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Q1 2023 Results Presentation

May 16th, 2023

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Q1 2023 RESULTS

Q1 2023 Highlights

GROSS PROFIT MARGINS AND WEIGHT OF BUSINESS SALES IN FURTHER ACCELERATION CONFIRM TRANSITION TO AN ADDED VALUE BUSINESS MODEL

PROFITABILITY INDICATORS

~60% OF TOTAL PROFITABILITY FROM *SOLUTIONS & SERVICES*

A remarkable growth in gross profit margins which stood at **5.34%**, 29bps more than the 5.05% of Q1-22 and 12 bps up sequentially against FY-22.

This increase is even higher considering that the **financial cost of factoring** in Q1-23 was 23 bps higher than in Q1-22, therefore the Gross Profit Margin improvement before the interest rate impacts has been 52 bps, almost 10% up Y-o-Y

This improvement has been achieved once more thanks to the focus on the high-margin business lines of ***Solutions & Services*** **now 23% of total sales** (17% in Q1-22) and on the **business customer segment now 67% of total sales** (60% in Q1-22)

FINANCIAL STRUCTURE

PROGRESSIVELY DECREASING INVENTORY LEVELS

The **reduction of excess inventory**, accumulated due to the combined effect of the reopening of post-pandemic supply chains and the slowdown in consumer demand, continues to be a **priority for the Group**.

At the same time, the Group is working for a **strong Net Debt reduction**, keeping payments to suppliers almost stable and managing customer terms as a result of the move towards the business reseller segment

Q1 2023 Sales Evolution

SOLUTIONS & SERVICES OUTPERFORMED THE MARKET WHILST TOTAL SALES WERE DOWN 11% BOTH BECAUSE OF A CHALLENGING SCENARIO AND OF THE ONGOING PHASING OUT OF THOSE PRODUCT/CUSTOMER COMBINATIONS THAT GENERATE LOW VALUE

Q1 2023 sales at 1.018,6 M€ (-11% compared to Q1 2022)

By Country[1]	Esprinet		Market[2]
Italy	623 M€	-10%	-1%
Spain	358 M€	-14%	+9%
Portugal	28 M€	+20%	-3%

By Product Category	Esprinet		Market
Screens	548 M€	-21%	-7%
Devices	228 M€	-6%	-5%
Solutions & Services	234 M€	+23%	+18%
Own Brands	9 M€	-10%	[3]

By Customer Type	Esprinet		Market
Retailers & E-tailers	350 M€	-28%	-7%
IT Resellers	698 M€	-4%	+7%
IFRS15 and other adjustments	*(29 M€)*		

(1) *Other Countries: 10 M€ (+0%) in Q1 2023*
(2) *For all market data, source: Context*
(3) *Market data not available*

Q1 2023 Profitability Evolution

DESPITE THE IMPACT OF INFLATION AND RISING INTEREST RATES THE GRADUAL DIVESTMENT OF LOW-VALUE LINES AND INVESTMENT IN HIGHER VALUE LINES CONTINUES PAVING THE WAY FOR AN ACCELERATED VALUE CREATION JOURNEY

Gross Profit

Q1 2023 Gross Profit at **54.4 M€** (-6% compared to Q1 2022), **5.34% on sales** compared to 5.05% of Q1 2022.

EBITDA Adj.

Q1 2023 EBITDA Adj. at **15.4 M€** (-22% compared to Q1 2022); **1.51% on sales** (1.73% on sales in Q1 2022).

Cash Conversion Cycle

Closes at **32 days**, +6 days compared to Q4 2022 and +19 days compared to Q1 2022.

Net Financial Position

Negative for 341.0 M€, down compared to March 31, 2022 (negative for 89.2 M€) essentially due to the Working Capital.

ROCE

ROCE at **9.6%,** compared to 15.2% in Q1 2022.

Essentially due to the increasing Average Net Invested Capital, in turn mainly due to the increase in Average Net Working Capital.

