



NFON

Die Cloud-Telefonanlage

THE NEW FREEDOM OF BUSINESS COMMUNICATION

Half-year Financial Report 2018

20 September 2018

“

We want to dominate the European Cloud telephony market by delivering freedom of business communication.

”



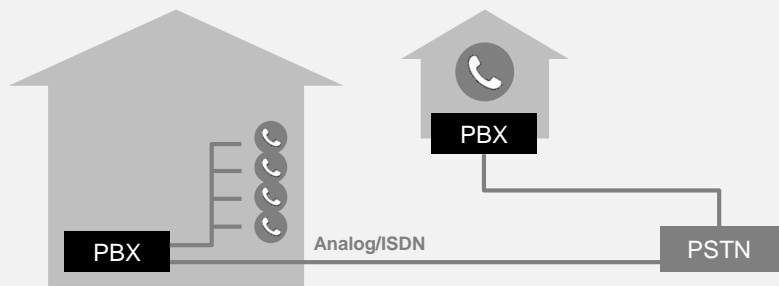
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Introduction & Strategy

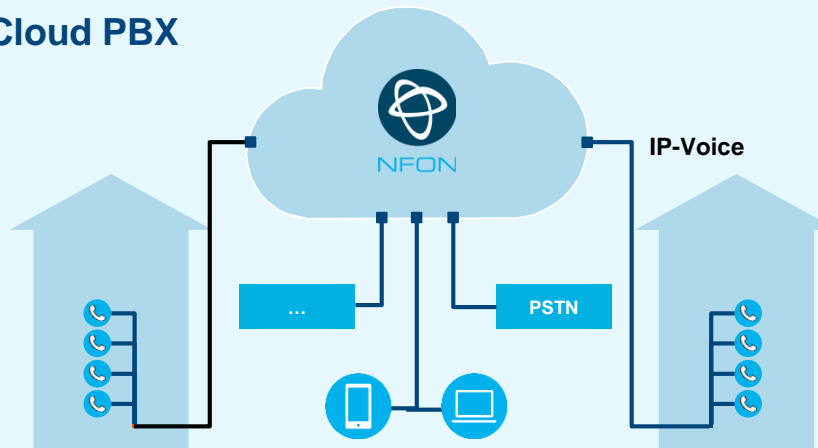


NFON – The only true Pan-European Cloud PBX company

Classic on-premise PBX



Cloud PBX



Advantages of cloud telephony

Increased functionality



Flexibility



Minimal support required



Location independence



Device agnostic



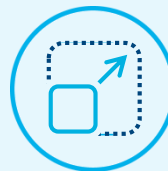
Lower total cost of ownership



Automatic updates



Scalability



Founded **2007**
HQ in Munich,
Germany



