High-performance servers

Press release
2019-20 annual earnings

Publication of definitive 2019-20 earnings

- *Pro forma* figures over 12 months: revenue of €141,1m, EBITDA of €3.8m and net income Group share of €(0.8)m

Pro forma revenue growth of +18% in Q1 2020-21 confirmed

Targets for FY 2020-21 reiterated

- Robust revenue growth, expected at €170-200m
- Improved level of profitability

Strasbourg (France), 30 July 2020 - 2CRSi today presents its consolidated and audited earnings for the 2019-20 period and confirms the forecasts issued on July 8, 2020[1]. As a reminder, the Group had been unable to issue its definitive accounts on that date, due to the unprecedented impact of the COVID-19 crisis, which severely impeded the first-time consolidation of Boston Limited's accounts, the company having been integrated for the first time.

The Board of Directors met on July 29, 2020 to approve the Group's financial statements for the fiscal year ended February 29, 2020. The consolidated financial statements have been audited and the auditors' report certifying the financial statements is currently being prepared.

Note that, in this particular instance, the period lasted 14 months (January 1, 2019 to February 29, 2020), the end of its fiscal year having been set to end-February to align with that of Boston Limited and present its activities in a manner that is more consistent with the seasonal nature of its business, which is traditionally strong over the final months of the year.

HIGHLIGHTS OF THE 2019-20 PERIOD

Acquisition of Boston Limited, a change of dimension to accelerate the Group's commercial and international expansion

As discussed in the press release of 8 July, a key highlight of 2019 was the acquisition of Boston Limited in November 2019, allowing 2CRSi to address the three priorities set out in 2018: accelerate its commercial transformation, diversify its client portfolio, and extend its reach beyond France. The long-term strategic advantages of this transaction were set out in the press release.

The 12-month integration of Boston Limited (March 1, 2019 - February 29, 2020) resulted in Group *pro forma* revenue of €141.1m over 12 months (compared with €145.3m initially estimated). As a reminder, 2CRSi generated revenue of €65.2m for the 2018 period (January 1, 2018 - December 31, 2018).

As expected[2], Group revenue was hit by the first effects of the coronavirus outbreak from January and February 2020. Indeed, from early January numerous parts manufacturers shut down while transport supply was drastically reduced. These supply problems directly reduced revenue, increased stocks (as

[1] Press release of 8 July 2020 "Estimated 2019-2020 earnings"

[2] Press release of 26 February 2020 "Expected impact of the closure of several Asian factories as a result of COVID-19"

certain missing components impeded the production of servers that had already been ordered) and caused a relative decrease in supplier payables.

Consolidated Group revenue for the 2019-20 accounting period (January 1, 2019 - February 29, 2020) came to €77.0m over 14 months (compared with €81.7m initially forecast), integrating a €32.5m contribution from Boston Limited for the period from November 18, 2019 to February 29, 2020.

As already announced, 2CRSi has substantially strengthened its positions abroad, with over 87% of its business conducted outside France. Excluding the contribution from Boston Limited, revenue generated in markets outside France would have come to less than 57% of total revenue over the same period.

DEFINITIVE EARNINGS FOR THE 2019-20 PERIOD

Having changed its closing date and thus presenting its accounts as at February 29, 2020 over 14 months, a comparative of certain aggregates over 12 months (March 1, 2019 to February 29, 2020) is presented with the integration of Boston Limited over a full year[3].

[3] The *pro forma* income statement for the 12 month-period running from March 1, 2019 to February 29, 2020 was based on:

- Group 2CRSi's historical consolidated accounts for the 14-month period from which were deducted the consolidated accounts prepared for the period running from January 1, 2019 to February 28, 2019 on the same scope of consolidation basis.
- The addition of Boston Limited group's consolidated income statement for the period from March 1, 2019 to February 29, 2020, assuming adjustments to fair value as measured at November 18, 2019 would have been identical at March 1, 2019.

Simplified audited income statement In millions of EUR - IFRS	2019-2020 *14 months*	2018 *12 months*	*2019-2020* *12 months pro forma*
Revenue	**77.0**	**65.2**	***141.1***
Other ordinary operating income	1.7	0.1	0.9
Revenue from ordinary activities	**78.6**	**65.2**	**141.8**
Consumed purchases	(57.1)	(49.7)	(109.0)
External charges	(8.2)	(4.1)	(11.7)
Personnel expenses	(12.4)	(4.8)	(16.8)
Tax	(0.6)	(0.4)	(0.6)
EBITDA	**0.4**	**6.2**	**3.8**
EBITDA margin	*0.5%*	*9.5%*	*2.7%*
Other current operating income and expenses	(0.6)	(0.1)	(0.6)
Depreciation, amortisation and impairment	(5.1)	(1.7)	(4.8)
Current operating income	**(5.3)**	**4.3**	**(1.6)**
Operating profit	**(5.5)**	**3.7**	**(1.7)**
Financial income (expense)	0.6	(0.5)	0.9
Consolidated net income (expense)	**(4.5)**	**3.7**	**(0.6)**
Net income (Group share)	**(4.3)**	**3.7**	**(0.8)**

The application of IFRS 16 (recognition of leases in the consolidated financial statements) had no impact on the financial statements of the period, as the standard was already applied by the Group for fiscal year 2018.
The company will publish its annual financial report online by August 31, 2020 at the latest.

