

August 24, 2023

# Q2 2023 Presentation



Transcom

## Q2 2023: Increased demand of near/offshore enhanced by AI

- **Revenue** – 174.8 MEUR (+1.2%), 5.9% organic growth excl partial Spanish exit
- **EBITDA margin** – 11.4% (11.2)
- **Near/offshore** – Further positive mix shift supporting continued margin expansion
- **AI** – New solutions developed and a dozen client implementations
- **Again recognized CX tech leader, powered by AI** – by Quadrant Knowledge Solutions
- **Acquisition of timeframe AG** – Strengthening German, adding Greece





**01**

**Company overview and Q2 highlights**

**02**

**Financial performance**

**03**

**Strategy going forward**

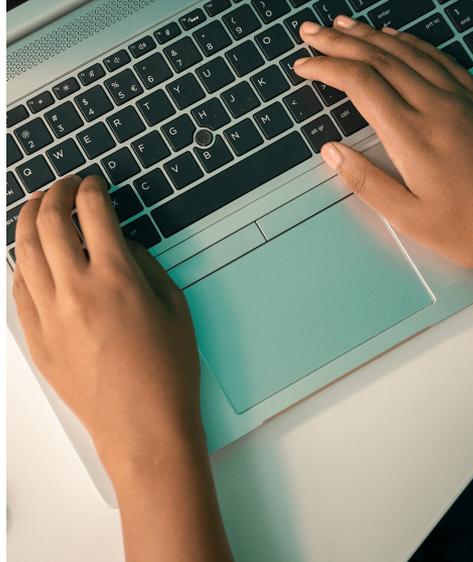
# Transcom is a global leader in digital CX solutions

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



- Customer care & tech support
- Customer acquisition, sales & retention
- Compliance & back office

**...across all customer touchpoints...**



- Seamless experience in all channels - Chat & email, Messaging & Social media, Voice & video
- Consistency across human and AI-assisted interactions

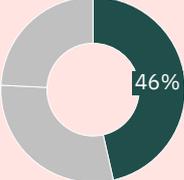
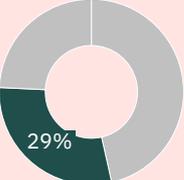
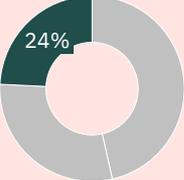
**...enabled by leading AI & digital capabilities**



- CX advisory
- AI & Digital solutions
- Tech enabled operations & transformation

**Transcom**

# Serving leading consumer brands across industries

	Segment	Client examples	Share of revenue Q2 LTM 2023	EBITDA margin Q2 LTM 2023
<b>eCommerce &amp; Tech</b>	 Social media  Online retail  IT/Tech  Fintech  Logistics  Consumer durables	 PayPal  SAMSUNG  Bolt  TechStyleOS	 46%	18%
<b>Services &amp; Utilities</b>	 Utilities  BFSI  Gov & Healthcare  Media  Travel	 BNP PARIBAS  ADVANZIA BANK  GET YOUR GUIDE	 29%	9%
<b>Telco &amp; Cable</b>	 Telecom operators  Cable TV & Broadband operators	 TELE2  ice	 24%	9%

# Strategic priorities

## Daily execution



**Clients** – Win and grow rock solid partnerships



**Operations** – Exceed client expectations and drive efficiency



**People** – Recruit, retain and develop awesome CX talent

## Strategic shift



**Digital** – Lead the AI CX revolution



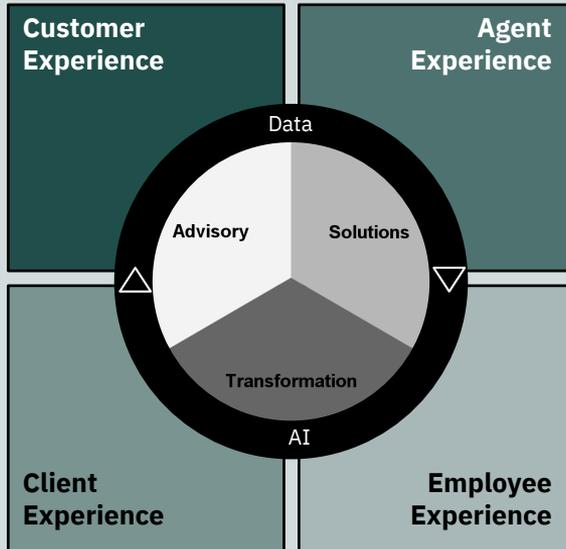
**Delivery** – Grow untapped talent markets



**Sectors and services** – Go for fast growing segments

# AI & Digital leadership recognized by clients and industry analysts

+130 brands | +3,000 deployments | in 80% of client wins



**Technology & Service Leader |  
Quadrant Knowledge Solutions**

SPARK Matrix: Contact Center Outsourcing Services (CCOS), 2023



# Examples of AI solutions and impact



## Conversational analytics

Leading retail chain

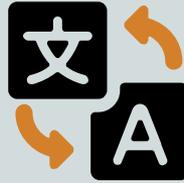
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Predictive analytics  
for lead generation