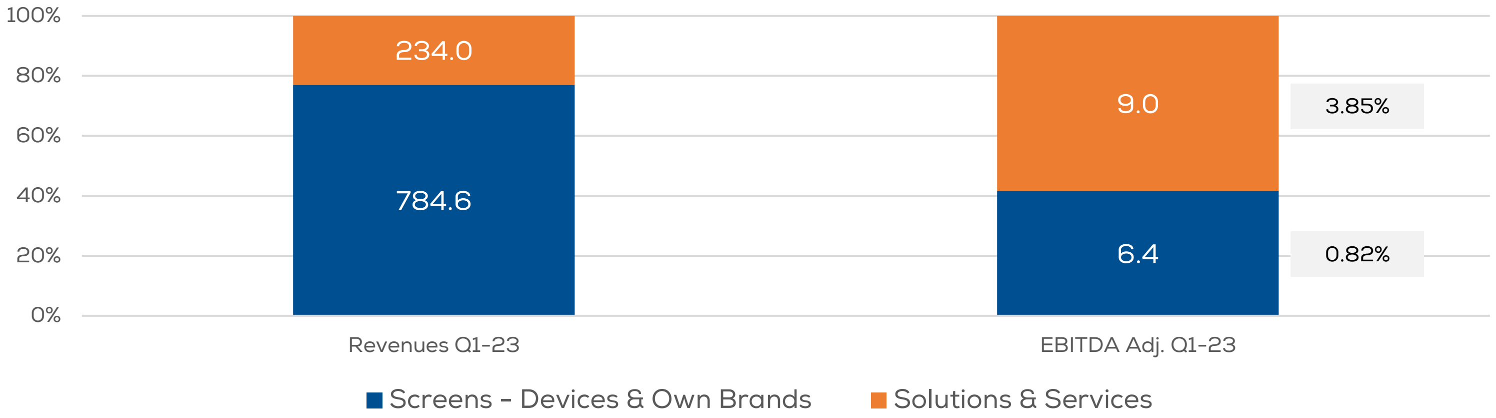
P&L Q1 2023 of the *Five Pillars*

THE SHIFT IN COMPANY FOCUS

SOLUTIONS & SERVICES **REPRESENT ~23% OF TOTAL SALES AND ~60% OF TOTAL PROFITABILITY WITH A STRONG COMBINED 3.8% EBITDA MARGIN**

	Revenues				EBITDA Adj.				EBITDA Margin Adj.		
	Q1 2023	Q1 2022	Delta	Δ %	Q1 2023	Q1 2022	Delta	Δ %	Q1 2023	Q1 2022	Delta
Screens	547.7	696.2	-148.5	-21%	4.6	7.4	-2.8	-37%	0.84%	1.06%	-0.22%
Devices	227.9	242.8	-14.9	-6%	3.2	4.8	-1.6	-33%	1.40%	1.98%	-0.57%
Solutions	231.0	188.0	43.0	23%	7.5	7.1	0.5	6%	3.25%	3.75%	-0.50%
Services	3.0	2.4	0.6	25%	1.5	1.6	-0.1	-6%	50.00%	66.67%	-16.67%
Own Brands	9.0	10.0	-1.0	-10%	-1.4	-1.1	-0.3	-27%	-15.56%	-11.00%	-4.56%
Total	**1,018.6**	**1,139.4**	**-120.8**	**-11%**	**15.4**	**19.7**	**-4.3**	**-22%**	**1.51%**	**1.73%**	**-0.22%**

Weight on Revenues & Profitability



1) All values in € / millions.
2) The costs attributed to each pillar are the direct sales & marketing costs, some categories of general and administrative expenses directly attributable to each business line (i.e. credit insurance costs, warehousing cost) and, for the remaining G&A costs, a distribution proportional to the weight of the business line on the total revenues has been applied.
Results not subject to audit.

