

Sopra Group: solid growth in 1st half of 2013

- Revenue in the 2nd quarter representing total growth of 12.6% and organic growth of 7.3%
 - Revenue in 1st half representing total growth of 12.1% and organic growth of 4.9%
 - Operating margin on business activity resilient at 6.2% in 1st half
 - Integration of HR Access well on track
 - Confirmation of annual targets

Paris, 31 July 2013 – The Board of Directors of Sopra Group, convened on 31 July 2013 at a meeting chaired by Pierre Pasquier, approved the financial statements for the first half of 2013. The consolidated half-year financial statements were subjected to a limited review by the statutory auditors.

Key income statement items (€m / %)						
	H1 2013 Current scope ⁽¹⁾		H1 2013 Former scope		H1 2012	Change 2013/2012
Revenue	661,0		644,4		589,6	+ 12,1%
<i>organic growth</i> ⁽²⁾						+ 4,9%
Operating profit on business activity ⁽³⁾	41,3	6,2%	45,0	7,0%	47,6	8,1%
Profit from recurring operations	37,5	5,7%	41,2	6,4%	45,2	7,7%
Operating profit	63,6	9,6%	40,3	6,3%	38,4	6,5%
Net profit - Group share	50,2	7,6%	26,5	4,1%	20,5	3,5%

Pierre Pasquier commented: "We are pleased with this respectable performance in a market environment that is still so difficult. Our business model, which offers a comprehensive approach combining the consulting, IT services and software development business segments, our high value-added offers and the gradual implementation of a strategy that meets our clients' technological needs have enabled the Group to stay on course and confirm its targets both for the year and up to 2015."

¹ Current scope: including HR Access, consolidated as from 1 April 2013.

² Change calculated at constant exchange rates and group structure.

³ Operating profit on business activity corresponds to profit from recurring operations before expenses related to stock options and amortisation charges for allocated intangible assets.

Comments on business activity

Revenue for the first half of 2013 amounted to €661.0 million, representing total growth of 12.1% and organic growth of 4.9%. In the second quarter, revenue came to €339.7 million, representing total growth of 12.6% and organic growth of 7.3%.

Operating profit on business activity was €41.3 million, generating a margin of 6.2%.

After deducting costs associated with stock options and bonus shares for a total of €1.4 million and amortisation of intangible assets of €2.4 million, profit from recurring operations was €37.5 million, representing a margin of 5.7%.

Taking into account negative goodwill, restructuring expenses and other operating income and expenses, operating profit came to €63.6 million, representing a margin of 9.6%. The Group emphasises that the entirety of negative goodwill was recognised in the first half of the year, while a large portion of restructuring expenses will be recognised in the second half.

Net financial expense was €2.4 million. Total tax expense amounted to €13.4 million.

Net profit, including Axway's €2.4 million contribution, thus amounted to €50.2 million with a net margin of 7.6%.

In France, revenue came to €413.7 million, representing total growth of 4.5% and organic growth of 4.6%. This solid performance achieved in a difficult market environment was sustained by key accounts, which posted organic growth of close to 12.0% over the first half of the year. Operating profit on business activity totalled €31.0 million, with a margin of 7.5% compared to 8.8% in the first half of 2012. As mentioned previously (see 13 June 2013 press release), investments in large-scale projects were significant but should have a lesser impact on the second half of the year.

In Europe, revenue amounted to €122.9 million, representing total growth of 12.8% and organic growth of 9.5%. This growth was due to the performances of the Italian, Belgian and German subsidiaries, in which investments generated double-digit growth. Meanwhile, performance stabilised in the United Kingdom and declined slightly in Spain under persistently difficult market conditions. Operating profit on business activity in Europe came to €3.5 million, which represented an operating margin on business activity of 2.8%, with the United Kingdom, Italy and Switzerland showing the best profitability. Sopra Group expects an operating margin on business activity in Europe for the year slightly below that achieved in the prior year.

For Sopra Banking Software, revenue for the first half of the year was €107.8 million, for total growth of 27.0% and organic growth of 1.3%. The operating margin on business activity reached 9.7% in the first half of the year. Business activity in France posted organic growth of 7.2%, and despite uncertainty surrounding licence sales at year end, the subsidiary's annual margin should be above 10%.

With respect to HR Access, the Group's latest acquisition, revenue amounted to €16.6 million in the second quarter, an increase of 2.5%. With the integration process well on track, breakeven could be achieved in the second half of the year in terms of operating profit on business activity, provided licence sales perform as hoped.

At 30 June 2013, the Group's workforce totalled 16,100 people. The Group added 880 employees via acquisition and 1,830 through recruiting. The net increase in the workforce was 1,790 people compared to 31 December 2012.



