



MNF Group Annual Results Presentation

Rene Sugo, Group CEO
15 August 2017



Corporate Profile



Opportunity Update



Case Studies



Financial Performance



Roadmap





Corporate Profile

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Why invest in MNF Group?



Credible player in big market



Future-proof cloud voice network



Diversified voice services portfolio



In-house software intellectual property

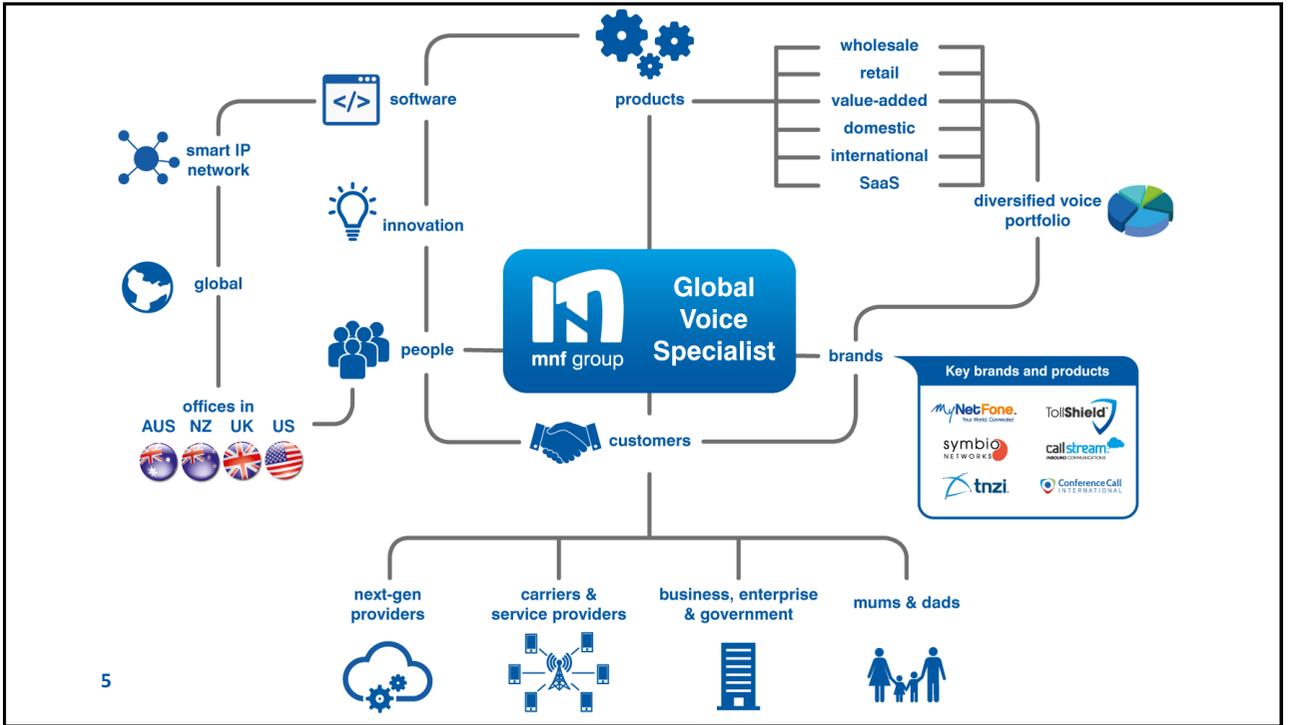


Consistent long term EBITDA growth

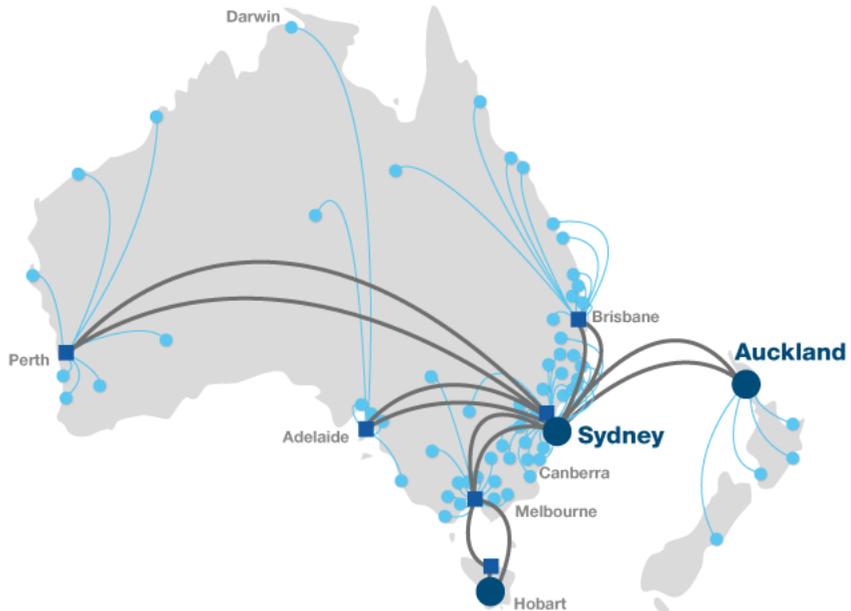


Global growth potential

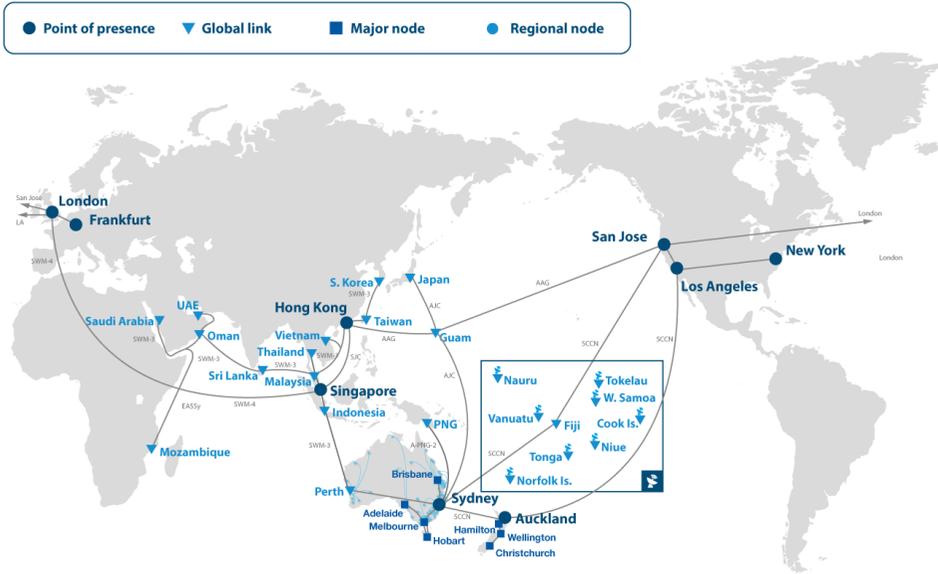
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MNF Group domestic network



