



mnf group

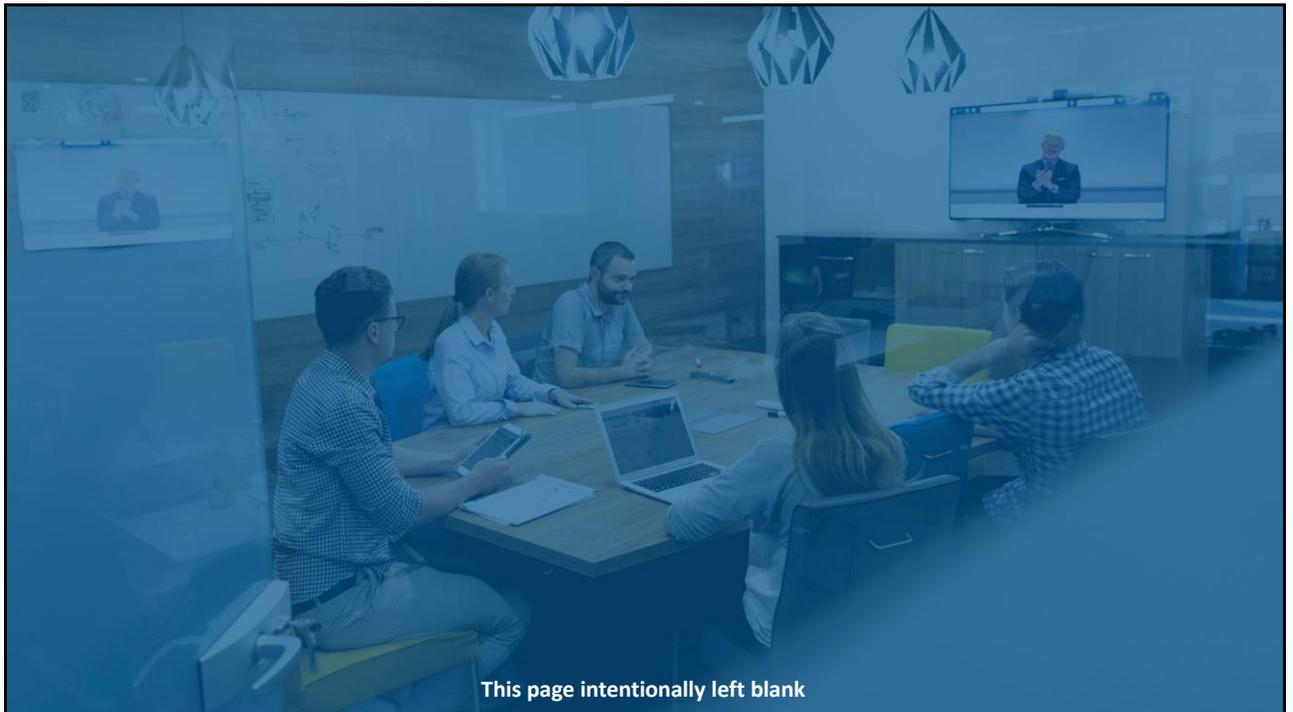
View the MNF Journey

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

US Roadshow Presentation

Rene Sugo, Group CEO

6 May 2019



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Introduction to MNF Group

- MNF Group Limited (ASX:MNF) delivers cloud and software led solutions that enable voice communication services for its customers
- Develops and operates a global communications 'smart network' and innovative software suite enabling some of the world's leading innovators to deliver new-generation communications solutions
- One of Asia-Pacific's fastest growing technology companies and is headquartered in Sydney, Australia, with over 450 people located across Asia-Pacific, Europe and North America
- Growth leveraged to the "once in a generation" global shift to cloud based communications, and is a leader in the space in Asia-Pacific

3

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UCaaS

Unified Communication as a Service

- *An approach to unifying real-time business communication tools into a single, streamlined platform; bringing together services such as voice, video, collaboration tools, file sharing, messaging, and more*
- *UCaaS is delivered through cloud services and provides a streamlined user experience across multiple devices*
- *"UCaaS connects any device to any other device via cloud or traditional telco infrastructure with software"*

