ESPRINET: STRONG GROWTH IN THE FIRST QUARTER AND SOUND FINANCIAL POSITION TO MEET THE CHALLENGES OF COVID-19

- **SALES FROM CONTRACTS WITH CUSTOMERS: € 913.8 million, +4% (Q1 2019: € 875.5 million)**
- **EBIT: € 8.3 million, +24% (Q1 2019: € 6.7 million)**
- **NET INCOME: € 3.9 million, +34% (Q1 2019: € 2.9 million)**
- **ROCE: 8.7% (Q1 2019: 8.1%)**
- **CASH CONVERSION CYCLE: 20 days (Q1 2019: 27 days)**
- **NET FINANCIAL INDEBTEDNESS: € 127.1 million (€ 20.4 million before Lease liabilities - IFRS 16); at 31 December 2019 a surplus of € 272.3 million**
- **DEBT-TO-EQUITY: 0.35 (0.06 before IFRS 16)**

Vimercate (Monza Brianza), 12 May 2020 - The Board of Directors of ESPRINET (PRT:IM), which met today under the chairmanship of Maurizio Rota, has approved the **Interim Management Statement as at 31 March 2020**, prepared in accordance with the IFRSs.

Alessandro Cattani, CEO of ESPRINET: *"We are very pleased to report that in this past quarter, against a 4% growth in sales, the main performance indicators showed a significant improvement: EBIT stood at 8.3 million Euro (+24%), Cash Conversion Cycle closed at 20 days (-7 days compared with the first quarter of 2019) and ROCE stood at 8.7% (8.1% in the first quarter of 2019). This is even more significant in the light of the context that developed in the second part of the quarter. From the onset of the Covid-19 emergency, our absolute priority has always been to protect the health of our employees and to guarantee continuity of the IT production chain which is essential and strategic for the countries where we operate to function properly. Moreover, in March we have experienced some difficulties in receiving shipments from suppliers mostly dependent on plants located in China and South Korea that have been strongly impacted by the restrictive measures implemented by the respective Governments.*

We are addressing with decisiveness and determination the year 2020, with all the challenges and uncertainties due to the fact that the duration and intensity of this health emergency and the consequent socio-economic crisis are still not predictable, nor is the efficacy of the counter-cyclical policies promoted in the different countries and within the EU: in fact we have, as of now, adopted important measures aimed at mitigating the financial impact of Covid-19, based on cost-savings, optimal management of working capital and the strengthening of our financial structure. Thanks to the outcomes of these actions, the Group believes that it will be able to contain the unavoidable effects that will result from a predictable contraction in business volumes. In 2020, we will be focusing in maximising customer satisfaction in order to improve customer loyalty and to support operating profitability.

While looking forward to the immediate future, when the emergency scenario will be replaced by a more favourable macro-economic scenario, we will continue on our path of a medium-term organic development leveraging on our strong competitive positioning and on our economic-

financial soundness. The fundamentals of the distribution sector continue to be robust and the medium-term forward looking estimates attribute an even increasing role to distribution within the ICT production chain as well as a consequent greater use of the "indirect channel". We believe that the current emergency phase, combined with the historical buoyancy of the distribution sector toward a stronger consolidation, may induce some medium-small sized operators to accelerate their generational transition processes and within this scope, the Group will be well positioned to seize the opportunities that will emerge."

EVOLUTION OF THE MAIN VALUE INDICATORS

In order to measure the quality of its performance, the Group has identified in **ROCE ("Return on Capital Employed")** the key indicator that can best capture the generation of value for the shareholders: in the first quarter, it showed a **significant increase**, **standing at 8.7%,** compared with 8.1% in the first quarter of 2019.

