



Half Year Results and Business Update

Rene Sugo – CEO
14 February 2017



Financial Summary



Forecast



Corporate Profile



Business Overview





Financial Summary

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Financial Highlights FY17 H1

Reported Result	FY16 H1	FY17 H1	Δ
Revenue	\$84.0m	\$91.4m	+9%
EBITDA	\$8.2m	\$10.0m	+22%
NPAT	\$4.0m	\$4.9m	+21%
Earnings per share (cents)	6.01	7.17	+19%
Interim dividend per share - fully franked (cents)	3.50	3.75	+7%
Net assets per share (cents)	53.3	63.2	+19%

- > Pure organic result for first half – prior to CCI acquisition.

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Free Cash Flow

	FY16 H1 \$m	FY17 H1 \$m
Operating cash flow	6.6	9.7
Tax paid	(2.0)	(1.8)
Interest Paid	(0.5)	(1.0)
Capital expenditure	(1.9)	(2.9)
Free cash flow	2.2	4.0

- Forecast CAPEX for FY17 estimated at \$5.0m due to investment in customer driven opportunities.
- Interest expense is a combination of bank loan expense and hedge costs - \$436k and \$541k respectively.

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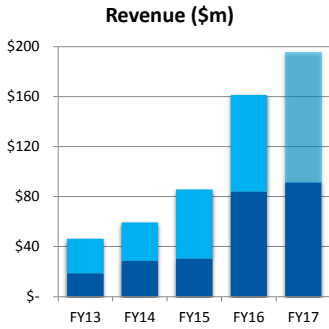
Free Cash Flow Utilisation

	FY16 H1 \$m	FY17 H1 \$m
Free cash flow	2.2	4.0
Dividend payments	(2.2)	(2.4)
Increase in equity	14.7	1.4
Net Debt movement	(10.4)	(1.3)
Other	0.3	0.1
(Decrease)/Increase in cash on hand	4.6	1.8

- Minimum debt repayments required in FY17: \$2.5m.
- Debt outstanding as of 13 February 2017 is \$12.4m.
- Net Debt has decreased from (\$39.2m) at June 2016 to (\$42.3m) at December 2016.

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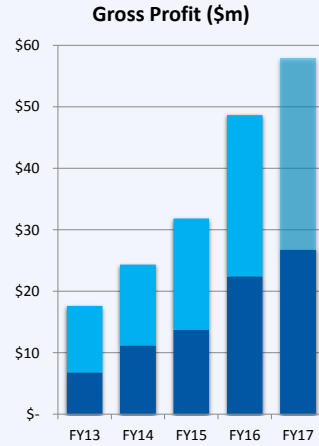


REVENUE ↑
\$91.4 million

FY17 H1 Revenue increased organically 9% on the prior corresponding period (PCP) to \$91.4m. Revenue growth was largely consistent across all three operating segments.

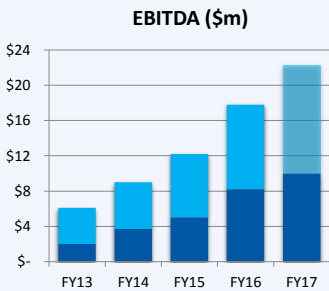
MARGIN ↑
\$26.7 million

FY17 H1 Margin increased 19% on the PCP to \$26.7m. All segments made strong contributions to the result.



EBITDA ↑
\$10.0 million

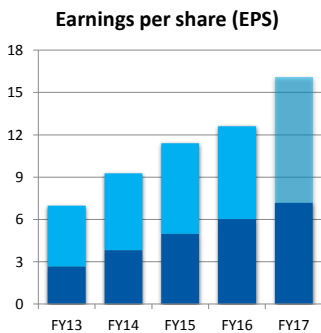
FY17 H1 EBITDA increased 22% on the PCP to \$10.0m. The result is in line with expectation and is due to strong organic growth and good cost control on overheads.



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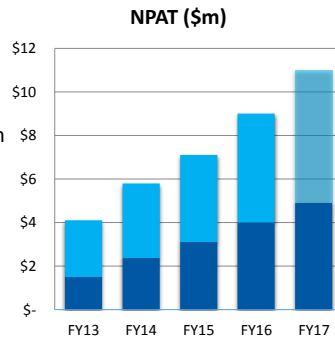
EPS ↑
7.17c

EPS at 7.17c for the half represents an increase of 19% on the PCP. This result represents a 5 year CAGR of 28% demonstrating the consistent long term shareholder return from the business.



