

2017/18 annual results show strong growth EBIT margin of 14.1%

At its meeting of May 28, 2018, Wavestone's Supervisory Board approved the consolidated annual accounts at March 31, 2018, which are summarized below. Auditing of the accounts is complete, and the auditors are in the process of issuing their report.

Consolidated data at 03/31 (in €m)	2017/18	2016/17	Change
Revenue	359.9	338.7	+6%
EBIT <i>EBIT margin</i>	50.6 <i>14.1%</i>	38.7 <i>11.4%</i>	+31%
Amortization of client relationships Other operating income and expenses Operating income	(2.5) (1.3) 46.8	(2.5) (0.6) 35.6	+31%
Cost of financial debt Other financial income and expenses Income tax expenses	(1.9) (1.0) (17.3)	(2.1) (0.4) (13.1)	
Group share of net income <i>Net margin</i>	26.6 <i>7.4%</i>	20.1 <i>5.9%</i>	+33%

Over the full year, 2017/18, Wavestone generated revenue of €359.9m, significantly exceeding its target of €350m. Growth was 6% over the full year (7% on a constant forex basis). There was no change in the scope of consolidation between this and the previous year.

This solid growth in activity was supported by an annual growth of 6% in the firm's workforce. In the 2017/18 fiscal year, Wavestone took on nearly 700 new employees, outperforming its annual recruitment plan (which envisaged 600 new hires)—despite a highly competitive labor market.

Annual staff turnover stood at 16%, with a slight decline over the second half of the year (having stood at a full-year equivalent of 17% in H1). Wavestone confirms its medium-term aim of a staff turnover rate of less than 15%, while remaining cautious in the short-term given the current pressures on human resources.

At March 31, 2018, Wavestone had 2,793 employees, compared with 2,628 at March 31, 2017.

Improving operating indicators in 2017/18

Despite a slight decline at the end of the year, consultant utilization rate rose to 77% in 2017/18, compared with 76% for the whole of the previous year.

Sales prices saw a positive shift in Q4, reaching an average daily rate of €848 over the whole year, a slight increase compared with the previous year (€845).

The order book improved over the year, reaching 3.7 months of work at the end of March 2018.

Group share of net income up 33%

Thanks to strong levels of activity, compounded with a favorable progression in operating indicators, EBIT increased by 31% to €50.6m.

As a result, the 2017/18 EBIT margin was 14.1%, well above its target, which was raised to 11% in December 2017.

After accounting for €2.5m in amortization of customer relationships, and €1.3m in other operating expenses, operating income came to €46.8m, also up by 31% year-on-year.

As a result of the firm's deleveraging, the cost of financial debt was reduced, over the year, to €1.9m, compared with €2.1m in 2016/17. Other financial charges have increased due to foreign exchange fluctuations.

After taking into account the impact on deferred tax of changes to fiscal regimes announced in Belgium, France, and the US, income tax expenses amounted to €17.3m.

Group share of net income in 2017/18 was €26.6m, up 33%. As a result, net margin stands at 7.4%, compared with 5.9% last year.

A reduction of more than €20m in net debt

Over the 2017/18 fiscal year, Wavestone generated a cash flow from operations of €30.1m, up 22% year-on-year. Changes in working capital requirements (WCR) remained stable, year-on-year, with the unusual deterioration in the payment collections position that occurred in H1 fully absorbed during Q3.

Investments represented €3.0m during the year. Flows related to financing accounted for €13.3m, including €9.5m in loan repayments and €3.0m in dividend payments from the 2016/17 financial year.

Consolidated data (€m)	03/31/2018	03/31/2017	Consolidated data (€m)	03/31/2018	03/31/2017
Non-current assets of which goodwill	157.1 118.9	164.0 119.8	Shareholders' equity	130.2	104.1
Current assets of which trade receivables	152.2 123.9	130.8 111.2	Non-financial liabilities	144.4	134.2
Cash and cash equivalents	52.1	38.7	Financial liabilities of which less than one year	86.7 16.7	95.2 9.4
Total	361.3	333.5	Total	361.3	333.5

At March 31, 2018, the firm's consolidated equity amounted to €130.2m, and net financial debt had been reduced to €34.6m, compared with €56.5m at March 31, 2017.

At its next shareholders' annual general meeting, on July 26, 2018, Wavestone will propose a dividend payment of €0.81 per share for the 2017/18 fiscal year—an increase of 33%.

To increase share liquidity, and make Wavestone's shares more accessible, the firm will also be proposing that the par/nominal value of its shares is divided by four.

Wavestone's construction is a success—Direction: Wavestone 2021

The strong growth shown in the 2017/18 annual results—which has delivered an unprecedented EBIT margin of over 14%—clearly underscores that Wavestone's construction is a success.

The firm is now in a position to pursue its further development—in line with the ambitions set out in the Wavestone 2021 strategic plan.

1. Scale: generate €500m in revenue with an EBIT margin of 15%;
2. Reputation: make Wavestone the number-one consulting brand in France for transformation;
3. Commitment: be in the top three in its category for CSR;
4. International: generate €100m in revenue outside France.

The last objective is now key for Wavestone: more impetus is needed in terms of development and performance internationally.

The acquisition, in early April, of the UK consultancy—Xceed—is a first step in this direction. We intend to follow this with other acquisitions, as well as accelerating organic growth outside France.

