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Q2 2019 Financial Highlights

September 12, 2019

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AGENDA

- FINANCIALS
- BUSINESS UPDATE
- OUTLOOK & FINAL REMARKS
- Q&A SESSION

Q2 in a nutshell

Sales	842 M€	*+11% on Q2 2018*
EBIT	7.2 M€[(1)]	*+30% on Q2 2018*
Net profit	4.6 M€	*+67% on Q2 2018*
Net financial debt	183.1 M€	*90.0 M€ excluding IFRS 16*

NOTES

(1) *6.2 M€ (+12%) excluding effects of IFRS 16 «Leases».*

FINANCIALS

Profit & Loss – IFRS 16 Reconciliation

Q2 2019

IFRS 16: P&L impact

(euro/mln)	Q2 2019		adj.	post IFRS 16 «as reported» Q2 2019	
Sales	842,0	100,00%		842,0	100,00%
Cost of sales	(801,8)	-93,22%		(801,8)	-93,22%
Gross Profit	**40,3**	**4,78%**	**-**	**40,3**	**4,78%**
Operating costs	(34,0)	-4,04%	1,0	(33,0)	-3,92%
EBIT	**6,2**	**0,74%**	**1,0**	**7,2**	**0,86%**
D&A	1,1	0,14%	1,9	3,1	0,36%
EBITDA	**7,4**	**0,88%**	**2,9**	**10,3**	**1,22%**
Finance costs - net	(0,9)	-0,10%	(0,3)	(1,2)	-0,14%
Profit before income taxes	**5,4**	**0,64%**	**0,7**	**6,1**	**0,72%**
Income taxes	(1,2)	-0,14%	(0,2)	(1,4)	-0,17%
Net income	**4,2**	**0,49%**	**0,5**	**4,6**	**0,45%**
Tax rate	*23%*			*23%*	

- The adoption of IFRS 16, the new lease standard, determined an increase of EBIT of 1.0 M€ and a more significant increase of EBITDA from 7.4 M€ to 10.3 M€ (+40%).
- The effect on EBITDA was due to the total amount of rent expenses (2.9 M€) being replaced with depreciation and interest expenses which are reclassified below EBITDA line.
- The effect on Net income was an increase of 0.5 M€.

Profit & Loss

(euro/mln)	Q2 2019 (1)		Q2 2018		Var. %
Sales	842,0	100,00%	756,9	100,00%	*11%*
Cost of sales	(801,8)	-93,22%	(718,9)	-94,98%	*12%*
Gross Profit	**40,3**	**4,78%**	**38,0**	**5,02%**	***6%***
Operating costs	(34,0)	-4,04%	(32,4)	-4,28%	*5%*
EBIT	**6,2**	**0,74%**	**5,6**	**0,74%**	***12%***
D&A	1,1	0,14%	1,2	0,15%	*-2%*
EBITDA	**7,4**	**0,88%**	**6,7**	**0,89%**	***9%***
Finance costs - net	(0,9)	-0,10%	(1,7)	-0,22%	*-49%*
Profit before income taxes	**5,4**	**0,64%**	**3,9**	**0,51%**	***38%***
Income taxes	(1,2)	-0,14%	(1,1)	-0,15%	*9%*
Net income	**4,2**	**0,49%**	**2,8**	**0,37%**	***50%***
Tax rate	*23%*		*29%*		

Q2 2019

- Reported net sales at 842.0 M€ increased +11% compared to the prior-year Q2 (+85.1 M€).
- Gross profit up +6% at 40.3 M€.
- Operating costs grew at a lower rate than sales (+5%).
- EBIT at 6.2 M€ increased +12% compared to the prior-year Q2.
- EBIT % stable vs prior-year Q2.
- PBT at 5.4 M€ increased +38% compared to the prior-year Q2 mainly due to lower exchange losses of 0.7 M€ compared to Q2 2018.
- Net income of 4,2 increased +50%.

NOTES

(1) *Excluding effects of IFRS 16 «Leases».*

Profit & Loss – IFRS 16 Reconciliation

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H1 2019

IFRS 16: P&L impact

(euro/mln)	H1 2019		adj.	post IFRS 16 «as reported» H1 2019	
Sales	1.717,5	100,00%		1.717,5	100,00%
Cost of sales	(1.636,4)	-95,28%		(1.636,4)	-95,28%
Gross Profit	**81,1**	**4,72%**	**-**	**81,1**	**4,72%**
Operating costs	(68,6)	-3,99%	1,5	(67,1)	-3,91%
EBIT	**12,5**	**0,73%**	**1,5**	**14,0**	**0,81%**
D&A	2,3	0,13%	4,3	6,7	0,39%
EBITDA	**14,8**	**0,86%**	**5,8**	**20,6**	**1,20%**
Finance costs - net	(2,4)	-0,14%	(1,4)	(3,7)	-0,22%
Profit before income taxes	**10,1**	**0,59%**	**0,1**	**10,2**	**0,60%**
Income taxes	(2,6)	-0,15%	(0,1)	(2,7)	-0,15%
Net income	**7,5**	**0,44%**	**0,0**	**7,6**	**0,44%**
Tax rate	*26%*			*26%*	

- The adoption of IFRS 16 Lease determined an increase of EBIT of 1.5 M€ and a more significant increase of EBITDA from 14.8 M€ to 20.6 M€ (+39%).
- The effect on EBITDA was due to the total amount of rent expenses (5.8 M€) being replaced with depreciation and interest expenses which are reclassified below EBITDA line.
- The effect on Net Income was negligible.

