

## Accounting & Financial FAQ

This document provides answers to recently submitted questions on Accounting and Financial topics. For further information, please contact our Investor Relations Officer.

### **How do you define your normative free cash-flow?**

The change in Net Cash / Net Debt is the difference between the cash and financial debt positions in the balance sheet over a certain period.

Over the year 2024, the change in net cash of the Group amounted to €366m.

Another approximation of the company's cash flow is "EBITDA - Capex funded by the Group" since the Group has almost no payment defaults from its customers. In 2024 it represented  $161 - 41 = €120m$ .

If we want to give a view of what the free cash flow would have been if the company had not received customer pre-payments for some industrial assets and had not invested in such assets and excluding any down-payments from its customers, then an approximation of the "normative free-cash flow" is:

- EBITDA (excl. non-cash IFRS16 impacts to get a better estimate of the cash EBITDA)
- (-) Capex funded by the Group
- (+) change in operating working capital
- (-) tax

Change in working capital for this exercise must be defined as a normative one considering the growth profile of the company and the seasonality of its revenue.

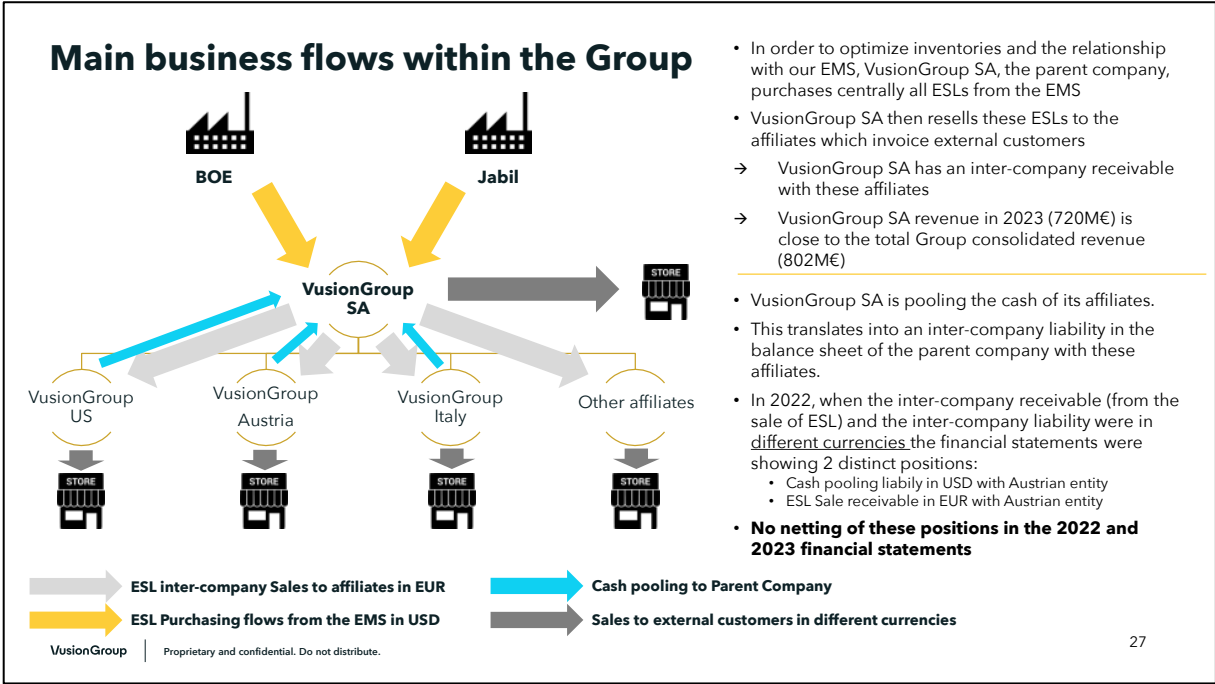
The same amount of working capital cannot translate into a similar working capital to sales ratio if the revenue is front loaded or back-end loaded over the year. This explains that we presented a working capital to sales ratio calculated as the number of days of revenues generated over the last weeks (actually 44 days in 2024) of the year.

