

# telegate Group

Munich, November 12, 2015



# Agenda item

**01 Financials**

02 Business development

03 Outlook

Based on declining DA business, revenues and EBITDA\* are below prior year figures - nevertheless the numbers are above guidance.

telegate Group (m€)	9mth 2015	9mth 2014	%	Abs. Diff.
<i>Revenues DA solutions</i>	16,3	21,4	-24%	-5,1
<i>Revenues Digital</i>	24,5	26,1	-6%	-1,6
<b>Revenues total:</b>	<b>40,8</b>	<b>47,5</b>	<b>-14%</b>	<b>-6,7</b>
Cost of revenues	-20,9	-24,6	-15%	-3,7
<b>Gross profit</b>	<b>19,9</b>	<b>23,0</b>	<b>-13%</b>	<b>-3,0</b>
<i>Gross profit %</i>	48,9%	48,3%		
Selling and distribution costs *	-18,7	-20,3	-8%	-1,6
General administrative expenses *	-9,0	-9,9	-10%	-0,9
Other operating income/expense *	0,0	0,1		
<b>EBIT</b>	<b>-7,7</b>	<b>-7,1</b>	<b>-8%</b>	<b>-0,6</b>
<b>EBITDA</b>	<b>0,1</b>	<b>1,7</b>	<b>-92%</b>	<b>-1,6</b>
OTE	-3,3	-6,0		-2,6
<b>EBITDA w/o OTEs</b>	<b>3,5</b>	<b>7,6</b>	<b>-55%</b>	<b>-4,2</b>

\* incl. OTEs (structural costs, restructuring & data cost issues)

Even if CASH and EBITDA are above Budget, cost discipline is a MUST so that the remaining cash reserve is sufficient for restructuring in 2016.

telegate Group (m€)	9mth 2015 (actual)	9mth 2015 (Budget)	%	9mth 2014	%
Revenues DA solutions	16,3	15,7	4%	21,4	-24%
Revenues Digital (excl. Software, non-deferred)	22,0	23,5	-6%	23,0	-4%
Revenues Digital	24,5	24,8	-1%	26,1	-6%
<b>Revenues total</b>	<b>40,8</b>	<b>40,5</b>	<b>1%</b>	<b>47,5</b>	<b>-14%</b>
EBITDA DA	3,4	2,4	44%	6,2	-45%
EBITDA Digital	0,0	-0,6		1,5	-98%
<b>EBITDA w/o OTE's</b>	<b>3,5</b>	<b>1,8</b>	<b>92%</b>	<b>7,6</b>	<b>-55%</b>
EBITDA incl. OTE's	0,1	0,2	-26%	1,7	-92%
EBITDA incl. OTE's before capitalisation	-3,8	-4,0	4%	-3,2	-20%
<b>Cash</b>	<b>21,0</b>	<b>20,4</b>	<b>3%</b>	<b>26,8</b>	<b>-22%</b>

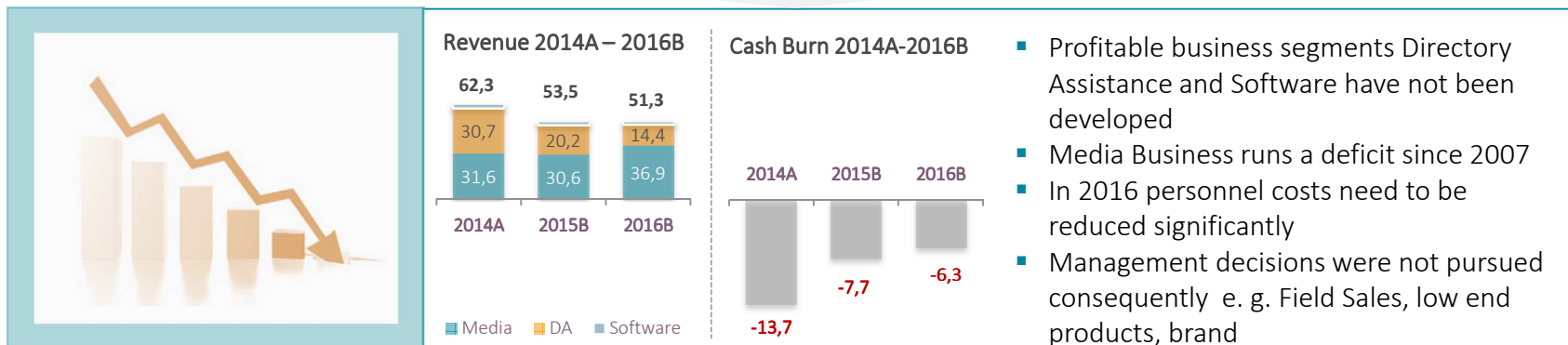
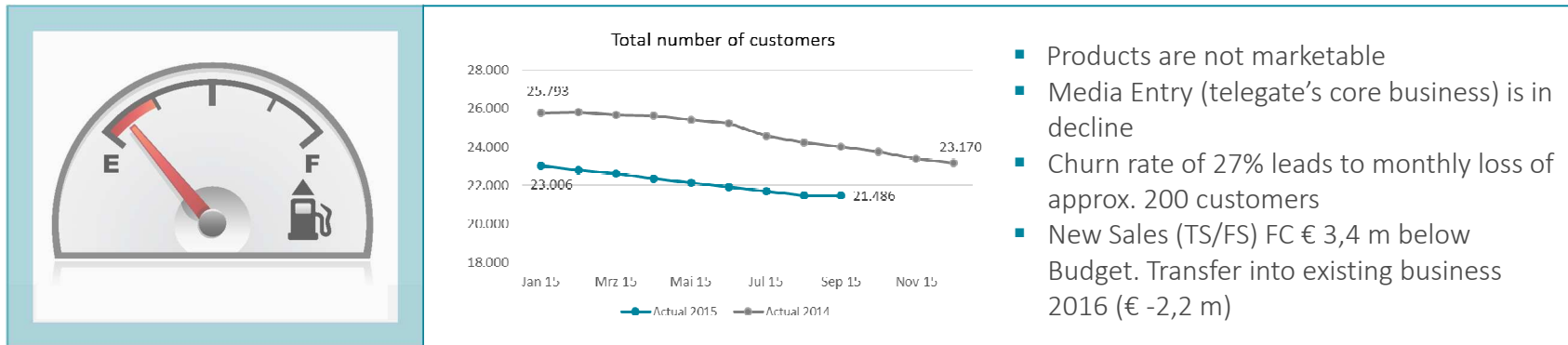
Guidance 2015 will be partially reached – Performance of Media Segment is below growth expectations and again behind prior year.

