



FY20 Results

Rene Sugo CEO

Chris Last CFO

John Boesen CTO

25 August 2020



View the MNF Journey

Find out where it all began...

<https://mnfgroup.limited/who-we-are>

KEY PERFORMANCE METRICS

Strong business performance with a leading position in a growing market



EBITDA¹

⬆️ **\$38.2M**

Up 27% vs FY19

UNDERLYING NPAT-A²

⬆️ **\$16.6M**

Up 18% vs FY19³

GROSS MARGIN

⬆️ **\$96.4M**

Up 17% vs FY19

RECURRING GROSS MARGIN

⬆️ **\$59.7M**

Up 24% vs FY19

NET RETENTION RATE TOP 10 CUSTOMERS⁴

⬆️ **123%**

PHONE NUMBERS

⬆️ **4.5M**

Up 17% vs FY19

1. EBITDA excludes restructure costs, net interest, non-cash share plan costs, tax, depreciation and amortisation. Growth on FY19 EBITDA adjusted for AASB 16 Lease accounting.
2. Underlying NPAT-A excludes acquisition costs, amortisation of acquired customer contracts & acquired software and tax affected restructure costs only.
3. FY19 comparatives restated due to the correction of deferred tax. For information see Statement of Profit or loss and other comprehensive income.
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..

Financial Results

Chris Last, CFO

Financial summary FY20

Reported Result	FY20 Guidance	FY20 Actual	FY19 Actual	Δ	Notes
Revenue		\$230.9m	\$215.6m	7%	
Gross Margin		\$96.4m	\$82.5m	17%	
Gross Margin %		42%	38%	+4% pts	
EBITDA	\$36.0m - \$39.0m	\$38.2m	\$30.0m	27%	1
NPAT	\$10.0m - \$12.0m	\$11.95m	\$9.94m	20%	2
Underlying NPAT-A	\$14.7m - \$16.7m	\$16.6m	\$14.1m	18%	2, 3
Earnings per share (cents)	12.50 - 15.00	14.88	13.56	10%	2
Total dividend per share - fully franked (cents)		6.10	6.10	0%	

1. EBITDA excludes restructure costs, net interest, non-cash share plan costs, tax, depreciation and amortisation. Growth on 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.

Long-term business growth

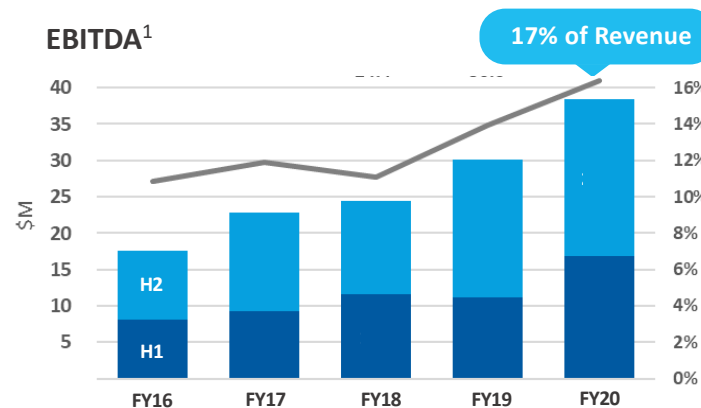
Phone numbers



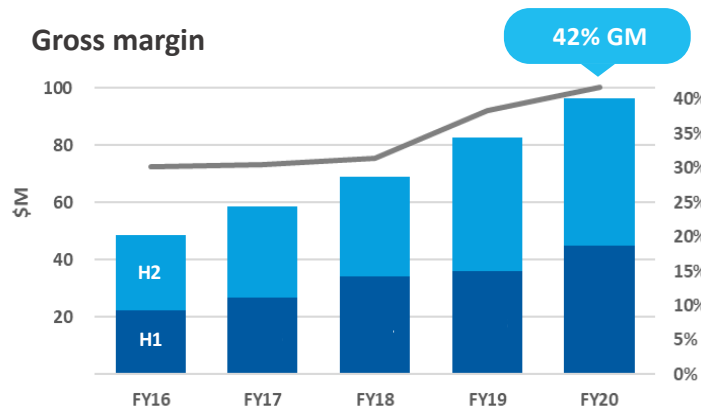
Adding phone numbers is a leading indicator of future recurring revenue.

EBITDA is now 17% percent of margin, continuing multi-year growth.

