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enabling your tech experience

**H1 2021 Results Conference Call**

September 7, 2021

# 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.

# H1 2021 KEY METRICS



## The Group continues on its growth path

### PROFITABILITY INDICATORS: DOUBLE-DIGIT GROWTH

- H1 2021 P&L performance in further acceleration:
  - I. Sales up +22% yoy to 2,237 M€**
    - Q2 2021 sales of 1,071 M€ (+16% yoy) with a remarkable +67% yoy in *Advanced Solutions*;
    - Q1 2021 sales of 1,166 M€ (+28% yoy)
  - II. EBITDA Adjusted up +74% to 41.7 M€**  
Drivers:
    - Organic growth: +14.2 M€ (+59% yoy);
    - M&A: 3.6 M€
- ESPRINET **outperformed the market in all three countries and increases its share** also thanks to the contribution of the latest acquisitions:  
Italy +18%, Spain +26%, Portugal +76%
- **Gross profit:** with a **growth of 42% it stood at 5.24%**, (compared to 4.51% of H1 20) due to the higher incidence of high-margin business lines and the constant improvement in customer satisfaction indices

### A SOLID FINANCIAL STRUCTURE

The results of constant and consistent discipline in balance sheet management:

- **Cash Cycle** closes at **9 days**, with an improvement of -3 days compared to Q2 20 (+3 days compared to Q1 21)
- **Net Financial Position** as of June 30, 2021 negative for 104.9 M€
  - down compared to March 31, 2021 (negative for 71.6 M€) essentially for treasury shares buy-back and dividend distribution to shareholders;
  - down compared to June 30, 2020 (positive for 113.2 M€): to the events mentioned above are also added the disbursements for new acquisitions (GTI Group, Dacom S.p.A. and idMAINT Group) and non-repeatable favorable mismatch between DPO and DSO following the Covid-19 pandemic
- **ROCE at 23.2%** thanks to increasing operating profitability and attention to managing the cash conversion cycle

# H1 2021 Financial Highlights

(M/€)	30/06/2021	30/06/2020	Var. %
Sales from contracts with	2,236.8	1,834.7	22%
Gross Profit	117.3	82.8	42%
Gross Profit %	5.24%	4.51%	
<b>EBITDA adj.</b>	<b>41.7</b>	<b>24.0</b>	<b>74%</b>
EBITDA adj. %	1.87%	1.31%	
<b>EBIT adj.</b>	<b>34.1</b>	<b>16.8</b>	<b>102%</b>
EBIT adj. %	1.52%	0.92%	
<b>EBIT</b>	<b>34.1</b>	<b>14.6</b>	<b>133%</b>
EBIT %	1.52%	0.80%	
<b>Net Income</b>	<b>22.1</b>	<b>7.7</b>	<b>187%</b>
Net Income %	0.99%	0.42%	

