

# Conference on results of AB Group Q3 FY 2020/2021



25.05.2021



AB ON THE MARKET



# IT/HOUSEHOLD APPLIANCES BUSINESS SITUATION ON GLOBAL MARKETS IN Q1 2021

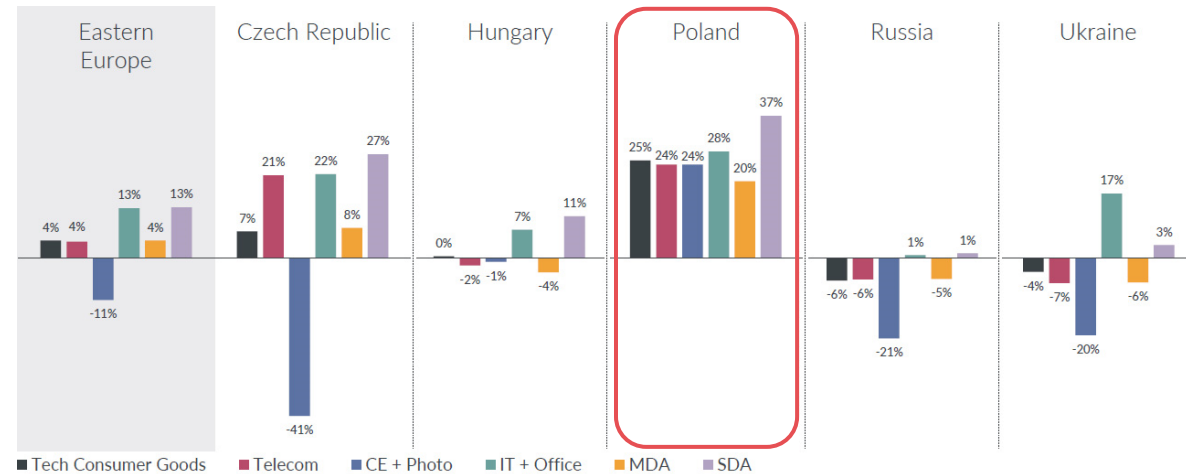
## GLOBAL DYNAMICS OF TURNOVER INCREASE ON CONSUMER MARKET



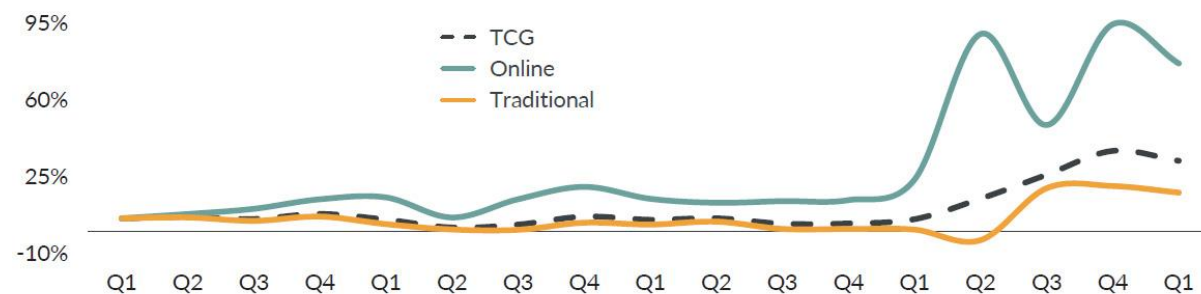
**Positive sales trend in Q1 2021 – pandemic driven needs still drive the consumption**

# CONSUMER MARKET SITUATION IN CEE REGION AND IN POLAND

## Turnover growth dynamics (%) Q1-2021 y/y by product segments in electronics market in Eastern Europe



## Turnover growth dynamics (%) Q1-2021 y/y by the types of sales channels within the consumer channel (electronics market) in Poland



## Key facts concerning situation in Poland:

- Consumers' expenditures on IT and household appliances in Q1 2021 in comparison to the previous year increased by 25%.
- The highest growth was noted by small household appliances (+37%) and IT segments (+28%).
- The introduction of 5G technology was one of the main drivers of increase in Telecom segment (+25%).
- Inflation higher than expected (4,3%) goaded consumers to buy goods from the above segments.

## Situation in sales channels in Poland:

- The high dynamics of turnover increases in Online channel is still maintained.
- A change of growth dynamics in the Online channel took place at the end of Q1 due to the introduction of restrictions caused by the third wave of Covid-19 pandemic.
- Growth dynamics in the traditional channel was close to 0. The main inhibitory factor was the closure of large space stores.

