

NFON

Telecoms
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Q325 – No-one said this would be easy

As investors wait for a sentiment upturn in NFON's core markets, we take comfort in a business model that is based on a stable recurring revenue base, with modest churn (0.5%) representing 94% of sales. The negative share price reaction to management's modest FY25 guidance downgrade shows that the market is, as ever, impatient. This offers longer term investors an opportunity if they are prepared to look beyond FY26 where, in our opinion, the significant future potential of the German market remains undimmed.

Financials

9M25 revenues rose by 2.7% to €66.0m, with recurring revenues rising 1.9% to €61.8m, or 93.6% sales (9M24: 94.3%). The seat base declined by 2.6% to 648,211, while blended average revenue per user was broadly unchanged at €9.92 per user following price adjustments. Non-recurring revenues were up 15.3% to €4.2m, driven by project work at botario. Tight control of costs saw gross profits rise 4.3% to €56.9m, resulting in a gross margin of 86.2% (9M24: 84.9%). Adjusted EBITDA declined by 3.5% to €8.7m, giving a margin of 13.2% (9M24: 14.1%) following investment in personnel and AI initiatives. Free cash flow (ie ex-PPE capex, intangibles and M&A) was €2.0m. Guidance was modestly downgraded to FY25 revenue growth of 1.0%–2.5% (from 3–5%) and to FY25 adjusted EBITDA of €11.5–12.5m (from €12.5–14.0m)

Strategy

Management see double-digit mid-term revenue growth, compared to 1.0–2.5% today, and expect mid-term 15% adjusted EBITDA margins versus today's 11.5–12.5%. This requires a recovery in sentiment, which is taking time to emerge. In the meantime, faced with high small and medium-sized enterprise insolvency levels, longer lead times and a generally stagnating cloud telephony market, we believe that management are executing well, maximising the likelihood of future shareholder value creation by adjusting prices, controlling costs and investing in innovation.

Valuation

The key to unlocking a higher valuation is undoubtedly a stabilisation of guidance in FY26 and beyond. Shorter term investors may well delay buying until the signs of recovery are manifest in NFON's numbers, but this risks missing a significant proportion of the upside. Alternatively, those investors with longer time horizons, attracted by the undoubted longer term potential of the European cloud telephony market and the transformative power of AI functionality should be able to see a buying opportunity.

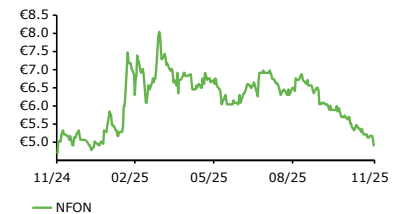
Consensus forecasts

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)	P/E (x)
12/24	87.3	12.3	0.04	0.00	7.8	125.0
12/25e	91.9	13.5	0.18	0.00	7.1	27.8
12/26e	99.9	16.2	0.28	0.00	5.9	17.9

Source: NFON. Note: EBITDA and EPS stated after adjustment for amortisation of acquired goodwill and extraordinary items.

Price €5.00
Market cap €87m

Share price performance



Share details

Code	NFN
Listing	XETRA
Shares in issue	16.6m
Net cash/(debt) at 30 September 2025	€(9.3)m

Business description

NFON is a German 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 future 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.
- Limited seat growth in organic cloud private branch exchange.

Analysts

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