



**ASX Announcement**  
**MNF Group Limited (ASX: MNF)**

10 October 2018

**MNF Group Forecast for FY19 & FY20**

The Board of Australian communications specialist MNF Group (ASX: MNF) is pleased to announce its FY19 & FY20 guidance, incorporating the upcoming acquisition of the wholesale and enablement business from Inabox Group (ASX: IAB). The company will present these forecasts, together with a more in-depth overview of the transaction, at the upcoming investor webinar at 3:00pm, Wednesday 10 October.

Forecast	MNF FY18 Actual	FY19 Guidance	FY20 Guidance
Margin	\$69.0m	\$86.4m	\$100.0m-\$105.0m
EBITDA	\$24.4m	\$29.1m	\$33.0m-\$36.0m
NPAT	\$11.9m	\$12.8m	\$15.0m-\$16.5m
EPS (cents)	16.3	17.5	20.4-22.4

Combined FY19 forecast includes 7 months contribution from TIAB and includes funding costs and estimated amortisation expense.

EBITDA excludes net interest, acquisition costs and non-cash option costs.

Please see presentation for further details and commentary on the acquisition and the guidance.

**Investor Presentation**

Further information and a consolidated forecast will be provided in an investor webinar scheduled for 3:00pm, Wednesday 10 October. Details found at: <https://mnfgroup.limited/investors> The company encourages interested investors and shareholders to attend the webinar, as due to timing and our upcoming AGM, the management team will be unable to accommodate one-on-one meetings.

ENDS



**MNF Group Limited (ASX: MNF)**  
ABN: 37 118 699 853  
Level 4, 580 George St, Sydney NSW  
2000 Australia

### **About MNF Group Limited**

MNF Group Limited, (ASX: MNF) is an integrated telecommunications software and network provider, specialising in Internet communications. MNF Group was founded in 2004 and listed on the ASX in 2006. The company has 73.3 million shares on issue and has operated profitably since 2009 paying dividends to its shareholders every six months since September 2010.

The Group operates a global Smart Network carrying over 6 billion voice minutes per annum, with Points of Presence (POPs) in Los Angeles, New York, Hong Kong, Singapore, London, Frankfurt, Sydney and Auckland. Domestically, the Group operates the largest, fully interconnected IP Voice network in Australia.

MNF Group has a reputation for quality, value and innovation, being the recipient of numerous awards including the ACOMMS award for innovation (2017, 2016), Edison Award (2017), the Australian Growth Company Awards (2016), the iAwards for Innovation (2016), Forbes Asia's 200 Best Under a Billion (2014 & 2015), Deloitte Technology Fast 50 (2008, 2009, 2010, 2012, 2013, 2014) and CeBIT Outstanding Project Award (2013), and many more.

MNF Group companies includes retail brands: MyNetFone, Connexus, CallStream, PennyTel and The Buzz; conferencing brands Ozlink, Eureka, Express Virtual Meetings and wholesale brands TNZI, Symbio Networks and iBoss.

For further information about MNF Group Limited please visit: <http://mnfgroup.limited/>



Not for distribution or release in the US

# MNF to acquire Wholesale & Enablement Assets of Inabox. Provides Consolidated Guidance

Rene Sugo, Group CEO  
10 October 2018



## Agenda



Acquisition Details



Consolidated Guidance



View the MNF Journey

Find out where it all began...  
<https://mnfgroup.limited/about>



## Acquisition Details

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## TIAB Acquired Business Summary



> Acquiring the Wholesale and Enablement assets from IAB (collectively TIAB)



> Enablement provides a full operational outsource eco-system for voice, data and mobile for several major brands in Australia



> Includes Telco-In-A-Box, Neural, Symmetry and iVox brands



> Includes all staff, software and network assets required to run and expand the business



> Wholesale provides a wide range of voice, data and mobile aggregation services to over 500 service providers in Australia



> Strong technical and customer synergies with MNF

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## TIAB Acquisition Highlights



- > Consideration of \$30.5m payable in cash on completion



- > Acquired business to be debt free



- > Additional \$3.0m earn-out subject to performance
  - > Tranche 1 - \$0.5m payable in March 2019
  - > Tranche 2 - \$1.65m payable in June 2019
  - > Tranche 3 - \$0.85m payable in June 2019



- > FY18 EBITDA estimate of \$4.2m on a normalised basis
  - > Consideration is 7.3x to 8.0x prior to growth, synergy and savings



- > Funded through existing debt facility – extending to \$51m total



- > Target working capital of \$2.0m, including est. \$1.5m in cash

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## TIAB Acquisition Components

### Brands

- Industry recognised wholesale brands – **Telcoinbox**, iVox and NeuralNetworks & Symmetry

### Customers

- Over 500 wholesale service provider customers, consisting of a wide cross section of the industry, from small to very large

