



NFON
Cloud Telephone System

Munich | 23 August 2019

Half year results 2019

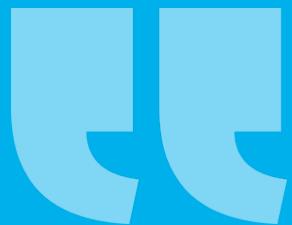
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We want to dominate the European Cloud telephony market by delivering freedom of business communication.

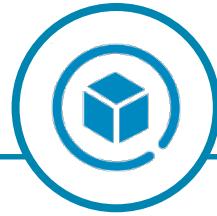


Delivering on our growth strategy



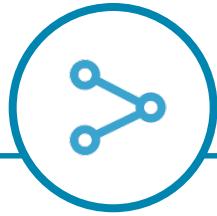
Increase penetration and adoption

Increase marketing efforts to **drive penetration** of existing clients and adoption of **new clients** in existing markets



Transform product

Roll-out of innovative features will **attract additional customers**, increase **ARPU** and add **value to the core product**



Open APIs

Further develop open APIs to **allow broad access** for third party solutions



Expand regionally

Leverage proven market entry strategy to cover continental Europe



Capitalise on high market fragmentation

Consolidate highly fragmented European market by capitalising on **opportunities to gain further market share**

Customer development



Product development

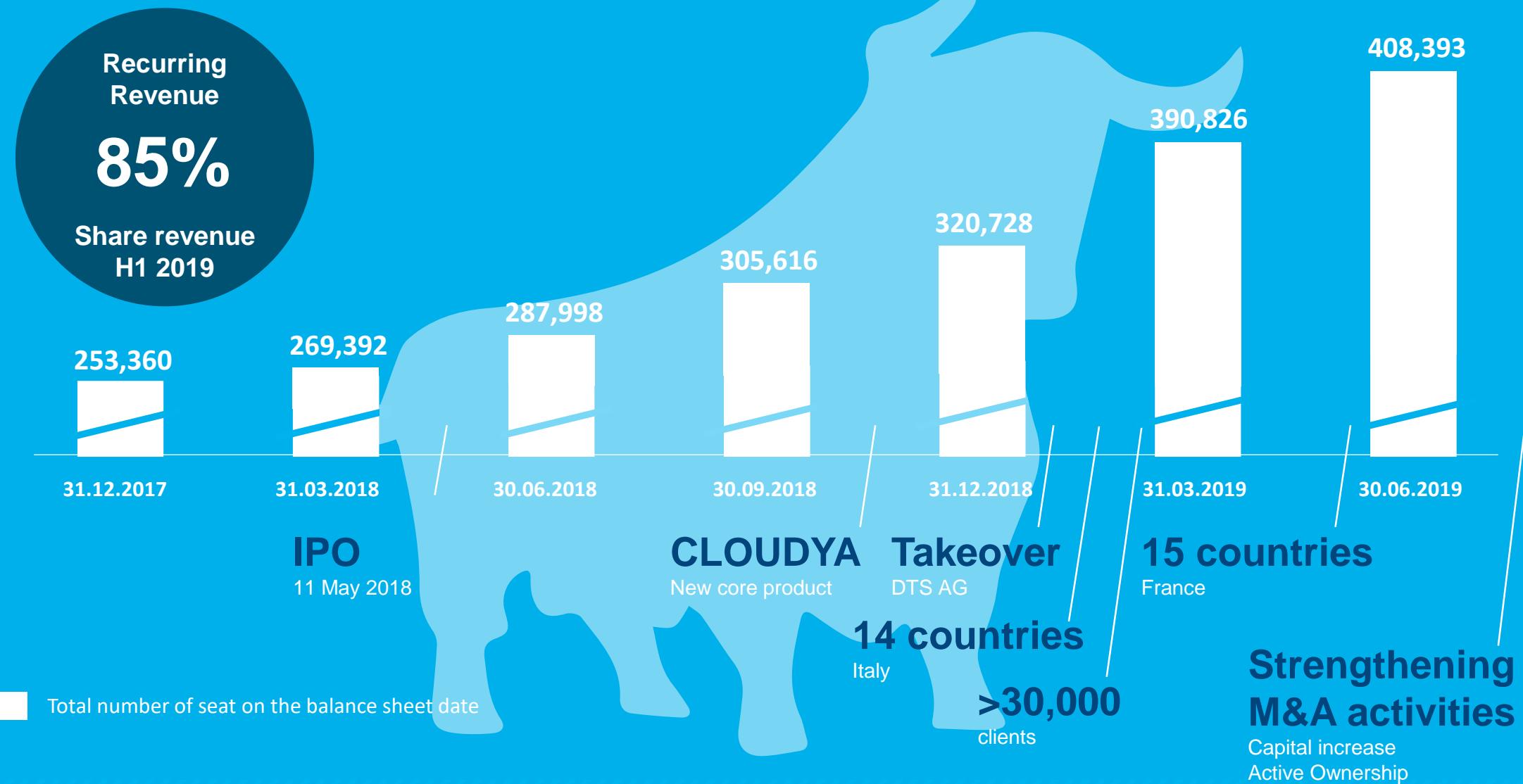


Market development



Market consolidation

Milestones Completed 2018/2019

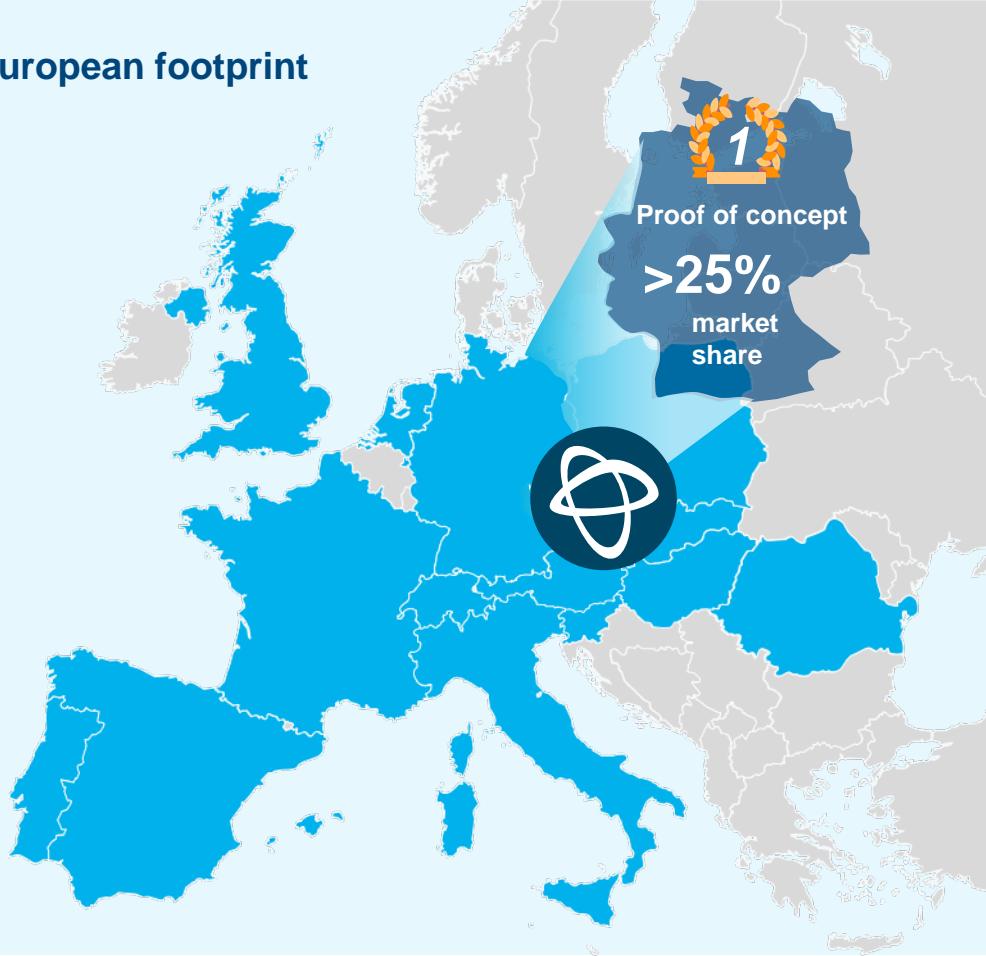


Strong market position

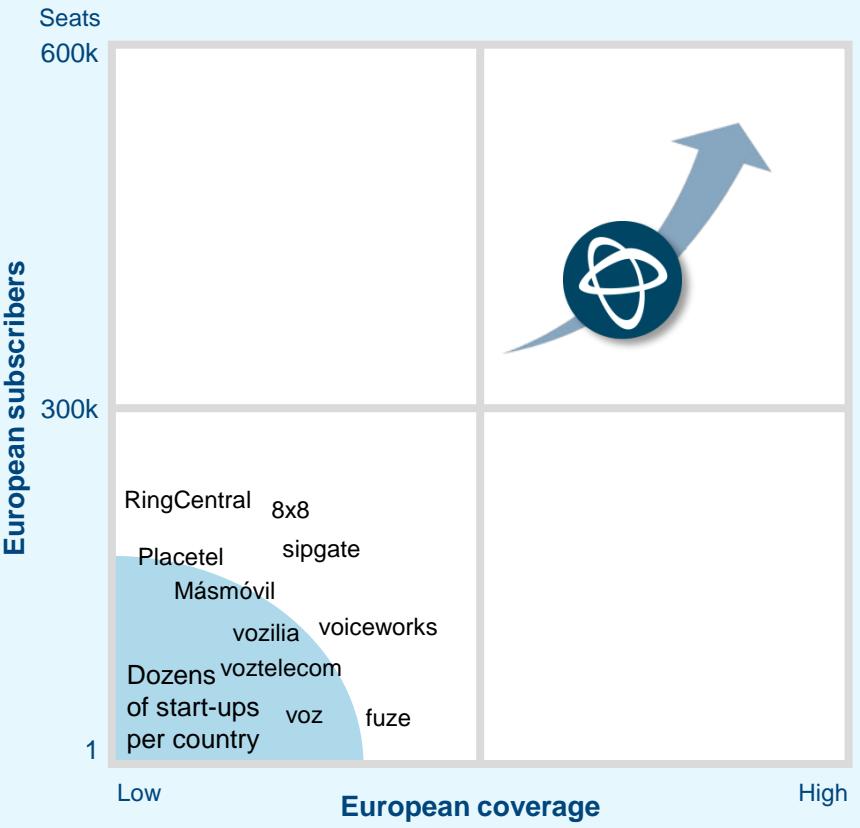
Only pan-European Cloud PBX provider



NFON's European footprint

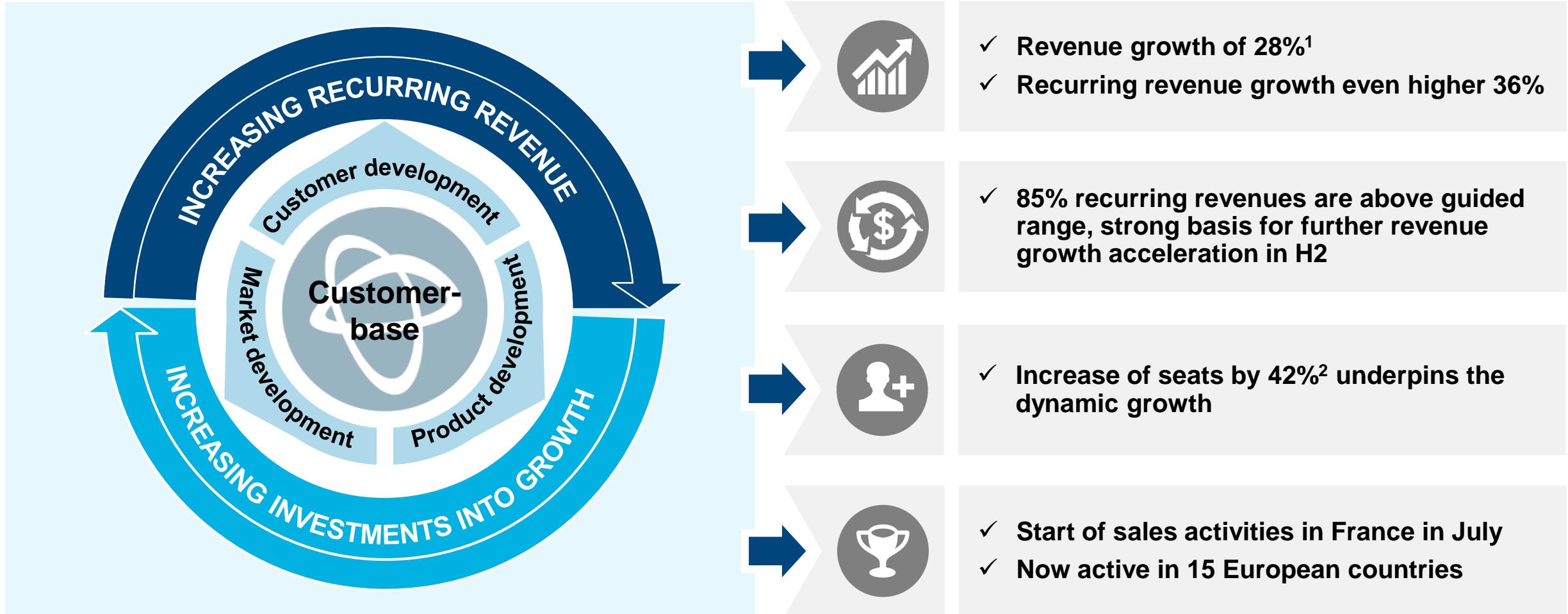


European Cloud PBX providers with own technology



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

NFON AG is developing along guidance 2019

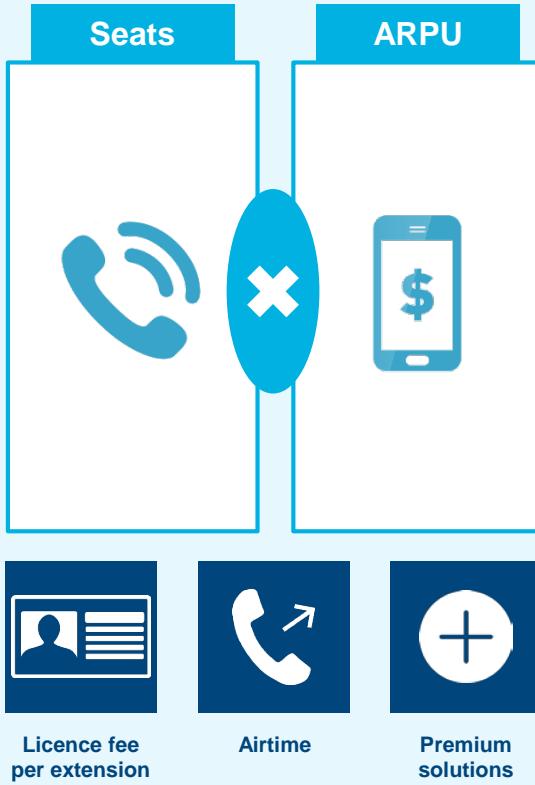


¹ First time consolidation of DTS in March 2019 ²Compared to H1 2018

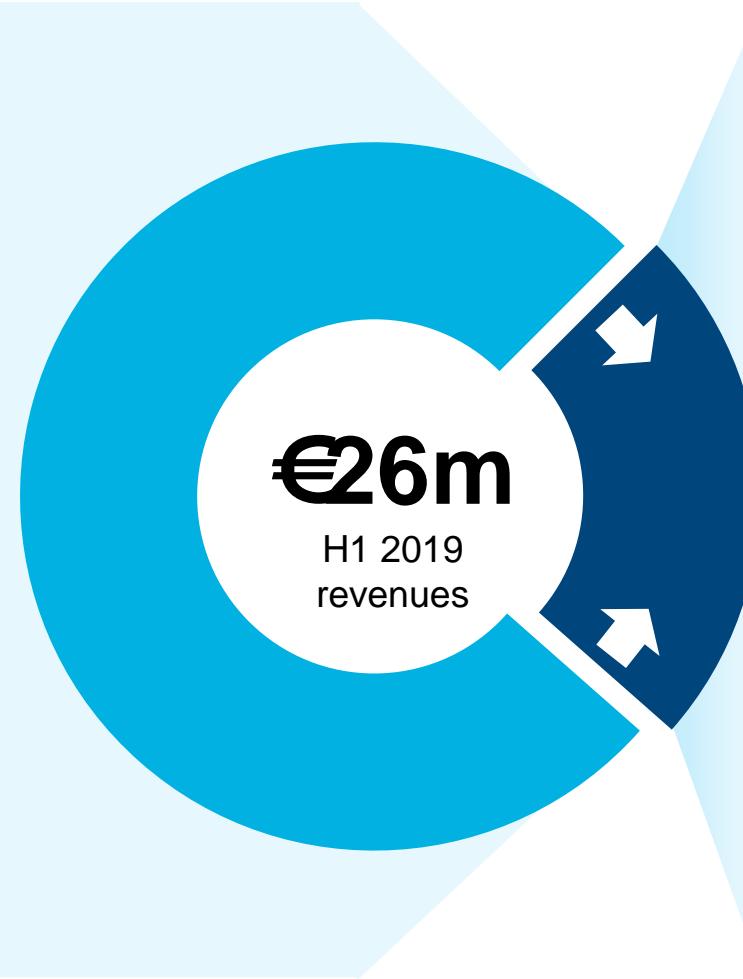
Proportion of recurring revenues well above guidance