**Dynamic turnover growths in electronics segment in Poland – Polish consumers' needs still maintain high purchase trend**

# SITUATION ON DISTRIBUTION MARKET IN Q1 2021

POLAND/CZECH REPUBLIC/SLOVAKIA

**+38.7%**

market growth  
in Poland Q1 y/y

**+42.8%**

AB S.A. growth Q1 y/y

**+19.5%**

market growth  
in Czech Republic Q1r y/y

**+24.7%**

ATC growth Q1 y/y

**-10.0%**

market decline  
in Slovakia Q1 y/y

**+15.8%**

ATC growth Q1 y/y

**+24.2%**

market growth  
in PL/CZ/SK Q1 y/y

**+30.0%**

AB Group growth Q1 y/y



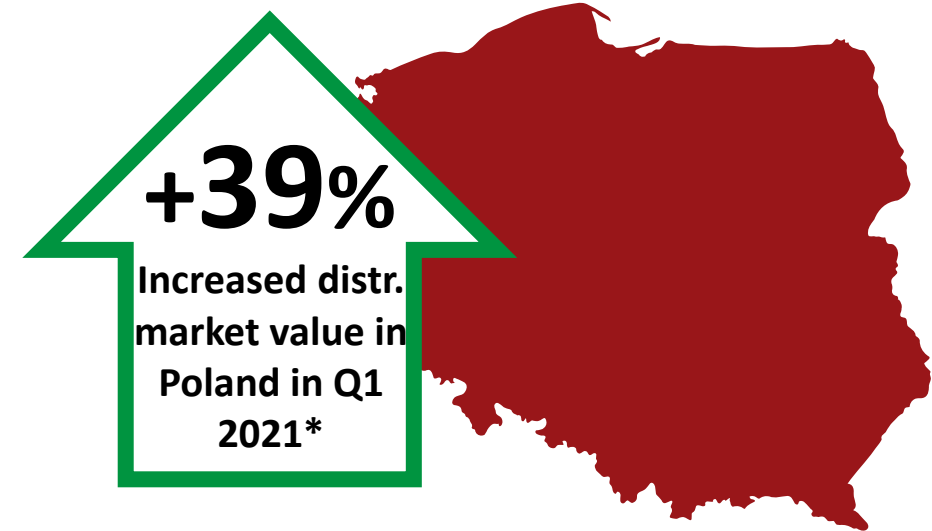
**Continued high increases in the region - AB Group #1 in CEE region**

# SITUATION ON IT DISTRIBUTION MARKET IN POLAND IN Q1 2021

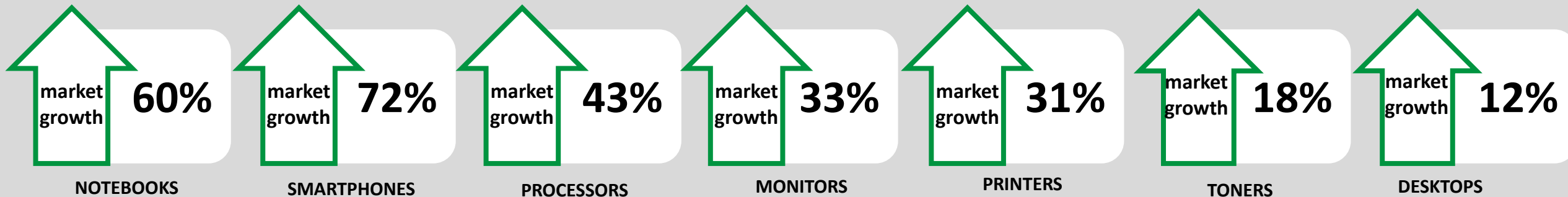
POSITIVE SALES TREND



**AB S.A. #1  
in IT distribution  
in Poland**



Increases in main product categories in Q1 2021\*:







## FINANCIAL RESULTS



# CONSOLIDATED RESULTS AB GROUP

## PROFIT AND LOSS ACCOUNT

Details	Q1 2021	Q1 2020	Y/Y
	[k PLN]	[k PLN]	%
<b>Revenues from sales</b>	2,985,405	2,299,692	29.8%
<b>Gross profit on sales</b>	121,883	83,485	46.0%
<i>Gross return on sales</i>	4.08%	3.63%	
<b>Profit on sales</b>	48,889	26,274	86.1%
<i>Return on sales</i>	1.64%	1.14%	
<b>EBITDA</b>	40,429	23,782	70.0%
<i>EBITDA margin</i>	1.35%	1.03%	
<b>Gross profit</b>	30,727	15,877	93.5%
<b>Net profit</b>	25,467	12,138	109.8%
<i>Net profitability</i>	0.85%	0.53%	
Assets	2,919,385	2,388,330	22.2%
Equity capitals	956,425	808,254	18.3%



# CONSOLIDATED RESULTS AB GROUP

## PROFIT AND LOSS ACCOUNT

Details	9M 2020/21	9M 2019/20	Y/Y
	[k PLN]	[k PLN]	%
<b>Revenues from sales</b>	10,110,645	7,713,002	31.09%
<b>Gross profit on sales</b>	343,629	262,485	30.91%
<i>Gross return on sales</i>	3.40%	3.40%	
<b>Profit on sales</b>	144,823	84,860	70.66%
<i>Return on sales</i>	1.43%	1.10%	
<b>EBITDA</b>	143,512	87,116	64.74%
<i>EBITDA margin</i>	1.42%	1.13%	
<b>Gross profit</b>	119,369	63,924	86.74%
<b>Net profit</b>	97,421	50,582	92.60%
<i>Net profitability</i>	0.96%	0.66%	
Assets	2,919,385	2,388,330	22.24%
Equity capitals	956,425	808,254	18.33%

