ICT Group N.V. – Annual results 2017

Analyst meeting

2 March 2018

Cautionary Statement

Any forward-looking statements in this presentation refer to future events and may be expressed in a variety of ways, such as “expects”, “projects”, “anticipates”, “intends” or other similar words (“Forward-looking statements”). ICT Group N.V. (“ICT”) has based these forward-looking statements on its current expectations and projections about future events. ICT’s expectations and projections may change and ICT’s actual results, performance or achievements could differ significantly from the results expressed in, or implied by, these forward-looking statements, due to possible risks and uncertainties and other important factors which are neither manageable nor foreseeable by ICT and some of which are beyond ICT’s control.

In view of these uncertainties, no certainty can be given about ICT’s future results or financial position. We advise you to treat ICT’s forward-looking statements with caution, as they speak only as of the date on which the statements are made. ICT is under no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required under applicable (securities) legislation.

Agenda

1	Business Highlights
2	Operational developments
3	Financial Results
4	Strategy and outlook
5	Q & A

1. BUSINESS HIGHLIGHTS

2017 FULL YEAR RESULTS SUMMARY

Revenue

€ 105.0 m

+ 17% (2016: € 89.7 m)
+ 7% Organic growth

Added value revenue

€ 93.4 m

+ 18% (2016: € 79.4 m)

EBITDA

€ 12.0 m

+ 17% (2016: € 10.3 m)

Operational cash flow

€ 7.9 m

+ € 2.8 m (2016: € 5.1 m)

Net profit

€ 5.2 m

+ 4% (2016: € 5.0 m)

Earnings per share

€ 0,56

(2016: € 0,56)

All in € millions rounded, except earnings per share

Revenue up 17%

7% organic growth (2016: 8%)

Attrition low but increasing

Recruitment environment remains challenging

EBITDA increase 17%

Productivity and rates in line with 2016

All units perform in line with expectations, except for BMA (H2 2017 above expectations) and Raster (H2 2017 below expectations)

Operational cash flow

Improvement in line with expectations

Net result and EPS

adjusted for one-off tax gain in 2016 (€0.8m), net profit was up 24% in line with growth of the company

M & A HIGHLIGHTS DURING THE YEAR

Q1

Integration of
NOZHUP
Completed.

Q2

Announcement of the acquisition of 100% of the shares of

HighTech solutions
>HUMAN DNA

Q3

Divestment minority stake of 25% in **Strypes Nederland** to existing shareholders.

Q4

Announcement of the signing of an LOI for acquisition of 100% of the shares of

NedMobiel

Nozhup

Ultimo Q1 operationally and legally integrated

HighTech Solutions

27 passionate professionals joining ICT
Integration with Machine & Systems unit
End of 2017 fully integrated

Divestment Strypes Netherlands

No cultural fit and likelihood to obtain majority

NedMobiel

27 bachelor/master degree professionals
Infrastructure safety, asset management and mobility

Post-year end event

Announcement of the signing LOI for the acquisition of 50% of the shares of InTraffic from Movares

FY 2017 RATIOS

EBITDA / revenue

11.4 %

(2016: 11.5%)

Net profit / revenue

5.0 %

(2016: 5.6 %)

Solvency

58.4 %

(2016: 55.2 %)

Revenue / FTE

€ 108.7 k

(2016: € 107.3 k)

Indirect cost / revenue

19.8 %

(2016: 19.6 %)

Average FTE

966

(2016: 836)

EBITDA margin in line with 2016

In rapidly growing organisation

Net profit as % of revenue lower than 2016

Adjusted for one off tax-gain in 2016 net profit as % of revenue in line with 2016

Average revenue per FTE increased 1.3%

Due to tight labour market average cost per employee increased 2.6%

EBITDA / FTE increased 0.7% to € 12.4k / FTE

Indirect costs in line with 2016

Slight increase due to salary increases and recruitment costs

ICT

Q4 RESULTS

Revenues

€ 28.5 m

+ 7 % (Q4 2016: € 26.6 m)

EBITDA

€ 4.2 m

+ 5% (Q4 2016: € 4.0 m)

EBITDA / revenue

14.7 %

(Q4 2016: 15.1%)

