



## 9M2017 RESULTS PRESENTATION

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# Content

## **9M17 Operating Highlights**

Financial Review

Questions & Answers



- **Solid figures** were recorded at **all levels**.
- **Invoiced revenue growth in 9M was 87% y/y**, where strong double-digit **organic growth of 35% y/y** and the first-time consolidation of TotalSoft were the main drivers.
- **Top-line IFRS growth in 9M was 57% y/y**, with **13% organic growth** on the back of a higher 2016 revenue base.
- **Main drivers of organic growth** were new customer additions, product and user upgrades, and module sales along with successful efforts to increase revenues from complementary businesses.
- Logo has a **resilient recurring revenue** base further supported by TotalSoft. Recurring invoices represent **53%** of the total as of 9M17.
- Logo continued its leadership position with a 26% market share in e-government business and **e-invoice customer pool grew by approximately 33% y/y**. **Total coins used increased by around 42% y/y**. Contribution of coins used for non-mandatory e-services became visible. There is further potential to come from international markets in e-government services.

# Solid 3rd Quarter & 9M Results



- **Turkey operation's profitability surged:** EBITDA growth in **Q3** was **16%** yielding a margin of **55%**. Net income growth in **Q3** was **19% y/y** with a margin of **42%**.
- **Consolidated EBITDA grew by 7% y/y both in Q3 and 9M**, albeit the dilution impact of TotalSoft yielding a 37% and 36% EBITDA margin, respectively.
- Net income in Q3 increased by 2% yielding a margin of 26%; whereas, net income in 9M with the dilution impact of TotalSoft, Logo Infosoft (India) and FIGO decreased by 15% yielding a 22% margin.
- **Integration of TotalSoft:** re-organization and re-structuring work continued in Q3. Software development and business partnership discussions are underway.
- **Logo Infosoft, India:** Training sessions with potential channel partners and customers continue. GST tax launch of Indian Government became effective as of July 1st, 2017. Together with executive appointments in marketing, pre-sales, sales and product support we have 11 employees in India.

- **LOGO was included in the BIST Sustainability Index:** Logo has become one of the 44 constituents within the BIST Sustainability Index as of November 1<sup>st</sup>, 2017. Logo's voluntary application to become an Index member enforces Logo's positioning as a pioneer company that always stays one-step ahead of its peers. Logo's inclusion in BIST Sustainability Index also shows the positive correlation between corporate sustainability performance and financial performance, and Logo's strong commitment to remain a sustainable growth company.
- **Establishment of Logo Kobi Dijital (SME Digital) targeting micro segment customers:** Logo's new initiative will offer cloud-based solutions to the smallest size companies in the micro segment (<10 employees). With Logo Kobi Dijital, Logo will add value to the newly founded single-user-company segment via its SOHO product. Information Technology services will be offered to these companies through web-based and mobile technologies.