telegate Group (m€)	2015 Forecast	2015 Budget	%	2014 actual	%
Revenues DA solutions	20,7	20,2	3%	27,7	-25%
Revenues Digital (excl. Software, non-deferred)	28,6	31,7	-10%	30,7	-7%
Revenues Digital	32,5	33,3	-3%	34,6	-6%
<b>Revenues total</b>	<b>53,2</b>	<b>53,5</b>	<b>-1%</b>	<b>62,3</b>	<b>-15%</b>
EBITDA DA	4,5	2,6	72%	7,7	-41%
EBITDA Digital	-0,5	-0,4	-10%	1,8	
<b>EBITDA w/o OTE's</b>	<b>4,0</b>	<b>2,2</b>	<b>84%</b>	<b>9,4</b>	<b>-57%</b>
<b>EBITDA incl. OTE's</b>	<b>0,8</b>	<b>-0,2</b>		<b>2,3</b>	<b>-64%</b>
<b>EBITDA incl. OTE's before capitalisation</b>	<b>-4,2</b>	<b>-5,9</b>	<b>29%</b>	<b>-3,8</b>	<b>-9%</b>
<b>Cash</b>	<b>20,0</b>	<b>18,8</b>	<b>6%</b>	<b>26,9</b>	<b>-26%</b>








- Guidance EBITDA (w/o OTE's): € 2-3 m -> Forecast € 4 m
- Guidance Cash Flow (w/o data costs): € -6 m to € -7 m -> Forecast: € -5,3 m
- Revenue growth Digital in 2016: double digit -> Outlook: Revenue decrease

The seriousness of the situation is not clear on the first view. For 2016 significant savings are necessary, unless business is brought back on growth track immediately!

New Sales (TS/FS) YTE FC € 3,4 m below Budget – Monthly customer loss = approx. 200 (net)



The current KPI system has to be improved because of limited use for monitoring. Currently, a new KPI system is being developed in which operative KPIs are in the foreground.

	9mth 2015	9mth 2014	Comments
 € 24,5 m Revenue Digital		-6%	<ul style="list-style-type: none"> <li>Digital Business was started 2007 as future business but it is still unprofitable</li> <li>New Sales are far behind expectations</li> </ul>
 € 16,3 m Revenue AKL		-24%	<ul style="list-style-type: none"> <li>Directory business is declining due to market development. This trend will continue</li> <li>Revenues above budget due to positive, external effects</li> </ul>
 21.486 Customers		-11%	<ul style="list-style-type: none"> <li>Declining customer number and new customer sales</li> <li>Declining Up-selling potential 2016 ff.</li> </ul>
 1.346 € ARPA		-8%	<ul style="list-style-type: none"> <li>Ø - ARPA is declining because new customers are mainly acquired with low end products</li> </ul>
 3.377 € Ø Rev. / TS*		-3%	<ul style="list-style-type: none"> <li>Ø - Revenue per TS FTE is declining because conversion rates (especially in cold campaigns) are dropping significantly</li> </ul>
 26,5% Loss rate (LR)		10%	<ul style="list-style-type: none"> <li>High LR is a problem of telegate, since ROI is only achieved by customer retention of approx. 2,8 years</li> </ul>
 € -6,0 m Net loss		-28%	<ul style="list-style-type: none"> <li>Net loss is mainly driven by declining DA business</li> </ul>

