

Audited annual results 2021: Confirmation of strong growth in Recurring Operating Profit and Net Profit

2021 confirmed Econocom's strategic refocusing choices

- Revenue down slightly at €2,505m⁴ amid pressure on supplies and a growing order backlog
- Recurring Operating Profit² up significantly¹ at €135.7m (+16.1%) and margin up¹ 0.8 percentage points at 5.4%
- Net profit of €70.1m up more sharply by 39.6% driven in particular by reduction in non-recurring operating expenses
- Net Financial Debt³ under control at €66.8m at 31 December 2021, allowing a reduction in the cost of financial debt
- Proposed 14 cent per share refund of issue premium, up 16.7% on the previous year

Increase in Group profitability

The Econocom Group earned revenue of €2,505m⁴ in 2021, down¹ 1.0% on 2020. Business slowed in the second half due to increasing pressure on global digital asset supplies. As a result, the Group order backlog was up by around €100m at the end of 2021.

Products & Solutions, the business most impacted by sourcing issues, posted revenue of €1,067m, a limited 2.5% decrease¹. The year-end backlog was up by almost €60m.

Services revenues dipped¹ 3.1% to €516m due to the Group's strategic decision to prioritise higher value-added contracts.

The Technology Management & Financing (TMF) business confirmed its recovery with a 2.2% increase¹ in revenue to €921m⁴ driven by diversification of the customer portfolio, the success of eco-responsible solutions and expansion of the sales force.

Fuelled by the cost-cutting plan in place since early 2019 and an increase in the profitability of new contracts, Recurring Operating Profit² (ROP) rose sharply¹ by 16.1% to €135.7m, reflecting an improvement in recurring operating margin to 5.4% (vs. 4.6% in 2020). Margin growth occurred across all business lines, particularly Services.

Net non-recurring operating expenses of €14.3m were down sharply by €21.5m compared to 2020 due to the completion of the cost-cutting plan implemented in 2019 and 2020.

The net financial expense improved by €3.4m to €9.8m, mainly due to lower interest on debt and the realisation of financial capital gains.

After a €31.7m tax charge and a €7.4m net loss on discontinued operations, consolidated net profit for the year was up sharply by 39.6% to €70.1m. The net margin amounted to 2.8%, up 0.8 percentage points on 2020.

Net debt kept under control

In 2021, the Group recorded free cash flow of €20m, driven by a strong level of cash flows from operating activities (€133m) which allowed the Group, among other things, to finance change in working capital and TMF capital expenditure required to develop the business. Meanwhile, the Group bought up €83m of treasury shares in 2021.

As a result, Net Financial Debt³ amounted to €66.8m at 31 December 2021 compared with a positive net cash³ position of €20m the previous year. Excluding the impact of treasury share buybacks, restated net cash³ for 2021 would amount to €16m, equivalent to that of 2020.

2021 net debt represents 15% of shareholders equity or 0.5 times EBITDA for the year.

Shareholder remuneration

The Board of Directors will propose to the next General Meeting an issue premium refund of €0.14 per share, up 16.7% on the refund paid in 2021.

The distribution planned for 2022 would amount to €25.9m⁵, exceeding the refund of issue premium awarded in 2021 by €3.4m. It would correspond to a payout ratio amounting to 36.9% of net 2021 profit compared to 44.8% for the previous year.

Econocom is on track for a new growth trajectory in 2022

After two years of refocusing on core businesses and high-potential regions, Econocom reaped the initial benefits of its successful transformation in 2021.

In 2022, the Group will draw on its new offerings (Product Care, Recycling, Apps services, etc.) and a full order backlog to boost its growth momentum. In a buoyant market, Econocom will also be able to rely on a strengthened sales force to ensure its development. Provided that supply problems are gradually resolved, Econocom expects to post revenue growth of 4-5% and continued improvement in its recurring operating margin.

The Group has a pipeline of acquisition opportunities that should enable it to complete one or more acquisitions over the coming quarters thanks to its low level of debt.

Next publication: Q1 2022 revenue, 14 April 2022 after market close.

¹ On a like-for-like basis (at constant scope and accounting standards).

