



# **Presentation of CDC Group 2007-2009 Business Plan**

**Milan- November 14, 2006**



**Giuseppe Diomelli – Chairman**

# **BUSINESS MODEL AND MARKET POSITIONING**



## Mission

# To spread simple technologies



*Since 1986 CDC has been promoting to diffuse IT to Italian families and Small business*



## Corporate highlights

- ✓ Italian leading manufacturer and distributor of Information Technology products
- ✓ 2005 consolidated turnover equal to € 565 Mln
- ✓ More than 650 employees (CDC Group) as of 31/12/2005
- ✓ Trademarks (CDC, Kraun, Inkdrops) and brands (CDC, Computer Discount) well-known on the Italian market
- ✓ Total coverage of Italian country via its distribution network (31 Cash & Carry) and its retail chains (over 200 shops under "Computer Discount" brand and 100 corners under "Compy" brand)



# Business model

## BASED ON TWO MAIN SPECIAL FEATURES

**Assisted distribution that serves the market through captive channels forward integrated**

Cash&Carry: closeness, assortment, availability, technical assistance, financial services

Computer Discount: closeness, marketing, communication, services to customers before and after sale

**Sales mix of own brand products**

Import of own brand products (CDC, KRAUN, INKDROPS) and with fancy brands (more than 10% of 2006 total revenues), whose commercialization comes up to the sales of multinational Vendors' (leader and co-leader) products



# Sales network



- ✓ 31 Cash & Carry directly owned by CDC S.p.A as of September 30, 2006
- ✓ First Italian Cash & Carry network, with about 150 employees and more than 30,000 customers served (IT dealers and VAR)
- ✓ Selling surfaces between 500/1,000 square meters, with average revenues for € 10 mln
- ✓ 2005 revenues of Cash&Carry equal to € 270 mln (more than € 330 mln including e-commerce B2B and affiliated dealer Amico)

- ✓ Over 190 Shops specialized in IT with "Computer Discount" brand (of which 40 directly owned by CDC are located in the main Italian cities)
- ✓ Over 100 IT Shops within specialized consumer electronics stores in the all Italian country
- ✓ 2005 revenues equal to more than € 210 mln (total retail network)



## Strength: own brand products

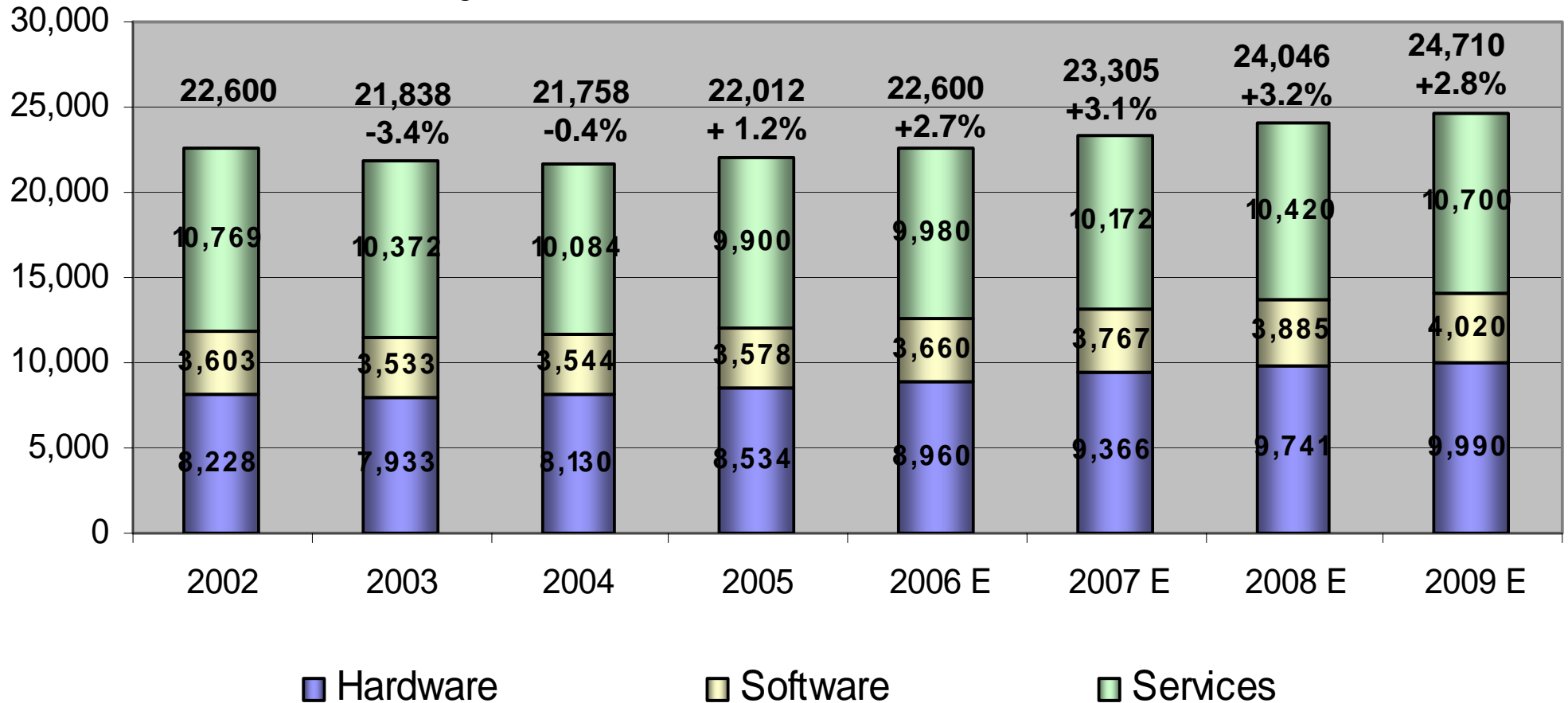
- ✓ Value creation through the introduction of own brand products (10% of CDC Group revenues) in the distribution products portfolio and on Cash & Carry and Computer Discount captive sale network shelves
- ✓ Technical excellence (design, production, Vision 2000 quality and ISO 14001 environment certifications, after sales assistance network)
- ✓ Full range of products :
  - (i) line of PC (desktop e notebook) and monitors CDC branded
  - (ii) line of accessories Kraun branded
  - (iii) line of consumables (inks for printers) Inkdrops branded
- ✓ New products scouting on Far East market





