MNF Full Year FY19 Results Webinar Transcript

Rene Sugo: 00:00

Good morning everyone. Thank you for joining us for our 2019 results and guidance update presentation. Today I am joined by Matt Gepp our CFO and John Boesen our CTO. This year we are presenting a new presentation format aimed at simplifying the understanding of our business and focusing on what is important. We have provided the usual level of detail in the director's report for consistency with prior years. Now just to remind everyone, you are welcome to send questions through the chat at any time and we'll be monitoring that chat and as relevant questions come up for the slides we'll try and answer them in line so that we have the slides in front of us and in the context of the questions. So, feel free to start popping those questions in. I see a few people are saying hello already, which is great. Thank you very much. We've got a very large number of people online today, which is great to see.

Rene Sugo: 01:01

In terms of brief summary of our results, we've had a very busy and successful year here at MNF. The company has been focusing on building its recurring revenue streams and here are some of the snapshots that I'd like to highlight. Recurring revenue was up 89% this year up to $74 million, that includes seven months of inabox recurring revenue as well, but still that is a tremendous growth in recurring revenue. Recurring gross margin similarly is up 60% to $49 million, which is once again a great indication of the strength of the business and that we're building a solid base of gross margin. Overall, gross margin was up 20% the rate of growth margin gross overall was diluted by the usage and transaction business, which has been decreasing in margin, so that in some way offsets the other margins. But over time, the business is focused on building a recurring revenue business with high margins. EBITDA for the year was up 11% to $27.2 million, which is our highest EBITDA ever recorded. We'd like to focus on underlying NPAT-A. We liked the underlying NPAT-A number because we've had a long and complex acquisition of inabox this year, which consumed $1.2 million of acquisition costs, which are a one off non-recurring cost. So that affects the NPAT directly because it's non tax effected. So that really sort of clouds the underlying performance of the business. So, we're talking about underlying NPAT-A, which is up 13% this year to $15.9 million, which on an underlying basis is our strongest NPAT-A ever. Similarly, the underlying EPS is up 12% to 21.7 cents per share. I'd like to look at how the trends are going visually, and I think these graphs are quite exciting.

Rene Sugo: 03:03

So visually, MNF has been consistently growing gross margin and EBITDA year on year for the last seven or eight years. On an underlying basis NPAT-A and EPS-A took a bit of a backward step in growth last year, but we are back on performance this year and growing this year and well into the future. The key performance indicator on this slide is of course the phone numbers, which to me phone numbers are driving our past and future growth and performance, so that is our key KPI for the business that we'd be highlighting. This year in phone number growth, we achieved 18% organic growth and this drives the recurring revenues across the business and of course it's subject to tailwinds such as the NBN cloud and voice over IP, which JB will talk us through later in his presentation, and it's also subject to our geographic expansion strategy, which will increase the number of addressable population that we can sell phone numbers to. So JB will cover that in his presentation as well. I'd like to discuss also that the phone number growth is actually accelerating in velocity as we grow the base. So, we achieved 18% organic growth in phone numbers this year. In the prior year we achieved 15% and in the year before that we achieved 13% growth. So, as the base is getting bigger, you can see the growth is getting exponentially higher. Similarly, I'd like to discuss the trend in EBITDA and EBIDTA percentage of revenue, which is now growing at almost pre TNZI acquisition levels and this percentage of margin as well, is growing as well, which is very high. So this shows the underlying transformation of the business from low margin usage based business to a high margin recurring business and that is making us a strong proposition going forward. I have a question here from Ray regarding the reduced revenues. So the reduced revenue is due to the TNZI transaction business, wholly and solely, and in the segment report we put all details in that in the director's report. So yes, TNZI revenue's down, but that's why we're sort of focusing if you like on the recurring revenue growth, which is coming up in a couple of slides. So we'll focus a little bit more on that when we get to slide six. Right now, I'd like to hand over to Matt to go through the financial highlights in detail. Thanks Matt.

