

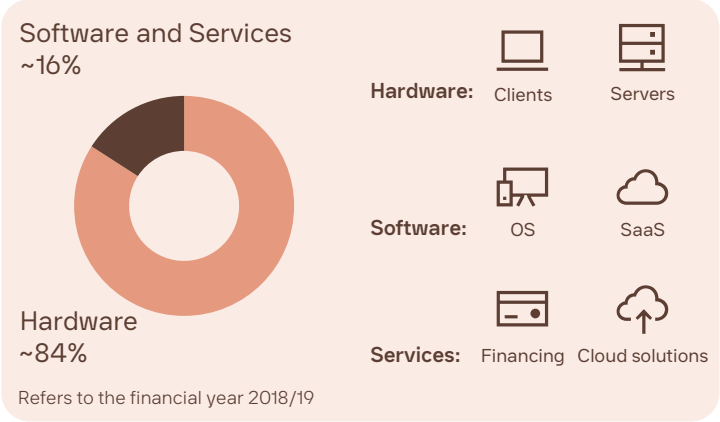
Q3 2019/20

July, 2020  
[dustingroup.com](https://dustingroup.com)

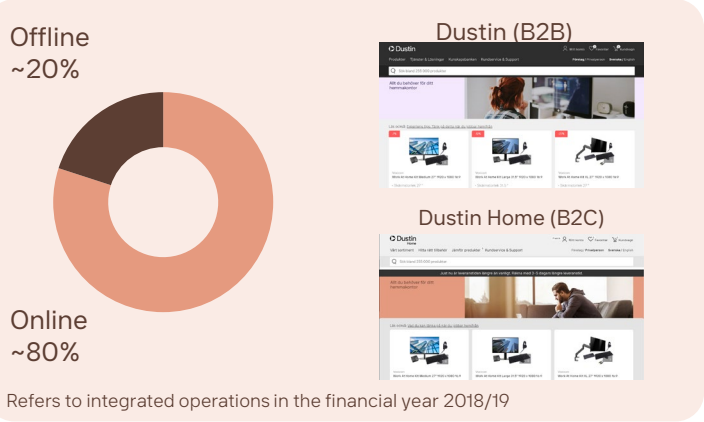
Q3

# Dustin at a glance

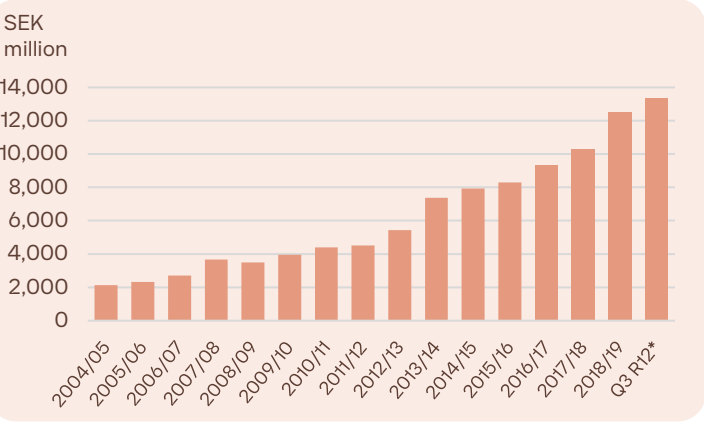
255,000 hardware and software products...



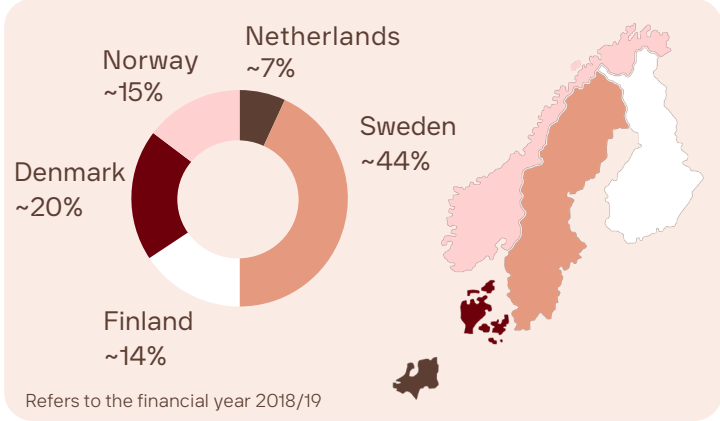
...sold online...



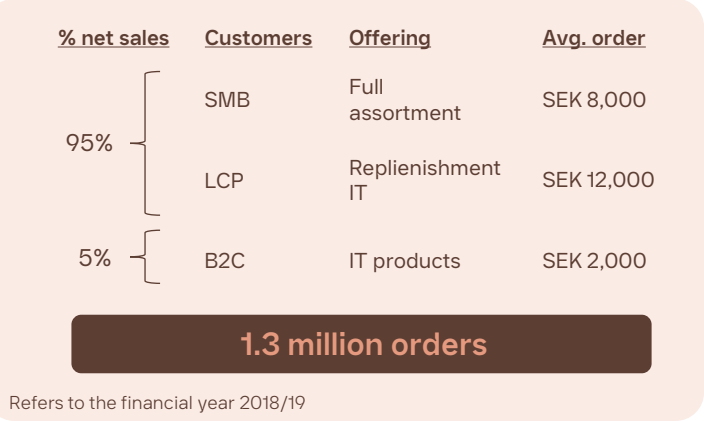
Net sales



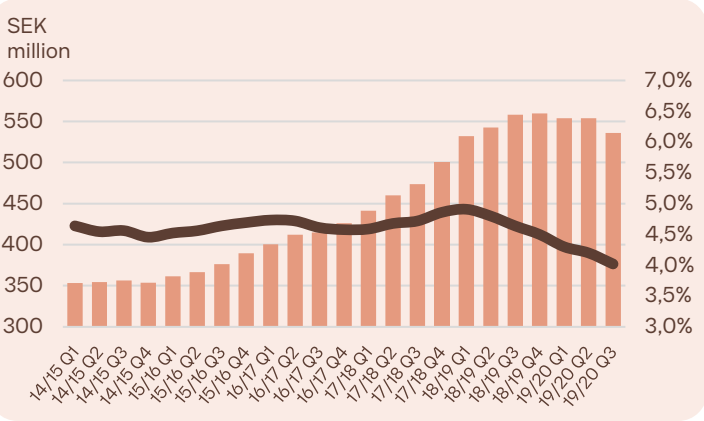
...across the Nordics and the Netherlands...



...to B2B customers



Adjusted EBITA and margin, R12\*



\* R12 refers to 12 month rolling

# Dustin draws strength from increased digitalisation and a high pace of change

## Financial Highlights

### Net sales grew by 3.2% to 3,271 (3,169) MSEK

- Organic growth of 1.3%, of which SMB -5.7%, LCP 6.6% and B2C 9.7%

### Gross profit was 493 (531) MSEK

- Gross margin of 15.1% (16.8%)

### Adjusted EBITA was 106 (124) MSEK

- Adjusted EBITA margin of 3.2% (3.9%)

### Items affecting comparability of -28.7 (-26.2) MSEK

- Restructuring cost related to services and solutions of 26.9 MSEK (-)