\* Revenue per Telesales (TS) FTE, ARPA Jan-Sept. are average values



# Agenda item

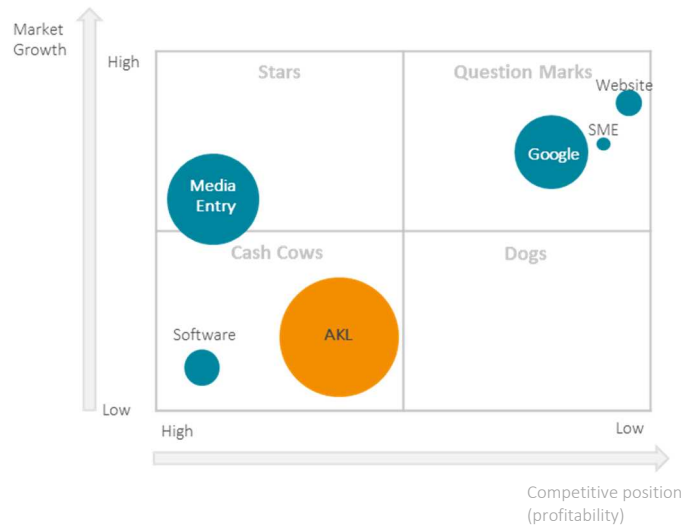
01 Financials

**02 Business development**

03 Outlook

The current strategy is based on a customer retention of approx. 2,8 years before ROI of Sales is achieved. For a sustainable competitiveness products MUST achieve profitability in the first year!


Product overview shows that value of new products largely depends on purchased products




Legend

- = Media Products
- = Size relative to revenue


**Strategic principles**

-  Question Mark
  - Promote selective products
  - Make use of cost saving potential
  - Transfer financial resources


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-  Star
  - Grow market share
  - Guarantee sufficient financial resources


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-  Cash Cow
  - Products without much investment
  - Accept low growth


**Meaning for telegate**

-  Question Mark
  - Increase productivity of websites
  - Initiate cost cutting measures e.g. through cheaper , more efficient sales channel
  - Ensure achievement of Google Kick-Back

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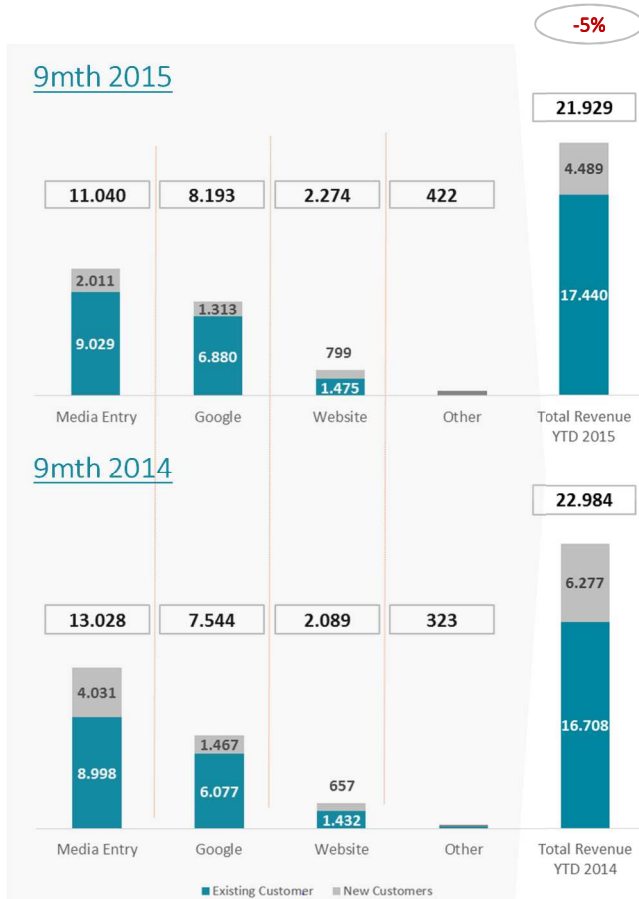
-  Star
  - Optimization and development of EOL Products

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-  Cash Cow
  - EOL Products (Directory Assistance, Software) need to be developed or transferred

YTD New Sales are € 1,8 m below prior year and far below Budget. The YTE Forecast assumes a € 3,5 m gap vs. Budget. This leads to a loss of renewal revenues in 2016 of approx. € 2,2 m.

Product mix is shifting towards Google and new customer sales have declined dramatically



- New Sales: € 1,8 m below PY mainly driven by dramatic reduction in media entry sales
- Field Sales are approx. € 600k behind PY and Telesales approx. € 1,1 m behind PY
- Higher Renewal & Upselling rates lead to additional Revenue with existing customers of € 732k vs PY
- Social Media products were introduced in 2015. Sales are minor



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As presented in the half year results' analyst presentation, telegate will make a short term shift from a sales focused to a product centric organization ...

