

Results Q3 2019

Amsterdam, 1 November 2019

Key points Q3 2019

- Revenue up by 11% to EUR 260 million
- EBIT continued operations up by 13% to EUR 14 million
- EBIT (including BIS) down by 39% to EUR 7 million

Key points YTD 2019

- Revenue continued operations up by 12%
- EBIT continued operations up by 27% to EUR 31 million
- EBIT (including BIS) down by 19% to EUR 19 million

Dividend

- Dividend will be based on normalised earnings

Jilko Andringa, CEO of Brunel International N.V.: "Our continued operations achieved double digit growth in revenue and profitability. DACH and Middle East had another strong quarter. Growth in the Rest of the World remains high. The discontinuation of BIS has a significant impact on the results this year. Together with the global leadership team, Peter de Laat and I will continue to execute the communicated strategy to achieve our multiyear goals."

Q3 2019 results by division (P&L amounts in EUR million)

Revenue	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
DACH region	74.5	70.5	6%	217.7	200.5	9%
The Netherlands	49.4	52.8	-7%	155.7	163.1	-5%
Australasia	31.1	30.4	2%	88.4	86.4	2%
Middle East & India	29.5	22.6	31%	85.1	62.1	37%
Rest of world	72.8	55.1	32%	197.1	149.8	32%
Total continued operations	257.3	231.5	11%	744.0	661.9	12%
Discontinued - BIS*	2.4	3.2		40.0	7.9	
Total revenue	259.7	234.6	11%	784.0	669.7	17%

EBIT	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
DACH region	10.7	8.5	25%	23.5	18.9	24%
The Netherlands	2.7	3.0	-11%	7.0	8.3	-15%
Australasia	-0.3	0.0	-	-1.2	-0.5	-129%
Middle East & India	2.6	2.1	24%	7.7	5.5	41%
Rest of world	-0.4	0.5	-172%	-1.1	-1.2	9%
Unallocated	-1.4	-1.8	24%	-5.2	-6.8	24%
Total continued operations	13.9	12.2	13%	30.8	24.1	27%
Discontinued - BIS*	-6.5	-0.2		-11.8	-0.8	
Total EBIT	7.3	12.0	-39%	18.9	23.3	-19%

* Brunel Industry Services – discontinued in October 2019

Brunel International (unaudited)

P&L amounts in EUR million

	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
Revenue	259.7	234.6	11% ^a	784.0	669.7	17% ^b
Gross Profit	55.8	54.9	2%	161.9	153.5	5%
Gross margin	21.5%	23.4%		20.7%	22.9%	
Operating costs	48.5	42.9	13% ^c	143.0	130.2	10% ^d
EBIT	7.3	12.0	-39%	18.9	23.3	-19%
EBIT %	2.8%	5.1%		2.4%	3.5%	

Average direct	11,225	12,087	-7%	12,273	11,734	5%
Average indirect	1,651	1,542	7%	1,637	1,536	7%
Ratio direct / Indirect	6.8	7.8		7.5	7.6	

a 9 % like-for-like

b 15 % like-for-like

c 11 % like-for-like

d 9 % like-for-like

Like-for-like is measured excluding the impact of currencies and acquisitions

The decrease in gross margin (YoY) is the result of the impact of BIS and a change in the mix.

DACH region (unaudited)

P&L amounts in EUR million

	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
Revenue	74.5	70.5	6%	217.7	200.5	9%
Gross Profit	27.1	23.8	13%	72.5	64.6	12%
Gross margin	36.3%	33.8%		33.3%	32.2%	
Operating costs	16.4	15.3	7%	49.0	45.7	7%
EBIT	10.7	8.5	25%	23.5	18.9	24%
EBIT %	14.3%	12.1%		10.8%	9.4%	
Average direct	2,717	2,698	1%	2,713	2,609	4%
Average indirect	518	472	10%	512	473	8%
Ratio direct / Indirect	5.2	5.7		5.3	5.5	

This region includes Germany, Switzerland, Austria and Czech Republic. In the DACH region, we have seen a revenue growth of 6%, slightly impacted by the slowdown in the automotive industry. We expect these circumstances to further impact revenue growth in Q4, with a slight decrease of profitability due to a higher bench in Q4. Revenue per working day increased by 4.6% in Q3. The Q3 gross margin adjusted for working days is 35.5% (Q3 2018: 33.8%).

Working days	Q1	Q2	Q3	Q4	FY
2019	63	59	66	62	250
2018	63	60	65	62	250

Brunel Netherlands (unaudited)

P&L amounts in EUR million

	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
Revenue	49.4	52.8	-7%	155.7	163.1	-5%
Gross Profit	13.8	15.4	-11%	42.1	46.6	-10%
Gross margin	27.9%	29.2%		27.0%	28.5%	
Operating costs	11.1	12.4	-10%	35.1	38.3	-8%
EBIT	2.7	3.0	-11%	7.0	8.3	-15%
EBIT %	5.4%	5.7%		4.5%	5.1%	
Average direct	2,172	2,449	-11%	2,277	2,441	-7%
Average indirect	405	449	-10%	417	435	-4%
Ratio direct / Indirect	5.4	5.4		5.5	5.6	

The performance in the Netherlands is still hindered by the scarcity in specialized IT and Engineering talent. To improve profitability, we have adjusted the structure in Q4, to start 2020 with a leaner organization, with full focus on the growth areas.