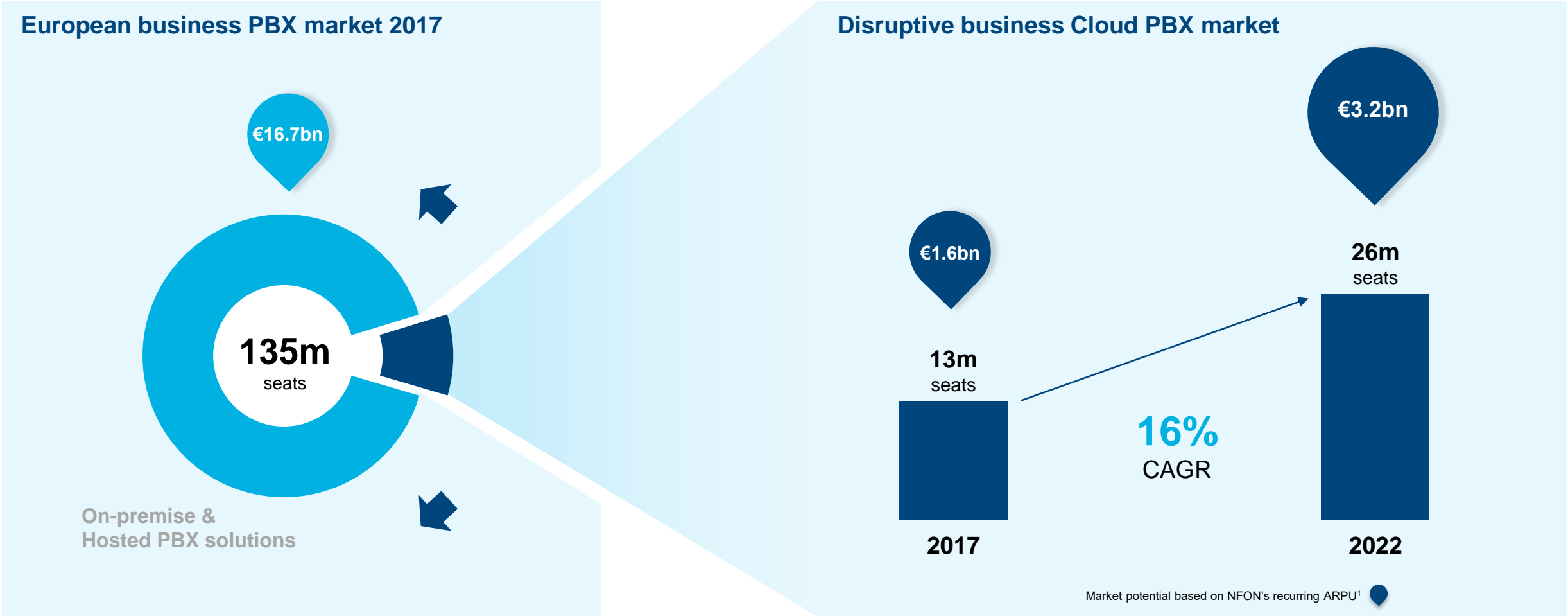
Active in
13
European
countries



200+
employees

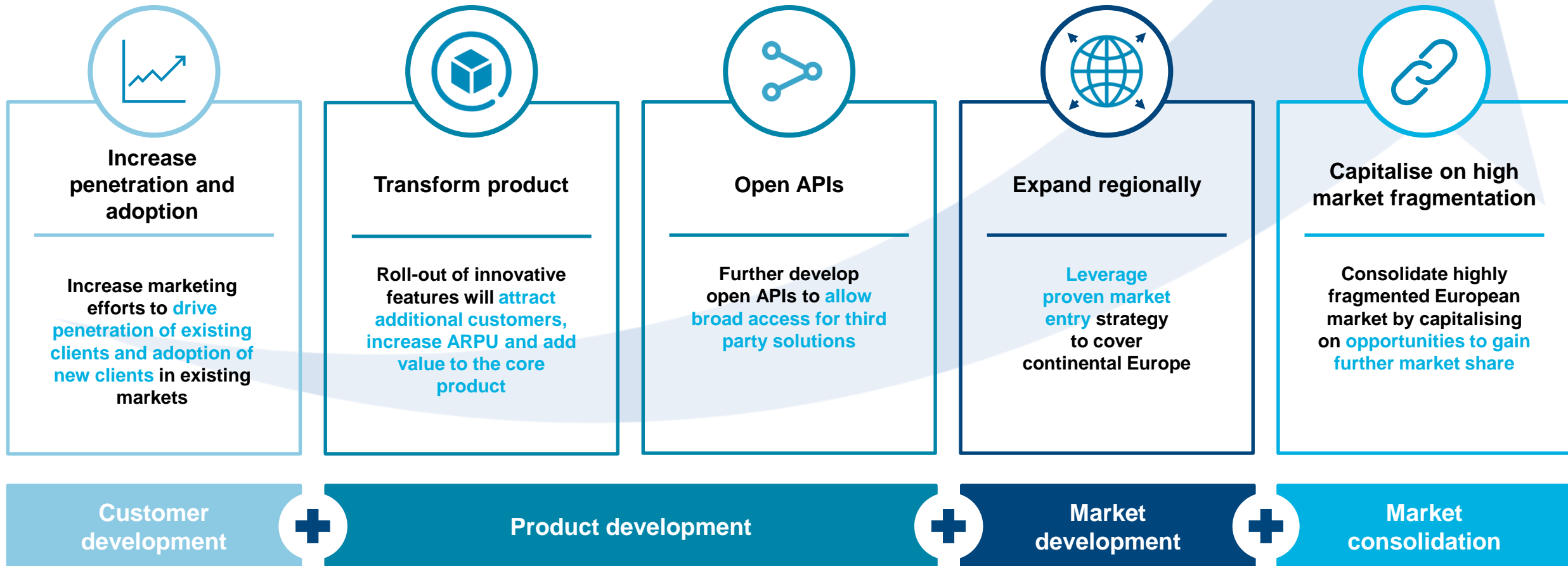


Shift to cloud communication creates unique opportunity



Source: MZA (2017)
¹ calculated as respective number of total extensions/installed base based on MZA estimates multiplied with NFON's 2017 ARPU of €10.32 per seat per month
Note: Cloud business telephony seats including public multi-tenant, public multi-instance and public single-instance technology

Coherent multi vector growth strategy



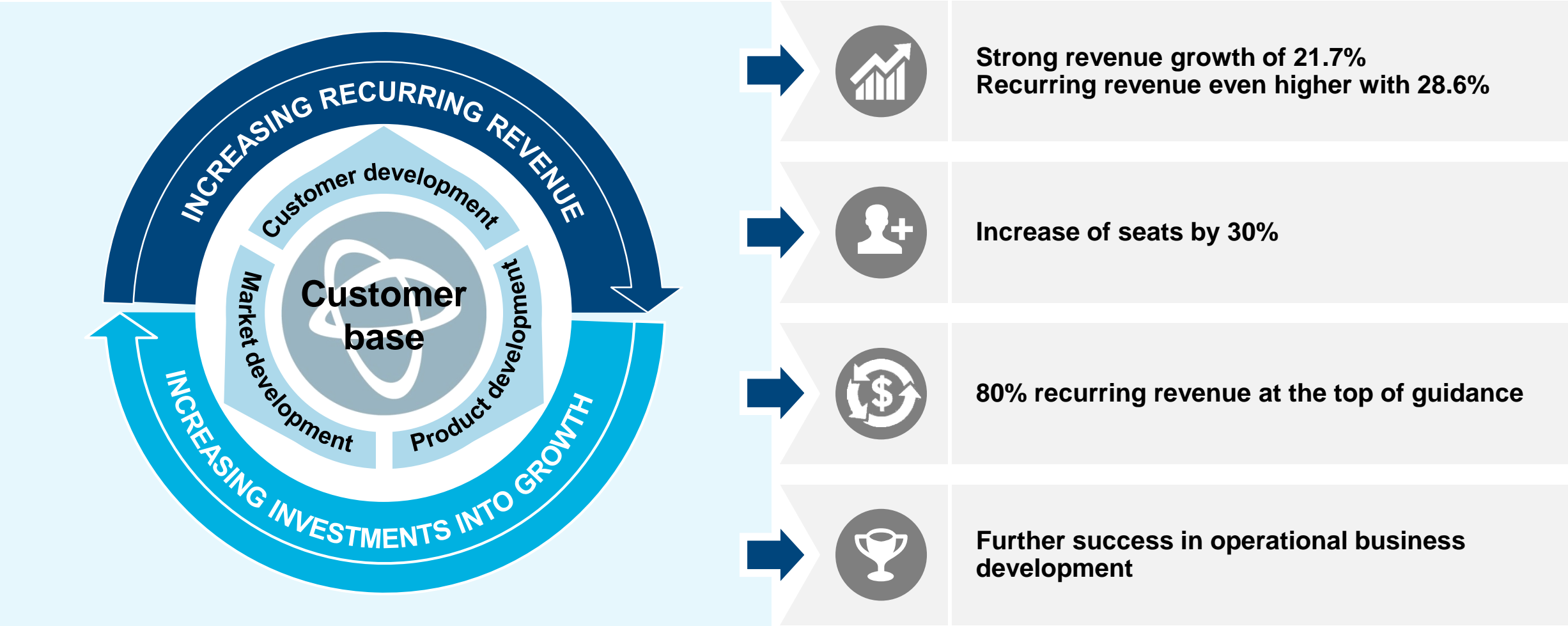
A man with a beard and brown hair, wearing a blue and white plaid shirt and a headset, is smiling while sitting at a desk with a laptop. In the background, there is a bookshelf filled with books and a blurred image of another person.

