

Press release

Strong improvement of the operating margin at 9.9% in H1 2017

Acquisition of D2SI, a French leader of the Public Cloud technologies of Amazon

Disposal of the control in Between

Paris, 5 September 2017

In millions of euros ⁽¹⁾	30.06.2017	30.06.2016 restated ⁽²⁾	30.06.2016 presented ⁽³⁾	Variation ⁽⁴⁾	Organic variation ⁽⁵⁾
Revenue	256.5	238.1	275.4	+7.7%	+7.7%
Operating margin	25.4	22.0	22.7	+15.8%	
In % of the revenue	9.9%	9.2%	8.2%	+0.7 pt	
Operating income	21.7	15.8	16.5	+37.4%	
In % of the revenue	8.5%	6.6%	6.0%	+1.8 pt	
Net income - Group share	11.9	7.6	7.6	+57.1%	
Diluted earnings per share ⁽⁶⁾	€1.50	€0.98	€0.98	+53.8%	
Net cash at closing⁽⁷⁾	49.0	39.5	39.5	+€9.6m	

⁽¹⁾The financial statements presented in this press release have been approved by the Supervisory Board on 4 September 2017 and are currently being certified by the Group Auditors.

⁽²⁾Restated from Between: in accordance with IFRS 5 related to assets held for sale, the operations of Between have been classified on a single line of the income statement named "Net result of discontinued operations, net of tax". As a consequence, these operations are not included in the revenue and the operating income.

⁽³⁾In the H1 2016 press release.

⁽⁴⁾Based on H1 2016 restated.

⁽⁵⁾At comparable perimeter and exchange rates, based on H1 2016 restated.

⁽⁶⁾Based on the weighted average number of shares for the year.

⁽⁷⁾Cash position net of all financial debts.

Devoteam (Euronext Paris: DVT) reported revenues of €256.5 million and operating margin of 9.9% for the first half of 2017. In addition, the Group also announced two strategic moves that are aligned with the ambition outlined in its Scale! plan.

On 21 July 2017, Devoteam signed an agreement which will lead to the divestment of 40% of Between shares to its minority shareholders. Between is based in the Netherlands and focused on brokerage business. The closing is expected to happen in September 2017 and will decrease Devoteam's ownership in the company to 35%. In accordance with IFRS 5, the consolidated income statement of the Group has been restated, and the net profits and losses related to Between are now booked in the "Income from discontinued operation, net of tax" line. Previous periods have been restated to keep the method unchanged from one period to another.

On 6 August 2017, the Group also signed an agreement which will lead to the acquisition of a majority stake of 80% in D2SI, a Public Cloud specialist and one of the leading French providers of cloud solutions of Amazon Web Services. D2SI supports its customers in the fields of automation, modernisation and development of application portfolio, and the deployment of Big Data solutions. Furthermore, D2SI benefits from a significant market visibility and credibility, as the organizer of the TIAD (The Incredible Automation Day), the leading event on IT automation in France. The company employs circa 100 people and generated revenues of €13 million in 2016. This acquisition will be consolidated as of 1 October 2017. From a strategic point of view, this acquisition fits fully with the ambition and dynamic of the Scale! plan as it reinforces the position of Devoteam on the Agile IT Platform offer, and extends the ability to provide, next to the market leaders (AWS, Google, Microsoft), for the fast growing demand for Public Cloud.

Results for the first half of 2017

Following the reclassification of the results of Between, the Group generated **revenues** of €256.5 million in the first half of 2017, growing 7.7% at constant scope and exchange rates compared to the first half of 2016.

During the second quarter of 2017, the Group generated revenues of €125.3 million, representing a 1.3% organic growth compared to the second quarter of 2016. This growth is despite the effects of fewer working days in 2017 compared to 2016 (-2.8 days) and the benefit of a major license contract signed in the Middle East (also in 2016). Excluding these impacts, the Group estimates the growth would have been in the range of 8%, mainly explained by the success of the speedboats (start-ups launched by the Group on strategic markets), improved operations in Germany and the focus on the SMACS offers

(Social Mobile Analytics Cloud Security). Revenues from SMACS offers has increased by over 20% during the second quarter and represented nearly half the revenue of the Group.

