

Our Facts and Figures Q3/23

NFON AG

Quarterly Report for 3/2023

Who we are

NFON AG, with its headquarters in Munich, is a leading European provider of integrated cloud business communications. The listed company (Frankfurt Stock Exchange, Prime Standard) with more than 3,000 partners in 15 European countries and seven branches counts more than 50,000 companies among its customers. With its core product Cloudya, the smart cloud communications platform, NFON offers hassle-free voice calls, simple video conferencing and seamless integration of CRM and collaboration tools for small and medium-sized companies. The NFON portfolio comprises four areas: Business Communications with Cloudya, Customer Contact, Integration and Enablement. All of NFON's cloud services are operated in certified data centers in Germany, with 100% of their energy needs covered by renewable sources. NFON accompanies companies into the future of business communication by offering intuitive communication solutions.

Key performance indicators

in EUR thousand	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Total revenue	61,700	60,435	2.1%	20,521	20,346	0.9%
Recurring revenue	57,766	54,960	5.1%	19,370	18,420	5.2%
Share of recurring revenue	93.6%	90.9%	2.7%	94.4%	90.5%	n.a.
Non-recurring revenue	3,934	5,475	-28.1%	1,151	1,925	-40.2%
Share of non-recurring revenue	6.4%	9.1%	-2.7	5.6%	9.5%	n.a.
ARPU blended ¹	9.7	9.8	-0.3	9.8	9.7	0.8
Number of seats	645,707	622,785	3.7%	5,134	13,145	-60.9
Adjusted EBITDA ²	6,006	-765	n.a.	2,612	706	n.a.

1 Based on average number of seats per month in the periods under consideration

2 Notes on the adjustments can be found under "Results of operations"

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NAVIGATION

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LETTER FROM THE MANAGEMENT BOARD

Dear stakeholders,



Patrik Heider

Solid and scalable foundations are essential to ensuring NFON maintains its successful growth in the future. We achieve these solid foundations through operating excellence – in our organisation, processes and internal systems.

We initiated a status analysis of this at NFON in the second quarter of 2023. Based on initial findings, we launched our transformation process after the first half of 2023. Our aim is to once again better harness the great market potential in the future, bringing NFON closer to its goal of being a European leader in cloud business communication.

We have already reached initial milestones in creating this solid foundation for NFON. For example, staffing at management level has been reorganised over the last few months and clear areas of responsibility created at the C level. We recently appointed Andreas Wesselmann as Chief Technology Officer, who will join the Management Board team on 1 January 2024. With more than 20 years' experience in an international working environment and in various management positions and outstanding technological expertise, he is the ideal person to shore up NFON's technological innovation.

The last few months have once again made it clear that these milestones are only the start. There is still more structural work to do to ensure NFON's foundations are as strong as they need to be. To drive our profitable growth plans in 2024, we are focusing on aligning the three core areas of a tech company: technology, product and sales. This requires us to constantly improve collaboration between our customer and market-based product management and our service-focused sales units, as well as our agile development. In this context, we have also begun a top-to-bottom review of NFON's IT and

process landscape to create an efficient, high-performance and customer-friendly system with clear interfaces.

Based on this foundation, our three strategic growth pillars will likely begin to have a lasting impact on NFON's future performance from the first half of 2024. After all, innovative product development, a focus on sales excellence and stronger partnerships are key to continuing to offer our customers first-class solutions. Our medium-term aim remains to drive sustainable, profitable business development.

Operating developments in the first nine months of 2023 highlight the opportunities open to NFON and confirm our plans. Regardless of further optimisation potential, recurring revenue rose by more than 5% year on year to around EUR 62 million, while adjusted EBITDA improved significantly from EUR -0.8 million to EUR 6 million. Against the backdrop, we have decided to raise our adjusted EBITDA forecast for 2023. For fiscal 2023, we are now projecting adjusted EBITDA of between EUR 7.8 and EUR 8.3 million. This revision does not affect the forecasts for the other key performance indicators.