### EBIT was 52 (78) MSEK

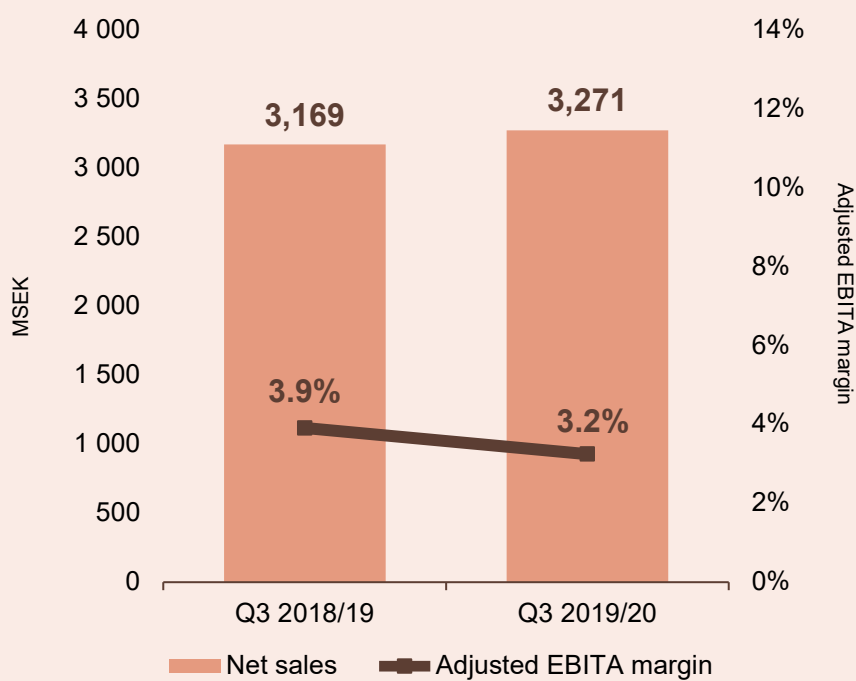
### Earnings per share of 0.35 (0.54) SEK

### Cash flow from operating activities of 468 (101) MSEK

### Leverage of 2.5x (2.9x) in the past 12-month period (excl IFRS 16)

- In the middle of the range for the financial target

Net sales and adjusted EBITA margin



# Financial development – SMB

## Cautious market affecting sales growth

### Net sales growth in SMB of -2.3% y/y

- Organic growth of -5.7%

### Segment result was 109 (142) MSEK

- Segment margin of 7.8% (10.0%)

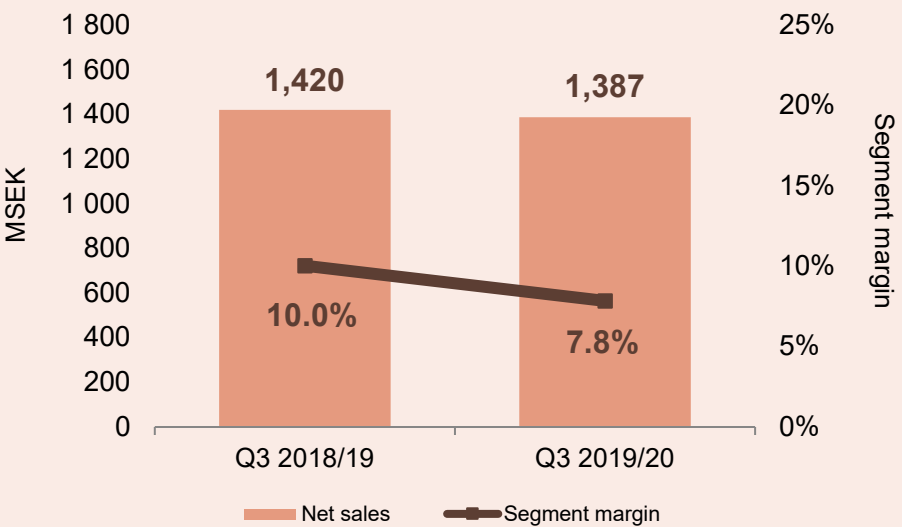
### Slow underlying market growth

- Positive start of the quarter driven by work from home hardware
- Negative growth largely attributable to larger SMBs due to official restrictions
- Stable market development among smaller SMBs throughout the quarter
- Weak development for project related services and onboarding

### Margin decline due to mix changes

- Weaker sales mix, with a higher share of basic hardware with lower margin
- Significantly lower share of high margin project-related revenues
- Current sales and delivery organization for services and solutions sub-scale due to corona pandemic
- Share of software and services sales was stable at 24% (24%) for the segment

Net sales and segment margin



MSEK	Q3 2019/20	Q3 2018/19	Organic growth	Q3 y/y growth
Net sales	1,387	1,420	-5.7%	-2.3%
Segment result	109	142	-	-23.6%
Segment margin	7.8%	10.0%	-	-

# Financial development – LCP

Continued segment growth despite a cautious market

**Net sales growth in LCP of 7.7% y/y**

- Organic growth of 6.6%

**Segment result increased to 102 (80) MSEK**

- Segment margin increased to 5.9% (5.0%)

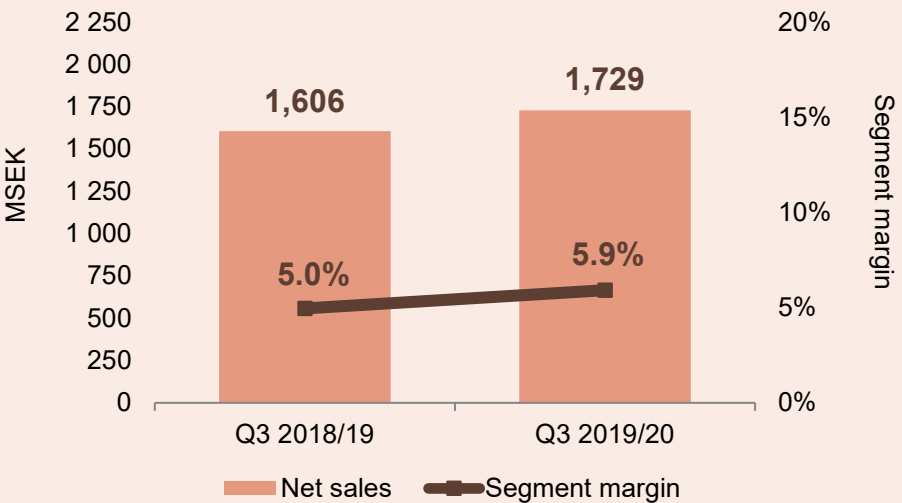
**Public sector drive growth**

- Sales to the public sector remained favourable, with new contracts signed in Norway
- Challenging market for large corporates due to delayed investments, primarily for advanced hardware projects

**Maturing portfolio lift margins**

- Improved margin within larger public sector framework agreements, as contract portfolio matures
- Economies of scale due to higher volumes

Net sales and segment margin



MSEK	Q3 2019/20	Q3 2018/19	Organic growth	Q3 y/y growth
Net sales	1,729	1,606	6.6%	7.7%
Segment result	102	80	-	28.7%
Segment margin	5.9%	5.0%	-	-

# Financial development – B2C

## Solid growth in the quarter

### Net sales growth in B2C of 8.2% y/y

- Organic growth of 9.7%

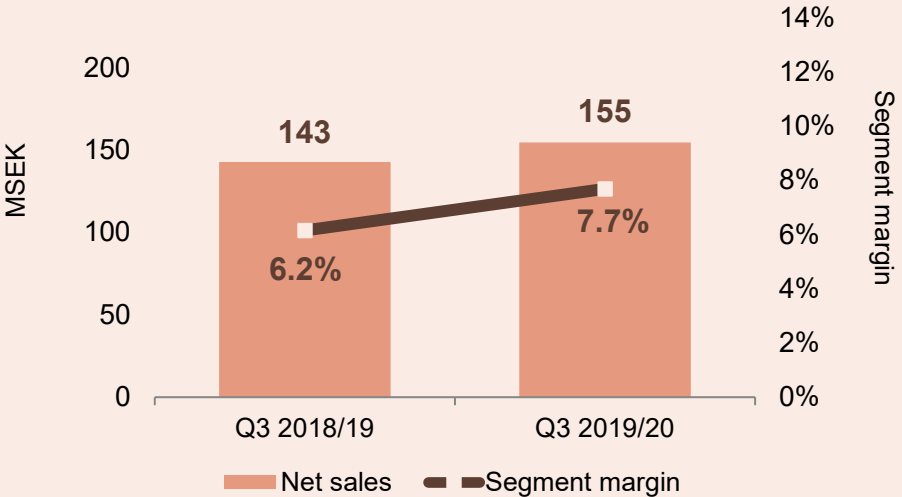
### Segment result increased to 11.9 (8.8) MSEK

- Segment margin increased to 7.7% (6.2%)

### Online position drive growth and margin

- Healthy demand for hardware and accessories for home offices drive growth
- Continued focus on margin ahead of volume
- Pricing discipline and flexible cost base