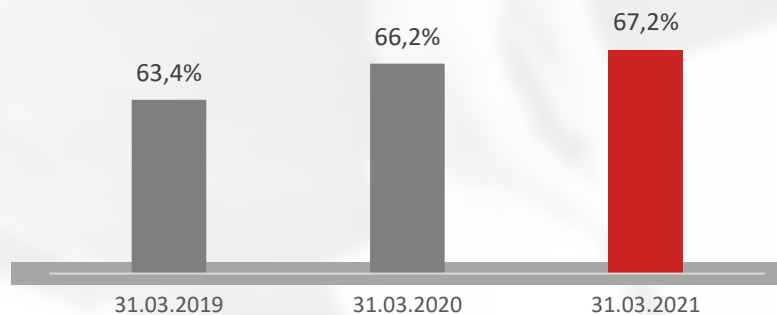
# CONSOLIDATED RESULTS AB GROUP

## BALANCE SHEET ITEMS

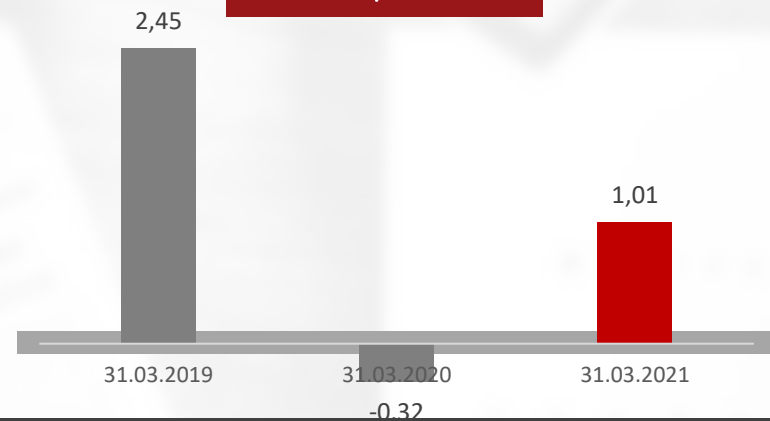
Details	31.03.2021	31.03.2020	Y/Y
<b>Reserves</b>	<b>1,371,063</b>	<b>1,060,219</b>	<b>29.3%</b>
Total receivables	1,106,363	752,697	47.0%
including trade receivables	<b>1,083,006</b>	<b>741,570</b>	<b>46.0%</b>
Cash	136,798	296,175	-53.8%
Accruals and referrals	5,273	4,282	23.1%
<b>Total assets</b>	<b>2,919,385</b>	<b>2,388,330</b>	<b>22.2%</b>
Equity capital	956,425	808,254	18.3%
Provisions for liabilities	6,609	6,142	7.6%
Bank credits and bonds	296,561	179,471	65.2%
<b>Accounts payable trade</b>	<b>1,291,672</b>	<b>1,110,280</b>	<b>16.3%</b>
Other liabilities	341,829	270,348	26.4%
Accruals and referrals	26,289	13,835	90.0%
<b>Total liabilities</b>	<b>2,919,385</b>	<b>2,388,330</b>	<b>22.2%</b>
<b>Net indebtedness</b>	<b>159,763</b>	<b>-116,704</b>	<b>-236.9%</b>
<b>Net working capital</b>	<b>1,162,397</b>	<b>691,509</b>	<b>68.1%</b>

# SECURE AND DIVERSIFIED INDEBTEDNESS

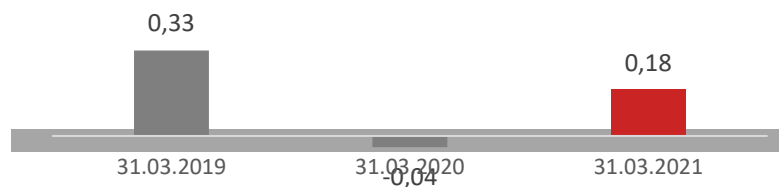
Total debt ratio:



