

# ASBIS<sup>®</sup>

Strong growth and high dividend

## 1Q18 RESULTS

9<sup>th</sup> MAY 2018

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# AGENDA

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1Q18 BUSINESS UPDATE

1Q18 FINANCIAL OVERVIEW

2018 OUTLOOK

Q&A

BACK-UP

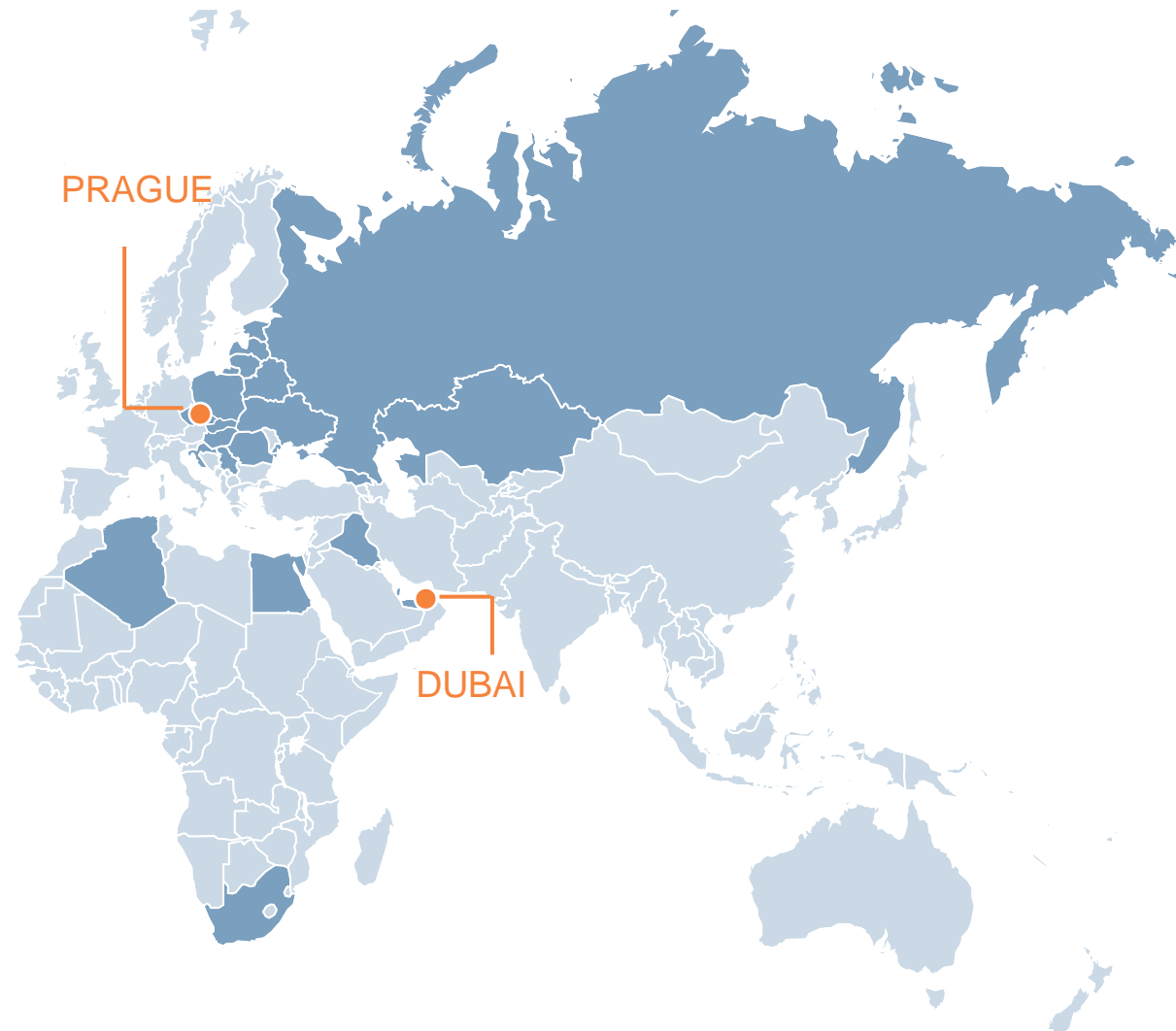
# LEADING IT PARTNER IN EMERGING MARKETS OF EMEA

