

Press Release

2018 results increasing strongly:

- Revenue of €652.4m growing 27.2%, of which 17.7% organically
- Operating margin at 11.3% of the revenue, improving 75 basis points
- Net result group share increasing 52.3%

Paris, 12 March 2019

In millions of euros ⁽¹⁾	2018	2017 restated ⁽²⁾	2017 presented ⁽³⁾	Variation ⁽⁴⁾	Organic variation ⁽⁵⁾
Revenue	652.4	512.7	540.4	+27.2%	+17.7%
Operating margin	73.5	54.0	54.0	+36.3%	
In % of the revenue	11.3%	10.5%	10.0%	+0.7 pt	
Operating income	64.5	43.9	43.9	+46.9%	
In % of the revenue	9.9%	8.6%	8.1%	+1.3 pt	
Net income - Group share	38.1	25.0	25.0	+52.3%	
Diluted earnings per share ⁽⁶⁾	€4.64	€3.06	€3.15	+51.6%	
Net cash at closing⁽⁷⁾	40.3	47.5	47.5	-€7.2m	

⁽¹⁾The financial statements presented in this press release have been approved by the Supervisory Board on 11 March 2019 and are currently being certified by the Group Auditors.

⁽²⁾Restated in accordance with IFRS 15 for the revenue, and including the cost of share-based payments in the calculation of the dilution for the diluted earnings per share.

⁽³⁾In the full-year 2017 press release.

⁽⁴⁾Based on 2017 restated.

⁽⁵⁾At comparable perimeter and exchange rates, based on 2017 restated.

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

⁽⁷⁾Cash position net of all financial debts.

2018 consolidated financial statements are available on our website: <https://www.devoteam.com>

Devoteam (Euronext Paris: DVT) achieved revenues of €652.4 million for the financial year 2018, growing 17.7% organically compared to 2017. Excluding the IFRS 15 restatement, it represented a 18.6% growth at constant exchange rates and perimeter.

The operating margin improved by 75 basis points compared to 2017 at €73.5m and represented 11.3% of the consolidated revenue.

This strong dynamic demonstrates the Group's positioning as the go-to expert in the Digital Transformation domain, with a high added value for its clients, notably on Cloud solutions and Artificial Intelligence (AI).

Devoteam's ambition is to bring new innovative AI functionalities and combine them with other areas of expertise such as Digital Workplace or ITSM, in partnership with ServiceNow and Google. Indeed, AI not only brings additional operational efficiency through the automation of simple tasks, but it also supports users on their more creative and complex tasks. The recent "Machine Learning" specialization from Google is a result of the Group's strategy over the last 18 months to place strong emphasis on AI.

Devoteam, Red Hat's "Premier Business Partner" in nine countries, is also reinforcing its Cloud expertise for its clients through a multi-partnership strategy with Amazon AWS, Google GCP and Microsoft Azure. This approach has allowed the Group to be named "Preferred Public Cloud Partner" for a major player in the Energy sector which perfectly emphasizes this multi-Cloud strategy.

Lastly, the need for securing new usages linked with the Digital Transformation of companies, specifically due to the significant rise of Cloud, makes their Cyber Security offer a key element of Devoteam's strategy. Expertise in Identity & Access Management and Cyber Defence (using AI and Machine Learning) are strong assets for the Group to help clients securely open their information system and massively adopt Cloud usage.

Stanislas de Bentzmann commented on the 2018 performance: "In 2018, Devoteam achieved a strong performance, in line with the objectives of our strategic plan Scale!¹. The solid and recognized positioning of the Group makes us confident for 2019.

¹ Among the Scale! objectives, the Group plans to achieve: more than 70% of its revenue on SMACS topics, an annual organic growth between 7 and 10%, and an operating margin above 10%.

Results for the year 2018

The Group generated **revenues** of €652.4 million in 2018, growing 17.7% at constant scope and exchange rates compared to the previous financial year. The acquisitions of the year 2018 contributed for €31.8 million, which included:

- Alegri in Germany for €11.4 million, consolidated from 1 September 2018;
- Bold in Portugal for €10 million, consolidated from 1 September 2018;
- Jayway in Sweden for €6.7 million, consolidated from 1 October 2018;
- New BIC in Spain for €1.8 million, consolidated from 1 July 2018.

