**Press Release**

Brunel Q4 and FY19 results

Amsterdam, 14 February 2020

**Key points Q4 2019**

* Closure of BIS progressing according to plan
* Revenue excluding BIS up 9% (yoy) to EUR 255 million over the quarter
* EBIT excluding BIS 8.9 million

**Key points full year 2019**

* Revenue growth of 14% to EUR 1,041 million
* EBIT excluding BIS increased by 10% to 39.6 million
* Earnings per share (EPS) excluding BIS of EUR 0.43
* Cash position at 31 December 2019: EUR 91.9 million
* Proposed dividend EUR 0.30 per share, up 20% versus EUR 0.25 in 2018

**Jilko Andringa, CEO of Brunel International N.V.:** “*2019 has been a challenging year. Our year ended in line with the outlook communicated in Q3, with continued overall revenue growth.*

*Looking ahead, we are well positioned. The closure of BIS is going according to plan in terms of timing and costs and is expected to be finalized in Q2 of 2020. In most of the regions outside Europe, we continued our strong growth and our efforts are starting to pay off. Regions that have struggled through the downturn in the Oil & Gas sector are becoming profitable again and our global client base grows month-on-month. We are proud of the excellent performance in the Middle East & India region and the continued market outperformance in the DACH-region. In Q4, we invested in the DACH region to mitigate the impact of the downturn in the automotive market. The Dutch flex market faces some continued challenges and we decided to align our internal organization with top line results, leading to a lower cost level in 2020.*

*Although our overall results have only been slightly impacted to date by the Corona-virus, we are mindful of the impact on our teams and activities in China.*

*In January, we see the headcount trend in Europe stabilizing and the growth outside Europe continuing.”*

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| **Brunel International (unaudited)** | | | | | | | | | |
| P&L amounts in EUR million | |  |  |  |  |  |  |  |  |
|  | **Q4 2019** | **Q4 2018** | **Δ%** |  |  | **FY 2019** | **FY 2018** | **Δ%** |  |
| Revenue | 257.1 | 244.9 | **5%** | a |  | 1,041.1 | 914.6 | **14%** | b |
| Gross Profit | 47.5 | 55.4 | **-14%** |  |  | 209.4 | 208.9 | **0%** |  |
| Gross margin | 18.5% | 22.6% |  |  |  | 20.1% | 22.8% |  |  |
| Operating costs | 49.0 | 44.7 | **10%** | c |  | 192.0 | 174.8 | **10%** | d |
| EBIT | -1.5 | 10.7 | **-114%** |  |  | 17.4 | 34.1 | **-49%** |  |
| EBIT % | -0.6% | 4.4% |  |  |  | 1.7% | 3.7% |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Average directs | 11,365 | 12,618 | **-10%** |  |  | 12,046 | 11,955 | **1%** |  |
| Average indirects | 1,612 | 1,570 | **3%** |  |  | 1,631 | 1,544 | **6%** |  |
| Ratio direct / Indirect | 7.1 | 8.0 |  |  |  | 7.4 | 7.7 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| *a 4 % like-for-like* | | | |  |  |  |  |  |  |
| *b 12 % like-for-like* | | | |  |  |  |  |  |  |
| *c 9 % like-for-like* | | | |  |  |  |  |  |  |
| *d 9 % like-for-like* | | | |  |  |  |  |  |  |
| *Like-for-like is measured excluding the impact of currencies and acquisitions* | | | | | | | | |  |

**Q4 results by division** (P&L amounts in EUR million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue** | **Q4 2019** | **Q4 2018** | **Δ%** |  | **YTD 2019** | **YTD 2018** | **Δ%** |
|  |  |  |  |  |  |  |  |
| DACH region | 66.6 | 68.1 | -2% |  | 284.3 | 268.6 | 6% |
| The Netherlands | 51.1 | 57.0 | -10% |  | 206.8 | 220.1 | -6% |
| Australasia | 30.6 | 27.6 | 11% |  | 119.0 | 113.9 | 4% |
| Middle East & India | 32.3 | 25.1 | 28% |  | 117.4 | 87.3 | 35% |
| Americas | 27.9 | 20.2 | 38% |  | 104.1 | 73.7 | 41% |
| Rest of world | 46.9 | 35.7 | 31% |  | 167.8 | 131.8 | 27% |
| **Subtotal** | **255.4** | **233.7** | **9%** |  | **999.4** | **895.5** | **12%** |
|  |  |  |  |  |  |  |  |
| BIS | 1.7 | 11.2 | -84% |  | 41.7 | 19.1 | 118% |
|  |  |  |  |  |  |  |  |
| **Total** | **257.1** | **244.9** | **5%** |  | **1,041.1** | **914.6** | **14%** |

