

A blurred background image of an office interior, showing desks, computer monitors, and office chairs in a modern setting.

# Presentation – Q2 2014/15

April, 2015

**Dustin**

# Today's presenters

GEORGI GANEV  
CEO



JOHAN KARLSSON  
CFO

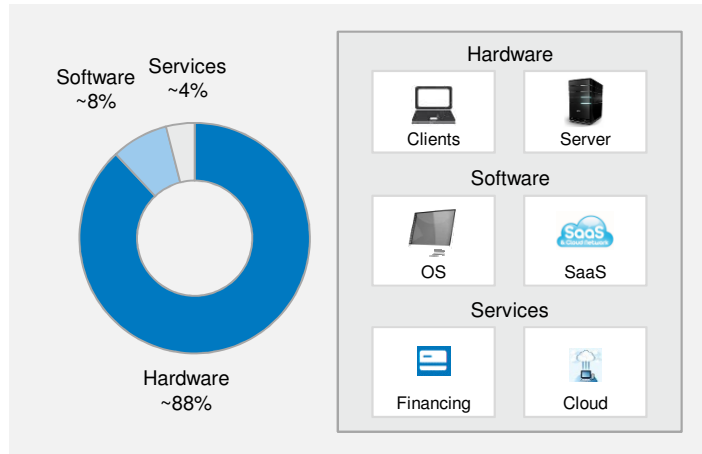


NIKLAS ALM  
IR

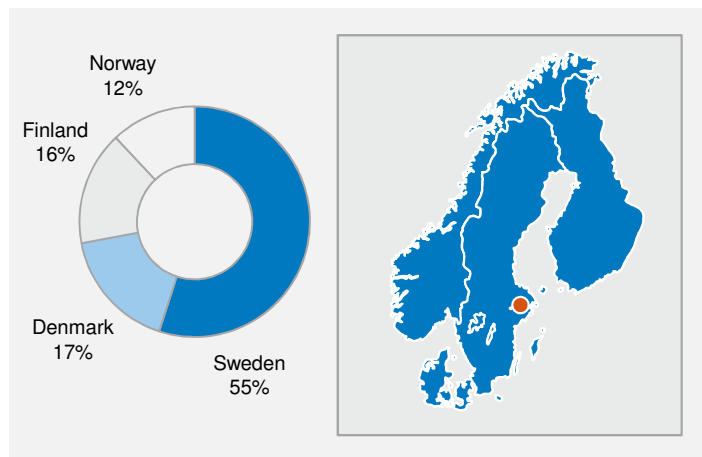


# Dustin at a glance

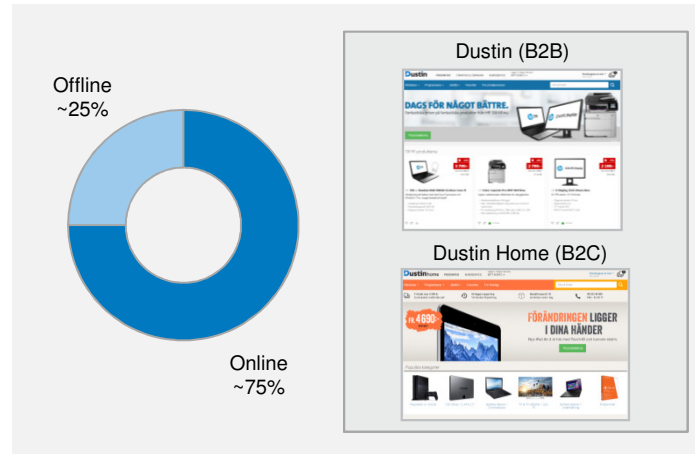
200,000 hardware and software products...



...across the Nordics...



...sold online...



...to B2B customers

% net sales	Customers	Offering	Avg. order
90%	SMB	Full assortment	SEK 6,000
	Public/Large	Replishment IT	SEK 7,000
10%	B2C	IT products	SEK 2,000

1.4 million orders

Net sales 2013/14

**SEK  
7.4 billion**

Adj. EBITA and margin 2013/14

**SEK  
353 million**

**Margin  
4.8%**

# Q2 2014/15 in brief

## Net sales growth during Q2 2014/15

### Dustin Group

- Continued growth and strengthen position
- Slow down of Nordic PC market

### B2B

- Continued strong development within Large Corporations and Public
- SMB growth slightly weaker than Q1
- Online platform delivers high growth within B2B

