Press Release March 31, 2021

SES-imagotag 2020:
Strong improvement in financial results

> FY Sales at +17% at €290m
> EBITDA quadrupled to €16m
> Net result: strong FY improvement (-€7m vs. -€13m in 2019) and positive in H2
> Recovery in cash-flow in H2 (€88m in FY reserves and positive net cash position at +€3m)
> Expected strong growth in 2021 (>30%)

€m	2020	2019	Δ
Sales	**290.3**	**247.6**	**17%**
EBITDA	**16.0**	**4.0**	**+300%**
% of Sales	5%	1.6%	*+3.4 pts*
Net result	**(7.6)**	**(13.1)**	**-42%**
% of Sales	-3%	-5%	*+2 pts*

Thierry Gadou, Chairman and CEO of SES-imagotag Group commented: *"2020 was a year of stark contrasts. Due to the pandemic, the first half of the year saw virtually no growth and numerous projects put on hold. The second half saw a sharp rebound in both Sales (+35%) and Orders (+36%). For 2020, Sales were €290m, up +17%, approaching the average annual growth of the last ten years (+20%). This was thanks in large part to strong growth in Germany, Northern Europe, the US, and Asia. Order entries reached a new record of €455m in FY2020, up +35% compared to 2019, and were in line with the trend we had announced pre-COVID-19.*

Another positive feature of the H2 performance was the sharp improvement in profitability, be it gross margin, EBITDA, or net result. This reflects the three drivers behind our business model and VUSION strategic plan: 1) continued improvement in OpEx ratio, 2) increased share of revenue generated by Cloud, services and new high Value-Add solutions (excl. ESLs), and 3) improvement in production and purchasing efficiency. Seen in its entirety and despite the impact of the crisis in H1, 2020 saw a dramatic improvement in profitability thanks to the recovery in H2.

In 2020, we also stepped up our ESG initiatives. Logistics-related CO2 emissions were cut by 60% and we accelerated the implementation of "Second Life", an eco-friendly version of VUSION which provides maximum sustainability, reparability, and recyclability, consistent with the circular economy principle. "Second Life" is vital to us achieving our goal of drastically reducing the carbon footprint of our IoT solutions (+30% increase in waste collection and recycling in 2020).

During the pandemic, our first priority was and has been to ensure the safety and health of our teams around the world. Preventative measures and remote-working protocols were swiftly implemented and strictly enforced. I would like to pay tribute once again to our teams and to thank them for their tenacity and commitment to serving our clients throughout the pandemic."

2020 Activity

Sales (€m)	**2020**	**2019**	**Δ**
Europe & MEA	206.7	211.7	-2%
France	*46.6*	*67.4*	*-31%*
EMEA	*160.1*	*144.3*	*+11%*
Asia & Americas	83.6	35.8	+134%
Total Sales	290.3	247.5	+17%

Sales in 2020 were €290m, an increase of +17% thanks to strong growth in the US and Asia. Sales outside of Europe (+133%) now represent more than a quarter of the overall total. Activity in the entire Europe region was down only -2%. There was a marked contrast between France and southern Europe, the region most seriously affected by the Coronavirus pandemic and the rest of Europe. The rebound in activity in H2 was much stronger outside of France and southern Europe, with Sales up +41%, more than offsetting the 19% fall in the First Half. As a result, the Group posted an annual Sales increase of +11% for the EMEA region (ex-France).

Activity in the other main regions, Asia, and Americas, was strong; Sales were €83.6m in 2020, an increase of +133% compared with 2019, representing nearly 29% of total Group Sales.

Growth in high Value-Add solutions revenue

Group activities include on the one hand, production and sale of a range of Electronic Shelf Labels (ESLs) and associated materials (fixtures, wireless access points, accessories), representing 87% of the Group sales and on the other hand software, and high Value-Add solutions and services. In 2020, for the first time ever, these solutions represented 13% of sales. Growth in these activities was strong in 2020 and even higher than the growth seen in ESLs, a further testament to the Group's resilience during the pandemic.

Whereas 75% of the labels sold constitute new installations, they also provide a source of recurring revenue generated from an existing installed base, leading to revenue generated from restocking, extending coverage, maintenance and upgrading. This further spend by existing customers grew from 25% of total ESL sales in 2019 to 27% in 2020. This increase in sales to existing customers in 2020 (+22%) is in line with the Group's growth of previous years, and was greater than sales of newly installed equipment (+8%) mainly because the number of new installations was affected by Covid-19.

