



NFON

Die Cloud-Telefonanlage

THE NEW FREEDOM IN BUSINESS COMMUNICATION

Financial Report as of 30 September 2018

Munich | 22 November 2018

“

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

”



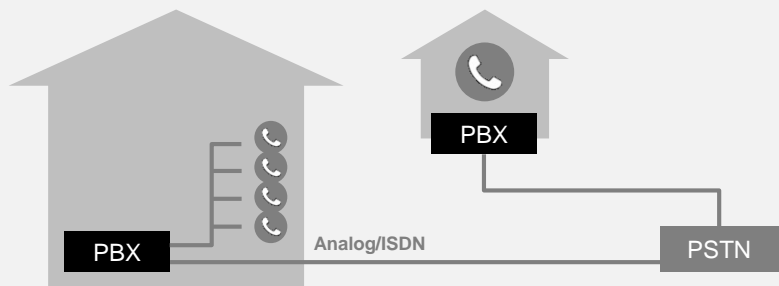
1

Introduction & Strategy

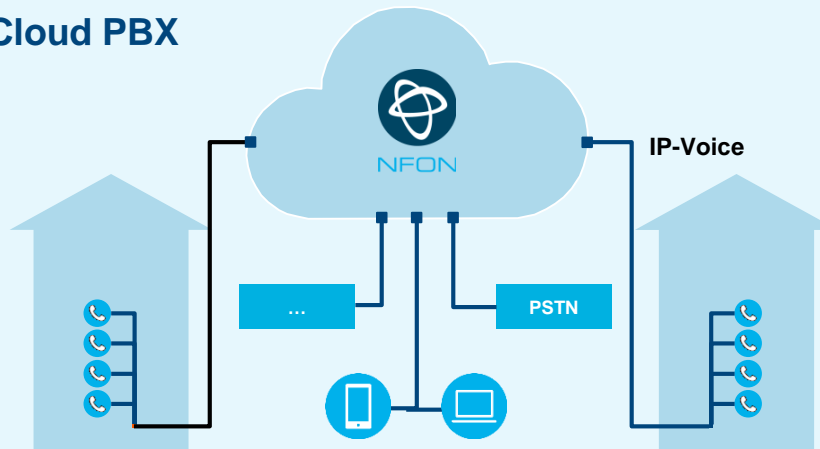


NFON – The only true Pan-European Cloud PBX company

Classic on-premise PBX



Cloud PBX



Advantages of cloud telephony

Increased functionality



Device agnostic



Flexibility



Lower total cost of ownership



Minimal support required



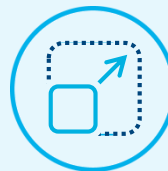
Automatic updates



Location independence



Scalability



Founded **2007**
HQ in Munich,
Germany



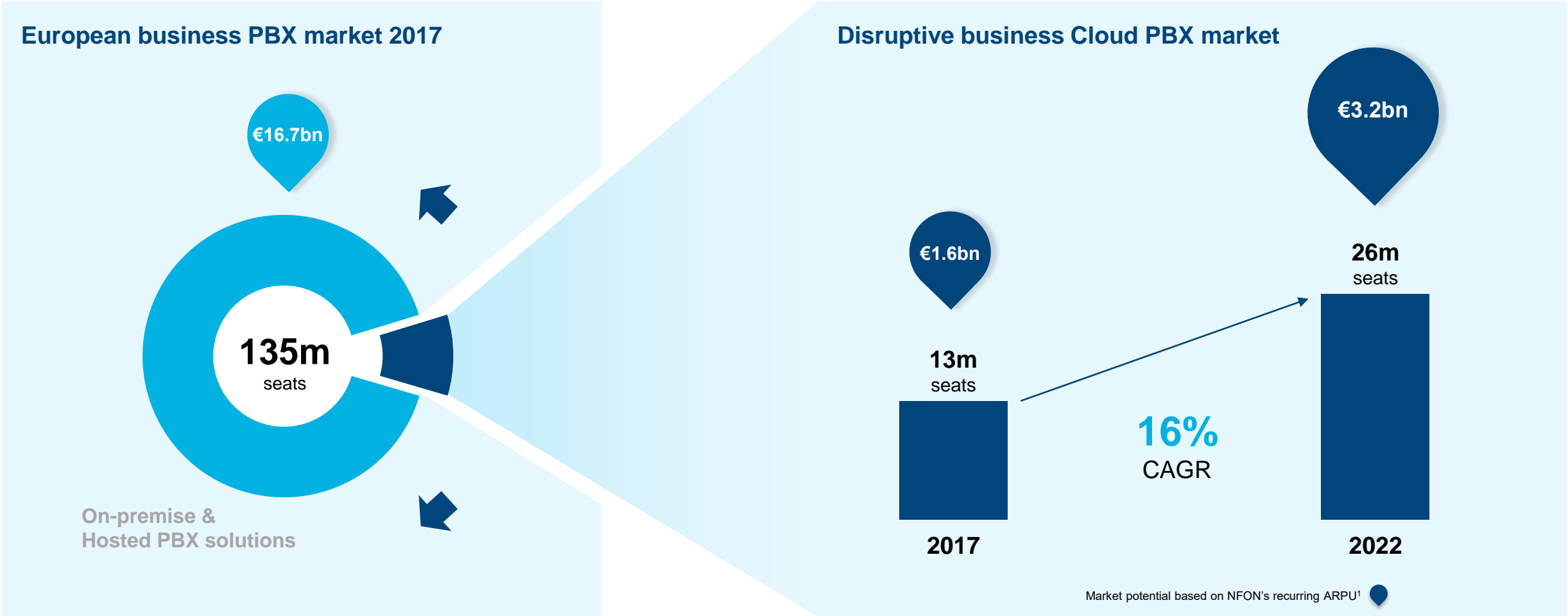
Active in
13
European
countries



227
employees



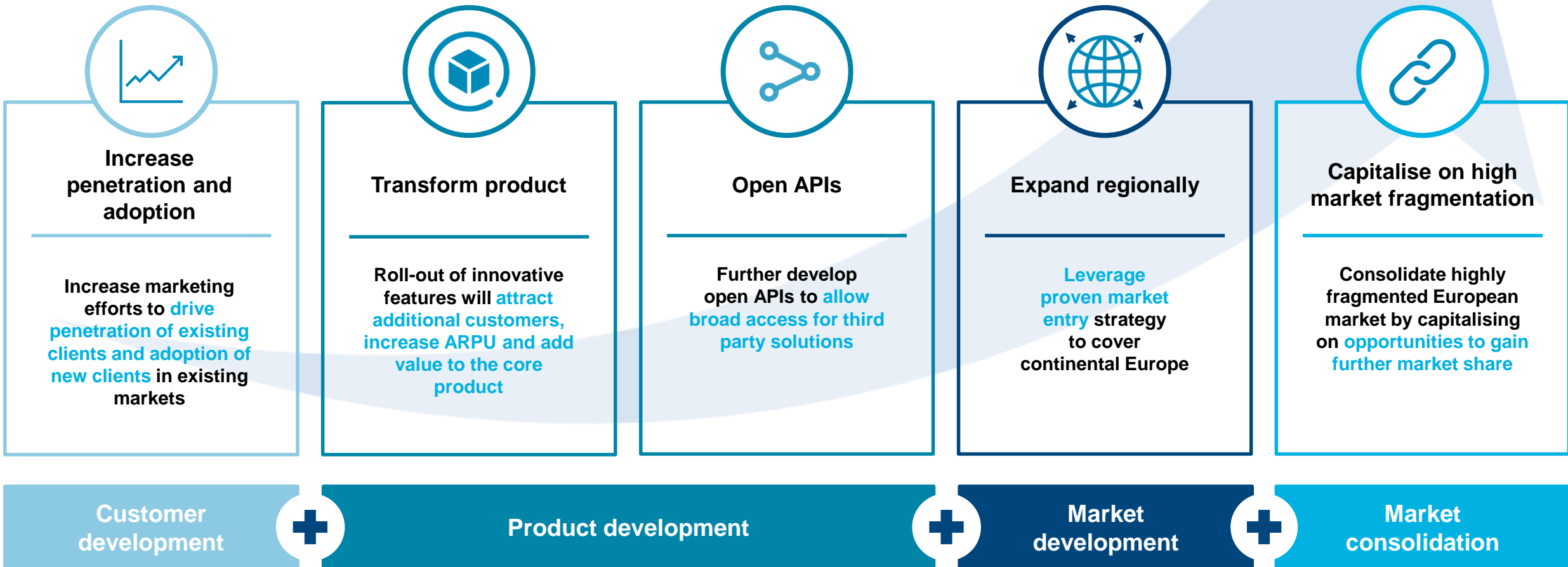
Shift to cloud communication creates unique opportunity



¹calculated 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

Source: MZA (2017)

