

Q3 2020/21: Levels of business activity better than expected

Annual revenue target raised to €410m

Revenue In €m - unaudited consolidated data	2020/21	2019/20	Change	Change at constant scope ¹ and on a constant forex basis
Q1	94.4	98.3	-4%	-10%
Q2	92.4	96.2	-4%	-4%
Q3	111.8	112.7	-1%	+3%
Nine-month total	298.5	307.2	-3%	-4%

¹ Without WGroup, consolidated since 08/01/2019.

In Q3 of the 2020/21 fiscal year (October 1 to December 31, 2020), Wavestone generated consolidated revenue of €111.8m, which was higher than forecast and broadly stable compared with Q3 2019/20 (-1%).

At constant scope and exchange rates, excluding WGroup, revenue grew by +3% over the quarter, compared with a decline of -7% in H1.

Strengthened by this good Q3 result, revenue for the first nine months of the 2020/21 fiscal year reached €298.5m, a decline now limited to -3%, or -4% at constant scope and exchange rates.

Consultant utilization rate of 75% in Q3

The worsening of the public-health situation and tighter preventive measures did not dampen the upturn in utilization rate throughout the quarter, which was underpinned by revitalized business-development activity.

Consultant utilization rate stood at 75% in Q3 2020/21, which exceeded expectations. The firm's target was a rate greater than 72%, compared with rates of 68% in Q2 and 63% in Q1. Over a nine-month period, the consultant utilization rate stood at 69%, compared with 71% for the whole of the 2019/20 fiscal year.

For the record, since October 1, 2020, no use has been made of furlough mechanisms, apart from some limited arrangements in the UK.

A decline in average daily rate over 2020/21 – in line with expectations

Following the realities of the first two quarters of the fiscal year, pressure on prices remained in Q3.

Over the first nine months of the year, the average daily rate stood at €844, down -4% compared with the average price of €878 recorded in 2019/20.

The company confirms that it expects its sales prices to reduce over 2020/21, in line with the -3% to -5% range announced at the start of the year.

Modest increase in headcount: 3,358 employees at December 31, 2020

At December 31, 2020, Wavestone had 3,358 employees, compared with 3,324 at the end of September, and 3,498 at the end of March (the end of the 2019/20 fiscal year).

With increasing confidence, as a result of greater visibility on future projects, Wavestone has gradually expanded the recruitment activity it restarted in September to other offices and practices. The company confirms the objective of achieving more than 400 gross hires in the 2020/21 fiscal year, with 300 new starters targeted before the end of March 2021.

At the end of December, staff turnover rate stood at 12% (on a rolling 12-month basis). The firm expects it to remain close to this level over the entire fiscal year, compared with a level of 14% at the end of the previous year.

The decline in Wavestone's headcount over the 2020/21 fiscal year may ultimately be less than the expected reduction of -5%.

Strong level of order intake: order book at 3.9 months on December 31, 2020

Since the summer of 2020, Wavestone has been reaping the benefits of its intensified business development activity.

Despite a worsening of the public-health situation over the period, the firm achieved solid level of order intake. The company's order book stood at 3.9 months of work at December 31, 2020, compared with 3.7 months at the end of September, and 3.5 months at March 31, 2020.

At a sectoral level, the trends the company has already observed are being confirmed. Pharmaceuticals, utilities, the public sector, and insurance are the highest-potential sectors and remain the object of sustained business development efforts. There are also encouraging signals from the banking sector, which may offer another environment for growth in 2021. Conversely, transport, automotive, and retail continue to be marked by weak demand.

In terms of project types, the improving business activity initially concentrated within the firm's technological practices is now extending into its management consulting practices. Wavestone is also seeing an increasing number of assignments linked to major transformation projects – an area where activity is accelerating as a result of the crisis.

Positive net cash position¹ being targeted for March 31, 2021

The company's financial situation continued to strengthen over Q3 2020/21, even with a profit-sharing payment of €6.3m to employees in France, the release of which had been delayed from July to December 2020.

At December 31, 2020, the net cash position¹ had reached break-even. Wavestone's objective is to further improve this position¹ by March 31, 2021, while the firm's net financial debt¹ levels were at €15.6m at the end of September 2020 and €29.1m at the end of March 2020.

Continuation of a more bullish approach in 2021

The feared slowdown in business activity in the first months of 2021, due to economic uncertainties, appears to be very limited for the time being.

While it remains highly vigilant, Wavestone is increasingly confident about the business outlook and intends to maintain its more bullish approach toward the market.

Beyond restarting recruitment, the firm has resumed external growth activity and targets as a priority international acquisitions, mainly in the United States; but without ruling out tactical acquisitions in France.

¹ Excluding lease liabilities

2020/21 revenue target raised to €410m with a double-digit EBIT margin

The solid level of order intake in recent months, combined with the actions taken at the end of 2020 to minimize any disruption to workflows at the start of 2021, will result in what will ultimately be a very limited decline in consultant utilization rate for Q4 of the fiscal year.

Q3 business activity exceeding expectations, and strong signals for the business outlook at the start of 2021, have led Wavestone to raise its annual revenue target; expectations are now for annual revenue of about €410m, compared with more than €400m previously.

On profitability, the firm confirms its objective of achieving a double-digit EBIT margin.

Next event: 2020/21 annual revenue – Tuesday, April 27, 2021, after Euronext market closing.

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

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