MNF Group global network



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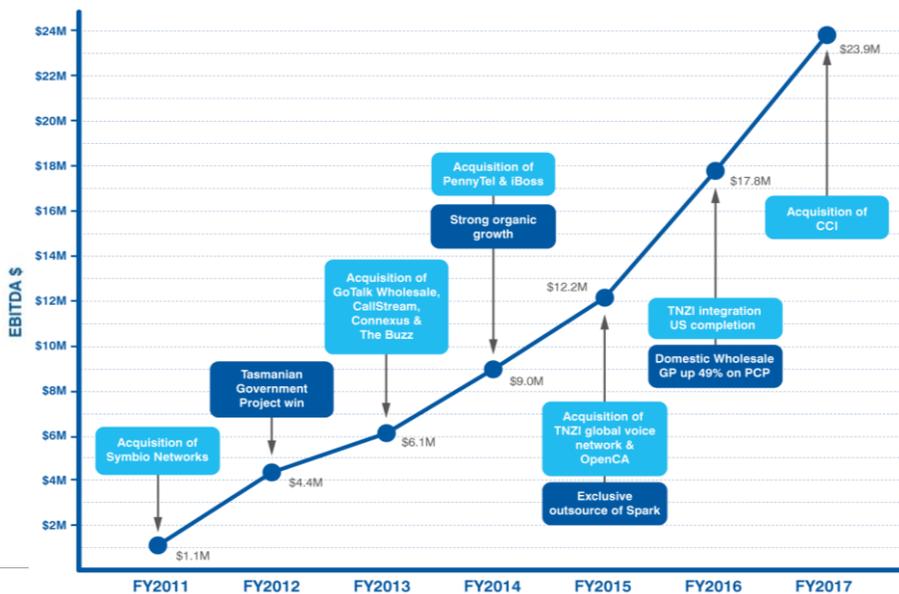
Innovation Track Record

- 2017 Best Voice and PBX Provider, CommsDay Edison Awards
- 2017 Vendor Innovation – Emerging, ACOMMS
- 2016 Vendor Innovation – Emerging, ACOMMS
- 2017 Best Global Voice Services Company, APAC Insider NZ Business Awards
- 2016 NSW Business Services Winner for Tollshield Fraud Protection, iAwards
- 2016 NSW Innovation and Platforms Winner for Tollshield Fraud Protection, iAwards
- 2016 National Winner for Tollshield Fraud Protection, iAwards
- 2016 Growth Company of the Year, Australian Growth Company Awards



