



# Esprinet Group: Strategic Plan 2016-2018

Milan, October 5<sup>th</sup> 2016



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- Investment case
- Group overview
- Historical financial highlights
- Key market trends
- Strategic guidelines and initiatives
- 2016/18E financials

- 
- Corporate Governance
  - Corporate Social Sustainability



## The investment case

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Investment case in a nutshell

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## Group overview

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The Group at a glance

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Sales breakdown

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EBIT benchmark

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## Historical financial highlights

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2001/15 Sales evolution

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2001/15 EBIT evolution

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## Key market trends

The IT&CE business system

Key industry and market trends

Implications for Espritnet strategy

## Strategic guidelines and initiatives

Key actions and strategic initiatives

Key drivers on M&A and geographies

## 2016/18E financials

Profit & Loss 2015A/18E

Sales 2015A/18E

Gross profit 2015A/18E

SG&A 2015A/18E

EBIT & Balance Sheet 2015A/18E

Key drivers on operating working capital

## Corporate Governance

## Corporate Social Sustainability

# The investment case





A

## Attractive market with further space for growth

- Wholesale B2B distribution gaining share vs direct model
- Emerging technologies (eg. wearables, sensors) and innovative applications (eg. IoT, XaaS, Cybersecurity) will unleash new growth opportunities especially in IT Value

B

## Clear leader in reference geographies

- By far the #1 in Italy, gained #1 positioning in Spain through Vinzeo acquisition (4th Player in 2015), space for scale-up in Portugal (local branch opened in 2015)

C

## Strong results delivery track record

- Strong financial performance in time, solid balance sheet
- Most profitable player among European multinational peers

D

## Clear and compelling strategy to address further growth ambition

- Clear strategic guidelines to pursue going forward
- Concrete set of initiatives to be implemented

E

## Experienced management team

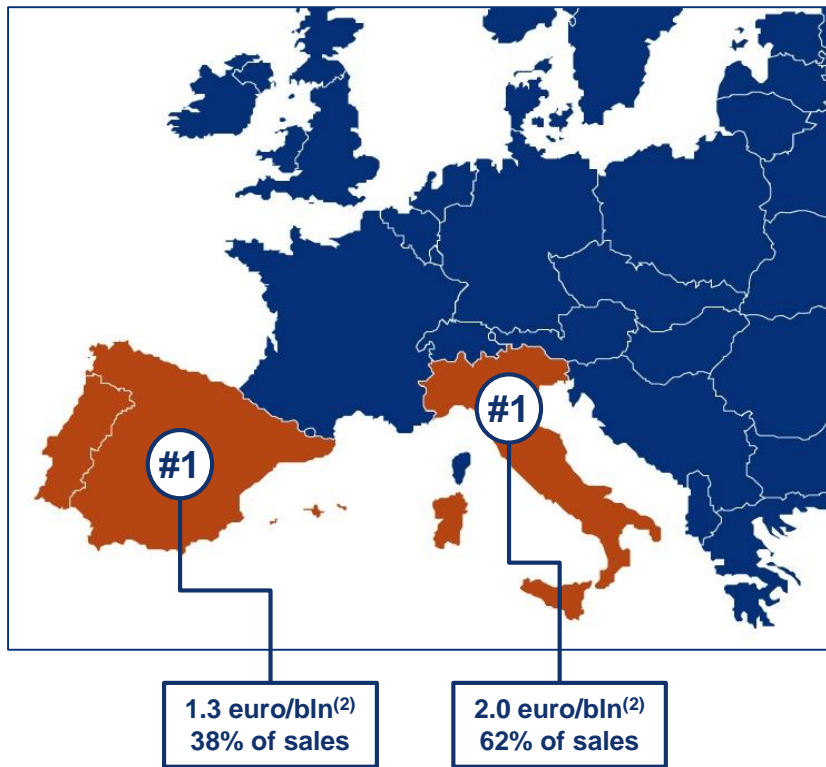
- Average seniority of top management higher than 12 years within the Group (Italy, Spain) <sup>(1)</sup> and nearly 15 years within the industry

<sup>(1)</sup> Excluding Vinzeo, Celly and EDSLan

# Group overview



# The Group at a glance



## Largest ICT-CE Wholesaler in Southern Europe

#1 in Italy and Spain - #6 in Portugal - #4 in Europe <sup>(1)</sup>



## Among top #60 Italian corporations by revenue (source:

R&S Mediobanca 2015)



3.3 euro/bln sales, 39 euro/mln EBIT <sup>(2)</sup>



40,000 customers (resellers 68% - retailers 32%)

600 brands, more than 40,000 SKUs stocked



~1,400 employees

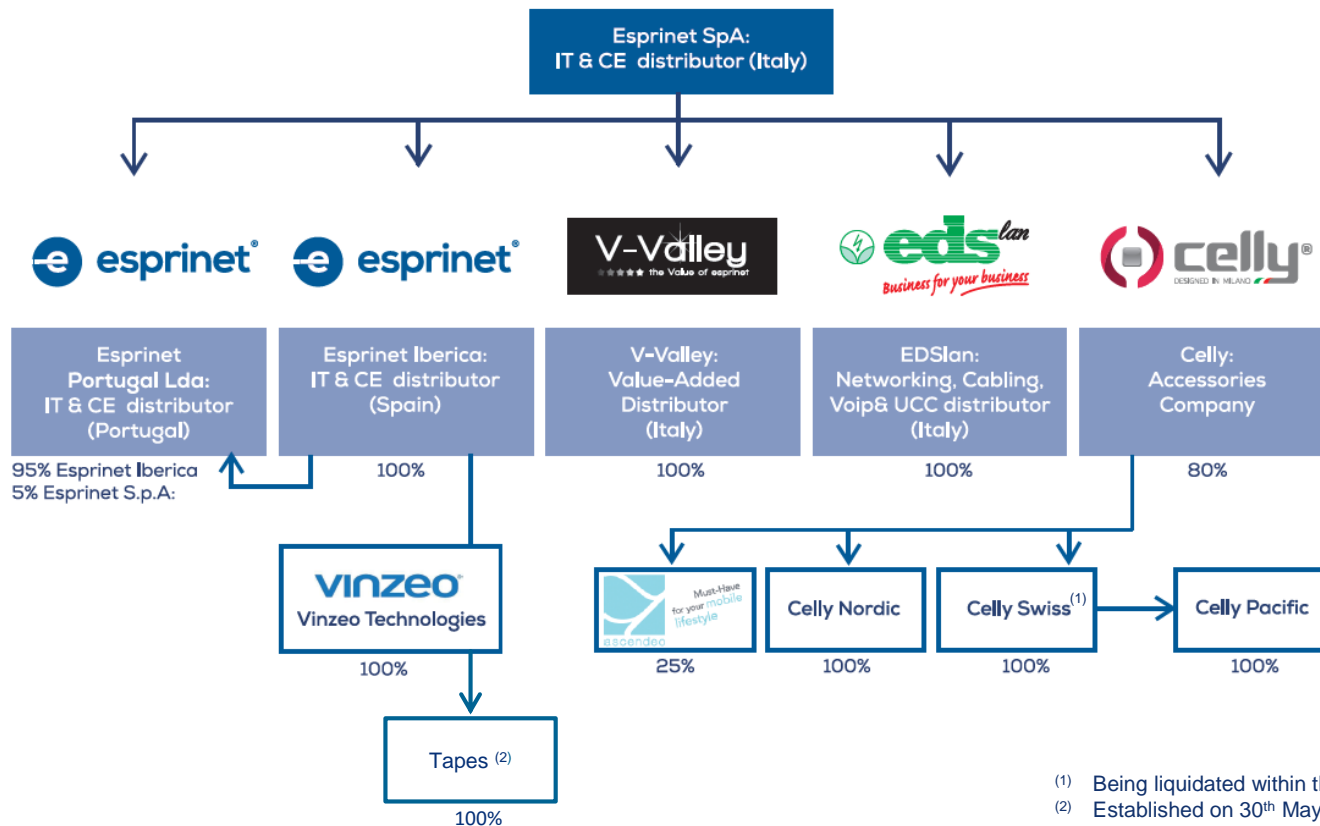
4 main logistics sites [Cavenago (MB), Cambiogo (MI), Saragoza, Daganzo (Madrid)]

n. 17 Cash & Carry in Italy - n. 1 in Spain (Madrid)

<sup>(1)</sup> Pending completion of Tech Data acquisitions of Avnet TS

<sup>(2)</sup> FY 2016E 'pro-forma' figures

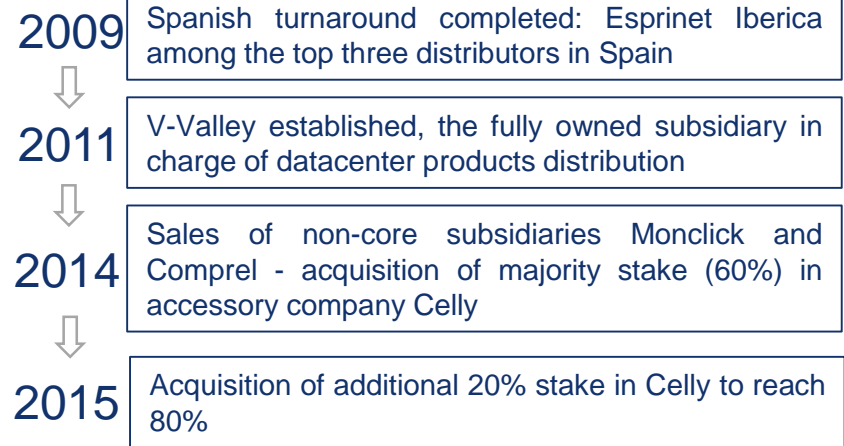




(1) Being liquidated within the end of 2016

(2) Established on 30<sup>th</sup> May 2015

# Corporate milestones



2016

vinzeo

Acquisition of EDSLan business (~72 euro/mln revenue in 2015), to reinforce 'value-added' V-Valley business

Acquisition of Vinzeo, #4 distributor in Spain to become #1 in the country

<sup>(1)</sup> After 10:1 share split in 2005



- 1 **Tight cost and working capital control**
- 2 **Flexibility in responding to vendor and reseller/retailer needs by means of a proprietary ERP and web engine**
- 3 **Multidivisional organization to tackle different needs of IT clients/data center/consumer electronics**
- 4 **Providers of market intelligence by leveraging the broad reseller portfolio with Big Data Analytics tools**
- 5 **Stable management team to provide consistency in execution and relationship with key partners**



## Managing complexity to give customers the best value offer

CORE OFFERING			OPTIONAL SERVICES	
125,000 warehouse sqm	<ul style="list-style-type: none"> <li><i>Range and availability: 'one stop-shopping'</i></li> </ul>	STOCK/ LOGISTICS	<ul style="list-style-type: none"> <li><i>Sourcing of products ('top sellers')</i></li> <li><i>Sourcing of products ('long tail')</i></li> <li><i>Back to back ordering</i></li> <li><i>Simplified logistics</i></li> </ul>	40,000 items in stock
25 million units shioment	<ul style="list-style-type: none"> <li><i>Delivery</i></li> <li><i>Bulk breaking</i></li> <li><i>Order consolidation</i></li> </ul>		<ul style="list-style-type: none"> <li><i>Drop shipment to end customer</i></li> <li><i>Consignment stocking - repackaging</i></li> <li><i>Providing multiple locations with multiple suppliers</i></li> </ul>	5.5 million boxes shipped
2.1 million payment transactions	<ul style="list-style-type: none"> <li><i>Channel financing</i></li> </ul>	CREDIT	<ul style="list-style-type: none"> <li><i>Extended credit (additional credit lines; factoring)</i></li> </ul>	Amex loyalty card
7.0 million lines of orders managed	<ul style="list-style-type: none"> <li><i>First level order support (pre-sales)</i></li> </ul>	SALES & MARKETING	<ul style="list-style-type: none"> <li><i>Second level technical support (pre/post-sales)</i></li> </ul>	7,000 special 'value+' deals managed
200,000 SKUs published in website	<ul style="list-style-type: none"> <li><i>Product information</i></li> </ul>		<ul style="list-style-type: none"> <li><i>Channel Intelligence</i></li> <li><i>Outsourced sales &amp; marketing force</i></li> </ul>	~450 Sales & Marketing people
~40,000 customers served	<ul style="list-style-type: none"> <li><i>Broad customer base</i></li> </ul>		<ul style="list-style-type: none"> <li><i>On-line sales platform + field accounting</i></li> <li><i>Channel recruitment</i></li> </ul>	7.8 million yearly web accesses

# 2016 acquisitions drivers



Added up ~610 euro/mIn 2015 'pro-forma' sales

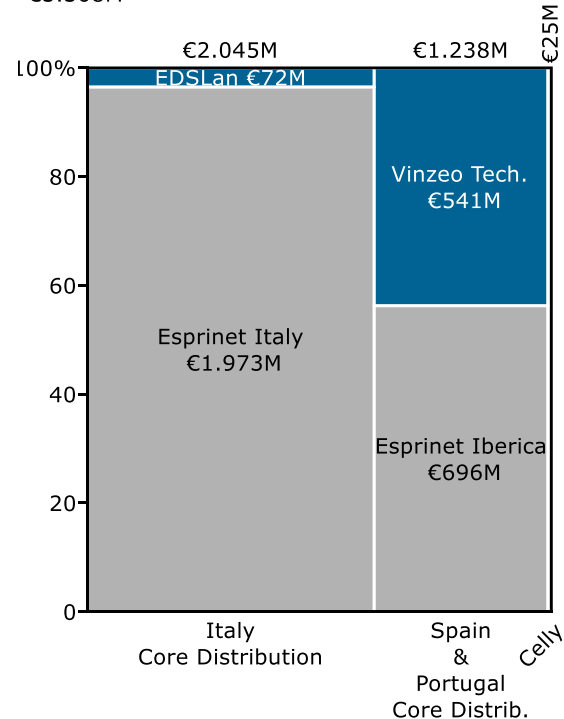
## 2016 m&a activity: Edslan & Vinzeo acquisition

Target Overview	Investment rationale
<ul style="list-style-type: none"> <li>#11 largest Italian distributor in 2015 focusing on <b>networking, cabling, Voip &amp; UCC</b> products</li> <li><b>94 employees</b></li> <li><b>2.900+ resellers</b> served</li> <li><b>Main vendors</b> include: HP Networking, Aruba Ntwk, Huawei Ntwk, Brocade, Alcatel-Lucent, Watchguard</li> </ul>	<ul style="list-style-type: none"> <li><b>Further step in the focalization strategy on IT Value categories:</b> <ul style="list-style-type: none"> <li>reinforcement of the <b>Networking &amp; UCC</b> business</li> <li>entrance into new <b>'analogic' markets</b> such as cabling, phone control units, video-conference systems</li> <li>acquisition of <b>new customers</b> like installers and technicians (so far not served)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>#4<sup>h</sup> largest <b>Spanish</b> distributor in 2015, broadliner products portfolio with a particular focus on <b>PC, Notebook &amp; Tablet and Mobility</b></li> <li><b>170+ employees</b></li> <li><b>Main vendors</b> include: Acer, Apple, Asus, HP, Lenovo, LG, Samsung, Toshiba, HP Enterprise</li> </ul>	<ul style="list-style-type: none"> <li><b>Scale up in Spain</b> reaching a market leadership position</li> <li><b>Acquire 2 new key contracts</b> to fully develop product portfolio:                     <ul style="list-style-type: none"> <li>Apple (Iphone/SmartWatch)</li> <li>HP Enterprise (Data Center)</li> </ul> </li> <li><b>Improve access to corporate resellers</b></li> <li><b>Exploit cross-selling opportunities</b></li> </ul>