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**+22%** cost saving

Increased Transcom's  
share of wallet



## De-linguaging

Subscription service

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Real-time translation +15  
languages by 10 agents

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**+50%** cost saving

**100%** agent satisfaction



## AI bot

Leading retail chain

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Conversational AI chatbot  
answering consumers 24h/7

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**+71%** self-service

Instant ROI

**~12 AI implementations during Q2**

# Competitive global footprint serving Europe and Global English markets

28

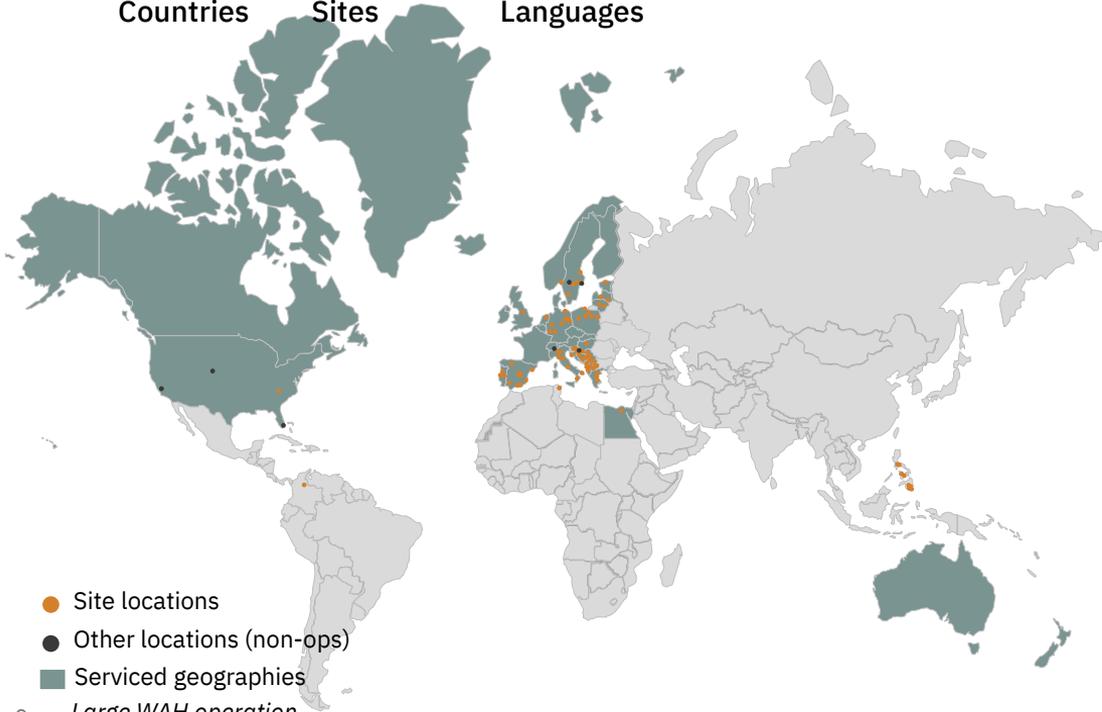
Countries

90+

Sites

33

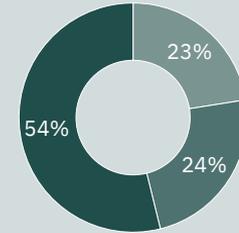
Languages



9 *Large WAH operation in North America (US, Canada)*

## Shoring mix

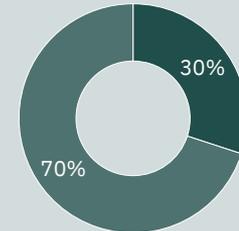
Q2 LTM 2023 Share of revenue



■ Nearshore ■ Offshore ■ Onshore

## Regional mix

Q2 LTM 2023 Share of revenue

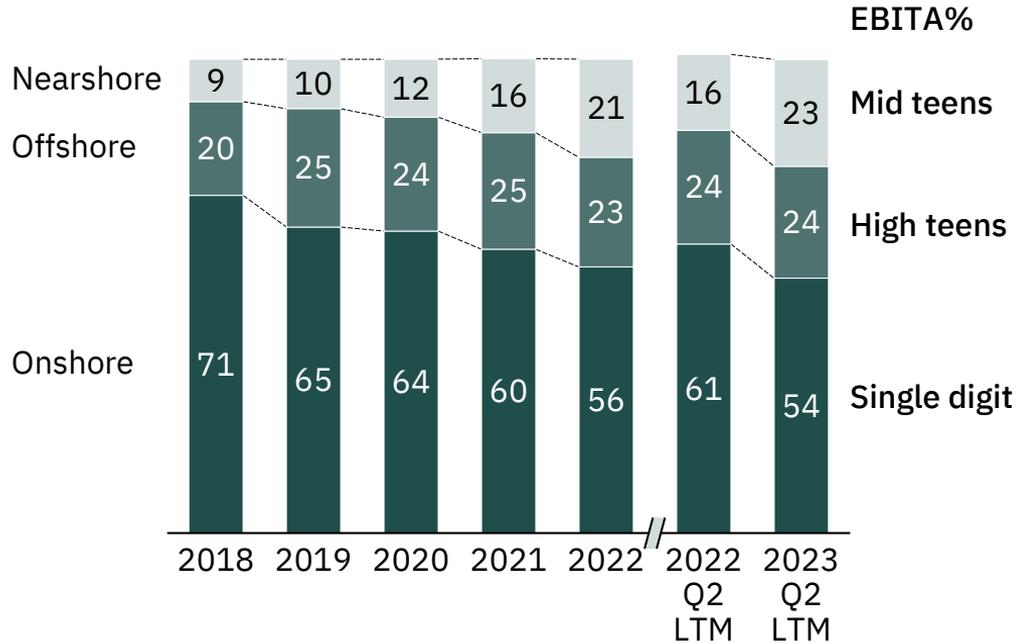


■ Global English ■ Europe

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# Shift to competitive near/offshore delivery continues in 2023

