

SALES AND RESULTS IN THE FIRST HALF OF 2015

Fifth consecutive half-year of increased income from ordinary activities: €15.9M (up 8.6%)

Growth in net cash from operating activities: €29.2M (up 24%)

Growth in SaaS sales: €29.3M (up 28%) and in invoiceable SaaS contract revenue: €132M (up 35% year-on-year)

SALES

Increase in growth of SaaS/On Demand revenue and in the recurrent portion of sales (61.5% of total)

H1 consolidated sales (€ M), unadjusted scope	2015	2014	Chg.	% Chg.
SaaS	29.3	22.9	6.5	28.3%
Licenses	13.8	15.6	-1.8	-11.6%
Maintenance	49.4	50.5	-1.1	-2.1%
Miscellaneous	1.8	2.2	-0.5	ns
Total Software and software-related services (SSRS)*	94.3	91.2	3.1	3.4%
Professional services	29.0	28.2	0.8	2.9%
Total SSRS and professional services	123.3	119.4	3.9	3.3%
Hardware distribution and other	10.3	11.3	-1.0	-8.5%
Total**	133.6	130.7	2.9	2.2%
of which recurrent	82.2	77.6	4.6	6.0%
Recurrent / Total	61.5%	59.3%		

* up 4.4% at constant scope, excl. Hospitality business in H1 2014 (€1.0M) and JDS in June 2015 (€0.15M)

** up 3.8% at constant scope, excl. Hospitality business in H1 2014 (€2.0M) and JDS in June 2015 (€0.17M)

The first half of 2015 saw a continuation of Cegid's transformation toward a recurrent business model driven by the SaaS business (On Demand and collaborative portal). SaaS revenue was up 28.3% in H1, surpassing the increase achieved over all of 2014 (25.3%).

The SaaS business generated revenue of nearly €30 million, and as of July 1, 2015 represented invoiceable future revenue of approximately €132 million, up 35% year on year⁽¹⁾. Recurrent sales (€82.2 million), including revenue from software and hardware maintenance contracts, portals and SaaS contracts, represented more than 61% of total sales, an increase of more than two percentage points compared with H1 2014 and more than three percentage points compared with all of 2014.

Because SaaS sales gathered pace and license sales in the French retail sector were weak as a result of several order postponements, License sales totaled €13.8 million, down 11.6% compared with H1 2014.

⁽¹⁾ The value of SaaS contracts is defined as the internal, unaudited value of active contracts extrapolated over their remaining lifetime for fixed maturity contracts and over 36 months in most cases for automatic renewal contracts, taking into account the average churn rate over the last 12 months. The reference amount calculated as of July 1, 2014 using this churn rate is €97.4 million, similar to that previously calculated using the previous churn rate (€97.3 million).

As a result, revenue from "Software and Software-Related Services (SSRS)" rose by 3.4% in H1 2015 to €94.3 million (4.4% rise at constant scope).

Revenue from "SSRS and Professional Services" of €123.3 million advanced by 3.3% (up 4.4% at constant scope), with the professional services portion accounting for €29 million. This revenue was driven in particular by Nominative Employee Filings (DSN) solutions.

Cegid continued to scale back its non-strategic, lower-margin "Hardware Distribution and Other" business, which generated revenue of €10.3 million, or less than 8% of total sales, down more than 8% from H1 2014.

Internationally, Cegid saw continued expansion, essentially in the Retail sector. Sales of Cegid's foreign subsidiaries rose 25%, and total international sales were up 7%.

Overall, first-half 2015 consolidated sales totaled €133.6 million, up 2.2% from H1 2014 (up 3.8% at constant scope).

	Consolidated sales (€ M), unadjusted scope *	Q2	H1 total	of which "SSRS and professional services"	of which "Hardware distribution and other"
CPAs, small companies	2015	24.5	51.6	46.2	5.4
	2014	24.5	50.8	44.3	6.5
SMEs and large companies	2015	23.8	47.7	45.9	1.8
	2014	22.1	44.1	42.6	1.5
Retail	2015	13.8	25.2	22.9	2.3
	2014	12.6	24.1	22.2	1.9
Public sector	2015	4.1	8.3	8.0	0.3
	2014	4.4	8.5	8.5	ns
Miscellaneous	2015	0.4	0.8	0.3	0.5
	2014	1.4	3.2	1.8	1.4
Total	2015	66.6	133.6	123.3	10.3
	2014	65.1	130.7	119.4	11.3

* Changes in scope reflect the new operational organization in place since Q2, which now includes an "SMEs and large companies" segment. This segment includes the enterprise solutions (business, sales and production management) previously reported under "Vertical markets", which is no longer used. 2014 data has been recalculated in accordance with the organization in place as of June 30, 2015.