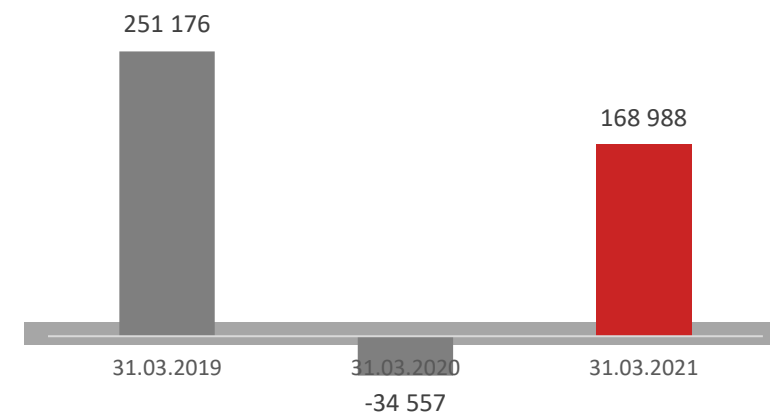
Net debt/EBITDA



Net debt/equity capital

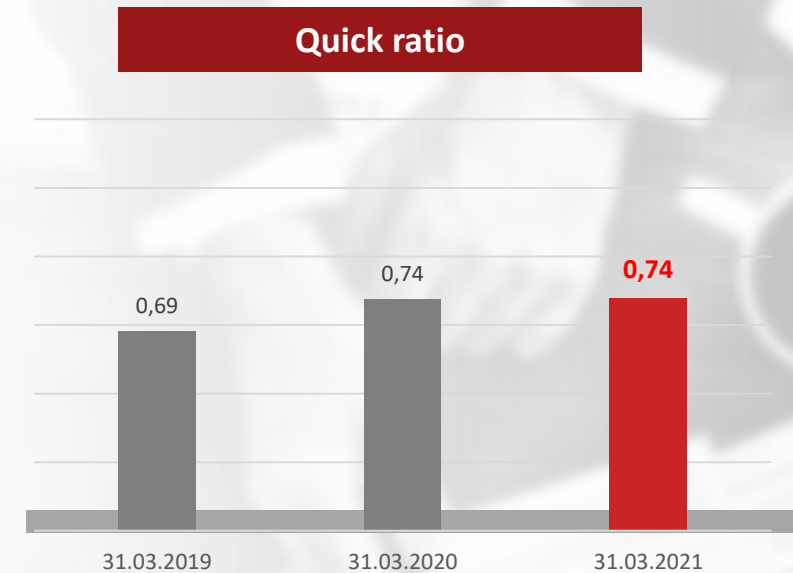
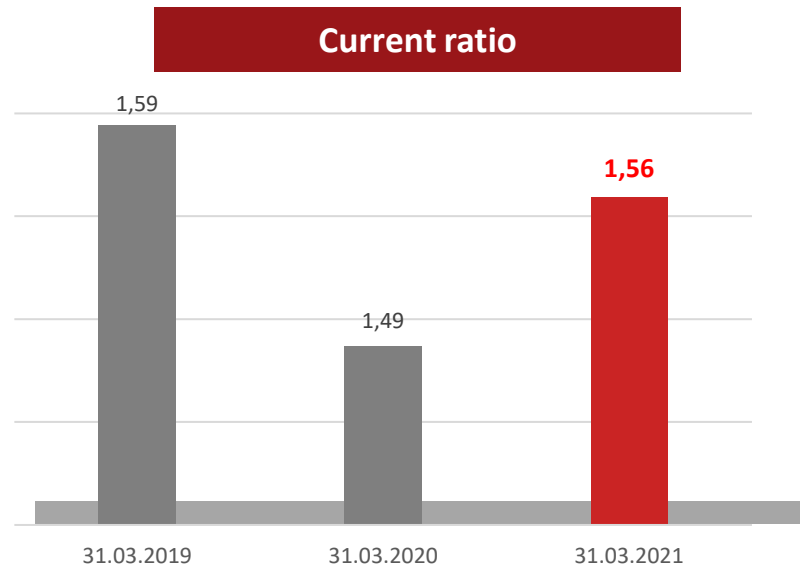


Net financial debt



# STABLE FINANCIAL LIQUIDITY

## LIQUIDITY RATIOS



**Stable and secure financial liquidity level** a long-term goal of AB Group

In y/y comparison, the current ratio has increased to 1.56, due to better adjustment of the structure of working assets financing

The Group achieved the quick ratio at the same level as a year ago with simultaneous strong growth of sales - responsible for managing the liquidity.

# CASH FLOW

## LONG-TERM ABILITY TO GENERATE CASH

PERIOD	Q1 2021 in kPLN	2016 - Q1/2021 in kPLN
OPERATING CASH FLOWS	62,849	399,997
INVESTMENT CASH FLOWS	-1,280	-38,339
FINANCIAL CASH FLOWS	-94,548	-247,256
CUMULATIVE PROFIT	25,467	376,847

Long-term, secure development model allows for generation of high and stable cash from the operating activity.

