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2021 AGM CEO and Executive Team's Address
9 November 2021
Rene Sugo, Chris Last, Jon Cleaver, John Boesen

[Slide 1] – Rene Sugo

Thank you Anne, and thank you to all of you attending the meeting today.

I am Rene Sugo, CEO of MNF Group, and joining me later in the presentation today will be Chris Last, our CFO, Jon Cleaver, our CEO of TaaS, and John Boesen, our CTO.

[Slide 2] – Rene Sugo

I'd like to start with briefly recapping our recent FY21 result.

We completed the last financial year at the top end of our guidance range with $43.1m of EBITDA. This was driven by strong organic growth in recurring gross margin which was up 14% on prior year. Underlying NPAT-A was $19.2m which was up 16% on the prior year, and overall gross margin exceeded $100 million.

We finished the year with a very strong balance sheet of over $100m available funds to execute future acquisitions and growth strategy.

Our non-financial KPIs also performed well with the net retention rate of our top 10 customers hitting 115% which is consistent with prior years. Our leading KPI for forward recurring revenue growth – phone numbers – was up 29% on prior year to 5.8m numbers.

In addition to our financial performance, the company had a big year, disposing of non-core "Direct Segment" assets, launching our long awaited network in Singapore, and on the back of Singapore we announced our **Vision 2030** strategy to build in additional 5 strategic Asian markets in the near future.

And FY22 is proving to be no less exciting – with our Asian strategy well underway, and continued progress towards our 100m phone number goal. We will provide more information on this progress shortly.

[Slide 3] – Rene Sugo

This year the company is forecasting an EBITDA in the range of $35m to $38m. The guidance number is constructed from 4 components as shown in the EBITDA bridge.

Recurring margin is expected to grow by about $9.4m which represents a 16% YoY organic growth of the retained business excluding the disposals. This compares to 12% growth in FY21 for the overall group.

Variable margin is expected to grow modestly at $0.5m which is a slight return to growth in year. This figure stands to benefit from the return of international travel and associated roaming mobile minutes, however we are yet to get a handle for how this will play out given the mitigating factors of the pandemic.

The divestments of the direct business will take away $5.5m of EBITDA as previously disclosed in the full year result presentation. Similarly, the strategic investments of $11.1m to support the Asian expansion strategy, and the acceleration of the high-growth segments was fully outlined in the full year result presentation.

Our EBITDA guidance is the range of $35 to $38. The bridge illustrates the mid-point at $36.5, with the FY21 Divestment impact well understood. The Strategic Investment while under our control is subject to the company being able to find and recruit the talent it is forecasting, so there is some chance we may not be able to spend all the amount stated. It is not our intention to over-spend on the investment operating expense. The margin predictions are management estimates and subject to variability due to external market forces.

The company fully intends to return to EBITDA growth in FY23 as organic growth continues and new revenues from Singapore become material.

[Slide 4] – Rene Sugo and Chris Last

Another highlight of the company is the strength of the balance sheet in terms of cash on hand and available undrawn debt. This puts the company in a strong position to fund the strategic initiatives from internal resources. Overall, the group has ready access to $100m of combined cash and debt available. To take us through the details, I'd like to invite Chris Last our CFO to present. Over to you Chris…

[Chris Last]

Thank you Rene and good afternoon.

A couple of comments on our healthy cash generation and our strong balance sheet and, as Rene mentioned, our funds available to invest for growth.

During FY21 I was delighted with the cash performance of the business especially given the backdrop of Covid.

You will note we generated almost +$43m of **cash from operations** in the year, a sound performance, up almost $7m on last year. We had a stellar first half and held that position in the closing months of the year such that we delivered a very impressive 99% **cash conversion ratio**, (this being a measure of how much of our actual EBITDA result we delivered as cash in the bank).

Both of these measures really were very healthy – supported by our extra focus in these Covid times to mitigate risk of bad debts and we have performed well, we have not experienced any material Covid related bad debts.

Now to the comment on our balance sheet, on the right of the screen, our **Net Cash** position. I was pleased that during the year we completed our repayments of all external borrowings and we now have a simple clean balance sheet structure. We ended the year with $23m of cash and no debt and now, as a result of receiving a further $22m from the successful completion of the business disposal to Vonex, we have $42m cash at end of October and no debt.

