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Building on excellent 2018 results, Capgemini starts 2019 with confidence

- Revenues of €13,197 million
- FY revenue growth of 8.1% at constant exchange rates and 7.8% in Q4
- Operating margin rate* of 12.1%, up 20 basis points
- Net profit Group share of €730 million
- Organic free cash flow* of €1,160 million
- Proposed dividend of €1.70 per share

Paris, February 14, 2019 – The Board of Directors of Capgemini SE, chaired by Paul Hermelin, convened in Paris on February 13, 2019 to review and authorize the issue of the accounts¹ of Capgemini Group for the year ended December 31, 2018.

Paul Hermelin, Chairman and Chief Executive Officer of Capgemini Group, states: *"In 2018, we demonstrated once again our capacity to improve our profitability while delivering sustained growth. All regions contributed to our solid top-line momentum, which we maintained in the fourth quarter on top of a particularly demanding comparison basis last year. We reached all the targets we had set for ourselves, including the sales outlook which was raised during the year.*

Today, the Group is well positioned to continue outperforming the market, in pursuit of our two strategic priorities.

First, a more dynamic management of our portfolio of services, which enabled Capgemini to be recognized as a world leader in digital and cloud. These high-growth areas will soon account for half of our revenues.

And second, aligning our whole organization around the client, providing each of them with the full spectrum of the Group's services and working hand in hand to develop and implement their business and technology agendas.

We are confident that our key strengths and solid financial performances will support our success in 2019."

* The terms and Alternative Performance Measures marked with an (*) are defined and/or reconciled in the appendix to this press release.

¹ Audit procedures on the consolidated financial statements have been completed. The auditors are in the process of issuing their report.



2018 KEY FIGURES

<i>(In millions of euros)</i>	2017 (restated for IFRS15)	2018	Change
Revenues	12,525	13,197	+5.4% +8.1% at constant exchange rates*
Operating margin* <i>as a % of revenues</i>	1,493 11.9%	1,597 12.1%	+7% +20 basis points
Operating profit <i>as a % of revenues</i>	1,183 9.4%	1,251 9.5%	
Net profit (Group share)	820	730	
Basic earnings per share (€)	4.88	4.37	-10%
Normalized earnings per share (€)*	6.22	6.06 ²	-3%
Organic Free Cash Flow*	1,080	1,160	+80M€
Net cash / (Net debt)	(1,209)	(1,184)	+25M€

In 2018, Capgemini met or exceeded all financial targets set at the beginning of the year. The Group strengthened its growth profile, while continuing to improve profitability and organic free cash flow* generation.

In 2018, the Group generated **revenues** of €13,197 million, up 5.4% compared with 2017. Growth is 8.1% at constant exchange rates*, significantly above the 6% to 7% target communicated at the beginning of the year. Organic growth* (i.e. excluding the impact of currency fluctuations and changes in Group scope) was 6.2%. Q4 growth is 7.8% at constant exchange rates and 5.7% organic.

This momentum continues to be supported by **Digital & Cloud** activities, which grew over 20% at constant exchange rates and now account for around 45% of the Group.

Bookings totaled €13,393 million in 2018, a **9%** increase at constant exchange rates year-on-year.

For 2018, **operating margin*** was €1,597 million, or 12.1% of revenues, an increase of 7% or 20 basis points year-on-year, in line with annual objectives. This further improvement in margin illustrates the Group's ability to combine investments in its talent and its portfolio of sector offerings with profitable growth. It also reflects a stronger gross margin, particularly in the second-half of the year. Geographically, continental Europe and the Asia-Pacific and Latin America region are the main contributors to this performance.

Other operating income and expenses rose as expected, to represent a net expense of €346 million compared with €310 million in 2017. This comes notably from higher intangible asset amortization charges and the mechanical increase in the share grant expense linked to Capgemini share price evolution over the past few years. In contrast, restructuring costs are down in 2018 (from €131 million in 2017 to €122 million) and this should continue in 2019, settling at around €80 million.

Operating profit totaled €1,251 million, or 9.5% of revenues, compared with €1,183 million, or 9.4% of revenues, in 2017.

The **net financial expense** is €80 million, slightly up on €72 million last year. The **income tax expense** is up from €303 million in 2017 to €447 million this year. The effective tax rate (ETR) increased primarily because, as anticipated, since 2018 the Group does not recognize any new deferred tax assets in the U.S.³. In addition, the Group recorded a €53 million expense related to the transitional impact of the U.S. tax reform. Adjusted for this expense, the ETR increased from 27.3% in 2017 to 33.7%.

