TeamSystem

12th March 2019

2018 FY Financial Review

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TeamSystem FY 2018 performance summary

- **Adjusted EBITDA** in 2018 reached **€125.7M** on a reported basis (up **6.9%** vs. **2017 at €117.5M**). These figures includes the effect of IFRS 16 both on 2018 and 2017[1]
- **Actual Pro Forma revenues** reached in 2018 **€356.1M** and **Adjusted EBITDA €139.8M**[2]. These figures includes **two new M&A deals signed** and **additional annualized recurring revenues** of cloud products

- **Revenues** in **2018** reached **€336.4M** on a reported basis (up **6.5%** vs. **2017 at €316.0M**). On a normalized basis revenue growth has been **7.7%.** The normalization adjustment reflects the move from a "Licence + Maintenance" model to a "Subscription" model for the new professional direct customers in "Software solutions" segment in 2018. We expect strong economic benefits from this switch over the next 24 months, but the change in revenue model and the revenue recognition of subscriptions (vs. upfront recognition for licenses) impacts reported revenue in 2018
- **We experienced strong Q4** (**10,4%** revenue growth, **16.8%** Adj EBITDA growth vs Q4 2017) also supported by the mandatory B2B e-invoicing regulation in Italy. We reached over **1,3M customers** (5x than 2017 customers) reflected also in a **relevant increase in additional annualized recurring revenues** of cloud products (**€12.1M** vs **€8.8M** in Q3 2017 and €4.9M in 2017) generated because of the revenue recognition of cloud subscriptions. This impact has not been included in the normalization, but taken into consideration in the Pro Forma through the Annualized Revenues
- **2018 confirmed the trend of improving the quality of the business** started in 2015, in particular:
  - **Cloud Software solution** represents now **18,3%** of the total revenues (was **3.8% in 2015**). Considering actual 2018 Pro Forma we reach **22.1%**
  - **Recurring revenues** reached **73**% vs. **69%** in 2015 (**75%** considering actual 2018 Pro Forma). This result is mainly driven by the strong growth of cloud solutions and the **outsourcing of the majority of hardware business** and the **delivery services for direct enterprise customers** in "Software solutions". (i.e. revenues from hardware were down **€2.5M**, revenue from service were down **€3M**). These impacts have not been included in the normalization
  - **Ebitda margin** reached in 2018 **37,4%** vs **30,7**% in 2015 (**39,3%** considering actual 2018 Pro Forma)
  - **Productivity improved** by **15,1%** reaching **173K revenues / FTE** in 2018 vs **150K** in 2017

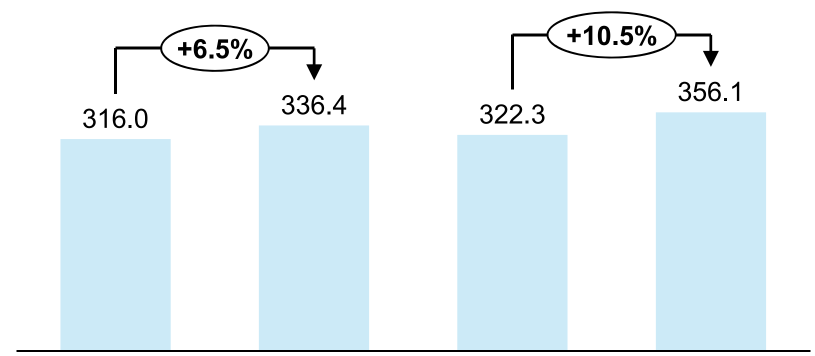
- **Operating costs** in **2018** reached **€210.7M** on a reported basis (up **6.2%** vs. **2017 at €198.4M**). These figures includes the effect of IFRS 16 both on 2018 and 2017[3]. The increase in costs was mainly generated by additional cost of services, up by €14.6M, due to marketing (€4.1M increase vs. 2017), outsourcing related costs (that will go down in 2019 since the outsourcing is now complete) and cloud infrastructure costs. Personnel costs are down by €2.2M due to the efficiency initiatives launched in 2018 (that will have full effect in 2019)

(1) Adjusted EBITDA not considering impact of IFRS16 - 2017: €113,0M (€4,5M impact); 2018: €119,5M (€6,2M impact);
(2) Actual 2018 pro-forma not considering impact of IFRS16: €133.6M (€6,2M impact)
(3) Operating costs not considering impact of IFRS16 - 2017: €202,9M (€4,5M impact); 2018: €216.9M (€6,2M impact);