# Content

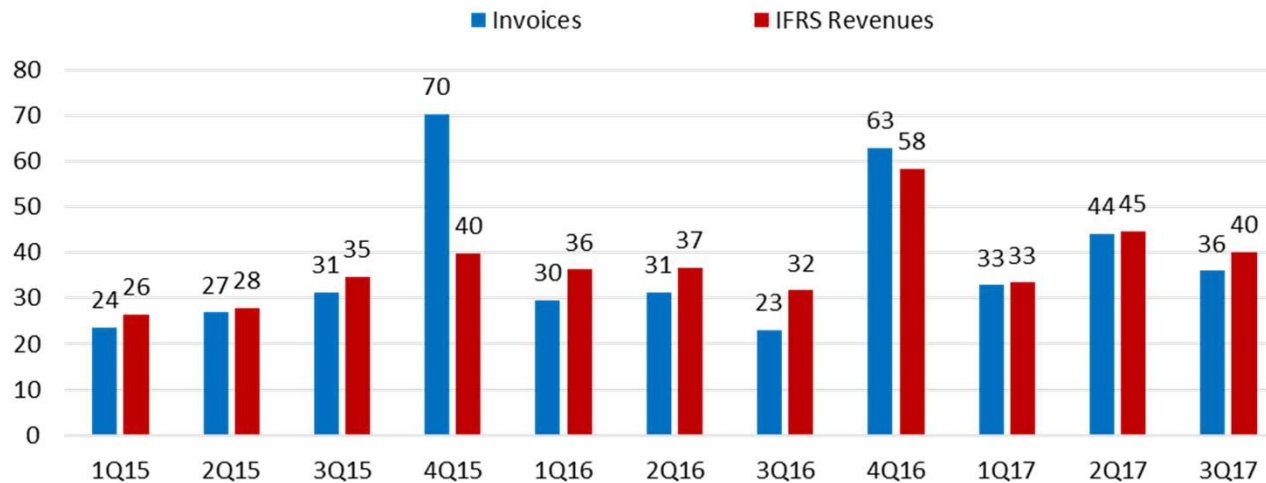
9M17 Operating Highlights

**Financial Review**

Questions & Answers



Invoices & IFRS Revenues\* (TLmn)



\*Logo Turkey figures only.

- e-government regulation requiring companies to issue e-invoices first became effective as of 1.4.2014, the scope of the regulation was then broadened effective as of 1.1.2016. Therefore, e-invoice and e-ledger module sales along with e-coin sales surged in 4Q15 prior to this date.
- e-coin sales revenues are recognized when used by the end-user. Therefore coin sales in the last quarter of 2015 were to a large extent deferred. (e-coin sales: TL 10.1mn, deferral: TL 9.8 mn in 4Q15)
- LEM sales in 4Q15 grew by 24% (from 4Q14). These are annual contracts and are deferred on a usage basis. (LEM sales: TL 16.4 mn, deferral: TL 14.9 mn in 4Q15)
- Deferral of e-government sales in 2015 to 2016 created a higher base, resulting in a lower growth in IFRS sales and profitability in 2017. **Financial performance of Logo Turkey's operations can be better assessed bearing this one time impact.**



# Financial Summary



IFRS (mn TL)	9M						3Q						YE Guidance	
	9M 16	9M 17	y/y Δ	LfL* 9M16	LfL* 9M17	y/y Δ	3Q 16	3Q17	y/y Δ	LfL* 3Q16	LfL* 3Q17	y/y Δ	2017G	y/y Δ
Revenue	110.4	173.6	57%	104.7	118.1	13%	37.5	56.6	51%	31.7	40.1	26%	278.3	46%
EBITDA	58.4	62.4	7%	57.7	62.6	9%	19.8	21.2	7%	19.0	22.0	16%	91.5	6%
EBITDA Margin	53%	36%	-32%	55%	53%	-4%	53%	37%	-29%	60%	55%	-8%	33%	
EBT	49.7	40.4	-19%	49.4	47.3	-4%	15.8	14.9	-6%	15.5	17.3	12%	61.8	21%
EBT Margin	45%	23%	-48%	47%	40%	-15%	42%	26%	-38%	49%	43%	-12%	22%	
Net Income	45.0	38.1	-15%	44.8	45.0	1%	14.3	14.6	2%	14.1	16.8	19%		
Net Income Margin	41%	22%	-46%	43%	38%	-11%	38%	26%	-33%	44%	42%	-6%		

\*Lfl figures exclude Total Soft, Logo Infosoft (India) and Figo.

## 9M17:

- IFRS revenues grew by a strong 57% y/y to TL173,6 mn in line with our budget.
  - Sales excluding TotalSoft (Lfl) were up by 13% y/y and TotalSoft contributed 55,4TLmn in 9M17.
  - Adjusted for the deferral impact of e-government sales, Lfl sales growth would be 22% y/y.
- EBITDA grew by 7%. TotalSoft made a TL1,4mn contribution and together with India's expenses (TL 1.7 mn) diluted the margin to 36%.
  - Lfl EBITDA grew by 9%, yielding 53%. Adjusted for the deferral impact of 9M16, EBITDA growth would be around 56%.
- Net income dropped by 15% y/y to TL38,1mn, mostly due to deferral impact and TS. Lfl net income increased by 1%. Adjusted for deferral impact, Lfl net income growth would be around 66%.

