



Annual Results Presentation

Rene Sugo, Group CEO
28th August 2018



Agenda



Financial Performance



Corporate Overview



Business Overview



View the MNF Journey

Find out where it all began...
<https://mnfgroup.limited/about>



Financial Performance

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Financial Highlights FY18



Reported Result	FY17	FY18	Δ
Revenue	\$191.8m	\$220.7m	+15%
Gross Margin	\$58.6m	\$69.0m	+18%
EBITDA [^]	\$23.9m	\$24.6m	+3%
NPAT	\$12.1m	\$11.9m	-2%
Earnings per share (cents)	17.32	16.25	-6%
Total dividend per share - fully franked (cents)	8.25	8.35	+1%
Net Tangible Assets (NTA) per share (cents)	28.4	37.6	+32%

➤ [^] Result includes one-off investment into the Pennytel brand of \$2.3 million and excludes acquisition costs.

➤ EBITDA of 24.6m is at 98.4% of guidance

➤ NPAT of 11.9m is at 95% of guidance, NPAT includes \$0.3m of un-forecast acquisition costs

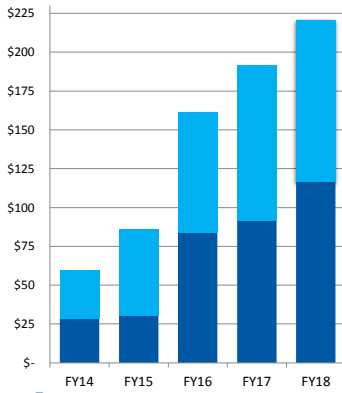
4 ➤ NPAT was also impacted by an increase in the Group's marginal tax rate to 29% (FY17: 27%)

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REVENUE

\$220.7 million ↑

Consolidated Group Revenue increased to \$220.7 million up 15% from the previous year. All segments contributed with organic revenue growth, in conjunction with a full year contribution from CCI acquisition (February 2017).

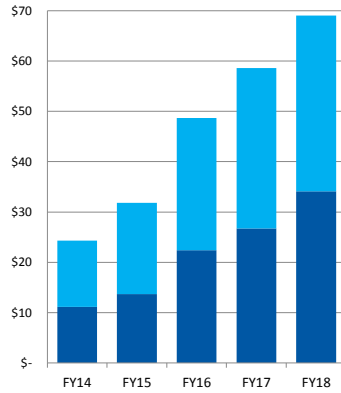


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MARGIN

\$69.0 million ↑

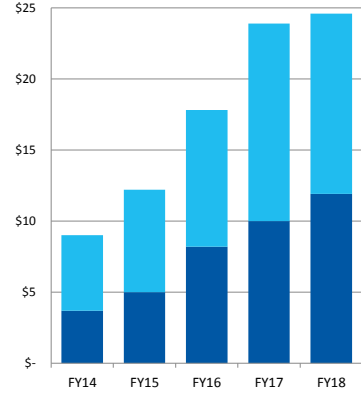
Gross Margin increased by 18% on the PCP to \$69.0m. With all segments contributing to that YoY growth. Given the diverse range of margin levels in the portfolio MNF prefers use Gross Margin as the top level indicator of performance.



EBITDA

\$24.6 million ↑

EBITDA rose marginally by 3% for the full year to \$24.6m impacted by a one-off investment into the Pennytel brand launch of \$2.3M.

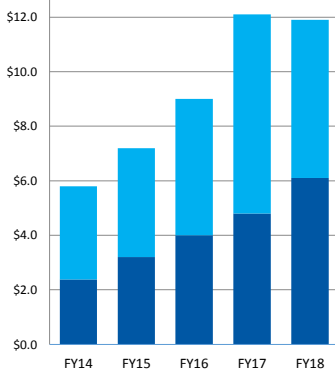


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NPAT

\$11.9 million ↓

While PBT saw a marginal YoY increase, NPAT saw a small decrease impacted by the Groups marginal tax rate increasing from 27% (FY17) to 29% (FY18), and impact of investment in the Pennytel brand launch.