Matt Gepp: 05:36

Good morning everyone, thanks for joining us. So, the first line in the financial highlights is the revenue and it's been pointed out that the revenue is marginally down on the prior year by around 2%. You've probably heard us say this a million times now if you've joined us for a few years, but we are very much focused on the margin of the business and although the revenue was slightly lower, the margin was up to $82.5 million from $69 million in the prior year, and that's a 20% year on year growth. While the revenue was down for the full year, I will point out that H2 revenue was $117.5 million, which is the most revenue we've written ever in a half. So H1 was a little bit soft, just under $100 million, but we came back quite strong in the second half to deliver $117.5 million. I've touched on gross margin increasing to $82.5 million. The gross margin percentage which is really important, was 31% in the prior year, that's increased to 38% in FY19. Again, interestingly is the H on H variants. H1 delivered a 37% margin, H2 delivered a 40% margin, so that's our effective exit run rate for H2 is 40%. So moving forward, we're expecting and hoping to see margin percentages around that level. We've touched on EBITDA, it's up 11% to $27.2 million and the acquisition of inabox has certainly contributed to that growth. They came on board in December and have contributed seven months total of $2.9 million contribution from the inabox acquisition, which is slightly higher than what we'd guided, I think back in February we were guiding $2.6 million. So inabox is certainly contributing EBITDA in line with our expectations and we're very happy about that. NPAT went back a little bit, 4%, $11.9 million to $11.4 million. NPAT was impacted negatively by $1.2 million in acquisition costs. At the half, I think we were at 0.8 or 0.9 and anyone following the business at that time would know that we almost lost that acquisition quite late in the piece. It dragged on quite a few months longer than we expected and as a result of defending that acquisition, of course we needed to spend more money on lawyers and consultants, etc. So that's just a fact of life the $1.2 million in acquisition costs. We've also seen quite a large increase in our amortization. We made the inabox acquisition this year and there's associated amortization with the software and the customer contracts there, and we've seen amortization increase from $2 million to $3.4 million in FY19. Earnings per share is just a derivative of NPAT and so it's down 4% and all of the same comments that apply to the NPAT apply to the EPS. Underlying NPAT-A gets a little bit more exciting. We add back the amortization, we add back the acquisition costs and ignoring those two items, one is cash and one off. Amortization is recurring, but underlying NPAT-A is increased 13% from $14.1 million to 15.9 million. Similarly, underlying EPS-A follows the same pattern, that's increased from 19.3 cents in FY18 to 21.7 cents in FY19 at 12% increase, consistent with the underlying NPAT-A increase. The board declared a dividend of 4 cents in H2, bringing our total dividend to 6.1 cents for the year. Our first half dividend of 2.1 cents from $3 million NPAT was lower than what we normally pay out, so hopefully doubling of that dividend in H2 is appreciated by our shareholders.

Rene Sugo: 10:10

Thanks Matt. We have a couple of questions here from Claude. The first one is, can we expect going forward that statutory NPAT will eventually reach record levels once acquisition activity slows down? So yes, I guess there's certainly the one off acquisition costs of $1.2 million and non-recurring, and as Matt highlighted, that was a long and complex acquisition which we needed to defend with a non-market takeover midstream. So that was quite difficult and certainly it was a lawyers' picnic, but the $1.2 million we hope to move forward on that. So that should appear straight back on the NPAT next year. In terms of the amortization, that will wash through the system over quite a few years. I think the customer amortization is the main item there and that's about three year cycles on customer amortization.

Matt Gepp: 10:58

Yes, depending on the customer, three to five years. Also, the amortization of the software we acquired. If you get to note 23 in the accounts, you'll see that we had the software valued from the inabox acquisition at $14.44 million. That's important, that becomes a tax deduction for the company moving forward over the next five years. That's worth real money to us. But, there will be an increase in amortization in FY20, because we've only incurred seven months of the amortization for inabox in FY19. Obviously in the absence of any acquisitions in FY20, acquisition costs will vanish.

Rene Sugo: 11:42

Great. Claude has also asked if the second half statutory EPS is a decent guide to where we're going. I think that pre-empts the guidance slides, so let's leave that one until we get to guidance unless you have a comment Matt.

Matt Gepp: 11:55

Well, I will just make the comment that there was I think 0.3 or 0.4, depending on the rounding of acquisition costs that were incurred in H2. So, the H2 EPS is negatively impacted by that fact, but certainly the H2 EPS has a full six months of amortization as well.

