

# 2019 Q3 Financial Review

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# TeamSystem Q3 YTD 2019 results summary

- **Strong business performance and continued deleveraging in Q3 YTD 2019**
  - Adjusted EBITDA up 24.4% yoy in Q3 YTD 2019
  - LTM PF EBITDA grew 22.8% yoy and reached €155.2M in September 2019
  - Leverage down to 4.86x<sup>1</sup> at the end of Q3 2019 driven by the growth of the business and the strong cash generation (Change in Net Working Capital +€27.4M)
- **Growth driven by the continued adoption of Cloud Software solutions**
  - Overall growth is driven by Cloud Software Solution segment which was up 114.3% yoy in Q3 YTD
  - The adoption of Cloud software solutions is growing rapidly in Italy and TeamSystem has a strong offering in this segment. TeamSystem customer number reached 1.5M in September 2019
- **The business continues to transform and to invest in future growth**
  - The reported revenue growth of 14% yoy in Q3 2019 was impacted by (1) migration from on prem to cloud/subscription, (2) most of the new sales (both new logo and upselling/cross selling) are through cloud solutions and (3) outsourcing of professional services done last year
  - TeamSystem's effort in marketing is continuing with new initiatives to sustain the growth of the Cloud Software Solution segment, in customer support to manage a much broader number of customers and cloud infrastructure to serve the new volumes dramatically higher than previous year
  - The business continues to transform. In Q3 YTD we reaped the benefits of the efficiency initiatives implemented last year. Adjusted EBITDA margin reached 37.2% in Q3 YTD 2019 from 34.1% in Q3 YTD 2018

(1) Include IFRS 15 and 16 impact. At the end of Q3 2019 leverage ratio goes to 4.91x excluding those impacts.

# TeamSystem Q3 YTD 2019 results summary

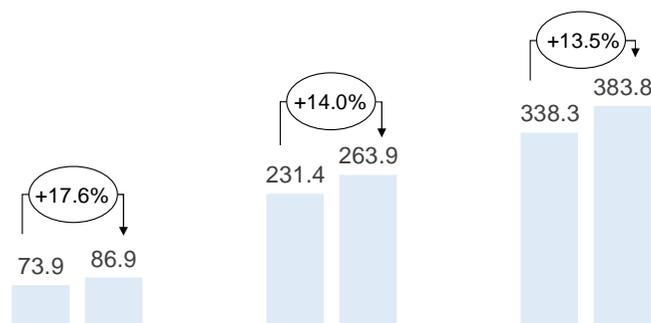
Full Group - m€

## REVENUES

Reported figures

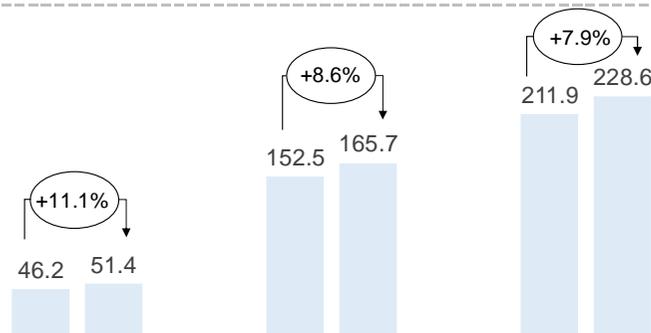
LTM PF EBITDA

Comments



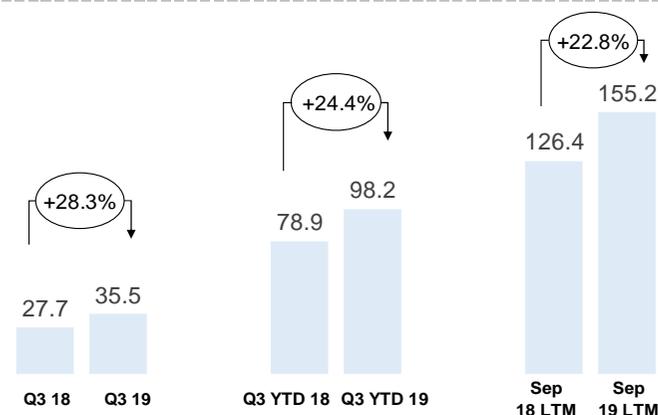
- **Very strong Q3 YTD driven by “Cloud Software solutions”**. After 2 quarters still focused on e-Invoicing, in Q3 the sales focus is back on core software with a much higher demand than in the past for cloud/SaaS solutions also on this product family
- Revenue growth is still affected by the headwinds created by two past initiatives:
  - Continued mix shift towards subscriptions (instead of licences + maintenance)
  - Outsourcing of professional services for enterprise customers