The **operating margin** increased by 70 basis points in the first half of 2017. It stood at €25.4 million and 9.9% of the revenue, against €22.0 million and 9.2% in the first half of 2016. The margin rate benefited from improved margins on contracts and from the relative effect of the divestment in Between.

Non recurring expenses included decreasing restructuring costs, mainly located in Spain, Germany and France, and a goodwill write down of €1.0 million in relation to Devoteam Netherlands.

The **operating result** benefited from combined improvement on the operating margin and on the non recurring expenses. It increased by 37% during the semester compared to the same period of 2016.

The **financial result** improved slightly to a -€0.9 million expense compared to the first half of 2016, mainly thanks to currency gains on the Turkish lira.

Tax expenses amounted to €7.8 million. It represented 37.3% of the profit before tax of the continuing operations, against 40.7% in the first half of 2016. Excluding the losses of disposals and the impairments, without tax effect, the tax rate would have been 35.7%, slightly above the first half of 2016. The tax expenses included the effect of local taxes (mainly CVAE in France) for €1.5 million.

Net income increased by 48%, and the net income attributable to the shareholders of Devoteam S.A. strongly improved by 57%, thanks to the decrease of the non recurring expenses supported by the "Group share" part of the scope.

On 30 June 2017, the **net cash** of the Group was €49.0 million, considering a DSO level at mid-year usually higher than at year-end.

Headcount and utilization rate

On 30 June 2017, the Group employed 4 422 people compared to 4 338 people on 31 March 2017 after considering the restatement of the Between operations. The headcount increased by 81 people in the second quarter of 2017 whereas the second quarter of 2016 presented a net increase in headcount of 13 people.

The ratio of billable headcount to total headcount stood at 85.8% on 30 June 2017, compared to 85.3% on 31 March 2017.

Excluding divested entities, the utilization rate was at 84.2%.

2017 outlook

After considering the transfer of Between to discontinued operations and the acquisition of D2SI, the Group updated its 2017 annual target of revenue to €530 million (against €595 million previously). It includes a contribution of TMNS of €10 million over six months (versus seven months in the previous release) and a contribution of D2SI of around €3 million. The Group updated its target of operating margin too, from “close to 9%” to “close to 10%” to include the relative impact of the divestment in Between.

Financial calendar

Press release after market closed	
Q3 2017	Q4 2017
14 November 2017	7 March 2018

Appendix

Pro forma information of the profit and loss statement

In millions of euros	H1 2017	H1 2016 restated	H1 2016 presented	2016 restated	2016 presented
Continuing operations					
Revenue	256.5	238.1	275.4	479.4	555.7
Operating margin	25.4	22.0	22.7	45.3	47.0
In % of the revenue	9.9%	9.2%	8.2%	9.5%	8.5%
Cost of share based payment & impact of acquisitions (amortization of intangibles)	(1.1)	(0.8)	(0.8)	(1.7)	(1.7)
Current operating income	24.3	21.2	21.9	43.6	45.3
In % of the revenue	9.5%	8.9%	7.9%	9.1%	8.2%
Non current result excluding impairment, badwill & M&A	(1.6)	(2.8)	(2.8)	(4.0)	(4.0)
Operating income before M&A & assets disposal	22.7	18.4	19.1	39.6	41.3
In % of the revenue	8.8%	7.7%	6.9%	8.3%	7.4%
M&A & other assets disposal	0.0	(1.3)	(1.3)	(2.2)	(2.2)
Impairment, badwill	(1.0)	(1.2)	(1.2)	(1.1)	(1.1)
Operating income	21.7	15.8	16.5	36.3	38.0
In % of the revenue	8.5%	6.6%	6.0%	7.6%	6.8%
Financial result	(0.9)	(1.1)	(1.1)	(2.4)	(2.4)
Share of profit from associates	0.1	(0.1)	(0.1)	0.1	0.1
Income before tax	20.9	14.6	15.3	34.0	35.7
In % of the revenue	8.1%	6.1%	5.5%	7.1%	6.4%
Income tax	(7.8)	(5.9)	(6.1)	(11.9)	(12.3)
Discontinued operation					
Profit (loss) from discontinued operation, net of tax	0.5	0.5	-	1.3	-
-					
Net income	13.6	9.2	9.2	23.4	23.4
In % of the revenue	5.3%	3.9%	3.3%	4.9%	4.2%
Net income - Group share	11.9	7.6	7.6	19.8	19.8
Basic earnings per share	€1.51	€0.98	€0.98	€2.54	€2.54
Diluted earnings per share	€1.50	€0.98	€0.98	€2.54	€2.54

