

Press release

Operating margin at 8.5% in 2016, increasing 150 basis points; free cash flow doubled at 7.8% of the revenue

Revenue growing 13.4% organically to €555.7 million

Paris, March 1st 2017

In millions of euros ⁽¹⁾	2016	2015	Growth	Organic growth ⁽²⁾	Organic growth ⁽²⁾ excluding Between
Revenue	555.7	485.3	+14.5%	+13.4%	+8.1%
Operating margin	47.0	33.9	+38.9%		
In % of the revenue	8.5%	7.0%	+1.5 pt		
Operating income	38.0	28.4	+33.9%		
In % of the revenue	6.8%	5.8%	+1.0 pt		
Net income - Group share excluding the impact of disposals in Norway and Switzerland	21.5	16.2	+32.4%		
Net income - Group share	19.8	16.2	+22.2%		
Diluted earnings per share ⁽³⁾	€2.54	€2.12	+19.5%		
Net cash at closing⁽⁴⁾	59.5	40.0	+€19.5m		

⁽¹⁾The financial statements presented in this press release have been approved by the Supervisory Board on February 27th 2017 and are currently being certified by the Group Auditors

⁽²⁾At comparable perimeter and exchange rates

⁽³⁾Based on the weighted average number of shares for the year

⁽⁴⁾Cash position net of all financial debts

Devoteam (Euronext Paris: DVT) reported revenue of €555.7 million for the year ended December 31st 2016, up 13.4% compared to 2015, excluding changes in currency and scope.

Operating margin was €47.0 million, representing 8.5% of the revenue, improving by 150 basis points compared to 2015.

Excluding the impact of disposals in Norway and in Switzerland (losses on disposals amounting to €1.7 million), the Group share of net income increased 32.4% over the year, to €21.5 million, and €2.77 of diluted earning per share.

Including the losses on disposals, the Group share of net income amounted to €19.8 million and the diluted earning per share was €2.54.

The success of the EAGLE plan launched in 2012 resulted in good results for the year 2016, which was characterised by the growth in our SMACS activities. It represented 38.7% of the revenue and grew 24.6% compared to 2015, excluding changes in scope, Be Team and Between. With this dynamism, the Group has built a solid basis to implement its strategic plan for 2020: Scale!.

Results for the year 2016

Revenue for 2016 amounted to €555.7 million, representing a growth of 13.4% over 2015 at constant scope and exchange rates.

During the fourth quarter of 2016, the Group generated revenue of €149.5 million, representing a 8.7% rise at comparable scope and exchange rates compared with the fourth quarter of 2015. The organic growth of 8.7% included a 2 point contribution from Between. As in the third quarter of 2016, the progression was mainly supported by our entities in France, in Belgium and in Denmark, despite the unfavourable effect of working days (-1.2 days).

Operating margin improved by 150 basis points in 2016. It stood at €47.0 million and 8.5% of the revenue, compared to €33.9 million and 7.0% of the revenue in 2015. The improvement came from better project margins and proper management of structural costs.

Operating result amounted to €38.0 million and included non recurring expenses of €7.4 million and cost of share-based payments for €1.4 million.

Non-recurring expenses consisted of €4.3 million in restructuring costs, mainly in Germany and in France, €2.2 million of impact of changes in scope (notably losses on disposals in Norway and in Switzerland) and €1.1 million of impairment of the subsidiaries in Morocco and in the Netherlands.

Financial result showed an expense of €2.4 million in 2016 compared to an expense of €1.3 million in 2015. This increase was primarily due to the interest on the EuroPP loan contracted in 2015 and by currency losses on the pound sterling, the Polish zloty and the Turkish lira.

Tax expenses amounted to €12.3 million. It represented 34.4% of the result before tax against 31.6% in 2015. Excluding the losses of disposals and the impairments, without tax effect, the tax rate would have been 31.6% and stable compared to 2015. The tax expenses included the effect of local taxes (mainly CVAE in France) for €2.6 million.

Net income was €23.4 million, against €18.6 million a year ago, of which €19.8 million attributable to the shareholders of Devoteam S.A., the highest volume level in its history. The diluted earnings per share amounted to €2.54 per share.

On December 31st 2016, the **net cash** of the Group was €59.5 million, a €19.5 million increase compared to December 31st 2015. The **free cash flow** doubled compared to 2015 and achieved 7.8% of the revenue primarily as a result of the Group's working capital being optimized by proactively managing customer credit terms.

The detail of the net cash is presented in the appendix of this press release.

Headcount and utilization rate

On December 31st 2016, the Group employed 4,229 people compared to 4,119 people on September 30th 2016. The headcount increased by 110 people over the fourth quarter, driven by the recruitment effort, especially in France.

The ratio of billable headcount to total headcount increased slightly to 85.3%, compared to September 30th 2016.

On the fourth quarter, the Group showed a utilization rate of internal resources at 84.1% excluding divestments, and this was impacted by increased headcount and the onboarding of new recruits in the fourth quarter.