# Financial Summary



	9M						3Q						YE Guidance	
IFRS (mn TL)	9M 16	9M 17	y/y Δ	LfL* 9M16	LfL* 9M17	y/y Δ	3Q 16	3Q17	y/y Δ	LfL* 3Q16	LfL* 3Q17	y/y Δ	2017G	y/y Δ
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Net Income	45.0	38.1	-15%	44.8	45.0	1%	14.3	14.6	2%	14.1	16.8	19%		
Net Income Margin	41%	22%	-46%	43%	38%	-11%	38%	26%	-33%	44%	42%	-6%		

\*LfL figures exclude Total Soft, Logo Infosoft (India) and Figo.

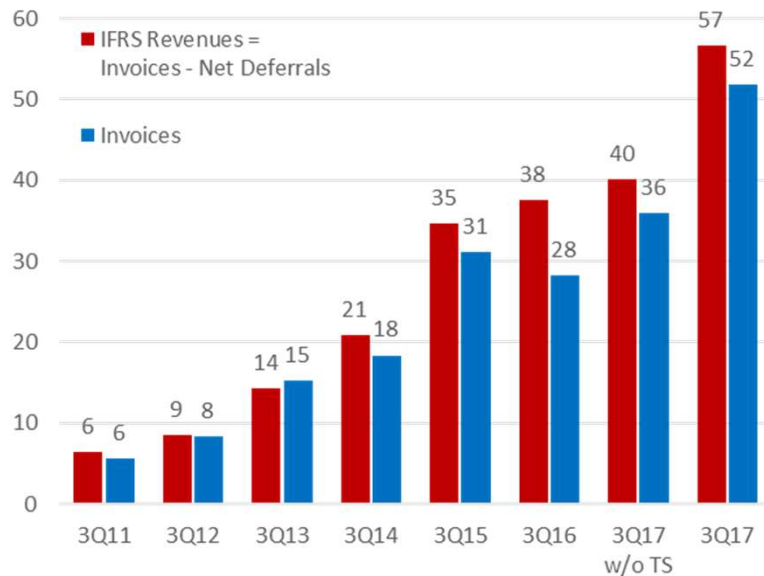
## 3Q17:

- IFRS revenues grew by a strong 51% y/y to TL56,6 mn in line with our budget.
  - Sales excluding TotalSoft (LfL) were up by 26% y/y and TotalSoft contributed 16,6TLmn in 3Q17.
  - Adjusted for the deferral impact of e-government sales, LfL sales growth would be 33% y/y.
- EBITDA grew by 7%. TotalSoft made a -0,46TLmn contribution and together with India's expenses (-0,42TLmn) diluted the margin to 37%.
  - LfL EBITDA grew by 16%, yielding 55%. Adjusted for the deferral impact of 3Q16, EBITDA growth would be around 74%.
- Net income increased by 2% y/y to TL14,6mn. LfL net income increased by 19%. Adjusted for deferral impact, LfL net income growth would be around 135%.

