Dustin

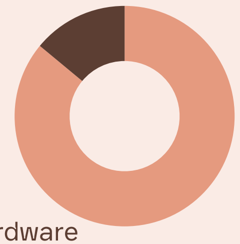
Q3 2022/23

June, 2023
dustingroup.com

Q3

Dustin at a glance

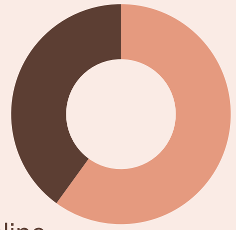
280,000 hardware and software products…



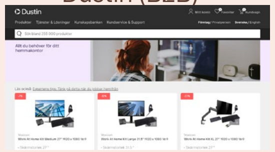
Hardware:	Clients	Servers
Software:	OS	SaaS
Services:	Financing	Cloud solutions

Refers to the financial year 2021/22

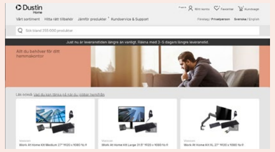
…primarily sold online…



Dustin (B2B)

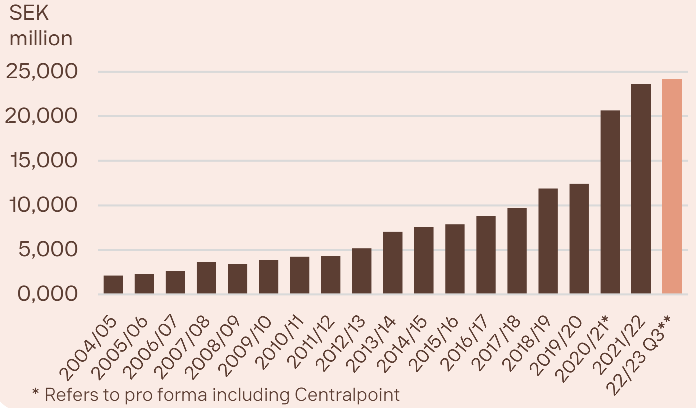


Dustin Home (B2C)



Refers to the financial year 2021/22

Net sales



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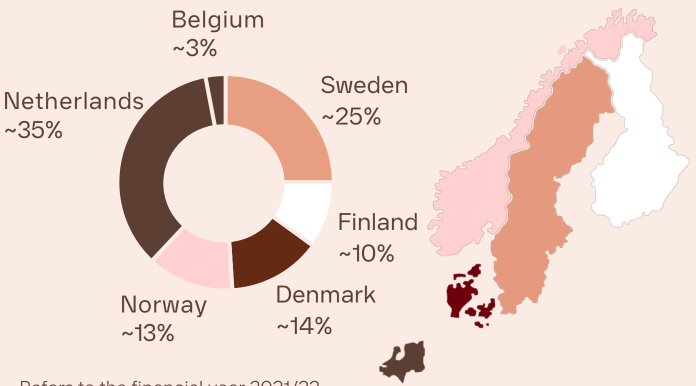
…across the Nordics and Benelux…



Refers to the financial year 2021/22

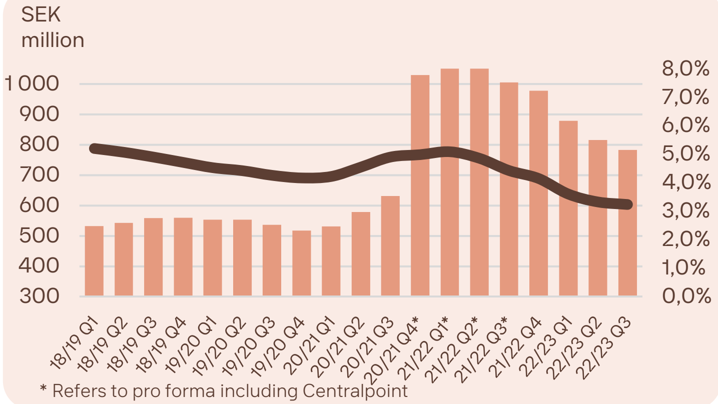
…to B2B customers

% net sales	Customers	Offering	Avg. order
98%	LCP	Large roll-outs, volume services, takeback	SEK 18,000
	SMB	Full assortment	SEK 10,000
2%	B2C	IT products	SEK 2,000

~ 2 million orders annually

Refers to the financial year 2021/22

Adjusted EBITA and margin, R12**



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** R12 refers to 12 month rolling

Dustin

Strong cash-flow in a cautious market

Financial Highlights

Net sales was 5,582 (5,894) MSEK

- Reported net sales growth was -5.3%
- Organic growth was -9.4%, of which SMB -17.4% and LCP -5.5%

Gross profit was 857 (842) MSEK

- Gross margin of 15.3 % (14.3 %)

Adjusted EBITA was 169 (201) MSEK

- Adjusted EBITA margin of 3.0% (3.4%)

Items affecting comparability of -25 (-19) MSEK

EBIT was 97 (140) MSEK

EPS before and after dilution amounted to SEK 0.21 (0.75)

Cash flow from operating activities of 431 (-277) MSEK

Leverage of 4.5x in the past 12-month period (3.7x FY 21/22)

Operational highlights

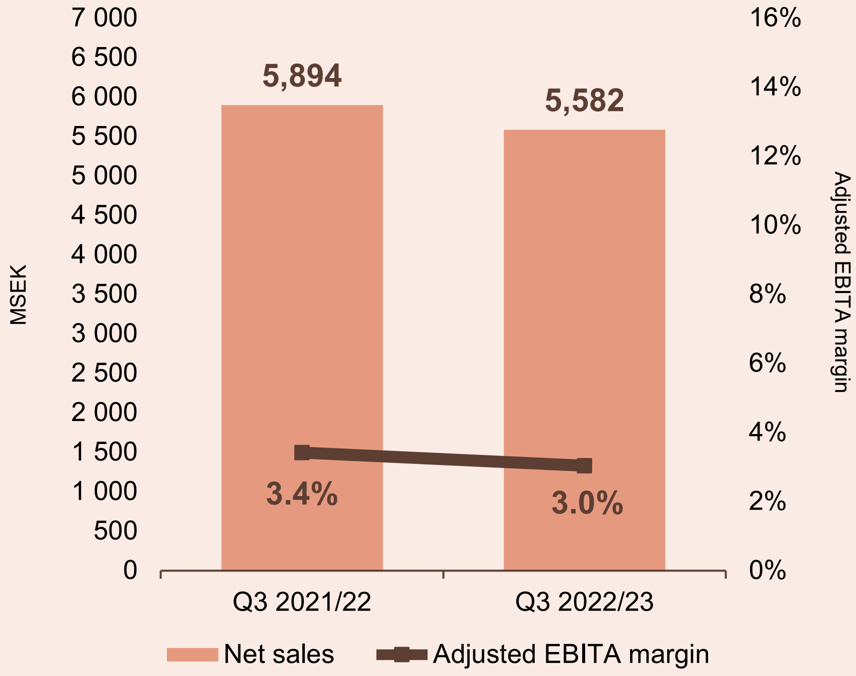
Jenny Ring appointed EVP People, Culture & Sustainability

Julia Lagerqvist appointed CFO as of December 2023

Existing credit facility extended until October 2025

Synergy extraction on track, with clear effects as of the second half of 2022/23 and with full effect expected in the 2023/24 financial year

Net sales and adjusted EBITA margin



Dustin

Financial development – SMB

Gross margin improvement but low volumes in a cautious market

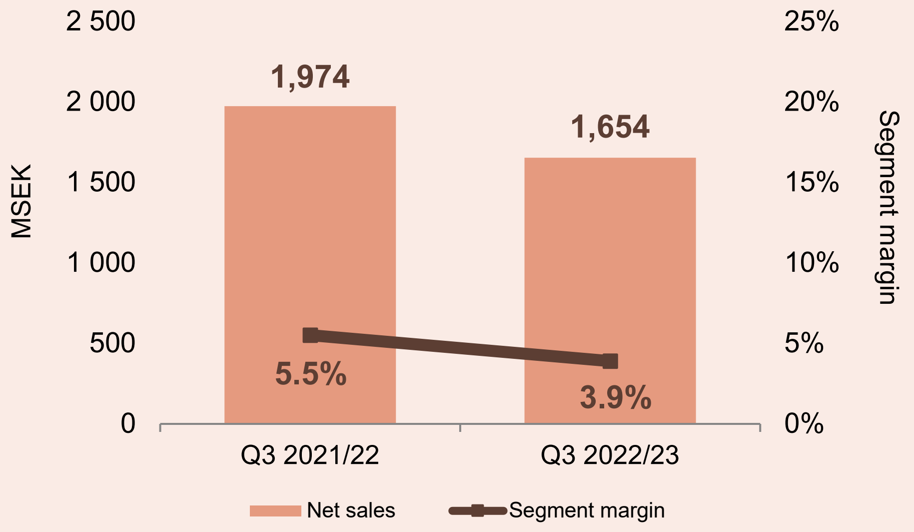
Net sales decline in SMB of 16.2% y/y
- Organic growth of -17.4%
- Decline due to general economic uncertainty and a strong comparable quarter

