

# Facts and figures Q1/23

**NFON AG**  
QUARTERLY REPORT FOR 1/2023

## Who we are

**NFON AG**, with its headquarters in Munich, is a European provider of integrated business communications from the cloud. The listed company (Frankfurt Stock Exchange, Prime Standard) with more than 3,000 partners in 15 European countries and seven branches counts more than 50,000 companies among its customers. With its core product Cloudya, the smart cloud communications platform, NFON offers hassle-free voice calls, simple video conferencing and seamless integration of CRM and collaboration tools for small and medium-sized companies. The NFON portfolio comprises four areas: Business Communications with Cloudya, Customer Contact, Integration and Enablement. All of NFON's cloud services are operated in certified data centers in Germany, with 100% of their energy needs covered by renewable sources. NFON accompanies companies into the future of business communication by offering intuitive communication solutions.

# Facts and figures Q1/23

## Key performance indicators

in EUR million	3M 2023	3M 2022	Change in %
<b>Total revenue</b>	<b>20.8</b>	<b>20.3</b>	<b>2.6</b>
Recurring revenue	19.3	18.4	5.3
Recurring revenue as a percentage of total revenue (in %)	93.1	90.7	n/a
Non-recurring revenue	1.4	1.9	-23.6
Non-recurring revenue as a percentage of total revenue (in %)	6.9	9.3	n/a
ARPU blended (in EUR)	9.80	9.98	-1.8
Seats (reporting date)	645,582	605,651	6.6
<b>Adjusted EBITDA</b>	<b>2.0</b>	<b>0.5</b>	<b>n/a</b>

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# Facts and figures Q1/23

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# LETTER FROM THE MANAGEMENT BOARD

Dear shareholders and readers!

We look back on a first quarter of 2023 that was successful overall, a quarter in which NFON continued to grow and the measures aimed at increasing profitability already borne fruit.

The foundation of our continuous growth was once again the successful acquisition of new customers, while we were also able to increase the number of installed extensions (seats) within our existing customer base. At the same time, the strategic expansion of the product portfolio, both with new and current customers, contributed to the positive development of revenue. As a result, recurring revenue increased by 5.3% year-on-year to EUR 19.3 million in the first quarter of 2023. We managed to increase the share of recurring revenue in total revenue to 93.1%. The high share of recurring revenue underscores the loyalty of our customers and forms a very strong basis for further revenue planning. The high level of satisfaction with our solutions for integrated business communications is also confirmed by the development of seats in the first quarter. We were able to increase the number of seats by 6.6% to 645,582 compared to the previous year. The average revenue per user (blended ARPU) remained stable at a high level of EUR 9.80. This trend was further supported by the increasing sale of premium solutions.

In line with our strategic focus on profitable growth, we have set ourselves the goal for 2023 of profitably monetising the investments we made in our product portfolio and partner network in the past year. Our successes in this regard are reflected in a very positive earnings trend. Earnings before interest, taxes,

depreciation and amortisation (EBITDA) recorded a significant increase to EUR 1.9 million in the reporting period (previous year: EUR -0.4 million). EBITDA adjusted improved from EUR 0.5 million in the first quarter of 2022 to EUR 2.0 million.

We are proud of the progress we made in the first quarter of 2023, but see this as only the beginning of a sustainably profitable development of the company under the leadership of our new CEO Patrik Heider. With Patrik Heider, NFON has gained an experienced manager for the second quarter of 2023 who will build on a strong foundation to define the further strategic direction and lead the Group into the next phase of growth and innovation. We are convinced that NFON is well on its way to becoming a leading provider of integrated business communications in Europe. Please continue to accompany us on this exciting path!

Your Management Board,

**Dr. Klaus von Rottkay**

**Jan-Peter Koopmann**

# INTERIM GROUP MANAGEMENT REPORT

## Development of revenue

Overall, revenue developed positively compared to the previous year due to the increase in recurring revenue. Revenue growth in the first three months of 2023 was mainly based on the acquisition of new customers and an increase in installed extensions (seats) within the existing customer base. Furthermore, part of the revenue growth resulted from increased sales of the expanded product portfolio to new customers as well as to the existing customer base.

