



Sirma Group

CAPITAL RAISE INVESTMENT PRESENTATION



Highlights

THE BIGGEST BULGARIAN IT COMPANY, BOASTING A DOMINANT POSITION IN THE REGION AND DEVELOPING SALES CAPACITY IN EUROPE AND NORTH AMERICA TO PROVIDE A WIDE RANGE OF IT SERVICES, INNOVATIVE AI TECH AND A DIVERSIFIED PRODUCT PORTFOLIO IS LOOKING TO RAISE EUR 20M ON THE BULGARIAN STOCK EXCHANGE

ONE OF THE MOST LIQUID NAMES ON THE BULGARIAN STOCK EXCHANGE

- The only software developer listed on the Bulgarian Stock Exchange;
- 60%+ free float;
- Mostly retail investor ownership.

CORE BUSINESS PROVIDES STABLE CASH FLOW TO FINANCE THE TECH STRATEGY

- Top system integrator on the regional market;
- EUR 4.4m+ CFO during 2017, on small share of public sector income;
- Own infrastructure - tier IV datacenter and cloud based systems;
- 300+ IT specialists with revenue per employee of EUR 68k.

FOCUS IS ON DEVELOPING CORE AI PLATFORM TO CASH IN BUILT-UP EXPERIENCE

- Significant know-how accumulated in AI / cognitive software development;
- Leading text analytics and graph database software;
- Large share of products have just been brought to market or are still in beta.

SOFTWARE PORTFOLIO HIGHLIGHTS: CUTTING EDGE TECHNOLOGICALLY SUPERIOR PRODUCTS

				
Cognitive analytics technology based on leading proprietary graph database	Loyalty client management system	Chronic disease management software	Cloud based package engineering suite, available as white label OTC	Museum management software



Key Points

OVERVIEW

SIRMA GROUP IS A DIVERSIFIED IT HOLDING PROVIDING A WIDE RANGE OF SOLUTIONS, PRODUCTS AND SERVICES TO ITS CLIENTS

- Specialized in providing complex IT solutions for various sectors, migration and upgrade of legacy systems;
- Leading financial software provider on the local market;
- Proprietary graph database and semantic analysis tech;
- Package engineering suite is the preferred equipment manufacturer OTC solution;
- Most comprehensive museum management product;
- 50% of EUR 21.5m R&D budget for 2015-2017 period was spent on core tech development (30% on Loyax platform).

KEY NUMBERS



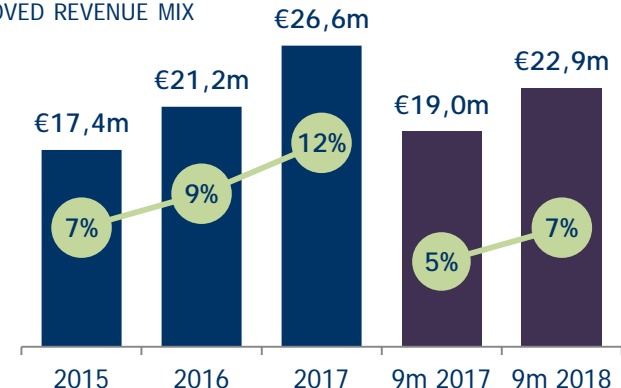
STRATEGIC FOCUS

SIRMA GROUP IS LOOKING TO RAISE EUR 20M TO FINANCE ITS STRATEGIC INITIATIVES, WHICH WILL SEEK TO ACCELERATE GROWTH AND IMPROVE PROFITABILITY BY

- Concentrating R&D
- Commercialization of developed products
- Expansion of products' functionality
- Focusing on sales and marketing
- Corporate restructuring

REVENUE AND NET INCOME MARGIN

SIGNIFICANT MARGIN IMPROVEMENT ON TOP OF 24% AVERAGE REVENUE GROWTH OVER THE LAST 3 YEARS THANKS TO INCREASED GLOBAL PRESENCE AND IMPROVED REVENUE MIX





The Offering

ISSUER	SIRMA GROUP HOLDING AD
Industry	Information technology
Listing	Bulgarian Stock Exchange
Ticker	SKK
Current equity	EUR 43.33m
Issued shares	59 360 518
Free float	60%
Market cap / price per share	EUR 27.62m / EUR 0.47
Issue size	Up to 39 573 678 shares / EUR 20m
Minimum subscription target	50%
Issue price per share	EUR 0.51 (BGN 1.00)
EPS	EUR 0.024
BVPS	EUR 0.91
Use of proceeds	Software development, investment and sales
Schedule	Nov' 18 - Feb' 18



Use of funds

3) INCREASING THE SALES AND MARKETING CAPACITY TO CASH IN ON MARKET LEADING INNOVATION.

Target fundraising: EUR 20m

Software development, including:

SENPAI (Core AI platform)	EUR 5.11m
Bolt-on acquisitions for SENPAI	EUR 3.73m
Industrial software products	EUR 0.77m
Healthcare and life science products	EUR 0.51m
Financial sector products	EUR 0.36m
	EUR 10.48m

Buy-out of semantic analytics SPV minority shareholders

EUR 2.05m

Marketing and sales

1) Expansion of the sales and marketing teams; 2) Third party sales and marketing services; and 3) Bolt-on acquisitions to expand international sales capacity;	EUR 7.28m
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Historical performance

