



# PROCURRI CORPORATION LIMITED

**1H2020 RESULTS BRIEFING**  
**12 AUGUST 2020**

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Please refer to Procurri Corporation Limited’s Financial Results for the First Half Ended 30 June 2020 available at [www.sgx.com](http://www.sgx.com).

# AGENDA

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01



*Business  
Update*

02



*Financial  
Highlights*

03



*Group  
Outlook &  
Strategies*

04



*Appendix*

Link to corporate video:

<https://www.youtube.com/watch?v=WctkH5zfRCY>





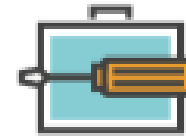
# BUSINESS UPDATE



PROCURRI

# 1H2020 FINANCIAL PERFORMANCE

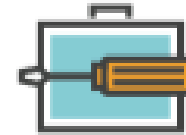
- **Revenue stable at S\$110.5 million**, up 1.6% YoY
- **Gross Profit declined by 16% YoY to S\$32.9 million** mainly due to the increase in stock obsolescence allowance
- **Other Income rose by S\$5.0 million to S\$5.5 million** as a result of government support programs on Covid-19 pandemic, e.g. Singapore Job Support Scheme, recognition of loans forgiven under the US Paycheck Protection Program
- **Operating Expenses decreased to S\$34.3 million** as a result of lower sales commission paid on the lower gross profit
- **Balance sheet remains robust** with a net cash position at S\$17.7 million as at 1H2020



# CHANGES IN FINANCIAL REPORTING

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- **Stock obsolescence** has been reclassified into Cost of Sales, resulting in lower gross profit
- **Accounting for the maintenance spares as maintenance inventory** and the net impact to reported GP margins is neutral
- **Reclassification of sales employee salaries** from administrative expenses to selling expenses



# ALIGNING BUSINESS LINES

	FY2019		FY2020		
	IT Distribution	Lifecycle Services	IT Distribution	ITAD	Lifecycle Services
New/Factory sealed/ OEM Certified sealed goods	√		√		
ITAD hardware	√			√	
Used hardware	√			√	
Maintenance parts sales but purchased adhoc	√				√
ITAD services eg data erasure, mgmt. of 3P owner equipment		√		√	
Equipment rental		√		√	
Third party maintenance		√			√
Maintenance related, eg "hands and eyes" support for short period support		√			√

# COVID-19 IMPACT

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## IT Distribution

Short term: Overall less activity.

Medium term: Our products are typically 50-80 percent lower than OEM pricing, so we expect customers to move some projects to this option.

## IT Asset Deposition

Short term: More cloud migrations are being planned so our ITAD pipeline is filling up.

Medium term: ITAD will experience accelerated growth than pre-Covid-19 once projects start flowing.

## Lifecycle Services

Short-term: Large global companies are exploring this option, but decisions may be delayed till Covid-19 lockdowns are relaxed.

Medium term: Customers see TPM as a key area of their legacy infrastructure for cost savings.



# INDUSTRY OVERVIEW

## Situation

The Covid-19 global pandemic has impacted our business as buyers delay their purchasing decisions, but it also opens a myriad of cloud-driven opportunities to Procurri in an accelerated fashion.

## Data Shift

To scale efficiently for the growing post-Covid-19 opportunities, Procurri is shifting towards a data-driven operational model by adopting global platforms for the Maintenance business and Procurri's in-house proprietary software (Morse) for the ITAD and Hardware Sales business.

## More Demand Drivers

- High growth in cloud services fuels demand for equipment and services during the transition period.
- Stepped up cloud adoption will propel demand for asset disposal, maintenance works and newer equipment.

## Solution

As an independent provider of IT equipment and solutions, Procurri capitalises on the growing demand by:

- ✓ Acting as a **market maker** for **middle lifecycle** equipment
- ✓ Extending **multi-brand** offerings for **previous generation** equipment and services
- ✓ Offering **customised** solutions and services for unique channel demands
- ✓ Offering **integrated** IT solutions and services at a cost-friendly package
- ✓ Pivoting as a **trusted partner** in an otherwise unregulated market
- ✓ Leveraging on a **global** distribution and services network



# ACCELERATING CLOUD OPPORTUNITY

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- **Unprecedented coronavirus-induced lockdowns** forced corporations to embark on the largest work-from-home experiment, sending a temporary surge in demand for second-hand hardware equipment globally.
- **Increased pace of the pivot to the cloud** as traditional retailers come online to sell amid the pandemic
- **Growing need for businesses to search for affordable hardware and software** to keep systems stable for the shift to the cloud
- **These will inevitably increase demand** for recycled hardware, IT maintenance, and IT Asset disposition services.



# STRATEGIC ADVANTAGE

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- **Established IT hardware resale service** to support the global IT supply chain with affordable and quality data centre equipment ranging from Cisco networking, HPE enterprise servers to IBM storage during this trying times as businesses across the globe grapple with the new normal.
- **Strengthened delivery capabilities in Rockland Congruity LLC** to boost our in-house third-party maintenance capacities and increase our competitiveness in the third-party maintenance industry worldwide.
- **Clinched a broad, promising, and deep partnership with Ingram Micro** to further fortify our ITAD capabilities and extend our reach in the global ITAD market.



# STRATEGIC INITIATIVES & GOALS

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- **Restructure global operations** to function on data-centric platforms like Salesforce and Morse. The former is for the Maintenance business while the latter is for ITAD and Hardware Resale businesses.
- **Develop, crystallise, and enhance the Group's three intertwined businesses - IT hardware resale, third-party maintenance, and IT asset disposition** – to become the first robust, structured, and data-driven global platform to deliver end-to-end solutions as corporations worldwide pivot to the cloud.
- **Acquiring customers at the lowest acquisition cost through hardware resale** and moving up the value chain with more valuable business solutions through our complete solution package.
- **Leveraging inherent advantage** – the services – for precise operations



# DATA-DRIVEN BUSINESS MODEL

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**To expand in a sustainable way, we have to strengthen our internal operating systems to make data-driven decisions**

## Salesforce

With the use of Salesforce's platform, we are able to prioritize troubleshooting queries and have our engineers solve the bigger issues first, thereby improving our service quality for our growing maintenance business

## Morse

Utilising the Morse system, we will have access and greater visibility to the data for our ITAD and refurbished hardware businesses. This will enable us to fine tune our operations and scale accordingly in the most cost-efficient manner

**Gearing up to set the foundations for efficient operating systems to be ready to take up more businesses in the post-coronavirus market environment**