Headquarters in Cyprus

> **30,000** active  
customers in **60** countries  
worldwide

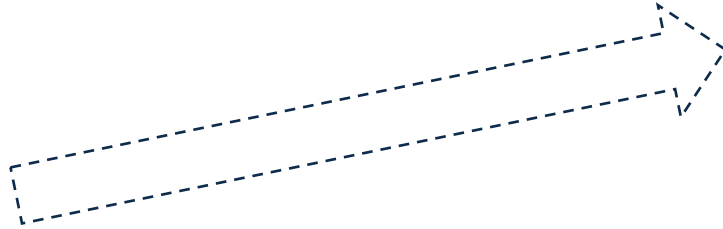
Subsidiaries in **24**  
countries, local presence  
in key countries

**2** distribution centers  
(Prague, Dubai)



# A MOVE TOWARDS VALUE ADDED

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We have some **15,000** products but constantly upgrade our product offering.

**Cloud Services**

**Apple** business gives us new growth opportunities: new countries and new products.

**VAD**

Value Add Distribution allows us to offer services attached to products sold.

**IoT**

Internet of Things  
We launched our third private label – **Perenio** – in this field.

# KEY 1Q18 EVENTS

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## STRONG MONTHLY DATA

Strong double-digit revenue estimates for January – March 2018.

Strong performance of the Apple business and two large data center projects.

## GUIDANCE

Publication of upgraded 2017 guidance and delivery of the numbers.

Publication of 2018 guidance, implying sizeable YoY growths.

## DIVIDEND

Announcement of dividend payment from 2017 earnings.

The dividend was approved by the 8th May AGM.

# 1Q18: AN EXCELLENT QUARTER

- Strong growth in revenues.
- Strong gross profit growth.
- SG&A costs under control.
- Lower YoY net financials despite strong sales growth.
- 215% YoY growth in net income.

## REVENUES

US\$ 503.3 million

**+73% YoY**

## GROSS PROFIT

US\$ 22.8 million

**+50% YoY**

## GROSS PROFIT MARGIN

**4.5%**

## NET INCOME

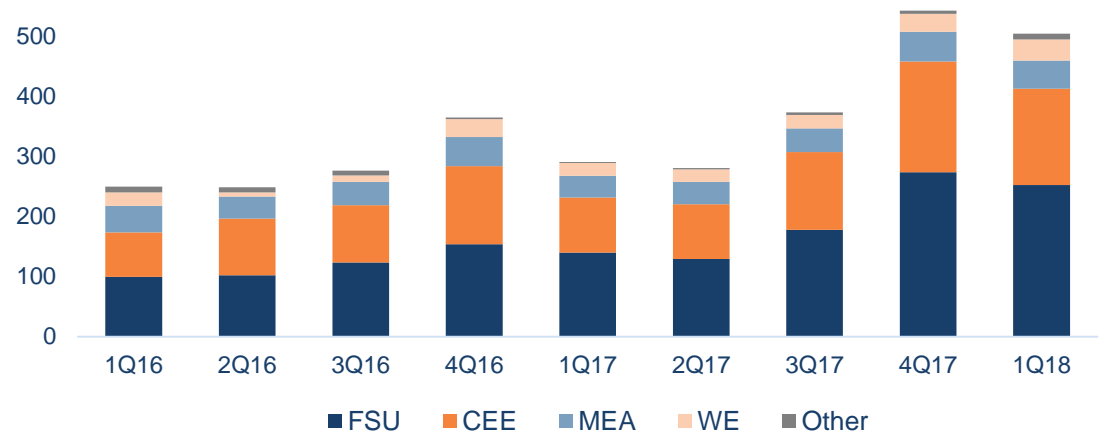
US\$ 1.7 million

**+215% YoY**

# STRONG GROWTHS IN ALL REGIONS

- Strong YoY growth in all FSU countries in 1Q18. Share of FSU region exceeded 50% in 1Q18 revenues.
- Russia remained the No. 1 country while Ukraine, Belarus and Kazakhstan showed +100% YoY growths.
- Strong growths materialized in CEE countries (Slovakia and Czech Republic). MEA revenues were supported by enhanced product offering.