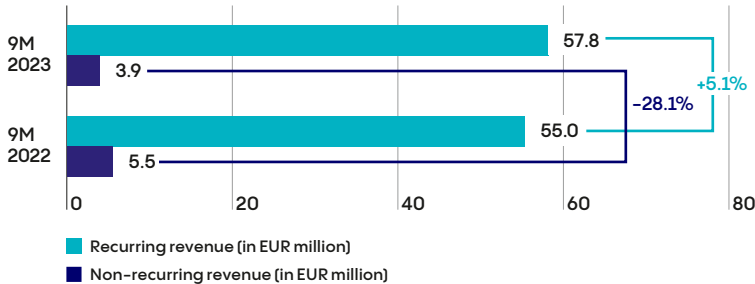
We can be proud of the progress we have already made and the roadmap for securing long-term success at NFON until 2025 is in place. I would like to take this opportunity to expressly thank our employees for their commitment. We would be delighted if you would join us as we move towards a promising future.

The Management Board,
Patrik Heider

INTERIM GROUP MANAGEMENT REPORT

Revenue performance

High share of recurring revenues



Total revenue increased by 2.1% year-on-year to EUR 61.7 million in the first nine months of fiscal 2023. With growth of 5.1% compared to the first three quarters of 2022, recurring revenue rose at a faster rate than total revenue to EUR 57.8 million. This primarily resulted from the successful acquisition of new customers and a rise in the number of installed seats within the existing customer base, particularly in Germany, Austria and Italy. Sales of the expanded product portfolio (premium solutions) among both new customers and the existing customer base also contributed to the revenue growth.

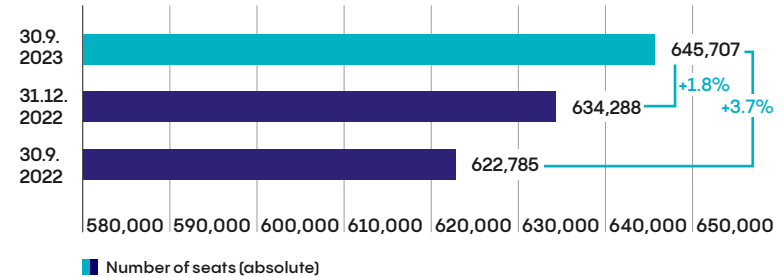
Recurring revenue essentially comprises monthly payments of a fixed licence fee per seat plus a fixed or volume-based fee for voice telephony usage per seat or SIP trunk.

Non-recurring revenue mainly consists of revenue from the sale of hardware and activation fees for seats and premium solutions. This figure declined by 28.1% as against the same period of the previous year to EUR 3.9 million in the reporting period, mainly as a result of lower hardware sales.

The cumulative effect typical for revenue performance, in relation to seats gained over the year, is evident from the trend in the recurring revenue generated in the individual quarters of the reporting period.

Seat development

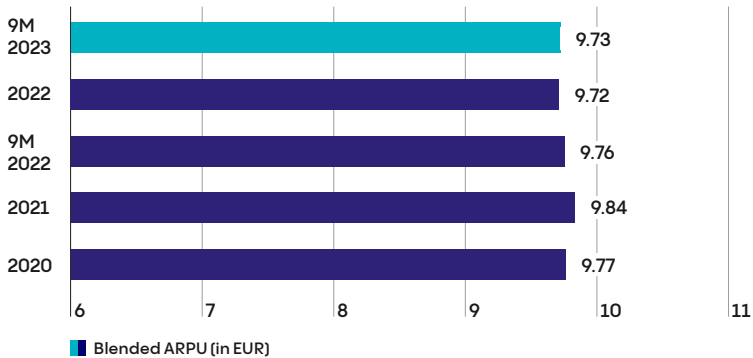
Seat base grows continuously



This positive trend in seats testifies to the ongoing growth in demand for cloud telephony systems among business customers. The high level of satisfaction felt by N FON's very loyal customers underscores the quality of its product and service and has a stimulative effect. The churn rate is still at a low level of around 0.6% per month (9M 2022: 0.5%). The slight increase as against the same period of the previous year is due to the planned post-contract churn of a major client. Compared to the 2023 half-year reporting period (0.7%), the churn rate improved once again.

Blended ARPU (Average revenue per user)

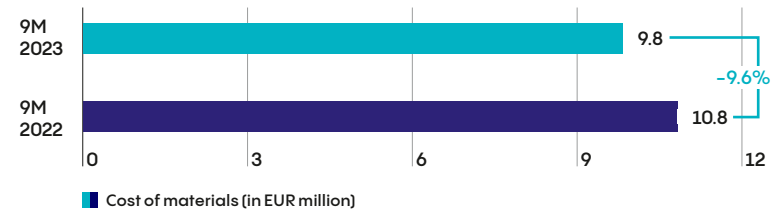
Stable ARPU



ARPU trended downwards slightly over the third quarter of 2023 but remained at a similar level to 2022 as a whole. As against the same period of the previous year, it declined from EUR 9.76 (9M 2022) to EUR 9.73 (9M 2023).

