Recurring operating profit[1] 2019 up[3] 14.3% at €126.2m

Key points of 2019

- **Revenue from continuing operations[2] stable[3] at €2,927m**
- **Recurring operating profit[1] at €126.2m, in line with forecasts**
- **Net book debt[4] under control at €252m, at same level as at end-2018**
- **Two non-strategical businesses sold and other sales underway**
- **Offer to repay share premium for €0.12 per share**

Improved levels of operating performance

In 2019, the Econocom group made €2,927m in revenue from its continuing operations, a stable[3] level following 2018. Organic revenue was down slightly, by 0.8%, on the previous year. Technology Management & Financing (TMF) was hit by an exceptional event: a fraud, to which Econocom Italy fell victim, with an adverse effect estimated at just over €130m on its revenue. Restated with this exceptional factor, the group's growth[3] was at 4.5% (3.7% of which was organic). Digital Services and Solutions (DSS, made up of Products & Solutions, and Services) carried on growing and posted €1,802m in revenue, up[3] 7.4%.

Following the transformation plan begun in 2019, several operations were restated in line with the IFRS 5 norm on 'assets held for sale and discontinued operations'. The 2018 income statement was adjusted as a result and the impact on the 2019 annual financial statements is provided in lines separated from the financial statements. In 2019, the group also adopted recognition of direct deliveries, excluding licences, as principal (in line with IFRS 15). The 2018 financial statements were modified to take into account the effects of this change in accounting.

Recurring operating profit[1] (ROP) from continuing operations reached €126.2m, compared with €110.4m for the same period in 2018[3], despite the negative impact of €13m posted for TMF Italy. ROP[1] from continuing operations for TMF reached €43.9m (compared with €50.5m in 2018[3]) and that for DSS reached €82.3m (compared with €59.9m in 2018[3]). ROP[1] benefited from effects of the cost-cutting plan that began in 2018 and gathered pace in H2 2019, as well as improved business activity in France, Belgium, Spain and the United Kingdom.

Non-recurring net expenses of €24.8m, mainly from the group's reorganisation operations, were posted in 2019 for continuing operations. Operating profit from the latter was €99.4m, up 14.5% on 2018.

After financial profit, income tax and net profit from discontinued operations were allocated, the consolidated net profit for the year was €48.6m, compared to €44.6m in 2018.

These healthy levels of performance, reached despite the adverse impact of Italy's exceptional event, reflect the favourable balance and solid resilience of Econocom's business portfolio.

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Debt under control

In 2019, operating cash flow from continuing operations[2] reached €140m, a €7.5m increase[3] on 2018. €63m was generated in free cash flow from continuing[2] operations, benefiting from capex reduction and good WCR control.

Net book debt[4] was at €252m, the same level as at the end of the previous year thanks to disciplined management of undertakings. Net book debt[4] was therefore 1.4 times 2019 EBITDA[5]. Almost all this debt (€238m) was secured by rent to be received and assets leased under leasing contracts self-funded by the group. With equity at €483.9m at 31 December 2019, the debt ratio was 0.5.

Governance now more efficient and experienced

Jean-Louis Bouchard, Chairman and CEO, brought stability to the group's governance by surrounding himself with a more efficient, highly experienced team that knows Econocom's different business lines well.

Angel Benguigui was appointed Managing Director in charge of all the group's business activities worldwide. He has kept his responsibilities as Group Finance Director.

Laurent Roudil, who had previously been in charge of services, was appointed Managing Director in charge of all the group's business activities in France. He will also oversee Purchasing and IT.

Together, alongside Jean-Louis Bouchard, they will lead the group's executive committee, which forms Econocom's operational management team.

Bruno Grossi, advisor to the Chairman and head of corporate communications, will provide the link with the Board of Directors.

Furthermore, in the Board of Directors meetings on 23 January and 9 March 2020, the resignation of four directors was duly noted. For greater efficiency around the Chairman, it was decided not to replace them in the short term.

Shareholder pay

At the next general meeting of shareholders, the Board of Directors will offer to repay share premium at €0.12 per share, the same level as in 2019.

As part of its long-standing policy to pay back shareholders, the group bought treasury shares for €26m in 2019. On 29 February 2020, Econocom held 26.3 million treasury shares, excluding liquidity agreements, amounting to 10.7% of the company's capital.

Bright outlook for 2020 against a backdrop of uncertainty

Econocom will continue to bolster its traditional business line, Technology Management & Financing, and refocus on the high-potential activities of its business line Digital Services and Solutions with productive investments on the one hand and sales and closures of non-strategical activities on the other.

