

FACTS AND FIGURES FIRST QUARTER



Who we are

NFON AG („NFON“), headquartered in Munich, was founded in 2007 and is a European provider of voice-centric business communications from the cloud. Counting more than 40,000 companies in 15 European countries among its customers with more than 2,700 partners across Europe. With Cloudya, NFON offers an easy-to-use, independent and reliable solution for advanced cloud business communications. Additional premium and sector-specific solutions round out the cloud communication portfolio. With our intuitive communications solutions, we enable European companies to get a little better, every single day. NFON is the new freedom of business communication.

Key figures

EUR million	3M 2021	3M 2020	Change in %
Total revenue	18.9	16.4	15.2%
Recurring revenue	16.8	14.1	19.6%
Recurring revenue as share of total revenue	89.1%	85.8%	n/a
Non-recurring revenue	2.1	2.3	-11.9%
Non-recurring revenue as share of total revenue	10.9%	14.2%	n/a
Seats	541,973	467,253	16.0%

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Dear shareholders, dear readers!

NFON has started the current financial year with momentum. We have managed to achieve this despite a market environment that continues to be dominated by COVID-19. Recurring revenue in particular showed a very positive development. It rose by 19.6% to EUR 16.8 million (previous year: EUR 14.1 million) and thus increased disproportionately to total revenue. As a result, recurring revenue accounted for 89.1% of total revenue (previous year: 85.8%). Total revenue of EUR 18.9 million was 15.2% higher than the previous year's figure of EUR 16.4 million.

Key factors for the positive development of the business in the first three months of 2021 include the successful acquisition of new customers and the growth of installed extensions (seats) within the existing customer base. The number of seats increased to 541,973, an increase of 16.0% compared to the same date last year. Against the backdrop of continued strong working from home, the correspondingly increased volume of voice minutes and the positive development of Deutsche Telefon Standard, average revenue per user (blended ARPU) rose significantly to EUR 10.19 in the first quarter of 2021 (previous year: EUR 9.88). The increased blended ARPU in combination with yet lower costs compared to the previous year had a positive impact on how revenue developed. Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 1.8 million (previous year: EUR 0.2 million).

The business communications market is currently in its third wave of disruption. Telephony, unified communications and business applications are converging. Voice is and remains the primary channel of communication between customers, business partners and employees and is the foundation of our business model. Thanks to this know-how, we focus on European corporate customers in the SME to enterprise segment. For them, working in flexible working environments and hybrid working models consisting of working from home and at the office are becoming the new normal. We will capitalise on this development with our Growth Strategy 2024 and further accelerate the development of NFON.



Dr. Klaus von Rottkay,
Chief Executive Officer



Jan-Peter Koopmann,
Chief Technology Officer

The three areas Target – Enhance – Scale summarise our growth strategy:

Based on our key differentiators, we will optimise our product portfolio and go-to-market approach. The differentiators are integrated business communications, superior usability and user interfaces, and channel sales. This approach will allow NFON to operate and expand even more efficiently **(Target)**.

As a growth driver, we are expanding our Cloudya platform towards “smarter workflow”-based voice communication with UCaaS, CCaaS and iPaaS **(Enhance)**.

Based on more than 2,700 partners in 15 European markets, we will invest heavily in expanding this network to become the channel provider for voice-based business services **(Scale)**.

We want to become Europe’s leading voice-centric business communication provider. Join us on the exciting journey to the business communication of the future.

Your Management Board,

Dr. Klaus von Rottkay und Jan-Peter Koopmann

Overview of business performance

EUR million	3M 2021	3M 2020	Change in %
Revenue	18.9	16.4	15.2
Cost of materials	3.6	3.7	-0.6
Gross profit	15.2	12.7	19.7
Other operating income	0.2	0.3	-48.2
Staff costs	8.0	7.2	11.7
Other operating expenses	6.0	6.0	0.1
EBITDA	1.6	-0.1	n/a
Adj. EBITDA	1.8	0.2	n/a
Amortisation and depreciation	1.5	0.9	73.9
EBIT	0.1	-1.0	n/a
Net interest expense	0.1	0.1	7.3
Net tax expense	0.0	0.0	n/a
Consolidated loss	-0.1	-1.1	n/a