Profit & Loss

(euro/mln)	H1 2019 [1]		H1 2018		Var. %	FY 2018 adj. [2]	
Sales	1.717,5	100,00%	1.538,2	100,00%	*12%*	3.571,2	100,00%
Cost of sales	(1.636,4)	-95,28%	(1.461,2)	-95,00%	*12%*	(3.400,5)	-95,22%
Gross Profit	**81,1**	**4,72%**	**77,0**	**5,00%**	***5%***	**170,7**	**4,78%**
Operating costs	(68,6)	-3,99%	(66,0)	-4,29%	*4%*	(129,7)	-3,63%
EBIT	**12,5**	**0,73%**	**10,9**	**0,71%**	***14%***	**41,0**	**1,15%**
D&A	2,3	0,13%	2,3	0,15%	*6%*	4,7	0,13%
EBITDA	**14,8**	**0,86%**	**13,3**	**0,86%**	***13%***	**45,7**	**1,28%**
Finance costs - net	(2,4)	-0,14%	(2,4)	-0,16%	*0%*	(4,5)	-0,13%
Profit before income taxes	**10,1**	**0,59%**	**8,6**	**0,56%**	***18%***	**36,4**	**1,02%**
Income taxes	(2,6)	-0,15%	(2,3)	-0,15%	*10%*	(9,4)	-0,26%
Net income	**7,5**	**0,44%**	**6,2**	**0,40%**	***21%***	**27,0**	**0,76%**
Tax rate	*26%*		*27%*			*26%*	

H1 2019

- Reported net sales at 1,717.5 M€ increased +12% compared to the prior-year half (+179.3 M€).
- Gross profit up +5% at 81.1 M€.
- Operating costs growing at a lower growth rate than sales (+4%).
- EBIT at 12.5 M€ increased +14% compared to the prior-year half.
- EBIT % improved 2bps from prior-year half.
- PBT negatively affected by exchange losses of 0.7 M€ whereas interest espenses were rather stable.
- Net income of 7,5 M€ increased +21%.

NOTES

[1] *Excluding effects of IFRS 16 «Leases».*

[2] *Net of non-recurring items.*

Balance Sheet Highlights

(euro/mln)	IAS 17 30.06.19	IAS 17 31.12.18	post IFRS16 30.06.19
Net operating working capital	338,8	10,4	339,8
Goodwill	91,0	90,6	91,0
Other fixed assets	29,5	27,9	122,7
Other current assets/liabilities	(7,2)	(12,7)	(8,3)
Other non-current assets/liabilities	(15,9)	(14,4)	(15,9)
Net invested capital	**436,2**	**101,9**	**529,3**
Long-term financial liabilities	45,3	12,8	45,3
Short-term financial liabilities (1)	165,7	138,3	178,3
Lease liabilities	-	-	93,0
Debts for investments in subsidiaries	0,1	1,1	0,1
Cash and cash equivalents	(121,0)	(381,3)	(121,0)
Other	(0,1)	(11,9)	(12,7)
Net financial debt	**90,0**	**(241,0)**	**183,1**
Net equity	**346,2**	**342,9**	**346,2**
Total sources	**436,2**	**101,9**	**529,3**

BS at June 30, 2019

- At June 30, 2019 the Group's net equity was 346,2 M€.
- At the same date the Group had 91.0 M€ of goodwill resulting in a Net tangible equity of 255.2 M€.
- Net financial debt evolution from December 31, 2018 is deemed to be not significant due to working capital strong volatility as measured at each end-period.
- The first adoption of the new IFRS 16 Leases led to the accounting of lease liabilities of 97.3 M€ which decreased to 93.0 M€ at June 30, 2019 due to rentals paid in H1.

NOTES

(1) *Includes 72,1 M€ at December 31, 2018 and 57.8 M€ at June 30, 2019 reclassified from long-term debt due to covenant breach on Syndicated Senior Term Loan.*

Working Capital Metrics

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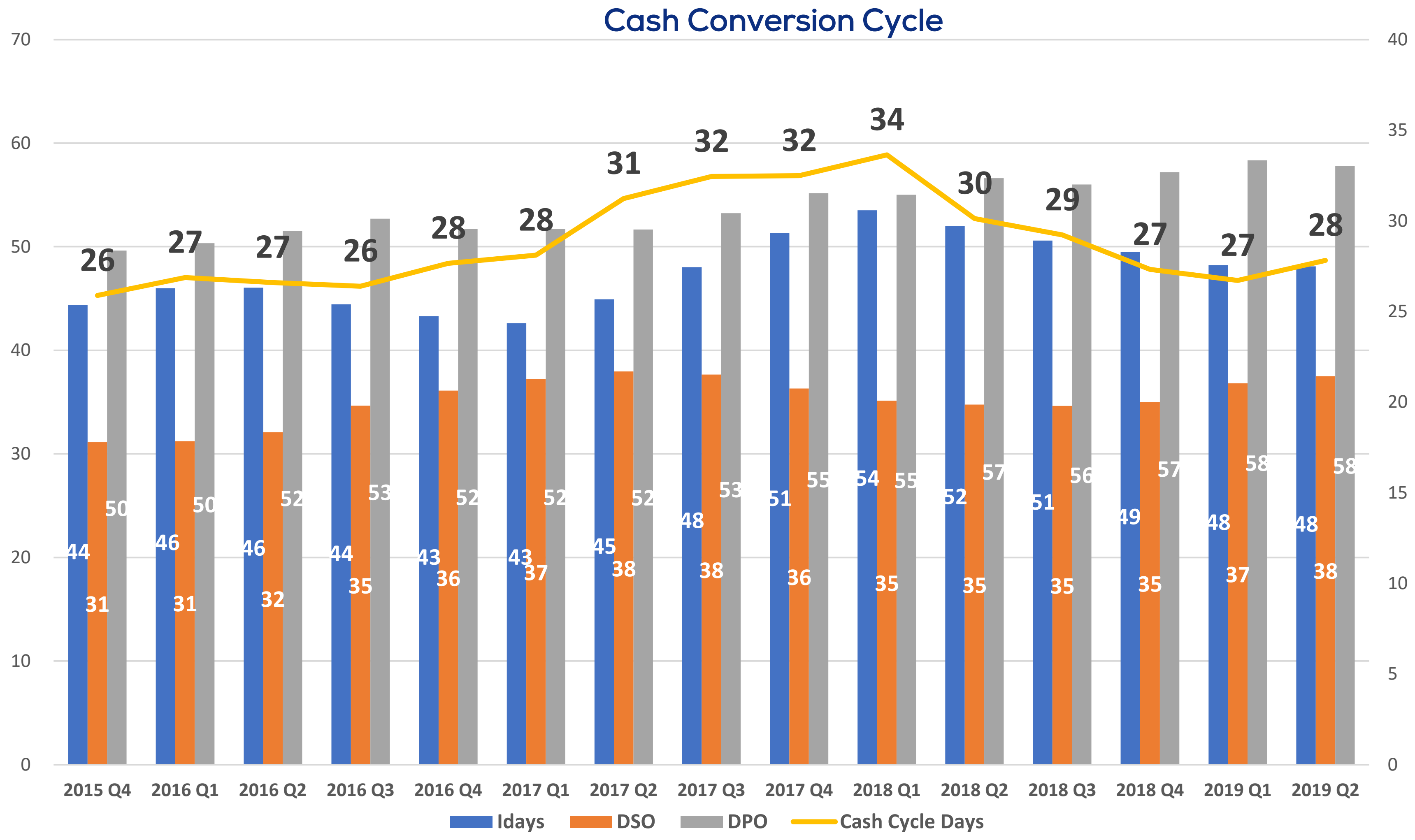


