



Munich | 21 May 2019

First quarter results 2019

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“

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

”



Growth Excellence
Leadership Award 2017

One year after IPO

Major strategic milestones already achieved

>30,000

Customers

CLOUDYA

new core product

14

Countries

Takeover

Deutsche Telefon Standard AG



> 300

employees

>390,000

seats

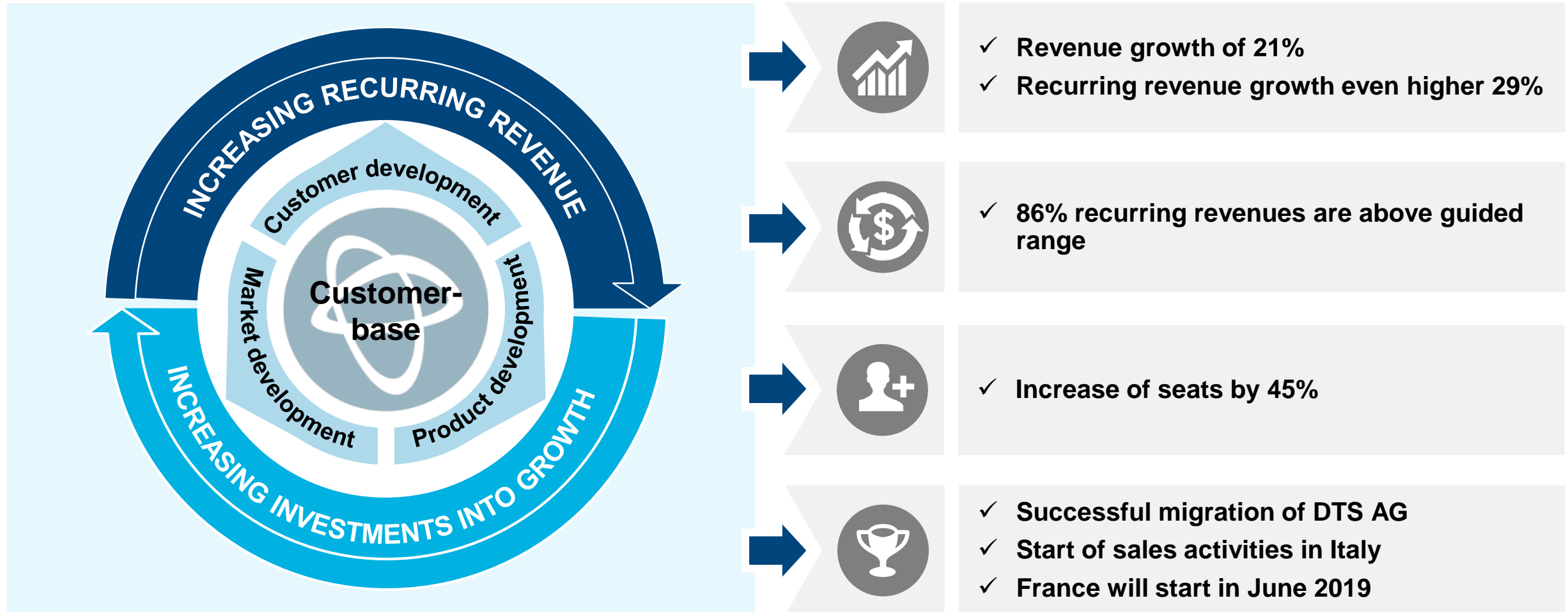
>2,000

partners

> 35,000

SIP-trunk channels

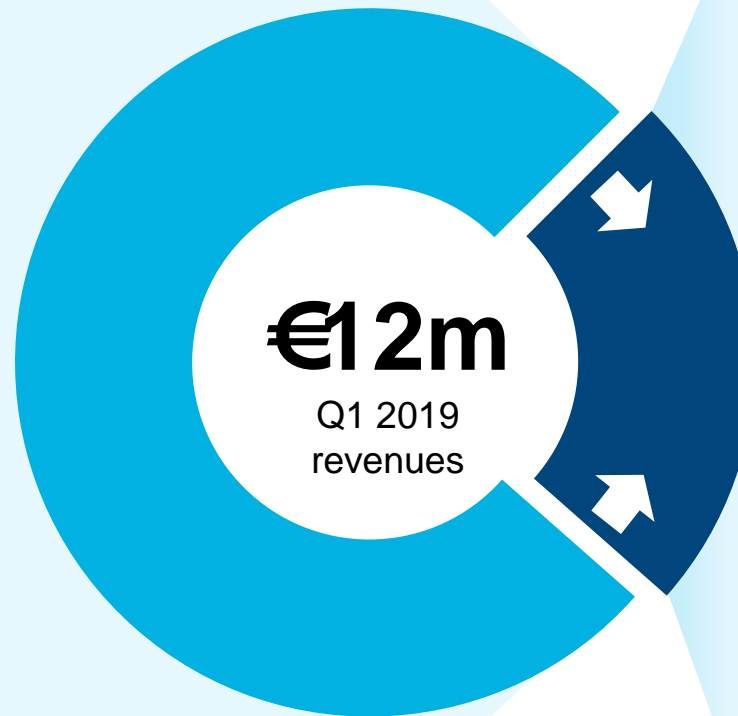
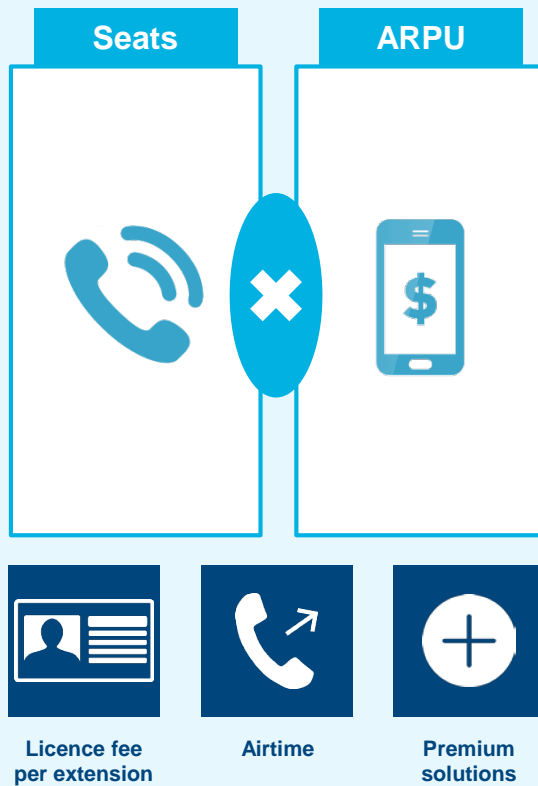
NFON AG starts on schedule in the financial year 2019



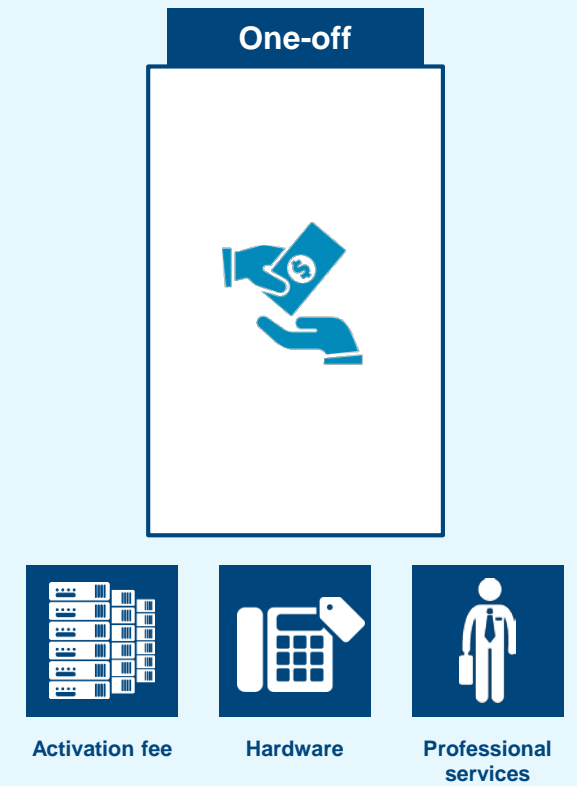
Proportion of recurring revenues well above guidance



