

Half-yearly EBIT margin increases to 10.9% Annual objectives confirmed

At its meeting of December 3, 2018, Wavestone's Supervisory Board approved the consolidated half-yearly accounts, at September 30, 2018, which are summarized below. These accounts have been subject to a limited review by the auditors.

Consolidated data at 09/30 (€m), limited review	H1 2018/19	H1 2017/18	Change	2017/18
Revenue	182.6	166.5	+10%	359.9
EBIT <i>EBIT margin</i>	19.9 <i>10.9%</i>	16.4 <i>9.9%</i>	+21%	50.6 <i>14.1%</i>
Amortization of client relationships Other operating income and expenses Operating income	(1.3) (0.2) 18.5	(1.3) 0.0 15.2		(2.5) (1.3) 46.8
Cost of financial debt Other financial income and expenses Income tax expenses	(0.8) 0.4 (7.4)	(1.0) (0.6) (5.6)		(1.9) (1.0) (17.3)
Group share of net income <i>Net margin</i>	10.6 <i>5.8%</i>	8.0 <i>4.8%</i>	+33%	26.6 <i>7.4%</i>

Half-yearly growth in line with the firm's roadmap despite a mixed second quarter

In H1 2018/19, Wavestone generated a consolidated revenue of €182.6m, an increase of +10%, +7% on a constant forex basis. To note: H1 benefited from a positive day impact of +0.6%.

The firm's growth over the six-month period is in line with its roadmap, despite a contrast between the two quarters resulting from a decline in consultant utilization rate in Q2. This decline was due to a slowdown in some projects during the summer and insufficient levels of new projects in September. At the end of September, the utilization rate stood at 76%, compared with 77% over the whole of the previous fiscal year.

The average daily rate reached €868 over the period, an increase of +2.4% at the mid-year point compared with 2017/18, and higher than the firm's forecast of +1% to +2% for the whole of the 2018/19 fiscal year.

At September 30, 2018, the firm's order book stood at 3.3 months of work, compared with 3.7 months at the end of the 2017/18 fiscal year.

Staff turnover remains a major concern, but recruitment is being accelerated

H1 was marked by significant concern about staff turnover. At the end of September, the turnover rate stood at 21%, on a full year basis, compared with 16% for the whole of the 2017/18 fiscal year. Wavestone is continuing to intensify the human-resource-related actions it is taking to address this issue.

The outworking of these has seen the firm continue to hire new employees at a steady rate. Despite a highly competitive labor market, Wavestone will be stepping up recruitment activity in H2 and is confident of exceeding its target of 600 gross hires throughout the year.

At September 30, 2018, Wavestone had 2,851 employees, compared with 2,793 at March 31, 2018 (including additional employees from the integration of Xceed).

Half-yearly EBIT margin up, at 10.9%

Driven by an increase in sales prices and a positive working day impact, the EBIT margin increased to 10.9%, compared with 9.9% a year earlier. As a result, H1 EBIT increased by +21% compared with last year—to €19.9 million.

After accounting for €1.3m in amortization of customer relationships, and with other operating income and expenses very limited (-€0.2m over the half-year), operating income stood at €18.5m, an increase of +22% year-on-year.

The cost of financial debt fell slightly to €0.8m. Other financial income and expenses benefited from foreign exchange gains and stood at €0.4 million.

At the end of H1 2018/19, group share of net income rose by 33% to €10.6m, compared with €8.0m in the previous year. Net margin for H1 stands at 5.8%, compared with 4.8% a year earlier.

Well-controlled levels of financial debt

During H1 2018/19, Wavestone generated a gross cash flow margin of €15.9m, up +41%, year-on-year.

Investment operations amounted to €20.8m and included the acquisition of the UK consulting firm Xceed for €12.5m and share buybacks totaling €4.8m.

At September 30, 2018, net financial debt stood at €61.7m, compared with €76.4m a year earlier, and €34.6m at the end of March 2018. Removing the effects of the Xceed acquisition, the change in H1 net financial debt is in line with the typical seasonal pattern experienced by the firm.

Consolidated data (€m)	09/30/2018	03/31/2018	Consolidated data (€m)	09/30/2018	03/31/2018
Non-current assets of which goodwill	167.7 130.9	157.1 118.9	Shareholders' equity	129.5	130.2
Current assets of which trade receivables	152.5 126.2	152.2 123.9	Non-financial liabilities	128.9	144.4
Cash and cash equivalents	31.0	52.1	Financial liabilities of which less than one year	92.8 20.6	86.7 16.7
Total	351.3	361.3	Total	351.3	361.3

A focus on execution in H2

Although order taking in October and November was in line with Wavestone's roadmap, disappointing levels of activity in the previous months, and greater economic uncertainty, mean the firm is monitoring this area even more closely.

Against such a backdrop, Wavestone is placing particular emphasis on the quality of execution of its activities—both in terms of human resources and raising the consultant utilization rate.

The acquisition of Metis Consulting, consolidated from November 1, 2018

In mid-November, Wavestone announced the acquisition of the French consulting firm Metis Consulting, a supply chain specialist, with the ambition of positioning itself as a leader in this field.

More broadly, the firm will continue to develop in line with the ambitions set out in its roadmap, in particular key market transformations: the bank of the future, energy transition, autonomous vehicles and new forms of mobility, and public sector modernization.

Confirmation of the 2018/19 objectives

At the end of H1, Wavestone is in a position to confirm its 2018/19 annual objectives: revenue growth of over 8%, with an EBIT margin above 13%, including the figures for Xceed's acquisition and excluding those for Metis Consulting. These objectives are calculated on a constant forex basis and exclude new acquisitions.