# Reference scenario: IT market expected growing during the 2007 – 2009 period

Source: Sirmi, Year 2006, figures in € mln

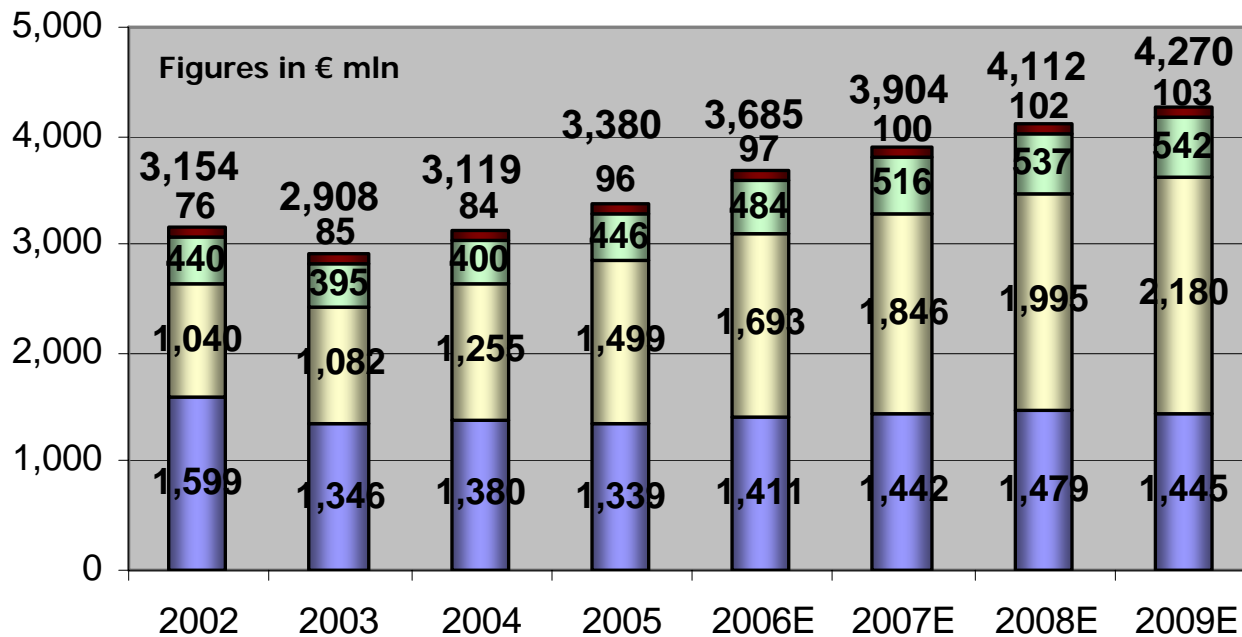


- ✓ The IT Italian market (made up of about 40% hardware), is expected to increase by 3% annual during the 2007-2009 period
- ✓ Good performance expected for the hardware segment, the CDC's main business area, during the period 2007-2009 (CAGR equal to 3.7%)



# Reference scenario: PC market expected growing during the 2007 – 2009 period

Figures in € mln	2002	2003	2004	2005	2006E	2007E	2008E	2009E
DT Consumer	579	468	465	455	480	493	503	490
DT Professional	1,020	878	915	884	931	950	976	955
Total Desktop	1,599	1,346	1,380	1,339	1,411	1,442	1,479	1,445
NB Consumer	261	340	438	523	613	673	728	805
NB Professional	779	742	817	976	1,080	1,173	1,267	1,375
Total Notebook	1,040	1,082	1,255	1,499	1,693	1,846	1,995	2,180
PC Server	440	395	400	446	484	516	537	542
PC Workstation	76	85	84	96	97	100	102	103
<b>Total PC</b>	<b>3,154</b>	<b>2,908</b>	<b>3,119</b>	<b>3,380</b>	<b>3,685</b>	<b>3,904</b>	<b>4,112</b>	<b>4,270</b>
<b>Growth Annual %</b>		<b>-7.8%</b>	<b>7.2%</b>	<b>8.4%</b>	<b>9.0%</b>	<b>5.9%</b>	<b>5.3%</b>	<b>3.8%</b>



- ✓ During the 2007-2009 period, over 5% average annual growth of Italian market is expected, drawn by notebook segment (CAGR 2007-2009 +8.8%)
- ✓ PC desktop segment shows a steady turnover during the period of the plan, after some years decrease

■ Total Desktop   
 ■ Total Notebook   
 ■ PC Server   
 ■ PC Workstation

Source: Sirmi, Year 2006



**Paolo Lenzi – Managing Director**

**2007 – 2009 STRATEGY AND  
COMPANY REORGANIZATION**



## Strategic targets 2007 – 2009 by business unit (SBU)

### SBU – Distribution:

- Focus on Cash & Carry captive chain, going on increasing the sales network extent (opening of 5 new stores during the business plan period, for a total number amounting to 36 units)
- Extension of categories range in areas converging with Information Technology (audio, video, telecom) and in server/networking area
- Assortment revision and margin mix policy
- Distribution B2B development in order to guilt customers' loyalty (share of wallet)

### SBU – Sales Retail:

- Increase of the Computer Discount chain, focusing on specialization and IT services for SoHo and high-spending consumer segments; take again affiliation program through the new formula CD "Light"
- GDS channel served by exploiting present clients portfolio

### SBU – Direct Sales:

- Participate in main P.A. competitive tenders
- Corporate clients served by exploiting CDC group strengths (territorial diffusion, cross selling with other sales channels)