Recurring revenues 86%



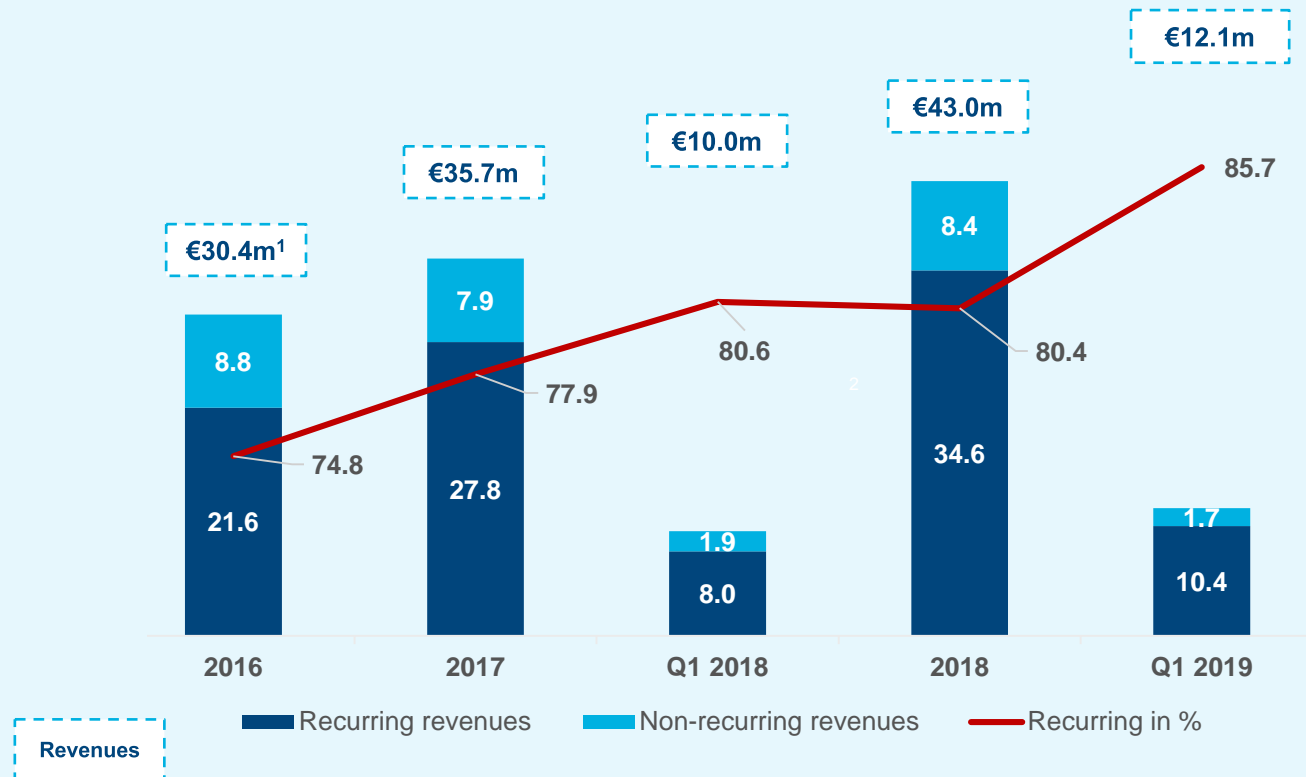
Non-recurring revenues 14%



Significant increase of recurring revenues



Development total recurring vs. non-recurring revenues



Comments

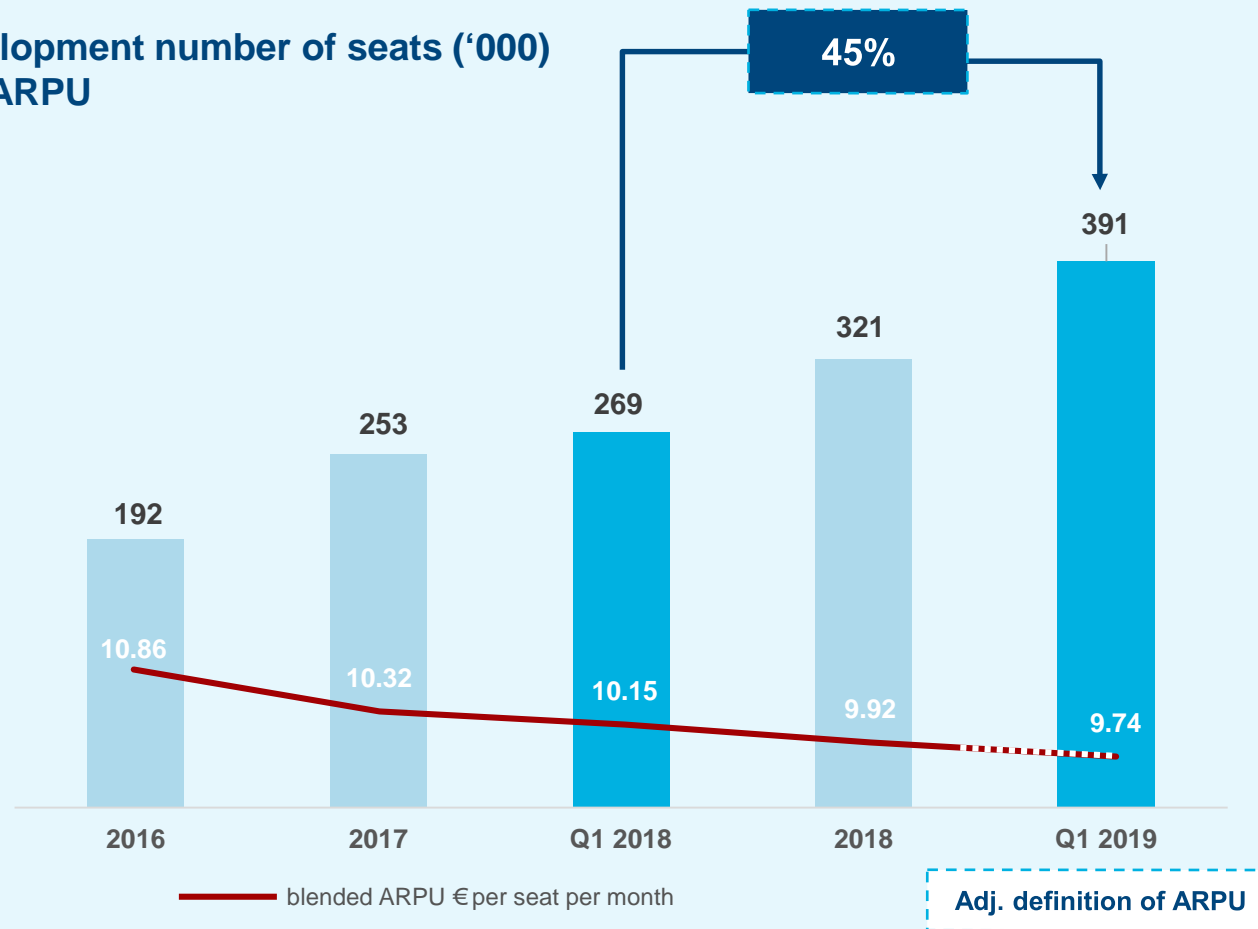
- > Revenue first time with Deutsche Telefon Standard AG (only March 2019)
- > Total revenues grow by 21% to €12.1m in comparison to €10.0m in the first quarter 2018
- > Cumulative effect quarter by quarter due to steadily growing total number of seats
- > Non-recurring revenues on previous years level
- > Significant increase of recurring revenues by 29%

¹ including extraordinary effect from R&D project amounting to €1.5m

Very strong development of seat base



Development number of seats ('000) and ARPU



Comments

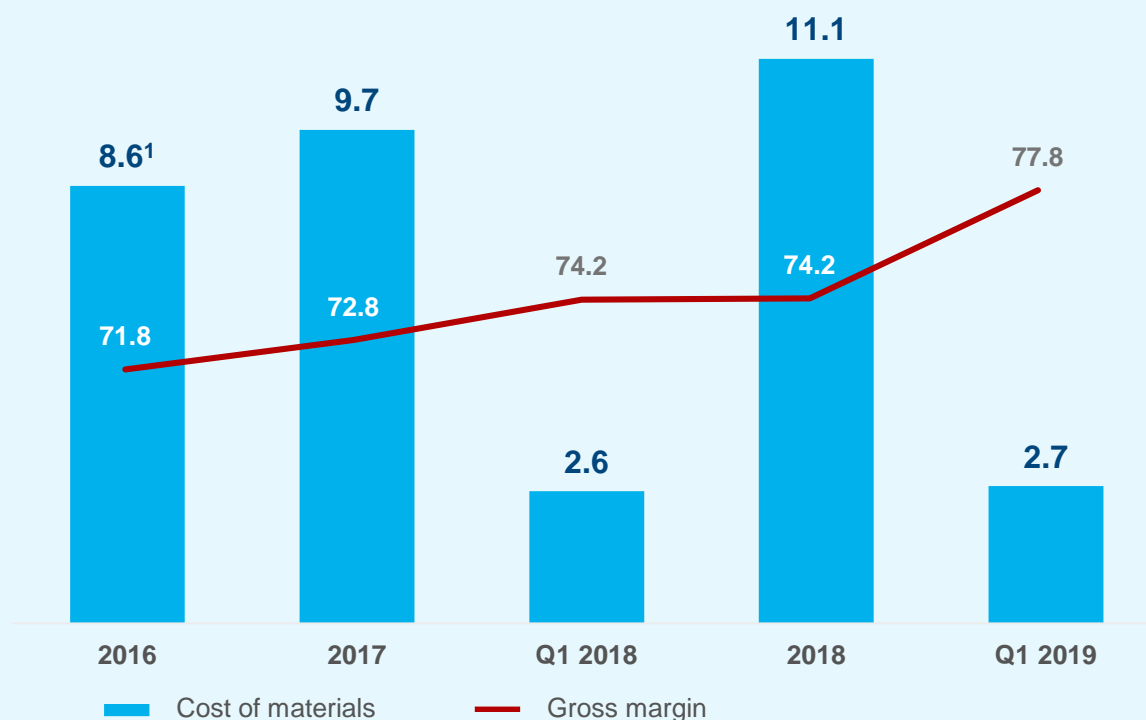
- > Increase of total number of seats by 45% including seats of Deutsche Telefon Standard AG (>50,000)
- > Definition ARPU: Total recurring revenues minus revenues out of SIP-trunk-channel licence fees divided by total seat base
- > Influencing factors for ARPU development
 - > Very successful development of business with wholesale partners selling their own airtime
 - > Lower licence fees for DTS AG seats (mid market segment)
- > Very low gross churn rate of <0.5% per month underlines quality of product and service and guarantees continuous recurring revenues
- > Additional premium solutions represent upside potential for ARPU development in the medium term



Consistently increasing gross margin emphasizes scalability of the business model

Cost of materials and 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
- Cost of materials rose disproportionately low in relation to revenue by 4%
- Gross margin continues to show a positive development and increases to 77.8%