### Platform

- Proven enablement platform – Octane – supporting over 250K managed end-points across multiple instances

### Network

- Full national voice and data network in Australia, highly synergistic with MNF

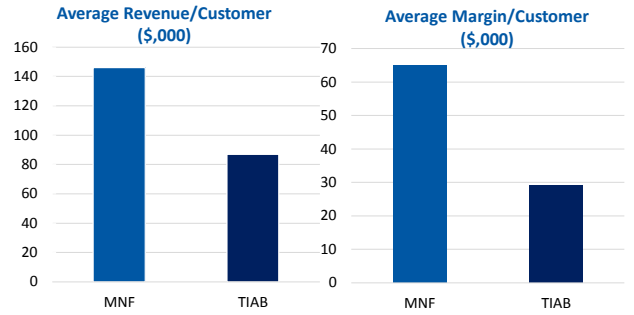
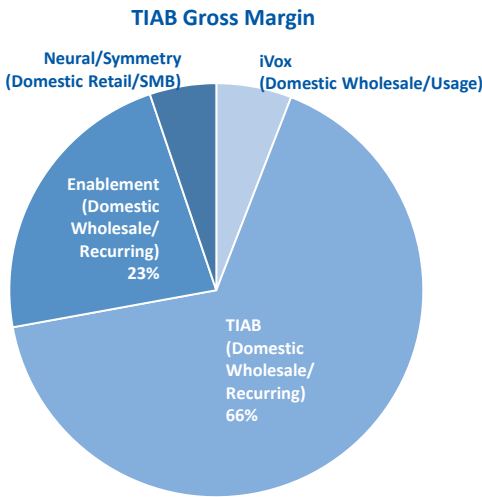
### Staff

- Highly experienced in-house team of 84 people based in Australia, with additional outsourcing capabilities in Australia & Philippines

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# TIAB Margin Analysis (FY18 Pro-Forma)



- > Only one common customer with Symbio in TIAB top 20. Only 21 customers in common across both companies.
- > TIAB is itself a customer of MNF, this will result in a revenue elimination on consolidation of c.\$1.6m.

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# TIAB Complements MNF's 4-D 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



+ 1



## Acquisitions

Careful strategic addition of businesses that compliment or expand our capabilities



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## Consolidated Guidance

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## Organic MNF Forecast FY19

	FY18 actual	FY19 forecast	Δ
Gross Margin	\$69.0m	\$74.0m	+7%
<b>EBITDA<sup>^</sup></b>	<b>\$24.4m</b>	<b>\$26.5m</b>	<b>+9%</b>
Net Interest	\$0.6m	\$0.4m	
Acquisition costs	\$0.3m	\$0.7m	
Non-cash option costs	\$0.4m	\$0.6m	
Depreciation	\$4.3m	\$5.2m	
Amortisation	\$2.0m	\$2.2m	
Tax	\$4.9m	\$4.8m	
<b>NPAT</b>	<b>\$11.9m</b>	<b>\$12.6m</b>	<b>+6%</b>
Earnings per share (cents)	16.3	17.2	+6%

- <sup>^</sup>EBITDA re-set to exclude interest revenue and option costs (refer Directors report 2018 accounts for reconciliation).
- Global Commercial minutes gross margin decreased run rate adjustment of \$4.0m pa due to deal unwind and market cost changes in Q1/FY19.

10 ➤ FY19 Forecast acquisition and options costs total \$1.3m (FY18 \$0.7m).

- Net Interest does not include acquisition funding costs.
- Forecast includes increase in further substantial investment in our R&D resources to support strong growth and resourcing to integrate TIAB software eco-system & underpin sustainable long term growth initiatives.
- Upside from any new major customer wins is not included.

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## TIAB Full Year Forecasts

	<b>FY18 Pro-Forma</b>	<b>FY19 Forecast</b>	<b>FY20 Forecast</b>
Revenue	\$55.0m	\$58.7m	\$60.3m-\$63.3m
Gross Margin	\$20.0m	\$21.3m	\$23.4m-\$25.4m
EBITDA	\$4.2m	\$4.5m	\$5.0m-\$6.0m

- FY18 figures are based on MNF due diligence and are pro-forma normalised estimates based on eliminating the "IAB Direct Business", and are un-audited.
- FY19 figures are full year pro-forma estimate based on MNF due diligence, assuming earn-out conditions are all met.
- FY20 figures are initial estimates. Actual numbers will vary based on realising full year network synergies, exact timing and value of material synergies yet to be finalised.