2

Business Highlights



NFON on schedule for growth



Customer development in existing markets

Leverage on proof of
concept in Germany ...



>25%

German
market share

+1,100

Partners in Europe

Further success
in Wholesale
partner
business

... for European rollout



13

European
countries

287k+

Seats
NFON Group



Start of European
roll-out



Continuous product development

Continuous product optimisation

User friendly interfaces

e.g. the new client



Comments

- Easy-to-use
- Integrate services such as Softphone and Ncontrol
- First introduction of new client at CeBIT 2018 with high interest of partners and customers
- Launch second half 2018
- New Client base for further development of Premium solutions

Premium solutions

New features and solutions

e.g.

Neorecording



Ncontactcenter



Comments

- **Neorecording**: MiFID II-compliant voice recordings and storage
- **Ncontactcenter** adds a fully-fledged cloud contact center solution to the NFON Cloud Telephone (ACD, 2,500 parallel calls)

Disciplined M&A strategy to further accelerate growth

Capitalise on high market fragmentation



Potential targets should be fully aligned to NFON's acquisition criteria



Compelling strategic rationale

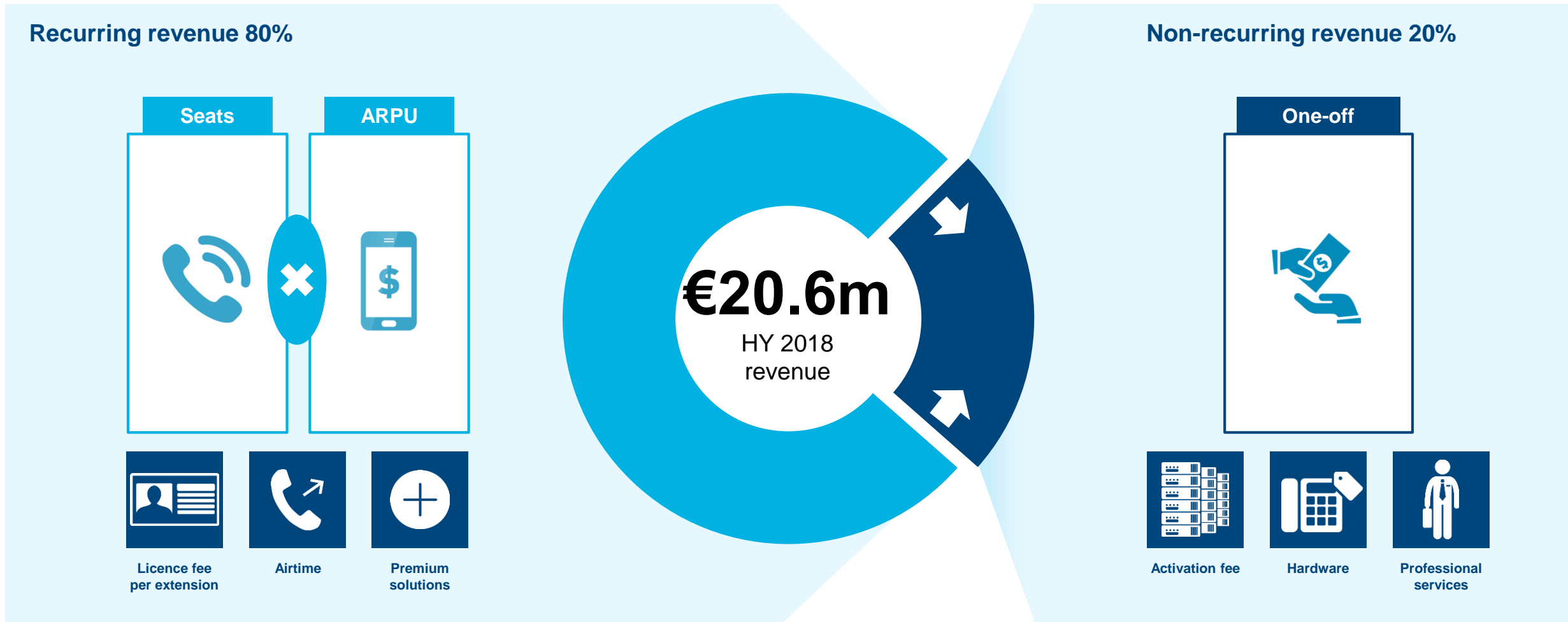
- › Acceleration regional expansion ✓
- › Expansion product portfolio ✓
- › Increase customer base ✓
- › Cost synergies ✓

