



# Earnings Call

Full Year Results 2023 – 25 April 2024

# Who you have on the call today



**Patrik Heider**  
CEO / CFO

# Agenda for today

**01**

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**Business update**

FY 2023

**02**

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**Financial figures**

FY 2023

**03**

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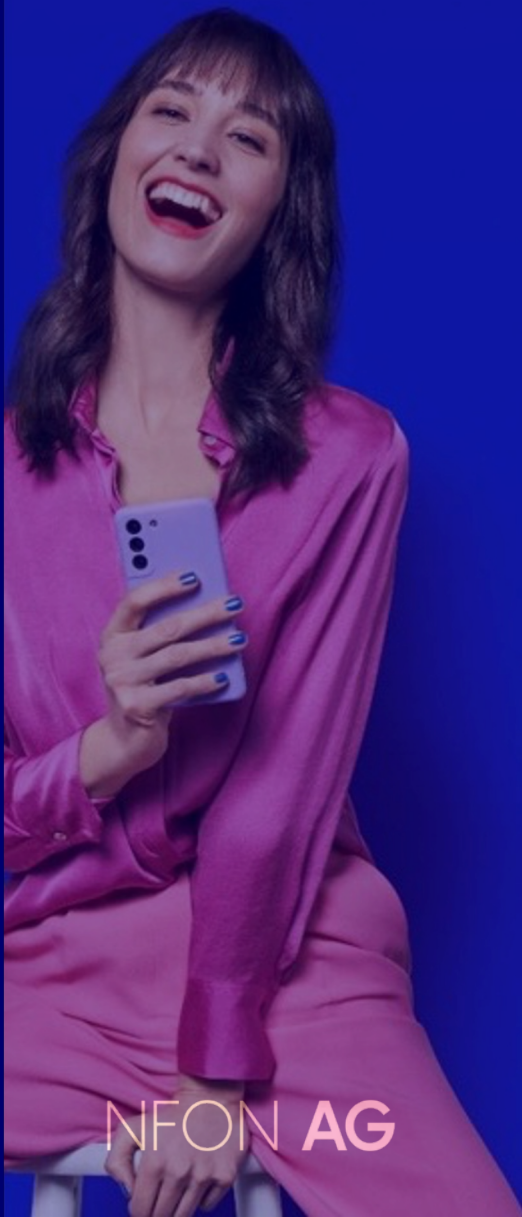
**Outlook**

2024

**04**

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**Q&A session**



# Business update

FY 2023

NFON AG

# NFON 2025 + Strategy for continuous and sustainably profitable growth

## OUR OBJECTIVE:

Sustainably profitable corporate development



Innovative product  
development



Best-in-class  
channel



Strategic partnerships  
and alliances

## THE FOUNDATION:

Operational excellence

# Operational excellence

## 1

### Organisation and employees:

- **Andreas Wesselmann joined NFON as CTO** with effect from 1 January 2024.



## 2

### Business processes:

- Merging **DTS** with NFON AG to be able to fully exploit synergies.
- Modernising the **technological basis** of our products, defining and establishing **transparent processes** and corresponding responsibilities, enabling our customers to use our **solutions** productively faster and more reliably
- Centring our **business strategy** around our customers and sales partners.

## 3

### Internal system landscape:

- Optimize our **Business Support System (BSS)** along the customer value chain.
- **Review our internal IT landscape** to create our NFON IT target image: efficient and customer-enabling services with clear interfaces.