Revenue growth 7%

Organic growth in line with full year growth

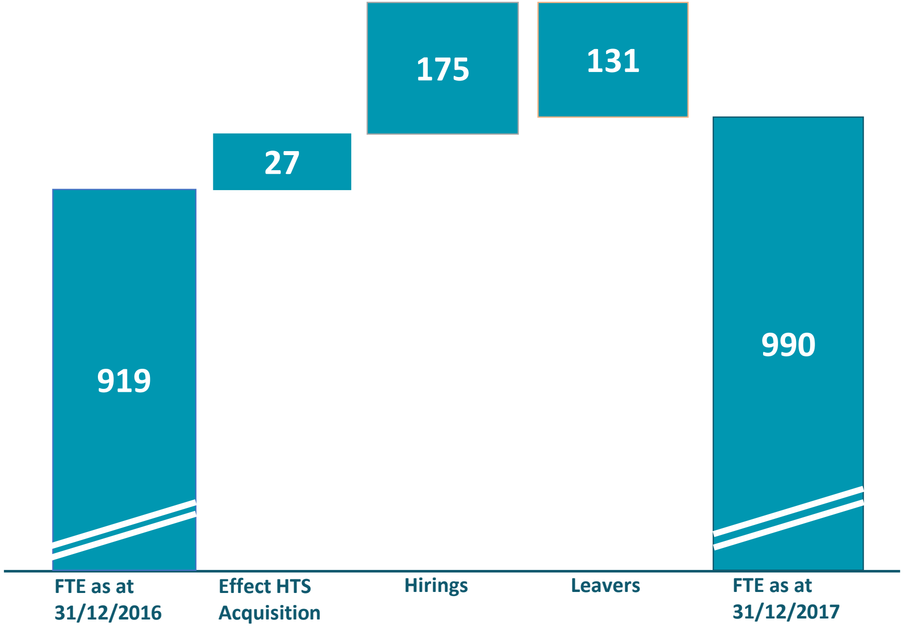
EBITDA margin lower than Q4 2016

Similar seasonal pattern as last year

2017 all entities in line except for Raster facing a more challenging Oil and Gas market

2016 extremely good 4th quarter

2017 EMPLOYEE DEVELOPMENT



Attrition 13 % (2016: 12 %) is reflecting the battle for talent in the market

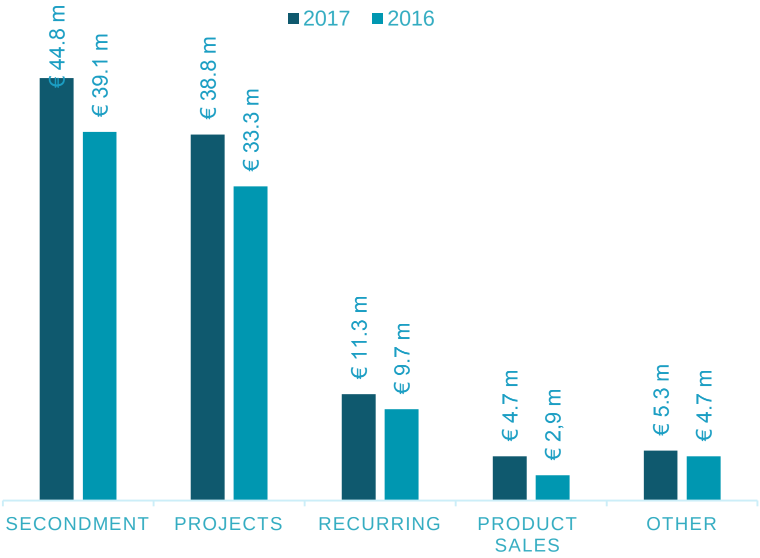
At 31 December 2017 ICT employs **1,032 people** (31/12/2016: 969)

