

# Financial Results 2023

Investor presentation  
January-December 2023

February 22, 2024



# Today's presenters



**Padma Ravichander**

CEO



**Indiresht Vivekananda**

CFO

# Agenda

**1** Strategy overview and  
business highlights

**2** Financial review

**3** Prospects 2024

**4** Q&A



# Tecnotree

## Financial Results

### 2023

## Order Intake

95.4 ME  
YOY 11%

## Order Backlog

80.2 ME  
YOY 16%

## EBIT

23.8 ME  
YOY 30%

## Shareholder's Equity

86.5 ME  
YOY 8%

## Net Sales

78.4 ME  
YOY 9%

## At constant currency

107.2 ME  
YOY 47%

## Cash Inflow

62.3 ME  
YOY 6%

### At constant currency

84.1 ME  
YOY 40%



# Tecnotree

## Key Highlights

### 12 New Logos



### Top 14 Deliveries



MTN- Nigeria – Metamorphose Drop 1

MTN IC - B2B

MTN South Sudan, MTN ESwatini, MTN Zambia - B2C



STCK – B2C Residential, B2C Employee, WBS and Mediation



Zain Bahrain – DLPM standalone and DBLD



Zain-South Sudan – BSS Switch, Mediation



Comium Gambia – Prepaid Live



Claro Peru 360 (AIML Profile of One) – Phase 1



UHG – healthcare vertical integration use case

Radian – photo AI solution

### Industry Recognitions



Best Telecom Monetisation Platform



TOP 4

AI & Auto Globally Markets & Markets

30+

Patents in 2023– AGI, Augmented Intelligence

TOP 2

Revenue Monetisation Precision Reports

Diamond Badge



Gartner

Customer Experience – 2023  
Revenue Monetisation - 2023



CMO Asia  
UBS Forums

Best Innovation in Information Technology, Best Workplace Diversity Award



CIO's award for Best Project - Metamorphose

### Green Cloud Offering

Carbon Neutral  
Office Space and  
Green Data Center  
Facility  
TIA Certified

### Top performing Mid-Cap Company in the Diversity Index

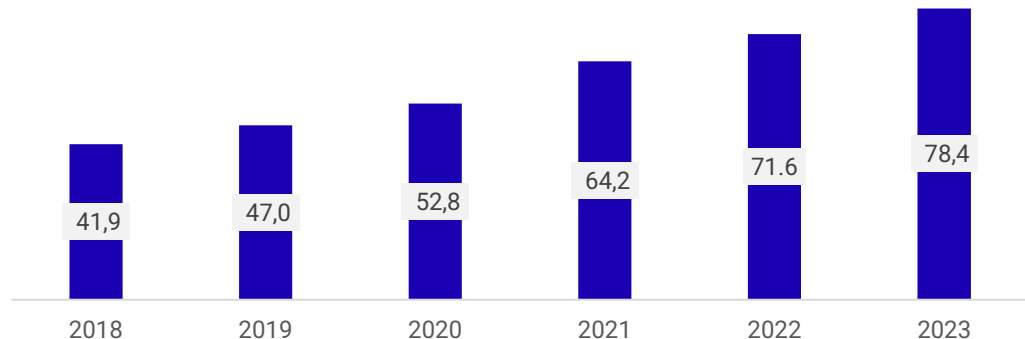


## Revenue growing above market trend

Euro mn

Tecnotree: +13% CAGR

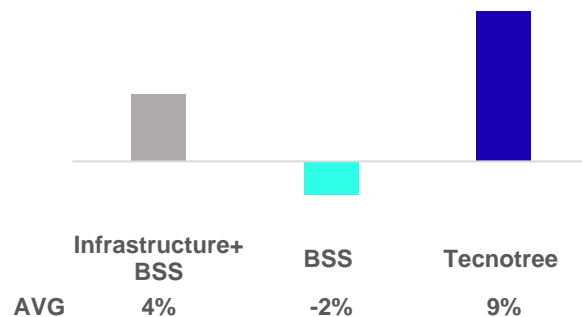
BSS\* Global market: 2.1% (2022-27)



## Revenue growth above Competitor trends (2023 vs 2022)

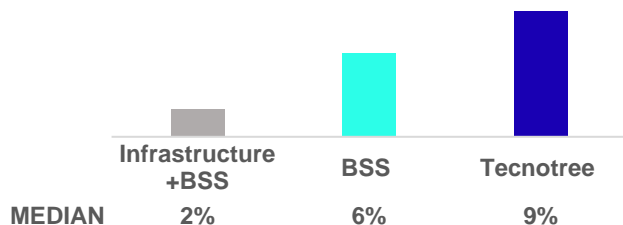
### Infrastructure + BSS :

Tech Mahindra, Ericsson, Cerillion, STL, NEC



### BSS :

CSG, Amdocs, Optiva



# Tecnotree's Competitive Advantages



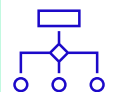
Fastest time to market with the **most standardized platform in the world, No. 1 TMF Open API**



**137 patents on AI, Genai, Trust, Governance, Photoai** and Augmented Intelligence highest for any BSS vendor in the market. Recognized at **top 4 globally by analysts**



Gaining ground in **Europe and North America** with **3 Tier 1 logos** in 2023



**Tecnotree's Out of Box offering - 260+ Business Journeys, 300+ core CSP Microservices** and **70% configurable** low/no code



**Disruptive pricing** and business models with regional support in all global markets



Strong partnerships with **Hyperscalers**, Bigtech companies and SIs for channel enablement, **partner monetization** and **market expansion**