## Esprinet Group 2015 'pro-forma' sales

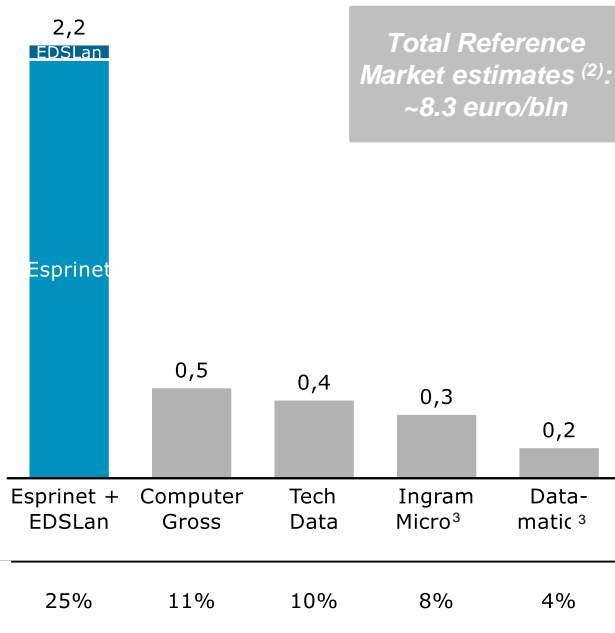
Total = €3.308M





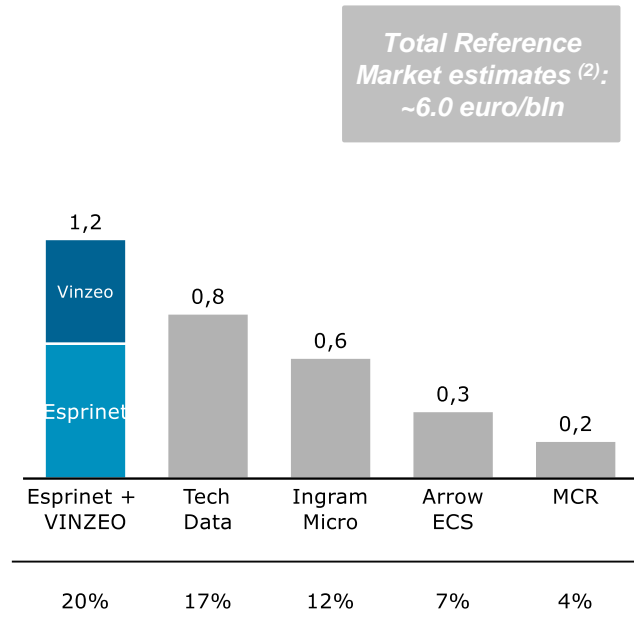
## Undisputed # 1 in Italy

Top 5 Distributors 2015 'pro-forma" RMS - Relative Market Share <sup>(1)</sup>



## Become #1 in Spain

Top 5 Distributors 2015 'pro-forma" RMS - Relative Market Share <sup>(1)</sup>



<sup>(1)</sup> Relative Market Share: Market Leader= Market Share Market Leader/Market Share 2nd Player || Other Players: Market Share Other Player/ Market Share Market Leader

<sup>(2)</sup> Based on Revised Reference Market Estimates || <sup>(3)</sup> Based on 2014 Revenues || Includes Vinzeo, EDSLan Pro-forma FY

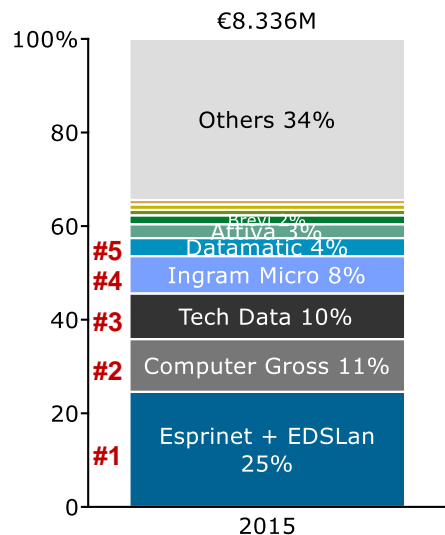
Source: Esprinet Group Internal Data, Sirmi, Channel Partner, Internal Interviews, DB Context, Companies balance sheets and expert interviews

# Clear #1 in Italy, new 1# in Spain, room to grow in Portugal



## Esprinet market share in reference geographies

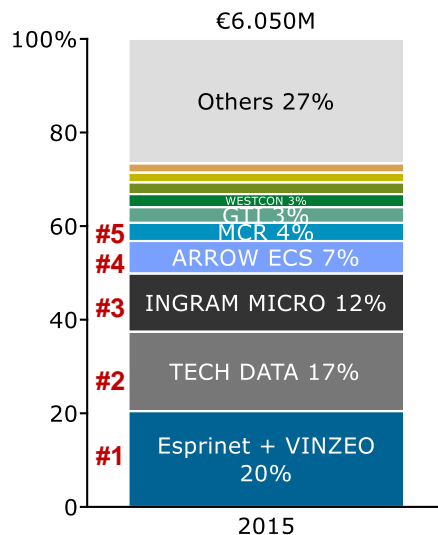
### ITALY



Esprinet RMS

2,2

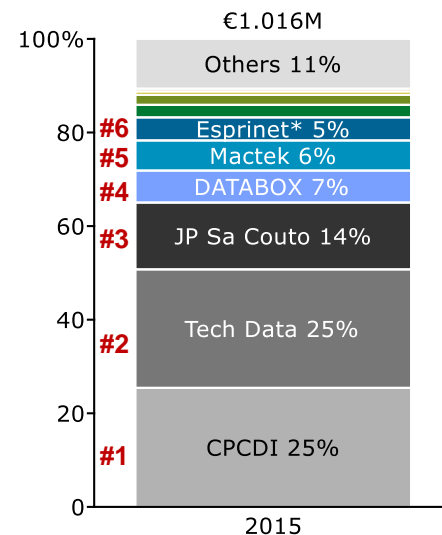
### SPAIN



Esprinet RMS

1,2

### PORTUGAL (local branch opened in 2015)



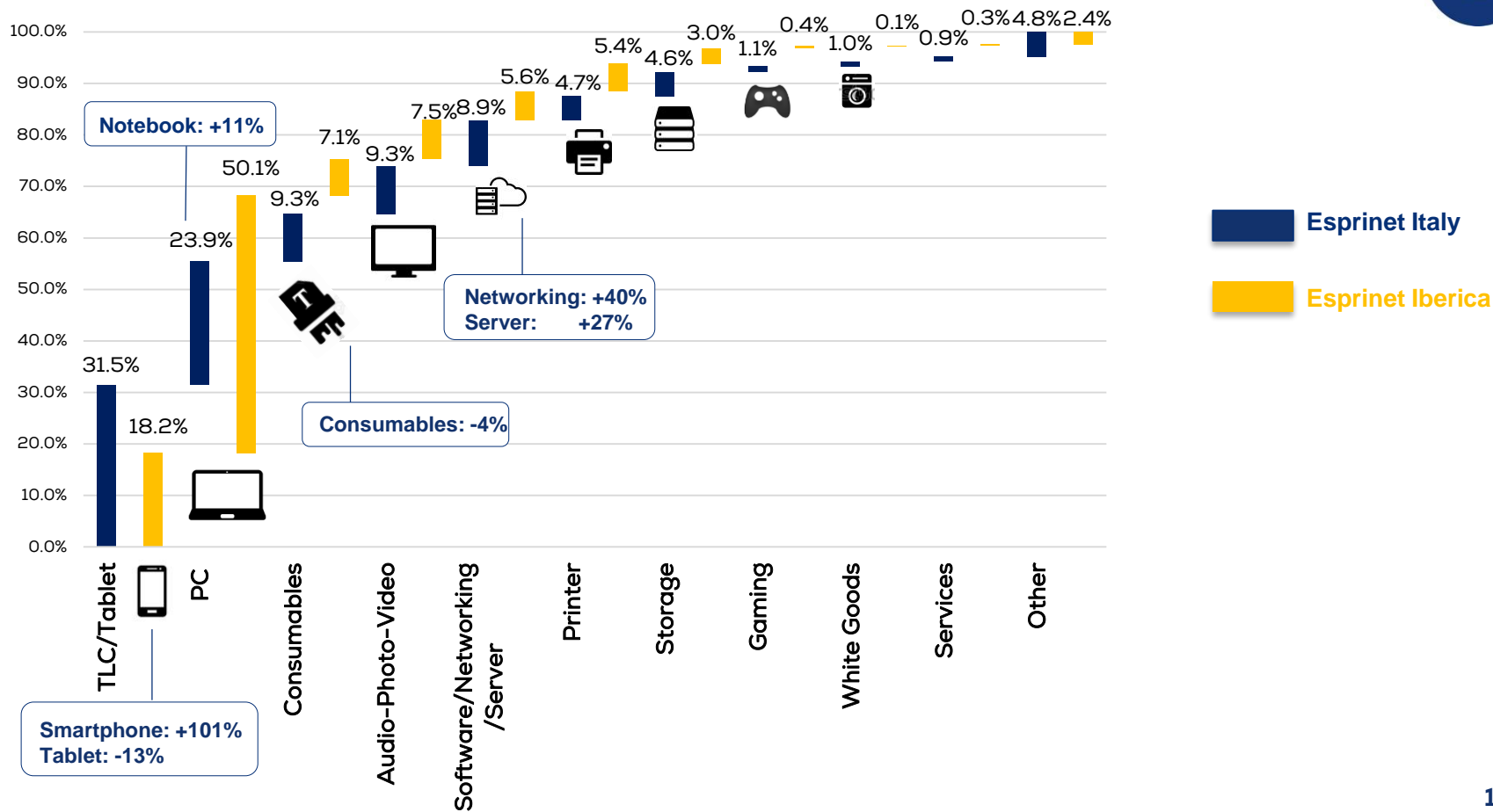
Esprinet RMS

0,2

Based on Revised Reference Market Estimates || Includes Vinzeo, EDsLan Pro-forma FY - RMS: Relative Market Share

Source: Esprinet Group Internal Data, Sirmi, Channel Partner, Internal Interviews, DB Context, Companies balance sheets and expert interviews

# 2015 Product mix



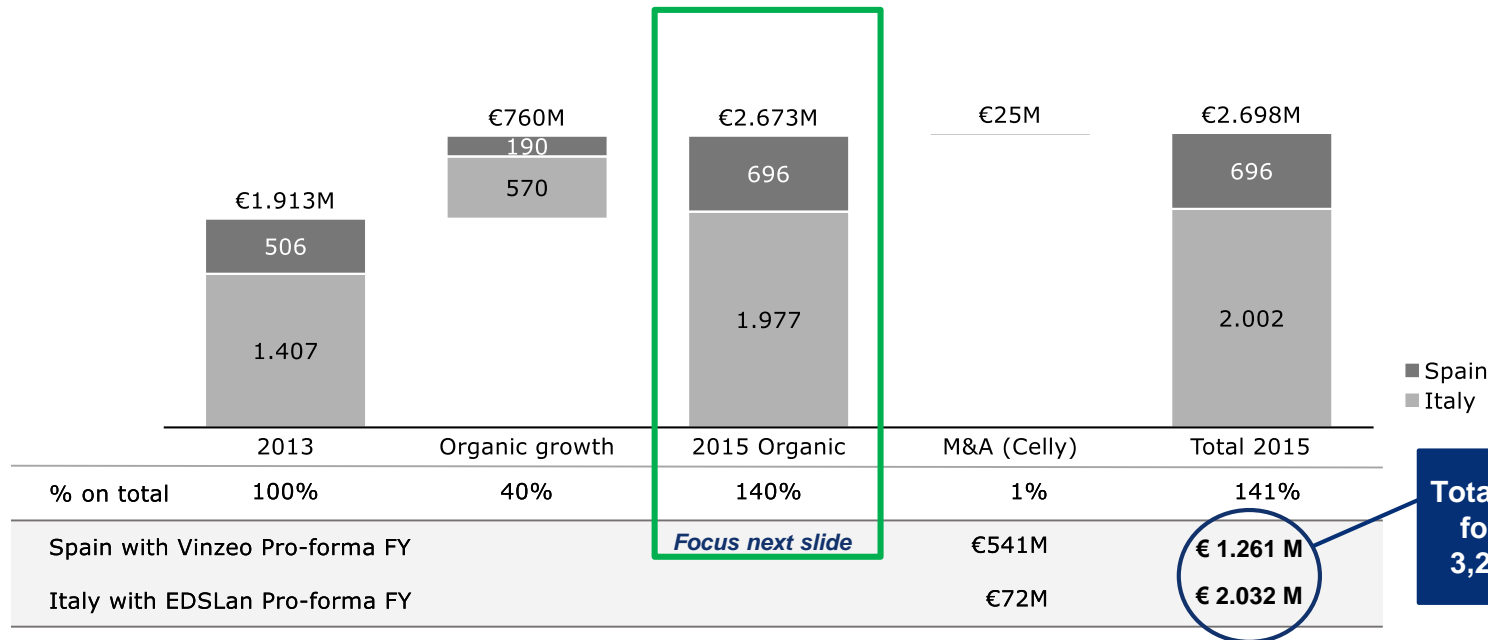


# In the last 2 years Esprinet has increased revenues by 40%



In the last 2 years Esprinet has increased revenues by 40% mainly through organic growth

## Sales evolution 2013-2015 (euro/mln) Organic vs. inorganic growth

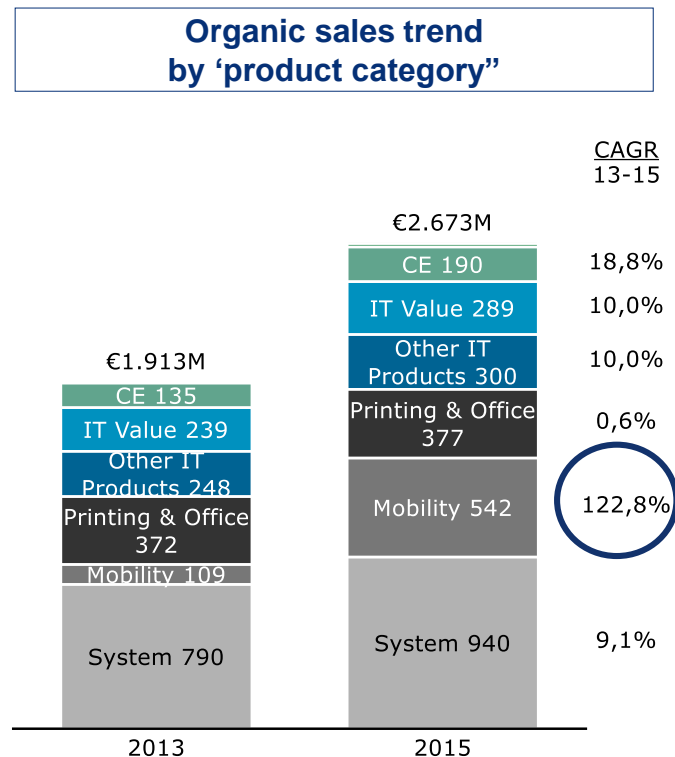
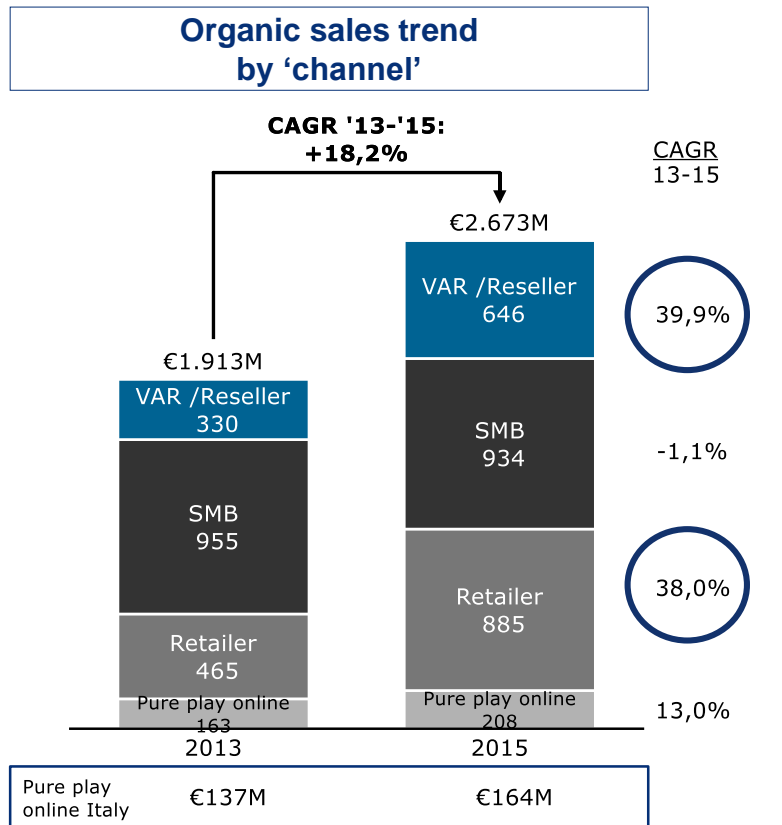


