

## **Kinnevik Capital Markets Day**

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New York, 23 February 2011



# Agenda

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1. About Transcom
2. Services & Solutions
3. Market Trends
4. Key Value Drivers
5. Financial Highlights
6. Next Steps in Our Journey

## Our starting point

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**Transcom**  
Relationships Revenue Results

# Transcom at a glance

## Solutions



### Win Customers

Customer acquisition  
Cross & upsell

### Grow Business

Customer service  
Technical support  
Customer retention

### Secure Revenue

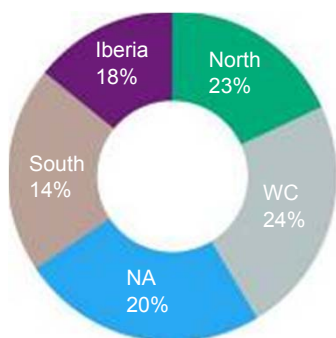
Early collections  
Contingent collections  
Legal collections

## Fast facts

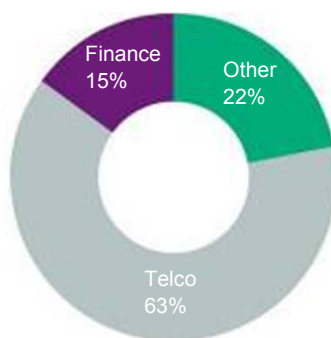
- International leader in customer lifecycle management
- €589m+ revenues (FY10)
- 350+ clients
- 24,500+ people
- 75 sites across 27 countries
- 600,000 customer interactions a day
- 33 languages

## Business mix

### By region



### By vertical



## USPs

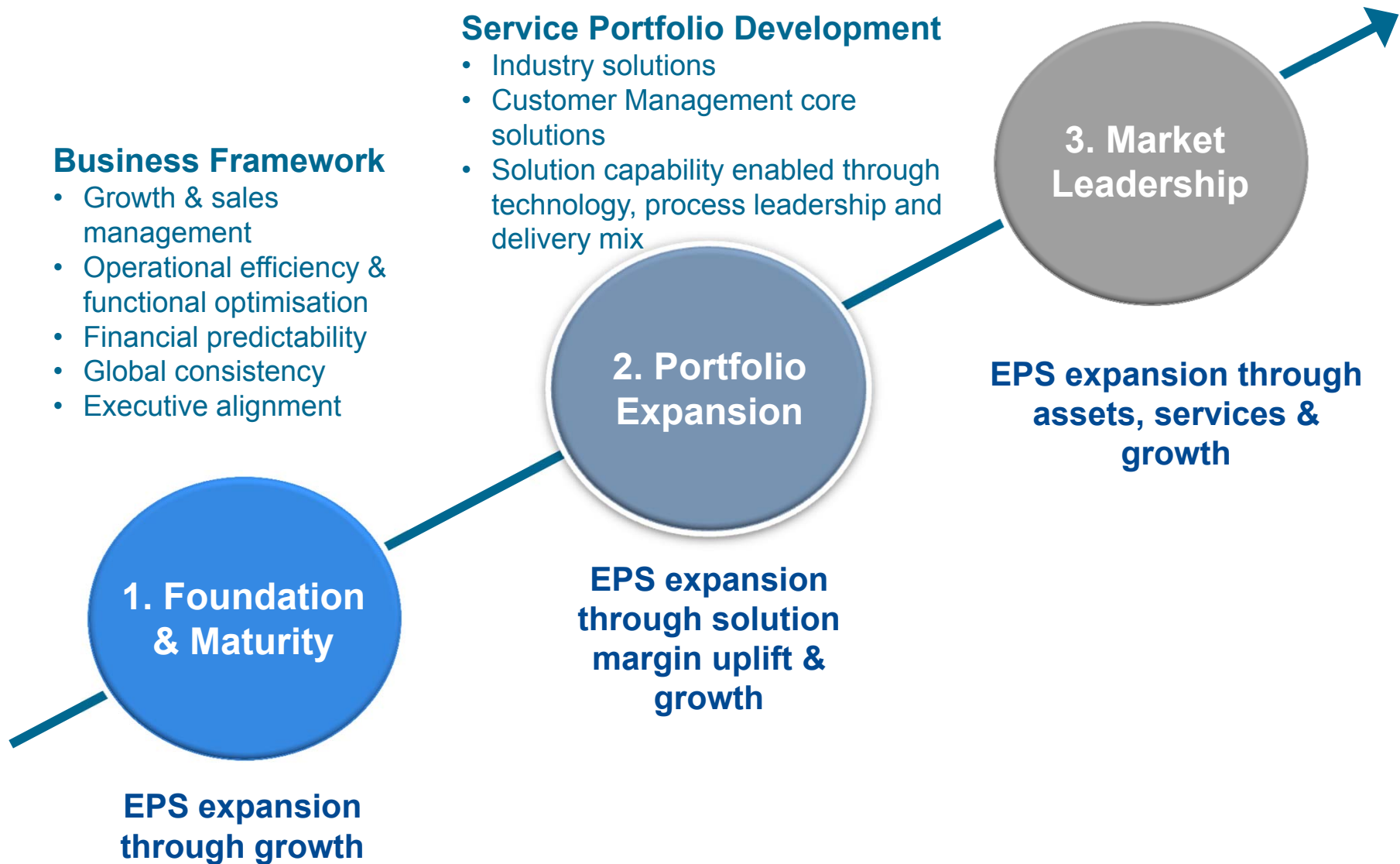
- Customer relationship management specialist
- Delivering results across entire customer lifecycle
- Global delivery capability
- Industry & process expertise