### B2C

- Intensified online focus from traditional retailers leads to fierce price competition
- Dustin focuses on margin

## Adjusted EBITA margin during Q2 2014/15

### Dustin Group

- Adjusted EBITA margin declined to 4.9% (5.3%), in line with full year 2013/14
- Negatively impacted by sales mix and optimization of ERP-platform

## Operational highlights during Q2 2014/15

### Dustin Group

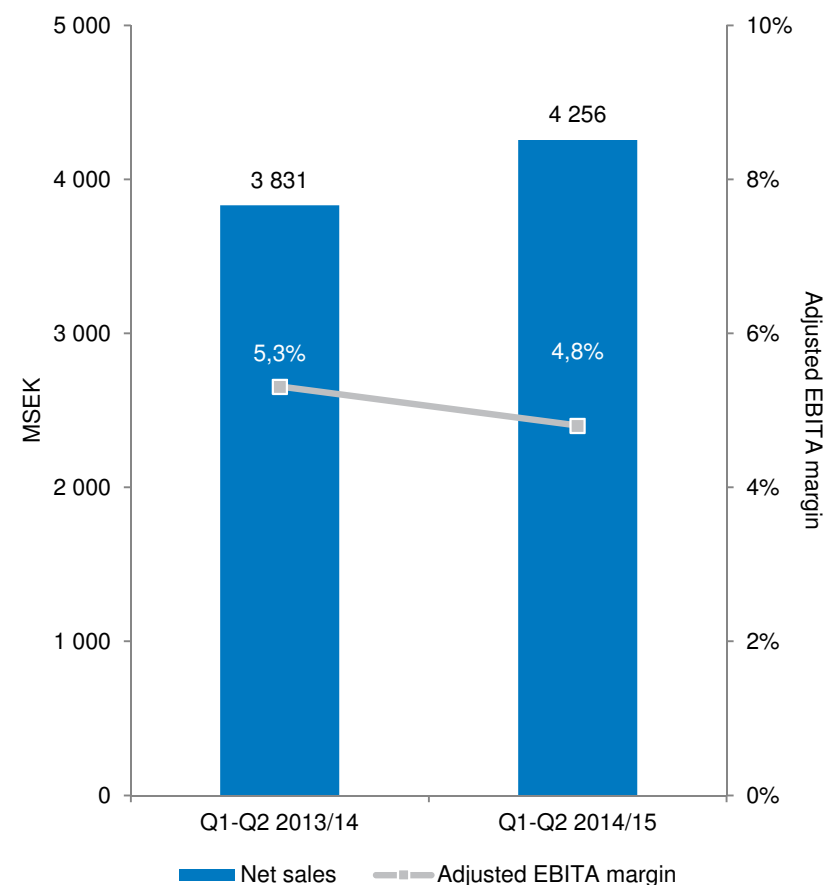
- Continued investments in online platform
- Working capital back on track
- Net leverage 2.4x (3.2x at year end 2013/14)

# Q2 2014/15 financial highlights

## *Continued growth and strong cash flow*

- Net sales of 2,188 (2,007) MSEK
  - Growth by 9%, primarily impacted by strong net sales growth to the public sector offset by weak sales within B2C
  - 7% organic growth in constant currency
- Gross profit of 294 (268) MSEK
  - Gross margin decreased to 13.8% (14.6%) and 14.1% LTM
- Adjusted EBITA of 108 (106) MSEK
  - Adjusted EBITA margin decreased to 4.9% (5.3%) and 4.8% LTM
- Items affecting comparability of 38 (5) MSEK
- Earnings per share amounted to 0.37 (0.68) SEK
- Operating cash flow of 212 (103) MSEK mainly due to net working capital release
- Net debt of 872 MSEK
  - Net debt/adjusted LTM EBITDA of 2.4x, down from 3.2x at year end 2013/14