Rene Sugo: 12:18

Let's analyse our recurring revenue growth a little bit. As we mentioned earlier, recurring revenue grew 89% to $74 million in year, and that's with seven months of inabox. The organic growth in recurring revenue was very strong as well with our domestic wholesale growing around about 34% and our global and our next generation wholesale growing at around 24%, which are recurring business models. So, despite the fact that we have inabox contributing strongly to the recurring revenue growth, there was good underlying organic revenue growth in the mix. I'd like to also highlight here a little teaser that existing customer revenue retention was 156%. JB will elaborate a little bit on that later on, but that is our existing customers growing year on year as well, which is great. So we expect the recurring revenue growth trend to continue going forward, especially next year with the full annualization of the inabox 12 month contribution, as well as strong organic growth which we're seeing led by the phone number portability that we talked about earlier. So as the business matures, you'll see that recurring revenue as a proportion of overall revenue will grow and we're currently at 34% of the total revenue mix.

Matt Gepp: 13:39

If I could just add there, that while recurring revenue's only 34% of the total revenue, it contributes 60% of the margin, and that's the next slide. Apologies Rene.

Rene Sugo: 13:50

Excellent segway, Matt. Thank you. So, it gets even more exciting at the gross margin level. So exciting that Matt just couldn't hold on to that thought, he had to let it go. Recurring gross margin grew 60% year on year to $49 million this year and this provides tremendous earnings stability for the company going forward. I cannot emphasize that. These are typically monthly recurring revenues which are fixed in quantum and typically in contracts for multi year periods. This provides much greater predictability of our forecast, and once again, that trend will continue with the annualization of inabox and organic growth driven by our phone number business effectively, which underpins all of our segments of our business. Yes, it's at 60%, so you can see that that is having a material impact on our gross margin and we are now a predominantly recurring gross margin business, which is great. Question from Claude here just on that recurring revenue, it is paid monthly. It is as I said, typically the same fee every month for that particular service, whatever the customer has acquired. It is typically in a multi year contract. The revenue isn't guaranteed from the point of view that if a customer were to port a phone number. Keep in mind our business model is wholesale, so typically most of our business, two thirds of our business is wholesale. If a wholesale customer loses a phone number, that typically comes back as a slight decrease, but I'm talking all net numbers here. We're seeing net number portability grow 18% year on year and once people advertise a phone number, it's kind of sticky by nature that it's on the internet, it's painted on the side of a truck, it's painted on the side of a billboard and that number is going to stick around for a long time. It is a multi year contract to supply that service, but the individual phone numbers are not themselves contracted, if that makes sense. It's a little bit complicated, but it is a recurring and what I refer to as a monotonically increasing business model. Let's just move along, back to Matt to explain his masterpiece of the EBITDA waterfall.

Matt Gepp: 16:16

This chart demonstrates the movement from FY18 to FY19. We've picked the most material numbers that we could to describe this, so we'll start on the left. We talked at length last year and at the half year about the headwinds in the global usage. That's the first decrease of $4.2 million. That decrease is a decrease in margin and from the segment node you will note that we did go backwards marginally year on year in the global wholesale margin from $28.4 to $27 million. Encouragingly though, the dip was mainly incurred in H1, so by the time we got to H2, we're actually back on track with the run rate that we're seeing in FY18 H1 and H2, which is around the $14.2 million level. We did $12.9 million in H1 FY19, $14.2 million in H2 FY19. So that's really encouraging. While we did lose that business, we are writing more revenue and more margin out of the global wholesale business coming into and out of FY19 H2. The next decrease in the EBITDA is around overheads, $2.3 million. We have more staff, costs more money to house those employees and we incurred $2.3 million of additional expenses. I will make the point here that those overheads, the increase in those overheads, are excluding the increase in the inabox and the Singapore numbers which are highlighted in their own right further on in the chart. We touched on staff a moment ago; staff costs ex inabox, which was around $5.5 million staff cost for seven months for inabox, but organic staff costs ex acquisitions went up $1.5 million net. Domestic retail segment as a total went down $0.4 million and certainly that segment was mostly negatively impacted by our data business, which saw decreasing margins as the year went on. We sold that business in May 2019 to another company who specializes in data and can do that more efficiently than we can. So that's a headwind that will be removed or has been removed now moving forward. Singapore contribution, or net contribution, is immaterial at $0.2 million and then we start getting into the material growth aspects of the business, and they're around the global recurring revenue. This is the national customers who are buying our smart products out of Australia, that grew $2.8 million. I touched earlier on the inabox contribution for the year at an EBIDTA level, that's $2.9 million. That's only for seven months and we expect that to replicate out for the full year into FY20 and then the star of the show, organic domestic wholesale business. Organically that grew $5.3 million against the prior year. So that's the material items that get us from $24.4 million in FY18 to $27.2 million in FY19.

