H1 2023 Results Presentation

September 12, 2023

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H1 2023 RESULTS

H1 2023 Highlights

THE GROUP STRATEGY OF PROGRESSIVE SHIFT TOWARDS HIGH VALUE-ADDED BUSINESS LINES ONCE AGAIN BOOSTED GROSS PROFIT MARGINS

PROFITABILITY INDICATORS

SOLUTIONS & SERVICES 23% OT TOTAL SALES AND ~62% OF TOTAL PROFITABILITY

Solutions & Services, posting strong growth, are helping to deliver **sustained gross profit margins, which stood at 5.53%**, 26 bps more than the 5.27% of H1-22 and 19 bps up sequentially against Q1-23.

Solutions are once again confirmed as the business line that generates the most EBITDA Adj. in absolute value: **with sales equal to approximately 40% of Screens, they provide more than double the profitability of this category.**

Business customer segment now 69% of total sales against 63% in 2022 and 59% in 2021, gradually reducing the weight of the channel with greater pressure on discounts.

FINANCIAL STRUCTURE

SOLID PROGRESS OF INVENTORY LEVEL REDUCTION

The inventory reduction process that began in the fourth quarter of last year has **recorded concrete results.**

Working capital quarter end June 2023 stood at 29 days getting closer to Group targets.

The actions to contain the level of net invested capital accumulated during the 2022 fiscal year resulted in the **Net Financial Position improvement**, which is negative by Euro 207.2 million against Euro 256.9 million as at 30 June 2022 and Euro 341.0 million as at March 31, 2023.

H1 2023 Sales Evolution

SOLID DEMAND FOR *SOLUTIONS & SERVICES*, DRIVEN BY INFRASTRUCTURE UPGRADE ACCELERATION, ONLY PARTIALLY OFFSETTING THE DECLINE IN THE PCs ECOSYSTEM

LOSS OF MARKET SHARE AS THE RESULT OF GRADUL REDUCTION OF PRODUCT/CUSTOMER COMBINATIONS STRUCTURALLY WITH INADEQUATE ROCE

H1 2023 sales at 1,905.8 M€ (-13% compared to H1 2022)

By Country(1)	Esprinet		Market(2)
Italy	1,178 M€	-9%	-3%
Spain	652 M€	-19%	+6%
Portugal	56 M€	+14%	-5%

By Product Category	Esprinet		Market
Screens	1,021 M€	-21%	-7%
Devices	428 M€	-9%	-8%
Solutions & Services	437 M€	+12%	+16%
Own Brands	20 M€	-26%	(3)

By Customer Type	Esprinet		Market
Retailers & E-tailers	622 M€	-27%	-9%
IT Resellers	1,359 M€	-7%	+5%
IFRS15 and other adjustments	*(75 M€)*		

(1) *Other Countries: 20 M€ in H1 2023 (-20% compared to H1 2023)*
(2) *For all market data, source: Context*
(3) *Market data not available*

H1 2023 Profitability Evolution

FURTHER ROBUST GROWTH IN GROSS PROFIT MARGINS, ALBEIT INFLUENCED BY CONTINUED HIGH INFLATION AND RISING INTEREST RATES, REFLECTS A RESILIENT BUSINESS MODEL AND DEMOSTRATES THE EFFECTIVENESS OF THE TRANSFORMATIONAL STRATEGY

Gross Profit

H1 2023 Gross Profit at **105.5 M€** (-8% compared to H1 2022), **5.53% on sales** compared to 5.27% of H1 2022.

EBITDA Adj.

H1 2023 EBITDA Adj. at **24.9 M€** (-34% compared to H1 2022); **1.31% on sales** (1.74% on sales in H1 2022).

Cash Conversion Cycle

Moving average last 4 quarters at **31 days**, -1 day compared to Q1 2023 and +14 days compared to H1 2022.
Q2 results at 29 days, -12 days compared to Q1 2023 and -2 days compared to Q2 2022.

Net Financial Position

Negative for 207.2 M€, an improvement compared to March 31, 2023 (negative for 341.0 M€) and compared to June 30, 2022 (negative for 256.9 M€). The improvement follows the actions to contain the level of net invested working capital compared to the values accumulated during 2022.

ROCE

ROCE at **8.0%,** compared to 12.9% in H1 2022.

