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Dacom S.p.A. & IdMaint S.r.l acquisition

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Acquisition of
DACOM & IDMAINT

GROWTH ON
ADVANCED
SOLUTIONS



3 Pillars of 2020 strong Advanced Solutions growth

**June
2020**

ACQUISITION OF 100% OF GTI

- Leader in the fast growing market of cloud
- Top Microsoft Partner and other strong partnerships with top vendors like VMWare and Adobe
- A new business model: recurrent revenues, substantial absence of logistic and storage costs, grater ROCE opportunity
- Leader in the AUTO-ID market in Spain (by the subsidiary Diode)

**November
2020**

LAUNCH OF THE NEW PROPRIETARY CLOUD MARKETPLACE

- One more important step in cementing Group's position as a reference player in the distribution of Software as a Service ("SaaS") and Infrastructure as a Service ("IaaS") segments
- The hybrid platform, fully integrated in the Group's B2B site, combines best-in-class hardware, software and cloud services
- The platform enables users to choose and combine the products and services of the Top global Vendors, in order to build customized cloud architectures based on the different needs of end customers
- In order to further customize the user experience, ESPRINET has set up a highly specialised local development and support team

**November
2020**

ACQUISITION OF 100% OF DACOM AND IDMAINT

- Thanks to the full range of product portfolio, the large number of customers served and the high level of expertise and specialization of Dacom and Diode, ESPRINET becomes the main distributor in Southern Europe in the AIDC market niche which records a high growth potential in logistics, health and retail segment

Two strategic acquisitions in **ADVANCED SOLUTIONS**

Strategic Rationale

- Binding agreement for the **acquisition of 100%** of **Dacom S.p.A.**, leader in the specialized distribution of products and solutions for Automatic Identification and Data Capture (AIDC) characterized by **greater growth** in investment and innovation
- Binding agreement for the **acquisition of 100%** of **IdMaint S.r.l.**, specialized in pre and after sales maintenance and technical support services on Auto-ID products
- With these two acquisitions and with the acquisition in June of Diode, the specialized subsidiary of GTI In Spain, ESPRINET becomes **the largest company in Southern Europe in the AIDC segment**
- Entering the **outsourcing market** of **specialized maintenance services** with **high margin**

Price & Financing

- **Equity Value**, to be paid in cash at closing, is predicted in **13.7 M€** (“Temporary Price”), that corresponds to the Estimated Net Adjusted Equity of the companies
- One year after the closing adjustments will be made taking into account the evolution of inventory and receivables during the year
- **Enterprise Value** estimated to be **22.6 M€** based on June 30th figures
- Acquisition shall be funded through **available financial resources**

Timetable

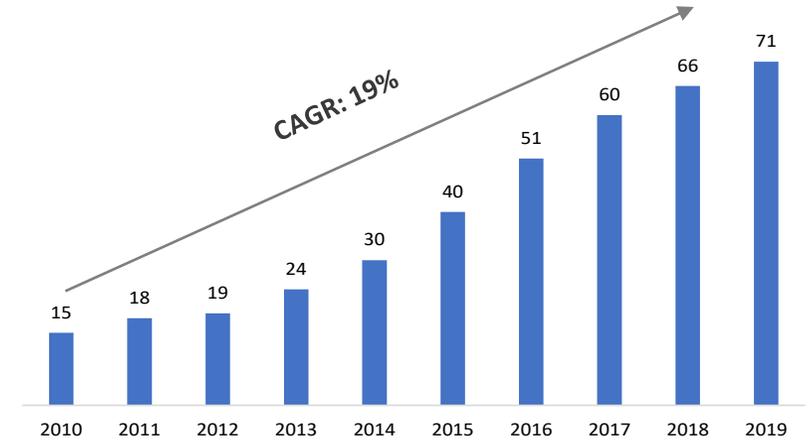
- No critical actions prior to completion.
- Closing execution expected by **mid-January 2021**, after receipt of required Italian anti-trust authorization.