Results of operations

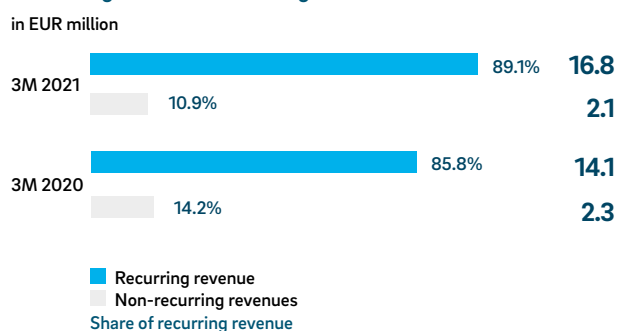
The trend in revenue growth remained positive overall as against the previous year. In particular, recurring revenue climbed very well, at a faster rate than overall revenue (19.6%).

Revenue growth in the first three months of 2021 primarily resulted from the acquisition of new customers and a rise in the number of installed seats within the existing customer base, particularly in Germany and Austria.

In addition, some of the revenue growth resulted from the intensified sales of the expanded product portfolio among both new customers and the existing customer base.

Recurring revenues show very positive development

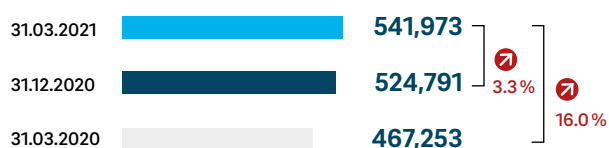
Recurring and non-recurring revenue



Recurring revenue essentially comprises monthly payments of a fixed license fee per seat plus a fixed or volume-based fee for voice telephony usage. At 89.1% of total revenue (previous year: 85.8%), the share of recurring revenue meets the forecast announced for 2021 as a whole (> 85%).

The cumulative effect typical for revenue performance, in relation to seats yet to be gained over the year, is evident from the trend in the recurring revenue generated in the individual quarters. Non-recurring revenue includes revenue from sales of devices (telephones, soft clients for PCs and smartphones) and the one-time activation fee per seat when it is first connected.

Further growing seat base

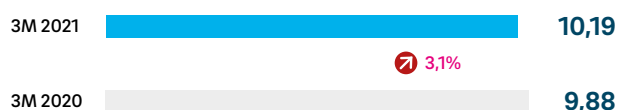


Seat development attests to the growing demand for cloud telephone systems among business customers. At the same time, it underlines the high level of satisfaction felt by NFON's very loyal customers as the new seats are offset by only a low number of terminations.

Slightly increased ARPU

ARPU

in EUR



NFON uses the average recurring revenue across all services, sales channels and countries per user (seat), referred to as average revenue per user (ARPU), to measure operating performance per seat.

The improvement in ARPU in the reporting period as against the first three months of 2020 is mainly a result of higher airtime revenue.

The partnership with wholesale partners, which is developing very successfully, also has a relevant impact on ARPU performance. Firstly, discounted prices are being agreed thanks to the high number of seats sold and, secondly, some of these partners do not purchase voice minutes through NFON. On average, lower ARPU is generated as the share of seats billed through wholesale partners increases. NFON is countering this trend by increasing sales of premium solutions which, in turn, allows the company to achieve a strong ARPU.

Cost of materials

In the reporting period, the cost of materials are at the same level as the previous year. This resulted in a lower cost of materials ratio for the first three months than in the previous year of 19.3% (3M 2020: 22.4%). This falls within regular fluctuations, in line with planning. The positive development reflects firstly the economies of scale achieved, and secondly the high share of recurring revenue, which has a much higher margin than non-recurring revenue.

Cost of materials on previous year's

Cost of materials

in EUR million



Staff costs

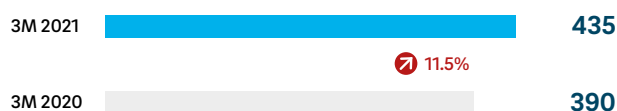
Staff costs have also risen in line with the increase in average headcount. This increase was brought about by ongoing strategic recruitment.