Inflow in line with expectations and last year

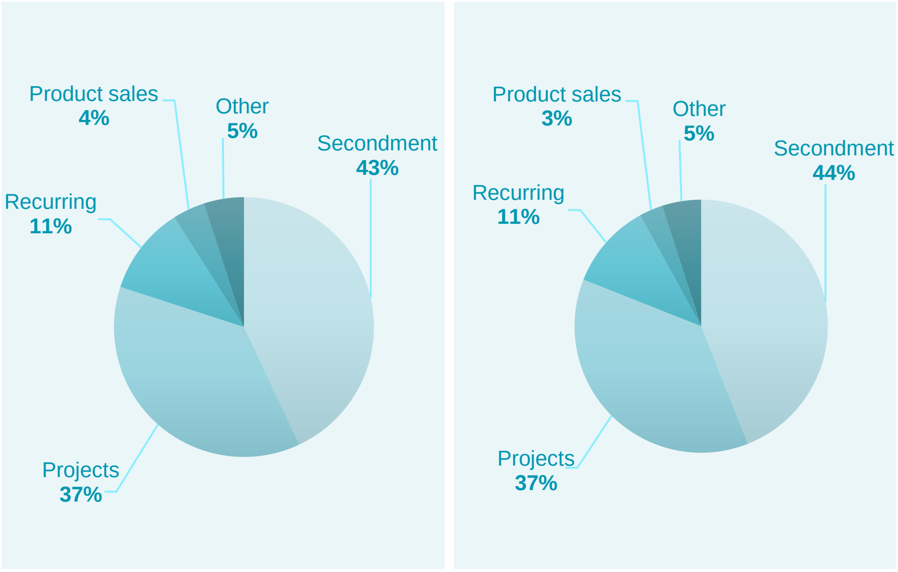
Outflow in Q4 higher than anticipated

Employee satisfaction 7.1 (2016: 7.0)

2017 REVENUES BY CATEGORY



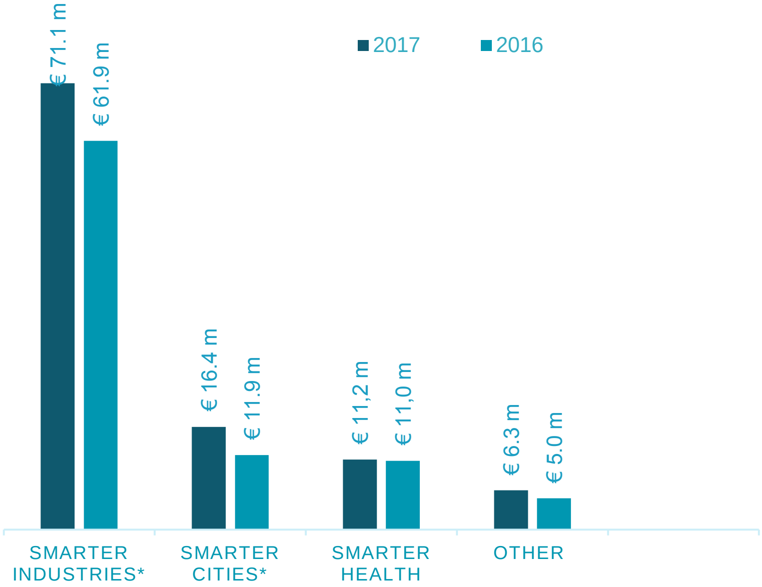
Split of revenues did not materially change:



2017

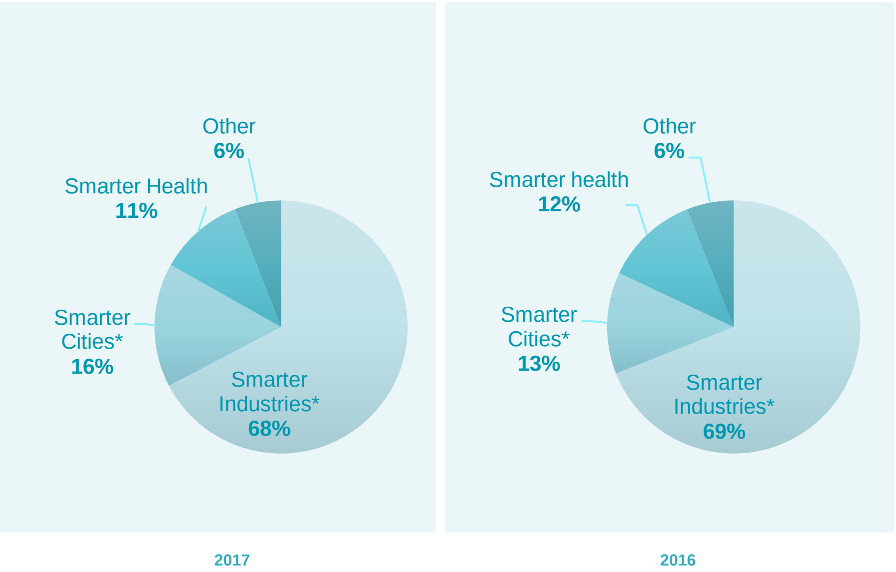
2016

2017 REVENUES BY THEME

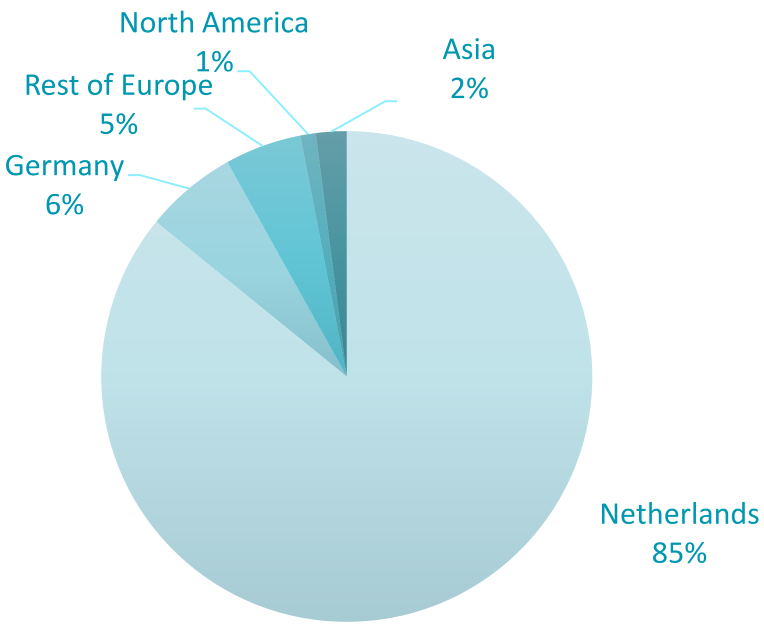


** Logistic activities transferred from Smarter Cities to Smarter Industries*

Split of revenues did change as a result of transfer of Logistics activities to Smarter Industries:



2017 REVENUES BY GEOGRAPHY



- No comparable numbers 2016

INITIATIVES, JOINT VENTURES AND ASSOCIATES

AHEAD OF PLAN

GREENFLUX (24.49%)

- Growth > 200%
- Well ahead of 2017 growth targets with openings in Poland, Germany and UK

ICT MOBILE (51%)

- Profitable growth > 150%
- Growing rapidly and ahead of schedule

IN LINE WITH PLAN

CIS SOLUTIONS (0%)

- Growth > 100% in line with expectations with first major contracts signed in H1 2017
- Reached break-even in H2 2017

UNIT DIGITAL TRANSF.

- Profitable growth > 200%

BEHIND PLAN

LOGICNETS (20%)

- Organic growth was below expectations
- Still not profitable, which resulted in full impairment

INTRAFFIC (50%)

- Lower second half due to cost reduction plans of largest customer ProRail

2. OPERATIONAL DEVELOPMENTS

SEGMENT ICT NETHERLANDS

Revenues

€ 81.3 m

+ 18% (2016: € 69.0 m)

EBITDA

€ 8.3 m

+ 24% (2016: € 6.6 m)

EBITDA / revenue

10.2 %

(2016: 9.6%)

Revenue growth 18%

Nozhup was main contributor

Productivity levels in line with last year

Average tariff increase in line with average salary increase

EBITDA up 24%

Organic growth

Full year consolidation of Nozhup

Consolidation of HTS from June 2017 onwards

SEGMENT STRYPES BULGARIA

Revenues

€ 9.6 m

+ 27% (2016: € 7.6 m)

EBITDA

€ 1.9 m

+ 12% (2016: € 1.7 m)

EBITDA / revenue

19.5 %

(2016: 22.0%)

Revenue up 27%

Increase recorded at both existing and new clients

EBITDA increased 12%

Continued investments in the organisational effectiveness in a rapidly growing company to safeguard continued strong and sustainable growth

SEGMENT OTHER

Revenues

€ 16.4 m

+ 14 % (2016: € 14.3 m)

EBITDA

€ 1.8 m

- 6% % (2016: € 2.0 m)

