PROCURRI

FY2021
Annual General Meeting

26 April 2022

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Please refer to Procurri Corporation Limited's Financial Results for the Full Year Ended 31 December 2021 available at www.sgx.com

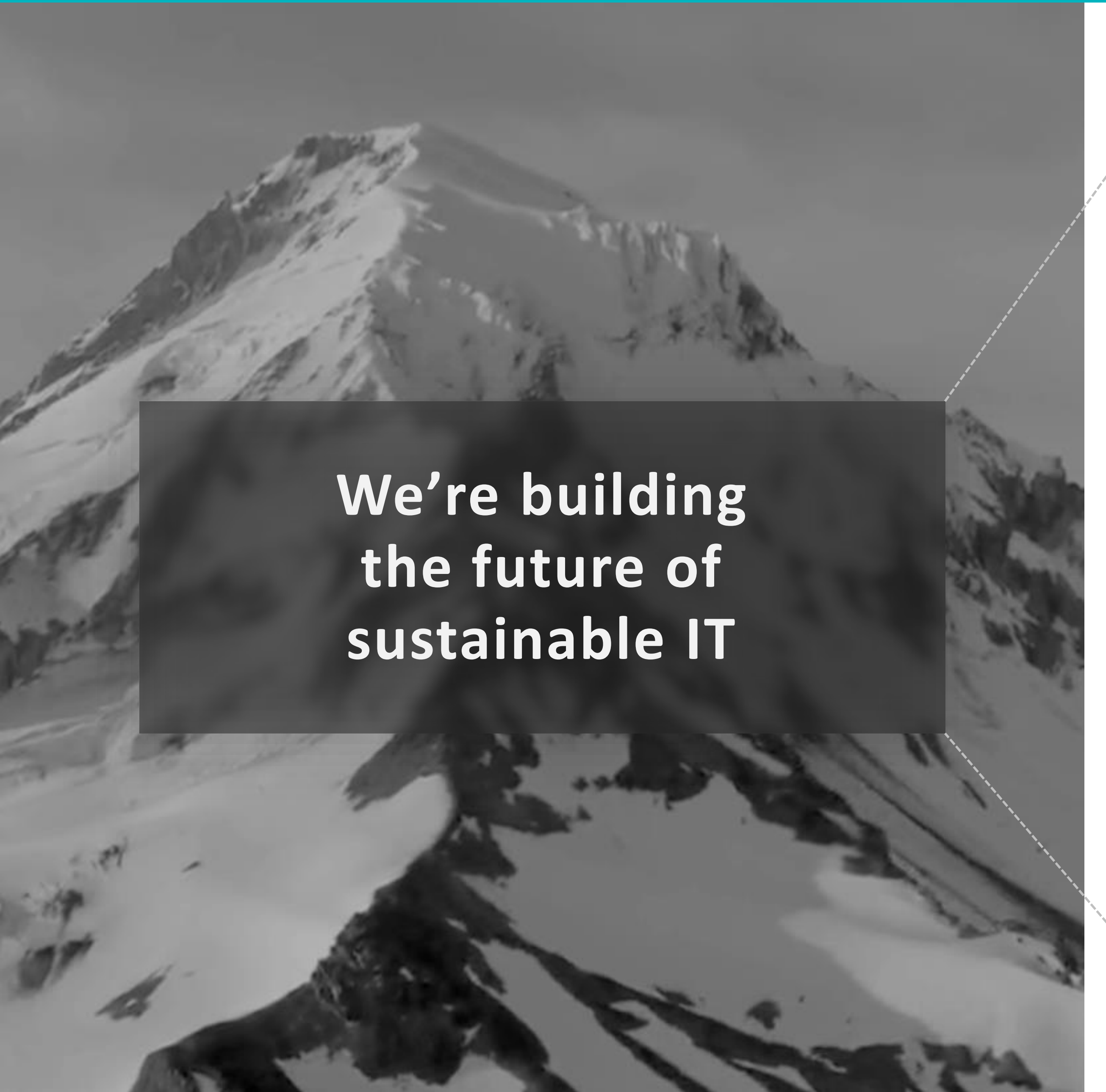
PROCURRI

AGENDA

- Business update
- Financial highlights
- Market outlook

Business update

Our strategic transformation



1 Right market and right timing

- $184 billion global enterprise hardware market[a]
- Massive shift towards sustainable IT
- We're seeing the shifts in our customer already

2 Transformed capabilities

- Global strategic re-alignment in 2021
- Upgraded global infrastructure, global sales, IT systems, ITAD capabilities, TPM delivery
- Right capabilities at the right market timing

3 Positive early results

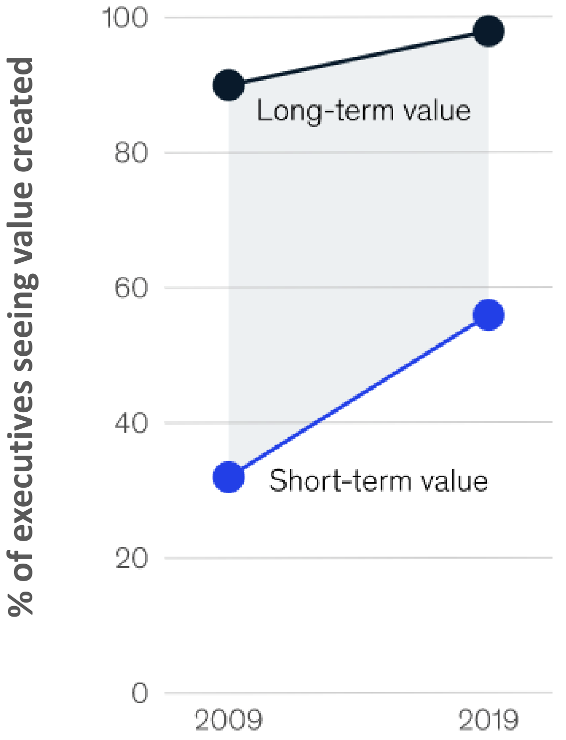
- Growth in revenue and profits despite investment in transformation
- All-time revenue high, +65% net profit growth
- Positive outlook for 2022 and beyond

[a] source: Gartner "Enterprise Infrastructure Hardware Market View, 2020-2021" (2021)

A global shift towards sustainability

Majority of enterprises now see both short- and long-term benefits from sustainability

Environmental programs



% of corporate executives surveyed indicating benefits of environmental programs

Benefits of sustainablity impact critical business drivers: building brand value, attracting talent, growing competitiveness

Top ways that ESG programs improve financial performance, % of respondents[1]

[1]Question was asked only of respondents who said environmental, social, and governance programs increase shareholder value. Executives were asked which ways ESG programs improve their organizations' financial performance, and investment professionals were asked which ways ESG programs improve organizations' financial performance. Respondents who said "other" or "don't know" are not shown; total n = 136 in 2009 and n = 342 in 2019.
[2]Not statistically significant when controlling for the different roles included in the 2009 and 2019 survey samples.

