# 9M 2019 RESULTS CONFERENCE CALL

November 14, 2019

# Forward looking statement

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# AGENDA

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

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# BUSINESS UPDATE

# 9M Financial Highlights

| | | | |
|---|---|---|---|
| Sales | 2,611 M€ | +13% on 9M 2018 | (893.6 M€ in Q3, +16%) |
| Gross Profit | 118.7 M€ | +7% on 9M 2018 | (37.6 M€ in Q3, +10%) |
| EBIT | 20.6 M€[1] | +37% on 9M 2018 | (6.7 M€ in Q3, +62%) |
| Net income | 9.4 M€ | +12% on 9M 2018 | (1.8 M€ in Q3, -17%) |

**NOTES**

[1] *18.4 M€ (+22%) excluding impact of IFRS 16 'Leases'.*

# 9M Financial Highlights

| | | | |
|---|---|---|---|
| Cash Cycle Days | 26 days | -3 days vs Q3 2018 | (-2 days vs Q2 2019) |
| Factoring utilization | 311.3 M€ | -9% vs Sept 30, 2018 | |
| ROCE | 8.3% | vs +6.9% at 30 Sept, 2018 | (8.3% at June 30, 2018) |
| Net Financial Debt | 183.6 M€ | 92.8 M€ excluding IFRS 16 impact | 120.8 M€ at September 30, 2018 |

# Key Accomplishments

## REVENUES

- Strong market share growth in a growing market.
- 12th consecutive quarter of Y-o-Y revenue growth.
- Strong performance of the strategic segment of Advanced Solution.

## GROSS PROFIT

- PCs & Smartphones with stable margins overperforming the other higher margin product lines.
- Pressure on Advanced Solution margins where volumes are needed to achieve leadership as in the other product lines.
- Sport Technology negative GP% linked to clearance of stock and positive contribution expected by Q1 2020.

## COST STRUCTURE

- Variable costs in line with budget and previous year.
- Optimization of processes drives better than budgeted cost structure.

## FINANCIAL CHARGES

- Net interest expenses decreasing on lower average financial debt and stable cost of funding.
- Finance costs negatively impacted by net exchange losses and one-off costs related to early repayment of Syndicated Senior Loan.

# Strategic initiatives & Guidance

## ROCE

- Strong EBIT growth even net of IFRS 16 positive effects.
- Cash Cycle reduction of -2 days sequentially and -3 days on previous year.
- Cash Cycle back to best performance of 2016 and down -8 days vs peak on Q1 2018.
- ROCE sequentially stable at 8.3% and up 1.4% against 6.9% of previous year.

## STRATEGIC INITIATIVES

- Strong set of ongoing internal activities to improve efficiency and innovation.
- Positive momentum in negotiations with vendors and customers to improve ROCE and Gross Profit %.

## FIRST ACHIEVEMENTS OF Q4 2019

- October sales up mid-single digit.
- Black Friday and Christmas season as strong drivers of profitability targets.
- Significant structural Working Capital improvements already achieved and one-off support expected from selected vendors with above-target stock levels.

## Q4 2019 & FY 2019 GUIDANCE

- Q4 profitability expected in line with budget on moderate top line growth, better than budgeted cost-control, and below budget Gross Profit %.
- Full year profitability targets confirmed.
- ROCE targets above cost of capital confirmed.

# Market dynamics

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## Overall Industry performance

| | Q1 2019 vs. Q1 2018 | Q2 2019 vs. Q2 2018 | Q3 2019 vs. Q3 2018 | 9M 2019 vs. 9M 2018 |
|---|---|---|---|---|
| ITALY | 4,3% | 8,7% | 11,5% | 8,1% |
| SPAIN | 11,5% | 8,4% | 6,0% | 8,6% |
| PORTUGAL | 11,4% | 8,6% | 8,5% | 8,4% |
| TOTAL | 7,5% | 8,5% | 8,8% | 8,3% |

**Italy**

- All line of business up mid-single digit with only Accessories down -3% in first 9 months of 2019.
- In Q3 alone PCs down -1%, Accessories and printing up low-single digit and everything else up double-digit.

**Spain**

- All line of business up mid-single digit with only Accessories down -2% and printing down -3% in first 9 months of 2019.
- In Q3 alone Accessories and Printing down mid-single digit and everything else up mid-single digit with Telephones up more than +12%.

## Esprinet Group performance

**Both the Italian and Spanish operations of the Group grew more than the market and achieved a market share growth of 2.0 points in Italy and 0.8 points in Spain in the first 9 months.**

In Q3 Italy grew +3.2 points and Spain was flat.

During first 9 months Esprinet in Italy outgrew the market in all lines of business except for Advanced Solutions (-1%) and Consumer Electronics (-8%). In Q3 alone Advanced Solutions share was down 2% mostly due to very strong sales to public administration in Q3 2018.

During first 9 months Esprinet in Spain outgrew the market in all lines of business except for Telephones (-6%) and Consumer Electronics (-2%). In Q3 Telephones share was down -8% on reduction of low ROCE businesses.

