28 February 2023

Financial Results for the Half-Year Ended 31 December 2022

Telecommunications innovator Vonex Limited (ASX: VN8) is pleased to provide its Interim Financial Report for the six months ending 31 December 2022 ("H1 FY23").

Highlights:

- **Continued delivery of Retail and Wholesale sales growth strategies drove Vonex to deliver H1 FY23 revenue of $21.1 million, +40% from H1 FY22**

- **Vonex delivered underlying EBITDA[1] of $3.7 million, +14% from H1 FY22**

- **Annualised recurring revenue (ARR) of ~$50 million as at 31 December 2022, +45% year-on-year**

Financial Highlights

Vonex achieved revenue of $21.1 million in H1 FY23, a year-on-year (YoY) increase of 40%. The Company delivered underlying EBITDA[1] of $3.7 million, a YoY increase of approximately 14%.

The result includes an impairment expense of ($19,461,347) across the Company's goodwill assets, based on conservative forecasting due to uncertain economic conditions globally.

The result also reflects an important timing issue regarding the OntheNet transaction. Vonex agreed effective entitlement to revenue and profits of OntheNet from 1 September 2022 in the sale agreement. Although the transaction completed on 27 October 2022 as planned, due to accounting policies around the timing of these two events, neither the revenue nor profit from 1 September 2022 to 31 October 2022 is recorded in the HY results.

Operational Highlights

H1 FY23 was marked by progress in executing the Company's strategy to grow organically as well as through targeted M&A, which has seen Vonex acquire several complementary business units: OntheNet (acquired October 2022), Voiteck (January 2022), the Direct Business (August 2021), Nextel (February 2021) and 2SG Wholesale Division (March 2020).

The Company's near-term priorities are to maintain a strong organic growth trajectory while consolidating and fully integrating acquisitions, maximising synergies, driving operational cost efficiencies and building a consistent and success-oriented culture.

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[1] Underlying EBITDA excludes share based payment expenses; acquisition, integration, migration and capital raising costs; the fair value of contingent consideration for the Voiteck acquisition; the impairment of goodwill associated with acquisitions and includes the results of the acquired OntheNet business as if included for the whole of H1 FY23 (based on vendor provided unaudited management accounts).

Vonex continues to focus on continuously improving customer experience, and through further innovation aims to positively redefine the way telecommunications are perceived in Australia.

Vonex Retail

The Company continues to achieve increases in contracted revenue through new and existing small-to-medium enterprise (SME) customers, with step-change growth delivered by Vonex's successful acquisition of the Direct Business operations from MNF Group in August 2021.

Following record levels of revenue in H2 FY22, Vonex added total contract value (TCV) for new customer sales of $4.5 million in H1 FY23. This represents YoY growth of 13% and helped the Company to achieve annualised recurring revenue (ARR) of ~$50 million as at 31 December 2022, up approximately 45% year-on-year.

During H1 FY23 Vonex finalised its rollout of pre-paid billing for consumer customers, targeting tighter credit management across this growing base of customers. The business actively targets SME customers through its extensive Channel Partner network, but has also - through acquisition and organic channels - built a meaningful consumer customer base.

The Company's Retail sales growth strategy focuses on five key pillars:

1. Expansion of Channel Partner network for acquisition of new SME customers

2. Continuous improvement from inbound direct sales team servicing enquiries and facilitating new sales in conjunction with Partners

3. Outbound direct sales to target higher average revenue per user (ARPU) business customers with more complex requirements

4. Optimising customer experience through inbound Consumer Sales teams to handle enquiries from consumers

5. Customer retention and growth team focuses on increasing ARPU of existing customers and reducing churn

These sales strategies are executed by state-based service delivery personnel to ensure the highest levels of end customer satisfaction at connection.

Vonex Wholesale (2SG Wholesale)

Vonex's Wholesale division showed continued growth in H1 FY23, with HY revenues for internet services up by 22% YoY. Vonex's flagship IP voice product has also delivered ongoing growth, with HY wholesale voice revenues up 28% YoY. These strong sales increases across the product suite are reflective of successful delivery of the Company's up-sell strategy.