Share of Revenue by type of delivery, percent



10 Note: Up to 2020, reporting based on legal entity, from 2021 reporting based on delivery site for improved accuracy



## Tirana, Albania

- 280 seats
- Primarily Italian

## Davao, Philippines (expansion)

- 420 seats
- Primarily for the North American market

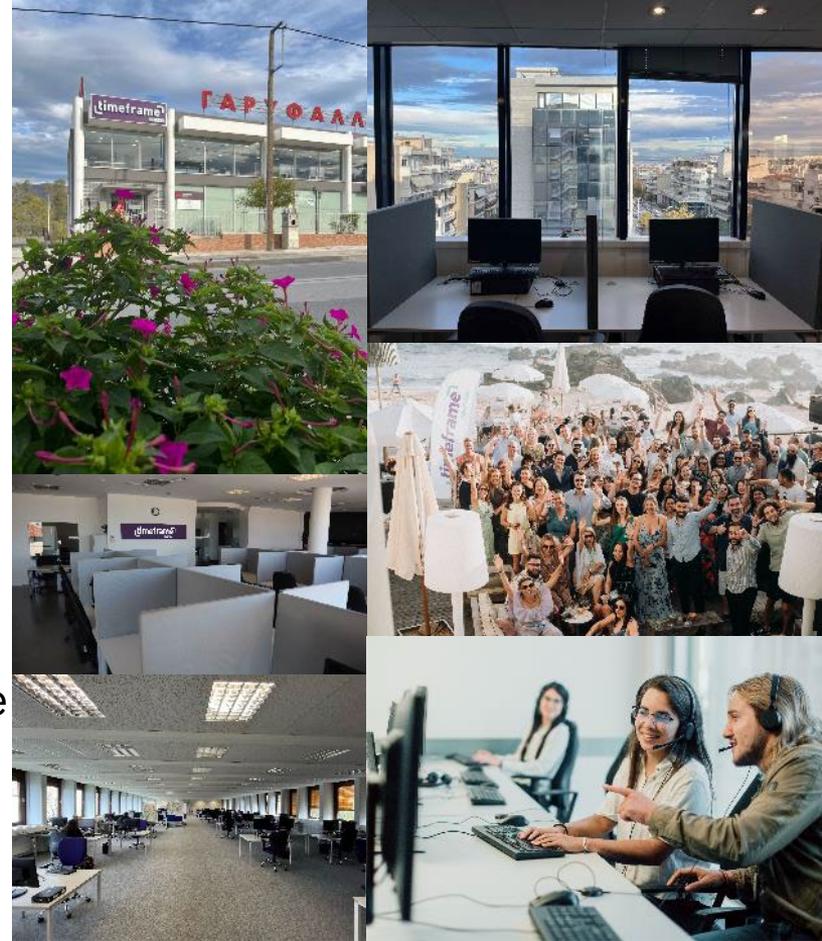


## Bacolod, Philippines (refurbished)

- 300 seats
- Primarily for the North American market

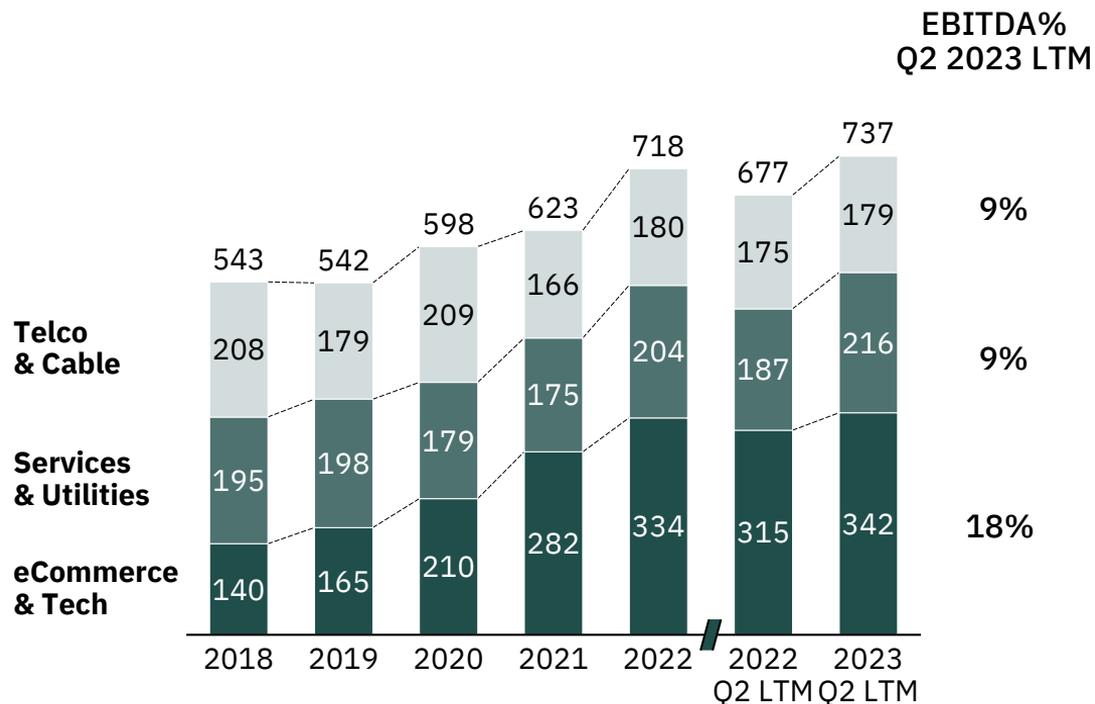
# Acquisition of timeframe AG

- Premium service provider of customer care, sales, marketing, and video identification services
- 700 employees from 7 sites in Germany (2), Portugal (2), and Greece (3)
- Primarily serves logistics, energy and ecommerce companies
- Strengthens Transcom's on- and nearshore capabilities, especially for the German language
- Expands footprint to Greece with a large talent pool for European languages
- 20 MEUR revenue, double digit profitability



# High growth in Service& Utilities segment

Revenue by industry, EUR Millions



