



Munich | 23 August 2019

# Half year results 2019

# Disclaimer



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“

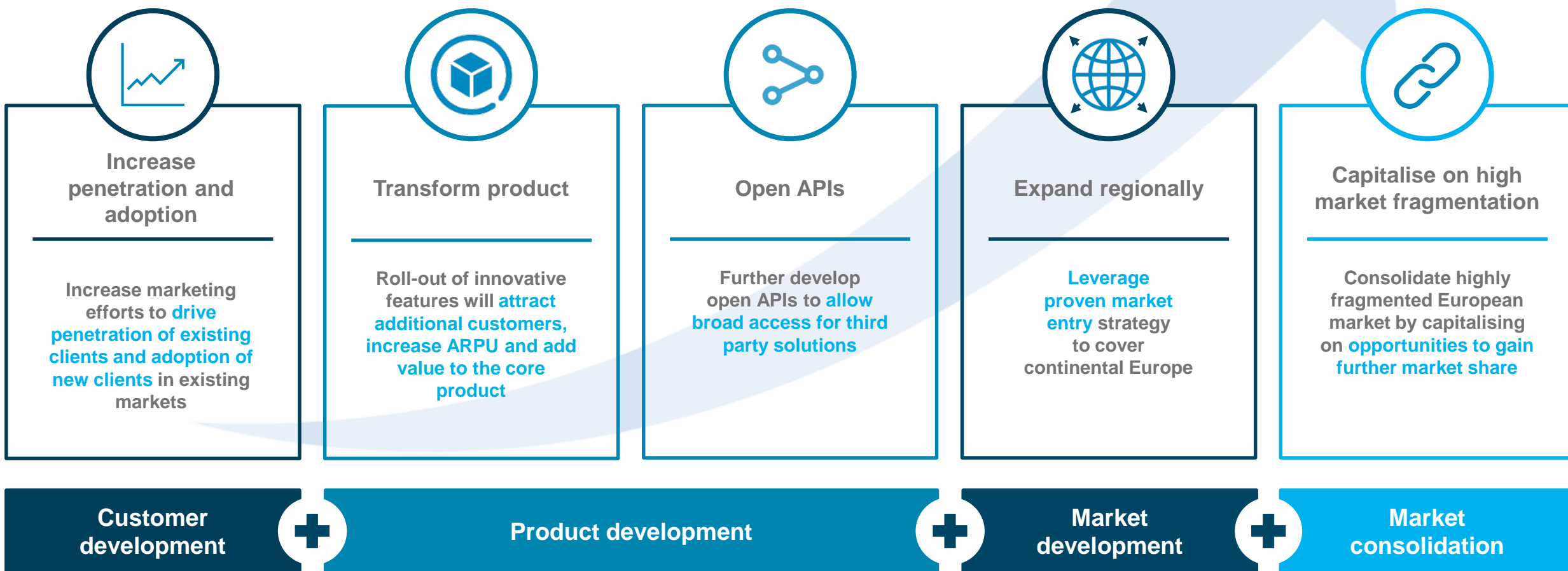
We want to dominate the European Cloud telephony market by delivering freedom of business communication.

”



