

Warsaw, 31 August 2017

Press release

### ABC Data is catching up world leaders in terms of high margin

One of the highest margins on the market, net profit growth quarter on quarter, stable sales level – the recently published financial results of the ABC Data Group for H1 2017 have significantly exceeded market expectations. According to the assumptions and forecasts of the Management Board, the Company generated a record margin of 6.3%, PLN 1,914 million of consolidated revenues, and EBITDA in the amount of PLN 15.2 million, which is a 25% increase compared to H1 2016 (excluding the gain on the valuation of the shares in Bizneslink CO Sp. z o.o.).

In the first half of this year, the Company significantly improved its historically highest margin, generated in the first quarter of this year, by 0.4 pp. This means that in the first six months of 2017 ABC Data generated a margin of 6.3%, while in the second quarter of this year itself the margin was 6.7%. This puts ABC Data in the forefront of the global distributors selling IT equipment and services. This result confirms that the Company's strategy of focusing on the margin of the transactions brings expected effects.

*- The results generated by the ABC Data Group in H1 2017 are once again higher than the market expectations. What is important, they are also in line with the assumptions of the Company's Management Board for this year, which were the basis for the development of the Group's forecasts of the financial results announced in May this year – explains Ilona Weiss, President of the Management Board of ABC Data.*

In H1 2017, consolidated revenues on sales in the ABC Data Group amounted to PLN 1,914 million, which means a decrease by 14% y/y. This is, among others, the effect of the deliberate elimination of low-margin transactions. Due to the above, in the first half of the year, the Group generated a consolidated gross profit on sales higher by 6% compared to

the corresponding period last year. In the period in question it amounted to PLN 120.1 million. In Q2 of this year, the Company generated a net profit more than twice higher than the one in Q1 2017. In total, in H1 of this year, the consolidated net profit of the ABC Data Group amounted to PLN 4.8 million.

*- The financial results achieved by the ABC Data Group have, in addition to the high gross profit on sales, been affected by higher costs of sales and the general and administrative costs. They are a result of, among others, the consolidation of S4E – explains Ilona Weiss.*

*- S4E completes a vast majority of its projects in the second half of the year. This means that also during this period it generates the vast majority of its revenues (and profits). Thus, we have to wait for the positive contribution of S4E to the consolidated results of the ABC Data Group until the end of the year. The increased level of consolidated net financial expenses is also due to the rising cost of capital – she adds.*

The consolidated EBITDA in H1 of this year amounted to PLN 15.2 million, which is a 25% increase compared to H1 2016 (excluding the gain on the valuation of the shares in Bizneslink CO Sp. z o.o.). At the same time, in Q2 2017, EBITDA amounted to PLN 8.4 million and was PLN 1.6 million higher than the one recorded in the first three months of this year.

*- Taking into account the achievements of ABC Data so far, at this moment, I do not see any obstacles to the Company's fulfilment of the forecasts given in May this year. Moreover, the individual result of ABC Data so far indicates that our shareholders may expect an advance payment on dividends for this year – adds Ilona Weiss.*

The results generated in the first half of the year were also influenced by ABC Data's pro-development initiatives. Most of them involved e-commerce and cloud areas. As a result of these activities, the Group has significantly broadened its portfolio of e-commerce tools. First and foremost, works on the development of the ABC Data Cloud platform have been completed. It enables global and local vendors to offer their solutions in the form of services.

*- Resellers working with ABC Data gain thanks to it access to a wide and varied range of cloud*



*solutions, including, among others: virtual servers, network drives, or solutions enabling data archiving and backup – explains Andrzej Kuźniak, Vice-President of the Management Board of ABC Data. - With ABC Data Cloud, resellers can offer solutions available thereat to their final customers not only as a single configured service, but also as packages comprising of offers from multiple vendors – he adds.*

The launch of ABC Data Cloud has been accompanied by the premiere of ABC Data's mobile app to its sales platform – m-InterLink. m-InterLink is a powerful IT tool for smartphones and tablets operating on Android and iOS systems. The app is fully synchronised with the InterLink platform. This allows the clients of ABC Data to enjoy all the benefits offered by modern multi-channel sales – since you can continue purchases started in m-InterLink on the InterLink platform and vice versa.

Another investment in the e-commerce area carried out in the first half of the year was the development of Reseller Web. This tool addressed to resellers allows you to quickly and easily launch and configure an open online store, which is fully integrated with the transactional system of ABC Data. The platform has undergone a thorough modernisation process, within the framework of which it has been based on the technologically advanced engine of an online store and expanded with a number of new functionalities. Products from the offer of ABC Data, ordered via a store launched on the basis of Reseller Web, are shipped directly to the final customers of the reseller (dropshipping).

*- The consistent development and creation of new e-commerce tools are, on the one hand, an element of ABC Data's development strategy and, on the other, the Group's response to the changing expectations of the clients regarding the demand for cutting-edge IT solutions, ways of making purchases, and cooperation between a vendor and reseller – explains Andrzej Kuźniak. - We have been known as a pioneer of innovative solutions in the B2B sector for many years. This was the case with our primary sales system – InterLink, which has been setting standards for similar tools for nearly 20 years. I think it is just a matter of time to*



*obtain similar results with the ABC Data Cloud platform presented in June and our other tools – adds the Vice-President of the Management Board of ABC Data.*

ABC Data invariably remains very strong in the mobile area. iSource, which is a part of the Group, is the largest distributor of Apple products in Poland. The Company is also one of the leading providers of Huawei smartphones in Poland and the official distributor of Xiaomi branded equipment. According to Canalys, in Q2 2017, Xiaomi was the fourth best-selling smartphone brand in Central and Eastern Europe with a result of 1.1 million pieces.

*- Beyond any doubt, ABC Data has its share in this success. We have launched the first official distribution channel of Xiaomi products in the European Union less than a year ago, and nowadays the operations of the manufacturer in the CEE region are based primarily on cooperating with us. In Lithuania, just after two months, the brand has already a 4.5% market share – says Andrzej Kuźniak. - The sales of Xiaomi products in Poland has been growing rapidly. That is why we have decided to launch it in the Baltic countries, where we work with, among others, Telia mobile operator. Telia is responsible for more than 40 per cent of smartphone sales in Lithuania. Our future plans involve building a sales channel in Latvia and Estonia, and that is not the end yet, because, as I do not need to remind you, we are present in eight CEE countries – concludes Ilona Weiss.*

#### **About ABC Data S.A.**

ABC Data S.A. is a leading provider of IT equipment and services and consumer electronics in the CEE region. As the only company in the industry, it operates directly in eight countries of Central and Eastern Europe. The company successfully creates market trends and systematically expands its portfolio with products in the area of new, innovative technologies. Thanks to many years of investments in online client service platforms, the distributor has nowadays a leading position in B2B online sales. In the years 2009-2017, ABC Data was awarded seven times with one of the industry's most important awards, i.e. the EMEA Channel Academy award for the best distributor of the



CEE region. It has become a member of GTDC, a prestigious association of the largest IT distributors in the world, as the first company in Poland. Since 2010, it has also been listed on the Warsaw Stock Exchange.

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