

February 23, 2023

# Q4 2022 Presentation



Transcom

# Q4 Highlights

- **Concluding the best year so far** – Revenue 717 MEUR (+15.1%), EBITDA margin 13% (+1.0pp)
- **Solid growth despite market challenges** – Q4 revenue 191 MEUR, 9.2% growth of which 7.2pp organic
- **Continued margin improvement** – Q4 EBITDA 15.9% (+1.0pp)
- **Cost savings program on track** – 10 MEUR run rate improvements from 1 Jan 2023
- **Continued shift near/offshore supporting margin expansion** – Expansion of Cairo (Egypt), Tetovo (Northern Macedonia), and Porto (Portugal)
- **Acceleration of strategic shift through acquisition of Forcontact** – CX specialist focused on fashion eCommerce, predominantly serving the Italian market from nearshore locations







**01**

**Company overview and Q4 highlights**

**02**

**Financial performance**

**03**

**Strategy going forward**

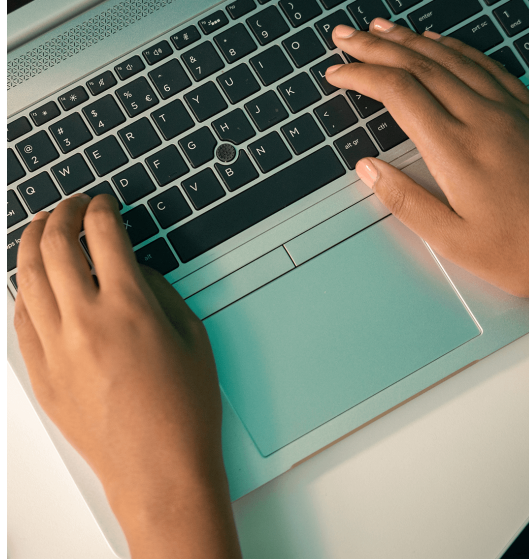
# Transcom is a global leader in digital CX

**Providing a world class customer experience...**



- Customer care & tech support
- Customer acquisition, sales & retention
- Compliance & backoffice

**...in digital and traditional channels...**













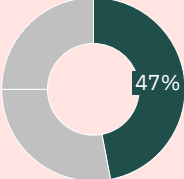









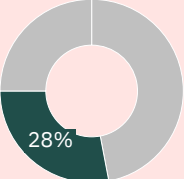





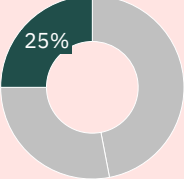
- Chat & email
- Messaging & Social media
- Voice & video

**...enabled by leading digital capabilities**



- Digital CX advisory
- Digital solutions
- Digital operations

# Serving leading consumer brands across industries

	Segment	Client examples	Share of revenue Q4 LTM 2022	EBITDA margin Q4 LTM 2022
<b>eCommerce &amp; Tech</b>	      <p>Social media    Online retail    IT/Tech    Fintech    Logistics    Consumer durables</p>	   	 <p>47%</p>	17%
<b>Services &amp; Utilities</b>	     <p>Utilities    BFSI    Gov &amp; Healthcare    Media    Travel</p>	   	 <p>28%</p>	9%
<b>Telco &amp; Cable</b>	  <p>Telecom operators    Cable TV &amp; Broadband operators</p>	  	 <p>25%</p>	10%

