



Earnings Call

9M Results 2023 – 23 November 2023

Agenda for today

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Highlights

9M 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 will join NFON as CTO** with effect from 1 January 2024.
- New C-level team is currently in the **process of adjusting** the organisation and workflows.

2

Business processes:

- Preparing **integration of DTS** moving forward to be able to fully exploit synergies.
- Aligning **Technology + Product + Commercial/Sales** (operating model) to deliver best possible support for digital transformation and the intelligent use of state-of-the-art communication solutions from the cloud.
- **Receiving C5 certificate** as proof of being a trustworthy and reliable cloud service provider.
- **Passing ISO 9001 audit**, which is a well-known standard for quality management systems.

3

Internal system landscape:

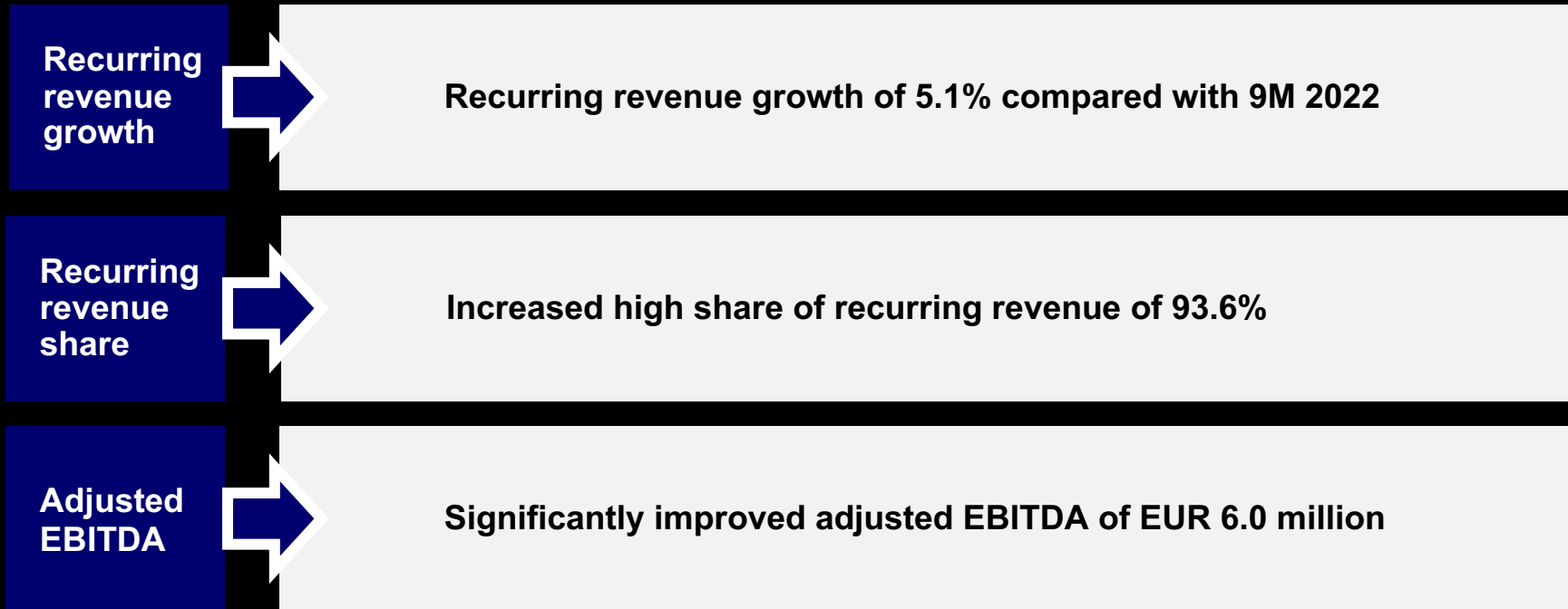
- Starting to **review, evaluate and reorganise the IT landscape** to create our NFON IT target picture: an efficient and customer-enabling system with clear interfaces.
- From January 2024 onwards, the newly appointed CTO will **drive forward and speed up R&D**.



