press release

REGULATORY INFORMATION

29 July 2020

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H1 2020 Results:
Recurring operating profit[1] up
Net book debt[3] down

H1 2020 Key Points

- Revenue at €1,240m, down[2] 12.5%
- Recurring operating profit[1] up[2] at €43.5m (up 12.4%)
- Net book debt[3] down more than €100m on 30 June 2019
- Net profit consolidated at €22.1m (versus €5.2m at end-June 2019)

First fruits of Econocom's transformation plan

On 27 July 2020, the Econocom group's board of directors met and approved the consolidated statements for 30 June 2020.

As announced in the press release on 10 July, the group made €1,240m in revenue in H1 2020, down[2] 12.5%. During H1 2020, Econocom's business was impacted by the health crisis because of extended delays in contracting into business, disrupted supplies of equipment and difficulties in gaining access to certain clients' sites. These effects, which delayed revenue recognition from many contracts, gradually waned over Q2.

Business at Technology Management and Financing (TMF) generated €479m in revenue, down[2] 13.5%. The decrease was more significant in Q1 (-16.2%) than in Q2 (-11.7%), with new operations gradually introduced again. Revenue at Digital Services and Solutions (DSS) was down[2] 11.9%. There was a 12.4% drop for Services and a 11.7% fall for Products and Solutions.

Recurring operating profit[1] (ROP) was up 12.4%, reaching €43.5m, versus €38.7m[2] for the same period in 2019. This increase came directly from cost-cutting measures which have been applied since the start of 2019 and have intensified during the covid-19 pandemic. These measures especially benefited DSS, whose ROP was at €33.5m (versus €22.1m[2] in H1 2019). TMF's ROP was down €10m (versus €16.6m[2] in H1 2019) due to a sharp fall in H1 business and less variability in its cost model.

Non-recurring expenses of €23.7m, mainly due to the group's operations in reorganisation and the covid-19 crisis, were posted in H1 2020.

H1 2020 net profit was at €22.1m, versus €5.2m in H1 2019. This includes the capital gain from selling the firm EBC.

Group's net book debt[3] still falling

Net book debt[3] was at €303m, sharply down on 30 June 2019 (€405m). Econocom is therefore reaping the rewards of its debt-reduction policy, which includes the closure of loss-making entities, the sale of non-strategic business, the reduction of structural expenses and improvement in working capital requirement.

[1] Before amortisation of intangible assets from acquisitions and after restatement in line with IFRS 5 regarding assets held for sale and discontinued operations

[2] Based on unchanging norms and scope

[3] Before taking into account debt brought about by application of IFRS 16 to lease contracts (real estate, vehicles, etc.) in which Econocom is the lessee

[4] EBITDA is equivalent to recurring operating profit[1] + operating expenses and - operating income in amortisation and impairment of assets.

[5] Gearing is the ratio of net book debt to equity

Net book debt[3] now only represents 1.8 times EBITDA[4] over a 12-month rolling period at 30 June 2020, versus 2.5 times EBITDA at 30 June 2019. Given that equity is at €498m, gearing[5] is at 0.6, versus 0.9 a year earlier, under the combined effect of a fall in net book debt and growth in the group's equity. The latter benefited from an increase in net profit over the period and the decision to not repay share premium at the general meeting of shareholders in May 2020.

In H1 2020, the group bought treasury shares for €7.2m. On 30 June 2020, Econocom held 1.8 million treasury shares, amounting to 0.8% of the company's capital. The company cancelled 24.5 million cross-holding shares in May 2020.

Post-close event

On 27 July, as part of its efforts to streamline its business, Econocom announced it was entering into exclusive negotiations with the company Atos with a view to selling its stake in the capital of its subsidiary digital.security, which specialises in digital risk management and is one of Europe's leading computer emergency response teams. Today, this entity includes 250 consultants and in 2019 it made nearly €29m in revenue.

Outlook

If the effects of the health crisis do not worsen, Econocom expects its business to gradually recover in H2, with its clients' sites reopening, remote working increasing and new contracts getting under way.

Beyond the economic situation caused by the health crisis, the Covid-19 pandemic has helped change the ways businesses work fundamentally. With remote working becoming more widespread more lastingly and the digital transformation of firms gathering pace, the markets in which Econocom operates will be buoyed, bringing ever more growth. The unique solutions Econocom offers, combining distribution, services and financing, make it a major player in Europe and should help it make the most of these growth markets.

The group has full confidence in its ability to get back to long-term growth as early as 2021. In September, it will present to the financial community its main lines of development and its ROP[1] aims for 2020 and 2021.

Next publication: information meeting on the 2020 half-year results and outlook for 2020/21 on 10 September 2020.

FOR FURTHER INFORMATION

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INCOME STATEMENT

(€m) Unaudited data	**H1 2020**	**H1 2019 restated***
Revenue	**1,240**	**1,424**
Recurring operating profit before amortisation of acquisition-related intangible assets	**43.5**	**41.2**
Recurring operating profit	42.5	40.2
Non-recurring income and expenses	-23.7	-13.5
Operating profit	**18.8**	**26.8**
Financial profit	-8.5	-8.9
Profit before tax	**10.3**	**17.9**
Income tax expense	-5.6	-7.8
Net profit from continued operations	**4.7**	**10.1**
Profit from discontinued operations	17.4	-4.9
Net profit	**22.1**	**5.2**

*In line with norm IFRS 5, income and expenses in H1 2019 from operations considered to be discontinued in H1 2020 were restated in 'Net profit from discontinued operations' in the H1 2019 income statement. Furthermore, the H1 2019 consolidated income statement was affected by recognition of direct deliveries of equipment now as principal (in line with IFRS 15).

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BALANCE SHEET

(€m) Unaudited data ASSETS	30.06.2020	31.12.2019
Goodwill	509	513
Residual interest in assets leased (non-current)	138	132
Other non-current assets	219	234
NON-CURRENT ASSETS	**865**	**879**
Residual interest in assets leased (current)	39	33
Trade and other receivables	1,013	1,094
Other current assets	167	137
Cash and cash equivalents	478	594
Assets held for sale	114	201
CURRENT ASSETS	**1,811**	**2,058**
TOTAL ASSETS	**2,676**	**2,937**
(€m) Unaudited data LIABILITIES	**30.06.2020**	**31.12.2019**
Equity attributable to owners of the parent	424	410
Non-controlling interests	74	74
EQUITY	**498**	**484**
Non-current financial liabilities	469	452
Gross liability for purchases of leased assets (non-current)	79	81
Other non-current liabilities	146	131
NON-CURRENT LIABILITIES	**694**	**664**
Trade and other payables	866	981
Other current liabilities	233	311
Current financial liabilities	312	395
Gross liability for residual financial values (current)	26	20
Liabilities held with a view to sale	47	83
CURRENT LIABILITIES	**1,484**	**1,789**
TOTAL LIABILITIES AND EQUITY	**2,676**	**2,937**