Vonex has now completed the network build to NBN, integrating directly to NBN's 121 Points of Interconnect. This delivers Vonex more streamlined ordering and management systems and improved cost to deliver NBN. The Company is now moving to consolidate all NBN services to this network from other wholesale suppliers.

When complete, Vonex's NBN strategy will be back boned by the OntheNet infrastructure and engineering team. The Company's acquisition of OntheNet expedited this project and significantly reduced network operation costs, which will now facilitate the best commercial and technical platform for the delivery of Business Broadband services nationwide.

During the period, 2SG Wholesale launched a new Platform Delivery and integration as a Service (PDaaS) initiative which targets managed service providers (MSPs) and telco operators who want more than just connectivity from their wholesale partner. This initiative, launched at the CommsDay Wholesale Summit in November 2022, leverages the development and innovation capabilities throughout the Company and delivers custom solutions that integrate to the partner's ecosystem. The projects that Vonex has previously delivered for Telco in a Box and more recently More Telecom showcase this ability.

Partnership with More, Telco Partner of CBA

In June 2022, Vonex partnered with telecommunications service providers More Telecom Pty Ltd and Tangerine Telecom Pty Ltd ("More") to become More's exclusive provider of hosted PBX services. This partnership sees Vonex deliver a new hosted PBX and IP telephony enablement platform for More's new and existing SME customers. More has committed to bring all existing Hosted PBX business services from their own network to Vonex's platform as part of the partnership.

The initial minimum viable product (MVP) has been developed and quality assurance testing has been successful. This has been completed ahead of the target date and now triggers the commencement of trialling new customer onboarding through More's channels including the CBA. This development milestone has triggered the migration of the existing Hosted PBX services from More Telecom, bringing approximately 9,000 users to Vonex over time.

M&A Integration Progress

During H1 FY23 Vonex remained 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. Across multiple acquisitions, Vonex has successfully demonstrated its ability to identify, acquire and integrate complementary, high-quality ICT companies that add value to shareholders and customers. To advance that strategy further, during H1 FY23 Vonex acquired Network Technology (Aust) Pty Ltd trading as OntheNet.

OntheNet provides data network, voice and hosting/colocation services primarily to business customers across Australia. It also brings ownership of its fully redundant core network, peering at major Australian Internet Exchange Points (IXPs) and a Tier 3 Data Centre located on the Gold Coast. OntheNet's highly skilled workforce, including a large engineering team with strong capabilities in data networking, were onboarded during the period and are contributing to the Company's mission.

The acquisition of OntheNet, which completed on 27 October 2022, significantly expanded Vonex's data network capabilities and introduced new product offerings in colocation and hosting. Vonex paid total consideration of approximately $9.8 million for OntheNet, comprising $7.7 million in cash and 27,098,743 ordinary shares at a deemed issue price of $0.0709 per share (being the volume-weighted average price of Vonex shares for the 10 trading days to 5 October 2022), which are escrowed for 12 months from issue. The issue of shares is contingent upon customer related metrics in the 12 months post completion.

Following Vonex's acquisition in January 2022 of Voiteck, an established provider of voice and internet services to SME customers in South Australia, the acquired business integrated well into the Vonex stable in H1 FY23. During the period, Vonex migrated Voiteck's voice infrastructure into its own core network, thus improving performance, reliability and product offering for its customers. Voiteck also significantly reduced its supply costs by upgrading from legacy ISDN to Voice over Internet Protocol (VoIP) technology.

All branding, finance, technical and billing integration is now complete. With Voiteck delivering growth in direct sales of both Fixed and Mobile services, the business unit is the template for the direct sales strategy across the group.

Through its integration of the Direct Business, the Company has continued to deliver its phased migration of former MNF customers to Vonex's network and PBX platform. During the period, Vonex optimised its migration methods for customer experience and retention outcomes rather than 'speed at all costs'.

December saw the completion of the MNF SME hosted PBX customer base migration. March 2023 will see the commencement of the Consumer migration which Vonex aims to complete in FY23. Although revenue from all migrated and unmigrated former MNF customers accrues to Vonex throughout this process, the complexity and extended timeframe to migrate customers has consumed the attention of channel partners and account managers, which has temporarily impacted the run rate for new sales. That said, the Company has invested into new sales strategies which Vonex anticipates will contribute to stronger organic growth in FY24 under the lead of the newly appointed Chief Revenue Officer, detailed below.

