

ASX Announcement
MNF Group Limited (ASX: MNF)
1 February 2017

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MNF to acquire Conference Call International (CCI) and raise funds

The Board of Australian communications specialist MNF Group (ASX:MNF) is pleased to announce it has entered into an agreement to acquire Conference Call International (CCI), the largest independent conferencing and collaboration provider in Australia.

Established in 2001, CCI provide their customers with high quality and reliable multi-party audio conferencing and collaboration services.

The CCI business is on track to earn \$3.5m EBITDA in FY17, a 17% increase on the prior year. MNF will pay \$18.0m (\$17.5m net of cash in the business) for CCI, which represents a multiple of 5.0 times current year forecast EBITDA. In addition, MNF has so far identified network and operational synergies of at least \$0.5m per annum which are expected to be fully realised in FY18. CCI has an excellent growth record having delivered a 3-year CAGR of 9.6% and 13.4% for revenue and EBITDA respectively, and is strongly placed to pivot into the fast-growing collaboration market. Both businesses will benefit from selling across their customer bases. CCI operates from headquarters outside of Melbourne with an excellent and dedicated team of 23 (FTE) staff.

The acquisition is scheduled to complete on 10 February 2017 after customary conditions are met.

The acquisition of CCI consists of:

- An extensive portfolio of 5,000 business and enterprise customers, in Australia, New Zealand and the Asia Pacific region, including many top 500 Australian enterprises.
- Three well established brands operating in the audio conferencing and collaboration space in the Australian market – Express Virtual Meetings, Eureka Conferencing and Ozlink.
- A scalable audio conferencing service platform with 50% available capacity for growth.
- State of the art collaboration platform: systems and processes to allow for rapid growth into the rapidly emerging audio/desktop/video collaboration market.
- Specialist staff with extensive experience in marketing, sales and operations in the audio conferencing and collaboration market.

MNF already provides enablement, networking and numbering services to most of the leading global audio conferencing and collaboration companies under the group's Domestic Wholesale and Global Wholesale segments. This acquisition provides the group with significant revenue and growth potential in its Domestic Retail segment, specifically for Business, Enterprise and Government customers.

“The acquisition of CCI provides MNF a significant entry into the audio conferencing and collaboration market in Australia and the region. These applications generate high margin recurring revenues with potential for consistent long term growth and innovation potential.”, commented Mr Sugo, CEO, “These applications are an excellent fit with the current MNF Business, Enterprise and Government sub-segment, as well as a high value synergy with the groups domestic and global network assets.”

Compelling rationale and strategic benefits for MNF include:

- Additional high margin revenue stream of \$7.9m (FY17 Forecast) from Business, Enterprise and Government customers in Australia, New Zealand and the Asia-Pacific region.
- Additional EBITDA of \$3.5m (FY17 Forecast) before network and operational synergies of \$0.5m.
- Adds scale with an incremental 50 million minutes per annum of high quality audio conferencing traffic, domestically and internationally.
- Provides the group with an additional 5,000 Business, Enterprise and Government customers.
- Provides additional opportunities for high margin revenue growth through further investment in CCI's platform, technology, network and business development resources; creating a new growth profit stream for the group.

Funding:

Capital raising/share placement

MNF has funded the acquisition by raising \$18.6m through a heavily oversubscribed placement of 4.13m shares to institutional and sophisticated investors at \$4.50 per share (representing a 2.8% discount to the 5 day VWAP). Taylor Collison was Sole Lead Manager to the Placement.

Share Purchase Plan

MNF is delighted to offer eligible shareholders in Australia the opportunity to participate in a Share Purchase Plan (SPP) at the same price of \$4.50 per share. This raising will be capped at \$3.0m with a maximum allotment of shares to the value of \$15,000 per shareholder. The SPP offer will open on 7 February and close on 21 February 2017. Details of the SPP will be sent to all eligible shareholders who are on the MNF share register at close of business on 31 January 2017.

Re-affirming organic guidance:

The board of MNF would like to re-affirm its current organic earnings guidance for FY17. The organic MNF business is performing well, with all segments on track to meet their targets for FY17. MNF Group is expecting to earn \$22.3m EBITDA and \$11.0m NPAT in FY17, representing organic growth of 25% and 22% respectively. The CCI acquisition will be marginally EPS accretive in FY17, and will contribute a full year of earnings and synergy benefits for the group in FY18.

The company has decided to raise new capital to fund this acquisition to preserve current cash and debt reserves for further rapid growth and more potential acquisition activity in the near future. 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.

MNF Group management will hold an investor webinar on Wednesday 1 February at 2:00pm AEDT. For further details on how to access the webinar please visit: <http://mnfgroup.limited/investors>

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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 \$300M, and twice winner of the Forbes Asia-Pacific "Best under a Billion" award. Headquartered in Sydney, Australia, the company has over 250 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/>