NPAT ↑
\$4.9 million

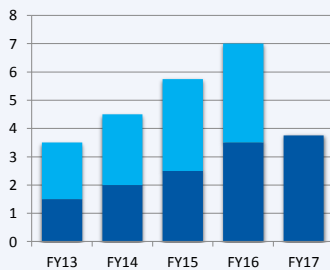
FY17 H1 NPAT increased 21% on the PCP to \$4.9m. This NPAT CAGR is a solid 34% over the last 5 years.



Dividend per share (DPS)

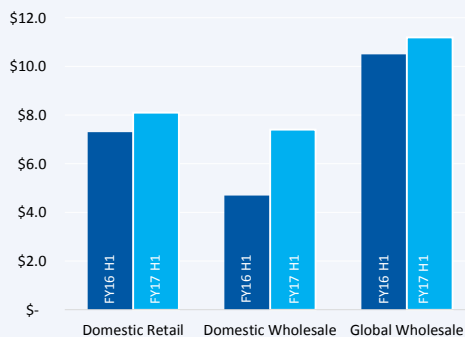
DIVIDEND ↑
3.75c

An interim declared dividend of 3.75c per share, a 7% increase on the PCP.



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PER SEGMENT GROSS MARGIN (\$M)



Domestic Retail margin grew by 12% with strong underlying growth in Small Business and Government & Enterprise sub-segments.

Domestic Wholesale margin up 58% on PCP due to monotonic organic increase in recurring revenues.

Global Wholesale performing strong with margin up 7% on PCP prior to benefits from Hong Kong PoP and global technology refresh.

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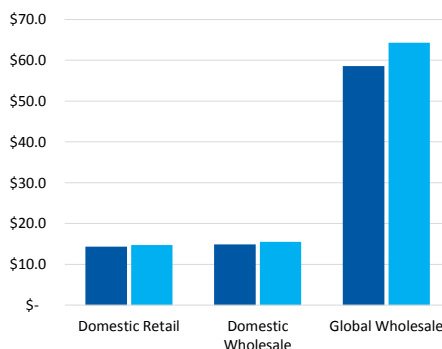
PER SEGMENT REVENUE (\$M)



Domestic Retail revenue up as Government growth outstrips Residential decline.

Domestic Wholesale revenue growth up across high margin product areas.

Global Wholesale revenue growth up 10% largely due to integration of US business.



Investor Metrics

Metric	Value
Number of Shares	72.0m
Share Price	\$4.86
Market Capitalisation	\$350m
FY17 H1 Interim Dividend (fully franked)	3.75 cents



- > Share price is as at 10 February 2017
- > There is a Dividend Reinvestment Plan (DRP) for this dividend.
- > Dividend Timetable:



- > Record Date: 2 March 2017
- > Closing date for DRP election forms: 3 March 2017 (5pm AEDT)
- > DRP Announcement: 14 March 2017
- > Interim Dividend Payment Date: 30 March 2017

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Commercial in Confidence





Forecast

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Reaffirm MNF Organic FY17 Forecast

Forecast	FY16 Actual	FY17 Forecast	Var %
EBITDA	\$17.8m	\$22.3m	+25%
NPAT	\$9.0m	\$11.0m	+22%
Earnings Per Share (cents)	13.45	16.08	+20%

- Represents MNF Organic forecast prior to acquisition of CCI.
- Re-affirming previous guidance – H1 results are in line with budget.
- Forecast is based on current operating assumptions and is to be used only as a guide.
- EPS is calculated prior to any capital raising for CCI acquisition.

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CCI Full Year FY17 Forecast

Forecast	FY16 Actual	FY17 Forecast	Var %
Revenue	\$7.4m	\$7.9m	+7%
Gross Margin	\$6.1m	\$6.8m	+11%
EBITDA	\$3.0m	\$3.5m	+17%
NPAT-A	\$1.9m	\$2.3m	+21%

- Data is purely for CCI organic business.
- FY16 actuals are un-audited.
- FY17 forecast is tracking well, and has been confirmed up until 31 December 2016.
- Forecast does not include any MNF Group synergy savings.
- NPAT-A is based on MNF operating assumptions and excludes amortisation in the hands of MNF.

