

Buy (old: Buy)

13.09.2024

EUR 11.70 (old: EUR 11.70)

CMD feedback: Mid-term outlook and insights into AI roadmap

On Wednesday, NFON held a virtual **Capital Markets Day**, where management provided investors with insights into the recent botario acquisition and the associated upcoming AI roadmap as well as a financial mid-term guidance. **Here are the key takeaways:**

Well-filled AI pipeline: CTO Andreas Wesselmann gave a sneak preview into NFON's upcoming AI projects. This includes among others a comprehensive AI customer assistant, which is able to provide tailor-made solutions based on customer needs as well as a chat bot solution with live sentiment analysis, categorization and summarization, which is seen to be a perfect fit for NFON's contact center solutions. Regarding the go-to-market, the botario resources should speed-up the development process, which is why we expect the new solutions to be available over the course of 2025e. In our view, this should serve as a competitive edge in the highly fragmented market for integrated business communication and thus drive ARPU's and top-line growth going forward.

Up- and cross-selling potential from botario acquisition, especially for larger customers in NFON's partner portfolio. Moreover, botario's is opening new customer segments to NFON, given its strong position in highly regulated industries like health or insurance.

DTS integration in full swing. Management confirmed that the synergies arising from the integration of Deutsche Telefon Standard should become visible soon, as the company is currently eliminating duplicate structures in sales, marketing, HR, etc., which should allow for further profitability improvements going forward.

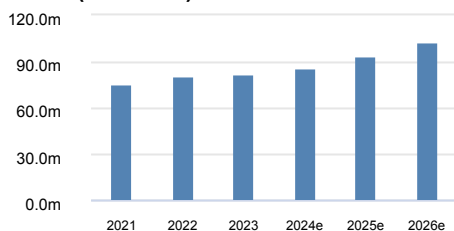
Mid-term outlook: While the FY '24e guidance was confirmed, CEO Heider also provided a mid-term outlook. Until 2027, the company aims to achieve a double-digit top-line CAGR with recurring revenues accounting for >90% of sales as well as an EBITDA margin of >15%. In our view, this should be well achievable given the existing optimization potential as well as an improved sales mix in connection with the new AI products. Moreover, management also provided targets for botario, which is seen to grow at a >40% CAGR going forward and achieve EBITDA margins of >30%.

Reiterate **BUY** with an unchanged **€ 11.70 PT** based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	75.9	80.8	82.3	86.4	94.4	102.5
Sales growth	12.3%	6.5%	1.9%	5.0%	9.2%	8.6%
Adj. EBITDA	-1.3	-1.0	8.4	11.5	14.8	17.8
Net debt (if net cash=0)	-22.6	-7.4	-2.4	-3.9	-8.3	-14.4
FCF	-9.7	-12.4	1.0	1.5	4.4	6.1
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	-0.54	-0.94	-0.05	0.15	0.35	0.47
Adj. EBITDA margin	-1.7%	-1.2%	10.2%	13.3%	15.7%	17.4%
ROCE	-12.5%	-19.8%	-0.8%	5.3%	11.0%	15.2%
EV/sales	3.5	1.2	1.2	1.1	1.0	0.9
EV/adj. EBITDA	-204.6	-94.5	11.8	8.5	6.3	4.9
PER	-11.5	-6.5	-129.3	39.9	17.8	13.2
Adjusted FCF yield	-1.6%	-7.8%	4.6%	7.5%	10.7%	9.0%

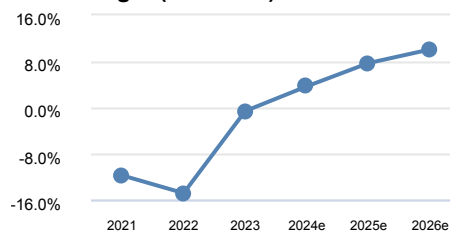
Source: Company data, NuWays, Close price as of 10.09.2024

Sales (2021-26e)



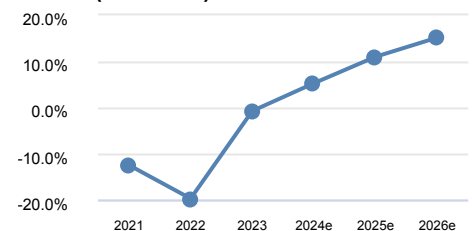
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



