

Press information

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E/D/E member companies benefit from improved services from E/D/E and extended digital offerings

Wuppertal buying group grows in dynamic market environment in 2020

- Trading volume of €6.4 billion around €130 million up on the previous year in total
- Continuation of growth in European business to around €1.6 billion
- Logistics and digital sales channels prove strategic relevance for industrial B2B business with top figures
- Restructuring strengthens cooperation in the association and has an impact in the coronavirus crisis
- ETRIS BANK on expansion course with factoring and new offerings

Wuppertal – The E/D/E Group, Europe's leading association in the industrial B2B business, ended the 2020 financial year with a trading volume of more than €6.4 billion and was thus able to continue its growth after moving sideways in the previous year. “Our association held up well in an exceptional social and economic environment. We were able to closely align ourselves with our members and suppliers by digital means, to respond quickly to new circumstances and to develop the right offerings for this situation. During the crisis, we were all able to show what we’re made of,” said Dr Andreas Trautwein, Chairman of the E/D/E Management Board.

At an early stage, E/D/E comprehensively and systematically implemented measures for protecting its staff from infection with Covid-19 in the workplace and thus ensured E/D/E’s ability to perform at all times. Dr Trautwein:

“In the pandemic, it again became very clear how important it is to be part of a strong network. The E/D/E solutions for digital sales and central warehouse functionality, with a high proportion of deliveries directly to end customers, have proven their worth. Innovative formats for providing information and communication in the association made it easier for members to manage their businesses. Our newly created Member Management ensured that we also gained even more closeness to our members at a distance, even without physical presence.”

Trading volume grows by around €130 million

Member companies, like the whole of the industrial B2B sector, were affected differently by the pandemic depending on their region, their sector and

the point in time. Volume losses in the product ranges for sectors hit particularly hard by the coronavirus pandemic were made up for and more than compensated for by other ranges. Overall, the E/D/E Group increased its trading volume in this dynamic environment by €132 million. Foreign business grew by €193 million and has now reached around €1.6 billion. A key reason for the strong growth in Europe in 2020 was the recruitment of new members. The warehouse business reported an increase of €14 million and a new record of €339 million. Factoring as a new service from E/D/E's own ETRIS BANK also met with a positive response from partners. Factoring revenue rose by more than 130%.

Reimbursements to members are at the same level as 2019 at €167 million and are having a concrete impact on members' balance sheets.

Systematic strengthening of internal financing

As a result of effective risk and cost management and the great dedication of our employees, consolidated net income increased slightly year on year even under the conditions of the coronavirus pandemic. The Group generated consolidated net income of €15.2 million in 2020, following €14.7 million in 2019. It will mostly be retained again in 2020 and thus increase the E/D/E Group's financial strength. This increases equity to €419.1 million. The E/D/E Group uses internal financing to develop its services and thus to strengthen industrial B2B business with a high level of investments in central logistics and data management.

Varying market developments in the sectors

Revenue from industrial customers in the automotive sector, the aerospace sector and the mechanical engineering sector decreased considerably for many E/D/E distributors in 2020. However, one positive aspect here is that E/D/E's development in all industry-related product areas was above the market level. Construction-related segments also enjoyed positive growth in 2020, with construction equipment, fastening systems and building components benefiting in particular here. As a result of strong online trade, power tools also experienced a significant boost in demand. The skilled trades segment was once again extremely busy in 2020. E/D/E's skilled-trades-related sales concepts therefore developed far beyond the previous year's level in this environment.

The coronavirus pandemic strengthened the trend towards digital procurement in industrial B2B business. Distributors that positioned themselves well digitally were able to particularly benefit. The digital channels E/D/E offers its dealers recorded disproportionate growth rates – particularly online marketplace Toolineo, with a 130% growth in order value. The overall revenue from Multishops operated by members also increased considerably in 2020. This growth was largely in the region of 25% to 40%.

Revenue from the e-procurement and material issuing systems within E/D/E's industrial services segment and supply networks remained at the same level as the previous year despite weakness in some parts of industry. Demand for innovative solutions

for procurement optimisation remained very high. The launch in 2020 of a number of product ranges that E/D/E considers complementary, for example in the office items and electronics segments, generated further efficiency gains for industrial customers.

In the context of process efficiency and cost reduction for distributors, a further increasing volume of orders in the eLC can be observed. The E/D/E central warehouse supported distributors' core business through its advantages of same-day shipping for orders placed before 5 p.m. and more than 100,000 items physically stored in the location. At up to 90%, the high proportion of deliveries straight to the end customer has tangibly reduced the burden on distributors.