Net sales and segment margin



MSEK	Q3 2019/20	Q3 2018/19	Organic growth	Q3 y/y growth
Net sales	155	143	9.7%	8.2%
Segment result	11.9	8.8	–	34.3%
Segment margin	7.7%	6.2%	–	–

# Net working capital and Leverage

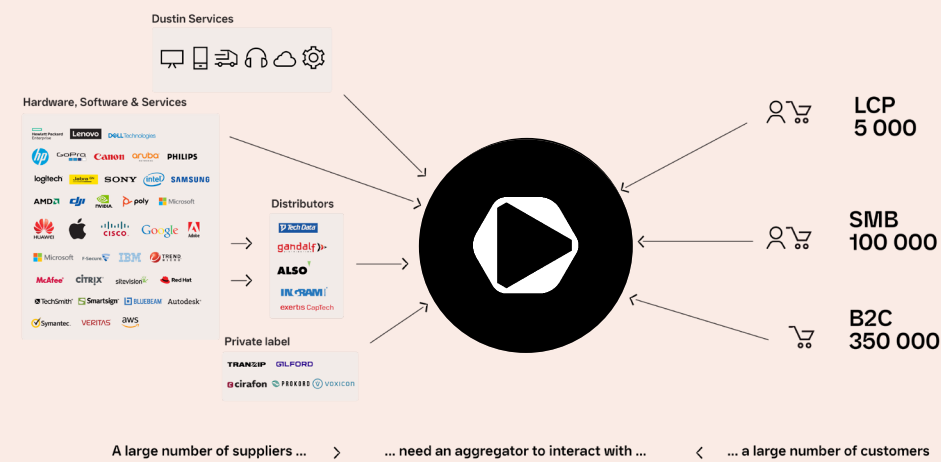
## Low net working capital

- Net working capital was -530 MSEK (-104)
- Inventory increased slightly, due to larger purchases to avoid supply shortage and temporarily higher levels of customer-specific stock
- Accounts receivable lower than last year, primarily due to lower sales in the final month of the period and continued high payment discipline
- Accounts payable higher due to extended credit terms from all major distributors
- Robust business model – as a market leader, suppliers/distributors want to have a tight relationship in turbulent times whilst our customers continue to pay for ordered products and services

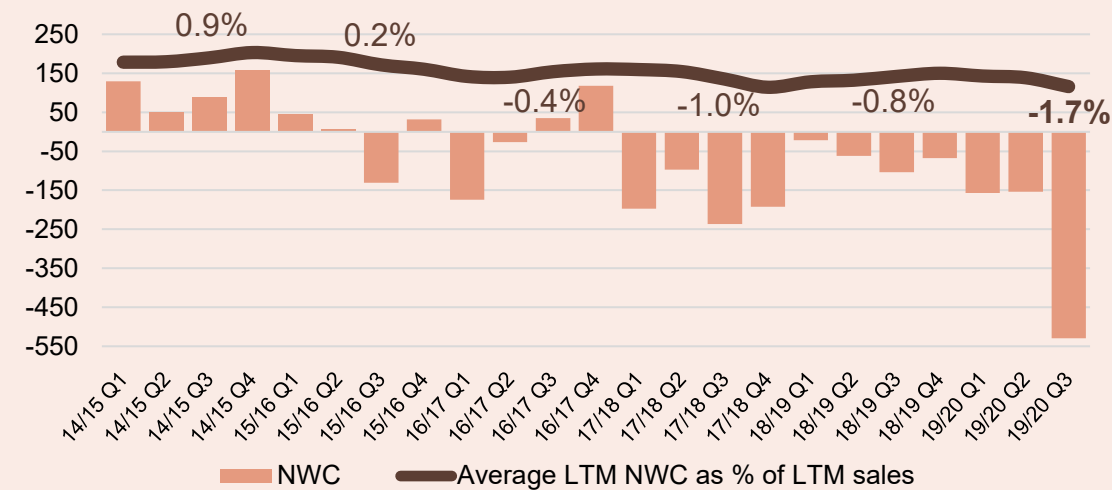
## Leverage in the middle of the target range

- Net debt in relation to adjusted EBITDA in the past 12-month period (excluding effects from IFRS 16), was 2.5x (2.9x at the end of 2018/19)

## Robust business model



## Net Working Capital



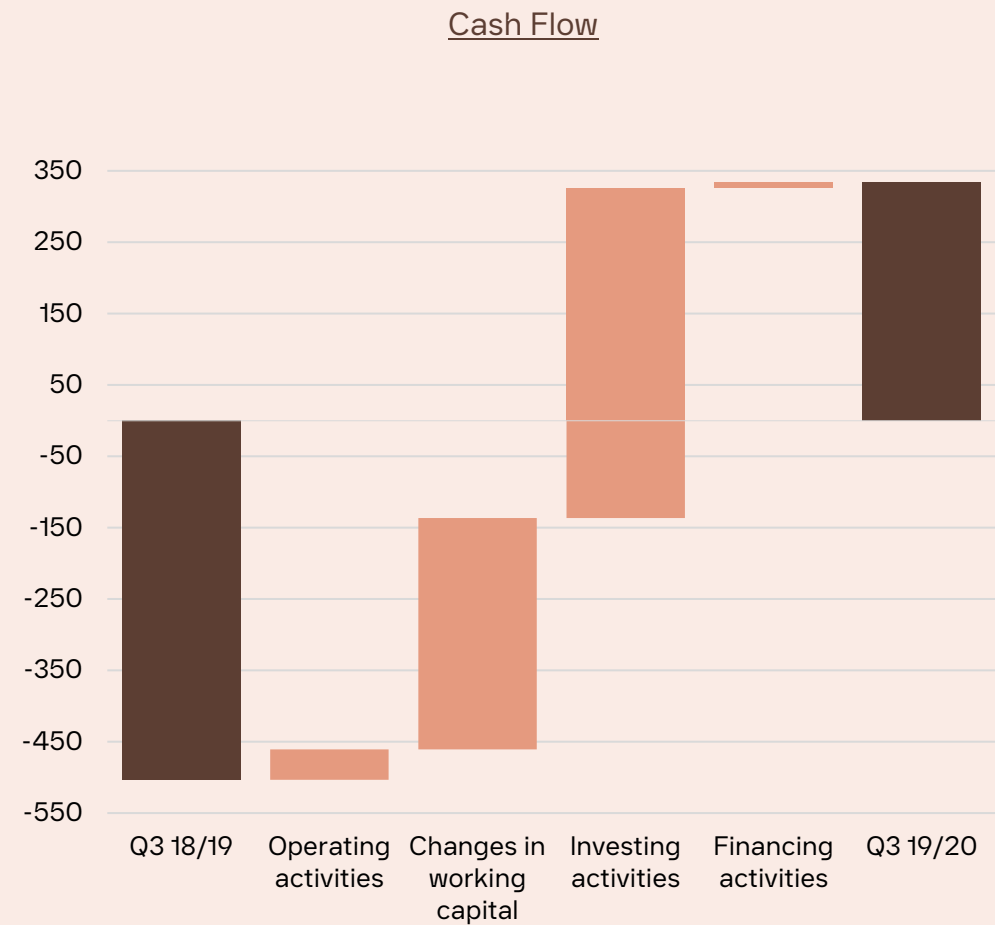
# Cash flow and Investments

## Strong underlying cash flow generation

- Cash flow for the quarter was 334 (-504) MSEK
- Cash flow from operating activities, before changes in working capital, was 109 (66) MSEK
- Cash flow from changes in working capital was 359 (35) MSEK, as a result of higher accounts payable and lower accounts receivable
- Cash flow from investing activities was -96 (-559) MSEK, mainly due to earn-outs paid. Last year affected by larger acquisitions
- Cash flow from financing activities was -38 (-45) MSEK, mainly comprised the repayment of lease liabilities primarily attributable to IFRS 16