Cost of materials

Slight decrease in cost of materials



Despite higher revenue, the cost of materials declined by 9.6% year-on-year from EUR 10.8 million to EUR 9.8 million in the reporting period. This development mainly stems from the decrease in non-recurring revenue, especially in connection with low-margin hardware sales.

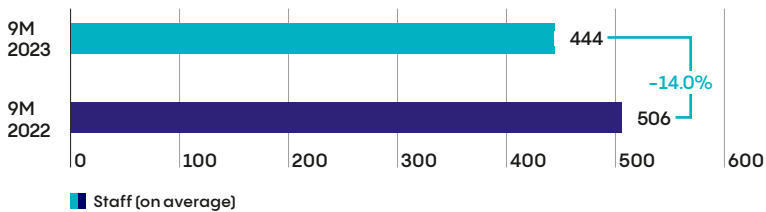
This resulted in a lower cost of materials ratio than in the previous year of 15.9% (9M 2022: 17.9%). This falls within the regular range of fluctuation, in line with planning.

Staff costs

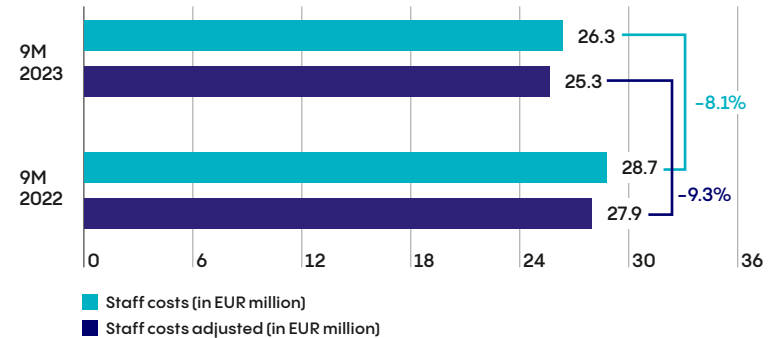
The average number of employees fell from 506 in the previous year to 444 in the first nine months of 2023. This reduction is in line with the strategic objective of profitable growth.

Staff costs for the reporting period include expenses of EUR 0.1 million in connection with the focus on Group-wide activities (9M 2022: EUR 0.2 million). Expenses of around EUR 0.9 million were incurred in conjunction with the re-organisation of top management (9M 2022: EUR 0.0 million). Expenses for employee options of EUR 0.5 million were recognised in the first nine months of 2022, compared to just EUR 19 thousand in the reporting period. Adjusted for these expenses, staff costs were down by 9.3% year-on-year at EUR 25.3 million (9M 2022: EUR 27.9 million). This represents an adjusted personnel costs ratio of 41.0% compared to 46.1% in the same period of 2022.

Number of employees decreased



Declining personnel expenses



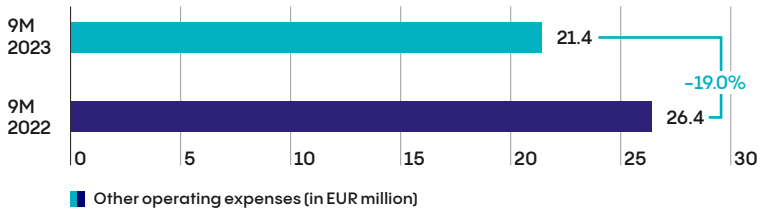
Other operating expenses

Other operating expenses fell by EUR 5.0 million to EUR 21.4 million in the first nine months of 2023 (9M 2022: EUR 26.4 million).

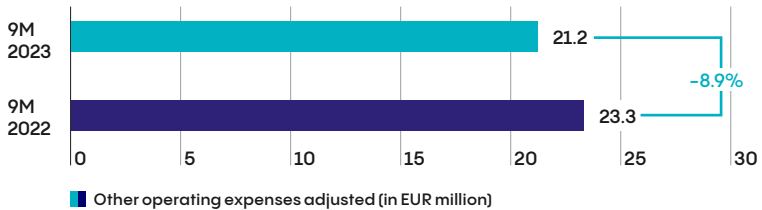
In the current reporting period, this included administrative costs of EUR 190 thousand (9M 2022: EUR 0 thousand). These expenses are classified as non-recurring effects (adjustments).