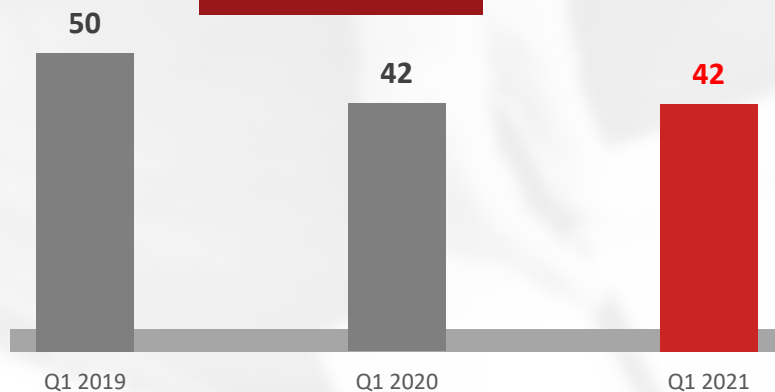
Operating surplus is higher than cumulative profit which confirms the thesis about the AB Group's ability to generate cash by executing dynamic growths.

The results indicate high financial security and verified business model allowing for further dynamic development of AB Group

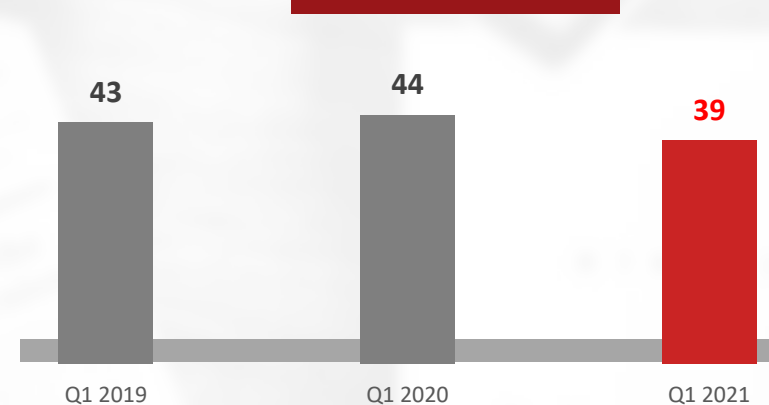
# CASH CONVERSION CYCLE

## OPTIMISED CASH CONVERSION CYCLE

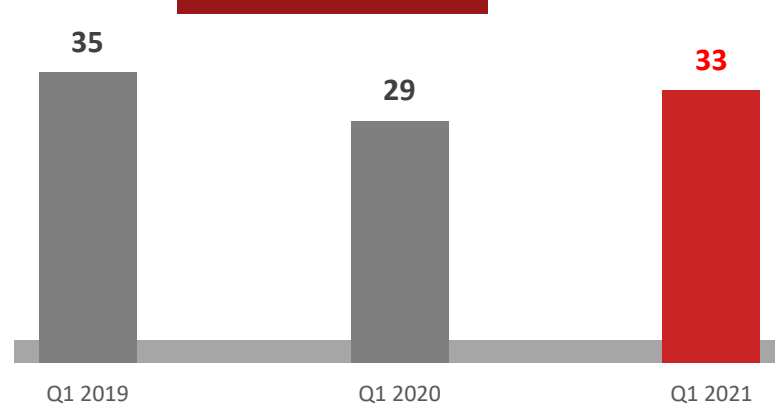
Inventories turnover



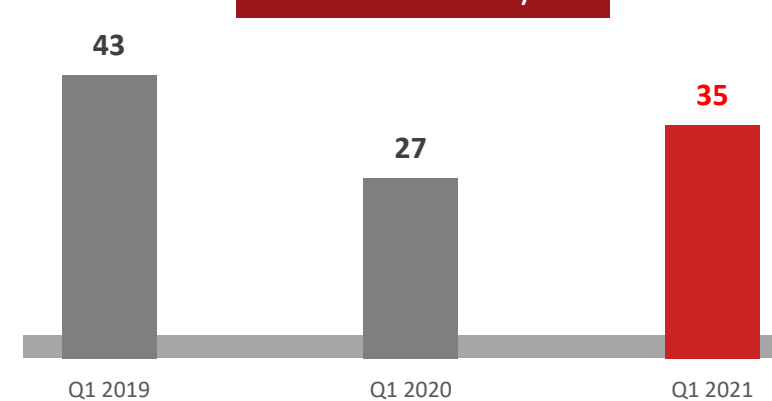
Liabilities turnover



Receivables turnover



Cash conversion cycle

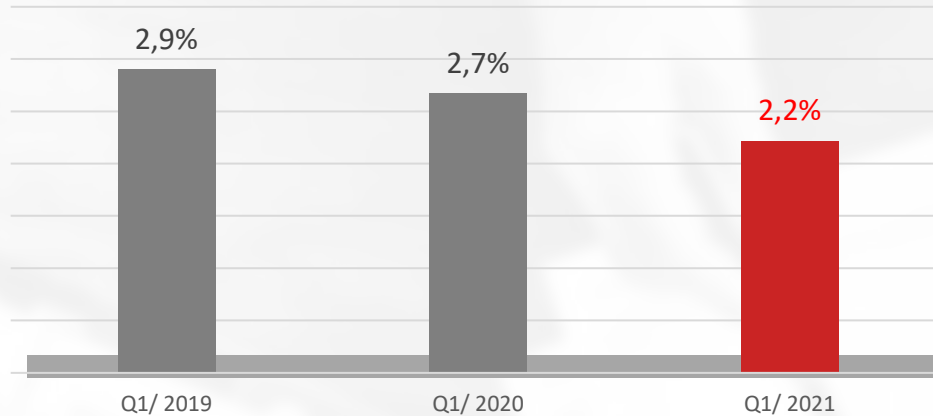




# SG&A EXPENSES RATIO

AB GROUP LEADER IN EFFECTIVENESS

SG&A AB Group (LTM)

