



## 2019 FY Financial Review

April 10<sup>th</sup> 2020

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# Agenda

- End of year results
- Covid-19 impact

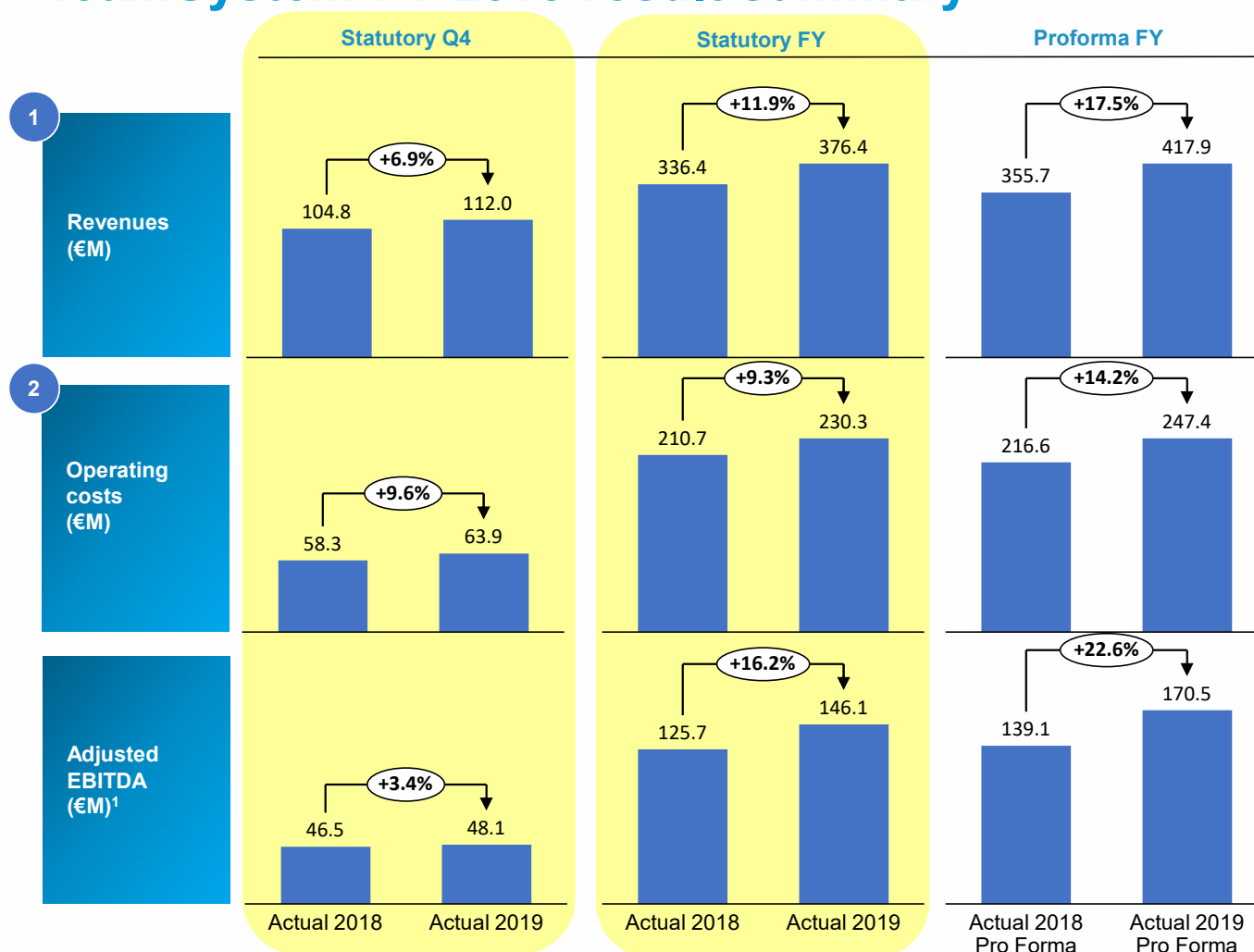
# TeamSystem FY 2019 performance summary

