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Oggetto : ESPRINET REPORTS NEW RECORD
PROFITABILITY: EBITDA ADJUSTED UP
BY 5% TO APPROXIMATELY EURO 91
MILLION WITH SALES STABLE AT
AROUND EURO 4.7 BILLION

Testo del comunicato

Vedi allegato.

Press release pursuant to CONSOB Regulation No. 11971/99

**ESPRINET REPORTS NEW RECORD PROFITABILITY:
EBITDA ADJUSTED UP BY 5% TO APPROXIMATELY EURO 91 MILLION
WITH SALES STABLE AT AROUND EURO 4.7 BILLION**

**SOLUTIONS AND SERVICES: 2022 SALES EQUAL TO ABOUT EURO 1,050
MILLION (Pre-IFRS 15) AND EBITDA MARGIN FOR THESE LINES
OF MORE THAN 4.2%**

Vimercate (Monza Brianza), 23 February 2023 – The Board of Directors of ESPRINET, a leading Group in Southern Europe in advisory services, sale and rental of technological products and cybersecurity, met under the chairmanship of Maurizio Rota to examine the **provisional figures as at 31 December 2022**. It should be noted that the results reported herein have not yet been audited and may be subject to changes at the time of approval of the draft separate and consolidated financial statements, scheduled for 14 March 2023.

Alessandro Cattani, Chief Executive Officer of ESPRINET: “ *We close 2022 with renewed satisfaction, by setting a new profitability record, with EBITDA Adj. up by 5% to Euro 91 million and with sales almost stable at Euro 4.7 billion.*

The fourth quarter, in particular, reported record growth in profitability of 29% despite a slight decrease in sales due to a sharp reduction in demand for PCs in the consumer segment compared to the previous year.

The results were undoubtedly driven by the Group's strategy of focusing on high-margin business lines, which now account for 42% of total sales (38% in 2021). Within this scope, Solutions and Services, with growth of 19%, exceeded Euro 1 billion (Euro 900 million after the application of IFRS 15), representing 19% (16% in 2021) of the total business. Solutions and Services are therefore confirmed as the product lines that together generate the most EBITDA Adj. in terms of absolute value, surpassing the Screens line, though turnover in this line also trebled. In addition, the weight of revenues generated by sales to business customers (IT Resellers) rose to 62% compared to 55% last year.

It is with satisfaction that our Group, in a year that has witnessed significant macroeconomic uncertainty, has once again demonstrated the effectiveness of its strategy and, above all, its great ability to execute it”.

Analysis of the results for the period highlights a steady increase in the percentage profitability of the main business lines, a direct consequence of careful management of the product and customer mix and the beneficial effects of ongoing programmes for improvement of Customer Satisfaction.

The key role played by IT investments, indispensable for the process of digital transformation of both public administration and the private sector, clearly stood out for their stability and competitiveness in the uncertain post-pandemic scenario, especially in southern Europe.

However, the exceptional results achieved in the Solutions and Services segments do not fully offset the significant slowdown in sales to consumers (Retailers and E-tailers), especially in the Screens line. Although this product-customer combination is the one putting the greatest pressure on discounts and therefore on profitability, consumer demand decreased significantly, not only due to the challenging comparison with the previous year, but above all due to the impact of the macroeconomic context which has affected consumer confidence, along with persistent volatility in energy costs, spikes in inflation and fears of a recession.

After the signs of recovery in the third quarter and especially after a stellar October, in November and December, retail customers significantly scaled down their shelf replenishment plans, slowing down the stock reduction plan, in particular for Screens, which are not yet at the normal average levels owing to a huge reduction over 30 September 2022.

The Group has launched further activities aimed at fully reabsorbing these excess stocks, continuing in parallel with the constant request for support from its community of suppliers.

The management of the mix and the consequent increases in margins enabled the Group to enjoy record profitability in the fourth quarter, but obviously require attention for at least the first few months of the current year, and so the Group continues to implement plans for further control of operating cost structures pending clearer signals regarding market trends for the current year.

