

Tecnotree

Financial Results

H1 2024

Investor presentation

January-June 2024

August 9, 2024

Today's Presenters



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CEO



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1 Business Review

2 Financial review

3 Guidance 2024

Tecnotree achieves positive free cash flow for the quarter, sustaining steady revenue growth

Net Sales

H1: EUR 34.9 million (34.8)
Q2: EUR 18.7 million (16.3)
15% QoQ

Order Backlog

H1: EUR 72.6 million (68.4)
6% YoY

- 15% QoQ growth and 5% YoY growth at constant currency driven by 43% ARR in revenue
- Securing H2 revenues with 60% ARR in order backlog (OBL)



Sales Cash Inflow

H1: EUR 26.1 million (31.5)
Q2: EUR 16.6 million (9.5)
75% QoQ

Free Cash Flow

Positive FCF
EUR 0.8 million in Q2 2024

- Higher collections
- Reduced DSO days driven by timely deliveries

Net Income

H1: EUR 3.7 million (5.5)
Q2: EUR 2.1 million (1.6)
31% QoQ

Adjusted EBIT

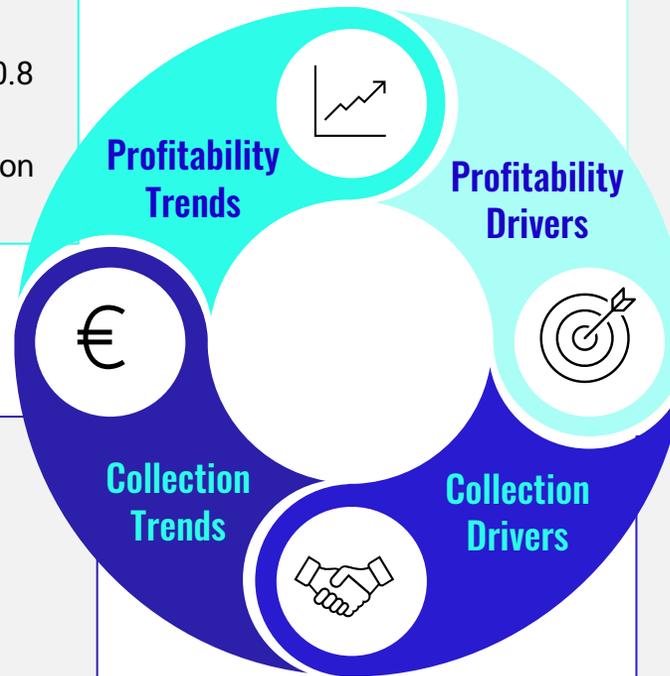
H1: EUR 10.9 million (9.8)
11% YoY

- Positive profitability growth excluding one time impairment of EUR 2.9 million
- On track with planned cost optimization
- Reduced FX losses



Positive FCF in Q2 driven by focus on collections, cost optimization & FX risk mitigation

- Adjusted EBIT: 10.7% YoY growth 10.9 million (9.8), 3.8% QoQ growth EUR 6.4 million (6.2)
- One-time impairment and business termination expenses of EUR 2.9 million (fair asset valuation)
- Foreign exchange losses reduced by 11% YoY EUR 0.8 (0.9) million in Q2 2024
- Positive free cash flow (FCF) EUR 0.8 million Q2 2024 vs EUR -4.7 million in Q1 2024



- Stable revenue and strong focus on OpEx and cost reduction
- Focus on expanding to North America and European markets to reduce FX risk
- Financial methods to mitigate FX losses (Forward Contracts and Currency Swaps)
- Improve capex/sales via product and technology rationalization in existing stack

- Growth in cash collected: 75% QoQ EUR 16.6 million (9.5)
- AR balance reduced by 10.6% QoQ EUR 32.6 million (36.5)
- DSO days improved by 21% to 170 (216) end of Q2 2024

- "Think Cash Do Cash" initiative is on track for timely invoicing & collections
- Negotiating better payment terms with customers

Tecnotree H1 Key Highlights

10 key go-lives in H1 2024

stc
group

ooredoo
Tunisia

MTN

ZAIN

EMTEL

~600 new product features delivered via Digital Stack in H1'24

Key areas:

Multitenancy | AIML | Cloud Nativity | Campaign as a Service | Marketplace for API and IOT Monetization



