VusionGroup

Press release

September 12, 2024 – 5.40pm CET

First Half 2024 Results:

Strong Profitability Improvement and Free Cash Flow Generation Raising Full Year EBITDA margin guidance

> **H1 revenue of €409m under IFRS and €431m on an adjusted basis[1] up 13% vs H1 2023**
> **Variable Cost Margin (VCM) of €98m and €121m on an adjusted basis[1] up 31% vs H1 2023; Adjusted[1] VCM margin of 28.0% (up 3.8 pts vs H1 2023)**
> **Adjusted[1] EBITDA of €59m (+36% YoY) ie. 13.7% of sales up 2.3pts vs H1 2023**
> **Free Cash Flow generation of €203m with a net cash position of €215m**
> **2024 full-year revenue target of €1 billion confirmed on an adjusted basis**
> **2024 full-year adjusted[1] EBITDA margin increase now expected to be in the range of 100 to 200 bps (vs 50 to 100bps previously)**

The following 2024 financial figures are presented under IFRS standards, and also in adjusted terms before some IFRS 15 non-cash adjustments. Details of these adjustments are provided at the end of this press release.

In €m	**H1 2024**	IFRS15 Adjustment[1]	**H1 2024 Adjusted[1]**	H1 2023	Change Adjusted
Revenue	**408.9**	(22.2)	**431.1**	380.7	+13%
EBITDA	**36.9**	(22.2)	**59.1**	43.5	+36%
% of revenue	*9.0%*		*13.7%*	*11.4%*	*+2.3 pts*
Free Cash-Flow	**+203.0**	-	**+203.0**	121.9	+€81.1m

(*) The audit procedures on the consolidated financial statements have been completed. The certification report is in the process of being issued.

Commenting on these figures, **Thierry Gadou, Chairman and CEO of VusionGroup**, said:

"The first half results confirm VusionGroup's excellent commercial performance, the improvement in margins and the solidity of its business model, with a strong improvement in its free cash flow generation.

This performance reaffirms our annual financial targets and allows us to raise our initial adjusted[1] EBITDA margin target given the acceleration in the second half, particularly in the United States where the Walmart deployment is intensifying and where we recorded new successes over the summer. The second half promises to be excellent as announced and reinforces our objective of crossing the €1 billion mark in revenue on an adjusted basis and to further accelerate our growth in 2025.

Retail is entering a new era of acceleration of modernization and digitalization of physical stores. As the digital technology partner for retailers, VusionGroup is at the forefront of this transformation."

[1] Adjusted data incorporate IFRS standards before adjusting for certain non-cash IFRS 15 adjustments related to the Walmart US contract, which began in Q4 2023. These adjustments only impact the Americas & Asia-Pacific region. Please see the detailed explanatory note at the end of this press release.

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H1 revenue growth supported by record level in order intake

The Group's IFRS revenue reached €409 million in the 1st half, and €431 million on an adjusted basis[1], up +13% compared to the 1st half of 2023, and in line with the guidance communicated during the presentation of the 2023 annual results.

In terms of geography, growth was driven by North America. In accordance with the forecasts announced, the breakdown of revenue in the 1st half is:

55% for **EMEA**, or €238 million, down 25% due to the planned and announced completion of the deployment phase of a major European customer. The resulting cyclical effect will only be temporary in 2024 as the many contracts signed in recent months in Europe will generate robust growth again in 2025. Excluding the effect of this roll-out in the finalization phase, the EMEA zone grew in the 1st half of the year. In addition, order intake increased in the region in the first half of the year, which reinforces our scenario of a rebound in activity in Europe from the second half of 2024.

45% for **Americas and Asia-Pacific,** or €193 million on an adjusted basis, up 206%, mainly driven by the United States, which will become the Group's largest market in 2024. Growth is expected to continue at a sustained pace in the coming quarters. This excellent momentum is driven by the acceleration of the pace of deployment at Walmart but also by the ongoing conclusion of several major new contracts.

Global order entries increased by 38% to €714 million in the first half of the year, and the level of orders reached a level of €1,146 million at the end of the 1st half on a 12-month rolling basis. This record figure is explained by the strong momentum of new contract signings in both Europe and the United States.

