



# Ak Investment - Turkey 2018 Investor Conference Presentation İstanbul

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The background features a white space with several light blue icons: a magnifying glass, a lightbulb, a shopping basket, a smartphone, a speech bubble, a person silhouette, a briefcase, a cloud, and two gears. The entire scene is framed by a large, irregular shape composed of overlapping lines in red, teal, and purple. At the bottom, there is a horizontal bar with a multi-colored, pixelated pattern.

**LOGO**

**Investor Presentation**

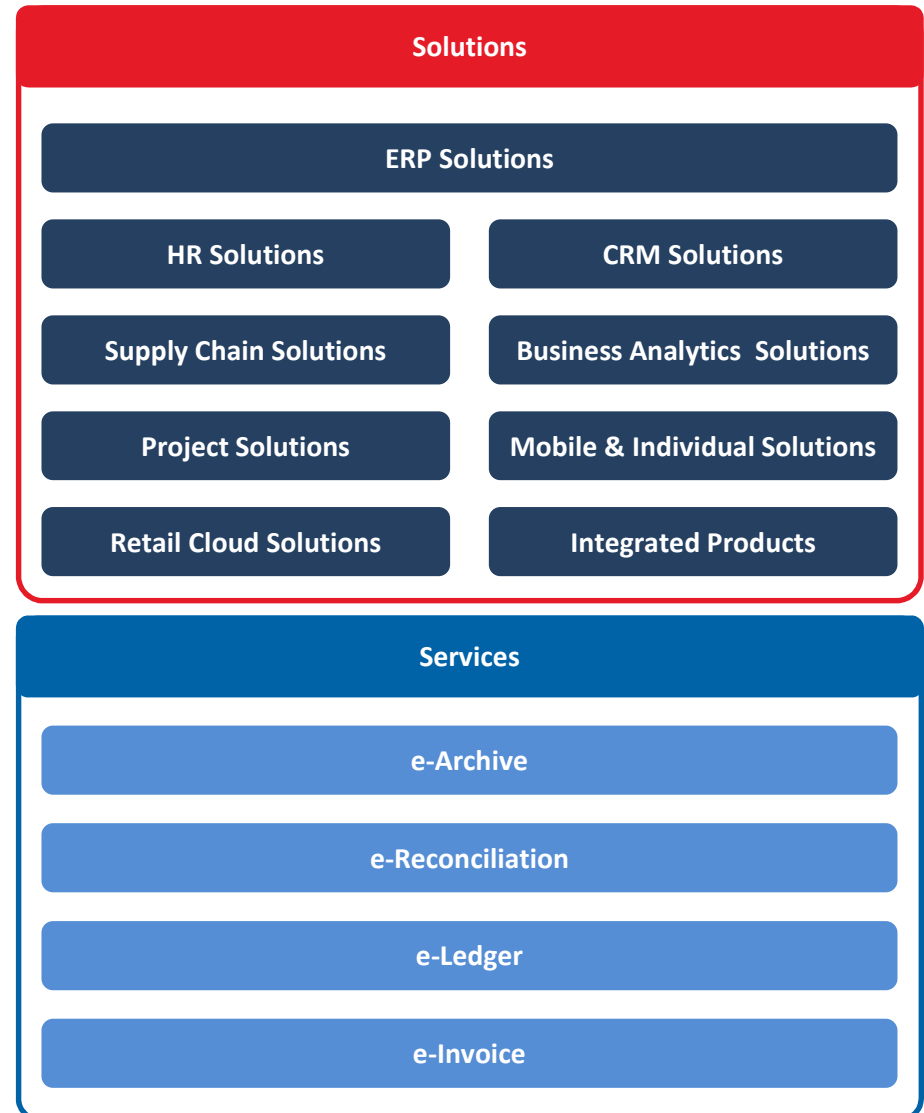
This presentation contains information and analysis on financial statements as well as forward-looking statements that reflect Logo management's current views with respect to certain future events. Although it is believed that the information and analysis are correct and expectations reflected in these statements are reasonable, they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results to differ materially. Neither Logo nor any of its managers or employees nor any other person shall have any liability whatsoever for any loss arising from the use of this presentation.

## Leading Software Company in Turkey

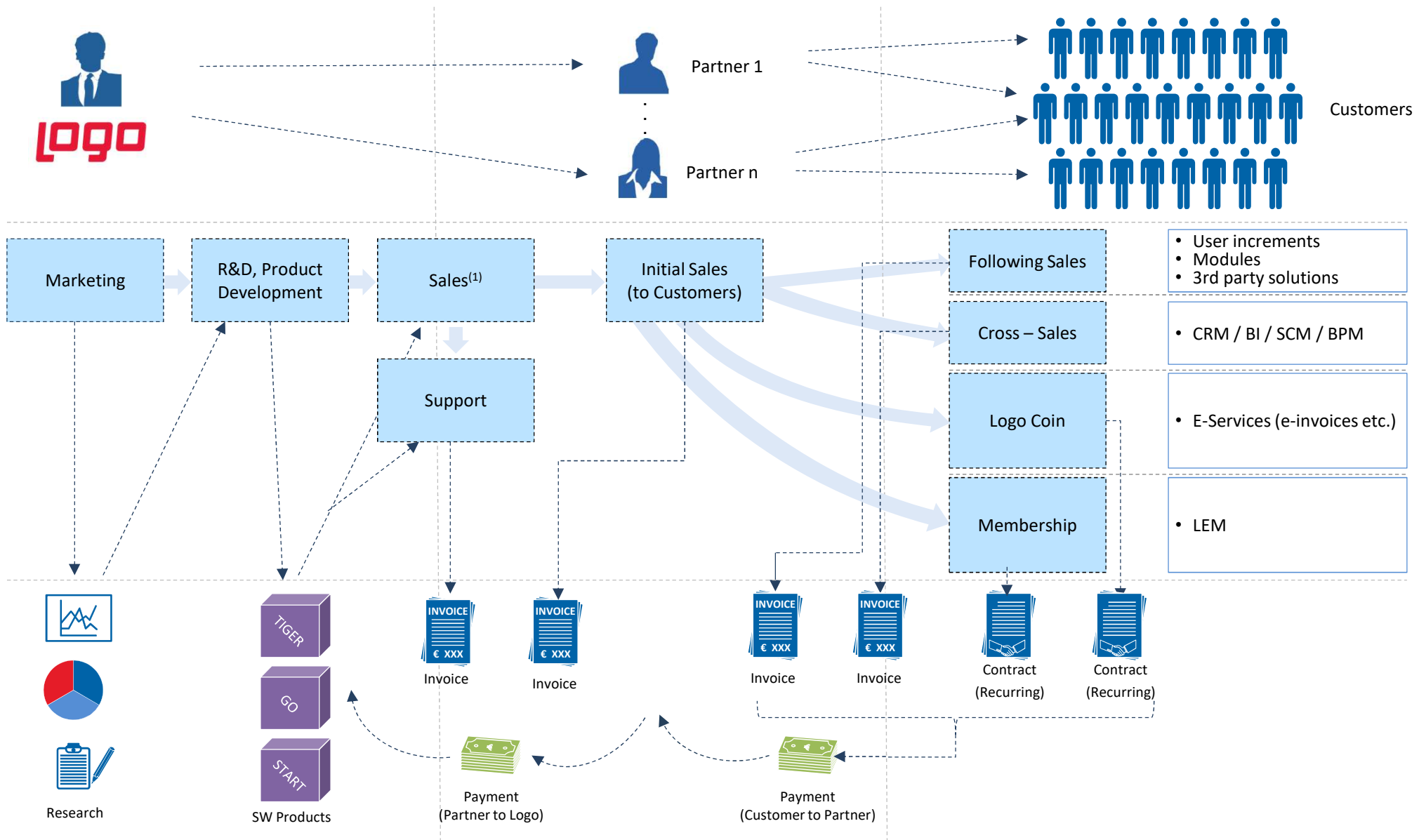
- Founded in 1984, Logo is one of the largest Enterprise Application Software (“EAS”) companies in Turkey, serving as a one-stop shop for SMEs
- One of the fastest-growing companies with 1,000+ employees and 800+ business partners, serving close to 90k active customers
- Logo products are sector agnostic and present in 11 languages across 45 countries
- Highest number of customers in Turkey with the next largest competitor 1/5<sup>th</sup> of Logo’s market share by revenue<sup>(1)</sup>
- Recorded 44% IFRS revenue CAGR in 2011-2016
- 48% of total invoices were recurring in 2016

Note: (1) Based on IDC.

## ... With an Extensive Product Suite



# Logo Sales Cycle



Note: (1) Illustration does not take into account SaaS and project sales since these are direct sales.

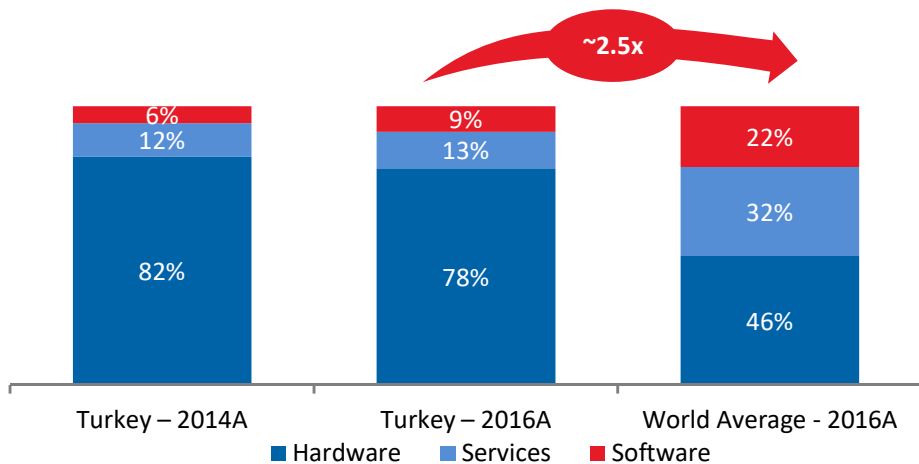


# Attractive Turkish Software Market Trends

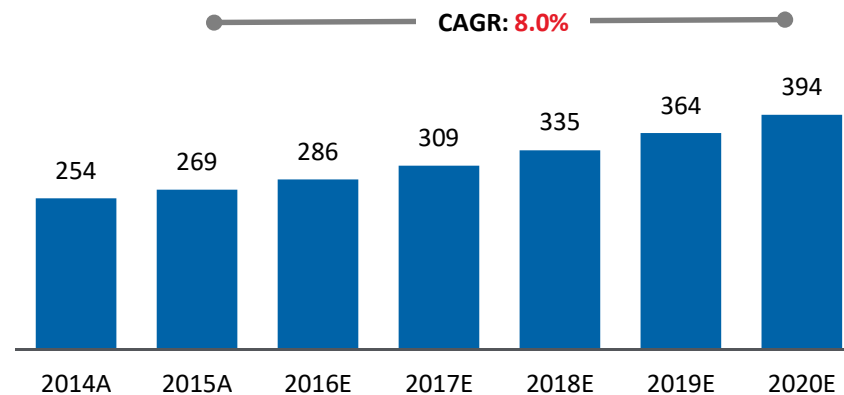


With a focus on Turkey SMEs, Logo is well positioned for robust growth driven by increasing spend expected in the Turkish software industry. Turkey's ERP penetration<sup>(1)</sup> was roughly half of EU28's penetration, implying significant growth potential.

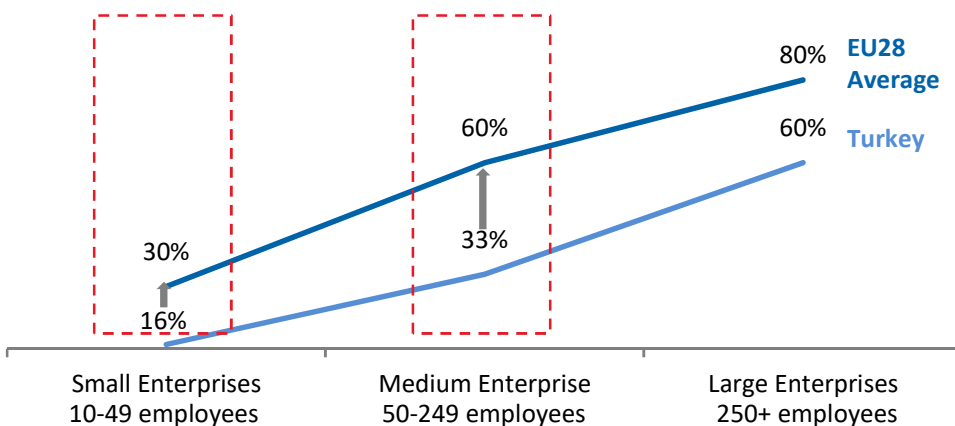
Share of Software Spend Underpenetrated in Turkey



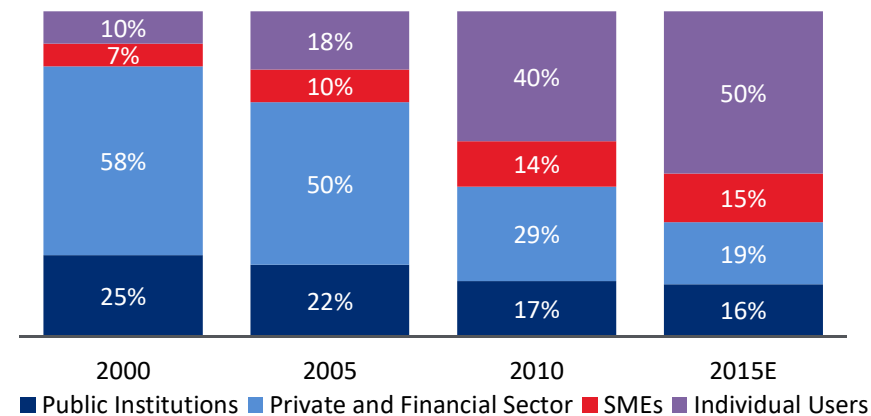
Turkish EAS Market is Expected to Have Robust Growth (\$mn)



Low ERP Penetration Amongst SMEs (2015) – % of Total Businesses



Turkish SMEs' Share of IT Users Has Been Increasing



Source: IDC, IMF, Turkstat and Eurostat.  
 Note: (1) As a % of total businesses in 2015, excluding SOHO.

