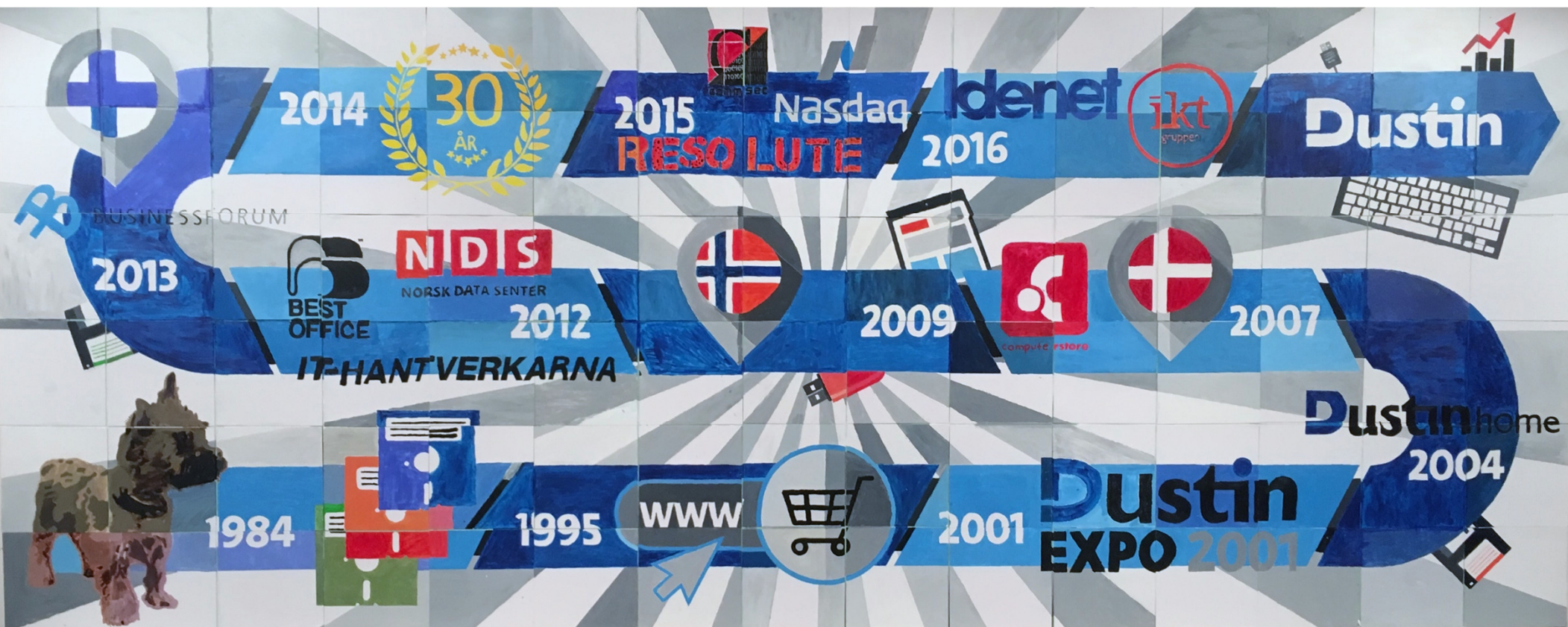


# Capital Markets Day

30 November, 2017



**Dustin**

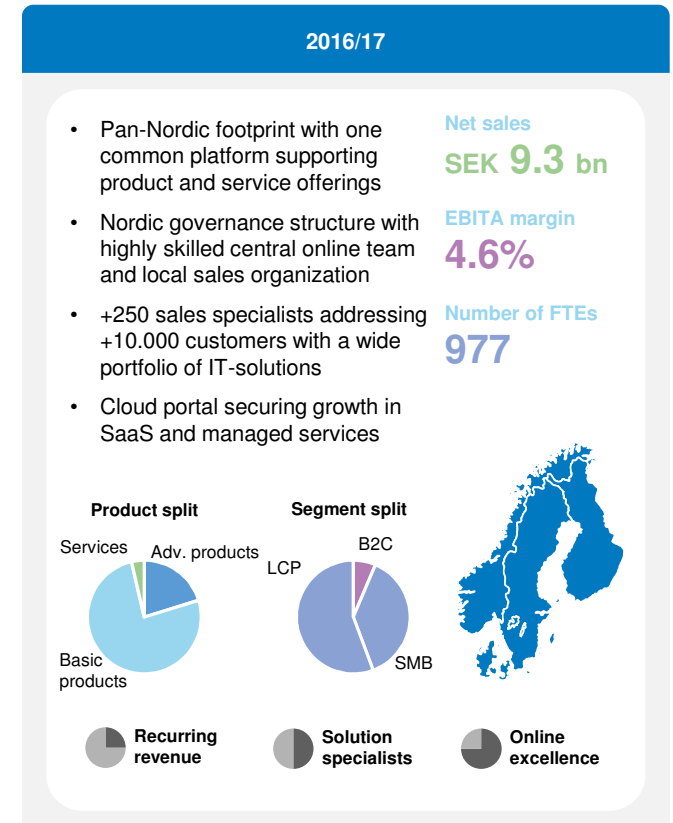
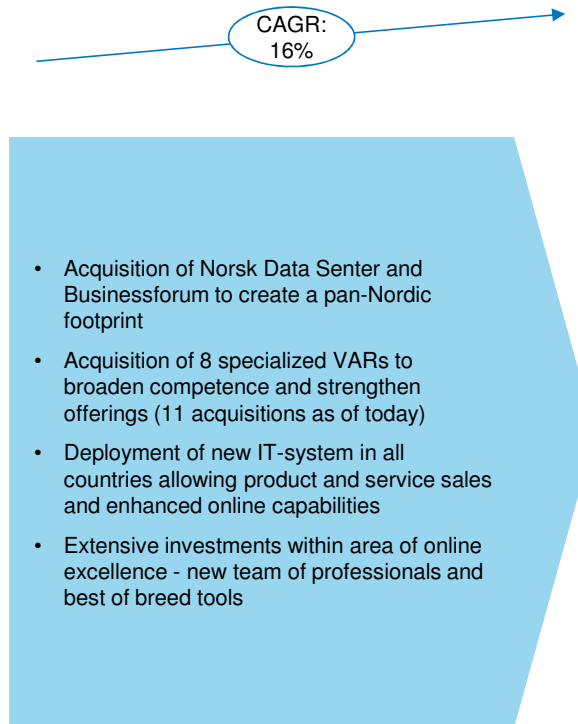
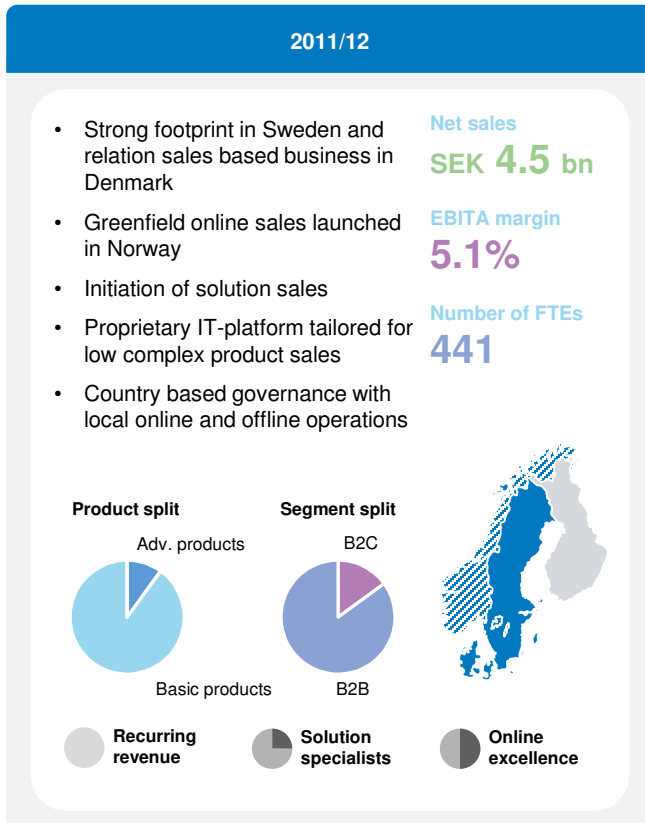


## Today's agenda

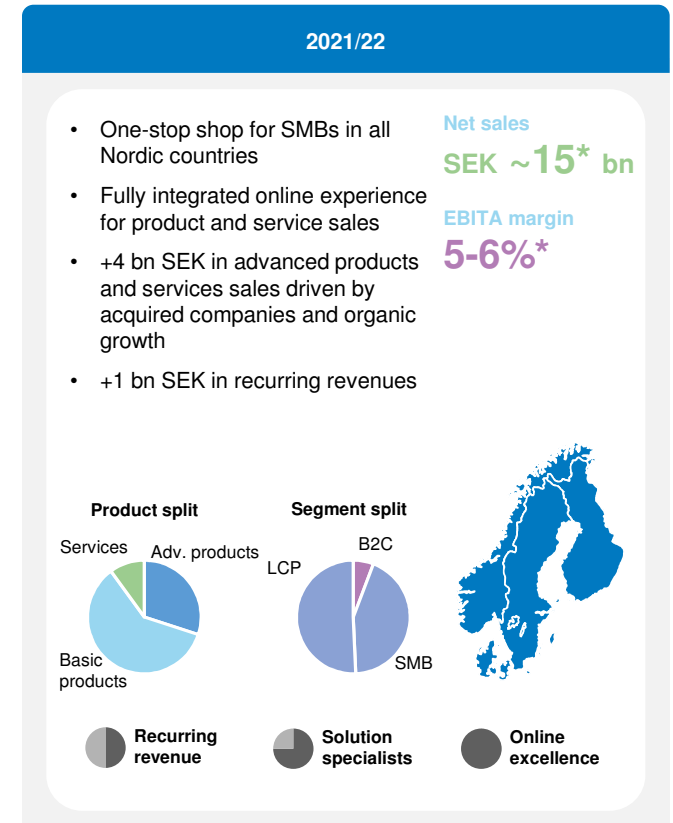
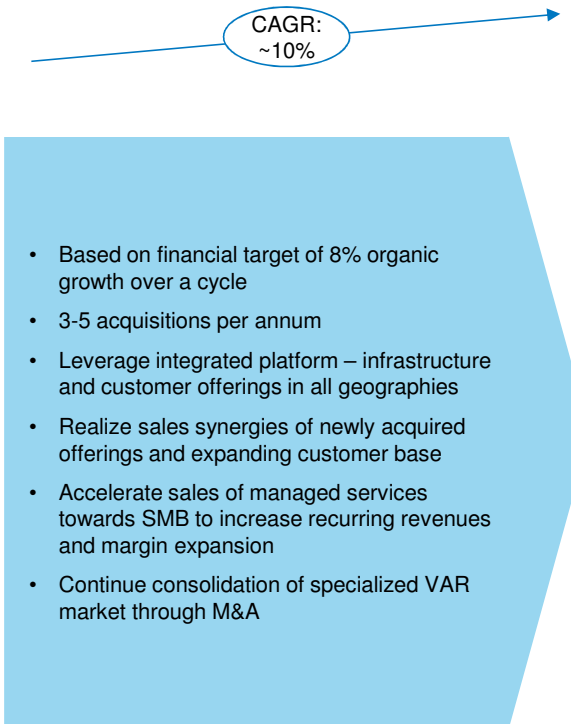
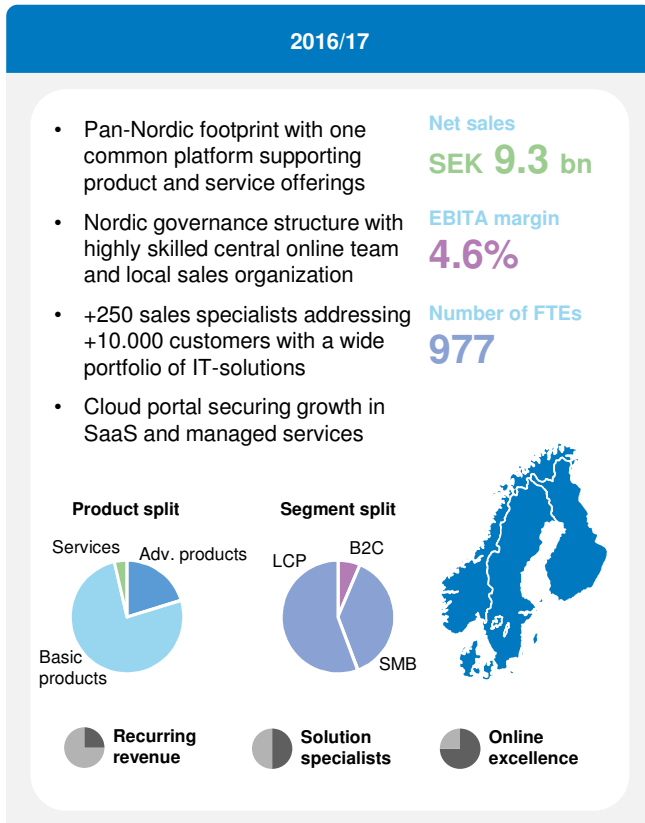
Time	Topic	Speaker
10:00-12:00	Introduction	Georgi Ganev and Thomas Ekman
	Dustin's journey, market outlook and trends	Georgi Ganev
	Financial targets, M&A journey, segment reporting	Johan Karlsson
	Q&A	Georgi Ganev and Johan Karlsson
12:00-12:30	Lunch	
12:30-14:15	Services & Solutions	Jens Haviken and Andreas Boo
	Online platform	Göran Lindö
	Summary and Q&A	Georgi Ganev
14:15-15:00	Optional walking tour at the logistics center	

