

Satisfactory full-year results in 2019

Strong growth and improvement in performance

- Consolidated revenue growth of 8.3% to €4,434.0 million
- Organic revenue growth¹ of 6.5%
- Increase of 15.1% in operating profit on business activity to €354.3 million, a margin of 8.0% (7.5% in 2018)
- Net profit attributable to the Group up 28.1% to €160.3 million
- Free cash flow of €229.3 million (€173.1 million in 2018), representing a cash conversion rate² with respect to operating profit on business activity of 51% (50% in 2018)
- Sopra Steria named on CDP's A List for the 3rd consecutive year³

Paris, 21 February 2020 – At its meeting on 20 February 2020 chaired by Pierre Pasquier, Sopra Steria's Board of Directors conducted an in-depth review of the consolidated financial statements⁴ for the financial year ended 31 December 2019.

Sopra Steria: 2019 Full-year results

		2019			2018	
		Amount	Change	Rate	Amount	Rate
Key income statement items						
Revenue	€m	4,434.0	+8.3%			4,095.3
Organic growth		+6.5%				
Operating profit on business activity	€m/%	354.3	+15.1%	8.0%		307.9
Profit from recurring operations	€m/%	314.2	+20.5%	7.1%		260.8
Operating profit	€m/%	283.2	+25.0%	6.4%		226.6
Net profit attributable to the Group	€m/%	160.3	+28.1%	3.6%		125.1
Weighted average number of shares in issue excl. treasury shares	m	20.23	+0.3%			20.18
Basic earnings per share	€	7.92	+27.7%			6.20
Recurring earnings per share	€	8.97	+20.7%			7.43
Key balance sheet items						
		31/12/2019			31/12/2018	
Net financial debt	€m	513.9				620.9
Equity attributable to the Group	€m	1,372.7				1,296.2

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

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

² Restated for non-recurring and exceptional items.

³ Every year, thousands of companies and organisations around the world provide details on their environmental performance to CDP for independent assessment against its scoring methodology for the benefit of investors, purchasers and other stakeholders.

⁴ Audit procedures have been carried out on the financial statements. The Statutory Auditors' report is in the process of being issued.

General comments on financial year 2019

The financial year saw significant performance improvements and the Group hit all of its targets.

Strong organic revenue growth in the year confirmed Sopra Steria's ability to seize opportunities in a market driven by the challenges of digital transformation and further reinforced its excellent positioning, built on its offerings and its distinctive approach.

Two strategic acquisitions in the retail banking space have strengthened the Group's development. Sopra Banking Software's acquisition of SAB and Sopra Steria's acquisition of Sopra Financial Technology (a joint venture with the Sparda banking network) have helped Sopra Banking Software reach critical mass in its market (2019 pro forma revenue of €500 million) and are creating new opportunities for the implementation of digital platforms in the banking sector.

The operating margin improved thanks to the continuing shift toward higher-value offerings and more effective risk management. The Group's consulting teams continued to expand their digital services offerings and raised prices. In software solutions, particularly for specialised lending, the results of the plan put in place for 2019, focused on product industrialisation and enhancements in product security, were in line with expectations.

Structural improvements made to the client payment cycle continued during the year, resulting in an increase in the cash conversion rate.

The Group also strengthened its organisation and its internal governance system to prepare its future growth and reinforce its capacity to deliver on its medium-term strategy.

Details on 2019 operating performance

Consolidated revenue totalled €4,434.0 million, an increase of 8.3%. Changes in scope had a positive impact of €67.3 million, and currency fluctuations had a positive impact of €1.1 million. Organic revenue growth was 6.5%.

The Group's operating profit on business activity grew 15.1% to €354.3 million (€307.9 million in 2018), a margin of 8.0%, up 0.5 percentage points from the previous year.

