

Sopra Steria: A Resilient First Half of 2020

- Revenue of €2,166.7m, equating to negative organic revenue growth* of 2.6%, favourably situated with respect to the initial guidance range disclosed on 24 April 2020 (between -2% and -6%)
- Operating margin on business activity of 6.1% (6.8% in H1 2019)
- Net profit attributable to the Group of €43.7m (€60.9m at 30/06/2019)
- Net financial debt slightly below its 31 December 2019 level thanks to free cash flow of €37.1m in H1 2020

PARIS--(BUSINESS WIRE)-- Regulatory News:

At its meeting on 28 July 2020 chaired by Pierre Pasquier, Sopra Steria's (Paris:SOP) Board of Directors approved the financial statements for the first half of 2020. The Statutory Auditors have conducted a limited review of the financial statements.

Sopra Steria: 2020 Half-year results

		H1 2020			H1 2019	
		Amount	Rate	Change	Amount	Rate
Key income statement items						
Revenue	€m	2,166.7		-1.8%	2,207.1	
<i>Organic growth</i>	%	- 2.6%				
Operating profit on business activity	€m	132.8	6.1%	-12.0%	151.0	6.8%
Profit from recurring operations	€m	111.6	5.1%	-16.2%	133.1	6.0%
Operating profit	€m	87.7	4.0%	-23.9%	115.3	5.2%
Net profit attributable to the Group	€m	43.7	2.0%	-28.3%	60.9	2.8%
Weighted average number of shares in issue excl. treasury shares	m	20.23			20.22	
Basic earnings per share	€	2.16		-28.3%	3.01	
Recurring earnings per share	€	3.06		-15.4%	3.61	

Key balance sheet items

		6/30/2020		6/30/2019	
Net financial debt	€m	495.9		-20.6%	624.3
Equity attributable to the Group	€m	1,395.7		10.5%	1,263.5

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

General comments on H1 2020 activity

Since the beginning of the Covid-19 crisis in March 2020, the Group's priority has been protecting the health of its employees and ensuring continuity of service. In the acute phase of the crisis, the use of remote working was scaled up to include more than 90% of employees, and governance was adjusted to ensure more agile management of the Group. Cost-cutting programmes were launched starting in April.

With the spread of the pandemic and measures restricting movement and imposing lockdowns, there was a widespread decline in client orders and additional business under existing contracts. However, the extent of this decline varied widely from one business sector to another. The aeronautics sector – which made up around 10% of the Group's revenue at the end of Q1 2020 – was particularly and lastingly hard hit, with the industry projected to contract between 20% and 30% starting in the second quarter.

Amidst this crisis, Sopra Steria was able to draw on its resilient fundamentals. Its activities are centred around recurring contracts, which make up around 40% of its revenue (business process services, IT infrastructure management, application maintenance and software maintenance). It also has a sizeable presence in the public sector, which contributes around one third of its revenue. Lastly, its sales strategy focuses on strategic clients, which are mainly key accounts.

As such, Sopra Steria's **revenue** was relatively resilient. It came to €2,166.7 million at 30 June 2020, down 1.8% with respect to first-half 2019. Changes in scope had a positive impact of €30.8 million, and currency fluctuations had a negative impact of €12.5 million. **At constant scope and exchange rates**, revenue fell 2.6%, which is favourably situated with respect to the initial guidance range (a drop in revenue of between 2% and 6%) disclosed in the press release on first-quarter revenue dated 24 April 2020.

Operating profit on business activity came to €132.8 million, or a margin of 6.1% (6.8% in H1 2019).

Detailed analysis by reporting unit of operating performance in the first half of 2020

In France, revenue was €864.6 million, corresponding to an organic decrease in revenue of 5.5%. The strongest declines were seen in product lifecycle management and consulting, especially in the 2nd quarter, whereas IT infrastructure management showed more limited negative growth. In terms of vertical markets, the drop in business activity was particularly significant in the aeronautics sector in the second quarter. This sector represented around 20% of the region's revenue at the end of Q1 2020. However, defence and the public sector continued to perform very well during the half-year period. At 30 June 2020, the operating margin on business activity was 8.2% (9.3% at 30 June 2019).

In the United Kingdom, revenue came to €338.5 million, representing an organic decrease of 4.7%. This change mainly arose from softer business activity in the private sector and the suspension of the visa service provided for the UK government from the end of March to the end of May. This service was gradually reopened at the beginning of June. Joint ventures in the public sector (NHS SBS and SSCL) were not affected; they saw organic revenue growth of 4.9% over the period, and growth is expected to accelerate in the second half of the year. The rest of the public sector, defence and security proved fairly resilient. At 30 June 2020, the operating margin on business activity was 4.6% (6.1% at 30 June 2019).

