

## 2018/19 EBIT margin resilient at 14.1%

### Prudent objectives for 2019/20, but a continued focus on growth

At its meeting of May 27, 2019, Wavestone's Supervisory Board approved the consolidated annual accounts as at March 31, 2019, 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)	2018/19	2017/18	Change
<b>Revenue</b>	<b>391.5</b>	<b>359.9</b>	<b>+9%</b>
<b>EBIT</b> <i>EBIT margin</i>	<b>55.2</b> <i>14.1%</i>	<b>50.6</b> <i>14.1%</i>	<b>+9%</b>
Amortization of client relationships Other operating income and expenses <b>Operating income</b>	(2.3) (0.5) <b>52.4</b>	(2.5) (1.3) <b>46.8</b>	<b>+12%</b>
Cost of financial debt Other financial income and expenses Income tax expenses	(1.7) (0.1) (19.9)	(1.9) (1.0) (17.3)	
<b>Group share of net income</b> <i>Net margin</i>	<b>31.0</b> <i>7.9%</i>	<b>26.6</b> <i>7.4%</i>	<b>+16%</b>

### Revenue totaled €391.5 for 2018/19, an increase of +9%, and equivalent to +5% organic growth

At the end of the fiscal year, Wavestone's consolidated revenue stood at €391.5m, an increase of +9%. Over the course of the year, Wavestone acquired the firms Xceed and Metis Consulting, which have been consolidated since April 1, 2018 and November 1, 2018, respectively.

At constant scope and exchange rates, organic growth reached +5%.

### Outperforming the annual recruitment plan and reducing staff turnover in H2

Throughout the year, Wavestone pursued an active recruitment policy, enabling it to achieve about 800 gross hires, compared with the target of at least 600 set at the beginning of the year.

Meanwhile, after the reappearance of pressures on human resources at the start of the year, the staff turnover rate slowed in H2, to stand at 18% over the full 12-month period, compared with 21% (on an annual equivalent basis) over H1. The company confirms its goal of progressively converging on a turnover level of less than 15%.

At March 31, 2019, Wavestone had 3,094 employees, compared with 2,793 on March 31, 2018.

<sup>1</sup> In case of discrepancy between the French and English versions of this press release, only the French version should be deemed valid.

### Consultant utilization rate under pressure in 2018/19, while sales prices increased

Consultant utilization rate stood at 75% over the year, compared with 77% in 2017/18. After the downturn experienced in the summer of 2018, consultant utilization rate remained under pressure until the end of the year, despite the company's increased efforts on business development since the fall.

Sales prices rose by +2.8% over the 2018/19 fiscal year, a better result than the company's target range of +1% to +2%. Reflecting this, average daily rates reached €872 over the year, compared with €848 in 2017/18.

At March 31, 2019, the firm's order book stood at 3.6 months of work, compared with 3.7 months at the end of the 2017/18 fiscal year.

### Group share of net income rose by +16% in 2018/19

EBIT amounted to €55.2m in 2018/19, up +9% compared with the year before. EBIT margin stood at 14.1%, a level identical to 2017/18. It should be noted that net depreciation and provisions, which stood at €3.5m, are, in large part, due to amortizations totalling €3.7m.

Operating income increased +12% to €52.4m, which includes a reduction in the amortization of customer relationships and other operating income and expenses.

Group share of net income rose by +16%, to €31.0m, compared with €26.6m for the previous year. Net margin stood at 7.9%, compared with 7.4% in 2017/18.

### Cash flow higher than the level of acquisitions

Over the 2018/19 fiscal year, Wavestone generated a gross cash flow margin of €43.1m, a year-on-year increase of +27%. After accounting for an increase in working capital requirements of €10.4m, cash flow from operations was €32.6m.

Investment transactions amounted to €23.3m, largely accounted for by the acquisitions of Xceed (in the UK) and Metis Consulting (in France), for €21.6m. Flows related to financing consumed €11.1m, mainly due to share buybacks costing €8.1m and dividend payments of €4.1m.

At March 31, 2019, Wavestone's consolidated equity amounted to €150.8m, for a net financial debt of €38.7m compared with €34.6m at the end of March 2018.