Recurring revenues 85%



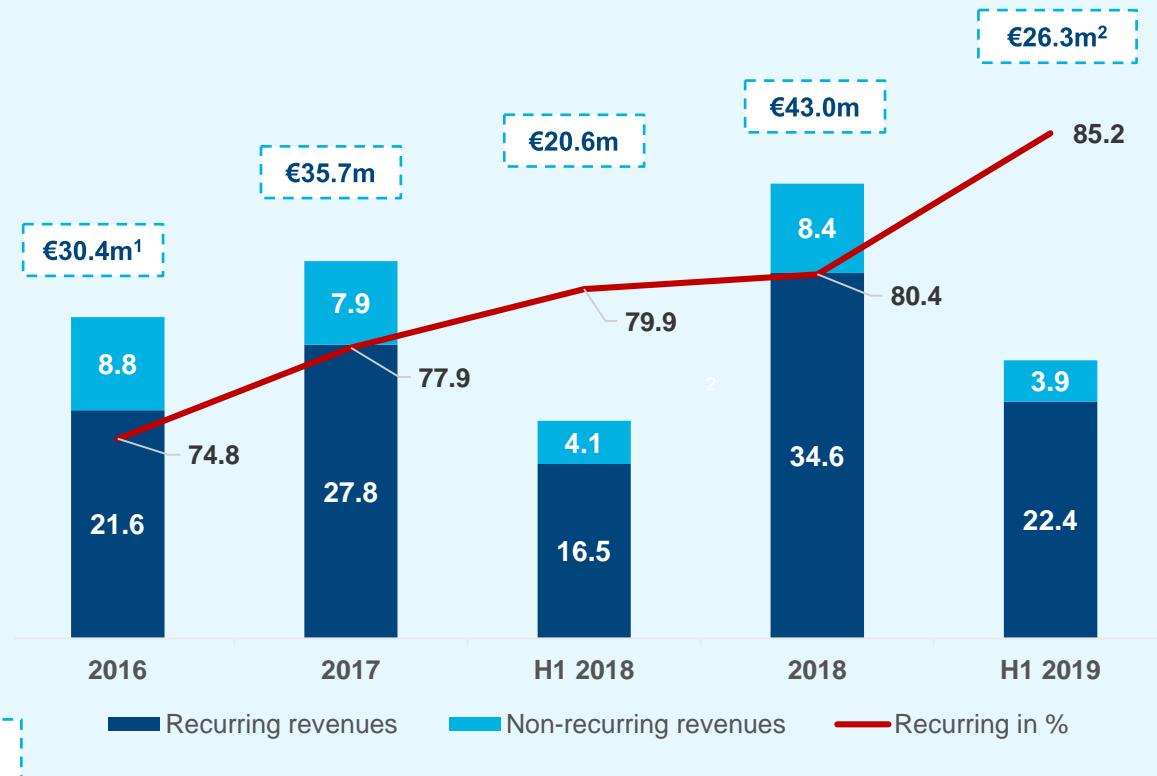
Non-recurring revenues 15%



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

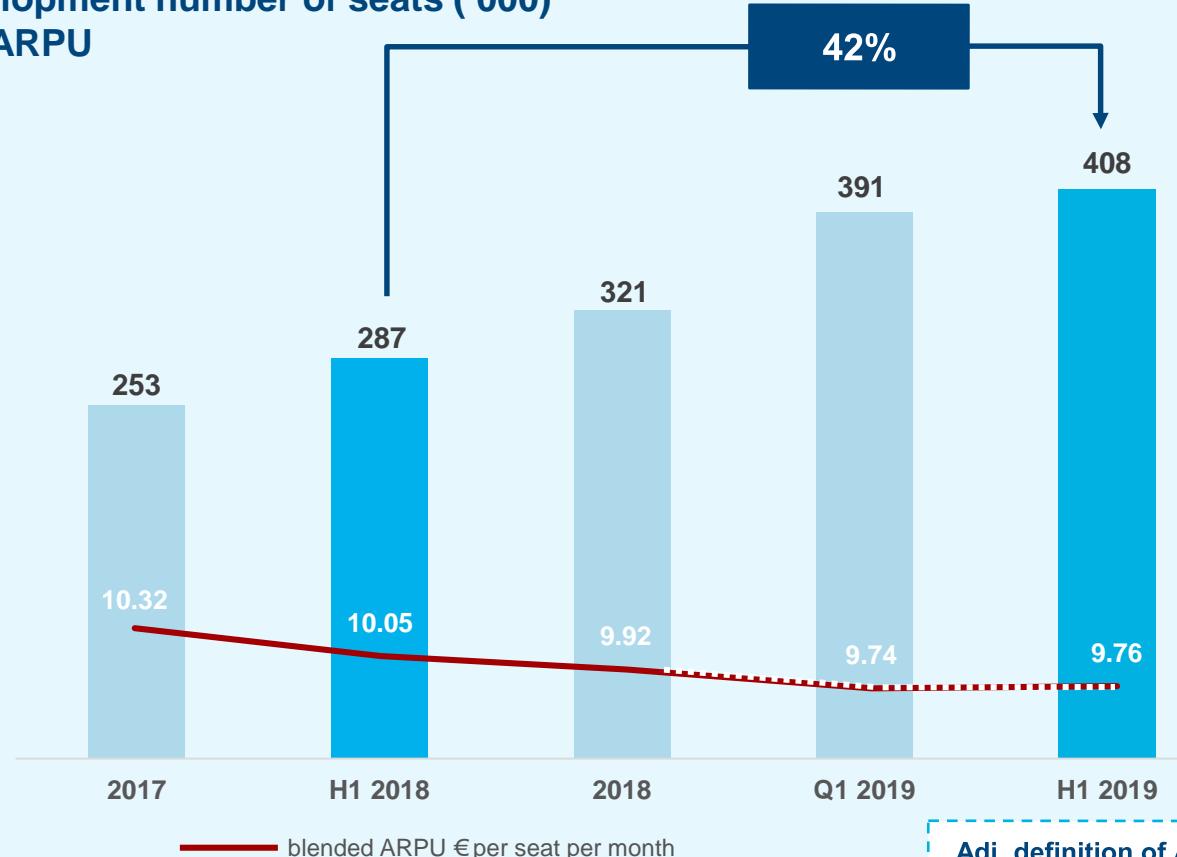
¹ including extraordinary effect from R&D project amounting to €1.5m ²First time consolidation of DTS in March 2019

Strong growth of seat base

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 ARPU¹ 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 airtime
 - › Lower licence fees for DTS AG seats (mid market segment), but including higher proportion of total airtime
 - › 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

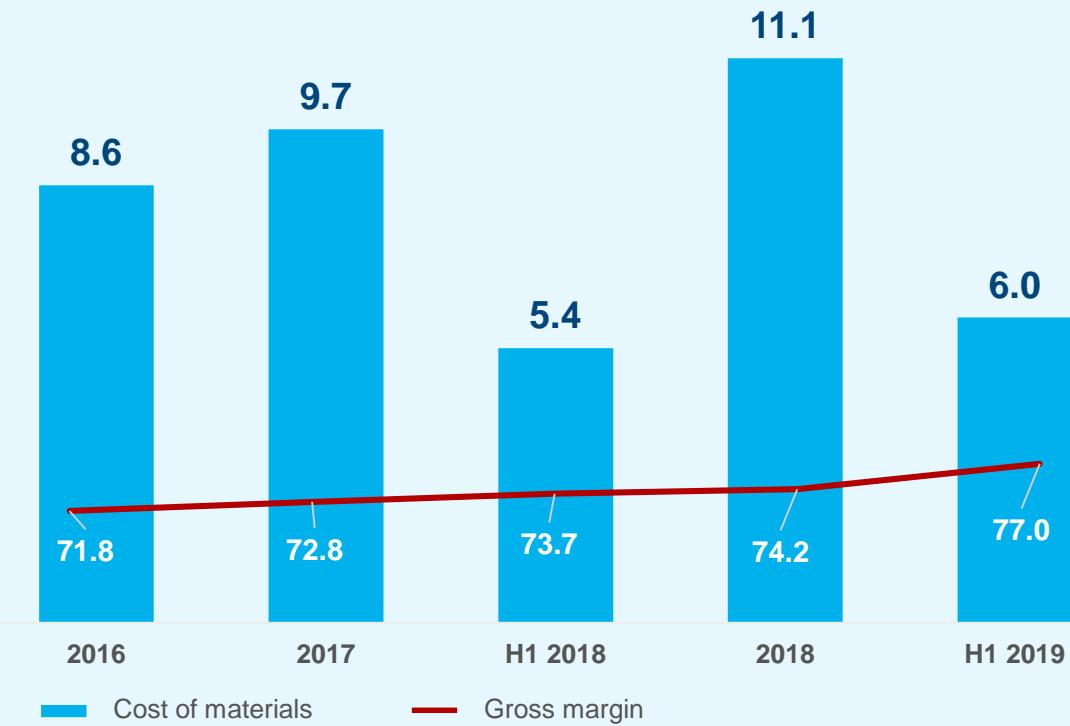
¹ Definition ARPU: Total recurring revenues minus revenues out of SIP-trunk-channel licence fees divided by total seat base