The **Other Europe** reporting unit posted organic growth of 6.6%, with revenue totalling €638.8 million. This increase was due to the strong growth recorded in Scandinavia (up 9.4%) and the development of business related to Sopra Financial Technology's operation of the Sparda banks' information system in Germany

(revenue of €107.9 million in the first half). Business activity for the other countries in this region was either stable or slightly down over the period. At 30 June 2020, the operating margin on business activity was 7.4% (6.5% at 30 June 2019).

Sopra Banking Software generated revenue of €205.4 million, representing an organic decrease of 10.9%. This change resulted from negative growth in licence sales and a deterioration in services activities during the lockdown period. Product roadmaps were carried out as planned for the Sopra Banking Platform and the Sopra Financing Platform. The new version of Cassiopae 4.7, launched on 31 March, has gone live for a number of clients in the specialised lending solutions business, and a gradual upgrade plan is now in place. At 30 June 2020, the operating margin on business activity was -3.3% (-4.7% at 30 June 2019).

The **Other Solutions** reporting unit posted revenue of €119.4 million, representing negative organic growth of 5.0% due to a decline in licence sales, the postponement of certain projects and the temporary drop in the volume of services outsourced during the lockdown period. These changes were relatively comparable across both business lines. The difference between actual revenue and initial growth forecasts affected the reporting unit's operating margin on business activity, which was 5.0% at 30 June 2020 compared with 11.7% at 30 June 2019. A substantial improvement in profitability is expected in the second half of 2020.

Comments on the components of net profit for the first half of 2020

Profit from recurring operations came to €111.6 million. It included a €2.2 million share-based payment expense and a €19.1 million amortisation expense on allocated intangible assets.

Operating profit was €87.7 million after a net expense of €23.8 million for other operating income and expenses (compared with a net expense of €17.8 million in first-half 2019), of which €7.7 million was attributable additional costs related to Covid-19. Reorganisation and restructuring expenses totalled €15.7 million.

The tax expense was €23.7 million in the half-year period, versus €34.4 million in the first half of 2019, translating to a Group-wide tax rate of 31.2%.

The share of the profit/loss from equity-accounted companies (Axway Software) was a loss of €1.9 million (loss of €2.0 million in first-half 2019).

The **net profit attributable to the Group** was €43.7 million (vs €60.9 million in first-half 2019) after €6.5 million in **minority interests**.

Basic earnings per share came to €2.20 (€3.00 per share in the first half of 2019).

Financial position at 30 June 2020

Sopra Steria's **financial position** at 30 June 2020 is robust in terms of both financial ratios and liquidity.

Despite weaker results and a traditionally unfavourable seasonal effect in the first half of the year, and thanks to strict management of the working capital requirement, **free cash flow** for the first half of 2020 amounted to a cash inflow of €37.1 million (versus a €21.8 million outflow in the first half of 2019). It included an inflow of €57 million from non-recurring items.

Net financial debt totalled €495.9 million at 30 June 2020, down slightly from its level at 31 December 2019 (€513.9 million). It equated to 1.27x pro forma 12-month rolling EBITDA before the impact of IFRS 16, compared with 1.63x at 30 June 2019 (with the financial covenant stipulating a maximum of 3x).

External growth transactions

On 9 July 2020, Sopra Steria announced that it had signed the acquisition agreement for a 94.03% controlling interest in Sodifrance, at a price equivalent to €62.8 million for 100% of its share capital. The acquisition is expected to take place in September 2020. The delisting offer (*offre publique de retrait*) could be finalised in October 2020 and the mandatory delisting procedure could take place in November 2020.

Workforce

At 30 June 2020, the Group's workforce totalled 46,603 people, with 19.1% working in X-Shore zones (44,959 at 30 June 2019).

Social and environmental footprint

Sopra Steria firmly believes that digital technology, when closely linked to humanity, is a rich source of opportunity and progress. The Group sees its contribution to society as sustainable, human-focused and guiding.

As one measure of its deep commitment to this role, Sopra Steria is proud to have been a signatory of the United Nations Global Compact since 2004. On 19 May 2020, the Group joined 154 other companies spanning all business sectors to support the Science Based Targets initiative and its goal for companies of limiting global warming to 1.5°C.

In the first half of 2020, Sopra Steria's corporate social responsibility policy earned two additional distinctions. For the second year in a row, the Group was ranked within the top 1% of companies assessed by EcoVadis in the area of corporate social responsibility, scoring 74/100 and achieving "Platinum" level, introduced for the first time in 2020. In June 2020, the Group was also rated "Advanced" by Vigeo Eiris, with an ESG score of 62/100, a substantial increase from 2018.

