Asseco Group's results

Q1 2022

May 25, 2022

Q1 2022 Summary

- Stable development of Asseco:
  - Increase in revenues by 22% to PLN 4.1 billion
  - increase in non-IFRS operating profit by 20% to PLN 480 million
  - increase in non-IFRS net profit by 7% to PLN 124 million
- Organic growth and acquisitions – 3 new companies in the Group
- Double-digit growth in order backlog

Summary of the Group's operations

Selected consolidated financial data for Q1 2022

PLN 4 076 m
Sales revenues
+22%

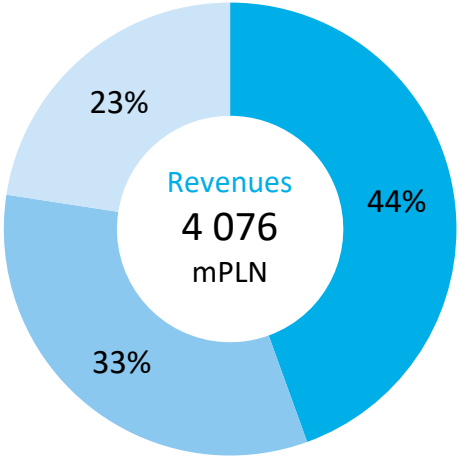
PLN 3 160 m
Proprietary software and services
+21%

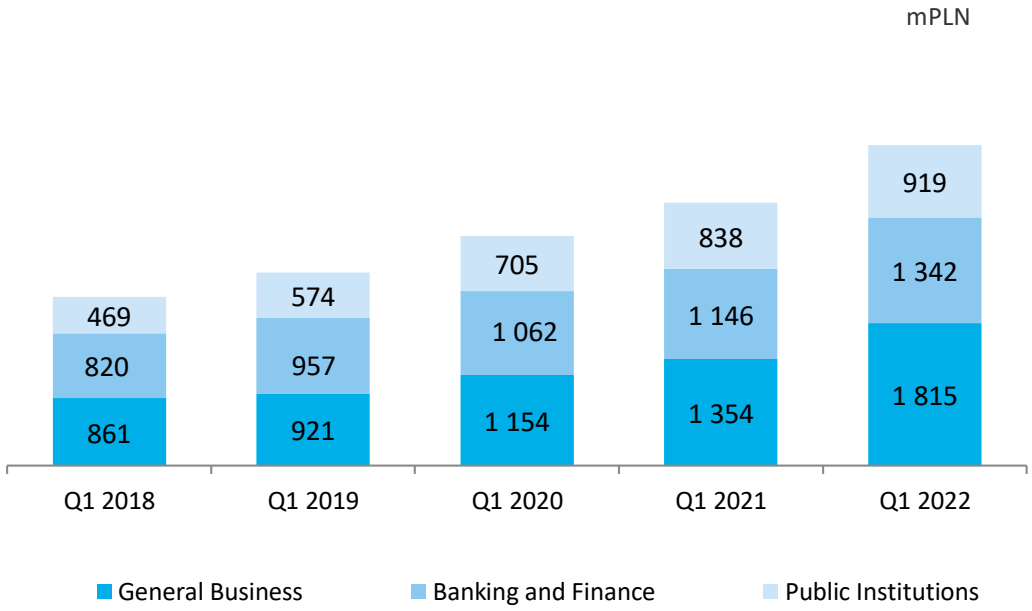
PLN 604 m
EBITDA
+21%

PLN 480 m
Non-IFRS EBIT
+20%

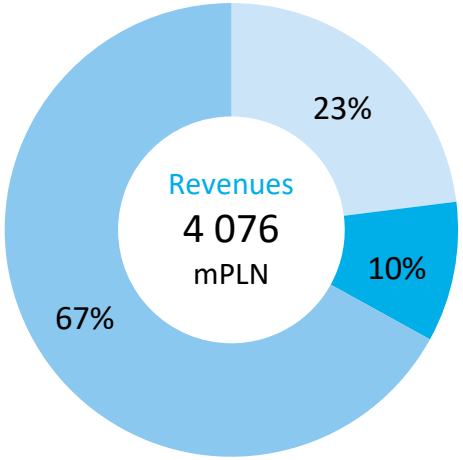
PLN 124 m
Non-IFRS net profit
+7%

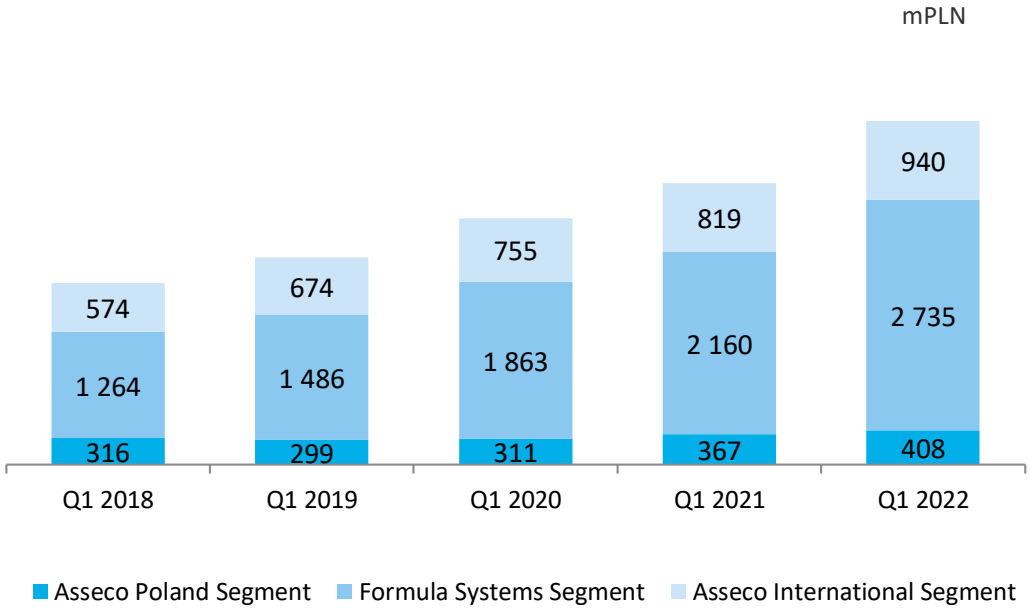
Strong sectoral diversification of Asseco's revenues