## Q2 top wins (annual revenue)

<b>Insurance</b> Outbound services EMEA onshore <b>0.3 MEUR</b>	<b>Healthcare</b> Customer support EMEA Nearshore <b>0.3 MEUR</b>
<b>Travel</b> Customer support PH offshore <b>0.2 MEUR</b>	<b>Media &amp; entertainment</b> Social media support EMEA onshore <b>0.2 MEUR</b>
<b>Banking &amp; financial</b> Backoffice EMEA nearshore <b>0.1 MEUR</b>	<b>Retail &amp; e-commerce</b> Customer care EMEA nearshore <b>0.1 MEUR</b>
<b>Retail &amp; e-commerce</b> Dealer support EMEA onshore <b>0.1 MEUR</b>	<b>Energy</b> Outbound marketing EMEA onshore <b>0.1 MEUR</b>

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



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Strategy going forward

# Q2 Financial highlights

## Continued revenue growth in tougher market

- 174.8 MEUR (172.7)
- Growth of 1.2% vs Q1 2022, where off 5.9pp organic

## Q2 EBITDA ex non-recurring items improving

- 20 MEUR (19.4)
- Margin of 11.4% (11.2%)

**Net working capital** of 72.3 MEUR (55.6M EUR), which corresponds to 10% of the revenue. Improvement of client receivables vs same period last year with 0.5pp