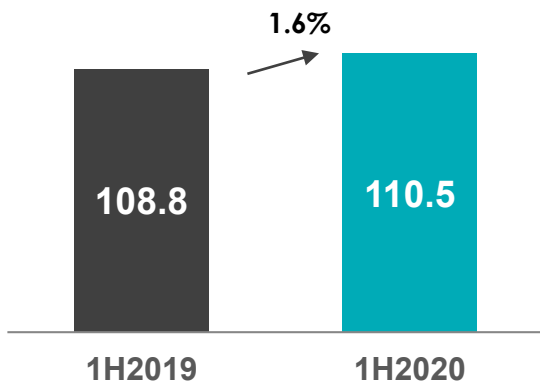
# FINANCIAL HIGHLIGHTS



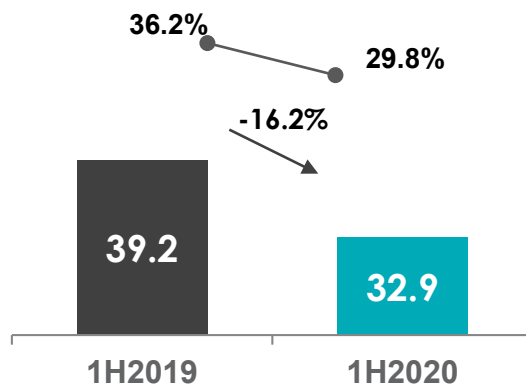
PROCURRI

# 1H2020 FINANCIAL SNAPSHOT

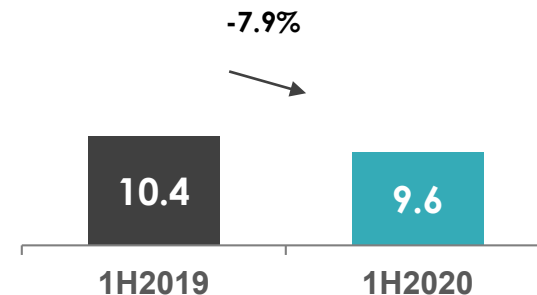
REVENUE (S\$M)



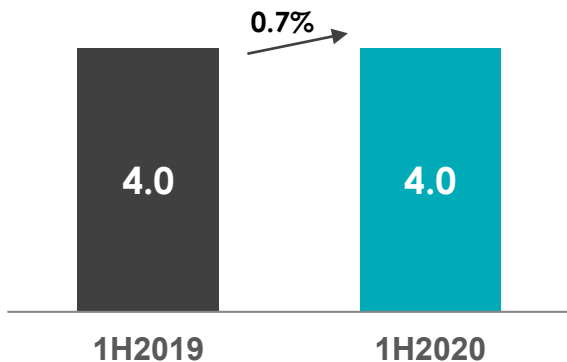
GROSS PROFIT (S\$M) & GROSS PROFIT MARGIN (%)



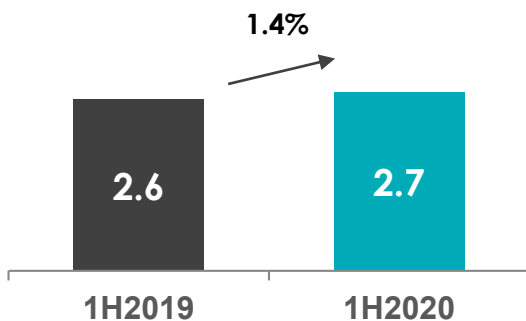
EBITDA (S\$M)



PROFIT BEFORE TAX (S\$M)



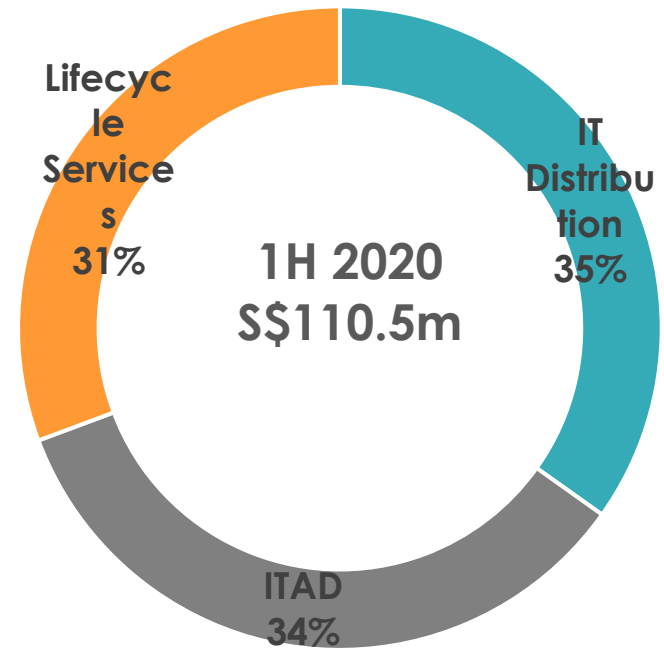
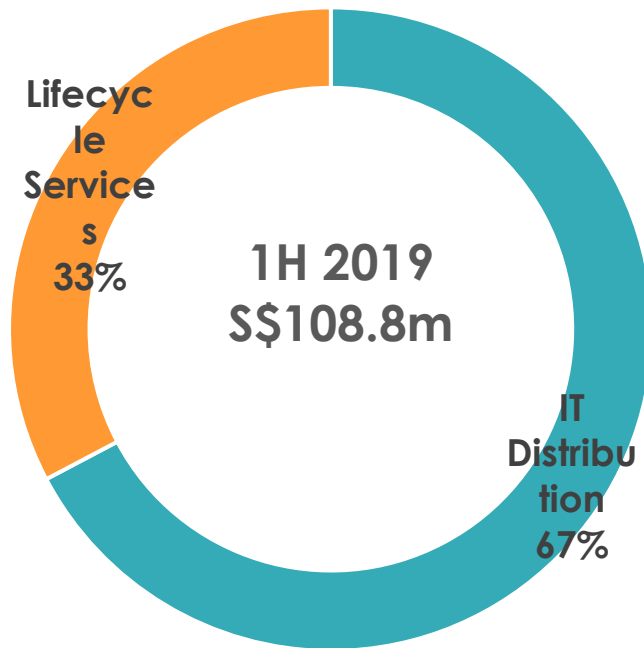
NET PROFIT (S\$M)



1H2020 PBT of S\$ 4.0m includes the following material other income arising from various countries' Covid-19 pandemic support programs:

- US PPP loan forgiveness of ~S\$4.5m (post tax ~S\$3.3m)
- Singapore JSS of ~S\$0.4m