## Operating Costs



- **Costs increase primarily driven by investments in marketing** for the cloud products, customer support on the broader client base and in the **cloud infrastructure** as the business mix shifts towards cloud
- **Personnel costs increased yoy** due to new hires to support the business growth in spite of the efficiency initiatives initiated last year

## Adj EBITDA

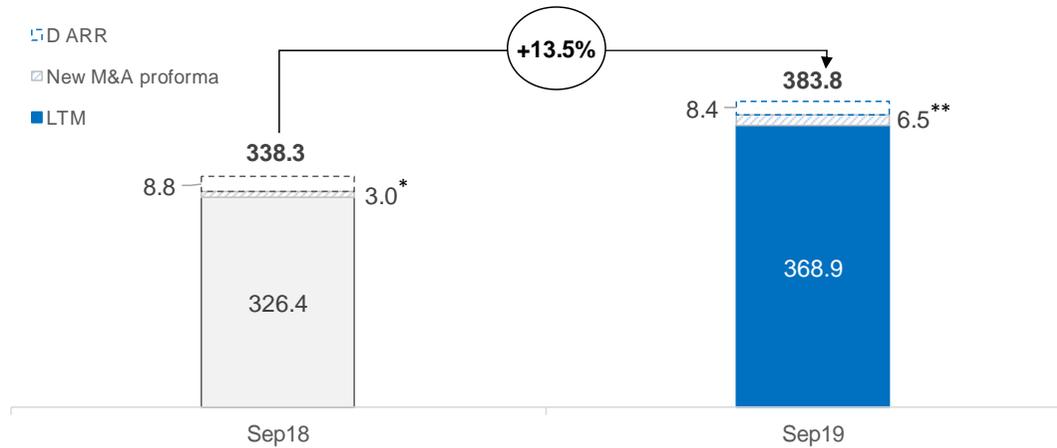


- LTM PF EBITDA is adjusted to factor the full year impact of acquisitions and the annualized recurring revenues of key cloud products
- **2 new acquisitions signed in Q3 YTD 2019** included in the pro-forma adjustments

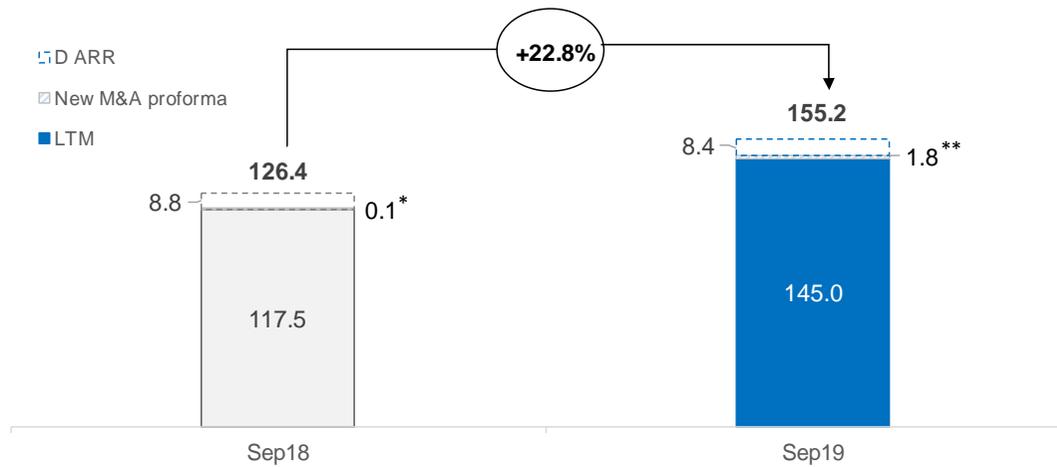
# LTM Revenues and PF EBITDA as of September