- **Adjusted EBITDA** in 2019 was **€146.1M** on a Statutory basis (up **16.2%** vs. **2018 at €125.7M**). These figures include the effect of IFRS 16 both on 2019 and 2018<sup>1</sup>
- In 2019 **Actual Pro Forma Revenues** reached **€417.9M** and **Adjusted EBITDA €170.5M**. These figures include **new M&A deals signed** (€20.8M Revenues and €3.7M Adjusted EBITDA) and **additional annualized recurring revenues** of cloud products (€ 20.7M) already sold.
- **Revenues** in 2019 reached **€376.4M** on a Statutory basis (up **11.9%** vs. **2018 at €336.4M**).
- **We experienced significant Q4 growth** on a Statutory basis (up **6.9%** vs Q4 2018 at €104.8M) driven by “Cloud SW solution”. We reached over **1.5M customers** (+15.4% vs 2018) reflected also in a **relevant increase in additional annualized recurring revenues** of cloud products (**€20.7M** vs €12.1M in 2018) generated because of the revenue recognition of Cloud subscriptions.
- **2019** (based on Statutory figures) **confirmed the positive impact of the strategy aimed at improving the quality of the business** started in 2015, in particular:
  - **Cloud Software solution** represents now **29.2%** of the total revenues (vs **3.8% in 2015**).
  - **Recurring revenues** reached **77.6%** (vs **69%** in 2015). This result is mainly driven by the strong growth of Cloud solutions and by the **outsourcing of the majority of the hardware and delivery business** in 2018.
  - **Ebitda margin** reached **38.8%** (vs **30,7%** in 2015)
  - **Productivity improved** by **21.1%** vs 2015 reaching **182K revenues/Avg FTE** in 2019
- **Operating costs** in 2019 reached **€230.3M** on a Statutory basis (up **9.3%** vs. **2018 at €210.7M**). These figures includes the effect of IFRS 16 both on 2019 and 2018<sup>3</sup>. The increase in costs was mainly generated by additional cost of services, up by €11.8M, due to Marketing (€1.2M increase vs. 2018), Admin & management consulting (€2.1M increase vs 2018), SW/HW 3parties A&M (€4.6M increase vs 2018) and customer support (€4.2M increase vs 2018). Personnel costs increased by €5.7M due to some hiring initiatives in order to support Revenues growth (i.e. Sales Boost).
- **COVID -19 emergency has not affected Teamsystem’s operational capabilities to serve our customers and deliver all our cloud services** thanks to an immediate switch to smart working for the entire workforce: protecting the health of our employees and community remains our priority. Moreover, Teamsystem has also launched some initiatives in the context of ESG: SMART4ITALY, a suite of digital collaboration solutions, to guarantee SMEs and Professionals business continuity and CASH4ITALY to address the liquidity needs through a fintech platform.
- Additionally, Teamsystem is experiencing **limited impact on overdue** receivables and further proving the **resilience of the business model** (i.e. high level of recurring revenues, highly fragmented customer base, diversified exposure to industry sectors and capability to control cost). Therefore, although the ultimate severity of the COVID-19 outbreak and the duration of the restrictive measures imposed by the competent Italian authorities are uncertain at this time and we cannot predict with certainty the full impact they may have on Italy’s economy and on our customers and operations, at the moment we are not expecting major disruptions on our business.

(1) Adjusted EBITDA not considering impact of IFRS16 - 2019: €139.1M (€7M impact); 2018: €119.4M (€6.3M impact)

(2) Operating costs not considering impact of IFRS16 - 2019: €237.3M (€7M impact); 2018: €217M (€6,3M impact) 4