SALES AT EURO 4.7 BILLION, STABLE COMPARED TO 2021

In 2022, **Sales from contracts with customers** amounted to Euro 4,684.2 million, essentially in line with the result of the previous year (Euro 4,690.9 million). The last quarter recorded sales of Euro 1,466.5 million, down by 1% compared to the same period of the previous year (Euro 1,480.1 million).

(€/million)	2022	2021	% Var.
Italy	2,751.7	2,854.7	-4%
Spain	1,749.6	1,686.7	4%
Portugal	126.5	107.5	18%
Other EU countries	36.9	28.7	29%
Other non-EU countries	19.5	13.3	47%
Sales from contracts with customers	4,684.2	4,690.9	0%

(€/million)	Q4 2022	Q4 2021	% Var.
Italy	840.4	871.5	-4%
Spain	560.9	561.2	0%
Portugal	51.7	37.1	39%
Other EU countries	7.2	8.0	-10%
Other non-EU countries	6.3	2.3	174%
Sales from contracts with customers	1,466.5	1,480.1	-1%

Italy, with sales of Euro 2,751.7 million, decreased by 4% compared to 2021 in a distribution market which, according to the UK research company Context, is practically in line with the previous year, with a turnover of Euro 9.5 billion. In **Spain**, Group sales amounted to Euro 1,749.6 million, +4% compared to 2021, in line with a market that reaches Euro 7.0 billion in sales. **Portugal** was worth Euro 126.5 million, +18% compared to 2021, and further consolidated its share of a market that rose by +10%, bringing total sales made by the Group in the Iberian Peninsula to almost Euro 1.9 billion.

(€/million)	Sales from contracts with customers				EBITDA Adjusted				EBITDA Adjusted %		
	2022	2021	Var.	% Var.	2022	2021	Var.	% Var.	2022	2021	Var.
Screens	2,722.2	2,893.4	-171.2	-6%	31.4	29.3	2.1	7%	1.15%	1.01%	0.14%
Devices	1,003.5	978.4	25.1	3%	22.9	21.2	1.7	8%	2.28%	2.17%	0.12%
Solutions	882.8	741.8	141.0	19%	31.7	24.9	6.8	27%	3.59%	3.36%	0.23%
Services	17.3	12.4	4.9	40%	6.3	6.3	0.0	0%	36.42%	50.81%	-14.39%
Own Brands	58.4	64.9	-6.5	-10%	-1.5	4.4	-5.9	-134%	-2.57%	6.78%	-9.35%
Total	4,684.2	4,690.9	-6.7	0%	90.8	86.1	4.7	5%	1.94%	1.84%	0.10%

(€/million)	Sales from contracts with customers				EBITDA Adjusted				EBITDA Adjusted %		
	Q4 2022	Q4 2021	Var.	% Var.	Q4 2022	Q4 2021	Var.	% Var.	Q4 2022	Q4 2021	Var.
Screens	826.6	898.6	-72.0	-8%	14.5	12.0	2.5	21%	1.75%	1.34%	0.42%
Devices	310.5	326.0	-15.5	-5%	6.5	9.2	-2.7	-29%	2.09%	2.82%	-0.73%
Solutions	306.3	237.2	69.1	29%	14.1	8.2	5.9	72%	4.60%	3.46%	1.15%
Services	6.9	4.1	2.8	68%	1.6	0.8	0.8	100%	23.19%	19.51%	3.68%
Own Brands	16.2	14.3	1.9	13%	-0.2	-2.0	1.8	-90%	-1.23%	-13.99%	12.75%
Total	1,466.5	1,480.1	-13.7%	-1%	36.5	28.2	8.3	29%	2.49%	1.91%	0.58%

A glance at the performance of the **business lines** in which the Group operates shows that, according to the segmentation into “five pillars” introduced last year, *Screens* (PCs, Tablets and Smartphones) reported a decrease of 6%, as did the market according to Context data: more specifically, PCs and Tablets -10%, Smartphones +1%. In the *Devices* segment, the Group grew by 3%, outperforming the market, which shows a flat trend compared to 2021.