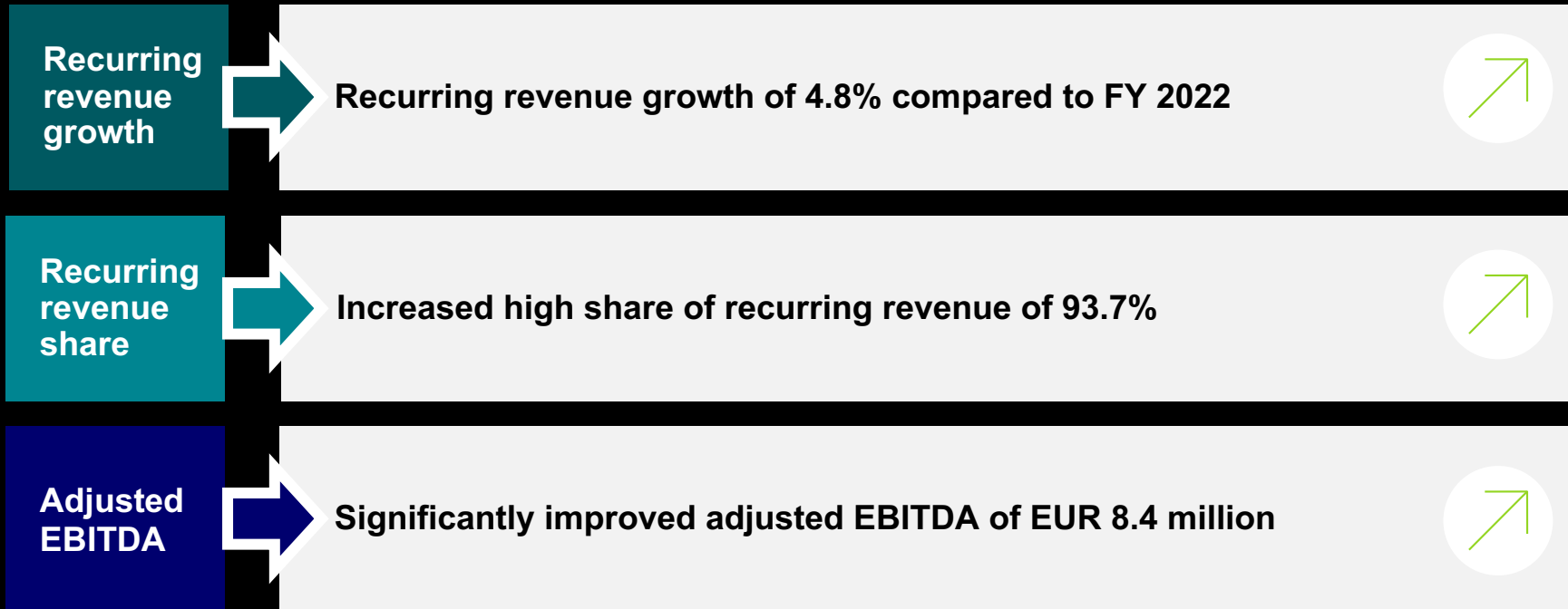


# Financial figures

FY 2023

NFON **AG**

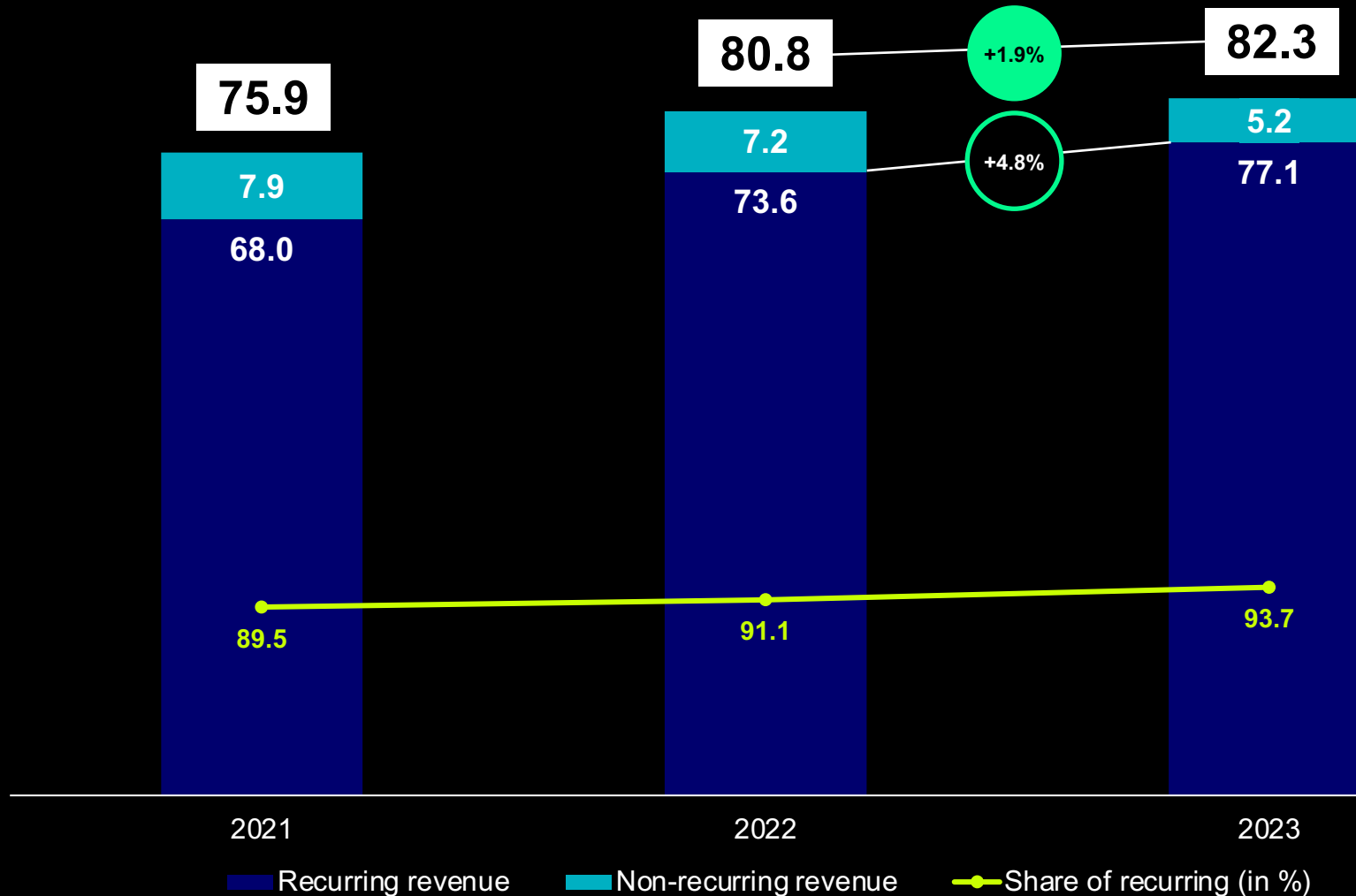
# FY 2023 results at a glance





# Continuously growing share of recurring revenue

Development of total recurring vs. non-recurring revenue in EUR million

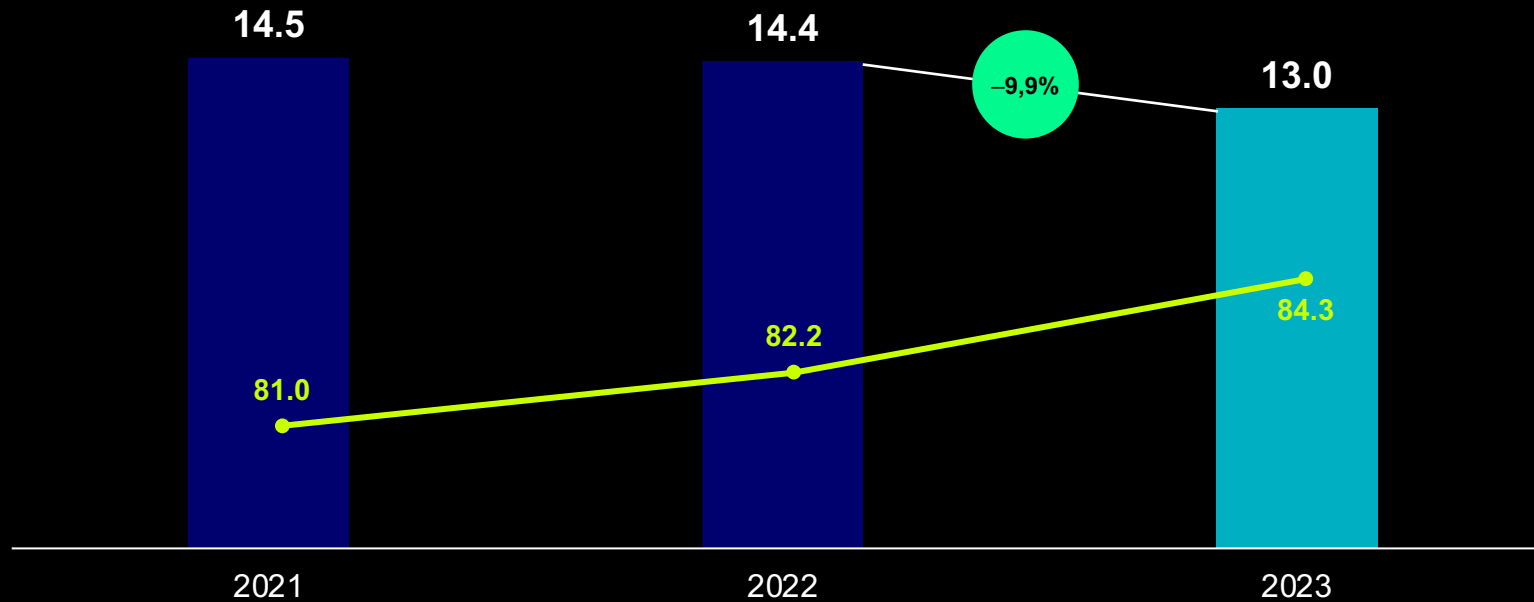


## COMMENTS

- Recurring revenue grew moderately by 4.8% compared to 2022
  - acquisition of new customers
  - increase in installed extensions (seats) within the existing customer base particularly in Germany and Austria
  - offering enhanced products (Premium Solutions) to existing customers
- Total revenue growth of 1.19 in comparison with FY 2022 due to decrease of non-recurring revenue by 27.8% compared to previous FY 2022
