# SALES AND RESULTS IN THE FIRST HALF OF 2016

**Strong growth in SaaS revenue (€44.5M; up 28% at constant scope and up 51.7% unadjusted) and in future SaaS contract revenue (€224.7M, up 36% at constant scope)**

**SSRS sales of €109.1M (up 5.6% at constant scope and up 15.7% unadjusted)**

**Consolidated sales: €150.5M (up 3.1% at constant scope and up 12.6% unadjusted)**

**Income from ordinary activities: up 4.9%**

## Sales: Increase in growth of SaaS/On Demand revenue and in the recurrent portion of sales (nearly 65% of total sales, up three percentage points year-on-year)

| H1 consolidated sales | 2016 € M | 2015 € M | Change, unadjusted scope € M | Change, unadjusted scope % | 2016 constant (1) € M | Change, constant scope(1) % |
|---|---|---|---|---|---|---|
| SaaS | 44.5 | 29.3 | 15.2 | 51.7% | 37.4 | 27.8% |
| Licenses | 13.4 | 13.8 | -0.4 | -2.9% | 12.7 | -7.8% |
| Maintenance | 49.7 | 49.4 | 0.3 | 0.5% | 47.9 | -2.9% |
| Miscellaneous | 1.5 | 1.8 | -0.2 | -13.1% | 1.5 | -16.4% |
| **Total Software and software-related services (SSRS)*** | **109.1** | **94.3** | **14.8** | **15.7%** | **99.6** | **5.6%** |
| Professional services | 31.9 | 29.0 | 2.9 | 10.0% | 28.8 | -0.8% |
| **Total SSRS and professional services** | **141.0** | **123.3** | **17.7** | **14.3%** | **128.4** | **4.1%** |
| Hardware distribution and other | 9.5 | 10.3 | -0.8 | -7.6% | 9.3 | -9.6% |
| **Total **** | **150.5** | **133.6** | **16.9** | **12.6%** | **137.7** | **3.1%** |
| Of which recurrent | 97.0 | 82.2 | 14.8 | 18.0% | 88.3 | 7.4% |
| % recurrent / Total | 64.5% | 61.5% | | | 64.1% | |

*(1) The changes in consolidation scope relate to the companies acquired in 2015 (JDS for the period from January 1 to May 31, 2016, Altaven and Technomedia for the period from January 1 to June 30, 2016) and represent total estimated sales of €12.7 million.*

The first half of 2016 saw a continuation of Cegid's transformation toward a recurrent business model, underway for the past several years, and driven by strong growth in the SaaS business (On Demand and collaborative portal). SaaS revenue was up nearly 52% (up 27.8% at constant scope, representing a level comparable to 2015 growth at constant scope, i.e. 28%).



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Bloomberg: CGD FP
ICB: 9537 Software
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The SaaS business generated revenue of more than €44 million, and as of July 1, 2016 represented invoiceable future revenue of nearly €225 million (€224.7 million), up more than 65% year-on-year at unadjusted scope (up 35.7% at constant scope[1]). Recurrent sales (€97 million), including revenue from software and hardware maintenance contracts, portals and SaaS contracts, represented nearly 65% of total sales, an increase of more than three percentage points compared with H1 2015 and more than four points compared with all of 2015 (60.2%).

Against this background of strong growth in SaaS sales, boosted by companies acquired in 2015, in particular Technomedia (Talent Management), license sales came in above €13 million (down 2.9% at unadjusted scope and down 7.8% at constant scope).

As a result, revenue from strategic “Software and Software-Related Services (SSRS)" rose by 15.7% in H1 2016 to €109.1 million (up 5.6% at constant scope, close to the rate achieved in 2015 and exceeding the market average[2]).

Revenue from "SSRS and Professional Services" of €141 million advanced by more than 14% (up 4.1% at constant scope), with the professional services portion accounting for almost €32 million.

Cegid continued to scale back its non-strategic, lower-margin “Hardware Distribution and Other" business, which generated revenue of €9.5 million, or around 6% of total sales, down nearly 8% from H1 2015 (down nearly 10% at constant scope).

Internationally, Cegid saw continued expansion in the Retail and Talent Management segments, with sales rising more than 70% at unadjusted scope (up 21% at constant scope).

Overall, first-half 2016 consolidated sales totaled €150.5 million, up 3.1% from H1 2015 at constant scope and up 12.6% unadjusted.