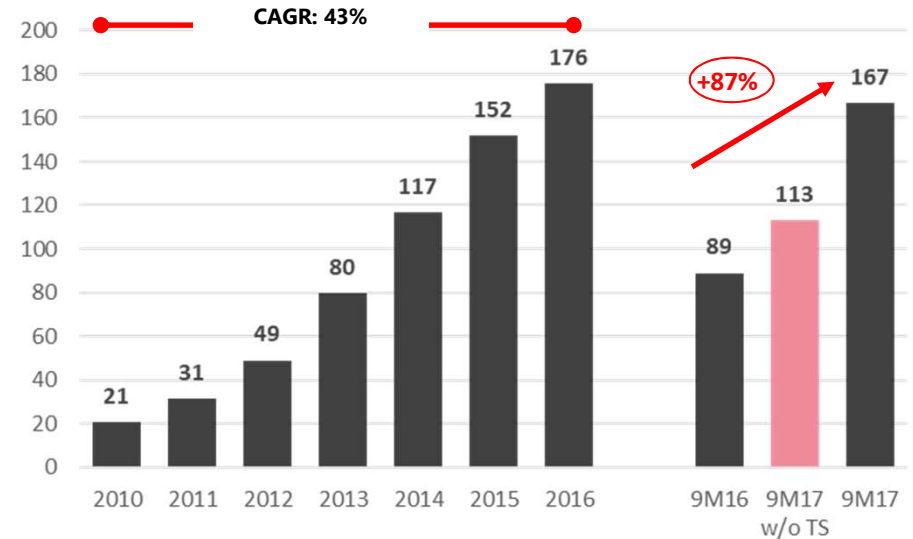
# Invoiced Revenue vs IFRS



### 3Q Invoices & IFRS Revenues (TLmn)



### Invoiced Revenues (TLmn)

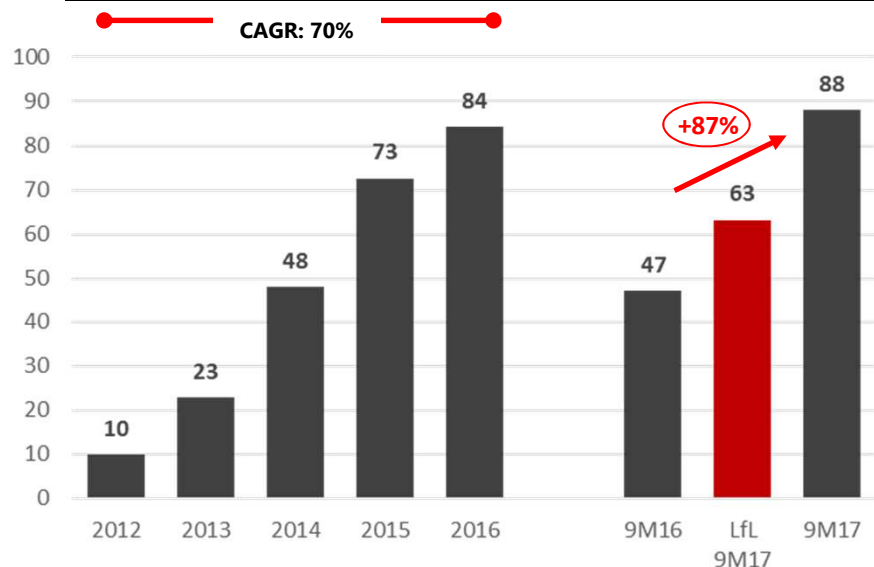


- 3Q invoiced revenues were up by 83% y/y to TL52mn; w/o TotalSoft growth was 56% y/y reaching TL36mn.
- 9M invoiced revenues were up by 87% y/y to TL167mn; w/o TotalSoft growth was 35% y/y reaching TL113mn. This marks a significant success in continued new customer additions, product and user upgrades and successful efforts to increase revenues from complementary businesses.
- IFRS revenue recognition throughout 2016 (w/o TotalSoft) was higher due the regulatory boost of 2015, accordingly, IFRS revenue grew by 13% y/y in 9M17.

