



EXCLUSIVE NETWORKS –FY-23 FINANCIAL RESULTS

Exclusive Networks reports a new record-breaking year in FY-23
Profitability outpacing top line growth
FY-23 outlook exceeded on all financials
Further performance improvement expected in FY-24

OPERATING PERFORMANCE

- Record Gross sales growth:
 - €5.145bn, +14% reported
 - +16% at constant currency
- Net margin grew strongly to €468m, +14%
- Adj. EBIT close to 40% Net Margin at €186m, +21%

CASH PERFORMANCE

- Adj. Operating FCF up sharply at €254m
 - 128% cash conversion¹
- Leverage ratio down at 0.8x Net Debt/Adj. EBITDA

BOULOGNE-BILLANCOURT - February 29th, 2024, at 07:00 A.M. CET

Exclusive Networks (Euronext Paris: EXN), a global leader in cybersecurity, today announces its financial results for the full-year ended December 31st, 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:

“Exclusive Networks delivered record sales and profits in FY-23 surpassing our financial guidance.

We are thrilled with the profitability of the year, which exceeded the upper range forecasted in August 2023. Our teams demonstrated resilience and adaptability in sustaining growth momentum following a remarkable performance in FY-22, and I extend my gratitude to them for their unwavering commitment to maintaining high standards of quality.

This outcome reflects the strength, diversification and resilience of our model. Our reputation as a trusted partner is valued by both vendors and customers, serving as the foundation of our ongoing growth. Acquisitions remain an important growth lever for us and we made two acquisitions in 2023 – Ingecom and Consigas – which are an excellent strategic fit and progressing well.

Looking ahead to FY-24, we remain optimistic about our prospects, while the environment is expected to remain soft in the first half. The continued emphasis on cybersecurity by CIOs, combined with our unique business model and established growth strategies, positions us for further advancement in the coming year.

We are excited about the opportunities that lie ahead and are committed to building upon our achievements to drive sustained growth and success.”

¹ Adj. Operating FCF / Adj. EBITDA



IFRS 15 CHANGE IN ACCOUNTING TREATMENT

IFRIC and ESMA published clarifications on IFRS 15 Revenue recognition principles. The publication implied a change in the accounting treatment for Exclusive Networks on IFRS 15 Revenue recognition. Before the publication, only Support and maintenance services were netted in the IFRS 15 Revenue presentation.

As a result of ESMA precisions and concluding illustrations, the Group decided to change the accounting treatment. For its performance obligation, the Group considers now acting as an agent for the sale of software licenses.

After change in the accounting treatment, distribution of software licences are also netted in the IFRS 15 Revenue recognition, in addition to Support and maintenance services. Group Net margin remains unchanged. Please find below information on the restatement for Q4-23 and FY-23 IFRS Revenue compared to Q4-22 and FY-22.

Full quarterly restatement for FY-22 and FY-23 is presented in Appendix.

in € million	Before Change in accounting treatment		Variation		After Change in accounting treatment		Variation	
	Q4-22	Q4-23	Reported	Constant currency	Q4-22	Q4-23	Reported	Constant currency
EMEA	911	920	+1%	+3%	331	299	-10%	-8%
AMÉRICAS	116	137	+18%	+24%	56	63	+14%	+20%
APAC	95	82	-14%	-9%	53	43	-19%	-14%
GROUP	1,122	1,139	+1%	+4%	439	405	-8%	-5%

in € million	Before Change in accounting treatment		Variation		After Change in accounting treatment		Variation	
	FY-22	FY-23	Reported	Constant currency	FY-22	FY-23	Reported	Constant currency
EMEA	2,704	3,072	+14%	+16%	1,084	1,140	+5%	+7%
AMÉRICAS	348	467	+34%	+38%	186	242	+30%	+34%
APAC	352	324	+8%	-4%	195	177	-9%	-5%
GROUP	3,404	3,863	+14%	+16%	1,466	1,559	+6%	+9%

Q4-23 GROSS SALES

in € million	Q4-22	Q4-23	Variation	
			Reported	Constant Currency ¹
EMEA	1,154	1,241	+7%	+9%
AMERICAS	176	234	+33%	+38%
APAC	123	110	-10%	-5%
GROUP	1,454	1,585	+9%	+12%

In Q4-23, Gross sales were €1,585 million, an increase of +9% year over year on a reported basis, +12% at constant currency. Most of the organic growth was driven by business with existing vendors in their current geographies (+6.1%), and to a lesser extent to vendor expansion (+1.3%), which is a combination of vendors entering into new geographies (+0.8%) and new vendor relationships (+0.5%). The remainder of the growth is attributable to acquisitions (+1.7%).