# Clear strategy driving profitable growth

## Daily execution



**Client focus**



**Operational excellence**



**Culture and leadership**

## Strategic shift



**Digital services**



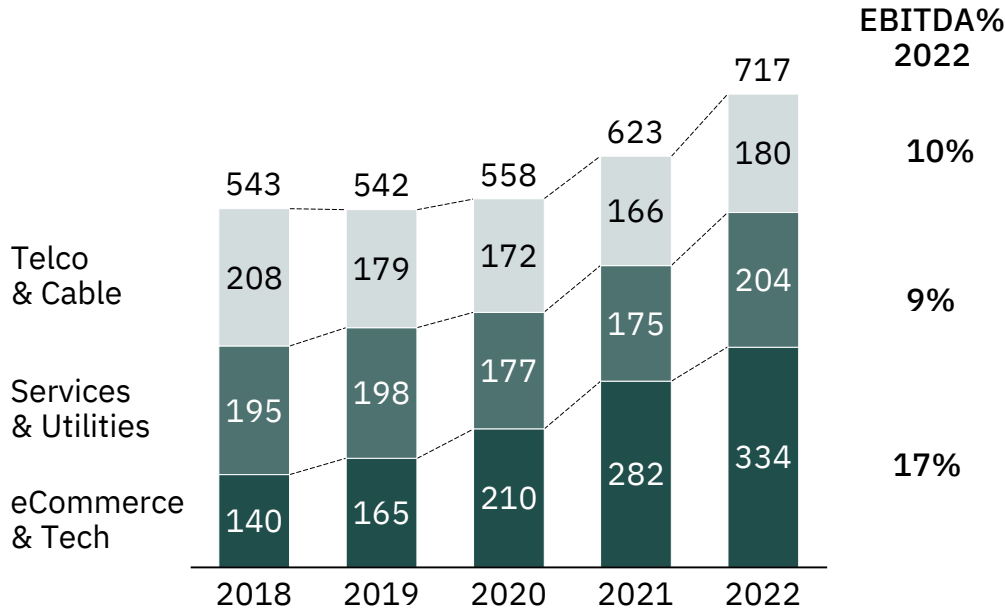
**Competitive delivery**



**Client & Service mix shift**

# Growing in highly profitable eCommerce & Tech sector

Revenue by industry, EUR Millions



Note: On July 27, 2018, the group acquired Awesome OS which has been consolidated from this date. 2019 includes Latin America until Feb 2019 (0.9M Sales and -0.1M EBITA). EBITDA% per industry includes allocation of unallocated/group-wide expenses

## 2022 top wins (annual revenue)

<b>(Q2) Retail &amp; e-commerce</b> Customer services NA onshore <b>7.6 MEUR</b>	<b>(Q3) Retail &amp; e-commerce</b> Customer services / Digital EMEA Nearshore <b>5.0 MEUR</b>
<b>(Q1) Retail &amp; e-commerce</b> Customer services LATAM nearshore <b>3.7 MEUR</b>	<b>(Q2) Retail &amp; e-commerce</b> CS / Backoffice / Digital EMEA on/nearshore <b>3.0 MEUR</b>
<b>(Q3) Retail &amp; e-commerce</b> Customer Service EMEA Offshore <b>2.9 MEUR</b>	<b>(Q2) Media &amp; entertainment</b> Customer services EMEA on/nearshore <b>2.9 MEUR</b>
<b>(Q4) Energy &amp; Utilities</b> CS & Back Office EMEA onshore <b>2.6 MEUR</b>	<b>(Q1) Consumer Telco &amp; ISP</b> Billing PH offshore <b>2.3 MEUR</b>

# Global footprint serving Europe and Global English markets

27

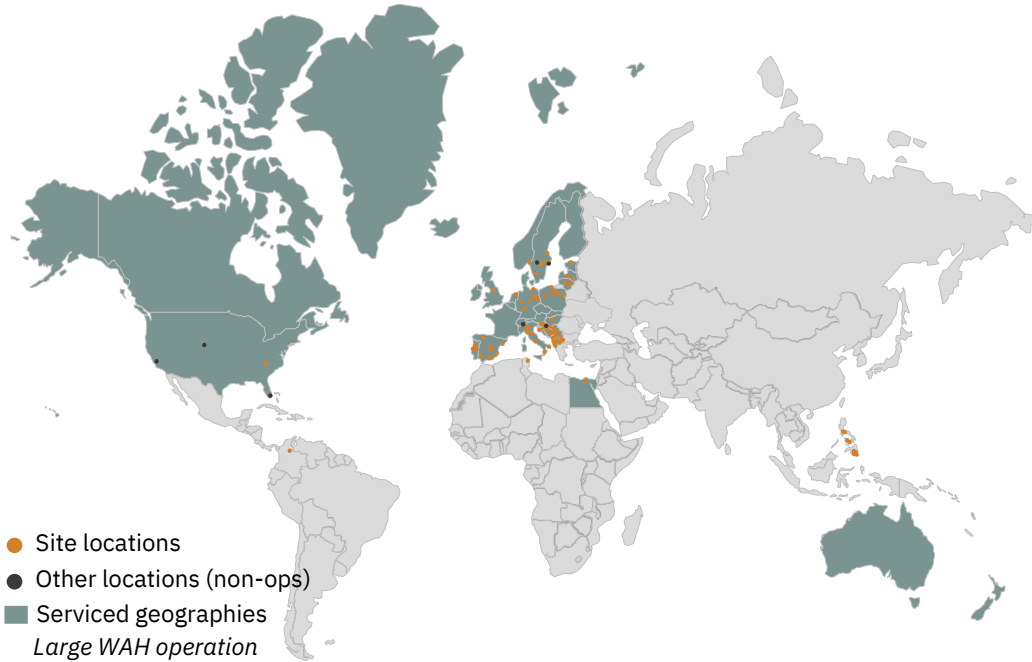
Countries

85

Sites

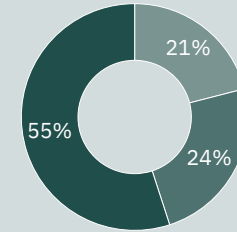
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Languages