# TeamSystem FY 2019 result summary

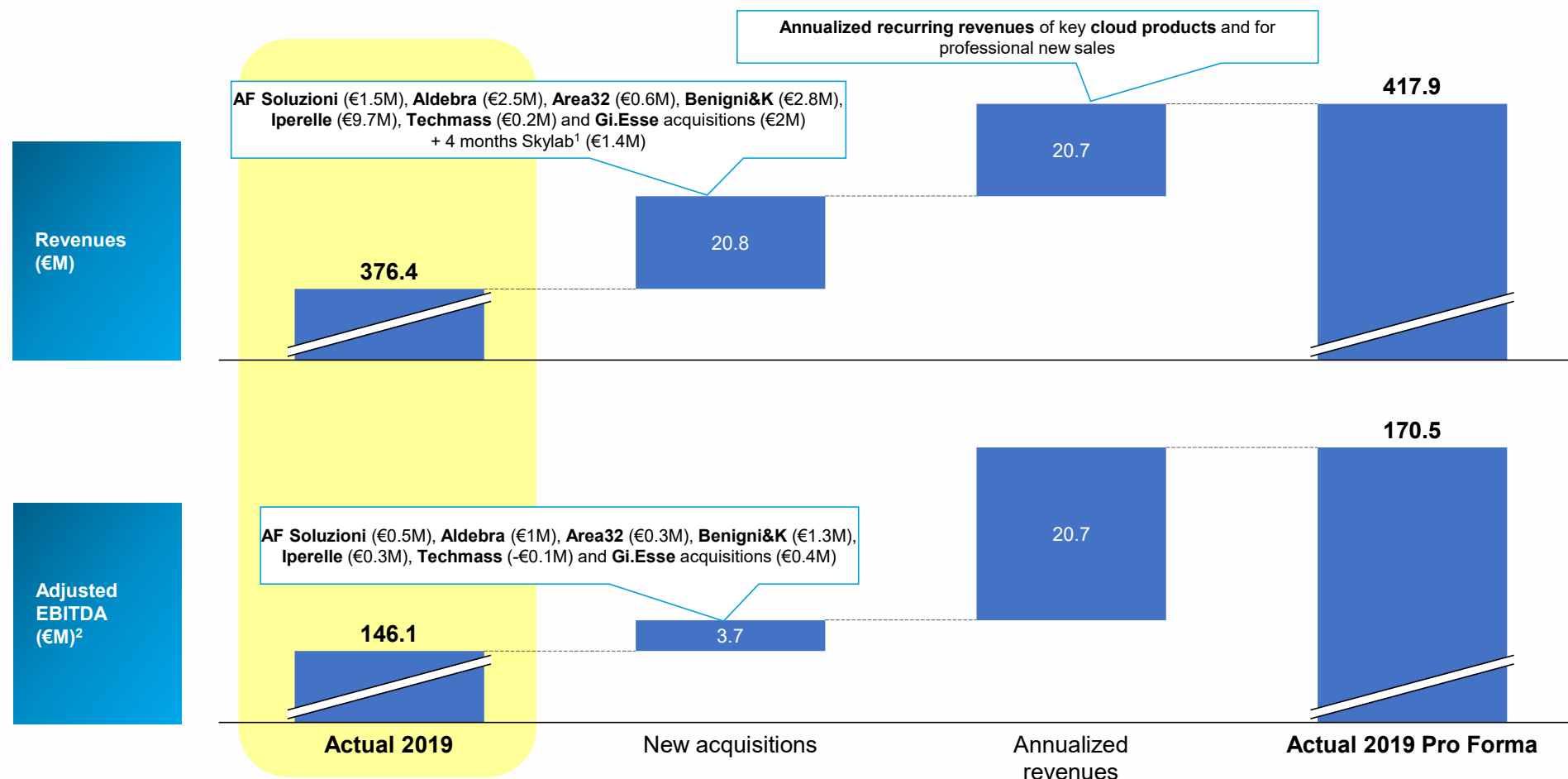


## Comments

- **Significant 2019 Q4 growth** (higher than 2018 Q4 by €7.2M) due to the performance of **Cloud products across all channels (e-invoicing and Main SW Cloud for Ent/Prof)** increased by €3.9M and €3.8M vs Q4 2018, respectively)
- **Strong FY 2019** on Statutory basis (higher than 2018 by €40.1M) driven by the performance of **Cloud products across all channels (e-invoicing and Micro/SMEs and Other Cloud solutions)** increased by €16.6M and € 23.5M vs FY 2018, respectively)
- **Increase in the Personnel cost and cost of services, as expected**, mainly due to marketing increase, outsourcing related costs and cloud infrastructure costs
- **Pro-forma adjustments** include **new M&A signed and annualized recurring revenues** of key cloud products (detailed next)

(1) Adjusted EBITDA includes impact of IFRS16 (in 2019 FY €7M and in 2018 FY €6.3M)