## Investors

- Investment AB Kinnevik
- Nordea Fonder
- Swedbank Robur
- Fjärde AP-Fonden
- Odin Fonder

# A Journey

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# Our clients

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## Financial Services

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## Telecoms

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## Travel & Leisure

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## Media & Technology

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## Retail

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## Other

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# Managing the customer lifecycle

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**Win Customers**  
Customer acquisition  
Cross & upsell

**Grow Business**  
Customer service  
Technical support  
Customer retention

**Secure Revenue**  
Early collections  
Contingent collections  
Legal collections

- Specialist customer and credit management outsourcer
- Services across total customer lifecycle
- 'Outcomes' not 'tasks'
- 'Business improvement' not 'cost reduction'
- 'Customer solutions' not 'commodity services'
- 'Global capability' not 'local specialty'

# Evidence of success

## Comprehensive credit management for VW Group

### Results

- 38% reduction in cost of service since launch
- Day sales outstanding (DSO) stable < 3 days
- Losses to liquidation and bankruptcy < 0.3%
- TPS now accounts for 45% of all VW Group parts sales in the UK
- Contributing to £271m revenue at end of year 3 (£10m ahead of target)

“We didn’t think we’d find a partner with the experience and breadth to manage the whole operation. The fact that we did has meant efficiencies for us plus a better service for TPS agents and their customers.”

**Ian Brown, Financial Controller,  
VW Group**

# Evidence of success

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## Preventing churn for Tele2

### Results

- Win-back rates up to 31%
- Cross and upsell conversion rates 20%
- Contributing to significant margin growth

“ Transcom’s agents are the best, but its win-back teams are an elite force. They’re selected for their extensive product knowledge and the strength of their negotiating skills.”

**Fredrik Stenberg, Director of  
Customer Operations, Tele2**

# Evidence of success

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## Customer care for Menzies Client Services

### Results

- Quality scores of 98%
- 95% of bags found within 5 days
- Recovery of 'irrecoverable' bags up from 7.98% to 9.8%
- Supporting a 25% increase in total baggage handling business

“Increasingly airlines rely on top-quality customer service to differentiate themselves. They trust us – and we trust Transcom – to protect that reputation when it is most seriously at risk.”

