

Gfi Informatique: Full-year 2017 results

SOLID GROWTH, RISE IN OPERATING MARGIN AND NET PROFIT, SUCCESSFUL INTERNATIONAL EXPANSION

ACQUISITIONS OF GESFOR IN MEXICO AND CYNAPSYS IN TUNISIA

REVENUE: €1,131.9m (+11.5%)

OPERATING INCOME: €55.8m (+9.1 %)

NET PROFIT: €37.3m (+16.2 %)

Saint-Ouen (France), 23 February 2018 – On 21st February 2018, Gfi Informatique's Board of Directors, chaired by Vincent Rouaix, reviewed the condensed consolidated financial statements for the financial year ended 31 December 2017¹.

Main items of profit & loss account in euro '000	2017	2016	Δ%	Δ
Revenue	1 131,9	1 015,4	11%	116,5
Operating margin	69,0	61,7	12%	7,3
<i>Operating margin %</i>	<i>6,1%</i>	<i>6,1%</i>	<i>0 point</i>	
Operating income	55,8	51,1	9%	4,7
Net income	37,3	32,1	16%	5,2
Diluted Earnings per share (in euros)	0,56	0,49	15%	0,1
Cash from operating activities	73,3	67,9	8%	5,4
Principal Financial Statements components	2017	2016	Δ%	Δ
Net equity	321,1	300,6	7%	20,5
Net debt	138,2	101,3	36%	36,9
<i>Gearing</i>	<i>43%</i>	<i>34%</i>	<i>9 points</i>	

"For the Group Gfi Informatique, 2017 was a year of consolidation and transition with our main focus on integrating the international activities, particularly those of Roff and Efron taken over at the end of 2016. Very good results achieved abroad demonstrate the sound fundamentals of these companies and their capacity to develop within our Group. Moreover, particularly in France, Gfi Informatique has prepared future by expanding its offering, strengthening its industrial capacities and structuring its support activities. The Group is therefore ready to combine organic growth and an ambitious acquisitions strategy, in line with its goals", said **Vincent Rouaix, Chairman and Chief Executive Officer**.

¹ The audit of the condensed consolidated financial statements has been performed. The audit report will be issued after the review of the consolidated financial statements and the procedures required for preparation of the annual financial report have been completed.

GROUP ACTIVITY: REVENUE UP 11.5% - EBITDA UP 10,1%

Group revenue ends the year at €1,131.9 million, up by 11.5% compared with the previous year. On a like for like basis, business grew by 2.0% with growth of 0.4% in France and of 9.1% internationally.

EBITDA was up by 10.1% to €88.2 million versus €80.1 million in 2016, and represented 7.8% of revenue. The Group's operating margin reached €69.0 million or 6.1% of revenue compared with €61.7 million in 2016, corresponding to an increase in value of 11.8%.

- **In France: revenue up by 0.4% - EBITDA at 7.7% of revenue**

In France, revenue is €842.9 million (74.5% of 2017 revenue) grew by 1.2% overall, with organic growth of 0.4%. Note that growth was dampened by a negative calendar effect (two working days fewer than in 2016) and the expected fall off in activity on the 3SI outsourcing contract signed in 2016. Adjusted for this impact, organic growth would have been 3.0% instead of 0.4%.

EBITDA and operating margin, profitability declined very slightly, by 0.2 point. This was mainly due to hiring difficulties in the first half which had limited growth and increased the use of sub-contracting. Recruiting was therefore highly improved which led to strong sales recovery. With the same calendar days as the previous year, the fourth quarter organic growth is 7.7%. At the same time, France has continued its business development in the markets of Digital, Outsourcing, Omni-commerce, Migration and proprietary software. These efforts were rewarded with significant contracts in e-commerce and larger market shares with key accounts. With a year-on-year book to bill ratio of 1.35, one of its best levels, the Group was well positioned at the start of 2018.

- **International: 9.1% organic growth in revenue - Successful international expansion**

International revenues grew by 58.2% overall to €289.0 million, with organic growth of 9.1%. International activity accounted for 25.5% of sales compared with 18.0% the previous year, in line with the Group's goal of stepping up its international expansion. Note that in 2016 the Group acquired the entities Impaq, Efron and Roff.

At €20.8 million, the operating margin accounted for 30.1% of the total consolidated operating margin and represented 7.2% of revenue compared with 6.8% the previous year. This organic growth and the largely improved operating margin demonstrate the Group's capacity to integrate and develop new activities in new territories.

GROWTH IN OPERATING PROFIT: 9.1% AND GROWTH IN NET PROFIT: 16.2%

Operating profit came to €55.8 million, i.e. growth of 9.1% relative to 2016. Growth in operating profit was slightly slower than the growth in the operating margin due to higher restructuring costs.

Net profit was up by 16.2% to €37.3 million, corresponding to diluted earnings per share of €0.56 compared with €0.49 in 2016.

7.9% INCREASE IN FREE CASH FLOW – NET DEBT/EQUITY RATIO: 43%

Cash flow after debt servicing and tax was up by 7.9% to €73.3 million. Investment and capital expenditure increased to €46.4 million compared with €83.8 million in 2016.

The change in working capital (€35.5m) was higher than in the previous year given the strong increase in trade receivables linked to strong sales growth in the fourth quarter.

The Group ended the year with gearing of 43% and a net debt/EBITDA ratio that enables it to make further acquisitions if it wishes to do so.

STAFF

At 31 December 2017, the Group employed around 14,800 people, including 9,800 in France.