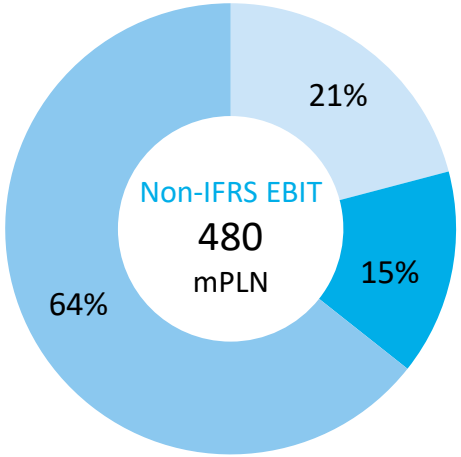
Significant share of foreign markets in the Group's revenues

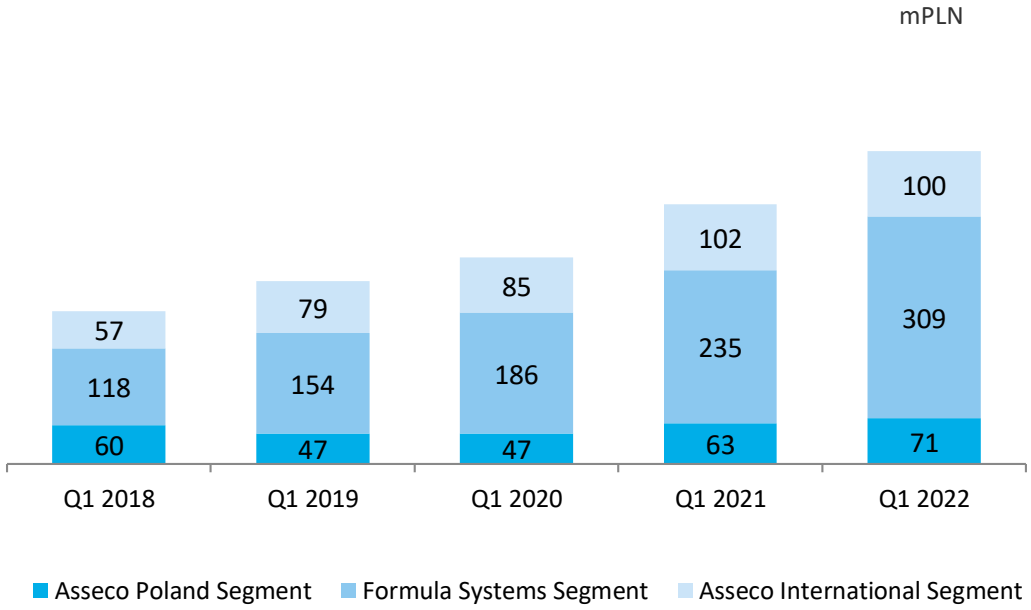




Figures do not include consolidation adjustments.

Increase in the Group's non-IFRS operating profit





Figures do not include consolidation adjustments.

The Asseco Group in Q1 2022

Asseco Poland Segment

- Higher revenues from the public administration and health care sectors
- Sales growth in the security area
- Strong sales results of Asseco Data Systems
  – over 2 times higher revenues in the Smart City area

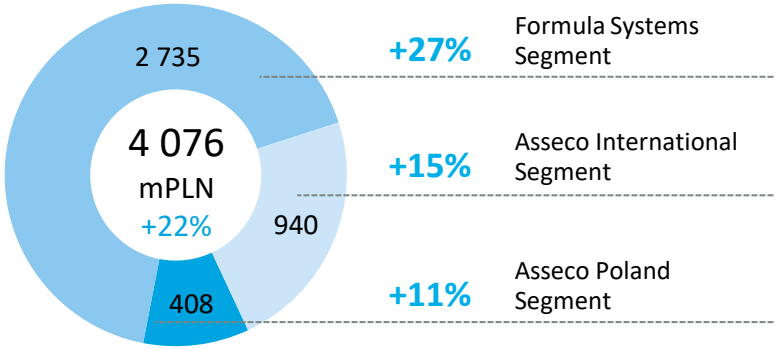
Formula Systems Segment

- Double-digit sales growth in all companies
- Strengthening the position in Israel and in foreign markets

Asseco International Segment

- Asseco SEE – growing scale of operations in Payten and in the area of dedicated solutions
- Continued increase in sales of ERP solutions
- Revenue growth in the Western European market

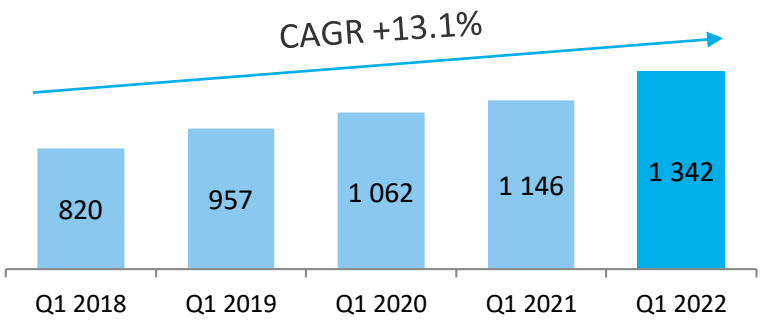
Sales revenues



Additionally: consolidation adjustment resulting from turnover between markets: PLN -7.5 million.

