

Press release

Revenue of €161.1m in Q1 2018 with accelerated organic growth of 17%

Revising upwards the annual organic growth objective to more than 12.5%

Paris, 16 May 2018

In millions of euros	Q1 2018	Q1 2017 restated ⁽¹⁾	Q1 2017 presented ⁽²⁾
Revenue	161.1	130.3	131.2
Variation	23.6%		
L-f-I variation ⁽³⁾	17.0%		

⁽¹⁾Restated in accordance with IFRS 15 related to revenue from contracts with customers. Impact currently being validated by the Group Auditors.

⁽²⁾In the FY 2017 press release.

⁽³⁾At comparable perimeter and exchange rates.

Devoteam (Euronext Paris: DVT) achieved revenues of €161.1 million for the first quarter of 2018, growing 17% compared to the first quarter of 2017 excluding the changes in scope and exchange rates, despite fewer working days (1.8% working days less than in the first quarter of 2017).

At current exchange rates and perimeter, consolidated revenues have increased by 23.6% during the first quarter. It included negative effects of currency for 1.4 point (UAE dirham and Norwegian krone, mainly). The changes in scope had a positive impact of 8 points on

the growth of the quarter with a contribution of €10.4 million to the consolidated revenues during the first quarter of 2018.

Devoteam continues its strong development on Digital / SMACS (Social Mobile Analytics Cloud Security), which represented 65% of the business in the first quarter.

In line with its 2020 Scale! plan, the Group pursued its investments on building its partnerships with the key software vendors of the digital transformation.

With Google, Devoteam initiated an EMEA business strategy specific to the Retail vertical to capitalize on the recent flagship projects won in France (Auchan among others). Outside France, the Group's investment on Google Cloud Platform was mainly concentrated in Germany, Spain and the Netherlands. Devoteam developed and structured its Artificial Intelligence expert community and already started some fifteen projects on chatbots, data structuration, cognitive research or cognitive process automation.

On ServiceNow, the Group launched an International Center of Excellence in Central Europe at the beginning of 2018. This center aims at being an innovation lab as well as a training center for the consultants of the Group. It should also allow to expand Devoteam's positioning on ServiceNow's Beyond ITSM solutions. The ServiceNow partnership was also expanded to the Middle East, where Devoteam won a project for the Saudi government at the beginning of 2018.

Since the acquisition of D2SI, Devoteam also became a major player on Amazon Web Services solutions and has been awarded with the AWS+100 distinction (partners recognized for achieving more than 100 AWS certifications).

Tied to the progression of the business investment on strategic partners, the Group puts a strong emphasis on certifying its employees, through the launch of the Knowledge Up Program. Started in early 2018, this initiative, directly linked to the Scale! offers, is a training and certification program aiming at being a career booster for young consultants. The ambition is to get more than 300 employees in this program in 2018.

Analysis of Q1 2018 revenue by region

France reported revenues of €85.7 million in the first quarter of 2018, growing 20.0% organically, and driven by the Google solutions and Business Process Excellence, Data as a Service and Customer Experience activities.

At constant scope and exchange rates, the revenue of the **Northern Europe & Benelux** region increased by 9%; notably linked to the strong performance on Service Management activities in Denmark and in the United Kingdom.

The **Central Europe** region achieved revenues of €17.1 million, representing an organic growth of 24%, as a result of a strong growth in Germany and in the Cyber Security activities.

The **Spain** region reported revenues of €8.0 million in the first quarter of 2018. It grew more than 16% on a like-for-like basis. This is reflecting a return to growth after the merge with Drago and a significant business development with a Spanish client in Latin America.

Rest of the world generated revenues of €10.3 million, increasing 22.7% organically compared to the first quarter of 2017, supported by a strong growth in the Middle East.

Headcount and utilization rate

As of March 31st, 2018, the Group employed 5 425 people, compared to 5 195 people as of December 31st, 2017. Excluding the changes in scope, the headcount increased by 216 people over the first quarter of 2018, compared to an increase of 110 people over the first quarter of 2017.

The ratio of billable headcount to total headcount was stable over the quarter at 86.3%.

The utilization rate of internal resources stood at 85.6%, increasing 2.5 points compared to the first quarter of 2017.

Changes in scope

Devoteam SA, through its subsidiaries, acquired the majority of the shares of Altius Services, thus reinforcing its technological and local expertise on the Salesforce platform. Altius Services, a Salesforce pure-player, is notably a prime partner of Salesforce.org – dedicated to non-profit organizations – and Gold partner on its Consulting Partner program. The company employs 14 people and generated €1.2 million revenue in 2017. This acquisition is fully consolidated starting February 1st, 2018.