Financial figures

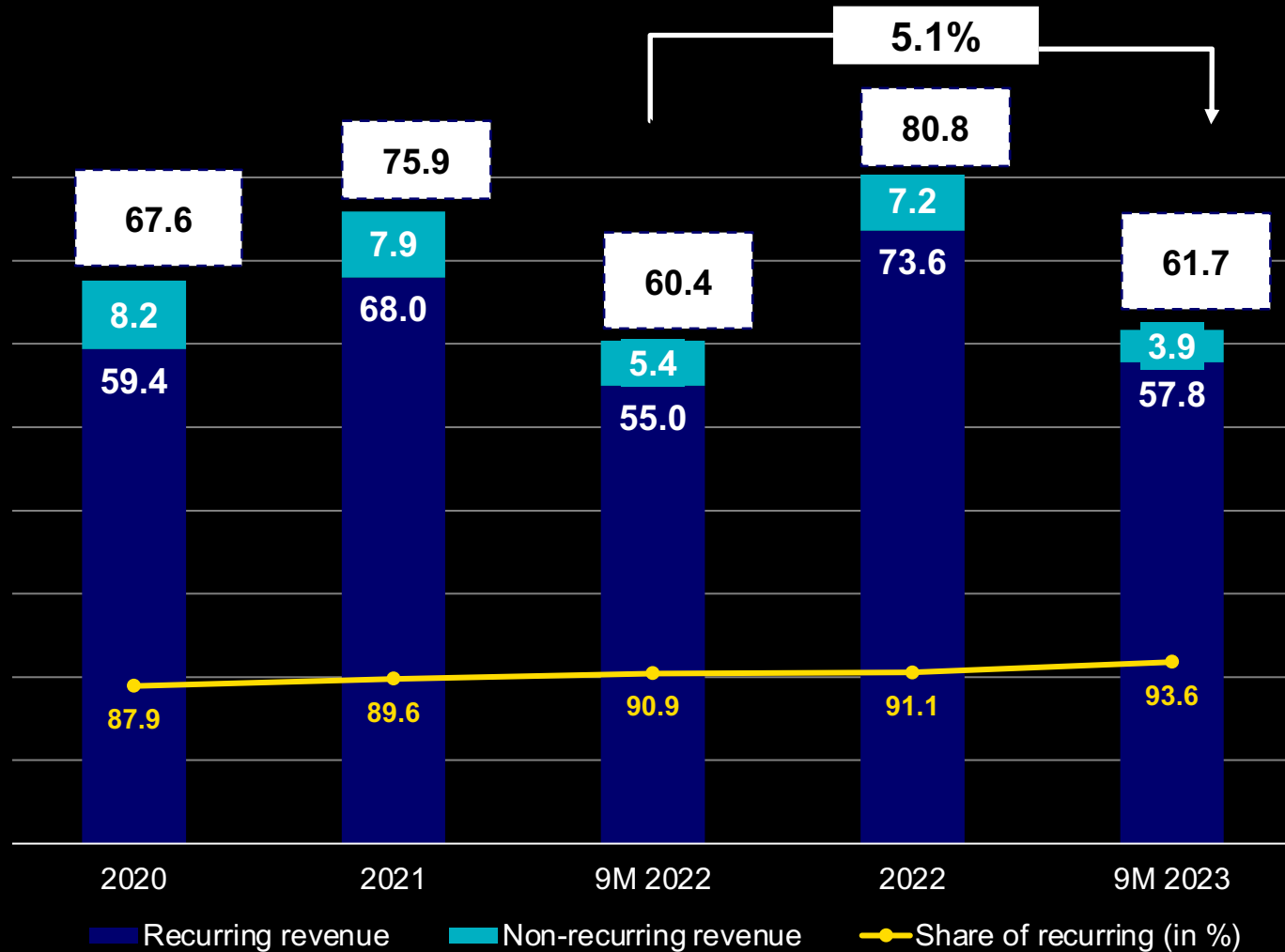
9M 2023

9M 2023 results at a glance



Continuously growing share of recurring revenue

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

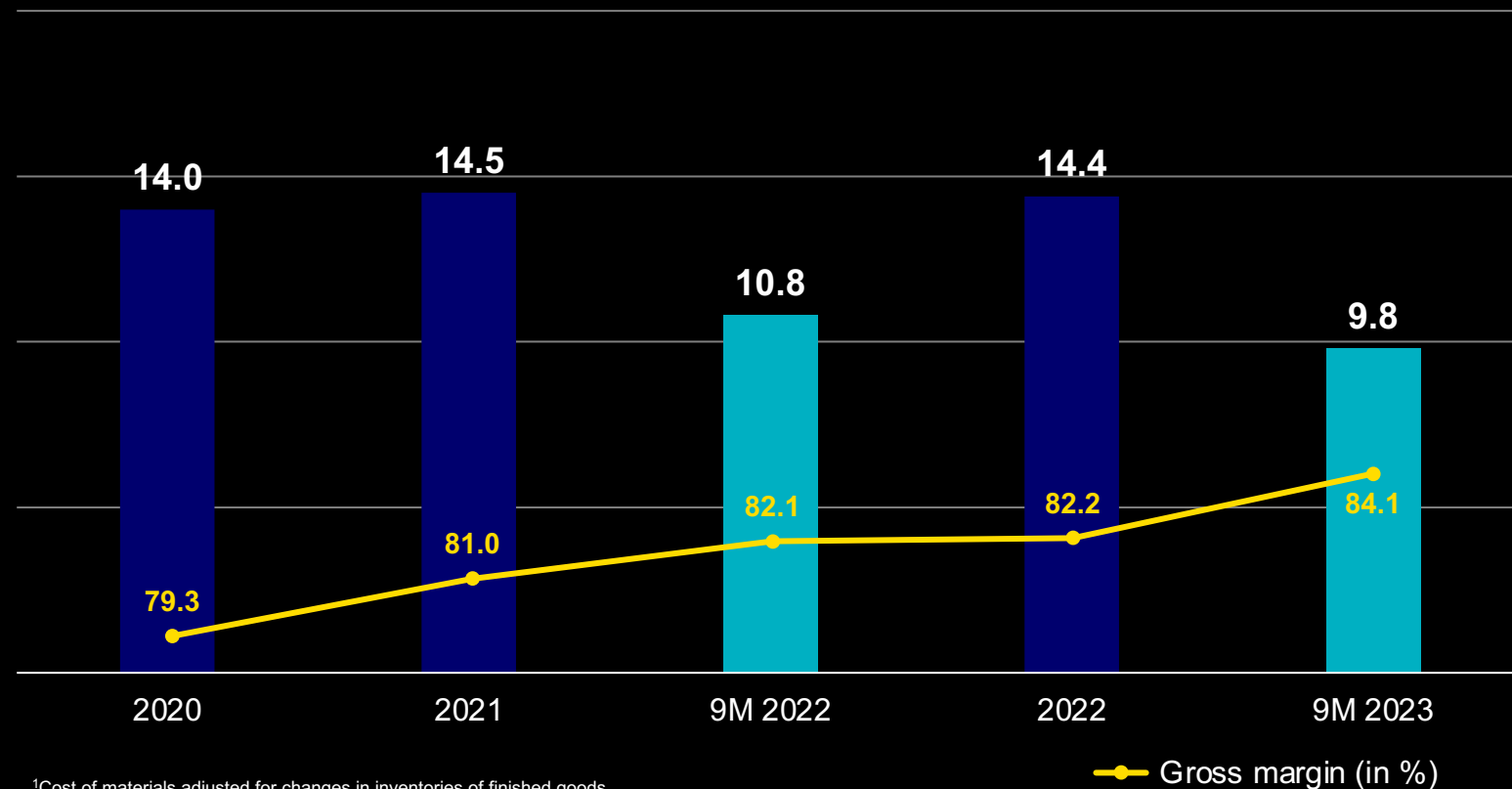


COMMENTS

- Recurring revenue grew by 5.1% compared with 9M 2022
 - acquisition of new customers
 - increase in installed extensions (seats) within the existing customer base
- Total revenue growth of 2.1% in comparison with 9M 2022 due to decrease of non-recurring revenue by 28.1% compared with previous 9M