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

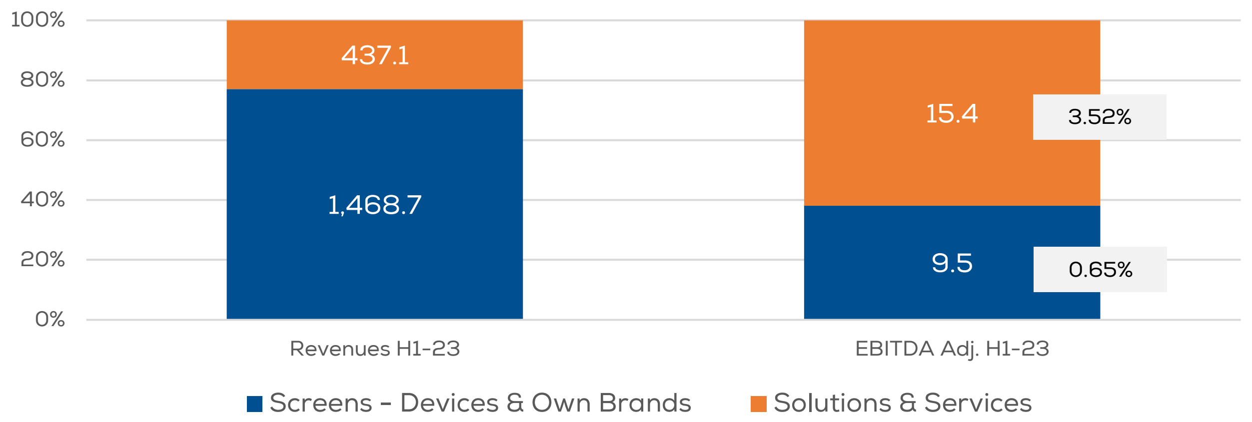
P&L H1 2023 of the *Five Pillars*

THE GROUP HAS PERSISTED IN EXECUTING ITS STRATEGY, DESPITE ONGOING MACROECONOMIC HEADWINDS

SOLUTIONS & SERVICES REPRESENT ~23% OF TOTAL SALES AND ~62% OF TOTAL PROFITABILITY WITH A STRONG COMBINED 3.6% EBITDA MARGIN

	Revenues				EBITDA Adj.				EBITDA Margin Adj.		
	H1 2023	H1 2022	Delta	Δ %	H1 2023	H1 2022	Delta	Δ %	H1 2023	H1 2022	Delta
Screens	1,020.7	1,288.5	-267.8	-21%	5.8	12.1	-6.3	-52%	0.57%	0.94%	-0.37%
Devices	427.5	471.3	-43.8	-9%	6.0	10.3	-4.3	-42%	1.40%	2.19%	-0.78%
Solutions	431.9	385.9	46.0	12%	12.8	13.2	-0.4	-3%	2.96%	3.42%	-0.46%
Services	5.2	5.3	-0.1	-2%	2.7	3.1	-0.4	-13%	51.92%	58.49%	-6.57%
Own Brands	20.5	27.6	-7.1	-26%	-2.4	-0.8	-1.6	200%	-11.71%	-2.90%	-8.81%
Total	**1,905.8**	**2,178.6**	**-272.8**	**-13%**	**24.9**	**37.9**	**-13.0**	**-34%**	**1.31%**	**1.74%**	**-0.43%**

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.

H1 2023 P&L Summary

The Group continues to take proactive actions to keep cost under control and drive sustainable profitability, whilst also investing into the journey to value-added distribution

(M/€)	H1 2023	H1 2022	Var. %
Sales from contracts with customers	1.905,8	2.178,6	-13%
Gross Profit	105,4	114,8	-8%
Gross Profit %	*5,53%*	*5,27%*	
SG&A	80,5	76,8	5%
SG&A %	*4,22%*	*3,53%*	
EBITDA adj.	**24,9**	**37,9**	**-34%**
EBITDA adj. %	*1,31%*	*1,74%*	
EBIT adj.	**15,4**	**29,5**	**-48%**
EBIT adj. %	*0,81%*	*1,35%*	
IFRS 16 interest expenses on leases	1,7	1,6	4%
Other financial (income) expenses adj.	4,9	1,3	>100%
Foreign exchange (gains) losses	-0,3	1,4	<100%
Profit before income taxes adj.	**9,2**	**25,2**	**-63%**
Profit before income taxes adj. %	*0,48%*	*1,16%*	
Income taxes	2,7	6,9	
Net Income adj.	**6,4**	**18,3**	**-65%**
Net Income adj. %	*0,34%*	*0,84%*	
Non-recurring costs	**33,3**	**0,3**	**>100%**
Net Income as reported	**-26,9**	**18,0**	**<100%**
Net Income %	*-1,41%*	*0,83%*	

