



EXCLUSIVE NETWORKS – FIRST HALF 2023 FINANCIAL RESULTS

**Record Gross sales above €2bn in H1-23
FY-23 outlook confirmed,
Adj. EBIT expected in the higher range**

OPERATING PERFORMANCE

- Record Gross sales of €2.3bn, up 20%
- Net margin grew strongly to €222m, up 18%
- Adj. EBIT¹ at €84m, up 26% at 37.8% of Net margin

CASH PERFORMANCE

- Solid cash generation: Adj. Operating FCF at €105m
- 116% Cash conversion
- Leverage ratio down at 1.3x Net Debt/Adj. EBITDA

BOULOGNE-BILLANCOURT - August 3rd, 2023, at 07:00 A.M. CET

Exclusive Networks (Euronext Paris: EXN), a global leader in cybersecurity, today announces its financial results for the half-year ended June 30, 2023. Management will hold a conference call at 9:00 am (CET) today, available via webcast (<https://ir.exclusive-networks.com/>). A replay will be available.

Jesper Trolle, Chief Executive Officer, commented:

"I am pleased to announce an excellent performance in the first half of 2023, with strong margin progression and sales growth ahead of the cyber security market. Our momentum reflects the differentiation, resilience, and operational gearing of our model, combined with a laser focus on efficiency and cost control. As a result, we have moved closer to our long-term target of adjusted EBIT margins of c.40% with high cash generation. In addition, we continue to grow strongly in the US, a significant market with exciting long-term growth potential.

Our mission is to create a safer digital world. We do this by giving hundreds of thousands of organisations globally access to the most innovative cyber security technologies. This is built on our global platform, commercial expertise and technical know-how. After a surge in demand for cyber technology in 2022 – reflecting the shift to hybrid working, increasing use of cloud technology and threats linked to the war in Ukraine – we are now seeing sales activity return to a normalised long-term trend of double-digit growth. Notwithstanding a lengthening in sales cycles and continued macro uncertainty, our market-leading portfolio of cybersecurity vendors, proven ability to grow our addressable market and strong balance sheet support our confidence in achieving our 2023 guidance. On the back of the solid H1 2023 performance, we now expect our Adj. EBIT to reach the upper end of the range."

¹ Formerly identified as Adj. EBITA. Recurring operating profit before amortisation of intangible assets, adjusted for non-GAAP items.



Q2 2023 GROSS SALES & REVENUE

Q2 2023 Gross sales

in € million	Q2 2022	Q2 2023	Variation	
			Reported	Constant Currency ¹
EMEA	798	897	+12%	+15%
AMERICAS	107	158	+48%	+52%
APAC	123	96	-21%	-17%
GROUP	1,027	1,152	+12%	+15%

Q2 2023 IFRS Revenue

in € million	Q2 2022	Q2 2023	Variation	
			Reported	Constant Currency ¹
EMEA	596	695	+17%	+19%
AMERICAS	74	115	+56%	+60%
APAC	93	73	-21%	-16%
GROUP	762	883	+16%	+19%

Gross sales were €1,152 million, an increase of 12% year over year on a reported basis, +15% at constant currency.

Most of this growth (8%) was driven by business with existing vendors in their current geographies. The remainder of the growth was due to vendor expansion (4%). Vendor expansion is a combination of vendors entering into new geographies (3%) and new vendor relationships (1%).

H1 2023 PERFORMANCE

Gross sales and adjusted profitability metrics are non-GAAP measures. Revenue and Net margin are reported in IFRS format. Full results as per IFRS are presented in the Appendix along with the reconciliation detailing the differences with non-GAAP measures. Please refer to the glossary at the end of the press release for further explanations.

in € million	H1 2022	H1 2023	Change	
			Reported	Constant Currency ¹
Gross sales	1,947	2,331	+20%	+22%
Revenue	1,474	1,776	+21%	+23%
Net margin	188	222	+18%	-
<i>% Gross sales</i>	<i>9.6%</i>	<i>9.5%</i>	<i>12bps</i>	-
Adj. EBIT	67	84	+26%	-
<i>% Net margin</i>	<i>35.4%</i>	<i>37.8%</i>	<i>+240bps</i>	-
Adj. net income²	38	45	+18%	-

¹ Variation at constant currency is computed using 2022 rates applied to 2023 Gross sales. The USD, GBP and PLN evolved as follows: 1EUR: 1.081 USD; 1EUR: 0.877 GBP, 1EUR: 4.626 PLN respectively for 2023 and 1EUR: 1.094 USD; 1EUR: 0.842 GBP, 1EUR: 4.633 PLN respectively for 2022.