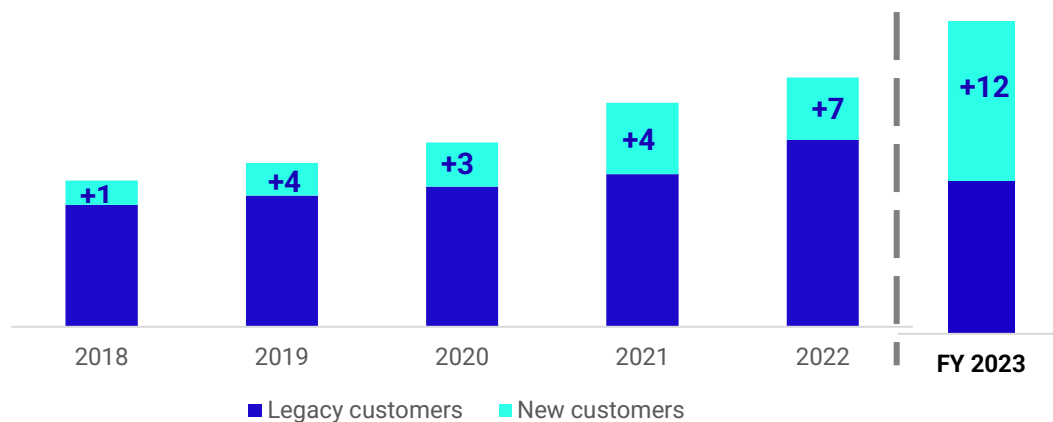
\*Business Support System



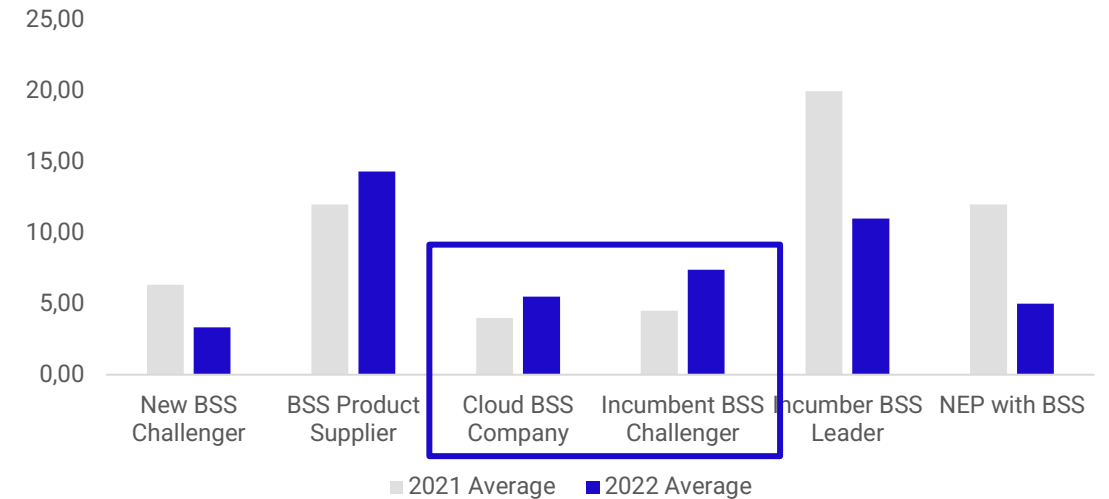
# Tecnotree Recognised as a Challenger with Growing Market Share

- **BSS IT Global Market 2023 was \$11.2B\***
- Gartner recognized **Tecnotree as challenger** with growing market share
- **51% of 2023 revenue** contributed by **new customers** in the last 5 years
- **12 new logos** added in 2023, 31 since 2018
- **>15%** of new 2023 orders **driven by Moments, AIML, DiWa**