- **The growth in gross profit margin (5.53% in H1 2023 against 5.27% of the previous year)**, a consequence of the greater incidence of high-margin business lines which increase their weight on total sales to 46% from 41% in the first half of 2022, is unable to compensate for the reduction in revenues, in a context that is still very difficult for the PCs ecosystem.
- The growth is more significant considered the impact (30 bps) of the financial costs of programmes for the assignment of receivables without recourse following the increase in interest rates ordered by the European Central Bank.
- **SG&A**: **operating costs growing by only 5%** mainly as a result of inflation and the adjustment of national collective bargaining agreement, increase their weight to 4.22% (from 3.53% in the first half of 2022).
- **Increased net financial expenses** related to the increase in interest rates ordered by the European Central Bank.
- **Tax rate** essentially unchanged.
- **Non-recurring costs** of Euro 33.3 million incurred by Esprinet S.p.A. in relation to the final agreement reached with the Italian Tax Authorities aimed at settling the VAT claims in relation to tax periods from 2013 to 2017, of which Euro 26.4 million in taxes and penalties and Euro 6.9 million in interests.

H1 2023 BS Summary

Clear signals in the trajectory of improvement in inventory levels towards the target of sustainable Working Capital and consequent return to higher levels of ROCE

(M/€)	30/06/2023	30/06/2022	31/03/2023
Fixed Assets	158.2	140.2	154.1
Operating Net Working Capital	334.3	405.3	504.5
Other current asset (liabilities)	8.0	5.7	10.7
Other non-current asset (liabilities)	(49.2)	(23.1)	(25.0)
Net Invested Capital *[pre IFRS16]*	**451.4**	**528.1**	**644.4**
RoU Assets *[IFRS16]*	109.4	107.7	109.6
Net Invested Capital	**560.8**	**635.8**	**754.0**
Cash	(130.3)	(41.9)	(74.2)
Short-term debt	121.3	56.3	197.8
Medium/long-term debt[1]	110.2	141.2	112.2
Financial assets	(9.5)	(11.5)	(10.4)
Net financial debt *[pre IFRS16]*	**91.7**	**144.1**	**225.4**
Net Equity *[pre IFRS16]*	**359.6**	**384.0**	**419.0**
Funding sources *[pre IFRS16]*	**451.4**	**528.1**	**644.4**
Lease liabilities *[IFRS16]*	115.4	112.8	115.7
Net financial debt	**207.2**	**256.9**	**341.0**
Net Equity	**353.6**	**378.9**	**412.9**
Funding sources	**560.8**	**635.8**	**754.0**