Coherent multi vector growth strategy



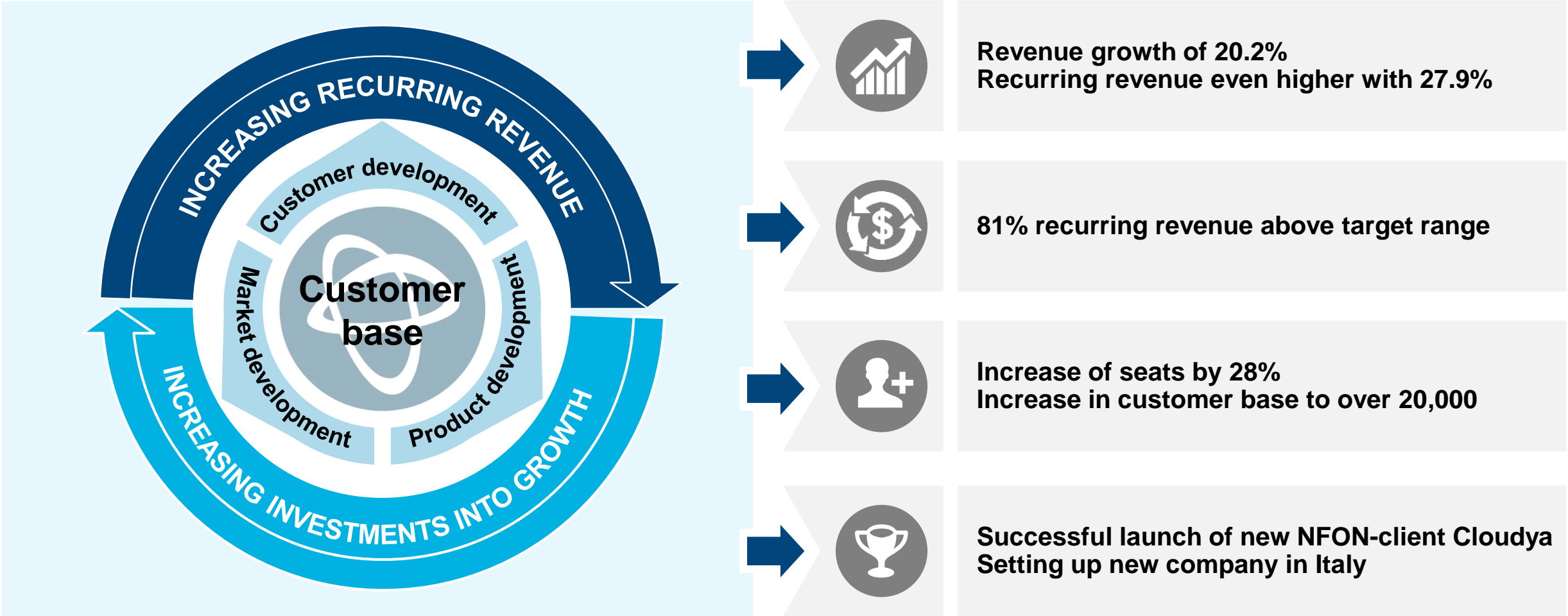


2

Business Highlights



NFON continues successful development

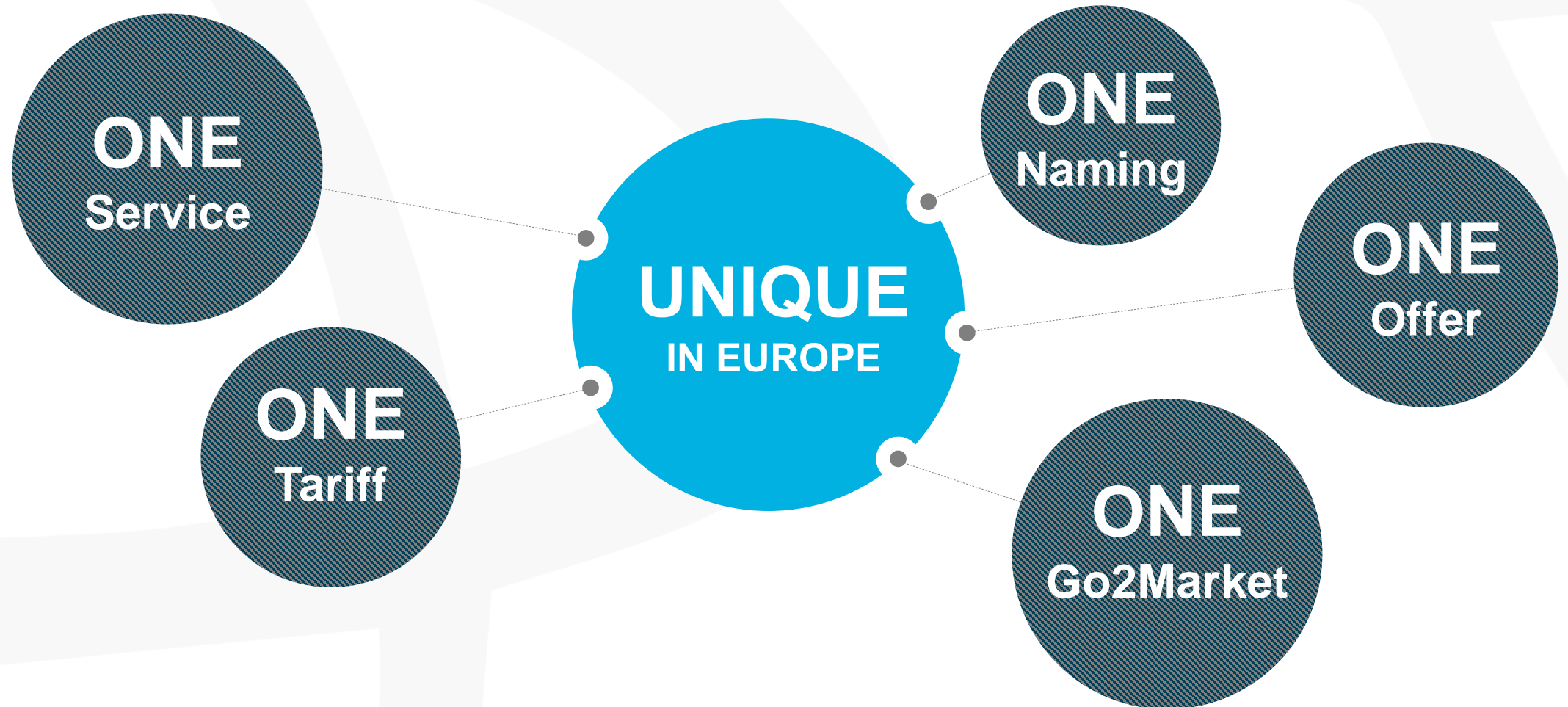




THE NEW NFON CORE

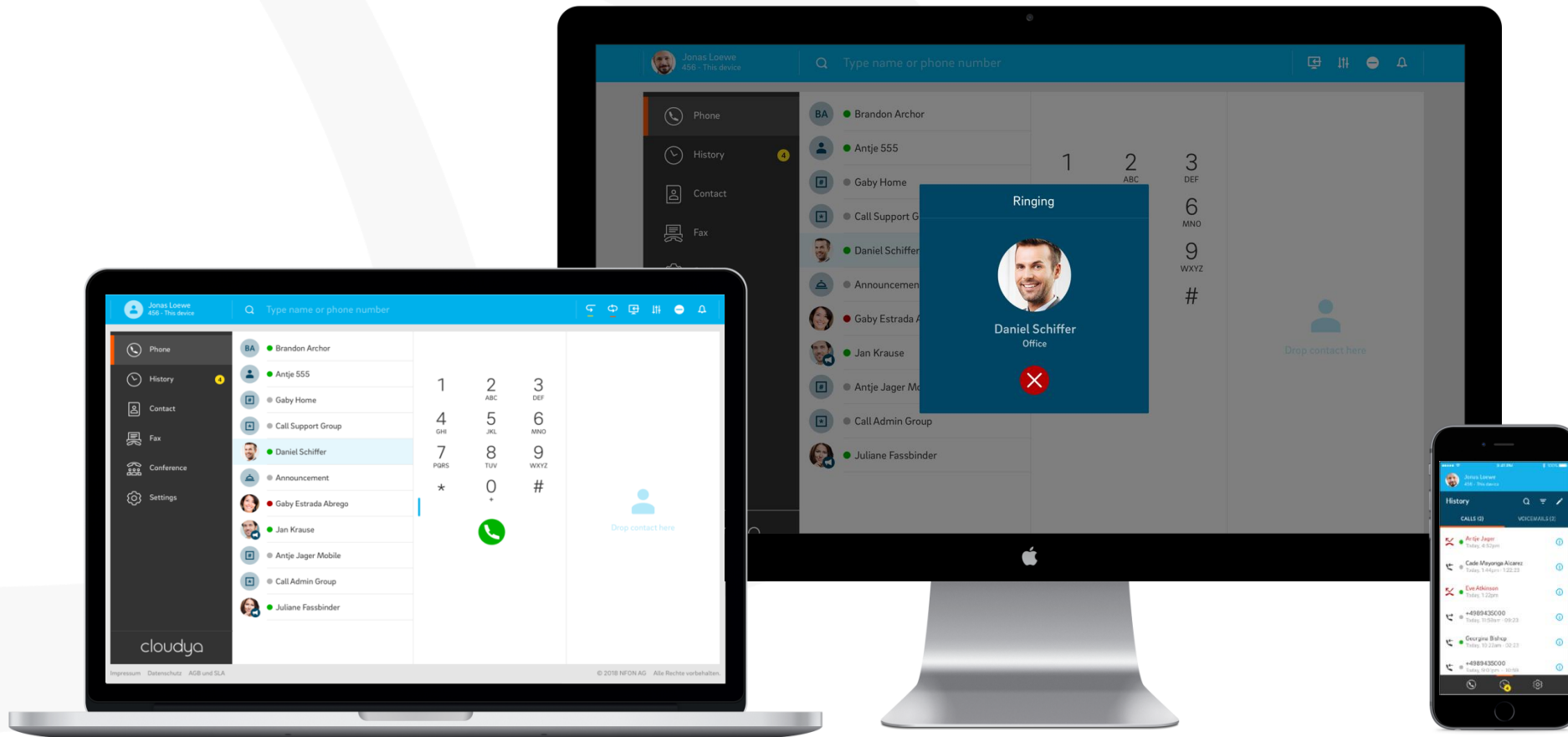
CLOUDYA

MORE THAN A PRODUCT
UNIQUE, TRANSPARENT, CLEAR



CLOUDYA

ANY DEVICE ANYWHERE



CLOUDYA

ANY BROWSER



TARIFF

CLEAR STRUCTURE
FOR OUR CUSTOMERS



**PRICE
BASED**

Mobility Option*

Business Standard

- NEW App Suite
- 1 desktop phone
- SRTP encryption

Business Premium

- NEW App Suite
- Mobility Option
- 9 desktop phones
- SRTP encryption
- Neorecording basic