¹ Variation at constant currency is computed using FY-22 rates applied to FY-23 Gross sales. The USD, GBP and PLN evolved as follows: 1EUR: 1.082 USD; 1EUR: 0.870 GBP, 1EUR: 4.592 PLN respectively for FY-23 and 1EUR: 1.059 USD; 1EUR: 0.853 GBP, 1EUR: 4.684 PLN respectively for FY-22.



FY-23 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	FY-22	FY-23	Change	
			Reported	Constant Currency
Gross sales	4,528	5,145	+14%	+16%
Revenue	1,466	1,559	+6%	+9%
Net margin	411	468	+14%	-
<i>% Gross sales</i>	<i>9.1%</i>	<i>9.1%</i>	-	-
Adj. EBIT	154	186	+21%	-
<i>% Net margin</i>	<i>37.5%</i>	<i>39.7%</i>	<i>+225bps</i>	-
Adj. net income	100	108	+8%	-

Gross sales were up 16% at constant currency and up 14% reported at €5,145 million. The bulk of the growth was organic, with existing vendors in current geographies (13.9%), and vendor expansion (+0.5%), composed of vendors entering into new geographies (+0.3%) and new vendors (+0.2%). The remainder of the growth is attributable to pricing effect (+1.2%), to recent acquisitions (+0.8%) and to currency effect (-2.7%).

Vendor retention rate¹ in FY-23 remained above 100%, reflecting the continued engagement of our channel partners. **Net vendor retention rate**¹ on a rolling 12-month basis at FY-23 was 113% (vs 136% in FY-22) with **net reseller retention rate**¹ on a rolling 12-month basis in FY-23 at 112% (vs 133% in FY-22).

In FY-23, Gross sales mix grew towards Software and Support & Maintenance, in line with the strategy in place and confirming the relevance of the value proposition. **Hardware** decreased to 25% of the Group (vs 27% in FY-22), **Software** was 49% (in line with FY-22) and **Support & Maintenance** was up at 26% (vs 24% in FY-22). Cloud-based business accounted for 32% of the Group in FY-23, up 4 points compared to FY-22 in line with our digital growth strategy.

IFRS Revenue as reported in the Consolidated Financial Statements takes into account the recognition of the sales of software licences and support and maintenance on a Net margin basis as per IFRS as explained above. IFRS Revenue reached €1,559 million, up 6% reported.

Net margin was €468 million in FY-23, a sharp increase of 14% year on year, reflecting the strong execution with a consistent mix evolution of geography and deal size.

Operating expenses increased 10% to €282 million, below Gross Sales growth, aligned with tight monitoring of the cost structure. This resulted to the strong improvement realised on the operating leverage.

Adjusted EBIT rose to a record €186 million, up 21% year over year. **Adj. EBIT margin over Net margin** was up 225 bps year on year to 39.7% as the Group benefits from a decrease in the weight of Opex by 170bps at regional level.

Adjusted net income was €108 million, representing an increase of 8% year over year, resulting mainly from the sound Adj. EBIT partially offset by higher financial expenses.

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



FY-23 PERFORMANCE BY REGION

in € million	FY-22	FY-23	Change	
			Reported	Constant Currency
EMEA				
Gross sales	3,539	4,036	+14%	+16%
Revenue	1,084	1,140	+5%	+7%
Adj. EBIT	160	191	+19%	-
AMERICAS				
Gross sales	532	689	+30%	+33%
Revenue	186	242	+30%	+34%
Adj. EBIT	14	17	+26%	-
APAC				
Gross sales	457	420	-8%	-4%
Revenue	195	177	-9%	-5%
Adj. EBIT	20	19	-5%	-
Total				
Gross sales	4,528	5,145	+14%	+16%
Revenue	1,466	1,559	+6%	+9%
Adj. EBIT	154	186	+21%	-

EMEA (78% of the Group): Gross sales were €4,036 million, up 14% year on year, the region benefitted from a consistent positive market demand. Profitability outpaced top line growth and increased significantly, with Adjusted EBIT rising to €191 million, up 19% year on year.

