

H1 2024/25 results: 10.1% recurring operating margin

Updated annual targets: stable revenue, 12.5% recurring operating margin

On December 4, 2024, Wavestone's Board approved the consolidated half-yearly accounts as of September 30, 2024, which are summarized below. These accounts have been subject to a limited review by the statutory auditors, who are in the process of issuing their report.

Limited review at 09/30 (in €m)	H1 2024/25	H1 2023/24	Change
Revenue	457.8	276.7	+65%
Recurring operating profit (ROP)¹ <i>Recurring operating margin</i>	46.4 10.1%	36.8 13.3%	+26%
Amortization of customer relationships	(4.4)	(0.7)	
Other operating income and expenses	(0.5)	(2.8)	
Operating profit	41.6	33.2	+25%
Cost of net financial debt	(1.6)	(0.7)	
Other financial income and expenses	(1.7)	(0.3)	
Tax expense	(11.0)	(9.2)	
Net income <i>Net margin</i>	27.3 6.0%	23.0 8.3%	+19%
Net income - group share	27.2	23.0	+19%
Net income - group share, per share after dilution (in €)	1.11	1.16	-4%

¹ Wavestone has introduced in 2023/24 an alternative performance indicator named Recurring Operating Profit (ROP), the definition of which is provided at the end of this press release.

H1 in 2024/25: revenue up by 65%, equivalent to +2% organic growth

Over the whole of H1 2024/25, revenue amounted to €457.8m, an increase of +65% compared with H1 2023/24, of which +1% on a constant scope and forex basis.

As a reminder, Wavestone has consolidated Q_PERIOR, a German consulting firm, since December 1, 2023, and Aspirant Consulting, a US consulting firm, since February 1, 2024.

On a pro forma basis, calculated as if the acquisitions of Q_PERIOR and Aspirant Consulting had taken place on April 1, 2023, half-yearly revenue showed growth of +2% over the period. This change benefits from a favorable working day impact of +2%¹ over H1.

¹ taking into account the geographical distribution of Wavestone's workforce

Consultant utilization rate of 73%²; average daily rate of €937

In H1 2024/25, the consultant utilization rate held strong and stood at 73%. At constant scope, it amounted to 72%, versus 73% for the whole of the 2023/24 fiscal year.

Prices declined slightly during Summer. At the mid-point of the 2024/25 fiscal year, the average daily rate was €937 (as a reminder: €944 over Q1). At constant scope, the average sales price was €898.

With regard to business development, the order book stood at about 3.7 months of work on September 30, 2024 (including Q_PERIOR and Aspirant Consulting). At constant scope, it stood at 3.4 months versus 4.1 months on March 31, 2024, reflecting the traditional slowdown in order intake during the Summer but also the more conservative behavior of Wavestone's clients.

Staff turnover rate stable at 13%

On September 30, 2024, the staff turnover rate (including Q_PERIOR and Aspirant Consulting) stood at 13% on a rolling 12-month basis. At constant scope, staff turnover rate was 14% – a level equivalent to that of the 2023/24 fiscal year.

Wavestone had 5,875 employees on September 30, 2024, compared to 5,894 on March 31, 2024.

10.1% recurring operating margin in H1 2024/25

Recurring operating profit amounted to €46.4m in H1 2024/25, up by +26%.

The recurring operating margin stood at 10.1%, compared with 13.3% in H1 2023/24 (when neither Q_PERIOR nor Aspirant Consulting had been consolidated).

Profitability in H1 2024/25 has been impacted by the usual seasonal effect experienced by the firm and by the costs linked to the integration program between Wavestone and Q_PERIOR, notably the "Together as One" event organized in Paris in May 2024.

+19% increase in net income, representing a net margin of 6.0%

After taking into account the amortization of customer relationships (€4.4m, including €3.6m of amortization of Q_PERIOR's customer relationships), and other operating profit and expenses, operating income stood at €41.6m, an increase of +25%.

The cost of net financial debt amounted to -€1.6m in H1, compared to -€0.7m a year earlier, due to an increase in financial debt as a result of the recent acquisitions.

Other financial income and expenses totaled -€1.7m over the H1 2024/25, of which -€0.6m related to the unwinding of the discount effect of Q_PERIOR's earn-out paid in H1.

The tax expense amounted to €11.0m, an increase of +19% compared to H1 2023/24.

Net income stood at €27.3m in H1 2024/25, up +19% compared with the first half of the previous fiscal year and representing a net margin of 6.0%, compared to 8.3% a year earlier.

Earnings per share (fully diluted) came to €1.11 in H1, compared to €1.16 in H1 2023/24. As a reminder, 24,906,332 shares were outstanding in the first half of 2024/25, compared to 20,196,492 in H1 2023/24.

Self-financing capacity up by +38%; €2.5m of operating cash flow

On September 30, 2024, self-financing capacity amounted to €54.3m, an increase of +38%, compared with the same period a year earlier.