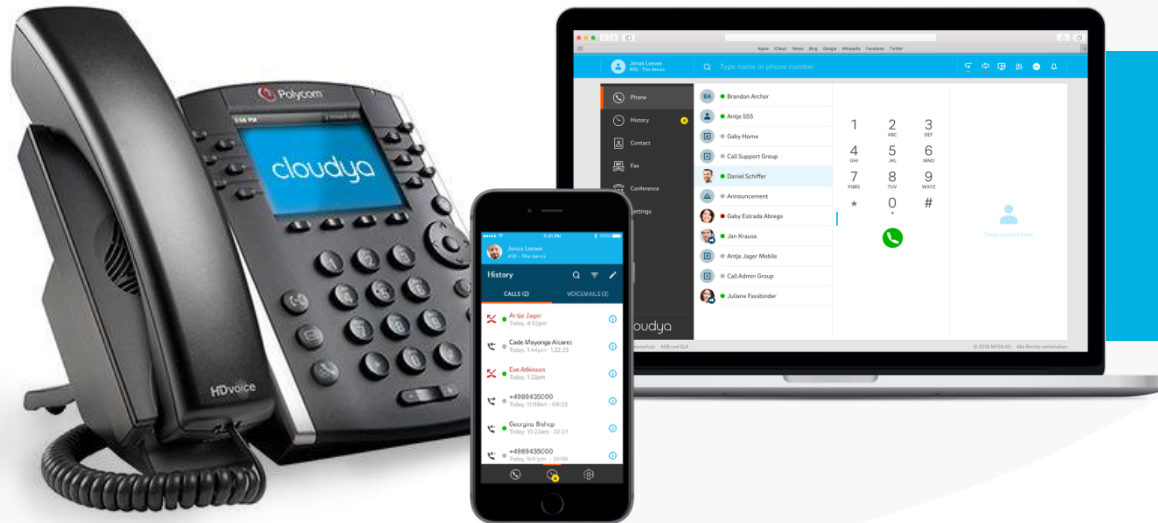
**VALUE
BASED**



*) only available with Business Standard



CLOUDYA



EASY



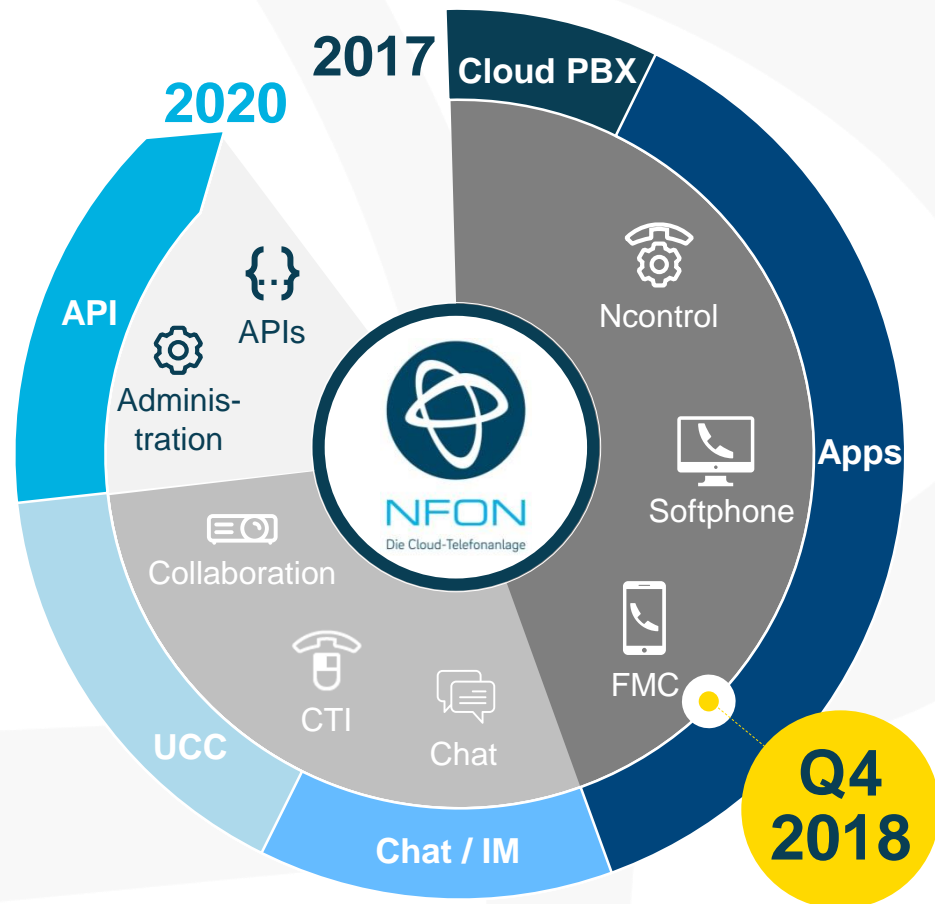
INDEPENDENT



RELIABLE

OUTLOOK

NFON STRATEGY – UCAAS



Phase 1

Cloud PBX



Calling



Configuration



Phones



CTI



Conf. calls



IVR



Groups



Queues

Apps



Mobile



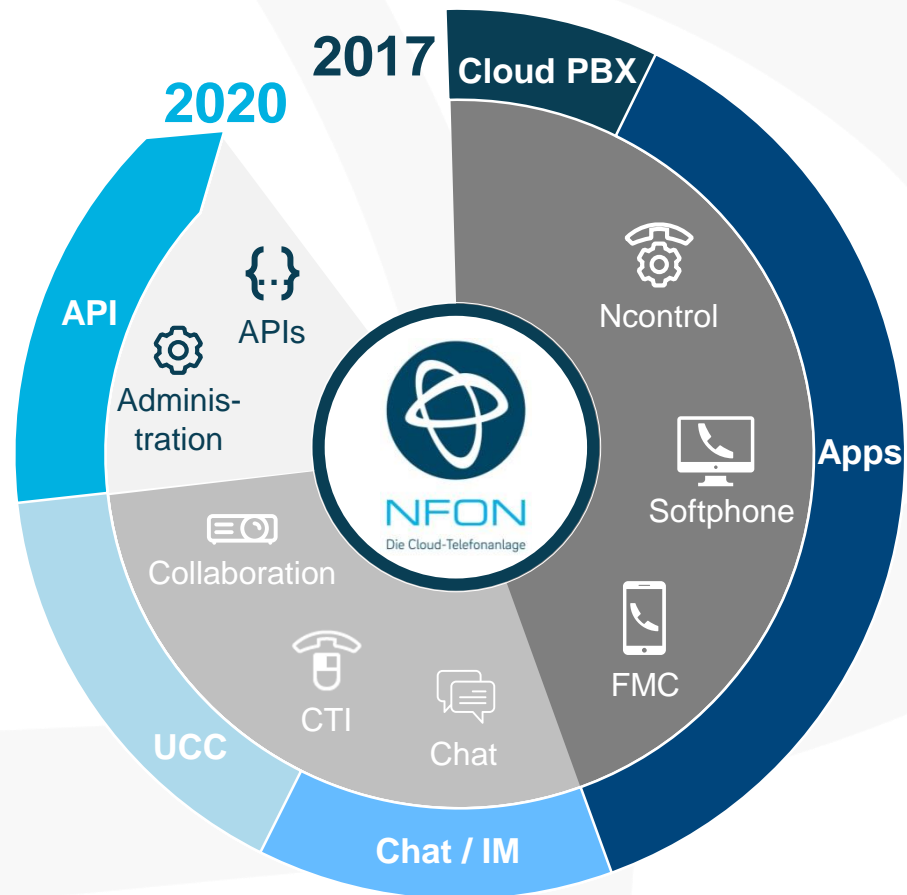
Web



Desktop

OUTLOOK

NFON STRATEGY – UCAAS



Phase 2

Chat / IM



Chat



Message History



Presence

CTI



CTI

UCC



Collab. Rooms



Group Chat



Video Calls



Presentation



Screen Sharing



Video Conf.