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Two sales were completed in 2019 (Jade and Rayonnance). On 28 February, the company also announced it was in exclusive negotiations with investment firm Chequers Capital to sell its subsidiary EBC (Econocom Business Continuity), which brings together the group's maintenance activities in France. If this sale is completed, these three operations would make a combined total of €150m in proceeds from sales. Other sales are underway at different stages of progress.

Econocom will pursue its transformation plan to help boost its operating margin and return to strong growth. This will involve enhancing the company's talents and providing new offers, whether developed in-house or incorporated by acquisition. With this approach, Econocom will further strengthen its ability to provide its clients with end-to-end support and finance their digital transformation.

Before the COVID-19 crisis recently arose, the group had set itself the goal of reaching a level of recurring operating profit much higher in 2020 than in 2019.

Given the uncertainty about how this crisis might unfold and how long it may last, the group has decided not to publish guidance with figures for its ROP 2020.

Next publication: Q1 2020 revenue on 23 April 2020 after market close.

[1] Before amortisation of acquisition-related intangible assets and after restatement in line with IFRS 5 regarding discontinued operations.

[2] After restatement in line with IFRS 5 regarding discontinued operations and recognition of direct deliveries, excluding licences, as principal, in line with IFRS 15.

[3] Based on unchanging norms

[4] Before taking into account debt brought about by application of IFRS 16 to lease contracts (real estate, vehicles, etc.) in which Econocom is the lessee

[5] EBITDA is equivalent to operating profit + non-cash expenses and - non-cash income.

FOR FURTHER INFORMATION

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INCOME STATEMENT

(IN €M)	2018 restated*	2019
Revenue	**2,999**	**2,927**
Recurring operating profit before amortisation of acquisition-related intangible assets	**110.9**	**126.2**
Recurring operating profit	106.7	124.2
Non-recurring income and expenses	-19.9	-24.8
Operating profit	**86.8**	**99.4**
Financial profit	-15.5	-19.2
Profit before tax	**71.2**	**80.2**
Income tax expense	-20.8	-22.3
Net profit from discontinued operations	-5.9	-9.2
Net profit	**44.6**	**48.6**
Recurring net profit attributable to owners of the parent **	**62.4**	**72.1**

*In line with norm IFRS 5, income and expenses in 2018 from operations considered to be discontinued in 2019 were restated in 'Net profit from discontinued operations' in the 2018 income statement. However, in line with the provisions of IFRS 16, which came into force on 1 January 2019, data from 2018 is not restated with this norm's effects on lease contracts. Furthermore, the 2018 consolidated income statement was affected by recognition of direct deliveries now as principal (in line with IFRS 15).

** Recurring net profit attributable to owners of the parent is a performance indicator Econocom uses to better assess its economic and financial performance. This excludes:

- Amortisation of acquisition-related intangible assets, net of tax effects
- Other non-recurring operating income and expenses, net of tax effects
- Other non-recurring financial income and expenses, net of tax effects
- Net profit from discontinued operations

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STATEMENT OF FINANCIAL POSITION

(In €m) ASSETS	31.12.2018 *	31.12.2019
Goodwill	631	513
Residual interest in assets leased (non-current)	122	132
Other non-current assets	209	234
NON-CURRENT ASSETS	**962**	**879**
Residual interest in assets leased (current)	41	33
Trade and other receivables **	1,269	1,094
Other current assets	129	136
Cash and cash equivalents	608	594
Assets held for sale		201
CURRENT ASSETS	**2,047**	**2,058**
TOTAL ASSETS	**3,009**	**2,937**
(In €m) LIABILITIES	**31.12.2018 ***	**31.12.2019**
Equity attributable to owners of the parent	396	410
Non-controlling interests	95	74
EQUITY	**491**	**484**
Non-current financial liabilities ***	504	452
Gross liability for purchases of leased assets (non-current)	73	81
Other non-current liabilities	124	131
NON-CURRENT LIABILITIES	**701**	**664**
Trade and other payables	1,104	981
Other current liabilities	332	310
Current financial liabilities ***	356	395
Gross liability for residual financial values (current)	25	20
Liabilities held with a view to sale		83
CURRENT LIABILITIES	**1,817**	**1,789**
TOTAL LIABILITIES	**3,009**	**2,937**

* In line with specifications of the norms, the balance sheet at 31 December 2018 has not been restated with the effects of application of IFRS 5 and 16 from January 2019.

** Including self-funded lease outstandings: €238.5m at 31/12/19; €246.2m at 31/12/18.

*** Net of cash appearing in assets for €593.8m at 31/12/19 (and €608.4m at 31/12/18), net book debt was at 252.2 at 31/12/19 (and 251.7 at 31/12/18); this net book debt included €238.5m at 31/12/19 (and €246.2m at 31/12/18) corresponding to self-funded TMF contracts and related rent expected.