The Group, in 2023 and 2024, delivered a significant part of its revenues over the last weeks of the year. In 2024, 35% of the revenues were generated in Q4 vs. 30% in 2023 and in 2024 the majority was even invoiced in December. Most of the revenues invoiced in November and December were not due yet and therefore not collected by the end of the year. Yet, at the end of 2024, the working capital corresponds to the revenues generated over the last 44 days i.e. a working capital to sales ratio of 12% in 2024 which is very consistent with the 15% level reached at the end of 2023.

This 12% ratio is used in the normative free cash flow computation to take into consideration that the seasonality can differ from one year to another. This ratio is applied to the revenue growth to show the normative change in working capital over the year.

In 2024, the normative free-cash flow resulted in €86.5m which represents a 54% Adjusted EBITDA conversion rate.

**Can you explain your international cash pooling agreements and why they are necessary?**



Source: Slide 27 of H1 2024 Results presentation.

Cash within Vusion Group SA ('Group' or 'parent') is managed through two primary routes:

- Centralized cash pooling agreements with systematic daily cash transfers between the European subsidiaries and the parent
- Cash pooling agreements between the other subsidiaries and the parent by which cash can be transferred between the entities (up or downstream) at will but not on a systematic basis

Specifically in the US, cash was not systematically transferred to the parent and €106m was sitting in the US subsidiary, VusionGroup Inc. as December 31, 2023.

The cash collected in both 2023 and 2024 was not invested because it was rapidly used to pay the manufacturing lines ordered and fully financed by a large US-based customer, and to pay downpayments to suppliers to secure the delivery of goods to this US-based customer. The cash position then started generating EMS investment income in H2 2024.

**Can you explain your financial expenses related to your loans?**

The Group's loans positions between 31/12/2022 and 31/12/2023 are shown on the table below :

**Note 11 - Loans and lease liabilities**

Loans are recognized at the amortized cost using the effective interest rate method.

Loans and lease liabilities in € '000	With cash impact			No cash impact			Closing
	Opening	Increase	Decrease	Change in scope	Translation differences	Other	
Bonds	49,717	40,135	(40,000)				49,852
Other long-term loans from credit institutions	24,708	238,816	(145,195)	5,073		(599)	122,803
Current and non-current lease liabilities	8,109		(3,395)			5,736	10,450
<b>TOTAL</b>	<b>82,533</b>	<b>278,952</b>	<b>(188,590)</b>	<b>5,073</b>	<b>0</b>	<b>5,137</b>	<b>183,104</b>

Source : page 224 of 2023 URD.

Early 2023 the Group drew down on an acquisition debt facility to finance the acquisitions of 'Memory' and then 'Belive' for an aggregate amount of €90m. The average indebtedness over 2023 (bonds and other long-term loans from credit institutions) was €170m, and the Group paid €7.9m interest expenses which is consistent with the cost of the debt incurred by the Group.

In addition to the €7.9m there were costs of €4.5m relating to the refinancing that took place at the end of 2023 and the cost of the factoring in France.

Total financial expenses in 2023 therefore amounted to €12.4m.

In 2023, the Group cash position was largely denominated in USD and the Group used a RCF in EUR and factoring as a complement to the cash collected in EUR to pay its expenses denominated in EUR.

## **Can you explain why there is a decrease in your cash position in 2022 compared to 2021?**

The Group cash position is the sum of the cash positions of the parent company and all its subsidiaries.

It encompasses the cash positions in the companies where there are no systematic daily cash transfer agreements between affiliates and the parent, such as the US, Canada and Mexico, as well as China in 2021.

In 2021, the China JV was recapitalized (51% was funded by VusionGroup SA and 49% by the other shareholders). This resulted in a €23m positive cash position in the China JV local accounts.

