

First-half 2019 performance in line with full-year targets

- Revenue up 9.6% to €2,207.1 million. Organic growth of 7.4%,¹ and 7.5% in Q2 2019
- Operating margin on business activity of 6.8%, up 0.2 points from H1 2018
- Net profit attributable to the Group of €60.9 million, up 58.8% from H1 2018
- Improvement in free cash flow (outflow of €21.8 million vs. €77.3 million² in H1 2018)
- Full-year organic growth target lifted and other 2019 targets reiterated

Paris, 26 July 2019 – At its meeting on 25 July 2019 chaired by Pierre Pasquier, Sopra Steria's Board of Directors approved the financial statements for the first half of 2019; the Statutory Auditors have conducted a limited review of the financial statements.

Sopra Steria: 2019 Half-year results

		H1 2019	H1 2018
Key income statement items			
Revenue	€m	2,207.1	2,014.0
Total growth		+ 9.6%	
Organic growth		+ 7.4%	
Operating profit on business activity	€m / %	151.0 6.8%	132.8 6.6%
Profit from recurring operations	€m / %	133.1 6.0%	99.2 4.9%
Operating profit	€m / %	115.3 5.2%	80.0 4.0%
Net profit attributable to the Group	€m / %	60.9 2.8%	38.4 1.9%
Weighted average number of shares in issue excl. treasury shares	m	20.22	20.16
Basic earnings per share	€	3.01	1.90
Recurring earnings per share	€	3.61	2.60
Key balance sheet items			
		30/06/2019	30/06/2018
Net financial debt	€m	624.3	662.4
Equity attributable to the Group	€m	1,263.5	1,261.7

¹ Alternative performance measures are defined in the glossary at the end of this document

² After restating the 2017 working capital requirement for the €37 million in trade receivables sold and deconsolidated in 2017

Comments on H1 2019 activity

Strong business growth in the first half of 2019 powered a 9.6% increase in revenue. Changes in scope had a positive impact of €38.9 million, while currency fluctuations had almost no impact. **At constant scope and exchange rates, revenue** grew 7.4%. This performance reflects the effective positioning of Sopra Steria's solutions in a market driven by clients' digital transformation needs.

Operating margin on business activity came to €151.0 million, or a margin of 6.8%, up 0.2 points from its first-half 2018 level.

Sopra Steria pressed ahead with its strategy of raising the value of its offerings. To support this strategy, it invested in consulting, internal systems (DevOps platform on the Hybrid Cloud, Asset-based platforms), verticalisation of consulting and systems integration in France, and the Group's brand platform. In addition, it sold a low-margin, non-core recruitment business in the United Kingdom.

Sopra Banking Software's project was also strengthened in the first half. Two landmark deals were completed. The acquisition of French vendor SAB has significantly strengthened Sopra Banking Software's position in France in core banking software, raising the prospect of product synergies being harnessed from the combined installed base, especially through digital offerings. The strategic partnership with seven Sparda Banken has unlocked greater potential for the Sopra Banking Platform product as it will underpin the transformation of their core banking system in Germany. This partnership will seek to attract additional banks, which will be able to join the common platform shared by these seven Sparda Banken. Moreover, the organisation, management and reporting of the specialised loans business were tightened up as part of a turnaround plan implemented in the first quarter. The plan is underpinned by the development during 2019 of a standardised version of the product. The aim is to bring this new version to market in the first quarter of 2020.

Detailed analysis of operating performance in the first half of 2019

In **France**, revenue surged to €914.9 million. Organic revenue growth was 7.7%. Business growth was again driven by consulting, the transformation of IT infrastructure, including in relation to the cloud, and cybersecurity. Defence, aerospace, insurance, social and energy were the best-performing vertical markets. Operating margin on business activity came to 9.3%, up 0.3 points from its first-half 2018 level. Investments in digital technologies and in moving the offering upscale were stepped up, the aim being to build towards an operating margin in excess of 10% over the medium term.

