

SES-imagotag presents VUSION 2022 Strategic Plan

VUSION 2022, a 5-year strategic plan leveraged by the BOE investment:

- **To accelerate ESL systems worldwide adoption thanks to improved ROI for retailers**
- **To strengthen SES-imagotag retail IoT market leadership achieving by 2022:**
 - **x2 clients amongst Top 2000 worldwide retailers**
 - **500 million connected ESL installed**
 - **€800 million revenues including:**
 - ~50% in Europe / 50% in APAC & Americas
 - >20% from software & services
 - **20% EBITDA margin**

SES-imagotag (Euronext: SESL, FR0010282822), the global leader in Electronic Shelf Labels (ESL) and retail IoT solutions, today announced its VUSION 2022 5-year strategic plan aimed at strengthening SES-imagotag's retail IoT market leadership with 2022 revenues targeted at €800 million.

Following the recent majority investment of its new partner BOE, a global-leader in semiconductor display industry, as well as an IoT supplier of technologies, products and services, SES-imagotag has launched the **VUSION 2022** 5-year plan which responds to market megatrends and retailers' challenges.

O2O convergence requires a technology upgrade of physical retail.

The main pillar of the 5-year VUSION 2022 plan is based on O2O (Offline to Online) convergence trend which will drive a massive wave of digital transformation in physical retail. E-commerce giants Amazon, Alibaba and JD.com have understood that the future of retail is omnichannel and recently made numerous large investments in brick & mortar retailers. China is at the forefront of this O2O revolution.

Physical stores will remain at the core of omnichannel commerce, but they need to leverage digital technologies to seamlessly connect to the digital world, increase efficiency and improve shopper experience. The Internet of Things (IoT) will completely revitalize the undervalued assets of the physical stores, transforming them into highly automated, data-driven, ultra-efficient connected and interactive environments.

The combination of digital labels, smart displays, sensors, computer vision and big data analytics will be the core enabler of this Retail IoT revolution.

Major progress made toward ESL worldwide adoption

Since the beginning of the decade, the global ESL market has multiplied by 4 to over \$400 million. This growth has in large part been driven by SES-imagotag which in the meantime has increased its own market share and global leadership. During this period, ESL gained acceptance in many new geographies and vertical retail segments (food and non-food), due in large part to new ESL generations meeting demanding market requirements (readability, color, size and formats, speed, flash, etc.).

Today, with approximately 200 retailers worldwide, SES-imagotag's global client base covers 10% of the Global Top 2000 worldwide retailers and, within this client base, the pilot to roll-out conversion rate¹ is around 30%. The major part of the ESL market growth is therefore still to come.

The acceleration of SES-imagotag's new client acquisitions (more than 70 over the past 18 months) indicates that the situation is changing rapidly. Physical retail is faced with increasing labor cost and velocity of price changes as well as with the challenges of O2O convergence. Unless IOT technology is leveraged to address these challenges, the inevitable need for much more staff recruitment in the future will continue to put pressure on physical stores' profitability.

BOE and SES-imagotag's vision is that smart digital retail labels will become the core IoT technology backbone of future stores, and a key enabler of store automation, shopper connectivity and O2O convergence.

VUSION 22 plan: Building the leading retail IoT platform

SES-imagotag's new 5-year plan developed in partnership with its main shareholder BOE Technology Group², is designed to become the leading retail IoT platform and to engineer strong market adoption **by accelerating retailers' ROI through increased value-added and reduced TCO**. The VUSION 22 plan has been architected along the following lines:

➤ **Increasing IoT value-add to improve store automation and shopper engagement**

Retail IoT is about digitizing the physical store to make it connected, interactive, measurable, remotely actionable and collaborative (with brands and other partners), in order to massively improve efficiency, precision and value of retail processes.

Earlier this year at the NRF retail show in NYC, SES-imagotag launched its new retail IoT platform called VUSION.

VUSION is the quintessence of 5 years of intensive R&D by SES-imagotag and the fusion of technology assets of several recent retail technology acquisitions (Imagotag, Findbox, Pervasive Displays Inc, Market Hub).

The resulting hardware and software platform combines the most advanced ESL technology, IoT ultra low-power communication infrastructure, high resolution color displays, sensors, active NFC, ultra-high speed data transfer and LED-flashing, computer vision.

Smart ESLs are now becoming the portal to an ever increasing portfolio of cloud-based applications focused on store automation, shopper engagement and data analytics:

- product geolocation and real-time planogram management;
- picking and replenishment optimisation;
- automated shelf monitoring and stock-out detection;
- shopper connectivity and in store digital services;
- digital advertising and promotion;
- pricing intelligence.

Beyond these applications, VUSION aims at creating significant additional value for retailers by providing a unified in-store IoT open infrastructure to enable:

- connectivity with other low-power wireless devices and sensors in stores;

¹ Conversion rate: number of clients who are in a roll-out mode divided by total number of clients.

² BOE is the main shareholder (80%) along with SES-imagotag's management (20%) of BOE Smart Retail HKG, who holds 79.94% of SES-imagotag's outstanding shares

- cloud based collaboration between retailers, brands and other partners, based on the sharing of instore IoT-collected data (shelf data, shopper data, ...).

SES-imagotag is currently ramping-up the largest retail IoT deployment worldwide, with **already over 20 million cloud connected ESLs** out of the total 150 million ESL installed to date. This number of connected labels should reach 50 million at the end the year and over 500 million in 5 years.