During the fourth quarter of 2018, the Group achieved revenues of €190.7 million, representing a 12.8% organic growth compared to the fourth quarter of 2017. It included negative effects of currency for 0.1 point. The changes in perimeter had a positive impact of 14.6 points on the quarter growth, with a net contribution to Group revenue of €21.9 million.

The organic growth of the fourth quarter of 2018 was 12.8%. It grew 14% when excluding Siticom GmbH, for which the Group disposed the control on 31 December 2018. The performance resulted from increased headcount due to the recruitment strategy and from a 82.7% utilization rate.

The attrition rate went from 25.6% in the fourth quarter of 2017 to 30.9% in the fourth quarter of 2018. It was due to the shortage of SMACS experts.

During the fourth quarter of 2018, the Group also had an IFRS 15 restatement €4.3 million higher than expected.

The **operating margin** increased by 75 basis points in the year 2018. It stood at €73.5 million and 11.3% of the revenues.

The **operating result** amounted to €64.5 million, increasing 46.9% compared to last year. It included costs of share-based payments and amortization of intangible assets from acquisitions for €2.5 million; restructuring costs for €1.6 million (mainly in France and Belgium); goodwill write downs for €6.4 million (United Kingdom and Germany mainly); gain on disposal of subsidiary for €7.6 million (Shift by S'team); and other non current expenses for €5.6 million (acquisition costs of subsidiaries and conclusion of various litigations).

The **financial result** remained stable in 2018 compared to 2017 at -€2.5 million.

Tax expenses amounted to €18.9 million. It represented 29.9% of the profit before tax, compared with 35.9% in 2017. Excluding non-taxable profits and elements without tax effect, the tax rate would have been 30.4% in 2018, compared with 33% in 2017.

The **Group share of net income** increased more than 52% to €38.1 million and the diluted earning per share was €4.64 (up 51.6% compared to 2017).

On 31 December 2018, the **net cash** of the Group was €40.3 million compared to €47.7 million the year before. The annual free cash flow of €41.4 million increased by 33% compared to 2017 and overbalanced net flow of acquisitions and disposal of -€39.3 million.

Moreover, Devoteam renewed its available credit lines of €100m for 5 years.

Headcount and utilization rate

On 31 December 2018, the Group employed 6 975 people. Excluding the changes in scope, there were 170 net hirings over the fourth quarter of 2018, supported by France.

The ratio of billable headcount to total headcount stood at 85.8% on 31 December 2018. Restated from the acquisitions, the ratio remained almost stable year on year at 86.1%.

In 2018, the Group showed a utilization rate of internal resources at 84.2%, up 0.2 point compared to 2017.

Change in scope

Devoteam concluded the disposal of the control of Siticom GmbH, its telecom activity in Germany. The subsidiary achieved revenues of €18.1 million and operating margin of €0.9 million during the fiscal year 2018. Siticom GmbH is deconsolidated from 31 December 2018 and presented in the Divestments segment.

IFRS 16

From 1 January 2019, the Group will apply the new IFRS 16 standard related to the accounting treatment of the leases. The standard requires all the lease contracts to be booked in the balance sheet. From the Group perspective, it will result in recognizing new

assets in the balance sheet related to its real estate leases (around 80% of the volume); the rest being related to vehicle rental contracts for employee use.

The Group believes this new accounting treatment will not have a significant impact on the comprehension of its operational performance, nor on its cash flows.

2019 outlook

Considering stable economic environment, scope, exchange rates and accounting method, the Group aims at achieving consolidated revenues of €770 million in 2019, primarily through:

- An organic growth above 12%;
- A contribution from the 2018 acquisitions (net of disposals) of €38 million.

The Group expects to maintain the operating margin at 11.3% of the revenue and the restructuring costs at 0.5% of the revenue.

Dividend and financial calendar

A €1 dividend per share related to year 2018 will be proposed to next Shareholders' meeting on 14 June 2019.