in EUR million	3M 2023	3M 2022	Change in %
<b>Revenue</b>	<b>20.8</b>	<b>20.3</b>	<b>2.6</b>
Cost of materials	3.4	3.8	-10.3
<b>Gross profit</b>	<b>17.4</b>	<b>16.5</b>	<b>5.5</b>
Other operating income	0.2	0.2	n/a
Personnel expenses	8.8	9.2	-4.4
Other operating expenses	6.9	7.9	-12.8
<b>EBITDA</b>	<b>1.9</b>	<b>-0.4</b>	<b>n/a</b>
<b>Adjusted EBITDA</b>	<b>2.0</b>	<b>0.5</b>	<b>n/a</b>
Depreciation, amortization and impairment losses	1.7	1.3	32.9
<b>EBIT</b>	<b>0.1</b>	<b>-1.7</b>	<b>n/a</b>
Net interest expense	0.1	0.0	n/a
Net tax expense	0.1	0.1	n/a
<b>Consolidated net income</b>	<b>0.0</b>	<b>-1.8</b>	<b>n/a</b>

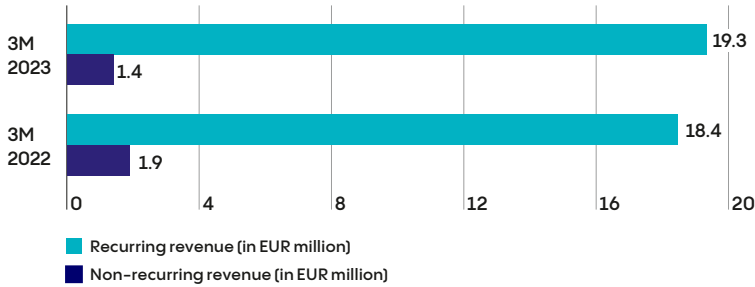
1 Symmetric Digital Subscriber Line is a DSL access technology to a public digital network

NFON distinguishes between recurring and non-recurring revenue. Recurring revenue includes monthly fees for all products and solutions as well as on-going call charges and SDSL monthly fees.<sup>1</sup> Non-recurring revenue, on the other hand, comprises one-time revenue from the sale of hardware, setup fees for the cloud PBX and other products, setup fees for SDSL, and consulting services.

The cumulative effect typical of the development of revenue, in terms of the extensions (seats) still to be gained over the course of the year, is reflected in the development of recurring revenue generated in the individual quarters. Recurring revenue rose by 5.3% compared to the first quarter of the previous year.

With a 93.1% share of total revenue (previous year: 90.7%), the share of recurring revenue is in line with the forecast published for the full year 2023 (at least 88%).

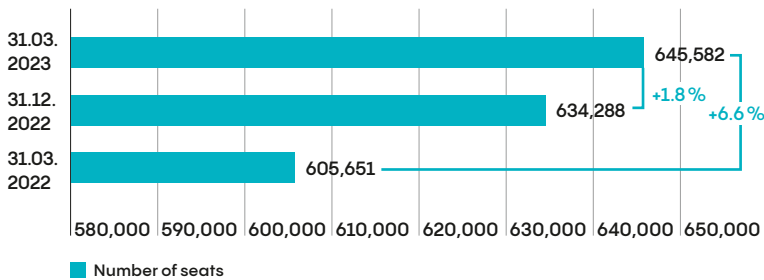
### Development of recurring and non-recurring revenue



### Development of seats

The development of seats testifies to the growing demand for cloud telephone systems in the business customer segment. At the same time, it underscores the high level of satisfaction of the very loyal NFON customers, as the newly acquired extensions are offset by very few terminations.

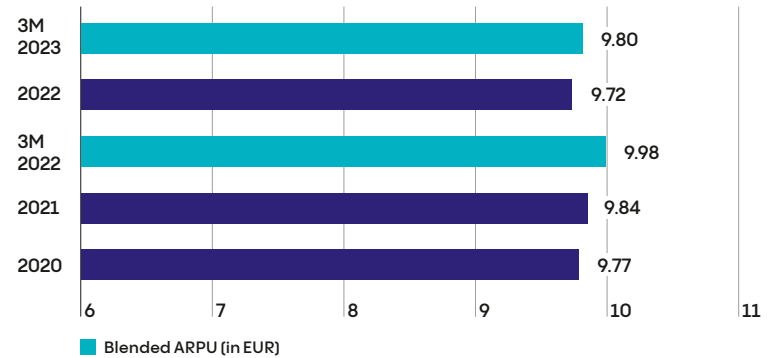
#### Seat base continues to grow



### Development of blended ARPU (Average revenue per user)

NFON records the average recurring revenue across all services, sales channels and countries per user (seat), so-called ARPU, in order to measure the operating performance per extension. Due primarily to the continued high volume of voice minutes, ARPU has been stable overall over the last few years. This trend is further supported by the increasing sale of premium solutions, which enable NFON to generate additional ARPU revenue.

