

ASX Announcement  
 MNF Group Limited (ASX: MNF)  
 26 February 2019

## MNF First Half FY19.

### Strong Organic Gross Margin Growth of 12% Underlying. Investing for next phase of rapid growth.

The Board of Australian communications software specialist MNF Group (ASX: MNF) is pleased to report solid results for six months ended 31 December 2018. While NPAT was down due to one-off items, the performance of the business is strong with underlying organic margin growing by 12%. Other key performance indicators for the business remain strong with Number Portability up 25%, Wholesale customer growth up 16%, Virtual PBX subscribers up 10% and Enterprise & Government margins up 24%, all when compared to the prior corresponding period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$9.8m, with net profit after tax (NPAT) of \$3.1m. The NPAT result was impacted by largely one-off items such as: A decrease in Global Wholesale usage-based margins of \$4m/a, TIAB acquisitions costs of \$800K and associated opportunity costs due to transaction delays, increase in depreciation due to Singapore and New Zealand network assets coming online.

The company remains confident of achieving a full year NPAT of \$11.0m to \$12.0m, and has re-affirmed its original FY20 guidance. A summary of the results and guidance is below:

	Result			Guidance	
	H1 FY18	H1 FY19	Change	FY19 Guidance (Updated)	FY20 Guidance (Unchanged)
Revenue	\$116.7m	\$98.1m	-16%	N/A	N/A
Gross Margin	\$34.1m	\$35.8m	+5%	\$85m-\$86m	\$100m-\$105m
EBITDA	\$11.6m	\$9.8m	-16%	\$27m-\$28m	\$33m-\$36m
NPAT	\$6.1m	\$3.1m	-49%	\$11m-\$12m	\$15m-\$16.5m
Dividend	4.30cps	2.10cps	-51%	Target 50% of EPS as per policy	
EPS	8.30cps	4.18cps	-50%	15.0-16.4cps	20.4-22.4cps

All major key performance indicators for future margin growth in the business remain strong:

- Organic **Number Portability** grew 25% to 885k hosted numbers, and total hosted numbers 20% to 3.5m based on PCP. The number portability figure is a leading indicator of future gross margin growth in the Domestic and Global Wholesale recurring revenue sub-segments.
- Organic **Wholesale Customers** grew 16% to 329 based on PCP. Once again the growth in wholesale customers is a leading indicator for future margin growth. This organic figure excludes the new wholesale customers which were acquired with the In-A-Box acquisition.
- **Virtual PBX** subscribers grew 10% to 4K based on PCP. Once again a leading indicator of annualised gross margin going forward.
- Total organic **Mobile Subscribers** are up 350% to 18.5k, including 6.6k PennyTel subscribers, indicating the company's new mobile wholesale initiatives are gaining traction in the market.

In summary, the company is experiencing strong organic margin growth in all areas of the business except Global Wholesale usage revenue sub-segment and Consumer retail sub-segment. The company is taking steps to evaluate its strategy for these two sub-segments.

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

#### **In-A-Box Acquisition (TIAB):**

The acquisition of the Wholesale and Enablement Assets of In-A-Box was completed on 12 December 2018 for total consideration of \$34.5m, after a protracted competitive public bid process. The company is pleased to announce that the integration and consolidation of the TIAB business is going well with major milestones of staff integration and network integration well underway. The business is performing to plan, and the milestones that would have been required to achieve the original earn-out conditions have all been met – thereby validating the value paid by MNF during the bid process.

#### **Investor Teleconference:**

There will be a teleconference and results presentation held on Tuesday 26 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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### **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 \$320M, 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/>