This is a great outcome, especially when noting we paid close to $4m cash to you, our shareholders, in dividends, which for FY21 themselves increased 25%.

Looking forward from now we will receive a further $8m in cash from the ongoing deferred consideration payments for the business disposal to Vonex.

My final comment at the base of the screen is to repeat, we have $60m of committed bank debt facilities, these are completely undrawn and fully available to use for both organic and acquisitional investments.

I also highlight our strong banking relationships with a core set of both international and domestic relationship banking partners, all understanding of our strategy and indicating their ongoing support for the Group.

All in all, this means we currently have access to $100m of funds to both underpin and power the execution of the Group's strategy.

And now back to Rene, thank you.

[Slide 5] – Rene Sugo

Thank you Chris. It is indeed a great position to be able to execute our strategy with such a strong balance sheet. Now to provide an update on the strategy, I will be joined by Jon Cleaver – CEO of our TaaS segment, and John Boesen our CTO.

Over to you Jon…

[Slide 6] – Jon Cleaver

Thank you Rene.

All of us on this call today understand that the 150 year old telecom industry is undergoing rapid disruption. And hopefully you also appreciate that for 20 years now, MNF has been a keen enabler of this disruption in our region.

[Slide 7] – Jon Cleaver

The MNF business is benefiting and will continue to benefit from this global tech megatrend, things like remote working are here to stay and will continue to grow in terms of adoption, functionality, and sophistication.

There's greater demand for cloud-based consumption of telecom services, which is leading to a plethora of readily consumable applications. Knowingly or unknowingly, you are already consuming dozens of these applications on a weekly basis.

This demand for services is global, however access to these applications is still limited in many areas throughout Asia. The opportunity to unlock these disruptive applications is massive and the transition from legacy networks to the cloud to enable this, is where MNF specialises.

[Slide 8] – Jon Cleaver

So there has never been a better time to be a disrupter. Looking at some of these amazing statistics from Gartner, in the next few years there will be the biggest changes ever seen in this industry. The shift to cloud communications is occurring at a rapid pace. By 2022, we expect to see the end of ISDN, which is no longer available in many parts of the world. By 2023, 90% of global enterprises will be using some form of communications platform service and by 2024, three quarters of unified communications will be cloud based. The Asia Pacific is the next region of growth for cloud communications providers, and MNF will be the leader in this region.

[Slide 9] – Jon Cleaver

Our ambition is to enable cloud-based voice and messaging communications across the Asia Pacific with a goal of 100 million phone numbers on our network by the year 2030. We plan to deploy in a total of 8 markets across the region and aiming for at least 15% market share of phone numbers in each target country. It is ambitious, but we believe it is achievable. Our strategy will focus in three areas. Software leadership to build the best software our clients have access to in the cloud communications space. Scale and expansion, this evolves our focus on global growth with clear goals on our expansion into new countries. And simplification, with the recent divestments of non-core assets and the simplified operating models of CPAAS, TAAS and UCAAS we can add more focus and ensure we are in the best position to maximise the opportunity at hand. People and acquisitions are critical enablers to our vision, and we want to attract the most qualified technical capabilities and having a regional footprint will also support this.

[Slide 10] – Jon Cleaver

3 months ago, we announced the excitement of the Singapore network launch, successful customer trials and the first customer contract being signed. Only 3 months later it is with great pleasure we can announce that the momentum has continued and as of this morning we have 6 global software customers signed and onboarded with another 19 at contracting and pricing stages. Within this we have 3 regional partnerships deals undergoing pricing review which shows how Global customers see Symbio as the regional partner of choice for Asia.

With some of the nuances of local licencing requirements we have also been approached by a major global customer to accelerate their global expansion through a wholesale agency model.

The next phase of market expansion is shortly coming on board with the UCAAS launch through Cisco webex and Microsoft teams scheduled for H2 with testing starting in the coming months. This will also happen in parallel with the full Domestic Launch.

This puts us right on track to have Singapore at a cash flow positive run rate by June 2022 and early indications of the contracted prices reveals only 100,000 numbers is needed to achieve this.

Whilst we were confident in our expansion strategy there is nothing like ink on paper and a strong sales pipeline to reinforce the scale and speed of the opportunity. I will now pass you back to Rene to talk through the next phases of the strategy.