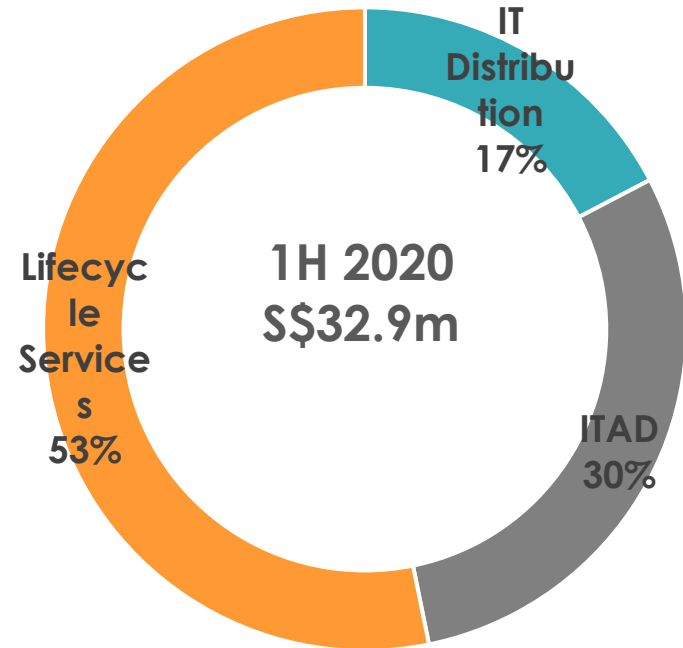
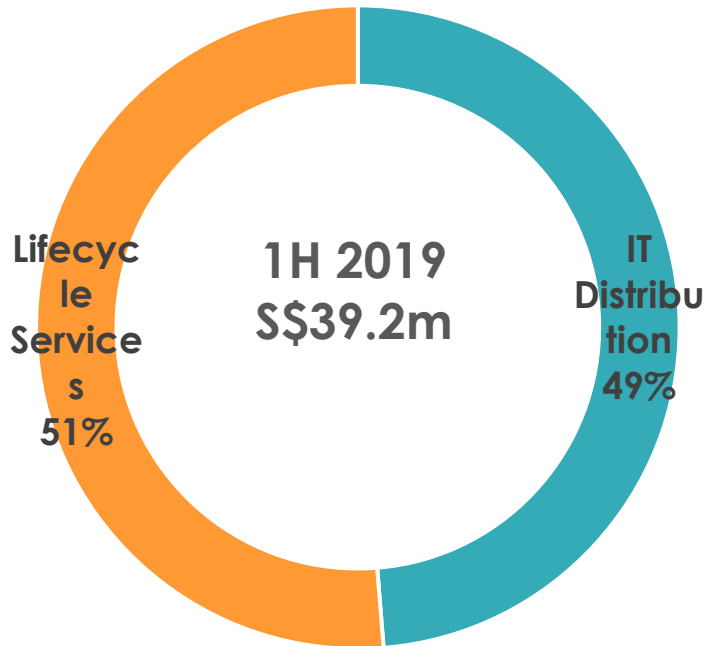
# REVENUE OVERVIEW



■ IT Distribution ■ ITAD ■ Lifecycle Services



# GROSS PROFIT OVERVIEW

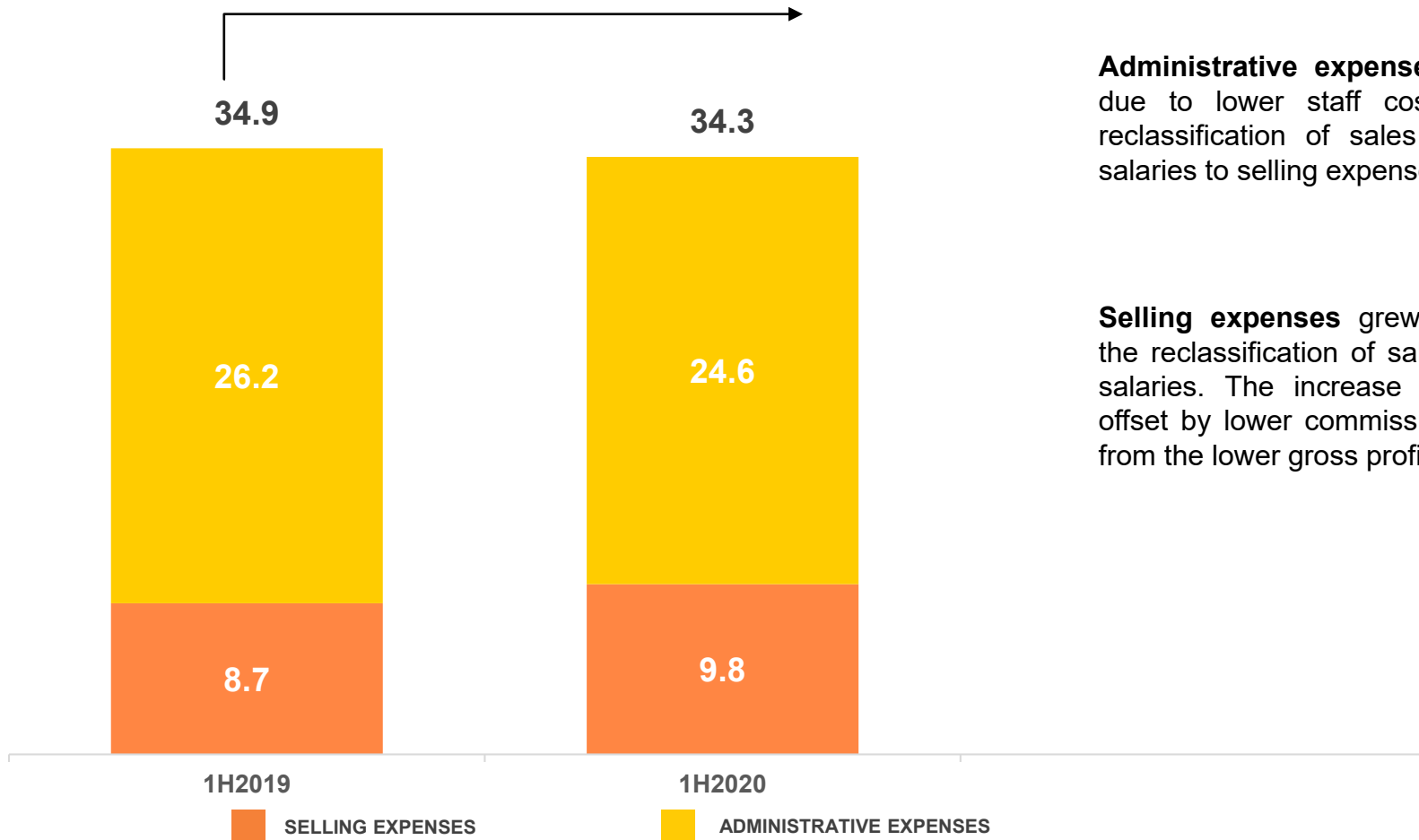


■ IT Distribution ■ ITAD ■ Lifecycle Services

# OPERATING EXPENSES

## OPERATING EXPENSES<sup>1</sup> (S\$M)

-1.5% YoY



**Administrative expense** decreased due to lower staff cost from the reclassification of sales employees' salaries to selling expenses.

