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Press Release

September 19, 2019

SES-imagotag: Results H1 2019

- **First Half Sales and rate of growth highest ever (€121 M, +50%)**
- **Improved profitability vs. H1 2018 despite the negative impact of the rising dollar**
- **Strong improvement in operational cash-flow (+€5M)**
- **Objective of annual growth in revenue of circa +30% maintained**
- **Further improvement in rate of growth expected in 2020 as a result of accelerated penetration outside Europe**

€m	H1 2019*	H1 2018
Sales	**121.4**	**81.1**
Variable Cost Margin	**25.6**	**21.1**
% of revenues	*21.1%*	*26.0%*
EBITDA	**3.1**	**0.1**
% of revenues	*2.6%*	*0.1%*
EBIT	**(3.9)**	**(6.5)**
% of revenues	*-3.2%*	*-8.0%*
Net Income / (Loss)	**(4.9)**	**(4.7)**
% of revenues	*-4.0%*	*-5.8%*

**Financial statements at June 30, 2019 including the impact of the implementation of IFRS 16.*

Thierry Gadou, Chairman and CEO of SES-imagotag Group commented: "*The first half of the year marked another decisive step towards the realization of our VUSION 22 plan. We achieved record growth with sales spread over a growing number of customers and countries. The strong growth in pilots in all of the new strategic regions (China, Japan, Russia, US) illustrates the speed with which SES-imagotag technology is being adopted globally. With retailers faced with a pressing need for the synchronization of their physical and digital channels, the digitalization of stores has become essential for the survival of a physical retailing footprint. Our VUSION platform is recognized worldwide for its unparalleled state-of-the-art technology (communication protocol, cloud, embedded IoT, SAAS applications and online services).*

Following the agreement signed with BOE and JDD last June, the new Joint Venture in China (a 51% subsidiary of SES-imagotag) was set up during the summer. The partnership with JDD is targeting the launch of high value-added offers on the Chinese market in 2020.

Our Operating Margin was negatively impacted in the First Half, by the substantial increase in the dollar, as well as by the need to boost two industrial platforms as a result of the current global customs environment.

The Group has maintained an energetic client recruitment campaign. With the rapid growth of the cloud and the construction of an online software services (SAAS) portfolio based on its connected labels technology, we are prioritizing a rapid increase in the installed base that will facilitate the deployment of these significantly value-adding services. 2020 will see the deployment of several new important cloud services on the VUSION platform. The goal is to increase service revenues to 20% of total sales by 2022, of which three quarters are recurring online services.
Our growth prospects are excellent: as expected our organic growth should be around +30% this year and continue to accelerate next year with a target of more than €400 M in Sales."

Sales and Order Entries

SES-imagotag recorded the best half-year in its history with sales of €121 M, up +50% year-on-year compared to the first half of 2018, and + 13% compared with Second Half of 2018. Growth was strong both in France (+ 27.9%) and internationally (+ 59.8%).

On a 12-month rolling basis, sales also reached a record level of €228 M (+ 64%).

Half-year order intake came in at €123 M, down -10.6% from the record levels of H1 2018. This is the company's second best half-year ever in terms of orders booked, and, in contrast to the performance in 2018, the orders are spread over a large number of accounts and geographies, contributing to a solid and balanced foundation for future growth.

Year-on-year, order intake amounted to €237 M, maintaining the high level achieved in the same period last year and remaining at a level consistent with our growth objectives.

International Development

In China, following the announcement of the JV project with BOE and JD Digits, work continued during the summer and resulted in the establishment of a legal entity, a 51% subsidiary of SES-imagotag, and the setting up of a strong team of nearly 50 people covering commercial, operational, R & D and support functions. The number of customers is growing and work has started on the development of high value-added IoT retail solutions tailored to the specific needs of the Chinese market, which is characterised by rapid change and a high level of of innovation.

In Asia, activity in Japan is also developing thanks to the strategic partnership with Panasonic, as well as in Oceania.

In the rest of the world, the technological advance of the VUSION platform and the important technological partnerships that have been in place since 2018 facilitated the strengthening of cooperation with a growing number of major accounts. Some deployments have already started at the end of the half or are in the start-up phase.

These development efforts outside Europe are beginning to pay off in line with the Group's business plan, with sales outside Europe expected to be close to 20% of total sales in the second half, and more than 25% in 2020.

Variable Cost Margin impacted by the rise of the dollar

In the First Half of 2019, the Variable Cost Margin increased by €4.5 M euros driven by the growth in activity of +50% compared to the First Half of 2018.

Despite that increase in absolute terms, the ratio of the Variable Cost Margin to Revenues was down by 4.9 points from 26% in the First Half of 2018 to 21.1% in the First Half of 2019. This decrease is explained by:

- The rise in the dollar against the euro, which accounted for nearly 3 points in the drop in the margin rate.
- The smaller share of of higher margin service revenues in the overall mix. While recurring revenue from high-margin services is increasing both in value and as a percentage of total revenue, H1 2019 includes a lower amount of non-recurring service revenues.
- In total, excluding currency effects, the drop in the margin rate was -1.9 points.