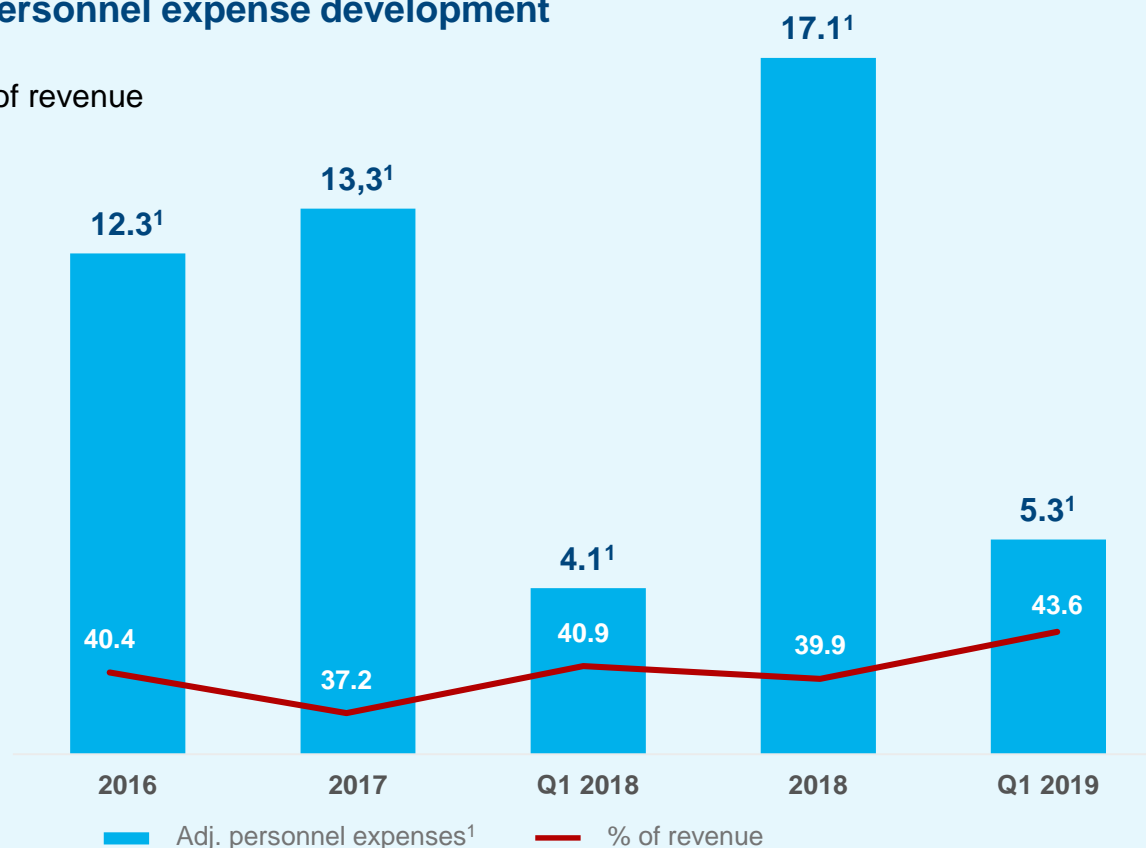
¹cost of materials adjusted for changes in inventories of finished goods ²gross margin defined as (revenue - adj. cost of materials)/ revenue

Securing tomorrow's growth by investing in today's workforce



Adj. personnel expense development

€m, % of revenue



Comments

- > Personnel expenses as reported amount to €5.5m (Q1 2018: €4.2m)
 - > Adjustments of €0.3m for retention bonus and stock options (ESOP)
- > Increase of adj. personnel expenses by 29.3%
- > Adj. personnel expenses amount to €5.3m
 - > Q1 2018: 204 employees; Q1 2019: 333 employees (headcount)
 - > Increase headcount mainly in sales (Italy, UK and Germany) and also including DTS as of 31 March

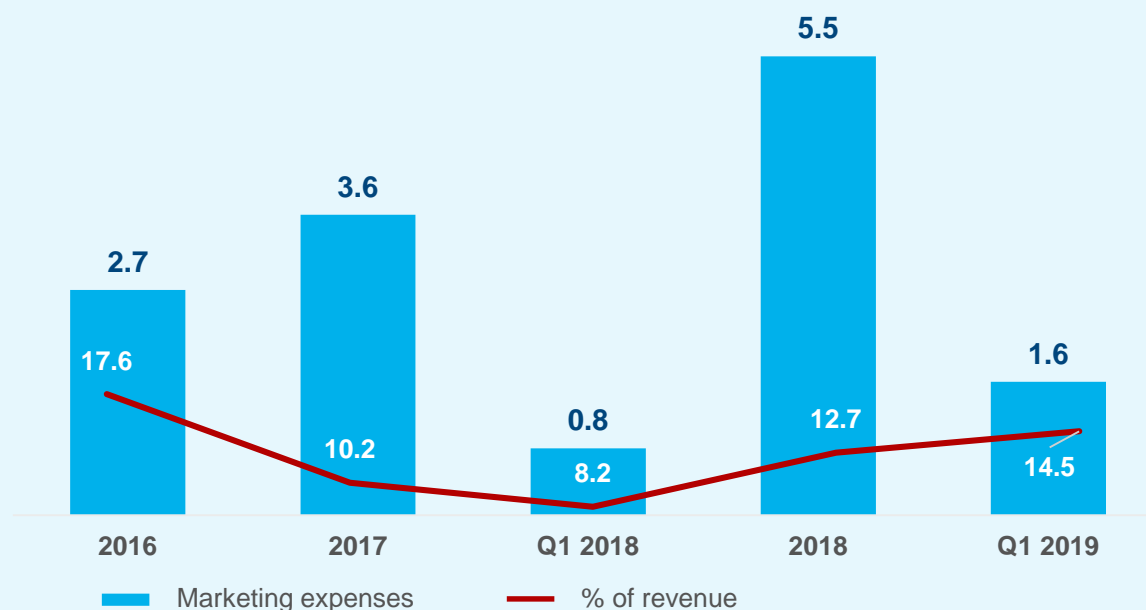
¹ Personnel expenses adjusted for share-based payments amounting to €0.3m, €0.4m, €0.1m, €3.6m and €0.2m in 2016, 2017, Q1 2018, 2018 and Q1 2019 ² Exit bonus of €0.7m reimbursed by former shareholders and recognised in other income €0.7m

Gaining market shares through intensified marketing activities



Marketing expense development

€m, % of revenue



Comments

Marketing expense increases as planned building a strong brand that drives sales and partner growth

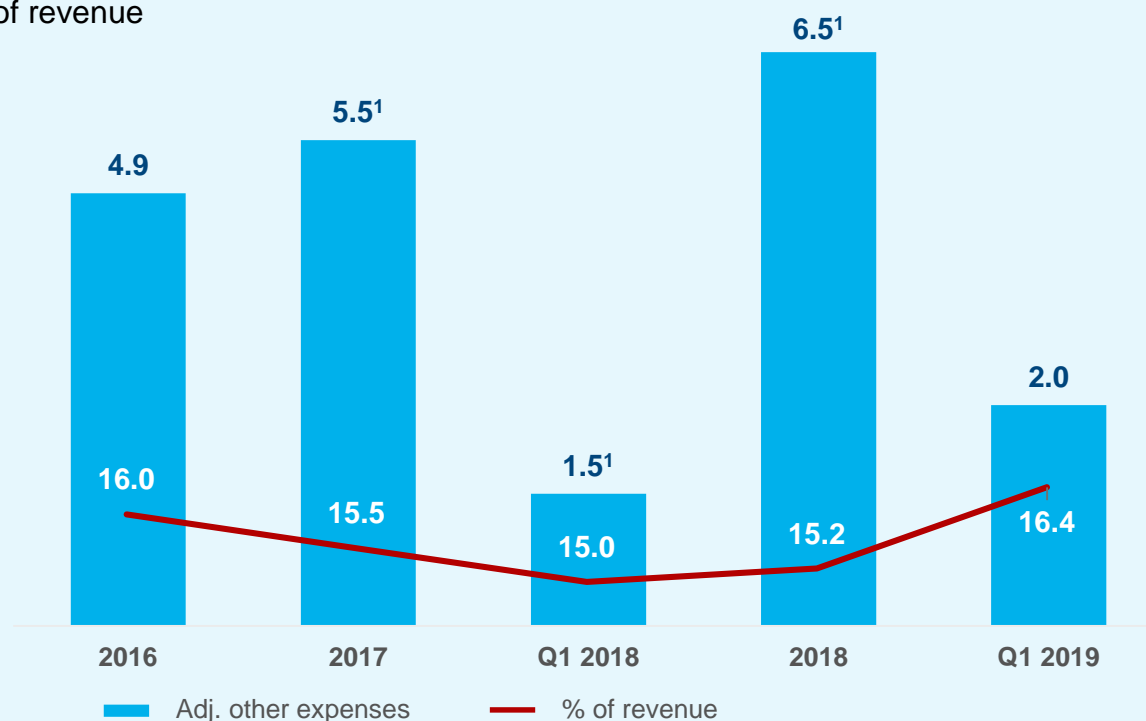
- > Clear separation of Central Marketing and Local Market Activation
- > Teams focusing on implementation and local activation in the markets. Allows fast scaling, go-to-market, high quality implementation from day one.
 - > High scalability saves costs and creates synergies with every additional market.
- > Mix of outbound and inbound marketing to harvest existing demand in the markets
- > Over 2,000 partners across Europe need to be served with strong brand and leads generated through own NFON channels



Increase of other operating expenses due to ongoing European expansion

Other expenses development without marketing expenses and sales commissions

€m, % of revenue



Comments

- > In general other expenses comprise of sales commissions, supporting cost, general administration expenses and consulting fees amongst others and amount to €5.6m in total as reported (Q1 2018: €3.9m)
- > NFON adjusts other expenses by one-off expenses (e.g. IPO €0.5m) marketing cost and sales commissions
 - > Sales commissions amount to €1.4m in Q1 2019 (Q1 2018: €1.0m) and are stable in relation to revenues
- > Increase of other operating expenses from adjusted €1.5m to €2.0m due to various reasons (amongst others: start in Italy and France, expenses DTS consolidated since March)

¹2017: 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 €0.6m, in addition IPO related expenses in the amount of €0.2m; 2018: adjusted for IPO related one-off expenses €2.4m and €0.2m for social security contributions

Despite dynamic growth strategy adj. EBITDA near break even



Detailed reconciliation of one-off items

Reconciliation from EBITDA to adjusted EBITDA	Q1 2019	Q1 2018
€m		
EBITDA	-1.7	-0.5
Stock options	0.2	0.1
Retention bonus	0.1	0
IPO costs	0	0.5
One-off expenses related to DTS AG	0.5	0
Total EBITDA adjustments	0.8	0.6
Adjusted EBITDA	-0.9	0.1

Comments

- EBITDA as reported amounts to approx. €-1.7m
- In accordance with strategy, personnel costs, marketing and sales commissions further increased
- One-off effects in the amount of €0.8m burdened EBITDA
- Adj. EBITDA as planned at €-0.9m

