



# Q2 2019/20

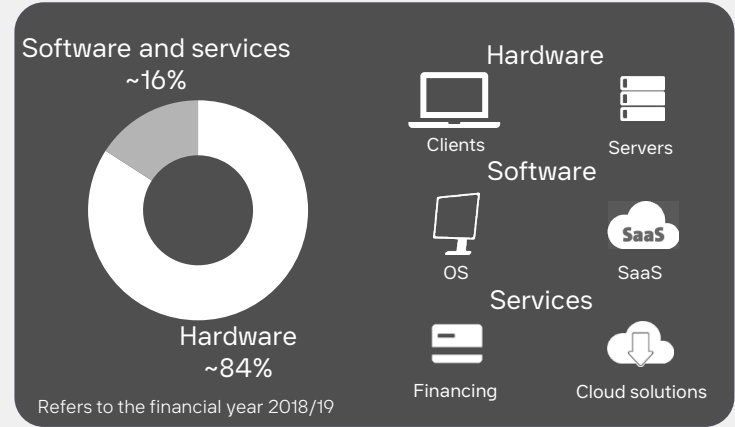
April, 2020

[dustingroup.com](https://dustingroup.com)

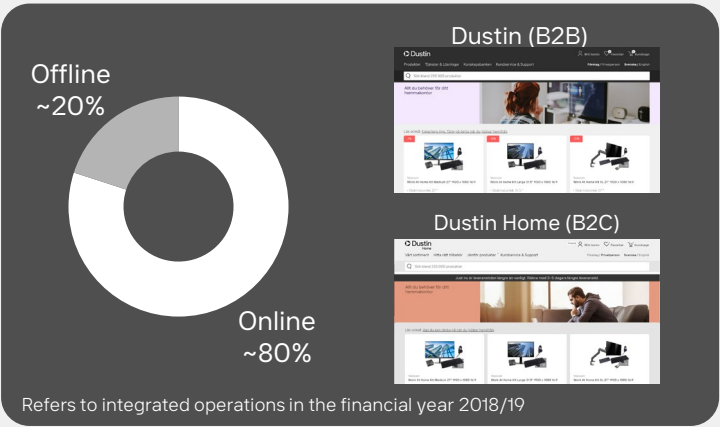
# Q2

# Dustin at a glance

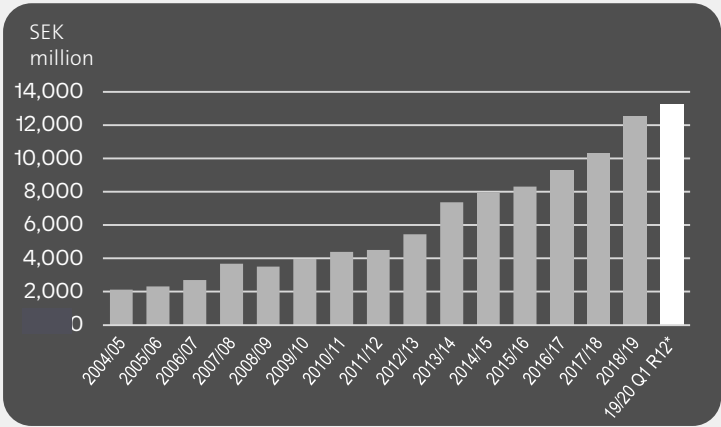
255,000 hardware and software products...



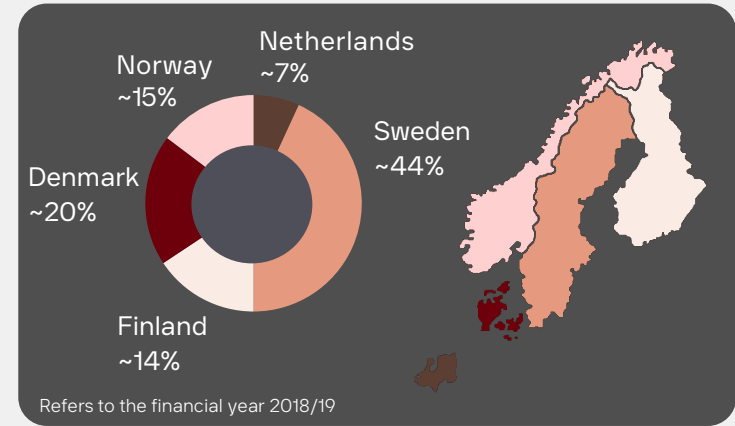
...sold online...



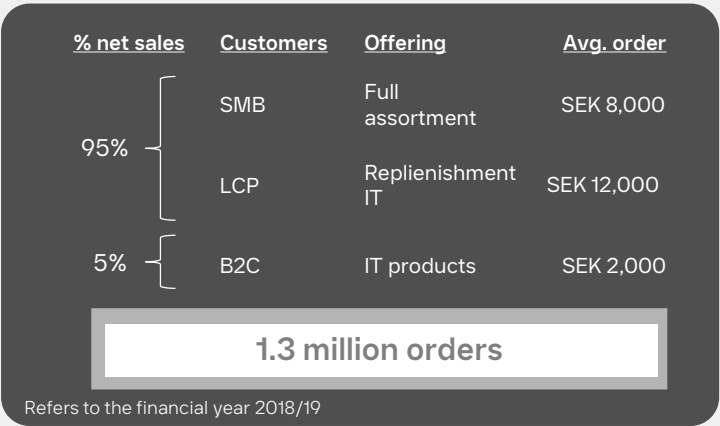
Net sales



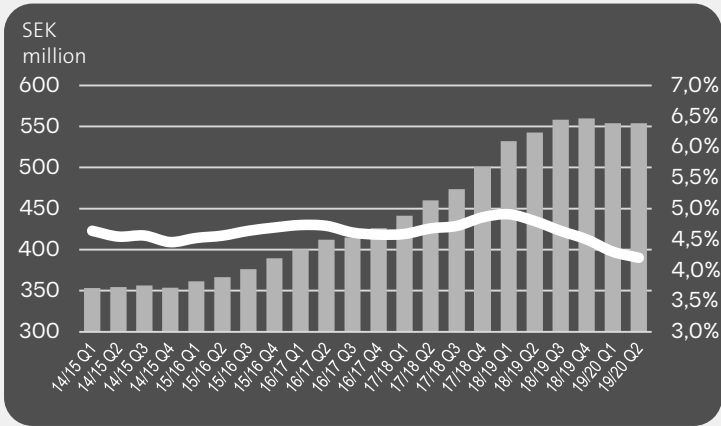
...across the Nordics and the Netherlands...



...to B2B customers



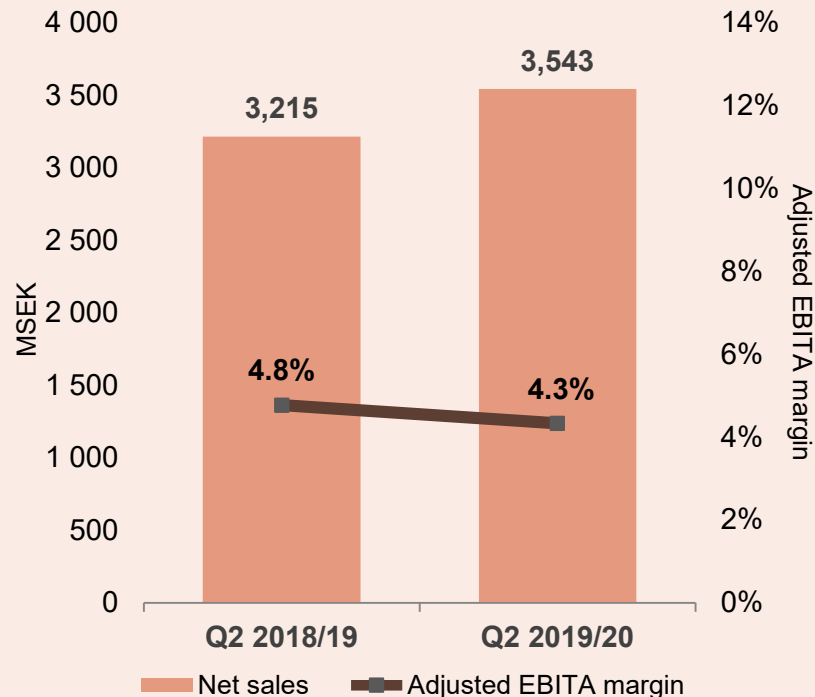
Adjusted EBITA and margin, R12\*



\*R12 refers to 12 month rolling

# Continued solid development despite increased market uncertainty

## Net sales and adjusted EBITA margin



## Financial Highlights

Net sales grew by 10.2% to 3,543 (3,215) MSEK

- Organic growth of 4.0% in constant currency, of which SMB 2.8%, LCP 4.1% and B2C 12.5%