**Caroline Patterson, Director, MSC**

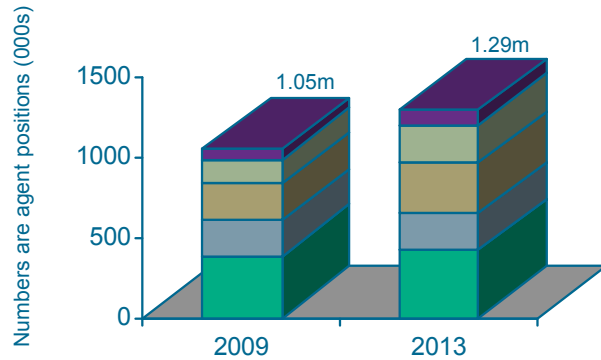
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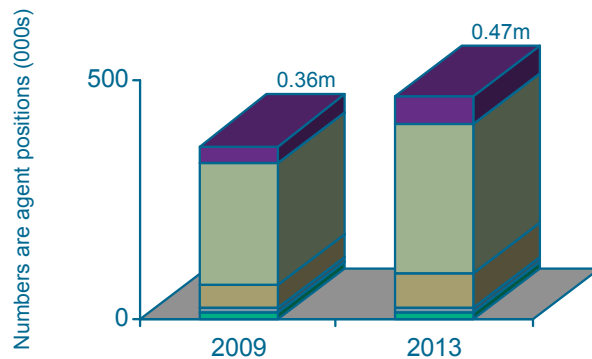
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# Trend 1: Market Growth

## Agents serving onshore market



## Agents serving offshore market

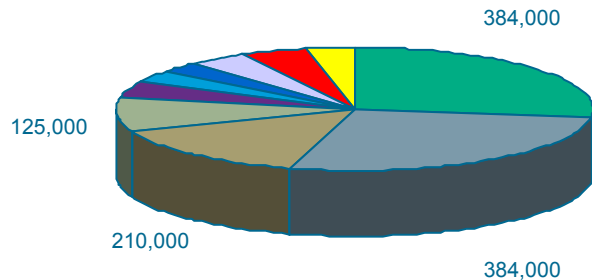


Source: Ovum CRM Outsourcing Forecasts, 28/07/2010

- Onshore market forecast to grow steadily (5%pa) over next 3 years – from global 1.05m agent positions (2009) to 1.29m (2013)
- N. America and W.Europe growth much slower (2%) – forecast to shrink relative to the market (from 57% of onshore delivery in 2009 to 51%)
- Offshore market forecast to grow faster (6 - 7%pa) over next 3 years – from global 0.36m agent positions (2009) to 0.47m (2013)
- AsiaPac accounts for 70% of offshore delivery across period 2009 – 2013
- Excepting South America, other offshore markets relatively marginal