Targets for 2020

Based on the economic environment observed at end-July 2020, Sopra Steria has set the following targets for the full 2020 financial year:

- Organic change in revenue of between -2% and -4%
- Operating margin on business activity of between 6% and 7%
- Free cash flow of between €80m and €120m

However, the overall environment remains highly uncertain. The reinstatement of measures restricting movement and/or requiring physical distancing in the geographies where Sopra Steria operates could negatively impact the situation, as could any decisions to further adjust costs that may be made by certain clients in the second half of the year.

Presentation meeting

The results for the first half of 2020 will be presented to financial analysts and investors in a French/English webcast on Wednesday, 29 July 2020 at 9:00 a.m. CET.

- Register for the French-language webcast [here](#)
- Register for the English-language webcast: [here](#)

Or by phone:

- French-language phone number: +33 (0)1 70 71 1 59 – PIN: 75132735#
- English-language access number: +44 207 194 37 59 – PIN: 94236675#

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

Next financial release

Wednesday, 28 October 2020 (before market open): publication of Q3 2020 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 Universal registration document, is equal to consolidated operating profit on business activity after adding back depreciation and amortisation included in operating profit on business activity.
- **Operating profit on business activity**: This measure, as defined in the Universal 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.
- **Basic 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 and equipment, and intangible assets; less lease payments; 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 2019 Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on 10 April 2020 (see pages 35 to 52 and 27 to 275 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 enquire as to any applicable restrictions and should comply with those restrictions.

About Sopra Steria

Sopra Steria, a European leader in consulting, digital services and software development, helps its clients drive their digital transformation and obtain tangible and sustainable benefits. It provides end-to-end solutions to make large companies and organisations more competitive by combining in-depth knowledge of a wide range of business sectors and innovative technologies with a fully collaborative approach. Sopra Steria places people at the heart of everything it does and is committed to making the most of digital technology to build a positive future for its clients. With 46,000 employees in 25 countries, the Group generated revenue of €4.4 billion in 2019.

The world is how we shape it.

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

For more information, visit us at www.soprasteria.com

Annexes

Sopra Steria: Impact on revenue of changes in scope and exchange rates – H1 2020

€m	H1 2020	H1 2019	Growth
Revenue	2,166.7	2,207.1	-1.8%
Changes in exchange rates		-12.5	
Revenue at constant exchange rates	2,166.7	2,194.6	-1.3%
Changes in scope		30.8	
Revenue at constant scope and exchange rates	2,166.7	2,225.4	-2.6%

Sopra Steria: Changes in exchange rates – H1 2020

For €1 / %	Average	Average	Change
	rate	rate H1	
	H1 2020	2019	
Pound sterling	0.8746	0.8736	+0.1%
Norwegian krone	10.7324	9.7304	+10.3%
Swedish krona	10.6599	10.5181	+1.3%
Danish krone	7.4648	7.4651	-0.0%
Swiss franc	1.0642	1.1295	-5.8%

Sopra Steria: Revenue by reporting unit (€m / %) – H1 2020

	H1 2020	H1 2019 Restated*	H1 2019	Organic growth	Total growth
France	864.6	914.7	914.9	-5.5%	-5.5%
United Kingdom	338.5	355.1	429.6	-4.7%	-21.2%
Other Europe	638.8	599.4	534.9	+6.6%	+19.4%
Sopra Banking Software	205.4	230.6	204.0	-10.9%	+0.7%
Other Solutions	119.4	125.6	123.6	-5.0%	-3.4%
Sopra Steria Group	2,166.7	2,225.4	2,207.1	-2.6%	-1.8%

* Revenue at 2020 scope and
exchange rates

Sopra Steria: Revenue by reporting unit (€m / %) – Q2 2020

	Q2 2020	Q2 2019 Restated*	Q2 2019	Organic growth	Total growth
France	400.0	457.7	457.8	-12.6%	-12.6%
United Kingdom	157.2	177.3	216.2	-11.3%	-27.3%
Other Europe	311.9	298.1	267.5	+4.6%	+16.6%
Sopra Banking Software	99.7	123.8	110.8	-19.5%	-10.0%
Other Solutions	57.8	64.4	63.4	-10.2%	-8.8%
Sopra Steria Group	1,026.7	1,121.3	1,115.7	-8.4%	-8.0%

* Revenue at 2020 scope and
exchange rates

Sopra Steria: Performance by reporting unit – H1 2020

	H1 2020		H1 2019	
	€m	%	€m	%
France				
Revenue	864.6		914.9	
Operating profit on business activity	70.8	8.2%	85.2	9.3%
Profit from recurring operations	65.3	7.6%	81.7	8.9%
Operating profit	58.6	6.8%	76.1	8.3%
United Kingdom				
Revenue	338.5		429.6	
Operating profit on business activity	15.5	4.6%	26.4	6.1%
Profit from recurring operations	9.4	2.8%	20.4	4.7%
Operating profit	-0.7	-0.2%	19.8	4.6%
Other Europe				

