



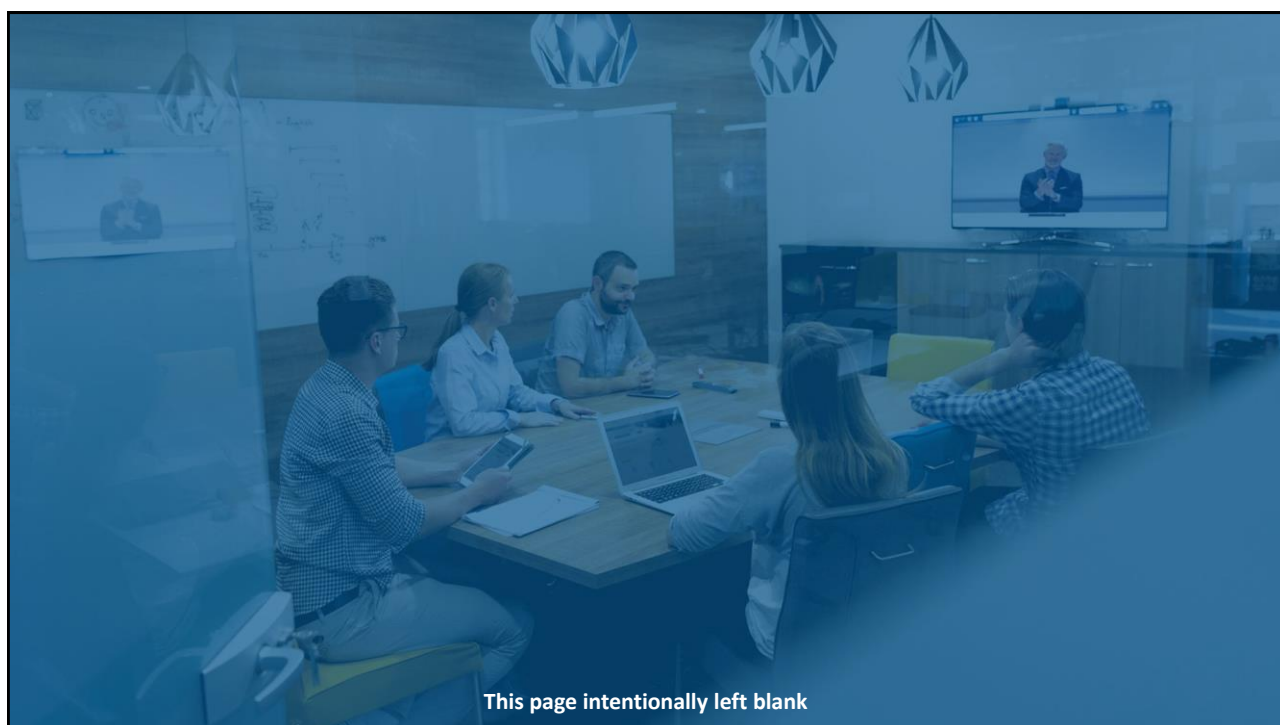
View the MNF Journey

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

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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

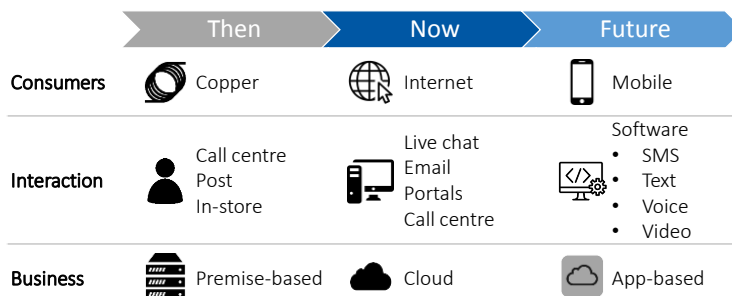
- *A cloud-based platform that powers and delivers real-time communication (voice, video and messaging) for websites and apps*
- *Allows website and software developers to add real-time communications to their products without the need to invest in underlying infrastructure*
- *"CPaaS acts as the conduit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