3

Business Model & Financial Overview

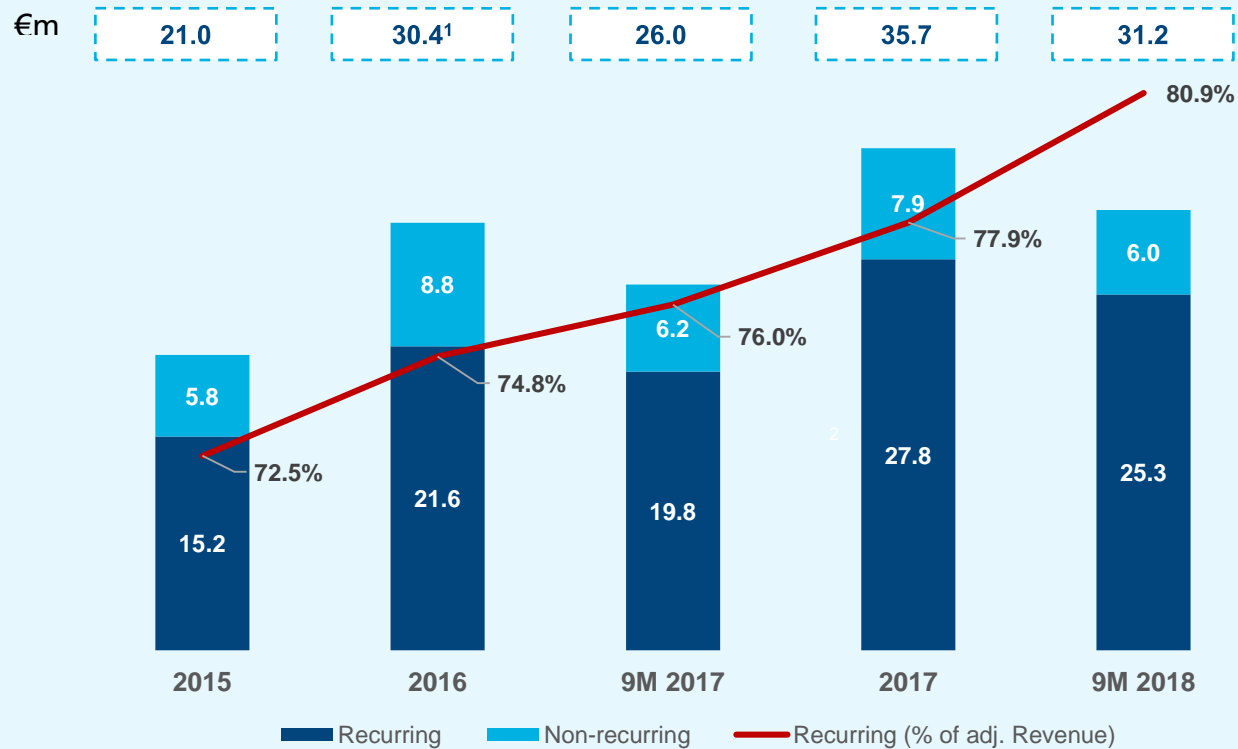


NFON's top line mechanics are centred around recurring revenue



Share of recurring revenue above target range

Development total recurring vs. non-recurring revenues



Comments

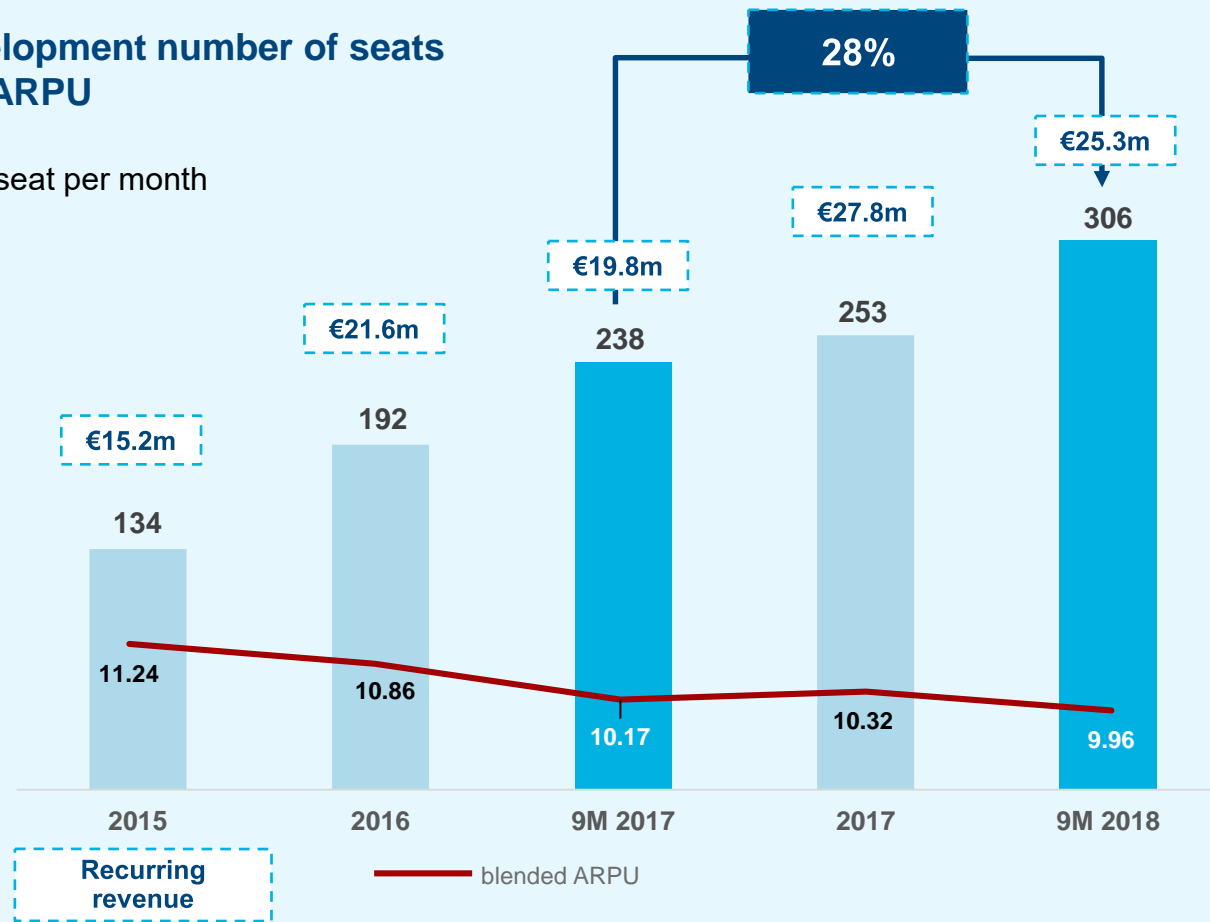
- Significant increase of total revenue by 20.2%
- Lower hardware sales led to a decrease of non-recurring revenue by -4.0%
- Recurring revenues are strong growth drivers with +27.9% to €25.3m
 - Cumulative effect quarter by quarter of new seat wins
 - Increasing y-o-y customer wins (>20,000) and steadily growing total number of seats (>305,000)



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

Development number of seats and ARPU

€ per seat per month



Comments

- > Increase of total number of seats by 28%