Segment result was 65 (109) MSEK
- Segment margin decreased to 3.9% (5.5%)

Cautious sales development
- Continued uncertainty surrounding the economic trend, affecting demand in all markets and within all customer groups
- Lower demand primarily related to computers and mobile phones
- Consumer sales in line with corresponding quarter last year
- The share of software and services sales was 11.6% (12.5%), mainly due to software mix and customer moves between segments

Strong gross margin development while segment margin burdened by lower volumes
- Gross margin improvement driven by price discipline in a price-conscious market and a positive product mix
- Lower sales volumes and thus a temporarily too high cost base
- Generally higher inflation-driven cost levels has had a negative impact
- Healthy sales trend in contracted recurring services

Net sales and segment margin



MSEK	Q3 2022/23	Q3 2021/22	Organic growth	Q3 y/y growth
Net sales	1,654	1,974	-17.4%	-16.2%
Segment result	65	109	–	-40.6%
Segment margin	*3.9%*	*5.5%*	–	–

Dustin

Financial development – LCP

Margin improvement but sales burdened by expiry of Danish contract

Net sales growth in LCP of 0.2% y/y

- Adjusted for SKI contract, reported growth was approximately 8%
- Organic growth of -5.5%

Segment result increased to 141 (119) MSEK

- Segment margin was 3.6% (3.0%)

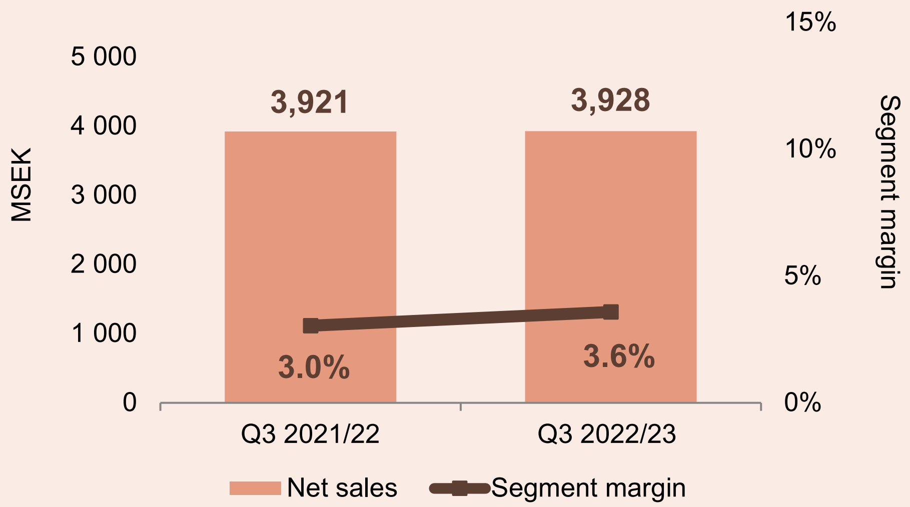
Slower organic growth

- Slower growth due to the expiry of the Danish contract SKI
- Healthy demand among the public sector overall, while growth slowed somewhat among larger companies
- Overall normalised availability of hardware
- Growth was strongest in the Netherlands, Finland and Belgium

Improved margin development

- Improved product mix with an increased proportion of more advanced hardware and a lower proportion of standard hardware
- Framework agreement with Danish SKI expired during the first quarter, which affected the margin positively
- Generally, more selective and margin-focused approach to new customers and contracts
- Healthy sales development within private label products in mainly Benelux has had a positive effect
- Generally higher inflation-driven cost levels has had a negative impact

Net sales and segment margin



MSEK	Q3 2022/23	Q3 2021/22	Organic growth	Q3 y/y growth
Net sales	3,928	3,921	-5.5%	0.2%
Segment result	141	119	–	17.9%
Segment margin	*3.6%*	*3.0%*	–	–

