

Buy (old: Buy)

24.01.2024

EUR 11.70 (old: EUR 11.30)

Operational turnaround in full swing – Added to Alpha List; chg.

While the company has not been on the radar of most investors due to rather underwhelming operating performances in recent years, efficiency measures, which have been imposed lately as well as the reorganization of the top- and C-level management are starting to bear fruit, thus **making NFON a clear BUY with 92% upside**.

Between 2018 and 2022, the **German market leader of integrated business communication** was not able to translate its strong technological edge into a profitable business. While in the first years after the IPO, profitability was subordinated to market share gains and sales growth (24% CAGR '17-'20), operational inefficiencies paired with supply bottlenecks (hardware) as well as an inflated cost base on the marketing and personnel level prevented expanding margins since.

However, not only since the arrival of Patrik Heider as new CEO in May '23 things have changed and NFON is on track to become profitable on the EBIT line and deliver positive FCF for the first time in 2024e on a FY basis. This is mainly due to: **(1) A structurally growing and historically underpenetrated market:** NFON finds itself amid a dynamic European market cloud-PBX, which is set for double-digit growth rates in the mid-term (13% CAGR '22- '26e). Especially the final fading out of ISDN by telecom carriers (end of '22) should be seen as an inflection point as businesses are forced to switch to VoIP based solutions such as multi-tenant cloud-PBX. Hence, the general market penetration is seen to sharply increase, especially in historically underpenetrated markets like Germany (H1 '23: 14% penetration; 2027e: 43%). **(2) Efficiency measures bearing fruit:** Since H2 '22, NFON implemented strict cost saving/efficiency measures, which are already visible in the personnel expense ratio (-4.6pp yoy at 9M'23) as well as with other OpEx (-9.2pp yoy, especially related to marketing).

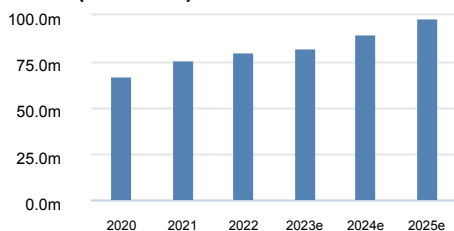
Against this backdrop, NFON should be on track to further **improve EBIT margins (>8%), ROICs (>11%) and FCF generation (>€ 3m)** going forward.

Despite operational and structural tailwinds which are set to support mid-term sales and margin expansion, valuation continues to look attractive. After shares declined 11% YTD, NFON is now trading on a mere 1.1x EV/Sales, marking a significant discount compared to the historical average of 2.3x. We thus confirm our **BUY recommendation with an increased PT of € 11.70** based on DCF.

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	67.6	75.9	80.8	82.4	89.8	98.8
Sales growth	18.4%	12.3%	6.5%	2.0%	9.0%	10.0%
Adj. EBITDA	1.2	-2.7	-9.5	8.0	10.7	14.2
Net debt (if net cash=0)	-7.8	-22.6	-7.4	-6.5	-7.5	-10.8
FCF	-6.5	-9.7	-12.4	-0.9	1.0	3.4
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	-0.15	-0.54	-0.94	-0.03	0.16	0.32
Adj. EBITDA margin	1.7%	-3.6%	-11.8%	9.8%	11.9%	14.4%
ROCE	-3.2%	-12.5%	-19.8%	-0.4%	5.9%	11.5%
EV/sales	2.8	3.5	1.2	1.2	1.1	0.9
EV/adj. EBITDA	164.3	-98.9	-10.0	11.9	8.8	6.4
PER	-41.6	-11.5	-6.6	-180.5	37.6	19.2
Adjusted FCF yield	0.4%	-1.6%	-7.7%	4.7%	8.0%	10.5%

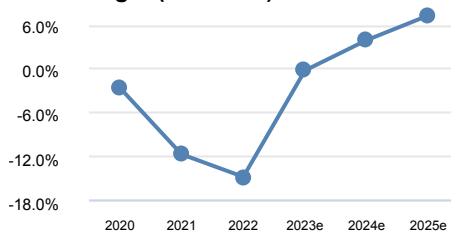
Source: Company data, NuWays, Close price as of 22.01.2024

Sales (2020-25e)



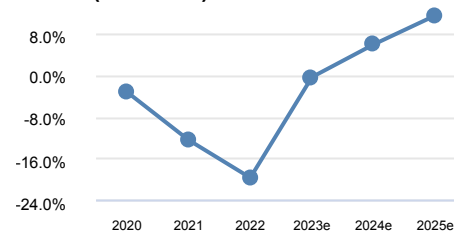
Source: NuWays Research

EBIT margin (2020-25e)



Source: NuWays Research

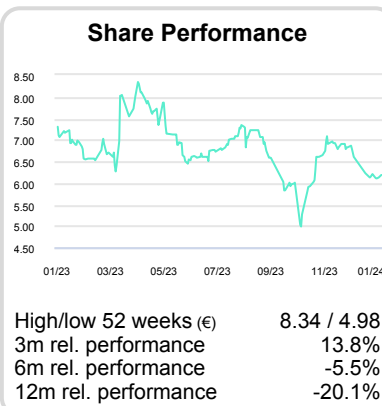
ROCE (2020-25e)



Source: NuWays Research

Company description

NFON is the German market leader for integrated business communication. NFON offers an easy-to-use, independent and reliable solution for advanced cloud business communications. Further premium and industry solutions complete the portfolio in the field of cloud communications.



