

ASX Announcement
MNF Group Limited (ASX: MNF)

25 February 2020

MNF First Half FY20.
EBITDA up 52% to \$16.9m, NPAT up 20% to \$3.7m.

The Board of Australian communications software specialist MNF Group (ASX:MNF) (the Company) is pleased to report solid results for the six months ended 31 December 2019. Earnings before interest, tax, depreciation and amortization (EBITDA) was up 52% to \$16.9m (with FY19 restated for AASB16). Net profit after tax (NPAT) was up 20% to \$3.7m. The Company ended the period with cash of \$38.6m, and undrawn debt facilities of \$30.0m available to fund further growth of the business.

The Company is reaffirming EBITDA guidance in the range of \$36.0m to \$39.0m (on a post AASB16 basis) and guiding NPAT in the range \$10.0m to \$12.0m. The updated NPAT guidance reflects impacts due to changes in R&D tax concessions, increased amortisation, non-cash employee share plans and AASB16 effects.

The Company announced a dividend of 2.5 cents per share fully franked.

A summary of the half year results is below:

	H1 FY19	H1 FY20	Change
Revenue	\$98.1m	\$112.0m	+14%
Gross Margin	\$35.8m	\$45.0m	+26%
Gross Margin %	36.5%	40.2%	+3.7% pts
EBITDA ¹	\$11.1m	\$16.9m	+52%
NPAT	\$3.1m	\$3.7m	+20%
Underlying NPAT-A ²	\$4.8m	\$6.5m	+35%
Dividend	2.10cps	2.50cps	+19%
EPS	4.18cps	4.83cps	+16%

1. H1 FY19 EBITDA has been restated for the new AASB16 lease accounting standard
2. Underlying NPAT-A excludes acquisition costs, amortisation of acquired customer contracts & acquired software and tax effected restructure costs

Business Outlook

“This is an exciting time for MNF Group as we continue to see very strong demand for our core products – phone numbers with number portability. We are seeing significant organic growth from our existing domestic and global customers as they tackle the opportunities presented to them by the impending completion of the NBN roll-out and ISDN shut-down.” Said Mr Rene Sugo, CEO. “Our total numbers on network increased to 4.1m in the period, representing an annualised growth rate of 16%, with a considerable order volume going into H2.” Added Sugo.

Singapore Network Build Update

The Company is building a next-generation voice network in Singapore – the first fully interconnected carrier network built in the country since the year 2000. Physical construction of the network is now complete and is undergoing interoperability testing with the incumbent carriers. The Company continues to receive very strong interest from its global customer base for fixed line phone numbers with number portability in Singapore. The Company is currently targeting soft launch with initial customers by H1 FY21.

Telco-In-A-Box Acquisition Update

The Company acquired the business assets of Telco-In-A-Box (TIAB) in December 2018 for \$33.8m (7.5 x EBITDA) for the purpose of consolidating its large whole customer base into the MNF Domestic Wholesale business. The corporate restructure of TIAB was completed in H1 FY20 at a once-off cost of \$1.3m which has not been included in EBITDA. Consolidation of network and software platforms is ongoing. During the half the Company also divested two small legacy businesses from TIAB at a margin impact of circa \$500K to the Direct Segment. Additionally, TIAB legacy product obsolescence and end-user churn has contributed a margin impact of \$2.1m in the half to the Domestic Wholesale segment. Despite these margin impacts and restructure costs, the TIAB business is performing well and is still delivering expectations at the EBITDA level. The TIAB business has delivered considerable benefits to the group, including addition of new staff to the team, a broad range of quality customers, as well as significant scale and new products to our portfolio. Overall the board is pleased with the outcome of the acquisition.

With a discerning and conservative approach, the Board of MNF Group will continue to actively search for further acquisition opportunities; whilst we remain totally committed to driving growth and performance within the business.

Investor Webinar

The Company will host a results webinar on Tuesday 25 February at 9:00am AEDT. For details please check <http://mnfgroup.limited/investors>. A recorded version of this presentation will be made available later for viewing at the same web address.

For further information, please contact: Rene Sugo, CEO & Executive Director on +612 9994 8590, or email investors@mnfgroup.limited

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 \$415M, 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/>