**Total 2016E'pro-forma" size: 3,293 euro/bln**

2016  
M&A

Between 2013 and 2015 Esprinet has grown mainly driven by Italian organic growth; in 2016 2 major acquisitions in Spain and Italy added ~610 euro/mln revenues

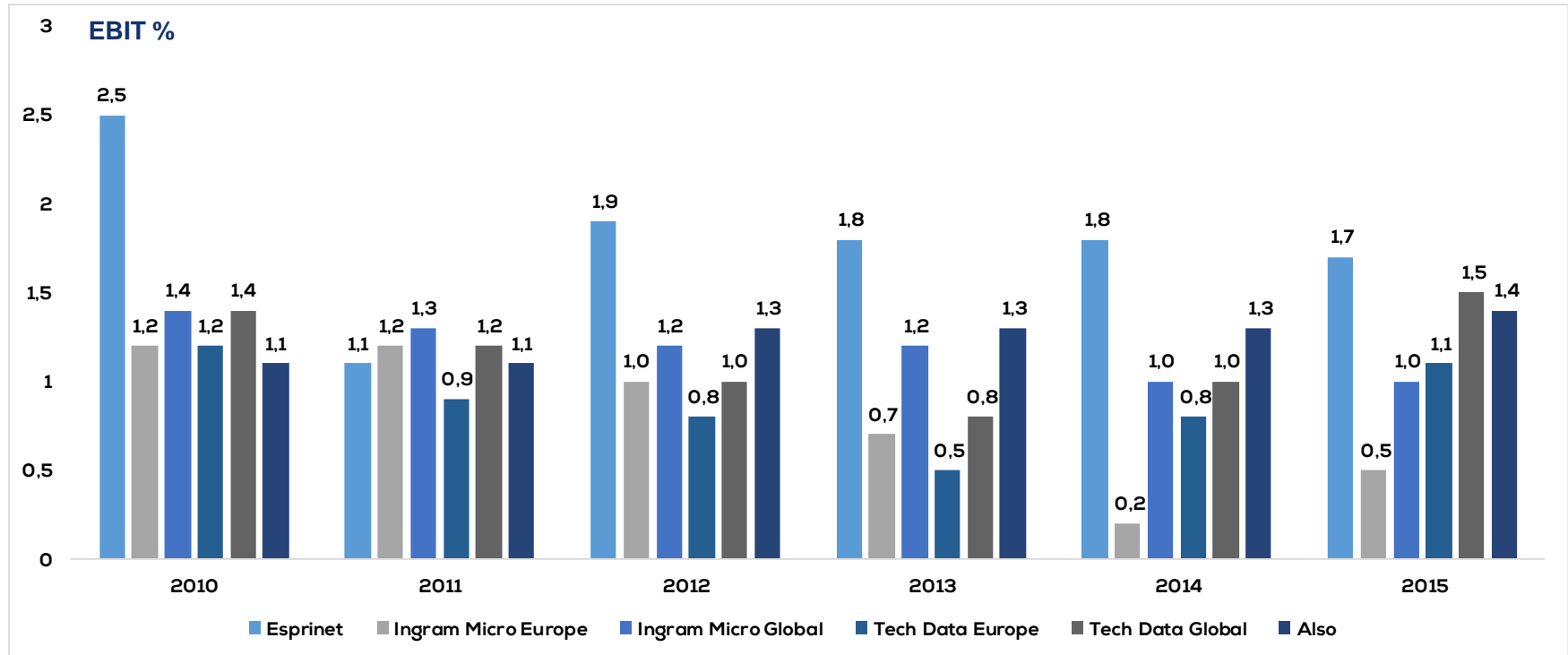
# Double digit organic growth mainly driven by Mobility and VAR + Retailers



Note: Excluded Celly  
Source: Internal Company data



## EBIT % benchmark with European Multinational Distributors



# Historical financial highlights

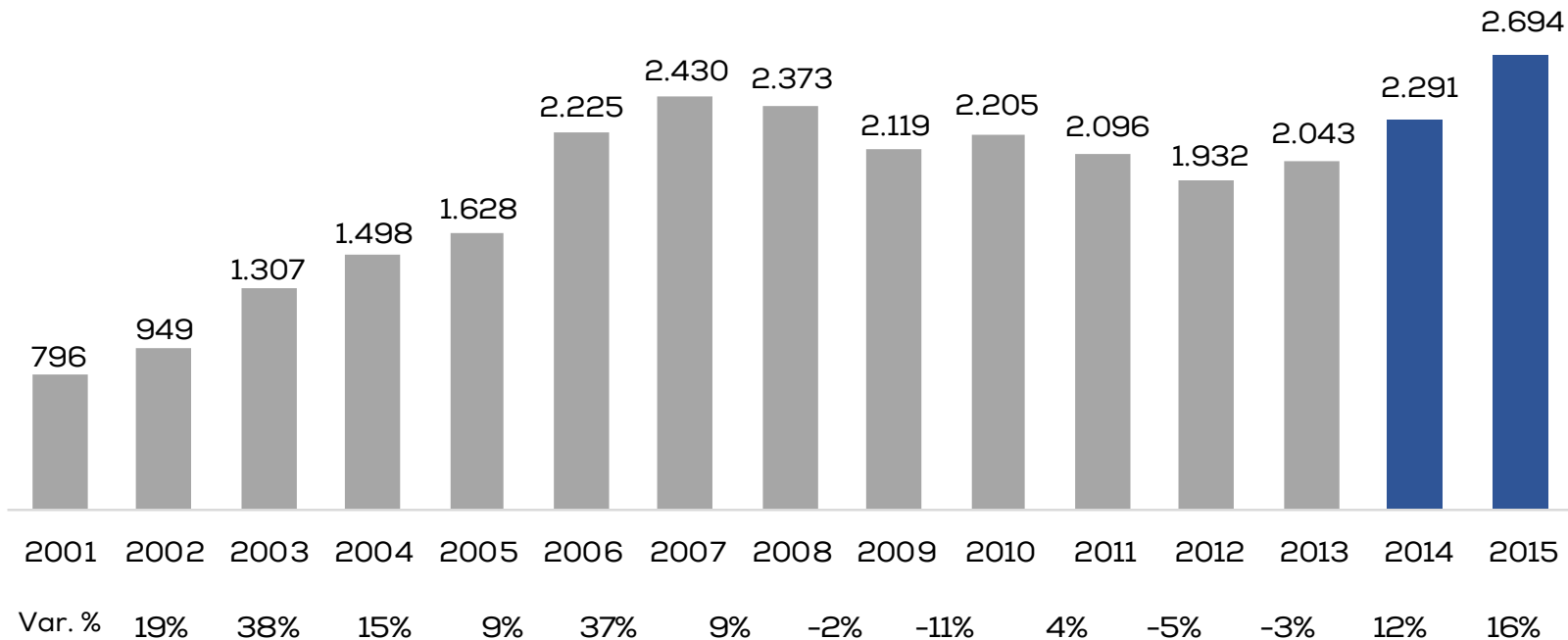


# 2001/15 Sales evolution



(euro/mln)

9% CAGR  
'01 - '15



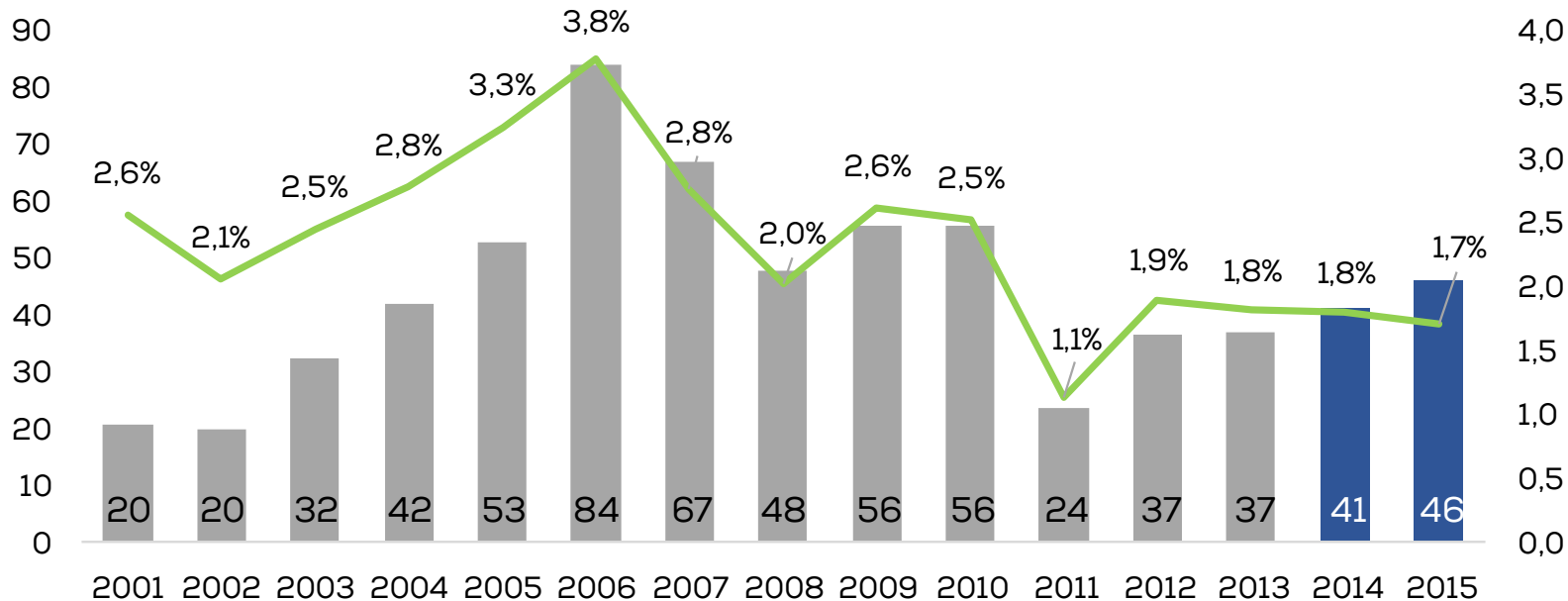
**Strong top-line growth trend**

# 2001/15 EBIT evolution



(euro/mln)

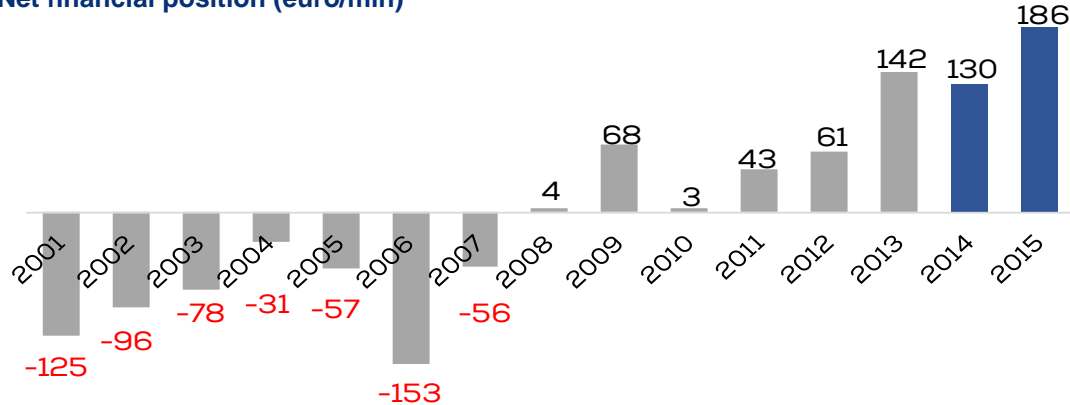
6% CAGR  
'01 - '15



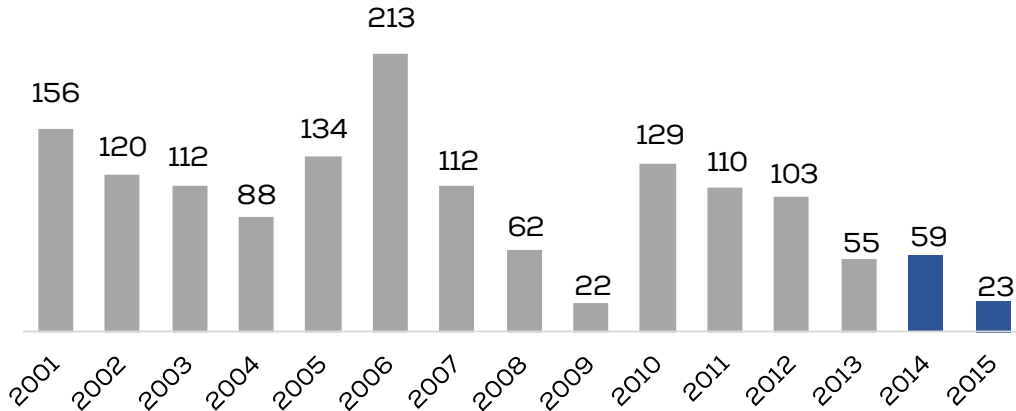
**Always profitable business since its establishment**



## Net financial position (euro/mln)



## Net operating working capital (euro/mln)

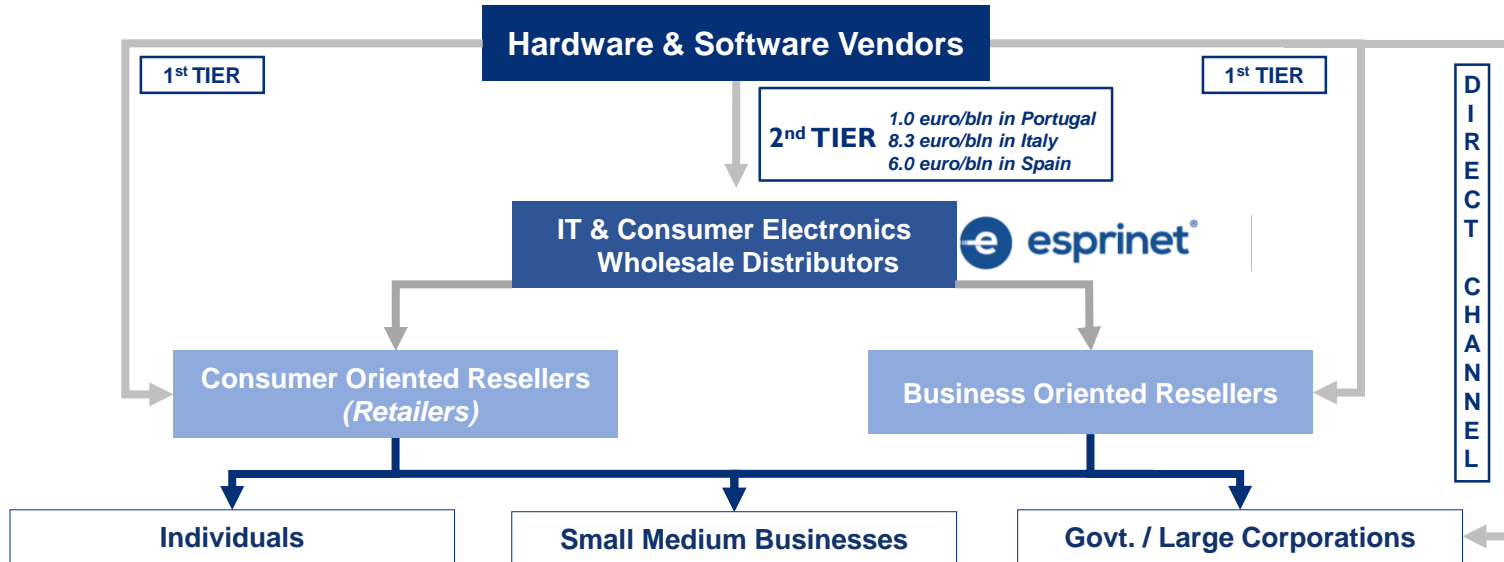


- Net financial position and Net working capital are those reported in the annual financial statements.
- For this reason they represent the amount of the metrics at end-period which are not representative of average levels being affected by, among others, seasonality of business (monthly, infra-monthly) and 'without-recourse' sale of account receivables and/or securitization program (since 2015).

