

SES-imagotag FY21 Results: Sharp improvement of operational and financial performance

- > **+46% growth in sales to €423m (vs. FY20)**
- > **+32% growth in order entries to €602m**
- > **+100% growth in EBITDA at €32m, ie. 7.6% of sales up +2 pts vs. FY 2020**
- > **VCM ratio almost stable despite tension on components prices**
- > **Positive cash-flow at €4.5m vs. -€13.5m in FY20**
- > **Positive net income at €2m (vs. -€7.6 m in FY 2020)**

€m	FY 2021*	FY 2020	% change
Sales	422.9	290.3	+46%
Variable Costs Margin	91.5	63.2	+45%
<i>% of Sales</i>	21.6%	21.8%	-0.2pt
Operating Costs	(59.1)	(47.2)	+25%
<i>% of Sales</i>	-14%	-16%	-2pts
EBITDA	32.3	16.0	+103%
<i>% of Sales</i>	7.6%	5.5%	+2.1pts
Depreciation	(22.6)	(18.9)	+20%
Current EBIT	9.7	(2.9)	N/A
<i>% of Sales</i>	2%	-1%	+3pts
Non-recurring items / non-cash items	(4.5)	(2.1)	+110%
EBIT	5.2	(5.0)	N/A
<i>% of Sales</i>	1%	-2%	+3pts
Financial Income / (Loss)	(1.1)	(3.8)	-70%
Tax	(2.1)	1.2	N/A
Net Income	2.0	(7.6)	N/A
<i>% of Sales</i>	0.5%	-3%	+3pts

*Audit procedures currently being finalized

Thierry Gadou, Chairman and CEO of the SES-imagotag group commented: "2021 will forever stay in our minds as a turning point for our company and ecosystem. The rapid implementation of our Vusion-23 strategic plan last year resulted in SES-imagotag further consolidating its position as premier Retail IoT platform in the world, enabling our clients to digitize their stores and leverage the best of the e-commerce and physical commerce worlds.

The Stellar growth of close to +50% in 2021, ahead of market growth, reflects at once the high attractiveness of our blended omni-channel solutions and the strength of our global supply chain, especially given the adverse conditions during the pandemic.

In 2021 we also validated the robustness of our business model and its continuing evolution towards more profitable and recurring software revenues by generating a +100 % EBITDA growth and turning in positive net income and cash-flow. This evolution also reduces our risk exposure to global inflation and supply chain issues.

The most important KPI for us though remains customer satisfaction. We are pleased to say that it is at an all-time high as more and more of our clients adopt our cloud and AI-based solutions. The world's best retailers choose the VUSION retail IoT platform by SES-imagotag because it's the most advanced, secured and future-proof cloud-to-edge IoT management platform.

Another KPI which we are progressing on is the Net-Zero global challenge. SES-imagotag's core company purpose centers around sustainability and transparency and is proving to be another major reason for talent, retailers and partners to choose us.

Although we know that this will be another difficult year in terms of supplies, we are confident regarding the outlook for 2022 and the growth and profitability objectives of our VUSION-23 plan."

2021 Activity

Sales up +46% at €423m

Sales amounted to €422.9m in 2021, representing +46% growth compared to last year, exceeding the target of €400m. This performance was driven by strong momentum in all European regions (+53.3%), which represented 75% of the total. Growth outside of Europe reached +26.5%, despite the strain on component supplies: the fourth wave of Covid during the 3rd quarter notably paralyzed the Jabil plant in Vietnam. This plant produces the VUSION smart labels for the United States, thereby negatively affecting activity in North America.

The growth in sales from value-added solutions (VAS) was significantly higher than the growth in label sales. Their weight in the mix has increased from 13% of total activity in 2020 to 15% in 2021.

Order entries over €600m, support the Group's future growth prospects

Order intake has continued to grow sharply over a number of semesters and has reached impressive levels of approximately €300m per six-month period, thus confirming the trajectory of our VUSION-23 plan.

With an increase of +32% to €601.8m in order entries during 2021, the Group has a book-to-bill in excess of 140%.

Strongest growth was recorded in Germany, France and especially in North America, where order entries more than doubled, reflecting the high demand in these regions.

2021 Results

Improved profitability

The **variable costs margin** (VCM) came to €91.5m in 2021 versus €63.2m in 2020, i.e., an increase of +45%, representing 21.6% of sales in 2021 versus 21.8% the year before. This growth is explained by an increased sales mix tilted towards value-added solutions. The improved product mix strengthened the Group's ability to cope with the conjunctural components cost increase.

Operating expenses continued to fall from 16% in 2020 to 14% in 2021, consistent with the Group's objective of 10% Opex by 2023, as set out in the VUSION-23 strategic plan.

Two thirds of the operating expenses consist of personnel costs that increased by +16% in 2021 vs. 2020. Recruitments were made to support the 46% revenue growth.

The remaining increase is largely due to an inventory depreciation expense (€4.3m) to mitigate the risk on some older generations of goods.

