

econocom

ECONOCOM CONFIRMS ITS VERY GOOD 2016 RESULTS. THE GOOD PROSPECTS FOR 2017 ARE A TESTAMENT TO THE SUCCESS OF THE MUTATION 2013-2017 STRATEGIC PLAN AND THE EFFECTIVENESS OF ITS ORIGINAL DEVELOPMENT MODEL

Revenue



Recurring operating profit¹



Recurring net earnings per share² attributable to owners of the parent



VERY GOOD 2016 RESULTS CONFIRMED

- Sharp increase in revenue to €2,536 million (up 9.5%)
- Organic growth accelerated in the second half, standing at 6.7%, for the year, supported by all the group's activities
- Recurring operating profit¹ rose 19.2% to €140.3 million
- Operating margin rate stands at 5.5% (up 40 bps)
- Recurring² earnings per share attributable to owners of the parent increased 19.2% to €0.77
- Strong generation of cash flow and net debt under control, standing at €185 million, i.e. less than 1.3 x EBITDA.

GOOD GROWTH PROSPECTS FOR 2017

Continuing on a positive trend and consolidating its position in the digital transformation market:

- Sustained organic growth, in excess of 5%
- Another double-digit rise in recurring operating profit¹.

Following the success of its last two plans, the group will announce its next strategic development plan, **"E for Excellence,"** in September 2017.

The Board of Directors of Econocom Group, a European company specialising in the digital transformation of organisations, met today with Jean-Louis Bouchard acting as chairman, to finalise the 2016 full-year results.

2016 RESULTS: CONTINUING THE STRONG PROFITABLE GROWTH DYNAMIC

Econocom reported another year of strong growth in sales and profitability, as announced at the beginning of 2016. This shows, once again, the validity of the development model of the group's mixed growth strategy, based on a balance between organic growth and selective acquisitions.

Econocom posted **consolidated revenue of €2,536 million** compared with €2,316 million in 2015, i.e. a **9.5%** rise. Organic growth is above the market rate and reached **6.7%**, driven by the group's three business lines.

The Satellites, whose revenue accounted for almost **10% of the group's revenue**, at €247 million, reported organic growth of 11% thanks to their positioning in high-potential segments, their cutting-edge expertise and the increasing synergies with the group's historic core businesses.

Synergies between the group's activities are on the increase: multi-business lines sales rose by 30% in 2016 and now account for around 20% of the group's revenue.

Recurring operating profit¹ reached **€140.3 million** compared with 117.7 million in 2015, up **19.2%**. Profitability is thus increasing at twice the rate of revenues. Operating margin increased 40 bps to **5.5%** in a year that was notable for some substantial investments (sales force, offering, communication, etc.).

Bolstered by the healthy sales dynamic, all the group's activities contributed to the increase in Econocom's profitability:

- **Technology Management & Financing** posted revenue of €1,259 million (up 9.6%, 9.4% of which is organic) and recurring operating profit of €80.2 million (up 14.4%), i.e. a 6.4% operating margin. Growth was accelerated by the company's in-house refinancing company (EDFL), which carries the most innovative offers and contributed €132 million to revenue (up 48%), with a limited impact of €27 million on net financial debt.
- **Services** reported revenue of €802 million (up 9.9%, 2.7% of which is organic). As expected, its profitability has improved significantly, with recurring operating profit standing at €46.4 million (up 30.7%), i.e. an operating margin of 5.8%, up 90 bps.
- **Products & Solutions** posted revenue of €475 million (up 8.6%, 6.8% of which is organic) and recurring operating profit of €13.7 million (up 13.2%), i.e. a 2.9% operating margin (up 10 bps). Growth was driven in particular by market share gains in the public sector (hospitals and education).

RECURRING EARNINGS² PER SHARE, ATTRIBUTABLE TO OWNERS OF THE PARENT UP 19.2%

Profit attributable to owners of the parent stood at €39.6 million. It was heavily affected by a non-cash financial expense of €37.9 million (change in fair value of the ORNANE derivative³) as a result of the good performance of the Econocom Group share price in 2016.