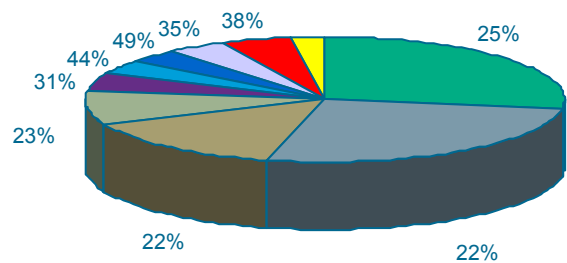
# Trend 2: Demand by Industry

## 2009

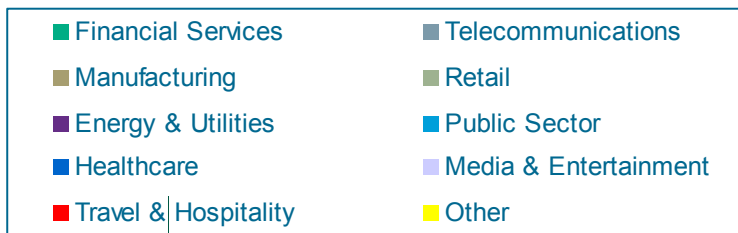


Numbers are agent positions

## 2013



Numbers are % growth, 2009 - 2013

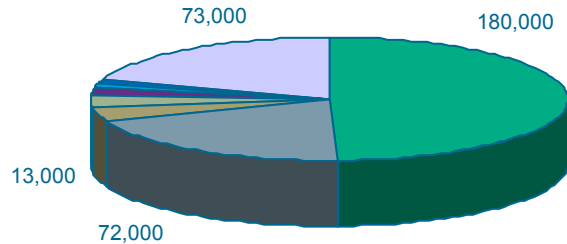


Source: Ovum CRM Outsourcing Forecasts, 28/07/2010

- Market forecast to grow steadily (6%pa) over next 3 years – from global 1.4m agent positions (2009) to 1.8m (2013)
- Financial Services and Telecommunications continue form largest part of market – combined 54% 2009, forecast to stay at this level to 2013
- Strongest growth 2009 – 2013 in Healthcare (49%), Public Sector (44%), Travel & Hospitality (38%), Media (35%), Energy & Utilities (31%). But by 2013 these sectors still represent only 20% of market

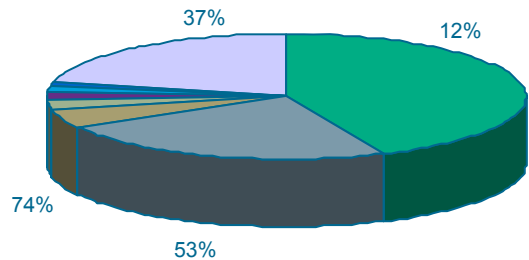
# Trend 3: Offshore

## 2009



Numbers are agent positions

## 2013



Numbers are % growth, 2009 - 2013



- Offshore delivery currently dominated by India and Philippines – 252,000 agents, 70% of total.
- Rest of market fragmented – e.g. all of Central and E. Europe 13,000 agents, Chile 3,000
- Offshore delivery locations forecast to grow, but at very different speeds (e.g. India 12%, Philippines 53%)
- Fastest growth anticipated for Central and E. Europe (74%), Tunisia (73%)
- But picture in 2013 not very different to today – India and Philippines forecast to be 67% of total offshore

Source: Ovum CRM Outsourcing Forecasts, 28/07/2010

# Trend 4: Customer Contact

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## Convergence

- Growing convergence between contact centre & other areas of BPO
- Niche opportunities around industry verticals & functional domains

## Price sensitivity

- Cost reduction still strongest reason to outsource
- Need for lower onshore price points & higher offshore quality