[1] Including the amount due within 1 year

[2] Net financial debt pre IFRS 16

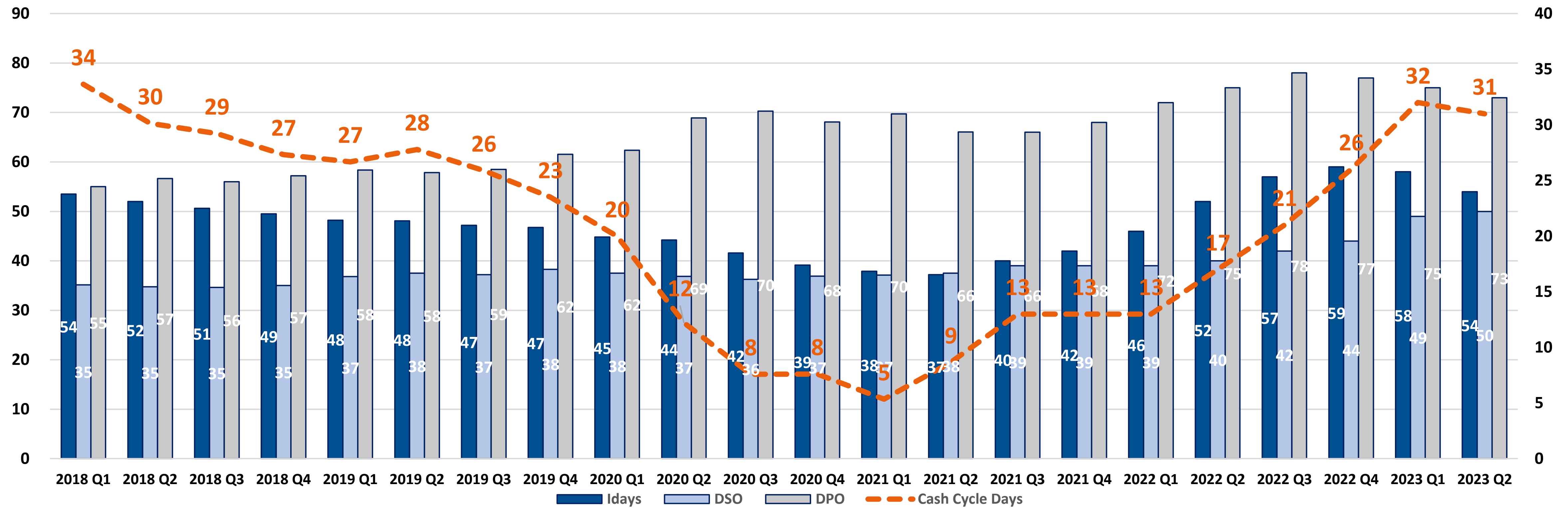
- Net Invested Capital as of June 30, 2023 stands at 560.8 M€ and is covered by:
  - Shareholders' equity for 353.6 M€ (378.9 M€ as of June 30, 2022);
  - Cash negative for 207.2 M€ (negative for 256.9 M€ as of June 30, 2022).
- Operating Net Working Capital impact:

(M/€)	30/06/2022	30/09/2022	31/12/2022	31/03/2023	30/06/2023
Inventory	781.0	794.0	672.7	597.9	533.7
Trade receivables	506.4	549.8	701.1	677.3	476.4
Trade payables	882.1	802.9	1,112.2	770.6	675.9
Operating Net Working Capital	**405.3**	**540.9**	**261.6**	**504.5**	**334.3**

The Group will continue on the path of a clear improvement in Working Capital and a further reduction in Net Debt by the end of the year.

The Group is still focused on reducing inventories on the one hand. On the other hand, the group is working to ensure almost stable payments to suppliers and to better manage customer payments following the move towards the business reseller segment, whose credits are usually not covered by factoring programs.