**Operating cash flow** was 5.8 MEUR (0.1)

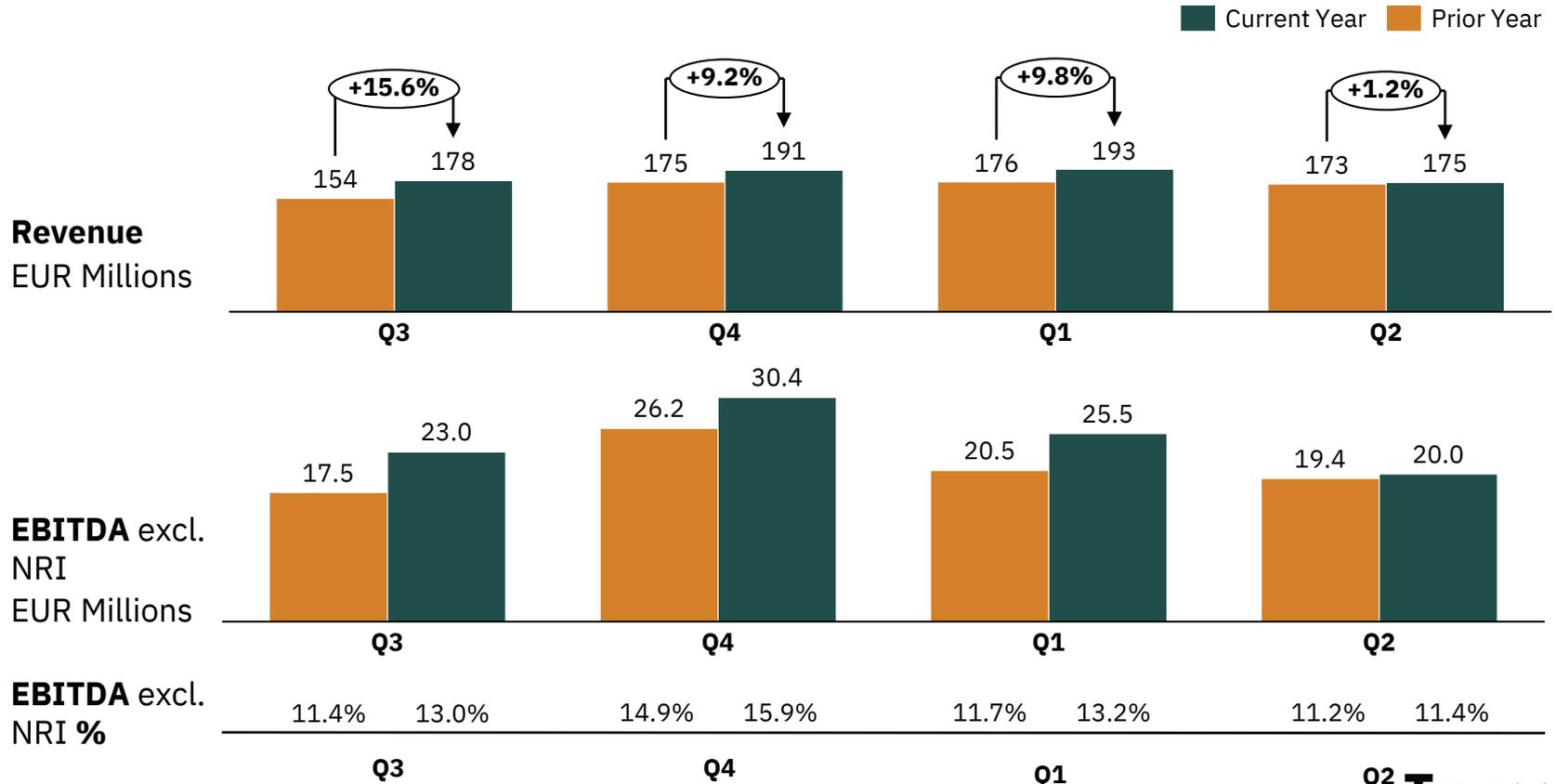
**Non-recurring items:** -1.8 MEUR (-7.2)

**Net debt/EBITDA** of 3.5 (3.9)

**Moody's upgraded Transcom's outlook from stable to positive** reflecting the strong performance in 2022, market leading position in EMEA and off- and nearshore activities

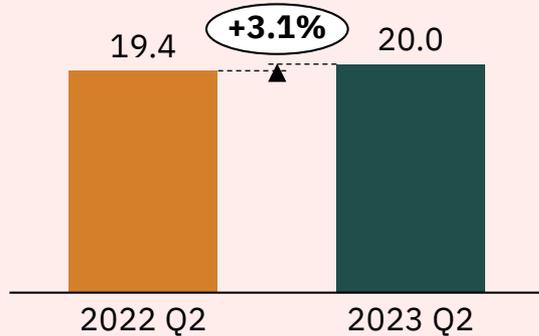


# Continued y/o/y growth and profitability improvements

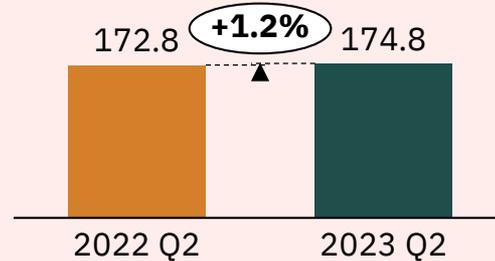


# Q2 growth and margin improvements is primarily organic

EBITDA, EUR Millions

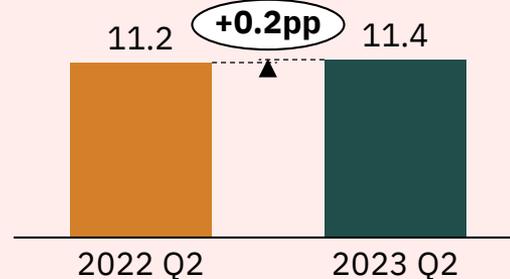


Revenue, EUR Millions



- Organic growth adjusted for exited contract in Spain of 5.9%
- Negative impact from currency of 2.4%
- Acquired growth 1.6%

EBITDA Margin, Percent



- Improved operational efficiency
- Continued mix shift
- Particularly strong performance in the Global English segment