CPaaS

Communication Platform as a Service

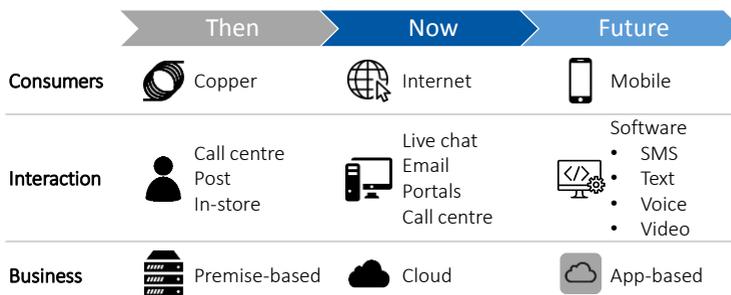
- *A cloud-based platform that powers and delivers real-time communication (voice, video and messaging) for websites and apps*
- *Allows website and software developers to add real-time communications to their products without the need to invest in underlying infrastructure*
- *"CPaaS acts as the conduit that connects the internet-enabled world to the 'real-world' of physical and mobile phone lines"*

4

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Evolution of communication

- Proliferation of communications methods, enabled by new technology
- Software companies have developed UCaaS and CPaaS products to enable interoperability of multiple communication channels



5

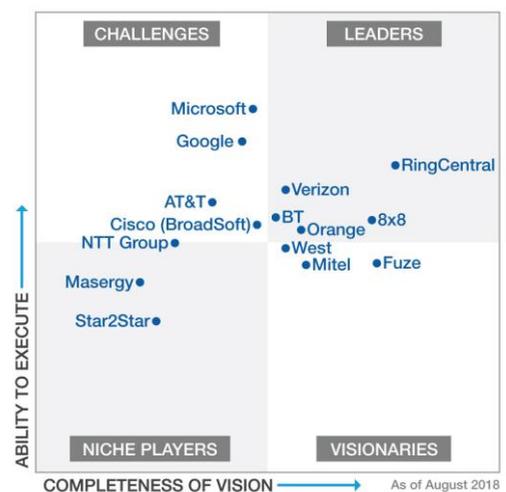
- ✗ Existing telcos have not invested in software and are **unable** to support UCaaS and CPaaS vendors
- ✗ Software vendors are **unwilling** to invest capex to build telecom infrastructure and networks
- ✓ Software vendors **depend** on next-generation providers like MNF to bridge the gap between software and infrastructure to underpin their capabilities

The world is changing...

“By 2021, 90% of IT leaders will not purchase new premises-based UC infrastructure — up from 50% today”

— Gartner, 10 October 2018

- Most companies in the Gartner UCaaS Magic Quadrant are MNF customers today, or are working with MNF to plan deployments in the Asia Pacific region within the next 18 months
- MNF is developing additional capabilities and capacity to match this “once in a generation” cloud migration opportunity
- The potential growth for MNF is only limited by the number of countries we can deploy in over the next five years

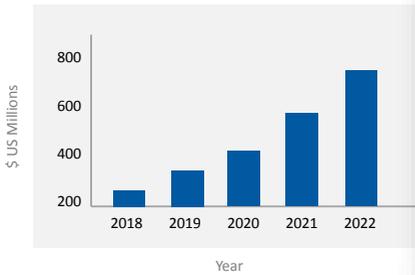


6 Sources:
[Magic Quadrant for Unified Communications as a Service, Worldwide](#),
[Magic Quadrant for Contact Center as a Service, North America](#)

The State of the Unified Communications Market in 2018
 Graph information source: Gartner, Inc

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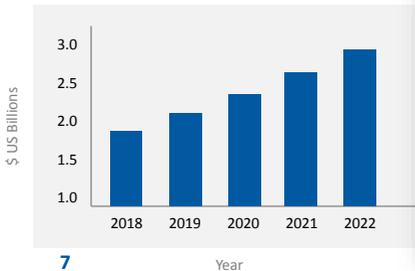
How big is the market opportunity?