Working Capital Metrics 4-qtr average

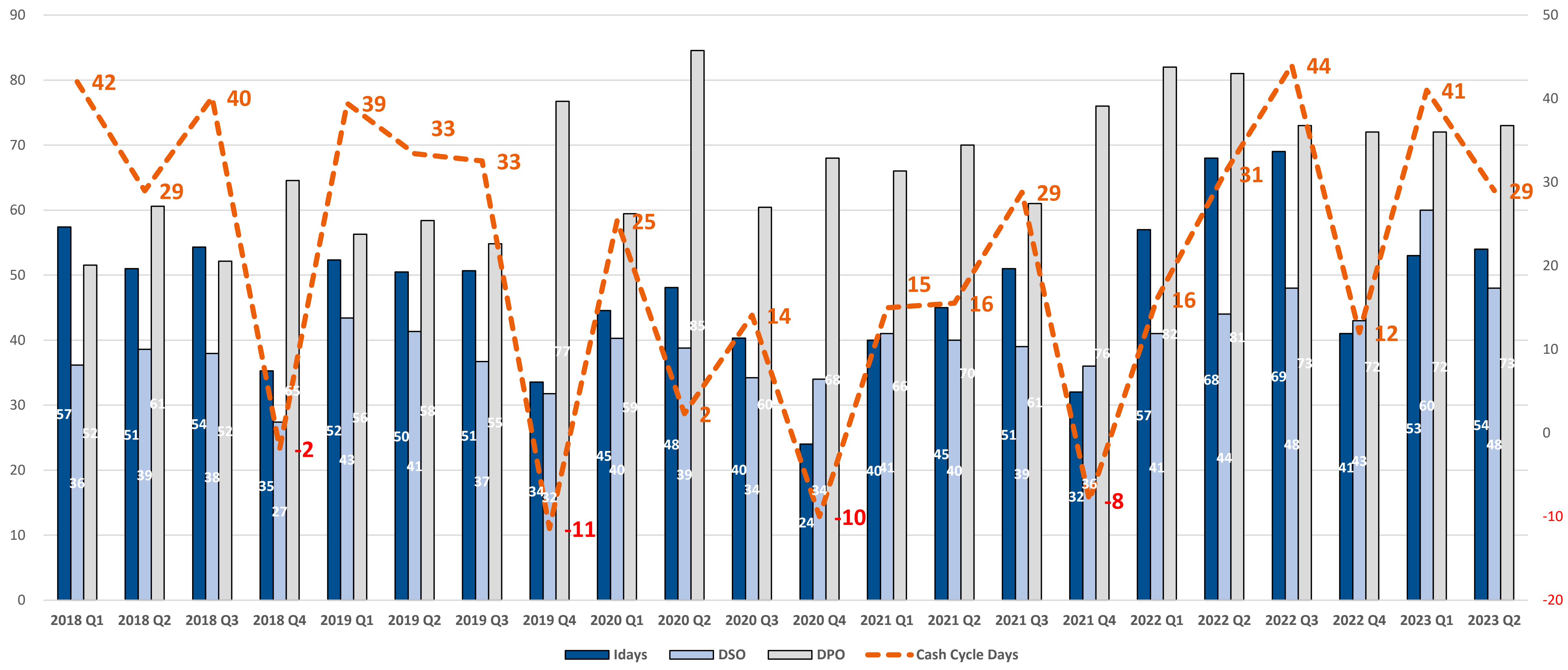


Working capital improvement (-1 day) compared to the previous quarter due to:

- decrease in inventory days (-4 days);
- increase in DSO (+1 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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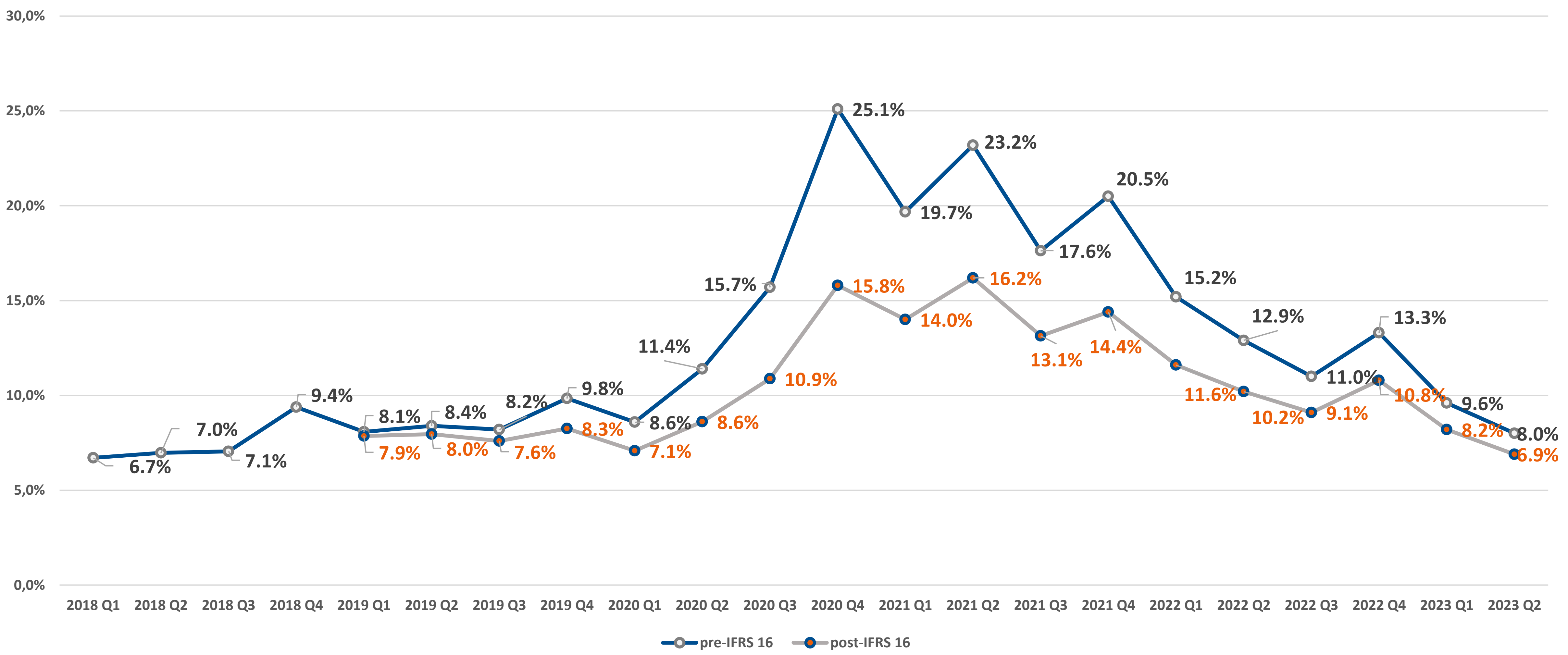
ROCE Evolution Up To Q2 2023



