

November 14, 2024

Q3 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 two wooden bee hotels hanging from a wooden post. The background is a blurred outdoor setting with greenery and a blue sky.

Transcom

Today's presenters



Brian Johnson
President & CEO



Snejana Koleva
CFO

Q3 2024 highlights

- **Revenue:** 181.7M€ (180.6) (0.6%), 0.7% organic growth excl low-margin contract exit in Spain in Q2 2023
 - New wins and growth in existing client base contributed with 3.9%, fully offsetting the impact of the exited and ended contracts
- **EBITDA margin:** 13.1% (13.9%), improving consequentially and narrowing the gap vs Last year; improvements in Europe, ramp ups in English
- **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

Q3 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

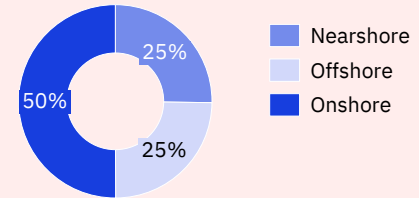
Footprint

85 sites

29 countries

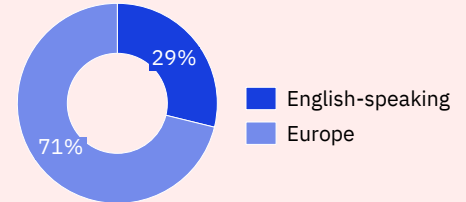
Shoring mix

Q3 LTM 2024 Share of revenue











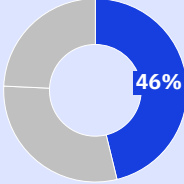








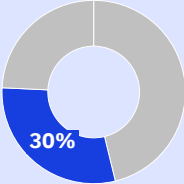




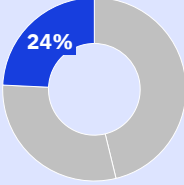


Regional mix

Q3 LTM 2024 Share of revenue



Serving leading consumer brands across industries

	Segment	Client examples	Share of revenue Q3 LTM 2024	EBITDA margin Q3 LTM 2024
eCommerce & Tech	 Social media  Online retail  IT/Tech  Fintech  Logistics  Consumer durables	 PayPal  SAMSUNG  Bolt  TechStyleOS	 46%	15.7%
Services & Utilities	 Utilities  BFSI  Gov & Healthcare  Media  Travel	 BNP PARIBAS  ADVANZIA BANK  GET YOUR GUIDE	 30%	9.5%
Telco & Cable	 Telecom operators  Cable TV & Broadband operators	 TELE2  ice	 24%	7.2%

Transcom Strategy for profitable growth



Clients

Strong partnerships built on trust allowing for quality account management and business development, supported by best in class solution design



Markets

Invest in North America and prime European markets, focusing on growth industries and service lines, with digital and tech integrated solutions



Delivery

Grow near/offshore, enter new key delivery markets, optimize footprint, dissolve traditional borders to enable labor arbitrage independent of language



Operations

Perform beyond client expectations with top leadership talent, best in class processes and technology, global footprint, and domain expertise



People

Leverage latest technology and people platforms to recruit, retain, and develop the best CX talent at all levels of the organization



Digital transformation

Through digital transformation further efficiencies in our model to further increase our competitiveness by lowering base costs, offering sophisticated solutions and a commitment to reduction of TCO



Inorganic growth

Continue to pursue and acquire strategic assets that enhance our portfolio while increasing our digital and capabilities adjacent to our core offerings