REVENUES BY REGIONS (US\$ m)



REVENUES BY REGIONS (US\$ m)

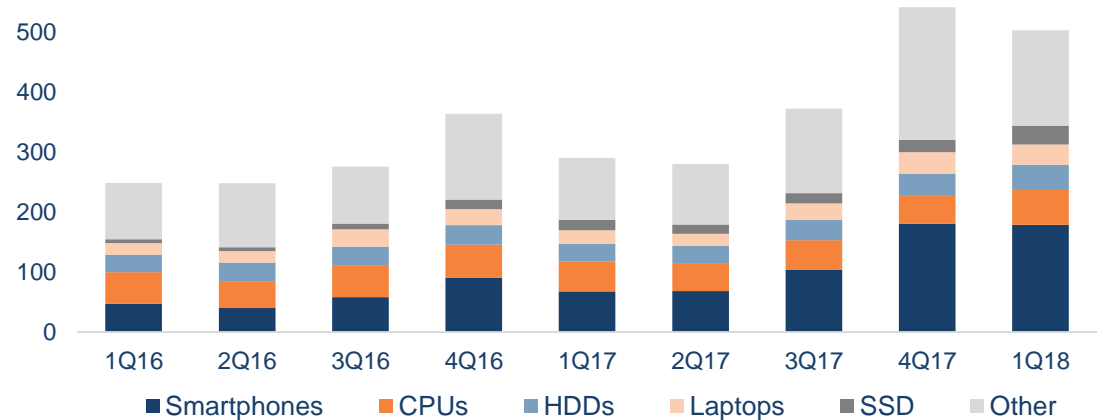
US\$ m	1Q17	1Q18	YoY
FSU	139.7	252.0	80%
CEE	91.3	160.0	75%
MEA	36.4	47.0	29%
WE	21.1	35.2	66%
Other	1.6	9.1	464%
<b>TOTAL</b>	<b>290.2</b>	<b>503.3</b>	<b>73%</b>



# STRONG SMARTPHONE GROWTHS

- Strong smartphones business driven by iPhone sales.
- Dynamic growths in tablets due to stronger sales of own brands and increase in the number of iPads sold.
- Growth in CPUs, HDDs and SSDs due to data center projects.

REVENUES BY LINES (US\$ m)



REVENUES BY LINES (US\$ m)

US\$ m	1Q17	1Q18	YoY
Smartphones	68.2	179.2	163%
CPUs	49.6	58.0	17%
HDDs	26.1	42.0	61%
Laptops	23.2	33.6	45%
SSD	17.2	31.4	82%
Tablets	10.1	18.7	86%
<b>TOTAL</b>	<b>290.2</b>	<b>503.3</b>	<b>73%</b>

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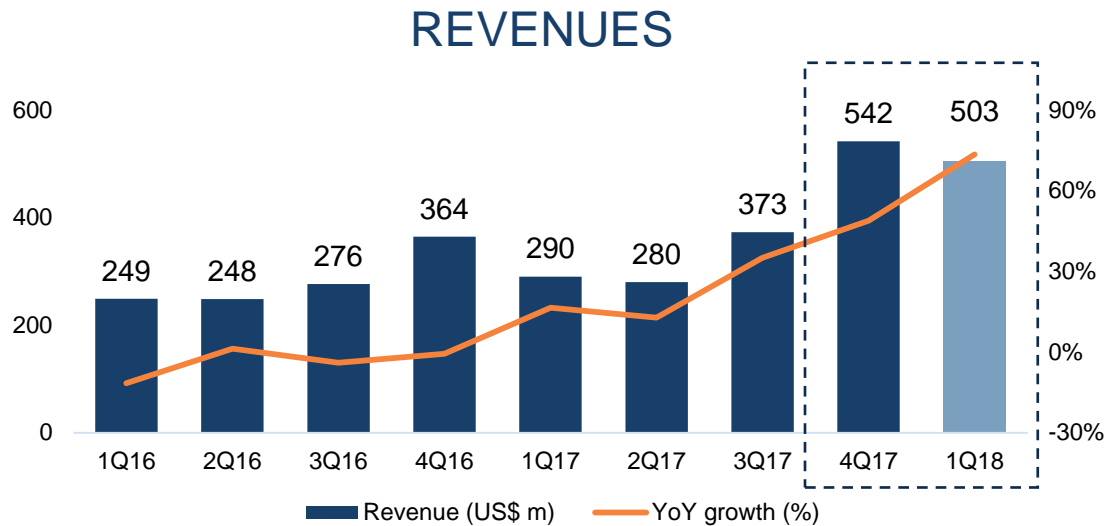
2018 OUTLOOK