PROFIT AND LOSS STATEMENT

	2015	2016	2017	9m 2017	9m 2018
Revenue	€17.37m	€21.26m	€26.61m	€19.0m	€22.9m
Salaries	€8.37m	€9.77m	€10.61m	€7.9m	€7.6m
OpEx, incl.	€7.55m	€9.28m	€12.01m	€9.1m	€12.4m
D&A	€3.48m	€4.21m	€4.18m	€3.7m	€1.5m
EBITDA	€4.94m	€6.42m	€8.17m	€5.6m	€4.3m
EBIT	€1.46m	€2.21m	€3.99m	€1.9m	€2.8m
Financial expense (net)	€0.14m	€0.07m	€0.31m	€0.3m	€0.1m
EBT	€1.32	€2.14	€3.67	€1.7m	€2.7m
Tax	€0.18m	€0.27m	€0.51m	€0.0m	€0.0m
Minority interest	€0.30m	€0.66m	€0.97m	€0.8m	€1.0m
Net Income*	€0.83	€1.21	€2.20	€0.9m	€1.7m

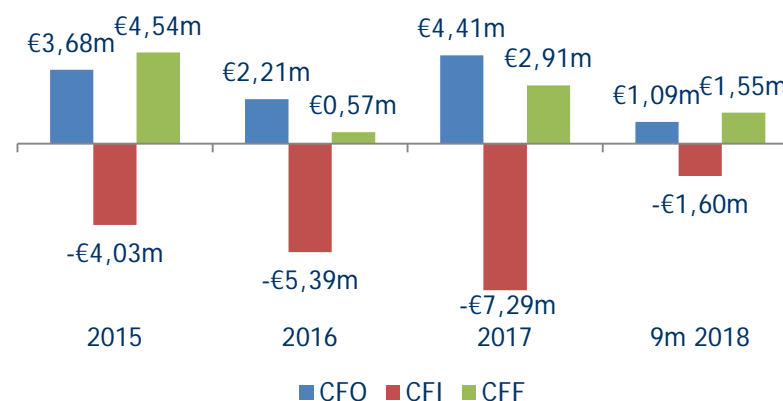
* Attributable to shareholders

BALANCE SHEET

	2015	2016	2017	9m 2018
Non-current assets	€38.57m	€45.74m	€56.56m	€57.9m
Current assets	€18.83m	€15.61m	€11.21m	€14.4m
Equity*	€38.06m	€39.49m	€41.53m	€45.3m
Liabilities	€7.24m	€9.09m	€13.34m	€14.6m

- The assets of the group are concentrated in IP and goodwill related to acquisitions;
- The group holds relatively low levels of debt.

CASH FLOW STATEMENT



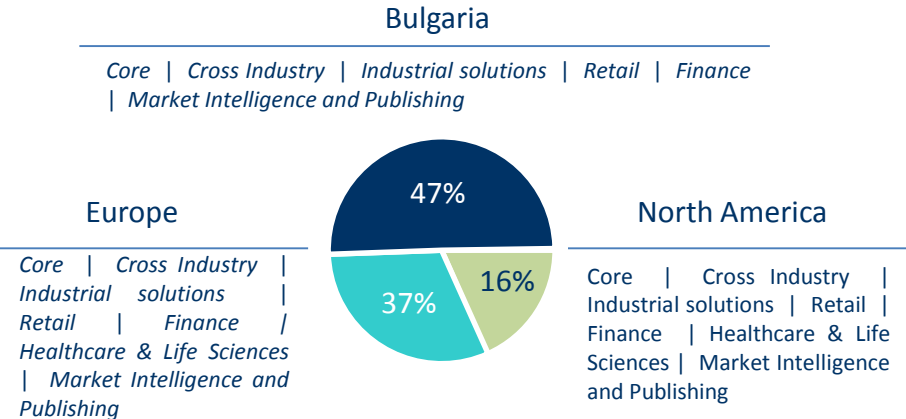


Revenue breakdown

REVENUE BY SEGMENT

	2015	2016	2017	9M 2017	9M 2018
Cognitive Core/SENPAI	€1.93m	€1.93m	€2.69m	€1.06m	€1.19m
Cross Industry	€10.00m	€12.76m	€17.34m	€11.20m	€14.31m
Finance	€1.86m	€2.35m	€3.20m	€2.35m	€3.70m
Market Intelligence and Publishing	€2.11m	€2.04m	€1.09m	€2.50m	€2.53m
Industrial solutions	€1.33m	€1.62m	€1.48m	€1.18m	€0.91m
Retail and Utility	€0.05m	€0.39m	€0.68m	€0.52m	€0.04m
Healthcare & Life Sciences	€0.09m	€0.16m	€0.13m	€0.19m	€0.17m
	€17.37m	€21.26m	€26.61m	€19.00m	€22.86m

