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Capgemini H1 2024 results

- **H1 2024 revenues of €11,138 million, -2.5% year-on-year on a reported basis**
- **Growth at constant exchange rates* of -2.6% in H1 and -1.9% in Q2**
- **Resilient Operating margin* at 12.4%, stable year-on-year**
- **Organic free cash flow* of €163 million, up €216 million year-on-year**
- **2024 constant currency revenue growth target adjusted to -0.5% to -1.5% (was 0% to 3%)**
- **2024 operating margin and organic free cash flow targets confirmed**

Paris, July 26, 2024 – The Board of Directors of Capgemini SE, chaired by Paul Hermelin, convened yesterday in Paris to review and adopt the accounts¹ of Capgemini Group for the first half of 2024.

Aiman Ezzat, Chief Executive Officer of the Capgemini Group, said: *"As expected, our growth trajectory started to improve in Q2 and is trending in the right direction in almost all businesses, sectors and regions. The recovery is particularly visible in North America. However, the slope of recovery in the second half will be affected by the recent deterioration of the outlook in the automotive and aerospace sectors and the slower recovery in financial services. In this context, we now expect a low single-digit constant currency exit rate, and target a constant currency growth rate of -0.5% to -1.5% for the full year. Despite this, we confirm our operating margin and free cash flow targets for the full year, demonstrating the resilience of the Group.*

Our leadership in AI services is clearly recognized by industry analysts. Generative AI is still driving many client discussions and we are engaging in larger programs to deploy use cases at scale. We are currently working on over 350 new projects, and we have over 2,000 deals in the pipeline. We also scaled our capabilities, having trained more than 120,000 employees on generative AI tools and continue to invest in tools, assets and platforms.

Client demand is primarily focused on improved efficiency and cost transformation. The traction for our value-added services in the fields of cloud, data & AI, sustainability, and intelligent industry remains strong.

In an environment that remains soft in the short term, all our resources are mobilized around growth. As demonstrated by the performance of our Strategy & Transformation business, we are well positioned to capture the market upturn."

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

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



1ST HALF KEY FIGURES

<i>(in millions of euros)</i>	H1 2023	H1 2024	Change
Revenues	11,426	11,138	-2.5%
Operating margin*	1,413	1,384	-2%
<i>as a % of revenues</i>	12.4%	12.4%	+0 bp
Operating profit	1,151	1,147	-0%
<i>as a % of revenues</i>	10.1%	10.3%	+20 bp
Net profit (Group share)	809	835	+3%
Basic earnings per share (€)	4.70	4.88	+4%
Normalized earnings per share (€)*	5.80	5.88	+1%
Organic free cash flow*	-53	163	+216
Net cash / (Net debt)*	(3,244)	(2,775)	

Capgemini generated **revenues** of €11,138 million in H1 2024, down -2.5% year-on-year on a reported basis and -2.6% at constant exchange rates*. On an organic basis (i.e., restated for changes in Group scope and exchange rates), revenues contracted by -3.0%.

As anticipated, the demand environment is starting slowly to improve. Having passed the trough in Q1, revenue growth rates improved in Q2 as expected, in all businesses and almost all regions and sectors. Q2 Group revenues thus contracted by -1.9% at constant exchange rates and -2.3% on an organic basis.

In the first half of the year, clients remained focused on driving efficiency through cost transformation programs. Demand for non-strategic discretionary deals remains soft. In that context, Capgemini's most innovative services in Cloud, Data & AI and Intelligent Industry continued to enjoy solid traction.

Bookings totaled €11,793 million in the first half of 2024, down -1.7% at constant exchange rates, leading to a book-to-bill ratio of 1.06 for the period. Booking trends also improved in Q2: at €6,138 million, Q2 bookings were stable year-on-year at constant currency and the book-to-bill ratio reached 1.09, which is above historical average and reflects ongoing robust commercial momentum.

The **operating margin*** amounts to €1,384 million or 12.4% of revenues, a stable % year-on-year. The continued shift in Capgemini's mix of offerings towards more innovative and value-added services more than compensated for the inflation impact, illustrating the resilience of the Group's operating model. The investment in selling efforts to fuel future growth was offset by the improvement in gross margin, to 26.7%.

Other operating income and expenses represent a net expense of €237 million, down by €25 million year-on-year.

Consequently, the **operating profit** amounts to €1,147 million, almost flat year-on-year in value and up +20 basis points in % of Group revenues, to 10.3%.