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

← Strong progress across all digital pillars →

Outcomes

Product development

- Prioritized product inventory
- Hubs for innovation and prototyping

Market readiness & demand generation

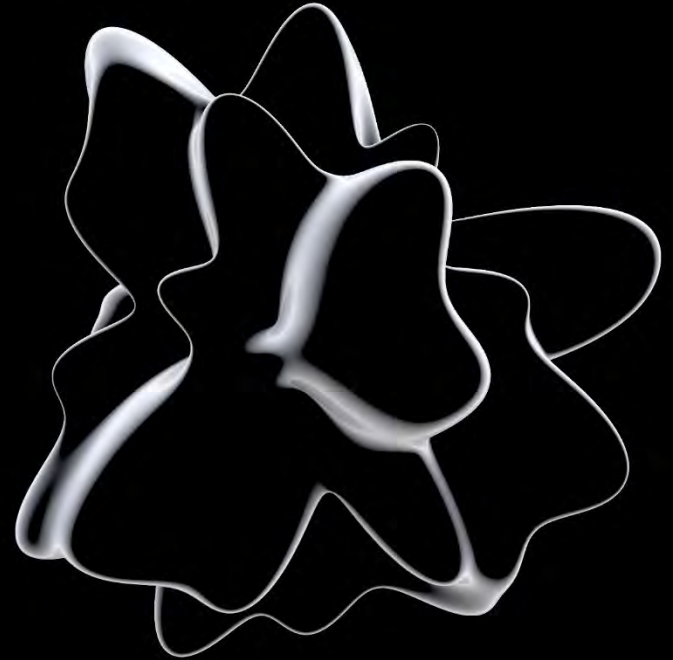
- Go-to-market strategy

Sales & operational enablement

- Learnings from pilots to BAU operations
- Enablement for sales and operational teams

Client engagement & sales

- Partner model framework
- Commercial framework
- Legal contract framework
- TCO (Total Cost of Ownership) simulator





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Q3 Financial highlights

Organic revenue change of 0.6% in tougher market

- 181.7M€ (180.6)
- Growth of 0.6% vs Q3 2023

Q3 EBITDA ex non-recurring items

- 23.9M€ (25.1)
- Margin of 13.1% (13.9%)

Net working capital of 64.5M€ (80.6), which corresponds to 8.9% of the revenue

Operating cash flow in the quarter was 21.7M€ (9.4)

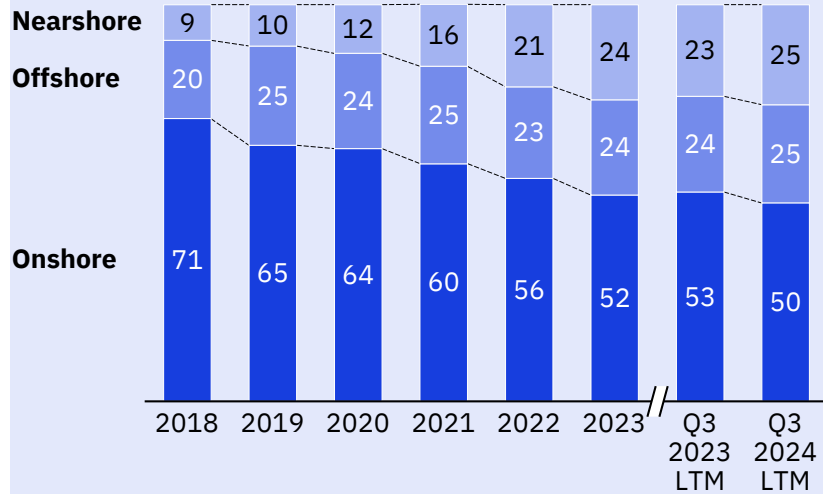
Non-recurring items: -2.3M€ (-9.4)

Net debt/EBITDA of 4.3 (3.5)