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

GUIDANCE 2023

2023 Market Scenario

Economic backdrop behind the forecast

Headwinds

- The outlook remains uncertain in a highly volatile environment.
- A sharp slowdown persists due to high inflation, rising interest rates and unstable financial conditions. GDP growth remains fragile.
- Business and consumer confidence remains weak. Companies begin to adopt a cautious approach, they could face higher costs and reduced access to markets, while consumers experience higher prices and limited options.

What to watch

- Recessionary risks are looming. Additional interest rate hikes with stagnant growth could lead to a sharp economic contraction in the remainder of the year.
- Geopolitical tensions could result in a resurgence of inflation and higher interest rates for longer.

Industry forecast

Short-term Scenario

- The challenging economic backdrop has a direct impact on the IT market, negatively affecting private investments.
- Companies will be more prudent in information technology purchases, deferring unnecessary spending in the immediate term, and will keep long-term strategic projects active.
- The still high inflation and the rising cost of living as well as the uncertainty of the economic environment will continue to impact consumer demand.

Long-term Opportunities

- The external environment has not improved as quickly as the industry expected and consequently the analysts are moderating short-term expectations: the recovery forecasted in the H2 2023 is postponed to H1 2024.
- However, we and analysts remain confident in future and long -term growth projections in the IT sector and in the capability of the distribution to direct it.
- In the next three years, the digital transformation trend will continue to drive strong growth in IT spending, especially in IT services. At the same time, the overall demand for vertical solutions is expecting strong growth through 2026.

2023 Outlook

EBITDA Adjusted Guidance

70 – 80
€ million

- Based on the first signs of reduced demand in Q3, the challenges facing consumer products and the earlier arrival of the infrastructure slowdown, the market will remain under pressure with low prospects for real improvements before the start of next year.
- The reduction in infrastructure growth in Q3 is due not only to a slowdown in demand, but also to the challenging comparison with last year (H2 2022 was particularly tonic due to the fulfillment of backlog orders following previous product shortages).
- Companies will delay the refresh cycle and the potential increase won't start until 2024.
- Sales of consumer products to individuals will remain muted.
- The price increase will not compensate for the reduction in unit sales of PCs.
- As a result, revenue growth in the market is expected to remain flat or slightly negative in H2 2023.
- Essentially considering the challenging background, the results obtained in H1 2023, the uncertain expectations for the following in terms of sales volumes, combined with focus on the progressive improvement of gross profit margins, **the Group revises the 2023 guidance of EBITDA Adj. in the range between Euro 70 and 80 million.**

Final Remarks

THE FOLLOWING PRIORITIES ARE CONFIRMED FOR THE GROUP

1. Value-added Distribution

Definitive transformation of the value-added distribution model, focusing on the combinations of product/customer with higher margins and on the progressive improvement of the gross profit margins

2. Optimal Management of Working Capital

Finding value in lower profitability lines only when optimal management of working capital levels is structurally achievable

3. New Growth Opportunities through M&A

Looking for new growth opportunities, also through M&A, in the Solutions and Services segments in Western European countries

4. Higher Level of ROCE

Clear reduction in the level of net working capital absorption, consequently returning to higher levels of ROCE

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Q&A

Upcoming Events

EVENT	DATE
IT Value-Added-Reseller (VAR) Day Event organized by Kepler Cheuvreux	**October 5th, 2023**
2023 Italian Excellences Mid Corporate Conference organized by Intesa Sanpaolo	**October 10th, 2023**
Board of Directors Approval of the Additional Financial Information as at September 30th, 2023	**November 13th, 2023**

Thank you

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