## Top 4 Software Market Growth Opportunities



SMEs will lead software market growth



## Already Addresses Key Trends



- The real turnover of Turkish companies with 20-99 employees grew by c. 12%<sup>(1)</sup>, significantly faster than GDP growth of c. 5% ('10-'13 CAGR)<sup>(2)</sup>
- SME software penetration is increasing



Potential pricing upside



- Pricing power due to market leader position
- Logo's total cost of ownership is roughly half of the global competitors' prices<sup>(3)</sup>



Government push



- Significant growth due to new services and product expansion
- e-Invoicing market share of c. 25% by number of customers and no. 1 integrator amongst 61 private service integrators



Enterprise cloud adoption will be on the rise and big data will be one of the fastest growing fields



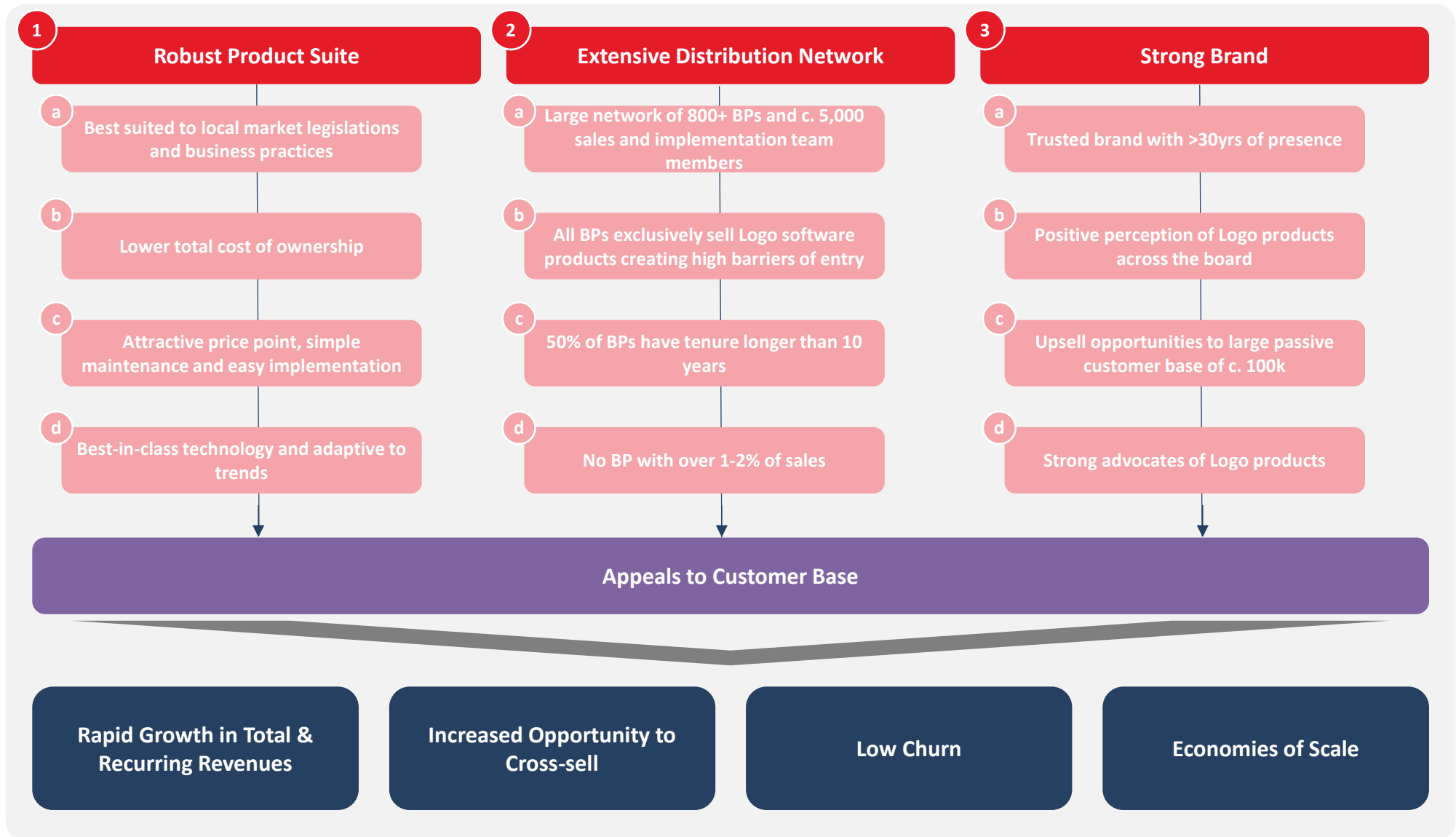
- SaaS/PaaS strategy in place
- Growing business analytics product line (enabling big data integration and analysis requirements of SMEs)
- Recent JV with FIT Solutions to provide trade information platform

## Positioning





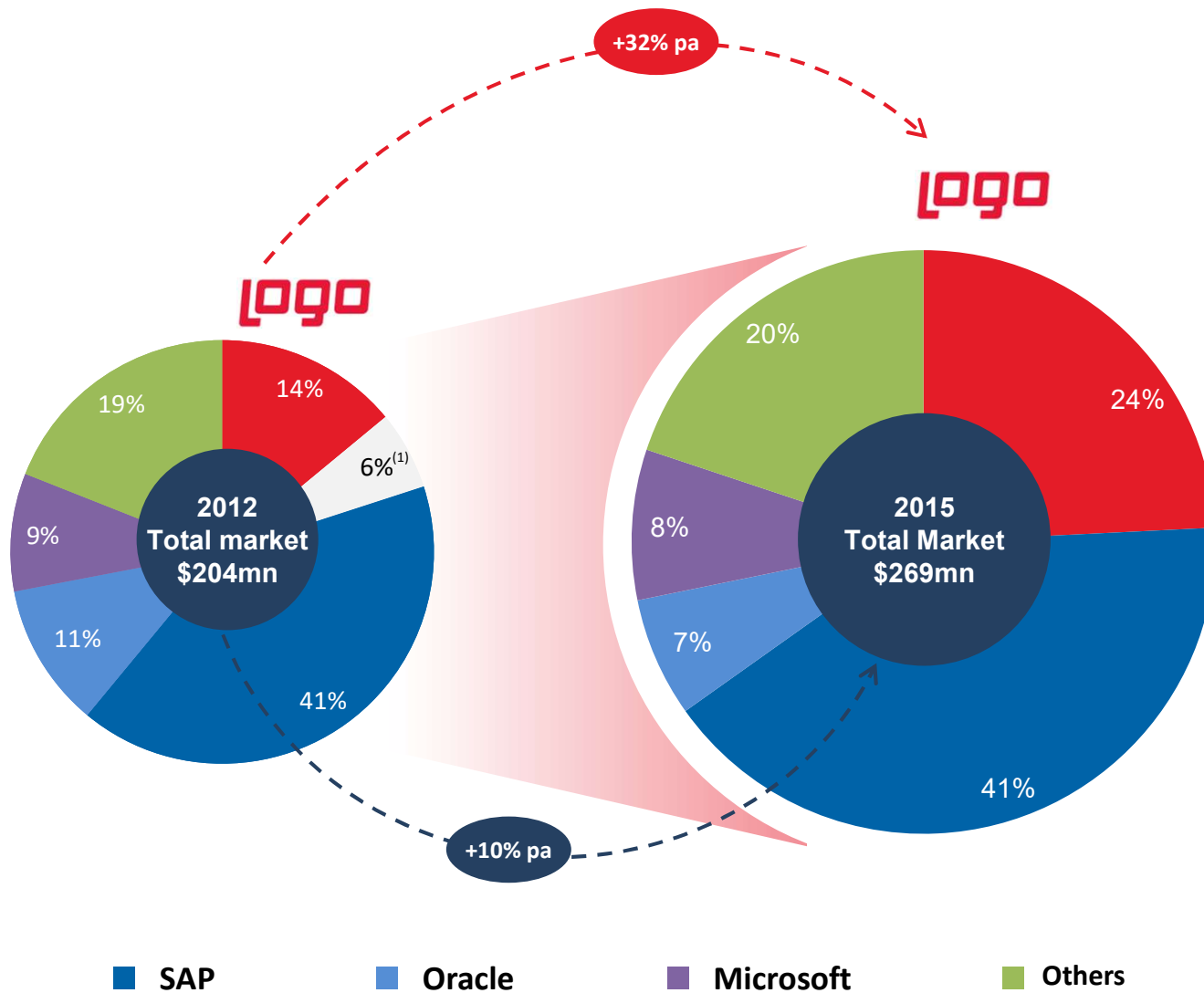
## 2 Competitive Advantages of Logo



# Capturing Market Share From Global Incumbents



Logo has increased its share in the Turkish EAS market from c. 20% to over 24% between 2012 and 2016



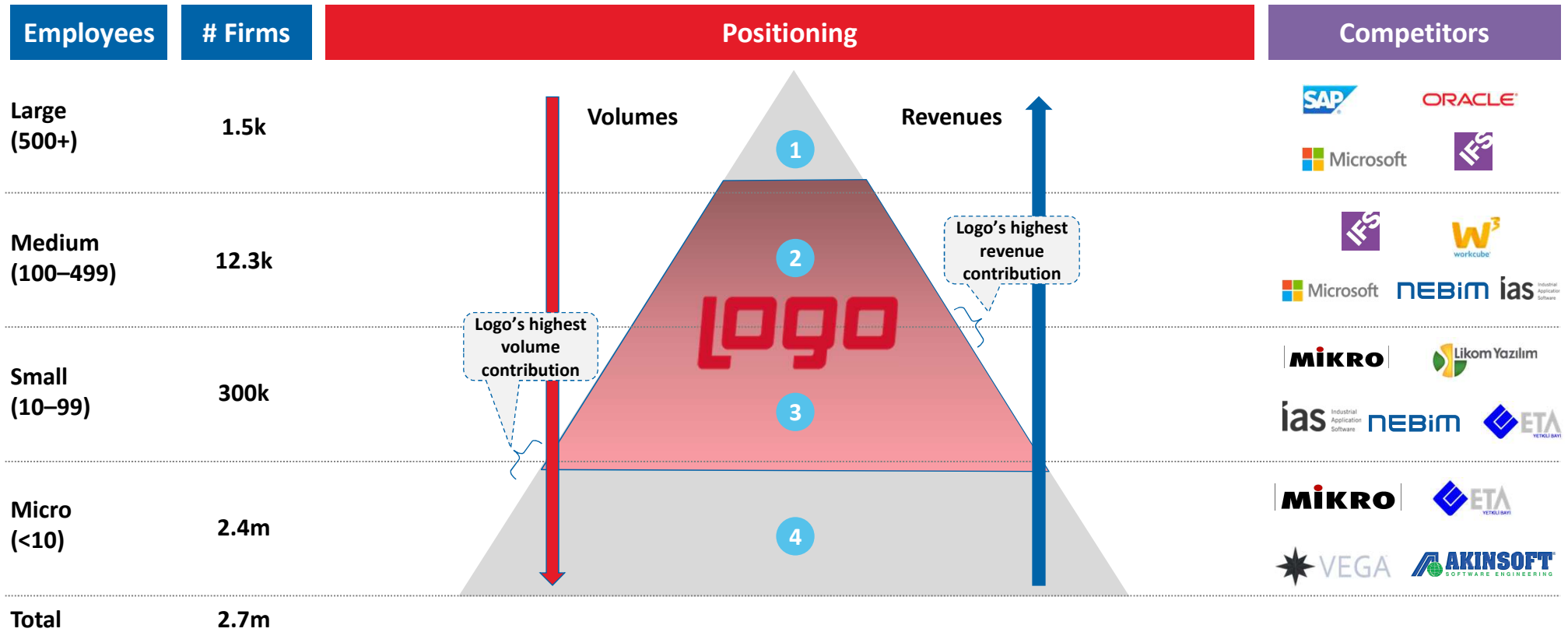
Source: IDC, Turkey EAS Forecast

Note: (1) Represents Netsis market share prior to acquisition by Logo.

# 2 Logo's Product Portfolio From Micro to Large Corporates



Logo is trusted partner of its clients providing a product portfolio from micro to large corporates.