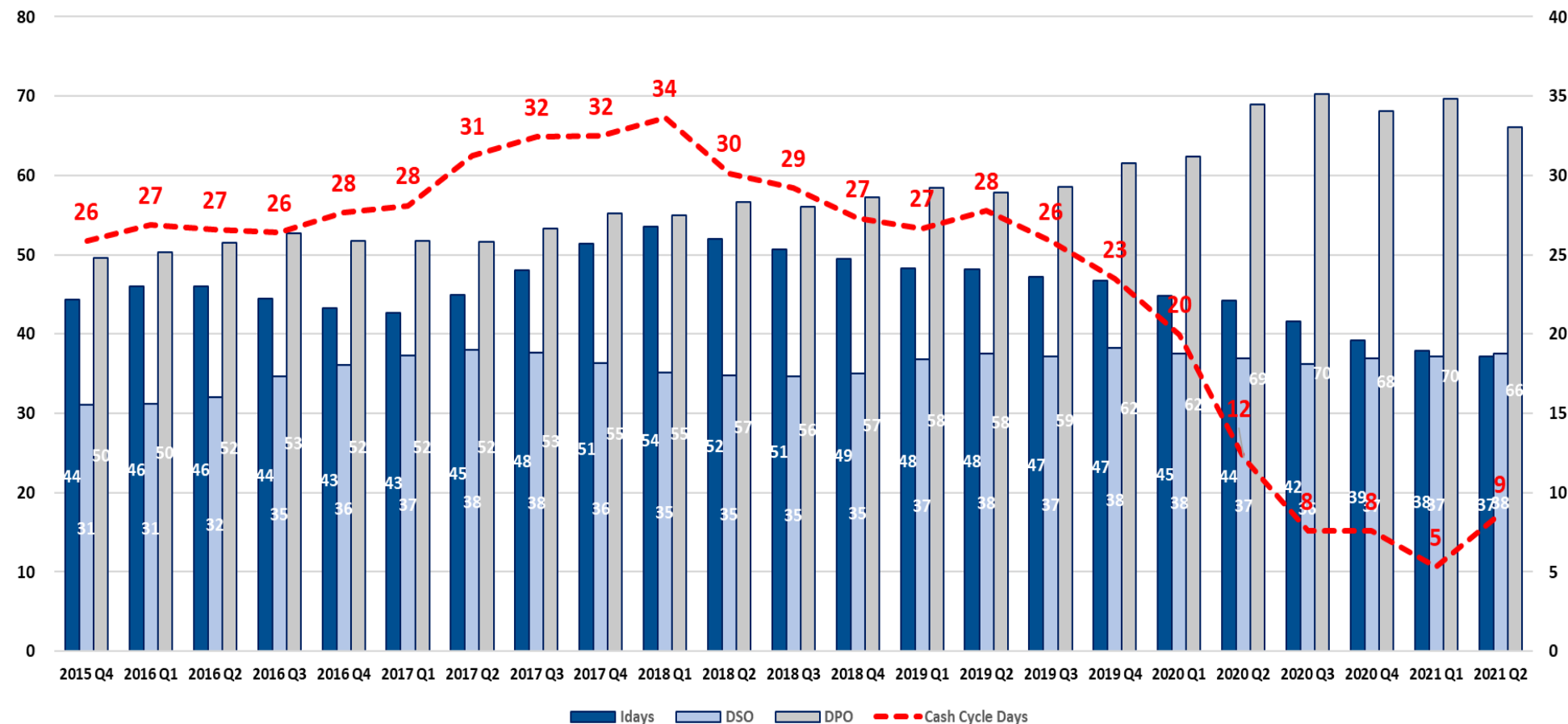
- **Net Invested Capital as of June 30, 2021 stands at 469.6 M€ and is covered by:**
  - Shareholders' equity, including non-controlling interests, for 364.7 M€ (365.7 M€ as of June 30, 2020)
  - Cash negative for 104.9 M€ (positive for 113.2 M€ as of June 30, 2020)
- **Cash positive (Pre-IFRS 16) for 10.6 M€ (positive for 218.2 M€ as of June 30, 2020)**

(M/€)	30/06/2021	30/06/2020	31/03/2021
Fixed Assets	139,3	117,6	137,9
Operating Net Working Capital	232,2	61,5	235,1
Other current asset (liabilities)	8,2	(11,3)	4,2
Other non-current asset (liabilities)	(21,6)	(18,0)	(20,8)
<b>Net Invested Capital [ante IFRS16]</b>	<b>358,1</b>	<b>149,8</b>	<b>356,3</b>
RoU Assets [IFRS16]	111,5	102,7	114,4
<b>Net Invested Capital</b>	<b>469,6</b>	<b>252,5</b>	<b>470,7</b>
Cash	(180,6)	(333,2)	(219,7)
Short-term debt	43,4	31,5	62,3
Medium/log-term debt <sup>(1)</sup>	136,2	94,2	138,0
Financial assets	(9,6)	(10,7)	(26,6)
<b>Net financial debt [ante IFRS16]</b>	<b>(10,6)</b>	<b>(218,2)</b>	<b>(46,0)</b>
<b>Net Equity [ante IFRS16]</b>	<b>368,7</b>	<b>368,0</b>	<b>402,4</b>
<b>Funding sources [ante IFRS16]</b>	<b>358,1</b>	<b>149,8</b>	<b>356,3</b>
Lease liabilities [IFRS16]	115,5	105,0	117,7
<b>Net financial debt</b>	<b>104,9</b>	<b>(113,2)</b>	<b>71,6</b>
<b>Net Equity</b>	<b>364,7</b>	<b>365,7</b>	<b>399,1</b>
<b>Funding sources</b>	<b>469,6</b>	<b>252,5</b>	<b>470,7</b>