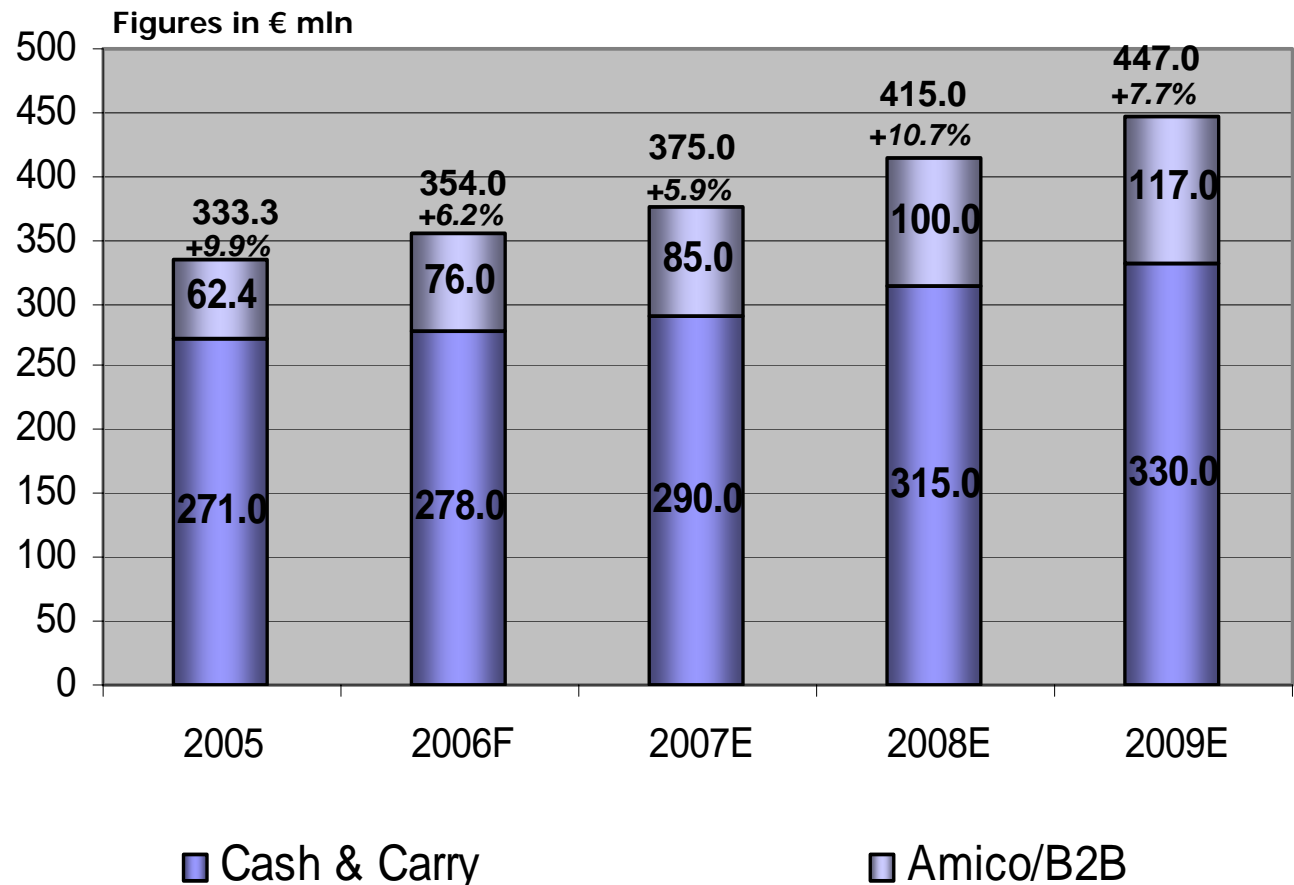
**2007-2009 CAGR of revenues equal to 6%, through an internal lines growth, despite a market expected increasing by 3% during the 3-years period 2007-2009**



# SBU Distribution: 2007-2009 strategic targets

- ✓ Opening of 5 Cash & Carry outlets over 2007-09 (for a total number amounting to 36 Cash & Carry as of December 31, 2009)
- ✓ Extension of categories range in areas converging with IT (audio-video-telecom)
- ✓ Further extension of the commercial brand products range
- ✓ Finance: minimize working capital requirements (45% of sales with cash payment)
- ✓ 2007 – 2009 revenues with an average annual growth equal to 8%. Target 2009 € 447 mln, of which over 3/4 reached via Cash & Carry channel

CAGR 2007 – 2009: +8% as SBU (of which 15% from B2B-Amico)





## SBU distribution: 2007-2009 growth drivers

Revenues Euro ('000)	2004A	2005A	2006F	CAGR 04-06	2007E	2008E	2009E	CAGR 07-09
Cash&Carry	253,616	270,951	278,000	5.7%	290,000	315,000	330,000	5.9%
Amico/B2B	49,785	62,357	76,000	35.0%	85,000	100,000	117,000	15.5%
<b>Total distribution</b>	<b>303401</b>	<b>333308</b>	<b>354000</b>	<b>0.09996476</b>	<b>375000</b>	<b>415000</b>	<b>447000</b>	<b>0.08085662</b>
<i>Growth annual %</i>	14.1%	9.9%	6.2%		5.9%	10.7%	7.7%	

Cash&Carry	2004A	2005A	2006F	CAGR 04-06	2007E	2008E	2009E	CAGR 07-09
C&C number 31/12	28	31	31	6.0%	33	35	36	5.1%
Number C&C average annual	27	29.5	31	7.4%	32.25	34.5	35.35	4.5%
<b>Sales per C&amp;C</b>	<b>9,393</b>	<b>9,185</b>	<b>8,968</b>	<b>-1.6%</b>	<b>8,992</b>	<b>9,130</b>	<b>9,335</b>	<b>1.3%</b>
<i>Growth annual %</i>	0.0%	-2.2%	-2.4%		0.3%	1.5%	2.2%	

- ✓ **CAGR 2007-2009 of the SBU distribution equal to 8.09%, higher than target market but decreasing compared to 10% as of previous 3-year period**
- ✓ **Actions to support growth:**
  - development of active sale instrument on division marginal clients. Actions on channel clients portfolio (more than 30,000 dealer clients) in order to guilt marginal customers' loyalty (share of wallet);
  - opening of 5 new Cash&Carry during the 2007-09 period to complete Italian territory covering;
  - revision of assortments and margin mix policy



# SBU Retail Sales: 2007-2009 strategic targets

## Computer Discount

✓ Leadership on Computer Shop segment representing more than 10% of IT products Italian market with a share of the market decreasing during last 4 years (expected substantially steady for the next 3-year period)