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%

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



Development of personnel

of employees



Comments

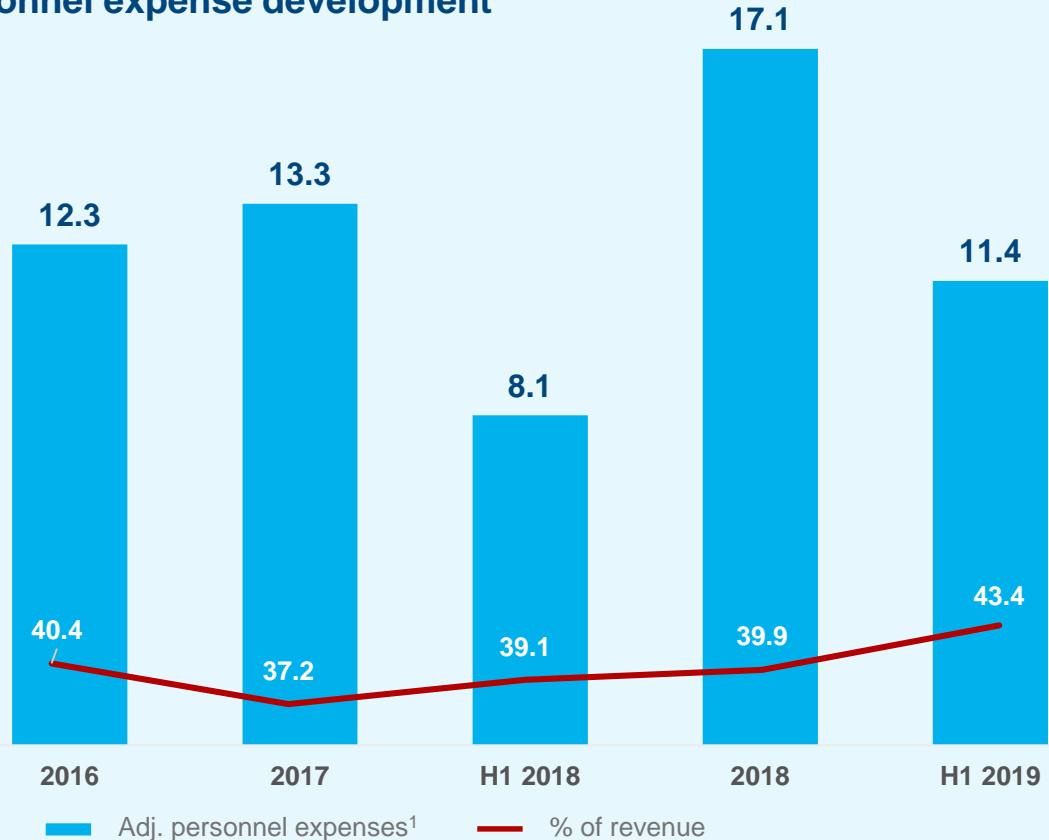
- › Number of employees rose by 68% from 216 to 362 as of June 30, 2019 compared to June 30, 2018
- › Acquisition of DTS with additional employees
- › Increase mainly in Sales, Marketing and Support
- › New subsidiaries in Italy and France

Increase of personnel expenses as expected



Adj. personnel expense development

€m



Comments

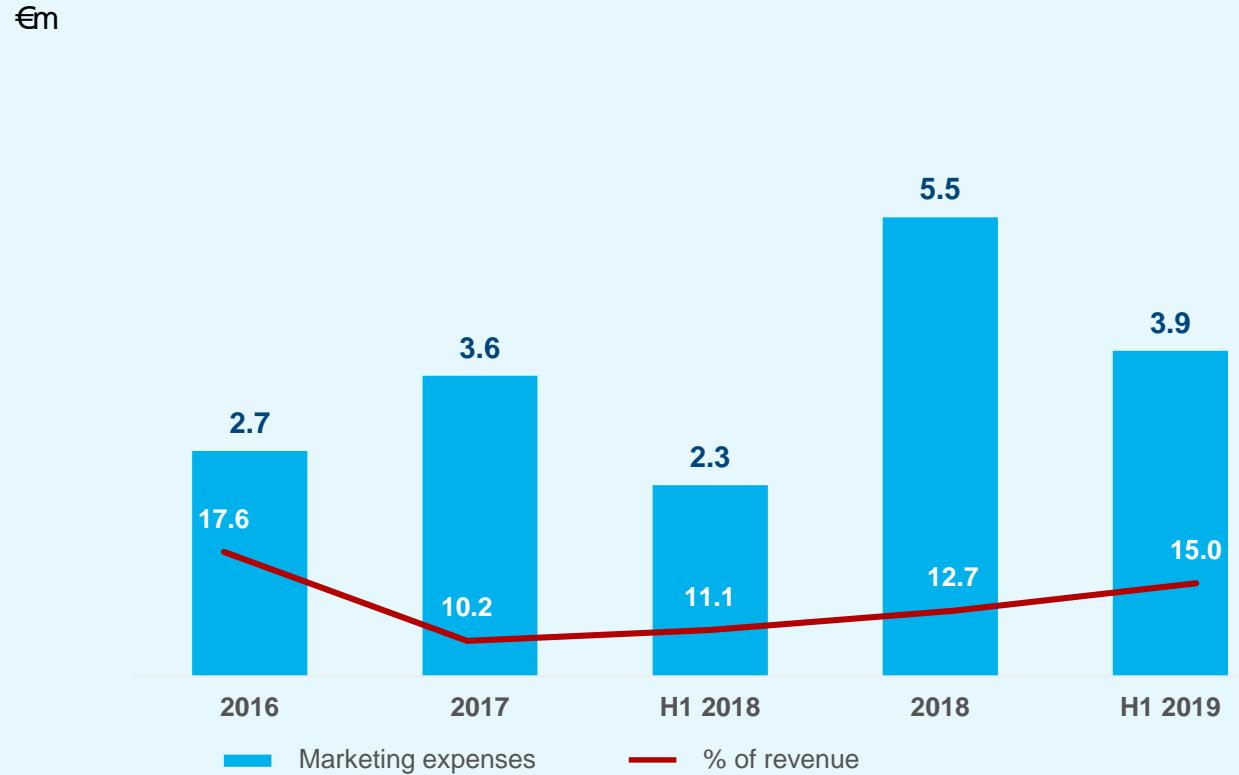
- Personnel expenses as reported amount to €12.0m (H1 2018: €13.1m)
 - Personnel expenses H1 2019 include €0.5m for Stock Option Plan and retention bonus
- Personnel costs relieved for the first time by capitalization of development costs (NFON AG) in H1 2019 by €0.6m
- Increase of adj. personnel expenses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

¹ 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

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; 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		
EBITDA	-3.8	-6.6
Stock options/ESOP	0.3	3.7 ¹
Retention bonus	0.2	0.6
IPO costs	0	2.4
One-off expenses related to DTS acquisition	0.6	0
Total EBITDA adjustments	1.2	6.7
Adjusted EBITDA	-2.6	0.1

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

¹ Including equity and cash settled share-based payment programmes (non cash)

Accelerating growth in 2019

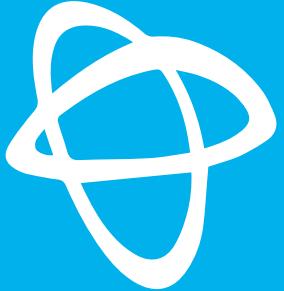




Key investment highlights

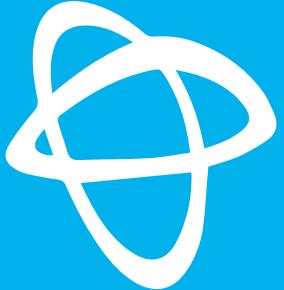


- 1 Huge addressable business communication market being disrupted by structural shift to Cloud PBX solutions**
- 2 Only true Pan-European Cloud PBX company best positioned to become the dominant European player**
- 3 Strong business model resulting in unique combination of massive growth and sustainable 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**