Q1 2023 P&L Summary

Inflation under control and a good part of interest rates hikes already transferred in pricing, but still way to go to fully absorb the structural changes undergoing the company and the market

(M/€)	Q1 2023	Q1 2022	Var. %
Sales from contracts with customers	1,018.6	1,139.4	-11%
Gross Profit	54.4	57.6	-6%
Gross Profit %	*5.34%*	*5.05%*	
SG&A	39.0	37.9	3%
SG&A %	*3.83%*	*3.32%*	
EBITDA adj.	**15.4**	**19.7**	**-22%**
EBITDA adj. %	*1.51%*	*1.73%*	
EBIT adj.	**10.8**	**15.6**	**-31%**
EBIT adj. %	*1.06%*	*1.37%*	
EBIT	**10.8**	**15.6**	**-31%**
EBIT %	*1.06%*	*1.37%*	
IFRS 16 interest expenses on leases	0.8	0.8	5%
Other financial (income) expenses	2.3	0.6	>100%
Foreign exchange (gains) losses	- 0.5	0.4	<100%
Profit before income taxes	**8.1**	**13.8**	**-41%**
Profit before income taxes %	*0.79%*	*1.21%*	
Income taxes	2.2	3.7	
Net Income	**5.9**	**10.1**	**-41%**
Net Income %	*0.58%*	*0.88%*	

- **The Group further improved its gross profit margin performance which stood at 5.34%**, a progressive increase compared to 5.05% in the same period last year and to 5.22% recorded in 2022.
- This result was achieved once again thanks to the **focus on the high-margin business** lines of *Solutions and Services* which consolidated their incidence on total revenues to 23% (17% in the period January-March 2022).
- This improvement is particularly remarkable as we experienced a **23 basis points impact** from the financial costs **of programmes for the assignment of receivables without recourse** as a result of the dizzying growth in interest rates: a clear indicator of the capability of transferring inflation and part of financial costs downstream even while reducing the level of stock.
- Transport costs now seem to be stable having apparently fully absorbed the inflation.
- **SG&A**: **Variable costs stable and fixed costs under control**, up only 3%, despite the acquisition last November 2022 of Bludis S.r.l. and the dynamics associated with personnel flows. The weight of operating costs rises to 3.83% (from 3.32% in Q1 2022) mainly due to the currently weak market dynamics.
- **Increased net financial expenses** due to the greater absorption of working capital and growth in interest rates during the last 12 months.
- **Tax rate** essentially unchanged.

Q1 2023 BS Summary

On the balance sheet, the level of inventories is progressively decreasing

(M/€)	31/03/2023	31/03/2022	31/12/2022
Fixed Assets	154.1	139.9	151.6
Operating Net Working Capital	504.5	257.7	261.6
Other current asset (liabilities)	10.7	5.7	(3.2)
Other non-current asset (liabilities)	(25.0)	(23.2)	(24.6)
Net Invested Capital *[pre IFRS16]*	**644.4**	**380.2**	**385.4**
RoU Assets *[IFRS16]*	109.6	105.8	106.9
Net Invested Capital	**754.0**	**485.9**	**492.3**
Cash	(74.2)	(188.8)	(172.2)
Short-term debt	197.8	44.5	37.1
Medium/long-term debt(1)	112.2	136.5	119.2
Financial assets	(10.4)	(13.5)	(13.5)
Net financial debt *[pre IFRS16]*	**225.4**	**(21.3)**	**(29.4)**
Net Equity *[pre IFRS16]*	**419.0**	**401.5**	**414.7**
Funding sources *[pre IFRS16]*	**644.4**	**380.2**	**385.4**
Lease liabilities *[IFRS16]*	115.7	110.6	112.4
Net financial debt	**341.0**	**89.2**	**83.0**
Net Equity	**412.9**	**396.7**	**409.2**
Funding sources	**754.0**	**485.9**	**492.3**

(1) Including the amount due within 1 year

(2) Net financial debt pre IFRS 16

- Net Invested Capital as of March 31, 2023 stands at 754.0 M€ and is covered by:
  - Shareholders' equity for 412.9 M€ (396.7 M€ as of March 31, 2022);
  - Cash negative for 341.0 M€ (negative for 89.2 M€ as of March 31, 2022).
- Operating Net Working Capital impact:

(M/€)	31/03/2023	31/03/2022	31/12/2022
Inventory	597.9	718.9	672.7
Trade receivables	677.3	521.2	701.1
Trade payables	770.6	982.3	1,112.2
Operating Net Working Capital	**504.5**	**257.7**	**261.6**