3

Business Model & Financial Overview

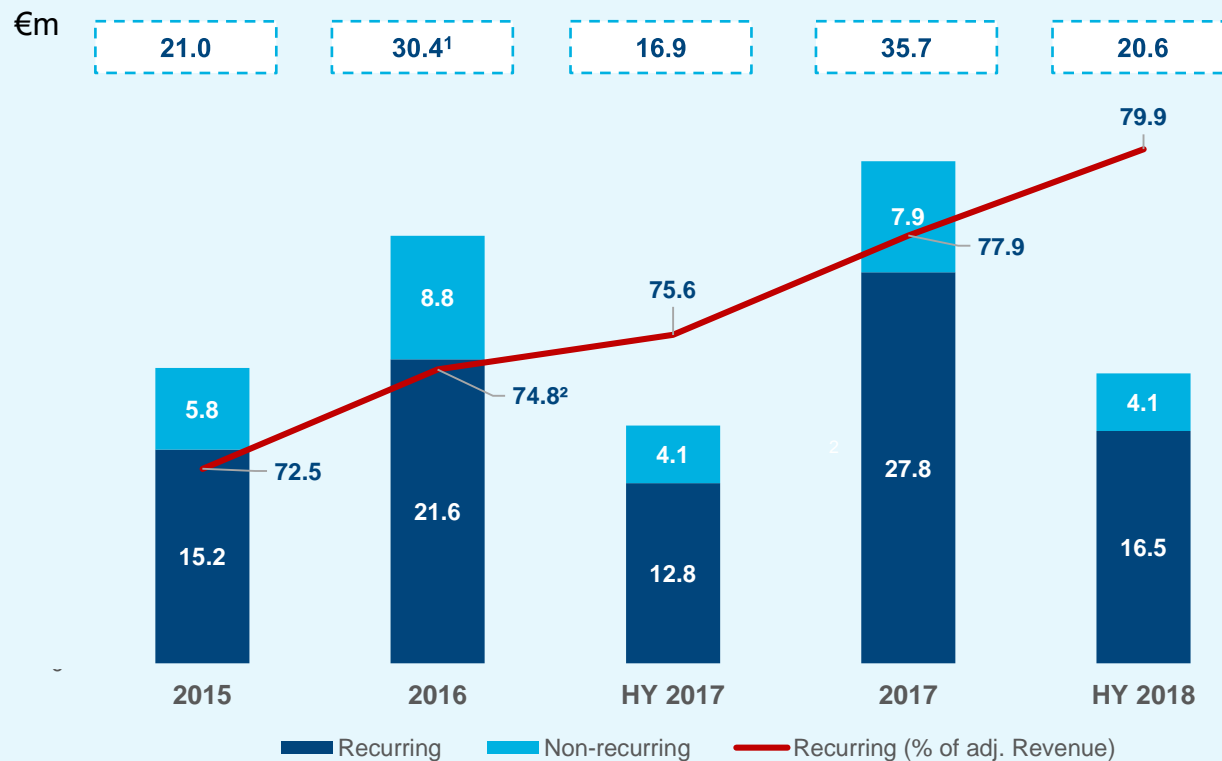


NFON's top line mechanics are centred around recurring revenue



Share of recurring revenues at the top line of guidance

Development total recurring vs. non-recurring revenues



Comments

- Increase of total revenues by 21.7%
 - Driven by strong growth of recurring revenues to €16.5m (+28.6%)
 - Stable share of non-recurring revenue of €4.1m
- Based on the nature of NFON's business, revenue growth in the earlier quarters of the year tends to be lower than expected full year growth as a result of the cumulative effect of new seat wins
- Highly recurring revenues also driven by negative net churn rates and increasing y-o-y customer wins and number of seats

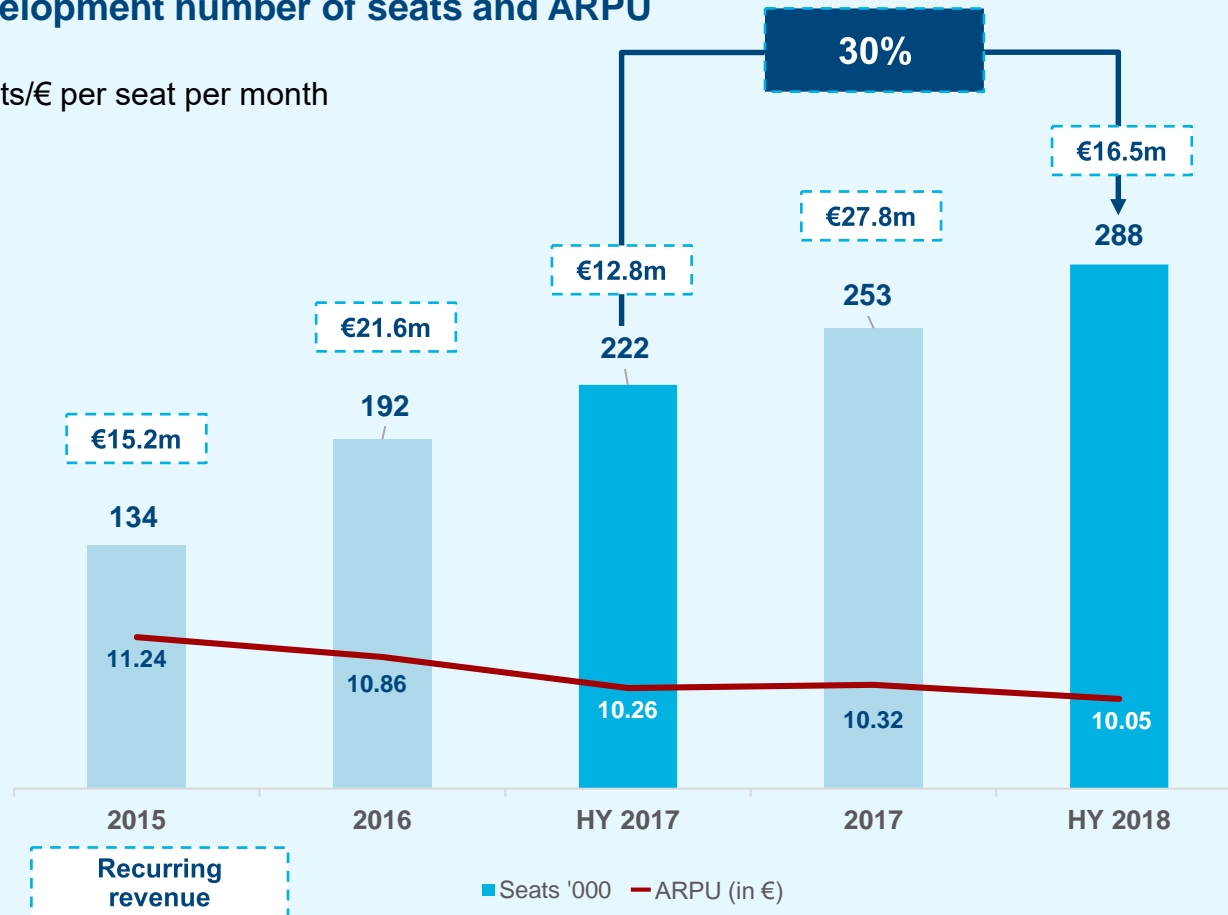


¹ including extraordinary effect from R&D project amounting to €1.5m; ² calculated as €21.6m/€28.9m (excluding extraordinary effect from R&D project amounting to €1.5m)