Growth Excellence  
Leadership Award 2017

# Delivering on our growth strategy





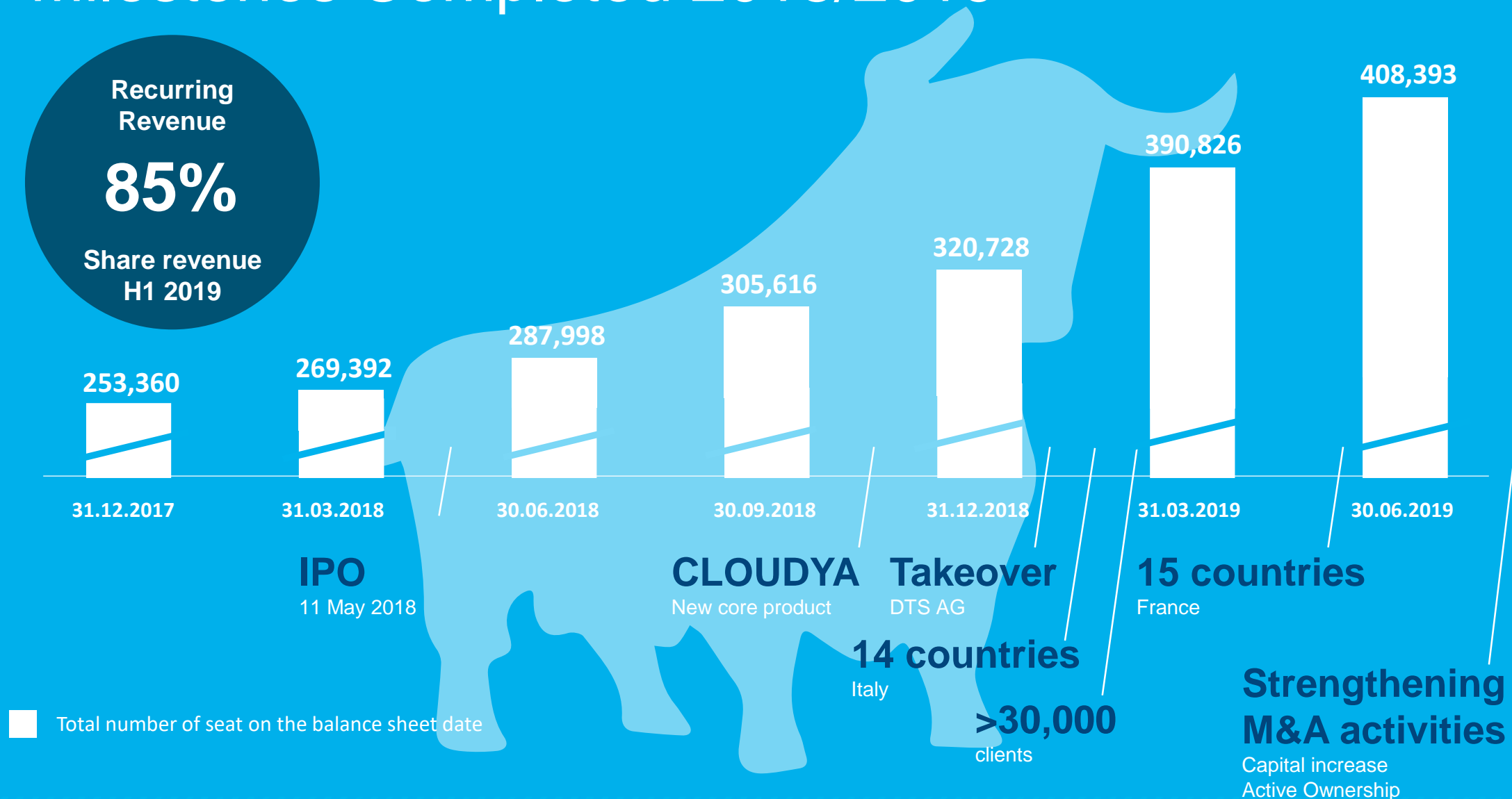
# Milestones Completed 2018/2019



Recurring  
Revenue

**85%**

Share revenue  
H1 2019

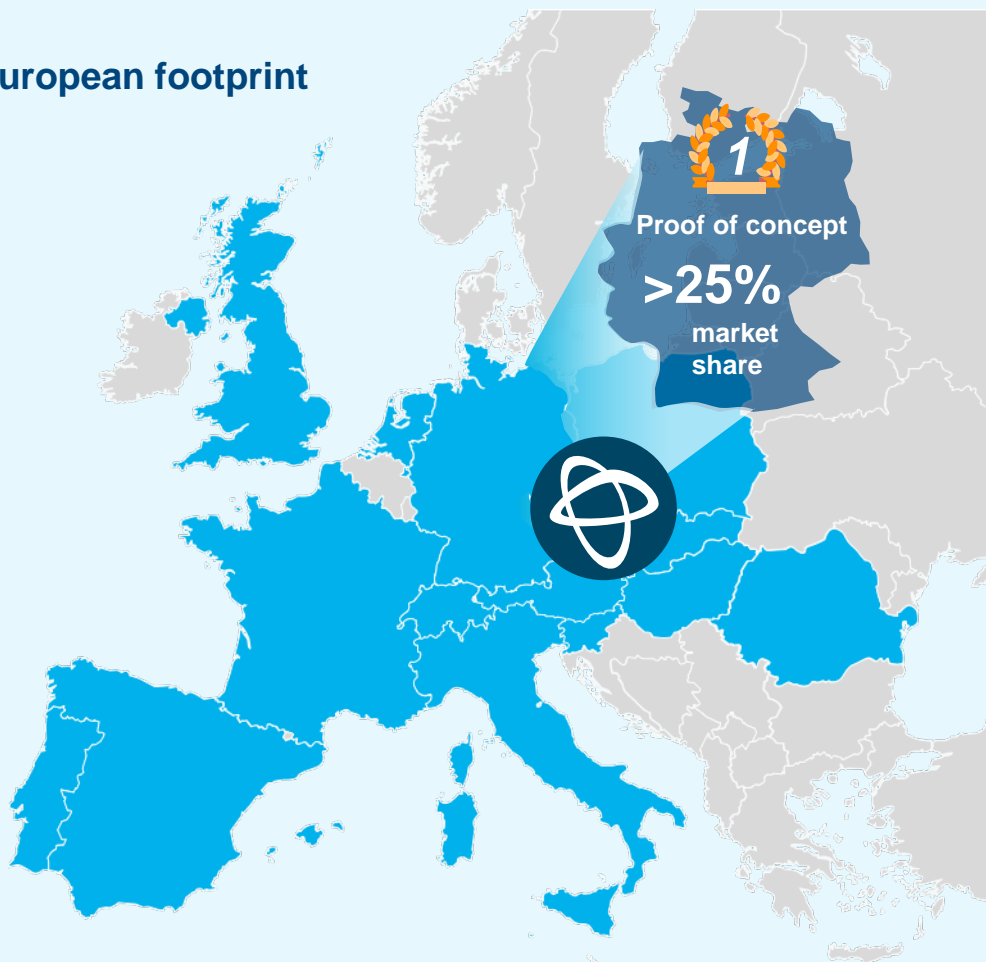


Strong market position

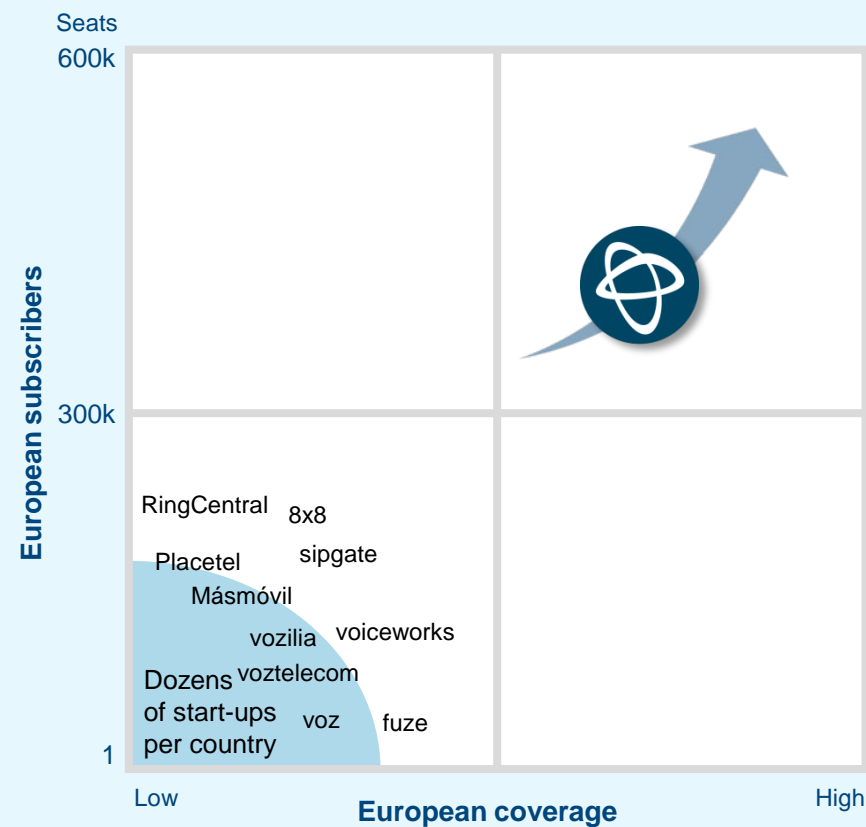
# Only pan-European Cloud PBX provider



## NFON's European footprint

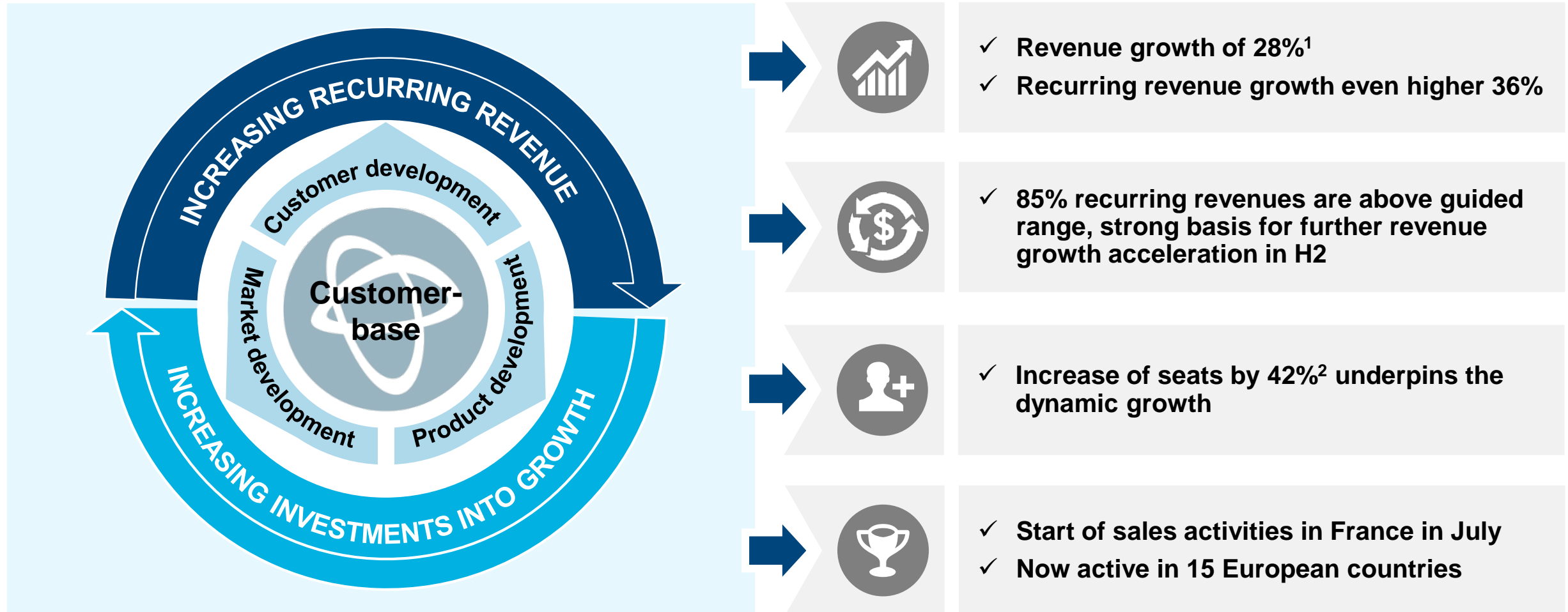


## European Cloud PBX providers with own technology



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

# NFON AG is developing along guidance 2019

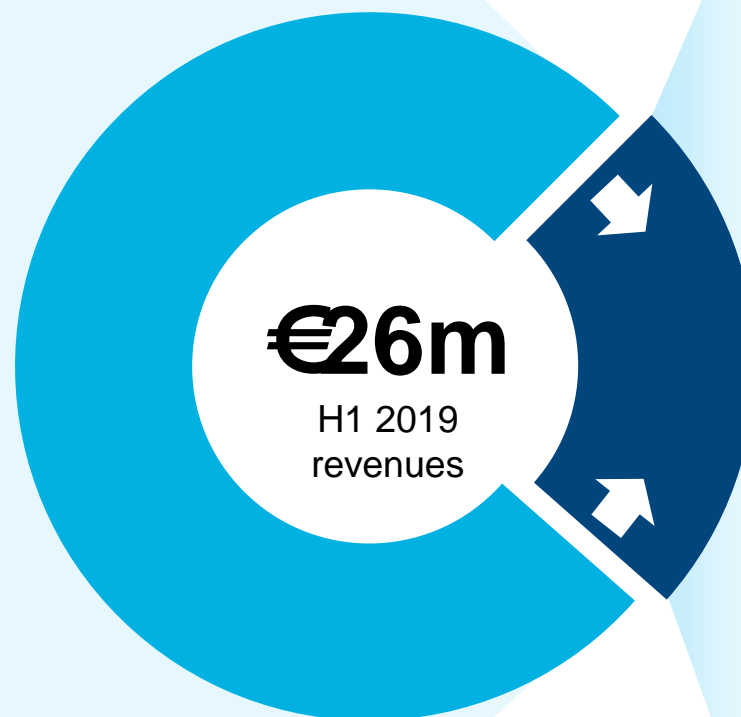
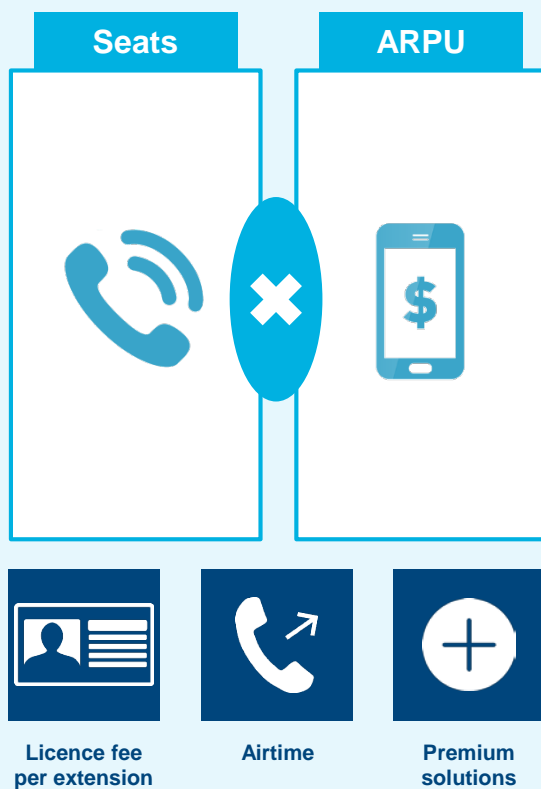


<sup>1</sup> First time consolidation of DTS in March 2019 <sup>2</sup> Compared to H1 2018

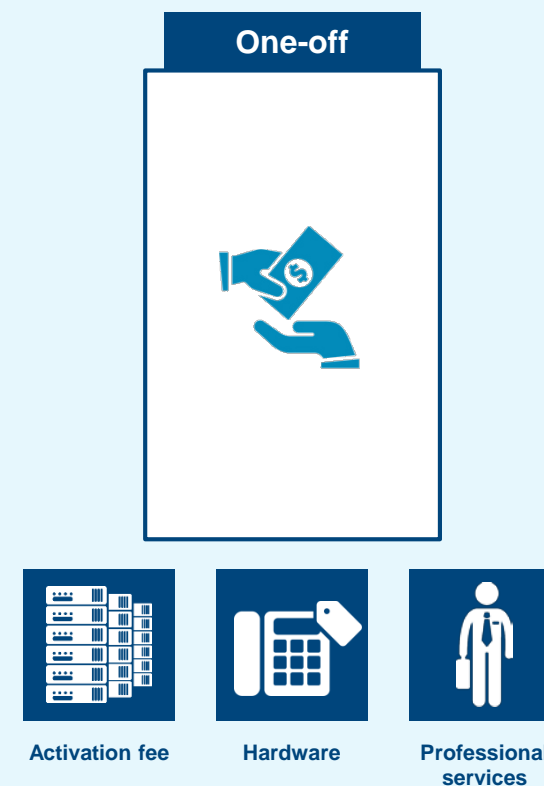
# Proportion of recurring revenues well above guidance



