO Matt Fahey on 26 July 2021 at 11am AEST. Access is open to all shareholders and registration details will be lodged separately with ASX.

TCA Partners acted as financial advisor to Vonex on the Acquisition, Debt Facility and Equity Raising.

PAC Partners was sole Lead Manager to the Placement.

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

ENDS

For more details, please contact:

Matthew Fahey
Managing Director
Vonex Ltd

E: matt@vonex.com.au

T: +61 411 244 224

Nicholas Ong
Non-Executive Chairman
Vonex Ltd

E: nick@vonex.com.au

T: +61 424 598 561

Tim Dohrmann
Investor and Media Enquiries
NWR Communications

E: tim@nwrcommunications.com.au

T: +61 468 420 846

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.