



Buy (old: Buy)

09.01.2025

EUR 11.70 (old: EUR 11.70)

NFON remains an Alpha pick after strong operations in FY24e

Topic: After a strong operating performance in FY24e, NFON looks set to continuously expand margins at an increased top-line growth throughout FY25e.

Sales in FY25e are expected to increase by 12.7% to € 97.1m (eNuW; eCons: € 95.2m) based on an increased cloud adoption and hence further key customer wins in the company's key markets as well as the initial full FY contribution of botario (acquisition closed in 09/24; eNuW: € 3.1m sales in FY25e). Hereby, the share of recurring revenues looks set to further increase to 94.6% (eNuW FY24e: 94.2%), given the decreasing importance of hardware sales also in connection with new customer wins.

Moreover, we expect **NFON to improve its adj. EBITDA to € 15.7m** (eNuW; eCons: € 14m unadj. EBITDA), implying **disproportionate growth of 31% and a margin of 16.2%**. This should come on the back of an improved sales mix, meaning less hardware sales as well as an increased ARPU following a higher share of premium solutions sold, as well as cost saving measures imposed during FY23/24, allowing for reduced personnel cost and marketing ratios. Also, the botario acquisition (23.5% EBITDA margin in FY24e) will also be a main driver of the margin expansion. Against this backdrop, FCF is seen to improve to € 5.5m (eNuW: € 3.8m in FY24e).

Speaking of botario, we anticipate the acquisition to not only be **margin accretive** but significantly **enhance NFON's capabilities regarding AI and process automation**, thus marking a substantial competitive edge. In our view, this should help the company **gain additional market share** in the still highly fragmented market for integrated business communication going forward.

Overall, the above is seen to allow for notably improving returns (eNuW: ROIC 10% by FY25e) as well as cash generation, thus driving shareholder value.

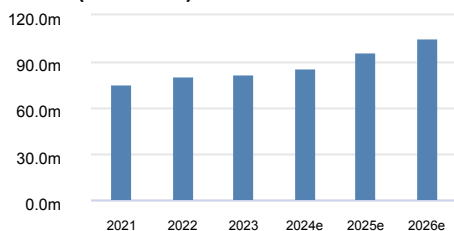
That said, current **valuation remains highly attractive** given that the stock is trading on a 7.2x trailing EV/adj. EBITDA and a 5.2x EV/adj. EBITDA FY25e. In our view, this is not justified, as it does not at all reflect the significant operating improvements over the past 18 months.

We hence reiterate **BUY with an unchanged PT of € 11.70**, based on DCF, as NFON remains part of our NuWays Alpha List.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	75.9	80.8	82.3	86.1	97.1	106.2
Sales growth	12.3%	6.5%	1.9%	4.6%	12.7%	9.4%
Adj. EBITDA	-1.3	-1.0	8.4	12.0	15.7	19.0
Net debt (if net cash=0)	-22.6	-7.4	-2.4	3.8	-1.8	-8.9
FCF	-9.7	-12.4	1.0	3.8	5.5	7.1
Net Debt/EBITDA	0.0	0.0	0.0	0.4	0.0	0.0
EPS pro forma	-0.54	-0.94	-0.05	0.12	0.34	0.48
Adj. EBITDA margin	-1.7%	-1.2%	10.2%	13.9%	16.2%	17.9%
ROCE	-12.5%	-19.8%	-0.8%	4.5%	11.0%	15.5%
EV/sales	3.5	0.9	1.0	1.0	0.8	0.7
EV/adj. EBITDA	-204.6	-75.5	9.6	7.2	5.2	3.9
PER	-9.3	-5.3	-105.1	41.4	14.5	10.4
Adjusted FCF yield	-1.6%	-9.8%	5.6%	9.1%	13.5%	11.4%

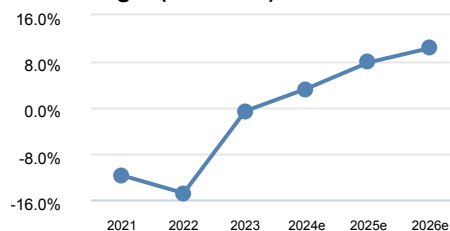
Source: Company data, NuWays, Close price as of 20.12.2024

Sales (2021-26e)



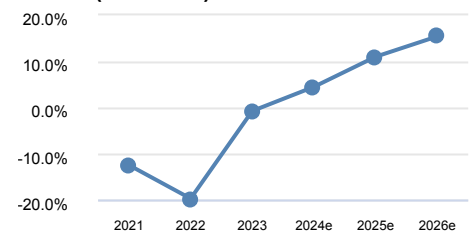
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