# Key market trends







- **Direct Channel + 1<sup>st</sup> tier:** (~55-50%% of total addressable market)
- **2<sup>nd</sup> tier: from distributors to resellers** (~45-50% of total addressable market)

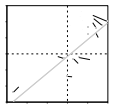


- |   |                                     |  |
|---|-------------------------------------|--|
| 1 | <b>Macro economics</b>              | <ul style="list-style-type: none"><li>• <b>Improved macroeconomic outlook</b> within Esprinet markets (Italy, Spain, Portugal), in terms of: GDP growth, Disposable Income and IT spending</li></ul>   |
| 2 | <b>Vendors</b>                      | <ul style="list-style-type: none"><li>• <b>Continued polarization of vendor base</b>, with dichotomy between:<br/><b>Consolidated base of Big, mostly HW-oriented vendors</b> expanding established ecosystem across <b>consumer lifecycle</b> (eg. Wearables, home, auto) with continuous focus on incremental innovation to sustain share (eg. Apple)<br/><b>Fragmented base of Small, niche pure play, SW-oriented vendors</b>, focusing on <b>emerging technologies and innovative applications</b></li></ul>  |
| 3 | <b>Categories and Service Offer</b> | <ul style="list-style-type: none"><li>• <b>Traditional IT &amp; CE</b> (e.g. PC, smartphones, ...), with <b>limited space for further disruptive innovation going forward</b> and <b>pressure on sell-out prices</b></li><li>• <b>Emerging technologies</b> (eg. Wearables, Sensors, ...) and <b>innovative applications</b> (eg. IoT; Cybersecurity) <b>will drive value added IT categories</b> (e.g. networking) &amp; <b>CE demand growth</b></li><li>• <b>Increasing penetration of "as a Service" models</b> (eg. cloud solutions, managed printing services)</li></ul>  |
| 4 | <b>Distribution</b>                 | <ul style="list-style-type: none"><li>• <b>Increased share of distribution intermediation</b> as vendor look for efficiency but also value added services in customer management</li><li>• <b>New categories</b> could shift from direct to indirect model (eg. White goods, Industrial sensors &amp; SW ...)</li><li>• <b>Consolidation of distribution landscape</b> could determine a <b>recovery of margins</b> (given both scale and less competitive pressure)</li></ul>   |
| 5 | <b>Channel/End market</b>           | <ul style="list-style-type: none"><li>• End market (business) switching spending <b>from run rate to change</b> with implications for VARs / Vendors:<ul style="list-style-type: none"><li>- need to reinforce service offering, including advisory projects (eg. CAPEX for future efficiency, ...)</li><li>- Telco/ Large vendors evolving offer model and channel management to intercept new needs</li></ul></li><li>• <b>E-commerce penetration will continue to grow</b>, mainly driven by pure players:<ul style="list-style-type: none"><li>- <b>continuous switch from traditional in-store</b> channels (e.g. retailers/resellers) <b>to online</b> channels</li><li>- pressure on sell-out prices on traditional IT &amp; CE (e.g. Smartphones) due to price <b>transparency and competitiveness</b></li></ul></li></ul> |

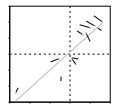
# 1 IT and CE sales are very correlated to the macro-economic environment



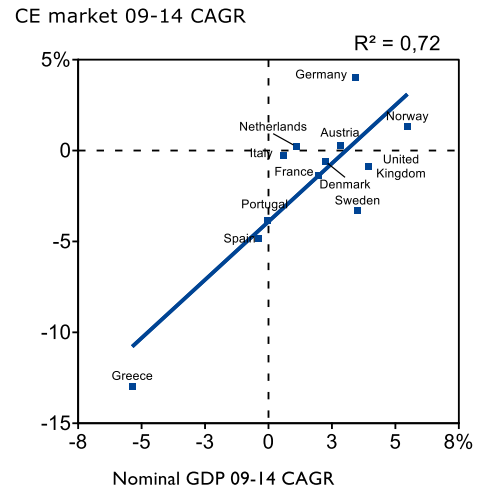
Nominal GDP vs IT Spending



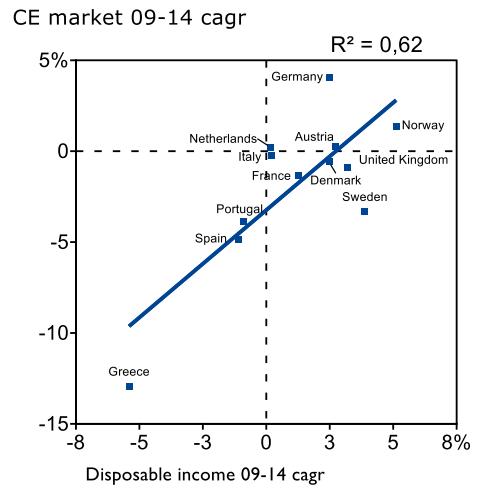
Disposable Income vs IT Spending



Nominal GDP vs CE Spending



Disposable Income vs CE Spending

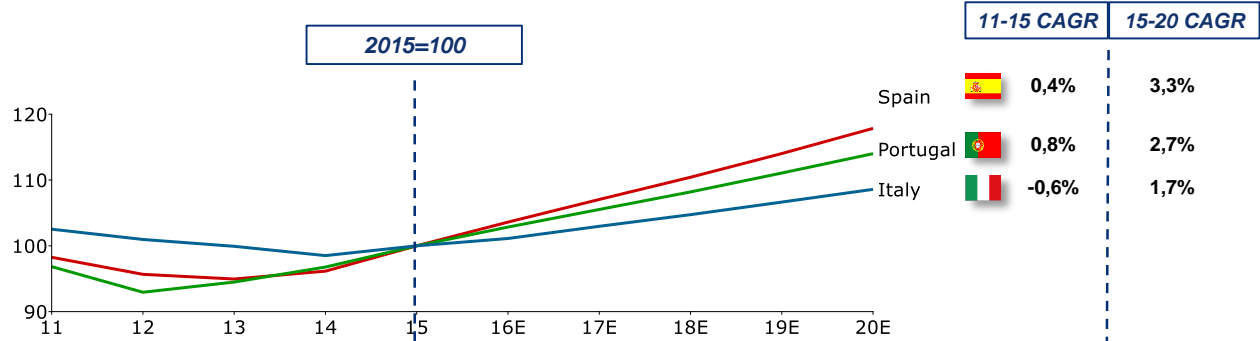


Notes: Nominal values in local currency for each year in the period 2009-2014 for Western Europe (except Turkey). 0.3 or above is a strong correlation with this number of datapoints  
 Sources: Economist Intelligence Unit, Euromonitor, GfK, IMF, Analysts report, Bain analysis

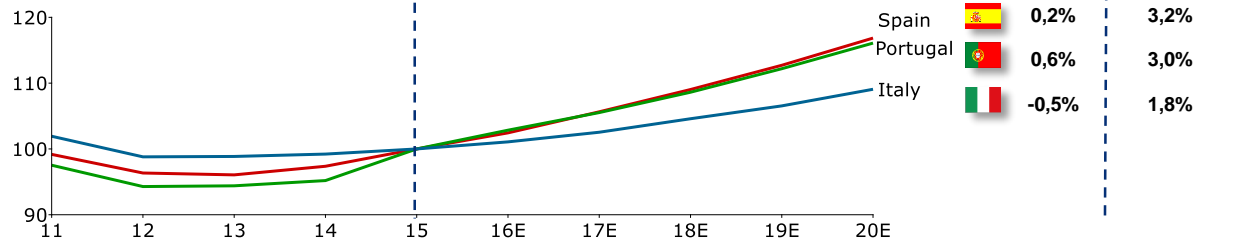


## Macroeconomic outlook for Italy, Spain and Portugal foresees a continued recovery

Nominal GDP per capita Index



Disposable Income per capita Index

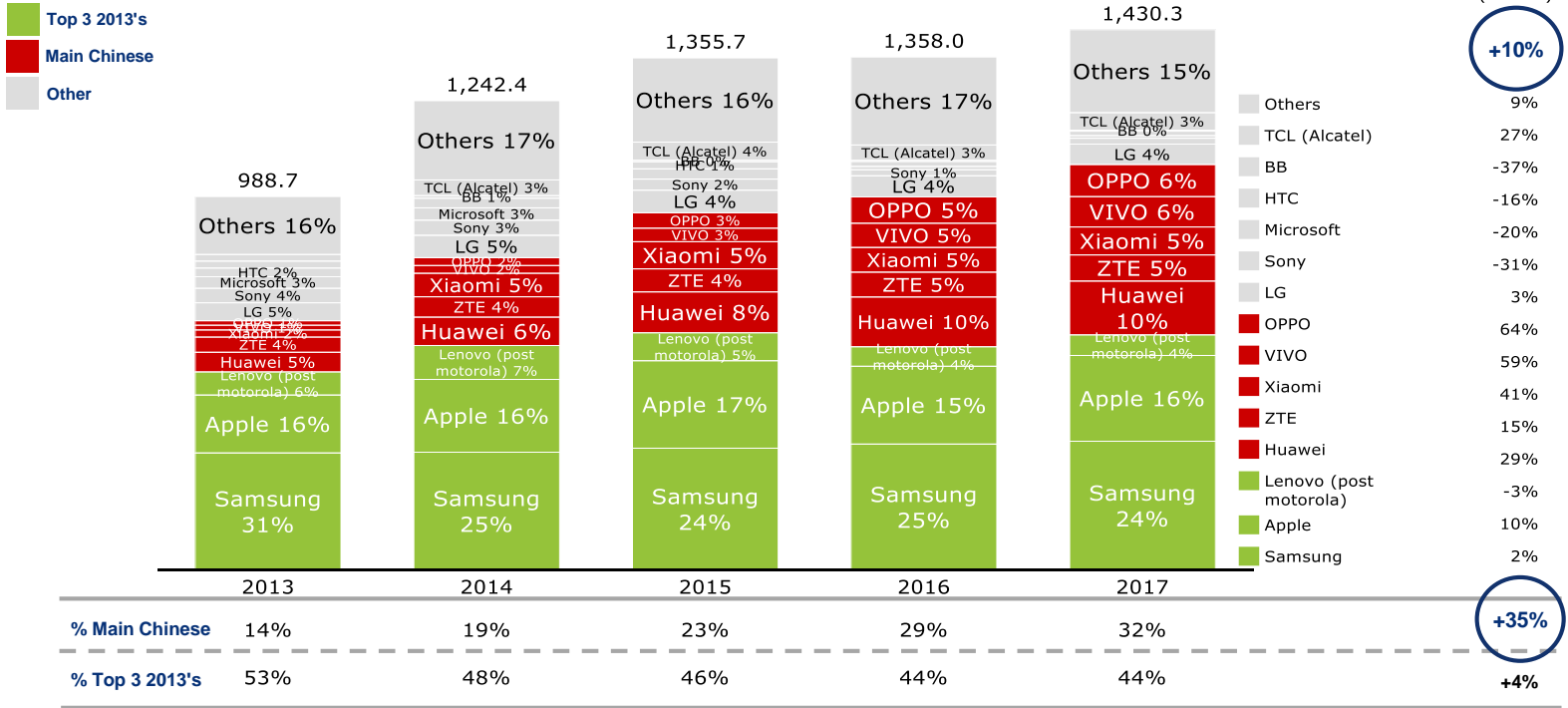


Sources: IMF, World Bank, Economist Intelligence Unit, Bain analysis



Units, mln

Smartphone global sales trend by vendor (units)



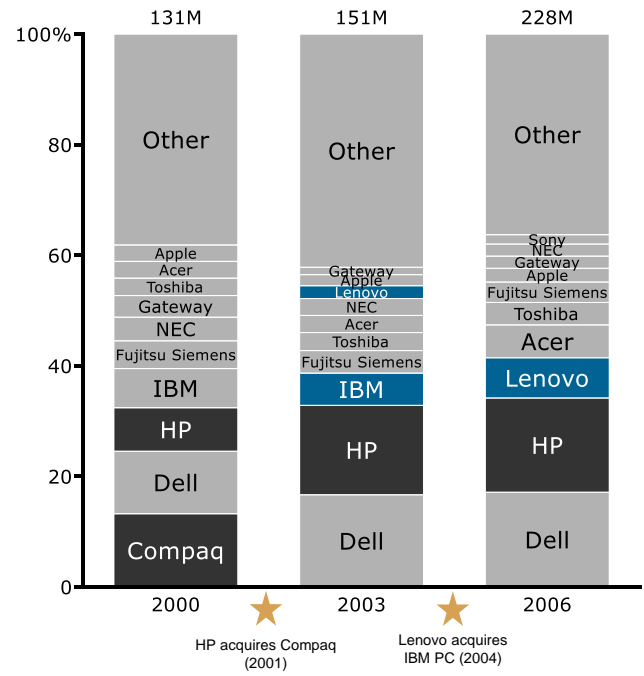
2013's Top 3 Smartphone vendors have lost share while Chinese have rapidly grown: top 8 players in 2017 represent ~75% of the market

# In PC segment the industry been consolidating; recent consolidation mostly organic



Historically, major acquisitions accelerated PC consolidation

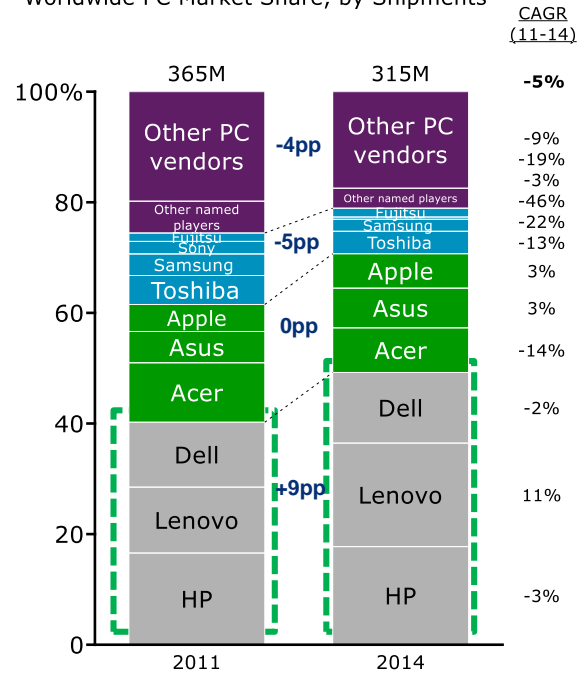
Top 10 vendor shipments, WW PC Market



**Dell, HP and Lenovo emerge as top 3 players;**  
**HP and Lenovo assisted by M&A**

Top 3 players gained ~9% share since 2011, mostly organically

Worldwide PC Market Share, by Shipments



# of "Other named players" decreased from 80 to 50

Lenovo's 3 acquisitions added < 1pp share (Medion AG, CCE, JV with NEC)

**Majority of consolidation since '11 was organic**  
 - Few acquisitions by top 3 players  
 - Majority of decrease in "Other" from small OEMs exiting