Banking and Finance Sector

Revenues (in mPLN)



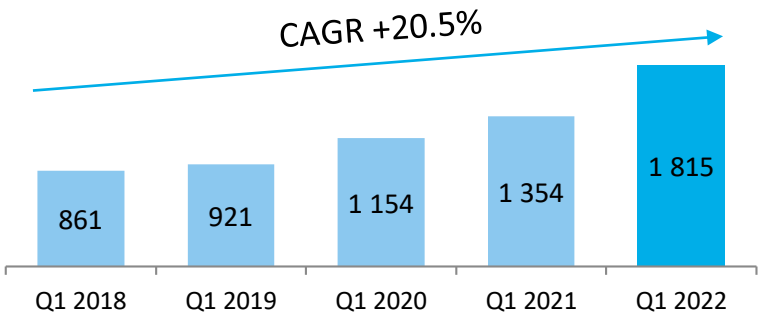
	Q1 2022	Q1 2021	Change
Formula Systems Segment	931.4	774.4	+20%
Asseco International Segment	302.7	272.3	+11%
Asseco Poland Segment	110.0	102.2	+8%
Asseco Group*	**1 341.6**	**1 146.4**	**+17%**

- **Formula Systems:** Sapiens – revenue growth in Europe (50% of sales) and in the US (42% of sales), growing sales of Magic Software and Matrix IT
- **Asseco International:** Asseco SEE – significantly higher revenues of Payten, good sales results of Asseco PST
- **Asseco Poland:** cooperation with existing customers, long-term maintenance and development agreements

** Figures including consolidation adjustment.*

General Business sector

Revenues (in mPLN)



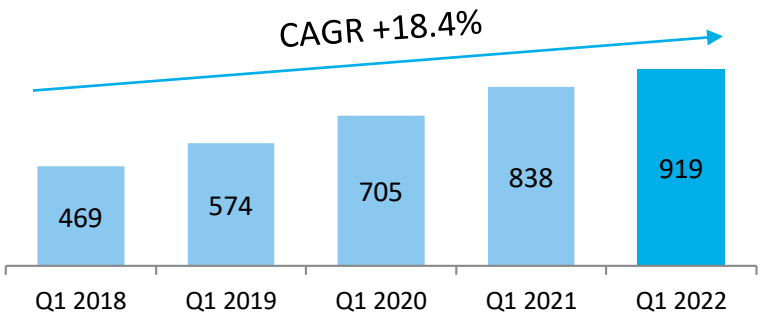
	Q1 2022	Q1 2021	Change
Formula Systems Segment	1 251.3	870.2	+44%
Asseco International Segment	481.2	394.2	+22%
Asseco Poland Segment	87.0	93.3	-7%
Asseco Group*	**1 814.7**	**1 354.4**	**+34%**

- **Formula Systems:** dynamic growth of sales of Matrix IT and Magic Software, contribution from ZAP Group
- **Asseco International:** Asseco SEE – organic growth supported by acquisitions, growing sales of ERP systems in all Asseco ES Group companies, strong sales performance by subsidiaries in Spain and Denmark
- **Asseco Poland:** stable level of revenues from sales of proprietary software and services

** Figures including consolidation adjustment.*

Public Institutions sector

Revenues (in mPLN)



	Q1 2022	Q1 2021	Change
Formula Systems Segment	552.1	515.3	+7%
Asseco International Segment	155.9	152.3	+2%
Asseco Poland Segment	211.4	171.3	+23%
Asseco Group*	**919.2**	**838.3**	**+10%**

- **Formula Systems:** increased revenues of Magic Software
- **Asseco Poland:** execution of contracts with the public administration sector clients, accelerated digitization of the health care sector, increased sales of services related to cyber security, continued implementation of significant projects in the Smart City area

** Figures including consolidation adjustment.*

The Group’s development – acquisitions

Acquisitions in the Polish market:

Pirios is a leader in the Polish market of Contact Center solutions designed for retail customer service automation.

/Asseco Data Systems /

Acquisitions in the Israeli market:

Vidstart owns a real-time ad management platform.

/Magic Software/

Formally Smart Form System is the creator of a platform that allows to manage business processes, including full support of electronic documents.

/Michael Micro Computers /

Development of Asseco's competence areas

Revenues in Q1 2022

Strong position in the area of:

- Banking and Finance
  PLN 1.3 billion

Development in new areas:

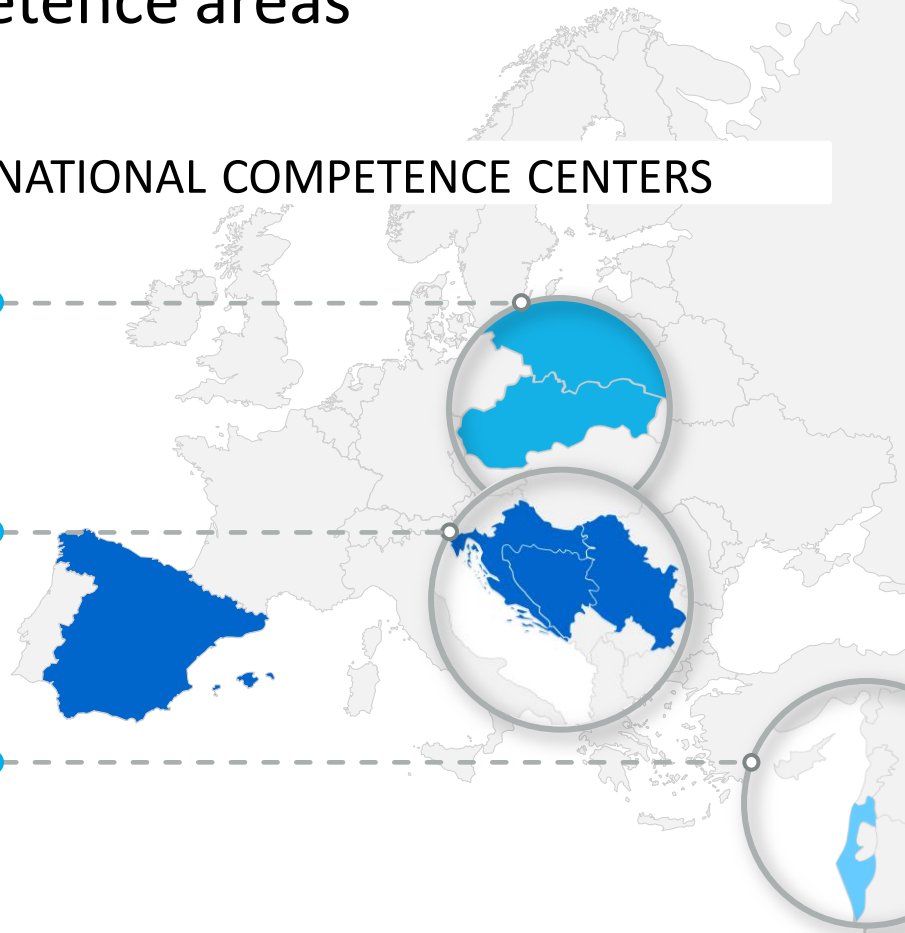
- Cloud solutions
  PLN 310 million
- Cyber security
  PLN 69 million
- Robotics
  PLN 18 million

