

Buy (old: Buy)

23.05.2025

EUR 12.30 (old: EUR 12.30)

More to come after solid start into the year; chg.

Q1'25 sales increased by 4.0% yoy to € 22.1m (eNuW: € 22.4m), of which € 20.8m were of recurring nature, implying a **94.0% recurring revenue ratio**. Main driver of the increasing top-line was botario, which was acquired at the end of Q3'24. With € 0.8m sales in Q1 (+52% yoy), botario explained about 90% of Q1 growth, thus implying organic growth of only 0.4%. The reasons for the flattish organic sales development are as follows. (1) As planned, non-recurring (especially hardware) sales further decreased by 0.9% yoy to € 1.3m. (2) The migration of DTS clients to the NFON platform was binding resources at partners, that could not be used for seat growth. The good thing is, that 40% of clients were already migrated in the first quarter and the remaining 60% are expected to be so until YE.

Improving ARPU. For the first time since Covid, NFON achieved a Q1 blended ARPU of above € 10 with € 10.02, clearly reflecting the increasing focus on premium solutions, which is seen to drive ARPU and thus margins further going forward.

Despite an **improved gross margin** (+1.9pp to 86%), **adj. EBITDA slightly decreased yoy to € 2.6m** (Q1:24: € 2.8m), implying a **margin of 11.8%**. Main reason for the decline were planned investments in personnel and other OpEx related to AI initiatives. Nevertheless, NFON was able to **improve FCF significantly from € 0.2m in Q1'24 to € 1.1m** on the back of favorable WC swings.

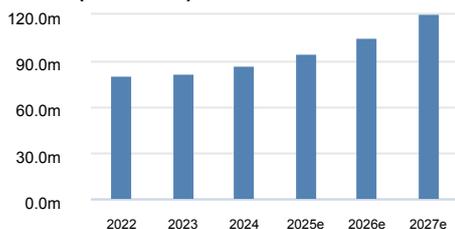
Guidance confirmed. After a solid start to the year, management confirmed the FY25 guidance of 8-10% sales growth and € 13.5-15.5m adj. EBITDA. Reaching the mid-point would require 10.6% sales growth on average in the coming quarters as well as a 16.3% adj. EBITDA margin. Despite the, top-line wise, slow start this looks absolutely achievable in our view, as (1) the DTS migration is proceeding well, which should already become visible in Q2, (2) lead-times in the core business are already normalizing (3) strategic price increases starting in May as well as new AI products (e.g. voicemail transcription, NIA) gaining traction. Moreover, the tune of quarterly investments into AI and personnel should normalize, thus benefitting margins.

We keep our conviction in the case, which has the potential to become one of the key-players in AI supported communication services, backed by a strong core business. We hence reiterate **BUY with a € 12.30 PT** and keep the stock in our NuWays Alpha List.

Y/E 31.12 (EUR m)	2022	2023	2024	2025e	2026e	2027e
Sales	80.8	82.3	87.3	94.9	105.6	119.7
Sales growth	6.5%	1.9%	6.1%	8.6%	11.3%	13.4%
Adj. EBITDA	-1.0	8.4	12.3	14.4	19.0	22.4
Net debt (if net cash=0)	-7.4	-2.4	9.8	2.1	-7.4	-18.9
FCF	-12.4	1.0	6.4	7.8	9.5	11.4
Net Debt/EBITDA	0.0	0.0	0.9	0.1	0.0	0.0
EPS pro forma	-0.94	-0.05	0.04	0.31	0.53	0.72
Adj. EBITDA margin	-1.2%	10.2%	14.1%	15.2%	18.0%	18.7%
ROCE	-19.8%	-0.8%	4.0%	10.1%	17.2%	20.7%
EV/sales	1.4	1.4	1.5	1.3	1.0	0.8
EV/adj. EBITDA	-110.2	13.7	10.3	8.3	5.8	4.4
PER	-7.5	-149.2	165.6	23.1	13.5	9.9
Adjusted FCF yield	-6.7%	3.9%	5.6%	8.2%	8.2%	12.0%

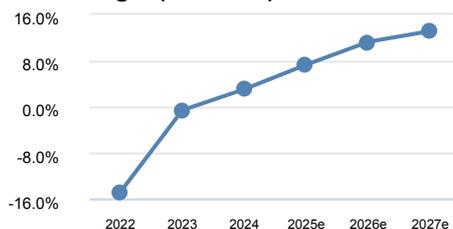
Source: Company data, NuWays, Close price as of 13.05.2025

Sales (2022-27e)



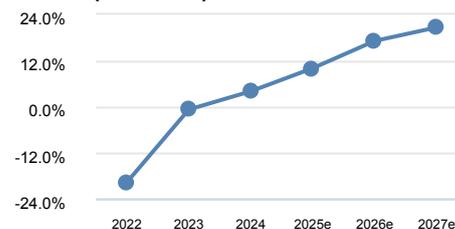
Source: NuWays Research

EBIT margin (2022-27e)



Source: NuWays Research

ROCE (2022-27e)



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.