Financial communication

Cegid Group
52 quai Paul Sédallian
69279 Lyon Cedex 09, France
Tel.: +33 (0)4 26 29 50 20
dirfin@cegid.fr / www.cegid.com

Stock market: Euronext Paris Segment B
ISIN code: FR0000124703
Reuters: CEGIP.A
Bloomberg: CGD FP
ICB: 9537 Software
Indices: CAC All Shares, CAC All-Tradable, CAC Mid & Small -CAC Small
CAC Soft. & C.S., CAC Technology, NEXT 150, EnterNext© PEA-PME 150

RESULTS

Fifth consecutive half-year of increased Income from Ordinary Activities (up 8.6% at unadjusted scope)

H1 consolidated results (€ M), unadjusted scope	2015	2014	Chg. in %
Sales	133.6	130.7	+2.2%
Gross profit	114.9	114.2	+0.6%
EBITDA	35.8	34.3	+4.5%
Income from ordinary activities (excl. impact of IFRIC 21)	16.1	14.8	+8.7%
Income from ordinary activities	15.9	14.6	+8.6%
Other operating income and expense	-0.7	0.8	ns
Operating income	15.2	15.5	-1.8%
Net financial expense	-0.4	-0.8	+45%
Pre-tax income	14.8	14.7	+0.5%
Net income (Group share)	9.4	8.7	+8.6%

Gross profit amounted to €114.9 million, up approximately 0.6% compared with H1 2014. The change in gross margin (86%, i.e. down 1.3% from H1 2014), principally reflected the increase in SaaS solution production costs, in line with the growth in the SaaS business, and subcontracting expenses related to services provided. Good control of operating expenses kept the average monthly breakeven point at €19.2 million in H1 2015 (€19.0 million in H1 2014).

As a result, Income from Ordinary Activities came in at €15.9 million in H1 2015, representing Cegid's best half-year performance and the fifth consecutive half-year increase. At constant scope, i.e. excluding the consolidation of JDS in June 2015 and the impact of the sale of the Hospitality business at the end of H1 2014, Income from Ordinary Activities increased by nearly 16%* compared with H1 2014.

Operating income, which reflected €0.9 million in non-recurrent items such as fees and expenses related to acquisitions, stood at €15.2 million, compared with €15.5 million in H1 2014 (H1 2014 operating income included net non-recurrent income of €0.8 million).

Net interest expense was €0.4 million, an improvement from that of H1 2014. Income tax was €5.3 million, vs. €5.5 million in H1 2014. Cegid's share of income from equity-accounted companies was not material, vs. €-0.5 million in H1 2014. As a result, H1 2015 net consolidated income was €9.4 million, vs. €8.7 million in H1 2014, representing an increase of 8.6%.

* Impact of the sale of the Hospitality business in H1 2014: internal, unaudited data

FINANCIAL STRUCTURE

Growth in net cash from operating activities: €29.2 million (up 24%)

Net cash from operating activities totaled €29.2 million (€23.4 million in H1 2014), an increase of 24.4%, reflecting in particular a reduction in the working capital requirement.

Net financial debt of €51.6 million was reduced slightly from June 30, 2014, and reflected, among other things, H1 acquisitions of €12.9 million and the exercise of warrants (BAARs) of €4.8 million. Net debt as of June 30, 2014 reflected a net amount of approximately €8.4 million deriving from the sale of the Hospitality business and from a payment received in connection with premises leased in Paris. Excluding these items, net financial debt as of June 30, 2015 decreased by €17.1 million compared with June 30, 2014.

Gearing, the ratio of net debt to consolidated shareholders' equity (€205.2 million) was 25.2% (27.4% as of June 30, 2014 and 21% as of December 31, 2014).

As of July 1, 2015, Cegid had a syndicated line of credit totaling €200 million maturing on March 23, 2019, of which €60 million was available as of June 30, 2015. The available amount will decline to €160 million in March 2020, and then, in the event the facility is extended, to €130 million in March 2021 and March 2022. Renewed in Q1 2015, this club deal includes 13 banks, of which eight have historical relationships with Cegid. It bolsters the ambitious growth strategy Cegid has both in France and abroad.

ACQUISITIONS

In the first half, Cegid continued to pursue its growth and development and stepped up acquisitions in its areas of expertise in France and abroad.

Retail – acquisition of JDS (North America – California)

Cegid strengthened its position as a leading international provider of software for specialized retailers and its presence in North America with the acquisition of JDS Solutions Corporation (www.jdssc.com – founded in 2000 – 2014 sales: \$5.5 million – 30 employees). Headquartered in San Diego, CA, JDS develops and distributes IT solutions for specialized retailers.

