

## H1 2019/20 results: a solid EBIT margin of 10.6%

At its meeting of December 3, 2019, Wavestone's Supervisory Board approved the consolidated half-yearly accounts as at September 30, 2019, which are summarized below. These accounts have been subject to a limited review by the Statutory Auditors.

Consolidated data (in €m) Limited review	H1 2019/20	H1 2018/19	Change	2018/19 (12 months)
<b>Revenue</b>	<b>194.5</b>	<b>182.6</b>	<b>+7%</b>	<b>391.5</b>
<b>EBIT</b> <i>EBIT margin</i>	<b>20.7</b> <i>10.6%</i>	<b>19.9</b> <i>10.9%</i>	<b>+4%</b>	<b>55.2</b> <i>14.1%</i>
Amortization of client relationships	(0.8)	(1.3)		(2.3)
Other operating income and expenses	(1.3)	(0.2)		(0.5)
<b>Operating income</b>	<b>18.6</b>	<b>18.5</b>	<b>+1%</b>	<b>52.4</b>
Cost of financial debt	(0.9)	(0.8)		(1.7)
Other financial income and expenses	(0.0)	0.4		(0.1)
Income tax expenses	(8.5)	(7.4)		(19.9)
<b>Group share of net income</b> <i>Net margin</i>	<b>9.3</b> <i>4.8%</i>	<b>10.6</b> <i>5.8%</i>	<b>-13%</b>	<b>30.8</b> <i>7.9%</i>

Over H1 2019/20, Wavestone recorded revenue of €194.5m, an increase of +7%.

At constant scope and exchange rates (excluding Metis Consulting and WGroup), the firm's six-monthly growth reached +1%. Excluding WGroup, i.e. taking the scope used to set objectives at the beginning of the fiscal year, half-yearly growth stood at +4%.

### Consultant utilization rate under pressure in H1 2019/20, but sales prices hold up well

As a result of more challenging market conditions, especially in the Financial Services, Manufacturing, and Retail sectors, the company had to face the impacts of some clients delaying or suspending projects during the summer. Utilization rate fell to 72% over the first half of the year, compared with 75% for the entirety of the previous fiscal year.

The average daily rate was €876 in H1, compared with €872 for the whole of the 2018/19 fiscal year.

At September 30, 2019, the firm's order book stood at 3.3 months of work, compared with 3.6 months at the end of March 2019.

### Strong momentum on human resources and a robust performance from WGroup

Wavestone maintained a strong recruitment dynamic in H1 2019/20, in line with its objective of over 600 gross hires over the whole fiscal year.

Helped by an easing of the labor market, staff turnover rates continued to fall—to 16% at September 30, 2019, on a rolling twelve-month basis—compared with an equivalent figure of 18% at March 31, 2019. The rate is now approaching the 15% target level.

At September 30, 2019, Wavestone had 3,262 employees, compared with 3,094 at March 31, 2019.

H1 saw Wavestone acquire WGroup, a US-based company that delivers IT consulting services. Its integration is well underway and has yielded the first commercial synergies between Wavestone US and WGroup. More generally, WGroup has performed well during its first months within Wavestone.

### A solid half-yearly EBIT margin of 10.6%

Half-yearly EBIT stood at €20.7m, an increase of +4% compared with the first six months of 2018/19. As a result, the EBIT margin was a solid 10.6%, compared with 10.9% a year earlier, despite the reduction in utilization rate.

The application of the new leases standard IFRS 16 for the 2019/20 fiscal year, which required transfers between "external charges" and "depreciation and provisions", resulted in a €0.1m increase in EBIT.

Operating income reached €18.6m in H1 2019/20, up +1%, compared with the previous year. This includes -€1.3m in other operating income and expenses, which mainly consist of costs associated with the acquisition of WGroup.

After taking into account financial expenses and taxes, group share of net income was €9.3m. Net margin for H1 was 4.8%, compared with 5.8% a year earlier.

### Strong cash flow generation

Gross cash flow margin stood at €19.4m at the end of H1, an increase of +9%. Despite seasonal effects in H1 that are typically unfavorable to working capital requirements, close control of payment collections achieved a cash flow from operations of €12.7m, compared with €0.2m in H1 2018/19. It should be noted that this figure benefited, by +€3.3m, from the application of IFRS 16.

Investment operations consumed €24.6m over the first half of the year, of which €22.3m was related to the acquisition of WGroup. Financing flows remained balanced at -€0.5m. These included, in particular, share buybacks of €3.5m, dividend payments of €4.6m, and loans received (net of repayments) of €11.7m.

At September 30, 2019, Wavestone's consolidated equity amounted to €152.3m, for a net financial debt (excluding lease liabilities) of €61.7m, compared with the same figure of €61.7m at September 30, 2018, and €38.7m at the end of March 2018.

