

Q2 2018 Financial Review

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TeamSystem 6M 2018 performance summary

- **Revenues** for the 6 months ended 30 June 2018 were **up 5.0% on a normalized basis** and **up 2.8% on a reported basis** vs. the 6 months ended June 2017. On a reported basis revenues in 6M 2018 amounted to €M 157.5, up by €M 4.3 compared to the 6M 2017 (€M 153.2)¹
- **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 6M 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 6M 2018
- We experienced a **strong growth of Cloud software solutions up 65,8%** vs 6M 2017 on a reported basis, this produced a weaker revenue growth in the first 6M 2018 despite the good growth trajectory because of the revenue recognition of subscriptions. This impact has not been included in the normalization, but taken into consideration in the Pro Forma through the Annualized Revenues
- Beginning 2018 we also **outsourced the majority of hardware business**. We expect a positive EBITDA impact from this operation but the outsourcing impacted revenue growth in 6M 2018 (i.e. revenues from hardware were down 1.1M, decreasing by 39.8% vs 6M 2017). This impact has not been included in the normalization
- The effect of the move to “Subscription” for professionals, the growth of Cloud Software Solutions and the outsourcing of hardware contributed to increasing our share of recurring revenues at **72.2% in 6M 2018** from 70.8% of 2017
- **Operating costs** for the 6 months ended 30 June 2018 **were up by 6.5% on a reported basis**. They amounted to €M 109.4, up by €M 6.7 compared to the result at 30 June 2017 (€M 102.7). This difference was mainly due to increase in the cost of services, up by €M 6.2, due to marketing (1.6M increase vs. 6M 2017) to invest in the growth of Cloud Software Solutions, outsourcing related costs (that will go down when the outsourcings will be completed in the next 6 months) and cloud infrastructure costs
- **Adjusted EBITDA** for 6 months ended 30 June 2018 **was up 1.8% on a normalized basis** and **down 4.7% on a reported basis** vs. the 6 months ended June 2017. On a reported basis Adjusted EBITDA in 6M 2018 amounted to €M 48.2 down by €M 2.3 compared to the amount at 30 June 2017 (€M 50.5)

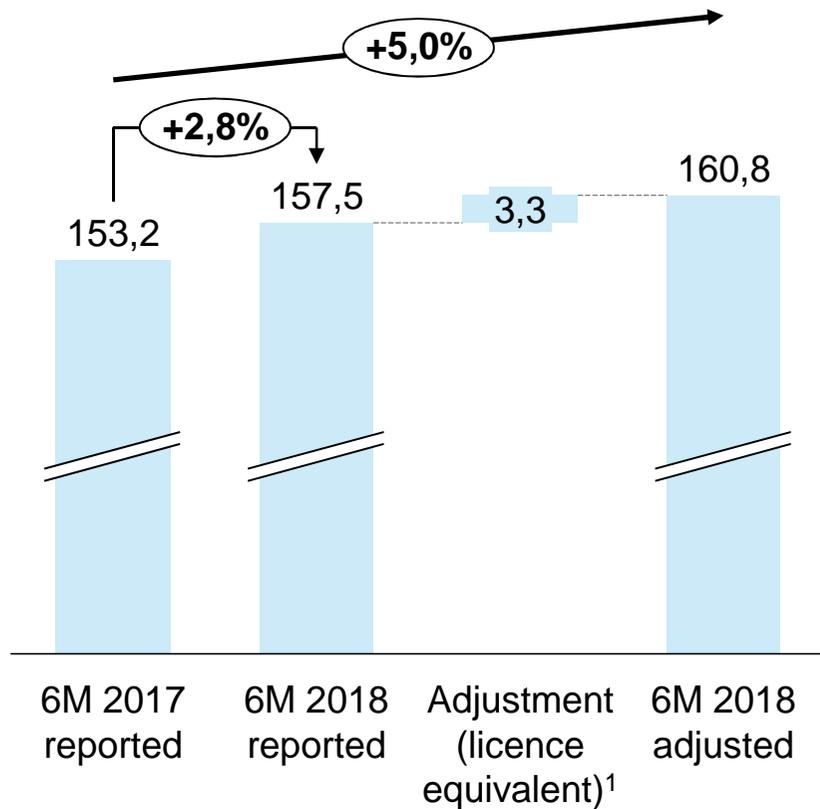
(1) The increase is mainly attributable to the organic growth experienced by the Group. Nevertheless results in H1 are also affected by the consolidation of the results of the companies acquired in 2017 (and not yet consolidated at 30 June 2017), which are: Evols S.r.l., Netlex S.r.l., Cassanova S.r.l., Evolution Fit S.r.l., Software Time S.r.l. (merged by absorption by TeamSystem S.p.A. in December 2017) and MMData S.r.l. (main Var of the Software XP carve-out business)