Changes in the working capital requirement consumed €29.7m of cash in H1 2024/25, a variation linked to the usual reduction in employee-related liabilities in the first half of the fiscal year (paid leaves, payment of bonuses and profit sharing) and to an increase of 5% in DSO (Days Sales Outstanding).

After payment of taxes, €22.1m compared to €9.8m a year earlier, Wavestone generated an operating cash flow of €2.5m in H1 2024/25, compared to €9.3m in H1 of the previous year.

² Wavestone has deployed consolidated operating indicators across the whole firm since Q1 2024/25. It should be noted, however, that the calculation of the order book is still being finetuned. Pro forma operating indicators have not been established for 2023/24.

Investment operations consumed €37.8m in H1 2024/25, including €35.0m for the payment of Q_PERIOR's earn-out, and €2.2m in current investments.

Financing flows generated €8.6m, consisting of +€31.2m in loans received net of repayments, -€10.1m in dividends paid to shareholders for the 2023/24 fiscal year, -€6.4m in share buybacks to cover free share allocation plans to employees, and -€4.1m in lease liability repayments.

Net financial debt of €38.5m on September 30, 2024

On September 30, 2024, Wavestone's equity had increased to €579.6m.

Net financial debt (excluding IFRS 16 lease liabilities) stood at €38.5m. This compares with net cash and cash equivalents of €19.3m at the end of March 2024.

Limited review (in €m)	(9/30/24)	(3/31/24)
Non-current assets	633.7	633.7
of which goodwill	510.5	507.9
of which customer relationships	70.2	74.5
of which rights-of-use leased assets	26.0	23.9
Current assets	263.9	266.6
of which trade receivables	239.3	245.9
Cash & cash equivalents	51.0	77.5
Total	948.5	977.7

Limited review (in €m)	(9/30/24)	(3/31/24)
Shareholders' equity	579.6	571.4
Financial liabilities	89.5	58.2
of which less than 1 year	40.7	6.0
Lease liabilities	28.5	26.2
Non-financial liabilities	250.9	322.0
Total	948.5	977.7

Outlook for H2 2024/25

The 2024/25 fiscal year is showing weaker-than-expected demand for consulting services. Clients keep a wait-and-see attitude towards new investments and consulting expenditures and competition has become tougher.

Banking, industry – particularly the automotive industry, retail, and the French public sector remain under pressure. Since this Summer, luxury has also shown a slowdown in consulting demand.

However, several sectors remain resilient such as energy, transport, life sciences and insurance, as well as certain topics such as cybersecurity, the cloud, SAP, and artificial intelligence.

In this environment, business activity since September has been lower than anticipated. Moreover, the visibility on Q4 2024/25 remains particularly low, which could lead to a slow start to the 2025 calendar year. Indeed, in the absence of signs of economic recovery in Europe, budgets allocated to investments are likely to remain under pressure in the short term, despite the easing interest rates.

Price pressure is growing, as a result of the stronger competition but also from tougher rate negotiations with clients. However, in the context of easing tension on salaries, the impact on profitability will be limited over the fiscal year.

This overall context weighs on the firm's revenue. Profitability is also affected, although the effects are partly mitigated by the cost-saving plan implemented by the firm.

Nonetheless, Wavestone has decided to maintain its recruitment plan of 1.000 gross hires unchanged, targeting +3% growth in consultant headcount over the 2024/25 fiscal year.

Update of 2024/25 annual objectives

In view of these difficult market conditions and lack of visibility, Wavestone is adjusting its financial guidance and setting more cautious objectives for the 2024/25 fiscal year.

The firm is now aiming for stable annual revenue, in reference to pro forma revenue of €943.8m for the previous fiscal year. As a reminder, Wavestone initially targeted organic growth of +3% to +5%.

In terms of profitability, the firm is now targeting a recurring operating margin of 12.5%, instead of more than 13% initially.

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

Next event: publication of Q3 2024/25 revenue: Thursday, January 30, 2025, after Euronext market closing.

About Wavestone

Wavestone is a consulting player, whose mission is to support companies and organizations in their strategic transformations in a constantly evolving world, with the ambition of generating positive and lasting impacts for all its stakeholders.

Drawing on more than 5,500 employees in 17 countries across Europe, North America and Asia, the firm has a 360° portfolio of consulting services with high added value, seamlessly combining leading sector expertise with a wide range of cross-sector know-how.

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

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Appendix 1: alternative performance measure

Recurring Operating Profit (ROP) is an alternative performance measure obtained by deducting operational expenses related to current activities from revenue. Amortization of customer relationships is not deducted from ROP, nor are non-recurring income and expenses. The latter include, in particular, income or expenses related to business acquisitions or divestitures, as well as income or costs associated with unoccupied premises.