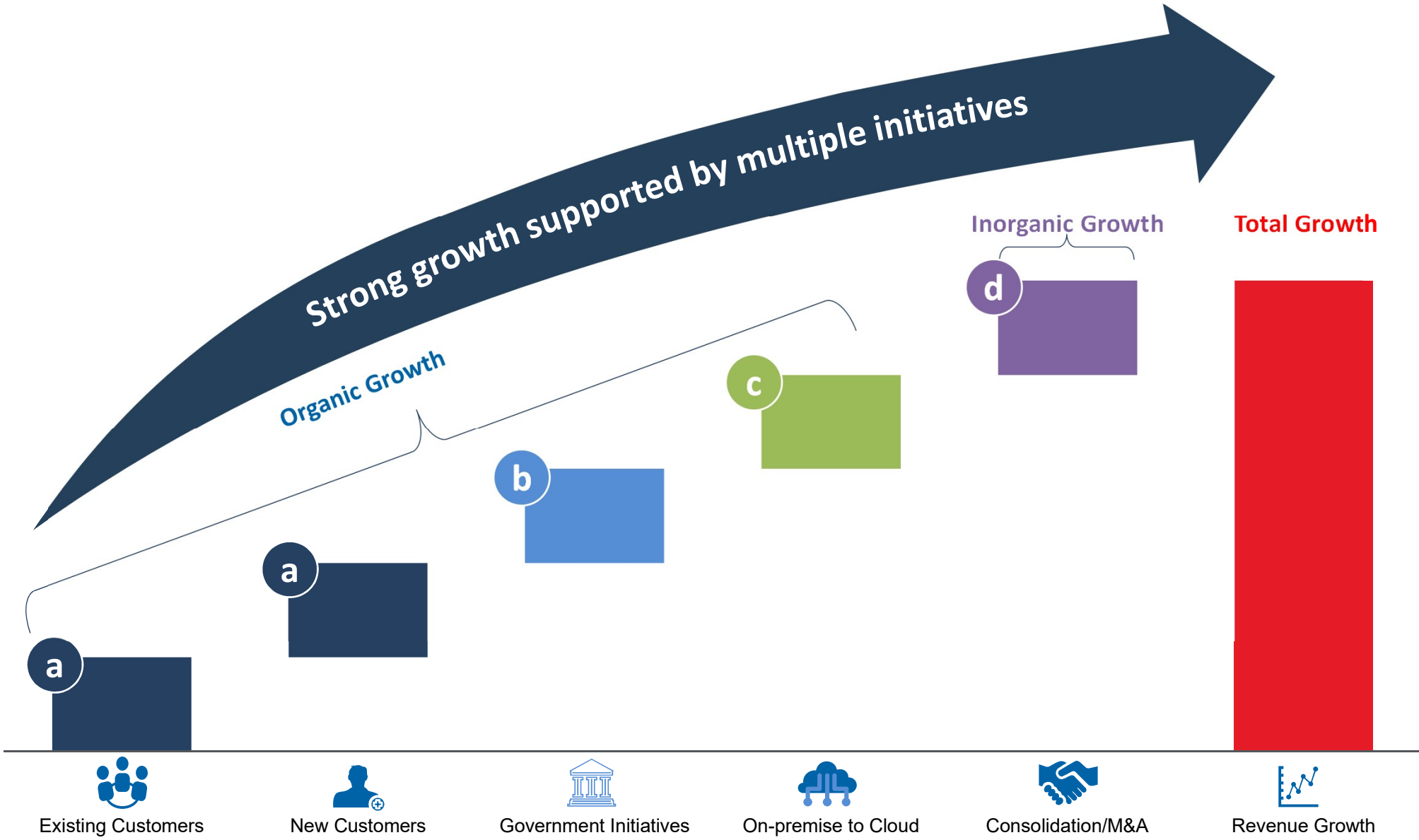


- 1 • Higher presence of large incumbents that do not have SME tailored products
- 1 • Low volume, high penetration region
- 2/3 • Market leadership with highest number of customers in Turkey
- 2/3 • Tailored SME products with local know-how
- 4 • High growth potential area
- 4 • Next largest competitor is a local Turkish player with c. 1/5th of Logo's market share by revenue

Source: Turkstat, IDC, OC&C, Logo Estimates.



# 4 Building Blocks of Logo's Growth

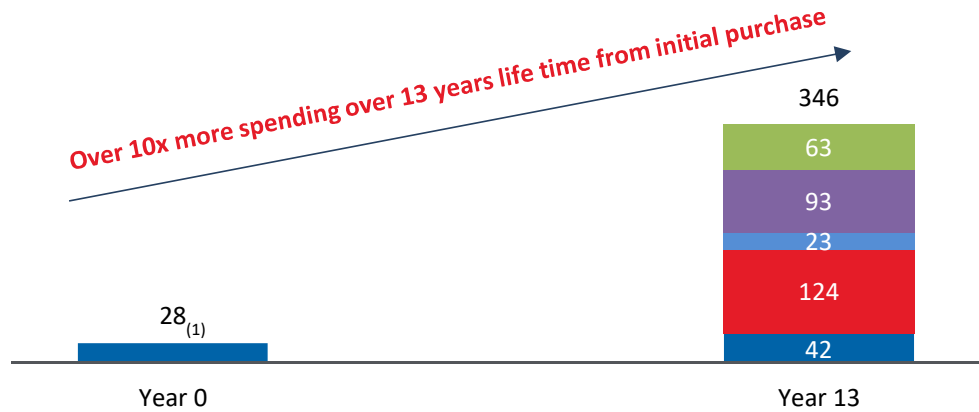


# 4a Increasing Revenue From New & Existing Clients



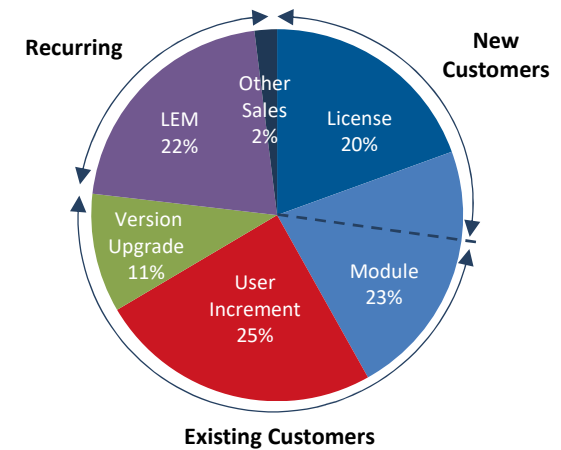
In addition to sizable revenues from initial license sales, Logo typically generates revenues from user increments, module upgrades, and cross-sales as clients' needs expand. Furthermore, Logo has consistently attracted new customers while upselling existing, generating an increasing share of LEM sales, growing from 1% in 2011 to 28% in 2016.

**Illustrative Client – One of Turkey's Top 200 Industrial Enterprises**



■ Module ■ LEM ■ e-Services ■ User Increment ■ Additional Business Implementation

**Existing and New Clients Contribute to Growing and Recurring Sales (Software Sales Breakdown – Average of 2012-2015<sup>(2)</sup>)**

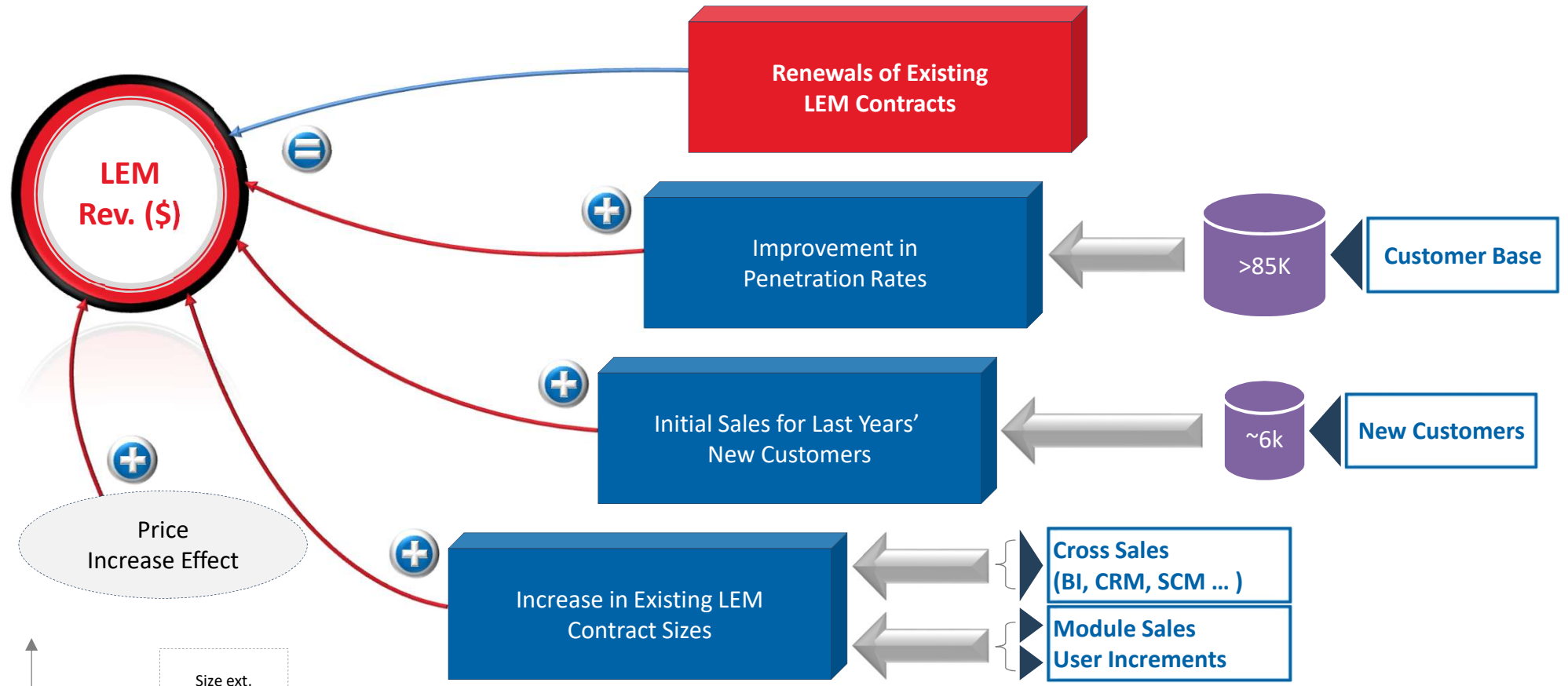


- ✓ In addition to sizable revenues from initial license sales, Logo typically generates revenues from user increments, module upgrades, and cross-sales as clients' needs expand.
- ✓ The vast majority of businesses surveyed have recently increased their spend on software, primarily driven by business growth / inflation, but also uptake of new modules / licenses
- ✓ There is growing opportunity for cross-sell as revenues and Logo partners have had success in selling additional modules (eg. CRM, e-coins) and growing membership uptake
- ✓ There is further upside by revitalizing the passive customer base of c.100k

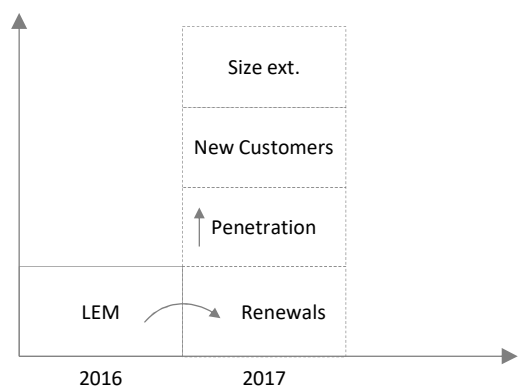
Source: Turkstat.

Note: (1) Module revenue in the initial year. (2) Totals exclude Logo coin sales and include discount / interest of (1%), (1%), (2%) and (2%) for 2012, 2013, 2014 and 2015, respectively.