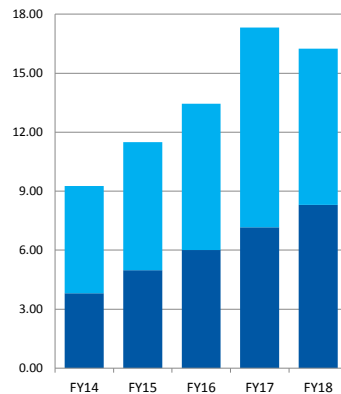


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EPS

16.25¢ ↓

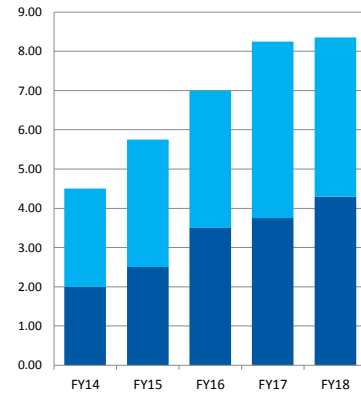
EPS decreased by 1.07c. While NPAT was flat YoY, the full dilutionary impact of the February 2017 share placement & SPP weighed on the EPS calculation.



DIVIDEND

8.35¢ ↑

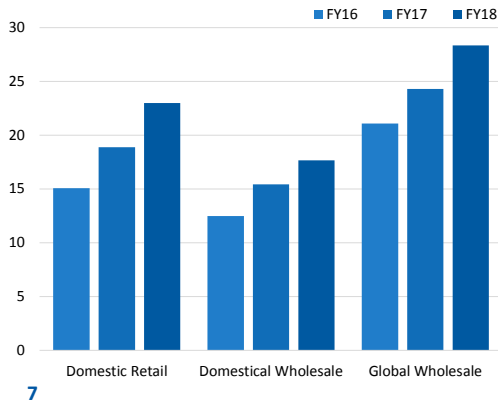
Fully franked total dividends of 8.35 cents per share were declared for FY18. A slight increase on prior year, and consistent with our policy of returning half of NPAT to investors.



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PER SEGMENT GROSS MARGIN (\$M) ↑

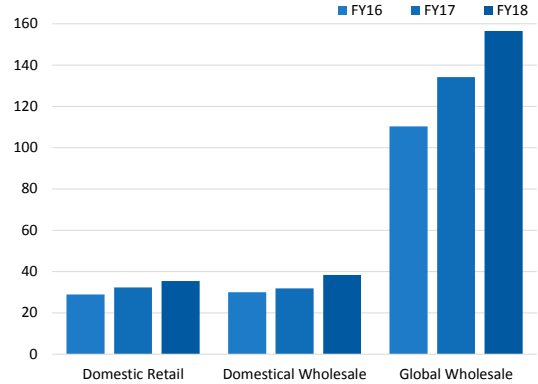
Overall Gross Margin is up 18% due to strong organic growth (12% underlying) and the contribution of a full year of CCI margins. Overall margin is slightly below management expectations due to volatility in Global Wholesale usage revenues in H2.



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PER SEGMENT REVENUE (\$M) ↑

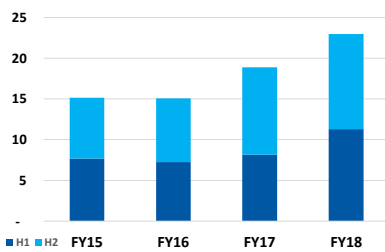
Overall Revenue is up 15%, Domestic Retail and Domestic Wholesale were both consistent with management expectations. Given the diverse range of margin levels in the MNF Group portfolio we prefer to use Gross Margin as our top level indicator of performance.



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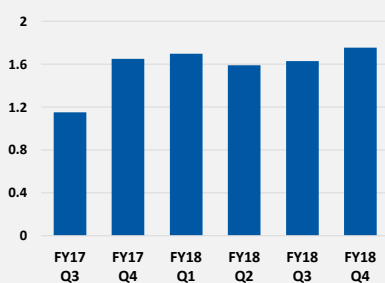
Domestic Retail Overview

Retail Sub-Segment Margin Trend (\$M)



