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Press release

The financial results of ABC DATA S.A for Q3 2018: PLN 1.1 billion in revenue and PLN 11 million in EBITDA

- **PLN 1.1 billion in revenue for Q3 2018 and PLN 3.1 billion in revenue for Q1-3 2018**
- **Over PLN 11 million in EBITDA for Q3 2018, PLN 13.1 million in EBITDA (PLN 21.4 million in adjusted EBITDA) for Q1-3 2018**
- **Increased sales in key segments (new mobile technologies, VAD), including significant growth of sales of Apple and Xiaomi products; good prospects for the coming periods**

In Q3 2018 the Group generated PLN 1,096.6 million in sales revenue and in total in the three quarters of 2018 its revenues amounted to PLN 3,087.5 million. The Group managed to maintain a similar year-on-year level of revenue, both when it comes to Q3 2018 and the first 9 months of 2018. Gross profit on sales in Q1-3 2018 amounted to PLN 167.6 million (-2% y/y), and in Q3 alone it amounted to 2018 PLN 61.0 million (-1% y/y).

The EBITDA for the third quarter of 2018 amounted to PLN 11.0 million (-29% y/y) and its level was influenced by higher labor and transportation costs. After the first three quarters of 2018, EBITDA amounted to PLN 13.1 million (-58% y/y. Its level was significantly affected by one-off events: the correction of VAT declaration for the second quarter of 2014 and exchange rate fluctuations). If these events were excluded, the Group's EBITDA would reach PLN 21.4 million after the first three quarters of 2018. In addition, the Group's profits this year have been affected by the rising labor costs, both in Poland and in the CEE region, as well as higher transportation costs.

In the third quarter of 2018, the sales margin generated by ABC Data Group amounted to 5.5%, which means that it remained similar to the one generated in the corresponding period last year, despite the obvious price pressure affecting the market.



As a result of the company's activities related to the optimization of the working capital level, at the end of the third quarter of 2018 ABC Data reduced its net debt to PLN 98.9 million, meaning PLN 10.5 million less compared to the end of Q3 2017.

Sales revenue in Q3 2018: shares of particular product categories

The most important factors that affected the level of the consolidated sales revenue for Q3 2018 were:

- increase in sales in the mobile area (+ 24% y/y), mainly due to the sales of products from leading smartphone manufacturers, i.e. Apple (+ 38% y/y) and Xiaomi (+131% y/y).
- high sales in the VAD area within ABC DATA S.A (+27% y/y, software, servers and networking devices)
- growing sales in the gaming area (+8% y/y)
- compared to the third quarter of 2017, there was a drop in sales of components (-14% y/y), due to limitation of the global supply of processors (because of their limited availability) and graphics cards (the effect of high baseline resulting from the "cryptocurrency boom").

The Management Board's comment on the financial results

– Consolidated financial results generated in the third quarter of 2018 by ABC DATA provide a great development platform. In the conditions of the constantly and dynamically changing market and competition environment, the company consistently implements its set business plans and maintained a steady level of sales and gross margin on sales. We noted a drop in sales in the component area, yet it is primarily due to a high baseline formed last year. It is worth stressing that we are witnessing growth in sales in key product categories, meaning new mobile technologies or VAD within ABC Data S.A.– says Ilona Weiss, President of the Management Board of ABC Data S.A. We are especially pleased with the level of sales in the smartphone area, especially with a large increase in sales of the products by our leading manufacturers: Apple and Xiaomi. Compared to last year, in the third quarter of 2018 the sales of Xiaomi devices have more than doubled – says Ilona Weiss.



Currently, we focus on the implementation of the business plan for the last quarter of the year, which in the distribution industry has the biggest impact on the annual results. In the fourth quarter of 2018, we expect sales growth in the hardware segment as well as continuation of good sales of Apple and Xiaomi devices. Moreover, the Company is developing projects to automate processes and increase efficiency, which will be one of its priorities for 2019. We are developing a strategy for the coming years. It will rely on the current competitive advantages of the Company for further sustainable development – adds Ilona Weiss.

About ABC Data S.A.

ABC Data S.A. is a leading IT hardware distributor in Central and Eastern Europe. It is the only company in the industry that operates directly in eight CEE countries. The company successfully sets market trends and systematically expands its portfolio with products relying on new, innovative technologies. Thanks to many years of investing in online customer service platforms, today ABC Data S.A. enjoys the leading position in the field of online B2B sales. In the years 2009 - 2018 ABC Data S.A. was eight times named the Best IT Distributor in the CEE region by EMEA Channel Academy: one of the most important industry distinctions. It is the first Polish company that became a member of GTDC, a prestigious association of the largest IT distributors in the world. From 2010, ABC Data has been listed on the Warsaw Stock Exchange.

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