## Consolidated Forecast FY19

<b>Forecast</b>	<b>MNF Organic FY19</b>	<b>TIAB 7 months FY19</b>	<b>Consolidated FY19</b>
Margin	\$74.0m	\$12.4m	\$86.4m
<b>EBITDA</b>	<b>\$26.5m</b>	<b>\$2.6m</b>	<b>\$29.1m</b>
Net Interest			\$1.3m
Acquisition costs			\$0.7m
Non-cash option costs			\$0.6m
Depreciation			\$5.5m
Amortisation			\$3.3m
Tax			\$4.9m
NPAT			<b>\$12.8m</b>
EPS (cents)			<b>17.5</b>

- Updated MNF Consolidated forecast based on 7 months contribution from TIAB.
- Amortisation is based on best estimates and is subject to change once acquisition accounting is completed.
- No material TIAB/MNF combined synergy savings are expected in FY19. Network and operational synergies expected to benefit FY20.
- Forecasts includes interest calculations for fully debt funded acquisition.



## Combined Forecasts

Forecast	MNF FY18 Actual	Combined FY19 forecast	Combined FY20 forecast
Margin	\$69.0m	\$86.4m	\$100.0m-\$105.0m
EBITDA <sup>^</sup>	\$24.4m	\$29.1m	\$33.0m-\$36.0m
NPAT	\$11.9m	\$12.8m	\$15.0m-\$16.5m
NPAT-A	\$13.9m	\$16.1m	\$19.5m-\$21.0m
Earnings Per Share (cents)	16.3	17.5	20.4-22.4

- Combined FY19 forecast includes 7 months contribution from TIAB and includes funding costs and estimated amortisation expense.
- <sup>^</sup>EBITDA excludes net interest, acquisition costs and non-cash option costs.
- NPAT-A adds back all amortisation across all acquisitions to date.

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## Acquisition Funding

	Current	Post TIAB completion
MNF facility limit	\$27.0m	\$51.0m
Drawn	\$20.0m	\$51.0m
Cash	\$15.1m	\$17.1m
<b>Net Debt</b>	<b>\$4.9m</b>	<b>\$33.9m</b>
Gearing ratio (Debt/EBITDA)	0.8 times	1.7 times
FY19 capital expenditure and software development	\$12.0m	\$15.0m

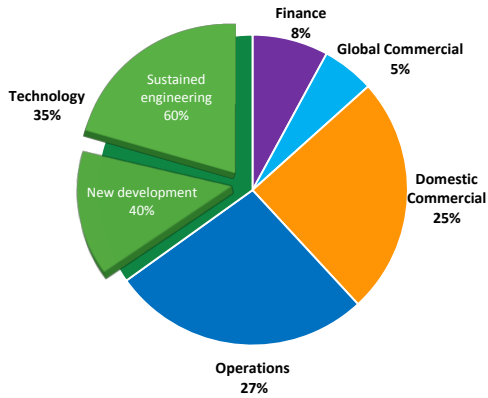
- Acquisition funding fully guaranteed from revolving debt facility extension to \$51m.
- MNF is intending to offer eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP).
- Funds raised will be used to reduce the overall debt position and provide future acquisition reserves.
- Full details to be released next week.

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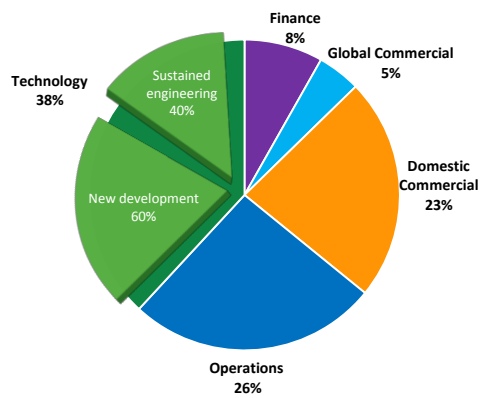
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# FY19 Budget Headcount Allocation

**MNF Pre-Acquisition  
(Sep 2018)**



**MNF Post-TIAB Acquisition  
(Dec 2018)**



- Total in-house headcount of 490 FTE post acquisition
- 15** ➤ Focus on new capability development key for combined business into FY20

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## Thank you

✉ Rene Sugo, Group CEO  
[rene.sugo@mfnfgroup.limited](mailto:rene.sugo@mfnfgroup.limited)  
 +61 (0) 2 8008 8080

Renee Halliday, EA to Group CEO  
[renee.halliday@mfnfgroup.limited](mailto:renee.halliday@mfnfgroup.limited)  
 +61 (0) 2 8008 8231

👤 Investor Webinar

When: Wednesday, 10 October 2018  
 Time: 3pm-4pm

➡ Register here:  
[MNF to acquire IAB, and FY19 Consolidated Forecast](#)

## Disclaimer

- › This presentation provides general background information about the activities of MNF Group Limited (MNF) current at 10 October 2018. The information is general in nature only and does not claim to be a complete and accurate representation of matters that an investor or potential investor should consider when evaluating MNF. It should not be relied on as advice or recommendation to investors or potential investors and does not take account of the investment objectives, financial situation or needs of any particular investor, which should be considered when deciding whether to make an investment.
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