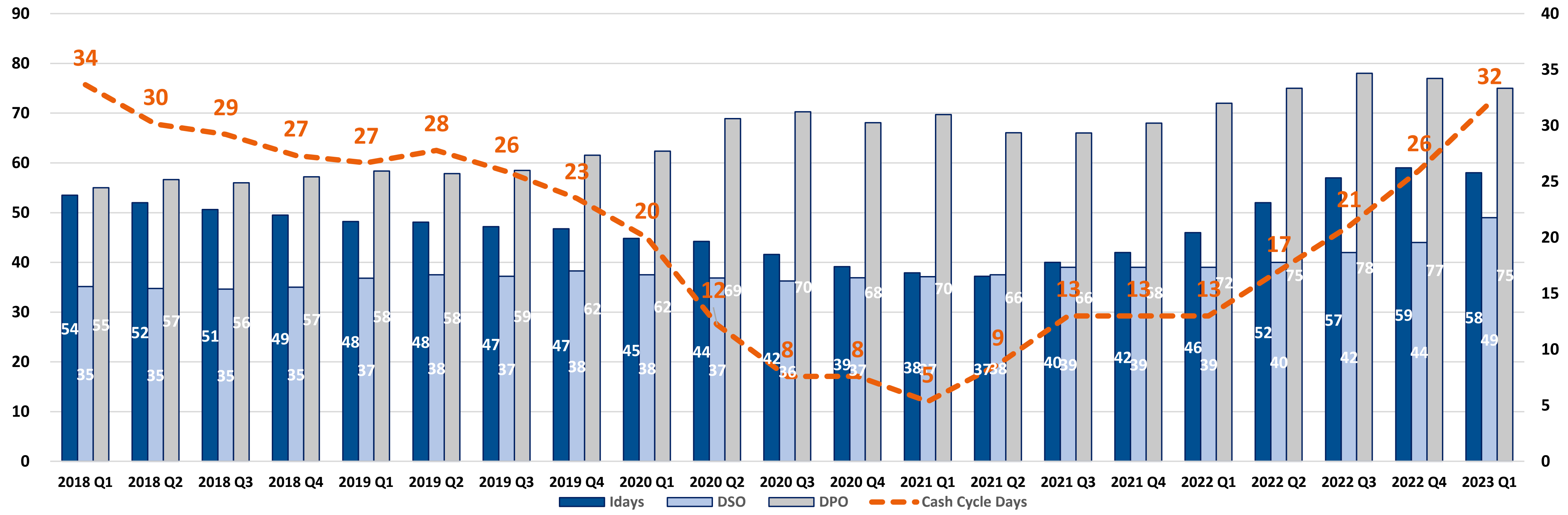
The key area of attention remains the Working Capital.

The Group continues on the path of marked improvement in Working Capital and expects a **substantial reduction in Net Debt by the end of the year.**

The inventory reduction process that began in the fourth quarter of 2022 continued in the first quarter2023.

The Group is working to ensure almost stable payments to suppliers and to better manage customer payments as a result of the move towards the business reseller segment, whose receivables are not usually covered by factoring programs.

