

First-half 2023

Clear improvement in operating performance

On track to achieve medium-term targets

- Revenue for H1 2023: €2,840.1m, equating to total growth of 11.6% and organic growth¹ of 8.1%
- Organic revenue growth of 7.1% in Q2
- Operating margin on business activity of 8.8%, up 0.8 points from H1 2022
- Integration of CS Group and Tobania under way
- Net profit attributable to the Group stable at €112.5m, due in large part to a temporary rise in non-recurring costs
- Robust free cash flow totalling €122.9m (€66.3m in H1 2022)
- Full-year 2023 revenue guidance revised upward: organic growth of at least 6% (compared with “between 3% and 5%” previously)

Paris, 27 July 2023, 7:00 a.m. – At its meeting on 26 July 2023, Sopra Steria’s Board of Directors, chaired by Pierre Pasquier, approved the financial statements for the first half of 2023. The Statutory Auditors have conducted a limited review of the financial statements.

Sopra Steria: 2023 Half-year results

		H1 2023			H1 2022	
		Amount	Margin	Change	Amount	Margin
Key income statement items						
Revenue	€m	2,840.1		11.6%	2,543.8	
Organic growth	%	+8.1%				
Operating profit on business activity	€m	251.1	8.8%	23.6%	203.1	8.0%
Profit from recurring operations	€m	207.8	7.3%	20.8%	172.0	6.8%
Operating profit	€m	177.1	6.2%	9.3%	162.1	6.4%
Net profit attributable to the Group	€m	112.5	4.0%	0.2%	112.3	4.4%
Weighted average number of shares in issue excl. treasury shares	m	20.20			20.22	
Basic earnings per share	€	5.57		0.3%	5.55	
Recurring earnings per share	€	6.80		14.8%	5.92	
Key balance sheet items						
		30/06/2023			30/06/2022	
Net financial debt	€m	558.9		62.1%	344.9	
Equity attributable to the Group	€m	1,794.9		-1.6%	1,823.1	

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

Cyril Malargé, Chief Executive Officer of Sopra Steria Group, commented:

"I'm pleased with the good performance in the first half of 2023. Business activity was buoyant in both volume and sales price. Organic revenue growth was 8.1%. Our substantial presence in the public sector, aerospace and defence helped achieve this performance. The 0.8 basis point improvement in our operating margin on business activity to 8.8% shows that we are well on track to achieve our announced target of around 10% in 2024.

This performance reflects the impact of our strategy to transform our offerings and move them further up the value chain while boosting our operational efficiency, to which Sopra Steria's teams are devoting their full attention.

We are also stepping up our efforts in the field of generative AI, for example by integrating all AI tools and methodologies within our *Ingin*e software engineering platform, which has already been rolled out to all of the Group's 10,000 developers worldwide.

The integration processes for CS Group and Tobania are well under way. Alongside this, the Ordina acquisition is proceeding in line with the original schedule, with the public offer by Sopra Steria launched on 19 July 2023 and the closing expected during the second half of 2023. These acquisitions are aimed at strengthening the Group's positions in the defence and security sector as well as in the BeNeLux region, where we plan to create a benchmark player in digital services generating around €700 million in pro forma revenue and employing over 4,000 professionals.

The Group's performance in the first half of the year and our visibility into the second half have enabled us to raise our full-year revenue guidance for 2023. We now expect organic revenue growth to reach at least 6%, up from the previous guidance of between 3% and 5%."

Detailed breakdown of operating performance in H1 2023

Revenue totalled €2,840.1 million, an increase of 11.6% relative to H1 2022. Changes in scope had a positive impact of €129.6 million, and currency fluctuations had a negative impact of €45.2 million. At constant scope and exchange rates, revenue grew 8.1%. In the second quarter alone, organic growth remained robust at 7.1%, despite a less favourable calendar (two fewer days than in the second quarter of 2022) and the start of a slowdown, particularly in the consulting business, which nevertheless recorded growth of 7%.

The Group's operating profit on business activity rose 23.6% to €251.1 million, equating to a margin of 8.8%, up 0.8 points from H1 2022.

In France (42% of the Group total), revenue grew sharply (17.1%) to €1,198.9 million. CS Group has been consolidated in Sopra Steria's accounts for four months and contributed revenue of €106.5 million, corresponding to a growth rate of 8.7%. Excluding changes in scope, organic revenue growth for the reporting unit was 6.9%. The best-performing vertical markets were defence, the public sector, aerospace and transport. Operating margin on business activity stood at 9.1% (9.7% in the first half of 2022). The initial consolidation of CS Group diluted the operating margin on business activity for the first half.