Boston Limited was integrated into the Group's consolidate accounts as of November 18, 2019 (i.e. less than three and a half months into the 14-month period).

2CRSi recorded a gross margin of 22.7% for the 2019-20 period (12 months *pro forma*), compared with 23.7% in 2018. External charges came to €(11.7)m. Staff costs totalled €(16.8)m and accounted for 12% of Group *pro forma* revenue over 12 months, compared with 7% in 2018. This increase reflects the addition of more experienced people in 2CRSi's teams, particularly in marketing, sales and R&D. *Pro forma* EBITDA for the period thus worked out to €3.8m (compared with €3.2m initially estimated). Net depreciations, amortisation and provisions totalled €(4.8)m, increasing sharply as a result of the impairment of rights-of-use on real estate leases, notably in Nanterre and Strasbourg.

Pro forma operating income came to €(1.7)m. After taking account of financial income and income tax, *pro forma* consolidated net income (Group share) works out to €(0.8)m for the period. The figure comes to €(4.3)m for the period 2019-20 (14 months), compared with €(4.0)m initially estimated.

Financial position

Non-current assets increased by €44.0m to €61.4m. This increase was chiefly driven by:

- Rights-of-use assets (real estate leases under IFRS 16) of €15.3m (compared to €4.2m at end 2018), primarily concerning leases in Strasbourg and Nanterre;
- The variation in non-current financial receivable on client Blade (+€3.7m);
- The acquisition and first-time consolidation of Boston Limited.

Three significant trends impacted the level of trade receivables:

- Improved management of client receivables: net decrease of €17.6m;
- Transformation of the accounts receivable in respect of Blade into a financial receivable: €15.4m decline;
- The consolidation of Boston Limited's accounts: €17.3m of trade receivables.

At February 29, 2020, receivables thus totalled €21.8m (down from €37.5m at end-2018), which equates to less than two months of Group revenue.

Inventories increased (€34.5m compared to €20.5m at end-2018), chiefly as a result of the consolidation of Boston Limited's stocks (€13.5m). This level of inventory is equivalent to less than three months of Group revenue.

2CRSi's shareholders' equity came to €47.2m at February 29, 2020, compared with €51.0m at December 31, 2018. Net financial liabilities excluding leases (IFRS 16) totalled €41.7m, of which €36.3m in debt with lending institutions (including bank overdrafts, accrued interests and leasing liabilities).

The Group's gross cash position at end-June stood at €8.6m, to which can be added a further €9.3m of available financing (bank overdraft, short-term undrawn credit lines).

Simplified audited consolidated statement of financial position In millions of EUR - IFRS	02/29/2020	12/31/2018
Goodwill	7.1	2.0
Intangible assets	15.8	1.1
Property, plant & equipment[4]	23.6	6.4
Other non-current assets	15.0	7.9
Total non-current assets	**61.4**	**17.4**
Inventories	34.5	20.5
Trade receivables	21.8	37.5
Other current assets	17.8	3.8
Financial receivables	11.8	5.7
Cash and cash equivalents	10.2	14.5
Total current assets	**96.1**	**82.0**
TOTAL ASSETS	**157.5**	**99.4**
Capital attributable to equity holders of the parent	47.2	51.0
Non-controlling interests	(0.1)	0.1
Consolidated capital	**47.1**	**51.1**
Borrowings and financial debt	37.4	15.9
Other non-current financial liabilities[4]	19.0	3.9
Total non-current liabilities	**56.5**	**19.9**
Trade payables	20.3	17.2
Financial liabilities (including lease liabilities)	16.6	8.8
Other current liabilities[4]	17.0	2.4
Total current liabilities	**53.9**	**28.4**
TOTAL LIABILITIES	**157.5**	**99.4**

First-quarter growth despite the impact of Covid-19

As already announced, and despite the impact of the COVID-19 outbreak, the Group managed to continue generating healthy revenues in the first quarter of the 2020-21 period (March 1 - May 31, 2020), delivering revenue growth of +18% on a *pro forma* basis[5] relative to the year-earlier period.

The same growth dynamic has been observed in the first part of the second quarter.

[4] Includes items relating to rights of use (IFRS 16)
[5] Which means at constant scope

New targets for FY 2020-21 reiterated

These figures and trends are all perfectly in line with the targets for 2020-21 announced in early July, spurring 2CRSi to reiterate its ability to deliver sharp growth in revenue at between €170m and €200m. Such an increase would automatically improve its level of profitability compared to the previous period.

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About 2CRSi

Founded in Strasbourg (France), 2CRSi group develops, produces and sells high-performance customised and environmentally-friendly servers. In the financial year 2019/2020, the Group achieved *pro forma* turnover of €141m. The Group today has 355 employees and markets its offer of innovative solutions (processing, storage and network) in more than 50 countries. 2CRSi has been listed since June 2018 on the regulated market of Euronext in Paris (ISIN Code: FR0013341781) and is included in the European Rising Tech label. For further information please visit: www.2crsi.com

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