- Enhanced high share of recurring revenue in total revenue of 93.7% provides predictable revenue streams

# Reliably high gross margin again with increasingly positive development

Development of COGS (adj.)<sup>1</sup> in EUR million and gross margin<sup>2</sup>



## COMMENTS

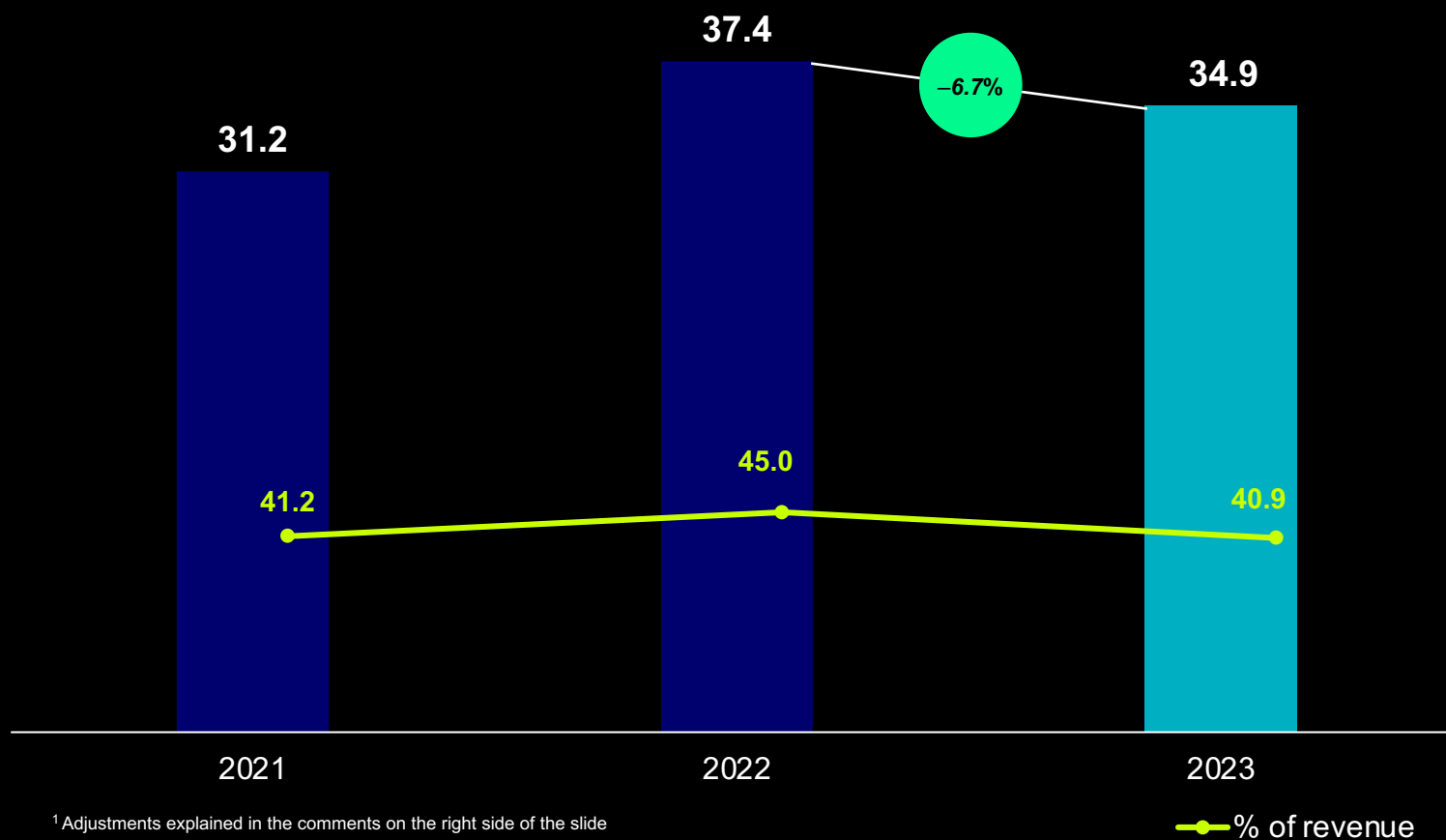
- Improved gross margin compared to the same period last year due to successfully growing share of high-margin sales
- Cost of materials is largely variable in nature and mainly comprises costs for hardware sold, costs for airtime sold and data centre housing costs
- Despite an increase in sales, cost of materials fell by 9.9% in the reporting period
- This again results in a low material cost ratio of 15.8% compared to the same period of the previous year (12M 2022: 17.8%)