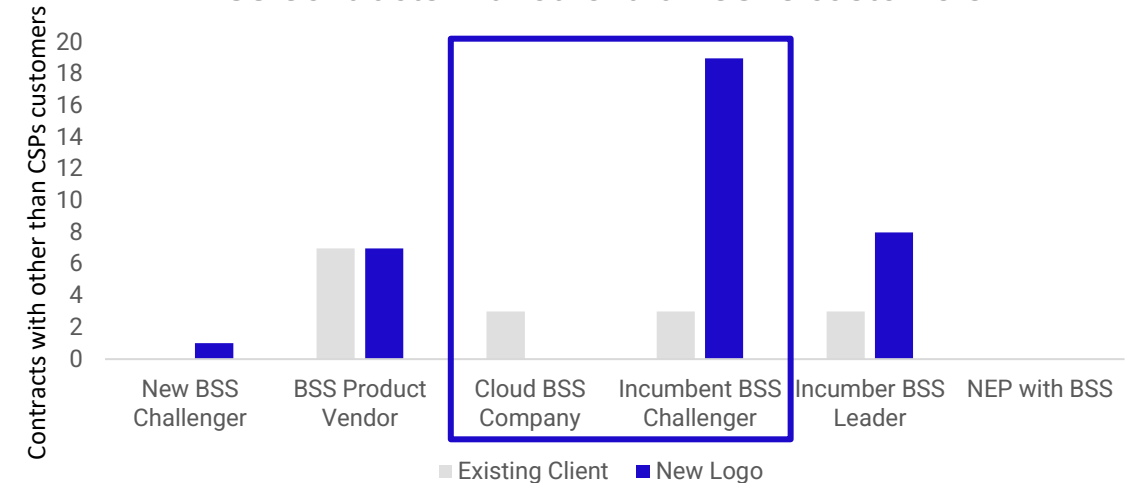
## Customer Profile Mix



## Average Contracts Per Supplier Type YoY\*



## BSS Contracts with other than CSPs customers\*



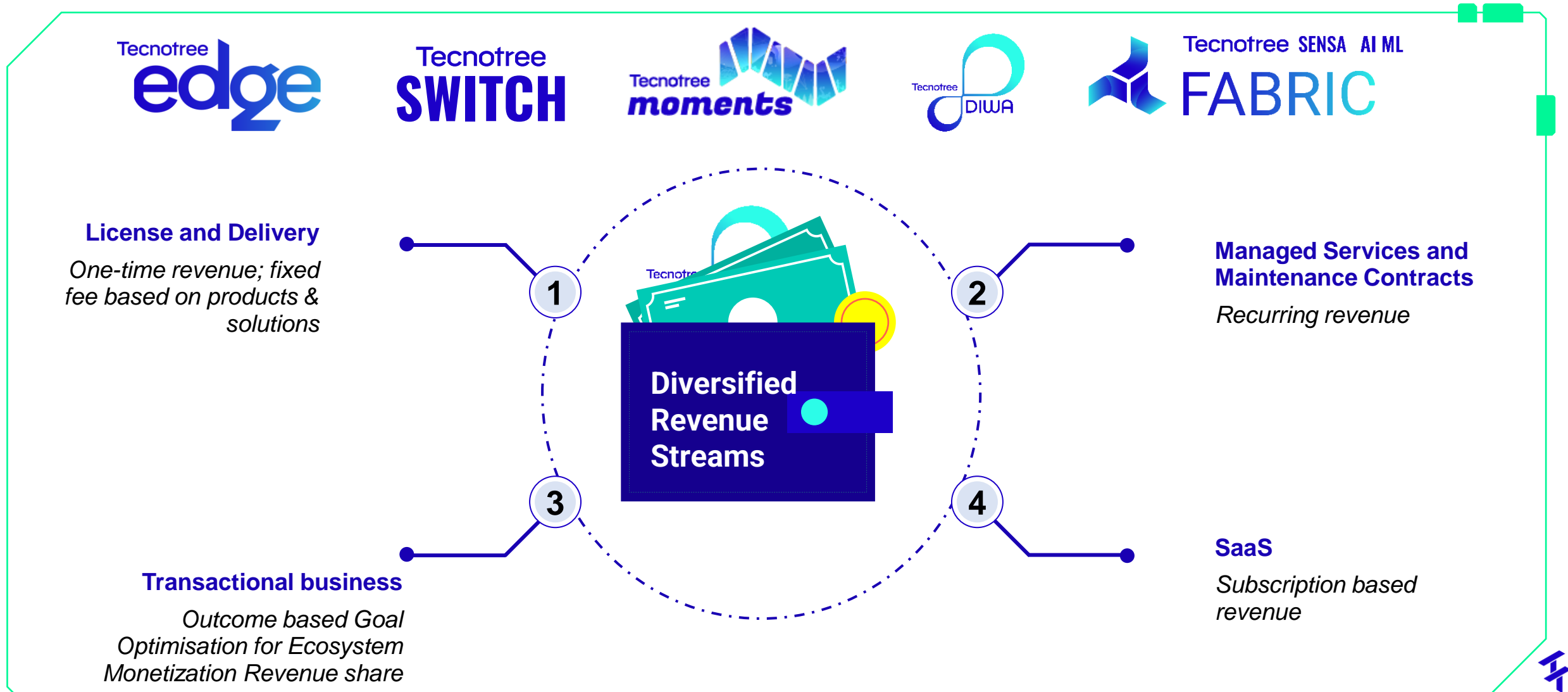
\*2023 Gartner report



# Tecnotree business model - Diversified offerings & revenue streams

Competitive productized portfolio driving faster go-lives and outcome-based business transformations

Increased recurring revenue business models enabling 20% reduction in Tecnotree's order to cash cycles in 2023





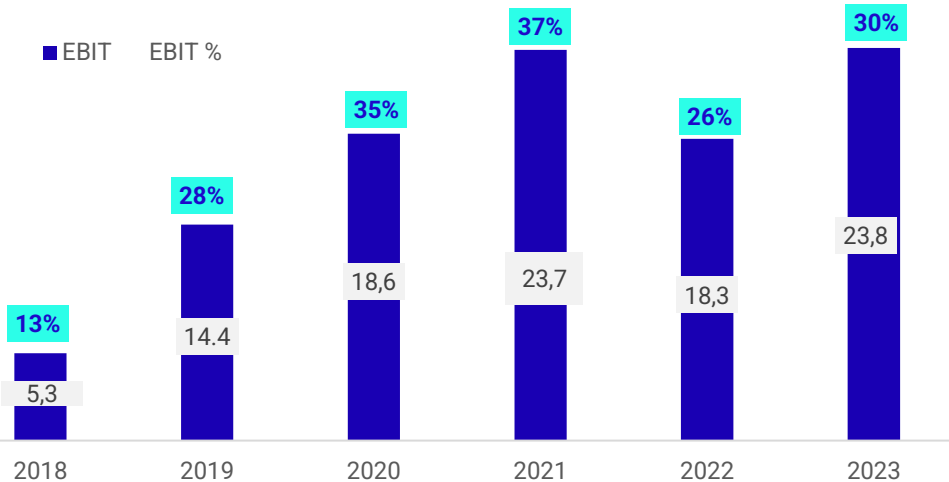
# Tecnotree demonstrates digital leadership with record order book and high profitability

- Record Order Book driven by large digital transformations, Cloud, AIML, B2B2X Monetization offerings
- Healthy ARR order mix led by growing demand for SaaS, subscription based business and transactional revenue models
- Strong EBIT growth – Strict OpEx control enabled by focus on productization and automation