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Combined FY17 Forecast

Forecast	MNF Organic FY17	New Combined FY17	Var %
EBITDA	\$22.3m	\$23.7m	+6.3%
NPAT	\$11.0m	\$11.6m	+5.5%
Earnings per share (cents)	16.1	16.7	+3.7%

- Updated MNF Group forecast based on 5 months contribution from CCI.
- Estimated once-off acquisition costs of \$0.5m accounted for in FY17 (not included in comparative).
- No CCI/MNF combined synergy savings are expected in FY17. Identified network and operational synergies of \$0.5m per annum EBITDA are expected in FY18.
- EPS is calculated based on \$18.6m capital raising dilution from February 2017.

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Pro-forma Combined FY17 Forecast

Forecast	CCI Organic FY17	MNF Organic FY17	Pro-Forma Combined FY17	Pro-Forma Combined Uplift %
EBITDA	\$3.5m	\$22.3m	\$25.8m	+16%
NPAT-A	\$2.3m	\$12.7m	\$15.0m	+18%
Combined NPAT	\$1.3m	\$11.0m	\$12.3m	+12%
Earnings Per Share (cents)		16.08	17.1	+6%

- > Pro-Forma forecast is derived assuming CCI being a member of the group for the entire FY17.
- > Pro-Forma is provided in order to give a roll-forward estimate of combined group performance.
- > No CCI/MNF combined synergy savings are expected in FY17. Synergies of \$0.5m EBITDA are expected in FY18.
- > EPS is calculated based on \$18.6m capital raising dilution for the full year.