## *Net sales and adjusted EBITA margin*



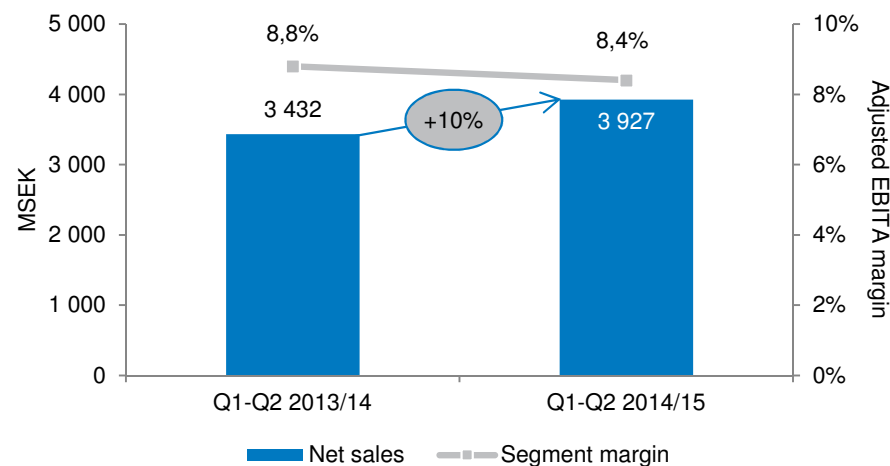
# Financial development – B2B

## *Continued strong growth*

- Total growth in B2B of 13% y/y
  - Organic growth in constant currency of 11%
- Strong development within Large Corporations and Public
  - High net sales growth
  - Leverage achieved on existing contracts
- SMB growth slightly weaker than in Q1, partly due to lower sales with service content
- Management estimates that Dustin strengthens its position in the Nordic B2B IT market

MSEK	Q2 2014/15	Q2 2013/14	Organic growth. const. currency	Q2 y/y growth
<b>Net sales</b>	2,012	1,748	+11%	+13%
Adj. EBITA	170	155	-	+9%
- Adj. EBITA margin	8.5%	8.7%	-	-

## *Net sales and adjusted EBITA margin*



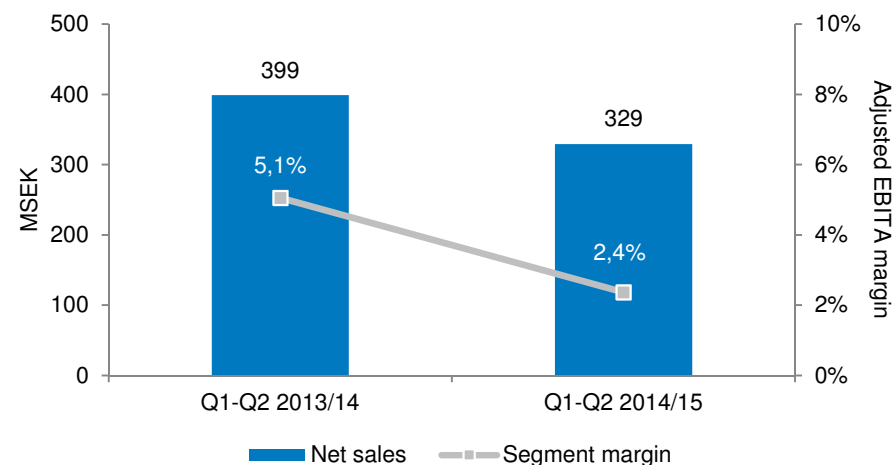
# Financial development – B2C

## *Fierce price competition – focus on margin*

- Net sales in the B2C segment decreased with 21% y/y
  - Organic development in constant currency of -22%
- Increased price competition online from incumbent offline retail chains
- Dustin continues to focus on margin
  - Adjusted EBITA margin increased to 3.7% from 0.9% in Q1
- B2C complement segment representing 8% of total sales
  - Valuable to understand market trends and access to consumer assortment

MSEK	Q2 2014/15	Q2 2013/14	Organic dev., const. currency	Q2 y/y growth
<b>Net sales</b>	176	223	-22	-21%
Adj. EBITA	7	12	-	-42%
- Adj. EBITA margin	3.7%	5.6%	-	-

## *Net sales and adjusted EBITA margin*



# Summary of financial results for the quarter

MSEK	Q2 2014/15	Q2 2013/14	LTM	FY 2013/14
Net sales	2,188	2,007	7,796	7,371
Organic net sales growth	7%	15%	-	21%
Items affecting comparability	-37.8	-5.4	5.0	1.1
Adjusted EBITDA	111	109	366	362
Adjusted EBITA	108	106	354	353
- Adjusted EBITA margin	4.9%	5.3%	4.5%	4.8%
Central costs as % of Net sales	-3.2%	-3.0%	-3.2%	-3.2%
Net debt	872	1,254	872	1,166
Net debt / Adjusted EBITDA	-	-	2.4x	3.2x
Net working capital	50	35	50	7
Return on equity	-	-	13.7%	22.0%
Earnings per share (SEK)	0.37	0.68	2.58	2.48
Equity per share (SEK)	16.56	19.36	16.56	22.99
Cash flow from operating activities per share (SEK)	2.02	0.87	2.42	3.87



