

Press Release

Paris, 27 October 2020
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A turning point in the Group performance trajectory Success of the integrated model in Data Marketing

First-half 2020

Gross margin: €35.1m, up 8% proforma¹

EBITDAr: strong growth in results at €6m (17.0% of growth margin compared with 4.3% in H1 2019)

Q3 2020

Sustained activity driven by solid sales momentum

Gross margin of €15.6m (+3% proforma)

Outlook

Growth expected to accelerate in the fourth quarter

Upwards revision to FY20 guidance, EBITDAr margin > 15% (vs. > 10%)

Artefact (FR0000079683 – ALATF – eligible for PEA-PME) has released its consolidated results for first-half 2020 and its gross margin for third-quarter 2020.

Guillaume de Roquemaurel & Vincent Luciani, co-CEOs of Artefact, comment on the half-year performance:

“The first-half results mark a real turning point in our journey and set us on a sustainable trajectory of growth and profitability. We now boast a unique positioning in the Data Marketing space that sets us apart from the major international players in the market. Our model, blending the best in digital, data and tech expertise, places us at the heart of the issues of international brands, which are required to reinvent themselves in order to forge lasting relations with their consumers.

The health crisis has considerably accelerated this need to transform and stands as a fantastic opportunity that is beginning to show in our sales and financial performance.

For Artefact, the story is barely beginning!”

¹ Proforma data after restatement for office disposals and closures in the Nordic countries, Spain and Italy.

Continued growth despite the health crisis

Artefact posted a gross margin of €35.1m in first-half 2020, up 8% in pro forma terms. The increase stands as a remarkable performance given the impact of the contraction in marketing investments in several sectors (including tourism, air transport and hospitality). **Artefact made the difference by achieving solid growth and maintaining a high level of business activity** (gross margin was stable in the second quarter after a 17% increase in the first).

The increase is first and foremost an illustration of the Group's successful transformation, with the implementation of a new organisation system, reconfigured offers delivering strong added value, and established geographical positions on the strategic European and Asian markets.

The momentum is driven by the acceleration in the digital transformation of the Brands. This has become a priority issue, particularly with the strong growth in e-commerce during the crisis. It is set to become a long-term performance accelerator that will sustain future growth.

Through its powerful expertise in data marketing, which provides brands with direct access to consumers, **Artefact is ready to accelerate by taking advantage of the considerable opportunities offered by the structural change in the market.**

Improved profitability in the first half

On 21 October 2020, the Board of Directors approved the Group's financial statements for the first half of 2020.

<i>in €m - unaudited data</i>	H1 2020	H1 2019 pro forma
Gross margin	35.1	32.5
Employee expense	(25.1)	(25.0)
Other operating expense	(4.0)	(6.1)
EBITDAr²	6.0	1.4
EBITDAr margin / Gross margin	17.0%	4.3%
EBITDA	6.5	1.0
Amortization and depreciation	(2.0)	(1.9)
Other non-operating income	(0.7)	(0.5)
Operating income	3.7	(1.5)
Net financial income	(0.5)	(0.5)
Tax expense	(0.6)	(0.4)
Net income from continuing operations	2.6	(2.3)
Net income from discontinued operations	(0.5)	(0.6)
Non-controlling interests	(0.1)	(0.0)
GROUP NET INCOME	2.0	(2.9)

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, independently from its policy for attracting and retaining talent and the acquisition terms and conditions set out in its acquisitions growth policy.

The two years of investments necessary to the Group transformation are now beginning to bear fruit, with a sharp increase in results.

In addition to the **geographical refocus** on high-potential regions and the **completion of the structuring** of the support functions, this performance results from three key drivers:

- the establishment of a strong brand across all geographies;
- the recruitment of Consulting teams to establish and market the new offering;
- the structuring of the data teams to build a library of algorithms and tools.

As a result, **EBITDAr quadrupled** to €6.0m, compared with €1.4m in first-half 2019. It accounted for **17.0% of pro forma gross margin for the period, versus 4.3% in first-half 2019**. This sharp increase results mainly from the growth in gross margin and control on operating expenses over the period.

Personnel expenses were stable at €25.1m, representing 71.5% of total gross margin, compared with 76.9% in first-half 2019. This stability reflects the optimisation of the workforce in support functions, with the billable teams working on the development and loyalty of the customer portfolio having grown over the period.

This trend is entirely consistent with the objective to increase gross margin at a substantially superior pace to payroll.

Other operating expenses fell €2.1m in the first half to €4.0m, reflecting the end of the investments made over the last two years to structure the Brand and the processes now established at the Group.

All the Group's regions contributed to the growth in results in the first half:

In France, the Group's leading country, EBITDAr increased 109% on first-half 2019. It came out at €4.6m, representing 26.3% of the gross margin for the period and rivalling the best levels in the sector.

Results also improved in all the countries in the Rest of Europe and Other Markets. The two regions thus both became contributors, with EBITDAr of €1.3m, up €2.1m.

Factoring in IFRS 2, IFRS 3R and IFRS 16 impacts, EBITDA totalled €6.5m, up €5.5m. Operating income was positive at €3.7m, compared with an operating loss of €1.5m in first-half 2019.

Overall, Group net income improved considerably, amounting to €2.0m compared with a loss of €2.9m in 2019.

