

econocom

ECONOCOM CONTINUES ITS PROFITABLE GROWTH DYNAMIC DURING THE FIRST HALF OF 2017 (REVENUE UP 5.7% AND RECURRING OPERATING PROFIT UP 9.2%) AND INVESTS AHEAD OF ITS NEXT STRATEGIC PLAN.

Revenue



Recurring operating profit¹



Equity



Net debt



HIGHLIGHTS OF THE FIRST HALF 2017

- Revenue up 5.7%, of which 2.4 % on a like-for-like basis, driven mainly by Services and Products & Solutions
- Recurring operating profit¹ rises 9.2%, including €6 million of operational investments
- Continuing the targeted investment strategy (3 M&A transactions in the first half)
- Substantial increase in equity and a drop in debt as a result of the early conversion of ORNANE bonds
- Expanded governance with Robert Bouchard appointed Group Chief Operating Officer and two new Executive Committee members
- Annual guidance confirmed

¹ Before amortisation of intangible assets from acquisitions.
Consolidated, unaudited

BUSINESS MOMENTUM IN H1 2017

In the first half of 2017 Econocom Group reported revenue of €1,280 million compared with €1,212 million in the first half of 2016, i.e. a 5.7% increase, of which 2.4% on a like-for-like basis.

The healthy business trend confirms the validity of the original “One Galaxy” development model, which is based on synergies between all the group’s business lines.

The group’s decision to focus on coordinating its actions and developing cross-business line offers is paying off, with a 10% increase in revenue for the Strategic Accounts division, thanks to coordinated sales approach between the various business lines. In addition, the Satellites posted a further double-digit organic growth (+15%), due to their positioning in growth markets and synergies with the group’s historic businesses.

These initiatives contributed to the good sales performance of the group’s businesses:

- **Services** continued its growth dynamic with revenue standing at €430 million for H1, up 10.9%, of which 4.4% organically. The group benefits from some major multi-year contracts signed in the last 12 months.
- **Technology Management & Financing** posted a slight decline in revenue year-on-year, standing at €604 million (down 1.5%). After a good first quarter, the second was impacted by the postponing of a number of contracts which will increase revenue in the second half.
- **Products & Solutions** enjoyed another six months of strong growth in revenue, up to €246 million, i.e. a 16.8% rise, 9.0% of which on a like-for-like basis. The group continues to gain market shares in the public sector and benefits from its strong foothold in the growing B2B multimedia segment. BIS Group, which was incorporated in the second quarter, joined this business line in the Netherlands and Belgium.

RECURRING OPERATING PROFIT UP 9.2%

During the first half of 2017, recurring operating profit¹ (ROP) stood at €58.2 million compared with €53.3 million, a 9.2% rise year-on-year. This good performance includes €6 million of opex investments in staff, offers and tools.

Technology Management & Financing reported ROP of €38.1 million and operating margin of 6.3%. In addition to a favourable mix of contracts during the period, the activity benefits from accelerated technology refresh rates and a rise in the resale price of digital assets.

The Services business posted recurring operating profit of €14.6 million, i.e. a 3.4% margin. During the first half, the activity was affected by the ramp-up costs of large multi-year contracts, investments in industrialising the services centres in France and overseas, and in the new cross-disciplinary “One Galaxy” offers.

Lastly, Products & Solutions posted ROP of €5.5 million and saw a slight improvement in margin at 2.2%.

RECURRING NET PROFIT UP 4.1%

Profit attributable to owners of the parent stood at €32.6 million and includes €8.9 million of non-recurring expenses due mainly to the transformation of the group’s Services business.

Recurring net profit² attributable to owners of the parent amounted to €33 million, up 4.1%.

¹ Before amortisation of intangible assets from acquisitions.

² Excluding non-recurring items and before amortisation of intangible assets from acquisitions – definition in appendix

BALANCE SHEET STRENGTHENED BY THE CONVERSION OF ORNANE BONDS

On 30 June 2017, the group's net financial debt amounted to €204 million, substantially lower than on 30 June 2016 (€285 million). The change compared with the €185 million net debt as of 31 December 2016 is due to the seasonal nature of the group's business and the investments made during the period, but also to the conversion of the ORNANE convertible bond. This transaction reduced the group's net financial debt by €133 million and increased its equity by €183 million.

Thus on 30 June 2017, equity stood at €440 million, a substantial increase compared with €279 million on 31 December 2016.

STRENGTHENED MANAGEMENT TEAM

When it met on 18 May 2017, the Board of Directors appointed Robert Bouchard as Executive Director and Group Chief Operating Officer, thus confirming the long-term commitment of the Bouchard family.

Robert Bouchard has a sound knowledge of the group having served as Board member for almost 8 years, Vice-Chairman of the Econocom Group Board of Directors and having been Chairman of the Audit Committee. For almost a year he has had an operational role as CEO and then Chairman of Digital Dimension.

In addition, the Executive Committee has been expanded with the following appointments:

- Sébastien Musset as Executive Director in charge of Transformation and Resources for the group. He has also been appointed Managing Director France, and as such will be in charge of stepping up synergies in the group's largest country.
- Martine Bayens, currently COO of Digital Dimension, has joined the Executive Committee as Executive Director in charge of the Satellites; as such she will have the task of welcoming, coordinating and accelerating the Satellites' development.

CONTINUING TARGETED INVESTMENTS

In addition to the operational investments to expand and bring new blood to the teams, build new offers and update production tools, in anticipation of its next strategic plan, Econocom Group is continuing its targeted investments and announced three external growth transactions in May:

- Acquisition of 100% of BIS Group, a multimedia solutions integrator based in the Netherlands and Belgium. BIS reported revenue of around €50 million in 2016.
- Alter Way, a Satellite of Econocom Group, acquired LP Digital, a digital strategy consulting firm.
- Lastly, a 40% stake in JTRS, an Apple and Google preferred partner in the education sector in the UK.

The group is currently considering the acquisition of medium-size companies to reinforce its expertise or deploy its offering overseas, particularly in the UK and Germany.

2017 ANNUAL GUIDANCE CONFIRMED

In light of the first-half performance and the current business trends, the group's Management confirms its 2017 guidance, i.e. another year of:

- sustained organic growth (over 5%);
- double-digit growth in recurring operating profit¹.

¹ Before amortisation of intangible assets from acquisitions.

Upcoming key events:

- The 2017 half-year report will be available on 1st September on the group's website
- Econocom will present its new "e for excellence" strategic plan on 3 October 2017
- The Q3 2017 revenue statement will be published after the close of trading on 19 October 2017.

Appendix- definition:

Recurring net profit attributable to owners of the parent, corresponds to net profit attributable to owners of the parent before the inclusion of the following items, net of income tax: amortisation expenses of intangible assets from acquisitions, adjustment to fair value of the ORNANE derivative component, other non-recurring operating income and expenses, non-recurring financial operating income and expenses.

ABOUT ECONOCOM

Econocom designs, finances and oversees companies' digital transformation. With 10,000 employees in 19 countries and revenue in excess of €2.5 billion, Econocom has all the requisite abilities to ensure the successful implementation of large-scale digital projects: consulting, sourcing and technology management & financing of digital assets, infrastructure, application and business solution services, and project financing. Econocom has adopted European company status (*Societas Europaea*). The Econocom Group share has been listed on Euronext Brussels since 1986. It is part of the BEL Mid and Family Business indices.

FOR FURTHER INFORMATION

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