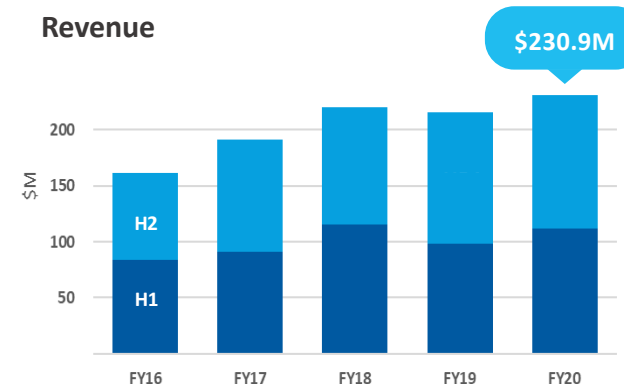
EBITDA¹



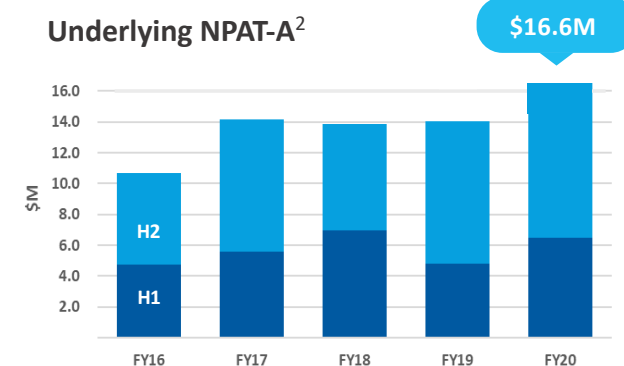
Gross margin



Revenue



Underlying NPAT-A²



1. FY19 EBITDA has been adjusted to reflect the impact of AASB 16 Lease accounting.

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

Record growth in recurring revenue

DWS grew its recurring revenue by a record \$15.3m YoY, including a full year of contribution from Telcoinabox.

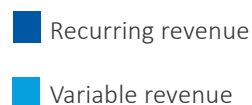
GWS accelerated its shift to recurring revenue, with the impact of this shift seen in superior margin.

Direct saw a spike in variable revenue (more calls due to COVID) plus steady growth in recurring revenue.

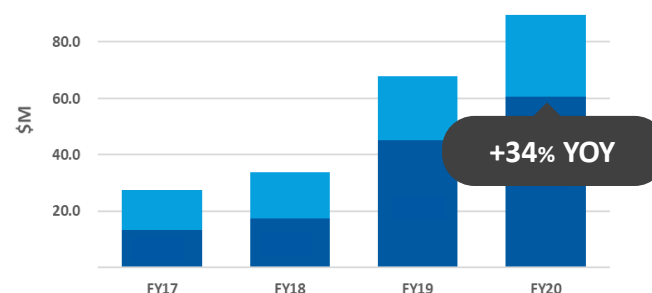
GROUP RECURRING REVENUE PERCENTAGE

↑ **44%**

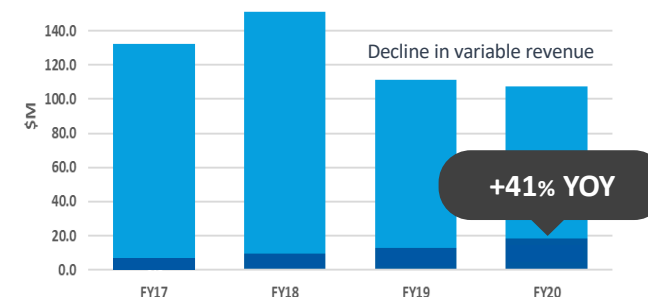
Up 7 Pts vs FY19



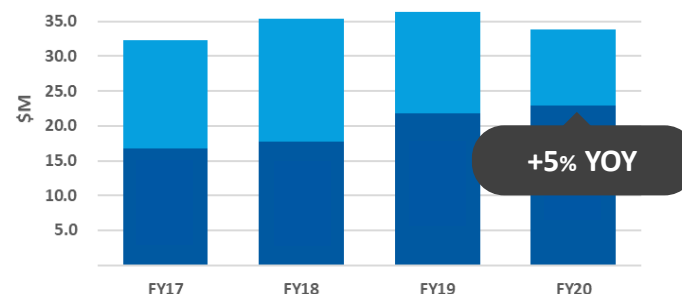
Domestic Wholesale (DWS) Revenue



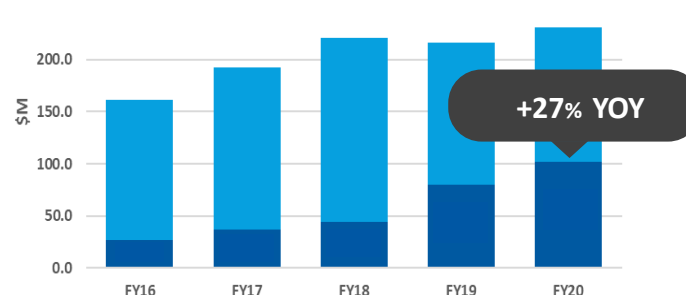
Global Wholesale (GWS) Revenue



Direct Revenue



Group Revenue



Strong recurring margin

DWS increased recurring margin 30%. Lower margin Telcoinabox products reduced margin percentage to 46%.