Quarterly revenue by region

In millions of euros	Q1 2017 restated	Q1 2016 restated	Q2 2017	Q2 2016 restated	H1 2017	H1 2016 restated
France	67.7	56.2	64.5	58.6	132.2	114.8
Variation	20.5%		10.0%		15.2%	
L-f-I variation	20.5%		10.0%		15.2%	
Northern Europe & Benelux	32.6	28.4	29.2	30.0	61.8	58.4
Variation	14.6%		-2.7%		5.8%	
L-f-I variation	10.9%		-6.9%		1.8%	
Central Europe	13.7	11.5	14.1	11.2	27.8	22.7
Variation	18.8%		26.3%		22.5%	
L-f-I variation	11.0%		17.4%		14.1%	
Rest of the world	17.3	16.4	17.8	21.6	35.1	38.1
Variation	5.2%		-17.8%		-7.9%	
L-f-I variation	5.4%		-17.8%		-7.8%	
Corporate	(0.1)	(0.1)	(0.4)	(0.1)	(0.4)	(0.2)
Divestments	-	2.6	-	1.6	-	4.2
Total	131.2	115.1	125.3	123.0	256.5	238.1
Variation	14.0%		1.9%		7.7%	
L-f-I variation	14.6%		1.3%		7.7%	

Of which impact of significant acquisitions:

In millions of euros	Q1 2017	Q1 2016	Q2 2017	Q2 2016	H1 2017	H1 2016
Northern Europe & Benelux	1.1		1.6		2.7	
HNCO, consolidated as of 1 July 2016 (estimate)	0.6		1.0		1.6	
Globicon, consolidated as of 1 July 2016 (estimate)	0.5		0.6		1.1	
Central Europe	0.9		1.0		1.9	
Q-Partners Consulting, consolidated as of 1 July 2016	0.9		1.0		1.9	

Discontinued operation:

In millions of euros	Q1 2017	Q1 2016	Q2 2017	Q2 2016	H1 2017	H1 2016
Between	18.7	18.2	16.4	19.1	35.1	37.3
Variation	2.5%		-14.1%		-6.0%	
L-f-I variation	2.5%		-14.1%		-6.0%	

Revenue and operating margin by region

In millions of euros	H1 2017	H1 2016 restated
France		
Group contribution	132.2	114.8
Operating margin	17.0	14.8
In % of Group contribution	12.9%	12.9%
Northern Europe & Benelux		
Group contribution	61.8	58.4
Operating margin	4.6	4.3
In % of Group contribution	7.4%	7.4%
Central Europe		
Group contribution	27.8	22.7
Operating margin	2.4	1.7
In % of Group contribution	8.5%	7.5%
Rest of the world		
Group contribution	35.1	38.1
Operating margin	2.1	2.3
In % of Group contribution	5.9%	6.1%
Corporate		
Group contribution	(0.4)	(0.2)
Operating margin	(0.6)	(1.1)
Divestments		
Group contribution	-	4.2
Operating margin	-	(0.1)
In % of Group contribution	-	-1.9%
Total		
Group contribution	256.5	238.1
Operating margin	25.4	22.0
In % of Group contribution	9.9%	9.2%

Discontinued operation:

In millions of euros	H1 2017	H1 2016
Between		
Group contribution	35.1	37.3
Operating margin	0.7	0.7
In % of Group contribution	2.1%	1.8%