Source: McKinsey "The ESG premium: New perspectives on value and performance" (2020)

Enterprises need help with sustainable IT

IT cost & waste are growing fast: enterprises are looking for help

$184 billion is spent on enterprise infrastructure hardware annually[a]

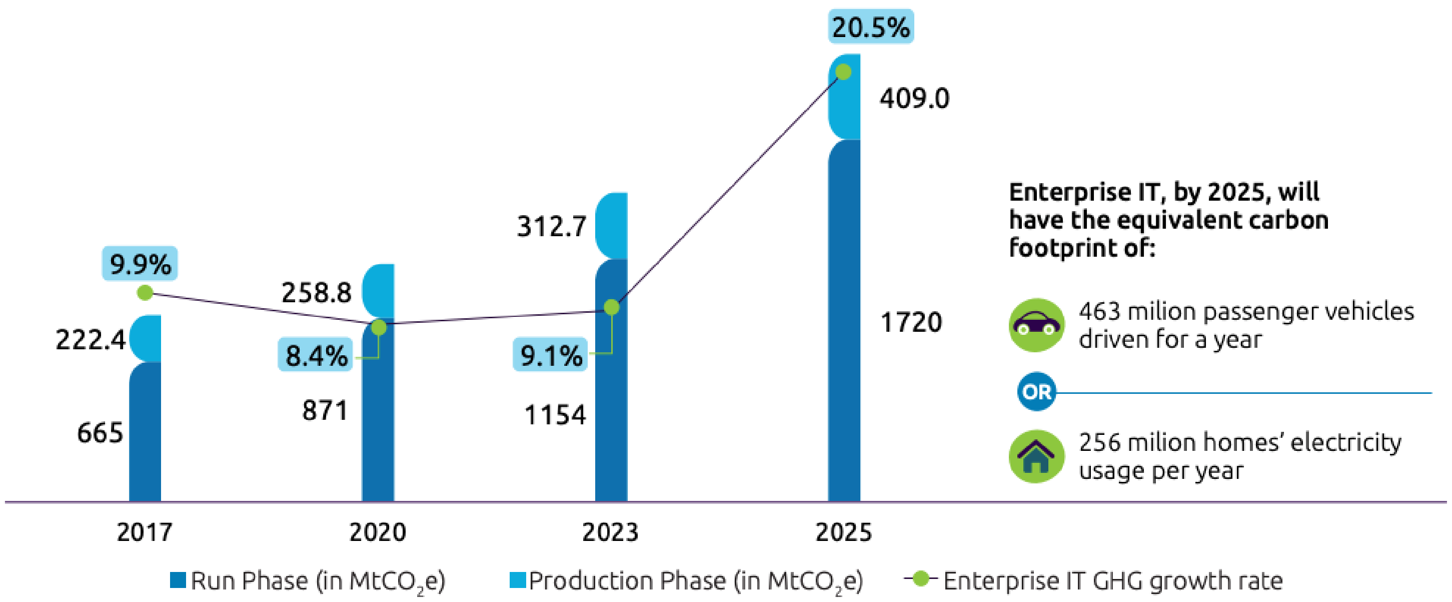
54 million tons of e-waste was generated in 2019, a 21% increase in 5 years[b]

89% of enterprises recycle less than 10% of their IT hardware[b]

53% of enterprises say they don't have the needed expertise to implement sustainable IT[b]

Enterprise IT emissions are rising 2x faster than global economic growth

GHG emissions from enterprise IT - averaged annual growth rate[b]



Sources: The Shift Project, "Lean ICT–Towards Digital Sobriety." The forecast as based on expected evolution/growth of enterprise IT (for calculation see below*).[21] Forecast years are from 2020 onwards. $MtCO_2e$ stand for mega tons of CO_2 equivalent GHG emissions.

*Using the "Expected Scenario" outlined in the report titled "Lean ICT – Towards Digital Sobriety" by the Shift Project, we estimated the growth rate of the enterprise IT GHG footprint. For the purposes of this calculation, we assumed that 40% of all shipped desktops, laptops, and monitors, 5% of all smartphones, and 10% of all tablets are used by enterprise users.

(a) source: Gartner "Enterprise Infrastructure Hardware Market View, 2020-2021" (2021)
(b) source: Cap Gemini "Sustainable IT: why it's time for a green revolution for your organisation's IT" (2021)

Building the right capabilities

We worked to transform Procurri in 2021....

Key 2021 activities

Global business re-alignment
- Sustainable IT vision
- 3 pillars: Hardware and ITAD, TPM, Global Accounts
- Expanded leadership team

Global Accounts buildout
- Dedicated team for growing top global accounts

Stronger sustainable IT capabilities
- Upgraded strategic ITAD solutions & customers
- Upgraded TPM service capabilities
- Global hardware platform

Upgraded operations & infrastructure
- New global IT systems for finance, service, logistics, customer and market intelligence

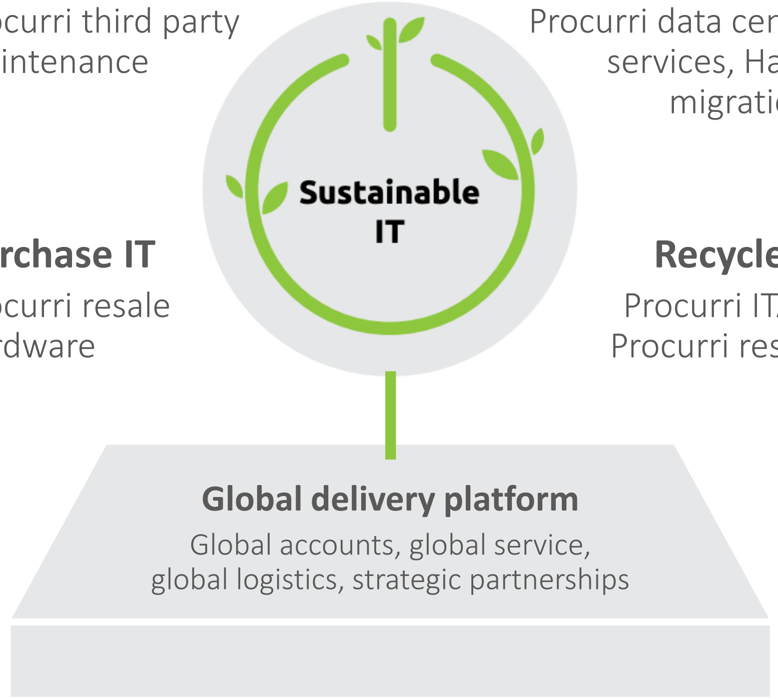
...Today we can deliver sustainable IT across the entire hardware life cycle