GWS increased recurring margin by 37% reflecting increased demand and sale of higher margin capabilities.

Direct margin had modest growth, with negative impacts from prior disposal of assets but is improved on FY19.

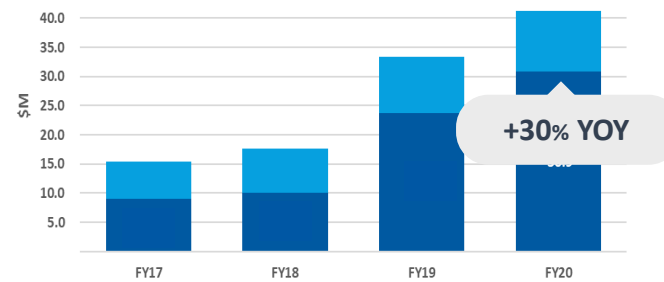
GROUP GROSS MARGIN PERCENTAGE

↑ **42%**

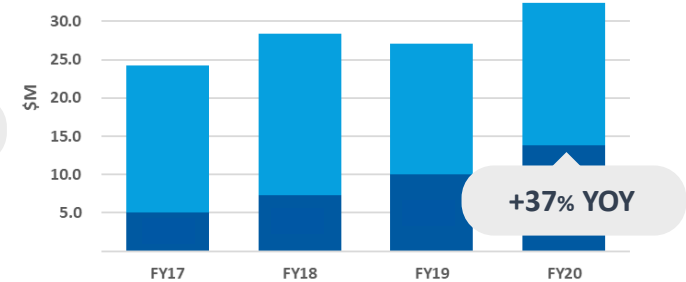
Up 4 Points vs FY19

- Recurring margin
- Variable margin

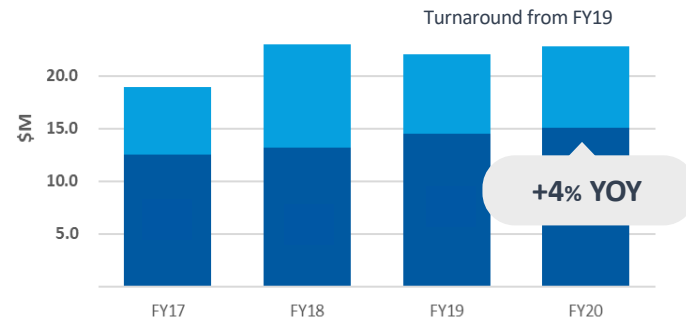
Domestic Wholesale (DWS) Margin



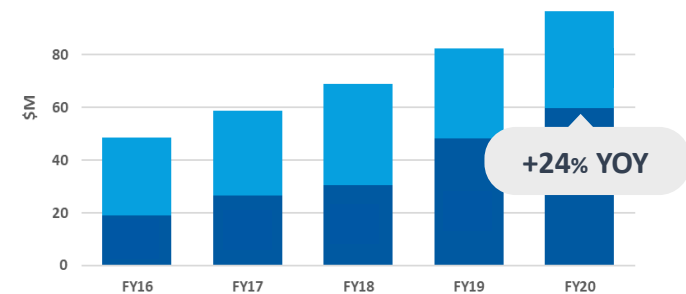
Global Wholesale (GWS) Margin



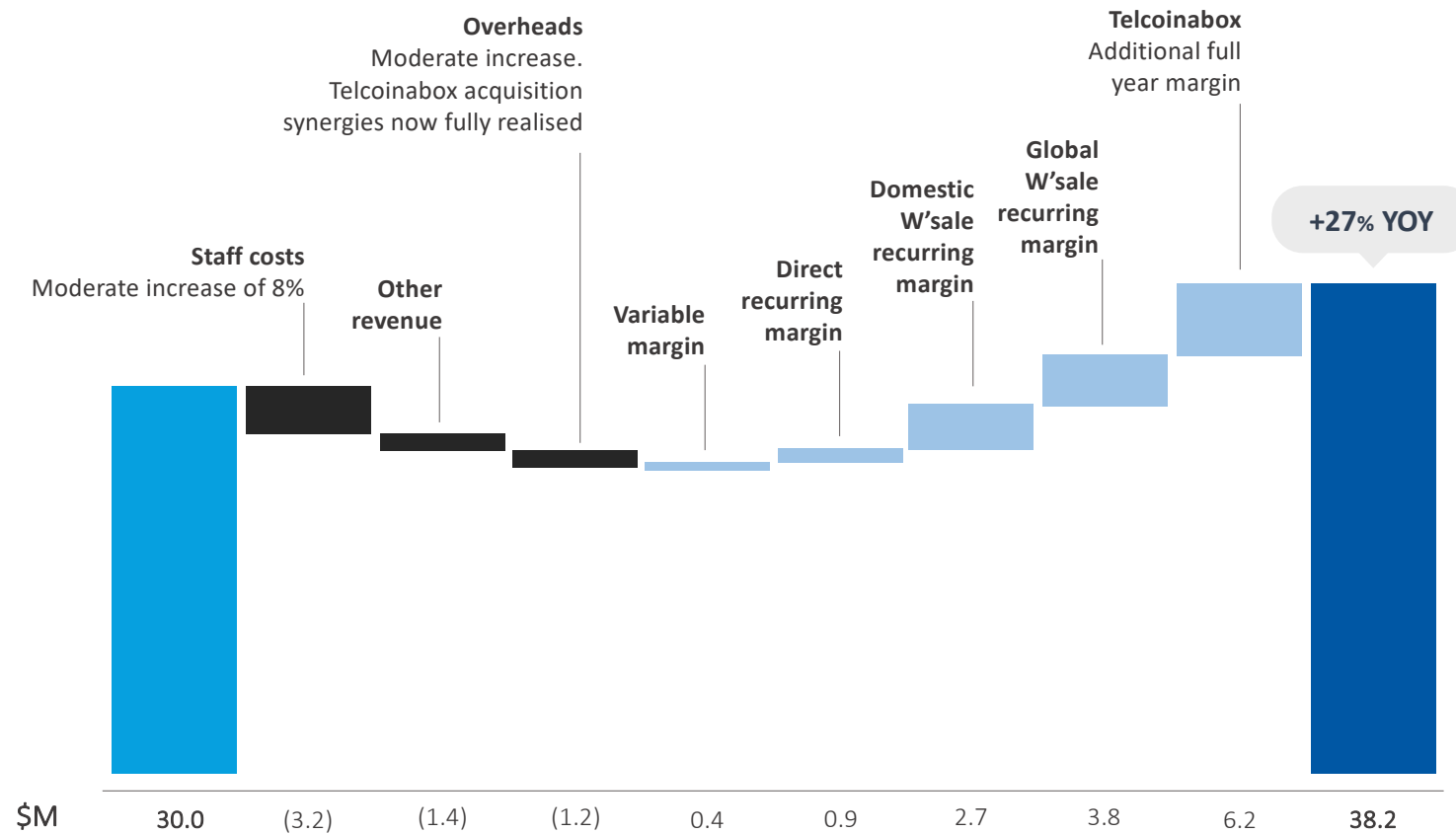
Direct Margin



Group Margin



EBITDA waterfall



Operating cash flow and Net debt

Excellent cash conversion

Underlying FY20 cash conversion rate is at 97% after adjusting for the cash outflows associated with restructuring costs.

Operating cash flow	FY19 \$M	FY20 \$M
Receipts from customers	229.8	235.1
Payments to suppliers & employees	(217.2)	(199.6)
Cash generated from operations	12.6	35.6
Net Interest	(1.4)	(2.7)
Income taxes paid	(5.7)	(4.1)
Net cash from operating activities	5.5	28.9
<i>EBITDA¹</i>	27.2	38.2