Press release after market closed			Shareholders' meeting	Dividend payment
Q1 2019	Q2 2019	Q3 2019		
21 May 2019	3 September 2019	5 November 2019	14 June 2019	5 July 2019

Appendix

Pro forma information of the revenue and the operating margin of the previous periods, following the reclassification of Siticom GmbH to the Divestments segment

In millions of euros	Q1 2018 restated	Q1 2017 restated	Q2 2018 restated	Q2 2017 restated	Q3 2018 restated	Q3 2017 restated	H1 2018 restated	H1 2017 restated	9m 2018 restated	9m 2017 restated
Central Europe										
Group contribution	12.7	10.9	11.8	11.2	14.6	11.4	24.6	22.1	39.1	33.6
Variation	17.0%		5.2%		27.4%		11.0%		16.6%	
L-f-I variation	16.1%		4.8%		3.1%		10.4%		7.9%	
Operating margin							2.7	2.8		
In % of Group contribution							11.1%	12.8%		
Divestments	6.1	4.6	6.6	4.8	7.1	4.8	12.7	9.3	19.7	14.2
Group contribution	6.1	4.6	6.6	4.8	7.1	4.8	12.7	9.3	19.7	14.2
Operating margin							1.1	0.3		
In % of Group contribution							9.0%	2.7%		

Quarterly revenue by region

In millions of euros	Q4 2018	Q4 2017 restated	Q4 2017 presented	2018	2017 restated	2017 presented
France	87.0	71.5	78.0	319.4	246.1	266.2
Variation	21.7%			29.8%		
L-f-I variation	22.2%			24.8%		
Northern Europe & Benelux	50.1	37.8	38.6	165.4	129.6	132.4
Variation	32.5%			27.6%		
L-f-I variation	14.2%			13.5%		
Central Europe	21.7	12.5	12.7	60.8	46.1	46.4
Variation	73.6%			32.1%		
L-f-I variation	4.8%			7.1%		
Iberia & Latam	16.5	7.8	8.0	43.0	28.5	28.8
Variation	113.1%			50.9%		
L-f-I variation	0.3%			10.3%		
Rest of the world	12.2	12.6	13.8	43.2	40.7	44.8
Variation	-2.8%			6.2%		
L-f-I variation	-2.6%			11.2%		
Corporate & other	(0.9)	0.6	0.6	(3.1)	0.7	0.7
Divestments	4.0	6.9	6.9	23.8	21.1	21.1
Total	190.7	149.7	158.7	652.4	512.7	540.4
Variation	27.4%			27.2%		
L-f-I variation	12.8%			17.7%		
Currency impact	-0.1%			-0.6%		
Perimeter impact	14.6%			10.2%		

Of which impact of significant acquisitions:

In millions of euros	Q4 2018			2018		
France	(0.4)			12.3		
D2SI, consolidated as of 1 October 2017				10.9		
Progis, fully consolidated as of 1 January 2018	(0.8)			0.4		
Altius Services, consolidated as of 1 February 2018	0.4			1.0		
Northern Europe & Benelux	7.0			19.2		
TMNS, consolidated as of 1 July 2017 (estimate)	-			11.9		
Paradigmo, consolidated as of 1 July 2018	0.3			0.6		
Jayway, consolidated as of 1 October 2018	6.7			6.7		
Central Europe	8.6			11.4		
Alegri, consolidated as of 1 September 2018	8.6			11.4		
Iberia & Latam	8.8			11.8		
New BIC, consolidated as of 1 July 2018	1.1			1.8		
Bold, consolidated as of 1 September 2018	7.7			10.0		

Revenue and operating margin by region

In millions of euros	2018	2017 restated	2017 presented
France			
Group contribution	319.4	246.1	266.2
Operating margin	50.1	34.5	34.5
In % of Group contribution	15.7%	14.0%	13.0%
Northern Europe & Benelux			
Group contribution	165.4	129.6	132.4
Operating margin	13.8	9.8	9.8
In % of Group contribution	8.4%	7.6%	7.4%
Central Europe			
Group contribution	60.8	46.1	46.4
Operating margin	6.8	5.7	5.7
In % of Group contribution	11.2%	12.3%	12.2%
Iberia & Latam			
Group contribution	43.0	28.5	28.8
Operating margin	4.1	1.6	1.6
In % of Group contribution	9.5%	5.6%	5.6%
Rest of the world			
Group contribution	43.2	40.7	44.8
Operating margin	4.2	4.0	4.0
In % of Group contribution	9.8%	9.8%	8.9%
Corporate & other			
Group contribution	(3.1)	0.7	0.7
Operating margin	(7.2)	(2.7)	(2.7)
Divestments			
Group contribution	23.8	21.1	21.1
Operating margin	1.8	1.1	1.1
In % of Group contribution	7.4%	5.4%	5.4%
Total			
Group contribution	652.4	512.7	540.4
Operating margin	73.5	54.0	54.0
In % of Group contribution	11.3%	10.5%	10.0%

Utilization rate of internal resources

Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 2018	Q2 2018	Q3 2018*	Q4 2018	2018
83.2%	84.3%	85.4%	85.3%	84.6%	85.6%	84.4%	84.2%	82.7%	84.2%

*84.1% in the Q3 2018 press release, 84.2% corrected of an error in the number of holidays.