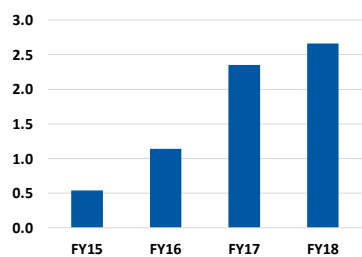
- Gross Margin 65% of Revenue (FY17 59%)
- Domestic Retail gross margin grew 21.6% YoY due largely to a full year contribution of the CCI acquisition
- Underlying organic growth in retail gross margin was 1.3% due to structural decline in legacy consumer customer base
- Pennytel relaunch yet to have a meaningful impact on gross margins

CCI Gross Margin Trend (\$M)



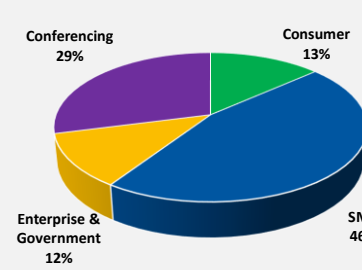
- The CCI acquisition is performing well, with overall gross margin up 10% in H2 on PCP
- Business and Network integration complete, together with capacity expansion in preparation for growth
- New product offerings under development for FY19 launch

Enterprise & Government Gross Margin Trend (\$M)



- E&G margin grew 13% YoY due to early contribution from new Microsoft Skype for Business product launch
- Additional product capabilities for Broadsoft due to come on-line in FY19.
- E&G expected to do well in FY19 with new product capabilities

FY18 Segment Gross Margin Split



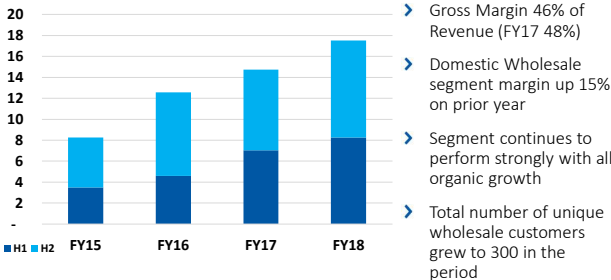
- Segment gross margin split shows a well balanced portfolio across 4 independent customer bases.
- Virtual PBX (in SMB) subscribers grew 13% in the period to 3,842. ARPU sitting at \$170 per subscriber. Gross adds sitting at around 100 per month, indicating solid growth for FY19

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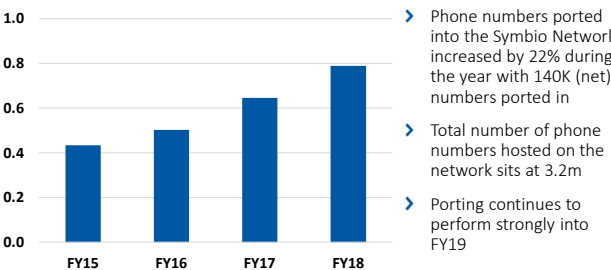
Domestic Wholesale Overview



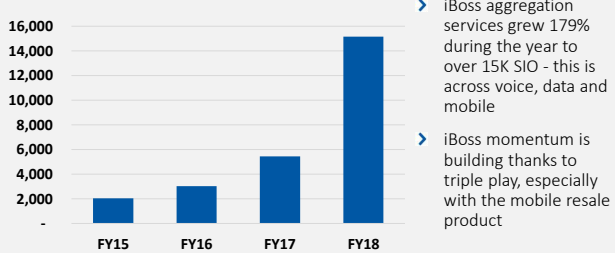
Gross Margin Trend (\$M)



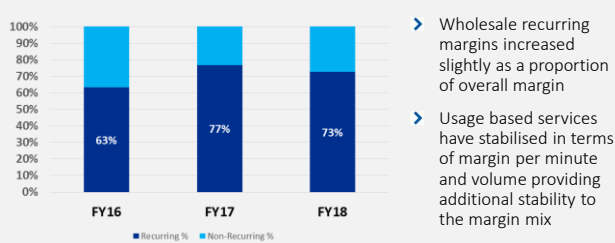
DID's Ported In (M)