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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



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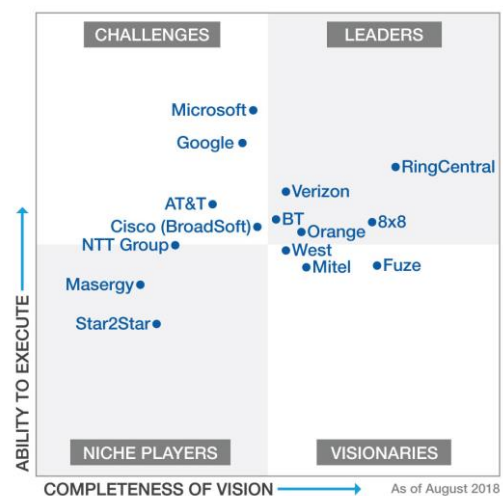
- ✗ Existing telcos have not invested in software and are **unable** to support UCaaS and CPaaS vendors
- ✗ Software vendors are **unwilling** to invest capex to build telecom infrastructure and networks
- ✓ Software vendors **depend** on next-generation providers like MNF to bridge the gap between software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



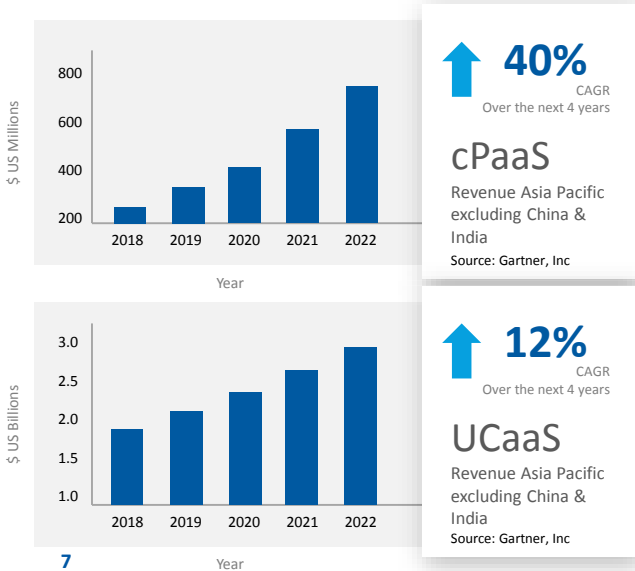
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Sources:  
[Magic Quadrant for Unified Communications as a Service, Worldwide](#),  
[Magic Quadrant for Contact Center as a Service, North America](#)

[The State of the Unified Communications Market in 2018](#)  
 Graph information source: Gartner, Inc

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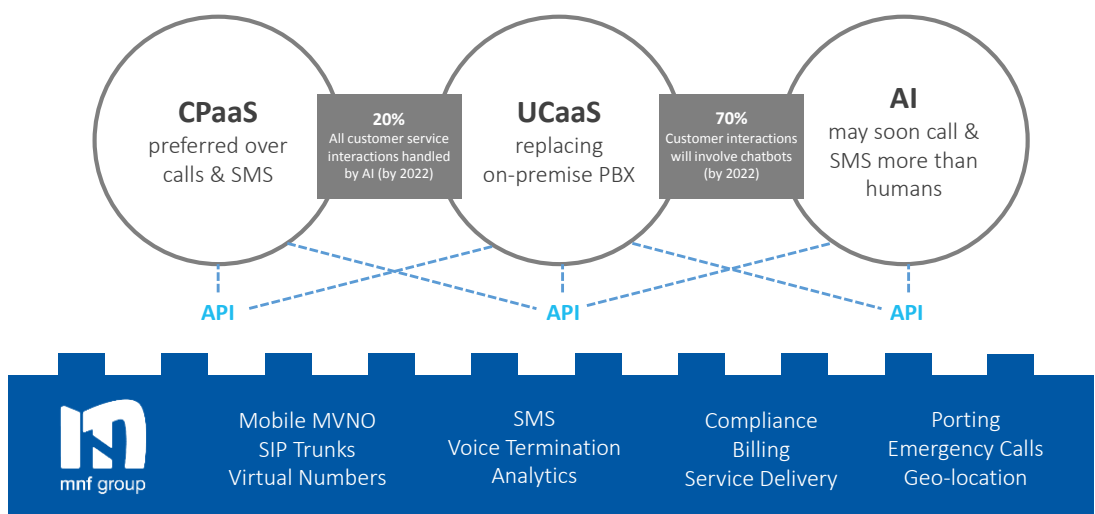
# How big is the market opportunity?



