



1st August 2019

# 2019 H1 Financial Review

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# TeamSystem H1 2019 results summary

- **Strong business performance and continued deleveraging in H1 2019**
  - Adjusted EBITDA up 22,3% yoy in H1 2019
  - LTM PF EBITDA grew 25.9% yoy and reached €154,2M in June 2019
  - Leverage down to 4,60x<sup>1</sup> at the end of H1 2019 driven by the growth of the business and the strong cash generation (Change in Net Working Capital +€33,0M<sup>2</sup>)
  
- **Growth driven by the continued adoption of Cloud Software solutions**
  - Overall growth is driven by Cloud Software Solution segment which was up 121% yoy in H1
  - The adoption of Cloud software solutions is growing rapidly in Italy and TeamSystem has a strong offering in this segment. TeamSystem customer number reached 1,4M in June 2019
  
- **The business continues to transform and to invest in future growth**
  - The reported revenue growth of 12,4% yoy in H1 2019 was impacted by the continued shift to subscription and the outsourcing of professional services
  - TeamSystem accelerated its investments in marketing and cloud infrastructure to sustain the growth of the Cloud Software Solution segment
  - The business continues to transform. In H1 we reaped the benefits of the efficiency initiatives implemented last year with personnel costs down yoy. Adjusted EBITDA margin reached 35% in H1 2019 from 32% in H2 2018

(1) Include IFRS 15 and 16 impact. At the end of H1 2019 leverage ratio goes to 4,64x excluding those impacts. Both ratios include Riba normalization due to week end effect

(2) Including Riba normalization due to week end effect

# TeamSystem H1 2019 results summary

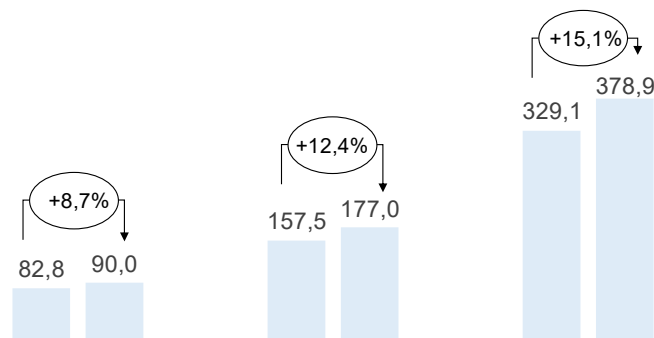
Full Group - m€

REVENUES

Reported figures

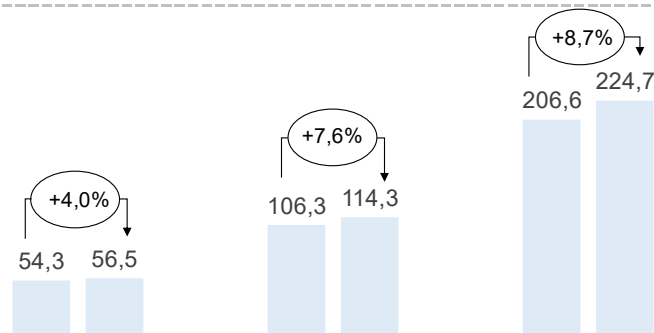
LTM PF EBITDA

Comments



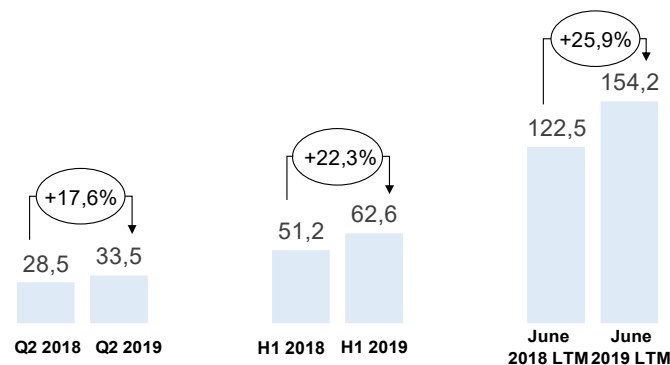
- **Very strong first half driven by “Cloud Software solutions”**. The electronic invoicing regulation is acting as a catalyst for the adoption of cloud solutions and the digitisation of processes by accountants and SMEs
- Strong reported revenue growth in spite of the headwinds created by two initiatives in H1 2019 :
  - 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 and in the **cloud infrastructure** as the business mix shifts towards cloud
- **Personnel costs decreased yoy** thanks to the efficiency initiatives initiated last year