# Bridge between 2019 Actual Revenues and Adj. EBITDA vs. Pro Forma

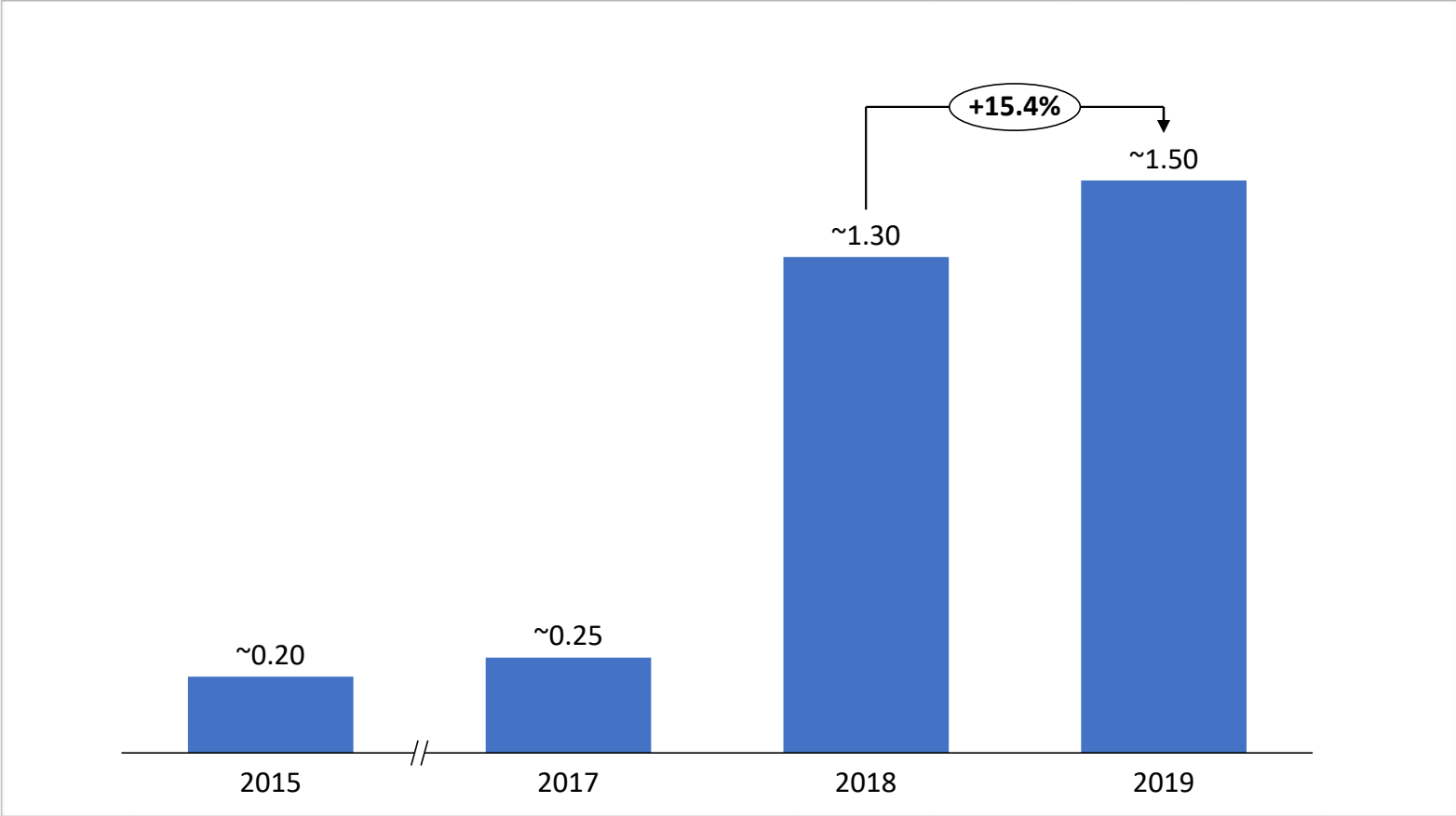


(1) Skylab consolidated in May 2019

(2) Adjusted EBITDA includes impact of IFRS16 for €7M