- Enhanced high share of recurring revenue in total revenue of 93.6% provides predictable revenue streams

Reliable high gross margin again with increasingly positive development

Development of COGS (adj.)¹ in EUR million and gross margin²



¹Cost of materials adjusted for changes in inventories of finished goods

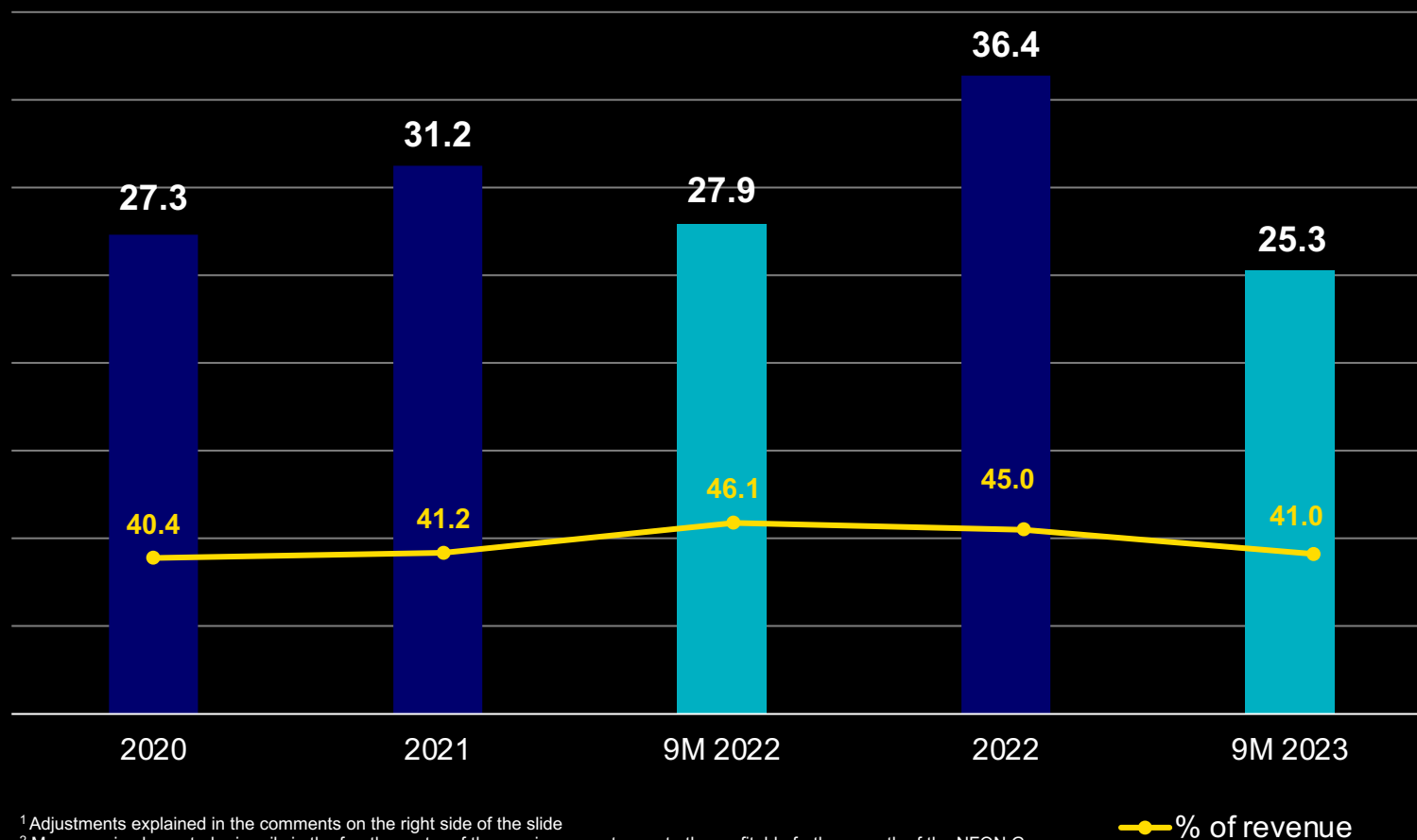
²Gross margin defined as (revenue - adj. cost of materials) / revenue