AMERICAS (13% of the Group): Gross sales were €689 million, up 30% year on year. The Region pursued its fast organic development, with the progressive ramp up of both new and existing vendors and supported by the continued high local market demand. Operational gearing increased +26% for Adj. EBIT, resulting from the business model in the US and reflecting the constant focus to drive profitable growth.

APAC (8% of the Group): Gross sales reached €420 million, a decline of 8% year on year. The initiatives implemented locally have managed to bolster the business activity trend that improved towards the second half of the year. The high focus on cost control resulted in protecting the profitability with an Adj. EBIT of €19m for FY-23.

FY-23 CASH FLOW AND FINANCING

Changes in working capital was up €18 million at €76 million vs. FY-22, mainly linked to the stock decrease resulting from the strict inventory monitoring in place and normalization of lead time.

Adj. Operating Free Cash Flow reached a strong level, amounting to an inflow of €254 million in FY-23, compared to €201 million in FY-22 mainly driven by business growth and working capital improvement.

Leverage: Financial gross debt at December 31, 2023 was €516 million (vs. €523 million at end Dec. 2022), with **Cash & cash equivalents** at €369 million and **Net debt** improvement at €158 million. This resulted in a significant deleveraging of the company with a **leverage ratio** of Net Debt / Adjusted EBITDA of 0.8x compared to 1.3x as of June 30, 2023.



FY-24 OUTLOOK

Amid the current environment still challenged by macroeconomic volatility (inflation, interest rates, geopolitical uncertainties), the Group is aiming to achieve for the FY 24:

- **Gross sales** growth in a range between 10% and 12% at constant currency
- **Net margin** in the range between €500 m and €515 m
- **Adj. EBIT** in the range of €200 and €210 m
- **Adj. Operating FCF** above 80% of Adj. EBITDA

Shareholders' return

On February 28, 2024, amid the current environment still challenged by macroeconomic volatility, as well as the highly competitive environment, the Board of Directors decided to propose to shareholders not to distribute a dividend and to give priority to the development of the Group to support the external growth and the expansion of the organic business.

Consolidated Financial Statements

The Board of Directors approved the consolidated financial statements on 28th February 2024. The consolidated financial statements have been audited.

APPENDIX

Changes in IFRS 15 Revenue Accounting treatment

Up to Q3-23 Gross Sales publication, Exclusive Networks IFRS 15 Revenue was recorded based on the principle that the Group was qualified as agent on the sales of vendors' support and maintenance.

Following IFRIC and ESMA publications, the Group revised its accounting treatment and considered being agent on the sales of software licenses that should be recognized on a net basis (Net margin) vs on a gross basis (Gross Sales and COGS).

Exclusive-Networks has applied this restatement for FY-23 publication with a pro-forma on FY-22 as follows:

IFRS 15 Former Accounting Treatment										
€ million	Q1-22	Q2-22	Q3-22	Q4-22	FY-22	Q1-23	Q2-23	Q3-23	Q4-23	FY-23
EMEA	567	595	630	911	2,704	698	695	760	920	3,072
AMERICAS	70	74	89	116	348	106	115	109	137	467
APAC	76	93	89	95	352	90	73	79	82	321
Total	712	762	809	1,122	3,404	893	883	948	1,139	3,863

IFRS 15 New Accounting Treatment										
€ million	Q1-22	Q2-22	Q3-22	Q4-22	FY-22	Q1-23	Q2-23	Q3-23	Q4-23	FY-23
EMEA	233	252	268	331	1,085	291	275	275	299	1,140
AMERICAS	35	42	53	56	186	53	62	64	63	242
APAC	41	50	52	53	195	54	42	39	43	177
Total	309	344	373	439	1,466	399	378	378	405	1,559



FY-23 CONSOLIDATED P&L

€ million	31 Dec 2022	31 Dec 2023
Revenue	1,466	1,559
Costs of purchases goods and services	(1,048)	(1,084)
Freight on sales	(6)	(7)
Net margin	411	468
Personnel costs	(183)	(200)
Other operating costs	(71)	(81)
Amortization of intangible assets	(60)	(60)
Depreciation and amortization of tangible assets	(13)	(13)
Recurring operating profit	85	114
Non-recurring operating income and expenses	(5)	(3)
Operating profit	79	111
Finance debt costs	(18)	(28)
Interest on lease liabilities	(1)	(1)
Other financial income and expenses	(9)	(26)
Financial result	(27)	(55)
Income before taxes	52	56
Income taxes	(13)	(11)
Net income	39	45
Net income attributable:		
- To the owners of the parent company	36	43
- To non-controlling interest	3	2
Earnings per share attributable to parent company (in €):		
- Basic earnings per share	0.40	0.47
- Diluted earnings per share	0.40	0.47