6M 2018 TeamSystem results summary

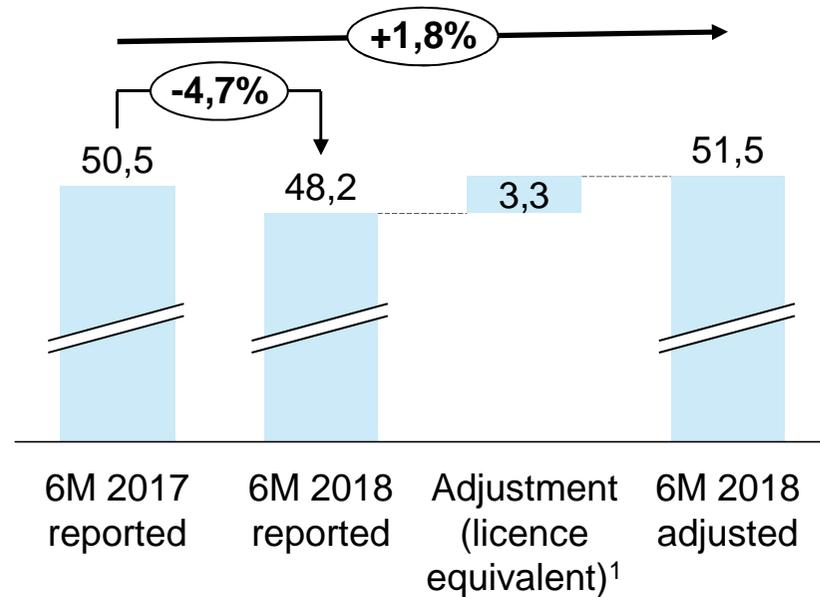
	Reported figures	Normalized growth	Comments										
1	<p>Revenues (€M)</p> <table border="1"> <tr> <th>Period</th> <th>2Q 2017</th> <th>2Q 2018</th> <th>6M 2017</th> <th>6M 2018</th> </tr> <tr> <td>Revenues (€M)</td> <td>79.9</td> <td>82.9</td> <td>153.2</td> <td>157.5</td> </tr> </table>	Period	2Q 2017	2Q 2018	6M 2017	6M 2018	Revenues (€M)	79.9	82.9	153.2	157.5	<p>5.0%</p>	<ul style="list-style-type: none"> ■ Strong growth on “Cloud Software solutions” ■ “Hardware” business declining due to outsourcing ■ Recurring revenues increasing to 72.2% from 70.8% of 2017 ■ Normalized growth to adjust the effect of new sales to Professionals done through subscription (<i>detailed next</i>)
Period	2Q 2017	2Q 2018	6M 2017	6M 2018									
Revenues (€M)	79.9	82.9	153.2	157.5									
2	<p>Operating costs (€M)</p> <table border="1"> <tr> <th>Period</th> <th>2Q 2017</th> <th>2Q 2018</th> <th>6M 2017</th> <th>6M 2018</th> </tr> <tr> <td>Operating costs (€M)</td> <td>50.4</td> <td>55.9</td> <td>102.7</td> <td>109.4</td> </tr> </table>	Period	2Q 2017	2Q 2018	6M 2017	6M 2018	Operating costs (€M)	50.4	55.9	102.7	109.4	<p>6,5%</p>	<ul style="list-style-type: none"> ■ Almost flat “Cost of raw and other materials”, “Personnel costs” and “Other operating costs” ■ Increase in the cost of services, as expected, mainly due to marketing increase (to invest in the growth of Cloud Software Solutions), outsourcing related costs and cloud infrastructure costs
Period	2Q 2017	2Q 2018	6M 2017	6M 2018									
Operating costs (€M)	50.4	55.9	102.7	109.4									
	<p>Adjusted EBITDA (€M)</p> <table border="1"> <tr> <th>Period</th> <th>2Q 2017</th> <th>2Q 2018</th> <th>6M 2017</th> <th>6M 2018</th> </tr> <tr> <td>Adjusted EBITDA (€M)</td> <td>29.4</td> <td>27.0</td> <td>50.5</td> <td>48.2</td> </tr> </table>	Period	2Q 2017	2Q 2018	6M 2017	6M 2018	Adjusted EBITDA (€M)	29.4	27.0	50.5	48.2	<p>1.8%</p>	<ul style="list-style-type: none"> ■ Normalized growth to adjust the effect of new sales to Professionals done through subscription (<i>detailed next</i>)
Period	2Q 2017	2Q 2018	6M 2017	6M 2018									
Adjusted EBITDA (€M)	29.4	27.0	50.5	48.2									