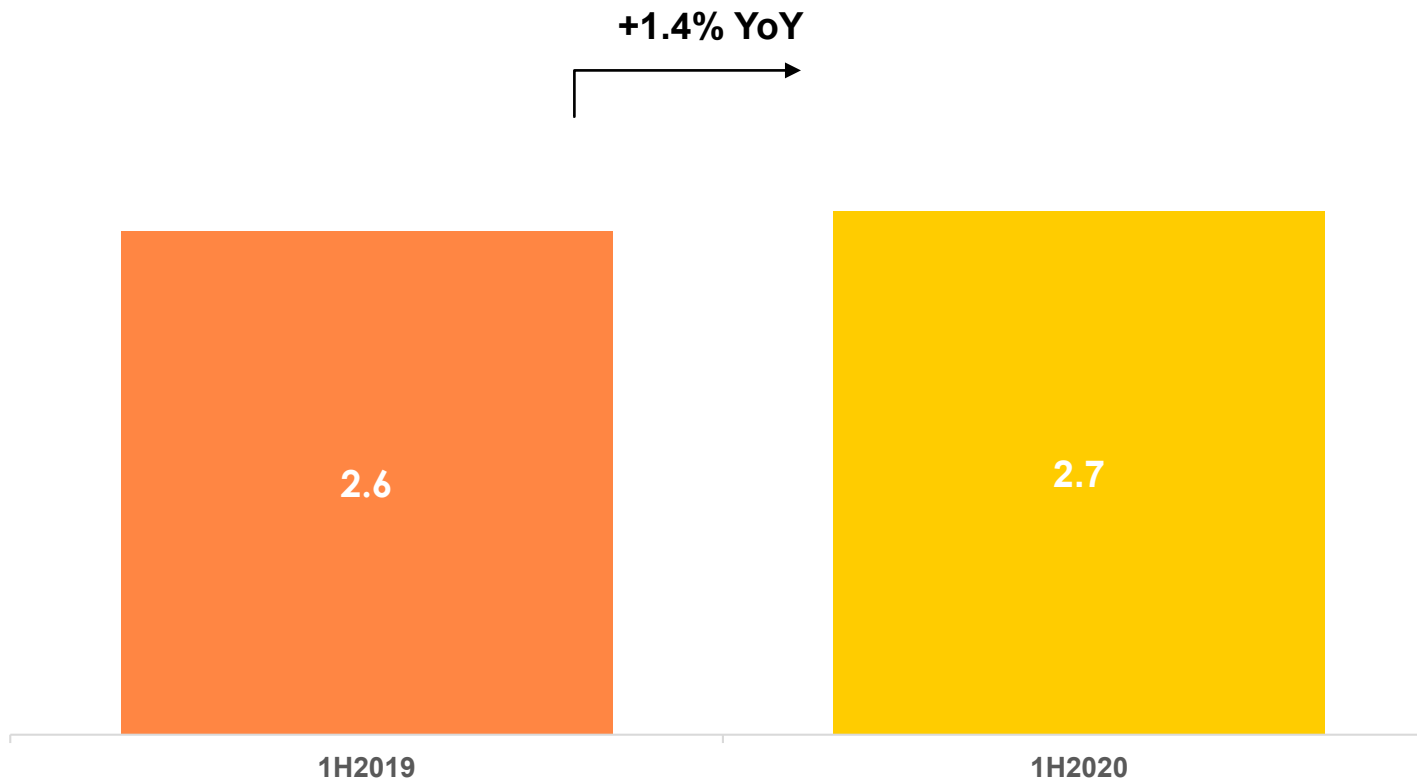
**Selling expenses** grew in line with the reclassification of sales employee salaries. The increase was partially offset by lower commission expenses from the lower gross profit

<sup>1</sup>Operating expenses comprise Selling expenses and Administrative expenses

# NET PROFIT AFTER TAX OVERVIEW

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## NET PROFIT AFTER TAX (S\$M)



1H2020

# BALANCE SHEET HIGHLIGHTS

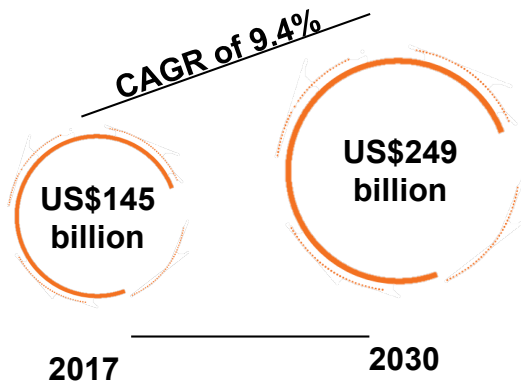
S\$'000	AS AT 30 JUNE 2020	AS AT 31 DEC 2019
<b>Current Assets</b>	<b>89,316</b>	<b>108,575</b>
Inventories	25,577	26,354
Trade and other receivables	33,882	51,214
Cash and bank balances	19,471	17,132
Other current Assets	10,386	13,875
<b>Non-current Assets</b>	<b>37,967</b>	<b>41,339</b>
Intangible assets	13,326	13,687
Plant and equipment	11,065	13,005
Other Non-current assets	13,576	14,647
<b>Current Liabilities</b>	<b>63,133</b>	<b>87,359</b>
Trade and other payables	25,208	46,680
Deferred income	22,676	25,386
Loans and borrowings	10,970	11,302
Other current liabilities	4,279	3,991
<b>Non-current Liabilities</b>	<b>12,648</b>	<b>15,855</b>
<b>Shareholders' Equity</b>	<b>51,502</b>	<b>46,700</b>
Total Equity and Liabilities	127,283	149,914
<b>KEY RATIOS</b>	<b>30 JUNE 2020</b>	<b>31 DEC 2019</b>
Debt-to-equity ratio	Net cash	Net cash
Current ratio	1.41	1.24
NTA per share (cents)*	12.99	11.60
NAV per share (cents)*	17.54	16.40



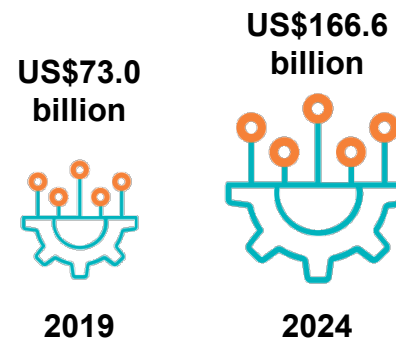
# IT LANDSCAPE

Amidst a proliferation of mobile devices, e-commerce, fintech and Internet of Things, cloud adoption has grown rapidly. Cloud infrastructure investment on the whole continues to rise and also an increasing importance of IT service management and ITAD.

