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Transcom

Fourth quarter 2015 results presentation

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Outstanding
Customer
Experience

Transcom

Key highlights Q4 2015

- 4.1% EBIT margin excluding non-recurring items
- We are implementing a number of changes, which will support our continued positive progression towards our mid-term financial targets, in particular in terms of our most prioritized EBIT target.
 - Closure of loss-making site in Colombia and review of remaining Latin American business in Chile and Peru
 - Simplification of our regional and management structure, supporting margin improvements going forward
- Negative organic growth (-4.1%), mainly due to Transcom's decision not to bid for a renewed public sector agreement in Italy
- Net debt/EBITDA 0.6 compared to 0.9 at the end of 2014
- The Board recommends a dividend of 1.75 SEK per share

At a glance

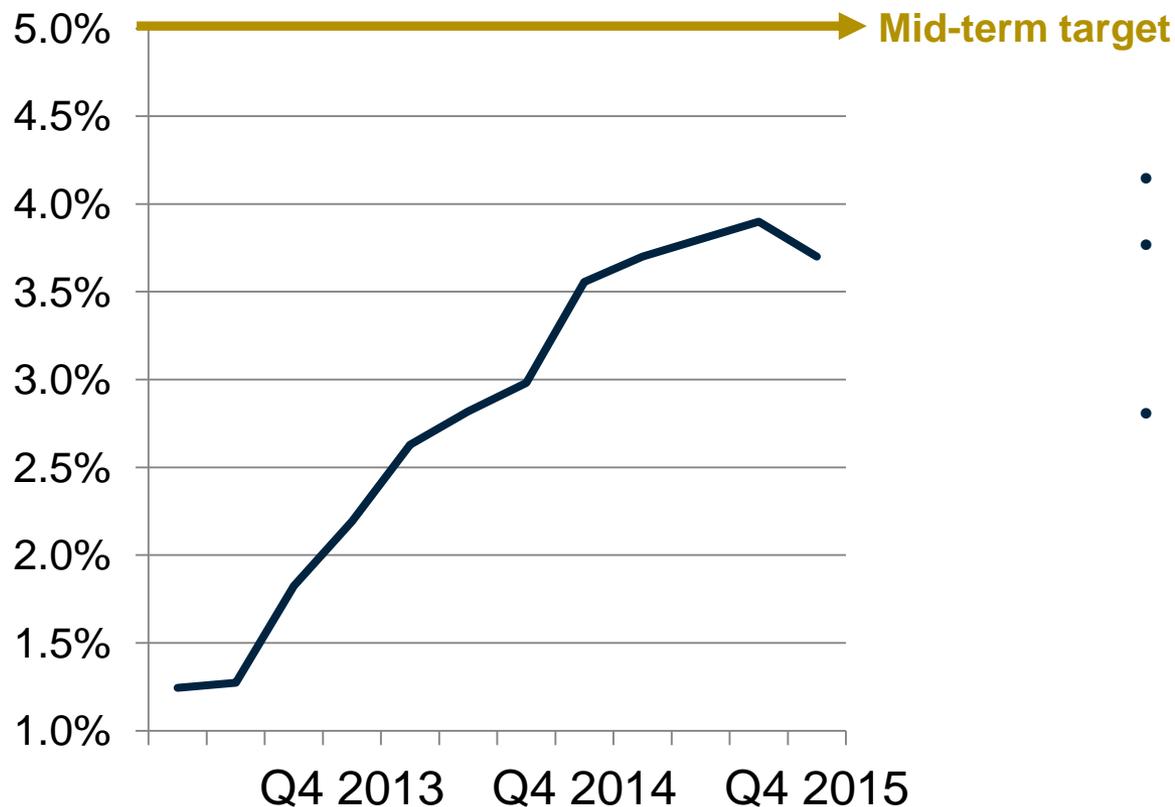
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Transcom in numbers

- A global **customer experience** specialist...
- ...employing **30,000** people...
- ...representing more than **100** nationalities...
- ...operating **54** contact centers, onshore, off-shore and near shore...
- ...**in 23** countries...
- ...delivering services in **33** languages...
- ...generating €626.5 million revenue in 2015...
- ...with a market cap of **SEK 2.3 billion** as at December 30, 2015. Listed on Nasdaq Stockholm (Mid Cap segment) under ticker TWW.

