

Q1 2020/21: revenue of €94.4m, down -4%

Revenue In €m - unaudited consolidated data	2020/21	2019/20	Change	<i>Change at constant scope¹ and on a constant forex basis</i>
Q1	94.4	98.3	-4%	-10%

¹ WGroup has been consolidated since 08/01/2019.

In Q1 of the 2020/21 fiscal year (April 1 to June 30, 2020), Wavestone generated a consolidated revenue of €94.4m – a reduction of -4% compared with Q1 2019/20. At constant scope and exchange rates (excluding WGroup), the firm recorded a contraction of -10%. This decline corresponds to a reduction in business activity of about -15%, compared with the pre-epidemic situation.

Throughout the period, Wavestone has been affected by the impacts of the Covid-19 crisis. To address the sudden slowdown, and partially mitigate the costs of reduced activity within its teams, the company put in place furlough mechanisms, which applied to 11% of the firm's fee-earning staff over the period.

Consultant utilization rate down sharply and renewed pressure on prices

Impacted by lockdown measures and reduced demand, consultant utilization rate stood at 63% in Q1 2020/21, slightly above Wavestone's expectation, compared with 71% over the whole of the previous fiscal year. It should be noted that these two figures are a like-for-like comparison: the use of furlough mechanisms has no effect on the calculation of consultant utilization rate.

The quarter was marked by the return of price pressures, which were manifested in clients being consistently more demanding on fees and some renegotiations of framework agreements. However, price impacts remain limited for the time being, with the average daily rate standing at €857 over the quarter, down -2% compared with the rate of €878 achieved over the 2019/20 fiscal year.

3,434 employees at June 30, 2020

At June 30, 2020, Wavestone had 3,434 employees, compared with 3,498 at the close of the 2019/20 fiscal year at the end of March.

The company froze all hiring in mid-March, a measure that remains in force at present. However, all contracts signed before this recruitment freeze were honored, which meant there were new starters during the quarter.

At June 30, 2020, on a rolling 12-month basis, staff turnover rate stood at 15%, compared with 14% at March 31, 2020. This figure is expected to fall rapidly in the coming quarters, given that the rate of resignations has halved since the end of March.

Improved order intake in June 2020

Although severely disrupted over April and May, order intake improved noticeably in June. Over the quarter as a whole, the decline in order intake was about -15% compared with the pre-Covid situation.

At June 30, 2020, due to the gradual reduction in headcount, the firm's order book stood at 3.7 months of work – a similar position to March 31, 2020, where the figure was 3.5 months of work.

However, visibility on order intake for the coming months remains limited. Given this, the firm is cautious on consultant utilization rate for Q2 of the fiscal year (July to September) – especially for the months of August and September. Against such a backdrop, Wavestone intends to continue its application of furloughs mechanisms over Q2.

Pharmaceuticals, utilities, and the public sector – the areas where the company is focusing its renewed business-development efforts – are proving their resilience. The situation for financial services is, however, more mixed – with severely limited demand in the banking sector while insurance remains better placed. In addition, in the energy and transport sectors, Wavestone is observing a less severe slowdown than anticipated.

Available cash and cash equivalents of €82m at June 30, 2020

Despite reduced business activity, the firm's cash position was stronger at the end of June as a result of good levels of inflow from trade receivables.

At June 30, 2020, the firm's available cash and cash equivalents stood at about €82m, and net financial debt (excluding lease liabilities) had been reduced to about €12m – compared with €29.1m at the end of March 2020.

To note: the firm has not refinanced its trade receivables position.

A continued focus on revitalizing business development

The expectation that the economic consequences of the crisis would have a strong impact on the consulting market is now being confirmed, with companies adopting a marked wait-and-see approach, trade-offs in planned investments, and increasing numbers of cost-saving plans.

The latest forecast from Source Global Research predicts a contraction in the European consulting market of about -16% in 2020.

Against this backdrop, Wavestone continues to pursue its battle plan to weather the coming months: the vigorous renewal of business development efforts, an emphasis on the most resilient offerings and sectors, and greater agility to exploit the changing market landscape.

In addition, the company is implementing measures to adapt its cost structure to the new economic context and confirms its objective of realizing €15m in savings over the 2020/21 fiscal year – excluding the effects of short-time working arrangements and workforce-adjustment measures.

Operating profitability of close to 7% in Q1 2020/21

Although Wavestone does not publish quarterly accounts, it believes it is beneficial in the current economic environment to present an estimate of Q1 operating profitability.

Profitability was more resilient than anticipated for the period, with EBIT margin of about 7% – with furlough mechanisms accounting for about 5 percentage points of this resilience.

It should be noted that Wavestone has not yet formulated its annual financial objectives for the 2020/21 fiscal year.

Next events: Shareholders' annual general meeting, Tuesday, July 28, 2020, at 9:00am (closed meeting); publication of 2020/21 H1 revenue, Thursday, October 29, 2020, 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.

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

Wavestone

Pascal Imbert

CEO

Tel.: +33 (0)1 49 03 20 00

Sarah Lamigeon

Communications Director

Tel.: +33 (0)1 49 03 20 00

Actus

Mathieu Omnes

Investor and Analyst Relations

Tel.: +33 (0)1 53 67 36 92

Nicolas Bouchez

Press relations

Tel.: +33 (0)1 53 67 36 74