2018/19 objectives: growth of at least 8%; EBIT margin of over 13%

Beyond the international topic, Wavestone's priorities in 2018/19 will be to consolidate the progress made in operational performance and human resources and to launch new initiatives to strengthen Wavestone's brand in the market.

Wavestone will also continue its aggressive focus on key market transformations: the bank of the future, energy transition, autonomous vehicles and new forms of mobility, and the modernization of the public sector.

Over the 2018/19 fiscal year, Wavestone's objective is to achieve consolidated revenue growth of at least 8%, including Xceed, with an EBIT margin of over 13%. These objectives are calculated on a constant forex basis and exclude new acquisitions.

Next events: Q1 2018/19 revenue, Wednesday, July 25, 2018, after Euronext market closing; and the combined ordinary and extraordinary shareholders' general meeting, Thursday, July 26, 2018, at 9:00am.

About Wavestone

In a world where understanding transformation is the key to success, Wavestone's ambition is to provide its clients with advice that is unique in the market, enlightening and guiding them in their most strategic decisions.

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

Wavestone is listed on Euronext, Paris, and is eligible for the PEA-PME (a French investment instrument that encourages individuals to invest in smaller and intermediate-sized firms). Wavestone is recognized as a Great Place to Work®.

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Appendix 1: Consolidated income statement at 03/31/18

<i>IFRS standards (€k)</i>	03/31/2018	03/31/2017
Revenue	359,919	338,732
Purchases consumed	13,078	14,751
Personnel costs	247,553	231,029
External expenses	40,914	45,557
Levies and taxes	5,784	5,782
Net allocation for depreciation and provisions	369	1,445
Other operating income and expenses	1,636	1,468
EBIT	50,584	38,699
Amortization of client relationships	2,503	2,503
Other operating income and expenses	(1,325)	(575)
Operating income	46,756	35,620
Financial income	4	44
Cost of gross financial debt	1,868	2,101
Cost of net financial debt	1,864	2,056
Other financial income and expenses	(978)	(413)
Pre-tax income	43,914	33,151
Income tax expenses	17,286	13,095
Net results	26,628	20,055
Minority interests	0	0
Group share of net income	26,628	20,055
Group share of net income per share (€) ⁽¹⁾	5.40	4.09
Group share of diluted net income per share (€)	5.40	4.09

⁽¹⁾ Number of shares weighted over the period.

Appendix 2 - Consolidated balance sheet at 03/31/18

<i>IFRS standards (€k)</i>	03/31/2018	03/31/2017
Goodwill	118,909	119,761
Intangible assets	12,881	14,824
Tangible assets	17,083	18,719
Financial assets – more than one year	1,566	1,685
Other non-current assets	6,638	8,964
Non-current assets	157,077	163,953
Accounts receivable (client)	123,920	111,179
Other receivables	28,258	19,668
Cash and cash equivalents	52,056	38,722
Current assets	204,235	169,570
Total assets	361,312	333,523
Capital	497	497
Issue and merger premiums, additional paid-in capital	11,218	11,218
Consolidated reserves and earnings	119,386	93,034
Conversion-rate adjustment	(852)	(639)
Total shareholders' equity, group share	130,249	104,110
Minority interests	0	0
Total equity	130,249	104,110
Long-term provisions	13,758	12,822
Financial liabilities - more than one year	69,994	85,763
Other non-current liabilities	162	312
Non-current liabilities	83,913	98,897
Short-term provisions	4,521	6,737
Financial liabilities - less than one year	16,708	9,424
Trade payable	18,380	15,414
Tax and social security liabilities	89,664	80,324
Other current financial liabilities	17,876	18,615
Current liabilities	147,150	130,516
Total liabilities	361,312	333,523

Appendix 3 - Consolidated cash flow statement at 03/31/18

<i>IFRS standards (€k)</i>	03/31/2018	03/31/2017
Consolidated net income	26,628	20,055
Elimination of non-cash elements		
Net depreciation and provisions	7,544	7,015
Losses/gains on disposals, net of tax	33	(24)
Other calculated income and expenses	(2,787)	(1,613)
Cost of net financial debt	1,481	1,625
Gross cash flow margin ⁽¹⁾	32,899	27,060
Change in WCR	(2,762)	(2,319)
Net cash flow from operations	30,137	24,741
Intangible and fixed asset acquisitions	(2,705)	(14,784)
Asset disposals	49	55
Change in financial assets	1,059	(1,778)
Impact of changes in scope of consolidation ⁽²⁾	(1,436)	(1,974)
Net cash flow from investments	(3,033)	(18,480)
Dividends paid to parent-company shareholders	(3,007)	(2,014)
Dividends distributed to minority interests of consolidated companies	0	0
Loans received	690	1,745
Repayment of loans	(9,477)	(5,169)
Net financial interest paid	(1,501)	(1,706)
Other flows related to financing operations	0	0
Net cash flow from financing operations	(13,295)	(7,145)
Net change in cash and cash equivalents	13,809	(884)
Impact of translation differences	(470)	124
Opening cash position	38,657	39,417
Closing cash position	51,996	38,657

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

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

Taxes paid amounted to €19,047k at 03/31/18 and €13,021k at 03/31/17.