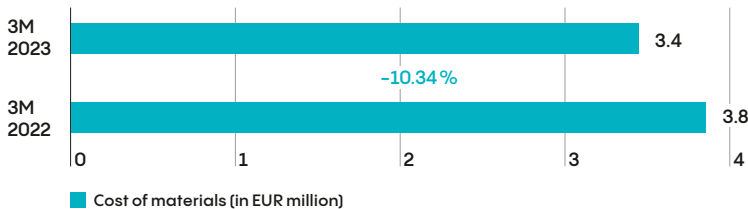
#### Blended ARPU stabilizes



## Cost of materials

In the reporting period, cost of materials was below the level of the comparable period of the previous year. As a result of the increase in revenue, the cost of materials ratio in the 3-month reporting period was lower than in the comparable period of the previous year at 16.19% (3M 2022: 18.53%). The year-on-year change in the ratio is within the normal range of fluctuation. The positive development resulted on the one hand from realized economies of scale and on the other hand from the increased share of recurring revenue, which shows a significantly higher margin compared to non-recurring revenue.

### Lower cost of materials

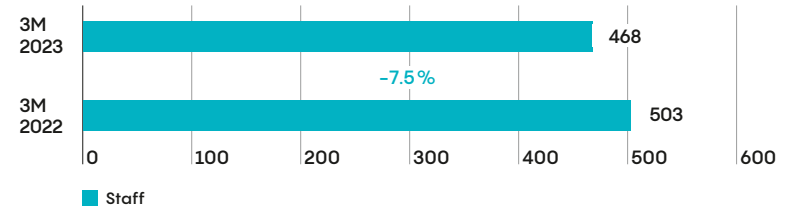


## Personnel expenses

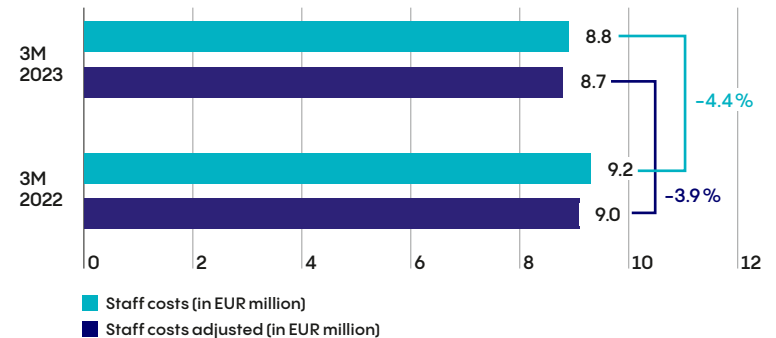
In line with the decrease in the average number of employees, personnel expenses also declined in the reporting period compared to the first quarter of 2022. The decline is mainly due to the measures implemented to increase the profitability of the NFON Group, particularly in the fourth quarter of the previous year. Where necessary, personnel expenses are adjusted for non-recurring effects. In the reporting period, EUR 0.1 million had to be adjusted due to the focus on the company's core sales markets. In the previous

year, personnel expenses were adjusted by EUR 0.2 million for expenses from the stock option program (adjustments).

### Average number of employees



### Personnel expenses

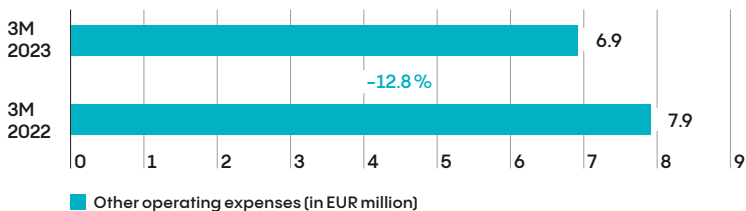


Cost/income ratio adjusted 41.8% (3M 2022: 44.5%)