- 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**

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# Key trends are underpinned by MNF’s services



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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

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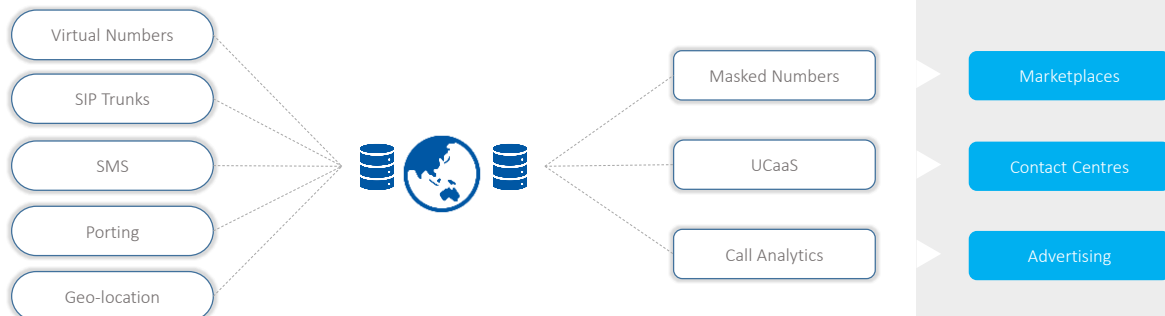
# The MNF Platform

Regional CPaaS capabilities

Delivered on our infrastructure

Used in mission-critical software

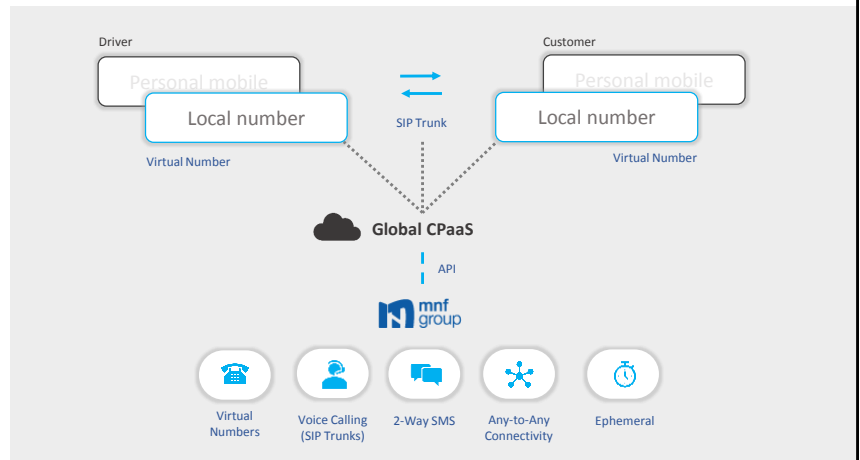
Underpinning huge markets



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## 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)