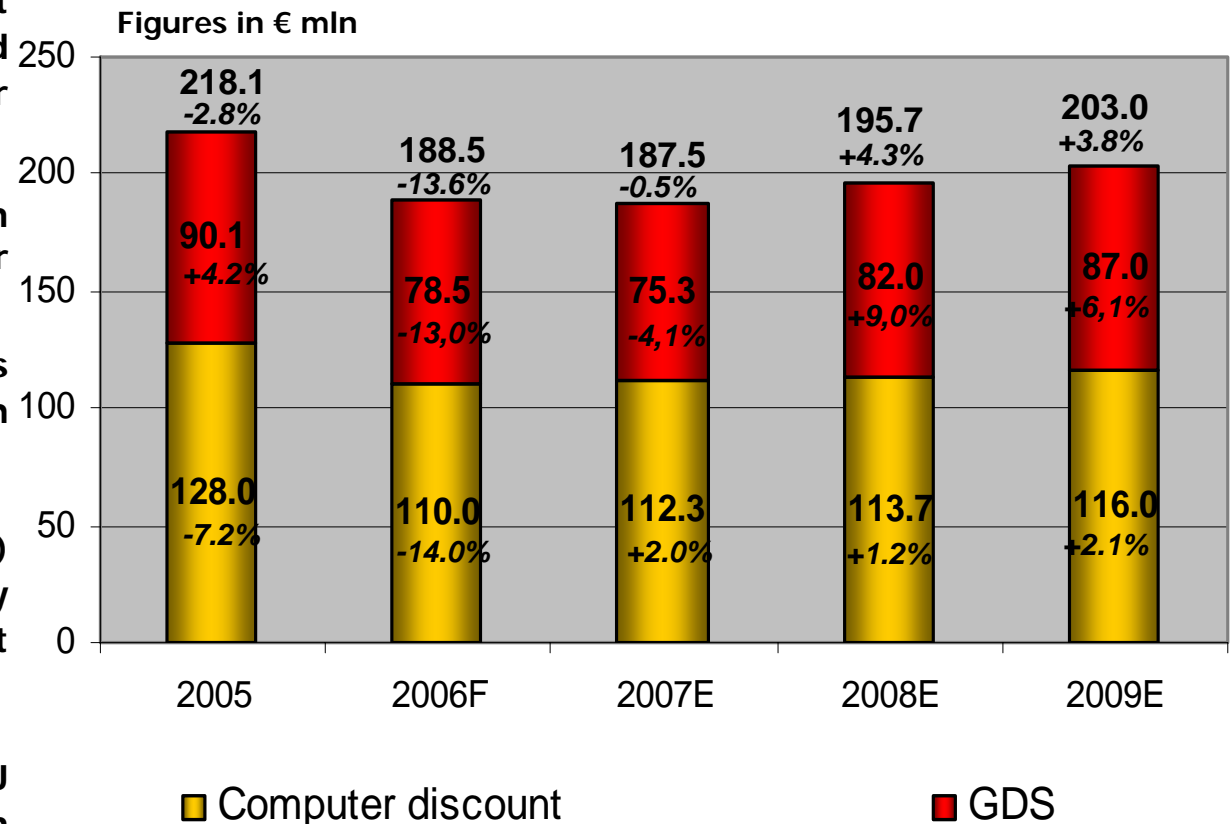
✓ Today 190 selling points to cover Italian territory, decreasing compared to last year annual average of about 210 selling points

✓ Focus on SoHo clients, Small business (50% of chain revenues toward clients with VAT registration number)

✓ After decreases recorded in 2005 (-8%) and in 2006 (-14%), from 2007 steady revenues is expected, through a new project of outlets affiliation (CD light formula)

✓ Average annual growth rate of the SBU Retail equal to 2.5% during the business plan period

CAGR 2007 – 2009: +2.5%





# SBU Retail: Computer Discount growth drivers

<b>Computer Discount Channel</b>	<b>2005A</b>	<b>2006F</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
CD Chain total revenues (€ '000)	127,975	110,000	112,300	113,700	116,000
Growth Annual %	-7.2%	-14.0%	2.1%	1.2%	2.0%
N. C&C 31/12 CD Standard	204	179	176	175	174
N. C&C 31/12 CD Light	-	5	35	42	55
Total N. C&C 31/12	204	184	211	217	229
N. C&C CD average annual	208	190	200	210	223
<b>Sales per C&amp;C CD</b>	<b>615</b>	<b>579</b>	<b>562</b>	<b>541</b>	<b>520</b>
<i>Growth Annual %</i>	-6.3%	-5.9%	-3.0%	-3.6%	-3.9%

✓ 2007-2009 CAGR OF COMPUTER DISCOUNT CHANNEL EQUAL TO ABOUT 2%

✓ ACTIONS TO SUPPORT GROWHT

- Reduction of selling points structural costs; new openings with smaller selling surfaces;
- Focus on products and services for SoHo and Small business;
- Increase of business– SOHO territory covering, through a rise in the number of selling points located in main streets characterized by great number of clients with VAT registration number
- Start of a new affiliation program through CD Light formula (minimum purchase revenues without franchise constraints, with bonus to reach targets) searching retailers specialized on SoHo and small business (2007 target over 30 CD Light affiliations)



## SBU Retail: channel GDS growth drivers

GDS channels (€'000)	2004A	2005A	2006F	2007E	2008E	2009E	CAGR 07-09
Others' GDS	86,537	84,467	70,000	65,000	66,000	67,000	-1.4%
Sell in Compy Superstore		5,730	8,500	10,250	16,000	20,000	33.0%
<b>Total Channel</b>	<b>86,537</b>	<b>90,197</b>	<b>78,500</b>	<b>75,250</b>	<b>82,000</b>	<b>87,000</b>	<b>0.9%</b>
<i>Growth Annual %</i>	<i>-0.8%</i>	<i>4.2%</i>	<i>-13.0%</i>	<i>-4.1%</i>	<i>9.0%</i>	<i>6.1%</i>	

### Action on GDS channel

- ✓ Channel covering through selling franchise formula (IT corners with franchise in the consumer electronics shops owned by third party) and supplies to clients with no franchise