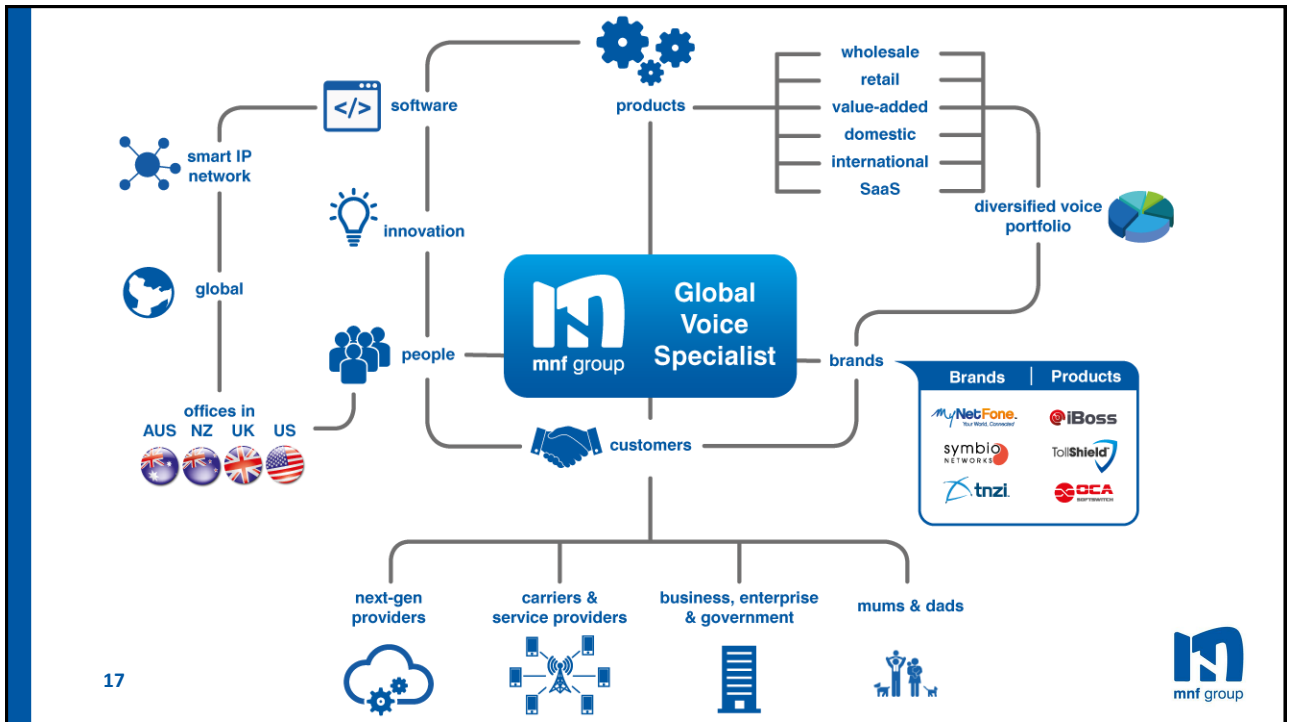
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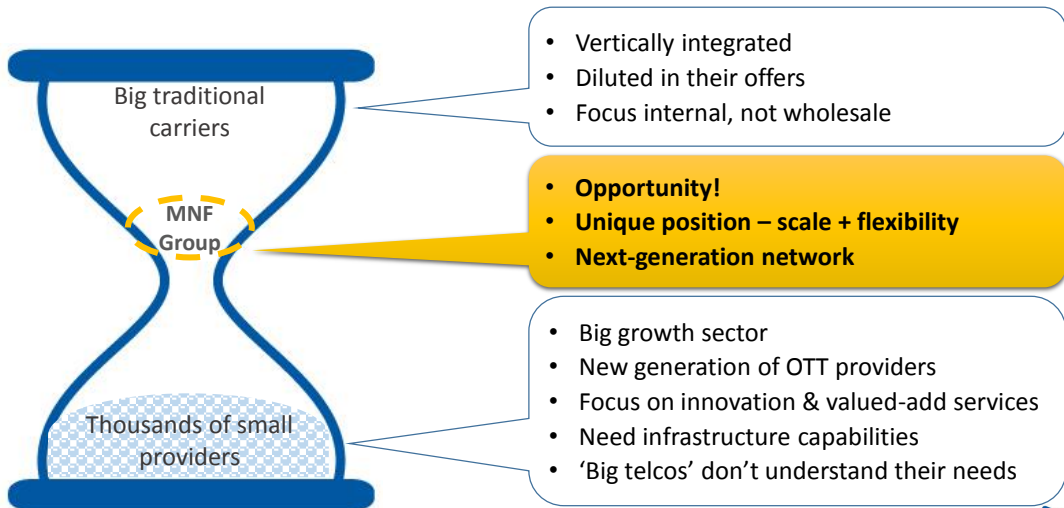
Corporate Profile