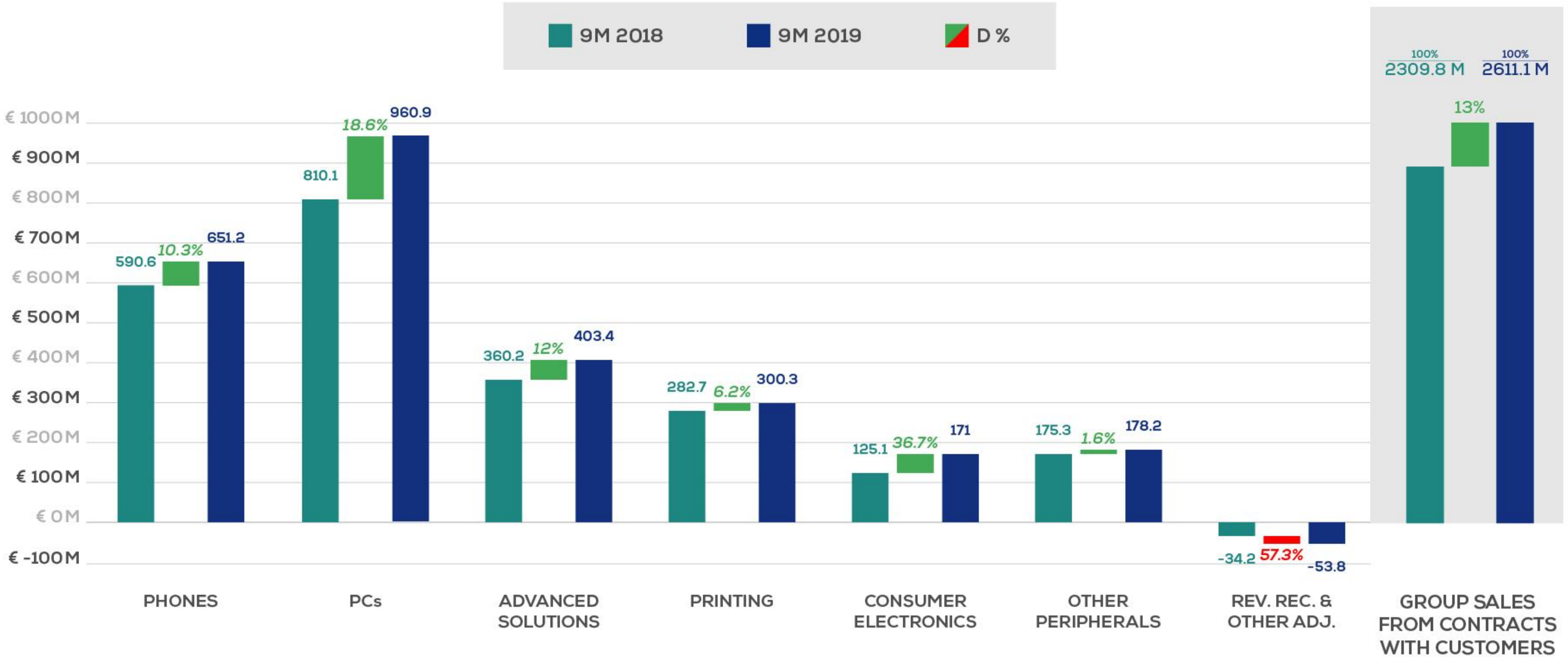
Esprinet slightly lost share in the Business Reseller customer segment both in Italy as well as in Spain.

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.

Source: Context, September 2019

# Sales Breakdown: 9M 2019 vs 9M 2018



# Gross Profit Dynamics

**PCs & Smartphone**

PCs and Smartphones collectively grew 1bps in terms of GP% during 9M and were down 5 bps in Q3 2019 mostly affected by the reduction of GP% on one major PC vendor which grew significantly.

All other PC Vendors GP% were flat and Smartphones GP% were slightly up on better discipline on low-margin deals.

**Other products**

Advanced Solutions GP% in Q3 2019 was down ~1% compared to Q3 2018 mostly on mix and on big deals to gain share.

Printing GP% during Q3 was down against Q3 2018, driven by a worse mix of supplies vs printing devices, with supplies margins up and printing slightly down.

Consumer Electronics, and Others GP% was up against Q3 2018 with good performance of Others. Remarkable performance of White Goods & Games.

- Gross Profit up on volumes.
- Gross Profit % sequentially stable but still decreasing y-o-y.
- Low-margin businesses (PCs&Smartphones) stabilized.
- High-margin businesses growing proportionally less than Low-margin businesses.
- Within high-margin businesses strong growth in Advanced Solution volumes to achieve market leadership put pressure on Gross Profit %.

# 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. Improvements expected by end of 2019 but full stabilization due by end of Q1 2020.

**-3 days**
vs Q3 2018

## Payables

Ongoing negotiations to achieve faster payment of credit notes as well as special support from vendors with particularly challenging ROCE: good momentum already achieved.

One major vendor payment term in Italy significantly improved effective since beginning of Q4.

**+ 2 days**
vs Q3 2018

## Receivables

Customer payment terms stable. On one major retailer credit terms reduction achieved. Impact already measured on lower volumes of factoring utilization: end-period factoring on TTM [1] sales down from 10% in Q3 2018 to 8% in Q3 2019.

Ongoing negotiations with key retailers to achieve structural reduction of payment terms ongoing but no major impact expected on Q4.

**+2 days**
vs Q3 2018

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

# Key undertakings

## Market

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

Growth coming mostly from Smartphones, Consumer Electronics and PCs but very good growth in Advances Solutions as well.

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

## Balance sheet

First results of new ROCE-Driven negotiations with lower level of Factoring utilization as well

Ongoing improvement in average levels of stock.

Long term debt refinancing plan completed.

## Key strategic initiatives

Strong growth of ‘Advanced Solution’ at +12% in Q3.

‘Customer Satisfaction’ initiatives already running in Italy and Spain.

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

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# FINANCIALS

# Profit & Loss - IFRS 16 Reconciliation

## 9M 2019

### IFRS 16: P&L impact

| M€ | 9M 2019 | | adj. | Post-IFRS 16 9M 2019 | |
|---|---|---|---|---|---|
| Sales | 2,611.1 | 100.00% | | 2,611.1 | 100.00% |
| Cost of sales | (2,492.4) | -95.45% | | (2,492.4) | -95.45% |
| **Gross Profit** | **118.7** | **4.55%** | **-** | **118.7** | **4.55%** |
| Operating costs | (100.3) | -3.84% | 2.3 | (98.1) | -3.76% |
| **EBIT** | **18.4** | **0.70%** | **2.3** | **20.6** | **0.79%** |
| | | | | | |
| D&A | 3.5 | 0.13% | 6.5 | 10.0 | 0.38% |
| **EBITDA** | **21.9** | **0.84%** | **8.8** | **30.6** | **1.17%** |
| | | | | | |
| Finance costs - net | (5.3) | -0.20% | (2.0) | (7.3) | -0.28% |
| **Profit before income taxes** | **13.1** | **0,50%** | **0.2** | **13.3** | **0.51%** |
| Income taxes | (3.8) | -0.15% | (0.1) | (3.9) | -0.15% |
| **Net income** | **9.3** | **0.36%** | **0.1** | **9.4** | **0.36%** |
| | | | | | |
| *Tax rate* | 29% | | | 29% | |

- Adoption of the new IFRS 16 effective January 1, 2019 (simplified retrospective approach - option B, without restating contracts already in place at January 1, 2019), caused the following impacts:
  - 8.8 M€ in reversal of rent expenses;
  - 6.5 M€ million increase in depreciation;
  - 2.0 M€ increase in interest expenses.
- **Total effect was an increase of EBIT of 2.3 M€ and a more relevant increase of EBITDA from 21.9 M€ to 30.6 M€ (+40%).**
- The effect on EBITDA (+8.5 M€) was due to the total amount of rent expenses being replaced with depreciation and interest expenses which are reclassified below EBITDA line.
- The effect on PBT and Net Income was negligible because of the arising of additional interest expenses (2.0 M€).

