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NFON

Telecoms

20 August 2026

Muted H126 masks the new AI paradigm

There are few signs of a recovery in sentiment in NFON's core business telephony market. Management continues to re-align the business, not only in terms of making its AI-enabled solutions more scalable but also in the way that it is simplifying legacy operations and further empowering its partner network. This is in response to a deepening customer relationship and could generate strong future returns. In the meantime, recurring revenues fund the strategic re-alignment.

Financials: A muted first half

Revenues declined in Spain, Poland, France and the UK but grew in Germany, Austria and Italy. H126 revenues fell 3.8% y-o-y to €42.5m, of which recurring revenues fell 3.0% to €40.0m as voice minutes declined. Blended average revenue per user rose 0.2% y-o-y to €9.98, and Intelligent Assistant revenues, though small, were up 40%. EBITDA fell 24.7% to €3.7m (H126 adjusted EBITDA €4.4m, down 22.8%) giving an 8.7% margin. H126 operating cash flow increased to €2.8m (H125: €2.5m) following strong working capital management. June 2026 cash balances were down €4.4m to €8.5m following a €3.7m payment related to the botario acquisition on 11 August.

Strategy: Deepening the customer relationship

AI-based solutions represent more than just a new product set for NFON. It enables the group to provide solutions that are more deeply embedded into customer business functions. This is key if customer adoption of AI-based solutions is to have a positive commercial impact. This new paradigm requires a deeper relationship between NFON and its users and offers an opportunity to build a much more robust long-term relationship. It should also lead in the long term to greater wallet share opportunities beyond customers' telecom budgets and can position the group well for the inevitable future consolidation of the AI solutions market.

Valuation: Mutliple expansion will have to wait

On 13 August management revised its guidance to FY26 revenue of €84.5m to €86.0m (previous guidance implied €93m–€93.5m) and EBITDA of €9.5m to €10.5m (previously €12m). Despite this, the share price is little changed over the last six months, suggesting to us that, as we discussed in our last note, investors expect the fruits of management's labours to start appearing next year rather than in 2026. In the meantime, while there is little in the short term to drive multiples upwards, the group's recurring revenue base should provide the financial cushion required to weather currently depressed customer sentiment.

Consensus estimates

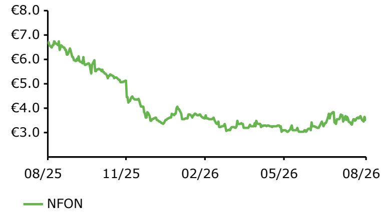
Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
12/24	87.3	12.3	0.04	0.00	89.5	5.8
12/25	89.1	12.6	0.12	0.00	29.8	5.6
12/26e	87.2	10.5	0.09	0.00	39.8	6.8
12/27e	89.8	10.8	0.13	0.00	27.5	6.6

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

Price €3.58

Market cap €59m

Share price performance



Share details

Code	NFN
Listing	XETRA
Shares in issue	16.6m
Net cash/(debt) at 30 June 2026	€(11.7)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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