<sup>1</sup>Cost of materials adjusted for changes in inventories of finished goods  
<sup>2</sup>Gross margin defined as (revenue - adj. cost of materials)/ revenue

—●— Gross margin (in %)

# Reduced personnel expenses in line with strategic focus

Adjusted<sup>1</sup> personnel expenses in EUR million



## COMMENTS

- Average number of employees decreased from 526 to 453 (–13.9%)
- Personnel expenses as reported amount to EUR 34.9 million (FY 2022: EUR 37.4 million)
- Adjustments:
  - EUR 0.1 million realignment of Group-wide activities (FY 2022: EUR 0.5 million).
  - EUR 1.1 million incurred in connection with the reorganisation of top management.
  - EUR 0.1 million for stock options (FY 2022: EUR 0.5 million)
- Adjusted personnel expense ratio of 40.9% (FY 2022: 45.0%) expected to decrease further in the course of 2024 due to scaling effects.

# EBITDA

- Measures to increase profitability taking effect
  - Increase in revenues
  - Higher gross profit
  - Cost reductions in the area of personnel expenses and other operating expenses
- EBIT improved to EUR –0.5 million for the reasons mentioned above.

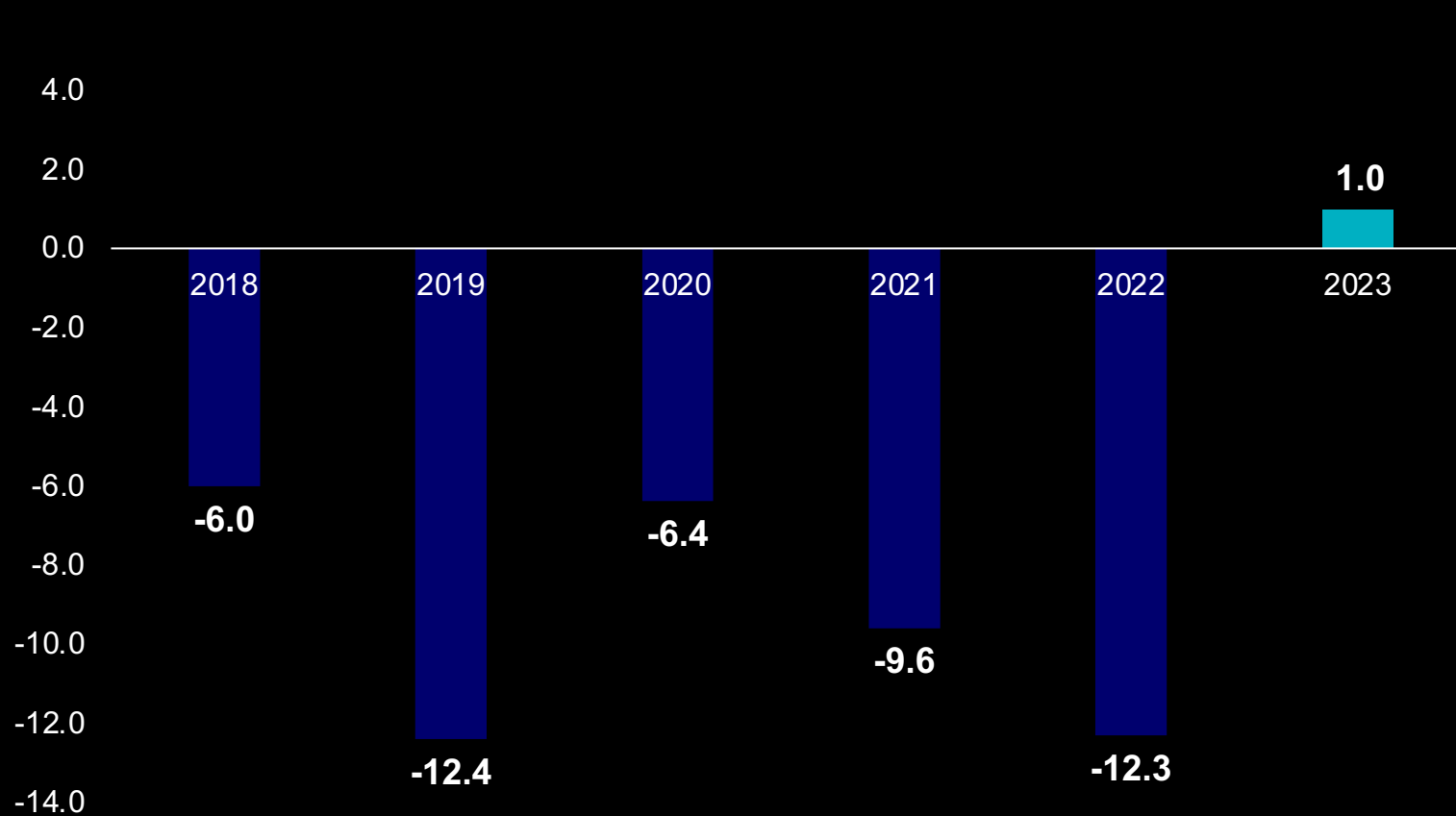
## Detailed reconciliation of one-off items