- > Very low gross churn rate of <0.5% per month underlines quality of product and service and guarantees continuous recurring revenues
- > Increasing share of wholesale partner business selling their own airline leads to expected decrease of total blended ARPU
- > Additional premium solutions represent upside potential for ARPU development in the medium term

Consistently increasing gross margin

Cost of materials and gross margin development

€m, % of revenue



Comments

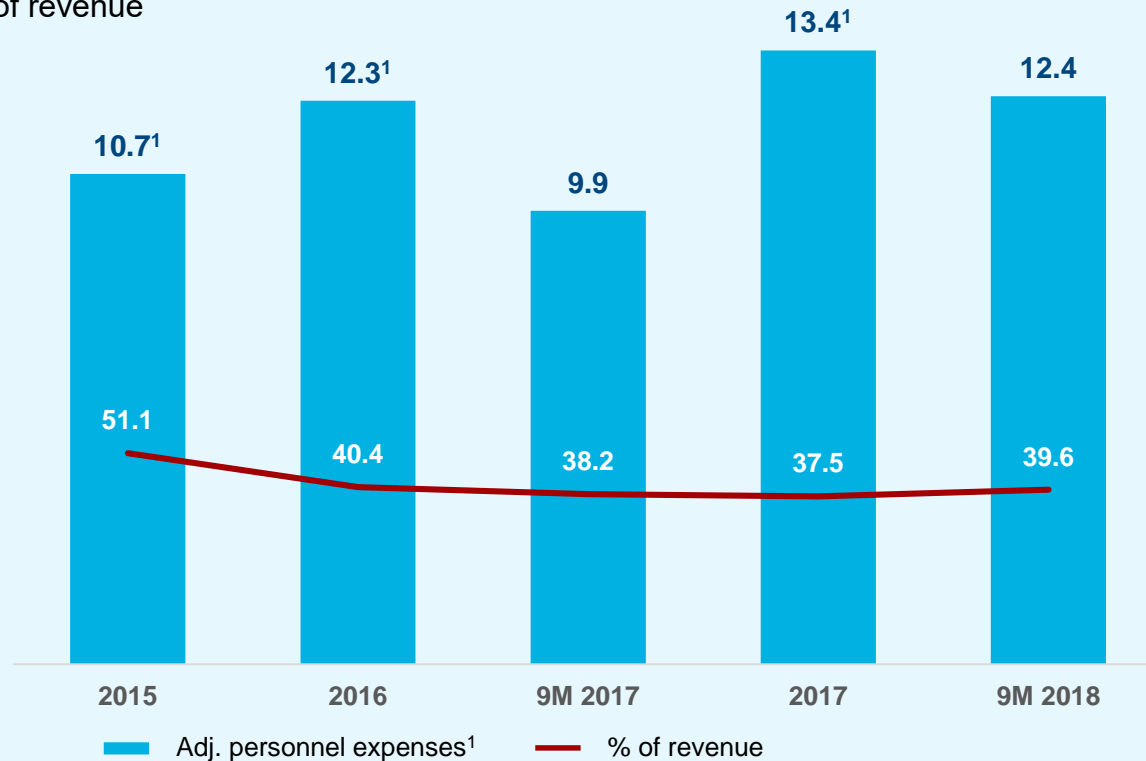
- Cost of materials are largely variable in nature and mainly comprise of costs for hardware sold, costs for airtime sold and data centre housing costs
- Cost of materials rose disproportionately low in relation to revenue by approx. 8.5%
- Gross margin is positively influenced by
 - higher share of recurring revenue
 - lower hardware sales
 - revenue share generated through wholesale partners