Operate IT
Procurri third party maintenance

Upgrade IT
Procurri data centre services, HaaS, migrations

Purchase IT
Procurri resale hardware

Recycle IT
Procurri ITAD, Procurri resale



The transformation is already delivering results for us

Solid 2021 financial results even as we invested to transform:

$250 million

All-time record revenue

- Focus on core US/Europe markets
- Strength in ITAD and HW; TPM muted as we upgrade systems and capabilties

+65% y-y growth

Strong growth in net profit

- Lower opex despite re-investment in infrastructure
- Growing productivity as revenue scales

Powerful new partnerships

- Growing strategic partnerships with leaders in IT manufacturing, distribution, systems integration
- Extends Procurri's sustainable IT solutions globally

The industry is increasingly recognising Procurri as a global thought leader

CRN TECH IMPACT AWARDS

AWARD

Sustainable IT Project of the Year

COMMENDATION

Best Circular Economy Company

Financial Highlights

Changes in financial reporting

Strategic transformation

initiatives to improve financial reporting and risk management

- **Reorganization of business segments**

  from: IT Distribution
Lifecycle Services

  to: Hardware and Life Services ("HW")
IT Asset Disposition ("ITAD")

- **Stock obsolescence** has been reclassified into Cost of Sales to improve matching of costs and revenue, resulting in lower reported gross profit
- **Reclassification of sales employee salaries** from administrative expenses to selling expenses to improve activity-based costing
- **Decrease in net realizable value of inventories** as Procurri improves global working capital productivity (through reduction of inventory)

FY2021 financial performance

+6.9%
YOY growth

Revenue growth continues

+6.9% YoY growth to S$249.6 million due to an increase in the Hardware, Lifecycle & IT Asset Disposition segment by 14.2% attributed to better performance from the EMEA and the Americas. This is offset by the decrease in Third Party Maintenance segment by 12.3%

-6.6%
YOY decline

Gross profit decline on allowance for stock obsolescence

–6.6% YoY decline to S$60.5 million as an increase in allowance for stock obsolescence due to increase in aged inventories.

FY2021 financial performance

7.0%
YOY reduction

Increased productivity in operating expenses

Strategic transformation drove a 7.0% YoY reduction in operating expenses from S$64.0 million in FY2020 to S$59.5 million to FY2021. Selling expenses increase by 29.0% YoY due to reclassification of some sales expenses from administrative expenses. Administrative expense decrease by 24.6% due to the same reclassification.

FY2021 financial performance

Results reflect continued strategic growth.

Profits in transition as we complete our transformation

226.7%
increase

PBT (excluding COVID-19 relief) increased S$3.0 million

Incremental cost efficiencies offset gross margin decrease to increase profit before tax by 226.7%. Joined by a decreased relief plan from S$5.5 million in FY2020 to S$2.4 million in FY2021, PBT excluding COVID-19 relief has turned from a net loss of S$1.5 million to a net profit of S$1.5 million.

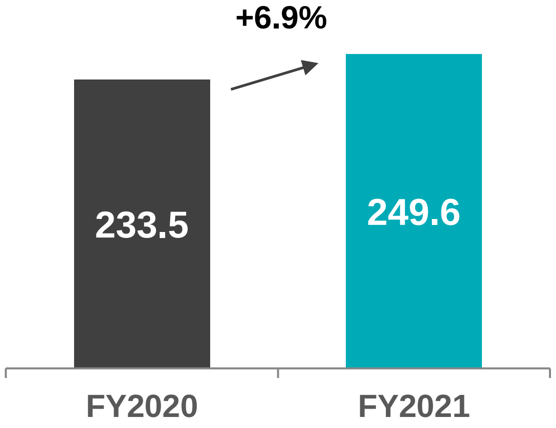
+50.1%
YOY growth

Balance sheet remains strong

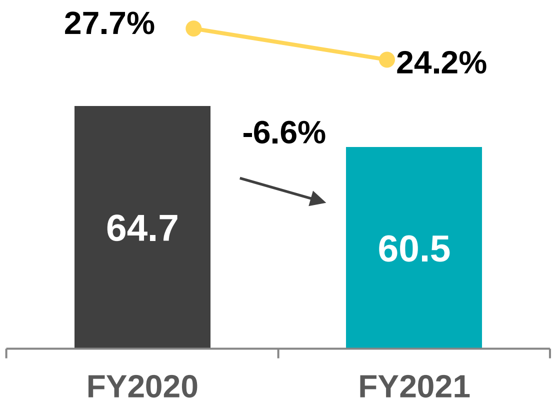
+50.1% YoY growth in net cash to S$17.5 million as of 31 Dec 2021 from S$11.7 million as of 31 Dec 2020

FY2021 financial snapshot

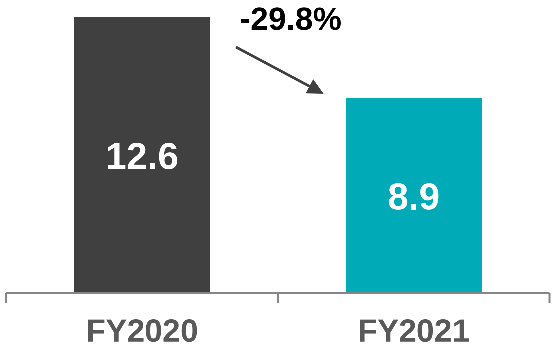
REVENUE (S$M)



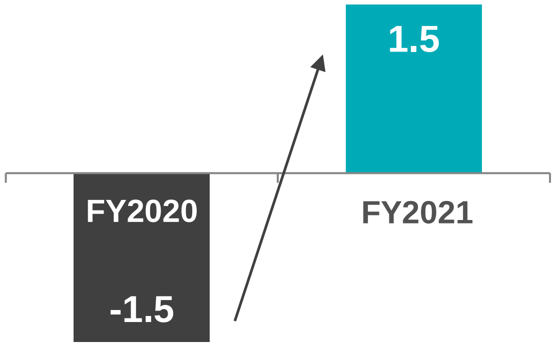
GROSS PROFIT (S$M) & GROSS PROFIT MARGIN (%)