iBoss Wholesale Services



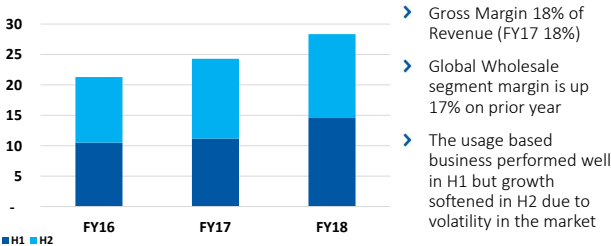
Recurring Vs Non-Recurring Margin



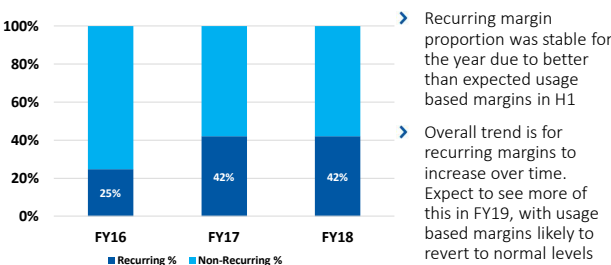
Global Wholesale Overview



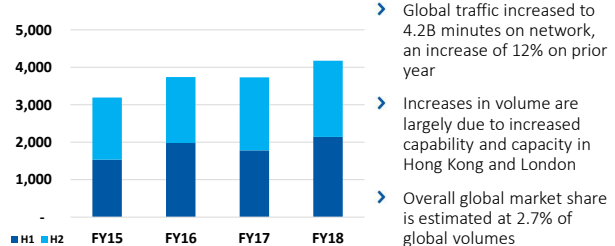
Margin Trend (\$M)



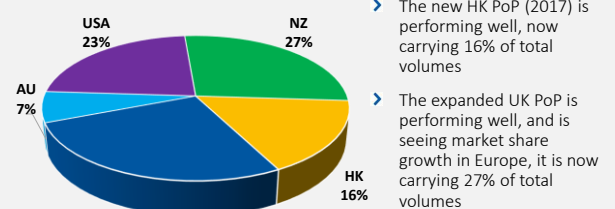
Recurring Vs Non-Recurring Margin



Minutes Trend (M)

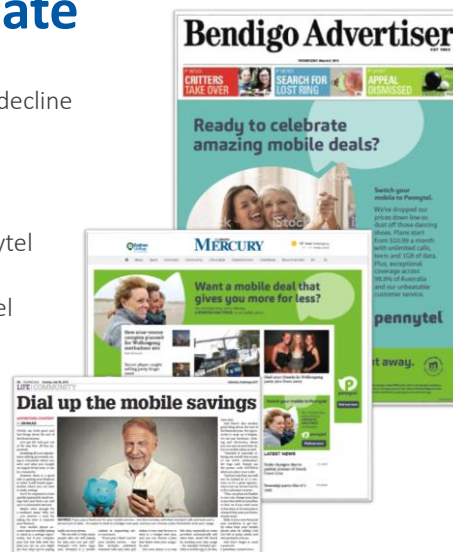


June Minutes by PoP



Consumer Sub-Segment Update

- MNF was originally a residential consumer business
 - Traditional products of home-VoIP and DSL in structural decline
- Future of Consumer Sub-Segment is NBN and Mobile
- Re-launched Pennytel brand in February 2018
 - Once-off \$2.3m investment
 - Consolidating all future residential products under Pennytel
 - Launch a success, slow ramp up but run rate increasing
 - Ongoing cost to maintain in FY19 is \$0.5m at EBITDA level
- Leveraging key core assets
 - Software eco-system
 - Experience enabling very large house-hold names
 - Extensive niche residential marketing experience
 - Telstra Wholesale MVNO agreement
 - Strategic marketing partnership



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Free cash flow

	FY16 \$M	FY17 \$M	FY18 \$M
Tax paid	(4.4)	(3.0)	(4.6)
Settlement of financial assets/liabilities	-	(3.9)	(0.1)
Net Interest paid	(0.7)	0.5	0.1
Net receipt/payments (ex working capital movements)	17.3	25.4	23.5
Normalised operating cash flow	12.2	19.0	18.9
Effect of working capital movements	39.6	(5.6)	(35.2)
Statutory operating cash flow	51.8	13.4	(16.3)
Expenditure on capital and intangible assets	(6.1)	(10.1)	(11.2)
Free cash flow	45.7	3.3	(27.5)

