

Press Release

Paris, Thursday April 25, 2019
17:40 CEST

2018 results: confirming the benefits of transformation

Gross margin: €63.8m

EBITDAr¹: €3.7m

Q1 2019 gross margin: €16.6m

Target for 2019: Proforma gross margin growth > 15%

Artefact (FR0000079683 – ALATF – eligible for PEA-PME, i.e. personal equity plans investing in SMEs) releases its consolidated results for the 2018 financial year.

The Board of Directors met on 23 April 2019 to approve the Group's financial statements for the fiscal year ended 31 December 2018. An audit on the consolidated financial statement has been performed. A certification report is about to be issued.

<i>in €M - Audited data</i>	2018	2017	Var.
Revenue ²	67.6	49.9	+36%
Gross margin	63.8	47.1	+35%
Personnel expenses	(46.8)	(34.1)	
External expenses, other operating income and expenses	(13.3)	(11.4)	
EBITDAr¹	3.7	1.7	+123%
Personnel expenses - IFRS2 share-based payment	(2.2)	(0.6)	
Personnel expenses - Remuneration for post-combination services under IFRS 3R	(0.1)	-	
EBITDA	1.4	1.1	+33%
Depreciation, amortisation and provisions	(1.4)	(0.9)	
Other non-current income and expenses	(0.9)	(2.8)	
Operating income	(0.8)	(2.5)	+1.7
Net financial income (expense)	(0.2)	(1.9)	+1.7
Income before tax	(1.0)	(4.4)	+3.4
GROUP NET INCOME	(1.2)	(4.8)	+3.7

¹ EBITDAr: 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. The Company has chosen to present a restated EBITDA as a better indication of operating performance, separate from its talent attraction and retention policy and the acquisition terms in its external growth policy.

² Revenue published for 2017 was €161.0m. Under the new IFRS 15 standard, revenue restated for 2017 is €49.9m.

The business grew by 16% proforma³, in 2018

Gross margin for 2018 was €63.8m, up 16% on a proforma basis (+35% reported). This good performance was driven by the strong momentum in France (+47% compared to 2017 proforma) and the upswing of Other Markets (+29% compared to 2017 proforma). The Group's activities in the Rest of Europe decreased slightly over the year (-2% compared to 2017), impacted mainly by the loss of two media contracts in Germany and continued uneven performance in the Nordic countries.

A further stage in the results growth and the improvement of the profit margins

Along with the growth in gross margin was a significant increase in earnings. In spite of major investments (in particular the recruiting of senior partners and Data experts), Artefact's **EBITDAr** rose sharply, going from €1,673k in 2017 to €3,738k. The EBITDAr margin for fiscal 2018 was 5.9%, an increase of 2.3 percentage points over 2017. This profitability trend represents a milestone towards the Group's normative profitability target (EBITDAr between 10% and 15% of gross margin).

- France posted a robust increase in profitability over the year, with an EBITDAr of €3,216k, representing a margin of 13.1% (versus €246k in 2017, an 11 point increase in EBITDA margin over the year). This performance is fully consistent with the Group's overall ambitions for long-term profitability;
- The Rest of Europe generated an EBITDAr of €774k, representing a margin of 2.4% (versus €1,397k in 2017). Beyond the slight decline of the business, the smaller contribution of this area reflects the significant recruitment efforts made in the second half of 2018 to roll out the Consulting/Data/Media offer;
- Lastly, EBITDAr for Other Markets fell to -€252k (versus +€30k). This change is attributable to the major investments planned in the roadmap for the second half of 2018, which will allow Artefact to take full advantage of the market opportunities in this area.

Operating income has improved significantly, at (€848k) compared to (€2,543k) in fiscal 2017. This trend benefited from the sharp drop in other non-current income and expenses, which went from (€2,758k) in 2017 to (€898k) in 2018.

After taking into account financial charges and taxes, **Group net income** has also substantially improved: it stands at (€1,158k) for fiscal 2018, compared to a loss of (€4,843k) in 2017.

A solid financial situation

At 31 December 2018, the group share shareholders' equity had increased sharply by €56.0m versus €36.0m at end-2017. It includes the proceeds of the capital increase carried out in January 2018 amounting to €15.5m. At the end of the year, Artefact's financial situation was solid, with a cash position of €16.5m.

The Group had a net cash position of €1.3m at 31 December 2018, versus the net debt of €8.8m at 31 December 2017.

³ Proforma: Consolidation of Artefact and the Chinese acquisition for the full year in 2017 and 2018

Proforma gross margin⁴ up 12% in the first quarter (+11% published)

Artefact reported a gross margin of €16.6m in the first quarter of 2019. On a proforma basis, the business grew by 12% compared to the same period the previous year (+11% published).

This sustained growth remains driven by the momentum of the Data Consulting business in France and Other Markets. In France (45% of the activity for the period), gross margin for Q1 2019 reached almost €7.5m, representing a 39% increase in growth over 2018. The Other Markets activity (now 15% of the Group’s gross margin), came out at €2.5m, up 65%.

In the Rest of Europe, business was below expectations for Q1 2019. Proforma gross profit amounted to €6.6m, versus €7.9m in the same period of 2018. Lost media contracts in Germany in the second half of 2018 continued to weigh on the activity in this area during the quarter. The Consulting/Data/Media commercial offers deployment will soon be completed across all of the Group’s European sites, with the upcoming arrival in Germany of an experienced partner and his team. The step-up of the local Partners recruited in the second half of 2018 (China, Brazil, the Netherlands) will be fundamental to speed up the transformation of the European sites as an extension of the success in France.

Gross margin (€m)	Published			Proforma	
	Q1 2019	Q1 2018	Variation	Q1 2018	Variation
France	7.5	5.4	+39%	5.4	+39%
Rest of Europe	6.6	8.1	-18%	7.9	-17%
Other Markets*	2.5	1.5	+65%	1.5	+65%
TOTAL	16.6	15.0	+11%	14.9	+12%

Unaudited data

* "Other markets" include Asia Pacific - MENA and Brazil following the opening of the country

Outlook for 2019: Proforma gross margin up 15%

Given the favourable outlook, Artefact is confident in its ability to deliver more than 15% growth in proforma gross margin in 2019. This increase should be accompanied by a significant improvement in results again this year.

Financial calendar (after market):

July 24th, 2019
H1 Gross Margin 2019

October 24th, 2019
H1 Results 2019 and Q3 Gross Margin 2019

- END -

⁴ The proforma data for Q1 2018 include only one-month's contribution (January 2018) of the affiliation activity operating in Denmark, Norway and Finland which had been sold at the end of January 2019 to ensure proper comparability of figures between the two periods.

About Artefact | artefact.com

Created from the merger of the startup Artefact founded in Paris in 2015 and the media agency NetBooster founded in 1998, Artefact has emerged in 4 years as a leading player in Data et Artificial Intelligence (AI). Listed on Euronext Growth Paris Stock Exchange and operating in 19 countries on 4 continents with close to 1,000 employees, Artefact is a data native company provides four complementary offers - Data Consulting, Digital Marketing Expertise, Technology Deployment (AI and Big Data) and Creative Studio - to more than 600 customers including many world leaders. Artefact has created in January 2019 its own AI R&D center and has been serving international groups in creating their own AI Lab.

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