



Vonex Limited

New user growth to drive 6x increase in revenue

Vonex is a full-service, award-winning telecommunications service provider. Through its Retail division, the group sells mobile internet, traditional fixed lines, hosted Private Branch Exchange (PBX) and Voice over Internet Protocol (VoIP) services – predominately to SMEs. The company also provides white-label products to wholesale customers. In addition, Vonex’s R&D arm develops new technologies; in the Dec 2018 quarter, the group will be beta testing its Oper8tor App, a multi-platform social media application, prior to a soft-launch in Europe.

In June 2018, Vonex Limited (ASX:VN8) listed on the ASX after completing a A\$6m IPO. After paying down debt and converting bonds to equity, VN8 is now debt-free; the strong balance sheet should allow the group to leverage off the Federal Government’s National Broadband Network (NBN) rollout and embark on a major marketing drive to increase its registered PBX user base. In August 2018, VN8 announced a partnership with NASDAQ and TSX-listed CounterPath. We see VN8’s marketing and partnering agreement with CounterPath – a well-regarded supplier of softphone technology – as a major positive. Having an official softphone platform expands Vonex’s product offering, and should, we believe, assist in acquiring new customers and expanding revenue streams from existing customers.

Forecast increase in PBX customers and revenue

On 20 August 2018, VN8 announced that Vonex Telecom hit 24,000 registered active PBX users as at the end of July 2018 and was expanding this base at a rate of 500 users per month. As the group’s marketing and new business initiatives kick into gear in the new year (January 2019), we estimate new users increasing to over 2,000 per month by June 2019. Longer-term, we forecast VN8’s PBX user base increasing at a rate of 3,000 per month out to June 2022. Predicated on this new customer growth rate, we forecast revenue at the Retail operations increasing over 6 times from A\$7m in FY18A to A45m in FY22E.

We assume a relatively flat revenue profile at the Wholesale division level. With Oper8tor at a relatively early stage in its development path and, bearing in mind the forecast risk attached to the timing and quantum of revenue, we assume zero revenues from this source over our forecast period. Predicated on the above, we forecast VN8 group revenue increasing from A\$8.1m in FY18A to A\$45.8m in FY22E. This represents a four-year CAGR of 54%.

SOTP Valuation: 28c per diluted share

Our DCF for VN8’s telcom business (Retail and Wholesale) is A\$91m - equivalent to 52c per diluted share. Predicated on our forecast earnings profile, we calculate VN8’s two-year rolling (diluted) EPS at 1.1c. At an assumed 2-year PE multiple of 15x, we calculate an EPS/PER multiple valuation for VN8 of 16c (rounded). With VN8’s telecommunications business in its ramp-up phase, we suggest that a 100%-weighted PER valuation underestimates the company’s intrinsic value; conversely, we suggest that (in the absence of corporate activity) a 100%-weighted DCF valuation is too “long-dated”. Attaching 25% weighting to our DCF valuation, and 75% weighting to the PER valuation, we calculate a target price for VN8’s telco business of 25c (rounded) per diluted share. Adding in a nominal A\$5m for the early-stage Oper8tor App, we calculate a group target price of 28c.

At current share price levels of 13c, we calculate that VN8 offers significant upside relative to our 12 months target price of 28cps. **We initiate coverage on VN8 with a Speculative Buy (Higher risk) recommendation.**

26 September 2018

Share price: A\$0.13

Target price (12mth) A\$0.28

Recommendation
Speculative Buy

Risk Assessment
Higher

Telecommunications Services

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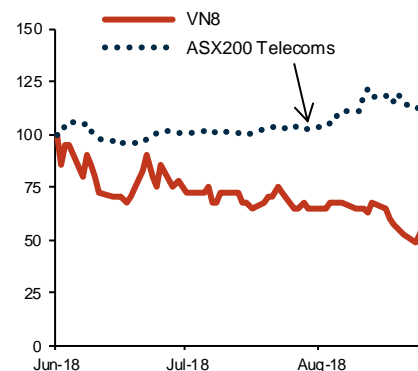
Corporate

+61 413 569 288

Vonex Limited

ASX Code	VN8
52-week range	A\$0.10-A\$0.23
Market Cap - diluted (ASm)	24
Shares - diluted (m)	175
Av Daily Turnover (shares)	40k
ASX All Ordinaries	6,279
FY19E BV per share (A\$c)	2.5c
EPS FY19E (A\$c)	-0.5c
Net (Debt)/Cash FY19E (A\$m)	4