More Information: <https://mnfgroup.limited/about/awards>

Performance Track Record



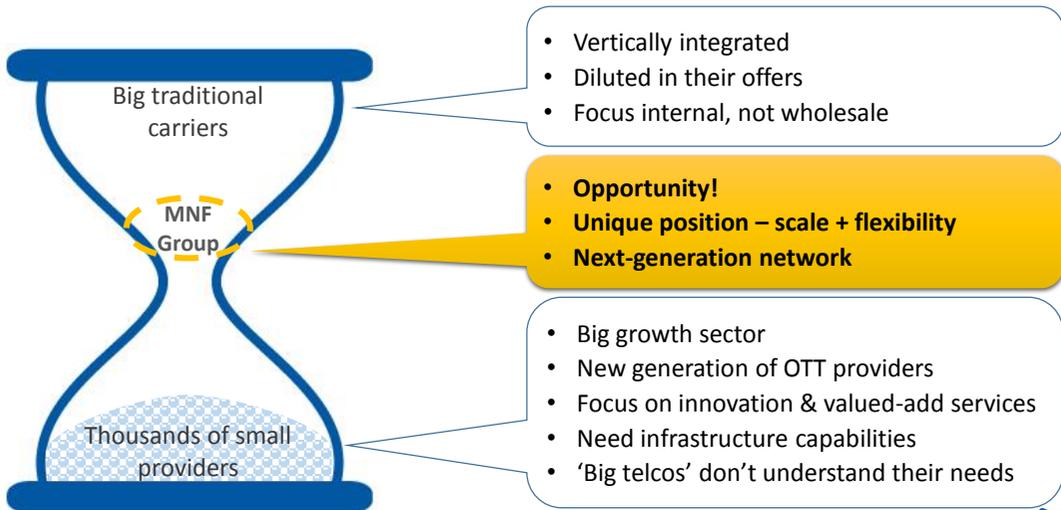


Opportunity Update

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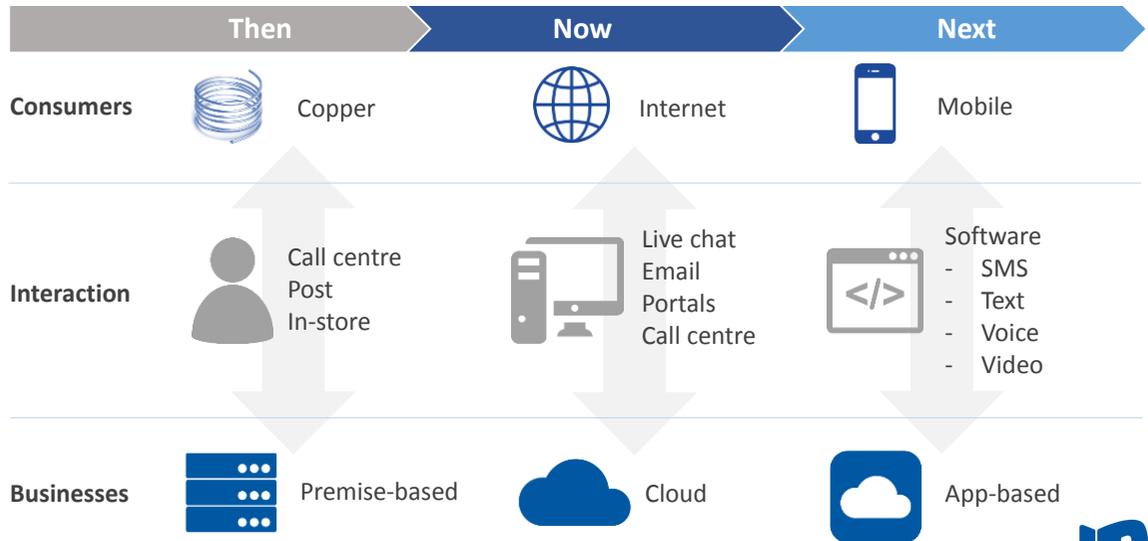
Industry overview



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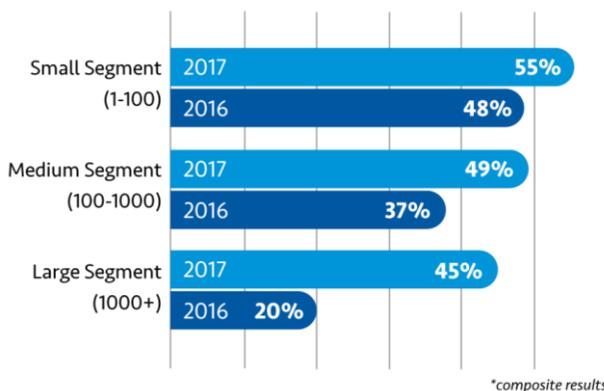
Future of Communications



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Cloud Technology Adoption Trend



- Cloud Unified Communications (UC) Growth substantially higher – large/medium enterprises
- Cloud UC share overall shipments at 51% by 2020
- Businesses will select new cloud solutions and vendors in the next 3 years.

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Source: Broadsoft Survey showing changing customer expectations, 2015 to 2016



Fourth Industrial Revolution?