Sustainable recurring revenues based on continuous growth in total number of seats

Development number of seats and ARPU

#seats/€ per seat per month



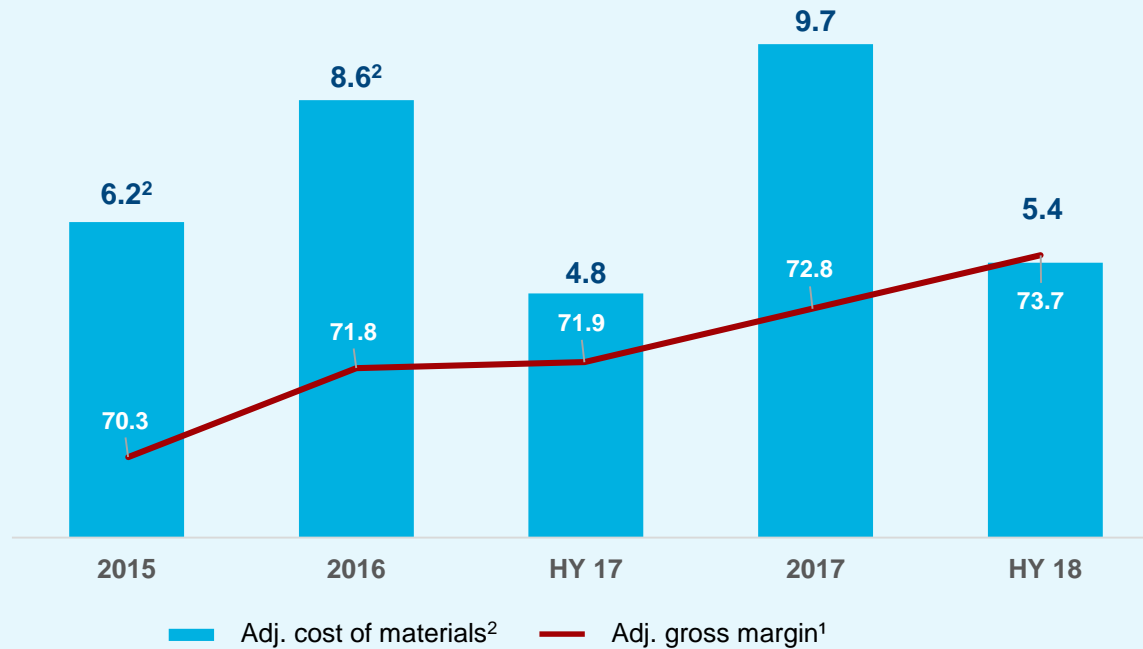
Comments

- Increase of total number of seats by 30%
- Growth on revenues based on an increasing number of seats and largely stable ARPU levels
- ARPU levels are impacted by the increasing share of sales through wholesale partners selling their own airtime
- Additional premium solutions represent upside potential for ARPU development in the medium term
- Very low gross churn rate of <0.5% per month (by negative net churn rate) underlines quality of product and service guarantees continuous recurring revenues

Consistently increasing gross margin

Cost of materials and adj. gross margin development

€m, % of revenue



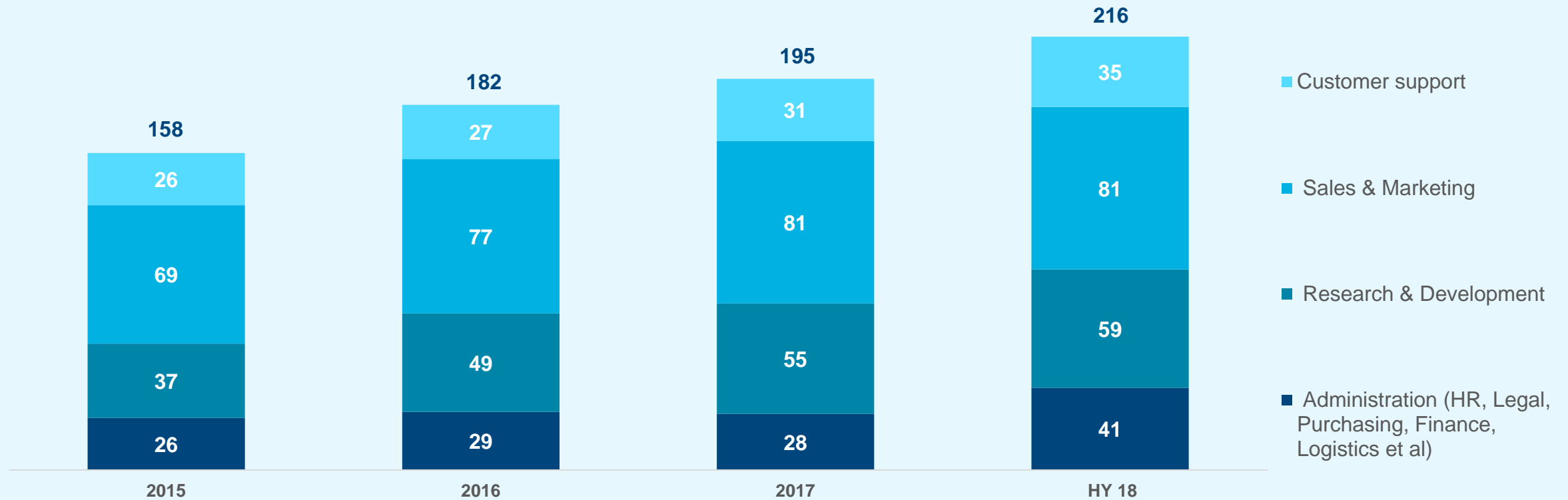
Comments

- > Cost of materials are largely variable in nature and mainly comprise of costs for hardware sold, costs for airtime sold and data centre housing costs
- > Gross margin is positively influence by higher margin of recurring revenues
- > Gross margins are additionally influenced by the share of revenue generated through wholesale partners having different price structures and offering airtime themselves

