



SD Worx Holding

Earnings Release for the Financial Year ending 31 December 2019



28 February 2020

Regulated information

Forenote

The consolidated financial statements for the financial year ending 31 December 2019 of the SD Worx Holding NV and its subsidiaries (“SD Worx” or the “Group”) are reported under the Generally Accepted Accounting Principles in Belgium (“BE GAAP”).

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Please note that therefore the Vio Group has been consolidated as from 19 February 2018, Innovate-IT (“OnlineWerkrooster”) from 28 August 2018, the Flexpoint Group as from 24 September 2018, GlobePayroll SAS as from 3 July 2019 and Unbox NV as from 24 September 2019.

Besides condensed BE GAAP accounts, SD Worx also presents alternative performance indicators to provide a more consistent and comparable indication of the Group’s underlying financial performance.

The Statutory Auditor, DELOITTE Bedrijfsrevisoren CVBA, represented by Bernard De Meulemeester and Maurice Vrolix, has confirmed that the audit of the consolidated annual accounts of SD Worx Holding NV is substantially complete, with the exception of the review of the consolidated annual accounts and the report of the board of directors, and that the audit has to date not revealed any material misstatements that should be adjusted in the accounting data included in this press release. The same policies for financial reporting and accounting principles were applied to the drafting of the financial report that were used for the consolidated financial overviews as of 31 December 2018.

FY'2019 Condensed Consolidated Income Statement (1/2)

In €Mln

	Actual year	Prior year
Revenues	767,6	594,4
- Cost of sales	-230,7	-113,9
Gross margin	536,8	480,5
- Services and other goods	-179,7	-158,2
- Staffing costs	-289,5	-260,9
- Amounts written off stocks, contracts in progress and trade debtors	-1,2	-0,9
- Provision for liabilities and charges	0,3	0,3
- Other operating cost	-4,6	-5,4
+ Other operating income	23,2	12,6
<i>Total net operating costs</i>	<i>-451,5</i>	<i>-412,4</i>
Normalized EBITDA (excl. Digital transformation initiatives and IAS 19R change in actuarial assumptions)	85,4	68,1
<i>Normalized EBITDA margin %</i>	<i>11%</i>	<i>11%</i>
- Digital transformation initiatives - One-off investments	-18,4	-9,6
- IAS 19R Employee Benefits - impact of changes in actuarial assumptions	-8,1	0,8
Normalized EBITDA (incl Digital transformation and IAS19R change in actuarial assumptions)	58,9	59,3
- Restructuring and integration costs	-8,7	-8,1
- Acquisition & transaction costs related to third parties	-3,7	-1,9
+/- Profit/(Loss) from material business and asset disposal	0,0	0,0
- Non-committed stock based compensation	-2,3	-0,5
+/- Profit/(Loss) from discontinued operations	0,0	0,0
+/- Other non-operating income/expense below the line	-0,1	0,0
EBITDA	44,0	48,8