At the end of 2022, the Group swapped its shares in the China JV, that was consolidated in the Group's 2021 accounts, in exchange for a minority stake in Yiyun. As a result, its cash was no longer consolidated in the Group's accounts, resulting in a decrease of €23m in the Group's cash position compared with 2021 relating to this entity.

## **Can you explain how you reconcile local accounts with accounts receivable at group level?**

Reconciliation between AR in the local accounts and AR at the Group level.

Intercompany transactions, which are eliminated in the Group consolidated accounts, mean that summing up the positions in the local accounts does not match the Group's consolidated position.

This is notably true for the French parent company where trade receivables include regular invoices issued and accrued income, with both including inter-company transactions.

This applies to 2021, 2022 and 2023.

## **Can you explain what the elements of accrued income are?**

Accrued income in the French parent company mainly consists of different types of transactions (as disclosed in Note 5 - Accrued Income on page 242 of our 2023 URD):

- Other Income: Management fees and patent royalties charged to the Group's subsidiaries (see Note 12 to the local financial statements of the Parent Company)
- Revenue: Sales of goods and services to the Group's subsidiaries (reported in Revenue in the local financial statements of the Parent Company).

Comparing Other Income and Accrued Income is therefore not relevant.

## **Can you explain how R&D expenses are accounted for in local financial statements, they seem to be treated differently in different jurisdictions?**

R&D expenses are not always capitalized in the local financial statements. This means that summing up the intangible CAPEX in all the subsidiaries may not match with the intangible CAPEX at the Group level in the consolidated financial statements.

This is the case in Austria for instance where such costs are expensed locally but can be capitalized in the Group consolidated financial statement if they comply with the IFRS capitalization criteria.

In Austria, companies incurring R&D costs can benefit from a tax credit. In the consolidated financial statements such a tax credit is recognized in deduction of the part of the R&D costs which is expensed. The part relating to capitalized expenses is split and recognized over the amortization period of such capitalized expenses.

## **Acquisitions**

Belive and Memory Acquisitions.

A 67% stake in Belive was acquired for €6.655m. VusionGroup also paid €0.1m in registration fees (or *droits d'enregistrement*). Hence, total cash out for Belive was €6.76m.

A 100% stake in Memory was acquired for €83.6m, of which €2.0m related to a deferred payment to be paid out early 2024. This €2.0m amount was not a conditional earn-out, but a firm deferred payment and therefore had to be booked in working capital. Since this €2.0m was accounted for in the change in working capital in the Cash Flow Statement (+€2.0m impact on the cash) this impact had to be offset by reporting the full amount -€81.6m - €2.0m on the line "Impact of changes in scope" in the Group cash flow statement (see below).

Note: There was no registration fee to be paid for the acquisition of Memory.

In addition, there was cash both in Belive and Memory for an aggregate amount of €9.7m at their acquisition dates which shows in a reduction of the cash-out stemming from these 2 acquisitions:

Belive acquisition price for 67%	(6.8)
Belive registration fees	(0.1)
Memory acquisition price paid in 2023	(81.6)
Unconditional deferred payment	(2.0)
Cash consolidated in Belive and Memory at acquisition	9.7
"Impact of changes in scope" (in the Cash Flow Statement)	(80.7)

offset by the same amount in  
Change in WCR in the Cash  
Flow statement

Source: VusionGroup Finance Department

**Can you explain the intercompany flows between the Austrian subsidiary and the Parent company?**

### Focus on the Austrian entity

	Austrian entity P&L 2020/ 2021 / 2022 / 2023 / 2024	
	€	\$
Revenues	✓	✓✓
Cost of Goods Sold	✓	
Other Opex	✓	
<i>in M€</i>		
Revenues	<b>2022</b>	<b>2023</b>
IC receivable w/ parent co.	317	414
change in IC rec.		243
% of sales		59%

