

August 22, 2024

Q2 2024 Presentation

A man with short dark hair, wearing a grey polo shirt and a white lanyard with the Transcom logo, is looking off to the side. He is standing in front of a glass wall with two wooden bee hotels hanging from the top. The background shows a blurred outdoor scene with greenery and a blue sky.

Transcom

Today's presenters



Brian Johnson
President & CEO



Snejana Koleva
CFO

CEO's reflections: Highlights from first 100 days

- 9 countries, 21 covering more than ~75% of employee and ~60% revenue with town halls, focus groups, leadership meetings and business reviews
- Met with 20+ of our top clients, most in person
- World class people, sites, processes, tools, technologies and partnerships
- True culture of innovation appreciated and leveraged by our client partners
- Great client relationships and proximity across many diverse industries
- Hyperscale and start up offering is a gem, large quantity non-traditional support roles
- Best in class client NPS
- Solid employee NPS and retention rates
- Multiple well-deserved and hard-earned industry analyst recognitions
- Growth on installed client base against the offset of exited contracts
- Healthy pipeline, multiple new clients acquired in 2024 building foundation for 2025 forward
- Transcom is a capable, yet sometimes underestimated provider with substantial value and much more to ready to be unlocked and a valuation potential greater than many publicly traded peers

CEO's reflections: Top Opportunities

- Acceleration of growth emerging from Covid pull forward and exited contracts
- US market concentration and overall market share
- Expansion of the America's Nearshore delivery footprint
- Internal transformation and overall cost optimization
- Expanded penetration of our Digital offerings to existing clients and solutions proposed to new prospects
- Growth of offshore capacity and shore mix
- Consistency of delivery and experience across EMEA markets
- Rationalization B&M capacity
- Organizational structure alignment to strategy and top priorities

Q2 2024 highlights

- **Revenue:** 180.7M€ (174.8) (3.4%), 0.5% organic growth excl low-margin contract exit in Spain in Q2 2023
 - New wins and growth in existing client base was 3.8%, fully offsetting the impact of the exited and ended contracts
- **EBITDA margin:** 9.3% (11.4%), decline due to temporary challenges in EMEA with reducing and repositioning of volumes, and short-term impacts of sales investments
- **Soft consumer demand continues to** impact volume in existing contracts, especially in eCom & Tech
- **New clients, strong sales pipeline and capacity optimization actions** offer strong confidence for 2025

We
keep
our
promises.





Transcom overview and priorities

Q2 Financial performance

Financial targets and outlook

Transcom at a glance

Mission

We are a digital-native company, transforming our clients' customer experience and business processes by integrating human expertise with cutting-edge AI technologies.

Our commitment is to drive unparalleled value for our people, clients, and investors, through responsible and sustainable practices.

Services

Providing a world class customer experience powered by AI & digital solutions in all areas

- Customer care & technical support
- Customer acquisition, sales & retention
- Trust & Safety
- Compliance
- Back Office

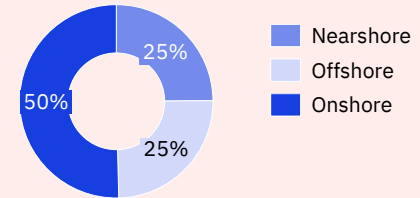
Footprint

85 sites

29 countries

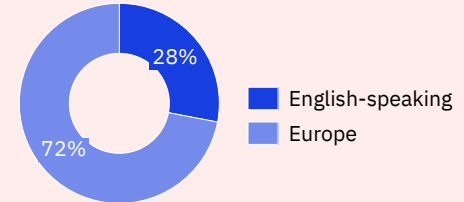
Shoring mix

Q2 LTM 2024 Share of revenue











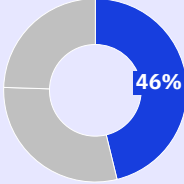








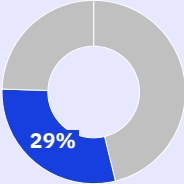




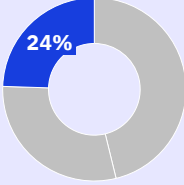


Regional mix

Q2 LTM 2024 Share of revenue



Serving leading consumer brands across industries

	Segment	Client examples	Share of revenue Q2 LTM 2024	EBITDA margin Q2 LTM 2024
eCommerce & Tech	 Social media  Online retail  IT/Tech  Fintech  Logistics  Consumer durables	 PayPal  SAMSUNG  Bolt  TechStyleOS	 46%	16.6%
Services & Utilities	 Utilities  BFSI  Gov & Healthcare  Media  Travel	 BNP PARIBAS  ADVANZIA BANK  GET YOUR GUIDE	 29%	8.8%
Telco & Cable	 Telecom operators  Cable TV & Broadband operators	 TELE2  Ice	 24%	7.1%