VAS[2] Revenue

Revenue from software and recurring services[3] reached €26.1 million in the first half of the year, up sharply (+28% compared to H1 2023). It represents nearly 60% of the total VAS revenues, the total amount of which stands at €44 million (-17% compared to H1 2023). Non-recurring services[4] declined due to a difficult economic context where some retailers slowed down certain projects or internalized some services.

The VusionCloud installed base grew rapidly in the first half of the year to more than 21,000 stores and 110 million labels. This dynamic will accelerate in the coming quarters.

[2] VAS: Software, services and non-ESL solutions
[3] "Recurring VAS" revenue includes revenue generated by subscriptions to VusionCloud and its SaaS computer vision (Captana and Belive) and data analytics (Markethub and Memory) solutions, as well as contracts for recurring services.
[4] "Non-recurring VAS" revenue includes the revenue generated by installation and non-recurring professional services; the sale of equipment such as Captana cameras, video rails and other screens used for retail media (Engage), as well as the sale of industrial and logistics solutions (PDidigital).

Ongoing profitability improvement driven by growth in the variable cost margin

Profit and Loss Statement *

In € millions	H1 2024	IFRS15 adjustment[1]	H1 2024 Adjusted[1]	H1 2023	Change Adjusted	Change IFRS
Revenue	**408.9**	(22.2)	**431.1**	**380.7**	**+13%**	**+7%**
Variable Cost Margin	98.3	(22.2)	120.5	92.2	+31%	+7%
% of revenue	*24.0%*		*28.0%*	*24.2%*	*+3.8 pts*	*-0.2 pt*
Operating expense	(61.4)		(61.4)	(48.7)	+26%	+26%
% of revenue	*15.0%*		*14.3%*	*12.8%*	*+1.5 pt*	*+2.2 pt*
EBITDA	**36.9**	(22.2)	**59.1**	43.5	**+36%**	
% of revenue	*9.0%*		*13.7%*	*11.4%*	*+2.3 pts*	
Depreciation and amortization	(26.0)		(26.0)	(15.5)	+68%	+68%
Non-recurring or non-cash items	(9.3)		(9.3)	(5.3)	+75%	+75%
EBIT	**1.6**	(22.2)	**23.8**	**22.7**	**+5%**	**-93%**
% of revenue	*0.4%*		*5.5%*	*6.0%*	*-0.5 pt*	*-5.4 pts*
Net Financial Result before Warrants Fair Value Revaluation**	(10.0)		(10.0)	(0.5)	N/A	N/A
Tax	(3.1)	2.8	(5.9)	(7.1)	-17%	-56%
Net Result before Warrants Fair Value Revaluation	**(11.4)**	(19.4)	**8.0**	**15.1**	**-53%**	
Warrants Fair Value Revaluation**	(13.0)	(13.0)		76.4		
Net Result	**(24.4)**	(32.4)	**8.0**	**91.5**	**-91%**	**-127%**
% of revenue	-		*1.8%*	*24.0%*	*+1.3 pt*	*-30 pts*

(*) The audit procedures on the consolidated financial statements have been completed. The certification report is in the process of being issued
(**) The Walmart warrants fair value revaluation had a positive net impact in H1 2023 of €76.4m whereas in H1 2024 it has a negative impact of -€13.0m according to IFRS rules.

Continuing the trend observed in 2023, the Group's profitability increased significantly in the first half of 2024 with an adjusted EBITDA of €59.1 million at 13.7% of sales, an improvement of 2.3 points of adjusted EBITDA margin compared to the first half of the previous year. This improvement comes from the improvement in the Variable Cost Margin (VCM).

The **variable cost margin** (VCM) thus amounted to €98.3 million in the first half of 2024, for a margin rate of 24% of turnover. On an adjusted[1] basis, the VCM reached €120.5 million, compared to €92.2 million in the first half of 2023, an increase of +31%, and a VCM rate of 28.0% of turnover in the first half of 2024 compared to 24.2% in the first half of 2023, an increase of +3.8 points.

This improvement in the VCM rate is mainly the result of the Group's continued and growing R & D investments in customer-driven innovations with high added value and better profitability. The improvement also comes from economies of scale, generated by the Group’s strong growth.