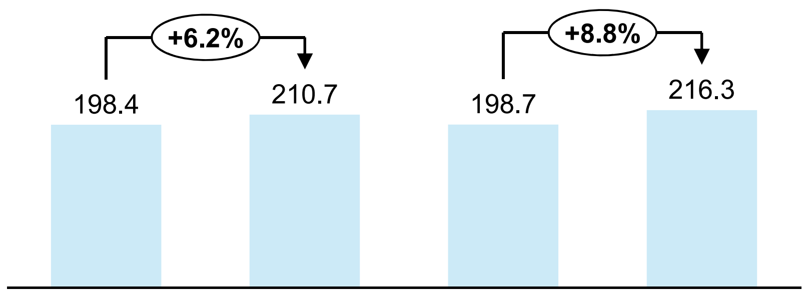
TeamSystem FY 2018 results summary

Reported figures

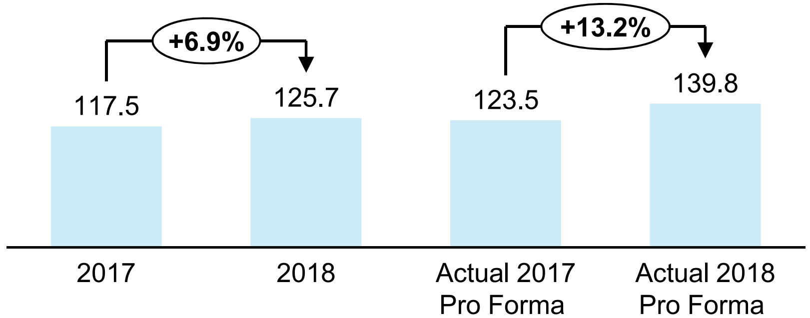
1 **Revenues (€M)**



2 **Operating costs (€M)**



Adjusted EBITDA (€M)[1]



Comments

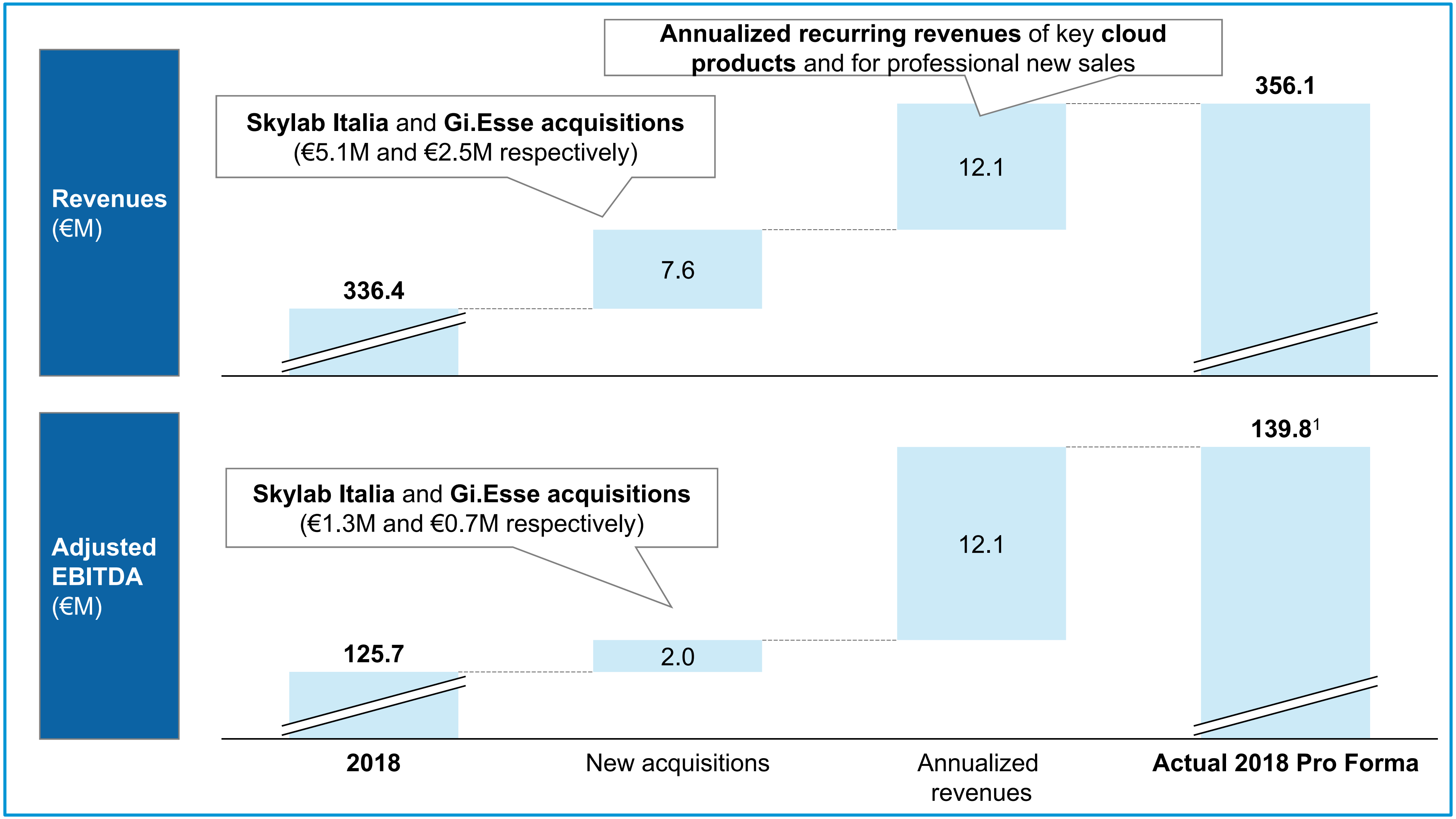
- **Overall growth pushed** by the performance of **"Cloud Software solutions"**
- **Two initiatives** negatively impacted 2018 revenue growth but brought several positive effects (e.g. EBITDA, recurring revenues)
  - **Outsourcing of professional service** for enterprise customers and **Hardware**
  - **New sales to Professionals done through subscription** and no more Licence + Maintenance (*adjusted in the normalization and detailed next*)
- **Strong growth in annualized recurring revenues** (€12.1M vs €8.8M in Q3 2017 and €4.9M in 2017)