Net financial result is an income of €20 million compared with a €22 million expense in H1 2023, reflecting mainly higher interest income.

The **income tax** expense is €326 million, up by €13 million. The effective tax rate is 28.0% in H1 2024, compared with 27.8% for the same period last year.

Taking into account the share of profits of associates and non-controlling interests, the **Group share in net profit** for H1 2024 is up +3% year-on-year at €835 million. **Basic earnings per share** increased by +4% year-on-year to €4.88. **Normalized earnings per share*** stands at €5.88, compared with €5.80 in H1 2023.

Finally, **organic free cash flow*** generation amounted to €163 million in H1 2024, compared with -€53 million for the same period last year. Capgemini announced or closed four acquisitions since the beginning of the year.



Total cash outflow for acquisitions amounted to €30 million in H1. The Group also paid dividends of €580 million (€3.40 per share) and allocated €325 million (net) to share buybacks.

OPERATIONS BY REGION

At constant exchange rates, revenues in the **North America** region (28% of Group revenues in H1 2024) decreased by -5.4% year-on-year. The Financial Services, TMT (Telecoms, Media and Technology) and Consumer Goods & Retail sectors contributed the most to this decline, partly offset by growth in the Manufacturing sector. Operating margin increased to 15.5%, compared with 15.2% in H1 last year.

Revenues in the **United Kingdom and Ireland** region (12% of Group revenues) declined by -2.8%, mostly driven by the Financial Services and Consumer Goods & Retail sectors. Conversely, the Energy & Utilities and Services sectors enjoyed a solid growth. Operating margin rose from 18.4% to 20.5%.

Activity in **France** (20% of Group revenues) was down -2.7%. Solid momentum in the Public Sector was more than offset by visible softness in the TMT, Manufacturing and Financial Services sectors. Operating margin decreased from 11.1% in H1 last year to 9.1%.

Revenues in the **Rest of Europe** region (31% of Group revenues) were virtually stable at -0.1%. The underlying sector performance proved quite contrasted, with a strong momentum in the Energy & Utilities and Public sectors offset by a visible contraction of the TMT sector. Operating margin increased to 11.1%, compared with 10.5% in H1 2023.

Finally, revenues in the **Asia-Pacific and Latin America** region (9% of Group revenues) were down -1.6%. This contraction was mainly driven by the decline of the Financial Services sector, partly offset by the Consumer Goods & Retail and Public sectors which proved quite dynamic over the period. The region reported an operating margin of 10.5%, up from 10.2% in H1 last year.

OPERATIONS BY BUSINESS

At constant exchange rates, total revenues* of **Strategy & Transformation** services (9% of the Group's total revenues in H1 2024) increased by +2.7% year-on-year at constant exchange rates. Client demand for strategic consulting on their transition towards a more digital and sustainable model is supplemented by their growing interest in exploring the broad GenAI opportunity.

Total revenues of **Applications & Technology** services (62% of the Group's total revenues and Capgemini's core business) declined by -3.4%.

Lastly, **Operations & Engineering** (29% of the Group's total revenues) total revenues decreased by -1.8%.

OPERATIONS IN Q2 2024

Revenue growth rates started to improve in Q2 in all businesses and almost all regions and sectors. Group revenues totaled €5,611 million, -1.9% year-on-year at constant exchange rates and -2.3% on an organic basis.

As expected, North America is the region which improved the most in Q2 with a revenue contraction limited to -3.7% at constant exchange rates compared with -7.1% posted in Q1, mainly driven by an improvement in the TMT sector - although still contracting in Q2. The Rest of Europe region posted slight growth of +0.4%, with continued momentum in the Energy & Utilities sector, while the Financial Services and Services sectors returned to growth. Revenues in the United Kingdom and Ireland decreased by -2.5%, with softness in the Financial Services and Consumer Goods & Retail sectors partly offset by a dynamic Energy & Utilities sector. Activity decreased by -2.7% in France despite a solid momentum in the Public Sector. Finally, revenues in the Asia-Pacific and Latin America region declined moderately at -1.6%.



HEADCOUNT

The Group's total headcount stands at 336,900 as at June 30, 2024, down -4% year-on-year and virtually stable since the end of March. The offshore workforce stands at 192,500 employees or 57% of the total headcount.

BALANCE SHEET

Capgemini's balance sheet structure was relatively unchanged in H1 2024.