In the **United Kingdom**, revenue (€429.6 million) increased substantially. Growth at constant exchange rates and scope ran at 11.4%. In line with the full-year targets, operating margin on business activity came to 6.1%, up 1.6 points from its first-half 2018 level. This performance was chiefly driven by the improved showing at two public-sector joint ventures. Their revenue growth averaged 18.7%, and their profitability has now reached a normalised level. The other public-sector businesses were affected by a degree of hesitancy as a result of the current situation in the United Kingdom. A drive to shore up positions in the private sector, especially in banking, has been ongoing, with the requisite transformation set to continue for several half-year periods.

The **Other Europe** reporting unit posted organic growth of 7.3%, with revenue totalling €534.9 million. Revenue in Germany rose only modestly as a result of a significant drop in spending by some clients in the banking sector, which hit operating performance. Growth was upbeat outside the banking sector. Elsewhere in the reporting unit, growth was particular brisk in Scandinavia, Spain and Italy. Operating margin on business activity of the reporting unit edged down to 6.5% (6.9% in the first half of 2018).

Sopra Banking Software's revenue posted a small organic increase (up 0.9%) to €204.0 million, and its operating margin came to -€9.5 million (loss of €8.4 million in the first half of 2018). Financial year 2019 is a year of transition. Having said that, a large number of product deliveries (DxP, Platform, Amplitude and Cassiopae) were made in the first half-year period, with 108 go-lives. The goal is to deliver a gradual improvement in the reporting unit's operating margin on business activity from 2020 onwards.



The **Other Solutions** reporting unit's performance was good, with its revenue totalling €123.6 million. Organic growth ran at 2.3% in human resources solutions and 6.7% in real estate management solutions. Operating margin on business activity came to 11.7% compared with 12.7% in the first half of 2018, which provided a challenging comparison basis as the previous year was boosted by preparations for the introduction of income tax withholding in France.

Comments on net profit for the first half of 2019

Operating profit on business activity totalled €151.0 million.

Profit from recurring operations came to €133.1 million. That figure reflects a substantial decrease in share-based payment expense to €4.3 million, versus €22.1 million in the first half of 2018.

Operating profit was €115.3 million after a net expense of €17.8 million for other operating income and expenses (compared with a net expense of €19.1 million in first-half 2018), which included €14.3 million in reorganisation and restructuring expenses.

The tax expense was €34.4 million in the half-year period, versus €34.9 million in the first half of 2018, translating to a Group-wide tax rate of 33.4%. The 2019 full-year tax rate is expected to be around 35%.

The share of the profit/loss from equity-accounted companies (Axway) was -€2.0 million (profit of €1.3 million in first-half 2018).

After deducting €5.9 million in **non-controlling interests**, **net profit attributable to the Group** came to €60.9 million, a rise of 58.8% on the first half of 2018.

Basic earnings per share came to €3.0, up 58.3% compared with the first-half 2018 level of €1.9.

Financial position at 30 June 2019

Sopra Steria's **financial position** at 30 June 2019 is robust in terms of both financial ratios and liquidity.

Free cash flow for the first half of the year, traditionally a period of net cash outflows due to seasonal effects, amounted to a cash outflow of €21.8 million, far better than the €77.3 million³ outflow of the first half of 2018.

Net financial debt stood at €624.3 million at 30 June 2019, or 1.6x pro forma 12-month rolling EBITDA, compared with 1.8x at 30 June 2018 (with the bank covenant stipulating a maximum of 3x).

On 5 July 2019, the Group completed a €250 million **Euro PP bond issue** on favourable terms (see press release dated 25 June 2019). This bond issue has enabled the Group to extend the maturity of its debt and continue the process of diversifying its funding sources.

³ After restating the 2017 working capital requirement for the €37 million in trade receivables sold and deconsolidated in 2017



Acquisitions and disposals

The Group announced the following transactions in the first half of 2019:

- **The acquisition** by Sopra Banking Software of a 70% shareholding in SAB, which will be fully consolidated from 1 July 2019 (see press release dated 10 April 2019).
- **The investment of** a 51% stake in the Sparda Banken's captive IT entity under the strategic partnership with seven of these banks. The unit will be fully consolidated in Sopra Steria's financial statements as part of the Other Europe reporting unit in the course of Q3 2019 (see press release dated 9 May 2019).
- **The divesture of** a non-core, low-margin recruitment business in the United Kingdom, which has been deconsolidated from 28 June 2019 (see press release dated 18 June 2019).