# 4a Growth Drivers of LEM Revenues



Price Increase Effect

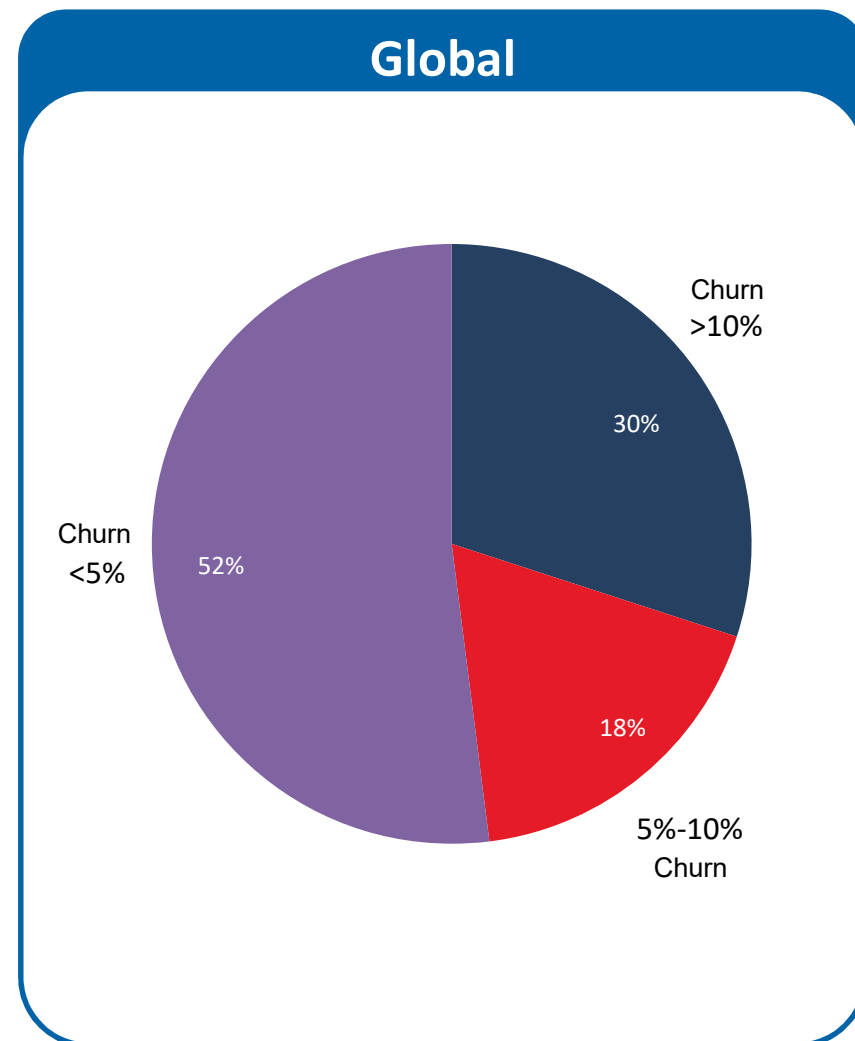
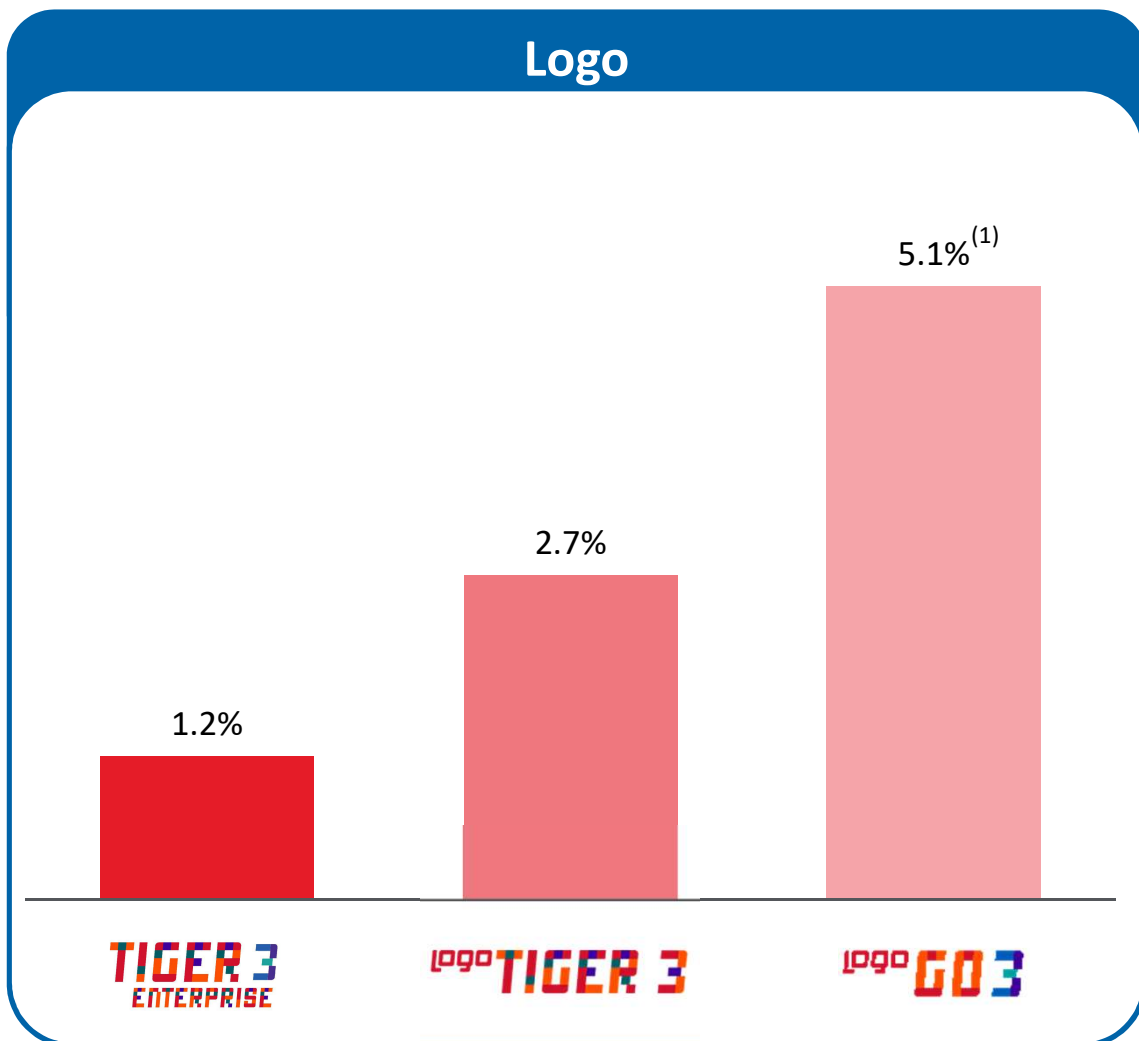


Note: Illustrative purposes only. Box sizes are not indicative of relative amounts.

## 4a Low Customer Churn



Churn rates across Logo's key products are lower than the typical churn rate across the global software industry.

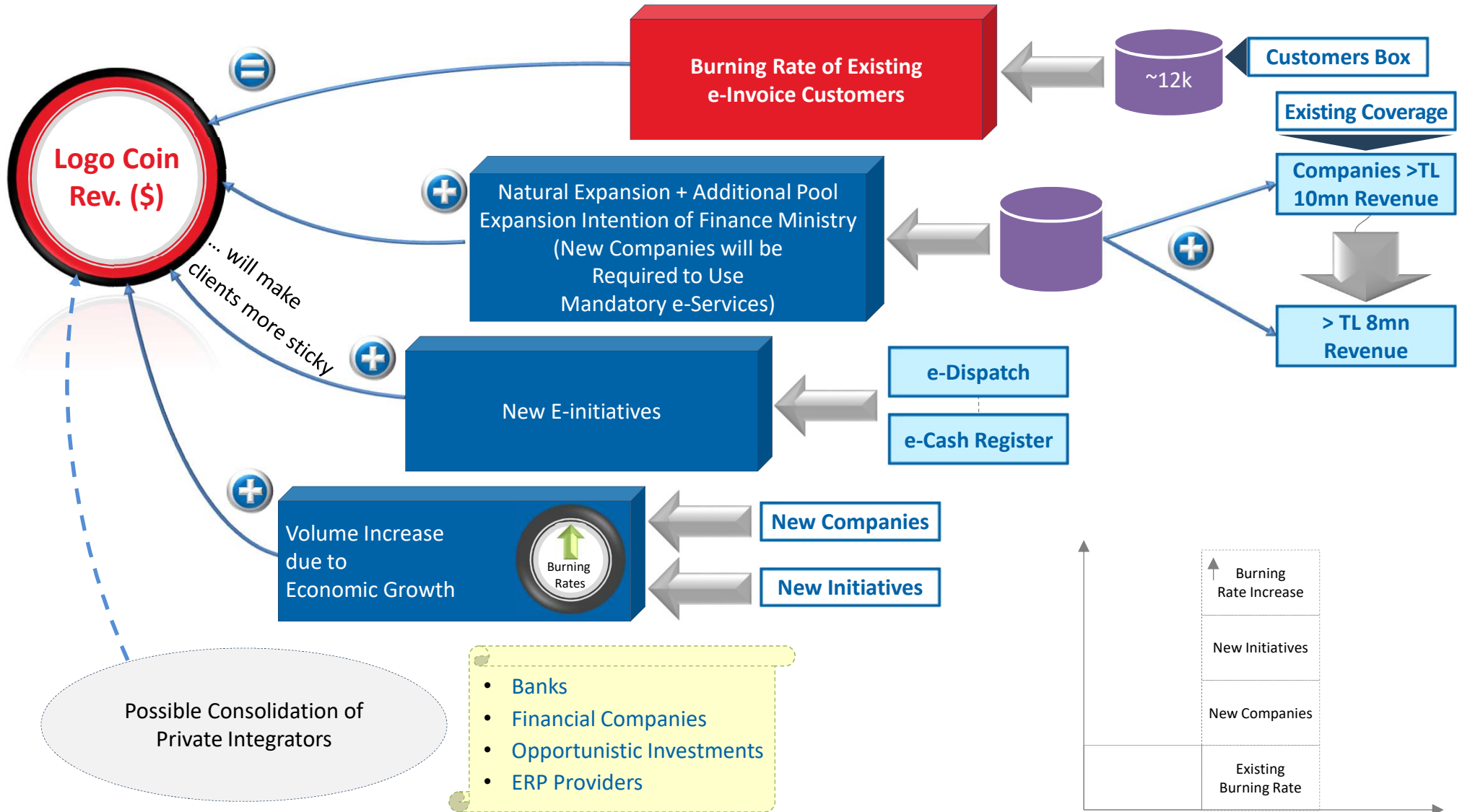


Source: KeyBanc Capital Markets.

Note: (1) Includes natural churn of SMEs going out of business.



# 4b e-Government Initiatives Will Generate Exponential Growth



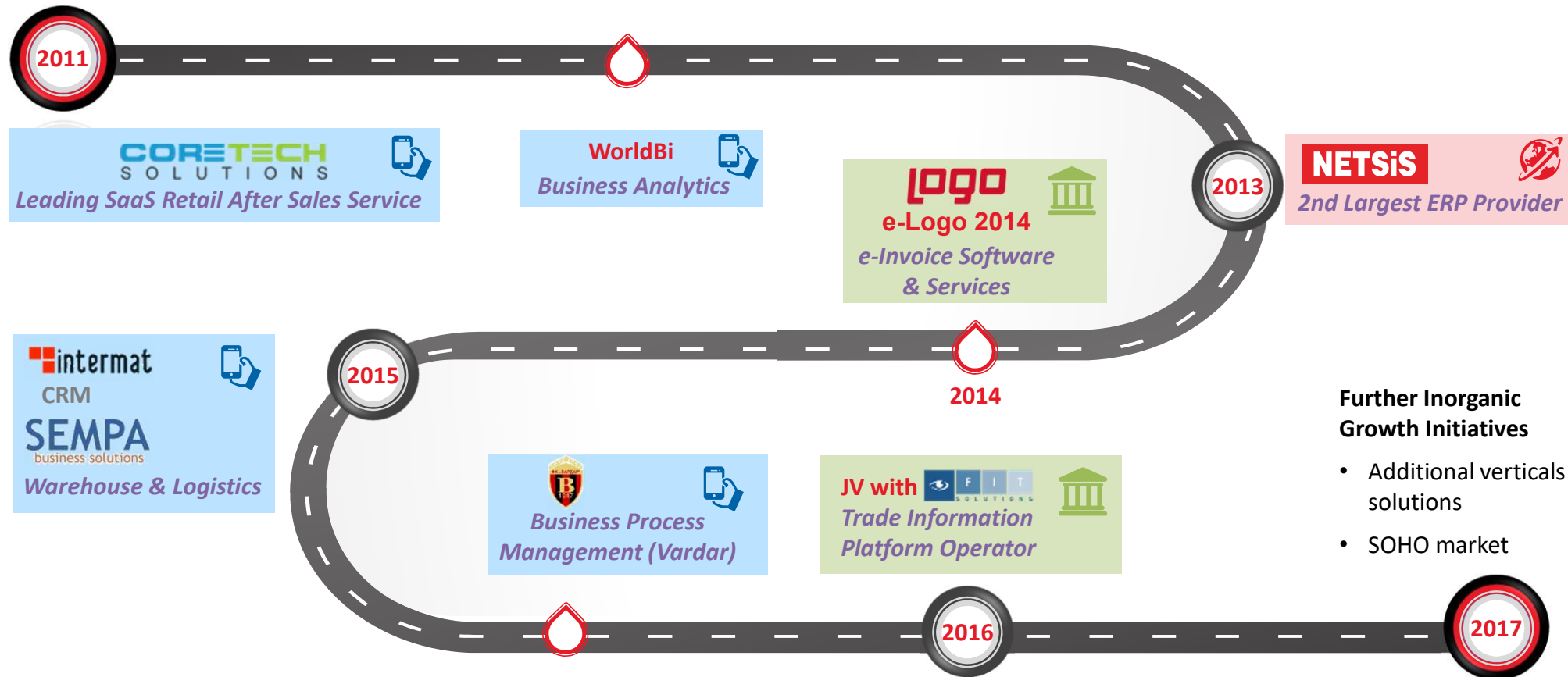
Note: Illustrative purposes only. Box sizes are not indicative of relative amounts.

# 4c Logo Continues to Pursue Inorganic Domestic Expansion



Acquisition of new capabilities via successful integration through bolt-on acquisitions.