Guidance

- Sales FY25: +8-10% yoy
- Adj. EBITDA FY25: € 13.5-15.5m

Share Performance



High/low 52 weeks (€)	8.05 / 4.98
3m rel. performance	-18.5%
6m rel. performance	10.3%
12m rel. performance	-2.6%

Market data

Share price (in €)	6.80
Market cap (in € m)	117.6
Number of shares (in m pcs)	16.6
Enterprise value (in € m)	119.7
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

	2025e	2026e	2027e
Sales	-2%	-1%	-1%
EBIT	-13%	-2%	1%
EPS	-16%	-3%	2%

Comment on changes

- Slightly adjusted our model following final FY24 and Q1'25

Financials

Profit and loss (EUR m)	2022	2023	2024	2025e	2026e	2027e
Net sales	80.8	82.3	87.3	94.9	105.6	119.7
<i>Sales growth</i>	6.5%	1.9%	6.1%	8.6%	11.3%	13.4%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	80.8	82.3	87.3	94.9	105.6	119.7
Other operating income	1.1	0.9	0.7	1.0	1.1	1.2
Material expenses	14.4	13.0	12.9	13.3	14.7	16.5
Personnel expenses	37.4	34.9	35.3	37.8	39.6	44.1
Other operating expenses	35.3	28.6	29.1	30.8	33.8	38.3
EBITDA	-5.3	6.8	10.8	14.0	18.6	22.0
Adjustments	4.3	1.6	1.5	0.4	0.4	0.4
Adj. EBITDA	-1.0	8.4	12.3	14.4	19.0	22.4
Depreciation	3.3	3.5	2.8	2.8	2.5	2.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.4	3.9	5.4	4.3	4.1	3.9
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-12.0	-0.5	2.6	6.9	11.9	15.8
Interest income	0.0	0.2	0.2	0.3	0.4	0.5
Interest expenses	0.2	0.4	1.0	0.9	0.7	0.5
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.2	-0.2	-0.7	-0.6	-0.3	0.0
Recurring pretax income from continuing operations	-12.2	-0.7	1.9	6.4	11.6	15.8
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-12.2	-0.7	1.9	6.4	11.6	15.8
Income tax expense	0.1	0.1	1.2	1.3	2.9	4.0
Net income from continuing operations	-15.6	-0.8	0.7	5.1	8.7	11.9
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-15.6	-0.8	0.7	5.1	8.7	11.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-15.6	-0.8	0.7	5.1	8.7	11.9
Average number of shares	16.6	16.6	16.6	16.6	16.6	16.6
EPS reported	-0.94	-0.05	0.04	0.31	0.53	0.72

Profit and loss (common size)	2022	2023	2024	2025e	2026e	2027e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	6.5%	1.9%	6.1%	8.6%	11.3%	13.4%
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	1.3%	1.1%	0.8%	1.0%	1.0%	1.0%
Material expenses	17.8%	15.8%	14.7%	14.0%	13.9%	13.8%
Personnel expenses	46.3%	42.4%	40.4%	39.9%	37.5%	36.8%
Other operating expenses	43.7%	34.7%	33.3%	32.4%	32.0%	32.0%
EBITDA	-6.5%	8.3%	12.4%	14.8%	17.6%	18.4%
Adjustments	5.3%	1.9%	1.7%	0.4%	0.4%	0.3%
Adj. EBITDA	-1.2%	10.2%	14.1%	15.2%	18.0%	18.7%
Depreciation	4.1%	4.2%	3.2%	2.9%	2.4%	2.0%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	4.3%	4.7%	6.2%	4.5%	3.9%	3.2%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-14.9%	-0.6%	3.0%	7.3%	11.3%	13.2%
Interest income	0.0%	0.2%	0.3%	0.3%	0.4%	0.4%
Interest expenses	0.2%	0.4%	1.1%	0.9%	0.7%	0.4%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	0.0%
Recurring pretax income from continuing operations	-15.1%	-0.8%	2.2%	6.7%	11.0%	13.2%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-15.1%	-0.8%	2.2%	6.7%	11.0%	13.2%
Tax rate	-1.1%	-14.2%	62.6%	20.0%	25.0%	25.0%
Net income from continuing operations	-19.3%	-1.0%	0.8%	5.4%	8.3%	9.9%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-19.3%	-1.0%	0.8%	5.4%	8.3%	9.9%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	-19.3%	-1.0%	0.8%	5.4%	8.3%	9.9%