40%
CAGR
Over the next 4 years

cPaaS

Revenue Asia Pacific
excluding China &
India
Source: Gartner, Inc



12%
CAGR
Over the next 4 years

UCaaS

Revenue Asia Pacific
excluding China &
India
Source: Gartner, Inc

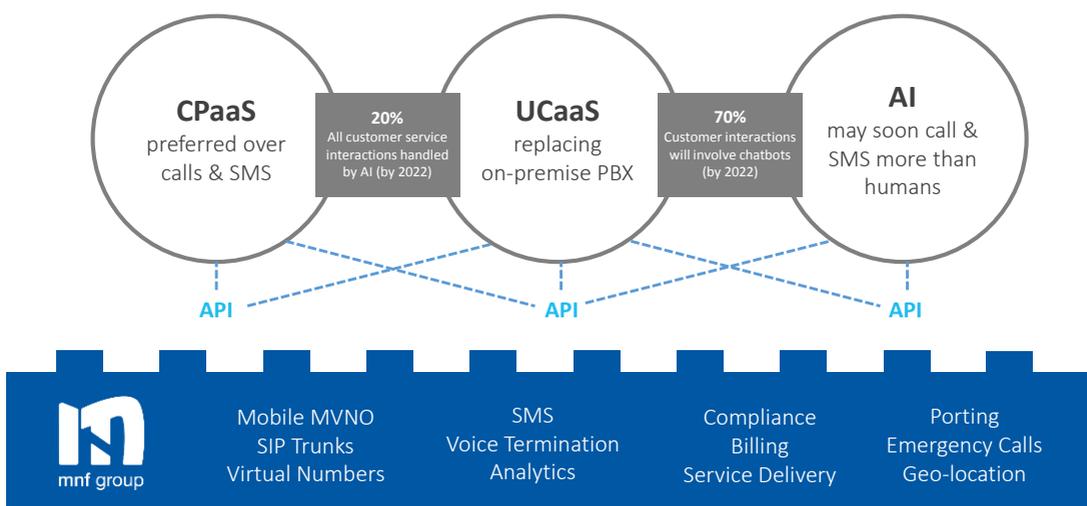
- UCaaS & CPaaS growth set to accelerate in the region due to increasing awareness and knowledge – structural tailwinds
- MNF is well placed in Australia and New Zealand to leverage this growth, and soon Singapore
- UCaaS & CPaaS is a key driver for our regional expansion strategy to cover more countries in APAC in coming years
- MNF estimates it can provide up to 30% of the value stack on CPaaS
- MNF estimates it can provide up to 80% of the value stack on UCaaS, depending on the client

MNF is investing capital and human resources in realising the opportunities presented by its customers and the market as a whole

7

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Key trends are underpinned by MNF's services



8

Sources: OVUM 2018, Eastern Management Group 2016, Roy Morgan 2016, ACMA 2017

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MNF is building the future of communications



Our platform enables embedded capabilities...

- Mobile
- Virtual numbers
- SIP trunks
- SMS and 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 and portals
- Vertical brands

- MNF solves for customer concerns over regulation, capacity, scalability, and reliability by providing APIs and a single point of connection to cloud and telco networks
- Customers highly value MNF's result-driven solution comprising software, APIs, platform, global network and reliable operation

9

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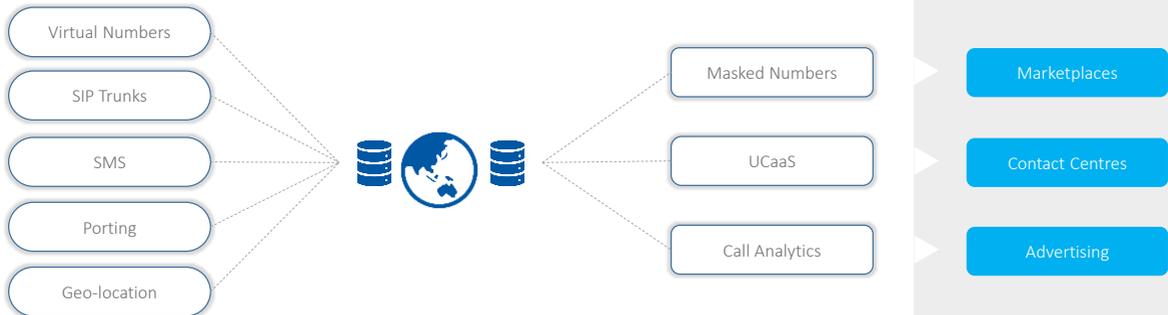
The MNF Platform