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

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

# Working Capital Metrics 4-qtr average



- As of June 30, 2021 working capital days stand at 9 improving year-on-year (-3)
- Compared to Q1 2021 metrics, Idays decreased -1 day, DSO increased +1 day and DPO decreased -4 days for a final results at 9 days
- The impact of the favorable mismatch between DPO and DSO following the Covid-19 pandemic is substantially over

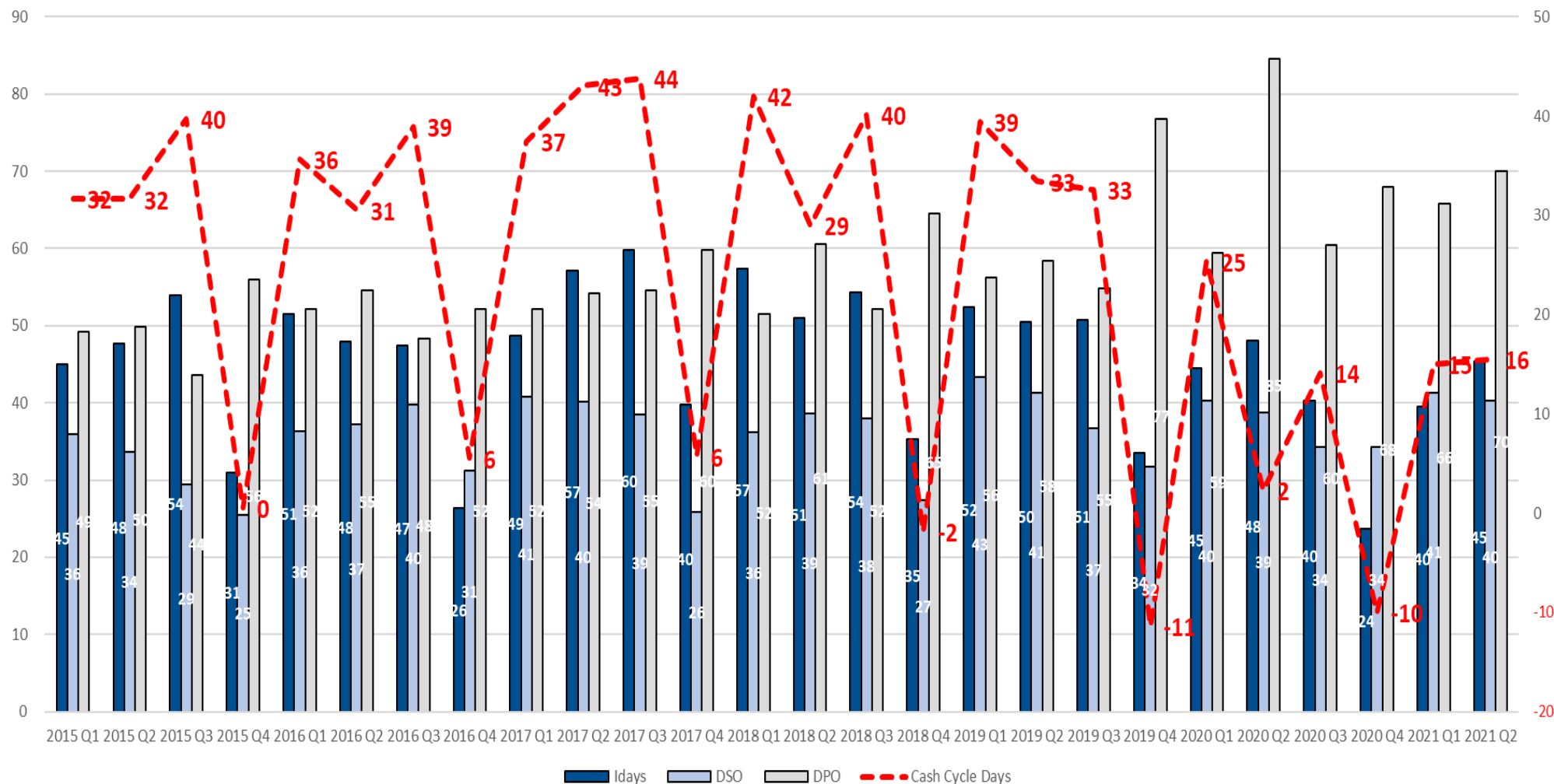
Idays (Inventory Days): 4-qtr average of (quarter-end Inventory / quarterly Sales \* 90)

