



**esprinet<sup>®</sup>**

enabling your tech experience

## **9M 2020 Results Presentation**

**November 13<sup>th</sup>, 2020**

# Forward Looking Statement



This presentation may contain forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein. Forward-looking statements may include, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation, supply and demand. Esprinet has based these forward-looking statements on its view and assumptions with respect to future events and financial performance. Actual financial performance could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements. The information contained in this presentation is subject to change without notice and Esprinet does not undertake any duty to update the forward-looking statements, and the estimates and the assumptions associated with them, except to the extent required by applicable laws and regulations.

# 9M 2020 RESULTS



## Market leader in the strategic IT supply chain for Italy and Spain

### STRONG P&L PERFORMANCE

- **9M 2020 Sales of ~2,959 M€ (+13% yoy), with a strong growth in demand for PCs and Smartphones**
  - ❑ **Q3 2020 Sales of ~1,124 M€ (+26% yoy):** the Group thanks to the **full range of its portfolio and availability of products and solutions**, has continued to support the ever-increasing demand for technologies capable of enabling smartworking and e-learning
  - ❑ **Q2 2020 Sales of ~920 M€ (+9% yoy)**
  - ❑ **Q1 2020 Sales of 914 M€ (+4% yoy)**
- **Nine months of growth in all Geographies:**  
Italy +10%, Spain +19%, Portugal +71%
- **ESPRINET outperforms the market** by consolidating its share in all the Countries and in the first 9 months of 2020 it **records the best result in recent years**
- **Very tight cost control** enabling transfer to bottom line of strong sales performance
- **EBITDA Adjusted +76% vs Q3 19, +36% vs 9M 2019**

### BALANCE SHEET – INTEREST & TAX RATE

- **Cash Cycle** as of 30 September down to 8 days, **best performance ever**
- **Net Financial Position** as of 30 September negative for 14.5 M € (9M 19 negative for 183.6 M€)
- Continuous reduction of interest charges
- Tax rate in line with expectation against 2019 burdened by one-off items

# 9M 2020 Financial Highlights

| (M/€)                               | 30/09/2020  | 30/09/2019  |
|-------------------------------------|-------------|-------------|
| Sales from contracts with customers | 2.959,1     | 2.611,1     |
| Gross Profit                        | 128,7       | 119,2       |
| Gross Profit %                      | 4,35%       | 4,57%       |
| <b>EBITDA adj.</b>                  | <b>41,6</b> | <b>30,6</b> |
| EBITDA adj. %                       | 1,41%       | 1,17%       |
| <b>EBIT adj.</b>                    | <b>30,9</b> | <b>20,6</b> |
| EBIT adj. %                         | 1,05%       | 0,79%       |
| <b>EBIT</b>                         | <b>27,6</b> | <b>20,6</b> |
| EBIT %                              | 0,93%       | 0,79%       |
| <b>Net Income</b>                   | <b>17,5</b> | <b>9,4</b>  |
| Net Income %                        | 0,59%       | 0,36%       |

- Net Invested Capital at 30<sup>st</sup> September 2020 stands at 390,3 M€ and is covered by:**

- Shareholders' equity, including non-controlling interests, for 375.8 M€ (359.0 M€ at 31<sup>st</sup> December 2019)
- Cash negative for 14.5 M€ (positive 272.3 M€ at 31<sup>st</sup> December 2019)

| (M/€)                                     | 30/09/2020    | 30/09/2019   | 31/12/2019     |
|---|---------------|--------------|----------------|
| Fixed Assets                              | 118,3         | 120,4        | 118,7          |
| Operating Net Working Capital             | 206,6         | 346,0        | (121,0)        |
| Other current asset (liabilities)         | (16,4)        | (11,9)       | (1,4)          |
| Other non-current asset (liabilities)     | (18,5)        | (16,6)       | (16,9)         |
| <b>Net Invested Capital [ante IFRS16]</b> | <b>290,1</b>  | <b>438,0</b> | <b>(20,6)</b>  |
| RoU Assets [IFRS16]                       | 100,2         | 90,8         | 107,3          |
| <b>Net Invested Capital</b>               | <b>390,3</b>  | <b>528,8</b> | <b>86,7</b>    |
| Cash                                      | (234,8)       | (65,2)       | (463,8)        |
| Short-term debt                           | 47,4          | 106,2        | 18,9           |
| Medium/log-term debt <sup>(1)</sup>       | 110,4         | 62,9         | 78,0           |
| Financial assets                          | (11,3)        | (11,2)       | (14,2)         |
| <b>Net financial debt [ante IFRS16]</b>   | <b>(88,3)</b> | <b>92,8</b>  | <b>(381,1)</b> |
| <b>Net Equity [ante IFRS16]</b>           | <b>378,4</b>  | <b>345,2</b> | <b>360,5</b>   |
| <b>Funding sources [ante IFRS16]</b>      | <b>290,1</b>  | <b>438,0</b> | <b>(20,6)</b>  |
| Lease liabilities [IFRS16]                | 102,9         | 90,8         | 108,8          |
| <b>Net financial debt</b>                 | <b>14,5</b>   | <b>183,6</b> | <b>(272,3)</b> |
| <b>Net Equity</b>                         | <b>375,8</b>  | <b>345,3</b> | <b>359,0</b>   |
| <b>Funding sources</b>                    | <b>390,3</b>  | <b>528,8</b> | <b>86,7</b>    |