- Proven M&A Track-Record**
- ✓ Highly accretive transactions
  - ✓ Talent acquisition
  - ✓ Successful integration
  - ✓ Ability to generate significant operational synergies



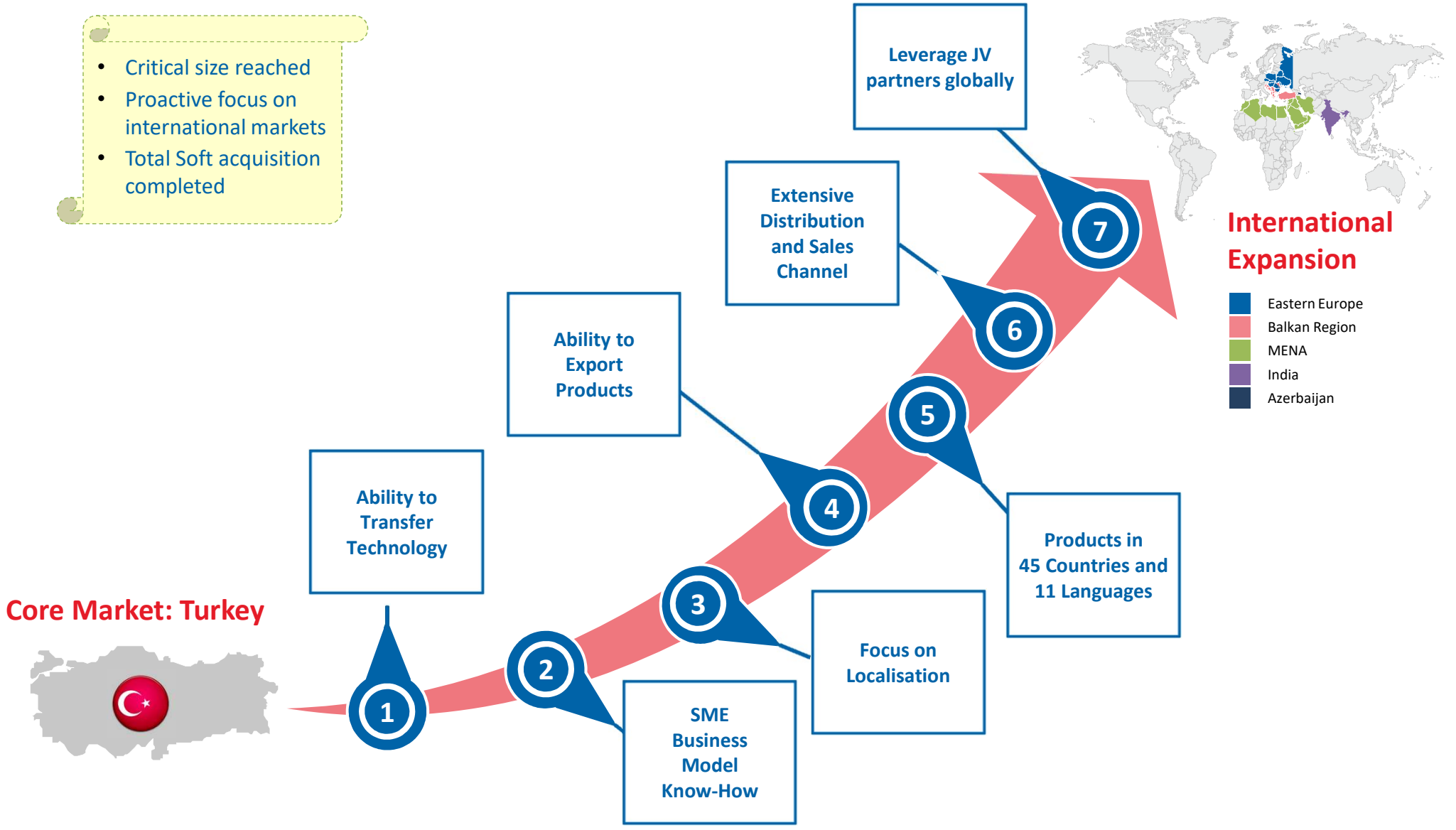
- Further Inorganic Growth Initiatives**
- Additional verticals solutions
  - SOHO market

For Product Technology    
 For Market Share and Geographic Presence    
 For e-Services (e-Govt. and Value-added Services)

# 5 Logo's Journey to International Markets



- Critical size reached
- Proactive focus on international markets
- Total Soft acquisition completed



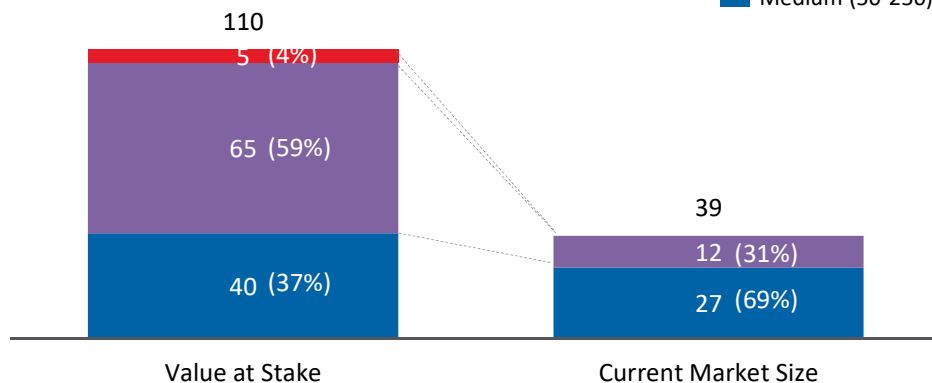
## Overview and Strategic Rationale of Total Soft Acquisition

- A leading EAS provider for medium and large companies in Europe
- Key gateway to continental European market with c. 25% of sales from international client base in Europe
- 9%+ CAGR is expected in the Romanian EAS market over the next 5 years
- Ability to enhance Logo's international sales strategy at a sizable level and add implementation capabilities
  - Annual revenues in excess of €20mn
- SME Initiatives of the European Commission and EIB Group to boost the competitiveness of Romania's SMEs.
- Ability to generate significant cross-synergies from introducing Logo's SME know-how and technology leadership to an underpenetrated Romanian SME market
- Further cost and operating synergies in order to generate margin improvements
- Transaction accretive on day 1
- The acquisition was financed through 57% cash and 43% bank financing

## Logo's Potential in Romanian EAS Market

Total potential value for Logo (€mn; 2015E)

■ SOHO (0-10)  
 ■ Small (10-50)  
 ■ Medium (50-250)

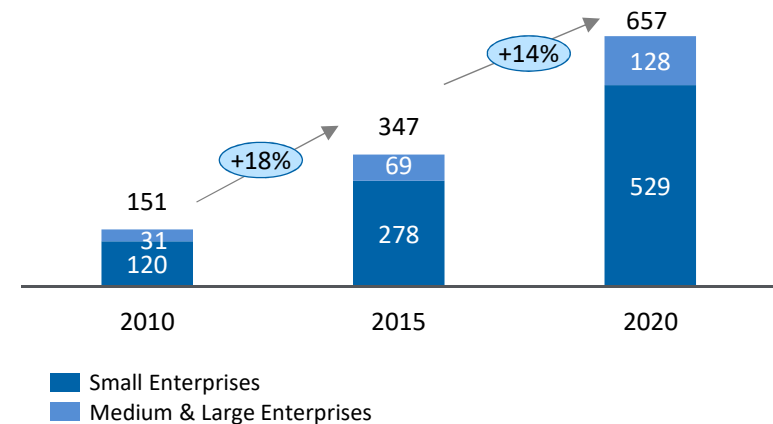


Source: IDC and OC&C.

## Vertical Expansion in the Turkish Leasing and Healthcare Industries

### Leasing ERP market in Turkey

(# of companies; CAGR '10-'20E)



### Healthcare Industry

(Medical institutions in Turkey)





*In October 2016 Logo signed a JV agreement with GSF Software Labs and the JV was established in India's state of Maharashtra in December 2016. Logo and GSF Software Labs hold respective stakes of 66.6% and 33.4% in the new entity, namely Logo Infosoft.*

#### Large size of the opportunity



- India is c.3x Turkey's nominal 2015 GDP, i.e. Turkey's GDP is c. \$719bn vs c. \$2,149bn for India
- Western Indian state Maharashtra which includes Mumbai is the financial capital of India contributing c. 15% of Indian GDP which is almost half of the size of Turkey

#### Robust growth of Indian Software and SME market



- India's software market is expected to record a 10.6% CAGR in the 2015-2019 period
- IT spend by Indian SMEs was at \$8.7bn in 2013 and is expected to surpass \$18.5bn by 2018 with a CAGR of 15%
- Cloud model is one of the key requirements for SME penetration
- SaaS adoption by SMEs in India is growing at a CAGR of >25% and is expected to reach ~\$370mn by 2018

#### Major Drivers of Growth



- Major transformational projects by the government including Digital India and Make in India
- GST (Goods and Services Tax) bill has been cleared and government is aiming to simplify commerce, supported by digital infrastructure for tax filings in 2017
- SME is the growth engine of Indian economy
  - Highly unorganized and fragmented market with supply chain inefficiencies, scalability and funding issues
  - Facing stiff competition both in the domestic and global markets
  - Several monetary and non-monetary challenges have traditionally deterred SMEs from technology adoption

#### Competitive Landscape



- India is a technology outsourcing destination but local commerce is primitive (largely serviced by Tally)
- Logo specializes in improving operational business automation using variety of technologies including ERP, CRM mobile solutions. It is liked by the customers for simplicity and speed of implementation.
- Focus will be to educate customers and partners in our customer experience lab and training center
- The JV will partner with local companies to reach customers

- **Total Soft, Romania**

- The company was re-organized as two main business units: ERP Division for local SMEs and large enterprises and Financial Solution Division targeting the Leasing Sector internationally.
- ERP Division’s goal will be to maximize profitability with controlled growth and efficient project management. The ERP product is to be “packaged” and sold to SMEs in Romania through a BP channel.
- Financial Solution Division is geared to high growth and profitability with a solid int’l customer base.

- **Logo Infosoft, India**

- We are ahead of our plans in India, thanks to our product customization experience. India case is a clear indication that our product experience is readily applicable to emerging markets.
- Product’s customization with respect to local legislation is completed and will be hosted by Amazon.
- Technical team is hired, the training center will be operative this year.
- First customer and first BP have been acquired.
- Prevalent opportunity in e-government services in India that could be tapped.



# Corporate Governance & Sustainability



Logo embeds corporate governance and sustainability into its business practices to remain a sustainable growth company



- 🎯 Strategy
- 🎯 Growth
- 🎯 Financial Performance

**BORSA ISTANBUL  
CORPORATE GOVERNANCE  
INDEX MEMBER**

**BORSA ISTANBUL  
SUSTAINABILITY  
INDEX MEMBER**

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**LOGO**

**FY2017 RESULTS**



# Year at a glance



**4.500+**  
New ERP Customers



**1.500+**  
Customer Upgrade



**472**  
New Customers  
In Verticals



Continued  
R&D Investments



**800+**  
Business Partners



**255**  
Candidate  
Business Partner  
Interviews



**85**  
New  
Business Partners



**121**  
Universities teaching  
classes with Logo ERP  
products



**28%**  
Growth in e-gov't  
Customer Pool



**43%**  
Growth in  
coin Usage



Continued Market  
Share Leadership in  
e-government



**21%**  
Coin Usage in  
Recurring Invoices



**85**  
Business  
Partner Trainings



**1.565**  
Trainings - # of  
Participants



**14.932**  
Customer Support  
Call (hours)



**33%**  
LEM Revenue  
Growth



**41%**  
Revenue Growth  
5-year-CAGR



**61%**  
Recurring Invoices  
Growth



**29%**  
SaaS Revenue  
Growth



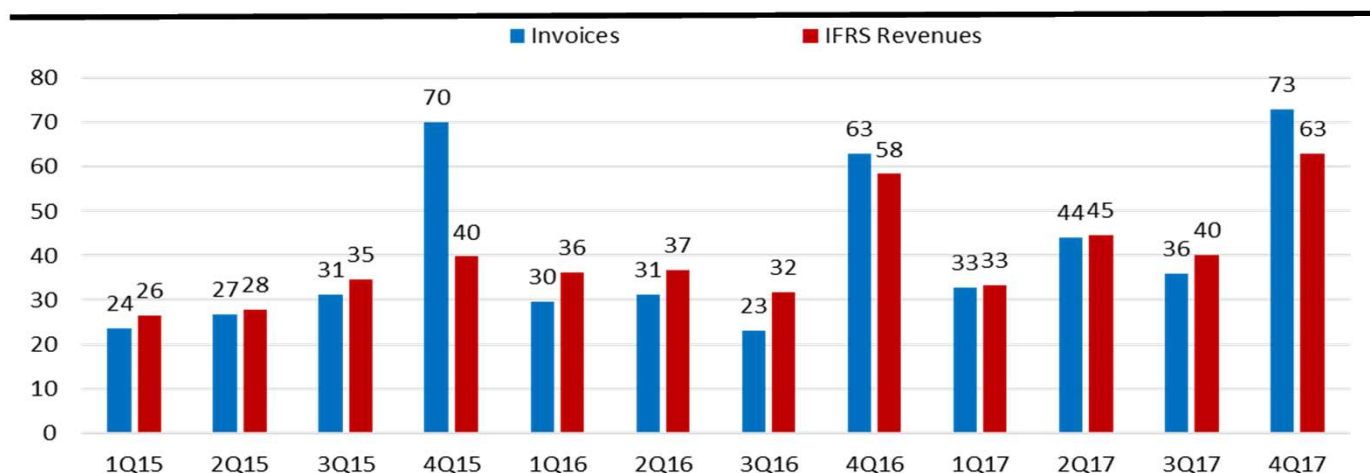
**23%**  
Operating Cashflow  
Growth

- **Impressive results** achieved by **Logo's operations in Turkey**
- Invoiced revenue up by **27% y/y** and top-line IFRS growth of **11%y/y**
- **Main drivers of growth** were new customer additions, product and user upgrades, and module sales along with successful efforts to increase revenues from complementary businesses.
- **Strong Profitability: 9%** EBITDA growth with EBITDA margin of **49%**
- Sales growth was registered across all product segments.
- Main **recurring revenue** streams LEM and Logo Coins grew by 33% and 34%, respectively, presenting **sustainable growth**.
- **Recurring revenues** now **54%** of IFRS revenues
- Logo continued its leadership position in the competitive e-government business. Customer pool grew by 28% y/y and Coin usage rates were up by 43% 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.

- Economy grew by 7% in 2017 and is expected to continue registering healthy, stable growth in the period between 2018-2022.
- **Software and IT services** sector is expected to grow with a CAGR of 11-17% in Euro terms in coming years.
- **Operations in 2017:** Re-structuring and re-organization continued throughout the year. Project deliverables transferred from 2016 were decreased successfully to manageable levels and the product development targets were met.
- **Recent developments:** At the beginning of January 2018, Total Soft signed an **MOU with ABS Europe** to acquire and merge into Total Soft. Due diligence is underway. ABS is a project consultancy company active in Romania since 2005. With ABS's seasoned team joining Total Soft, the company is expected to grow its sales and improve its profitability on the back of increased efficiency in project management, strengthening of retail solutions, and leaner and focused product portfolio management.
- **In 2018;** both license and service revenues are expected to increase with upsell to existing customers and improvement in project management capabilities . Total Soft is planning to achieve 2018 targets without any headcount increases.