Sales also include software licenses, subscriptions to the V:Cloud platform, maintenance contracts, integration services, specific project development and project management services. This category now includes two major solutions which were also launched at the end of 2020: V:Ads (in store digital marketing) and V:Captana (shelf monitoring and stockout detection using AI and miniaturized wireless cameras). Together, these accounted for a little under 10% of Group Sales in 2018 and accounted for 13% in 2020. The Group aims to continue to increase this ratio. Thanks to the higher profitability of these solutions and services, this more favorable mix has enabled the Group to increase its variable cost margin ratio in 2020 and, other things being equal, should continue to do so for the years to come.

Record order entries

Order entries reached €455m, up +35% compared to 2019 and back in line with the pre-COVID trend.

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2020 Financial Results

€m	FY 2020	FY 2019	Δ
Sales	**290.3**	**247.6**	**+17%**
Variable Costs Margin	**63.2**	**50.5**	**+25%**
% of Sales	21.8%	20.4%	*+1.4 pt*
Opex	(47.2)	(46.5)	+2%
EBITDA	**16.0**	**4.0**	**+300%**
% of Sales	5%	1.6%	*+3.4 pts*
Depreciation	(18.9)	(13.8)	+37%
Current EBIT	**(2.9)**	**(9.8)**	**-70%**
% of Sales	-1%	-4%	*+3 pts*
Non-recurring / non-cash items	(2.1)	(4.8)	-56%
EBIT	**(5.0)**	**(14.6)**	**-66%**
% of Sales	-2%	-6%	*+4 pts*
Financial Income / (Loss)	(3.8)	(2.3)	+66%
Tax	1.2	3.8	-69%
Net Income / (Loss)	**(7.6)**	**(13.1)**	**-42%**
% of Sales	-3%	-5%	*+2 pts*

The variable cost margin (VCM) reached €63.2m vs. €50.5m in 2019, an increase of +25%, while the VCM ratio reached 21.7% compared with 20.4% in 2019 thanks to the overall improvement in profit margin on products delivered over the year. This was also a result of the constant efforts of the R&D and purchasing teams to reduce production costs. The figures also reflect the higher proportion of high Value-Add solutions and services in the mix, and a positive improvement in exchange rate conditions.

Current operating expenses were €47.2m, which represented a moderate increase of just +2% compared to 2019 (€46.5m). This was thanks to a control of recruitments, a reduction in outsourcing, an access to government furlough schemes and a lower travel costs during the pandemic. Other operating costs increased by €1.6m in particular as a result of increased IT costs driven by the strong growth in client use of the Group's Cloud services.

Group EBITDA was €16m in 2020, a fourfold increase on 2019 (€4m). This increase both in value terms and as a percentage of Sales (5.5% in 2020 vs 1.6% in 2019) was mainly a result of the improvement in variable costs margin and the Group's ability to maintain good costs discipline even as sales increased.

Non-recurrent and non-financial items came to €2.1m and consisted mainly of amortization of assets from past acquisitions, non-cash cost of Group employee share performance plans (IFRS 2) amounting to €0.7m, and a €0.9m charge to cover assets destroyed in a fire in one of the Group warehouses in Germany. A reimbursement for the full amount is expected but was not able to be confirmed in time for inclusion in the 2020 accounts.

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The Group recorded a **net loss** for 2020 of €7.6m against a loss of €13.1m in 2019. The loss in 2020 is mainly due to the Covid related decline in activity in H1. Sales growth combined with productivity gains and assisted by a more favorable Euro USD exchange rate, enabled the Group to record a net profit of 2.1 million euros in H2.

Improvement in cash-flow and net cash

The Group ended the 2020 year with a positive cash balance before IFRS16. This positive balance of €88.6m will now allow the Group to start 2021 with a solid financial position, after a H1 2020 temporarily impacted by the global health crisis.

During the year, the Group took advantage of a €30m credit line from the French Government's PGE Covid-19 loan scheme, fully underwritten by partner banks.

After taking into account both new debt and repayment of old debt, net cash consumption was €13.5m, mainly due to the high H2 growth and the increased inventory. To comply with our CSR policy and also due to the soaring air freight costs resulting from Covid, the Group decided to ship the majority of its products by sea. While this resulted in a significant reduction in transportation costs and CO2 emissions, it increased the holding period for inventory by around six weeks.