In France, revenue came to €1,813.1 million (comprising 41% of Group revenue). Organic growth came in at 6.7%, driven by higher volumes and selling prices. This performance was fuelled in particular by the success of the high value strategy and the accentuated verticalisation of the Group's organisation. It was accompanied by a decrease of 0.7 percentage points in the employee turnover rate for the Consulting and Systems Integration business, to 17%. Defence, aerospace, transport and social (job centres, health insurance, etc.) were the best-performing vertical markets. Accordingly, operating profit on business activity for the reporting unit was up 12.9%, corresponding to an improvement in the operating margin of 0.6 percentage points, to 9.7%.

In the United Kingdom, hampered by an unpropitious business environment, particularly in the fourth quarter of 2019, revenue came to €771.5 million (17% of Group revenue). Since 28 June 2019, it no longer includes the recruitment business, which contributed €129.2 million in revenue in 2018. Excluding this impact and fluctuations in the British pound, revenue growth was 7.3%. The operating margin on business activity improved strongly by 1.6 percentage points to 7.3%. In addition to the anti-dilutive effect associated with the disposal of the recruitment business, the overall performance improvement was driven by that of the two joint ventures in the public sector (NHS SBS and SSCL), which together accounted for over 40% of the reporting unit's revenue. This momentum was further demonstrated, in December 2019, with the award to SSCL by the UK Ministry of Defence of a seven-year, £300 million contract to provide improved administrative, payroll, pension and human resources services for military personnel. Efforts under way to reinforce the model for the rest of the reporting unit's business activities, particularly in the private sector, need to be continued over several more half-year periods.

The Other Europe reporting unit posted organic revenue growth of 7.2% to €1,152.9 million (26% of Group revenue). Business in Germany was stable, in a context of lower spending, especially by certain banks, which affected operating performance for the year. Elsewhere in the reporting unit, growth was particularly brisk in Scandinavia, Italy and Spain, and profitability improved substantially in Belgium. Moreover, since 1 August 2019



Sopra Financial Technology has been responsible for operating the information system of the Sparda banking network. This business, which involves low margins during the initial transformation phase, generated revenue of €86.3 million in the second half of 2019 and had a dilutive impact of 0.6 points on the operating margin. For the reporting unit as a whole, the operating margin on business activity was 6.7% (8.1% in 2018).

Sopra Banking Software recorded organic revenue growth of 2.9% to €438.9 million (10% of Group revenue). In a difficult climate, priority was given to delivering on projects. The year was satisfactory in this respect, with more than 200 successful “go lives” across all product lines. In the area of retail banking, work continued on improvements for all three products, while a plan to optimise synergies was initiated, by way of the digital layer: 31 clients in 17 countries adopted the new digital platform DBEP (formerly known as DxP), in line with the entry into effect of the EU's revised PSD⁵. In the area of specialised lending, the strategic plan's objectives were met, with the confirmation of the release of version 4.7 of the Cassiopae product, due by the end of the first quarter of 2020, and gradual improvements in difficult client situations. Apak delivered a strong performance, in line with forecasts. For the reporting unit as a whole, the operating profit on business activity was €4.9 million, compared with a loss of €13.3 million in 2018.

The Other Solutions reporting unit posted revenue of €257.5 million (6% of Group revenue), representing organic growth of 6.0%. The Group's human resources solutions recorded organic growth of 3.7%. The Source Solde project was one of the year's highlights, with the successful implementation of a payroll system for the 39,000 military personnel of France's Marine Nationale (the French navy). Property management solutions recorded growth at the high rate of 10.8%, buoyed by the maturity of the new data-driven technologies. The operating margin on business activity for the reporting unit was 15.7% (16.7% in 2018). Investments will be increased in 2020 to step up the digitisation of property management solutions and prepare more rapid expansion for this line.

Comments on the components of net profit attributable to the Group in 2019

Profit from recurring operations totalled €314.2 million. That figure reflects a substantial decrease in the share-based payment expense (€11.1 million, versus €22.8 million in 2018).