(1) *The value of SaaS contracts is defined as the internal, unaudited value of active contracts extrapolated over their remaining lifetime for fixed maturity contracts and over 36 months in most cases for automatic renewal contracts, taking into account the average churn rate over the last 12 months. The reference amount calculated as of July 1, 2016 using this churn rate is €224.7 million (€185 million at constant scope). After additional analysis of all solutions available in SaaS mode, the (unaudited) present value of active SaaS contracts as of July 1, 2015 was €136.2 million. The previously estimated, unaudited figure published for information purposes in the financial press release of July 22, 2015 and shown at the July 23, 2015 information meeting was €132 million.*

(2) *Syntec Numérique estimates 2016 growth of 2.4%.*



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| Consolidated sales (€ M) Unadjusted scope* | | Q2 | Total H1 | of which "SSRS and professional services" | of which "Hardware distribution and other" |
|---|---|---|---|---|---|
| CPAs, small companies | 2016 | 27.0 | 54.9 | 49.5 | 5.4 |
| | 2015 | 24.5 | 51.6 | 46.2 | 5.4 |
| SMEs and large companies | 2016 | 29.2 | 57.6 | 56.3 | 1.3 |
| | 2015 | 23.8 | 47.7 | 45.9 | 1.8 |
| Retail | 2016 | 15.4 | 29.4 | 27.1 | 2.3 |
| | 2015 | 13.8 | 25.2 | 22.9 | 2.3 |
| Public sector | 2016 | 3.9 | 7.9 | 7.7 | 0.2 |
| | 2015 | 4.1 | 8.3 | 8.0 | 0.3 |
| Miscellaneous | 2016 | 0.2 | 0.7 | 0.4 | 0.4 |
| | 2015 | 0.4 | 0.8 | 0.3 | 0.5 |
| **Total** | **2016** | **75,7** | **150.5** | **141.0** | **9.5** |
| | **2015** | **66.6** | **133.6** | **123.3** | **10.3** |

** The changes in the scope of consolidation reflect both acquisitions carried out in 2015 and changes in the operational organization introduced in 2016. 2016 data were recalculated according to the June 30, 2016 organization.*

## Earnings: Income from ordinary activities up 4.9%

| H1 consolidated results, unadjusted scope | 2016 | 2015 | Change |
|---|---|---|---|
| | € M | € M | % |
| **Sales** | **150.5** | **133.6** | **12.6%** |
| Gross profit | 128.9 | 114.9 | 12.2% |
| **EBITDA** | **37.4** | **35.8** | **4.4%** |
| **Income from ordinary activities (excl. impact of IFRS 3)** | **18.2** | **16.4** | **10.6%** |
| Income from ordinary activities | 16.7 | 15.9 | 4.9% |
| Other operating income and expense | -0.8 | -0.7 | 20.3% |
| Operating income | 15.8 | 15.2 | 4.2% |
| Net financial expense | **-0.9** | **-0.4** | **-121.6%** |
| Pre-tax income | **14.9** | **14.8** | **ns** |
| **Net income (Group share)** | **9.4** | **9.4** | **ns** |

Gross profit amounted to nearly €129 million, up more than 12% compared with H1 2015. The change in gross margin (85.6%, i.e. down 0.4% from H1 2015), principally reflected the increase in SaaS solution production costs, in line with the growth in the SaaS business, and expenses related to services provided, a greater portion of which



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were subcontracted. Good control of operating expenses at constant scope, together with their overall increase as a result of acquisitions led to an average monthly breakeven point [(1)] of €21.8 million in H1 2016 (€19.2 million in H1 2015). Excluding depreciation and amortization of assets identified during acquisitions, the average monthly breakeven point was €21.5 million in H1 2016 (€19.1 million in H1 2015).

EBITDA was €37.4 million, increasing again from €35.8 million in H1 2015. This figure includes capitalized R&D, which increased by €2.0 million in H1 2016, essentially because Technomedia and Altaven entered the scope of consolidation in 2015.

Income from ordinary activities, which reflected the operating performance generated by Cegid's recurrent-revenue based model, rose 10.6% to €18.2 million (€16.4 million in H1 2015) before taking into account depreciation and amortization of assets identified during acquisitions. The margin on ordinary activities, also before such depreciation and amortization and in the context of investments to integrate companies acquired in 2015, was 12.1% of consolidated sales, comparable to the H1 2015 level of 12.3%. After accounting for these depreciation and amortization costs, income from ordinary activities totaled €16.7 million (€15.9 million in H1 2015).

Net non-recurrent expense totaled €0.8 million (essentially Cegid Group advisory fees related to current changes in its capital and acquisition strategy studies). After deducting this net expense, net financial expense, income tax and accounting for the Group's share of the income of associated companies, net income stood at €9.4 million, vs. €9.4 million in H1 2015.

[(1)] *excluding the impact of IFRS 3 – business combinations*

## Financial structure: Net cash from operating activities increased to €33.7 million (up 15.7%)

Net cash from operating activities[(1)] totaled €33.7 million (€29.2 million in H1 2015), an increase of nearly 16%, reflecting in particular a reduction in the working capital requirement.
Net financial debt of €65.8 million rose slightly from December 31, 2015, after taking into account the payment of the dividend in May 2016 (€11.4 million).

Gearing, the ratio of net financial debt[(2)] to consolidated shareholders' equity (€216.5 million) was 30.4% (25.2% as of June 30, 2015 and 29.8% as of December 31, 2015).

