

2022/23 EBIT margin of 14.5%

Revenue growth of +9% targeted in 2023/24

At its meeting of May 31, 2023, Wavestone's Board approved the consolidated annual accounts for the 2022/23 fiscal year ended March 31, 2023, which are summarized below. Auditing of the accounts is complete and the auditors are in the process of issuing their report.

Consolidated audited data at 03/31 (in €m)	2022/23	2021/22	Change
Revenue	532.3	470.1	+13%
EBIT <i>EBIT margin</i>	77.0 <i>14.5%</i>	74.8 <i>15.9%</i>	+3%
Amortization of client relationships Other operating income and expenses Operating income	(1.5) (2.9) 72.7	(1.5) (0.5) 72.8	0%
Cost of financial debt Other financial income and expenses Income tax expenses	(1.8) (2.3) (18.5)	(0.9) (0.0) (20.9)	
Group share of net income <i>Net margin</i>	50.1 <i>9.4%</i>	51.0 <i>10.9%</i>	-2%

Revenue of €532.3m in 2022/23, up +13%

At the end of the 2022/23 fiscal year, Wavestone's consolidated revenue had reached €532.3m, an increase of +13%. At constant exchange rates, this amounts to €528.6m, in line with the objective of a consolidated revenue of over €525m.

Wavestone made three external growth acquisitions during the year: the sustainable-development consulting firm Nomadéis in France, and the firms PEN Partnership and Coeus Consulting in the UK.

On a constant scope and forex basis, annual growth was +7%.

Strong recruitment momentum and falling staff turnover

The very solid rate of recruitment throughout the 2022/23 fiscal year has led the firm to recruit around 1,300 new employees, significantly exceeding its annual recruitment plan of 1,000 new employees.

Falling over H2, the staff turnover rate was reduced to 16% over the entire fiscal year, compared with 18% in 2021/22.

At March 31, 2023, Wavestone had 4,406 employees, compared with 3,732 at the end of March 2022. This figure includes 126 from the acquisitions of Nomadéis, PEN Partnership, and Coeus Consulting.

Consultant utilization rate down at 73%; average sales price up by +4%

Due to the considerable number of new starters in H2, compounded with a slowdown in business activity in the final quarter, the consultant utilization rate stood at 73% for the whole fiscal year, compared with 77% a year earlier.

The average daily rate for the year was €890, showing growth of +4%, compared with an average sales price of €854 in 2021/22. At constant exchange rates, the average daily rate increased by +3%, to €883.

EBIT margin of 14.5% and net margin of 9.4%

In 2022/23, EBIT reached €77.0m, compared with €74.8m a year earlier – an increase of +3%.

EBIT margin stood at 14.5%, in line with the level announced on March 8, 2023, which included a degree of caution about the initial target of 15%, due to the decline in consultant utilization rate in Q4.

It should be noted that the 2022/23 EBIT includes a non-recurring charge of €1.4m within the personnel costs, which is linked to the application of Amendment No. 46 to the Syntec collective agreement, an amendment relating to the calculation of retirement severance pay.

Adjustments to the salary policy, implemented over the fiscal year to maintain the firm's attractiveness, did not prevent a small increase in the sales price to salary ratio in 2022/23, as a result of a strongly positioned average daily rate. In terms of operating expenses, which were still subdued over the 2021/22 fiscal year against a post-Covid-19 backdrop, Wavestone's expenses grew in 2022/23, particularly on recruitment and human resources.

After taking into account the amortization of client relationships and other non-current income and expenses (€2.9m in 2022/23, compared with €0.5m in 2021/22), consisting mainly of expenses relating to the acquisitions over the fiscal year, operating income was €72.7m, largely stable compared with the previous fiscal year.

Due to acquisitions over the fiscal year and the rise in interest rates, the cost of net financial debt rose to €1.8m, compared with €0.9m a year earlier. Other financial income and expenses amounted to -€2.3m and break down into -€1.3m in financial instrument costs, -€0.8m in foreign exchange losses and -€0.2m in IFRS 16 interest.