## New Business Models

- Social media enabling new patterns of consumer behaviour



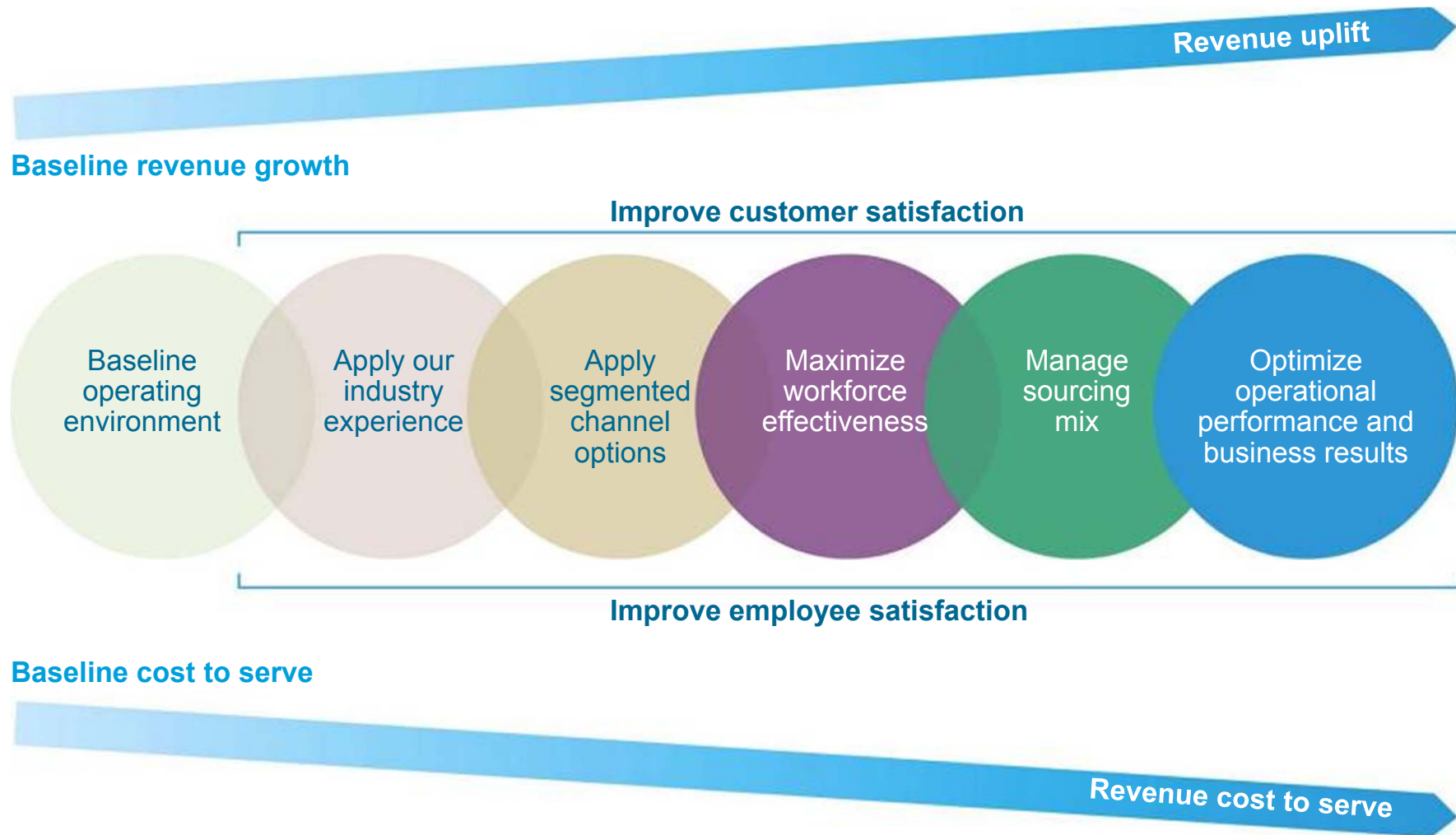


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# Creating value for clients

