

NFON

Telecoms

21 May 2026

AI growth in Q126 despite weak markets

We would urge investors to focus on the 10% of NFON's revenues that are currently growing at double digits. Unfortunately, muted demand for the other 90% of revenues is what (understandably) drives the share price. While a re-rating might not be seen in the very short term, investors do have the comfort of a strong cash-generative core business.

Financials

Revenues in Q126 fell 2.3% to €21.6m with the share of recurring revenues steady at 93.8% (Q125: 93.9%). Business telephony remained the principal revenue driver with customer engagement and Intelligent Assistant becoming increasingly important. Installed seats at end Q126 were 641,119 versus 661,349 12 months earlier as new orders fell short of customer losses. Blended average revenue per user (ARPU) in Q126 was broadly flat at €10.04 (Q125: €10.02) with higher value solutions taking a growing share. Adjusted EBITDA for Q126 was €1.8m (Q125: €2.6m) as investment continues into premium solutions and AI-based applications. Operating cash flow remained positive at €1.6m (Q125: €1.8m) despite ongoing investment and net cash and equivalents ended the period at €12.9m (March 2025: €13.6m). Net debt finished the period at €12.3m (March 2025: €1.4m cash). Guidance for the current year is unchanged from the FY25 results, namely that for FY26 NFON expects revenue growth of a low to mid-single-digit percentage (FY25: 2.0%), with adjusted EBITDA slightly above €12m (FY25: €12.6m).

Strategy

Growth was again muted in Q126, but it is important to understand the paradigm shift that NFON is managing through difficult markets. The focus on AI-based Intelligent Assistant (growing at c 10% pa) is requiring the group to have a much deeper understanding of its customers, given the need to integrate NFON's AI solutions into newly defined business processes. This transition from a heavily product-focused value proposition into a more solutions-based one is in itself a major selling challenge. On top of this, the industry's shift from a seat-based to more of a usage-based pricing model also changes the revenue dynamics. Finally, the current muted demand for core business telephony (still c 90% of revenues) masks the growth in the group's newer technologies.

We continue to believe that more attractive market conditions will eventually appear, at which point investors will be able to enjoy the benefits of the work currently being undertaken by management. Expectations are that the revenue run rate will have improved by the end of the current financial year, but that said, the wait for a return to significant growth is proving protracted.

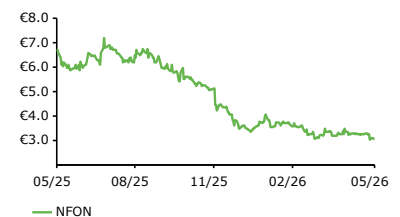
Consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
12/24	87.3	12.3	0.04	0.00	78.5	5.3
12/25	89.1	12.6	0.12	0.00	26.2	5.1
12/26e	90.4	12.0	0.15	0.00	20.9	5.4
12/27e	96.4	13.4	0.23	0.00	13.7	4.8

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

Price €3.14
Market cap €52m

Share price performance



Share details

Code	NFN
Listing	XETRA
Shares in issue	16.6m
Net cash/(debt) at 31 March 2026	€(12.3)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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