COMMENTS

- Improved gross margin compared with 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 9.6% in the reporting period
- This again results in a low material cost ratio of 15.9% compared with the same period of the previous year (9M 2022: 17.9%)

Reduced personnel expenses in line with strategic focus

Adjusted personnel expenses in EUR million



¹ Adjustments explained in the comments on the right side of the slide

² Measures implemented primarily in the fourth quarter of the previous year to create the profitable further growth of the NFON Group

—● % of revenue

COMMENTS

- Average number² of employees decreased from Ø 506 to Ø 444 (-14.0%)
- Personnel expenses as reported amount to EUR 26.3 million (9M 2022: EUR 28.7 million)
- Adjustments:
 - EUR 0.0 million for stock options (9M 2022: EUR 0.5 million)
 - EUR 0.1 million realignment of Group-wide activities (9M 2022: EUR 0.2 million).
 - EUR 0.9 million incurred in connection with the reorganisation of top management (9M 2022: EUR 0.0 million).
- Adjusted personnel expense ratio of 41.0% (9M 2022: 46.1%) expected to decrease further in the course of 2023 due to scaling effects.

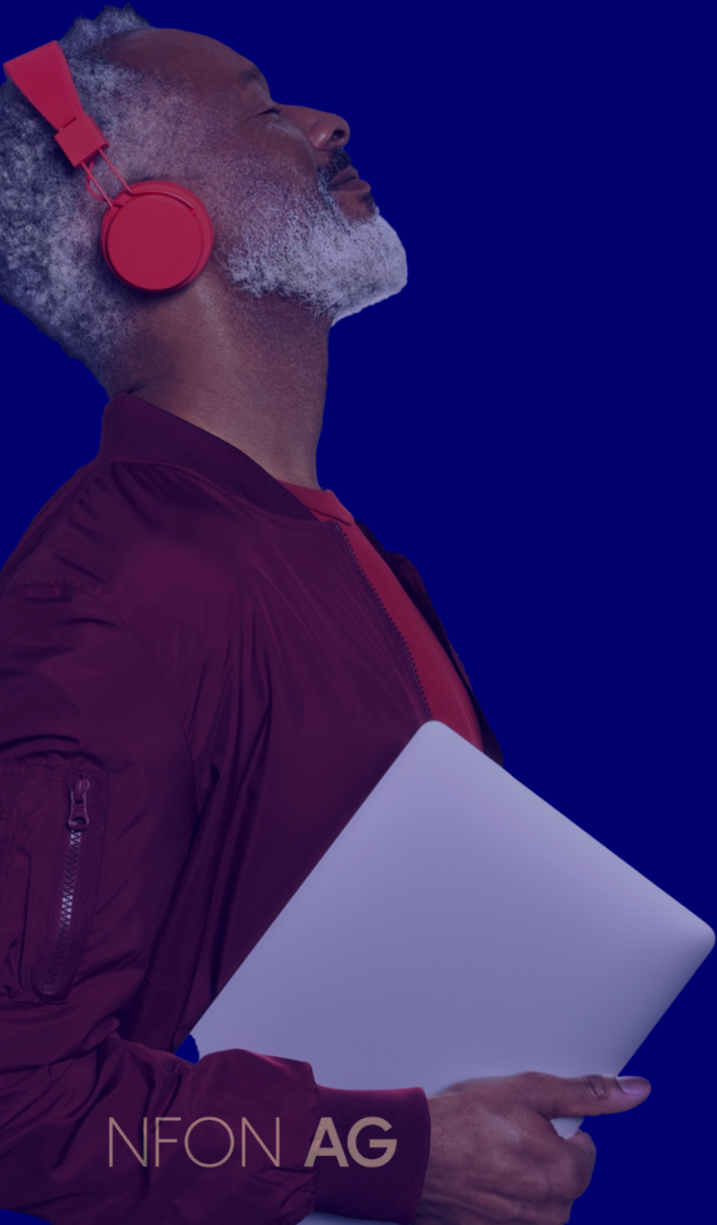
EBITDA

- Measures to increase profitability taking effect
- Significant reduction in marketing and headcount expenses