Market data

Share price (in €)	6.18
Market cap (in € m)	102.3
Number of shares (in m pcs)	16.6
Enterprise value (in € m)	94.8
Ø trading volume (6 months)	3,049

Identifier

Bloomberg	NFN GR
Reuters	NFN
WKN	A0N4N5
ISIN	DE000A0N4N52

Key shareholders

Milestone Venture Capital	32.1%
AOC	25.6%
Universal	8.3%
Teslin	7.0%
Morgan Stanley	6.0%
Free Float	21.0%

Estimates changes

	2023e	2024e	2025e
Sales	0%	0%	0%
EBIT	-27%	-20%	-10%
EPS	-10%	-6%	-10%

- #### Comment on changes
- PT change mainly based on adaptation of risk free rate.
 - We further slightly adjusted our D&A forecast.

Guidance

- ARR: 3-9% yoy growth
- ARR ratio: ≥ 88%
- Adj. EBITDA: € 7.8-8.3m

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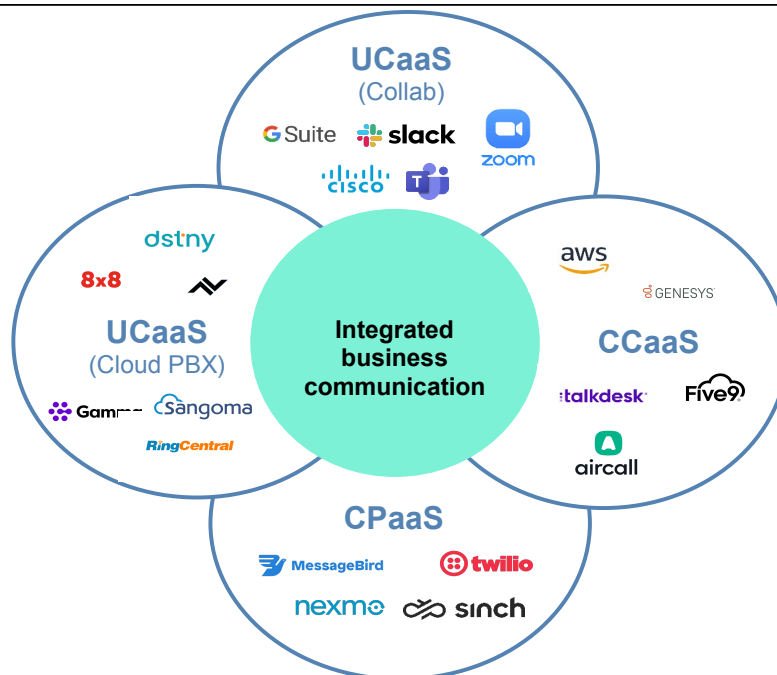
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What NFON does in a nutshell

Munich based NFON AG is among the **European leaders for integrated business communication**, a field which developed via the merging of the following market segments, which existed in parallel just a couple of years ago:

- **Cloud-PBX** – Cloud-PBX or cloud-based telephony refers to internet-based voice communication (VoIP) services where all applications are hosted by a third-party provider. Compared to conventional telephone systems, it provides several advantages, such as no need for enterprise telephony hardware as well as a high degree of flexibility, which allows customers to scale up or down in accordance with their needs.
- **Unified communications as a service (UCaaS)** – An integrated solution that combines various communication methods in one platform. In addition to cloud-PBX, UCaaS includes further functions such as meetings (audio/video), screen-sharing, CRM connectivity, messaging, and collaboration in real time via a single interface.
- **Contact center as a service (CCaaS)** – Contact centers support customer interactions across a wide range of channels, including phone calls, email, Web chat, Web collaboration and the emerging adoption of social media interactions. Simply put, they can be described as channel-crossing call centers.
- **Communication platform as a service (CPaaS)**: Cloud-based deployment model that enables companies to extend business applications with real-time communication functions such as voice, video and messaging through the use of program interfaces (API).

Market & main competitors per segment



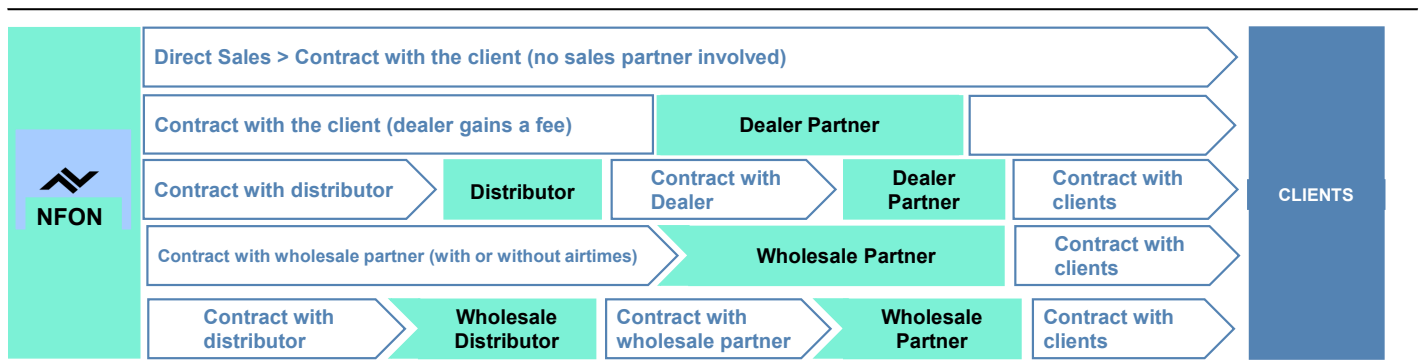
Source: Company data, NuWays Research

Cloud-PBX represents NFON’s legacy business, in which the company has acted as a **pioneer** since its incorporation in 2007 and quickly emerged into a **leading European player with its flagship solution Cloudya**, offering **100+ core features** such as call-routing or connectivity with 300+ CRM tools. However, in the dynamic field of business communication, a recent shift in demand towards integrated communication solutions created a new market – “**Integrated Business Communication**”. To stay relevant and participate in this growing market, companies need to tick all the boxes (UCaaS, CCaaS & CPaaS). NFON reacted quickly to this new reality and introduced a **full-fledged UC suite with Cloudya Meet & Share** as well

as **Contact Center Hub** (via partnership with Czech company Daktela), a **CC solution tailored for SMEs offering a comprehensive omni-channel experience**. Yet, cloud-PBX looks set to remain the company's top-line driver in the years to come.