## Recurring revenues 85%



## Non-recurring revenues 15%

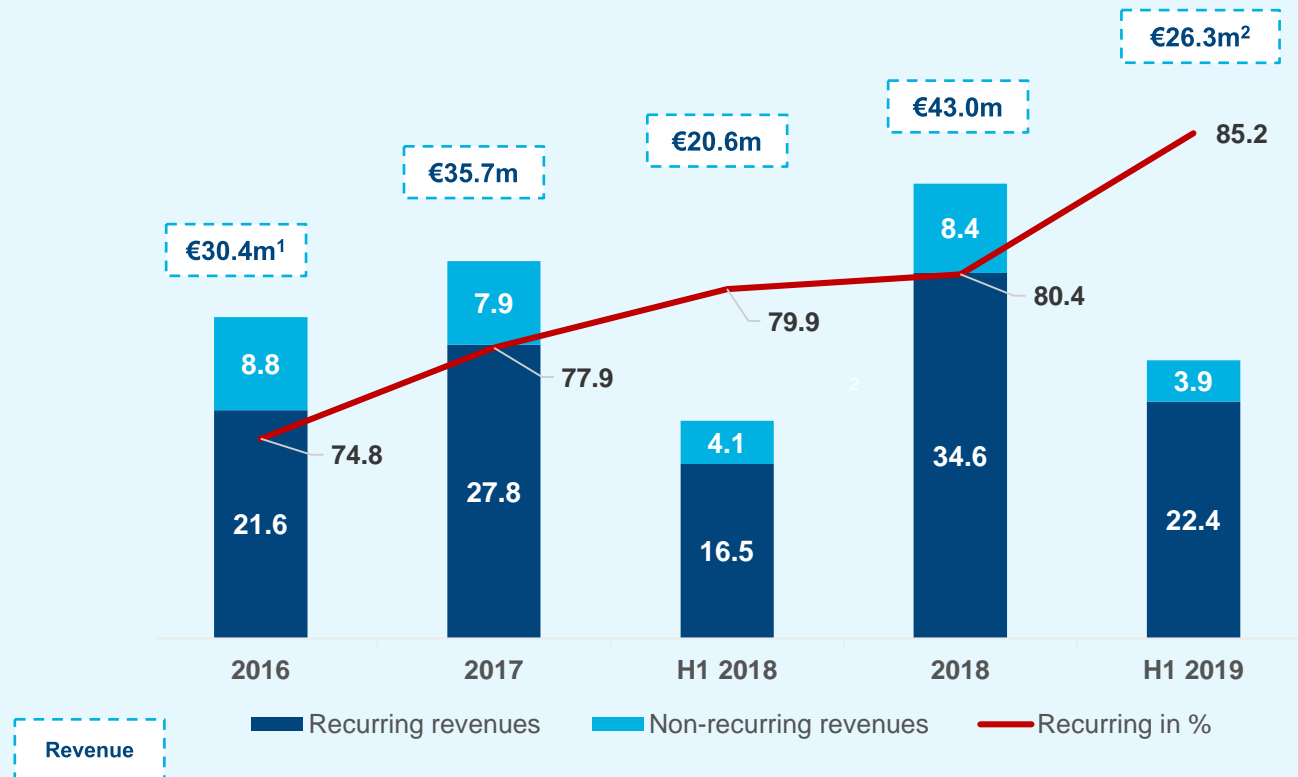




# Significant increase of recurring revenues



## Development total recurring vs. non-recurring revenues



## Comments

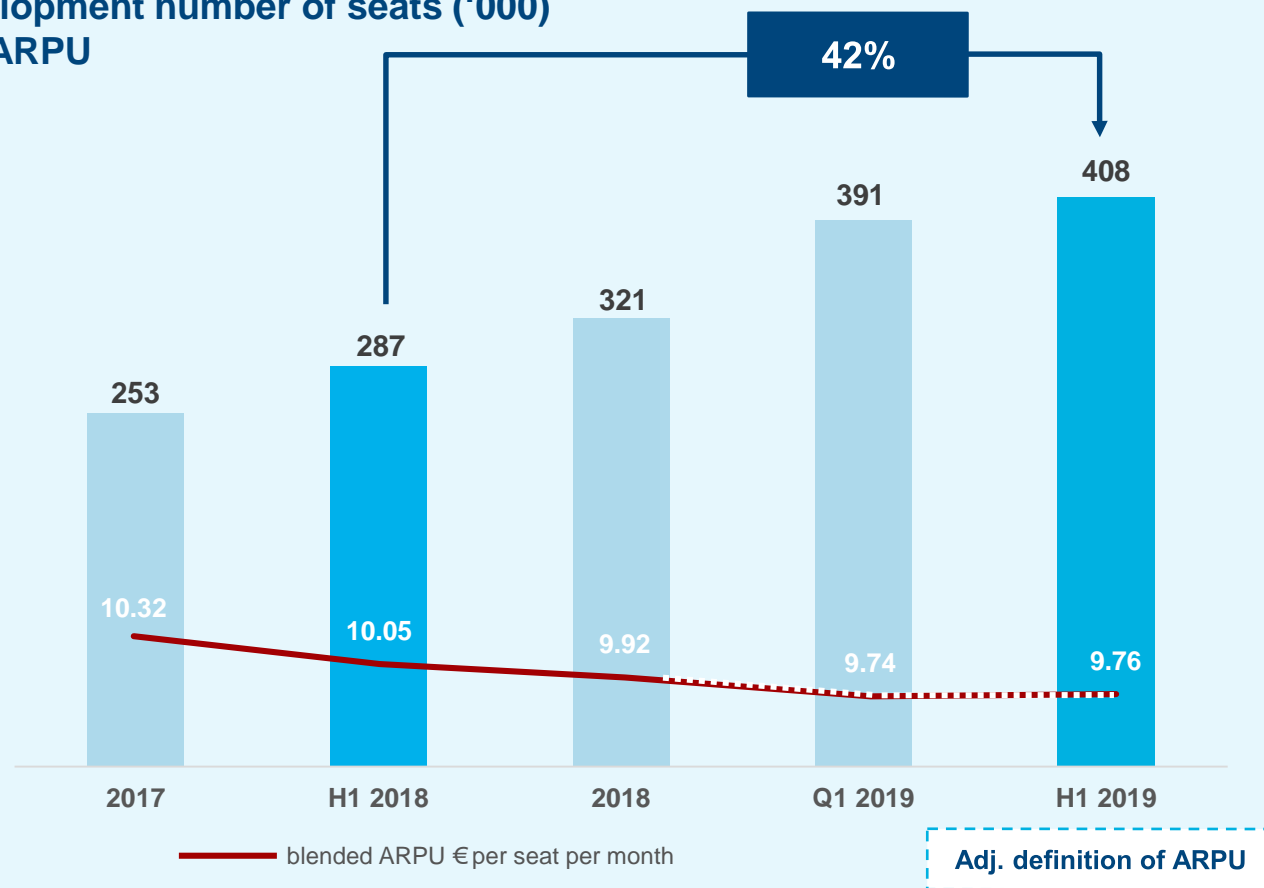
- Total revenues grow by 27.7% to €26.3m in comparison to €20.6m in half year 2018
  - Revenue first time with Deutsche Telefon Standard (since March 2019)
- Q2 even higher growth rate of 33.8%  
Q2 2019: €14.3m vs. Q2 2018: €10.6m
- Non-recurring revenues H1 2019 show a decrease of 5.7% compared to H1 2018 due to lower hardware sales
- Significant increase of recurring revenues by 36.1% compared to H1 2018
- Cumulative effect quarter by quarter due to steadily growing total number of seats

<sup>1</sup> including extraordinary effect from R&D project amounting to €1.5m <sup>2</sup>First time consolidation of DTS in March 2019

# Very strong development of seat base and ARPU stabilization



Development number of seats ('000)  
and ARPU



## Comments

- > Increase of total number of seats by 42%
- > Stable development of ARPU<sup>1</sup> since acquisition of DTS:
  - > ARPU Q1 2019: 9.74€
  - > ARPU H1 2019: 9.76€
- > Influencing factors for ARPU development YoY
  - > Very successful development of business with wholesale partners selling their own airline
  - > Lower licence fees for DTS AG seats (mid market segment), but including higher proportion of total airline
  - > Expected increase of premium solutions
- > Very low gross churn rate of <0.5% per month underlines quality of product and service and guarantees continuous recurring revenues

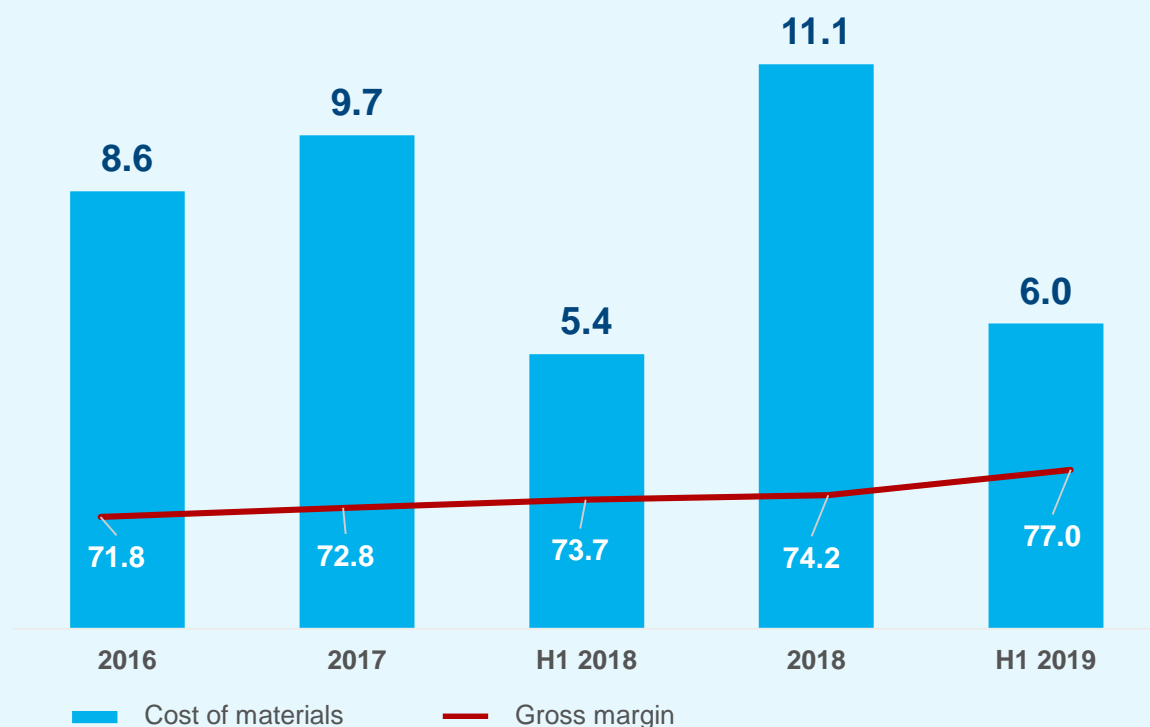
<sup>1</sup> Definition ARPU: Total recurring revenues minus revenues out of SIP-trunk-channel licence fees divided by total seat base