Cash and cash equivalents and cash management assets represent €2.9 billion as at June 30, 2024. Taking into account total borrowings of €5.7 billion, Capgemini's net debt* stands at €2.8 billion as at June 30, 2024, compared with €3.2 billion as at June 30, 2023 and €2.0 billion as at December 31, 2023.

SUSTAINABILITY

In terms of environmental sustainability, Capgemini has been accelerating its internal sustainability upskilling program through its own Sustainability Campus. In June, the Group made the Sustainability awareness module mandatory to all employees, starting in August 2024. Capgemini was recognized again by an Ecovadis Platinum rating in recognition of its sustainability achievement, with an overall score of 87 points out of 100, up 7 points from last year, and remained part of the CDP (Carbon Disclosure Project) A-List. The Group also extended the scope of its Energy Command Center (ECC) in India in partnership with Schneider Electric, from 8 campuses (operated since 2022) to 23 campuses and more than 70 buildings. In addition, the ECC is now offered as a service, leveraging Capgemini's and Schneider Electric's joint expertise in energy optimization to help organizations accelerate their transition towards smarter and more sustainable energy management.

In terms of diversity and inclusion, Capgemini is continuing to shape inclusive futures for all. The Group recently launched the 2nd cohort of EmpowHer, its sponsorship program to bring women to executive leadership positions. In February, Capgemini published its D&I policy, illustrating its focus and commitments. In May, the Group launched its fourth global employee network group, CulturALL, which celebrates the rich heritage, unique customs, and traditions that each employee brings to the table, with 160 nationalities across over 50 countries represented within the Group. In addition, Capgemini has been recognized as one of the "Best Places to Work for People with Disabilities" this year.

OUTLOOK

The Group's financial targets for 2024 are updated as follows:

- Revenue growth of -0.5% to -1.5% at constant currency (was 0% to 3%);
- Operating margin of 13.3% to 13.6% (unchanged);
- Organic free cash flow of around €1.9 billion (unchanged).

The inorganic contribution to growth should be around half a point (was ranging from a marginal impact up to 1 point).

CONFERENCE CALL

Aiman Ezzat, Chief Executive Officer, accompanied by Nive Bhagat, Chief Financial Officer, and Olivier Sevilla, Chief Operating 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 posted on the Capgemini investor website at <https://investors.capgemini.com/en/>.



PROVISIONAL CALENDAR

October 30, 2024	Q3 2024 revenues
February 18, 2025	FY 2024 results
April 29, 2025	Q1 2025 revenues
May 7, 2025	Shareholders' Meeting

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 Universal 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.

This press release does not contain or constitute an offer of securities for sale or an invitation or inducement to invest in securities in France, the United States or any other jurisdiction.

ABOUT CAPGEMINI

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 340,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2023 global revenues of €22.5 billion.

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APPENDIX²

BUSINESS CLASSIFICATION

- **Strategy & Transformation** includes all strategy, innovation and transformation consulting services.
- **Applications & Technology** brings together "Application Services" and related activities and notably local technology services.
- **Operations & Engineering** encompasses all other Group businesses. These comprise Business Services (including Business Process Outsourcing and transaction services), all Infrastructure and Cloud services, and R&D and Engineering services.

² Note that in the appendix, certain totals may not equal the sum of amounts due to rounding adjustments.



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	Q1 2024	Q2 2024	H1 2024
Organic growth	-3.6%	-2.3%	-3.0%
Changes in Group scope	+0.3 pts	+0.4 pts	+0.4 pts
Growth at constant exchange rates	-3.3%	-1.9%	-2.6%
Exchange rate fluctuations	-0.2 pts	+0.4 pts	+0.1 pts
Reported growth	-3.5%	-1.5%	-2.5%

When determining activity trends by business and in accordance with internal operating performance measures, growth at constant exchange rates is calculated based on **total revenues**, i.e., before elimination of inter-business billing. The Group considers this to be more representative of activity levels by business. As its businesses change, an increasing number of contracts require a range of business expertise for delivery, leading to a rise in inter-business flows.

Operating margin is one of the Group's key performance indicators. It is defined as the difference between revenues and operating costs. It is calculated before "Other operating income and expense" which include amortization of intangible assets recognized in business combinations, expenses relative to share-based compensation (including social security contributions and employer contributions) and employee share ownership plan, 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 repayments of lease liabilities, adjusted for cash out relating to the net interest cost.