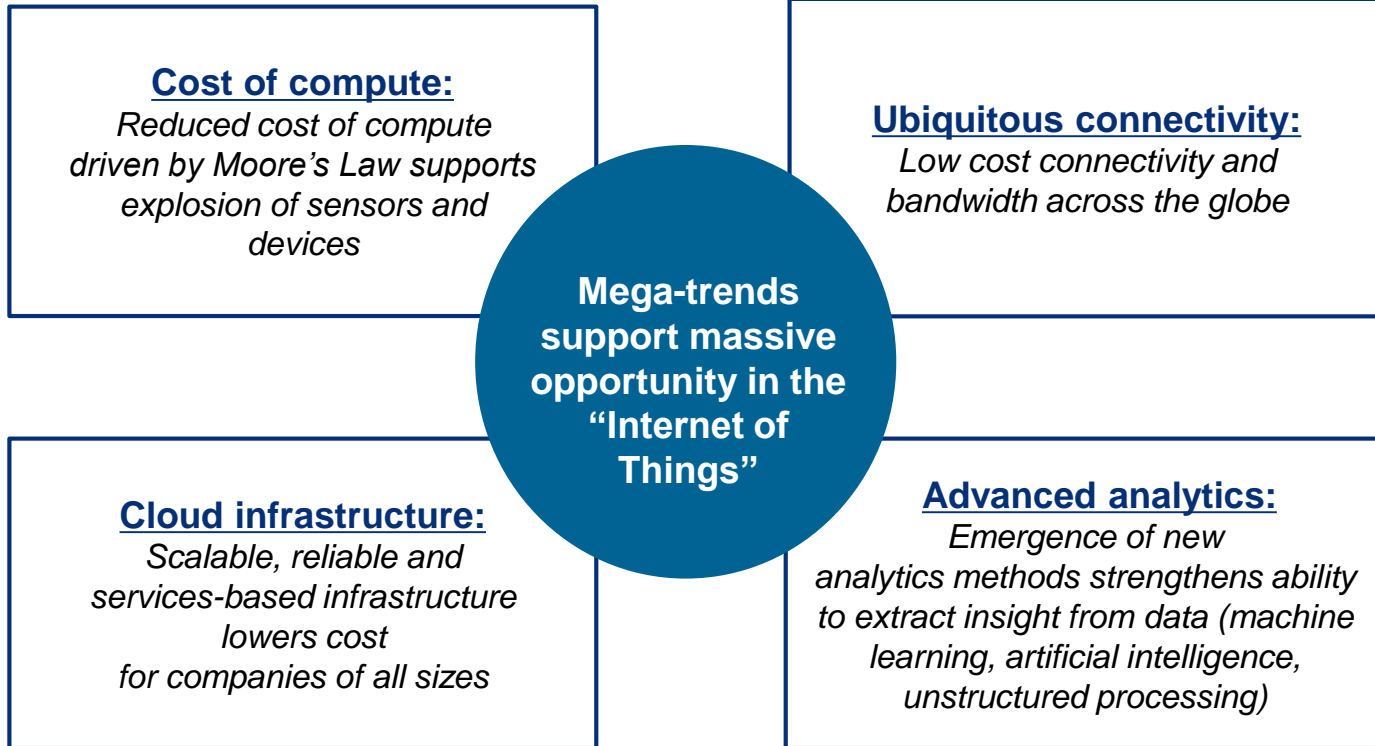
Note: "Other top players" include other players explicitly mentioned in the Gartner report (~80 players); Does not include Dell's acquisition of Wyse as thin clients not included in PC market  
 Source: Gartner "Market share: Devices, All Countries, 4Q14 Update"; IDC WW PC Market

# Software-oriented vendors arena is still highly fragmented



In IOT big established vendors face competition from smaller/specialized players

		Consumer-facing (IoT2C)			Business-facing (IoT2B)								
		Home	Life-style	Mobility	Retail	Health	Energy	Logistics/trans.	Gvt. & Cities	Manuf./agri	Financial/Service	Integr. Svcs	
Application	Vertical	nest, wink, SmartThings, August, dropcam	SONY, Google, MOTOROLA, fitbit, JAWBONE	Google, Dashbit, Motorola, OpenDC, etc.	Nomi, placemeter, euclid	AUGMEDIX, AdhereTech, Omnicell, #tuning health	Axeda, enlightened, GRIDMOBILITY, Landis+Gyr, BigBarly, SOLAR	ONASSET, SogisQuest	Numerex	APPLIED MATERIALS, APX, Airware, PerStream	Google asH, Verifone, WINCOR NIXDORF, DIEBOLD	Logica, CGI	
	Analytics	<p><b>Analytics software</b></p> QlikView, IBM, Tableau, Spotfire, Atigeo, Palantir, elster Deloitte, GENPACT											
Infra-structure	IOT SW Platform	<b>Open source platforms</b>				<b>Proprietary platforms</b>							
	Data Center / HW	soaark, senseiot, ThingSpeak, OSITO				xively, Axeda, zonoff, SAP, FreedomPop, etc.							
Network	Comm Services	<b>Security</b>				<b>CSPs/Carriers</b>							
	HW Equipment	Symantec				<b>Gateways and Network Equipment</b>							
	IOT Platform	intel, EMC <sup>2</sup>				<b>Connectivity Platform</b>				<b>Connectivity Protocol</b>			
Devices	OS	IBM				<b>Real-Time/Embedded OS</b>				<b>High-Level OS</b>			
	Hardware	CISCO				<b>Consumer</b>				<b>Industrial</b>			
	Silicon	TREND MICRO				intel, TEXAS INSTRUMENTS, SANDHILL ELECTRONICS				TOSHIBA, QUALCOMM, hynix, NXP, Micron, BROADCOM, CYPRESS			

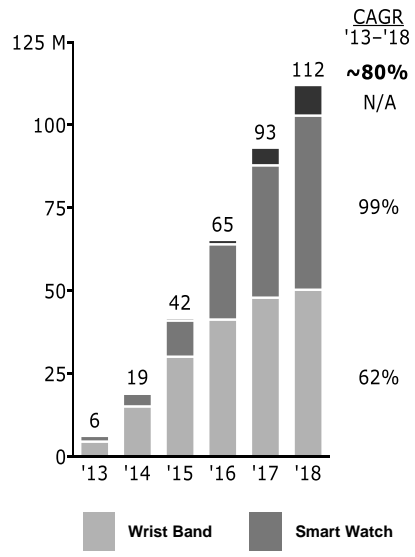




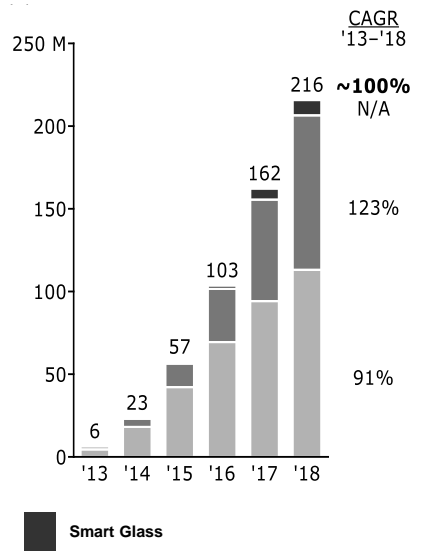


## Wearables and Cybersecurity market

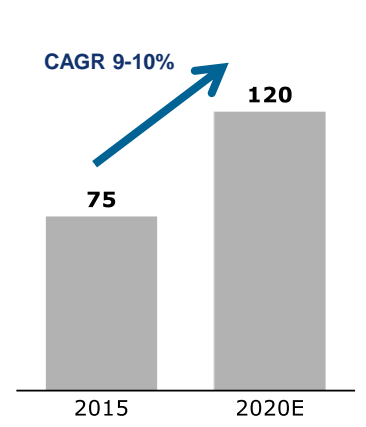
Worldwide wearables shipments, by product, 2013-18



Worldwide wearables installed base, by product, 2013-18

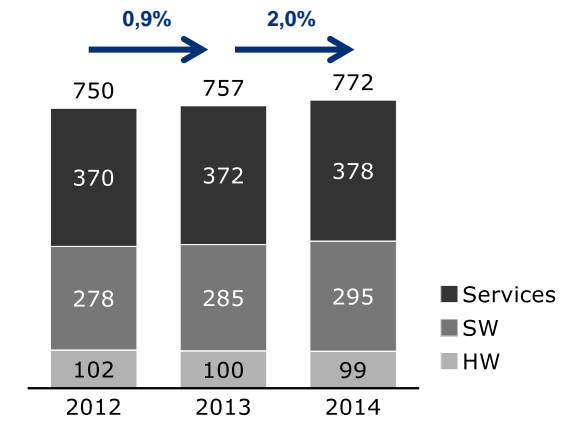


IT Security Market Global (euro/bln)



Key areas for future growth are security analytics / SIEM, threat intelligence, mobile and cloud security

IT Security Market Italy (euro/mln)

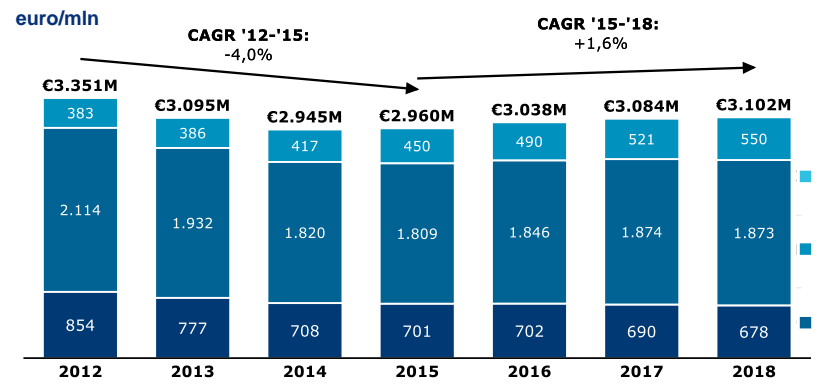


Italian market has been growing at low single digit, driven mostly by SW and services

Source: IDC 2014

Source: Gartner, Markets and Markets, IDC, Assinform Report 2015

# Increasing penetration of "as a Service" models - Printing Services and Cloud IaaS

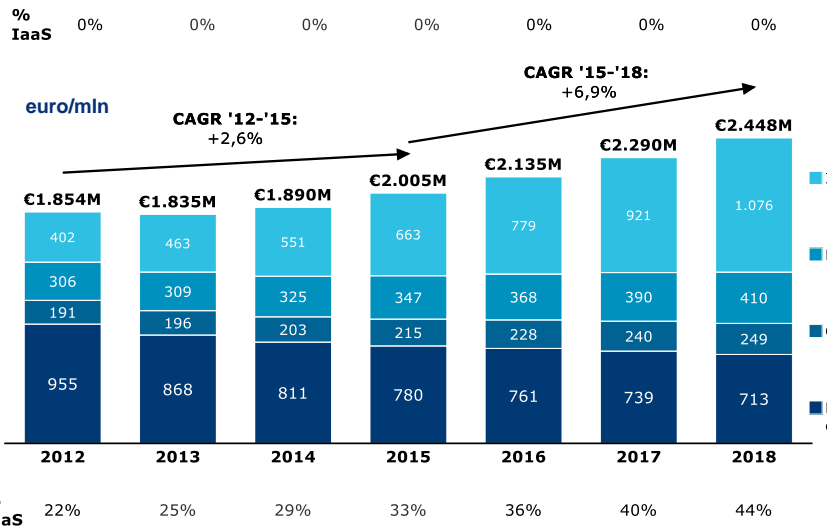


	CAGR '12-'15	CAGR '15-'18
Printing Services	5,5%	6,9%
Consumables	-5,0%	1,2%
Print HW/SW	-6,4%	-1,1%




### Enterprise Print End-User Spending Italian Market Evolution

Note: IaaS includes both Virtual Private Cloud and Public Cloud  
Source: Gartner



	CAGR '12-'15	CAGR '15-'18
IaaS	18,1%	17,5%
Hosting	4,3%	5,7%
Colocation	4,1%	5,0%
Data Center on Premises	-6,5%	-3,0%



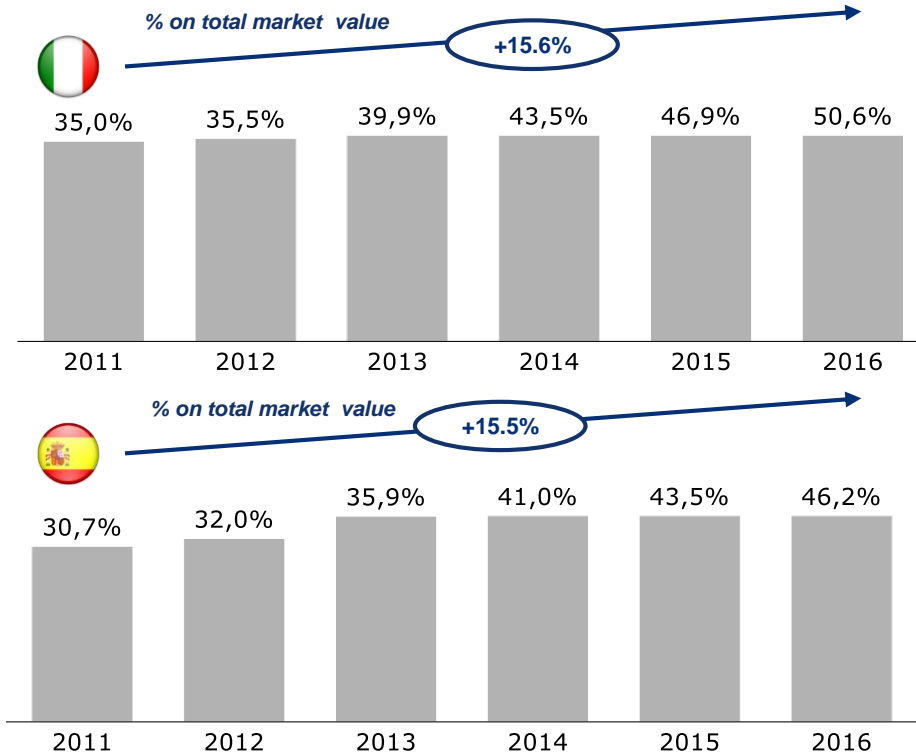
### Data Center Services Italian Market Evolution

Note: IaaS includes both Virtual Private Cloud and Public Cloud  
Source: Internal estimates on Sirmi, Gartner and Assinform

## 4 Distributors' route gaining share vs direct model



### ICT market: share intermediated by distributors in Italy and Spain (% / 2011-2016)










### Role of distributors is expected to increase since...

- ... deflation in the hardware market is making direct sales less attractive
- ... IT offering is experiencing increasing complexity and heterogeneity
- ... small-medium enterprises using distributors as main route to market are growing share
- ... increasing channel usage by Vendors previously oriented to the direct sale
- ... new pure play vendors, focused on new technologies/ niche applications with value distributors as road to mass market

## 4 Increasing weight of distributor



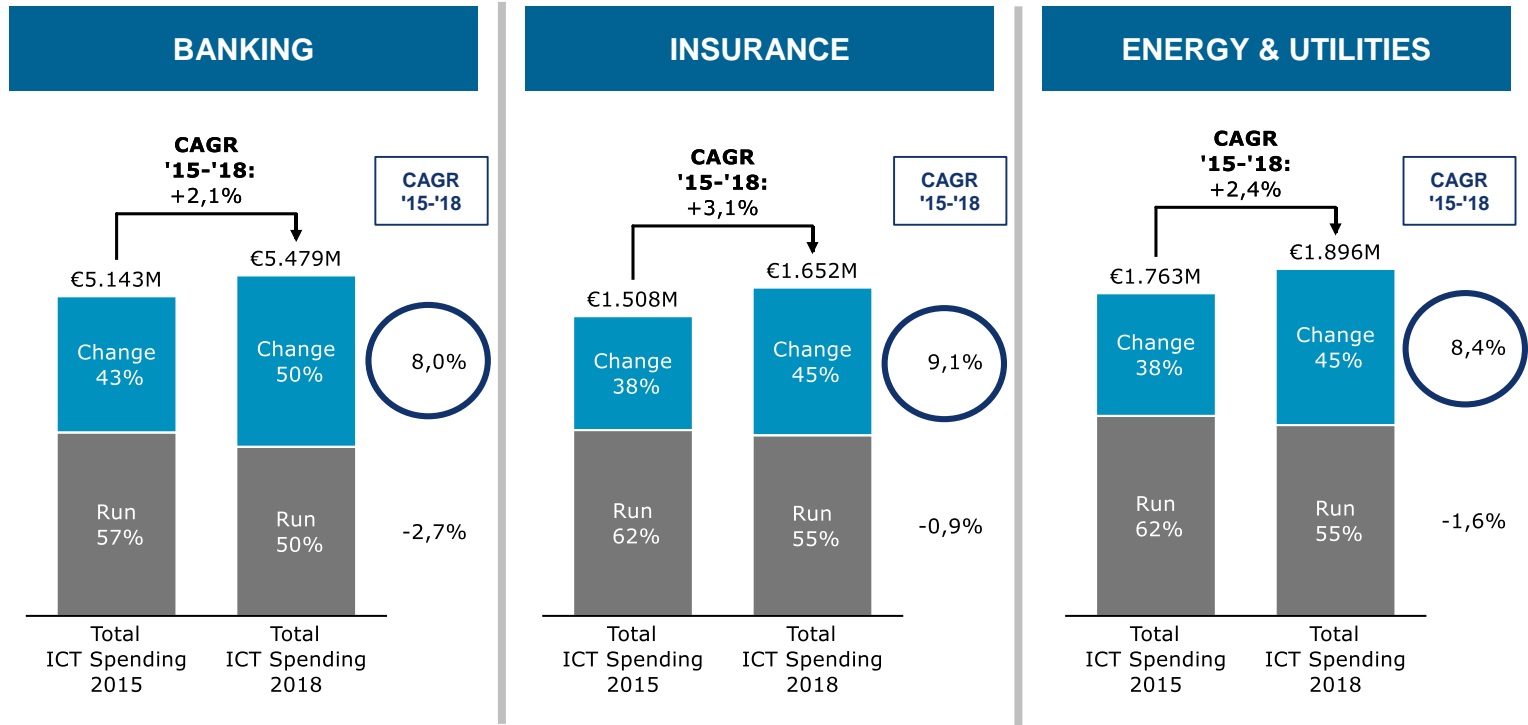
Increasing weight of distributor in line with worldwide trend and ICT & CE major vendors channel strategy