## Operating Result (EBIT) +35% CAGR

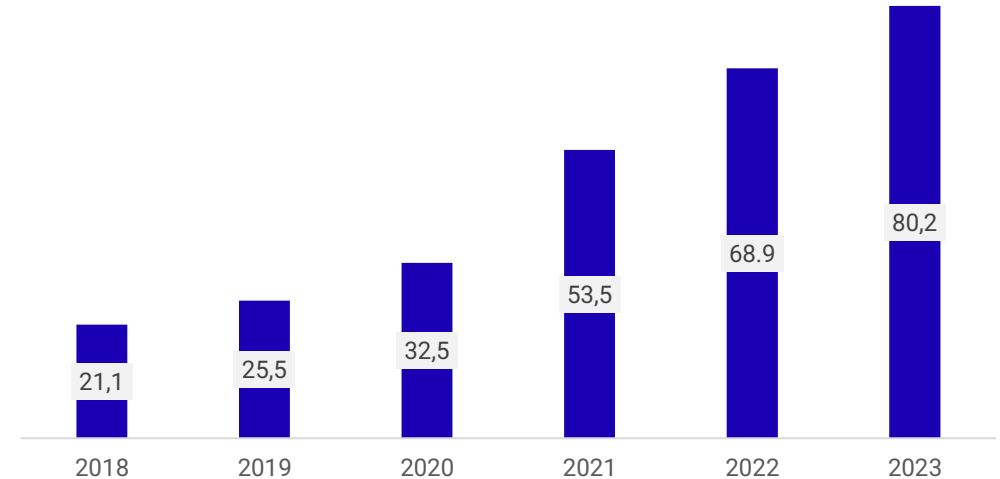
Euro mn

■ EBIT EBIT %



## Order Book +31% CAGR

Euro mn



# Tecnotree's FY'23 Delivery Footprint



ARR share of revenue increased from 35% in FY '22 to 48% in FY'23



More than 70% of Order Backlog – ARR



1,000+ new product features delivered via Digital Stack in FY'23

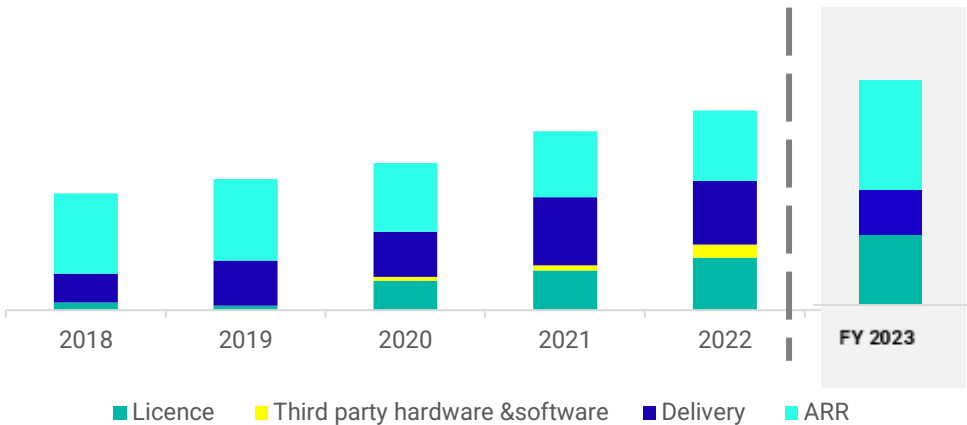


Delivering digital transformation at scale globally

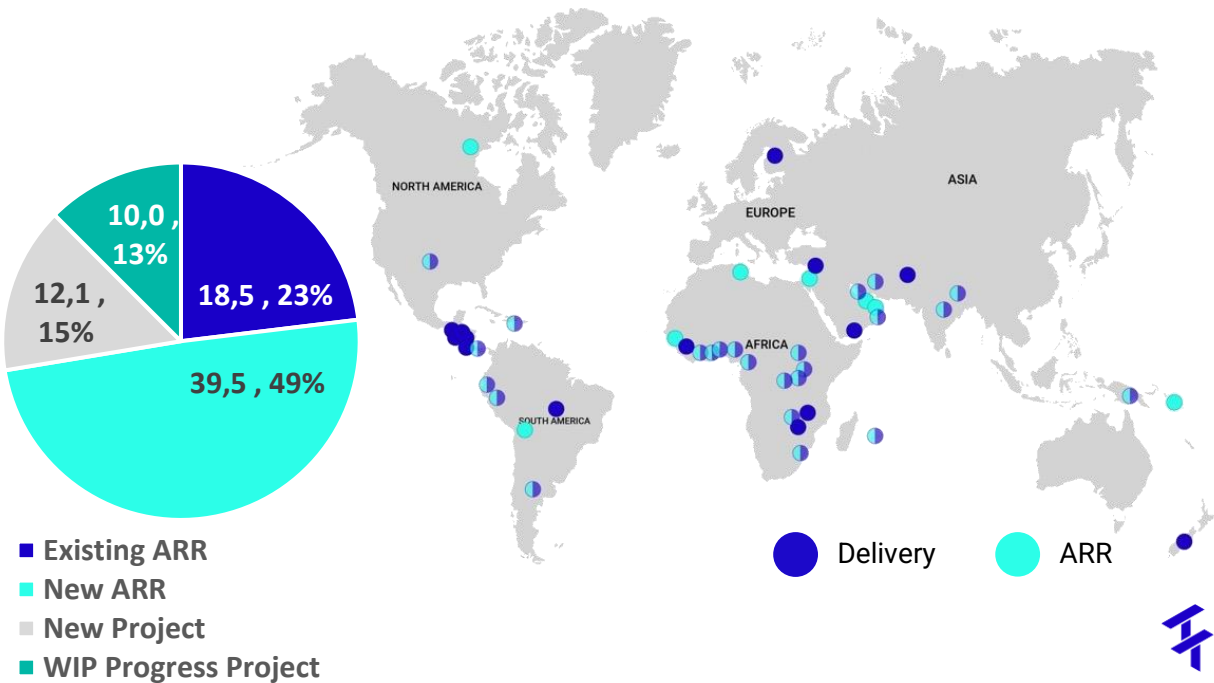


Business Transformation – “Think Cash Do Cash”

## Business view of Revenue



## Record high Order Backlog (80.2M)



# BSS Market Evolution 2023-2030

Core BSS market forecasted to have **2.1% annual growth** from **2022-2027 (CAGR)** – Gartner 2023

## Growth Barriers

### Business Model Transformation

Shift from IT transformation to digital transformation with measurable business impact because of investments in 5G

### Capex spend stabilizing for CSPs

More focus on KPI driven business models driving higher profits

### Stagnant Connectivity Revenue and ARPU

High market competition reducing connectivity ARPU, Consolidation restrictions from regulators and declining investments on Core

## Growth Accelerators

### Product Led Transformations

Increased demand for cloud-native composable architectures, low-code/no-code functionality, productized BSS components and Open APIs, multi-tenancy BSS solutions with AIML

### Disruption with New Business Models

Increased uptake of XaaS and transaction business models

### Diversification of Revenue

Marketplace, ecosystem, IoT, AIML and cloud are emerging as new drivers in the market to support diverse verticals and bundling – to increase share of wallet

## Adjacent verticals targeted by CSPs

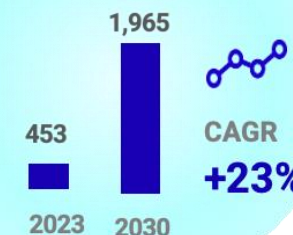
Global AI Intelligence market size– USD Bn



Global IoT Market Size – USD Bn



Digital health market size– USD Bn



Global FINTECH market – USD Bn



Global Cloud OSS/BSS Market Size – USD Bn





# Tecnotree strategic focus areas for driving growth and profitability in 2024

## Cloud Digital BSS Stack

- ❑ Increase in cloud based offerings & revenue

## AIML B2b2x IoT Ecosystem

- ❑ Accelerated revenue monetization with AIML fuelled business values

## Business Model Transformation

- ❑ Fastest time to market
- ❑ Disruptive pricing
- ❑ Increased recurring revenue

## Market Expansion

- ❑ Growth in developed markets (North America & Europe)
- ❑ Customer acquisition

## Corporate & Financial Focus

- ❑ OpEx Control
- ❑ FX risk mitigation
- ❑ Think Cash. Do Cash

# Tecnotree

# 2023 Financials

# February 22, 2024

# FY 2023 Financial performance highlights

- ❑ Consistent growth in revenue
- ❑ Tecnotree recorded the highest revenue in its history by 107.2 Me (72.7 Me) at Constant Currency
- ❑ Improved EBIT on account of higher revenue
- ❑ High impact of forex losses on net income
- ❑ Cash Collections improved
- ❑ Cash Inflow at Constant Currency was EUR 84.1 (60.1) million (exchange rate prevailing at the end of previous year)
- ❑ Significant increase in new orders received leading to record high order backlog