Outlook

As announced with the strategic plan for 2020, Scale!, the Group aims at achieving the following objectives for 2017:

- Consolidated revenue around €580 million, growing circa 7% organically excluding Between;
- Operating margin close to 9%;
- Restructuring costs around 0.5% of the revenue.

Dividend and financial calendar

A 20% increase in dividend at 0.60 euro per share related to the year 2016 will be proposed to next Shareholders' meeting on June 16th 2017.

Press release after market closed			Shareholders' meeting	Dividend payment
Q1 2017	Q2 2017	Q3 2017		
May 16 th 2017	September 6 th 2017	November 14 th 2017	June 16 th 2017	July 3 rd 2017

Appendix

Revenue by region

In millions of euros	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	2016	2015
France	56.4	50.3	58.8	51.2	54.6	49.0	63.4	57.3	233.2	207.7
Variation	12.3%		14.9%		11.5%		10.6%		12.3%	
L-f-I variation	11.9%		14.6%		11.2%		10.6%		12.1%	
Northern Europe & Benelux	28.4	27.1	30.0	28.2	26.3	25.2	31.8	29.6	116.5	110.1
Variation	4.8%		6.4%		4.5%		7.4%		5.9%	
L-f-I variation	7.2%		9.6%		2.2%		3.3%		5.6%	
Central Europe	11.5	11.6	11.2	10.8	12.0	11.9	14.2	13.3	49.0	47.6
Variation	-0.6%		3.5%		0.9%		7.0%		2.8%	
L-f-I variation	-0.7%		3.5%		-6.6%		-0.9%		-1.3%	
Rest of the world	16.2	13.2	21.4	13.2	18.8	14.9	19.1	18.8	75.6	60.0
Variation	23.2%		62.1%		26.5%		1.8%		25.9%	
L-f-I variation	-4.9%		34.3%		4.7%		2.2%		8.3%	
Corporate	(0.1)	0.0	(0.1)	(0.1)	(0.2)	0.0	1.1	0.2	0.8	0.1
Between	18.2	9.0	19.1	10.5	19.2	11.2	19.8	16.1	76.3	46.8
Variation	102.7%		81.4%		71.8%		23.2%		63.2%	
L-f-I variation	102.7%		81.4%		71.8%		23.2%		63.2%	
Divestments (2015-2016)	2.6	4.3	1.6	2.9	0.0	2.8	0.0	3.0	4.2	13.0
Total	133.4	115.5	142.0	116.7	130.8	114.9	149.5	138.2	555.7	485.3
Variation	15.5%		21.7%		13.8%		8.1%		14.5%	
L-f-I variation	13.7%		20.2%		12.0%		8.7%		13.4%	
L-f-I variation excluding Between	6.2%		14.1%		5.6%		6.7%		8.1%	

Of which contribution of the acquisitions:

In millions of euros	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	2016	2015
France	0.2	-	0.1	-	0.1	-	0.1	0.2	0.6	0.2
myG France, consolidated as of October 1 st 2015	0.2	-	0.1	-	0.1	-	0.1	0.2	0.6	0.2
Northern Europe & Benelux	-	-	-	-	1.4	-	1.8	-	3.2	-
HNCO, consolidated as of July 1 st 2016	-	-	-	-	0.7	-	1.1	-	1.8	-
Globicon, consolidated as of July 1 st 2016	-	-	-	-	0.5	-	0.7	-	1.3	-
Central Europe	-	-	-	-	0.9	-	1.1	-	2.0	-
Q-Partners Consulting, consolidated as of July 1 st 2016	-	-	-	-	0.9	-	1.1	-	2.0	-
Rest of the world	3.8	-	4.0	-	3.5	-	3.9	3.6	15.2	3.6
Drago, consolidated as of October 1 st 2015	3.7	-	4.0	-	3.5	-	3.9	3.6	15.2	3.6
myG Spain, consolidated as of October 1 st 2015	0.1	-	(0.0)	-	0.0	-	-	-	0.1	-

Revenue and operating margin by region

In millions of euros	H1 2016	H1 2015	H2 2016	H2 2015	2016	2015
France						
Group contribution	115.2	101.4	118.0	106.3	233.2	207.7
Operating margin	14.8	9.6	15.6	12.2	30.4	21.8
In % of Group contribution	12.8%	9.5%	13.2%	11.4%	13.0%	10.5%
Northern Europe & Benelux						
Group contribution	58.4	55.3	58.1	54.8	116.5	110.1
Operating margin	4.3	3.0	4.6	3.9	8.9	6.9
In % of Group contribution	7.4%	5.4%	7.9%	7.1%	7.6%	6.2%
Central Europe						
Group contribution	22.7	22.4	26.3	25.2	49.0	47.6
Operating margin	1.7	0.6	2.2	2.1	3.9	2.7
In % of Group contribution	7.5%	2.8%	8.5%	8.3%	8.1%	5.8%
Rest of the world						
Group contribution	37.7	26.4	37.9	33.7	75.6	60.0
Operating margin	2.3	1.5	3.4	3.0	5.7	4.5
In % of Group contribution	6.1%	5.6%	9.1%	9.0%	7.6%	7.5%
Corporate						
Group contribution	(0.2)	(0.1)	1.0	0.2	0.8	0.1
Operating margin	(1.1)	(1.2)	(2.5)	(2.7)	(3.6)	(3.9)
Between						
Group contribution	37.3	19.5	39.0	27.3	76.3	46.8
Operating margin	0.7	0.4	1.0	0.5	1.7	0.9
In % of Group contribution	1.8%	2.2%	2.6%	1.7%	2.3%	1.9%
Divestments (2015-2016)						
Group contribution	4.2	7.2	0.0	5.7	4.2	13.0
Operating margin	(0.1)	0.6	(0.0)	0.4	(0.1)	1.0
In % of Group contribution	-1.9%	7.8%	-11.7%	6.9%	-2.0%	7.4%
Total						
Group contribution	275.4	232.2	280.3	253.1	555.7	485.3
Operating margin	22.7	14.6	24.4	19.3	47.0	33.9
In % of Group contribution	8.2%	6.3%	8.7%	7.6%	8.5%	7.0%