*Material available at [dustingorup.com/en/reports-and-presentations](https://dustingorup.com/en/reports-and-presentations)*

## Transformation towards the leading Nordic online IT-partner

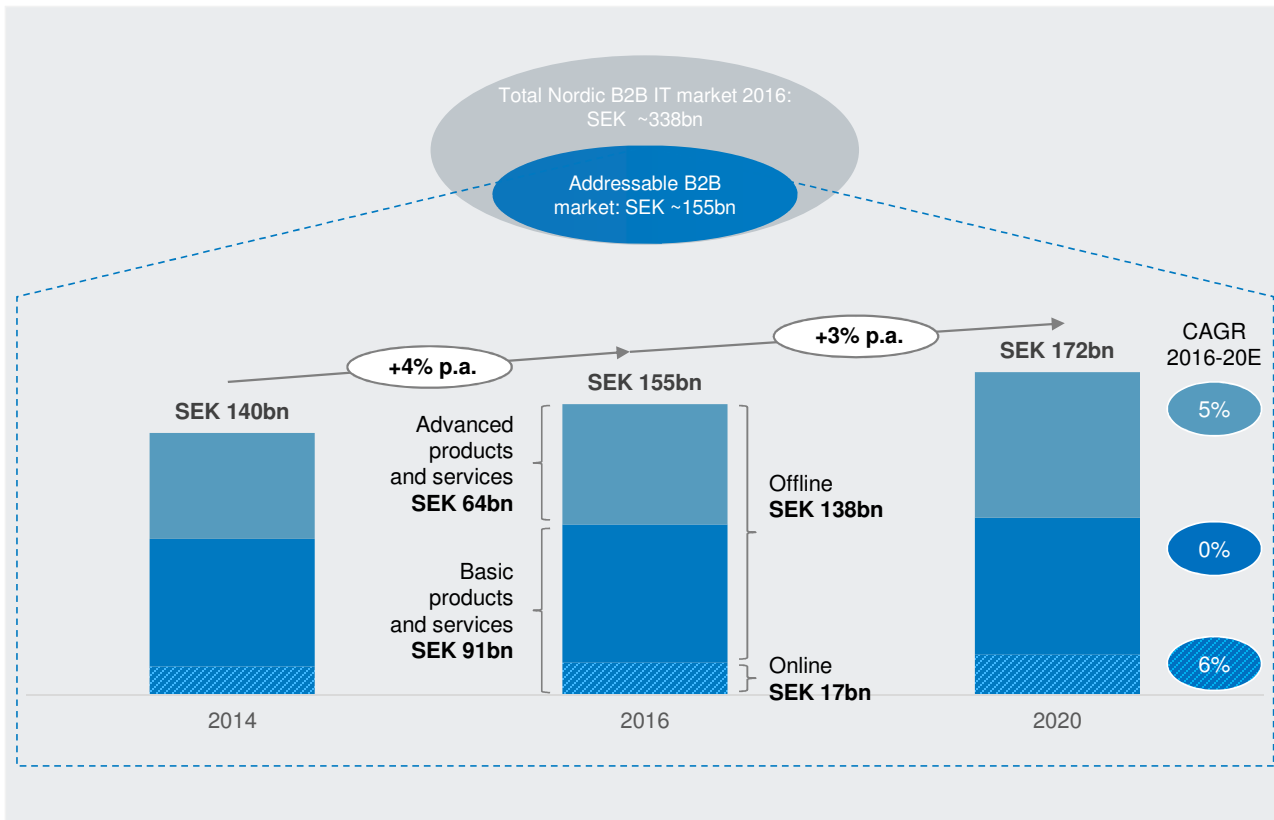


## Continue leveraging dynamic market trends and new service offerings



Source: Dustin. \*based on financial targets

## SEK 155bn B2B market with significant growth in sub-segments targeted by Dustin

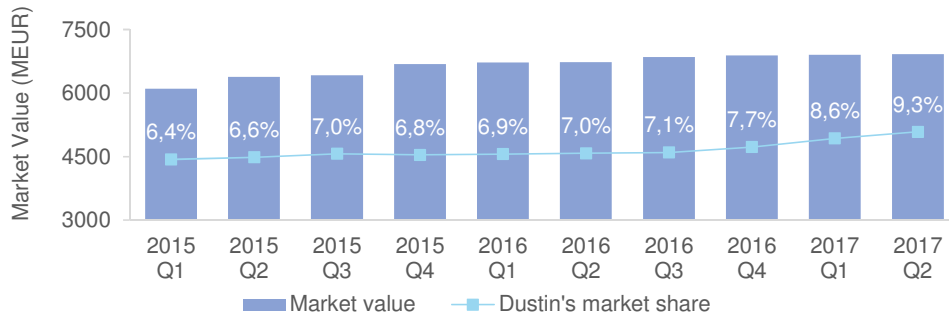


### Dynamic market in favor for Dustin

- Addressable market increased by 50% since IPO mainly due to acquisitions allowing Dustin to reach new product areas
- Rapid growth of cloud model enables standardized service sales through Dustin's centralized platform
- Continued clear shift from offline to online channel within basic product sales
- Notebook sales predicted to reach a CAGR of 4.7% between 2017-2021
- Software is expected to grow at 6.7% CAGR between 2017-21 mainly through SaaS

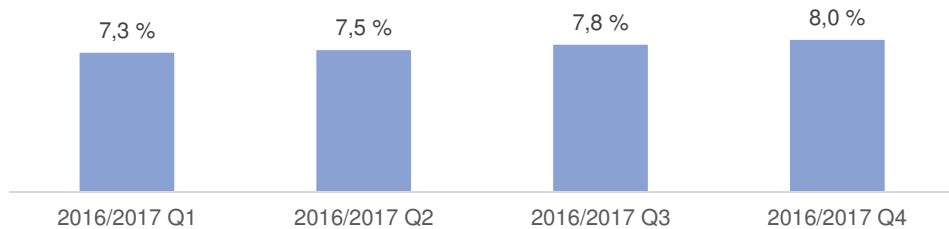
## Online position driving hardware sales with premium growth vs. Nordic IT market

**B2B IT hardware market (IDC) LTM sales**

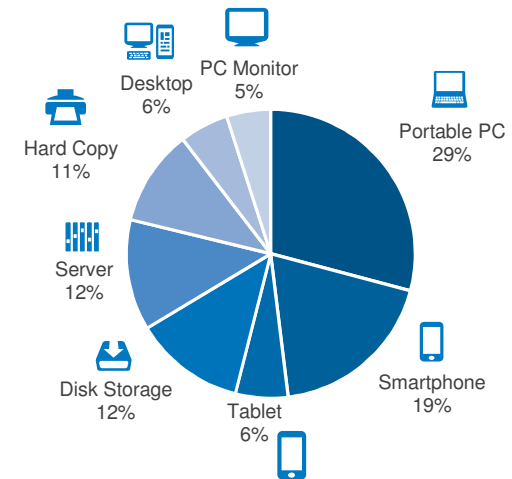


- Since IPO in February 2015 Dustin's market share has increased 3 p.p. (+45%)
- Offline to online market trend drives Share of Wallet within existing customer base as well as new customer intake
- Total B2B Share of Wallet increased 10% during 2016/17

**Total B2B Share of Wallet development (LTM)**



**B2B IT hardware market split (IDC)**

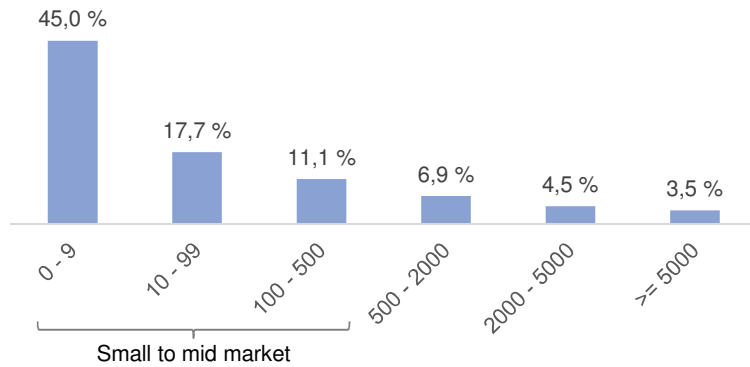


Note: IDC numbers are based on calendar years. \*CAGR of LTM net sales 14/15Q2 - 16/17Q3