| EUR million        | Q4/2023     | Q4/2022     | 01-12/2023  | 01-12/2022  |
|--------------------|-------------|-------------|-------------|-------------|
| <b>Net sales</b>   | <b>22.2</b> | <b>20.1</b> | <b>78.4</b> | <b>71.6</b> |
| Change YoY%        | 10%         | 11%         | 9%          | 11%         |
| <b>EBIT</b>        | <b>7.9</b>  | <b>6.2</b>  | <b>23.8</b> | <b>18.3</b> |
| Change YoY%        | 28%         | 4%          | 30%         | -23%        |
| Financial items    | -5.1        | -1.4        | -9.9        | -1.1        |
| Taxes              | -0.4        | -1.5        | -2.8        | -5.7        |
| <b>Net income</b>  | <b>2.4</b>  | <b>3.2</b>  | <b>11.2</b> | <b>11.6</b> |
| Change YoY%        | -26%        | -37%        | -4%         | -37%        |
| <b>Cash Inflow</b> | <b>19.8</b> | <b>11.2</b> | <b>62.3</b> | <b>58.8</b> |
| Change YoY%        | 77%         | -50%        | 6%          | 15%         |
| Orders received    | <b>33.6</b> | <b>23.2</b> | <b>95.6</b> | <b>85.7</b> |
| Change YoY%        | 45%         | 1%          | 11%         | 0%          |
| Order backlog      | <b>80.2</b> | <b>68.9</b> | <b>80.2</b> | <b>68.9</b> |
| Change YoY%        | 16%         | 29%         | 16%         | 29%         |
| EPS                | <b>0.01</b> | <b>0.01</b> | <b>0.04</b> | <b>0.04</b> |

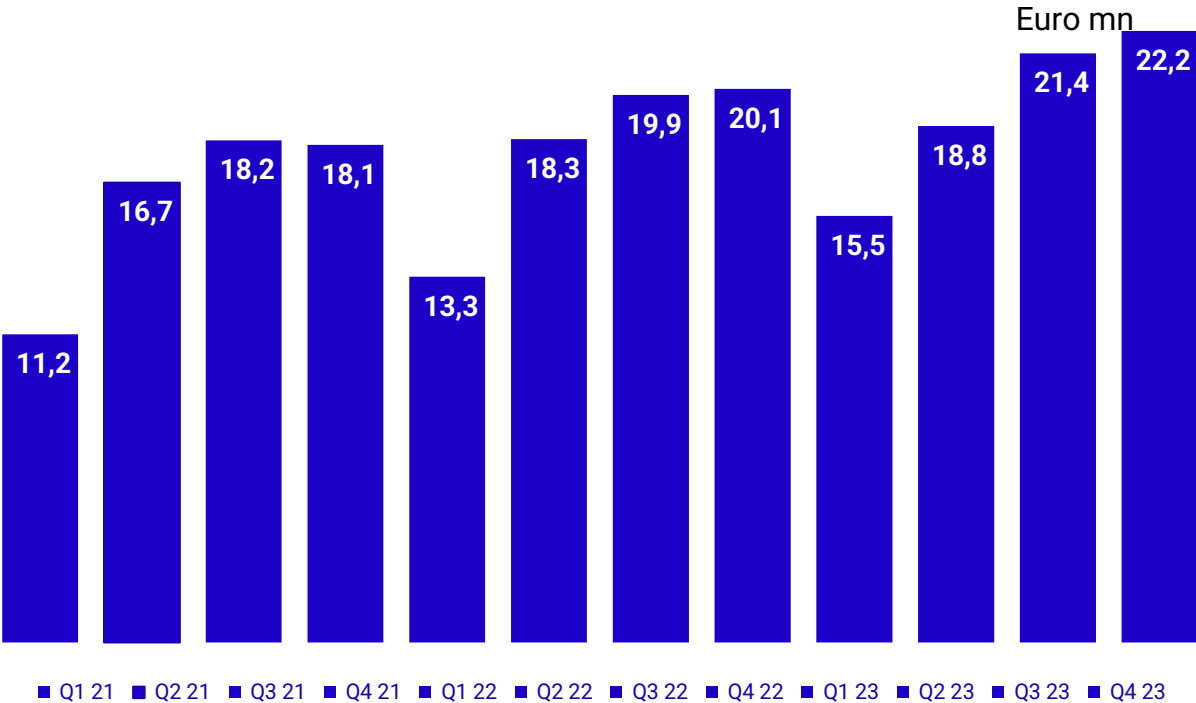


# Revenues driven by market demand and increased focus on collections backed by efficient delivery capabilities

## Revenue at 78.4 M in Q1-Q4 2023

9% y-o-y growth

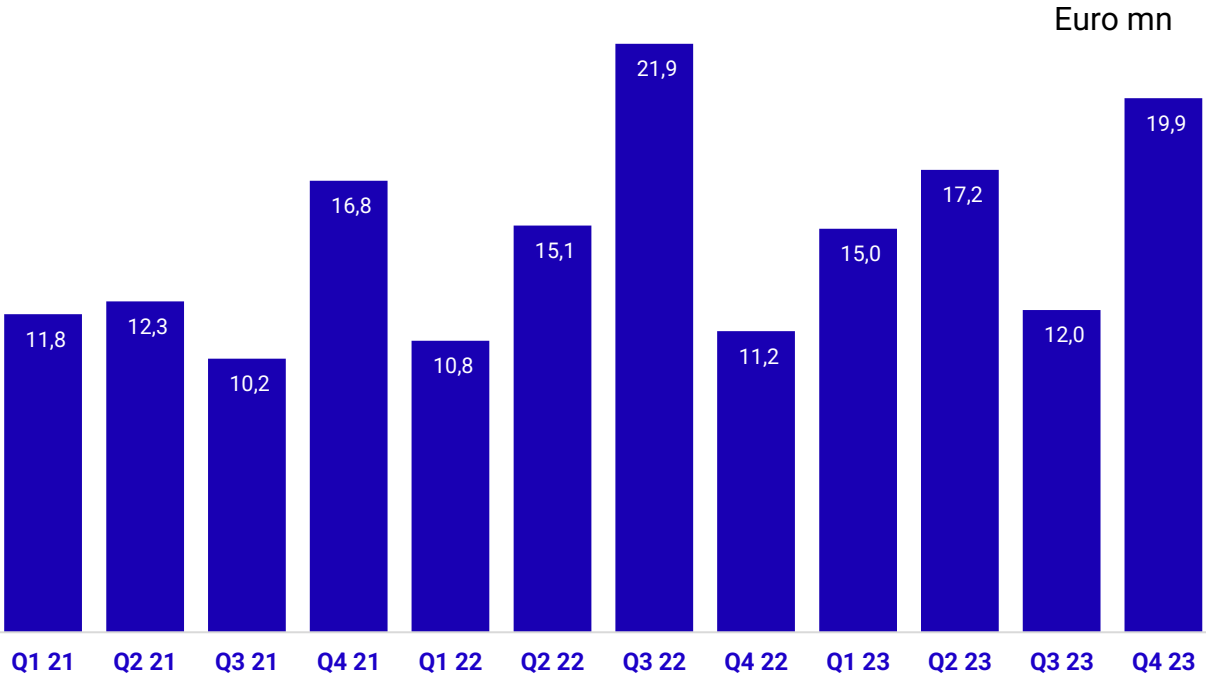
The company recorded highest revenue in its history at EUR 107.2 (72.7) million at Constant Currency – an increase of 47%