<sup>(1)</sup> Including the amount due within 1 year

<sup>(2)</sup> Net financial debt ante IFRS 16

# Sales Evolution

9M 2020: 2,959 M€ (+13% vs 2,611 M€ in H1 2019)

|                       | MKT   |       |                                      | MKT   |       |                                    | MKT   |       |
|-----------------------|-------|-------|--------------------------------------|-------|-------|------------------------------------|-------|-------|
| <u>1,845 M€ Italy</u> | 10% ▲ | 10% ▲ | <u>1,643 M€ IT Clients</u>           | 15% ▲ | 13% ▲ | <u>1,562 M€ IT Reseller</u>        | 9% ▲  | 8% ▲  |
| <u>1,055 M€ Spain</u> | 19% ▲ | 9% ▲  | <u>1,003 M€ Consumer Electronics</u> | 19% ▲ | 8% ▲  | <u>1,460 M€ Retailer/E-tailer</u>  | 18% ▲ | 13% ▲ |
| 39 M€ Portugal        | 71% ▲ | 6% ▲  | 376 M€ Advanced Solutions            | -7% ▼ | 6% ▲  |                                    |       |       |
| 20 M€ Other (-24%)    |       |       | 62 M€ IFRS15 and other adjustments   |       |       | 62 M€ IFRS15 and other adjustments |       |       |

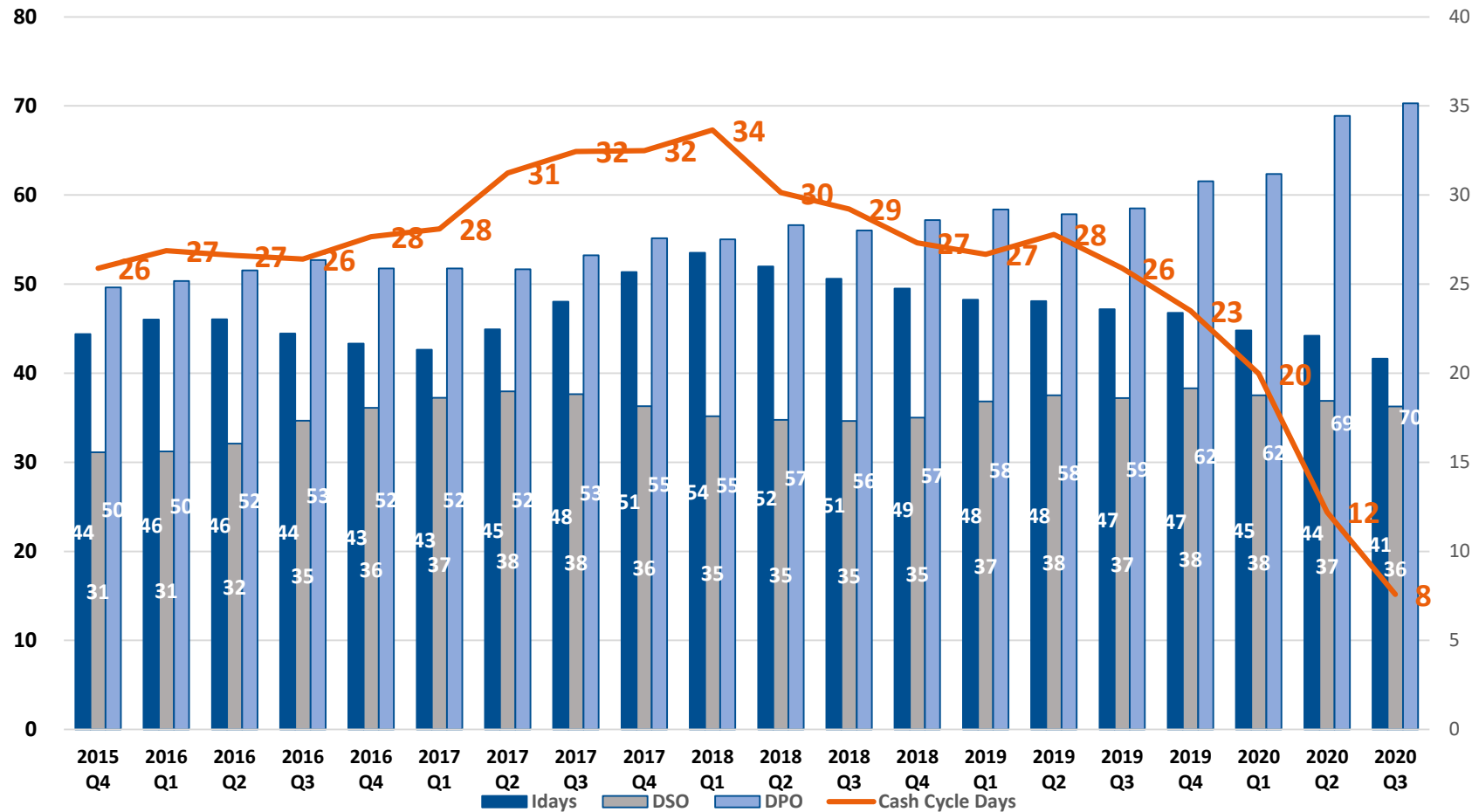
FY 2019: 3,945 M€ (+10% vs 3,571 M€ in FY 2018)