Brisk and growing activity in the third quarter

Gross margin in €m	Reported	Pro forma		Reported
	Q3 2020	Q3 2019	Change	Q3 2019
France	7.4	5.9	26%	5.9
Rest of Europe	4.9	5.5	-10%	5.9
Other Markets*	3.3	3.8	-13%	3.8
TOTAL	15.6	15.1	+3%	15.6

Unaudited data

* "Other Markets" comprises the Asia Pacific - MENA region and Brazil.

The second half opened with a third quarter featuring growth and solid sales momentum, which is expected to accelerate in the coming months. After a 17% increase in the first quarter and a stable second quarter, pro forma gross margin rose 3% to €15.6m in the third quarter.

France was central to this growth, with a third-quarter increase of 26% to €7.4m. The Rest of Europe also posted an improvement, with a limited 10% contraction in pro forma gross margin (to €4.9m), compared with an 18% contraction for the entire first half.

Other Markets were down 13% to €3.3m, owing primarily to the considerable base effect and the loss of a customer in China in the duty-free sector, which was logically impacted by air travel restrictions. But this economic situation does not call into question the momentum of these markets, which delivered a 40% increase in gross margin in the first half.

Key assets for the transformation initiated by the Brands

Artefact is now in a position to accelerate thanks to a unique model underpinned by four key assets:

- **Innovative solutions focused on the use of data**
With the competition still largely represented by specialists from the consultancy or advertising sectors, Artefact boasts unique expertise (in technology, artificial intelligence, data processing, creativity and digital marketing) rolled out through **three offers that constitute decisive competitive strengths**: Data Consulting (data transformation consulting), Data Marketing (supporting marketing departments in the adoption of new data tools), and Digital Activation (consulting and execution of digital ad campaigns).
- **Focus on the priority consumer challenges of large brands**
Thanks to this positioning, **Artefact can now focus its growth momentum on large brands, most of them global.** It has already built long-standing relations with many of these players, which today are forced to revise their model for attracting and gaining the loyalty of customers by making consumer knowledge and direct access a core priority. As an indication of the importance of these issues for large brands, the Group now has 15 clients generating a gross margin of over €1m each. The potential for extending the scope of intervention with these partners and the opportunities for gaining new clients are considerable, as illustrated by the **strong growth in the sales pipeline that will bolster growth in the coming months.**
- **Global geographical coverage refocused on high-potential regions**
Following the refocusing made in the last few months, Artefact is now concentrating its efforts on two high-potential geographical regions.

In Europe, Artefact benefits from a strong foothold in France, **where numerous luxury and consumer brands are headquartered.** In the other countries, the implementation of the model is now at a considerably advanced stage, also offering solid growth prospects.

In Asia, Artefact today ranks as **one of the few players to have established a lasting and significant position.** In a strategic market for local and international brands, this position was illustrated once again recently with the certification obtained from Alibaba to become a service provider of Brand Databank, the database on consumers in the ecosystem of the Chinese e-commerce giant. Artefact is the first data marketing agency to obtain this certification, which offers major potential with brands operating in the Alibaba ecosystem.

- **An established and international brand with a proven ability for attracting the best talents**
Artefact's final advantage is its ability to attract the best talents in a market where expertise in the fields of data and artificial intelligence is actively contested. Thanks to the efforts rolled out in the last two years, the brand

now has a reach enabling it to meet this challenge, as shown in the 107 recruitments made in the first half concerning high-level profiles in consulting, engineering and data.

Growth expected to accelerate in the fourth quarter Upward revision to annual guidance on EBITDAr margin

Armed with these assets, Artefact is approaching the coming months with confidence. **The sales momentum achieved in the third quarter is expected to intensify, with accelerated growth expected in the fourth quarter.**

This favourable business outlook should be accompanied by a strong increase in results, following on from the performance generated in the first half. Consequently, **Artefact is making an upward revision to its annual guidance on EBITDAr margin.** The group is confident in its ability to achieve a **2020 EBITDAr margin of over 15%** (compared with an initial objective in July of over 10%).

With a business model that is beginning to take full effect in terms of growth and profitability, Artefact is committed to a sustainable performance trajectory enabling it to rapidly take its place among the leading international players in data marketing.

To achieve that goal, Artefact can continue to count on a **solid financial situation**, with a cash position at end-June 2020 of €18.4m (compared with €14.7m at end-December 2019).

Financial calendar (after market close):

Thursday 28 January 2021
FY20 Gross margin

END

About Artefact artefact.com

Artefact is a next-generation data-driven consulting and services firm, transforming data into value and business impact for its clients. With a broad presence in the world's main markets (France, Germany, the UK, Asia, Dubai), Artefact serves a large portfolio of more than 300 clients, including a host of world leaders, such as Samsung, Danone, L'Oréal and Sanofi. The Group has three main service offerings, leveraging its data mining and data analysis capacities: Data Consulting, Data Marketing and Digital Activation. Artefact is listed on the Euronext growth stock exchange in Paris (ISIN code: FR0000079683).

For more information:

Financial Communication

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

Press Contact

ACTIFIN
Stéphane Ruiz / Simon Derbanne
Tel. 00 33 (0)1 56 88 11 14
sderbanne@actifin.fr