Business priorities

Growth levers



Clients: attract new clients offering high-value digital solutions with strong focus on specific markets and verticals coupled with intelligent shoring



Preferred Partner: maximize share of wallet through best-in-class performance and solid track record of delivering innovative solutions that add value



M&A: continue to pursue and acquire strategic assets that enhance our portfolio while enhancing our capabilities

Operational foundations



People: recruit, retain, and develop exceptional CX talent at all levels of the organization and be a preferred employer in all markets



Operations: exceed client expectations leveraging global standards and best practices consistently across our footprint



Transformation: continue our internal digital transformation journey to drive further efficiencies in our model to further increase our competitiveness through lower cost solutions focused on TCO

AI's impact – Transcom's perspective



Mixed market projections

Analysts present a spectrum of market projections, ranging from a downturn of **-3-4% annually**, to a growth at pre-pandemic rates of **+3-4%**. We have not seen material reductions in demand as a direct consequence of AI. Hype and dire predictions are dampened by realities of tech readiness and effort to implement.



Drive profitability

We expect margins to remain stable / increase as services evolve to become more complex and technology-driven in parallel to optimizing our cost structure through ongoing internal transformation.



Grow addressable market

BPO clients are investing in AI, and there is an increasing willingness to engage a BPO for AI initiatives. Some CX BPOs have advanced in Generative AI, but commercial deployment has been limited, with many pilots and proof of concepts in progress. We continue to believe the most substantive impacts to overall market volumes remains 3-5 years out but will accelerate with time.



Enhance productivity

Improvements are being driven by reductions in operational costs, enabled by automation and the expansion of offshore operations. We believe leveraging Digital and AI solutions internally is the most effective way to differentiate and increase market share being more competitive on cost and offering TCO oriented pricing model.



Increased demand for specific skills

We see growth in digital solutions necessitating a more digitally savvy workforce and all new skills to effectively design, implement and support AI and other digital solutions.

Transcom's digital strategy in five key pillars

Strategic roadmap for leveraging AI and digital tools to drive “onstage” (digital solutions leadership) and “backstage” (efficiency, tech savvy staff and commercial models) capabilities, governed by a responsible and ethical AI Approach.

	1 Market Leadership	2 Service Innovation	3 Operational Advancement	4 Digital Proficiency	5 Integrated Solutions
Focus	Strengthen market leadership by positioning AI-driven digital offerings	Disrupt the market with AI-driven solutions like Autopilot and real-time translation	Implement AI to increase efficiency, reduce costs, and optimize service delivery	Develop a workforce proficient in digital tools, ethics and methodologies	Seamlessly combine digital and traditional offerings to enhance client satisfaction
Plan	Showcase capabilities, incl Co-pilot, translation services, and accent localization. Targeted growth in key markets	Accelerating AI adoption to enhance client value and drive growth	Anticipating cost reductions and margin improvements through deeper AI integration, with benefits expected into 2025 and beyond	Continuous upskilling to improve efficiency and client outcomes	Deeper integration of digital capabilities to drive client satisfaction, grow share of wallet, and overall market share
Progress so far	Strategic solutions and digital products delivered; client NPS at best-in-class levels	41% client penetration with digital solutions. Rated Digital Leader by Industry Analysts	Scoping complete and workstreams defined, teams assembled for AI-driven operational enhancements	Rolled out key digital assets	Initial improvements in client satisfaction through digital integration. 32% digital sales pipeline penetration



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Q2 Financial highlights

Organic revenue change of 0.0% in tougher market

- 180.7M€ (174.8)
- Growth of 3.4% vs Q2 2023. Comparable organic growth was 0.5%

Q2 EBITDA ex non-recurring items

- 16.8M€ (20.0)
- Margin of 9.3% (11.4%)