Operating expenses amounted to €61.4 million in the first half of 2024 compared to €48.7 million in the first half of 2023. As a percentage of turnover, operating expenses represent 14.3% of total revenue in the first half of 2024 compared to 12.8% in the first half of 2023. This increase is mainly linked to significant recruitment underway in central corporate functions and to support the strong growth in the United States.

Adjusted[1] EBITDA amounts to €59.1 million in the first half of 2024, an increase of +36% vs. €43.5 million in the first half of 2023.

The adjusted[1] EBITDA margin reached 13.7% of turnover in the first half of 2024 compared to 11.4% of turnover in the first half of 2023, an improvement of 2.3 points, mainly driven by the improvement of the VCM.

Depreciation and amortization expenses increased by +58% between the first half of 2023 and 2024, reaching €26.0 million (vs. €15.5 million in the first half of 2023). This increase is directly linked to the significant level of investments in R&D and innovation made by the Group, and particularly the amortization of the development costs for the new EdgeSense solution.

Non-recurring or non-cash items represent an expense of €9.3 million in the first half of 2024 compared to an expense of €5.3 million in the first half of 2023. In the first half of 2023 and 2024, these items mainly consist of, for respectively €4.4 million and €8.0 million, the non-cash IFRS 2 expense related to the performance share plans allocated to the Group's employees between mid-2021 and mid-2024. A higher number of performance shares distributed as well as a higher grant price on the latest grants resulted in an almost doubling of this particular IFRS 2 charge.

Operating income (EBIT) amounts to €1.6 million in the first half of 2024 and €23.8 million on an adjusted basis[1], an increase of 5% compared to the first half of 2023 at €22.7 million. Despite a strong increase in EBITDA, operating income was negatively impacted over the period by the increase in depreciation and amortization and the non-monetary expense for performance share plans.

Financial Result

The financial result for the first half of 2024 is a loss of €23.0 million. As in the accounts for the first half of 2023, the financial result under IFRS standard includes the effect of the revaluation of the fair value of the Walmart stocks warrants.

Excluding this effect, the financial result for the first half of 2024 is a loss of €10.0 million. For the 1st half of 2023 it is a loss of €0.5 million. The cost of financing amounted to €6 million over H1 2024 and €4.5 million over H1 2023. The balance is consisting of exchange losses in H1 2024 and exchange gains in H1 2023.

Net Income

VusionGroup's net income for the first half of 2024 is a loss of €24.4 million. Adjusted net profit[1] stands at +€8.0 million compared to +€15.1 million in the first half of 2023. This temporary decrease is mainly linked to the increase in depreciation and amortization expenses, a consequence of significant past investments made by the Group to develop innovative solutions, and particularly EdgeSense, the depreciation of which began at the end of 2023.

Capital Expenditure

R&D expenditure accounted for most of VusionGroup's capital expenditure. 2023 was the year during which the Group launched EdgeSense, a system that is set to revolutionize ESLs and become a key enabler of the digitalization of stores. The Group also launched VusionOX, the new secure IoT Cloud platform, based on the Bluetooth protocol. The powerful functionalities they provide retailers, consumers, and suppliers will profoundly change the market in the years to come.

The Group will continue to pursue investing in customer-driven innovations, allowing it to differentiate itself and attract new customers by offering best-in-class solutions on the market.

The other main investment item lies in industrial production lines, particularly for the new EdgeSense range, entirely pre-financed by customers.

Capital expenditure in €m(*)	**H1 2024**	**H1 2023**
R&D and IT expenditure	**15.6**	**44.9**
Of which EdgeSense (HW)		30.8
Industrial investments	**59.4**	**1.6**
Of which EdgeSense production lines financed by customers	54.5	0.0
Other	2.9	1.6
TOTAL CAPEX	**77.9**	**48.0**
EdgeSense production lines financed by customers	54.5	
Self-financed CAPEX	**23.4**	**48.0**
As a % of Adjusted Revenue	5.4%	12.6%

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In the first half of 2024, the Group's capital expenditure reached €77.9 million compared to €48.0 million in the first half of 2023.

Within this €77.9 million, €54.5 million was capitalized for production lines and fully pre-financed by customers.