# Net working capital

## *Net working capital back on track*

- Increase in trade receivables due to increased share of sales to large corporates and public organisations
- Inventories further built up to anticipate price increases and due to weaker market
- Increase in trade payables coming from more competitive terms with suppliers
- Net working capital decreased with 106 MSEK during the quarter to 50 (35) MSEK

MSEK	Q2 2014/15	Q2 2013/14	Q2 y/y growth
Inventories	341	213	60%
Trade receivables	849	725	17%
Current tax assets, prepaid expenses and accrued income and other receivables	186	134	39%
<b>Current non-interest bearing assets</b>	<b>1,376</b>	<b>1,072</b>	<b>28%</b>
Trade payables	1,070	859	21%
Current tax liabilities, accrued expenses and deferred income as well as other liabilities	256	178	44%
<b>Current non-interest bearing liabilities</b>	<b>1,326</b>	<b>1,037</b>	<b>28%</b>
<b>Net working capital</b>	<b>50</b>	<b>35</b>	<b>43%</b>
<i>Net working capital as % of net sales, LTM</i>	<i>0.6%</i>	<i>0.5%</i>	<i>-</i>

# Investments

## *Continued low levels of maintenance capex and project related capex according to plan*

- Maintenance capex amounted to 0.2% (0.05%) of net sales
- 1 MSEK in project related capex in Q2
  - Investments in final steps of the ERP implementation in H2
- Positive net investments in Dustin Financial Services (“DFS”)
  - D/A ratio stable at 72%

MSEK	Q2 2014/15	Q2 2013/14
<b>Capex</b>	<b>6</b>	<b>12</b>
Maintenance capex	5	1
- as % of net sales	0.2%	0.05%
Project related capex	1	11
- as % of net sales	0.05%	0.5%
Earn-out	-63	-
Lease portfolio. DFS	9	14

# Current trading

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## *Dustin expects to continue to capitalise on strong market position and scalable platform over time*

- Market slow down
  - Vendors' price increases have impacted the general market demand
  - Last year's Windows XP to Windows 8 migration
  - IDC preliminary Nordic B2B PC market report for Q1 shows volume decline
- Dustin's online position and SMB focus enables further growth within B2B
- Continued price competition within B2C
- Finalising optimisation of Nordic ERP system enables further roll-out during H2



# Appendix

# Q2 Income statement

MSEK	Q2 2014/15	Q2 2013/14	LTM	FY 2013/14
<b>IT products and services</b>				
Net sales	2,188	2,007	7,796	7,371
Cost of sales	-1,887	-1,715	-6,703	-6,313
<b>Gross profit</b>	<b>302</b>	<b>292</b>	<b>1,093</b>	<b>1,058</b>
Selling and admin expenses	-208	-202	-803	-775
Items affecting comparability	-38	-5	5	1
Other operating income and expenses, net	-1	1	3	10
<b>Operating income, IT products and services</b>	<b>54</b>	<b>86</b>	<b>298</b>	<b>295</b>
<b>Dustin Financial Services</b>				
Interest income, Dustin Financial Services	5	4	19	18
Interest expense, Dustin Financial Services	-1	-1	-4	-4
<b>Interest surplus, Dustin Financial Services</b>	<b>4</b>	<b>3</b>	<b>15</b>	<b>14</b>
Selling and admin expenses, Dustin Financial Services	-3	-2	-8	-8
<b>Operating income, Dustin Financial Services</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>6</b>
<b>Operating income Dustin Group</b>	<b>56</b>	<b>88</b>	<b>305</b>	<b>301</b>
Finance costs and other financial items, net	-23	-30	-109	-116
<b>Income before income taxes</b>	<b>33</b>	<b>57</b>	<b>196</b>	<b>185</b>
Income taxes	-8	-13	-24	-21
<b>NET INCOME<sup>1</sup></b>	<b>25</b>	<b>45</b>	<b>172</b>	<b>164</b>
<b>Other comprehensive income</b> <i>(all items will be reclassified subsequently to profit or loss)</i>				
Foreign currency translation differences	8	-2	-	31
Forward contracts – cash flow hedging	1	7	-	-12
Income taxes not reported in net income	0	-1	-	3
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>34</b>	<b>48</b>	<b>-</b>	<b>185</b>