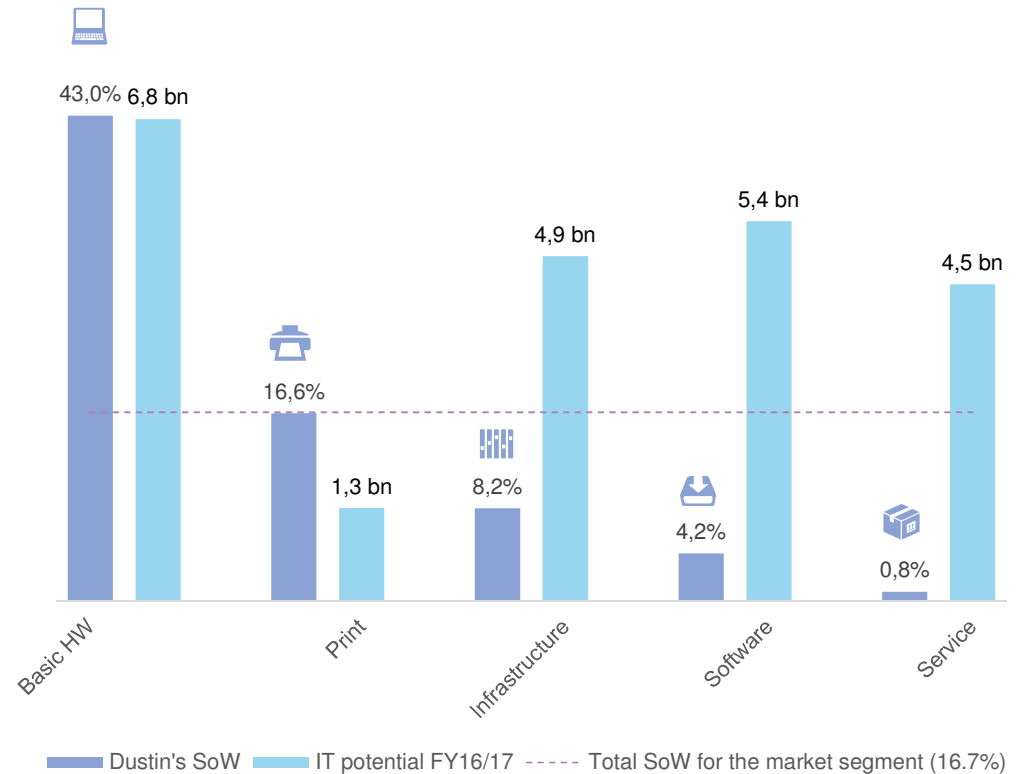
## Untapped potential of service sales within the SMB segment

### Huge potential to increase SoW in the small to mid market

- Strong position within basic hardware while current Share of Wallet for services below 1% and infrastructure below 9%
- Newly acquired service offerings complement Dustin's portfolio and strengthens one-stop-shop position for SMB
- Leverage sales organization to cross-sell solutions to Dustin's 100,000 customers



### Dustin's SoW for small to mid market customers (0-500)



## Our financial targets

### GROWTH

Dustin's target is an average annual organic growth rate of 8 per cent over a business cycle. In addition, Dustin intends to grow through acquisitions.

### MARGIN

Dustin's target is to increase the adjusted EBITA margin over time, and to achieve an adjusted EBITA margin of between 5 and 6 per cent in the medium term.

### CAPITAL STRUCTURE

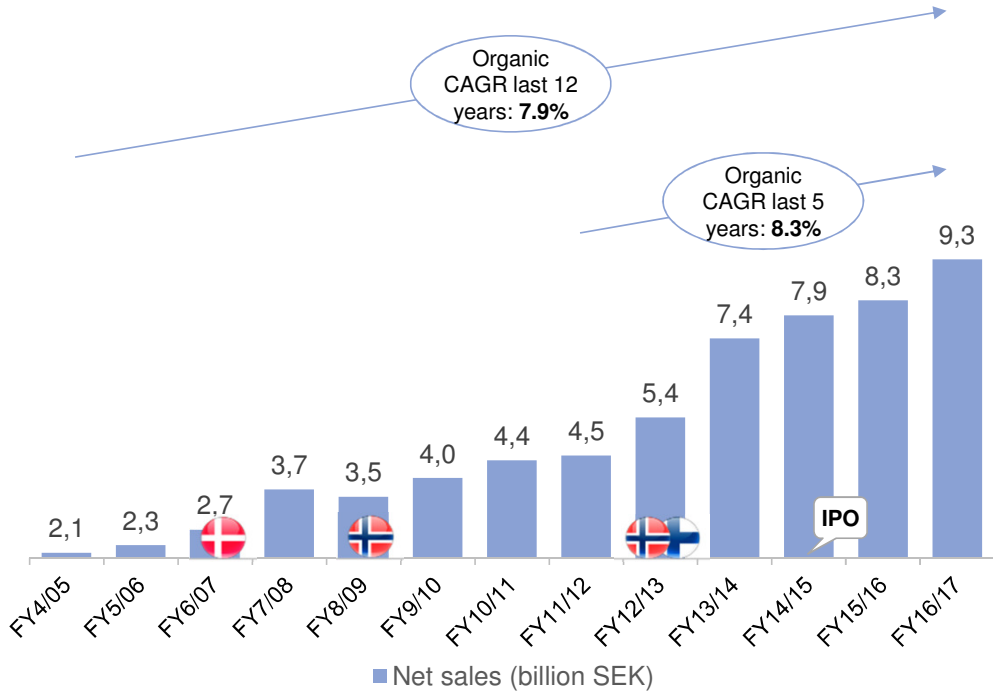
Dustin's capital structure should enable a high degree of financial flexibility and provide scope for acquisitions. The company's net debt target is a 2.0-3.0 multiple of adjusted EBITDA for the past 12-month period.

### DIVIDEND POLICY

Dustin's dividend payout target is 70 per cent of net profit. However, the company's financial position, cash flow, acquisition opportunities and prospects should be taken into consideration.

## Dustin has recorded strong organic growth historically

Organic CAGR of 8.3% the last 5 years

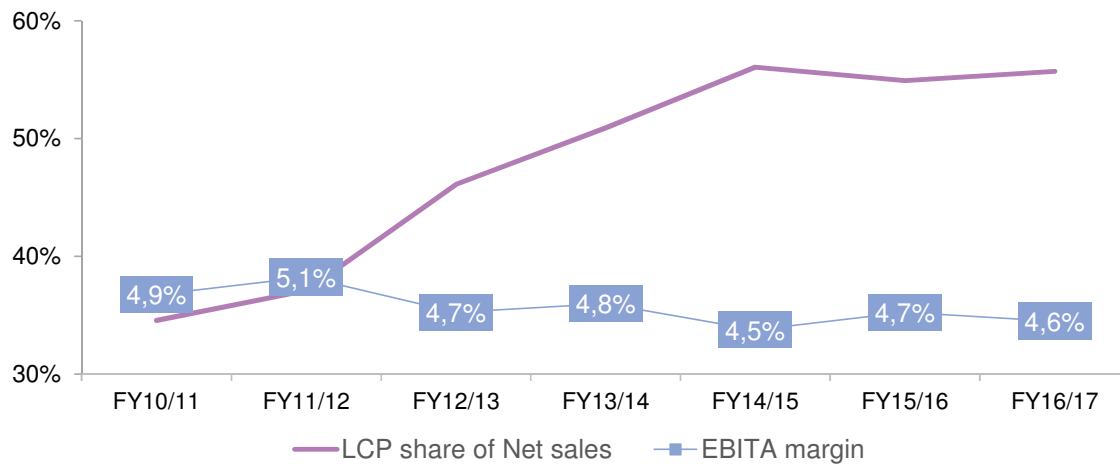


### Strong foundation for continued growth

- ✓ Well positioned in a growing market with favorable trends
- ✓ Superior online excellence towards B2B segment
- ✓ 100,000 SMB customers in the Nordics that are suitable for standardized cloud solutions
- ✓ Financial strength to continue the bolt on acquisition journey

## EBITA margin stable at IPO level but not yet in the financial target range

EBITA margin 4.6% in FY16/17



### Segment margin\* FY16/17

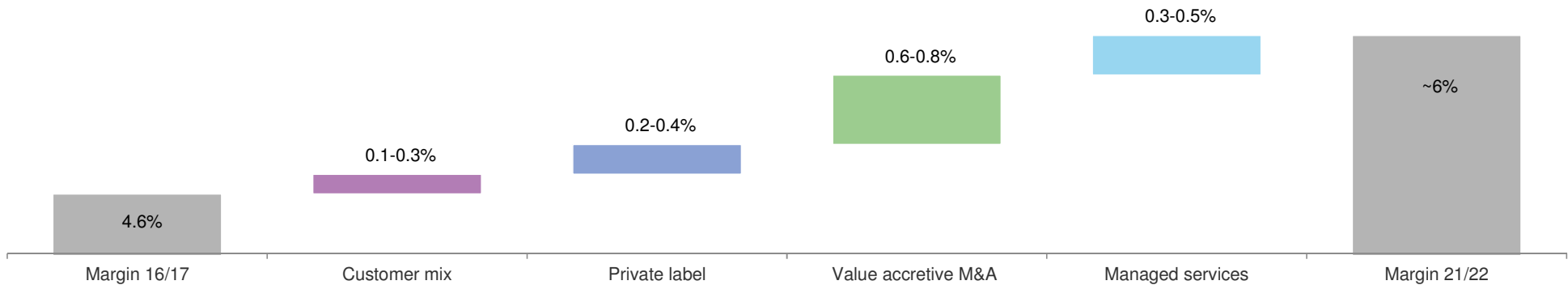
SMB:	10.7%
LCP:	6.9%

- Large Corporates and Public (LCP) has increased its share of total sales mainly through geographical expansion by acquisitions in Norway and Finland
- Share has further expanded through integration to the central online platform
- The strong growth in LCP since FY10/11 has been affecting Dustin's margin negatively

Source: Dustin. \*Segment margin used as indicator for EBITA margin

## Well defined levers will contribute to the margin journey

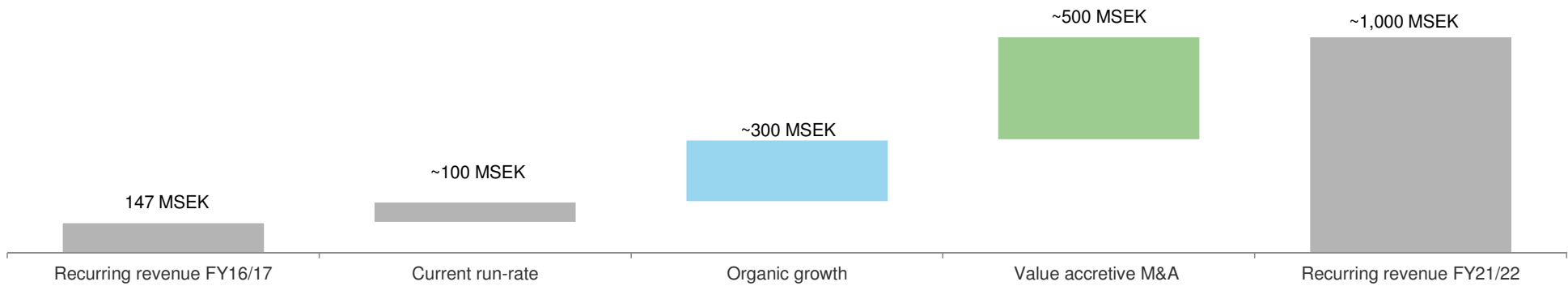
### Margin journey potential FY21/22



Customer mix	Private label	Value accretive M&A	Managed services
<ul style="list-style-type: none"> <li>SMB growing faster than LCP due to:                             <ul style="list-style-type: none"> <li>Continued focus on SMB offerings</li> <li>Cost efficient online platform to serve SMB customers</li> </ul> </li> <li>B2C stable</li> </ul>	<ul style="list-style-type: none"> <li>Targeting 25% of sales in each of the selected categories</li> <li>Incremental EBITA margin of around 10 percentage points on average</li> <li>To reach annual private label sales of <b>400 MSEK</b> within 3 years</li> </ul>	<ul style="list-style-type: none"> <li>Acquired companies with higher share of advanced products and services and recurring revenue</li> <li>Supporting customer journey driving both margin and loyalty</li> <li>To <b>add 3-5 bolt-on acquisitions per annum</b></li> </ul>	<ul style="list-style-type: none"> <li>Scalable platform to aggregate a wide portfolio of SaaS to B2B market</li> <li>20-50% gross margin on incremental SaaS sales and attached services</li> <li>To reach <b>10,000 customers adding 300 MSEK in sales</b> within 3 years</li> <li><b>+1 bn SEK in recurring revenue</b> in total including M&amp;A</li> </ul>