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| --- | --- | --- | --- | --- | --- | --- | --- |
| **EBIT** | **Q4 2019** | **Q4 2018** | **Δ%** |  | **YTD 2019** | **YTD 2018** | **Δ%** |
|  |  |  |  |  |  |  |  |
| DACH region | 3.6 | 6.2 | -41% |  | 27.1 | 25.1 | 8% |
| The Netherlands | 2.7 | 3.3 | -20% |  | 9.7 | 11.6 | -17% |
| Australasia | -0.4 | -0.3 | -40% |  | -1.6 | -0.8 | -98% |
| Middle East & India | 3.3 | 2.5 | 31% |  | 11.0 | 8.0 | 38% |
| Americas | -0.3 | -0.3 | -11% |  | -0.8 | -1.1 | 28% |
| Rest of world | 1.5 | 1.9 | -25% |  | 1.3 | 1.6 | -16% |
| Unallocated | -1.5 | -1.6 | 2% |  | -7.2 | -8.4 | 14% |
| **Subtotal** | **8.9** | **11.8** | **-25%** |  | **39.6** | **36.0** | **10%** |
|  |  |  |  |  |  |  |  |
| BIS | -10.4 | -1.1 |  |  | -22.2 | -1.9 |  |
|  |  |  |  |  |  |  |  |
| **Total** | **-1.5** | **10.7** | **-114%** |  | **17.4** | **34.1** | **-49%** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **DACH region (unaudited)** | | | | | | | | |
| P&L amounts in EUR million | |  |  |  |  |  |  |  |
|  | **Q4 2019** | **Q4 2018** | **Δ%** |  |  | **YTD 2019** | **YTD 2018** | **Δ%** |
| Revenue | 66.6 | 68.1 | **-2%** |  |  | 284.3 | 268.6 | **6%** |
| Gross Profit | 20.2 | 21.8 | **-7%** |  |  | 92.6 | 86.3 | **7%** |
| Gross margin | 30.3% | 32.0% |  |  |  | 32.6% | 32.1% |  |
| Operating costs | 16.6 | 15.6 | **6%** |  |  | 65.5 | 61.2 | **7%** |
| EBIT | 3.6 | 6.2 | **-41%** |  |  | 27.1 | 25.1 | **8%** |
| EBIT % | 5.5% | 9.1% |  |  |  | 9.5% | 9.3% |  |
|  |  |  |  |  |  |  |  |  |
| Average directs | 2,650 | 2,757 | **-4%** |  |  | 2,697 | 2,646 | **2%** |
| Average indirects | 517 | 484 | **7%** |  |  | 513 | 476 | **8%** |
| Ratio direct / Indirect | 5.1 | 5.7 |  |  |  | 5.3 | 5.6 |  |

The DACH region includes Germany, Switzerland, Austria and Czech Republic.

Due to the slowdown in the automotive industry, we saw headcount slightly declining in Q4 as expected, and compared to a strong Q4 in 2018, this resulted in a decrease in revenue in Q4 of 2%. Direct headcount as of December 31th was down 7% at the end of the quarter at 2,603 (2018: 2,791). The headcount development slightly recovered in the start of 2020. The headcount at the end of January 2020 is down 5% YoY.

In Q1 2020, our Automotive competence centre in Germany will move to a new location. The move will impact productivity over Q1, but result in more capacity going forward.

The gross margin in Q4 2019 decreased compared to Q4 2018. The decrease was due to lower productivity due to more vacation, illness and bench. The number of working days was stable compared to 2018. As 2020 has a higher number of working days, we expect a positive impact on gross margin.