INTERNATIONAL COMPETENCE CENTERS

ERP
PLN 197 million
Asseco Enterprise Solutions

Payments
PLN 152 million
Payten

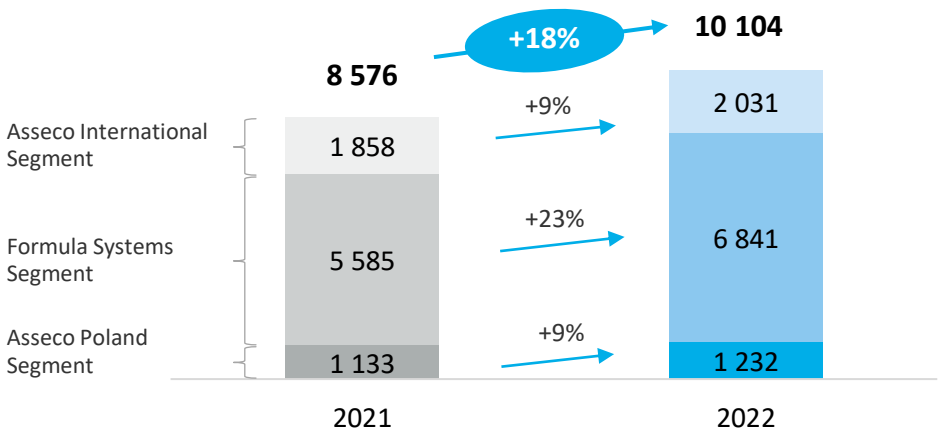
Insurance
PLN 490 million
Sapiens International



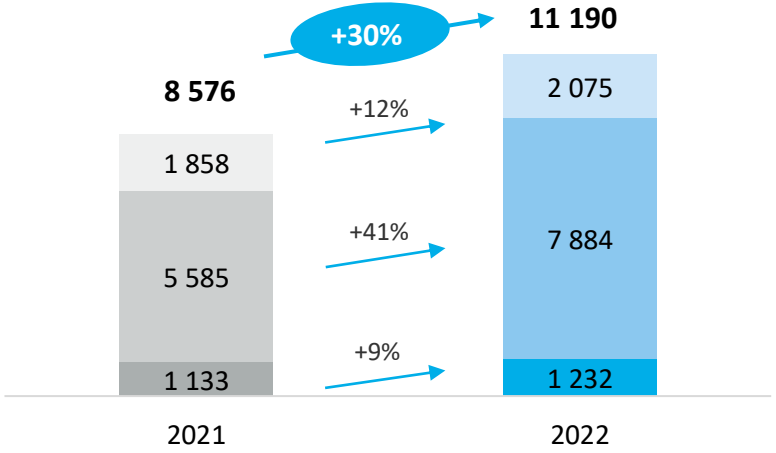
Consolidated order backlog

Proprietary software and services

Fixed rate*



Variable rate**



Amounts in mPLN; value of order backlog for 2022 as at May 20, 2022; value of order backlog for 2021 as at May 18, 2021.
** Recalculating the 2022 backlog using the rates used to convert the 2021 backlog.*
*** Recalculating the 2022 backlog at exchange rates as at May 20, 2022.*

PLN 2.7 billion of dividends paid

Dividend payment for 2021 of PLN 279 m

or PLN 3.36 per share.

Record date – June 10, 2022

Dividend payment date – June 21, 2022

Financial information

Revenues and operating profit of the Asseco Group

	Q1 2022	Q1 2021	Δ
Sales revenues	**4 075.5**	**3 339.1**	**+22%**
Proprietary software and services	3 159.5	2 602.8	+21%
EBITDA	**603.5**	**497.8**	**+21%**
Profitability	*14.8%*	*14.9%*	*-0.1 p.p.*
Operating profit non-IFRS*	**480.1**	**398.6**	**+20%**
Profitability	*11.8%*	*11.9%*	*-0.2 p.p.*
PPA & SBP*	-89.8	-76.0	+18%
Operating profit	**390.3**	**322.6**	**+21%**
Profitability	*9.6%*	*9.7%*	*-0.1 p.p.*

Figures in mPLN.
** Non-IFRS figures including adjustments for amortization charges on intangible assets recognized in purchase price allocation (PPA) as well as for the costs of share-based payment (SBP) transactions with employees.*

Reconciliation of operating profit and net profit

	Q1 2022	Q1 2021	Δ
Operating profit non-IFRS*	**480.1**	**398.6**	**+20%**
Operating profit	**390.3**	**322.6**	**+21%**
Net interest	-22.0	-19.7	
Foreign exchange transactions	8.9	2.6	
M&A transactions (mainly revaluation of contingent payments)	-1.5	-3.8	
Dividends to non-controlling shareholders	-6.4	-4.1	
Other	-0.2	0.0	
Gross profit	**369.0**	**297.7**	**+24%**
Tax	-82.5	-64.6	+28%
effective tax rate	*22.4%*	*21.7%*	*+0.7 p.p.*
Share of profit/loss of associates	1.0	-0.2	-
Net profit	**287.6**	**232.9**	**+23%**
Net profit attributable to equity holders of the parent company non-IFRS*	**123.9**	**116.2**	**+7%**
Net profit attributable to shareholders of the parent company	**107.9**	**102.2**	**+6%**

Figures in mPLN.
** Non-IFRS figures including adjustments for: the cost of amortization of intangible assets recognized in purchase price allocation (PPA), the costs of share-based payment transactions with employees (SBP), the financial costs and financial revenues resulting from the transactions of purchase and sales of companies (M&A) and tax effects associated with them.*