Key Customers contributing to ARR

MTN

عمانتل
Omantel

TELE2

MTL

telecom
mauritius

elisa

ooredoo

ZAIN

DNA

Telefónica

Claro

New Partnerships

eitc

HCLTech



Tecnotree Recognitions

Gartner®

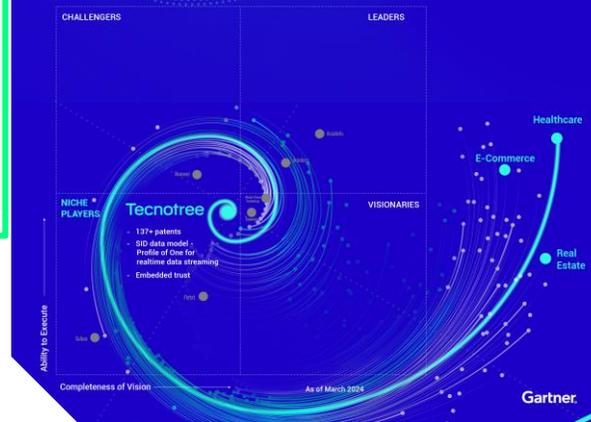


Magic Quadrant™ for AI in CSP



3 Hype Cycles™:
Partner Ecosystem Management
Platforms for CSPs
CSP Digital Marketplaces

Tecnotree Recognized by Gartner®
Magic Quadrant™ for AI, in CSP Customer
and Business Operations



137+ AI patents

tmforum

OPEN API
CERTIFIED



Enterprise
Communication
Services

Private Mobile
Network Services

Operations and
Automation in
Communications
Industry

Tecnotree Moments
identified as highly
transformational in the
innovation trigger phase

PRECISION
REPORTS

Largest manufacturers of
Telecom Billing and
Revenue 2023 and 2024



ISO 9001 certification sustained for next 3 years
completed ISO 27001:2013 Surveillance Audit

Robust financials – leading the market in growth and profitability

Revenue: growth till 2023 has been among the best in market



Average Gross Margins: high compared to peers at ~60%



EBITDA margins: have been high at 35% suggesting a moat for Tecnotree Value Proposition



EPS growth: has been @ 6% - better than industry average



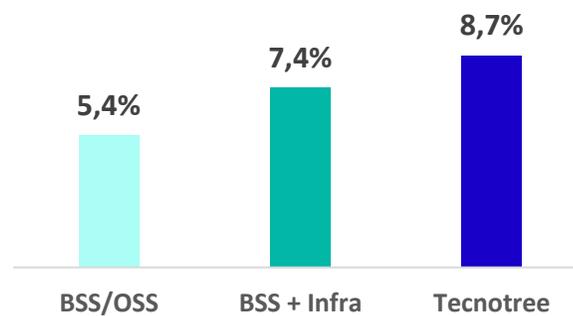
5 year avg ROIC: at 21% is high despite heavy capex spending and Tecnotree is among the largest in terms of net asset value



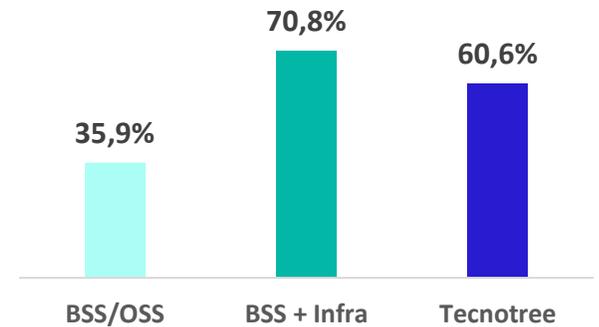
OBL: has been consistently strong and growing



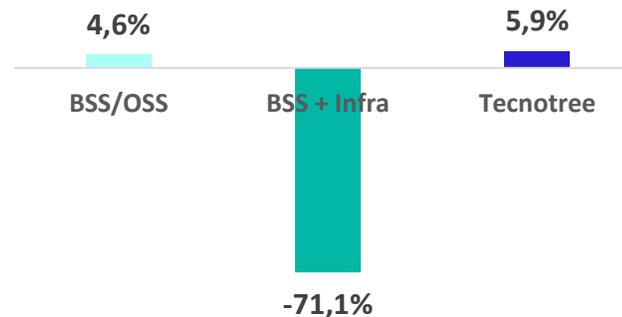
5-year average revenue growth



5-year average gross margins



5-year average growth rate of EPS



BSS/OSS	BSS + Infra
Amdocs	Ericsson
Cerillion	Oracle
Salesforce	Comviva
CSG Systems	Sterlite
Tecnotree	
Optiva	