# 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 12% in H1 2019 compared to H1 2018
- Gross margin continues to show a positive development and increases to 77.0%

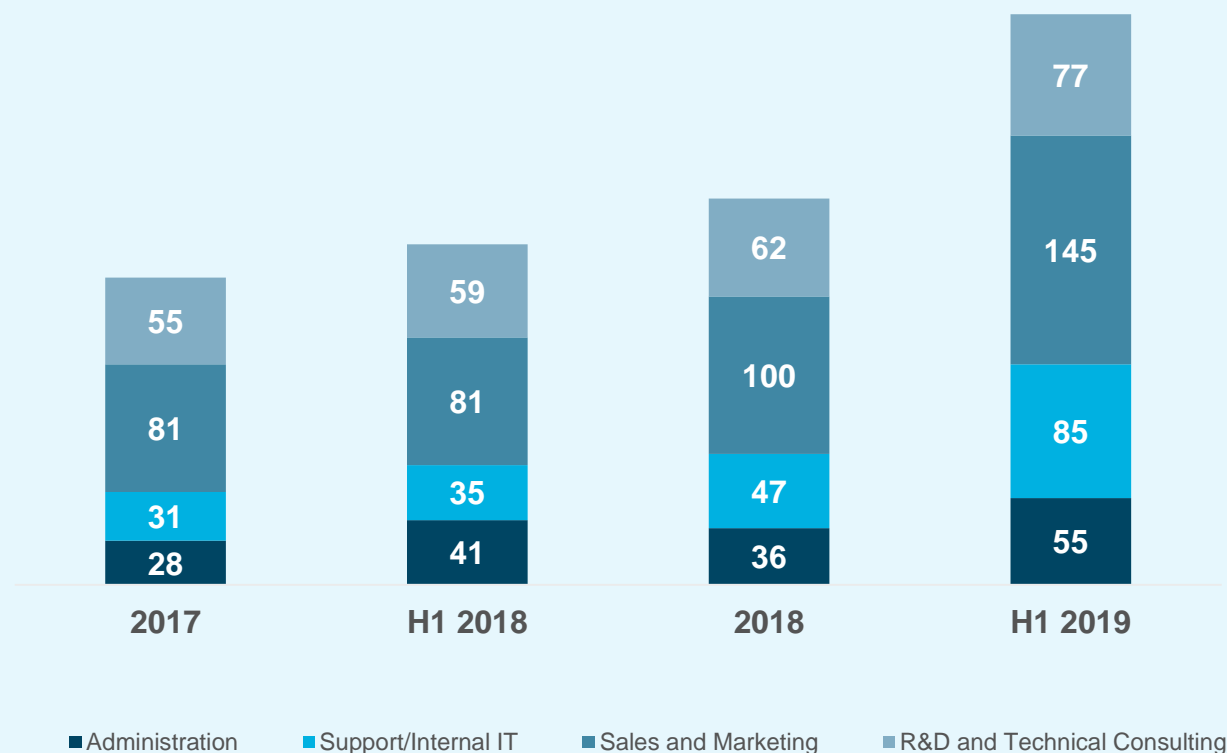
<sup>1</sup>cost of materials adjusted for changes in inventories of finished goods <sup>2</sup>gross margin defined as (revenue - adj. cost of materials)/ revenue

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



## Development of personnel

# of employees



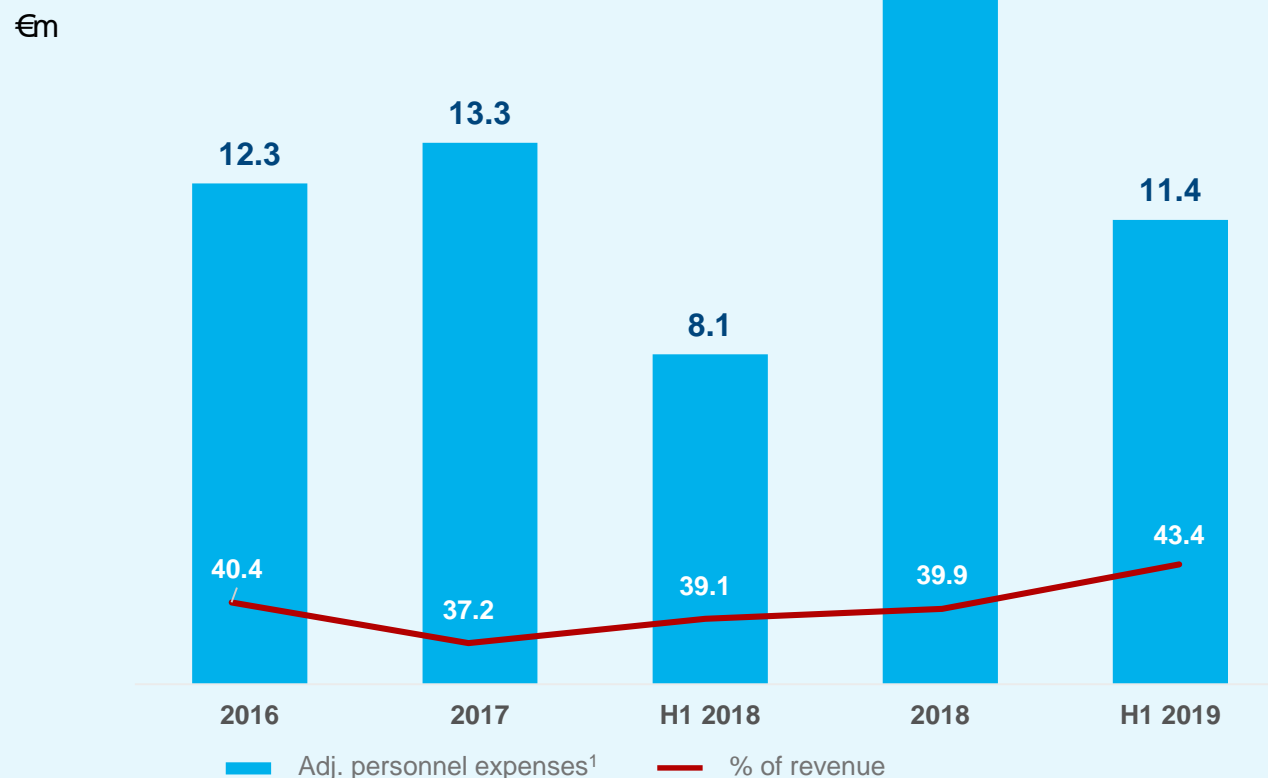
## Comments

- > Number of employees rose by 68% from 216 to 362 as of June 30, 2019 compared to June 30, 2018
- > Acquisition of DTS with additional employees
- > Increase mainly in Sales, Marketing and Support
- > New subsidiaries in Italy and France

# Increase of personnel expenses as expected



## Adj. personnel expense development



## Comments

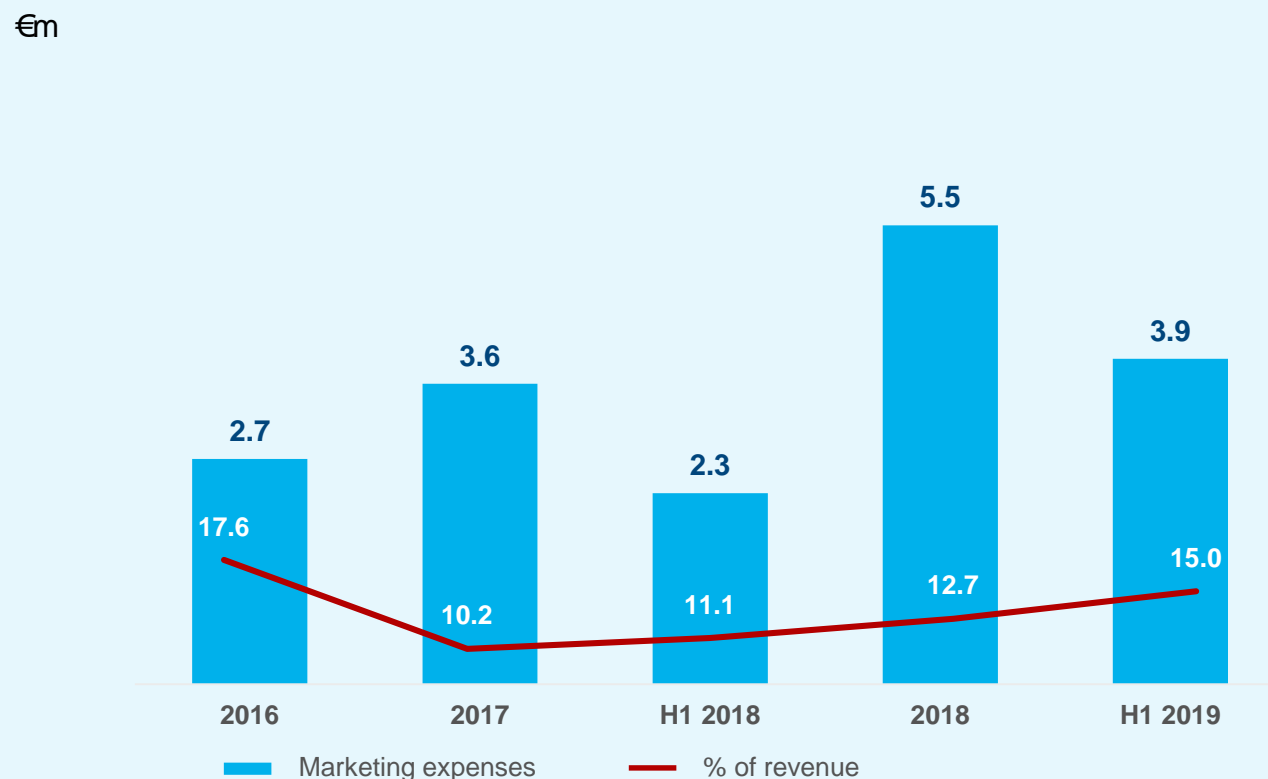
- Personnel expenses as reported amount to €12.0m (H1 2018: €13.1m)
  - Personnel expenses H1 2019 include €0.5m for Stock Option Plan and retention bonus
- Personnel costs relieved for the first time by capitalization of development costs (NFON AG) in H1 2019 by €0.6m
- Increase of adj. personnel expenses by 42.0%
- Despite higher headcount for future growth only slight increase of personnel expenses ratio due to scalability of the business model

