

29 April 2022

March 2022 Quarterly Shareholder Update and Appendix 4C

Highlights:

- Record quarterly revenue of \$10.2 million (+96% year-on-year (YoY))
- Increasing new business activity with small-to-medium enterprise (SME) customers drove quarterly total contract value for new customer sales of \$2 million, +61% YoY, with quarterly cash receipts of \$8.96 million +117% YoY
- More than 100,000 active users are now registered on Vonex's cloud-based private branch exchange phone service following the Company's acquisition of the Direct Business from MNF Group and Voiteck, representing growth of 129% YoY
- Wholesale division continues to deliver consistent growth, led by a leading product suite and investment in a world-class platform and user experience
- Annualised recurring revenue grew to ~\$35 million as at 31 March 2022, up 102% YoY
- Tech Services division (Nextel) wins \$150k contract to deliver infrastructure project for Sydney Harbour Federation Trust
- 2,000+ former MNF Direct Business customers have been successfully migrated to the Vonex network and PBX platform; all Voiteck customers on target to be migrated by 30 June 2022
- Vonex continues to advance M&A pipeline opportunities which offer the potential to expand Vonex's customer base, provide geographic presence in new markets and boost cross-sellable product diversity to drive growth in average revenue per user

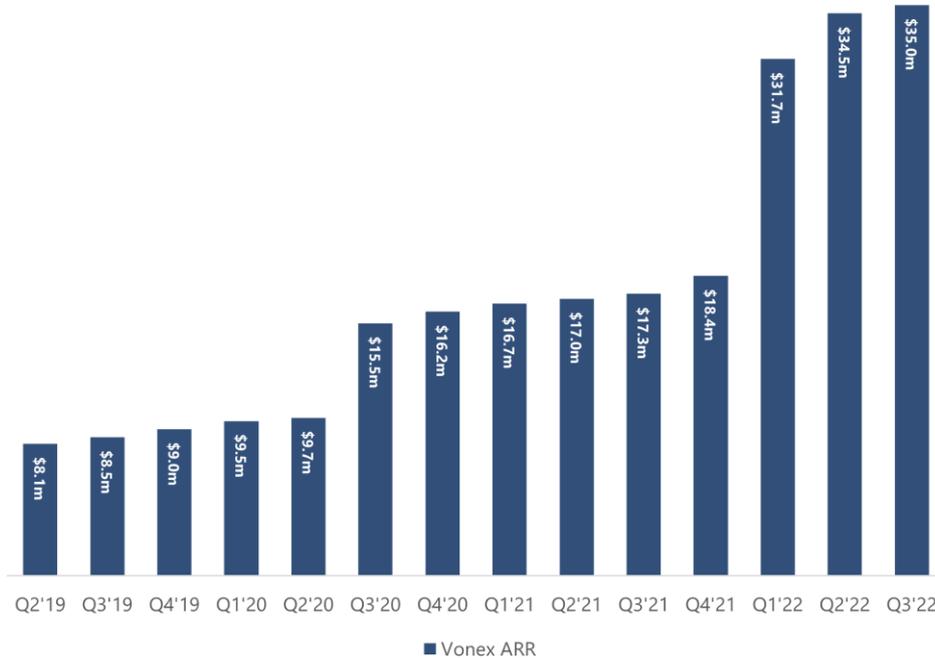
Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 31 March 2022. The quarter was marked by progress and growth across the Company's acquired business units: the Direct Business (acquired August 2021), Nextel (acquired February 2021) and 2SG Wholesale Division (acquired March 2020).

Financial Commentary

- Unaudited sales revenue for Q3 FY22 of \$10.2 million, a YoY increase of 96%.
- Annualised recurring revenue (ARR) of ~\$35 million as at 31 March 2022, up more than 102% YoY.
- \$8.96 million in cash receipts earned during the quarter, a year-on-year increase of 117% driven by a rapidly growing customer base and continued expansion of cross-selling and market share.
- Cash on hand of \$5.4 million as at 31 March 2022, ensuring surplus available liquidity for activities over the coming quarters.