Revenue	638.8		534.9	
Operating profit on business activity	47.4	7.4%	34.5	6.5%
Profit from recurring operations	45.2	7.1%	32.7	6.1%
Operating profit	40.6	6.4%	28.6	5.4%

Sopra Banking Software

Revenue	205.4		204.0	
Operating profit on business activity	-6.7	-3.3%	-9.5	-4.7%
Profit from recurring operations	-13.9	-6.8%	-15.6	-7.6%
Operating profit	-16.1	-7.8%	-21.2	-10.4%

Other Solutions

Revenue	119.4		123.6	
Operating profit on business activity	5.9	5.0%	14.5	11.7%
Profit from recurring operations	5.5	4.6%	13.9	11.2%
Operating profit	5.3	4.5%	11.9	9.6%

Sopra Steria: Consolidated income statement – H1 2020

	H1 2020		H1 2019	
	€m	%	€m	%
Revenue	2,166.7		2,207.1	
Staff costs	-1,386.2		-1,338.5	
Operating expenses	-558.2		-636.1	
Depreciation, amortisation and provisions	-89.6		-81.5	
Operating profit on business activity	132.8	6.1%	151.0	6.8%
Share-based payment expenses	-2.2		-4.3	
Amortisation of allocated intangible assets	-19.1		-13.6	
Profit from recurring operations	111.6	5.1%	133.1	6.0%
Other operating income and expenses	-23.8		-17.8	
Operating profit	87.7	4.0%	115.3	5.2%
Cost of net financial debt	-5.1		-4.4	
Other financial income and expenses	-6.7		-7.7	
Tax expense	-23.7		-34.4	
Share of net profit from equity-accounted companies	-2.1		-2.0	
Net profit	50.2	2.3%	66.8	3.0%
Attributable to the Group	43.7	2.0%	60.9	2.8%
Non-controlling interests	6.5		5.9	
Weighted average number of shares in issue excl. treasury shares (m)	20.23		20.22	

Basic earnings per share (€)

2.16

3.01

Sopra Steria: Change in net financial debt (€m) – H1 2020

	H1 2020	H1 2019
Operating profit on business activity	132.8	151.0
Depreciation, amortisation and provisions (excl. allocated intangible assets)	88.7	81.5
EBITDA	221.5	232.5
Non-cash items	3.2	-4.6
Tax paid	-43.3	-34.3
Change in operating working capital requirement	-25.7	-112.2
Reorganisation and restructuring costs	-20.0	-16.7
Net cash flow from operating activities	135.7	64.8
Lease payments	-55.8	-51.1
Change relating to investing activities	-25.2	-20.6
Net interest	-5.8	-3.2
Additional contributions related to defined-benefit pension plans	-11.9	-11.7
Free cash flow	37.1	-21.8
Impact of changes in scope	-8.3	7.3
Financial investments	-0.9	-1.1
Dividends paid	-2.3	-2.3
Purchase and sale of treasury shares	-6.9	-3.4
Impact of changes in foreign exchange rates	-0.6	0.8
Impact of the initial application of IFRS16	-	16.9
Change in net financial debt	18.0	-3.4
<i>* Free cash flow after restating for the sale of trade receivables in 2017 for €37 million</i>	-	-
Net financial debt at beginning of period	513.9	620.9
Net financial debt at end of period	495.9	624.3

Sopra Steria: Simplified balance sheet (€m) – 30/06/2020

	6/30/2020	12/31/2019
Goodwill	1,771.3	1,813.9
Allocated intangible assets	158.0	181.5
Other fixed assets	257.0	267.9
Right-of-use assets	315.3	320.4
Equity-accounted investments	195.4	195.0
Fixed assets	2,697.0	2,778.8

Net deferred tax	90.7	98.1
Trade accounts receivable (net)	1,056.3	1,074.3
Other assets and liabilities	-1,160.6	-1,256.1
Working capital requirement (WCR)	-104.3	-181.8
Assets + WCR	2,683.4	2,695.1
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Equity	1,442.1	1,422.2
Provisions for post-employment benefits	326.8	339.7
Provisions for contingencies and losses	81.2	77.0
Lease liabilities	337.4	342.1
Net financial debt	495.9	513.9
Capital invested	2,683.4	2,695.1

Sopra Steria: Workforce breakdown – 30/06/2020

	6/30/2020	6/30/2019
France	19,677	19,013
United Kingdom	6,741	6,407
Other Europe	10,807	10,095
Rest of the World	499	344
X-Shore	8,879	8,255
Total	46,603	44,959

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Source: Sopra Steria