Cash conversion rate (CCR) %	46%	93%

Strong balance sheet

The Group is well positioned to support future acquisitions with \$46.2m cash and \$30m undrawn debt. The business is sufficiently funded to execute current business objectives.

- \$25.6m debt repaid by raising of net \$49.7m in Nov 2019
- \$60.0m revolving credit facility (\$30.0m undrawn at 30 June 2020)

Net Debt	FY19 \$M	FY20 \$M
Debt	55.6	30.0
Cash	(15.5)	(46.2)
Net Debt/(cash)	40.1	(16.2)

¹EBITDA originally published as \$27.2m is not changed in this analysis in order to calculate CCR accurately for FY19.

Cash utilisation

Cash Utilisation	FY19 \$M	FY20 \$M
Statutory operating cash flow	5.5	28.9
Expenditure on fixed assets & software development	(15.6)	(15.7)
Free cash flow	(10.1)	13.2
Dividend payments	(4.5)	(5.0)
Increase in equity	0.9	50.6
Business acquisitions	(35.1)	-
Net debt movement	44.9	(25.6)
Other	0.5	(2.6)
Net movement in cash	(3.4)	30.6
Opening cash balance	18.9	15.5
Closing cash balance	15.5	46.2

Positive free cash flow

Free cash flow returned to positive in FY20. An improvement of \$23.3m on prior year. Debt has been reduced significantly.