“New ways in which technology becomes embedded within societies and even our human bodies”

World Economic Forum
COMMITTED TO IMPROVING THE STATE OF THE WORLD

Navigating the next industrial revolution

Revolution	Year	Information
	1 1784	Steam, water, mechanical production equipment
	2 1870	Division of labour, electricity, mass production
	3 1969	Electronics, IT, automated production
	4 ?	Cyber-physical systems

- Digital connectivity for everyone to everything, anywhere and at anytime
- The tools for analysing and using digital data in new ways
- End of Reliance on Fixed Line Telecommunications

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Source: World Economic Forum - What is the Fourth Industrial Revolution?
<https://www.weforum.org/agenda/2016/01/what-is-the-fourth-industrial-revolution/>



Case Studies

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Case Study #1

Pulse

"Empowers government agencies and utilities to manage intelligently and disperse unpredictable surges in call traffic"

- Ritsa Hime
MNF Group COO

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OPPORTUNITY

- Government agencies and utility services often receive sudden and unpredictable peaks in call traffic
- Due to natural disasters, power outages or any other unexpected events
- Unable to handle volume of calls
- Customers frustrated and staff stressed



SOLUTION

- Enterprise-level call management solution
- Help government agencies intelligently manage and disperse unpredictable surges in traffic
- Provide custom call handling depending on the location of incoming calls

Energy utility example



MyNetFone
Your World, Connected

Cab Reservations - 6128320

EDIT GLOBALS

USERS

LOGOUT

Network sync status: ● Ok

AREA	PRIMARY ROUTE	OVERFLOW	FORCE OVERFLOW FOR ALL
Sydney - CBD	Cab Reservations 028008	Generic Operator Busy Message 6128320	OFF
Sydney - East	Cab Reservations 028008	Sydney East Cab Delays 6128320	ON
Sydney - Inner West	Cab Reservations 02		
Sydney - North	Cab Reservations 02		
Sydney - South	Cab Reservations 02		
Sydney - West	Cab Reservations 02		
Outside Sydney	Cab Reservations 02		

GLOBAL DIVERSIONS LIST

Message

Avalanche Message 611800916941

Global Adhoc (Recordable) Message 611800916946

Instructions

- Dial **611800916946**

- Press #99

- When prompted enter the following PIN: **2001**

- Then record your ad-hoc message

CLOSE

Diversion

Customer Service Queue 0286459900

Manny's Test 0403838779

ADD NEW GLOBAL DIVERSION





Case Study #2

Virtual PBX

"no one has come close to building a similar system and believe me I have tried a number of systems"

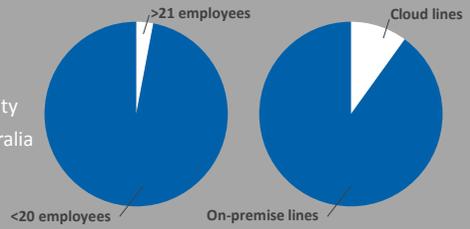
- Luke Comande
Kangaroo Tech founder

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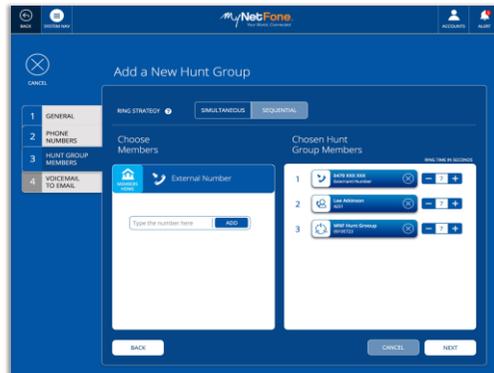
OPPORTUNITY

- NBN forcing move to cloud
- Only 10% of businesses migrated
- Remaining 90% presents opportunity
- 97.7% of 2.12M businesses in Australia have <20 employees



SOLUTION

- Modular 'app' design
- Desktop and mobile app versions
- Build a feature in a few clicks
- Drag and drop functionality
- Easily manage multiple sites
- Perfect for <20 employees = 97.7% of market



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Case Study #3

iBoss

"The flexibility and agility we have with iBoss has supported MEDION Mobile grow our customer base and quickly respond to opportunities that have presented themselves"

- Derek Cummins
MEDION Australia CEO

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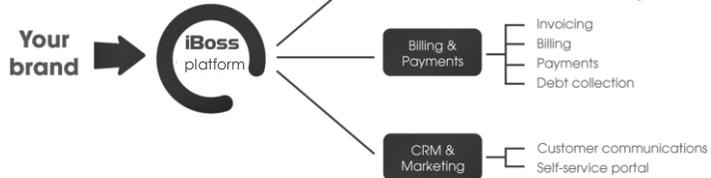
OPPORTUNITY

- NBN triggering both provider changes & rise of mobile-only households
- Non-telco brands entering the market to sell mobile and NBN
- Tier 1 carriers don't want to deal with small-mid sized wholesale resellers
- Providers seeking flexible wholesale solution providers with fast go-to-market



SOLUTION

- Full service offering: NBN & mobile services, whitelabel shop & portal, billing engine, operational support, CRM
- Take a mobile provider to market in 4 weeks
- Non-telco brands benefit from our years of knowledge and experience
- Minimise risk by providing all inclusive product



MEDION operates in Europe, the US and Asia Pacific, selling computers, notebooks, smartphones and other electronics. MEDION is a public company, headquartered in Germany with over 1000 staff and is majority owned by the Lenovo Group - the world's largest PC supplier.