Staff costs are adjusted for non-recurring effects. The adjustments in the reporting period include EUR 0.2 million in stock option programme expenses. Retention bonuses of EUR 0.1 million and stock option programme expenses of EUR 0.2 million had been recognised in the same period of the previous year.

Staff base continues to grow

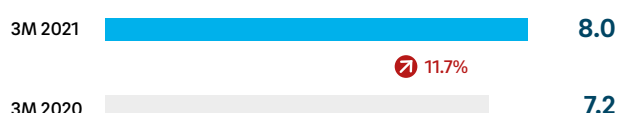
Employees

Average number



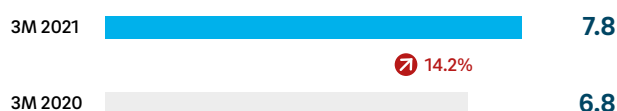
Personnel expenses

in EUR million



Personnel expenses adjusted for non-recurring effects

in EUR million



The adjusted personnel cost ratio of 41.4% is at the same level as the previous year (3M 2020: 41.7%).

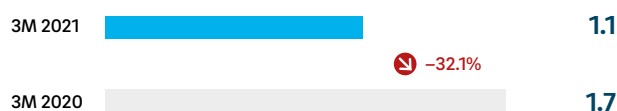
Other operating expenses

Other operating expenses in the reporting period were at the same level as the previous year. Thereby marketing expenses were still below the previous year's level. With the Growth Strategy 2024 published in April 2021, the Management Board announced that marketing expenses are to be increased by more than 50% in the course of the 2021 financial year compared to the previous year.

Marketing expenses still below previous year's level

Marketing expenses

in EUR million

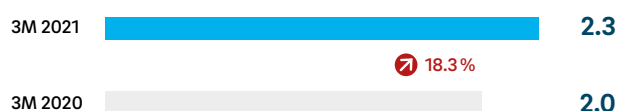


In contrast, sales expenses increased as a result of the higher revenue volume. Selling expenses as a percentage of revenue amounted to 12.4% in the first three months of 2021, almost equal to the 12.1% in the same period of the previous year.

Sales expenses follow increase in turnover

Sales expenses

in EUR million

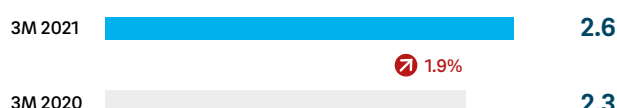


The increase in miscellaneous other operating expenses in the first three months of 2021 compared with the first quarter of 2020 was due partly to foreign currency losses of EUR 0.2 million (previous year: foreign currency gains of EUR 0.1 million). Consulting expenses for M&A activities of EUR 0.1 million were adjusted for in the reporting period (previous year: EUR 0.0 million).

In total, the ratio of adjusted other operating expenses to sales fell compared with the first quarter of 2020 to 31.9% in the first quarter of 2021 (3M 2020: 36.4%). Now that significantly higher expenses are planned again with the 2024 growth strategy, it is to be expected that these costs will also rise again.

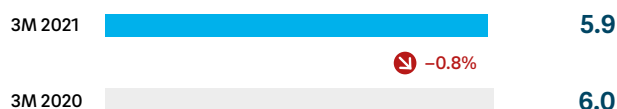
Other operating expenses

in EUR million



Expenses adjusted for non-recurring effects

in EUR million



EBITDA, EBIT, consolidated profit/loss

in EUR million

	3M 2021	3M 2020
EBITDA	1.6	-0.1
Adjustments in staff costs:		
Retention bonus	0.0	0.1
Share options/ESOPS	0.2	0.2
Adjustments in other operating expenses:		
M&A expenses	0.1	0.0
Total adjustments	0.2	0.3
Adjusted EBITDA	1.8	0.2
EBIT	0.1	-1.0
Consolidated loss	-0.1	-1.1
Adjusted consolidated loss	0.2	-0.8

Financial position

In the reporting period, a capital increase was performed with pre-emption rights disapplied, whereby the company's share capital was increased by EUR 1.5 million by issuing 1,505,555 new shares. The placement price was EUR 17.50 per share,

so the Group obtained cash funds totalling EUR 26.3 million. The difference between the placement price and the par value per new share was recognised after deduction of transaction costs at an amount totalling EUR 24.3 million in capital reserves. The capital increase was entered in the commercial register on 29 March 2021. Thanks to the cash funds received in connection with the capital increase, NFON AG has a basis for further growth.

