
ASX Announcement
MNF Group Limited (ASX: MNF)

25 August 2020

MNF Group reports record FY2020 results at top-end of guidance ***EBITDA up 27% to \$38.2m***

MNF Group Limited (ASX: MNF), the leading voice communications software provider, today announces its financial results for the full year ending 30 June 2020, with a record profit which was at the top-end of stated guidance.

Financial highlights:

- EBITDA increased 27% to \$38.2 million (FY2019: \$30.0 million)¹
- Revenue increased 7% to \$230.9 million (FY2019: \$215.6 million) and recurring revenue rose 27% to \$101.5 million (FY2019: \$79.8 million) demonstrating the success of MNF's strategy to increase recurring revenue
- NPAT increased 20% to \$11.95 million (FY2019: \$9.94 million)²
- Underlying NPAT-A increased 18% to \$16.6 million (FY2019: \$14.1 million)^{2,3}
- Earnings per share rose 10% to 14.88 cents per share³

The company's strong profit performance and cash position has allowed the Board to declare a final dividend of 3.6 cents per share fully franked, bringing the full year dividend to 6.1 cents per share.

FY2020 Financial Performance Overview

MNF Group CEO, Mr Rene Sugo said: "MNF delivered a robust FY 2020 performance, maintaining the momentum delivered in the first half of the year to deliver results at the top end of guidance. As a key provider of software for telecommunications and unified communication technologies, we saw increased demand for our products resulting in strong uplifts in revenue, with a focus on recurring revenue.

"After a strong first half, some products performed particularly well as a result of the structural and behavioral changes to voice and collaborative technology caused by the pandemic. As people transitioned from workplaces and schools to homes, seeking new ways to stay connected and adjust to new ways of working, we experienced a surge in traffic volumes across all customer segments in March and April. While traffic patterns have settled since the highs of March, we have seen new trends emerge, many of which are here to stay.

¹ EBITDA excludes restructure costs, net interest, non-cash share plan costs, tax, depreciation and amortisation. FY19 EBITDA adjusted for AASB 16 Lease accounting.

² Restated. Refer to Annual Report Statement of Profit or loss and other comprehensive income & note 5 to the consolidated financial statements.

³ Underlying NPAT-A & EPS-A exclude acquisition costs, amortisation of acquired customer contracts & acquired software and tax affected restructure costs only.

“It is clear that over a period of just a few weeks, customers in the UCaaS, CPaaS and collaboration use-case areas experienced rapid growth in demand, equivalent to over three years of normal growth. On the other hand, demand for other use-cases like mobile roaming and small business phone systems have stagnated due to travel restrictions or economic uncertainty.

“Through the pandemic, our priority has been the health and safety of our people and the reliable continuity of business operations. The response of the MNF team to the pandemic has been admirable with the global team transitioning to working from home seamlessly, while continuing to maintain our high standard of service for customers and develop software that underpins and enables critical communications services across the globe. The global team will continue to work from home until it is safe to return to the workplace.

“Supported by a strong balance sheet and cash position, I am pleased to report our results were at the top-end of guidance and we were not reliant on Australian Government COVID-19 assistance schemes for this result.”

Operational Highlights

Phone numbers on network, the key performance indicator for future growth, reached 4.5 million numbers as of 30 June 2020, representing organic growth of 17% on the prior year. Growth in phone numbers, which is the company’s largest recurring revenue product, supported a 27% increase in the Group’s total recurring revenue to \$101.5 million and a 24% increase in recurring margin to \$59.7 million. EBITDA margin continued its upward trend reaching 17% of total revenue, demonstrating our ability to manage costs while driving earnings.

Customers in the UCaaS, CPaaS and collaboration spaces experienced a Net Retention Rate⁴ of 123% in the second half when compared to the prior corresponding period. These customers continue to perform strongly and are expected to continue to benefit from the structural tail-winds post-pandemic.

Phone numbers



EBITDA



⁴ NRR (Net Retention Rate) is H2/FY20 revenue compared to H2/FY19 revenue of MNF Group’s top 10 customers (excluding those that are minutes trading only). These customers combined represent approximately 20% of FY20 full year revenue.

Update on Singapore

A key growth pillar for the company is to expand its service offerings to the Asia-Pacific region, starting with Singapore. While the pandemic impacted local testing, the project is still on track with a technical trial with key customers and other stakeholders due to commence in December 2020. A full production launch is expected in March 2021.

Outlook

MNF acknowledges that the COVID-19 situation continues to evolve and while currently there is strong demand for MNF's services, the external environment predicts a significant degree of uncertainty.

We have seen traffic patterns settle in the last six to eight weeks with steady volumes about 175% above pre-pandemic levels for key use cases such as UCaaS, CPaaS and collaboration. Usage of other use cases such as audio conferencing, small business phone systems and mobile roaming continue to be lower than pre-pandemic levels. Despite these factors, overall, MNF continues to operate at higher gross margins than pre-pandemic levels.

Rene Sugo commented: "We are seeing a new normal in the use of collaboration technology, with the pandemic accelerating the adoption of new ways of communicating, which will support the growth of MNF. However, areas such as mobile roaming and small business products are experiencing some challenges and while we expect these to make a full recovery post-COVID, they are providing short-term headwinds into FY21. Similarly, while traditional audio conferencing benefitted during the lock-down, it is now declining as a result of the shift to the newer, online collaboration tools.

"We remain committed to our strategic pillars to grow market share, expand our footprint across the APAC region, build long-term strategic relationships with our customers and invest in products to build resilience, scale and automation."

Results briefing

There will be a webinar and results presentation held on Tuesday 25 August at 9:00am AEDT. For registration and details, please visit <http://mnfgroup.limited/investors>. A recorded version of this webinar will be made available for later viewing at the same web address.

The announcement has been authorized for release by the Board.

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About MNF Group Limited

MNF Group Limited (ASX: MNF) is one of Asia-Pacific's fastest growing technology companies. Listed on the ASX since 2006, it is now capitalised at around \$522M, and twice winner of the Forbes Asia-Pacific "Best under a Billion" award. Headquartered in Sydney, Australia, the company has over 500 people located across Asia-Pacific, Europe and North America. MNF develops and operates a global communications network and software suite enabling some of the world's leading innovators to deliver new-generation communications solutions.

As the world moves to IP, MNF Group is building the brands, services, network and technology to lead the way. For further information about MNF Group Limited please visit:
<http://mnfgroup.limited/>