The slight decline this quarter in our rolling 12-month EBIT margin is due to the fact that Q4 2014 was exceptionally strong, and a weaker development in Iberia & Latam

12-month rolling EBIT* margin development



- Strategic sales efforts
- Consolidation of regional structure will drive efficiency improvements
- Continuous focus on underperforming areas

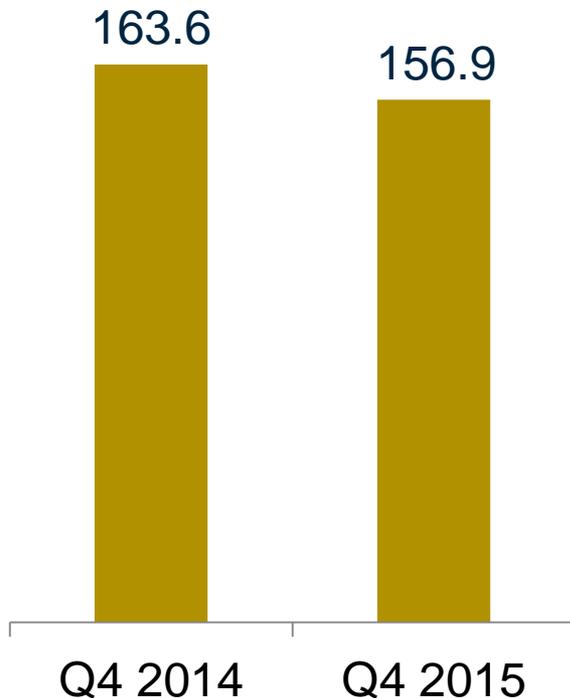
Our performance in Q4 2015 and FY 2015

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Negative 4.1% organic growth in Q4 2015

Organic growth, Q4 2015 vs. Q4 2014

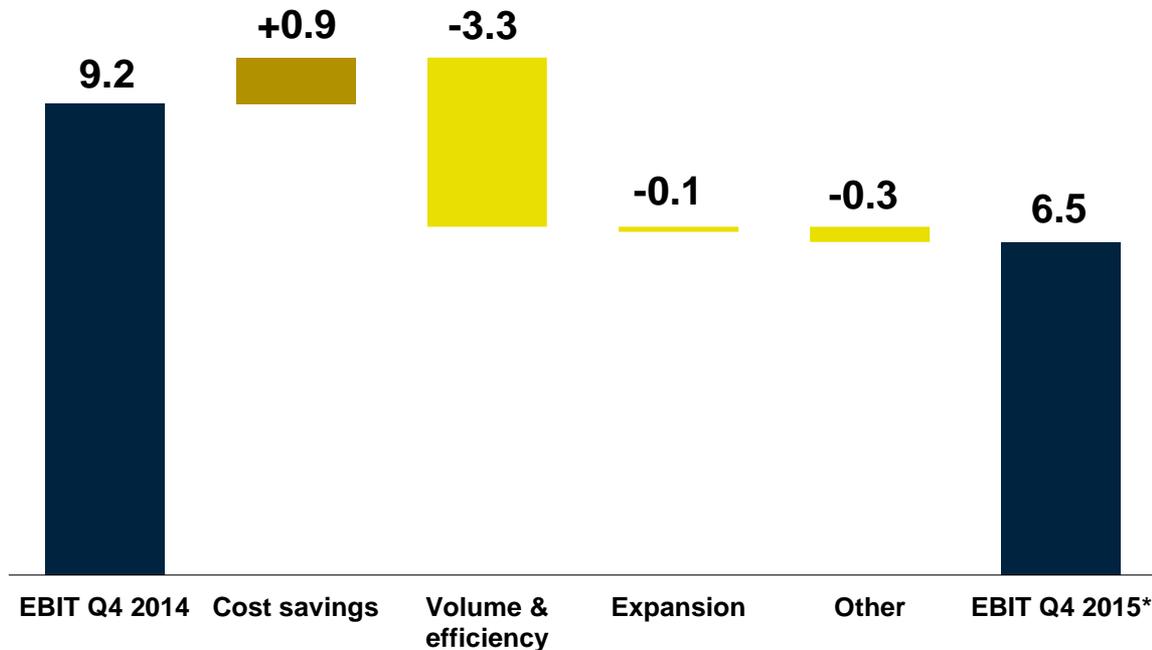
€m



- Revenue in Q4 2014 adjusted for currency effects (€+4.9m)
- Transcom's previously disclosed decision not to bid for a renewed public sector client agreement in Italy had a €5.5 million (-3.5%) negative impact on revenue in Q4 2015.