- **Decreasing** "Cost of raw and other materials" and "Personnel costs"
- **Increase in the cost of services, as expected**, mainly due to marketing increase, outsourcing related costs and cloud infrastructure costs

- **Pro-forma adjustments** includes **new M&A signed** and **annualized recurring revenues** of key **cloud products** (*detailed next*)
- In 2017 M&A completed accounted for €1.1M in Actual 2017 pro-forma and in 2018 for €2M EBITDA in Actual 2018 pro-forma

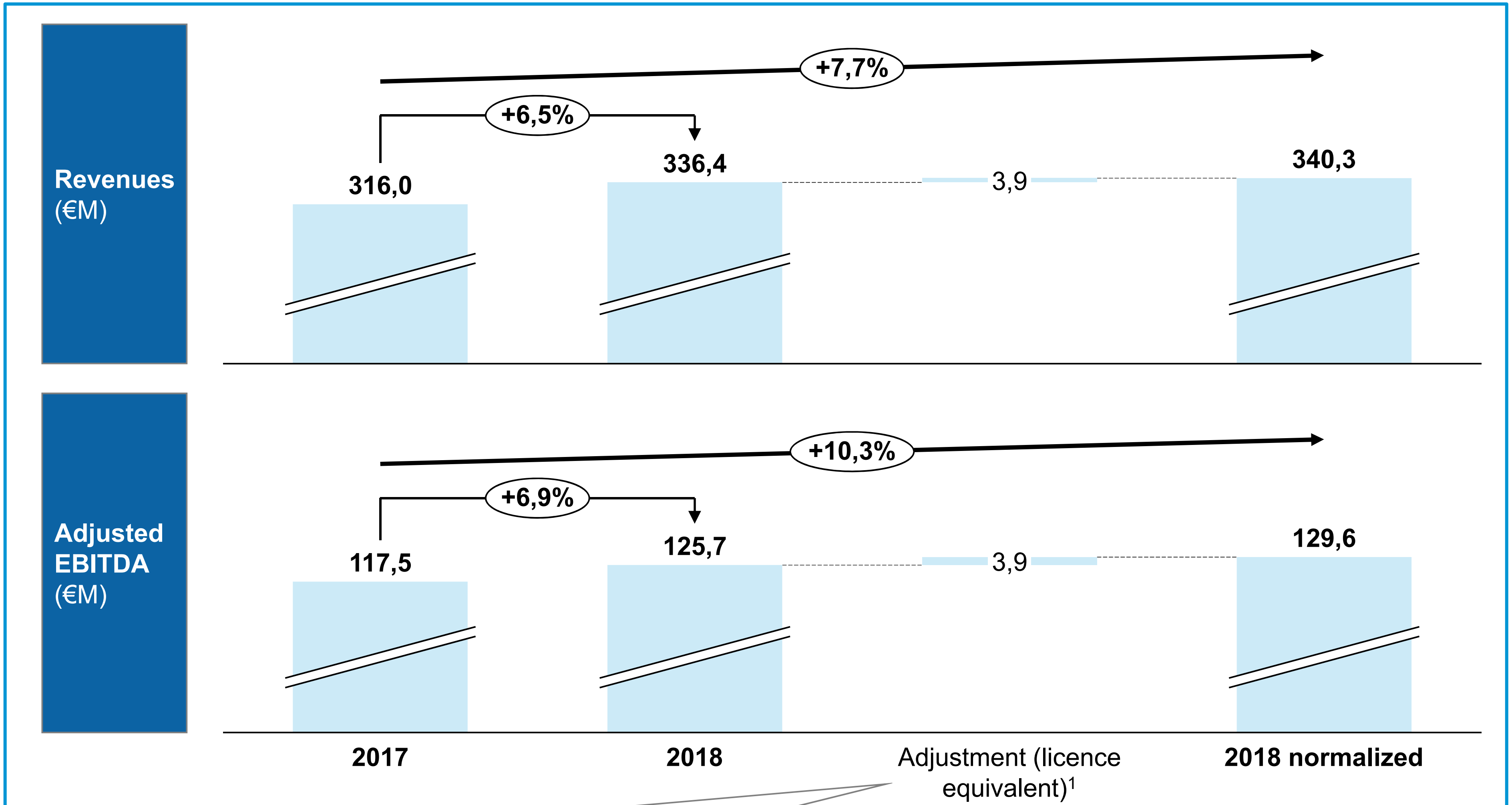
(1) Adjusted EBITDA not considering impact of IFRS16 - 2017: €113,0M (€4,5M impact); 2018: €119,5M (€6,2M impact); Actual 2018 pro-forma: €133.6M (€6,2M impact)