## Higher share of recurring revenue increases loyalty and margin

### Recurring revenue potential FY21/22

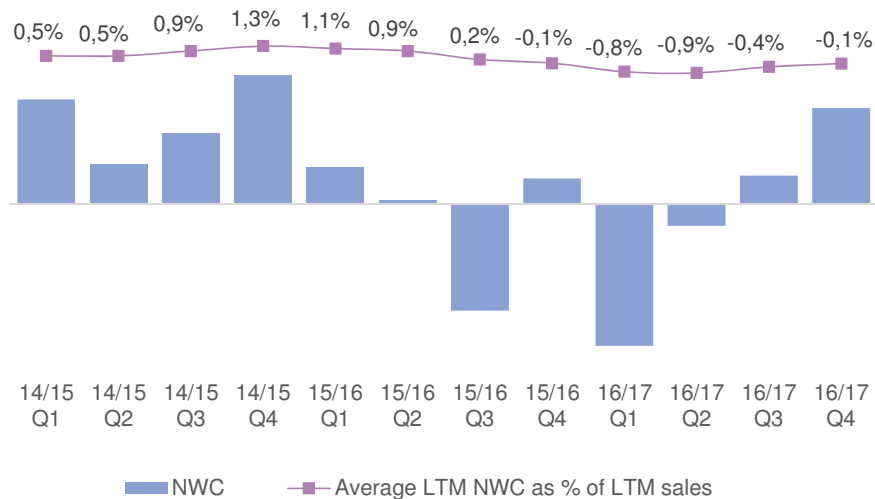


Current run-rate	Organic growth	Value accretive M&A
<ul style="list-style-type: none"> <li>Acquisition of IKT, Purity and Saldab in FY16/17</li> <li>Acquisition of Norriq ICS, Core Services and JML System in Q1 17/18</li> </ul>	<ul style="list-style-type: none"> <li>Recurring revenues will exceed growth of ordinary business due to market dynamics</li> <li>Increased investments in managed services</li> </ul>	<ul style="list-style-type: none"> <li>Further acquisitions will be focused in areas with recurring revenue as a standard</li> </ul>

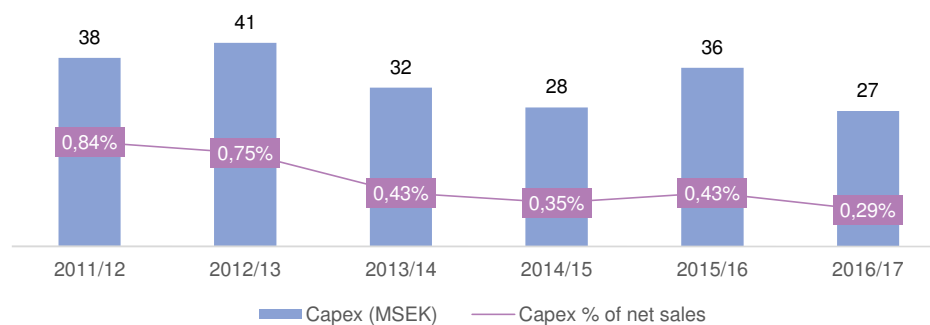
Source: Dustin. Note: Recurring revenue is defined as services which are automatically renewed and billed on a regular basis where Dustin plays an active part in the delivery/handling. Warranties, financing and traditional software agreements (e.g OVS) are not included

## Asset light business model secure high cash conversion

### Attractive net working capital



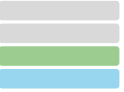
### Low investment needs



- ✓ Supplier integration
- ✓ High inventory turnover (DII<sup>1</sup>: 13)
- ✓ Low inventory write-downs
- ✓ Attractive payment terms (DPO<sup>2</sup>: 43)

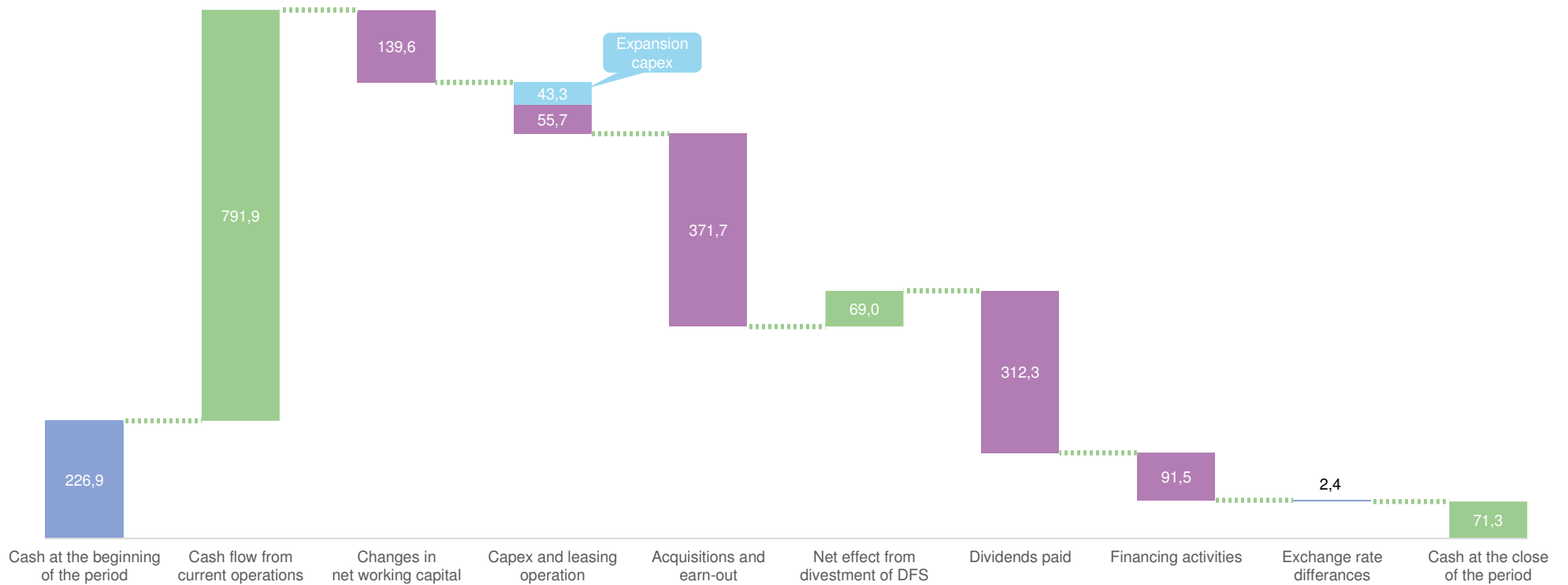
- ✓ Low fixed asset base
- ✓ Limited maintenance capex
- ✓ Capacity utilization low
- ✓ New ERP system implemented

Source: Dustin. 1) Average days in inventory last 4 quarters. 2) Average Days payable outstanding last 4 quarters.



## High cash conversion enables bolt on acquisition strategy and high dividend yield

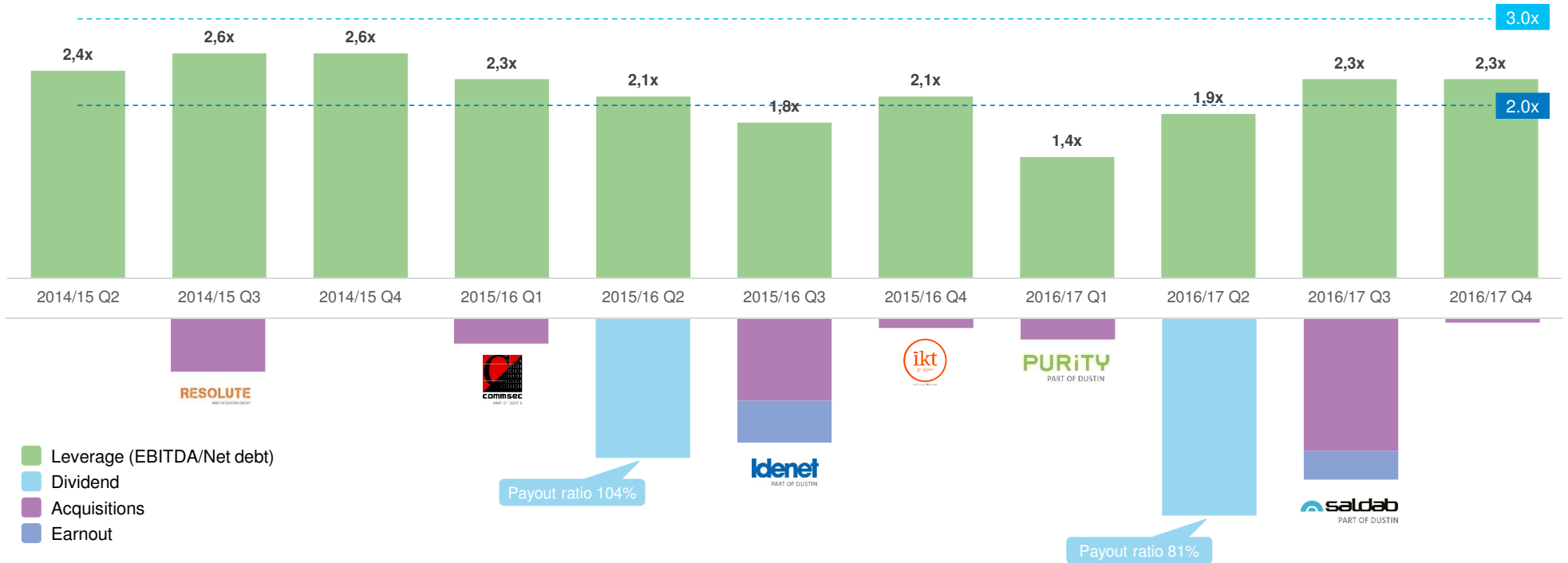
Cash flow since IPO (2014/15 Q3 – 2016/17 Q4)



Source: Dustin

# Leverage has been significantly below 3.0x since the IPO despite multiple acquisitions and strong dividend payments

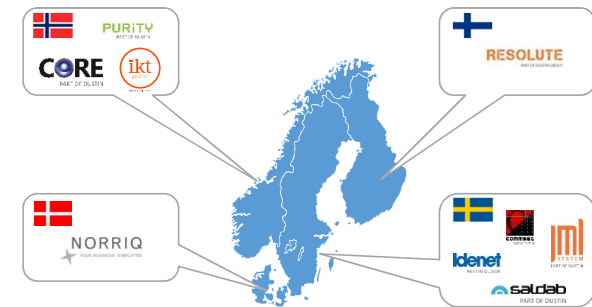
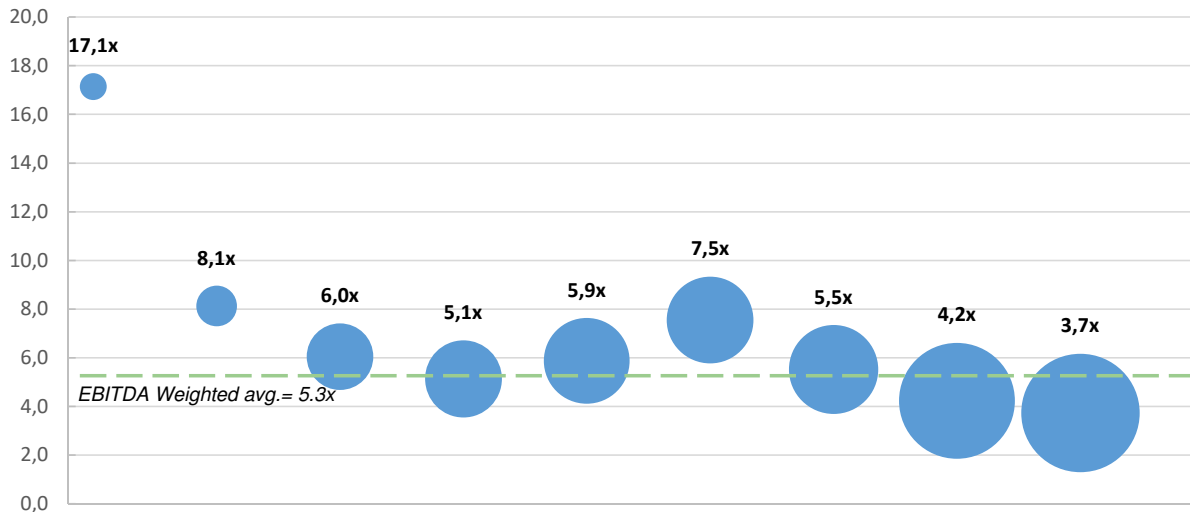
## Leverage development