Rene Sugo: 19:46

Thanks Matt. It's fantastic to see that that a global recurring is actually organic as well and the domestic is organic. So we've got two very strong organically growing businesses at very high percentages, typically about 34% and 23% year on year organic growth. Singapore of course, as Matt highlighted, is brand new and we are currently building out that network. JB will provide a bit more colour on that. It's currently not contributing and it will probably start contributing later this year, but not materially. Once again, it does take time to deploy the technology and to get the customers provisioned, but once the engine starts going down that track, it does accelerate as we are seeing in Australia. It does take time, but it will get there. Domestic retail, as we mentioned, we divested that DSL base, which whilst we got some other revenue for divesting that asset, the cost of maintaining the customers and transitioning the customers and maintaining operations during that whole process was a bit of a wash. So that was a headwind last year, which as Matt says, is no longer a headwind. So we are simplifying the business and we are focusing on those strong growth carriers. Now, Matt, can you please take us through the cashflow?

Matt Gepp: 20:58

Everyone loves the cashflow. So we've talked about cash a lot over the last few years. I think it's important, especially this year, to break it out into H1 and H2 because FY18 cash was $18.9 million and it dropped to $15.5 million at the end of FY19 and we're at $10.5 million at the end of H1 at December 2018. We talked about the unwinding of that novated balance over the last few years, the last of that took place in July 2018 unfortunately. So that did impact our operating cashflow in H1, but the the statutory operating cashflow in H2 was $11.1 million, against a negative $5.6 million in H1. So we ended the year with a full year operating cashflow of $5.5 million against negative $16.3 million in the prior year. So, I would be looking at H2 as a better indicator of how our cashflow will look moving forward. That position I talked about is now completely unwound and should not provide any cashflow headwinds for us. The business spent around $15.6 million on capital expenditure and development and that leaves us with negative free cash flow for the year of $10.1 million, although we did have positive free cash flow of $4.5 million in H1. The rest of the cashflow on the right-hand side is pretty academic. We paid $4.5 million in dividends for the year, $0.9 million of increases in equity mostly as a result of the DRP and a little bit from the SPP that took place in the year. As you all know, we acquired the inabox business. $35.6 million was spent in H1 that was mostly inabox and the second payment for the Singapore acquisition, some of which took place at the end of FY18. We did get a $0.5 million refund on the inabox acquisition, which you can see in the H2 FY19 column to leave us at negative $35.1 million total for business acquisitions for the year. Now we did fund the inabox acquisition through a debt facility and that has seen the debt increase by $44.9 million. Other movements are immaterial at $0.5 million, and that leaves us with a closing cash balance of $15.5 million for the year. Any question on cash?

Rene Sugo: 23:28

No, no questions on cash at the moment. I'm sure that they will come. Let's kick on with the balance sheet.

Matt Gepp: 23:36

I've touched on cash and again. I've demonstrated June to December to June because I think it's important to show the improvement in the business over the course of the full year and showing the half year numbers, it really helps to demonstrate that. We really strengthened the balance sheet in the second half of the year by refinancing our loan facility. We took on two banks instead of one. That creates a little bit of competitive pressure between them to win our business and HSBC joined Westpac as part of the group that is financing MNF now. Importantly, here is the current debt. So current debt at December 18 was $10.5 million. As part of the refinancing, we eliminated any current debt repayments and that's all moved into non-current debt, and that's the $55.6 million. Now that loan is a $60 million facility, $45 million of which is payable over three years, $15 million of which has a tenor of five years. Net debt is at $40.1 at June; That's an improvement against December, which was $43.9 million and that improvement is mostly to do with the improvement in our cash balance increasing or improving our net debt position. The other key items on this page which are important to me are our net current assets have significantly improved from December, from $7.7 million to $22.5 million and also working capital, which was around $20 million in June and December, but is up at the $26.3 million mark in June. And again, that's mostly to do with the improvement in our cash generation in H2.