The acquisition credit facility utilised in the amount of EUR 9.0 million as at 31 March 2021 has since been repaid in full.

In the reporting period, investments were made in particular in capitalised development costs and the implementation and customisation of the new business support system. The capitalised development costs relate to new products and new features for existing products.

Supplementary report

With the exception of the above-mentioned full repayment of the credit facility utilised in the amount of EUR 9.0 million as at 31 March 2021, there were no events after 31 March 2021 that could have a significant impact on the company's financial position or financial performance.

Forecast

The forecast is based on the information available as at 19 May 2021, taking the opportunities and risks of the NFON Group as presented into account. Thus, deviations can occur between the planning data published in the annual report as at 31 December 2020 and the figures actually achieved at the end of 2021. This also applies to the assumptions regarding general economic conditions.

Please also refer to the comments in the report on risks and opportunities in the financial report as at 31 December 2020. These apply unchanged as at 31 March 2021.

Forecast overview

Non-recurring revenue	> 85%
Growth rate of recurring revenue	Between 14% and 16%
Growth rate of seats	Between 15% and 17%

CONSOLI- DATED INTERIM FINANCIAL STATEMENT

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Consolidated income statement and consolidated statement of comprehensive income

for the period 01.01. to 31.03.2021

EUR thousand	3M 2021	3M 2020
Revenue	18,875	16,391
Other operating income	163	315
Cost of materials	-3,648	-3,672
Staff costs	-7,996	-7,157
Depreciation and amortisation	-1,484	-853
Other operating expenses	-5,987	-5,979
Impairment losses on receivables	156	0
Other tax expense	-5	-4
Income from continuing operations before net interest income and incomes taxes	76	-959
Interest and similar income	3	5
Interest and similar expenses	-131	-117
Net interest expense	-129	-112
Earnings before income taxes	-53	-1,071
Income tax expense	-108	0
Deferred tax expense	78	-29
Net loss	-83	-1,099
Attributable to:		
Shareholders of the parent company	-83	-1,099
Non-controlling interests	0	0
Other comprehensive income	282	-180
Taxes on other comprehensive income	0	0
Other comprehensive income after taxes	282	-180
Total comprehensive income	198	-1,280
Attributable to:		
Shareholders of the parent company	198	-1,280
Non-controlling interests	0	0
Net loss per share, basic and diluted	-0.01	-0.07

Consolidated statement of financial position

as at 31.03.2021

EUR thousand	31.03.2021	31.12.2020
Non-current assets		
Property, plant and equipment	9,210	9,482
Intangible assets	27,539	27,079
Deferred tax assets	1,180	1,079
Other non-financial assets	359	283
Total non-current assets	38,288	37,924
Current assets		
Inventories	155	149
Trade receivables	9,579	9,973
Other financial assets	390	390
Other non-financial assets	2,533	2,290
Cash and cash equivalents	47,967	23,034
Total current assets	60,623	35,837
Total assets	98,912	73,761

QUARTERLY REPORT 1 / 2021
CONSOLIDATED INTERIM FINANCIAL STATEMENT

EUR thousand	31.03.2021	31.12.2020
Equity		
Issued capital	16,561	15,056
Capital reserves	108,397	83,926
Net loss	-53,994	-53,911
Currency translation reserve	788	505
Total equity	71,752	45,577
Non-current liabilities		
Non-current financial liabilities	4,378	4,577
Other non-current liabilities	194	186
Deferred tax liabilities	808	802
Total non-current liabilities	5,379	5,565
Current liabilities		
Trade payables	3,980	4,931
Current provisions	2,337	2,262
Current income tax liabilities	211	137
Current financial liabilities	10,503	10,690
Other non-financial liabilities	4,750	4,600
Total current liabilities	21,782	22,619
Total equity and liabilities	98,912	73,761