The tax charge fell to €18.5m, compared with €20.9m a year earlier, as a result of falling French tax rates.

Group share of net income stood at €50.1m at the end of the 2022/23 fiscal year, down slightly from 2021/22. Net margin was 9.4% in 2022/23, compared with 10.9% a year earlier.

Increase in self-financing capacity and €41.1m in operating cash flow

At the end of the 2022/23 fiscal year, Wavestone had a self-financing capacity of €83.8m, an increase of +6% compared with the previous fiscal year.

The change in working capital requirement (WCR) consumed €21.6m over the fiscal year, compared with €6.9m a year earlier, due to business growth and extension of customer payment times.

After taking into account the payment of taxes (€21.1m), Wavestone generated an operating cash flow of €41.1m in 2022/23, compared with €56.3m a year earlier.

Investment transactions consumed €52.7m, mostly accounted for by the acquisitions of Nomadéis, PEN Partnership, and Coeus Consulting.

Financing flows amounted to -€25.8m, including mainly -€4.4m in net repayments of financial loans, -€6.4m in share buybacks to cover all free share allocation plans to employees, -€5.1m in lease liability repayments (under IFRS 16), and -€7.6m in dividend payments for the 2021/22 fiscal year.

Available cash and cash equivalents of €27.1m at March 31, 2023

At March 31, 2023, Wavestone's equity had increased to €299.1m.

The external growth transactions carried out over the fiscal year led to an increase in goodwill, which reached €235.4m.

The net cash position¹ was €27.1m at the end of March 2023, compared with net debt of €16.2m at the midyear point, and a net cash position of €60.3m at the end of March 2022.

Available cash and cash equivalents amounted to €70.8m, compared with €108.3m a year earlier.

Consolidated audited data at 03/31 (in €m)	(3/31/23)	(3/31/22)	Consolidated audited data at 03/31 (in €m)	(3/31/23)	(3/31/22)
Non-current assets	272.8	214.9	Shareholders' equity	299.1	257.0
of which goodwill	235.4	178.5	Financial liabilities	43.7	47.9
including rights to use leased assets	13.2	14.5	of which less than one year	5.7	8.1
Current assets	193.1	171.1	Lease liabilities	15.9	18.1
of which trade receivables	176.6	147.8	Non-financial liabilities	178.2	171.3
Cash and cash equivalents	70.8	108.3	Total	536.8	494.2
Total	536.8	494.2			

At the Shareholders' Annual General Meeting on July 27, 2023, Wavestone's Board will propose the payment of a dividend of €0.38 per share for the 2022/23 fiscal year, an identical sum to the one paid in 2022, representing 15% of group share of net income.

Continued progress on sustainability in 2022/23

During the 2022/23 fiscal year, Wavestone continued to move forward on sustainable development.

In line with its CSR commitments, the firm achieved or exceeded most of its objectives for the year. In particular, Wavestone has seen progress on the deployment of its responsible consulting approach, on diversity and inclusion, on societal commitments, and the reduction of its carbon footprint, which follows a trajectory aligned with the SBTi's Net Zero Standard (short- and long-term objectives validated in May 2023 by SBTi).

However, the firm remains below its objectives in terms of staff turnover and NPS^{®2}.

The staff turnover rate fell sharply at the end of the year to 16% but is still slightly above its normative target of 15%.

With regard to the NPS[®], the actions taken over the year have not, so far, produced the expected results. The indicator stands at 45, down from the target of 50, with the high staff turnover rates in H1 undoubtedly one of the causes.

¹ Excluding lease liabilities

² NPS[®] is a registered trademark of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld. The NPS (Net Promoter Score) is a widely used indicator that measures customer satisfaction.