Reconciliation from EBITDA to adjusted EBITDA <sup>1</sup>	FY 2023	FY 2022
EUR million		
<b>EBITDA</b>	<b>6.8</b>	<b>–5.3</b>
Reorganisation of top management	1.3	0.0
Stock options / ESOPS	0.1	0.5
Focus on core markets	0.2	0.5
Expenses for preparations for capital market transactions	0.0	1.4
Rebranding	0.0	0.9
Administrative expenses	0.1	0.0
Provision for licence payments	0.0	0.9
<b>Total EBITDA adjustments</b>	<b>1.6</b>	<b>4.3</b>
<b>Adjusted EBITDA</b>	<b>8.4</b>	<b>–1.0</b>

<sup>1</sup> Rounding differences are possible

# After significant improvement in 2023, we are Free Cash Flow positive for the first time since listing

Free Cash Flow<sup>1</sup> in EUR million



## COMMENTS

- FCF substantially improved from EUR –12.3 million in 2022 to EUR 1.0 million in 2023
- Improvement mainly due to significant increase in consolidated net loss from EUR –15.582 million in 2022 to EUR –0.8 million in 2023

<sup>1</sup> Free cash flow is calculated by deducting capital expenditure on property, plant and equipment and intangible assets, excluding cash flows for M&A activities



# Outlook

2024

NFON AG

# Strategic areas of NFON 2024



➤ In 2024, we are focussing on being an **"integrated voice-centric" business communications provider** that is simple, open and future-proof for its customers and leverages AI capabilities to drive innovation.

➤ We return to our roots and are **strengthening the Cloud PBX area**.  
Our Cloud PBX offering will become even more attractive for our customers by adding **omnichannel solutions, AI capabilities and open interfaces**.  
**Operational excellence:** Our processes in use are efficient, resilient and legally compliant, enabling us to continue our profitable growth trajectory.

➤ We will ...

- start to build up **own AI expertise** and develop first use cases.
- further **intensify our partnership**.
- establish a **project management organisation** within NFON in order to plan projects reliably and implement them sustainably.
- develop appropriate **ESG expertise** internally and continue to expand it.

# 2024: a year of transformation and further sustainable profitable growth

	Results 2023	Guidance 2024
Recurring revenue growth	EUR 77.1 million	We expect recurring revenue growth in the <b>mid to upper single-digit percentage range</b>
Recurring revenue share	93.7%	We expect a resulting recurring revenue ratio of <b>&gt;90%</b>
Adjusted EBITDA	EUR 8.4 million	We expect adjusted EBITDA to be in the range of <b>EUR 10 million to EUR 12 million</b>



# Road to 2025 +

H1 2024



## Operational excellence

Establish optimised operating model



## IT target image

Establishing a state-of-the-art environment for data-driven decision-making and first-class, reliable customer service

H2 2024



## Business case

Reduction of technological debt and utilisation of technological improvement potential as well as presentation of the medium-term roadmap for product & NFON



## Growth

Introduction of new features and scalable cloud software solutions as well as internationalisation through considered M&As, which will lead us to visible results of the transformation, including top line.



Capital market day

Q3 2024

2025 +



# TOGETHER SUSTAINABLY PROFITABLE

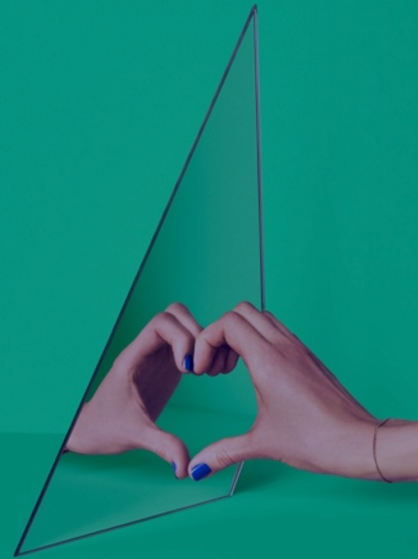
EBITDA growth > Revenue growth > Market growth



