

NFON

Telecoms

21 August 2025

H125 – a reminder that patience is required

Investors viewing NFON purely as a growth story might well be disappointed in its modest Q225 top-line growth, but they would be missing other factors. NFON is still in the final stages of a multi-year turnaround. Furthermore, management is achieving this against a tough cloud private branch exchange background. In this context, NFON's control of costs and protection of cash flow in H125 is impressive, leaving it well-placed to exploit the significant future potential of the German market.

Financials

H125 revenue was up 3.9% to €44.2m, with adjusted EBITDA up 3.4% to €5.7m. The number of seats at the end of June 2025 fell by 1.1% y-o-y to 657,584 following lower levels of new orders, but since June the group has seen increasing momentum in new business. Operating cash flow amounted to €2.5m (H124: €3.7m), leaving NFON with cash and cash equivalents of €10.8m at 30 June. FY25 guidance was reduced given current market conditions, so that revenue growth is now forecast at 3–5% (previously 8–10%). Guidance for adjusted EBITDA is now €12.5–14.0m (previously €13.5–15.5m). It is noteworthy that guidance for medium-term growth is unchanged (double-digit revenue growth at EBITDA margins above 15%).

Strategy

We would characterise management's strategy as improve and grow. Go-to-market initiatives include new modular licensing models that should improve customer acquisition and a new partner programme that prioritises seat growth over seat retention. Product improvements include the integration of AI functionality into its cloud telephony platform, with further functionality due in Q325. Growth is also coming from the group's AI initiatives (the recently acquired Botario grew revenues by 70% in H125, with EBITDA margins of c 30%).

Valuation

NFON's shares have lagged the various German small- and mid-cap indices since the start of the year as tough markets have led to concerns over previous FY25 guidance (now updated). The key to unlocking a higher valuation is undoubtedly a return to higher top-line growth. However, investors should realise that this is just as likely to come from improvements in the core business as from a general improvement in market conditions. In addition, the increasing AI-related contribution from Botario means investor patience is likely to be rewarded over the next few years.

Consensus forecasts

Year end	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)	P/E (x)
12/24	86.6	11.2	1.6	0.05	0.00	10.3	N/A
12/25e	93.5	14.1	4.2	0.21	0.00	8.2	30.7
12/26e	100.8	16.3	6.3	0.29	0.00	7.1	22.2

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

Price €6.45
Market cap €106m

Share price performance



Share details

Code	NFN
Listing	XETRA
Shares in issue	16.6m
Net cash/(debt) at 30 June 2025	€(9.8)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.
- Modest seat growth in organic cloud private branch exchange.

Analysts

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