

Off-market takeover offer from Swoop - take no action – Target’s Statement to come
– Board continues to recommend shareholders ACCEPT MaxoTel all cash 4.4c offer

25 November 2024

Telecommunications innovator Vonex Limited (ASX: VN8) refers to Swoop Holdings Limited (ASX:SWP) Bidder’s Statement for an off-market takeover offer to acquire all the ordinary shares in Vonex, in consideration for new shares in Swoop. The offer is conditional upon, including other matters, finance approval for the offer, and Swoop achieving a relevant interest in at least 50.1% of Vonex shares.

Vonex has repeatedly indicated to Swoop in prior discussions that it would be extremely difficult to consider an offer favourably if it was subject to a fundamental financing condition.

There can be no certainty that either of these fundamental conditions can be met; or could or will be waived.

Current recommended MaxoTel Offer remains open

Vonex has previously received an unconditional on-market takeover offer from Maxo Telecommunications Pty Ltd for 4.4c cash per Vonex share, which is currently open to Vonex shareholders until 4.00pm (Melbourne time) on 9 December 2024. Unless extended, the MaxoTel Offer will expire prior to the Swoop offer being open.

The Vonex Board confirmed in its Target’s Statement in relation to the **MaxoTel Offer** that it recommends that shareholders **accept that offer**, in the absence of a superior proposal.

Shareholders should take no action in relation to the Swoop Offer

The Vonex Directors will now review the detail of the Swoop Offer, but - until Vonex has released its Target’s Statement in relation to the Swoop Offer – the Directors recommend that Vonex shareholders take no action in relation to the Swoop Offer.

The Vonex Board continues to have significant concerns around the Swoop Offer, which the Board will seek to further detail in the Target’s Statement for the Swoop Offer. Swoop has chosen not to answer a number of questions that the Company outlined in its letter to Swoop of 14 November 2024.

The Vonex Board’s concerns include:

- a. The Swoop Offer is subject to finance approval. It is not clear how Swoop proposes to secure finance approval, particularly as we anticipate it would have been seeking the necessary approvals since at least the time of its announcement of a competing bid for the whole of the Company on 5 September 2024 (over two months ago).

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As Swoop notes in its Bidder's Statement, it has previously undertaken extensive due diligence on Vonex. Indeed, it has had a total of over six months access to Vonex's data room and management, commencing from its initial approach in November 2023. For around five months, Swoop was the exclusive bidder. In that time, Swoop failed to obtain the approval of its financiers, or of Vonex's debt provider, Longreach.

Should Swoop secure a 50.1% relevant interest in Vonex, unless Longreach has consented to that change of control, the existing Vonex debt facility will become immediately due and payable. ***Vonex has no immediate capacity to fund repayment of that debt.***

We understand from Longreach that it advised Swoop that - to secure its consent to a change of control - Swoop's offer must be recommended by the Vonex Board; it would need to provide confirmation of financing to repay the full Vonex facility including payment of the \$550k exit fee under that facility; and become a guarantor of that facility until the takeover transaction is completed. Swoop has not met, and there is a significant risk that it will be unable to meet, these conditions.

- b. Vonex has previously advised that it is unwilling to provide further open-ended due diligence to Swoop (given the significant resources and information already provided to Swoop and released to the ASX to date). The Company will consider specific, limited, confirmatory due diligence questions if Swoop provides the full terms of a superior proposal, capable of acceptance, preferably with a cash alternative for Vonex shareholders.
- c. Swoop has chosen not to provide a cash alternative to its proposal. The effect is that Vonex shareholders will be unable to realise cash for their Vonex shares without acquiring Swoop shares and then selling them on market. The Board believes it would be more beneficial to Vonex shareholders if Swoop were to include a cash alternative to its offer.

Swoop's total trading volume over the last six months prior to this Offer was approximately 15.8m shares. If Swoop were to successfully acquire a relevant interest in 100% of Vonex shares under its offer, Swoop would issue approximately 78m Swoop shares to Vonex shareholders - an amount significantly higher than the total Swoop shares traded in the last six months. The relatively low level of liquidity in Swoop's shares creates a risk for Vonex shareholders who may wish to sell their Swoop shares.

The relative lack of liquidity has also been demonstrated in the three different exchange ratios that Swoop has now offered Vonex shareholders, to acquire Swoop shares. To maintain a nominal 5c offer price, Swoop has had to twice increase the number of Swoop shares offered to Vonex shareholders. While a positive (reflecting a larger potential ownership of the combined group by existing Vonex shareholders), this highlights the specific risk that the nominal value proposed by Swoop is simply not comparable to an equivalent cash price.

The nominal value of the Swoop Offer is entirely dependent on the value of Swoop shares. In the short to medium term, former Vonex shareholders seeking to sell their newly acquired Swoop shares will likely be unable to realise those shares for the implied value claimed by Swoop under its offer, including at a value above the existing MaxoTel cash offer. This position may be exacerbated by the selling of Swoop shares that would be issued as offer consideration to ineligible foreign and small parcel Vonex shareholders, as detailed in Swoop's Bidder's Statement.

- d. Swoop continues to stress the potential benefits of Swoop delivering additional value through synergies which are claimed may be equal to or exceed the total EBITDA generated by the Vonex business over the recent past. Swoop's presentation accompanying its Bidder's Statement has outlined some of these synergies at a high level - including synergies not realised for up to four years from completion.

Without extensive due diligence, which it is not in a position to undertake, the Vonex Board is unable to take a view on the credibility of any or all of those synergies being realised.

Importantly, Swoop's expectation of a potential \$5m+ of synergies is predicated on Swoop achieving an interest of at least 75% in Vonex shares. With MaxoTel stating their intention not to accept the Swoop Offer in respect of its 27.19% shareholding, it is clear that any reference in the Swoop Bidder's Statement to matters which may take place should Swoop acquire 75% or more of the Company now cannot be realised.

Swoop should immediately clarify how and when it would propose to realise some or all of the stated synergies and the expected value of those synergies now that it is unable to own more than 73% of the Company.

- e. Swoop's most recent financial reports (FY24 Annual Results) disclose that it continues to operate on a cashflow negative basis, and the recent announcements provide no additional guidance on that front. It is unclear how Swoop will continue to fund its operations in future, particularly when taking on the additional \$22.7m of debt carried by Vonex.

Vonex understands that the level of the debt that would be carried by a combined Swoop and Vonex business has made it challenging for Swoop to obtain financing approval. Vonex will therefore continue to request from Swoop information relating to the serviceability of the combined net debt of the proposed merged Vonex and Swoop business, which appears to be greater than **8x EBIT¹** (a measure which may be more reflective of the cash generation available to service the debt of the merged business; and which includes synergy benefits - at least some of which are no longer realisable).

- f. There is no certainty that Swoop will achieve its 50% minimum acceptance condition during the offer period. Vonex shareholders that accept the Swoop Offer will be unable to withdraw their acceptance and as a result will be unable to accept any competing proposal for Vonex shares, including the MaxoTel offer.

Vonex will now work with its advisers to prepare a Target's Statement in relation to the Swoop Offer.

The Board recommends that Vonex shareholders take no action in relation to Swoop Offer, **and reconfirms its recommendation that Vonex shareholders accept the MaxoTel 4.4c unconditional cash offer.**

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

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¹ Based on the Merged Group Pro Forma (Year 1 Synergies) in the summarised statement of financial performance in section 5.2.1 of Swoop's Bidders Statement and Net Debt of \$28.2m based on the Merged Group pro forma summarised statement of financial position in section 5.2.3.

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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.

Vonex 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.

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