Bridge between Revenues and adj. EBITDA 2018 vs. actual 2018 Pro Forma



(1) Pro Forma LTM Adj EBITDA not considering impact of IFRS16 €133.6M

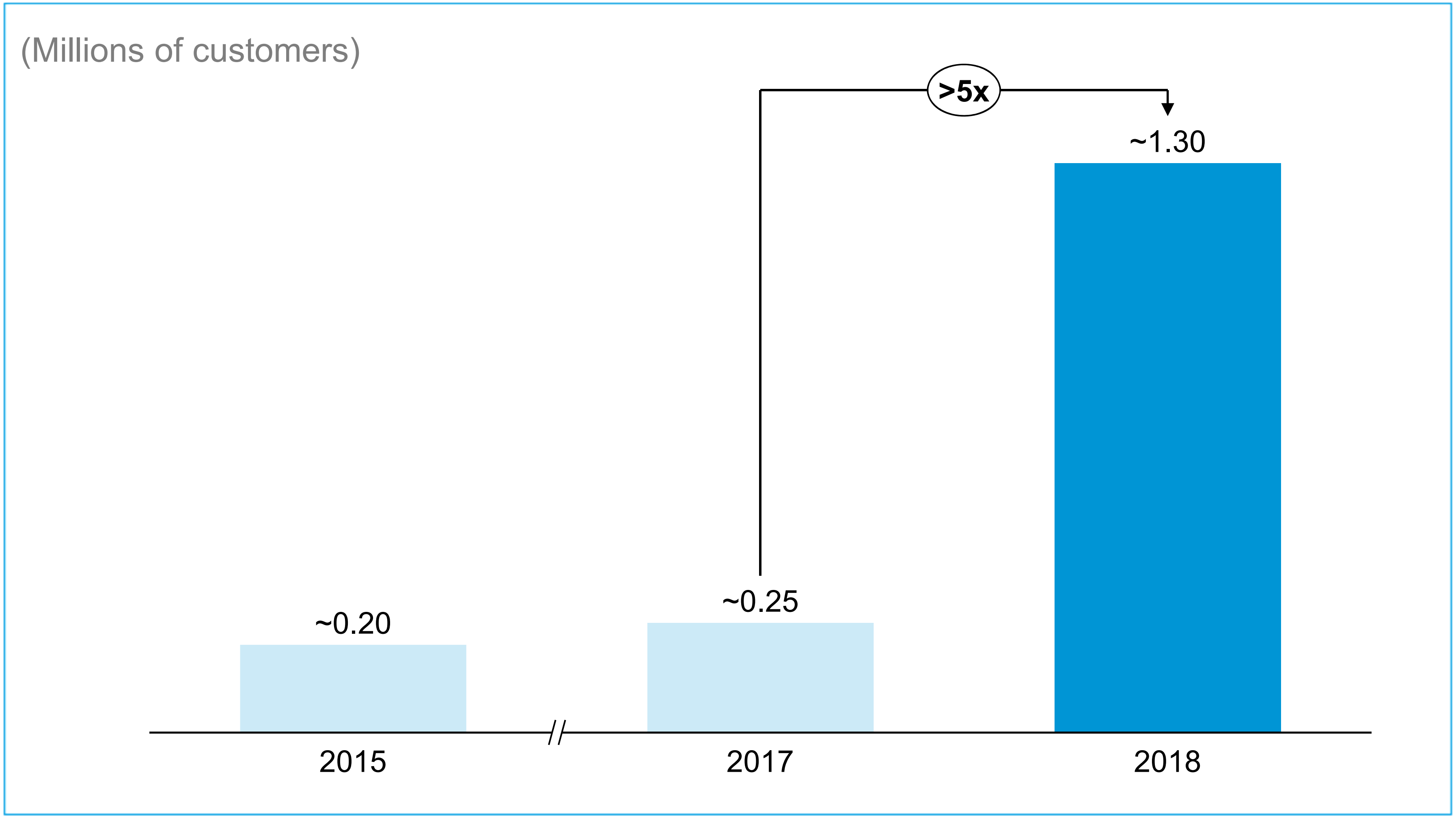
Bridge between Revenues and Adj. EBITDA 2018 vs 2018 normalized



Consider the effect of **new sales to Professionals done through subscription. Doesn't include** any adjustment on **outsourcing**