Next event: Q3 2018/19 revenue: Tuesday, January 29, 2019, after Euronext market closing.

About Wavestone

In a world where knowing how to drive transformation is the key to success, Wavestone's mission is to inform and guide large companies and organizations in their most critical transformations, with the ambition of a positive outcome for all stakeholders. That's what we call "The Positive Way."

Wavestone draws on some 2,800 employees across 8 countries. It is a leading independent player in European consulting, and the number one in France.

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Appendix 1: Consolidated income statement at 09/30/2018

<i>In €k – limited review – IFRS standards</i>	09/30/2018	09/30/2017	03/31/2018
Revenue	182,564	166,524	359,919
Purchases consumed	6,212	7,735	13,078
Personnel costs	125,838	117,449	247,553
External expenses	25,913	20,651	40,914
Levies and taxes	2,674	2,808	5,784
Net allocation for depreciation and provisions	2,114	1,159	369
Other operating income and expenses	(73)	297	1,636
EBIT	19,886	16,426	50,584
Amortization of client relationships	1,252	1,252	2,503
Other operating income and expenses	(159)	21	(1,325)
Operating income	18,475	15,196	46,756
Financial income	7	0	4
Cost of gross financial debt	819	951	1,868
Cost of net financial debt	812	951	1,864
Other financial income and expenses	363	(630)	(978)
Pre-tax income	18,027	13,614	43,914
Income tax expenses	7,378	5,602	17,286
Net results	10,649	8,012	26,628
Minority interests	0	0	0
Group share of net income	10,649	8,012	26,628
Group share of net income per share (€) ^{(1) (2)}	0.53	0.40	1.33
Group share of diluted net income per share (€)	0.53	0.40	1.33

(1) Number of shares weighted over the period.

(2) Following the increase in the number of shares in circulation (arising from the issue of free shares and the division of shares), and in accordance with accounting standard IAS 33, a retrospective calculation of net earnings per share at 09/30/2017 and at 03/31/2018 has been carried out, on the basis of the number of shares in existence at 09/30/2018.

Appendix 2: Consolidated balance sheet at 09/30/2018

In €k – limited review – IFRS standards

	09/30/2018	03/31/2018
Goodwill	130,948	118,909
Intangible assets	11,419	12,881
Tangible assets	15,936	17,083
Financial assets – more than one year	2,005	1,566
Other non-current assets	7,427	6,638
Non-current assets	167,735	157,077
Inventory	0	0
Trade and related receivables	126,188	123,920
Other receivables	26,290	28,258
Financial assets	0	0
Cash and cash equivalents	31,046	52,056
Current assets	183,525	204,235
Total assets	351,260	361,312
Capital	505	497
Issue and merger premiums, additional paid-in capital	11,218	11,218
Consolidated reserves and earnings	119,038	119,386
Conversion-rate adjustment	(1,216)	(852)
Total shareholders' equity, group share	129,545	130,249
Minority interests	0	0
Total equity	129,545	130,249
Long-term provisions	14,569	13,758
Financial liabilities - more than one year	72,187	69,994
Other non-current liabilities	470	162
Non-current liabilities	87,226	83,913
Short-term provisions	4,710	4,521
Financial liabilities - less than one year	20,578	16,708
Trade payable	19,392	18,380
Tax and social security liabilities	68,771	89,664
Other current financial liabilities	21,038	17,876
Current liabilities	134,488	147,150
Total liabilities	351,260	361,312

Appendix 3: Consolidated cash flow statement at 09/30/2017

In €k – limited review – IFRS standards

	09/30/2018	09/30/2017	03/31/2018
Consolidated net income	10,649	8,012	26,628
Elimination of non-cash elements			
Net depreciation and provisions	4,878	4,008	7,544
Losses/gains on disposals, net of tax	(15)	19	33
Other calculated income and expenses	(196)	(1,449)	(2,787)
Cost of net financial debt	634	756	1,481
Gross cash flow margin ⁽¹⁾	15,949	11,346	32,889
Change in WCR	(17,611)	(25,717)	(2,762)
Net cash flow from operations	(1,662)	(14,372)	30,137
Intangible and tangible fixed asset acquisitions	(766)	(1,161)	(2,705)
Asset disposals	21	22	49
Change in financial assets	(4,938)	1,111	1,059
Impact of changes in scope of consolidation ⁽²⁾	(15,155)	(1,436)	(1,436)
Net cash flow from investments	(20,838)	(1,464)	(3,033)
Dividends paid to parent-company shareholders	(4,054)	(3,007)	(3,007)
Dividends paid to minority interests of consolidated companies	0	0	0
Loans received	12,000	276	690
Repayment of loans	(6,130)	(4,728)	(9,477)
Net financial interest paid	(565)	(677)	(1,501)
Other flows related to financing operations	0	0	0
Net cash flow from financing operations	1,251	(8,136)	(13,295)
Net change in cash and cash equivalents	(21,248)	(23,971)	13,809
Impact of translation differences	204	(313)	(470)
Opening cash position	51,996	38,657	38,657
Closing cash position	30,951	14,373	51,996

(1) Cash flow gross margin is calculated after current taxes.

Taxes paid amounted to €14,699k in H1 2018 and €13,136k in H1 2017.

(2) The line "Impact of changes in scope of consolidation" corresponds to disbursements relating to the acquisition of Kurt Salmon's activities.