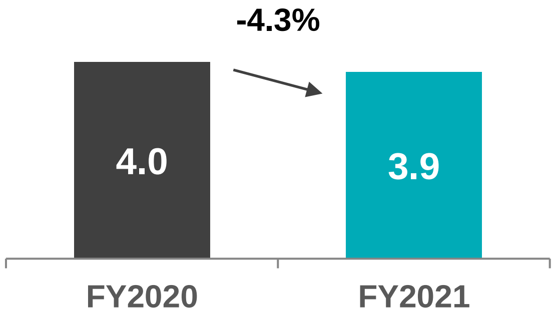
EBITDA (S$M)



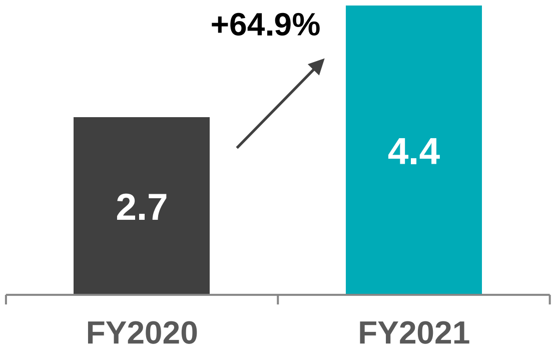
PROFIT BEFORE TAX EXCL. COVID RELIEF (S$M)



PROFIT BEFORE TAX (S$M)



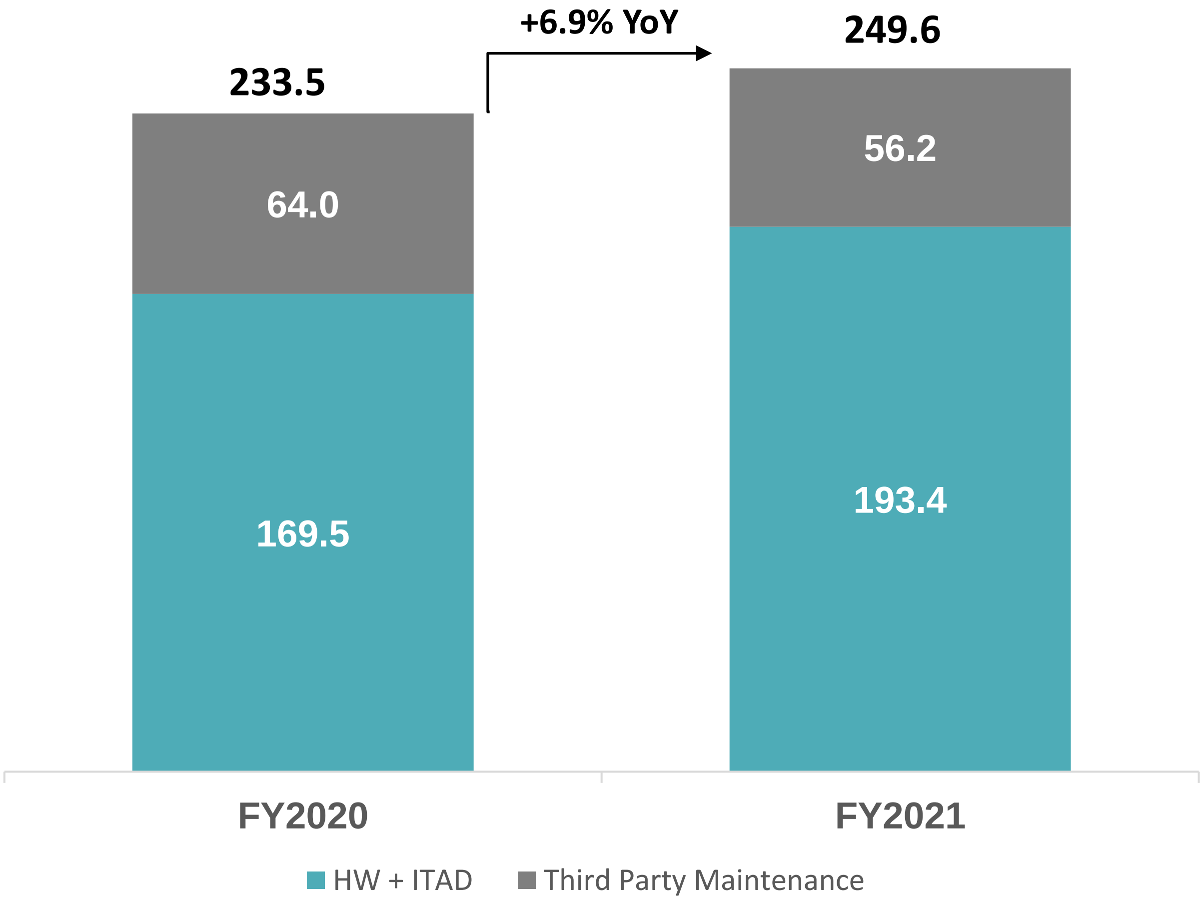
NET PROFIT (S$M)



- **REVENUE** grew +6.9% to all-time high of $249.9 million
- **PROFIT BEFORE TAX** (Excl. relief) turned from a loss of S$1.5 million to a profit of S$1.5 million
- **PROFIT AFTER TAX** grew +64.9% to S$4.4 million from growing productivity

Revenue performance

REVENUE (S$M)



HARDWARE, LIFECYCLE SERVICES and IT ASSET DISPOSITION

14.2% increase YoY (FY2021)

Growing demand for sustainable IT hardware and responsible IT disposition.