Tecnotree well positioned to expand market share

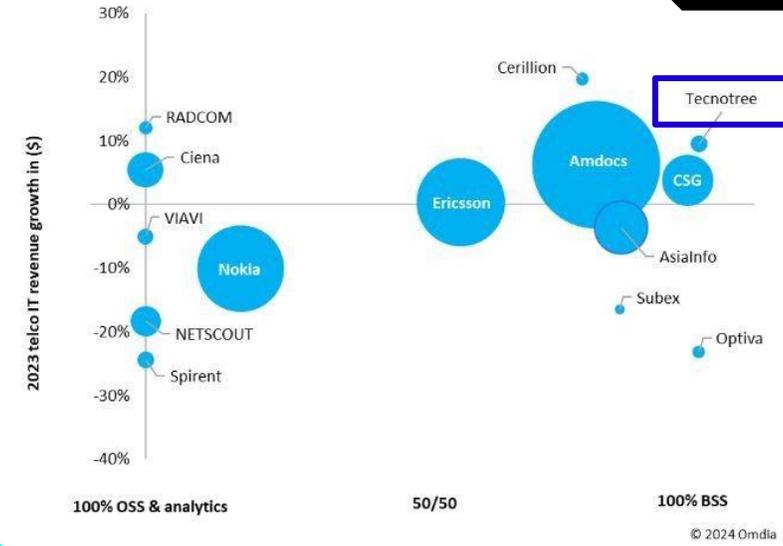
Changing market dynamics

- **Core BSS market** forecasted to have only **2.1% annual growth** from **2022-2027 (CAGR)** – Gartner 2023
- CSPs are looking at **adjacent verticals** for better revenue diversification, ARPU growth and improved profitability

Strategic Partnerships

- Partnership for marketplace led API monetization **eitc** (Enterprise group for.  )
- Partnership with System Integrators (SIs) and hyperscalers
HCLTech  **Microsoft** **accenture**

Figure 2: Publicly listed telco IT vendor revenue growth in 2023 (\$)



Tecnotree's competitive advantage validated

- R&D investment focused towards potential growth areas
- Tecnotree's total addressable market (TAM) doubled in last 4 years () with 18 new logos added since 2020



- Strong demand and ongoing projects for AI (including AI – Trust & Governance) and Marketplace

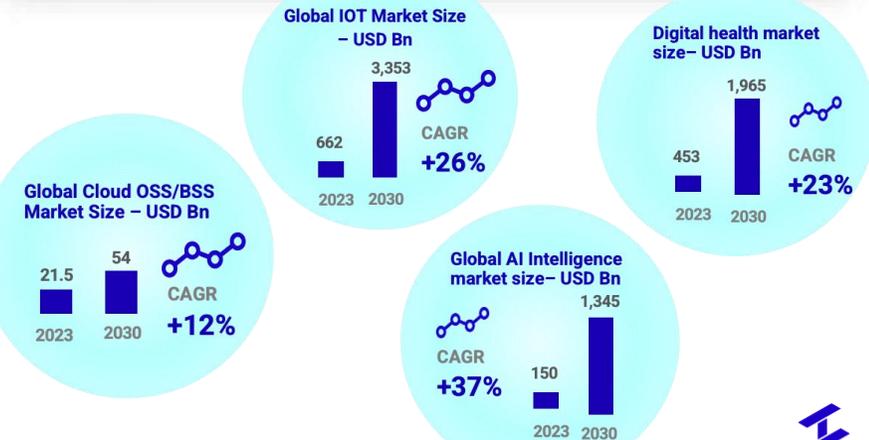


Analyst Endorsements

- Consistent industry recognitions (Gartner, TMF, analysts)
- **Potential to capture market via SI led contracts, competitive displacement**

Adjacent Verticals

Tecnotree's R&D aligned to adjacent verticals targeted by CSPs





The Opportunity

- 50% of consumers believe they have felt the impact of an ethical issue
- 76% of consumers advocate regulations on the use of AI
- 44-point increase in NPS for organizations seen as using AI ethically
- **Lack of Trust Costs Brands \$2.5 Trillion Per Year Globally**

The Regulation

Annex III of the EU AI Act enumerates **various AI applications deemed high-risk** due to their potential impact on public safety and fundamental rights. These include:

Critical Infrastructure: AI systems controlling energy distribution, water supply, and **telecommunications networks.**



The Advantage

Sensa Certifai helps CSPs gear up for collaboration with the ETSI as part of the EU AI Act with these capabilities:

- Risk management
- Governance
- Transparency
- Human oversight
- Accuracy
- Robustness
- Cybersecurity
- Quality & Assurance
- Conformance assessment