## Shoring mix

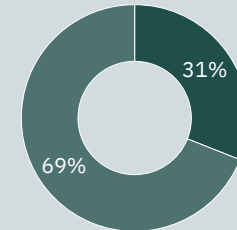
2022 Share of revenue



■ Nearshore ■ Offshore ■ Onshore

## Regional mix

2022 Share of revenue

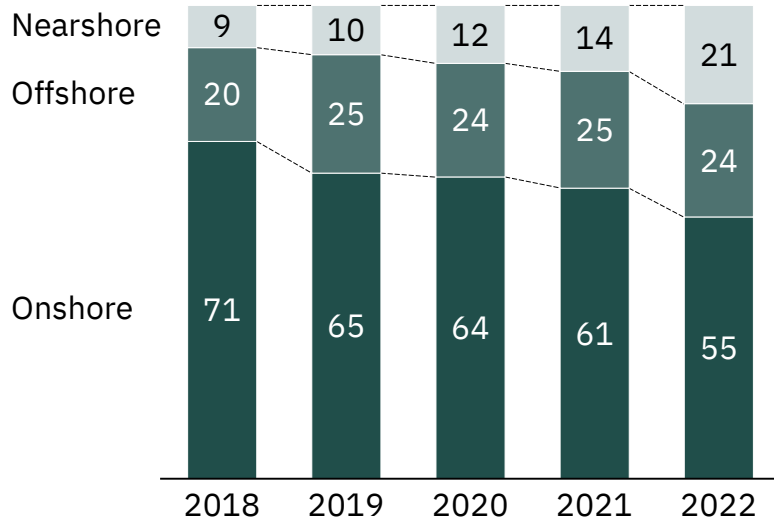


■ Global English ■ Europe



# Continued near/offshore expansion in 2022

Revenue by type of delivery, percent

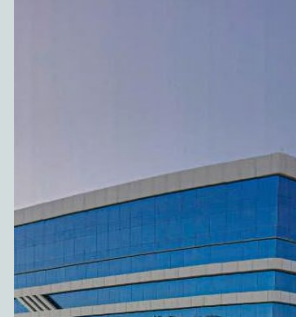


EBITA%

Mid teens

High teens

Single digit



## Cairo, Egypt

- 800 seats
- Multilingual: Arabic, Dutch, English, French, German, Greek, Italian, Japanese, Mandarin, Russian, Spanish, Turkish
- Clients: Travel & Leisure, E-com, Logistics

## Tetovo, Northern Macedonia

- 130 seats
- German, English, Turkish
- Clients: E-Com, Telco, FMCG, Food Industry

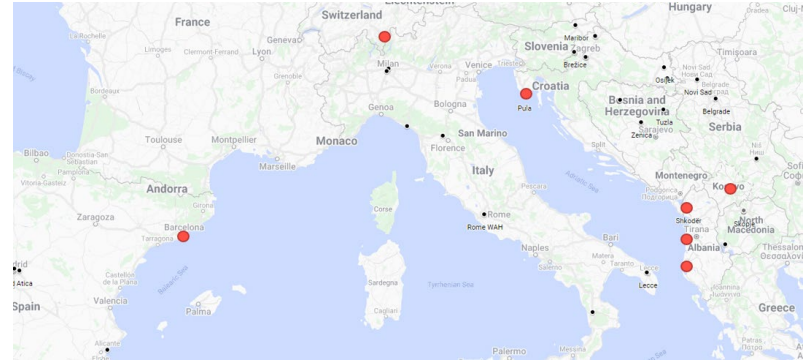


## Porto, Portugal

- 200 seats
- Portuguese, Spanish, English, German, Nordic, French, Italian
- Clients: Commerce, Telco, Banking, Travel & Tourism

# Acquisition of Forcontact

- CX specialist with 650 employees
- Predominately serving luxury and fashion eCommerce clients for Italian, French and German markets
- Delivery from sites in Albania, Croatia, Kosovo and Spain
- Synergies mainly through cross sales, providing Transcom's global footprint to Forcontact's clients
- Provides acceleration of Transcom's organic strategy (nearshore + eCom)
- 2022 Revenue 10 MEUR, strong organic growth, upper "teens" EBITDA margin
- Consolidated as of 31 December 2022