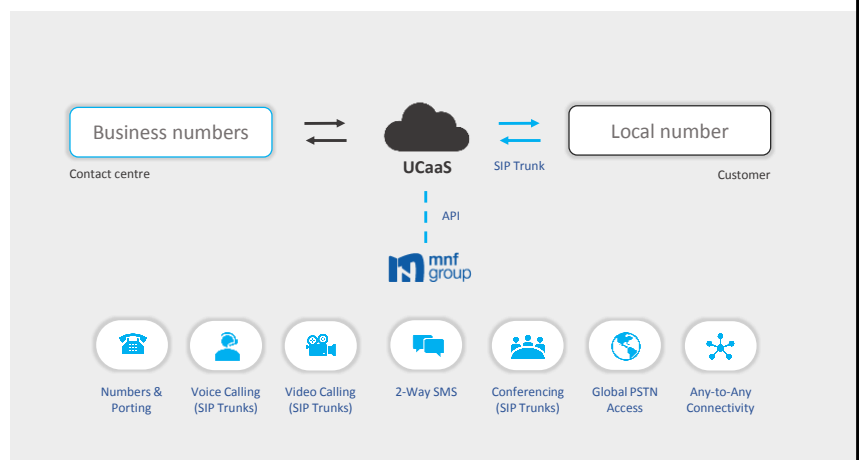


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## Underpinning: Cloud contact centres

- **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)

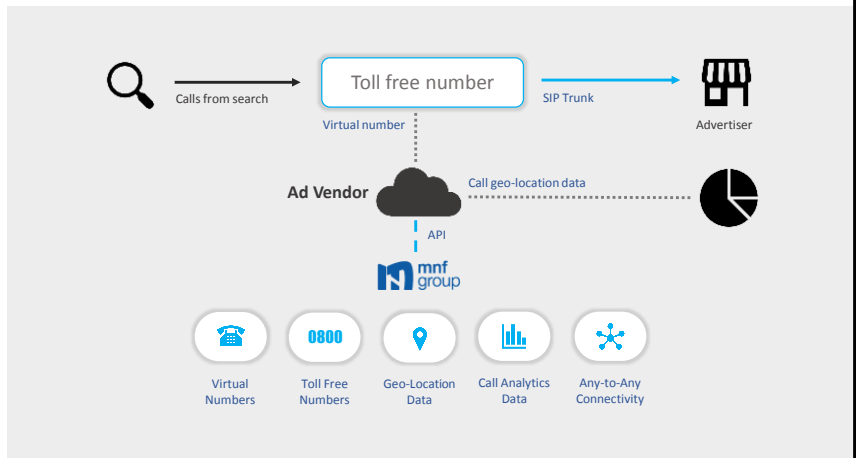


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# Underpinning: Advertising analytics

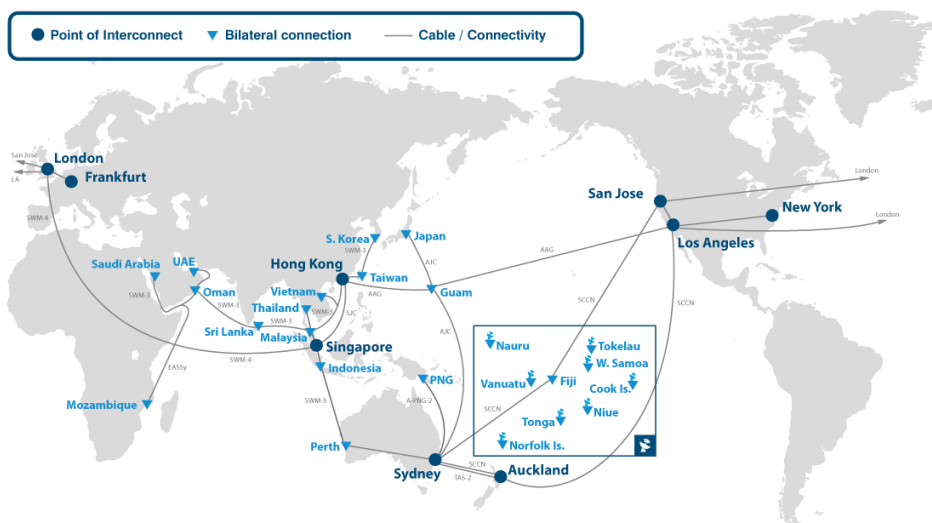
- **Call Analytics** prove the value of online advertising in driving customer calls
- Ads displays a unique virtual number, MNF connects the call, passes on geo-location
- Call location data is **critical** to ad vendor's business
- MNF revenue model is predominantly **high-margin recurring** with a smaller variable transaction revenue (user voice calls)