The chart below shows Vonex’s delivery of consistent long-term growth in ARR.

Annualised Recurring Revenue ('ARR')¹



Retail Business at Record Levels, Growing Strongly

After successfully completing its transformational acquisition of the Direct Business operations from MNF Group in August 2021, the Company continues to deliver growth in contracted revenue through new and existing small-to-medium enterprise (SME) customers. Following record levels of revenue in both February and March, Vonex added total contract value (TCV) for new customer sales of \$2 million in the March quarter. This represents YoY growth of 61% and marks two successive quarters adding more than \$2 million of TCV.

Vonex has now attracted more than 100,000 registered active users to its cloud-based private branch exchange (PBX) phone service, a YoY increase of 96% and a key indicator of the Company's business development progress.

Direct Business Integration Progress

The Company has progressively ramped up its batched migration of former MNF customers to Vonex's network and PBX platform. The Company has planned and executed this project in close collaboration with Vonex channel partners, focusing on the total customer base associated with each partner. This has expedited the migration process by allowing all of a customer's products to be moved together, eg. mobile voice, NBN and hosted PBX.

For customers without channel partners involved, Vonex has pursued SIP trunk migrations, where VoIP technology is connected to on-premise equipment, and device type migrations, which focus on the model of the devices connected to the network and are largely automatable in large batches.

The Company has now successfully migrated more than 2,000 SME customers to the Vonex network and PBX platform. All migration types defined above are now happening simultaneously, accelerating the migration project which is now on target to complete by July 2022.

Wholesale Growth Continues

Vonex's Wholesale division (2SG) continued to deliver consistent growth in the March quarter, with quarterly revenues for NBN with 4G backup up by 31% YoY. Vonex's flagship IP voice product has also delivered ongoing growth with quarterly wholesale voice revenues up 35% YoY, with the strong sales increases across the product suite reflective of successful delivery of the Company's cross-sell / up-sell strategy.

Vonex continues to invest in developing and delivering a world-class platform and user experience for its wholesale customers. The Company has now delivered V1 of Fusion, its new platform facilitating automatic ordering and management of mobile services for wholesale customers. Vonex plans to provide a range of new features through subsequent updates to Fusion in the year ahead, including enhanced fleet management for clients with multiple services and controls around service suspension to better manage excess usage and prevent bill shock.

Tech Services Division Wins Harbour Trust Contract

Vonex has won a high-profile new customer for its Tech Services division, established following the Company's acquisition in February 2021 of Nextel, an industry leader in the design, installation and maintenance of voice, data and communications networks for business customers.

During the quarter, Vonex won a contract with Sydney Harbour Federation Trust ("Harbour Trust"), an Australian Government agency tasked with rehabilitating former Defence and other Commonwealth lands around Sydney Harbour, conserving their natural and built heritage. Vonex has been engaged to build a bespoke emergency public announcement system covering Cockatoo Island, a UNESCO World Heritage Site in Sydney Harbour.

The system will utilise SIP paging technology and 24-core fibre optic cabling to rapidly engage rangers and staff on the island with messaging in the event of emergency. The contract is valued at \$150k and the current phase represents stage 2 of the project, with potential for further work in subsequent stages.

Voiteck Integration Progress

In January 2022, the Company completed its acquisition of Voiteck, an established provider of voice and internet services to SME customers in South Australia. Since completing the acquisition, Vonex has rapidly integrated Voiteck into the Group, rebranding its Adelaide shopfront accordingly (pictured on following page).



To maximise operational efficiencies following the rebrand, new customer acquisition will be done via Vonex. However, the Company will continue to service the existing customer base under the Voiteck brand until migration has concluded, to ensure continuity of experience and avoid customer confusion.

Vonex has evaluated Voiteck's core technologies and identified key features which can be rolled out to improve the Company's operations elsewhere within the Group. These include customer relationship management software which integrates smoothly with Outlook 365 to boost account manager and channel partner efficiency.

Vonex plans to have all Voiteck customers migrated to the Vonex network by 30 June 2022.