Net working capital of 67.5M€ (72.3), which corresponds to 9.3% of the revenue

Operating cash flow in the quarter was 6.2M€ (5.8)

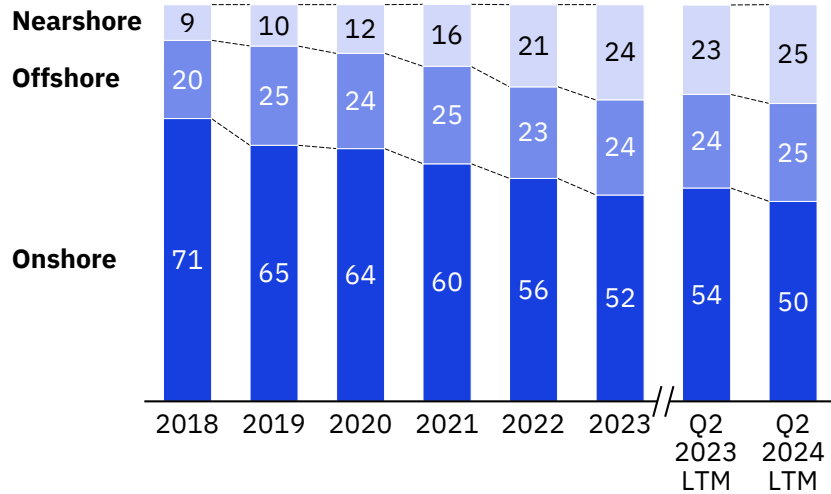
Non-recurring items: -5.7M€ (-1.8)

Net debt/EBITDA of 4.3 (3.5)

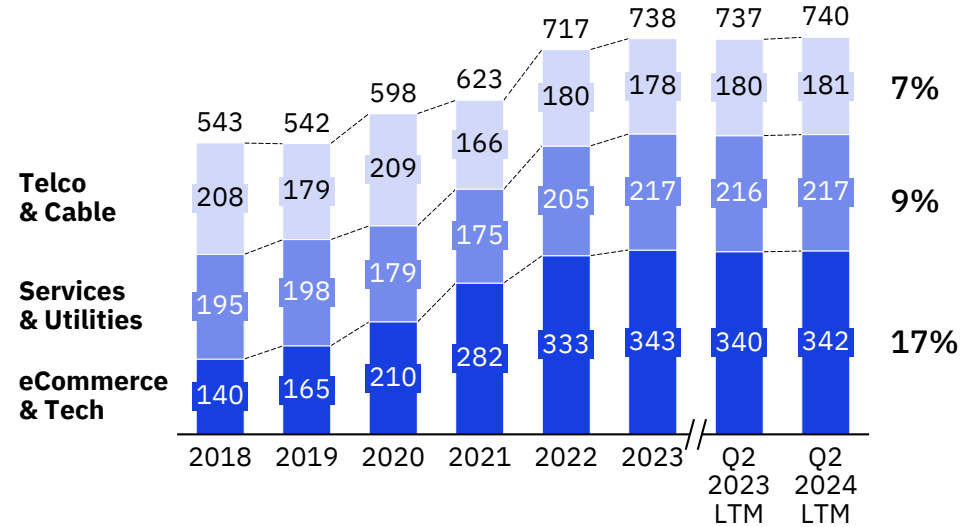


Shift towards favorable delivery mix and client sectors continues in line with strategy for long-term margin improvement