- › \$25.6m debt repaid by raising of net \$49.7m in Nov 2019
- › *Expenditure on fixed assets and software development* slightly over our original forecast of 15m due to investment in network capacity to take advantage of heightened voice traffic demand
- › *Other* is mostly AASB 16 lease payments and impact of FX movements

Trading through COVID-19



People and culture

- › Executed continuity plan, global business fully WFH
- › Health and safety of staff remains #1 priority
- › Engagement, morale and performance at an all time high



Government assistance

- › Received zero Government assistance due to COVID-19
- › Overall result is 100% organic performance



Structural tailwinds

- › COVID-19 accelerated growth of strategic UCaaS, CPaaS and collaboration customers, driving strong H2 results
- › Long term structural changes will benefit MNF in the future (however environment is still dynamic)



Structural headwinds

- › Shift from audio conferencing to online collaboration is creating headwinds in Direct segment (benefits Wholesale segments)



Short term tailwinds (in FY20)

Variable revenues in all segments spiked in March and April:

- › Record increases in calling and conferencing traffic volume and duration during initial shutdown
- › Most variable revenue streams had returned to pre-COVID levels by June

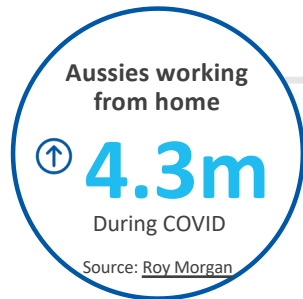
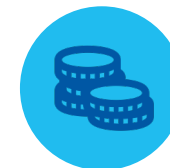
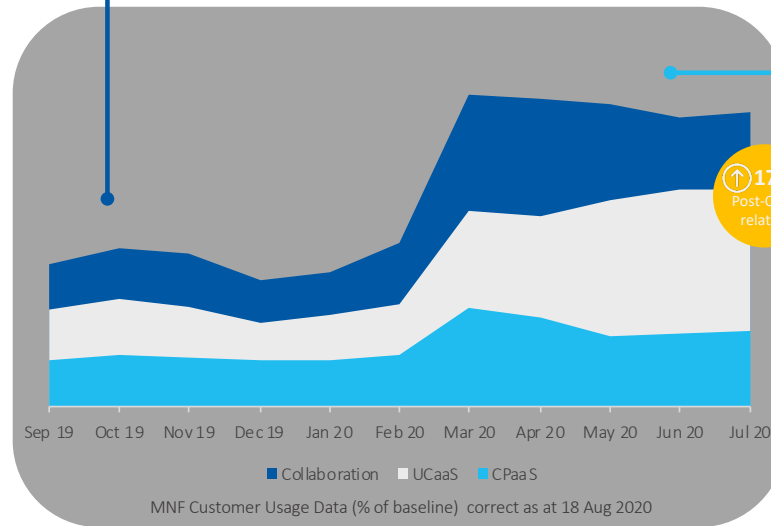
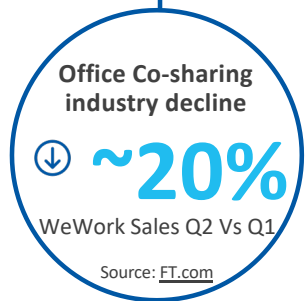


Short term headwinds (into FY21)

Some revenue streams have been negatively impacted by COVID:

- › International mobile roaming decimated due to travel bans
- › Small Business sales slowing due to economic uncertainty, which is affecting recurring revenue growth and run-rate into FY21
- › Expect post-COVID recovery

Long term COVID structural shifts & trends



Business overview

John Boesen, CTO

Our opportunity

Global cloud communications boom

Cloud communications, a \$70Bn+ global market, is the new normal. But most telecom infrastructure cannot support it.

Unique differentiator

In Australia and New Zealand, MNF bridges this gap between software and telecom. Our Voice IP network is designed to power cloud communications, with features including APIs, HD Voice and advanced routing controls.

Key capabilities:



Phone
Numbers



Carriage
Services



Telco Cloud
Services

Gartner – Forecast Analysis: Unified Communications, Worldwide (January 2019) ID: G00348983
IDC – Market Analysis Perspective: Worldwide Real-Time Communications (CPaaS), 2018 Doc # US44316218
Gartner – Forecast Analysis: Contact Centers, Worldwide (April 2019) ID: G00386360



Business segments

Wholesale

Provides voice and communications products including numbers, voice carriage and cloud services to telcos and communication disruptors, powering UCaaS, CPaaS and RSPs.

Direct

Sells mobile, conferencing and collaboration services directly to residential, small business, enterprise and Government customers in Australia.

