

Q2 business activity stronger than anticipated Company progressively resuming recruitment

With the summer season now over, Wavestone is issuing an update on its business activity for Q2 2020/21 (July 1 to September 30, 2020).

Rising consultant utilization rate

While the pre-summer situation appeared uncertain, Wavestone is seeing an increase in consultant utilization rate, which is expected to exceed 65% in Q2 2020/21, compared with 63% in Q1.

The firm is seeing the first fruits of the measures it implemented in Q1 to revitalize business activity. In parallel, project delays and cancellations arising from cost-saving plans being implemented by clients are proving less severe than anticipated.

As a result, Q2 will see a marked reduction in the use of furlough arrangements; about 6% of fee-earning employees will be furloughed, compared with 11% in Q1. From October 1, the firm will no longer use this option in France. It may choose to continue furlough measures though, in a more limited way, on some international sites.

Robust levels of order intake

The company also expects to record better than anticipated levels of order intake for Q2. In particular, order intake for September is likely to be buoyant.

At September 30, 2020, the firm's order book is expected to remain close to its June 30 level (3.7 months of work).

Taking a sectoral view, Wavestone did not observe any changes to trends during the summer. The firm continues its sustained focus on pharmaceuticals, utilities, the public sector, and insurance. In addition, the fall-off in demand from energy and transport has been less pronounced than anticipated.

While already perceptible at the start of the year, the trend of renewed pressure on prices is firming, but is only gradually working through into the company's average daily rates.

Progressive resumption of recruitment

Given that the possible fall-off in activity during the summer did not occur, and that visibility on work over the coming months is improving, the company is now adopting a less defensive stance.

Wavestone has therefore decided to progressively restart recruitment within its most resilient practices, especially those with a technology focus. As a reminder, the firm suspended hiring in mid-March.

Reduced business activity over H1 – but solid profitability

In line with the picture in the first months of the fiscal year, the company will record reduced revenue (at constant scope) over H1 2020/21.

This reduction will nevertheless be less pronounced in Q2 than in Q1 (which, as a reminder, was -10%), despite recruitment being frozen since mid-March.

On profitability, the EBIT margin for H1 is likely to be of the same order as that estimated for Q1 (which, as a reminder, was 7%).

Next event: Publication of 2020/21 six-monthly revenue, Thursday, October 29, 2020, after Euronext market closing.

About Wavestone

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Wavestone draws on over 3,000 employees across 8 countries. It is a leading independent player in European consulting.

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Wavestone

Pascal Imbert

CEO

Tel.: +33 (0)1 49 03 20 00

Sarah Lamigeon

Communications Director

Tel.: +33 (0)1 49 03 20 00

Actus

Mathieu Omnes

Investor and Analyst Relations

Tel.: +33 (0)1 53 67 36 92

Nicolas Bouchez

Press relations

Tel.: +33 (0)1 53 67 36 74