Q&A

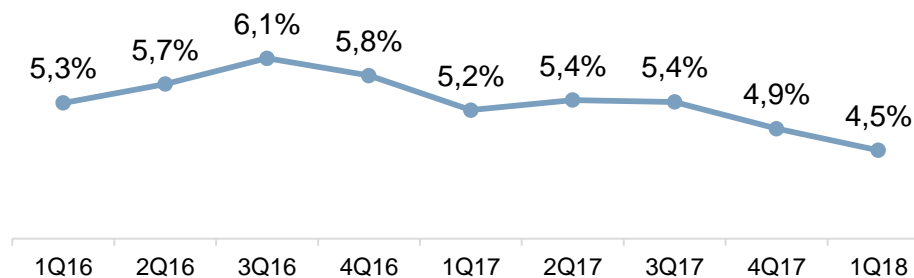
BACK-UP

# A SCALE CHANGE IN REVENUES

- 1Q18 revenues exceeded US\$ 503m, up 73% YoY.
- 1Q18 revenues were at a similar level to seasonally strongest quarter – 4Q.
- Gross profit margin reached 4.5% in 1Q18 versus 5.2% 1Q17.
- Gross profit margin YoY contraction was related to a high 1Q17 base and lower margin revenues in 1Q18.



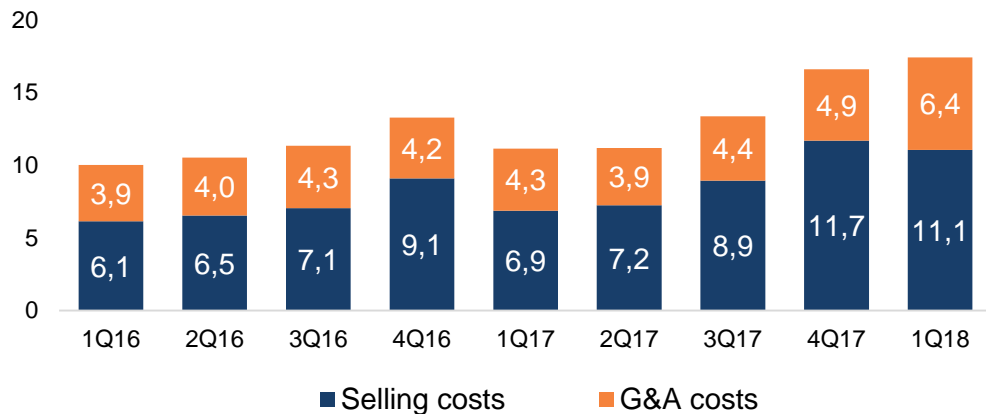
### GROSS PROFIT MARGIN (%)



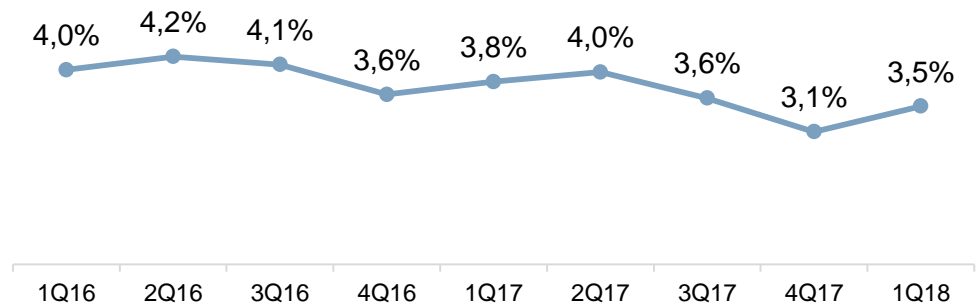
# SG&A COSTS GROWTH BELOW SALES

- 1Q18 selling expenses grew at a slower pace than revenues, despite full impact of hiring c.200 employees.
- Administration expenses grew in 1Q18 by 49% mainly to support growing operations in FSU as well as increase in FX rates in the CEE countries.
- SG&A expenses continued to decrease YoY as a percentage of sales.

SG&A COSTS (US\$ m)



SG&A as % SALES



# STRONG 1Q18 RESULTS

- Strong growth in top-line and gross profit.
- Gross profit margin at 4.5%.
- Expenses under control despite fast growth.
- Early payment discounts positively impacted financial income.
- Tripling of net income.

