

Brunel International NV: Brunel Q3 results confirm revenue growth acceleration with increasing EBIT margins

Press Release

Amsterdam, 2 November 2018

Key points Q3 2018

- Revenue up 21% (yoy) to EUR 234.6 million over the quarter
- Strong EBIT improvement, growing 72% (yoy) to EUR 12.0 million with EBIT margin up by 1.5ppt to 5.1%

Key points YTD 2018

- Revenue growth of 15% (yoy) to EUR 669.7 million
- EBIT more than doubled to EUR 23.3 million
- EBIT margin up by 1.5ppt to 3.5%

Jilko Andringa, CEO of Brunel: “The third quarter results demonstrate continued acceleration of our growth, achieving double digit revenue growth in all our segments. Our performance in Europe continues to be strong, while we see even faster growth in all verticals (including Oil & Gas) outside of Europe. This shows our strategy to diversify to adjacent verticals is successful. The fast recovery of the Oil & Gas industry is gaining pace, and the outlook for our activities within this industry are trending upwards as well. I’m confident that we are in a strong position to deliver on our promise to break old records in the years to come.”

Brunel International (unaudited)

P&L amounts in EUR million

	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
Revenue	234.6	194.5	21% ^a	669.7	579.8	15% ^b
Gross Profit	54.9	46.3	18%	153.5	133.3	15%
Gross margin	23.4%	23.8%		22.9%	23.0%	
Operating costs	42.9	39.3	9% ^c	130.2	121.7	7% ^d
EBIT	12.0	7.0	72%	23.3	11.6	102%
EBIT %	5.1%	3.6%		3.5%	2.0%	
Average directs	12,087	9,665	25%	11,734	9,283	26%
Average indirects	1,542	1,500	3%	1,536	1,485	3%
Ratio direct / Indirect	7.8	6.4		7.6	6.3	

a 18 % like-for-like

b 15 % like-for-like

c 8 % like-for-like

d 8 % like-for-like

Like-for-like is measured excluding the impact of currencies and acquisitions

Q3 2018 results by division

P&L amounts in EUR million

Summary:

Revenue	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
DACH region	70.5	60.9	16%	200.5	178.8	12%
The Netherlands	52.8	46.8	13%	163.1	141.3	15%
Australasia	30.4	25.1	21%	86.4	70.5	23%
Middle East & India	22.6	14.8	53%	62.1	45.9	35%
Rest of world	58.2	46.9	24%	157.6	143.4	10%
Total	234.6	194.5	21%	669.7	579.8	15%

EBIT	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
DACH region	8.5	8.3	3%	18.9	18.4	2%
The Netherlands	3.0	2.9	3%	8.3	6.1	37%
Australasia	0.0	-0.1	75%	-0.5	-0.9	38%
Middle East & India	2.1	0.7	208%	5.5	1.3	307%
Rest of world	0.3	-1.8	116%	-2.0	-5.7	65%
Unallocated	-1.8	-2.9	38%	-6.8	-7.7	12%
Total	12.0	7.0	72%	23.3	11.6	102%

The **Group's** revenue increased by 21%, of which 18% organically. We have completed the integration of SES Labour Solutions, that was acquired in September last year. The activities and management of SES Labour have proven to be a very good fit with the existing Brunel operations in Australia. EBIT increased by 72% in Q3 and the EBIT margin is up by 1.5 ppt.

DACH region (unaudited)

P&L amounts in EUR million

	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
Revenue	70.5	60.9	16%	200.5	178.8	12%
Gross Profit	23.8	22.0	8%	64.6	61.1	6%
Gross margin	33.8%	36.2%		32.2%	34.2%	
Operating costs	15.3	13.7	12%	45.7	42.7	7%
EBIT	8.5	8.3	3%	18.9	18.4	2%
EBIT %	12.1%	13.6%		9.4%	10.3%	
Average directs	2,698	2,460	10%	2,609	2,412	8%
Average indirects	472	455	4%	473	446	6%
Ratio direct / Indirect	5.7	5.4		5.5	5.4	

Our activities in the **DACH region** continued to show strong growth. In Q3, there was no impact from the number of working days. Gross margin decreased due to the impact of the new legislation on equal pay and a lower productivity during the holiday season, but was maintained at a sustainable level as a result of our specialized professionals business model and our strong local client relationships. Since the beginning

of the year, the productivity in our automotive testing and competence centers was lower than in 2017. After a restructuring of the centers, productivity is back at normal levels in September.

The YTD gross margin adjusted for working days is 32.5% (2017: 34.2%).

Working days:

	Q1	Q2	Q3	Q4	FY
2018	63	60	65	62	250
2017	65	59	65	60	249

Brunel Netherlands (unaudited)

P&L amounts in EUR million

	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
Revenue	52.8	46.8	13%	163.1	141.3	15%
Gross Profit	15.4	13.9	11%	46.6	40.5	15%
Gross margin	29.2%	29.7%		28.5%	28.7%	
Operating costs	12.4	11.0	13%	38.3	34.4	11%
EBIT	3.0	2.9	3%	8.3	6.1	37%
EBIT %	5.7%	6.2%		5.1%	4.3%	
Average directs	2,449	2,204	11%	2,441	2,170	12%
Average indirects	449	435	3%	435	436	0%
Ratio direct / Indirect	5.4	5.1		5.6	5.0	

Our headcount development in The Netherlands is in line with our normal seasonality with moderate growth in H1 and stronger growth in H2. The business lines Engineering and IT remain the biggest contributors to the headcount development in The Netherlands.

