

Press release
Estimated 2019-2020 earnings

2019-20 - A pivotal year to change dimension

- Acquisition of Boston Limited: acceleration of commercial roll-out and international expansion
- Estimated *pro forma* performance¹ over 12 months: revenue €145.3m, EBITDA €3.2m

Recent developments in 2020-21

- Despite COVID-19 impact, *pro forma* growth estimated at +18% in first quarter
- Stepped up marketing and sales initiatives
- Extension of product catalogue
- New plans to expand internationally

New targets for 2020-21

- Robust revenue growth, expected at €170-200m
- Improved level of profitability

Strasbourg (France), 8 July 2020 – 2CRSi today announces its estimated earnings for the 2019-20 period. Consolidation plans could not be completed to schedule due to the unprecedented impact of the COVID-19 crisis which has severely impeded the consolidation of the accounts of Boston Limited, undergoing its first integration. Once consolidation is completed, the consolidated accounts will be audited and submitted for approval by the Board of Directors, and set out in a press release in July.

Note that in this particular instance the period lasted 14 months (January 1, 2019 to February 29, 2020), the end of its fiscal year having been set to end-February to align with that of Boston Limited and present its activities in a manner that is more consistent with the seasonal nature of its business, which is traditionally strong over the final months of the calendar year.

¹ 2019-20 pro forma data (12 months from March 1, 2019 to February 29, 2020) have been prepared for easier comparison and include the contribution of Boston Limited's business which totals €102.1m in revenue over the full period.

HIGHLIGHTS OF THE 2019-20 PERIOD

Acquisition of Boston Limited, a change of dimension to accelerate the Group's commercial and international expansion

Completed in November 2019, the acquisition of Boston Limited is a momentous step for the Group. Built on a long-standing relationship between the two companies and their founders, the new ensemble now benefits from 2CRSi's historical and recognised technological expertise, and from the strong commercial positions of Boston Limited, a leading international integrator and distributor.

At the end of February 2020, the Group numbers 355 employees including 70 salespeople. With this acquisition, it is increasing its global geographical reach substantially through its bolstered sales force and extended international distribution network. Thanks to its 22 offices and over 50 distribution and resale partnerships, the Group has direct and indirect coverage of over 50 countries.

With this acquisition the Group can also address the three priorities set out in 2018: accelerate its commercial transformation, diversify its client portfolio, and extend its reach beyond France.

The 12-month integration of Boston Limited takes the estimated *pro forma* revenue to €145.3m over 12 months (March 1, 2019 - February 29, 2020). As a reminder, 2CRSi generated revenue of €65.2m for the 2018 period (January 1, 2018 - December 31, 2018).

As anticipated², Group revenue was affected by the first effects of the COVID-19 from January and February 2020. Indeed, numerous parts manufacturers shut down in early January, while transport supply was drastically reduced.

The 2019-20 accounting period (January 1, 2019 - February 29, 2020) puts consolidated Group revenue at an estimated €81.7m over 14 months, integrating a €32.4m contribution from Boston Limited from November 18, 2019 to February 29, 2020.

Over the 2019-20 period, 2CRSi strengthened its positions abroad substantially with over 86% of its business taking place outside France. Excluding Boston Limited's contribution, revenue generated outside France over the same period would have accounted for less than 57% of total business.

ESTIMATED EARNING FOR THE 2019-20 PERIOD

Having changed its closing date and thus presenting its accounts as at February 29, 2020 over 14 months, a comparative of certain aggregates over 12 months (March 1, 2019 to February 29, 2020) is presented with the integration of Boston Limited over a full year.