[Slide 11] – Rene Sugo

Thank you Jon. It is great to see such solid progress in Singapore so quickly after launch.

Now for an update on the broader Asian expansion strategy which we announced at the full year results update. In summary, we set ourselves a goal of entering 5 additional markets in Asia, being Malaysia, Vietnam, Taiwan, South Korea and Japan. Additionally, we set ourselves the goal of reaching 100 million numbers on network by 2030. This would allow us to leverage our technology stack, our customer relationships, and our already leading position in the region, to become the leading provider of phone numbers in the Asia-Pacific.

While this strategy is still in its infancy, the business is making great progress as we strive to open these additional markets as quickly as possible. We have commenced market scanning in 4 markets, and as shown on this slide we have a developed a short list of 21 potential acquisition targets that meet our criteria as laid out in this slide. These criteria being around business scale and revenue, licensing and local contracts, complementary products, some voice exposure and a clear potential for us to leverage their assets.

We do not have any offers made at this time; however, the process is looking promising. So much so that we have decided to focus on Malaysia as the first new market for entry.

[Slide 12] – Rene Sugo

Malaysia has been chosen as the first new market entry for several reasons.

As a market it possesses all the key attributes that we look for in the ability for us to launch our service offerings – being:

- A large market with strong technology tailwinds, such as a rich competitive environment for fixed high speed broadband services.
- High concentration of geographic numbers with the incumbent – at 81% market share
- Having strong competition in terms of mobile networks and MVNO – which is a key market indicator we look for
- A stable regulatory regime with a focus on driving competition
- New industry requirements to mandate number portability within the next two years

While our final approach to market entry is still being finalised, we are confident we can have our service set operational by December 2022. This would mean that we would have a first mover advantage in the market with the impending introduction of number portability. It would also demonstrate our ability to deploy new markets at an accelerated rate, taking only 12 months from start to finish, where Singapore took almost 36 months.

We are also continuing to pursue the additional markets simultaneously and will provide updates as they become available.

[Slide 13] – Rene Sugo

The company has launched a new Vision for 2030 focusing on the Global Tech Megatrends of CPaaS, UCaaS and TaaS. As part of this refocus the company has disposed of many of its Direct Segment assets. As such it no longer has any customers with a relationship to the "MyNetFone" brand. Rather the Symbio brand is now the dominant trading name and has over the years built up an extremely good reputation globally as a provider of Software-As-A-Service solutions to some of the biggest tech names in the world.

Today at this meeting we have put forward a resolution to rename the parent company to "Symbio Holdings" and to change the ASX stock code to SYM. We feel that this will complete the transition of the company from its origins as retail service provider, to a wholesale software services provider.

The board, the management and all our staff are really excited to be starting this new chapter in the company's growth with a refreshed brand to compliment our exciting strategy!

[Slide 14] – Rene Sugo

Now to briefly recap the new operating segments that were introduced recently at the full year results. The three segments are –

- CPaaS – communications platform as a service – where we focus on providing phone numbers, call termination and messaging services to software companies and large global telcos. Our customers reside world-wide, and rely on us providing them local capabilities – currently in Australia, New Zealand and recently launched Singapore. These customers themselves are experiencing rapid growth and strong demand in the countries we are currently operating in, as well as our target expansion countries which we recently announced.
- TaaS – telecommunications as a service – where we focus on providing turnkey solutions for voice, mobile and broadband services to Retail Service Providers (RSPs), predominantly in Australia today. Our customers in this segment play to their strengths in sales and marketing, or in adjacent service industries that require telecommunications services, or brands looking to increase customer engagement and loyalty. The main brand we trade under is the Telco-In-A-Box brand and that brand will continue to be our TaaS brand.
- UCaaS – Unified Communications as a service – where we focus on co-selling Cisco Web-Ex and Microsoft Teams to enterprise and government customers. Our business is predominantly in Australia and NZ today. As Jon mentioned earlier, we are on track to launch both Cisco Webex and Microsoft Teams offerings in Singapore in H2. Our plan is to align our UCaaS offerings under the Symbio brand in time, so we can maximise the brand recognition as we move into more markets in the region.