A look at the product groups

In the **tools** segment, the slump in various industrial sectors impacted industrial B2B business. This hit tools that are also used in construction-related ranges less hard by this than precision tools. Precision tools, however, still held up well in E/D/E compared with the market. **Hand tools** decreased from €319 million to €309 million; **precision tools** fell from €113 million to €99 million. The construction-related business with **tools and machines for woodworking** reached almost exactly the previous year's level at around €143 million despite lockdown. Considering the in some cases considerable decreases in revenues in the target sectors, the tools product group in E/D/E thus held its own well overall and achieved a total volume of €567 million compared to €594 million in the previous year.

The **building fittings** segment including safety engineering performed well with growth of €10 million to exactly €850 million. The area of window fittings grew in particular. Door fittings are increasingly included in deliveries by building component suppliers, meaning that a corresponding fall in revenue can be seen in the building components segment.

Warehouse business grew significantly by 8% because the standard product ranges in the fittings segment that were stocked in the eLC could be utilised in greater numbers with direct end customer delivery for process cost optimisation. The logistical requirements are in any case at a very high level as a result of the range of items, meaning that the eLC noticeably eased the pressure here.

The **building components** segment grew disproportionately from €262 million to €277 million due to strong construction activity. This was reinforced by the fact that door fittings are increasingly being included in deliveries by building component manufacturers, meaning that the value of the component and fitting has led to higher volumes. E/D/E supported the development through concepts such as ELEMENTARES Services. This concept particularly strengthens the distributors' project business through a national assembly and service network in trades. Distributors that organise assembly and service themselves as a complete solution in project business grew significantly more than pure trading business with doors.

Fastening systems equally benefited from activity in the construction sector and saw an increase of €14 million to €171 million. As with fittings, the warehousing

were adopted as added value and led to disproportionate development in the warehouse business. The **construction equipment** product group experienced a growth spurt and developed from €174 million to €181 million.

The trading volume of construction-related ranges grew by €45 million in the past year and thus passed the €1.5 billion mark for the first time.

Power tools performed positively in connection with strong growth in online trade. In total, distributors realised a trading volume of €544 million in this product area with E/D/E, which represented growth of €37 million year on year. The major slumps in the coronavirus year of 2020 impacted **welding technology** and led to a €3 million decrease to €42 million. In particular, demand for welding technology machines led to a negative sales trend in the industrial B2B business due to the general economic downturns in many sectors of industry. The **factory equipment** segment also declined in 2020. The weakness of the industrial business in some areas and the associated reluctance of customers to invest led to negative development in this segment and a trading volume of €205 million in 2020 following €225 million in the previous year.

The trading volume in the **PPE and technical trade segment** grew to more than €720 million in 2020. In PPE, the in some cases negative revenue trends in the industrial customer sector were made up for and even more than compensated for by highly disproportionate growth figures in pandemic items. This ultimately led to a slight growth in volume by €12 million to €462 million. The eLC warehouse business in **PPE** grew by almost 20%, partly in connection with pandemic items.

The technical trade sector saw significant decreases in revenue, particularly with traditional technical products, against a backdrop of slumps in parts of the industrial business. E/D/E was hit less hard due to the structure of its product range and even grew as a result of strong growth rates in the chemical and technical products and workshop materials segment. The relaunch of the E-COLL private label created additional growth momentum there. In total, €258 million was realised in **technical trade** (+€13 million).

Growth spurt for building services

The trading volume for the **E/D/E building services** segment significantly exceeded the €1.5 billion mark in 2020. The positive development of strong European partner VGH International and the newly established collaboration with IGH Group both helped to boost growth by €137 million or almost 10%. Strong growth was also seen in the warehouse business: Affiliated distributors increasingly recognised the concentration of sales channels and faster delivery as an advantage, leading to an increase in revenue of more than 15% in the building services warehouse.

WUPPER-RING, the community of strong building services distributors in E/D/E, also grew – adjusted for one-off effects – in the environment of increased investments in people's own homes. At the end of the year, there was a trading volume of €406 million. Innovative dialogue formats such as meetings and seminars in digital space meant that, even in the pandemic, it was possible to maintain and in fact extend our closeness to the customer. As part of a new own-brand strategy, WUPPER-RING is going to pool all its brands under the **FORMAT** umbrella brand from April 2021. With the new uniform brand identity, there is significantly lower expense in connection with improved market penetration. More homogeneous distributor structures with identical objectives strengthened the position in purchasing negotiations with industry.