Source: Company data, NuWays

Balance sheet (EUR m)	2022	2023	2024	2025e	2026e	2027e
Intangible assets	34.0	35.4	51.5	51.0	51.2	52.1
Property, plant and equipment	8.7	11.6	9.9	9.1	8.6	8.2
Financial assets	0.7	0.7	0.7	0.7	0.7	0.7
FIXED ASSETS	43.5	47.7	62.1	60.8	60.4	60.9
Inventories	0.1	0.1	0.1	0.1	0.1	0.1
Accounts receivable	9.3	9.0	10.3	10.4	11.6	13.1
Other assets and short-term financial assets	3.1	4.0	4.2	4.2	4.2	4.2
Liquid assets	13.2	12.3	13.0	15.9	21.3	28.7
Deferred taxes	0.3	0.8	0.1	0.1	0.1	0.1
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	26.0	26.2	27.7	30.7	37.3	46.2
TOTAL ASSETS	69.4	73.9	89.8	91.5	97.7	107.1

SHAREHOLDERS EQUITY	47.8	47.2	48.3	54.4	64.2	76.8
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities to banks	4.1	8.5	18.0	13.9	9.8	5.7
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	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	2.3	3.1	2.9	2.9	2.9	2.9
NON-CURRENT LIABILITIES	6.4	11.6	20.8	16.7	12.7	8.6
Short-term liabilities to banks	1.8	1.4	4.9	4.1	4.1	4.1
Accounts payable	4.2	5.0	5.2	5.6	6.3	7.1
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.3	0.8	1.8	1.8	1.8	1.8
Other liabilities (incl. from lease and rental contracts)	6.5	5.8	6.8	6.8	6.8	6.8
Deferred taxes	2.5	2.2	2.0	2.0	2.0	2.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	15.3	15.2	20.6	20.3	20.9	21.8
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	69.4	73.9	89.8	91.5	97.7	107.1