[Slide 15] – Rene Sugo

At the full year result we introduced a pro-forma view of how these segments would look at the recurring revenue level. Over the last couple of months, the team has been working diligently to implement this new segmentation across all systems in the business to enable detailed reporting going forward. Today we are updating that view and adding recurring margin.

- The CPaaS segment is larger than we originally anticipated with $43m in recurring revenue in FY21, and $33m in recurring margin. This represents a gross margin percentage of 76% in FY21, which has been increasing faster than revenue as the fixed network operating expense is amortised across more phone numbers.
- The TaaS segment is slightly smaller than we originally anticipated with $48m in recurring revenue in FY21 and $20m in recurring margins. This represents a gross margin percentage of 42% in FY21. The margin is lower due to the mix of resale products such as NBN and Mobile.
- The UCaaS segment is the smallest segment at $9.3m in recurring revenue in FY21, and operating at 59% gross margin. As discussed previously at the full year, there is some noise in the UCaaS numbers as legacy data resale products wash out of the numbers and we end up with a clean revenue stream from co-selling Cisco WebEx and Microsoft Teams.

The business plans to adopt this segmentation going forward. These numbers, while management estimates for this pro-forma historical view, in future they will be formally presented at each results presentation.

[Slide 16] – Rene Sugo

And to finish off the description of the new segments, here are the Key Performance Indicators which the business is using in each segment, together with some indicative customers for each segment. We look forward to updating these numbers at each half-year reporting period.

Now that we've covered the segments in detail, I'd like to pass over to John Boesen our CTO to provide an update on our technical capabilities to make these segments a success in our Asian expansion roll-out. Over to you John…

[Slide 17] – John Boesen

Thanks Rene.

Well, our launch into Singapore was a key and exciting milestone for our team and signalled the commencement of the disruption MNF will bring upon not just Singapore, but to all the countries we are targeting as part of our Asia expansion strategy.

However, the Singapore program internally, was a lot more than just deploying and launching our capabilities into Singapore.

At our full year announcement in August this year, we were excited to launch our **Symbio Supercore, AppCore and GeoCore** initiatives that will underpin our ability to capitalise on the hyper growth we are seeing in all three of our as-a-service (aaS) divisions … CPaaS, UCaaS and TaaS.

The **Symbio Supercore** is the heart of our CPaaS offering and has been essentially the core of the MNF business since inception. It is a combination of software and physical infrastructure packaged in a way that hides all the complexity from our customers and presents a simple way to purchase or port phone numbers into our network. Once on our network, customers can deliver and receive calls from any phone number in the world regardless if it is a mobile phone, landline or virtual device. Reliability, performance, capacity, quality, security, APIs … all contained within the Supercore.

The App and Geo cores build on top of the Super Core to two different but mutually beneficial ways.

The AppCore has been created to enable our new as-a-service (aaS) divisions to move at speed. The AppCore focuses on building division specific feature extensions on top of the Supercore so our customers are getting exactly what they need when they need.

The GeoCore has been created to encapsulate the work required to enter a new country and localise our existing feature set in a consistent and reusable way such that the AppCore can move its features to new countries far more seamlessly and more efficiently than what we have previously been able to do.

The evolution and investment we are making into these technology pillars will not only ensure we continue our market leading position but will underpin the acceleration of our strategy.

As we now start to move into the details of Country 4 regulatory and carrier landscapes, we will be able to add further colour at the half year on what this means in terms of an end-to-end timeline, but for now let me now hand back to Rene for some closing remarks.

[Slide 18] – Rene Sugo

Thank you for that John… and in wrapping up today's presentation…

[Slide 19] – Rene Sugo

It is an exciting time for us here at MNF (soon to be Symbio), as we complete our simplification strategy and lay down a clear path for global expansion. We are continuing to see strong growth in the phone numbers on our network as we track to our north star of 100m numbers on network by 2030.

Our Asian expansion strategy has kicked off and is well underway with a target to enter Malaysia in 2022, as we continue to plan to enter the additional markets as quickly as possible. This of course all made possible by our accelerated strategic investments in platform and technology.

And finally, we are in a strong financial position with a clean balance sheet, giving us the ability to invest organically and through acquisition in order to achieve our goals.

And that concludes today's management presentation. Thank you, and over to you Anne.

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