

## **adesso records successful first half of 2019 with strong organic growth and high licensing revenues**

**Dortmund, 30. August 2019**

**adesso AG has confirmed its investment- and growth-oriented sales and earnings forecast for 2019 with the publication of its half-year report. The adesso Group increased sales in the first half of 2019 by 20 % year on year to a new half-year record of EUR 213.3 million. The vast majority of this growth came organically. High licensing revenues in the second quarter involving in|sure products for companies in the insurance sector were able to compensate for growth- and market-related earnings declines in services business.**

Sales increased by 20 % to EUR 213.3 million. EBITDA comes to EUR 18.0 million (previous year: EUR 13.3 million, IFRS 16 effect: EUR 5.8 million) Capacity utilisation higher than expected after strong employee growth in the second half of the year

The adesso Group increased sales in the first half of 2019 by 20 % year on year to EUR 213.3 million. Organic growth accounted for almost all of this increase at 19 percentage points. This enabled adesso to once again easily exceed its target of outperforming overall market growth organically by at least a factor of two. All adesso national subsidiaries recorded year-on-year increases in sales. Sales climbed by a particularly significant margin in Turkey once again. The adesso national subsidiary in Germany recorded the largest increase in sales in absolute terms. Here, adesso has profited from a sharp rise in the number of employees in the last 18 months and a high volume of new projects secured across many core sectors.

Business involving the in|sure family of products for companies in the insurance sector developed particularly positively. Licence sales in the first half of 2019 have already managed to exceed the figure recorded in the previous year by a significant margin. Second-quarter licensing revenues were generated from two customers in the healthcare sector and one customer in the life insurance sector. For the first time, adesso provided the full application environment and IT architecture to an insurer for another customer in the property insurance sector using cloud-based technology and has also assumed responsibility for system operations. Service sales and income from maintenance also rose further compared to the previous year, resulting in sales revenues climbing by 91 %.

Within the first half of the year, the adesso Group generated EUR 103.4 million in sales in the first quarter and EUR 109.9 million in the second quarter (previous year: EUR 88.5 million and EUR 89.5 million).

## Earnings situation

The significant year-on-year increase in the number of employees by 791 to 3,715 (435 of which in the first half of 2019), coupled with a partial downturn in companies' investment propensity - for example in the automotive and banking industries -, resulted in lower capacity utilisation and a decline in earnings contributions from the IT Services segment. Measures to improve capacity utilisation are expected to have an impact from the third quarter onwards. Investments in the development of additional functionalities for the in|sure and FirstSpirit products were higher than in the previous year, as planned.

Total operating earnings before interest, taxes, depreciation and amortisation (EBITDA) of the adesso Group came to EUR 18.0 million in the first half of 2019, up 35 % on the previous year's value. Adjusted for the effects of the first-time application of IFRS 16, EBITDA decreased by 8 % year on year. Following a weaker first quarter of 2019, EBITDA remains in line with expectations in the full-year guidance thanks to high earnings contributions from in|sure product business in the second quarter.

adesso national subsidiaries in Switzerland, Austria, Turkey and Bulgaria generated positive earnings contributions, whereas those in Spain and Hungary have yet to reach that stage. In Spain, the team in Madrid was enlarged and a new location was taken over.

In the first half of 2019, EBITDA in the first quarter came to EUR 8.6 million (adjusted for IFRS 16 effects: EUR 6.0 million; previous year: EUR 7.3 million) and to EUR 9.4 million in the second quarter (adjusted for IFRS 16 effects: EUR 6.3 million; previous year EUR 6.0 million). Depreciation and amortisation increased massively by 127 % as a result of the leases capitalised pursuant to IFRS 16 (adjusted for IFRS 16 effects: 12 %). Pre-tax profit amounted to EUR 6.5 million (previous year: EUR 8.5 million) and earnings per share came to EUR 0.66 (previous year: EUR 0.90).

As of the reporting date, adesso had liquid assets of EUR 27.9 million (previous year: EUR 39.7 million; 31 December 2018: EUR 45.9 million). The decline in liquid assets over the first half of the year corresponds in structural terms to the development of liquidity in previous years and primarily resulted from the scheduled payment of variable salary components for the previous year and the dividend payment. Liquid assets also decreased as a result of payments of EUR 4 million for resources and the move into the second part of the Group headquarters in Dortmund, Germany, following its completion, higher financing requirements from fixed-price projects in Germany and pre-financing effects from the particularly high number of new employees in Germany. Trade receivables increased by 34 %, or EUR 26.0 million, to EUR 103.2 million - a significantly higher margin of increase than sales. After deducting financial liabilities, net liquidity

amounted to EUR -34.7 million (previous year: EUR -7.5 million) as of the reporting date. This includes the purchase price and financing of the takeover of 90 % of shares in management systems GmbH in April 2019.

### **Outlook**

In the first half of 2019, business grew by 20 %, with sales increasing far in excess of the market as a whole as the year progressed. The increase in employee numbers achieved already this year opens the door to a continuation of sales growth in the second half of the year. The sales target for 2019 of more than EUR 410 million seems to be feasible. EBITDA is expected to rise in the second half of 2019 compared to the first half of the year. The second half of the year also offers greater sales potential thanks to a higher number of working days. adesso is planning to increase capacity utilisation in Germany in this context. The company continues to assume that licensing and SaaS revenues will be satisfactory in the second half of the year. The full-year EBITDA forecast for 2019 of EUR 40 to 45 million (first half of 2019: EUR 18.0 million) and the target of an EBITDA margin of at least 9.0 % (first half of 2019: 8.4 %) continue to apply.

The complete half-year report and an overview of key performance indicators in table form are available in the Investor Relations section on the website [www.adesso-group.de/en/](http://www.adesso-group.de/en/).

*approx. 6,680 Letters*

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