devoteam

Innovative technology consulting for business

Press release

2018 first half: acceleration of organic growth (+18.4%) combined with a 34% operating margin increase

- **Revising upwards the 2018 objectives of organic growth (from 12.5% to 15%) and operating margin**
- **Acquisition of Bold, a leader in advisory and technological expertise in Portugal**
- **Devoteam recognised as the Google Cloud EMEA Services Partner of the year**

Paris, 5 September 2018

In millions of euros[1]	30.06.2018	30.06.2017 restated[2]	30.06.2017 presented[3]	Variation[4]	Organic variation[5]
Revenue	**306.5**	**243.8**	**256.5**	**+25.7%**	**+18.4%**
Operating margin	**34.0**	**25.4**	**25.4**	**+33.6%**	
In % of the revenue	11.1%	10.4%	9.9%	+0.7 pt	
Operating income	**28.8**	**21.7**	**21.7**	**+32.6%**	
In % of the revenue	9.4%	8.9%	8.5%	+0.5 pt	
Net income - Group share	**16.8**	**11.9**	**11.9**	**+41.0%**	
Diluted earnings per share[6]	€2.04	€1.47	€1.50	+38.9%	
Net cash at closing[7]	**36.7**	**49.0**	**49.0**	**-€12.4m**	

[1] The financial statements presented in this press release have been approved by the Supervisory Board and are currently being certified by the Group Auditors.

[2] Restated in accordance with IFRS 15 for the revenue, and including the cost of share-based payments in the calculation of the dilution for the diluted earnings per share.

[3] In the half-year 2017 press release.

[4] Based on 2017 restated.

[5] At comparable perimeter and exchange rates, based on 2017 restated.

[6] Based on the weighted average number of shares for the year.

[7] Cash position net of all financial debts.

H1 2018 consolidated financial statements are available on our website: https://www.devoteam.com

Devoteam (Euronext Paris : DVT) reports revenues of €306.5 million in H1 2018 with an operating margin of 11.1% and announces the acquisition of Bold in Portugal. The Group has also been awarded Google Cloud EMEA Services Partner of the year, highlighting its leadership position in Digital Transformation.

Results for the first half of 2018

Preliminary note – Restatement of 2018 first quarter revenue to take into account the application of IFRS 15

After analysis with Group auditors, the Group has revised its interpretation of IFRS 15, applicable since 1 January 2018. The revenue presented in the first quarter of 2018 has been corrected and is presented in the appendix of this press release. Thus, the revenue related to third-party licence resell and subscription rights to access SaaS plateforms on integration projects (mainly Google) is now recognised up to the margin done on this project. In order to keep a comparable level of information, 2017 accounts have also been restated following the same approach. The retrospective application of this new IFRS norm for 2017 leads to a reduction of the Group revenue for €12.7 million and 5% of the revenue in the first half of 2017, and for €27.4 million and 5.1% of the full year 2017 revenue. At the time of the May 2018 publication, the impact was estimated at €5 million, representing 1% of the full year 2017 revenue. This does not impact the amount in euros of operating margin, net result, earning per share and free cash-flow. Consequently, the operating margin rate of the first half 2017 goes from 9.9% to 10.4%, and the full year 2017 rate, from 10% to 10.5%.

After applying this restatement, **revenue** stands at €306.5 million for the first half of 2018, growing 18.4% compared to the first half of 2017 excluding the changes in scope and exchange rates.

On the second quarter alone, the Group achieves revenues of €152.8 million, growing 28.3% compared to the second quarter of 2017 in total, and 20.5% excluding the changes in scope and exchange rates.

The **operating margin** increases by 70 basis points in the first half of 2018. It stands at more than €34 million and 11.1% of the revenue.

Non recurring expenses include a strong decrease in restructuring costs (standing at €0.6 million) and a bit less than €3 million other exceptional costs, including almost €2 million related to a litigation and a risk over bank guarantee in Poland as well as €0.5 million loss on Moroccan assets.

The **financial result** stands at -€1.3 million and includes €0.4 million loss on foreign exchange.

Tax expenses amounts to €8.4 million. It represents 30% of the profit before tax of the continuing operations. Excluding the losses of disposals and the impairments, without tax effect, the tax rate would have been 31.4%.

Net income strongly increases by almost 43%, and drives a 41% growth of the net income attributable to the shareholders of Devoteam S.A.

On 30 June 2018, the **net cash** of the Group stands at €36.7 million and takes into account an increased working capital driven by the growth of the business and by a higher DSO level compared to last year, notably in France, in Benelux (negatively impacted by the entry of TMNS in the consolidation scope), and in the Middle East.