Vonex Managing Director, Matt Fahey, said:

"We are pleased to report our continued delivery of our three-pronged growth strategy, focusing on growth in Retail, in 2SG Wholesale and through targeted acquisitions. Vonex remains focused on a proactive and disciplined M&A growth strategy, targeting profitable IT and telco businesses that offer potential for growth in revenue, profit and earnings per share.

"As part of this program, the Company continues to advance pipeline opportunities which offer the potential to expand Vonex's customer base, provide geographic presence in new markets and boost cross-sellable product diversity to drive growth in average revenue per user (ARPU).

"We continue to see a positive outlook for growth as the Company's customer base expands driven by market tailwinds."

CORPORATE

Cash Position

As at 31 March 2022, the Company had approximately \$5.4 million of cash and \$15 million drawn from a financing facility with Longreach Credit Investors. Vonex has \$3.7 million of deferred cash consideration payable to MNF Group in monthly installments, which the Company intends to repay through a combination of cash at hand and future cashflows from the business. The Company retains sufficient funding to carry out its activities over the coming quarters.

DISCLOSURE

Listing Rule 4.7C.1

The net operating cash inflow for the March 2022 quarter was \$1.86 million from cash receipts of \$8.96 million (December quarter: inflow of \$1.95 million on \$7.72 million in cash receipts).

Quarterly expenditure was in line with internal budgets and was focused on the following areas:

- Cost of goods relating to sales across the Wholesale and Retail divisions of \$3.7 million
- Transaction expenses associated with the acquisition of Voiteck of \$0.19 million
- Advertising and marketing including investments in cross-selling opportunities of \$0.12 million
- Employment, customer support, MNF migration and contractor costs of \$1.88 million
- Channel Partner training, support and expansion of \$0.08 million
- Maintaining and continual improvements to the Company's systems and data security of \$0.14 million

Note 6 to Appendix 4C

- Payments to related parties of the entity and their associates during the quarter:
- Director fees and wages of approximately \$152,385
- Legal fees of approximately \$35,004
- Company secretarial and accounting fees of \$13,500

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, 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.

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 2022

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	8,957	23,726
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,698)	(10,945)
(c) advertising and marketing	(124)	(312)
(d) leased assets	-	-
(e) staff costs	(1,746)	(4,414)
(f) administration and corporate costs	(1,651)	(3,963)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(17)	(54)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	3	3
1.8 Other (provide details if material)	138	269
1.9 Net cash from / (used in) operating activities	1,862	4,310
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) businesses (Nextel and MNF)	(4,034)	(28,976)
(b) businesses (stamp duty)	-	-
(c) property, plant and equipment	(11)	(277)
(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	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(4,045)	(29,253)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	14,000
3.2	Proceeds from issue of convertible debt securities	-	(644)
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	-	16,000
3.6	Repayment of borrowings	(500)	(1,000)
3.7	Transaction costs related to loans and borrowings	(306)	(1,681)
3.8	Proceeds from lease liability borrowings	-	169
3.9	Payments for lease liabilities (excl. interest charged)	(69)	(185)
3.10	Net cash from / (used in) financing activities	(875)	26,659

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,432	3,658
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,862	4,310
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(4,045)	(29,253)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(875)	26,659
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,374	5,374

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	5,374	8,339
5.2	Call deposits	-	-
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)	5,374	8,339

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
201
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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	\$ 152,385
Company secretarial and accounting fees	\$ 13,500
Legal fees	\$ 35,004

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	16,000	15,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	16,000	15,000

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 entered into a \$16 million debt facility from Longreach Credit Investors. Longreach Credit Investors provides customised private debt solutions to high quality corporate borrowers in Australia and New Zealand.

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.

Provided Vonex maintains a pro forma net debt / LTM pro forma EBITDA^[1] 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).

^[1] 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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	1,862
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,374
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,374
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:

1. 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

2. 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

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

Date: 29 April 2022

Authorised by:
Daniel Smith – Company Secretary

Notes

- 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.
- 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.
- 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.

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

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.