Global Wholesale (GWS)

CUSTOMERS INCLUDE:

zoom

Microsoft

twilio

Google

Ring Central

Domestic Wholesale (DWS)

CUSTOMERS INCLUDE:

vodafone

Aussie Broadband

carsales

Southern Phone

2

Direct

CUSTOMERS INCLUDE:

State & Federal Government

SBS

Westpac

UNIVERSAL
UNIVERSAL MUSIC GROUP

WARNER MUSIC GROUP

Business model

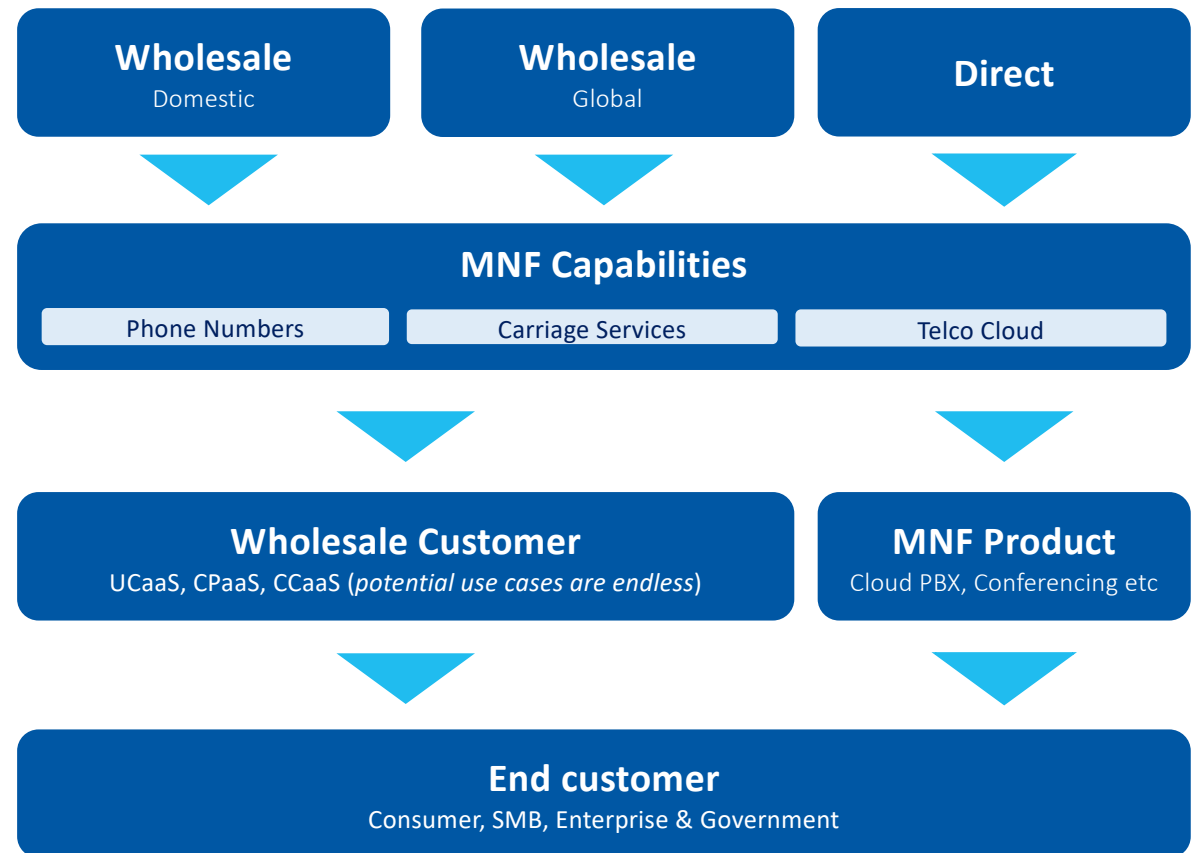
Recurring Revenue

Long-term recurring revenue is generated from our suite of Wholesale capabilities, particularly hosting of numbers on our network and providing channels for voice carriage.

It also consists of subscriptions from Direct customers.

Variable Revenue

Once-off revenue is generated from service usage, sales of hardware and equipment and consulting services provided in support of our other products.



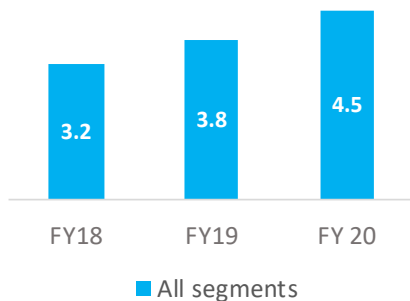
Phone Numbers

MNF numbers enable worldwide calling, conferencing and messaging through software and apps.