Jim's Mobile Phones

Home | Settings | Search Accounts | Orders | Users | Signout

Jim Smith
 Contact Name: Mr Jim Smith
 Contact Address: 280 George Street, Sydney NSW 2000
 Contact Phone: 0312345678 Mobile: 0412345678
 Account Number: 987654321 Account Password: XXXXX
 Account Balance: \$0.00

(Customer Info) | (Customer Services) | (Billing)

Service Information

Service Name	Start Date	End Date	Service	Status
0412345678	31/01/17		Mobile	Active

Mobile Services

Service Name	Service Number	Data Remaining	Renewal Date	International Remaining
Jim's service	0412345678	0.1 of 1GB	2017/08/18	0

0412345678

Used 0.7GB

Tax Invoice

Mobile Enablement Australia Pty Ltd
 Level 3, 280 George Street
 Sydney NSW 2000
 ABN: 13 168 050 977
 Ph: 1300 132 915

Jim's Mobile Phones

Account Number: 71478
 Invoice Number: 3800588
 Invoice Date: 28/12/2016
 Due Date: 28/12/2016

Previous Balance	Payments Received	Total New Charges	Total Amount Due
\$-38.62	\$0.00	\$38.62	\$0.00

Historical Charges
 Your 2 previous invoices were: 2012/2016 for \$-1.33 and 2012/2016 for \$-37.29

Service Type: mobile
 Total (INC-GST): \$38.62
 (See over for breakdown of charges)

Paid

Charges Ex GST: \$35.11
 GST: \$3.51
 Total New Charges: \$38.62

Jim's Mobile Phones
 Acting as an agent for Mobile Enablement Australia Pty Ltd (ABN: 13 168 050 977).
 You can contact us on 1300 132 915 during business hours Mon - Fri 9am - 5pm.

Please note: your plan is renewed and payment is taken automatically on the same day each month, it is important that you have funds available and keep your payment details up to date. We will notify you to let you know whether your automated payment has been successful or if full (manual) payments can fail for a number of reasons. If you are unable to process your payments, you will need to make a manual payment to ensure your service is not suspended, please login to your account to do this.



