

ASX Announcement
MNF Group Limited (ASX: MNF)**23 February 2021****Strong result across all key metrics**
On track to deliver FY21 EBITDA of \$40m - \$43m

MNF Group Limited (ASX: MNF) (the Company), a leading voice communications software provider, today announced its financial results for the half year ending 31 December 2020.

Highlights:

- Recurring revenue rose 15% to \$55.7 million (H1 FY20: \$48.3 million) as a result of growing wholesale revenue
- EBITDA increased 16% to \$19.6 million (H1 FY20: \$16.9 million)¹
- Phone numbers up 24% to 5.1 million (H1 FY20 4.1 million) due to strong organic growth
- Net Revenue Retention (NRR)² rate across top 10 customers was 115%
- Underlying NPAT-A increased 30% to \$8.4 million (H1 FY20: \$6.5 million)³
- Trials have commenced with customers in Singapore marking a major milestone in MNF's offshore expansion strategy
- Strong financial position with net cash of \$22 million and cash conversion of 107%
- Earnings per share up 62% to 7.83 cents per share (H1 FY20: 4.83 cents) supporting a 32% increase in dividends to 3.30 cents per share fully franked (H1 FY20: 2.50 cents)

In commenting on the results, MNF Group CEO, Mr René Sugo said:

"I am delighted to report a strong result across all key metrics, including record profitability, a 24% increase in phone numbers and 15% growth in recurring revenue.

"Underpinning our growth strategy is a laser focus on growing recurring revenue. We were particularly pleased with the performance of our global wholesale business, where recurring

¹ EBITDA excludes restructure costs, net interest, non-cash share plan costs, tax, depreciation and amortisation.

² NRR (Net Retention Rate) is H1 FY21 revenue compared to H1 FY20 revenue of MNF Group's top 10 customers (excluding those that are minutes trading only). These customers combined represent approximately 19% of H1 FY21 revenue.

³ Underlying NPAT-A & EPS-A exclude amortisation of acquired customer contracts & acquired software and tax affected restructure costs only.

revenue increased 55%. Our top 10 clients are spending more with us as seen in our net revenue retention rate of 115%.

“Importantly, our expansion into Singapore is progressing well. We have commenced technical trials with three major global customers. These trials are the final step before going live in the Singaporean market which we expect to occur later this financial year. We have taken a measured approach to ensure we are meeting the highest standard of customer service, consistent with our service levels in the Australian and New Zealand markets.

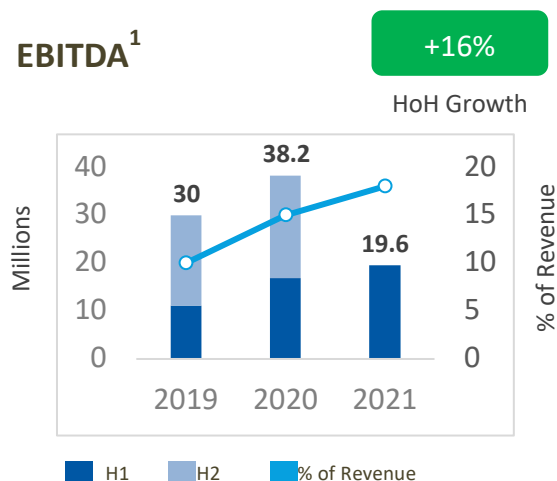
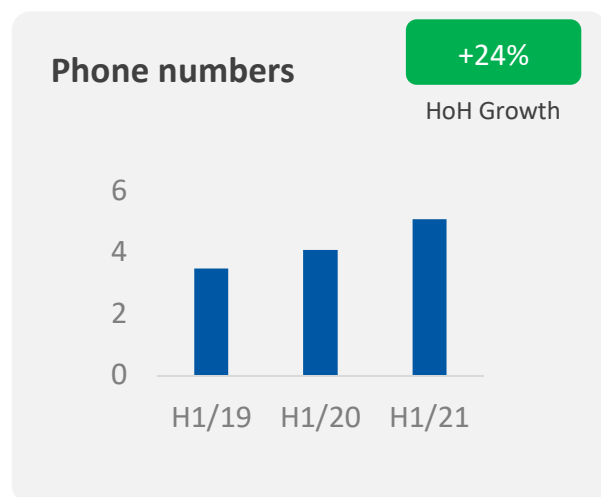
“While we have seen sustained positive effects on the business as a result of changing nature of communications, the significant reduction in international travel continues to impact MNF’s global roaming business and domestic small business expenditure remains subdued. This offsets the strong gains in our recurring revenue and saw overall group revenue flat. Importantly, we see these as being temporary headwinds and expect revenue growth to recover as international travel resumes and there is improved confidence in the small business sector.