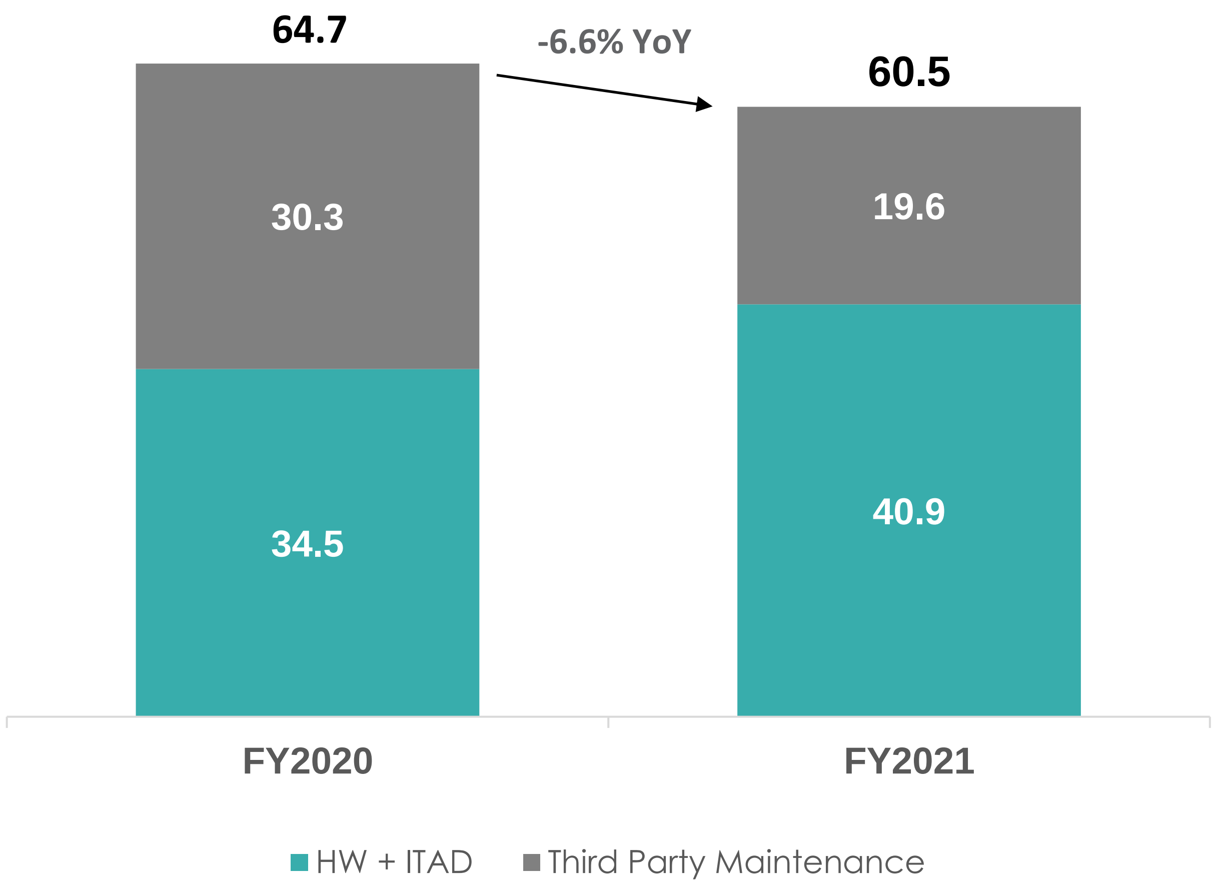
THIRD PARTY MAINTENANCE

12.3% decrease YoY (FY2021)

Sales activity of Third Party Maintenance remained muted while Procurri focused on upgrading its TPM operational infrastructure

Gross profit performance

GROSS PROFIT (S$M)

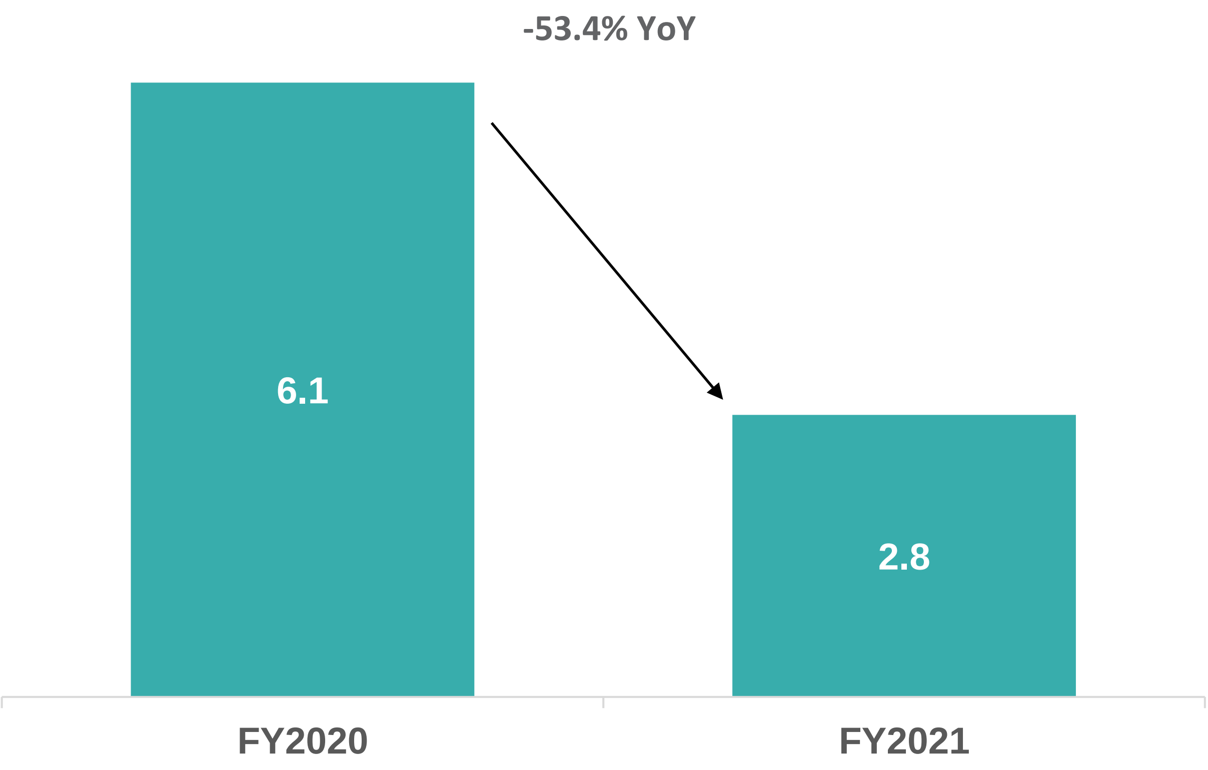


GROSS PROFIT decreased -6.6% YOY as a result of the increase in allowance for stock obsolescence from S$7.4 million to S$10.0 million

The procurement of inventories is subject to IT equipment market volatility by nature