(1) Corresponding incremental 2018 revenues if TeamSystem had sold license instead of subscription in the new sales to professionals customers. Includes the costumers in TeamSystem S.p.a, DaneaSoft S.p.a., and Teamsystem C&D s.r.l legal entities

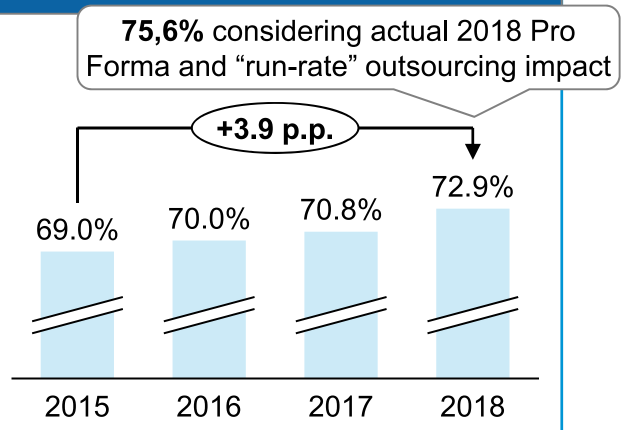
TeamSystem FY 2018 customers



TeamSystem FY 2018 key metrics

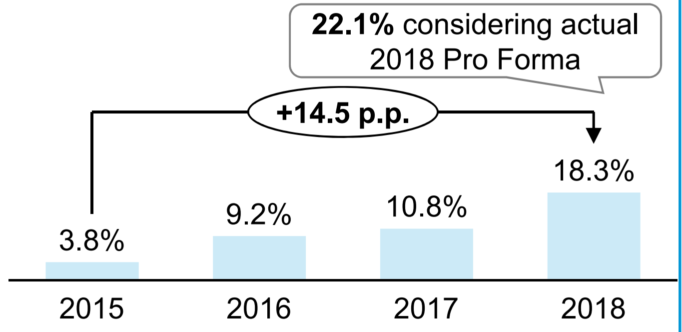
Recurring Revenues

Recurring revenues on total revenues (%)