Consolidated audited data (in €m)	03/31/2019	03/31/2018	Consolidated audited data (in €m)	03/31/2019	03/31/2018
<b>Non-current assets</b> of which goodwill	<b>177.4</b> 140.6	<b>157.1</b> 118.9	<b>Shareholders' equity</b>	<b>150.8</b>	<b>130.2</b>
<b>Current assets</b> of which trade receivables	<b>156.1</b> 130.4	<b>152.2</b> 123.9	<b>Non-financial liabilities</b>	<b>144.0</b>	<b>144.4</b>
<b>Cash and cash equivalents</b>	<b>50.7</b>	<b>52.1</b>	<b>Financial liabilities</b> of which less than one year	<b>89.4</b> 23.7	<b>86.7</b> 16.7
Total	<b>384.2</b>	<b>361.3</b>	Total	<b>384.2</b>	<b>361.3</b>

At its next shareholders' annual general meeting, on July 25, 2019, Wavestone will propose a dividend payment of €0.23 per share for the 2018/19 fiscal year—an increase of +14%.

### Business development efforts are being intensified in 2019/20

The outturn of the 2018/19 fiscal year proved disappointing. While an increase in the value of the company's services led to a significant increase in sales prices, it was mirrored by an insufficient rate of order intake, leading to a material reduction in consultant utilization rate.

The economic climate is increasingly uncertain, something that is beginning to affect demand for consulting services. Target clients are showing greater caution and being more judicious, especially in the banking sector.

Given this backdrop, in 2019/20, the firm is intensifying its business development efforts—by increasing the size of its sales force, intensifying prospecting activity, and more precise steering of business development activity. In parallel, Wavestone will further focus efforts on sectors with the highest potential, such as the public sector, transport and energy-utilities.

## **A continued focus on growth and confirmation of Wavestone 2021 ambitions**

Despite this more fragile business climate, Wavestone is confident in the firm's prospects. The company believes it should maintain a steady pace of recruitment, even though this might put a brake on improvements in consultant utilization rate in the short term. Therefore, Wavestone is again targeting over 600 gross hires in the current fiscal year.

The firm will continue to pursue its external growth strategy and hopes to make one or two acquisitions during the year, primarily prospects linked to international expansion.

For the longer term, Wavestone confirms the ambitions set out in its strategic plan, Wavestone 2021. However, the plan's objectives, in terms of sales growth and levels of international business activity, are becoming increasingly challenging as a result of more lackluster growth in recent months, and valuations that remain high for acquisitions.

### **2019/20 objectives: revenue growth of at least +5%; EBIT margin of over 13%**

Given its performance over the recent months and the current market uncertainty, the company has chosen to set prudent targets for the 2019/20 fiscal year.

As a result, Wavestone expects revenue growth of over +5% for 2019/20 (including a full-year contribution from Metis Consulting), with a corresponding EBIT margin of over 13%.

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

**Next events:** publication of Q1 2019/20 revenue, Wednesday, July 24, 2019, after Euronext market closing; and the shareholders' annual general meeting, Thursday, July 25, 2019, at 9:00am at the Pavillon Gabriel (5 Avenue Gabriel, 75008 Paris).

## **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 some 3,000 employees across 8 countries. It is a leading independent player in European consulting, and the number one in France.*

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

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## Appendix 1. Consolidated income statement at 03/31/2019

<i>IFRS standards (€k)</i>	<b>03/31/2019</b>	<b>03/31/2018</b>
<b>Revenue</b>	<b>391,530</b>	<b>359,919</b>
Purchases consumed	12,346	13,078
Personnel costs	262,989	247,553
External expenses	51,429	40,914
Levies and taxes	5,992	5,784
Net allocation for depreciation and provisions	3,501	369
Other expenses and operating income	29	1,636
<b>EBIT</b>	<b>55,243</b>	<b>50,584</b>
Amortization of client relationships	2,289	2,503
Other operating income and expenses	-525	-1,325
<b>Operating income</b>	<b>52,430</b>	<b>46,756</b>
Financial income	10	4
Cost of gross financial debt	1,688	1,868
<b>Cost of net financial debt</b>	<b>1,678</b>	<b>1,864</b>
Other financial income and expenses	-120	-978
<b>Pre-tax income</b>	<b>50,631</b>	<b>43,914</b>
Income tax expenses	19,861	17,286
<b>Net income</b>	<b>30,770</b>	<b>26,628</b>
Minority interests	0	0
<b>Group share of net income</b>	<b>30,770</b>	<b>26,628</b>
Group share of net income per share (€) <sup>(1) (2)</sup>	1.54	1.33
Group share of diluted net income per share (€)	1.54	1.33

(1) Number of shares weighted over the period.