Adj EBITDA

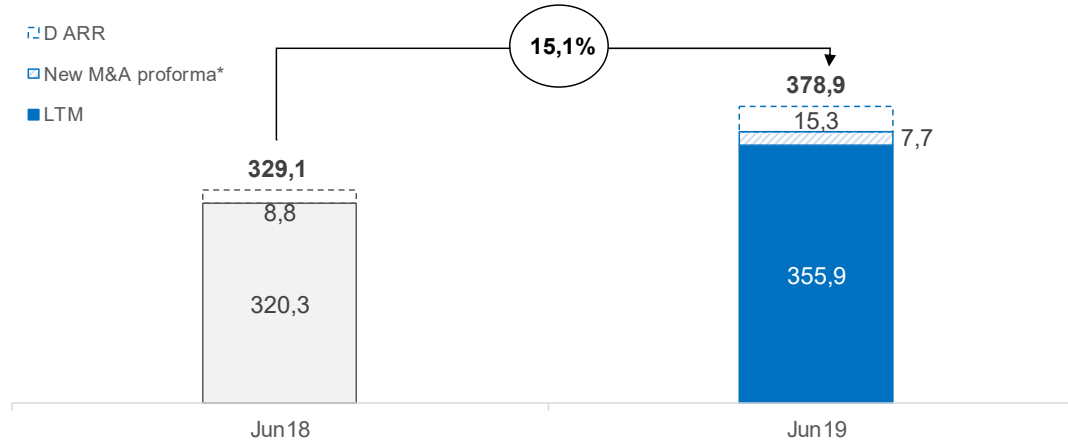


- LTM PF EBITDA is adjusted to factor the full year impact of acquisitions and the annualized recurring revenues of key cloud products
- **2 new acquisitions signed in H1 2019**

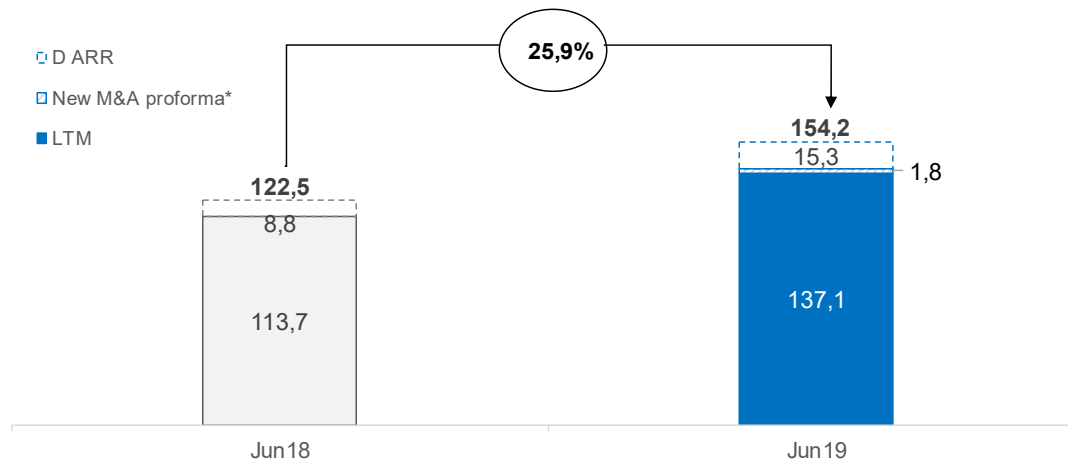
# LTM Revenues and PF EBITDA as of June

Full Group - m€

REVENUES



Adj EBITDA



\* Skylab Italia and Gi.Esse

# Key drivers of TeamSystem H1 2019 reported revenues

m€				
OPERATING SEGMENTS	Jun19	Jun18	Change	% Change
Assistance and Maintenance	28,2	30,7	-2,5	-8,1%
Licences	5,2	7,5	-2,3	-30,5%
Services and Other	6,1	10,9	-4,8	-44,3%
<b>Direct Channel</b>	<b>39,5</b>	<b>49,0</b>	<b>-9,6</b>	<b>-19,5%</b>
Assistance and Maintenance and Licences	43,7	43,9	-0,2	-0,5%
Services and Other	0,9	0,9	0,0	3,7%
<b>Indirect Channel</b>	<b>44,6</b>	<b>44,7</b>	<b>-0,2</b>	<b>-0,4%</b>
<b>A ERP AND BUSINESS MANAGEMENT SOFTWARE</b>	<b>84,0</b>	<b>93,8</b>	<b>-9,8</b>	<b>-10,4%</b>
Assistance and Maintenance	16,7	14,6	2,1	14,2%
Licences	9,1	10,1	-1,0	-10,4%
Services and Other	18,6	17,3	1,4	8,0%
<b>B Verticals channel</b>	<b>44,4</b>	<b>42,0</b>	<b>2,4</b>	<b>5,8%</b>
<b>SOFTWARE SOLUTION RECONCILIATION</b>	<b>-1,0</b>	<b>-1,8</b>	<b>0,8</b>	<b>-46,6%</b>
<b>SOFTWARE SOLUTIONS</b>	<b>127,5</b>	<b>134,0</b>	<b>-6,5</b>	<b>-4,9%</b>
<b>C CLOUD SOFTWARE SOLUTIONS</b>	<b>48,8</b>	<b>22,1</b>	<b>26,7</b>	<b>120,6%</b>
<b>D HARDWARE</b>	<b>0,7</b>	<b>1,4</b>	<b>-0,7</b>	<b>-49,4%</b>
<b>TOTAL REVENUE</b>	<b>177,0</b>	<b>157,5</b>	<b>19,5</b>	<b>12,4%</b>