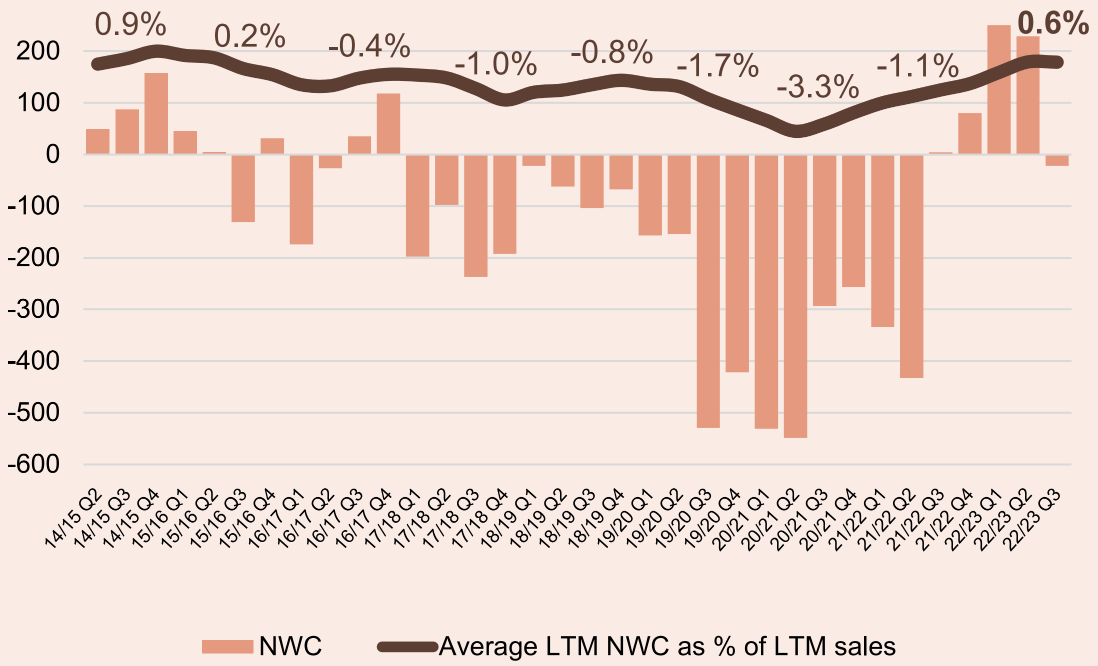
Dustin

Improved net working capital towards target range

<u>Improved net working capital due to reduced customer specific inventory</u>

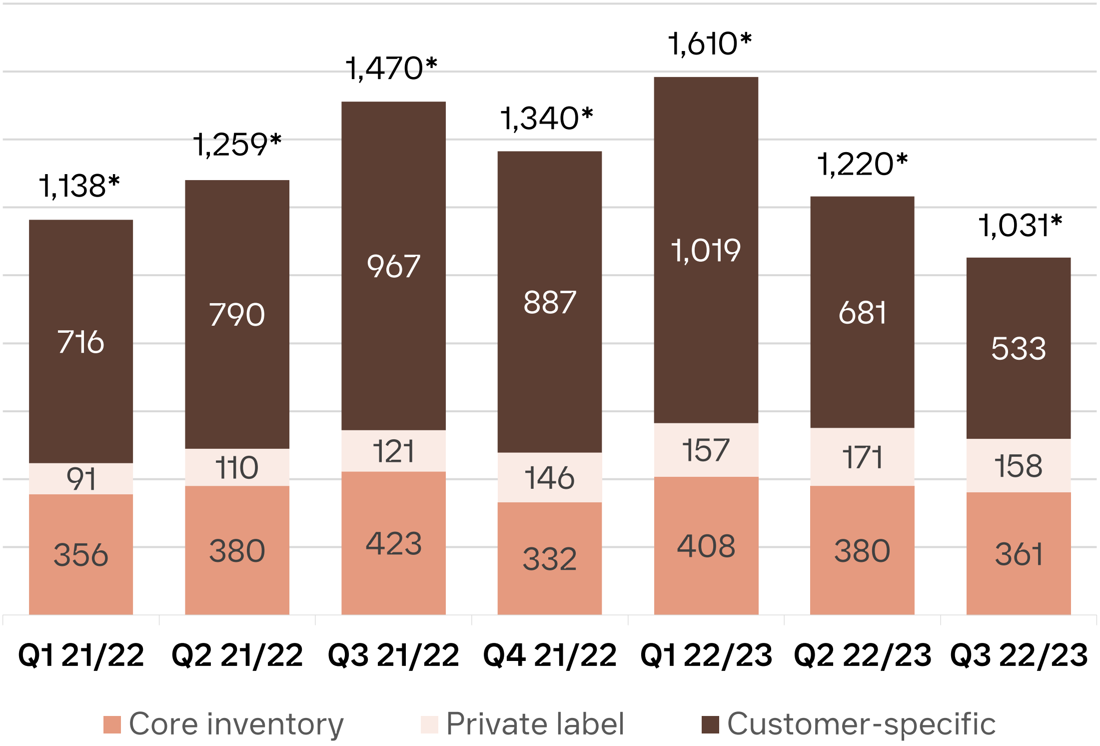
- Net working capital was -22 MSEK (4), (improved from 228 MSEK in Q2 and 336 MSEK in Q1), due to lower inventory
- Inventory decreased by 439 MSEK to 1,031 MSEK (decrease versus Q2 of approximately 190 MSEK), where the larger part of the decrease relates to pre-ordered customer-specific inventory
- Accounts receivable increased by 348 MSEK compared to last year, mainly related to higher business volumes at the end of the quarter
- Lower accounts payable, mainly attributable to lower purchase volumes as a result of the decrease in inventory and lower business volumes overall
- Tax liabilities and other current liabilities increased slightly
- Net working capital target range -100 to -200 MSEK

<u>Net Working Capital</u>



Within the targeted range of inventory in the quarter

Inventory split



Reduced customer-specific inventory

- Inventory decreased further by approximately 190 MSEK in the third quarter, compared to the second quarter
- Core inventory decreased slightly versus the second quarter and compared to a year ago
- Inventory of private label products decreased slightly compared to the second quarter, but increased by 37 MSEK year-on-year due to the launch in Benelux
- Customer-specific inventory decreased further by approximately 150 MSEK compared to the second quarter. Total inventory already below the targeted level of 1,100 MSEK by year-end
- Achievement made possible by active collaboration with customers and partners through our strong position in the market, and by changes within procurement foremost in the Benelux region

*Including Group eliminations

Cash flow, Investments and Leverage

Strong cash flow generation due to changes in net working capital

- Cash flow for the quarter was 323 (-380) MSEK
- Cash flow from operating activities, before changes in working capital, was 142 (184) MSEK, due to lower EBIT and higher paid interest
- Cash flow from changes in working capital was 289 (-461) MSEK, mainly affected by lower inventory and changes in accounts payable
- Cash flow from investing activities was -58 (-52) MSEK, where the difference mainly relates to project-related investments
- Cash flow from financing activities was -50 (-51) MSEK, mainly attributable to amortization of debt

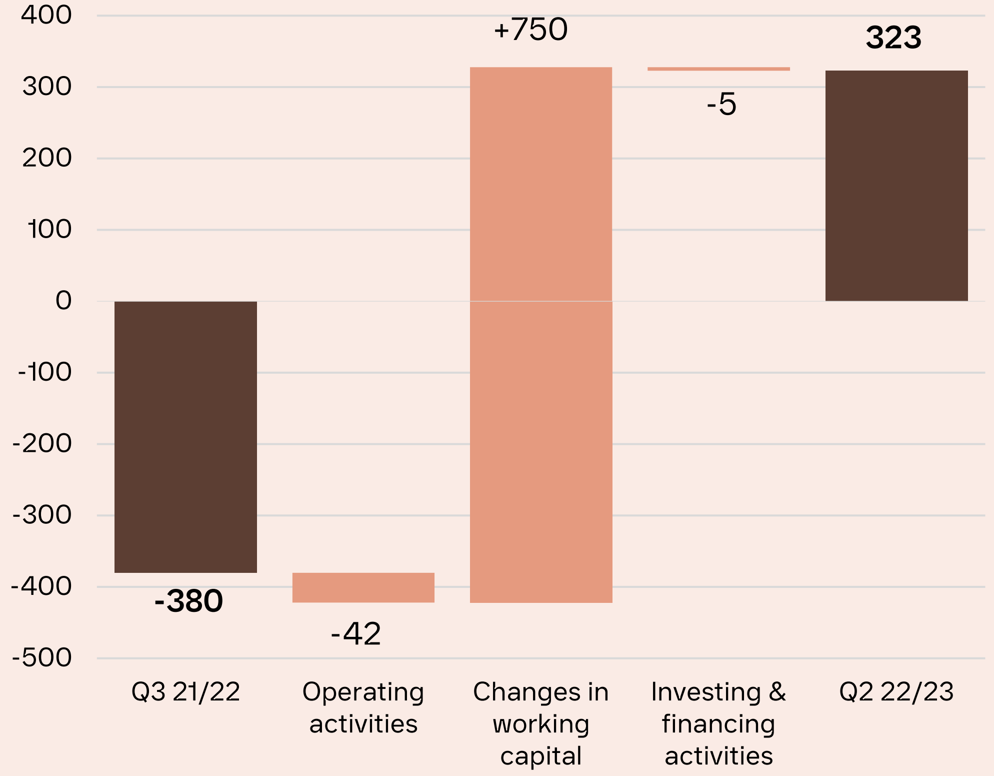
Investments to capture further synergies

- Total investments amounted to 120 (68) MSEK, of which 58 (52) MSEK affecting cash flow
- Capex related to IT development increased slightly to 45 (41) MSEK
- Investments in tangible and intangible assets was 52 (10) MSEK, of which 13 (5) MSEK affecting cash flow, due to right-of-use assets (IFRS 16)
- Investments in assets related to service provision was 23 (17) MSEK, of which 0 (5) MSEK affecting cash flow

Leverage above the target range

- Net debt increased to 4,613 (4,450) MSEK, mainly due to currency fluctuations
- Leverage was 4.5x, during the past 12-month period (4.4 at the end of Q2 and 3.7x at the end of financial year 21/22) mainly due to currency effects, adjusted for currency effects leverage would have amounted to 4.3

Changes in Cash Flow Y/Y



Focus on short-term actions – but strong position enables investments for the future

Priority of results in order of importance

1 Deleverage

- Deleverage is of highest focus
- Strong cash-flow and net working capital development during the quarter (Dustin model works)
- Inventory year end targets already achieved
- Clear plan in place to improve business results

2 Margin

- Cost focus and synergy extractions according to plan
- Strong progress seen in take-back and private label
- Strong and stable gross margin as a result of internal discipline and price leadership

3 Growth

- Continued growth ambitions in line with financial targets
- Challenging market environment as a combination of weaker demand and post-covid comparables
- We continue to invest in the future Dustin, transformative steps taken with one culture, one brand, one customer offering and one IT-platform

One culture | One way of working | **One Dustin** | One brand | One IT platform

One IT Platform enables cost synergies and is key for building the European IT powerhouse

One IT Platform

One Dynamics	One Web Experience	One Service Management	One Data Platform
ERP & CRM	Portals & Open Web	ConnectWise & Service Management	Business Intelligence & Data Innovation

Our future platform is:

- Geographically scalable
- Aligning our ways of working
- Leveraging from standard processes
- Digitalising our customer journey
- Catering for efficiency and automation

We will be able to:

- Be more efficient in many of our core processes
- Increase our level of automation
- Reduce integration time of acquired companies
- Quicker implement new functions thanks to one development process
- Communicate internally and externally as One Dustin

Continued investments of 100-150 MSEK annually related to the IT transformation, enabling synergies of 60-90 MSEK annually

Summary of the third quarter 2022/23

<u>Strong cash-flow in a cautious market</u>

Net sales declined 5.3% to 5,582 (5,894) MSEK

- Group organic net sales growth of -9.4% in constant currency
- Organic growth in SMB of -17.4% and in LCP of -5.5%