Cloud Software Solutions revenues

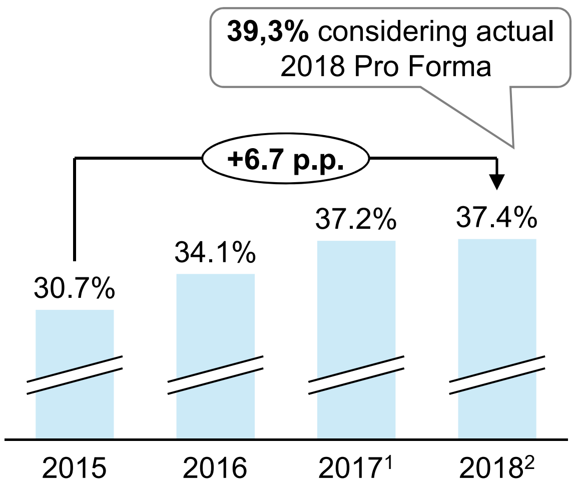
Cloud SW Solutions on total revenues (%)



Cloud SW Solutions rev. (€M)	9.6	26.7	33.9	61.6

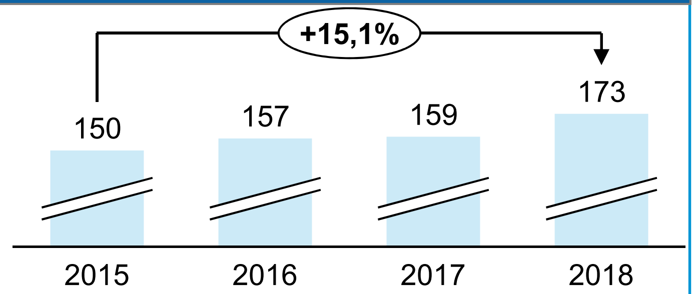
Marginality

Adj. EBITDA Margin (%)



Productivity

Revenues / Average FTE (€K)



	2015	2016	2017	2018
Average FTE	1.691	1.842	1.992	1.947
End Year FTE	1.714	1.969	2.014	1.880

(1) *35,8% without IFRS 16*
(2) *35,5% without IFRS 16*

1 Key drivers of TeamSystem FY 2018 reported revenues

Reported revenues

Euro Millions

OPERATING SEGMENTS	31 Dec 2018	31 Dec 2017	Change	% Change
Assistance and Maintenance	62,8	63,0	(0,2)	-0,3%
Licences	17,2	24,2	(7,0)	-28,8%
Services and other	22,0	25,0	(3,0)	-12,0%
Direct Channel	**102,1**	**112,2**	**(10,1)**	**-9,0%**
Assistance and Maintenance and Licences	86,7	86,5	0,2	0,3%
Services and other	2,3	3,1	(0,8)	-24,5%
Indirect Channel	**89,1**	**89,6**	**(0,5)**	**-0,6%**
A ERP AND BUSINESS MANAGEMENT SOFTWARE	**191,1**	**201,8**	**(10,7)**	**-5,3%**
Assistance and Maintenance	29,9	25,9	4,0	15,4%
Licences	17,9	18,4	(0,5)	-2,5%
Services and other	31,7	30,3	1,4	4,8%
B VERTICAL SOLUTIONS	**79,5**	**74,5**	**5,0**	**6,7%**
SOFTWARE SOLUTION RECONCILIATION and OTHER	**1,2**	**0,3**	**0,9**	**300,0%**
SOFTWARE SOLUTIONS	**271,8**	**276,6**	**(4,8)**	**-1,7%**
C CLOUD SOFTWARE SOLUTIONS	**61,6**	**33,9**	**27,7**	**81,7%**
D HARDWARE	**3,0**	**5,5**	**(2,5)**	**-45,5%**
TOTAL REVENUES	336,4	316,0	20,4	6,5%

Comments

A Software Solutions - ERP and Professionals SW

- **Reduction in Licences, Services and Other** for direct channel mainly due to:
  - Move from “Licence + Maintenance” to “Subscription” for professionals
  - Outsourcing of delivery services for enterprise customers