² Adj. net income for H1-22 was restated to include IAS 34 application effects.



Gross sales were €2,331 million, an increase of 20% year on year on a reported basis and up 22% at constant currency. Most of this growth (17%) was driven by business with existing vendors in their current geographies. The remainder of the growth was due to vendor expansion (3%). Vendor expansion is a combination of vendors entering into new geographies (1%) and new vendor relationships (2%).

Vendor retention rate¹ improved in H1 2023, supported by increasing demand for our vendors' solutions and the continued engagement of our channel partners. **Net vendor retention rate**¹ on a rolling 12-month basis at H1 2023 was up 131% (vs 122% in H1 2022) with **net reseller retention rate**¹ on a rolling 12-month basis at H1 2023 at 130% (vs 122% in H1 2022).

Revenue as reported in the Consolidated Financial Statements takes into account the recognition of the sales of support and maintenance on a Net margin basis as per IFRS as Exclusive Networks is not the primary obligor for these solutions. Revenue grew in line with Gross sales.

Net margin was €222 million in the first half of 2023, an increase of 18% year on year, reflecting a mix of geography and deal size.

Operating expenses increased 14% to €138 million, aligned with tight control on new hires and overhead cost structure. Costs are evolving at a slower pace than the top line, improving our operating leverage.

Adjusted EBIT rose to €84 million, up 26% year over year. **Adj. EBIT margin over Net margin** was up 240 bps year on year to 37.8% as the Group benefits from operating leverage, driven at regional level.

Adjusted net income was €45 million, representing an increase of 18% year over year, resulting from the Adj. EBIT improvement, partially offset by increasing financial interest costs.

H1 2023 PERFORMANCE BY REGION

<i>in € million</i>	H1 2022	H1 2023	Change	
			Reported	Constant Currency
EMEA				
Gross sales	1,528	1,822	+19%	+22%
Revenue	1,162	1,392	+20%	+22%
Adj. EBIT	70	89	+27%	
AMERICAS				
Gross sales	200	298	+49%	+48%
Revenue	143	221	+54%	+53%
Adj. EBIT	4	7	+59%	
APAC				
Gross sales	219	211	-4%	-2%
Revenue	168	163	-3%	-1%
Adj. EBIT	11	10	-5%	
Total				
Gross sales	1,947	2,331	+20%	+22%
Revenue	1,474	1,776	+21%	+23%
Adj. EBIT	67	84	+26%	

¹Defined as rolling 12 months Gross sales generated in year N from vendors/customers active in year N-1 divided by rolling 12 months Gross Sales from the same vendors/customers in year N-1



EMEA (78% of total Gross sales): Gross sales were €1,822 million, up 19% year on year, with strong momentum in the first quarter followed by a return to normalised activity levels in the second quarter. Profitability increased significantly, with Adjusted EBIT rising to €89 million, up 27% year on year.

AMERICAS (13% of total Gross sales): Gross sales were €298 million, up 49% year on year. During the first half of the year, the Americas region benefitted from the strong growth with existing vendors and a fast ramp up of new vendors, with the US entering the top 3 largest countries for the Group alongside with largest historical European countries. Operational gearing drove record growth of +59% for Adj. EBIT, outperforming reported top line growth.

APAC (9% of total Gross sales): Gross sales reached €211 million, a decline of 4% year on year. The region faced a tougher prior year comparator in the second quarter. Q2 2022 benefitted from large deals that were not repeated in Q2 2023.

Despite tough comps in the second quarter, profitability was protected in the first half with Adj. EBIT declining €1 million year on year, to €10 million.

H1 2023 CASH FLOW AND FINANCING

Changes in working capital amounted to a negative €81 million vs. H1 2022, this variation is mainly explained by the one-off effect of the pan-European factoring program implementation in new countries in H1 2022 for €41 million and the seasonality of the activity.

Adj. Operating Free Cash Flow reached a strong level, amounting to an inflow of €105 million in H1 2023, compared to €166 million in H1 2022.