Relative price performance



Source: IRESS

Financial Statements

Vonex Limited

Year ending June

Profit & Loss Statement (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
Revenue	8.1	10.8	19.8	32.8	45.8
COGS	(5.0)	(6.5)	(11.9)	(19.7)	(27.5)
Employee/contractor	(2.1)	(3.4)	(3.6)	(4.1)	(5.1)
Corporate/Other	(1.9)	(2.2)	(2.5)	(3.0)	(3.1)
EBITDA	(0.9)	(1.2)	1.8	6.0	10.2
Depreciation & Amortisation	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Operating profit	(1.0)	(1.4)	1.7	5.9	10.0
NOI	(13.1)	0.0	0.0	0.0	0.0
EBIT	(14.1)	(1.4)	1.7	5.9	10.0
Interest income	0.0	0.2	0.1	0.2	0.3
Interest expense	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)
Tax expense	0.0	0.4	(0.5)	(1.8)	(3.1)
Reported NPAT	(14.7)	(0.9)	1.3	4.2	7.2
Normalised NPAT	(1.6)	(0.9)	1.3	4.2	7.2
EBITDA Margin (%)	-11%	-11%	9%	18%	22%
Operating profit margin (%)	-13%	-13%	8%	18%	22%
EPS Reported (A\$c)	(10.0)	(0.5)	0.7	2.4	4.1
EPS Normalised (A\$c)	(1.1)	(0.5)	0.7	2.4	4.1
EPS growth (%)	n/a	n/a	n/a	235%	71%
DPS - Declared (A\$)	0.00	0.00	0.00	0.00	0.01
Avg. no. of fully-diluted shares (m)	69	175	175	175	175
YE no. of fully-diluted shares (m)	148	175	175	175	175

Cash Flow Statement (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
EBITDA	(0.9)	(1.2)	1.8	6.0	10.2
Investment in working capital	(0.5)	(0.0)	0.3	0.4	0.4
Tax expense	0.0	0.4	(0.5)	(1.8)	(3.1)
Operating Cash Flow	(1.4)	(0.9)	1.6	4.6	7.5
Capex	(0.1)	(0.5)	(0.5)	(0.5)	(0.5)
Other investments	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(0.1)	(0.5)	(0.5)	(0.5)	(0.5)
Net interest received / (paid)	(0.6)	0.2	0.1	0.2	0.3
Debt draw down / (repayment)	(2.4)	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	(2.4)
Equity raised / (repaid)	23.0	0.0	0.0	0.0	0.0
Financing Cash Flow	20.0	0.2	0.1	0.2	(2.1)
Non-operating & Other	(13.7)	0.0	0.0	0.0	0.0
Inc/(Dec) in Cash	4.8	(1.2)	1.2	4.3	4.9

Balance Sheet (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
Cash & Equivalents	5.2	4.0	5.2	9.4	14.3
Receivables	0.7	1.1	2.0	3.3	4.6
Inventories	0.0	0.0	0.0	0.0	0.0
Other Current Assets	0.1	0.1	0.1	0.1	0.1
PPE and Exploration & Development	0.7	1.1	1.4	1.8	2.1
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.5	0.5	0.5	0.5	0.5
Total Assets	7.2	6.7	9.1	15.0	21.6
Payables and other current Liabilities	2.0	2.3	3.5	5.2	6.9
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Liabilities	2.0	2.3	3.5	5.2	6.9
Total Equity	5.2	4.3	5.6	9.8	14.7
Net Debt (Cash)	(5.2)	(4.0)	(5.1)	(9.4)	(14.3)

Substantial Shareholders	%	Date
Code Nominees PTY Ltd	13.3%	
Finance West PTY Ltd	11.0%	Aug-18
Mr Matthew Fahey	3.8%	

Source: Company, IRESS, State One Stockbroking forecasts

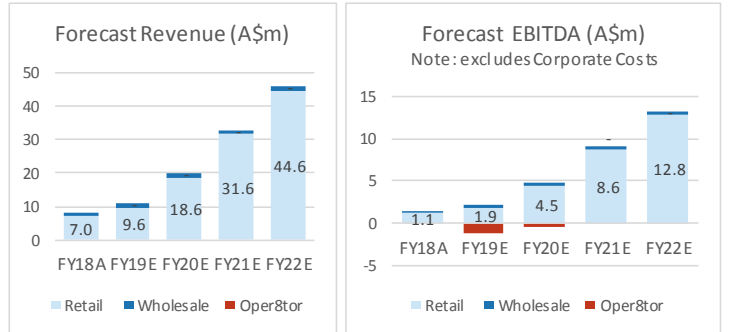
Retail revenue	FY18A	FY19E	FY20E	FY21E	FY22E
PBX customers (begin year)	n/c	23,275	35,275	71,275	107,275
PBX customers (end year)	n/c	35,275	71,275	107,275	143,275
PBX customers (average)	n/c	29,275	53,275	89,275	125,275
Average new customers per month	n/c	1,000	3,000	3,000	3,000
Average revenue/customer (A\$pa)	n/c	330	350	354	356
Average revenue/customer (A\$pm)	n/c	27	29	29	30
Revenue (A\$m)	7.0	9.6	18.6	31.6	44.6
Annual % change	n/c	38%	93%	69%	41%

Wholesale revenue	FY18A	FY19E	FY20E	FY21E	FY22E
Revenue (A\$m)	1.1	1.1	1.2	1.2	1.3
Annual % change	n/c	4%	4%	4%	4%

Oper8tor revenue	FY18A	FY19E	FY20E	FY21E	FY22E
Average monthly users	n/c	0	0	0	0
Monthly revenue per user (US\$)	n/c	0.0	0.0	1.0	1.0
Revenue (US\$m)	n/c	0	0	0	0
Revenue (A\$m) @ US\$0.75	n/c	0	0	0	0
Annual % change	n/c	na	na	na	na