- The Austrian entity gained a very large German head-quartered customer in 2020. This customer has been invoiced in USD to mitigate the EUR/USD fx effect at the Group level since the beginning of its roll-out several years ago.
- Every year since the beginning of this roll-out
  - The Austrian entity has been collecting more USD than EUR
  - The Austrian entity has been collecting less EUR than its total expenses denominated in EUR
  - The parent company has been regularly and consistently pooling the USD collected by its Austrian subsidiary in its cash position
  - The parent company has been regularly and consistently lending EUR to its Austrian subsidiary to pay its expenses in EUR
- Over the years the inter-company balance sheet positions have been piling-up so it is irrelevant to compare a balance sheet position cumulating the flows over multiple years and the flow in the P&L for 1 specific year
- In 2024 this large roll-out will be completed and the Parent company and the Austrian company will agree to net out their reciprocal positions before the year-end closing

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Source: Slide 28 of H1 2024 Results presentation.

In 2020, the Austrian entity gained a very large Germany headquartered customer that has been invoiced in USD.

Since 2020, the Austrian entity has been collecting more USD than EUR. It also collected less EUR than needed to pay its invoices denominated in EUR.

The parent regularly and consistently pooled the USD collected by its Austrian subsidiary in its cash position. In return, the parent company had an inter-company debt in USD with the Austrian entity.

The parent regularly and consistently lent EUR to its Austrian subsidiary to let it pay its expenses in EUR. In return, the parent company had an inter-company receivable in EUR with the Austrian entity.

Over the years 2020 to 2024, these inter-company balance sheet positions piled up, aggregating multiple years of transactions flowing through their P&Ls

In the Group H1 2024 Results presentation, we showed that it does not make sense to compare the annual revenue of the Austrian subsidiary and the balance sheet position of the intercompany receivable with the parent which is accumulating several years of revenue flows.

Specifically, and to show consistency, the presentation showed that the increase of the intercompany receivable between 2022 and 2023 equaled approx. 60% of the revenues of the Austrian entity in 2023, which is approximately the part of the business generated in USD in 2023 by their largest German customer in the accounts of the Austrian entity.

The intercompany receivable in the Austrian entity, shown of the graph above (€317m in 2022), does not only encompass the cash pooling receivable but also additional receivables. Whatever the level of the comparison (only cash pooling position, revalued or not, including other receivables or not) the change in such positions between 2022 and 2023 is consistent and always represents approx. 60% of the 2023 revenues.

**Can you explain the intercompany flows with the Singapore affiliate?**

The Singapore affiliate has experienced limited activity over the past few years and the Group decided to invoice the customers in the region from the French parent company and/or from the Taiwanese entity.

In 2021 the total of the receivables with external clients was depreciated in the local accounts (and therefore in the Group consolidated accounts).

Also, in 2021 (and the following years), the Singaporean entity recharged its costs to the French parent company.

Intercompany Revenues in the Singaporean entity are eliminated in the Group accounts where they consist of an intercompany recharge.

The table shown below is extracted from the notes to the local accounts of the parent company (and not the Group consolidated financial statements). It shows the main financial aggregates in the local accounts of the subsidiaries and not the contribution of these entities to the Group consolidated financial statements. It is therefore normal to show €249k revenues for the Singaporean entity although this is entirely inter-company.

Subsidiaries and equity inter	Share capital	Reserves and retained earnings	% of capital held	Gross value of shares held	Net value of shares held	Loans and advances granted by the company	Turnover excluding taxes of the prior period	Profit (loss) for the prior period
SES-imagotag Mexico srl. de cv	0	-1,744	99	0	0	1,996	6,652	-179
SES-imagotag Pte Ltd	33	-339	100	29	29	14	249	129

Source: Note 24 to the 2021 local financial statements of VusionGroup SA

The amounts in trade and non-trade payables in the Singaporean entity accounts shown in the table below are not "loans and advances" so should not match the €14k in the table above.