Rene Sugo: 25:29

Thank you, Matt. We'll move on to what everyone has been waiting for, the reaffirmation of FY20 EBIDTA guidance and we're very pleased to be able to reaffirm the guidance with inabox acquisition behind us. We can now focus on growing the business. So we are affirming the $33 to $36 million guidance, which we guided almost 12 months ago to the day, which is quite a long, long forward guidance. But we've managed to do that and that would represent a 27% growth at the midpoint of that guidance. As Matt says, if you look at the H1 H2 performance you'll notice that the H2 EBITDA run rate, if we extrapolate that it will be $34.8 million which lands us pretty much in the middle of that guidance, midpoint. So it's not to say that we don't need to do anything to reach the mid-point, it still is a challenge because we are trying to grow the business and we are investing in new initiatives, but it should be a good, high level indicator that we are on track for our guidance for the year. Then of course the rest works out mathematically. We have updated the NPAT guidance slightly now that we have more visibility around our amortization profiles, but we have still got the underlying NPAT and underlying EPS guidance there. I'd like to also emphasize that as Matt has just said, cash conversion in H2 was very strong and we're expecting similar cash conversion in FY20 since we won't have any of those one-off acquisition costs. Of course, to make it clear, we have no current liabilities in terms of debt, so our cash funding is more than sufficient to execute our current strategy and our bank covenants are very comfortably within their margins.

Rene Sugo: 27:20

We have a question here from Claude as to the plan to repay the debt and to what degree are we planning to keep refinancing and carriage the leverage going forward. That is a decision that the board looks at every year, Claude. At the moment, we are strengthening the balance sheet by generating cash. We'll be looking on a regular basis at that and the board will decide what the best use of the cash is at the time. We are very well within our operating covenants, so we've got sort of no pressure at any point to repay the debt. So, if there's no other questions, I feel that it's very question light in terms of the front of the presentation. We will kick on and I'm going to hand over to JB, our CTO, who will give us a business overview and update you on some of the exciting stuff that's happening underneath the bonnet. Thank you, JB.

John Boesen: 28:20

Thanks Rene and good morning again, everybody. Well, it's been an exciting time for the business as we look back over the last 12 months. Clearly evidence this morning with Matt's excitement with our gross margin growth. We've had headwinds to navigate but we've also been experiencing a series of strong tailwinds, fueling our underlying wholesale growth and generating a lot of excitement within the business as we look to what lies ahead. However, for those looking at MNF for the first time, you may not immediately understand what we do and more importantly what makes us unique in the Asia Pacific region. Some may have noted that we are grouped as a telco on the ASX, but this can also be misleading for the first time investors. So this morning, I'd like to recap what we do with a focus on what makes us unique. Secondly, I wanted to reaffirm the trends that we're seeing in the industry both locally and abroad that I did touch on during the half year webinar, but feel it's important to repeat. Thirdly, to really understand our value proposition, I'll be sharing some of our customer use cases to further bring to life our unique value proposition. And finally, I'll close with revisiting our strategy, a strategy that continues to be validated by our growing customer base and increasing phone number market share.

John Boesen: 29:38

First to where it all began, some 17 years ago when the business created Australia's first voice over IP network. A network specifically designed to carry voice traffic, a network that is owned and operated by us. This is our first key differentiator. The smarts in our network and our highly capable team allow us to solve problems other players, large telco players, simply can't do or at the pace we can. A voice over IP approach in 2002 was pioneering for its time and one that has shaped the future of modern day voice networks, that are now in use by MNF like players globally, such as Bandwidth (based in the US) and Gamma (based in the UK). The network build for us started with a focus on the larger Australian states, but through our organic growth and our TNZI acquisition, we created an extensive network throughout Australia, New Zealand, the world map, as you can see on this slide and our newest edition being Singapore. I won't spend time detailing this morning where we are with Singapore other than to reaffirm we are on track to complete the network build this calendar year and commence operation of services this financial year. Which brings me to our second key differentiator, our comprehensive software ecosystem and heritage. It is this aspect that widens the gap from our traditional telco competitors. We are fundamentally a software company sitting on top of a strong telco foundation. Through our software led approach, we have exposed our network infrastructure and a range of capabilities essentially "as a service" in the form of our APIs, for our customers to use and build great products and customer experiences upon. Our voice network reach, our reliability, our voice quality, our phone number type such as toll-free, emergency, fixed and mobile, our compliance and regulatory services, all made available and accessible through a simple set of software APIs. We hide the layers of complexity from our customers and present a simple interface they can use. This is a key differentiator. Traditional telcos struggle to deliver this type of experience as it isn't part of their DNA. They specialise in deploying lots of fixed telco infrastructure, but they are not born and bred with the necessary software DNA to not just understand what the big software giants need, but understand how they think and move.