Revenue growth

IMPROVE showed recovery in H2 after slow start to the year

RASTER achieved a good H1 but showed a more moderate H2

BMA benefited from a delayed launch of foetal heart monitoring equipment

EBITDA

IMPROVE in line with expectations

RASTER experienced margin pressure as a result of the adverse impact of two projects

BMA recorded substantially better results

3. FINANCIAL RESULTS

Consolidated statement of comprehensive income

(x € 1,000)	2017	2016	% Change
Continuing operations			
Revenue	**104,989**	**89,729**	17.0%
Cost of Materials and subcontractors	11,594	10,354	12.0%
Employee benefit expenses	62,516	52,014	20.2%
Depreciation and amortisation	3,559	2,924	21.7%
Other operating expenses	18,881	17,065	10.6%
Total operating expenses	96,550	82,357	17.2%
Operating profit	**8,439**	**7,372**	14.5%
Financial expenses	(546)	(538)	
Financial income	62	6	
Result from joint ventures	113	221	
Result from associates	(541)	(1,044)	
Other financial results	0	-	
Result before taxes from continuing operations	7,527	6,017	
Income tax expense	(1,915)	(1,705)	
Net profit from continuing operations	**5,612**	**4,312**	
Discontinued operations			
Net profit after taxes from discontinued operations	**-**	**810**	
Net profit	**5,612**	**5,122**	
Net profit attributable to:			
- Shareholders of ICT Group N.V.	**5,226**	**5,006**	4.4%
- Non-controlling interests	**386**	**116**	

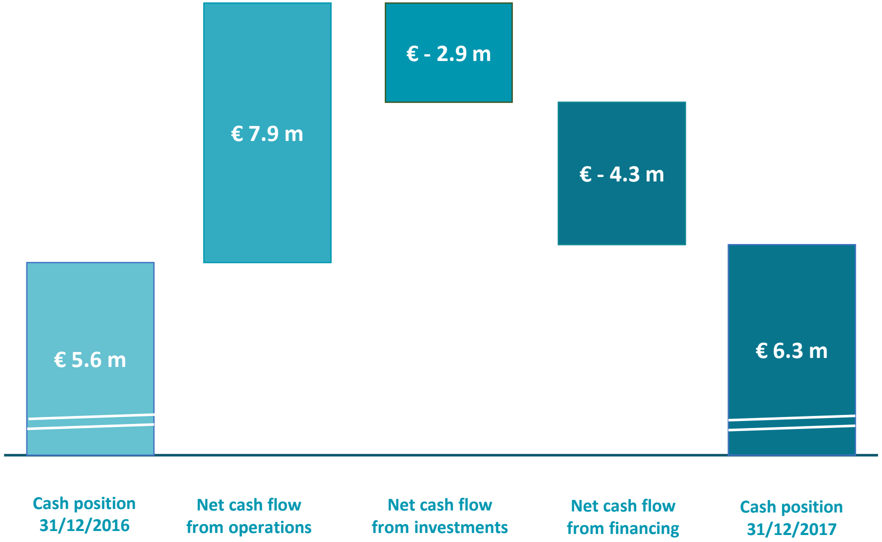
Consolidated balance sheet (before profit appropriation)

	As at 31 December			
(x € 1,000)	**2017**		2016	
Assets				
NON-CURRENT ASSETS				
Property, plant & equipment	2,913		2,477	
Goodwill	22,308		21,851	
Other intangible assets	13,154		14,218	
Investment in joint ventures	1,044		1,161	
Investment in associates	419		1,655	
Deferred tax assets	176		2,056	
Other financial assets	863		436	
		40,877		43,854
CURRENT ASSETS				
Trade and other receivables	33,508		28,595	
Corporate income tax receivable	690		1,134	
Cash and cash equivalents	6,500		5,567	
		40,698		35,296
TOTAL ASSETS		**81,575**		**79,150**

	As at 31 December			
(x € 1,000)	**2017**		2016	
Equity and liabilities				
SHAREHOLDERS' EQUITY		47,661		43,709
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2,915		3,414	
Share-based compensation and long-term employee benefits liabilities	296		414	
Loans (long-term)	4,230		6,762	
Deferred acquisition consideration (long-term)	3,261		3,132	
		10,702		13,722
CURRENT LIABILITIES				
Trade payables	3,296		3,008	
Corporate income tax payable	410		62	
Other taxes and social security premiums	7,731		6,618	
Loans (short-term)	2,586		2,654	
Bank overdrafts	250		17	
Other current liabilities	8,939		9,360	
		23,212		21,719
TOTAL EQUITY AND LIABILITIES		**81,575**		**79,150**
Solvency		**58.4%**		**55.2%**