# Profit & Loss

| M€ | 9M 2019 [1] | | 9M 2018 | | Var. % | FY 2018 adj. [2] | |
|---|---|---|---|---|---|---|---|
| Sales | 2,611.1 | 100.00% | 2,309.8 | 100.00% | *13%* | 3,571.2 | 100.00% |
| Cost of sales | (2,492.4) | -95.45% | (2,198.7) | -95.19% | *13%* | (3,400.5) | -95.22% |
| **Gross Profit** | **118.7** | **4.55%** | **111.1** | **4.81%** | ***7%*** | **170.7** | **4.78%** |
| Operating costs | (100.3) | -3.84% | (96.1) | -4.16% | *4%* | (129.7) | -3.63% |
| **EBIT** | **18.4** | **0.70%** | **15.1** | **0.65%** | ***22%*** | **41.0** | **1.15%** |
| D&A | 3.5 | 0,13% | 3.6 | 0.16% | *-4* | 4.7 | 0.13% |
| **EBITDA** | **21.9** | **0.84%** | **18.7** | **0.81%** | ***17%*** | **45.7** | **1.28%** |
| Finance costs - net | (5.3) | -0.20% | (3.6) | -0.16% | *47%* | (4.5) | -0.13% |
| **Profit before income taxes** | **13.1** | **0.50%** | **11.4** | **0.49%** | ***15%*** | **36.4** | **1.02%** |
| Income taxes | (3.8) | -0.15% | (3.1) | -0.13% | *24%* | (9.4) | -0.26% |
| **Net income** | **9.3** | **0.36%** | **8.3** | **0.36%** | ***11%*** | **27.0** | **0.76%** |
| *Tax rate* | *29%* | | *27%* | | | *26%* | |

## 9M 2019

- Net sales at 2,611.1 M€ increased +13% compared to the prior-year 9M (+303.3 M€).
- Gross Profit up +7% at 118.7 M€.
- Operating costs growing at a significantly lower growth rate than sales (+4%) thus reducing incidence on sales and almost fully compensating GP% dilution.
- **EBIT at 18.4 M€ increased +22% compared to the prior-year 9M and improving from 0.65% to 0.70% on sales.**
- **On a 'like-for-like' basis - by eliminating contribution to EBIT of 0.3 M€ of 4Side S.r.l. - and considering 1.1 M€ one-off 'non recurring costs' incurred in 9M 2018, EBIT increase was M€ 1.9 (+12%).**
- PBT negatively affected by an increase of 2.7 M€ in finance costs.
- Net income of 9.3 M€ increased +11% with a slightly higher tax rate.

**NOTES**

[1] *Excluding impact of IFRS 16 'Leases'.*

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

# Finance costs

| M€ | 9M 2019 | 9M 2018 | Var. |
|---|---|---|---|
| Interest expenses on LT borrowings | 1,8 | 2,1 | (0,3) |
| Interest expenses on ST facilities | 0,3 | 0,2 | 0,1 |
| Up-front fees amortisation | 1,3 | 0,6 | 0,7 |
| IAS 19 expenses/losses | 0,1 | 0,0 | 0,0 |
| IFRS 16 interest expenses on leases | 2,0 | - | 2,0 |
| Derivatives and other expenses | 0,0 | 0,1 | (0,1) |
| **Total financial expenses** | **5,5** | **3,1** | **2,4** |
| Interest income from banks | (0,1) | (0,0) | (0,1) |
| Interest income from others | (0,1) | (0,1) | (0,0) |
| Interest income on business combination | - | (0,0) | 0,0 |
| Derivatives ineffectiveness | (0,0) | 0,0 | (0,0) |
| **Total financial income** | **(0,2)** | **(0,1)** | **(0,1)** |
| Net foreign exchange (profit)/losses | 2,0 | 0,7 | 1,3 |
| **Finance costs, net** | **7,3** | **3,6** | **3,7** |

- FX risk (e.g. 'transactional risk') identified and mapped by the Board within annual ERM-Enterprise Risk Management review on February 2019.
- **Final decision, given the confirmed low degree of severity, was to reiterate strategy based on 'risk tolerance'.**

- Total net finance costs up to 3.7 M€ mainly due to:
  - 0.7 M€ of increase in up-front arrangement fees amortization;
  - 2.0 M€ of interests on leases;
  - 1.3 M€ increase in net exchange losses.
- Increase in banking fees mainly due to 0.8 M€ of one-off effect arising from the early repayment of Syndicated Senior Loan occurred on September 26, 2019.
- Interests on leases of 2.0 M€ due to IFRS 16 first adoption.
- Exchange losses of 1.3 M€ related to unfavourable effect of USD strengthen on purchases (~3% of total).
- **Interest expenses on bank financing improvement of 0.3 M€ due lower average financial indebtedness and stable cost of funding.**

# Profit & Loss

| M€ | Q3 2019 [1] | | Q3 2018 | | Var. % |
|---|---|---|---|---|---|
| Sales | 893.6 | 100.00% | 771.6 | 100.00% | *16%* |
| Cost of sales | (856.0) | -95.79% | (737.5) | -95.57% | *16%* |
| **Gross Profit** | **37.6** | **4.21%** | **34.2** | **4.43%** | ***10%*** |
| Operating costs | (31.7) | -3.55% | (30.1) | -3.90% | *6%* |
| **EBIT** | **5.9** | **0.66%** | **4.1** | **0.53%** | ***43%*** |
| D&A | 3.4 | 0.37% | 1.3 | 0.17% | *-9%* |
| **EBITDA** | **7.1** | **0.79%** | **5.4** | **0.70%** | ***31%*** |
| Finance costs - net | (2.9) | -0.33% | (1.2) | -0.16% | *-134%* |
| **Profit before income taxes** | **3.0** | **0.33%** | **2.9** | **0.37%** | ***4%*** |
| Income taxes | (1.2) | -0.14% | (0.7) | -0.09% | *70%* |
| **Net income** | **1.7** | **0.20%** | **2.1** | **0.28%** | ***-19%*** |
| *Tax rate* | *41%* | | *25%* | | |

**NOTES**

[1] *Excluding impact of IFRS 16 'Leases'.*

## Q3 2019

- Net sales at 893.6 M€ increased +16% compared to the prior-year 9M (+121.9 M€).
- Gross Profit up +10% at 37.6 M€.
- Operating costs growing at a significantly lower growth rate than sales (+6%) thus reducing incidence on sales and more than compensating GP% dilution.
- **EBIT at 5.9 M€ increased +43% compared to the prior-year 9M and improving from 0.53% to 0.66% on sales.**
- **On a 'like-for-like' basis and considering one-off 'non recurring costs' incurred in Q3 2018 EBIT increase was 1.0 M€ (+18%).**
- PBT negatively affected by an increase of 1.7 M€ in finance costs.
- Net income of 1.7 M€ down -19% also because of an abnormally hgh tax rate of 41% as a consequence of not gaining any tax asset on losses sustained by two small subsidiaries now in liquidation: Nilox Deutschland and Celly Nordic.