Headcount and utilization rate

On 30 June 2018, the Group employed 5 596 people. The headcount increased by almost 400 people on the first half of 2018, reflecting a very strong business activity as well as the success of Devoteam in recruitment.

The ratio of billable headcount to total headcount stands at 86.7% on 30 June 2018, improving by 90 basis points year on year.

On the first half of 2018, the Group shows a utilization rate of its own billable headcount of 85%, increasing more than one point compared to the first half of 2017.

Changes in scope

On 23 August 2018, Devoteam acquired 58% of Bold International in Portugal. Headquartered in Lisbon, with offices in Aveiro and Porto, and powered by 630 professionals, Bold International's core activities lie within Devoteam's Agile IT strategic offer, with strong SMACS expertise on Devops and Cloud transformation. This acquisition will allow Devoteam to support the many international customers establishing technological excellence centers in Portugal, and benefit from expert, mobile and competitive teams.

Bold International achieved revenues of €20 million in 2017. It will enter the consolidation scope of Devoteam as of 1 September 2018.

Moreover, the Group acquired two other niche players reinforcing its strategic offers, on Data with New Bic in Spain and on Security with Paradigmo in Belgium. These two acquisitions will be fully consolidated starting 1 July 2018. The Group has also finalised the disposal of Shift, which will be deconsolidated starting 1 September 2018.

2018 outlook

Considering the strong level of organic growth over the first semester, changes in scope, and despite the new interpretation of IFRS 15, the Group revises upwards its annual revenue objective to €640 million, growing almost 25% compared to 2017. This objective reflects:

- An organic growth of about 15% (versus 12.5% on last press release);
- A negative impact of exchange rates of 0.7%;
- A contribution from the acquisitions (net from divestments) of about 10%.

The Group also revises upwards its operating margin objective to take into account the accretive effect of IFRS 15, now estimated at 50 basis point over the year, as well as the strong performance of the first semester. Therefore, the operating margin should represent a bit more than 11% of the revenue for 2018 (versus 10.5% in the last press release).

Next press release

2018 third quarter revenue: November 14th, 2018 after market closing.

Appendix

Correction of the revenue for the first quarters of 2018 and 2017 presented in May 2018, to take into account the application of IFRS 15

In millions of euros	Q1 2018	Q1 2018 presented in May 2018	Q1 2017	Q1 2017 presented in May 2018
France	**80.2**	**85.7**	**63.4**	**67.7**
Variation	26.6%	26.4%		
L-f-l variation	19.7%	20.0%		
Northern Europe & Benelux	**39.8**	**40.8**	**31.6**	**32.5**
Variation	25.7%	25.5%		
L-f-l variation	8.9%	9.1%		
Central Europe	**16.8**	**17.1**	**13.7**	**13.7**
Variation	22.9%	24.7%		
L-f-l variation	22.2%	24.0%		
Iberia & Latam	**7.8**	**8.0**	**6.9**	**6.9**
Variation	12.7%	15.5%		
L-f-l variation	13.5%	16.4%		
Rest of the world	**9.8**	**10.3**	**9.1**	**9.4**
Variation	8.2%	9.5%		
L-f-l variation	21.3%	22.7%		
Corporate & other	**(0.7)**	**(0.7)**	**0.1**	**0.1**
Total	**153.7**	**161.1**	**124.7**	**130.3**
Variation	23.2%	23.6%		
L-f-l variation	16.3%	17.0%		