Gross profit increased to 557 (524) MSEK

- Gross margin of 15.7% (16.3%)

Adjusted EBITA was 154 (154) MSEK

- Adjusted EBITA margin of 4.3% (4.8%)
- Margin negatively affected by mix effects and earlier investments in services organization

Items affecting comparability of 3.0 (23.2) MSEK

- Integration costs of 5.1 MSEK (-)
- Change in value of acquisition-related liabilities of 7.6 (30.6) MSEK

EBIT was 133 (160) MSEK

Earnings per share of 1.04 (1.41) SEK

Cash flow from operating activities of 155 (144) MSEK

Net debt (incl IFRS 16) of 2,3232 (1,230) MSEK

- Net debt/adj. EBITDA (excl IFRS 16) of 3.1x (2.9x) in the past 12-month period
- Net debt/adj. EBITDA (incl IFRS 16) of 3.5x in the past 12-month period

## Operational Highlights

Investments for increased profitability

- Integration of Core Services and Purity IT
- Ongoing consolidation of Nordic data centre structure (from 14 down to 4)
- Warehouse automation project according to plan

# Financial Development – SMB

## Positive sales development in a cautious market

### Net sales growth in SMB of 12.2% y/y

- Organic growth of 2.8% in constant currency

### Segment result was 140 (147) MSEK

- Segment margin of 9.3% (10.9%)

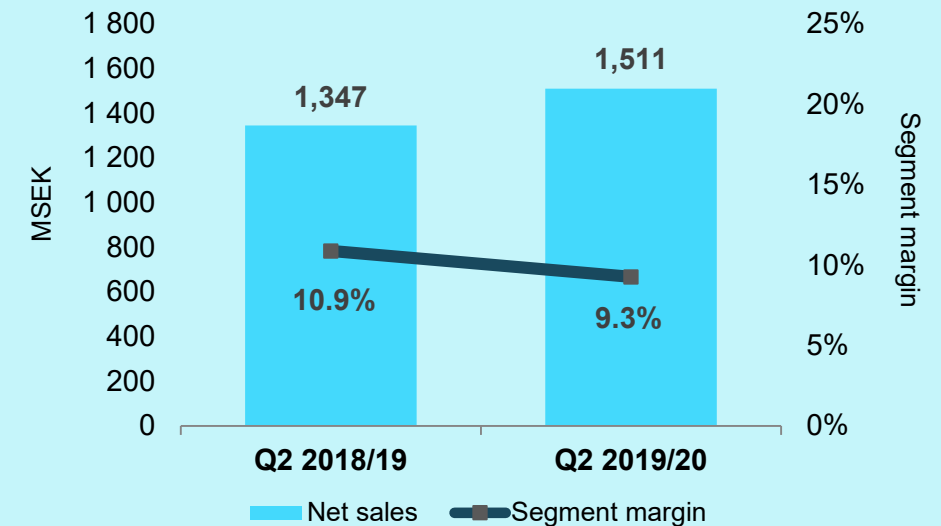
### Slow underlying market growth

- Reported net sales growth largely attributable to earlier completed acquisitions
- Organic growth affected by a cautious market climate

### Margin decline due to earlier investments and mix changes

- Changes within hardware sales mix, with a higher share of clients with lower margin
- Lower share of high margin project-related revenue, such as meeting room installations
- Earlier investments in the sales and delivery organization for services and solutions had a negative impact on the margin
- Share of software and services sales grew to 23% (21%) for the segment

## Net sales and segment margin



MSEK	Q2 2019/20	Q2 2018/19	Organic growth	Q2 y/y growth
Net sales	1,511	1,347	2.8%	12.2%
Segment result	140	147	–	-4.5%
Segment margin	9.3%	10.9%	–	–

# Financial Development – LCP

## Continued solid growth in the LCP segment

### Net sales growth in LCP of 8.4% y/y

- Organic growth of 4.1% in constant currency

### Segment result increased to 118 (101) MSEK

- Segment margin increased to 6.3% (5.9%)

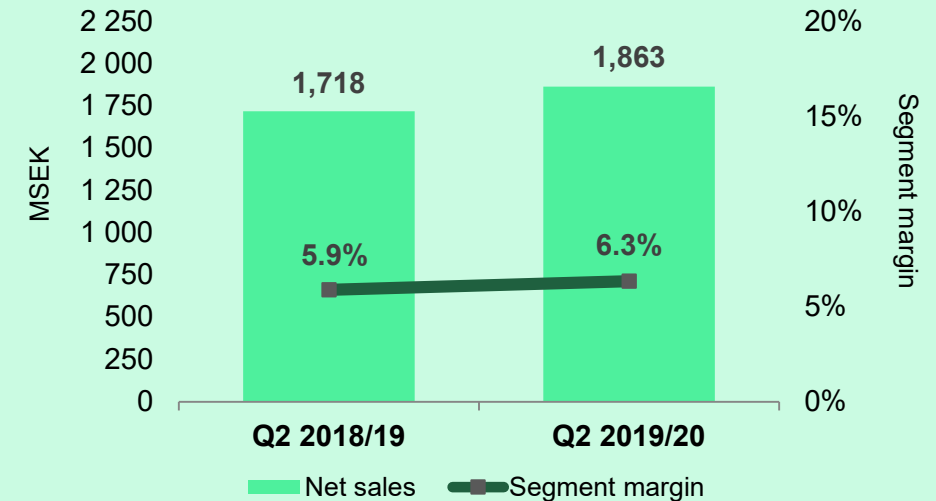
### Large corporates drive growth

- Solid organic growth largely attributable to strong large corporate sales in Denmark, Norway and Finland
- Continued cautious market climate in the Nordic region

### Maturing portfolio and sales mix lift margins

- Improved margin within larger public sector framework agreements, as contract portfolio matures
- Higher share of sales to larger corporates, with generally higher margin
- A generally more favourable product mix

## Net sales and segment margin



MSEK	Q2 2019/20	Q2 2018/19	Organic growth	Q2 y/y growth
Net sales	1,863	1,718	4.1%	8.4%
Segment result	118	101	–	17.0%
Segment margin	6.3%	5.9%	–	–

# Financial Development – B2C

## Solid growth in the quarter

### Net sales growth in B2C of 12.8% y/y

- Organic growth of 12.5% in constant currency

### Segment result was 9.2 (9.4) MSEK

- Segment margin at 5.4% (6.3%)

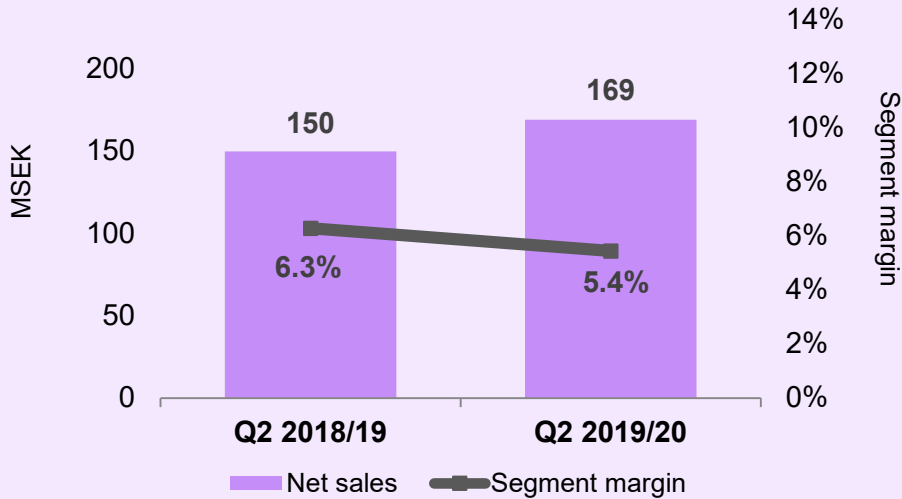
### Complement segment representing around 5% of total sales

- Solid sales growth, continued focus on margin over volume
- Growth mainly explained by Black Friday calendar effects

### Black Friday volumes explain slight margin decline

- Black Friday volumes explain the slightly lower margin
- Pricing discipline and flexible cost base
- Valuable segment to understand market trends and to get access to consumer assortment

## Net sales and segment margin



MSEK	Q2 2019/20	Q2 2018/19	Organic growth	Q2 y/y growth
Net sales	169	150	12.5%	12.8%
Segment result	9.2	9.4	-	-2.1%
Segment margin	5.4%	6.3%	-	-