Net debt

In millions of euros	31.12.2018	31.12.2017
Short-term investments	0.2	0.1
Cash at bank*	75.3	82.1
Bank overdrafts (liability)	(0.8)	(2.7)
Cash and cash equivalents	74.6	79.6
Cash management assets	0.4	0.3
Bonds	(29.9)	(29.8)
Obligations under finance leases	(0.1)	(0.1)
Draw-downs on bank and similar facilities and other borrowings	(3.4)	(1.0)
Long-term borrowings	(33.4)	(30.9)
Bonds	(0.4)	(0.4)
Obligations under finance leases	(0.0)	(0.8)
Draw-downs on bank and similar facilities and other borrowings	(0.9)	(0.3)
Short-term borrowings	(1.3)	(1.5)
Total borrowings	(34.7)	(32.4)
Derivative instruments	-	-
Net cash	40.3	47.5
Of which cash from discontinued operations	-	1.8
Total Equity	187.6	162.0
Debt to Equity Ratio	-21.5%	-29.3%

*Including factoring position (net of deposit) for €17.2 million on 31 December 2018 and €13.8 million on 31 December 2017.

Changes in exchange rates

For €1	Average rate 2018	Average rate 2017	Variation
UAE dirham	4.337	4.149	-4.3%
Swiss franc	1.155	1.112	-3.7%
Czech koruna	25.647	26.326	2.6%
Danish krone	7.453	7.439	-0.2%
Pound sterling	0.885	0.877	-0.9%
Moroccan dirham	11.084	10.949	-1.2%
Mexican peso	22.705	21.329	-6.1%
Norwegian krone	9.598	9.327	-2.8%
Zloty	4.262	4.257	-0.1%
Serbian dinar	118.253	121.360	2.6%
Swedish kronor	10.258	9.635	-6.1%
Tunisian dinar	3.105	2.719	-12.4%
Turkish lira	5.708	4.121	-27.8%
US dollar	1.181	1.130	-4.3%

Glossary

Restated: restated in accordance with IFRS 15 related to revenue from contracts with customers.

France: France.

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

Central Europe: Austria, Switzerland excluding TMNS, Czech Republic, Germany and Poland.

Iberia & Latam: Spain, Mexico, Panama and Portugal.

Rest of the world: Middle East, Italy, Morocco, Tunisia and Turkey.

Corporate: headquarter activities which cannot be allocated directly to the operational regions, and discontinued operations.

Divestments: Shift deconsolidated from 1 September 2018 and Siticom GmbH deconsolidated from 31 December 2018.

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 amortization of intangible assets resulting from acquisitions and the cost of share-based payments.

Like-for-like or I-f-I variation: variation at comparable perimeter and exchange rates.

The currency impact is calculated by translating the accounts for year N of subsidiaries having a functional currency different than euro with N-1 exchange rates.

The impact of changes in the scope of consolidation is determined:

- for the year N acquisitions, by deducting from total revenue N, the amount of revenue generated during year N by the acquired entities;

- for the year N-1 acquisitions, by deducting from total revenue N, the amount of revenue generated during year N over the months during which the acquired entities were not consolidated in N-1;
- for the year N disposals, by deducting from total revenue N-1, the amount of revenue generated during year N-1 over the months during which the divested entities were no longer consolidated in N;
- for the year N-1 disposals, by deducting from total revenue N-1, the amount of revenue generated during year N-1 by the divested entities.

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.

Attrition rate: number of billable employees leaving the Group during the period compared to the average billable headcount over the same period.

Free cash flow: operating cash flow reduced by the acquisition of tangible and intangible assets (capex).

ABOUT DEVOTEAM

At Devoteam, we deliver innovative technology consulting for business.

As a pure player for Digital Transformation of leading organisations across EMEA, our 7,000 professionals are dedicated to ensuring our clients win their digital battles. With a unique transformation DNA, we connect business and technology.

Present in 18 countries in Europe and the Middle East, and drawing on more than 20 years of experience, we shape Technology for People, so it creates value for our clients, for our partners and for our employees.

Devoteam achieved revenues of €652.4 million in 2018.

At Devoteam, we are Digital Transformakers.

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

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