Financial results of regions and subsidiaries

	Sales revenues		Operating profit non-IFRS*		Net profit contribution to Asseco Poland non-IFRS*	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Asseco Poland Segment	**408.4**	**366.8**	**70.9**	**62.8**	**51.2**	**49.0**
Asseco Poland (without dividends)	279.8	261.6	48.2	48.4	36.2	37.5
Asseco Data Systems	83.4	76.8	17.1	14.3	15.3	11.5
Other companies and consolidation adjustments	45.2	28.4	5.5	0.0	-0.4	0.0
Formula Systems Segment	**2 734.8**	**2 159.9**	**309.3**	**234.8**	**26.3**	**19.3**
Matrix IT	1 533.9	1 280.7	126.6	100.7	9.5	7.5
Magic Software	577.5	409.1	79.8	56.4	6.4	4.4
Sapiens International	490.1	417.8	91.0	70.3	8.5	6.0
Holding and other companies, consolidation adjustments	133.3	52.3	12.0	7.4	1.9	1.4
Asseco International Segment	**939.8**	**818.8**	**100.5**	**101.5**	**46.9**	**48.4**
Central European market	360.4	340.7	43.5	54.7	22.2	31.2
South Eastern European market	311.5	253.1	48.8	39.4	21.4	17.3
Western European market	266.5	224.0	13.1	10.3	8.0	5.5
Holding and other companies, consolidation adjustments	1.3	1.0	-4.8	-2.8	-4.7	-5.7
consolidation adjustment	-7.5	-6.4	-0.5	-0.5	-0.5	-0.4
Asseco Group	**4 075.5**	**3 339.1**	**480.1**	**398.6**	**123.9**	**116.2**

Figures in mPLN.
** Non-IFRS figures including adjustments for: the cost of amortization of intangible assets recognized in purchase price allocation (PPA), the costs of share-based payment transactions with employees (SBP), the financial costs and financial revenues resulting from the transactions of purchase and sales of companies (M&A) and tax effects associated with them.*

Cash generated (LTM)

	Asseco Group	Formula Systems Segment	Asseco International Segment	Asseco Poland Segment
CFO	2 192.4	1 243.4	627.5	323.8
CAPEX* + leasing**	-587.3	-324.1	-170.7	-94.2
Free cash flow* **	**1 605.1**	**919.3**	**456.8**	**229.6**
Cash conversion ratio** **	**86%**	**81%**	**102%**	**80%**

Figures in mPLN; data for the Group include a consolidation adjustment; data for the last 12 months, i.e. IV 2021 - III 2022.
** Less financing.*
*** Payments of lease obligations.*
**** CFO + CAPEX + leasing.*
***** Free cash flow / EBIT non-IFRS.*

Stable liquidity position of the Asseco Group

		As at March 31, 2022			
	Asseco Group	Formula Systems Segment	Asseco International Segment	Asseco Poland Segment	Elimination
Cash	**3 451.9**	**2 227.6**	**740.1**	**484.2**	**-**
Interest bearing liabilities (ST)	**(1 645.2)**	**(1 451.8)**	**(178.8)**	**(16.7)**	**2.1**
Credit and loan liabilities (ST)	(1 406.5)	(1 281.9)	(122.5)	(2.1)	-
Leasing (ST)	(238.7)	(169.9)	(56.3)	(14.6)	2.1
Net cash	**1 806.7**	**775.8**	**561.3**	**467.5**	**2.1**
Inventories + ST receivables - ST liabilities*	**772.7**	**504.6**	**35.7**	**232.8**	**(0.4)**
Net operating assets (ST)	**2 579.4**	**1 280.4**	**597.0**	**700.3**	**1.7**

Figures in mPLN.
** Inventories + short-term receivables + short-term prepayments - short-term liabilities excluding bank loans and finance lease liabilities.*

Asseco in cyber security

ComCERT - characteristics

RELIABILITY

The longest operating Polish private company focusing on CERT and SOC services.

HISTORY

First private CERT center accredited in Poland.

TRUSTED PARTNER

ENISA's largest Polish private partner – 15 joint projects.

UNIQUE COMPETENCES

Expert support for projects in Denmark, France and Bulgaria.

EXPERIENCE

Market leader in commercial CERT services in Poland with the longest existing private accreditation.

REFERENCES

Over 50% of accredited Polish enterprise CERT centers have been created with ComCERT's assistance.

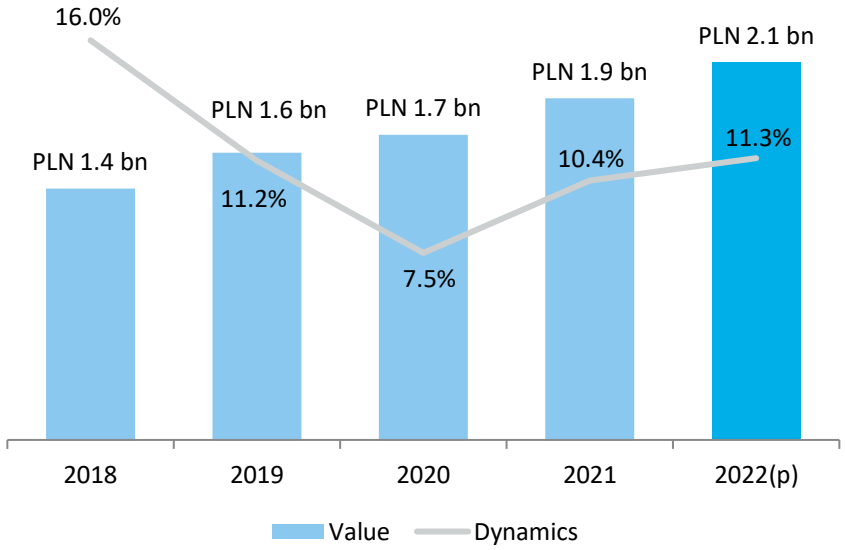
INTERNATIONAL PRESENCE

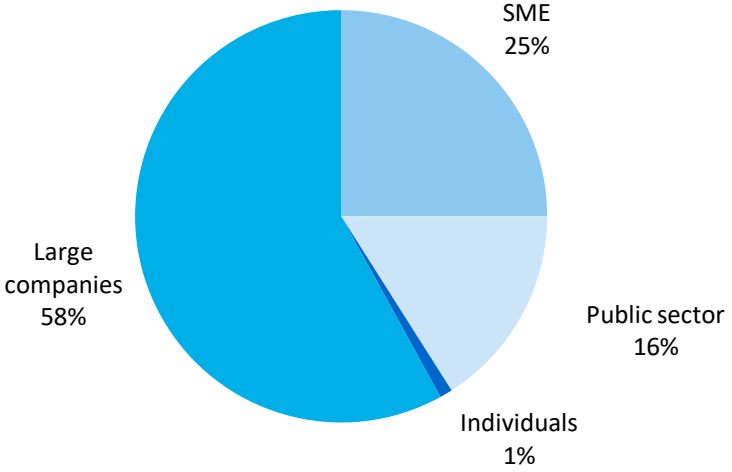
Implementation of government projects in Togo, Georgia and Bangladesh.