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Company overview and Q4 highlights

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**Financial performance**

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Strategy going forward

# Solid growth and better profitability in Q4

- **Continued strong revenue growth**
  - 191.4 MEUR (175.3)
  - Growth of 9.2% vs Q4 2021, where off 7.2% organic
- **Q4 EBITDA ex non-recurring items**
  - 30.4 MEUR (26.2)
  - Margin of 15.9%, +1.0pp vs Q4 2021
- **Operating cash flow** was 24.8 MEUR (4.3)
- **Non-recurring items:** -2.4 MEUR (-3.2)
- **Net debt/EBITDA** of 3.5 (4.1)



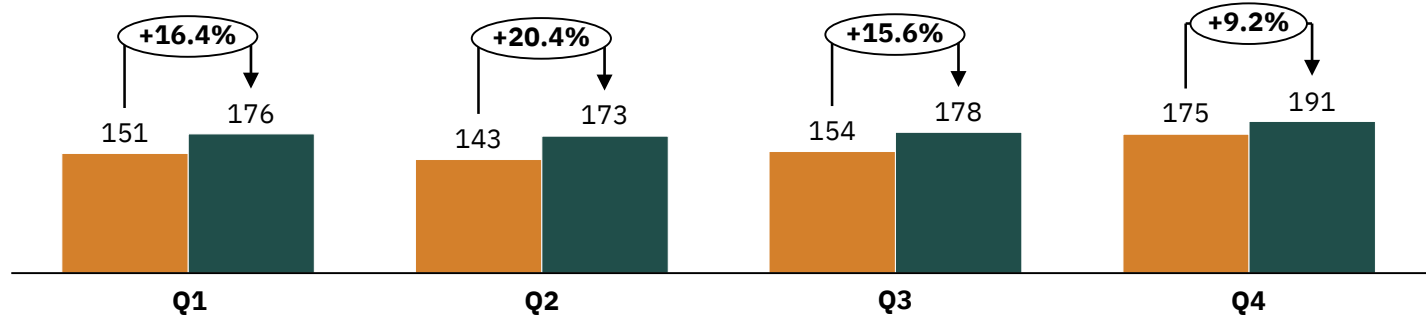


# Steady y/o/y growth and profitability improvements

2021 2022

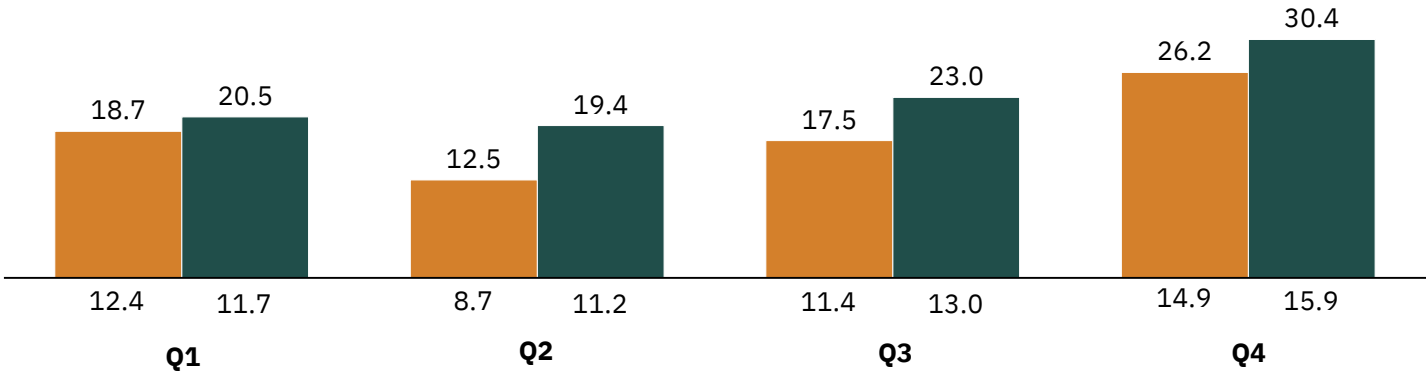
## Revenue

EUR Millions



## EBITDA

EUR Millions

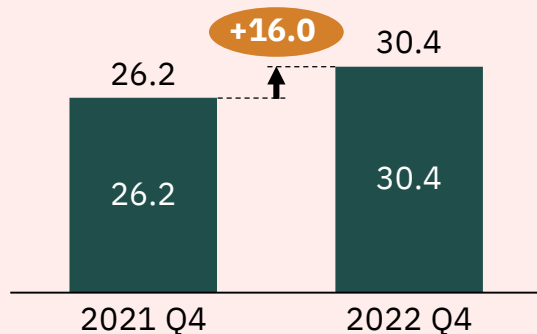


## EBITDA %

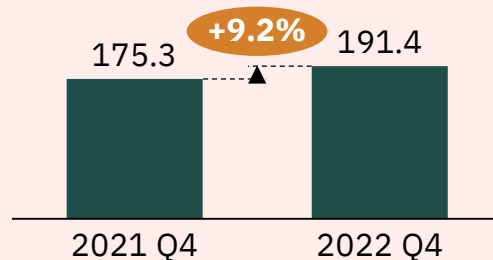


# Q4 growth and margin improvements mainly organic

EBITDA, EUR Millions