The *Solutions* and *Services* segments together recorded an increase of 19%, performing better than the market, which, again according to the measurement of the UK research company Context, reported an increase of +16%. Sales of *Solutions* and *Services*, following application of IFRS 15, rose to Euro 900.1 million compared to Euro 754.2 million in 2021 and, consistently with the Group's strategy of focussing on the high profit margin business lines, their incidence on total sales rose to 19% (16% in 2021). The *Solutions* business line generated more EBITDA Adj.¹ in terms of absolute value, surpassing the *Screens* line which, despite more than trebling its sales, posted lower profitability values of roughly Euro 0.3 million.

The Group suffered a 10% reduction of sales in the *Own Brands* segment in 2022, due to a series of promotional initiatives carried out in the market in the second quarter of 2021, which were not repeated this year. The figure is, however, an improvement over the close of the first three quarters (-17%), also thanks to the performance recorded in the fourth quarter: +13%.

(€/million)	2022	2021	% Var.
Retailer, E-tailer (Consumer Segment)	1,837.0	2,190.2	-16%
IT Reseller (Business Segment)	3,059.6	2,648.2	16%
<i>Reconciliation adjustments</i>	(212.4)	(147.5)	44%
Sales from contracts with customers	4,684.2	4,690.9	0%

(€/million)	Q4 2022	Q4 2021	% Var.
Retailer, E-tailer (Consumer Segment)	560.5	777.2	-28%
IT Reseller (Business Segment)	919.0	717.3	28%
<i>Reconciliation adjustments</i>	(13.0)	(14.4)	-10%
Sales from contracts with customers	1,466.5	1,480.1	-1%

Lastly, looking at the **customer segments**, in 2022, the southern European market recorded growth of 9% in the *Business Segment* (IT Reseller), and a decline of 9% in the *Consumer Segment* (Retailer, E-tailer), worsening further with respect to the close of September 2022 (-7%). Compared to the previous year, Group sales outperformed the market in the *Business Segment* (Euro 3,059.6 million, +16%) and underperformed in the *Consumer Segment* (Euro 1,837.0 million, -16%).

¹ The costs attributed to each pillar are direct sales and marketing costs, and certain categories of general and administrative expenses directly attributable to each business line (e.g. credit insurance costs, inventory costs); the remaining G&A costs are distributed in proportion to the weight of the business line on total sales. The results are not audited.

The weight of sales to IT Resellers in 2022 rose to 62% compared to 55% in the previous year, gradually reducing the weight of the Consumer Segment, which is subject to greater discount pressures.

EBITDA ADJUSTED AMOUNTS TO ROUGHLY EURO 91 MILLION, UP 5%

Gross profit totalled Euro 243.8 million, +5% compared to 2021 (Euro 232.9 million), due essentially to the increase in the percentage margin (5.20% in 2022, compared to 4.96% in the previous year), a consequence of the greater incidence of high profit margin product categories, which, in line with the Group's strategy, increased their incidence on sales to 42% from 38% in 2021. The increase in the percentage margin is particularly significant as it is obtained despite the higher cost of transport to customers due to increased fuel costs, and the increase in the cost of programmes for the assignment of receivables without recourse as a result of the dizzying growth in interest rates ordered by the European Central Bank.

EBITDA Adjusted amounted to Euro 90.8 million, +5% compared to Euro 86.1 million in 2021, and is calculated gross of non-recurring costs amounting to Euro 2.8 million incurred by the parent company Esprinet S.p.A. in relation to the voluntary public tender offer for all of the ordinary shares of the Italian company Cellularline S.p.A..

The incidence on revenues improved despite the increase in the weight of operating costs as a result of inflationary phenomena that had a heavy impact on utility costs and the cost of personnel indemnities accrued both in Italy and in Spain to compensate for the non-renewal and/or adjustment of national collective labour agreements. Additional components of the increase in operating costs are attributable to investment in new personnel, the cost of running warehouses launched in 2021, and costs related to the recovery of mobility and promotional and communication activities due to the elimination of Covid -19 restrictions.