Operating profit was €283.2 million after a net expense of €31.0 million for other operating income and expenses (compared with a net expense of €34.2 million in 2018).

The tax expense for the year totalled €87.3 million, an effective tax rate of 33.8%.

The share of profit from equity-accounted companies (Axway) was €1.8 million (€3.6 million in 2018).

After deducting €12.7 million in **minority interests**, **net profit attributable to the Group** rose 28.1% to €160.3 million (€125.1 million in 2018).

Basic earnings per share rose 27.8% to €7.92, compared with €6.20 in 2018.

Financial position at 31 December 2019

Sopra Steria ended the year in 2019 with a robust financial position.

Free cash flow came to €229.3 million (€173.1 million in 2018), which corresponds to a cash conversion⁶ rate with respect to operating profit on business activity of 51% (50% in 2018), continuing the upward trend seen since 2015. This performance reflected in particular a 6-day reduction in the average payment period of trade receivables.

Net financial debt totalled €513.9 million, down 17% from its level at 31 December 2018. It was 1.26x pro forma EBITDA for 2019 before the impact of IFRS 16 (with the bank covenant stipulating a maximum of 3x).

Proposed dividend in respect of financial year 2019

At the next General Meeting of Shareholders, Sopra Steria will propose the payment of a dividend⁷ of €2.40 per share (€1.85 per share in respect of financial year 2018).

⁵ Payment Services Directive 2.

⁶ Restated for non-recurring and exceptional items.

⁷ General Meeting to be held on Tuesday, 9 June 2020. The ex-dividend date will be 1 July 2020. The dividend will be payable as from 3 July 2020.



Workforce

At 31 December 2019, the Group's workforce totalled 46,245 people (44,114 at 31 December 2018), with 19.6% working in X-Shore zones.

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 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.

In January 2020, CDP announced that Sopra Steria had been named on its global climate change A List for the third consecutive year. The Group is thus ranked alongside 179 other companies leading the way in corporate transparency and action on climate change. In particular, this ranking is based on targets set by companies to reduce greenhouse gas emissions, approved by the Science Based Targets initiative (SBTi), in line with the aim to limit the global average temperature rise to 1.5°C.

Furthermore, the actions carried out in 2019 to raise Sopra Steria's profile as a leading employer helped increase the net headcount by 2,131 employees over the year, accompanied by a 0.7 percentage point drop in the employee turnover rate in France to 17% and the continuation of efforts to bring more women into the Group, with the proportion of female employees rising from 31.6% at end-2018 to 32.0% at end-2019 (excluding the impact of the year's acquisitions).

Medium-term ambition

Sopra Steria's strategy is organised around its independent corporate plan for sustainable value creation, which is based on expansion, added value and differentiation, particularly through its software business as well as specific contributions to meet the European challenges of digital sovereignty. Accordingly, and in full consideration of current market conditions, the Group aims to achieve gradual and continuous improvements in its performance. Over the medium term, in a market driven by digital transformation, 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.

Targets for 2020

- Organic revenue growth of between 3% and 5%
- Slight improvement in operating margin on business activity
- Free cash flow in excess of €180 million

2019 annual results presentation meeting

The annual results for 2019 will be presented to analysts and investors in French on 21 February 2020 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/mmc/p/52vvgvxs>
- Register for the English-language webcast: <https://edge.media-server.com/mmc/p/52vvgvxs/lan/en>

Or by phone:

- French-language phone number: +33 (0)1 70 71 01 59 – PIN: 83610243#
- English-language access number: +44 207 194 37 59 – PIN: 37405702#

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, 24 April 2020 (before market open): Q1 2020 revenue.