Regional CPaaS capabilities

Delivered on our infrastructure

Used in mission-critical software

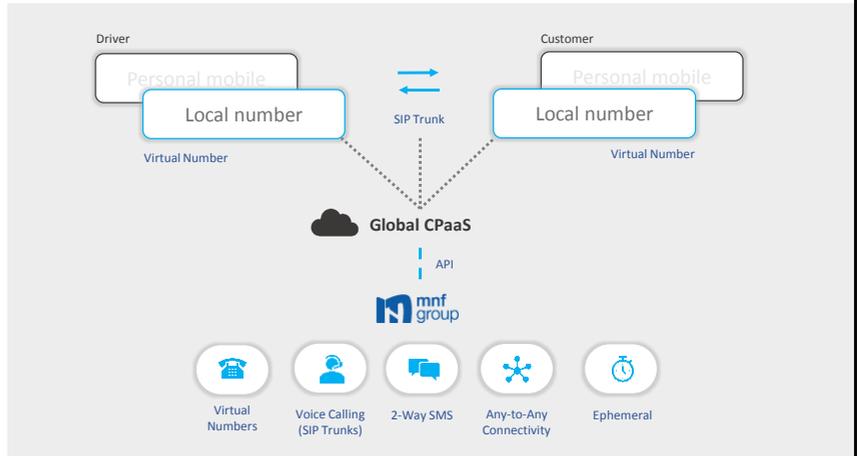
Underpinning huge markets



10

Underpinning: Ride share marketplaces

- **Masked numbers** protect user privacy and mitigate off-market communication
- Global CPaaS delivers ‘mask’ using MNF virtual numbers, calls via SIP Trunks
- API and network quality are **critical** to user experience
- MNF revenue model is predominantly **high-margin recurring** with a smaller variable transaction revenue (user voice calls)

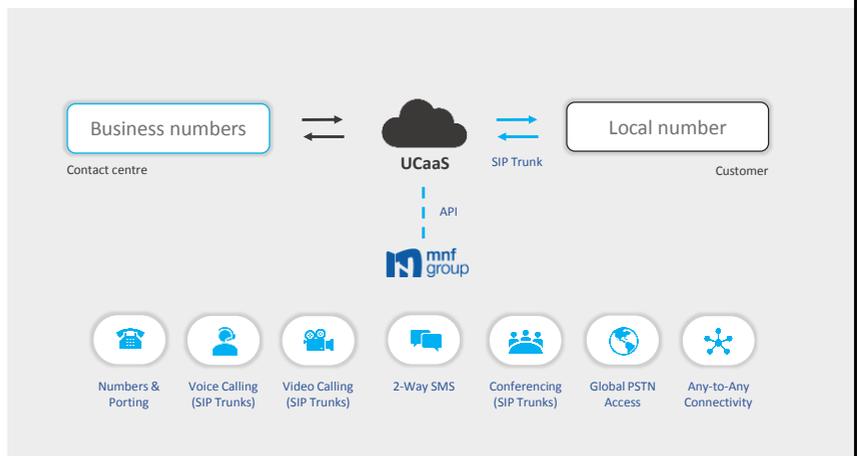


11

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Underpinning: Cloud contact centres

- **UCaaS** replaces end-of-life PBXs and phone networks in an enterprise
- Software vendors unable or unwilling to build infra
- MNF provides **critical** local infra in a scalable way
- Telephony hardware replaced by apps and software
- MNF revenue model is predominantly **high-margin recurring** with a smaller variable transaction revenue (user voice calls)



12

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MNF's network infrastructure

- MNF's network infrastructure is comprised of its software, APIs, platform and operations processes, which have been developed over the last 17 years
 - MNF's network leverages existing physical infrastructure (datacentres, backhaul, etc), and MNF has SLAs with various physical infrastructure owners
 - MNF has multiple service providers in each geography, with multiple levels of redundancy and backup
- MNF customers can access MNF's entire network from a single datacentre access point, with simple handoff processes
 - Legacy telco networks have not invested in software and platforms, and are unable to provide broad network access with a single point of connection

15

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Key industry drivers



Copper access network cease-sale in Australia, driving SMB/Enterprise to consider their telecom requirements and to migrate into the cloud



Ultra high speed broadband network rollout providing a generational migration opportunity