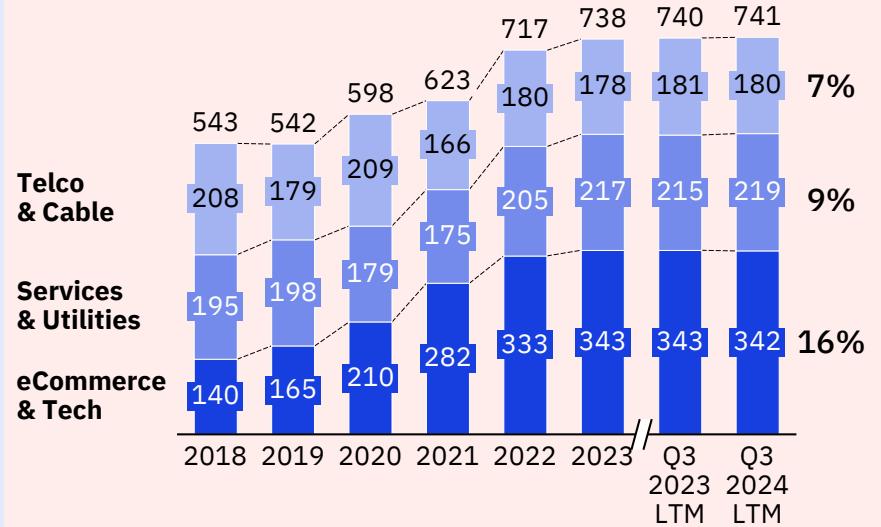
Shift towards favorable delivery mix and client sectors continues in line with strategy for long-term margin improvement

Share of Revenue by type of delivery, percent



Revenue by industry, EUR Millions

EBITDA%
Q3 2024
LTM



Favourable delivery mix supported by expansions primarily offshore, while optimizing primarily onshore footprint

New capacity: continuing offshore expansions



Cairo, Egypt

- 750 seats (just opened)
- 20+ languages
- Strong talent pool: 600k university graduates, multilingual hub



Tunis, Tunisia

- 1070 seats (spring 2024)
- Offshore French
- Strong talent pool: 75k students, 20+ higher education facilities