Revenue per working day decreased by 7.4%. The Q3 gross margin adjusted for working days is 27.0% (2018: 29.2%), where the YTD gross margin adjusted for working days is 26.7 % (2018: 28.5%).

Working days	Q1	Q2	Q3	Q4	FY
2019	63	62	66	64	255
2018	64	61	65	64	254

Australasia (unaudited)

P&L amounts in EUR million

	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
Revenue	31.1	30.4	2% ^a	88.4	86.4	2% ^b
Gross Profit	2.6	2.5	5%	7.3	7.0	3%

Gross margin	8.3%	8.1%	8.2%	8.1%
Operating costs	2.9	2.5 16% ^c	8.5	7.5 13% ^d
EBIT	-0.3	-	-1.2	-0.5 -129%
EBIT %	-0.8%	-0.1%	-1.4%	-0.6%
Average directs	906	917 -1%	907	925 -2%
Average indirects	86	80 8%	85	77 10%
Ratio direct / Indirect	10.5	11.5	10.7	12.0

a 3 % like-for-like

b 3 % like-for-like

c 14 % like-for-like

d 13 % like-for-like

Like-for-like is measured excluding the impact of currencies and acquisitions

Australasia includes Australia and Papua New Guinea. We achieved limited growth despite the low number of new projects in the Oil & Gas industry in this year. The increase in operating costs mainly relates to increased sales activities to prepare for upcoming projects.

Middle East & India (unaudited)

P&L amounts in EUR million

	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
Revenue	29.5	22.6	31% ^a	85.1	62.1	37% ^b
Gross Profit	5.1	4.0	26%	15.0	11.0	37%
Gross margin	17.2%	17.8%		17.7%	17.7%	
Operating costs	2.5	1.9	32% ^c	7.3	5.5	33% ^d
EBIT	2.6	2.1	24%	7.7	5.5	41%
EBIT %	8.6%	9.1%		9.1%	8.8%	
Average directs	2,605	3,478	-25%	3,411	2,992	14%
Average indirects	142	116	23%	136	114	19%
Ratio direct / Indirect	18.3	30.0		25.0	26.2	

a 23 % like-for-like

b 30 % like-for-like

c 21 % like-for-like

d 26 % like-for-like

Like-for-like is measured excluding the impact of currencies and acquisitions

Middle East & India continues its strong, double digit growth, mainly driven by the results in Qatar and Kuwait. We have seen a small decline in revenue in India.

As a result of the implementation of IFRS 16, for Q3 an amount of EUR 0.4 million is now recorded under operating costs, which was previously (2018) recorded in cost of sales.

Rest of world (unaudited)

P&L amounts in EUR million

	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
Revenue	72.8	55.1	32% ^a	197.1	149.7	32% ^b
Gross Profit	11.0	8.4	31%	28.6	22.7	26%
Gross margin	15.1%	15.3%		14.5%	15.2%	
Operating costs	11.4	7.9	44% ^c	29.7	23.9	24% ^d
EBIT	-0.4	0.5		-1.1	-1.2	9%
EBIT %	-0.5%	0.9%		-0.6%	-0.8%	
Average directs	2,688	2,490	8%	2,659	2,735	-3%
Average indirects	418	365	15%	413	374	10%
Ratio direct / Indirect	6.4	6.8		6.4	7.3	

a 29 % like-for-like

b 29 % like-for-like

c 39 % like-for-like

d 21 % like-for-like

Like-for-like is measured excluding the impact of currencies, acquisitions and discontinued operations

Rest of World includes Americas, Asia, Russia and the remaining European countries, but excludes the results from BIS. Asia and Americas are the main growth drivers, following increased activities in the Oil & Gas sector. Revenue growth exceeds growth in direct headcount due to a change in the mix.

Operating cost increased due to further investments in our sales force, new branches in China and Guyana.

Discontinued operations – Brunel Industry Services

As announced in our press release on 23 October, we have decided to halt our operations in BIS. The market for shale oil & gas experienced a slowdown bringing the revenues of our BIS-activities at a very low level of EUR 2.4 million in Q3. As we had built up our organisation in the past period, there was a disbalance between capacity and activities, resulting in significant operational losses of EUR 6.5 million in Q3.

As announced in the October press release, we expect to incur operational losses for BIS in Q4 of EUR 2.5 million and one-off costs of EUR 8 million to cease activities and speed up the finalization of current projects.

Cash position

In line with seasonal patterns, the cash position increased to EUR 81.7 million (30 June 2019: EUR 60.6 million).

Effective tax rate

Due to the fact that the losses incurred by BIS in 2019 will not result in a refund of corporate income tax, nor result in a deferred tax asset, our effective tax rate for 2019 will be over 70%, compared to 34% over 2018. Additionally, the deferred tax asset on the balance sheet relating to the US of EUR 3.7 million is expected to be (partially) impaired.

Dividend

Brunel has the dividend policy to pay out between 30% and 100% of the result over the year. In light of the developments in BIS, we will exclude the results from discontinued activities and use normalised earnings as the basis for dividend over 2019.

Outlook for 2019

For our **continued** activities, revenue for the full year is expected to be between EUR 980 million and EUR 1,030 million, with EBIT between EUR 37 million and EUR 42 million.

Reported EBIT is expected to be between EUR 15 million and EUR 20 million for the full year 2019. Including BIS, revenue will be between EUR 1,025 million and 1,075 million.

Attachment

- ▮ [Press release - PDF.pdf](#)