

Press Release

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Growth in line with 2020 ambitions 2018 gross margin: €63.8m +16% on pro-forma¹ (+35% reported)

Artefact (FR0000079683 – ALATF – eligible for PEA-PME, i.e. personal equity plans investing in SMEs) has reported a gross margin of €63.80m for 2018, up 16% on a pro-forma basis and 35% on reported data. This fine performance is perfectly in line with the target announced by the group in October 2018 (for 15% growth in pro-forma gross margin). That target had already been upgraded when the company reported its interim earnings.

Gross margin in € m	Reported			Pro-forma	
	2018	2017	Change	2017	Change
France	24.63	11.80	+109%	16.71	+47%
Rest of Europe	32.04	32.94	-3%	32.94	-3%
Other Markets*	7.13	2.38	+199%	5.51	+29%
TOTAL	63.80	47.12	+35%	55.15	+16%

Unaudited data

* Other Markets cover the Asia-Pacific and MENA zones and Brazil, following the opening in the latter.

Growth trends were confirmed in Q4, when the Group's gross margin increased 15% relative to the year-earlier period to over €17.15m. On a pro-forma basis, growth worked out to 10% for the period.

Gross margin in € m	Reported			Pro-forma	
	Q4 2018	Q4 2017	Change	Q4 2017	Change
France	6.67	4.93	+36%	4.93	+36%
Rest of Europe	8.19	9.31	-12%	9.31	-12%
Other Markets	2.29	0.66	+246%	1.38	+67%
TOTAL	17.15	14.90	+15%	15.61	+10%

Unaudited data

¹ Full-year consolidation of Artefact and the acquisition in China for 2017 and 2018

In France, gross margin grew 109% to €24.63m at 31 December 2018. On a pro-forma basis, the increase came to 47% relative to 2017. This momentum became a firm trend in Q4, when gross margin gained 36% on pro-forma, again driven by the strong traction in Data Consulting.

In the Rest of Europe, revenue for the financial year declined slightly, to €32.04m. The decrease steepened in Q4, undermined by the situation in Scandinavia, which remains complicated, and by the loss of two media accounts in Germany, which had a significant impact on the last quarter. As part of its restructuring in Scandinavia, the Group sold its NetBooster affiliate marketing business in Denmark, Norway and Finland to Daisycon on 30 January 2019. The divested activities accounted for 20% of gross margin generated in those three countries in 2018, representing business volumes of under €1m in gross margin.

Across Europe in general, recent months have seen Artefact extend the roll-out of its Consulting/Data/Media offer and renew and strengthen its management teams. These efforts are expected to bear their first fruits in the next few months. The appointments of Tom Cijffers and Sarah De Martin as, respectively, CEO and Managing Director of Artefact UK, with effect from October 2018, along with the recent arrival of a new Consulting Partner in the Netherlands, all testify to this rising of power strategy.

Finally, the Other Markets zone accounted for more than 10% of gross margin at €7.13m in 2018. Pro-forma growth, which is taking off in this zone, reached nearly 30% (three-fold increase in reported data). Pro-forma gross margin surged 67% to €2.29m in Q4, driven by strong sales momentum in China and by the ramp-up in the Consulting business in Dubai.

Outlook

In step with its expansion, the Group continued to recruit at a smart pace in H2 2018. After the success achieved last year, operating profitability is expected to make solid gains over the full year. This performance will be achieved despite the dip in operating profit expected in H2 relative to H1, as a result of the company's substantial investments in human capital to take full advantage of the growth potential in all Group zones.

Artefact is reiterating its ambition for 2020: to top the €100m mark in terms of gross margin, with an EBITDA² margin of between 10% and 15%.

Financial calendar (after market):

April 25th, 2019

FY Results 2018 and Q1 Gross Margin 2019

July 24th, 2019

H1 Gross Margin 2019

October 24th, 2019

H1 Results 2019 and Q3 Gross Margin 2019

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About Artefact | artefact.com

² EBITDA: EBITDA restated for the IFRS 2 impact of free share awards and issuance of preference shares, as well as the IFRS 3R impact associated with remuneration for post-combination services.

Artefact embodies the perfect combination of marketing and engineering experts. Nominated innovative agency of the year in 2017, the agency works with some of the biggest advertising brands to invent the future of customer experience through new technologies. The agency has almost 1,000 employees across 17 countries worldwide, delivering three complementary solutions: Data Consulting, Digital Marketing Expertise and Technology Deployment (Big Data and Artificial Intelligence). Its 600 active clients include more than 100 blue-chip accounts such as Orange, Carrefour, Emirates, Deutsche Telekom and Monoprix, all of which are attracted by the agency's cutting-edge expertise. Artefact was founded by three alumni of the prestigious Ecole Polytechnique engineering school in Paris: Vincent Luciani, Philippe Rolet and Guillaume de Roquemaurel. It has grown at a very strong pace since it was founded in 2015 and succeeded in tripling its sales in 2016. In September 2017, the agency merged with French listed company NetBooster, an international network of digital agencies run by data and media experts.

Artefact was awarded the Grand Prix d'Honneur at this year's Data Festival and obtained FrenchTech's official diploma for "hyper-growth" French companies awarded by the French Secretary of State for Digital Affairs, Mounir Mahjoubi.

Artefact is listed on Euronext Growth. ISIN code: FR0000079683. Ticker: ALATF

The share capital of Artefact is composed of 32,674,364 shares.

For more information:

Financial Communications

ARTEFACT
Benjamin HARTMANN
Tel. 00 33 (0)1 40 40 27 00
investor-relations@artefact.com

Press Contact

ACTIFIN
Stéphane Ruiz / Victoire Demeestere
Tel. 00 33 (0)1 56 88 11 11
vdemeestere@actifin.fr