- Operating cash flow in 2016 was inflated by a large supplier novation which resulted in \$41.5m added to cash and trade creditors
- This was seen in the 2016 working capital movement. This amount was largely traded down in 2018 and is seen in the negative working capital movement in 2018

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Free cash flow utilisation

	FY16 \$M	FY17 \$M	FY18 \$M
Free cash flow	45.7	3.3	(27.5)
Dividend payments	(4.5)	(5.1)	(6.4)
Increase in equity	16.5	22.6	1.2
Acquisitions	0.2	(17.0)	(0.6)
Net debt movement	(11.6)	(2.5)	(0.5)
Other	0.3	(1.8)	0.3
Net movement in cash	46.6	(0.5)	(33.5)
Opening cash balance	6.3	52.9	52.4
Closing cash balance	52.9	52.4	18.9

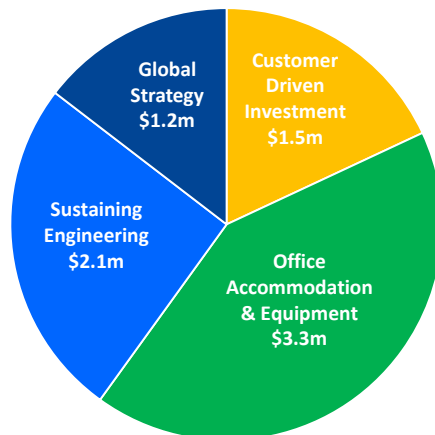
- Cash on hand \$18.9m (FY17: \$52.4m, FY15: \$6.3m)
- Min. debt repayments required in FY18: \$2.5m (FY17: \$2.5m)
- Debt outstanding \$10.7m (FY17: \$11.2m)
- No net debt as of 30th June 2018
- Other includes mostly impact of FX movements
- FY18 balance sheet position the strongest to date with NCA at \$14.9m (FY17:\$12.8m)

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Capital Expenditure Overview

- FY18 CAPEX was \$8.1m (FY17: \$9.6m)
- Global Strategy \$1.2m (FY17:\$3.5m) within initial expectations and delivering increased revenue performance, (NZ) network deployment
- Sustaining Engineering \$2.1m (FY17: \$2.0m) expense consistent with PY and expectations
- Office Accommodation and employee equipment expense \$3.3m (FY17: \$2.0m) due to recent rapid growth in Sydney and Melbourne teams
- Customer Driven Investment \$1.5m (FY:17 \$2.1m) represents specific deployments based on contracted customer business
- Overall CAPEX expectation for FY19 is estimated at \$8.0m, subject to Customer Driven Investment requirements



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Investor Metrics



Metric	Value
Number of Shares	73.1m
Share Price	\$5.86
Market Capitalisation	\$428m
FY18 Total Dividend (fully franked)	8.35 cents

- > Share price is as at 24 August 2018
- > A Dividend Reinvestment Plan (DRP) is in place for this dividend

Dividend Timetable:

Record Date:	10 September 2018
Closing date for DRP election forms:	11 September 2018 (5pm AEDT)
DRP Announcement:	20 September 2018
Final Dividend Payment Date:	4 October 2018



Corporate Overview

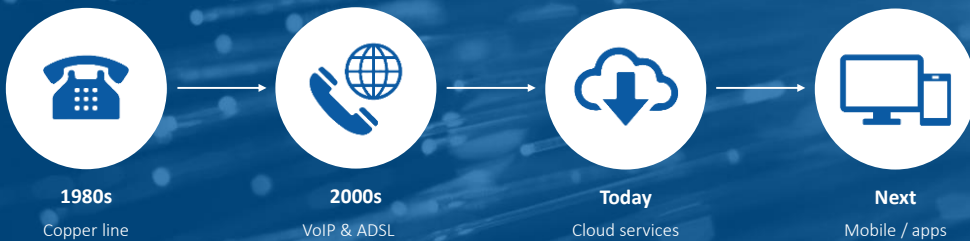


We're redefining the communications experience through software led solutions...