- Cash conversion cycle sequentially stable at 28 days:
  Idays = 48
  DSO = 38
  DPO = (58)
  Tot = 28
- Compared to Q2 2018 metrics Idays decreased -4 days, DSO increased +3 days and DPO improved +1 days.

Idays (Inventory Days): 4-qtr average of (quarter-end Inventory / quarterly Sales * 90)
DSO (Days of Sales Outstanding): 4-qtr average of (quarter-end Trade Receivables / quarterly Sales * 90)
DPO (Days of Purchases Outstanding): 4-qtr average of (quarter-end Trade Payables / quarterly Cost of Sales * 90)

Cash Flow Generation

	(euro/mln)	H1 2019	H1 2018
	Cash flow generated from operations	21,2	13,3
	Cash flow provided by (used in) changes in working capital	(338,2)	(152,4)
	Other cash flow provided by (used in) operating activities	(3,0)	(2,0)
	Cash flow provided by (used in) operating activities	**(320,0)**	**(141,1)**
(+/-)	**Cash flow provided by (used in) investing activities**	**0,2**	**1,0**
(+/-)	**Dividends and other changes**	**(11,3)**	**(7,6)**
(=)	**Net (increase)/decrease in net financial debt**	**(331,1)**	**(147,6)**
	Net financial debt (cash) at beginning of period	**(241,0)**	**(123,1)**
	Net financial debt (cash) at end of period	**90,0**	**24,6**

- Cash flow generated from operations was 21.2 M€ (+59%).
- Dividend distribution during Q2 of 6.9 M€.
- Net financial debt at quarter-end was 90,0 M€ (183.1 M€ when considering newly emerged lease labilities of 93.1 M€ due to IFRS 16.
- «Apparent» working capital absorption, due to huge swing between year-end and end of June, and increase in financial debt compared to December 31, 2019 is not suggestive of real changes in average capital employed.

Return on Capital Employed

(euro/mln)	TTM ended March 31		TTM ended June 30		TTM ended December 31	
TTM [1] Net Operating Profit After Tax (NOPAT)	2018	2019	2018	2019	2017	2018
EBIT	**37,3**	**41,9**	**37,3**	**42,5**	**36,7**	**41,0**
Income taxes on EBIT [2]	-9,5	-10,7	-9,5	-10,9	-9,4	-10,5
NOPAT	**27,8**	**31,2**	**27,8**	**31,7**	**27,3**	**30,5**
Net operating working capital (5-qtr end average)	307,1	288,3	294,6	278,6	250,1	227,0
Net fixed assets (5-qtr end average)	104,3	95,0	101,4	100,7	108,0	96,2
Total average Invested Capital	**411,3**	**383,3**	**396,0**	**379,3**	**358,0**	**323,2**
ROCE	**6,7%**	**8,1%**	**7,0%**	**8,3%**	**7,6%**	**9,4%**