Net profit (Group share) amounted to €730 million for 2018, down on €820 million for 2017, due to the higher tax expense. **Basic EPS (earnings per share)** is €4.37. **Normalized EPS*** is €5.74, or €6.06 adjusted for the transitional tax expense, a level close to that reported in 2017 (-3%).

Organic free cash flow* reached €1,160 million, exceeding the €1,000 million objective set at the beginning of the year. In 2018, the Group benefited from a €65 million improvement in its working capital requirement thanks to a 2-day decrease in DSO (Days Sales Outstanding).

² Excluding a €53 million expense recognized in 2018 due to the transitional impact of the tax reform in the U.S.

³ See details in appendix.



In 2018, Capgemini spent a net amount of €461 million on acquisitions and paid €284 million in dividends. Finally, the Group allocated €464 million to share buybacks, under the multi-year program and to neutralize the dilution resulting from the 5th employee share ownership plan (which led to a net capital increase of €230 million).

The Board of Directors has decided to recommend at the next Shareholders' Meeting on May 23, 2019, the payment of a dividend of €1.70 per share, the same amount as the previous year. The corresponding payout ratio is 36% of net profit² (Group share), in line with the Group's distribution policy.

OUTLOOK

The following outlook takes into account the impact of the application of IFRS 16 from January 1, 2019 on the operating margin (around +5 basis points) and on the organic free cash flow definition (around -€50 million), as detailed in the appendix to this press release.

For 2019, the Group targets revenue growth at constant exchange rates of 5.5% to 8.0%, improved profitability with an operating margin of 12.3% to 12.6% and stronger organic free cash flow - on a comparable basis - of over €1.1 billion.

OPERATIONS BY MAJOR REGION

North America (32% of Group revenues) was the most dynamic region of the Group in 2018 with a 14.4% increase in revenue at constant exchange rates. This growth was spurred by investments and acquisitions in Digital. It was mainly driven by the Consumer Goods & Retail, Financial Services and Manufacturing sectors while only the Energy & Utilities sector remained lackluster. The operating margin is largely stable year-on-year (-0.05 point), at 13.6%.

Revenues were stable in the **United Kingdom and Ireland** (12% of Group revenues), increasing +0.1% at constant exchange rates. The Group nonetheless enjoyed a return to growth in the second-half, in line with the plan set at the beginning of the year. Fueled by demand in the Financial Services and Energy & Utilities sectors, the private sector reported positive growth while the public sector declined, despite a clear rebound at the end of the year. As expected with the change in business mix and the impact from currencies, the operating margin contracted, from 16.1% a year earlier to 12.6%.

France (22% of Group revenues) grew 6.4%, with Digital and Cloud driving strong momentum in Application Services. All major sectors contributed to this growth, which even reached double-digits in the Consumer Goods & Retail and Energy & Utilities sectors. The operating margin improved 110 basis points year-on-year to 11.1% of revenues.

The **Rest of Europe** region (27% of Group revenues) reported revenue growth across all major countries, increasing 6.9% overall at constant exchange rates. Germany and Scandinavia were the main drivers, with growth rates nearing double-digits. Momentum was strong in all sectors - except Telecoms, which declined across Europe - growing between 5% and 10%. Operating margin rose 80 basis points to 13.0% for the year.

The **Asia-Pacific and Latin American** region (7% of Group revenues) reported growth of 6.0% at constant exchange rates. Asia-Pacific benefited this year from an acceleration in the Manufacturing sector, while Latin America delivered both a return to growth and profitability in 2018. Overall, the region's operating margin therefore improved significantly, from 10.1% in 2017 to 12.8% this year.

OPERATIONS BY BUSINESS

Consulting Services (6% of Group revenues) reported growth of 37.4% at constant exchange rates. This reflects not only the key contribution of acquisitions in the reference period, but also strong activity in the main regions. Digital transformation demand was particularly buoyant in the Financial Services, Manufacturing and Retail sectors. The Group now benefits from the launch of "Capgemini Invent", which combines its recognized expertise in the fields of strategy, technology, data science and creative design to support decision-makers in their transformation and digital innovation projects. The operating margin stands at 12.9% of revenues, up 160 basis points year-on-year.



Technology & Engineering Services (15% of Group revenues) grew 5.0% at constant exchange rates. Momentum was strong across all Group regions and particularly North America and the United Kingdom. The operating margin is 13.2%, slightly down from 13.8% in 2017.

Application Services (64% of Group revenues) posted revenue growth of 10.1% at constant exchange rates, fueled by customer demand for Digital and Cloud. This reflects the strong alignment between the Group's offerings and the new needs of clients. France, North America and the Rest of Europe reported the strongest momentum in 2018. The operating margin rate is 13.6%, up 50 basis points.