# Q&A session

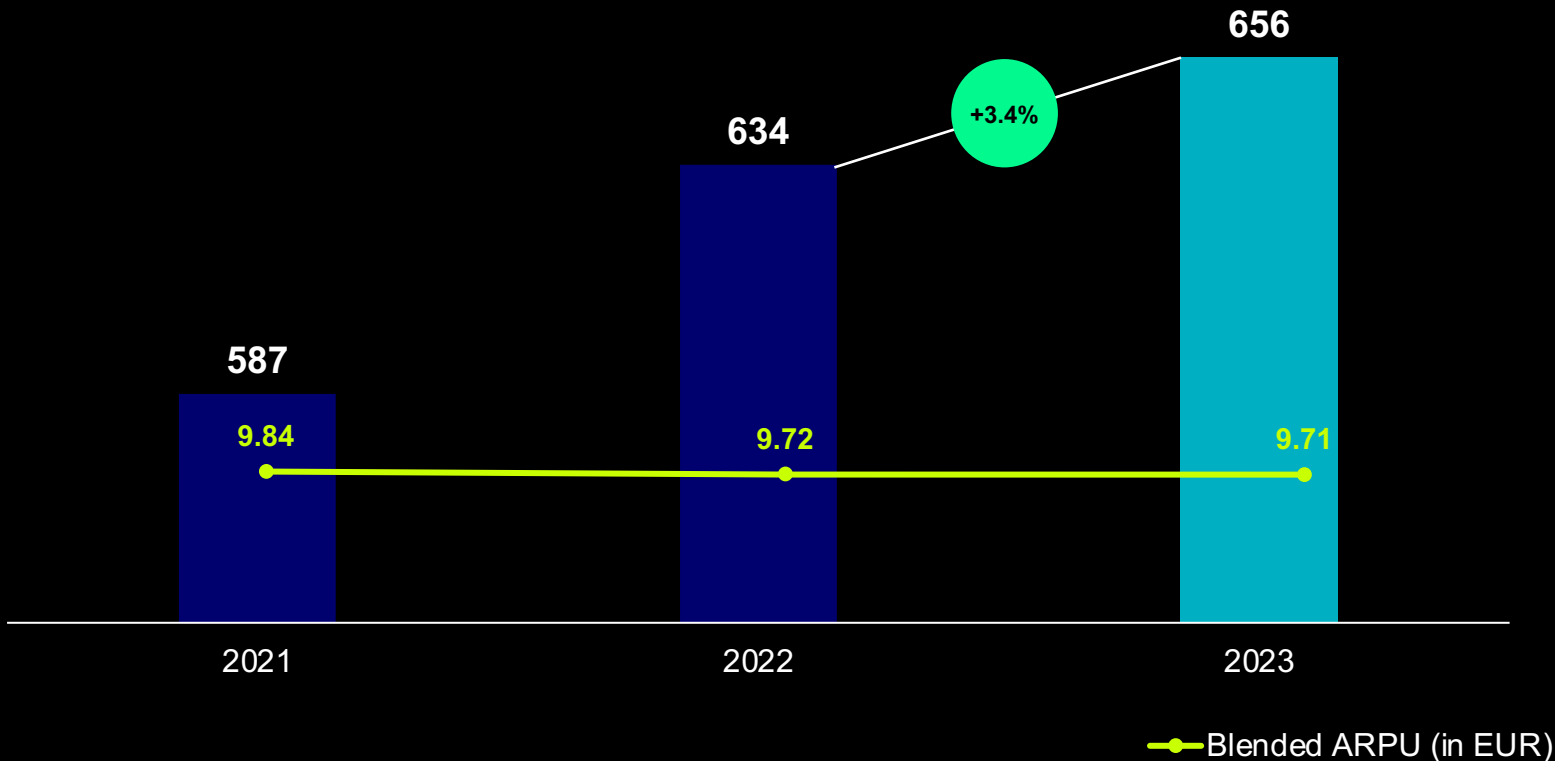
# Appendix

FY 2023



# Seat growth in line with strategic focus

Development of number of seats ('000) and ARPU

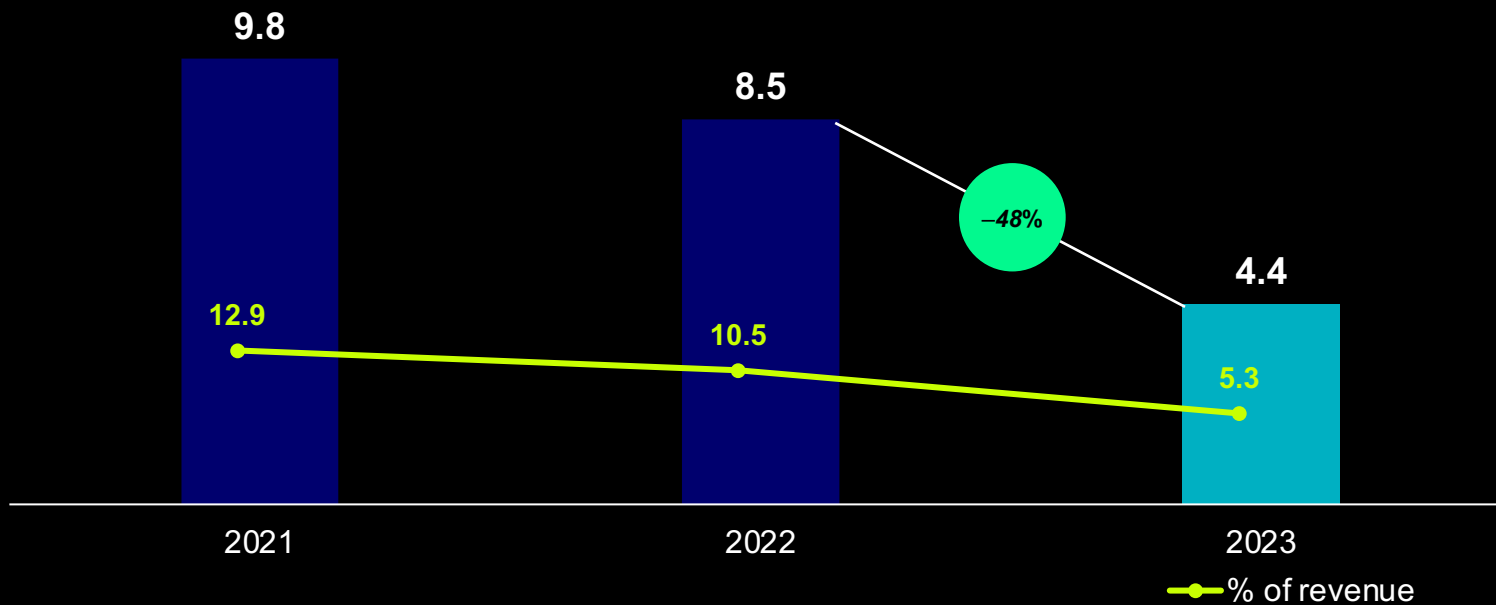


## COMMENTS

- Increase in total number of seats by 3.4%
- ARPU development: FY 2023 stable at year-end level. Very slight decline versus FY 2022
- Continued low gross churn rate 2023 of ~0.5% per month underlines quality of product and service and guarantees continuous recurring revenue