Growing work force in line with growth strategy

Development of personnel

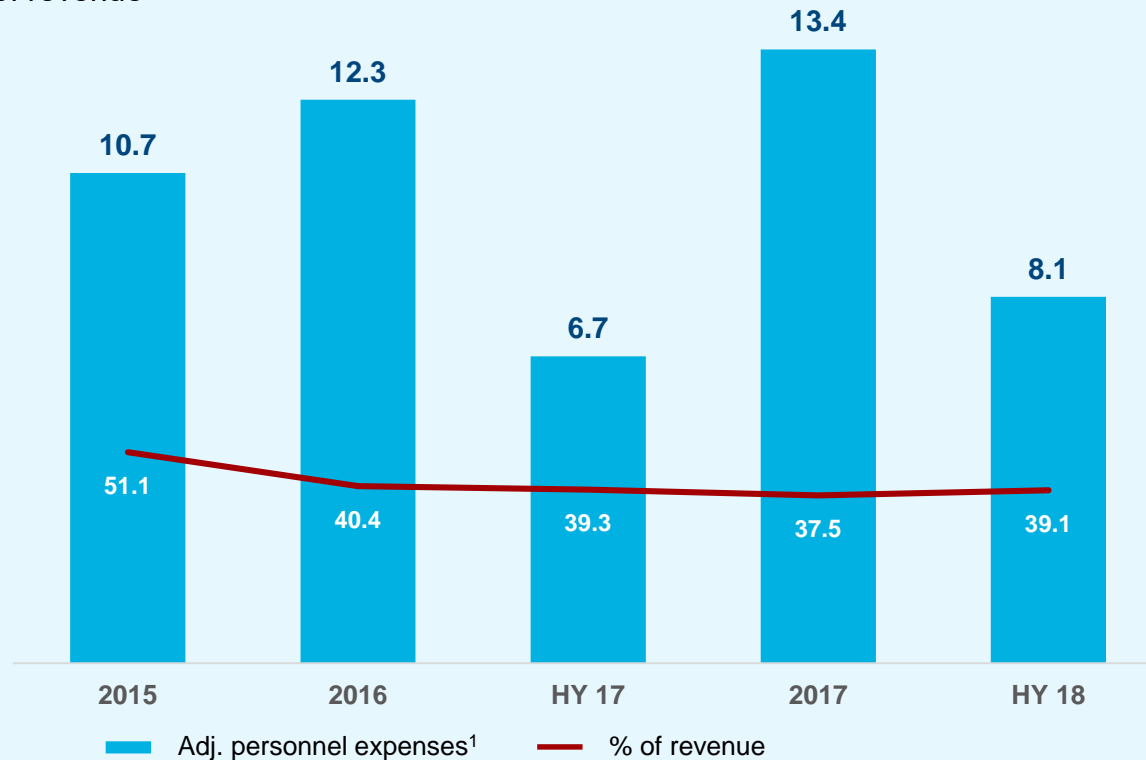
of employees



Increase of adj. personnel expenses corresponds to growing work force

Adj. personnel expense development

€m, % of revenue



Comments

- Historically, personnel expenses represent the single largest cost position. Personnel expenses as reported €13.1m
- One-off effect out of share-based payments of €3.7m established as a share appreciation right program
- Retention bonus (IPO) of €0.6m
- Exit bonus (IPO) of €0.7m²
- Increase of adj. personnel expenses by 21% is primarily impacted by growing work force, which is in line with our growth strategy

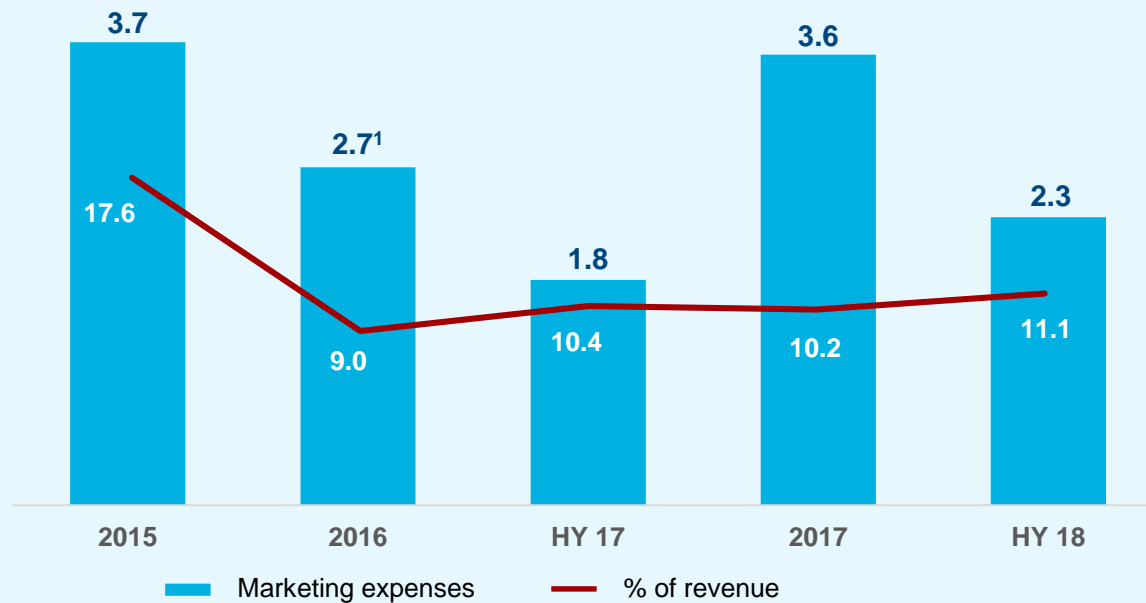


¹ Personnel expenses adjusted for share-based payments amounting to €0.1m, €0.3m, €0.2m and €3.7m in 2015, 2016, 2017 and HY 2018 ² Exit bonus of €0.7m reimbursed by former shareholders and recognised in other income €0.7m