Utilization rate of internal resources excluding divested entities

Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016
83.2%	84.7%	85.2%	84.9%	84.5%	82.9%	85.1%	85.5%	84.1%	84.4%

Net debt

In millions of euros	31.12.2016	31.12.2015
Short-term investments	10.3	15.0
Cash at bank*	81.7	57.5
Bank overdrafts (liability)	(1.0)	(1.5)
Cash and cash equivalents	91.0	71.0
Cash management assets	1.7	2.5
Bonds	(29.8)	(29.7)
Obligations under finance leases	(0.8)	(1.6)
Draw-downs on bank and similar facilities and other borrowings	(1.2)	(0.6)
Long-term borrowings	(31.8)	(32.0)
Bonds	(0.4)	(0.4)
Obligations under finance leases	(0.8)	(1.0)
Draw-downs on bank and similar facilities and other borrowings	(0.2)	(0.1)
Short-term borrowings	(1.5)	(1.5)
Total borrowings	(33.2)	(33.5)
Derivative instruments	-	-
Net cash	59.5	40.0
Total Equity	146.1	131.2
Debt to Equity Ratio	40.7%	30.5%

*Including factoring position (net of deposit) for € 10.3 million on December 31st 2016 and € 18.5 million on December 31st 2015

Changes in exchange rates

For €1	Average rate 2016	Average rate 2015	Variation
UAE dirham	4.065	4.077	0.3%
Swiss franc	1.090	1.068	-2.1%
Czech koruna	27.033	27.262	0.8%
Danish krone	7.445	7.458	0.2%
Algerian dinar	121.123	110.793	-8.5%
Pound sterling	0.819	0.726	-11.3%
Moroccan dirham	10.851	10.745	-1.0%
Mexican peso	20.668	17.603	-14.8%
Norwegian krone	9.295	8.938	-3.8%
Zloty	4.363	4.179	-4.2%
Tunisian dinar	2.374	2.172	-8.5%
Turkish lira	3.344	3.020	-9.7%

Glossary

France: French operations including the two nearshore centers in Morocco and Spain

Northern Europe & Benelux: Belgium, Denmark, United-Kingdom, Luxembourg, Netherlands excluding Between, and Norway excluding divested activities

Central Europe: Austria, Czech Republic, Germany and Poland

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

Corporate & other: headquarter activities which cannot be allocated directly to the operational regions. It also includes some non-significant remaining activities of the discontinued businesses in France (mainly outsourcing)

Between: the " Between" subsidiary in the Netherlands, specializing in " sourcing" of IT professionals, has a relatively volatile revenue to the extent that , according to the contracts concluded and the type of missions carried out, turnover recognized in the consolidated accounts is either gross margin contracts or the entire client billing. Consequently, the Group separates this activity to calculate its growth aggregates

Divestments (2015-2016) or discontinued activities: in 2016, discontinued activities include Grimstad activities in Norway, deconsolidated as of May, 1st 2016, and Devoteam Genesis, deconsolidated as of July, 1st 2016. In 2015, they also include Exa ECS, deconsolidated as of April 1st, 2015

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

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

SMACS: Social Mobile Analytics Cloud Security

Free cash flow: net cash from operating activities minus acquisition of fixed assets

ABOUT DEVOTEAM

At Devoteam, we deliver **innovative technology consulting for business**.

We are 4,200 professionals dedicated to ensuring our clients win their digital battles.

Present in Europe and in the Middle East, 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.

In 2016, Devoteam achieved revenue of €556 million.

At Devoteam, we are **“Digital Transformakers”**.

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

Executive Board

Stanislas de Bentzmann,
Co-CEO
stanislas.de.bentzmann@devoteam.com

Financial communication

Evelyne Broisin,
Group controlling & investor relations
director
evelyne.broisin@devoteam.com

Perrine Angibault,
Group reporting & investor relations
manager
perrine.angibault@devoteam.com

Press contacts

Le Public Système

Céline Da Silva,
cdasilva@lepublicsysteme.fr
+33 6 16 79 29 32

www.devoteam.fr