# Net Working Capital and leverage

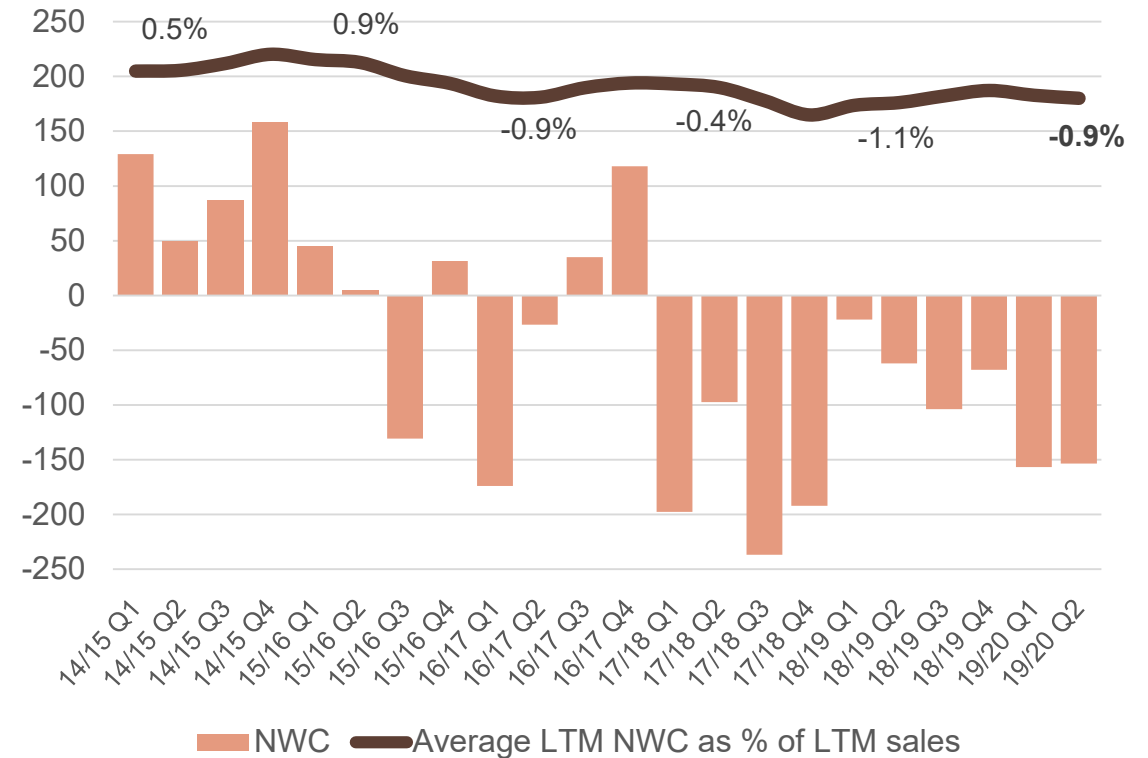
## Continued low net working capital

- Net working capital was -154 MSEK (-62)
- Inventory decreased slightly, due to improved inventory planning and extended production time of private label products in China
- Accounts receivable slightly higher than last year, primarily as a result of increased business volumes
- Accounts payable higher due to increased business volumes and temporarily extended favorable credit terms from distributors

## Leverage in the upper end of target range

- Net debt in relation to adjusted EBITDA in the past 12-month period (excluding effects from IFRS 16), was 3.1x (2.9x at the end of 2018/19)
- Including effects from IFRS 16, the leverage was 3.5x
- The lease liability amounted to SEK 489 million at the end of the quarter, of which SEK 482 million is attributable to IFRS 16.

## Net Working Capital



# Cash flow and investments

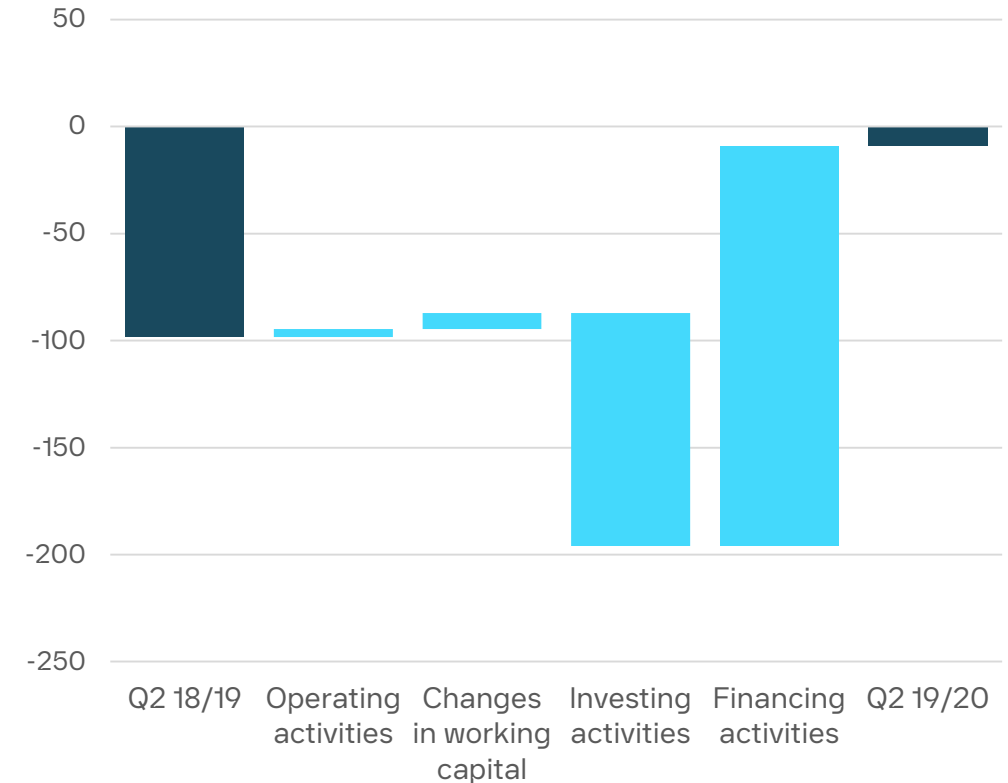
## Stable underlying cash flow generation

- Cash flow for the quarter was -9 (-98) MSEK
- Cash flow from operating activities, before changes in working capital, was slightly higher at 159 (155) MSEK
- Cash flow from changes in working capital was -4 (-11) MSEK, as a result of higher business volumes
- Cash flow from investing activities decreased to -123 (-14) MSEK, mainly due to paid earn-outs for previously acquired companies
- Cash flow from financing activities was -42 (-228) MSEK, mainly attributable to dividends paid, new bank financing in combination with amortisation and effects of IFRS 16

## Investments to support strategic journey

- Capex related to IT development increased to 8.9 (7.7) MSEK
- Other capex increased to 17.9 (11.0) MSEK, comprising investments in the brand and positioning platform, hardware for data centers and equipment related to the production of managed services
- Net investments in lease assets was 188.3 (-) MSEK, and relates to the prolonged rental agreement for the warehouse in Rosersberg
- Earn-outs paid in the quarter amounted to 95.8 (-5.0) MSEK

## Δ Cash Flow





# Updated brand platform

Our promise

We keep things  
moving

Our vision

To help our  
customers stay in  
the forefront

Our mission

To provide the  
right IT solution,  
to the right  
customer and  
user.

At the right time.  
At the right price

Our guiding direction

Enabling the  
circularity  
movement

Products and standardised  
services provided on our  
strong online platform





New visual identity





# Summary of the second quarter 2019/20

**Continued solid development despite increased uncertainty**

**Net sales rose 10.2% to 3,543 (3,215) MSEK**

- Group organic net sales growth of 4.0% in constant currency
- Organic growth in SMB of 2.8%, LCP of 4.1% and B2C of 12.5%