Pro forma information of the profit and loss statement

In millions of euros	H1 2018	H1 2017 restated	H1 2017 presented	2017 restated	2017 presented
Continuing operations					
Revenue	**306.5**	**243.8**	**256.5**	**512.9**	**540.4**
Operating margin	**34.0**	**25.4**	**25.4**	**54.0**	**54.0**
In % of the revenue	11.1%	10.4%	9.9%	10.5%	10.0%
Cost of share based payment & impact of acquisitions (amortization of intangibles)	(1.7)	(1.1)	(1.1)	(2.5)	(2.5)
Current operating income	32.3	24.3	24.3	51.5	51.5
In % of the revenue	10.5%	10.0%	9.5%	10.0%	9.5%
Non current restructuring costs	(0.6)	(1.4)	(1.4)	(3.1)	(3.1)
Operating Profit before M&A and other non current costs	31.7	22.9	22.9	48.4	48.4
In % of the revenue	10.3%	9.4%	8.9%	9.4%	9.0%
M&A & other non current costs	(2.9)	(0.2)	(0.2)	(2.5)	(2.5)
Impairment, badwill	-	(1.0)	(1.0)	(2.0)	(2.0)
Operating income	**28.8**	**21.7**	**21.7**	**43.9**	**43.9**
In % of the revenue	9.4%	8.9%	8.5%	8.6%	8.1%
Financial result	(1.3)	(0.9)	(0.9)	(2.3)	(2.3)
Share of profit from associates	0.4	0.1	0.1	0.1	0.1
Income before tax	27.9	20.9	20.9	41.7	41.7
In % of the revenue	9.1%	8.6%	8.1%	8.1%	7.7%
Income tax	(8.4)	(7.8)	(7.8)	(15.0)	(15.0)
Discontinued operation					
Profit (loss) from discontinued operation, net of tax	-	0.5	0.5	2.5	2.5
Net income	**19.4**	**13.6**	**13.6**	**29.3**	**29.3**
In % of the revenue	6.3%	5.6%	5.3%	5.7%	5.4%
Net income - Group share	16.8	11.9	11.9	25.0	25.0
Basic earnings per share	€2.10	€1.51	€1.51	€3.15	€3.15
Diluted earnings per share	€2.04	€1.47	€1.50	€3.15	€3.15

Quarterly revenue by region

In millions of euros	Q1 2018	Q1 2017 restated	Q2 2018	Q2 2017 restated	H1 2018	H1 2017 restated
France	**80.2**	**63.4**	**79.8**	**60.0**	**160.0**	**123.3**
Variation	26.6%		33.1%		29.8%	
L-f-l variation	19.7%		26.1%		22.8%	
Northern Europe & Benelux	**39.8**	**31.6**	**39.3**	**28.6**	**79.0**	**60.3**
Variation	25.7%		37.2%		31.2%	
L-f-l variation	8.9%		17.1%		12.7%	
Central Europe	**16.8**	**13.7**	**16.1**	**14.1**	**32.9**	**27.8**
Variation	22.9%		14.4%		18.6%	
L-f-l variation	22.2%		14.1%		18.1%	
Iberia & Latam	**7.8**	**6.9**	**8.2**	**7.0**	**15.9**	**13.9**
Variation	12.7%		16.2%		14.5%	
L-f-l variation	13.5%		17.8%		15.7%	
Rest of the world	**9.8**	**9.1**	**10.4**	**9.6**	**20.2**	**18.7**
Variation	8.2%		7.7%		7.9%	
L-f-l variation	21.3%		15.3%		18.2%	
Corporate & other	**(0.7)**	**0.1**	**(0.9)**	**(0.2)**	**(1.7)**	**(0.1)**
Total	**153.7**	**124.7**	**152.8**	**119.1**	**306.5**	**243.8**
Variation	23.2%		28.3%		25.7%	
L-f-l variation	16.3%		20.5%		18.4%	

Of which impact of significant acquisitions:

In millions of euros	Q1 2018	Q1 2017	Q2 2018	Q2 2017	H1 2018	H1 2017
France	**4.4**		**4.2**		**8.6**	
D2SI, consolidated as of 1 October 2017	3.8		3.6		7.4	
Progis, fully consolidated as of 1 January 2018	0.4		0.4		0.8	
Altius Services, consolidated as of 1 February 2018	0.2		0.2		0.4	
Northern Europe & Benelux	**6.0**		**6.0**		**11.9**	
TMNS, consolidated as of 1 July 2017 (estimate)	6.0		6.0		11.9	

Quarterly revenue and operating margin by region

In millions of euros	H1 2018	H1 2017 restated
France		
Group contribution	160.0	123.3
Operating margin	23.8	17.0
In % of Group contribution	14.9%	13.8%
Northern Europe & Benelux		
Group contribution	79.0	60.3
Operating margin	6.7	4.6
In % of Group contribution	8.5%	7.6%
Central Europe		
Group contribution	32.9	27.8
Operating margin	3.2	2.4
In % of Group contribution	9.6%	8.5%
Iberia & Latam		
Group contribution	15.9	13.9
Operating margin	1.3	0.6
In % of Group contribution	8.1%	4.4%
Rest of the world		
Group contribution	20.2	18.7
Operating margin	1.9	1.6
In % of Group contribution	9.4%	8.5%
Corporate & other		
Group contribution	(1.7)	(0.1)
Operating margin	(2.9)	(0.7)
Total		
Group contribution	306.5	243.8
Operating margin	34.0	25.4
In % of Group contribution	11.1%	10.4%

