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Press Release

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H1 2019 results:
Gross margin: €34.47m, proforma growth[1] of 10.5%
EBITDAr: €1.16m

Targets in 2018-2020 strategy plan postponed

Artefact (FR0000079683 – ALATF – eligible for PEA-PME, i.e. personal equity plans investing in SMEs) has released its consolidated results for H1 2019.

The Board of Directors met on 21 October 2019 to approve the Group's financial statements for the first half of 2019.

Acceleration in Data Consulting continues to drive growth

Following a solid increase in activity in 2018 (+16% on a proforma basis), Artefact delivered proforma gross margin growth of 10.5% in the first half of 2019.

This increase was again driven by the **Data Consulting business** (40% of H1 gross margin), with a 46% jump relative to the first half of 2018. This momentum was notably apparent in the winning of new clients, including L'Oréal, Oui.sncf, Axel Springer, Sephora, Heineken and Damac.

During the first half period, the revival in Artefact's historical **Media business** (60% of H1 gross margin) continued, adding new high-potential clients, such as Ooredoo, Biostime, Sisley, JohnLangLasalle, and Sinodis & Stihl. However, these successes were not enough to offset the loss of several long-standing clients. Against this backdrop, proforma gross margin for the business shrunk 5% over the first-half period.

Business model vindicated in France: strong momentum across all business lines

In France (44% of gross margin in H1), where the Company has been rolling out its joint Media Data Consulting solution since end-2017, gross margin gained 25% to €15.1m. All businesses contributed to this momentum. At the Data Consulting arm, gross margin growth came to 25%. The Media business also saw activity growth, at 26%. These performances testify to the powerful business model now in place in France and in the process of being deployed abroad.

[1] Proforma Q1 2018 data only includes one month of contributions (for January 2018) from the affiliate marketing business in Denmark, Norway and Finland, which was sold at end-January 2019, to ensure perfect comparability between the two periods.

Accelerating in other markets

The Group delivered solid performances in its **Other markets** (China, Asia-Pacific, MENA and Brazil). These countries together accounted for more than 15% of first-half gross margin, with a sharp acceleration in business activity over the period and a 75% surge in gross margin (of which, +90% in Q2).

Slowdown in the rest of Europe overshadows commercial progress underway

Finally, in the **Rest of Europe (40% of H1 gross margin)**, gross margin came in at €14.0m (compared with €16.1m in H1 2018). In Germany, the two media contracts lost in 2018 continued to impact gross margin by around €1.8m during the first half of 2019. In the United Kingdom, first-half activity showed encouraging signs of recovery but is yet to see a return to growth. In this context, renewing the media client portfolio is now a priority, along with ramping up the Data Consulting business. The latter chalked up growth of more than 45% in H1, with the arrival or strengthening of experienced local teams.

Results reflect mixed trends in activity and the investments made to prepare for future growth

Artefact chose to apply IFRS 16 using the modified retrospective approach, without restating prior financial statements.

in €M - Unaudited data	**H1 2019**	**H1 2019**
Revenue	39.5	34.2
Gross margin	**34.5**	**31.5**
Personnel expenses	(26.7)	(22.7)
External expenses, other operating income and expenses	(6.6)	(6.6)
EBITDAr[2]	**1.2**	**2.2**
Adjustment for leases - impact of IFRS 16	**1.6**	-
Personnel expenses - IFRS2 share-based payment	**(1.5)**	(0.9)
Personnel expenses - Remuneration for post-combination services under IFRS 3R	**(0.5)**	0.5
EBITDA	**0.8**	**1.8**
Depreciation, amortisation and provisions	(2.0)	(0.6)
Other non-current income and expenses	(0.8)	0.2
Operating income	**(2.1)**	**1.4**
Net financial income (expense)	**(0.5)**	**(0.4)**
Income before tax	**(2.5)**	**1.1**
GROUP NET INCOME	**(2.9)**	**0.6**

[2] EBITDAr: EBITDA restated for the IFRS 2 impact of free share awards and issuance of preference shares, as well as the IFRS 3R impact associated with remuneration for post-combination services and that of IFRS 16 relating to adjustment for lease payments. The Company decided to present restated EBITDA to better reflect its operating performance, independently from its policy for attracting and retaining talent and the acquisition terms and conditions set out in its acquisitions growth policy.

First-half results reflect the mixed top-line trends witnessed over the period and the investments undertaken to pave the way for future growth by rolling out a joint Media Data Consulting solution all regions addressed by the Group.

In **France**, the business model has come into its own, cementing growth in profitability. EBITDAr increased 30% to €2,212k. This growth also accompanied by a further slight improvement in EBITDAr margin, at 14.6% of H1 gross margin in 2019, up from 14.1% a year earlier.

In the **Rest of Europe**, business activity fell short of expectations and this, combined with the rise in personnel costs needed to revive the region, took a toll on earnings. The result was a decline, with EBTIDAr negative to the tune of €1,039k, compared with positive EBITDAr of €698k in H1 2018.