(2) Following the increase in the number of shares in circulation (arising from the issue of free shares and the division of shares), and in accordance with accounting standard IAS 33, a retrospective calculation of net earnings per share at 03/31/2018 has been carried out, on the basis of the number of shares in existence at 03/31/2019.

## Appendix 2: Consolidated balance sheet at 03/31/2019

<i>IFRS standards (€k)</i>	<b>03/31/2019</b>	<b>03/31/2018</b>
Goodwill	140,621	118,909
Intangible assets	10,094	12,881
Tangible assets	17,099	17,083
Financial assets – more than one year	1,961	1,566
Other non-current assets	7,635	6,638
<b>Non-current assets</b>	<b>177,409</b>	<b>157,077</b>
Trade and related receivables	130,420	123,920
Other receivables	25,692	28,258
Cash and cash equivalents	50,709	52,056
<b>Current assets</b>	<b>206,821</b>	<b>204,235</b>
<b>Total assets</b>	<b>384,230</b>	<b>361,312</b>
Capital	505	497
Issue and merger premiums, additional paid-in capital	11,218	11,218
Consolidated reserves and earnings	139,762	119,386
Conversion-rate adjustment	-675	-852
<b>Total shareholders' equity, group share</b>	<b>150,810</b>	<b>130,249</b>
Minority interests	0	0
<b>Total equity</b>	<b>150,810</b>	<b>130,249</b>
Long-term provisions	14,566	13,758
Financial liabilities - more than one year	65,703	69,994
Other non-current liabilities	1,535	162
<b>Non-current liabilities</b>	<b>81,803</b>	<b>83,913</b>
Short-term provisions	4,297	4,521
Financial liabilities - less than one year	23,720	16,708
Trade payable	19,381	18,380
Tax and social security liabilities	81,369	89,664
Other current financial liabilities	22,851	17,876
<b>Current liabilities</b>	<b>151,618</b>	<b>147,150</b>
<b>Total liabilities</b>	<b>384,230</b>	<b>361,312</b>

### Appendix 3: Consolidated cash flow statement at 03/31/2019

		Restated <sup>(1)</sup>	Published
<i>IFRS standards (€k)</i>	03/31/2019	03/31/2018	03/31/2018
<b>Consolidated net income</b>	<b>30,770</b>	<b>26,628</b>	<b>26,628</b>
Elimination of non-cash elements			
Net depreciation and provisions	9,210	7,544	7,544
Losses/gains on disposals, net of tax	-60	33	33
Other calculated income and expenses	1,888	-1,771	-2,787
Cost of net financial debt	1,262	1,481	1,481
<b>Gross cash flow margin<sup>(2)</sup></b>	<b>43,071</b>	<b>33,915</b>	<b>32,899</b>
Change in WCR	-10,448	-2,762	-2,762
<b>Net cash flow from operations</b>	<b>32,622</b>	<b>31,153</b>	<b>30,137</b>
Intangible and tangible fixed asset acquisitions	-1,449	-2,705	-2,705
Asset disposals	75	49	49
Change in financial assets	-321	2	1 059
Impact of changes in scope <sup>(3)</sup>	-21,619	-1,436	-1,436
<b>Net cash flow from investments</b>	<b>-23,314</b>	<b>-4,090</b>	<b>-3,033</b>
Sales (acquisitions) by the company of its own shares <sup>(4)</sup>	-8,070	41	-
Dividends paid to parent-company shareholders	-4,054	-3,007	-3,007
Dividends paid to minority interests of consolidated companies	0	0	0
Loans received	19,600	690	690
Repayment of loans	-17,307	-9,477	-9,477
Net financial interest paid	-1,284	-1,501	-1,501
<b>Net cash flow from financing operations</b>	<b>-11,114</b>	<b>-13,254</b>	<b>-13,295</b>
<b>Net change in cash and cash equivalents</b>	<b>-1,806</b>	<b>13,809</b>	<b>13,809</b>
Impact of translation differences	403	-470	-470
Opening cash position	51,996	38,657	38,657
Closing cash position	50,592	51,996	51,996

(1) The company has decided to change the presentation of its cash flow statement 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 €22,870k at 03/31/2019 and €19,047k at 03/31/2018.

(3) The line "Impact of changes in scope of consolidation" corresponds to disbursements relating to the acquisition of Xceed's activities, items relating to the acquisition of Metis's activities, and items relating to the acquisition of Kurt Salmon's activities.

(4) For information, the company has delivered treasury shares to a value of €1,893k.