Revenue for the **United Kingdom** (16% of Group total) was €461.0 million, representing organic growth of 8.3%, driven by the aeronautics, defence and security sector, for overall growth of around 30%, as well as the two joint ventures specialising in business process services for the public sector (SSCL and NHS SBS), which delivered double-digit growth. Operating margin on business activity (11.4%) was up 0.9 points from the first half of 2022.

The **Other Europe** (29% of the Group total) reporting unit posted €819.8 million in revenue, representing positive organic growth of 11.4%. The fastest growth was seen in Scandinavia, Spain, Italy and, to a lesser extent, BeNeLux and Germany. The reporting unit's operating margin on business activity came to 8.9%, compared with 5.0% in the year-earlier period, fuelled by the return to a normal level of operating performance in Germany and improvements at several other entities.



Revenue for **Sopra Banking Software** (8% of Group total) came to €218.0 million, representing organic growth of 4.0%. The confirmation of a return to growth over the first two quarters of the year was driven by the performance of digital offerings (*Digital Banking Suite and Open Banking Platform, Regulatory Reporting, Wholesale Digital Audit, Instant Payment...*). This resulted in a 9.7% increase in subscription revenue. Meanwhile, licence sales rose 5.3%. Overall, software revenue (60% of the total) was up 3.4% while services revenue grew 5.0%. Efforts focused on the return to growth for sales resulted in a higher level of R&D investment than expected during the first half and lower operating profit than in the year-earlier period (1.3% vs 4.1%).

The **Other Solutions** reporting unit (5% of the Group total) posted revenue of €142.4 million, representing organic growth of 5.3%. Human resources solutions posted growth of 4.2%. Property Management Solutions posted a 7.6% increase in revenue. The reporting unit's operating margin on business activity came to 10.0%, up 1.2 points from its level at 30 June 2022.

Comments on the components of net profit for H1 2023

Profit from recurring operations came to €207.8 million, up 20.8% relative to the first half of 2022. It included a €28.4 million share-based payment expense (mainly due to the rise in the Sopra Steria share price compared with the first half of 2022) and a €14.9 million amortisation expense on allocated intangible assets.

Operating profit was €177.1 million, up 9.3%, after a net expense of €30.7 million for other operating income and expenses (compared with a net expense of €10.0 million in the first half of 2022). The year-on-year increase in expenses was largely due to the temporary rise in non-recurring costs relating to business combinations (CS Group, Tobania and Ordina) and the discontinuation of low-margin businesses.

Net interest expense was €12.5 million (versus €3.9 million in the first half of 2022).

The tax expense was €42.5 million in the half-year period, versus €43.2 million in the first half of 2022, translating to a Group-wide tax rate of 25.8%. For the 2023 financial year as a whole, the tax rate is estimated at 26%.

Net profit from associates (including Axway) amounted to an expense of €0.1 million (compared with profit of €0.1 million in the first half of 2022).

After deducting €9.5 million in **non-controlling interests, net profit attributable to the Group** came to €112.5 million (compared with €112.3 million in the first half of 2022).

Basic earnings per share came to €5.57 (up 0.3%), compared with €5.55 per share in the first half of 2022.

Financial position at 30 June 2023

Free cash flow was very strong in H1 2023 at €122.9 million (compared with €66.3 million in the first half of 2022). It includes early net inflows amounting to about €50 million.

Net financial debt totalled €558.9 million at 30 June 2023. It includes outflows early in the half-year period due to the closing of the CS Group and Tobania acquisitions. It equated to 1.03x pro forma 12-month rolling EBITDA before the impact of IFRS 16 (with the financial covenant stipulating a maximum of 3x).

Acquisition and external growth transactions

Following the proposed acquisition of **Ordina** announced on the 21 March 2023, a public offer was launched on 19 July 2023. The offer will remain open until 26 September 2023. This public offer was approved by the Dutch Authority for the Financial Markets (AFM) on 17 July 2023. It is also supported by Ordina's two largest shareholders as well as by each of the members of Ordina's Supervisory Board and Management Board. Ordina's two largest shareholders, together representing approximately 26% of Ordina's share capital, have agreed to tender their shares to the offer.



Workforce

The Group's **net headcount** stood at 53,954 employees at 30 June 2023, up from 49,690 employees at 31 December 2022 and 48,707 employees at 30 June 2022. A total of 9,400 staff were employed at international service centres (India, Poland, Spain, etc.) in the first half of 2023, versus 9,000 staff in the same period of the previous year.

