

2020/21 annual results: EBIT margin solid at 12.8% and strong cash flow generation

At its meeting of June 1, 2021, Wavestone's Supervisory Board approved the consolidated annual accounts as at March 31, 2021, 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 3/31 (in €m)	2020/21	2019/20	Change
Revenue	417.6	422.0	-1%
EBIT <i>EBIT margin</i>	53.3 <i>12.8%</i>	55.7 <i>13.2%</i>	-4%
Amortization of client relationships Other operating income and expenses Operating income	(1.5) (8.5) 43.3	(1.6) (0.6) 53.5	-19%
Cost of financial debt Other financial income and expenses Income tax expenses	(1.1) (1.5) (15.3)	(2.2) (1.2) (19.0)	
Group share of net income <i>Net margin</i>	25.4 <i>6.1%</i>	31.1 <i>7.4%</i>	-19%

A strong end-of-year position for 2020/21: decline in annual revenue limited to -1%

At the end of the 2020/21 fiscal year, Wavestone's consolidated revenue stood at €417.6m.

Buoyed by a progressive improvement in business activity in H2, the company recorded a limited decline in annual revenue of -1% (identical decline at constant scope and exchange rates). This trend demonstrates the firm's solid outperformance of the market, in a consulting sector where revenue fell by about 13% worldwide over 2020 (source: Source Global Research), and by 11% in France (source: Syntec Conseil).

Recruitment plan targets exceeded: 3,453 employees at the end of March 2021

Wavestone achieved about 450 gross hires over the 2020/21 fiscal year, exceeding the target of 400 hires set at the point where it resumed recruitment activity in September 2020.

With staff turnover reducing to 11% over the fiscal year (compared with 14% a year earlier), the contraction in Wavestone's workforce was limited to -1% over the 12-month period.

At March 31, 2021, Wavestone had 3,453 employees, compared with 3,498 a year earlier.

A marked increase in consultant utilization rate over the year, but sales prices eroded

As a result of good levels of order intake in H2, the consultant utilization rate was 71% for the whole of the 2020/21 fiscal year – an identical level to 2019/20. It reached 75% over H2, rising from 65% at the end of H1 2020/21.

The average daily rate stood at €842 in 2020/21; down -4% compared with the average price of €878 recorded in 2019/20. This decline is in line with the -3% to -5% range forecast at the start of the fiscal year.

The firm's order book stood at 4.1 months of work at March 31, 2021, compared with 3.7 months at the end of September 2020, and 3.5 months at the end of March 2020.

A resilient EBIT margin of 12.8%

EBIT amounted to €53.3m in 2020/21, a reduction of -4% compared with the 2019/20 fiscal year.

As a reminder, this EBIT figure includes a provision of -€3.2m, reflecting the decision by Wavestone's Management Board to submit, for shareholder approval, at the Annual General Meeting of July 27, 2021, the reimbursement of monies received under furlough arrangements during the 2020/21 fiscal year.

The performance plan initiated at the beginning of the fiscal year, aimed at reducing the firm's cost base in challenging business conditions, resulted in savings of €19.5m in 2020/21 – exceeding the €15m initially targeted.

EBIT margin was 12.8% for the fiscal year, compared with 13.2% in 2019/20. The objective of delivering a double-digit EBIT margin has therefore been solidly achieved.

To reflect the effects of the Smartworking@Wavestone project, €8.3m of provisions and depreciation were accounted for under other operating income and expenses. As a reminder, Smartworking@Wavestone aims to reinvent the organization of work within the company, and will result in a reduction of about 40% in the footprint of Wavestone's Paris office¹. For information, only €5.3m of the €8.3m figure relates to future disbursements.

After taking into account these provisions and depreciation, other non-current charges (mostly comprising the €0.2m related to the acquisition of Everest Group's consulting practice in the US in May 2021), and the depreciation of client relationships (€1.5m), operating income stood at €43.3m in 2020/21, down by -19% compared with 2019/20.

The cost of net financial debt was halved to €1.1m in 2020/21, following the establishment of the new financing contract in March 2020 and deleveraging.

Other financial incomes and expenses amounted to €1.5m and include forex effects and costs related to hedging instruments.

After taking into account the tax charge, the group share of net income was €25.4m: a decrease of -19%, an identical level to the decline in operating income. Net margin stood at 6.1% in 2020/21, compared with 7.4% a year earlier.

Record cash flow from business activities in 2020/21: €70.8m

In 2020/21, Wavestone generated a record operating cash flow of €70.8m, up 28% compared with the previous fiscal year – a result of the rigorous optimization of working capital requirements.