# Balance Sheet Highlights

| M€ | IAS 17 30.09.19 | IAS 17 31.12.18 | Post-IFRS 16 30.09.19 |
|---|---|---|---|
| Net operating working capital | 346.0 | 10.4 | 347.3 |
| Goodwill | 90.7 | 90.6 | 90.7 |
| Other fixed assets | 29.7 | 27.9 | 120.7 |
| Other current assets/liabilities | (11.9) | (12.7) | (13.3) |
| Other non-current assets/liabilities | (16.6) | (14.4) | (16.6) |
| **Net invested capital** | **438.0** | **101.9** | **528.8** |
| Long-term financial liabilities | 41.4 | 12.8 | 41.4 |
| Short-term financial liabilities (1) | 127.8 | 138.3 | 127.8 |
| Lease liabilities | - | - | 90.8 |
| Debts for investments in subsidiaries | - | 1.1 | - |
| Cash and cash equivalents | (65.2) | (381.3) | (65.2) |
| Other | (11.2) | (11.9) | (11.2) |
| **Net financial debt** | **92.8** | **(241.0)** | **183.6** |
| Net equity | 345.2 | 342.9 | 345.3 |
| Total sources | 438.0 | 101.9 | 528.8 |

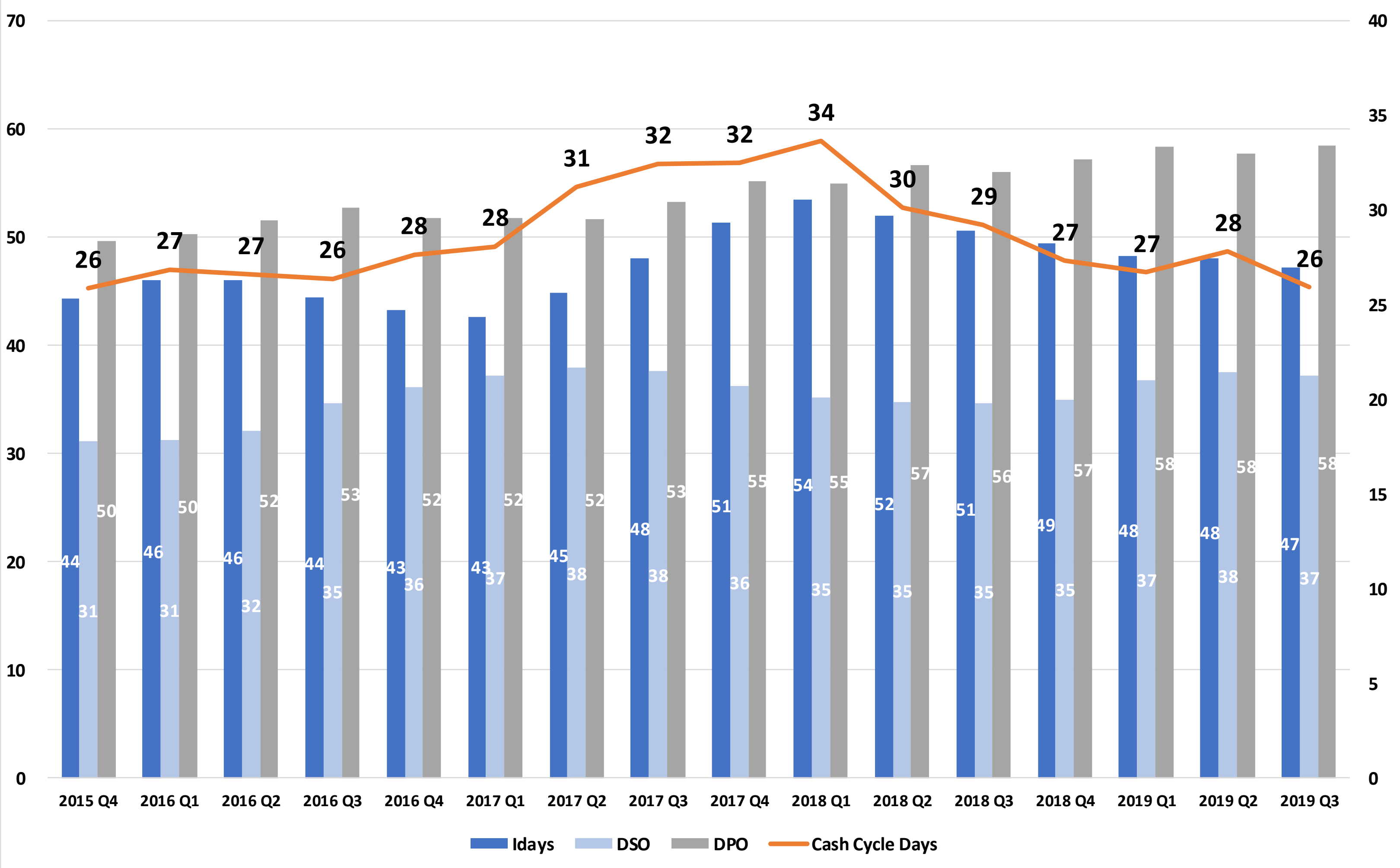
**BS at September 30, 2019**

- At September 30, 2019 Group net equity was 345.3 M€.
- At the same date the Group had 90.7 M€ of goodwill resulting in a Net tangible equity of 254.6 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 (notwithstanding the effect of IFRS 16 adoption).
- Compared to June 30, 2019 pre-IFRS 16 increase in net debt was negligible (from 90.0 to 92.8 M€).
- The first application of IFRS 16 led to initial accounting of Right of Use assets and lease liabilities for 97.6 M€.
- **As at September 30, 2019 net differential effect was an increase in Net invested capital and Net financial debt of 90.8 M€.**

**NOTES**

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

# Working Capital Metrics




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 conversion cycle stands at 26 days sequentially improving by 2 days(1):

| | | |
|---|---|---|
| Idays | = 47 | (-1) |
| DSO | = 37 | (=) |
| DPO | = (58) | (+1) |
| **Tot** | **= 26** | **(-2)** |

- **Compared to Q3 2018 metrics Idays decreased -3 days, DSO increased +2 days and DPO increased +2 days for a total improvement of 3 days from 29 to 26 days(1).**