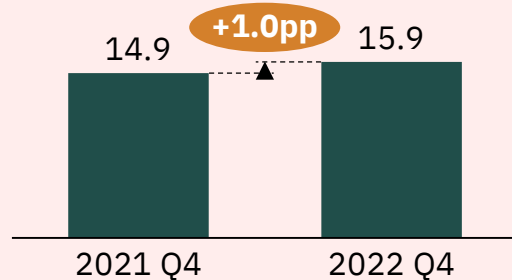


Revenue, EUR Millions



- Recurring contracts +9.6pp, temp contracts -0.4pp
- Organic growth 7.2pp, Currency impact 2.0pp

EBITDA Margin, Percent



- Profitability improvements primarily in European segment, and eCommerce & Tech sector

# Development by segment

EUR Millions

		Revenue			EBITDA			EBITDA Margin, %		
		Q421	Q422	Change	Q421	Q422	Change	Q421	Q422	Change
<b>Sector</b>	<b>eCommerce &amp; Tech</b>	85.0	90.6	<b>6.6%</b>	17.9	20.3	<b>2.4</b>	21.1	22.4	<b>1.3pp</b>
	<b>Services &amp; Utilities</b>	46.8	53.3	<b>13.9%</b>	4.4	4.3	<b>-0.1</b>	9.3	8.0	<b>-1.3pp</b>
	<b>Telco &amp; Cable</b>	43.6	47.6	<b>9.4%</b>	3.8	5.8	<b>2.0</b>	8.8	12.1	<b>3.3pp</b>
<b>Region</b>	<b>Europe</b>	118.9	132.2	<b>11.2%</b>	15.1	17.4	<b>2.3</b>	12.7	13.1	<b>0.4pp</b>
	<b>Global English</b>	56.5	59.3	<b>5.0%</b>	11.1	13.0	<b>1.9</b>	19.6	22.0	<b>2.4pp</b>
<b>TOTAL</b>		<b>175.3</b>	<b>191.4</b>	<b>9.2%</b>	<b>26.2</b>	<b>30.4</b>	<b>4.2</b>	<b>14.9</b>	<b>15.9</b>	<b>1.0pp</b>