EBIT margin in Q4 2015, excluding non-recurring items, was 4.1%* (5.8% in Q4 2014)

EBIT (mEUR)
Q4 2014 vs. Q4 2015



Negative volume & efficiency effect consist of

- North Europe high volumes in Q4 2014
- C&S discontinued public sector client
- Iberia & Latam lower volumes and price pressure

* Excludes €2.4m non-recurring items

Performance improved in the North America & Asia Pacific region, while weaker particularly in Iberia & Latam

	2015 Oct-Dec	2014 Oct-Dec
EBIT margin		
North Europe	5.5%	7.3%
Central & South Europe	2.4%*	3.8%
Iberia & Latam	-0.5%*	5.0%
North America & APAC	7.6%*	6.4%
Total	4.1%*	5.8%

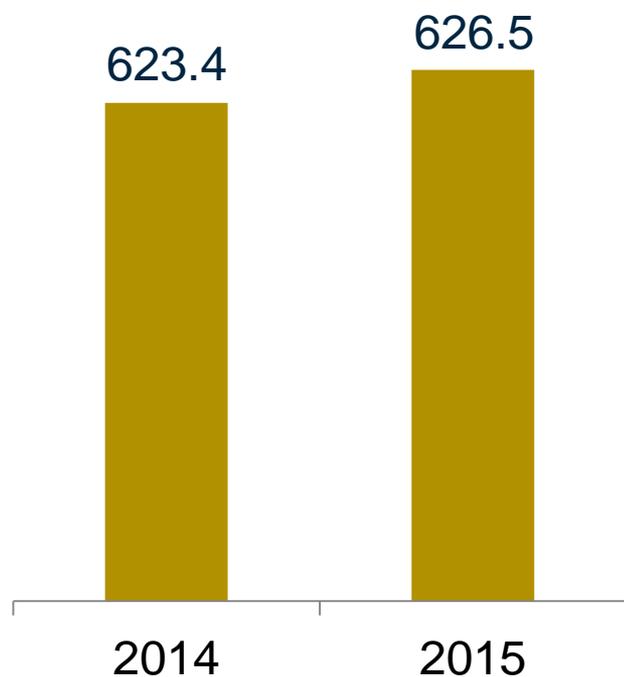
* Excluding non-recurring items

- **North Europe:** Lower volumes than in Q4 2014, an exceptionally strong quarter. Efficiency improvements partly compensated for the effect of lower volumes.
- **Central & South Europe:** Decrease in EBIT mainly due to non-renewal of public sector client agreement in Italy.
- **Iberia & Latam:** Fewer working days in Spain (Q4 2015), as well as lower volumes and prices on some client accounts. Positive one-time effect in Q4 2014 (3.7pp).
- **North America & Asia Pacific:** Increased efficiency and cost savings, as well as positive currency effects.