Accelerating innovation in retail display technology will bring additional value to retailers and enhance their business model:

- The partnership with BOE will lead to the co-development of new TFT retail displays, such as the recently designed video-rail, enabling powerful brand promotion and in-store shelf advertising.
- Similarly, the recent announcement of the strategic and financial partnership with **E Ink** will reinforce the collaboration in the development of new full color smart paper for retail, enabling the entire digitalization of stores, including all POP³ communications.

➤ **SES-imagotag / BOE partnership to dramatically improve competitiveness**

The technological improvements necessary to meet today's retail marketing requirements have driven ESL cost up, thus putting pressure on ROI. This is why, in parallel to increasing IoT added-value as mentioned above, the other strategic action SES-imagotag and BOE are currently undertaking is to bring cost down to immediately improve retailer's ROI and accelerate adoption. The key objective is to democratize and widen access to premium labels which better comply with shoppers and marketing requirements and offer more potential for future use in digital marketing, rich content display and brand activation.

Largest and most integrated ESL factory in the world. In order to achieve this democratization and wider access to premium labels, BOE is building the world's largest and most integrated ESL factory in close partnership with SES-imagotag. The factory is expected to ramp-up delivery in the course of 2018 with unprecedented levels of competitiveness.

The approach to **TCO (total cost of ownership)** reduction goes beyond manufacturing and supply chain in that it comprises the design of the lightest possible wireless infrastructure, cloud IT operation, quality improvement to maximize asset duration, as well as ESL remote monitoring and predictive maintenance.

Overall objective is to rapidly reduce TCO to trigger mass adoption and engineer accelerated market growth.

€800 million revenues and a 20% EBITDA margin expected in 2022

By increasing retailers' ESL ROI through higher value and lower TCO, SES-imagotag expects to accelerate adoption of its solutions in grocery retail as well as in all other retail verticals (Health & Beauty, department stores, convenience stores, pharmacies, home improvement, luxury, consumer electronics, cosmetics, etc.).

In addition, the group is rapidly expanding its international footprint outside Europe. The alliance with BOE will now bring an additional engine with strong growth expected in China. China is leading the 'new retail' revolution and will be a fast-growing market for retail IoT solutions enabling store automation and cloud-connected O2O solutions. BOE and SES-imagotag are intensifying efforts and building powerful partnerships to establish a leading position in this major market. The geographical markets of China and Japan and their specific demands provide the logical expansion from the previous Leapfrog20 to the new Vusion22 strategic plan.

³ POP: point of purchase

Over the next 5 years, SES-imagotag expects to increase its target market coverage from 10% to 20% amongst Top 2000 worldwide retailers, to improve pilot to roll-out conversion rate from around 30% to over 50% and to increase the speed of roll-out, in particular the number of large accelerated roll-out contracts⁴.

	2017	2022
# clients	200	400
Pilot to roll-out conversion rate	~30%	>50%
# ESL cumulated (in million)	150	500

Revenues are anticipated to reach €800 million revenues in 2022, 50% in Europe and 50% in Asia-Pacific and Americas.

The initial Leapfrog plan target of 400 to 500 M€ in 2020 is reiterated.

As a result of the VUSION IoT software strategy, the share of revenue coming from software, data & services is expected to rise above 20% of total revenue (vs. 10% today), leading to an increase in gross margin ratio.

EBITDA margin target is expected to reach 20% of sales in 2022 (15% in 2020), thanks to the operational leverage and to the gross margin increase driven by higher software & data services revenue mix.

	2017	2022
Revenues (M€)	153	800
% Software, data & services	~10%	>20%
% APAC & Americas	<10%	~50%
EBITDA (in % of revenues)	5%	20%

Message from Thierry Gadou, Chairman & CEO of the SES-imagotag group:

“Retailers need to digitalize their stores as fast as possible in order to improve efficiency, customer experience and to implement O2O convergence. Smart digital labels and retail IoT solutions will be at the core of this digital transformation. Stores must become more automated, data-driven, connected to customers and brands, and more collaborative. Our VUSION retail IoT platform responds to these challenges. The new strategic plan in its entirety aims at maximizing retailers' ROI by increasing the value and reducing the cost of our solution, thus triggering accelerated global adoption. Our new partnership with BOE will enable us to engineer strong growth in the next 5 years; strengthening our supply chain and building a leading position in the high potential China market, which is at the forefront of “New retail”. The close cooperation with BOE, as well as the recently announced partnership with E Ink will also help us develop cutting-edge retail display technology, essential to digitalize point of purchase communication and help retailers create more value. Retail IoT is poised to open a new golden age for omnichannel retailers. We are convinced that our solutions' adoption will continue to accelerate and benefit from our extended global footprint.”

⁴ Accelerated roll-out: systematic ESL deployment plan representing over 20 M€ yearly spend or more 200 stores installations per year



Disclaimer

Certain information included in this press release are forward-looking statements. These forward-looking statements are based on current beliefs, expectations and assumptions, including, without limitation, assumptions regarding present and future business strategies and the environment in which the Group operates, and involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, or industry results or other events, to be materially different from those expressed or implied by these forward-looking statements.

About SES-imagotag

For 25 years, SES-imagotag has been the trusted partner of retailers for in-store digital technology. SES-imagotag, the worldwide leader in smart digital labels and pricing automation, has developed a comprehensive IoT and digital platform that delivers a complete set of services to retailers. The SES-imagotag solution enables retailers to connect and digitally transform their physical stores; automate low-value-added processes; improve operational efficiency; inform and serve customers; ensure information integrity to continuously optimize on-hand inventory; prevent stock-outs and waste and create an omni-channel service platform that builds loyalty and meets evolving consumer expectations.

www.ses-imagotag.com

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