In **Other markets**, the Group is still investing to support its strong growth. EBTIDAr was close to break-even at €19k, compared with a loss of €161k in H1 2018.

All told, Group **EBITDAr** worked out to €1,155k (compared to €2,236k in H1 2018), accounting for 3.4% of H1 2018 gross margin. This included a near 18% rise in personnel costs (+€4.0m) relative to H1 2018, as a result of efforts to bolster teams to help develop the Data Consulting business across all sites.

EBTIDA came to €805k, after taking into account the negative impacts of IFRS 2 and IFRS 3R and the positive impact of the first-time application of IFRS 16.

Artefact recorded an operating loss of €2,063k, including €2,036k for amortisation, depreciation and provisions (up €1.4m relative to H1 2018). Most of the difference is attributable to the amortisation and depreciation expenses booked in respect of IFRS 16. Operating income also included €800k in one-off expenses, notably relating to the implementation of restructuring measures in Northern Europe.

After financial expenses (which included €0.1m in interest expense on lease liabilities following the application of IFRS 16) and tax, Artefact recorded **Group net income** of -€2,936k (compared to +€574k in H1 2018).

Financial position still under control

On the balance sheet, equity totalled €55.5m at 30 June 2019 (compared to €57.3m at end December 2018). The Group recorded net debt of €2.5m (compared to net cash of €1.3m at 31 Dec. 2018).

Excluding the impact of the new accounting standard IFRS 16, financial liabilities came to €15.2m, which is stable relative to 31 Dec. 2018. The application of IFRS 16 resulted in the recognition of a non-cash lease liability of €10.2m, adding an equivalent amount to financial liabilities and to tangible fixed assets.

Third quarter: growth falls short of expectations
Full-year targets revised

Proforma[3] gross margin increased 4% relative to the year-earlier period in Q3, confirming the trends observed over the first half of the year. The Data Consulting business (41% of gross margin over the period) continued to report extremely robust growth, at 38%. However, the Media business remained in difficulty, recording a 12% decline in its proforma gross margin.

By geographic region, business in **France** was stable, against an extremely demanding comparison base (proforma gross margin of 58% in Q3 2018). In the **Rest of Europe**, gross margin declined once again (-19% on proforma), to €5.9m, as the efforts made to renew the client portfolio were unable to offset the negative impact of losses recorded in recent months. In **Other markets**, the Group confirmed the acceleration in growth with proforma gross margin of €3.8m, multiplied by more than two. The region accounted for nearly 25% of total gross margin for the quarter. The Data Consulting and Media business are both contributing in full to this acceleration.

	Published			Proforma	
Gross margin (€m)	**Q3 2019**	**Q3 2018**	**Variation**	**Q3 2018**	**Variation**
France	5.9	5.9	0%	5.9	0%
Rest of Europe	5.9	7.5	-21%	7.3	-19%
Other Markets*	3.8	1.8	+114%	1.8	+114%
TOTAL	**15.5**	**15.1**	**+3%**	**15.0**	**+4%**

Unaudited data
** "Other markets" include Asia Pacific - MENA and Brazil*

In light of these trends, the initial proforma growth target of over 15% for 2019 will not be attainable. Artefact is now expecting gross margin growth to top 10% over the full year.

Targets in 2018-2020 plan postponed

Given the mixed top-line trends witnessed in recent months, Artefact is now aiming to fulfil the targets in its 2018-2020 strategy plan at a later date. To recap, the plan aimed for a gross margin of €100m and an EBTIDAr margin of 10-15% in 2020.

Although the drive to ramp up in the Data Consulting business and roll-out of its solution across all Group sites is progressing according to plan, the return to solid growth momentum in Media is proving harder than anticipated. The business revival drive has been unable to offset the loss of historical and mature clients so far. This revival was obtained later than expected and is now on the right track. The losses of Media accounts from the Group's historical portfolio are now substantially offset by contributions from new clients to gross margin.

In light of these conditions, targets set in the 2018-2020 plan have been put back until 2022. Artefact's aim for gross margin to top the €100m mark has now been postponed until that date. As regards operating profitability, the Group is also aiming for an EBTIDAr margin of 13-15% (corresponding to the upper end of the initial target range).

[3] Proforma Q3 2018 data factors in the disposal of the affiliate marketing business in Denmark, Norway and Finland at end-January 2019, to ensure perfect comparability between the two periods.

Financial calendar (after market):

January 30, 2019
FY 2019 Gross margin

END

About Artefact I artefact.com

Created from the merger of the startup Artefact founded in Paris in 2015 and the media agency NetBooster founded in 1998, Artefact has emerged in 4 years as a leading player in Data et Artificial Intelligence (AI). Listed on Euronext Growth Paris Stock Exchange and operating in 19 countries on 4 continents with close to 1,000 employees, Artefact is a data native company provides four complementary offers - Data Consulting, Digital Marketing Expertise, Technology Deployment (AI and Big Data) and Creative Studio - to more than 600 customers including many world leaders. Artefact has created in January 2019 its own AI R&D center and has been serving international groups in creating their own AI Lab.

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