Tecnotree strategic focus areas for driving growth and profitability in 2024

Growth

- Expansion in North America and Europe
- Competitive displacement
- SI led contracts
- Strong opportunity pipe
- Healthy order backlog
- Increased recurring revenue

Competitive product portfolio

- Investment in growth areas (AIML – including AI Trust & Governance, Cloud, Marketplace)
- Fastest time to market
- Competitive pricing
- ESG, quality and Trust and Governance
- Industry and Analyst recognitions

Profitability

- OpEx Control– on track with cost optimization plan
- FX risk mitigation
- Focus on FCF

Tecnotree

January-June (H1) 2024 Financials

August 9, 2024

H1 2024 Financial performance highlights

- ❑ Increase in revenue. 5.1 % increase at constant currency – EUR 40.8 (38.8) million
- ❑ 6% increase in OBL – EUR 72.6 (68.4) million
- ❑ EBIT and Net Income impacted by onetime impairment and business termination costs of EUR 2.9 Million

EUR million	H1/2024	H1/2023	H1/2022
Net sales	34.9	34.8	31.6
<i>Change YoY%</i>	<i>0%</i>	<i>10%</i>	<i>13%</i>
Adjusted EBIT	10.9	9.8	7.1
<i>Change YoY%</i>	<i>11%</i>	<i>38%</i>	<i>-33%</i>
One-time Cost	(2.9)	-	-
EBIT	8.0	9.8	7.1
<i>Change YoY%</i>	<i>-18%</i>	<i>38%</i>	<i>-33%</i>
Net income	3.7	5.5	5.0
<i>Change YoY%</i>	<i>-33%</i>	<i>10%</i>	<i>-35%</i>
SCIF	26.1	31.5	26.0
<i>Change YoY%</i>	<i>-17%</i>	<i>21%</i>	<i>-30%</i>
Orders received	23.4	32.1	45.9
<i>Change YoY%</i>	<i>-27%</i>	<i>-30%</i>	<i>23%</i>
Order backlog	72.6	68.4	72.8
<i>Change YoY%</i>	<i>6%</i>	<i>-6%</i>	<i>32%</i>

H1 2024 Balance Sheet

- ❑ Balance Sheet is strengthened by 57% increase in cash.
- ❑ **EUR 0.8 Million positive Free Cash Flow generated in Q2***
- ❑ Increase in Net Worth in H1'24 compared to H1'23 because of higher profits and increased Net Assets
- ❑ CCD Update– No change in commitment by Fitzroy to pay before end of Dec 2025
- ❑ Acquisition Update – completed acquisition of software assets complementing current stack of products after due diligence for EUR 3 million in Q2 24

Consolidated balance sheet, MEUR	30.6.2024	30.6.2023	Change
Non-current assets			
Intangible assets - own development	30.5	23.2	31%
Intangible assets - external	9.6	5.7	68%
Tangible assets	0.3	0.2	50%
Deferred tax assets	0.4	0.6	-33%
Other non-current trade and other receivables	2.2	2.1	5%
Current assets			
Trade receivables	32.6	29.9	9%
Other receivables	41.0	33.1	24%
Cash and cash equivalents	16.8	10.7	57%
Assets total	133.5	105.4	27%
Shareholders' equity			
Compulsory convertible debentures	23.1	-	
Non-current liabilities			
Non-current interest-bearing liabilities	-	1.2	-100%
Other non-current liabilities	4.1	3.6	14%
Current liabilities			
Current interest-bearing liabilities	4.7	5.8	-19%
Trade payables and other liabilities	14.1	13.2	7%
Equity and liabilities total	133.5	105.4	27%

Global Cost Reduction Program on track for 2024 and Beyond

OpEx to Net Sales in H1 2024 was 66% compared to 70% in 2023

5-7% of global OpEx reduction expected by 2025 through cost efficiency actions (EUR 4.5 million in 2024 and EUR 7 million in 2025)

Item	Reduction % H1 YoY
Headcount	5%
Personnel expenses	10%
General & Administrative expenses	8%
Travel expenses	6%

- ❑ Consolidated the erstwhile real-estate and healthcare businesses in North America
- ❑ Processes (for increased efficiency & utilization)
 - Lean process model in engineering framework
 - Working closer to customer
 - Tools and Automation
 - ESG for reduced power consumption