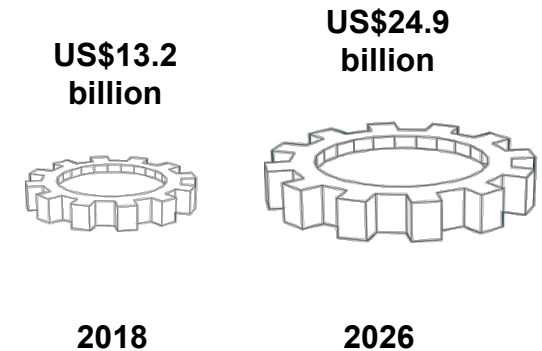
### Global Managed IT Services Market<sup>1</sup>



### Global Cloud Infrastructure Market<sup>2</sup>



### IT Asset Disposition Market<sup>3</sup>



1. Global IT Managed Services Market Report: Global Opportunity with Market Forecast, 2017-2030 – Goldstein Research
2. Cloud Infrastructure Market by Service Type, Global Forecast to 2024 – MarketsandMarkets
3. Global IT Asset Disposition (ITAD) Market Size and Forecast – Verified Market Research

# ADDRESSABLE MARKET

The markets the Group serve are highly fragmented with the top 4 companies, including Procurri, each holding **less than 2 percent market share**

## LIFECYCLE SERVICES



Independent Maintenance Services



Global Spending on IT Maintenance  
**US\$41.9 billion** in 2020\*



Global Independent IT Maintenance  
**US\$4.4 billion** in 2020\*



IT Asset Disposition (“ITAD”) & Data Centre Services



Global Demand for ITAD Services  
**US\$22.2 billion** in 2026\*\*

## IT DISTRIBUTION



Hardware Resale



Global Spending on Data Centre Equipment  
**US\$292.9 billion** in 2020\*



Global Hardware Resale Market  
**US\$34.8 billion** in 2020\*

\*Forecast according to Frost & Sullivan

\*\*Forecast according to Acumen Research and Consulting

# EMERGING TRENDS

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

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

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Strong shift towards open server architecture with a preference for **vendor-agnostic service providers**

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Increased importance of return on investment and impact of depreciation from IT infrastructure, driving the shift from **capex to opex models**

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**Cloud migration fuelling demand for third-party maintenance services** for IT hardware during the transition to the cloud and driving the need for data sanitisation and hardware disposal services as legacy IT assets are rendered obsolete by cloud computing.

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**Industry consolidation** caused by change in traditional intermediary roles of OEMs, value-added resellers and system integrators

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**Shift in industry dynamics** where only players with operation size and geographical reach can compete effectively to capture a meaningful market share



# STRATEGY COMPLETE

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## EXPANDING MARKETS AND ENLARGING CUSTOMER BASE

Tap on newly-acquired capabilities to strengthen Procurri's brand name, suite of services and enlarge customer base, while exploring potential earnings-accretive acquisition opportunities

## CEMENTING THE GROUP'S CREDIBILITY

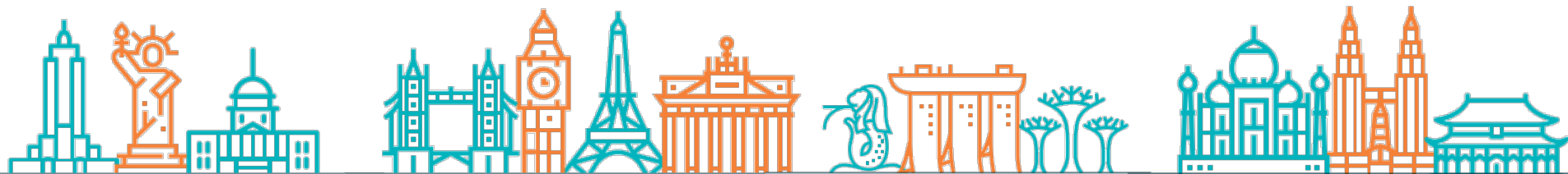
Forge strategic partnerships with OEMs and capitalise on authorized partner statuses to expand the Group's product lines and unlock cross-selling opportunities

## GROWING HIGHER-MARGIN LIFECYCLE SERVICES SEGMENT

Leverage the "as-a-service" trend and ramp up Lifecycle Services business to provide greater income predictability and sustainable earnings

## IMPROVING INTERNAL EFFICIENCIES & HARNESSING ECONOMIES OF SCALE

Continue rigorous cost control efforts and harness economies of scale from the improved centralized purchasing processes





# Appendix



PROCURRI

# OUR STORY

Headquartered in Singapore, Procurri is a leading global independent provider of Lifecycle Services and Data centre Equipment that was listed on SGX-ST Mainboard on 20 July 2016

## Vision

To unlock opportunities in the IT industry by **changing the way the world buys technology through a shared platform**

## Mission

To be the **global aggregator** of IT services and enterprise hardware to our channels, offering a **converged network** that combines **technology, finance** and **logistics domains**



**First** player in a highly fragmented market to be **publicly listed**

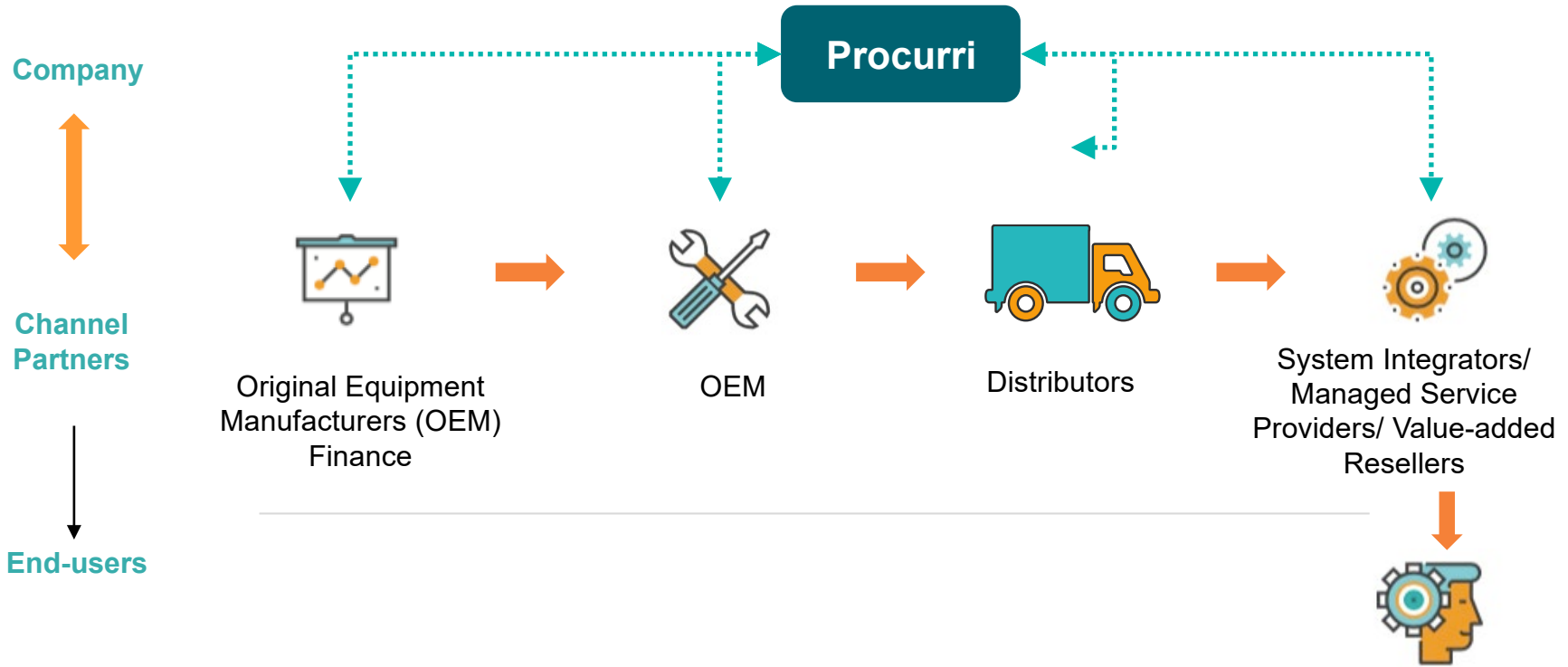


Coverage in more than **100 countries**



Over **400 employees**

# OUR ECOSYSTEM



## Channel Partners

We are both a **supplier and customer** for channel partners – we purchase partners' IT equipment, remarket them, and offer a range of services



## Channel Focus

We are the only global player who is channel-dedicated.