Appendix 2: consolidated income statement as at 09/30/24

<i>In thousands of euros - Limited audit in progress - IFRS standards</i>	09/30/24	03/31/24	09/30/23
Revenue	457,820	701,056	276,689
Subcontracting purchases	-74,994	-67,798	-13,298
Personnel expenses	-289,522	-465,469	-199,414
External expenses	-38,519	-52,045	-20,855
Taxes and duties	-3,375	-7,839	-3,392
Depreciation, amortization and provisions	-5,937	-8,106	-3,428
Other current income and expenses	975	1,542	456
Recurring operating profit	46,448	101,341	36,758
Amortization of customer relationships	-4,357	-3,808	-747
Other operating income and expenses	-526	-11,750	-2,809
Operating profit	41,565	85,783	33,203
Financial income	361	759	314
Costs of gross financial debt	-2,003	-2,376	-1,031
Costs of net financial debt	-1,643	-1,617	-718
Other financial income and expenses	-1,685	-2,902	-311
Net income before tax	38,237	81,264	32,174
Tax expense	-10,952	-22,673	-9,199
Net income	27,286	58,591	22,975
Non-controlling interests	-47	-391	0
Net income - group share	27,238	58,199	22,975
Net income - group share, per share (in euros) (1)	1.11	2.71	1.16
Net income - group share, per share after dilution (in euros)	1.11	2.71	1.16

(1) Weighted number of shares over the period.

Appendix 3: consolidated balance sheet as at 09/30/24

<i>In thousands of euros - Limited audit in progress - IFRS standards</i>	09/30/24	03/31/24
Goodwill	510,457	507,889
Intangible assets	70,226	74,565
Tangible assets	11,720	11,965
Right-of-use assets	25,972	23,887
Non-current financial assets	1,926	1,737
Other non-current assets	13,371	13,661
Non-current assets	633,673	633,705
Trade receivables and related accounts	239,341	245,900
Other receivables	24,563	20,656
Cash and cash equivalents	50,959	77,481
Current assets	314,863	344,036
Total assets	948,536	977,741
Capital	623	623
Additional paid-in-capital	265,432	265,432
Consolidated retained earnings and net income	310,879	300,059
Currency translation differences	1,472	3,352
Equity - group share	578,405	569,466
Non-controlling interests	1,223	1,926
Total equity	579,629	571,392
Long-term provisions	29,711	24,657
Non-current financial liabilities	48,796	52,231
Non-current lease liabilities	20,043	18,013
Other non-current liabilities	25,323	25,864
Non-current liabilities	123,873	120,765
Short-term provisions	5,533	5,205
Current financial liabilities	40,689	5,977
Current lease liabilities	8,433	8,174
Trade payables and related accounts	34,635	42,293
Tax and social liabilities	116,106	152,575
Other current liabilities	39,638	71,360
Current liabilities	245,035	285,583
Total liabilities	948,536	977,741

Appendix 4: consolidated cash flow statement as at 9/30/24

<i>in thousands of euros - Limited audit in progress - IFRS standards</i>	09/30/24	03/31/24	09/30/23
Consolidated net income	27,286	58,591	22,975
Elimination of non-cash items			
Net depreciation, amortization and provisions (1)	10,939	12,991	4,886
Expenses / (income) related to share-based payments	2,599	4,420	2,075
Losses / gains on disposals, net of tax	-3	27	-70
Other calculated income and expenses	366	1,069	-467
Costs of net financial debt (incl. Interest on lease liabilities)	2,167	2,036	798
Tax expense / (income)	10,952	22,673	9,199
Self-financing capacity before costs of net financial debt and tax	54,305	101,806	39,396
Tax paid	-22,117	-21,650	-9,792
Change in working capital	-29,727	2,935	-20,286
Net operating cash flow	2,462	83,091	9,317
Purchase of tangible and intangible assets	-2,169	-3,109	-1,069
Disposal of assets	24	66	24
Change in financial assets	-67	14	-160
Impact of changes in consolidation scope	-35,577	-65,990	-5,272
Net investing cash flow	-37,789	-69,018	-6,477
Sale / (purchase) of treasury shares (2)	-6,415	-5,914	-5,983
Dividends paid to parent company shareholders	-9,380	-7,593	-7,593
Dividends paid to non-controlling interests	-750	0	0
Loan subscriptions	40,000	19,700	0
Loan repayments	-8,821	-5,646	-2,821
Repayments of lease liabilities	-4,065	-6,199	-2,638
Net financial interest paid on loans	-1,521	-1,317	-587
Net interest paid on lease liabilities	-452	-425	-84
Other financing cash flows	9	-11	0
Net financing cash flow	8,606	-7,406	-19,705
Net change in cash and cash equivalents	-26,721	6,667	-16,864
Impact of translation differences	212	104	295
Opening cash position	77,452	70,681	70,681
Closing cash position	50,943	77,452	54,112

(1) Including €4,159k in respect of the amortization of right-of-use assets at 09/30/24 (vs €2,138k at 09/30/23) and €4,357k in respect of the amortization of customer relationships at 09/30/24 (vs €747k at 09/30/23).

(2) For information, the company delivered treasury shares worth €4,559k during the semester.