Other income performance

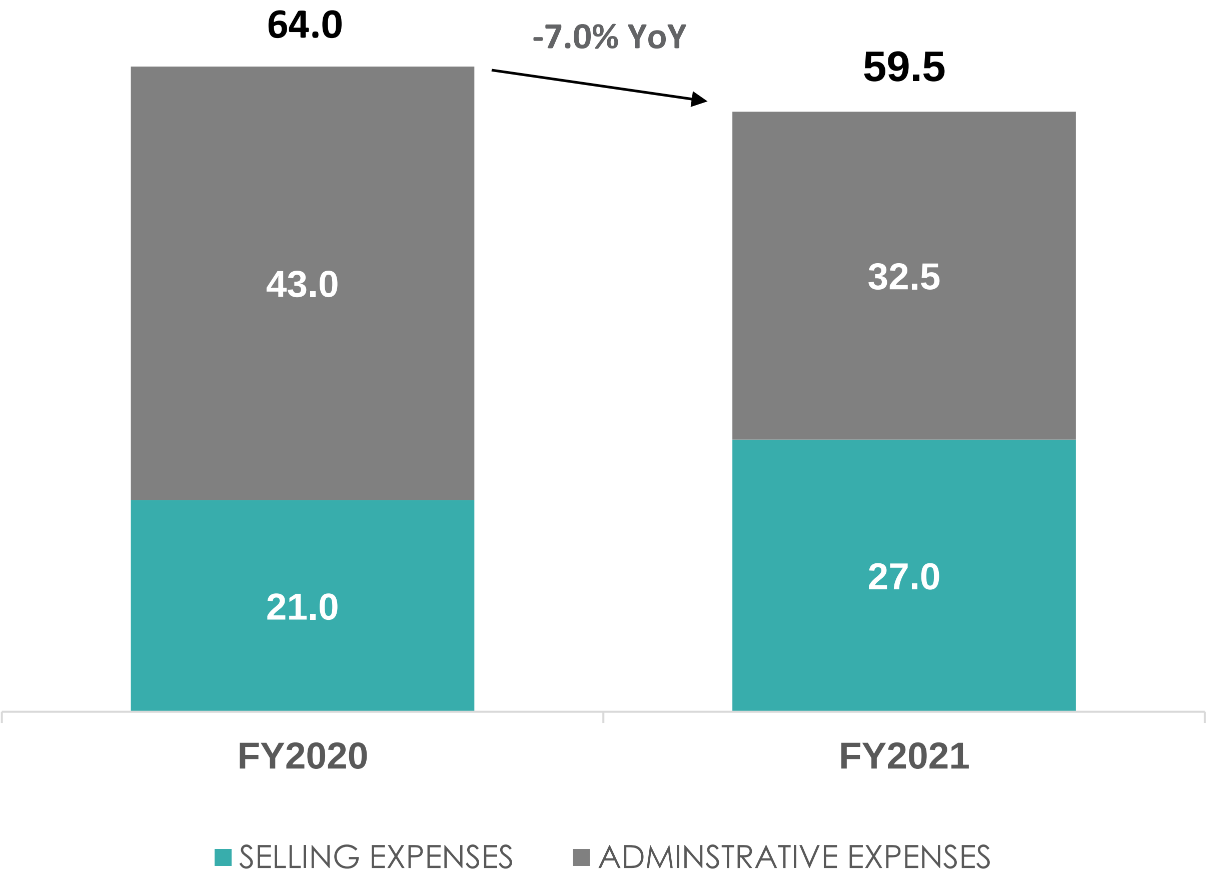
OTHER INCOME (S$M)



OTHER INCOME declined 53.4% YoY to S$2.8 million as the Group recorded S$2.4 million in government support programs as compared to S$5.5 million in FY2020 during the height of the pandemic.

Operating expenses performance

OPERATING EXPENSES[1] (S$M)



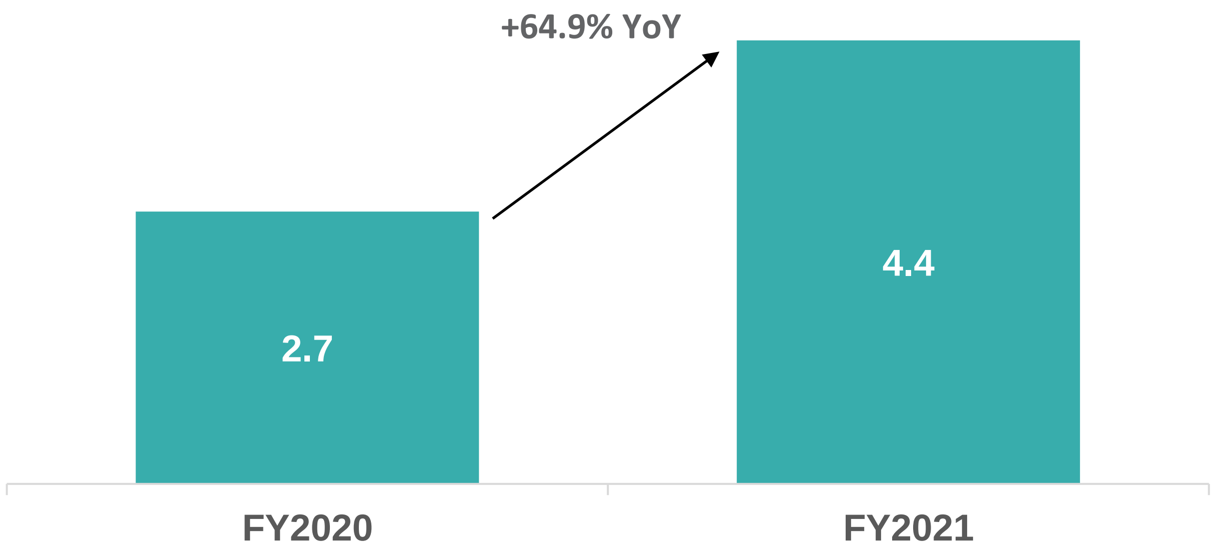
[1]Operating expenses comprise Selling expenses and Administrative expenses

ADMINSTRATIVE EXPENSES decreased as a result of lower staff cost due to lower headcount and reclassification of some employees' salaries to selling expenses.

SELLING EXPENSES grew in line with the reclassification of sales employee salaries.