Group revenue (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
Retail business	7.0	9.6	18.6	31.6	44.6
Wholesale business	1.1	1.1	1.2	1.2	1.3
Oper8tor	0.0	0.0	0.0	0.0	0.0
Group	8.1	10.8	19.8	32.8	45.8
Annual % change	n/c	34%	84%	66%	40%

Group EBITDA (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
Retail business	1.1	1.9	4.5	8.6	12.8
Wholesale business	0.2	0.4	0.4	0.4	0.4
Oper8tor	0.0	-1.3	-0.5	0.0	0.0
Group (excluding Corporate)	1.3	1.0	4.3	9.0	13.2
Annual % change	n/c	na	349%	109%	47%



Valuation Ratios (x)	FY18A	FY19E	FY20E	FY21E	FY22E
Normalised PER	-ve	-ve	18.8	5.6	3.3
EV (A\$m)	9	10	9	4	0
EV/EBITDA	-9.6	-7.9	4.7	0.7	n/a
ROE (%)	-31%	-18%	25%	55%	59%

SOTP valuation	A\$m	A\$ps	Comments
	91	0.52	DCF valuation
Telco business	28	0.16	PE/EPS valuation
	44	0.25	Weighted Target Value

Oper8tor	5	0.03	Nominal value, State One est
Group	49	0.28	Sum of weighted target value for the Telco business and a nominal value for Oper8tor

Note: Per share data based on 175 million diluted shares

Valuation

DCF valuation (Telco Business)

Our estimated DCF value of A\$91m (equivalent to A\$52c per diluted share) is predicated on the following assumptions:

- Explicit cash flow forecasts over the five-year forecast period FY19E-FY23E),
- Long-term (ie post FY23E) revenue growth of 2%pa (equivalent to 2%pa price escalation),
- Long-term EBITDA margin of 20% and,
- A discount rate of 10%
- Diluted number of shares calculated at 175.4m (shares in issue plus performance shares). Because of the forecast risk attached to the timing and quantum of options exercised (average exercise price of 24c), we have not included options in our calculation of diluted shares.

Fully-diluted no. of shares

	Million
Shares in issue (August 2018)	147.6
Performance shares	27.8
Diluted no. of shares	175.4
Options	36.8
Fully diluted no. of shares	212.2

Source: Company, State One Stockbroking

Figure 1: DCF Calculation

Value of Operations: DCF approach			
Year	Free Cash Flow	Discount Factor	PV of FCF
2019	(1.3)	0.909	(1)
2020	1.1	0.826	1
2021	4.2	0.751	3
2022	7.1	0.683	5
2023	9	0.621	5
2024	10	0.564	6
2025	11	0.513	6
2026	11	0.467	5
2027	11	0.424	5
2028	12	0.386	5
2029	12	0.350	4
2030	12	0.319	4
2031	12	0.290	4
2032	13	0.263	3
2033	13	0.239	3
Cont. Value	132	0.239	31
Operating Value			89
Continuing value % Operating value			35.5%
Mid-Year Adjustment Factor			0.980
Operating Value (Adjusted)			87

Value of Equity	
Operating Value	87
Excess Mkt Securities	4
Financial Investments	0
Excess Pension Assets	0
Enterprise Value	91
Debt	(0)
Capitalized Operating Leases	0
Retirement Related Liability	0
Preferred Stock	0
Minority Interest	0
Long-Term Operating Provisic	0
Restructuring Provision	0
Future Stock Options	0
Stock options	0
Equity Value	91
No. shares (million)	175
Value per Share	0.52

Source: State One Stockbroking Forecasts
Note: Cash and debt as per FY19E forecasts

PE multiple valuation (telco business)

Predicated on our forecast earnings profile, we calculate VN8's two-year rolling (diluted) EPS at 1.1c. At an assumed 2-year PE multiple of 15x, we calculate an EPS/PER multiple valuation for VN8 of 16c (rounded). Note: because of forecast negative EPS in FY19E, a one-year earnings multiple valuation for the group is not applicable.

We believe our assumed PE rating is conservative relative to the ratings attached to stocks in the S&P/ASX 300 Telecommunications Sector. See table in sidebar.

Telecom stocks: M'Cap and PE (x)

	M'Cap (A\$m)	2020 PER (x)
Telstra (TLS)	37,880	15.6
TPG (TPM)	7,608	38.8
Spark (SPK)	6,637	16.3
Chorus (CNU)	1,954	28.6
Vocus (VOC)	1,869	15.7
Superloop (SLC)	521	34.3
MNF (MNF)	347	17.1

Source: iRESS, compiled by State One Stockbroking

Telco business target price

With VN8's telecom business in its ramp-up phase, we suggest that a 100%-weighted PER valuation underestimates the company's intrinsic value; conversely, we suggest that (in the absence of corporate activity) a 100%-weighted DCF valuation is too "long-dated". Attaching 25% weighting to our DCF valuation, and 75% weighting to the PER valuation, we calculate a target price for VN8's telco business of 25c (rounded) per diluted share.