|                       | MKT   |      |                                      | MKT   |      |                                 | MKT   |      |
|-----------------------|-------|------|--------------------------------------|-------|------|---------------------------------|-------|------|
| <u>2,495 B€ Italy</u> | 13% ▲ | 8% ▲ | <u>2,036 B€ IT Clients</u>           | 10% ▲ | 2% ▲ | <u>2,1 B€ IT Reseller</u>       | 5% ▲  | 7% ▲ |
| <u>1,378 B€ Spain</u> | 6% ▲  | 6% ▲ | <u>1,393 B€ Consumer Electronics</u> | 15% ▲ | 5% ▲ | <u>1,9 B€ Retailer/E-tailer</u> | 16% ▲ | 8% ▲ |
| 39 M€ Portugal        | 27% ▲ | 7% ▲ | 561 M€ Advanced Solutions            | 1% ▲  | 3% ▲ |                                 |       |      |
| 34 M€ Other (31%)     |       |      | 62 M€ IFRS15 and other adjustments   |       |      |                                 |       |      |

Source: Context, September 2020



# Working Capital Metrics 4-qtr average



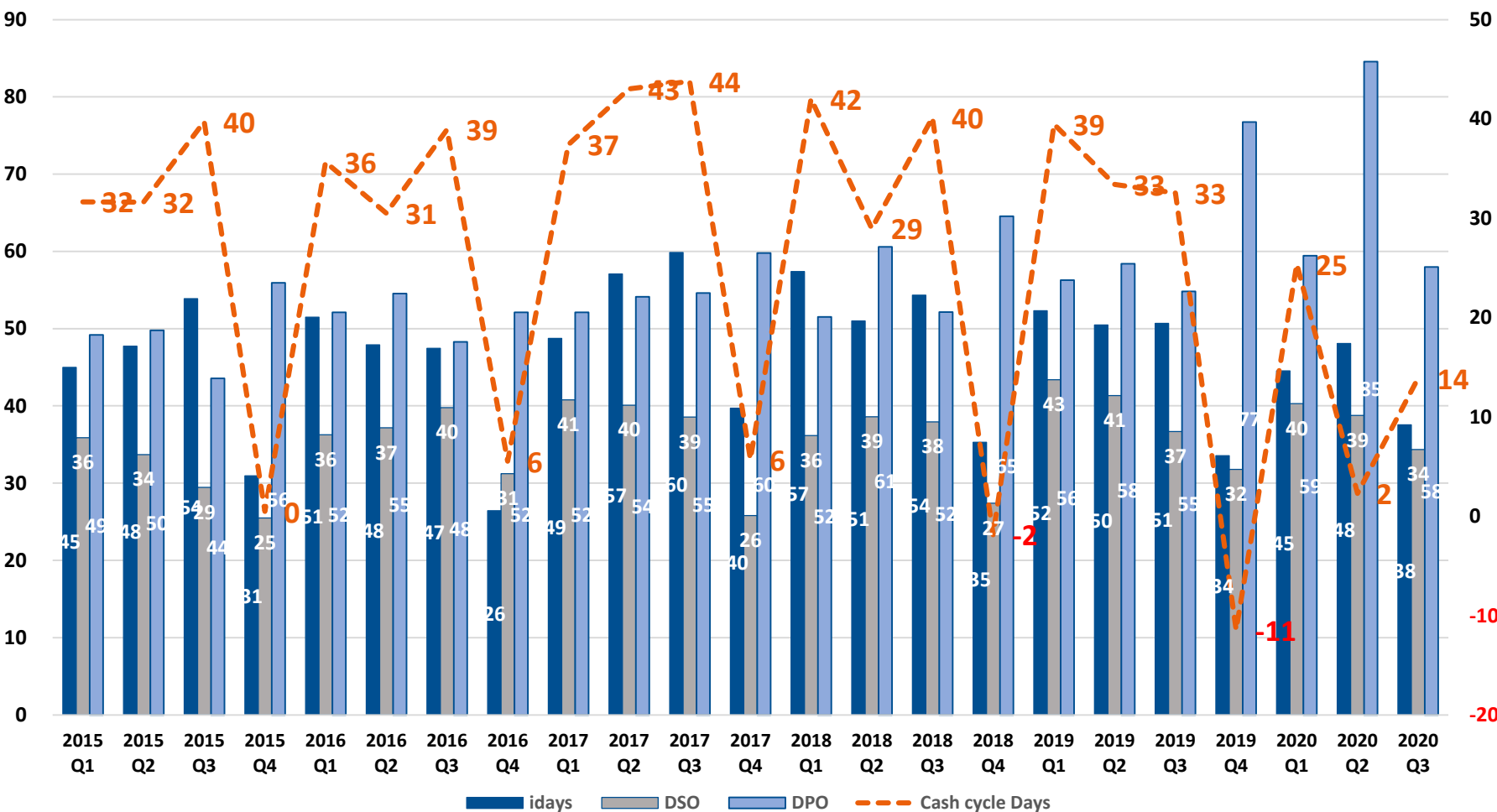
- Best quarter in last 3 years.
- Continuous reduction in cash cycle days mainly due to strong performance in inventory turnover and suppliers' payment terms.
- At September 30<sup>th</sup> 2020 working capital days stands at 8 days improving both sequentially (-5) and year-on-year (-18).
- Compared to Q3 2019 metrics, Inventory Days decreased -6 days, DSO decreased -1 days and DPO increased +11 days for a total improvement of 18 days from 26 to 8 days.

Inventory Days (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)

# Working Capital Metrics quarter-end



- At September 30<sup>th</sup> 2020 working capital days stands at 14 days improving year-on-year (-19).
- At the end of Q3 idays reduction under 40 days.
- After the support received during the pandemic, suppliers' payments terms return to stabilize around 60 days.