1) Regards of transactions all attributable to the shareholders of the parent company

# Q2 Cash flow

MSEK	Q2 2014/15	Q2 2013/14	FY 2013/14
<b>Operating activities</b>			
Cash flow from operating activities before change in working capital	31	63	151
Change in working capital	106	-5	105
<b>Cash flow from operating activities</b>	<b>136</b>	<b>58</b>	<b>256</b>
<b>Investment activities</b>			
Acquisitions of tangible and intangible assets, net	-5	-12	-32
Cash flow from acquisitions of subsidiaries	-63	-	-99
Cash flow from lease portfolio, Dustin Financial Services	-9	-14	83
<b>Cash flow from investing activities</b>	<b>-77</b>	<b>-26</b>	<b>214</b>
<b>Financing activities</b>			
Cash flow from financing activities	128	-22	34
Cash flow from lease portfolio activities	9	17	52
<b>Cash flow from financing activities</b>	<b>136</b>	<b>-5</b>	<b>86</b>
<b>Cash flow for the period</b>	<b>195</b>	<b>27</b>	<b>127</b>
Cash and cash equivalent, opening balance	31	68	2
Cash flow for the period	195	27	134
Exchange rate differences	0	-1	4
<b>Cash and cash equivalent, closing balance</b>	<b>227</b>	<b>94</b>	<b>134</b>
<b>Operating cash flow, MSEK</b>	<b>Q2 2014/15</b>	<b>Q2 2013/14</b>	<b>FY 2013/14</b>
Adjusted EBITDA	111	109	362
Increase(-)/Decrease(+) in net working capital	106	-5	105
Maintenance capital expenditures	-5	-1	-8
<b>Operating cash flow</b>	<b>212</b>	<b>103</b>	<b>459</b>
<i>Cash conversion</i>	<i>191</i>	<i>94</i>	<i>127</i>

# Q2 Balance sheet items

MSEK	Q2 2014/15	Q2 2013/14	FY 2013/14
<b>ASSETS</b>			
<b>Long term assets</b>			
Goodwill and other surplus values	2,099	2,006	2,121
Other intangible assets	91	140	98
Property, plant and equipment	21	19	18
Deferred tax assets and other non-current assets	18	12	22
Finance lease receivables (interest-bearing)	175	162	165
<b>Total long term assets</b>	<b>2,404</b>	<b>2,341</b>	<b>2,424</b>
<b>Current assets</b>			
Inventories	342	213	218
Trade receivables, current tax assets and other receivables	1,035	859	808
Finance lease receivables (interest-bearing)	55	4	52
Cash and cash equivalents	227	94	133
<b>Total current assets</b>	<b>1,658</b>	<b>1,170</b>	<b>1,212</b>
<b>TOTAL ASSETS</b>	<b>4,063</b>	<b>3,511</b>	<b>3,636</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the parent	1,259	619	743
<b>Total equity</b>	<b>1,259</b>	<b>619</b>	<b>743</b>
Long-term borrowing	1,156	1,142	1,243
Subordinated shareholder loans	-	196	142
Deferred tax liabilities and other long-term provisions	136	145	203
<b>Total long-term liabilities</b>	<b>1,292</b>	<b>1,482</b>	<b>1,588</b>
Short-term borrowing	174	151	185
Acquisition related liabilities	-	224	89
Trade payables, current tax liabilities, short-term provision and other current liabilities	1,338	1,037	1,030
<b>Total current liabilities</b>	<b>1,512</b>	<b>1,410</b>	<b>1,305</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,063</b>	<b>3,511</b>	<b>3,636</b>