(€/millions)	Q1 2020	Q1 2019	FY 2019	FY 2018
LTM EBIT [1]	40.7	41.9	39.1	41.0
Average net invested capital [2]	350.7	383.3	294.3	323.2
Cash Conversion Cycle (days) [3]	20	27	23	27
ROCE [4]	8.7%	8.1 %	9.8%	9.4 %

[1] Equal to the sum of the EBITs of the last four quarters.
[2] Equal to the average of "Loans" at the closing date of the period and at the four previous quarterly closing dates (excluding the equity effects of IFRS 16).
[3] Equal to the days of turnover of operating net working capital calculated as the sum of trade receivables, inventories and trade payables.
[4] Equal to the ratio between (a) EBIT – excluding the effects of IFRS 16 – net of taxes calculated at the effective tax rate of the last set of published annual consolidated financial statements, and (b) average net invested capital.

The main changes related to this trend, can be summarised as follows:

- **LTM EBIT** amounted to 40.7 million Euro, a slight decrease (-3%) compared to the LTM EBIT of the first quarter of 2019 (41.9 million Euro);
- the "**NOPAT - Net Operating Profit Less Adjusted Taxes**" showed a 2% decline due to the lower tax rate applied (25% against 26%);
- the **Average Net Invested Capital**, measured before the effects of the IFRS 16 introduction, showed a greater decrease (-9%) due to the lower Average Net Working Capital;
- the **Cash Conversion Cycle** showed a continuous improvement trend and closed at 20 days (-14 days compared to the peak at the beginning of 2018) with a 3 days sequential improvement and a 7 days improvement versus the first quarter of 2019, due essentially to a better turnover of the inventory.

MAIN CONSOLIDATED RESULTS IN THE FIRST QUARTER OF 2020

In the first quarter, the activities of the Group were not subject to any interruptions thanks to the reaction and contingency plans, based on smart-working, that were implemented and thanks to strict health protocols aimed at guaranteeing the necessary health and safety conditions for the personnel working in the logistics area. Only 4Side ("gaming") and Celly ("accessories for mobile phones") suspended their operations starting in the middle of March.

Sales from contracts with customers stood at 913.8 million Euro, an increase of 4% compared with 875.5 million Euro in the first quarter of 2019.

(€/millions)	**Q1 2020**	**Q1 2019**	**Var. %**
Italy	595.7	577.3	3%
Spain	298.3	282.3	6%
Portugal	11.3	7.8	45%
Other EU countries	5.8	3.4	71%
Other countries outside of the EU	2.7	4.7	(43)%
Revenues from contracts with customers	**913.8**	**875.5**	**4%**

The reference markets of the Group showed a growth of 7% in Italy and 3% in Spain, respectively (source: Context, April 2020). The Esprinet Group posted a more favourable trend in the Spanish activities (+6%) than in the Italian ones (+3%). Sales within the Portuguese territory marked a +45% performance, rewarding the investments made in marketing and the strengthening of the local presence.

(€/millions)	**Q1 2020**	**Q1 2019**	**Var. %**
PC (notebook, tablet, desktop, monitor)	325.2	310.6	5%
Printers and consumables	105.1	111.2	(5%)
Other products	56.3	63.6	(11%)
Total IT Clients	**486.6**	**485.4**	**0%**
Hardware (networking, storage, server and other)	95.1	108.2	(12%)
Software, Services, Cloud	44.8	35.2	27%
Total Advanced Solutions	**139.9**	**143.4**	**(2%)**
Smartphones	237.0	181.5	31%
Domestic appliances	10.0	10.0	0%
Gaming (hardware and software)	3.7	3.4	9%
Other products	28.9	36.4	(21%)
Total Consumer Electronics	**279.6**	**231.3**	**21%**
Reconciliation adjustments	7.7	15.4	(50%)
Revenues from contracts with customers	**913.8**	**875.5**	**4%**

The analysis of **Sales by product** showed a significant increase in the Consumer Electronics segment (279.6 million Euro, +21%), driven by a +31% growth in Smartphones. The IT Clients segment showed a substantial stability (486.6 million Euro) due to a significant re-mix between PC (+5%) and Printers and Consumables (-5%).