# OUR BUSINESS STRUCTURE

## IT Distribution



Hardware Resale



Supply Chain Management

## Lifecycle Services



IT Maintenance Services



Hardware-As-A-Service

## IT Asset Disposition



IT Asset Disposition and Data Centre Services



# OUR CHANNEL PARTNERS

Procurri's partnership network spans across all levels of the IT supply chain to include **OEMs, resellers, managed serviced providers, and global outsourcers** among others



**IBM Silver Business Partner**  
(Procurri Singapore Pte. Ltd. & Procurri Europe Limited)



**Blanco ITAD Partner – Gold Level**  
(Asia-Pacific Region)



**Oracle PartnerNetwork – Gold Level Partner**  
(Procurri Singapore Pte. Ltd.)



Silver Partner

**NetApp Silver Partner**  
(Procurri Europe Limited)



**HPE Replacement Parts Business Partner**  
(the United Kingdom & United States)



**Lenovo Data Center Partner – Gold Level**  
(Procurri Singapore Pte. Ltd.)



**Juniper Certified Pre-owned Business Partner**  
(United States)



**Certified Pre-owned Business Partner**  
(United States)

**300**

Over 300 customers across all levels of the IT supply chain

**50%**

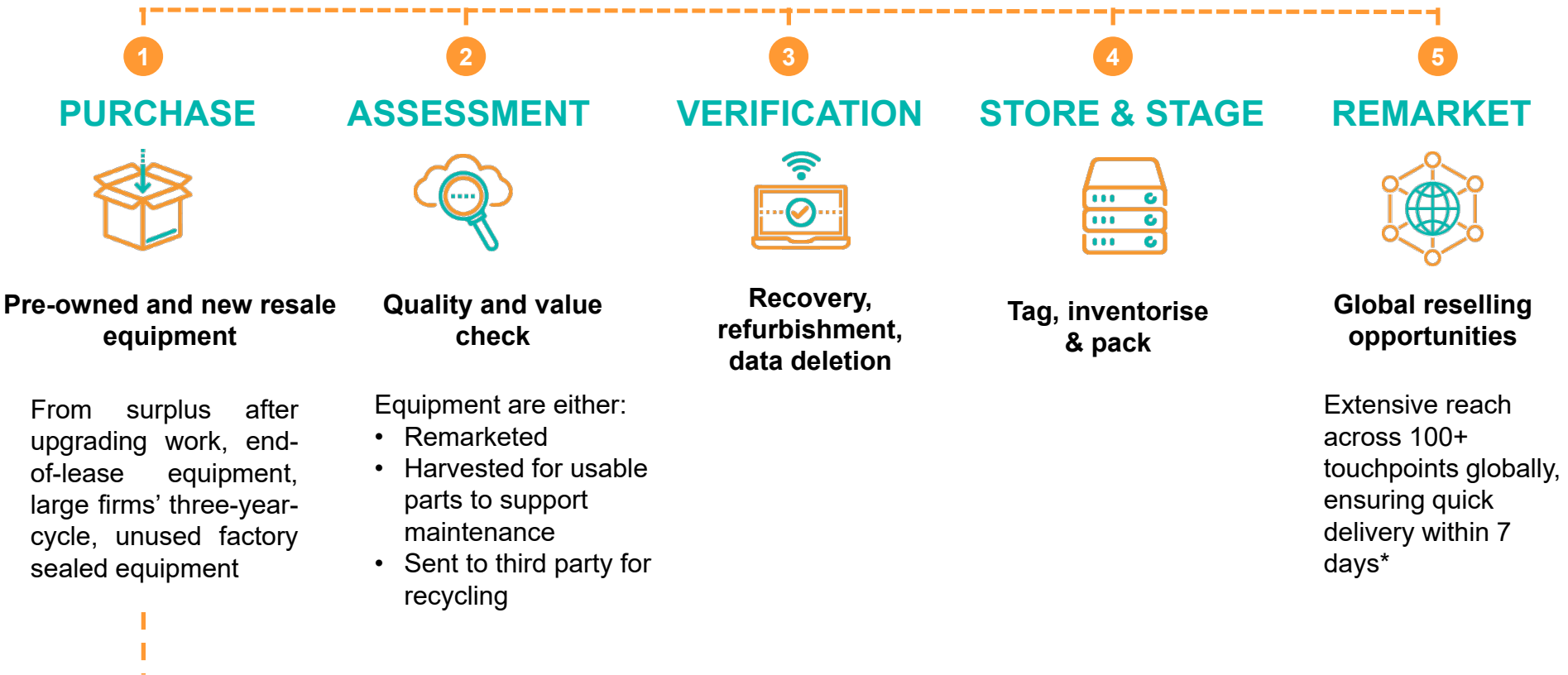
Approx. 50% of CRN500 resellers are Procurri' customers

**Diversified**

No individual customer accounts for more than 5% of revenue or gross profit

# HARDWARE RESALE

The entire value chain of procuring and remarketing IT hardware and equipment



Customers can **sell** or **consign** their hardware through Procurri's **asset trade-in** and **buy-back programme**