EBITDA or Operating Profit before depreciation of fixed assets and before other non-cash non-recurring income and expenses, amounted to €32.5m in 2021 compared to €16m in 2020.

The EBITDA margin was 7.6% of sales, compared with 5.5% in 2020. It doubled between 2020 and 2021 from €16.0m to €32.3m. This improvement in absolute and relative terms is attributable to the revenue growth while the variable cost margin to revenue ratio remained stable and operating expenses remained under control. By 2023, the Group aims to turn in an EBITDA margin of about 15% of sales.

Depreciation and amortization increased by +20% between 2020 and 2021, from €18.9m to €22.6m. This increase is directly linked to high levels of investment in R&D and innovation such as V:Cloud, V:Ads, V:Captana, V:IoT; new products and label technologies; and industrial and IT projects respectively with Salesforce, Microsoft, and SAP to digitalize processes and improve performance.

Non-recurring and non-cash items for 2021 amounted to €4.5m. These amounts are broken down into €0.9 million for goodwill amortization related to technology acquired during the Imagotag buyout and €3.5 million-worth of non-cash cost of performance plan shares granted to Group employees (IFRS 2).

Financial result

Net financial expenses for 2021 were -€1.1m, versus -€3.8m for 2020. These costs break down as follows:

- Cost of debt amounting to -€2.0m
- Net effects of foreign exchange gains and losses amounting to +€0.9m

The Group's pre-tax result for year 2021 is +€4.15m, compared to a loss of -€8.8m in 2020. As a result, the Group incurred a tax expense of €2.1m in 2021 vs. a tax profit of €1.2m in 2020.

Net income

Net income for 2021 is positive, at €2m versus a loss of -€7.6m in 2020.

Investments

€M	FY 2021	FY 2020
R&D and IT investments	21.2	18.1
Industrial investments	4.3	2.3
Hardware as a service	2.2	7.9
Others	2.3	1.3
TOTAL CAPEX	29.9	29.6

In 2021, the Group's capital expenditures came to €29.9m, stable compared to €29.6m in 2020 (+1%).

Capitalized R&D expenditure remains the Group's largest investment item. This expenditure is essential for consolidating the Group's global leadership and competitiveness as well as for product and service development, thus ensuring profitable growth for years to come.

The major IT investments currently underway are helping SES-imagotag achieve its goal of being a fully integrated cloud-based company leading to increased productivity and service quality.

Overall, capitalized R&D and IT expenses for 2021 increased by €3.1m mainly driven by increasing R&D efforts.

Hardware as a service capitalized expenses decreased from €7.9m in 2020 to €2.2m in 2021 reflecting the completion this year of a significant roll-out which started in 2019.

Consolidated cash flow statement

	FY 2021	FY 2020
EBITDA	32.3	13.4
Capex	(29.9)	(29.5)
Change in Working Capital	(3.3)	6.4
Operating Cash Flow	(3.2)	(9.7)
Financial Result	(0.2)	(3.8)
Tax	(1.1)	(0.6)
Others	4.7	0.6
Total Cash Flow	0.2	(13.5)
Capital increase / cash acquired through capital increases in non-wholly owned subsidiaries	4.3	
Change in Net Debt	4.5	(13.5)
Net Cash / (Debt) before IFRS16 impact	8.3	3.8

Cash	89.8	88.6
Debt (before IFRS16 impact)	(81.5)	(84.8)
<i>Debt (after IFRS16 impact)</i>	<i>(88.7)</i>	<i>(89.0)</i>
Change in Net Cash / (Debt) before IFRS16	4.5	

Net cash position (excluding the effects of IFRS 16) stands at €8.3 million. This is a €4.5m improvement of the Group cash position vs. 2020 and secures almost €90m cash in bank to start 2022.

The Group reached a cash flow breakeven in 2021 thanks to the doubling of the EBITDA and well controlled Capex and working capital.

During the first half of 2021, the Group also proceeded with the release of the last tranche of capital of its JV in China for 51% of the \$10 million total, as stipulated in the JV's constitutive agreement with the other shareholders (BOE and JDD). The Group thereby consolidated its cash position, adding €4.3 million corresponding to the contributions of BOE and JDD to this capital increase.

Outlook

As performance during the 2nd half of the year has rivaled that of the 1st half, 2021 has been a year of strong growth and a significant increase in profitability compared to 2020, despite supply constraints and the sharp rise in the price of components worldwide.

The structural improvement of its business model provides a strong foundation for the future.

In a global supply chain context that will remain strained in 2022, the Group remains confident to deliver a strong revenue growth, expected around +30% to +50% in 2022, and to continue improving its profitability in line with its VUSION-23 strategic plan.

About SES-imagotag and the VUSION Retail IoT Cloud platform

SES-imagotag is a fast-growing retail tech company, listed on the Euronext Paris stock exchange, with revenues of €290 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 allows 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.

www.ses-imagotag.com

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