“We are well placed, with MNF’s strong balance sheet, to continue to execute on our long-term strategy to grow market share across the Asia-Pacific region.”

Operational Highlights

Phone numbers on network reached 5.1 million numbers as at 31 December 2020, increasing by 1 million additional numbers (or 24% on H1 FY2020). The strong growth in phone numbers was due to new orders from existing wholesale customers and provides confidence in future growth as each new number provides a future revenue stream.

The growth in phone numbers supported a 15% increase in recurring revenue to \$55.6 million and an increase of 20% in recurring gross margin to \$33.4 million. EBITDA was up 16% to \$19.6 million in the period, growing to 18% of total revenue, as we managed costs whilst driving technology development and sales.



During the period, the company delivered a cash conversion of 107%, supported by a greater focus on cash collection. The company had net cash of \$22 million as at 31 December 2020, which comprised debt of \$30 million and cash of \$52 million. The cash position, alongside a further \$30 million undrawn debt facility, provides adequate resources to fund future growth initiatives.

Strategy Update

Expansion into new markets

A key pillar in MNF's growth strategy is to expand its service offering into the Asia-Pacific region. MNF has now commenced technology trials with three large global customers in Singapore. The technology trials are expected to complete within several months and will flow into production traffic later this financial year.

In addition to opening in the Singapore market, MNF has been completing due diligence to assess the next Asia-Pacific market to expand into. A number of milestones in this process have been completed with six possible target countries shortlisted.

Sales and marketing bench-strength supports excellent client relationships

A key part of MNF's success in finding and retaining global clients is its well-established Global Business Development and Account Management teams. This proven framework, centred on customer needs, ensures we support both our emerging customers who require specialized in-country skills; through to our large global customers which demand support in their local time zone.

The MNF Group's Business Development and Account Management teams span US, EMEA and APAC regions. The addition of our Singapore Domestic Solution will see our local presence expanded ensuring we are in the best position to serve the APAC region and maximise our opportunities and future revenue.

Strategic review of direct business

In the Australian and New Zealand market, MNF has been assessing its operations in light of future growth opportunities and as part of this has embarked on a review of its direct business.

The strategic review of MNF's direct business included the decision to divest the Pennytel brand and business, an Australian owned SIM-only mobile provider. MNF has signed a binding agreement for the sale of Pennytel to an existing wholesale customer, Macarthur Telecom. The agreement enables MNF to continue to realise benefits of the Pennytel business through an ongoing agreement with Macarthur Telecom to continue to grow the customer base on MNF's wholesale enablement service.

Outlook

Commenting on the outlook, René Sugo said:

“In an environment that has been unpredictable, the strength of our business continues to shine through. Our balance sheet is in excellent shape, with net cash, and clients are continuing to grow spending on our services.

“We are on track to deliver EBITDA for the 2021 financial year of \$40.0 million to \$43.0 million.

“Our strategic priorities are to grow market share, expand into the Asia Pacific region, be a trusted partner and provide a high standard of customer experience. We are very pleased with the progress we have made in Singapore which further cements our relationships with our global customers and give us confidence to expand further into the Asia Pacific region. This milestone highlights the need for MNF’s services across the region and supports the steps we are taking to assess new markets in the region to grow and expand our footprint. We are well positioned to execute on these strategic initiatives and drive operational excellence at home, in Australia and New Zealand.”

Results briefing

There will be a webinar and results presentation held on Tuesday 23 February at 9:00am AEDT. For registration and details, please visit <http://mnfgroup.limited/investors> A recorded version of this webinar will be made available for later viewing at the same web address.

The announcement has been authorised for release by the Board.

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About MNF Group Limited

MNF Group Limited (ASX: MNF) is one of Asia-Pacific's fastest growing technology companies. Listed on the ASX since 2006, it is now capitalised at around \$380m, and twice winner of the Forbes Asia-Pacific "Best under a Billion" award. Headquartered in Sydney, Australia, the company has over 500 people located across Asia-Pacific, Europe and North America. MNF develops and operates a global communications network and software suite enabling some of the world's leading innovators to deliver new-generation communications solutions.

As the world moves to IP, MNF Group is building the brands, services, network and technology to lead the way. For further information about MNF Group Limited please visit: <http://mnfgroup.limited/>