**Gross margin lower at 15.7% (16.3%)**

- Affected by a changed sales mix within hardware with a higher share of clients

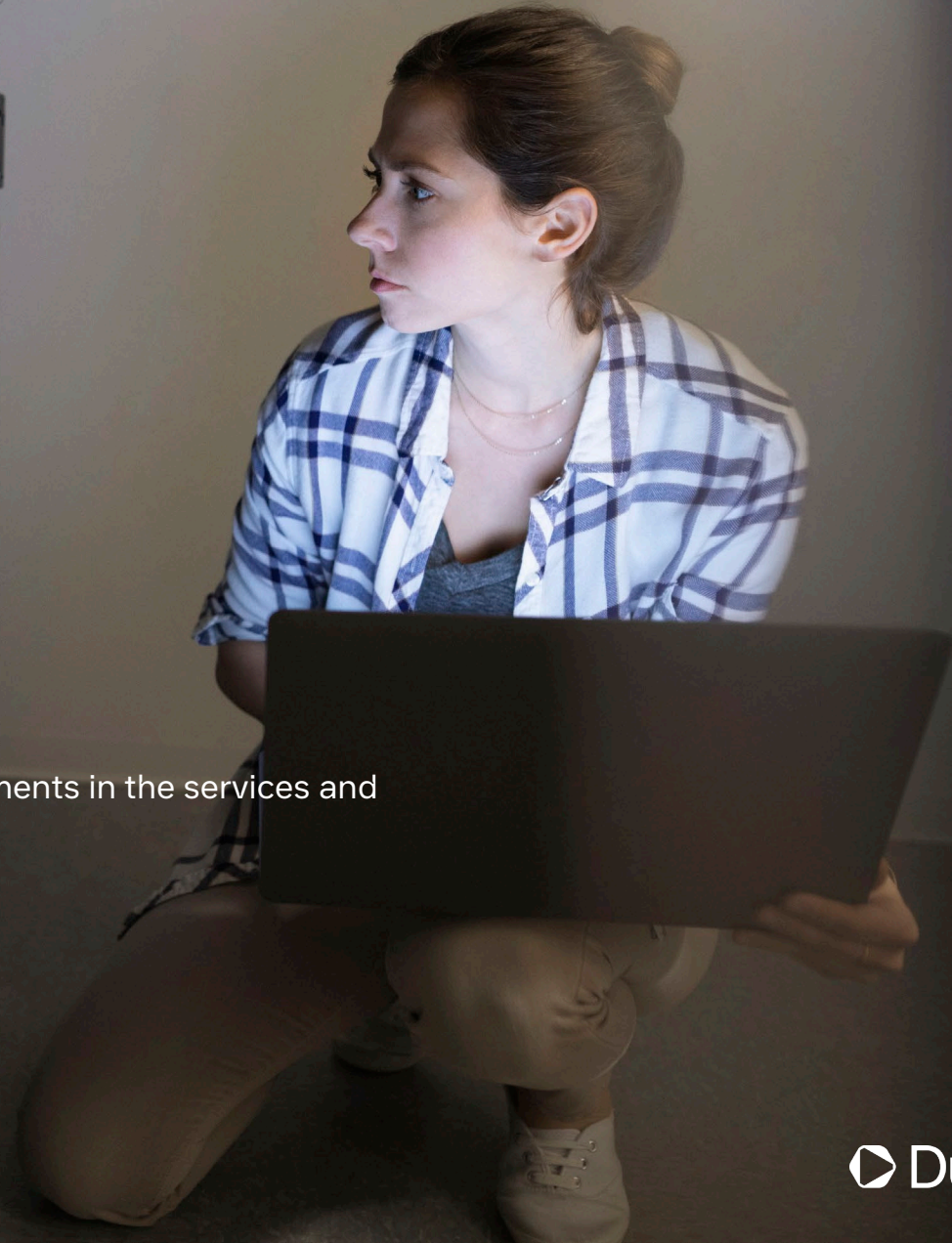
**Adjusted EBITA was stable at 154 (154) MSEK**

- Adjusted EBITA margin of 4.3% (4.8%)
- Margin negatively impacted by sales mix and a higher cost level due to investments in the services and solutions organisation

**EBIT was 133 (160) MSEK**

**Earnings per share before dilution at SEK 1.04 (1.41)**

**Investments for increased profitability**



# Effects of the corona virus

## Increased demand at the start of Q3

- Higher demand for products such as monitors, web cameras, cables and accessories for home offices among our B2B customers in the Nordic countries
- Continued stable development in the public sector
- Availability of products remains generally favourable, additional product purchases at an early stage of the outbreak
- Subdued demand trend for project-related services, such as customer onboarding to new services and conference room installations, given the closure of customer offices
- Generally more cautious market situation in the Netherlands

## Uncertain impact longer term

- Significantly increased uncertainty regarding potential changes in customer behaviour and disruptions to the supply chain
- Proactive approach in preparing for various scenarios depending on the market development
- Well positioned ahead of the acceleration in the offline to online shift and our customers growing need for digital interactions

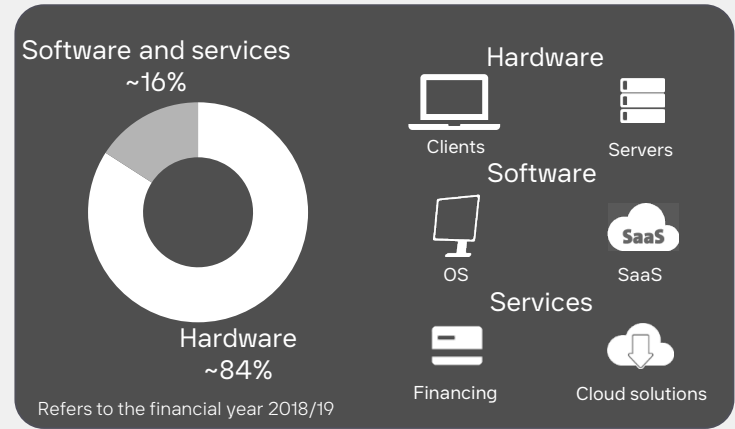


# Corporate presentation

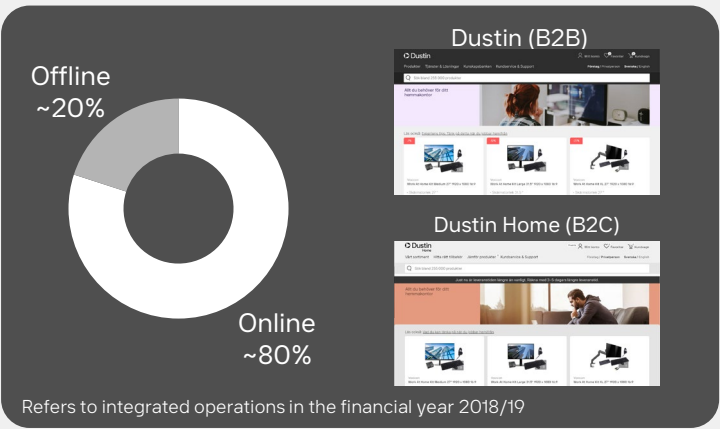


# Dustin at a glance

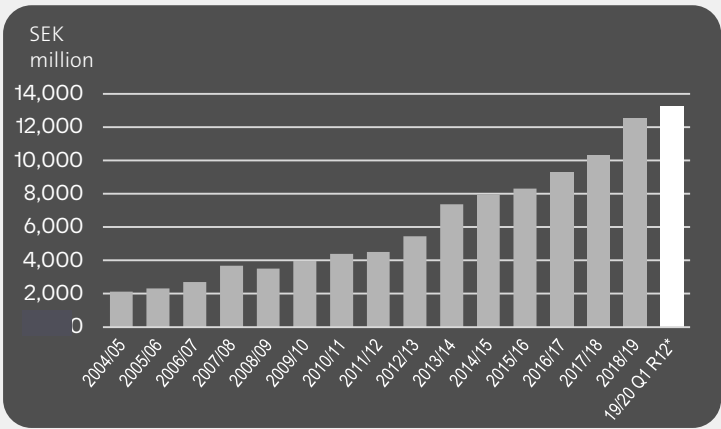
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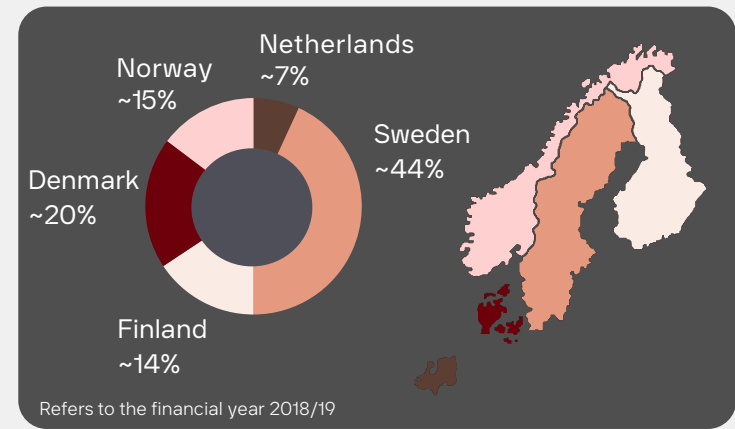
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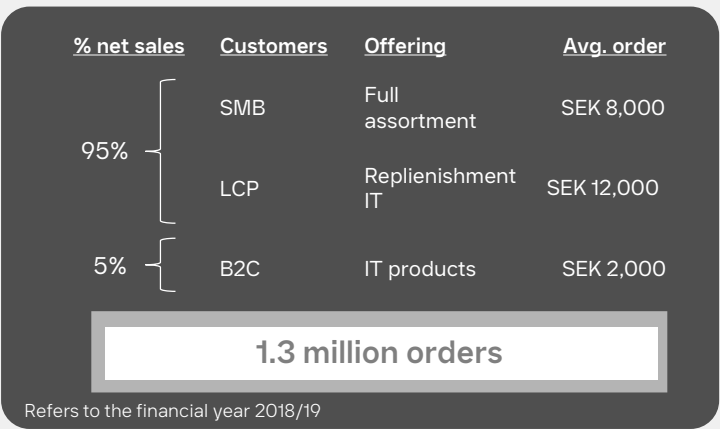
Net sales