At 30 June 2023, the **subcontracting rate** was 2.3 percentage points higher than the low point reached in 2020, at the end of a period deeply affected by the Covid-19 pandemic.

The **workforce attrition** rate was 15.7% (vs 19.3% in the first half of 2022).

Upward revision to full-year 2023 revenue organic growth guidance

In a global macroeconomic environment expected to be less favourable in the second half, but fairly resilient given its characteristics, Sopra Steria is revising upward its revenue growth target for financial year 2023 while confirming all of its other targets:

- Organic revenue growth of at least 6% (versus "between 3% and 5%" previously);
- Operating margin on business activity slightly over 9%;
- Free cash flow of at least €300 million.

Medium-term targets

In the medium term, Sopra Steria is targeting annual organic revenue growth of between 4% and 6%. The Group has also set targets to achieve an operating margin on business activity of around 10% by 2024 and generate free cash flow of between 5% and 7% of revenue.

Presentation meeting

The results for the first half of 2023 will be presented to financial analysts and investors in a French/English webcast on Thursday, 27 July 2023 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 37 71 66
- English-language phone number: +44 (0)33 0551 0200

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

Upcoming financial releases

Friday, 27 October 2023 before market open: Publication of Q3 2023 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 Universal 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 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 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.
- **Downtime:** Number of days between two contracts (excluding training, sick leave, other leave and pre-sales) divided by the total number of business days.

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 2022 Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on 17 March 2023 (see pages 40 to 45 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 major tech player in Europe recognised for its 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 putting digital to work for its clients in order to build a positive future for all. With 50,000 employees in nearly 30 countries, the Group generated revenue of €5.1 billion in 2022.

The world is how we shape it.

Sopra Steria Group (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 – H1 2023

€m	H1 2023	H1 2022	Growth
Revenue	2,840.1	2,543.8	+11.6%
Changes in exchange rates		-45.2	
Revenue at constant exchange rates	2,840.1	2,498.5	+13.7%
Changes in scope		129.6	
Revenue at constant scope and exchange rates	2,840.1	2,628.2	+8.1%

Sopra Steria: Changes in exchange rates – H1 2023

For €1 / %	Average rate H1 2023	Average rate H1 2022	Change
Pound sterling	0.8764	0.8424	-3.9%
Norwegian krone	11.3195	9.9817	-11.8%
Swedish krona	11.3329	10.4796	-7.5%
Danish krone	7.4462	7.4402	-0.1%
Swiss franc	0.9856	1.0319	+4.7%

Sopra Steria: Revenue by reporting unit (€m / %) – H1 2023

	H1 2023	H1 2022 Restated*	H1 2022	Organic growth	Total growth
France	1,198.9	1,121.3	1,023.7	+6.9%	+17.1%
United Kingdom	461.0	425.8	442.6	+8.3%	+4.2%
Other Europe	819.8	736.2	731.3	+11.4%	+12.1%
Sopra Banking Software	218.0	209.6	210.9	+4.0%	+3.4%
Other Solutions	142.4	135.3	135.2	+5.3%	+5.3%
Sopra Steria Group	2,840.1	2,628.2	2,543.8	+8.1%	+11.6%

* Revenue at 2023 scope and exchange rates

Sopra Steria: Revenue by reporting unit (€m / %) – Q2 2023

	Q2 2023	Q2 2022 Restated*	Q2 2022	Organic growth	Total growth
France	609.0	582.9	510.4	+4.5%	+19.3%
United Kingdom	244.3	218.1	223.6	+12.0%	+9.2%
Other Europe	409.4	373.2	366.4	+9.7%	+11.7%
Sopra Banking Software	110.3	107.2	107.7	+2.9%	+2.4%
Other Solutions	71.8	68.0	67.9	+5.6%	+5.6%
Sopra Steria Group	1,444.7	1,349.4	1,276.1	+7.1%	+13.2%

