

Chairman's Letter

Dear shareholders,

I am pleased to present the 2021 annual report for Vonex Limited, a year marked by our growing presence in Australia's telecommunications market.

The Company ended FY21 having built on its position as a trusted national provider of wholesale and retail communication services. We have now built the business, both organically and via strategic M&A, to a point where more than 8,500 businesses rely on Vonex. This comes at a time when business interconnectivity is at the centre of any response to the unpredictable operating environment. As our customers looked to their telecommunications partners for support during a COVID-disrupted FY21, Vonex was able to provide uninterrupted connectivity and unlock the benefits of an expanded mix of complementary products and services.

FY21 was a strong year for organic growth initiatives.

Leveraging an improved competitive position, Vonex extended its blue-chip customer base. A subsidiary of one of the ASX's largest information technology services companies, Data#3, joined as a customer during the year. We were also proud that the global enterprise division of Orange, the European multinational telecom, engaged Vonex to support the Australian launch of its new products. This multi-year agreement with Orange Business Services exposes Vonex to end customers in a range of industries including automotive, mining, energy and government services.

The launch of NBN Assure late in the year was another significant milestone. The enterprise grade broadband service is a brand-aligned, first-to-market product that offers SME's unlimited speed and data with service continuity assurance through a 4G backup.

FY21 was also the first full year since the 2SG Wholesale business was acquired. Our integration efforts put downward pressure on both variable and fixed costs flowing from network and operational efficiencies. This provided cross-selling opportunities that have become key to our competitive standing in the market. And crucially, the results of 2SG's successful integration have validated the strategic rationale of Vonex's growth agenda.

Our confidence in value accretive M&A and integration led us to the acquisition of Nextel Pty Ltd in February 2021. The addition of Nextel's business increased our presence in the small-to-medium enterprise market in New South Wales. It also offered Vonex added capabilities to target new build infrastructure projects, evident by the winning of a \$140k infrastructure roll-out, which we hope is one of many to come. Nextel operations was successfully integrated into Vonex within four months, which is credit to our team.

For the 2021 financial year the Company achieved gross revenues exceeding \$19.2 million and a statutory loss of \$3,984,788. Importantly, Vonex recorded an underlying EBITDA profit, excluding Oper8tor development expenses and extraordinary items, of \$593,126 (30 Jun 2020: EBITDA profit \$36,860).

	30 / Jun / 21	Restated 30 / Jun / 20
Statutory profit (loss) after tax	(\$3,984,788)	(\$705,964)
Add back:		
Tax expense (benefit)	(\$125,595)	(\$41,865)
Disposal of mining royalties	\$0	(\$1,750,000)
Net finance (income)/expense	\$57,866	\$50,368
Share based expense payments *	\$1,269,776	\$770,573
Operator Development expense **	\$332,825	\$997,001
Non-recurring expense	\$908,937	\$0
Bad and doubtful debts expense	\$82,016	\$11,623
Advisory and legal expenses pertaining to new acquisition and targets	\$422,641	\$136,868
Impairment expense	\$771,319	\$0
Depreciation and amortisation	\$858,129	\$568,256
Underlying EBITDA***	\$593,126	\$36,860

* Share based expense payments are a non-cash outlay. These expenses are reported book valuations placed on share issue related transactions that have occurred during the reporting period and in order to meet reporting requirements under the Australian Accounting Standards.

** Expenses will be considered for inclusion in the Company's 2020-21 financial year R&D claim in accordance with Australian Taxation Office guidelines.

*** The underlying EBITDA result for the 2021 financial year does not include any contribution from the MNF direct business recently acquired in August 2021 or the seven months of Nextel's 2021 financial year EBITDA pre acquisition of circa \$135,000.

The acquisition of part of MNF Group's Direct Business, announced in June 2021 and completed in August 2021, will deliver yet another transformation in the competitive position of Vonex in the Australian telecommunications market. The transaction adds more than 5,250 new small-to-medium enterprise customers and more than 180 new channel partners. Whilst Vonex enjoys revenue growth of more than 40 per cent in FY21, the combined Vonex and Direct Business will deliver a significant improvement in scale, resulting in a combined pro forma FY21 Revenue of \$34.2m and \$6.3 million of EBITDA.

Market response to the acquisition has been overwhelmingly positive, driving an oversubscribed equity raise that followed the announcement.

Our team has demonstrated its capacity to incorporate the operations of an acquired business and realise the potential value. I look forward to watching how far forward this latest acquisition will take Vonex.

Vonex's strengthened competitive position and continued focused on disciplined growth comes at a time of great opportunity in the telecommunications market. What were originally seen as transitory trends in 2020 have revealed themselves to possess a greater structural makeup than many had thought. This has increased demand for the communications tools necessary for decentralised workforces to remain connected to colleagues, customers and other stakeholders.

In mobile broadband, the step-change in speeds accessible with 5G and the associated drop in latency will allow enterprise customers to consider new and broader products and services. This in turn will mark another leg up in the overall market size for enterprise communication services. In the second half of FY21, Vonex announced that it had been selected by Optus as a partner as it rolls out a 5G network in Australia. Starting from FY22, this will offer our Company yet another exciting opportunity for organic growth.

The fluid operating environment created both challenges and opportunities for Vonex in FY22, and thanks to the commitment of our executive team led by Matt Fahey and our valued employees, we are ready to extend our reach as an emerging leader in the telecommunications market. I look forward to your support in the year ahead and keeping you updated on our progress.

Nicholas Ong
Non-Executive Chairman
Vonex Ltd