CASH CONVERSION CYCLE AT 26 DAYS. NEGATIVE NFP OF EURO 83 MILLION AND ROCE AT 13.0%

The **Cash Conversion Cycle**² closed at 26 days, up by 13 days compared to Q4 2021 and up by 5 days compared to Q3 2022, due to the increase in Days Sales of Inventory (DSI) (+17 days vs Q4 2021 and +2 days vs Q3 2022) and Days Sales Outstanding (DSO) (+5 days vs Q4 2021 and +2 days vs Q3 2022), not supported by the trend in payment times to suppliers (+9 days vs Q4 2021 and - 1 day vs Q3 2022).

A negative **Net Financial Position** of roughly Euro 83.0 million was recorded, an improvement over 30 September 2022 (when it was negative by Euro 382.5 million) but worse than the figure at 31 December 2021 (positive by Euro 227.2 million).

The value of the exact net financial position as at 31 December is influenced by technical factors like the seasonality of the business, the trend in 'non-recourse' factoring of trade receivables (factoring, confirming and securitisation), and trends in the behaviour of customers and suppliers at different times of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the period. The aforementioned programmes for the factoring and securitisation of trade receivables, which result in complete transfer of risks and benefits to assignees and therefore allow their derecognition from statement of financial position assets, determine an overall effect on the level of consolidated net financial payables as at 31 December 2022 of Euro 540.2 million (Euro 561.0 million euro as at 31 December 2021).

² Equal to the average number of days of turnover of Operating Net Working Capital of the last 4 quarters, calculated as the sum of trade receivables, inventories and trade payables.

ROCE is estimated at 13.0%, compared to 20.5% in 2021. The main changes related to this trend can be summarised as follows:

- "NOPAT - Net Operating Profit Less Adjusted Taxes" grew compared to 2021;
- **Average Net Invested Capital**, measured before the effects of the introduction of IFRS 16, increased (+65%) due to the increase in the Average Net Working Capital.

(€/million)	FY 2022	FY 2021
LTM operating profit (Adj. EBIT) ³	71.3	68.5
NOPAT ⁴	52.0	49.7
Average Net Invested Capital ⁵	400.6	242.4
ROCE ⁶	13.0%	20.5%

The executive charged with the drawing up of the Company's accounting documents, Pietro Aglianò, declares that, in compliance with the provisions of paragraph 2 of art. 154-bis of Legislative Decree No. 58/1998 (T.U.F. - Consolidated Law on Finance), the financial data shown in this press release corresponds to the findings resulting from accounting documents, books and accounting records.

Esprinet is an enabler of the technological ecosystem, promoting tech democracy with a strong vocation for environmental and social sustainability. With a comprehensive offering of advisory services, IT security, services and products for sale or rental through an extensive network of professional resellers, Esprinet is the leading Group in Southern Europe (Italy, Spain and Portugal), the fourth in Europe and in the top ten at the global level. Boasting more than 1,800 employees and € 4.7 billion in turnover in 2022, Esprinet (PRT:IM - ISIN IT0003850929) is listed on Borsa Italiana, the Italian stock exchange.

Press release available on www.esprinet.com and on www.emarketstorage.com

For more information:

INVESTOR RELATIONS

ESPRINET S.p.A.
Tel. +39 02 404961
Giulia Perfetti
giulia.perfetti@esprinet.com

CORPORATE COMMUNICATION

ESPRINET S.p.A.
Tel. +39 02 404961
Paola Bramati
paola.bramati@esprinet.com

CORPORATE COMMUNICATION CONSULTANTS

BARABINO & PARTNERS

Tel: +39 02 72023535

Federico Vercellino
E-mail: f.vercellino@barabino.it
Mob: +39 331 5745171

Linda Battini
E-mail: l.battini@barabino.it
Mob: +39 347 4314536

³ Equal to the sum of EBITs – excluding the effects of IFRS 16 – in the last 4 quarters.

⁴ LTM operating profit (Adj. EBIT), as defined above, net of taxes calculated at the actual tax rate of the last set of annual consolidated financial statements published.

⁵ 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).

⁶ Equal to the ratio between (a) NOPAT, as defined above, and (b) the average net invested capital as defined above.

Fine Comunicato n.0533-3

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