SES-imagotag FY 2022 Results:

Strong operating and financial performance despite a challenging context

- **Annual sales at €621m, up +47% vs FY 2021**

- **EBITDA growth of +81% to €58.6m; EBITDA margin of 9.4%, close to +2 pts year-on-year**

- **VCM ratio almost flat, despite higher component costs and unfavorable US dollar forex impact**

- **Net income of €18.7m, up 9x compared to 2021 levels (€2.0m)**

- **Excellent outlook for 2023 with target revenue growth of ~30% (€800m) and further improvement of operating margin**

(€m)*	FY 2022*	FY2021	% Change
Sales	**620.9**	**422.9**	+47%
Variable Cost margin	**131.4**	**91.5**	+44%
% of Sales	*21.2%*	*21.6%*	*-0.4 pt*
Operating expense	(72.9)	(59.1)	+23%
% of Sales	*11.7%*	*14.0%*	*-2.3 pts*
EBITDA	**58.6**	**32.3**	+81%
% of Sales	*9.4%*	*7.6%*	*+1.8 pts*
Depreciation	(27.2)	(23.5)	+16%
Current EBIT	**31.4**	**8.8**	+257%
% of Sales	*5.1%*	*2.1%*	*+3 pts*
Non-recurring items / non-cash items	0.3	(3.6)	nm
EBIT	**31.6**	**5.2**	+507%
% of Sales	*5.1%*	*1.2%*	*3.94 pts*
Financial expense	(6.1)	(1.1)	+444%
Tax	(6.9)	(2.1)	+230%
Net income	**18.7**	**2.0**	**+831%**
% of Sales	*3.0%*	*0.5%*	*+2.5 pts*

*Audit procedures currently being finalized

Thierry Gadou, Chairman and CEO of the SES-imagotag group, commented: *"2022 was a transformational year for SES-imagotag, and I am very pleased with the results that our Group has achieved, particularly in light of the external complexities we faced. Despite the headwinds that affected our supply chain and costs during the year, we were able to deliver exceptional revenue and profitability growth, underscoring the acute relevance of our strategy, solutions, and business model.*

Our geographic footprint grew in 2022. In Europe, our penetration deepened across all segments of specialized and food retail, and we accelerated our growth in the United States. Geographic expansion and new verticals will fuel our growth engine for the coming years. The expansion of the value-added services and solutions we provide our customers constitutes yet another profitable growth driver for SES-imagotag. In that regard, the acquisitions announced recently represent a strategic move to build the first

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comprehensive IOT & Data company. Our portfolio of solutions for physical retail digitization is currently the most innovative and extensive offer available in the market. Moreover, our company and our innovations are increasingly recognized as drivers of decarbonization and sustainable development in modern commerce.

More than in any other year, the robustness of our business model was proven in 2022. While tackling a historically high increase in the cost of components and simultaneously facing the negative impact from a strengthening US dollar, we almost doubled SES-imagotag's EBITDA. This achievement is a crystal-clear demonstration of the road we have travelled since implementing the first VUSION plan, launched in 2018. With the VUSION '27 plan we will continue to hone our model in order to deliver exceptional value to our customers by drastically improving the commercial, economic and environmental performance of their physical stores. The business model we are pursuing will lead to: 1) revenue growth from our software, AI and data offerings; 2) continuous profitability improvements in our operations, and reduced exposure to the price and margin fluctuations of hardware; 3) acceleration in the signing on of new customers, particularly driven by the synergies that exist between our various product lines, and 4) growth and consolidation of our leadership position in all of our strategic markets. The year 2023 should mark a first major stage in our new roadmap."

2022 Sales grew +47% to €620.9m

The company's top-line reached €620.9m in 2022, a +47% increase versus the previous year, and above the annual objective of €600m.This sales progression is very similar to the +46% increase reported in 2021, marking the second year in a row of strong sales growth.

The top-line increase was driven by a solid performance of +53.5% growth across Europe, which accounts for 78% of total sales. Growth in the Rest of World (ROW) regions was +26.9%, which includes the negative impact of the deconsolidation of SES-imagotag's activities in China in Q4. Excluding this impact, growth in ROW would have been 10 points higher, at +36%. In 2022, the Americas region reached its highest growth rate to-date, at +77% compared to the previous year.

VAS revenue growth (+46% at €93m) was in line with the increase in total revenue.