Share of Revenue by type of delivery, percent

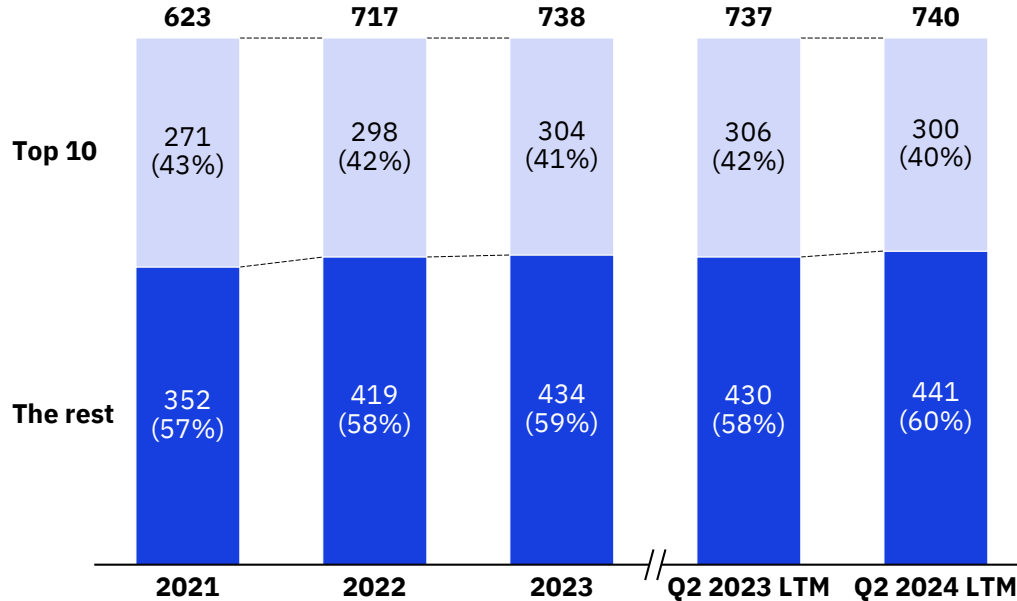


Revenue by industry, EUR Millions

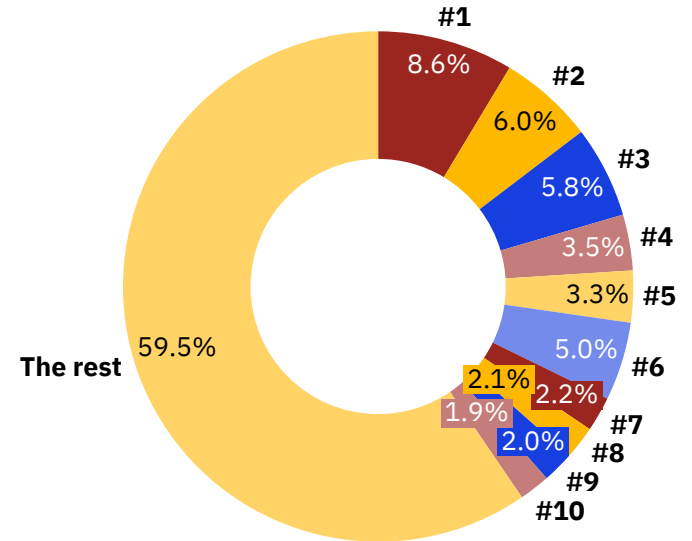


Low and stable client concentration, with top 10 clients representing 40% of the revenue base

Revenue concentration from top 10 clients as per Q2 2024 LTM revenue, EUR Millions