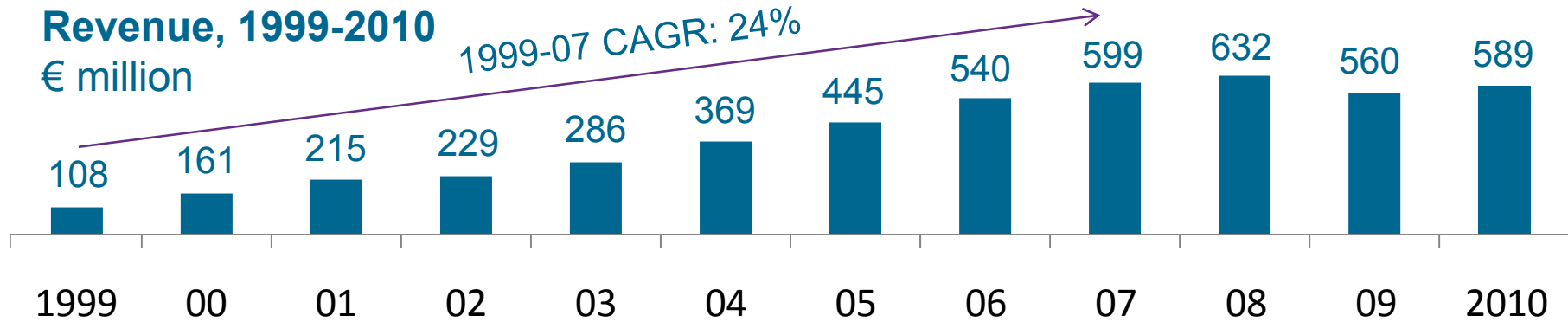


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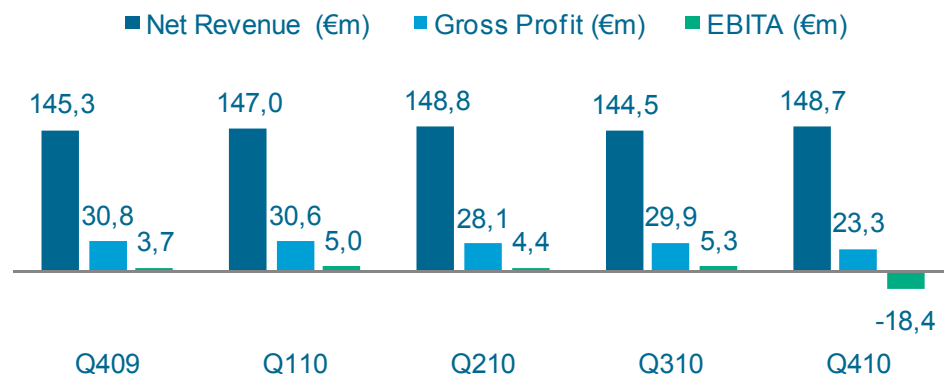
# Evolving Value Creation



- 2000-01: Estonia, Italy, Spain, Latvia
- 2002-03: Lithuania, Poland, Portugal
- 2004-05: Belgium, Hungary, Croatia,  
Czech Republic, Tunisia
- 2006-07: United Kingdom, Canada,  
Phillipines, USA.
- 2008-09: Chile

# Group Development in 2010 including divestment impact

## Group

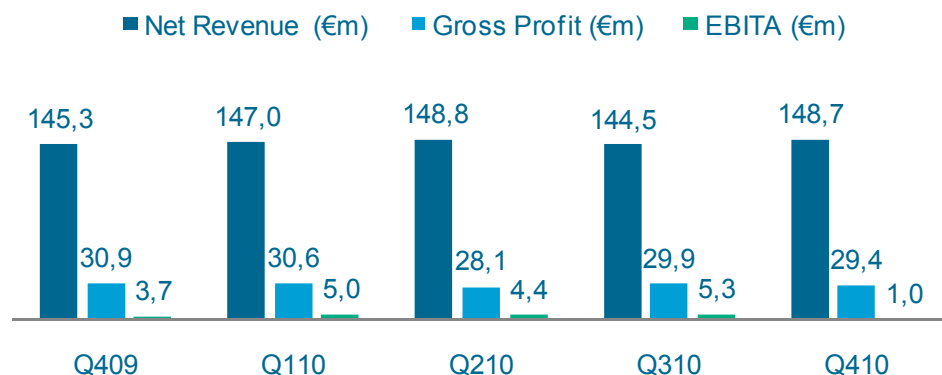


(€ millions)	Q410	Q310	Change Q-o-Q	Q409	Change Y-o-Y	FY2010	FY2009	Change Y-o-Y
Revenue	148.7	144.5	2.9%	145.3	2.3%	589.1	560.2	5.2%
Gross profit	23.3	29.9	-22.1%	30.8	-24.4%	111.9	123.4	-9.3%
Gross margin	15.7%	20.7%		21.2%		19.0%	22.0%	
EBITA	-18.4	5.3	-447%	3.7	-597%	-3.7	27.2	-114%
EBITA margin	-12.4%	3.7%		2.5%		-0.6%	4.9%	
EPS (€)	-0.23	0.05	-	0.04	-	-0.11	0.28	-
Net Debt	€77.5	81.8		96.1		€77.5	96.1	

