

Interim announcement for the third quarter of 2017

adesso AG: Successful third quarter of 2017 with continuation of growth momentum and earnings rise

- Sales rise to EUR 83.9 million and EBITDA to EUR 8.8 million in the third quarter
- Earnings per share in the third quarter: EUR 0.79 (previous year: EUR 0.69)
- Sales +24% to EUR 233.5 million and EBITDA -4% to EUR 16.4 million after nine months

Dortmund, 14 November 2017 – adesso AG further increased its sales revenues in the third quarter of 2017 compared to the prior quarter and the previous year. Operating earnings, EBITDA, were up on the figures recorded in the first two quarters of the year, as forecast. This was due to a significantly higher share of customer-billable hours as well as further licensing and maintenance proceeds from the in|sure product family.

Business development in the third quarter

In the third quarter, adesso increased its sales with IT consulting, software development and licensing for own products by 24% compared to the previous year to EUR 83.9 million, thereby setting a new quarterly record. Employee growth through new hires, together with the positive market environment and the profits generated from a number of new products and customers led to rising sales revenues in the IT Services segment, particularly in Germany. Project business involving the in|sure insurance software was developed further. Licensing sales and additional maintenance proceeds were also achieved in this area.

The number of employees in the adesso Group increased by a further 8%, or 185, to 2,633 compared to 30 June 2017 as the result of new hires, so that the fast pace of organic growth could continue in the third quarter.

Results of operations in the third quarter

The share of customer-billable hours rose significantly compared to the previous quarter, despite the continuation of growth initiatives. This, coupled with employee growth and the higher number of working days, saw operating earnings rise to EUR 8.8 million (EBITDA Q2/2017: EUR 2.5 million; Q3/2016: EUR 8.1 million). adesso companies in Austria, Switzerland and Turkey all generated positive operating earnings contributions. The EBITDA margin was 10.5%. Service, licensing and maintenance proceeds relating to the development and launch of adesso's in|sure products generated significant earnings contributions in the third quarter.

Depreciation and amortisation and income from financing and investment activities remained roughly on a par with the previous quarter, meaning that the pre-tax profit of EUR 6.6 million was above the figures of the previous two quarters and was also up in year-on-year terms. Consolidated earnings in the third quarter stood at EUR 4.9 million and earnings per share at EUR 0.79 (previous year: EUR 0.69).

Nine-month overview

In the first nine months of 2017, sales increased by 24% (18% of which organic) to EUR 233.5 million compared to the prior-year level. Growth was generated almost across the board in all regions and business areas. The adesso Group portfolio is well equipped to leverage opportunities provided by digitalisation, mobilisation and the modernisation of IT systems and generate high growth rates. Measures to absorb additional costs caused by the high rate of growth were implemented on schedule. At the same time, the capacity to bill customer hours at adesso in Germany was increased. This resulted in a significant rise in earnings at the largest operating unit in the third quarter, as forecast, even though consolidated operating earnings were still slightly down on the previous year after the first nine months of 2017.

Due to high demand from acquired orders, the involvement of external parties in projects increased. Personnel costs were up by 21% to EUR 148.7 million. Other operating expenses rose by 34% to EUR 40.3 million. Operating earnings (EBITDA) for the first nine months came in at EUR 16.4 million (previous year: EUR 17.0 million). Depreciation and amortisation rose from EUR 4.2 million in the previous year to EUR 6.0 million, of which amounts of EUR 1.4 million respectively EUR 2.1 million were attributable to purchase price allocation.

Pre-tax profit stood at EUR 10.1 million (previous year: EUR 12.9 million) and consolidated profit came to EUR 7.1 million (previous year: EUR 8.6 million). Earnings per share amounted to EUR 1.15 (previous year: EUR 1.42).

Additional performance figures and information

adesso holds liquid assets of EUR 23.8 million as of 30 September 2017 (previous year: EUR 15.8 million; 31 December 2016: EUR 43.1 million). Interest-bearing financial liabilities amounted to EUR 42.4 million as at 30 September 2017, compared with EUR 44.5 million in the previous year. Liquid assets are expected to increase in the fourth quarter due to positive operating cash flow. Additional figures will be available in table form on the adesso website under Investor Relations: <http://www.adesso-group.de/en/investorrelations/>.

Outlook

Good capacity utilisation during the third quarter is extending into the fourth quarter. Organic growth will be continued. This, coupled with existing opportunities in the product business area, leads us to assume that the full-year earnings guidance adjusted midway through 2017 will be achieved, with adesso generating EBITDA of between EUR 20 to 24 million.

The Executive Board

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