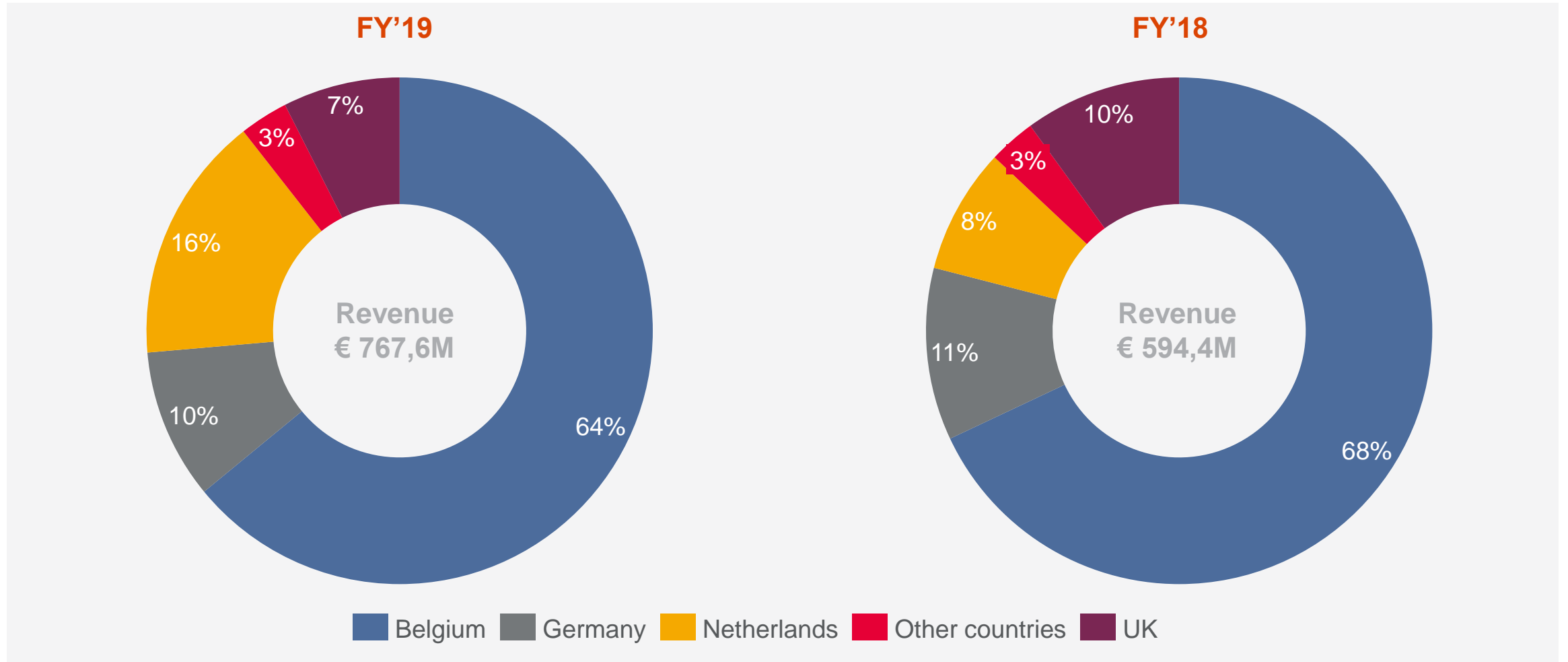
FY'2019 Condensed Consolidated Income Statement (2/2)

In €Mln

EBITDA	44,0	48,8
- Depreciations, amortisations and impairments	-18,7	-12,4
- Amortisation conso goodwill	-33,6	-28,4
- Impairments on participations and goodwill	-13,0	-0,9
- Amortization of non-cash PPA	0,0	0,0
EBIT	-21,3	7,1
- Financial expenses	-6,8	-6,8
+ Financial income	4,1	3,4
Profit before tax	-24,0	3,6
- Taxes	-8,7	-12,0
Profit after tax	-32,8	-8,4
+ Profit and loss associated companies	-0,4	-0,8
Consolidated net result after tax	-33,2	-9,1
Result of the Group	-32,7	-8,2
Profit attributable to non-controlling interest	-0,6	-0,9
Consolidated net result	-33,2	-9,1
Amortisation and impairment conso goodwill	46,6	29,0
IAS 19R Employee Benefits - impact of changes in actuarial assumptions (incl. tax impact)	6,7	-0,5
Consolidated net result excl amortisation conso goodwill	20,0	19,4

2019 vs 2018 Market overview

In €MIn



2019 vs 2018 Segment Information

In €Mln

SD Worx Holding is the holding company of the Group, which is structured in two sub-groups: the SD Worx People Solutions and the SD Worx Staffing & Career Solutions Group.

- The SD Worx People Solutions provides services in the areas of payroll, HR (including HR administration), capacity management, legal support, training, automation, consultancy and outsourcing.
- The SD Worx Staffing & Career Solutions Group was created as a result of the acquisition of the Vio Group in February 2018 and the acquisition of the Flexpoint Group in September 2018, financial results included as from acquisition date. It is active in the areas of flexible work, temporary work, secondment, recruitment & selection, career guidance, outplacement, specific payroll for temporary workers and HR consultancy.