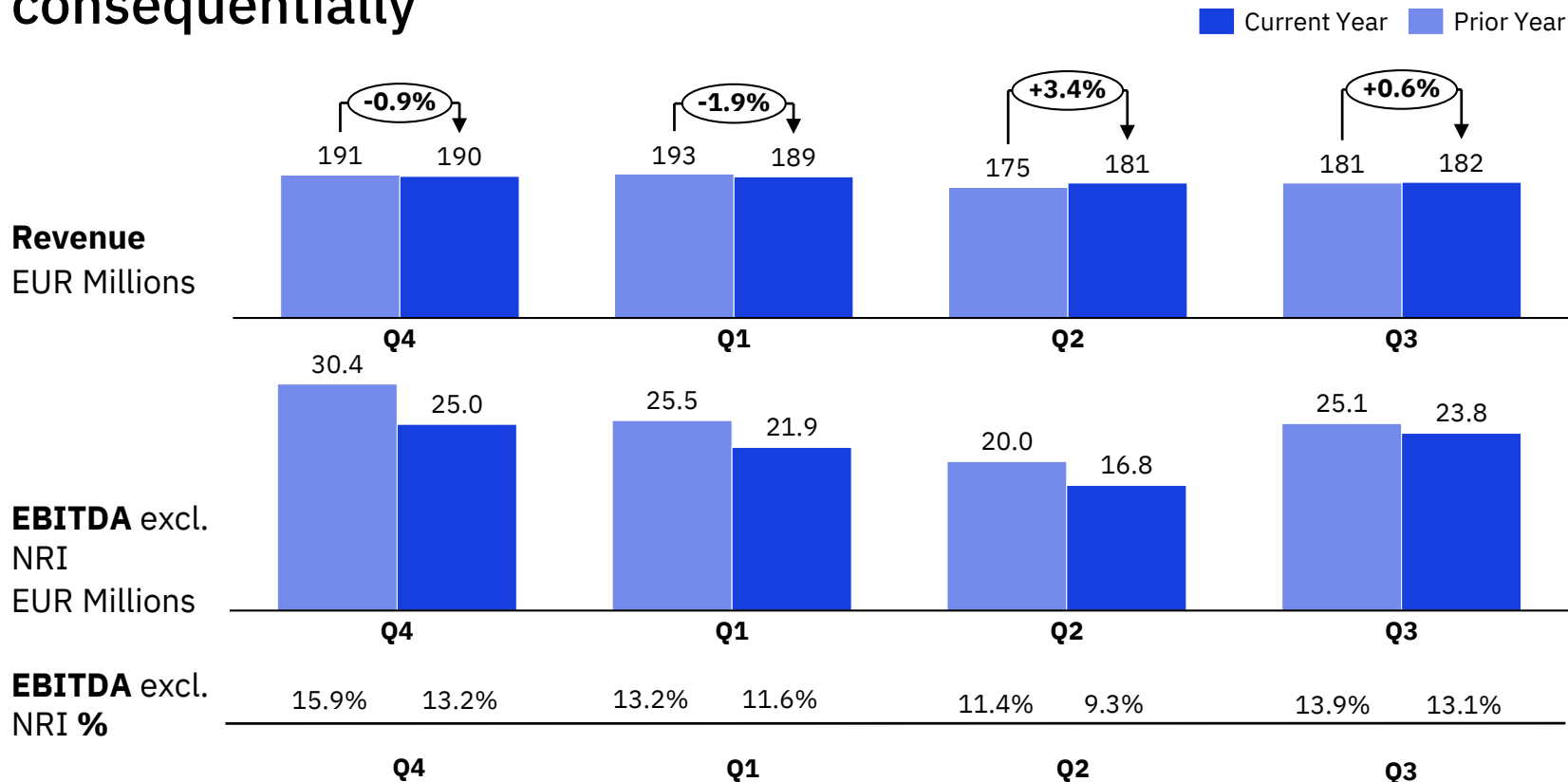
Pune, India

- 500+ seats (in implementation)
- BPO Hub - state-of-the-art infrastructure
- Strong talent pool: 9 universities, 500,000+ skilled resources

Recent capacity optimization

- Continuing to rationalize and consolidate capacity primarily onshore to:
 - Address markets where excess capacity has been a drag on financial performance
 - Adjust for WAH and Hybrid models
 - In total ca 5,000 seats
- Reductions in Germany
 - Transcom Essen and Transcom Berlin file for insolvency
 - Affected employees: 226
- Examples of other reductions:
 - Croatia
 - Spain
 - Portugal
 - Poland
 - Switzerland

Revenue growth of 0.6%; EBITDA margin improving consequentially



Growth of 0.6% in Q3 with strong sales; Europe margin improving and English impacted by ramp up costs

EUR Millions	2023 Q3	Currency impact	Organic growth		Inorganic growth	2024 Q3
			New and existing clients	Ended contracts		
Revenue	180.8	-0.5	+7.0	-5.8	+0.4	181.7
Growth %		-0.3%	3.9%	-3.2%	0.2%	0.6%
Europe	126.1	n.a.	+8.7	-5.2	0	129.6
English	54.5	n.a.	-2.2	-0.6	0.4	52.1

EUR Millions	2023 Q3	Currency impact	Like-for-like comparison			Inorganic impact	2023 Q3
			Volume	Segment mix	Performance & Shoring mix		
EBITDA	25.1	+0.8	+0.2	-1.1	-0.6	-0.4	23.8
EBITDA %	13.9%						13.1%
Incl. Sales Investment*					-1.4		
Europe	13.7	n.a.	+0.4	-	0.7	0	14.8
EBITDA %	10.9%						11.4%
Sales investment*					-1.1		
English	11.4	n.a.	-0.6	-	-1.4	-0.4	9.0
EBITDA %	20.9%						17.3%
Sales investment*					-0.4		

- Positive organic growth of 3.9% with new and existing clients, offsetting the negative impact of ended and exited contracts
- Growth mainly in Europe, but also ended contracts – strong replacement and new sales
- Continued headwinds in English, especially in eCom&Tech onshore and offshore
- Investments in sales and digital teams has temporary dilutive impact – started in Q3 last year