## Investments to support strategic journey

- Capex related to IT development stable at 10.0 (9.1) MSEK
- Other capex increased to 17.9 (13.2) MSEK, comprising investments in the customer and market information platform, hardware for data centers and property improvements
- Net investments in lease assets was 97.0 (2.9) MSEK, and relates to automation of the central warehouse, cars and IT equipment related to production of managed services
- Earn-outs paid in the quarter amounted to 67.8 (-) MSEK



# Dustin draws strength from increased digitalisation and a high pace of change

## Operational Highlights

### **Increased pace in implementation of strategy in services and solutions**

- Closing of 14 smaller and local offices and reduced workforce by approximately 50 positions
- Expected to generate annual saving of SEK 40 million, with a distinct impact as of July

### **Warehouse automation in operation**

- Robot in operation as of June
- Expected to generate annual saving of SEK 10 million, with impact as of July

### **Consolidation of Nordic data centre structure**

- 2 out of 4 completed and operational, migration of customers is ongoing
- To be finalized in the autumn of 2020, expected to generate annual saving of SEK 10 million

### **New brand position and visual identity**

- Launched in early March to anticipate the new direction as an IT service and product provider
- Well connected to our new brand promise, “We keep things moving”

### **Changes to Executive Management**

- Morten Jakobi new EVP Netherlands
- Stephanie Forsblom new EVP Marketing & Communication
- Martin Lindecrantz new EVP HR



# A leap in digital transformation

## Short term impact

- Strong work from home trend in March, while April and May has been more cautious
  - Demand of webcams increased over 450 per cent in Q3 versus Q2
  - Demand of headsets increased 130 per cent in Q3 versus Q2
- Increased demand among larger SMBs and corporates as official restrictions are easing in most markets
- Continued stable demand in the public sector

## Longer term opportunities

- Accelerated market trends with increased digitalisation and distinct changes in customer behaviour
- Higher share of sales online and increased demand for mobility and cloud services as well as for security and remote management
- Well positioned for the strong market trends in the long term
- Extensive experience of providing managed IT services and products to help customers take their necessary steps and use of tools to become more digital
- Ability to help customers take use of new technologies and tools with adoption services



# Summary of the third quarter 2019/20

Dustin draws strength from increased digitalisation and a high pace of change

**Net sales grew 3.2% to 3,271 (3,169) MSEK**

- Group organic net sales growth of 1.3% in constant currency
- Organic growth in SMB of -5.7%, LCP of 6.6% and B2C of 9.7%

**Gross margin lower at 15.1% (16.8%)**

- Affected by mix effects, a strong decline in project-related income and lower volume-based discounts from suppliers

**Adjusted EBITA was 106 (124) MSEK**

- Adjusted EBITA margin of 3.2% (3.9%)
- Margin negatively affected by the lower gross margin
- Actions implemented to adapt organisation and reduce cost

**EBIT was 52 (78) MSEK**

**Earnings per share before dilution at SEK 0.35 (0.54)**

**Cash flow from operating activities of 468 (101) MSEK**

**Leverage of 2.5x (2.9x) in the past 12-month period (excl IFRS 16)**

**Increased pace in implementation of strategy in services and solutions**

**Warehouse automation in operation**

**Consolidation of Nordic data centre structure**

**New brand position and visual identity**

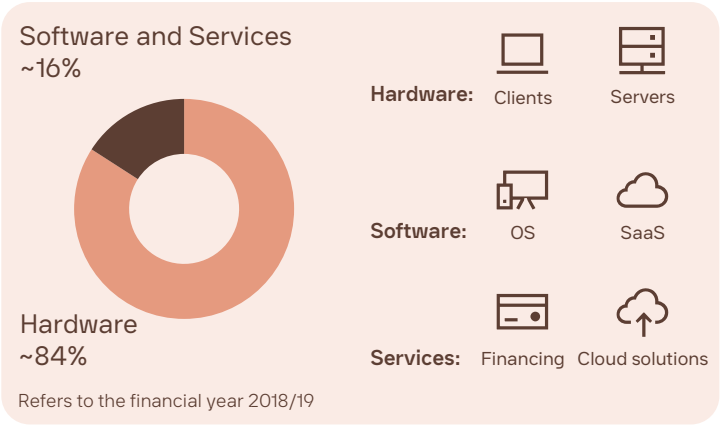
**Changes to Executive Management**



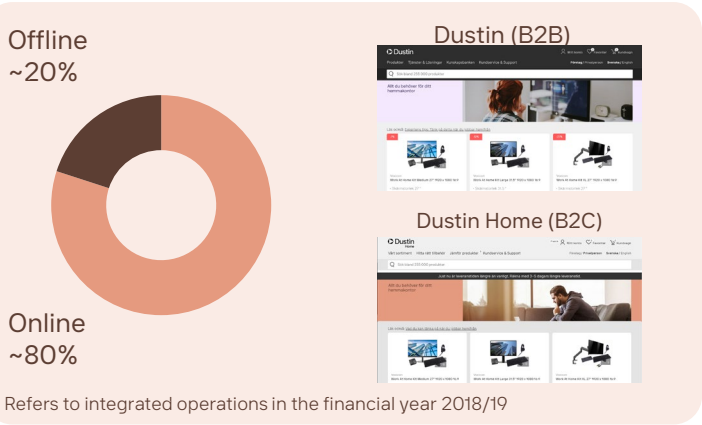
Corporate presentation

# Dustin at a glance

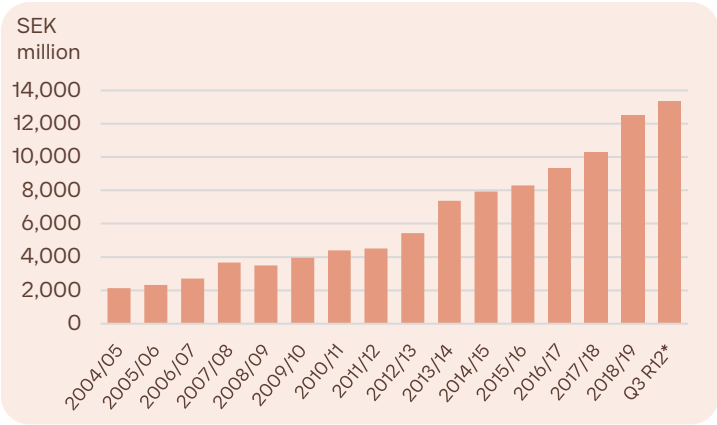
255,000 hardware and software products...



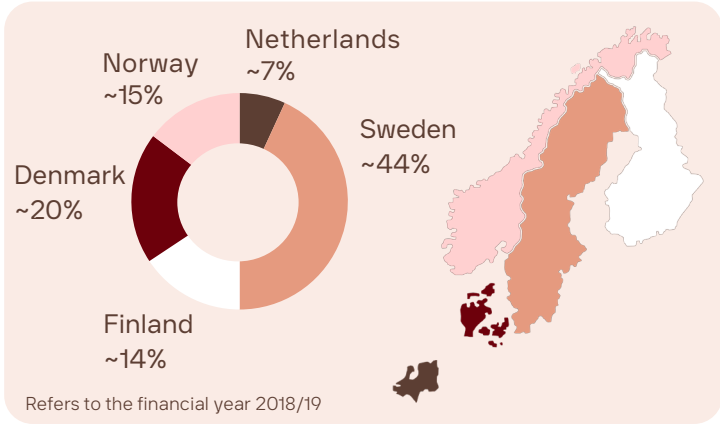
...sold online...