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)



# Working Capital Metrics quarter-end



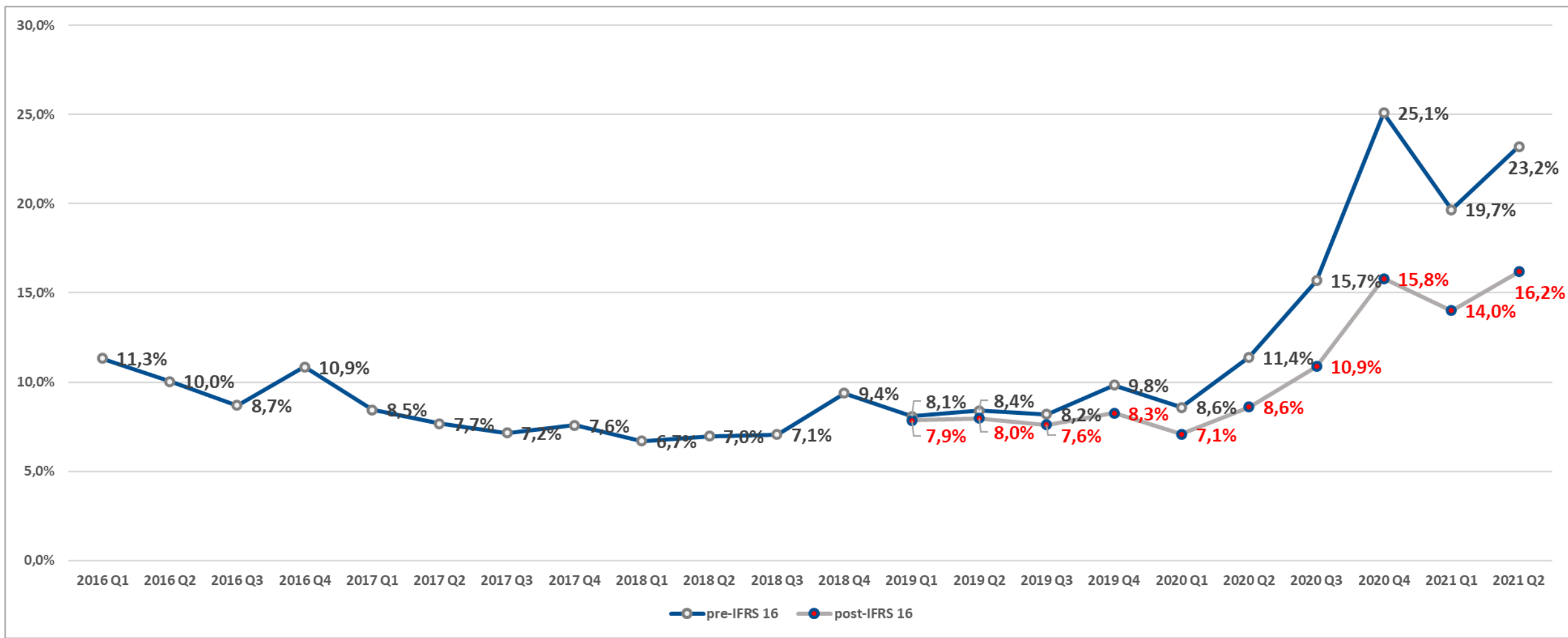
- As of June 30, 2021 working capital days stand at 16.
- Inventory days amount to 45 days, DSOs amount to 40 days, the DPOs stand at 70 days.