- **Regulatory environment:**
  - Gov't of India went live with GST on 1<sup>st</sup> July 2017
  - The number of registered companies in India has gone up from 7 mn to 10 mn
  - eReconciliation (invoice matching with counter parties) and eWayBill also in plans
- **Product:** fully GST compliant India specific version – branded “Jugnu” launched in August 2017
- **People:** Leadership team in place with CEO, COO, and Head of Sales, Presales/Solutions and Marketing. Together with Sales and Presales/Solutions team, we now have 20 people in India.
- **Marketing:** 2018 marketing to focus on large companies aiming to optimize their distribution networks, and mid-size companies planning to be digitally ready and GST compliant.
- **Partners:** Signed-on 12 reselling/solution partners and a major distributor.
- **Customers:** Won first customer deals where implementation is underway now, with expected go lives by April 2018. One of them being the leading player for medical equipment distribution, which employs 250+ people and covers 437 districts. Logo was chosen to help transform their complete IT operations and will replace their existing IT systems with Logo Jugnu as the backbone – covering financial accounting, inventory management, procurement and sales and distribution operations.

Invoices & IFRS Revenues\* (TLmn)



\*Logo Turkey figures only.

- e-government regulation requiring companies to issue e-invoices became effective as of 1.4.2014, the scope was 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 the effective 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: 10.1 TL mn, deferral: 9.8 TL 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: 16.4 TL mn, deferral: 14.9 TL 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 - Consolidated



	4Q			FY		
	4Q16	4Q17	y/y Δ	2016	2017	y/y Δ
<b>IFRS (TL mn)</b>						
<b>Revenue</b>	80.0	82.6	3%	190.4	256.2	35%
<b>EBITDA</b>	27.7	20.2	-27%	86.1	82.6	-4%
<b>EBITDA Margin</b>	35%	24%		45%	32%	
<b>EBT</b>	1.5	12.5	720%	51.2	52.9	3%
<b>EBT Margin</b>	2%	15%		27%	21%	
<b>Net Income</b>	0.4	12.7	3367%	45.3	50.8	12%
<b>Net Income Margin</b>	0%	15%		24%	20%	

## FY17:

- IFRS revenues grew by a strong 35% y/y, reaching record levels
- EBITDA decreased by 4% with ongoing investments in Total Soft and Logo India, diluting EBITDA margin to 32%
- Net income increased by 12% y/y, mainly in the absence of 2016's one-off expenses

## 4Q17:

- IFRS revenues grew by 3% y/y to 82,6 TL mn
- EBITDA decreased by 27%
- Net income increased to 12,7 TL mn

# Financial Summary – Logo Standalone\*



	4Q			FY		
	4Q16	4Q17	y/y Δ	2016	2017	y/y Δ
<b>IFRS (TL mn)</b>						
<b>Revenue</b>	58.4	63.1	8%	163.0	181.2	11%
<b>EBITDA</b>	23.3	26.0	11%	81.0	88.6	9%
<b>EBITDA Margin</b>	40%	41%		50%	49%	
<b>EBT</b>	0.8	19.0	2319%	50.2	67.4	34%
<b>EBT Margin</b>	1%	30%		31%	37%	
<b>Net Income</b>	0.2	18.8	7671%	45.0	64.9	44%
<b>Net Income Margin</b>	0%	30%		28%	36%	

## FY17:

- Invoiced revenues grew by 27% y/y, IFRS revenues were up by 11% y/y
- Adjusted for the higher base of 2016, sales growth would be 17% y/y
- EBITDA grew by 9%y/y, with 49% margin
- Net income grew by 44% y/y, with 36% margin

## 4Q17:

- Invoiced revenues grew by 16% y/y, IFRS revenues were up by 8% y/y
- Adjusted for the deferral impact of e-government sales, sales growth would be 20% y/y
- EBITDA grew by 11%y/y, yielding a 41% margin
- Net income increased to 18,8 TL mn, yielding a margin of 30%

\*Logo's operations in Turkey excluding Logo KOBİ Digital and FİGO

# Financial Summary – Total Soft



IFRS (TL mn)	4Q			FY		
	4Q16	4Q17	y/y Δ	2016*	2017	y/y Δ
Revenue	21.6	19.5	-10%	27.4	74.9	n.m.
EBITDA	4.3	-3.9	-190%	5.1	-2.5	n.m.
EBITDA Margin	20%	-20%		19%	-3%	
EBT	0.7	-4.4	n.m.	1.0	-9.5	n.m.
EBT Margin	3%	-22%		4%	-13%	
Net Income	0.1	-4.4	n.m.	0.3	-10.2	n.m.
Net Income Margin	1%	-23%		1%	-14%	

\*2016 figures only include 4 months; September-December.

## FY17:

- Total Soft contributed 74,9 TL mn in 2017, representing 29% of total sales
- EBITDA contribution was -2,5 TL mn due to investments and restructuring efforts that are in-progress
- Net income was -10.2 TL mn also impacted by structuring costs and interest expenses

## 4Q17:

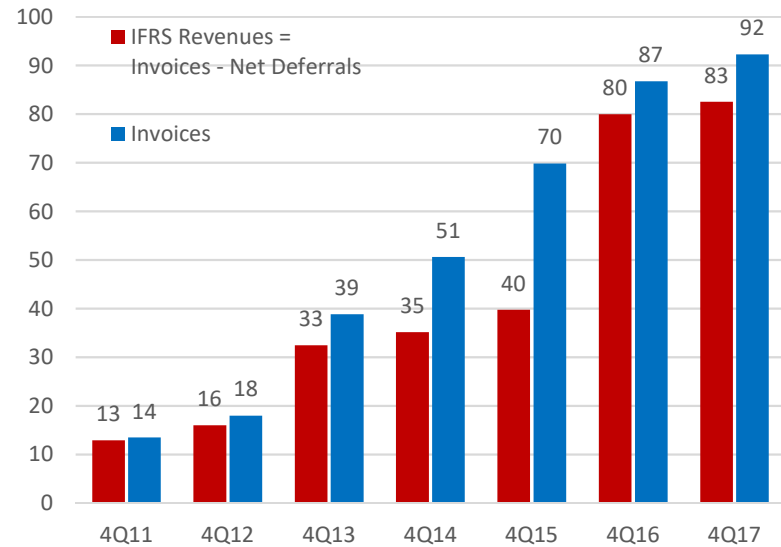
- IFRS revenues were -10% y/y, contributing 24% to the group total
- EBITDA contribution was -3,9 TL mn, due to restructuring efforts
- Net income impacted by structuring costs and interest expenses



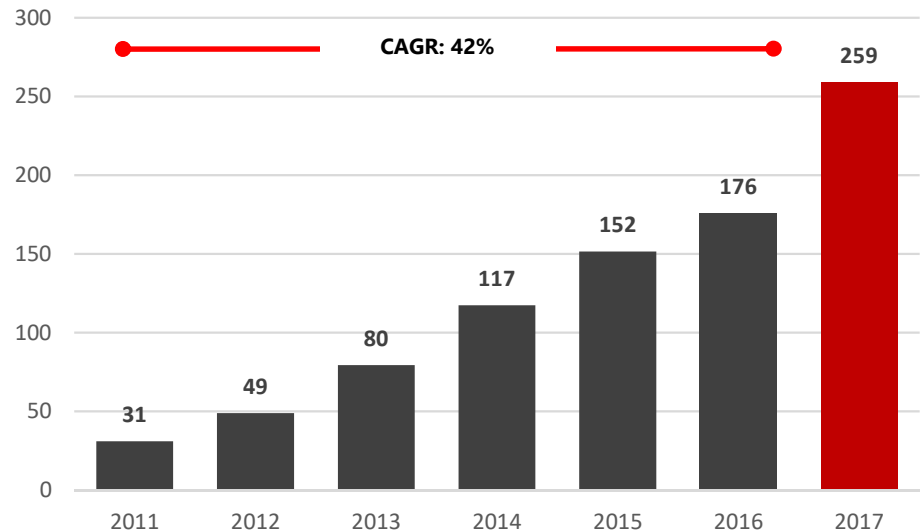
# Invoiced Revenue vs IFRS Revenues



### 4Q Invoices & IFRS Revenues (TLmn)



### Invoiced Revenues (TLmn)

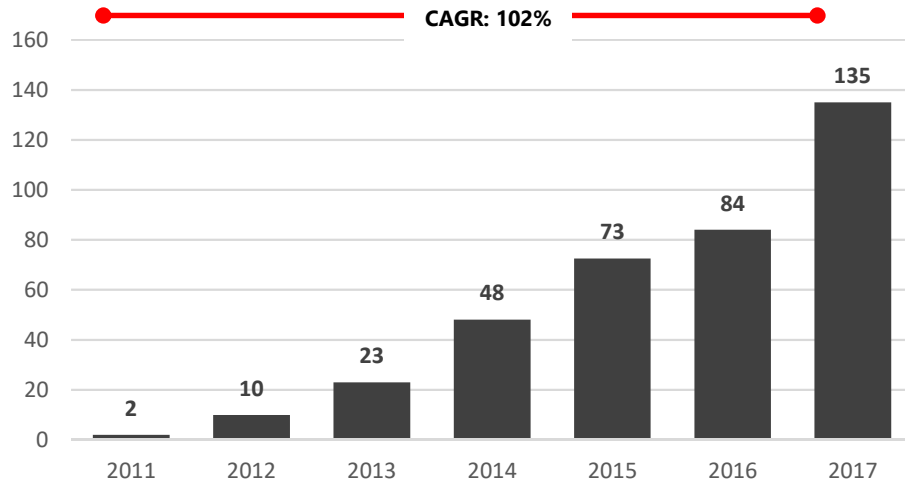


- 4Q invoiced revenues were up by 6% y/y to 92 TL mn; in Turkey invoiced revenues grew by 16% y/y reaching 73 TL mn.
- 2017 invoiced revenues were up by 47% y/y to 259 TL mn; in Turkey invoiced revenue growth was 27% y/y reaching 186 TL mn. This marks a significant success in continued new customer additions, product and user upgrades and successful efforts to increase revenues from complementary businesses.
- IFRS revenue recognition throughout 2016 was higher due the regulatory impact at the end of 2015 (Logo Turkey). Accordingly, Logo's IFRS revenue from Turkey's operations grew by 11% y/y in 2017.

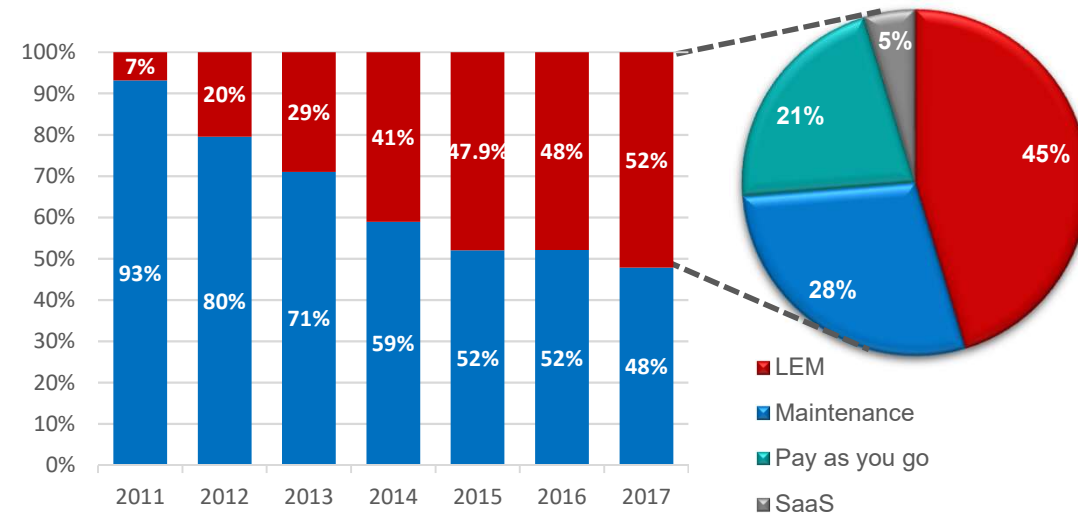
# Recurring Revenues



Recurring Invoices (TLmn)



Recurring Invoices/Total Invoices (%)

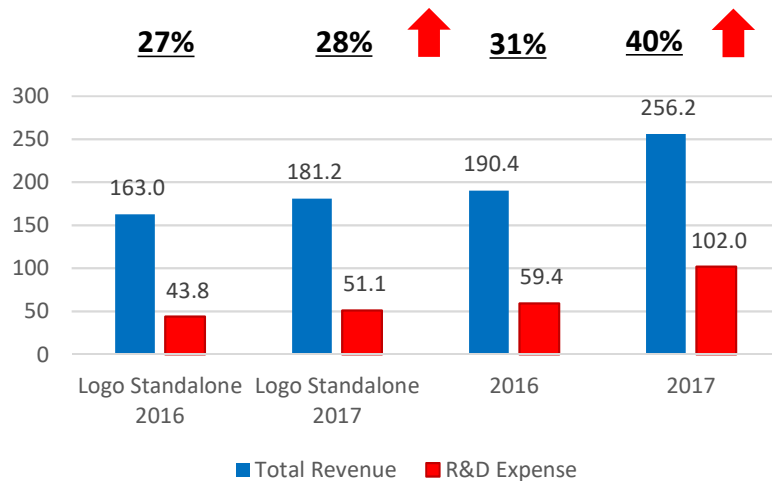


- Strong growth in recurring invoices continued in 2017 and yielded a 61% y/y growth, **making up 52% of total invoices** (51% of IFRS revenues).
- **LEM** contract sales grew by an impressive 33% y/y and represented 45% of the total.
- **Pay as you go** revenues grew by 34% y/y, constituting 21% of the total.
- **Maintenance** revenues with Total Soft's contribution represented 28% of total.
- **Recurring SaaS** grew by 29% y/y, sales represented 5% of total.