- Improving profitability by initiating efficiency optimization initiatives – already started
- Massive revision and realignment of existing product portfolio – until end of 2015
- Enter the market with new innovative solutions – until end of 2015

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**... to have enough development capacity for future growth plans.**

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## telegate is condemned to success! Speed is more important than ever!



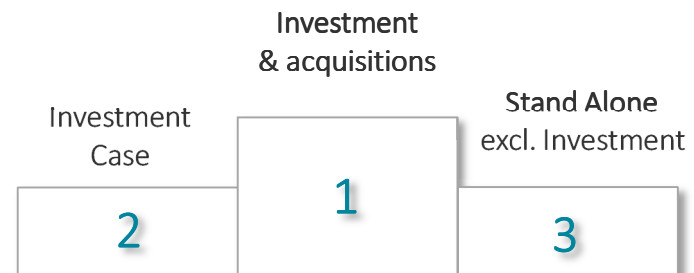
### Start

- Budget 2016ff assumes high savings in personnel costs
- Cash reserve is limited
- Marketing Budget is marginal
- No buffer for external shocks is budgeted



### Finish

Stand Alone Case is the most challenging case, however mission is not impossible, although it will require more time!



„Last Exit Brooklyn“ – Program „Genesis“ is initiated, a complex undertaking consisting of 6 projects with the aim to achieve sustainable competitiveness.



### Simplified, clear 3-phase sales approach

**01 Offline -> Online**

- Entry yellow pages as basic product
- Test new contract structures e.g. rebates, different contractual terms
- Test Voice Call vs. Fax


**02 Performance Increase**

- Upselling
- Test new add-on products e. g. Omnea
- Establish „White Case products“, in order to test new ideas

**03 Business expansion**

- Support Services (customer data analysis, Strategy plans, etc..)
- 24x7 hour service


**Biggest lever is higher conversion (currently below 1%)  
 Aim 3 - 5%**



## Projekt Predator

### Contents

- Explore new ways (e.g. AMT capacity forTS)
- Farming / Hunting: Seperation yes/no
- Special sales units (e.g. Verticals)
- Clear targets: Customer growth vs. revenue
- Production quantity/-costs/-speed (profit margins, loactions)
- Labour market / skills (currently 60% churn)
- Which customer data is allocated to which employee?
- Presentation of business concept

