

18 December 2020

Vonex Announces Highly Accretive Acquisition of Nextel

Highlights:

- **Vonex agrees to acquire the business, operations and customer base of Nextel – an established provider of telecommunications services, connectivity solutions and hardware – for total consideration of approximately \$1.575 million, primarily in escrowed shares**
- **Transaction viewed as highly accretive to earnings and cashflow, valuing Nextel at approximately 0.8x FY20 revenue and 3.5x FY20 EBITDA**
- **Acquiring Nextel provides a strong boost to Vonex's annualised recurring revenue (ARR), with group ARR expected to increase to more than \$18 million on completion**
- **Strategically compelling acquisition, which will allow for cross-selling and product expansion opportunities, while substantially expanding Vonex's SME customer base, carrier relationships and presence in the key New South Wales market**

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to announce that it has entered into a binding term sheet with Nextel Pty Ltd ("Nextel") to acquire Nextel's business and operations as a going concern.

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.

Nextel has grown since 1990 to become a meaningful single-source provider to businesses not just in structured cabling, telephony systems and electrical fit outs, but also in rolling out fibre, RFID and wireless networks to large-scale projects.

Headquartered in Sydney and with offices in Brisbane and Melbourne, Nextel's national footprint allows the group to service businesses in remote locations. Its professional services team has rolled out systems from micro 4-5 handset users up to 1,000-end enterprise users.

Nextel brings long-term relationships with tier-1 carriers, network partners and customers spanning a range of industries, including LJ Hooker, Endemol Shine Australia, 4 Pines Brewing Co, Lifeline and the Sydney Harbour Federation Trust.

The acquisition is subject to Vonex completing legal and financial due diligence to its satisfaction, which is likely to complete prior to 29 January 2021, and to Vonex not receiving notification from the ASX that Listing Rule Chapter 11 applies to the acquisition.

Total consideration for Nextel's business and operations is approximately \$1.575 million, payable on completion of the transaction, comprising:

- 5,502,795 ordinary shares at a deemed issue price of A\$0.229 (being the volume-weighted average price of Vonex shares for the past 30 trading days), to be escrowed for 12 months post issue ("Consideration Shares");
- A\$315,000 in cash; and
- An amount in cash equal to the cost of tangible stock items as at completion.

The consideration brings Nextel's goodwill, staff and equipment, intellectual property, wholesale contracts with several major telecommunications companies, all end user customers being serviced by Nextel, stock and no debt.

The consideration represents a multiple of approximately 0.8x FY20 revenue and 3.5x FY20 earnings before interest, tax, depreciation and amortisation (EBITDA), making the acquisition accretive to the Company's earnings and cashflow. The acquisition will provide an immediate boost of approximately \$1 million to the Company's base of annualised recurring revenue ("ARR").

The conservative cash component of the total consideration helps to preserve Vonex's cash position, while also highlighting the belief that the Nextel vendors have in Vonex continuing to grow the combined businesses and generating attractive returns for shareholders.

Synergies and Strategic Rationale

Through its experience following completion of the acquisition of 2SG Wholesale in February 2020, Vonex has successfully demonstrated its ability to integrate targets of this type in a way that adds value to vendors, shareholders and customers.

There is a clearly unmet need among Australian SMEs for telco services that are reliable, affordable, flexible, scalable and friendly to the new 'work from home' paradigm. Vonex's strong focus on product-market fit, efficiency and customer satisfaction strongly resonates with SME customers, and acquiring Nextel enhances the Company's ability to service this market.

The Company views Nextel's capabilities as highly complementary to those of Vonex, focusing on:

- Immediate efficiency on margin on services revenue and at the wholesale supplier level;
- Expertise in network infrastructure and cabling, representing a new service which Vonex can commence offering to its channel partners; and
- Nextel's established presence across several niche verticals and strong standing in the NSW market (see Appendix attached outlining key Nextel customers and testimonials)

Vonex Managing Director, Matt Fahey, said:

"We are delighted to welcome Nextel to the Vonex group. Acquiring Nextel represents an ideal fit within our established M&A strategy, through which we focus on gaining scale in attractive markets while adding value for customers by expanding our cross-selling range of telco products and services."

"In Nextel, we see many of Vonex's existing characteristics in terms of capability and culture, which provides us with confidence that we can integrate the business quickly and simply. The acquisition of Nextel's established operations will provide an instant expansion of the Company's customer base, particularly in the key NSW market, and will be highly earnings-accretive.

"With a strong debt-free balance sheet and supportive institutional shareholders, Vonex is increasingly well-positioned to gain scale as we continue to execute our three-pillar growth strategy across Retail, Wholesale and Acquisition. We look forward to growing more rapidly and profitably as we integrate Nextel's operations into Vonex's fast-growing existing business."

Nextel's founder and Managing Director, Cameron Lyndon-James, is an experienced entrepreneur and SME Telecommunications industry leader. Having started in the industry in the early stages of deregulation, Cameron has seen the telephony and voice industry change several times and has remained at the forefront of telecommunications for over 30 years. A former Young Australian of the Year Finalist, and a commercial pilot, Cameron's business acumen, industry reach and experience will bring tremendous value to the Company.

Nextel Managing Director, Cameron Lyndon-James, said:

"Vonex is the most exciting junior listed telco company I've seen emerge in the telecommunications space. I've thoroughly enjoyed watching Vonex achieve its milestones. My staff and I are extremely proud to join the Vonex team and start bringing complementary products and services to Vonex's Channel Partner network."

PAC Partners Securities acted as Financial Adviser to Vonex and Nash Advisory acted as Financial Adviser to Nextel.

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.