Full Group - m€

REVENUES



Adj EBITDA



\* Skylab Italia  
 \*\* Skylab Italia, Gi.Esse and TS 4

# Key drivers of TeamSystem Q3 YTD 2019 reported revenues

M€				
OPERATING SEGMENTS	Sep 2019	Sep 2018	Change	% Change
Assistance and Maintenance	42.6	45.8	-3.3	-7.2%
Licences	8.1	10.3	-2.2	-21.6%
Services and Other	7.9	15.4	-7.5	-48.6%
<b>Direct Channel</b>	<b>58.5</b>	<b>71.5</b>	<b>-13.0</b>	<b>-18.2%</b>
Assistance and Maintenance and Licences	64.7	64.9	-0.2	-0.2%
Services and Other	1.4	1.7	-0.3	-15.4%
<b>Indirect Channel</b>	<b>66.2</b>	<b>66.6</b>	<b>-0.4</b>	<b>-0.6%</b>
<b>ERP AND BUSINESS MANAGEMENT SOFTWARE</b>	<b>124.7</b>	<b>138.1</b>	<b>-13.4</b>	<b>-9.7%</b>
Assistance and Maintenance	25.4	22.3	3.1	13.9%
Licences	13.0	14.5	-1.4	-10.0%
Services and Other	27.9	25.1	2.9	11.5%
<b>Verticals channel</b>	<b>66.4</b>	<b>61.9</b>	<b>4.5</b>	<b>7.3%</b>
<b>SOFTWARE SOLUTION RECONCILIATION</b>	<b>-2.1</b>	<b>-5.1</b>	<b>3.0</b>	<b>-58.3%</b>
<b>SOFTWARE SOLUTIONS</b>	<b>189.0</b>	<b>194.9</b>	<b>-5.9</b>	<b>-3.0%</b>
<b>CLOUD SOFTWARE SOLUTIONS</b>	<b>73.8</b>	<b>34.5</b>	<b>39.4</b>	<b>114.3%</b>
<b>HARDWARE</b>	<b>1.0</b>	<b>2.0</b>	<b>-1.0</b>	<b>-49.8%</b>
<b>TOTAL REVENUE</b>	<b>263.9</b>	<b>231.4</b>	<b>32.5</b>	<b>14.0%</b>

## Software Solutions - ERP and Professionals SW A

- **Reduction of Direct** channel revenues mainly due to 3 factors:
  - Enterprise professional services outsourcing
  - Switch from on premises SW to Cloud SW solution of professionals
  - New sales quasi only on cloud
- Slight **decrease of indirect channel** non cloud sales

## Software Solutions – Vertical solutions B

- **Vertical solutions increased by 7.3% driven by A&M**

## Cloud software solutions C

- **Strong growth (+114.3%)** partially accelerated by the electronic invoicing regulation which is acting as a catalyst for **microbusiness** to embrace cloud and for accountants to digitise their interactions with SMEs
- Strong demand for cloud solutions on core SW for professionals (but picking up also on Enterprise)

## Hardware D

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

# Key drivers of TeamSystem Q3 YTD 2019 reported costs

M€				
RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT	YTD 30 Sep 2019	YTD 30 Sep 2018	Change	% Change
<b>TOTAL REVENUE</b>	<b>263.9</b>	<b>231.4</b>	<b>32.5</b>	<b>14.0%</b>
<b>A</b> Cost of raw and other materials	-19.7	-19.0	-0.7	3.8%
<b>B</b> Cost of services	-62.0	-52.8	-9.2	17.4%
<b>C</b> Personnel costs	-79.6	-78.1	-1.6	2.0%
Other operating costs	-4.3	-2.7	-1.7	62.9%
<b>ADJUSTED EBITDA</b>	<b>98.2</b>	<b>78.9</b>	<b>19.3</b>	<b>24.5%</b>

## **A** Cost of raw and other materials

- **Cost of raw and other material increased by 3.8%** driven by revenue growth partially compensated by minor costs related to outsourced perimeter

## **B** Cost of services

- **Cost of services increased by 17.4%**, mainly due to marketing (2.0M increase vs 2018), investment on NPS and eNPS improvement and cloud infrastructure costs

## **C** Personnel costs

- **Personnel costs increased by 2.0%** due to new hires to support the business growth and discretionary salary increase partially offset by efficiency initiatives launched in 2018