Consolidated data (in €m) Limited review	09/30/2019	03/31/2019
<b>Non-current assets</b>	<b>232.8</b>	<b>177.4</b>
of which goodwill	166.6	140.6
of which rights to use leased assets	31.7	-
<b>Current assets</b>	<b>152.4</b>	<b>156.1</b>
of which trade receivables	127.0	130.4
<b>Cash and cash equivalents</b>	<b>39.8</b>	<b>50.7</b>
<b>Total</b>	<b>425.0</b>	<b>384.2</b>

Consolidated data (in €m) Limited review	09/30/2019	03/31/2019
<b>Shareholders' equity</b>	<b>152.3</b>	<b>150.8</b>
<b>Financial liabilities</b>	<b>101.5</b>	<b>89.4</b>
of which less than one year	29.4	23.7
<b>Lease liabilities</b>	<b>38.3</b>	<b>-</b>
<b>Non-financial liabilities</b>	<b>132.9</b>	<b>144.0</b>
<b>Total</b>	<b>425.0</b>	<b>384.2</b>

## **A strong focus on business development, while maintaining momentum in recruitment**

H1 2019/20 was largely disappointing, mainly because of increasingly difficult market conditions which affected the firm's business activities.

In the face of these more challenging economic conditions, Wavestone is continuing its intense business development efforts, while, in parallel, shifting focus toward the sectors and accounts with the highest potential—especially those in energy, transportation, and the public sector.

After a low point reached during summer, the consultant utilization rate began to recover gradually, even with considerable numbers of new hires joining the firm from September onwards. However, Wavestone remains cautious about the pace of recovery on this indicator in the coming months.

Having seen positive results from the recruitment-related actions it put in place at the start of 2019, the company decided to maintain a dynamic approach to hiring in H2, with the aim of underpinning its growth potential in the coming fiscal years.

## **Prudence on growth target and integration of WGroup into annual objectives**

With WGroup's consolidation on August 1, 2019, Wavestone has updated its revenue objective and is targeting annual growth of over 8%, compared with an initial objective of more than 5%. It should be noted that, due to slower growth in H1, this new objective reflects a degree of prudence of one percentage point on non-WGroup growth.

The profitability objective remains unchanged: the company will continue to target an EBIT margin greater than 13%.

These objectives are calculated on a constant forex basis and exclude new acquisitions.

**Next event:** publication of Q3 2019/20 revenue: Thursday, January 30, 2020, 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 over 3,000 employees across 8 countries. It is a leading independent player in European consulting.*

*Wavestone is listed on Euronext Paris and recognized as a Great Place to Work®.*

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## Appendix 1: Consolidated half-yearly income statement at 09/30/2019

	09/30/2019	09/30/2018	03/31/2019
<b>Revenue</b>	<b>194,466</b>	<b>182,564</b>	<b>391,530</b>
Purchases consumed	5,563	6,212	12,346
Personnel costs	136,893	125,838	262,989
External expenses	24,404	25,913	51,429
Levies and taxes	2,049	2,674	5,992
Net allocation for depreciation and provisions	5,196	2,114	3,501
Other current income and expenses	-342	-73	29
<b>EBIT</b>	<b>20,702</b>	<b>19,886</b>	<b>55,243</b>
Amortization of client relationships	785	1,252	2,289
Other operating income and expenses	-1,273	-159	-525
<b>Operating income</b>	<b>18,644</b>	<b>18,475</b>	<b>52,430</b>
Financial income	6	7	10
Cost of gross financial debt	858	819	1,688
<b>Cost of net financial debt</b>	<b>852</b>	<b>812</b>	<b>1,678</b>
Other financial income and expenses	-28	363	-120
<b>Pre-tax income</b>	<b>17,764</b>	<b>18,027</b>	<b>50,631</b>
Income tax expenses	8,460	7,378	19,861
<b>Net income</b>	<b>9,304</b>	<b>10,649</b>	<b>30,770</b>
Minority interests	0	0	0
<b>Group share of net income</b>	<b>9,304</b>	<b>10,649</b>	<b>30,770</b>
Group share of net income per share (€) (1)	0.47	0.53	1.54
Group share of diluted net income per share (€)	0.47	0.53	1.54

(1) Number of shares weighted over the period.