Source: Dustin

## New entities acquired at low multiples

### Upfront payment/EBITDA



### M&A figures as of today

Number of acquisitions

9 since the IPO

Acquired EBITDA

SEK 120 Million

Sum of upfront payments

SEK 650 Million

Sum of maximum earn-outs

SEK 360 Million

### Rationale for entrepreneurs to choose Dustin



#### Capital

Scale the business through investments in IT, innovation and customer acquisitions



#### Customer base

Cross-sell the offerings to Dustin's 100,000 B2B customers throughout the Nordics



#### IT platform

Access to Dustin's scalable platform to continue their growth



#### Entrepreneurial freedom

They are given the tools and freedom to continue to drive their entrepreneurial business



#### Online excellence

Prosper on Dustin's excellence to operate a B2B online engine and logistics



#### One stop shop

The entrepreneurs want to be part of the journey towards a one stop shop in the Nordics



#### Sales and marketing channels

Increase the width of their offering by lever on Dustin's brand and channels

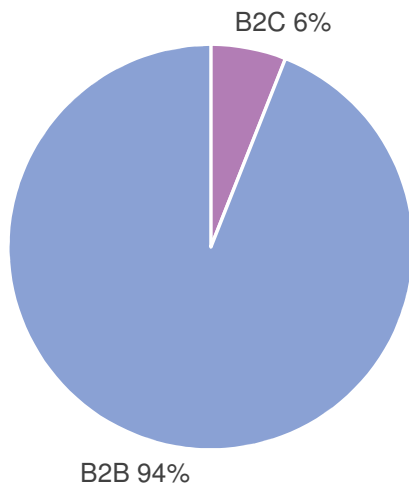


#### Competition

The threat of that large resellers entry into the Nordic B2B market which reduce their business

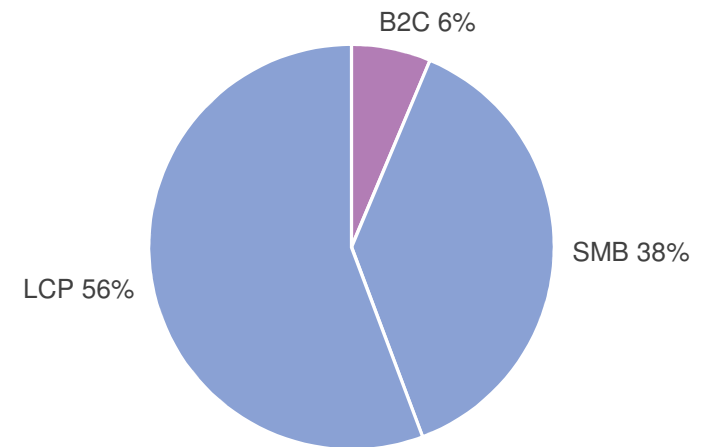
## New segment reporting will assist understanding the business dynamics

Current segment reporting



- Volatile sales growth between customer groups and quarters
- Governance model has changed since the IPO
- Margin development difficult to explain for all B2B in one group

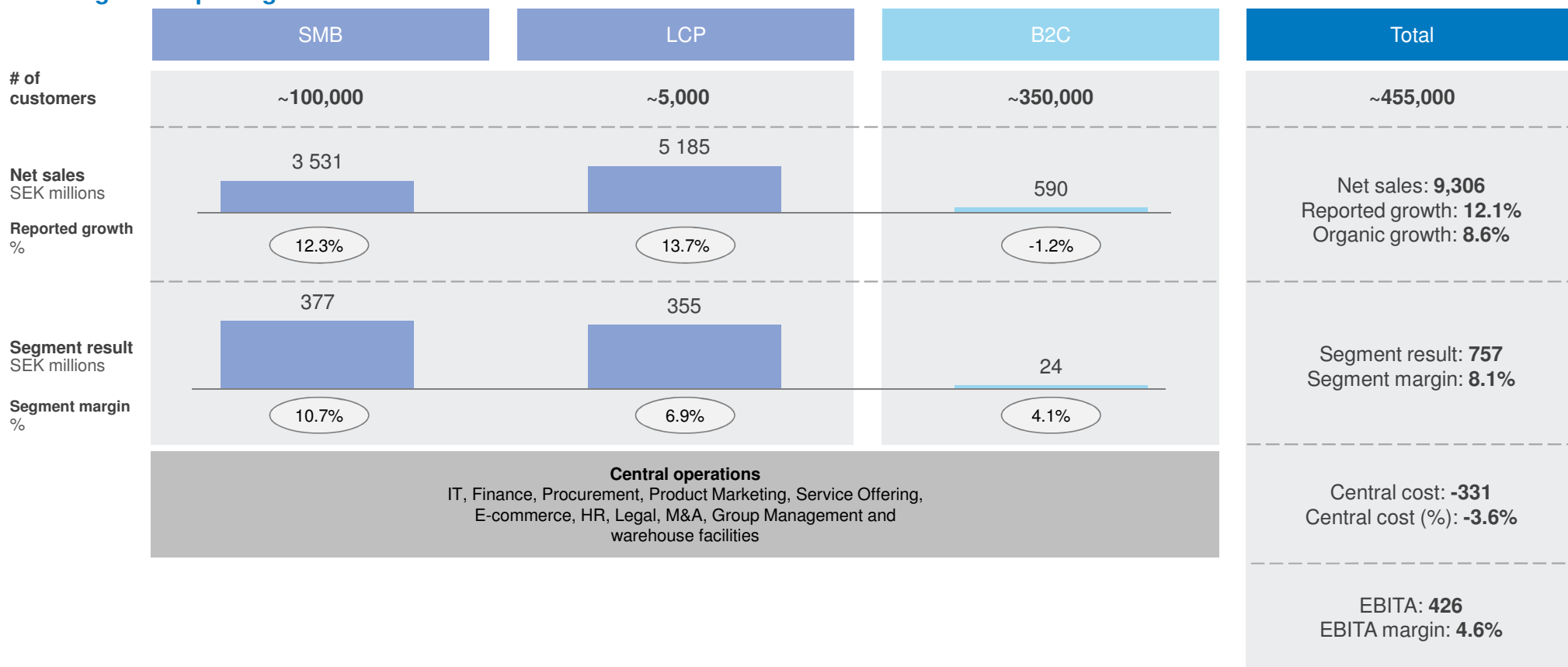
New segment reporting



- SMB (Small and Medium sized Businesses) is defined as companies with <500 employees
- LCP (Large Corporates and Public) is defined as companies with >500 employees and public
- Different business model for LCP vs. SMB
- A split between the customer groups, SMB and LCP, will assist understanding the business dynamics

## Segment reporting based on governance structure

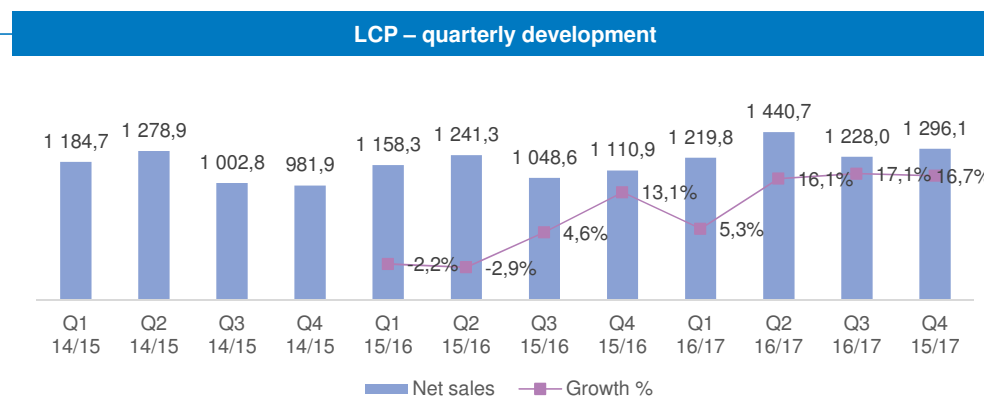
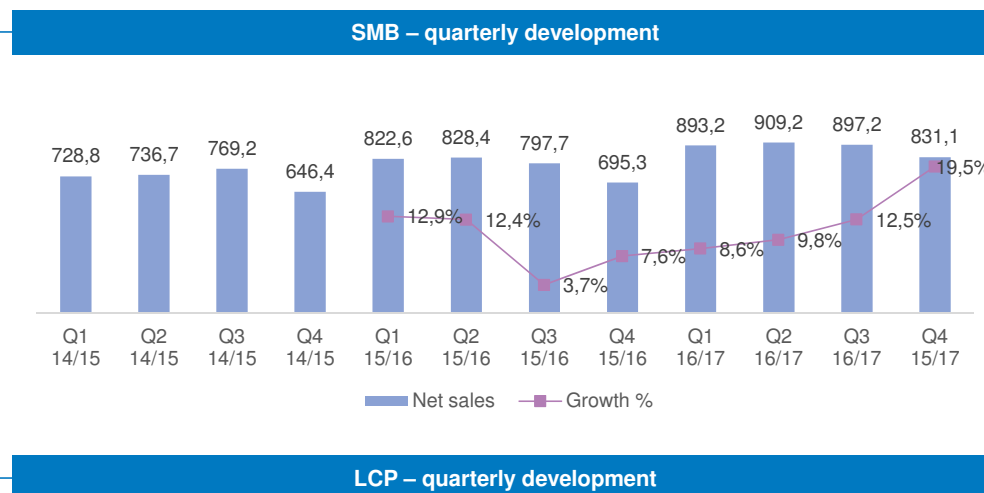
### New segment reporting and financials FY16/17