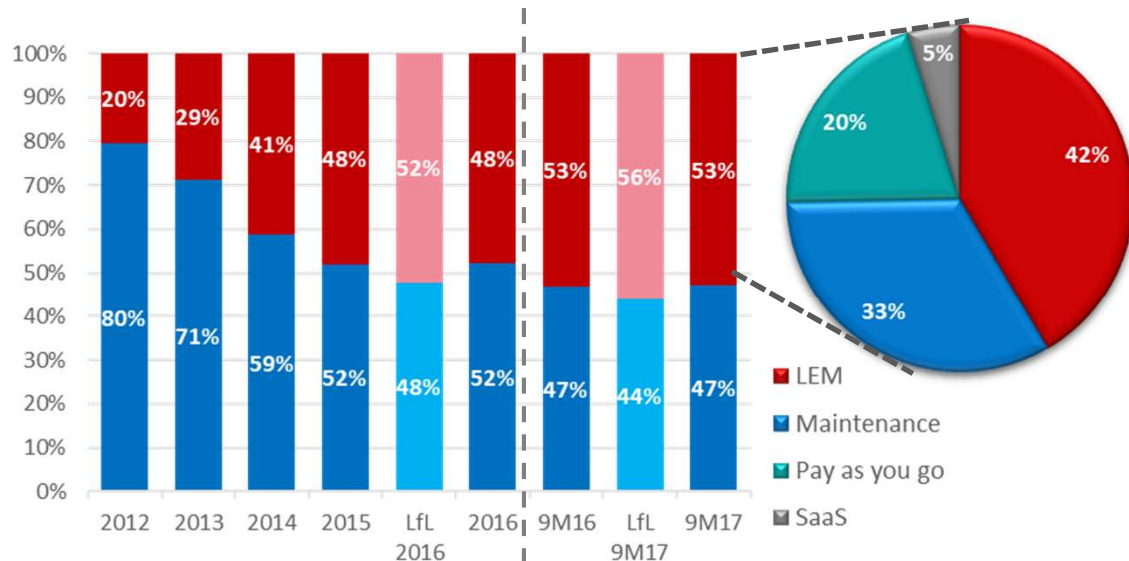
# Recurring Revenues



Recurring Invoices (TLmn)



Recurring Invoices/Total Invoices (%)

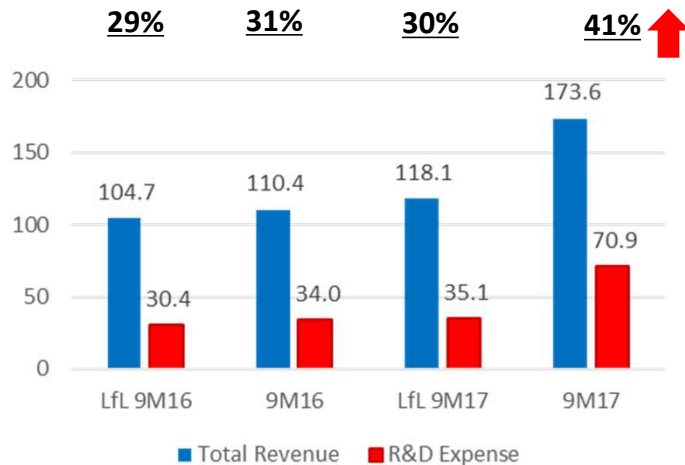


- Strong growth in recurring invoices continued in 9M and yielded a 87% y/y growth, making up 53% of total invoices. Recurring part of invoices excluding TotalSoft increased to 56%.
- LEM contract sales grew by an impressive 38% y/y and represented 42% of the total.
- Pay as you go revenues grew by 43% y/y, constituting 20% of the total.
- Maintenance revenues with TotalSoft's contribution represented 33% of total.
- Recurring SaaS sales represented 5% of total.