Glossary

- **Restated revenue:** Revenue for the prior year, expressed on the basis of the scope and exchange rates for the current year.
- **Organic revenue growth:** Increase in revenue between the period under review and restated revenue for the same period in the prior financial year.
- **EBITDA:** This measure, as defined in the Registration Document, is equal to consolidated operating profit on business activity after adding back depreciation, amortisation and provisions included in 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 expense that are unusual, abnormal, infrequent or not foreseeable, presented separately in order 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 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 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 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 45,000 employees in 25 countries, the Group generated revenue of €4.1 billion in 2018.

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

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Annexes

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

€m	2019	2018	Growth
Revenue	4,434.0	4,095.3	+8.3%
Changes in exchange rates		1.1	
Revenue at constant exchange rates	4,434.0	4,096.4	+8.2%
Changes in scope		67.3	
Revenue at constant scope and exchange rates	4,434.0	4,163.7	+6.5%

Sopra Steria: Changes in exchange rates – FY 2019

For €1 / %	Average rate 2019	Average rate 2018	Change
Pound sterling	0.8778	0.8847	+0.8%
Norwegian krone	9.8511	9.5975	-2.6%
Swedish krona	10.5891	10.2583	-3.1%
Danish krone	7.4661	7.4532	-0.2%
Swiss franc	1.1124	1.1550	+3.8%

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

	2019	2018 Restated*	2018	Organic growth	Total growth
France	1,813.1	1,699.6	1,699.5	+6.7%	+6.7%
United Kingdom	771.5	719.0	783.1	+7.3%	-1.5%
Other Europe	1,152.9	1,075.4	997.1	+7.2%	+15.6%
Sopra Banking Software	438.9	426.8	373.7	+2.9%	+17.5%
Other Solutions	257.5	243.0	241.8	+6.0%	+6.5%
Sopra Steria Group	4,434.0	4,163.7	4,095.3	+6.5%	+8.3%

* Revenue at 2019 scope and exchange rates

Sopra Steria: Revenue by reporting unit (€m / %) – Q4 2019

	Q4 2019	Q4 2018 Restated*	Q4 2018	Organic growth	Total growth
France	470.5	458.1	458.1	+2.7%	+2.7%
United Kingdom	175.7	178.1	209.1	-1.4%	-16.0%
Other Europe	336.0	311.8	279.7	+7.8%	+20.1%
Sopra Banking Software	130.4	131.5	113.8	-0.8%	+14.6%
Other Solutions	75.3	70.1	69.2	+7.4%	+8.9%
Sopra Steria Group	1,187.9	1,149.6	1,129.9	+3.3%	+5.1%

* Revenue at 2019 scope and exchange rates

Sopra Steria: Performance by reporting unit – FY 2019

	2019		2018	
	€m	%	€m	%
France				
Revenue	1,813.1		1,699.5	
Operating profit on business activity	175.5	9.7%	155.4	9.1%
Profit from recurring operations	167.2	9.2%	139.2	8.2%
Operating profit	156.9	8.7%	131.8	7.8%
United Kingdom				
Revenue	771.5		783.1	
Operating profit on business activity	56.1	7.3%	45.0	5.7%
Profit from recurring operations	43.8	5.7%	32.6	4.2%
Operating profit	42.3	5.5%	18.7	2.4%
Other Europe				
Revenue	1,152.9		997.1	
Operating profit on business activity	77.4	6.7%	80.4	8.1%
Profit from recurring operations	73.0	6.3%	74.9	7.5%
Operating profit	66.1	5.7%	68.5	6.9%
Sopra Banking Software				
Revenue	438.9		373.7	
Operating profit on business activity	4.9	1.1%	-13.3	-3.6%
Profit from recurring operations	-8.9	-2.0%	-24.2	-6.5%
Operating profit	-18.0	-4.1%	-28.9	-7.7%
Other Solutions				
Revenue	257.5		241.8	
Operating profit on business activity	40.3	15.7%	40.4	16.7%
Profit from recurring operations	39.1	15.2%	38.4	15.9%
Operating profit	35.9	14.0%	36.5	15.1%