John Boesen: 32:02

Which brings me to summarise our value proposition. We are a one stop shop that hides all the telco complexity from our customers with a full range of services beyond just the phone number, on a network that we own and control, features and quality we control and network and software ecosystem that we own and can adapt and evolve to customer need and a scale to support not just one, but limitless numbers of customers and applications of any size. The companies that use our capabilities cover a wide range of verticals, with just a small selection on display on this slide. You'll see traditional global telcos such as Vodafone, Spark and China Mobile, global software giants such as Google and Microsoft, the classic infrastructure companies such as Cisco, (where we see them diversifying their interests now into the unified communications and contact center aaS spaces with their acquisition of broadsoft), to even companies like ours represented here by Bandwidth. But just before moving on, Bandwidth market themselves on their website, interestingly, as the only API platform provider that owns a Tier 1 network. That may be true in the US and they need to add that to their material, but it certainly isn't true on the Asia Pacific stage, because that is us. Our software platform is also powering leading CPaaS vendors such as Twilio in Australia and New Zealand, but this is just a small sample of some great companies we get to partner with and empower every day.

John Boesen: 33:30

But the new market players are not telcos, they are trusted software giants developing not just solutions in the unified communications aaS space as depicted by this Gartner research here, but also in the Communication Platform aaS (CPaaS) and Contact Center aaS (cCaaS) space. These are technology companies with strong software foundations with global reach, that want to add native voice capabilities to their products but they have no intention or appetite to become a telco in every country in which they sell their products. It simply isn't their core business, or strength, nor is it financially viable for each of them to build their own local domestic interconnect networks. So they turn to MNF because that is our core business where we can provide them with API access to the voice and network features they need, a network which has proven quality, scalability and reliability. Someone to look after each country's unique regulations, compliance and privacy requirements, telecommunication codes and practices and carrier interconnect requirements to name just a few. And the ability to cater to their own unique requirements all at a speed that a software company expects.

John Boesen: 34:41

And ourselves and our customers are operating in a booming market. Everyone is growing, but on the back of a range of drivers. Looking at Australia, there is a "once in a generation" shift occurring driving strong tailwinds for us. The cease sale of ISDN services, which was the backbone of Telstra and Optus offerings for over 30 years. This is opening doors for Small Medium Business, Enterprise and Government to churn to voice over IP services. The NBN rollout, obsoleting any remaining copper infrastructure and forcing customers to look at their options. Again, voice over IP being the final destination here. These aspects are evidenced by our strong domestic wholesale growth we spoke about this morning, the 35% year on year and also further supported by Telstra's decline in revenue without attributing some $600 million in earnings decline, due directly to the NBN. Customers are switching to VoIP solutions and it is clear we are grabbing a share of this. Looking internationally, we are seeing an increase in demand for our services from technology customers both large and small. Gartner are forecasting UCaaS spending alone to grow beyond $46 billion over the next four years, but we are also seeing growth via our own indicators where we see our global customer retention rates sitting at 156%, something Rene mentioned this morning. It's a booming space with no sign of slowdown or lack of innovation and we are well placed today to capitalise.

