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Press Release

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2019 Annual Results:
2019 gross margin: €66.2m, up 10.3% on proforma[1]
EBITDAr: €3.0m

Encouraging quarter in an uncertain climate
Q1 2020 gross margin: €18.4m, up 16.8% on proforma

Artefact (FR0000079683 – ALATF – eligible for PEA-PME, i.e. personal equity plans investing in SMEs) has released its consolidated results for the 2019 financial year and its gross margin for Q1 2020.

Activity up 10.3% in 2019

Group gross margin for 2019 came to €66.2m, up 10.3% on proforma, as targeted. Growth worked out to 3.7% on reported data. As announced, this performance was driven by the roll-out of solutions combining the Group's Data Consulting and Media expertise. However, momentum was undermined by the loss of several long-standing clients, which the ongoing renewal of that business line's portfolio was unable to offset.

In early 2020, **Artefact sold off all of its Scandinavian businesses and closed its office in Italy and the Consulting business in Spain.** As a result of these decisions, the Group can now focus all of its efforts on European countries harbouring the most potential (France, Germany, the UK and the Netherlands).

- In **France**, gross margin increased 17% relative to 2018, to €28.9m. Both the Data Consulting and Media businesses contributed to growth. Gross margin gained 16% at the Data Consulting arm, which now accounts for 65% of business activity in the country. The Media arm recorded growth of 24%. These growth rates testify to the relevance of the business model now in place and of which the roll-out in Europe remains a priority.

- In the **Rest of Europe**, Artefact generated €24.5m in revenue, implying a proforma decline of 13%. The Data Consulting business recorded gross margin of more than €3.8m, up 32% on a proforma basis. The difficulties encountered were mostly attributable to business in Germany and, to a lesser extent, the UK, as activity continued to suffer from the loss of long-standing clients and the later

[1] In order to ensure perfect data comparability between the two periods, 2018 and 2019 figures have been adjusted in respect of accounting standard IFRS 5, such that gross margin for the Rest of Europe no longer includes gross margin contributions from the Group's Scandinavian businesses, which are now recognised under "discontinued operations".

than anticipated roll-out of new solutions. Finally, in the Netherlands, Artefact delivered extremely encouraging performances across its entire range of solutions, with a 36% jump in gross margin. This fine performance testifies to the Group's ability to duplicate its business model in other European countries.

Finally, in **Other markets** (China, Asia-Pacific, MENA, and Brazil), annual gross margin grew 80% to €12.8m. The zone now accounts for nearly 20% of total revenue, compared with 12% in 2018.

Results for the financial year

The Board of Directors met on 21 April 2020 to approve the Group's financial statements for the fiscal year ended 31 December 2019. The consolidated financial statements have been audited and the auditor's report certifying the financial statements is currently being prepared.

The decrease in EBITDAr[2], from €4,624k in 2018 to €2,988k in 2019, stems from mixed top-line performances over the period and the efforts made to underpin the Group's overall offering and revive momentum across all branches of the business:

- In **France**, EBITDAr[2] increased 10.3% to €3,547k, accounting for 12.3% of annual gross margin in the region, compared with 13.1% in 2018. This growth reflects the strengthening in sales teams in the country in response to booming demand in that market.
- In the **Rest of Europe**, the combined impact of lower than anticipated business activity and investments to revive momentum in the region took a toll on profitability. Despite the disposal of the Group's Scandinavian businesses, which generated an operating loss of €0.7m, EBITDAr worked out to a negative €1,371k.
- In **Other markets**, profitability increased on the back of solid growth momentum. These markets generated positive EBITDAr of €812k (compared with a loss of €251k in 2018), implying an annual gross margin of 6.4% for the region.

Artefact chose to apply IFRS 16 using the modified retrospective approach, without restating prior financial statements.

In accordance with IFRS 5, the data presented in the income statement below has also been adjusted for the businesses in Scandinavia now recorded under discontinued operations.

in €m - Audited data	**2019**	**2018 proforma**
Revenue	70.3	62.5
Gross margin	**66.2**	**60.0**
Personnel expenses	(51.5)	(43.3)
External expenses, other operating income and expenses	(11.7)	(12.1)
EBITDAr	**3.0**	**4.6**

[2] 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 and that of IFRS 16 relating to adjustment for lease payments. The Company decided to present restated EBITDA to better reflect its operating performance as monitored internally by management, independently from its policy for attracting and retaining talent and the terms and conditions set out in its acquisitions growth policy.

Adjustment for leases - impact of IFRS 16	3.0	-
Personnel expenses - Share-based payments under IFRS 2	(2.5)	(2.2)
Personnel expenses – Remuneration for post-combination services under IFRS 3R	(1.1)	(0.1)
EBITDA	**2.4**	**2.3**
Depreciation, amortisation and provisions	(7.9)	(1.3)
Other non-current income and expenses	(2.0)	(0.8)
Operating profit	**(7.6)**	**0.2**
Net financial result	**(0.7)**	**(0.1)**
Net income from continuing operations	**(8.8)**	**0.3**
Net income from discontinued operations	**(6.2)**	**(1.2)**
GROUP NET INCOME	**(15.2)**	**(1.2)**

EBTIDA came to €2.4m in 2019 (compared with EBITDA of €2.3m in FY 2018), after taking into account the negative impacts of IFRS 2 and IFRS 3R and the €3m positive impact of the first-time application of IFRS 16.