15. AMOUNT DUE TO HOLDING COMPANY	2021 \$	2020 \$
Trade	816,281	1,887,483
Non-trade	66,420	7,016
	<u>882,701</u>	<u>1,894,499</u>

Source : Local 2021 financial statements of the Singaporean entity.

## **Local Financial Statements**

VusionGroup is reporting some financial information regarding its affiliates in the Notes to the Financial Statements of the parent Company. The financial information reported for each subsidiary is the value reported from the local financial statements of the subsidiaries before any inter-company eliminations. It is not the contribution to the Group Financial Statements, after elimination of inter-company transactions and other consolidation entries. Therefore, adding up the amounts of all the affiliates in this table and comparing the total to the Group position cannot give any indication of the contribution of the Parent to the Group position.

For instance, as of 31/12/2023, Group consolidated revenues totaled €802m and the sum of the revenues of the affiliates in their local accounts disclosed in the Note amounted to €669m. The difference is €133m but represents nothing and especially not the contribution of the Parent to the Group.

## **Can we infer customer payment periods from trade receivables?**

In the 2023 Financial Statements of the Parent, Trade receivables amounted to €245m, of which €134m relates to accrued income and €111m consists of invoices issued and not paid. Both accrued income and regular invoices include transactions with some external customers but also with inter-company transactions affiliates. The €111m is not the contribution of the Parent Company to the Group's Trade Receivables position at the end of 2023 which is approx. €40m.

Therefore comparing €133m and €111m to assess customer payment period of the parent company is totally irrelevant.

In 2023, VusionGroup posted €802m IFRS consolidated revenues of which approx. €240m arose in Q4. The trade receivables as of 31/12/2023 amounted to €132m, of which €102m related to invoices issued in November and December, not due yet and therefore not paid by the customers (as disclosed in Note 5 to the 2023 Financial Statements).

Specifically, the Group trade receivables' position (incl. VAT) showed €132m at the end of 2023, and Q4 revenues (excl. VAT) were at €240m. The trade receivables position at the end of the year equals approx. half of Q4 revenues i.e. 45 days average customer payment period, as disclosed in the Notes to the 2023 Financial Statements.

## **Do French revenues only relate to activities in France?**

Revenues in France reported in the URD in 2022 and 2023 and the Half Year report in 2024 consists of the revenues generated in France by retailers based in France.

In the Half Year Report 2023 the €93m also included the revenues generated in France by retailers not based in France - for example German retailers rolling-out their stores located in France.

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### **About VusionGroup**

VusionGroup is the global leader in the digitalization solutions for commerce, serving over 350 large retailer groups around the world in Europe, Asia and North America. The Group develops technologies that create a positive impact on society by enabling sustainable and human-centered commerce.

By leveraging our IoT & Data technologies, we empower retailers to re-imagine their physical stores into efficient, intelligent, connected, and data-driven assets. We unlock higher economic performance, facilitate seamless collaboration across the value chain, enhance the shopping experience, create better jobs, cultivate healthier communities, and significantly reduce waste and carbon emissions.

VusionGroup consist of six families of solutions, harnessing the full potential of IoT, Cloud, Data, and artificial intelligence (AI) technologies, at the service of the modernization of commerce: SESimagotag (ESL & Digital Shelf Systems), VusionCloud, Captana (computer vision and artificial intelligence platform), Memory (data analytics), Engage (retail media and in-store advertising), and PDI digital (logistics and industrial solutions).

VusionGroup supports the United Nations' Global Compact initiative and has received in 2023 the Platinum Sustainability Rating from EcoVadis, the world's reference of business sustainability ratings.

VusionGroup is listed in compartment A of Euronext™ Paris and member of the SBF120 Index. Ticker: VU - ISIN code: FR0010282822 - Reuters: VU.PA - Bloomberg: VU.FP

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