Adjusted for non-recurring effects, other operating expenses fell by 8.9% to EUR 21.2 million in the first nine months of 2023 (9M 2022: EUR 23.3 million). This represents an adjusted ratio in relation to revenue of 34.4%, compared to 38.6% in the previous year.

Other operating expenses declined

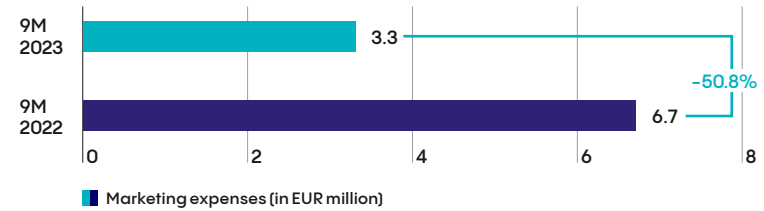


Other operating expenses adjusted for one-off effects also declined



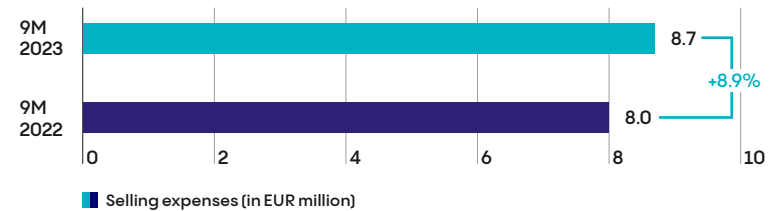
Marketing expenses break down as follows:

Significantly lower marketing expenses



Sales expenses were higher due to the increased revenue volume and developed as follows:

Further increase in selling expenses



Selling expenses as a percentage of revenue were higher in the first nine months of 2023 than in the same period of the previous year at 14.1% (previous year: 13.2%). This was due primarily to higher partner revenue.

EBITDA, EBIT, consolidated profit/loss

NFON improved adjusted EBITDA by a considerable EUR 6.8 million year on year to EUR 6.0 million in the reporting period thanks to measures taken to increase profitability in the second half of 2022.

in EUR million	9M 2023	9M 2022
EBITDA	4.7	-4.7
Adjustments in staff costs:		
Share options/ESOPS	0.0	0.5
Focus on Group-wide activities	0.1	0.2
Reorganisation of top management	0.9	0.0
Adjustments in operating expenses:		
M&A expenses	0.0	1.3
Rebranding	0.0	0.9
Administrative costs	0.2	0.0
License payments for previous years	0.0	0.9
Total adjustments	1.2	3.9
Adjusted EBITDA	6.0	-0.8
EBIT	-0.6	-8.7
Consolidated loss	-0.8	-12.5
Adjusted consolidated net income (9M 2022: loss)	0.5	-8.6

Financial position

The increase in intangible assets to EUR 35.4 million as at 30 September 2023 (31 December 2022: EUR 34.0 million) mainly results from capitalised development costs in connection with new products and new features for existing products, and from the development/customisation of the new business support system (BSS). Capitalised costs for products in development or on which development has been completed amount to EUR 13.1 million as at the end of the reporting period (31 December 2022: EUR 11.4 million), and those for BSS customisation to EUR 5.6 million (31 December 2022: EUR 5.4 million).

Property, plant and equipment declined by EUR 0.9 million as against 31 December 2022 (EUR 8.7 million) to EUR 7.8 million as at 30 September 2023. In particular, this development is due to depreciation on purchased hardware and capitalised right-of-use assets under leases recognised in the reporting period.


Bank balances declined by EUR 0.8 million as against 31 December 2022 to EUR 12.4 million as at 30 September 2023. The positive operating cash flow of EUR 5.4 million was offset by investment in intangible assets of around EUR 4.2 million. There were also payments of EUR 1.6 million in connection with leases (IFRS 16). Equity declined by EUR 0.6 million as against 31 December 2022 (EUR 47.8 million) to EUR 47.2 thousand as at 30 September 2023. This relates in particular to the negative profit or loss for the period of EUR 0.8 million. The currency translation reserve rose by EUR 0.2 million as against 31 December 2022 as at the end of the reporting period.