2022 Financial Results

Strong improvement in operating profit
Beyond the strong growth SES-imagotag reported in business activity and sales, 2022 was marked by unfavorable conditions:

1. Strengthening of the US dollar versus the euro, especially in H2 2022. At a constant 2021 exchange rate, the variable cost margin ratio would have been 4 points higher in 2022;
2. Ongoing increases in the cost of electronic components, which were not totally offset by price increases to the Group's customers.

Nevertheless, the Group was successful in addressing these constraints and maintaining an almost flat variable cost margin (VCM) ratio. VAS sales, which are significantly more profitable than ESLs, contributed to this achievement.

The **variable cost margin** (VCM) increased +44% to €131.4m in 2022, versus €91.5m in 2021, and the VCM ratio to sales was 21.2% in 2022 (versus 21.6% the previous year).

If the strengthening of the euro vis-à-vis the US dollar – a Q1 2023 trend – continues, this will be an encouraging sign for ongoing profitability improvement. A progressive decrease in the unit cost of some components has also taken place in Q1 2023. These factors should contribute to an improvement in the VCM ratio in 2023.

Operating expense increased to €72.9m in 2022 compared to €59.1m in 2021, primarily reflecting headcount additions in light of SES-imagotag's dynamic growth. As a percentage of sales, 2022 operating expense represents less than 12% of the year's sales, compared to 14% in 2021. The ongoing decrease in operating ratio (operating expense/sales) over several years places SES-imagotag comfortably in line to reach the 10% target set out for 2027.

EBITDA, or operating income before amortization and other non-cash or non-recurring income and expenses, totaled €58.6m in 2022, up +81% versus 2021 (€32.3m).

The EBITDA margin for the year was 9.4% in 2022, versus 7.6% in 2021. EBITDA has once again almost doubled between 2021 and 2022, as was the case between 2020 and 2021. During H2 2022, despite the unfavorable impacts mentioned above, the Group was successful in generating an EBITDA margin of almost 10%.

Depreciation and amortization expense increased +16% in 2022 to reach €27.2m (versus €23.5m in 2021). This higher depreciation and amortization charge is due to ongoing investment in R&D and innovation carried out by the Group.

Non-recurring and non-cash items in 2022 amounted to €0.3m, compared to €-3.6m in 2021. This income is due to the sale of the stake in the Chinese joint venture that the Group had entered into with BOE and JDD in 2019. As a result of the sale of this equity stake to the company YiYun, for which SES-imagotag received shares of YiYun, the Group recorded a capital gain of €6.7m in the consolidated accounts. This income, as well as the €1.2m insurance indemnity received by the Group following a fire in one of its warehouses in 2020, offset the IFRS 2 non-cash expense related to the free share plan allocated to SES-imagotag employees between 2020 and year-end 2022.

Financial expense
Net financial expense was €-6.1m in 2022 (versus €-1.1m in 2021), comprised of the cost of the Group's financial indebtedness, totaling €-2.1m, with the balance made up of gains and losses on foreign exchange.

Pre-tax profit for the Group totaled €25.6m for the year, compared to €4.1m pre-tax earnings in 2021. Based on this profit, the company incurred a **tax charge** of €-6.9m, versus a charge of €-2.1m in 2021.

Net income in 2022 was €18.7m, up ninefold compared to 2021 levels (€2.0m).

Investments

€m	FY 2022	FY 2021
Capitalized R&D and IT expenses	44.2	21.2
Industrial investments	4.4	4.3
Hardware as a service	0.9	2.2
Other	1.6	2.3
TOTAL CAPEX	**51.1**	**29.9**

For the year 2022, SES-imagotag's **capital expenditure** totaled €51.1m, compared to €29.9m in 2021. This increase was mainly due to R&D expenditures for the development and large-scale pilot of our next-generation digital shelf system.

Capitalized R&D expenses remain SES-imagotag's primary investment. These investments not only fuel growth and drive the ever-increasing competitiveness and innovation leadership of the Group, but also

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its positive impact in terms of sustainability as we permanently reengineer products and the supply chain to reduce the Group's carbon intensity and help decarbonize the retail sector.

The Group has already announced its intention to spend 5% to 7% of annual revenue on investments through 2027, most of which will be capitalized R&D expenditures.