CSR Indicators		2022/23	2021/22
NPS®		45	48
Number of projects carried out with the responsible consulting approach		119	37
Employee engagement index		74	70
Staff turnover rate		16%	18%
Proportion of women in management		35%	33%
Number of employees with a disability		49	35
Employees trained in applying the business ethics charter		96%	97%
Workforce time spent on societal commitments		1.3%	1.0%
Reduction in carbon footprint, compared with the 2019/20 fiscal year	Scopes 1 and 2 (total Wavestone footprint)	-51% ³	-
	Scope 3 (footprint per employee)	-27% ³	-

Outlook for the 2023/24 fiscal year

The 2023/24 fiscal year begins in a less buoyant market environment, where it is difficult to identify firm sectoral trends. Despite this context, Wavestone intends to progressively restore its levels of business activity over the course of the year.

This recovery should materialize from Q1 2023/24, with a consultant utilization rate of about 73% over the period, compared with 71% in Q4 2022/23. Prices remain strongly positioned.

Throughout the year, the firm's priority will be the intensity and agility of its business development activity, to take advantage of market segments and clients offering the best development opportunities. In terms of recruitment, however, the firm will be slowing down its efforts, due to the market environment, but also to the fall in staff turnover.

The company is also pursuing its activity in terms of external growth, giving priority to the UK and the US, but without ruling out tactical purchases in other geographies. The firm remains also open to opportunities for more transformative mergers.

Looking toward the medium term, Wavestone confirms the revenue trajectory set out in its strategic plan Impact, which is helped by its significant strength in terms of workforce at the start of the 2023/24 fiscal year.

2023/24 financial targets: revenue of more than €580m and an EBIT margin of the order of 15%

For the 2023/24 fiscal year, Wavestone has set itself the objective of achieving organic growth at least equal to that of the past fiscal year (+7%), despite an unfavorable working day impact (of -1.6%).

Taking into account the impact of the full-year consolidation of PEN Partnership and Coeus Consulting, Wavestone is targeting consolidated revenue of over €580m for the 2023/24 fiscal year, which represents total growth of 9%.

With respect to profitability, the firm is targeting an EBIT margin of the order of 15%. It should be noted that growth and profitability in H1 of the fiscal year will be significantly affected by an unfavorable working day impact of -2.4%, compared with H1 of the previous fiscal year.

The objectives set out above are calculated on a constant forex basis and exclude new acquisitions.

³ As part of the SBTi trajectory, emissions are now calculated and reported using the GHG Protocol methodology. The scope of the SBTi commitment includes all 3 scopes (market-based) and excludes optional emissions as defined by the GHG Protocol (hotel accommodation, remote employee working, external use of sites) and firms integrated in the 2022/23 fiscal year.

Next events: Q1 2023/24 revenue, Wednesday, July 26, 2023, after Euronext market closing; and the Shareholders' Annual General Meeting, Thursday, July 27, 2023, at 9:00am.

About Wavestone

In a world where knowing how to drive transformation is key to success, Wavestone's mission is to inform and guide large organizations in their most critical transformations, with the aim of a positive outcome for all stakeholders. This is anchored in the firm's DNA and embodied in our overarching values, known as "The Positive Way."

Wavestone draws on more than 4,000 employees across Europe, Asia, and the United States, and is a leading global consultancy.

Wavestone is listed on Euronext Paris, is recognized as a Great Place to Work[®], and ranked in Forbes's World Best Management Consulting Firms 2022 List.

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Appendix 1: Consolidated income statement at 3/31/23

<i>Audited consolidated data – IFRS standards (€k)</i>	(3/31/23)	(3/31/22)
Revenue	532,264	470,057
Purchases consumed	-21,753	-11,190
Personnel costs	-373,278	-336,016
External expenses	-46,594	-34,432
Levies and taxes	-8,044	-7,748
Net allocation for depreciation and provisions	-5,771	-6,023
Other operating income and expenses	218	157
EBIT	77,042	74,805
Amortization of client relationships	-1,493	-1,493
Other operating income and expenses	-2,864	-501
Operating income	72,685	72,811
Financial income	10	15
Cost of gross financial debt	-1,766	-899
Cost of net financial debt	-1,756	-884
Other financial income and expenses	-2,348	-16
Pre-tax income	68,580	71,912
Income tax expenses	-18,513	-20,880
Net income	50,068	51,032
Minority interests	0	0
Group share of net income	50,068	51,032
Group share of net income per share (€) ⁽¹⁾	2.51	2.55
Group share of diluted net income per share (€)	2.51	2.55

⁽¹⁾ Number of shares weighted over the period.