	In €mio	12M'19 Actual	12M'18 Actual	19/18
Revenue	SD Worx People Solutions	505,1	466,7	8,2%
	SD Worx S&CS	264,1	127,7	<u>106,9%</u>
	Intersegment elimination	<u>-1,6</u>	0,0	-
	CONS Revenue	767,6	594,4	29,1%
Normalized EBITDA (excl. Digital Transformation one-off invest. and changes in actuarial assumptions)	SD Worx People Solutions	77,6	63,9	21,5%
	SD Worx S&CS	8,4	6,0	40,5%
	SD Worx Holding	<u>-0,6</u>	<u>-1,7</u>	-67,7%
	CONS nEBITDA	85,4	68,1	25,4%

Non-adjusting events after the reporting period

- As per 9 February 2020, the Group acquired 100% of the shares in Pointlogic HR BV.

Changes in the consolidation scope

- As per 1 February 2019, SD Worx Holding NV acquired all of the 10,01% non-controlling interests in SD Worx Staffing & Career Solutions – Holding NV.
- As per 3 July 2019, the Group increased its participation in GlobePayroll from 40% to 50,01% (on a fully diluted basis) by means of a capital increase.
- As per 24 September 2019, the Group acquired all of the remaining shares of Unbox NV, increasing its participation from 25% to 100%.

Alternative Performance Measures

Alternative performance measures (“APMs”) present useful information which supplements the Issuer’s financial statements and which allow the reader of the financial statements, including the Bondholders, to better understand the financial state of the Issuer and the wider Group. These measures are not defined under BE GAAP and may not be directly comparable with APMs for other companies. The APMs represent important measures for how management monitors the company and its business activity. The APMs are not intended to be a substitute for, or superior to, any BE GAAP measures of performance. Some of the financial information presented in our annual reports contains APMs. These include EBITDA and Normalized EBITDA. Please see further for the definition of these APMs and the reconciliation with BE GAAP measures.

“**EBITDA**” means Earnings Before Interest, Taxes, Depreciation and Amortisation, or operating result profit (loss) (code 9901 of the BE GAAP consolidated financial statements) before charges for fixed asset depreciation, amortisation and impairment (code 630 of the BE GAAP consolidated financial statements).

(As an explanation for the use of this APM, EBITDA provides an analysis of the operating results, excluding depreciation and amortisation, as they are non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. Additionally, it is an APM which is widely used by investors when evaluating businesses (multiples valuation), as well as by rating agencies and creditors.)

“**Normalized EBITDA**” means EBITDA after Normalizations.

(As an explanation for the use of this APM, Normalized EBITDA is used to provide insight in the recurring level of operational profitability. Please also refer to the definition of Normalizations below.)

“**Normalizations**” means the revenues and expenses of which, in case of a change of control, an acquirer has the choice or option (mid- or long-term) to not realise those revenues or incur those expenses. In other words, expenses or revenues which are not part of the recurring business operations of the Issuer and its Subsidiaries. Normalized EBITDA is determined as EBITDA before (a) restructuring & integration costs, (b) business and asset disposals, (c) acquisition & transaction costs related to third parties, (d) profit or loss from discontinued operations, and (e) share-based compensation. The one-off investments specifically related to the Digital Transformation Initiatives of the Group are also presented on separate line.

Change in Presentation of Financial Statements

Reconciliation of Normalized EBITDA with FY2018 published annual accounts

As of FY2019:

- The internal non-recurring investments directly allocated to the Digital Transformation initiatives; and
- The impact of changes in actuarial assumptions related to the Defined Benefit Obligation of the group, which are recorded in Other Comprehensive Income in IFRS;

are normalized to provide the reader of the financial statements more insight into the recurring level of operational profitability of the Group.

	FY'18 Published annual accounts	Digital transformation initiatives - internal investments	IAS19R - impact of changes in actuarial assumptions	FY'18 Prior year numbers Earnings release
SD Worx Group	61,4	3,2	-0,8	63,9
SD Worx S&CS	6,0			6,0
SD Worx Holding	<u>-1,7</u>			<u>-1,7</u>
CONS nEBITDA	65,7	3,2	-0,8	68,2