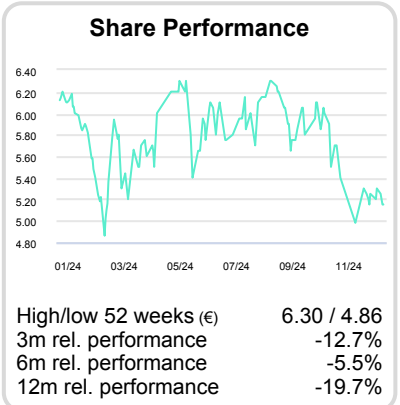
ROCE (2021-26e)



Source: NuWays Research

Company description

NFON is the German market leader for integrated business communication. NFON offers an easy-to-use, independent and reliable solution for advanced cloud business communications. Further premium and industry solutions complete the portfolio in the field of cloud communications.



Market data

Share price (in €)	5.15
Market cap (in € m)	82.8
Number of shares (in m pcs)	16.6
Enterprise value (in € m)	81.1
Ø trading volume (6 months)	3,049

Identifier

Bloomberg	NFN GR
Reuters	NFN
WKN	A0N4N5
ISIN	DE000A0N4N52

Key shareholders

Milestone Venture Capital	31.9%
AOC	29.5%
Universal	8.3%
Teslin	7.0%
Morgan Stanley	6.0%
Free Float	17.3%

Estimates changes

	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Guidance

- ARR: mid- to upper-single-digit-% growth & >90% ratio
- Adj. EBITDA: € 10-12m

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	75.9	80.8	82.3	86.1	97.1	106.2
<i>Sales growth</i>	12.3%	6.5%	1.9%	4.6%	12.7%	9.4%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	75.9	80.8	82.3	86.1	97.1	106.2
Other operating income	0.6	1.1	0.9	0.6	1.0	1.1
Material expenses	14.5	14.4	13.0	13.2	14.6	15.4
Personnel expenses	31.7	37.4	34.9	34.5	37.1	39.8
Other operating expenses	32.3	35.3	28.6	28.4	31.1	33.5
EBITDA	-2.0	-5.3	6.8	10.7	15.3	18.6
Adjustments	0.7	4.3	1.6	1.3	0.4	0.4
Adj. EBITDA	-1.3	-1.0	8.4	12.0	15.7	19.0
Depreciation	3.2	3.3	3.5	3.5	3.7	3.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.7	3.4	3.9	4.4	4.0	4.3
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-9.0	-12.0	-0.5	2.8	7.6	11.0
Interest income	0.0	0.0	0.2	0.3	0.3	0.4
Interest expenses	0.3	0.2	0.4	0.8	0.8	0.8
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.3	-0.2	-0.2	-0.5	-0.5	-0.4
Recurring pretax income from continuing operations	-9.2	-12.2	-0.7	2.4	7.1	10.6
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-9.2	-12.2	-0.7	2.4	7.1	10.6
Income tax expense	0.4	0.1	0.1	0.4	1.4	2.7
Net income from continuing operations	-8.9	-15.6	-0.8	2.0	5.7	8.0
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-8.9	-15.6	-0.8	2.0	5.7	8.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-8.9	-15.6	-0.8	2.0	5.7	8.0
Average number of shares	16.6	16.6	16.6	16.6	16.6	16.6
EPS reported	-0.54	-0.94	-0.05	0.12	0.34	0.48