US\$ m	1Q17	1Q18	YoY
<b>Revenue</b>	<b>290.2</b>	<b>503.3</b>	<b>73%</b>
Gross profit	15.1	22.8	50%
<i>Gross profit margin</i>	5.2%	4.5%	-0.7pp
SG&A costs	11.2	17.4	56%
<b>Profit from operations</b>	<b>4.0</b>	<b>5.3</b>	<b>34%</b>
<i>Operating margin</i>	1.4%	1.1%	-0.3pp
Financial income	0.2	0.9	
Financial expenses	-3.6	-4.1	
<b>Profit before tax</b>	<b>0.7</b>	<b>2.2</b>	<b>231%</b>
Tax	-0.1	-0.5	
<b>Profit for the period</b>	<b>0.5</b>	<b>1.7</b>	<b>215%</b>
<i>Net margin</i>	0.2%	0.3%	0.1pp

TRIPPLING OF NET INCOME IN 1Q18.

# INDEBTEDNESS AT SAFE LEVEL

- Strong increase in cash position in seasonally NWC intensive quarter.
- High cash levels, despite cash being used to benefit from early payment discounts from suppliers, due to the use of short-term financing.
- The weighted average cost of debt came down to 7.3% in Q1 2018 versus 9.3% in 2017.
- Ability of the Company to access financing remains very strong.

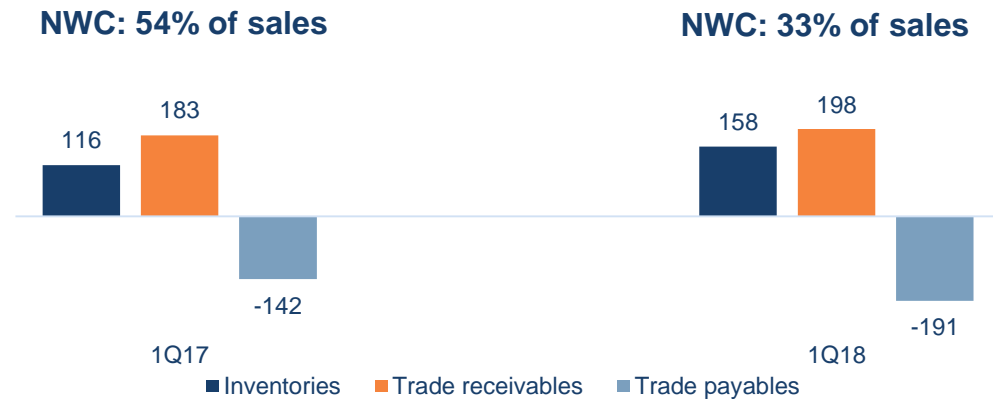
US\$ m	1Q17	1Q18	YoY
Short term borrowings (no factoring)	65.6	90.3	38%
Factoring creditors	46.0	52.2	13%
<b>Short term borrowings (incl. factoring)</b>	<b>111.6</b>	<b>142.5</b>	<b>28%</b>
Long term interest bearing debt	1.5	0.1	-91%
Cash and equivalents	21.3	66.4	212%
<b>Net debt (no factoring)</b>	<b>45.8</b>	<b>24.1</b>	<b>-47%</b>
<b>Net debt (incl. factoring)</b>	<b>91.8</b>	<b>76.3</b>	<b>-17%</b>

Q1 2018 net debt/ equity  
**0.2x** excl. factoring  
**0.8x** incl. factoring  
 safe and low levels

# CASH ENGAGED IN WORKING CAPITAL

- High revenue growths resulted in the need to involve more cash into working capital.
- Capex comprises of outflows for on-going investments in fixed assets and intangibles.
- Strong revenue growth was partially financed from utilization of certain financing lines.
- Group aims for positive 2018 operating cash flow despite strong growth.

## NET WORKING CAPITAL (US\$ m)



US\$ m	1Q17	1Q18
Net cash from operating activities	-29.7	-45.9
Net cash from investing activities	-0.4	-0.7
Net cash from financing activities	-0.4	2.3
<b>Net movement in cash and cash equivalents</b>	<b>-30.5</b>	<b>-44.4</b>

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# KEY DRIVERS OF 2018

## FURTHER GROWTH IN APPLE

Significant increase to come from gaining new customers in new channels in the markets we operate on. Major focus in Kazakhstan, Ukraine and Belarus. Strong growth is expected in smaller markets of Azerbaijan, Georgia, Armenia.