Detailed reconciliation of one-off items

Reconciliation from EBITDA to adjusted EBITDA ¹	9M 2023	9M 2022
EUR million		
EBITDA	4.7	-4.7
Stock options	0.0	0.5
Focus on core markets	0.1	0.2
Reorganisation of top management	0.9	0.0
M&A activities	0.0	1.3
Rebranding	0.0	0.9
Administrative expenses	0.2	0.0
Total EBITDA adjustments	1.2	3.9
Adjusted EBITDA	6.0	-0.8

¹ Rounding differences are possible



Outlook

2023

NFON AG

Raised guidance for continuous sustainably profitable growth

2023

Recurring revenue growth	We expect recurring revenue growth in the mid to upper single-digit percentage range	
Recurring revenue share	We expect a resulting recurring revenue ratio of >88%	
Adjusted EBITDA	EUR 6-7 million	We expect adjusted EBITDA to be in the range of EUR 7.8 million to EUR 8.3 million



Raised guidance:

- Positive business development to date
- Continuing positive outlook for Q4

Road to 2025 +

H1 2024



Operational excellence

Establish optimised operating model



IT target picture

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&A, which will lead us to visible results of the transformation, including top line.

2025 +



TOGETHER SUSTAINABLY PROFITABLE

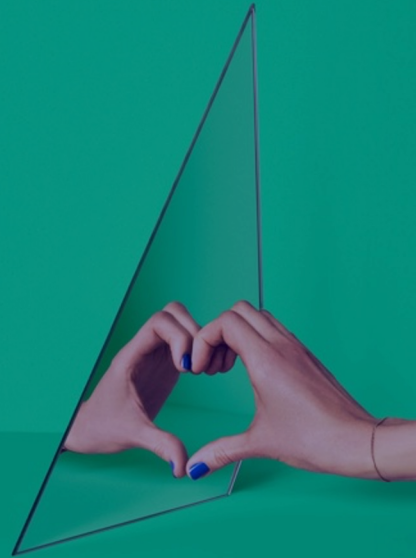
EBITDA growth > Revenue growth > Market growth