ACQUISITIONS OF CYNAPSYS AND GESFOR

Gesfor

Gfi Informatique has acquired Gesfor, a firm of roughly 450 employees with revenue of €12 million - nearly 80% in banking sector-, It operates in Mexico (90%) and the rest in Panama. The main activity is projects and applications development. The group also develops mobility and payment solutions and carries out projects on a fee basis. In operation for 25 years, it has managed to make the most of strong relationships with leading Spanish banks that are already customers of the Gfi Informatique group. This acquisition strengthens Gfi Informatique's presence in Latin America where its revenue in 2017 is around €15.7 million. Together with Efron activities and Roff's SAP business, the Group now generates more than €4.1 million of revenue in Mexico. The company is expected to contribute profit as from 2018 and will be consolidated as from 1st March 2018.

Cynapsys

Gfi Informatique has acquired the Cynapsys group of multi-specialist companies for French (service centres) and local clients in Tunisia and the broader African market. Cynapsys was already the Group's partner for some North African operations. The companies acquired together generate around €5 million of revenue with a level of profitability similar to our own in similar activities.

It has a headcount of 150 people in France and Tunisia. The company will be consolidated as from 1st March 2018.

OUTLOOK 2018

For 2018, the Group, attentive to the economic environment but firmly backed by its achievements and strong performance, has set a target of accelerating growth by continuing its transformation, further strengthening its international position and improving its operating margin and net profit.

Next release: Thursday, 26 April 2018, revenue for the first quarter 2018.

Disclaimer:

The items in this press release other than historical facts are estimates. They do not constitute guarantees because of the inherent difficulties in forecasting results. Actual results may differ considerably from explicit or implicit forecasts.

About Gfi Informatique

Gfi Informatique is a major player in value-added IT services and software in Europe, and through its differentiated approach occupies a strategic position between global firms and niche entities. With its multi-specialist profile, the Group serves its customers with a unique combination of proximity, sector organisation and industrial-quality solutions. The Group has around 15,000 employees and generated revenue of €1,132 million in 2017.

Gfi Informatique is listed on Paris Euronext, NYSE Euronext (Compartment B) - ISIN Code:FR0004038099

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APPENDICES

Summary income statement in euro '000	2017	2016	Δ
Revenue	1 131,9	1 015,4	116,5
EBITDA ⁽¹⁾	88,2	80,1	8,1
	7,8%	7,9%	+ 0,1 point
Net depreciation and amortization net	19,2	18,4	0,8
	69,0	61,7	7,3
Amortization of assigned intangible assets	(2,4)	(1,9)	(0,5)
Goodwill impairment losses	-	-	-
Other operating income and expenses	(10,8)	(8,7)	(2,0)
Operating income	55,8	51,1	4,7
Financial result	(5,2)	(4,3)	(0,8)
Income tax expense	(13,3)	(14,7)	1,4
Net profit	37,3	32,1	5,2
Diluted Earnings per share (in euros)	0,56	0,49	0,07

(1) EBITDA = Operating margin excluding non-cash items

Consolidated cash flow statement in euro '000	2017	2016	Δ
Cash from operating activities	73,3	67,9	5,4
Tax paid	(14,1)	(12,1)	(2,0)
Change in WC requirement	(35,5)	(22,2)	(13,3)
Net cash from operating activities	23,7	33,6	(9,9)
Net cash from investing activities off perimeter	(31,3)	(34,6)	3,3
Net cash linked to perimeter investment	(15,2)	(49,2)	34,0
Net cash from investing activities	(46,4)	(83,8)	37,4
Repurchases and sales of treasury shares	(0,1)	0,2	(0,2)
Dividends paid	(10,0)	(9,9)	(0,1)
New borrowings	10,3	50,0	(39,7)
Repayment of borrowings	(15,4)	(6,5)	(9,0)
Interests paid	(3,6)	(3,1)	(0,6)
Change in factoring drawdowns and other	21,3	3,7	17,6
Net cash from financing activities	2,5	34,4	(32,0)
Effect of changes in foreign exchange rate	(0,4)	0,1	(0,5)
Change in cash and cash equivalents	(20,7)	(15,7)	(5,0)

Consolidated statement of financial position in euro '000	2017	2016	Δ
Goodwill	283,1	280,9	2,2
Fixed assets	102,6	96,8	5,8
Current and non-current assets	533,5	489,1	44,4
Cash and equivalent cash	29,7	28,9	0,8
Total assets	948,9	895,7	53,2
Net equity - Group share	321,1	300,6	20,5
Minority interests	0,9	0,0	0,8
Borrowings	167,8	130,2	37,6
Current and non-current liabilities	451,9	442,6	9,3
Financial liabilities and current provisions	7,2	22,3	(15,1)
Total liabilities and shareholders equity	948,9	895,7	53,2

PRESS RELEASE

2017		France	International	Spain	Portugal	Latam	North and Eastern Eur.	Africa-Morocco	ROW
in euro '000									
Revenue	1 131,9	842,9	289,0	127,0	76,7	15,7	53,1	12,7	3,9
Operating margin	69,0	48,2	20,8	6,6	7,8	0,7	5,0	0,4	0,2
Operating margin in %	6,1%	5,7%	7,2%	5,2%	10,2%	4,4%	9,5%	3,3%	3,9%

2016		France	International	Spain	Portugal	Latam	North Eur.	Row	ROW
in euro '000									
Revenue	1 015,4	832,2	183,2	103,0	30,4		39,4	10,5	
Operating margin	61,7	49,3	12,4	5,4	2,9		3,0	1,1	
Operating margin in %	6,1%	5,9%	6,8%	5,2%	9,7%		7,7%	10,2%	