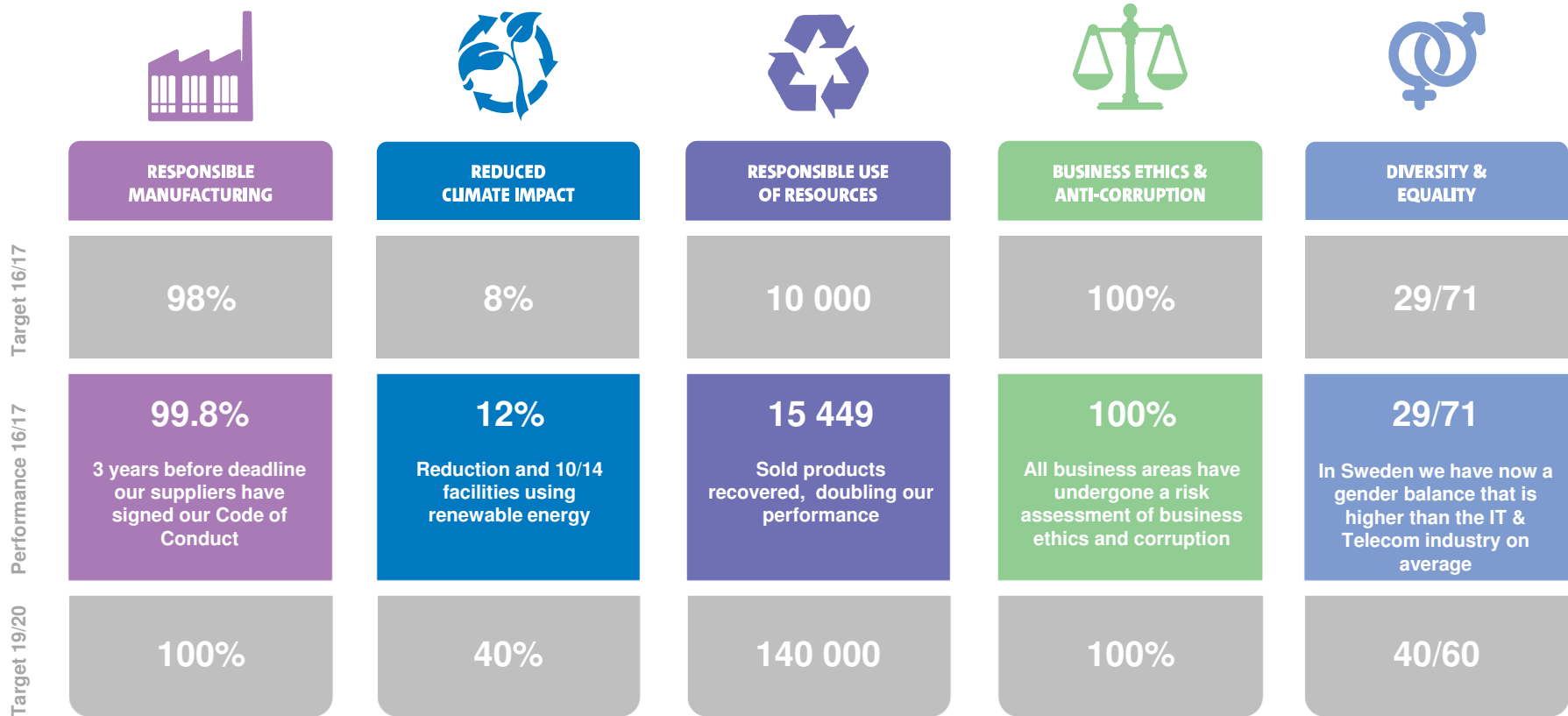
## Historical development shows quarterly fluctuations difficult to explain with previous segments

	Q1 16/17	Q2 16/17	Q3 16/17	Q4 16/17	FY16/17
<b>SMB</b>					
Net sales	893.2	909.2	897.2	831.1	<b>3,530.8</b>
Segment result	97.6	97.0	92.3	90.6	<b>377.5</b>
Segment margin %	10.9%	10.7%	10.3%	10.9%	<b>10.7%</b>
<b>LCP</b>					
Net sales	1,219.8	1,440.7	1,228.0	1,296.1	<b>5,184.6</b>
Segment result	88.9	106.1	83.9	76.5	<b>355.4</b>
Segment margin %	7.3%	7.4%	6.8%	5.9%	<b>6.9%</b>
<b>B2B</b>					
Net sales	2,113.0	2,349.9	2,125.3	2,127.2	<b>8,715.4</b>
Segment result	186.5	203.1	176.2	167.1	<b>732.9</b>
Segment margin %	8.8%	8.6%	8.3%	7.9%	<b>8.4%</b>
<b>B2C</b>					
Net sales	170.6	153.0	132.0	135.2	<b>590.8</b>
Segment result	5.5	5.9	4.9	8.1	<b>24.6</b>
Segment margin %	3.3%	3.9%	3.7%	6.0%	<b>4.2%</b>
<b>Total</b>					
Net sales	2,283.6	2,502.9	2,257.4	2,262.4	<b>9,306.2</b>
Central cost	-76.2	-84.9	-86.8	-83.3	<b>-331.3</b>
	-3.3%	-3.4%	-3.8%	-3.7%	<b>-3.6%</b>
<b>EBITA</b>	<b>115.8</b>	<b>124.1</b>	<b>94.3</b>	<b>91.9</b>	<b>426.1</b>

New segments reported



## A clear vision for sustainable business



## Dustin has an favorable position to deliver on financial targets

Significant growth in sub-segments targeted by Dustin

Untapped potential within services in the SMB segment

Multiple initiatives for margin expansion

Financial strength to continue the bolt on acquisition journey

New segment reporting will assist understanding the business dynamics











## Cloud based delivery model the new way of providing IT Services – consume IT as a service and “pay as you go”



- The managed services market is expected to grow at a CAGR of 11.1% towards 2022, with the highest growth in SMB. Cloud-based technology is the fastest-growing deployment type
- In 2020 – more than half of the infra capacity in Europe will be going through service providers, and 21% of commercial PCs will be delivered as a service (bundled with other services)

Source: IDC Worldwide Semiannual Public Cloud Services Spending Guide, Deloitte Technology, Media and Telecommunications Predictions, 2017, Forrester Research, Marketsandmarket, Businesswire

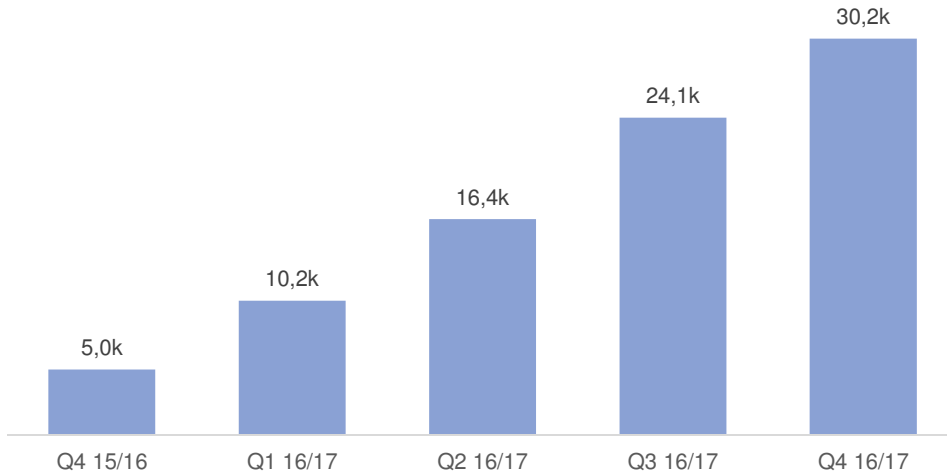
## We have complemented our capabilities to offer managed serviced by acquiring companies targeting the SMB market

	Managed services (standardized)	Managed services (non-standardized)	
Customer group 	Small customers (0-99) with a relatively simple IT environment and without in-house IT department	Mid sized companies (100-500) with relatively complex IT environments but limited in-house IT capabilities in terms of skills and resources	Large enterprises and public customers (>500) with a very complex IT environment and advanced in-house IT capabilities
Offering 	Heavily standardized managed services	One-stop-shop offering with services and solutions based on standardized components, e.g. hosting and networking	Specific solutions with niched competence (e.g. network and security)
Sales 	Relational sales model with field sales representatives supported by technical presales and service delivery managers	Relational sales, supported by highly skilled consultants	RFPs for specific projects
Delivery 	Central delivery to operate as efficient as possible	Project delivery of managed services, tailored towards the customer needs, preferably with a high share of recurring revenue	Projects with clear deliverables and defined end state with limited need for SLAs
Acquisitions 	 <b>IT-HANTVERKARNA</b> PART OF DUSTIN GROUP	 <b>PURITY</b> PART OF DUSTIN  <b>NORRIQ</b> YOUR BUSINESS - SIMPLIFIED  <b>CORE</b> PART OF DUSTIN 	

## Cloud portal securing growth in SaaS and standardized managed services

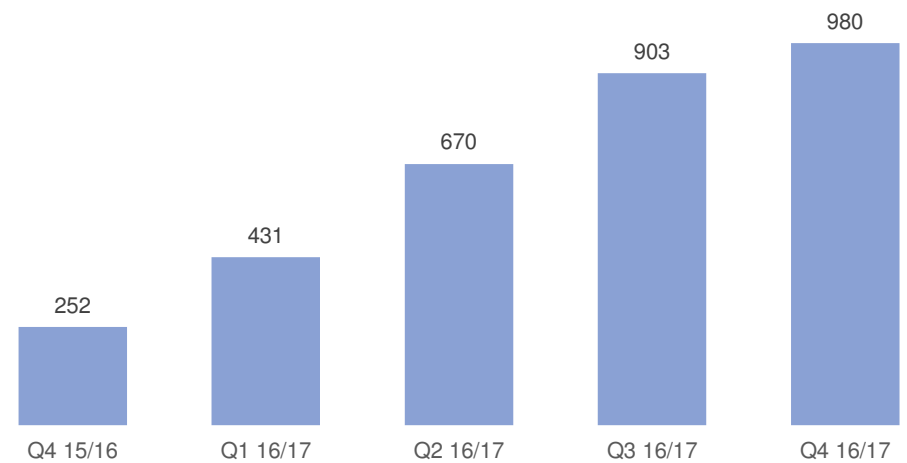
In FY16/17 # of seats has increased with ~500%

# of seats SaaS



In FY16/17 # of customers has increased with ~300%

# of customers SaaS



### Services offering:

- Software as a Service, e.g from Microsoft, Google, Adobe, etc.
- Managed network and security
- Client management, securing the work environment for the individual.