Q&A session

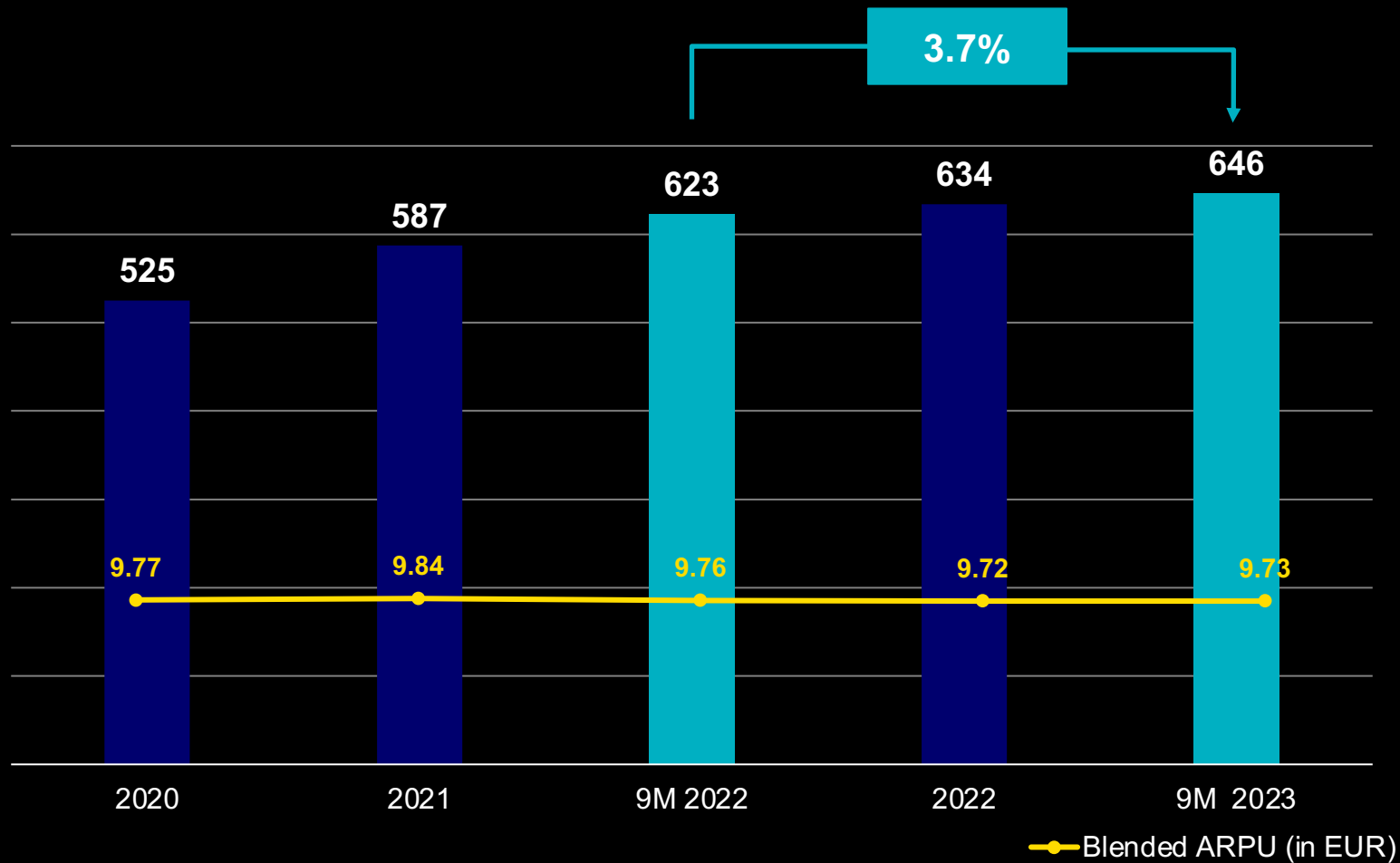
Appendix

9M 2023



Seat growth in line with strategic focus

Development of number of seats ('000) and ARPU

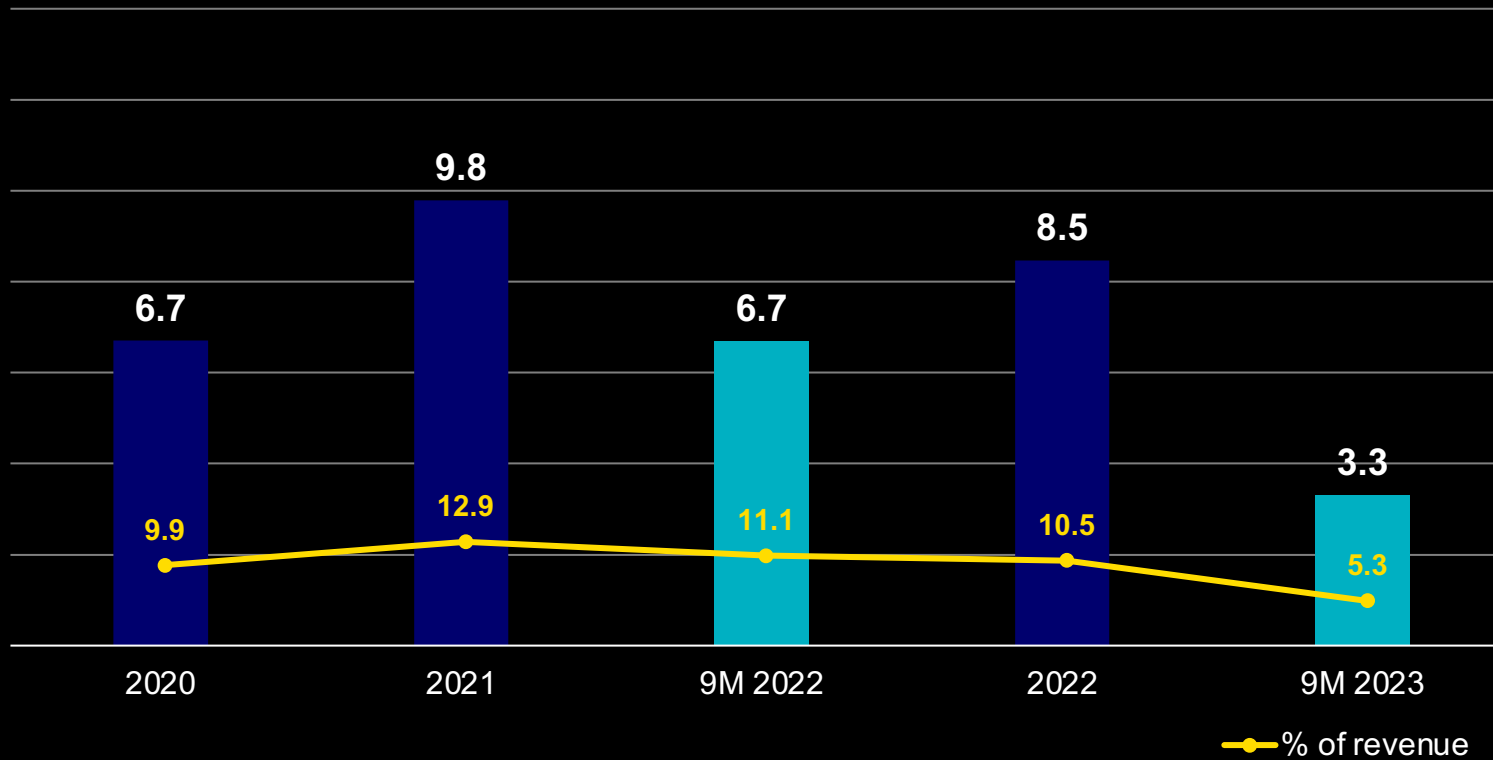


COMMENTS

- Increase in total number of seats by 3.7%
- ARPU development: 9M 2023 stable at year-end level. Slight decline versus 9M 2022
- Continued low gross churn rate of ~0.6% per month underlines quality of product and service and guarantees continuous recurring revenue