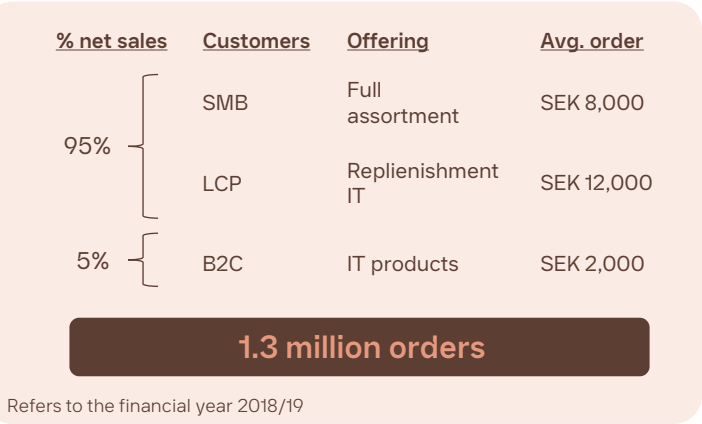
Net sales



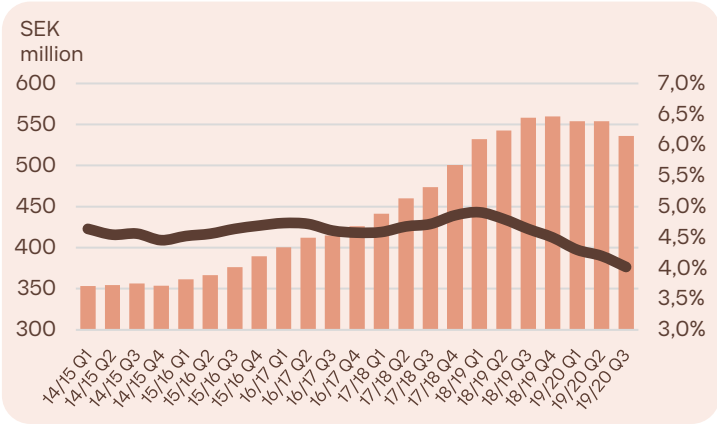
...across the Nordics and the Netherlands...



...to B2B customers



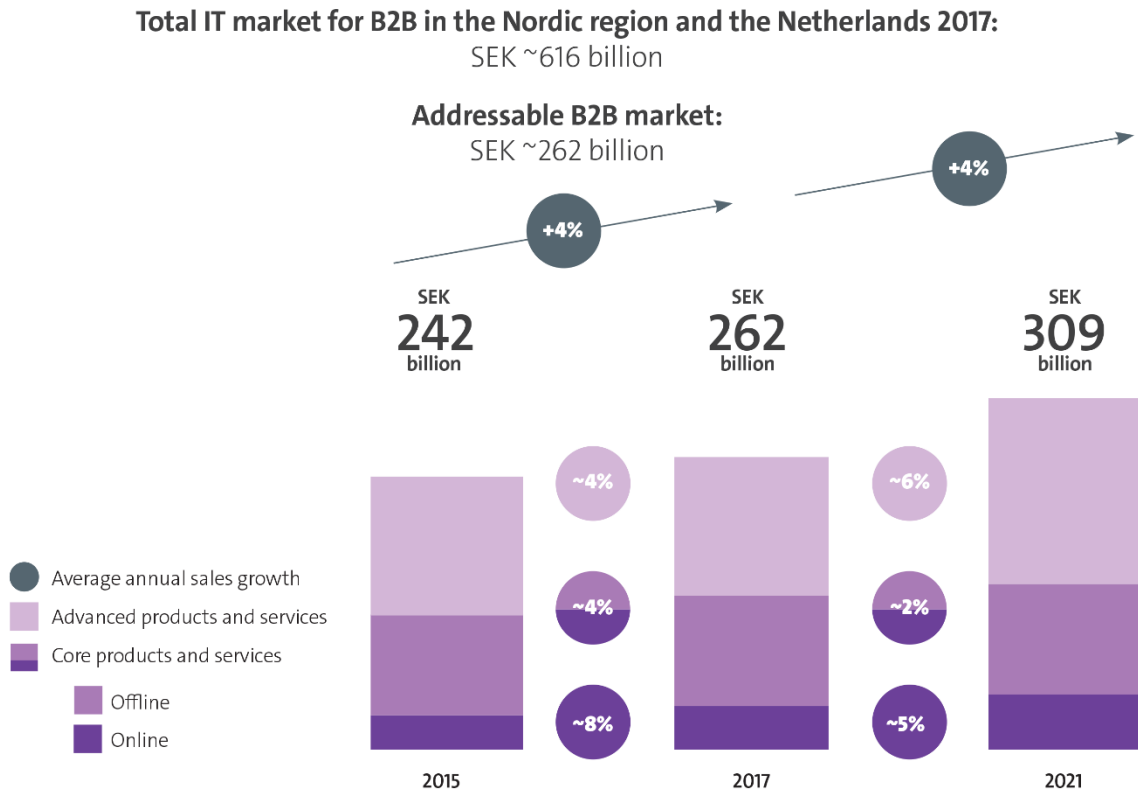
Adjusted EBITA and margin, R12\*



\* R12 refers to 12 month rolling

# 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

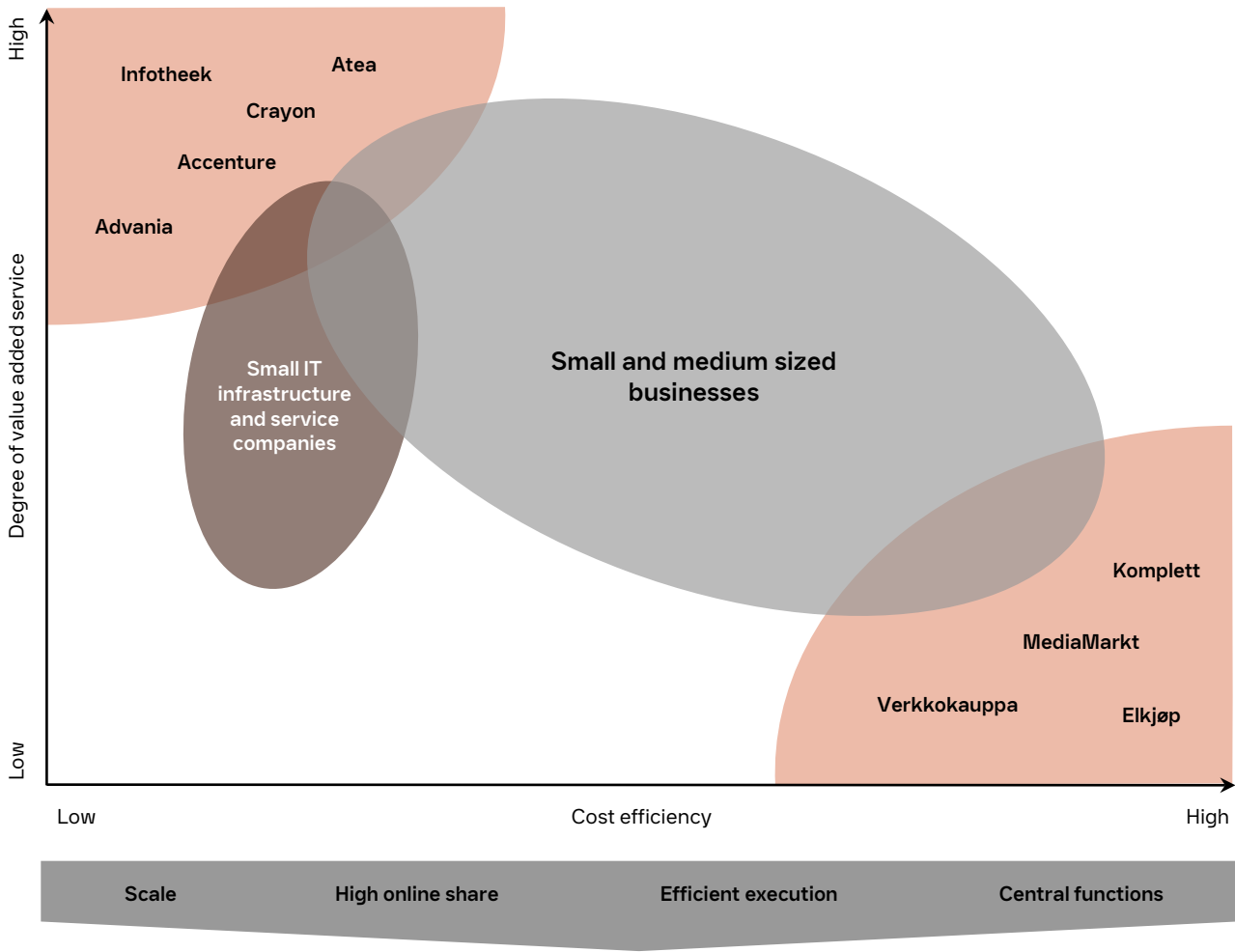
- ✓ Market share Nordics ~7%
- ✓ Market share Netherlands ~1%

\*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.