**NOTES**
(1) *Rounded figures.*

# Cash Flow Generation

| M€ | | 9M 2019 | 9M 2018 |
|---|---|---|---|
| | Cash flow generated from operations | 31.4 | 18.8 |
| | Cash flow provided by (used in) changes in working capital | (342.2) | (249.1) |
| | Other cash flow provided by (used in) operating activities | (5.9) | (3.7) |
| | **Cash flow provided by (used in) operating activities** | (316.7) | (234.0) |
| (+/-) | Cash flow provided by (used in) investing activities | (2.9) | (2.7) |
| (+/-) | Dividends and other changes | (7.5) | (7.1) |
| (-) | Repayment of lease liabilities | (6.8) | - |
| (=) | Net (increase)/decrease in net financial debt | (333.9) | (243.8) |
| | Net financial debt (cash) at beginning of period | (241,0) | (123,1) |
| (+/-) | Net (increase)/decrease in net financial debt | (333,9) | (243,8) |
| (=) | Net financial debt (cash) at end of period | 92,8 | 120,8 |
| | Net financial debt (cash) at beginning of period | 241,0 | |
| | Cash flow provided by (used in) operating activities | (316,7) | |
| | Cash flow provided by (used in) investing activities | (2,9) | |
| | Dividends and other changes | (7,5) | |
| | RoU assets | (97,6) | |
| (=) | Net financial debt (cash) at end of period (IFRS 16) | (183,6) | |

- Cash flow generated from operations was 31.4 M€ (+67%).
- Dividend distribution of 6.9 M€ (reiterated pay-out ratio of 25% on normalised Group's net income).
- Net financial debt at quarter-end was 92.8 M€ (183.6 M€ when considering newly emerged lease labilities of 90.8 M€ due to IFRS 16).
- Net increase in net financial debt resulting from the initial accounting of lease liabilities for 97.6 M€ reduced by repayment of the period (6.8 M€).
- **Apparent' working capital absorption, due to huge swing between year-end and end of September, and increase in financial debt compared to December 31, 2018 is not suggestive of real changes in net average capital employed.**

# ROCE-Return on Capital Employed

| M€ | TTM ended December 31 | | TTM ended March 31 | | TTM ended June 30 | | TTM ended September 30 | |
|---|---|---|---|---|---|---|---|---|
| **TTM [1] Net Operating Profit After Tax (NOPAT)** | **2017** | **2018** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** |
| **EBIT [2]** | **36,7** | **41,0** | **37,3** | **41,9** | **37,3** | **42,5** | **36,6** | **44,6** |
| Income taxes on EBIT [3] | -9,4 | -10,5 | -9,5 | -10,7 | -9,5 | -10,9 | -9,4 | -11,4 |
| **NOPAT** | **27,3** | **30,5** | **27,8** | **31,2** | **27,8** | **31,7** | **27,2** | **33,2** |
| Net operating working capital (5-qtr end average) | 250,1 | 227,0 | 307,1 | 288,3 | 294,6 | 278,6 | 296,5 | 294,0 |
| Net fixed assets (5-qtr end average) | 108,0 | 96,2 | 104,3 | 95,0 | 101,4 | 100,7 | 99,0 | 106,3 |
| **Total average Invested Capital** | **358,0** | **323,2** | **411,3** | **383,3** | **396,0** | **379,3** | **395,4** | **400,3** |
| **ROCE** | **7,6%** | **9,4%** | **6,7%** | **8,1%** | **7,0%** | **8,3%** | **6,9%** | **8,3%** |

- **In September 30, 2019 EBIT up +22% on ‘flat’ Net average Invested Capital leading to a ROCE of 8.3%.**
- **ROCE growing and finally stabilizing in the last 2 quarters above company’s WACC-Weighted Average Cost of Capital estimated at 8.0% based on management and stock analysts’ consensus [4].**

**NOTES**

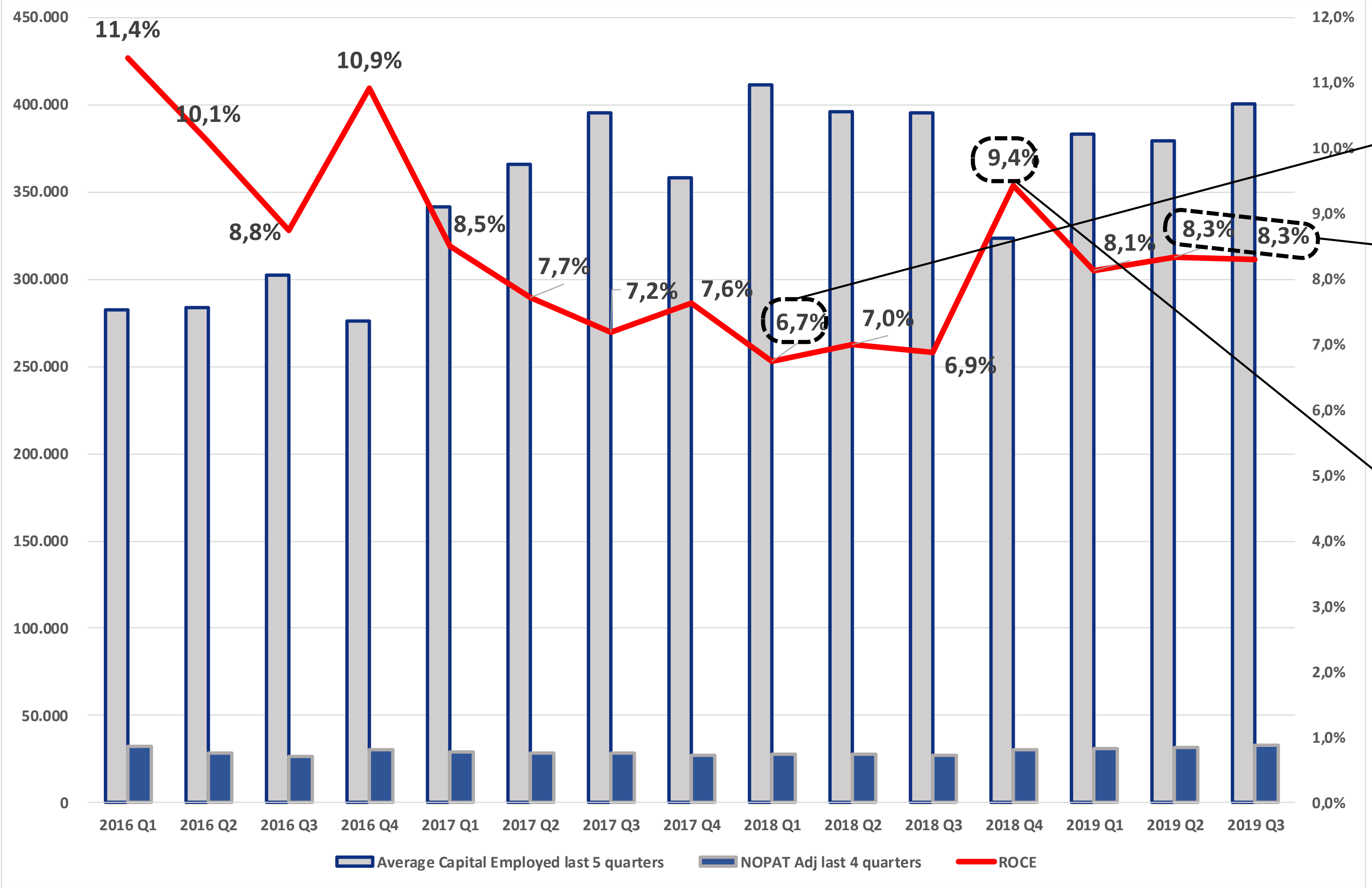
[1] *Trailing Twelve Months is abbreviated as TTM.*