# Continued strong operating cash flow

EUR Millions

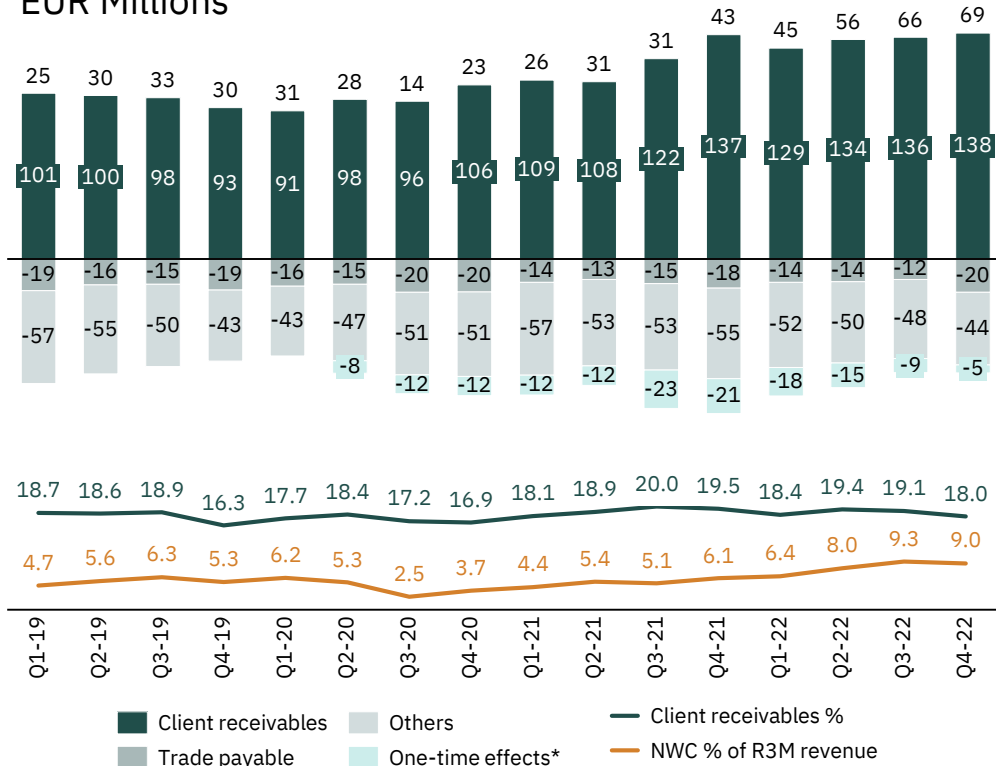
EURm	2019	2020	2021	2022	2021 Q4	2022 Q4
Profit/loss before tax	2.1	-7.9	-5.2	10.6	5.2	6.5
Adjustments for non-cash items	33.4	38.6	43.4	42.5	9.1	14.3
Net financial items	17.6	19.4	27.1	24.8	6.2	9.2
Income taxes paid	-7.5	-4.9	-9.0	-8.2	-0.4	-1.0
<b>Operating cash flow before NWC changes</b>	<b>45.7</b>	<b>45.2</b>	<b>56.3</b>	<b>69.7</b>	<b>20.1</b>	<b>29.1</b>
Changes in working capital	5.7	5.0	-34.3	-17.3	-15.8	-4.3
<b>Operating cash flow</b>	<b>51.4</b>	<b>50.3</b>	<b>22.0</b>	<b>52.4</b>	<b>4.3</b>	<b>24.8</b>
Investments/disposals	-16.5	-14.4	-20.9	-24.2	-5.8	-10.3
Acquisitions/disposals of business, net of cash	-1.1	-6.8	-23.7	-9.8	-	-4.8
Other	-0.6	0.1	-0.7	0.4	-0.1	1.1
<b>Cash flow from investing activities</b>	<b>-18.2</b>	<b>-21.1</b>	<b>-45.3</b>	<b>-33.6</b>	<b>-5.9</b>	<b>-14.0</b>
<b>Cash flow from financing activities</b>	<b>-32.1</b>	<b>-28.8</b>	<b>49.6</b>	<b>-25.9</b>	<b>-7.9</b>	<b>-11.1</b>
<b>Cash flow for the period</b>	<b>1.1</b>	<b>0.4</b>	<b>26.4</b>	<b>-7.1</b>	<b>-9.5</b>	<b>-0.2</b>

- Q4 operating cash flow EUR 24.8M (4.3)
  - Stronger operating cash flow before NWC changes compared to Q4 2021
  - Changes in Working capital stabilized to -4.3M (-15.8)
- Cash flow from investing activities of EUR -14.0M (-5.9), higher investments in sites and acquisition of Forcontact business
- Cash flow from financing activities EUR -11.1M (-7.9)



# Improved Client receivables % of revenue

EUR Millions



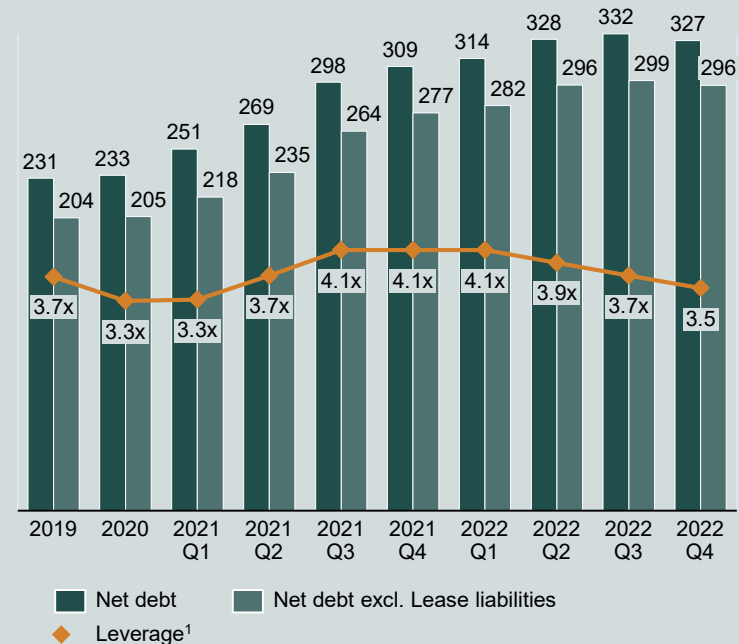
- Further decrease in Client receivables as % of Revenue – lowest level since Q1-2021
- Slight absolute increase in client receivables vs Q4 2021 is driven by revenue growth and FX impacts
- Improved underlying Net working capital is counter impacted by one-time effects