Net debt (or **net cash**) comprises (i) cash and cash equivalents, as presented in the Consolidated Statement of Cash Flows (consisting of short-term investments and cash at bank) less bank overdrafts, and also including (ii) cash management assets (assets presented separately in the Consolidated Statement of Financial Position due to their characteristics), less (iii) short- and long-term borrowings. Account is also taken of (iv) the impact of hedging instruments when these relate to borrowings, intercompany loans, and own shares.



RESULTS BY REGION

	Revenues	Year-on-year growth		Operating margin rate	
	H1 2024 (in millions of euros)	Reported	At constant exchange rates	H1 2023	H1 2024
North America	3,108	-5.5%	-5.4%	15.2%	15.5%
United Kingdom and Ireland	1,380	-0.4%	-2.8%	18.4%	20.5%
France	2,245	-2.7%	-2.7%	11.1%	9.1%
Rest of Europe	3,470	-0.1%	-0.1%	10.5%	11.1%
Asia-Pacific and Latin America	935	-3.7%	-1.6%	10.2%	10.5%
TOTAL	11,138	-2.5%	-2.6%	12.4%	12.4%

OPERATIONS BY BUSINESS

	Total revenues	Year-on-year growth
	H1 2024 (% of Group revenues)	At constant exchange rates in Total revenues of the business
Strategy & Transformation	9%	+2.7%
Applications & Technology	62%	-3.4%
Operations & Engineering	29%	-1.8%

SUMMARY INCOME STATEMENT AND OPERATING MARGIN

(in millions of euros)	H1 2023	H1 2024	Change
Revenues	11,426	11,138	-2.5%
Operating expenses	(10,013)	(9,754)	
Operating margin	1,413	1,384	-2%
as a % of revenues	12.4%	12.4%	-
Other operating income and expense	(262)	(237)	
Operating profit	1,151	1,147	-
as a % of revenues	10.1%	10.3%	+20 bp
Net financial income/(expense)	(22)	20	
Income tax income/(expense)	(313)	(326)	
Share of associates	(4)	(3)	
(-) Non-controlling interests	(3)	(3)	
Net profit (Group share)	809	835	+3%

NORMALIZED AND DILUTED EARNINGS PER SHARE

(in millions of euros)	H1 2023	H1 2024	Change
Average number of shares outstanding	171,947,414	170,981,563	
BASIC EARNINGS PER SHARE (in euros)	4.70	4.88	+4%
Diluted average number of shares outstanding	178,089,362	177,293,357	
DILUTED EARNINGS PER SHARE (in euros)	4.54	4.71	+4%

(in millions of euros)	H1 2023	H1 2024	Change
Net profit (Group share)	809	835	+3%
Effective tax rate, excluding exceptional tax expenses	27.8%	28.0%	
(-) Other operating income and expenses, net of tax	189	171	
Normalized profit for the period	998	1,006	+1%
Average number of shares outstanding	171,947,414	170,981,563	
NORMALIZED EARNINGS PER SHARE (in euros)	5.80	5.88	+1%



CHANGE IN CASH AND CASH EQUIVALENTS AND ORGANIC FREE CASH FLOW

<i>(in millions of euros)</i>	H1 2023	H1 2024
Net cash from operating activities	244	456
Acquisitions of property, plant and equipment and intangible assets, net of disposals	(125)	(135)
Net interest cost	(24)	(14)
Repayments of lease liabilities	(148)	(144)
ORGANIC FREE CASH FLOW	(53)	163
Other cash flows from (used in) investing and financing activities	(481)	(1,171)
Increase (decrease) in cash and cash equivalents	(534)	(1,008)
Effect of exchange rate fluctuations	(70)	60
Opening cash and cash equivalents, net of bank overdrafts	3,795	3,517
Closing cash and cash equivalents, net of bank overdrafts	3,191	2,569

NET DEBT

<i>(in millions of euros)</i>	June 30, 2023	December 31, 2023	June 30, 2024
Cash and cash equivalents	3,195	3,536	2,572
Bank overdrafts	(4)	(19)	(3)
Cash and cash equivalents, net of bank overdrafts	3,191	3,517	2,569
Cash management assets	575	161	367
Long-term borrowings	(5,663)	(5,071)	(4,276)
Short-term borrowings and bank overdrafts	(1,339)	(675)	(1,421)
(-) Bank overdrafts	4	19	3
Borrowings, excluding bank overdrafts	(6,998)	(5,727)	(5,694)
Derivative instruments	(12)	2	(17)
NET CASH / (NET DEBT)	(3,244)	(2,047)	(2,775)