² Before amortisation of intangible assets from acquisitions and after restatement in line with IFRS 5 for assets held for sale and discontinued operations.

³ NFD: Net Financial Debt (or Net Cash) including Current and Non-current financial debt as shown in the balance sheet and excluding Cash and cash equivalents.

⁴ The revenue figures of €2,505m for the Group and €921m for TMF differ from the figures of €2,522m and €938m stated upon publication of provisional data due to the reclassification of €17m of TMF invoices with no impact on recurring operating profit² or net profit.

⁵ Based on the number of shares at 31 December 2021 less treasury shares held at that date.

ABOUT ECONOCOM

As a digital general contractor, Econocom conceives, finances and facilitates the digital transformation of large firms and public organizations. With 49 years' experience, it is the only market player offering versatile expertise through a combination of project financing, equipment distribution and digital services. The group operates in 16 countries, with over 8,200 employees, and generated €2,505m in revenues in 2021. Econocom is listed on Euronext in Brussels, on the BEL Mid and Family Business indexes.

FOR MORE INFORMATION

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INCOME STATEMENT

(€M)	2020 Restated	2021
Revenue	2,521	2,505
Recurring operating profit before amortisation of intangible assets from acquisitions	119.6	135.7
Recurring operating profit	117.5	133.5
Other non-recurring income and expenses	-35.8	-14.3
Operating profit	81.7	119.2
Cost of financial debt	-8.9	-7.0
Other financial income and expenses	-4.3	-2.8
Profit before tax	68.5	109.4
Income tax expense	-18.2	-31.7
Profit from continuing operations	50.3	77.7
Net profit from discontinued operations, associates and joint ventures	0.0	-7.5
Net Profit for the period	50.2	70.1

2020 figures based on 2021 exchange rates and scope

(€M)	2020 Restated	2020 on 2021 scope
Revenue	2,521	2,529
Recurring operating profit before amortisation of intangible assets from acquisitions	119.6	116.9

BALANCHE SHEET

(€m) ASSETS	31.12.2020	31.12.2021
Goodwill	500	495
Residual interest in leased assets (non-current)	134	128
Other non-current assets	230	221
NON-CURRENT ASSETS	864	844
Residual interest in leased assets (current)	41	43
Trade and other receivables ⁽¹⁾	894	796
Other current assets	137	180
Cash and cash equivalents	649	406
Assets held for sale	74	69
CURRENT ASSETS	1,796	1,494
TOTAL ASSETS	2,660	2,339
(€m) EQUITY & LIABILITIES	31.12.2020	31.12.2021
Equity attributable to owners of the parent	406	386
Non-controlling interests	67	58
EQUITY	473	444
Non-current financial debt ⁽²⁾	325	303
Gross liability for purchase of leased assets (non-current)	76	75
Other financial liabilities (non-current)	48	10
Other non-current liabilities	107	108
NON-CURRENT LIABILITIES	556	495
Current financial debt ⁽²⁾	304	170
Gross liability for purchase of leased assets (current)	28	23
Other financial liabilities (current)	13	47
Trade and other payables	992	882
Other current liabilities	264	246
Liabilities held for sale	30	31
CURRENT LIABILITIES	1,631	1,399
TOTAL EQUITY AND LIABILITIES	2,660	2,339

(1) Of which own-booked outstanding rentals: €208m at 31 December 2021 versus €186m at 31 December 2020.

(2) With the addition of cash and cash equivalents of €406m at 31 December 2021 (and €649m at 31 December 2020) and bonds and financial debt, the balance sheet showed net debt of €67m at 31 December 2021 (versus net cash of €20m at 31 December 2020); this financial debt includes €208m at 31 December 2021 (and €186m at 31 December 2020) of own-booked TMF contracts and the anticipated rent from this activity.

The Auditor, EY Réviseurs d'Entreprises SRL, confirmed that its audit work on the consolidated financial statements as of December 31, 2021 which concluded to a Revenue of €2,505million, a Net profit for the period of €70.1million and a total balance sheet of €2,339million are completed as to the substance and did not raise any significant correction. The Auditor will issue an unqualified opinion on the consolidated financial statements prepared under the IFRS accounting GAAP.