MNF killer features

- Communicate via any device, anywhere in the world
- APIs for porting phone numbers into the cloud
- Ensuring compliance with local regulations

Phone Numbers (Millions)



Global Wholesale



Enabling **Zoom** users to dial-in to audio conferences using local numbers

Domestic Wholesale



Enabling **Vodafone** customers to keep their home phone when moving to NBN

Direct



Enabling users to make / receive calls via **Webex** using their office number

Carriage Services

Carriage services enable calls and messages to flow between software platforms and telecom networks.

MNF killer features

- HD Voice support (Australian first)
- Deep control over call routing and Caller ID
- Emergency call routing

Global Wholesale



Enabling **Google** Meet to provide market leading call quality with HD Voice

Domestic Wholesale



Enabling buyers and sellers to communicate while keeping their identity private

Direct



Enabling organisations to use **Microsoft** Teams for external calling and conferencing

Telco Cloud

Telco cloud services enable critical software and network capabilities for other communication providers.

MNF killer features

- International long-distance routing
- APIs for service provisioning
- Telecom billing and rating software
- Emergency calling compliance software
- Whitelabel product suite including cloud PBX and communication apps

Global Wholesale



Protecting long-distance call revenue for **Spark NZ** and other global telecoms

Domestic Wholesale



Enabling **Aussie Broadband** to automate and scale service delivery via APIs

Direct



Powering cloud PBX for **Connexus**, helping SMBs communicate and collaborate

Singapore



Strategic ambition

Targeting 10% market share within 5 years of network launch



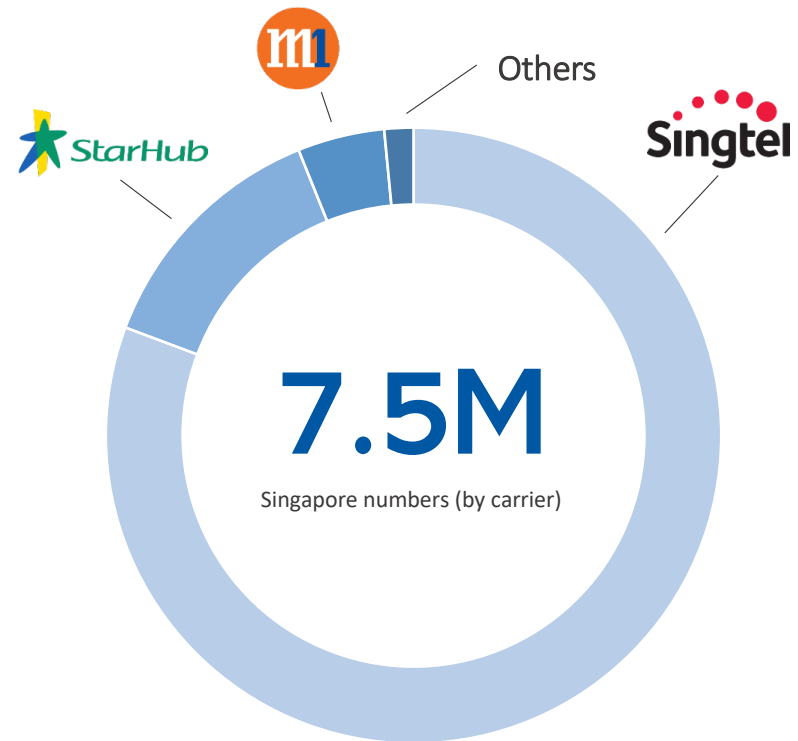
Disruptor DNA

First fixed voice network to launch in Singapore since 2000



Launching soon

On track for *Technical Trial* by Dec 2020 and *Production* by Mar 2021



Ripe for competition

97% of fixed phone numbers carried by just 3 incumbent networks

MNF Group strategic vision

Company purpose

Enabling our customers to innovate their voice communications

Values-led approach



Deliver excellence



Be brave



We care



Collaborate



Honest & fair

Strategic priorities



Market share

20% YoY organic growth in Australia, New Zealand and Asia-Pacific



Global growth

Expand our footprint across Asia-Pacific



Trusted partner

Build long-term strategic customer relationships



Software & APIs

Invest for resilience, scale and automation



Acquisitions

Organic growth supported by acquisition, where appropriate

Outcomes

Financial return

Achieve globally diversified, long-term high margins with > 80% recurring revenue

Asia-Pacific market leader

Become preferred provider of cloud servicing communications infrastructure, software and APIs

MNF Group strategic priorities

Business priorities

FY21 Focus Areas



Market share

- Target 20% YoY growth of phone numbers on network within domestic markets
- Grow strategic customers and build direct channel partner business

- Expand and improve offerings in all markets
- Maintain differentiation with continuous improvement and adoption of new technologies such as High Definition Voice