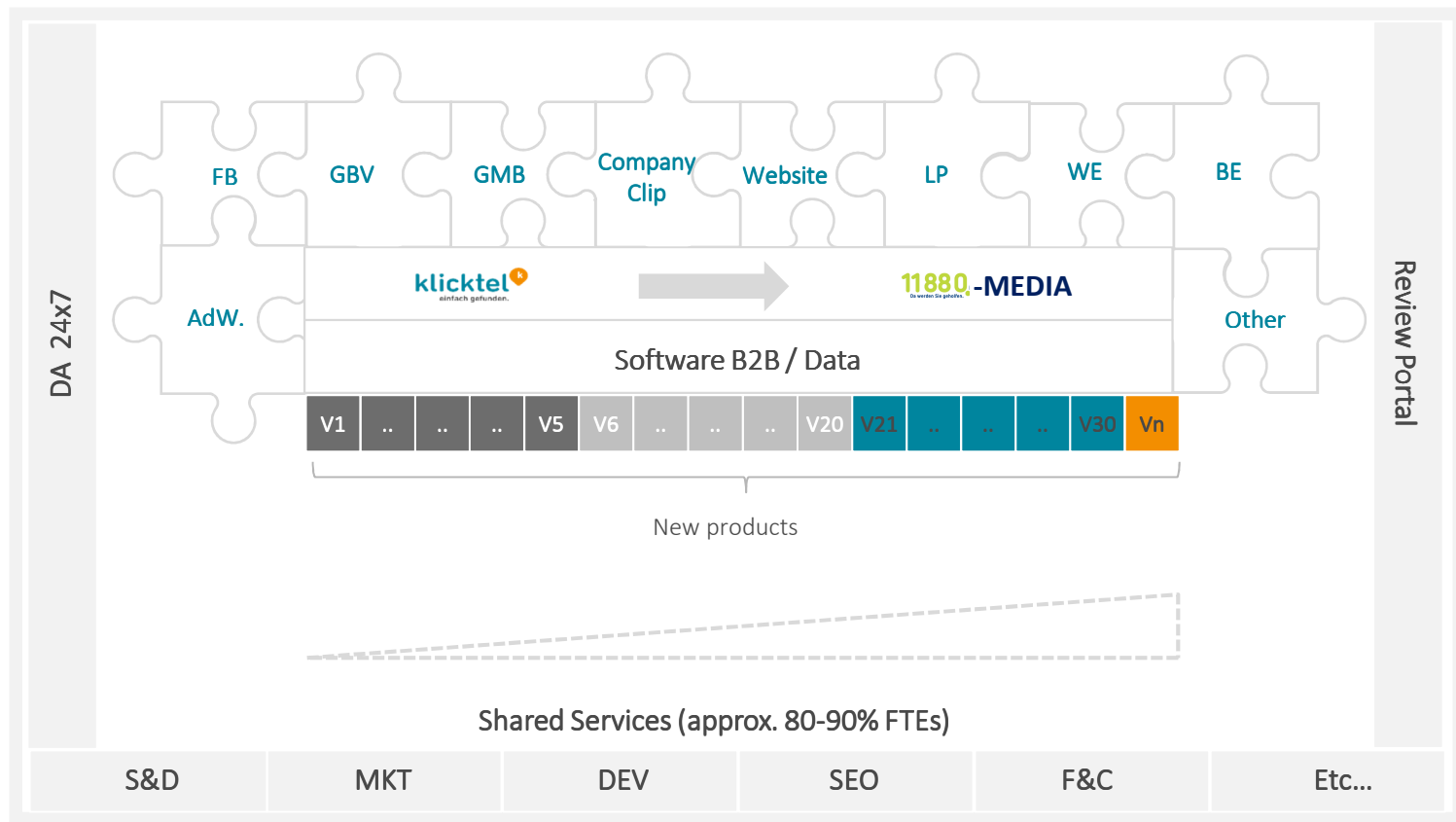


**Higher conversion motivates employees** → **Reduced fluctuation** → **Increased efficiency**

**Cost of fluctuation is approx. € 40k per employee**

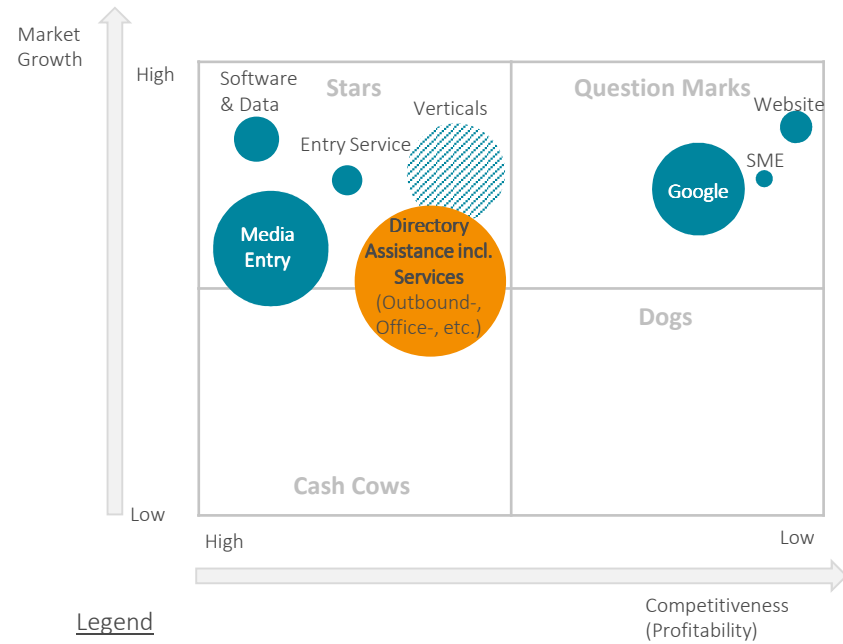
Octopus: A holistic approach, the integration of additional services e.g. 24x7 as well as the introduction of verticals and review portals are key to success!

The beauty of the whole is revealed in the perfection of the details



The future portfolio would have greater interlinkage and put products in the foreground, which have the prospect ROI of less than 12 months.

Future portfolio – for a sustainable competitiveness telegate needs “star” products.



Legend

- = Media Products
- ● ● = Size relative to revenue
- ▨ = Revenue potential dependent on vertical

**Measures:**

- Target portfolio incorporates products with a high degree of internal value
- The Directory Assistance business will be revitalized through special 24x7 services for our customers as well as third-party business
- Through shared service approach the efficiency will increase
- Verticals will generate media sales

After a 4 years development stop, high investments are made in the most modern yellow pages directory in Europe – in order to successfully launch a „lead strategy“ in the SME segment!