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# Our global reach



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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

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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

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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



Lower cost



Flexible API



Reputation



Infrastructure

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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.

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## 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 <sup>^</sup>	\$9.8m	\$11.6m <sup>^</sup>	-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%

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

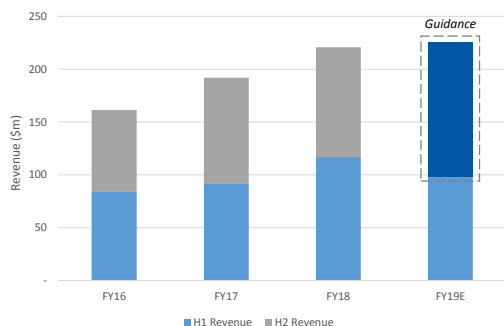
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# Revenue and Gross Margin

## Revenue

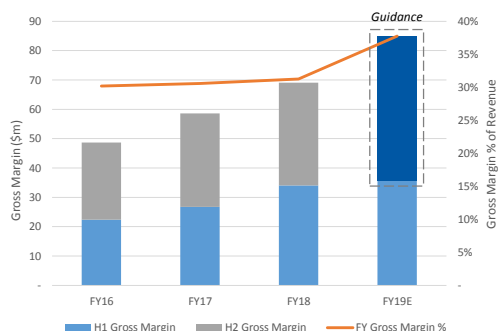
- Consolidated group Revenue declined 16% due to changing revenue mix away from Transaction Revenue to higher-margin Recurring Revenue. Trend expected to continue delivering higher gross margin growth in coming periods.



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## 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.

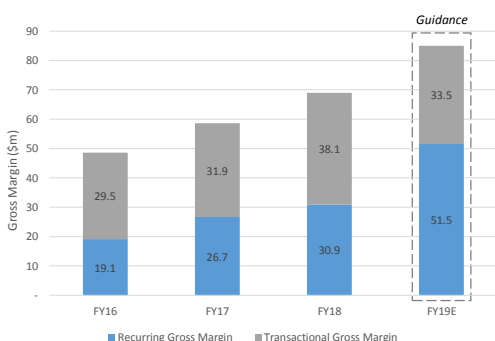


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# Gross Margin analysis

## Gross Margin breakdown

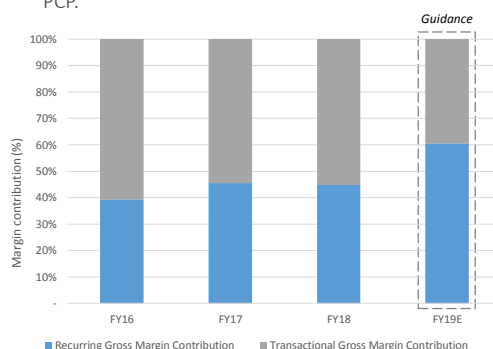
- Group focused on growing recurring gross margin with *as-a-service* business models.
- Recurring business models typically generate lower gross revenue, but much higher gross margins and are intrinsically stable.



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## 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.