	Major Themes	Examples Of Recent Vendor Announcement
A	<ul style="list-style-type: none"> <li>Increase market penetration</li> </ul>	<ul style="list-style-type: none"> <li>Candy 'go-to-market' strategy leverages distribution channel to reach higher share of addressable market in Europe </li> </ul>
B	<ul style="list-style-type: none"> <li>Smartphone vendors switch go to market strategies</li> </ul>	<ul style="list-style-type: none"> <li>Smartphone vendors switching towards distribution mainly due to expansion in the market of new comers Chinese players, with no access to end market (eg. Spain) and by carriers not focusing on hardware </li> <li>in the short term, some carrier partner with vendors to provide attractive offer to customers and increase volumes (eg. Vodafone and Apple) </li> </ul>
C	<ul style="list-style-type: none"> <li>Expanding partner program to include cloud partners</li> </ul>	<ul style="list-style-type: none"> <li>Cisco &amp; HP created new cloud partner programs with the following features:                             <ul style="list-style-type: none"> <li>- new access to distributor network, increased access to MDF, technical support, dedicated financing &amp; flexible licensing/loans</li> </ul>   </li> </ul>
D	<ul style="list-style-type: none"> <li>Increasing indirect channel's share of total sales</li> </ul>	<ul style="list-style-type: none"> <li>~40% of sales through the channel reached in 2015, through:                             <ul style="list-style-type: none"> <li>- increased the customer revenue cutoff between enterprise (direct) and general business (indirect) from 500.0 euro/mln to 1.0 euro/bln</li> <li>- re-oriented its inside sales org to exclusively support channel partners by generating leads, helping cross-sell &amp; up-sell etc.</li> </ul>  </li> </ul>
E	<ul style="list-style-type: none"> <li>Increasing thresholds for top tiered partners and providing greater rewards</li> </ul>	<ul style="list-style-type: none"> <li>Citrix increased the standards and rewards for tiered partners:                             <ul style="list-style-type: none"> <li>- increased annual sales requirements &amp; # of certified sales &amp; technical people to 3.5 euro/mln and 16 people for platinum partners, 850 euro/000 and 7 people for gold partners</li> <li>- created more differentiated financial benefits to partners based on tiers</li> </ul>  </li> </ul>



Digital Transformation initiatives will drive the end market (business) IT spending switch from run to change

## Run vs Change ICT Spending 2015-2020 Evolution

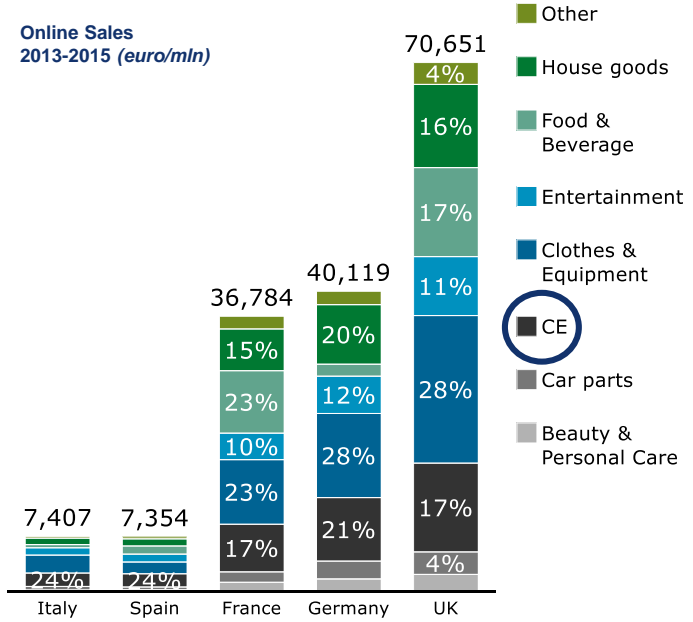


Source: Internal estimates on Assintel and IDC



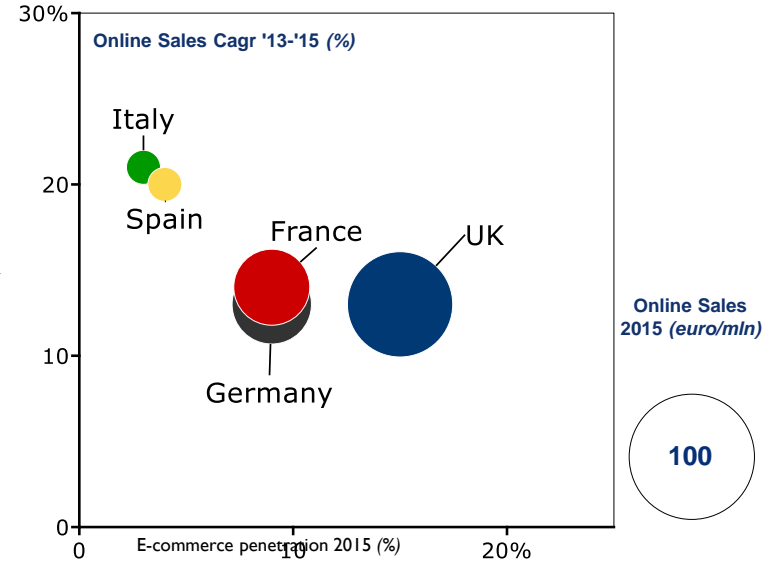
E-commerce in Italy and Spain at early stages compared to mature European countries (France, UK and Germany), growing at >20%agr

**E-commerce sales by country(euro/mIn | 2015)**



Consumer Electronic is second biggest E-commerce category in most markets

**Growth and penetration by country (% | 2013-2015)**



Italy and Spain have low E-commerce penetration but growth rates higher than other mature markets

Sources: Forrester 2016, MIP 2015, Bain analysis; excludes tourism



	KEY MARKET TRENDS	IMPLICATIONS FOR ESPRINET STRATEGY
Geography/ Macro-economic	<ul style="list-style-type: none"> <li>• <b>Improved macroeconomic outlook</b> within Esprinet reference markets (Italy, Spain, Portugal), in terms of:                             <ul style="list-style-type: none"> <li>- GDP growth</li> <li>- disposable income</li> <li>- IT spending</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Consolidate position in Italy and Spain</b> with objective to gain up to <b>5% MS in both markets</b></li> <li>• <b>Step-up in Portugal</b> with ambition of accelerated growth</li> <li>• Evaluate external growth options to enter at scale in other European markets only in a <b>second step</b></li> </ul>
Vendors	<ul style="list-style-type: none"> <li>• <b>Continued polarization of vendor base</b>, with dichotomy between:                             <ul style="list-style-type: none"> <li>- <b>consolidated base of big, mostly HW-oriented vendors</b> expanding established ecosystem across <b>consumer lifecycle</b> (eg. wearables, home, auto) with continuous focus on incremental innovation to sustain share</li> <li>- <b>fragmented base of small, niche pure play, SW-oriented vendors</b>, focusing on <b>emerging technologies</b> and innovative applications</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Value/Consolidated vendors:</b> <ul style="list-style-type: none"> <li>- invest in <b>logistics assets</b> to be the best partner as fulfiller while <b>differentiating with value added services</b> (e.g. category mgmt., CRM &amp; advanced analytics)</li> </ul> </li> <li>• <b>Niche/emerging vendors in IT Value:</b> <ul style="list-style-type: none"> <li>- reinforce <b>brand and offering</b> and fully support their <b>customer base enlargement</b>, also <b>taking advantage from specialist distributors</b> suffering from margin pressure and small scale</li> </ul> </li> </ul>
Categories and Service Offer	<ul style="list-style-type: none"> <li>• <b>Traditional IT &amp; CE</b> (e.g. smartphones), with <b>limited space for further disruptive innovation going forward</b> and pressure on sell-out prices</li> <li>• <b>Emerging technologies</b> and innovative applications (eg. IoT) <b>will drive value added IT &amp; CE products demand growth</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Focus towards value added / high margin categories</b> with growth potential (e.g. IT Value)</li> <li>• <b>Build role as distributor in emerging technology</b> value chain enlarging the customer base (e.g. installers for IoT sensors)</li> <li>• <b>Continue</b> developing as-a-Service value proposition (focus on <b>'printing' and 'cloud'</b>)</li> </ul>



## Distribution

### KEY MARKET TRENDS

- **Increased share of distribution intermediation** as vendor look for efficiency but also value added services in customer management
- **New categories** could shift from direct to indirect model (eg. white goods, industrial sensors & SW, etc.)
- **Consolidation of distribution landscape** could determine a **recovery of margins** (given both scale and less competitive pressure)
- Some categories still have a **fragmented distributors' base**

### IMPLICATIONS FOR ESPRINET STRATEGY

- Continue to lead **industry consolidation in Italy and Spain** to enable margin recovery process
- Develop **efficient vertical sales process** to address **emerging product categories** (e.g. industry IoT/sensors/wearables) and categories shifting to distribution (e.g. white goods)
- Evaluate potential **M&A on selected categories** (i.e. consumables, IT Value, niche vendors) to acquire **new contracts** and **capabilities** and **accelerate MS increase**

## Channel / End-market

- **Digital Transformation** initiatives **will drive the end market** (business) **IT spending switch** from run to change
- **E-commerce penetration will continue to grow**, mainly driven by pure players

- Develop **new services and integrated solutions** to **grow on VARs and SMB**
- **Develop ad-hoc coherent strategy** for e-tailers with focus on pure players:
  - invest in marketing to drive specific brands
  - proactively pursue 'long tail' products sales growth



# **Strategic guidelines and initiatives**



# Key actions and strategic initiatives (1/2)



## Traditional IT channels

- Corporate resellers solutions (Assoteam, vertical alliances)
- SMB value-added solutions (New Web site, CRM, C&C)
- Value-added retail solutions (OK Retail)



*Improve*

## Fulfillment consumer

- PCs/Mobility/Other CE Goods
- Retailer/E-tailer/Telco/Corporate/Public Sector

## Value solutions

- Traditional data center technologies (server, storage, software, networking)
- Videosurveillance/Auto-ID
- Key next generation technologies: Information Security, Managed Printing Solution, Cloud, Big Data, Hyperconvergence



*Expand*

## Accessories

- Mobility accessories (own brand «Celly», originals)
- IT accessories & components
- Office supplies

## Consumer Verticals

- Sport technology (own brand «Nilox»)
- White goods



*Real options*

## Key actions and strategic initiatives (2/2)



### Traditional IT channels

- Corporate resellers solutions (Assoteam, vertical alliances)
- SMB value-added solutions (New Web site, CRM, C&C)
- Value-added retail solutions (OK Retail)



Stabilize margin erosion, increase customer loyalty

### Fulfillment consumer

- PCs/Mobility/Other CE Goods
- Retailer/E-tailer/Telco/Corporate/Public Sector

Increase productivity in order to gain acceptable ROIC and free resources to re-direct towards more profitable segments

Capitalize on Vinzeo KH in Italy

### Value solutions

- Traditional data center technologies (server, storage, software, networking)
- Videosurveillance/Auto-ID
- Key next generation technologies: Information Security, Managed Printing Solution, Cloud, Big Data, Hyperconvergence



Increase profitability in less mature and growing businesses

Capitalize on Vinzeo acquisition in Spain and EDSLan in Italy

### Accessories

- Mobility accessories (own brand «Celly», originals)
- IT accessories & components
- Office supplies

Increase profitability in less mature and growing businesses

Fully leverage on Celly acquisition

### Consumer Verticals

- Sport technology (own brand «Nilox»)
- White goods



Longer term bets on potentially «transformational» opportunities

Capitalise on Nilox KH



# 2016-18E Financials



# Esprinet Group - Profit & Loss 2015-18E («as reported»)<sup>(1)</sup>



Esprinet Group  
Plan 2016-18E

(euro/mln)	Esprinet Group FY15A		Esprinet Group FY16E "as reported"		→	Esprinet Group FY18E		CAGR 15- 18E
Sales	2.694	100,00%	3.054	100,00%		3.752	100,00%	12%
Cost of sales	(2.537)	-94,18%	(2.886)	-94,52%		(3.542)	-94,39%	12%
<b>Gross Profit</b>	<b>157</b>	<b>5,82%</b>	<b>167</b>	<b>5,48%</b>		<b>211</b>	<b>5,61%</b>	<b>10%</b>
Other income			3	0,09%				
SG&A	(110)	-4,10%	(133)	-4,37%		(144)	-3,85%	9%
<b>EBIT</b>	<b>46</b>	<b>1,73%</b>	<b>37</b>	<b>1,21%</b>		<b>66</b>	<b>1,77%</b>	<b>13%</b>
D&A	3	0,11%	3	0,10%		3	0,09%	3%
<b>EBITDA</b>	<b>49</b>	<b>1,84%</b>	<b>40</b>	<b>1,30%</b>		<b>69</b>	<b>1,85%</b>	<b>12%</b>
Finance costs - net	(4)	-0,16%	(2)	-0,07%		(2)	-0,06%	
<b>Profit before taxes</b>	<b>42</b>	<b>1,57%</b>	<b>35</b>	<b>1,14%</b>		<b>64</b>	<b>1,71%</b>	<b>15%</b>
Taxes	(12)	-0,45%	(10)	-0,34%		(18)	-0,47%	
<b>Net profit</b>	<b>30</b>	<b>1,12%</b>	<b>24</b>	<b>0,80%</b>		<b>46</b>	<b>1,24%</b>	<b>16%</b>
Tax rate	29%		30%			27%		
<b>Var. % y-o-y</b>								
Sales				13%				
Gross Profit				7%				
EBIT				-21%				
EBITDA				-19%				

<sup>(1)</sup> Includes EDSLan and Vinzeo results only since their respective consolidation (08/04/16 and 01/07/16)



**Esprinet Group  
Plan 2016-18E**

(euro/mln)	Esprinet Group FY15A		Esprinet Group FY16E "pro-forma"		→	Esprinet Group FY18E		CAGR 15- 18E
Sales	2.694,1	100,00%	3.292,7	100,00%		3.752,2	100,00%	12%
Cost of sales	(2.537,2)	-94,18%	(3.115,5)	-94,62%		(3.541,6)	-94,39%	12%
<b>Gross Profit</b>	<b>156,9</b>	<b>5,82%</b>	<b>177,2</b>	<b>5,38%</b>		<b>210,6</b>	<b>5,61%</b>	<b>10%</b>
Other income			2,7	0,08%				
SG&A	(110,4)	-4,10%	(140,8)	-4,28%		(144,3)	-3,85%	9%
<b>EBIT</b>	<b>46,5</b>	<b>1,73%</b>	<b>39,1</b>	<b>1,19%</b>		<b>66,2</b>	<b>1,77%</b>	<b>13%</b>