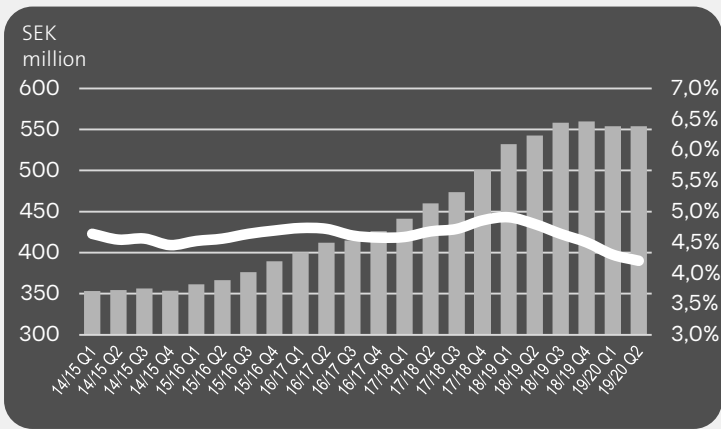
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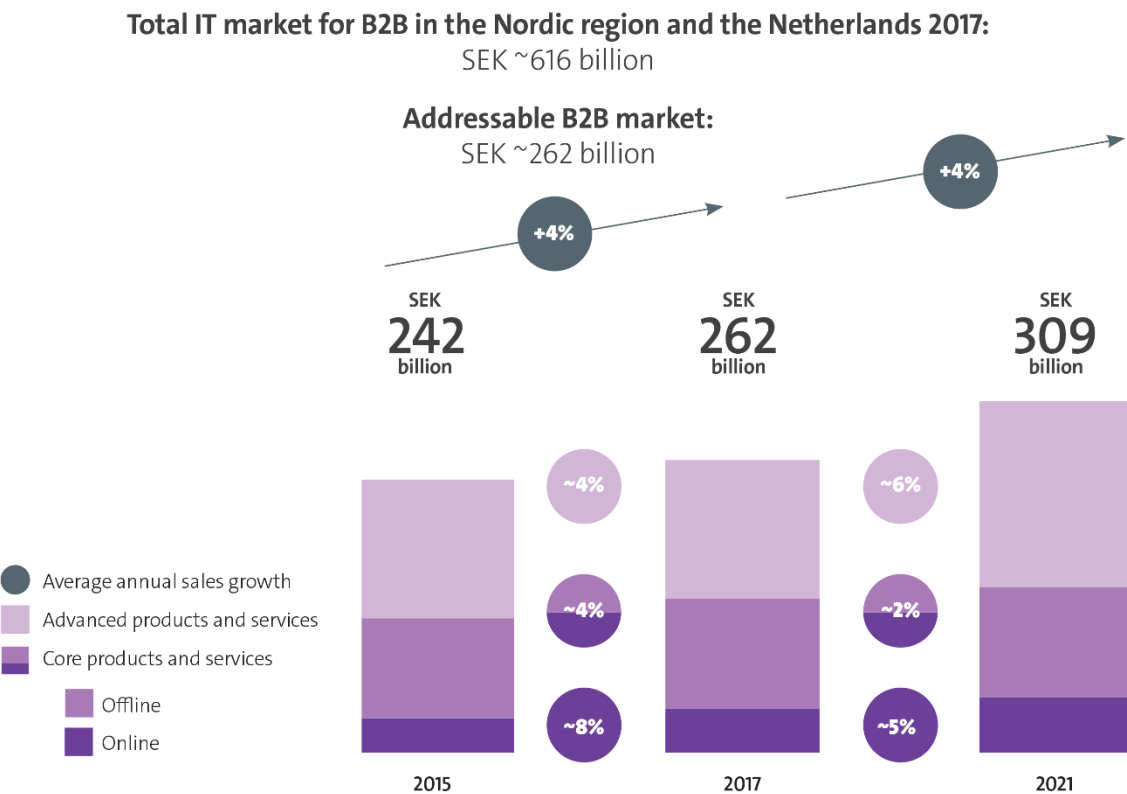
Adjusted EBITA and margin, R12\*



\*R12 refers to 12 month rolling

# High growth position in a large market

Large and fragmented addressable market



Key market trends

- ✓ Increased share of sales online
- ✓ Increased demand in mobility, cloud and security
- ✓ Rising demand for sustainable IT
- ✓ Digitalisation increases importance of IT in organisations