Utilization rate of internal resources excluding divested entities

Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	Q1 2017	Q2 2017
82.9%	85.1%	85.5%	84.1%	84.4%	82.9%	84.2%

Net debt

In millions of euros	30.06.2017	31.12.2016	30.06.2016
Short-term investments	10.1	10.3	15.0
Cash at bank*	71.9	81.7	57.0
Bank overdrafts (liability)	(1.0)	(1.0)	(1.5)
Cash and cash equivalents	81.0	91.0	70.6
Cash management assets	1.7	1.7	2.5
Bonds	(29.8)	(29.8)	(29.7)
Obligations under finance leases	(0.4)	(0.8)	(1.3)
Draw-downs on bank and similar facilities and other borrowings	(1.3)	(1.2)	(0.7)
Long-term borrowings	(31.5)	(31.8)	(31.7)
Bonds	(0.9)	(0.4)	(0.9)
Obligations under finance leases	(0.8)	(0.8)	(0.8)
Draw-downs on bank and similar facilities and other borrowings	(0.4)	(0.2)	(0.1)
Short-term borrowings	(2.2)	(1.5)	(1.9)
Total borrowings	(33.6)	(33.2)	(33.6)
Derivative instruments	-	-	-
Net cash	49.0	59.5	39.5
Of which cash from discontinued operations	-	15.2	6.1
Total Equity	155.8	146.1	131.1
Debt to Equity Ratio	31.5%	40.7%	30.1%

*Including factoring position (net of deposit) for € 14.3 million on 30 June 2017, € 10.3 million on 31 December 2016 and € 18.9 million on 30 June 2016.

Changes in exchange rates

For €1	Average rate H1 2017	Average rate H1 2016	Variation
UAE dirham	3.977	4.100	3.1%
Swiss franc	1.096	1.096	-
Czech koruna	26.784	27.038	0.9%
Danish krone	7.437	7.450	0.2%
Algerian dinar	119.028	121.352	2.0%
Pound sterling	0.861	0.779	-9.5%
Moroccan dirham	10.779	10.880	0.9%
Mexican peso	21.044	20.160	-4.2%
Norwegian krone	9.179	9.421	2.6%
Zloty	4.269	4.367	2.3%
Tunisian dinar	2.546	2.290	-10.0%
Turkish lira	3.939	3.260	-17.2%
US dollar	1.083	1.116	3.1%

Glossary

Restated: restated from Between, in accordance with IFRS 5 "Non current assets held for sale and discontinued operations" which requires the net profits and losses of the activity to be presented as "Net result of discontinued operations, net of tax" in the consolidated income statement.

Between is a Dutch subsidiary specializing in "sourcing" of IT professionals.

France: French operations.

Northern Europe & Benelux: Belgium, Denmark, United-Kingdom, Luxembourg, Netherlands including TMNS in Switzerland, Germany and Serbia, and Norway excluding divested activities.

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

Rest of the world: Middle East, Algeria, Spain, Italy, Morocco, Mexico, Panama, Tunisia and Turkey.

Corporate: headquarter activities which cannot be allocated directly to the operational regions.

Divestments or divested entities: in 2016, divested activities include Grimstad activities in Norway, deconsolidated as of 1 May 2016, and Devoteam Genesis, deconsolidated as of 1 July 2016.

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 I-f-I 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.

Big data: set of technologies to help collect, store and process data that have high attributes in terms of velocity, volume or variety.

Agile IT platform: Devoteam offer aiming at transforming customers' core IT into a service oriented digital platform, to serve business need for speed & agility, from the infrastructure layers, all the way to the delivery and IT operating models.

ABOUT DEVOTEAM

At Devoteam, we deliver innovative technology consulting for business.

We are 4,500 professionals dedicated to ensuring our clients win their digital battles.

Present in 17 countries in Europe and the Middle East and drawing on 20 years of experience, we improve business performance making their companies truly digital. We build IT infrastructure for digital, and make sure people are along for the ride.

Devoteam achieves yearly revenue above €500 million.

At Devoteam, we are "Digital Transformakers".

ISIN: FR 0000073793, Reuters: DVTM.PA,
Bloomberg: DEVO FP

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