Gross profit of 857 (842) MSEK and gross margin at 15.3% (14.3%)

- Margin improved due to expiry of the major Danish framework agreement, price discipline in a price-conscious market and a positive product mix

Adjusted EBITA was 169 (201) MSEK

- Adjusted EBITA margin of 3.0% (3.4%), mainly affected by lower volumes and and a generally higher inflation-driven cost level

EBIT was 97 (140) MSEK

EPS before and after dilution amounted to SEK 0.21 (0.75)

Cash flow from operating activities of 431 (-277) MSEK

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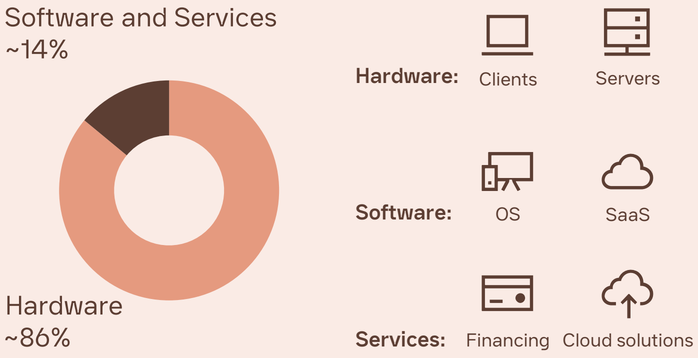

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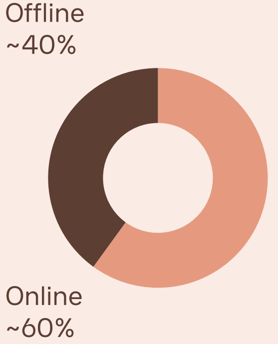
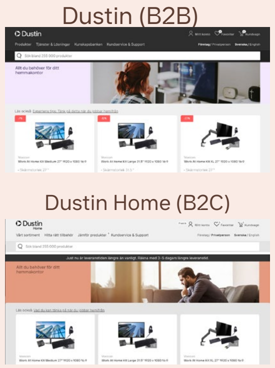
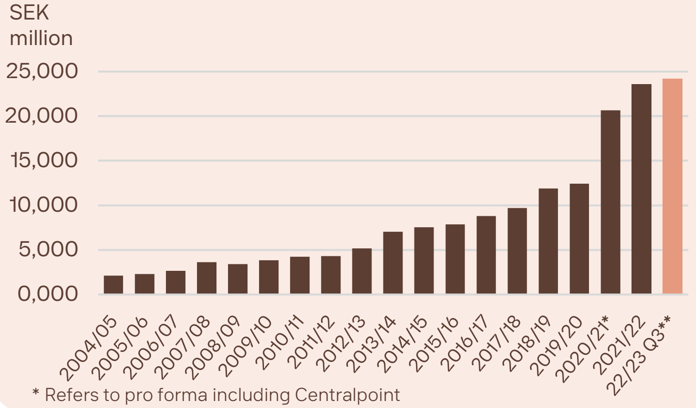




Refers to the financial year 2021/22

Net sales



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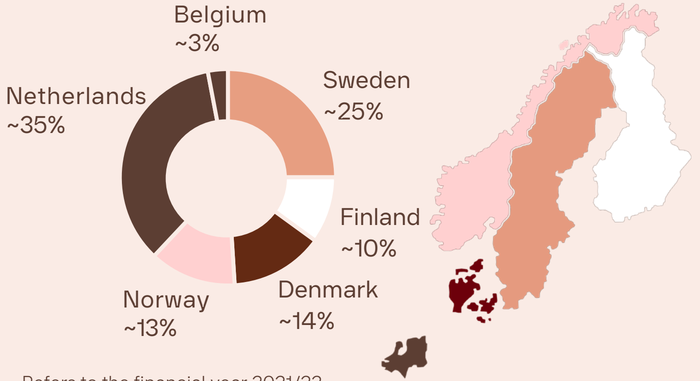

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~ 2 million orders annually

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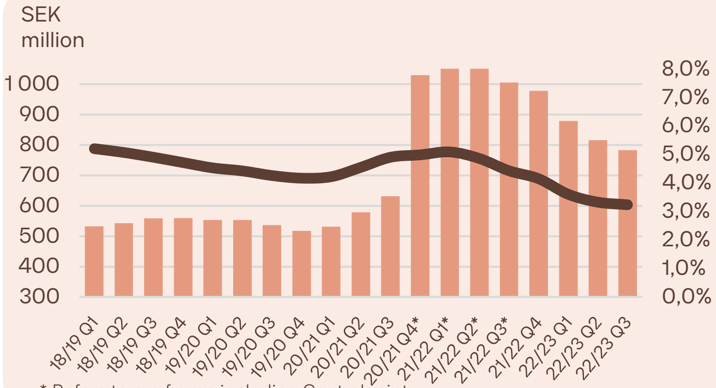

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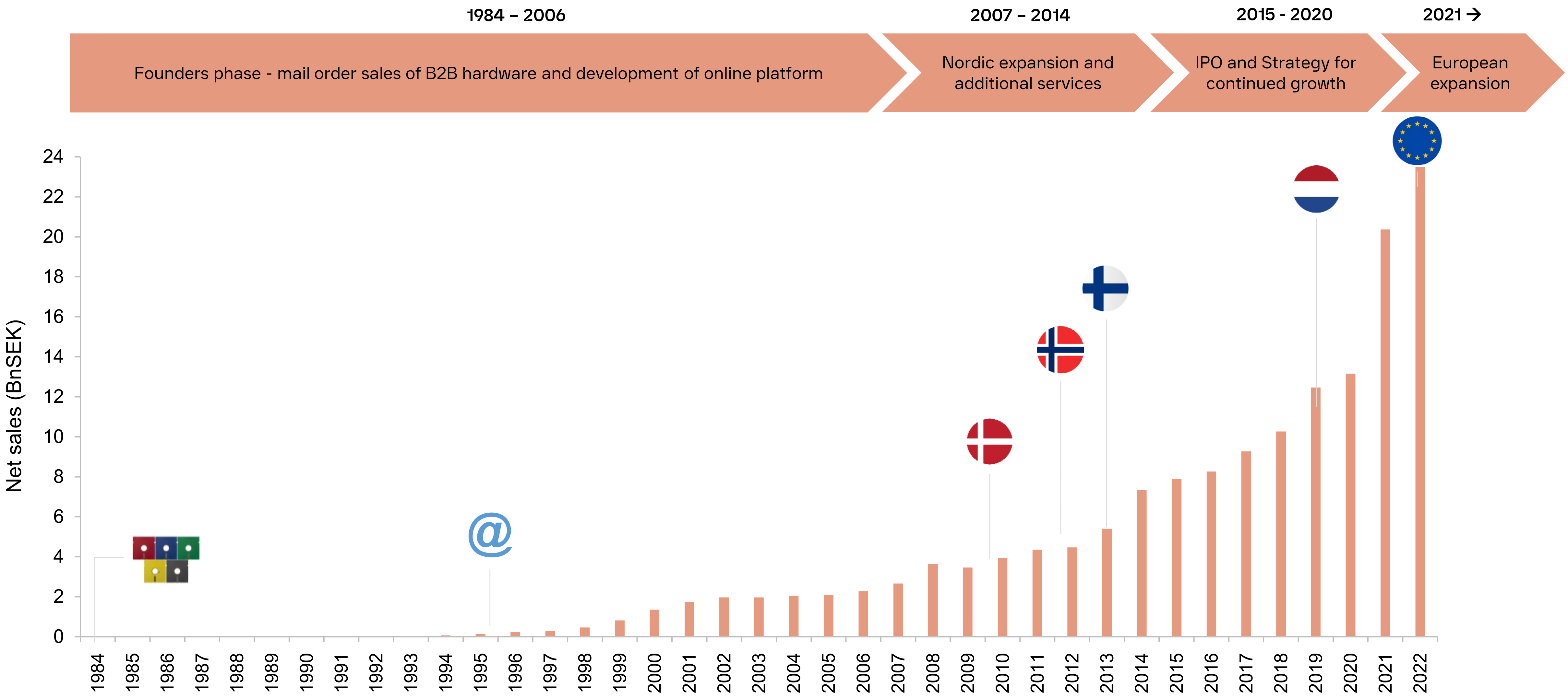
Dustin