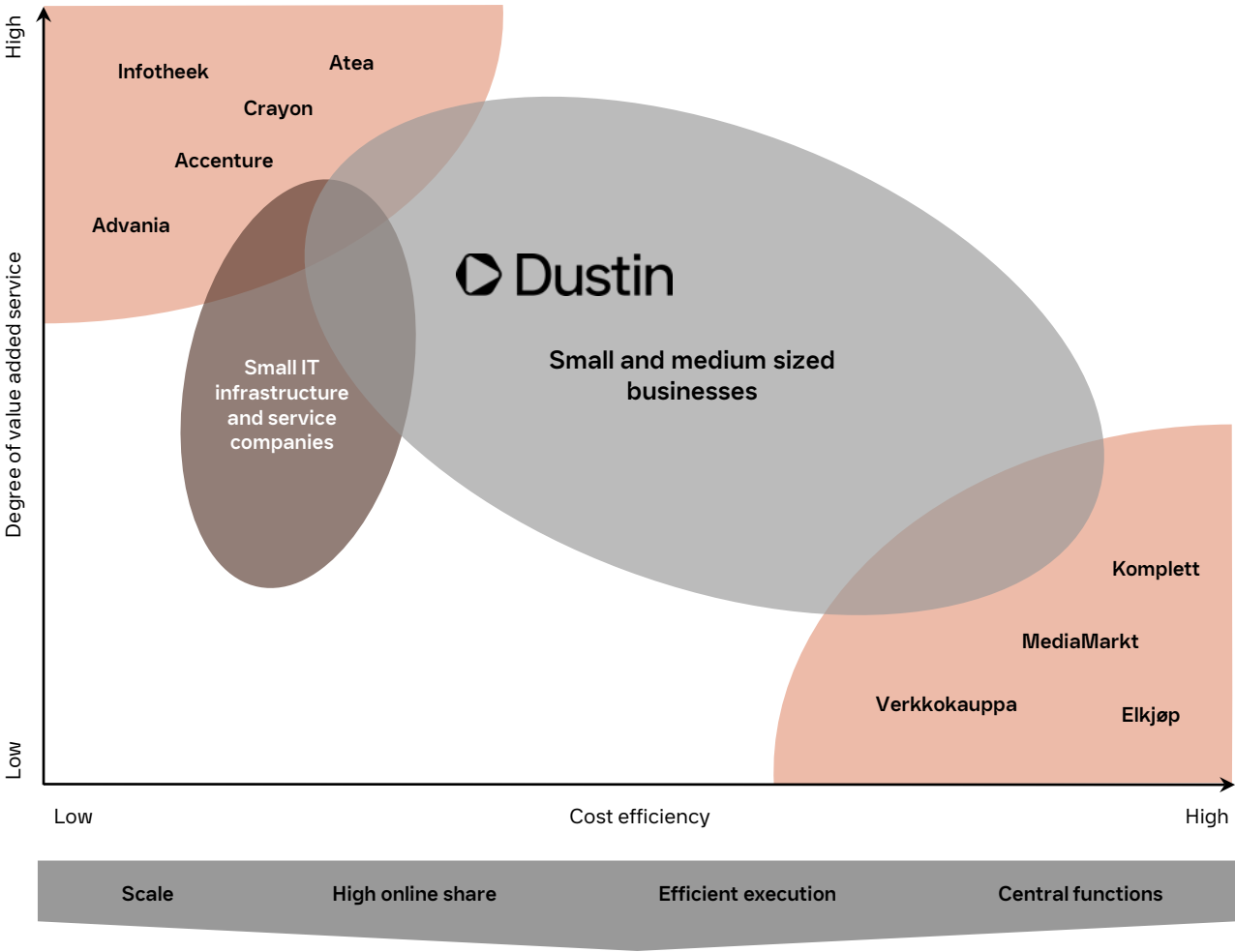
Dustin share of addressable market

- ✓ Market share Nordics ~7%
- ✓ Market share Netherlands ~1%

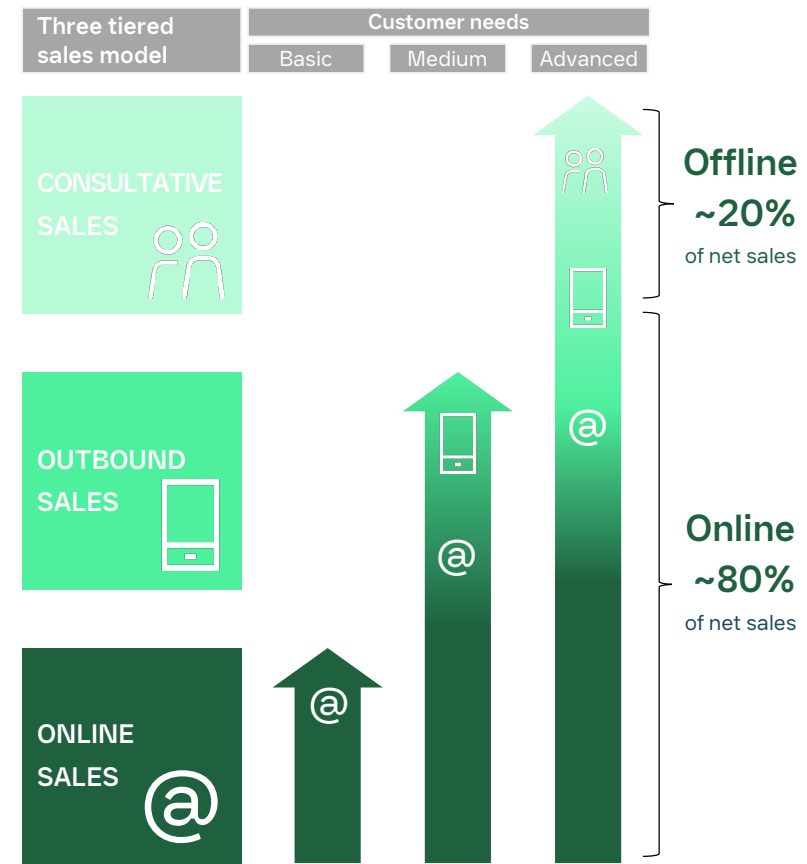
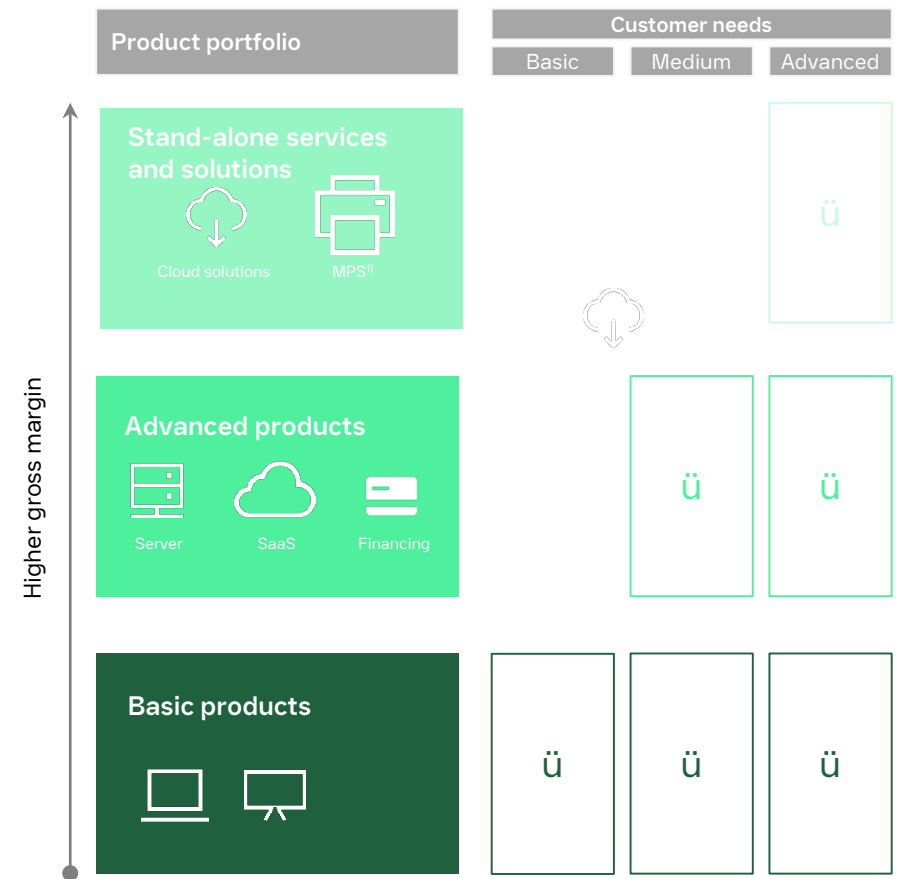
\*Compound Annual Growth Rate  
Note: Market data based on calendar year. The addressable market refers to hardware sales to the B2B segment and selected parts of software and services to the customer group small and medium enterprises.  
Source: Dustin's estimates based on market data from IDC and market analysis from a senior advisor.



# A unique position in the SMB segment

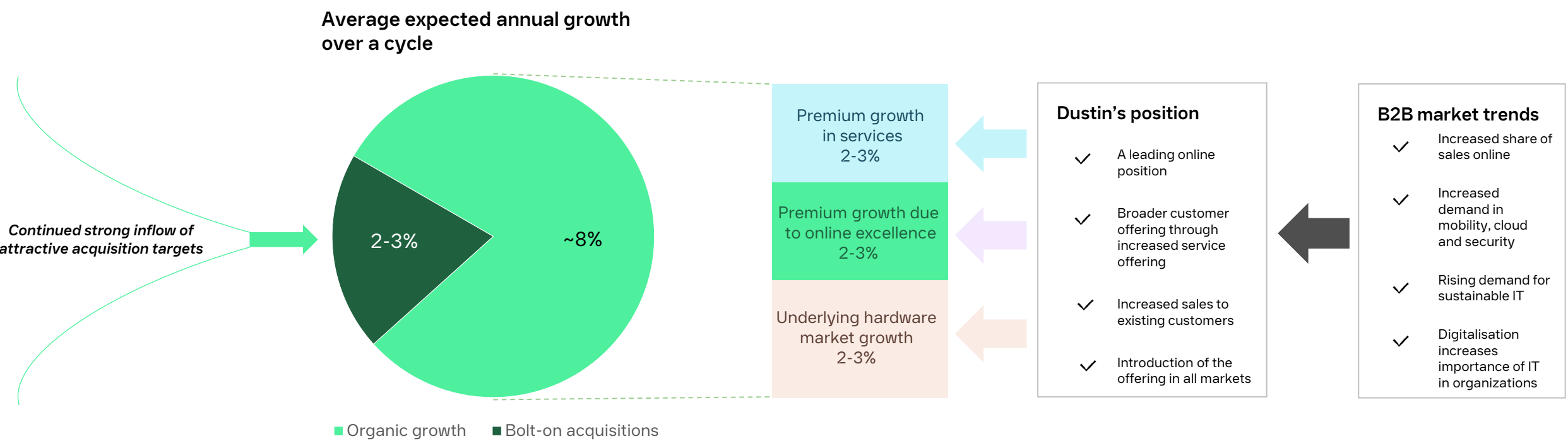


# Multi-channel approach to drive growth and margins



# Positioned to outgrow the market supported by strong market trends

Total growth over a cycle of ~10% of which organic ~8% and bolt-on acquisitions 2-3%