Financial position

Equity amounted to €332.7 million. Net debt at 30 June 2013 was €216.2 million, taking into account the employee profit sharing liability of €31.3 million. Consequently, net bank debt amounted to €184.9 million. The net debt to equity ratio, determined excluding employee profit sharing to calculate bank covenants, came to 55.6%.

The Group has available credit lines of €295 million, in addition to authorised overdraft facilities.

At 30 June 2013, the financial position remained solid, both with respect to debt maturity and compliance with banking covenants.

Furthermore, at 31 July 2013, the Group extended a €150 million revolving line of credit by two years. Initially maturing in June 2016, the line is now extended to June 2018.

Outlook

Sopra Group confirmed its annual targets, namely:

- Organic growth of between 2% and 5%;
- Operating margin on business activity, calculated based on the former scope, in excess of 8.0%;
- Operating margin on business activity, calculated at the current scope, of between 7.3% and 7.7%;
- Net profit margin at least equal to that of the prior year, i.e. 4.6%;
- Net debt of between €150 million and €170 million.

The Group also confirmed its targets up to 2015, aiming to reach revenue of between €1.5 billion and €2 billion and an operating margin on business activity of the order of 10%.

Financial calendar

Thursday, 1 August 2013, at 3.30 pm: Presentation of the half-year results at Hôtel Le Meurice.

Monday, 28 October 2013, after the stock market closes: Publication of third-quarter revenue.



Annexes

Consolidated income statement (€m)

	H1 2013 Current scope		H1 2013 Former scope		H1 2012	
Revenue	661.0		644.4		589.6	
Staff costs - Employees	-455.4		-442.3		-396.6	
Staff costs - Contractors	-53.1		-52.2		-49.7	
Operating expenses	-101.2		-95.9		-87.8	
Depreciation, amortisation and provisions	-10.0		-9.0		-7.9	
Operating profit on business activity	41.3	6.2%	45.0	7.0%	47.6	8.1%
Expenses related to stock options	-1.4		-1.4		-0.7	
Amortisation of allocated intangible assets	-2.4		-2.4		-1.7	
Profit from recurring operations	37.5	5.7%	41.2	6.4%	45.2	7.7%
Other operating income and expenses	26.1		-0.9		-6.8	
Operating profit	63.6	9.6%	40.3	6.3%	38.4	6.5%
Cost of net financial debt	-2.4		-2.5		-2.9	
Other financial income and expenses	-		0.1		-0.5	
Income tax expense	-13.4		-13.8		-14.7	
Share of net profit from equity-accounted companies	2.4		2.4		0.3	
Net profit	50.2	7.6%	26.5	4.1%	20.6	3.5%
Group share	50.2		26.5		20.5	
Minority interests	-		-		0.1	

Statement of net debt (€m)

	30/06 2013	30/06 2012
Net debt at beginning of period (A)	-204.1	-46.4
Gross cash flow from operations before net financial debt and tax ⁽⁴⁾	39.9	45.5
Tax paid	-15.4	-29.3
Changes in working capital requirements	-50.9	-37.9
Net cash flow from operations	-26.4	-21.7
Change related to investing activities	-8.3	-6.3
Net financial interest paid	-2.4	-2.2
Free cash flow	-37.1	-30.2
Changes in scope	44.2	-182.3
Financial investments	-0.9	-0.4
Dividends paid	-20.2	-22.6
Dividends received from equity-accounted companies	1.9	1.3
Capital increases in cash	0.1	-
Other changes	0.5	-0.4
Net cash flow (B)	-11.6	-234.5
Changes in exchange rates (C)	-0.6	-0.5
Net debt at period-end (A-B-C)	-216.2	-281.3

⁴ Gross cash flow from operations less corporate income tax paid, changes in working capital requirements, capital expenditures and net financial interest paid.



Simplified balance sheet (€m)

	30/06 2013	31/12 2012
Goodwill	311.3	314.6
Allocated intangible assets	53.6	56.5
Other fixed assets	51.2	45.7
Equity-accounted investments	114.8	113.8
Fixed assets	530.9	530.6
Trade accounts receivable (net)	450.7	384.3
Other assets and liabilities	-432.7	-405.6
Operating assets and liabilities	18.0	-21.3
ASSETS + WCR	548.9	509.3
Equity	332.7	305.3
Net financial debt	216.2	204.0
CAPITAL INVESTED	548.9	509.3

Changes in equity (€m)