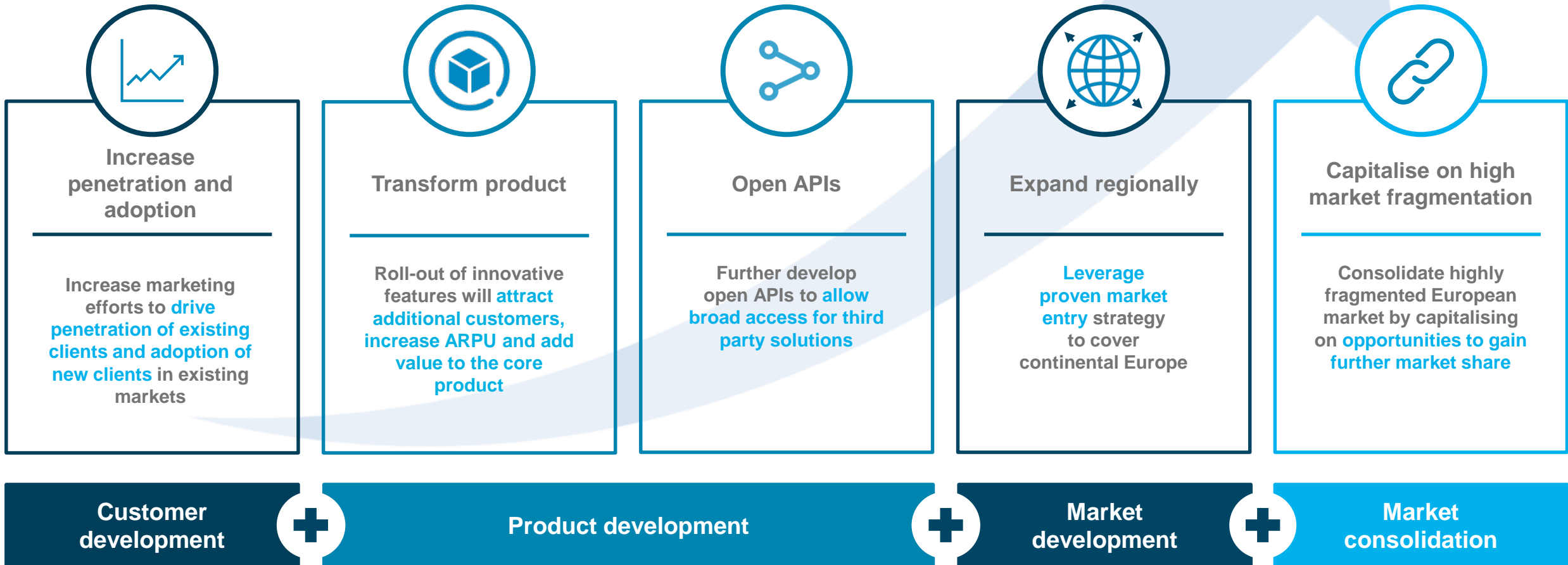
¹Including equity and cash settled share-based payment programmes (non cash) ²Expenses related to tax and social security matters (2017: accruals, 2018: reversals)



Today and tomorrow: We count on our coherent growth strategy

Outlook 2019

Delivering on our growth strategy



Accelerating growth in 2019



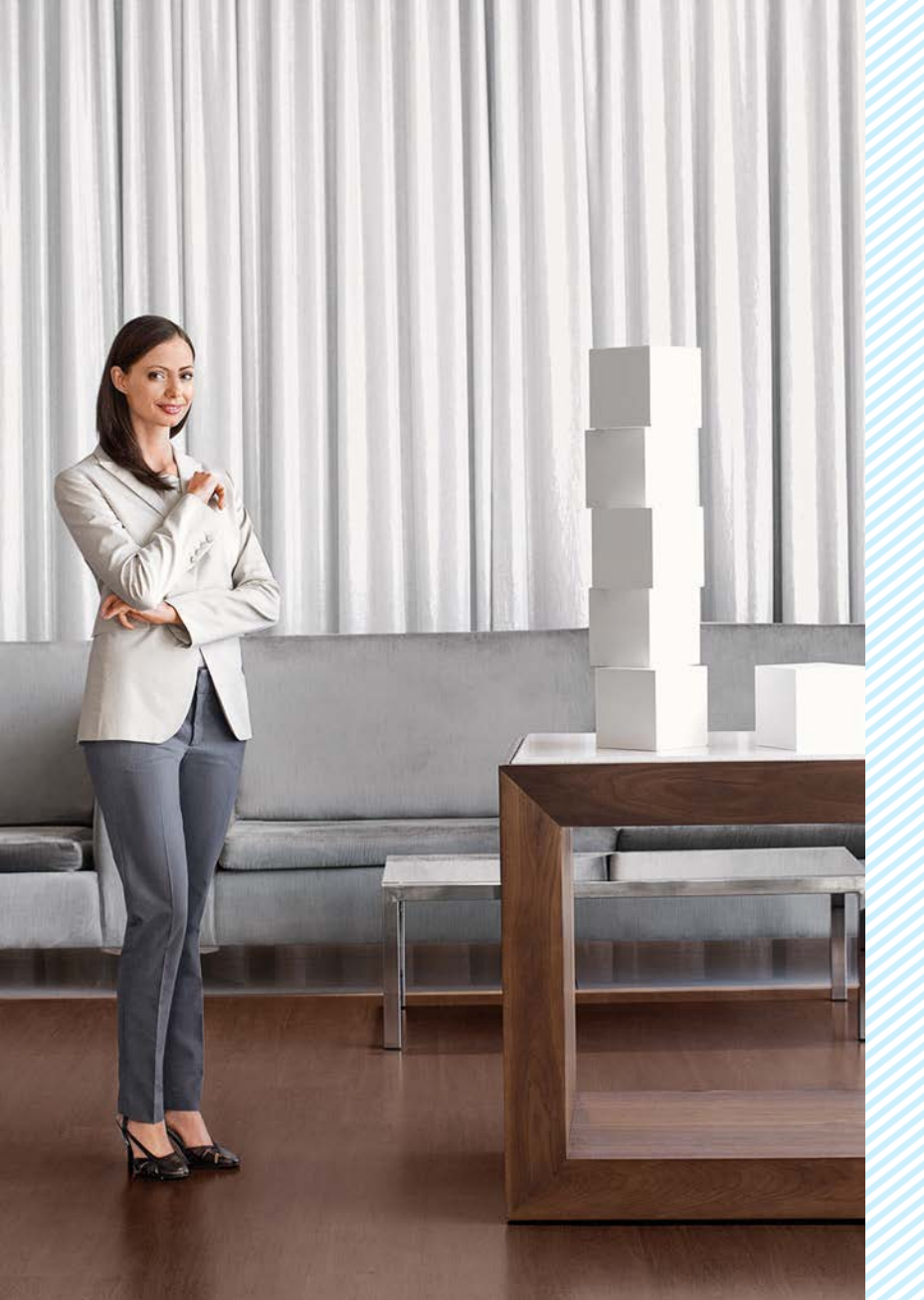
		2017	2018	2019
	Number of seats	253k	27%	We expect to increase our customer base by at least 45%
	Revenue growth	17.3%	21%	We expect a revenue growth rate between 40% and 45%
	Recurring revenue share	77.9%	80%	We expect the resulting recurring revenues in 2019 to be between 75% – 80% of the total revenues
	Successfully implemented strategy with accelerating growth			



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
- 6** Proven growth strategy leveraging multi dimensional layers of growth



Financial calendar



Date	Event
21 May 2019	Interim Report 1st Quarter 2019
Web- and Telephone Conference	
22-23 May 2019	Berenberg USA Conference, New York
Presentation and 1-on-1s	
5 June 2019	Annual General Meeting
Munich	
20 Sep 2019	Half-year financial report 2019
Web- and Telephone Conference	
Sep 2019	Conferences Berenberg and Baader
Presentations and 1-on-1s	



♥ Thanks

@NFONcom
#cloud #telephony #allip



Appendix

Further information about NFON



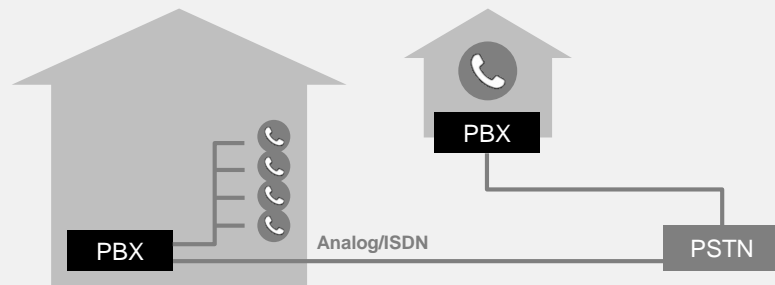
Introduction & Strategy

NFON at a glance

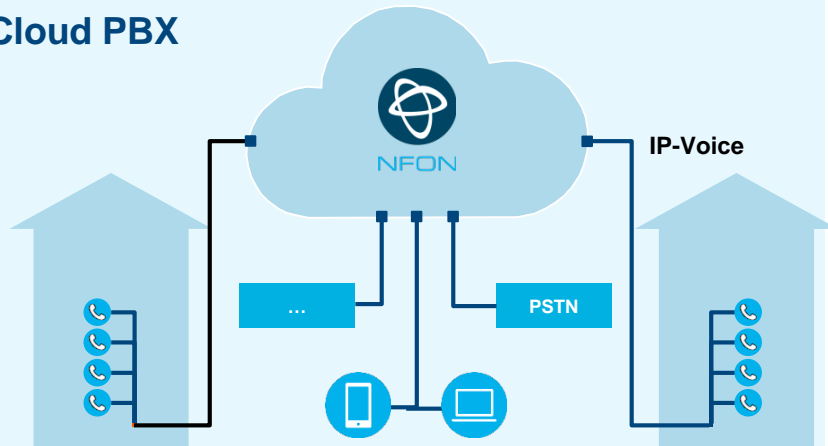
Cloud PBX solutions tailored to the needs of today's business communication