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 €)	5.90
Market cap (in € m)	101.9
Number of shares (in m pcs)	16.6
Enterprise value (in € m)	97.9
Ø trading volume (6 months)	3,049

Identifier

Bloomberg	NFN GR
Reuters	NFN
WKN	A0N4N5
ISIN	DE000A0N4N52

Key shareholders

Milestone Venture Capital	31.9%
AOC	27.6%
Universal	8.3%
Teslin	7.0%
Morgan Stanley	6.0%
Free Float	19.2%

Estimates changes

	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Guidance

- ARR: mid- to upper-single-digit-% growth & >90% ratio
- Adj. EBITDA: € 10-12m

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	75.9	80.8	82.3	86.4	94.4	102.5
<i>Sales growth</i>	12.3%	6.5%	1.9%	5.0%	9.2%	8.6%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	75.9	80.8	82.3	86.4	94.4	102.5
Other operating income	0.6	1.1	0.9	0.9	0.9	1.0
Material expenses	14.5	14.4	13.0	13.8	14.6	15.4
Personnel expenses	31.7	37.4	34.9	35.0	36.1	38.4
Other operating expenses	32.3	35.3	28.6	28.3	30.2	32.3
EBITDA	-2.0	-5.3	6.8	10.2	14.4	17.4
Adjustments	0.7	4.3	1.6	1.3	0.4	0.4
Adj. EBITDA	-1.3	-1.0	8.4	11.5	14.8	17.8
Depreciation	3.2	3.3	3.5	3.3	3.3	3.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.7	3.4	3.9	3.8	3.8	3.8
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-9.0	-12.0	-0.5	3.2	7.3	10.4
Interest income	0.0	0.0	0.2	0.3	0.3	0.5
Interest expenses	0.3	0.2	0.4	0.5	0.5	0.5
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.3	-0.2	-0.2	-0.2	-0.1	-0.0
Recurring pretax income from continuing operations	-9.2	-12.2	-0.7	3.0	7.1	10.3
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-9.2	-12.2	-0.7	3.0	7.1	10.3
Income tax expense	0.4	0.1	0.1	0.5	1.4	2.6
Net income from continuing operations	-8.9	-15.6	-0.8	2.6	5.7	7.7
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-8.9	-15.6	-0.8	2.6	5.7	7.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-8.9	-15.6	-0.8	2.6	5.7	7.7
Average number of shares	16.6	16.6	16.6	16.6	16.6	16.6
EPS reported	-0.54	-0.94	-0.05	0.15	0.35	0.47