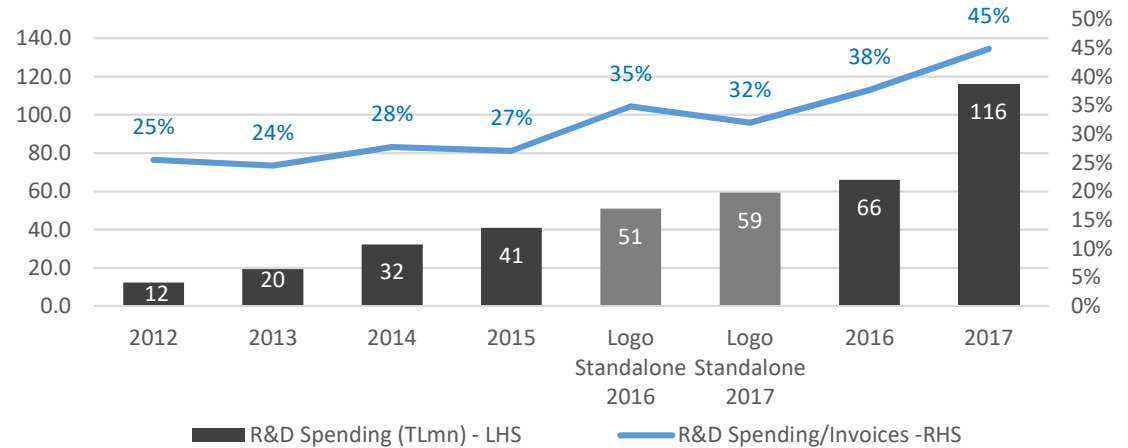
# Operational Expenses



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



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

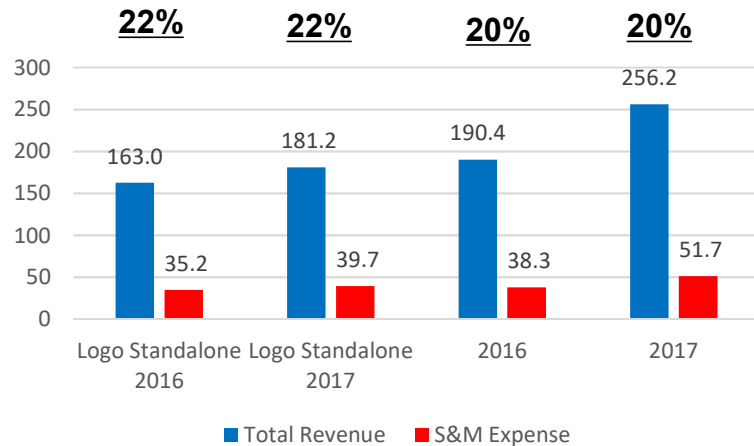


- Overall **total operating expenses** increased by 59% y/y, with Total Soft's first full year consolidation.
- Opex/IFRS revenue up from 61% in 2016 to 72% in 2017.
- For Logo Standalone Opex grew by 14% y/y, change in Opex/IFRS revenue marginal 58% to 60%.
- **R&D expenses** increased by 72%y/y, due to Total Soft's first full year consolidation and higher no. of Total Soft's R&D and implementation team. (402 personnel). Increase is 17% y/y for Logo Standalone.
- **R&D spending** grew by 75% and its ratio to invoiced revenue was up from 38% to 45%. Logo Standalone R&D spending was up by 16% and its ratio to invoiced revenue went down from 35% to 32%.

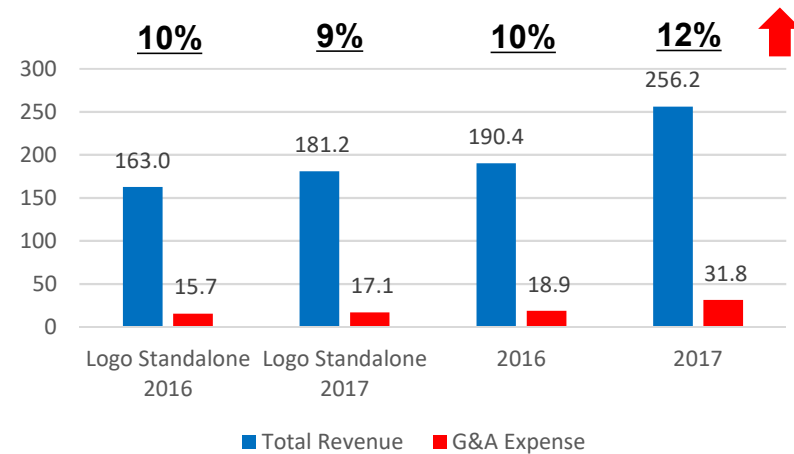
# Operational Expenses



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



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



- **S&M expenses** in 2017 increased by 35% y/y, and S&M expenses/IFRS revenue ratio was 20%. Total Soft's sales and marketing team joined Logo's forces with 30 people.
- On Logo Standalone basis, the increase in S&M expenses is 13% y/y and S&M expenses/IFRS revenue ratio remained at 22%.
- **G&A expenses** in 2017 increased by 68% y/y with Total Soft's first full year consolidation. Logo Standalone basis, increase was 9%.

# Key Financials



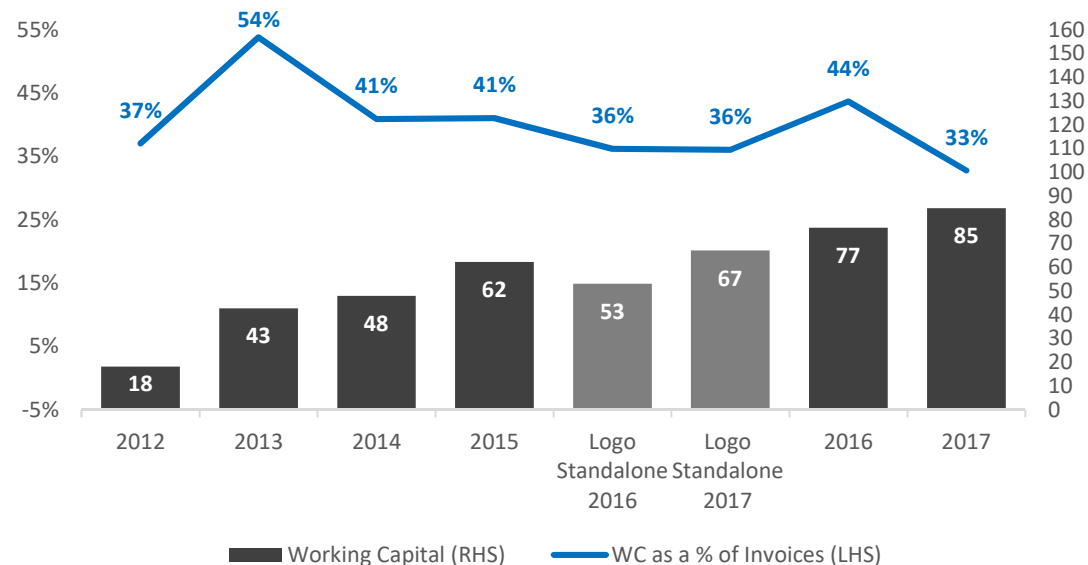
## Balance Sheet Highlights (TLmn)

	2016	2017	Δ
Cash & Cash Eq.	43.8	51.6	18%
Trade Receivables	92.9	104.5	13%
Tangible Assets	19.0	19.9	5%
Intangible Assets*	161.7	191.9	19%
Other Assets	10.1	15.2	50%
<b>Total Assets</b>	<b>327.5</b>	<b>383.2</b>	<b>17%</b>
Total Liabilities	163.4	173.9	6%
Total Shareholders' Equity	164.2	209.3	27%
<b>Total Liabilities and Equity</b>	<b>327.5</b>	<b>383.2</b>	<b>17%</b>
Shareholders Equity Ratio	0.50	0.55	9%
Current Ratio	0.94	1.43	52%
EPS**	1.87	2.09	12%

\* Includes goodwill

\*\* Adjusted by the 2.77% Treasury shares

## Working Capital (TLmn)

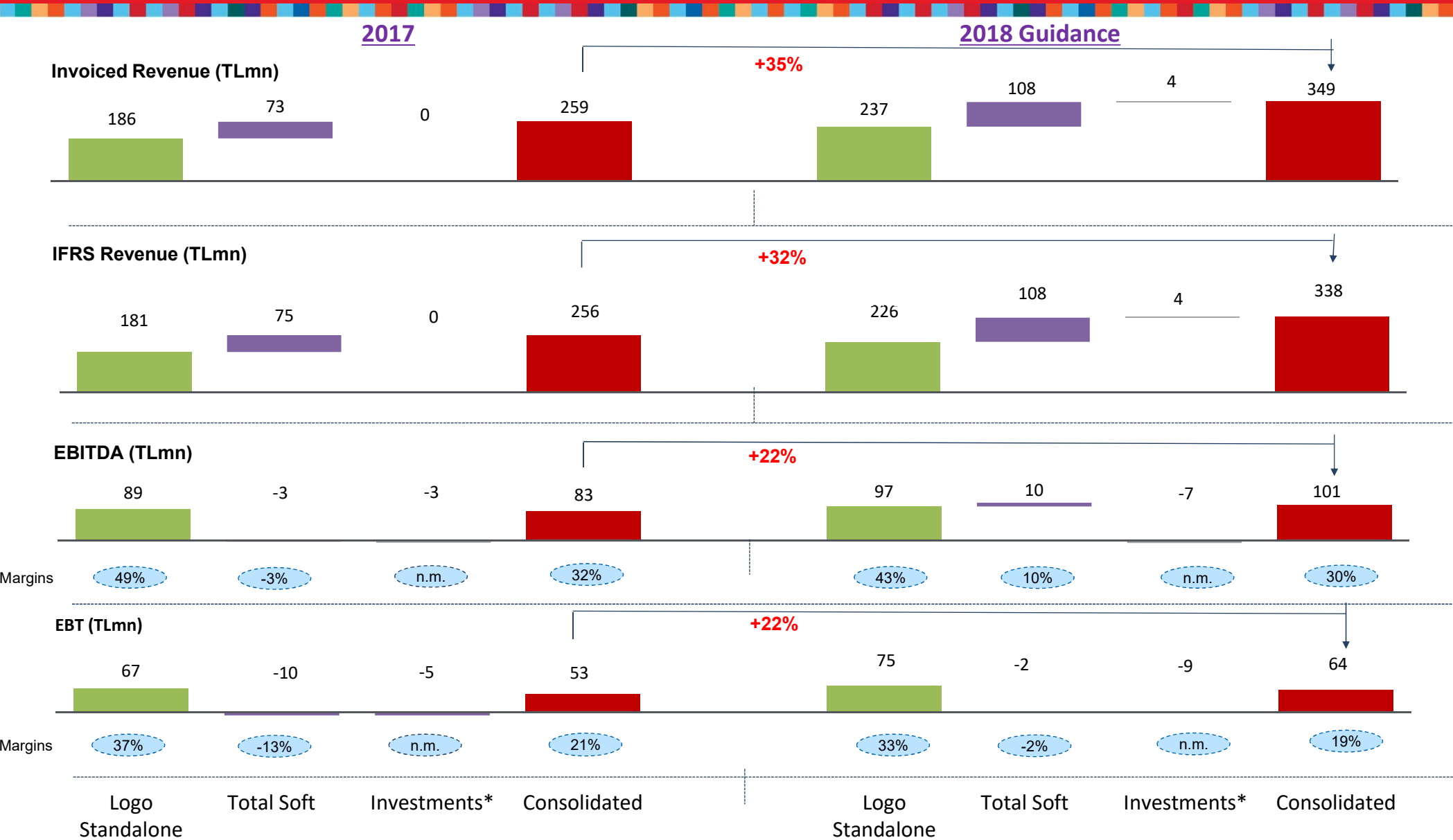


Working capital: Trade receivables + Inventories – Trade payables  
WC/Invoices figures are based on 12-mnth trailing invoices

- **Total assets** grew by 17%/y/y at end-2017.
- **Operating cash** grew over 23% with successful sales growth and collection.
- **Net liquidity** improved by 56 TL mn with higher cash generation and conversion of short-term debt to long-term.
- **Net debt position** of 23\* TL mn at end-2016 is down to 13,8\* TL mn as of end-2017.
- Working capital/invoices ratio improved to 33%.
- **EPS growth** was 12%/y/y while investments at Total Soft and Logo Infosoft India continued.

\*Cash together with 2.77% Treasury shares @Mcap

# 2018 Guidance



\* Investments = Logo Infosoft (India), Figo (Turkey) and Logo Kobi Digital (Turkey).