+0.5% organic growth in 2015

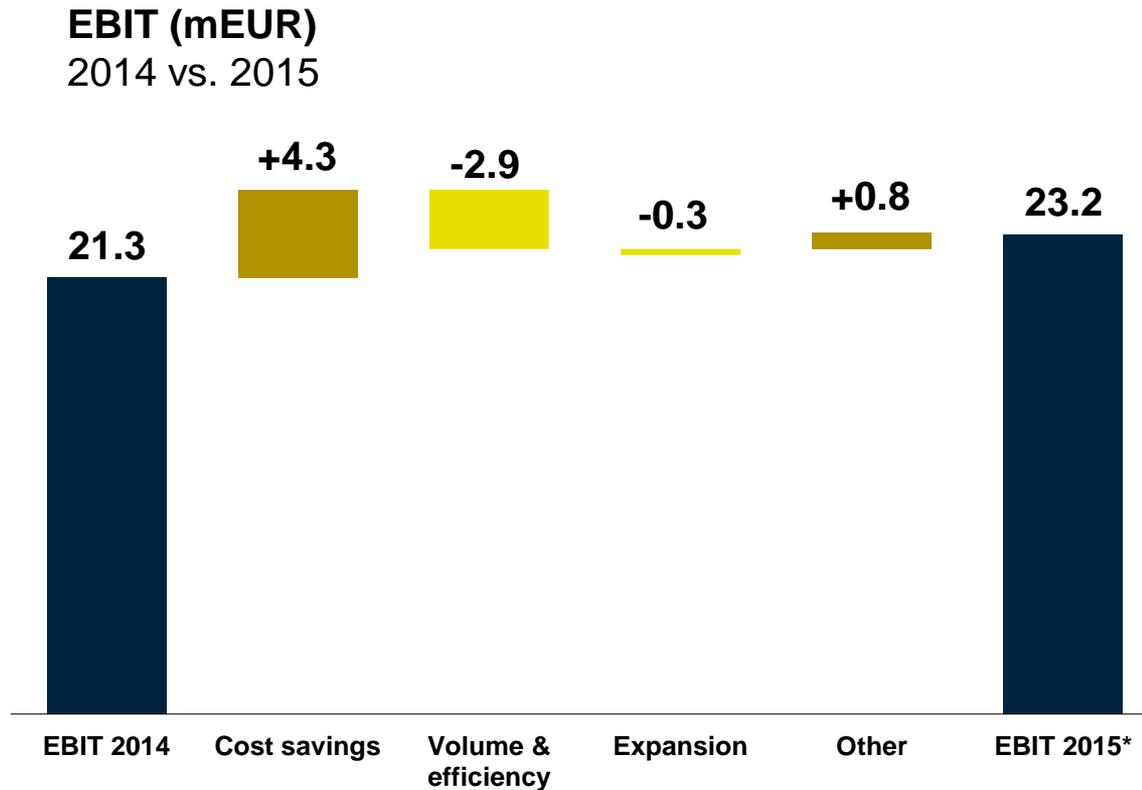
Organic growth, 2015 vs. 2014

€m



- Revenue in 2014 adjusted for currency effects (€+19.0m) and CMS divestments (€-12.4)
- Transcom's previously disclosed decision not to bid for a renewed public sector client agreement in Italy had a €8.7 million (-1.4%) negative impact on revenue in 2015.

EBIT margin in 2015, excluding non-recurring items, was 3.7%* (3.5% in 2014)



* Excludes €3.2m non-recurring items

EBIT margin increase in 2015 driven by performance improvement in the North America & Asia Pacific region

	2015	2014
EBIT margin		
North Europe	5.0%	5.3%
Central & South Europe	3.1%*	3.3%
Iberia & Latam	0.4%*	0.9%
North America & APAC	5.5%*	3.5%
Total	3.7%*	3.5%

