PROCURRI CORPORATION LIMITED
(Incorporated in the Republic of Singapore on 15 March 2013)
(Company Registration No. 201306969W)

CORPORATE AND BUSINESS UPDATE AND PROFIT GUIDANCE

The Board of Directors (the "**Board**") of Procurri Corporation Limited ("**Procurri**", and together with its subsidiaries, the "**Group**") wishes to provide a corporate and business update and profit guidance for the financial year ended 31 December 2017 ("**FY2017**").

I) BACKGROUND AND OVERVIEW OF OPERATING ENVIRONMENT

Listed on the Main Board of the Singapore Exchange Securities Trading Limited on 20 July 2016, Procurri is an independent provider of IT services and hardware equipment, such as servers, storage and networking products. The Group's platform acts as a global aggregator for businesses to purchase, dispose and manage the lifecycle of enterprise hardware, including related services such as maintenance, leasing and rental, in over 100 countries through its global network of 15 offices and extensive partner locations.

Over the past year, the Group has significantly extended its lead in the higher-margin US$59.1 billion IT services industry[1], with the boost in its in-house service capabilities to include storage maintenance and inventory-as-a-service. Its order book has strengthened considerably, keeping the Group on track to achieve a more predictable stream of recurring income from the Lifecycle Services business segment.

On the IT Distribution front, the Group recently secured significant partnerships with global Original Equipment Manufacturers ("**OEMs**"), such as IBM and Hewlett Packard Enterprise, amidst transformational changes in the US$34.8 billion global market for used IT equipment[1]. Procurri believes that it is poised to position itself as a Tier-1 player in this secondary market dealing with new-in-box, pre-owned and refurbished equipment, as it continues to garner more of such channel-endorsed partnerships.

II) OVERVIEW OF RECENT CHANGES IN OPERATING LANDSCAPE

Amidst a proliferation of mobile devices, e-commerce, fintech and the Internet of Things, cloud adoption has grown rapidly. Globally, enterprises are embarking on digital transformation while data centre operators and cloud providers are constantly upgrading to ensure faster deployment speeds and heightened security. In a 2017 Forbes Insights report, a majority of the 261 IT leaders in large organisations surveyed said that IT service management is either extremely important or close to extremely important in their enterprises' cloud computing efforts, as well as in big data initiatives.[2]

[1] Independent Market Research on the Hardware Resale and Independent IT Maintenance Market by Frost & Sullivan, 15 June 2016, as published in Procurri's IPO Prospectus Appendix I
[2] How IT Service Management Delivers Value To The Digital Enterprise, Forbes Insight 2017

Accordingly, sales of infrastructure products, such as servers, storage and networking switches for cloud IT, both public and private, has grown 25.5% year-over-year in the third quarter of 2017[3]. This has resulted in a shift in IT infrastructure investment to an increasing adoption of modular and open server/cloud architecture, which can provide greater flexibility to cope with fast-paced changes in business needs[4].

Several distinct trends in the IT supply chain landscape have emerged recently:

1) Increasing acceptance of the secondary IT market with more OEMs endorsing the sale of certified refurbished or excess equipment;

2) Emphasis on use of certified genuine replacement parts to prevent equipment failure and data centre downtime;

3) A strong shift towards open server architecture - enterprises and data centre operators now seek vendor-agnostic service providers with a proven track record;

4) Increasing importance of return on investment and impact of depreciation from IT infrastructure, which in turn drives the growing shift from capital expenditure ("**capex**") to operating expenditure ("**opex**") based models;

5) Traditional intermediary roles, such as OEMs, Value-Added Resellers and System Integrators, have changed, with each seeking to add capabilities through mergers and acquisitions leading to industry consolidation; and

6) Shift in industry dynamics where players with scale in terms of operational size and geographical reach will have a competitive advantage to capture a meaningful market share.

Please refer to Appendix A for more information on our industry outlook.

III) RECENT SIGNIFICANT CORPORATE AND STRATEGIC DEVELOPMENTS

To address the operational landscape changes, Procurri has executed several key corporate actions since its initial public offering ("**IPO**"):

1) Towards the end of FY2017, Procurri secured a highly strategic contract that validates its ability to successfully leverage on the disruption of the IT vendor eco-system as corporations migrate their IT needs to the cloud. Procurri will handle the maintenance of mission-critical enterprise hardware, including data centre equipment and data storage, for a European pharmaceutical giant in the United Kingdom (the "**UK**"), as well as six countries in the Asia-Pacific region;

2) Secured agreements with tech giants, Cisco and Hewlett Packard Enterprise. The contract with Hewlett Packard Enterprise, in particular, positions Procurri as the first and only authorised replacement parts partner that can deliver in the Americas and Europe, Middle East & Africa ("**EMEA**") regions, with the Asia-Pacific region appointment currently being finalised;