H1 2018 REVENUE BY ORIGIN AND ACTIVE SEGMENT





Financial forecast

	in EUR '000	2018	2019	2020	2021	2022
Key Assumptions <ul style="list-style-type: none"> - Management push to develop high margin, recurring revenue segments should positively affect group level growth potential - Presence in US and need to migrate from legacy systems is expected to drive revenue from complex integration projects in Cross industry segment and reduce OpEx for equipment - Growth will require increase in headcount, which will drive up salary expenses. - R&D costs should decrease as share of revenue as Sirma starts to monetize developed products 	Revenue per segment					
	Market Intelligence and Publishing	2 579	3 353	4 846	6 300	8 191
	Cross Industry	19 105	23 021	29 427	38 843	50 496
	Finance	4 033	5 081	6 612	8 332	10 581
	Industrial Solutions	1 466	2 126	3 665	4 765	6 433
	Cognitive					
	Core/SENPAI	1 642	2 463	7 240	10 136	14 291
	Retail and					
	Utility	126	278	1 181	2 008	3 414
	Healthcare and Life Sciences	419	1 049	3 543	5 315	6 644
	Total Revenue	29 370	37 371	56 514	75 699	100 050
	<i>Revenue growth</i>	10%	27%	51%	34%	32%
	Operating expenses					
	Salaries	10 818	13 621	18 777	27 123	39 857
	Other OpEx	14 351	18 069	27 411	33 510	39 432
	Total OpEx	25 169	31 690	46 188	60 633	79 289
Source: FFBH estimates	EBITDA	5 822	6 983	12 585	17 756	24 432
	<i>EBITDA margin</i>	20%	19%	22%	23%	24%
	EBIT	4 201	5 680	10 328	15 066	20 759
	<i>EBIT margin</i>	14%	15%	18%	20%	21%
	Key ratios	2018	2019	2020	2021	2022
	Headcount	449	570	666	777	910
	Average salary (EUR p.a.)	24 094	23 897	28 193	34 908	43 799
	R&D in m EUR	5,9	6,6	7,4	8,6	10,1
	<i>Share of revenue</i>	20%	18%	13%	11%	10%
	WC in m EUR	20	2	4	4	7
	Debt in m EUR	10	6	3	3	3
	<i>Debt/EBITDA</i>	169%	91%	23%	17%	12%



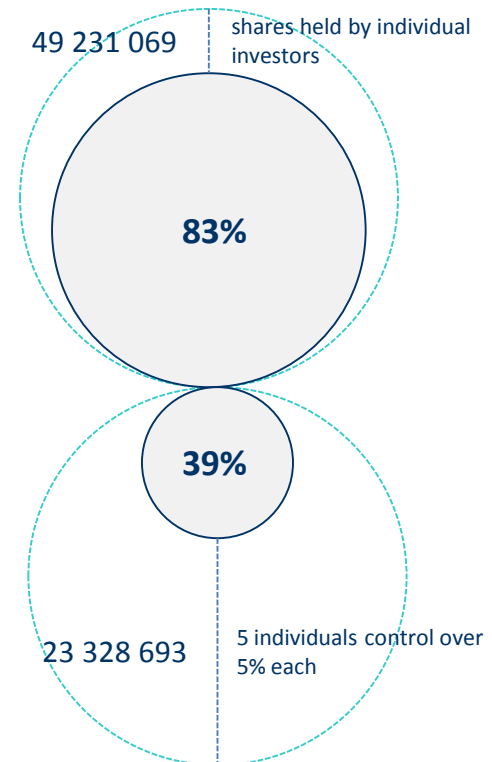
Shareholder structure

HIGHLIGHTS

- No single shareholder controls more than 10% of the stock;
- Members of the Board of Directors and founders of the company are the largest individual shareholders;
- The BoD collectively owns 29.95% of the outstanding stock;
- Institutional investors control a 17% of the shares;
- Sirma has 970 individual and 52 corporate investors.

SHAREHOLDER STRUCTURE

59 360 518 *issued shares*



Source: Company

* As of 30.06.2018



The market

AI MARKET

Sirma seeks to integrate accumulated AI and semantic tech know-how into its portfolio to increase sales and pricing potential. Management believes global investment to add AI functionalities to all business' activities will have a beneficial effect to the company.

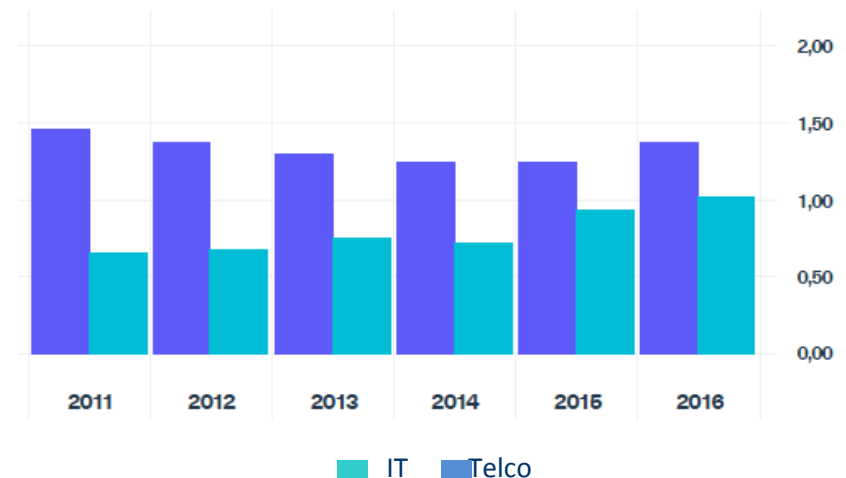


According to IDC, the global market for software platforms for AI will grow from 1.6bn USD in 2016 to 8.4bn USD in 2021 at a compound annual growth rate of 39.7% (IDC, 2017)

LOCAL MARKET

- Bulgarian business is still less digitalized compared with western peers
- Spending on IT and enterprise systems is increasing
- Regional presence is required for delivery of customized solutions, securing core revenue for the group

BULGARIAN IT AND TELECOM SERVICES MARKETS (IN EUR BN)