Other Managed Services (15% of Group revenues) declined 4.2% at constant exchange rates, mainly impacted by a slowdown in Business Process Outsourcing. In Infrastructure Services, the first-half of the year was marked by a contraction in the UK public sector. In the second half of the year, strong growth in cloud integration and orchestration services contained to a large extent the decline in Infrastructure services. Operating margin for Other Managed Services is 8.7% compared with 9.7% in 2017.

Q4 TRENDS

Group momentum remained strong in Q4. Revenues grew 7.8% year-on-year at constant exchange rates and 5.7% at constant scope and exchange rates, to €3,502 million for the period.

All Group regions contributed to this growth, which neared or exceeded 10% in North America (+11.2% at constant exchange rates), Asia-Pacific and Latin America (+9.6%) and the United Kingdom & Ireland (+9.0%). The Rest of Europe region slowed slightly (+4.2%) due to a more demanding comparison basis, while France maintained a steady pace, reporting revenue growth of 6.5%.

The businesses' Q3 momentum generally continued in the final quarter, with Application Services growing 9.3% at constant exchange rates and Consulting Services growing 35.2%. Finally, Other Managed Services continued to contract (-2.1%), while Technology & Engineering Services were up 3.8%.

Q4 bookings totaled €3,929 million, bringing the book-to-bill ratio to 112% for the quarter.

HEADCOUNT

At December 31, 2018, the Group's total headcount stood at 211,300, up 5.8% year-on-year, with 122,000 employees in offshore centers (58% of the total headcount). Attrition was up to 22% in 2018.

BALANCE SHEET

Overall, the balance sheet structure remained broadly unchanged in 2018. At December 31, 2018, the Group had €2,004 million in cash and cash equivalents, compared with €1,988 million a year earlier. After accounting for borrowings of €3,357 million, cash management assets and derivative instruments, Group net debt* is €1,184 million at the end of 2018, comparable to the previous year end (€1,209 million).

Moreover, in April 2018, the Group performed a partial repurchase of the bond issue maturing in 2020 and issued new bonds maturing in 2024 and 2028, extending the average maturity of its bond debt with no significant impact on its future cash coupon. In July, the Group also repaid at maturity a €500 million bond issued in 2015.

CONFERENCE CALL

Paul Hermelin, Chairman and Chief Executive Officer, and Thierry Delaporte and Aiman Ezzat, Chief Operating Officers, Carole Ferrand, Chief Financial Officer, and Rosemary Stark, Chief Sales Officer, will present this press release during a conference call in English to be held **today at 8.00 a.m. Paris time (CET)**. You can follow this conference call live via webcast at the following [link](#). A replay will also be available for a period of one year.

All documents relating to this publication will be placed online on the Capgemini investor website at <https://investors.capgemini.com/results>.



CALENDAR

April 25, 2019 Publication of Q1 2019 revenues
May 23, 2019 Shareholders' Meeting
July 30, 2019 Publication of H1 2019 results

The following dividend payment schedule will be presented to the Shareholders' Meeting for approval:

June 5, 2019 Ex-dividend date on Euronext Paris
June 7, 2019 Payment of the dividend

DISCLAIMER

This press release may contain forward-looking statements. Such statements may include projections, estimates, assumptions, statements regarding plans, objectives, intentions and/or expectations with respect to future financial results, events, operations and services and product development, as well as statements, regarding future performance or events. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates", "plans", "projects", "may", "would" "should" or the negatives of these terms and similar expressions. Although Capgemini's management currently believes that the expectations reflected in such forward-looking statements are reasonable, investors are cautioned that forward-looking statements are subject to various risks and uncertainties (including, without limitation, risks identified in Capgemini's Registration Document available on Capgemini's website), because they relate to future events and depend on future circumstances that may or may not occur and may be different from those anticipated, many of which are difficult to predict and generally beyond the control of Capgemini. Actual results and developments may differ materially from those expressed in, implied by or projected by forward-looking statements. Forward-looking statements are not intended to and do not give any assurances or comfort as to future events or results. Other than as required by applicable law, Capgemini does not undertake any obligation to update or revise any forward-looking statement.

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About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

Visit us at www.capgemini.com. People matter, results count.

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APPENDIX⁴

DEFINITIONS

Organic growth, or like-for-like growth, in revenues is the growth rate calculated at **constant Group scope and exchange rates**. The Group scope and exchange rates used are those for the reported period. Exchange rates for the reported period are also used to calculate **growth at constant exchange rates**.