Classic on-premise PBX

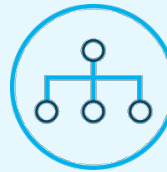


Cloud PBX



Advantages of cloud telephony

Increased functionality



Flexibility



Minimal support required



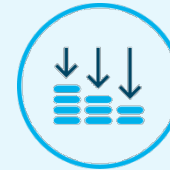
Location independence



Device agnostic



Lower total cost of ownership



Automatic updates



Scalability



Founded **2007**
HQ in Munich,
Germany

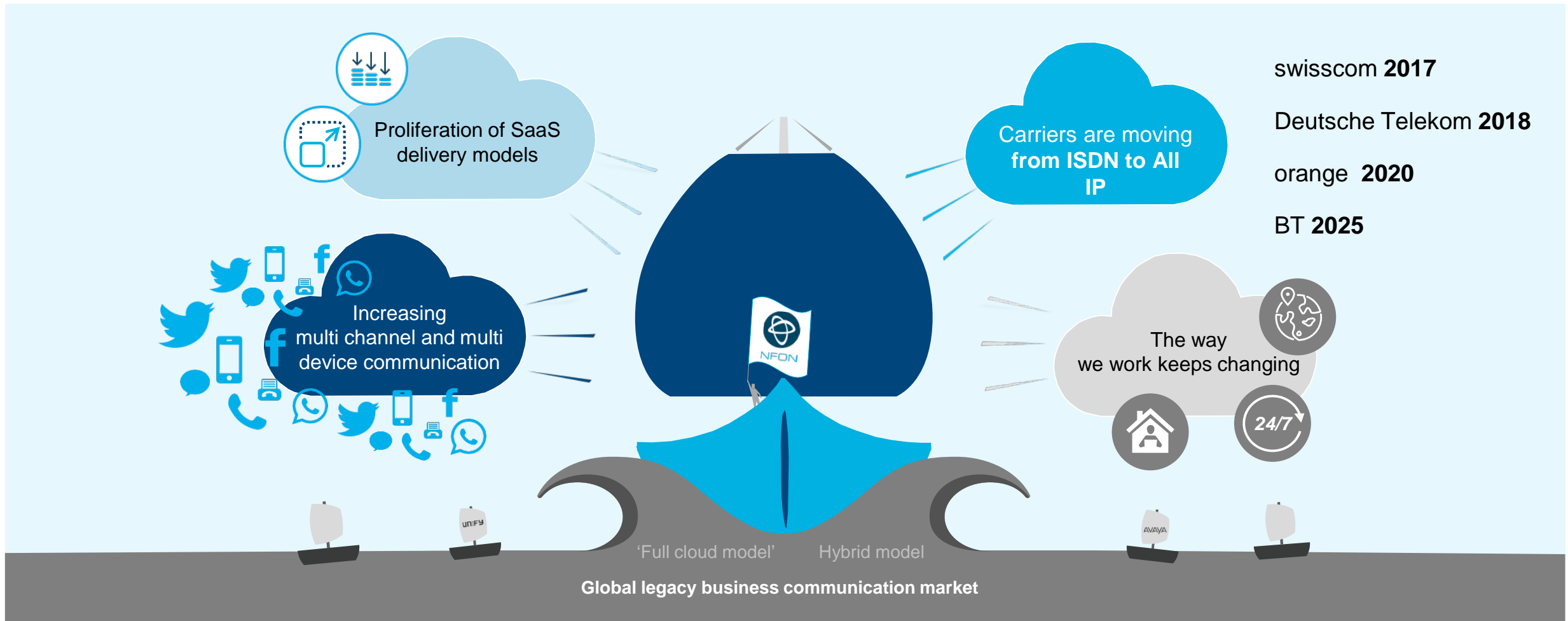


Active in
14
European
countries

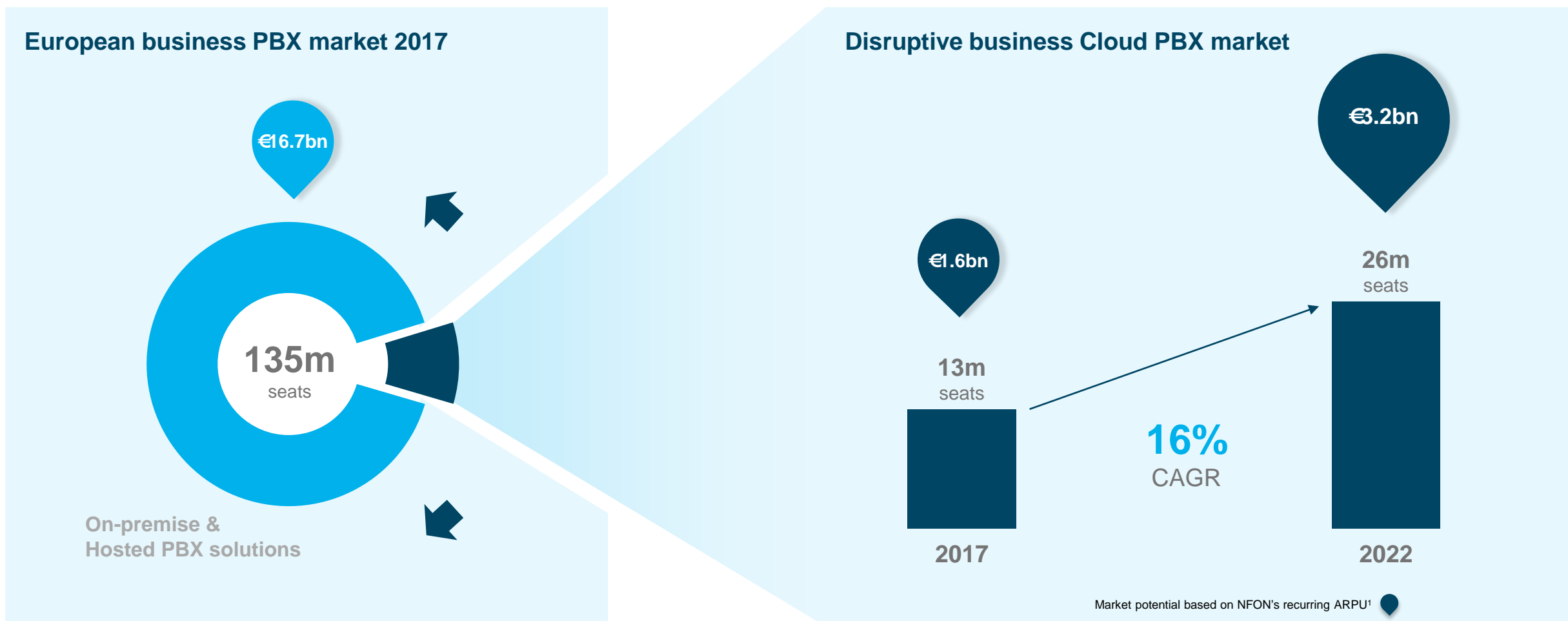


300+
employees

Wind of change



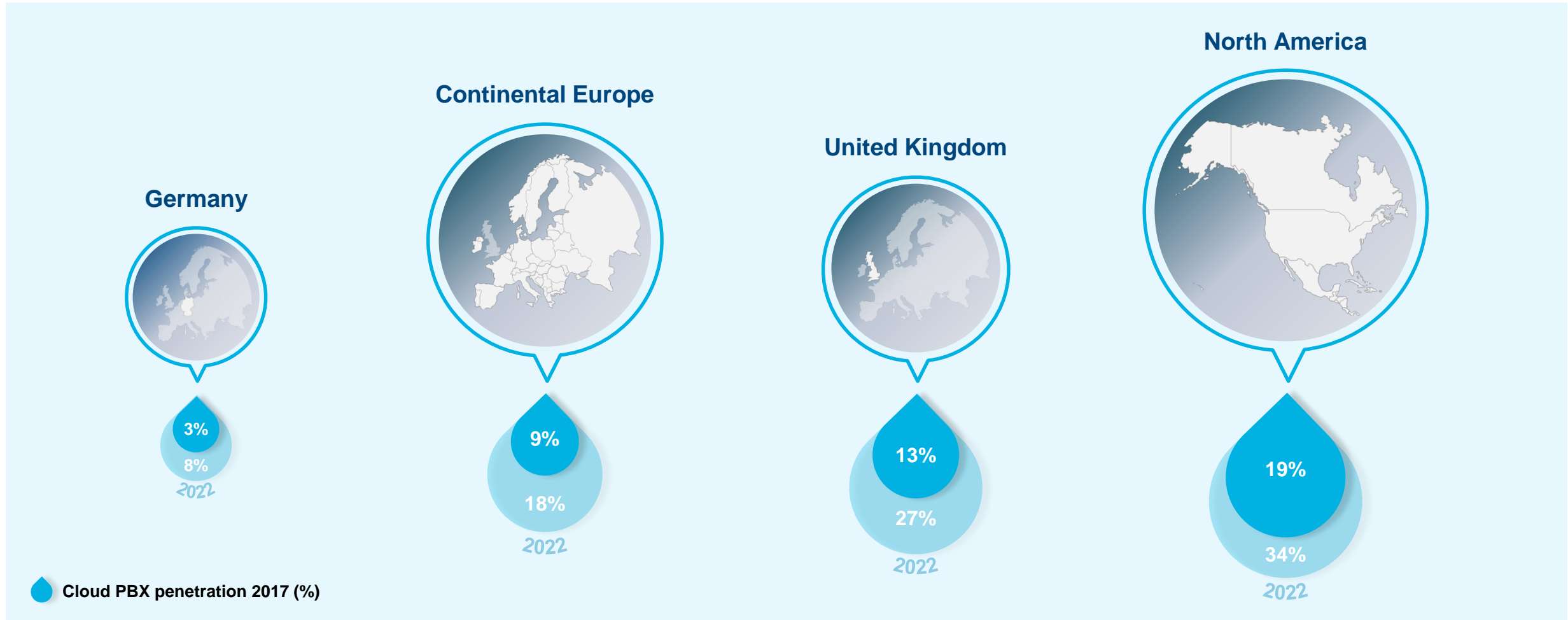
Shift to cloud communication creates unique opportunity