## Collections at 62.3 M in Q1-Q4 2023

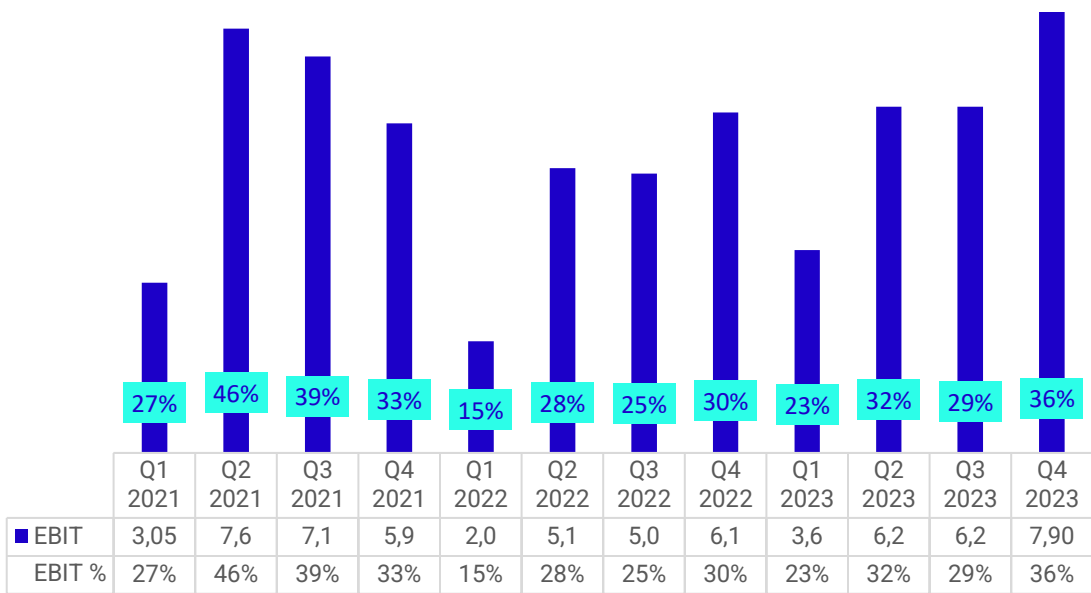
6% y-o-y

The full year operating cash inflow at Constant Currency was EUR 84.1 (60.1) million - an increase of ~40%



# Focus on operational cost optimization along with planned mitigation for FX impact to secure net income

**Operating Result (EBIT) at 23.8 M in Q1-Q4 2023** Euro mn  
30% y-o-y growth



While revenue grew by 9%, OpEx was hold at a flat level resulting in EBIT growth of 30%

Tecnotree continues to closely monitor OpEx to enable consistent growth in EBIT in 2024

**Net income at 11.2 in Q1-Q4 2023** Euro mn  
-4% y-o-y



## Risk

- High currency devaluation in Nigeria and Argentina
- High inflationary trends in customer countries

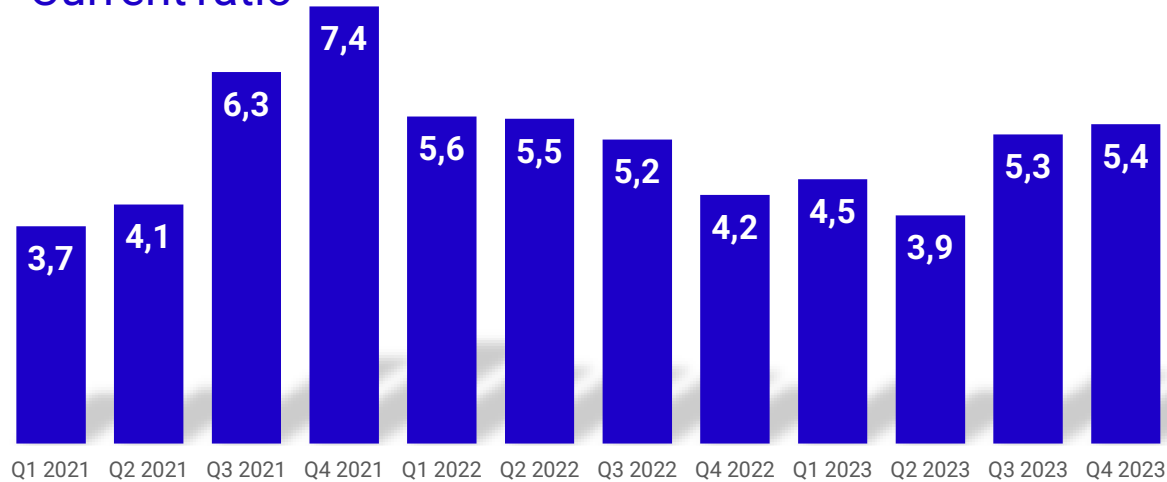
## Mitigation

- Continued contract negotiations with customers for currency risk mitigation
- Expanding customer base into more economically stable markets (North America, Europe)
- Arrangement with leading financial institutions for currency hedges and swaps



# Stable current asset ratio driven by strong current assets

## Current ratio



## Key initiatives for improving cash collections

~ 20% reduction in overall DSO days from 2022 to 2023

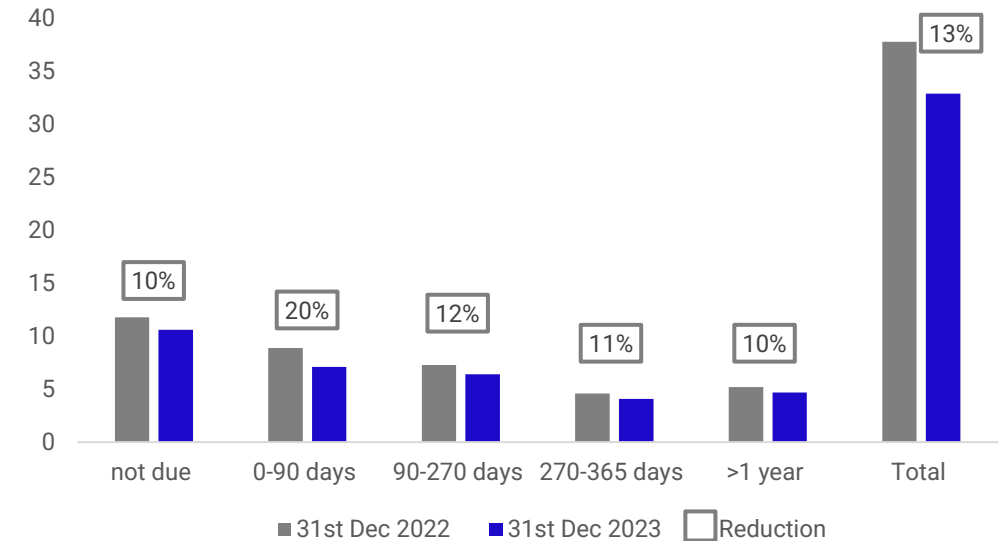
Increased focus on ARR business models for predictable revenue and collections