# Net debt and leverage development

EUR Millions

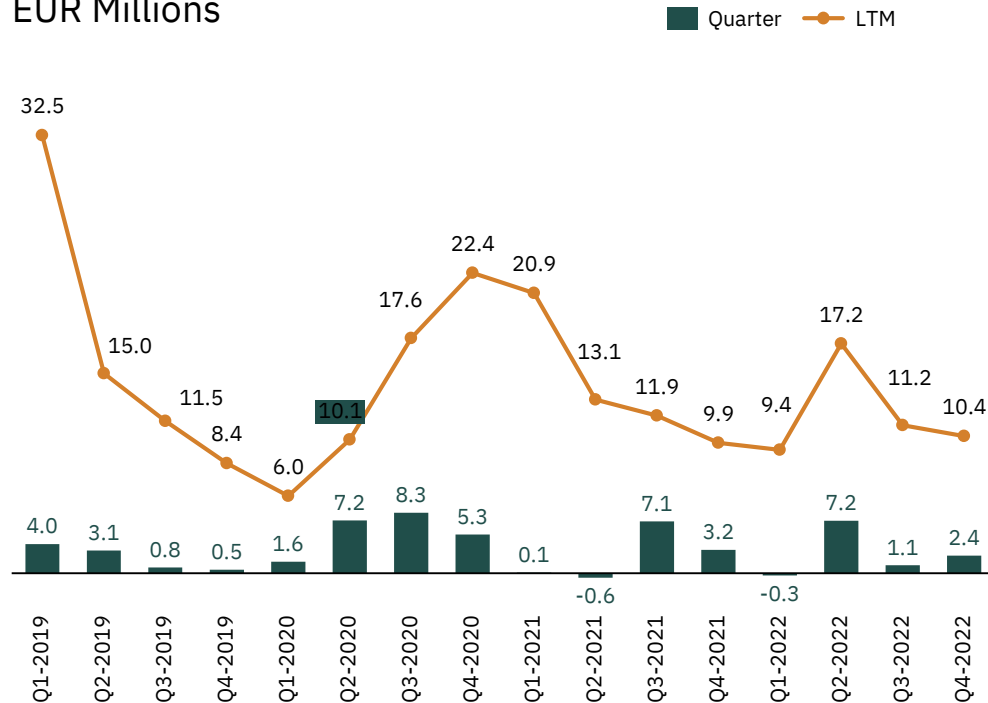
Debt structure	Maturity	Outstanding balance			
		2019	2020	2021	2022
Fixed rate secured notes	<i>Paid June 2021</i>	180.0	180.0	-	-
Floating rate secured notes	Dec 2026	-	-	315.0	315.0
Secured term loan	<i>Paid June 2021</i>	-	20.0	-	-
SSRCF incl overdraft facility usage	June 2026	21.0	-	-	14.1
5-year secured bond	<i>Paid June 2021</i>	10.0	10.0	-	-
Lease liabilities		27.5	28.8	32.1	31.0
Other items included in net debt		7.1	8.2	1.0	-1.9
<b>Gross debt</b>		<b>245.6</b>	<b>247.0</b>	<b>348.1</b>	<b>358.2</b>
Cash on balance		14.3	13.7	39.2	31.4
<b>Net debt</b>		<b>231.2</b>	<b>233.3</b>	<b>308.8</b>	<b>326.8</b>

## Net debt and leverage



# Non-recurring items in Q4 was 2.4 MEUR

EUR Millions



Q4 NRI totaled -2.4M (-3.2)

- Operational non-recurring items of -1.0M
- Transaction-related non-recurring items of -1.3M for M&A projects

NRI for 2022 include

- 5.3M Cost saving program – costs for severances and site reductions
- 5M transactional costs, related to M&A activities



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**Strategy going forward**



# Financial targets

**>16%**  
**EBITDA IFRS 16**

## **Continuation on the trend**

- Operational Excellence
- Client mix shift
- Near/offshore expansion

**>5–10%**  
**organic growth p.a.**

## **Sustaining current momentum**

- Continued mix shift towards eCommerce & Tech
- Investments in sales and commercial organization
- Grow share of wallet of strategic clients