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Financial Performance

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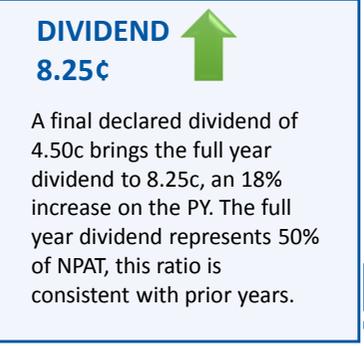
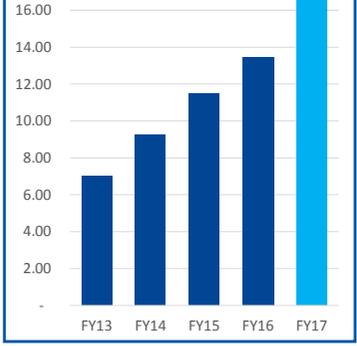
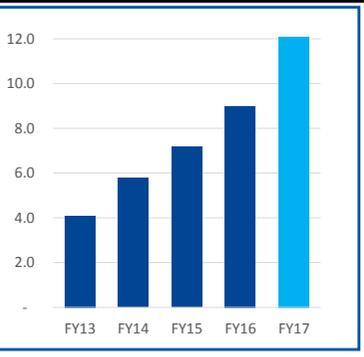
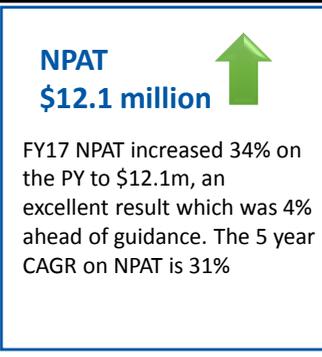
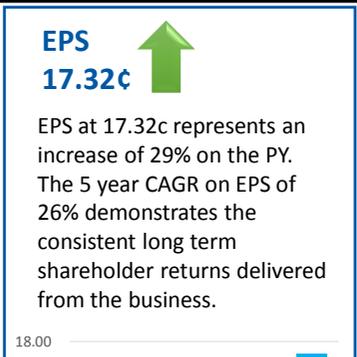
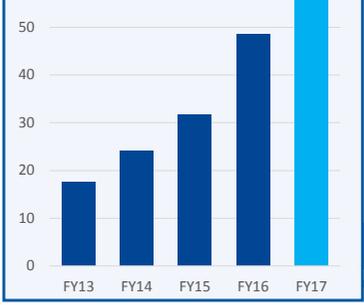
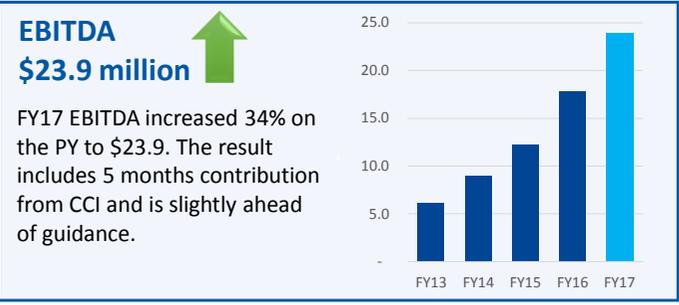
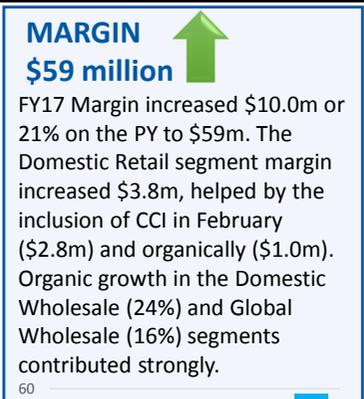
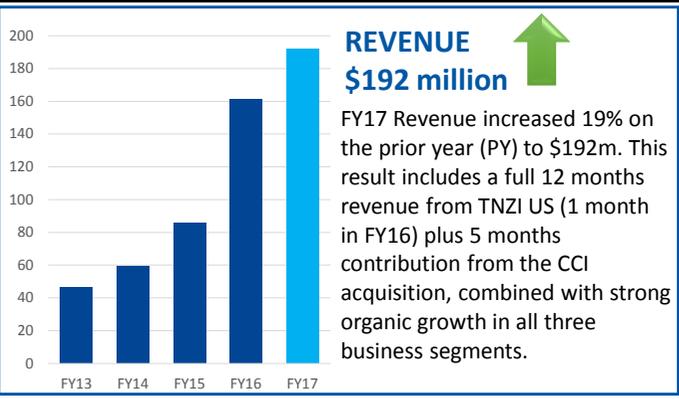
Financial Highlights FY17

Reported Result	FY17	FY16	Δ
Revenue	\$191.8m	\$161.2m	+19%
Gross Profit	\$58.6m	\$48.6m	+21%
EBITDA	\$23.9m	\$17.8m	+34%
NPAT	\$12.1m	\$9.0m	+34%
Earnings per share (cents)	17.32	13.45	+29%
Dividend per share - fully franked (cents)	8.25	7.0	+18%
Net Tangible Assets (NTA) per share (cents)	28.4	12.1	+135%

- Results include 5 months contribution from CCI.

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PER SEGMENT GROSS MARGIN



Domestic Retail margin is up 25% YoY, a combination of organic growth of 7% and the additional of 5 months of CCI.

Domestic Wholesale margin up another strong 24% YoY organically with further growth potential.

Global Wholesale performing inline with expectation with full year margin growth of 15% YoY.

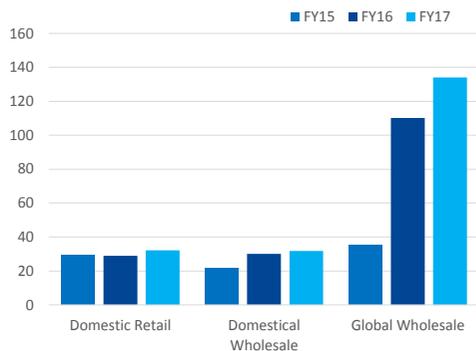
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PER SEGMENT REVENUE

Domestic Retail revenue up 11% YoY.

Domestic Wholesale growth is fully organic, and mainly high value recurring business.

Global Wholesale revenue growth assisted by the inclusion of a full 12 months of TNZI US business and new business from network upgrades in London, Los Angeles and Hong Kong. Up 24% YoY.



Free Cash Flow

	FY17 \$m	FY16 \$m
Operating cash flow	19.9	15.5
Tax paid	(3.0)	(4.4)
Net interest	0.5	(0.7)
Net cash flow from operating activities	17.4	10.4
Capital expenditure	(9.6)	(6.0)
Free cash flow	7.8	4.4

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Capital Expenditure Overview

- Global Strategy expense within initial expectations and already delivering increased revenue performance.
- Sustaining Engineering expense lower than expected due to use of in-house software assets.
- Office Accommodation investment is a non-recurring expense due to growth in Sydney and Melbourne based teams.
- Customer Driven Investment represents specific deployments based on contracted customer business – i.e. Vic Gov TPAMS deployment.
- Overall CAPEX expectation for FY18 is under \$6m, subject to Customer Driven Investment requirements.