## Software Solutions - ERP and Professionals SW **A**

- **Reduction of Direct** channel revenues mainly due to 2 factors:
  - Enterprise professional services outsourcing
  - Switch from on premises SW to Cloud SW solution of professionals
- Slight **decrease** of **indirect channel** non cloud sales

## Software Solutions – Vertical solutions **B**

- **Vertical solutions** increased by **5,8%** driven by **A&M**

## Cloud software solutions **C**

- **Strong growth** (+120,6%) 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

## Hardware **D**

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

# Key drivers of TeamSystem H1 2019 reported costs

k €					
RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT		YTD 30 Jun 2019	YTD 30 Jun 2018	Change	% Change
A	Cost of raw and other materials	-13,4	-13,0	-0,5	3,5%
B	Cost of services	-43,5	-36,1	-7,4	20,6%
C	Personnel costs	-54,6	-55,3	0,7	-1,3%
	Other operating costs	-2,7	-1,9	-0,9	46,1%
<b>Total operating costs</b>		<b>-114,3</b>	<b>-106,3</b>	<b>-8,0</b>	<b>7,6%</b>

## A Cost of raw and other materials

- **Cost of raw and other material increased by 3,5%** driven by revenue growth partially compensated by minor costs related to outsourced perimeter

## B Cost of services

- **Cost of services increased by 20,6%**, mainly due to marketing (2,0M increase vs 2018) and cloud infrastructure costs

## C Personnel costs

- **Personnel costs decrease by 1,3%** benefiting from efficiency initiatives implemented last year

# Net financial Position – H1 2019

 Detailed next

Eur Millions	Maturity	June 30, 2019	Dec. 31, 2018	June 30, 2018
Cash and Bank balances		48,5 M€ <sup>1</sup>	24,6 M€	17,4 M€ <sup>3</sup>
Cash and Bank balances new Acquisitions (not consolidated)		7,9 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>-696,5 M€</b>	<b>-728,2 M€</b>	<b>-735,3 M€</b>
Other financial assets		0,2 M€	0,2 M€	0,9 M€
Accrued interests on SSFRN Notes		-1,2 M€	-1,2 M€	-1,3 M€
Other financial liabilities		-0,4 M€	-0,4 M€	-0,8 M€
<b>Net Financial Position</b>		<b>-697,9M€</b>	<b>-729,6 M€</b>	<b>-736,5 M€</b>
<b>Leverage ratio</b>		<b>4,64X<sup>2</sup></b>	<b>5,46X</b>	<b>5,53X<sup>4</sup></b>
Finance Leases Liabilities (IFRS16 impact)		-21,6 M€	-24,3 M€	
<b>Net Financial Position (Including IFRS16 impact)</b>		<b>-719,5 M€</b>	<b>-753,9 M€</b>	
<b>Leverage ratio (Including IFRS16 impact)</b>		<b>4,60X<sup>2</sup></b>	<b>5,39X</b>	

(1) Cash Balance June 19: equal to 58,2 M€ after +9,7M€ of WE Effect Riba Normalization (NFP -688,2 M€ after normalization; -709,8 M€ after IFRS16 impact)

(2) Leverage ratio June 19: including 9,7 M€ additional cash balance due to Riba WE Effect. Excl. Riba normalization is equal to 4,70X pre IFRS (4,67X after IFRS16 impact)

(3) Cash Balance June 18: equal to 26,7 M€ after +9,3M€ of WE Effect Riba Normalization (NFP -727,2 M€ after normalization)

(4) Leverage ratio June 18: including 9,3 M€ additional cash balance due to Riba WE Effect. Excl. Riba normalization is equal to 5,60X.



# Cash flow Bridge – H1 2019

Eur Millions	Description	
Cash Balance Dec18	24,6	
Adj. Ebitda	62,6	
Bad debt	-2,4	
Change of Net Working Capital	23,3	+33,0M€ considering end Jun'19 week-end effect.
Capex	-13,9	Tangible and intangible assets (-6,9M€) Capitalized development costs (-7,0M€)
Non operating costs	-1,1	
Change in Provision	-3,0	Restructuring costs accrued in 2018 and staff leaving indemnity
New investments/Contingent Liabilities to minorities	-19,6	New M&A and other equity interest acquisitions from minorities
Other financial items	-21,7	Interest on bond, commissions, finance leases reimbursement (IFRS16 impact), financing from non consolidated subsidiaries and investment in securities
Income tax	-0,3	
Cash Balance Jun19	48,5	58,2M€ considering end Jun'19 week-end effect: as Jun'19 ended on a week-end, bank orders due end June 2019 were shifted to Jul'19 (9,7M €).

# Q&A