R&D ACTIVITIES

Implementation of advanced projects with national and European investment authorities.

Cyber security market in Poland





Source: PMR 2021

Main customers

FINANCIAL SECTOR

TELECOMMUNICATIONS SECTOR

MILITARY SECTOR

Key events 2021

CYBER DEFENCE AFRICA

Completion of the Cyber Defence Africa project implementation

5G SAFETY

Technical design of an autonomous simulator of attack scenarios on 5G network

POLISH POST

Implementation of cyber security monitoring services and expert support

MILITARY SECTOR

Supply of hardware and software and advanced expert services

TDT

Building cyber security of wide WAN network for branch offices

APT ATTACK DETECTOR

Design of an innovative method for detection and prevention of APT attacks

SOFT GUARD

Unique technology securing Intel x86/x64 machine code

2022 – GOALS

1 DOMESTIC MARKET

Increasing participation in financial and military markets. Optimizing margins with COGS in the context of foreign exchange risks.

2 EU MARKET

Implementation of the Cyber Rapid Response Toolbox project and active search for new European projects.

3 AFRICAN MARKET

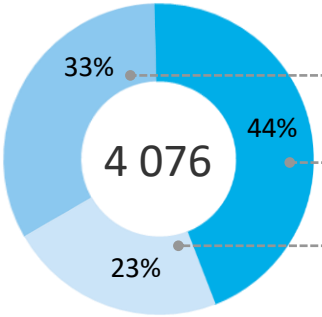
Increasing presence in African markets by promoting the success of the Cyber Defence Africa project.

4 BUSINESS PROFILE

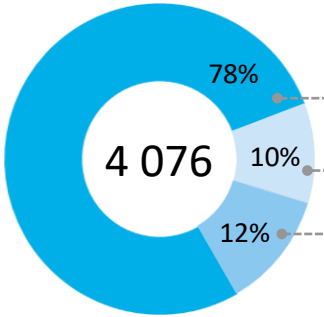
Increasing the proportion of sales of specialized cyber security services above the current level of 51%.

Attachments

Revenues by products and sectors



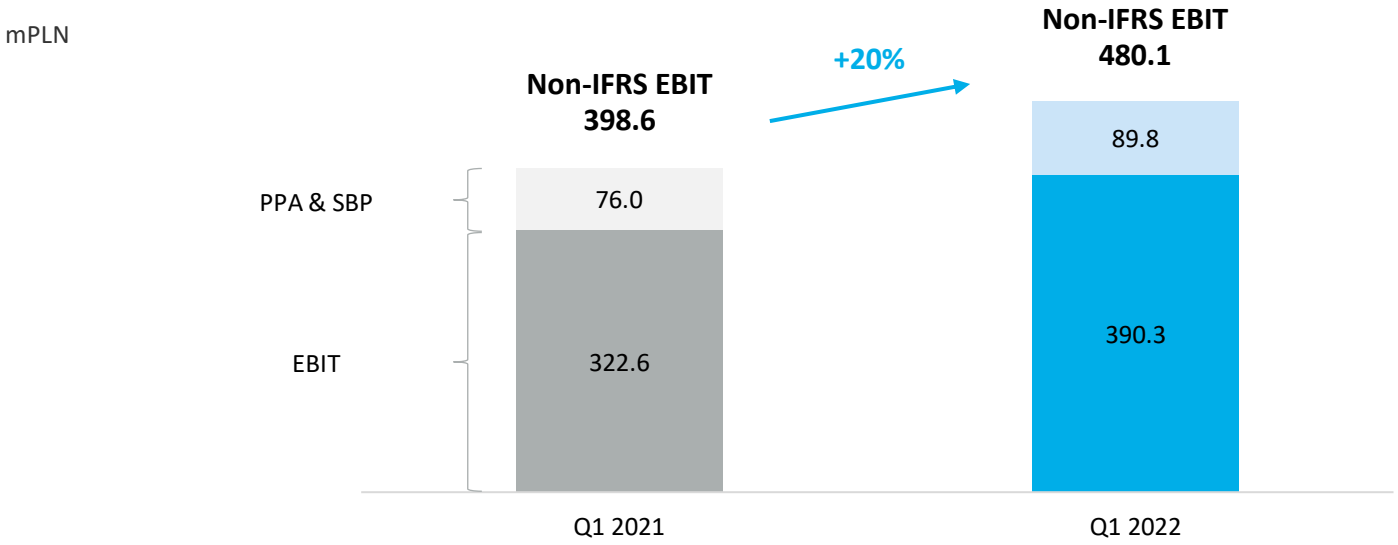
	Q1 2022	%Δ	Q1 2021
Banking and Finance	1 342	*+17%*	1 146
General Business	1 815	*+34%*	1 354
Public Institutions	919	*+10%*	838
Sale revenues	**4 076**	*+22%*	3 339



Proprietary software and services	3 160	*+21%*	2 603
Third-party software and services	427	*+52%*	282
Hardware and infrastructure	489	*+7%*	455
Sales revenues	**4 076**	*+22%*	3 339