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	12.3%	6.5%	1.9%	5.0%	9.2%	8.6%
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	0.7%	1.3%	1.1%	1.0%	1.0%	1.0%
Material expenses	19.0%	17.8%	15.8%	16.0%	15.5%	15.0%
Personnel expenses	41.8%	46.3%	42.4%	40.5%	38.2%	37.5%
Other operating expenses	42.6%	43.7%	34.7%	32.7%	32.0%	31.5%
EBITDA	-2.6%	-6.5%	8.3%	11.8%	15.3%	17.0%
Adjustments	0.9%	5.3%	1.9%	1.5%	0.4%	0.4%
Adj. EBITDA	-1.7%	-1.2%	10.2%	13.3%	15.7%	17.4%
Depreciation	4.2%	4.1%	4.2%	3.8%	3.5%	3.2%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	4.9%	4.3%	4.7%	4.4%	4.0%	3.7%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-11.8%	-14.9%	-0.6%	3.7%	7.7%	10.1%
Interest income	0.0%	0.0%	0.2%	0.4%	0.4%	0.4%
Interest expenses	0.4%	0.2%	0.4%	0.6%	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	-12.1%	-15.1%	-0.8%	3.5%	7.6%	10.1%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-12.1%	-15.1%	-0.8%	3.5%	7.6%	10.1%
Tax rate	3.4%	-1.1%	-14.2%	15.0%	20.0%	25.0%
Net income from continuing operations	-11.7%	-19.3%	-1.0%	3.0%	6.1%	7.5%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-11.7%	-19.3%	-1.0%	3.0%	6.1%	7.5%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	-11.7%	-19.3%	-1.0%	3.0%	6.1%	7.5%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	30.0	34.0	35.4	38.1	41.0	44.0
Property, plant and equipment	8.2	8.7	11.6	10.7	9.8	9.0
Financial assets	0.6	0.7	0.7	0.7	0.7	0.7
FIXED ASSETS	38.8	43.5	47.7	49.5	51.4	53.6
Inventories	0.2	0.1	0.1	0.1	0.1	0.1
Accounts receivable	10.9	9.3	9.0	9.5	10.3	11.2
Other assets and short-term financial assets	3.6	3.1	4.0	4.0	4.0	4.0
Liquid assets	27.7	13.2	12.3	13.8	18.2	24.3
Deferred taxes	2.4	0.3	0.8	0.8	0.8	0.8
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	44.7	26.0	26.2	28.2	33.5	40.5
TOTAL ASSETS	83.5	69.4	73.9	77.7	84.9	94.1
SHAREHOLDERS EQUITY	63.2	47.8	47.2	50.7	57.4	66.2
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities to banks	3.3	4.1	8.5	8.5	8.5	8.5
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	2.2	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	2.8	2.3	3.1	3.1	3.1	3.1
NON-CURRENT LIABILITIES	8.3	6.4	11.6	11.6	11.6	11.6
Short-term liabilities to banks	1.7	1.8	1.4	1.4	1.4	1.4
Accounts payable	6.1	4.2	5.0	5.2	5.7	6.2
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.0	0.3	0.8	0.8	0.8	0.8
Other liabilities (incl. from lease and rental contracts)	2.8	6.5	5.8	5.8	5.8	5.8
Deferred taxes	1.3	2.5	2.2	2.2	2.2	2.2
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	12.0	15.3	15.2	15.4	15.9	16.4
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	83.5	69.4	73.9	77.7	84.9	94.1
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	35.9%	49.0%	47.9%	49.1%	48.2%	46.7%
Property, plant and equipment	9.8%	12.6%	15.7%	13.7%	11.5%	9.6%
Financial assets	0.8%	1.0%	0.9%	0.9%	0.8%	0.7%
FIXED ASSETS	46.5%	62.6%	64.6%	63.7%	60.5%	57.0%
Inventories	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%
Accounts receivable	13.1%	13.4%	12.1%	12.2%	12.2%	11.9%
Other assets and short-term financial assets	4.3%	4.5%	5.4%	5.1%	4.7%	4.2%
Liquid assets	33.1%	19.0%	16.6%	17.8%	21.5%	25.8%
Deferred taxes	2.9%	0.4%	1.1%	1.1%	1.0%	0.9%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	53.5%	37.4%	35.4%	36.3%	39.5%	43.0%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	75.7%	68.9%	63.8%	65.3%	67.6%	70.3%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term liabilities to banks	4.0%	5.8%	11.5%	10.9%	10.0%	9.0%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	3.4%	3.3%	4.2%	4.0%	3.7%	3.3%
NON-CURRENT LIABILITIES	10.0%	9.2%	15.7%	14.9%	13.7%	12.3%
Short-term liabilities to banks	2.0%	2.6%	1.9%	1.8%	1.7%	1.5%
Accounts payable	7.3%	6.1%	6.7%	6.7%	6.7%	6.6%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.0%	0.4%	1.1%	1.0%	1.0%	0.9%
Other liabilities (incl. from lease and rental contracts)	3.4%	9.4%	7.8%	7.4%	6.8%	6.1%
Deferred taxes	1.6%	3.6%	2.9%	2.8%	2.6%	2.3%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	14.3%	22.0%	20.5%	19.8%	18.7%	17.4%
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)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-8.9	-15.6	-0.8	2.6	5.7	7.7
Depreciation of fixed assets (incl. leases)	3.2	3.3	3.5	3.3	3.3	3.3
Amortisation of goodwill & intangible assets	3.7	3.4	3.9	3.8	3.8	3.8
Other costs affecting income / expenses	0.0	3.4	0.9	0.0	0.0	0.0
Cash flow from operating activities	-3.5	-5.8	4.6	6.8	9.4	7.3
Increase/decrease in inventory	-0.3	0.1	-0.0	0.0	-0.0	-0.0
Increase/decrease in accounts receivable	-0.9	2.1	-0.6	-0.5	-0.9	-0.9
Increase/decrease in accounts payable	1.2	-0.8	0.0	0.2	0.5	0.5
Increase/decrease in other working capital positions	0.0	0.1	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-0.1	1.5	-0.6	-0.3	-0.4	-0.4
Cash flow from operating activities	-1.8	-3.9	6.8	9.3	12.4	14.4
CAPEX	7.9	8.5	5.9	7.8	8.0	8.3
Payments for acquisitions	0.6	0.0	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	0.0	0.1	0.0	0.0	0.0	0.0
Cash flow from investing activities	-8.5	-8.4	-5.9	-7.8	-8.0	-8.3
Cash flow before financing	-10.2	-12.3	1.0	1.5	4.4	n.a.
Increase/decrease in debt position	-11.0	-2.1	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	25.8	0.0	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	-1.9	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	-0.1	0.0	0.0	0.0	0.0
Cash flow from financing activities	14.8	-2.1	-1.9	0.0	0.0	0.0
Increase/decrease in liquid assets	4.6	-14.5	-0.9	1.5	4.4	n.a.
Liquid assets at end of period	27.7	13.2	12.3	13.8	18.2	24.3