² Press release of February 26, 2020: "Expected impact of the closure of several Asian factories as a result of COVID-19"

Simplified income statement In € million - IFRS	2019-2020 ³ 14 months	2018 12 months	2019-2020 ³ 12 months <i>pro forma</i>
Revenue	81.7	65.2	145.3
Other ordinary operating income	0.9	0.1	0.8
Revenue from ordinary activities	82.5	65.2	146.1
Purchases used	(60.6)	(49.7)	(113.1)
External charges	(6.9)	(4.2)	(12.4)
Staff costs	(12.4)	(4.8)	(16.8)
Taxes other than on income	(0.6)	(0.4)	(0.6)
Other operating income and expense	(0.7)	(0.0)	(0.0)
EBITDA	1.4	6.2	3.2
<i>EBITDA margin</i>	<i>1.7%</i>	<i>9.5%</i>	<i>2.2%</i>
Depreciation, amortisation and impairment	(5.3)	(1.7)	
Current operating income	(4.6)	4.3	
Operating income	(4.7)	3.7	
Financial income/(expense)	0.7	(0.5)	
Consolidated net income/(expense)	(4.6)	3.7	
Consolidated net income/(expense) – group share	(4.0)	3.7	

The application of IFRS16 (recognition of leases in the consolidated financial statements) had no impact on the financial statement of the period, as the standard was already applied proactively by the Group for fiscal year 2018.

The company will publish its annual financial report online by August 31, 2020 at the latest.

Boston Limited was integrated into the Group's consolidated accounts as of November 18, 2019 (i.e. less than three and a half months into the 14-month period).

Under the 2019-20 period (14 months), 2CRSi's gross margin rate is estimated at 26%, up two points from the 2018 period. External costs are estimated at €(6.9)m, in line with the previous period (over a 12-month period and excluding Boston Limited). Estimated payroll costs stand at €(12.4)m, and represent 15% of the Group's revenue over 14 months, versus 7% in 2018. This increase reflects the addition of more experienced people in 2CRSi's teams, particularly in marketing, sales and R&D. Accordingly, EBITDA over 14 months is estimated at €1.4m, and at €3.2m *pro forma*. Depreciation, amortisation and impairment total €(5.3)m, up sharply on account of amortised rights of use for real estate leases in Nanterre and Strasbourg in particular.

Estimated operating income is €(4.7)m. After taking account of financial income and income tax, consolidated net income (Group share) is estimated at €(4.0)m for the period.

³ Estimated unaudited figures

Cash position at end-June 2020

The gross cash position at the end of June stood at €8.6m. Added to this is available financing totalling €9.3m (bank overdraft, short-term undrawn credit lines). At the end of June, the company also submitted a request for a government-backed loan in the amount of €12m.

First-quarter growth despite the impact of COVID-19

After the positive momentum generated by the acquisition of Boston Limited, the Group's growth trajectory was weighed down by the COVID-19 health crisis. This impact, felt since January 2020, manifested itself in a number of ways:

- Longer delivery times for certain parts coming out of Asia;
- Mixed trends in sales momentum with postponed trade talks on the one hand and increased demand in certain business sectors, such as cloud computing and online video games, on the other; and
- A more restrictive integration process for the Boston Limited teams.

Despite the impact of COVID-19, the Group maintained a good level of business in the first quarter of the 2020-21 period (March 1 - May 31, 2020) with expected *pro forma* revenue growth of +18% from the same period last year.

The same growth dynamic is observed in the first part of the second quarter.

New targets for the 2020-21 period

Bolstered by the first rewards of its marketing and commercial efforts initiated in 2019 and the gains from the acquisition of Boston Limited, 2CRSi is upbeat about the months ahead thanks to:

- Economies of scale in purchasing and marketing;
- A wider range of 2CRSi products and the integration of Boston Limited in its catalogue, covering over 80% of market needs;
- A greater commercial reach thanks to Boston Limited's extensive network, the recent foothold in Singapore and the appointment of Wally Liaw who will contribute to accelerating the Group's development in the United States and East Asia.

2CRSi therefore has every confidence in its ability to achieve high growth for the 2020-21 period with annual revenue of €170-200m. Such an increase would automatically lift its profitability from the level of the previous period.

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About 2CRSi

Founded in Strasbourg (France), 2CRSi group develops, produces and sells high-performance customised and environmentally-friendly servers. In the financial year 2019/2020, the Group achieved *pro forma* turnover of €145.3m. The Group today has 355 employees and markets its offer of innovative solutions (processing, storage and network) in more than 50 countries. 2CRSi has been listed since June 2018 on the regulated market of Euronext in Paris (ISIN Code: FR0013341781) and is included in the European Rising Tech label. For further information please visit: www.2crsi.com

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