### Market outlook:

- According to Gartner 65% of mid market buyers and 50% of large corporate buyers prefer to purchase SaaS through a marketplace

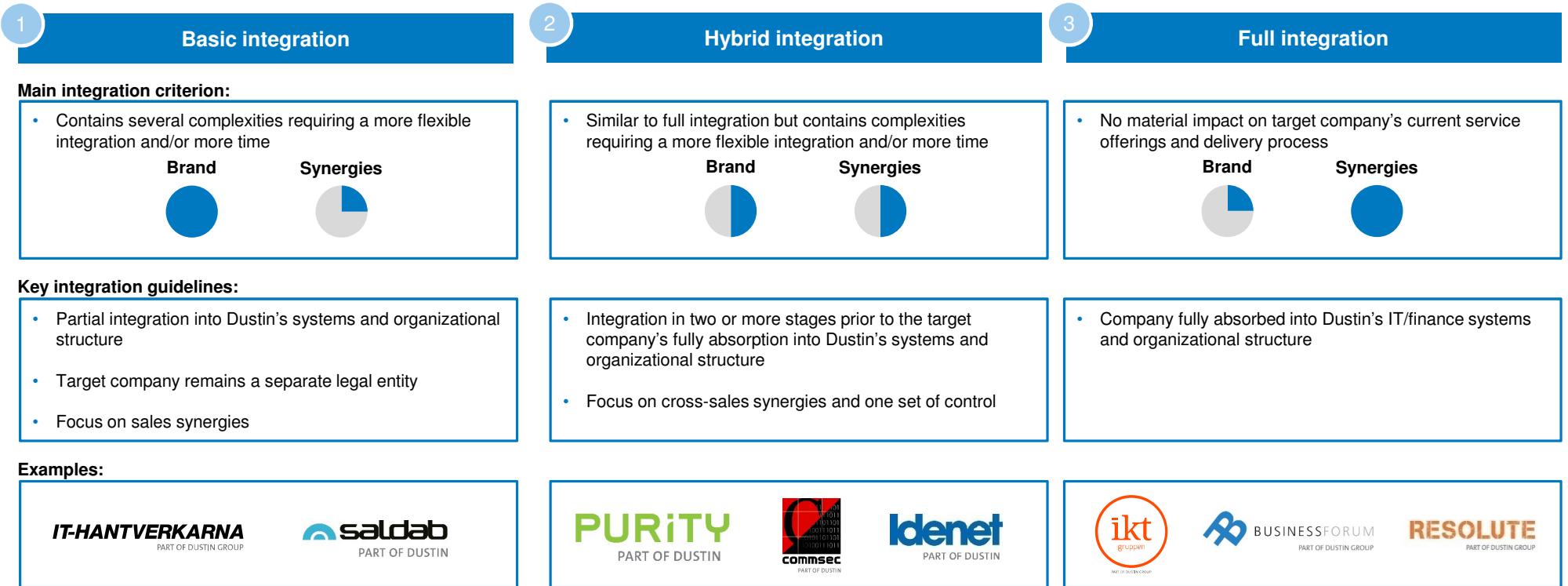
## Dustin has a strong position as a one stop shop for SMB customers

### Product and service portfolio

	<b>Dustin</b>	<b>Idenet</b> <small>PART OF DUSTIN</small>	<b>IT-HANTVERKARNA</b>	<b>COMMSEC</b> <small>SECURITY</small>	<b>PURiTY</b> <small>PART OF DUSTIN</small>	<b>saldab</b> <small>PART OF DUSTIN</small>	<b>NORRIQ</b> <small>YOUR BUSINESS. EMPLOYED.</small>	<b>CORE</b> <small>PART OF DUSTIN</small>	<b>imi</b> <small>SYSTEM</small>
SaaS	✓					✓	✓		
CaaS	✓		✓			✓			
IaaS	✓	✓		✓		✓	✓	✓	
Backup & Disaster recovery as a Service					✓	✓			
Managed Print	✓					✓			
Service Desk/Helpdesk	✓	✓	✓		✓	✓	✓		
Infrastructure Security		✓		✓	✓	✓		✓	
Communication services	✓					✓			
Data center solutions				✓		✓		✓	
Audiovisual solutions									✓
Consulting	✓	✓	✓	✓	✓	✓	✓	✓	

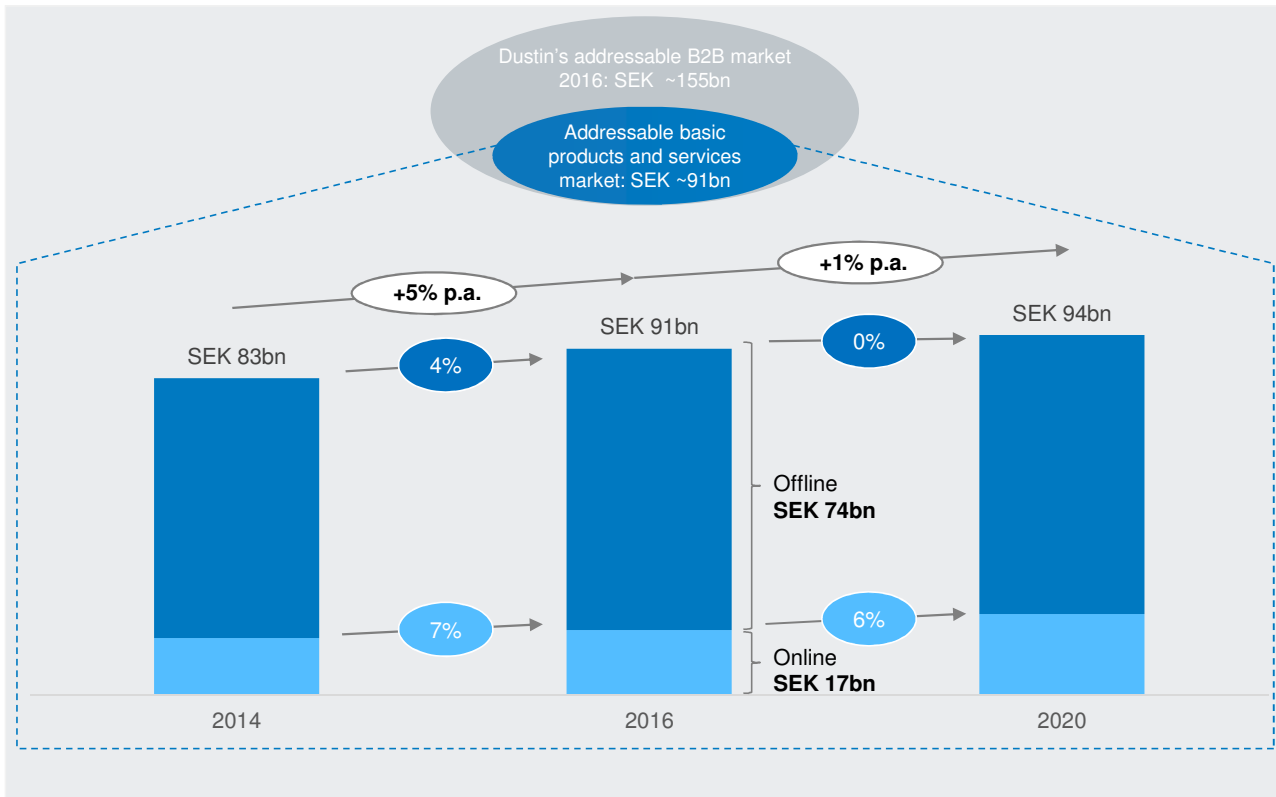
Note: Fully integrated companies are included under the Dustin logo

## Proven approach to integrate acquired businesses



## The shift to Online from Offline continues, having strong underlying drivers

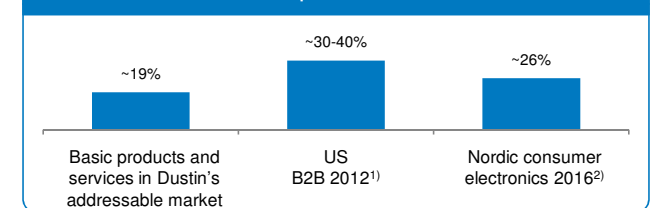
### Market development for basic products and services by channel (advanced another 64bn SEK)



### Channel shift from offline to online

- Online offers an attractive value proposition:**
  - Wider assortment
  - More efficient procurement process
  - 24/7 availability
  - Always on campaign offers in all categories
- Online CAGR of ~6% in 2016-2020, in line with the historical growth in 2014-2016**
- Online penetration in Dustin's addressable market is lower than other comparable markets**
- Management believes that all basic products and services have potential to move online**
  - In addition a substantial part of advanced hardware and software (SEK 64 bn) have potential to move online

### Online penetration rates



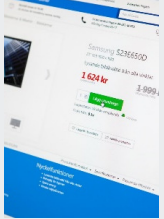
Source: IDC. 1) Online penetration based on sales. Comprising an average of wholesalers and manufacturers in various sectors. Online defined as orders derived from computer network (e.g. EDI), e-mail-orders or orders that stem from a website. E-mail-orders are excluded in the addressable market definition. 2) E-barometer annual report 2016

## Dustin's Online Platform has 3 key cornerstones

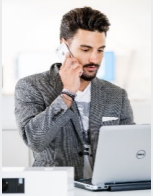
**1 Competitive offering to B2B customers**

- Wide and deep IT B2B offering
- Attractive campaigns, always on, in all categories
- Contact center with high availability and knowledge
- Fast delivery

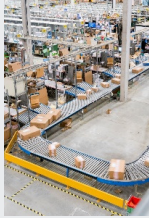
**Attractive Wide IT offering**



**Call or email available contact center**



**Fast Delivery**



**2 Dedicated and cross functional online organization**

- All necessary competences in-house
- Daily cross function synchronization
- Optimization of campaigns, pricing and offering
- Strong Store and Online marketing driving online sales



**3 Strong digital platform**

- Strong user interface with high speed and uptime
- Leading B2B functionality mixed with B2C ecom favorites
- More than 33m visits in 2016/17, of which 15m B2B
- Proprietary core with best of breed components

**1.2 million B2B Visits per month**

**Unpaid traffic > 70% of sales**

**High stickiness**  
90% of sales from returning customers

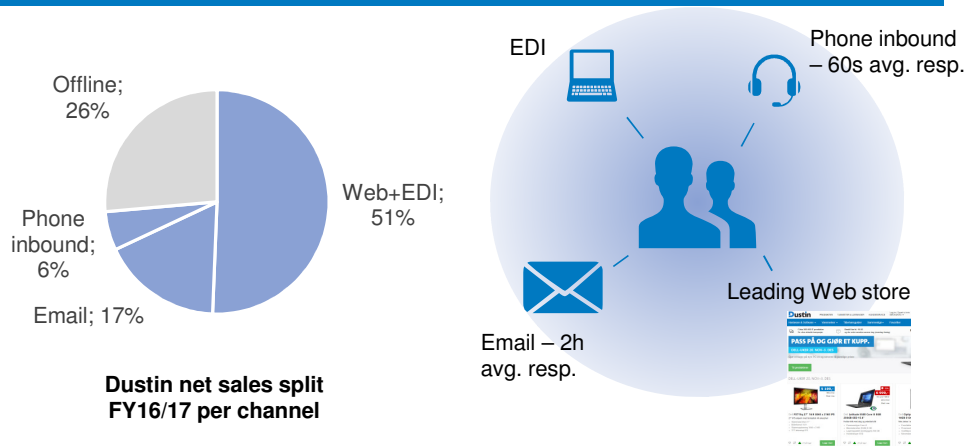
**>2,000 new B2B customers acquired per month**

**Personalized store and marketing experience**

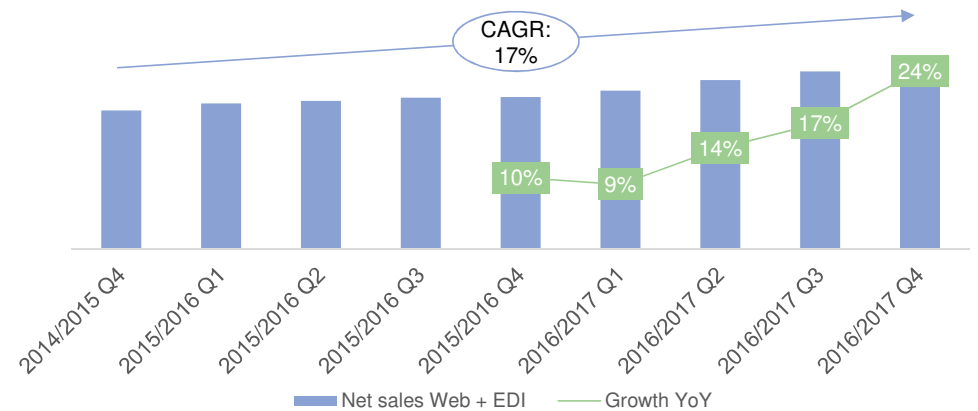
## Dustin's Online platform stands for ~75% of sales and ~90% of orders