Self-financed capital expenditure thus amounted to €23.4 million over the first half of 2024, or 5.4% of turnover, in line with the Group's guidance for a ratio in a range of 5% to 7% through 2027.

Strong Free Cash Flow generation

The Group ended the first half of 2024 with a net cash position of €215 million, delivering an improvement of €188 million compared to the net cash position at year-end 2023.

Consolidated Cash Flow Statement excluding impact of IFRS 16 (*) **(€m)**	**H1 2024**	H1 2023
Adjusted EBITDA	59.1	43.5
Impact of IFRS 16	(1.8)	(1.5)
Capex	(77.9)	(48.0)
Change in Working Capital	225.9	128.8
Tax	(2.3)	(0.9)
Free Cash-flow	**203.0**	121.9
Net Financial Expense	(8.9)	(1.1)
Share buy-back		
Acquisitions	(1.5)	(91.5)
Impact of the changes in consolidation scope		4.7
Dividend	(4.8)	
Other	(0.1)	0.6
Change in Net Debt	**187.7**	34.5
Net Cash / (Debt) before IFRS16	**214.9**	(40.5)
Cash	379.5	33.9
Debt (before impact of IFRS16)	(164.6)	(74.4)

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For the third consecutive semester, VusionGroup generated positive free cash flow. During H1 2024, it amounted to €203 million thanks to improved profitability, control of capital expenditure and stable operating working capital requirements at 15% of turnover as on December 31, 2023.

This cash generation was supported in the first half by customer down payments including the 100% pre-financing of production lines.

Excluding down payments and customer-financed Capex, the pro forma free cash flow generation is strong at approximately €24 million, or around 6% of turnover, with an EBITDA to cash conversion rate of 41%.

2024 Outlook and objectives

With an order book at an all-time high, VusionGroup confidently reiterates its objective of crossing the €1 billion mark in revenue on an adjusted basis, and to pursue a strong growth trajectory in 2025.

As expected, the Group's revenue growth will be more weighted towards the second half of the year.

Regarding the geographic distribution of annual sales, VusionGroup targets 50 to 60% of revenue to be generated in EMEA and 40 to 50% in Americas and APAC. The momentum of the latter should be supported by the strong growth expected in the United States this year.

Total VAS revenue is anticipated to reach around €120m, including €60m of recurring revenue.

After a significant improvement in its variable cost margin rate in the first half (+380 basis points), the Group confirms that it expects this trend to continue in the second half.

VusionGroup also confirms the continued improvement in its profitability with an **adjusted[1] EBITDA margin now expected to increase by 100 to 200 basis points** over the whole year (compared to 50 to 100 basis points previously).

After generating positive free cash flow in the first half, the Group confirms its ambition to continue this positive trajectory in the second half of the year.

Finally, VusionGroup expects continued robust growth in its order intake, which is expected to reach an all-time high for the full year.

Note on the IFRS Restatements related to the new Walmart contract

Two IFRS restatements related to the new Walmart contract impact 2023 financial disclosures:

1. On June 2, 2023, at their Annual General Meeting, the Group's shareholders approved a grant to Walmart of 1,761,200 of stock warrants on the Group's shares. According to IFRS standards, the fair value of these warrants should be calculated. On June 2, 2023, the fair value of the warrants was established at €163m. A contract asset and a financial debt were thus recorded in the consolidated accounts for this amount.

   The contract asset, which is a fixed amount, is amortized in proportion to the forecast revenue generated by the Walmart contract over the duration of the roll-out of the VusionGroup platform in Walmart stores. The reduced revenue impact is customary as the warrants will only have a potential dilutive effect, which was modeled and communicated during the allocation of the warrants in early June 2023. This does not impact the actual sales invoiced to Walmart. This restatement has no impact on the Group's cash flow. It impacts revenue and all of the Group's income statement lines, in the same proportion. This negative impact to the Group's IFRS accounts will continue until the end of the Walmart contract, in direct proportion to the sales generated by this contract.

   The financial debt is subject to revaluation at each closing, depending on the number of exercisable warrants and the market price of VusionGroup shares. Any change is recorded as financial income in the Group's consolidated accounts. VusionGroup will continue to communicate at each closing the impact on revenue and net income of this IFRS restatement.