Working Capital Metrics 4-qtr average

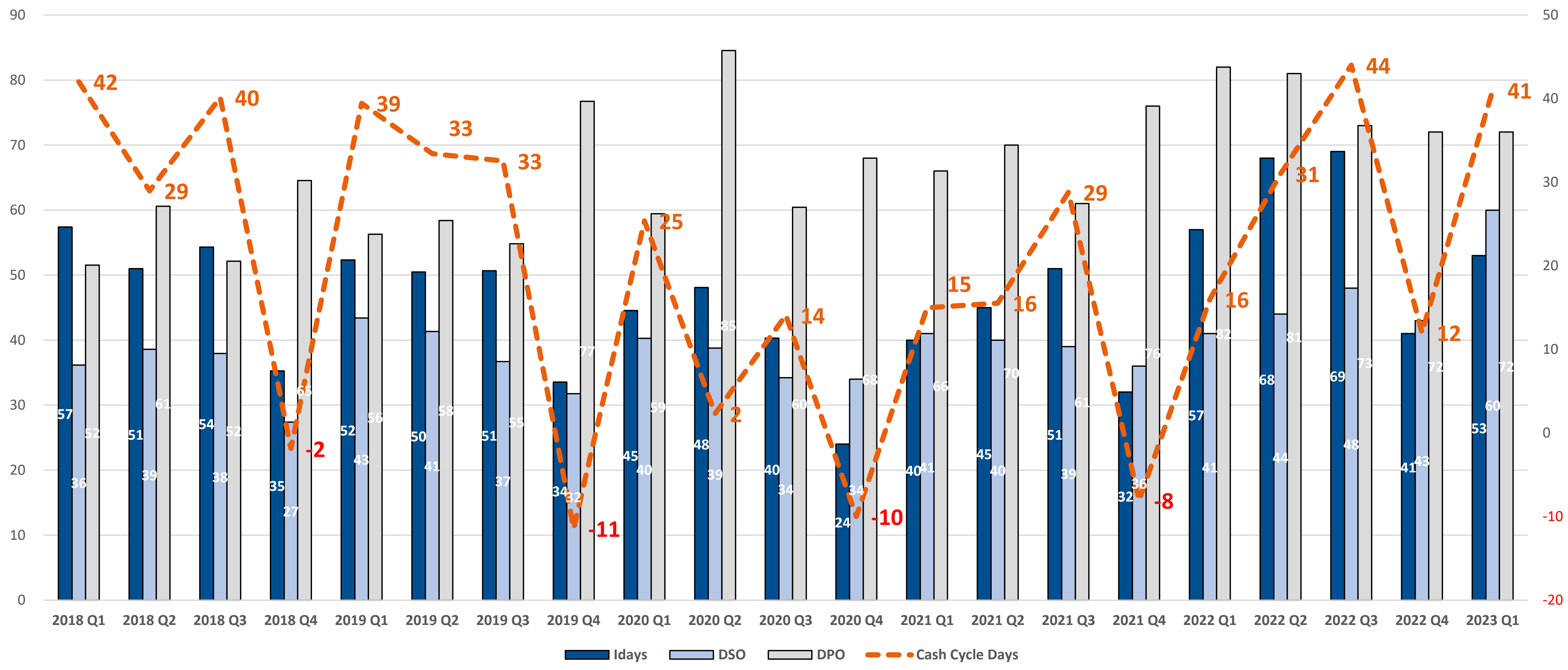


Working capital worsening (+6 days) compared to the previous quarter due to:

- increase in inventory days (-1 days);
- increase in DSO (+5 days);
- decrease in DPO (-2 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)

Working Capital Metrics quarter-end



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

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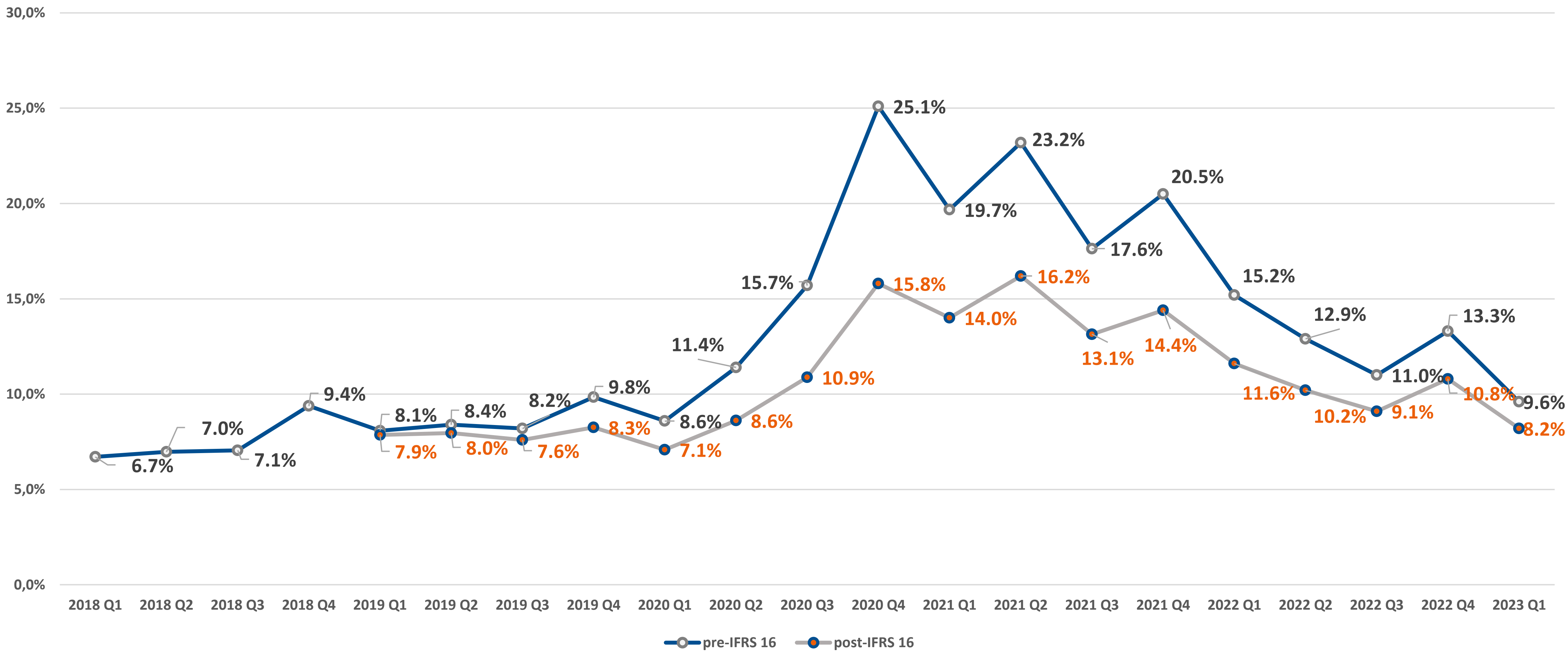
ROCE Evolution Up To Q1 2023