### Action on Compy Superstore channel (Joint Venture with Unicoop Firenze of which CDC holds 48%)

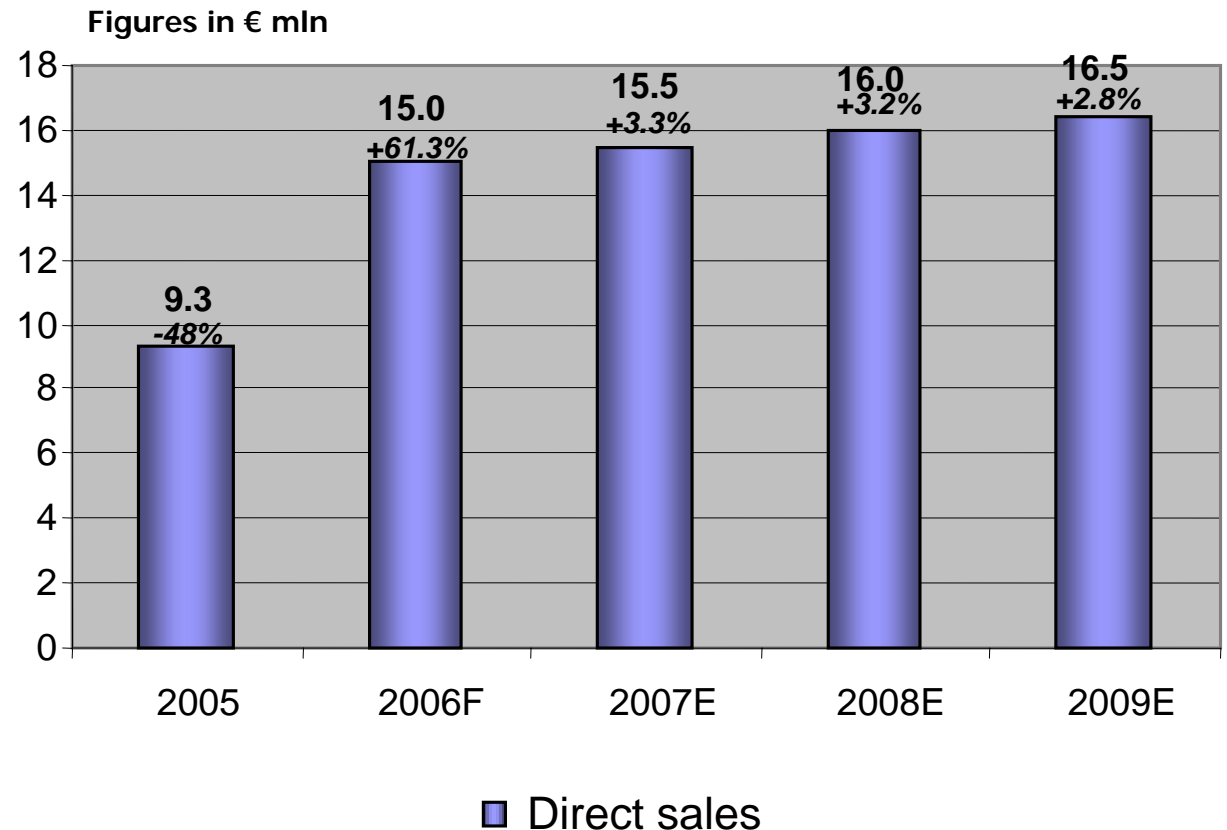
- ✓ Emerged management problems: (i) difficulty to realize the 2006-2010 business plan revenues targets; (ii) € 5.2 mln company losses as of 30/09/06 (CDC share about € 2.5 mln), of which € 2.4 mln caused by the closing of the superstore located in Savignano sul Rubicone, carried out on June 2006 in consequence of bad revenues results achieved during the first six months of the year
- ✓ Project reduction, new sales formats with reduced sizes and structural costs (1,000 – 1,500 square meters) verifying its capability to produce value, before proceeding with new openings;
- ✓ The 2007-09 business plan foresees (the new business plan, no adopted yet, is under discussion by the two partners) that in 2007 the company Compy Superstore will manage the two superstores already opened (Mestre and Pontedera), characterized by reduced selling area and structural costs, with sell out revenues of about € 15 mln and a company loss of about € 2 mln (CDC share equal to € 1 mln). The business plan foresees two openings, the first in the last three months of 2007 and the second one at the end of 2008, with a smaller sizes format (1,000 – 1,500 square meters)
- ✓ Small visibility on revenues of the company Compy Superstore in 2006



# SBU Direct Sales: 2007-2009 strategic targets

- ✓ Public Sector served by the participation at competitive tenders
- ✓ Corporate market penetration (about 30% of PC market) through the commercialization of own brand products (PC, monitor, accessories); exploitation of group strength (diffusion of sale network) and cross selling with other selling channels (in particular with Computer Discount)
- ✓ Drawn up general agreements with Telecom Italia (more than € 10 mln revenues during 2006) and Dedalus (Italian company leader in software for medical studies) which will produce revenues in the first six months of 2007
- ✓ After the strong growth of revenues expected during 2006 (+60%), division turnover is expected slightly increasing during the 3-year period 2007-09 (2009 target of € 16.5 mln)

CAGR 2007 – 2009: +3%





# Company reorganization and operating costs reduction

The reorganization of the company and processes will be completed within December 31, 2006:

- Reduction and reorganization of back office activities also through the elimination of no added value activities;
- Balance between staff located in the back office areas and staff located in the selling activities (from actual ratio 55% - 45% to target 45% - 55%) in order to focus on sales;
- Shift from functional structure to matrix structure

Reduction of the consolidated operating costs ratio on sales from the range 8.75% - 8.50% expected in 2006 to about 7.75% on sales in 2007 (7.15% in 2009);

Labour cost: reduction of consolidated labour cost ratio on sales from 4.11% in 2005 (3.73% on expected revenues in 2006) to 3.40% in 2007 (recovery of 70 basis points in the 3-year period 2005-2007)



**Alessandro Fabbroni – Finance and  
Corporate Planning Director**

## **2007 – 2009 FINANCIAL TARGETS**



# Consolidated economic results as of September 30, 2006

Consolidated (€1.000)	30 June 2005	30 June 2006	Q3 2005	Q3 2006	30 Sept. 2005	30 Sept. 2006
<b>Revenues</b>	<b>268,201</b>	<b>267,958</b>	<b>105,199</b>	<b>102,698</b>	<b>373,309</b>	<b>370,656</b>
<b>Gross margin</b>	<b>34,070</b>	<b>31,275</b>	<b>12,860</b>	<b>11,391</b>	<b>46,839</b>	<b>42,666</b>
<i>% on revenues</i>	<i>12.70%</i>	<i>11.67%</i>	<i>12.22%</i>	<i>11.09%</i>	<i>12.55%</i>	<i>11.51%</i>
Other operating costs	(13,958)	(13,439)	(7,559)	(5,590)	(21,426)	(19,028)
Payroll cost	(11,321)	(10,415)	(5,290)	(5,023)	(16,611)	(15,439)
<b>EBITDA</b>	<b>8,791</b>	<b>7,421</b>	<b>11</b>	<b>777</b>	<b>8,802</b>	<b>8,199</b>
<i>% on revenues</i>	<i>3.28%</i>	<i>2.77%</i>	<i>0.01%</i>	<i>0.76%</i>	<i>2.36%</i>	<i>2.21%</i>
Depreciations	(2,765)	(2,473)	(1,381)	(1,295)	(4,146)	(3,768)
Allocations and devaluations	(474)	(1,223)	(4)	(12)	(478)	(1,235)
<b>EBIT</b>	<b>5,552</b>	<b>3,725</b>	<b>(1,374)</b>	<b>(530)</b>	<b>4,178</b>	<b>3,196</b>
<i>% on revenues</i>	<i>2.07%</i>	<i>1.39%</i>	<i>-1.31%</i>	<i>-0.52%</i>	<i>1.12%</i>	<i>0.86%</i>
Financial management	(1,699)	(1,303)	(522)	(776)	(2,221)	(2,080)
Exchange management						
Equity investments	(0)	(1,979)	(0)	(540)	0	(2,519)
<b>PBT</b>	<b>3,853</b>	<b>443</b>	<b>(1,896)</b>	<b>(1,846)</b>	<b>1,957</b>	<b>(1,403)</b>
<i>% on revenues</i>	<i>1.44%</i>	<i>0.17%</i>	<i>-1.80%</i>	<i>-1.80%</i>	<i>0.52%</i>	<i>-0.38%</i>
Taxes	(2,252)	(1,254)	313	(562)	(1,939)	(1,815)
Others' profits	(10)	(8)	(5)	(5)	(15)	(12)
<b>Net profits</b>	<b>1,611</b>	<b>(803)</b>	<b>(1,578)</b>	<b>(2,403)</b>	<b>33</b>	<b>(3,206)</b>
<i>% on revenues</i>	<i>0.60%</i>	<i>-0.30%</i>	<i>-1.50%</i>	<i>-2.34%</i>	<i>0.01%</i>	<i>-0.86%</i>