Balance sheet (common size)	2022	2023	2024	2025e	2026e	2027e
Intangible assets	49.0%	47.9%	57.4%	55.8%	52.3%	48.6%
Property, plant and equipment	12.6%	15.7%	11.0%	9.9%	8.8%	7.6%
Financial assets	1.0%	0.9%	0.7%	0.7%	0.7%	0.6%
FIXED ASSETS	62.6%	64.6%	69.1%	66.4%	61.8%	56.9%
Inventories	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%
Accounts receivable	13.4%	12.1%	11.5%	11.4%	11.8%	12.2%
Other assets and short-term financial assets	4.5%	5.4%	4.7%	4.6%	4.3%	3.9%
Liquid assets	19.0%	16.6%	14.5%	17.4%	21.8%	26.8%
Deferred taxes	0.4%	1.1%	0.1%	0.1%	0.1%	0.1%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	37.4%	35.4%	30.9%	33.6%	38.2%	43.1%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	68.9%	63.8%	53.8%	59.5%	65.6%	71.7%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term liabilities to banks	5.8%	11.5%	20.0%	15.2%	10.0%	5.3%
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	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	3.3%	4.2%	3.2%	3.1%	2.9%	2.7%
NON-CURRENT LIABILITIES	9.2%	15.7%	23.2%	18.3%	13.0%	8.0%
Short-term liabilities to banks	2.6%	1.9%	5.4%	4.5%	4.2%	3.8%
Accounts payable	6.1%	6.7%	5.8%	6.1%	6.4%	6.6%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.4%	1.1%	2.0%	1.9%	1.8%	1.6%
Other liabilities (incl. from lease and rental contracts)	9.4%	7.8%	7.6%	7.5%	7.0%	6.4%
Deferred taxes	3.6%	2.9%	2.2%	2.2%	2.0%	1.9%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	22.0%	20.5%	23.0%	22.2%	21.4%	20.3%
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)	2022	2023	2024	2025e	2026e	2027e
Net profit/loss	-15.6	-0.8	0.7	5.1	8.7	11.9
Depreciation of fixed assets (incl. leases)	3.3	3.5	2.8	2.8	2.5	2.4
Amortisation of goodwill & intangible assets	3.4	3.9	5.4	4.3	4.1	3.9
Other costs affecting income / expenses	3.4	0.9	1.7	0.0	0.0	0.0
Cash flow from operating activities	-5.8	4.6	6.9	9.5	8.2	11.1
Increase/decrease in inventory	0.1	-0.0	0.0	-0.0	-0.0	-0.0
Increase/decrease in accounts receivable	2.1	-0.6	-1.4	-0.1	-1.2	-1.6
Increase/decrease in accounts payable	-0.8	0.0	0.2	0.4	0.6	0.8
Increase/decrease in other working capital positions	0.1	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	1.5	-0.6	-1.1	0.4	-0.6	-0.7
Cash flow from operating activities	-3.9	6.8	9.4	12.5	14.8	17.4
CAPEX	8.5	5.9	3.0	4.7	5.3	6.0
Payments for acquisitions	0.0	0.0	9.9	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.1	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-8.4	-5.9	-12.9	-4.7	-5.3	-6.0
Cash flow before financing	-12.3	1.0	-3.5	7.8	9.5	11.4
Increase/decrease in debt position	-2.1	0.0	6.0	-4.9	-4.1	-4.1
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	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	-1.9	-1.8	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.1	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-2.1	-1.9	4.2	-4.9	-4.1	-4.1
Increase/decrease in liquid assets	-14.5	-0.9	0.7	2.9	5.4	7.3
Liquid assets at end of period	13.2	12.3	13.0	15.9	21.3	28.7

Key ratios (EUR m)	2022	2023	2024	2025e	2026e	2027e
P&L growth analysis						
Sales growth	6.5%	1.9%	6.1%	8.6%	11.3%	13.4%
EBITDA growth	161.9%	-229.1%	59.2%	29.3%	32.5%	18.8%
EBIT growth	34.4%	-95.8%	-621.1%	162.2%	72.0%	32.1%
EPS growth	75.6%	-95.0%	-190.1%	617.2%	71.4%	35.9%
Efficiency						
Sales per employee	164.4	170.7	200.1	222.5	240.5	264.8
EBITDA per employee	-10.7	14.1	24.8	32.8	42.3	48.7
No. employees (average)	492	482	436	426	439	452
Balance sheet analysis						
Avg. working capital / sales	-4.6%	2.3%	-4.8%	-3.6%	-3.5%	-2.3%
Inventory turnover (sales/inventory)	928.6	722.3	831.8	831.8	831.8	831.8
Accounts receivable turnover	41.9	39.7	43.1	40.0	40.0	40.0
Accounts payable turnover	19.0	22.0	21.6	21.6	21.6	21.6
Cash flow analysis						
Free cash flow	-12.4	1.0	6.4	7.8	9.5	11.4
Free cash flow/sales	-15.4%	1.2%	7.3%	8.2%	9.0%	9.5%
FCF / net profit	79.5%	neg.	904.1%	152.6%	109.1%	96.2%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-7.4	-2.4	9.8	2.1	-7.4	-18.9
Net Debt/EBITDA	0.0	0.0	0.9	0.1	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	1.8%	4.9%	6.8%	6.4%	7.0%	5.0%
Returns						
ROCE	-19.8%	-0.8%	4.0%	10.1%	17.2%	20.7%
ROE	-32.7%	-1.7%	1.5%	9.4%	13.6%	15.4%
Adjusted FCF yield	-6.7%	3.9%	5.6%	8.2%	8.2%	12.0%
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	-0.94	-0.05	0.04	0.31	0.53	0.72
Average number of shares	16.6	16.6	16.6	16.6	16.6	16.6
Valuation ratios						
P/BV	2.5	2.5	2.4	2.2	1.8	1.5
EV/sales	1.4	1.4	1.5	1.3	1.0	0.8
EV/EBITDA	-20.9	16.9	11.8	8.5	5.9	4.5
EV/EBIT	-9.2	-226.8	48.1	17.2	9.2	6.3

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	28.02.2025	Sennewald, Philipp	Buy	EUR 12.30	EUR 7.05

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