Consolidated cash flow statement

According to the direct method (x € 1,000)	2017		2016	
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	117,403		106,197	
Payments to suppliers and employees	(109,140)		(98,680)	
		8,263		7,517
Interest paid	(362)		(328)	
Income tax received (paid)	13		(2,131)	
		(349)		(2,459)
Net cash flow from operating activities		**7,914**		**5,058**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Additions to property, plant and equipment	(1,293)		(1,138)	
Additions to software and product development	(882)		(405)	
Acquisition of subsidiaries (net of cash acquired)	(1,215)		(6,291)	
Sale of an associate	715		-	
Additions to other financial assets	(489)		(881)	
Dividend received from joint venture	230		294	
Net cash flow from investment activities		**(2,934)**		**(8,421)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares (incl. share premium)	453		-	
Purchase of treasury shares	(331)		(310)	
Re-issuance of treasury shares	308		277	
Proceeds (repayments) of borrowings (external loans)	(2,600)		6,107	
Payment of earn-out liabilities	-		(1,589)	
Dividend paid to non-controlling interest	(58)		(143)	
Dividend paid to shareholders of ICT Group N.V.	(2,052)		(2,123)	
Net cash flow from financing activities		**(4,280)**		**2,219**
Net cash flow		**700**		**(1,144)**



4. STRATEGY AND OUTLOOK

MAJOR GLOBAL TRENDS

Globalisation

Increasing economic, political and social interconnectedness: companies & institutions act globally.

Urbanisation

Urban population has grown to 50% and is expected to grow to 67% (6 billion people) by 2050 (estimate UN).

New technology

The world is becoming an intelligent, digitally enabled mesh of people, things and services. AI and machine learning enhance analytics, actions and interfaces (Gartner).

Climate change

Temperature risen by 0.74C in last 100 years Changing rainfall patterns and glaciers melting jeopardizes water supply.

Well-being

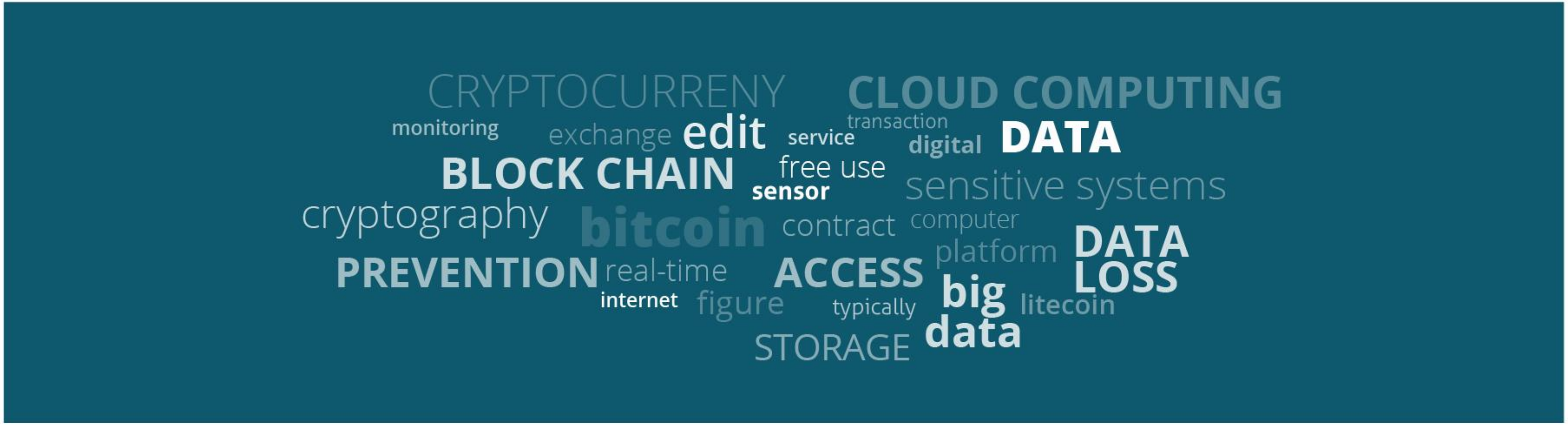
Focus shift from material prosperity towards immaterial well-being: health, mindfulness, work/life balance, connection with nature