Bridge between Revenues and Adj. EBITDA reported vs normalized growth

Revenues (€M)



Adjusted EBITDA (€M)



(1) Corresponding incremental YTD 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

1 Key drivers of 6M 2018 TeamSystem reported revenues

Reported revenues				
Euro Millions				
OPERATING SEGMENTS	30 Jun 2018	30 Jun 2017	Change	% Change
Assistance and Maintenance	32,1	31,2	0,9	2,9%
Licences	8,0	11,8	(3,8)	-32,3%
Services and Other	11,3	12,4	(1,1)	-9,0%
Direct Channel	51,4	55,5	(4,1)	-7,3%
Assistance and Maintenance and Licences	45,0	44,2	0,7	1,6%
Services and Other	1,1	1,3	(0,1)	-10,5%
Indirect Channel	46,1	45,5	0,6	1,3%
A ERP AND BUSINESS MANAGEMENT SOFTWARE	97,5	101,0	(3,5)	-3,4%
Assistance and Maintenance	14,1	12,7	1,5	11,7%
Licences	8,4	8,4	0,1	1,0%
Services and Other	17,2	16,3	0,9	5,6%
B VERTICAL SOLUTIONS	39,8	37,3	2,5	6,6%
SW SOLUTION RECONCILIATION	(3,1)	(0,9)	(2,2)	n.s.
SOFTWARE SOLUTIONS	134,2	137,4	(3,2)	-2,3%
C CLOUD SOFTWARE SOLUTIONS	21,7	13,1	8,6	65,8%
D HARDWARE	1,6	2,7	(1,1)	-39,8%
TOTAL REVENUE	157,5	153,2	4,3	2,8%

Comments

- A Software Solutions - ERP and Professionals SW**
- **Reduction in Licences and Services and Other for direct channel** mainly due to:
 - Move from “Licence + Maintenance” I to “Subscription” for professionals
 - Different revenue mix for enterprise
- B Software Solutions - Vertical solutions**
- **Vertical solutions increased by 6.6%** 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 65.8%)
- D Hardware**
- **Hardware decreased by 39.8%** due to the outsourcing of hardware business done beginning of 2018

2 Key drivers of 6M 2018 TeamSystem reported costs

Reported operating costs				
Euro Millions				
	30 Jun 2018	30 Jun 2017	Change	% Change
A Cost of raw and other materials	(13,0)	(13,7)	0,8	-5,6%
B Cost of services	(37,2)	(31,1)	(6,2)	19,9%
C Personnel costs	(55,3)	(54,6)	(0,8)	1,4%
D Other operating costs	(3,8)	(3,3)	(0,5)	15,9%
TOTAL OPERATING COSTS	(109,4)	(102,7)	(6,7)	6,5%

Comments

A Cost of raw and other materials

- **Cost of raw and other material decreased by 5.6%**, mainly due to the outsourcing of the business segment that handles hardware and systems

B Cost of services

- **Cost of services increased by 19,9%**, mainly due to marketing (1,6M increase vs 6M 2017)¹ to invest in the growth of Cloud Software Solutions, cloud infrastructure costs and outsourcing related costs, (that will go down when the outsourcings will be completed in the next 6 months)

C Personnel costs

- **Personnel costs increased by 1,4%** due to phasing on ongoing efficiency initiatives