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Industry overview



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... all around the world



Why invest in MNF Group

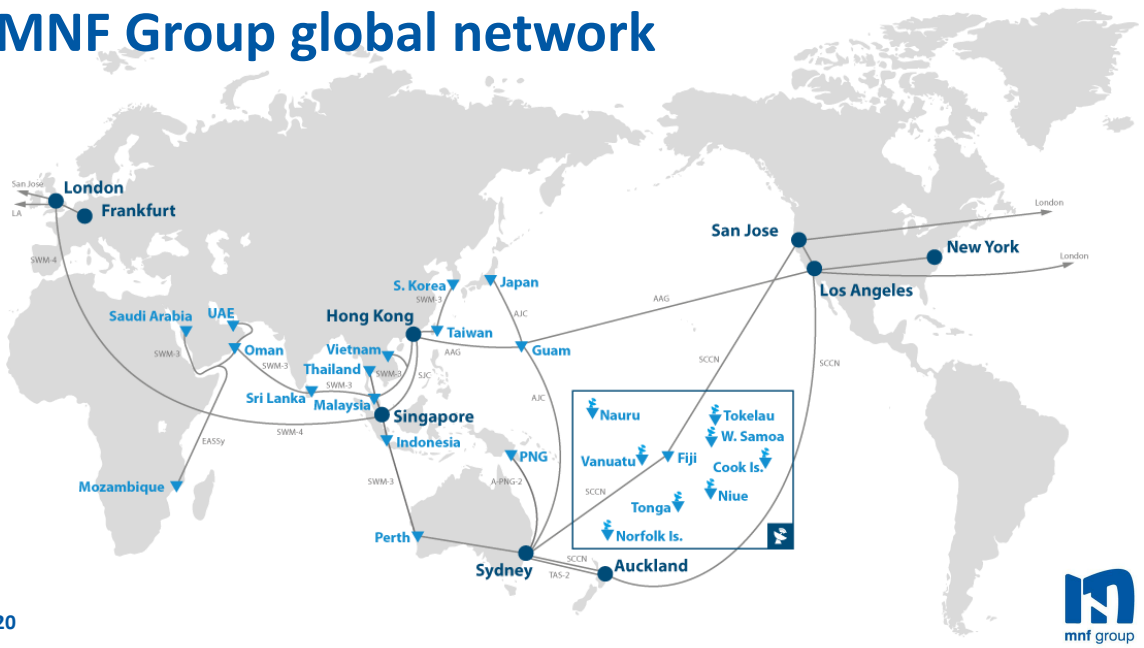


-  Credible player in big market
-  Future-proof cloud voice network
-  Diversified voice services portfolio
-  Value-added intellectual property
-  Consistent EBITDA growth
-  Global growth potential

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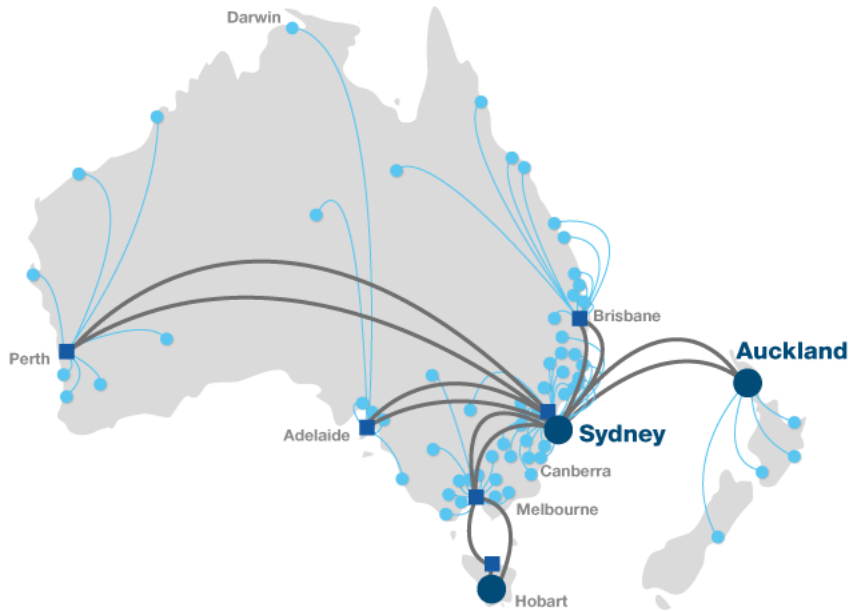
MNF Group global network



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MNF Group domestic network



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Innovation

- MNF's Lead Software Engineer Rebecca Callan wins Women in ICT Award
 - 153 entrants
 - Technical category for developing the Tollshield platform
 - Won multiple awards globally
- Focus on intellectual property and R&D capabilities
- Embracing new service models to monetise software assets
 - SaaS toll fraud mitigation, wholesale aggregation, MVNO
- Global export of innovations via TNZI



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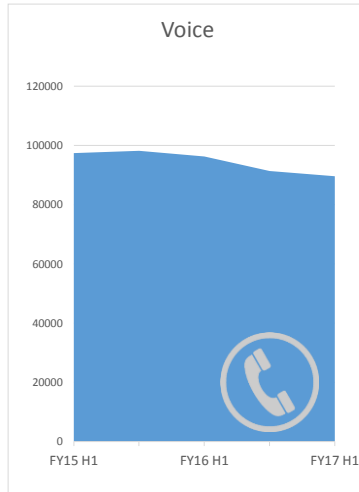
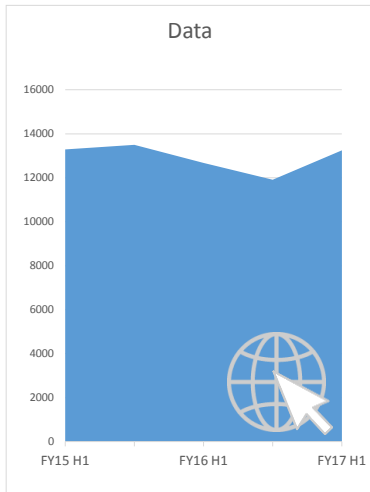