<sup>1</sup> Personnel expenses adjusted for share-based payments amounting to €0.3m (2016), €0.4m (2017), €3.6m (H1 2018/FY 2018) and €0.3m (H1 2019). Exit bonus of €0.7m (2018) reimbursed by former shareholders and recognised in other income €0.7m

# Gaining market shares through intensified marketing activities



## Marketing expense development



## Comments

Marketing expense increases as planned by 71.6% building a strong brand that drives sales and partner growth

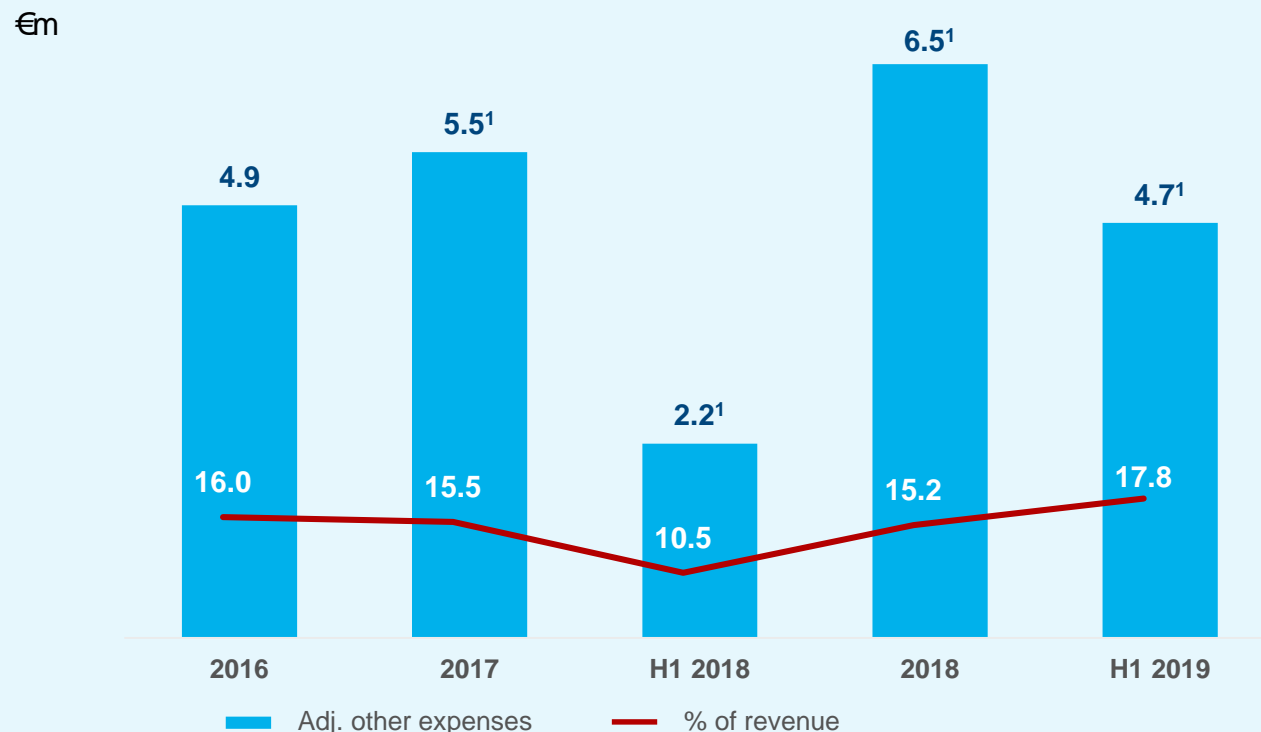
- Starting marketing activities in Italy and France
- Partner roadshows
- Fairs and exhibitions
- Marketing campaigns (i.e. TV-spots, radio)
- NFON with more than 2,000 partners across Europe





# Increase of other operating expenses due to ongoing European expansion

## Other expenses development without marketing expenses and sales commissions



## Comments

- In general other expenses comprise of sales commissions, supporting cost, general administration expenses and consulting fees amongst others and amount to €12.2m in total as reported (H1 2018: €9.6m)
- NFON adjusts other expenses by one-off expenses (e.g. acquisition DTS) marketing cost and sales commissions
  - Sales commissions amount to €3.0m in H1 2019 (H1 2018: €2.1m)
- Increase of other operating expenses from adjusted €2.2m to €4.7m due to various reasons (amongst others: start in Italy and France)
- IFRS 16 leads to lower Opex of €0.6m

<sup>1</sup>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 €0.6m, in addition IPO related expenses in the amount of €0.2m; H1 2018: adjusted for IPO related one-off expenses of €2.4m, 2018: adjusted for IPO related one-off expenses €2.4m and reversal of other provisions social security contributions €0.2m, H1 2019 adjusted for DTS

# EBITDA mirrors successful strategy implementation



## Detailed reconciliation of one-off items

Reconciliation from EBITDA to adjusted EBITDA	H1 2019	H1 2018
€m		
<b>EBITDA</b>	<b>-3.8</b>	<b>-6.6</b>
Stock options/ESOP	0.3	3.7 <sup>1</sup>
Retention bonus	0.2	0.6
IPO costs	0	2.4
One-off expenses related to DTS acquisition	0.6	0
<b>Total EBITDA adjustments</b>	<b>1.2</b>	<b>6.7</b>
<b>Adjusted EBITDA</b>	<b>-2.6</b>	<b>0.1</b>

## Comments

- › EBITDA as reported amounts to approx. €-3.8m
- › In accordance with strategy, personnel costs, marketing and sales commissions continue to increase
- › One-off effects in connection with the consistent implementation of the M&A strategy (DTS) in the amount of €0.6m burdened EBITDA
- › Adj. EBITDA as planned at €-2.6m

<sup>1</sup> Including equity and cash settled share-based payment programmes (non cash)

# 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 at the lower end of the range of 40% and 45%
	Recurring revenue share	77.9%	80%	We expect the resulting recurring revenues in 2019 to be at the upper end of the range of 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



♥ Thanks

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@NFONcom  
#cloud #telephony #allip



# Appendix

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Further information about NFON



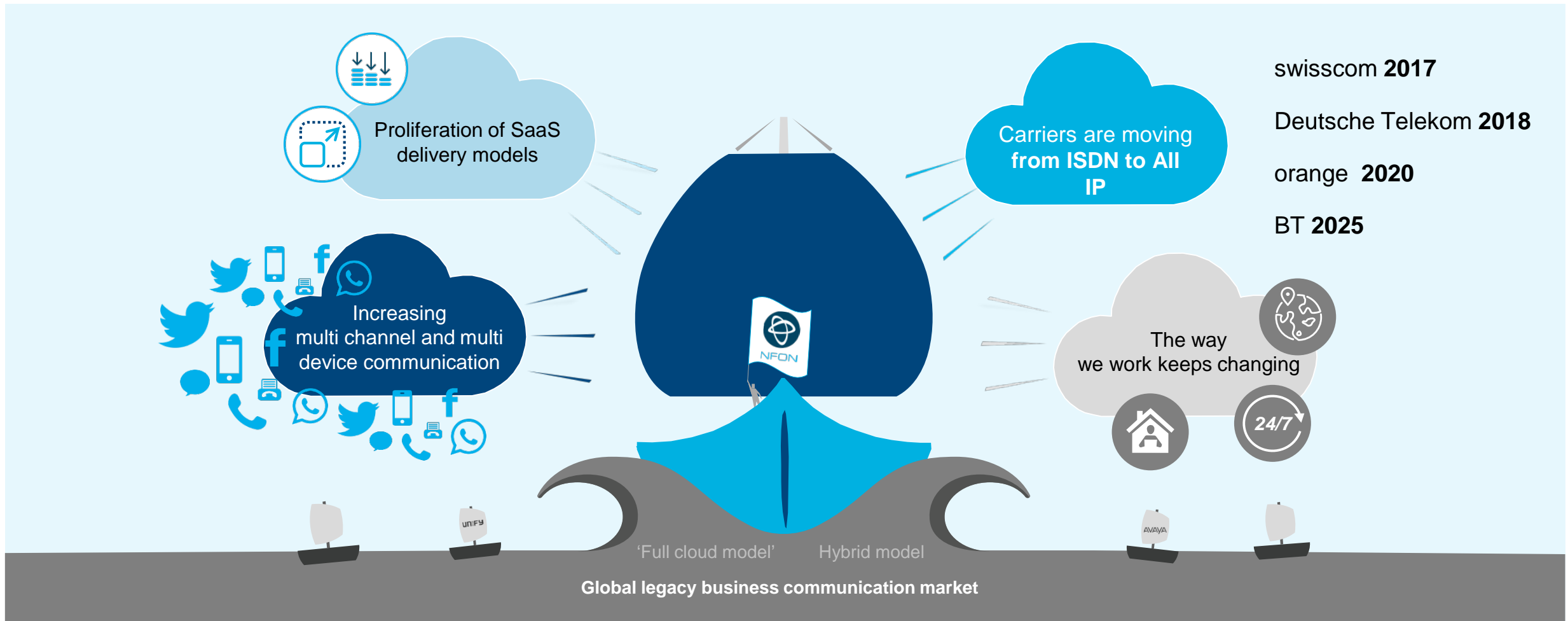


# One year after IPO

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Preliminary figures & Business highlights