[3] Public Cloud Expansion Drives Double-Digit Growth of Worldwide Cloud IT Infrastructure Revenues in the Third Quarter of 2017, According to IDC, International Data Corporation (IDC), 11 January 2018
[4] Modular Data Center Market to Tripe its Size by 2020, DatacenterDynamics, 16 January 2018

3) Formed Rockland Congruity LLC ("**Rockland**") in the United States of America (the "**USA**") in January 2017 – a 51%-owned joint venture spearheading the Group's global storage maintenance services, which contributes to building up high-margin recurring income;

4) Acquired EAF Supply Chain Holdings Limited ("**EAF**") in November 2016 – deepening its presence in the UK, and leveraging on EAF's existing strong relationships in Europe with major OEMs to expand these partnerships globally; and

5) Established a Global Parts Centre ("**GPC**") in Singapore in the fourth quarter of 2016. Apart from standardising service delivery methodology across the Group's international footprint, the GPC will also reduce average cost of parts through volume procurement.

The overarching objective of these actions is to anchor Procurri's position as a trusted global intermediary that is adding on new capabilities and moving up the value chain in the enterprise equipment market.

As illustrated by the contract awarded by the European pharmaceutical giant, the advent of the cloud has accelerated a paradigm shift in the IT hardware market, which has a major impact on the previous model of built-in obsolescence. Procurri is able to offer a turnkey consolidated solution across multiple geographies and multiple IT vendors – a new business paradigm that seeks to offer the lowest overall cost and superior flexibility for specific IT needs.

IV) FINANCIAL IMPACT ARISING FROM BUILDING A STRONGER FOUNDATION

Due to maiden operating expenses for EAF and Rockland, as well as depreciation charges from the GPC, the Group's administrative expenses rose progressively from S$5.8 million in the first quarter of 2016. This was the result of a deliberate strategy to build a strong foundation to better capture opportunities in the lifecycle services market. In the third quarter of 2017 ("**3Q2017**"), administrative expenses amounted to S$12.7 million (up 3.2% from S$12.3 million in the second quarter of 2017 ("**2Q2017**")) and are expected to remain well controlled, with future increments commensurate with business expansion (including any future acquisitions) and activity needs.

While the bottom line has been impacted, revenue for the nine months ended 30 September 2017 ("**9M2017**") grew 41.9% to S$133.2 million compared to the same period in 2016. For 3Q2017, the Group achieved its highest quarterly revenue since the IPO – S$51.3 million – with both the IT Distribution and Lifecycle Services business segments contributing higher revenue, underscoring the Group's income resilience and ability to grow both organically and inorganically.

V) GO FORWARD STRATEGIES

Procurri has reviewed the Group's strategic positioning and recent corporate actions and has identified four major strategies moving forward:

1) Cementing the Group's credibility as an approved channel for genuine hardware in the used IT equipment market;

2) Targeting to grow the higher margin maintenance business to contribute 50% of the Group's total gross profit ("**GP**");

3) Expanding markets and enlarging customer base; and

4) Improving internal efficiencies through rigorous cost controls and harnessing economies of scale.

STRATEGY 1: CEMENTING THE GROUP'S CREDIBILITY AS AN APPROVED CHANNEL FOR GENUINE HARDWARE IN THE USED IT EQUIPMENT MARKET

As more data centre operators and enterprises turn to the secondary market for equipment, reliability and certification have become more important to prevent counterfeits. Authorised channels offering proper warranties, brand management and quality assurance are becoming the primary source for genuine refurbished, pre-owned or new-in-box products.

Since its IPO, two important developments took place for Procurri: (i) it became one of nine qualified resellers of Cisco Excess – a programme to sell used Cisco hardware within the secondary market; and (ii) it became an authorised partner under Hewlett Parkard Enterprise's Replacement Parts Business programme for genuine, high quality spares with manufacturer warranties. Both tech giants set rigorous processes for participants, underscoring the maturity of Procurri's quality controls even as it scales up the IT distribution value chain.

These developments position Procurri as one of a handful of independent vendors with a global footprint serving Tier-1 tech giants and allow the Group to expand its product lines to include new replacement parts. The Group can now capitalise on these strategic partnerships to cross-sell services across its business units.

STRATEGY 2: TARGETING TO GROW THE HIGHER MARGIN MAINTENANCE BUSINESS' CONTRIBUTION TO 50% OF THE GROUP'S TOTAL GP

For 9M2017, the Lifecycle Services business segment accounted for 29.8% of GP. Through inorganic growth via EAF and Rockland, the Group expects to secure new contracts in the UK and the USA at a time when the data centre industry is shifting from capex to opex based models, resulting in an increased need for on-demand computing resources.