* Excluding non-recurring items

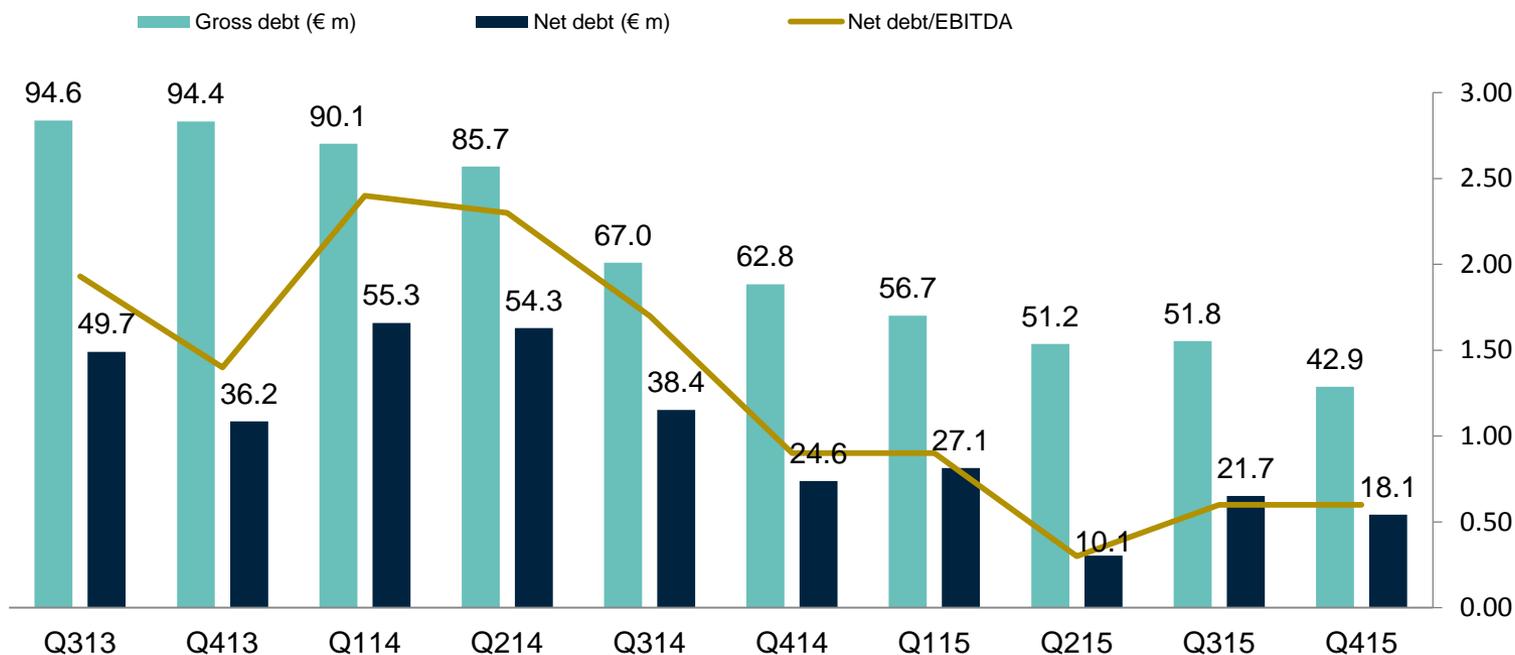
- **North Europe:** Lower volumes than in 2014
- **Central & South Europe:** Decision not to bid for renewed public sector agreement in Italy had an impact.
- **Iberia & Latam:** Lower volumes Spain and Colombia, and lower prices on some client projects in Spain. Improved profitability in Chile and Peru.
- **North America & Asia Pacific:** Increased efficiency and cost savings, as well as positive currency effects.

Key drivers to reach mid-term profitability targets

KPIs vs. previous year

	Trend vs. Q4 2014	Q4 2015 vs. Q4 2014
Average seat utilization ratio	→	89% vs. 89%
Average Efficiency ratio (billable over worked hours)	→	n/a - improved efficiency
Monthly staff attrition	→	n/a – decrease (positive development)

Debt & leveraging



- Gross debt decreased by €8.9m compared to the Q315 level
- Net debt decreased by €3.6m compared to the Q315 level
- Net Debt/EBITDA ratio: 0.6 (0.6 in Q315)
- Financial position allows Board to propose a dividend of 1.75 SEK per share

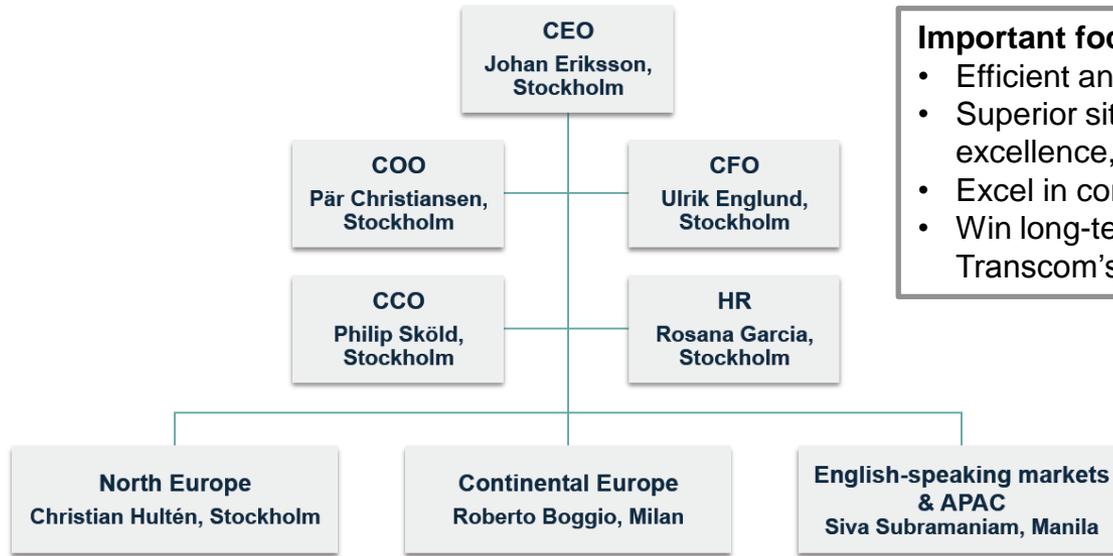
Going forward – Transcom's strategic direction