Workforce

At 30 June 2019, the Group's workforce totalled 44,959 people (44,114 at 31 December 2018), with 19.2% working in X-Shore zones.

Targets for 2019

The Group has raised its full-year growth target and is reiterating its other full-year 2019 targets.

- Organic revenue growth equal to or greater than 6% (previously "Organic revenue growth of between 4% and 6%").
- A slight improvement in operating margin on business activity (%).
- Free cash flow in excess of €150 million.

Medium-term ambitions

The Group is targeting annual organic revenue growth of between 4% and 6%, an operating margin on business activity of around 10%, and free cash flow of between 5% and 7% of revenue.

Presentation meeting

The results for the first half of 2019 will be presented to financial analysts and investors in French on 26 July 2019 at 9:00 a.m. CET, at the Shangri-La Hotel in Paris.

The presentation may be attended remotely via a bilingual webcast in French and English:

- Register for the French-language webcast: <https://edge.media-server.com/m6/p/ceyqnz3i>
- Register for the English-language webcast: <https://edge.media-server.com/m6/p/ceyqnz3i/lan/en>

Or by phone:

- French-language access number: +33170710159 PIN: 79275869#
- English-language phone number: +442071943759 PIN: 26424520#

Practical information about the presentation and webcast can be found in the 'Investors' section of the Group's website: <https://www.soprasteria.com>

Next financial release

Friday, 25 October 2019 (before market): publication of Q3 2019 revenue.



Glossary

- **Restated revenue:** Revenue for the prior year, adjusted for the consolidation scope and exchange rates of the current year.
- **Organic revenue growth:** Increase in revenue between the period under review and restated revenue for the same prior-year period.
- **EBITDA:** This measure, as defined in the Registration Document, is equal to the consolidated operating profit on business activity adding back depreciation and amortisation included in the operating profit on business activity.
- **Operating profit on business activity:** This measure, as defined in the Registration Document, is equal to profit from recurring operations adjusted to exclude the share-based payment expense for stock options and free shares and charges to amortisation of allocated intangible assets.
- **Profit from recurring operations:** This measure is equal to operating profit before other operating income and expenses, which includes any particularly significant items of operating income and expenses that are unusual, abnormal, infrequent or not predictive, presented separately to give a clearer picture of performance based on ordinary activities.
- **Recurring earnings per share:** This measure is equal to basic earnings per share before taking into account other operating income and expenses net of tax.
- **Free cash flow:** Free cash flow is defined as the net cash from operating activities, less investments (net of disposals) in property, plant & equipment, and intangible assets, less changes in assets and liabilities recognised for leased assets, less net interest paid and less additional contributions to address any deficits in defined-benefit pension plans.

Disclaimer

This document contains forward-looking information subject to certain risks and uncertainties that may affect the Group's future growth and financial results. Readers are reminded that licence agreements, which often represent investments for clients, are signed in greater numbers in the second half of the year, with varying impacts on end-of-year performance. Actual outcomes and results may differ from those described in this document due to operational risks and uncertainties. More detailed information on the potential risks that may affect the Group's financial results can be found in the 2018 Registration Document filed with the Autorité des Marchés Financiers (AMF) on 12 April 2019 (see pages 28 to 44 and 229 to 233 in particular). Sopra Steria does not undertake any obligation to update the forward-looking information contained in this document beyond what is required by current laws and regulations. The distribution of this document in certain countries may be subject to the laws and regulations in force. Persons physically present in countries where this document is released, published or distributed should inquire as to any applicable restrictions and should comply with those restrictions.