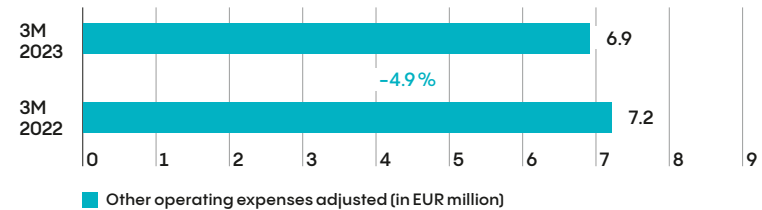
## Other operating expenses

Other operating expenses in the reporting period were below the level of the previous year. The decrease in other operating expenses in the first three months of 2023 compared to the first quarter of 2022 is primarily the result of lower marketing expenses of EUR 0.9 million (previous year: EUR 1.9 million) and EUR 0.4 million lower consulting expenses of EUR 0.5 million in the first three months of 2023. By contrast, selling expenses increased by EUR 0.4 million to EUR 3.0 million in the reporting period. Overall, the cost/income ratio of adjusted other operating expenses (as a percentage of revenue) decreased from 35.8% to 33.1% in the first quarter of 2023 compared to the first quarter of 2022. This development is in line with the strategy of growing profitably.

### Other operating expenses



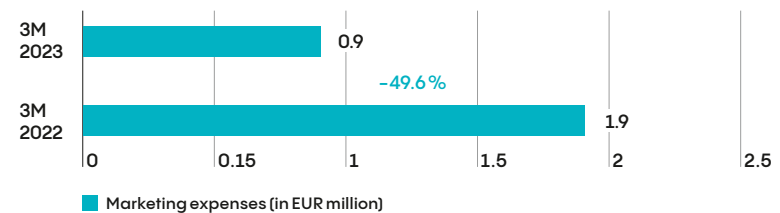
### Other operating expenses adjusted for non-recurring effects



Expense ratio adjusted: 33.1% (3M 2022: 35.8%)

Marketing expenses were as follows:

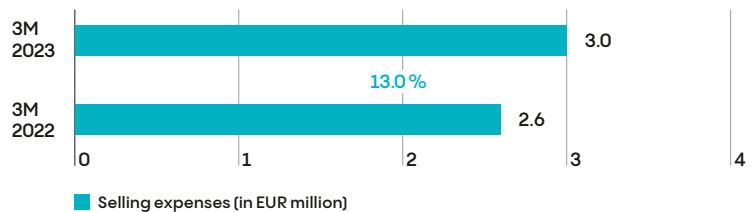
### Significantly lower marketing expenses





The increased selling expenses resulting from the higher volume of revenue showed the following development:

#### Further increase in selling expenses



The ratio of selling expenses to revenue was 14.2% in the first three months of 2023, higher than the ratio of selling expenses to revenue of 12.9% in the same period of the previous year. This is mainly the result of the higher volume of partner sales.

## EBITDA, EBIT, consolidated net income

As a result of the implementation of measures to increase profitability, which began in the second half of 2022, NFON was able to significantly improve adjusted EBITDA by EUR 1.5 million year-on-year to EUR 2.0 million in the reporting period.

in EUR million	3M 2023	3M 2022
<b>EBITDA</b>	<b>1.9</b>	<b>-0.4</b>
<b>Adjustments to personnel expenses:</b>		
Focusing on core sales markets	0.1	0.0
Stock options	0.0	0.2
<b>Adjustments to other operating expenses:</b>		
M&A activities	0.0	0.6
<b>Total adjustments</b>	<b>0.0</b>	<b>0.9</b>
<b>Adjusted EBITDA</b>	<b>2.0</b>	<b>0.5</b>
<b>EBIT</b>	<b>0.1</b>	<b>-1.7</b>
<b>Consolidated net income</b>	<b>0.0</b>	<b>-1.8</b>
<b>Adjusted consolidated net income</b>	<b>0.2</b>	<b>-0.9</b>

## Financial and asset position

At EUR 1.6 million, cash flow from operating activities in the first quarter of 2023 was significantly higher than in the same period of the previous year (EUR 0.4 million). In the reporting period, investments were made in particular in capitalized development costs and the implementation and customizing of the new business support system. The capitalized development costs are related to new products and new features for existing products.

## Supplementary Report

There were no events after 31 March 2023 that could have a significant impact on the asset, financial and earnings position of the Group.