# Appendix

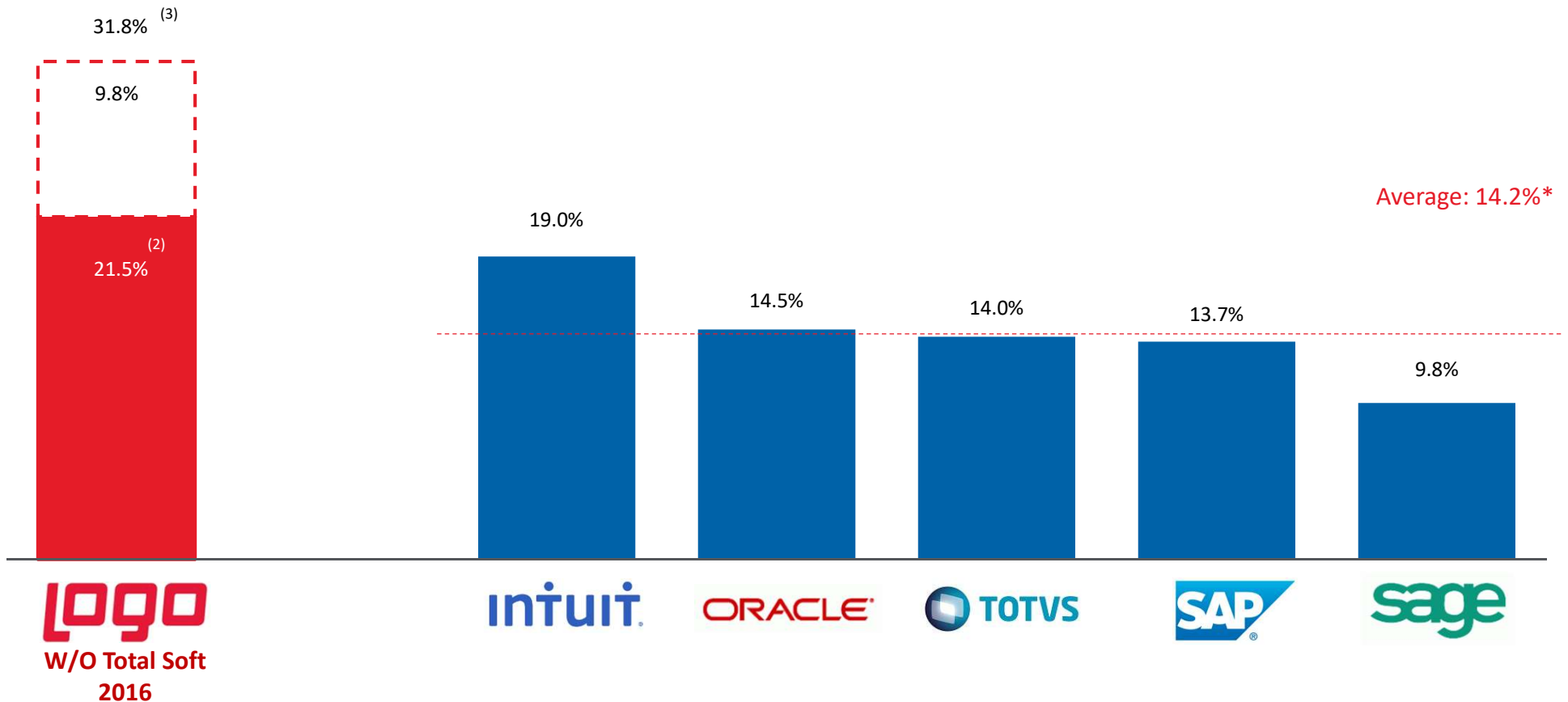


# Logo's R&D Spend is in Line with Peers



Over the past 5 years, Logo has spent a total of TRY156mn on R&D<sup>(1)</sup>. Logo's relentless focus on technology development has resulted in an overall R&D spend<sup>(1)</sup> as a % of revenue reaching 31.3% in 2016, up from 26.1% in 2012.

R&D<sup>(1)</sup> as a % of Sales (% , FY)



Source: Company filings and FactSet.

Note: (1) Includes capitalised portion of R&D and related amortization. (2) Development expenses. (3) Support personnel.

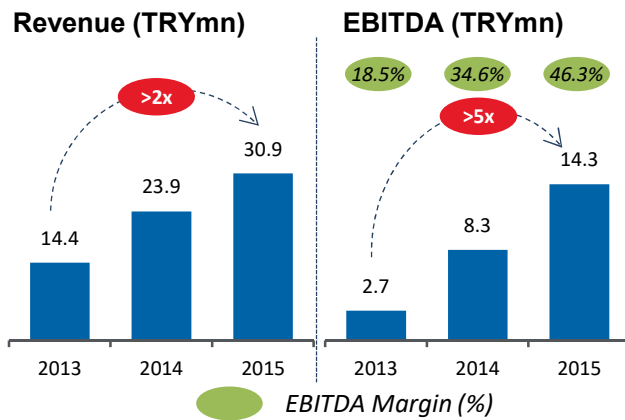
\* Peer figures are based on 2015 financials



## Strategic Rationale of Netsis Acquisition

- Reinforced Logo's position and accelerated geographical expansion in Turkey
- Strategic rationale:**
  - Strong dealer network** of 76 main and 145 sub-dealers
  - Talent acquisition:** 120 personnel
  - Increased market share** from c. 14% in 2012 to c. 23% in 2013
- Post-transaction, **increased efficiency** through:
  - Effective collection and improved business partners management**
  - Accelerated revenue and profitability**
  - Reduced receivable days from **235 to 206 days**

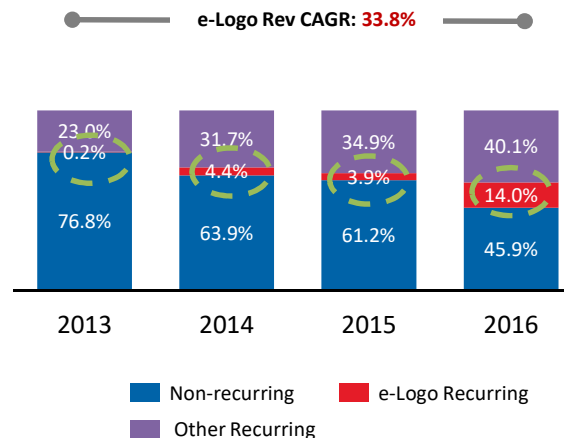
### Significant Revenue and EBITDA Growth<sup>(1)</sup>



## Strategic Rationale of e-Logo Acquisition

- Completion of the e-Government product portfolio
- Significant margin contribution (c. 10%) due to the absence of IP right payments
- Significant contribution to recurring revenues
- e-Government business created cross-sale opportunities for all Logo products
- Inspired by best practice of telecom: Transformational move by introducing Logo Coin (Logo's Pay-As-You-Go revenue) – new e-initiatives will trigger a high usage for Coin

### Proportion of Recurring Revenue Rapidly Increasing



## Strategic Rationale of JV of Logo & FIT

- Rating Companies**
  - Allow corporates to rate and assess their potential customers
- Receivables Insurance**
  - Helps companies insure their receivables
- Invoice Mapping & Offsetting**
  - Provides automatic reconciliation with no money flow
- Receivables Collection**
  - If receivables are overdue or considered delinquent

*The culmination of all these services will enable corporates to benefit from the full-circle of services related to trade and sales activities. The JV is expected to have c. 45% market share based on number of corporates*

Source: Turkstat.

Note: (1) Figures refer to full year 2013. (2) Market size in 2015 according to BDDK.

## Managed Technical Debt

### Challenges in Products and Technologies

- Three aging code stacks
- Incoming code stacks from M&A
  - 3mn LOC Delphi → Netsis
  - Various code coming from Intermat, Sempa and Vardar
  - Lack of strategic product management
  - Different, disconnected UX approaches
  - Multiple locations and multiple cultures
- No mobile or SaaS background and strategy

### Progress in 2014-2016

- Merged the .NET teams and products of Coretech and Netsis under DIVA
- Imposed process improvement system unconditionally
- Created the same look and feel in all products
  - New UX approach, Role Based App in App Design
  - UX technology for presentation layer of all products
  - Standardisation of design rules
- Developed web and mobile strategy for existing product lines

## Developed 3 Series Product



Development of role based usage



Development of monolithic applications



Creation of REST interfaces



New user interface design rules



Plug-in technology to create new modules



Visual studio template



Standardised interface



An AppStore development

## Development of SaaS / PaaS

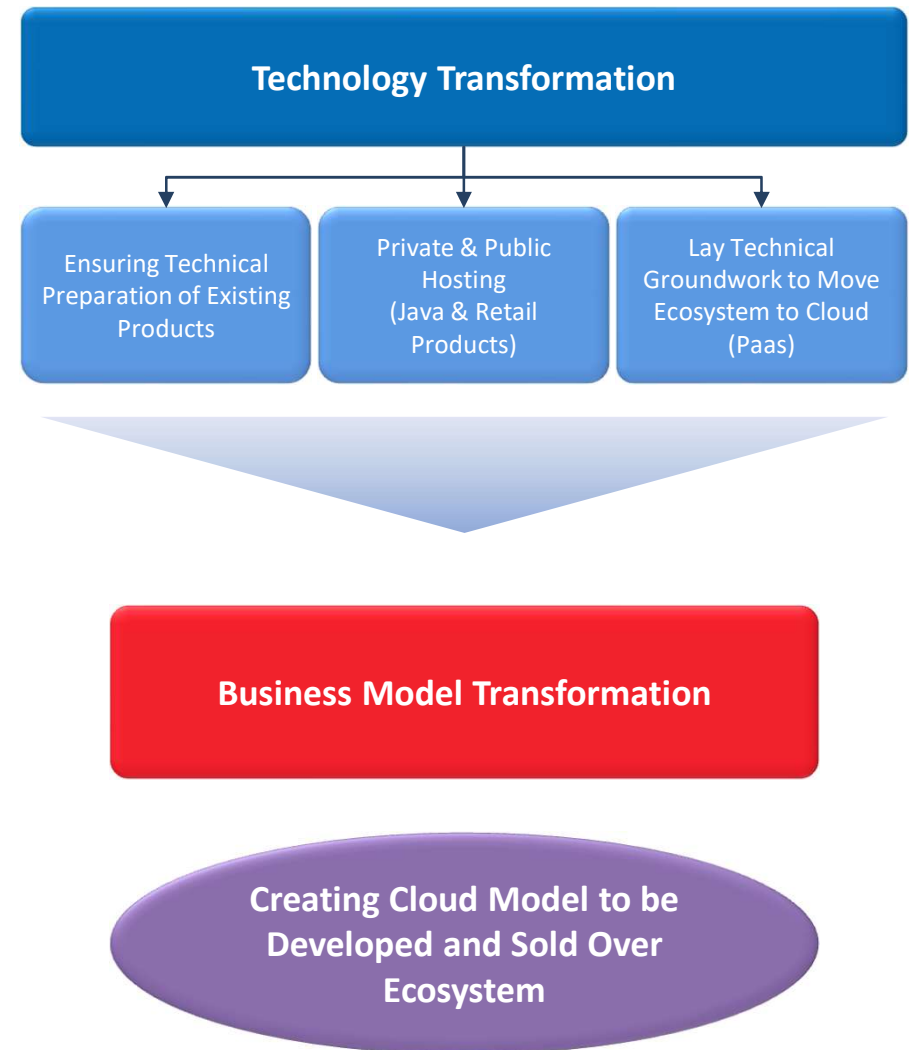
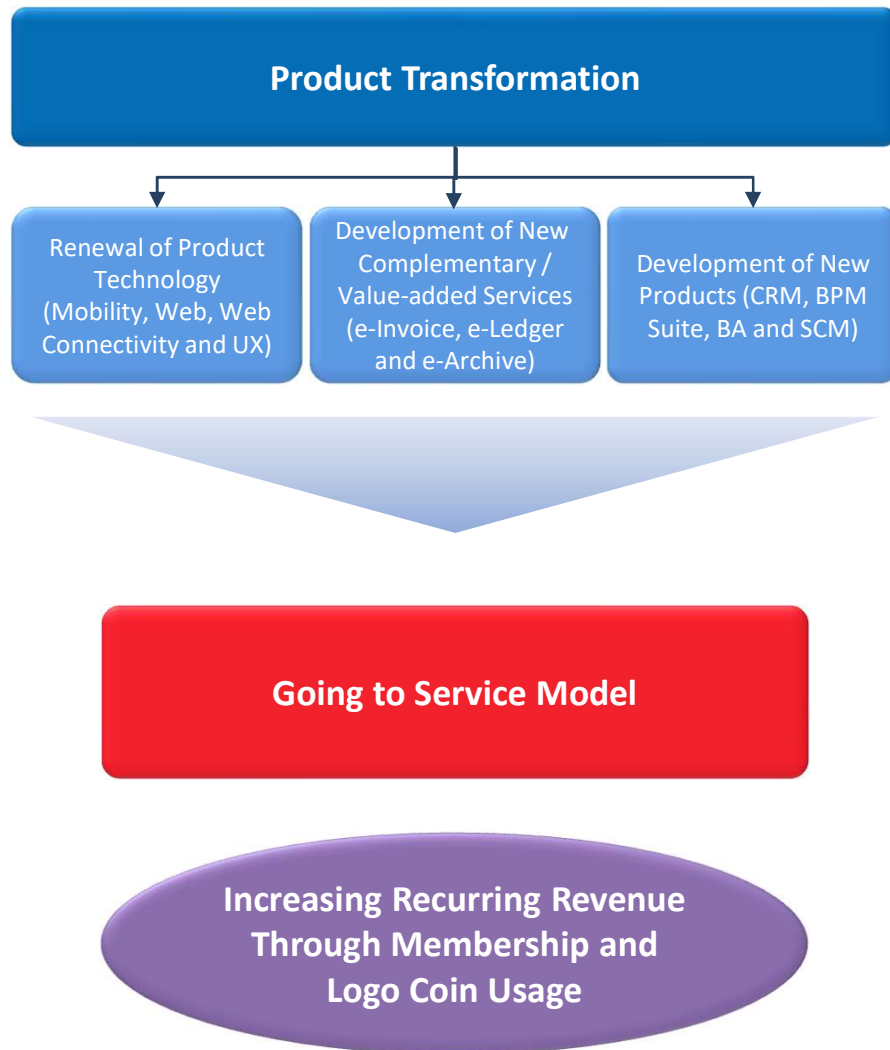
- Logo acquired retail SaaS company Coretech in 2011

- Coretech DIVA product was developed before the SaaS technologies matured

- DIVA code stack was refactored and enhanced with expertise as well as technology and new modules and features acquired from Netsis

- PaaS initiative was started with TUBITAK R&D support to serve all the existing and future SaaS products

- SOHO ERP product on SaaS in 2017



# Thank you