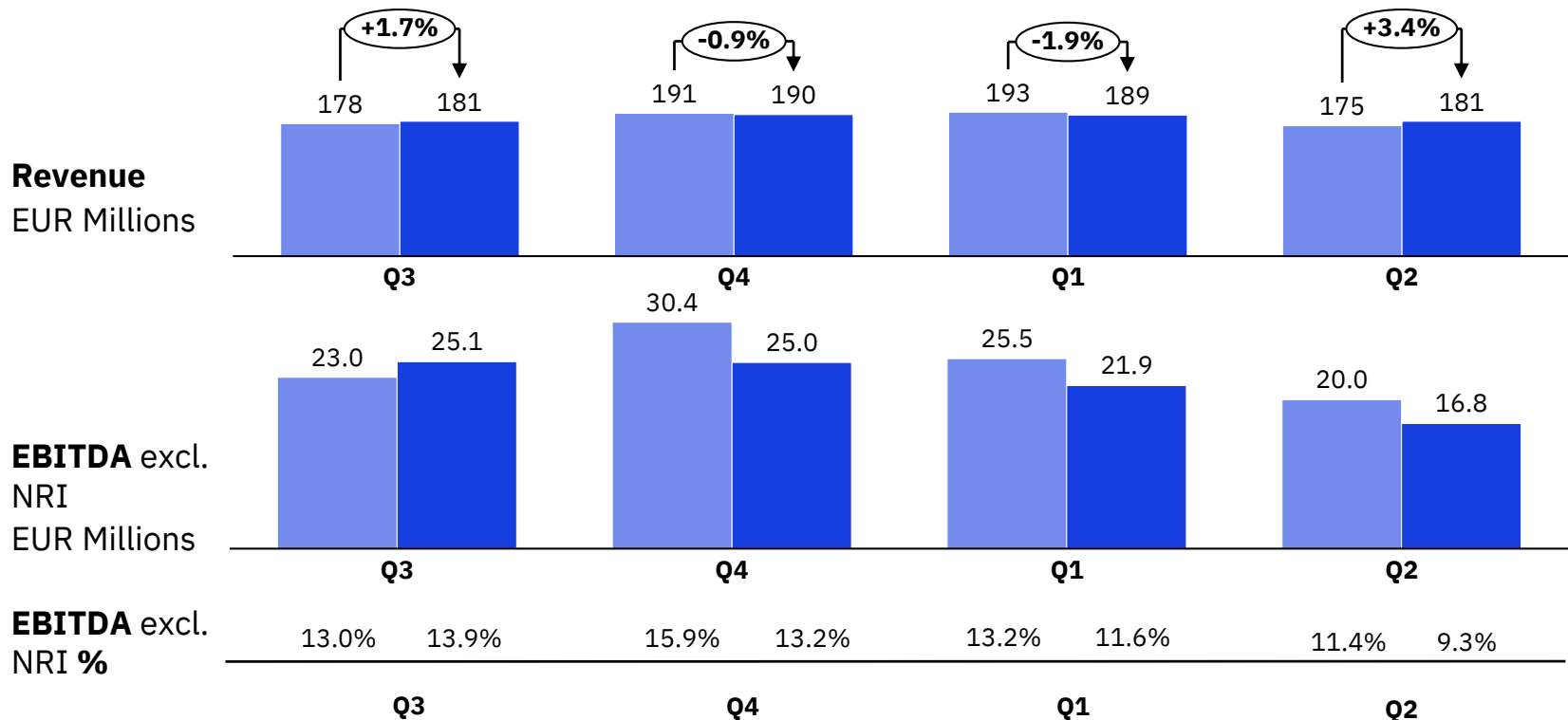


Revenue concentration of top 10 clients, Q2 2024, LTM



Revenue growth of 3.4%; margin impacted by excess capacity in Europe and sales investments

■ Current Year ■ Prior Year



Growth of 3.4% in Q2 with strong sales, excess capacity and sales investments impact margin in the short-term

EUR Millions	2023 Q2	Currency impact	Organic growth		Exited business in Spain	Inorganic growth	2024 Q2
			New and existing clients	Ended contracts			
Revenue	174.8	+0.6	+6.8	-5.8	-1.0	+5.5	180.7
Growth %		0.3%	3.9%	-3.3%	-0.6%	3.1%	3.4%
Europe	123.0	n.a.	+10.6	-5.4	-1.0	5.1	132.2
English	51.8	n.a.	-3.8	-0.4		0.5	48.5

EUR Millions	2023 Q2	Currency impact	Like-for-like comparison			Inorganic impact	2023 Q2
			Volume	Segment mix	Performance		
EBITDA	20.0	+0.4	+0.0	0.1	-3.6	+0.0	16.8
EBITDA %	11.4%						9.3%
Incl. Sales Investment*					-2.3		
Europe	12.1	n.a.	+0.9	-	-4.2	+0.6	132.2
EBITDA %	9.9%						7.2%
Sales investment*					-1.1		
English	7.9	n.a.	-0.5	-	+0.5	-0.5	7.4
EBITDA %	15.2%						15.2%
Sales investment*					-1.2		

- Net positive organic growth, offsetting the negative impact of ended and exited contracts
- Growth in Europe, but also ended contracts – strong replacement and new sales, but different geographies leading to excess capacity costs
- Headwinds in English, especially in eCom&Tech onshore, within existing clients due to macro trends – however performance is improving despite negative development
- Sales investments in the team has temporary dilutive impact
- Direct AI impact on volumes is insignificant