Current and non-current financial liabilities amounted to EUR 5.5 million in total as at 30 September 2023 (31 December 2022: EUR 5.9 million). A money market loan agreement in the amount of EUR 5.0 million and maturing on 30 November 2026 was entered into with Bank für Tirol und Vorarlberg (BTV) on 22 December 2021. No funds from this credit facility had been utilised as at 30 September 2023.

Supplementary report

No matters arose after 30 September 2023 that could have a material impact on the net assets, financial position and results of operations.

Risks and opportunities


NFON AG has explained its risks and opportunities in detail in its [annual report for 2022](#) . At the time of this report's publication, no changes have arisen compared to the 2022 report on risks and opportunities.

More information on this topic you can find in the [Annual Report 2022](#) 

Forecast

Forecast for 2023

Growth rate recurring revenues	Mid to upper single-digit percentage
Recurring revenues as share of total revenues	at least 88%
Adjusted EBITDA	EUR 7.8–8.3 million (previously EUR 6–7 million)

The forecast is based on the information available as at 30 September 2023, taking the opportunities and risks of the NFON Group as presented into account. As a result of the NFON Group's risks and opportunities as presented, deviations can occur between the planning data and the figures actually achieved at the end of the year. Deviations are also possible as a result of the assumptions regarding general economic conditions. Please also refer to the comments in the report on risks and opportunities in the [annual report 2022](#) . These applied unchanged as at 30 September 2023.

Regarding the forecast for 2023, the company is still planning growth in recurring revenue of a mid to upper single-digit percentage. Accordingly, the company is planning a share of recurring revenue within total revenue of >88%, which is a little lower than the prior-year figure of 89.5%. After amending the 2023 adjusted EBITDA forecast (EUR 6–7 million) after the first half of 2023, we are now once again raising this moderately. We are confident that adjusted EBITDA for 2023 as a whole will likely be between EUR 7.8 million and EUR 8.3 million. This adjustment reflects our ongoing efforts to ensure solid operating performance and generate long-term profitable growth at NFON.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

as of 30 September 2023

in EUR thousand	30 Sep. 2023	31 Dec. 2022
Non-current assets		
Property, plant and equipment	7,776	8,736
Intangible assets	35,384	34,045
Investments in associates	672	672
Deferred tax assets	314	262
Other non-financial assets	438	420
Total non-current assets	44,584	44,135
Current assets		
Inventories	115	87
Trade receivables	9,526	9,276
Other financial assets	390	390
Other non-financial assets	3,183	2,314
Cash and cash equivalents	12,441	13,218
Total current assets	25,654	25,285
Total assets	70,238	69,420

in EUR thousand	30 Sep. 2023	31 Dec. 2022
Equity		
Issued capital	16,561	16,561
Capital reserves	109,105	109,086
Loss carryforward	-79,200	-78,404
Currency translation reserve	725	558
Total equity	47,190	47,801
Non-current liabilities		
Non-current financial liabilities	4,074	4,051
Other non-current liabilities	661	693
Deferred tax liabilities	2,498	2,476
Total non-current liabilities	7,232	7,220
Current liabilities		
Trade payables	4,469	4,205
Current provisions	2,795	2,310
Current income tax liabilities	331	259
Current financial liabilities	1,396	1,811
Other non-financial liabilities	6,823	5,814
Total current liabilities	15,815	14,400
Total equity and liabilities	70,238	69,420

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the period from 01 January to 30 September 2023

in EUR thousand	9M 2023	9M 2022
Revenue	61,700	60,435
Other operating income	583	711
Cost of materials	-9,785	-10,828
Staff costs	-26,347	-28,655
Depreciation and amortisation	-5,310	-3,993
Other operating expenses	-21,422	-26,437
Impairment losses on receivables	22	95
Other tax expense	-9	-12
Result from continuing operations before net interest income and incomes taxes	-567	-8,685
Interest and similar income	104	0
Interest and similar expenses	-191	-176
Net interest expense	-87	-176
Earnings before income taxes	-654	-8,860
Income tax expense	-174	-151
Deferred tax income	31	-3,514
Net loss	-797	-12,526

in EUR thousand	9M 2023	9M 2022
Attributable to:		
Shareholders of the parent company	-797	-12,526
Non-controlling interests	0	0
Other comprehensive income	167	-207
Taxes on other comprehensive income	0	0
Other comprehensive income after taxes	167	-207
Total comprehensive income	-630	-12,734
Attributable to:		
Shareholders of the parent company	-630	-12,734
Non-controlling interests	0	0
Net loss per share, basic	-0.05	-0.76
Net loss per share, diluted	-0.05	-0.75