Increase of adj. personnel expenses due to growing work force

Adj. personnel expense development

€m, % of revenue



Comments

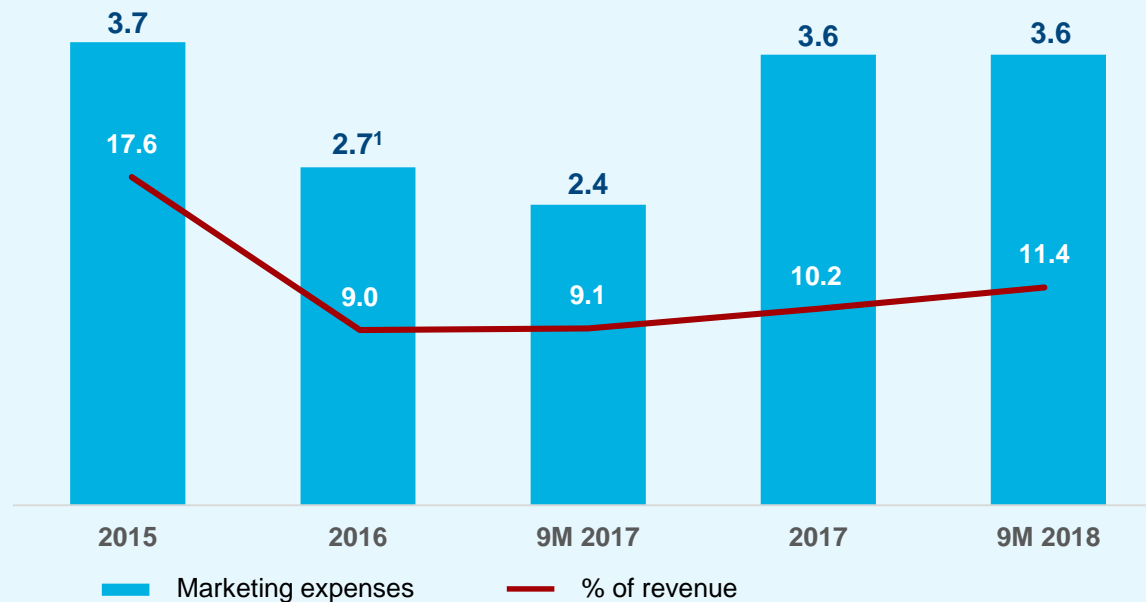
- Personnel expenses as reported amount to €17.4m
- Adjustments unchanged compared to half-year 2018 of €5.0m
 - One-off effect out of share-based payments of €3.7m established as a share appreciation right program
 - Retention bonus (IPO) of €0.6m
 - Exit bonus² (IPO) of €0.7m
- Adj. Personnel expenses of €12.4m in line with expectations
- Increase of adj. personnel expenses by 25.3% primarily impacted by growing work force (227 headcounts 30 Sep 2018, 175 headcounts 30 Sep 2017)



Marketing expenses increase as expected due to higher marketing activities

Marketing expense development

€m, % of revenue



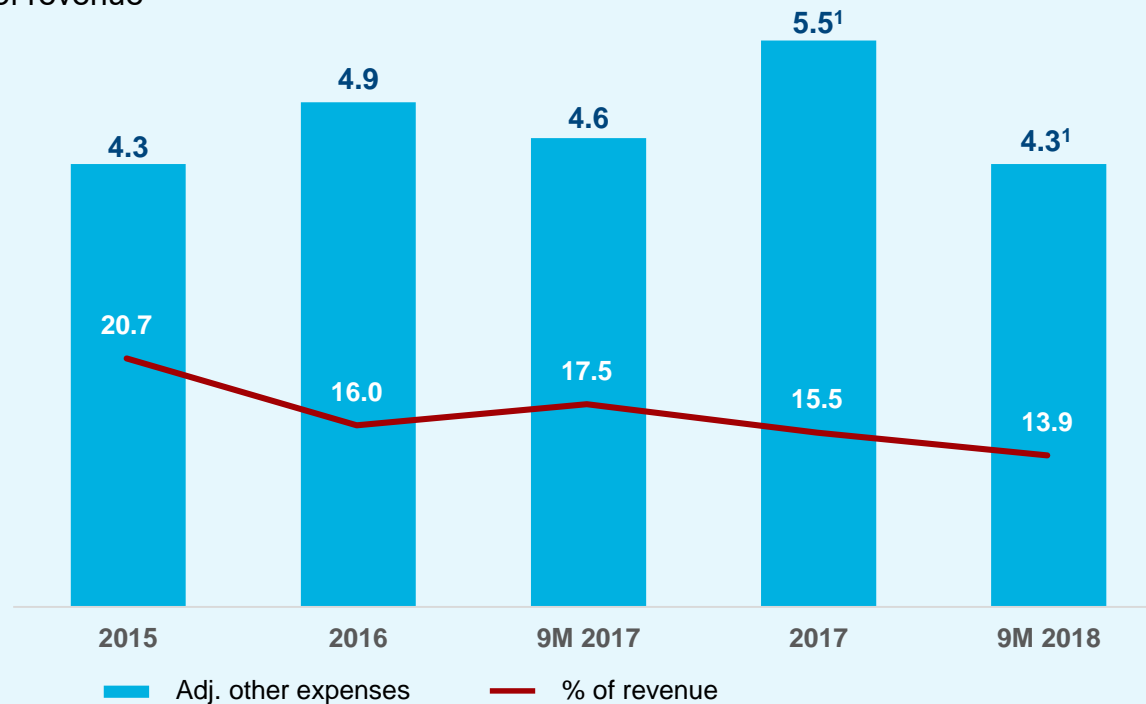
Comments

- Marketing expenses increase by 50.1%
- Start of big marketing campaign in Austria to raise awareness of NFON
- Gaining new partners
- Introduction of Cloudya – the new NFON client
 - Start of sales November 1, 2018 with new marketing initiatives
- Increase of customer base since year end 2017 from >15,000 to >20,000