# Quarterly information

## Quarterly sales and segment results

SEK million	2011/12				2012/13				2013/14				2014/15	
	Q1/12	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
Net sales	1,205	1,256	1,092	953	1,186	1,433	1,413	1,406	1,824	2,007	1,902	1,637	2,068	2,188
Share of net sales for the year (%)	26.7%	27.9%	24.2%	21.2%	21.8%	26.3%	26.0%	25.8%	24.7%	27.2%	25.8%	22.2%	n.a.	n.a.
y/y growth	n.a.	n.a.	n.a.	n.a.	-2%	14%	29%	47%	54%	40%	35%	16%	13%	9%
Adjusted EBITA	68	68	46	48	63	63	69	59	97	106	80	70	97	108
Adjusted EBITA margin(%)	5.6%	5.4%	4.2%	5.0%	5.3%	4.4%	4.9%	4.2%	5.3%	5.3%	4.2%	4.3%	4.7%	4.9%
Share of adjusted EBITA for the year (%)	27.9%	26.6%	20.7%	24.8%	28.1%	23.3%	26.1%	22.5%	27.8%	27.7%	21.9%	22.5%	n.a.	n.a.
<b>B2B segment</b>														
Net sales	1 021	1 073	949	790	1,025	1,240	1,270	1,251	1,648	1,784	1,728	1,457	1,915	2,012
Share of net sales for the year (%)	27%	28%	25%	21%	21%	26%	27%	26%	25%	27%	26%	22%	n.a.	n.a.
y/y growth	n.a.	n.a.	n.a.	n.a.	0%	16%	34%	58%	61%	44%	36%	16%	16%	13%
Segment results	107	116	99	95	107	109	113	95	147	155	136	116	160	170
Segment margin (%)	10.4%	10.8%	10.4%	12.1%	10.4%	8.8%	8.9%	7.6%	8.9%	8.7%	7.8%	8.0%	8.3%	8.5%
<b>B2C segment</b>														
Net sales	183	184	143	164	162	192	143	154	176	223	174	180	153	176
Share of net sales for the year (%)	27%	27%	21%	24%	25%	30%	22%	24%	23%	30%	23%	24%	n.a.	n.a.
y/y growth	n.a.	n.a.	n.a.	n.a.	-12%	5%	0%	-6%	9%	16%	21%	17%	-13%	-21%
Segment results	2.0	1.2	2.9	2.8	9.1	8.7	6.3	8.9	7.7	12.5	9.6	8.4	1.4	6.5
Segment margin (%)	1.1%	0.7%	2.0%	1.7%	5.6%	4.5%	4.4%	5.8%	4.4%	5.6%	5.5%	4.7%	0.9%	3.7%
<b>Central functions</b>														
Central functions	41	50	56	50	54	55	50	45	57	61	66	54	64	69
Share of full year (%)	21%	25%	28%	26%	26%	27%	25%	22%	24%	26%	28%	23%	n.a.	n.a.
As % of net sales	3.4%	4.0%	5.1%	5.3%	4.5%	3.8%	3.6%	3.2%	3.1%	3.0%	3.4%	3.3%	3.1%	3.2%
<b>Items affecting comparability</b>														
Items affecting comparability	-5	-1	0	-2	-2	0	0	-1	-47	-5	100	-46	-11	-38



# Growth and margin expansion all about continuation of successful strategy



**Dustin**

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**STRATEGY**

Customer acquisition

Increase sales and profitability with existing customers

Harmonised offering across geographies

Realise efficiency improvements and scalability

Selective M&A to support growth and broaden customer offering

# Financial targets

## Financial targets

## Historical performance

<b>Net sales growth</b>	<p>Dustin's target is to achieve average annual organic net sales growth amounting to 8 percent over an economic cycle</p> <p>In addition. Dustin targets to grow through selected acquisitions</p>	<p><b>8% organic growth</b></p> <p>Average per year over a cycle</p>	<p>Period: 2010-2014</p> <p>Average: 9% organic growth per year</p>
<b>Profitability</b>	<p>Dustin's target is to increase adj. EBITA margin over time and in the medium term achieve 5-6 percent adj. EBITA margin</p>	<p><b>5-6%</b></p> <p>Adj. EBITA margin</p>	<p>Period: 2010-2014</p> <p>Average: 4.8%</p>
<b>Capital structure</b>	<p>Dustin's capital structure shall provide a high degree of financial flexibility and allow for acquisitions</p> <p>Dustin targets to have financial debt. over time. amounting to 2-3x adj. EBITDA for the last twelve months</p>	<p><b>2.0-3.0x</b></p> <p>Net debt to adj. EBITDA</p>	<p>Period: Q2 2014/15</p> <p>Actual: 2.4x LTM adj. EBITDA</p>
<b>Dividend policy</b>	<p>Dustin's target is to pay a dividend corresponding to more than 70 percent of net profit</p> <p>The dividend shall take into account acquisitions. the Company's financial position. cash flow and future growth opportunities</p>	<p><b>&gt;70%</b></p> <p>Pay-out ratio</p>	<p>Period: Not applicable</p> <p>Actual: Not applicable</p>