Idays (Inventory Days): quarter-end Inventory / quarterly Sales \* 90

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

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

# ROCE Evolution Up To H1 2021



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

NOPAT Adj last 4 quarters: equal to the sum of the EBIT of the last four quarters less adjusted taxes.

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

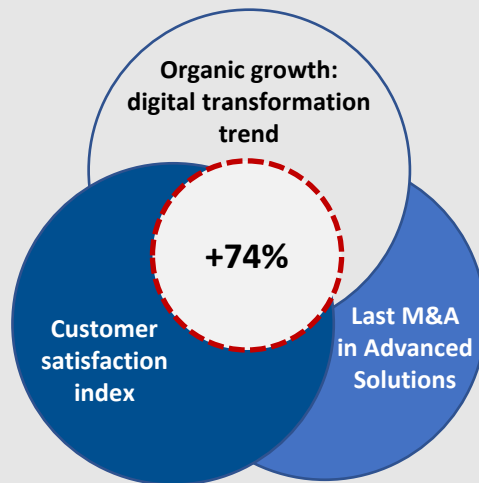


# STRATEGY & EXECUTION



H1 2021 EBITDA Adj. 41.7 M€

The tangible result of the value of the strategy and its execution



From 1.31% in H1 2020  
to 1.87% in H1 2021

## FOCUS ON 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

- **Taking advantage from the trend of digital transformation**, accelerated by the pandemic, which is seeing more and more companies with investments in infrastructures and in high-margin business lines, the EBITDA Adj. **grew organically by 59%**
- At the same time, the constant attention to **customer satisfaction indices** contributed to the improvement of Adj. EBITDA, also resulting in **an increase in market share in all three geographies**
- The last acquisitions in the Advanced Solutions, GTI Software Y Networking S.A. Spanish leader in the Cloud segment, and Dacom S.p.A. and idMAINT S.r.l. Italian leaders respectively in the distribution and supply of assistance services in the Automatic Identification and Data Capture segment, thanks to **a fluid integration process**, contributed **an additional 3.6 million euros in Adj. EBITDA**
- The Adj. EBITDA incidence on revenue rises to **1.87% compared to 1.31%** in the first half of 2020, **despite the increase in the weight of operating costs (from 3.21% in H1 2020 to 3.38% in H1 2021 )** mainly as a result of the acquisitions of the GTI Group, of Dacom SpA and the idMAINT Group

# Sales Evolution in H1 2021

H1 2021: 2,236.8 M€ (+22% vs 1,834.7 M€ in H1 2020)