Target overview: DACOM

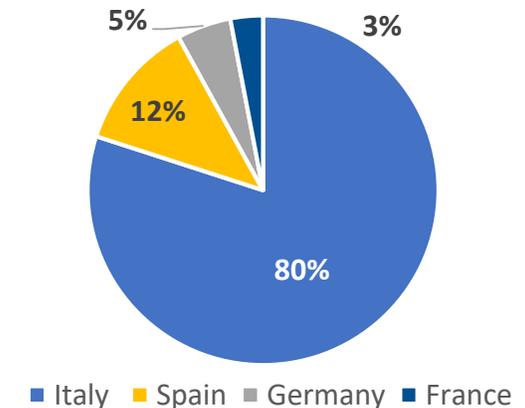
Business overview

- Founded in the 80s as Business Unit of the Swiss multinational company Brown Boveri.
- Distributor of Automatic Identification and Data Capture Solutions with **71 M€ of sales in 2019** and an **EBITDA of 3.2 M€ (4.5% EBITDA margin)**.
- Undisputed leader in Italy with a presence in Spain (since 2007) where it could be integrated with the business of Diode, the subsidiary of GTI, leader in Spain in this market.
- **57 employees** with operations in **Italy, Spain, Germany and France**, supplying products of the **top vendors in the industry such as Zebra, Honeywell, Datalogic, Posiflex, and Opticon to specialized dealers, software houses, system integrators and IT resellers**, aimed at the retail market, manufacturing, logistics, hospitality, health and public administration.
- Reference player in a **business which**, also following the strong development of e-commerce sales models, **is bound to experience a high growth potential in logistics and in the retail segment**. Strong growth is also expected in the **health segment**, where AIDC is strategic in the tracing of medicines and samples and will benefit from investments in hospital automation.

History of Growth: 2010A-2019A Revenues (€ Million)



Sales by geographies



Target overview: DACOM

Products

- Dacom distributes thermal and thermal transfer printers, scanners, barcode readers 1D and 2D, labels and ribbons, industrial terminals and PDA for mobile working, RFID, wifi and POS solutions, furthermore providing to customers a 360° service in training, help desk, software support and engineering on solutions offered.



Clients

- Specialized dealers, software houses, system integrators and IT resellers.

End users

- Retailing, manufacturing, logistics, hospitality, health and public administration.

Key Top Quality Vendors



DACOM: Financials

<i>Currency: Euro / 000</i>	FY18A	FY19A
Revenues from sales and services	66,196	71,239
Other income	139	312
Value of production	66,334	71,552
Net changes in inventory	3,676	1,526
Cost of sales	(61,465)	(64,401)
Gross profit	8,545	8,677
Services	(2,607)	(2,781)
Leases	(208)	(206)
Personnel	(1,843)	(2,237)
Bad debt provision accrual	(118)	(105)
Other operating expenses	(161)	(159)
EBITDA	3,607	3,189
Amortisation and depreciation	(470)	(169)
EBIT	3,137	3,020
Finance cost - net	(148)	(161)
Profit before income taxes	2,988	2,859
Income taxes	(948)	(817)
Net income	2,041	2,041
KPIs (in % of VoP)		
Gross profit	12.9%	12.2%
EBITDA	5.4%	4.5%

