

## News

### **adesso increases sales and EBITDA to new record**

**Dortmund, 31. March 2020**

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**Today adesso SE published its consolidated financial statements, which largely confirm the preliminary figures published on 17 February 2020 and exceed its full-year forecast for 2019. Sales increased again, by 20 % to EUR 449.7 million, following a strong final quarter, with significant licence revenues from the insure product family and a further noticeable increase in capacity utilisation in the parent company adesso SE's IT service business. Organic growth accounted for 17 percentage points of that growth. Operating earnings (EBITDA) increased by 46 % to EUR 48.1 million. That included a positive IFRS 16 accounting effect of EUR 12.0 million, which was higher than expected. That represented new highs in terms of both sales and EBITDA. The EBITDA margin increased to 10.7 % (previous year: 8.8 %). The Executive Board and Supervisory Board will propose an increase in the dividend to EUR 0.47 (previous year: EUR 0.45) per share to the Annual Shareholders' Meeting. After a good start to the year, the growth in sales and EBITDA originally expected in 2020 has been overshadowed by the corona epidemic and the possible effects of COVID-19. The possible effects on adesso's business cannot be reliably quantified at present, so a pro forma forecast for 2020 will be made for the time being.**

In a largely positive market environment for IT companies that was characterised by a marked willingness to invest, growth was generated by attracting new customers, building on existing customer relationships and hiring additional staff. As at the reporting date, the number of employees (converted to full-time equivalents) increased year-on-year to 4,033 (+ 23 %). Sales rose in all key core sectors. Sales increased disproportionately in the insurance and public administration sectors, and particularly in automotive, the second newest core sector, with only slight sales growth in the banks/financial services and healthcare sectors.

There was dynamic development in terms of the increasing internationalisation of business. While sales in Germany grew by 17 %, international revenues rose by 33 %. The number of employees in Turkey once again increased considerably, rising by 50 % year on year to 264 as at the reporting date. The new subsidiaries in Bulgaria and Spain employed 95 developers and consultants as at the reporting date.

In the IT Solutions segment, business with the adesso in-house product family in|sure for the insurance business was expanded further. Sales increased again in all three revenue categories - licences, maintenance and implementation. Thanks to strong second and fourth quarters, sales in the in|sure licence segment more than doubled year on year. Sales from the in-house content management system FirstSprit increased only slightly. Among other things, this is due to the increased share of contract models with distributed sales realisation, such as software as a service agreement, leading to a delay between rising order intake and rising sales revenues.

With the exception of the subsidiaries in the Netherlands and Hungary, which were established in 2019, and earnings that remained slightly negative in Spain, all other international subsidiaries generated operating profit. Austria, in particular, achieved a significant increase in earnings.

Operating earnings (EBITDA) increased noticeably, by 46 % to EUR 48.1 million. Adjusted for the positive IFRS 16 accounting effects, EBITDA would have amounted to EUR 36.1 million, a year-on-year increase of 10 %. Despite improved margins in the second half of the year, weaker capacity utilisation in the first six months of the year continued to have an impact. The increase in EBITDA, excluding IFRS 16 effects, is essentially due to higher revenue, with the cost of materials developing at a disproportionately low rate and personnel expenses and other operating expenses developing at a disproportionately high rate compared to revenue. Viewed over the course of the year, the fourth quarter made the largest contribution to earnings, due in particular to improved capacity utilisation at the parent company in Germany and significantly higher licence revenue from the in|sure product family. The EBITDA margin therefore increased to 10.7 %, from 8.8 % in the previous year. Consolidated earnings rose disproportionately to sales and EBITDA, by 25 % to EUR 17.5 million, as a result of a renewed low arithmetical tax rate of 25 %, down from 37 % in the previous year. Earnings per share improved by 24 %, to EUR 2.82.

Working capital amounted to EUR 85.1 million as at 31 December 2019 (previous year: EUR 68.7 million). As a result, the need for advance financing of business operations rose by 24 % year on year. With liquid assets of EUR 46.4 million (previous year: EUR 45.9 million), net

liquidity after the deduction of financial liabilities stood at EUR -11.6 million as at 31 December 2019, compared to EUR -2.2 million in the previous year.

adesso continued to expand its range of services. Along with the increasing number of projects in the field of AI, the launch of new lines of business for manufacturing, as well as data and analytics, was very successful. Our near-shore offering using remote teams from Germany or Europe was used more by customers.

Demand for IT services and software solutions will remain high in the years ahead. The order situation for almost all industries at the start of 2020 can be described as very good. With capacities utilised accordingly, there is an opportunity to achieve a further increase in sales and earnings, due in part to an average of four additional working days compared to 2019. All foreign subsidiaries are expected to grow further. The subsidiaries in the Netherlands and Hungary, which were established in 2019, should be close to breaking even, while the Spanish subsidiary is expected to make a positive contribution to earnings.

Since 2019 was a highly successful year for the in|sure product family, 2020 is seen as an investment year for the main products of the adesso Group. Along with higher investment in the completion of in|sure modules, the modernisation of FirstSpirit will be finalised in 2020. The start of a new sales cycle with a fully updated product results in a good opportunity for additional licence income. In addition, adesso is still looking for possible M&A targets to support its growth strategy.

The forecast for 2020 in the annual report does not take the possible effects of the COVID-19 pandemic into account because, in the view of the Executive Board, the effect on business in 2020 cannot be reliably quantified at this time. A pro forma forecast for 2020 will therefore be made for the time being, and will be reassessed if there is a significant negative effect on business.

Following a good start to 2020, adesso plans to continue its growth in the current year. Subject to possible effects from COVID-19, sales are expected to rise to at least EUR 490 million in 2020. EBITDA is expected to exceed at least EUR 50 million. The minimum EBITDA margin is further increased to over 10 %.

The corona epidemic represents a new risk factor for the global economy. adesso is implementing all the available measures to cushion the resulting risks to its business in 2020. Although no significant impact on adesso's business is recognisable at present, adesso will continually assess the situation and analyse capacity utilisation in the areas of consultancy and software development with greater frequency. adesso is well placed to maintain its business operations and usual quality standards, but also to take appropriate measures to address any

recognisable trends. The current situation also demonstrates the importance of companies and organisations further digitalising their business, which could result in positive impetus in the period following the extraordinary situation caused by the virus.

The full annual report, as well as a table comparing key performance indicators over a period of several years, is available at [www.adesso-group.de/en/](http://www.adesso-group.de/en/) in the Investor Relations section.

*approx. 8,690 Letters*

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