Energy transition

Focus on sustainable energy sources: target 25% reduction of CO2 emission (1990 - 2020) in the Netherlands; solar energy, electrical driving

- These trends greatly affect the way we live, play and work
- Technology is the key driver to further enhance the intelligent use and management of scarce resources

TECHNOLOGY TRENDS



- Stream of data grows exponentially and is available at anytime, anywhere
- Hardware turns ‘smart’ and becomes a valuable data source
- Need for data intelligence to convert data into actionable insights
- New technologies, such as blockchain, enter the industrial world.

LABOUR MARKET TRENDS

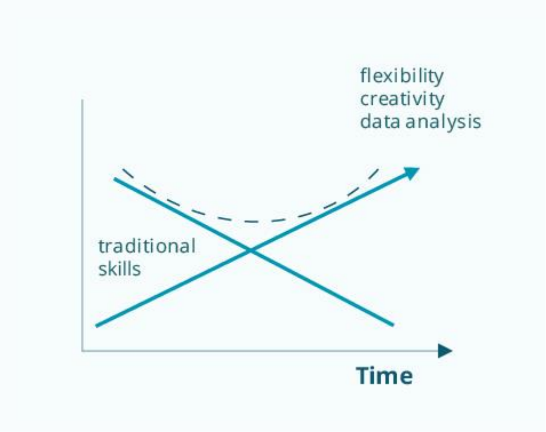
Increasing scarcity of IT professionals

- Digital transformation results in strong demand for qualified IT professionals
- Discrepancy: available professional resources do not match the skills required

“New style” employee

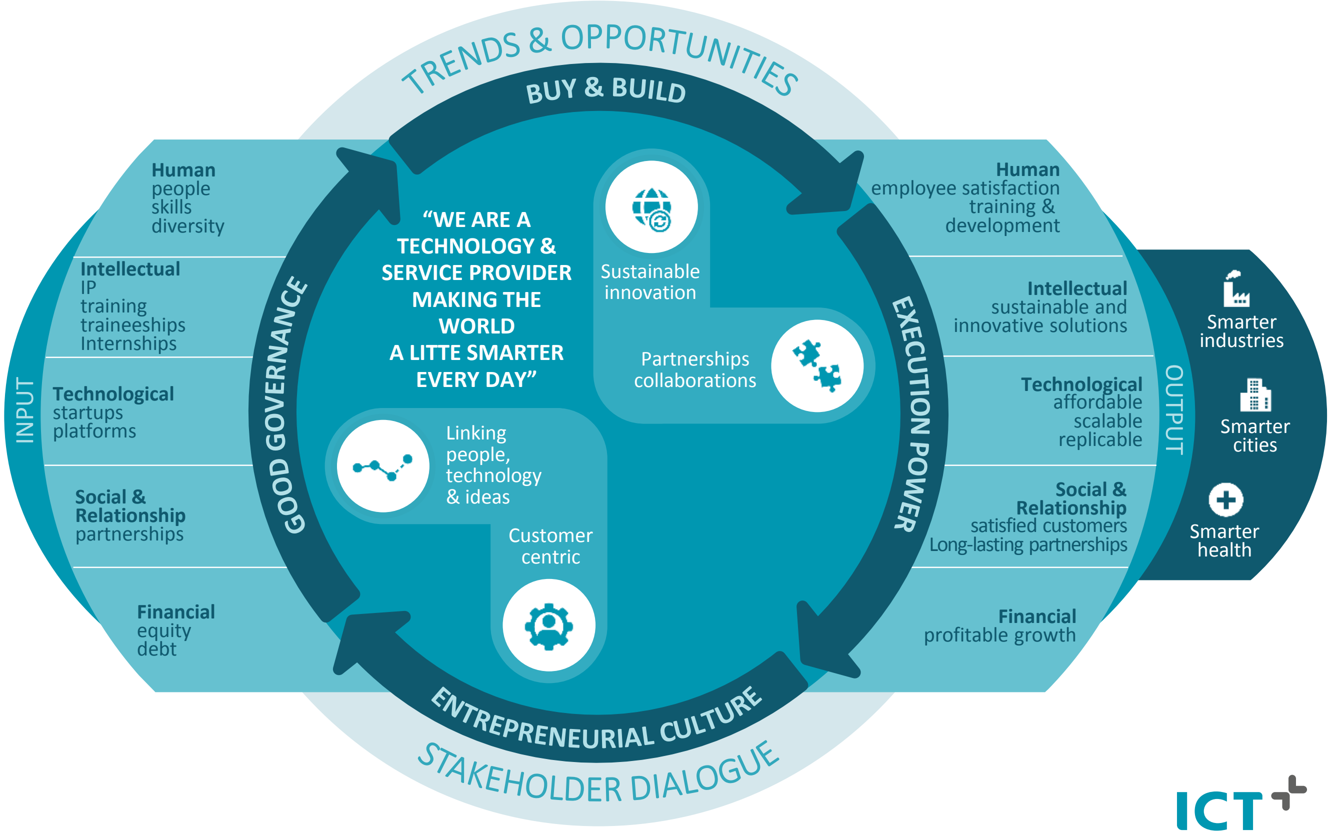
- Life time learning instead of life time employment
- Professional roles instead of functions
- Digital transformation leads to changing professional skill sets required