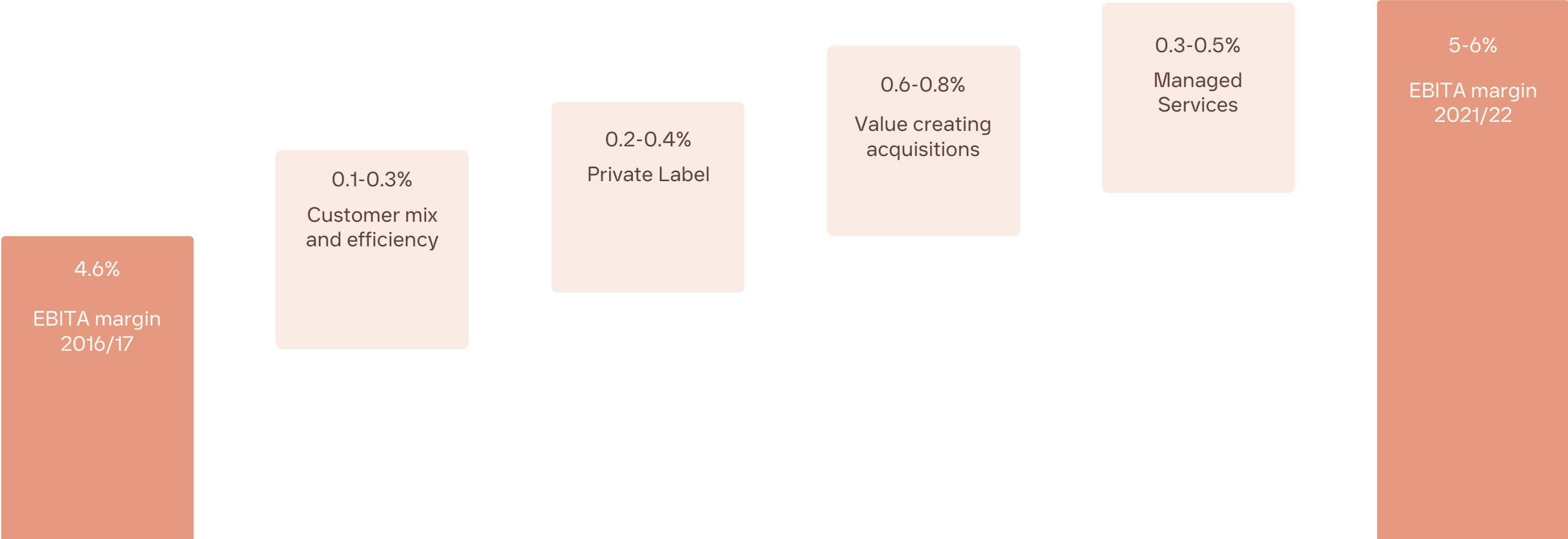


Source: Dustin's estimates based on market data from IDC and market analysis from a senior advisor.

# Our five-year plan to increase growth



# Our five-year plan for margin expansion



# Our five-year plan to increase sustainability

We are working systematically and making progress towards our 2020 goals.

Responsible manufacturing:

80 Audits

Reduced climate impact:

40%

Responsible use of resources:

140,000

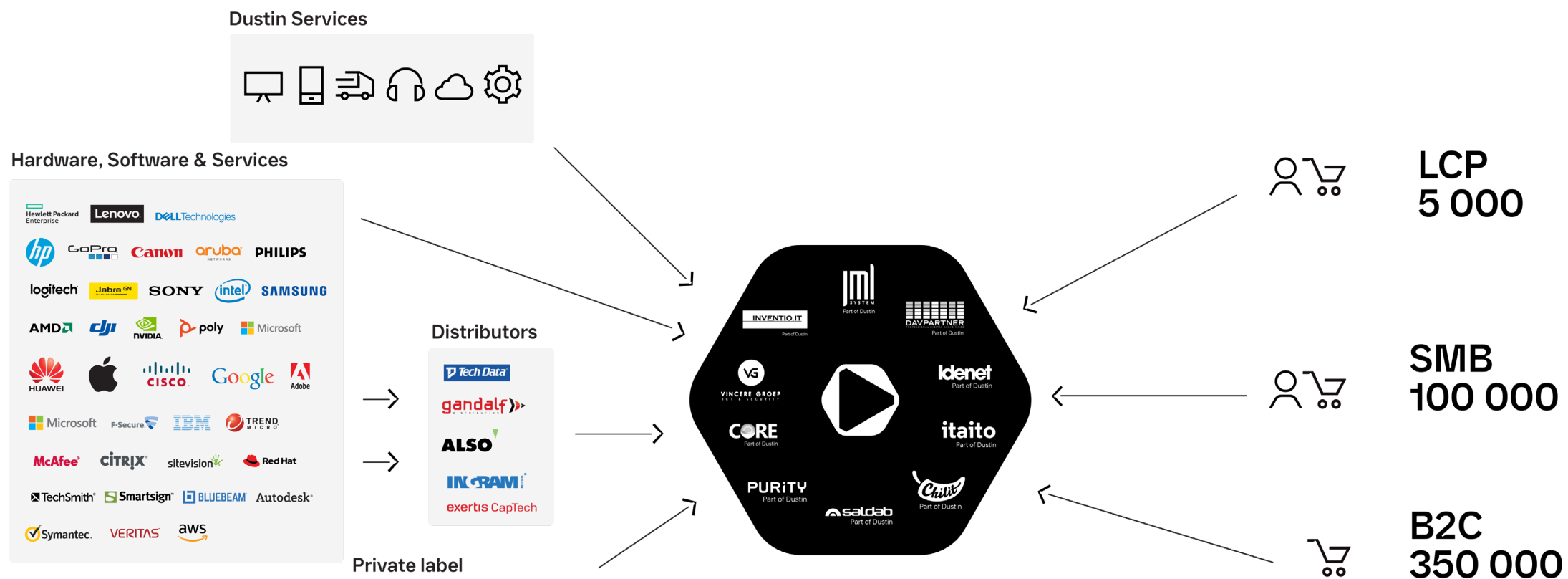
Business ethics & anticorruption:

100%

Diversity & equality:

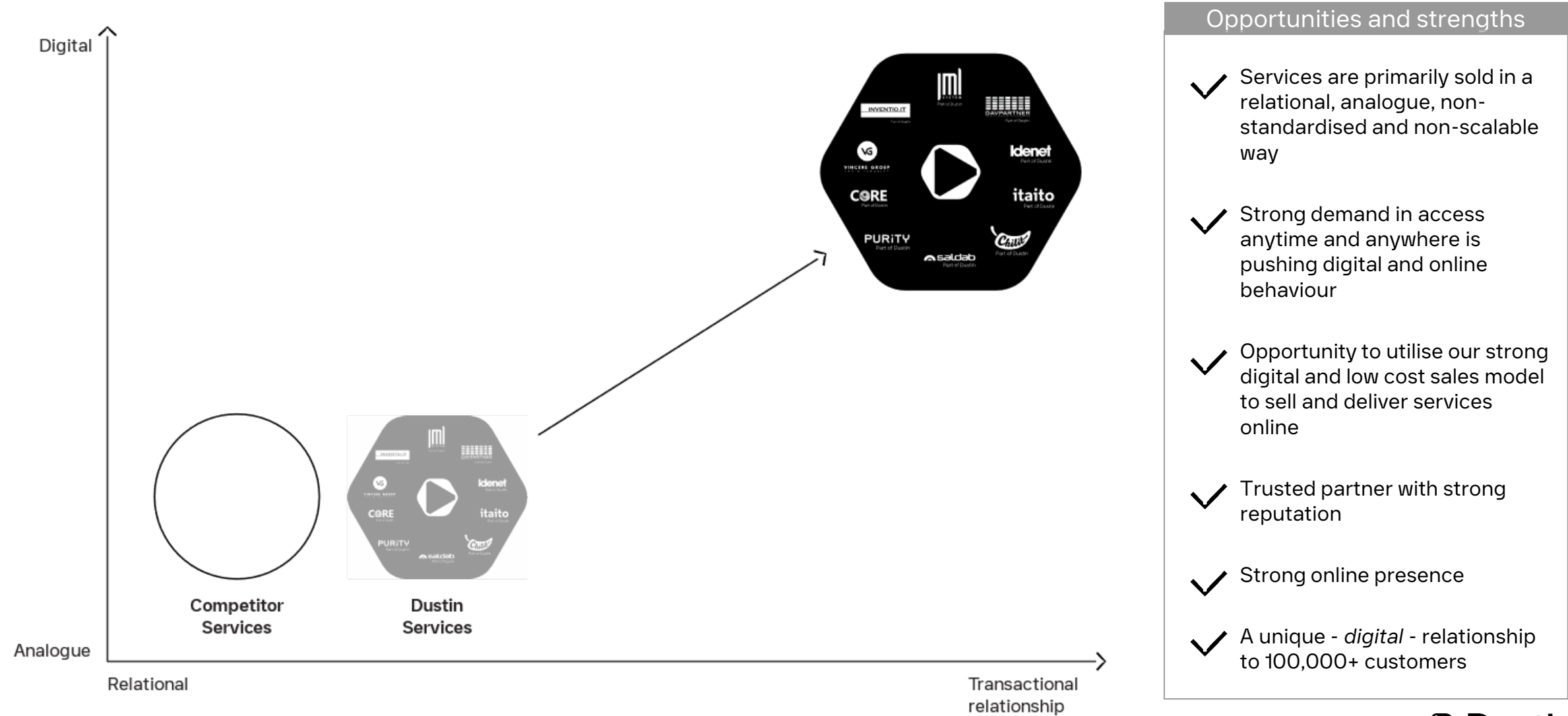
40/60

# Our position in the value chain



A large number of suppliers ... > ... need an aggregator to interact with ... < ... a large number of customers