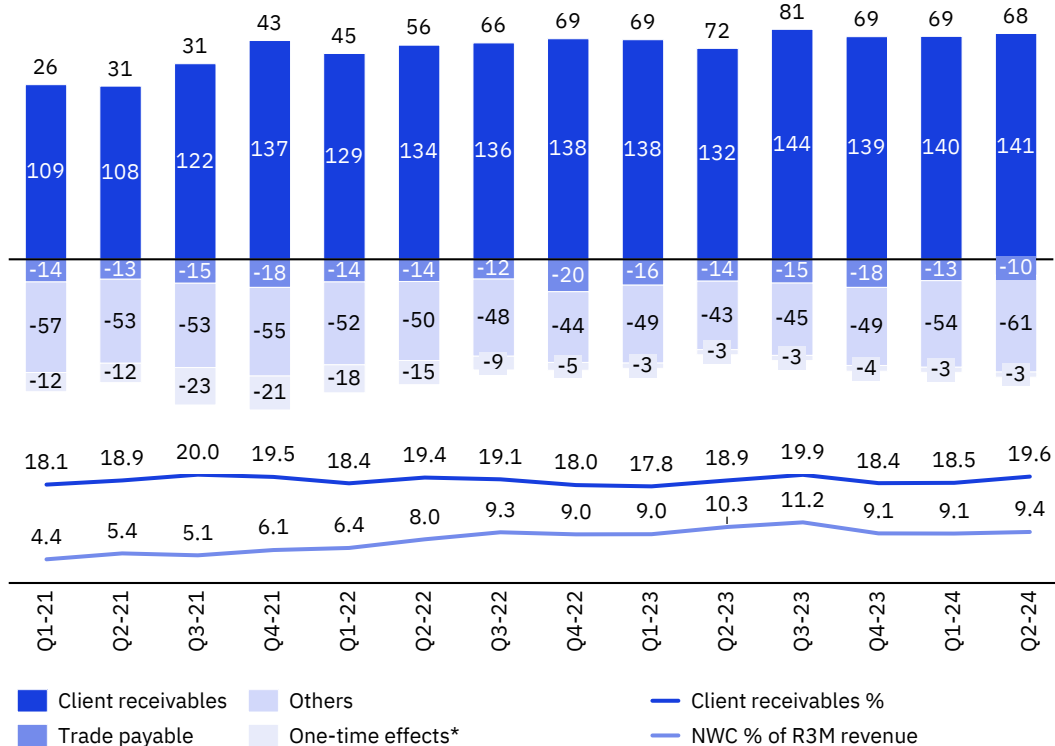
Q2 YTD Growth is 0.6%, margin challenges in Europe

EUR Millions	2023 Q2 YTD	Currency impact	Organic growth		Exited business in Spain	Inorganic growth	2024 Q2 YTD
			New and existing clients	Ended contracts			
Revenue	367.6	-0.0	+11.3	-11.5	-8.5	+11.0	369.9
Growth %		0.0%	3.1%	-3.1%	-2.3%	3.0%	0.6%
Europe	262.5	n.a.	+18.8	-11.5	-8.5	10.4	271.6
English	105.1	n.a.	-7.5	+0.1		0.6	98.3

EUR Millions	2023 Q2	Currency impact	Like-for-like comparison			Inorganic impact	2023 Q2
			Volume	Segment mix	Performance		
EBITDA	45.5	+0.4	-1.1	0.5	-7.1	+0.4	38.7
EBITDA %	12.4%						10.5%
Incl. Sales Investment*					-3.3		
Europe	28.3	n.a.	-1.1	-	-7.3	+1.0	20.9
EBITDA %	10.8%						7.7%
Sales investment*					-1.8		
English	17.2	n.a.	-1.2	-	+2.3	-0.5	17.8
EBITDA %	16.4%						18.1%
Sales investment*					-1.8		

Stable NWC and Client receivables

EUR Millions



- Net working capital was in line with last quarter
- Client receivables also in line with recent quarters with a smaller increase
- The increase in “other” is mainly related to increased accruals for bonus and other personnel related costs