2. The impact of future price reductions indexed to the volumes agreed upon with Walmart from the first deliveries of electronic shelf labels (ESLs): The cost of the Group's hardware solutions is a function of the volume manufactured. A significant increase in volume might thus lead to lower cost. Therefore, it has been agreed with this customer that they will be granted price reductions in relation to the future sales volume to which they contribute. The IFRS standard (IFRS 15) requires prices to be averaged over the life of the contract. The application of this restatement in 2023 impacts reported revenue (IFRS) compared to the revenue invoiced, even though price reductions will only be granted if and when volumes will have reached certain thresholds. The application of this standard has a negative impact on revenue and all income statement lines, down to net profit.

Important Disclaimer

About VusionGroup

VusionGroup (ex- SES-imagotag) is the global leader in providing digitalization solutions for commerce, serving over 350 large retailer groups around the world in Europe, Asia and North America.

The Group develops technologies that create a positive impact on society by enabling sustainable and human-centered commerce. By leveraging its IoT & Data technologies, VusionGroup empowers retailers to re-imagine their physical stores into efficient, intelligent, connected, and data-driven assets. The Group unlocks higher economic performance, facilitates seamless collaboration across the value chain, enhances the shopping experience, creates better jobs, cultivates healthier communities, and significantly reduces waste and carbon emissions.

VusionGroup consist of six families of solutions which bring the full potential of IoT, Cloud, Data, and artificial intelligence (AI) technologies to the service of the modernization of commerce: SESimagotag (ESL & Digital Shelf Systems), VusionCloud, Captana (computer vision and artificial intelligence platform), Memory (data analytics), Engage (retail media and in-store advertising), and PDidigital (logistics and industrial solutions).

VusionGroup supports the United Nations' Global Compact initiative and has received in 2023 the Platinum Sustainability Rating from EcoVadis, the world's reference of business sustainability ratings.

VusionGroup is listed in compartment A of Euronext™ Paris and is a member of the SBF120 Index.

Ticker: VU – ISIN code: FR0010282822

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Conference Call with Management on September 12th at 6pm CET

Click on this link to access the live webcast.

The slideshow as well as a replay of the event will be available on VusionGroup's investor website: https://investor.vusion.com/

Financial Calendar 2024

- October 28, 2024 (after market close) : Q3 2024 Sales

Glossary

EBITDA
The Group considers EBITDA to be a performance indicator that presents operating income before depreciation and amortization of fixed assets, adjusted for some items during the period that affect comparability with previous reporting periods. It also represents a good approximation of the cash flow generated by operating activities before taking into account investments and changes in working capital. Consequently, restatements include significant non-recurring items or items that will never lead to a cash disbursement.

Net Financial Debt / Net Cash
These indicators define, respectively, the Group's net financial debt or net cash position, calculated based on the following consolidated balance sheet items: (-) Loans (-) Current and non-current lease liabilities (IFRS16) (+) Cash and cash equivalents. If the result is negative, the level of Loans and lease liabilities exceeds the level of Cash and Cash equivalents and is therefore considered net debt or net financial debt. If, however, the result is positive, then the level of Loans and lease liabilities is lower than the level of Cash and Cash equivalents and is considered Net Cash.

Change in Net Financial Debt / Net Cash
It is the change between the Net Financial Debt / Net Cash between 2 periods. It also corresponds to the Free Cash-Flow of the period.

Free Cash-Flow
The Group considers EBITDA to be a performance indicator that is calculated based on the following items: Adjusted EBITDA (-) Capital Expenditure (-) Change in Working Capital (-) Taxes.

Change in Working Capital
Change in working capital is calculated based on the following items from the consolidated balance sheet: (+) Receivables (gross value, before depreciation) (+) inventory and works-in-progress (gross value, before depreciation) (-) trade payables (+) current taxes (+) other current receivable (-) other debt and accrual accounts.

Order entries
Order entries represent the year-to-date cumulative value of ESL orders received from customers. These orders are valued based on negotiated selling prices, i.e. before any impact of IFRS 15. Order intake also includes year-to-date VAS revenues.