Huge global focus on UCaaS evolution and CPaaS revolution



Withdrawal of other industry participants from Voice & Wholesale segments



Strong reputation for MNF quality, product capability and agility



Global opportunity. Receiving strong interest from existing customers for NZ, Singapore and other APAC markets - urgently

16

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Growth in demand
(more virtual numbers)



Capacity and rapid scalability
are critical



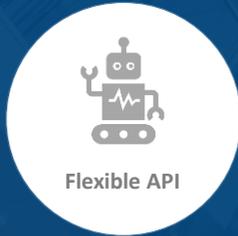
Requires broad network
coverage



Opportunity for geographic
and acquisitive expansion

In Asia-Pacific

The future is being built on capabilities
that **only MNF** can deliver



17

Financials



Key results summary

All **organic** Key Performance Indicators are performing well on PCP

↑ **25%**

Number portability

↑ **16%**

Wholesale customer growth

↑ **10%**

Virtual PBX customer growth

↑ **24%**

Enterprise & Government margin

NPAT for the half is down on PCP due to investment activity and changing revenue mix. Company is aiming to achieve a full year NPAT of \$11.0m to \$12.0m

FY19 H1 results primarily impacted by one-off items:

- One-off acquisition costs of \$800K, and associated opportunity costs due acquisition of Telco-In-A-Box business.
- Increase in depreciation due to New Zealand and Singapore network assets coming on-line.
- Decrease in revenue for transaction revenues in favour of monthly recurring revenues. Indicative of changing revenue mix towards high-margin monthly recurring revenue streams.

19

Financial summary FY19 H1

Reported Result	FY19 H1	FY18 H1	Δ
Revenue	\$98.1m	\$116.7m	-16%
Gross Margin	\$35.8m	\$34.1m	+5%
Gross Margin %	36.5%	29.2%	
EBITDA [^]	\$9.8m	\$11.6m [^]	-16%
NPAT	\$3.1m	\$6.1m	-49%
Earnings per share (cents)	4.18	8.30	-50%
Interim dividend per share - fully franked (cents)	2.10	4.30	-51%

- [^]EBITDA excludes acquisition costs, net interest, non-cash option costs, tax, depreciation and amortisation. (FY18 H1 EBITDA restated to be consistent with this definition)

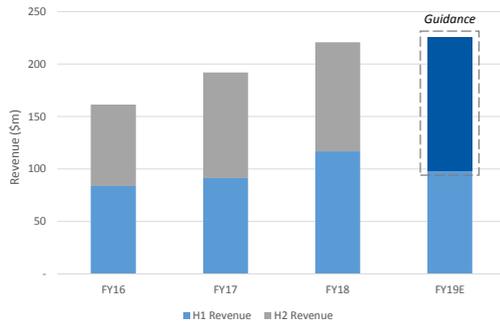
20

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Revenue and Gross Margin

Revenue

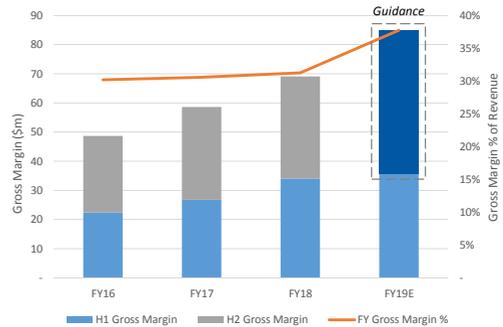
- Consolidated group Revenue declined 16% due to changing revenue mix away from Transaction Revenue to higher-margin Recurring Revenue. Trend expected to continue delivering higher gross margin growth in coming periods.



21

Gross Margin

- FY19 H1 Gross Margin increased by 5% to \$35.8m (or 12% underlying growth when changing revenue mix eliminated). Gross margin percentage rose to 36%. Guidance of \$85m to \$86m for FY19.