Peers

Sirma is attractively priced relative to peers in both Europe and the US

Sirma Group trading multiples

P/S	0.9
P/E	9.7
EV/EBITDA	4.7
P/B	0.6

Name	Mkt Cap (EURbn)	BF P/S	BF P/E	BF EV/EBITDA	BF P/BV
EUROPE					
Atos SE	7.86	0.6	7.7	4.2	1.6
Capgemini SE	17.54	1.3	15.6	9.8	2.5
Sopra Steria Group	1.85	0.4	8.4	6.5	1.5
Computacenter PLC	1.44	0.3	14.1	7.7	3.1
Indra Sistemas SA	1.61	0.5	11.5	7.1	2.7
Tieto OYJ	1.89	1.1	14.0	9.7	4.2
Softcat PLC	1.36	1.0	20.1	14.8	12.0
Evry AS	1.15	0.8	10.3	9.0	4.2
Average	4.34	0.8	12.7	8.6	4.0
Median	1.73	0.7	12.7	8.4	2.9
US					
Cognizant Technology Solutions	35.74	2.3	14.0	8.8	3.7
Accenture PLC	90.62	2.4	21.7	13.3	9.9
Luxoft Holding Inc	0.95	1.1	11.5	7.3	2.2
Average	42.44	1.9	15.7	9.8	5.3
Median	35.74	2.3	14.0	8.8	3.7

As of 28 Nov 2018

Source: Bloomberg; FFBH calculations



Over 10 years of experience

Sirma Group Holding was established to combine individual companies and projects under the umbrella of a holding company. The history of the group starts in 1992, when a small team of IT experts founded a company to develop AI based software. 26 years later the group has a stable leading position on the local market and is expanding globally, its products and services catering to the needs of the private and public markets.



1992

- The first company of the group – Sirma AI, is established in Bulgaria and Canada

1998 - 2000

- The CAD / CAM division and a semantic tech lab are started;

2007

- Bolt-on acquisition of a company specialized in SOA, BPMS, eGovernment projects and customs systems;

2008 - 2009

- Started restructuring of the group into a holding;
- Develops own datacenter with reputable local investors;

2014

- Sirma becomes the biggest local IT group;

2015

- Becomes the first IPO of an IT company in Bulgaria, and the biggest IPO since 2007;

2016

- Registers new company in the USA;
- Brings to market insurance broker platform and app for management of chronic disease - diabetes;

2017

- Becomes a member of the SOFIX index;
- 5 year business and technology strategy;

2018

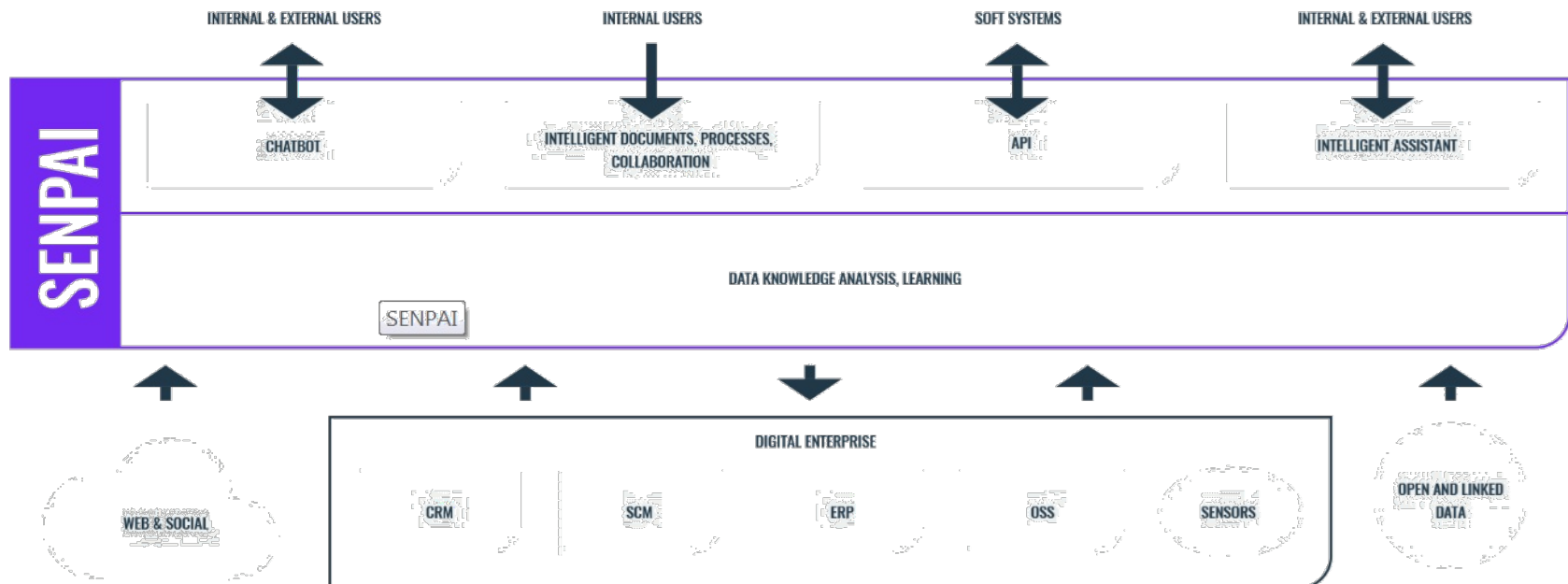
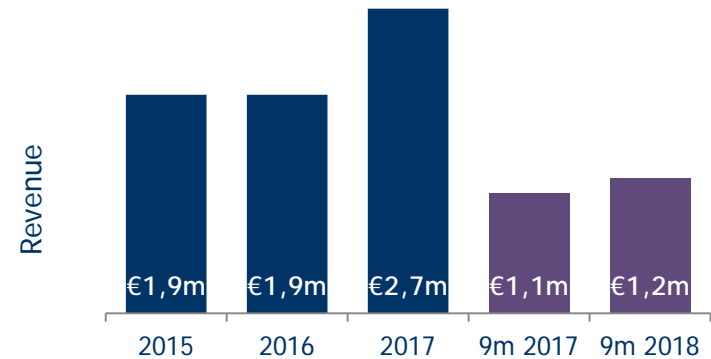
- Initiates restructuring to consolidate intellectual property;
- Finalized acquisition of PE fund NEVEQ's share in Ontotext, Sirma's semantic analysis subsidiary;
- Moved to the Premium segment on BSE Sofia, with the most liquid & best corporate governance companies;
- Registered a new structure in the US;
- Approved Prospectus by the FSC for increase of capital by EUR 20 M.