Web and EDI B2B sales show strong growth and still room for an increased share going forward

Dustin sales split between channels (excl. non integrated acquisitions)



Strong growth in B2B Web + EDI Sales (excl. non integrated acquisitions)



- Total online platform's share of Dustin # of orders ~90%
- Majority of sales (51%) through Web and EDI and ~75% share of # of orders
- Customers enjoy a leading experience through offering of all attractive transactional interfaces
  - **Web** store – leading web store with swift delivery in 24h\*
  - **Email** – answer in average within 2h
  - **Phone** inbound/call center – answer in average within 60s
  - **EDI** – full integration with larger customer's purchase system

- Strong online platform and continued improvement have driven a healthy growth with a CAGR of 17% in web and EDI sales, well above market average of 7%
- After introducing Dustin's online platform in Finland, B2B web sales grown from close to zero to ~330 MSEK of sales in 16 months, a 23% share of total B2B sales

Note: Phone inbound is estimated based on historical share. \*Depending on customer location

## More than 70% of web sales from unpaid channels proving a strong brand and leading platform

- **Unpaid channels**

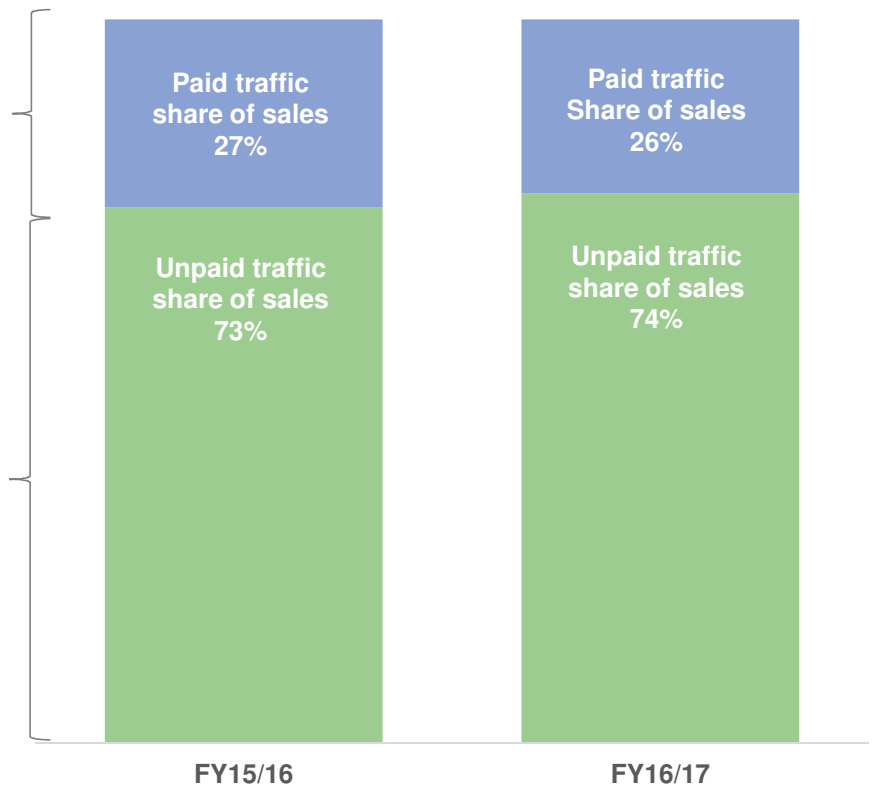
- Growth driven by Email, Direct traffic and organic search, which combined has grown by 20% FY16/17
- Improvements in email and organic have paid off
- Direct traffic remains indisputable #1 channel

- **Paid channels**

- SEM grew 20% in sales with a decreasing CoS despite CPC price increases of 15-20%
- New leading advanced auto bidding and data driven attribution modelling main drivers of SEM improvement
- More than 2,000 new B2B customers attracted per month in FY16/17 through our online channels
  - 54% from paid channels

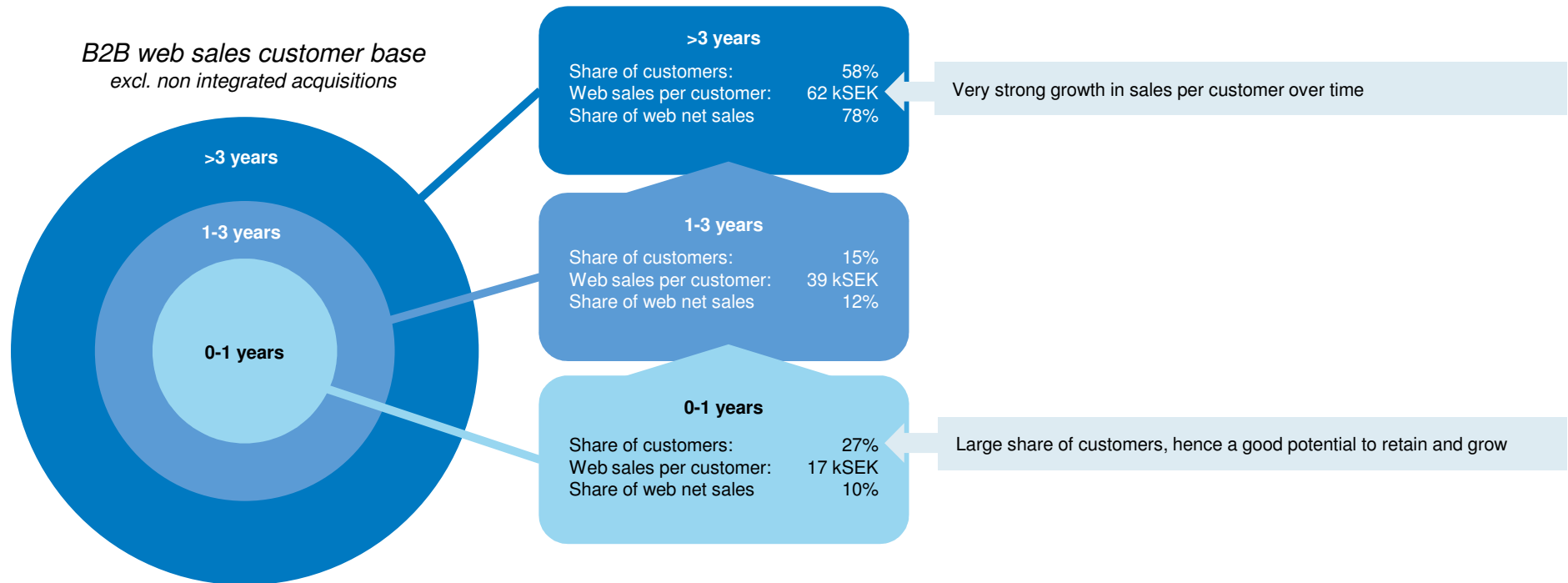
Paid traffic to the web store, e.g. **Paid search**, price comparison and affiliate marketing

Unpaid traffic which is generated by **strong brand and good online platform and competence**



## A very strong B2B web customer loyalty which is driving increased SoW over time

78% of Nordic B2B web sales from customers that been loyal to Dustin >3 years, in Sweden it is 90%

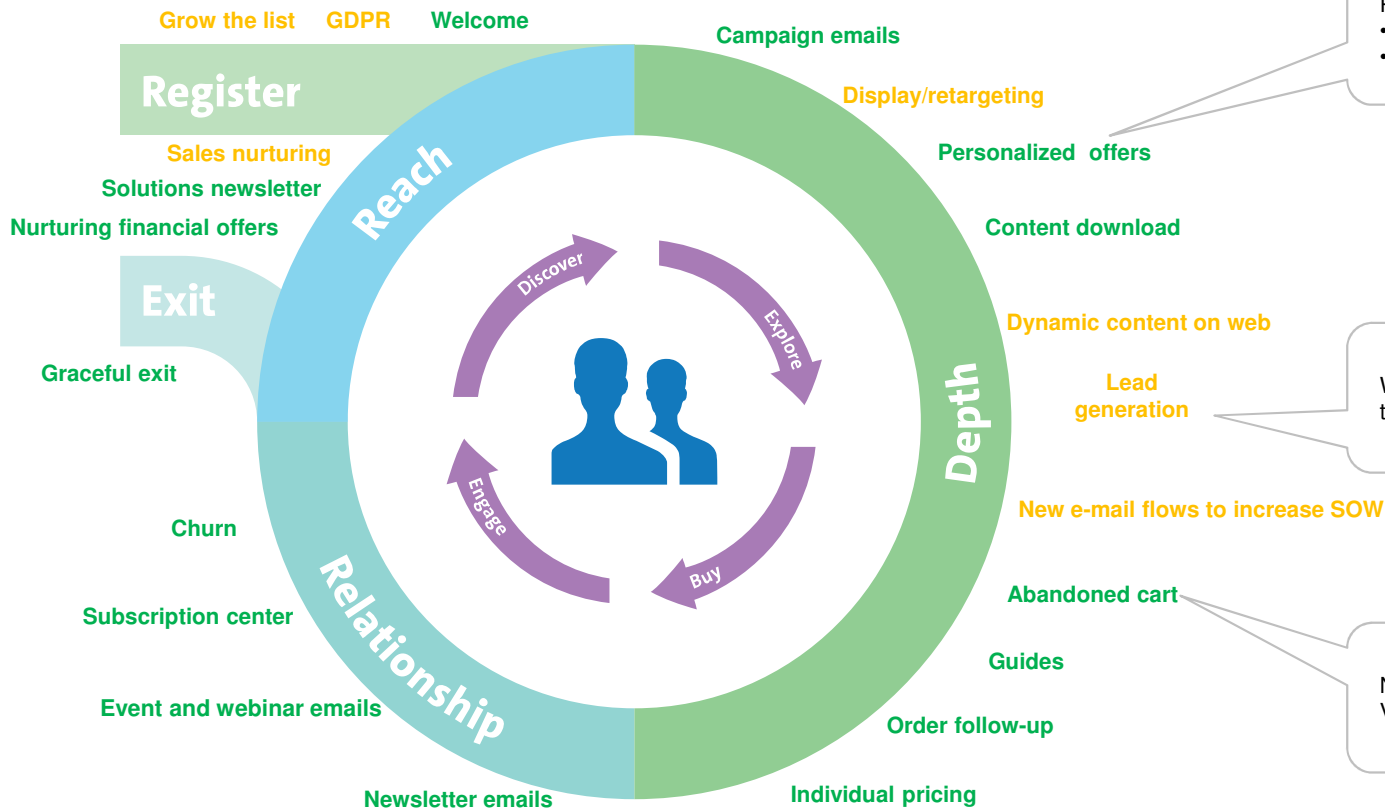


**45% of B2B web customers have been loyal with Dustin for more than 5 years**

Note: Figures are excluding non integrated companies and B2C

# Dustin's leading Marketing Automation has paid off, but most potential still going forward

## Key Focus Areas in Pilot and Operation



Personalized offers performs better

- AOV +12%
- No of transactions +70%.

Lead generation

We currently generate approximately 700 leads/month to our sales organisations cross the Nordics.

Abandoned cart

New personalized solution performs better than old:  
Visits +70% Transactions +44%

**Dustin's Marketing Automation platform;**  
(internal specialists + Eloqua & Apptus applications)

**Dustin's E-commerce vision sets an ambitious leading target state for our customer experience**

**We attract and retain customers through a personalized best in class e-commerce experience and guide them with our expertise to the right IT products and solution for their needs.**

## Dustin works with five main improvement areas connected to the customer journey to reach our vision

Area of improved online customer experience, sales and margin