Business Overview

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Services in Operation: Domestic Retail – Residential

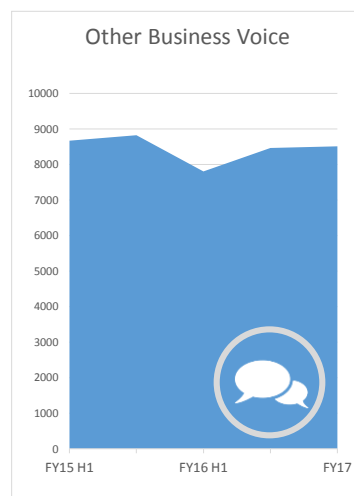
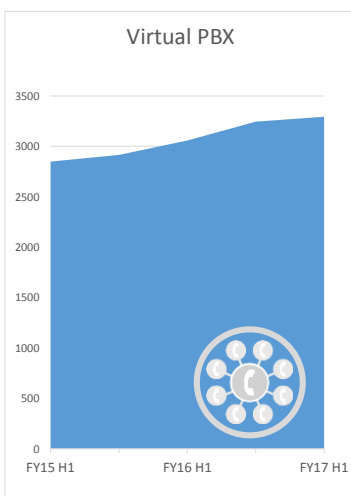


- Data subscriber growth due to uptick in NBN customer acquisition.
- New NBN back haul arrangements for 121 Pol (Points of Interconnect) commenced late in the half.
- Traditional residential VoIP subscriber base still in gentle decline due to pressure from mobile substitution in this sub-segment.

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Services in Operation: Domestic Retail – Small to Medium Business

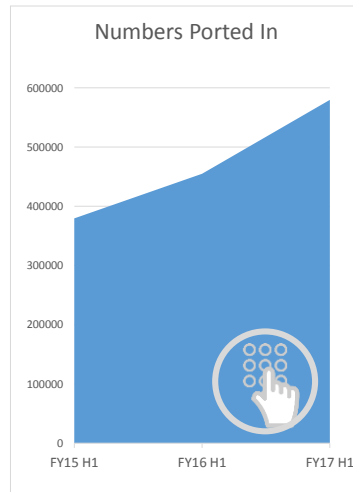
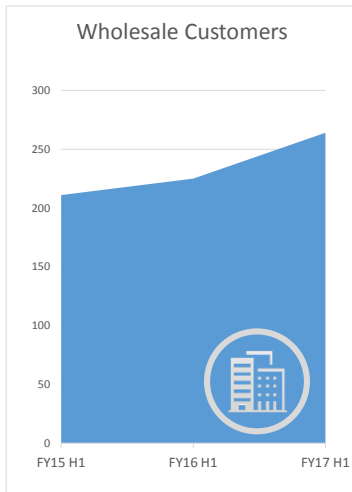


- Virtual PBX growth consistent with 8% organic growth on PCP.
- VPBX refresh underway, due to launch next quarter – increase in customer acquisition expected.
- Other business voice margin and SIO numbers steady.
- Government & Enterprise sector growing strongly.
- Results prior to CCI acquisition with significant cross sell synergy potential.

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Services in Operation: Domestic Wholesale



- New wholesale service provider customer growth strong at 17% on PCP.
- Number portability remains strong with 27% growth on PCP to 580,000 numbers.
- Overall hosted numbers sitting at 2.9 million numbers across domestic network.
- Wholesale aggregation SIO (iBoss) grew 47% on PCP up to 4,100.