Global growth

- Generate revenue from Singapore network
- Expand the reach of our platform into new Asia-Pacific countries

- Successfully launch Singapore
- Investigate and roadmap additional countries
- Build rapid multi-regional deployment framework



Trusted partner

- Build on our brands through our network and software capabilities
- Deliver reliable and trusted network

- Continue to win and retain top vendors in UCaaS, CPaaS, CCaaS and RSP markets
- Take existing customers in Singapore market



Software & APIs

- Automate and scale core platforms to support long term growth
- Enhance digital layer to improve customer experience

- Automate processes through APIs and robotics to improve efficiency
- Accelerate API and digital development to drive the most effective customer benefit

Compelling investment case



Significant market opportunity

Cloud communications is a \$70B+ global market. MNF is the go-to cloud communications enabler in the APAC region.



Strong balance sheet & proven earnings growth

\$39M in cash + \$30M undrawn debt. Business shift to recurring revenue. EBITDA growth of 22% over 5 years.



100% proprietary voice network

Use our own multi-regional IP voice network, providing unmatched control over quality and reliability.



Global expansion

Growing share in AU and NZ. Singapore set to launch in 2020, followed by strategic South East Asia expansion.



Quality customers

Wholesale customers inc. Zoom, Twilio, Microsoft and RSPs. Direct customers inc. Australian Government and enterprise.



Founder led

Co-founders Rene Sugo and Andy Fung lead the company as Group CEO and Non-Executive Director respectively.



Endless use cases

Vast potential applications of MNF's software: UCaaS, CPaaS, CCaaS, conferencing, masked numbers *and more*.

Thank you

For further information please contact:
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Visit our new corporate website
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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.

CCaaS - Software that enables customer service through an in-house or outsourced contact centre, delivered as-a-service via the cloud.

Cloud PBX – A business phone service, typically connecting multiple business users, delivered as-a-service via the cloud.

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 independant 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.

SMB – Small and Medium sized businesses.

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.

VoIP – A way of turning phone calls into data that can be transmitted over the internet and routed to any recipient.

Appendix

Revenue & margin data

	FY19			FY 20			Growth trend	
	Revenue	Margin	Margin %	Revenue	Margin	Margin %	Revenue Growth	Margin Growth
Domestic Wholesale								
Variable	\$ 22.7	\$ 9.7	43%	\$ 29.2	\$ 10.3	35%	29%	7%
Recurring	\$ 45.2	\$ 23.7	53%	\$ 60.5	\$ 30.9	51%	34%	30%
Total	\$ 67.9	\$ 33.4	49%	\$ 89.7	\$ 41.2	46%	32%	23%
Global Wholesale								
Variable	\$ 98.5	\$ 17.1	17%	\$ 89.2	\$ 18.7	21%	-9%	9%
Recurring	\$ 12.8	\$ 10.0	78%	\$ 18.1	\$ 13.8	76%	41%	37%
Total	\$ 111.3	\$ 27.1	24%	\$ 107.3	\$ 32.5	30%	-4%	20%
Direct								
Variable	\$ 14.6	\$ 7.5	51%	\$ 11.0	\$ 7.7	70%	-25%	3%
Recurring	\$ 21.8	\$ 14.5	67%	\$ 22.9	\$ 15.1	66%	5%	4%
Total	\$ 36.4	\$ 22.0	60%	\$ 33.9	\$ 22.8	67%	-7%	3%
Group Total								
Variable	\$ 135.8	\$ 34.2	25%	\$ 129.4	\$ 36.7	28%	-5%	7%
Recurring	\$ 79.8	\$ 48.3	61%	\$ 101.5	\$ 59.7	59%	27%	24%
Total	\$ 215.6	\$ 82.5	38%	\$ 230.9	\$ 96.4	42%	7%	17%

Balance sheet - key metrics

	June 19 (\$M) Restated ¹	June 20 (\$M)
Cash	15.5	46.2
Other current assets	44.4	43.9
Current liabilities	(37.4)	(41.2)
Net current assets	22.5	48.9
Working capital	26.3	56.5
Debt (current)	-	-
Debt (non-current)	(55.6)	(30.0)
Total Debt	(55.6)	(30.0)
Net Debt	40.1	(16.2)
Net Assets/Total Equity	82.0	139.0
Intangible assets	89.5	93.1
Net Tangible assets	(7.8)	45.8

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

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This presentation provides general background information about the activities of MNF Group Limited (MNF) current at 25 August 2020. The information is general in nature only and does not claim to be a complete and accurate representation of matters that an investor or potential investor should consider when evaluating MNF. It should not be relied on as advice or recommendation to investors or potential investors and does not take account of the investment objectives, financial situation or needs of any particular investor, which should be considered when deciding whether to make an investment.

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