NFON is distributing its market-leading products via **five different sales channels including direct sale, partner sale and distribution, but with a clear focus on dealer partners**. Here, the partner has its own customer base and acquires new customers to whom it sells the products and solutions of NFON. The company further uses wholesale partners, to whom NFON provides white-label solutions, which the partner markets to their customers under their own brand.

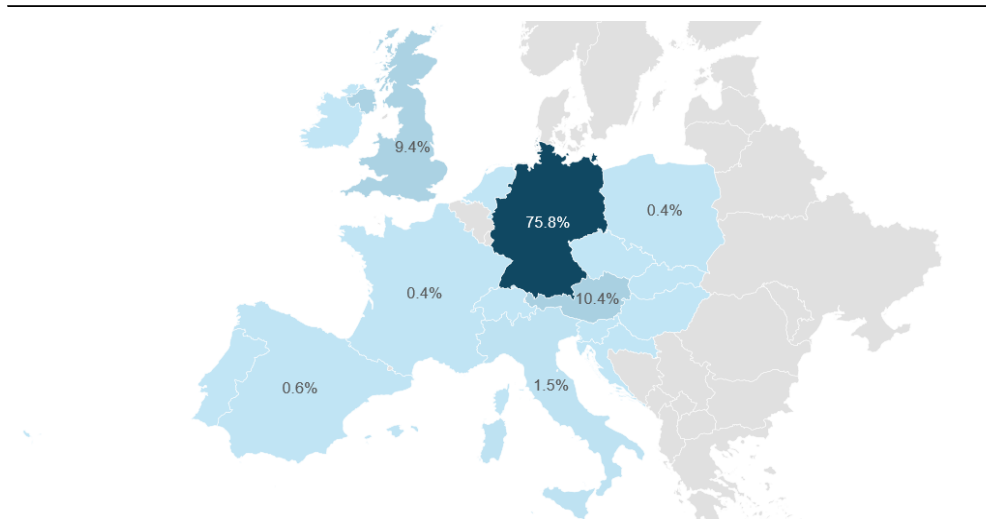
Overview sales channels



Source: Company data, NuWays Research

With **more than 3,000 partners** – ranging from small IT experts to large system integrators – NFON provides one of the most extensive partner networks within the industry. Among others, the company is collaborating with major players in the Telco industry, such as Deutsche Telekom and 1&1 Versatel. As the only pan-European player, the company is **active in 15 countries** – 8 of which with a local presence (DE, PL, AT, IT, FR, ES, PT & GB). Still the **majority of sales is generated on the company's home turf Germany**.

Regional sales distribution (H1 '23)



Source: Company data, NuWays Research

Turnaround in full swing

With a new management in control...

After rather lackluster operating performances since going public in 2018, the Supervisory Board acted in Q2 '23 and appointed Patrik Heider, former CFO of Nemetschek SE, as new CEO/CFO in May. To turn things around, the new CEO/CFO was straight to the point, as he reshaped the entire C-level management, including the position of CTO, which was taken over by former member of the SAP Global Leadership Team, Andreas Wesselmann at the beginning of 2024.

Going forward, **the new management aims to implement “organizational excellence” in order to increase both margins as well as market share** (eNuW: 7% EBIT margin by 2025e). Next to the ongoing implementation of cost saving measures, which started already in H2 '22 under the previous management, further key steps to achieve this should be:

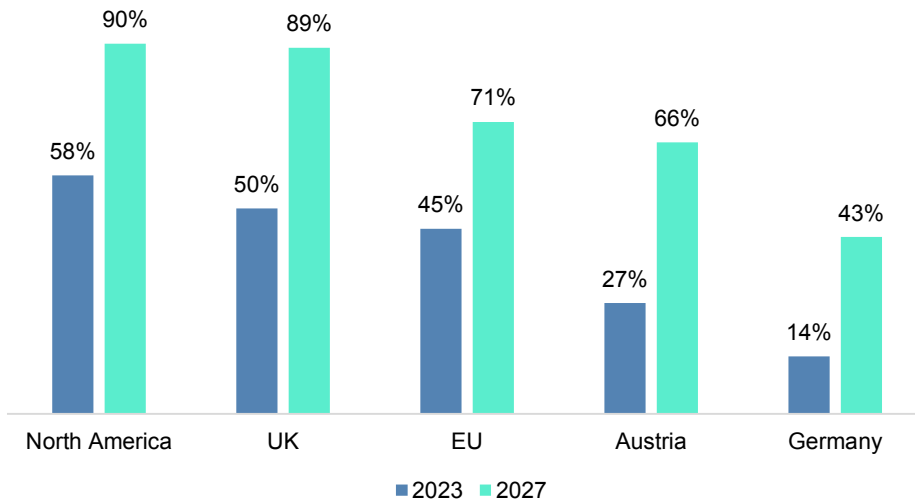
- **DTS integration:** NFON acquired Deutsche Telefon Standard (DTS) back in 2019 but was yet not fully integrated as it is still de facto a separated entity with an own product, salesforce, accounting, etc. In order to benefit from synergies, management is currently preparing the full integration of DTS, which is set to already become partly visible in 2024e.
- **C5 certification:** In Q4 '23, NFON received the C5 attestation, a proof for security standards of cloud-based solutions, for its products and services. C5 acts as an important decision benchmark for public sector clients as well as companies from the financial and healthcare industry. Hence, NFON should be in pole position to intensify its exposure to the bespoke verticals going forward, thus supporting top-line growth.
- **R&D pick-up:** New CTO Wesselmann is seen to drive forward and speed up R&D focused on market needs going forward in order to ensure state-of-the-art communication solutions from the cloud and strengthen NFON's market leading position based on an improved technical depth as well as streamlined internal processes.
- **M&A:** Although not reflected in our estimates, management recently indicated that M&A is part of the company's strategy. Here, we see the main narrative in either the strengthening of existing foreign markets or tapping new ones. Yet, we regard the likelihood of possible deals in 2024e as low and expect respective newsflow in H1 '25 at the earliest.

