

# Q1 2018 Financial Review

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# TeamSystem 3M 2018 performance summary

- **Revenues** for the 3 months ended 31 March 2018 were **up 4.4% on a normalized basis** and **up 1.8% on a reported basis** vs. the 3 months ended March 2017. On a reported basis revenues in Q1 2018 amounted to €M 74.7, up by €M 1.4 compared to the Q1 2017 (€M 73.3)<sup>1</sup>.
- **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 Q1. We expect strong economic benefits from this switch over the next 24 months, but the change in revenue model and the diluted revenue recognition of subscriptions (vs. upfront recognition for licenses) impacts reported revenue in Q1 2018
- We also **outsourced the majority of hardware business** in Q1 2018. We expect a positive EBITDA impact from this operation but the outsourcing impacted revenue growth in Q1 2018
- Note: the acquisitions performed in February 2018 (Software XP and its main VAR) are not consolidated in these financial statements<sup>2</sup>
- **Operating costs** for the 3 months ended 31 March 2018 **were up by 2.4% on a reported basis**. They amounted to €M 53.5, up by €M 1.3 compared to the result at 31 March 2017 (€M 52.2). This is mainly due to personnel cost decrease compensated by cost of services increase (principally due to the organic growth of the business)
- **Adjusted EBITDA** for 3 months ended 31 March 2018 **was up 9% on a normalized basis** and **up 0,5% on a reported basis** vs. the 3 months ended March 2017. On a reported basis Adjusted EBITDA in Q1 2018 amounted to €M 21,2 up by €M 0,1 compared to the amount at 31 March 2017 (€M 21,1)

(1) The increase is mainly attributable to the organic growth experienced by the Group since results in Q1 are affected by the consolidation of the results of the companies acquired in 2017 (and not yet consolidated at 31 March 2017), which are: Evols S.r.l., Netlex S.r.l., Cassanova S.r.l., Evolution Fit S.r.l. and Software Time S.r.l.(merged by absorption by TeamSystem S.p.A. in December 2017).

(2) Regarding MMData S.r.l. (main Var of the Software XP carve-out business), the new subsidiary acquired by Danea Soft S.r.l. in February 2018, its results and its financial position have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the three months ended 31 March 2018, taking into account the non-materiality of the acquisition in question and considering the fact that the acquisition took place in the first three months of 2018

# 3M 2018 TeamSystem results summary

	Reported figures	Normalized growth	Comments
Revenues (€M)	<p>73.3      74.7</p> <p>1.8%</p>	4.4%	<ul style="list-style-type: none"> <li>■ <b>All segments are growing</b> except for HW business (outsourced end of 2017)</li> <li>■ <b>Strong growth on Cloud Software solutions</b></li> <li>■ <b>Normalized growth</b> to adjust the effect of new sales to Professionals done through subscription (no more licence + maintenance)</li> </ul>
Operating costs (€M)	<p>52.2      53.5</p> <p>2.4%</p>	2.4%	<ul style="list-style-type: none"> <li>■ <b>Savings on raw material and personnel costs</b></li> <li>■ <b>Increase in the cost of services</b> due to organic growth of the business and outsourced costs</li> </ul>
Adjusted EBITDA (€M)	<p>21.1      21.2</p> <p>0.5%</p> <p>3M 2017      3M 2018</p>	9.0%	<ul style="list-style-type: none"> <li>■ <b>Normalized growth</b> to adjust the effect of new sales to Professionals done through subscription (no more licence + maintenance)</li> </ul>

# Key drivers of 3M 2018 TeamSystem reported performance

## Revenues

### Software solutions

- Increased by **+0.9% at €M 65.9** for the period ended 31 March 2018 (**+3.8%** adjusted considering the switch to cloud subscriptions for all new sales to professionals)

### Cloud Software solutions

- Increased by **+16.1% up to €M 7.7** for the period ended 31 March 2018, mainly driven by Micro/SME and Digitalization offer
- Growth without Aliaslab e-signature business would be **+40.3%** (underperformance due to phasing of new contracts)









### Hardware

- Revenue pertaining to sales of hardware systems and related components decreased by **24.6% at €M 1.0** for the period ended 31 March 2018 **due to the outsourcing of the Hardware business** at the end of 2017

## Costs

- **Cost of raw and other material decreased by 13.0%**, mainly due to the outsourcing of the business segment that handles hardware and systems.
- **Cost of services increased by 16%**, mainly related to the organic growth experienced by the Group in the first three months of 2018 and outsourcing projects
- **Personnel costs decreased by 3.3%** thanks to past and ongoing efficiency initiatives
- **Other operating costs increased by 33.5%** due to the launch of new special projects