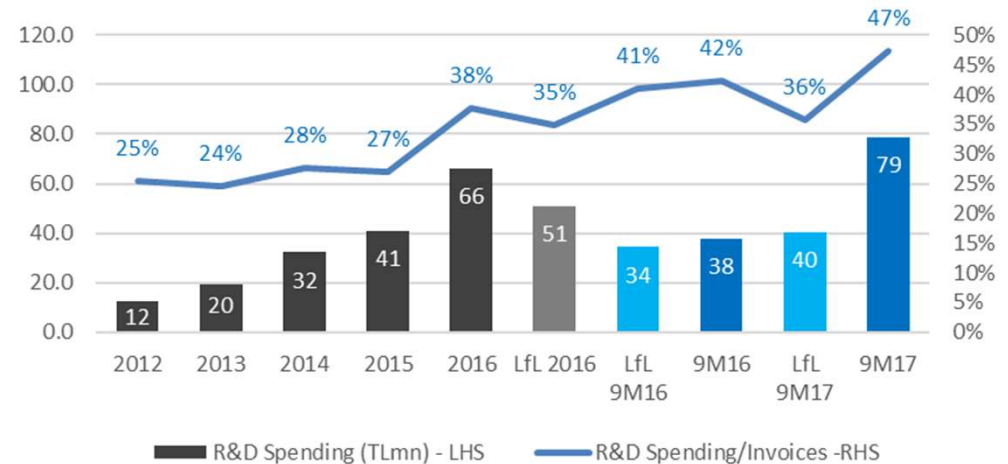
# Operational Expenses



R&D Expenses(TLmn) - As % of IFRS Revenue



R&D Spending(TLmn) - As % of Invoices

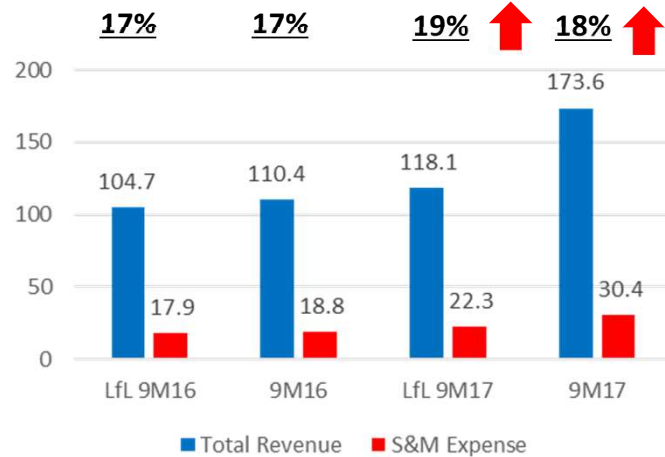


- Overall operating expenses increased by 94% y/y, as a result of the first time consolidation of TotalSoft with opex/IFRS revenue ratio rising from 57% in 9M16 to 70% in 9M17. LfL the increase was 17%, where LfL opex/IFRS revenue ratio increased marginally to 57% (9M16: %55).
- R&D expenses increased by 108 %y/y. The first time inclusion in 9M17 is the main reason for the major increase. TS' R&D and implementation team joined Logo's forces with 400 personnel. Thus, on a LfL basis, the increase is 15%.
- R&D spending grew by 108% and its ratio to invoiced revenue was up from 42% to 47%. LfL R&D spend was up by 18% and its ratio to invoiced revenue went down from 41% to 36%.

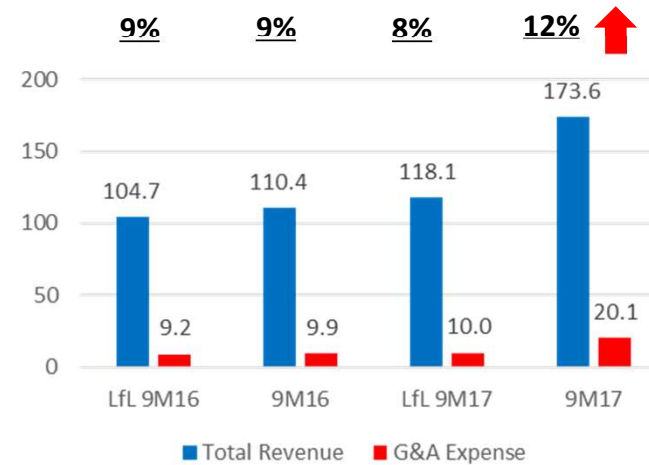
# Operational Expenses



**S&M (TLmn) - As % of IFRS Revenue**



**G&A (TLmn) - As % of IFRS Revenue**



- S&M expenses in 9M increased by 61% y/y, and S&M expenses/IFRS revenue ratio is 18% . TS' sales and marketing team joined Logo's forces with 33, and TS' S&M expenses include mostly personnel costs.
- On a LfL basis, the increase in S&M expenses is 24%. In efforts to even-out the seasonality effect on sales and selling expenses in Q4, quarterly sales target achievements were incentivized in Q2 and Q3. Therefore, as in June 2017, S&M expenses/sales ratio as of September 2017 is higher compared to the same period of 2016.
- G&A expenses in 9M increased by 104% y/y. On a LfL basis, increase was 9%.