## BY GEOGRAPHY

Esprinet

Market<sup>(\*)</sup>

1,400 M€ **Italy** 18% ▲ 16% ▲

776 M€ **Spain** 26% ▲ 19% ▲

40 M€ **Portugal** 76% ▲ 13% ▲

21 M€ **Other (+51%)**



## BY PRODUCT CATEGORY

Esprinet

Market<sup>(\*)</sup>

1,221 M€ **IT Clients** 20% ▲ 20% ▲

692 M€ **Consumer Electronics** 17% ▲ 24% ▲

408 M€ **Advanced Solutions** 57% ▲ 4% ▲

-84 M€ IFRS15 and other adjustments



## BY CUSTOMER TYPE

Esprinet

Market<sup>(\*)</sup>

945 M€ **Retailers & E-tailers** 13% ▲ 26% ▲

1,375 M€ **IT Resellers** 33% ▲ 11% ▲

-84 M€ IFRS15 and other adjustments

# Sales Evolution in Q2 2021

Q2 2021: 1,070.8 M€ (+16% vs 920.9 M€ in Q2 2020)



## BY GEOGRAPHY

Esprinet

Market<sup>(\*)</sup>

667 M€ **Italy** 14% ▲ 11% ▲

370 M€ **Spain** 17% ▲ 17% ▲

23 M€ **Portugal** 100% ▲ 13% ▲

10 M€ Other (+64%)



## BY PRODUCT CATEGORY

Esprinet

Market<sup>(\*)</sup>

565 M€ **IT Clients** 7% ▲ 5% ▲

349 M€ **Consumer Electronics** 12% ▲ 27% ▲

200 M€ **Advanced Solutions** 67% ▲ 13% ▲

-44 M€ IFRS15 and other adjustments



## BY CUSTOMER TYPE

Esprinet

Market<sup>(\*)</sup>

464 M€ **Retailers & E-tailers** 3% ▲ 18% ▲

651 M€ **IT Resellers** 28% ▲ 10% ▲

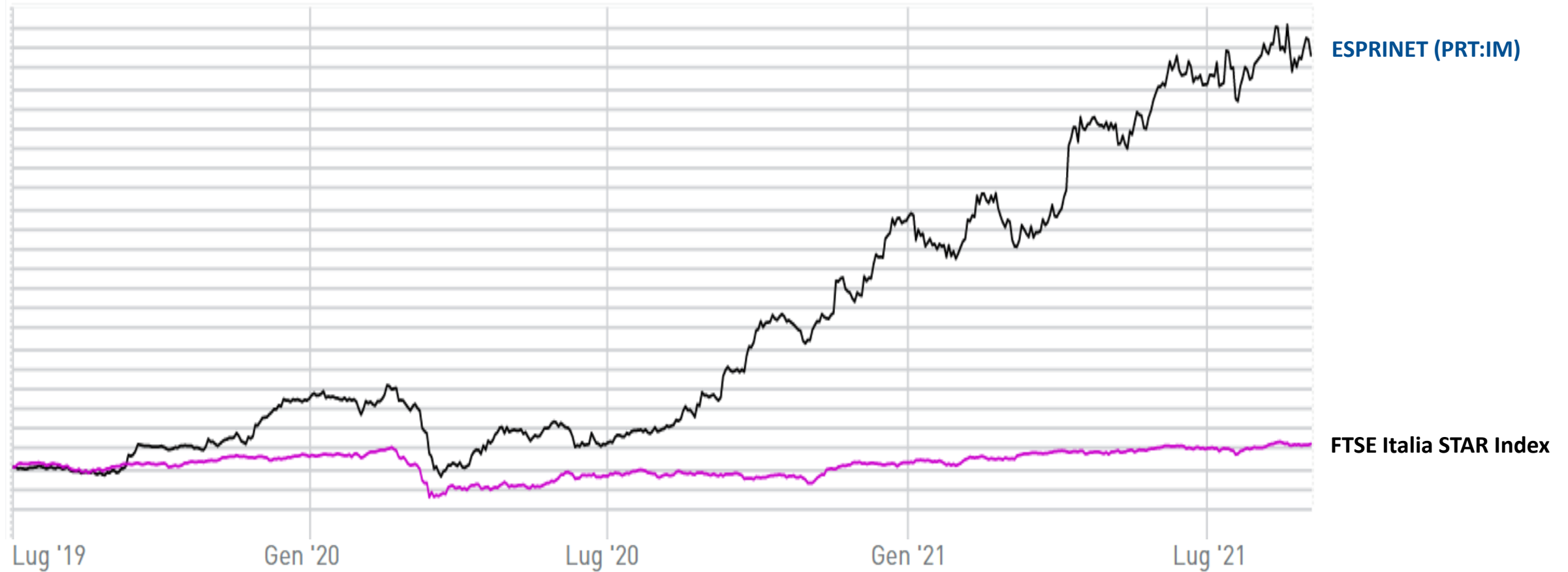
-44 M€ IFRS15 and other adjustments

- **Sales of Advanced Solutions grew by 57%** compared to H1 2020 (+67% in Q2 2021 compared to Q2 2020), in a market<sup>(\*)</sup> that has changed its course and after a -4% in Q1 grew by 13% in Q2  
In detail, the growth in the first half was:
  - Hardware (networking, storage, servers and others) +9%
  - Software, Services, Cloud +2%
- The integration process of GTI Group in Spain and of Dacom and idMAINT in Italy contributed **88.0 M€** to sales
- **XaaS** ("Everything as a Service"), which currently means Cloud, in H1 2021 up to **63.2 M€** (9.4 M€ in H1 2020) growing by 572%. Excluding the contribution deriving from the acquisition of the GTI Group, the growth was 128%
- The commitment to guarantee the best customer satisfaction has translated into a **33% growth** in H1 2021 in the revenues of **IT resellers**, in a market that has grown by 10%, allowing to further strengthen the market share in the customer segment with the highest margin
- Moving to PC demand and more specifically to consumer demand, the second quarter showed the first signs of a slowdown, as the Group predicted:
  - First of all, for a difficult yoy comparison (the month of June last year saw a strong leap in the volume of revenues because of smartworking and e-learning related purchases following the lockdown)