# LTM PF EBITDA as of March 2018

Pro-Forma EBITDA, €m	Description	Status
<b>LTM Adj EBITDA</b> // 113.1		
Software XP and its main VAR acquisitions	<ul style="list-style-type: none"> <li>▪ <b>€1.1m</b> EBITDA from Software XP and its main VAR acquisitions</li> </ul>	 Acquisition done, figures not yet consolidated
2017 Personnel savings - run rate	<ul style="list-style-type: none"> <li>▪ <b>Run rate 2018 effect</b> of <b>personnel savings</b> already achieved in 2017</li> </ul>	 Initiative done, 3M impact reflected in the P&L
2018 savings on personnel costs	<ul style="list-style-type: none"> <li>▪ <b>Personnel savings</b> generated by <b>initiatives</b> of operating model <b>optimization</b> related to <b>R&amp;D, Customer Service, support functions</b></li> </ul>	 20% planned yearly rationalization done in 3M
External non-personnel cost savings	<ul style="list-style-type: none"> <li>▪ <b>Renegotiation of external non-personnel costs</b> (e.g. fleets, utilities, external consultants)</li> </ul>	 Renegotiation done, 3M impact reflected in the P&L
BPO Savings	<ul style="list-style-type: none"> <li>▪ <b>BPO</b> on hardware done in 2017</li> <li>▪ <b>BPO</b> on delivery</li> </ul>	 HW: 3M impact in the P&L Delivery: launched
Price increase 2018	<ul style="list-style-type: none"> <li>▪ <b>Initiative</b> of price increase <b>targeting customers from direct channel</b> and <b>vertical</b></li> </ul>	 Initiative done, 3M impact reflected in the P&L
Regulatory LTA	<ul style="list-style-type: none"> <li>▪ <b>Introduction of 2018 LTA</b> (cd. "GDPR")</li> </ul>	 Initiative ongoing, result expected starting from May
Annualized revenues	<ul style="list-style-type: none"> <li>▪ <b>Annualized revenues</b> of certain key cloud products</li> <li>▪ <b>Annualized revenues</b> for professional new sales</li> </ul>	 3M impact reflected in the P&L
<b>Pro Forma LTM Adj EBITDA</b> // 134.0		

# Net financial Position

Eur Millions	Maturity	Dec. 31, 2017	March 31, 2018	Apr. 04 2018 Refinancing**
Cash and Bank balances*		16.2 M€	10.6 M€	27.4 M€
Financial Assets		0.9 M€	0.9 M€	0.9 M€
SFRN Notes ( <i>Old Bond</i> )	2023	-150 M€	-150 M€	0 M€
SSN Notes ( <i>Old Bond</i> )	2022	-570 M€	-570 M€	0 M€
SSFRN Notes ( <i>New Bond</i> )	2023/2025	0 M€	0 M€	-750 M€
RCF		0 M€	-13 M€	0 M€
Other financial liabilities		-0.8 M€	-0.8 M€	-0.8 M€
<b>Net Financial Position</b>		<b>-703.7 M€</b>	<b>-722.3 M€</b>	<b>-722.5 M€</b>
<b>Net Financial Position / Pro-forma LTM Adj EBITDA</b>				<b>5.39x</b>

\*Cash balance Mar. 18: equal to 31.6 M€ after +21 M€ of WE Effect Riba Normalization

\*\*Refinancing: 750 M€ After Refinancing closing dated 04.04.2018. (550 M€ maturity 2023, 200 M€ maturity 2025)

# Cash flow Bridge - Q1 2018

## Cash flow Bridge - Q1 2018 €m

## Description

Cash Balance Dec17	16.2	<ul style="list-style-type: none"> <li>20.1 M€ considering end Dec'17 week-end effect : as Dec '17 ended in a week-end, bank orders due end 2017 were shifted to start Jan'18 (3.8M€)</li> </ul>
Q1 2018 Adj. Ebitda	21.2	
Bad debt	-0.9	
Change in Net Working Capital	-7.9	<ul style="list-style-type: none"> <li>Considering Dec'17 and March'18 week-ends effect = +9.2 M€ (positive impact thanks to maintenance fees first installments cashed-in start Apr'18)</li> </ul>
Capex	-8.6	<ul style="list-style-type: none"> <li>Tangible and intangible assets (-5.2M€); Capitalized development costs (-3.4M€)</li> </ul>
Non operating costs	-2.3	<ul style="list-style-type: none"> <li>Mainly due to consultancies and redundancy costs related to strategic projects (e.g. outsourcing)</li> </ul>
Change in provision	-3.0	<ul style="list-style-type: none"> <li>Includes 2.5M€ cost items accrued end 2017</li> </ul>
M&A & Contingent Liabilities to Non-Contr. Shareholder of Subs	-2.0	<ul style="list-style-type: none"> <li>Mainly acquisition of Software XP and its main VAR</li> </ul>
Other financial cash-out	-1.6	<ul style="list-style-type: none"> <li>Includes mainly Bond coupon &amp; commissions and RCF drawing</li> </ul>
Income tax	-0.3	
Cash balance Mar18	10,6	<ul style="list-style-type: none"> <li>31.6 M€ considering end March'18 week-end effect : as March'18 ended in a week-end, bank orders due in March were shifted to start Apr'18 (21 M€)</li> </ul>



# Q&A