### Merge of offers for users and companies

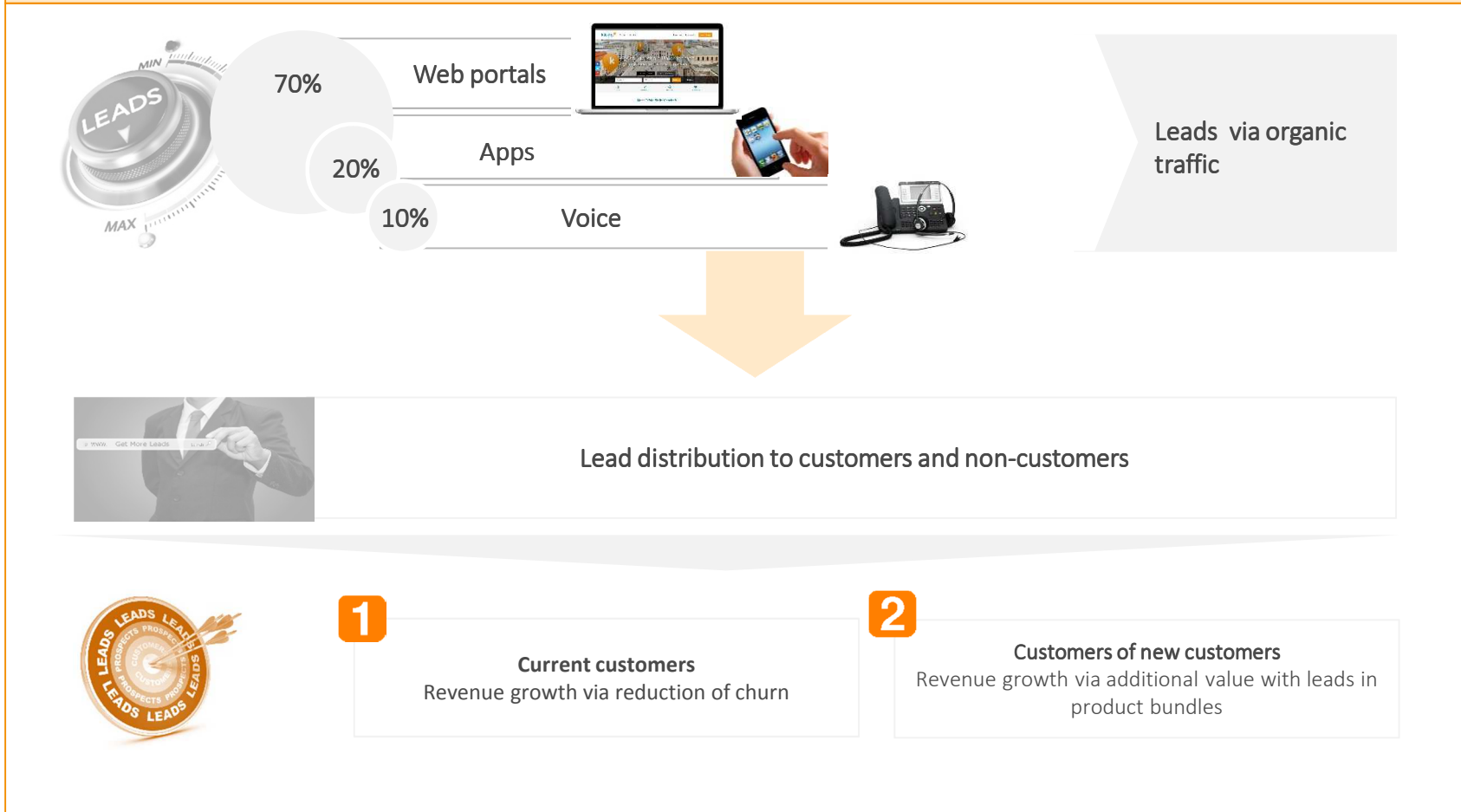
The screenshot displays the Klicktel website interface. At the top left is the logo 'klicktel' with the tagline 'einfach gefunden.' and navigation links for 'Produkte' and 'Über klicktel'. On the top right, there are links for 'Anmelden', 'Merkzettel (2)', and a 'Firma eintragen' button. The main banner features an aerial view of a city square with the text 'Finden Sie lokale Unternehmen' and a statistic: '3,8 Mio. User finden 4,3 Mio. Firmen - rund 10 Mio. mal im Monat'. Below this are buttons for 'Suchen & Finden' and 'Ihre Firma testen'. A search bar contains the text 'Branche, Firma' and 'PLZ, Ort, Str...' with a 'Finden' button and a 'Details' dropdown. At the bottom, a navigation bar includes icons for 'Jobs', 'Immobilien', 'Automarkt', and 'Partnersuche'. The footer text reads 'Mehr Erfolg für Ihr Geschäft'.

Selected verticals – based on the high traffic of telegate AG channels - will penetrate established business modes and will be supported by newly developed apps.