Working days:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q1 | Q2 | Q3 | Q4 | FY |
| 2020 | 64 | 59 | 66 | 65 | 254 |
| 2019 | 63 | 59 | 66 | 62 | 250 |
| 2018 | 63 | 60 | 65 | 62 | 250 |

The operating costs increased by EUR 1 million, or 6%, compared to Q4 2018 due to continued investments in the sales force in Germany to make sure we will benefit from market potential in multiple sectors.

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| **Brunel Netherlands (unaudited)** | | | | | | | | |
| P&L amounts in EUR million | |  |  |  |  |  |  |  |
|  | **Q4 2019** | **Q4 2018** | **Δ%** |  |  | **YTD 2019** | **YTD 2018** | **Δ%** |
| Revenue | 51.1 | 57.0 | **-10%** |  |  | 206.8 | 220.1 | **-6%** |
| Gross Profit | 13.7 | 15.8 | **-13%** |  |  | 55.7 | 62.3 | **-11%** |
| Gross margin | 26.8% | 27.7% |  |  |  | 26.9% | 28.3% |  |
| Operating costs | 11.0 | 12.5 | **-12%** |  |  | 46.0 | 50.7 | **-9%** |
| EBIT | 2.7 | 3.3 | **-20%** |  |  | 9.7 | 11.6 | **-17%** |
| EBIT % | 5.3% | 5.8% |  |  |  | 4.7% | 5.3% |  |
|  |  |  |  |  |  |  |  |  |
| Average directs | 2,135 | 2,531 | **-16%** |  |  | 2,242 | 2,463 | **-9%** |
| Average indirects | 386 | 447 | **-13%** |  |  | 409 | 438 | **-7%** |
| Ratio direct / Indirect | 5.5 | 5.7 |  |  |  | 5.5 | 5.6 |  |

In the Netherlands headcount stabilized in Q4, and continued at that level into 2020 and remained 16% down YoY. We have been experiencing scarcity in talent and it remains challenging to attract new people. The average rates in 2019 increased 3.3% YoY. Direct headcount as of December 31th was 2,136 (2018: 2,535).

The gross margin is 26.8% in Q4 2019 (Q4 2018: 27.7%). The decrease in gross margin is mainly the result of the mix between own personnel vs. freelancers and a lower productivity. The number of working days had no impact in Q4.

Working days:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q1 | Q2 | Q3 | Q4 | FY |
| 2020 | 64 | 60 | 66 | 65 | 255 |
| 2019 | 63 | 62 | 66 | 64 | 255 |
| 2018 | 64 | 61 | 65 | 64 | 254 |

Operating costs have decreased as a result of rightsizing the organization to the current activity level. This will give us a good basis to grow our profitability in 2020.

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| **Australasia (unaudited)** | | | | | | | | |  |
| P&L amounts in EUR million | |  |  |  |  |  |  |  |  |
|  | **Q4 2019** | **Q4 2018** | **Δ%** |  |  | **YTD 2019** | **YTD 2018** | **Δ%** |  |
| Revenue | 30.6 | 27.6 | **11%** | a |  | 119.0 | 113.9 | **4%** | b |
| Gross Profit | 2.6 | 2.9 | **-11%** |  |  | 9.8 | 9.9 | **-1%** |  |
| Gross margin | 8.4% | 10.4% |  |  |  | 8.3% | 8.7% |  |  |
| Operating costs | 3.0 | 3.2 | **-6%** | c |  | 11.4 | 10.7 | **7%** | d |
| EBIT | -0.4 | -0.3 | **-40%** |  |  | -1.6 | -0.8 | **-98%** |  |
| EBIT % | -1.3% | -1.0% |  |  |  | -1.4% | -0.7% |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Average directs | 968 | 902 | **7%** |  |  | 922 | 919 | **0%** |  |
| Average indirects | 84 | 79 | **7%** |  |  | 85 | 78 | **9%** |  |
| Ratio direct / Indirect | 11.5 | 11.4 |  |  |  | 10.9 | 11.8 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| *a 10 % like-for-like* | | | |  |  |  |  |  |  |
| *b 5 % like-for-like* | | | |  |  |  |  |  |  |
| *c -6 % like-for-like* | | | |  |  |  |  |  |  |
| *d 7 % like-for-like* | | | |  |  |  |  |  |  |
| *Like-for-like is measured excluding the impact of currencies and acquisitions* | | | | | | | | |  |

Australasia includes Australia, New Zealand and Papua New Guinea. We have managed to achieve moderate revenue growth, mainly in the Oil & Gas market. The increase in operating costs for the full year mainly relate to continued investments in our commercial organization and office moves.