Marketing expenses will further increase by implementing growth strategy

Marketing expense development

€m, % of revenue



Comments

- > Given strong conversion rates, marketing expenses are highly correlated with future revenue development
- > Marketing activities aimed at increasing the penetration of existing customers and attracting new customers in the markets in which we are already present
- > Marketing activities means
 - Lead generation and brand marketing as well as various other marketing measures
 - Further expansion of our channel partner network to expand our distribution reach

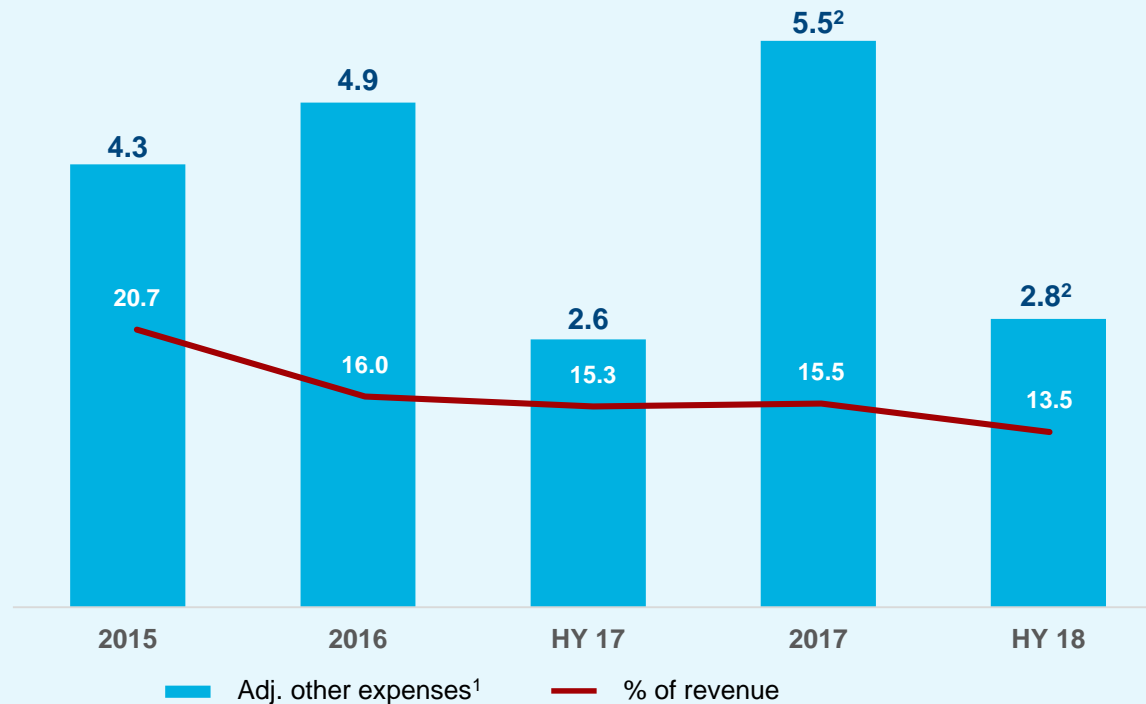


¹ The decline in fiscal year 2016 was mainly due to a temporary reduction in marketing activities as result of re-allocations of internal budgets

Consistent decrease of adj. other expenses as % of revenue demonstrates our high operating leverage

Adj. other expenses development (without marketing expenses)¹

€m, % of revenue



Comments

- > Other expenses comprise of sales commissions, supporting cost, general administration expenses and consulting fees amongst others
- > NFON adjusted other expenses by marketing cost, sales commissions and by one-off effects (e.g. IPO costs first half 2018 of €2.4m or related to tax and social securities €0.6m, full year 2017)
- > Adj. other expenses developed slower than revenue growth, emphasising the operating leverage of our business model



¹ Other expenses defined as other operating expenses excl. marketing expenses and sales commissions; ² 2017: Adjusted for expenses for the introduction of a transfer pricing model, additions to provisions related to potential value-added tax repayments, social security contributions and payroll taxes, as well as fees for professional advisors related to those topics in 2017 in total amounting to €0.8m; H1 2018: adjusted for IPO related one-off expenses €2.4m

Adj. EBITDA break even despite higher costs

Detailed reconciliation of one-off items

Reconciliation from EBITDA to adjusted EBITDA	H1 2018	H1 2017
€m		
EBITDA	-6.6	-0.7
Share-based payments ¹	3.7	-0.1
Retention bonus	0.6	0
IPO costs	2.4	0
Total EBITDA adjustments	6.7	-0.1
Adjusted EBITDA	0.1	-0.8
Consolidated net loss	-7.0	-1.1
Adjusted consolidated net loss	-0.3	-1.2

Comments

- Enforcement of strategy implementation charges EBITDA as planned
- EBITDA as reported amounts to €-6.6m
 - One-off effects in personnel expenses and other operating expenses
 - Total adjustments in EBITDA of €6.7m
- Successful first half year leads to break even in adj. EBITDA