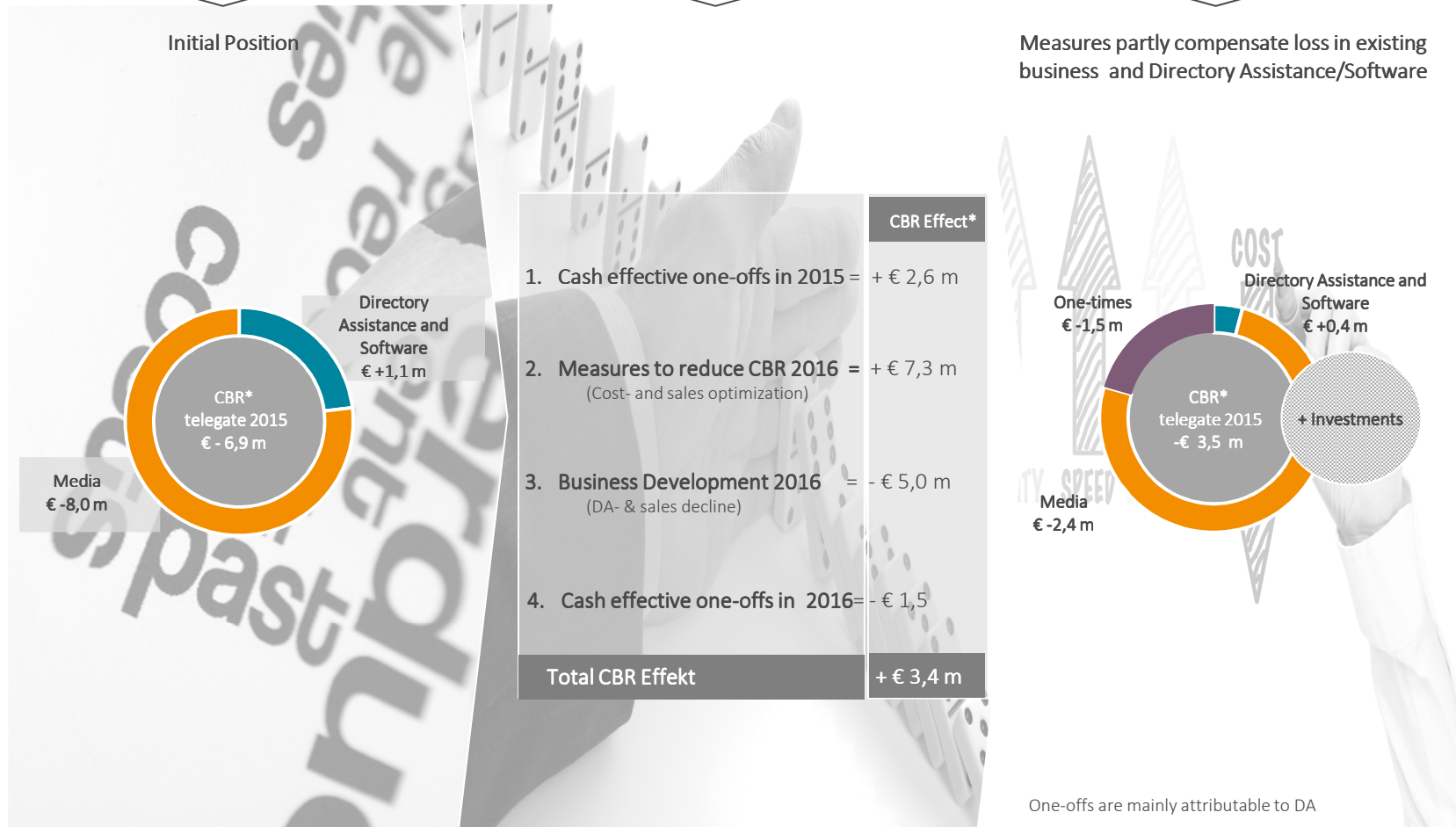
Presently telegate AG has approx. 6 m organic B2B searches (web, voice, mail) per month.  
 In a first step (in 2016) approx. 800k thereof will be monetarized with a high margin!

Organic B2B searches of telegate lead to a higher contract conclusion rate in new customer acquisition and a reduction of churn