...and tailwinds from structural growth drivers...

The size of the highly fragmented **European market for integrated business communication was valued at € 11bn** in 2022 and is expected to increase another 23% until the end of 2024e. **NFON's core market, the multi-tenant PBX technology, is even expected to collect a 13% CAGR until 2026e.** Especially, the final fading out of ISDN-based telephone systems at the end of 2022 is seen to force ever more SMEs to adapt VoIP based solutions which is seen to **sharply increase penetration rates from currently 14% to 43% in 2027** (Cavell 2023).

First mover USA shows the valid potential of cloud-based PBX systems suggesting a significant catch-up potential in NFON's core markets with the only exception being the UK.

Cloud-Communication Penetration



Source: Cavell, NuWays Research

When it comes to VoIP based solutions, cloud-PBX should be the preferred choice for every SME, due to (1) **absence of hardware requirements** causing significantly reduced initial costs as well as maintenance, (2) **enhanced flexibility**, as every down- or upscale measure can be realized on a pure software basis as well as (3) **low costs for provision** especially for customers with smaller seat demand.

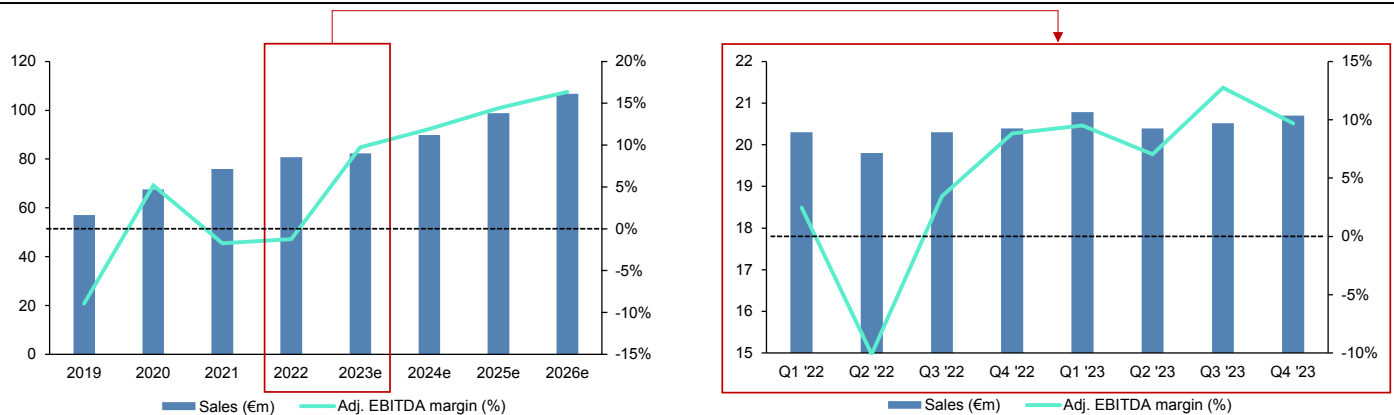
At the same time, **substitutes cannot compete with cloud PBX**, in our view. For instance, businesses could use SIP-trunks to connect on premise legacy systems over the Internet to the public network. However, these SIP-trunks provide fewer features, less flexibility, and only limited scalability.

Those macro tailwinds combined with the company's (1) powerful **distribution network** of more than 3,000 partners and (2) its proprietary **cloud-communication suite** are set to allow NFON to deliver solid **top-line growth going forward**. Although total sales growth (ARR + non-recurring sales) should be muted with +2% yoy in FY '23e due to lacklustre non-recurring revenues, we expect a top-line acceleration in 2024e driven by a slight pick-up in hardware sales as well as the continuous cross-selling of premium solutions. Overall, the company should be able to **grow sales at a 9% CAGR '23e-'26e**.

...efficiency measures are already bearing fruit.

While the company could not translate its industry leading technology platform into a profitable business, things took a turn with the start of 2023, where reduced marketing spend as well as workforce adjustments started to gain traction. In fact, the company **reduced marketing spend by a staggering 50% yoy** (9M '23) as management is keen to focus activities on an "efficient partner" approach rather than on the previous "the more the marrier". Moreover, **personnel expenses were reduced by 8.1% yoy** following a 14% workforce reduction – including among others the continuous elimination of duplicate structures. On top of this, the gradually increasing share of recurring revenues allowed for an improved gross margin (+3.1pp vs FY '21).