B Software Solutions - Vertical solutions

- **Vertical solutions increased by 6,7%** mainly **due to very good performances of CAD/CAM, construction and education** products

C Cloud software solutions

- **Strong performance of cloud software solutions** (increased by 81.7%)

D Hardware

- **Hardware decreased by 45,5% due to the outsourcing of hardware business** completed beginning of 2018

2 Key drivers of TeamSystem FY 2018 reported costs

Reported operating costs[1]

Euro Million	2018	2017	Change	%Change
A Cost of raw and other materials	-28,3	-29,6	1,3	-4,2%
B Cost of services	-75,4	-60,8	-14,6	24,0%
C Personnel costs	-104,0	-106,2	2,2	-2,1%
Other operating costs	-3,0	-1,8	-1,2	66,2%
TOTAL OPERATING COSTS	**-210,7**	**-198,4**	**-12,3**	**6,2%**

Comments

A Cost of raw and other materials

- **Cost of raw and other material decreased by 4,2%,** mainly due to the outsourcing of the business segment that handles hardware and systems

B Cost of services

- **Cost of services increased by 24,0%,** mainly due to marketing (4,1M increase vs 2017)[2], cloud infrastructure costs and outsourcing related costs (that will go down in 2019 since the outsourcings is completed)

C Personnel costs

- **Personnel costs decreased by 2,1%** due to efficiency initiatives

TeamSystem

(1) Total impact of IFRS16:
2017: +€4,5M on costs. In particular +€2,0M on Cost of services and +€2,5M in Other operating costs
2018: +€6,2M on costs. In particular +€2,2M on Cost of services and +€4,0M in Other operating costs
(2) Not considering one-off strategic marketing expenses of 2017 worth €1,7M

Net financial Position – FY 2018

Detailed next

Eur Millions	Maturity	Dec 31, 2018	Apr. 04, 2018 Refinancing***	Dec. 31, 2017
Cash and Bank balances		24.6 M€	27.4 M€	16.2 M€*
Financial Assets		0.2 M€	0.9 M€	0.9 M€
SFRN Notes *(Old Bond)*	*2023*	0 M€	0 M€	-150 M€
SSFRN Notes *(Old Bond)*	*2022*	0 M€	0 M€	-570 M€
SSFRN Notes *(New Bond)***	*2023/2025*	-751.2M€	-750 M€	0 M€
RCF		0 M€	0 M€	0 M€
Other financial liabilities		-0.4 M€	-0.8 M€	-0.8 M€
Net Financial Position		**-726.8 M€**	**-722.5 M€**	**-703.7 M€**
Leverage ratio		**5.44X**		
Finance Leases Liabilities (IFRS16 impact)		-24.3 M€		
Net Financial Position (Including IFRS16 impact)		**-751.1 M€**		
Leverage ratio (Including IFRS16 impact)		**5.37X**		

***Cash Balance dec. 17:** equal to 20.0 M€ after +3.8 M€ of WE Effect Riba Normalization (PFN -699.9 M€ after normalization)
***** Accrued interests included***
*****Refinancing:**. 750 M€ After Refinancing closing dated 04.04.2018.* (550 M€ maturity 2023, 200 M€ maturity 2025)

Cash flow Bridge – FY 2018

Pro-Forma EBITDA, €m		Description
Cash Balance Dec17	16.2	20M€ considering end Dec'17 week-end effect: as Dec'17 ended in a week-end, bank orders due end 2017 were shifted to Jan'18 (3.8M €).
Adj. Ebitda	125.7	
Bad debt	-5.1	
Change of Net Working Capital	6.8	3M€ considering end Dec'17 week-end effect.
Capex	-29.2	Tangible and intangible assets (-15.3M€) Capitalized development costs (-13.9M€)
Non operating costs	-15.0	Mainly due to consultancies and redundancy costs related to strategic projects
Change in Provision	-9.1	Include 7.0M€ cost item accrued end 2017
M&A Contingent Liabilities to Non-Contr. Shareholder of Subs	-17.9	New M&A and other equity interest acquisitions from minorities
Other financial items	-44.4	Interest, bond issuance, redemption fees net of new debt raised and finance leases reimbursement (IFRS16 impact)
Income tax	-3.4	
Cash Balance Dec18	24.6	

Q&A