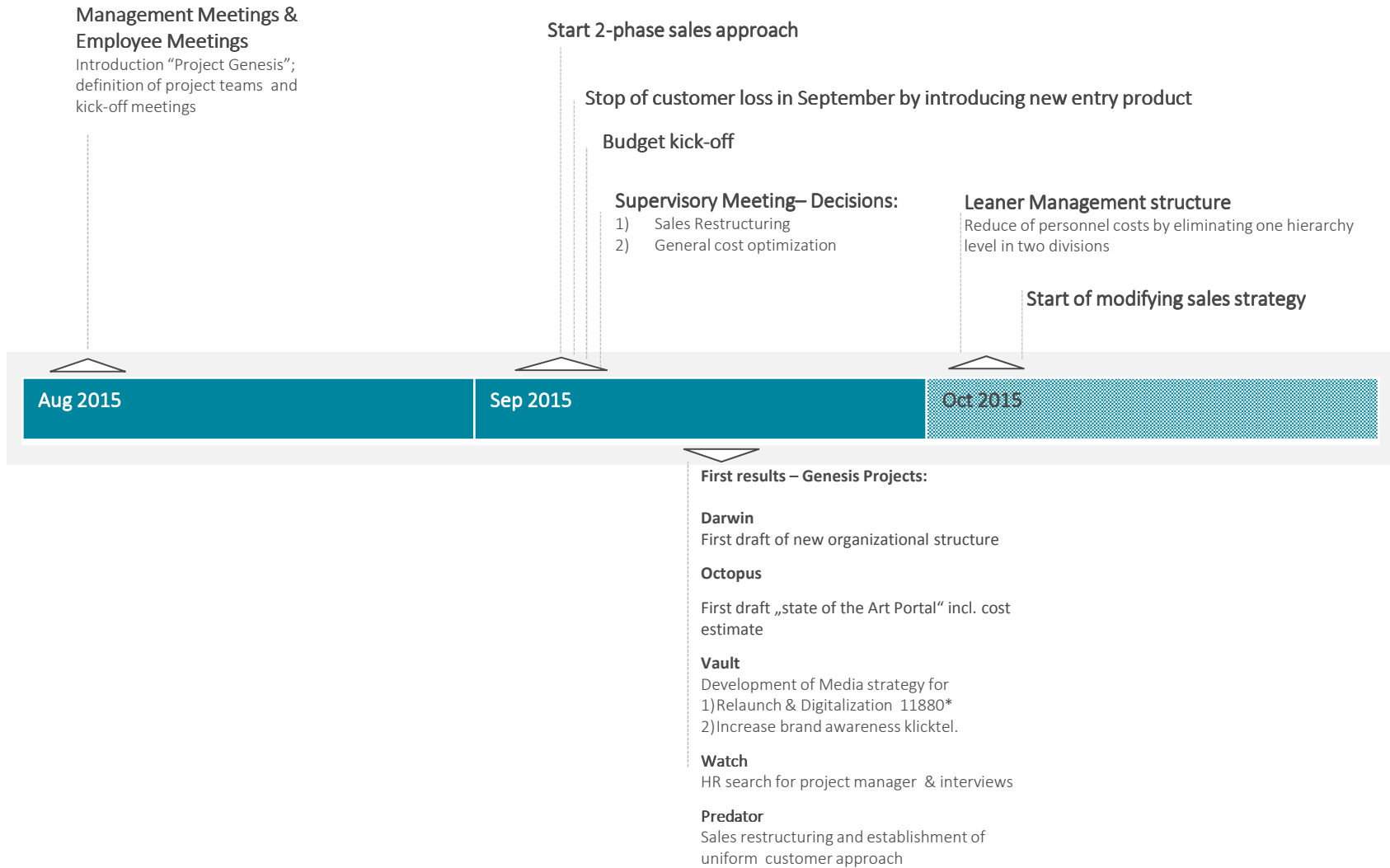
On closer examination of the Cash Burn Rate (CBR) it becomes evident that even savings of € 7,3 m in 2016 will lead to a remaining CBR of at least € 3,5 m!

Cash Burn Rate telegate 2015	Measures & Effects	Envisaged Cash Burn Rate 2016
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\*Numbers on basis of current information

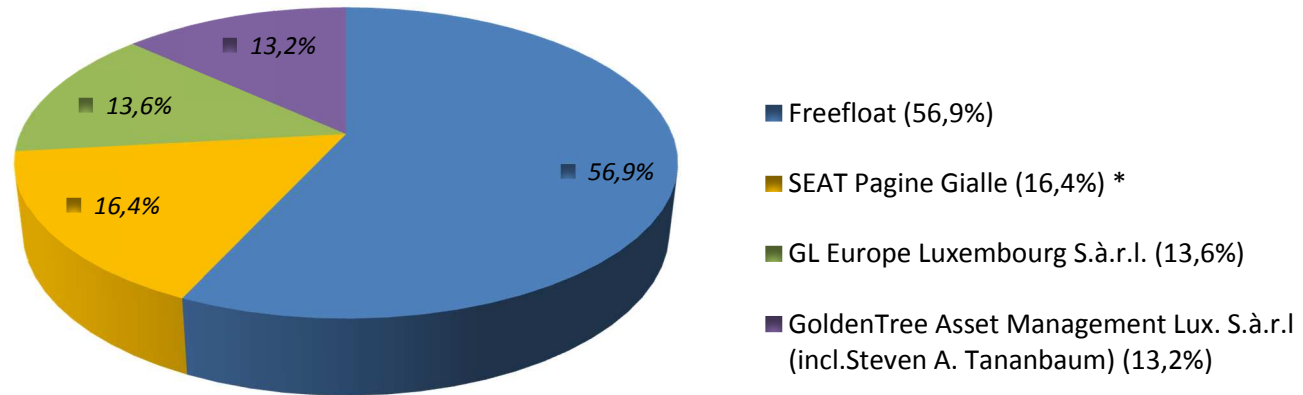
The project plan is being prepared, two big propositions are being launched in parallel : On the one hand efficiency increase and on the other hand an increase of the competitiveness.



\*1,99 EUR/Min. aus dem Festnetz der Deutschen Telekom. Aus dem Mobilfunknetz können ggf. abweichende Preise gelten.

# Back-up

### ISIN DE0005118806



\*since 09.2015

- main shareholder of Seat Pagine Gialle S.p.A. → italiaonline S.p.A

- Shareholder of italiaonline S.p.A → GoldenTree Asset Management Lux S.à.r.l / GL Europe Luxembourg S.à.r.l / Libero Acquisition S.à.r.l



**Thank you for  
your attention!**

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