Devoteam also purchased 62,59% of minority interests from Progis, Premium partner on Google for Work. The Group now owns 87,48% of the shares and the company is fully consolidated starting January 1st, 2018.

2018 outlook

Considering the level of organic growth on the first quarter, the Groups revised upwards its annual revenue objective to €625 million (versus “above €615 million” announced in March), reflecting:

- Organic growth above 12.5% (versus “above 10%” on last press release);
- A negative exchange rate impact of 0.8%;
- Contribution from the acquisitions of 4.7%;
- Reduction of €5 million in revenue related to the application of IRFS 15 on this objective.

The accretive effect of IFRS 15 on the operating margin, being estimated to be less than 10 basis points over the year, will not lead to a significant update on the operating margin objective, which should represent 10.5% of the revenue (versus “close to 10.5%” in the last press release).

Dividend and financial calendar

Press release after market closed		Sharholders' meeting	Dividend payment
Q2 2018	Q3 2018		
5 September 2018	14 November 2018	18 May 2018	18 June 2018

Appendix

Revenue and operating margin by region

In millions of euros	Q1 2018	Q1 2017 restated	Q1 2017 presented
France	85.7	67.7	67.7
Variation	26.4%		
L-f-I variation	20.0%		
Northern Europe & Benelux	40.8	32.5	32.6
Variation	25.5%		
L-f-I variation	9.1%		
Central Europe	17.1	13.7	13.7
Variation	24.7%		
L-f-I variation	24.0%		
Spain	8.0	6.9	6.9
Variation	15.5%		
L-f-I variation	16.4%		
Rest of the world	10.3	9.4	10.2
Variation	9.5%		
L-f-I variation	22.7%		
Corporate & other	(0.7)	0.1	0.1
Total	161.1	130.3	131.2
Variation	23.6%		
L-f-I variation	17.0%		

Of which impact of significant acquisitions:

In millions of euros	Q1 2018	Q1 2017	Q1 2017
France	4.4		
D2SI, consolidated as of 1 October 2017	3.8		
Progis, fully consolidated as of 1 January 2018	0.4		
Altius Services, consolidated as of 1 February 2018	0.2		
Northern Europe & Benelux	6.0		
TMNS, consolidated as of 1 July 2017 (estimate)	6.0		

Utilization rate of internal resources

Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 2018
83.1%	84.4%	85.4%	85.5%	84.6%	85.6%

Changes in exchange rates

For €1	Average rate Q1 2018	Average rate Q1 2017	Variation
UAE dirham	4.514	3.910	-13.4%
Czech koruna	25.402	27.021	6.4%
Danish krone	7.447	7.435	-0.2%
Pound sterling	0.883	0.860	-2.7%
Moroccan dirham	11.318	10.704	-5.4%
Mexican peso	23.037	21.631	-6.1%
Norwegian krone	9.634	8.984	-6.7%
Zloty	4.179	4.321	3.4%
Tunisian dinar	2.961	2.439	-17.6%
Turkish lira	4.690	3.937	-16.1%
US dollar	1.229	1.065	-13.4%

Glossary

Restated: restated in accordance with IFRS 15 related to revenue from contracts with customers. Impact currently being validated by the Group Auditors.

France: France.

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

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

Spain: Spain, Mexico and Panama.

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

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

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.

Chatbots: a chatbot is a piece of software that conducts a conversation with users. Chat bots simulate how a human would behave as a conversational partner, and can be used to provide customer service or deliver other informational services. (Source: Google, 2018)

DevOps: IT organizations must become nimble and work together to stay relevant. The consumerization of IT has changed customer expectations and IT must adapt its culture and processes to deliver apps and features faster. With a complete DevOps strategy, organizations can begin the culture, process, and platform changes needed to meet the new demands. The result is an IT organization that can deliver business innovation faster. (Source: RedHat.com, 2018)

Service Management: IT Service Management solutions allow IT Departments to consolidate their fragmented tools and legacy systems by automating processes, making incident management faster and more reliable. (Source: ServiceNow, 2018)

ABOUT DEVOTEAM

At Devoteam, we deliver innovative technology consulting for business.

We are 5,500 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 €600 million.

At Devoteam, we are "Digital Transformakers".

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

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