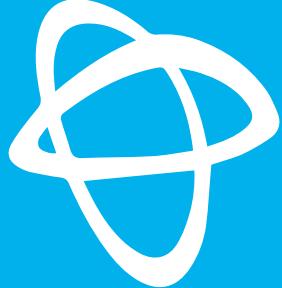
♥ Thanks

@NFOcom
#cloud #telephony #allip



Appendix

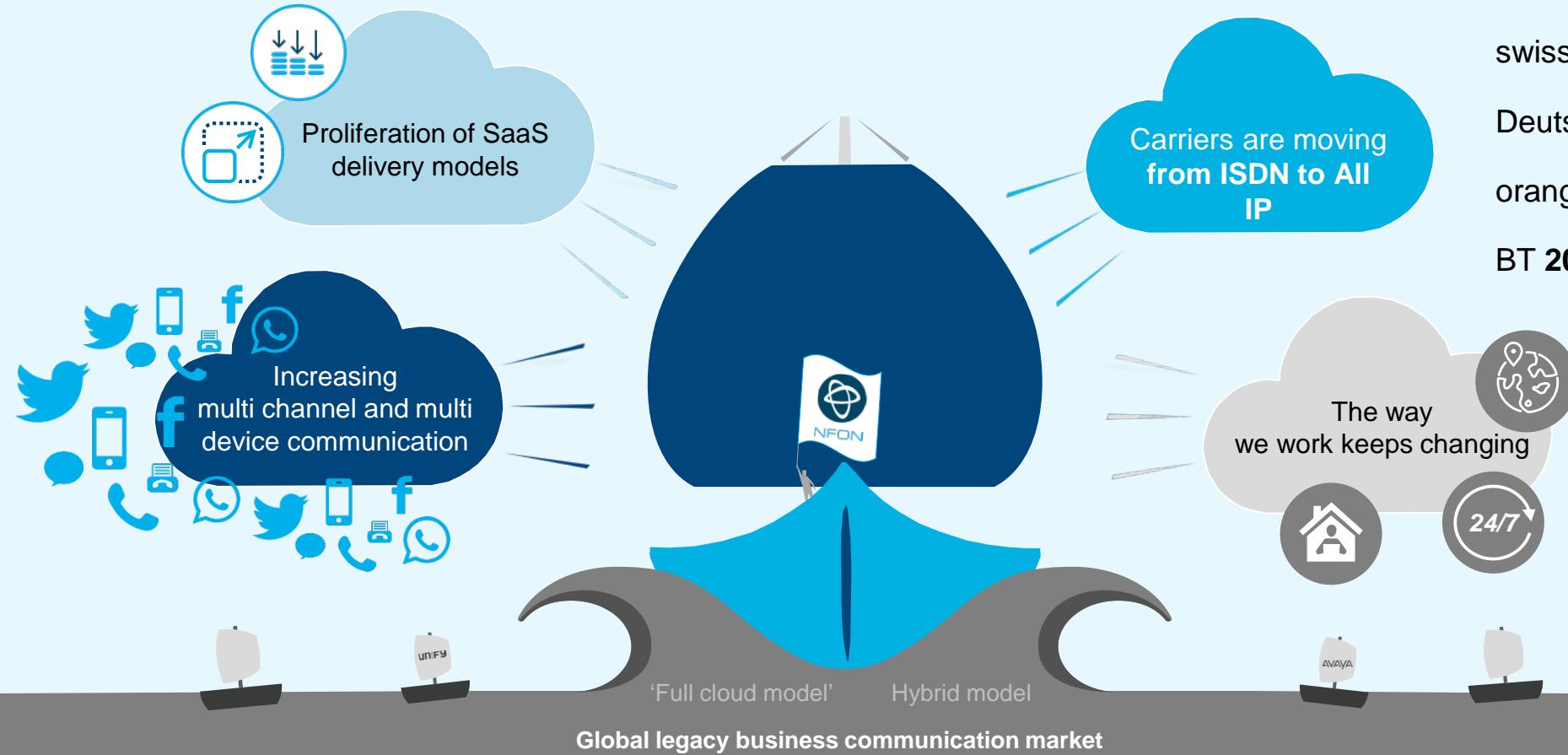
Further information about NFON



One year after IPO

Preliminary figures & Business highlights

Wind of change



swisscom 2017

Deutsche Telekom 2018

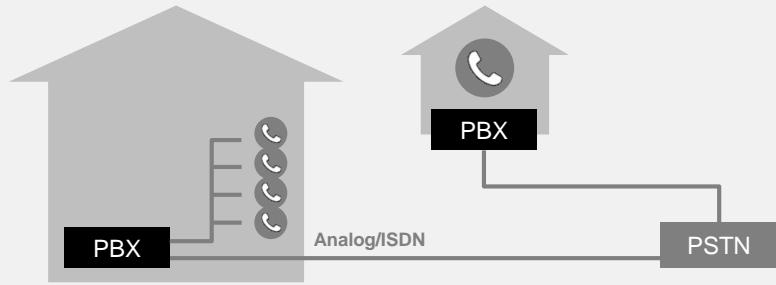
orange 2020

BT 2025

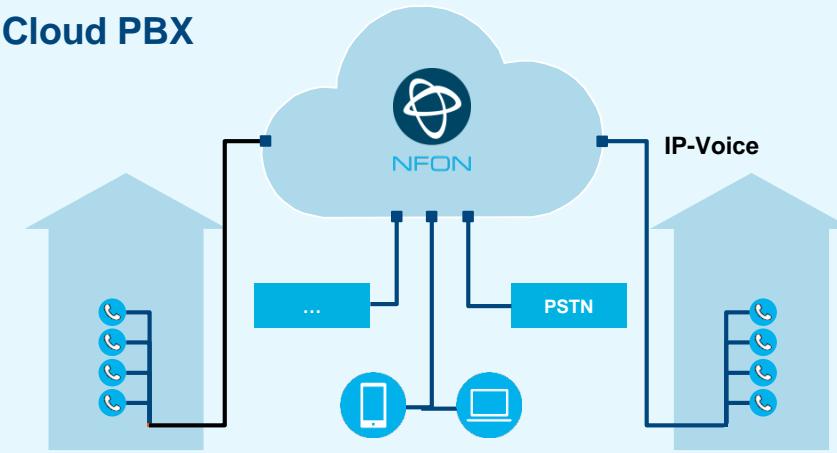
Cloud PBX solutions tailored to the needs of today's business communication