 - Slight increase in the rate compared with the prior-year period as a result of a planned post-contract churn of a major customer
- 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

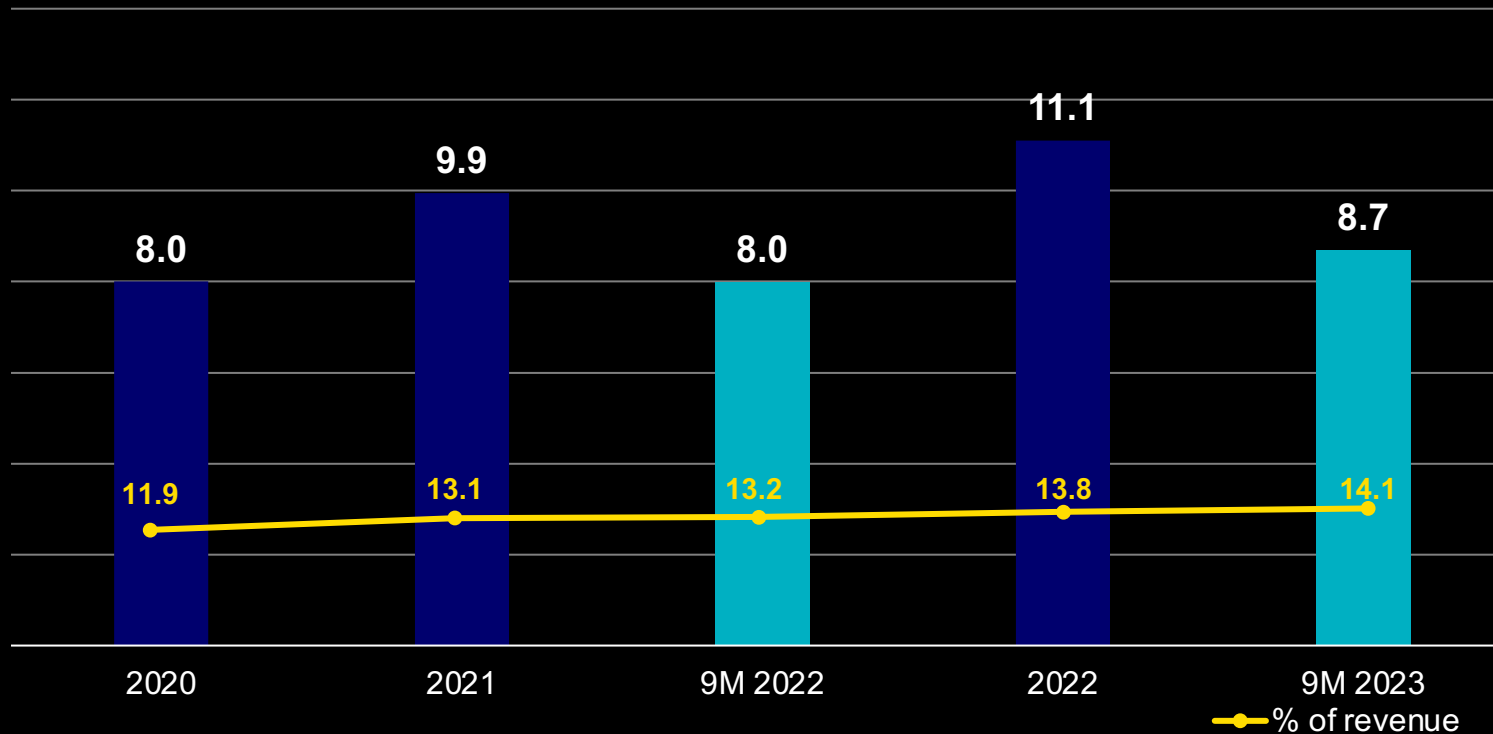


COMMENTS

- Marketing expenses decreased by 50.8% yoy
- Focused and efficient marketing where we see market potential. Channel marketing moves to the fore.

