

## Interim announcement for the third quarter of 2019

### **adesso AG: third quarter of 2019 sees further growth in sales and recovery in earnings**

- Sales rise by 20 % to EUR 113.9 million in third quarter, with EBITDA of EUR 10.9 million
- At EUR 327.2 million, sales reach new record high after nine months; EBITDA rises to EUR 28.9 million due to positive accounting effects in connection with IFRS 16
- adesso stands by its full-year forecast

***Dortmund, 13 November 2019*** – adesso AG increased its sales revenues to a new record level of EUR 113.9 million in the third quarter of 2019 compared to the prior quarter and the previous year. Growth was mainly driven by the expansion of business activities in Germany and abroad. Even without significant licence revenue, the EBITDA margin improved quarter on quarter to 9.6 %. In the first nine months of the year, the company generated EBITDA of EUR 28.9 million. Sales stood at EUR 327.2 million. Despite the improved margins in the third quarter, the weaker capacity utilisation in the first half of the year continued to have an impact. Adjusted for the positive accounting effects of IFRS 16, EBITDA stood at EUR 20.0 million (previous year: EUR 23.9 million). Margin-improving effects from the service business and additional licence revenue are expected in the fourth quarter.

#### Business development

Sales revenues rose to a new record high of EUR 113.9 million in the third quarter, corresponding to an increase of 20 %. Growth stood at 18 % in Germany, whereas the rate of expansion abroad totalled 28 %. The number of employees (expressed as full-time equivalents, or FTE) increased by 847 year on year to stand at 3,951 as of the reporting date. The average number of employees (FTE) rose by 24 % year on year in the period under review. The number of employees abroad increased disproportionately due to the growing internationalisation of adesso. Outside Germany, adesso now employs 654 people in total, 79 of whom were hired in the third quarter alone.

A decline in economic momentum continues to be felt in Germany. Due in particular to the situation for certain customers, the company was not able to further expand its sales in the banking and healthcare sectors following strong growth in the previous year. Positive growth was achieved in all other core sectors. The strongest core sector, insurance, saw disproportionate growth on account of factors such as licence revenue involving the in|sure product family for the insurance sector. All told, the sales growth generated so far is well within the expectations for the full year.

#### Income development

The company generated EBITDA of EUR 10.9 million in the third quarter. As a result, adesso was able to increase its cumulative EBITDA by 21 % year on year to EUR 28.9 million in total. Without the positive accounting effect from IFRS 16, cumulative EBITDA, at EUR 20.0 million, would have been EUR 3.9 million lower year on year. Earnings at adesso AG, the largest operating unit of the adesso Group, improved significantly in the third quarter but was unable to fully make up for the weaker first half of the year. All foreign adesso subsidiaries reported positive earnings contributions, with the exception of the newly founded locations in the Netherlands and Hungary, as well as the relatively new national subsidiary in Spain.

Other operating expenses were influenced by individual exceptional items such as the founding of new locations and location expansions, employee events and the conversion to a *societas Europaea* (SE). Adjusted for the IFRS 16 effect, they rose by 29 % to EUR 57.1 million (previous year: EUR 44.2 million). Gross profit increased proportionally to sales by 20 % to EUR 289.9 million. Personnel costs increased disproportionately to sales by 22 %, rising to EUR 217.3 million on account of higher staff recruiting and hiring costs in connection with the growth in headcount.

Due to the IFRS 16 effect, depreciation and amortisation increased sharply to EUR 16.4 million (previous year: EUR 7.7 million) in the first nine months of 2019. After deducting income from financing activities in the amount of EUR 2.0 million, and in consideration of a higher tax rate of 41 % due to the payment of tax arrears, consolidated earnings therefore stood at EUR 6.2 million. Earnings per share amounted to EUR 1.01 (previous year: EUR 1.75; H1 2019: EUR 0.66). The company expects to see a quarter-on-quarter improvement in earnings per share in the final quarter of 2019, which should be stronger from an earnings perspective.

## Additional figures and information

adesso's working capital increased to EUR 90.9 million in the first nine months of 2019 (previous year: EUR 68.8 million) due to the continued high level of receivables.

adesso held liquid assets of EUR 34.2 million as at 30 September 2019 (previous year: EUR 40.9 million; 31 December 2018: EUR 45.9 million). Interest-bearing financial liabilities amounted to EUR 60.9 million, compared with EUR 48.8 million in the previous year. Equity rose to EUR 81.8 million (previous year: EUR 74.9 million), whereas the equity ratio fell to 25.6 % (previous year: 33.4 %) on account of the IFRS 16 effect, which extended the balance sheet. Additional indicators can be downloaded in table form under Investor Relations on the adesso website at [www.adesso-group.de](http://www.adesso-group.de).

## Outlook

The sales pipeline of the product business remains promising and offers sufficient potential for the final quarter to achieve the earnings corridor stated in the guidance for the full year. In light of multiple good product-related business opportunities and the anticipated rise in margins in the service business, the company stands by its full-year forecast.

## The Executive Board

### **Contact person for Investor Relations:**

adesso AG

Martin Möllmann

Manager Investor Relations

Adessoplatz 1

44269 Dortmund

Germany

T: +49 231 7000-7000

F: +49 231 7000-1000

[ir@adesso.de](mailto:ir@adesso.de)

[www.adesso-group.de/en/](http://www.adesso-group.de/en/) | [www.adesso.de/en/](http://www.adesso.de/en/)