Classic on-premise PBX



Cloud PBX



Advantages of cloud telephony



Founded 2007
HQ in Munich, Germany

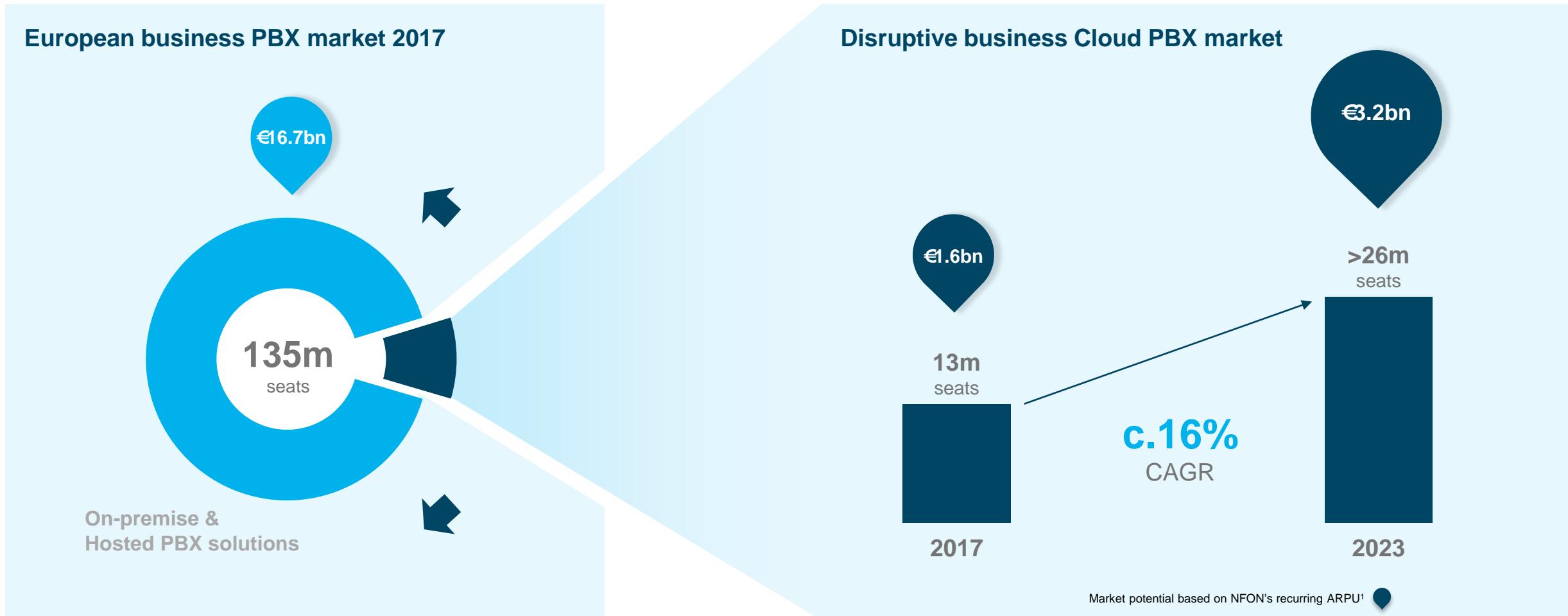


Active in 14 + 1 European countries



300+ employees

Shift to cloud communication creates unique opportunity



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



Germany



4%
14%
2023

Continental Europe



13%
25%
2023

United Kingdom



18%
34%
2023

North America

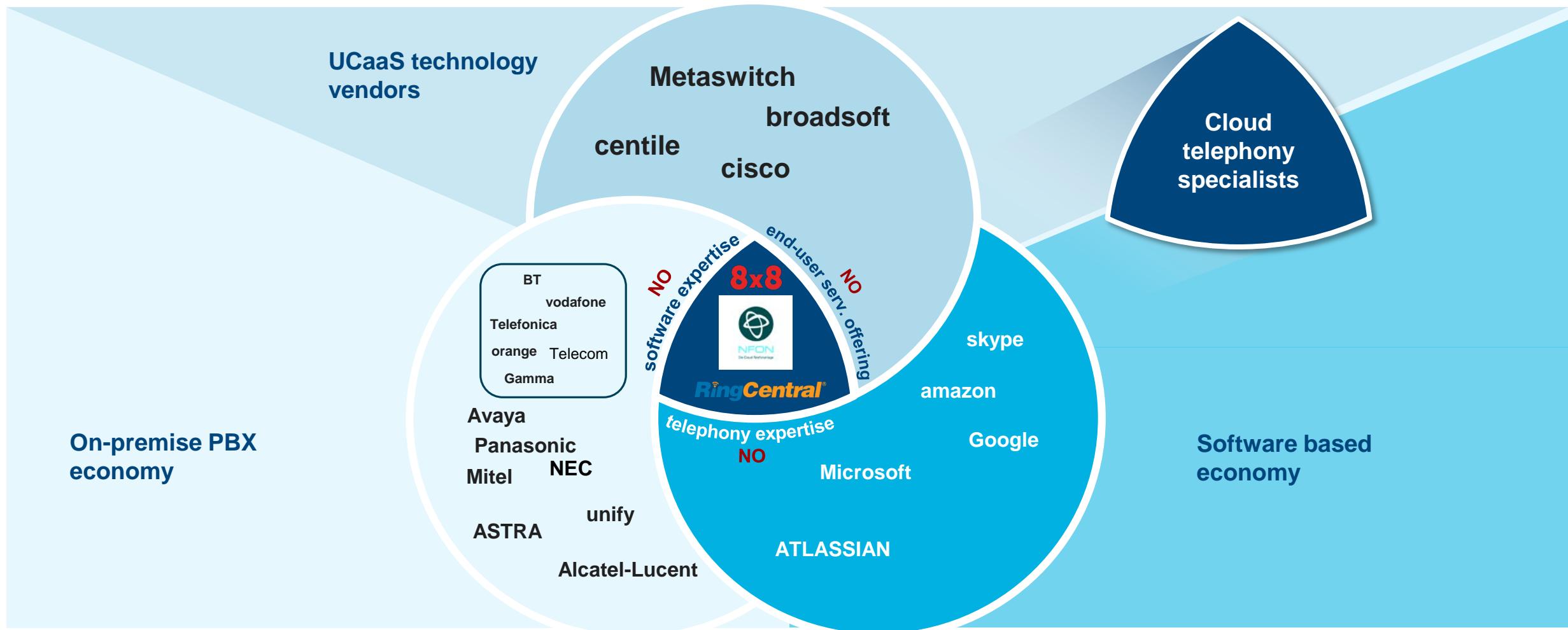


22%
38%
2023

Cloud PBX penetration 2018 (%)

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

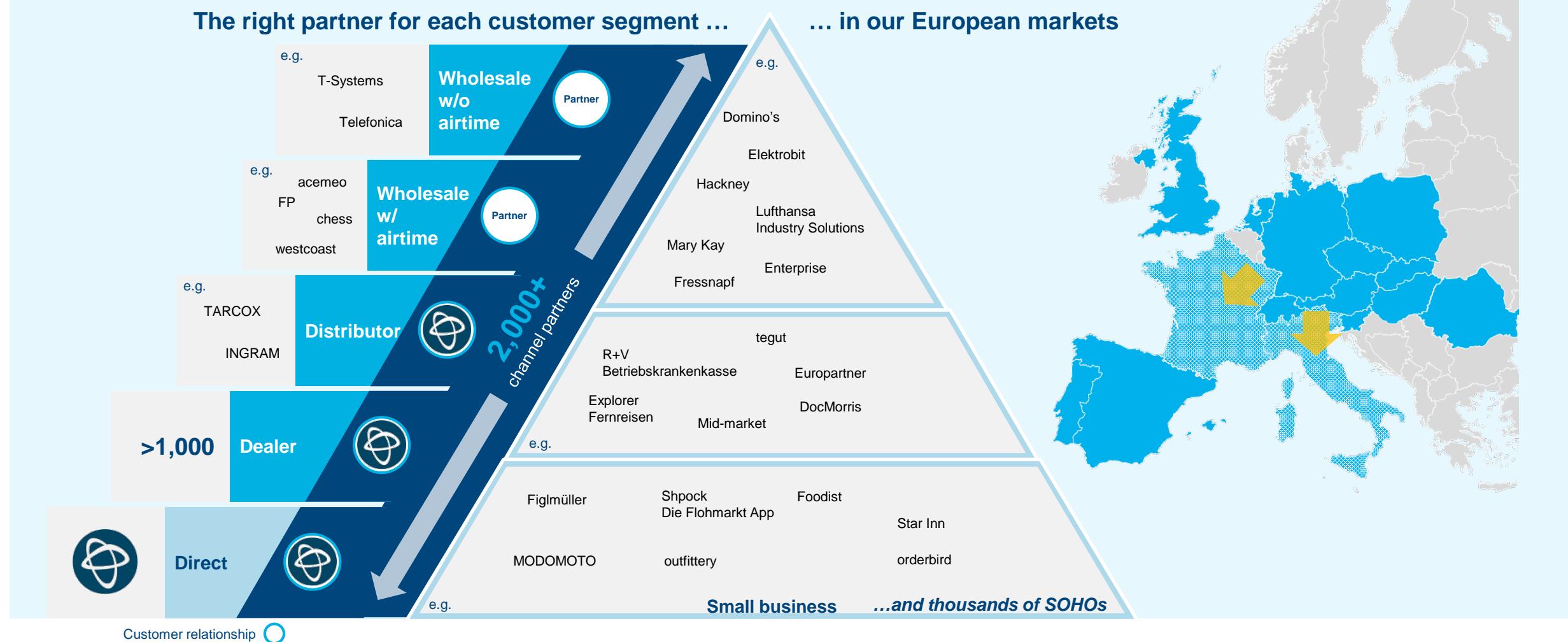


Source: Company information, management estimates / Note: Use of logos for Analyst Presentation only