Sales & margin development



Source: Company data, NuWays Research

On this basis, the company was able to **expand its adjusted EBITDA margin by 7.3pp since Q1 '22**. Mind you, the slight dip in Q4 '23e is solely explained by seasonality effects in connection with higher marketing spend towards year-end.

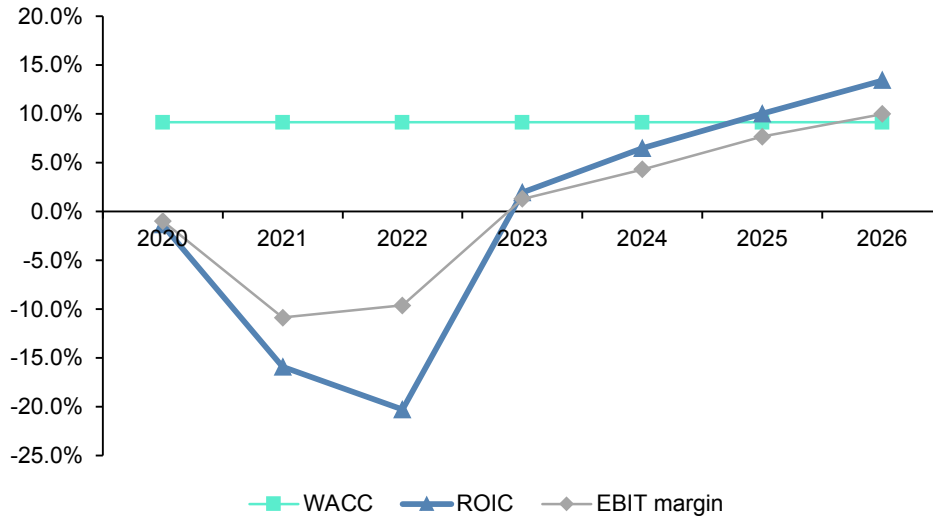
Going forward, NFON looks on track to **further improve profitability** on the back of **scale effects** as well as the imposed efficiency measures bearing fruit. In fact, **adjusted EBITDA margins north of 15% should be in the cards** by 2026e, while we expect the company to turn break-even on reported EBIT as well as FCF already in 2024e.

	in €m	2020	2021	2022	2023e	2024e	2025e	2026e	CAGR '20-'25e
Total Sales		67.6	75.9	80.8	82.4	89.8	98.8	106.7	7.9%
	yoy	18.4%	12.3%	6.5%	2.0%	9.0%	10.0%	8.0%	
Material Expenses		14.0	14.5	14.4	13.1	14.4	15.3	16.0	
	in % of sales	21%	19%	18%	16%	16%	16%	15%	
Gross Profit		53.6	61.4	66.4	69.3	75.4	83.5	90.7	9.3%
	Gross Profit margin	79.3%	81.0%	82.2%	84.1%	84.0%	84.5%	85.0%	
Personnel Expenses		28.5	31.7	37.4	34.6	35.0	37.0	38.4	
	in % of sales	42%	42%	46%	42%	39%	38%	36%	
Other Operating Expenses		17.0	22.5	26.8	23.8	26.5	28.7	30.9	
	in % of sales	25%	30%	33%	29%	30%	29%	29%	
Marketing Expenses		6.7	9.8	8.5	5.0	4.5	4.9	5.3	
	in % of sales	10%	13%	11%	6%	5%	5%	5%	
Other operating income		1.0	0.6	1.1	0.8	0.9	1.0	1.1	
	in % of sales	1%	1%	1%	1%	1%	1%	1%	
EBITDA		2.3	-2.0	-5.3	6.7	10.3	13.8	17.1	
	EBITDA margin	3.4%	-2.6%	-6.5%	8.2%	11.5%	14.0%	16.0%	
Adjustments. (SOP, restructuring, etc.)		1.2	0.7	4.3	1.3	0.4	0.4	0.4	
Adj. EBITDA		3.5	-1.3	-1.0	8.0	10.7	14.2	17.5	
	Adj. EBITDA margin	5.2%	-1.7%	-1.2%	9.8%	11.9%	14.4%	16.4%	
Depreciation and Amortization		4.1	6.9	6.8	6.9	6.9	6.7	6.8	
	in % of sales	6%	9%	8%	8%	8%	7%	6%	
EBIT		-1.8	-9.0	-12.0	-0.2	3.5	7.2	10.3	
	EBIT Margin	-2.7%	-11.8%	-14.9%	-0.2%	3.9%	7.3%	9.6%	
Financial Result		-0.5	-0.3	-0.2	-0.3	-0.4	-0.5	-0.5	
EBT		-2.3	-9.2	-12.2	-0.5	3.0	6.7	9.7	
	EBT Margin	-3.4%	-12.2%	-15.1%	-0.6%	3.4%	6.8%	9.1%	
Income taxes		0.1	-0.3	3.4	0.0	0.4	1.5	1.9	
	Tax rate	-3%	3%	-28%	-8%	10%	20%	20%	
Net Income		-2.4	-8.9	-15.6	-0.5	3.5	5.8	7.8	

Source: Company data, NuWays Research

Against this backdrop, NFON is seen to deliver compelling returns and value creation going forward, as EBIT margins are seen at 10% by 2026e, thus allowing for **ROIC-WACC spreads of >3pp** supported by the asset light nature as well as the scalability of the SaaS business model.