## Forecast Report

### Forecast for 2023

Growth rate of recurring revenue	In the mid to upper single-digit percentage range
Recurring revenue as a percentage of total revenue	At least 88 percent
Adjusted EBITDA	Above EUR 4 million

The planning is based on the state of knowledge up to 24 May 2023, taking the opportunities and risks presented for the NFON Group into account. This means that there may be a deviation between the planning data published together with the Annual Report as of 31 December 2022 and the figures that will actually be achieved at the end of 2023. This also applies to the assumptions made for the macroeconomic environment. In this context, we refer to the statements in the Risk and Opportunity Report and in the Forecast Report in the Financial Report as of 31 December 2022, which continue to apply unchanged as of 31 March 2023.

# CONSOLIDATED INTERIM FINANCIAL STATEMENT

## Consolidated Statement of Financial Position

as of 31 March 2023

EUR thousand	31 March 2023	31 December 2022
Non-current assets		
Property, plant and equipment	8,457	8,736
Intangible assets	34,735	34,045
Shares in associates	672	672
Deferred tax assets	263	262
Other non-financial assets	359	420
<b>Total non-current assets</b>	<b>44,487</b>	<b>44,135</b>
Current assets		
Inventories	107	87
Trade receivables	10,121	9,276
Other financial assets	390	390
Other non-financial assets	2,623	2,314
Cash and cash equivalents	12,457	13,218
<b>Total current assets</b>	<b>25,699</b>	<b>25,285</b>
<b>Total assets</b>	<b>70,185</b>	<b>69,420</b>

EUR thousand	31 March 2023	31 December 2022
Equity		
Subscribed capital	16,561	16,561
Capital reserve	109,092	109,086
Net loss	-78,376	-78,404
Currency translation reserve	605	558
<b>Total equity</b>	<b>47,882</b>	<b>47,801</b>
Non-current liabilities		
Non-current financial liabilities	4,098	4,051
Other non-current liabilities	682	693
Deferred tax liabilities	2,480	2,476
<b>Total non-current liabilities</b>	<b>7,261</b>	<b>7,220</b>
Current liabilities		
Trade payables	4,708	4,205
Current provisions	2,464	2,310
Current income tax liabilities	255	259
Current financial liabilities	1,655	1,811
Other non-financial liabilities	5,961	5,814
<b>Total current liabilities</b>	<b>15,042</b>	<b>14,400</b>
<b>Total equity and liabilities</b>	<b>70,185</b>	<b>69,420</b>

## Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the period 01.01. to 31.03.2023

EUR thousand	3M 2023	3M 2022
Revenue	20,786	20,263
Other operating income	172	236
Cost of materials	-3,366	-3,754
Personnel expenses	-8,824	-9,233
Depreciation and amortization	-1,748	-1,316
Other operating expenses	-6,890	-7,903
Write-downs on receivables	-23	13
Other tax expense	-3	-5
<b>Result from continuing operations before net interest income and income taxes</b>	<b>104</b>	<b>-1,700</b>
Interest and similar income	6	0
Interest and similar expenses	-58	-28
<b>Net interest expense</b>	<b>-52</b>	<b>-28</b>
<b>Earnings before income taxes</b>	<b>53</b>	<b>-1,727</b>
Income tax expense	-24	-193
Deferred tax expense	0	117
<b>Net profit (loss)</b>	<b>28</b>	<b>-1,803</b>

EUR thousand	3M 2023	3M 2022
Attributable to:		
Shareholders of the parent company	28	-1,803
Non-controlling interests	0	0
Other comprehensive income	47	-32
Taxes on other comprehensive income	0	0
<b>Other comprehensive income after taxes</b>	<b>47</b>	<b>-32</b>
<b>Total comprehensive income</b>	<b>75</b>	<b>-1,835</b>
Attributable to:		
Shareholders of the parent company	75	-1,835
Non-controlling interests	0	0
<b>Net loss per share, undiluted</b>	<b>0.00</b>	<b>-0.11</b>
<b>Net loss per share, diluted</b>	<b>0.00</b>	<b>-0.11</b>

## Consolidated Statement of Cash Flows for the period 01.01. to 31.03.2023

EUR thousand	3M 2023	3M 2022
1. Cash flow from operating activities		
<b>Result after taxes</b>	<b>28</b>	<b>-1,803</b>
Adjustments to reconcile profit to cash inflow		
Income taxes	24	75
Interest expense (income), net	52	28
Amortization of intangible assets and depreciation of property, plant and equipment	1,748	1,316
Allowance for doubtful accounts	23	-13
Equity-settled share-based payment transactions	6	188
Other non-cash items	14	-58
Changes in:		
Inventories	-20	-1
Trade and other receivables	-1,116	1,302
Trade payables and other liabilities	625	-158
Accrued expenses and employee benefits	154	-436
Effects of changes in exchange rates	47	-32
Interest paid	-14	0
Income tax refunds/payments	-26	-17
<b>Cash flow from operating activities</b>	<b>1,545</b>	<b>391</b>