Increased productization driving faster deliveries

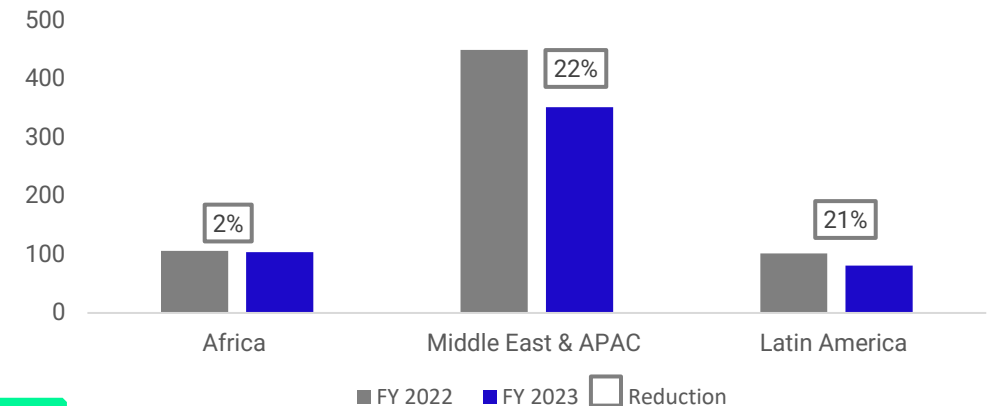
Exploring facilities for currency swaps and forward booking of Fx in key markets

Increased productization driving faster deliveries

## Account receivables ageing, Euro mn



## DSO Days by region





# Tecnotree Balance Sheet

❑ Substantial R&D for product and portfolio enhancement

❑ Rise in other receivables:  
Real estate deposits , advance taxes recoverable/adjustable in future period, advance for corporate activities

❑ CCD subscriptions, 21.1 M

| Consolidated balance sheet, MEUR              | 2023         | 2022  | DIFFERENCE |
|---|--------------|-------|------------|
| Non-current assets                            |              |       |            |
| Intangible assets                             | 33.5         | 23.6  | 42%        |
| Tangible assets                               | 0.4          | 0.4   | -13%       |
| Deferred tax assets                           | 0.5          | 0.6   | -10%       |
| Other non-current trade and other receivables | 1.9          | 1.8   | 8%         |
| Current assets                                |              |       |            |
| Trade receivables                             | 32.9         | 37.8  | -13%       |
| Other receivables                             | 38.2         | 27.3  | 40%        |
| Cash and cash equivalents                     | 20.8         | 12.3  | 70%        |
| <b>Assets total</b>                           | <b>128.2</b> | 103.8 | 24%        |
| <b>Shareholders' equity</b>                   | <b>86.5</b>  | 80.1  | 8%         |
| Compulsory convertible debendures             | 21.1         | 0.0   |            |
| Non-current liabilities                       |              |       |            |
| Non-current interest-bearing liabilities      | 0.0          | 2.4   | -100%      |
| Other non-current liabilities                 | 3.7          | 3.1   | 18%        |
| Current liabilities                           |              |       |            |
| Current interest-bearing liabilities          | 5.7          | 2.5   | 131%       |
| Trade payables and other liabilities          | 11.3         | 15.8  | -29%       |
| <b>Equity and liabilities total</b>           | <b>128.2</b> | 103.8 | 24%        |

# CCD Update

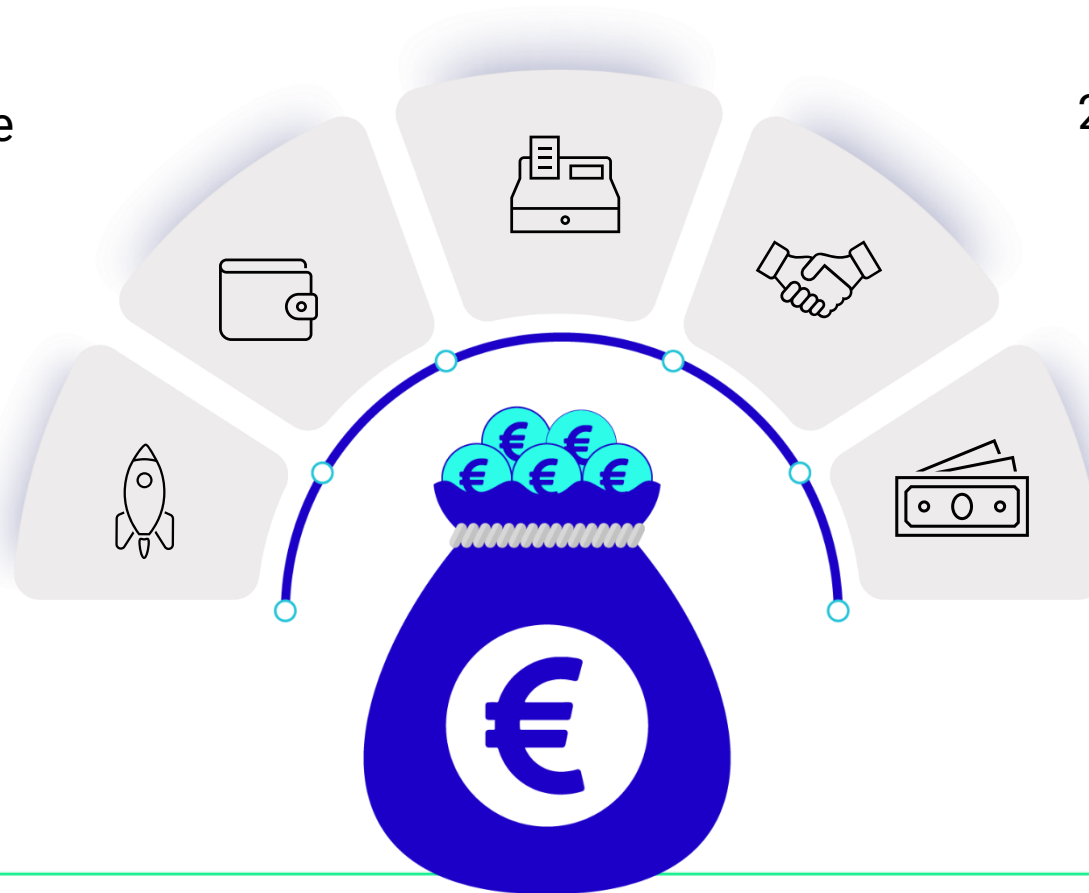
21.1 Me has been collected by Dec 2023  
as per the agreed terms