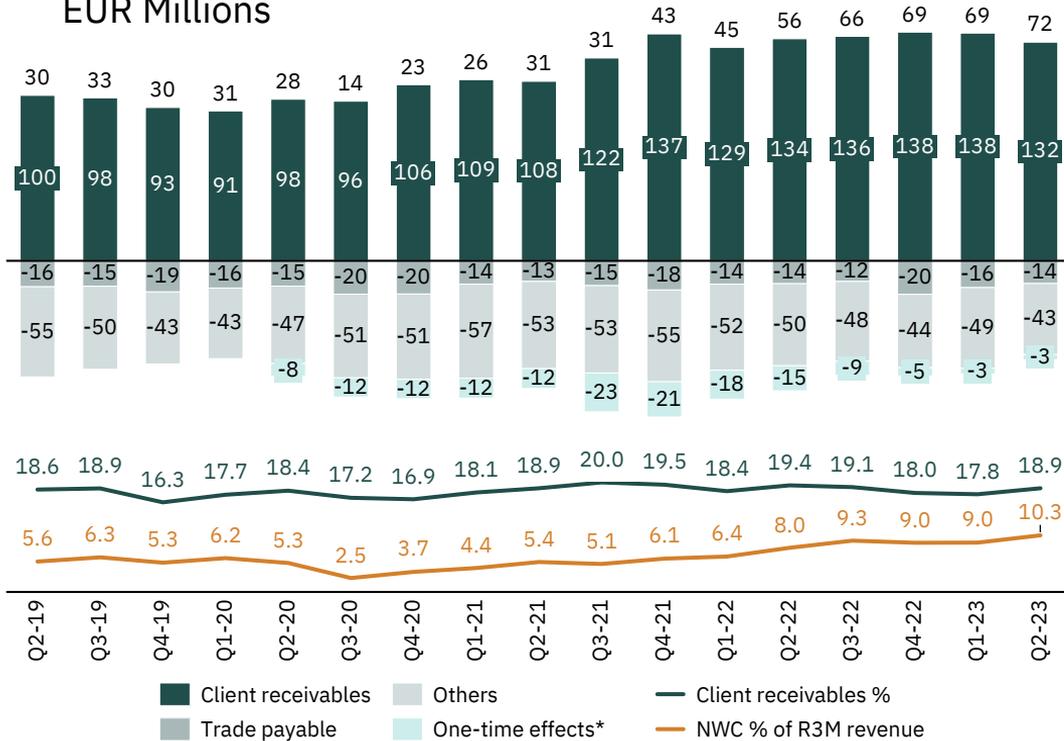
# Development by segment

EUR Millions

		Revenue			EBITDA			EBITDA Margin, %		
		Q2 22	Q2 23	Change	Q2 22	Q2 23	Change	Q2 22	Q2 23	Change
Sector	eCommerce & Tech	78.1	80.5	3.1%	10.8	13.2	2.5	13.8	16.4	2.7pp
	Services & Utilities	50.3	52.0	3.3%	4.3	5.4	1.1	8.5	10.4	1.9pp
	Telco & Cable	44.3	42.3	-4.5%	4.4	1.4	-3.0	9.9	3.2	-6.7pp
Region	Europe	119.4	123.0	3.0%	12.7	12.1	-0.6	10.7	9.9	-0.8pp
	Global English	53.3	51.8	-3.0%	6.7	7.9	1.2	12.6	15.2	2.6pp
TOTAL		172.8	174.8	1.2%	19.4	20.0	0.6	11.7	13.2	1.5pp

# Lower Client receivables % of revenue vs last year

EUR Millions



- Lower Client receivables, both nominally and as % of Revenue compared to the same quarter last year
- Net working capital increase in the quarter due to low level of trade payables and reduction of the one-time positive effects

# Improving operating cash flow

EUR Millions

EURm	2020	2021	2022	2022 YTD JUN	2023 YTD JUN	2022 Q2	2023 Q2
Profit/loss before tax	-7.9	-5.2	10.6	0.6	0.4	-3.3	-3.1
Adjustments for non-cash items	38.6	43.4	42.5	20.0	14.9	9.5	10.0
Net financial items	19.4	27.1	24.8	10.1	17.9	4.8	9.2
Income taxes paid	-4.9	-9.0	-8.2	-5.1	-4.8	-2.3	-3.9
<b>Operating cash flow before NWC changes</b>	<b>45.2</b>	<b>56.3</b>	<b>69.7</b>	<b>25.5</b>	<b>28.3</b>	<b>8.6</b>	<b>12.1</b>
Changes in working capital	5.0	-34.3	-17.3	-10.2	-4.6	-8.5	-6.3
<b>Operating cash flow</b>	<b>50.3</b>	<b>22.0</b>	<b>52.4</b>	<b>15.4</b>	<b>23.7</b>	<b>0.1</b>	<b>5.8</b>
Investments/disposals	-14.4	-20.9	-24.2	-9.2	-8.4	-3.8	-2.1
Acquisitions/disposals of business, net of cash	-6.8	-23.7	-9.8	-5.0	-6.7	-	-1.8
Other	0.1	-0.7	0.4	0.1	-0.3	0.2	-0.5
<b>Cash flow from investing activities</b>	<b>-21.1</b>	<b>-45.3</b>	<b>-33.6</b>	<b>-14.1</b>	<b>-15.4</b>	<b>-3.7</b>	<b>-4.3</b>
<b>Cash flow from financing activities</b>	<b>-28.8</b>	<b>49.6</b>	<b>-25.9</b>	<b>-8.9</b>	<b>-3.9</b>	<b>0.9</b>	<b>-1.9</b>
<b>Cash flow for the period</b>	<b>0.4</b>	<b>26.4</b>	<b>-7.1</b>	<b>-7.6</b>	<b>4.4</b>	<b>-2.7</b>	<b>-0.3</b>