Divisions

CORE / SENPAI

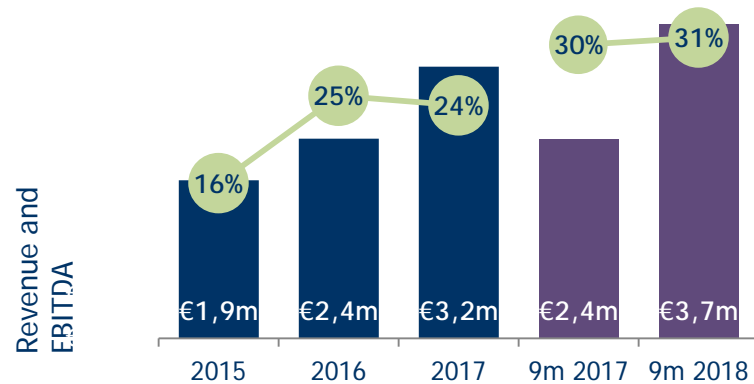
SENPAI incorporates the key semantic and IT technologies of the Group. The main technologies, which this segment includes are: GraphDB, Text and Data Management, Sirma Enterprise Interactive Platform, Computer Vision and Knowledge and Marketing Cloud Services.





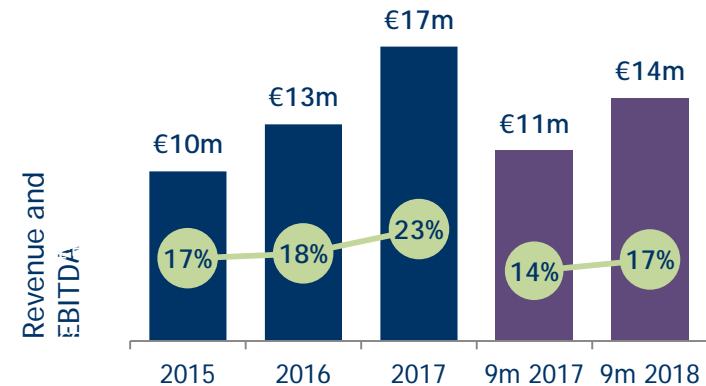
Divisions

FINANCE



- Implementation of solutions based on Oracle's FlexCube and Temenos' T24 Core Banking for the banking sector;
- Supplier of cloud based platform for insurance brokers;
- Software services and solutions for insurance companies.

CROSS INDUSTRY

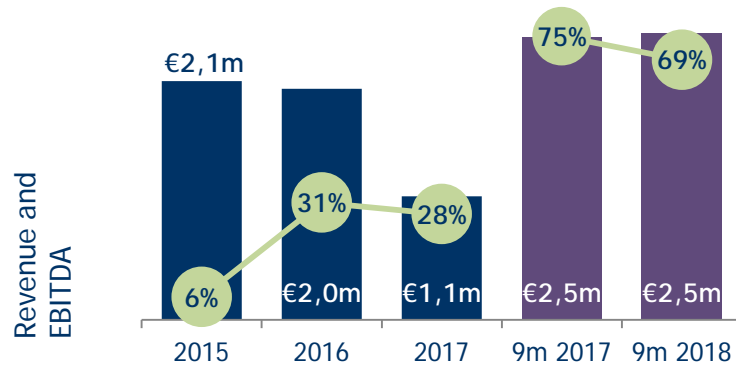


- Systems integrator providing a complete range of solutions for IT outsourcing of companies;
- Supplier of cloud services and infrastructure with own certified Datacenter;
- Cyber security;
- Sirma Enterprise Platform - Open code platform for intelligent management of organizations and documents with LOW CODE personalization.



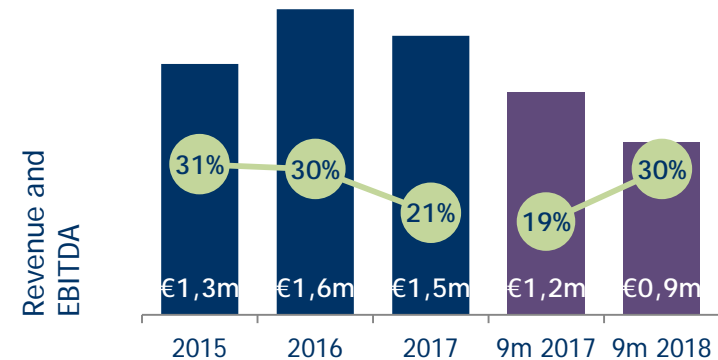
Divisions

MARKET INTELLIGENCE AND PUBLISHING



- Semantic software solutions for media agencies, business and investment information providing agencies and scientific publishers;
- Software services and solutions for galleries, museums, archives and libraries.