Long and strong history of profitable growth



Dustin

Dustin – the aggregator and destination

Hardware, software & services

Autodesk, aws, hp, NVIDIA, SONY, DELL Technologies, Canon, Lenovo, McAfee, SAMSUNG, CITRIX, PHILIPS, logitech, aruba, cisco, intel, Adobe, Microsoft, Hewlett Packard Enterprise, F-Secure, AMD, IBM, sitevision, BLUEBEAM, vmware, Google

Dustin services

Distributors

ALSO, INGRAM MICRO, exertis CapTech, gandalf, Tech Data

Dustin products

cirafon, GILFORD, TRANZIP, voxicon, PROKORD

LCP (Large Corporate and Public)

~10,000

SMB (Small and Medium Sized Businesses)

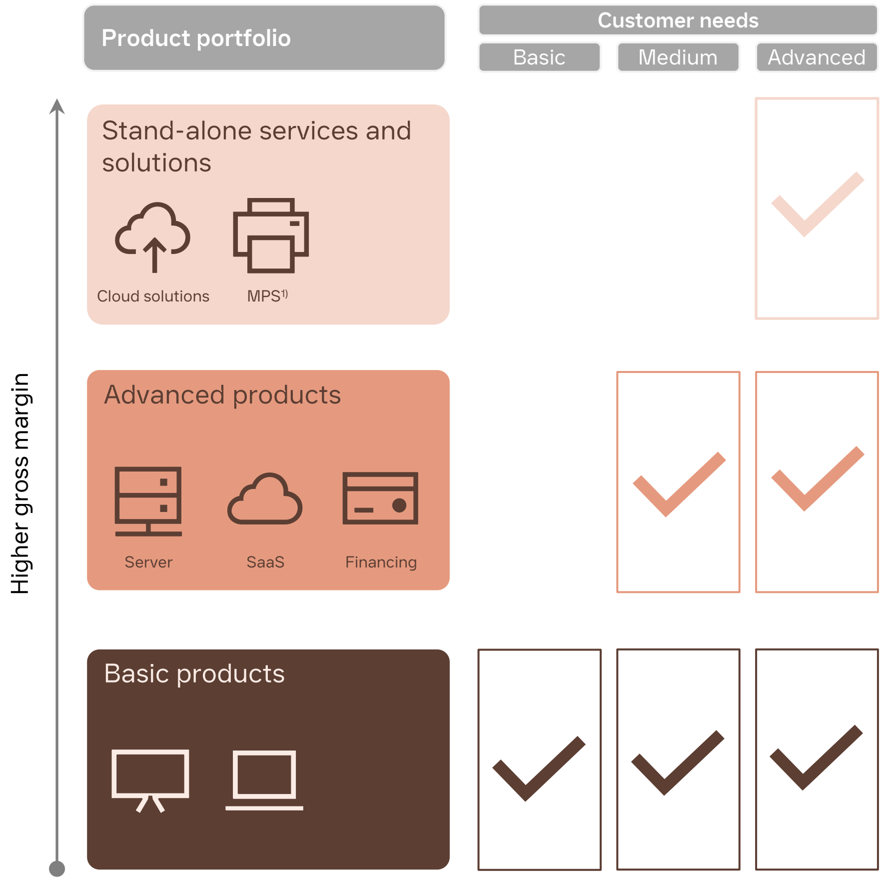
~120,000

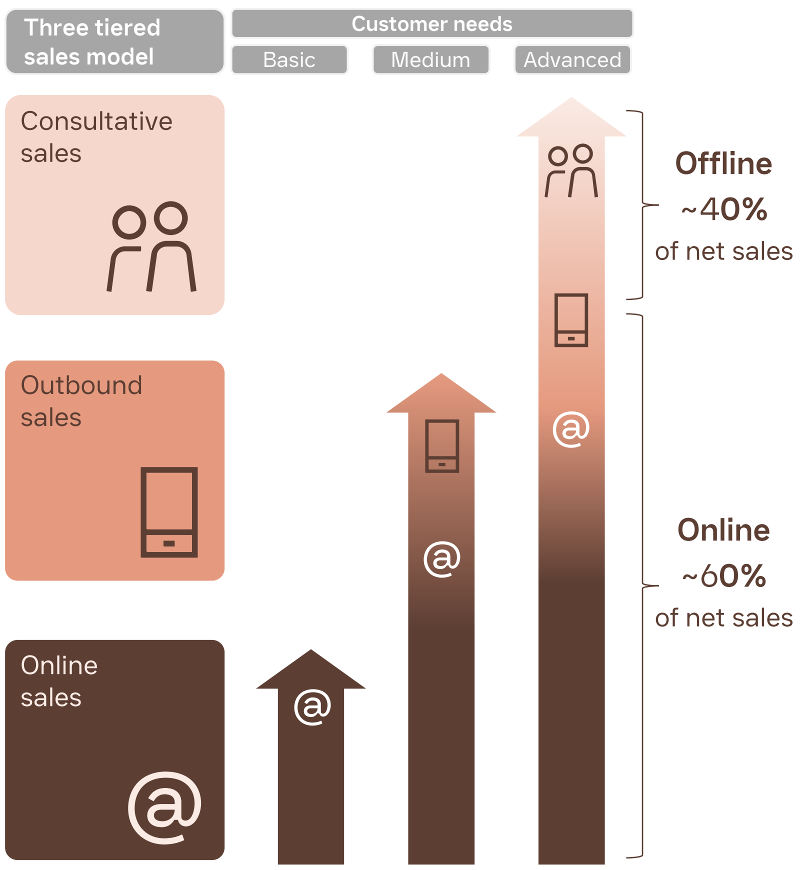
B2C (Business to Consumer)

~350,000

A large number of suppliers… needs an aggregator with a strong brand to interact with… a large number of customers.

Multi-channel approach to drive growth and margins



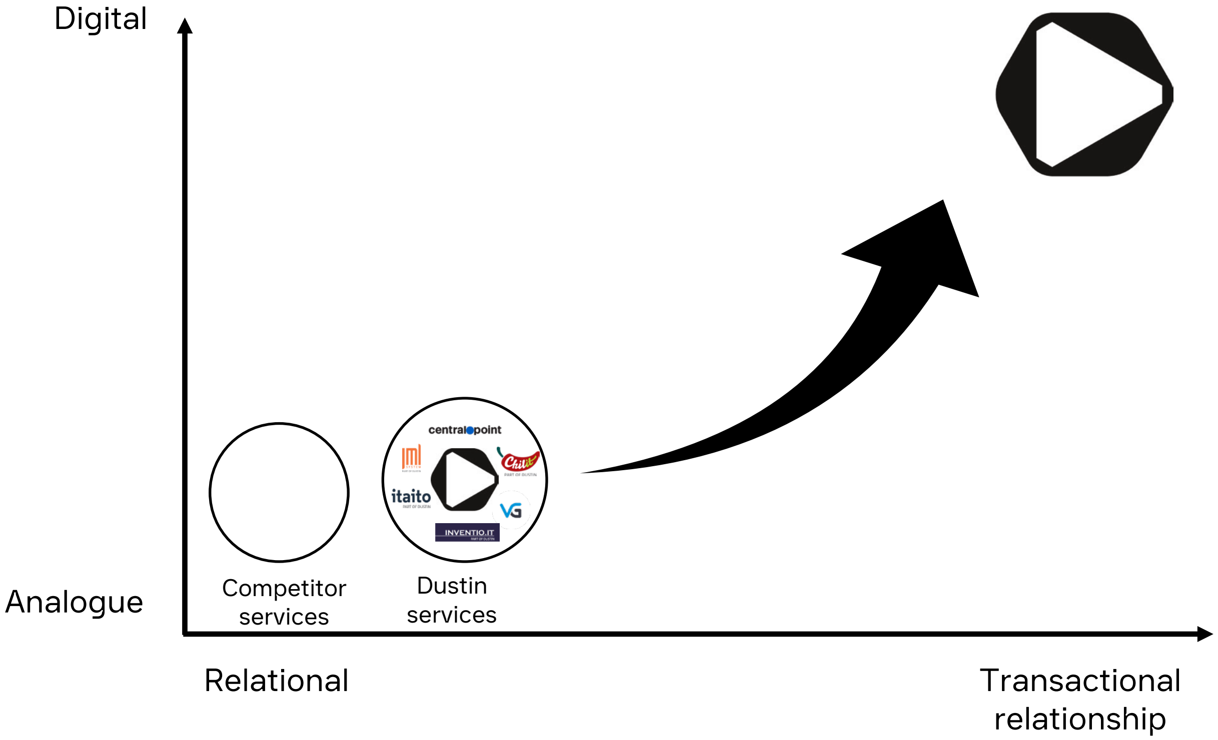


Dustin

Our opportunity in services

Opportunities and strengths

- Services are primarily sold in a relational, analogue, non-standardised and non-scalable way
- Strong demand in access anytime and anywhere is pushing digital and online behaviour - accelerated by rapid change in behaviour due to the coronavirus
- Opportunity to utilise our strong digital and low cost sales model to sell and deliver services online
- Trusted partner with strong reputation and strong online presence
- A unique - digital - relationship to 100,000+ customers