* Revenue at 2023 scope and exchange rates

Sopra Steria: Performance by reporting unit – H1 2023

	H1 2023		H1 2022	
	€m	%	€m	%
France				
Revenue	1,198.9		1,023.7	
Operating profit on business activity	108.8	9.1%	99.6	9.7%
Profit from recurring operations	90.1	7.5%	89.6	8.8%
Operating profit	84.2	7.0%	88.7	8.7%
United Kingdom				
Revenue	461.0		442.6	
Operating profit on business activity	52.4	11.4%	46.6	10.5%
Profit from recurring operations	45.5	9.9%	40.4	9.1%
Operating profit	38.2	8.3%	40.6	9.2%
Other Europe				
Revenue	819.8		731.3	
Operating profit on business activity	72.8	8.9%	36.4	5.0%
Profit from recurring operations	66.0	8.1%	31.5	4.3%
Operating profit	56.2	6.9%	26.8	3.7%
Sopra Banking Software				
Revenue	218.0		210.9	
Operating profit on business activity	2.8	1.3%	8.7	4.1%
Profit from recurring operations	-6.3	-2.9%	-0.1	-0.1%
Operating profit	-13.6	-6.2%	-4.5	-2.1%
Other Solutions				
Revenue	142.4		135.2	
Operating profit on business activity	14.3	10.0%	11.9	8.8%
Profit from recurring operations	12.4	8.7%	10.6	7.9%
Operating profit	12.0	8.5%	10.4	7.7%

Sopra Steria: Consolidated income statement – H1 2023

	H1 2023		H1 2022	
	€m	%	€m	%
Revenue	2,840.1		2,543.8	
Staff costs	-1,755.0		-1,589.8	
Operating expenses	-768.8		-689.6	
Depreciation, amortisation and provisions	-65.2		-61.2	
Operating profit on business activity	251.1	8.8%	203.1	8.0%
Share-based payment expenses	-28.4		-14.5	
Amortisation of allocated intangible assets	-14.9		-16.6	
Profit from recurring operations	207.8	7.3%	172.0	6.8%
Other operating income and expenses	-30.7		-10.0	
Operating profit	177.1	6.2%	162.1	6.4%
Cost of net financial debt	-6.4		-4.8	
Other financial income and expenses	-6.1		0.9	
Tax expense	-42.5		-43.2	
Net profit from associates	-0.1		0.1	
Net profit	122.0	4.3%	115.1	4.5%
Attributable to the Group	112.5	4.0%	112.3	4.4%
Non-controlling interests	9.5		2.8	
Weighted average number of shares in issue excl. treasury shares (m)	20.20		20.22	
Basic earnings per share (€)	5.57		5.55	



Sopra Steria: Change in net financial debt (€m) – H1 2023

	H1 2023	H1 2022
Operating profit on business activity	251.1	203.1
Depreciation, amortisation and provisions (excl. allocated intangible assets)	67.0	62.1
EBITDA	318.1	265.3
Non-cash items	1.6	-1.8
Tax paid	-46.8	-44.5
Change in operating working capital requirement	-14.0	-51.4
Reorganisation and restructuring costs	-29.9	0.1
Net cash flow from operating activities	229.0	167.7
Lease payments	-46.2	-45.8
Change relating to investing activities	-47.2	-45.0
Net interest	-5.8	-0.6
Additional contributions related to defined-benefit pension plans	-6.9	-10.2
Free cash flow	122.9	66.3
Impact of changes in scope	-428.6	-4.2
Financial investments	-6.7	-4.2
Dividends paid	-87.5	-71.6
Dividends received from equity-accounted companies	2.7	2.7
Purchase and sale of treasury shares	-3.1	-5.4
Impact of changes in foreign exchange rates	-6.6	-1.4
Change in net financial debt	-406.9	-17.8
Net financial debt at beginning of period	152.0	327.1
Net financial debt at end of period	558.9	344.9

Sopra Steria: Simplified balance sheet (€m) – 30/06/2023

	30/06/2023	31/12/2022
Goodwill	2,316.0	1,943.9
Allocated intangible assets	93.9	108.3
Other fixed assets	274.1	261.3
Right-of-use assets	387.6	359.9
Equity-accounted investments	179.2	183.5
Fixed assets	3,250.8	2,857.0
Net deferred tax	71.0	58.5
Trade accounts receivable (net)	1,383.5	1,104.2
Other assets and liabilities	-1,612.6	-1,347.6
Working capital requirement (WCR)	-229.0	-243.4
Assets + WCR	3,092.8	2,672.1
Equity	1,844.8	1,893.4
Pensions – Post-employment benefits	164.5	137.7
Provisions for contingencies and losses	97.2	98.5
Lease liabilities	427.4	390.5
Net financial debt	558.9	152.0
Capital invested	3,092.8	2,672.1

Sopra Steria: Workforce breakdown – 30/06/2023

	30/06/2023	30/06/2022
France	22,363	20,106
United Kingdom	7,693	7,208
Other Europe	13,943	11,944
Rest of the World	555	467
X-Shore	9,400	8,982
Total	53,954	48,707