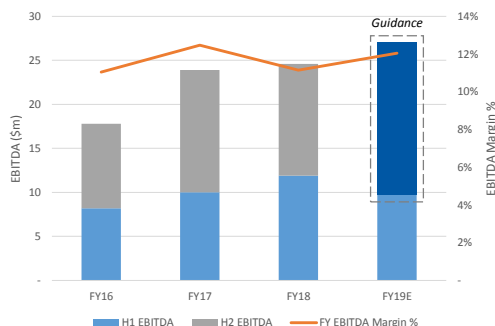


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# EBITDA and NPAT

## EBITDA

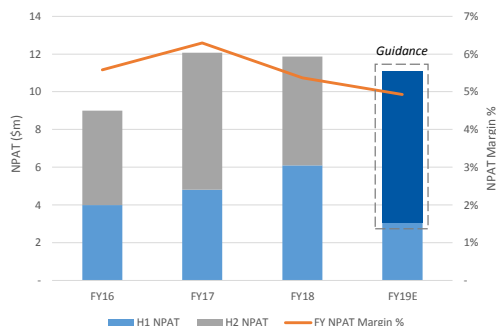
- EBITDA declined 16% to \$9.8m attributable to accelerated investment in product development, and one-off impacts of acquisitions in H1. EBITDA guidance of \$27m to \$28m for FY19.



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

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

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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

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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

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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**



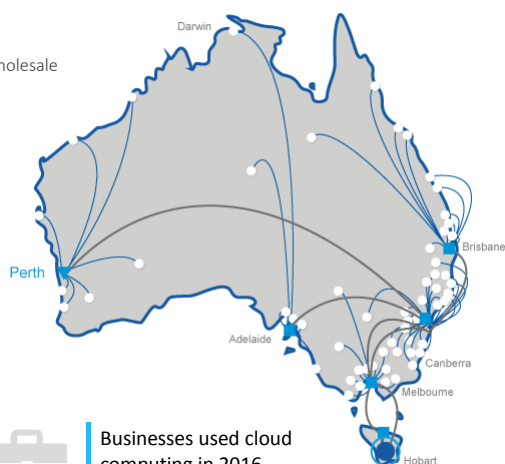
NBN activations  
**56% in regional Australia**



NBN activations  
**1.1M > 2.4M**



Businesses used cloud computing in 2016  
**80%**



## 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**

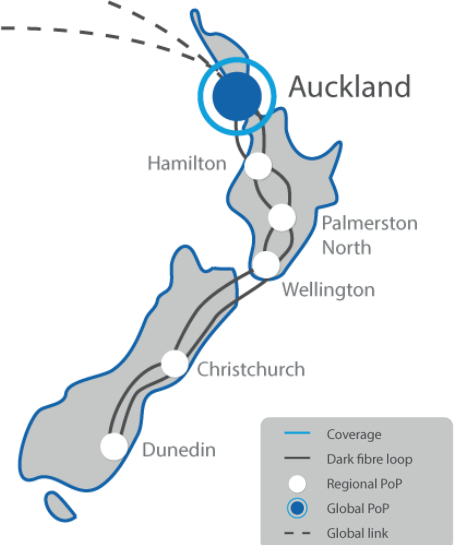


Fixed broadband  
**1.58M**

*Fastest uptake of fibre broadband in the developed world*



Fixed voice minutes  
**3.44B**



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Sources: [stats.govt.nz](https://stats.govt.nz/) | [Annual Telecommunications Report 2017](https://www.mnf.co.uk/annual-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**



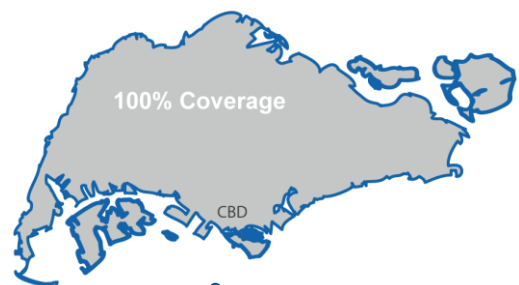
Mobile subscriptions (2G+3G+4G)  
**8,464,400**



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

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Sources: [imda.gov.sg](https://www.imda.gov.sg/) | [singstat.gov.sg](https://www.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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