29th November 2019

Vonex Announces Acquisition of 2SG Wholesale

HIGHLIGHTS

- Vonex agrees to acquire the operations and customer base of 2SG Wholesale – an established wholesale provider of hardware and connectivity solutions – for consideration of $2.66 million, predominantly in escrowed shares

- Transaction viewed as highly earnings-accretive, with 2SG Wholesale expected to generate FY21 EBITDA of approximately $750k

- Acquiring 2SG Wholesale provides a strong boost to Vonex's annualised recurring revenue, with group ARR expected to increase to more than $14 million on completion

- Strategically compelling acquisition, which will allow for a range of cross-selling and up-selling opportunities, while substantially expanding Vonex's wholesale partners from 20 to 160+ post-acquisition

ACQUISITION OF 2SG WHOLESALE

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to announce that it has entered into a binding term sheet with 2SG Wholesale Pty Ltd ("2SG Wholesale") to acquire 2SG Wholesale's business operations as a going concern.

2SG Wholesale is a telecommunications and data wholesaler based in Brisbane, Queensland which provides Australian Managed Service Providers, ISPs and System Integrators with access to the latest in hardware and connectivity solutions from leading brands.

2SG Wholesale's mobile broadband capability provides Australian ISPs the opportunity to sell a wireless broadband solution via the Optus 4G Network. Integration with Australia's premier carriers facilitates the delivery of the latest fixed line, mobile connectivity and hardware solutions country-wide.

The acquisition is subject to Vonex completing legal and financial due diligence to its satisfaction, which is likely to complete prior to January 15th 2020.

Consideration for 2SG Wholesale's business operations is A$2.66m, comprising:

- 21,578,947 ordinary shares at a deemed issue price of A$0.10 to be escrowed for 12 months post issue; and

- A$500,000 in cash on completion of transaction

The consideration brings 2SG Wholesale's proprietary billing and provisioning systems, staff and equipment, contracts with major telecommunications companies, 140 wholesale customers, stock and no debt.

The conservative cash outlay helps preserves the Company's cash position, while also highlighting the belief that the 2SG Wholesale vendors have in Vonex taking the combined businesses to the next level and generating attractive returns for all shareholders.

SYNERGIES & STRATEGIC RATIONALE

A Successful and Complementary Business: Based in Brisbane, 2SG Wholesale has established a substantial market presence and a solid platform for growth in the telecommunications wholesaling market. In FY19 the group achieved revenue of close to $7 million, with revenue from mobile broadband a key growth driver.

2SG Wholesale brings long-term relationships with tier one carriers and network partners including Optus, NBN Co and i-Seek Communications.

Vonex will book the revenue generated after settlement of the transaction, which is expected on 1 February 2020. Following that, 2SG Wholesale is expected to generate EBITDA in the first financial year post acquisition (FY21) of approximately $750k. It brings a highly capable and experienced team that is well positioned and incentivised to drive further growth, and a dedicated technical support team.

Greater Scale Brings Better Value for Customers: This acquisition presents an opportunity to expand Vonex's existing wholesale business from 20 to 160+ wholesale partners and increase revenue considerably over the medium term. 2SG Wholesale's existing relationships are valuable in facilitating better support, rates, control of customer internet and cost of supply. Notably, 2SG Wholesale's direct relationships with Optus fixed and mobile and NBN bring direct POP access to several interconnects.

Expansion and Cross-Selling of Products and Services: 2SG Wholesale's proprietary wholesale provisioning and billing platforms will empower the Company to immediately expand the breadth of products offered to existing Vonex wholesale customers. With no voice products currently offered by 2SG Wholesale, the acquisition also provides an immediate opportunity to offer Vonex-hosted Private Branch Exchange (PBX) connections to 140 new wholesale customers.

Proposed Director – Jason Gomersall

Following completion of the proposed acquisition, co-founder of 2SG Wholesale, Jason Gomersall, will join the Vonex board as a Non-Executive Director.

Mr Jason Gomersall is a former Director of 2SG Wholesale and is the Founder, CEO and Managing Director of i-Seek Communications. Jason has long been at the forefront of the telecommunications industry and the mobile phone market since being one of the foundation franchisees of the Optus World chain of retail stores in the 1990s.

Building on more than 25 years' experience in the telecommunications industry, Jason has been instrumental in establishing and cementing i-Seek's commanding presence in the Data Centre market by providing services that are built on availability, agility, security and sustainable and efficient energy practices, including leading-edge power and cooling technologies.

Under Jason's leadership, i-Seek has also been appointed to the Australian Federal Government's whole-of-government data centre panel. I-Seek is one of a select group of panel members that have been selected to provide State and Federal Government agencies with data centre facilities and services over the next five years.

Vonex Managing Director, Matt Fahey, said:

> *"The acquisition of 2SG Wholesale's established operations will provide an instant expansion of the Company's wholesale customer base, and will be highly earnings-accretive. It will empower Vonex to add value to our wholesale and retail customers through better network access, new proprietary billing and provisioning systems and the latest telco products and services. We look forward to growing more rapidly and profitably as we integrate 2SG Wholesale's operations into Vonex's fast-growing existing business."*

2SG co-founder and proposed Vonex Non-Executive Director, Jason Gomersall, said:

"Vonex is a business I have watched with keen interest through an exciting period for the Australian telco industry with the rollout of the NBN. I view 2SG Wholesale and Vonex as highly complementary businesses and I look forward to helping to drive the growth of our combined group.

"I am excited to have the opportunity to join the Vonex Board. I believe with my industry experience and expertise, I can make a meaningful contribution during this exciting growth phase."

ABOUT 2SG WHOLESALE

2SG Wholesale is a telecommunications and data wholesaler which provides Australia's Managed Service Providers, ISPs and System Integrators with access to the latest in hardware and connectivity solutions from leading brands.

- 2SG offers a range of integrated products and services, including:

- Mobile services including high speed mobile broadband, mobile voice and home wireless broadband

- Wholesale NBN products offering the latest in fixed line connectivity (via Direct Point of Interconnect (POI) and via Optus Wholesale)

- Integrated solutions for voice, video and collaboration services including public switched telephone network, Rebill and Unconditioned Local Loop (ULL) bundles

- Connected hardware including modems, routers and mobile devices

- Integrated software solutions which includes 2SG Wholesale's one-touch business management system

- Integration with the country's premier communications carriers

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.