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

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 €13.5m in total as reported
- NFON adjusts other expenses by marketing cost, sales commissions and one-off effects (e.g. IPO costs first half 2018 of €2.4m)
- Sales commissions amount to €3.2m 9M 2018 (9M 2017: €2.8m)
- Adj. other expenses developed slower than revenue growth, furthermore emphasising the operating leverage of NFON business model



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; HY 2018: adjusted for IPO related one-off expenses €2.4m

NFON continue to show break even in adjusted EBITDA despite higher costs

Detailed reconciliation of one-off items

Reconciliation from EBITDA to adjusted EBITDA	9M 2018	9M 2017
€m		
EBITDA	-6.5	-0.5
Share-based payments ¹	3.7	0
Retention bonus	0.6	0
IPO costs	2.4	0
Total EBITDA adjustments	6.7	0
Adjusted EBITDA	0.1	-0.5
Consolidated net loss	-7.1	-1.2
Adjusted consolidated net loss	-0.5	-1.2
EPS in €	-0.74	4.59

Comments

- › EBITDA as reported amounts to €-6.5m – stable on half-year 2018 level
- › In accordance with strategy, only personnel costs and marketing and sales commissions further increased in Q3 2018
- › One-off effects in the amount of €6.7m burdened EBITDA
- › Adjusted EBITDA proves ability to profitability



¹ Including equity and cash settled share-based payment programmes

9 months underline positive development of NFON



**€31.2m revenues with
81% recurring revenues**



305,000+ seats



**Blended ARPU development as
expected
<0.5% gross churn rate per month**



Adj. EBITDA break even



**Launch of Cloudya
Setting up new company in Italy**

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		



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Key Investment Highlights and Q&A

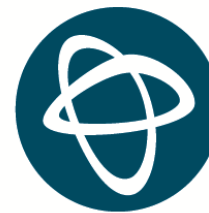




Key investment highlights

- 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

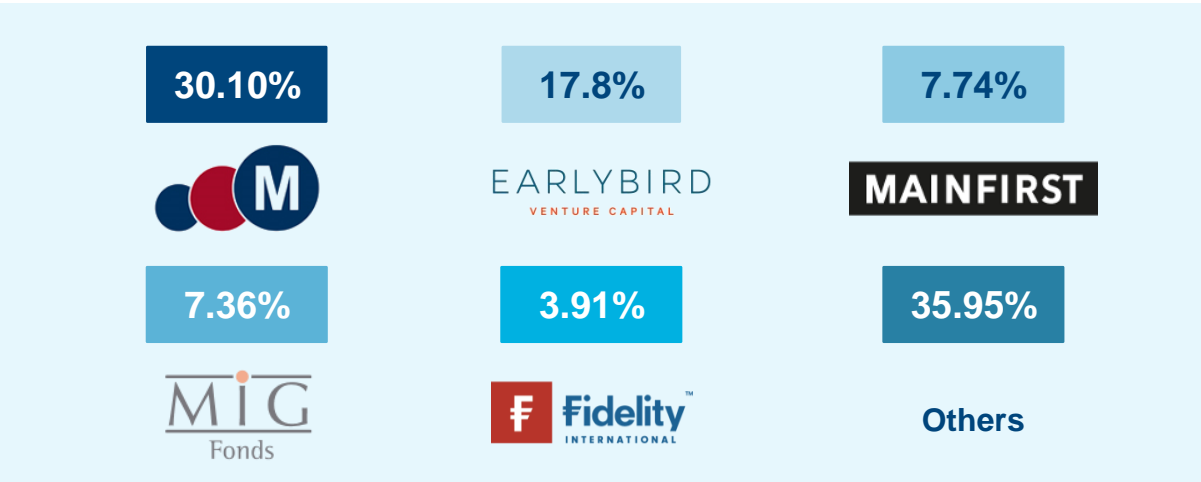


César Flores Rodríguez
CSO

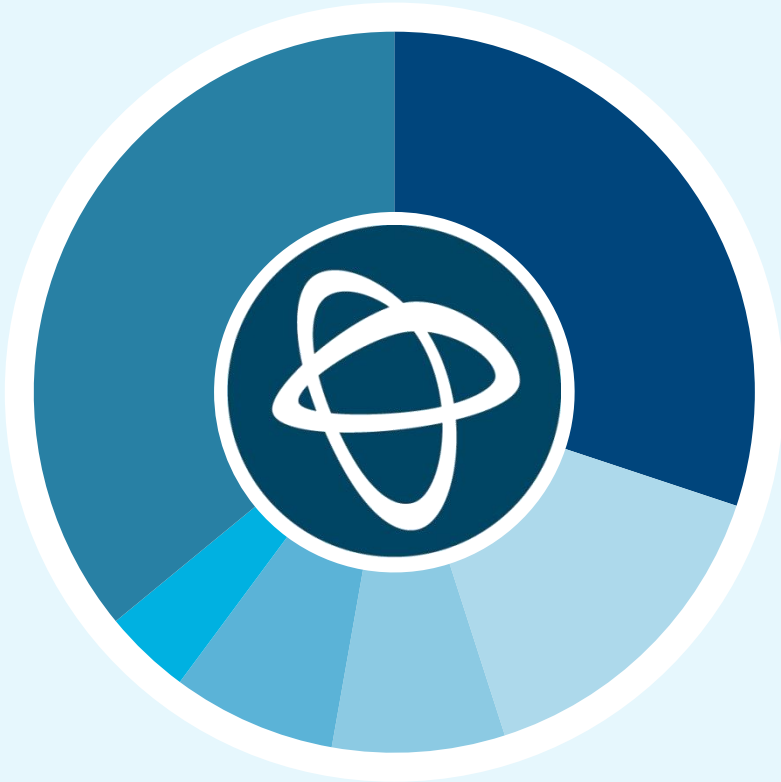
- >10 years of C-Level experience
- Previous experience includes
 - Aconex
 - Co-founder conject Group
 - Mercer Management Consulting

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, Hauck & Aufhäuser



Shareholder structure¹



¹ based on notification of voting rights





Financial calendar

Date	Event
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	
Beginning March 2019	Preliminary results 2018
Web- and Telephone Conference	
11 April 2019	Annual Report 2018
Web- and Telephone Conference	

Contact

Sabina Prüser

Head of Investor Relations

NFON AG

Machtlfinger Straße 7
81379 München

Telephone

Fon +49 (0) 89 453 00 134
Fax + 49 (0) 89 453 00 33 134
sabina.prueser@nfon.com

Blog

<https://www.nfon.com/blog/de/>

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♡ Thanks

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#cloud #telephony #allip