# Our position



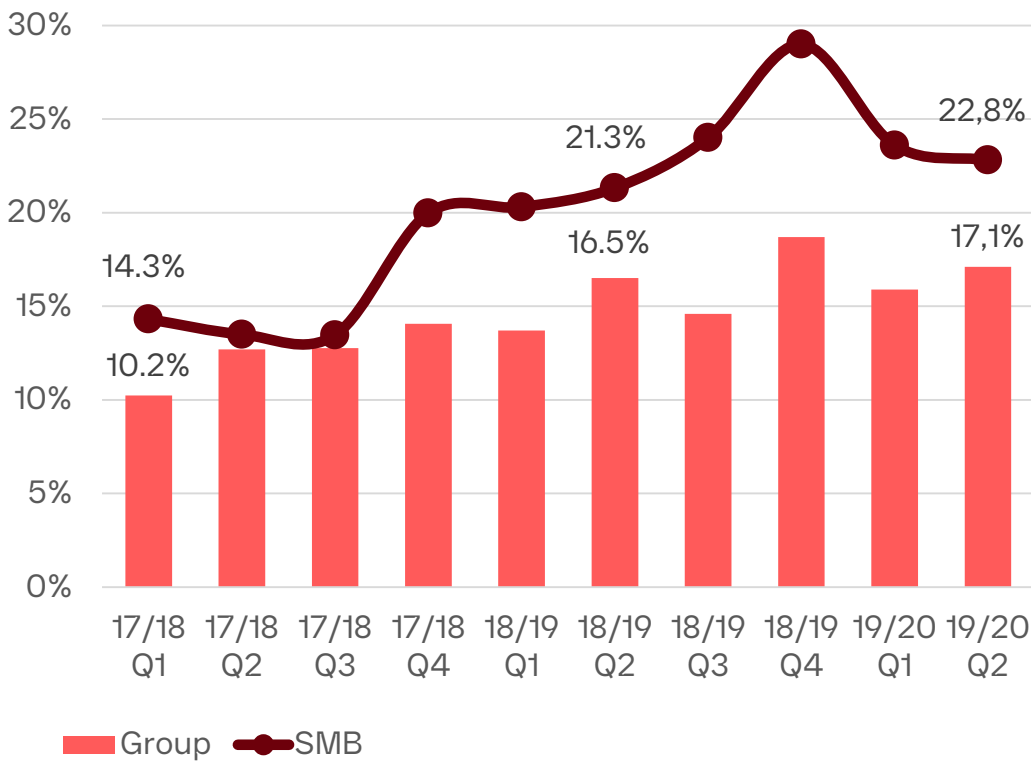


# Positive development in product mix change

## Higher share of software and services sales

- Software and services share of Group sales increased to 17.1% in the second quarter (16.5%)
- Software and services share of SMB sales increased to 22.8% in the second quarter (21.3%)
- Product mix improvements driven by acquisitions and organic growth in software, services and solutions sales
- Sales of software, services and solutions drives further growth in hardware sales and enables Dustin to further grow share of wallet with its customers

## Share of software and services sales

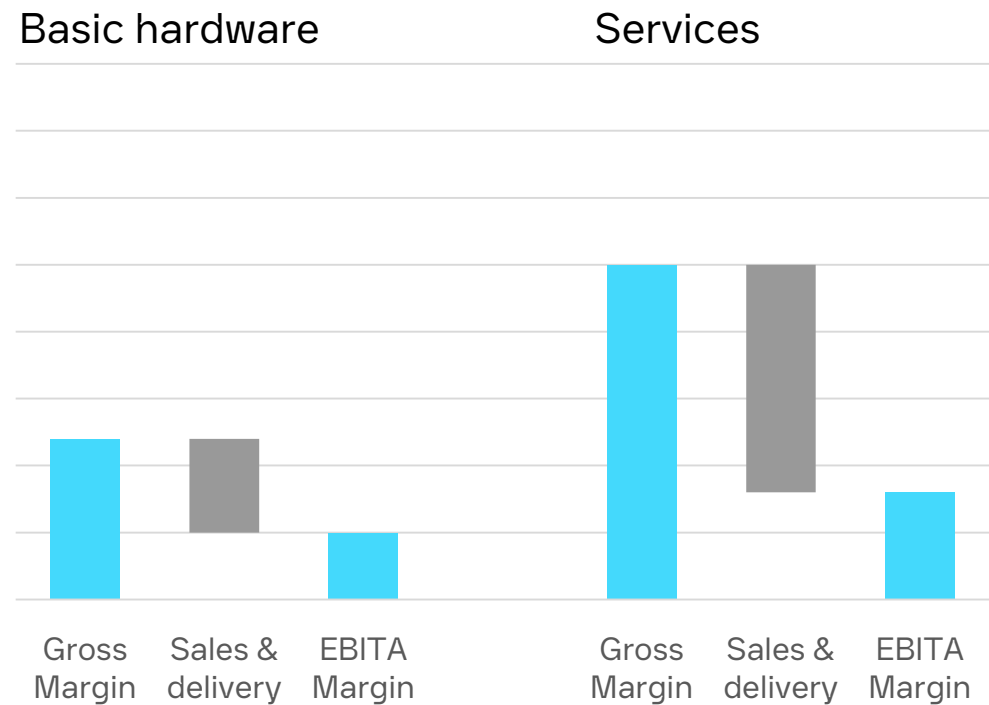


# Services sales drives margin shift

## Higher share services drives margin

- Services sales generates a higher gross margin, compared to hardware sales
- However, sales and delivery costs related to services sales are higher compared to online hardware sales
- Overall increased share of services sales improves EBITA margins compared to hardware only sales
- Further acquisitions and organic growth in services sales will scale over time and further improve EBITA margins

## Product mix effects on margins\*



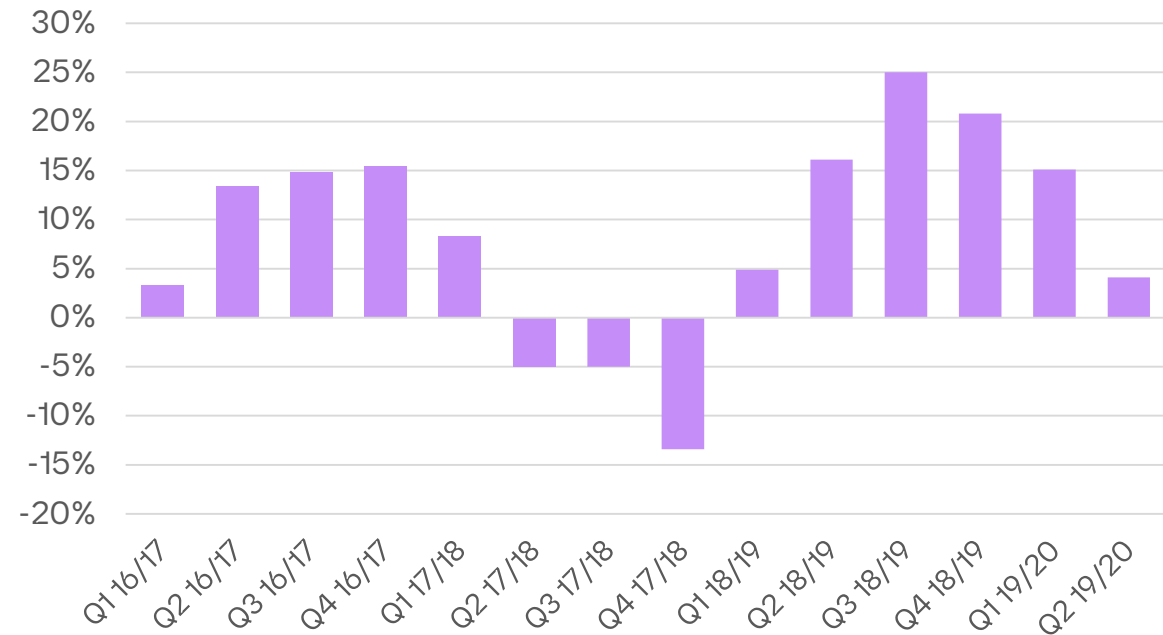
\* Illustrative graph to visualize margin differences between product groups, not based on actual numbers

# Quarterly fluctuations in public sector contracts within LCP

## Business volatility in public sector

- Quarterly fluctuations within public sector frame agreements when number of available and relevant tenders to attend varies over time and between quarters
- Strong growth in Large Corporate sales during the second quarter, primarily in Denmark, Norway and Finland
- Public sector framework agreement in Denmark drove growth in LCP segment during the 2018/19 financial year
- Intention to equalize share of Large Corporate (~1/3 of sales) and Public sector (~2/3 of sales) to mitigate fluctuations
- Hesitant to drive volume over margin, selective tender strategy

## LCP – organic quarterly growth



# Financial targets

## GROWTH

Dustin's target is an average annual organic growth rate of 8 per cent over a business cycle. In addition to this, 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 future prospects should be taken into consideration.