## Appendix 2: Consolidated balance sheet at 09/30/2019

	09/30/2019	03/31/2019
Goodwill	166,556	140,621
Intangible assets	9,090	10,094
Tangible assets	14,893	17,099
Rights to use leased assets	31,719	0
Financial assets – more than one year	2,026	1,961
Other non-current assets	8,564	7,635
<b>Non-current assets</b>	<b>232,849</b>	<b>177,409</b>
Trade and related receivables	127,037	130,420
Other receivables	25,371	25,692
Cash and cash equivalents	39,754	50,709
<b>Current assets</b>	<b>192,162</b>	<b>206,821</b>
<b>Total assets</b>	<b>425,011</b>	<b>384,230</b>
Capital	505	505
Issue and merger premiums, additional paid-in capital	11,218	11,218
Consolidated reserves and earnings	141,985	139,762
Conversion-rate adjustment	-1,367	-675
<b>Total shareholders' equity, group share</b>	<b>152,341</b>	<b>150,810</b>
Minority interests	0	0
<b>Total equity</b>	<b>152,341</b>	<b>150,810</b>
Long-term provisions	16,061	14,566
Financial liabilities - more than one year	72,063	65,703
Lease liabilities – more than one year	30,961	0
Other non-current liabilities	4,555	1,535
<b>Non-current liabilities</b>	<b>123,639</b>	<b>81,803</b>
Short-term provisions	5,120	4,297
Financial liabilities - less than one year	29,401	23,720
Lease liabilities – less than one year	7,326	0
Trade payable	15,206	19,381
Tax and social security liabilities	66,533	81,369
Other current financial liabilities	25,445	22,851
<b>Current liabilities</b>	<b>149,031</b>	<b>151,618</b>
<b>Total liabilities</b>	<b>425,011</b>	<b>384,230</b>

### Appendix 3: Consolidated half-yearly cash flow statement at 09/30/2019

<i>In €m – limited review– IFRS standards</i>	<b>Published</b>		<b>Restated <sup>(1)</sup></b>	
	<b>09/30/2019</b>	<b>09/30/2018</b>	<b>09/30/2018</b>	<b>03/31/2019</b>
<b>Consolidated net income</b>	<b>9,304</b>	<b>10,649</b>	<b>10,649</b>	<b>30,770</b>
Net depreciation and provisions	7,879	4,878	4,878	9,210
Losses/gains on disposals, net of tax	-36	-15	-15	-60
Other calculated income and expenses	1,425	-196	1,698	1,888
Cost of net financial debt (inc. interest on lease liabilities)	818	634	634	1,262
<b>Gross cash flow margin <sup>(2)</sup></b>	<b>19,389</b>	<b>15,949</b>	<b>17,843</b>	<b>43,071</b>
Change in WCR	-6,708	-17,611	-17,611	-10,448
<b>Net cash flow from operations</b>	<b>12,681</b>	<b>-1,662</b>	<b>231</b>	<b>32,622</b>
Intangible and tangible fixed asset acquisitions	-2,388	-766	-766	-1,449
Asset disposals	62	21	21	75
Change in financial assets	22	-4,938	-373	-321
Impact of changes in scope <sup>(3)</sup>	-22,267	-15,155	-15,155	-21,619
<b>Net cash flow from investments</b>	<b>-24,571</b>	<b>-20,838</b>	<b>-16,273</b>	<b>-23,314</b>
Sales (acquisitions) by the company of its own shares <sup>(4)</sup>	-3,542	-	-6,459	-8,070
Dividends paid to parent-company shareholders	-4,572	-4,054	-4,054	-4,054
Dividends paid to minority interests of consolidated companies	0	0	0	0
Loans received	23,220	12,000	12,000	19,600
Repayment of loans	-11,531	-6,130	-6,130	-17,307
Repayments of lease liabilities <sup>(5)</sup>	-3,354	0	0	0
Net financial interest paid	-592	-565	-565	-1,284
Net interest paid on lease liabilities <sup>(5)</sup>	-122	0	0	0
<b>Net cash flow from financing operations</b>	<b>-494</b>	<b>1,251</b>	<b>-5,207</b>	<b>-11,114</b>
<b>Net change in cash and cash equivalents</b>	<b>-12,384</b>	<b>-21,248</b>	<b>-21,248</b>	<b>-1,806</b>
Impact of translation differences	79	204	204	403
Opening cash position	50,592	51,996	51,996	51,996
Closing cash position	38,287	30,951	30,951	50,592

(1) The company has decided to change the presentation of its cash flow statement from 03/31/2019 to better reflect the effects of buybacks of its own shares. This change affects the lines "Other income and expenses" and "Change in financial assets," and results in the creation of the line "Sales (acquisitions) by the company of its own shares."

(2) Gross cash flow margin is calculated after current taxes. Taxes paid amounted to €10,237k in H1 2019 and €14,699k in H1 2018.

(3) The line "Impact of changes in scope of consolidation" corresponds to disbursements relating to the acquisition of WGroup's business and to initial earnouts relating to Metis.

(4) For information, the company has delivered treasury shares to a value of €2,058k.

(5) A line created as a result of implementing IFRS 16