With no external growth activity during the year, and due to the prudent approach taken throughout the period, investment operations consumed only €0.8m over the fiscal year.

Financing flows amounted to €47.2m, which includes €38.3m in net loan repayments, and €7.8m in lease liability repayments (under IFRS 16).

¹ Read the [press release of April 27, 2021](#)

Net cash position of €31.8m at March 31, 2021

At March 31, 2021, Wavestone's equity had increased to €206.1m.

Driven by cash flow generation, the net cash position² amounted to €31.8m at the end of the 2020/21 fiscal year, against a net financial debt² of €29.1m at the end of March 2020.

As a reminder, the firm has not taken a French-government-provided loan (PGE) and has not refinanced its trade receivables.

Consolidated audited data at 3/31 (in €m)	3/31/2021	3/31/2020	Consolidated audited data at 3/31 (in €m)	3/31/2021	3/31/2020
Non-current assets	212.6	232.8	Shareholders' equity	206.1	177.1
of which goodwill	162.0	166.5	Financial liabilities	56.2	94.3
including rights to use leased assets	21.0	30.6	of which less than one year	8.2	38.2
Current assets	145.8	151.7	Lease liabilities	30.3	37.7
of which trade receivables	125.7	128.4	Non-financial liabilities	154.0	140.5
Cash and cash equivalents	88.0	65.1	Total	446.5	449.6
Total	446.5	449.6			

At the Shareholders' Annual General Meeting of July 27, 2021, the Management Board and Supervisory Board will propose the payment of a dividend of €0.23 per share for the 2020/21 fiscal year; this is identical to the dividend paid in 2019 for the 2018/19 fiscal year, prior to suspending the dividend payment in 2020 as a result of the Covid-19 crisis. Exceptionally, this dividend represents a payout ratio of 18%, compared with the usual policy of paying a dividend of 15% of the group share of net income.

A strong start to the 2021/22 fiscal year, maintaining of a bullish stance

The strong momentum built at the end of the 2020/21 continued over the first two months of the new 2021/22 fiscal year.

Wavestone confirms the continuation of its more bullish approach in the new fiscal year, with the return to growth a priority.

Given this, recruitment and staff turnover have again become key areas of focus for the firm. Wavestone plans to recruit 800 new employees in 2021/22 (compared with 450 gross hires in 2020/21 and 900 in 2019/20). The company anticipates a rise in staff turnover rate, after the low reached in 2020/21, but aims to limit this to about 15% over the whole of the fiscal year.

On sales prices, pressure remains high. After the decline recorded in 2020/21 (-4%), Wavestone has set an objective of stabilizing average daily rates over 2021/22, compared with the last fiscal year.

In addition, consultant utilization rate is expected to remain robust. The firm's goal is to maintain a rate close to that of H2 2020/21 (75%) for the whole of the new fiscal year.

2021/22 financial objectives

At the end of April 2021, Wavestone gave some initial indications of its objectives for the 2021/22 fiscal year: revenue of about €450m and an EBIT margin close to 13%, including the re-emergence of growth-related expenses which will be partially offset by savings from Smartworking@Wavestone.

After acquiring the consulting practice of Everest Group in the US, which has been integrated into Wavestone's consolidated financial statements since May 1, 2021, the firm has increased its revenue objective to €460m.

² Excluding lease liabilities

The profitability objective remains to generate an EBIT margin of about 13%.

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

After the completion of this initial operation in the United States, Wavestone aims to continue its policy of targeted acquisitions throughout the fiscal year; acquisitions in the US will remain the priority, but this does not rule out tactical acquisitions in France.

Next events: Q1 2021/22 revenue, Monday, July 26, 2021, after Euronext market closing; and the Shareholders' Annual General Meeting, Tuesday, July 27, 2021, at 9:00am (CET).

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.

Wavestone is listed on Euronext, Paris.

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Appendix 1: Consolidated income statement at 3/31/2021

<i>In €k – Audited data – IFRS standards</i>	3/31/2021	3/31/2020
Revenue	417,608	422,042
Purchases consumed	13,951	13,007
Personnel costs	310,168	289,877
External expenses	23,703	46,699
Levies and taxes	7,241	6,313
Net allocation for depreciation and provisions	9,720	10,373
Other current income and expenses	-450	73
EBIT	53,275	55,700
Amortization of client relationships	1,493	1,553
Other operating income and expenses	-8,519	-627
Operating income	43,263	53,521
Financial income	5	8
Cost of gross financial debt	1,144	2,185
Cost of net financial debt	1,138	2,177
Other financial income and expenses	-1,451	-1,242
Pre-tax income	40,674	50,101
Income tax expenses	15,297	18,961
Net income	25,377	31,140
Minority interests	0	0
Group share of net income	25,377	31,140
Group share of net income per share (€) ⁽¹⁾	1.27	1.57
Group share of diluted net income per share (€)	1.27	1.57

(1) Number of shares weighted over the period.