[(1)] *Net cash from operating activities is the sum of cash flow generated by the business, after interest, tax and changes in the working capital requirement.*

[(2)] *Net financial debt is the sum of cash and cash equivalents on the assets side less financial debt on the liabilities side (overdrafts, credit line drawdowns, other financial debt).*



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## Evolution of Cegid Group's share capital

On 8 July 2016, Cegid Group announced the completion of the disposal by Groupama, Groupama Gan Vie and I.C.M.I. of their total stake, 3,470,156 shares representing about 37.6% of the share capital of Cegid Group, to Claudius Finance Sàrl, a consortium constituted by the investment funds Silver Lake and AltaOne Capital ("Claudius Finance").

Following the completion of the disposal, a mandatory tender offer has been filed on 11 July 2016 with the *Autorité des Marchés Financiers* ("AMF") by Claudius France (a company indirectly wholly-owned by Claudius Finance), to acquire all the shares of Cegid Group that are not already held by Claudius Finance at a price of 61 euros per share (ex 2015 dividend) and 44.25 euros per redeemable warrant (the "Mandatory Tender Offer").

If, following the Mandatory Tender Offer, the minority shareholders do not hold more than 5% of the share capital or voting rights of Cegid Group, Claudius Finance will request the implementation of a squeeze-out in accordance with article 237-14 of the AMF's General Regulation and the price to be paid by Claudius France for each share and each redeemable warrant tendered into the Mandatory Tender Offer shall be increased by 1.25 euros, thus resulting in a price per share being equal, in total, to 62.25 euros (ex 2015 dividend) and a price per redeemable warrant being equal, in total, to 45.50 euros. Such increased price will be paid to all holders of shares and redeemable warrants who have tendered to the Mandatory Tender Offer their shares and/or redeemable warrants.

The Mandatory Tender Offer, which is expected to be completed during the second half of 2016, remains subject to the AMF's review and clearance.

On its meeting held on 7 July 2016, the board of directors considered that the Mandatory Tender Offer was in the best interest of the Company, its employees and its shareholders. It unanimously gave a favourable opinion to the Mandatory Tender Offer and decided to recommend to Cegid Group's shareholders and holders of redeemable warrants to tender their shares and their redeemable warrants into the Mandatory Tender Offer.

The draft response document (*projet de note en réponse*) prepared by the Company has been filed with the AMF after the filing of the Mandatory Tender Offer by Claudius France. This document will be available on the Internet websites of the AMF (www.amf-france.org) and Cegid Group S.A. (http://www.cegid.com) and may be obtained free of charge at the Company's registered office.

## Strategy: SaaS leadership and innovation helping private companies and public sector entities in their digital transformation

With businesses and public sector entities alike now demanding mobility, business analytics and collaborative working modes, Cegid is continuing to pursue its strategy for cloud-based innovation oriented around the MoBiClo™ concept.



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Every day, Cegid supports more than 135,000 customer sites and 430,000 users, including more than 150,000 SaaS-mode users in nearly 55,000 companies, 2,200 CPA firms and more than 250 public sector entities in their digital transformation with solutions dedicated to the new ways they use IT services by:

- developing the collaborative dimension of solutions for accounting firms and their small-company customers,
- contributing to the French government's simplification effort, e.g. nominative employee filing system (DSN), online tax filings,
- launching new SaaS-mode product ranges.

**Outlook: Cegid has a leadership position in cloud services**

Cegid's product line and strategy over the past several years aim to support companies as they transform themselves, simplify and become more competitive:

- by continually providing new, innovative cloud-based solutions to accommodate new trends in software use through the "MoBiClo™" approach that brings together Mobility, Business Intelligence and the Cloud, with an emphasis on industry-specific cloud services (accounting profession, public sector, retail, etc.) and cloud-to-cloud services (Office 365 agreement with Microsoft),
- through a market positioning as a leading SaaS provider, with future contract revenue of nearly €225 million, thereby strengthening the recurrent nature of its sales,
- by offering solutions with broad functional coverage (accounting/finance, taxation, payroll/HR/Talent management for companies of all sizes) and industry specialization (CPAs, entrepreneurs, retailing, manufacturing, trade & services, public sector),
- by developing excellent customer relationships through a multi-channel approach,
- by accelerating international development, essentially in the Retail sector and in People Management with Technomedia,
- through strengthened financial capacity that can be used to step up acquisitions,

With a business model oriented toward a high level of recurrent revenue (more than 65% of sales), Cegid can use its numerous strengths to support private companies and public sector entities as they invest in digital transformation.

Cegid is maintaining its objective to step up its growth and development, both in France and abroad, while improving its operating performance. Nevertheless, exceptional operating expenses related to the transactions on Cegid Group's capital and financial items related to structuring its financing will have a negative impact on net income.

## Calendar

The full calendar of publication dates and upcoming events can be found at the following address: http://en.cegid.com/financial-calendar

*The Board of Directors approved the H1 2016 financial statements on July 20, 2016. The Statutory Auditors have carried out their audit procedures and the reports relative to their limited review will be published on July 22, 2016.*

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