Our way forward

- The standardisation of our service offering creates an opportunity for economies of scale through central and efficient production, distribution, operation and monitoring and support as volumes increase
- Integration of acquired companies enable cross-selling opportunities through Dustin sales force and customer base
- Recurring revenues will exceed growth in ordinary business due to market dynamics and low market penetration
- Services enables long term customer relationship, and the recurring and scalable nature allows strong focus on winning new business

A unique space

ERP implementation

Strategic IT consultancy

Integrated solutions

On-site services

Product-near services

High IT knowledge

Fast and reliable delivery

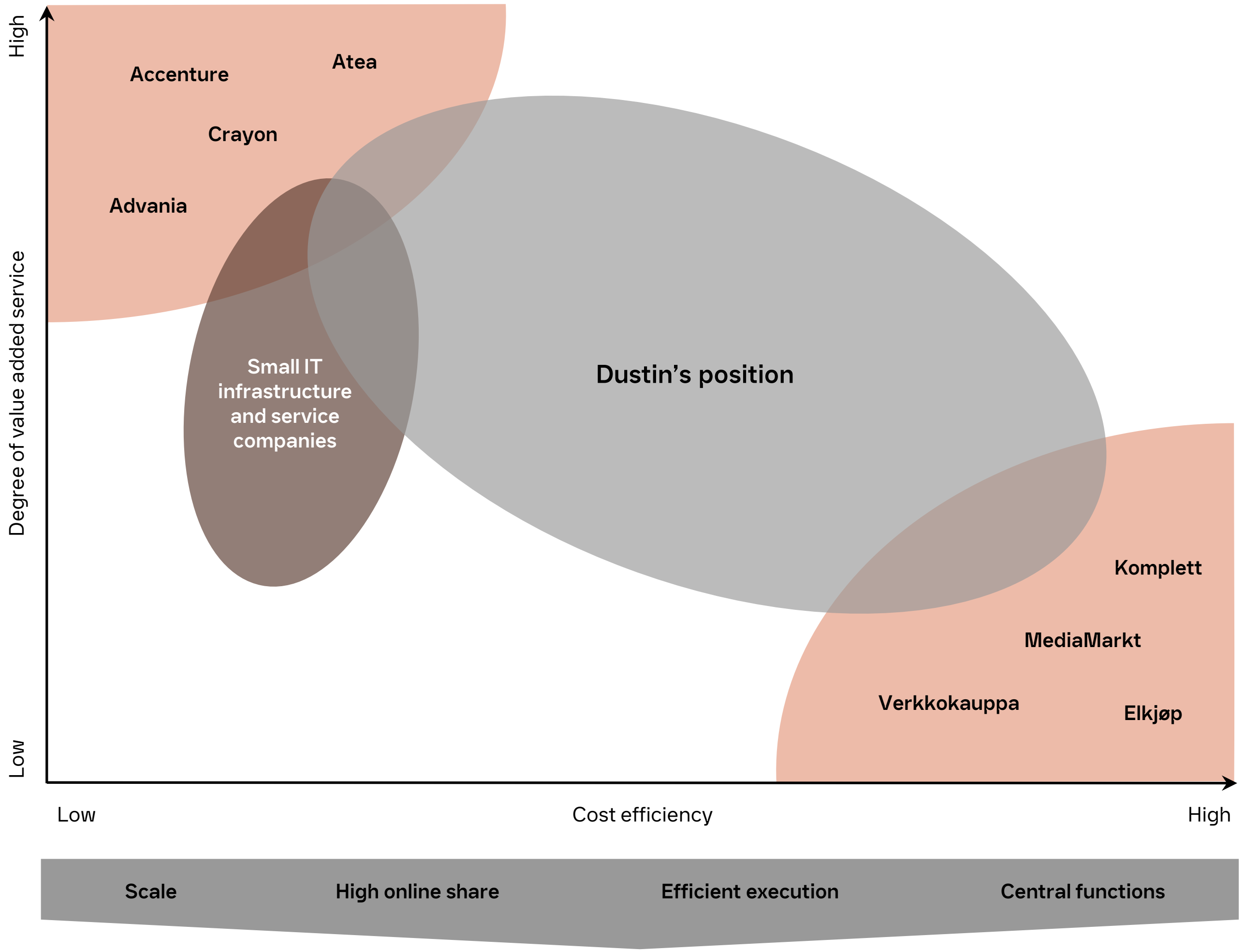
Wide offering of ~255k IT products

Strong brand name

Non-IT related consumer products

Dustin's focus areas

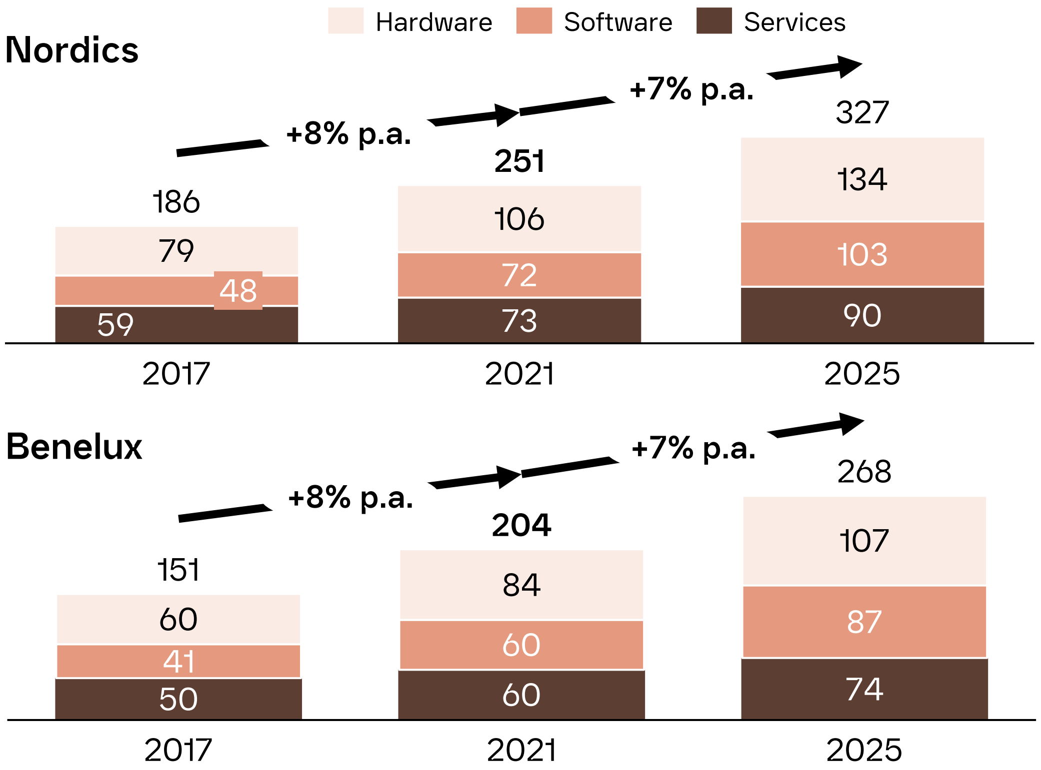
Non SMB related services



Dustin

High growth position in a large market

B2B addressable market size by segment, bnSEK



Dustin share of addressable market

~ 6% Nordics

~ 5% Benelux

Market trends that define how we work

- Increasing online sales
- Growth of mobility and cloud services
- Demand for predictable IT costs
- Focus on security and integrity
- Sustainability

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.

Dustin

Updated financial targets

EPS Growth

>10%

3-year average annual growth rate

Leverage

2.0-3.0 Net debt/EBITDA

Unchanged

CO_2 emission

25% reduction

in CO_2e/MSEK Net Sales in the coming 3-year period.