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	12.3%	6.5%	1.9%	4.6%	12.7%	9.4%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	0.7%	1.3%	1.1%	0.7%	1.0%	1.0%
Material expenses	19.0%	17.8%	15.8%	15.3%	15.0%	14.5%
Personnel expenses	41.8%	46.3%	42.4%	40.0%	38.2%	37.5%
Other operating expenses	42.6%	43.7%	34.7%	32.9%	32.0%	31.5%
EBITDA	-2.6%	-6.5%	8.3%	12.4%	15.8%	17.5%
Adjustments	0.9%	5.3%	1.9%	1.5%	0.4%	0.4%
Adj. EBITDA	-1.7%	-1.2%	10.2%	13.9%	16.2%	17.9%
Depreciation	4.2%	4.1%	4.2%	4.1%	3.8%	3.1%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	4.9%	4.3%	4.7%	5.1%	4.1%	4.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-11.8%	-14.9%	-0.6%	3.3%	7.8%	10.3%
Interest income	0.0%	0.0%	0.2%	0.4%	0.3%	0.4%
Interest expenses	0.4%	0.2%	0.4%	0.9%	0.8%	0.7%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-12.1%	-15.1%	-0.8%	2.7%	7.3%	10.0%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-12.1%	-15.1%	-0.8%	2.7%	7.3%	10.0%
Tax rate	3.4%	-1.1%	-14.2%	15.0%	20.0%	25.0%
Net income from continuing operations	-11.7%	-19.3%	-1.0%	2.3%	5.9%	7.5%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-11.7%	-19.3%	-1.0%	2.3%	5.9%	7.5%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	-11.7%	-19.3%	-1.0%	2.3%	5.9%	7.5%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	30.0	34.0	35.4	53.7	55.5	57.6
Property, plant and equipment	8.2	8.7	11.6	13.1	11.9	11.2
Financial assets	0.6	0.7	0.7	0.7	0.7	0.7
FIXED ASSETS	38.8	43.5	47.7	67.5	68.1	69.4
Inventories	0.2	0.1	0.1	0.1	0.1	0.1
Accounts receivable	10.9	9.3	9.0	9.7	10.9	11.9
Other assets and short-term financial assets	3.6	3.1	4.0	4.0	4.0	4.0
Liquid assets	27.7	13.2	12.3	12.1	17.7	24.8
Deferred taxes	2.4	0.3	0.8	0.8	0.8	0.8
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	44.7	26.0	26.2	26.7	33.5	41.7
TOTAL ASSETS	83.5	69.4	73.9	94.2	101.6	111.1

SHAREHOLDERS EQUITY	63.2	47.8	47.2	50.2	56.9	65.8
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities to banks	3.3	4.1	8.5	14.5	14.5	14.5
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	2.2	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	2.8	2.3	3.1	3.2	3.2	3.2
NON-CURRENT LIABILITIES	8.3	6.4	11.6	17.6	17.6	17.6
Short-term liabilities to banks	1.7	1.8	1.4	1.4	1.4	1.4
Accounts payable	6.1	4.2	5.0	5.2	5.9	6.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.0	0.3	0.8	1.0	1.0	1.0
Other liabilities (incl. from lease and rental contracts)	2.8	6.5	5.8	14.9	14.9	14.9
Deferred taxes	1.3	2.5	2.2	3.4	3.4	3.4
Deferred income	0.0	0.0	0.0	0.4	0.4	0.4
CURRENT LIABILITIES	12.0	15.3	15.2	26.4	27.1	27.6
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	83.5	69.4	73.9	94.2	101.6	111.1

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	35.9%	49.0%	47.9%	57.0%	54.6%	51.8%
Property, plant and equipment	9.8%	12.6%	15.7%	13.9%	11.7%	10.1%
Financial assets	0.8%	1.0%	0.9%	0.7%	0.7%	0.6%
FIXED ASSETS	46.5%	62.6%	64.6%	71.6%	67.0%	62.5%
Inventories	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%
Accounts receivable	13.1%	13.4%	12.1%	10.3%	10.7%	10.7%
Other assets and short-term financial assets	4.3%	4.5%	5.4%	4.2%	3.9%	3.6%
Liquid assets	33.1%	19.0%	16.6%	12.9%	17.4%	22.3%
Deferred taxes	2.9%	0.4%	1.1%	0.9%	0.8%	0.7%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	53.5%	37.4%	35.4%	28.4%	33.0%	37.5%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	75.7%	68.9%	63.8%	53.3%	56.0%	59.3%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term liabilities to banks	4.0%	5.8%	11.5%	15.4%	14.3%	13.0%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	3.4%	3.3%	4.2%	3.3%	3.1%	2.8%
NON-CURRENT LIABILITIES	10.0%	9.2%	15.7%	18.7%	17.4%	15.9%
Short-term liabilities to banks	2.0%	2.6%	1.9%	1.5%	1.4%	1.3%
Accounts payable	7.3%	6.1%	6.7%	5.5%	5.8%	5.8%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.0%	0.4%	1.1%	1.1%	1.0%	0.9%
Other liabilities (incl. from lease and rental contracts)	3.4%	9.4%	7.8%	15.8%	14.7%	13.4%
Deferred taxes	1.6%	3.6%	2.9%	3.6%	3.4%	3.1%
Deferred income	0.0%	0.0%	0.0%	0.5%	0.4%	0.4%
CURRENT LIABILITIES	14.3%	22.0%	20.5%	28.0%	26.7%	24.9%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-8.9	-15.6	-0.8	2.0	5.7	8.0
Depreciation of fixed assets (incl. leases)	3.2	3.3	3.5	3.5	3.7	3.3
Amortisation of goodwill & intangible assets	3.7	3.4	3.9	4.4	4.0	4.3
Other costs affecting income / expenses	0.0	3.4	0.9	0.0	0.0	0.0
Cash flow from operating activities	-3.5	-5.8	4.6	6.9	9.8	7.5
Increase/decrease in inventory	-0.3	0.1	-0.0	-0.0	-0.0	-0.0
Increase/decrease in accounts receivable	-0.9	2.1	-0.6	-0.7	-1.2	-1.0
Increase/decrease in accounts payable	1.2	-0.8	0.0	0.2	0.7	0.6
Increase/decrease in other working capital positions	0.0	0.1	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-0.1	1.5	-0.6	-0.5	-0.6	-0.5
Cash flow from operating activities	-1.8	-3.9	6.8	9.4	12.8	15.1
CAPEX	7.9	8.5	5.9	5.6	7.3	8.0
Payments for acquisitions	0.6	0.0	0.0	9.9	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.1	0.0	0.0	0.0	0.0
Cash flow from investing activities	-8.5	-8.4	-5.9	-15.5	-7.3	-8.0
Cash flow before financing	-10.2	-12.3	1.0	-6.1	5.5	n.a.
Increase/decrease in debt position	-11.0	-2.1	0.0	6.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	25.8	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	-1.9	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	-0.1	0.0	0.0	0.0	0.0
Cash flow from financing activities	14.8	-2.1	-1.9	6.0	0.0	0.0
Increase/decrease in liquid assets	4.6	-14.5	-0.9	-0.1	5.5	n.a.
Liquid assets at end of period	27.7	13.2	12.3	12.1	17.7	24.8