John Boesen: 36:17

I've covered these points already but in summary, we own our own network, our quality, our reliability. We offer a comprehensive suite of voice and telco services through our APIs. We are uniquely a software company sitting on a strong telco foundation. We act and speak the way our over the top software giants demand. We hide the complexity of being a telco in Australia, New Zealand and shortly Singapore. We have the economies of scale to offer our services to multiple customers and we benefit from all the margin advantages of owning and running our own network. It is a strong position that is powering our business forward. And who are we powering? A wide range of companies and customer experiences that you have likely interacted with on a monthly, weekly and even daily basis, with some examples shown here on this slide and even the call that you are on now and maybe even the numbers that you are calling in from. The rabbit hole can go very deep when we talk about numbers. I won't spend too much time on this slide as I have a few use cases to follow that will add further colour to this, but I'm confident that by the end of this call you will have a clearer understanding of where our customers see clear value in partnering with us, and yes, to be clear, the brands shown on this slide are customers of MNF and have been for many years. So let's dig a little deeper into some of their use cases.

John Boesen: 37:43

Phone number anonymisation is a use case we see growing in popularity. Using our networks capabilities, numbers can be masked to protect the privacy of the caller. There are a number of methods available, but in the case of Uber, a virtual cloud phone number is used and allocated for the duration of a driver passenger or passenger driver call, all in real time, and any number of these calls may be active at any one point in time, so a pool of numbers is required. For the case of Car Sales a virtual number is allocated for the duration of the car ad and again, a pool of numbers is needed to support their customer volumes at any given point in time. And if they see these concurrency limits maxing out, of course they simply have to purchase more numbers. In both use cases, the privacy of the calling and called party is kept hidden and secure from each other and within the boundaries of our network. Moving on to the next use case is all about video and audio conferencing, a core capability MNF has been powering for many years and as voice over IP and UCaaS movements continue to surge, users are no longer restricted to a traditional physical phone interface. Users can now use a software application that could offer real time chat, it could allow for a real time file transfer, it could allow real time desktop sharing and a host of other features aimed at unifying the communication experience. This is fundamentally what UCaaS is all about.

John Boesen: 39:12

Because UCaaS players are predominantly software companies, they can deploy their solutions anywhere in the world, however, local users of these apps would need local phone number access to easily and quickly engage others. For Australia, New Zealand and shortly Singapore this is where MNF thrives, offering not only the local number services, but the advanced APIs to allow our customers to purchase or port their local numbers, to connect and configure them and the growth we are seeing here is not slowing down.

John Boesen: 39:41

A third use case this morning sees our virtual numbers used in powering ecommerce platforms and analytics. In the case of Google, you may have noticed inline numbers returning search results that you can click and call. These are trackable cloud hosted MNF numbers that power the experience. For specific campaigns, virtual cloud numbers can be used to track activity. Once the promotion runs its course, the number can be disconnected or the service diverted to an interactive voice recording to tell the customer the promotion has ended and possibly redirect them to another promotion. Some companies could have hundreds or even thousands of numbers in play at any one time.

John Boesen: 40:20

Our forth use case is something we haven't spoken a lot about in the past, but in the case of Jaguar and Land Rover, our virtual toll free numbers and global routing capabilities are on display. In this scenario and in the event of a breakdown or accident, the driver can push a contact button to call the car maker's call center who can then dispatch a valet service, a repairer or emergency services as needed. There is also an automated feature within these vehicles that can perform this function intelligently by a car, but the service relies on reliably transmitting caller ID information. MNF's network was found to be the only network that could deliver all the call information reliably and accurately from a global sim. Because we owned both domestic and global networks, we could guarantee this capability where other providers had failed.

John Boesen: 41:10

Finally in the last scenario, we are seeing countless businesses move to the NBN. However, migrating to the NBN may result in you losing your landline number. However through MNF's voice over IP network again, NBN service providers can port numbers away from legacy network operators and turn them into virtual cloud numbers, with programmable capabilities such as redirect to a mobile or other land line number. The end customer is able to keep the long standing number made possible by our voice over IP network capabilities.

John Boesen: 41:42

There are many more use cases driving our revenues and recurring revenue specifically through the supply and our virtual cloud numbers, however, when combined with our capabilities and services that are designed to remove the pain points out of being a telco, we deliver on a unique customer value proposition. Domestically, NBN is a tailwind for us and not a headwind like Telstra is facing, for instance. That is a unique position that we can claim, keeping in mind, we divested our retail NBN services earlier this year, immunising ourselves against what others have been experiencing around NBN. Supported also by our domestic wholesale growth of 35% year on year. Our global players in the uCaaS, cPaaS and cCaaS spaces are continuing to boom, all fueling our current and future growth supported by our global wholesale recurring revenue growth of 24% year on year.