# TeamSystem FY 2019 customers

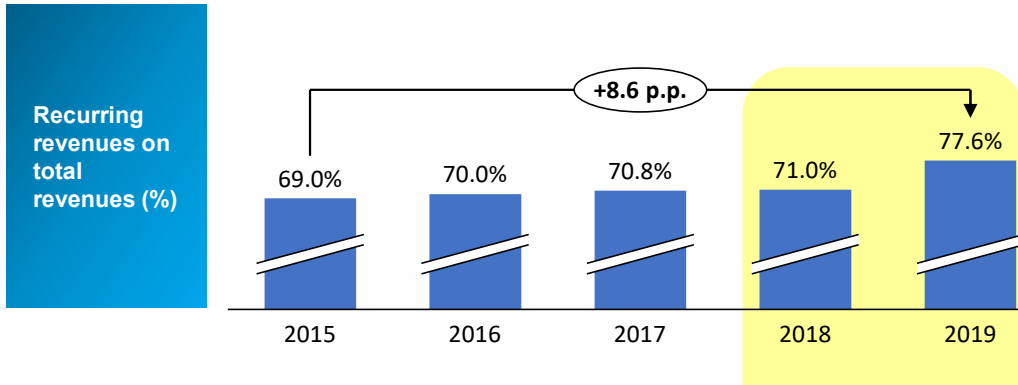
Mln



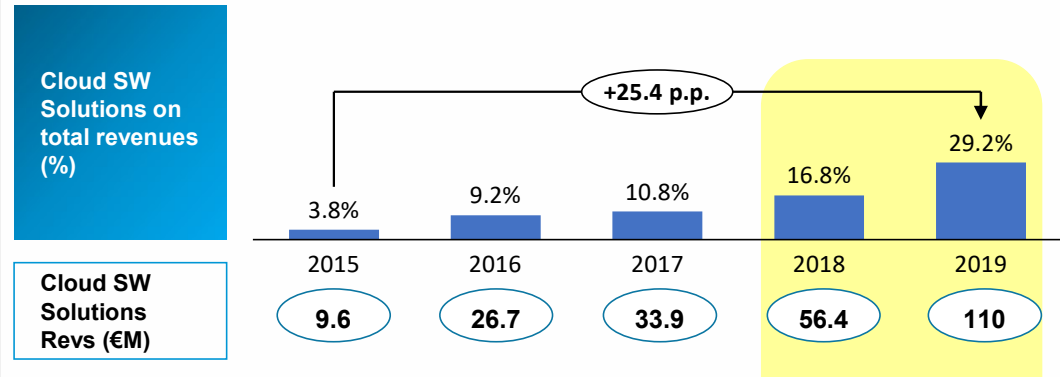
Note: 2018 and 2019 figures include 0.6M and 0.9M of digital customers connected through accountants