H2 Cost Optimization Plans

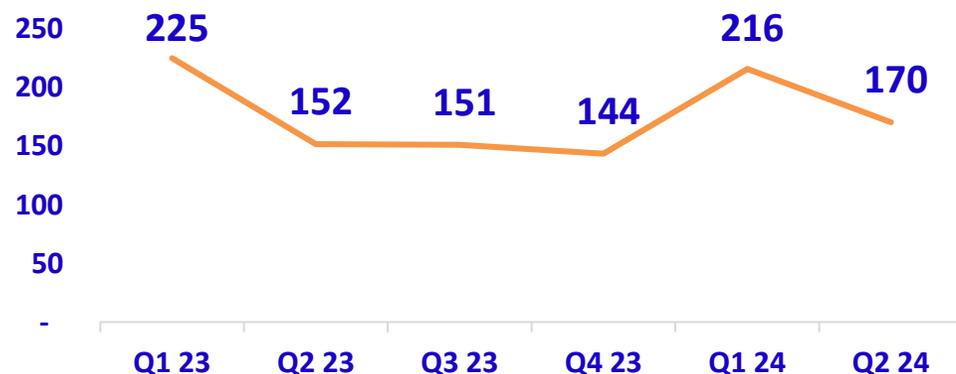
- Reduction in Capex/Sales
- Reduce in Opex to ensure stable FCF
- Further focus on invoicing and cash collection

Deliver at Lower Cost - Leveraging Global Presence



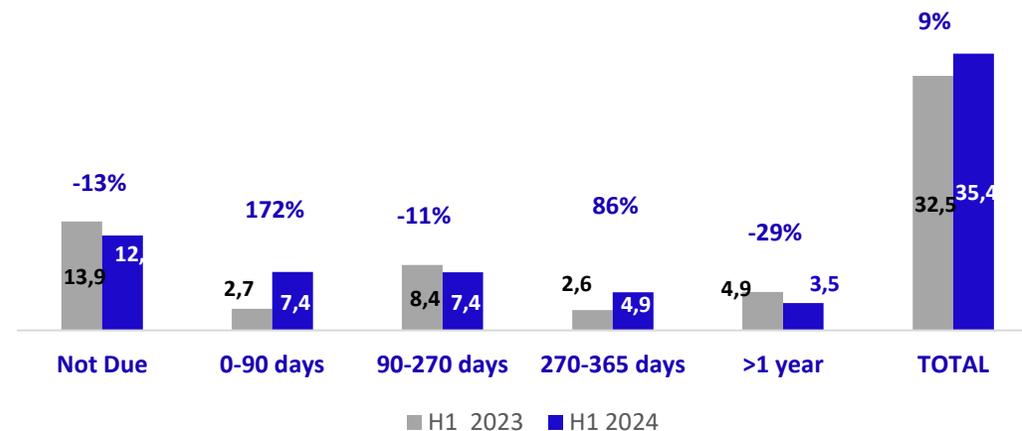
Healthy Financial Ratios

DSO Days Trend



Account receivables H1 EUR 35.4 million (out of which EUR 2.8 million is provided for)

Majority of the AR is not due



Foreign Exchange

Foreign exchange losses reduced by 11% YoY
EUR 0.8 (0.9) million in Q2 2024

Hedging techniques in progress

Invoicing in more stable currencies

Currency Swaps

Way forward

Seek Forward contracts

Follow the sun approach – contracts with developed markets

Improving DSO days in H2

Rigorous internal collections tracking and process streamlining

Favorable payment terms with customers

Increase in ARR business models – 60% ARR in H1 OBL

Improving receivables in H2

Prioritizing product stability and delivery automation

Contracts with new stable markets

Competitive pricing and business value offerings to mature markets



Guidance 2024

Maintaining original guidance on Revenue and EBIT at this point in time
Additional guidance on Free Cash Flow

Revenue to be
higher by
2% - 7%

Free Cash Flow
H2 2024
**EUR 2 million – EUR 5
million**

Operating profit
(EBIT) to be higher by
7% - 15%

Rationale

Revenue Expectations

- Growth above the telecom industry average (2.1% annually from 2022-2027*)
- Company growth projected to exceed market average

Operating Profit (EBIT) Expectations

- Higher cost optimization contributing to profit growth

Free Cash Flow Expectations

- Free Cash Flow of EUR 2-5 million in H2 2024 (Free Cash Flow = Operating Cash Flow – Capital expenditures)

Strategic Focus

- Emphasis on increasing license sales
- Transition to an Annual Recurring Revenue model for more predictable and stable quarterly revenue

*Gartner®2023

All projections are in constant currency terms





Q&A



THANK YOU

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