¹ Including equity and cash settled share-based payment programmes

Summarizing first half-year 2018 NFON AG is on track



€20.6m revenues with 80% recurring revenues



287,000+ seats



**Largely stable ARPU
<0.5% gross churn rate per month**



Adj. EBITDA break even



**Launch of new NFON-Client
Expansion in other countries**

NFON confirms guidance for 2018

		2017	2018
	Number of seats	253k	We expect a significant growth of our customer base by around 30%
	Revenue growth (%)	17.3%	We expect the revenue growth rate for 2018 to clearly outperform the revenue growth rate of 2017
	Recurring revenue share (%)	77.9%	We expect the resulting recurring revenue in 2018 to be between 75% – 80%
	Clear focus on implementation of growth strategy		



4

Key Investment Highlights and Q&A





Key investment highlights

- 1** Huge addressable business communication market being disrupted by structural shift to Cloud PBX solutions
- 2** Only true Pan-European Cloud PBX company best positioned to become the dominant European player
- 3** Strong business model resulting in unique combination of massive growth and sustainable recurring revenue
- 4** State-of-the-art “German Engineering” Cloud PBX solution tailored to European customer needs
- 5** Outstanding track record of scalable growth underpinned by break-even profitability at Group level
- 6** Proven growth strategy leveraging multi dimensional layers of growth





NFON
Die Cloud-Telefonanlage

♡ Thanks

@NFONcom

#cloud #telephony #allip

5

Appendix



Management Board of NFON AG



Hans Szymanski
CEO/CFO

- >20 years of C-Level experience
- Previous experience includes
 - CEO/CFO Francotyp-Postalia
 - President Jenoptik LOS
 - Klöckner & Co



Jan-Peter Koopmann
CTO

- >20 years of experience in the IT/Telco industry
- Previous experience includes
 - Founder Seceidos
 - Tiscali
 - Telenor Group

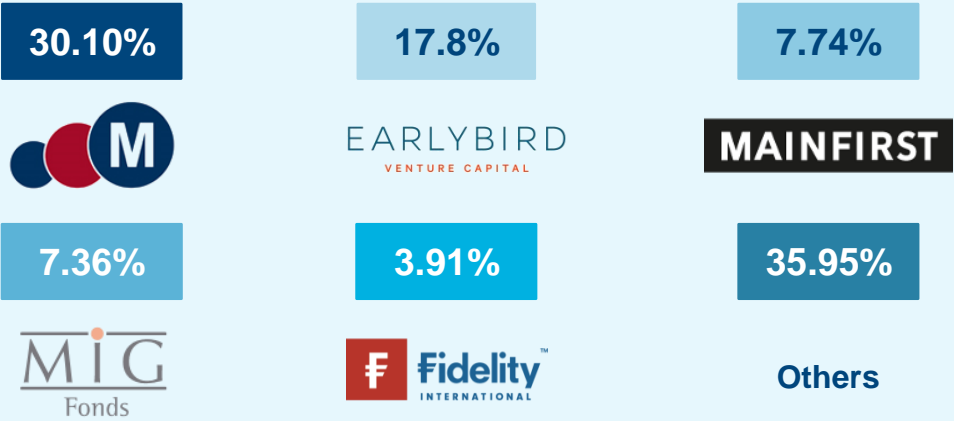


César Flores Rodríguez
CSO

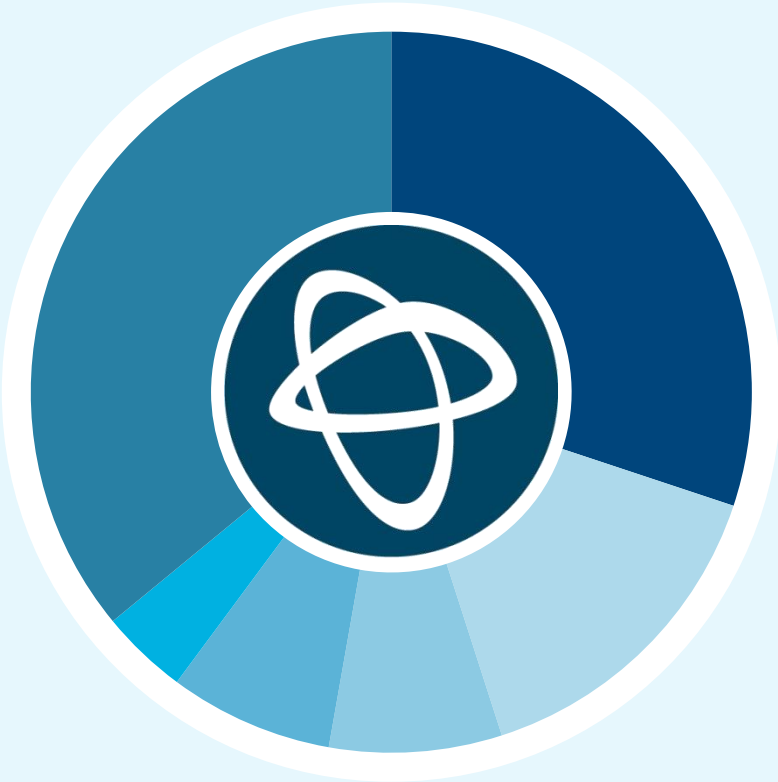
- >10 years of C-Level experience
- Previous experience includes
 - Aconex
 - Co-founder conject Group
 - Mercer Management Consulting

NFON share at a glance

Facts	
ISIN	DE000A0N4N52
Segment	Prime Standard/ Telecommunication
Shares	13.8 million
Designated sponsor	Baader Bank ODDO Seydler
First day of trading	11 May 2018
Coverage	Berenberg Bank, Baader Bank, Oddo BHF



Shareholder structure¹



¹ based on notification of voting rights



Financial calendar

Date	Event
20 Sep 2018	Interim Half-year Report 2018
	Web- and Telephone Conference
22 Nov 2018	Interim Report 3rd Quarter 2018
	Web- and Telephone Conference
27 Nov 2018	German Equity Forum Frankfurt
	Analyst Presentation and 1-on-1

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