**>5–10%**  
**acquired growth p.a.**

## **Shifting up to the next gear**

- Supporting strategic shift: Digital, eCommerce & Tech, near/offshore
- Reinforcing market access and accretive in-market bolt-ons

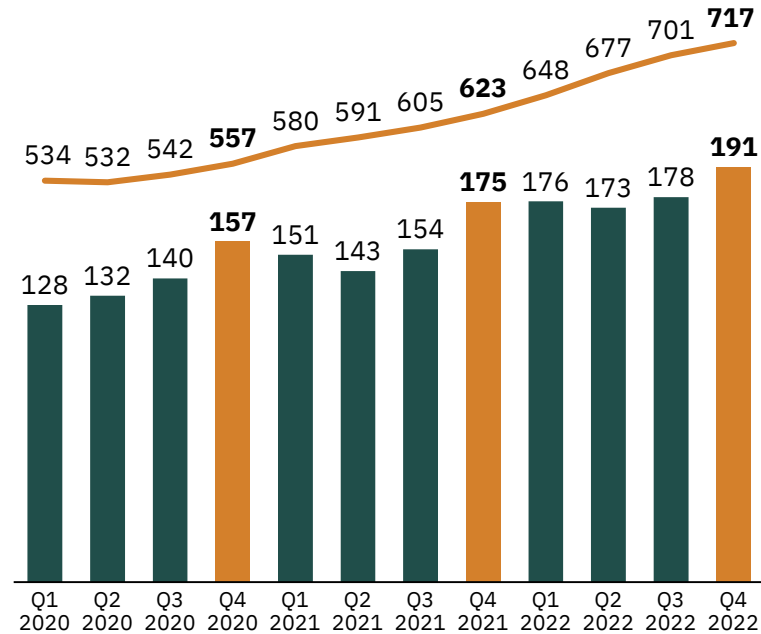
**Conservative**  
**leverage**

## **Conservative leverage, reinvesting in growth when leverage permits**

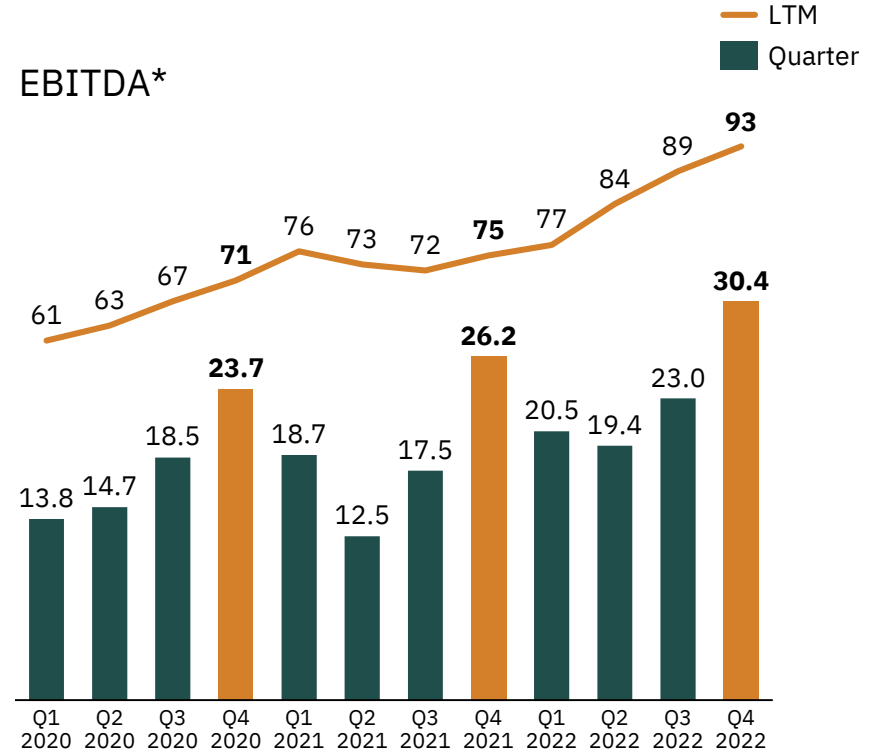
- Strong cash flow generation and EBITDA expansion providing natural de-leveraging
- Ability for targeted accretive M&A growth within leverage limits

# Continuing on a trajectory of profitable growth – Concluding the best year so far

EUR Millions  
Revenue



EBITDA\*



**Transcom**