INDUSTRIAL SOLUTIONS

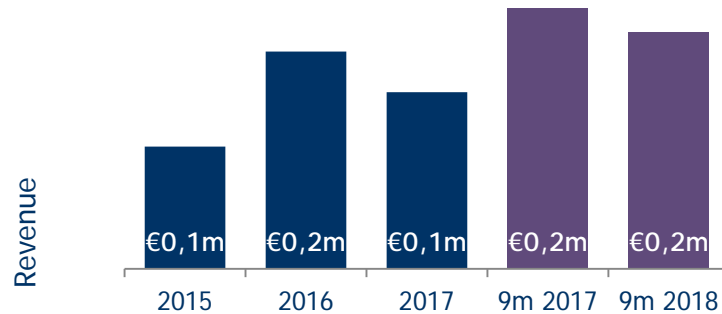


- Supplier of CAD/CAM solutions for the packaging industry and products for the measuring industry;
- OEM partner for delivery of machinery for the measuring industry;
- Online platform for connection of customers and manufacturers in the packaging industry.



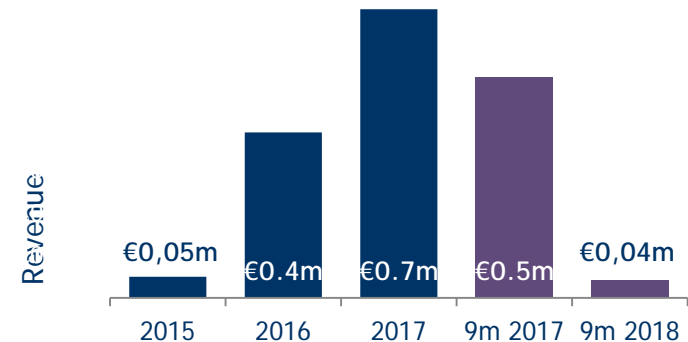
Divisions

HEALTHCARE & LIFE SCIENCES



- Product for management of chronic disease - Diabetes:M;
- Analysis of reports of clinical drug trials and integration of data for pharmaceutical companies and health insurance firms.

RETAIL & UTILITY



- Platform for management of a program for loyal customers - Loyax;
- Leading solution for facial recognition - MarketVidia;
- Services and solutions based on algorithms for machine self-learning.



Human Resources Strategy

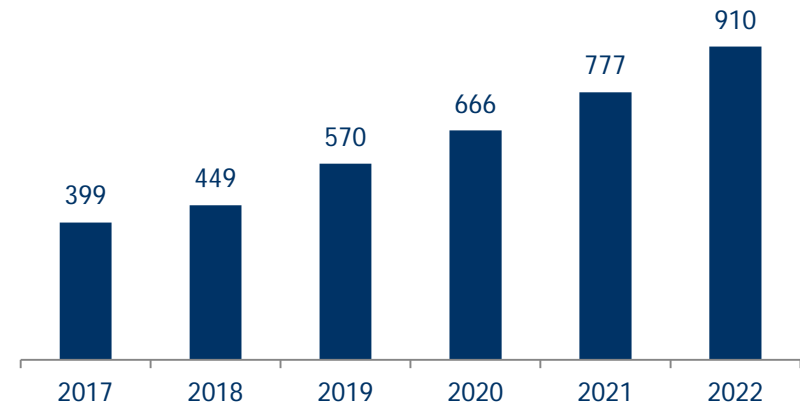
HIGHLIGHTS

- The group has 350+ employees, mostly highly qualified IT experts;
- The HR strategy involves development of long term partnerships with the best higher education institutions and training centers in Bulgaria:
 - Sofia university „St. Climent Ohridski “
 - Technical University of Sofia
 - Ruse University „Angel Kanchev“
 - Technical University Varna
 - SoftUni
 - IT Talents
 - IT Step
- Creation of a cross-cultural working environment, which will increase the technical expertise of employees and their social involvement. Talent acquisition from abroad;
- Creation of regional career development centers.

The group has established a subsidiary in Albania with the goal of attracting IT talent from the western Balkans region.

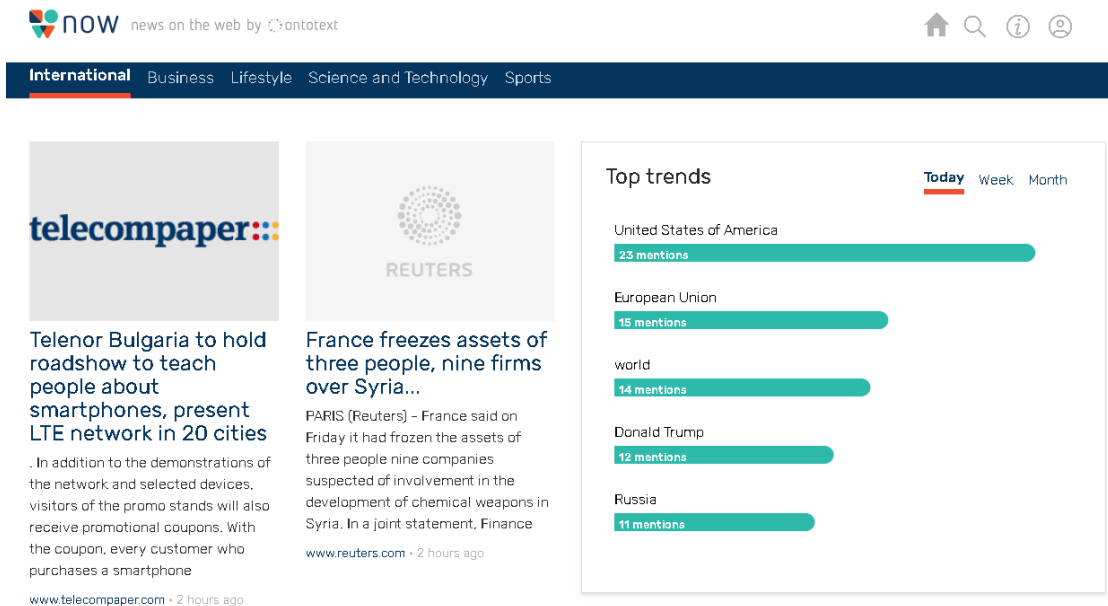
TEAM GROWTH FORECAST

The ambitious goals of Sirma would require a continued expansion of the team, which is to be achieved through the group's HR strategy.