There was no impact from the number of working days in Q3. The YTD gross margin adjusted for working days is 28.9% (2017: 28.7%). We have continued to proactively hire new talented professionals and have started training initiatives in all our business lines in Q3 to ensure availability of candidates in the current scarce labor market. For the short term, this has caused a slightly lower productivity and gross margin. For the longer term, however, this will fuel continued growth.

Operating costs include continuous investments in technology and digital tools. These additional costs and the lower productivity limited our EBIT growth.

The investments in technology and digital tools include pilots in new markets. The pilot of our end to end platform 'Pack' in Amsterdam, will be concluded in Q4. The learnings of these pilots are, and will be, integrated across Brunel, to further differentiate our added value and to create more efficiencies. The additional costs of these market initiatives in 2018 are EUR 2.5 million.

Working days:

	Q1	Q2	Q3	Q4	FY
2018	64	61	65	64	254
2017	65	61	65	63	254

Australasia (unaudited)

P&L amounts in EUR million

	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
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Revenue	30.4	25.1	21% ^a	86.4	70.5	23% ^b
Gross Profit	2.5	1.9	28%	7.0	5.2	34%
Gross margin	8.1%	7.6%		8.1%	7.4%	
Operating costs	2.5	2.0	25% ^c	7.5	6.1	23% ^d
EBIT	-	-0.1	75%	-0.5	-0.9	38%
EBIT %	-0.1%	-0.5%		-0.6%	-1.2%	
Average directs	917	624	47%	925	516	79%
Average indirects	80	61	31%	77	69	12%
Ratio direct / Indirect	11.5	10.3		12.0	7.5	

a -5 % like-for-like

b 3 % like-for-like

c 5 % like-for-like

d 14 % like-for-like

Like-for-like is measured excluding the impact of currencies and acquisitions

Australasia achieved a breakeven result in the third quarter. The revenue growth is the result of the acquisition of SES Labour Solutions in September 2017. We continue to work on the finalisation and commissioning of large projects in Oil & Gas that started years ago. We see the level of activities in Oil & Gas industry in Australasia increasing, but no significant new projects are expected to start before 2020.

Middle East & India (unaudited)

P&L amounts in EUR million

	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
Revenue	22.6	14.8	53% ^a	62.1	45.9	35% ^b
Gross Profit	4.0	2.2	82%	11.0	6.4	71%
Gross margin	17.8%	15.0%		17.7%	14.0%	
Operating costs	1.9	1.5	27% ^c	5.5	5.1	8% ^d
EBIT	2.1	0.7	208%	5.5	1.3	307%
EBIT %	9.1%	4.5%		8.8%	2.9%	
Average directs	3,478	1,211	187%	2,992	1,096	173%
Average indirects	116	106	9%	114	105	9%
Ratio direct / Indirect	30.0	11.4		26.2	10.4	

a 53 % like-for-like

b 44 % like-for-like

c 26 % like-for-like

d 14 % like-for-like

Like-for-like is measured excluding the impact of currencies and acquisitions

Middle East & India continued its strong performance. In Q3, one significant project was completed, and new projects will start in Q4. Throughout the region, we see increased activities and opportunities for 2019, and positive results from our strategy to diversify and increase our added value.

Rest of world (unaudited)

P&L amounts in EUR million

	Q3 2018	Q3 2017	VAR.%	YTD 2018	YTD 2017	VAR.%
Revenue	58.2	46.9	24% ^a	157.6	143.4	10% ^b
Gross Profit	9.1	6.3	45%	24.4	20.0	22%
Gross margin	15.7%	13.4%		15.5%	13.9%	
Operating costs	8.3	8.1	2% ^c	25.9	25.7	1% ^d
EBIT	0.8	-1.8	144%	-1.5	-5.7	74%
EBIT %	1.4%	-3.9%		-1.0%	-4.0%	
Average directs	2,545	3,166	-20%	2,768	3,089	-10%
Average indirects	373	388	-4%	382	377	2%
Ratio direct / Indirect	6.8	8.2		7.2	8.2	

a 26 % like-for-like

b 10 % like-for-like

c 9 % like-for-like

d 7 % like-for-like

Like-for-like is measured excluding the impact of currencies and acquisitions

The rest of the world returned to profitability in the third quarter. The strong growth is driven by strong performances in the Americas and in the Russia & Caspian region. Most regions are now profitable or on their way to breakeven with both revenue and EBIT showing significant growth compared to 2017.

In the USA, our shutdown and maintenance organisation, that we started last year, is close to completing the first project successfully and profitable. We have also won a significant project in the Permian Basin in Texas, the biggest shale oil producing region in the USA. With this entrance to the shale market we also decided to open an office there.

Outlook for 2018

We reiterate the outlook announced last quarter and expect to reach revenues of between EUR 875 million and EUR 925 million and EBIT between EUR 32 million and EUR 38 million for the full year 2018.

The economic outlook for our sectors remains strong and we believe our diversification strategy, focused on high satisfaction among our direct and indirect employees and clients, will further increase revenues. At the same time, we are full steam ahead with the investments in digital tools and solutions to drive our performance.