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

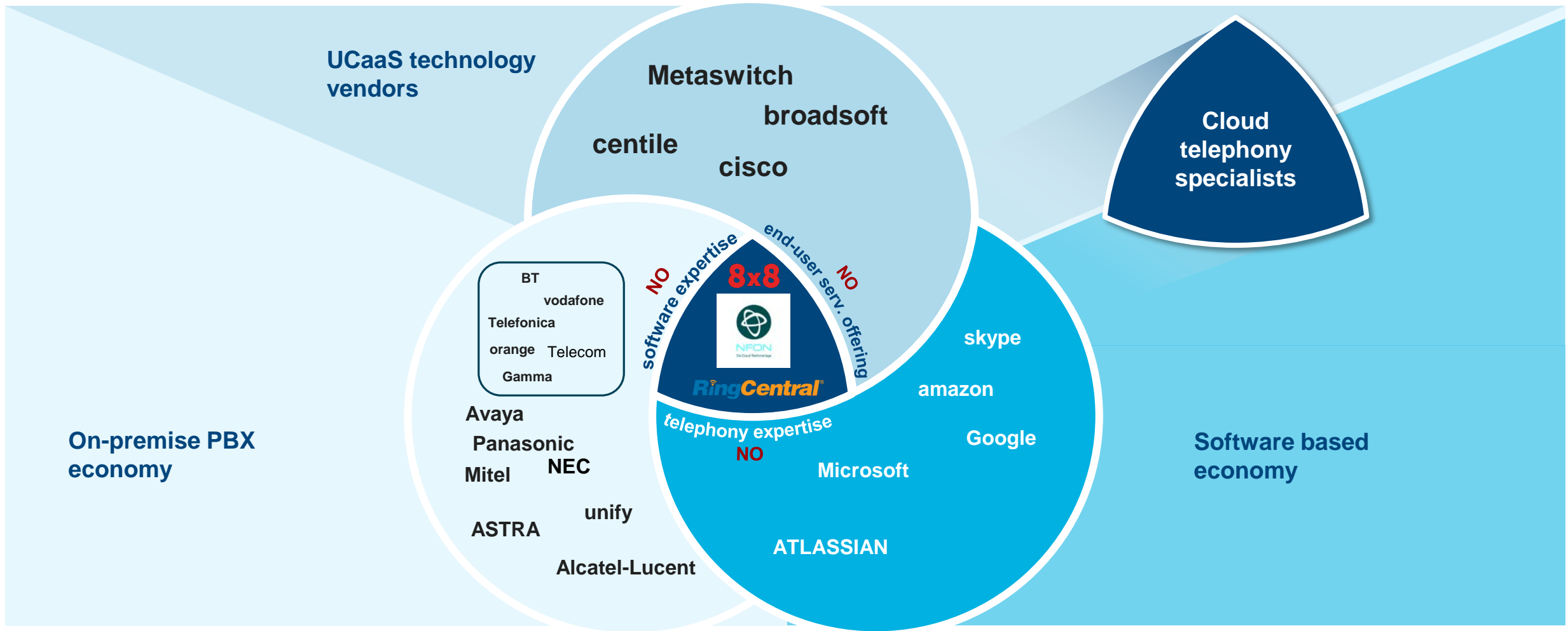


Penetration in Continental Europe is following the United Kingdom and North America



Source: MZA (2017) / Note: Penetration based on cloud business telephony seats including public multi-tenant, public multi-instance and public single-instance technology

Competitive environment in a fast changing business

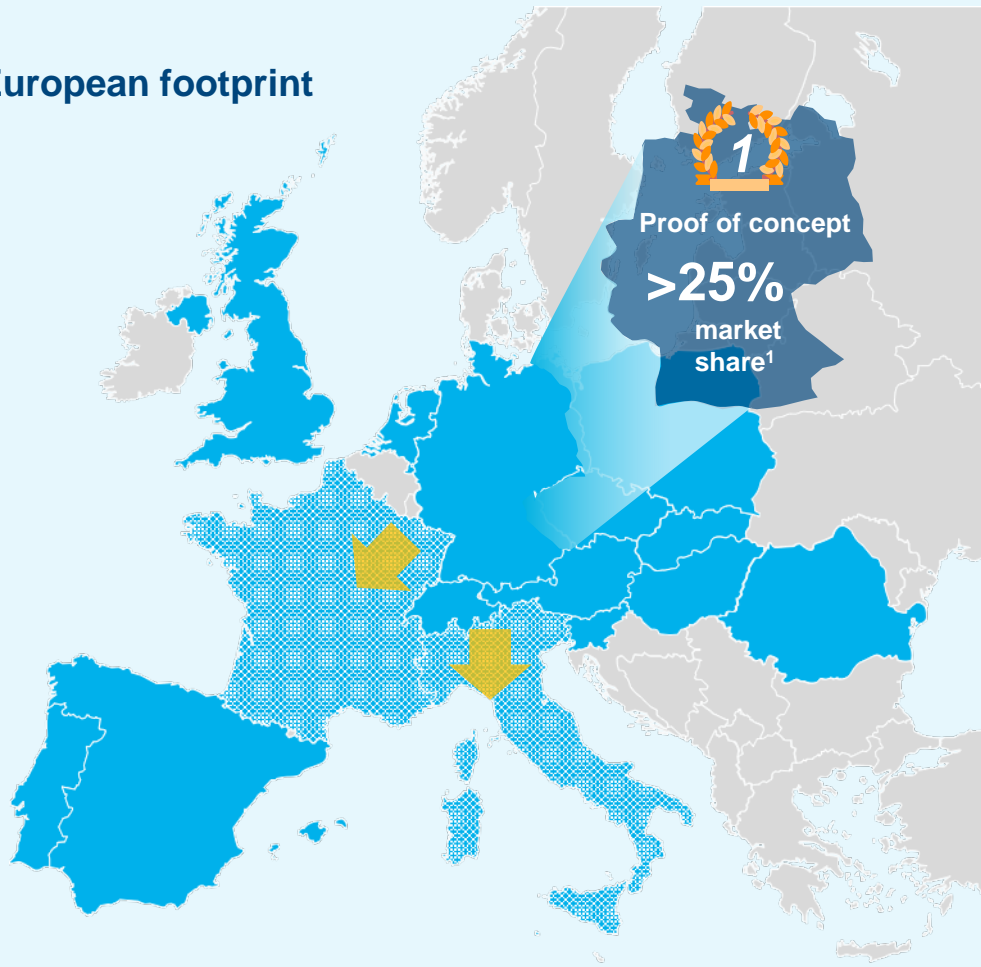


Source: Company information, management estimates / Note: Use of logos for Analyst Presentation only

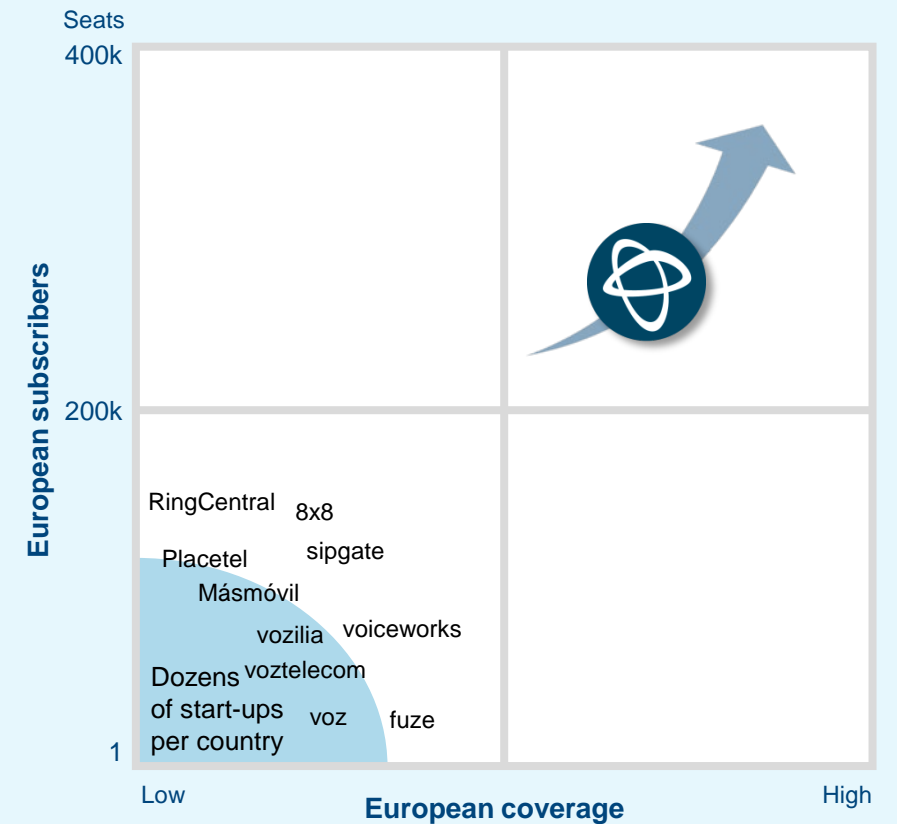
Roll-out strategy supported by leading market position in Germany



NFON's European footprint

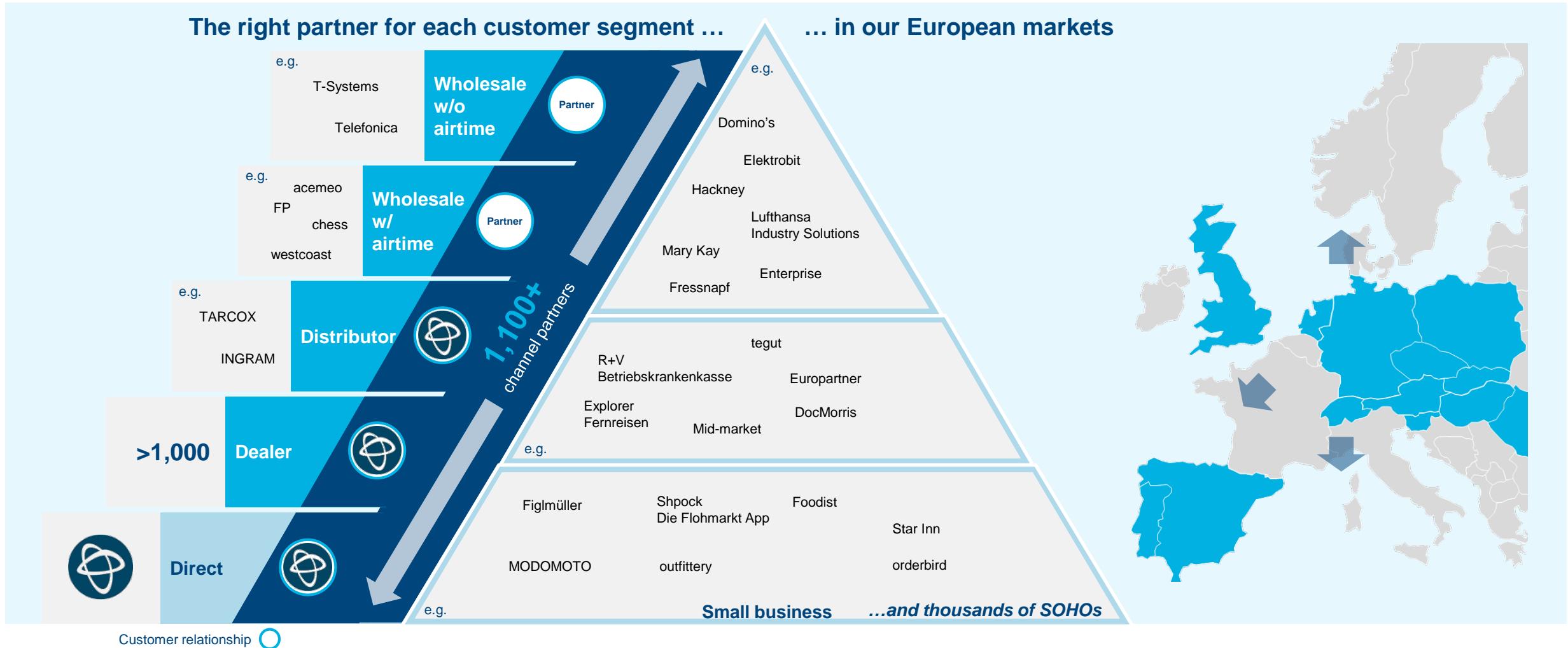


European Cloud PBX providers with own technology



Source: European Commission Regulation (EU) 2016/679 (2016), Allen & Overy (2017)

