

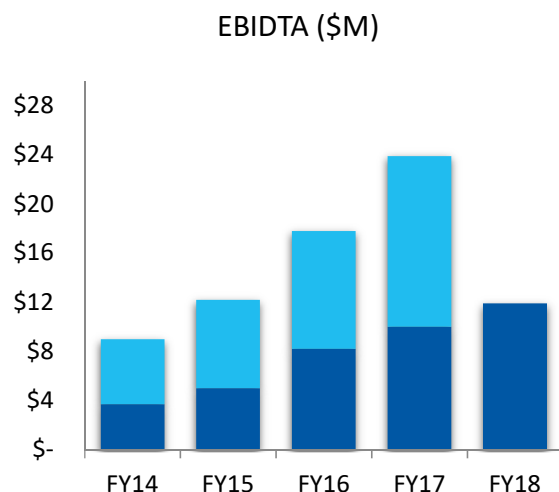
ASX Announcement
 MNF Group Limited (ASX: MNF)
 13 February 2018

MNF First Half FY18 NPAT up 25%, EBITDA up 19%, Gross Margin up 27%

The Board of Australian communications software specialist MNF Group (ASX: MNF) is pleased to report strong growth for the six months ended 31 December 2017. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 19% to \$11.9m, with net profit after tax (NPAT) increasing by 25% to \$6.1m, when compared with the same period a year earlier. Gross Margin for the half increased by 27% to \$34.1m, as a result of strong organic growth within the business.

MNF's solid performance for the half included:

Result	H1 FY17	H1 FY18	Change
Revenue	\$91.4m	\$116.7m	+28%
Gross Margin	\$26.7m	\$34.1m	+27%
EBITDA	\$10.0m	\$11.9m	+19%
NPAT	\$4.9m	\$6.1m	+25%
Dividend	3.75cps	4.30cps	+15%
EPS	7.17cps	8.30cps	+16%



The strong increase in gross profit for the period versus the prior corresponding period is attributable to solid growth in all three operating segments of the business: Domestic Retail, Domestic Wholesale and Global Wholesale:

- The **Domestic Retail** segment grew 39% and benefited well from the addition of the CCI business for the full first half. Additionally, Small Business margins continued to grow offsetting the slight structural decline in legacy Residential products. The company is seeing encouraging increases in government business. A recent example of this is CCI's New Zealand Government deal, which we expect will deliver new margin streams well into the future.

- MNF has relaunched Pennytel as a national brand to take advantage of a segment we expect will deliver significant future growth, based around our mobile first (MVNO) software platform (see below).
- The **Domestic Wholesale** segment grew 17% organically due to the ongoing increase in its recurring revenue streams. Additionally, this segment saw strong growth of 47% in iBoss hosted services, with even larger growth expected in H2.
- The **Global Wholesale** segment performed very well with 27% organic gross margin growth over the prior corresponding period, it's encouraging to see a changing revenue mix from usage based business to recurring revenue business.

Business Outlook and Guidance:

Leveraging on our existing software platforms which have been enabling mobile services for some time now, MNF will invest up to \$3.5m in FY18 to launch Pennytel as a new suite of mobile products under a national brand, operating in the retail segment. "The relaunch of the Pennytel brand represents a unique opportunity for MNF Group to benefit from the mainstream telco market", said CEO Mr Rene Sugo. "Our strategy is to lead with a mobile first product offering based on our Telstra Wholesale MVNO agreement and taking advantage of our vast mobile enablement platform. We will later look to introduce an NBN based product line once the brand is established, and the NBN roll-out has matured to make customer acquisition easier," he added.

MNF sees the Pennytel launch as an enormous opportunity only made possible by MNF's extensive software ecosystem. We are seeking to acquire 250,000 subscribers by June 2020, anticipating an EBITDA contribution of circa \$7.9m in that year.

The company has updated its FY18 forecast based on this once-off strategic investment as follows:

Forecast	FY18 Organic guidance	Investment in Pennytel launch	FY18 Forecast Updated
Gross Margin	\$72.3m	\$0.0m	\$72.3m
EBITDA	\$28.5m	(\$3.5m)	\$25.0m
NPAT-A	\$17.0m	(\$2.5m)	\$14.5m
NPAT	\$15.0m	(\$2.5m)	\$12.5m
Earnings Per Share (cents)	20.5		17.2

The MNF Group board remains confident that the company will achieve strong organic growth in the remainder of the year and into the future.

Investor Teleconference:

There will be a teleconference and results presentation held on Tuesday 13 February at 3:00 pm AEDT. For details please check <http://mnfgroup.limited/investors>. A recorded version of this presentation will be made available for later viewing at the same web address.

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If you would like to find out more about MNF Group Limited, please contact Renee Papalia, Executive Assistant to CEO by email renee.papalia@mnfgroup.limited or by phone on (+612) 8008 8231.

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 \$450M, and twice winner of the Forbes Asia-Pacific "Best under a Billion" award. Headquartered in Sydney, Australia, the company has over 350 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/>