Excluding non-recurring items and before amortisation of intangible assets from acquisitions, recurring **net profit², attributable to owners of the parent** rose by 18% to stand at €83 million. This performance reflects the group's operational efficiency and the stability of the effective income tax rates, which amounted to 31.9% (compared with 32% in 2015), excluding the adjustment to fair value of the ORNANE derivative, which is non-deductible.

Recurring earnings² per share, attributable to owners of the parent thus stood at €0.77, a substantial increase of 19.2%.

ANOTHER RISE IN SHAREHOLDER REMUNERATION

At the next General Shareholders Meeting the Board of Directors will recommend that the shareholders receive a refund of the issue premium of **€0.20 per share**, i.e. a 14% increase compared with 2015 and a 33% rise over two years.

In line with its shareholder return policy and in an effort to manage dilution, the group also continued its treasury share buyback programme. As of 31st December 2016, it held 5.4 million treasury shares (i.e. 4.8% of its share capital) and 3.74 million ORNANE convertible bonds (i.e. 22.7% of the total bonds).

A SOLID BALANCE SHEET AND NET DEBT UNDER CONTROL

In 2016 the group generated cash flow from operating activities of €122 million, rising by 21%. Net cash at bank amounted to €285 million, 150 million of which came from the successful Schuldschein loan issue in November 2016.

The group's equity stood at €279 million, while net book debt remained stable at €185 million, i.e. less than 1.3 times EBITDA. It remains under control in spite of the significant investments made in 2016: €59 million on acquisitions and on the internal refinancing company (EDFL) and €39 million as part of the shareholder return policy (repayment of share premiums and treasury share buy-back).

Since 1st January 2017, Econocom has been buying back ORNANE convertible bonds backed by treasury shares sales and bondholders have requested the conversion of 400,000 ORNANE. As of 17 February, the group held 6.44 million ORNANE, i.e. 40% of the total number of bonds.

These transactions have increased equity by €45 million and neutralised €31 million worth of financial debt.

GOOD OUTLOOK FOR 2017

As announced in January, the group's Management is confident in the group's prospects for 2017 and expects another year of:

- **Sustained organic growth (in excess of 5%)**
- **A double-digit rise in recurring operating profit¹.**

Recurring operating profit¹ should thus **exceed the target of €150 million** set as part of the Mutation 2013-2017 plan, and includes €18 million of "operational investments" which will be used to expand the teams, develop talents, and enhance the offering and brand image.

In addition, Econocom will continue its selective acquisition policy in strategic areas.

PREPARING THE NEW STRATEGIC PLAN: "E FOR EXCELLENCE"

The Mutation 2013-2017 strategic plan allowed the group to effect its first "mutation" into a major service company specialising in the digital transformation of organisations. The group, which currently employs 10,000 people in 19 countries, has **multiplied revenue by four** and **increased recurring operating profit six-fold** in the course of its last two strategic plans.

With these successes and the encouraging start, the group will present a new strategic plan called **"E for Excellence"** in September 2017.

Jean-Louis Bouchard, Chairman and Chief Executive Officer, said: *"2017, the last year of the Mutation plan which was announced in 2013, will be a turning point for Econocom Group. It is at this time that I have chosen to take over temporarily the operational reins of the group, in order to support the profound and exciting transformation of businesses and organisations resulting from the digital revolution. We are going to accelerate the coordination and synergies between all the group's business lines. That's what our "One Galaxy" project is all about. 2017 will also be the year in which we launch our new strategic plan, E for Excellence, which will be firmly focused on the added value of the offering, the quality of our delivery and a cross-business line approach. In order to successfully deploy this plan, I would like to expand and bring new blood to our management team and promote innovative new collaboration methods. The improvement in profitability should reflect our ambition for excellence and will be a sign of the group's success."*

Next press release: the 2017 first-quarter revenue release will be published after the close of trading on 20 April 2017.