€m	**2020**	**2019**
EBITDA	13.4	1.7
Capex	(29.5)	(36.2)
Change in Working Capital	6.4	41.2
Operational Cash-Flow	***(9.7)***	***6.7***
Financial Result	(3.8)	(2.3)
Tax	(0.6)	
Others	(0.6)	(0.4)
Cash-Flow	***(13.5)***	***0.4***
Capital Increase		34.3
Change in Net Debt	**(13,5)**	**34.7**
Net Cash / (Debt)	**3.8**	**17.3**
Cash	88.6	73.1
Debt (before impact of IFRS 16)	(84.8)	(55.8)
Debt (after impact of IFRS 16)	*(89.0)*	(76.5)
***Change in cash / (Debt)** before IFRS 16*	***(13.5)***	

Innovation

In 2020, the Group launched a large number of innovative new products in response to a number of issues that retailers had experienced over a long period of time: automatic stockout detection, efficient shelf replenishment, curbside pickup order preparation, planogram compliance, better customer data, ability to find products in store, in-aisle digital communications and footfall monetization. The pandemic slowed the introduction of certain of these product innovations, but at the same time, it increased demand and anticipation for them. The resulting take-up of these innovative new products and services played a key role in the return to strong growth in H2.

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Another important area of innovation for the Group in 2020 was making digital/IoT technologies simpler, more secure and cheaper to use in a retail context. One concrete example of this is putting the Cloud at the retailer's service to eliminate the need for in-store servers and proprietary low energy infrastructure, both of which are costly to install and maintain. On these two counts, SES-imagotag has taken a decisive lead on the competition. The roll out of Cloud-enabled services has been accelerated, and there are now nearly 4,000 stores which are entirely managed on the Cloud. More than twice as many are connected to the SES-imagotag Cloud for some functions.

Thanks to our partnerships with such leading global providers as Cisco-Meraki, HP-Aruba, Huawei, Mist, Lancom, SES-imagotag has made considerable progress in integrating low energy communication protocols into the Wi-Fi access points to eliminate unnecessary infrastructure. Currently, there are thousands of stores which are able to connect or will soon be able to connect using Wi-Fi infrastructure (*infra-less)* alone. This is a very important step forward for SES-imagotag's customers, and also a key differentiation point of the VUSION platform.

Perspectives

On the one hand, we begin 2021 with a necessary note of caution. The pandemic continues to impact the global economy, while industry is having to contend with a shortage of semi-conductors and electronic components worldwide. On the other hand, though we have strong confidence that there is light at the end of the tunnel and a reinforced determination of retailers around the globe to accelerate their digital transformation thanks to our solutions.

Our order book and pipeline are at record highs. This gives us confidence to reaffirm our expectation that the group will deliver on the objectives of our revised VUSION strategic plan, i.e., to achieve Annual Sales of around €400m in 2021 and around €800m by 2023 - one year later than planned pre-Covid. With this in mind, the Group expects to increase the ratio of EBITDA to sales over 15% in 2023.

The current supply bottlenecks for semi-conductors and other electronic components are not expected to jeopardize that objective. Therefore, Q1 growth is in line with the full year sales target of €400m, with order entries exceeding €100m. However, the current tension on the components market will for sure remain a key matter of attention over the coming months.

Next financial press release: Q1 2021 Sales on April 28, 2021

About SES-imagotag and the VUSION Retail IoT platform

SES-imagotag is a fast-growing retail tech company, listed on the Euronext Paris stock exchange, with revenues around €250 million. The company is the world leader in smart digital labels and IoT solutions for physical retail, serving over 300 large retailers around the world in Europe, Asia and America.

SES-imagotag has developed the VUSION Retail IOT technology platform to help retailers transform their physical stores into high value digital assets, more automated, data-driven, and connected in real-time to suppliers and consumers. VUSION improves pricing agility, accuracy and integrity; enables omni channel synchronization of prices, product information and marketing content; and increases the productivity of shelf replenishment and in-store picking for online orders. VUSION improves employee satisfaction by freeing up time from cumbersome low value-added tasks and allowing them to focus on customer service and merchandizing tasks. VUSION connects shelves to the cloud, providing real-time accurate information on product availability and location, allowing for reduced inventory, out-of-stock and waste, as well as improved on-shelf availability and merchandizing compliance. VUSION empowers consumers with better product, nutritional and traceability information at the shelf and enables a frictionless in-store shopping experience with features such as product search, pathfinding and cashier-less scan & pay features.

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

Ticker: SESL – ISIN code: FR0010282822 – Reuters: SESL.PA – Bloomberg: SES

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