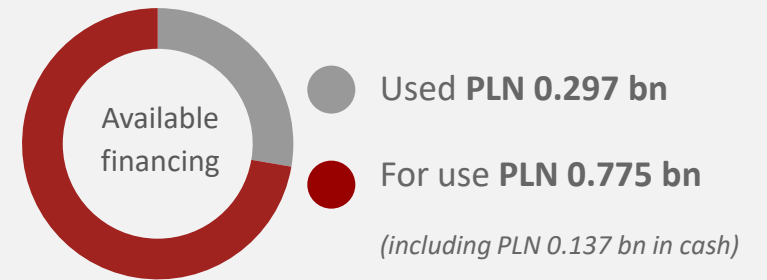
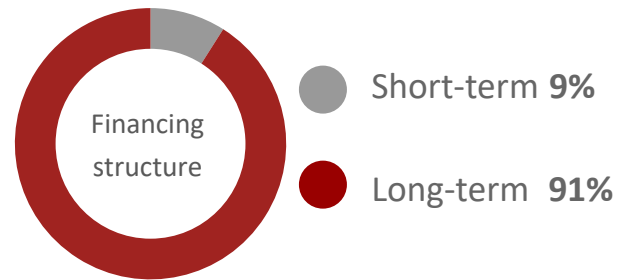
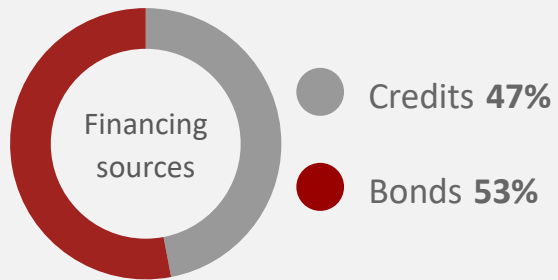


- **Continued investments in development** of competitive advantages contribute to effective execution of the market strategy
- **Decrease of SG&A ratio** with the increased revenues show that the investments in business processes automation (logistics automation, machine learning, RPA) give measurable effects
- **Low cost ratio** provides security in the period of economic slowdown (low leverage index).

The lowest SG&A expenses ratio in the business as a basis for secure development

# STRONG FINANCIAL FOUNDATIONS

LARGE SPACE TO FINANCE FURTHER GROWTH



**Diversified financing sources as a warranty of business security in a challenging environment**



## BUSINESS AREAS



# TELCO IN AB GROUP

HIGH BUSINESS EFFECTIVENESS DUE TO EXPERIENCE IN SMARTPHONES DISTRIBUTION

## TELCO






**+39%**

AB Group's turnover growth in Q1 2021 y/y in domestic distribution market\*

**+19%**

Apple brand's turnover growth in smartphones category in AB Group Q1 2021 r/r in domestic distribution market\*

TOP 5 vendors position in Smartphones category in Europe in Q1 2021

Position	Vendor	% share in the quantity of supplied smartphones	% change Q1 y/y
#1	 SAMSUNG	35%	+21%
#2	 xiaomi	23%	+85%
#3	 Apple	19%	+22%
#4	 oppo	4%	+153%
#5	 HUAWEI	3%	-81%



Continued growths among key brands in smartphones segment

# AUDIO-VIDEO / HOME APPLIANCES SEGMENT DEVELOPMENT

## +34%

Increased turnover in audio-video / household appliances segment



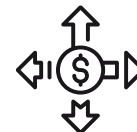
### My się znamy!

**Intensive marketing operations Kakto:**

- ✓ We create the campaigns together with franchisees which identifies partners with AB
- ✓ Shops visualizations, sellers' proactive approach to customers' needs



296 Kakto POS at the end of  
**MARCH 2021**  
all-Polish network



**Kakto network development - goals:**  
Increased monthly sales per point, improved logistics effectiveness and increased profit