Figure 2: Target price calculation (Telco business)

Valuation method	Target value (A\$)	Weighting (%)	Target price (A\$)
NPV	0.52	25%	0.25
EPS/PER	0.16	75%	

We suggest that as a newly-listed company, investors will attach greater weighting to the group's near-term performance rather than a longer-term DCF.

Source: IRESS, State One Stockbroking forecasts

Group target price, recommendation and risks

While VN8's Oper8tor App has, we suggest, significant revenue and profit potential, the project is still in a relatively early stage of development, with poor visibility as to the timing and quantum of revenues, costs, and roll-out capex. As a result, we assign a nominal A\$5m to the Project – based on estimated historical expenditure and guided FY19/20E expenditure of A\$1.75m. Underpinned by our estimated 25%/75%-weighted DCF/PER valuation for the telco business of A\$41m (24c per diluted share), we calculate VN8's group sum-of-the-parts (SOTP) value at A\$50m (29cps).

Figure 3: SOTP valuation

SOTP valuation	A\$m	A\$ps	Comments
	91	0.52	DCF valuation
Telco business	28	0.16	PE/EPS valuation
	44	0.25	Weighted Target Value
Oper8tor	5	0.03	Nominal value, State One est
Group	49	0.28	Sum of weighted target value for the Telco business and a nominal value for Oper8tor

Source: IRESS, State One Stockbroking forecasts

At current share price levels of 13c, we calculate that VN8 offers significant upside relative to our target price of 28cps. **We initiate coverage on VN8 with a Speculative Buy (Higher risk) recommendation.**

Risk to our EPS profile and target price include but are not limited to: new PBX customer acquisition, average received revenue per PBX customer, competition from new and existing telcos, key personnel risk, the success of Oper8tor and, near-term (FY19E) cash flows.

The growth rate in PBX users is a particularly key metric. Our base-case valuation assumes a long-term (i.e. post-June 2019) growth rate of 3,000 users per month out to June 2022. In a 2,000 per month scenario, our target price falls to 19 cps. In a 1,000 per month scenario, our target price falls to 15 cps. At current share price levels, it looks like this is the rate of growth that the market is discounting. Achieving growth rates above this metric, could, we believe, be an important +ve share price catalyst.

While we do not assume any revenues from Oper8tor in our model and attach only a nominal A\$5m value to the Oper8tor Project, we can see that the social media App, if successful, could have a material impact on VN8's overall valuation. For example, 1 million average monthly users at US\$1 revenue per month per user equates to A\$12m in annual revenue. We note that 15 million performance shares are dependent on the Oper8tor App achieving between 10 and 20 million active users.

Target Price: A\$0.28

Recommendation:

**Speculative Buy
(Higher risk)**

Peer comparison: MNF Group Ltd (ASX:MNF)

While no stock is an exact clone of another, we believe VN8 is most comparable to A\$347m m'cap ASX-listed telecommunication group MNF Group Ltd (ASX:MNF) – formerly known as My Net Fone Limited.

MNF's share price increased by 39x from 17c in December 2010 to a peak of A\$6.60 in January 2018, before some profit taking. Over this period, MNF was able to benefit from Telstra's business restructuring / positioning and posted impressive EPS and DPS growth.

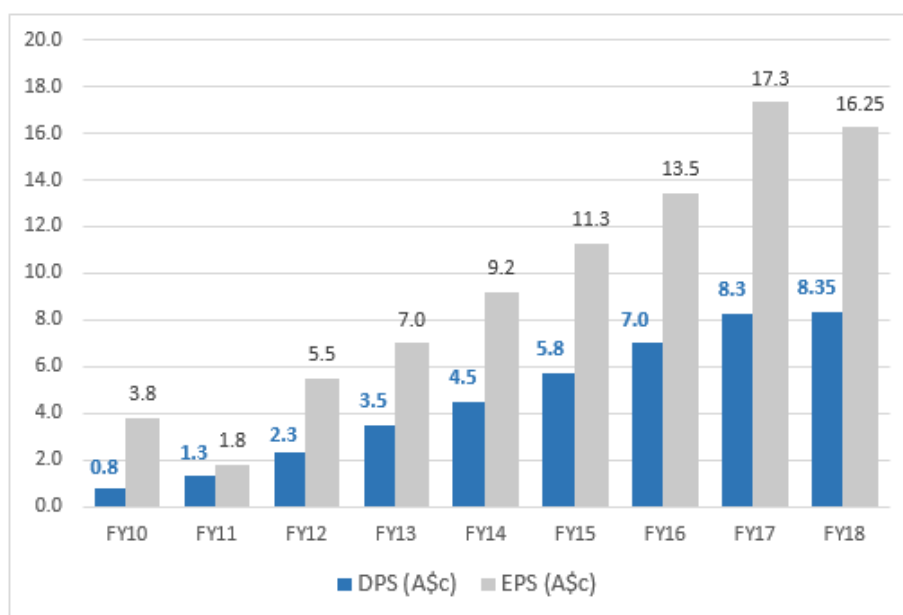
MNF is a provider of internet-based telecommunication services, including VoIP, data, and video services to residential and business enterprises.