Consolidated Statement of Cash Flow for the period from 01 January to 30 June 2023

in EUR thousand	9M 2023	9M 2022
1. Cash flow from operating activities		
Profit/loss after taxes	-797	-12,527
Adjustments to reconcile profit (loss) to cash provided		
Income taxes	142	3,666
Interest income (expenses), net	87	176
Amortisation of intangible assets and depreciation of property, plant and equipment	5,310	3,993
Impairment losses on receivables	-22	-95
Equity-settled share-based payment transactions	19	524
Other non-cash items	12	-51
Changes in:		
Inventories	-27	-3
Trade and other receivables	-1,114	-1,816
Trade payables and other liabilities	1,241	636
Provisions	486	425
Effects of changes in foreign exchange rates	167	-207
Interest paid	44	-54
Income tax payments/refunds	-124	-44
Cash flow from operating activities	5,424	-5,375

in EUR thousand	9M 2023	9M 2022
2. Cash flow from investing activities		
Proceeds from the disposal of property, plant and equipment and intangible assets	-1	56
Payments on investments in property, plant and equipment	-450	-1,170
Payments for investments in intangible assets	-4,206	-5,893
Cash flow from investing activities	-4,657	-7,007
3. Cash flow from financing activities		
Payments for leases (IFRS 16)	-1,584	-1,557
Other proceeds	21	2
Cash flow from financing activities	-1,563	-1,555
Change in cash and cash equivalents	-796	-13,938
Effects of movements in exchange rates on cash held	20	-23
Cash and cash equivalents at the beginning of the period	13,218	27,670
Cash and cash equivalents at the end of the period	12,442	13,709

As at 30 September 2023, cash and cash equivalents include bank balances of EUR 303 thousand (31 December 2022: EUR 316 thousand) that the Group cannot access freely as they are security deposits by customers with poor credit ratings.

Consolidated Statement of Changes in Equity

as at 30 September 2023

in EUR thousand	Attributable to owners of the company				Total equity	Non-controlling interests	Total
	Issued capital	Capital reserves	Currency translation reserve	Loss carryforward			
As at 01 January 2023	16,561	109,086	558	-78,404	47,801	0	47,801
Total comprehensive income for the period							
Loss (income) for the period	0	0	0	-797	-797	0	-797
Other comprehensive income for the period	0	0	167	0	167	0	167
Total comprehensive income for the period	0	0	167	-797	-630	0	-630
Transactions with owners of the company							
Equity-settled share-based payment transactions	0	19	0	0	19	0	19
Total transactions with owners of the company	0	19	0	0	19	0	19
As at 30 September 2023	16,561	109,105	725	-79,201	47,190	0	47,190

Consolidated Statement of Changes in Equity

as at 30 September 2022

in EUR thousand	Attributable to owners of the company					Non-controlling interests	Total
	Issued capital	Capital reserves	Currency translation reserve	Loss carryforward	Total equity		
As at 01 January 2022	16,561	108,600	891	-62,822	63,231	0	63,231
Total comprehensive income for the period							
Loss (income) for the period	0	0	0	-12,526	-12,526	0	-12,526
Other comprehensive income for the period	0	0	-207	0	-207	0	-207
Total comprehensive income for the period	0	0	-207	-12,526	-12,734	0	-12,734
Transactions with owners of the company							
Equity-settled share-based payment transactions	0	524	0	0	524	0	524
Total transactions with owners of the company	0	524	0	0	524	0	524
As at 30 September 2022	16,561	109,124	684	-75,348	51,022	0	51,022

Financial Calendar 2023/2024

Imprint

Q4 23 November 2023
Financial statements for Q3 2023

Q1 07 March 2024
Provisional financial statements
for fiscal 2023

Q2 25 April 2024
Financial statements for fiscal 2023

23 May 2024
Financial statements for Q1 2024

28 June 2024
Annual General Meeting

Q3 22 August 2024
Financial statements for H1 2024

Q4 21 November 2024
Financial statements for Q3 2024

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