# Net financial Position – Q3 2019

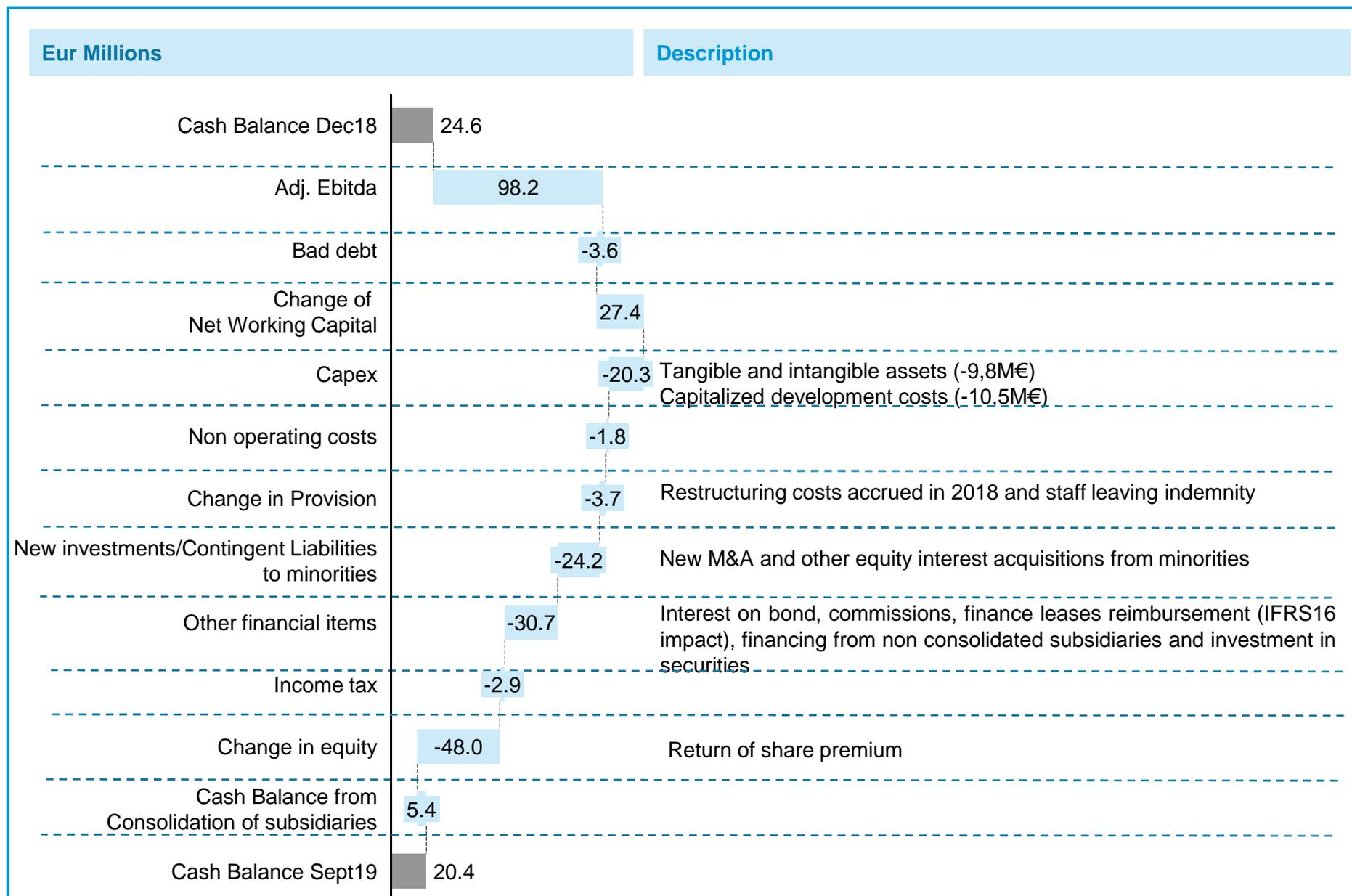
 Detailed next

<b>Eur Millions</b>	<b>Maturity</b>	<b>Sept 30, 2019</b>	<b>Dec 31, 2018</b>	<b>Sept 30, 2018</b>
Cash and Bank balances		20.4 M€	24.6 M€	15.3 M€ <sup>1</sup>
Cash and Bank balances new Acquisitions (not consolidated)		2.3 M€		
Guarantee ancillary facility		-2.9 M€	-2.8 M€	-2.7 M€
SSFRN Notes	2023/2025	-750.0 M€	-750.0 M€	-750.0 M€
<b>Consolidated Senior Secured Net Leverage</b>		<b>-730.2 M€</b>	<b>-728.2 M€</b>	<b>-737.4 M€</b>
Other financial assets		0.2 M€	0.2 M€	0.3 M€
Accrued interests on SSFRN Notes		-1.2 M€	-1.2 M€	-1.3 M€
Other financial liabilities		-0.4 M€	-0.4 M€	-0.5 M€
<b>Net Financial Position</b>		<b>-731.6 M€</b>	<b>-729.6 M€</b>	<b>-738.9 M€</b>
<b>Leverage ratio</b>		<b>4.91X</b>	<b>5.46X</b>	<b>5.60X<sup>2</sup></b>
Finance Leases Liabilities (IFRS16 impact)		-22.1 M€	-24.3 M€	
<b>Net Financial Position (Including IFRS16 impact)</b>		<b>-753.7 M€</b>	<b>-753.9 M€</b>	
<b>Leverage ratio (Including IFRS16 impact)</b>		<b>4.86X</b>	<b>5.39X</b>	

(1) Cash Balance Sept 18: equal to 23.5 M€ after +8.2M€ of WE Effect Riba Normalization (NFP -730.7 M€ after normalization)

(2) Leverage ratio Sept 18: including 8.2 M€ additional cash balance due to Riba WE Effect. Excl. Riba normalization is equal to 5.66X.

# Cash flow Bridge – Q3 2019



# Q&A