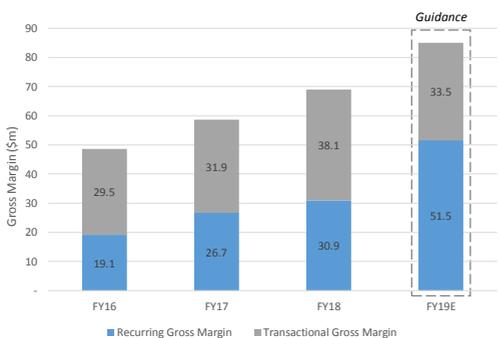


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Gross Margin analysis

Gross Margin breakdown

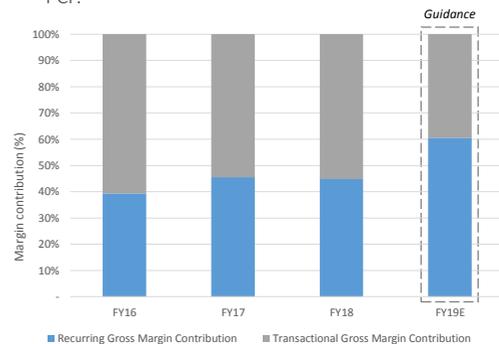
- Group focused on growing recurring gross margin with *as-a-service* business models.
- Recurring business models typically generate lower gross revenue, but much higher gross margins and are intrinsically stable.



22

Gross Margin contributions

- Recurring gross margin split of 61% expected for full year including acquisitions, or 56% organically. Represents an organic growth of 24% in recurring v's transactional gross margin split during FY19.
- Recurring margins grew 42% in FY19 H1 compared to PCP.

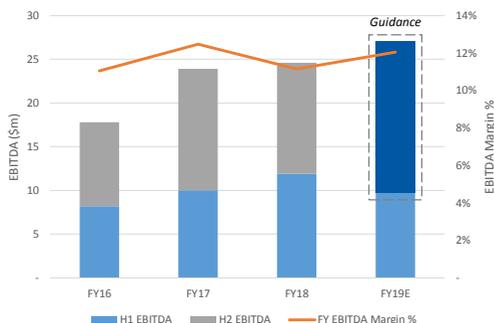


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EBITDA and NPAT

EBITDA

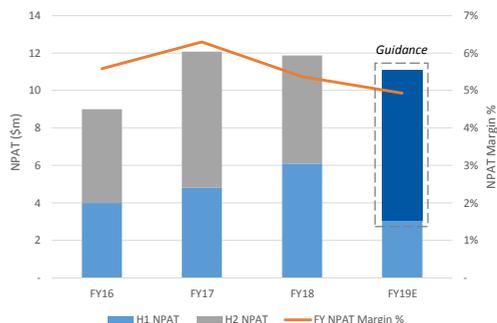
- EBITDA declined 16% to \$9.8m attributable to accelerated investment in product development, and one-off impacts of acquisitions in H1. EBITDA guidance of \$27m to \$28m for FY19.



23

NPAT

- NPAT for the half is down on PCP due to one-off acquisition cost, investment activity and changing revenue mix. Company is aiming to achieve a full year NPAT Guidance of \$11m to \$12m for FY19.



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Balance sheet (31 Dec. 2018)

Assets	A\$'000
Current assets	
Cash and cash equivalents	10,487
Trade and other receivables	40,002
Income tax receivable	939
Inventory	1,350
Total current assets	52,778
Non-current assets	
Property, plant and equipment	29,070
Deferred income tax asset	1,978
Goodwill and other intangibles	87,657
Total non-current assets	118,705
Total assets	171,483

Liabilities	A\$'000
Current liabilities	
Trade and other payables	30,050
Loans and borrowings	10,500
Customer deposits	1,469
Provisions	3,067
Total current liabilities	45,086
Non-current liabilities	
Loans and borrowings	43,875
Financial instruments	114
Provisions	1,991
Deferred tax liability	2,804
Total non-current liabilities	48,784
Total liabilities	93,870
Net assets	77,613

24

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Guidance

	FY18 Actual	FY19 Guidance	FY20 Guidance
Margin	\$69.0m	\$85.0m - \$86.0m	\$100.0m - \$105.0m
EBITDA^	\$24.4m	\$27.0m - \$28.0m	\$33.0m - \$36.0m
NPAT	\$11.9m	\$11.0m - \$12.0m	\$15.0m - \$16.5m
NPAT-A	\$13.9m	\$14.5m - \$15.5m	\$19.5m - \$21.0m
Earnings Per Share (cps)	16.3c	15.0c - 16.4c	20.4c - 22.4c

- Guidance includes variables related to integration costs of acquisitions
- Combined FY19 Guidance includes 7 months contribution from acquisitions, and includes funding costs and estimated amortisation expense
- ^EBITDA excludes net interest, acquisition costs, non-cash option costs, depreciation & amortisation
- NPAT-A adds back all amortisation

25

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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



Acquisitions

Careful strategic addition of businesses that compliment or expand our capabilities

26

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Appendix



Australian snapshot



Australia is MNF's home market where it is becoming a dominant player in the Wholesale Voice Telecommunications segment.