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| **Middle East & India (unaudited)** | | | | | | | | |  |
| P&L amounts in EUR million | |  |  |  |  |  |  |  |  |
|  | **Q4 2019** | **Q4 2018** | **Δ%** |  |  | **YTD 2019** | **YTD 2018** | **Δ%** |  |
| Revenue | 32.3 | 25.1 | **28%** | a |  | 117.4 | 87.3 | **35%** | b |
| Gross Profit | 5.8 | 4.6 | **26%** |  |  | 20.8 | 15.6 | **34%** |  |
| Gross margin | 17.9% | 18.3% |  |  |  | 17.7% | 17.9% |  |  |
| Operating costs | 2.5 | 2.1 | **19%** | c |  | 9.8 | 7.6 | **29%** | d |
| EBIT | 3.3 | 2.5 | **31%** |  |  | 11.0 | 8.0 | **38%** |  |
| EBIT % | 10.3% | 10.0% |  |  |  | 9.4% | 9.2% |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Average directs | 2,628 | 3,696 | **-29%** |  |  | 3,215 | 3,168 | **2%** |  |
| Average indirects | 139 | 121 | **15%** |  |  | 137 | 116 | **18%** |  |
| Ratio direct / Indirect | 18.9 | 30.5 |  |  |  | 23.5 | 27.3 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| *a 25 % like-for-like* | | | |  |  |  |  |  |  |
| *b 28 % like-for-like* | | | |  |  |  |  |  |  |
| *c 17 % like-for-like* | | | |  |  |  |  |  |  |
| *d 24 % like-for-like* | | | |  |  |  |  |  |  |
| *Like-for-like is measured excluding the impact of currencies and acquisitions* | | | | | | | | |  |

The performance in the Middle East & India remains strong. The continued double digit growth is mainly driven by the performance in Qatar and Kuwait. Gross margin decreased slightly due to a different mix of projects.

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| **Americas (unaudited)** | | | | | | | | |  |
| P&L amounts in EUR million | |  |  |  |  |  |  |  |  |
|  | **Q4 2019** | **Q4 2018** | **Δ%** |  |  | **YTD 2019** | **YTD 2018** | **Δ%** |  |
| Revenue | 27.9 | 20.2 | **38%** | a |  | 104.1 | 73.7 | **41%** | b |
| Gross Profit | 4.0 | 2.6 | **52%** |  |  | 13.4 | 9.2 | **45%** |  |
| Gross margin | 14.2% | 12.9% |  |  |  | 12.8% | 12.5% |  |  |
| Operating costs | 4.3 | 2.9 | **48%** | c |  | 14.2 | 10.3 | **38%** | d |
| EBIT | -0.3 | -0.3 | **-11%** |  |  | -0.8 | -1.1 | **28%** |  |
| EBIT % | -1.2% | -1.5% |  |  |  | -0.8% | -1.5% |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Average directs | 903 | 689 | **31%** |  |  | 861 | 648 | **33%** |  |
| Average indirects | 125 | 106 | **19%** |  |  | 127 | 98 | **30%** |  |
| Ratio direct / Indirect | 7.2 | 6.5 |  |  |  | 6.8 | 6.6 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| *a 36 % like-for-like* | | | |  |  |  |  |  |  |
| *b 36 % like-for-like* | | | |  |  |  |  |  |  |
| *c 45 % like-for-like* | | | |  |  |  |  |  |  |
| *d 32 % like-for-like* | | | |  |  |  |  |  |  |
| *Like-for-like is measured excluding the impact of currencies and acquisitions* | | | | | | | | |  |