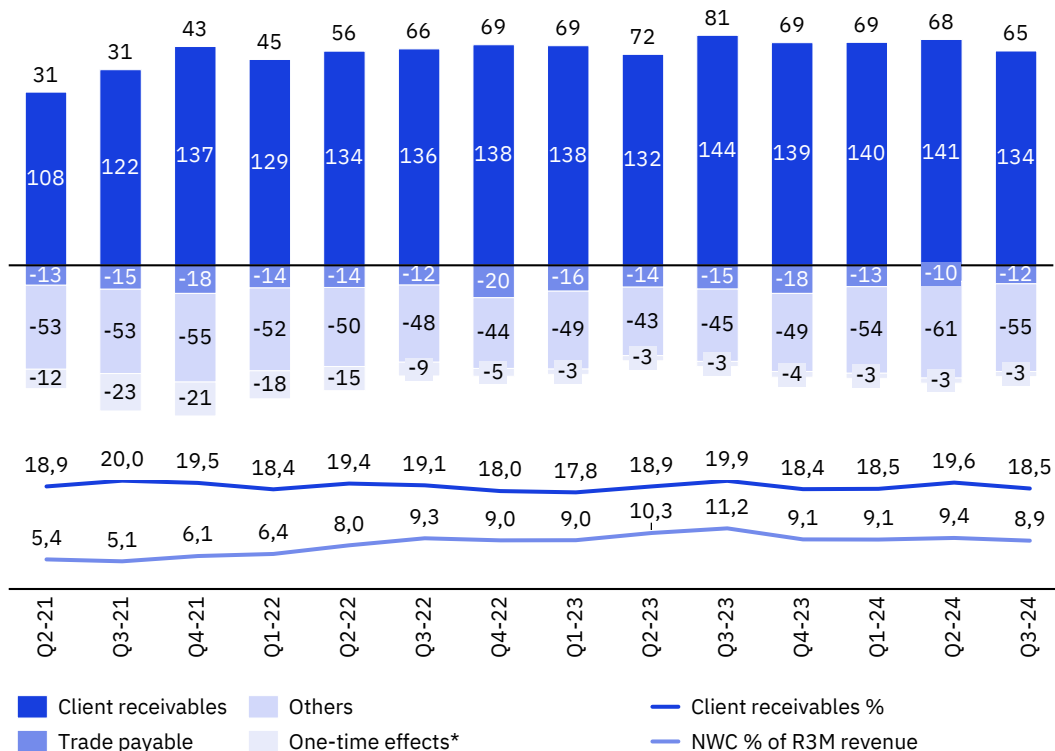
Q3 YTD Growth is 0.6%, margin challenges in Europe

EUR Millions	2023 Q3 YTD	Currency impact	Organic growth		Exited business in Spain	Inorganic growth	2024 Q3 YTD
			New and existing clients	Ended contracts			
Revenue	548.2	-0.6	+18.3	-17.3	-8.5	+11.4	551.6
Growth %		-0.1%	3.3%	-3.2%	-1.6%	+2.1%	0.6%
Europe	388.6	n.a.	+27.5	-16.8	-8.5	10.4	401.2
English	159.6	n.a.	-9.7	-0.6		1.0	150.3

EUR Millions	2023 Q3	Currency impact	Like-for-like comparison			Inorganic impact	2023 Q3
			Volume	Segment mix	Performance		
EBITDA	70.6	+1.2	-1.0	-2.8	-5.5	0.0	62.6
EBITDA %	12.9%						11.3%
Incl. Sales Investment*					-4.7		
Europe	42.0	n.a.	-0.7	-	-6.6	+1.0	35.8
EBITDA %	10.8%						8.9%
Sales investment*					-2.6		
English	28.6	n.a.	-1.8	-	+1.1	-1.0	26.8
EBITDA %	17.9%						17.8%
Sales investment*					-1.8		