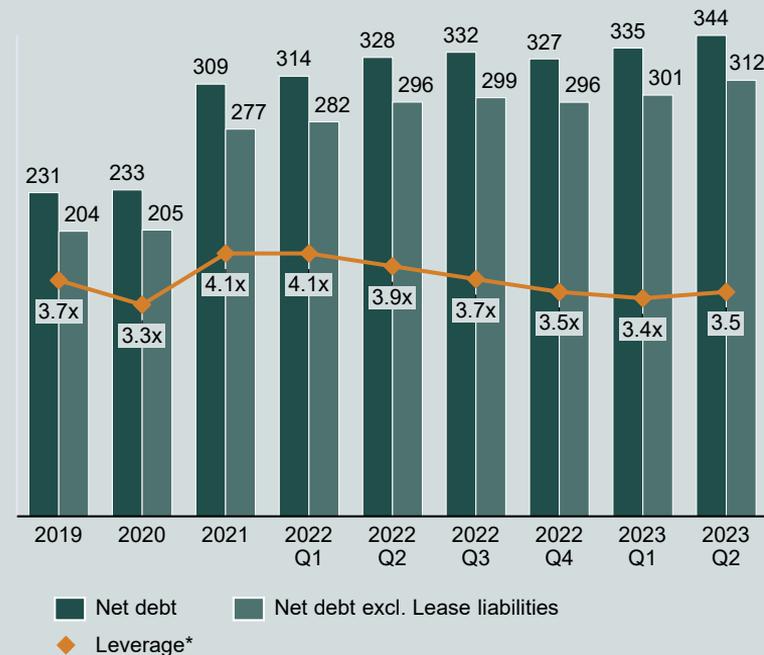
- Operating cash flow EUR 5.8M (0.1) in the quarter, with continued improved Working capital -6.3M (-8.5)
- Cash flow from investing activities EUR -4.3M (-3.7) includes earnout payment for previous acquisition
- Cash flow from financing activities EUR -1.9M (0.9)

# Net debt and leverage development

EUR Millions

Debt structure	Maturity	Outstanding balance				
		2019	2020	2021	2022	Q2 2023
Fixed rate secured notes	<i>Paid June 2021</i>	180.0	180.0	-	-	-
Floating rate secured notes	Dec 2026	-	-	315.0	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	34.2
5-year secured bond	<i>Paid June 2021</i>	10.0	10.0	-	-	-
Lease liabilities		27.5	28.8	32.1	31.0	32.1
Other items incl. in net debt		7.1	8.2	1.0	-1.9	-3.3
<b>Gross debt</b>		<b>245.6</b>	<b>247.0</b>	<b>348.1</b>	<b>358.2</b>	<b>378.1</b>
Cash on balance		14.3	13.7	39.2	31.4	34.5
<b>Net debt*</b>		<b>231.2</b>	<b>233.3</b>	<b>308.8</b>	<b>326.8</b>	<b>343.6</b>

## Net debt and leverage

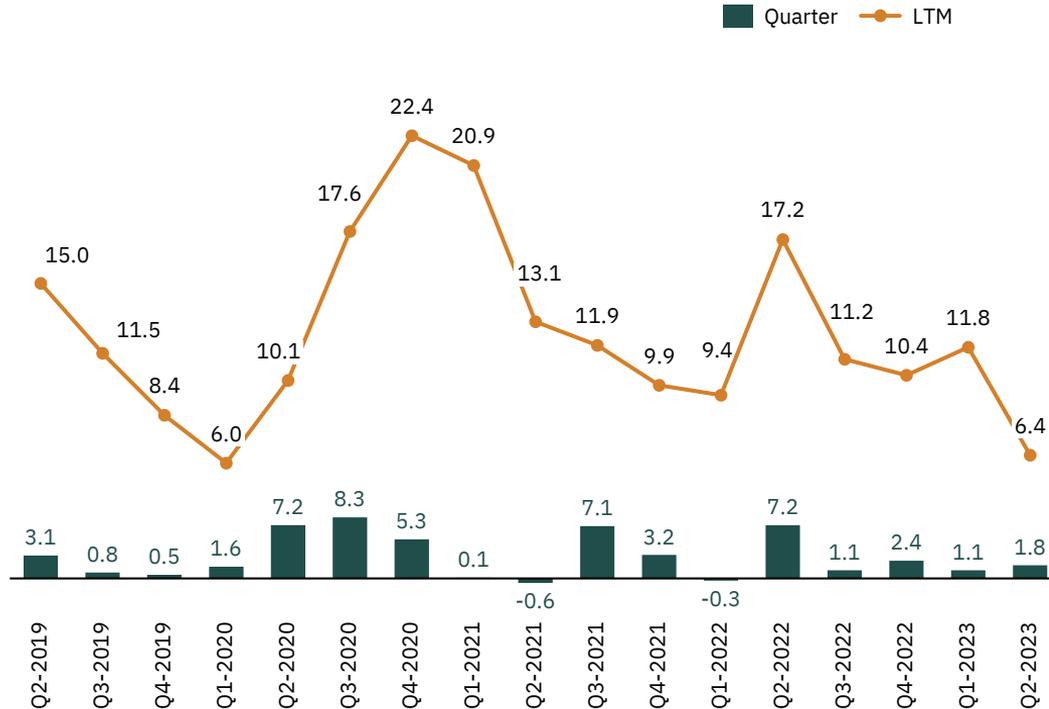


\*Net debt, incl. Lease liabilities/adj. EBITDA excl. NRI

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# Non-recurring items 1.8 MEUR in Q2

