Press release

Paris, December 6, 2021, 6pm

Record profitability in H1 2021/22; annual objectives strengthened

Impact, Wavestone's new strategic plan

At its meeting of December 6, 2021, Wavestone's Supervisory Board approved the consolidated half-yearly accounts as at September 30, 2021, 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.

Consolidated data (in €m) Limited review for data at 09/30 Audited data for data at 03/31	H1 2021/22 (6 months)	H1 2020/21 (6 months)	*Change*	2020/21 (12 months)
Revenue	**217.8**	**186.8**	***+17%***	**417.6**
EBIT *EBIT margin*	**31.8** *14.6%*	**14.3** *7.7%*	***+122%***	**53.3** *12.8%*
Amortization of client relationships Other operating income and expenses **Operating income**	(0.7) (0.9) **30.1**	(0.7) (0.1) **13.5**	***+123%***	(1.5) (8.5) **43.3**
Cost of financial debt Other financial income and expenses Income tax expenses	(0.5) (0.3) (8.7)	(0.6) (0.6) (5.3)		(1.1) (1.5) (15.3)
Group share of net income *Net margin*	**20.7** *9.5%*	**7.0** *3.7%*	***+198%***	**25.4** *6.1%*

Revenue from organic growth up by +15% in H1 2021/22

In H1 2021/22, Wavestone generated revenue of €217.8m, up 17% year-on-year – and 12% compared with H1 2019/20, prior to the health crisis.

At constant scope and exchange rates, excluding Everest Group *consulting*, half-year organic growth stood at 15% – driven by sustained demand, especially from major transformation projects.

Acceleration of recruitment plan in 2021/22

At September 30, 2021, Wavestone had 3,476 employees, compared with 3,453 six months earlier.

At the same date, the staff turnover rate stood at 15% on a rolling 12-month basis. Over the whole of the fiscal year, Wavestone expects a turnover rate of between 15% and 20% – higher than its initial target of 15%.

To offset this higher-than-expected rate, and with excellent visibility on future projects, the company has accelerated recruitment activity in H2 2021/22; Wavestone is now targeting about 900 new starters over the year, compared with the 800 envisaged initially.

High consultant utilization rate and strongly positioned sales prices

The operating indicators were well positioned during the first half of the year.

The consultant utilization rate stood at 78% over the whole six-month period – a figure significantly higher than the firm's established norm (75%).

The average daily rate was €847 over the period: a modest increase compared with the end of last fiscal year (€842 in 2020/21). The integration of Everest Group *consulting* for five months of the six-month period made a positive contribution to sales prices: increasing the average by €5. In line with H1, Wavestone is now targeting an average daily rate for the entire fiscal year that is slightly higher than the previous year.

Six-monthly EBIT margin of 14.6%

At the end of H1 2021/22, EBIT stood at €31.8m – up 122% compared with H1 2020/21.

The EBIT margin was 14.6% in H1 2021/22, compared with 7.7% in H1 of the previous year, which suffered as a result of the health crisis.

This record operating profit for H1 reflects the good orientation of the activity but also tightly controlled operating expenses, despite higher spending on recruitment and human resources. The company has benefited, in particular, from the decision to reduce its office size – an output of the Smartworking@Wavestone project.

After accounting for the amortization of customer relationships and other non-current charges, in particular those related to the acquisition of Everest Group's consulting practice, in the US, in May 2021, operating income stood at €30.1m. This is an increase of 123%, compared with H1 2020/21.

Net margin of 9.5%

The cost of net financial debt and other financial charges are reducing sharply. The income tax charge saw a limited increase due to a reduction in corporate tax rates and the rate of CVAE (a French business tax based on corporate added value).

Group share of net income for the six-month period stood at €20.7m. This represents an increase of +198%, compared with €7.0m in H1 2020/21. Net margin stood at 9.5% in H1 2021/22, compared with 3.7% a year earlier.

Solid increase in self-financing capacity, but a rise in working capital requirements

In H1 2021/22, self-financing capacity rose by 71% to €34.3m.