The region Americas includes Canada, United States, Mexico, Guyana and Brazil. All countries contributed to growth in revenue. Operating costs have increased as a result of investments in the sales force and the opening of our entity in Guyana, to facilitate continued strong growth. We are well positioned to continue to profitability.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Rest of world (unaudited)** | | | | | | | | |  |
| P&L amounts in EUR million | |  |  |  |  |  |  |  |  |
|  | **Q4 2019** | **Q4 2018** | **Δ%** |  |  | **YTD 2019** | **YTD 2018** | **Δ%** |  |
| Revenue | 46.9 | 35.7 | **32%** | a |  | 167.8 | 131.8 | **27%** | b |
| Gross Profit | 8.0 | 6.5 | **24%** |  |  | 27.2 | 22.6 | **20%** |  |
| Gross margin | 17.1% | 18.1% |  |  |  | 16.2% | 17.1% |  |  |
| Operating costs | 6.5 | 4.6 | **41%** | c |  | 25.9 | 21.0 | **23%** | d |
| EBIT | 1.5 | 1.9 | **-25%** |  |  | 1.3 | 1.6 | **-16%** |  |
| EBIT % | 3.1% | 5.5% |  |  |  | 0.8% | 1.2% |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Average directs | 1,984 | 1,802 | **10%** |  |  | 1,855 | 2,025 | **-8%** |  |
| Average indirects | 291 | 274 | **6%** |  |  | 286 | 277 | **3%** |  |
| Ratio direct / Indirect | 6.8 | 6.6 |  |  |  | 6.5 | 7.3 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| *a 27 % like-for-like* | | | |  |  |  |  |  |  |
| *b 26 % like-for-like* | | | |  |  |  |  |  |  |
| *c 40 % like-for-like* | | | |  |  |  |  |  |  |
| *d 20 % like-for-like* | | | |  |  |  |  |  |  |
| *Like-for-like is measured excluding the impact of currencies and acquisitions* | | | | | | | | |  |

Rest of World includes Asia, Russia, Belgium and Europe & Africa. The main growth driver in the region is Asia following increased activities in the Oil & Gas sector. Revenue growth exceeds growth in direct headcount due to a change in the mix. The change in the mix also explains the lower gross margin.

Operating cost increased due to further investments in our sales force and new branches in China.

**Brunel Industry Services**

As announced in our press release on 23 October, we are winding down our operations in BIS. In Q4, we managed to terminate all existing client contracts, except, as planned, the project for the water treatment plant. We also terminated all staff contracts and agreements with contractors that are not working on the water treatment plant, sold all assets and terminated the leases of 1 of our 3 locations. The loss for Q4 was EUR 10.4 million, in line with our forecasted EUR 10.5 million. We continue to expect to finalize the water treatment project in Q2 2020.

**Segment reporting**

Starting Q4 2019 we will report Americas separately. All regions exceeding 10% of total revenue, EBIT or total assets are reported separately, while the remaining regions are combined in Rest of World. Until the previous quarter, Americas was included in Rest of World.

**Effective tax rate**

Due to the fact that the losses in BIS do not result in a refund of corporate tax, nor in a recognition of a deferred tax asset, the effective tax rate increased from 33.7% in 2018 to 99.2% in 2019. This was strongly affected by the loss in BIS and the related impairment of deferred tax assets.

**Cash position**

The December 2019 cash balance, including cash deposits, amounted to EUR 91.9 million and decreased by EUR 14.1 million YoY.

**Dividend**

The reported earnings per share over 2019 amount to EUR 0.08. Excluding the losses incurred in BIS, our earnings per share amount to EUR 0.43. In line with the policy to pay out between 30% and 100% of the result over the year, we propose a pay-out ratio over 70% over 2019, of the adjusted earnings per share, as announced at our Q3 results. This comes down to a dividend of EUR 0.30 per share, an increase of 20% compared to the EUR 0.25 per share over 2018.

**Outlook**

We are mindful of the possible impact of the Corona-virus on our activities in China, although the impact on our overall results so far is limited. We are cautiously optimistic about 2020. With the 14% revenue growth achieved over 2019, we will start at a higher level in many regions outside Europe, and we clearly have more growth opportunities in these regions. In Europe, we start at a lower level, but we have rightsized our operations, whilst strengthening the organisation, creating new opportunities for growth, especially in DACH.