[2] *Net of non-recurring items and excluding IFRS 16 impact.*

[3] *Figurative income taxes on EBIT are calculated using FY 2018 effective tax rate of ~26%.*

[4] *WACC-Weighted Agerage Cost of Capital used in FY 2018 Impairment Test of goodwill at 8.1% for Italian and 7.3% for Spanish CGU.*

# ROCE evolution




- Rebound from historical low of 6.7% in Q1 2018.
- Sequentially stable at 8.3% and up 1.4% against 6.9% in Q3 2018.
- Expected spike in Q4 2019 due to structural improvements, seasonality and end-of-year recurring behavioral patterns of vendors.

# Debt structure

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| M€ | nov-19 |
|---|---|
| Syndicated RCF | 152,5 |
| Long-term financial debt | 71,0 |
| *Vinzeo term loans (nov-19)* | *10,0* |
| T/R Securitisation program | 100,0 |
| **Subtot "committed" facilities** | **333,5** |
| Shareholders' equity | 345,3 |
| **Total stable funding sources** | **678,7** |

- Stipulated on September 30th, 2019 with 9 Italian and Spanish banks.
- Global Coordinator and Arranger: Banca IMI S.p.A., UniCredit S.p.A., Banca Nazionale del Lavoro S.p.A..

- Two 5-year 'unsecured' term loans of 5.0 M€ each approved in early November.
- Neither Parent Guarantee nor financial covenants required.
- **72.5 M€ outstanding former Syndicated Senior Term Loan repaid earlier than maturity date and replaced by bilateral term loans for a total of 81.0 M€ as of today on a pro-forma basis of which 67.8 M€ obtained in 2019.**

- More than 1.0 BN€ of 'uncommited' funding sources (ST commercial banking facilities plus 'non-recourse' T/R factoring credit lines).
- **Strong financial structure which is deemed to be adequate to support future business prospects.**

# Share repurchase activity

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## TIMETABLE

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

## SHARE REPURCHASES(1)

- **Number of shares repurchased: 983,508 (1.88% of total)**
- **Amount repurchased: 3.1 M€**
- **Average price per share: 3.15 €**

## REMAINDER OF THE PROGRAM

- **Number of shares: 486,709 (0.93%) 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 November 12, 2019*

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# OUTLOOK & FINAL REMARKS

# Investment Highlights

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1

## A new attractiveness of the market

- A sizable and growing 14.6 BN€ addressable market[1].
- IT distribution gaining share on total IT spending [from 39.5% to 53.0% [1]].
- 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 [1].
- Growing share from 23% to 24.4% [1].
- 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 Solution'.

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'.

**NOTES**

[1] *See Annexes.*

# Outlook / Delivery

## Q4 2019

Quarter looks positive but softer in terms of sales growth y-o-y compared to previous quarters.

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

Good ROCE expected for quarter end both on seasonality and impact of improvement activities started in Q2.

## 2019

We reiterate the target for a FY 2019E EBIT (pre-IFRS 16) in the range 38-42 M€ [(1)], 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 (8.0%).

**NOTES**

(1) *Excluding any possible negative effect arising from further losses on remaining 2.5 M€ of receivables with the supplier of Sport Technology products.*

# Upcoming events

| Date | Event | Venue |
|---|---|---|
| February 13, 2020 | Board of Directors:<br>Q4 2019 Quarterly Results | Vimercate (IT) |
| February 13, 2020 | Q4 2019 Quarterly Results<br>Press release | |
| February 14, 2020 | Q4 2019 Earnings Conference<br>Call & Audio Webcast | |