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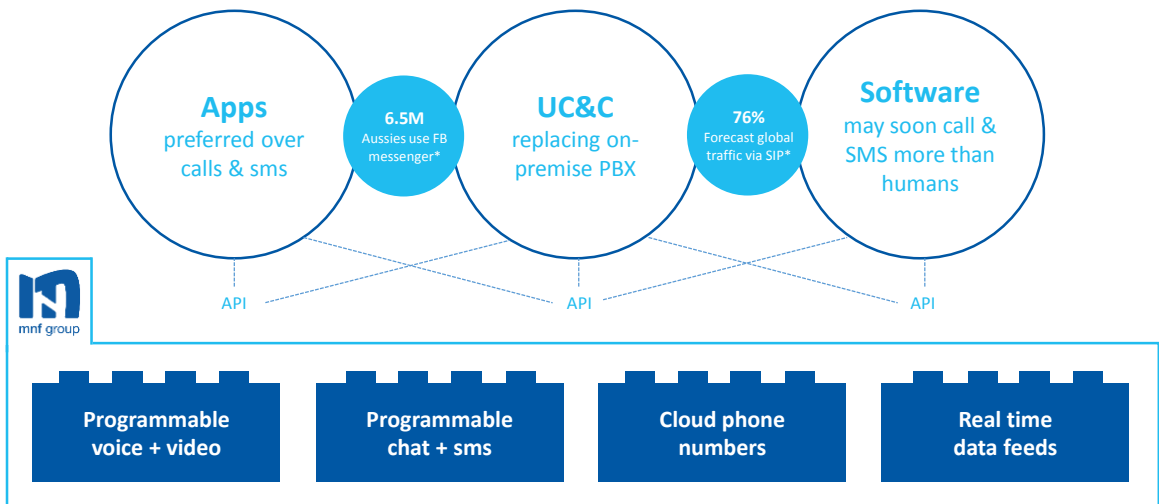
Communications is changing



...and MNF is leading the way

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3 Key Trends – Underpinned by MNF



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Sources: OVUM 2018, Eastern Management Group 2016, Boy Morgan 2016, ACMA 2017 © MNF Group Limited 2018

The future of communications is...



Any-Any-Any



Mobile



Real time



Agile

...only possible through cloud platforms

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**Our platform enables
embedded capabilities...**

Mobile
Virtual numbers
SIP Trunks
SMS & IM
Global termination
Telco back-end



**...that we sell to telcos
and disruptors...**

MVNOs
Emerging telcos
Global carriers
App developers
Software companies
Enterprise



**...and use to power our
own innovation**

Industry technology
Voice services
Conferencing
Apps & portals
Vertical brands

The Endless Horizon

Our innovation transforms telecom services
into enablers of future technology.

This is just the start...



+612 8008 8231

Mobile
Landline

Past
Present
Future

VoIP
Ucaas
A2P
IVR
A2A
AR
IoT
MvIP
Verification
Identity
M2M
Security
AI routing
eHealth

90%

of the apps and
services that will
generate our
future revenue
don't exist yet

*



Business Overview

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Our 4-dimensional growth strategy