Sopra Steria: Consolidated income statement – FY 2019

	2019		2018	
	€m	%	€m	%
Revenue	4,434.0		4,095.3	
Staff costs	-2,668.5		-2,441.5	
Operating expenses	-1,253.3		-1,290.7	
Depreciation, amortisation and provisions	-157.9		-55.2	
Operating profit on business activity	354.3	8.0%	307.9	7.5%
Share-based payment expenses	-11.1		-22.8	
Amortisation of allocated intangible assets	-28.9		-24.3	
Profit from recurring operations	314.2	7.1%	260.8	6.4%
Other operating income and expenses	-31.0		-34.2	
Operating profit	283.2	6.4%	226.6	5.5%
Cost of net financial debt	-9.9		-7.8	
Other financial income and expenses	-14.7		-11.7	
Tax expense	-87.3		-82.0	
Share of net profit from equity-accounted companies	1.8		3.6	
Net profit	173.1	3.9%	128.7	3.1%
Attributable to the Group	160.3	3.6%	125.1	3.1%
Non-controlling interests	12.7		3.6	
Weighted average number of shares in issue excl. treasury shares (m)	20.23		20.18	
Basic earnings per share (€)	7.92		6.20	



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

	2019	2018
	IFRS 16	excl. IFRS 16
Operating profit on business activity	354.3	307.9
Depreciation, amortisation and provisions (excl. allocated intangible assets)	159.3	55.8
EBITDA	513.6	363.7
Non-cash items	-3.0	-8.1
Tax paid	-81.0	-63.4
Change in operating working capital requirement	25.3	-23.1
Reorganisation and restructuring costs	-32.7	-39.2
Net cash flow from operating activities	422.2	229.8
Lease payments	-109.8	-
Change relating to investing activities	-49.7	-61.8
Net interest	-9.3	-8.4
Additional contributions related to defined-benefit pension plans	-24.1	-23.4
Free cash flow*	229.3	136.1
Impact of changes in scope	-89.5	-168.8
Financial investments	-2.6	-4.7
Dividends paid	-39.9	-48.7
Dividends received from equity-accounted companies	2.9	1.4
Capital increases in cash	0.0	0.0
Purchase and sale of treasury shares	-2.8	-23.4
Impact of changes in foreign exchange rates	-7.3	-2.6
Impact of the initial application of IFRS 16	16.9	-
Change in net financial debt	107.0	-110.8
<i>* Free cash flow after restating for the sale of trade receivables in 2017 for €37 million</i>	229.3	173.1
Net financial debt at beginning of period	620.9	510.1
Net financial debt at end of period	513.9	620.9

Sopra Steria: Simplified balance sheet (€m) – 31/12/2019

	31/12/2019	31/12/2018
	IFRS 16	excl. IFRS 16
Goodwill	1,813.9	1,708.5
Allocated intangible assets	181.5	183.0
Other fixed assets	267.9	234.9
Right-of-use assets	320.4	-
Equity-accounted investments	195.0	195.1
Fixed assets	2,778.8	2,321.5
Net deferred tax	98.1	79.6
Trade accounts receivable (net)	1,074.3	1,091.8
Other assets and liabilities	-1,256.1	-1,153.1
Working capital requirement (WCR)	-181.8	-61.3
Assets + WCR	2,695.1	2,339.8
Equity	1,422.2	1,329.2
Provisions for post-employment benefits	339.7	308.3
Provisions for contingencies and losses	77.0	81.5
Lease liabilities	342.1	-
Net financial debt	513.9	620.9
Capital invested	2,695.1	2,339.8

Sopra Steria: Workforce breakdown – 31/12/2019

	31/12/2019	31/12/2018
France	19,502	19,013
United Kingdom	6,305	6,407
Other Europe	10,868	10,095
Rest of the World	510	344
X-Shore	9,060	8,255
Total	46,245	44,114