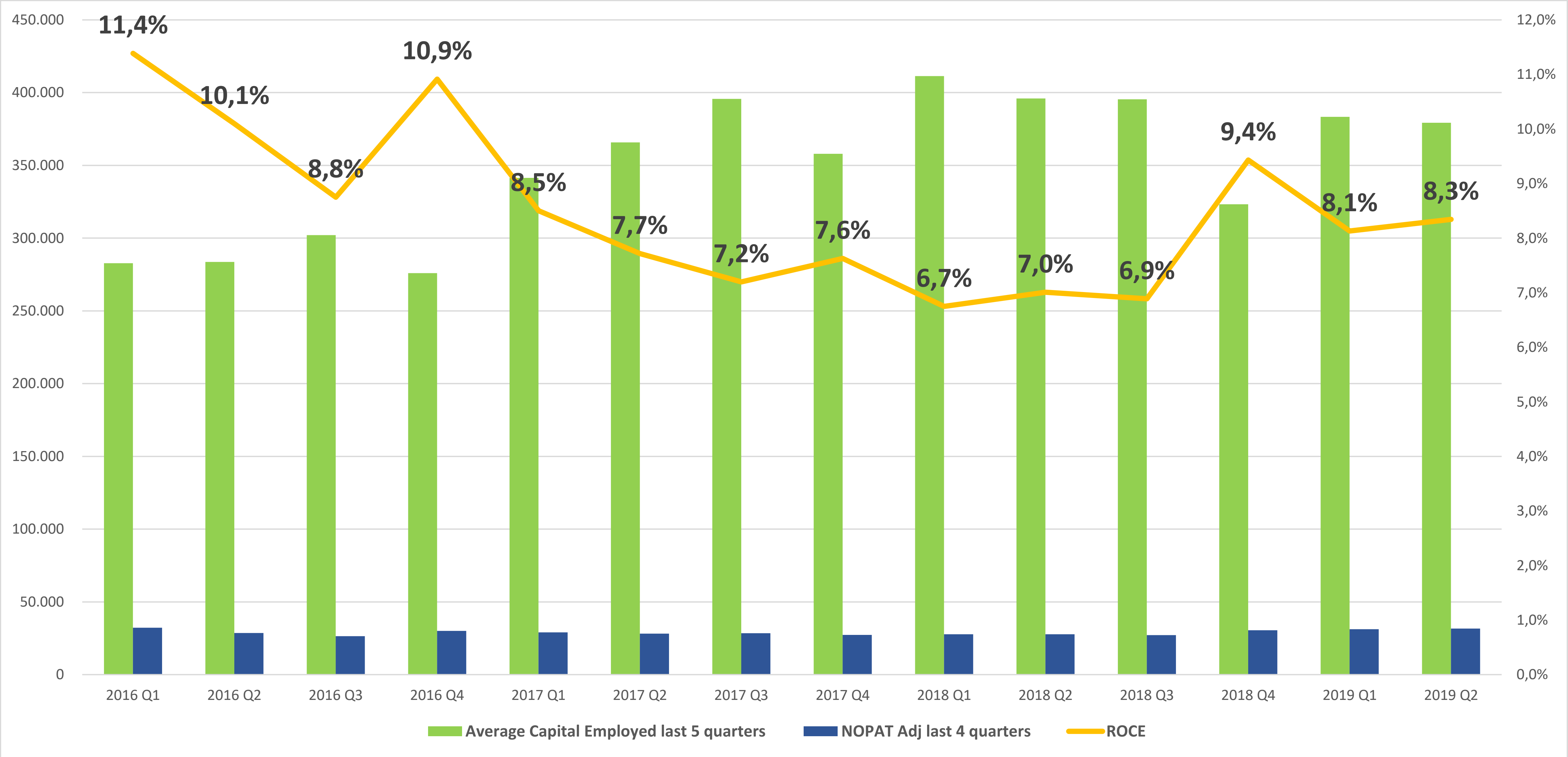
- ROCE was 8.3% in Q2 2019.
- Company's WACC-Weighted Average Cost of Capital is estimated at approximately 8.5%.

NOTES

[1] *Trailing Twelve Months is abbreviated as TTM.*

[2] *Net of non-recurring items; excluding effects of IFRS 16; income taxes on EBIT are calculated using FY 2018 effective tax rate of ~26%.*

Return on Capital Employed



Debt Structure review

- Unsecured 3-year Syndicated Revolving Credit Facility near to be finalised by Esprinet SpA with a pool of 9 Italian and Spanish banks in order to replace oustanding facility expiring in February 2022, the financial covenants of which were breached based on FY 2018 consolidated results.
- By far, according to official and unofficial approvals from lenders, it’s probable to significantly over-reach fixed maximum level of up to 125.0 M€.
- The set of covenants supporting the facility is more favorauble because of less stringent thresholds based on more realistic Group’ financial projections for the next three years.
- The initial timetable envisaging the signing-off of the facility agreement by end of September is still expected to be met.
- Between end of February and mid-May 2019 a number of unsecured bilateral mid-term loans with local banks were completed by spanish subsidiaries (Esprinet Iberica and Vinzeo) amounting at total nominal 47.0 M€ with an average tenor of approximately 3.5 years.
- Taking into consideration the above, Group’ debt structure can be considered as adequate in terms of size, degree of commitment and flexibility to support future business.

Share repurchase activity

Timetable

- Start: July 12, 2019
- End: March 31, 2020

Share repurchases[1]

- Number of shares repurchased: 763,508 (1.46% of total)
- Amount repurchased: 2.283 M€
- Average price per share: 2,99 €

Remainder of the program

- Number of shares: 706,709 (1.35%) out of a total authorization from AGM of 2.81% (which will lead to 5% of total own shares portfolio at end)

NOTES

(1) *As of September 11, 2019*

BUSINESS UPDATE

Market dynamics

Overall Market performance

Region	Q1 2019 vs. Q1 2018	Q2 2019 vs. Q2 2018	H1 2019 vs. H1 2018
EUROPE	5,4%	3,8%	4,6%
ITALY	4,3%	8,7%	6,4%
SPAIN	11,5%	8,4%	9,9%
PORTUGAL	11,4%	8,6%	10,0%

Italy

- Advanced Solutions slightly negative and Accessories down more than 8%. Consumer Electronics up +44% and all other lines of business up mid-single digit

Spain

- Printing almost flat and Accessories down -3.7%.
- All other lines of business up double digit with Phones at +18% and Advanced Solutions up 13%

Esprinet Group performance

Both the Italian and Spanish operations of the Group grew more than the market and achieved a market share growth of 1.5% and 1.2% respectively in Italy and Spain.

Italy outgrew the market in PCs, Phones and Accessories and lost 0.4% of share in Advanced Solutions and 1.9% in Consumer Electronics.

Spain outgrew the market in all business lines with the exception of Phones where the policy of walking away from unprofitable businesses led to a market share loss of 7.7%.

Italy slightly lost share in the Business Reseller customer segment whilst grew its share in Spain.