The change in WCR consumed €22.8m of cash, due to an increase in trade receivables linked to growth and the usual reduction seen in social security charges in the first half of the year. The latter was further amplified by the repayment of €2.2m of monies received under furlough arrangements during the 2020/21 fiscal year.

After payment of taxes, operating cash flow amounted to €3.5m.

Investment operations consumed €7.1m in H1, mostly applied to the acquisition of Everest Group *consulting*.

Financing flows consumed €15.4m; of this, €2.0m was from share buybacks, €4.6m from the resumption of dividend payments from the 2020/21 fiscal year, €4.2m for loan repayments, and €4.1m for lease-liability repayments (under IFRS 16).

Available cash and cash equivalents of €16.9m at September 30, 2021

At September 30, 2021, Wavestone's equity had increased to €221.8m.

Net cash and cash equivalents[2] amounted to €16.9m at the end of H1, compared with €31.8m at March 31, 2021.

Available cash stood at €69.0m at September 30, 2021.

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[2] Excluding lease liabilities

Consolidated data (in €m) Limited review for data at 09/30 Audited data for data at 03/31	09/30 2021	03/31 2021
Non-current assets	**215.4**	**212.6**
of which goodwill	168.2	162.0
including rights to use leased assets	19.4	21.0
Current assets	**151.5**	**145.8**
of which trade receivables	131.4	125.7
Cash and cash equivalents	**69.0**	**88.0**
Total	**435.9**	**446.5**

Consolidated data (in €m) Limited review at 09/30 Audited data at 03/31	09/30 2021	03/31 2021
Shareholders' equity	**221.8**	**206.1**
Financial liabilities	**52.1**	**56.2**
of which less than one year	8.2	8.2
Lease liabilities	**25.1**	**30.3**
Non-financial liabilities	**136.9**	**154.0**
Total	**435.9**	**446.5**

Annual profitability objective strengthened: EBIT margin of close to 15%

Throughout H1 2021/22, Wavestone benefited from a buoyant consulting market, which saw the launch of numerous major transformation projects and increasing demand for its services. At September 30, 2021, the firm's order book stood at 3.9 months of work, a sign of excellent visibility on future projects.

This strong momentum has continued in Q3, with a consultant utilization rate that continues to be above the 75% norm, and sales prices that remain robust.

As a result, Wavestone has decided to target an EBIT margin of close to 15% for the whole of the fiscal year, compared with 13% previously. This new objective reflects robust operating indicators and operating cost control, while taking account of additional investment needs in recruitment and human resources over H2.

In addition, given the acquisition of the consulting firm why innovation!, which has been consolidated into Wavestone's accounts since November 1, 2021, the annual revenue target has been increased to €462m, compared with €460m previously.

These objectives are calculated on a constant forex basis and include Everest Group *consulting* (since May 1, 2021) and why innovation! (since November 1, 2021).

Exclusive negotiations for the acquisition of NewVantage Partners in the United States

Wavestone announces that it is in exclusive negotiations for the acquisition of NewVantage Partners, a consulting firm based in Boston, USA.

Founded in 2001, NewVantage Partners is a niche player, specialized in data strategy, working with blue-chip clients, including several Fortune-200 companies. NewVantage Partners is expected to realize about $2.6m (~€2.3m) in revenue, in 2021.

The acquisition price will be between $2.7m and $3.9m (~€2.4m and €3.5m), depending on the company's results over the next 12 months.

A new economic cycle, marked by profound changes

The year 2021 has marked the beginning of a new economic cycle.

Businesses are pursuing major transformations against a backdrop of profound change: increasingly strong competition, an accelerating digital revolution, and urgent climate and environmental challenges.

After successfully navigating the crisis in 2020, and building on a solid track record of transformation work and a value proposition that combines business and technology, Wavestone's objective is to become the preferred partner of large companies in addressing these challenges.

Impact: Wavestone's strategic plan for 2025

The *Impact* strategic plan, which Wavestone has published today, is turned towards this objective. It is built on three major pillars.

- **International & growth** - Wavestone will make positioning itself to partner major international clients its development priority in the years to come.

  This priority will see a concrete outworking in business-development activity, the application of its skills, all geographies included, and in growth-related investment (marketing, recruitment, human resources).