Net profit after tax performance

NET PROFIT AFTER TAX (S$M)



Strong growth in NET PROFIT AFTER TAX

- **Growing productivity as revenue scales**
- **Despite decline in government support programs (S$5.5 million in FY2020 as compared S$2.4 million in FY2021)**

Balance sheet highlights

S$'000	AS AT 31 DEC 2021	AS AT 31 DEC 2020
Current Assets	**111,436**	**102,784**
Inventories	20,928	26,035
Trade and other receivables	51,412	34,564
Cash and bank balances	29,597	32,700
Other current Assets	9,499	9,485
Non-current Assets	**24,508**	**26,932**
Intangible assets	12,528	12,528
Plant and equipment	2,260	2,957
Other Non-current assets	9,720	11,447
Current Liabilities	**72,346**	**63,665**
Trade and other payables	36,318	27,206
Deferred income	20,561	16,197
Loans and borrowings	12,082	16,232
Other current liabilities	3,385	4,030
Non-current Liabilities	**6,213**	**13,548**
Shareholders' Equity	**57,385**	**52,503**
Total Equity and Liabilities	135,944	129,716

KEY RATIOS	31 DEC 2021	31 DEC 2020
Debt-to-equity ratio	Net cash	Net cash
Current ratio	1.54	1.61
NTA per share (cents)*	15.25	13.61
NAV per share (cents)*	19.50	17.88

Balance sheet remains strong

+50.1% YoY growth in net cash to S$17.5 million as at 31 Dec 2021 [S$11.7 million as at 31 Dec 2020] [external borrowing decline by S$8.9 million]

net working capital at S$39.1 million as at 31 Dec 2021

+15.8% YoY growth in deferred income, indicative of a strong pipeline

FY2021 recap

Strategic transformation gives us the right capabilities at the right time for global sustainable IT:

We’re seeing good momentum for 2022 and beyond

Strong multi-year growth market

Massive, multi-year shift to sustainable IT for the $180bn+ enterprise IT hardware market

Disruptive business model

Unique end-to-end sustainable IT solutions. Global scale & reach.

Revenue growth record

+6.9% YoY growth to S$250 million in FY 2021.

Solid progress on transformation

Team is more focused, early results are favourable.

Balance sheet remains strong

+50.1% YoY growth in net cash to S$17.5 million.

Question and Answer

Q1: Would there be any potential impact to the profitability and operations of Procurri due to the war in Ukraine?

Answer:

The Group does not have any physical operations in Ukraine and Russia and does not deal directly with any customer in either country. The Group also does not have any known compliance- or sanctions-related risks related to either Ukraine or Russia. Accordingly, the Company does not expect any direct impact to its profitability or operations.

The conflict in Ukraine has increased global macroeconomic risk and inflation, which have an impact on all businesses (including the Group). The Group remains vigilant to these risks, and we are actively managing our expenses and profitability, while also upgrading our business infrastructure and focusing on building our platform for long-term growth.

Q2: What is the justification for the 14.67% in Directors' fees from $259,000 to $297,000? It appears overly excessive given that Shareholders' Equity only increased by 9.3%.

Answer:

The increase in Directors' fees arises from the appointment to the Board of an additional non-independent non-executive director, Mr Lim Swee Yong. The Group recognises and embraces Board diversity as an essential element in the achievement of business objectives and sustainable development. Mr Lim has been appointed on the basis of his calibre, experience and expertise, and is expected to positively contribute to the effectiveness of the Board.

Q3: The group carried out an internal restructuring, reorganising into Maintenance; Hardware and Lifecycle Services ("HW"); and IT Asset Disposition ("ITAD"). As shown in the financial review (page 12), the hardware life cycle service and IT asset disposition accounted for 77.5% of the group's revenue.

i. HW & ITAD: How well understood is the group's value proposition by its potential customers? With new products becoming increasingly energy efficient, would the group find itself constantly swimming against the current as corporations focus more on sustainability (energy efficiency)?

Answer:

The Group's value proposition is well understood by its customers and the marketplace. Our views are supported by:

- The commercial results of the HW & ITAD business, which has delivered significant growth globally as a market response to our solutions offerings;

- The quality of customers we have attracted to our solutions over the last few years, including leading global IT distributors, original equipment manufacturers, and contract manufacturers;

- The awards we have won from global organisations such as CRN, who have understood and commended our value proposition for the growing circular economy (Procurri won the 'Best Circular Economy Company" and "Sustainable Project of the Year" award at the 2021 CRN Tech Impact awards);

- The clear shift in the global macroeconomy and IT economy towards sustainable business.

We believe Procurri is an overall beneficiary of the global business shift towards sustainability, including the increasing energy efficiency of new IT products.

Energy efficiency is one of many factors driving overall IT sustainability. Globally, the IT industry generates over 50 million tonnes of electronic waste annually1, in addition to consuming exhaustible resources (such as rare earth metals) and generating additional waste during the long manufacturing process for semiconductors and other electronic devices.

Procurri's solutions help to extend the operating lifetime of IT equipment, and to recover value and reduce waste at the end of operating life. Our solutions help to reduce e-waste significantly, through longer equipment life (reducing the need for replacement) and through responsible recycling of products back into the marketplace or into certified recycling programs.

The introduction of more energy efficient technologies creates commercial opportunities for Procurri to participate in the upgrade process through our disposal and recycling services, and also provides us with the opportunity to recirculate hardware back into the economy and/or back into the environment. Our solutions work hand-in-hand with the industrial journey towards greater energy efficiency, which benefits our business and our market overall.

ii. Can management elaborate further on the group's plans for HW & ITAD for Asia? Is the group looking at developing a market in Asia?

Answer:

Procurri is looking to further develop its HW and ITAD businesses in the Asian market by expanding and deepening its presence. The Group is currently operating in Singapore, Malaysia, China and India and is looking into expanding to Japan on the back of existing global contracts.

We note that many countries across Asia are increasingly adopting policies to encourage sustainable business practices. This shift should strengthen Procurri's value proposition and market opportunity in the region in the coming years.

iii. Sales expenses: Selling expenses increased by 29% due to "reclassification of some sales expenses from administrative expenses". Can the audit committee (AC) help shareholders understand if the classification of expenses has been carried out appropriately in the past? Please provide a breakdown of the selling expenses of $27.05 million in FY2021 (FY2020: $20.97 million) to show the impact of the reclassification.

Answer:

As part of Procurri's reorganisation of the business, to improve activity-based costing, the sales and sales operation employees' salaries have been reclassified from the administrative expenses to selling expenses. The reclassification resulted in the change in presentation to better reflect the associated cost of selling.

iv. Third party maintenance (TPM): What is management's strategy to reverse the drop in revenue from TPM? What are the major opportunities in the next 18-24 months? What is the typical duration of a TPM contract?