- Divestment of two sites in France: **€19.4m charge in Q4 2010**
  - €10.0m: funding provided to the bidders
  - €9.4m: provisioning for onerous contracts
- **Revenue FY2010 at €589.1m**, up by 5.2%, net of currency up 1.6%
- **Gross margin: 19.0%** in 2010 vs. 22.0% in 2009.
- **EBITA: €-3.7m in FY2010** vs. €27.2m in 2009.
- **EPS at €-0.11 in FY2010**, down from €0.28 in FY2009.
- **Net debt** reduced by €18.6m in 2010 to **€77.5m**. Current Net Debt / EBITDA ratio at **2.5**
- **Net cash flow from operations** up to **€29.1m** in FY2010 compared to €17.5m in FY2009
- **Working Capital at €84.1m** improved<sup>22</sup> by almost €10.2m in 2010

# Group Development in 2010, underlying business performance

## Group



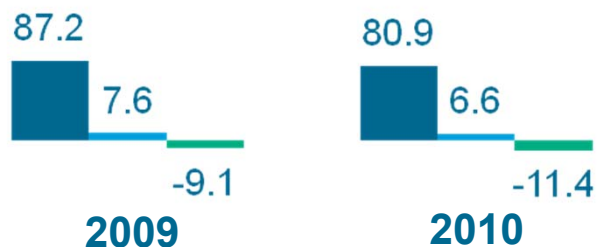
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Gross profit	29.4	29.9	-1.7%	30.8	-4.5%	118.0	123.4	-4.4%
Gross margin	19.8%	20.7%		21.2%		20.0%	22.0%	
EBITA	1.0	5.3	-81.1%	3.7	-73.0%	15.7	27.2	-42.3%
EBITA margin	0.7%	3.7%		2.5%		2.7%	4.9%	
EPS (€)	0.03	0.05	-40%	0.04	-25%	0.15	0.28	-46%
Net Debt	€77.5	81.8		96.1		€77.5	96.1	

- Revenue FY2010 at €589.1m, up by 5.2%, net of currency up 1.6%
- Gross margin: 20.0% compared to 22% in 2009
- EBITA: €15.7m down from €27.2m in 2009
- EPS at €0.15, down from €0.28 in 2009
- Net debt reduced by €18.6m in 2010 to €77.5m. Current Net Debt / EBITDA ratio at 2.5
- Net cash flow from operations up to €29.1m in FY2010 compared to €17.5m in FY2009
- Working Capital at €84.1m improved by almost €10.2m in 2010

# Addressing overcapacities in France and North America

## South, underlying performance

■ Revenue ■ Gross profit ■ EBITA



- 2010 - Two sites divested
  - €19.4 million charge in Q4 2010
  - Revenue to decrease by €7m in 2011 (€13m on full-year basis); losses reduced by half the current run-rate
- Focus in 2011
  - Profitability through growth and operational improvements; new leadership team