The statutory auditor has confirmed that the audit, which is substantially complete, has not to date revealed any material misstatement, which would require an adjustment to the figures included in the press release.

INCOME STATEMENT

	2016	2015
<i>in million euros</i>		
REVENUE	2,536.2	2,316.1
RECURRING OPERATING PROFIT <i>Before amortisation of intangible assets from acquisitions</i>	140.3	117.7
RECURRING OPERATING PROFIT	136.1	113.5
OTHER NON-RECURRING OPERATING INCOME AND EXPENSES	(6.8)	(5.2)
OPERATING PROFIT	129.3	108.3
FINANCIAL RESULT	(17.4)	(12.4)
CHANGE IN FAIR VALUE OF ORNANE ³ DERIVATIVE	(37.9)	(6.3)
PROFIT BEFORE TAX	74.1	89.6
INCOME TAX	(35.7)	(30.7)
DISCONTINUED OPERATIONS AND SHARE OF PROFIT/(LOSS) OF ASSOCIATES	(0.2)	(0.2)
NET PROFIT	38.2	58.7
NET PROFIT, ATTRIBUTABLE TO OWNERS OF THE PARENT	39.6	57.8
RECURRING NET PROFIT, ATTRIBUTABLE TO OWNERS OF THE PARENT²	83.0	70.1
EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF THE PARENT	0.37	0.53
DILUTED NET EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	0.36	0.52
RECURRING EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT²	0.77	0.65

Notes and definitions

1. Recurring operating profit before amortisation of intangible assets from acquisitions (at 31 December 2016, this was amortisations of the ECS customer portfolio and the Osiatis brand).

2. Since H1 2016, recurring net profit group share has been the performance indicator chosen by Econocom in order to gain a better understanding of its economic and financial performance. It corresponds to net profit attributable to owners of the parent, before the inclusion of the following items:

- Amortisation expenses of intangible assets from acquisitions, net of income tax,
- Adjustment to fair value of the ORNANE derivative component,
- Other non-recurring operating income and expenses, net of income tax,
- Non-recurring financial operating income and expenses, net of income tax,
- Profit (loss) from discontinued operations, net of income tax.

3. The Group's ORNANE bond has a derivative component whose value varies in line with changes in Econocom's share price and other criteria (volatility, dividends, interest rates). Under IFRS, this component must be revalued at each balance sheet date, with any change recognised in profit or loss.

CONSOLIDATED BALANCE SHEET

ASSETS <i>in million euros</i>	2016	2015
GOODWILL	539	484
RESIDUAL INTEREST IN LEASED ASSETS	77	70
OTHER NON-CURRENT ASSETS	160	137
NON-CURRENT ASSETS	776	691
RESIDUAL INTEREST IN LEASED ASSETS	30	28
TRADE AND OTHER RECEIVABLES	882	805
OTHER CURRENT ASSETS	98	84
CASH	349	210
CURRENT ASSETS	1,359	1,127
TOTAL ASSETS	2,135	1,818

EQUITY & LIABILITIES <i>in million euros</i>	2016	2015
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	201	228
NON-CONTROLLING INTERESTS	78	52
EQUITY	279	281
FINANCIAL LIABILITIES	391	281
COMMITMENTS ON RESIDUAL VALUE	53	46
OTHER NON-CURRENT LIABILITIES	142	120
NON-CURRENT LIABILITIES	586	447
TRADE PAYABLES	908	752
OTHER CURRENT LIABILITIES	203	207
FINANCIAL LIABILITIES	143	115
COMMITMENTS ON RESIDUAL VALUE	16	16
CURRENT LIABILITIES	1,270	1,090
TOTAL LIABILITIES	2,135	1,818

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 adopted European company status (Societas Europaea) in December 2015. The Econocom Group share has been listed on Euronext Brussels since 1986. It is part of the BEL Mid and the Tech 40 indices.

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