Figure 4: MNF Group share price history (2010-Present)



Source: IRESS, State One Stockbroking forecasts

Figure 5: MNF Group: EPS and DPS history



Source: Company, State One Stockbroking forecasts

Business model

Vonex (ASX:VN8) is made up of three core businesses:

Vonex Telecom (Retail) - housing the group's retail business, offers a range of telecommunications services to small to medium-sized enterprises (SMEs) including mobile, internet, business phone systems, and cloud-hosted VoIP private branch exchange (PBX) services.

Vonex Wholesale - sells products (PBX endpoints, voice minutes, advanced PBX features) on a white label basis to wholesale clients - typically ISPs, carriers, and larger telcos and cloud service providers.

Voice over Internet Protocol (VoIP) enables voice calls to be made over the internet. Many people are familiar with the technology via popular applications (Apps) such as Skype and Viber. The business applications for VoIP, however, are causing the biggest stir in the telecoms sector, as more and more SMEs look to cloud-based solutions that can provide greater reliability and functionality at a reduced cost. VoIP PBX systems mean that SMEs do not have to rely on a physical central box in the building to which all the phones are connected. VN8 has designed its own feature-rich VoIP PBX system which it sells direct to SME customers, as well as through white label agreements with third parties.

Oper8tor - a globally patented social media communications App which allows individuals to communicate across multiple platforms and Apps. The product is currently being refined with Beta testing planned to commence in the Dec. quarter 2018, i.e. now.

Forecast revenue profile

VN8 reported external customer sales of A\$8.1m in FY18 (+16%YoY growth on FY17's A\$7m). The Retail operations accounted for 85% of revenues (A\$7m), with Wholesale accounting for 15% (A\$1.1m).

Retail revenue

On 20 August 2018, VN8 announced that Vonex Telecom hit 24,000 registered active PBX users as at the end of July 2018 and was expanding this base at a rate of 500 users per month.

We assume this growth rate is maintained at 500 users per month until early in 2019; at this point we assume a significant increase in new customer acquisition as Vonex's marketing goes into full swing in NBN rollout areas. By June 2019, we forecast VN8 adding over 2,000 new PBX users per month. See Figure 1 overleaf.

Our growth profile is supported, we suggest, by VN8's recent agreement with a significant telecom player.

On 2 August 2018, Vonex announced that it had secured a one-year, renewable, Cooperative Marketing and Master Partnering Agreement with NASDAQ and TSX-listed CounterPath Corporation. Vancouver-based CounterPath owns award-winning and globally recognised Unified Communications (UC) solutions' including Bria 5 software for softphone platforms (i.e., desktop, tablet, mobile), and the Stretto Platform (for integrating enterprise-wide communication systems).

Retail operations: the revenue driver

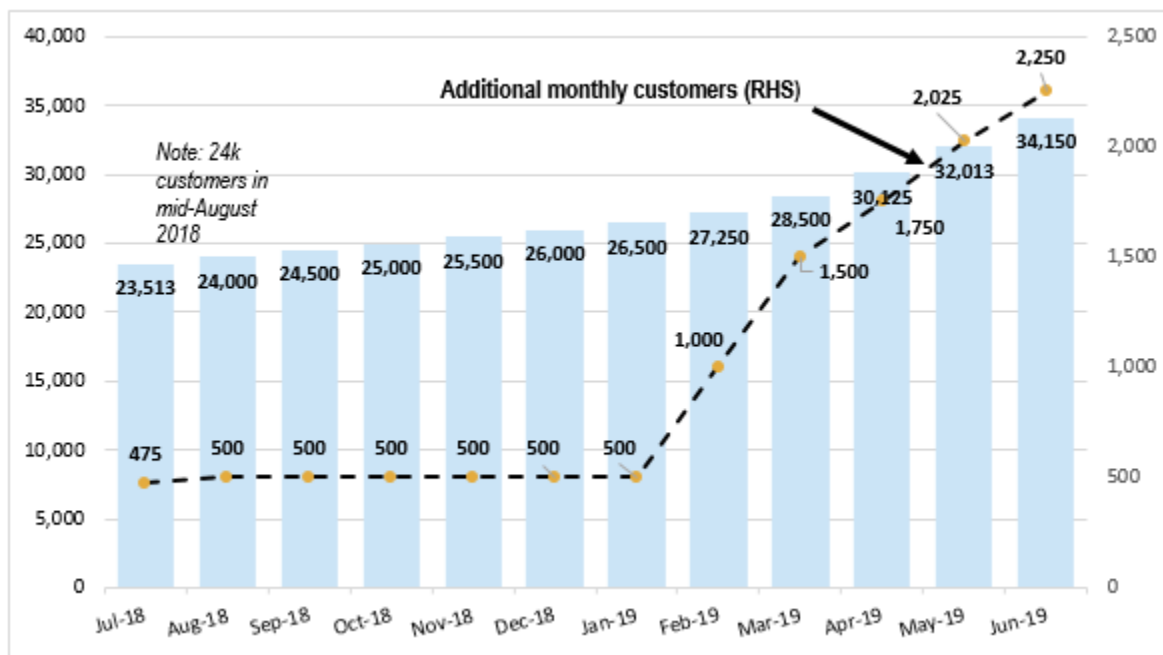
Excluding the benefits forecast to come with the CounterPath agreement, triggers to expand the core telco business include:

- 1) Increase in staff to manage and expand the dealer channel,*
- 2) Marketing campaign specifically to recruit new channel partners to sell Vonex products/services,*
- 3) Roll out of national marketing campaign to generate customer leads specifically in areas where NBN cutovers are imminent and where VN8 have good channel partner coverage and,*
- 4) NBN is now entering the primary window of major city rollout and cutover.*

The partnership agreement will see both parties collaboratively working on new customer growth in Australia. VN8 believes that this could open much larger opportunities to work with enterprise clients previously not targeted, plus enable the group to expand its offering to existing business, enterprise, and channel customers. Vonex will also white-label selected CounterPath products and sell under its own brand. To this end, VN8 has made an initial order of 10,000 licenses for the Bria and Stretto products. In turn, existing CounterPath customers, who currently only access software solutions, can now be offered connection to Vonex’s VoIP solutions. In addition to the joint marketing activities, the development and engineering divisions of both groups will engage in a range of collaborative engineering activities

Marketing drive and CounterPath JV = step change in new PBX customer acquisition

Figure 6: Forecast registered active PBX users – monthly to June 2019



Source: Company, State One Stockbroking forecasts
Note: Monthly figures are average per month

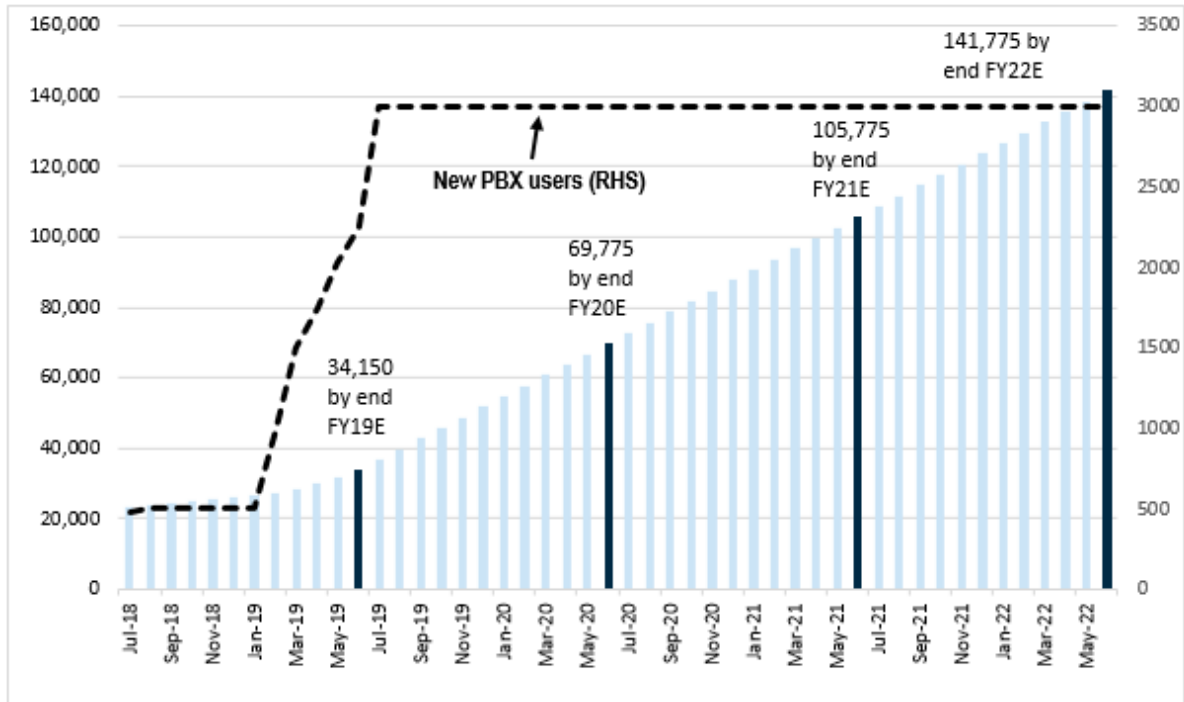
We see VN8’s marketing and partnering agreement with CounterPath – a well-regarded global supplier of softphone technology - as a major positive. Having an official softphone platform expands Vonex’s product offering, and should, we believe, assist in acquiring new customers and expanding revenue streams from existing customers. We see the potential for VN8 to enter into similar JV agreements with other parties, delivering additional upside .

Unified Communications (UC) is a business and marketing concept describing the integration of enterprise communications such as instant messaging (chat), voice (including IP telephony), mobility features (extension mobility, single number reach), audio, web, and video conferencing, desktop sharing, data sharing, call control etc. UC is not necessarily a single product, but a set of products that provides a consistent unified user interface and user experience across multiple devices and media types.

Looking further out, we forecast a normalised long-term user acquisition rate of 3,000 per month. We believe that this is the level of new business which Vonex management is targeting post FY19E.

At this level of growth, we calculate that by the end of FY22E, VN8's PBX user base could be some 142,000, 6 times the size of the current (July/August 2018) customer base of 24,000.