Answer:

Sales activity of the TPM business remained muted in FY2021. We have noted in our investor reports over the past year that softer TPM performance has been driven by:

- COVID-19 restrictions around the world suppressed our ability to conduct vital face-to-face sales meetings to enter data centres and to sign TPM contracts. The TPM business involves a high degree of customer trust, placing Procurri into the position of handling mission-critical equipment and data. As such, effective sales often requires in-person visits and meetings which have been difficult to conduct in many regions and nations; and
- Increased discipline in limiting new customer onboarding with TPM as Procurri focused on using the softer COVID-19 environment as an opportunity to upgrade our TPM systems, infrastructure and processes. We expect that the significant investment Procurri made in FY2021 should yield positive contributions to TPM in FY2022.

With the re-opening of global economies and global travel this year, we are seeing significant improvement in sales opportunity for TPM. While we do not release projections for our TPM business, we note that the upgraded TPM infrastructure, combined with the strength of our Global Accounts team focused on large global key accounts, is creating solid pipeline opportunity for the TPM business this year.

The typical duration of a TPM contract is 12 months. However, the majority of contracts are renewed, creating multi-year commercial relationships with our customers.

Q4: "Inventories write-down" is one of the key audit matters (KAMs) highlighted by the independent auditor in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As shown in the Kam (page 76), the group's net inventories amounted to $20,928,000 as at 31 December 2021 and the allowance to write-down to net realisable value ("NRV") amounted to $9,951,000 during the financial year. The group's inventories mainly consist of computer hardware and peripheral equipment, which are subject to risks of obsolescence due to technological advancements or changes in consumers' preference. The determination of inventory write-down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of the quantum of such write down based on their market value.

Answer:

The reduction of inventory is one of the benefits of the global strategic re-organisation Procurri has undertaken to build long-term growth prospects. A lower dependence on inventory allows Procurri to reduce its structural exposure to inventory obsolescence, and improve the Company's return on working capital.

The strategic reduction of inventory involved a comprehensive approach including accelerated selling of inventory to reduce ongoing stocks, investment in IT systems to automate inventory reporting and management, identification of and write-downs of stale inventory, and efforts to share inventory across our hardware and TPM lines of business to improve inventory efficiency.

i. What is the average age of the group's inventories following the write-down?

Answer:

Procurri successfully reduced its overall inventory days from 66 days in FY2020 to 55 days in FY2021.

ii. Can management help shareholders better understand the reasons for the significant increases in inventories write-down in FY2020 and FY2021? Why was there an increase in "multi-generational inventories"? Does this refer to old/outdated inventories?

Answer:

The strategic reduction of inventory in FY2020 and FY2021 included efforts to sell inventory and to write off inventory identified as unlikely to be sellable, resulting in higher than usual write-downs.

Multi-generation inventories refer to the inventories of superseded models of IT equipment produced at different time which specification will have changed due technological advancements. The Group purchases and sells data centre IT equipment to serve enterprise customers whose IT equipment ranges from brand new to over 30 years old. With the significant diversity of usable equipment across our customer base, and the long operating life of the IT hardware equipment, there is no corelation between product shelf life and old/outdated inventories against the writedown.

iii. Was there under-provision in prior years for stock obsolescence? Or has management changed its stock obsolescence policy? What is the level of oversight by the AC on the group's stock obsolescence?

Answer:

The Company does not believe it under-provisioned in prior years for stock obsolescence. Rather, the higher obsolescence in FY2020 and FY2021 was the result of our efforts to reduce the inventory dependence of our business and thereby increase efficiency of our inventory.

The Group expects that its strategic efforts to increase the productivity of its inventory should help reduce its obsolescence rate over time.

The AC has had oversight over the strategic inventory reduction at Procurri, and has also examined findings on Key Audit Matters and other financial reporting matters together with the external auditors and management. The AC has assessed the management's judgements and estimates, and has considered the approach and methodology applied to valuation models, and reviewed the accounting treatments adopted by management.

In addition to AC oversight over inventory and working capital, the Group's Internal Audit function has performed periodic reviews on the internal controls and management of inventories of the Group. Findings and recommendations have been reviewed and discussed with the management and with the AC.

iv. Would management be looking at how it could better optimise the restocking of its inventories so as to reduce inventories write-down?

Answer:

As noted above, the strategic initiatives we have taken to reduce inventory dependence should also reduce inventory obsolescence rates for Procurri going forward.

Inventory days for Procurri have already been reduced significantly over the past year, thereby reducing the total inventory exposure for the business. Our upgraded IT systems, together with stronger co-ordination between our businesses units to share and re-use inventory, should also help reduce obsolescence and increase productivity of our inventory.

Q4: As disclosed in the corporate governance report, the group has an in-house internal audit function that is carried out by the Group's internal audit ("GIA"). The GIA is independent of the management and assists the group in evaluating and assessing the effectiveness of internal controls and to consequently highlight the areas where control weaknesses exist, if any.

GIA reports primarily to the audit committee ("AC") Chairman. GIA operates under a charter from the AC that gives it unrestricted access to review the documents, records, properties and personnel of the group and carries out his function in accordance with the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC is satisfied that the internal audit function is independent, effective and adequately resourced by personnel with the relevant qualifications and experience.

Annual General Meeting

i. Can the AC confirm that the GIA is a single individual (page 65)?

ii. If so, can the AC help shareholders understand how it determined that the GIA function is adequately resourced? The group has a global network of 22 offices, 100+ countries under coverage and over 480+ employees.

Answer:

The GIA is a single individual.

The Group currently operates a comprehensive internal audit schedule to cover its global operations. Rolling 3-year internal audit plans are prepared, reviewed and put up for discussion with the AC regularly to ensure that all the major subsidiaries and key focus areas are covered within the scope.

In the event that more resources are required to be deployed for internal audit matters, the Company will continue to engage external service providers to assist the GIA with the Company’s internal audit functions.

iii. What was the scope of the internal audit in FY2021? Can the AC confirm that the major foreign subsidiaries were covered in the IA?

Answer:

The scope of the internal audit in FY2021 covered key risk areas and critical business processes, as well as internal controls within each process. The AC confirms that the major foreign subsidiaries were covered in the Group's 3-year internal audit plan.

iv. How did the closure of national borders affect the GIA and the scope of the internal audit?

Answer:

The imposition of some form of travel restrictions during the last two years did not significantly affect the operation of GIA and scope of the internal audit other than for the GIA adopting remote audits as opposed to onsite audits.

v. What were the key findings by the GIA for FY2021?

Answer:

Whilst the Company considers the findings confidential, as, among others, public disclosure may inadvertently expose the business to the exploitation of risks, we note that:

- There were no internal audit findings assessed as high risk in FY2021.

- There were several lower-risk areas identified, and the Board, management and GIA have reviewed and agreed on actions to address these risk areas.

- The Company shares its internal audit report with our external auditor for review.

Thank you