Geography

Expand infrastructure and presence throughout the Asia-Pacific region



Software

Expand our communications platform with new capabilities and products



Market share

Acquire new customers with targeted brands and tailored products



Wholesale partnerships

Build long term customer relationships with steady margin growth

+ 1



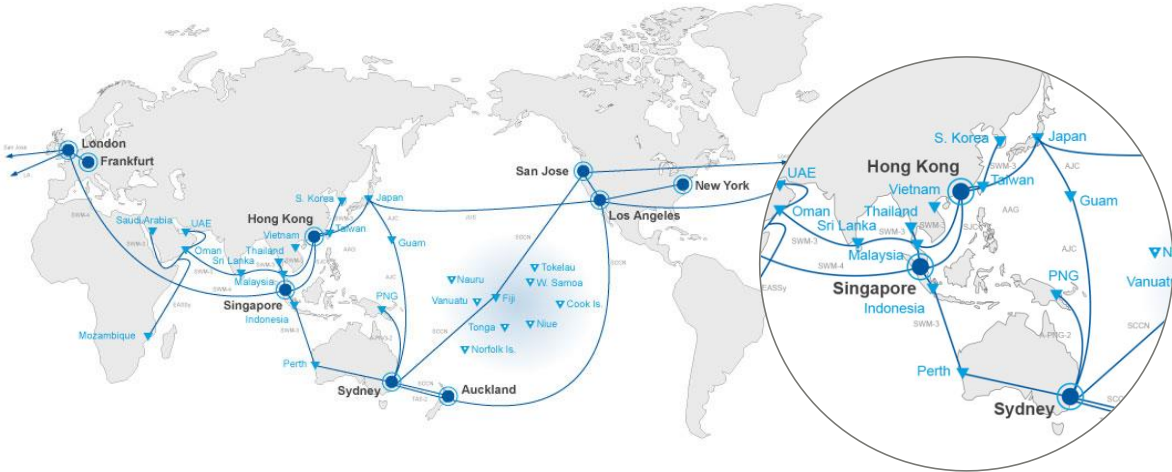
Acquisitions

Careful strategic addition of businesses that compliment or expand our capabilities

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Our global reach



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NZ Snapshot

Symbio NZ is disrupting the local market. Our first wholesale customers have been onboarded, traffic is flowing.



Population
\$4.9M



Telco operators
5 Spark, Vodafone, Vocus, Trustpower, 2 degrees



Mobile connections
6.4M



Mobile minutes
8.77B

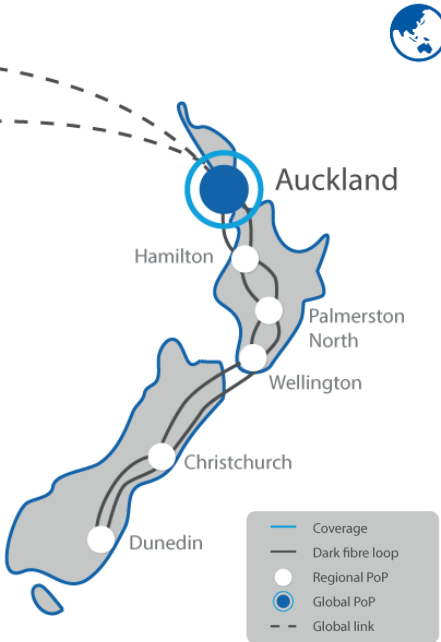


Fixed broadband
1.58M

Fastest uptake of fibre broadband in the developed world



Fixed voice minutes
3.44B



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Sources: stats.govt.nz | [Annual Telecommunications Report 2017](#) © MNF Group Limited 2018

Singapore Snapshot

Acquisition on **Super Internet Access** provides a regional foundation for growth, plus technical expertise that expands our Enterprise & Government capabilities.



Population
5.61m



Telco operators
4 Singtel, StarHub, M1, TPG, Telecom (starting mid 2018)
(MVNO penetration is growing rapidly, currently just 2)



Business & Corporate line subscribers
700,000



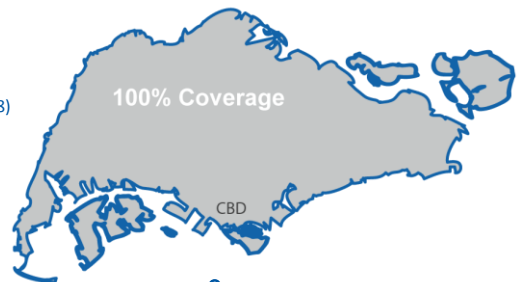
Mobile subscriptions (2G+3G+4G)
8,464,400



Residential line subscribers
1,300,100



Outgoing retail international telephone call minutes
351,563,900



Dark fibre loops in CBD



FBO license

NetLinkNBN NBN coverage

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Sources: mda.gov.sg | singstat.gov.sg © MNF Group Limited 2018

Enterprise & Government

- Technology change is driving transition from legacy telecoms
- MNF is executing on this opportunity:
 - Dedicated brand (MNF Enterprise)
 - Accredited by major procurement frameworks
 - Unified Communications solutions
 - Expertise + experience
- Active pipeline for *Cloud Connect* - enabling calling via Office 365 and Teams
- Recent addition of NSW Government

MNF
Enterprise



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Thank you

✉ For further information please contact:
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☎ +61 (2) 9994 8590

🖱 Visit our new corporate website
<http://mnfgroup.limited>

🖱 Investor Webinar
When: Tuesday 28th August 2018
Time: 3pm-4pm

➡ Register here:
[FY18 Full Year Results Registration](#)

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