Figure 7: Forecast registered active PBX users – monthly to June 2022



Source: Company, State One Stockbroking forecasts

Note: Monthly figures are average per month

Revenue is derived from upfront hardware and installation fees, plus recurring monthly revenue per user, along with additional services and maintenance fees. These figures are not disclosed by management and are, not unsurprisingly, commercial in confidence.

Based on disclosed historical revenues in FY17/FY18, and estimated average annual PBX users over this period, we estimate an effective average realised price (i.e., blended upfront and ongoing fee) of A\$30 per month per PBX user.

Predicated on our forecast PBX user growth profile and unit revenue, we calculate revenues at the Retail division growing by 38% from A\$7m in FY18A to A\$9.6m in the current year (i.e., FY19E), and increasing further by 93% in FY20E. In FY22E, we forecast the Retail division posting revenues of A\$45m. See table below.

Retail revenue increasing from A\$7m in FY18 to A\$45m in FY22E

Figure 8: Forecast Retail division revenue to FY22E

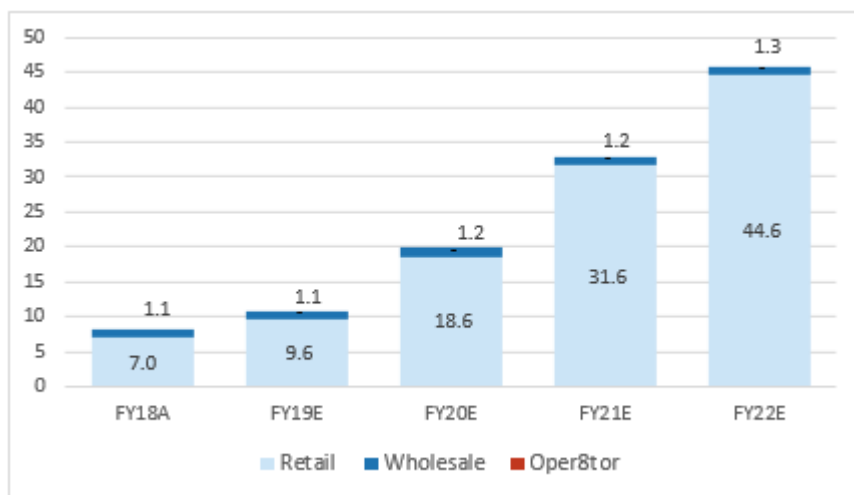
	FY18A	FY19E	FY20E	FY21E	FY22E
Revenue (A\$m)	7.0	9.6	18.6	31.6	44.6
YoY change (A\$m)	-	2.7	9.0	13.0	13.0
YoY change (%)	-	38%	93%	69%	41%

Source: Company, State One Stockbroking forecasts

Group revenue

We assume a relatively flat revenue profile at the Wholesale division. With Oper8tor at a relatively early stage in its development path and, bearing in mind the forecast risk attached to the timing and quantum of revenue, we assume zero revenues from this source over our forecast period. Predicted on the above, we forecast VN8 group revenue increasing from A\$8.1m in FY18A to A\$45.8m in FY22E. This represents a four-year CAGR of 54%.

Figure 9: Forecast group revenue profile to FY22E



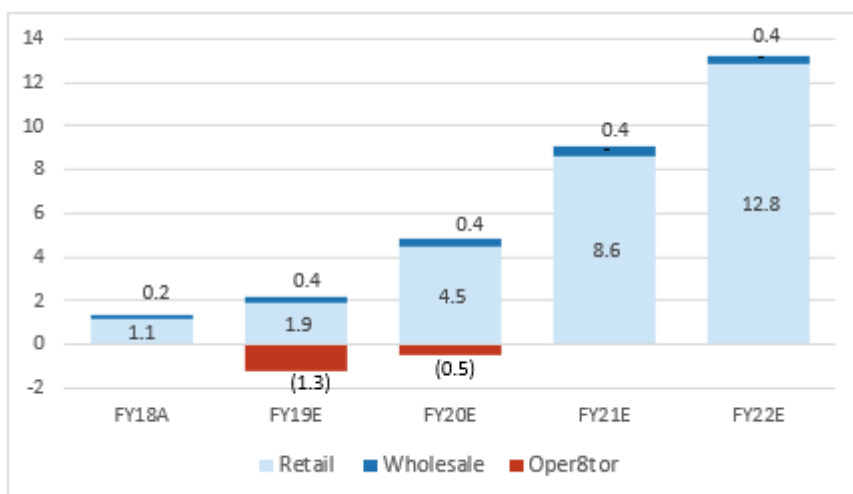
FY18-22 revenue
CAGR of 54%

Source: Company, State One Stockbroking forecasts

Group EBITDA

Underpinned by strong forecast revenue growth at the Retail division, we forecast group EBITDA (before corporate costs) increasing from A\$1.3m in FY18A to A\$13.2m in FY22E (~CAGR of 78%). **Note: including corporate costs we forecast group EBITDA increasing from -A\$0.9m in FY18A to A\$10.2m in FY22E.**

Figure 10: Forecast group EBITDA profile to FY22E



FY18-22 EBITDA
CAGR of 78%

Source: Company, State One Stockbroking forecasts

Note: We assume R&D spend of A\$1.75m at Oper8tor in FY19/20E, with the bulk of this R&D expenditure expensed in FY19E.