Ratio of operating expenses down because of improvement in operational leverage

Current operating expenses on a like-for-like basis, i.e before taking into account the impact of the new IFRS 16 Standard, increased from € 21 M to € 23.6 M between the First Half of 2018 and the First

Half of 2019, i.e. an increase in value of 13% (€2.6M). The increase is entirely accounted for by the increase in personnel costs while other expenses have remained stable between the two periods.

The growth in staff costs is mainly due to an increase in staffing of the Project Management and Sales functions and has been driven by need to support the international expansion of the company, which is accelerating (international sales up + 86% in H1), and to serve the North American market where the Group has been engaged for several months in several intensive pilot phases with major US retailers.

The Operating Expense Ratio on a comparable basis, i.e. before the impact of the new IFRS16 standard, improved substantially, from 25.9% of revenue in H1 2018 to 19.4% in H1 2019, an improvement of 6.3 points. As the Group has stated in the past, EBITDA margin growth will come in part from the better absorption of operating expenses by higher revenues (operating leverage). This was demonstrated in the First Half of 2019.

In total, taking into account the combined effects of the improvement in the current expense ratio, the deterioration in the margin rate mainly due to currency effects, as well as the impact of the inclusion of €1.1 M of IFRS 16 impact, EBITDA was €3.1 M or 2.6% of sales, compared with €0.1 M in H1 2018.

There was a loss of €-3.9 M at **Operating level** against a loss of €-6.5 M, an improvement of + €2.6 M

Net income was comparable to the previous year, a loss of 4.9 M euros. It was mainly impacted in the First Half of 2019 by:

- Absence of any further expected tax losses in 2019 that could have been resulted in allowances against deferred taxes as was the case in prior years;
- Absence of positive gains on foreign exchange transactions compared with prior years where gains on such transactions had a positive effect on the financial result.

Strong improvement in Operating Cash Flow

Before the impact of the new IFRS16 standard, as a result of the improvement in EBITDA and Net Working Capital (NWC), in the First Half of 2019, Operating Cash Flow was positive (+ €5 M), a clear improvement on H1 2018 (- €24.3 M). This good performance, in the context of strong top-line growth, was a result of better management of the customer cycle and stock levels.

The increase in Capex by nearly €1.5m between the H1 2018 and H1 2019 is largely a result of the increase in new R & D projects and the capitalized cost of new staff hires. The Financial Investments correspond to the earn-outs paid on the acquisitions of PDi and Findbox.

In the First Half of 2019, the positive Operating Cash Flow made it possible to finance tangible, intangible and financial investments.

At end-June 2019, Net Debt amounted to €-18.9 M before impact of IFRS16 strandard, compared to €-17.4 M at the end of December 2018, representing a net consumption of €1.5 M during the half-year.

Perspectives

As a result, SES-imagotag expects revenue growth of around + 30% for the 2019 financial year and anticipates an acceleration of growth in 2020 to reach a turnover of around € 400m, thanks in particular to the take-off of the activity outside Europe, which should represent a quarter of total Sales in line with the VUSION Plan 22.

Appendices

€m	H1 2019 Published	H1 2019 IFRS16 Impact	H1 2019 Before IFRS16 Impact	H1 2018 Published
Sales	**121.4**		**121.4**	**81.1**
Variable Cost Margin	**25.6**		**25.6**	**21.1**
In % of revenues	*21.1%*		*21.1%*	*26.0%*
Opex	*(22.5)*	*1.1*	*(23.6)*	*(21.0)*
EBITDA	**3.1**		**2.0**	**0.1**
In % of revenues	*2.6%*		*1.7%*	*0.1%*
Depecriation	*(6.2)*	*(1.1)*	*(5.1)*	*(5.1)*
Other non-recurring or non-cash income and expenses	*(0.8)*		*(0.8)*	*(1.5)*
EBIT	**(3.9)**		**(3.9)**	**(6.5)**
In % of revenues	*-3.2%*		*-3.3%*	*-8.0%*
Financial Income / (Loss)	*(1.0)*	*(0.2)*	*(0.8)*	*(0.0)*
Tax	*(0.0)*		*(0.0)*	*1.9*
Net Income / (Loss)	**(4.9)**		**(4.8)**	**(4.7)**
In % of revenues	*-4.0%*		*-3.9%*	*-5.8%*

€m *(before IFRS16 impact)*	***H1 2019***	***H1 2018***	**FY 2018**
EBITDA	*2.0*	*0.1*	2.0
Capex	*(7.4)*	*(5.9)*	(13.3)
Change in Working Captial	*10.3*	*(18.5)*	(17.4)
Operating Cash Flow	***5.0***	***(24.3)***	***(28.7)***
Financial Investments	*(3.9)*	*(2.5)*	(3.3)
Financial Result	*(0.8)*	*(0.8)*	(1.5)
Tax			
Capital Increase	*0.1*	*26.0*	26.0
Others	*(1.8)*	*1.7*	3.5
Change in Net Debt *before IFRS 16*	**(1.5)**		
Net Cash / (Debt)	**(18.9)**		**(17.4)**
Cash	25.9		29.5
Debt (before IFRS16 impact)	(44.8)		(46.9)
Debt (after IRS16 impact)	(52.1)		*(52.3)*
Change in Net Cash / (Debt) before IFRS 16	***(1.5)***		

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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

SES-imagotag is listed in compartment B of the Euronext™ Paris

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