EUR thousand	3M 2023	3M 2022
2. Cash flow from investing activities		
Cash outflows for investments in property, plant and equipment	-111	-264
Cash outflows for investments in intangible assets	-1,710	-1,972
<b>Cash flow from investing activities</b>	<b>-1,821</b>	<b>-2,236</b>
3. Cash flow from financing activities		
Proceeds from the capital increase	0	0
Payments for leases (IFRS 16)	-491	-539
Repayments of bank loans, bonds and similar liabilities	0	0
Other cash outflows/inflows	-1	2
<b>Cash flow from financing activities</b>	<b>-492</b>	<b>-537</b>
<b>Change in cash and cash equivalents</b>	<b>-768</b>	<b>-2,382</b>
Effects of changes in exchange rates on liquidity	7	11
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13,218</b>	<b>27,670</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12,457</b>	<b>25,300</b>

Cash and cash equivalents as of 31 March 2023 include bank balances of EUR 397 thousand (31 March 2022: EUR 316 thousand) that NFON cannot access freely as they are collateral from customers with poor credit ratings that must be deposited. All restrictions are classified as current with regard to the time component.

## Consolidated Statement of Changes in Equity

as of 31 March 2023

EUR thousand	Attributable to the owners of the company					Non-controlling interests	Total
	Subscribed capital	Capital reserve	Currency translation reserve	Retained earnings	Total equity		
<b>Balance as of 1 January 2023</b>	<b>16,561</b>	<b>109,086</b>	<b>558</b>	<b>-78,404</b>	<b>47,801</b>	<b>0</b>	<b>47,801</b>
<b>Total comprehensive income (loss) for the period</b>							
Loss (gain) for the period	0	0	0	28	28	0	28
Other comprehensive income (loss) for the period	0	0	47	0	47	0	47
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>28</b>	<b>75</b>	<b>0</b>	<b>75</b>
<b>Transactions with owners of the parent company</b>							
Equity-settled share-based payment transactions	0	6	0	0	6	0	6
<b>Total transactions with owners of the company</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>
<b>Balance as of 31 March 2023</b>	<b>16,561</b>	<b>109,092</b>	<b>604</b>	<b>-78,376</b>	<b>47,882</b>	<b>0</b>	<b>47,882</b>

## Consolidated Statement of Changes in Equity

as of 31 March 2022

EUR thousand	Attributable to the owners of the company						Total
	Subscribed capital	Capital reserve	Currency translation reserve	Retained earnings	Total equity	Non-controlling interests	
<b>Balance as of 1 January 2022</b>	<b>16,561</b>	<b>108,600</b>	<b>891</b>	<b>-62,822</b>	<b>63,231</b>	<b>0</b>	<b>63,231</b>
<b>Total comprehensive income (loss) for the period</b>							
Loss (gain) for the period	0	0	0	-1,803	-1,803	0	-1,803
Other comprehensive income (loss) for the period	0	0	-32	0	-32	0	-32
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>-32</b>	<b>-1,803</b>	<b>-1,835</b>	<b>0</b>	<b>-1,835</b>
<b>Transactions with owners of the parent company</b>							
Equity-settled share-based payment transactions	0	188	0	0	188	0	188
<b>Total transactions with owners of the company</b>	<b>0</b>	<b>188</b>	<b>0</b>	<b>0</b>	<b>188</b>	<b>0</b>	<b>188</b>
<b>Balance as of 31 March 2022</b>	<b>16,561</b>	<b>108,788</b>	<b>860</b>	<b>-64,625</b>	<b>61,584</b>	<b>0</b>	<b>61,584</b>

# Financial Calendar 2023

## Imprint

### **Q2 27 April 2023**

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Presentation Group Annual Report 2022

### **25 May 2023**

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Presentation Financial result as at 31 March 2023

### **30 June 2023**

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Annual Shareholder Meeting of NFON AG

### **Q3 24 August 2023**

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Presentation Half-year report 2023

### **Q4 23 November 2023**

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Presentation Financial result as at 30 September 2023

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