- Our innovative, automated and user-friendly omnichannel solution Contact Center Hub has been developing positively since its launch at the beginning of 2023.

# Decrease in marketing expenses as planned

Marketing expenses in EUR million

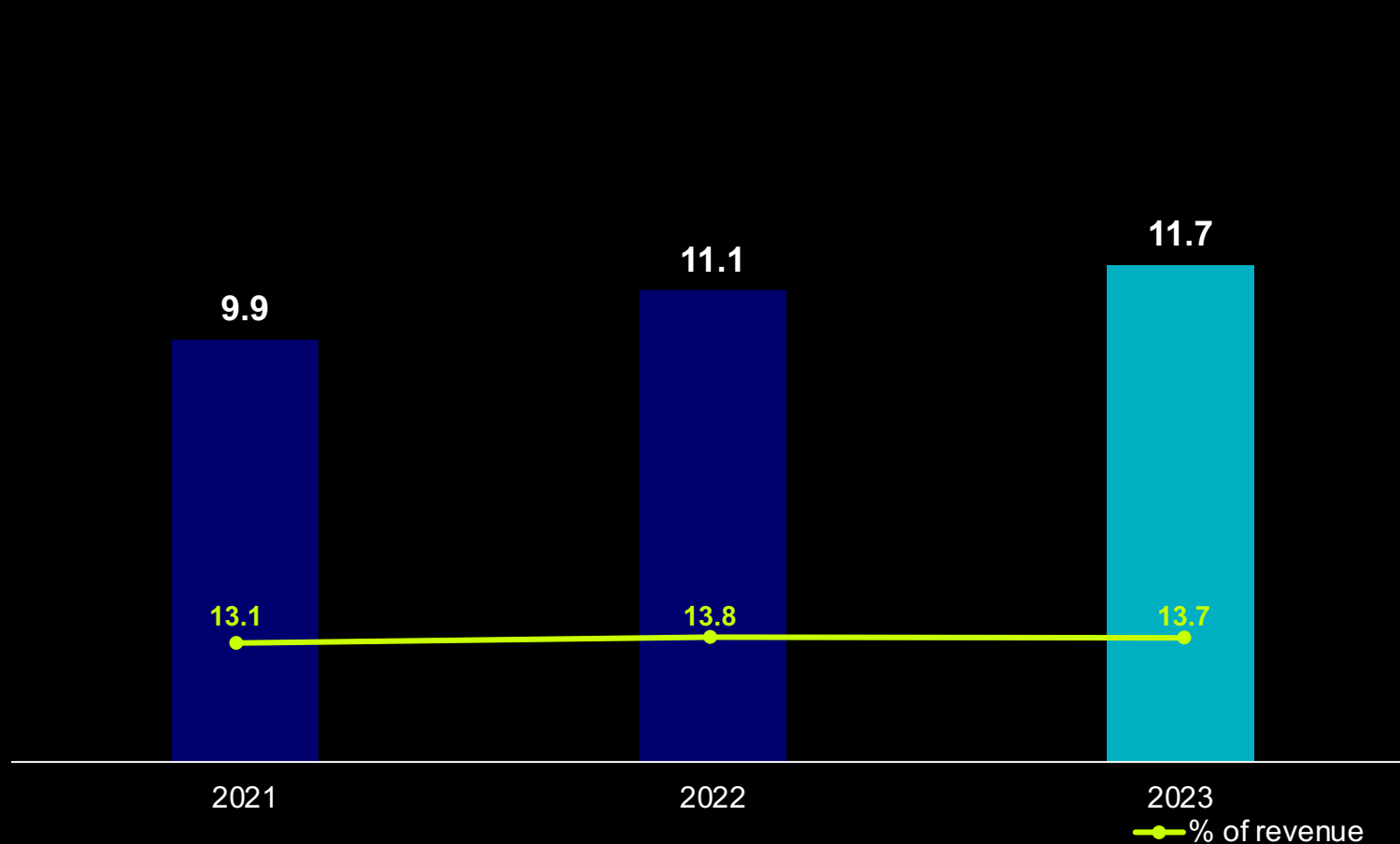


## COMMENTS

- Marketing expenses decreased by 48% yoy
- Focused and efficient marketing where we see market potential. Channel marketing moves to the fore.