Stable NWC and Client receivables

EUR Millions



- Net working capital decreased compared with last quarter and last year Q3
- Client receivables also decreased compared with recent quarters – with increased factoring and improved collection cycles
- The decrease in “others” is mainly related to decreased in accruals for vacation and other personnel related costs

Operating Cash Flow improving vs Q3 last year

EUR Millions

	2021	2022	2023	2023 Q3	2024 Q3	2023 YTD	2024 YTD
Profit/loss before tax	-5.2	10.6	-7.7	-6	-2	-5.7	-16.4
Adjustments for non-cash items	43.4	42.5	45.7	15.4	8.9	30.2	31.8
Net financial items	27.1	24.8	37.6	9.7	11.8	27.6	33.8
Income taxes paid	-9.0	-8.2	-10.8	-2.9	-1.7	-7.7	-6.7
Operating cash flow before NWC changes	56.3	69.7	64.9	16.2	17.1	44.5	42.5
Changes in working capital	-34.3	-17.3	-2.3	-6.8	4.6	-11.4	4.2
Operating cash flow	22.0	52.4	62.5	9.4	21.7	33.1	46.7
Investments/disposals	-20.9	-24.2	-22.0	-6.5	-5.3	-14.8	-13.6
Acquisitions/disposals of business, net of cash	-23.7	-9.8	-13.9	-7.2	-0.5	-13.9	-3.1
Other	-0.7	0.4	-0.5	-0.2	0.3	-0.1	-1.2
Cash flow from investing activities	-45.3	-33.6	-36.2	-13.4	-5.6	-28.8	-17.9
Cash flow from financing activities	49.6	-25.9	-20.0	0.3	-13.3	-3.6	-23.1
Cash flow for the period	26.4	-7.1	6.3	-3.8	2.8	0.7	5.7

- Operating cash flow amounted to 21.7M€ (9.4)
- Cash flow from investing activities in the quarter amounted to -5.6M€ (-13.4), due to lower investments and acquisition related payments; the investments in Q3 mainly to the new facilities in Cairo and Tunis and updates in the Philippines
- Cash flow from financing activities in the quarter amounted to -13.3M€ (0.3) mainly related to interest payments
- Cash flow for the period in the quarter amounted to 2.8M€ (-3.8)