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Free Cash Flow Utilisation

	FY17 \$m	FY16 \$m
Free cash flow	7.8	4.4
Dividend payments	(5.1)	(4.5)
Increase in equity	22.6	16.5
Acquisitions	(17.0)	0.2
Net Debt movement	(2.5)	(11.6)
Other	(4.6)	41.6

- Cash on hand \$52.4m (FY16: \$52.9m).
- Minimum debt repayments required in FY18: \$2.5m (FY17: \$2.5m).
- Debt outstanding \$11.2m (FY16: \$13.7m).
- No net debt as of 30th June 2017.
- Material items in 'other' include: Receipts on supplier novations (FY16), settlement of financial instruments.

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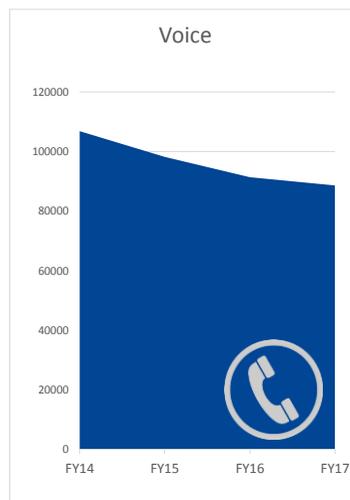
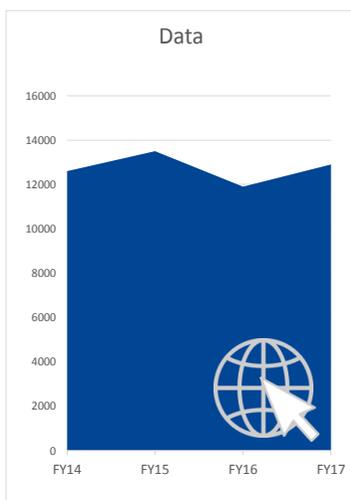
Investor Metrics

Metric	Value
Number of Shares	72.8m
Share Price	\$4.80
Market Capitalisation	\$350m
FY17 Total Dividend (fully franked)	8.25 cents

➤ Share price is as at 14 August 2017



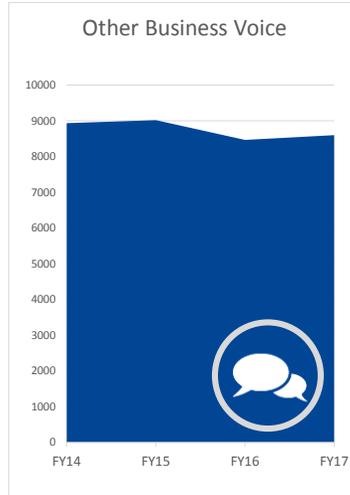
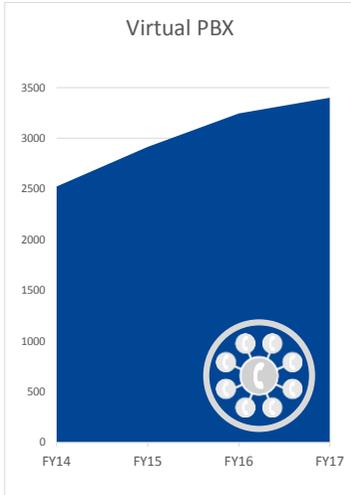
Services in Operation: Domestic Retail – Residential



- Residential data services increased 8% YoY to 12,900 benefiting from increase conversion to NBN.
- NBN subscribers grew 137% YoY. However MNF is yet to market NBN aggressively due to customer experience and delivery issues inherent with the NBN.
- Residential voice services still in gradual decline of 3.1% YoY. Decline is stabilising due to new plan offers and NBN bundles.



Services in Operation: Domestic Retail – Small to Medium Business

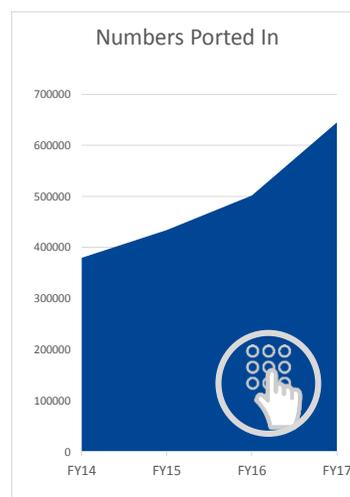
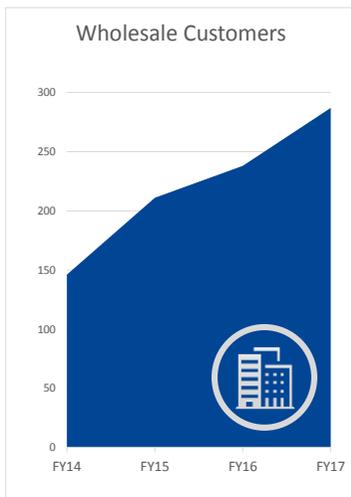


- Organic growth in Virtual PBX was 5% with 3,400 SIO's.
- New VPBX bundle offers have increased the rate of acquisition without requiring increased marketing spend.
- New PBX product refresh launched in July 2017.
- Government & Enterprise sector growing strongly with new wins in Vic Gov TPAMS. New revenue should continue to develop through out FY18.