# Selling costs slightly higher compared to FY 2022

Selling expenses in EUR million



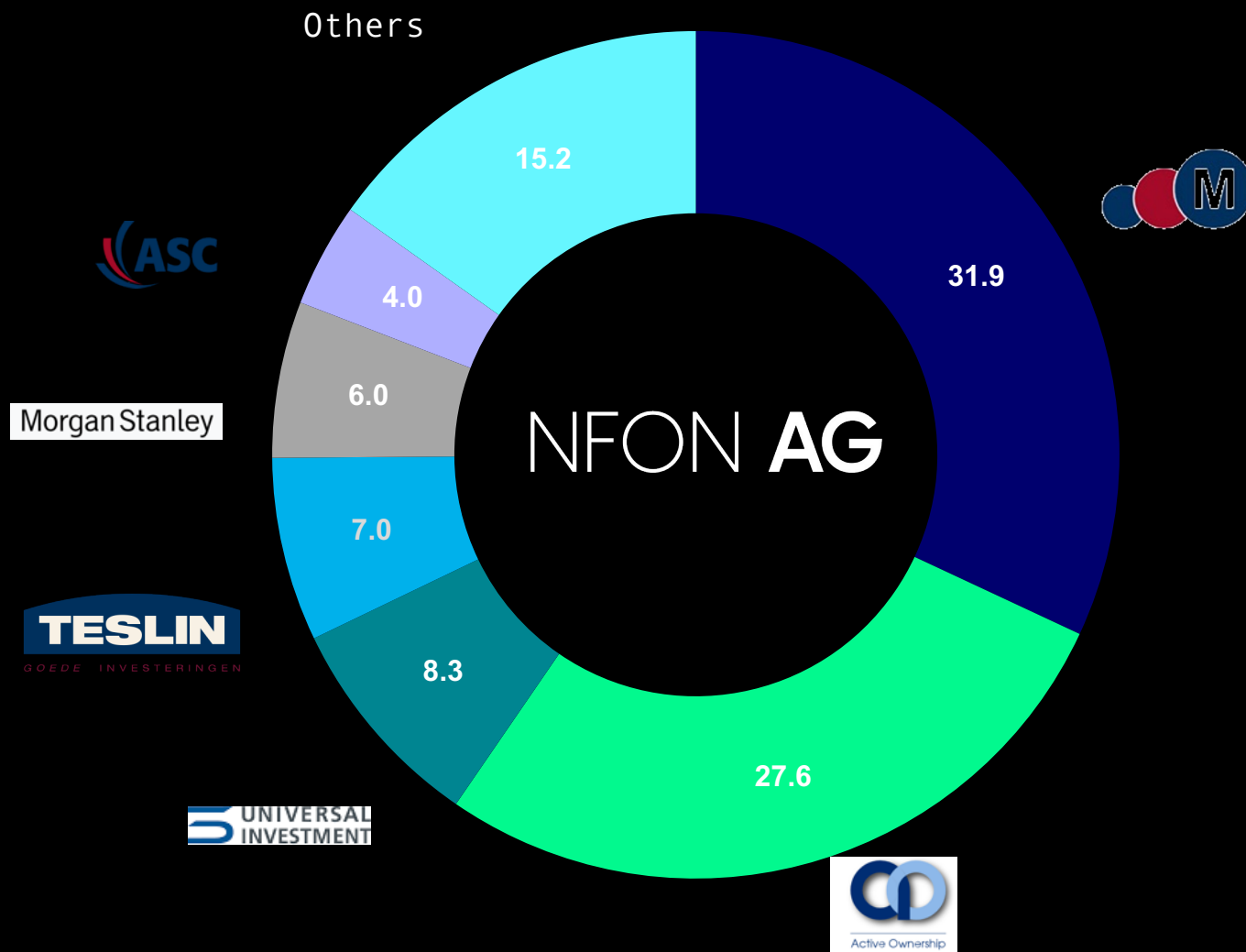
## COMMENTS

- Selling expenses mainly include sales commissions to dealers and distributors (excluding wholesale partners)
  - Dealers and distributors only receive a percentage share of revenue per seat
- Increase in sales commissions by 5.4% yoy
- Slight increase resulted, among other things, from additional incentives for partners with special promotions and from higher training expenses
- No further significant changes are expected

# Share at a glance

ISIN	DE000A0N4N52
Segment	Prime Standard/ Telecommunication
Shares	<b>16.6 million</b> (29 March 2021)
Designated sponsors	Baader Bank ODDO Seydler
First day of trading	11 May 2018
Coverage	Berenberg Bank, Baader Bank, NuWays, ODDO BHF

Shareholder structure\*  
in %, as of 17 April 2024



# C-level team

**Patrik Heider**  
CEO / CFO

- At NFON since 2023
- ~20 years of C-level experience and in the IT industry
- Previous experience includes
  - Nemetschek SE
  - Thinkproject
  - riskmethods



**Andreas Wesselmann**  
CTO

- At NFON since 2024
- > 20 years' experience in an international working environment as well as in senior executive positions within the software industry
- Previous experience includes
  - SAP



**Merano Mettbach**  
CSO

- At NFON since 1 September 2023
- > 20 years of senior executive experience within the telco industry
- Previous experience includes
  - Cisco Systems
  - BroadSoft
  - Vodafone



**Markus Krammer**  
CPO

- At NFON since 2015
- Previous position:
  - Managing Director for NFON Developments Lda.
- > 20 years of experience in senior executive positions within the telco industry





# Financial calendar

# 20 24

**07/03** ✓

- Preliminary group financial results FY 2023

**25/04** ✓

- Group annual report FY 2023

**23/05**

- Financial results 3M/Q1 2024

**28/06**

- Annual General Meeting 2024

**22/08**

- Group half-year report 2024

**21/11**

- Financial results 9M/Q3 2024



# Contact



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**Thank you**