EUR Millions



Q2 NRI totaled -1.8M (-7.2)

- Operational non-recurring items of -2.2M, including restructuring costs mainly relating to site reductions
- Transaction-related non-recurring items of 0.4M including accrual release and costs for M&A projects



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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 underlying growth

- 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.

## Continuing as we do

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

**Conservative**  
leverage

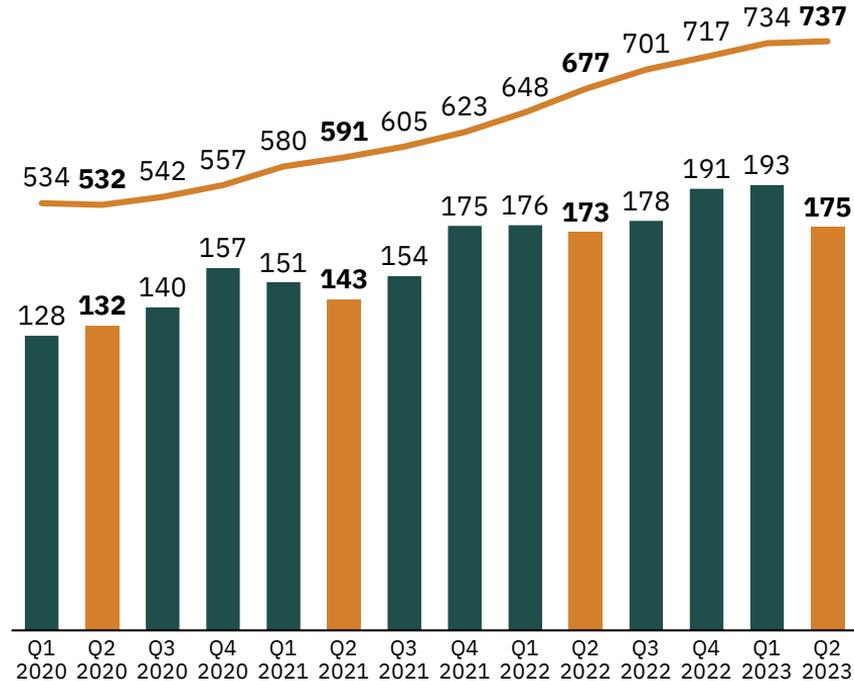
## Conservative leverage, reinvesting in growth when leverage permits

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

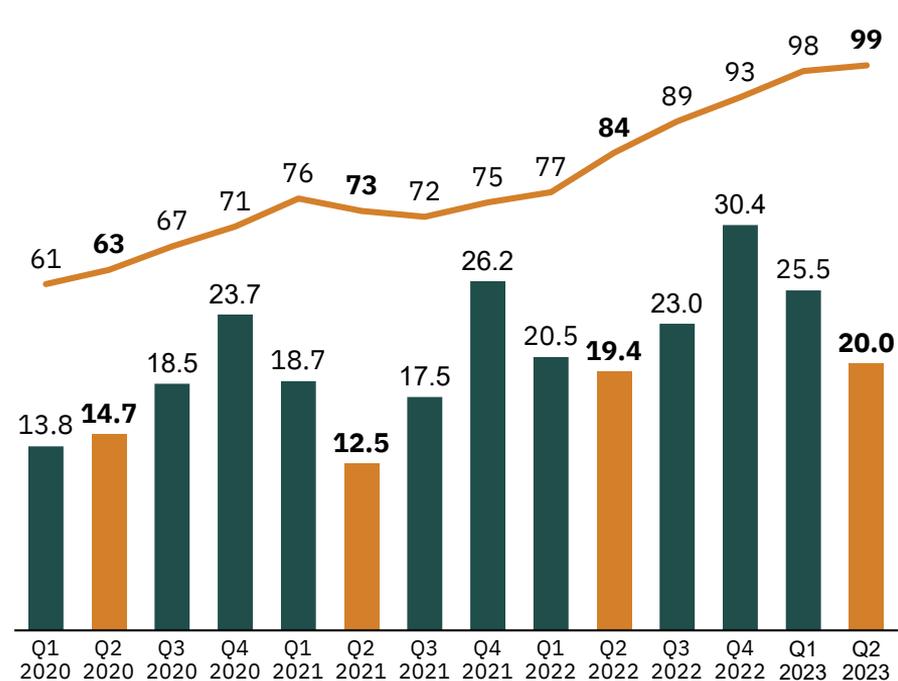
# Continuing on a trajectory of profitable growth

EUR Millions

## Revenue



## EBITDA excl. NRI



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