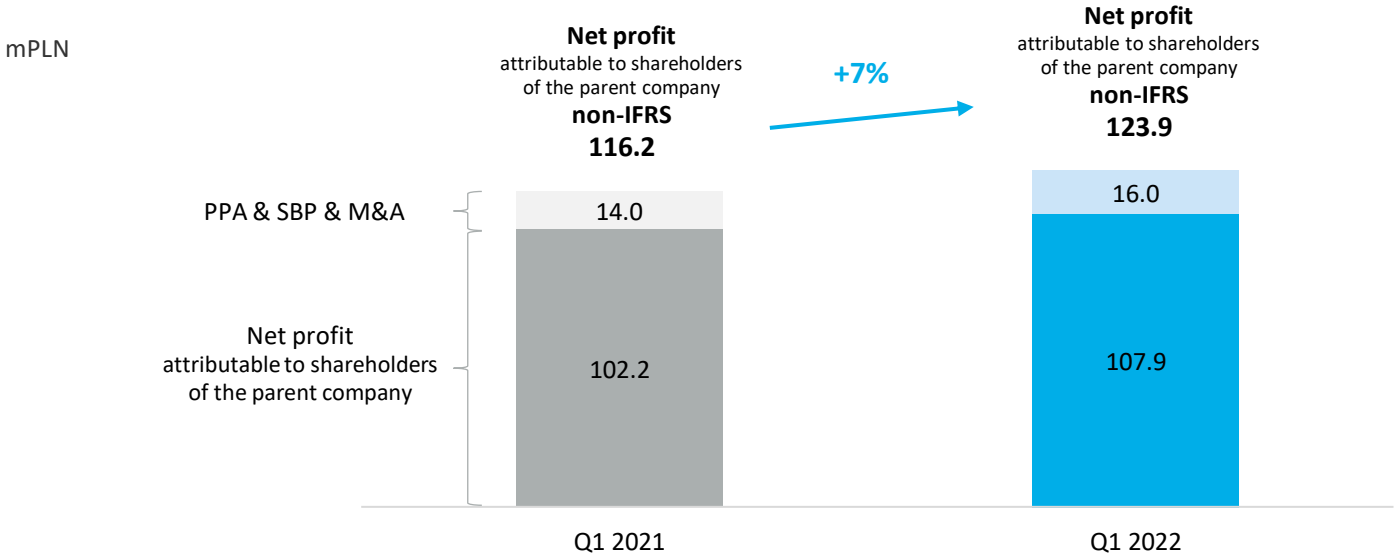
Figures in mPLN.

Significant increase in non-IFRS operating profit



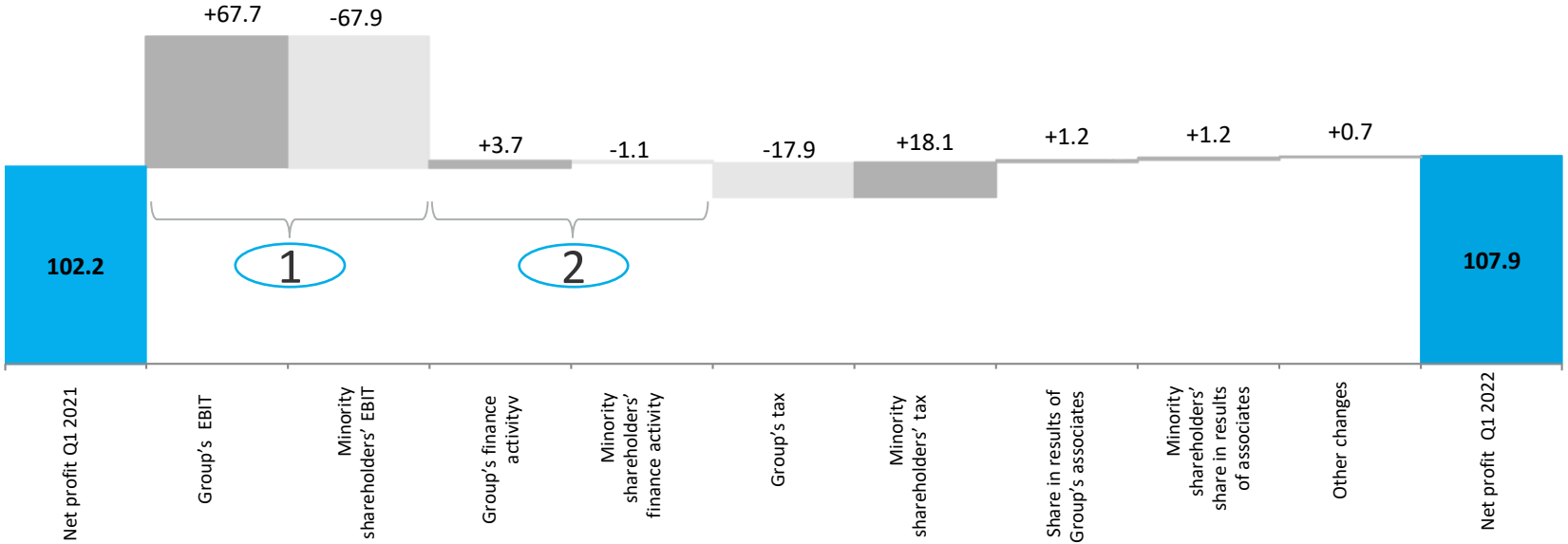
PPA: cost of amortization of intangible assets recognized in purchase price allocation.
SBP: costs of share-based payment transactions with employees.

Significant increase in non-IFRS net profit



PPA: cost of amortization of intangible assets recognized in purchase price allocation.
SBP: costs of share-based payment transactions with employees.
M&A: financial costs/income related to company acquisitions/sales transactions.

Asseco Group: explanation of the change in net profit



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	EBIT change	Change for minority shareholders	Change for Asseco's shareholders
Asseco Poland Segment	+8.7	+0.1	+8.6
Other markets	+59.0	+67.8	-8.8
Asseco Group	**+67.7**	**+67.9**	**-0.2**

2

	Finance activity change	Change for minority shareholders	Change for Asseco's shareholders
Asseco Poland Segment	+0.6	-0.1	+0.7
Other markets	+3.1	+1.2	+1.9
Asseco Group	**+3.7**	**+1.1**	**+2.6**

Figures in mPLN.