**Increased effectiveness due to optimisation of processes and operation scale**

# VALUE ADDED DISTRIBUTION (VAD) CHANNEL DEVELOPMENT



**101%** increase in the number of webinars in Q1 2021 y/y

**155%** increase in the number of webinar participants in Q1 2021 y/y

Turnover dynamics in enterprise segment Q1 y/y

**+35%**

AB turnover increase in Enterprise products segment

**+4%**

increased turnover of Enterprise products market in Poland.\*

TOP 3 novelties in training in the form of webinars



Microsoft Teams – a centre for remote work and education – a course for teachers



Cloud – unrestricted horizons



Almost everything about.... Microsoft Surface

Essential brands in AB offers in Enterprise segment

ADVANTECH

APC  
by Schneider Electric

aruba  
a Hewlett Packard  
Enterprise company

AXIS  
COMMUNICATIONS

DELL Technologies

DELTA

D-Link

FATON

eset

EVER

FIBARO

FUJITSU

Hewlett Packard  
Enterprise

HIKVISION

hp

inspur

intel

Lanberg

legrand

Lenovo

Microsoft

NETGEAR

PowerWalker

QNAP

socomec  
Innovative Power Solutions

SOPHOS

SUPERMICR

Symantec

Synology

tp-link

UBIQUITI  
NETWORKS

VERTIV

vmware

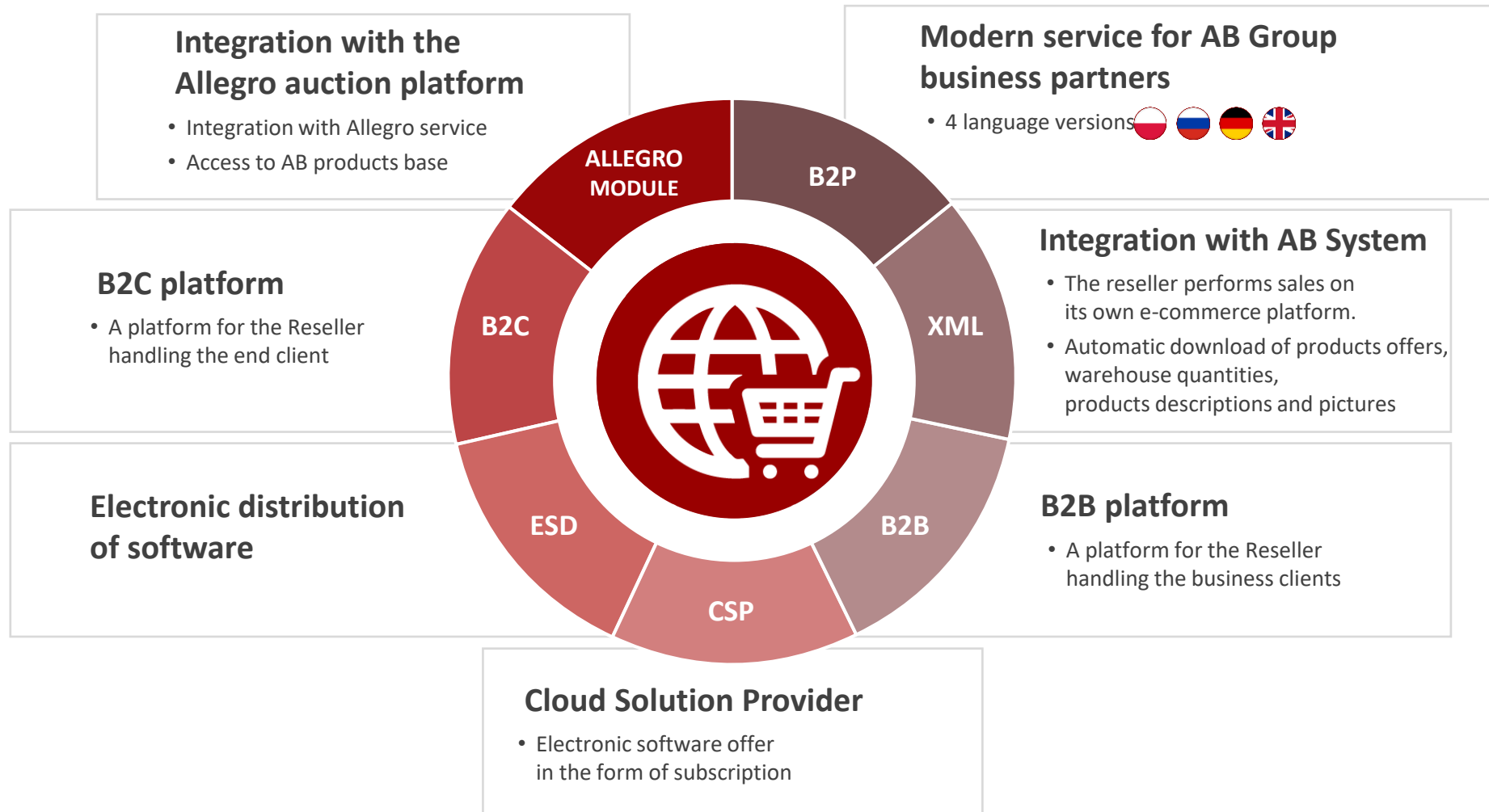
ZYXEL

Continued increase in VAD channel.