# TeamSystem FY 2019 key metrics

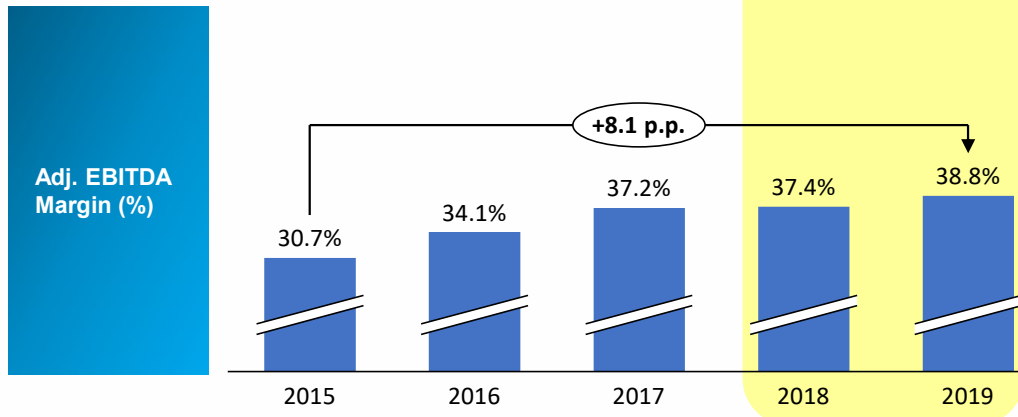
## Recurring Revenues



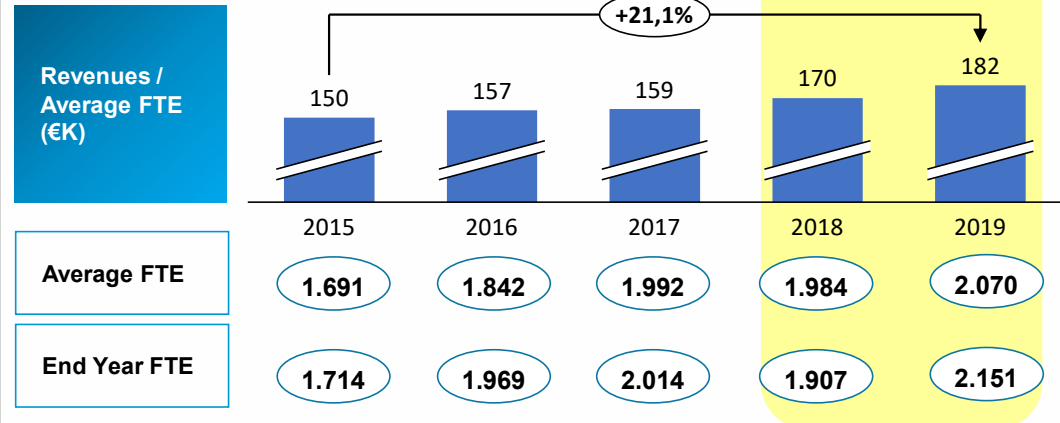
## Cloud Software Solutions Revenues



## EBITDA Margin



## Productivity



Note: 2018 and 2019 Statutory



# Key drivers of TeamSystem FY 2019 statutory Revenues

Euro mln

Euro Millions

	31 Dec 2019	31 Dec 2018	Change	% Change
<b>Direct Channel</b>	<b>117,2</b>	<b>116,8</b>	<b>0,3</b>	<b>0,3%</b>
Recurring	93,7	80,0	13,7	17,1%
Licenses/Prof. Services	23,5	36,8	(13,3)	-36,2%
<b>Indirect Channel</b>	<b>107,1</b>	<b>99,3</b>	<b>7,8</b>	<b>7,8%</b>
Recurring	100,0	92,4	7,6	8,2%
Licenses/Prof. Services	7,1	6,9	0,2	2,7%
<b>Micro and new Business Solutions</b>	<b>50,1</b>	<b>20,4</b>	<b>29,7</b>	<b>145,7%</b>
Recurring	44,4	16,8	27,6	164,6%
Licenses/Prof. Services	5,7	3,6	2,1	58,2%
<b>Vertical Solutions</b>	<b>99,9</b>	<b>95,5</b>	<b>4,4</b>	<b>4,6%</b>
Recurring	52,6	47,3	5,3	11,2%
Licenses/Prof. Services	47,3	48,2	(0,9)	-1,9%
<b>Hardware</b>	<b>2,4</b>	<b>3,6</b>	<b>(1,1)</b>	<b>-31,8%</b>
<b>Others</b>	<b>(0,3)</b>	<b>0,7</b>	<b>(1,0)</b>	<b>-139,0%</b>
<b>TOTAL REVENUE</b>	<b>376,5</b>	<b>336,4</b>	<b>40,1</b>	<b>11,9%</b>

## Direct Channel

- **Strong increase on Recurring Revenues** driven by **e-invoicing** (+€6.2M vs FY 2018) and **Main SW Cloud** (+€11.9M vs FY 2018), partially reduced by on-premises solutions (-€5M vs FY 2018) due to **migrations to Cloud**
- Non recurring Revenues decrease related to licenses (-€3.5M vs FY 2018) and **delivery services outsourcing** (-€9.9M vs FY 2018)

## Indirect Channel

- Increase on Recurring Revenues entirely related to **e-invoicing** (+€8.1M vs FY 2018)

## Micro and New Biz software solutions

- **Strong growth (+145.7%)** driven by the e-invoicing regulation which is acting as a catalyst for **microbusiness** to embrace cloud and for accountants to digitise their interactions with Micro/SMEs
- Strong demand for cloud solutions on core SW for **Professionals** (but picking up also on Enterprise)