Returns



Source: Company data, NuWays Research

Valuation

To value NFON, we are applying a DCF model which derives a price **target of € 11.70 per share**. The key assumptions of our model are:

- **The terminal year EBIT margin of 17.5%** is reflecting the competitive quality of NFON as well as the scalability of the business model which looks set to enable significant margin expansion.
- **Long-term growth rate of 2.5%:** The mid-term growth rate is seen at a rather dynamic 5.5% ('25e-'30e) as NFON looks set to capitalize on the bespoke structural trends.

The **WACC of 9.1%** is derived from a beta of 1.5, a 4.6% equity risk premium and a 2.3% risk free rate.

DCF (EUR m) (except per share data and beta)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal value
NOPAT	-0.3	3.1	5.7	8.2	9.5	10.2	11.1	11.8	17.1
Depreciation	7.0	6.9	6.7	6.8	7.4	7.6	7.5	7.5	4.8
Increase/decrease in working capital	0.1	-0.4	-0.6	-0.5	-0.5	-0.4	-0.4	-0.3	-0.2
Increase/decrease in long-term provisions and accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	-7.4	-8.1	-8.1	-8.0	-8.0	-7.9	-8.0	-7.5	-4.8
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	-0.6	1.5	3.7	6.5	8.4	9.5	10.2	11.4	16.9
Present value	-0.6	1.3	3.2	3.2	6.0	6.2	6.1	6.3	139.6
WACC	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%

DCF per share derived from

Total present value	171
thereof terminal value	82%
Net debt (net cash) at start of year	-23
Financial assets	1
Provisions and off balance sheet debt	0
Equity value	194
No. of shares outstanding	16.6
Discounted cash flow per share	11.7
upside/(downside)	89%

DCF avg. growth and earnings assumptions

Short term growth (2022-2026)	7.2%
Medium term growth (2026 - 2030)	5.5%
Long term growth (2030 - infinity)	2.5%
Terminal year EBIT margin	17.5%

WACC derived from

Cost of borrowings before taxes	6.0%
Tax rate	0.0%
Cost of borrowings after taxes	6.1%
Required return on invested capital	9.1%
Risk premium	4.6%
Risk-free rate	2.3%
Beta	1.5

Share price	6.2
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Sensitivity analysis DCF

WACC		Long term growth				
		1.5%	2.0%	2.5%	3.0%	3.5%
10.1%	9.3	9.7	10.1	10.6	11.2	
9.6%	9.9	10.3	10.9	11.5	12.2	
9.1%	10.6	11.1	11.7	12.5	13.3	
8.6%	11.4	12.0	12.8	13.6	14.7	
8.1%	12.3	13.1	14.0	15.1	16.4	

Sensitivity analysis DCF

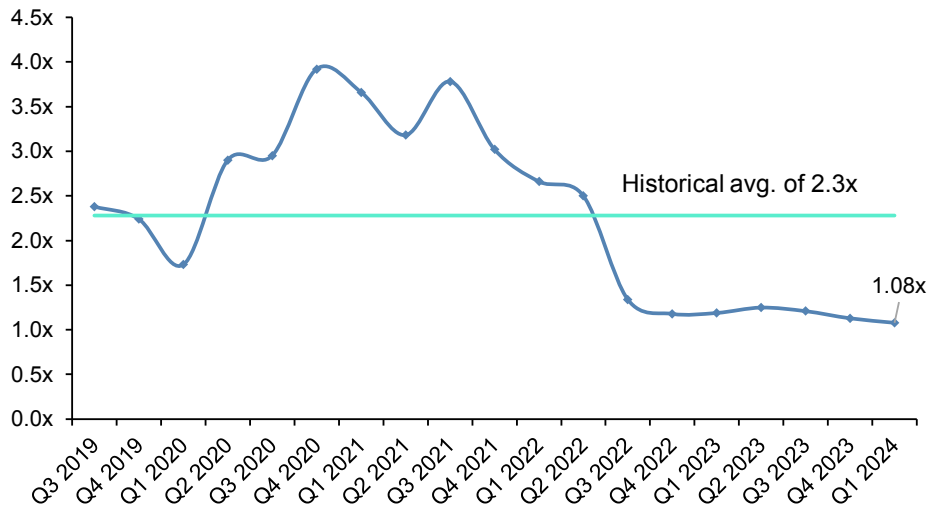
WACC		EBIT margin terminal year				
		12.5%	15.0%	17.5%	20.0%	22.5%
10.1%	8.1	9.1	10.1	11.1	12.1	
9.6%	8.7	9.8	10.9	12.0	13.1	
9.1%	9.3	10.5	11.7	13.0	14.2	
8.6%	10.0	11.4	12.8	14.1	15.5	
8.1%	10.9	12.5	14.0	15.5	17.1	

Source: NuWays Research

From H2 '19 **NFON has been trading on an average 1yr forward looking EV/Sales multiple 2.3x** (median: 2.4x), more than double of the current **valuation of 1.1x**. Closing this gap would imply a fair price per share of roughly € 12.9 per share.

The general interest related multiple compression should hereby be offset by the company's strong margin improvement over the past quarters, which **makes valuation look even more undemanding** given, that the stock is trading even slightly below Q1 '22 levels.