## VAD SALES

Large project business: we managed to grab a sizeable amount of project sales, especially in Russia. This includes building of large data centers, where ASBIS is delivering CPUs, HDDs and SSDs.

## MAINBOARDS AND VGAs

Due to ability to secure supply in the current shortage market, we expect extra revenue from the sales of VGAs to the block chain (mining) projects across Europe. This is mostly in CEE countries (Czech Republic, Slovakia, Romania).

## ACCESSORIES

Increase in sales of accessories (through Logitech and other brands) where we obtained master distribution across all EMEA (we did not possess it in H1 2017) and especially MEA region.

## NEW PRIVATE LABEL

Increase in private labels, especially in the second half of 2018 when Perenio will start sales of Smarthome and Smart security sensors and other products coupled with new Prestigio consumer product lines.

# 2018 GUIDANCE

REVENUE

Between US\$ 1.8bn and US\$ 1.9bn

NET INCOME

Between US\$ 9m and US\$ 10m

## ASSUMPTIONS

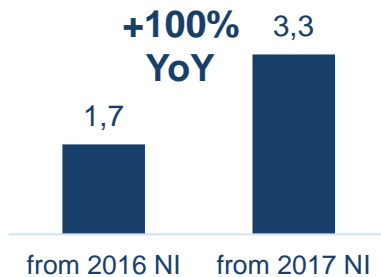
Growth in gross profit margin and positive operating cash flow.

A stable situation on our key FSU markets and in key FSU currencies (not worse than in H2 2017).

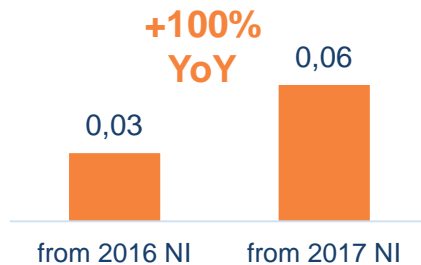
A similar YoY competitive environment and favourable relations with key suppliers.

# ABUNDANT DIVIDEND

## DIVIDEND (US\$ m)



## DIVIDEND PER SHARE (US\$)



Our general dividend policy is to pay dividends at levels consistent with the Company's growth and development plans, while maintaining a reasonable level of liquidity.

The AGM on 8th May 2018 approved the payout of US\$ 3.3m of cash in dividends.

Our strong financial position allows for such an abundant dividend.

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# A BROAD PRODUCT PORTFOLIO

**15,000** products in portfolio

Complete solutions for every customer in every market segment.

**Prestigio** and **Canyon** private labels in existence for **> 15 years** – access to retail customer – and a new **Perenio** brand.

