

Press Release
Half-year financial information

**2019: a pivotal year to change dimension:
H1 results reflecting the ongoing transformation**

2020 objectives reaffirmed:
Around €200m in revenue
An EBITDA margin rate of at least 10%

Strasbourg (France), September 24, 2019 – 2CRSi, manufacturer of very high-performance servers, today released its earnings for the first half of 2019, as approved by the Board of Directors at its meeting of September 24, 2019.

2019: a pivotal year to pave the way for acceleration

2019 is a pivotal year for 2CRSi Group, with one priority: consolidate its structure in order to achieve its growth and profitability targets. This transformation, calling for substantial investments, is clearly reflected in the H1 results.

Headcount increase and bolstered management teams

Key efforts were made to expand the teams over the period. At the end of June 2019, 2CRSi had a total workforce of 136 (vs. 93 a year before). Emphasis was placed on the Marketing and Sales functions to help the Group further its development potential in France and abroad. The Management team was bolstered, with several appointments to strategic positions such as General Management, R&D, Finance, Marketing and Human Resources. The hire of such experienced professionals is a critical advantage in achieving its ambitions.

Stepped up marketing and sales initiatives

The Group is currently in advanced talks with various clients and prospects, paving the way for strong sales momentum in the coming months. The network of distributors was also expanded, with the addition of new partners in the Middle East and Eastern Europe. Last, considerable efforts have been made to enhance the Group's visibility through participation in major international trade fairs (23 scheduled in 2019, including 12 in the first half).

New milestones in the R&D roadmap, improvement of manufacturing processes

In terms of R&D, efforts were focused on product optimisation (power density, reduced energy consumption, streamlining of server ranges for both conventional operation and immersion cooling, etc.), as well as manufacturing processes. These initiatives will consolidate the Group's technological edge and secure the significant acceleration in manufacturing rates projected for the coming months.

Another key technological focus is the Group's contribution to the Open Compute Project (OCP), a global organisation whose mission is to design server systems combining efficiency, scalability and respect for the environment. 2CRSi is now a central part of this community, not only driving innovation but promoting the Group's visibility.

Development of service activities through datacenters

With its new subsidiary Green Data, 2CRSi boasts a 6MW datacenter in Nanterre qualified as Tier 3+. Through additional investments in equipment and facilities committed during the first half-year, 2CRSi has a huge business potential with this datacenter in terms of server housing (client servers) and computing power rental services.

Earnings reflecting the transformation in progress

Decline in revenue compared to H1 2018 comparison base

2CRSi generated revenue of €21.47m in H1 2019, down 15% year-on-year. Excluding the contribution made by 2018 largest client in H1 2018 and in H1 2019, growth in sales would have exceeded 50%.

International growth of +56%

In addition to revenue growth, the Group strengthened its positions on the international market by expanding its teams in the United States, the United Kingdom and Dubai. Invoiced deliveries outside France were up +56% to €12.7m in H1 2019, representing more than 59% of revenue earned by 2CRSi vs. 32% in H1 2018.

In €m - IFRS	H1 2019	H1 2018	Change
Revenue	21.47	25.34	-15%
Other ordinary operating income	1.03	2.49	-58%
Purchases used	(17.55)	(22.49)	-22%
<i>Gross margin</i>	23,1%	21,0%	+2.1 pts
External charges	(1.94)	(1.36)	+43%
Staff costs	(3.67)	(1.76)	+109%
Other operating income and expense	(0.16)	(0.19)	-16%
EBITDA	(0.84)	2.03	
<i>EBITDA margin</i>	NA	8.0%	
Depreciation, amortisation and impairment	(1.37)	(0.79)	
Other non-current income and expense*	-	(0.76)	
Operating income (expense)	(2.21)	0.48	
Financial income (expense)	(0.22)	(0.28)	
Consolidated net income (expense) – group share	(2.18)	0.29	

The application of IFRS 16 standard, on the recognition of leases in the consolidated financial statements, had no impact on the interim financial statements, as the standard was already applied by the Group for fiscal year 2018.

The limited review by the statutory auditors is being finalized. The half-year financial report will be available on the Group's web site on September 30, 2019 at the latest.

The gross margin rose 2.1 points from 21% to 23.1% of revenue. External charges picked up +43%, mainly due to stepped-up marketing and sales efforts. Staff costs climbed +109%, accounting for 17.1% of revenue, as opposed to 7% in H1 2018. This increase in operating costs automatically weighed on EBITDA, which came out negative at €(840)k. Depreciation,

amortisation and impairment were up €0.6m, including the large-scale investments in the Nanterre datacenter. Overall, operating income was negative at €(2.2)m. After incorporating financial income, the Group posted negative consolidated result of €(2.2)m.

A robust financial position

In the interest of furthering its proactive market plan, 2CRSi relies on a robust financial structure, with more than €49m in shareholders' equity and a cash position of €5.5m.

The gross financial debt rose by €12m in the first half of the year due to an increase in leasing debts of €14m (IFRS 16 standard applied by the company since January 1, 2016).

Outlook: accelerated sales momentum

Team structuring efforts will continue in the second half, with new hires in the works, specifically for the sales and R&D functions.

Business will benefit in H2 from the execution of several large orders taken on in recent months (CERN, etc.). The order pipeline is also expected to gather pace, as the initiatives undertaken in recent months start to pay off (team structuring, expansion of the indirect distribution network, trade fairs, etc.).

Within this context, and thanks to the traditionally favourable seasonality effect, H2 2019 revenue should be significantly higher than revenue generated in the first half.

Acquisition opportunities, a major focus of development presented at the launch of the IPO, will also be pursued, with the goal of achieving a deal shortly.

Reaffirmed ambitions

Based on advanced talks with various clients and prospects and on the structuring efforts and investments already made and planned for fiscal year 2019, 2CRSi reaffirms its 2020 targets: revenue of around €200m combined with EBITDA margin representing at least 10% of revenue.

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About 2CRSi

2CRSi is based in Strasbourg and has subsidiaries in Manchester, Dubai and San Jose in the Silicon Valley. It specialises in the design and manufacturing of very high-performance IT servers. It provides innovative calculation, data storage and data transfer solutions to over 200 clients in 25 countries. In 2018, 2CRSi Group generated consolidated revenues of €65.2m. For further information please visit: www.2crsi.fr

Contacts

2CRSi

Valérie Boureau
Chief Financial Officer
investors@2crsi.com
+33 (0)3 69 73 81 30

Actifin

Victoire Demeestère
Financial Communication
vdemeestere@actifin.fr
+ 33 (0)1 56 88 11 24

Actifin

Jennifer Jullia
Financial Press Relations
jjullia@actifin.fr
+ 33 (0)1 56 88 11 19