

SES-imagotag: Positive results in the first half of 2021

- > **71% growth in sales to €203m (vs. H1 2020)**
- > **87% growth in order entries to €309m (vs. H1 2020)**
- > **EBITDA growth at €15m, i.e. 7% of sales (vs. -€0.2m / 0% in H1 2020)**
- > **Positive net result at €1m (vs. -€9.8m in H1 2020)**

€m	H1 2021	H1 2020	% change
Sales	202.8	118.4	+71%
Variable Costs Margin	42.3	22.6	+87%
% of Sales	20.8%	19.1%	+1.7 pt
Operating Costs	(27.2)	(22.8)	+20%
% of Sales	-13%	-19%	-6 pts
EBITDA	15.0	(0.2)	N/A
% of Sales	7%	0%	+7 pts
Depreciation	(11.3)	(8.6)	+32%
Current EBIT	3.7	(8.8)	N/A
% of Sales	2%	-7%	+9 pts
Non-recurring items	(1.3)	(0.8)	+65%
EBIT	2.4	(9.6)	N/A
% of Sales	1%	-8%	+9 pts
Financial Income / (Loss)	(0.9)	(2.5)	-65%
Tax	(0.5)	2.3	-121%
Net Income	1.0	(9.8)	N/A
% of Sales	1%	-8%	+9 pts

Thierry Gadou, Chairman and CEO of the SES-imagotag group commented: "Performance in the first half of the year was very satisfactory. This was the case from a commercial perspective, with strong growth in sales and order entries, as well as from operational and financial perspectives, with improvement in all indicators as compared to 2020.

With year-on-year sales growth of over 50% both in Europe and the rest of the world, the Group confirms its leadership and the trajectory of its VUSION-23 plan for international expansion, all the while demonstrating the effectiveness of its business model based on the growth of high value-added innovative solutions, scaling effects and unflagging gains in productivity.

The latest wave of the pandemic is temporarily affecting production capacity in Asia, but our teams and industrial partners are working hard to obtain a rapid return to normal. At this stage, we are maintaining our target of close to €400 million in sales for the current year. Beyond these short-term uncertainties, our sales momentum remains excellent, as do the prospects for further acceleration in 2022, particularly in the United States."

Sales up +71%

Sales stood at €202.8 million in H1 2021, representing 71% growth compared to H1 2020. These growth figures reflect a base effect related to the impact of the pandemic on H1 2020 sales, however, a comparison to H1 2019 (pre-Covid period) also yields +68% growth. Sales growth was 53% on a rolling 12-month basis, confirming the company's strong momentum.

This growth is even more significant when taking supply issues for certain components caused by global demand exceeding current production capacity into account. The Group sees this situation continuing through the second half of the year and part of 2022.

The Europe & MEA region was the primary driver of strong growth for this first half year, posting 93% growth between H1 2020 and H1 2021 and a growth of 54% over 12 months.

Growth in the Americas and Asia was 23% between H1 2020 and H1 2021 and 52% over 12 months. This lower rate is linked to the supply chain problems mentioned above. The significant increase in orders in this region (105%) between the H1 2020 and H1 2021, reflects a momentum higher than the Group average.

Order entries up 87%

The Group's order entries for the first half of 2021 hit a record of €309 million, up +87% year-on-year. On a rolling 12-month basis, orders also set a new record at €599 million, up +58% year-on-year compared to the same 12-month period ending June 30, 2020.

Growth was driven by strong demand for VUSION digital labels, paired with strong growth in technological innovations and value-added solutions, increasing from 13% of sales in 2020 to 13.5% in H1 2021. This ratio is expected to grow steadily in the second half of the year and in years to come as the company continues to add new solutions to SES-imagotag's large installed base, and to accelerate customer migration to the VUSION cloud platform.

Improved profitability

The **variable costs margin** (VCM) came to €42.3 million in H1 2021 versus €22.6 million in H1 2020, i.e., an increase of 87%, representing 20.8% of sales in H1 2021 versus 19.1% the year before. This growth is explained by an increased sales mix tilted towards value-added solutions and a favorable EUR/USD exchange rate over the period despite the global shortage of electronic components, resulting in overall price increases.

Operating expenses continued to fall from 19.3% in the first half of 2020 to 13.4% in the first half of 2021, consistent with the Group's objective of 10% Opex by 2023, as set out in the VUSION-23 strategic plan.

In the first half of 2021, personnel costs increased by 12% with a renewed recruitment drive to support growth and the relocation of sales and project teams.

EBITDA or Operating Profit before depreciation of fixed assets and before other non-cash non-recurring income and expenses, amounted to €15 million in H1 2021 compared to a loss of €0.2 million in H1 2020. EBITDA generated in H1 2021 is close to that generated over 12 months in 2020.

