

28 July 2021

## June 2021 Quarterly Shareholder Update and Appendix 4C

### Highlights:

- Vonex signed a binding agreement to purchase part of MNF Group's Direct Business in a transformative acquisition that increases Vonex's annualised recurring revenue (ARR) by approximately 70% and provides the Company with more than 5,250 new small-to-medium enterprise ("SME") customers
- Acquisition brings Vonex more than 180 new channel partners and delivers high quality earnings with a strong platform for future organic growth through cross selling internet and mobility products to Direct Business customers
- Funding secured for the acquisition as well as other growth initiatives, including a \$16 million credit facility from Longreach Credit Investors and a share placement raising up to \$12 million in equity, with a Share Purchase Plan (SPP) offered to existing eligible shareholders to raise up to an additional \$2 million
- Integration of Nextel operations completed as marketing efforts see the business unit secure its first significant infrastructure contract
- NBN Assure uninterrupted broadband service rolled out to partners following Q3 FY21 launch
- 2SG Wholesale delivers strong growth across mobile broadband, mobile voice and NBN with 4G backup
- Active subscribers of Vonex's cloud-based PBX phone service surpasses 45,000, with growth over the year to June 30 reaching 26%
- Cash balance of \$3.7 million as at 30 June 2021

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 30 June 2021.

### FINANCIAL COMMENTARY

- Unaudited sales revenue of \$4.8 million, with annualised recurring revenue of \$18.7 million as at 30 June 2021 (rising to \$31.7 million on completion of acquisition of the Direct Business)
- Cash receipts for the quarter totalled \$4.5 million
- As at 30 June 2021, the Company had approximately \$3.7 million of cash, ensuring sufficient funding to carry out its activities over the coming quarters

## OPERATIONS

### Acquisition of Direct Business

Vonex continued to deliver on its growth strategy, reaching a conditional term sheet during the quarter and a binding agreement in July to acquire part of MNF Group's (ASX: MNF) "Direct Business". The Direct Business sells cloud-based phone, internet and mobile services to SMEs and residential customers, as well as dedicated audio and video conferencing services.

The acquisition is transformational for Vonex, materially expanding the Company's footprint in the SME and residential markets across Australia, including the addition of approximately 5,250 new business customer accounts. It also significantly strengthens Vonex's channel partner network, bringing more than 180 experienced new partners through which the Company can reach new customers.

In FY21, the Direct Business delivered revenue (unaudited) of \$15.0 million of which 89% was derived from its SME segment and 11% derived from the retail segment. Close to nine in every \$10 of this revenue was recurring, with divisional EBITDA of \$5.5 million (unaudited) reported in FY21.

Vonex has capabilities across a significant majority of the business products and services provided by the Direct Business, ensuring a smooth transition. The transaction will also allow Vonex to sell into the new untapped segment of residential internet and mobile phone services.

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



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

Annualised Recurring Revenue ('ARR')



## Acquisition funding and capital raise

Consideration for the acquisition is \$31 million payable in cash, comprising \$20 million upfront on completion and \$11 million in deferred consideration payable in monthly instalments over the following 12 months. Vonex also benefits from \$1 million in wholesale credit which is offset in equal monthly amounts against the \$11 million deferred consideration.

The Acquisition and associated transaction costs are to be funded from the proceeds of a new debt facility and equity raise, in addition to existing cash reserves and future cashflows of the combined Vonex business and Direct Business.

Vonex secured a \$16 million debt facility from Longreach Credit Investors, which will be been fully drawn to partially fund the upfront consideration required under the terms of the Acquisition. Longreach Credit Investors provides customised private debt solutions to high quality corporate borrowers in Australia and New Zealand.

The Company also received firm commitments from new and existing sophisticated and institutional investors for the placement of 109,090,909 fully paid ordinary shares to raise \$12 million before costs ("**Placement**") which will be used to partially fund the Acquisition.

The Placement will be completed in two tranches. Tranche 1 will raise \$2.475 million with the issue of 22.5 million shares under Vonex's remaining Listing Rule 7.1 placement capacity. The second tranche is expected to raise \$9.525 million with the issue of 86.58 million shares, subject to shareholder approval at a meeting expected to be held on August 30<sup>th</sup>.

Vonex will open a Share Purchase Plan ("**SPP**") offer for eligible, existing investors. The SPP aims to raise up to an additional \$2 million.