Corporate

Following Voiteck's achievement of financial performance milestones in H1 FY23, in November the Company issued 1,208,743 fully paid ordinary Vonex shares to the vendors of the Voiteck business and a cash payment of $525,206. The new shares had a deemed issue price of $0.11019, being the volume-weighted average price of Vonex shares for the 10 trading days to 14 December 2021, and are subject to escrow for between 6 and 24 months from issue.

Also during the period, Vonex received $250k from Vox Royalty, being the second tranche of consideration for the sale of the Company's entitlements to a royalty derived from the Koolyanobbing Iron Ore Project. The agreement to dispose of the royalty (which was connected with the Company's previous business operations, prior to 2016) was disclosed to the ASX on 23 April 2020. Under the agreement, Vonex could earn additional consideration from the royalty sale of up to $750k (with $250k for the first milestone now met). The Company will advise the market if and when the second and final milestone of $500k is achieved in the future. There are no other outstanding matters associated with the Company's previous business operations.

Board Appointments

During H1 FY23, Vonex announced the appointments of Stephe Wilks as Non-Executive Chair and Brent Paddon as Non-Executive Director.

Stephe Wilks is an experienced company director with a long record leading successful global technology companies in high growth and disruptive industries. He has headed several Australian and international telecommunications and technology companies, including as Regional Director (Asia and Japan) Regulatory Affairs for BT Asia Pacific, Managing

Director of XYZed Pty Ltd (an Optus company where Stephe developed and managed Australia's first competitive broadband wholesaler), Chief Operating Officer of both Nextgen Networks and Personal Broadband Australia, and as Consulting Director of NM Rothschild and Sons. Stephe is currently a Non-Executive Director of Bluglass Limited (ASX: BLG) and EP&T Global Limited (ASX:EPX).

Brent Paddon is an experienced company director and manager with over 25 years' experience in the telecommunications and IT services sectors. After completing a Bachelor of IT from QUT in 1996, Brent co-founded Brisbane Internet Technology which was sold to Asia Online in 1999. He then held senior management roles at WebCentral and PIPE Networks and subsequently co-founded Over the Wire (OTW) in 2007, which listed on the ASX in 2015. Based in Brisbane, Brent additionally holds a Graduate Diploma in Business Administration from QUT.

Both Stephe and Brent were Directors of Over the Wire Holdings Limited (ASX: OTW) (Brent as co-founder) prior to its acquisition in March 2022 by Aussie Broadband Limited (ASX: ABB).

Board Changes

As part of the changes at Board level, Nick Ong stepped down from the role of Chairman in October 2022, while staying on as a Non-Executive Director. Non-Executive Director Winnie Lai Hadad did not stand for re-election at the Company's 2022 Annual General Meeting. The Company thanks both Nick and Winnie for their contributions to the Company and for their roles in fostering Vonex's growth over several years.

Executive Appointments

Declan O'Callaghan has been promoted to Chief Revenue Officer. In this role Declan will manage a portfolio of sales and marketing teams focused on driving organic revenue growth.

Declan joined Vonex as founder and Managing Director of the Voiteck business which Vonex acquired during H1 FY22. He is a qualified Electrical Engineer with over twenty years in telco and IT and is a former Head of Vodafone Australia's small business channel.

Paul Pyyvara has been promoted to Chief Operating Officer. In this role Paul will hold responsibility for Customer Service, Operations, Billing and Compliance.

Paul joined Vonex as Head of Operations for the OntheNet business which Vonex acquired during H1 FY23. He has worked in executive technical, operational and governance roles at OntheNet since its founding in 1995, helping to grow the company through a focus on business, corporate and government clients. This enabled OntheNet to own a niche in the local market which has extended to national service delivery. Paul was previously a Senior Network Engineer at Bond University where he was involved with establishing connectivity into the Australian Academic and Research Network (AARNet), the precursor to today's Internet.

Change of Address

Vonex advises that with immediate effect, the registered office and principal place of business for the Company will be:

Level 6, 303 Coronation Drive

Milton QLD 4064

This announcement has been authorised for release by the Board of Vonex Ltd.

ENDS

For more details, please contact:

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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.