# HARDWARE PRODUCT LINE

	DELL	HP	IBM	Oracle Sun	CISCO	NetApp	EMC
<b>Servers</b>	<ul style="list-style-type: none"> <li>PowerEdge rack, Blade, Tower</li> </ul>	<ul style="list-style-type: none"> <li>ProDLiant ML//SL</li> <li>Blade BL</li> </ul>	<ul style="list-style-type: none"> <li>WintelxSeries (Lenovo)</li> <li>Power iSeries &amp; pSeries</li> </ul>	<ul style="list-style-type: none"> <li>Sunfire/ Sunray</li> <li>Sparc/ Ultra</li> <li>Enterprise</li> <li>Netra/ T series</li> <li>Blades</li> <li>M series</li> </ul>	<ul style="list-style-type: none"> <li>B series</li> <li>C series</li> </ul>		
<b>Storage</b>	<ul style="list-style-type: none"> <li>PowerVault</li> <li>MD Series (DAS, NAS, SAS)</li> <li>Equallogic</li> <li>Compellent</li> </ul>	<ul style="list-style-type: none"> <li>StorageWorks</li> <li>MSA range</li> <li>EVA range</li> </ul>	<ul style="list-style-type: none"> <li>FAST range</li> <li>DS range</li> </ul>	<ul style="list-style-type: none"> <li>StorEdge</li> <li>STK series</li> </ul>		<ul style="list-style-type: none"> <li>DMSK series</li> <li>FAST series</li> <li>V-series</li> </ul>	<ul style="list-style-type: none"> <li>CX – Clariion</li> <li>FC series</li> <li>VNX</li> <li>Celerra</li> </ul>
<b>NAS</b>	<ul style="list-style-type: none"> <li>PowerVault NX Series</li> </ul>	<ul style="list-style-type: none"> <li>1000 series</li> <li>1500 series</li> <li>2000 series B &amp; DL</li> </ul>	<ul style="list-style-type: none"> <li>519x</li> <li>N series appliance</li> </ul>				
<b>TAPE</b>	<ul style="list-style-type: none"> <li>All Single drives</li> <li>PowerVault ML &amp; TL ranges</li> </ul>	<ul style="list-style-type: none"> <li>All single drives</li> <li>StorageWorks</li> <li>MSL, EML, ESL</li> </ul>	<ul style="list-style-type: none"> <li>All single drives</li> <li>3xxx range</li> <li>4xxx range</li> <li>TS series libraries</li> </ul>	<ul style="list-style-type: none"> <li>All single drives</li> <li>L series</li> <li>SL series</li> <li>StorEdge range</li> </ul>			
<b>Networking equipment</b>	<ul style="list-style-type: none"> <li>Dell PowerConnect</li> </ul>	<ul style="list-style-type: none"> <li>ProCurve</li> <li>FC Switches</li> <li>HP/Brocade</li> <li>MDS/Cisco</li> </ul>	<ul style="list-style-type: none"> <li>17xx series</li> <li>2xxx series</li> <li>3xxx series</li> <li>5xxx series</li> <li>8xxx series</li> </ul>		<ul style="list-style-type: none"> <li>Switching products</li> <li>Routing products</li> <li>Security products</li> <li>Wireless products</li> </ul>		



# INDEPENDENT MAINTENANCE SERVICES

Multi-brand maintenance provision for new, out-of-warranty, and end-of-life IT equipment

## ✓ One Touch Point

A single point of contact for customers' set of multi-brand hardware equipment, removing the need to sign maintenance contracts with different OEMs for each component

## ✓ Customisable SLAs

Solutions with simple price plan tailored to customers' specific requirements

## ✓ Increase Cost Savings

Perfect for end-of-life/EOSL hardware with savings up to 65% vs OEM



Leverages on **parts** from the Group's Hardware Resale and ITAD unit



Our operations, methodologies and processes are governed by industry standards, exemplified by our **ISO 9001 Quality Management\*** certification

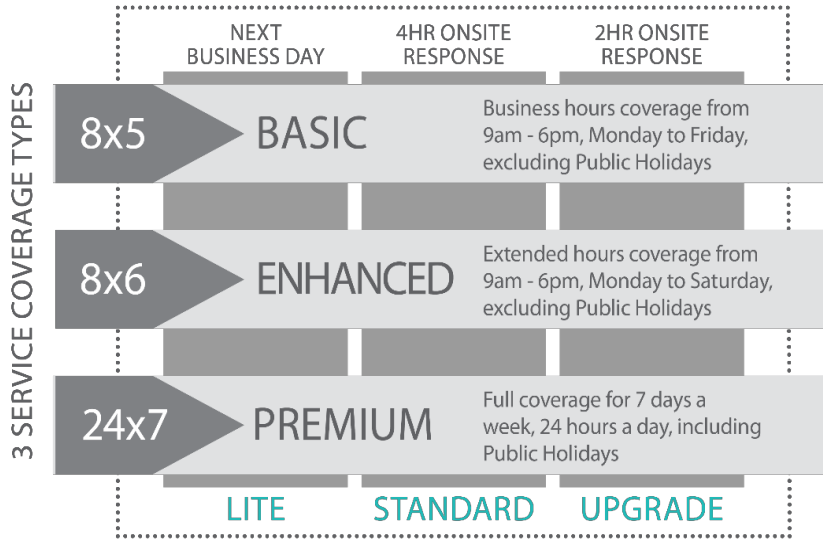


**Certified team of engineers** trained to maintain a wide range of **multi-brand** equipment



**24x7 global helpdesk**

# MAINTENANCE SERVICE LINES



- A Parts-only Support**  
Parts replacement for usage based on the given equipment model
- B Labour-only Support**  
Onsite FE support based on the given equipment model
- C Full Support**  
End-to-end FE and parts replacement support based on the given equipment model

## AMERICAS

- Canada
- Costa Rica
- **Mexico**  
(Country Office)
- Puerto Rico
- **United States**  
(Country Office)

## MIDDLE EAST

- Saudi Arabia
- United Arab Emirates

## EUROPE

- Austria
- Belgium
- Croatia
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Netherlands
- Norway
- Poland
- Portugal
- Spain
- Sweden
- Switzerland
- Turkey
- **United Kingdom**  
(Country Office)

## ASIA-PACIFIC

- Australia
- Bangladesh
- Brunei
- **China**  
(Country Office)
- Hong Kong
- **India**  
(Country Office)
- Indonesia
- Japan
- **Office)**
- **Malaysia**  
(Country Office)
- Myanmar
- New Zealand
- Philippines
- **Singapore**  
(Global HQ)
- South Korea
- Sri Lanka
- Taiwan
- Thailand
- Vietnam

# ITAD AND DATA CENTRE SERVICES

When an equipment is sent to the ITAD unit, it will be stringently assessed for value and quality, with the next course of action either/including:

## ✓ Data Destruction

Execute and certify deletion of critical enterprise data

## ✓ Value Recovery

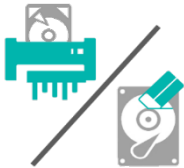
Refurbish IT equipment to extract greater recovery value and prolong lifespan

## ✓ Remarketing

Refurbish IT equipment or components through Procurri's hardware resale unit, or harvest components to support its maintenance services