Utilization rate of internal resources

Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 2018	Q2 2018
83.2%	84.3%	85.4%	85.3%	84.6%	85.6%	84.4%

Net debt

In millions of euros	30.06.2018	31.12.2017	30.06.2017
Short-term investments	10.2	0.1	10.1
Cash at bank*	60.5	82.1	71.9
Bank overdrafts (liability)	(0.9)	(2.7)	(1.0)
Cash and cash equivalents	**69.8**	**79.6**	**81.0**
Cash management assets	**0.3**	**0.3**	**1.7**
Bonds	(29.8)	(29.8)	(29.8)
Obligations under finance leases	(0.1)	(0.1)	(0.4)
Draw-downs on bank and similar facilities and other borrowings	(2.1)	(1.0)	(1.3)
Long-term borrowings	**(32.0)**	**(30.9)**	**(31.5)**
Bonds	(0.9)	(0.4)	(0.9)
Obligations under finance leases	(0.4)	(0.8)	(0.8)
Draw-downs on bank and similar facilities and other borrowings	(0.2)	(0.3)	(0.4)
Short-term borrowings	**(1.5)**	**(1.5)**	**(2.2)**
Total borrowings	**(33.5)**	**(32.4)**	**(33.6)**
Derivative instruments	-	-	-
Net cash	**36.7**	**47.5**	**49.0**
Of which cash from discontinued operations	1.6	1.8	9.8
Total Equity	**171.4**	**162.0**	**155.8**
Debt to Equity Ratio	**-21.4%**	**-29.3%**	**-31.5%**

*Including factoring position (net of deposit) for €17.1 million on 30 June 2018, €13.8 million on 31 December 2017 and €14.3 million on 30 June 2017

Changes in exchange rates

For €1	Average rate H1 2018	Average rate H1 2017	Variation
UAE dirham	4.445	3.977	-10.5%
Czech koruna	25.501	26.784	5.0%
Danish krone	7.448	7.437	-0.1%
Pound sterling	0.880	0.861	-2.2%
Moroccan dirham	11.250	10.779	-4.2%
Mexican peso	23.085	21.044	-8.8%
Norwegian krone	9.593	9.179	-4.3%
Zloty	4.221	4.269	1.1%
Tunisian dinar	2.977	2.546	-14.5%
Turkish lira	4.957	3.939	-20.5%
US dollar	1.210	1.083	-10.5%

Glossary

Restated: restated in accordance with IFRS 15 related to revenue from contracts with customers.

France: France.

Northern Europe & Benelux: Belgium, Denmark, United Kingdom, Luxembourg, Netherlands inclusing TMNS in Switzerland, in Germany and Serbia, and Norway.

Central Europe: Austria, Czech Republic, Germany and Poland.

Iberia & Latam: Spain, Mexico, Panama and Portugal.

Rest of the world: Middle East, Italy, Morocco, Tunisia and Turkey

Corporate & other: headquarter activities which cannot be allocated directly to the operational regions, and discontinued activities.

Revenue and group contribution: the revenue of a region is the contributive revenue and is defined as the total revenue (internal and external) of the region minus the costs of internal subcontracting. It reflects the contribution of the region to the revenue of the Group produced with own resources. The sum of the contributions of the regions corresponds to the consolidated revenue of the Group.

Operating margin: current operating result excluding the cost of share-based payments and the amortization of intangible assets resulting from acquisitions.

Like-for-like or l-f-l variation: variation at comparable perimeter and exchange rates.

Utilization rate of resources: number of working days of billable employees that were billed to a client compared to the total number of available days excluding holidays.

SMACS: Social Mobile Analytics Cloud Security.

DevOps: IT organizations must become nimble and work together to stay relevant. The consumerization of IT has changed customer expectations and IT must adapt its culture and processes to deliver apps and features faster. With a complete DevOps strategy, organizations can begin the culture, process, and platform changes needed to meet the new demands. The result is an IT organization that can deliver business innovation faster. (Source: RedHat.com, 2018)

ABOUT DEVOTEAM

At Devoteam, we deliver innovative technology consulting for business.

As a pure player for Digital Transformation of leading organisations across EMEA, our 6,500+ professionals are dedicated to ensuring our clients win their digital battles. With a unique transformation DNA, we connect business and technology.

Present in 18 countries in Europe and the Middle East, and drawing on more than 20 years of experience, we shape Technology for People, so it creates value for our clients, for our partners and for our employees.

Devoteam will achieve yearly revenues of €640 million in 2018 (e).
At Devoteam, we are Digital Transformakers.

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