Operating Cash Flow slightly improving vs Q2 last year

EUR Millions

	2021	2022	2023	2023 Q2	2024 Q2	2023 YTD	2024 YTD
Profit/loss before tax	-5.2	10.6	-8.7	-3.1	-11.0	0.4	-14.4
Adjustments for non-cash items	43.4	42.5	46.8	10	8.9	14.9	22.8
Net financial items	27.1	24.8	37.6	9.2	10.4	17.9	22.1
Income taxes paid	-9.0	-8.2	-10.8	-3.9	-2.2	-4.8	-5.1
Operating cash flow before NWC changes	56.3	69.7	64.9	12.1	6.1	28.3	25.4
Changes in working capital	-34.3	-17.3	-2.3	-6.3	0.1	-4.6	-0.4
Operating cash flow	22.0	52.4	62.5	5.8	6.2	23.7	25
Investments/disposals	-20.9	-24.2	-22.0	-2.1	-2.9	-8.4	-8.3
Acquisitions/disposals of business, net of cash	-23.7	-9.8	-13.9	-1.8	-	-6.7	-2.6
Other	-0.7	0.4	-0.5	-0.5	0.0	-0.3	-1.5
Cash flow from investing activities	-45.3	-33.6	-36.2	-4.3	-2.8	-15.4	-12.4
Cash flow from financing activities	49.6	-25.9	-20.0	-1.9	-15.1	-3.9	-9.7
Cash flow for the period	26.4	-7.1	6.3	-0.3	-11.8	4.4	2.9

- Operating cash flow amounted to 6.2M€ (5.8)
- Cash flow from investing activities in the quarter amounted to -2.8M€ (-4.3), due to lower investments and acquisition related payments
- Cash flow from financing activities in the quarter amounted to -15.1M€ (-1.8) mainly related to interest payments
- Cash flow for the period in the quarter amounted to -11.8M€ (-0.3)

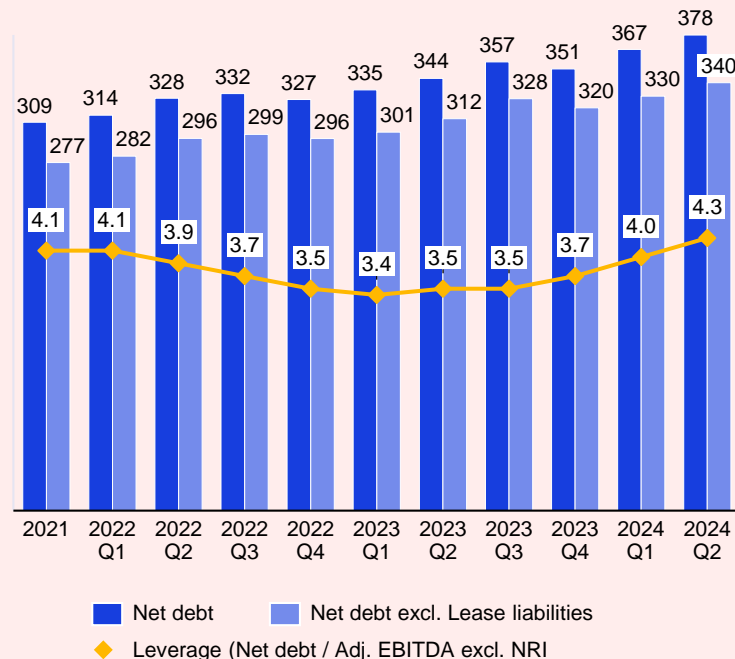
Net debt and leverage development

EUR Millions

Debt structure	Maturity	Outstanding balance				
		2021	2022	2023	Q1 2024	Q2 2024
Floating rate secured notes	Dec 2026	315.0	315.0	315.0	380.0	380.0
SSRCF incl. overdraft facility usage	June 2026	-	14.1	43.6	-	-
Lease liabilities		32.1	31.0	30.8	37.1	37.9
Other items incl. in net debt		1.0	-1.9	-2.6	0.4	-0.2
Gross debt		348.1	358.2	386.9	417.6	417.7
Cash on balance		39.2	31.4	35.8	50.9	39.6
Net debt		308.8	326.8	351.1	366.6	378.1

- No usage of SSRCF - full repayment with the proceeds of the increased amount of the FRNs in Jan 2024
- Lease liabilities increase with new lease agreements in Tunis, India, and Philippines - expansion of offshore capacity