John Boesen: 42:33

But how do we further capitalise on the foundations we have built? The answer lies in our strategy and a focus on geographic expansion specifically into Asia Pacific. The expansion will be customer led and Singapore will be online shortly, however we won't see that market, as Rene stated, being profitable until later this year. Simply a mechanic of the investment required to build out our voice over IP network in that country. And if we look at a population view of our current market services in Australia, we can attribute circa $1 of EBITDA per head of population. It's an interesting way to view our market potential, but as companies continue to innovate it is very plausible to see how the use of numbers per head over time will compound. Supported simply by the fact that a number of large handheld phone companies are now deploying dual sim phones, but also we're seeing intrinsically with our phone number growth Rene mentioned. 13% growth in FY17, 15% growth in FY18, to 18% in this financial year and we are not seeing any slow down.

John Boesen: 43:43

Which brings me finally to recap our strategy our team have been executing. Expanding our software capability will allow us to offer new services to our existing customer base, as well as attract new customers, ultimately growing market share. Expanding our offering across Asia Pacific as evidenced most recently by our Singapore expansion; This is key to our long term growth. And continuing to look for acquisitions to support our growth strategy. Our team remains confident in our strategy. We are focused on execution and we are well positioned to take advantage of the opportunities that are presenting themselves both on a domestic and international stage. It is an exciting time for MNF and I hope this update has provided some fresh perspectives about who we are, what we do and how we uniquely offer value to our customers. At this point, I'd just like to thank you for your time and I'll hand back to Renee.

Rene Sugo: 44:37

Thank you very much, JB. That is pretty exciting. I'm excited myself. In fact, so much so that Peter has asked a question. For how long do you see the telephone number being the unique identifier for a device or person as traditional telco networks are made redundant? I'm happy to give that a go, because basically at the moment the phone number is unique globally. Phone numbers have been around for about 150 years and you'd think that, you know, that's a long time for the same technology to exist and given the rate of disruption that we have these days. But fundamentally, phone numbers are unique because they provide global any-to-any connectivity at any time, in real time, anywhere in the world. And that is the only technology that lets us do that today. Things like user IDs, Facebook IDs, all these sorts of things are islands in the global network and when these social networks or private networks want to reach any user in the world, they themselves even default to phone numbers. And that's evidenced by things like Skype, being able to do a Skype out or a Skype in call, because even Skype, one of the biggest social networks understands that they cannot reach the whole world. Also, fundamentally, applications like whatsapp actually use a phone number as the identifier for their service. So even those next generation applications are relying on a phone number, fundamentally. If you look at banks with two factor authentications, they rely on the phone number as the fundamental trust vector for that device. So it's not a case of telephone numbers becoming obsolete or even telco networks being made redundant, telco networks will continue to evolve. If you look at 5G, fundamentally they're using phone numbers still. Phone numbers are unique and it's going to be very hard for any one company to come up with something better than a phone number because it's beyond a company. A phone number transcends a corporation. A phone number is a global unique identifier and they're so versatile. We're still finding new applications to do with them every day. If you look at some of the examples that JB gave, these companies have only existed a few years and they've done tremendous growth on the back of phone numbers. So I feel very comfortable to say that phone numbers are here probably for my lifetime. I would say I used to say 20 to 30 years, but I'm hoping to live longer than that now. We are just seeing so much disruption thanks to the humble phone number and the fact that companies like MNF have made those phone numbers versatile through the cloud.

John Boesen: 47:20

And just to add to that, Rene just touched on at the end there probably one of the key points is that what we do as a business is make it easy for our customers to access this global stage, this global identifier. And what we're starting to see now is as companies like ourselves and Bandwidth and Gamma promote our core capabilities, we are unlocking large players and a lot of innovation of which we've just touched on today. There is so much more that we could talk about, which I was told I couldn't. But the innovation and the growth of innovation, we will see accelerate with new use cases, things that even everyone in this call hasn't even thought of today. It is genuinely a very exciting time and evidenced in the numbers that we're seeing and report.

Rene Sugo: 48:09

Thank you very much, JB. Thank you very much, Matt. Thank you very much to all those that joined us on the call. I look forward to another exciting year with MNF. Thank you for your support.