- ✓ Reduction of the profitability as of 30/09/2006, entirely accrued in the first six months of the year (mainly in the Q1) with a strong reversal of trend during the third Quarter of 2006 (which shows an increase both as Ebitda and Ebit level)
- ✓ Revenues substantially unchanged as of 30/09/06 (-0.7% compared to 30/09/05) and strong recovery of operating costs (€ -3.57 mln compared to 2005, with a ratio on sales decreased from 10.2% to 9.3%)
- ✓ After taxes loss equal to € 3.2 mln as of 30/09/2006 essentially due to:
  - pro quota results of the associated company Compy Superstore negative for € 2.5 mln
  - tax rate increased compared to 2005



# 2007-2009 Business Plan: actions on main economic indicators



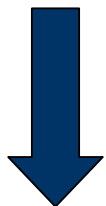
## Revenues growth

- Average annual growth of revenues over 6% during the business plan period (+3.6% in 2007), mainly due to the Cash&Carry and B2B/Amico channels (CAGR 2007-09 + 8%)
- Reduction of Compy Superstore project sales target; check of sales format advantages before proceeding with new openings



## Gross margin consolidation

- Stop of the gross margin reduction, recorded during last 18 months, through the own brands products sales development. Actions:
  - (i) new assortment model based on segmentation for product families (1 own brand article for each families product)
  - (ii) new budgeting and reporting model oriented to the value generation (for product families, channel, point of sale, client)



## Operating costs reduction

- Processes reorganization in order to reduce operating costs (labour cost and services costs). Reduction of back office function costs and reorganization also through the elimination of not value added activities;
- Reduction of operating costs ratio on sales from the range 8.70% - 8.50% expected in 2006 to about 7.75% on sales in 2007 (7.15% in 2009)



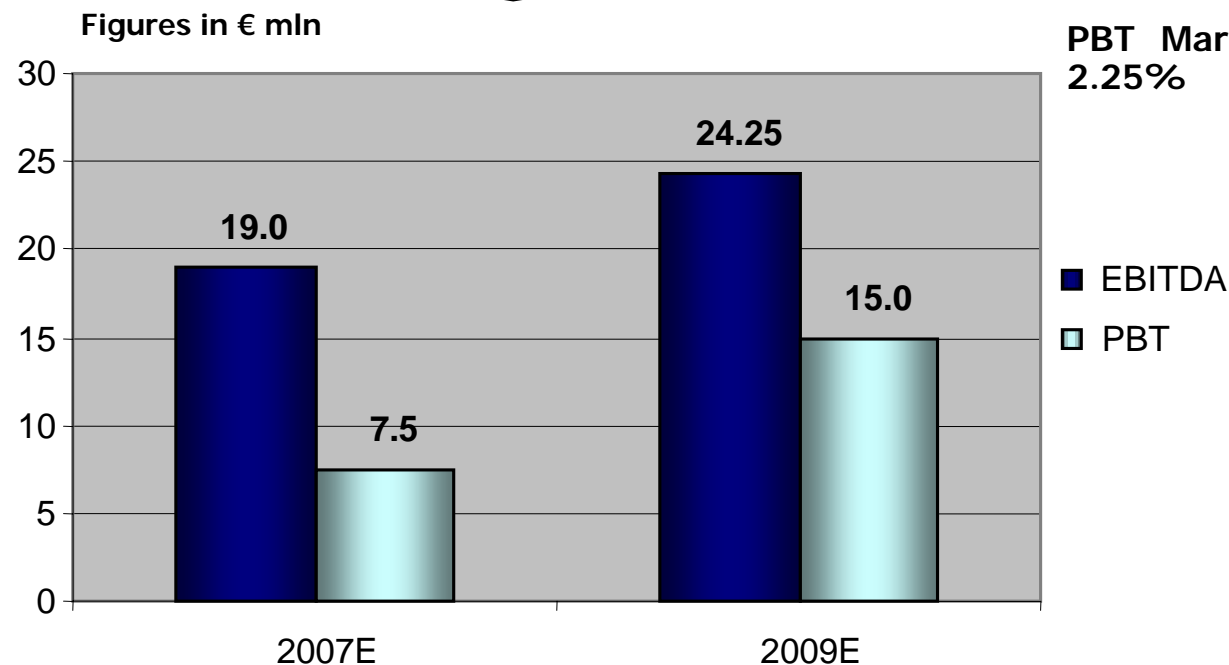
# 2007 – 2009 Business Plan: main financial targets

## 2007 Target

- ✓ Revenues: € 580 mln
- ✓ Ebitda: € 19 mln (3.3% on sales)
- ✓ PBT: € 7.5 mln (1.3% on sales)
- ✓ NFP: € 37.4 mln (average)
- ✓ NFP/revenues: 6.4%
- ✓ D/E: 0.73

## 2009 Target

- ✓ Revenues: € 668 mln
- ✓ Ebitda: € 24 mln (3.6% on sales)
- ✓ PBT: € 15 mln (2.2% on sales)
- ✓ NFP: € 26 mln (average)
- ✓ NFP/revenues: 3.9%
- ✓ D/E: 0.40