FY-23 CONSOLIDATED BALANCE SHEET

€ million	31 Dec. 2022	31 Dec. 2023
ASSETS		
Goodwill	295	297
Other intangible assets	1,112	1,055
Property, plant and equipment	7	8
Right-of-use assets	26	26
Other non-current financial assets	40	51
Deferred tax assets	8	7
NON-CURRENT ASSETS	1,488	1,444
Inventories	271	220
Trade receivables and related accounts	1,132	1,381
Income tax receivables	12	10
Other current financial assets	19	9
Cash and cash equivalents	268	369
CURRENT ASSETS	1,703	1,989
ASSETS	3,191	3,433
EQUITY AND LIABILITIES		
Share capital and share premium	976	976
Retained earnings and other reserves	(27)	(4)
Foreign currency translation reserve	4	(13)
Equity attributable to the owners of the parent company	952	959
Non-controlling interests	3	2
EQUITY	956	961
Other non-current financial liabilities	488	500
Non-current lease liabilities	20	19
Non-current provisions	4	3
Other non-current liabilities	0	0
Deferred tax liabilities	274	253
NON-CURRENT LIABILITIES	785	776
Trade payables and related accounts	1,304	1,583
Other current financial liabilities	128	91
Current lease liabilities	8	8
Current provisions	0	0
Current tax liabilities	11	14
CURRENT LIABILITIES	1,450	1,696
EQUITY AND LIABILITIES	3,191	3,433



FY-23 CASH FLOW STATEMENT

€ million	31 Dec 2022	31 Dec 2023
OPERATING ACTIVITIES		
Net income	39	45
Adjustments for:		
- Depreciation, amortisation, impairment and change in provisions	74	73
- Financial debt costs & interest on lease liabilities	19	29
- Income tax expenses	13	11
Other adjustments and non-cash items	8	13
Income tax paid	(25)	(26)
Cash flows from operating activities before change in working capital	129	144
Change in working capital	58	76
NET CASH FROM OPERATING ACTIVITIES	186	220
INVESTING ACTIVITIES		
Additions to property, plant and equipment and intangible assets	(6)	(7)
Disposal of fixed assets	0	0
Changes in other financial assets	(2)	(10)
Interests received	0	2
Acquisition/(disposal) of subsidiary, net of cash acquired/(disposed of)	(2)	(5)
NET CASH FROM INVESTING ACTIVITIES	(9)	(20)
FINANCING ACTIVITIES		
Dividends paid	(19)	(1)
Disposal (acquisition) of treasury shares	(1)	(25)
Purchase of non-controlling interest	(3)	(25)
Proceeds from issuance of bank borrowings & from other financial liabilities	44	45
Factoring liabilities	12	(31)
Short-term financing	(14)	8
Interest Paid	(17)	(28)
Repayment of bank borrowing & other financial liabilities	(24)	(36)
Other cash-out flow from financing activities	(12)	(10)
NET CASH FROM FINANCING ACTIVITIES	(33)	(103)
Effects of exchange rate fluctuations on cash and cash equivalents	(6)	(2)
INCREASE IN NET CASH AND CASH EQUIVALENTS	138	96
Net cash and cash equivalents at the beginning of the period	125	263
Net cash and cash equivalents at the end of the period	263	358



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 15 revenue.
- Vendor Support & Maintenance and Software licenses 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:

- Recurring operating profit before amortization of intangible assets, adjusted for non-GAAP items.

Adj. EBITDA:

- Adj. EBIT restated from Depreciation of tangible assets.

Adj. net income:

- Net income restated for non-recurring operating IFRS 15 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 / 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 Full-Year 2023 financial results during a conference call in English on February 29th, 2024 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

- **Q1-24 Financial update (Gross Sales and Revenue):** April 29th, 2024
- **Annual General Meeting:** June 6th, 2024
- **H1-24 Financial Results:** August 1st, 2024
- **Capital Market Day:** Autumn 2024

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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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