The EBITDA margin was 7.4% of sales, compared with 0% in H1 2020 and 5.5% on average for the full year. This improvement both in absolute and relative terms is mainly attributable to the improvement in the variable cost margin and well-managed operating expenses against the backdrop of strong revenue growth. By 2023, the group aims to turn in an EBITDA margin of about 15% of sales.

Depreciation and amortization increased by 32% between the first half of 2020 and 2021, from €8.6 million to €11.3 million. 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 €1.3 million in the first half of 2021. These amounts can be broken down into €0.5 million for goodwill amortization related to technology acquired during the Imagotag buyout and €0.8 million-worth of non-cash cost of performance plan shares granted to Group employees (IFRS 2).

Financial results

Net financial expenses for the first half of 2021 were -€0.9 million, versus -€2.5 million euros for the first half of 2020. These costs break down as follows:

- Cost of debt amounting to -€1.1 million
- Net effects of foreign exchange gains and losses amounting to +€1.0 million
- Impact of IFRS 16 regulations for -€0.3 million euros

The Group's pre-tax result for this half year is +€1.5m, compared to a loss of -€12.1m in the first half of 2020. The Group expects positive results for the full year 2021 as well. As such, a pro rata tax amount for the first 6 months has been calculated at Group level. The corresponding expense for the first half of 2021 amounts to -€0.5 million, versus income of +€2.3 million for the first 6 months of 2020, when the pre-tax result was negative.

Net income

Net income for the first half of 2021 is positive, at +€1 million, of which -€0.3 million derives from minority interests, versus a loss of -€9.8 million in the first half of 2020.

Investments

€M	H1 2021	H1 2020
Capitalized R&D & IT expenditure	10.2	10.5
Industrial investments	1.3	1.4
ESL as a service	2.3	2.9
Others	0.5	0.8
TOTAL CAPEX	14.3	15.5

During the first half of 2021, the Group's capital expenditures came to €14.3 million, compared to €15.5 million in the first half of 2020, a decrease of 7.7%.

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 H1 2021 remained comparable to those of H1 2020. This is due to a 45% decrease in IT investments, following the SAP solution deployment across all the Group's main entities in 2020. This decrease offsets the growth in capitalized R&D expenses (+56%), which are mainly dedicated to the continual development of the "ESL as a Service" offer with new value-added solutions and services.

Consolidated cash flow statement for the period ending June 30, 2021

	H1 2021	H1 2020	FY 2020
EBITDA	13.9	(1.5)	13.4
Capex	(14.3)	(15.5)	(29.5)
Change in Working Capital	(9.1)	(25.0)	6.4
Operating Cash Flow	(9.4)	(42.0)	(9.7)
Financial Result	(0.8)	(1.9)	(3.8)
Tax	(0.1)		(0.6)
Others	1.2	0.4	0.6
Total Cash Flow	(9.1)	(43.5)	(13.5)
Capital increase / cash acquired through capital increases in non-wholly owned subsidiaries	4.1		
Change in Net Debt	(5.0)	(43.5)	(13.5)
Net Cash / (Debt) before IFRS16 impact	(1.2)	(26.2)	3.8
Cash	80.5	27.2	88.6
Debt (before IFRS16 impact)	(81.7)	(53.4)	(84.8)
<i>Debt (before IFRS16 impact)</i>	<i>(89.0)</i>	<i>(73.8)</i>	<i>(89.0)</i>
Change in Net Cash / (Debt) before IFRS16	(5.0)	(43.5)	

Net financial debt (excluding the effects of IFRS 16) stands at -€1.2 million, i.e., modest cash consumption of €5.0 million over the first 6 months of 2021 – in the midst of strong growth. This represents a significant improvement compared to the first half of 2020, which posted net cash consumption of €43.5 million.

This low cash consumption reflects improvement in the company's basic operations, with strong growth in EBITDA and managed growth in capital expenditure, combined with tight control of working capital requirements and accounts receivable.

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 €4.1 million corresponding to the contributions of BOE and JDD to this capital increase.

Outlook

The strong growth of the first half of the year and the all-time high level of the order book bear witness to the excellent growth in the market and the solid global leadership of SES-imagotag.

As indicated in the communication at the end of July, the latest wave of the Covid-19 pandemic and continued stress in the supply of semiconductors and other electronic components create uncertainty for the coming months. In recent weeks, the health situation in Asia has led to a significant slowdown of the Group's production capacities in Vietnam (factory of our partner Jabil) and affected deliveries of certain components. An action plan to make up for 3rd quarter production delays during the last months of the year and thus return to normal levels as soon as possible was implemented by the Group this last summer and in compliance with all pandemic guidelines.

Within this context, the Group is maintaining its target of about €400 million in sales for the 2021 financial year and anticipates an acceleration in its growth for 2022, both in Europe and throughout the rest of the world, especially the United States.

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

Ticker symbol: SESL – ISIN: FR0010282822 – Reuters: SESL.PA – Bloomberg: SES SES-imagotag is listed in compartment B of Euronext™ Paris

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