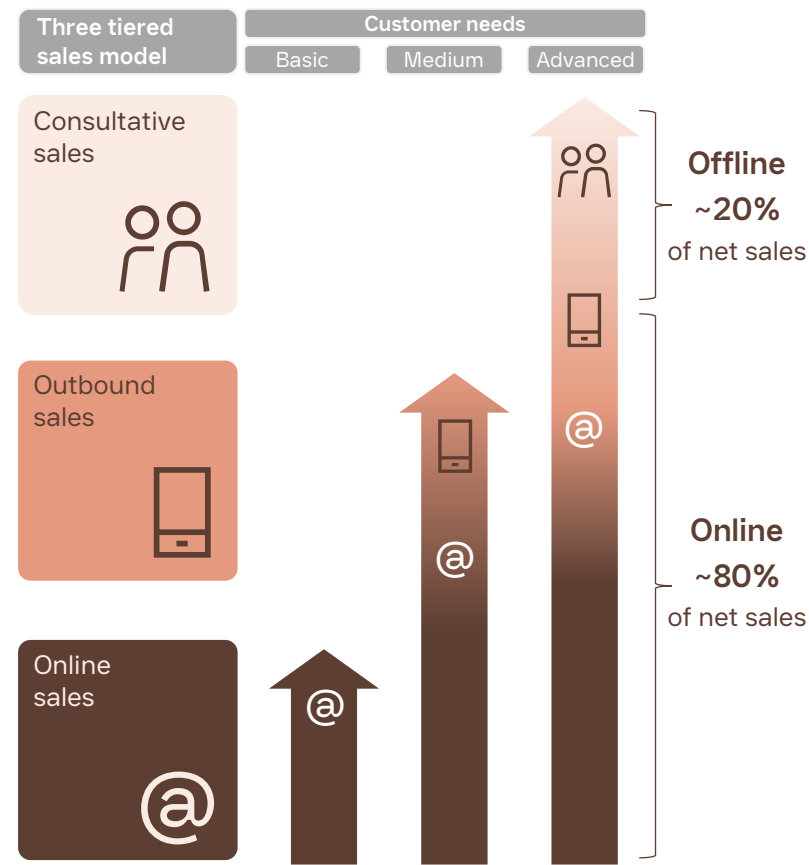
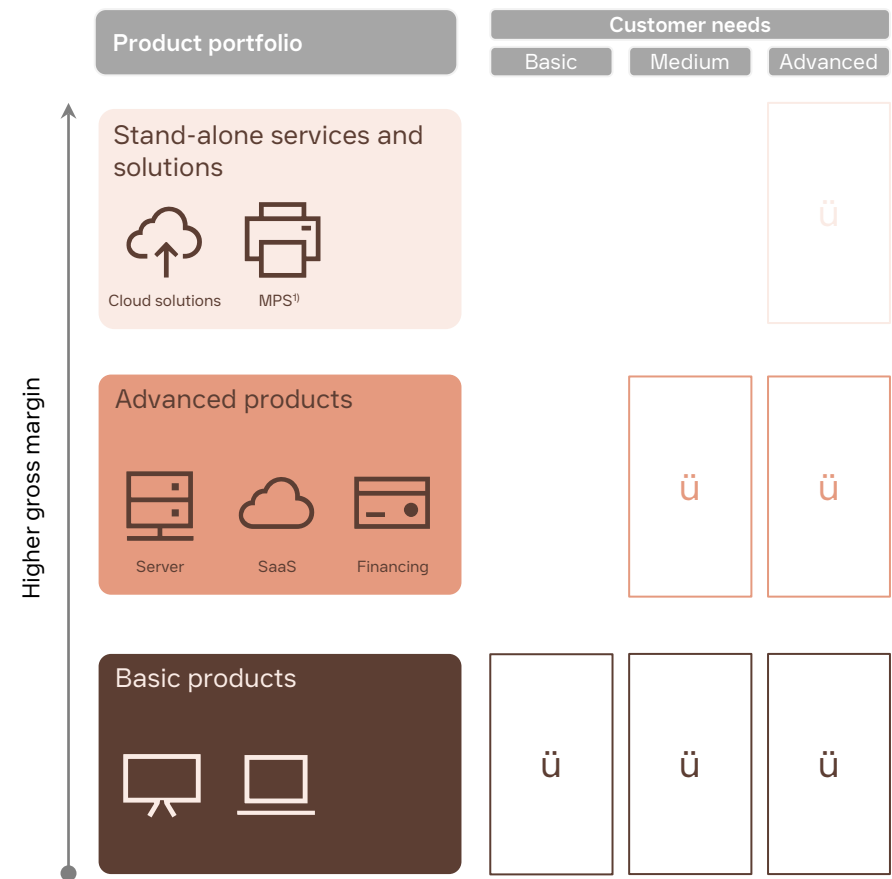
# A unique position in the SMB segment