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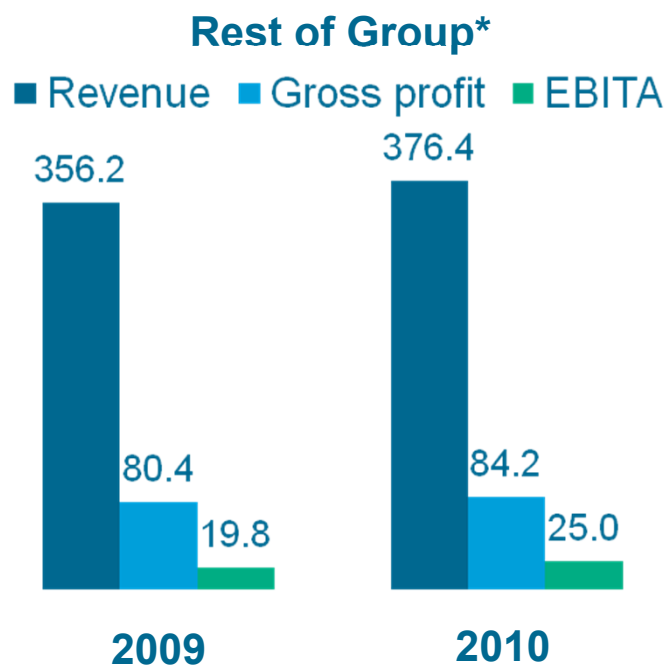
## North America & Asia Pacific

■ Revenue ■ Gross profit ■ EBITA



- 2010 results impacted by:
  - Overcapacity following volume reduction in North America footprint
  - Continued appreciation of CAD vs. USD, lowering viability of Canadian delivery footprint
- Focus in 2011
  - Addressing overcapacity through sales and/or site rationalization
  - Reassessing delivery model

# Stable performance and focus on growth in other regions



- 2010 revenue up by 5.7% and EBITA up by 26.3%, led by North region performance
- 2011 focus on growth
  - Installed base expansion and new business development in major target markets
  - Strengthening sales capability
  - Off-shore expansion

\* North, West & Central, Iberia

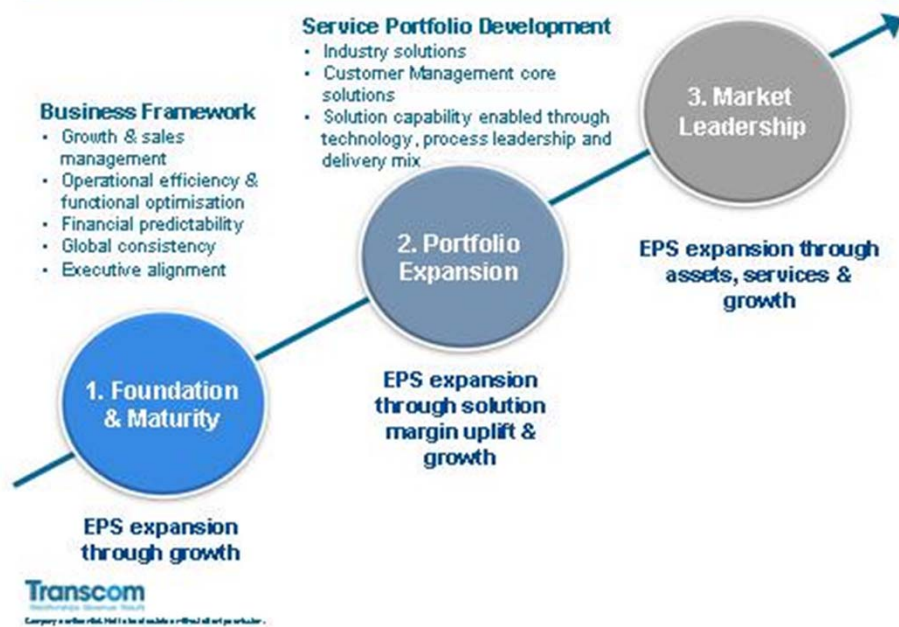
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# Next Steps in our Journey

## A Journey



*The journey continues...*

## Strong foundation

- Clients
- Geographic coverage
- Service portfolio
- Service delivery

## Clear strategy

- Focus on execution

## Significant opportunity

- More profit from current book of business
- Further growth from existing clients

## Main strategies to drive value creation

- Growth
- Address underperforming units
- Portfolio and technology transformation

Thank you

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Q&A