# BE WITH AB IN E-COMMERCE ON DAY-TO-DAY BASIS

## COMPREHENSIVE OFFER OF E-COMMERCE TOOLS



Over  
**16,000**

The largest database  
of business partners  
in CEE area



REKMAN

**Rek**man



# TOYS SEGMENT - REKMAN

TECHNOLOGY LEADER AMONG TOYS DISTRIBUTION BUSINESS IN POLAND



**+33%**

turnover growth  
TOTAL 9M FY y/y



**+15%**

increase in the number of  
clients for 9M FY y/y



**167**

the number of  
Wyspa Szkrabów POS  
at the end of Q1 2021

## Network development

- Support by local representatives
- All-Polish network

## Competence development

- Loyalty programs and gift cards
- Trainings for franchisees
- Suppliers engagement in network development



**Dynamic development of the growing market**



NUMBER  
ONE



# ACTION #ABrazem SUPPORTS NATIONAL FIGHT AGAINST COVID-19

WE DO NOT GIVE UP ON SUPPORT TO THOSE IN NEED

In 2021 alone:



So far we have supplied:



**28**  
beneficiary  
facilities



**4** life saving  
respirators, including one  
state-of-the-art respirator in Poland



**Nearly 1,000** pieces of equipment, including  
IT hardware (laptops, smartphones, printers), household appliances and  
audio-video devices, and toys



**More than 100** people engaged  
In organisation, coordination  
and execution of #ABrazem action



# HOW AB GROUP IS RECOGNISED ON THE MARKET

## HIGH AB POSITIONS IN THE LATEST RANKINGS



Forbes

**AB on 11 position** among the companies from “IT, Internet, software, computer games and computer service” business in the ranking published by Forbes „**300 Polish Best Employers**”.

*It is a list made on the basis of a survey filled in by companies employees. The survey was carried out by a survey company Statista which co-creates the globally recognised ranking “Best Employers”.*



wprost

**AB was also listed** in the latest ranking of **200 largest Polish companies** by “Wprost”,  
**with an advance by 8 positions to reach position No. 15.**



# AB ADVANTAGES



Flexibility, expertise  
and adjustment to local  
markets supported by over **30 years of**  
**experience**



**Loyal partner**  
**in business** – individual approach  
to customers



**Multichannel sales**  
in different market segments  
(e-tail, retail, SMB, Enterprise, Telco)



**State-of-the-art automated**  
**logistic**  
**solutions** in the region



**Multibranch**  
**and cross-selling**  
IT, CE, household appliances  
and audio-video devices  
at one place



**The largest portfolio of**  
products with immediate availability



**The state-of-the-art transaction**  
**service** focused on  
**e-commerce** in the region



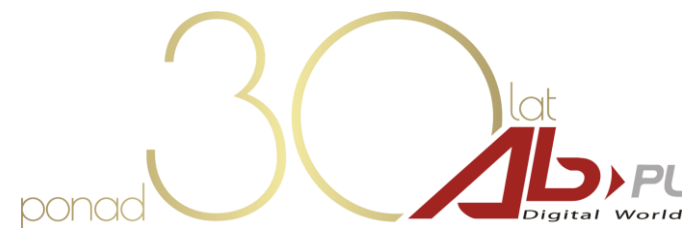
**Modern Competence Centre** offering  
offline and online  
courses

**Dominant position in CEE area, TOP 8 in Europe**

# OUTLOOK FOR 2021

- 
1. **MACROECONOMIC FACTORS** – very good forecasts for 2021
  2. **ACCELERATION OF DIGITAL TRANSFORMATION**
  3. **GOVERNEMENT AND EU PROGRAMS** – supporting IT expenditures
  4. **HIGH DEMAND OF INSTITUTIONS AND COMPANIES FOR THE PURCHASE OF HARDWARE** – new commissions, tenders
  5. **IT EXPENDITURES IN POLAND** – are still considerably lower in comparison to the Western Europe (in PL 148 USD vs EU 204 USD)
  6. **POLAND – THE STRONGEST DISTRIBUTION MARKET IN EUROPE IN 2020** – reinforcement of AB position on the market (#1)
  7. **ACCELERATION OF CLOUD SERVICES GROWTH**– large funds dedicated to development and purchases within digitisation
  8. **VAD** – a change in technology solutions
  9. **FURTHER DEVELOPMENT OF NEW AB TECHNOLOGIES** – improvement of technology tools and business effectiveness
  10. **FURTHER DEVELOPMENT OF E-COMMERCE IN AB** – improvement of tools and logistic effectiveness

**AB GROUP IS BEST PREPARED TO HANDLE THE SO FAR AND NEW MARKET DEMAND**



## ► THANK YOU FOR YOUR ATTENTION

Andrzej Przybyło | President of the Management Board, CEO, AB S.A

Grzegorz Ochędzan | A Member of the Management Board, CFO, AB S.A