(€/millions)	**Q1 2020**	**Q1 2019**	**Var. %**
Retailers & E-Tailers	384.4	362.7	6%
IT Resellers	521.7	497.4	5%
Reconciliation adjustments	7.7	15.4	(50%)
Revenues from contracts with customers	**913.8**	**875.5**	**4%**

The breakdown of **Sales by customer type** showed a robust growth in both the Consumer and the Business segments.
Gross Commercial Margin stood at 42.3 million Euro, up by 3% compared with the first quarter of 2019 (41.0 million Euro) due to higher revenues with a substantial equal percentage margin

(4.63% against 4.68%) and despite the dilution effect associated with the loss of revenue by Celly due to a partial discontinuation of its operations.

EBIT stood at 8.3 million Euro and showed a strong increase compared with the first quarter of 2019 (+24%) due to the operating leverage effect on greater volumes, a reduction in operating costs (-1%) and despite the negative contribution of Celly equal to 0.5 million Euro.

Income before taxes, in the amount of 5.9 million Euro, showed a 40% improvement that benefited from lower bank interest expense, equal to 0.7 million Euro, from the lower use of bank facilities as well as from the lower cost of gross indebtedness.

Net income, amounting to 3.9 million Euro, increased by 34% (2.9 million Euro in the first quarter of 2019).

Equity and financial indicators confirm the strength of the Group.

The distribution of technology is characterised by a **high degree of seasonality** and consequently the invested capital, in support of the business, is also subject to relevant fluctuations. In particular, Net Working Capital shows a significant difference between the situation at 31 December and the later situation at 31 March, also due to the effects of the channel support plans implemented by the main suppliers in the periods of seasonal peak.

Net Invested Capital at 31 March 2020 amounted to 489.0 million Euro and was covered by:

- **Shareholders' equity**, including non-controlling interests, of 361.8 million Euro (versus 359.0 million Euro at 31 December 2019);
- **Net financial position** negative by 127.1 million Euro (compared with a positive net financial position of 272.3 million Euro at 31 December 2019). At 31 March 2020, the Debt/Equity ratio was 0.35x.

Gross of liabilities recognised according to the IFRS 16 ("Leases"), the Net Financial Position at 31 March 2020 was negative by 20.4 million Euro, with a Debt/Equity of 0.06x.

At 31 March, the net financial position was affected by technical factors such as the seasonal nature of the business, the trend of without-recourse assignment of trade receivables (factoring, confirming and securitisation) and changes in the behaviour patterns of the customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the quarter. The afore-mentioned factoring and securitisation plans, which define the complete transfer of risks and benefits to the buyers and therefore contemplate the de-consolidation of receivables from the statement of financial position assets in compliance with IFRS 9, determine an overall effect on the level of consolidated net financial debt at 31 March, quantifiable in 401.5 million Euro (Euro 480.1 million at 31 December 2019).

EVENTS AFTER 31 MARCH 2020 AND OUTLOOK

Subsequent to the closing of the quarter, we have witnessed a continuation of the Covid-19 emergency and the adoption by the European Governments of increasingly restrictive measures applied to the movements of people, as well as the blocking of trading and production activities.

In order to cope with this emergency, a "task force" was set up which, in light of the provisions issued from time to time by the competent authorities and taking into account the fact that the Group belongs to a technological sector deemed as "essential", it has consistently promoted and checked on all the preventive measures aimed at ensuring the continuity and the efficiency of the Group's activities, while preserving the health and safety of all employees and contractors. The Group has launched Business Continuity plans through the extension of smart-working to 100% of the corporate population not operating in warehouses. The measures for protecting the health of the employees, in compliance with the Companies-Trade Unions protocols and in reference with employees operating in the centralised logistics and in cash&carry under the trademark "Esprivillage", were promptly and appropriately implemented.

Taking into account the current uncertainties concerning the duration and severity of the health emergency and the socio-economic crisis arising from Covid-19, as well as the time frames for an increasing attenuation of the measures aimed at containing the epidemic, it is not currently possible to properly assess any potential impacts that this epidemic may have, over the current period, on the economic, equity and financial position of the Group. The uncertainties related to the intensity of the expected recession and to the efficacy of the anti-recession policies that will be implemented in the different countries and within the EU will carry a considerable weight.

