

NFON

Telecoms
22 May 2025

Q125 highlights platform strength

Despite the significant potential for providing AI-based solutions, aspiring companies need a business model capable of funding the required front-end investment while demand builds. The group's Q125 results and management's reiteration of current year guidance suggests that NFON's recurring revenue (and increasingly cash generative) model certainly meets these criteria, making it an interesting candidate for any AI portfolio.

Financials

Q125 revenues grew organically by €0.1m to €22.1m (Q124: €21.2m), with AI specialist botario (acquired last August) also adding a maiden Q1 revenue contribution of €0.8m. Recurring revenues rose by 4.3% to 93.9% of total revenues (Q125: 93.6%) and sales of premium solutions helped to increase Q1 average revenue per user (ARPU) to €10.02 from €9.82. Installed seats grew by 0.4% to 661,349. Investments in personnel and AI offerings saw adjusted EBITDA fall slightly to €2.6m (Q124: €2.8m). Capex remained stable at €0.7m, or c.3% sales, while operating cash flow almost doubled to €1.8m (69% adjusted EBITDA) from €0.9m (32%). Gross cash at 31 March 2025 was €13.6m (March 2024: €13.0m). Management re-iterated FY25 guidance of 8–10% growth (FY24: 6.1%) and adjusted EBITDA of €13.5–15.5m (FY24: 12.3m)

Strategy

The German cloud private branch exchange (PBX) sector is promising given the current low levels of penetration (only 21.1% of German PBX), although growth rates remain modest (mid-single digit) and ARPU trends are challenging. That said, growth will continue to be driven by an ever-present customer focus on efficiency and by using business communications as a driver of positive customer experience. Positioning AI at the centre of its offering allows NFON to play an important role in satisfying both of these key customer requirements.

Valuation

With revenue growth in Q125 modest relative to management's full-year guidance, a continuation of the share price appreciation that followed the FY24 results announcement might be more muted in coming months. That said, as the year progresses and confidence builds in the 8–10% growth target, consensus estimates may well rise, unlocking further investor enthusiasm for the prospect of the enhanced growth and higher margins that is promised from NFON's stable of AI-centric solutions.

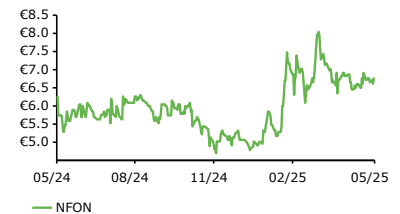
Consensus forecasts

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)	P/E (x)
12/23	82.3	6.8	(0.05)	0.00	17.5	N/A
12/24	87.0	10.8	0.04	0.00	11.0	N/A
12/25e	95.3	14.9	0.22	0.00	8.0	30.9
12/26e	105.6	18.3	0.32	0.00	6.5	21.3

Source: NFON, LSEG Data & Analytics. Note: EBITDA and EPS stated after adjustment for amortisation of acquired goodwill and extraordinary items.

Price €6.80
Market cap €110m

Share price performance



Share details

Code	NFN
Listing	XETRA
Shares in issue	16.6m
Net cash/(debt) as at 31 March 2025	€(8.9)m

Business description

NFON is a Germany-based company providing cloud-based voice solutions (cloud private branch exchange) to both domestic and international customers principally in Germany, Austria and the UK.

Bull points

- Modest unified communications as a service adoption to date in the German market suggests robust demand.
- Significant high-margin recurring revenue streams.
- Growth outlook enhanced by investments in AI capability.

Bear points

- Price pressure in cloud private branch exchange market.
- Potential competition from larger technology vendors.
- Modest organic cloud private branch exchange seat growth.

Analysts

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