About Sopra Steria

Sopra Steria, a European leader in digital transformation, provides one of the most comprehensive portfolios of offerings on the market, spanning consulting, systems integration, industry-specific solutions, infrastructure management and business process services. It provides end-to-end solutions to address the core business needs of large companies and organisations, helping them remain competitive and grow. Combining added value with innovative, high-performance services, Sopra Steria excels in guiding its clients through their transformation projects to help them make the most of digital technology. With over 45,000 employees in more than 20 countries, Sopra Steria generated revenue of €4.1 billion in 2018.

Sopra Steria (SOP) is listed on Euronext Paris (Compartment A) – ISIN: FR0000050809

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Annexes

Sopra Steria: Impact on revenue of changes in scope and exchange rates – H1 2019

€m	H1 2019	H1 2018	Growth
Revenue	2,207.1	2,014.0	+ 9.6%
Changes in exchange rates		1.7	
Revenue at constant exchange rates	2,207.1	2,015.7	+ 9.5%
Changes in scope		38.9	
Revenue at constant scope and exchange rates	2,207.1	2,054.6	+ 7.4%

Sopra Steria: Changes in exchange rates – H1 2019

For €1 / %	Average rate	Average rate	Change
	H1 2019	H1 2018	
Pound sterling	0.8736	0.8798	+ 0.7%
Norwegian krone	9.7304	9.5929	- 1.4%
Swedish krona	10.5181	10.1508	- 3.5%
Danish krone	7.4651	7.4476	- 0.2%
Swiss franc	1.1295	1.1697	+ 3.6%

Sopra Steria: Revenue by reporting unit (€m / %) – H1 2019

	H1 2019	H1 2018 Restated*	H1 2018	Organic growth	Total growth
France	914.9	849.1	849.1	+ 7.7%	+ 7.7%
United Kingdom	429.6	385.7	382.8	+ 11.4%	+ 12.2%
Other Europe	534.9	498.5	475.5	+ 7.3%	+ 12.5%
Sopra Banking Software	204.0	202.1	187.4	+ 0.9%	+ 8.9%
Other Solutions	123.6	119.2	119.2	+ 3.7%	+ 3.7%
Sopra Steria Group	2,207.1	2,054.6	2,014.0	+ 7.4%	+ 9.6%

* Revenue at 2019 scope and exchange rates

Sopra Steria: Revenue by reporting unit (€m / %) – Q2 2019

	Q2 2019	Q2 2018 Restated*	Q2 2018	Organic growth	Total growth
France	457.8	422.8	422.8	+ 8.3%	+ 8.3%
United Kingdom	216.2	194.9	194.4	+ 10.9%	+ 11.2%
Other Europe	267.5	252.0	243.9	+ 6.1%	+ 9.7%
Sopra Banking Software	110.8	106.2	99.2	+ 4.3%	+ 11.7%
Other Solutions	63.4	61.8	61.8	+ 2.6%	+ 2.6%
Sopra Steria Group	1,115.7	1,037.8	1,022.2	+ 7.5%	+ 9.2%

* Revenue at 2019 scope and exchange rates



Sopra Steria: Performance by reporting unit – H1 2019

	H1 2019		H1 2018	
	€m	%	€m	%
France				
Revenue	914.9		849.1	
Operating profit on business activity	85.2	9.3%	76.0	9.0%
Profit from recurring operations	81.7	8.9%	60.5	7.1%
Operating profit	76.1	8.3%	56.1	6.6%
United Kingdom				
Revenue	429.6		382.8	
Operating profit on business activity	26.4	6.1%	17.1	4.5%
Profit from recurring operations	20.4	4.7%	10.5	2.7%
Operating profit	19.8	4.6%	2.2	0.6%
Other Europe				
Revenue	534.9		475.5	
Operating profit on business activity	34.5	6.5%	32.9	6.9%
Profit from recurring operations	32.7	6.1%	28.9	6.1%
Operating profit	28.6	5.4%	25.1	5.3%
Sopra Banking Software				
Revenue	204.0		187.4	
Operating profit on business activity	-9.5	-4.7%	8.4	-4.5%
Profit from recurring operations	-15.6	-7.6%	-14.6	-7.8%
Operating profit	-21.2	-10.4%	-16.2	-8.6%
Other Solutions				
Revenue	123.6		119.2	
Operating profit on business activity	14.5	11.7%	15.1	12.7%
Profit from recurring operations	13.9	11.2%	13.9	11.7%
Operating profit	11.9	9.6%	12.8	10.8%