## ✓ Recycling

Assist customers on recycling options following certified deletion

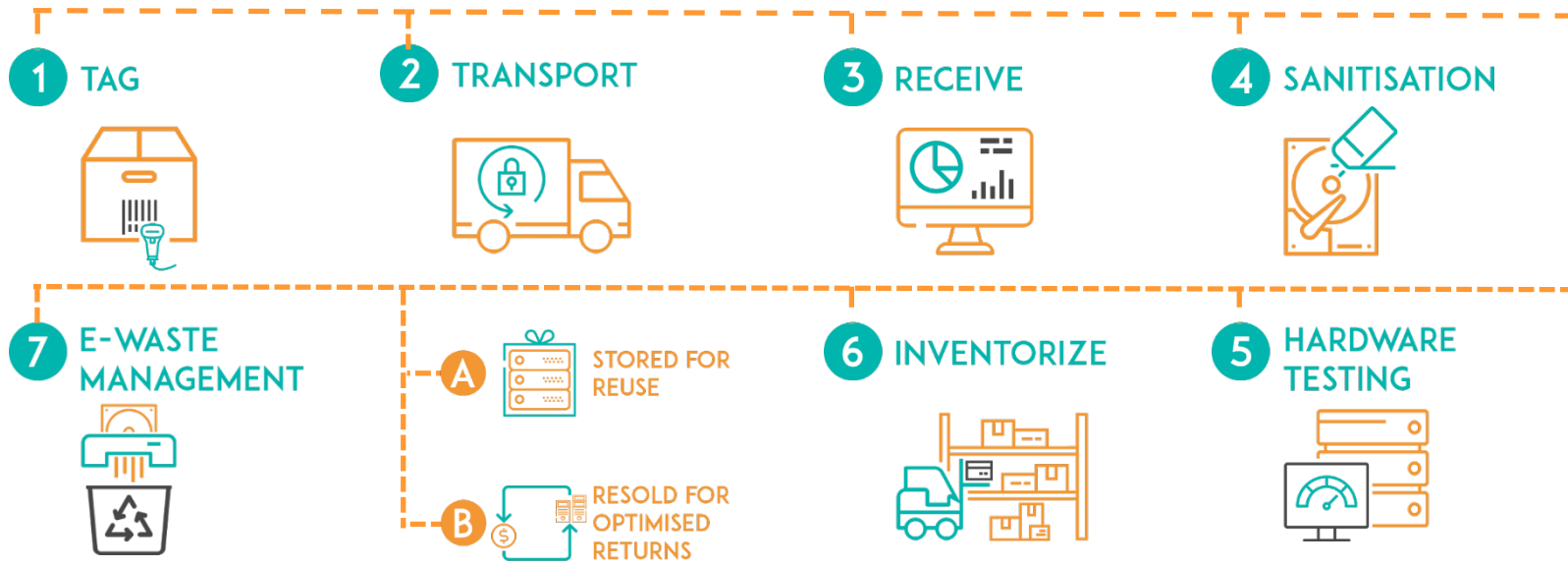


We offer thorough and secure **data disposal and data sanitisation services** (US DoD 5220.22-M (3 and 7 pass)), and provide reports upon completion



Our high quality and environmental standards are affirmed by international organisations, such as the **ISO 14001 Environment Management System\*** certification

# ITAD AND DATA CENTRE SERVICES



Certified, approved & recommended by **18 governing bodies** globally

**100% tamper-proof** audit trail  
**100% compliant** with regulatory standards

Secure erasure for **enterprise storage equipment** and consumer devices like PCs, laptops, phones & tablets

# SYNERGISTIC BUSINESS UNITS

Procurri's comprehensive range of IT equipment and services reap synergies across the subsegments, with the units feeding and plugging components and expertise from and onto each other

## PURCHASE/RECEIVE



IT Hardware and equipment

## LIFECYCLE SERVICES



Maintained or harvested for parts

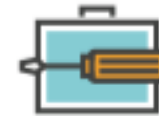


Safely processed and disposed through Procurri's ITAD services

## RESELL/RETURN

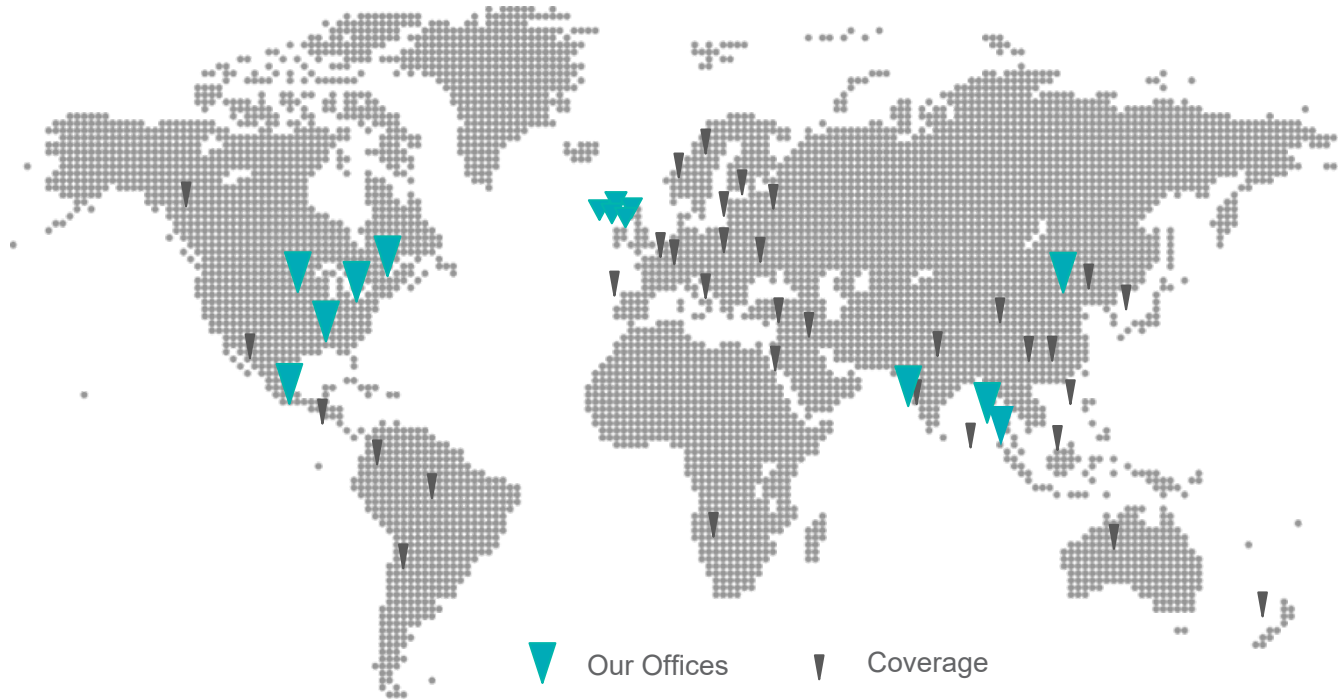


Refurbished IT hardware and equipment



Harvested parts for future refurbishment works

# GLOBAL REACH



Global Coverage of

> 100

Countries;

6

Regional Hubs in  
Singapore, U.S,  
and U.K.

21

regional offices  
across Americas,  
APAC & EMEA



TECHNICAL  
EXPERTISE



GLOBAL  
DISTRIBUTION



SUPPLY  
NETWORK

\*includes our partners' warehouses, which are stocked with our parts & equipment to serve our maintenance customers globally

# THE PROCURRI PROMISE

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**INTEGRITY,  
INNOVATION,  
EXPERTISE &  
EXCELLENCE**



Listed on the Main Board of the Singapore Exchange Securities Trading Limited on 20 July 2016, Procurri is an independent provider of IT lifecycle services and data centre 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 14 offices and extensive partner locations.



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# THANK YOU

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## INVESTOR RELATIONS

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