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	12.3%	6.5%	1.9%	5.0%	9.2%	8.6%
EBITDA growth	-186.0%	161.9%	-229.1%	50.4%	40.8%	21.1%
EBIT growth	394.5%	34.4%	-95.8%	-728.4%	128.6%	41.8%
EPS growth	261.6%	75.6%	-95.0%	-424.1%	123.9%	35.2%
Efficiency						
Sales per employee	238.7	226.4	215.1	442.4	460.0	524.4
EBITDA per employee	-6.3	-14.8	17.8	52.3	70.2	89.2
No. employees (average)	318	357	383	195	205	195
Balance sheet analysis						
Avg. working capital / sales	5.1%	-4.6%	2.3%	-2.0%	-1.0%	-1.3%
Inventory turnover (sales/inventory)	489.6	928.6	722.3	722.3	722.3	722.3
Accounts receivable turnover	52.4	41.9	39.7	40.0	40.0	40.0
Accounts payable turnover	29.3	19.0	22.0	22.0	22.0	22.0
Cash flow analysis						
Free cash flow	-9.7	-12.4	1.0	1.5	4.4	6.1
Free cash flow/sales	-12.7%	-15.4%	1.2%	1.8%	4.7%	6.0%
FCF / net profit	108.6%	79.5%	neg.	60.7%	76.8%	78.9%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-22.6	-7.4	-2.4	-3.9	-8.3	-14.4
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	2.3%	1.8%	4.9%	6.3%	5.0%	6.3%
Returns						
ROCE	-12.5%	-19.8%	-0.8%	5.3%	11.0%	15.2%
ROE	-14.1%	-32.7%	-1.7%	5.0%	10.0%	11.7%
Adjusted FCF yield	-1.6%	-7.8%	4.6%	7.5%	10.7%	9.0%
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	-0.54	-0.94	-0.05	0.15	0.35	0.47
Average number of shares	16.6	16.6	16.6	16.6	16.6	16.6
Valuation ratios						
P/BV	1.6	2.1	2.2	2.0	1.8	1.5
EV/sales	3.5	1.2	1.2	1.1	1.0	0.9
EV/EBITDA	-133.4	-17.9	14.6	9.6	6.5	5.0
EV/EBIT	-30.0	-7.9	-195.8	30.7	12.8	8.4

Source: Company data, NuWays

Disclosures

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Indication of conflict of interest

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- (3) or any other person belonging to the same group with it has been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement within the past twelve month.
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Company	Disclosures
NFON AG	2

Historical target price and rating changes for NFON AG

Company	Date	Analyst	Rating	Target Price	Close
NFON AG	18.01.2024	Sennewald, Philipp	Buy	EUR 11.70	EUR 6.10
	23.11.2023	Sennewald, Philipp	Buy	EUR 11.30	EUR 7.08

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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