Selling cost slightly higher compared with 9M 2022

Selling expenses in EUR million



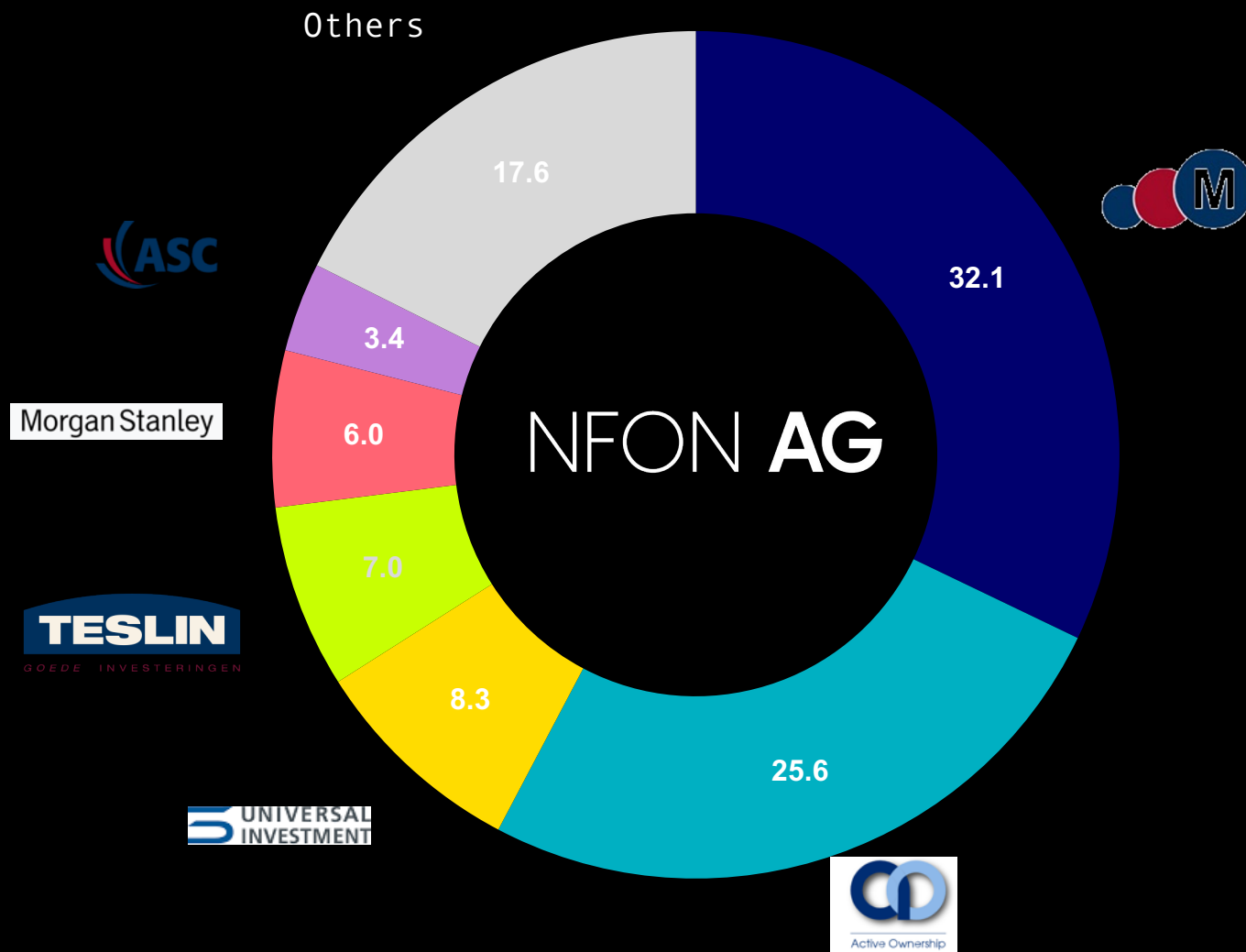
COMMENTS

- 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 8.9% yoy
- Overall selling cost might continue to rise slowly mainly as a result of a channel shift from direct business to the commission-based partner channels
- No further significant changes are expected

Share at a glance

ISIN	DE000A0N4N52
Segment	Prime Standard/ Telecommunication
Shares	16.6 million (29 March 2021)
Designated sponsors	Baader Bank ODDO Seydler
First day of trading	11 May 2018
Coverage	Berenberg Bank, Baader Bank, Hauck & Aufhäuser, ODDO

Shareholder structure*
in %, as of 22 November 2023



*based on the voting rights notifications submitted to NFON AG

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



Gernot Hofstetter
CCO

- At NFON since 2018
- Previous position:
 - MD Austria and Central and Eastern Europe (CEE)
- > 20 years of experience, working as MD and Sales Manager for several telecom companies in Austria



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



Merano Mettbach
CSO (Germany)

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



Heinke Bock
CPCO

- At NFON since 2018
- Previous position:
 - VP HR
- > 20 years of experience in leading positions within HR and Legal Counseling



Deniz Beskök
CTO (interim)

- At NFON since 2007
- Previous position:
 - VP Engineering and Agile Transition
- > 20 years of experience within the IT /telco industry and has held various key positions

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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FRIEDERIKE THYSSEN
Investor Relations & ESG

NFON AG

Machtlfinger Strasse 7
81379 Munich, Germany

Phone: +49 (0) 89 453 00 449
ir-info@nfon.com

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Thank you