Appendix 2: Consolidated balance sheet at 3/31/2021

<i>In €k – Audited data – IFRS standards</i>	3/31/2021	3/31/2020
Goodwill	162,035	166,482
Intangible assets	6,216	8,111
Tangible assets	8,548	14,024
Rights to use leased assets ⁽¹⁾	20,959	30,613
Financial assets – more than one year	2,091	1,986
Other non-current assets	12,789	11,535
Non-current assets	212,639	232,750
Inventory	0	0
Trade and related receivables	125,710	128,408
Other receivables	20,112	23,282
Financial assets	0	0
Cash and cash equivalents	88,009	65,131
Current assets	233,831	216,821
Total assets	446,469	449,571
Capital	505	505
Issue and merger premiums; additional paid-in capital	11,218	11,218
Consolidated reserves and earnings	193,944	166,655
Conversion-rate adjustment	395	-1,235
Total shareholders' equity, group share	206,063	177,142
Minority interests	0	0
Total equity	206,063	177,142
Long-term provisions	17,317	15,343
Financial liabilities - more than one year	48,013	56,076
Lease liabilities – more than one year ⁽¹⁾	22,260	29,616
Other non-current liabilities	184	959
Non-current liabilities	87,774	101,993
Short-term provisions	6,567	5,348
Financial liabilities - less than one year	8,152	38,179
Lease liabilities – less than one year ⁽¹⁾	8,025	8,041
Trade payable	11,554	16,586
Tax and social security liabilities	98,305	80,417
Other current financial liabilities	20,029	21,864
Current liabilities	152,633	170,435
Total liabilities	446,469	449,571

(1) A line created as a result of implementing IFRS 16

Appendix 3: Estimated consolidated cash flow statement at 3/31/2021

<i>In €k – Audited data – IFRS standards</i>	3/31/2021	Restated ⁽³⁾ 3/31/2020	Published 3/31/2020
Consolidated net income	25,377	31,140	31,140
Elimination of non-cash elements:			
Net depreciation and provisions ⁽¹⁾	20,680	13,204	16,837
Charges/(income) related to share-based payments	2,300	3,470	-
Losses/gains on disposals, net of tax	12	129	-34
Other calculated income and expenses	1,895	-1,210	-188
Cost of net financial debt (inc. interest on lease liabilities)	1,470	2,565	1,616
Tax charges / (income)	15,297	18,961	-
Self-financing capacity before net financial debt and tax costs	67,030	68,260	49,371
Tax paid	-17,038	-19,167	-
Change in WCR	20,828	6,205	5,927
Net cash flow from operations	70,820	55,298	55,298
Intangible and tangible fixed asset acquisitions	-748	-3,062	-3,062
Asset disposals	14	86	86
Change in financial assets	-114	61	61
Impact of changes in scope	0	-26,615	-26,615
Net cash flow from investments	-849	-29,530	-29,530
Sales (acquisitions) by the company of its own shares ⁽²⁾	137	-3,522	-3,522
Dividends paid to parent-company shareholders	0	-4,572	-4,572
Dividends paid to minority interests of consolidated companies	0	0	0
Loans received	0	118,220	118,220
Repayment of loans	-38,320	-111,767	-111,767
Repayments of lease liabilities	-7,802	-6,720	-6,720
Net financial interest paid	-878	-2,487	-2,487
Net interest paid on lease liabilities	-336	-321	-321
Other flows related to financing operations	27	0	0
Net cash flow from financing operations	-47,173	-11,168	-11,168
Net change in cash and cash equivalents	22,79	14,599	14,599
Impact of translation differences	137	-123	-123
Opening cash position	65,068	50,592	50,592
Closing cash position	88,003	65,068	65,068

⁽¹⁾ Including €6,491k for the amortization of property usage rights (IFRS 16) at 3/31/2021 and €6,346k, for the same, at 3/31/2020.

⁽²⁾ For information, the company has delivered treasury shares to a value of €2,518k.

⁽³⁾ To show tax paid directly in the change in cash and cash equivalents, in accordance with IFRS presentation standards, the table now shows self-financing capacity before the cost of financial debt and tax, and then the tax paid. See the consolidated financial statements for more details on the various presentational changes made to the items included in cash flow generated by business activity.