Employers need to establish the right environment and development opportunities to attract & retain highly-skilled (IT) professionals.



Strategy and value creation

The current, rapidly changing environment offers ICT substantial growth opportunities. Simultaneously, ICT needs to successfully address business challenges in order to capture these opportunities:



TRENDS & OPPORTUNITIES

BUY & BUILD

EXECUTION POWER

ENTREPRENEURIAL CULTURE

GOOD GOVERNANCE

STAKEHOLDER DIALOGUE

“WE ARE A TECHNOLOGY & SERVICE PROVIDER MAKING THE WORLD A LITTE SMARTER EVERY DAY”

Sustainable innovation

Partnerships collaborations

Linking people, technology & ideas

Customer centric

INPUT

Human
people
skills
diversity

Intellectual
IP
training
traineeships
Internships

Technological
startups
platforms

Social & Relationship
partnerships

Financial
equity
debt

Human
employee satisfaction
training & development

Intellectual
sustainable and innovative solutions

Technological
affordable
scalable
replicable

Social & Relationship
satisfied customers
Long-lasting partnerships

Financial
profitable growth

OUTPUT

Smarter industries

Smarter cities

Smarter health

ICT

AMBITION 2020

….. to become a reputable, sizeable European **technology** and services **provider:**

Leading

Trusted partner in:

- **Industrial technologies**
- **Healthcare**
- **Public infrastructures and mobility**
- **digital transformations**

Critical mass

Realize more scale

- 150 - 200 million revenues
- 1.500+ employees

Collaboration with partners providing global access to technologies and solutions

Balanced revenues mix

Increase recurring revenue stream

- from SaaS and PaaS ▶ 30%
- **Stabilize projects revenues**
- **Reduce secondment / time hire**

Solid profitability

Maintain healthy margins

- Gross Profit > 30%
- Invest in new solutions 1.5% of added value revenue
- Indirect costs < 19%
- EBITDA-margin of 11-12%

MANAGEMENT AGENDA 2018

Growth	• Maintain organic revenue growth rate of at least 5% • Investigate further international expansion • Stay employer of choice
Focus	• On growth; Smarter Cities and Smarter Health • Expand our solutions globally and act with professional services locally • Leadership position in industrial digital transformations
Maintain margins	• Further reduce indirect costs in growing organization
Manage risks	• Generate more recurring revenues in software and managed services • Collaborate between units and integrate where possible

Outlook for the year 2018: Revenue and EBITDA will grow compared to 2017

Economy

- Overall ICT has benefited from favorable economic circumstances. The markets in which ICT operates are expected to continue this favorable trend in 2018

Buy and build

- ICT will further leverage the strategic platform aimed at organic growth combined with acquisitions
- With the announced acquisitions of NedMobiel and InTraffic (50% shares planned to obtain from JV partner Movares), ICT is ready for the next level in Public Infrastructures and Mobility (Smarter Cities)
- Explore expansion outside of the Netherlands a.o. via agents and organic growth

Focus on strategic offerings

- Accelerate the deployment of solutions supporting the digital transformation of our customers

‘ We are well underway to reach our 2020 goals ‘

ICT

smarter solutions