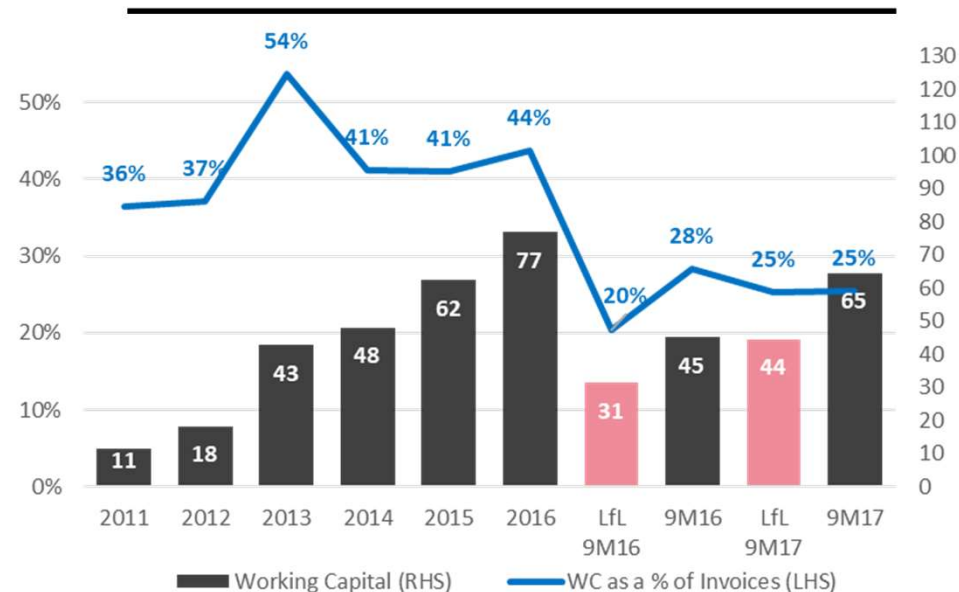
## Balance Sheet Highlights (TLmn)

	2016	9M17	Δ
Cash & Cash Eq.	43.8	49.9	14%
Trade Receivables	92.9	73.7	-21%
Tangible Assets	19.0	20.3	7%
Intangible Assets*	161.7	179.8	11%
Other Assets	10.1	13.5	33%
<b>Total Assets</b>	<b>327.5</b>	<b>337.2</b>	<b>3%</b>
Total Liabilities	163.4	139.8	-14%
Total Shareholders' Equity	164.2	197.4	20%
<b>Total Liabilities and Equity</b>	<b>327.5</b>	<b>337.2</b>	<b>3%</b>
Shareholders Equity Ratio	0.50	0.59	17%
Current Ratio	0.94	1.57	68%
EPS**	1.87	1.58	n.m.

\* Includes goodwill

\*\* Adjusted by the 2.77% Treasury shares

## Working Capital (TLmn)



Working capital: Trade receivables + Inventories – Trade payables  
WC/Invoices figures are based on 12-mnth trailing invoices

- Asset size grew by 20% from end-9M16 to end-9M17. Liquidity improved with higher cash generation and conversion of short-term debt to long-term. Net debt position of TL23mn at end-2016 is TL19mn as of 9M17 (TL19mn net cash together with 2.77% Treasury shares @Mcap).
- Excluding TotalSoft, working capital/invoices increased from 20% at end-9M16 to 25% at end-9M17. Including TotalSoft, working capital stands at 25% of invoices as of end-9M17.

# Content

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# Thank you for joining us today

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