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	12.3%	6.5%	1.9%	4.6%	12.7%	9.4%
EBITDA growth	-186.0%	161.9%	-229.1%	57.1%	43.2%	21.6%
EBIT growth	394.5%	34.4%	-95.8%	-659.8%	167.7%	44.3%
EPS growth	261.6%	75.6%	-95.0%	-354.1%	184.5%	39.9%
Efficiency						
Sales per employee	168.1	164.4	173.2	200.5	227.7	241.9
EBITDA per employee	-4.5	-10.7	14.3	24.9	35.9	42.4
No. employees (average)	452	492	476	430	426	439
Balance sheet analysis						
Avg. working capital / sales	5.1%	-4.6%	2.3%	-8.3%	-6.4%	-6.2%
Inventory turnover (sales/inventory)	489.6	928.6	722.3	722.3	722.3	722.3
Accounts receivable turnover	52.4	41.9	39.7	41.0	41.0	41.0
Accounts payable turnover	29.3	19.0	22.0	22.0	22.0	22.0
Cash flow analysis						
Free cash flow	-9.7	-12.4	1.0	3.8	5.5	7.1
Free cash flow/sales	-12.7%	-15.4%	1.2%	4.4%	5.7%	6.7%
FCF / net profit	108.6%	79.5%	neg.	187.8%	96.8%	89.5%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-22.6	-7.4	-2.4	3.8	-1.8	-8.9
Net Debt/EBITDA	0.0	0.0	0.0	0.4	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	2.3%	1.8%	4.9%	7.3%	6.2%	7.3%
Returns						
ROCE	-12.5%	-19.8%	-0.8%	4.5%	11.0%	15.5%
ROE	-14.1%	-32.7%	-1.7%	4.0%	10.0%	12.1%
Adjusted FCF yield	-1.6%	-9.8%	5.6%	9.1%	13.5%	11.4%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.54	-0.94	-0.05	0.12	0.34	0.48
Average number of shares	16.6	16.6	16.6	16.6	16.6	16.6
Valuation ratios						
P/BV	1.3	1.7	1.8	1.7	1.5	1.3
EV/sales	3.5	0.9	1.0	1.0	0.8	0.7
EV/EBITDA	-133.4	-14.3	11.8	8.1	5.3	4.0
EV/EBIT	-30.0	-6.3	-158.3	30.4	10.6	6.7

Source: Company data, NuWays

Disclosures

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Company	Disclosures
NFON AG	2

Historical target price and rating changes for NFON AG

Company	Date	Analyst	Rating	Target Price	Close
NFON AG	18.01.2024	Sennewald, Philipp	Buy	EUR 11.70	EUR 6.10

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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