Reconciliation of growth rates	Q4 2018	Year 2018
Organic growth	+5.7%	+6.2%
Changes in Group scope	+2.1pt	+1.9pt
Growth at constant exchange rates	+7.8%	+8.1%
Exchange rate fluctuations	-0.0pt	-2.7pt
Reported growth	+7.8%	+5.4%

Currency impacts on FY revenue are linked to the appreciation of the euro against most other Group invoicing currencies and primarily the U.S. dollar. This impact is nonetheless negligible at the year end, due to the reversal of U.S. dollar trends in Q4 (5% appreciation against the euro).

Operating margin is one of the Group's key performance measures. It is defined as the difference between revenues and operating costs. It is calculated before "Other operating income and expenses" which include amortization of intangible assets recognized in business combinations, the charge resulting from the deferred recognition of the fair value of shares granted to employees (including social security contributions and employer contributions), and non-recurring revenues and expenses, notably impairment of goodwill, negative goodwill, capital gains or losses on disposals of consolidated companies or businesses, restructuring costs incurred under a detailed formal plan approved by the Group's management, the cost of acquiring and integrating companies acquired by the Group, including earn-outs comprising conditions of presence, and the effects of curtailments, settlements and transfers of defined benefit pension plans.

Normalized net profit is equal to profit for the year (Group share) adjusted for the impact of items recognized in "Other operating income and expense", net of tax calculated using the effective tax rate. **Normalized earnings per share** is computed like basic earnings per share, i.e. excluding dilution.

Organic free cash flow is equal to cash flow from operations less acquisitions of property, plant, equipment and intangible assets (net of disposals) and adjusted for cash out relating to the net interest cost.

APPLICATION OF IFRS 16 AND ADAPTATION OF PERFORMANCE MEASURES

With the entry into effect of the new lease standard, IFRS 16, on **January 1, 2019**, the Group must apply a **new accounting treatment** to all its leases (primarily real estate leases), similar in substance to that currently applied to finance leases. Essentially, the Group will have to:

- in its **balance sheet**: recognize, at January 1, 2019, all lease obligations as a debt in liabilities and the corresponding right-of-use in assets. This will represent between €750 and €850 million (including the €80 million already recognized in respect of finance leases);
- in its **income statement**: recognize, instead of a lease expense, the depreciation of the right-of-use asset over the lease term in operating expenses and the corresponding interest in finance costs;
- in **cash flows**: recognize the cash outflows as repayments of the lease debt rather than a rental payment.

The Group does not believe this new accounting treatment modifies the operating nature of the majority of its leases. Accordingly, to ensure the Group's performance measures continue to best reflect its operating performance, as the distinction between different lease types disappears with the introduction of IFRS 16, the Group will consider all repayments of lease debt as operating items **going forward**. Accordingly:

- **organic free cash flow** will include repayments of the lease debt (including for finance leases, previously excluded as recognized in repayments of borrowings, of approximately €50 million in 2018);
- Group **net debt** will exclude all lease debt (including that relating to finance leases of approximately €80 million at the end of 2018).

Elsewhere, the impact of application of IFRS 16 on the 2019 income statement should be generally neutral for the main performance measures, whose definitions remain unchanged (estimates based on the 2018 accounts):

- **operating margin**: slightly positive impact, in the range of 5 basis points;
- **net profit** (Group share): slightly negative impact, in the range of €5 million; and
- **normalized earnings per share**: slightly negative impact, in the range of €0.03 per share.

⁴ Note that in the appendix, certain totals may not equal the sum of amounts due to rounding adjustments.



APPLICATION OF IFRS 15

In this press release, the 2017 accounts have been restated for the impact of IFRS 15, applicable from **January 1, 2018**, to ensure comparability.

The retrospective application of IFRS 15 in 2017 results in a decrease in revenues recognized of €267 million (2.1% of revenues), with no change in euros to the operating margin, net profit, earnings per share or organic free cash flow.

TAXATION

As announced on the publication of the 2017 annual accounts (on February 15, 2018), the Group expected a substantial increase in its effective tax rate from 2018, with no significant cash impact. Until the end of 2017, the Group was led to recognize non-cash tax income corresponding to the recognition of deferred tax assets in the United States. Tax loss carry-forwards in the United States were, however, fully recognized in the Group consolidated financial statements at December 31, 2017. As a result, the Group now no longer recognizes such tax income as a deduction from its income tax expenses, generating an increase in the Group's reported effective tax rate.