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

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Tax issues settlement

The Company, as described in the Annual Financial Report 2022, was served by the Italian Tax authorities with four tax assessment for the taxable years 2013-2016 and one claim for taxable year 2017, with which VAT related to certain supplies of goods made to customers declared to be habitual exporters was requested. More in detail, the Italian Tax Authorities, following several tax audits carried out against such customers, claimed that they do not qualify as habitual exporters, and that the same customers took part in a fraudulent tax evasion. Esprinet has never been considered part of this mechanism but in relation to which it would have an objective responsibility since it did not carry out adequate controls on these customers. Accordingly, the Italian Tax Authorities challenged to Esprinet Euro 77 million as higher VAT, which, together with penalties and interest, leads to an overall potential risk of more than Euro 220 million.

It should be noted that the Company, in the past, received several opinions from leading law firms, which confirmed the correctness of its behavior. However, considering that the tax litigation, over three levels of judgment, may last more than 10 years, and that even if the litigation is pending advance payments should be made to the Italian Tax Authorities, the Board of Directors, especially to avoid the risk of potentially immobilize these significant amounts over the next few years, has deemed appropriate to start with the Italian Tax Authorities a procedure for a potential settlement.

As of today, the negotiation may lead to an overall payment just under the 14% of the total claim, to be paid over a maximum of five years with equal quarterly payments, plus interest at the legal rate.

Discussions with Italian Tax Authorities are still ongoing, and if an agreement will be reached, the settlement procedure could be finalized by the end of the current month of May.

GUIDANCE 2023

2023 backdrop & priorities

The backdrop

Headwinds

- Geopolitical tension
- Persistence of high inflation as well as interest rates increases weigh on return to growth. Forward-looking indicators suggest disinflation in second half but negative short-term momentum still very strong

Opportunities

- Public investment in digitalization is on the rise for the first time in a decade and implementation of Next Gen EU will strengthen
- Product refresh on a larger installed base of users starting end of the year

What to watch

- Economic outlook: risk of recession or GDP recovery? The uncertainty of the macroeconomic scenario affects business confidence and investments
- Shifting from energy risks to credit/financial risks?