Over the lockdown period, the Group has continued to operate thanks to the activation of the necessary control systems applied to business continuity and the compliance with the health protocols for the protection of the health and the safety of employees and contractors. Also the market segment where the Group operates, i.e. ICT production, distribution and marketing in Italy and Spain, was not subject to any interruptions.
In the two-month period, March and April, some difficulties were experienced in receiving the shipments from suppliers mostly dependent on plants located in China and South Korea, which were strongly impacted by the initial restrictive measures adopted there. This situation is slowly normalising and for the month of May the expectations are for a substantially full come-back of the production lines with some remaining critical areas regarding the notebooks and some electronic consumables.

As for the demand, the consensus of the analysts is that it is not yet sufficiently stable. It is estimated that the GDP, over the second quarter in the countries where the Group operates (Italy, Spain and Portugal), will fall by 8/10%, with a recovery starting already in the third quarter driven by the durable goods segment.
The positive performance of the first quarter of 2020 does not say much about the trends of the next few months, since it developed within a time frame that was only partially affected by the explosion of the pandemic emergency.
In this regard, the 19% decline in sales in April was even more significant (-22% in Italy and -15% in Spain) to be partially attributed to a lack of products specifically in the areas where the demand for smart-working and e-learning devices was much higher (essentially PC and tablets).

The signs that the market is giving seem to indicate a difficult period for the "Advanced Solutions" product segment, in particular the segment related to data centre solutions, due to the prolonged closure of many companies and the difficulty by the System Integrators and the Value Added Resellers to close complex projects that are typically related to these types of solutions operating exclusively in remote mode.
The continuous growth of the Cloud and Software segment seems to be confirmed also due to the current and future investments planned by companies and government institutions to guarantee the remote operations of their activities.
In April the IT Reseller channel showed a resilience that was also driven by many smart-working projects, carried out by companies and public bodies, whereas the channel of physical retailers suffered a pervasive collapse of volumes due to the long period of closure of the sales points, only partially offset by the better performance of online sales.

Given the above, the Company will provide updates on the expected business trends as soon as some reliable visible conditions materialise that will make it possible to formulate more accurate estimates of the impact caused by the Covid-19 emergency.

Because of the depressive effect on the growth rates of the economies, both in Italy and in Spain, the Group has devised and implemented a number of **measures aimed at mitigating the financial impact of Covid-19**, based in particular on cost savings, optimal management of working capital and strengthening of the financial structure. With reference to the latter, it was decided not to propose any distribution of dividends in 2020 and not to bear any additional costs for the repurchase of own shares, thus submitting to the Shareholders' Meeting, to be held on 25 May, the revocation of the buy-back plan that had been approved in 2019.

Thanks also to the results from these actions, the Group believes that it will be able to mitigate the effects due to a predictable decrease in the business volume for the current period.
Finally, when the emergency scenario is replaced by a more favourable macro-economic context, the Group will be able to leverage on its strong competitive positioning and on the soundness of its economic-financial fundamentals which will make it possible to continue on the path of an organic development and value creation in the medium term. In 2020, the Group will continue to pay the utmost attention to maximising customer satisfaction in order to improve customer loyalty and to support operating profitability.
It must be noted that the fundamentals of the distribution sector continue to be robust and actually the medium-term forward looking estimates attribute an even increasing role to distribution within the ICT production chain as well as a consequent greater use of the "indirect channel".
The Group believes that the current emergency phase, combined with the historical buoyancy of the distribution sector toward a stronger consolidation, may induce some medium-small sized operators to accelerate their generational transition processes and that the Group may be in an advantageous position for seizing the opportunities that will emerge.

The officer charged with the drawing up of the accounting documents of the Company, Pietro Aglianò, declares that, in compliance with the provisions of paragraph 2 of art. 154-bis of Legislative Decree No. 58/1998 (T.U.F. - Finance Consolidation Act), the financial data shown in this press release corresponds to the findings resulting from accounting documents, books and accounting records.