Historical 1yr forward looking EV/Sales multiples



Source: NuWays Research

Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net sales	67.6	75.9	80.8	82.4	89.8	98.8
<i>Sales growth</i>	18.4%	12.3%	6.5%	2.0%	9.0%	10.0%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	67.6	75.9	80.8	82.4	89.8	98.8
Other operating income	1.0	0.6	1.1	0.8	0.9	1.0
Material expenses	14.0	14.5	14.4	13.1	14.4	15.3
Personnel expenses	28.5	31.7	37.4	34.6	35.0	37.0
Other operating expenses	23.7	32.3	35.3	28.8	31.0	33.6
EBITDA	2.3	-2.0	-5.3	6.7	10.3	13.8
Adjustments	-1.2	-0.7	-4.3	1.3	0.4	0.4
Adj. EBITDA	1.2	-2.7	-9.5	8.0	10.7	14.2
Depreciation	2.7	3.2	3.4	3.3	2.9	2.6
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.5	3.7	3.3	3.7	3.9	4.1
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-1.8	-9.0	-12.0	-0.2	3.5	7.2
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.5	0.3	0.2	0.3	0.4	0.5
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.5	-0.3	-0.2	-0.3	-0.4	-0.5
Recurring pretax income from continuing operations	-2.3	-9.2	-12.2	-0.5	3.0	6.7
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-2.3	-9.2	-12.2	-0.5	3.0	6.7
Income tax expense	0.1	0.4	0.1	0.0	0.3	1.3
Net income from continuing operations	-2.2	-8.9	-15.6	-0.6	2.7	5.3
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-2.2	-8.9	-15.6	-0.6	2.7	5.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-2.2	-8.9	-15.6	-0.6	2.7	5.3
Average number of shares	15.1	16.6	16.6	16.6	16.6	16.6
EPS reported	-0.15	-0.54	-0.94	-0.03	0.16	0.32

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	18.4%	12.3%	6.5%	2.0%	9.0%	10.0%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	1.4%	0.7%	1.3%	1.0%	1.0%	1.0%
Material expenses	20.7%	19.0%	17.8%	15.9%	16.0%	15.5%
Personnel expenses	42.2%	41.8%	46.3%	42.0%	39.0%	37.5%
Other operating expenses	35.1%	42.6%	43.7%	34.9%	34.5%	34.0%
EBITDA	3.5%	-2.6%	-6.5%	8.2%	11.5%	14.0%
Adjustments	-1.7%	-0.9%	-5.3%	1.6%	0.4%	0.4%
Adj. EBITDA	1.7%	-3.6%	-11.8%	9.8%	11.9%	14.4%
Depreciation	4.0%	4.2%	4.3%	4.0%	3.3%	2.6%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	2.1%	4.9%	4.1%	4.4%	4.4%	4.1%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-2.7%	-11.8%	-14.9%	-0.3%	3.9%	7.3%
Interest income	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Interest expenses	0.8%	0.4%	0.2%	0.4%	0.5%	0.5%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-3.4%	-12.1%	-15.1%	-0.6%	3.4%	6.8%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-3.4%	-12.1%	-15.1%	-0.6%	3.4%	6.8%
Tax rate	3.1%	3.4%	-1.1%	-7.0%	10.0%	20.0%
Net income from continuing operations	-3.3%	-11.7%	-19.3%	-0.7%	3.0%	5.4%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-3.3%	-11.7%	-19.3%	-0.7%	3.0%	5.4%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	-3.3%	-11.7%	-19.3%	-0.7%	3.0%	5.4%

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	27.1	30.0	34.0	37.0	39.8	42.6
Property, plant and equipment	9.5	8.2	8.7	7.7	7.1	6.8
Financial assets	0.0	0.6	0.7	0.7	0.7	0.7
FIXED ASSETS	36.6	38.8	43.5	45.4	47.6	50.1
Inventories	0.1	0.2	0.1	0.1	0.1	0.1
Accounts receivable	10.0	10.9	9.3	9.5	10.3	11.4
Other assets and short-term financial assets	3.0	3.6	3.1	3.1	3.1	3.1
Liquid assets	23.0	27.7	13.2	12.3	13.4	16.7
Deferred taxes	1.1	2.4	0.3	0.3	0.3	0.3
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	37.2	44.7	26.0	25.3	27.2	31.6
TOTAL ASSETS	73.8	83.5	69.4	70.7	74.8	81.6

SHAREHOLDERS EQUITY	45.6	63.2	47.8	48.7	52.5	58.8
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	1.9	2.2	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	2.6	2.8	2.3	2.3	2.3	2.3
Short-term liabilities to banks	10.7	1.7	1.8	1.8	1.8	1.8
Accounts payable	4.9	6.1	4.2	4.5	4.9	5.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	2.7	2.8	6.5	6.5	6.5	6.5
Deferred taxes	0.8	1.3	2.5	2.5	2.5	2.5
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	7.7	8.9	10.7	11.0	11.4	11.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	73.8	83.5	69.4	70.7	74.8	81.6