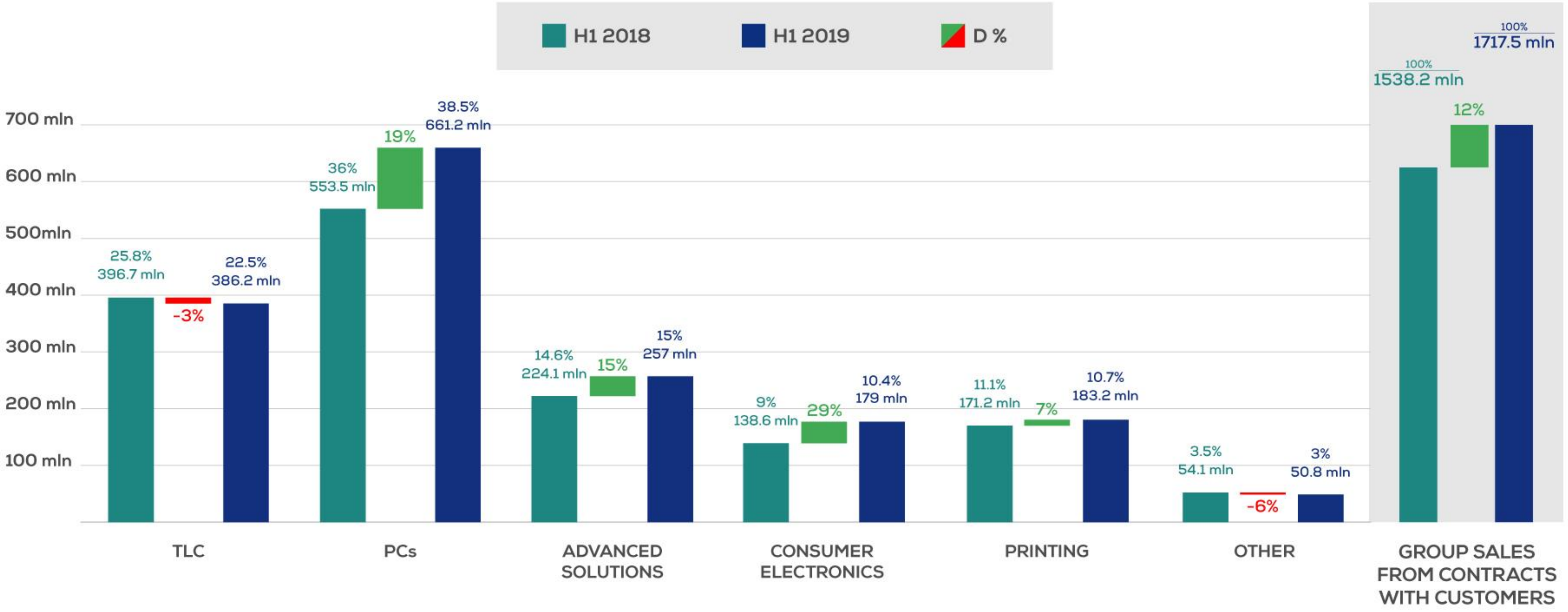
Italy significantly outperformed the market in the Consumer customer segment both in Italy and Spain.

Market conditions are still competitive given the pressure on many vendors which are struggling with commoditized products and restructuring activities.

Opportunities of further market consolidation appear possible also at distribution level and not only at reseller and vendor level.

Source: Context, September 2019

Sales Breakdown: H1 2019 vs H1 2018



Gross Profit Dynamics

PCs & Phones	PCs and Smartphones collectively grew in terms of Gross Profit margin during both H1 and Q2 2019.
Advanced Solutions	Advanced Solutions GP% in Q2 2019 was substantially stable sequentially compared to Q1 2019 and was down compared to Q2 2018 mostly on mix and among other factors on pressure on HPE margins driven by change in vendor T&Cs not yet reflected in changes into the pricing structure applied to customers.
Printing	Printing gross margins during Q2 were up sequentially against Q1 2019, driven by a better mix of supplies vs printing devices, but was still down compared to Q2 2018 also influenced by very poor HP Inc. supplies profitability.
Consumer Electronics & Others	Consumer Electronics and Accessories GP% were down sequentially and compared to Q2 2018 driven by big deals at low gross margins.

Gross Profit Dynamics

Volumes vs Margins

Over-performance in the more challenging Consumer customer segment (both retailers & e-tailers) put pressure on GP% but enabled a strong volume growth that offsetted in absolute terms the decline in gross margins.

ROCE improvement initiatives ongoing

The new strategic guidelines are driving a number of negotiations with vendors and customers and we expect to either get better ROCE on certain product/customer combinations or to walk away from either new or in some cases existing revenues streams.

Working Capital Dynamics

Inventory

Average levels of inventory progressively declining.

Spain has been burdened by above average levels of stock with a major PC vendor. Stabilization is expected by end of 2019.

Payables

No major changes in vendor payment terms and no special support achieved yet on vendors with low ROCE.

Ongoing negotiations to achieve faster payment of credit notes from vendors and to achieve longer structural payment terms from two vendors which run with particularly challenging ROCE performance.

Receivables

Customer payment terms stable with the exception of a major retailer were significant credit terms reduction achieved.

Ongoing negotiations with key retailers to achieve structural reduction of payment terms in order to reduce the amount of «non recourse» factoring utilization.

Key undertakings

Market

Growth in market share in Italy and Spain above expectations thanks to excellent execution.

Growth coming mostly from PCs, Consumer Electronics and Phones (in Italy).

Ongoing negotiations in Italy and Spain to strenghten Advanced Solution vendor base.

Balance sheet

Training on new ROCE metrics completed and negotiations with vendors-customers on deals with critical ROCE initiated.

Ongoing improvement in average levels of stock.

Long term debt refinancing plan almost completed with significant improvements of cost structure, volumes of financing achieved and stability of funding sources.

Key strategic initiatives

Strong growth of «Advanced Solution» at +15%.

Launch of structured «Customer Satisfaction» initiatives already initiated in Italy and scheduled to start late September in Spain.

Redesign of key initiatives in supply chain outsourcing offering, category management and on-line support activities for customers ongoing.