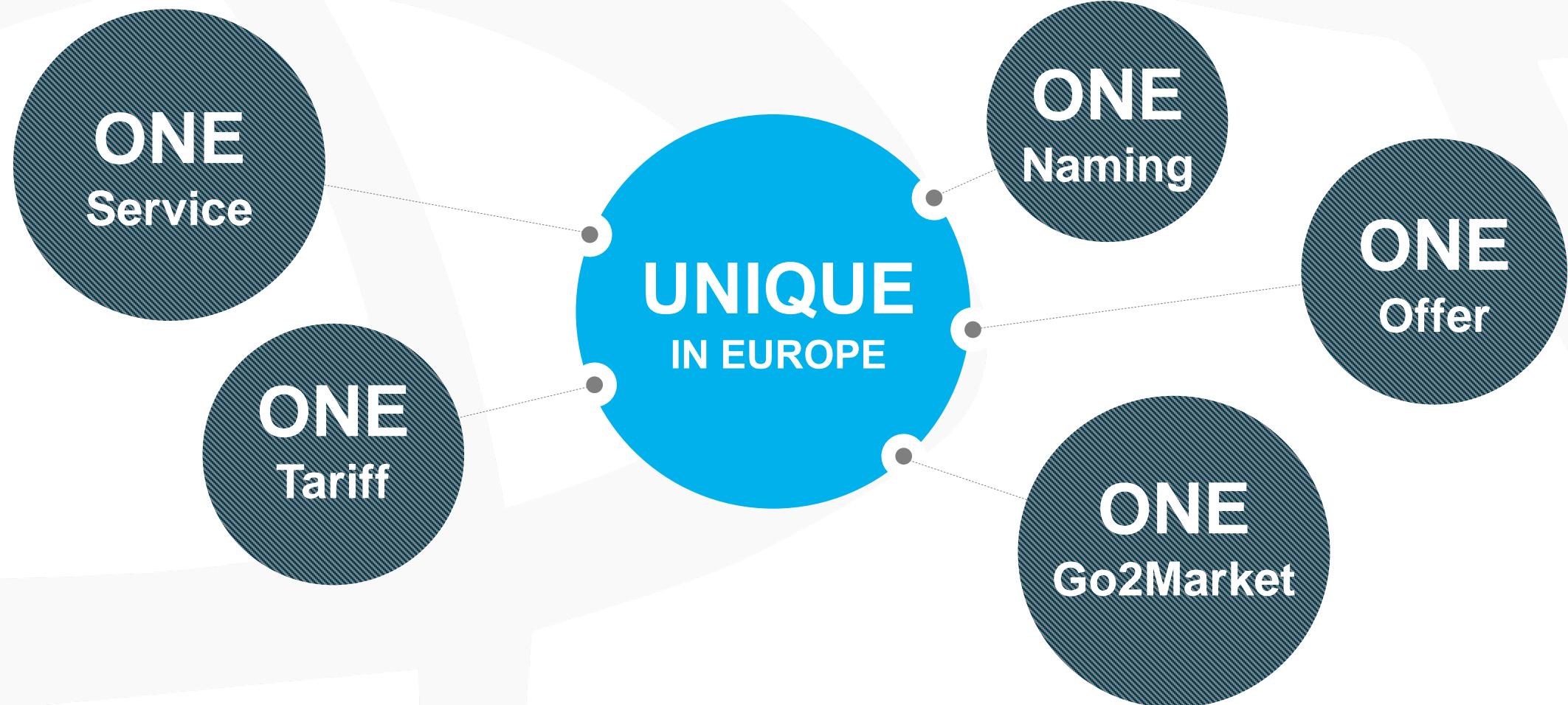


The right partner for each customer segment ...

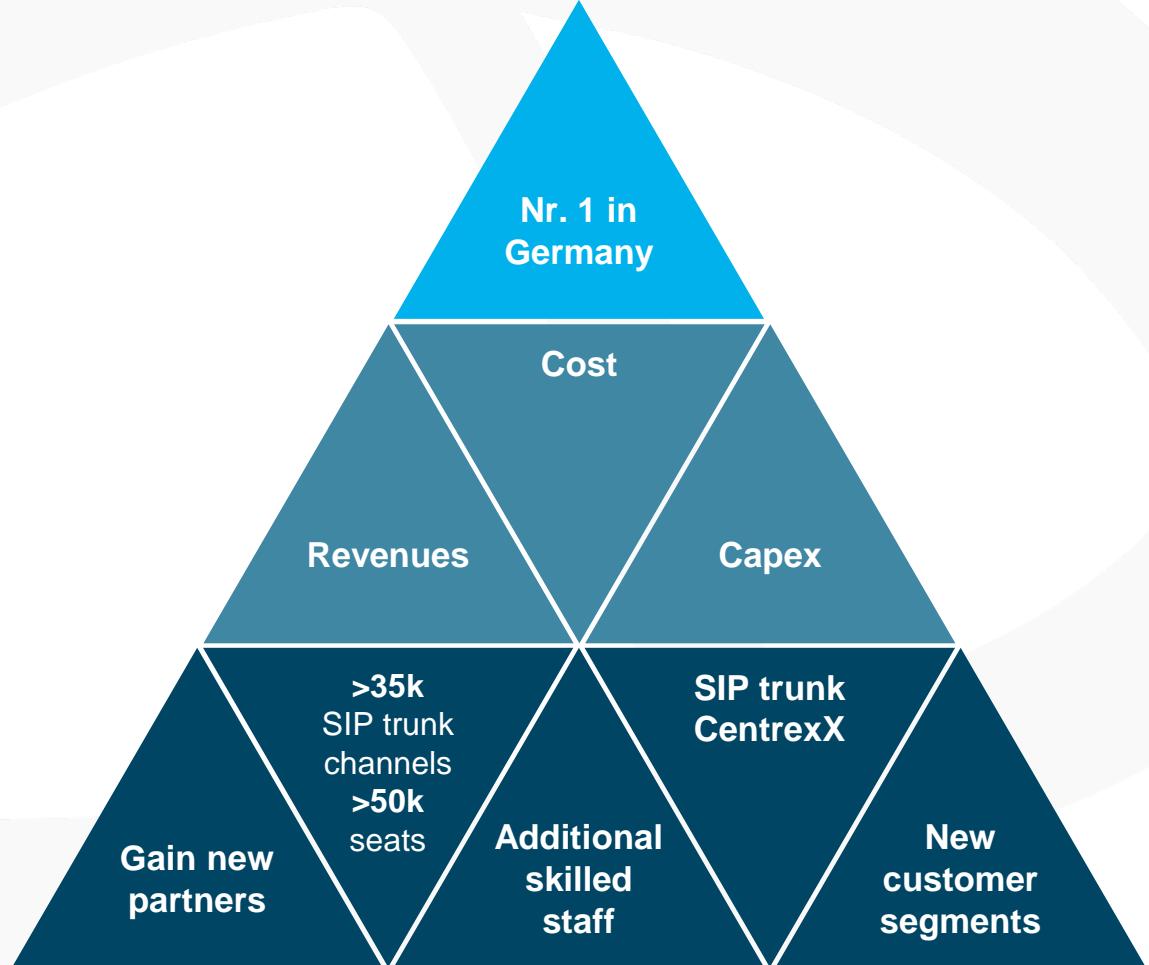
... in our European markets



Introduction of Cloudfa – More than a product



Leading position in Germany fuels accelerated growth



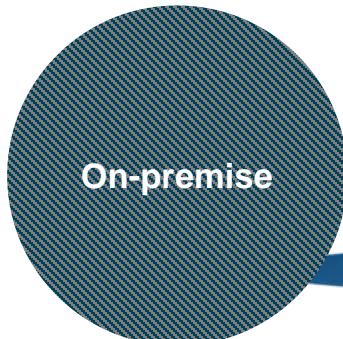
Acquisition of DTS in Feb/March 2019

- › 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



DTS SIP Trunk
makes it possible to connect existing on-premise telephone systems to IP- network

DTS SIP CentrexX
will perfectly complement the Cloud product portfolio of NFON in the mid-market segment

Cloudya
future-oriented

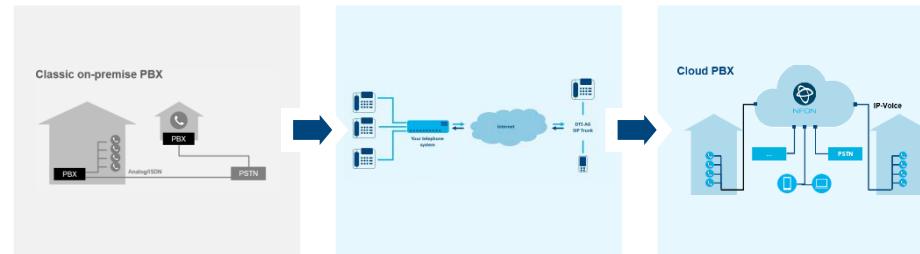
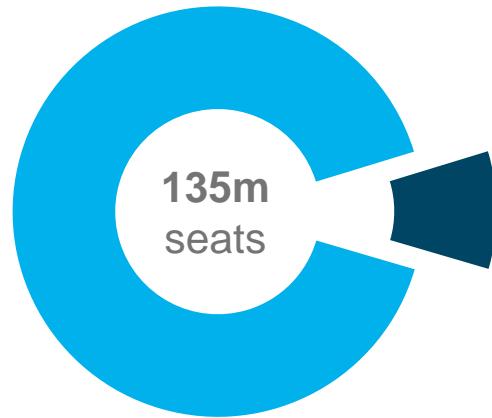
Tomorrow's customers
ONE TECHNOLOGY