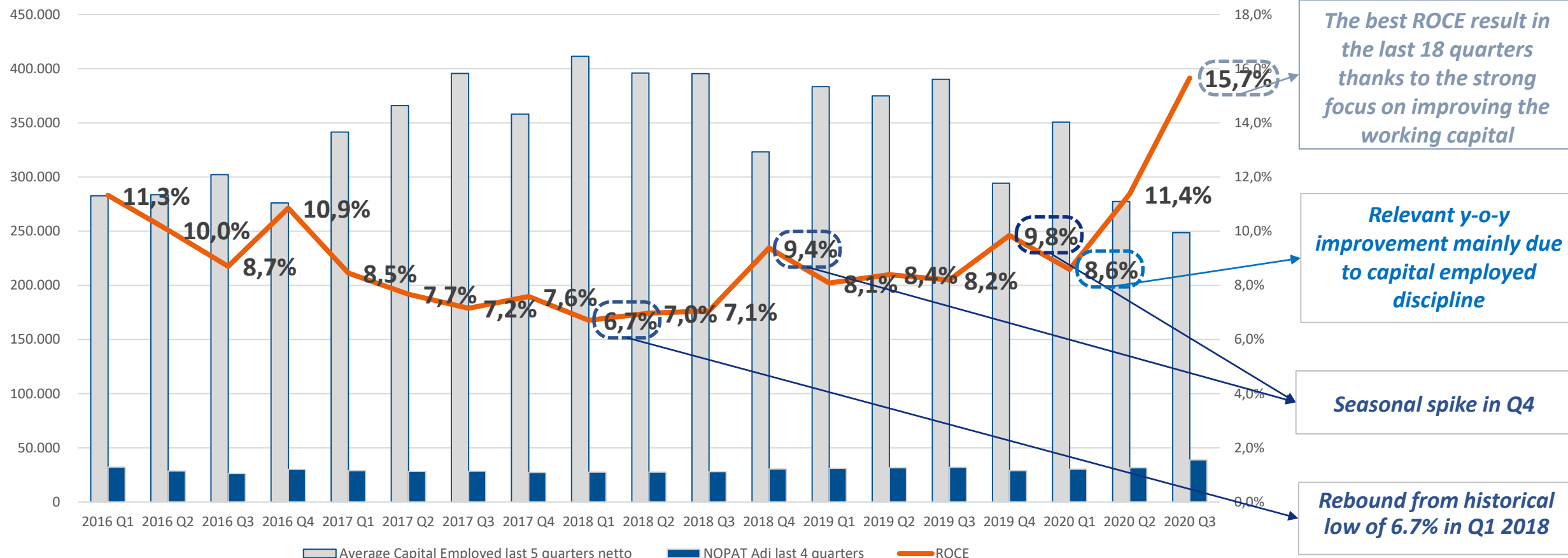
Idays (Inventory Days):  $\text{quarter-end Inventory} / \text{quarterly Sales} * 90$

DSO (Days of Sales Outstanding):  $\text{quarter-end Trade Receivables} / \text{quarterly Sales} * 90$

DPO (Days of Purchases Outstanding):  $\text{quarter-end Trade Payables} / \text{quarterly Cost of Sales} * 90$



# ROCE Evolution Up To Q3 2020



Average Capital Employed last 5 quarters: 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).

NOPAT Adj last 4 quarters: equal to the sum of the EBIT- excluding the effects of the IFRS16 accounting principle - of the last four quarters less adjusted taxes.

ROCE: NOPAT Adj last 4 quarters / Average Capital Employed last 5 quarters

# 2020 OUTLOOK AND FINAL REMARKS





## PROFITABILITY IMPROVEMENT

### CORE BUSINESS

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

### IN PROGRESS

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

## CAPITAL EMPLOYED OPTIMIZATION

### • Cash Conversion Cycle optimization

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

### • Keep on growing businesses which imply low Working Capital absorption

- ✓ Consumption Models
- ✓ Outsourcing
- ✓ PCs & Smartphones

# 2020 Outlook and Final Remarks

- ❑ **Outlook 2020, guidance revised upwards: Revenue above 4.4 €B, EBITDA adjusted above 62 M€.**
- ❑ Customer satisfaction projects already implemented are delivering good results and shall help to **sustain long-term profitability in a normalised environment.**
- ❑ Cost structure well under control.
- ❑ Covid second wave and the partial lockdowns could impact consumer demand and could continue to negatively impact infrastructure sales in Q4 with businesses delaying investment or **opting for cloud services and subscription models to leverage their on-premise IT infrastructure.** Thanks also to the acquisition of GTI, the leading software and cloud solutions distributor in Spain, Esprinet intends to become a reference player in the Software as a Service (SaaS) and Infrastructure as a Service (IaaS) segment.
- ❑ Supply on PCs and smartphones is lower than the high level of demand: Q4 2020 revenue growth rates possibly impacted by **low product availability.**
- ❑ We keep on looking at possible **M&A operations** finding ourselves at the forefront of the ongoing consolidation process of the distribution industry.
- ❑ **We maintain favourable mid-term expectations** due to strong fundamentals of ICT market and growing distribution centrality in the tech business system.

# Upcoming Events

| EVENT  | DATE                             |
|--|----------------------------------|
| MidCap Conference, Madrid - Intermonte SIM         | November 16 <sup>th</sup> , 2020 |
| Mid & Small in Milan - Virgilio Investor Relations | December 2 <sup>nd</sup> , 2020  |
| ISMO Parigi - Intesa San Paolo                     | December 10 <sup>th</sup> , 2020 |
| Mid-Cap Conference - Mediobanca                    | January 19 <sup>th</sup> , 2021  |



# Q&A





# Thank you

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