OUTLOOK & FINAL REMARKS

Investment Highlights

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1

A new attractiveness of the market

- A sizable and growing 14.6 B€ addressable market (*)
- IT distribution gaining share on total IT spending (from 39.5% to 53.0% (*))
- Strong asset protection mechanisms and very low SG&A on sales for distributors

2

Strong positioning

- Strong leadership in southern Europe: 24.4% share against 17.5% of #2 (*)
- Growing share from 23% to 24.4% (*)
- 20+ years of profitability

3

Value creation driven

- Customer satisfaction to drive profitability growth
- Leveraging size on existing low ROCE businesses
- Solid track record of growth in the higher profitability segment of Advanced Solutions

4

Strong investor focus

- Historical stable flow of profitability even in market downturns
- Strong working capital discipline to enable a 25% pay-out dividend policy
- ROCE as the guiding “mantra” to create value

** See Annex for data sources*

Outlook / Delivery

Q3 2019

Quarter looks very strong in terms of sales performance.

Gross margins still under pressure but profitability keeps looking in line with budget.

First negotiations on ROCE expected to close by quarter-end so to have some initial material impacts on Q4 2019.

2019

We reiterate the target for a FY 2019E EBIT in the range 38-42 M€, with a strong growth compared to FY 2018.

Progressive improvements in working capital management expected during 2019 compared to prior year.

2020

Moderate top-line growth in future years as focus keeps being ROCE performance.

Improvements in GP % as result of mix and efforts on customer satisfaction.

Further improvements in working capital management.

2020 ROCE steadily above Weighted Average Cost of Capital (8.5%)

Final remarks

A solid quarter of growth in sales, market share, EBIT and net profitability

Strong set of ongoing internal activities as well as negotiations with vendors and customers to improve ROCE

Q3 took off in line with budgeted EBIT targets mainly due to very solid top-line performance

Full year operating profitability targets confirmed

Financial structure adequate in terms of debt capacity and flexibility to support business

Upcoming events

Date	Event	Venue
October 2nd 2019	Banca IMI - XII Italian Stock Market Opportunities Conference	Milan (Italy)
October 23rd 2019	STAR CONFERENCE LONDON	London (UK)
November 13th 2019	Q3-2019 press release	Vimercate (Italy)

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Q & A

Thank you

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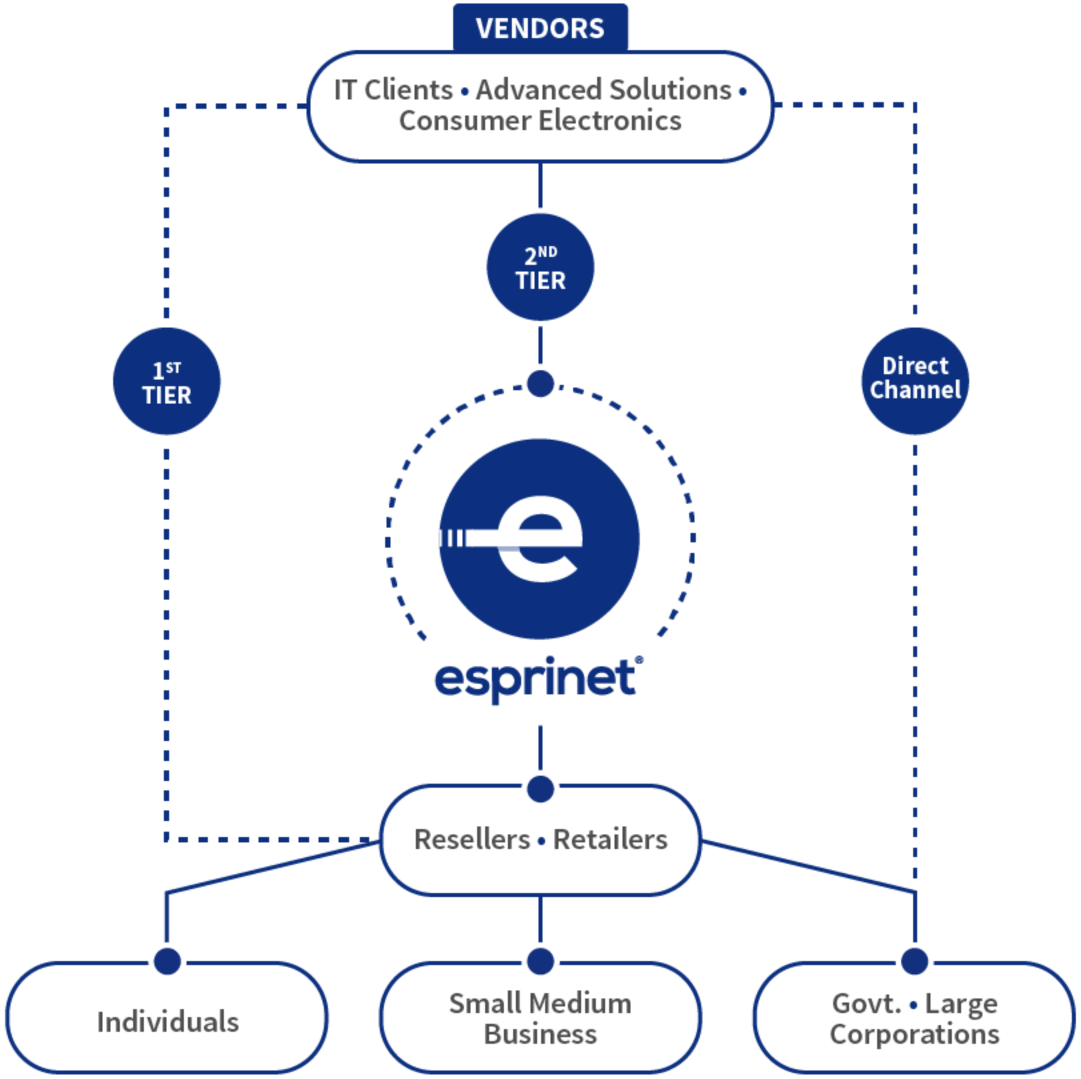
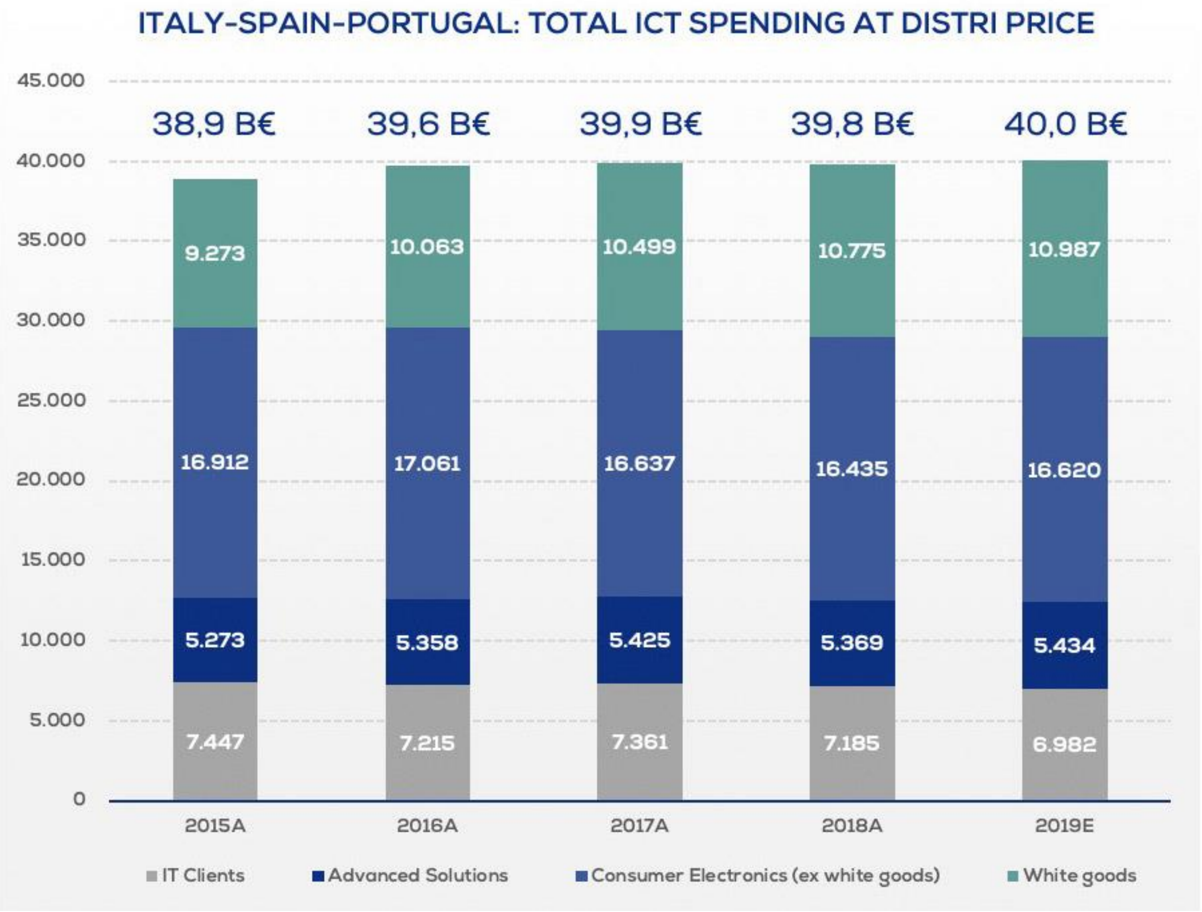
THE INDUSTRY