Directors (source: FY18 Annual Report)

Nicholas Ong—Non-executive Chairman

Mr Ong was a Principal Adviser at the Australian Securities Exchange (ASX) and brings 14 years' experience in IPO, listing rules compliance and corporate governance. Mr Ong has developed a wide network of clients in Asia-Pacific region and provides corporate and transactional advisory services through boutique firm Minerva Corporate Pty Limited. He is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.

Other directorships of Australian listed companies held by Mr Ong in the last three years are:

Current: Helios Energy Limited, CoAssets Limited, Arrow Energy Limited and Black Star Petroleum Limited.

Previous: Excelsior Gold Limited, Auroch Minerals Limited, Fraser Range Metals Group Limited, Tianmei Beverage Group Corporation Limited, Bojun Agriculture Holdings Limited and Jijiafu Modern Agriculture Limited.

Winnie Lai Hadad—Non-Executive Director (Appointed 1 January 2018)

Ms Lai Hadad has expertise in change management, corporate governance and business process improvement and has been involved in listings on the Australian Securities Exchange. Ms Lai Hadad has been involved with both investments into China and out-bound investment from China. Her past roles include implementing Coca-Cola bottling strategies into Greater China and administering the first Chinese direct investment in an iron ore mine in the Pilbara Region of Western Australia

Ms Lai Hadad has not held any other directorships of Australian listed companies in the last three years

Ms Lai Hadad is a lawyer admitted to practice in Western Australia, a qualified CPA, holds a BA, BCom and MSc, and is a graduate of both the Australian Institute of Company Directors and Governance Institute of Australia.

Matthew Fahey—Managing Director and CEO

Mr Fahey is Vonex Telecom's Chief Executive Officer and joined the Board as Managing Director. Mr Fahey joined Vonex Limited in 2013, through the Vonex Group's acquisition of iTrinity (IP Voice & Data) where he had served as Sales Director. Mr Fahey brings with him 20 years' of extensive experience in building and managing telecommunications companies with a well-regarded reputation in the industry for channel partner programs as well as excellence in VoIP and Telco. 2014 saw amazing growth for Vonex winning the CRN Fast50 award for fastest growing IT company in Australia.

In January 2018 Mr Fahey was appointed as Chief Executive Officer and Managing Director and sees significant opportunities for the Vonex business both in Australia and internationally. Mr Fahey is focused on driving marketing, sales and the continued development of diverse products in order to accelerate business growth and expand Vonex's market share.

Mr Fahey has not held any other directorships of Australian listed companies in the last three years.

Matthew Foy—Joint Company Secretary

Mr Foy was previously a Senior Adviser at the ASX and has ten years' experience in facilitating the compliance of listed companies. Mr. Foy is a qualified Chartered Secretary and has reviewed and approved the listing of over 40 companies during his tenure at the ASX. Mr. Foy is also Company Secretary of ASX-listed Arrow Resources Limited, Protean Energy Limited, XTD Limited and Emergent Resources Limited.

Mr Foy is a member of the Australian Institute of Company Directors, Governance Institute Australia, has a Graduate Diploma (Applied Finance) from FINSIA and a B. Com from the University of Western Australia.

David Vilensky—Non-Executive Director

Mr Vilensky is a practicing corporate lawyer and the managing director of Perth law firm Bowen Buchbinder Vilensky. He has more than 30 years' experience in the areas of corporate and business law and in commercial and corporate management. Mr Vilensky practices mainly in the areas of corporate and commercial law, mergers and acquisitions, mining and resources, trade practices and competition law and complex dispute resolution. Mr Vilensky acts for a number of listed and private companies and advises on directors' duties, due diligence, capital raisings, compliance with ASX Listing Rules, corporate governance and corporate transactions generally.

Other directorships of Australian listed companies held by Mr Vilensky in the last three years are:

Current: Zambezi Resources Limited, Latin Resources Limited.

Mr Vilensky has a Bachelor of Arts and a Bachelor of Laws from the University of Cape Town and is a member of the Law Society of Western Australia.

Daniel Smith—Joint Company Secretary

Mr Smith has primary and secondary capital markets expertise, having been involved in a number of IPOs and capital raisings. Mr Smith is a director of Minerva Corporate, a private corporate consulting firm. Mr Smith is currently a director and company secretary of ASX and AIM-listed Europa Metals Limited and ASX-listed Lachlan Star Limited and HIPO Resources Limited, and is Company Secretary for Taruga Minerals Limited and Love Group Global Limited.

Mr Smith holds a BA and is a member of the Australian Institute of Company Directors and the Governance Institute of Australia.

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Note: State One Stockbroking was Lead Manager and Underwriter for Vonex's IPO in June 2018.

The Research Analyst who prepared this report hereby certifies that the views expressed in this research document accurately reflect the analyst's personal views about the company and its financial products. The research analyst has not been and will not be receiving direct or indirect compensation for expressing the specific recommendations or views in this report.

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