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MNF FY17 Roadmap



Domestic



Continue to drive **organic growth**:

- Build on reputation as the “go-to” wholesale provider in Australia and New Zealand
- Small to Medium Business Virtual PBX growth
- Drive service provider acquisition on iBoss



Continue to build software **intellectual property** base



Global



Execute **TNZI strategy**

- Complete integration works
- Continue network upgrade
- Productise more markets in Asia-Pacific region



Continue to roll out Symbio **managed services** products into global market

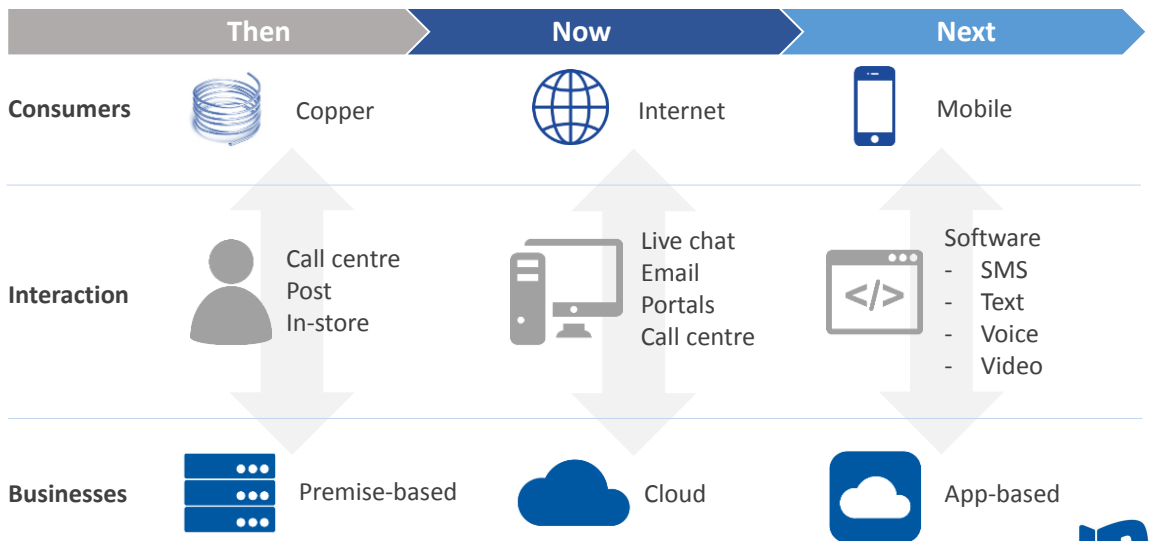


Become the “go-to” **specialist** for voice in Asia-Pacific region

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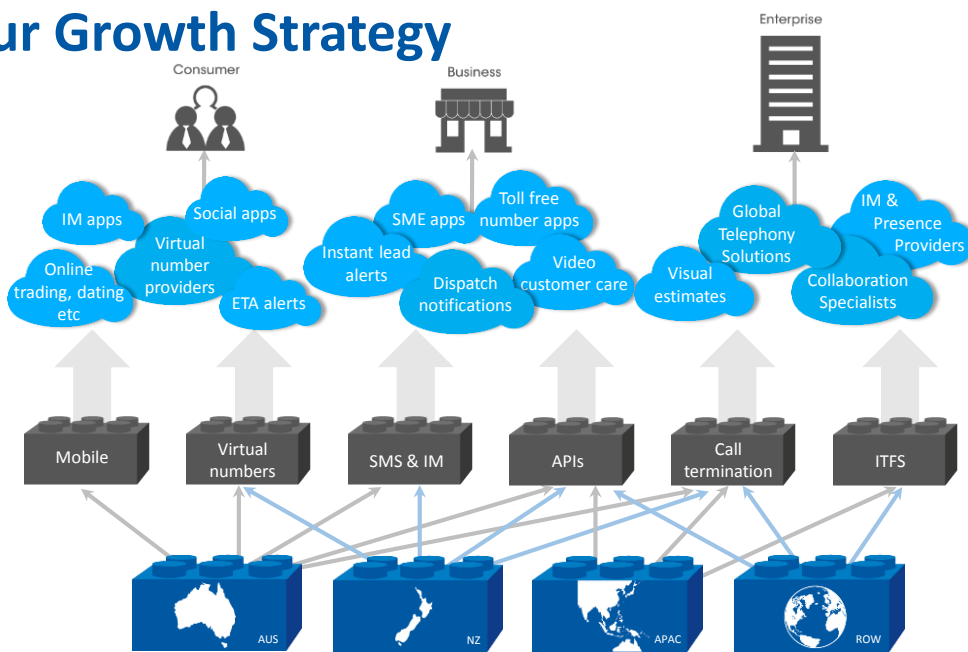
Future of Voice Communications



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Our Growth Strategy



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Thank you

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