D Other operating costs

- **Other operating costs increased by 15,9%** mainly due to the increase costs for rents of the new offices inaugurated during 2017

LTM PF EBITDA as of June 2018



Pro-Forma EBITDA, €m	Description	Status
LTM Adj EBITDA // 110.7		
Software XP and its main VAR acquisitions	<ul style="list-style-type: none"> EBITDA from Software XP and its main VAR acquisitions 	Acquisition done, 6M impact reflected in the P&L
2017 Personnel savings - run rate	<ul style="list-style-type: none"> Run rate 2018 effect of personnel savings already achieved in 2017 	Initiative done, YTD impact reflected in the P&L
2018 savings on personnel costs	<ul style="list-style-type: none"> Personnel savings generated by initiatives of operating model optimization related to R&D, Customer Service, support functions 	Rationalization in progress aligned with the plan
External non-personnel cost savings	<ul style="list-style-type: none"> Renegotiation of external non-personnel costs (e.g. fleets, utilities, external consultants) 	Renegotiations done, YTD impact of the initiatives reflected in the P&L
BPO Savings	<ul style="list-style-type: none"> BPO on hardware done in 2017 BPO on delivery 	HW: YTD impact in the P&L Delivery: launched mid June
Price increase 2018	<ul style="list-style-type: none"> Initiative of price increase targeting customers from direct channel and vertical 	Initiative done, 6M impact reflected in the P&L
Regulatory LTA	<ul style="list-style-type: none"> Introduction of 2018 LTA (cd. "GDPR") 	Very good orders intake with higher penetration vs expected
Annualized revenues	<ul style="list-style-type: none"> Annualized revenues of certain key cloud products and for professional new sales 	
Pro Forma LTM Adj EBITDA // 131.4		

Net financial Position – Q2 2018

Eur Millions	Maturity	June 30, 2018	Apr. 04 2018 Refinancing ³	Dec. 31, 2017
Cash and Bank balances ¹		17.4 M€	27.4 M€	16.2 M€
Financial Assets		0.9 M€	0.9 M€	0.9 M€
SFRN Notes (<i>Old Bond</i>)	2023	0 M€	0 M€	-150 M€
SSN Notes (<i>Old Bond</i>)	2022	0 M€	0M€	-570 M€
SSFRN Notes (<i>New Bond</i>)	2023/2025	-751.3M€ ²	-750 M€	0M€
RCF		0 M€	0 M€	0 M€
Other financial liabilities		-1 M€	-0.8 M€	-0.8 M€
Net Financial Position		-734 M€	-722.5 M€	-703.7 M€
		5,6x		

1 Cash Balance June 18: equal to 26.7 M€ after +9.3 M€ of WE Effect Rba Normalization (PFN -724.7 M€ after normalization)

2 Accrued interests in June included

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

Cash flow Bridge – Q2 2018

Pro-Forma EBITDA, €m	Description	
Cash Balance Dec17	16.2	<ul style="list-style-type: none"> 20.1 M€ considering Dec17 week-end effect: as Dec17 ended in a week-end, bank orders due end 2017 were shifted to Jan18 (3.8M €)
Adj. Ebitda	48.2	
Bad debt	-2.6	
Change of Net Working Capital	20.1	<ul style="list-style-type: none"> 25.6 M€ considering end Dec17 and Jun18 week-end effect
Capex	-15.8	<ul style="list-style-type: none"> Tangible and intangible assets (-9.2M€); capitalized development costs (-6.6M€)
Non operating costs	-6.9	<ul style="list-style-type: none"> Mainly due to consultancies related to strategic projects and redundancy costs
Change in provision	-4.6	<ul style="list-style-type: none"> Include 3.4M€ cost item accrued end 2017
M&A & Contingent Liabilities to Non-Contr. Shareholder of Subs	-11.7	<ul style="list-style-type: none"> Software XP and other equity interest acquisitions from minorities
Other financial items	-24.4	<ul style="list-style-type: none"> Interest, bond issuance and redemption fees net of new debt raised
Income tax	-1.2	
Cash balance Jun18	17.4	<ul style="list-style-type: none"> 26.7 M€ considering Jun18 week-end effect: 9.4 M€ bank orders shifted to July 2018

Q&A