Esprinet Key Priorities

Priorities

The Group, consistently with the 2022-2024 Strategic Plan, will continue to pursue its objectives mainly aimed at

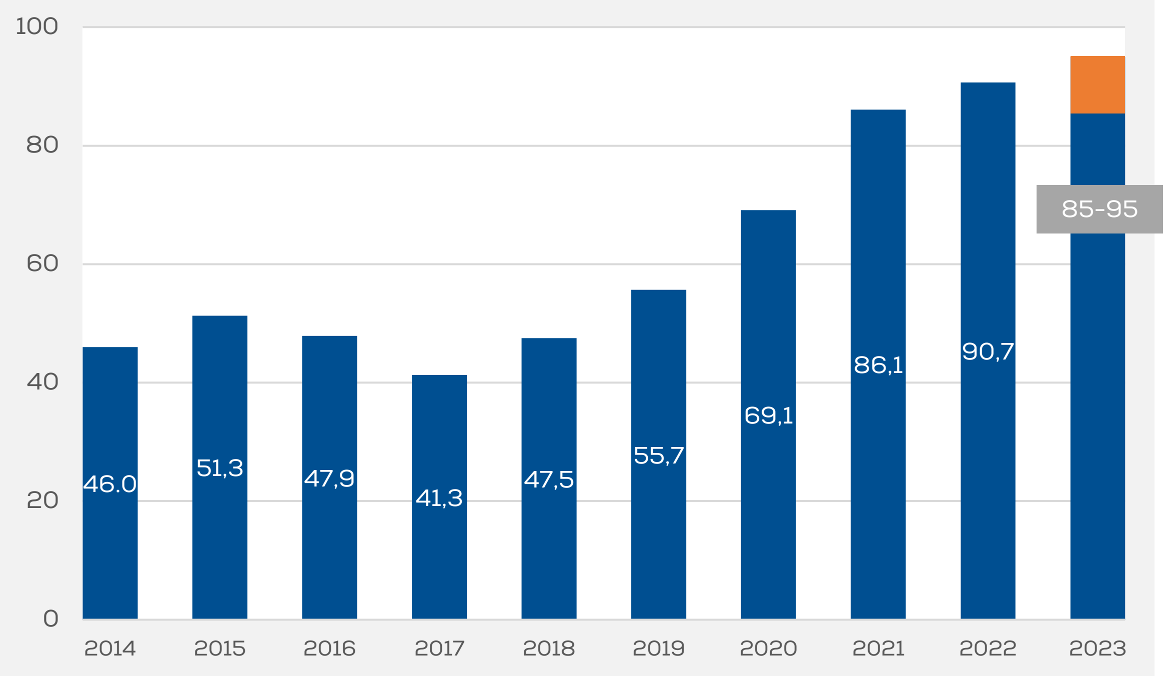
- the **definitive transformation of the value-added distribution model**, phasing out the lowest value-add combinations of products/customers and therefore potentially accepting market share losses while relentlessly focusing on the progressive improvement of gross profit margins;
- finding value in lower profitability lines such as telephones and computers (so called “Screens”) only when optimal management of working capital levels is achievable;
- looking for **new growth opportunities, also through M&A, in the *Solutions and Services* segments in Western European countries**.

The Group also intends to continue on the path of the desired **strong improvement in the level of net working capital absorption** by the end of the year, consequently returning to higher levels of ROCE.

Profitability Track Record & Guidance

DIGITAL TRANSFORMATION DRIVES STRONG IT SPENDING AND CLEAR AND CONSISTENT GROUP STRATEGY AIMS AT FURTHER GROWTH IN THE HIGH VALUE-ADD PRODUCTS/CUSTOMERS SEGMENTS OF THE IT INDUSTRY

Last 10 years EBITDA ADJ.



Guidance

For 2023, industry analysts are almost unanimous in **predicting a low single digit increase in demand in the Group's reference countries** and a strong rebound as early as 2024.

There is also agreement that the strongest growth is expected in the Software and Infrastructure spending, and consumer demand will continue to be under pressure.

In consideration essentially of the challenging backdrop as well as the results obtained in the first quarter of 2023 and the uncertain expectations for the following ones in terms of sales volumes mainly in the consumer segment, the Group estimates for 2023:

EBITDA Adjusted
between Euro 85 and 95 million euro

compared to 90.7 million euros last year

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Q&A

Upcoming Events

EVENT	DATE
Italian Investment Conference, organized by Unicredit & Kepler Cheuvreux	**May 25, 2023**
Mid & Small | Virtual 2023 organized by Virgilio IR	**June 27, 2023**
Board of Directors Approval of the Half-Year Financial Report as at 2023	**September 12, 2023**

Thank you

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