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# Q & A

# Thank you

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

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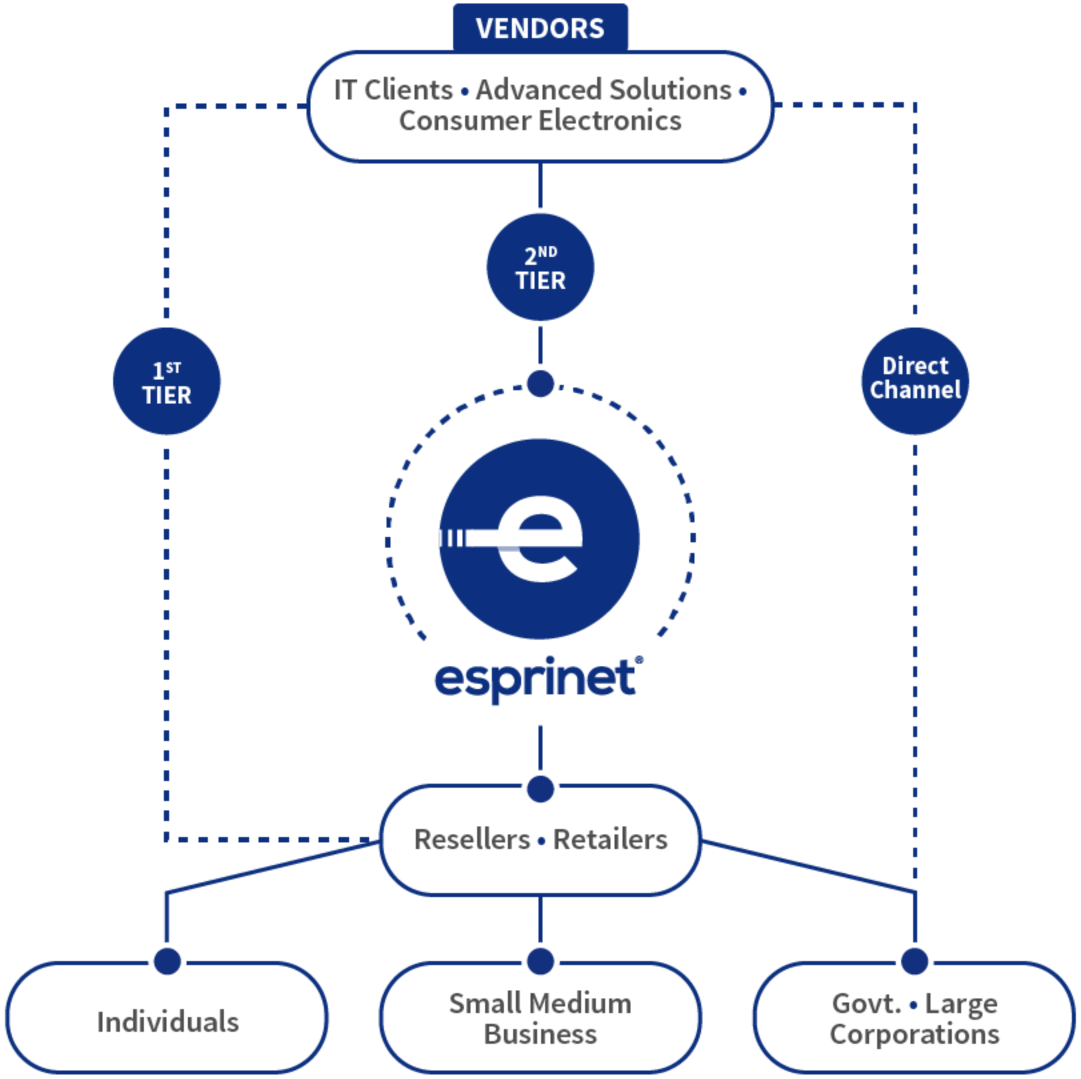
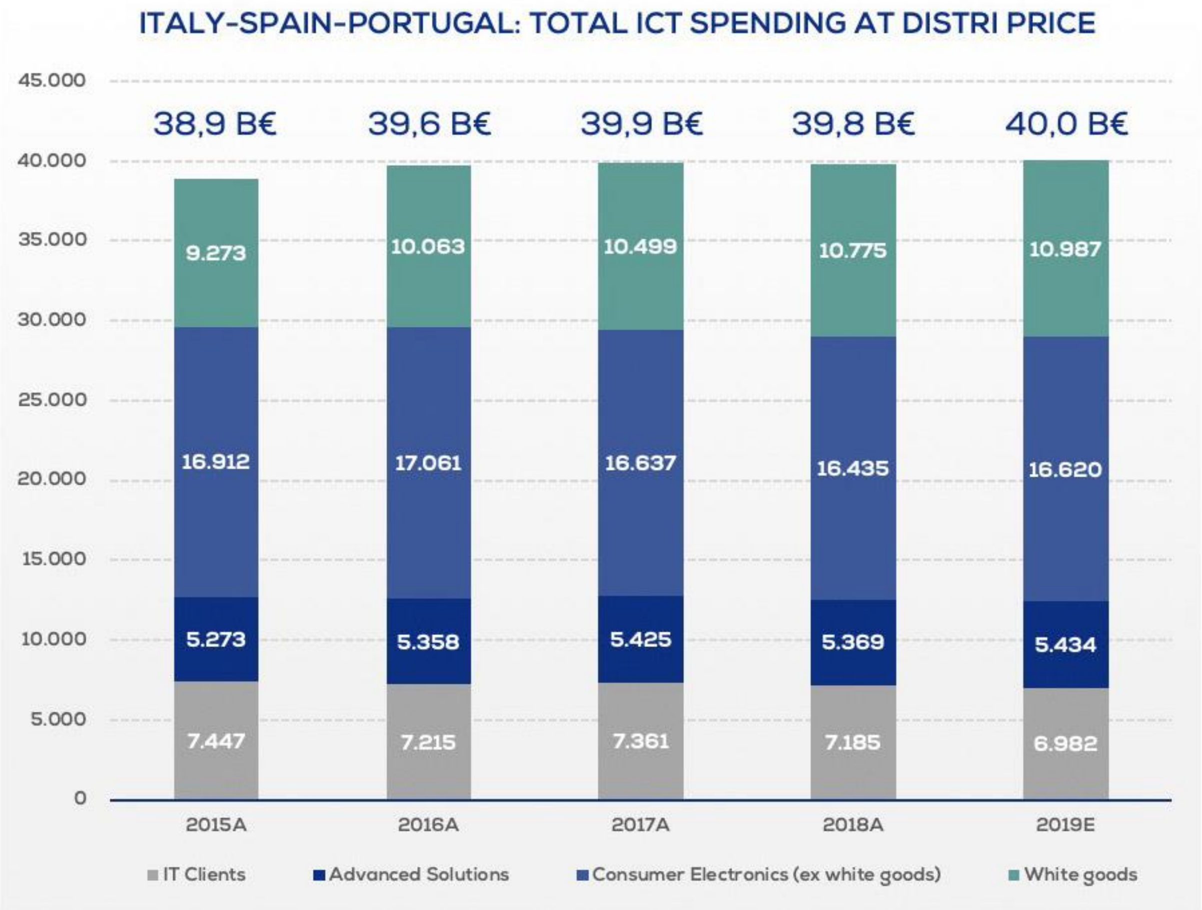
# ANNEXES