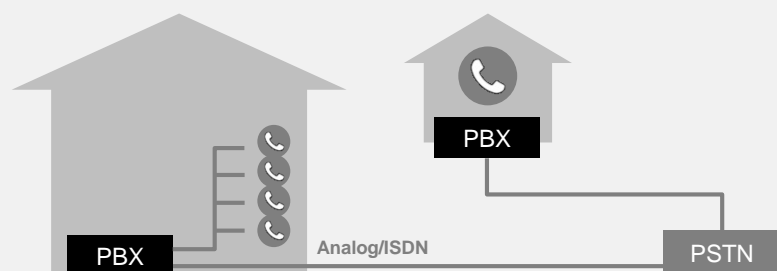
# Wind of change



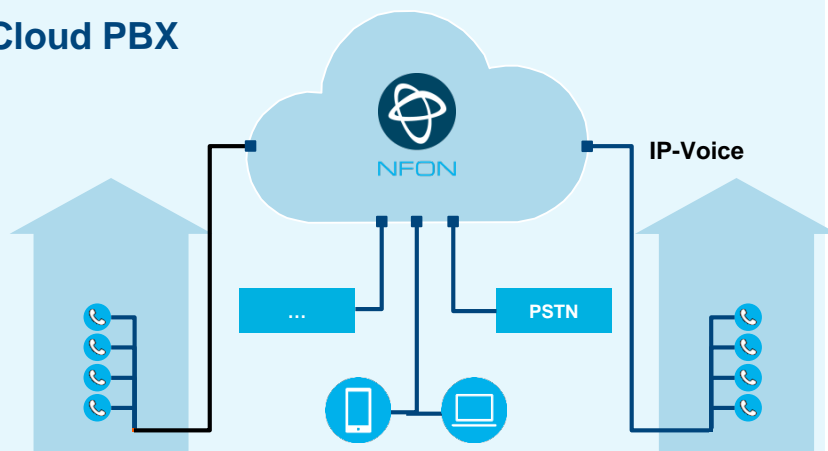
# Cloud PBX solutions tailored to the needs of today's business communication



## Classic on-premise PBX

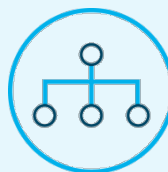


## Cloud PBX



## 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

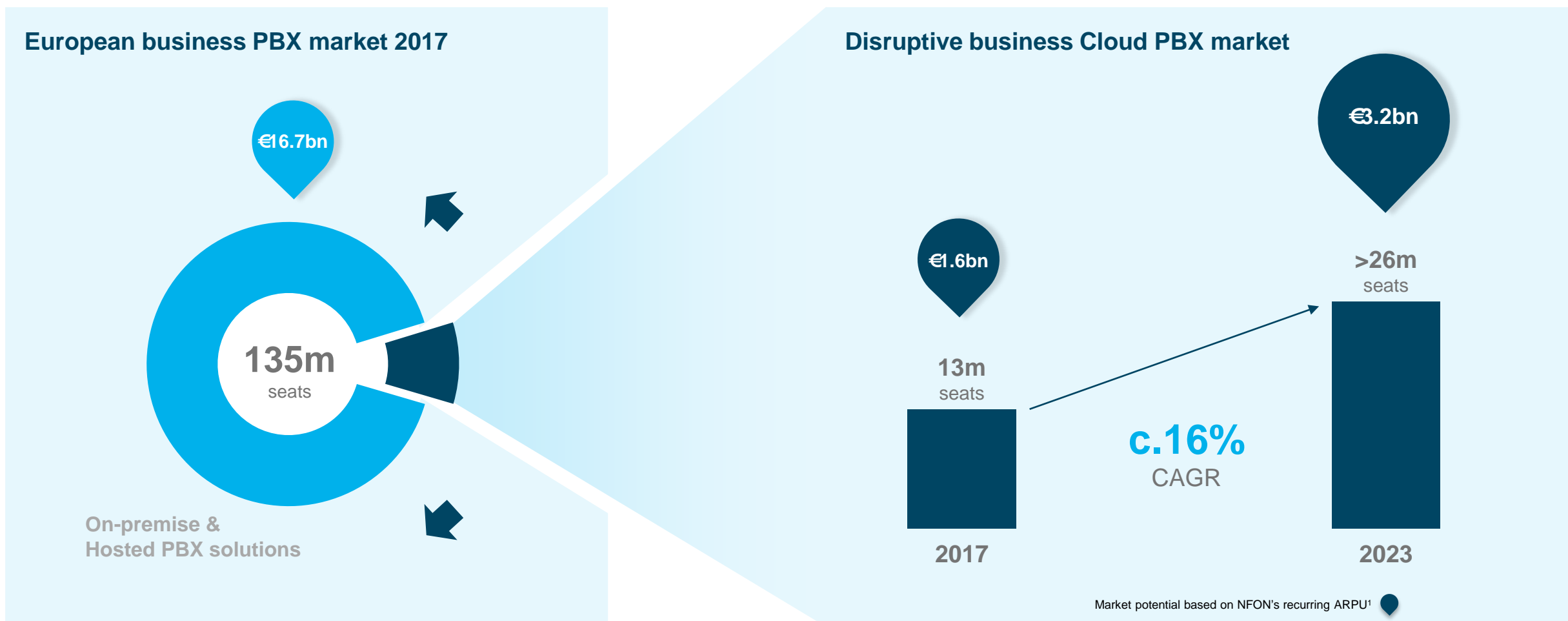


Active in  
**14 + 1**  
European  
countries



**300+**  
employees

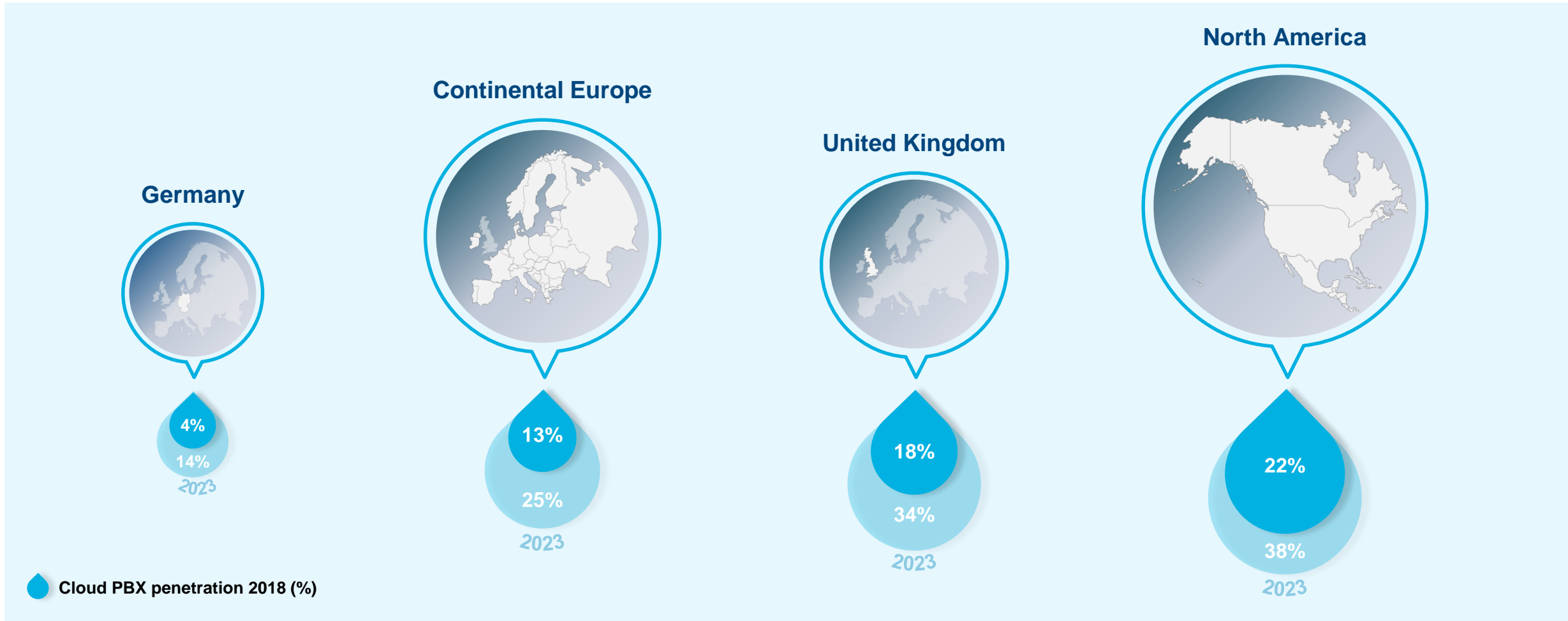
# Shift to cloud communication creates unique opportunity



Source: MZA (2017) and Cavell 2018/ 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

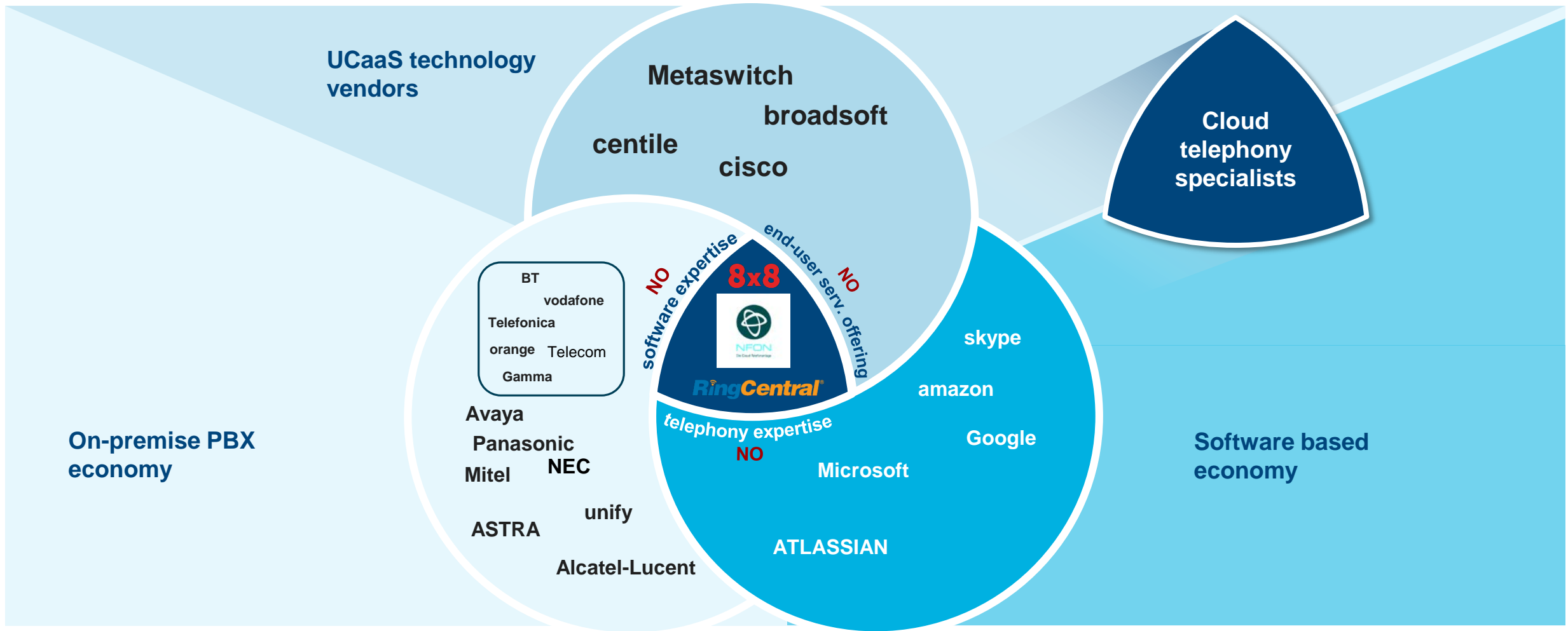


# Penetration in Continental Europe is following the United Kingdom and North America



Source: Cavell 2018/ Note: Penetration based on cloud business telephony seats including public multi-tenant, public multi-instance and public single-instance technology