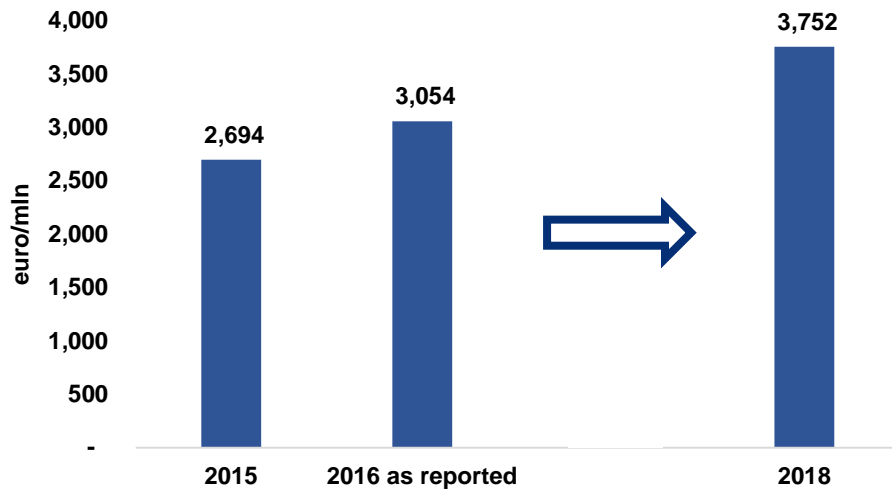
**Var. % y-o-y**

<b>Sales</b>	<b>22%</b>
<b>Gross Profit</b>	<b>13%</b>
<b>EBIT</b>	<b>-16%</b>

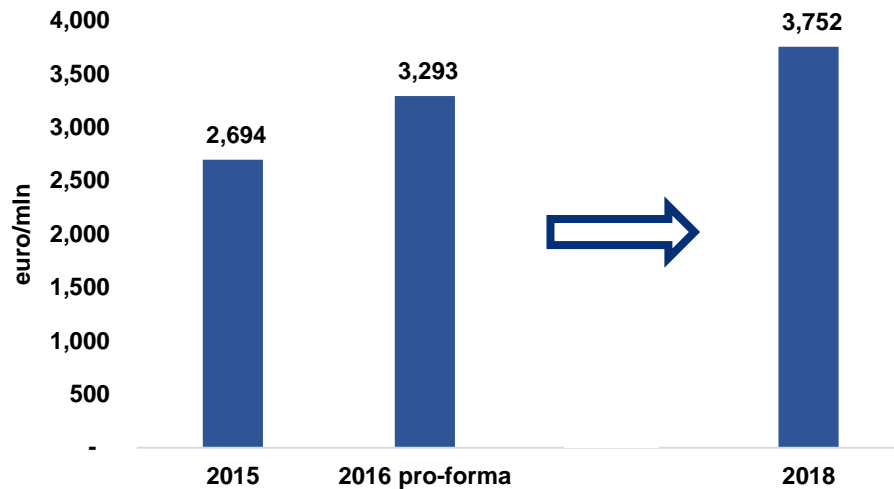
<sup>(2)</sup> Includes EDSLan and Vinzeo results since January 1<sup>st</sup>, 2015



### Sales 2015 - 2018 (as reported)



### Ricavi 2015 - 2018 (pro-forma)

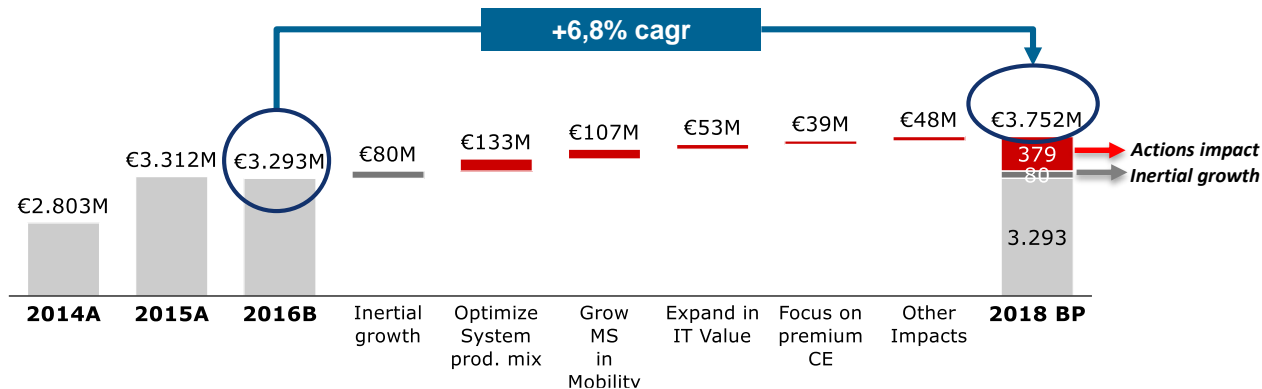




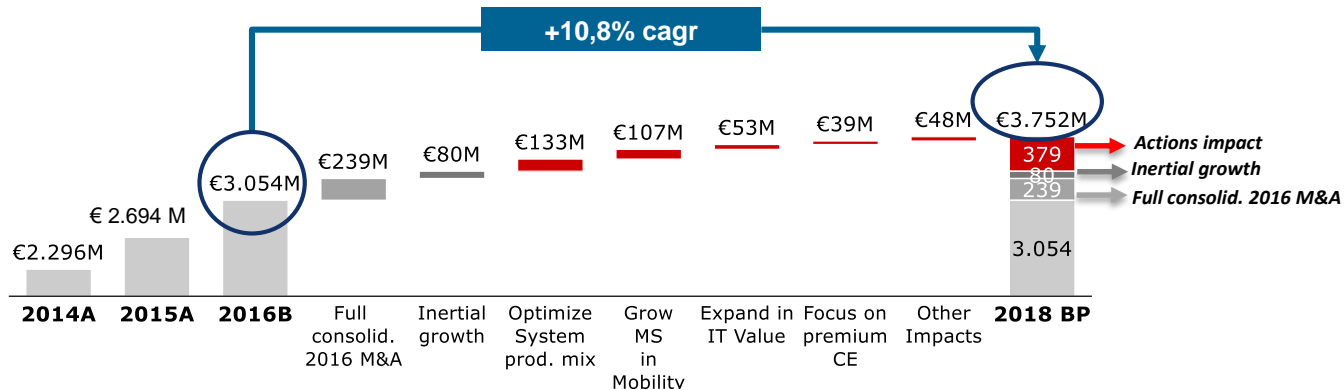


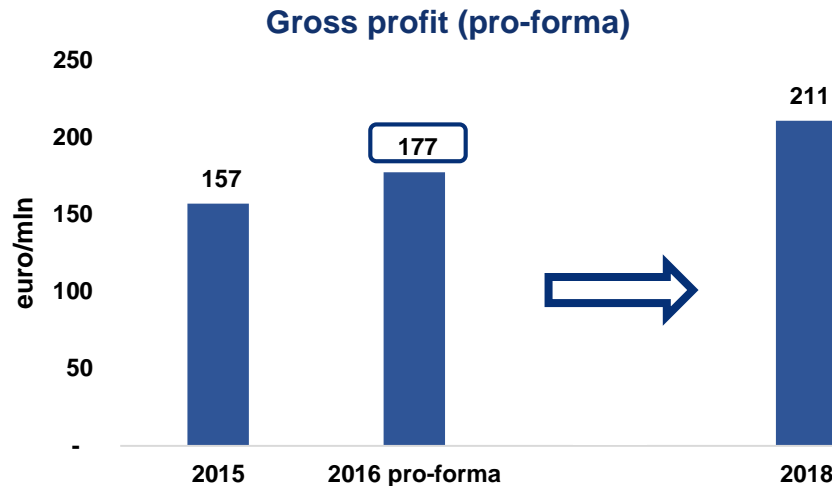
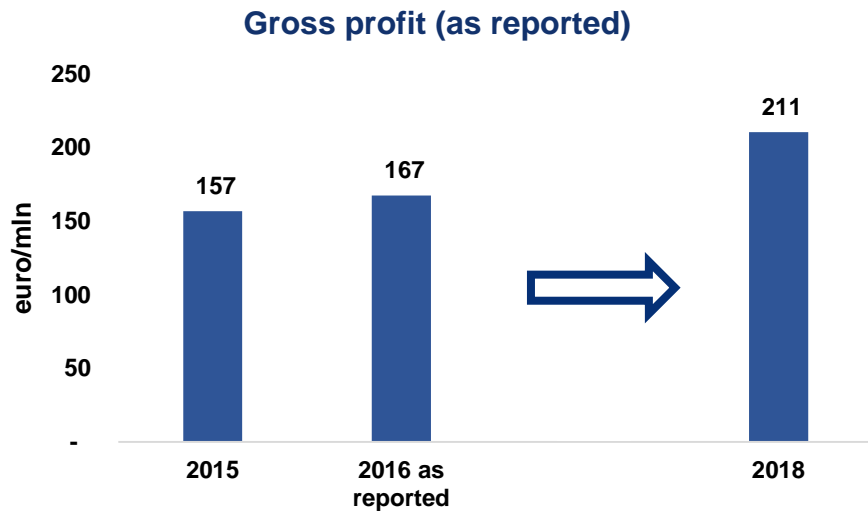
(euro/mlin)

Including 2016 M&A Pro-forma since 2014FY



Including 2016 M&A since date of incorporation (as reported)



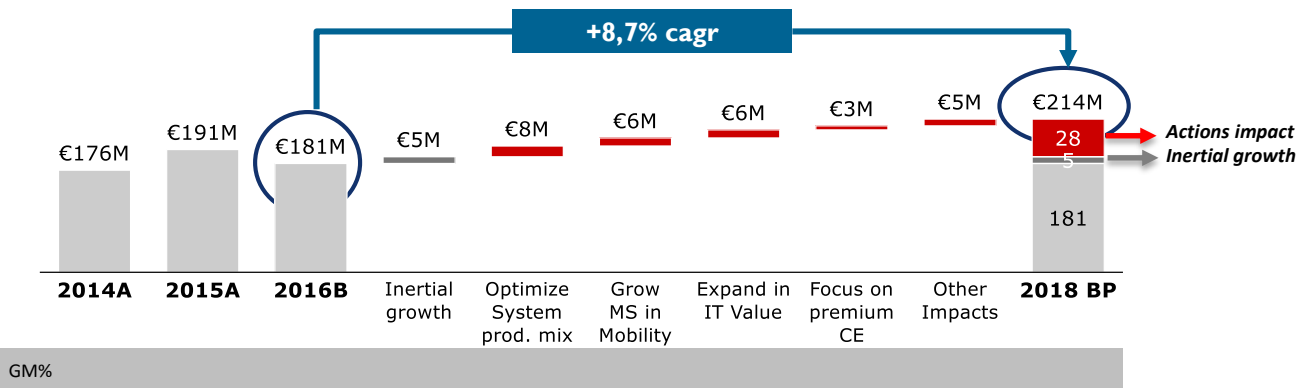


# Gross margin<sup>1</sup> bridge 2014A/2018E

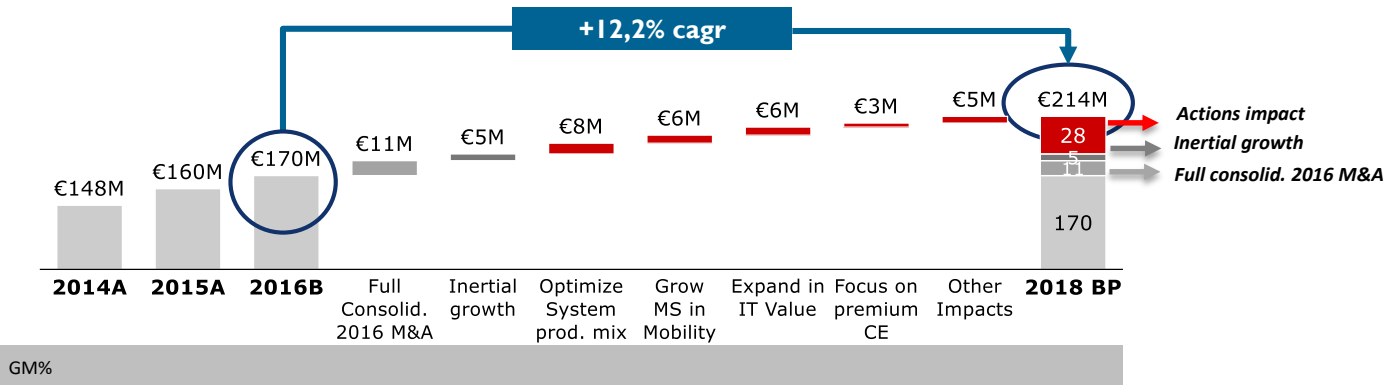


(euro/mlin)

Including 2016 M&A Pro-forma since 2014FY



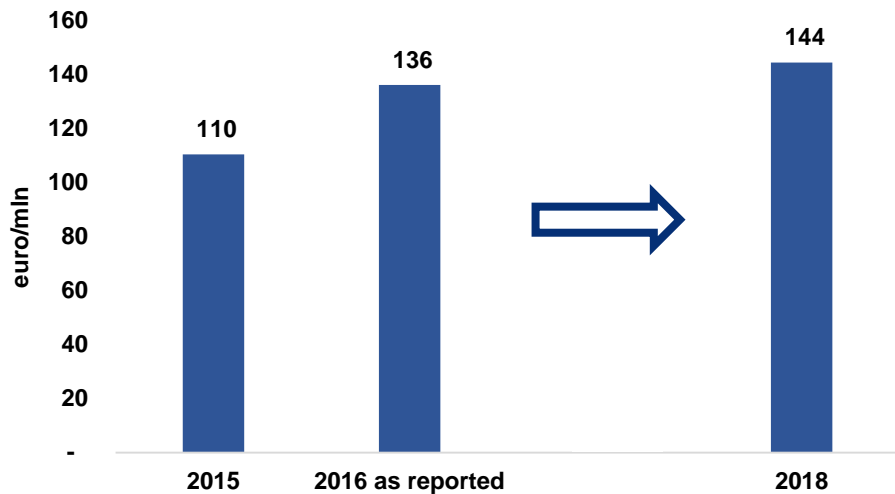
Including 2016 M&A since date of incorporation (as reported)



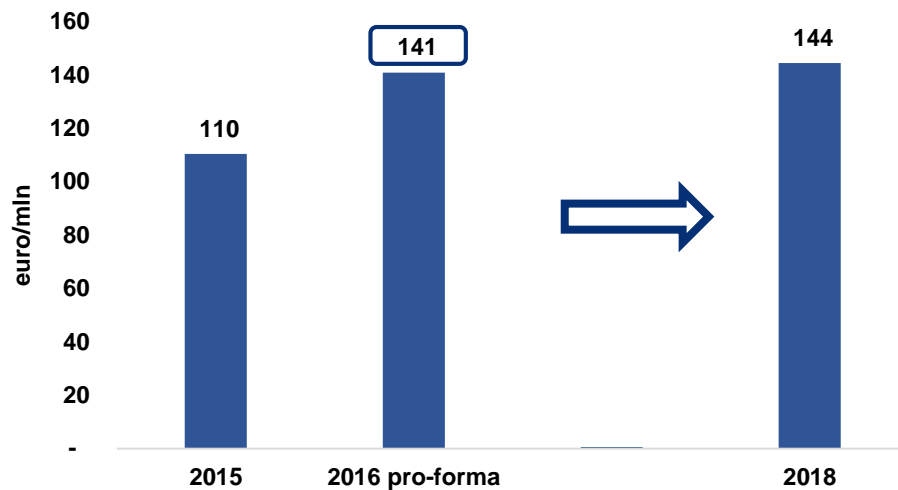
<sup>(1)</sup> Eg. Gross profit gross of transportation costs