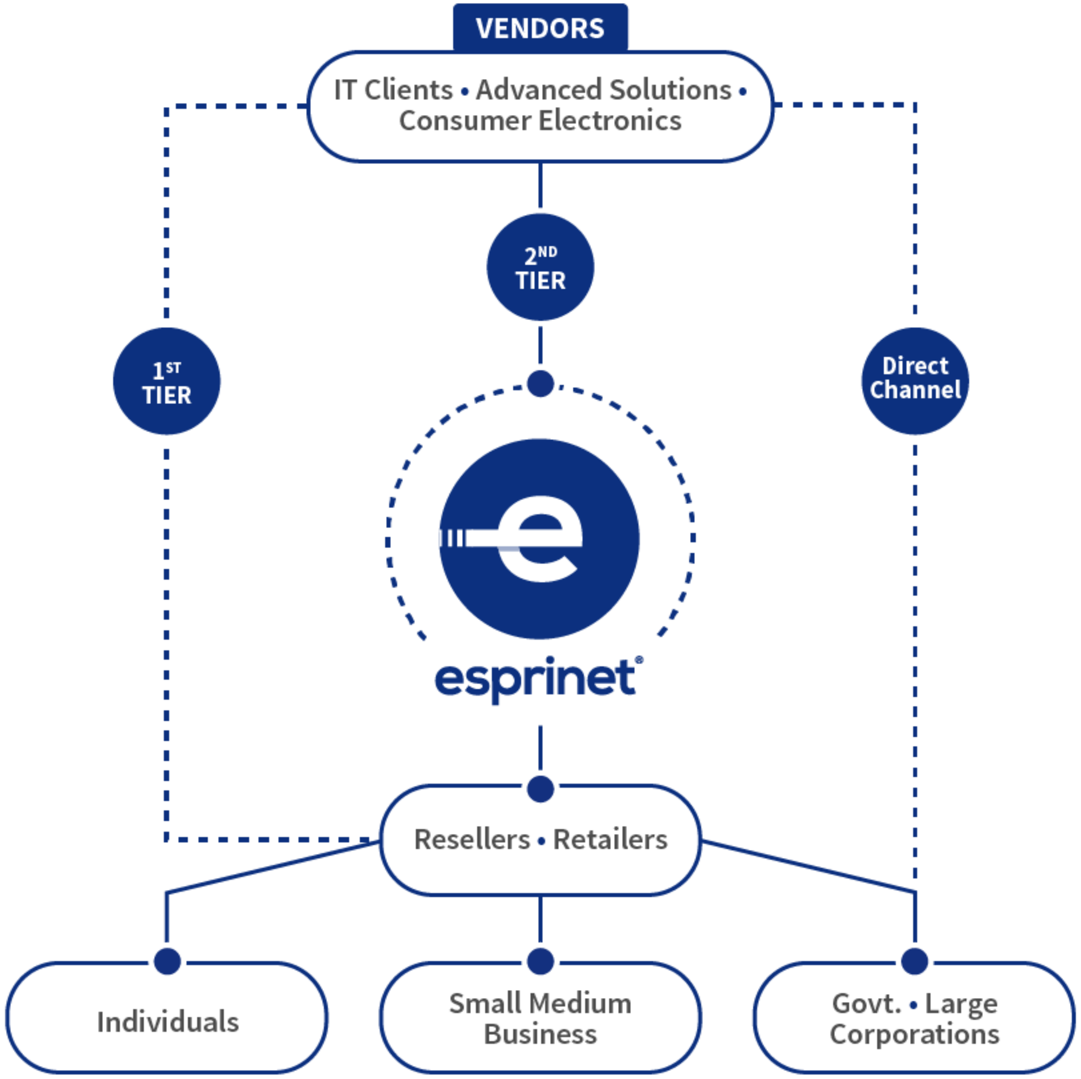
# Size Of Addressable End User Market

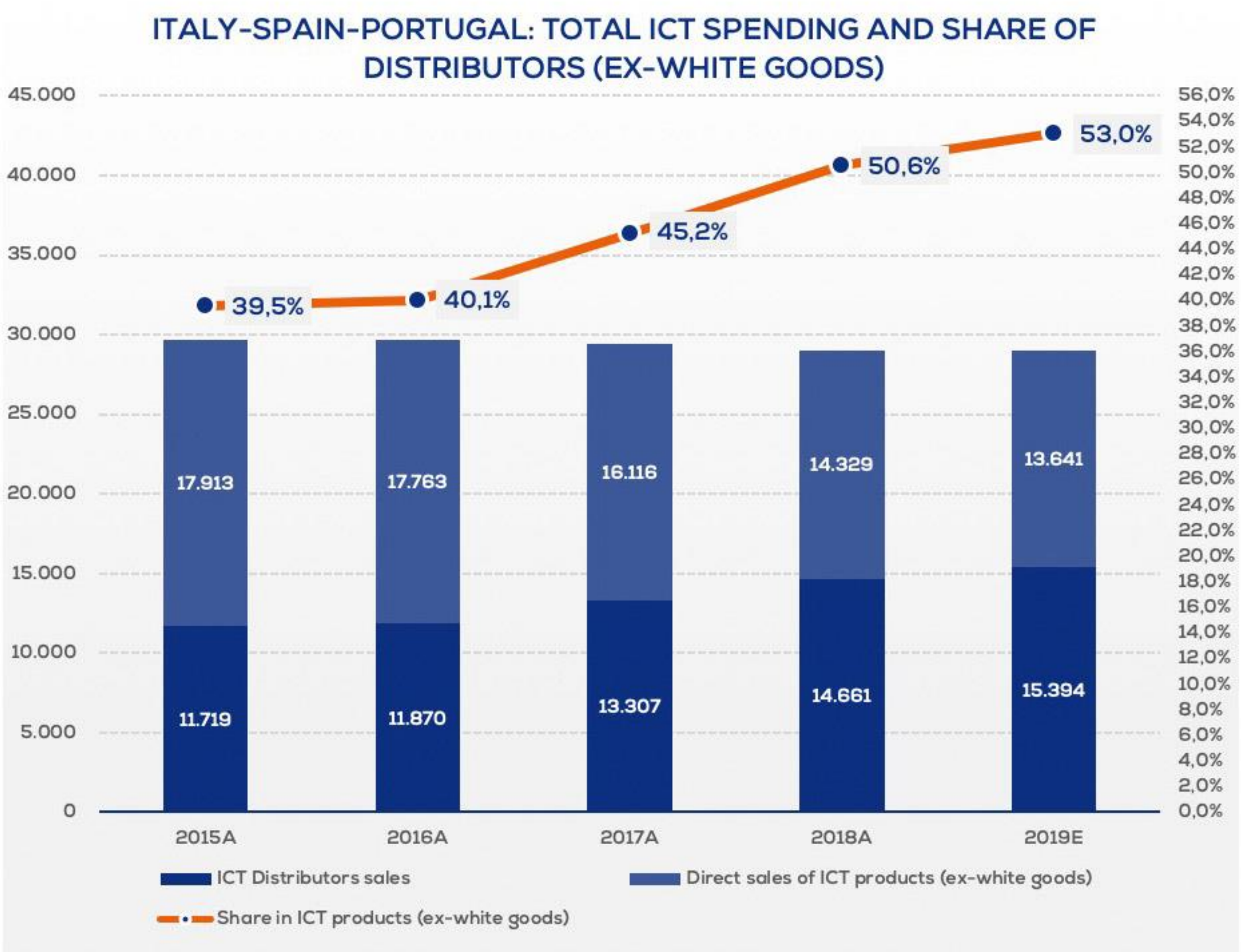



EITO figures for IT Clients - Advanced Solutions & Smartphones - EUROMONITOR for other Consumer electronics
End-user consumption converted to distri price assuming average 15% margin for resellers/retailers
Conversion from Context panel sales to Total distri sales assuming Context Panel represents 95% 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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