43.1 Me CCDs were  
subscribed

2 Me received in Jan '24

The scheme was  
launched on 22<sup>nd</sup>  
June, 2023

A consortium of shareholders  
have agreed to subscribe to  
the remaining CCDs ~ 20Me



Tecnotree

# Prospects and risks

February 22, 2024





# Key risks

**Constantly evolving market demanding disruptive technologies & differentiators – high competition**

## **Mitigation**

Constant investment in R&D to stay ahead of the curve and competitive

Disruptive pricing and business models

1

**Footprint in economically vulnerable countries & emerging markets**

## **Mitigation**

Expanding into newer and developed markets

Intermittent cash and carry policies

2

## **Receivables & Currency**

Non availability of Euros in developing economies and central bank restrictions

Long project gestations, intense repatriation efforts

## **Mitigation**

Constant evaluation, currency hedges and swaps

Improved productization & automation to reduce payment cycles

Increase in ARR business models

Expanding into newer and developed markets

3

# Prospects 2024

**Revenue** to  
be higher by

**2% - 7%**

**Operating profit**  
(EBIT) to be higher by

**7% - 15%**

## Assumptions:

- The company will continue its focus on increasing licence revenue while is moving constantly evolving from Projects delivery Licence and Delivery mode into an Annual Recurring Revenue model.
- This will ensure that the company will have more predictable and stable quarter on quarter revenue.
- However, revenue will be impacted in the shorter term.
- Telecom industry growth is poised at 2.1%\* annually from 2022-2027 and Tecnotree has been growing above the market.
- Further given the uncertain global economic scenario, the Company expects 2%-7% growth in revenue compared to 2023
- In 2024, the company is expecting higher cost optimisation which will result in higher Operating profit of 7%-15% compared to 2023
- Foreign exchange rates are expected to remain at approximately current levels.

# Investment Highlights



## STRONG FINANCIALS

Stable financial position

Strong current assets

Diversified receivables  
with no dependency on  
single large project



## GROWTH

Healthy organic growth  
with high order book

Diversified, high quality  
customer base

Growth potential in  
sizeable new markets  
(Europe and NA)



## PORTFOLIO & OPERATIONS

Modernized product  
portfolio catering for  
market demand

Operational turnaround  
with high EBIT





Q&A



# THANK YOU

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# BSS Market Evolution

Core BSS market  
forecasted to have 2.1%  
annual growth from  
2022-2027 (CAGR) –  
Gartner 2023

Growth Barriers

Business Model Transformation

Shift from IT transformation to digital transformation with measurable business impact

Low Margins on IT BSS for CSPs

Capex growth stabilizing; more focus on KPI driven business models driving profits

Stagnant Connectivity Revenue and ARPU

High market competition reducing connectivity ARPU , Consolidation restrictions from regulators and declining investments on Core



Growth Accelerators

Product Led Transformations

Increased demand for cloud-native composable architectures, low-code/no-code functionality, productized BSS components and Open APIs, multi-tenancy BSS solutions

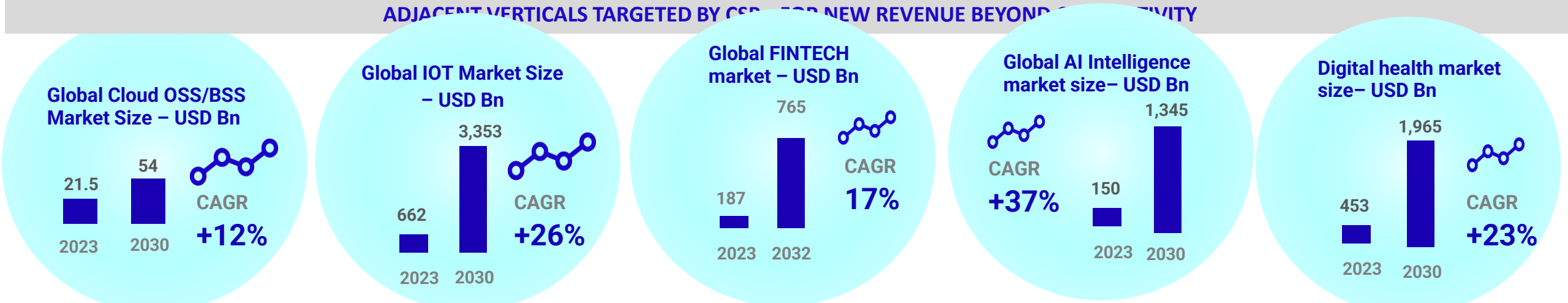
Disruption with New Business Models

Increased uptake of XaaS and transaction business models

Diversification of Revenue

Marketplace, ecosystem, IoT, AIML and cloud are emerging as new drivers in the market to support diverse verticals and bundling

## ADJACENT VERTICALS TARGETED BY CSP FOR NEW REVENUE BEYOND CORE CONNECTIVITY



# Investment Highlights



## STRONG FINANCIALS

Stable financial position

Strong current assets

Receivables are diversified with no dependency on single large project that can cause sizeable impairment of receivables



## GROWTH

Healthy organic growth with all time high order book

Expanding high quality customer base (STC, Zain Ooredoo etc) with robust financials

Growth potential in sizeable new markets (Europe and NA)



## PORTFOLIO & OPERATIONS

Modernized product portfolio catering for market demand

Operational turnaround with high EBIT driven by cost and product portfolio rationalization along with organization restructuring

# Tecnotree Delivering Impactful Customer Benefits

## Business Benefits

**90%**

Optimized Product Offerings

**5 Mins** (Avg.)

Product pricing updates

**70%**

Reduction of TCO

**6X**

Faster Billing Processing

**15+ Apps**

Integrated Customer 360 view

## Technical Benefits

**100%**

Open source Technologies

**59**

Tm-forum certified Open APIs & e-TOM  
Certified core Digital stack

**1**

Code base across all OpCos

**66% Reduction in integration  
time**

**Container & Docker**

based deployments

## Operational Benefits

**No/Minimal**

down time, across digital stack

**Centralized logging**

Across Digital Stack

**Pro-active monitoring**

Across Digital Stack

**Zero Touch**

& Cloud native deployment

**Dashboard**

based monitoring for billing operations

