

H1 2019 revenue: €1,238M (+2.9%)

H1 2019 key points

- Revenue from ongoing operations¹ up 2.9%² (1.6% of which organic growth)
- Recurring operating profit³ (ROP) forecast close to 40 million euros
- Net book debt⁴ under control at around 405 million euros
- Target kept for reaching 128 million euros in annual recurring operating profit³ on like-for-like basis

H1 2019 commercial dynamic

In H1 2019, Econocom made 1,238 million euros in revenue from ongoing operations, reaching 2.9% in growth²—1.6% of which was organic—in relation to H1 2018.

But following the plan the group announced, several operations were restated in line with the IFRS 5 norm on 'assets held for sale and discontinued operations'. H1 2018 data was therefore adjusted.

In the period's ongoing operations, the following developments took place:

- The Technology Management & Financing (TMF) leasing business enjoyed growth in Q2 2019 (+1.6%), buoyed by dynamism in regions like France, Belux and Spain. But this performance was dented by Italy's end-of-H1 slowdown and only partly offset the hindrance caused since the start of the year by underuse of the group's internal refinancing entity EDFL. Over the whole period, TMF posted 561 million euros in revenue, down² 3.9%.
- The Digital Services and Solutions (DSS) business continued to grow in Q2, notably boosted by certain satellites' performance and by integration of solutions. Revenue stood at 677 million euros over the full period, amounting to a 9.3% increase², 7.1% of which was organic.

Growth expected in recurring operating profit³ and net income

For the past half-year, the group forecasts around 40 million euros in recurring operating profit³ from ongoing operations, up on H1 2018.

Profitability enjoyed the good initial effects of measures taken over eight months, particularly decisions to streamline certain operations and cut costs. The group's transformation continued, having already picked up steam in 2018. Non-recurring expenses at 14 million euros are expected to meet forecasts in relation to H1 2018.

¹ After restatement in line with IFRS 5 regarding assets held for sale and discontinued operations

² Based on unchanging norms

³ Before amortisation of intangible assets from acquisitions and after restatement in line with IFRS 5 regarding assets held for sale and discontinued operations

⁴ Before considering debt brought about by application of IFRS16 to lease contracts (real estate, vehicles, etc.) in which Econocom is the lessee

The group forecasts half-yearly net income higher than that of H1 2018, thanks to tight control of expenses and the average tax rate.

Moreover, end-June, the group's senior management learned that its Italian subsidiary had been the victim of embezzlement, with an impact on the 2012-2018 financial periods estimated to have reached an accumulated total of 18.6 million euros. Econocom immediately took the precautionary measures needed to protect its interests. Occurring end-June and only concerning Italy, this incident affected the performance of this subsidiary in H1 2019 due to its immediate impact on the teams' sales capacity and the discrepancy in some refinancing of leasing contracts still being finalised.

Net book debt⁴ under control

Net book debt⁴ stood at 405 million euros, a level considerably close to that at end-June 2018 (395 million euros). H1 2019 was marked by minority stakes in satellites being bought back for 25 million euros and by treasury shares being purchased for 10 million euros. On 30 June 2019, Econocom held 16.7 million treasury shares, excluding liquidity contracts, amounting to 6.8% of the company's capital.

Stronger governance

In May 2019, the group appointed Julie Verlingue as its Deputy CEO. Having spent twelve years at the consultancy McKinsey, Mrs Verlingue was recruited in 2018 as Executive Director and International Managing Director.

In April 2019, Angel Benguigui was promoted to the position of Group Finance Director. Mr Benguigui joined Econocom in 2006 and was previously Country Manager for Spain.

Outlook

In H2, Econocom will continue to transform its organisational structure, speeding up the streamlining of its business lines towards two key segments: Technology Management & Financing, and Digital Services and Solutions. By grouping together certain operations, selling non-strategic branches and concentrating on its key assets, the group will grow in clarity and focus its investments on the most profitable markets, while reducing its financial debt.

Efforts in sales will likewise be stepped up in H2 so that Econocom can pursue the favourable direction in its business observed at the start of this year.

The initial effects of the savings plan begun in 2018, concerning the entire cost structure, will increase in H2 2019.

Given the above-stated developments, the group is maintaining its target of reaching 128 million euros in recurring operating profit³ over the whole of 2019 on a like-for-like basis.

Next publication

Half-year results 2019: 4 September 2019 after the close of trading.

ABOUT ECONOCOM

Econocom designs, finances and facilitates digital transformation for large companies and public organizations. With 40 years of experience, the Group is the only market player to combine 360° expertise through project financing, equipment distribution and digital services, with a presence in 18 countries, more than 10,000 employees and sales revenue of 2,846 million euros. Econocom is listed on Euronext in Brussels, Bel Mid and Family Business indices.

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