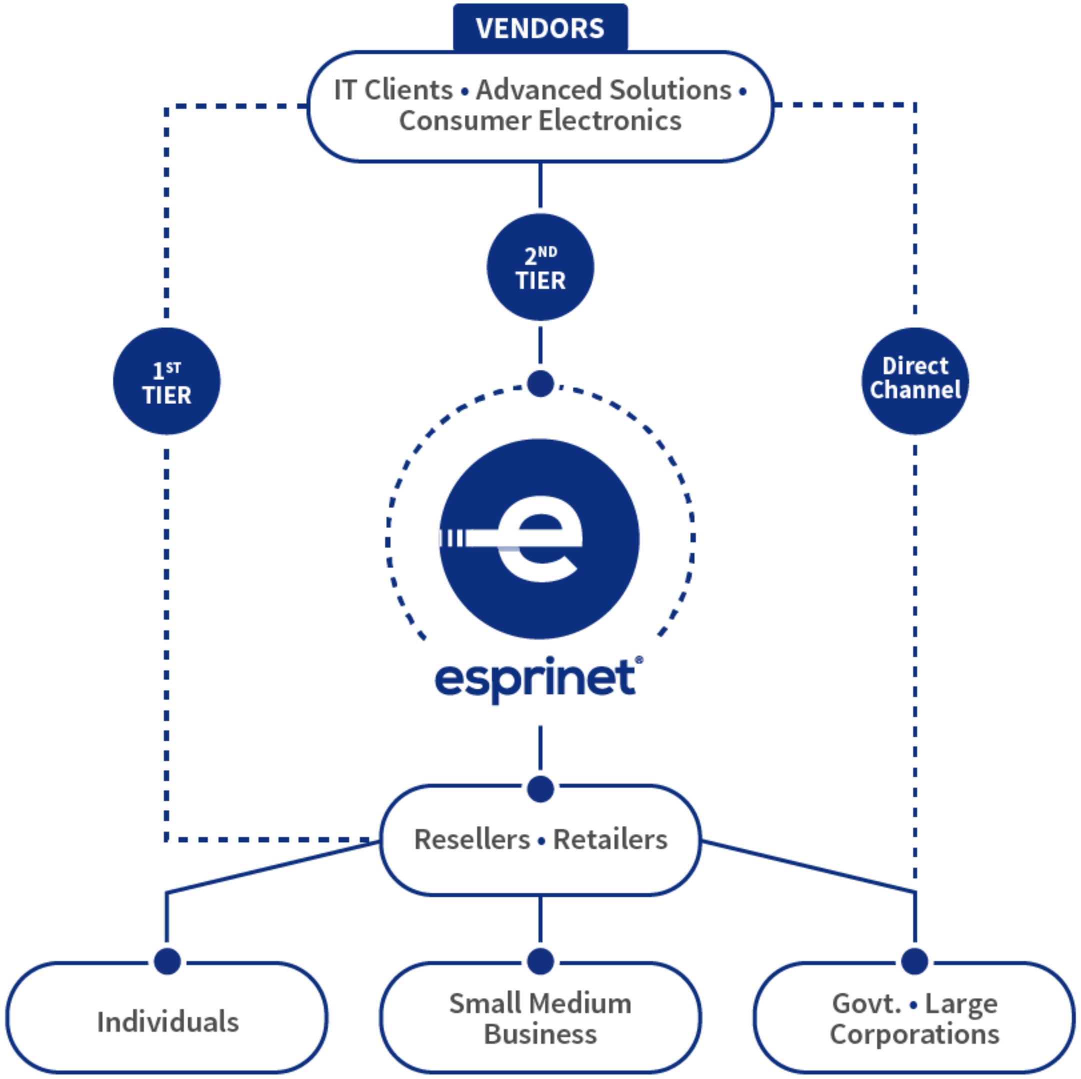
Size Of Addressable End User Market

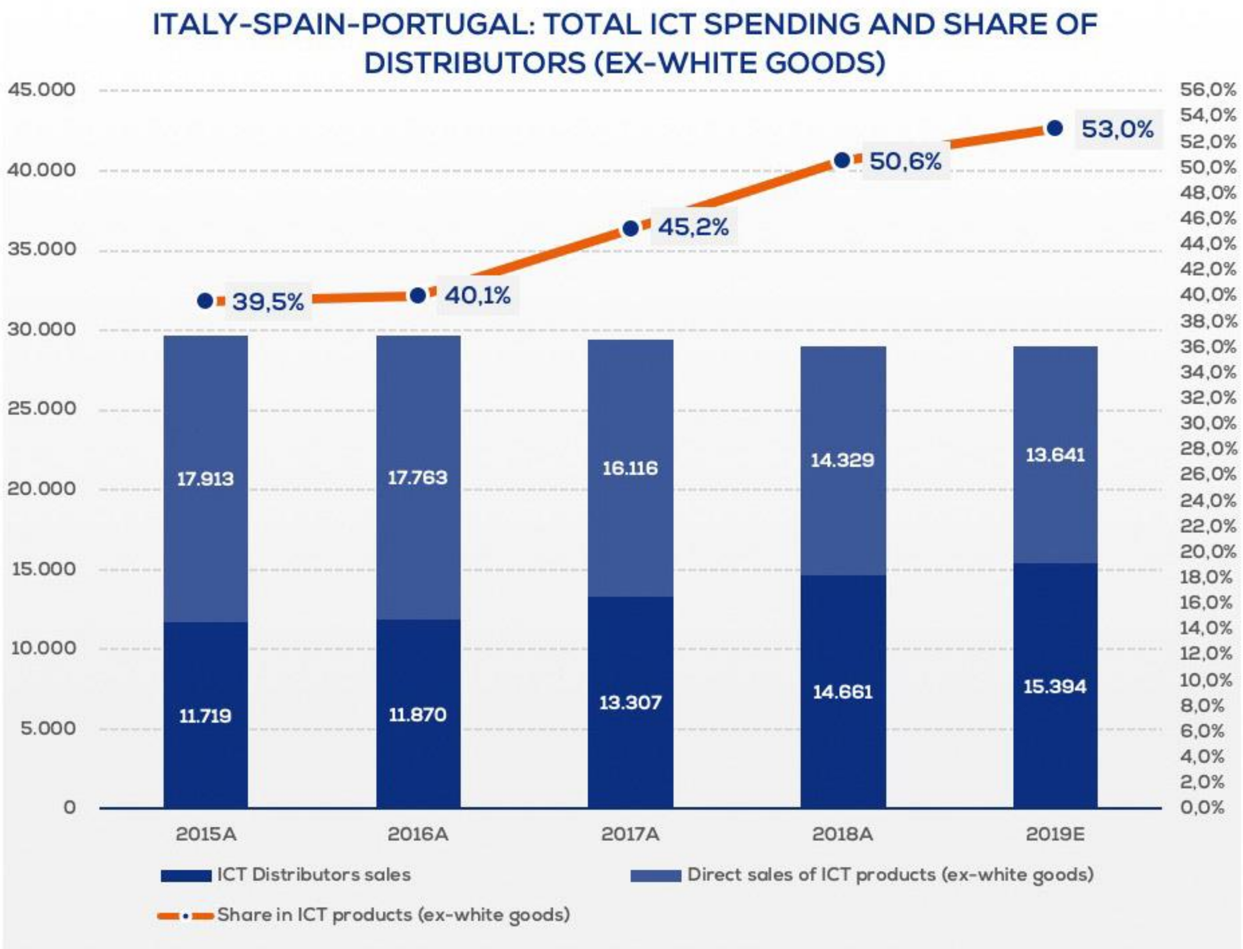




EITO figures for IT Clients - Advanced Solutions & Smartphones - EUROMONITOR for other Consumer electronics
End-user consumption converted to distri price assuming average 15% margin for resellers/retailers
Conversion from Context panel sales to Total distri sales assuming Context Panel represents 95% of total consolidated distri sales
2019 end user market estimates by EITO & Euromonitor as of May 2019
2019 distri sales estimated using a flat growth of 5%

Weight Of Distris On Addressed Market





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