The **steel segment**, with its broad product range, was able to achieve growth in all product groups (girders, steel bars, reinforcing steel, sheet metal, pipes). The SteelPower member group was successfully established and was able to achieve purchasing advantages for the benefit of all affiliated members through quantity batching. As a result of competitive and attractive offers towards ESH distributors, an increase in tonnage was achieved – in some cases well into the double-digit percentage range. The trading volume decreased to around €1 billion due to price effects.

Strong growth in European business

Performance varied significantly in the rest of Europe in 2020. Some countries were able to take advantage of opportunities during the coronavirus pandemic, whereas others massively lost business due to coronavirus measures, especially lockdown. Overall, the E/D/E Group saw growth of €193 million in its European business, particularly due to the rise in member numbers. The E/D/E Group plans to continue its positive performance outside of Germany in the next few years with marketing concepts customised precisely to each national market and through expansion of the range.

Expansion and development of services for member companies

The E/D/E Group improved performance in the **eLC central warehouse** with extensive investments in logistics. The materials-handling technology in the eLC was expanded to include a state-of-the-art automatic packaging machine. No filling material is needed any more with the new packaging machine and the amount of cardboard and volume of packages is reduced. Smaller packages mean we can ship a higher number of deliveries per shipment. This also reduces E/D/E's carbon footprint in the transport chain.

E/D/E established a leading data management solution for the fittings product group with the **electronic data centre (eDC)**. It offers access to data on more than 460,000 fittings and fastening products, which is standardised and entered in a central data pool. eDC Fastlane was created in 2020 to make product innovations with their key data available to distributors even more quickly and efficiently. This gives E/D/E members a decisive competitive advantage, because they are able to procure and sell these items before the competition.

Since 2020, E/D/E has offered industrial B2B companies an alternative to high investments in IT with the new **ERPcloud360 cloud solution**, which was developed specially for the needs of the industrial B2B sector. For a fixed monthly fee, industrial B2B companies receive a complete package that they can use to manage all relevant business processes – purchasing, warehouse management, production, service business, sales, human resources etc. A double-digit number of E/D/E members has already opted for this solution.

ETRIS BANK expanded its management team in 2020. On 1 April, Uwe Müller joined as spokesperson for the management board, and Dr Dirk Thiel joined in September as a new general agent. Factoring expert Uwe Müller significantly expanded ETRIS BANK's factoring business in 2020 and was able to successfully establish it in the market. With innovative and customer-focused factoring solutions (flex factoring), the bank offers a special factoring instrument that adds full flexibility to the advantages of factoring. With this factoring solution, the customer decides when and in what amount it wants to make recourse to the liquidity from the ongoing sale of accounts receivable. Since accreditation by NRW.BANK in May 2020, ETRIS BANK has been able to offer its customers corresponding funding programmes in connection with the coronavirus crisis. ETRIS BANK can also facilitate access to numerous other funding programmes – for example in respect of digitalisation and innovation.

Founded two years ago, the **PVH FUTURE LAB** is a start-up, think tank and digital company in one. It has been bringing together digital tools on the **www.flixxstore.com** website for wholesalers in the industrial B2B sector since 2020. They help companies to increase efficiency in the areas of procurement, sales, collaboration and process organisation. Many of the applications are learning systems based on artificial intelligence and are capable of drawing conclusions and making recommendations on the basis of existing data within the company. PVH FUTURE LAB does not rely solely on its own tools but also uses its international start-up network to make innovative ideas quickly available. One example is the coronavirus safety product BodyTempScan for contactless fever measurement. We are already planning more new sales, purchasing and process support tools for 2021.

EVOLUTION: Restructuring put into effect

E/D/E's strategic and organisational development process EVOLUTION was able to achieve a notable impact with partners in 2020. The restructuring was systematically implemented as scheduled in 2020. The key element is the change in the product area. As part of the restructuring, in addition to professional specialisation, a functional specialisation was introduced in the form of the three functional divisions of Member Management, Supplier/Product Group Management and Purchasing Management.

Member Management has been active since the start of 2020. All a member company's issues are now in the hands of the relevant member manager centrally. This means there is a clear assignment for around 960 E/D/E distributors.

Against the background of the coronavirus pandemic, it was possible to specifically use the restructuring to meet the needs of members in the crisis situation. For instance, E/D/E created a platform for discussing current issues with innovative think-tank formats and made an information tool for managing their business available to the companies in the form of a monthly coronavirus market barometer.