## Software Solutions – Vertical solutions

- **Vertical solutions increased by 4.6%** driven by constructions, wellness and hospitality solutions

## Hardware

- Almost completed **outsourcing** of hardware business started in 2018

Note: 2018 and 2019 Statutory

## Key drivers of TeamSystem FY 2019 statutory Costs

Euro thousands				
RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT				
	31 Dec 2019	31 Dec 2018	Change	% Change
<b>TOTAL REVENUE</b>	<b>376.450</b>	<b>336.404</b>	<b>40.046</b>	<b>11,9%</b>
<b>A</b> Cost of raw and other materials	(29.143)	(28.339)	(804)	2,8%
<b>B</b> Cost of services	(87.195)	(75.400)	(11.795)	15,6%
<b>C</b> Personnel costs	(109.705)	(103.997)	(5.708)	5,5%
Other operating costs	(4.277)	(2.988)	(1.290)	43,2%
<b>ADJUSTED EBITDA</b>	<b>146.129</b>	<b>125.681</b>	<b>20.449</b>	<b>16,3%</b>

### A Cost of raw and other materials

- **Cost of raw and other material increased by 2.8%** driven by revenue growth partially compensated by minor costs related to outsourced perimeter

### B Cost of services

- **Cost of services increased by 15.6%**, mainly due to marketing (1,2M increase vs 2018), Admin & management consulting (€2.1M increase), SW/HW 3parties A&M (€4.6M increase) and customer support (€4.2M increase)

### C Personnel costs

- **Personnel costs increased by 5.5%** due to new hires to support the business growth (Sales Boost)