Appendix 2: Consolidated balance sheet at 3/31/23

<i>Audited consolidated data – IFRS standards (€k)</i>	(3/31/23)	(3/31/22)
Goodwill	235,355	178,512
Intangible assets	2,644	4,320
Tangible assets	8,815	6,879
Rights to use leased assets	13,179	14,468
Financial assets – more than one year	1,790	1,296
Other non-current assets	11,038	9,397
Non-current assets	272,820	214,872
Trade and related receivables	176,595	147,761
Other receivables	16,549	23,351
Cash and cash equivalents	70,824	108,251
Current assets	263,968	279,363
Total assets	536,788	494,235
Capital	505	505
Issue and merger premiums; additional paid-in capital	11,218	11,218
Consolidated reserves and earnings	285,314	243,139
Conversion-rate adjustment	2,013	2,122
Total shareholders' equity, group share	299,050	256,984
Minority interests	0	0
Total equity	299,050	256,984
Long-term provisions	13,316	14,287
Financial liabilities - more than one year	38,047	39,811
Lease liabilities – more than one year	11,098	13,097
Other non-current liabilities	1,023	332
Non-current liabilities	63,485	67,528
Short-term provisions	4,755	5,253
Financial liabilities - less than one year	5,654	8,109
Lease liabilities – less than one year	4,754	4,959
Trade payable	14,731	12,590
Tax and social security liabilities	106,272	109,770
Other current financial liabilities	38,087	29,042
Current liabilities	174,254	169,723
Total liabilities	536,788	494,235

Appendix 3: Consolidated cash flow statement at 3/31/23

<i>Audited consolidated data – IFRS standards (€k)</i>	(3/31/23)	(3/31/22)
Consolidated net income	50,068	51,032
Elimination of non-cash elements:		
Net depreciation and provisions ⁽¹⁾	9,907	3,051
Charges/(income) related to share-based payments	3,305	2,044
Losses/(gains) on disposals, net of tax	-217	1,463
Other calculated income and expenses	256	-652
Cost of net financial debt (inc. interest on lease liabilities)	1,933	1,139
Tax charges/(income)	18,513	20,880
Self-financing capacity before net financial debt and tax costs	83,764	78,956
Tax paid	-21,052	-15,768
Change in WCR	-21,567	-6,853
Net cash flow from operations	41,146	56,335
Intangible and tangible fixed asset acquisitions	-3,705	-455
Asset disposals	168	146
Change in financial assets	3	277
Impact of changes in scope	-49,196	-12,452
Net cash flow from investments	-52,731	-12,485
Sales (acquisitions) by the company of its own shares ⁽²⁾	-6,403	-2,361
Dividends paid to parent-company shareholders	-7,612	-4,612
Dividends paid to minority interests of consolidated companies	0	0
Loans received	0	0
Repayment of loans	-4,435	-8,472
Repayments of lease liabilities	-5,132	-7,583
Net financial interest paid	-2,078	-655
Net interest paid on lease liabilities	-181	-282
Other flows related to financing operations	-6	0
Net cash flow from financing operations	-25,847	-23,965
Net change in cash and cash equivalents	-37,432	19,885
Impact of translation differences	-136	360
Opening cash position	108,249	88,003
Closing cash position	70,681	108,249

⁽¹⁾ Including €4,322k for the amortization of property usage rights (under IFRS 16) at 03/31/2023 and €6,281k at 03/31/2022.

⁽²⁾ For information, the company has delivered treasury shares to a value of €1,802k.