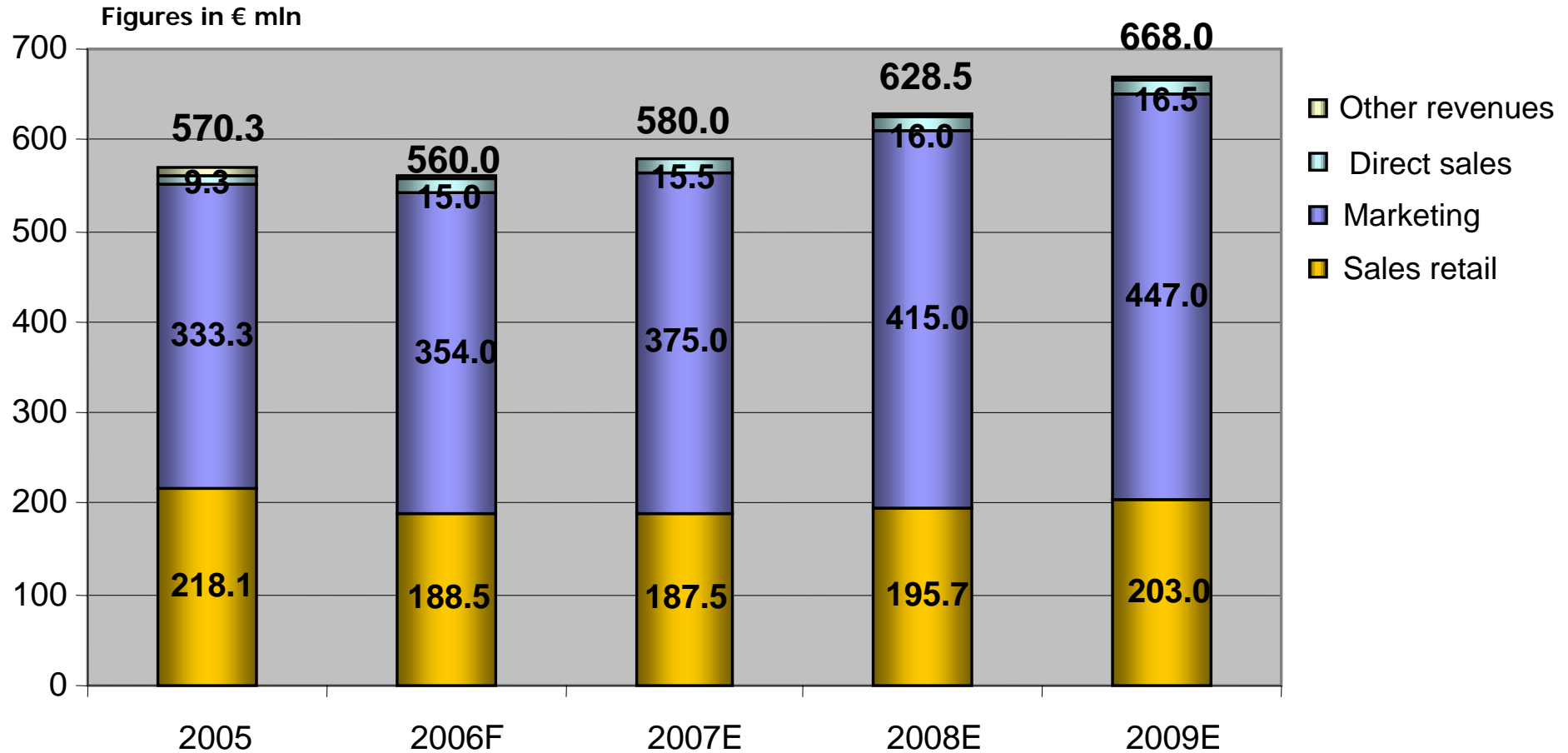


Ebitda Margin from 3.3% to 3.6%

PBT Margin from 1.3% to 2.25%



# 2007 – 2009 Business Plan: turnover target by business units



- ✓ CAGR 2007-2009 of consolidated revenues equal to about 6%
- ✓ CAGR 2007-2009 SBU Distribution equal to 8%, target 2009 of € 447 mln (67% on consolidated turnover)
- ✓ CAGR 2007-2009 SBU retail sales equal to 2.5%, target 2009 equal to € 203 mln (about to 30% of consolidated revenues), of which € 110 mln reached by Computer Discount network



# 2007 – 2009 Business Plan: economic targets and value drivers

Figures in € mln	Drivers	2006F	2007E	2008E	2009E	CAGR 2007-09
<b>Revenues</b>	Distribution sales growth retail revenues unchanged	<b>560.0</b>	<b>580.0</b>	<b>628.5</b>	<b>668.0</b>	<b>6.1%</b>
<b>EBITDA</b>	Gross margin consolidation (sales mix of products) and operating charges reduction (scale economies)	<b>16.2</b> <b>(2.9%)</b>	<b>19.0</b> <b>(3.3%)</b>	<b>22.0</b> <b>(3.5%)</b>	<b>24.25</b> <b>(3.6%)</b>	<b>13.7%</b>
<b>EBIT</b>		<b>9.4</b>	<b>12.0</b>	<b>15.5</b>	<b>17.5</b>	<b>23.0%</b>
<b>Pro quota result of Compy SS</b>		<b>(3.0)</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>59.5%</b>
<b>Net profits</b>	Losses reduction in the associated company Compy SS	<b>0 - 1</b>	<b>2.50</b>	<b>5.50</b>	<b>7.50</b>	<b>146.6%</b>
<b>EPS</b>		<b>0.04</b>	<b>0.20</b>	<b>0.45</b>	<b>0.61</b>	<b>146.6%</b>



## 2007 – 2009 Business Plan: scale economies and Compy Superstore project

Reduction of the operating costs ratio on sales from 9.5% in 2005 (about 8.5%-8.6% expected in 2006) to 7.15% in 2009

Consolidated (€x1000)	2005A	2006F	2007E	2008E	2009E
Operating costs	5.41%	4.76%	4.37%	4.17%	4.04%
Labour cost	4.11%	3.73%	3.41%	3.22%	3.11%
<b>Total</b>	<b>9.52%</b>	<b>8.49%</b>	<b>7.78%</b>	<b>7.39%</b>	<b>7.15%</b>

The shake-up plan, which will be completed within 31/12/2006, will lead to reduce the labour cost ratio on sales from 3.73% in 2006 to 3.1% in 2009E

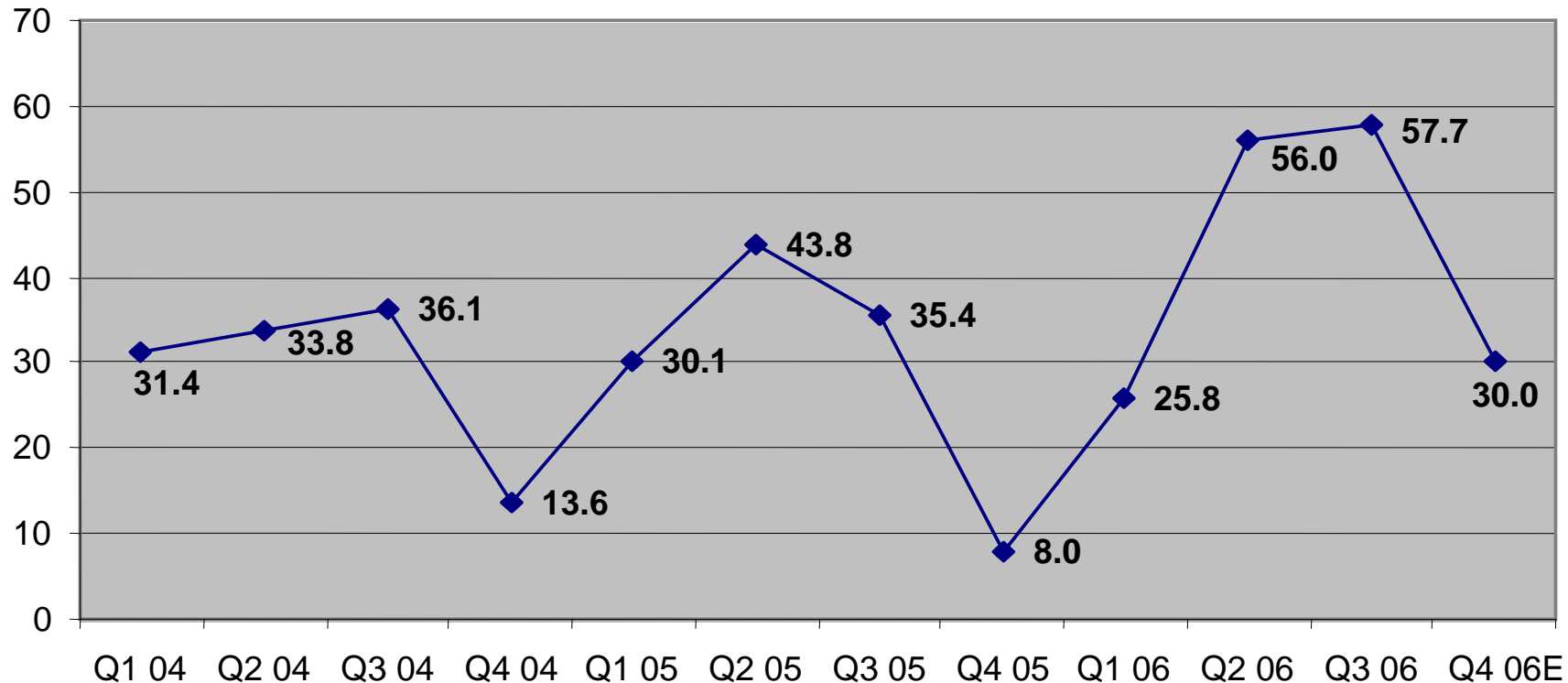
Result of equity investment (48%) held in the company Compy Superstore (joint venture with Unicoop Firenze)