Leverage: Financial gross debt at June 30, 2023 was €488 million (vs. €523 million at end Dec. 2022), with **Net cash & cash equivalents** standing at €262 million and **Net debt** at €226 million. This resulted in a **leverage ratio** of Net Debt / Adjusted EBITDA of 1.3x. The leverage benefitted from the decrease of financial liabilities.

2023 OUTLOOK

In an environment still challenged by macroeconomic volatility, we remain confident in meeting our FY 2023 guidance. On the back of the solid H1 2023 performance, we now expect our Adj. EBIT to reach the upper end of the range:

- **Gross sales** above €5,150 million
- **Net margin** in the range of €450 million to €465 million
- **Adj. EBIT** in the range of €172 million to €178 million
- **Adj. Operating FCF** above 80% of Adj. EBITDA

SIGNIFICANT EVENTS SINCE 30 JUNE 2023

FOUR-YEAR LOAN AGREEMENT WITH BPI FRANCE

On 3 July 2023, through its subsidiary Everest SubBidCo SAS, Exclusive Networks signed a four-year loan agreement with Bpifrance Investissement for €15 million. The principal will be amortized in six half-yearly instalments.

COMPLETION OF A SHARE BUYBACK PROGRAMME

On 4 July 2023, Exclusive Networks completed a €25 million share buyback programme, launched on 20 March 2023. As part of this programme, Exclusive Networks has acquired 1,288,819 shares with a view to remitting them in the context of management package schemes such as allotment of Long-Term Incentives plans represented by free-shares and M&A build-up.



APPENDIX

H1 2023 CONSOLIDATED P&L

EURm	30 June 2022	30 June 2023
Revenue	1,474	1,776
Costs of purchases goods and services	(1,283)	(1,551)
Freight on sales	(3)	(3)
Net margin	188	222
Personnel costs	(90)	(97)
Other operating costs	(29)	(39)
Amortization of intangible assets	(30)	(30)
Depreciation and amortization of tangible assets	(6)	(7)
Recurring operating profit	32	49
Non-recurring operating income and expenses	(0)	1
Operating profit	32	50
Finance debt costs	(7)	(14)
Interest on lease liabilities	(0)	(1)
Other financial income and expenses	(5)	(11)
Financial result	(13)	(26)
Income before taxes	19	24
Income taxes	(8)	(6)
Net income	11	18
Net income attributable:		
- To the owners of the parent company	10	16
- To non-controlling interest	1	2
Earnings per share attributable to parent company (in €):		
- Basic earnings per share	0.11	0.18
- Diluted earnings per share	0.11	0.18



H1 2023 CONSOLIDATED BALANCE SHEET

EURm	31 Dec. 2022	30 June 2023
ASSETS		
Goodwill	295	295
Other intangible assets	1,112	1,087
Property, plant and equipment	7	7
Right-of-use assets	26	26
Other non-current financial assets	40	46
Deferred tax assets	8	9
TOTAL NON-CURRENT ASSETS	1,488	1,470
Inventories	271	218
Trade receivables and related accounts	1,132	925
Income tax receivables	12	13
Other current financial assets	19	18
Cash and cash equivalents	268	267
TOTAL CURRENT ASSETS	1,703	1,440
TOTAL ASSETS	3,191	2,910
EQUITY AND LIABILITIES		
Share capital and share premium	976	976
Retained earnings and other reserves	(27)	(31)
Foreign currency translation reserve	4	(4)
Equity attributable to the owners of the parent company	952	941
Non-controlling interests	3	4
TOTAL EQUITY	956	945
Other non-current financial liabilities	488	499
Non-current lease liabilities	20	19
Non-current provisions	4	3
Other non-current liabilities	0	0
Deferred tax liabilities	274	270
TOTAL NON-CURRENT LIABILITIES	785	792
Trade payables and related accounts	1,304	1,072
Other current financial liabilities	128	79
Current lease liabilities	8	7
Current provisions	0	1
Current tax liabilities	11	15
TOTAL CURRENT LIABILITIES	1,450	1,174
TOTAL EQUITY AND LIABILITIES	3,191	2,910