Revenues by regions and sectors in Q1 2022

	General Business	Banking and Finance	Public Institutions	Total**
Asseco Poland Segment	87.0	110.0	211.4	408.4
Formula Systems Segment	1 251.3	931.4	552.1	2 734.8
Asseco International Segment	481.2	302.7	155.9	939.8
Central European market	234.4	33.4	92.7	360.4
South Eastern European market	76.5	213.9	21.2	311.5
Western European market	169.8	55.1	41.7	266.5
Asseco Group*	**1 814.7**	**1 341.6**	**919.2**	**4 075.5**

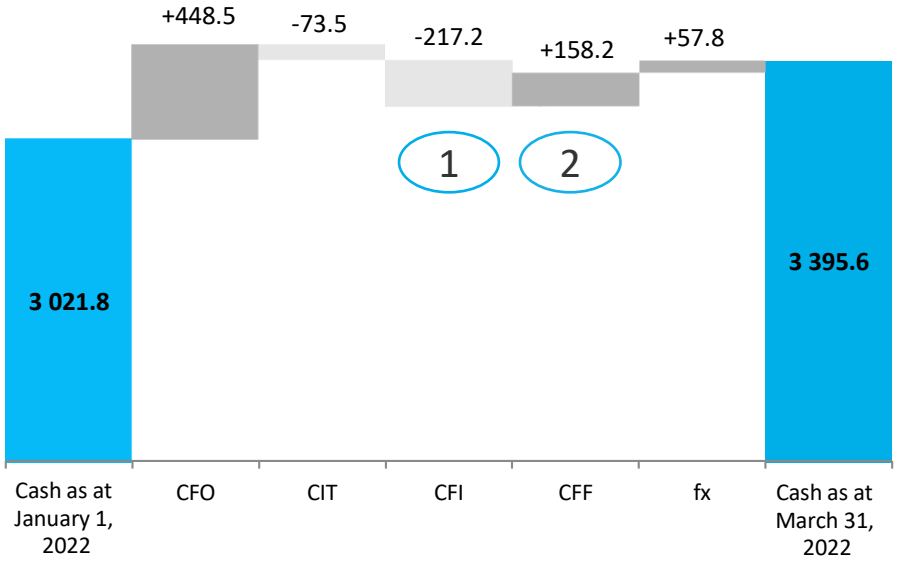
Figures in mPLN.
** Figures including consolidation adjustments.*
*** Markets' revenue includes sales to external customers and sales between segments.*

Asseco Group: non-IFRS adjustments

	Impact on operating profit			Impact on net profit		
	Q1 2022	Q1 2021	Δ	Q1 2022	Q1 2021	Δ
PPA	**-71.6**	**-61.0**	**-10.6**	**-12.0**	**-10.2**	**-1.9**
Asseco Poland Segment	-3.2	-3.8	+0.6	-2.6	-3.1	+0.5
Formula Systems segment	-63.9	-53.3	-10.6	-6.9	-5.1	-1.9
of which related to the acquisition of the Formula Group	**-25.5**	**-23.2**	**-2.3**	**-2.6**	**-2.4**	**-0.2**
Asseco International Segment	-4.5	-3.9	-0.6	-2.6	-2.1	-0.5
Central European market	-0.6	-0.8	+0.2	-0.4	-0.5	+0.1
South Eastern European market	-2.0	-1.4	-0.5	-1.1	-0.5	-0.7
Western European market	-2.0	-1.7	-0.3	-1.0	-0.8	-0.2
Other	0.0	0.0	0.0	0.0	-0.3	+0.3
SBP	**-18.3**	**-15.0**	**-3.2**	**-3.4**	**-2.7**	**-0.7**
Formula Systems segment	-18.2	-15.0	-3.2	-3.4	-2.7	-0.7
of which related to the acquisition of the Formula Group	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Asseco International Segment	-0.1	0.0	-0.1	0.0	0.0	-0.0
South Eastern European market	-0.1	0.0	-0.1	0.0	0.0	-0.0
M&A				**-0.5**	**-1.1**	**+0.6**
Asseco Poland Segment				0.0	0.0	0.0
Formula Systems segment				-0.1	-0.2	+0.1
Asseco International Segment				-0.4	-1.0	+0.5
Central European market				-0.1	0.0	-0.1
South Eastern European market				-0.3	-0.9	+0.6
Western European market				-0.1	-0.1	+0.0
Total non-IFRS adjustments (PPA, SBP, M&A)	**-89.8**	**-76.0**	**-13.8**	**-16.0**	**-14.0**	**-2.0**
of which related to the acquisition of the Formula Group	**-25.5**	**-23.2**	**-2.3**	**-2.6**	**-2.4**	**-0.2**

Figures in mPLN.

Explanation of change in cash balance*



1

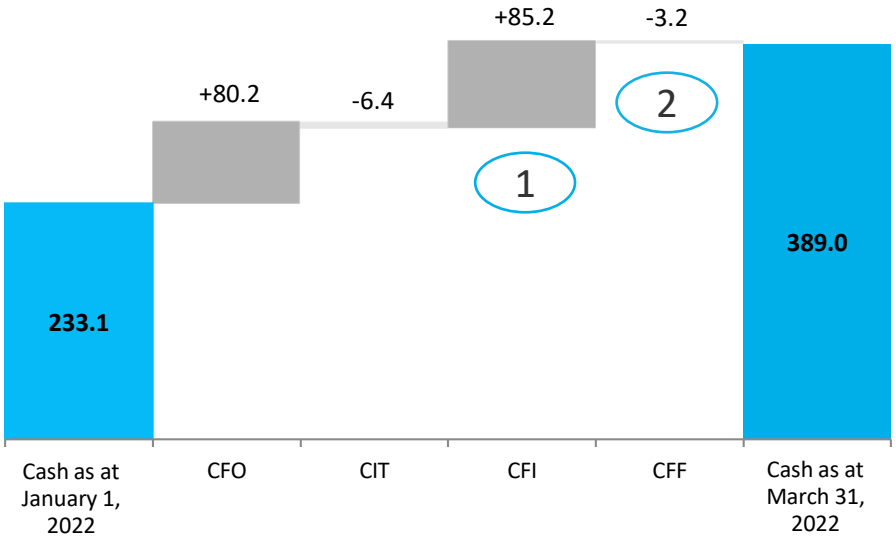
Cash from investing activities:	
M&A	-123.2
CAPEX + R&D	-97.7
Loans, debt instruments and other	+3.7
Total	**-217.2**

2

Cash from financing activities:	
Dividends to minority shareholders	-11.4
Debt and Leasing	+205.6
M&A	-34.4
Other	-1.6
Total	**+158.2**

** Net cash and cash equivalents include overdrafts used for day-to-day liquidity management.*

Explanation of change in stand-alone cash balance*



1

Cash from investing activities:	
Dividends	+105.3
CAPEX + R&D	-22.7
M&A	-0.5
Loans	+3.1
Total	**+85.2**

2

Cash from financing activities:	
Debt and Leasing	-3.2
Total	**-3.2**

** Net cash and cash equivalents include overdrafts used for day-to-day liquidity management.*

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