The **Esprinet Group (PRT:IM – ISIN IT0003850929)** is the leading company in South Europe in the distribution of Information Technology and Consumer Electronics to IT resellers, VAR, System Integrators, specialised stores, retailers and e-commerce portals. With a consolidated turnover in 2019 of around Euro 4 billion, Esprinet ranks in the top 50 Italian industrial groups and in the top 10 distributors worldwide. Thanks to the work of its 1,300 employees and a business model based on the coexistence of different sales channels tailored to the specific characteristics of over 30,000 reseller clients, Esprinet markets approximately 130,000 different products from more than 650 worldwide producers through 140,000 square metres of managed warehouses in Italy, Spain and Portugal.

Press release available on www.esprinet.com

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Annexes: Summary of the consolidated earnings and financial results for the quarter ended 31 March 2020.

RECLASSIFIED CONSOLIDATED SEPARATE INCOME STATEMENT

(€/000)	Q1 2020	Q1 2019	% Var.
Sales from contracts with customers	**913,762**	**875,465**	**4%**
Cost of goods sold excl. factoring/securitisation	870,698	833,526	4%
Financial cost of factoring/securisation[1]	780	951	-18%
Gross Profit[2]	**42,284**	**40,988**	**3%**
Gross Profit %	*4.63%*	*4.68%*	
Personnel costs	16,884	16,266	4%
Other operating costs	13,472	14,381	-6%
EBITDA	**11,928**	**10,341**	**15%**
EBITDA %	*1.31%*	*1.18%*	
Depreciation and amortisation	1,121	1,175	-5%
IFRS 16 Right of Use depreciation	2,464	2,422	2%
	-	-	n/s
EBIT	**8,343**	**6,744**	**24%**
EBIT %	*0.91%*	*0.77%*	
IFRS 16 interest expenses on leases	848	1,046	-19%
Other financial (income) expenses	418	889	-53%
Foreign exchange (gains) losses	1,211	628	93%
Profit before income taxes	**5,866**	**4,181**	**40%**
Income taxes	1,929	1,250	54%
Net income	**3,937**	**2,931**	**34%**

NOTES

[1] Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring and securitization programs.

[2] Net of amortization/depreciation that, by destination, would be included in the cost of sales.

CONSOLIDATED SEPARATE INCOME STATEMENT

(€/000)	Q1 2020	Q1 2019
Sales from contracts with customers	913,762	875,465
Cost of sales	(871,669)	(834,655)
Gross profit	**42,093**	**40,810**
Sales and marketing costs	(13,085)	(13,210)
Overheads and administrative costs	(20,233)	(20,326)
Impairment loss/reversal of financial assets	(432)	(530)
Operating income (EBIT)	**8,343**	**6,744**
Finance costs - net	(2,477)	(2,563)
Profit before income taxes	5,866	4,181
Income tax expenses	(1,929)	(1,250)
Net income	**3,937**	**2,931**
- of which attributable to non-controlling interests	(60)	(9)
- of which attributable to Group	3,997	2,940
Earnings per share - basic (euro)	0.08	0.06
Earnings per share - diluted (euro)	0.08	0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	Q1 2020	Q1 2019
Net income (A)	**3,937**	**2,931**
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	-	(31)
- Taxes on changes in 'cash flow hedge' equity reserve	-	(8)
- Changes in translation adjustment reserve	-	(1)
Other comprehensive income not be reclassified in the separate income statement:		
- Changes in 'TFR' equity reserve	283	(84)
- Taxes on changes in 'TFR' equity reserve	(79)	61
Other comprehensive income (B):	**204**	**(63)**
Total comprehensive income (C=A+B)	**4,141**	**2,868**
- of which attributable to Group	4,188	2,879
- of which attributable to non-controlling interests	(47)	(11)