This transaction, which presents numerous strategic and operational synergies both for Cegid and JDS Solutions Corporation, will strengthen Cegid's presence in the United States, the world's largest economy, with more than 40 employees serving Retail customers.

Taxation – acquisition of Altaven (Paris)

Cegid continued to grow in the area of tax management with the acquisition of Altaven, provider of a tax management platform for large companies and corporate groups.

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Cegid and Altaven (www.altaven.com – founded in 2008 – sales: €5 million – 30 employees), will combine their skills to respond to customer demand, offering synergy and innovation for customers and for their respective teams. They will also respond to new challenges in the area of tax management. In particular, they will bolster their expertise in corporate income taxes, tax consolidation and non-income taxes and levies, enter a new phase of development and offer customers proven, highly-secure SaaS/cloud solutions.

Finally, the acquisition by Cegid, present in 15 countries, will enable Altaven to embark on a new phase of development, by undertaking the work necessary to design an international solution and deploy the resources for distributing it in target countries in Europe, Africa and elsewhere.

HR-Payroll / collaborative portal – acquisition of a stake in NovigoTech (Lille)

Cegid has enriched its range of collaborative portal services for accounting firms and their small-company clients by forming a partnership with NovigoTech and acquiring a stake of around 13% in the company, with a view to increasing its holding to 100% in the medium term. NovigoTech is a start-up specialized in new web and cloud technologies.

The solution “HumanForces - collaborative human resources management” will enable accounting firms to help small and mid-sized businesses manage their human resources, to increase their productivity and to secure their outsourced corporate payroll assignments.

The innovations and new services offered by the Cegid / NovigoTech solution were premiered earlier this year at Cegid’s 12th annual accounting profession convention in Monaco, based on the theme of “Adopting digital technologies so as to be the CPA of the future”.

With these transactions, Cegid confirms its aim to support the digital transformation of private companies and public sector entities by achieving critical mass as a software provider, in a market virtually devoid of intermediate-sized French software companies capable of competing with large, principally foreign competitors.

STRATEGY

SaaS leadership and innovation helping private companies and public sector entities in their digital transformation

With businesses and public sector entities alike now demanding mobility, business analytics and collaborative working modes, Cegid is strengthening its strategy for cloud-based innovation oriented around the MoBiClo™ concept.

Every day, Cegid supports 400,000 users, including 130,000 SaaS-mode users in nearly 45,000 companies, 1,700 CPA firms and 350 public sector entities in their digital transformation with solutions dedicated to the new ways they use IT services by:

- developing the collaborative dimension of solutions for accounting firms and their small-company customers,
- contributing to the French government’s simplification effort (simplified nominative employee filing system (DSN), online tax filings, etc.),
- launching new SaaS-mode product ranges.

Outlook: Cegid has a leadership position in cloud services

Cegid’s product line and strategy over the past several years aim to support companies along the following lines as they transform themselves, simplify and become more competitive:

- by continually providing new, innovative cloud-based solutions to accommodate new trends in software use through the “MoBiClo™” approach that brings together Mobility, Business Intelligence and the Cloud, with an emphasis on industry-specific cloud services (accounting profession, public sector, retail, etc.) and cloud-to-cloud services (Office 365 agreement with Microsoft),
- through a market positioning as a leading SaaS provider, with future contract revenue of nearly €132 million, thereby strengthening the recurrent nature of its sales,
- by offering solutions with broad functional coverage (accounting/finance, taxation, payroll/HR for companies of all sizes) and industry specialization (CPAs, entrepreneurs, retailing, manufacturing, trade & services, public sector),
- by developing excellent customer relationships through a multi-channel approach,
- by accelerating international development, essentially in the Retail sector,
- through strengthened financial capacity that can be used to step up acquisitions.

Cegid has numerous strengths it can use to support the investments of private companies and public sector entities as they achieve their digital transformation. Its business model is oriented around deriving a high level of revenues from recurrent sources (more than 60% of sales), its sales and marketing organization has been optimized and it aims to continue rationalizing product and service ranges.

Calendar

The full calendar of publication dates and upcoming events can be found at the following address: <http://en.cegid.com/financial-calendar>

The Board of Directors approved the H1 2015 financial statements on July 22, 2015. The Statutory Auditors have carried out their audit procedures and the reports relative to their limited review will be prepared on July 23, 2015.

The information meeting slideshow will be available from July 23, 2015 at the following address: <http://en.cegid.com/Investors/Publications/Slideshow/Information-meetings>

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