Flexible go-to-market model

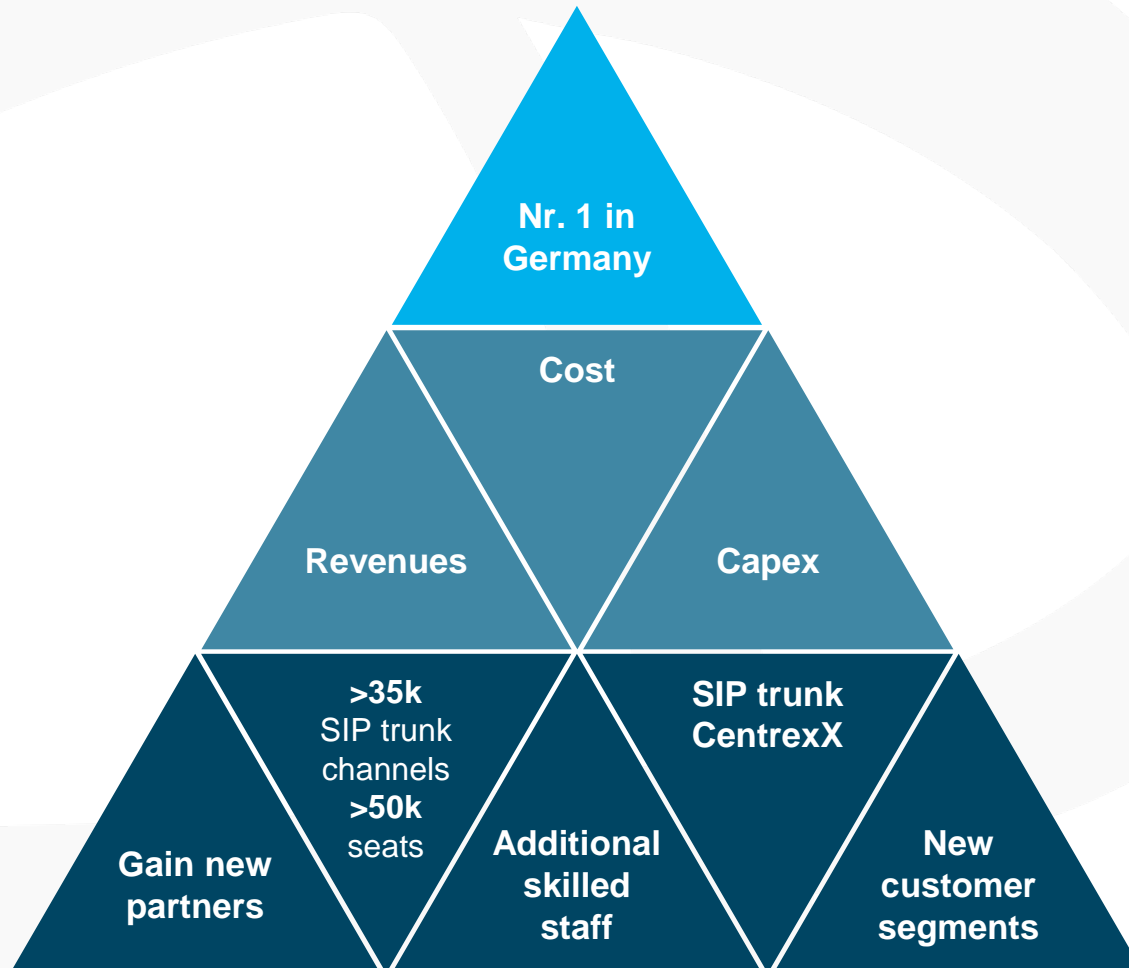




One year after IPO

Preliminary figures & Business highlights

Leading position in Germany fuels accelerated growth

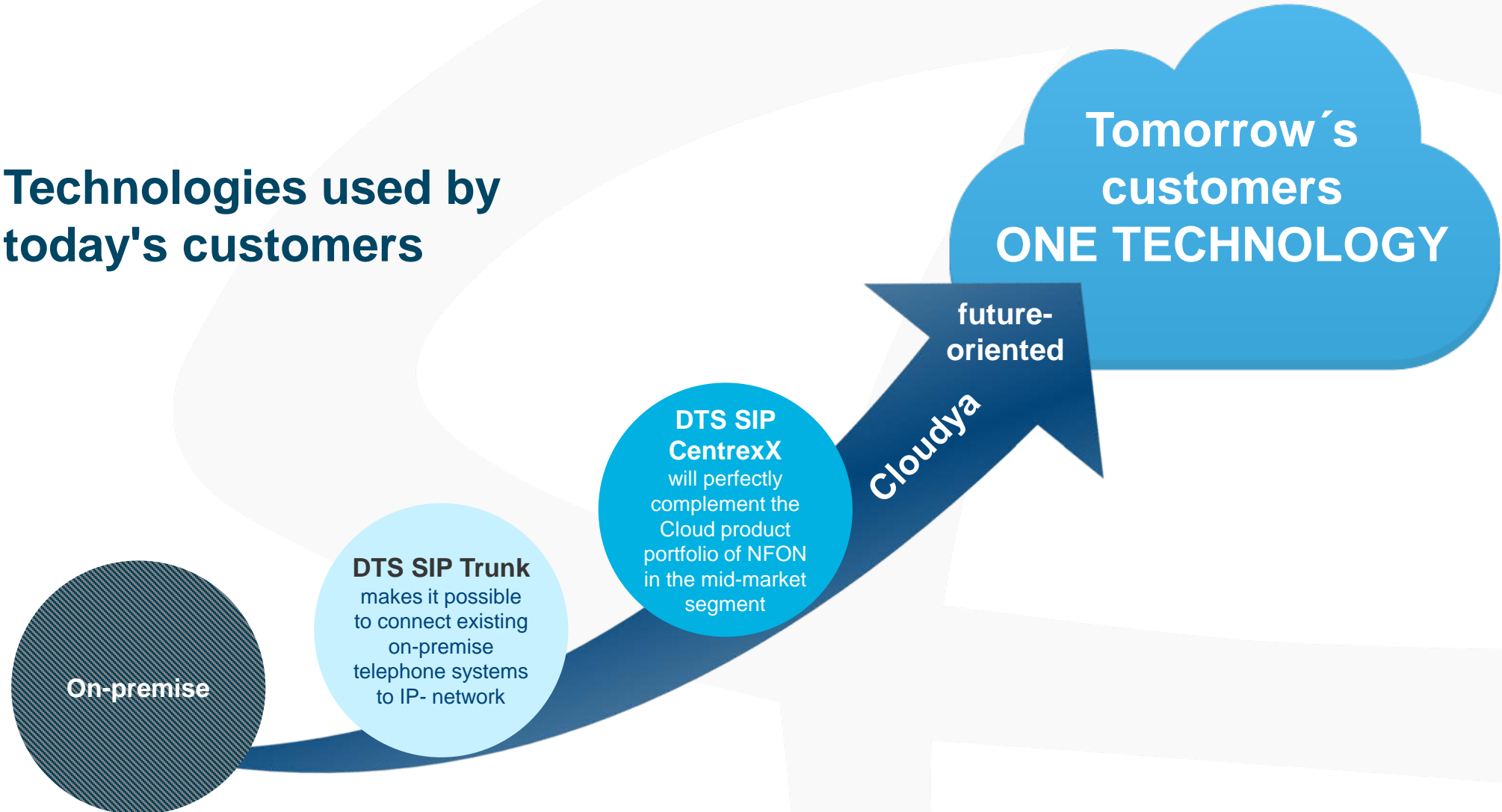


- › **Acquisition of Deutsche Telefon Standard AG** in Feb/March 2019
- › Founded 2007, headquartered in Germany (Mainz)
- › **Strong and focussed partner network** in Germany
- › **Complementary product portfolio**
>50,000 Cloud-PBX-Seats and >35,000 SIP trunk channels (bridge technology)
- › Active in Germany with **65 skilled employees**
- › **Attract additional and adaption of new customers**
- › **Up- and cross-selling** into the extended customer and partner base
- › **Harmonisation of investment programmes and product development roadmaps**
- › **Realisation of economies of scale**, e.g. in purchasing

NFON accompanies entire customer development



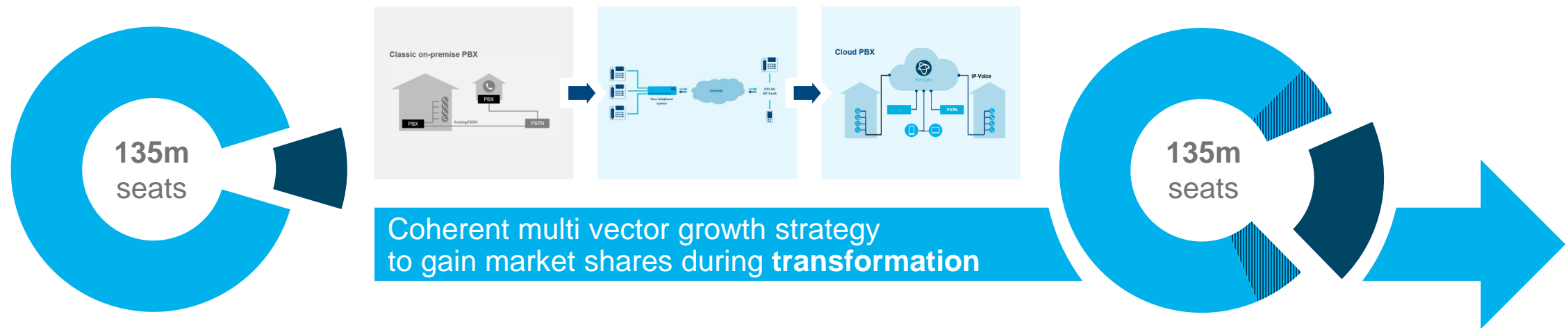
**Technologies used by
today's customers**





NFON wants to dominate the European cloud telephony market

In view of the fact that European carriers have already started to switch to All-IP, customers can look forward to a smooth transition to future-proof cloud PBX technology.