- ☐ Dustin's focus areas
- ☐ Non SMB related services

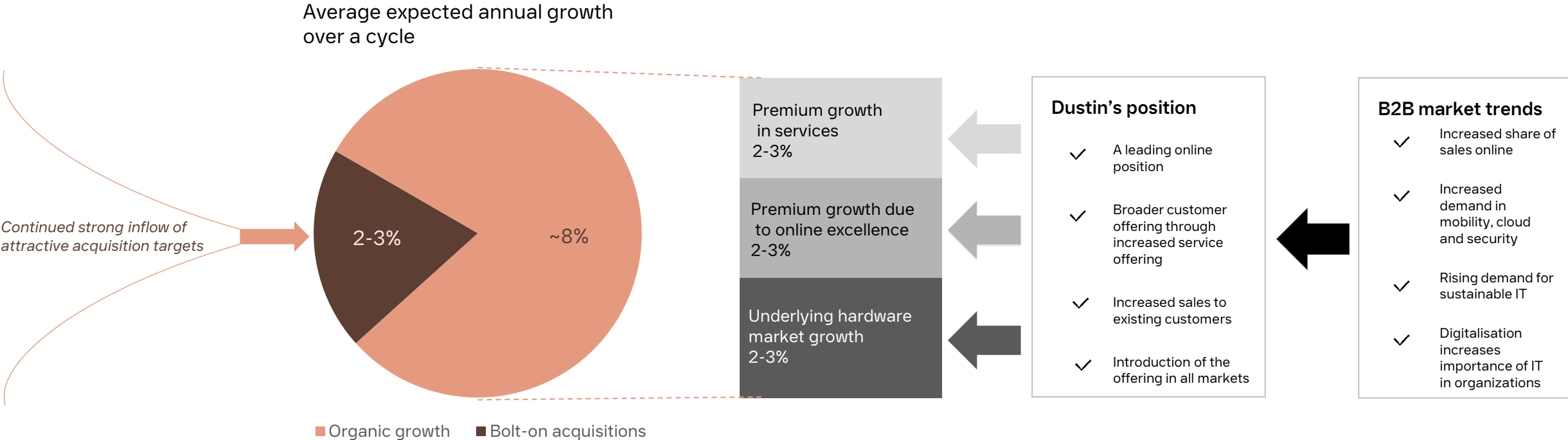


# Multi-channel approach to drive growth and margins



# 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%

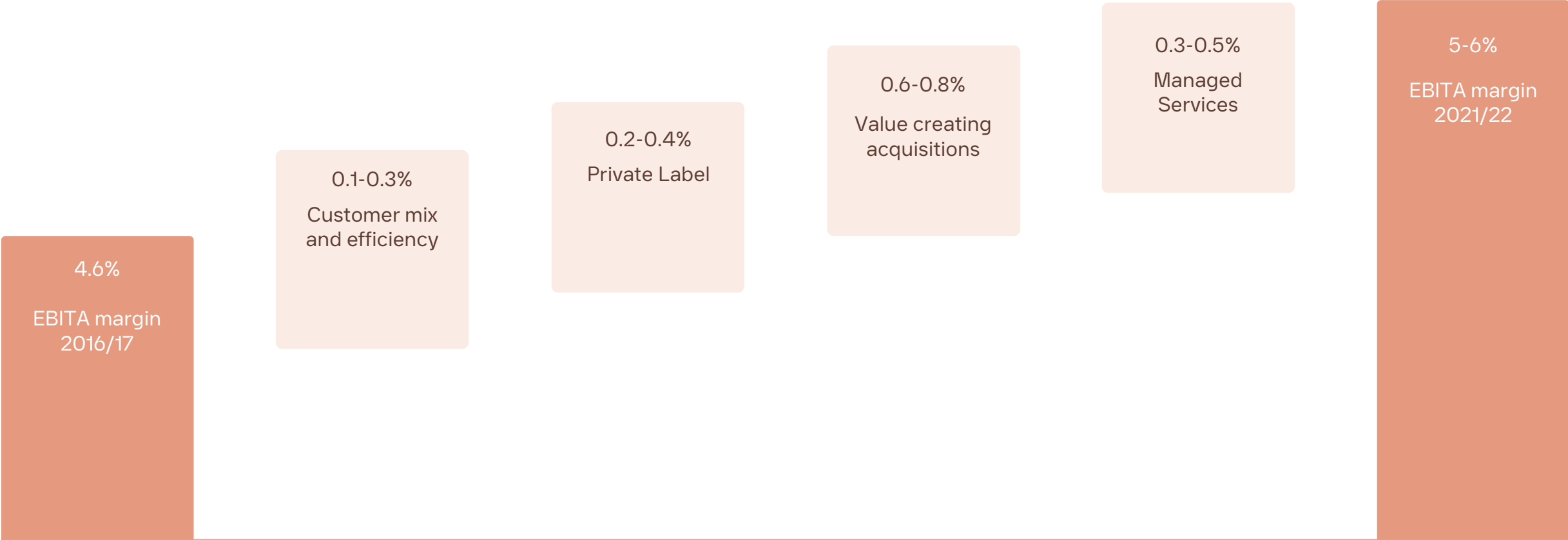


Source: Dustin's estimates based on market data from IDC and market analysis from a senior advisor.

# 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

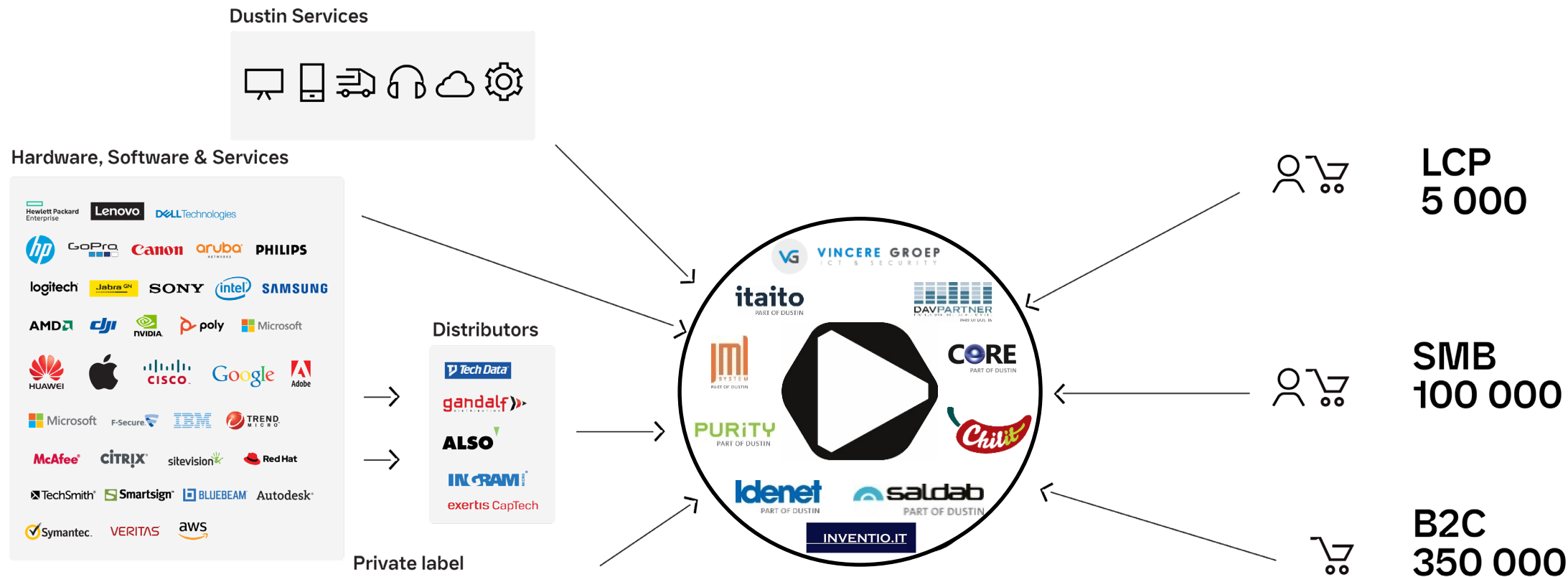
Business ethics & anticorruption:

100%

Diversity & equality:

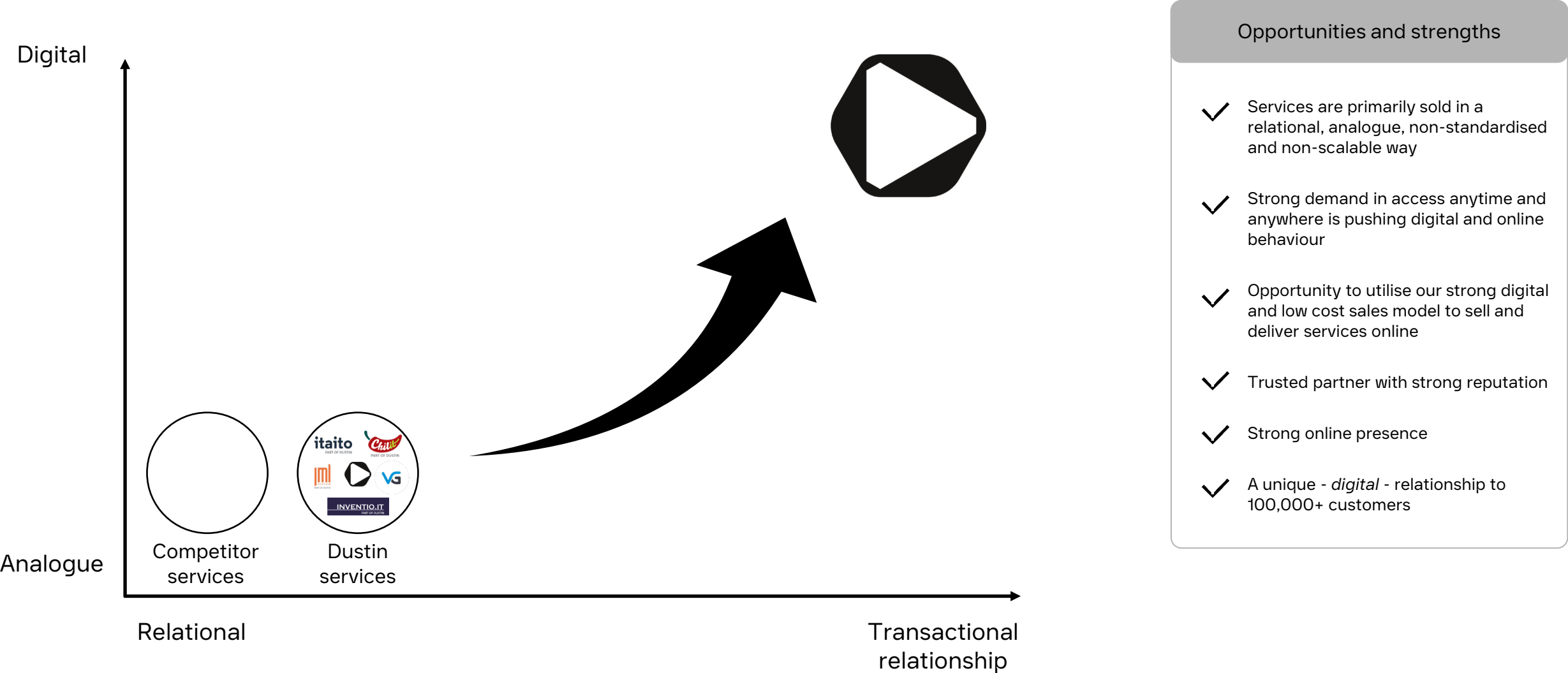
40/60

# Our position in the value chain



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

# Our position

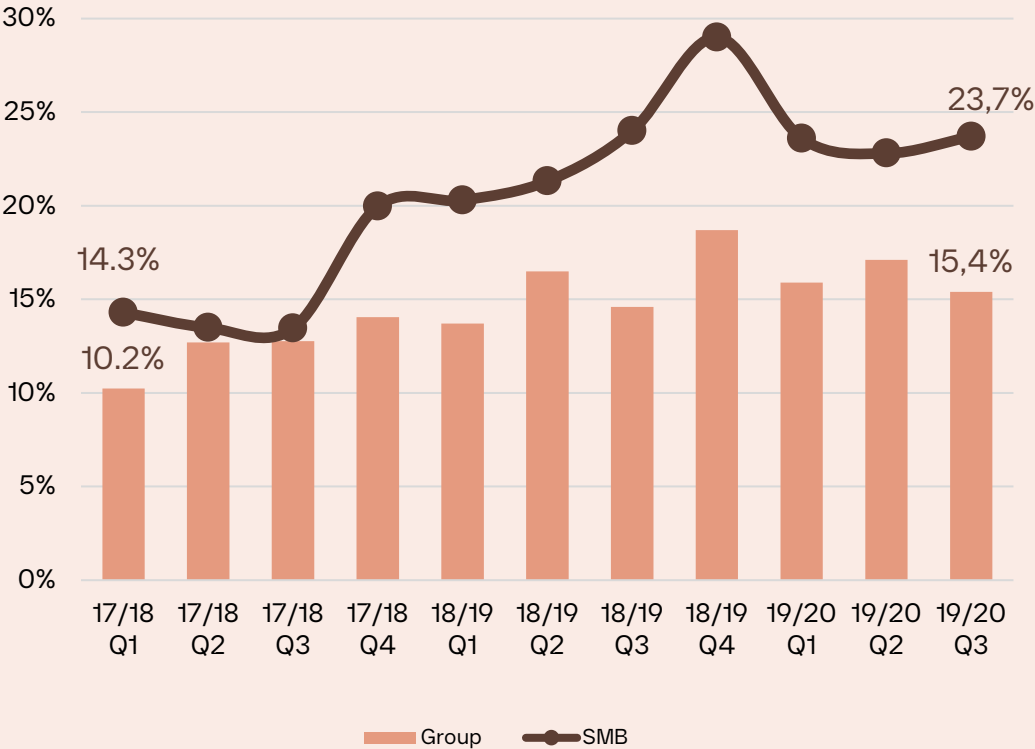


# Services sales drives margin shift

## 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

Share of software and services sales

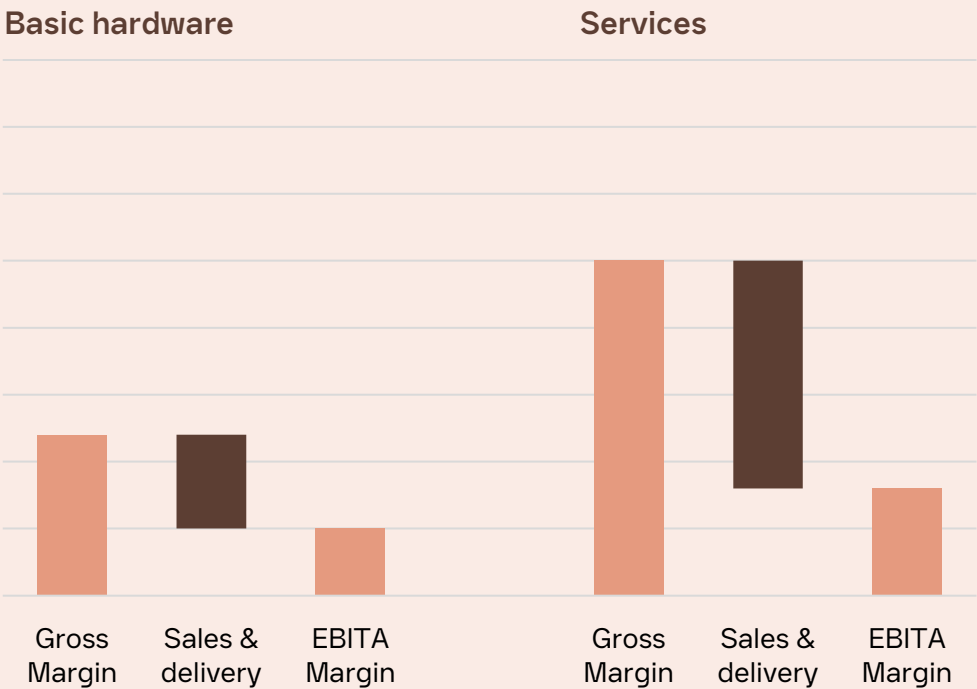


# Positive development in product mix change

## 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

## Product mix effects on margins\*



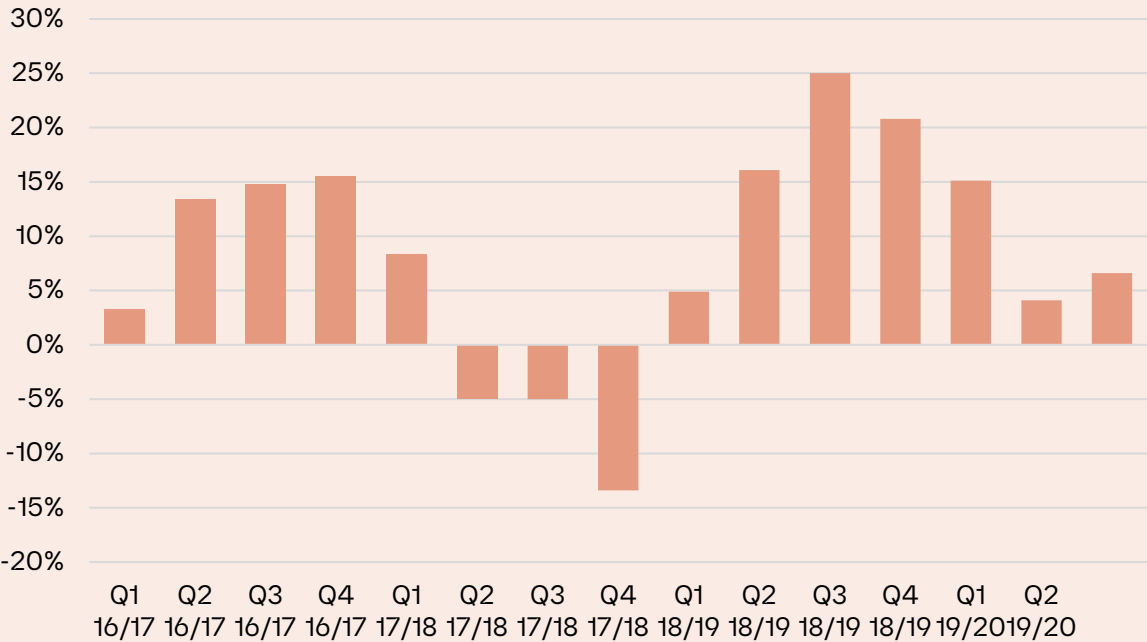
\* Illustrative graph to visualize margin differences between product groups, not based on actual numbers

# 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
- Weak development in Large Corporate sales during the third quarter
- 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 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.

# 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



Thank you

 Dustin