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We are exiting Colombia and are evaluating strategic alternatives for remaining Latin American business

- We are closing the loss-making site in Cali, Colombia
 - Losses in Colombia amounted to €2.0 million in 2015
 - A restructuring cost of €2.3m has been recognized in Q4 2015 (€1.4m is non-cash)
- We are evaluating strategic alternatives for remaining Latin American business in Chile and Peru
 - Positive revenue and EBIT trend, as a result of new projects won with domestic clients. However, result is not satisfactory.
 - Losses in Chile and Peru amounted to €1.7 million in 2015

Focus on Europe and English-speaking markets & APAC



Important focus areas:

- Efficient and effective regional and corporate functions
- Superior site performance through operational excellence,
- Excel in contract and account management, and
- Win long-term profitable business in line with Transcom's commercial and operational set-up

- Simplified regional and management structure, focusing our resources on prioritized growth areas
- A non-recurring restructuring cost amounting to approximately €2.7m will be recorded in Q1 2016
- Annual cost savings are estimated at €2.9m, and are expected to take full effect in Q4 2016. Further efficiency gains are expected in the coming years.

Stay up-to-date on Transcom

The screenshot shows the Transcom website homepage. At the top, there is a navigation bar with links for 'About', 'Clients & services', 'Investors', 'Careers', 'News', and 'Blog'. A search bar is located on the right side of the navigation bar. The main headline reads 'Outstanding customer experience driving revenue and customer loyalty'. Below the headline, there are three columns of content: 'Transcom blog' featuring articles by Johan Eriksson and Giuseppe Bertol, 'Global presence' with a world map and a country selection dropdown, and 'Latest news' with a link to 'Transcom reports financial results for the fourth quarter and twelve months ended 31 December 2013'. At the bottom, there are three sections: 'Who we are', 'Why Transcom', and 'The value we deliver'.

The screenshot shows the 'My Transcom Experience' page. The main heading is 'My Transcom Experience'. Below it, there are navigation links for 'Home', 'About', 'Archive', and 'Transcom.com'. The main content area features an article titled 'Transcom Sweden educates agents in behavioral analysis to improve customer experience'. The article includes a photo of a woman, a short introduction, and a list of tags: 'customer experience', 'Training', 'Transcom Sweden', and 'Transcom Umeå'. Below the article, there is a video player showing a presentation slide with the Transcom logo and text: 'There are three reasons why we do this at Transcom: 1. Improved understanding of and communication with our clients' customers, 2. Self-development, 3. Group development'. On the right side, there is a search bar and a list of archives from February 2014 to July 2013. Below the archives, there is a tag cloud with terms like 'analytics', 'awards', 'banking', 'best practices', 'client case', 'client win', 'community', 'Customer Care', 'customer experience', and 'customer relationship'.

The screenshot shows a graphic celebrating Transcom's 20th anniversary. The text 'Transcom 20 CELEBRATING 20 YEARS OF BEHAVIORING SOCIALLY CUSTOMER EXPERIENCE' is at the top. The background is a photograph of a busy bus station with many people and buses. One bus has 'JOSIE' written on its side. At the bottom, the text 'Annual Report 2014 Creating Leadership in Customer Experience' is displayed.

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Thank you!

Questions?

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