NEWS RELEASE

Procurri reports S$2.7m in profits for FY2020 and 5.8% growth in revenue

- The Group's revenue increased by 5.5% year-on-year ("YoY") to S$233.5 million in FY2020
- Gross profit decreased by 19.2% YoY to S$64.7 million in FY2020, driven by lower margins and increased stock obsolescence as the COVID-19 pandemic pressured business
- The Group reported after-tax profit of S$2.7 million for FY2020

Singapore, 24 February 2021 — Procurri Corporation Limited ("Procurri" or "the Group"), a leading global independent provider of Lifecycle Services[1] and Data Centre Equipment[2], announced today its financial results for the full year ended 31 December 2020 ("FY2020").

FINANCIAL HIGHLIGHTS	FY2020 (S$'000)	FY2019 (S$'000)	CHG (%)
Total revenue	233,467	221,289	+5.5%
Allowance for stock obsolescence	(7,355)	(1,999)	–267.9%
Gross profit	64,745	78,104	–19.2%
Gross profit margin (%)	*27.7*	*35.3*	*–7.6ppt*
Other income and COVID-19 relief	6,103	1,130	+440.1%
Operating expenses	64,002	72,313	–11.5%
EBITDA	12,901	17,344	–25.6%
Profit/(Loss) before tax	4,031	4,737	–14.9%
Net profit	2,696	3,775	–28.6%
Profit/(Loss) before tax and COVID-19 relief	(1,335)	4,737	[–128%]

ppt: percentage points

Overall, the Group delivered 5.5% YoY growth in revenue to S$234.2 million for FY2020 while experiencing pressure on margins due to the effects of the COVID-19 pandemic. The Group was able to reduce operating expenses by 11.5%. However, a shift in mix towards lower-margin solutions led to a decline in gross margins from 35% in FY2019 to 28% in FY2020, resulting in a 15% decline in Profit before Tax from S$4.7 million in FY2019 to S$4.0 million in FY2020.

[1] Lifecycle Services refers to various services rendered during the lifecycle of IT hardware and equipment
[2] Data centre equipment refers to servers, storage and networking equipment

Inventory obsolescence rose from S$2.0 million to S$7.4 million. The Group reclassified maintenance parts from plant and equipment to inventories and this resulted in a year-on-year increase in inventory obsolescence of S$4.0 million.

As part of Procurri's new sales commission plan, sales employees' salaries are now recognised as selling expenses. Hence, selling expenses increased by S$3.0 million to S$21.0 million in FY2020, while administrative expenses decreased by S$11.3 million to S$43.0 million for FY2020. In all, the Group lowered its operating expenses by 11.5% YoY.

As a result of the above, Procurri recorded S$2.7 million in net profits for FY2020, compared with S$3.8 million for FY2019.

The Group benefited from government programs providing financial relief from the COVID-19 pandemic, including a loan forgiven under the US Paycheck Protection Program. Total COVID-19 relief provided a S$5.4 million increase in Other Income for FY2020. Excluding COVID-19 relief, Profit before Tax declined from a profit of S$4.7 million in FY2019 to a loss of S$1.4 million in FY2020.

Outlook

The global COVID-19 pandemic continues to disrupt data centre and IT budgets, providing limited demand visibility for Procurri's Data Centre Equipment solutions. The Group's Lifecycle Services has segment benefits from recurring revenue from maintenance contracts, however the ongoing pandemic disruptions have slowed Procurri's progress with signing new customer accounts.

Despite the challenges posed by the volatile pandemic environment, Procurri has continued to diligently gear-up its internal processes, infrastructures, and operations to efficiently leverage the full synergies within its IT hardware distribution, IT maintenance, and IT Asset Disposition businesses to bring these solutions to market at scale.

Commenting on the Group's financial results, Mr Sean Murphy, Procurri's Chairman and Global Chief Executive Officer said, "FY2020 was certainly a difficult year, especially with the ravaging coronavirus forcing nation-wide movement restrictions, disrupting global IT supply chain networks, and limited our physical access to customers and customer sites. The protracted pandemic environment has inevitably lead to slower business and longer delays.

Despite these challenges, we have taken actions to manage cost and continue to upgrade our business infrastructure. While demand visibility remains limited at present, we are focused on building our platform for long-term growth in a post-COVID environment."

About Procurri Corporation

Procurri is one of the leading global independent providers of Lifecycle Services and Data Centre Equipment. By offering a channel that combines the technology, finance and logistics domains, Procurri aims to be a global aggregator of enterprise services and hardware to its customers.

Incorporated in 2013, Procurri has grown rapidly through the years and now has offices across three regional hubs – Asia Pacific, Americas and the Europe (including the UK), Middle East and Africa ('EMEA") – with its global headquarters located in Singapore. Through its direct presence and global network of partners, Procurri's business covers over 100 countries worldwide, providing a single touchpoint for its customers' Lifecycle Services and Data Centre Equipment needs.

https://www.procurri.com

Issued for and on behalf of Procurri Ltd. by Financial PR

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