RESULTS BY REGION

	Revenues	Year-on-year growth		Operating margin rate	
	2018 (In millions of euros)	Reported	At constant exchange rates	2017	2018
North America	4,230	+9.2%	+14.4%	13.7%	13.6%
United Kingdom and Ireland	1,565	-0.9%	+0.1%	16.1%	12.6%
France	2,848	+6.4%	+6.4%	10.0%	11.1%
Rest of Europe	3,605	+5.6%	+6.9%	12.2%	13.0%
Asia Pacific and Latin America	949	-3.3%	+6.0%	10.1%	12.8%
TOTAL	13,197	+5.4%	+8.1%	11.9%	12.1%

RESULTS BY BUSINESS

	Revenues	Year-on-year growth		Operating margin rate	
	2018 (In millions of euros)	Reported	At constant exchange rates	2017	2018
Consulting Services	785	+34.6%	+37.4%	11.3%	12.9%
Technology & Engineering Services	1,974	+3.6%	+5.0%	13.8%	13.2%
Application Services	8,393	+7.2%	+10.1%	13.1%	13.6%
Other Managed Services	2,045	-7.4%	-4.2%	9.7%	8.7%
TOTAL	13,197	+5.4%	+8.1%	11.9%	12.1%

SUMMARY INCOME STATEMENT AND OPERATING MARGIN

(In millions of euros)	2017	2018	Change
Revenues	12,525	13,197	+5.4%
Operating expenses	(11,032)	(11,600)	
Operating margin	1,493	1,597	+7%
as a % of revenues	11.9%	12.1%	+20bp
Other operating income and expense	(310)	(346)	
Operating profit	1,183	1,251	+6%
as a % of revenues	9.4%	9.5%	+10bp
Net financial expense	(72)	(80)	
Income tax income/(expense)	(303)	(447)	
(-) Non-controlling interests	12	6	
Profit for the year, Group share	820	730	-11%



NORMALIZED AND DILUTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	2017	2018	Change
Average number of shares outstanding	168,057,561	167,088,363	
Basic earnings per share (in euros)	4.88	4.37	-10%
Diluted average number of shares outstanding	172,082,122	171,697,335	
Diluted earnings per share (in euros)	4.76	4.25	-11%

<i>(In millions of euros)</i>	2017	2018	Change
Profit for the year, Group share	820	730	
Effective tax rate, excluding the transitional tax expense	27.3%	33.7%	
(-) Other operating income and expenses, net of tax	226	229	
Normalized profit for the year	1,046	959	
Average number of shares outstanding	168,057,561	167,088,363	
Normalized earnings per share (in euros)	6.22	5.74	-8%

The Group recognized an income tax expense of €53 million in 2018 in respect of the transitional impact of the tax reform in the U.S. This reduced basic EPS and normalized EPS by €0.32 and diluted EPS by €0.31.

Adjusted for this tax expense, normalized EPS for 2018 is €6.06:

<i>(In millions of euros)</i>	2017	2018	Change
Normalized earnings per share (in euros)	6.22	5.74	
Transitional tax expense	-	53	
Average number of shares outstanding	168,057,561	167,088,363	
Impact of the transitional tax expense (in euros)	-	0.32	
Normalized earnings per share – excluding the transitional tax expense (in euros)	6.22	6.06	-3%

CHANGE IN CASH AND CASH EQUIVALENTS AND ORGANIC FREE CASH FLOW

<i>(In millions of euros)</i>	2017	2018
Cash flow from operations	1,330	1,396
Acquisitions of property, plant and equipment and intangible assets, net of disposals	(226)	(229)
Net interest cost	(24)	(7)
ORGANIC FREE CASH FLOW	1,080	1,160
Other cash flows from (used in) investing and financing activities	(871)	(1,103)
Increase (decrease) in cash and cash equivalents	209	57
Effect of exchange rate fluctuations	(91)	(41)
Opening cash and cash equivalents, net of bank overdraft	1,870	1,988
Closing cash and cash equivalents, net of bank overdraft	1,988	2,004

NET DEBT

<i>(In millions of euros)</i>	12/31/17	12/31/18
Cash and cash equivalents	1,988	2,006
Bank overdrafts	-	(2)
Cash and cash equivalents, net of bank overdraft	1,988	2,004
Cash management assets	168	183
Long-term borrowings	(2,783)	(3,274)
Short-term borrowings and bank overdrafts	(589)	(83)
(-) Bank overdrafts	-	2
Borrowings, excluding bank overdrafts	(3,372)	(3,355)
Derivative instruments	7	(16)
NET CASH AND CASH EQUIVALENTS / (NET DEBT)	(1,209)	(1,184)