Artefact recorded an operating loss of €7,623k, due to the sharp increase in the amount of amortisation, depreciation and provisions recorded for the year, at €7,943k, compared to €1,335k in 2018. This increase is attributable to the amortisation and depreciation recorded in respect of IFRS 16, in the amount of €2.9m (with no impact on cash), as well as impairment on goodwill arising from the closure of the Consulting arm in Spain and of the business in Italy, in the amount of €3.7m (with no impact on cash). It also includes €1.6m in restructuring costs, chiefly in respect of the German arm.

The net financial result for 2019 was a financial expense of €674k, compared with a €116k financial expense in 2018. This figure includes interest expense on lease liabilities in the amount of €197k following the application of IFRS 16.

All told, Artefact recorded a net loss from continuing operations of €8,801k in 2019, compared with a net profit of €336k in 2018.

Taking into account more than €12m in non-cash impacts, which also include impairment on the Scandinavian businesses, **Group net income** worked out to negative, with a loss of €15,197k in 2019, compared to a loss of €1,158k in 2018.

Financial position

At 31 December 2019, equity totalled €45.2m, compared to €57.3 m at end December 2018. This decline stems from the near €10m negative impact of goodwill impairment and the amortisation of expenses on divested or discontinued operations.

At the balance sheet date, Artefact had cash of €14.7m and financial debt of €18.2m (excluding €6.2m in lease liabilities in respect of the application of IFRS 16), resulting in net debt of €3.5m, compared with a net cash position of €1.3m at 31 December 2018.

2020 Outlook

The Covid-19 pandemic had a limited impact on business in the first quarter of 2020. Over the period, Artefact generated a gross margin of €18.4m, up 16.8% on proforma (+10.6% on reported data).

This solid growth was driven by further continuing momentum in France. Gross margin for that country came to €9.1m, an increase of 22% compared with Q1 2019.

In the Rest of Europe, business activity was down 8%, compared with the 13% decline recorded for 2019 as a whole. In the Netherlands, gross margin surged 74%. Meanwhile, in the UK, Artefact got back on the growth path, with a 3% rise in gross margin.

In other markets, gross margin was up 58% at €4m, despite the decline in business activity witnessed in China in February and March, due to the impact of the Covid-19 outbreak in the region.

Unaudited data	**Reported**	**Proforma**		**Reported**	
Gross margin in €m	**Q1 2020**	**Q1 2019**	**Change**	**Q1 2019**	**Change**
France	9.1	7.5	+22%	7.5	+22%
Rest of Europe	5.3	5.7	-8%	6.6	-20%
Other Markets	4.0	2.5	+58%	2.5	+58%
TOTAL	**18.4**	**15.8**	**+16.8%**	**16.6**	**+10.6%**

As of 2020, the Group will no longer be providing a detailed breakdown of gross margin for its Data Consulting and Media businesses. Indeed, this distinction is no longer significant in operational terms due to the growing number of solutions and client projects involving a versatile mix of resources, rendering such breakdowns less relevant for analytical purposes.

Due to the lockdown restrictions introduced since the second half of March by the main European countries in which the Group operates, business activity is being affected by the substantial cuts in client spending on advertising. Despite lengthy postponements, consulting missions are proving more resilient. Opportunities for expanding the Group's customer base are obviously restricted.

Faced with this situation, the Group has implemented all measures necessary to protect the health and safety of its employees, while continuing to provide business continuity through the wide-scale use of remote working solutions. It has also taken steps to limit the impact of this unprecedented situation on profitability and cash consumption, involving: short-time working for employees facing a substantial reduction in their activity, tight cost control, postponement of social security contributions and loan repayment deadlines, factoring, etc.). A request for financing has also been filed as part of the French government's state-guaranteed loan scheme.

In light of the measures implemented and the resilience of its business so far, the Group remains upbeat about its ability to ride out the current crisis and get back on its growth path in an uncertain climate.

Financial calendar (after market):

July 23th, 2020
H1 Gross Margin 2020

October 27th, 2020
H1 Results 2020 and Q3 Gross Margin 2020

END

About Artefact I artefact.com

Created from the merger of the startup Artefact, founded in 2015, and the media agency NetBooster, founded in 1998, Artefact has emerged in past five years as a leading player in Data services, providing specialist advice on data transformation and data-driven digital marketing. Strongly established in major world markets (Asia, Europe), Artefact is a next-gen company with a mission to transform data into business impact and to deliver tangible results over its customers' entire value chain. Artefact now provides its range of Data Consulting, Digital Marketing, Technology Deployment (AI and Big Data) and Creative Studio services to diversified customer base, including many world leaders. In January 2019, Artefact created its own AI R&D centre and has been supporting international groups in creating their own AI Labs. Artefact is listed on the Euronext growth stock exchange in Paris (ISIN code: FR0000079683).

For more information:

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