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Press Release

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Solid earnings growth and rising margins
EBITDAr[1] of €2.2m in H1
Margin of 14% in France

Pro-forma gross margin of nearly 18% in Q3

Artefact (FR0000079683 – ALATF – eligible for PEA-PME, i.e. personal equity plans investing in SMEs) releases its consolidated results for H1 2018.

In the words of Artefact CEO Guillaume de Roquemaurel:

"We delivered robust performances in the first half in terms of growth, improved earnings and higher margins. France set itself apart in all three categories, underscoring the strength of our brand new business model, rooted in Artificial Intelligence and Data.
The International stage is where our next market opportunities and potential lie. To succeed in our goals, the new talent we have brought on board these last few months will have a decisive role to play.
As it stands, we are confident in reiterating our 2020 guidance."

[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.

Sharp uptrend in sales momentum

Artefact posted a gross margin of €31.5m in H1 2018, up 50% year-on-year and +18% pro-forma.

Business in France (accounting for nearly 40% of the total gross margin) benefited directly from the rapid development of Consulting and revitalisation of the Media division. The gross margin in France more than tripled (3.2x) to €12.1m (+50% pro-forma).

In the Rest of Europe, the gross margin climbed 3% to €16.4m, in line with Group forecasts as the new combined service offer continues to be rolled out.

Lastly, Asia confirmed its potential, with the gross margin soaring 143% to €3.0m (+14% pro-forma), including the March 2018 acquisition of 8 Matic and its affiliates.

The excellent performances recorded in H1 2018 were driven by the sharp uptrend in sales momentum, with more than 25 new major clients choosing Artefact and representing nearly 5% of the gross margin for the period.

A bigger team with new talent ready to ramp up growth

Experienced partners were hired over the first half in the UK, Spain and Dubai with the goal of moving forward with the roll-out of the combined Consulting/Data/Media offer across all markets.

In France and around the world, the Group expanded its teams in the key areas of expertise (Data Analysts, Data Scientists, Data Engineers, etc.) needed to take full advantage of the high demand observed in the business sectors addressed by the Group.

Lastly, with the Group itself growing larger, the cross-business functions were also expanded, including new appointments to the following managerial positions: Global Head of Data & Consulting, Chief Activation Officer and Global Head of Brand Marketing. These investments, built in to the business plan, are set to start paying off in the coming months and are expected to boost growth potential in line with the Group's ambitions.

Solid earnings growth and rising margins

The Board of Directors met on 18th October 2018 to approve the Group's financial statements for the first half of 2018.

In millions of euros	H1 2018	H1 2017
Revenue	89,031	75,255
Gross margin	**31,509**	**21,029**
Personnel expenses	(22,706)	(15,767)
External expenses, other operating income and expenses	(6,567)	(5,267)
Restated EBITDA	**2,236**	**(5)**
Personnel expenses – IFRS 2 share-based payment*	(887)	(80)
Personnel expenses – Remuneration for post-combination services under I 3R	488	-
EBITDA	**1,838**	**(85)**
Depreciation, amortisation and provisions	(616)	(330)
Other non-current income and expenses	209	(542)
Operating income (expense)	**1,431**	**(957)**
Net financial income (expense)	**(350)**	**(539)**
Income before tax	**1,081**	**(1,496)**
GROUP NET INCOME	**574**	**(1,486)**

Unaudited data

** Free share awards and issuance of preference shares.*

Definition of financial indicators used by the Company:

- *EBITDA (Earnings before interests, taxes, depreciation and amortisation) is defined as operating profit before depreciation, amortisation and non-recurring operating items*
- *EBITDAr is defined by the Company as EBITDA excluding the impact of IFRS 2 expenses related to share-based payments (free share awards and issuance of preference shares) and remuneration for post-combination services under IFRS 3R*

As expected, the improvement in the gross margin was accompanied by strong earnings growth. **EBITDAr** came out at €2,236k (vs. -€5k in H1 2017), making up 7.1% of the H1 2018 gross margin.

France was largely responsible for this positive trend, with EBITDAr almost quadrupling to €1,699k, representing over 14% of the gross margin for the period thanks to the rapid development of the new business model in the region.

International EBITDAr also improved, climbing from -€458k in H1 2017 to €537k in H1 2018. Like France, the International market should also see this uptrend accelerate as the new offers gain ground.

Operating income rose substantially to €1,431k at 30th June 2018, versus a loss of -€957k at 30th June 2017.

After financial expenses and taxes, **Group net income** was in the black at €574k, as opposed to a loss of €1,486k in H1 2017.

Solid financial position

Artefact ended the first half with shareholders' equity up €17.0m to €53.5m at 30th June 2018. After the €15.5m capital increase carried out in January, the Group boasted a particularly robust balance sheet, with a cash position of €12.8m at end-June.

Pro-forma gross margin up 17.8% in Q3 (+35.3% published)

On a pro-forma basis, the gross margin rose 17.8% to €15.1m in the third quarter (+35.3% published). France generated the lion's share of this growth, up +58%, followed by the Asia-Pacific-MENA region (+22%).

In the coming months, the Group's priorities will be focused on extending this momentum to all European markets. To that end, the recruitments made in the first half should gradually pay off.

	Published			Proforma[2]	
Gross margin (€m)	**Q3 2018**	**Q3 2017**	**Change**	**Q3 2017**	**Change**
France	5.90	3.07	+92%	3.73	+58%
Rest of Europe	7.48	7.67	-2%	7.67	-2%
Asia-Pacific-MENA	1.77	0.46	+286%	1.45	+22%
TOTAL	**15.1**	**11.2**	**+35.3%**	**12.8**	**+17.8%**

Unaudited data

(2) Consolidation of Artefact, 8 Matic and its affiliates over 3 months in 2017 and 3 months in 2018

Full-year gross margin expected to climb around +15%

Building on all of these positive components, the pro-forma gross margin is now expected to climb around 15% for full-year 2018. The Group also expects to see a material improvement in earnings, despite the capex scheduled for the second half for the purpose of meeting 2019 growth targets.

2020 guidance reiterated

Artefact is perfectly on track to achieve its market plan and ambitions: namely to top €100m in terms of gross margin, with EBITDA ranging from 10-15%, as from 2020.

Financial calendar (after market):

30 January 2019

FY 2018 Gross margin

END

About Artefact I artefact.com

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 grew 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.

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