Sopra Steria: Consolidated income statement – H1 2019

	H1 2019		H1 2018	
	€m	%	€m	%
Revenue	2,207.1		2,014.0	
Staff costs	-1,338.5		-1,235.6	
Operating expenses	-636.1		-624.4	
Depreciation, amortisation and provisions	-81.5		-21.2	
Operating profit on business activity	151.0	6.8%	132.8	6.6%
Share-based payment expenses	-4.3		-22.1	
Amortisation of allocated intangible assets	-13.6		-11.6	
Profit from recurring operations	133.1	6.0%	99.2	4.9%
Other operating income and expenses	-17.8		-19.1	
Operating profit	115.3	5.2%	80.0	4.0%
Cost of net financial debt	-4.4		-3.7	
Other financial income and expenses	-7.7		-3.2	
Tax expense	-34.4		-34.9	
Share of net profit from equity-accounted companies	-2.0		1.3	
Net profit	66.8	3.0%	39.5	2.0%
Attributable to the Group	60.9	2.8%	38.4	1.9%
Non-controlling interests	5.9		1.1	
Weighted average number of shares in issue excl. treasury shares (m)	20.22		20.16	
Basic earnings per share (€)	3.01		1.90	

Sopra Steria: Change in net financial debt (€m) – H1 2019

	H1 2019	H1 2018
Operating profit on business activity	151.0	132.8
Depreciation, amortisation and provisions (excl. allocated intangible assets)	81.5	22.9
EBITDA	232.5	155.7
Non-cash items	-4.6	-3.5
Tax paid	-34.3	-34.9
Change in operating working capital requirement	-112.2	-169.4
Reorganisation and restructuring costs	-16.7	-20.7
Net cash flow from operating activities	64.8	-72.8
Net change relating to leases	-46.8	-
Net change relating to investing activities	-20.6	-25.7
Net financial interest	-7.5	-4.6
Additional contributions related to defined-benefit pension plans	-11.7	-11.2
Free cash flow*	-21.8	-114.3
Impact of changes in scope	7.3	-15.7
Financial investments	-1.1	-2.3
Dividends paid	-2.3	-
Dividends received from equity-accounted companies	-0.0	-
Capital increases in cash	-	-
Purchase and sale of treasury shares	-3.4	-18.3
Impact of changes in foreign exchange rates	0.8	-1.6
Impact of the initial application of IFRS 16	16.9	-
Change in net financial debt	-3.4	-152.3
Net financial debt at beginning of period	620.9	510.1
Net financial debt at end of period	624.3	662.4
* Free cash flow after adjusting for trade receivables sold in 2017 for € 37m	-	- 77.3

Sopra Steria: Simplified balance sheet (€m) – 30/06/2019

	30/06/2019	31/12/2018
Goodwill	1,710.3	1,708.5
Allocated intangible assets	169.2	183.0
Right-of-use assets	284.1	-
Other fixed assets	211.2	234.9
Equity-accounted investments	193.0	195.1
Fixed assets	2,567.8	2,321.5
Net deferred tax	97.8	79.6
Trade accounts receivable (net)	1,161.1	1,091.8
Other assets and liabilities	-1,162.0	-1,153.1
Working capital requirement (WCR)	-0.9	-61.3
Assets + WCR	2,664.8	2,339.8
Equity	1,292.7	1,329.2
Provisions for post-employment benefits	364.0	308.3
Provisions for contingencies and losses	79.3	81.5
Lease liabilities	304.4	-
Net financial debt	624.4	620.9
Capital invested	2,664.8	2,339.8

Sopra Steria: Workforce breakdown – 30/06/2019

	30/06/19	31/12/18
France	19,343	19,013
United Kingdom	6,352	6,407
Other Europe	10,268	10,095
Rest of the World	360	344
X-Shore	8,636	8,255
Total	44,959	44,114