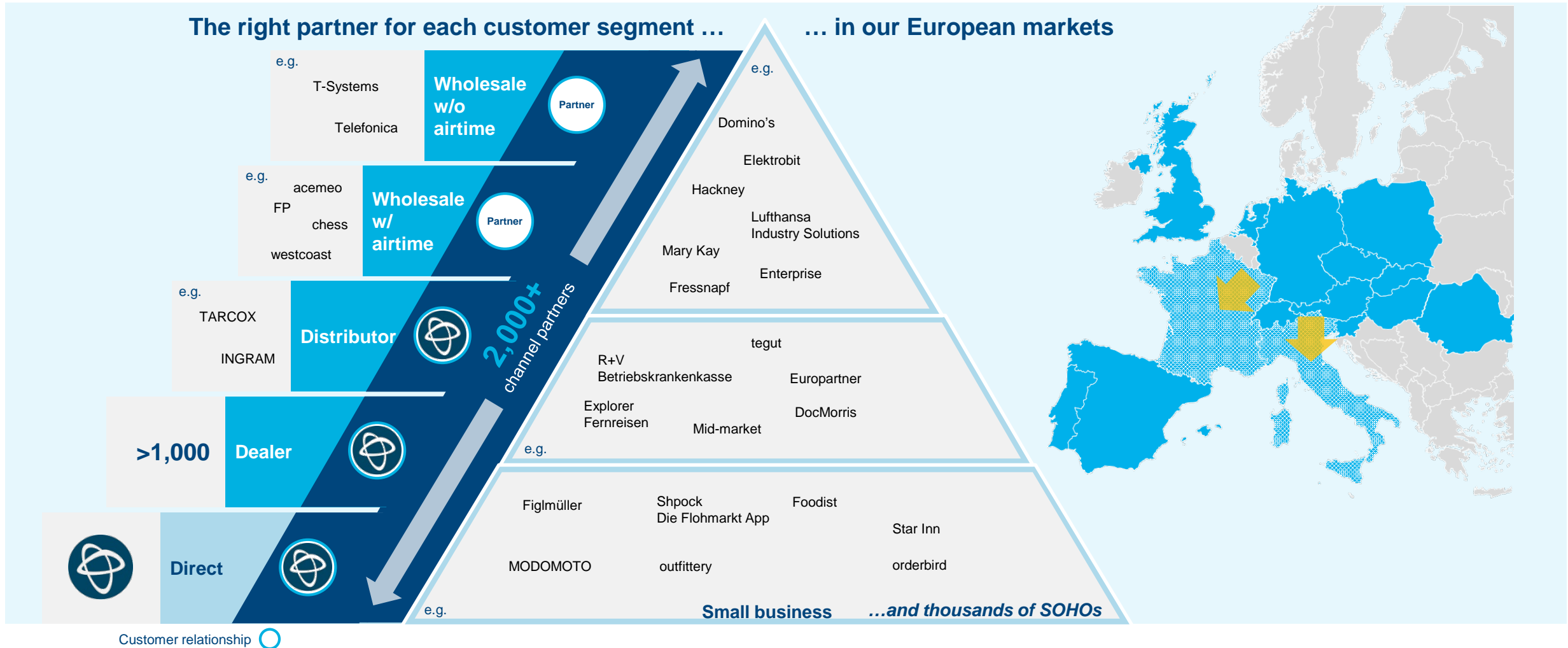
# Competitive environment in a fast changing business



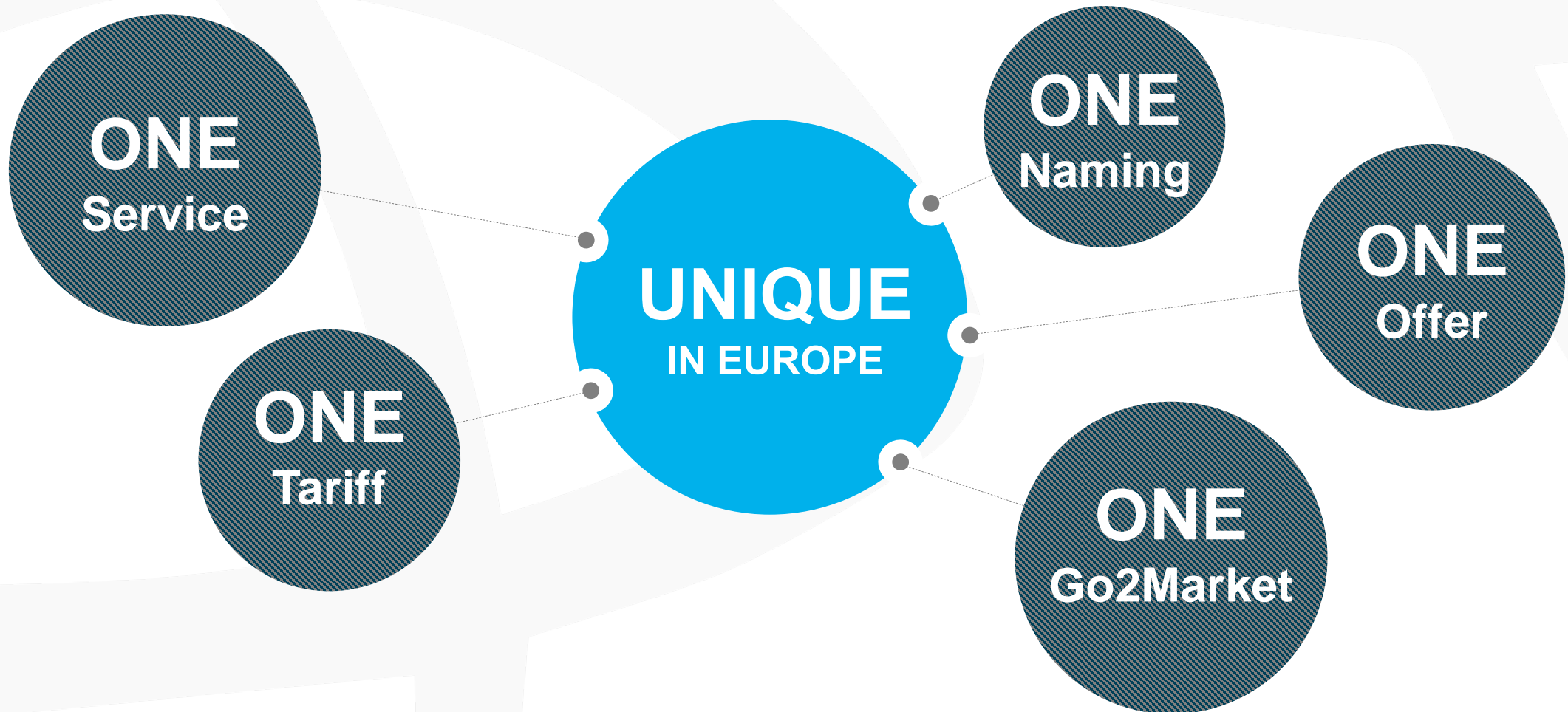
Source: Company information, management estimates / Note: Use of logos for Analyst Presentation only