Key products: Ontotext platform



Functionality

- Semantic tagging;
- Content recommendation;
- Content classification;
- Knowledge graph enrichment;
- Tagging services;
- Text mining and analytics.

ontotext.com

Select clients

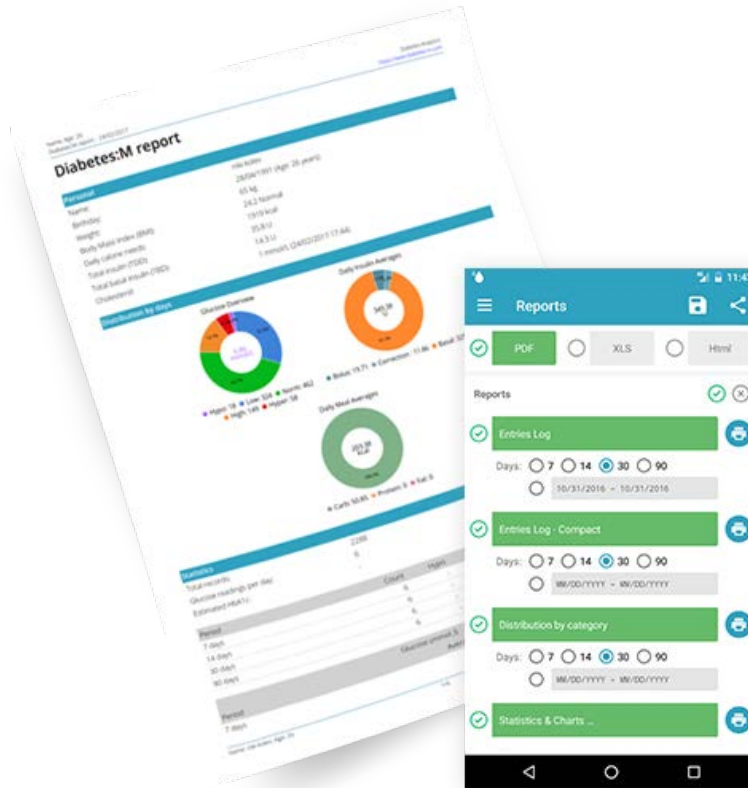
**PRESS
ASSOCIATION**



IET The Institution of
Engineering and Technology



Key products: Diabetes:M



Functionality

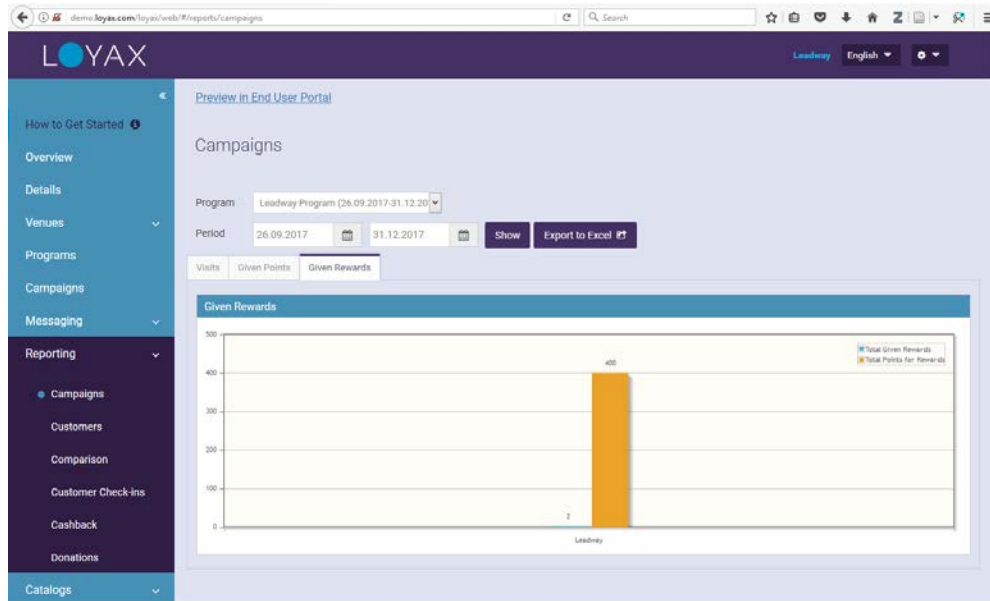
- Logbook;
- Bolus Calculator;
- Food Database;
- Detailed Graphs;
- Analytical Charts;
- Data import/export;
- Reminders.

www.diabetes-m.com





Key products: Loyax



Functionality

- Customizable rewards;
- Customer insights;
- Marketing campaigns;
- Mobile loyalty app;
- Referral programs;
- Customer tiering.