Consolidated statement of cash flows

for the period from 01.01. to 31.03.2021

EUR thousand	3M 2021	3M 2020
1. Cash flow from operating activities		
Profit/loss after taxes	-83	-1.100
Adjustments to reconcile profit (loss) to cash provided		
Income taxes	-22	28
Interest expenses (income), net	129	112
Amortisation of intangible assets	1,484	853
Impairment losses on receivables	-156	0
Equity-settled share-based payment transactions	169	179
Other non-cash items	-158	-79
Changes in:		
Inventories	-6	-75
Trade and other receivables	232	-896
Trade and other payables	-850	-792
Provisions and employee benefits	-86	416
The effects of changes in foreign exchange rates	282	-180
Interest paid	-4	0
Income tax refunds/payments	0	-3
Cash flow from operating activities	930	-1,537

QUARTERLY REPORT 1 / 2021
CONSOLIDATED INTERIM FINANCIAL STATEMENT

EUR thousand	3M 2021	3M 2020
2. Cash flow from investing activities		
Payments for investments in property, plant and equipment	-281	-208
Payments for investments in intangible assets	-1,289	-951
Cash flow from investing activities	-1,571	-1,159
3. Cash flow from financing activities		
Proceeds from the capital increase	26,026	0
Payments for leases (IFRS 16)	-487	-337
Repayments of bank loans, bonds and similar liabilities	0	-5,081
Cash flow from financing activities	25,539	-5,418
Change in cash and cash equivalents	24,898	-8,114
Effects of movements in exchange rates on cash held	34	-31
Cash and cash equivalents at the beginning of the period	23,034	36,419
Cash and cash equivalents at the end of the period	47,967	28,274

As at 31 March 2021, cash and cash equivalents include bank balances of EUR 319 thousand (31 March 2020: EUR 336 thousand) that the Group cannot access freely as they are security deposits by customers with poor credit ratings. All restrictions on such deposits are short term in nature.

Consolidated statement of changes in equity

as at 31.03.2021

EUR thousand	Attributable to owners of the company				Non-controlling interests	Total
	Issued capital	Capital reserves	Currency translation reserve	Retained earnings		
As at 1 January 2021	15,056	83,926	506	-53,911	0	45,576
Total comprehensive income for the period						
Loss (income) for the period	0	0	0	-83	0	-83
Other comprehensive income for the period	0	0	282	0	0	282
Total comprehensive income for the period	0	0	282	-83	0	198
Transactions with the shareholders of the company						
Increase in equity in connection with the capital increase after deduction of transaction costs	1,506	24,302	0	0	0	25,808
Equity-settled share-based payment transactions	0	169	0	0	0	169
Total transactions with owners of the company	1,506	24,471	0	0	0	25,977
As at 31 March 2021	16,562	108,397	787	-53,994	0	71,751

Consolidated statement of changes in equity

as at 31.03.2020

EUR thousand	Attributable to owners of the company				Non-controlling interests	Total
	Issued capital	Capital reserves	Currency translation reserve	Retained earnings		
As at 1 January 2020	15,056	82,987	777	-51,674	0	47,146
Total comprehensive income for the period						
Loss (income) for the period	0	0	0	-1,100	0	-1,100
Other comprehensive income for the period	0	0	-180	0	0	-180
Total comprehensive income for the period	0	0	-180	-1,100	0	-1,280
Transactions with the shareholders of the company						
Equity-settled share-based payment transactions	0	178	0	0	0	178
Total transactions with owners of the company	0	178	0	0	0	178
As at 31 March 2020	15,056	83,165	597	-52,774	0	46,044

FINANCIAL CALENDAR

Q2

May 20, 2021	Publication Financial Statements 1. Quarter 2021 (3-month report) (Web and telephone conference)
Jun 24, 2021	Annual General Meeting NFON AG (virtual)

Q3

Aug 19, 2021	Publication Half-Year Financial Statements 2021
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Q4

Nov 18, 2021	Publication Financial Statements 3. Quarter 2021 (9-Months-Report) (Web and telephone conference)
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Imprint

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