**PC and server components**

**Desktop and mobile PC**

**Software**

**Smartphones**

**Cloud Services**

**Value add solutions**

**OEM: Prestigio, Canyon**

**Internet of Things: Perenio**

# FOCUS ON ON-LINE TRADING

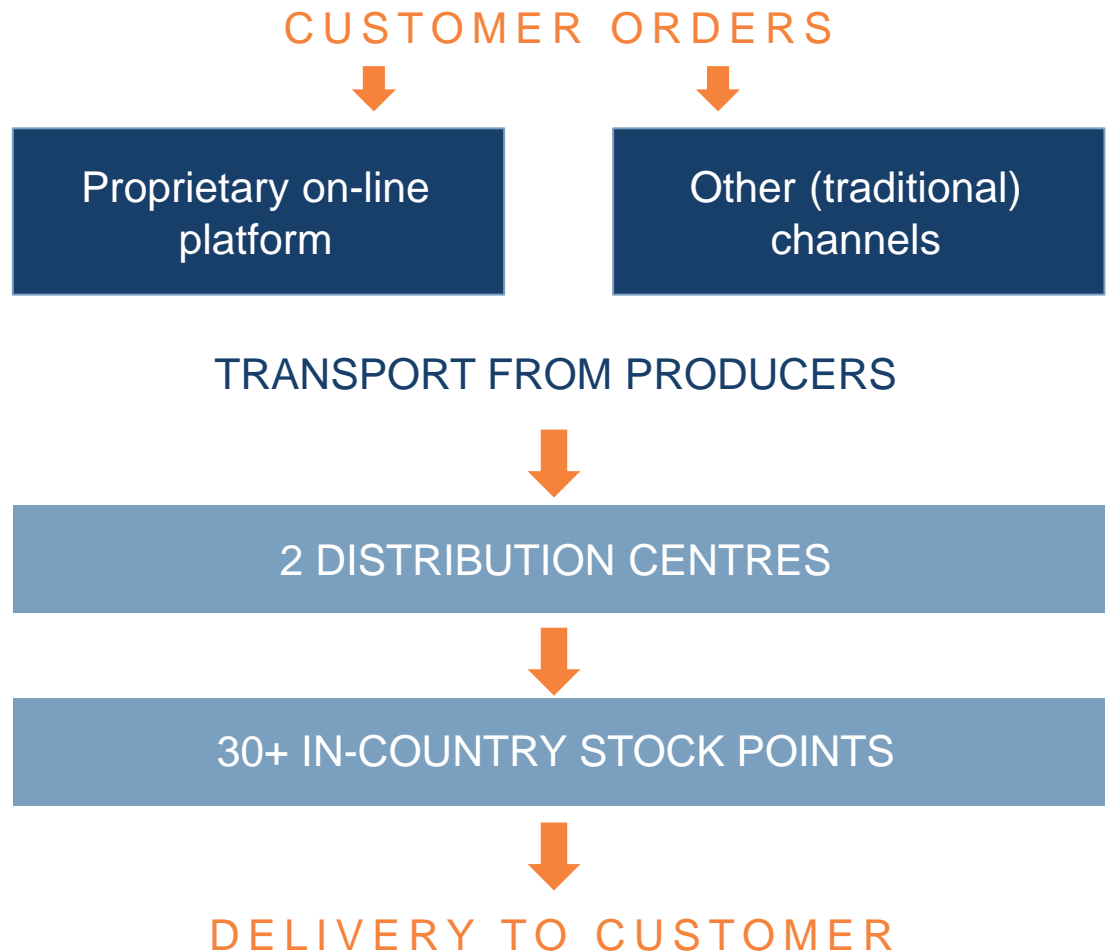
**60% of sales**  
conducted through a  
unique on-line system

**Central** logistics  
management

**Integrated** cloud  
based ERP system

**20** B2B e-shops

**30+** in-country stock  
points



# ASBIS KEY STRENGTHS

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A unique geographical presence across all markets of Emerging Markets of EMEA.

A diversified portfolio of hardware, software and private labels coupled with strong relationships with all key IT vendors.

Flexible and adoptive in market changes through a long lasting management.



# NEW IFRS APPLICATION

**IFRS 9**

**IFRS 15**

**IFRS 16**

**Financial Instruments**

Effective: 1 January 2018

**Revenue recognition**

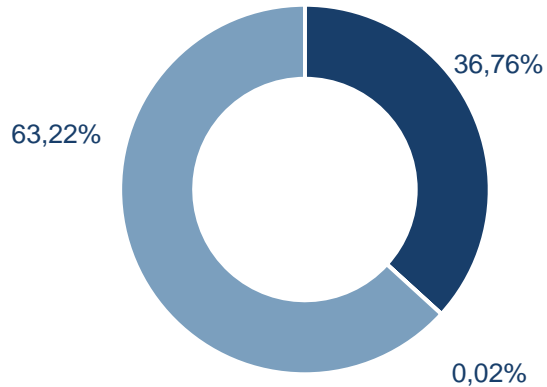
Effective: 1 January 2018

**Leases**

Effective: 1 January 2019

There should be no material impact of the new standards on ASBIS' financial statements.

# SHAREHOLDER STRUCTURE



- KS Holdings Ltd (CEO)
- Treasury shares
- Free-float

	Number of shares & votes	% of share capital & votes
KS Holdings Ltd	20,401,361	36.76%
Treasury shares	13,389	0.02%
Free-float	35,085,250	63.22%
<b>TOTAL</b>	<b>55,500,000</b>	<b>100.00%</b>

We have a high 63% free-float.

# GLOSSARY

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FSU	Former Soviet Union countries, including Russia, Ukraine, Kazakhstan, Belarus, Georgia etc.
CEE	Central & Eastern Europe; the region includes countries like Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria etc.
MEA	Middle East (UAE, Iraq, Qatar and other Gulf states) and Africa
WE	Western Europe
CPU	Central Processing Units
HDD	Hard Disk Drives
SSD	Solid Disk Drives

## **INVESTOR RELATIONS**

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