www.loyax.com



793,736

Transactions



70,795

Active Users



1056

Venues Using LOYAX



1,460,153

Customer Visits

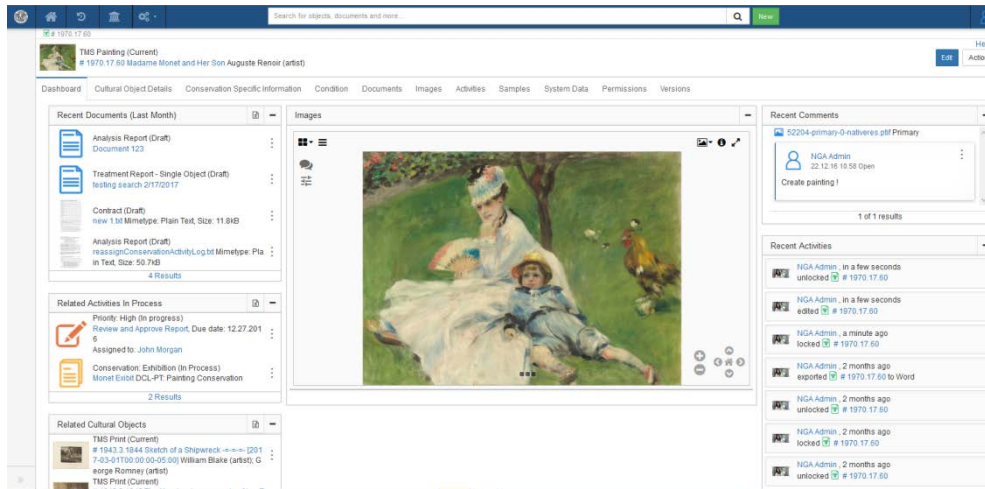


23,187,221

Customer Spend



Key products: Museum space



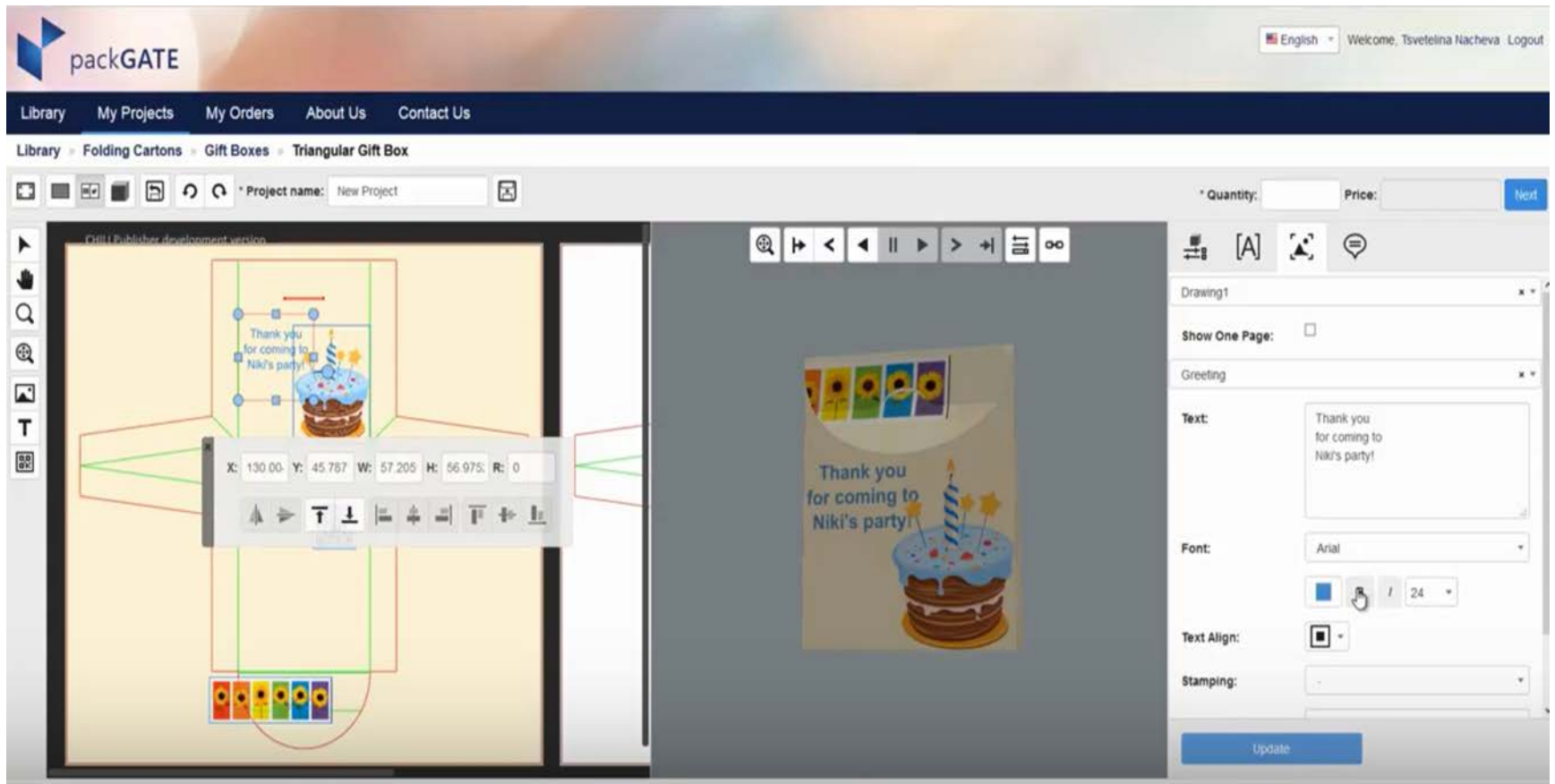
Functionality

- Collection Management
- Conservation Management
- Image annotation
- Exhibition Management
- Acquisition
- Loans
- Location & movement
- Deaccession

museumspace.com



Key products: packGate



packgate.engview.com



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