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Services in Operation: Domestic Wholesale



- New wholesale service provider customers grew 21% YoY to 287.
- Number portability remains strong with 29% YoY growth to 645,000 numbers.
- Overall hosted numbers grew to 17% YoY to 3.1 million numbers across domestic network.
- Wholesale aggregation services (iBoss) grew 83% up to 5,500.

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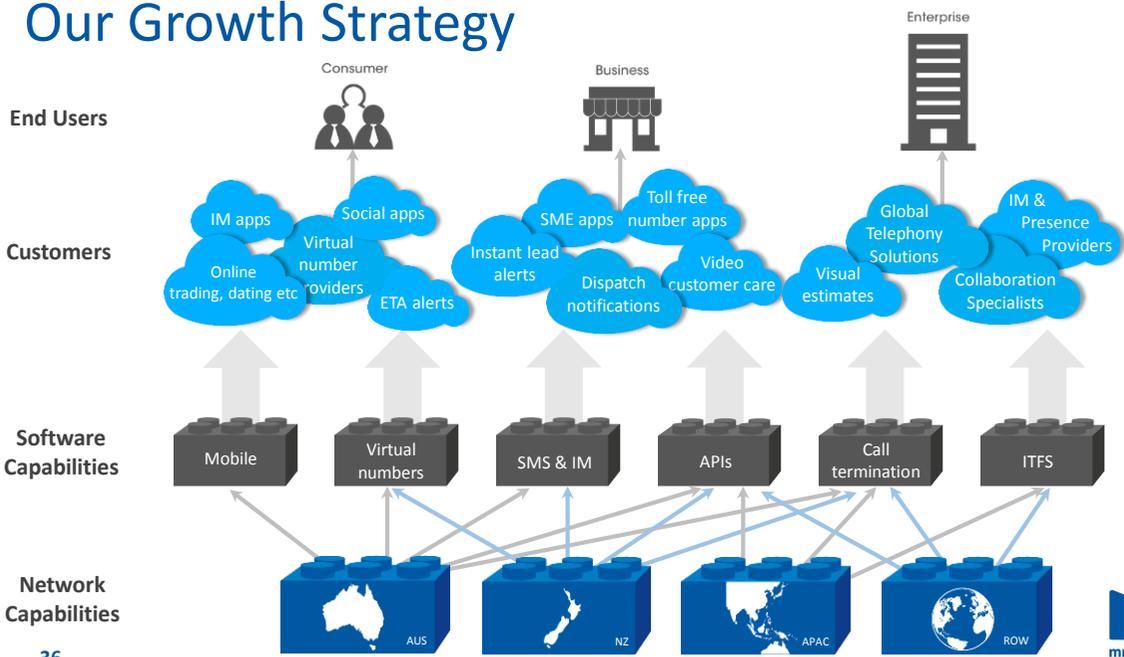


Roadmap

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Our Growth Strategy



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Our 4 Dimensional Growth Strategy



Geographic Expansion



→
Growth in new countries throughout the Asia-Pacific region



Enhanced Software Capabilities



→
Expansion of software capabilities & products



New Customer Acquisition



→
Acquiring new wholesale business, enterprise and government customers



Existing Customer Expansion



→
Customers continue to acquire incremental capabilities from our company



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Domestic Retail



Residential – cautious approach to NBN. Continue defensive strategy while waiting for NBN impact to play out in the market.



Small Business – continue to drive aggressive product strategy lead by Virtual PBX product suite.



Government & Enterprise – continue to deliver on existing contracts and panel arrangements, continue targeting new tender opportunities, while developing more specialised high value solutions leveraging MNF's expertise.



Conference Call International – continue to drive organic growth through increasing market share, grow product portfolio leveraging MNF's software skills.

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Domestic Wholesale



Continue to execute current strategy of being the enabler of choice for small service providers in the Australia and New Zealand communications markets.



Continue to develop ground breaking software solutions to disrupt and innovate in the domestic market.



Focus on New Zealand domestic market leveraging TNZI network assets.



Global Wholesale



Continue to execute TNZI post-acquisition strategy and increase market share of legacy usage based products.



Continue to roll out Symbio (domestically developed) managed services products into global market.



Become the “go-to” specialist for voice services in Asia-Pacific region by continuing to develop infrastructure and relationships in the region.

Thank you

- For further information please contact:

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- Visit our new corporate web site <http://mnfgroup.limited>

- Did we mention our awards?



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