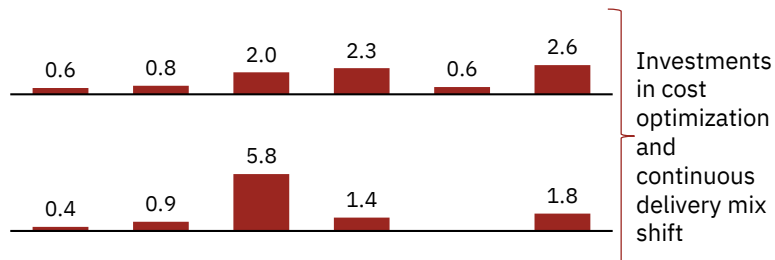
Net debt and leverage



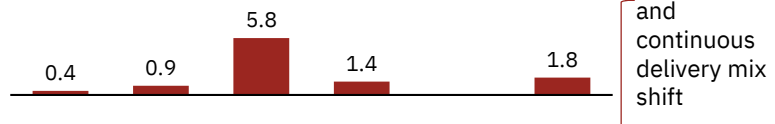
Non-recurring items

2023-2024 Q2, EUR Millions

Severance costs due to reorganizations



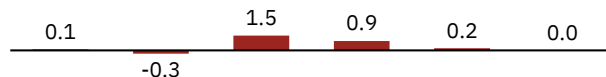
Site closures and reductions



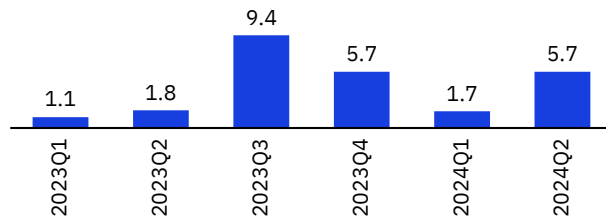
Other, e.g. legal costs, write offs of IT assets, etc.



Transaction-related (M&A)



Total



- Severance costs for managerial positions reductions related to reorganizations and cost optimization initiatives
Typical payback less than 12 months
- Site capacity reductions – costs related to penalties or onerous leases
- In 2023 and 2024 reduction of ~3900 seats – majority in the US, Netherlands, Spain, Germany, Croatia, Slovenia
- In 2024 - annualized cost savings of ca 3M€
- Q4 2023 - warrant issuance for Management Investment Program
- Q1 2024 – IT legacy systems and duplicate links write offs
- Q2 2024 – warrant issuance for Management Investment Program, Vacation allowance for 2022-2023, Procurement program consulting support
- Transaction-related fees and advisors' costs

Outlook for 2024 based on the current initiatives expected to be similar to slightly above of 2023 levels



Transcom overview and priorities

Q2 Financial performance

Financial targets and outlook

Financial targets

>16%
EBITDA IFRS 16

Continuation on the trend

- Operational Excellence
- Digital solutions
- Capacity rationalization
- Client mix shift
- Near/offshore expansion

>5–10%
organic growth p.a.

Sustaining underlying growth

- Investments in sales and commercial organization
- Strong rebalancing toward US market penetration
- Grow share of wallet / market share

>5–10%
acquired growth p.a.

Focus areas for acquisitions

- Reinforcing market access and accretive bolt-ons
- Targeting margin rich assets that will lift group profile
- Seeking complementary capabilities to further enhance offerings and vertical depth

**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

Near-term outlook

Positive trend of improvement on track for end of year run rate, 2025 expected to be comparatively strong

Underlying growth within target range

Multiple potential targets reviewed and engaged monthly

Positive cash flow by end of year, expected to improve leverage into 2025

Appendix

Development by segment

EUR Millions

		Revenue			EBITDA			EBITDA Margin, %		
		Q2 23	Q2 24	Change	Q2 23	Q2 24	Change	Q2 23	Q2 24	Change
Sector	eCommerce & Tech	80.8	83.0	2.7%	13.3	9.3	-4.0	16.5	11.2	-5.3pp
	Services & Utilities	51.5	52.7	2.3%	5.3	4.9	-0.5	10.4	9.2	-1.1pp
	Telco & Cable	42.4	45.0	6.1%	1.3	2.6	1.3	3.1	5.8	2.8pp
Region	Europe	123.0	132.2	7.5%	12.1	9.5	-2.7	9.9	7.2	-2.7pp
	English-speaking	51.8	48.5	-6.2%	7.9	7.4	-0.5	15.2	15.2	-0.1pp
TOTAL		174.8	180.7	3.4%	20.0	16.8	-3.2	11.4	9.3	-2.1pp

Transcom