  The firm also intends to accelerate external growth, particularly in its target geographies: the US, the UK, and in the medium term, Asia. Beyond the targeted acquisitions that the company typically pursues, Wavestone may consider more fundamental purchases, if the right opportunities arise.

- **Expertise & value** - Wavestone intends to invest more heavily in developing the skills and expertise of its teams: its ambition is to become one of the best training grounds for consultants at all career stages.

  The firm also plans to extend this investment into actions that deepens its expertise and value; this will take the form of more innovation, future-focused thinking, and thought leadership.

  These investments will encompass the entirety of the company's expertise, with a particular focus on the key challenges of future years – such as cybersecurity, data, artificial intelligence, new digital business models. Wavestone also intends to develop a leading expertise in decarbonization and sustainable development.

  The aim is to deepen and enrich the firm's value proposition, through a 360° view of the challenges – business, technological, and sustainable-development challenges.

  The effort required may lead to a decrease in utilization rates, offset by an increase in sales prices that reflects the additional value to clients.

- **"The Positive Way"** - The signature approach of "The Positive Way" will remain central to Wavestone's development plans.

  Over the course of the plan, the firm will cultivate its values: customer satisfaction and support for sustainable performance, employee development and commitment, responsibility and ethics, as well as the collective, its most distinctive quality.

  Wavestone intends to benefit from its roots to strengthen its identity and unity, to better meet the challenges of growth.

An ambitious new stage for Wavestone

Wavestone's ambition through *Impact*:

Replicating Wavestone's success in France on an international scale

In this context, the company has set the following objectives, to be achieved by 2025.

- Reach a new growth horizon and target an annual revenue of €750m
- Include five non-French major accounts within its TOP 20 clients
- Position the firm within the top 5% of companies in CSR terms

Maintaining profitability comparable to that targeted for the current fiscal year will provide Wavestone with the financial flexibility necessary to realize *Impact*.

Preparing the future

As part of *Impact*, Wavestone also wants to lay the foundations for its future development, in terms of governance structure.

As a first step, when his current mandate ends in July 2022, Michel Dancoisne will not seek a new mandate as Chairman of the Supervisory Board.

At the next General Meeting, Shareholders will be asked to vote on a proposal to change the governance structure: from one of a Management Board and Supervisory Board, to one of a Board of Directors. It will also be proposed that Pascal Imbert becomes CEO of the company; Patrick Hirigoyen becomes the Deputy CEO; and Michel Dancoisne continues to serve on the Board.

As it executes this strategic plan, the ongoing development of Wavestone's management structure will be key, in order to be ready to begin the transition to a new management team from 2025.

Regardless of these changes, Michel Dancoisne and Pascal Imbert intend to maintain their positions as the company's major shareholders, in the interests of Wavestone's long-term development.

Next event: Publication of Q3 2021/22 revenue – Thursday, January 27, 2022, 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. It's an ambition anchored in the firm's DNA and embodied in the signature "The Positive Way."

Wavestone draws on over 3,000 employees across 9 countries. It is a leading independent player in European consulting.

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

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Annex 1: consolidated income statement at 09/30/2021

In €m – limited review – IFRS standards	**09/30/2021**	**09/30/2020**	**03/31/2021**
Revenue	**217,843**	**186,802**	**417,608**
Purchases consumed	-5,164	-6,511	-13,951
Personnel costs	-160,925	-147,051	-310,168
External expenses	-14,461	-11,483	-23,703
Levies and taxes	-3,084	-2,905	-7,241
Net allocation for depreciation and provisions	-2,814	-4,481	-9,720
Other operating income and expenses	403	-46	450
EBIT	**31,796**	**14,325**	**53,275**
Amortization of client relationships	-747	-747	-1,493
Other operating income and expenses	-926	-53	-8,519
Operating income	**30,124**	**13,525**	**43,263**
Financial income	4	0	5
Cost of gross financial debt	-463	-637	-1,144
Cost of net financial debt	**-459**	**-637**	**-1,138**
Other financial income and expenses	-282	-600	-1,451
Pre-tax income	**29,383**	**12,288**	**40,674**
Income tax expenses	-8,691	-5,335	-15,297
Net income	**20,692**	**6,953**	**25,377**
Minority interests	0	0	0
Group share of net income	**20,692**	**6,953**	**25,377**
Group share of net income per share (€) (1)	1.03	0.35	1.27
Group share of diluted net income per share (€)	1.03	0.35	1.27

(1) Number of shares weighted over the period.