Situation PBX market TODAY

Expected situation PBX market in 2022

- On-premise & hosted PBX solutions
- Cloud PBX

Presence in Europe being expanded as planned



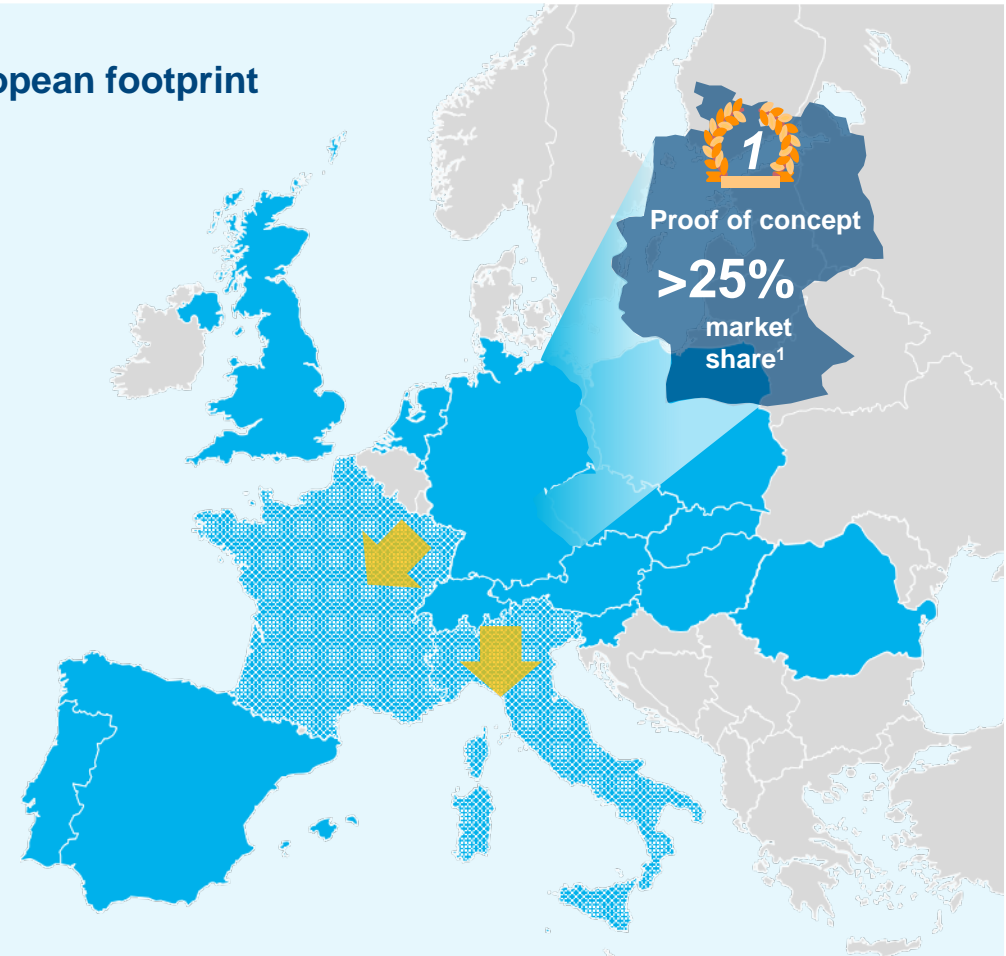
NFON Italy

- › Office in Milano
- › Licence granted
- › Staff on board
- › Gaining new partners
- › Start March 2019

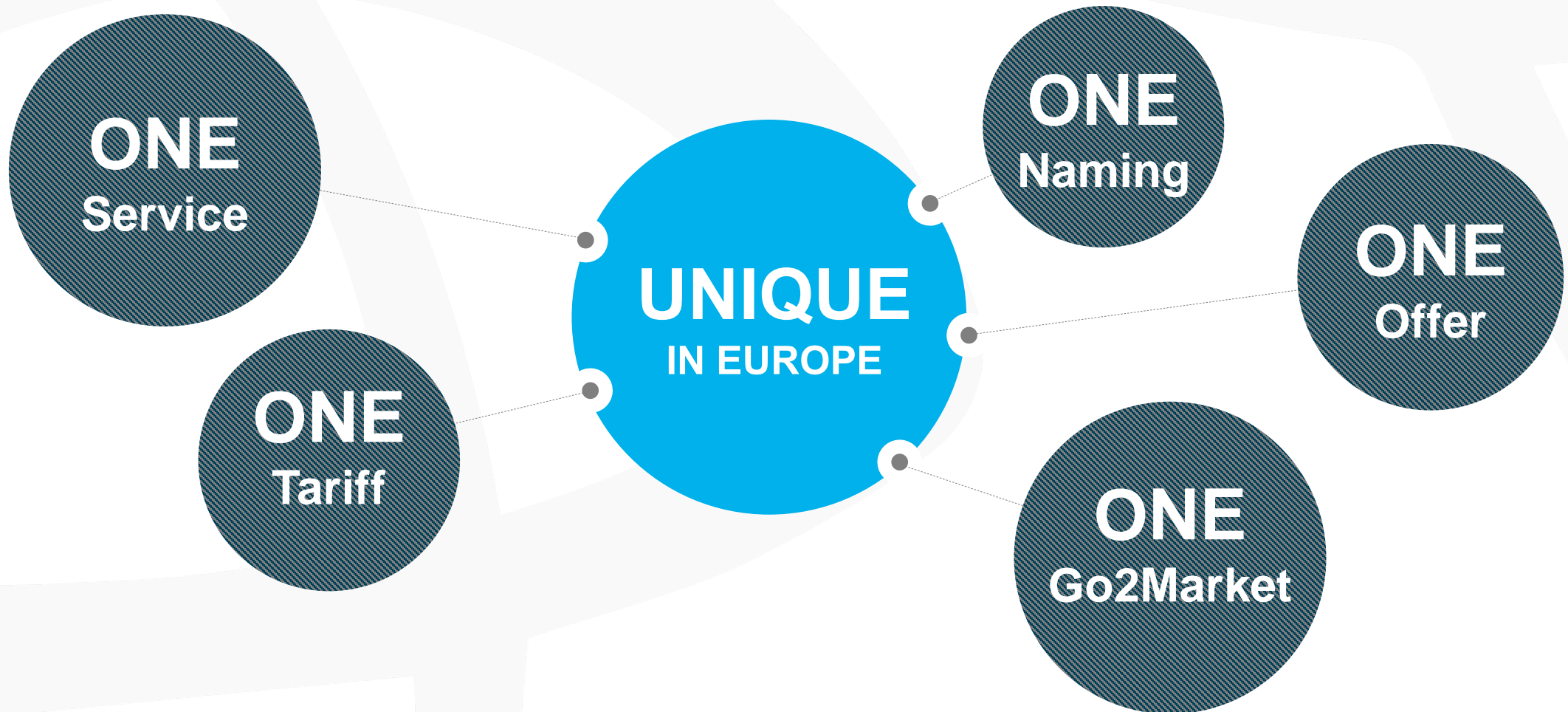
NFON France

- › Foundation of entity
- › Official start May 2019
- › First customers already acquired

NFON's European footprint



Introduction of Cloudya – More than a product



Management Board



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

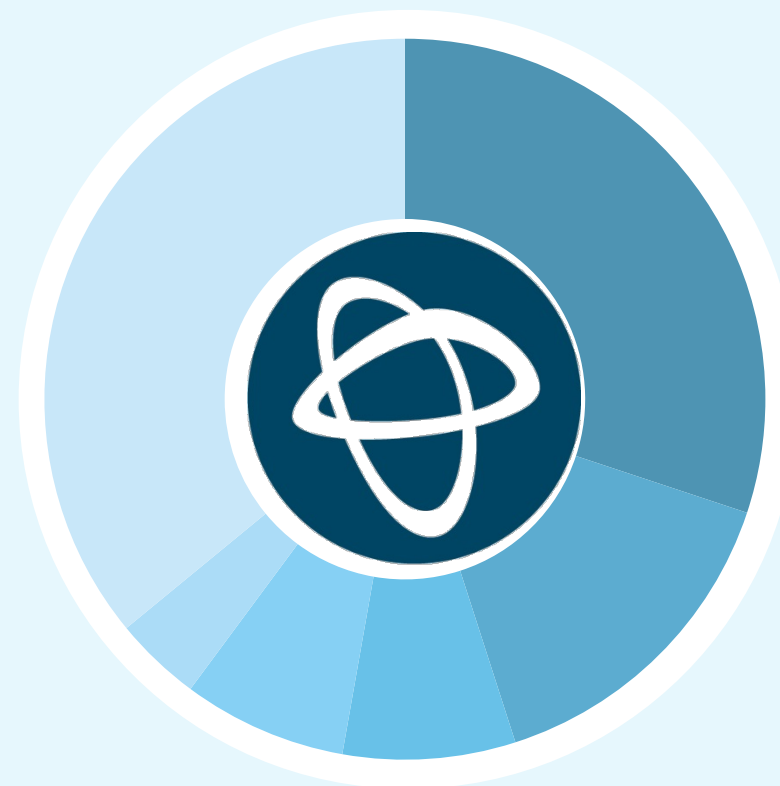
Share at a glance



Facts

ISIN	DE000A0N4N52
Segment	Prime Standard/ Telecommunication
Shares	14.1 million (as per 22 March 2019)
Designated sponsor	Baader Bank ODDO Seydler
First day of trading	11 May 2018
Coverage	Berenberg Bank, Baader Bank, Oddo BHF, Hauck & Aufhäuser

Shareholder structure¹



30.10%



7.36%



17.82%

EARLYBIRD
VENTURE CAPITAL

3.91%



7.74%

MAINFIRST

35.95%

Others

¹ voting rights based on 13,8 million shares

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