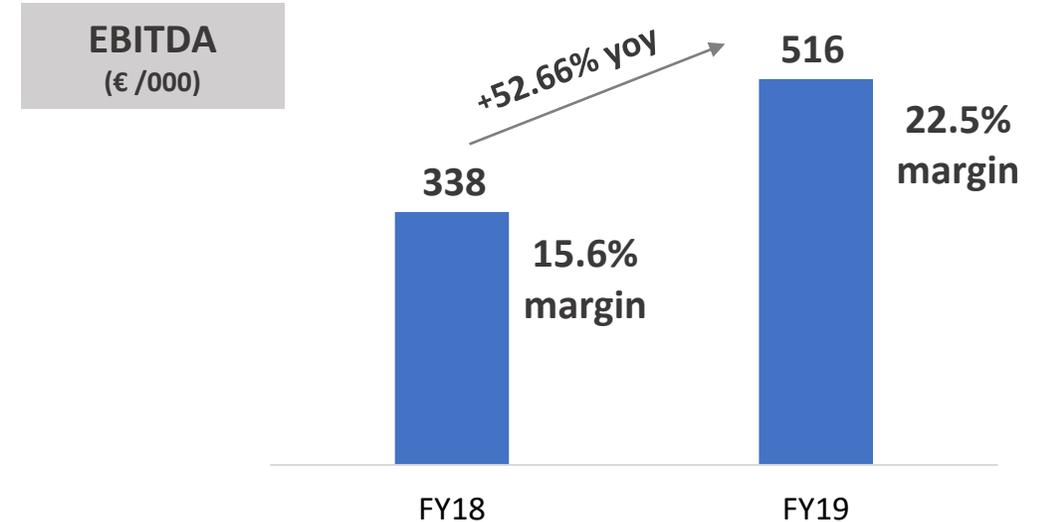
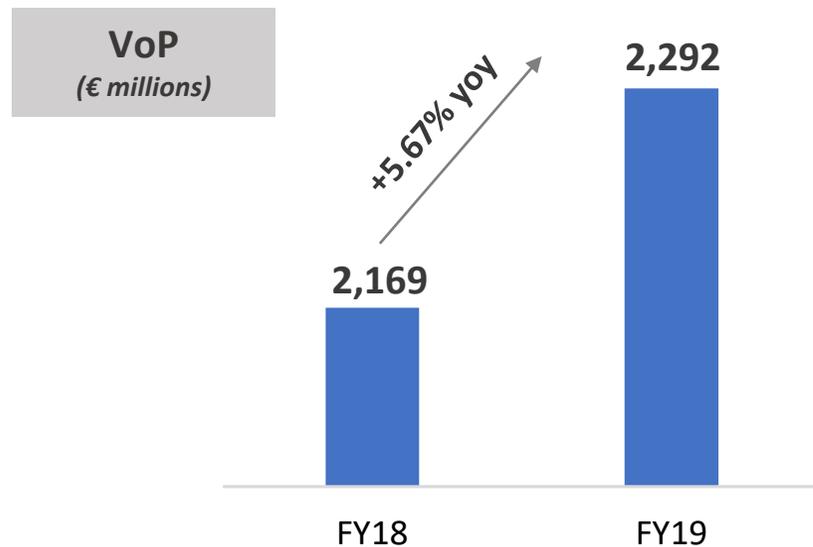
<i>Currency: Euro / 000</i>	Dec18A	Dec19A	Jun20A
Goodwill	775	775	775
Tangible fixed assets	922	858	890
Intangible fixed assets	49	59	64
Financial assets	33	15	15
Fixed assets	1,778	1,706	1,743
Inventory	15,917	17,443	16,173
Trade receivables	23,152	20,815	15,047
Trade payables	(11,315)	(13,157)	(8,549)
Operating net working capital	27,754	25,101	22,671
Other current assets	1,508	1,326	1,402
Other current liabilities	(925)	(1,116)	(1,123)
Net working capital	28,337	25,311	22,950
Employee's severance indemnity	(552)	(634)	(672)
Provision for risks	(14)	(7)	(7)
Net invested capital	29,549	26,376	24,015
Net equity	12,026	14,068	15,033
Net financial debt	17,523	12,309	8,982
Funding sources	29,549	26,376	24,015
KPIs			
CCC in % of VoP	42%	35%	34%
CCn in % of VoP	43%	35%	34%
idays	101	101	99
DSO	128	107	82
DPO	68	73	50

Target overview: IDMAINT

Business overview

- A company certified as an Official Service Provider for Honeywell and Zebra, provides **maintenance service and technical support pre and after sales** on Auto-ID products to software houses, system integrators and IT resellers
- It boasts a **team of engineers** with a thorough knowledge of hardware and software, able to support also *ad hoc* customization and engineering projects, proposing the appropriate product combination that meets the needs of the served segment
- In 2019 IdMaint recorded **sales of 2.3 M€ and an EBITDA of 0.5 M€ (22.5% EBITDA margin)**

High Margin Business



IDMAINT: Financials

<i>Currency: Euro / 000</i>	FY18A	FY19A
Revenues from sales and services	2,166	2,291
Other income	2	1
Value of production	2,169	2,292
Net changes in inventory	67	31
Cost of sales	(1,047)	(968)
Gross profit	1,189	1,354
Services	(323)	(328)
Leases	(30)	(30)
Personnel	(489)	(476)
Bad debt provision accrual	(5)	(2)
Other operating expenses	(3)	(2)
EBITDA	338	516
Amortisation and depreciation	(1)	(1)
EBIT	337	515
Finance cost - net	2	(4)
Profit before income taxes	338	510
Income taxes	(98)	(144)
Net income	240	367
KPIs (in % of VoP)		
Gross profit	54.8%	59.1%
EBITDA	15.6%	22.5%