Annex 2: Consolidated balance sheet at 09/30/2021

In €m – limited review– IFRS standards	**09/30/2021**	**03/31/2021**
Goodwill	168,173	162,035
Intangible assets	5,267	6,216
Tangible assets	7,605	8,548
Rights to use leased assets	19,386	20,959
Financial assets – more than one year	1,888	2,091
Other non-current assets	13,056	12,789
Non-current assets	**215,376**	**212,639**
Trade and related receivables	131,395	125,710
Other receivables	20,075	20,112
Cash and cash equivalents	69,012	88,009
Current assets	**220,483**	**233,831**
Total assets	**435,858**	**446,469**
Capital	505	505
Issue and merger premiums; additional paid-in capital	11,218	11,218
Consolidated reserves and earnings	209,405	193,944
Conversion-rate adjustment	621	395
Total shareholders' equity, group share	**221,750**	**206,063**
Minority interests	0	0
Total equity	**221,750**	**206,063**
Long-term provisions	16,880	17,317
Financial liabilities - more than one year	43,904	48,013
Lease liabilities – more than one year	17,780	22,260
Other non-current liabilities	740	184
Non-current liabilities	**79,303**	**87,774**
Short-term provisions	7,145	6,567
Financial liabilities - less than one year	8,192	8,152
Lease liabilities – less than one year	7,364	8,025
Trade payable	11,551	11,554
Tax and social security liabilities	80,619	98,305
Other current financial liabilities	19,934	20,029
Current liabilities	**134,805**	**152,633**
Total liabilities	**435,858**	**446,469**

Annex 3: Consolidated cash flow statement at 09/30/2021

In €m – limited review in progress– IFRS standards	**09/30/2021**	**03/31/2021**	**09/30/2020**
Consolidated net income	**20,692**	**25,377**	**6,953**
Elimination of non-cash elements:			
Net depreciation and provisions (1)	2,929	20,680	5,835
Charges/(income) related to share-based payments	1,043	2,300	1,229
Losses/(gains) on disposals, net of tax	320	12	1
Other calculated income and expenses	22	1,895	-101
Cost of net financial debt (inc. interest on lease liabilities)	600	1,470	812
Tax charges / (income)	8,691	15,297	5,335
Self-financing capacity before net financial debt and tax costs	**34,297**	**67,030**	**20,064**
Tax paid	-7,992	-17,038	-10,475
Change in WCR	-22,838	20,828	9,226
Net cash flow from operations	**3,467**	**70,820**	**18,815**
Intangible and tangible fixed asset acquisitions	-166	-748	-532
Asset disposals	134	14	0
Change in financial assets	15	-114	-6
Impact of changes in scope	-7,093	0	0
Net cash flow from investments	**-7,109**	**-849**	**-538**
Sales (acquisitions) by the company of its own shares(2)	-2,032	137	135
Dividends paid to parent-company shareholders	-4,645	0	0
Dividends paid to minority interests of consolidated companies	0	0	0
Loans received	0	0	0
Repayment of loans	-4,185	-38,320	-34,143
Repayments of lease liabilities	-4,093	-7,802	-4,052
Net financial interest paid	-341	-878	-507
Net interest paid on lease liabilities	-148	-336	-170
Other flows related to financing operations	0	27	27
Net cash flow from financing operations	**-15,444**	**-47,173**	**-38,710**
Net change in cash and cash equivalents	**-19,087**	**22,798**	**-20,433**
Impact of translation differences	93	137	-71
Opening cash position	88,003	65,068	65,068
Closing cash position	69,010	88,003	44,565

(1) including €3,393k for the amortization of property usage rights (under IFRS 16) at 09/30/2021; and €3,246k, for the same, at 09/30/2020.

(2) for information, the company has delivered treasury shares to a value of €4,273k.