Towards the unchanged 2030 commitment of being fully climate neutral*

Dividend Policy

>70%

Dividend policy pay out of net profit depending on the financial position

Unchanged

Supporting targets for EPS growth

Organic net sales growth

SMB: 8% 3-year avg

LCP: 5% 3-year avg

Segment margin

SMB >6.5% FY25/26

LCP >4.5% FY25/26

*Describing one of Dustin's three 2030 commitments – the others are Fully Circular and Social Equality

Integration and synergy extraction effects as of the second half of 2022/23 and full effect expected in FY23/24

		Executed	Current status: Activities	Current status: Financial	Plan	Expected financial status	
Revenue Synergies	SMB Benelux (EBITA 40-60 MSEK)	One way of working Launch of Dustin web store			Online excellence and branding Hassle free customer journey		**~70** MSEK/Year Sales synergies
	LCP Tender (EBITA 15-35 MSEK)	Best practices shared x-regions Pilots in Swedish customer cases	~3 M		Scaling across the Nordics European offering		
Cost Synergies	Private Label Benelux (EBITA 30-50 MSEK)	Strong demand ramp up in LCP FY run rate ~25MSEK			Broaden offering Increase availability		**~150** MSEK/Year Cost synergies
	Procurement (EBITA 10-30 MSEK)	Nordics renegotiated ~17MSEK Benelux renegotiated ~13MSEK			Renegotiate payment terms		
	Back office (EBITA 10-20 MSEK)	Integration of companies in progress			Wow harmonisation enabled by integration of companies		
	Processes, Quality Improvements & Efficiency Gains (EBITA 50-70 MSEK)	Run rate savings from global org and one IT platform of ~35 MSEK	~90 M		Capture further synergies from scale and consolidation		

FY21/22 › **FY22/23** › **FY23/24**

Platform investments in IT and organisational changes enabling synergy capture

Dustin

Synergies drive SMB margin development

Average FY19/20-21/22

Segment margin

~6.0%

Strong performance boosted by COVID – normalised segment margin

General scalability and efficiency

~0.3% p.p. of margin expansion

- Secure cost synergies from scale/growth
- Leverage automation and promote more self-service
- Increase efficiency in managed service operations - scalable, standardised and remotely managed services

Strengthen sales mix

~0.3 p.p. of margin expansion

- Leverage share of wallet potential (e.g., infrastructure in Benelux, managed services across)
- Continue private label, product near and take back expansion

Pricing excellence & global procurement

~0.2% p.p. of margin expansion

- Improve data driven proprietary pricing
- Global procurement scaling on higher purchasing volumes and better certification levels on top vendors

Invest in growth

Negative impact of ~-0.3 p.p.

- Growth in new market requires initial investment to get traction

FY25/26

Segment margin

>6.5%

Including the synergies such as SMB Benelux expansion

LCP margin development drivers

Average FY19/20-21/22

Segment margin

~4.0%

High volume in basic HW boosted by COVID disrupted mix

General scalability and efficiency

~0.2 p.p. of margin expansion

Utilising standard building blocks for services

Optimising cost of sales by pushing online purchasing platforms

API connections to enhance value and secure customer stickiness

Implementing "best practices" across all countries

Contract optimisation

~0.2 p.p.of margin expansion

Prioritise contracts where we contribute with more value and thereby receive a higher margin over the contract period

Mix of sales

~0.1 p.p. of margin expansion

Increase customer margin through:

Cross sell / upsell with Private label focus

Increase takeback and other LCS services

Unlock Share of Wallet potential (e.g. AV)

Increase share of SW

Utilising inhouse capabilities

Global procurement

~0.1 p.p. of margin expansion

Global procurement scaling on higher purchasing volumes and better certification levels on top vendors

FY25/26

Segment margin

>4.5%

Including synergies such as LCP Tender

Dustin

One IT Platform enables cost synergies and is key for building the European IT powerhouse

One IT Platform

One Dynamics	One Web Experience	One Service Management	One Data Platform
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We will be able to:

- Be more efficient in many of our core processes
- Increase our level of automation
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- Quicker implement new functions thanks to one development process
- Communicate internally and externally as One Dustin

It will enable us to realise synergies

Cost Synergies

- Private Label Benelux (EBITA 30-50 MSEK)
- Procurement (EBITA 10-30 MSEK)
- Back office (EBITA 10-20 MSEK)
- Processes, Quality Improvements & Efficiency Gains (EBITA 50-70 MSEK)

Between FY22/23 and FY24/25 we have a total of 300 MSEK in CAPEX connected to the IT transformation

Reducing NWC to between -100 and -200

Actions to reduce NWC will lead to…

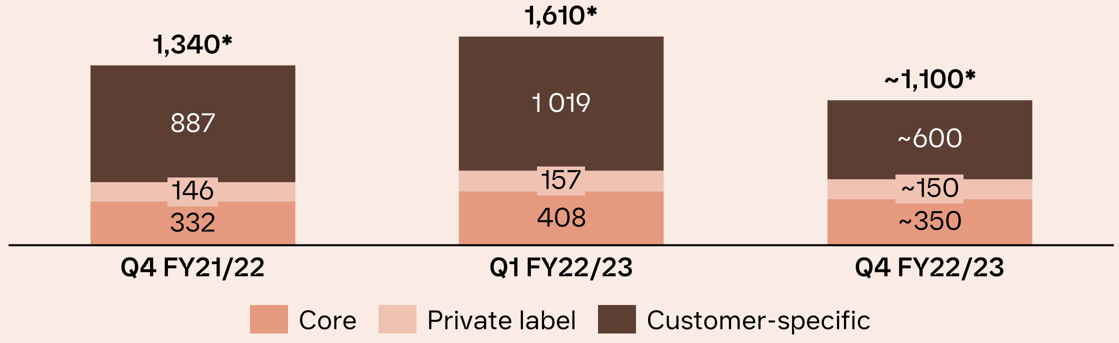
What

- Leveraging on our new organizational structure and combined size
- Moving from old way of procuring towards "just-in-time" procurement
- Structured reduction of inventory in all regions
  - Reducing customer-specific inventory by ~400 MSEK
  - And core inventory by ~60 MSEK
- Increasing payment days towards major Distributors
  - Net Working Capital effect of ~250 MSEK