### SG&A (as reported)



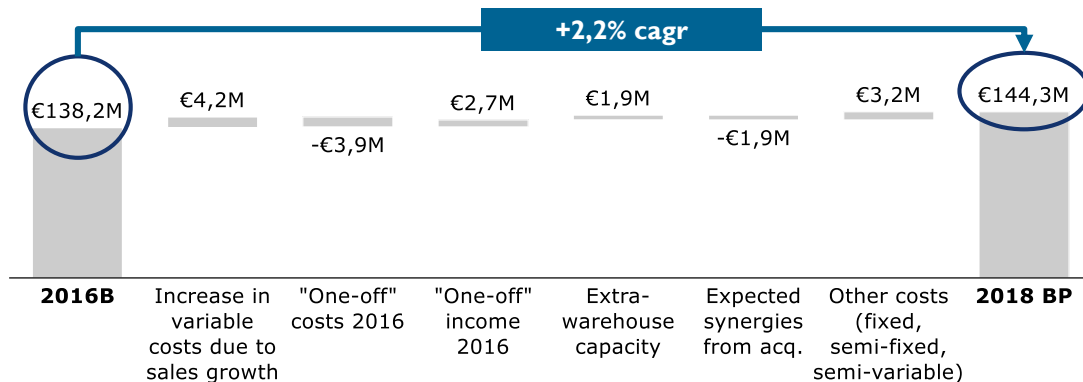
### SG&A (pro-forma)





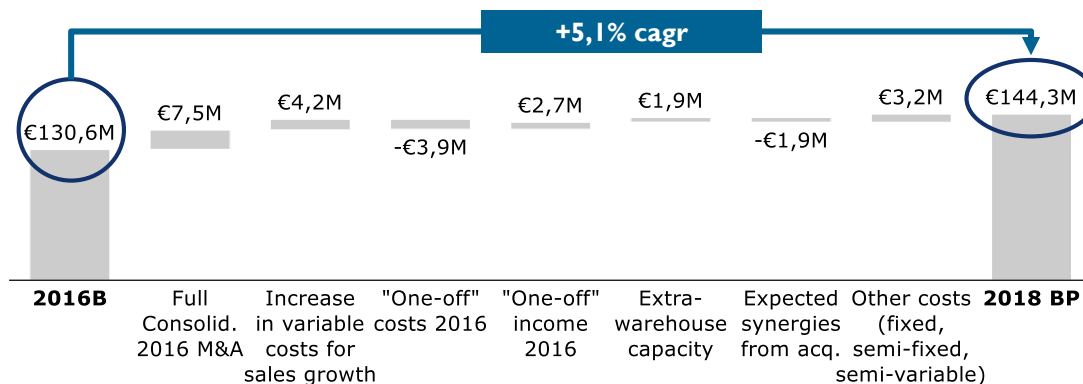
(euro/mln)

Including  
2016 M&A  
Pro-forma  
Full Year

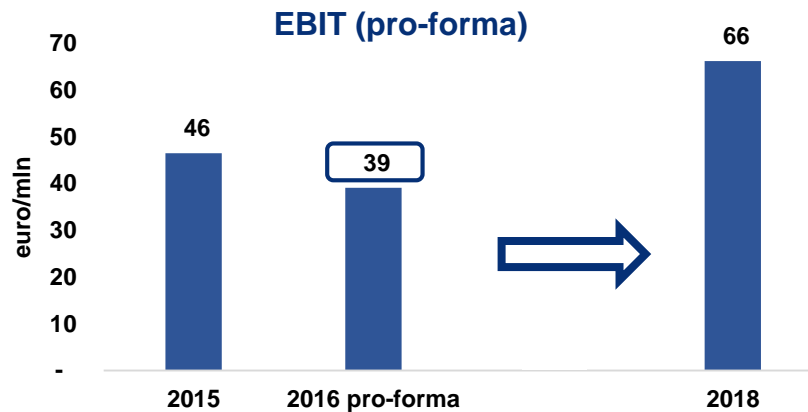
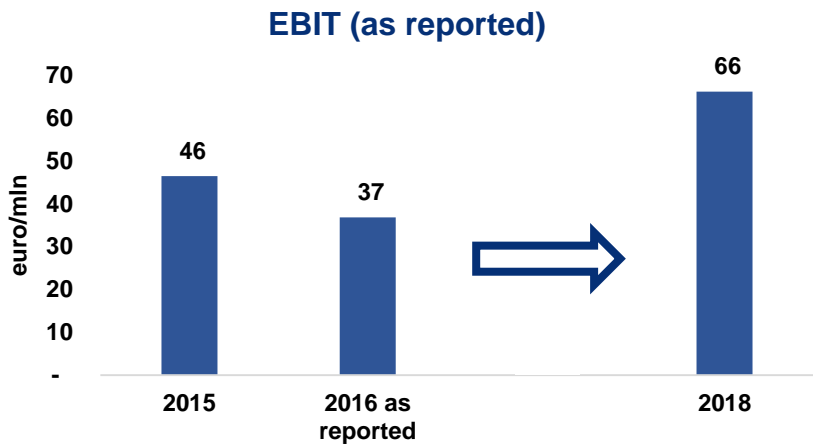


- 6,1 mln euro SG&A increase mainly due to growth in sales (4,2 mln), «one-off» income disappearance (2,7 mln, eg. EDSLan acquisition «badwill» accounted in 2015) and extra-warehouse capacity (1,9 mln mainly for higher leases)
- 3,9 mln euro «one-off» costs positive effect due to lack of costs sustained in previous year for M&A activities
- Expected synergies of 1,9 mln (overhead reduction in EDSLan and warehouse concentration in Vinzeo)

Including  
2016 M&A  
since date of  
incorporation (as  
reported)



- 2016 M&A: 'one-time' costs of 3,0 mln to achieve total yearly cost synergies of 1,9 mln within two years (without considering any positive effect on productivity coming from spanish warehouse optimization due to concentration in Saragoza logistic site).



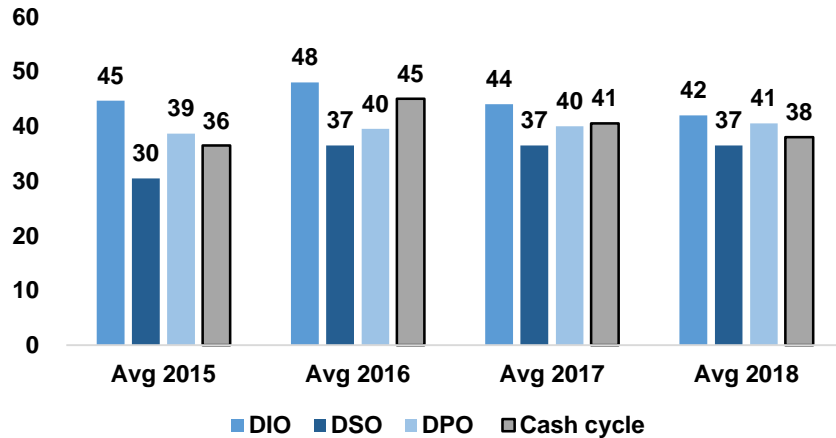
# Key drivers on operating working capital (1/2)



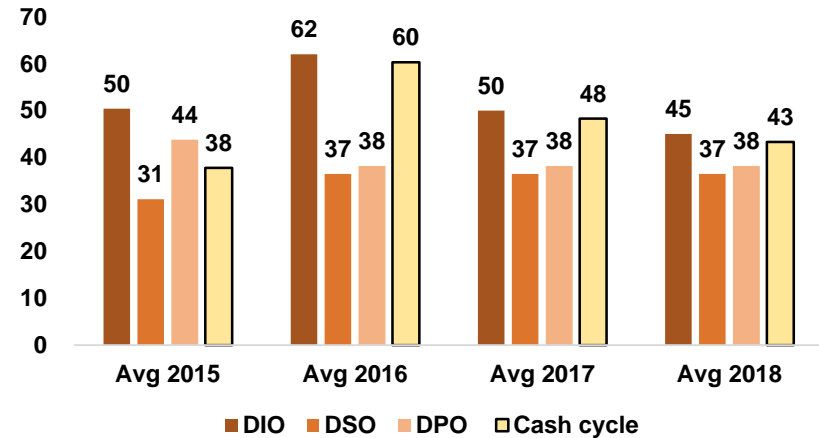
Esprinet S.p.A. and Esprinet Iberica working capital improvement from spike in 2016 mainly due to the following:

- expected de-stocking of «retail» products both in Italy and Spain;
- increased weight of mobility devices enjoying better rotation;
- higher efficiency in credit notes cash-in in Italy;
- stabilising utilization of 'non recourse' factoring schemes and 3-year securitization program (Esprinet Italy+VV).

### WC Days Esprinet S.p.A. & V-Valley



### WC Days Esprinet iberica

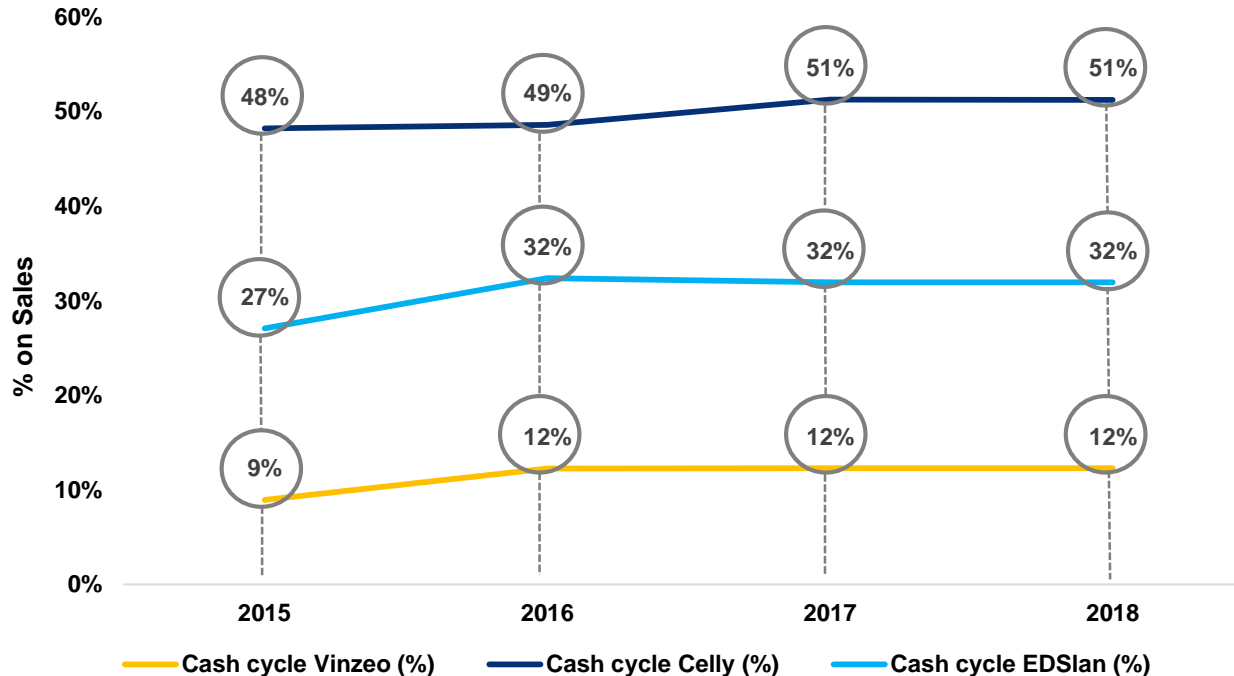


## Key drivers on operating working capital (2/2)



Vinzeo, EDSIan and Celly to maintain same efficiency in working capital management as expressed by 2016 % of sales.

Stabilising utilization of 'non recourse' factoring schemes (Vinzeo).





# Corporate Governance



## Star requirements / Compliance to Corporate Governance Code



Esprinet is listed in the STAR Segment the market segment of Borsa Italiana's equity market (MTA-Mercato Telematico Azionario) dedicated to mid-size companies with a capitalization less than 1.0 euro/bln, which voluntarily adhere to and comply with a number of strict requirements:

- high transparency, disclosure requirements and liquidity (free float of minimum 35%);
- Corporate Governance in line with international standards.

Major requirements to maintain the STAR 'status' are the following:

- interim financial statements available to the public within 45 days from the end of first, third and fourth quarter;
- favourable auditor's report on their latest individual and consolidated annual financial statements;
- consolidated annual financial statements not challenged by Consob;
- bi-lingual publication on the websites (Italian and English) post interim management statements, yearly financial reports, half-yearly financial reports, consolidated annual financial statements (together with any other information specified by Borsa Italiana in the Instructions);
- mandatory presence of a qualified investor relator and a "specialist" [eg. an intermediary charged (a) to display continuously bids and asks subject to certain limits, (b) produce researches on the issuer and (c) organise meetings between the management and professional investors];
- adoption of the organisational, operational and control models provided for in art. 6 of Leg Decree 231/2001;
- application of Corporate Governance Code in relation to (i) composition of the Board Of Directors, (ii) the role and functions of non-executive and independent directors, (iii) the creation and working of internal committees of the Board Of Directors, (iv) remuneration of directors (v) appointment of a control and risk committee.

Esprinet is fully compliant<sup>(1)</sup> with the Code of self-discipline (Corporate Governance Code).

<sup>(1)</sup> With two minor exceptions which are explained as permitted by the Code

# Board of directors' profile



**Francesco Monti**, was born in Bovisio Masciago on 1st April 1946. He was among the founding members of Comprel where he served as the Sole Executive.

He served as Chairman of Comprel beginning in 1983 and, following the merger with Celomax, he has served as **Chairman** of Espritel.



**Maurizio Rota**, was born in Milan on 22 December 1957. After his early professional experiences as sales supervisor for companies operating in the information technology industry, in 1986 he founded Micromax, serving as the company's Chairman.

Today Mr. Rota is the **Vice Chairman** and **Chief Executive Officer** of Espritel.



**Alessandro Cattani**, was born in Milan on 15 August 1963. After completing his first degree in electronic engineering, he earned a management Master ("CEGA") at the Bocconi University in Milan.

From 1990 to 2000 Mr. Cattani worked on the development of management consulting projects and he currently serves Espritel as **Chief Executive Officer**.

Name	Position	Exec.	Ind.	Strategy Comm.	Control and risk Comm.	Remun. and appointment Comm.	Comp. and sustainability Comm.
Francesco Monti	Chairman	X		X			
Maurizio Rota	CEO Deputy Chairman	X		X			
Alessandro Cattani	CEO	X		X			X
Valerio Casari	CFO	X					X
Matteo Stefanelli	Director			X			X
Tommaso Stefanelli	Director			X			X
Marco Monti	Director			X			
Mario Massari	Director		X		X	X	
Andrea Cavaliere	Director						
Chiara Mauri	Director		X		X	X	
Cristina Galbusera	Director		X			X	
Emanuela Prandelli	Director		X				

## Shareholders agreement



Approximately 32.1% of total shares are locked up into a shareholders agreement signed on February 24th 2016 with effectivity and validity in force until 19<sup>th</sup> February 2019.

More particularly the agreement involves n. 16,819.135 Esprinet ordinary shares (PRT.MI) out of 52,404,340, total shares, as better described in following table below, and provides, inter alia, for an agreement (i) to vote the members of Esprinet's Board of directors/Board of statutory auditors and (ii) to limit the transfer of shares.

Shareholder	N° ordinary shares locked-up	% on total issued shares	% on total locked-up shares
<b>Total</b>	<b>16,819.135</b>	<b>32.095%</b>	<b>100.000%</b>
Francesco Monti	8.232.070	15,709%	48.945%
Paolo Stefanelli	3,900,000	7.442%	23.188%
Tommaso Stefanelli	750,000	1.431%	4.459%
Matteo Stefanelli	750,000	1.431%	4.459%
Maurizio Rota	2.652.458	5.010%	15.610%
Alessandro Cattani	561.607	1.072%	3.339%

# Corporate Social Sustainability





**LEED Platinum**

**Certification**

for the environmental sustainability  
of the administrative building

**100% energy**  
from renewable  
**sources**

**-24%**

Natural gas consumption  
2015 vs 2014

**180 events**

on the territory

attended by **6.760**

**customers**

**Initiatives in the  
territory**

with:

Comitato Maria Letizia Verga,  
AVIS, Ospedale San Raffaele,  
Comune di Vimercate

Integrated management system

**Quality,  
Environment,  
Health and  
Safety**

**661**

workforce employees

**53%**

of new recruits in 2015  
aged under 30 years

**89%**

Employees involved in  
the work performance  
appraisal process

**53%**

female representation



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