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)	31/03/2020	31/12/2019
Fixed assets	223,682	226,007
Operating net working capital	285,511	(121,027)
Other current assets/liabilities	(2,845)	(1,354)
Other non-current assets/liabilities	(17,396)	(16,879)
Total uses	**488,952**	**86,747**
Short-term financial liabilities	98,226	35,862
Lease liabilities	8,544	8,597
Financial receivables from factoring companies	(7,554)	(3,526)
Other financial receivables	(9,875)	(9,719)
Cash and cash equivalents	(116,567)	(463,777)
Net current financial debt	(27,226)	(432,563)
Borrowings	56,700	61,045
Lease liabilities	98,149	100,212
Other financial receivables	(495)	(969)
Net Financial debt (A)	127,128	(272,275)
Net equity (B)	361,824	359,022
Total sources of funds (C=A+ B)	**488,952**	**86,747**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)	31/03/2020	31/12/2019
ASSETS		
Non - current assets		
Property, plant and equipment	11,454	11,824
Right of use assets	104,846	107,310
Goodwill	90,716	90,716
Intangibles assets	671	480
Deferred income tax assets	13,802	13,469
Receivables and other non - current assets	2,688	3,177
	224,177	**226,976**
Curent assets		
Inventory	452,211	497,220
Trade receivables	408,959	470,999
Income tax assets	212	1,514
Other assets	47,748	40,956
Cash and cash equivalents	116,567	463,777
	1,025,697	1,474,466
Total assets	**1,249,874**	**1,701,442**
EQUITY		
Share capital	7,861	7,861
Reserves	347,504	325,554
Group net income	3,997	23,099
Group net equity	**359,362**	**356,514**
Non - controlling interest	**2,462**	**2,508**
Total equity	**361,824**	**359,022**
LIABILITIES		
Non - current liabilities		
Borrowings	56,700	61,045
Lease liabilities	98,149	100,212
Deferred income tax liabilities	10,179	9,712
Retirement benefit obligations	4,430	4,669
Provisions and other liabilities	2,787	2,498
	172,245	**178,136**
Current liabilities		
Trade payables	575,659	1,089,246
Short-term financial liabilities	98,226	35,862
Lease liabilities	8,544	8,597
Income tax liabilities	511	27
Derivative financial liabilities	-	-
Debts for investments in subsidiaries	-	-
Provisions and other liabilities	32,865	30,552
	715,805	**1,164,284**
Total liabilities	**888,050**	**1,342,420**
Total equity and liabilities	**1,249,874**	**1,701,442**

CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	Q1 2020	Q1 2019
Cash flow provided by (used in) operating activities (D=A+B+C)	**(396,169)**	**(408,339)**
Cash flow generated from operations (A)	**12,561**	**10,713**
Operating income (EBIT)	8,343	6,744
Depreciation, amortisation and other fixed assets write-downs	3,585	3,598
Net changes in provisions for risks and charges	289	451
Net changes in retirement benefit obligations	35	(383)
Stock option/grant costs	309	303
Cash flow provided by (used in) changes in working capital (B)	**(406,960)**	**(417,064)**
Inventory	45,009	(14,627)
Trade receivables	62,040	(39,903)
Other current assets	(1,306)	(5,442)
Trade payables	(513,667)	(348,135)
Other current liabilities	964	(8,957)
Other cash flow provided by (used in) operating activities (C)	**(1,770)**	**(1,988)**
Interests paid	(666)	(1,552)
Received interests	27	39
Foreign exchange (losses)/gains	(1,131)	(475)
Cash flow provided by (used in) investing activities (E)	**(927)**	**1,042**
Net investments in property, plant and equipment	(659)	(872)
Net investments in intangible assets	(283)	(114)
Net investments in other non current assets	15	(77)
4Side business combination	-	2,105
Cash flow provided by (used in) financing activities (F)	**49,886**	**82,460**
Medium/long term borrowing	-	42,000
Repayment/renegotiation of medium/long-term borrowings	(4,301)	(16,170)
Net change in leasing liabilities	(2,405)	(1,917)
Net change in financial liabilities	61,989	67,197
Net change in financial assets and derivative instruments	(3,708)	(9,033)
Deferred price 4Side acquisition	-	400
Own shares acquisition	(1,656)	-
Changes in third parties net equity	(33)	(17)
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(347,210)**	**(324,837)**
Cash and cash equivalents at year-beginning	**463,777**	**381,308**
Net increase/(decrease) in cash and cash equivalents	**(347,210)**	**(324,837)**
Cash and cash equivalents at year-end	**116,567**	**56,471**