<i>Currency: Euro / 000</i>	Dec18A	Dec19A	Jun20A
Tangible fixed assets	(0)	(0)	1
Intangible fixed assets	1	-	-
Financial assets	195	195	195
Fixed assets	196	195	196
Inventory	904	935	1,028
Trade receivables	1,019	370	387
Trade payables	(412)	(203)	(154)
Operating net working capital	1,511	1,102	1,261
Other current assets	61	61	33
Other current liabilities	(136)	(167)	(193)
Net working capital	1,436	996	1,102
Employee's severance indemnity	(178)	(200)	(214)
Other provision	(0)	(0)	(0)
Net invested capital	1,454	991	1,084
Net equity	1,394	626	775
Net financial debt	60	365	309
Funding sources	1,454	992	1,084
KPIs			
CCC in % of VoP	70%	48%	57%
CCn in % of VoP	66%	43%	50%
idays	337	364	429
DSO	172	59	64
DPO	112	57	48

A perfect fit with the strategic guidelines



PROFITABILITY IMPROVEMENT

CORE BUSINESS

- ✓ • **Customer Satisfaction**
- **PCs & Smartphones:** volumes without additional fixed costs
- ✓ • Organic & inorganic growth on **Advanced Solutions and on Consumer Electronics high margin niches**

IN PROGRESS

- **Consumption Model:** Cloud, DaaS and Managed Print Service to grow profitability
- ✓ • **Outsourcing** of logistics & marketing to profit from high-added value lying in Tech without down or upstream integration

CAPITAL EMPLOYED OPTIMIZATION

- **Cash Conversion Cycle optimization**
 - ✓ Achieve industry standard levels in **Inventory Days** moving from > 40 days to low 30s
 - ✓ Keep **DSOs** stable
 - ✓ Keep **DPOs** stable leveraging on faster credit notes collection times and on opportunistic extra-payment terms

- ✓ • **Keep on growing businesses which imply low Working Capital absorption**
 - ✓ Consumption Models
 - ✓ Outsourcing
 - ✓ PCs & Smartphones

- **The COVID-19 pandemic has impacted the sales of AIDCs globally. Dacom & IdMaint are expected to close the year just below 2019, reflecting the resilience of the specific market and companies.**
- **However, the COVID-19 pandemic has created opportunities as well as challenges for the players present in the ecosystem.**
- The **overall AIDC market** is expected to grow from USD 40.1 billion in 2020 to USD 80.3 billion by 2025; it is expected to grow at a **CAGR of 14.9% during 2020–2025**.
- **Europe is estimated to be the second largest market** for automatic identification and data capture from 2020 to 2025. Huge demand for barcodes, smart cards, biometrics, and other solutions in various sectors (BFSI, retail, transportation etc.), is likely to drive the automatic identification and data capture market in the region.
- **The AIDC market trend**
 - I. Growing **e-commerce** industry globally.
 - II. The main international **RETAILERS** are experimenting with products and solutions to meet the customer needs and improve the efficiency of their operations, managing the increasingly blurred boundary between physical and virtual commerce: on the one hand, the explosion of e-commerce , on the other hand, the increase in investments to ensure that shopping in traditional stores is rich in content and becomes a customer experience.
 - III. The great development of e-commerce also drives growth in the **TRANSPORTATION & LOGISTIC** segment, which requires to have high-speed sorting capabilities, management of parcels of any size, high flexibility, precision and speed in order management, up to the tracking of direct delivery to customers' houses.
 - IV. In **MANUFACTURING**, AIDC solutions offer real-time information on all company operational events: increase awareness in critical decisions and obtain greater efficiency and a significant reduction in errors.
 - V. Growing in **HEALTHCARE** investments in patient safety significantly in the next 5 years: technology adoption to secure proper patients traceability and drug administration. Telemedicine/Telehealth: healthy systems are more and more using digital health tools and telehealth platform to better take care of patients after they leave the hospital.
 - VI. Increasing use of smartphones for QR code scanning and image recognition.
 - VII. Rising adoption of AIDC solutions due to their ability to minimize queuing and transaction time and provide greater convenience to users in making small-value payments.
 - VIII. Surging adoption of AIDC solutions by banking and financial institutions to ensure customer safety and security, along with data privacy.