# Net Financial Position FY 2019

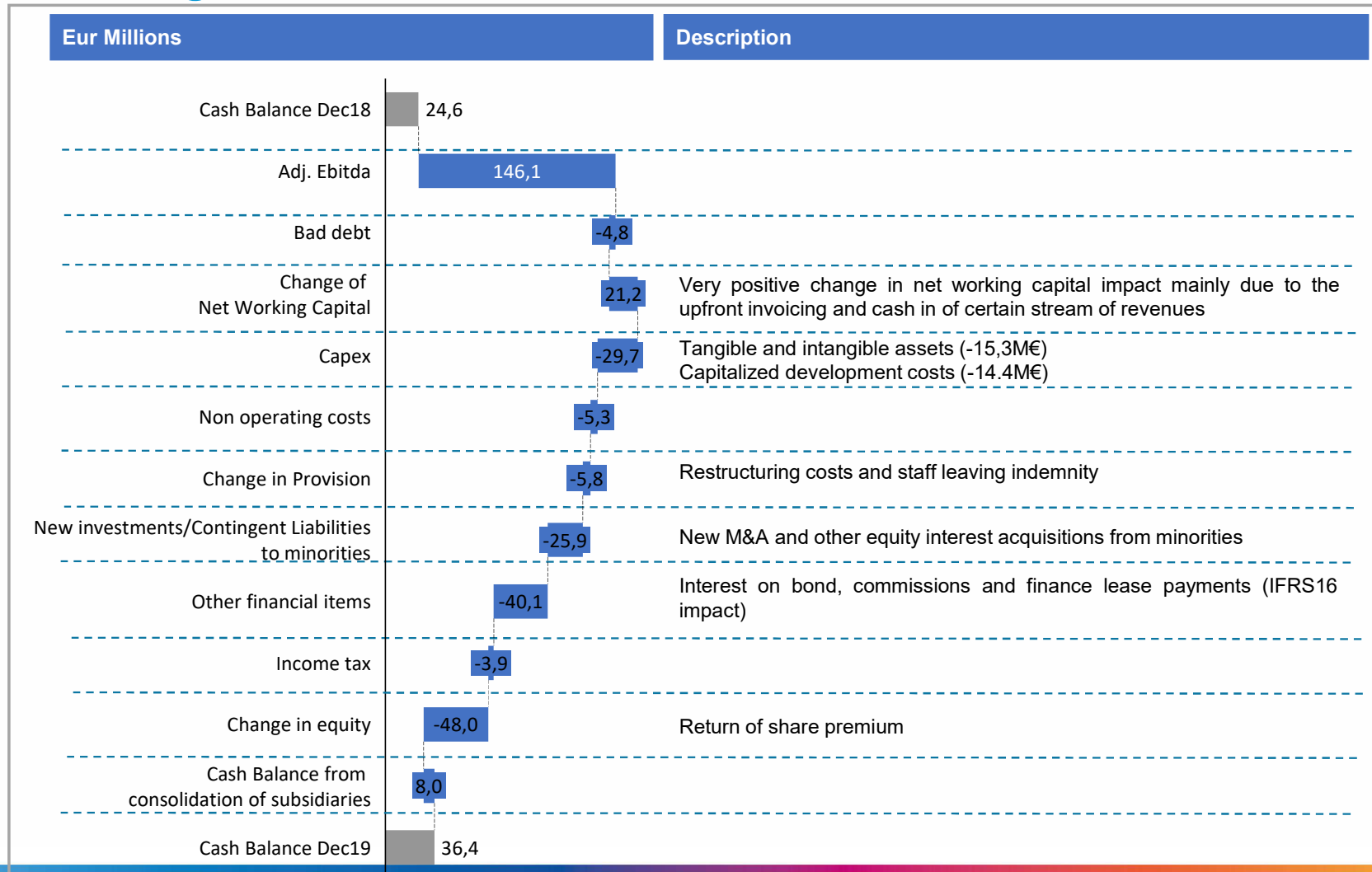
 Detailed next

Maturity	Dec 31, 2019	Dec 31, 2018	Apr 4, 2018 Refinancing
Cash and Bank balances	36.4 M€	24.6 M€	27.4 M€
Cash out net of Cash and Bank balances new Acquisitions (not consolidated)	-8.7M€	-6.8M€	-
Guarantee ancillary facility	-2.9 M€	-2.8 M€	-2.3 M€
SSFRN Notes 2023/2025	-750.0 M€	-750.0 M€	-750.0 M€
<b>Consolidated Senior Secured Net Leverage</b>	<b>-725.2 M€</b>	<b>-735.0 M€</b>	<b>-724.9 M€</b>
Other financial assets	0.1 M€	0.2 M€	0.9 M€
Accrued interests on SSFRN Notes	-1.3 M€	-1.2 M€	-
Other financial liabilities	-0.3 M€	-0.4 M€	-0.4 M€
Other financial liabilities new Acquisitions (not consolidated)	-0.2 M€	--	--
<b>Net Financial Position</b>	<b>-726.9M€</b>	<b>-736.4 M€</b>	<b>-724.4 M€</b>
<b>Leverage ratio</b>	<b>4.45X</b>	<b>5.51X</b>	<b>5.41X</b>
Finance Leases Liabilities (IFRS16 impact)	-24.0M€	-24.3 M€	
<b>Net Financial Position (Including IFRS16 impact)</b>	<b>-750.9 M€</b>	<b>-760.7 M€</b>	
<b>Leverage ratio (Including IFRS16 impact)</b>	<b>4.41X</b>	<b>5.44X</b>	

Note: 2019 Statutory

Note: Cash balance at 31/03/2020 is 121.7 € including 86 € mln of RCF

# Cash Flow Bridge FY 2019



Note: 2019 Statutory

## Agenda

- End of year results
- **Covid-19 impact**

# TeamSystem strengths and actions taken to overcome Covid-19 emergency

- 1 While taking early actions to **protect the health of all out** employees (e.g. smart working), **business continuity** ensured thanks to the **digitalization of our operations**
- 2 **Strong cash position**, significant buffer of liquidity available and **no significant impact on overdue** so far
- 3 **Increase of digitalization needs**, driven by social distancing measures, well **addressed by TeamSystem's offer**
- 4 **Proven resiliency of our business model over the last 10 years**, also throughout various periods of economic crisis and market turbulence
- 5 Wide, growing and **fragmented customer base**, with **low revenues concentration** on top customers
- 6 **High diversified** customer base across industries, **limited exposure** to those **most impacted** by Covid-19
- 7 **High share of recurring revenues**, linked to subscription contracts and A&M fees that are **automatically renewed every year**
- 8 Ability to **quickly adjust cost base** thanks to **immediate definition and launch** of a **cost control plan**