H1 2023 CASH FLOW STATEMENT

EURm	30 June 2022	30 June 2023
OPERATING ACTIVITIES		
Net income	11	18
Adjustments for:		
- Depreciation, amortisation, impairment and change in provisions	36	37
- Financial debt costs & interest on lease liabilities	8	15
- Income tax expenses	8	6
Other adjustments and non-cash items	8	5
Income tax paid	(10)	(10)
Cash flows from operating activities before change in working capital	61	70
Change in working capital	91	10
NET CASH FROM OPERATING ACTIVITIES	152	81
INVESTING ACTIVITIES		
Additions to property, plant and equipment and intangible assets	(3)	(3)
Changes in other financial assets	(1)	1
Impact of changes in scope of consolidation	(1)	-
NET CASH FROM INVESTING ACTIVITIES	(4)	(2)
FINANCING ACTIVITIES		
Dividends paid	-	(1)
Disposal (acquisition) of treasury shares	0	(25)
Proceeds from issuance of bank borrowings & from other financial liabilities	12	26
Factoring liabilities	(3)	(35)
Short-term financing	(5)	(2)
Interest Paid	(8)	(14)
Repayment of bank borrowing & other financial liabilities	(13)	(24)
Other cash-out flows from financing activities	(8)	(5)
NET CASH FROM FINANCING ACTIVITIES	(26)	(79)
Effects of exchange rate fluctuations on cash and cash equivalents	0	(1)
INCREASE IN NET CASH AND CASH EQUIVALENTS	122	(1)
Net cash and cash equivalents at the beginning of the period	125	263
Net cash and cash equivalents at the end of the period	247	262



H1 2023 BRIDGE FROM NET INCOME TO ADJ. NET INCOME

EURm	Reported		Adjustments		Adjusted	
	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
Operating profit / Adj. EBIT	32	50	35	34	67	84
Financial result	(13)	(26)	-	-	(13)	(26)
Income before taxes	19	24	35	34	54	58
<i>Growth %</i>	-	-	-	-	-	9%
Income taxes	(8)	(6)	(8)	(7)	(16)	(13)
Effective adjusted tax rate	42%	25%	-	-	29%	23%
Net income / Adj. net income	11	18	27	27	38	45
<i>Growth %</i>	-	-	-	-	-	18%

GLOSSARY

Gross sales:

- Gross sales represent revenue recognized by the Group on a gross basis for each revenue stream.
- Net of returns, discount and rebates.

Revenue:

- IFRS revenue.
- Support & Maintenance margin accounted for revenue.
- Net of returns, discount and rebates.

Net margin:

- Revenue less costs of purchased goods and services and freight on sales.

Adj. EBIT:

- Formerly identified as Adj. EBITA.
- Recurring operating profit before amortization of intangible assets, adjusted for non-GAAP items.

Adj. EBITDA:

- Adj. EBIT restated from D&A.

Adj. net income:

- Net income restated for non-recurring operating IFRS and non-GAAP items, net of taxes.

Adj. Operating FCF:

- Operating Free Cash Flow before tax and adjusted for non-recurring items.

Cash Conversion:

- Adj. Operating Free Cash Flow before Tax / Adj. EBITDA.

Non-recurring items:

- Items defined as unusual, abnormal and infrequent, of limited number and presented separately in order not to distort the understanding of the Group's underlying performance.



CONFERENCE CALL

Jesper Trolle, Chief Executive Officer, and Nathalie Bühnemann, Chief Financial Officer, will present the Half-Year 2023 financial results during a conference call in English today (August 3rd, 2023) at 9:00 am (CET).

You can follow the conference call live via webcast at the following link: <https://ir.exclusive-networks.com/>.

A replay will also be available for a period of one year.

All documents relating to this publication will be placed online on the Exclusive Networks Investor Relations website at <https://ir.exclusive-networks.com/>

Regulated information related to this press release and presentation is available at <https://ir.exclusive-networks.com/>

PROVISIONAL CALENDAR

- **Q3 Financial update (Gross sales and Revenue): 7 November 2023**

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About Exclusive Networks

Exclusive Networks (EXN) is a global cybersecurity specialist that provides partners and end-customers with a wide range of services and product portfolios via proven routes to market. With offices in over 45 countries and the ability to serve customers in over 170 countries, we combine a local perspective with the scale and delivery of a single global organisation.

Our best-in-class vendor portfolio is carefully curated with all leading industry players. Our services range from managed security to specialist technical accreditation and training and capitalize on rapidly evolving technologies and changing business models. For more information visit www.exclusive-networks.com.



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