Equity investment	2006F	2007E	2008E	2009E
Net result of JV (€ mln)	(6.25)	(2.08)	(1.04)	(0.42)
CDC share (48%)	(3.0)	(1.0)	(0.5)	(0.2)



# Quarterly trend of the Net Financial Position during 2004 - 2006

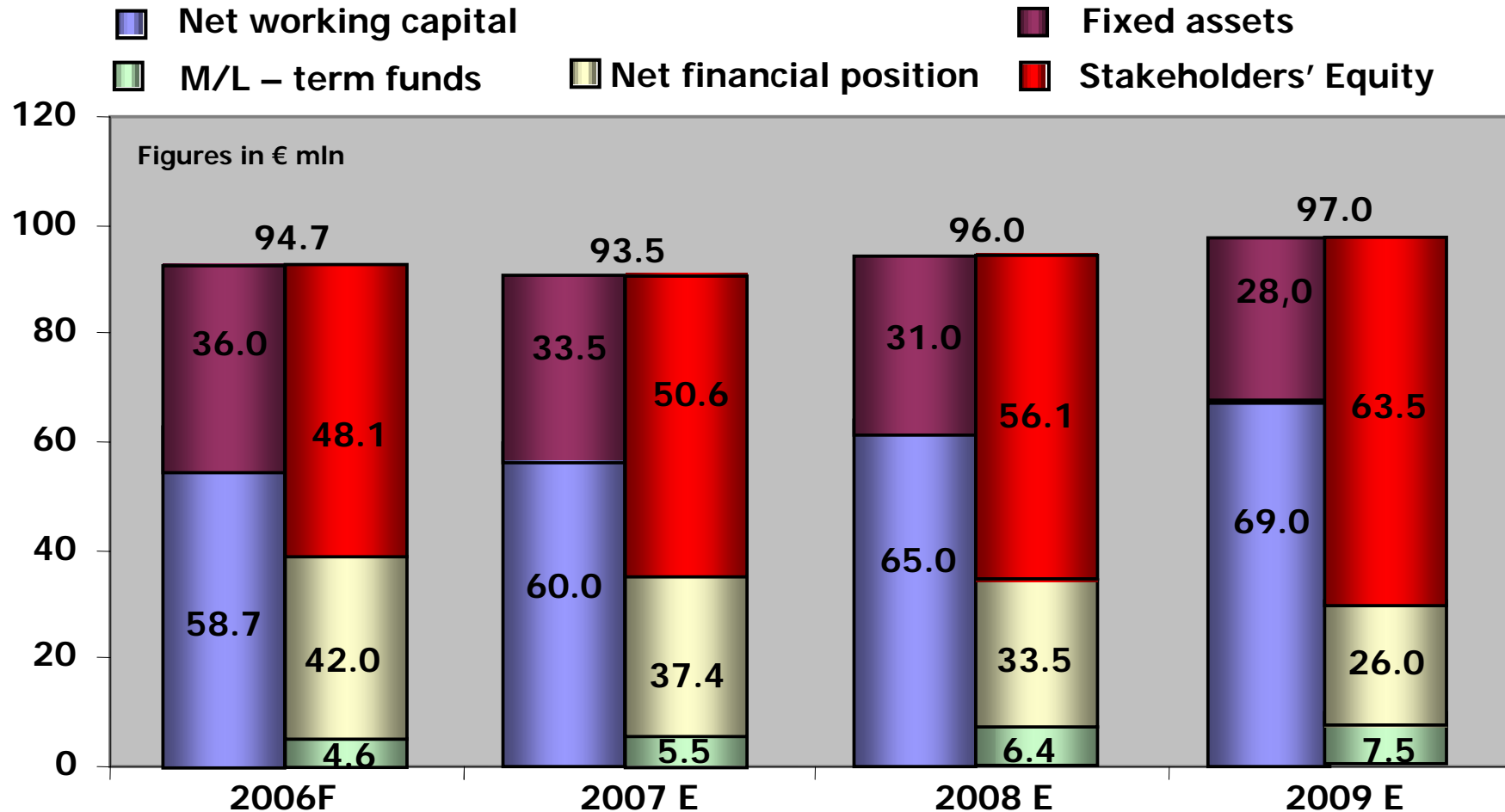
Figures in € mln



- ✓ Net Financial Position as of 30/09/2006 negative for € 57.7 mln, growing compared to 30/09/05 because of: (i) commercial working capital expansion; (ii) investments in 2006 for about € 3 mln in order to capitalize the associated company Compy Superstore; (iii) own shares buy back plan, carried out on March and April 2006, for about € 2 mln
- ✓ In the last quarter of 2006 a strong reduction of Net Financial Position is expected, due to the seasonality of the IT business, characterized by an high concentration of revenues in the last months of the year



# CDC Group: 2007 – 2009 patrimonial targets



- ✓ Trend of Stakeholders' Equity 2007-09 doesn't include dividends distribution
- ✓ Average annual investments equal to about € 3 mln during 2007 – 2009
- ✓ Net financial position as average value during the fiscal year