With the transition gaining momentum, Procurri expects an improvement in GP margin for this business segment for the financial year ending 31 December 2018 ("**FY2018**") (from 45.2% as at 30 September 2017).

Since 2Q2017, Procurri has adopted a straight-line recognition for maintenance service revenues in the USA under the relevant financial reporting standard requirements. Although this has impacted revenue recognition for FY2017, it has also created an order book which improves earnings visibility. As at 30 September 2017, Procurri's order book has increased to S$21.9 million, compared to S$5.9 million a year ago.

The Group is on track to building up its Lifecycle Services business segment which provides predictable and sustainable earnings. Accordingly, Management aims to increase the contribution of this higher-margin business segment to half of the Group's total GP in five years' time (from 29.8% as at 9M2017).

STRATEGY 3: EXPANDING MARKETS AND ENLARGING CUSTOMER BASE

Since the Group was established in October 2009, it has built up 15 offices in Singapore, Malaysia, China, India, the UK, the USA and Mexico, providing services to more than 100 countries. Based on Management's review of the market place, Procurri is now one of five independent service providers with a global footprint servicing the secondary IT equipment market.

The Group has recently concluded the integration of EAF into Procurri Europe Limited and is in the process of streamlining its subsidiaries in the UK into this single entity. Apart from achieving cost efficiencies, the unified entity will strengthen the Procurri brand name in the EMEA region with an expanded suite of services to its enlarged customer base.

The Group remains on the look-out for potential earnings-accretive acquisitions to deepen its presence in major markets, such as Western Europe, which represents approximately 20% of the global IT spend[5].

STRATEGY 4: IMPROVING INTERNAL EFFICIENCIES THROUGH RIGOROUS COST CONTROLS AND HARNESSING ECONOMIES OF SCALE

The establishment of the GPC, which serves as a think-tank and centre of excellence, has allowed the Group to continuously improve centralised purchasing processes and gradually achieve economies of scale from volume procurement. It has also enabled more efficient use of warehouse space across the regions that the Group operates in.

Having carried out the bulk of near-term expansion through acquisitions, the Group will continue to streamline group-wide internal and operating efficiencies and keep a tight lid on costs.

VI) OUTLOOK AND PROFIT GUIDANCE

Based on a preliminary assessment of the unaudited financial results for the fourth quarter of 2017 ("**4Q2017**") and FY2017 of the Group, the Group expects to report a net loss for 4Q2017 and FY2017 as compared to the previous year's corresponding periods. This is mainly due to foreign exchange differences and write-offs arising from the Group's prudent approach towards stock obsolescence and bad debts. Further details of the Group's financial performance will be disclosed when Procurri releases the unaudited financial results for 4Q2017 and FY2017 by 28 February 2018.

In the longer term, Procurri believes that the go forward strategies set out in paragraph (v) above will transform the Group into a stronger global player with the aim to capture a meaningful market share of the highly fragmented US$42 billion secondary IT equipment market.

[5] Worldwide IT Spending Forecast to Sustain Growth of More Than 3% Through 2020 Led by Financial Services and Manufacturing Industries, According to IDC, International Data Corporation (IDC), 8 February 2017

Accordingly, Procurri aims to achieve the following:

1) Subject to further business growth, reduce the increase in administrative expenses in FY2018 with continued cost control, with future increments being commensurate with business needs;

2) Improve Lifecycle Services' GP margin in FY2018;

3) Increase the contribution of the higher margin Lifecycle Services business segment to 50% of Group GP in five years' time;

4) Make further inroads to the broader data centre equipment market by securing more authorised partnerships with OEMs; and

5) Return the Group to profitability in FY2018.

BY ORDER OF THE BOARD

Thomas Sean Murphy
Chairman and Global Chief Executive Officer
30 January 2018

Appendix A: Industry Outlook

Global Data Centre Hardware Market
5-YEAR CAGR

11.7%

US **$293** BILLION (BY 2020)

Global IT Maintenance Market
5-YEAR CAGR

9.6%

US **$42** BILLION (BY 2020)

Hardware Resale Market Revenue Forecast
5-YEAR CAGR

Global 16.9%

Asia 24.9%

US **$34.8** BILLION (BY 2020)



Independent Maintenance Market Revenue Forecast
5-YEAR CAGR

Global 15.7%

Asia 17.8%

US **$4.4** BILLION (BY 2020)



IT Asset Disposition Market Revenue Forecast
5-YEAR CAGR

Global 21.5%

Asia 30.5%

US **$17.1** BILLION (BY 2020)



Source: Independent Market Research on the Hardware Resale and Independent IT Maintenance Market by Frost & Sullivan dated 15 June 2016, as published in Procurri Corporation Limited's IPO Prospectus Appendix I