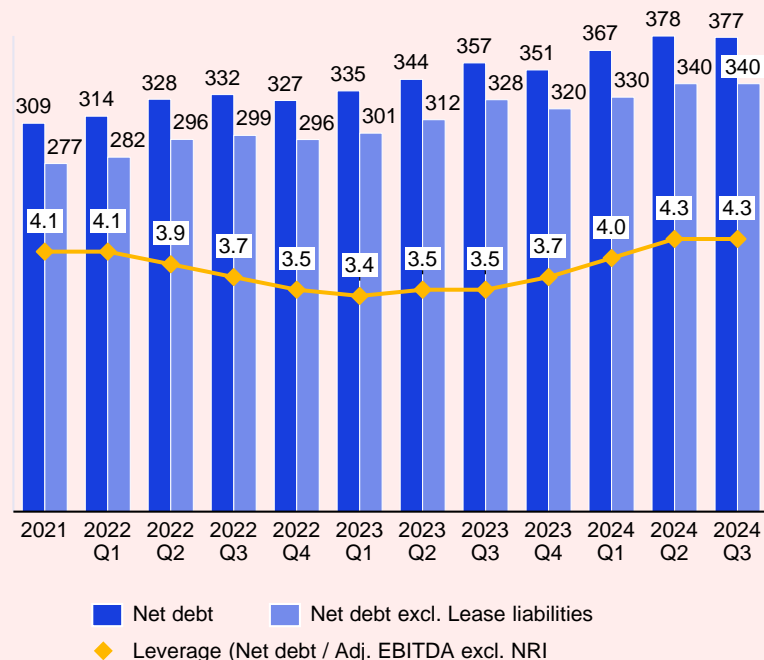
Net debt and leverage development

EUR Millions

Debt structure	Maturity	Outstanding balance			
		2021	2022	2023	Q3 2024
Floating rate secured notes	Dec 2026	315.0	315.0	315.0	380.0
SSRCF incl. overdraft facility usage	June 2026	-	14.1	43.6	-
Lease liabilities		32.1	31.0	30.8	37.0
Other items incl. in net debt		1.0	-1.9	-2.6	0.1
Gross debt		348.1	358.2	386.9	417.1
Cash on balance		39.2	31.4	35.8	40.0
Net debt		308.8	326.8	351.1	377.1

- 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

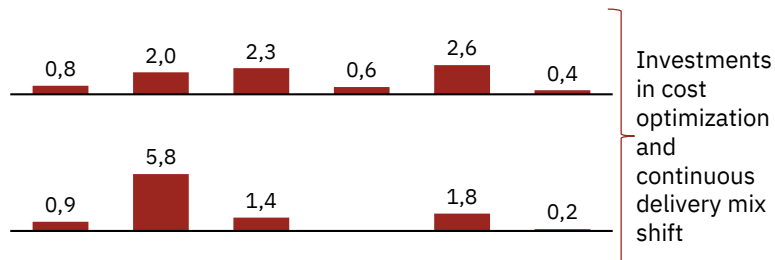
Net debt and leverage



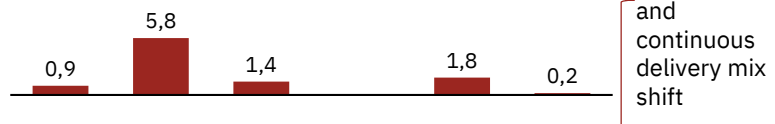
Non-recurring items

2023-2024 Q3, EUR Millions

Severance costs due to reorganizations



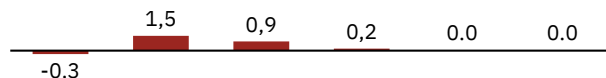
Site closures and reductions



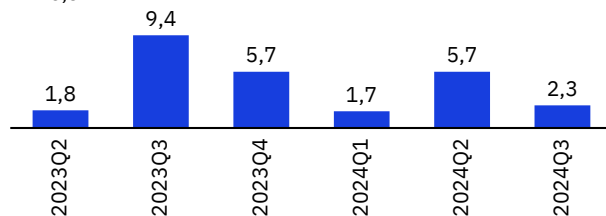
Other, e.g. legal costs, write offs of IT assets, etc.



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
- Q3 2024 – Procurement program consulting support, excess medical costs, various legal fees
- 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

Q3 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 with existing and new clients within target range

Multiple potential targets reviewed and engaged monthly

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

Appendix

Quarterly Development by segment

EUR Millions

		Revenue			EBITDA			EBITDA Margin, %		
		Q3 23	Q3 24	Change	Q3 23	Q3 24	Change	Q3 23	Q3 24	Change
Sector	eCommerce & Tech	86.5	87.1	0.7%	15.5	12.6	-2.9	17.9	14.5	-3.4pp
	Services & Utilities	49.3	51.2	3.9%	5.4	7.0	1.6	10.9	13.6	2.7pp
	Telco & Cable	44.8	43.4	-3.2%	4.3	4.3	0.0	9.6	9.9	0.3pp
Region	Europe	126.1	129.6	2.8%	13.7	14.8	1.1	10.9	11.4	0.5pp
	English-speaking	54.5	52.1	-4.5%	11.4	9.0	-2.4	20.9	17.3	-3.6pp
TOTAL		180.6	180.7	0.6%	25.1	23.8	-1.3	13.9	13.1	-0.8pp

Transcom