Shares on offer via the Placement and SPP have been priced at \$0.11 each.

**Nextel integration completed**

The integration of the operations of Nextel Pty Ltd (“Nextel”), an industry leader in voice, data and communications networks, was completed in the quarter, six months on from when the acquisition was announced.

The Company is now engaged in promoting Nextel with proactive marketing campaigns which has already yielded a \$140k infrastructure contract.

The Company will continue to explore further synergies between the Nextel business and the Company’s existing operations to identify new opportunities to add value for Vonex’s business customers.

**NBN Assure**

The Company has rolled out its NBN Assure service to partners following the launch in Q3 FY21. NBN Assure is Vonex’s “always on” business broadband service. It is a first-to-market SME broadband offering that provides service continuity in the event of a localised or general NBN outage through a wireless 4G failover backup tool.

The product is highly valued by customers whose operations conducted online are impacted through network faults. NBN Assure also provides business continuity assurance for all critical systems and applications with static IP and cyberattack protection—features which are gaining a positive response from customers in both the wholesale and retail markets.

**2SG Wholesale**

2SG Wholesale delivered strong growth across key sales metrics in the June quarter. Compared to the same period last year, NBN and mobile voice sales grew by 59% and 137% respectively.

Vonex also delivered digital upgrades that increased product features and reduced costs. The Company deployed newly integrated billing and provisioning platforms across 2SG Wholesale as well as Nextel. 2SG Wholesale has also deployed its new B2B NBN ordering platform for wholesale customers, enabling touchless provisioning and service management—an essential feature as social distancing measures remain part of life in areas of Australia.

The Company expects to launch 5G services to its customers imminently, providing another significant value proposition to support sales. After having been selected by Optus as a key 5G partner, 2SG has now completed preparations for the launch, including the creation of a new Service Qualification and an automated ordering system for partners and customers. The Company expects this new product to contribute to revenue growth.

**Vonex Retail**

The Company’s retail division produced another quarter of robust results. In FY21, Vonex grew the number of SME retail customers by 25% year-on-year while Total Contract Value of new customer sales remained strong with Q4 representing a near record quarter and June the largest month of the financial year.

Vonex’s cloud-based PBX phone service surpassed 45,000 active subscribers during the period, with growth over the year to June 30 providing a 26% increase over FY20.

*Note 6 to Appendix 4C*

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

- Director fees and wages of approximately \$150k
- Company secretarial and accounting fees of approximately \$16k

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](mailto:matt@vonex.com.au)  
T: +61 411 244 224

Nicholas Ong  
Non-Executive Chairman  
Vonex Ltd  
E: [nick@vonex.com.au](mailto:nick@vonex.com.au)  
T: +61 424 598 561

Tim Dohrmann  
Investor and Media Enquiries  
NWR Communications  
E: [tim@nwrcommunications.com.au](mailto: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.

## 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")**

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,541	17,224
1.2 Payments for		
(a) research and development	-	542
(b) product manufacturing and operating costs	(2,999)	(11,180)
(c) advertising and marketing	(77)	(318)
(d) leased assets	-	-
(e) staff costs	(824)	(3,572)
(f) administration and corporate costs	(805)	(3,264)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(15)	(51)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	164
1.8 Other (provide details if material)	56	112
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(123)</b>	<b>(342)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) businesses (Nextel)	-	(334)
(b) businesses (2SG – stamp duty)	-	(137)
(c) property, plant and equipment	(17)	(49)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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)	-	(42)
<b>2.7</b>	<b>Net cash from / (used in) investing activities</b>	<b>(17)</b>	<b>(637)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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)	(57)	(174)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(57)</b>	<b>(174)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>3,855</b>	<b>4,812</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(123)	(342)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(17)	(637)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(57)	(174)
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,658</b>	<b>3,658</b>

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	3,629	2,766
5.2	Call deposits	29	1,089
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,658</b>	<b>3,855</b>

**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**

167

-

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	\$ 150,488
Company secretarial and accounting fees	\$ 16,288



**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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

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

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.

Vonex has signed 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 instalments over 12 months (the "Acquisition").

Vonex has received credit approval for a \$16 million debt facility from Longreach Credit Investors (the "Debt Facility") to partially fund the \$20m cash payable on settlement completion.

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

Vonex 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).

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(123)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,658
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,658
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	30

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.

3. 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: 28 July 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.