In addition, other fields of action were derived from more than 100 working meetings with member companies and their implementation was further advanced. The Multishop, logistics and EDI processes in the buying group and other topics from the e-business/e-commerce topic area, on which intensive work was done, should, for example, be mentioned here.

Supplier/Product Group management has also been active in its new form since summer 2020. This function deals with ensuring service relationships with our suppliers are precisely aligned, relationships with suppliers are intensified and services for members are strengthened. Purchasing Management was launched at the same time and is intended to further strengthen the cross-product group purchasing competence within E/D/E.

Responsibility shown in times of crisis

E/D/E is a reliable employer and trainer. The Group employed 1,137 people as of the end of 2020. In 2020, the E/D/E Group fully dispensed with reduced working hours and continued its training without any restrictions. Despite the uncertainties caused by the coronavirus last year, we recruited nine new trainees and four dual-study students in modern future-oriented occupations that require training. All the trainees who completed their training at E/D/E in 2020 received a job offer. A forward-looking group-wide coronavirus policy has proved very successful. Through clever management and a high level of discipline in the workforce, infections have been completely avoided at E/D/E.

E/D/E is strengthening the Wuppertal site and thus sustainably securing jobs with extensive investments. The buying group further invested in the performance of the eLC central warehouse in 2020. A state-of-the-art packaging machine, which combines economic and environmental advantages, was put into operation in 2020.

The E/D/E Foundation, the E/D/E Group and employees consciously continued to assume social responsibility in the pandemic year in particular and supported numerous social projects in the Wuppertal region. The Wunschstern (wish upon a star) campaign, where E/D/E employees bring Christmas joy to needy children and young people from Wuppertal homes, also took place in compliance with coronavirus restrictions in 2020: E/D/E was able to make more than 220 gift wishes that were submitted come true by means of a donation account. The individual sustainability activities and projects are compiled transparently on E/D/E's own sustainability website (www.ede-nachhaltigkeit.de).

Outlook for 2021

The E/D/E Group was able to continue its growth in the first few months of the new year. Both E/D/E's trading volume and its result were higher than the previous year.

All forecasts for 2021 are characterised by uncertainty due to the coronavirus pandemic. For 2021, the IMF expects an increase in global economic output of 5.5% and an increase of just 4.2% for the Eurozone. The German Federal Ministry for Economic Affairs and Energy expects GDP growth of 3.0% for 2021. E/D/E anticipates that the positive attitude in the construction-related skilled trades and construction segments will continue in 2021, while no uniform growth signals are to be expected from industry. In light of the forecasts on market development and in view of the planned activities,, the E/D/E Group expects trading volume growth to more than €6.6 billion for 2021.

As part of EVOLUTION, E/D/E will realise the next steps in implementing its vision for the future in 2021. After the organisational functional differentiation, the focus now shifts to the service portfolio. Member Management has a crucial influence on service design and implementation with an overarching overall perspective. In the area of supply systems for the industrial and skilled trades sectors, E/D/E is planning continuous expansion, both in terms of expanding the product range by involving new complimentary partners and through expanding the network. E/D/E continues to strengthen the performance of the industrial B2B sector with a high level of investments in central logistics and data management. The modernisation of the data management system, which began in 2020, will help E/D/E to optimise performance elements taking an end-to-end perspective, from the supplier to the end customer. This goes hand-in-hand with the standardisation of processes and reduced complexity. "We're going to become simpler and more digital with and for our members," says Dr Andreas Trautwein. "Furthermore, this creates the foundation for further developing our core business and continued networking in the association and puts us in a position to successfully address digital issues of the future."

About E/D/E

E/D/E (Einkaufsbüro Deutscher Eisenhändler GmbH) is Europe's leading purchasing and marketing association with around 960 affiliated SME trading companies in the field of industrial B2B business and some 230 further retailers. These companies trade in tools, machinery and factory equipment, building fittings, building components, sanitation and heating, steel, fastening systems, welding technology, safety engineering, industrial engineering and PPE products. The majority of these member companies mainly supply commercial customers from industry, skilled crafts and trades and local authorities. The E/D/E Group also includes the subsidiaries ETRIS Bank GmbH, Toolineo GmbH & Co. KG, EDE International AG, ESH Euro Stahl-Handel GmbH & Co. KG, e + h Services AG, ZEDEV Einkauf und Service AG, eDC Haustechnik-Daten GmbH & Co. KG, DELCREDIT España S.A., DELCREDIT France S.A.S., PVH FUTURE LAB GmbH and EURO-DIY GmbH & Co. KG.

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