Drive market penetration – Adoption of new customer

NFON wants to dominate the European cloud telephony market



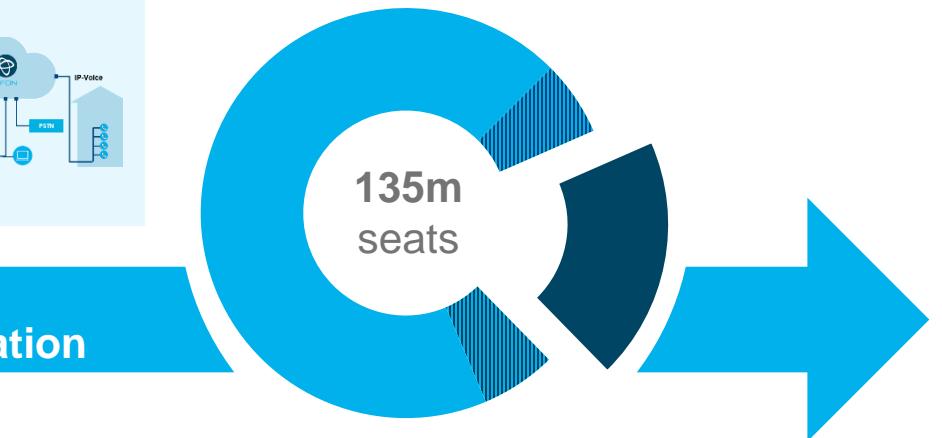
In view of the fact that European carriers have already started to switch to All-IP, customers can look forward to a smooth transition to future-proof cloud PBX technology.



Coherent multi vector growth strategy
to gain market shares during **transformation**

Situation PBX market TODAY

- On-premise & hosted PBX solutions
- Cloud PBX



Expected situation PBX market in 2022

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 Seceidios
 - 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

30.10%¹



17.82%¹

EARLYBIRD
VENTURE CAPITAL

7.74%¹

MAINFIRST

4.78%¹

UNIVERSAL
INVESTMENT

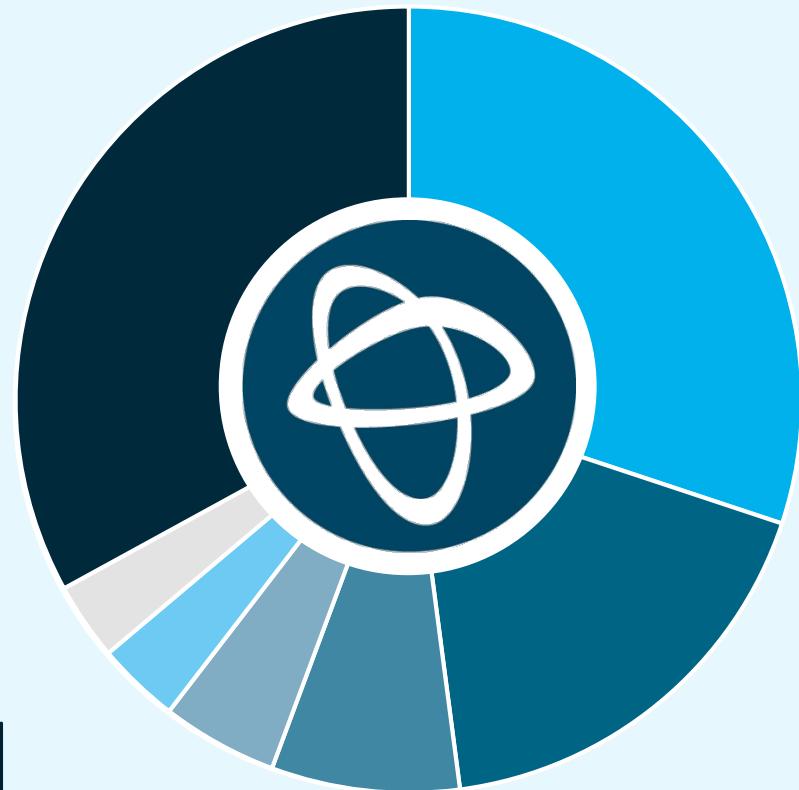
3.41%¹

High-Tech Gründerfonds

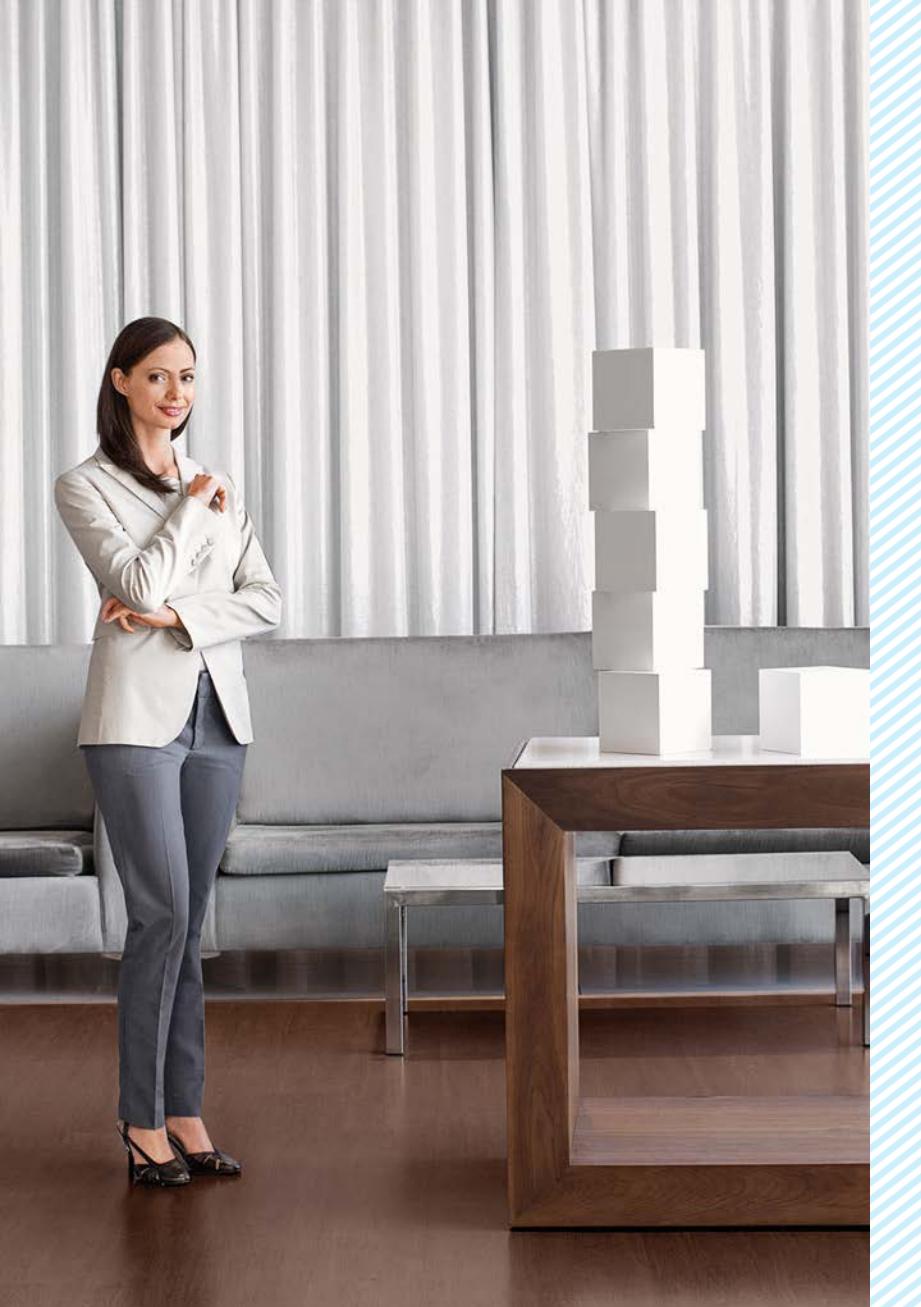
3.18%¹

Swedbank

Shareholder structure



¹ voting rights based on 13,8 million shares



Financial calendar



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

Contact



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