	€m
Position at 31 December 2012	305.3
Net profit - Group share	50.2
Distribution in cash (ordinary)	- 20.2
Capital increase through exercise of share subscription options	0.1
Acquisition or disposal of treasury shares	- 0.2
Share-based payments	1.7
Actuarial differences	- 0.8
Change in financial instruments	0.4
Translation adjustments	- 4.2
Other movements	0.4
Position at 30 June 2013	332.7

Revenue breakdown by region in 1st half 2013 (€m / %)

	Revenue	Operating profit on business activity	Operating margin on business activity
France	413.7	31.0	7.5%
Europe (excluding France)	122.9	3.5	2.8%
United Kingdom	42.3	3.3	7.8%
Spain	37.8	0.5	1.3%
Italy	22.8	0.7	3.1%
Switzerland	5.4	0.7	13.0%
Benelux	6.6	-0.1	-1.5%
Germany	8.0	-1.6	-20.0%
Sopra Banking Software	107.8	10.5	9.7%
HR Access	16.6	-3.7	-22.3%
Sopra Group	661.0	41.3	6.2%



Revenue breakdown by region in 1st half 2013 (€m / %)

	H1 2013	H1 2012 Pro forma	H1 2012 Published	Total growth	Organic growth
France	413.7	395.5	395.7	4.5%	4.6%
Europe (excluding France)	122.9	112.2	109.0	12.8%	9.5%
United Kingdom	42.3	41.5	38.2	10.7%	1.9%
Spain	37.8	38.4	38.4	-1.6%	-1.6%
Italy	22.8	19.7	19.7	15.7%	15.7%
Switzerland	5.4	5.6	5.7	-5.3%	-3.6%
Benelux	6.6	5.1	5.1	29.4%	29.4%
Germany	8.0	1.9	1.9	NS	NS
Sopra Banking Software	107.8	106.4	84.9	27.0%	1.3%
HR Access	16.6	16.2	-	-	2.5%
Sopra Group	661.0	630.3	589.6	12.1%	4.9%

Revenue breakdown by region in 2nd quarter 2013 (€m / %)

	Q2 2013	Q2 2012 Pro forma	Q2 2012 Published	Total growth	Organic growth
France	205.3	191.9	192.0	6.9%	7.0%
Europe (excluding France)	63.0	54.4	55.4	13.7%	15.8%
United Kingdom	21.2	19.7	20.7	2.4%	7.6%
Spain	20.2	18.8	18.8	7.4%	7.4%
Italy	11.6	9.6	9.6	20.8%	20.8%
Switzerland	2.6	2.7	2.7	-3.7%	-3.7%
Benelux	3.2	2.5	2.5	28.0%	28.0%
Germany	4.2	1.1	1.1	NS	NS
Sopra Banking Software	54.8	54.1	54.4	0.7%	1.3%
HR Access	16.6	16.2	-	-	2.5%
Sopra Group	339.7	316.6	301.8	12.6%	7.3%

Revenue breakdown by region in 1st quarter 2013 (€m / %)

	Q1 2013	Q1 2012 Pro forma	Q1 2012 Published	Total growth	Organic growth
France	208.4	203.6	203.7	2.3%	2.4%
Europe (excluding France)	59.9	57.8	53.6	11.8%	3.6%
United Kingdom	21.1	21.8	17.5	20.6%	-3.2%
Spain	17.6	19.6	19.6	-10.2%	-10.2%
Italy	11.2	10.1	10.1	10.9%	10.9%
Switzerland	2.8	2.9	3.0	-6.7%	-3.4%
Benelux	3.4	2.6	2.6	30.8%	30.8%
Germany	3.8	0.8	0.8	NS	NS
Sopra Banking Software	53.0	52.3	30.5	73.8%	1.3%
HR Access	-	-	-	-	-
Sopra Group	321.3	313.7	287.8	11.6%	2.4%



Revenue breakdown by business segment (%)

	H1 2013	2012
Financial Services	34%	33%
Services/Transport/Utilities	20%	20%
Public Sector	16%	16%
Manufacturing	16%	16%
Telecoms & Media	10%	10%
Retail	5%	5%
	100%	100%

Staff Changes

	H1 2013	2012
Staff - France	10,400	9,380
Staff - International	5,700	4,930
Total	16,100	14,310
Staff at the beginning of the period	14,310	12,610
Integration of acquired companies	880	1,010
Net recruits	910	690
Total	16,100	14,310

Revenue breakdown by region (%)

	H1 2013	2012
France	67%	68%
Europe & rest of world	33%	32%
Total	100%	100%

Revenue breakdown by offering (%)

	H1 2013	2012
Consulting & Integration	76%	79%
Software development	24%	21%
	100%	100%