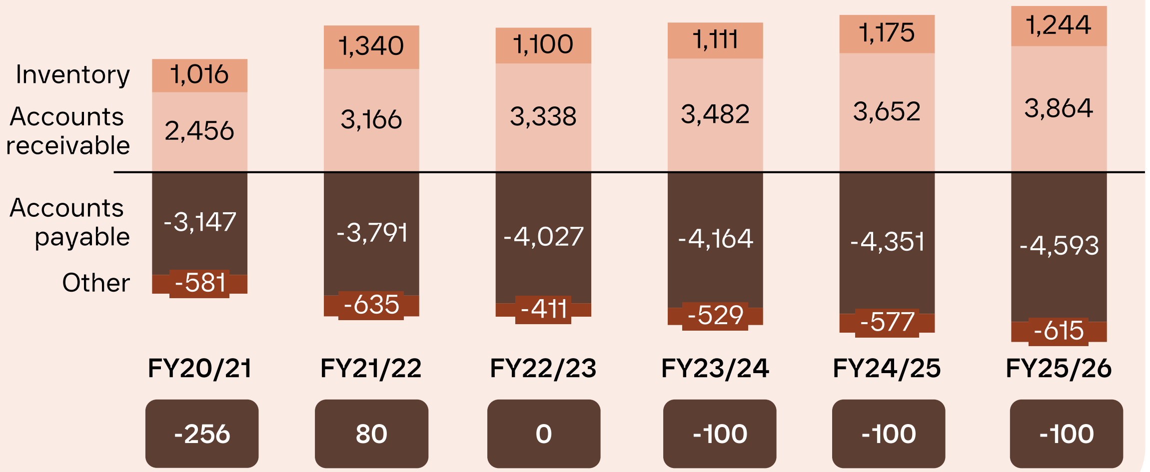
Why

- To facilitate an asset light business model

… reduced inventory levels and…



… getting NWC back to negative levels

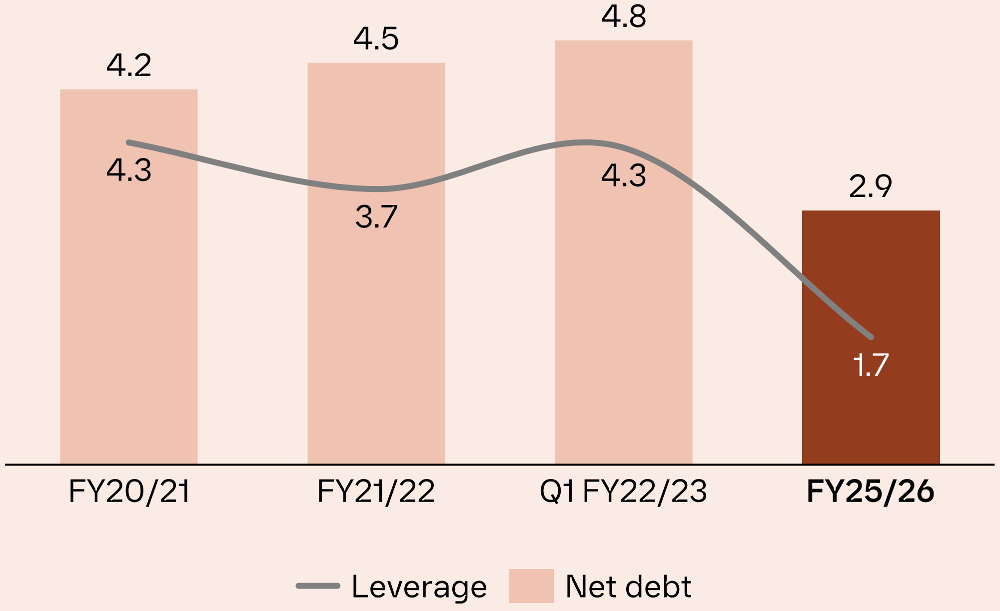


*Including Group eliminations

Leverage projection using financial target parameters

Assumptions used in financial projection

1. EBITDA according to financial targets FY25/26
2. CAPEX modelled on ~200 MSEK on an annual basis
3. Inventory estimated to come down to 1.1 BnSEK at the end of FY22/23, and after that growth is limited to topline growth
4. NWC at negative 100 MSEK
5. Dividend according to policy throughout the period
6. FX at current level



Reaching target range of <3.0 by FY23/24

p.p. **Key activities reaching target range:**

- +0.9 ▪ 70% from EBITDA
- +0.4 ▪ 30% from inventory & NWC

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Our 2030 commitments

Commitments are designed to redefine the impact of our business, how we behave and how we act.

To find new radical ideas, innovations and solutions we promise to collaborate with those around us, work together and bring in different perspectives.

An action to enable responsible, circular and climate neutral IT solutions in a collaborative and transparent manner. Making an impact at scale.

A commitment to keep things moving.

Climate impact Zero carbon emissions across the value chain		0 CO_2
Circularity To be fully circular		100%
Social Equality With our colleagues, customer, partners and suppliers		100#

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Committed to long-term sustainable growth

Trends

- Climate reduction increasingly important in procurement
- Demand for circular products and solutions
- Responsibility and transparency in supply chain management

Sustainability is becoming an integral part of buying IT

Today

- Launch of in-house takeback
- Advantage in tenders
- Sustainability linked loan connected to two KPIs: CO_2e per shipment and number of takebacks. Discount of -2,5 bps on margin if the two KPIs are reached
- Full value chain approach, including Scope 3
- Compliant with TCFD
- External integrated reporting, same level for sustainability as financial auditing

Strong ambitions with tangible steps towards the 2030 commitments

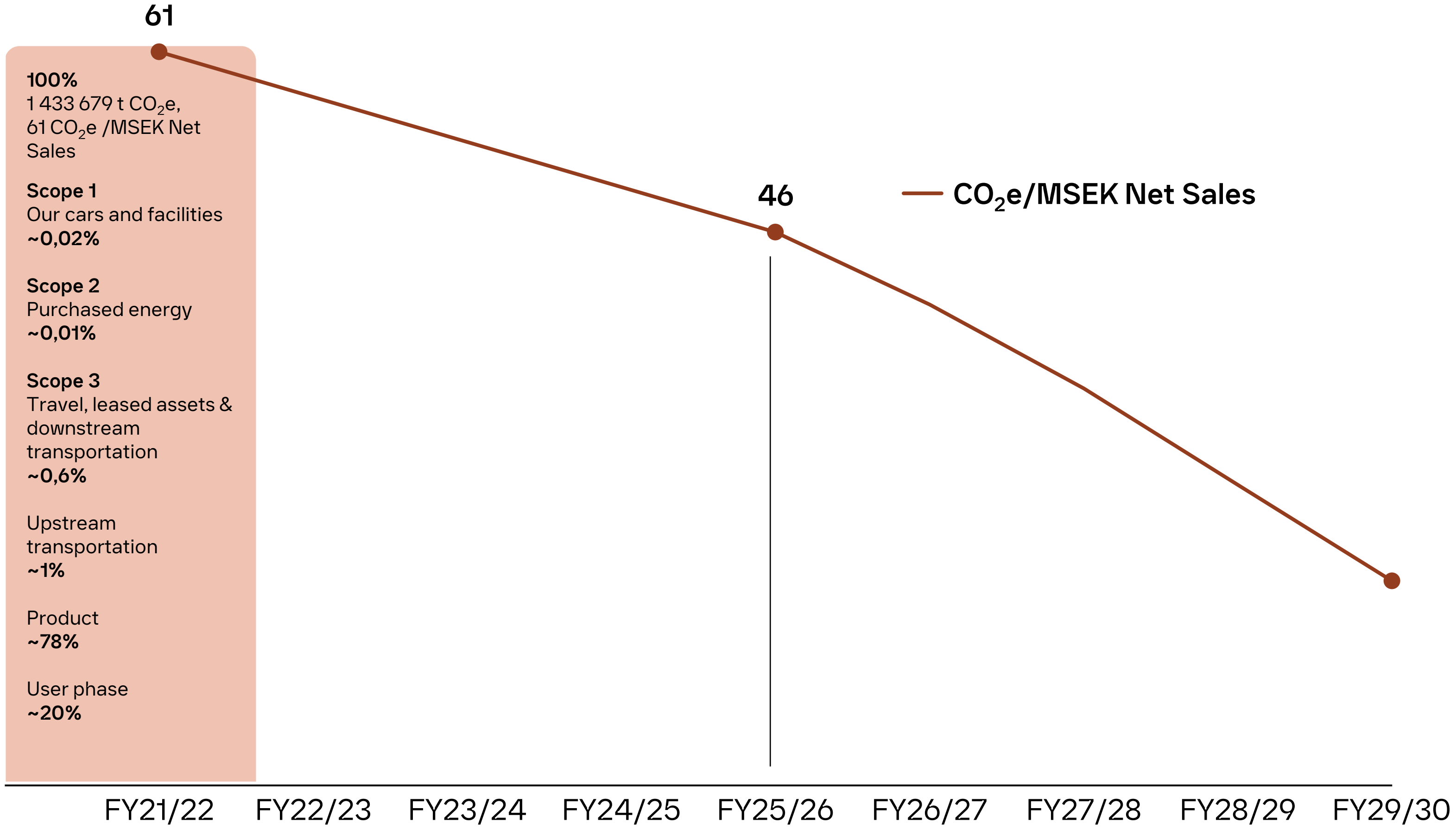
Potential

- Sell refurbished products online
- Use data to help customers make sustainable choices
- Offer circular options that add clear customer value
- LCP customer expectations driving change within SMB
- Given our position and size in our market we can have a positive impact in the entire value chain

Making sustainable IT easy for our customers and contributing to margin development

Our path to decrease our CO2 impact

25% reduction in CO_2e/ MSEK Net Sales until FY25/26



Our main levers – share of total improvement

Expanding services such as managed services and takeback.

~25%

Promoting solutions and products with lower negative environmental impact to actively support customers reduction.

~20%

Co-operate with committed vendors to reduce CO_2e.

~25%

Partnering with stakeholders towards climate action.

~10%

Carbon neutral in own operations.

~5%

Residual - Certified off-setting.

~15%

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Our mission, vision, guiding direction and promise

Mission	To provide the right IT solution, to the right customer and user. At the right time. At the right price.
Vision	To help our customers stay in the forefront
Guiding direction	Enabling the circularity movement
Promise	We keep things moving

Thank you

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