Consolidated cash flow

€m	FY 2022	FY 2021
EBITDA	56.3	32.3
Investment	(51.3)	(29.9)
Change in working capital	(27.7)	(3.3)
Operating cash flow	*(22.7)*	*(3.2)*
Net financial gain (loss)	(5.2)	(0.2)
Tax	(2.0)	(1.1)
Other	(0.3)	4.7
Total cash flow	*(30.2)*	*0.2*
Capital increase / cash obtained from capital increases in subsidiaries where the equity stake is less than 100%		4.3
Impact of China JV de-consolidation	(18.6)	
Change in net debt before IFRS 16	**(48.8)**	**4.5**
Net Cash / (Net Debt) before IFRS16	**(40.5)**	**8.3**
Cash and cash equivalents	33.9	89.8
Financial debt (before impact of IFRS 16)	(74.4)	(81.5)
Financial debt (after IFRS 16 impact)	*(82.5)*	*(88.7)*
Change in net cash / (debt) before IFRS 16	*(48.8)*	
Leverage (Net debt/EBITDA before IFRS 16)	***0.7x***	

Cash burn during the year, despite the strong EBITDA growth, is principally tied to the increase of investments in R&D and the de-consolidation of the Chinese JV.

SES-imagotag ended the year 2022 with net debt before IFRS 16 of €40.5m, which represents a leverage (ratio of net financial debt to pre-IFRS 16 EBITDA) of 0.7x at year-end 2022, and a very moderate net debt to equity ratio of 20%.

SES-imagotag begins 2023 with a strong balance sheet.

Other 2022 achievements

Building for the future, SES-imagotag has completed a comprehensive set of quality and security certifications which now include ISO 9001 / 14001 / 27001.

In Q4 2022, SES-imagotag was awarded a Platinum rating by EcoVadis, placing it in the top 1% of all companies rated, and attesting to the sustainability of the company's supply chain and its entire ESG strategy.

Additionally, in Q3 SES-imagotag adopted the UN Women's Empowerment Principles – established by the UN Global Compact and aligned with the UN Social Development Goals -- as part of its commitment to promoting gender equality and women's empowerment in the workplace, marketplace and communities.

During the year, SES-imagotag measured its total carbon footprint (Scopes 1, 2 & 3) as the company progresses towards its Net Zero emissions commitment.

Stock market indexes

During the year, the company's shares – which trade on Euronext under the ticker SESL.PA – were included in the newly established Euronext Tech Leaders Index, which incorporates 100+ high-growth and leading tech companies among the 700+ tech sector companies that trade on Euronext markets.

In Q4, SES-imagotag's shares were included for the first time in the SBF 120, one of the main indexes of the Paris stock exchange that incorporates the 120 largest traded companies in France, as measured by market capitalization and liquidity indicators.

Acquisitions and technological platform consolidation

In Q1, the company acquired 100% of the shares of MarketHub, a UK/Ireland based data analytics company, whose aim is to produce data-led insights in order to render smarter, more agile and more adaptive "self-learning" store operations.

In Q4, SES-imagotag continued building out its data analytics capabilities with the acquisition of the French start-up company *In the Memory* which specializes in data science and category management tools for retailers and brands.

In parallel SES-imagotag negotiated an agreement with the majority shareholders of Belive.ai, a French start-up specializing in Artificial Intelligence and Computer Vision to strengthen the solutions provided by Captana and create the world leader in CV/AI based real-time shelf monitoring. This acquisition should be completed in the coming months.

During the year, SES-imagotag also developed VUSION Engage, a marketing platform that connects retailers and brands to deliver digital campaigns engaging with customers where purchasing decisions are made at the shelf. Engage was formally introduced to the market in January 2023 at the National Retail Federation's Big Show in New York City.

Outlook

For 2023, the order book and opportunities pipeline support a high-level of confidence in our top-line objective of €800m. Based on the favorable trend in component costs and forex, combined with the expected strong increase in VAS, the Group anticipates a significant increase in profitability.

About SES-imagotag and the VUSION Retail IoT platform

SES-imagotag is a world leader in smart digital labels and IoT solutions for physical retail, serving over 350 large retailer groups around the world in Europe, Asia and North 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 the agility, precision and accuracy of prices, whilst ensuring the omnichannel synchronization of prices, product information and marketing campaigns. The platform developed by SES-imagotag also optimizes in-store order preparation and restocking.

VUSION improves employee satisfaction by freeing up time from cumbersome low value-added tasks and allowing 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.

SES-imagotag supports the United Nations' Global Compact initiative and has received in 2022 the Platinum Sustainability Rating from EcoVadis, the world's reference of business sustainability ratings.

SES-imagotag is listed in compartment A of the Euronext™ Paris exchange and is included in the SBF 120 index.

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