

Half-year results 2009/10: operating margin 6.6%

Adjustment of annual financial objectives

In €M – Audited figures at 30.09	H1 2009/10	H1 2008/09	Change
Turnover	48.3	47.7	+ 1%
EBIT	3.2	4.9	- 35%
<i>Operating margin</i>	6.6%	10.2%	
Operating income	3.2	4.8	- 33%
Group's share of net profit	2.0	3.0	- 33%
<i>Net margin</i>	4.1%	6.2%	

In the first half of the financial year ending 31 March 2010, Solucom's turnover was €48.3m, up slightly with organic growth of 1%.

H1 was marked by more difficult than expected market conditions, with clients adopting a very noticeable wait-and-see behaviour regarding their spending commitments and a particularly acute competitive environment.

Cosmosbay~Vectis was more severely affected by this environment than the rest of the firm. Cosmosbay~Vectis' activity rate decreased significantly in the second quarter, to 57% as compared to 65% in the first quarter.

Market environment visibly impacts operating indicators

The market environment and the difficulties encountered by Cosmosbay~Vectis resulted in a weakening in Solucom's performance indicators. The overall activity rate for the firm was 78% for the half year compared to 79% for the whole of the previous year. This decrease occurred despite the implementation of protective measures such as the nearly freeze on recruitment and the encouragement of holiday taking over the summer.

Despite this difficult environment, Solucom has been careful to maintain its teams and expertise, and has not undertaken any measures to reduce its workforce. The firm's workforce has remained stable, with 965 employees on 30 September 2009 compared to 966 on 31 March.

Average daily sale prices decreased by 2% compared to the previous year, to €722, as a result of the highly competitive market.

2009/10 half year results at the lower end of annual forecasts

H1 results reflect the good resistance of Solucom but are however at the lower of the forecasts announced at the start of the year. For the time being, the firm's choice to preserve its human resources has impacted margins for this period.

EBIT was €3.2m for H1 2009/10, compared to €4.9m for H1 in the previous year. The operating margin for H1 was 6.6%. This result takes into account the particularly disappointing performance of Cosmosbay~Vectis, which recorded an operating loss of €1.7m for half-year sales of €8.4m.

Taking into account the cost of debt, down 53% on an annual basis, and of corporate tax, Solucom recorded a group's share of net profit for H1 of €2.0m, representing a net margin of 4.1%.

On 30 September 2009, the firm's equity was €33.2m, for net debt of €5.3m, with no bank covenants, compared to €8.9m one year ago.

Market penalized on a long-term basis, a cautious approach

The IT consulting market is likely to continue to suffer for months to come. Even if a demand exists, client budgets remain restricted and competition is particularly strong.

In this environment, Solucom intends to maintain its current approach, managing its activity with extreme caution. Recruitment is gradually starting up again, but for the time being is limited to the most resistant practices, with no plans to increase the overall workforce this financial year. The firm is continuing to maintain tight controls on spending, except in relation to business development, an area to which Solucom is continuing to devote a high level of resources.

In the second half of the year Solucom intends to continue with its recovery programme for Cosmosbay~Vectis. Despite the poor H1 results, Solucom has decided not to launch a restructuring of the company. Solucom feels that Cosmosbay~Vectis continues to offer value and expertise, even if its recovery is delayed by three to six months. Solucom has, however, decided to reorganize one of Cosmosbay~Vectis' business lines, appointing a new director and strengthening the team through internal reshuffling.

Caution regarding annual objectives

At the start of the second half of the year, Solucom has reinforced resistance measures, with an increase in its sales teams and a growth in its commercial exploration activities. However, with an H1 at the lower end of annual forecasts and a market that remains very unsettled, the firm is adopting a cautious approach regarding financial objectives.

Solucom has therefore set an annual objective of turnover exceeding €100m, against an initial target of €102m, and an operating margin of between 7% and 9%, against 8% to 10% previously.

Next announcement: turnover for Q3 2009/10 on 27 January 2010 (after close of market).

About Solucom

Solucom is a management and IT consulting firm.

Solucom's customers are among the top 200 large companies and public bodies. For them, Solucom is capable of mobilizing and combining the skills of nearly 1,000 staff members.

Our mission statement? To place innovation at the heart of business lines, target and steer transformations that are sources of added value, and turn the information system into an actual asset designed to serve corporate strategies.

Solucom is listed on NYSE Euronext Paris and has been granted the innovative company award from OSEO Innovation.



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Solucom

Pascal IMBERT

CEO

Phone: +33 1 49 03 25 00

Pascale BESSE

Finance Director

Phone: +33 1 49 03 25 00

LCO
LISTED
NYSE
EURONEXT

Actus Finance

Mathieu OMNES

Analysts & investor relations

Phone: +33 1 72 74 81 87

Nicolas Bouchez

Press office

Phone: +33 1 77 35 04 37