OFFERING

- Appeal for POS and AIDC vendors in general in the three geographies
- Widening of the offer in the wireless & networking segment
- Maintenance services that can be extended to non-AIDC vendors
- Pan-european size to attract global vendor contracts in Advanced Solutions
- Complementary businesses to enable cross-selling/up-selling

CUSTOMER SATISFACTION

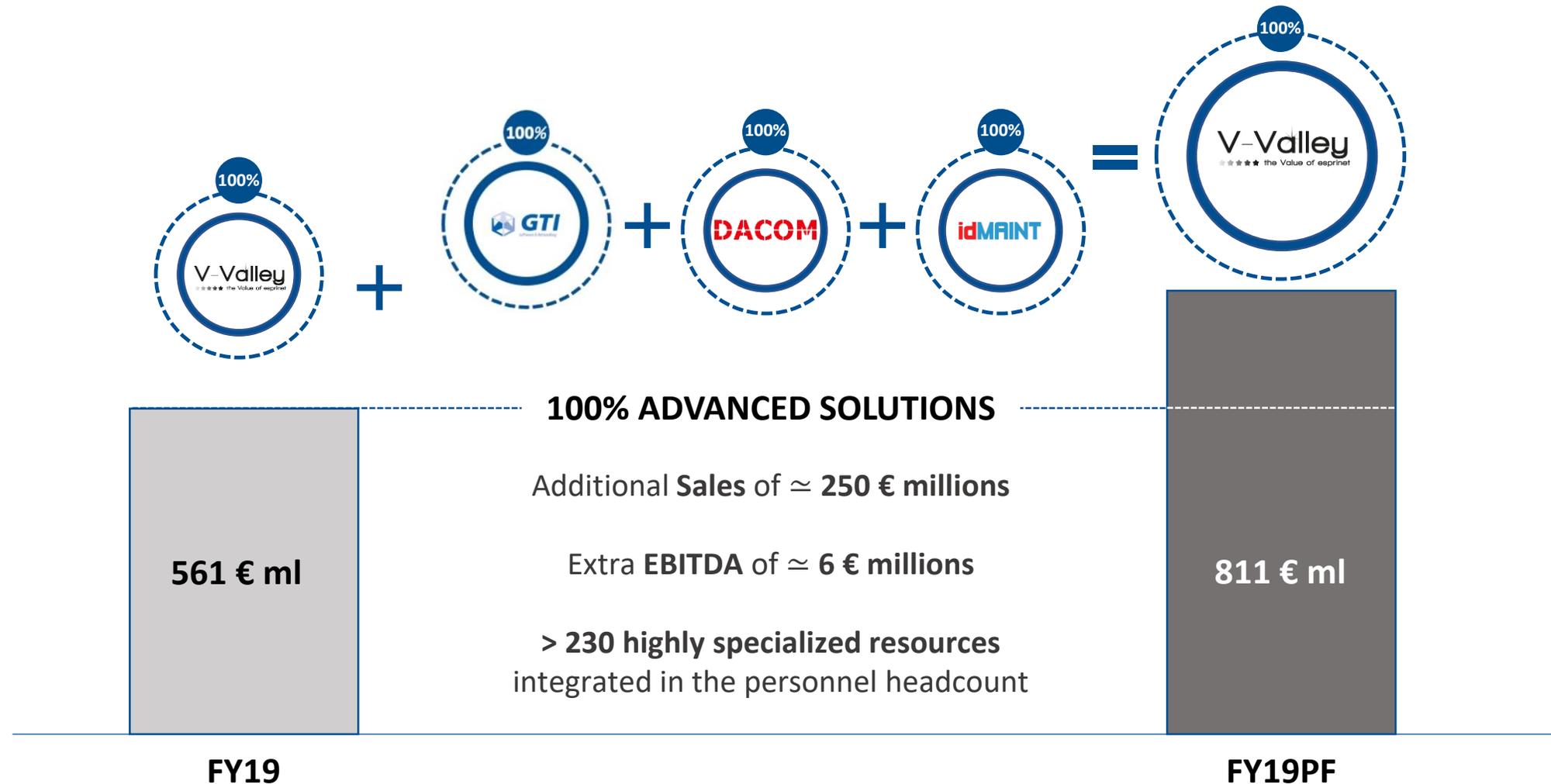
- Credibility increase in the Advanced Solutions segment and greater chance of growing customers loyalty
- Addition of an highly specialized customer-oriented team

COST & WORKING CAPITAL

- Modest optimization in the back office
- Better management of working capital thanks to the Group's methodologies and greater contractual strength

Final Remarks: Advanced Solutions

Post-deal 2019 pro-forma Sales in Advanced Solutions





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Q&A



Thank you

GRAZIE • GRACIAS • OBRIGADO • DANKE • MERCI • 감사 • 謝謝 • 感謝