  - Then because consumer demand began to shift towards other sectors more related to leisure
  - Product availability has improved slightly but has still been constrained for some of the most important categories
  - Finally, the price increase policies began to affect the sell through



- ☐ In light of the **permanent uncertainty** linked above all to **the evolution of consumer demand**
- ☐ In light of the difficulties related to the prolonged level of **shortage of electronic components**, which will affect the availability of PCs but also of other product categories and which we do not expect will be resolved by the end of the year
- ☐ In light of the uncertainty created by the **increase in PCs price** that could continue to have an impact on consumer demand, although a boost could come from the launch of Windows 11 and the renewal of the installed base with low-end operating systems
- ☐ **Waiting for public and corporate investments in infrastructure** linked to the massive multi-year government investment plan connected to the NextGenEU program, to have a significant impact (at the moment the effects are not yet well countable)
- ☐ We prefer not to further raise the profitability estimates for the year 2021, **reconfirming an Adjusted EBITDA exceeding 80 million euros** while waiting to verify the evolution in particular of product availability over the next two months
- ☐ Meanwhile, looking at the medium term, the Group is working and concentrating **investments on product lines with higher margins and accelerating the process of transforming the business model towards “as a service” solutions (Cloud, DaaS and MPS)**
- ☐ More than on further optimization of the cash conversion cycle, we will insist on increasing profitability

# Share performance since launch of "ROCE driven strategy"



# Upcoming Events

EVENT	DATE
<b>Industrial &amp; Healthcare Day 2021</b> organized by Borsa Italiana S.p.A.	September 8, 2021
<b>Berenberg Pan-European Discovery Conference</b> organized by Berenberg	September 8-9, 2021
<b>Amsterdam Virtual MidCap Conference</b> organized by Intermonte	September 20, 2021
<b>STAR Conference Fall 2021</b> organized by Borsa Italiana	October 12-13, 2021
<b>Board of Directors</b> Approval of the Additional Financial Information as at September 30, 2021	November 11, 2021
<b>Mid &amp; Small in Milan</b> organized by Virgilio IR	December 1-2, 2021

# Q&A



# Thank you

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