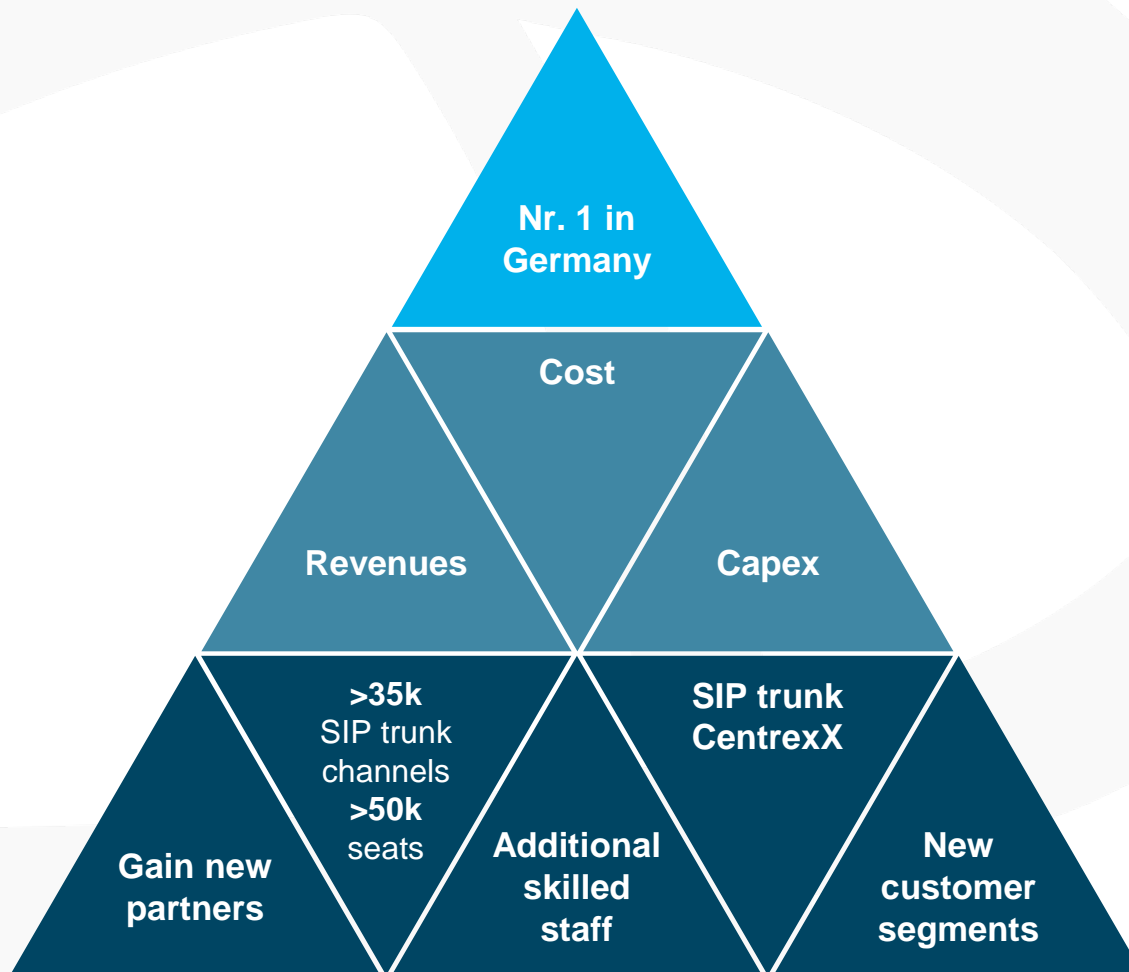
# Flexible go-to-market model



# Introduction of Cloudya – More than a product



# Leading position in Germany fuels accelerated growth



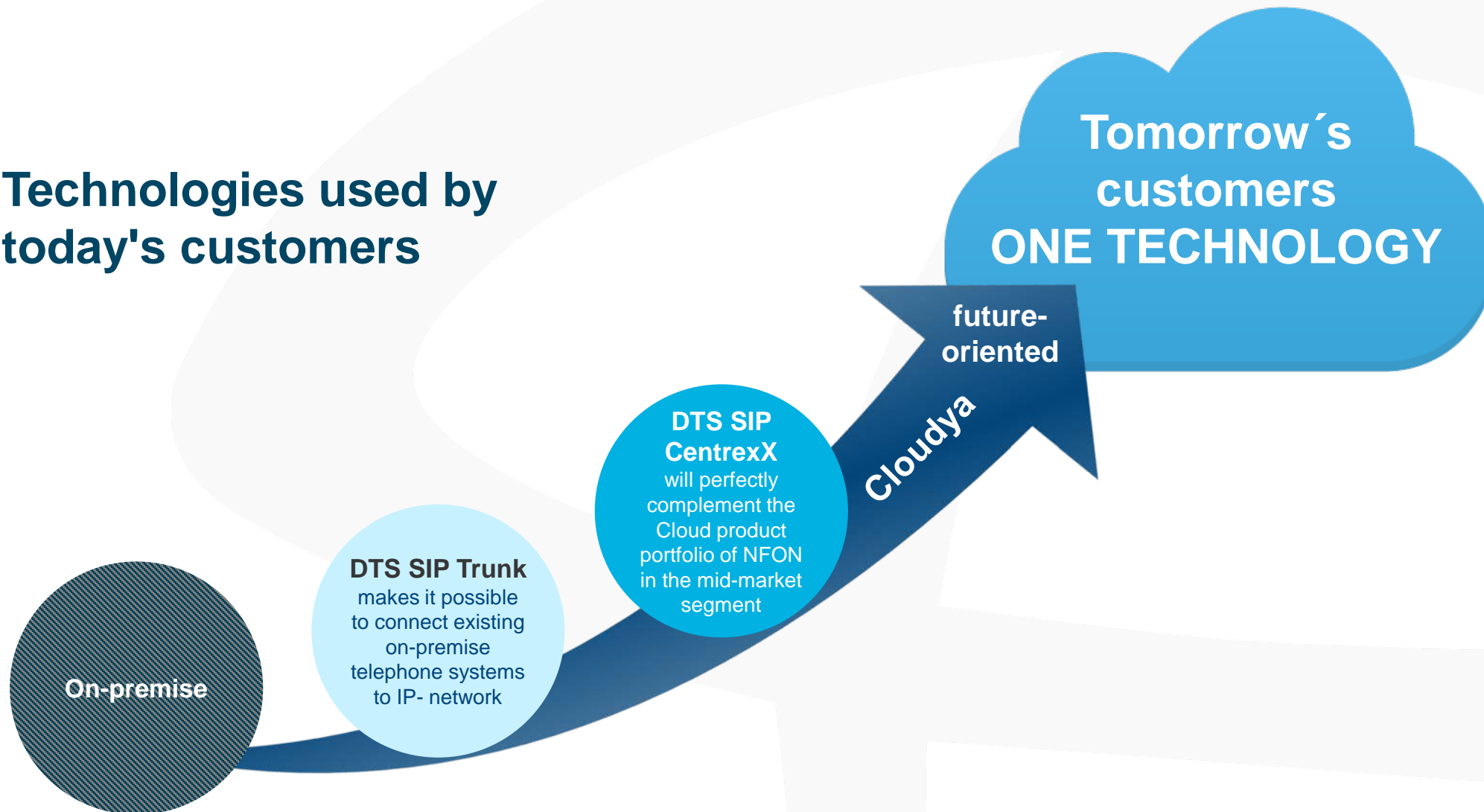
## Acquisition of DTS in Feb/March 2019

- › 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



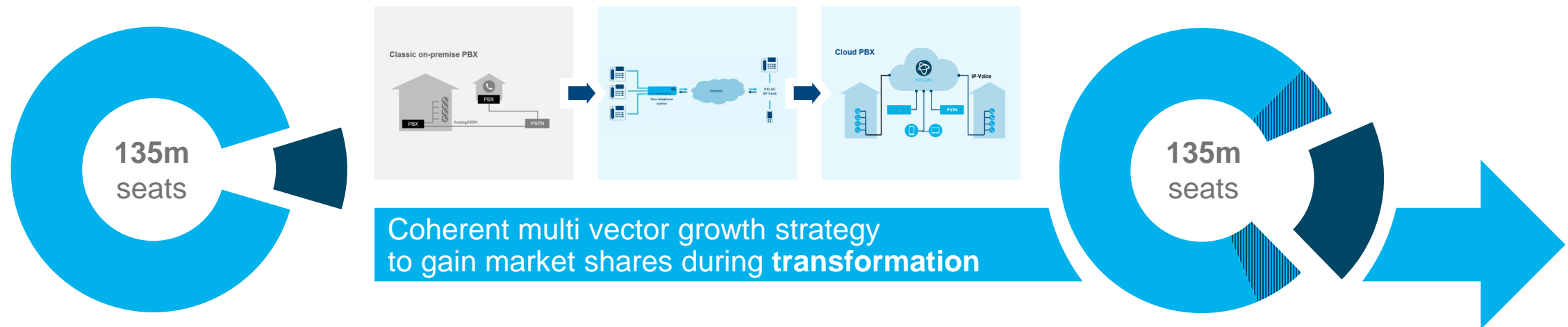
**Technologies used by  
today's customers**





# 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

# 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	<b>14.1 million</b> (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

30.10%<sup>1</sup>



4.78%<sup>1</sup>

UNIVERSAL  
INVESTMENT

17.82%<sup>1</sup>

EARLYBIRD  
VENTURE CAPITAL

3.41%<sup>1</sup>

High-Tech Gründerfonds

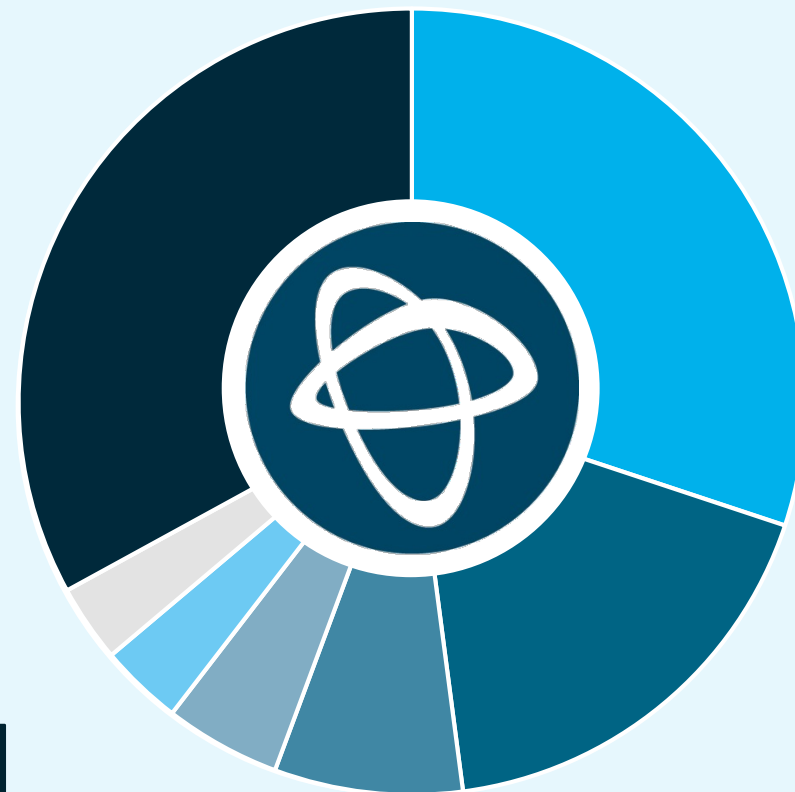
7.74%<sup>1</sup>

MAINFIRST

3.18%<sup>1</sup>

Swedbank

## Shareholder structure



32.97%  
Others

<sup>1</sup> voting rights based on 13,8 million shares



# Financial calendar



Date	Event
<b>23 Aug 2019</b>	> <b>Half Year Results0 2019</b>
Web- and Telephone Conference	
<b>Sep 2019</b>	> <b>Conference citi Bank, London Berenberg and Baader, Munich</b>
Presentations and 1-on-1	
<b>14 Nov 2019</b>	> <b>3<sup>rd</sup> quarter results 2019</b>
Web- and Telephone Conference	
<b>Nov 2019</b>	> <b>Equity Forum Frankfurt a. M.</b>
Presentation and 1-on-1	

# Contact



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