Population
24.8M



Telco carriage operators
5 Telstra, Optus, Vocus, TPG, Symbio (MNF)



Increase in data allowance
▲ 46%



Mobile only users
6.7M



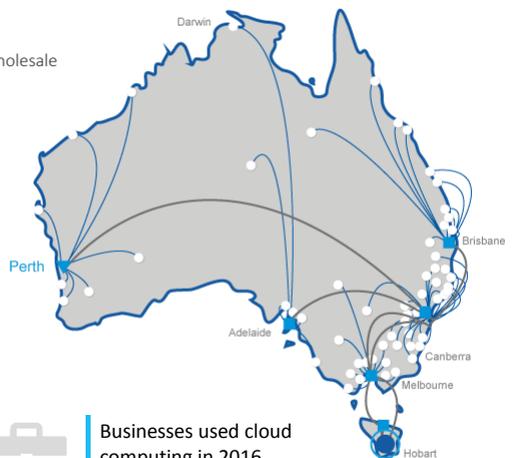
NBN activations
56% in regional Australia



NBN activations
1.1M > 2.4M



Businesses used cloud computing in 2016
80%



- Coverage
- Dark fibre loop
- Regional PoP
- Global PoP
- Global link

New Zealand snapshot



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



Population
4.9M



Telco carriage operators
5 Spark, Vodafone, Vocus, 2 degrees, Symbio (MNF)



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



29

Sources: stats.govt.nz | Annual Telecommunications Report 2017

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Singapore snapshot



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



Population
5.6M



Telco carriage operators
4 Singtel, StarHub, M1, TPG, Symbio (MNF)
(MVNO penetration is growing rapidly, currently just 2)



Business & Corporate line subscribers
700,000



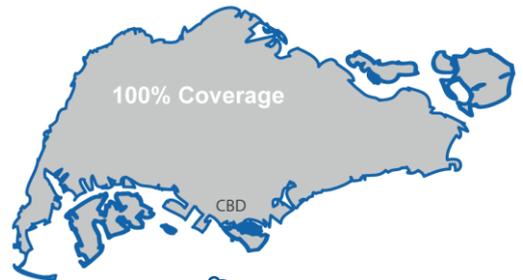
Mobile subscriptions (2G+3G+4G)
8,464,400



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

30

Sources: imda.gov.sg | singstat.gov.sg

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Glossary

- › **API** – A set of coding standards for developers wishing to connect different bits of software.
- › **Copper access network** – Telephone wires, cables and physical equipment connecting subscribers to a local exchange.
- › **CPaaS** – A framework for developers to add telecom capabilities to their software, without needing to build backend infrastructure.
- › **MVNO** – A way to provide mobile services without need to build an independent mobile network.
- › **Porting** – The process of transferring a phone number from one telecom carrier to another.
- › **PSTN** – The global network of phone users, encompassing every phone number in the world.
- › **Recurring Revenue** – Revenue that is billed every month regardless of user activity, typically high margin and stable.
- › **SLA** – The agreed standard of service reliability between a customer and a service provider.
- › **SIP Trunk** – A way for voice and video calls to travel over VoIP networks. It is the digital equivalent of a phone line.
- › **Termination** – The process of routing a phone call, from one telecom provider to another, until it reaches the recipient.
- › **Transaction Revenue** – Revenue that is billed when a user makes a phone call, typically low margin and variable.
- › **UCaaS** – Software that enables users to call, conference and message from a single interface, delivered as-a-service via the cloud.
- › **Virtual Number** – A phone number that is operated on a VoIP network without needing an underlying phone line service.
- › **Virtual PBX** – A business phone service, typically connecting multiple business users, delivered as-a-service via the cloud.
- › **VoIP** – A way of turning phone calls into data that can be transmitted over the internet and routed to any recipient.

Thank you

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<http://mfnigroup.limited>

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