



Vonex Limited

New partnership with CounterPath to deliver significant upside.

On 2 August 2018, Vonex Limited (ASX:VN8) 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).

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.

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.

State One comment: This agreement supports growth target.

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. We anticipate further such announcements to deliver additional upside.

We believe that Vonex Telecom (VN8's retail arm) is targeting to acquire 300 new customers per month. Assuming an average customer subscription fee of A\$6,000 pa, we calculate this acquisition profile could lead to an increase in annualised revenue of \$21.6m (i.e., A\$6,000 x 300 x 12). Note: VN8 recently announced revenues for FY18 of A\$8.3m. Thus, we believe that the potential exists for a significant revenue uplift over the next 12-18 months. Our indicative NPV₁₀ (after-tax) valuation for VN8's Retail business is A\$105m (48c per fully diluted share). Including the wholesale business and a deeply-discounted risk-weighted valuation for VN8's Oper8tor communications application, we calculate a group sum-of-the-parts valuation closer to A\$150m (A\$68c per fully diluted share). At current share price levels, we suggest that VN8 offers significant upside potential for speculative investors as the group grows its footprint in the Australian telecommunications sector. Risks to our revenue and target price forecasts include but are not limited to: new customer acquisition growth profile, price competition from existing and new telecom players targeting small to medium businesses in Australia, government regulation, timing of Oper8tor launch and subsequent uptake.

6 August 2018

Share Price: A\$0.145

Target Price: A\$0.68

Targeted Upside: 375%

Recommendation

Speculative Buy

Risk Assessment

Higher

Telecommunication Services

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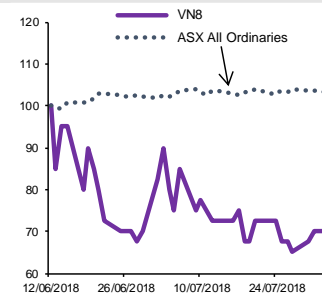
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Relative Price Performance



Source: IRESS

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