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	36.7%	35.9%	49.0%	52.3%	53.2%	52.2%
Property, plant and equipment	12.9%	9.8%	12.6%	11.0%	9.6%	8.3%
Financial assets	0.0%	0.8%	1.0%	1.0%	0.9%	0.8%
FIXED ASSETS	49.6%	46.5%	62.6%	64.2%	63.7%	61.3%
Inventories	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
Accounts receivable	13.5%	13.1%	13.4%	13.4%	13.8%	13.9%
Other assets and short-term financial assets	4.0%	4.3%	4.5%	4.4%	4.2%	3.8%
Liquid assets	31.2%	33.1%	19.0%	17.4%	17.9%	20.5%
Deferred taxes	1.5%	2.9%	0.4%	0.4%	0.4%	0.3%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	50.4%	53.5%	37.4%	35.8%	36.3%	38.7%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	61.8%	75.7%	68.9%	69.0%	70.1%	72.0%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	2.5%	2.6%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	3.5%	3.4%	3.3%	3.3%	3.1%	2.8%
Short-term liabilities to banks	14.5%	2.0%	2.6%	2.6%	2.4%	2.2%
Accounts payable	6.7%	7.3%	6.1%	6.4%	6.6%	6.6%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	3.7%	3.4%	9.4%	9.2%	8.7%	8.0%
Deferred taxes	1.1%	1.6%	3.6%	3.5%	3.3%	3.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	10.4%	10.7%	15.4%	15.6%	15.3%	14.6%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	-2.2	-8.9	-15.6	-0.6	2.7	5.3
Depreciation of fixed assets (incl. leases)	2.7	3.2	3.4	3.3	2.9	2.6
Amortisation of goodwill & intangible assets	1.5	3.7	3.3	3.7	3.9	4.1
Others	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities	-0.3	-3.5	-5.8	4.3	6.6	8.5
Increase/decrease in inventory	0.1	-0.3	0.1	-0.0	0.0	-0.0
Increase/decrease in accounts receivable	-2.4	-0.9	2.1	-0.2	-0.9	-1.0
Increase/decrease in accounts payable	-0.2	1.2	-0.8	0.3	0.4	0.5
Increase/decrease in other working capital positions	0.0	0.0	0.1	0.0	0.0	0.0
Increase/decrease in working capital	-2.6	-0.1	1.5	0.1	-0.4	-0.6
Cash flow from operating activities	1.1	-1.8	-3.9	6.5	9.1	11.5
CAPEX	7.6	7.9	8.5	7.4	8.1	8.1
Payments for acquisitions	0.2	0.6	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.1	0.0	0.1	0.0	0.0	0.0
Cash flow from investing activities	-7.7	-8.5	-8.4	-7.4	-8.1	-8.1
Cash flow before financing	-6.5	-10.2	-12.3	-0.9	1.0	3.4
Increase/decrease in debt position	-6.8	-11.0	-2.1	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	25.8	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.0	0.0	-0.1	0.0	0.0	0.0
Cash flow from financing activities	-6.8	14.8	-2.1	0.0	0.0	0.0
Increase/decrease in liquid assets	-13.4	4.6	-14.5	-0.9	1.0	3.4
Liquid assets at end of period	23.0	27.7	13.2	12.3	13.4	16.7

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
P&L growth analysis						
Sales growth	18.4%	12.3%	6.5%	2.0%	9.0%	10.0%
EBITDA growth	-133.5%	-186.0%	161.9%	-227.9%	53.3%	33.9%
EBIT growth	-81.9%	394.5%	34.4%	-98.0%	-1549.2%	106.2%
EPS growth	-80.7%	261.6%	75.6%	-96.4%	-580.5%	96.0%
Efficiency						
Sales per employee	242.8	238.7	226.4	215.3	459.7	481.6
EBITDA per employee	8.4	-6.3	-14.8	17.6	52.9	67.4
No. employees (average)	278	318	357	383	195	205
Balance sheet analysis						
Avg. working capital / sales	6.8%	7.0%	5.3%	6.1%	2.5%	2.5%
Inventory turnover (sales/inventory)	453.7	489.6	928.6	928.6	928.6	928.6
Accounts receivable turnover	53.8	52.4	41.9	42.0	42.0	42.0
Accounts payable turnover	26.6	29.3	19.0	20.0	20.0	20.0
Cash flow analysis						
Free cash flow	-6.5	-9.7	-12.4	-0.9	1.0	3.4
Free cash flow/sales	-9.5%	-12.7%	-15.4%	-1.1%	1.2%	3.4%
FCF / net profit	288.6%	108.6%	79.5%	159.3%	38.4%	62.7%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-7.8	-22.6	-7.4	-6.5	-7.5	-10.8
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	6.6%	2.3%	1.8%	6.1%	7.7%	8.4%
Returns						
ROCE	-3.2%	-12.5%	-19.8%	-0.4%	5.9%	11.5%
ROE	-4.9%	-14.1%	-32.7%	-1.2%	5.2%	9.1%
Adjusted FCF yield	0.4%	-1.6%	-7.7%	4.7%	8.0%	10.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.15	-0.54	-0.94	-0.03	0.16	0.32
Average number of shares	15.1	16.6	16.6	16.6	16.6	16.6
Valuation ratios						
P/BV	2.0	1.6	2.1	2.1	2.0	1.7
EV/sales	2.8	3.5	1.2	1.2	1.1	0.9
EV/EBITDA	81.4	-133.4	-18.0	14.2	9.2	6.6
EV/EBIT	-105.2	-30.0	-7.9	-399.8	27.3	12.8

Source: Company data, NuWays

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Company	Disclosures
NFON AG	2,8

Historical target price and rating changes for NFON AG

Company	Date	Analyst	Rating	Target Price	Close
NFON AG	23.11.2023	Sennewald, Philipp	n.a.	EUR 11.30	EUR 7.08
	27.04.2023	Sennewald, Philipp	n.a.	EUR 10.50	EUR 8.20
	09.03.2023	Sennewald, Philipp	n.a.	EUR 9.50	EUR 6.52

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Contacts

NuWays AG

Mittelweg 16-17
20148 Hamburg
Germany

+49 170 119 8648
info@nuways-ag.com
www.nuways-ag.com



Christian Sandherr

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



Frederik Jarchow

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



Philipp Sennewald

Analyst

philipp.sennewald@nuways-ag.com



Henry Wendisch

Analyst

henry.wendisch@nuways-ag.com



Mark Schüssler

Analyst

mark-hendrik.schuessler@nuways-ag.com



Konstantin Völk

Analyst

konstantin.voelk@nuways-ag.com

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