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Press Release

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H1 2020:
Continued growth despite health and economic crisis
Gross margin: €35.1m, up +8.0% on proforma[1]

Sharp growth in earnings expected in FY 2020:
Targeting EBITDAr[2] margin of above 10%

Artefact (FR0000079683 - ALATF - eligible for PEA-ME, i.e. Personal equity plans investing in SMEs) today published its gross margin for the first half of 2020.

Continued growth despite crisis caused by COVID-19 outbreak, H1gross margin up 8.0%

After chalking up pro-forma growth of nearly 17% in the first quarter of 2020, the Group recorded a flat gross margin (-0.3%) in the second quarter, at €16.7m. The economic slowdown at Artefact's sites in Asia from Q2 naturally deepened when lockdown measures were introduced in Europe. Despite these tough conditions, the Group proved highly resilient in the new backdrop. Business was able to continue thanks to the renewed confidence shown by its main clients and the widespread adoption of teleworking, with no significant impact on productivity.

Relevance of Group refocusing on expertise and high-potential countries

Artefact helps its clients with their digital and data transformation, from the strategy stage through to execution, with a simple and robust business model for implementing data solutions.

Its business activities are now structured to focus on three main solutions: **Data Consulting** (advice on Data transformation, including services other than marketing), **Data Marketing** (supporting marketing departments in adopting new data tools), and **Digital Activation** (consulting and execution of digital ad campaigns). In particular, the **Data Marketing** line stands at the crossroads of Artefact's historical Media and Consulting business expertise.

The spectacular growth in the **Data Consulting** business (+125% relative to H1 2019, accounting for around €11m of gross margin for the period), together with the healthy momentum in **Data Marketing**

[1] In order to ensure perfect data comparability between the two periods, pro-forma 2019 and 2020 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".

[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.

(+21% for just over €10m in gross margin), helped offset the effect of major cutbacks in advertising at the **Digital Activation** business as a result of the COVID-19 crisis (-29% and €13.5m in gross margin).

The rebalancing in the services mix towards **Data Consulting** (rising from 15% in H1 2019 to 32% in H1 2020) and **Data Marketing** (from 26% to 30%) thus continued over the first-half period. The **Digital Activation** business, which accounted for nearly 60% of the Group's business in H1 2019, accounted for less than 40% of gross margin in H1 2020.

The result of these trends for the Group's various geographic regions was as follows:

- In **France** (50% of Group business activity in H1), gross margin once again increased sharply in H1, up 18% to €17.8m. Momentum remained solid in the second quarter, with a 15% rise in gross margin relative to the year-earlier period. These excellent results were once again attributable to substantial contributions from the Data Consulting and Data Marketing businesses (gross margin +€3.4m in H1), thus testifying to their resilience in the face of crisis, whereas the Digital Activation arm saw a €1.2m decline;
- In the **Rest of Europe** (28% of Group activity in H1), a region in which Digital Activation is still the Group's dominant activity, the effects of the crisis took a heavy toll on results. This resulted in a 19% contraction in pro-forma gross margin relative to H1 2019. Nonetheless, the Group's Data Consulting (+€0.6m relative to 2019) and Data Marketing (+€0.7m) service offerings began a promising ascent;
- Finally, in **Other Markets** (22% of Group activity in H1) business momentum remained solid. All told, the Group chalked up gross margin of €7.6m for the first half of 2020, up 40% relative to the same period of 2019. Here too, the Data Consulting and Data Marketing offerings (+€3.1m in gross margin, +160%) helped offset the impacts on the Digital Activation arm (-€0.9m, -26%).

Unaudited data	**Reported**	**Proforma**		**Reported**	
Gross margin in €m	**H1 2020**	**H1 2019**	**Variation**	**H1 2019**	**Variation**
France	17.8	15.1	+18%	15.1	+18%
Rest of Europe	9.7	12.0	-19%	14.0	-30%
Other Markets	7.6	5.4	+40%	5.4	+40%
TOTAL	**35.1**	**32.5**	**+8.0%**	**34.5**	**+1.8%**
of which Q2	*16.7*	*16.7*	*-0.3%*	*17.9*	*-6.5%*

Outlook: continued growth and sharp increase in earnings expected in FY 2020

Since the lockdown restrictions were lifted, Artefact has been seeing extremely encouraging signs of revival, fuelled by:

- Sharp growth in the commercial pipeline, notably in Data Marketing and Data Consulting solutions, which should continue to underpin growth in business activity over the coming months;
- Potential for a substantial rally in activity at the Digital Activation arm, which shed more than €5m in gross margin in H1 without any notable client losses.

That said, top-line momentum will remain contingent upon the health situation over the coming months, as well as on any cost-saving efforts that major groups may undertake after the summer.

Looking past current favourable business trends, profitability is expected to improve considerably in 2020 as a whole, given that:

- After two years of hefty investment in rolling out Data Consulting and Data Market teams outside France, gross margin growth is set to substantially outpace that in the workforce;
- The network is now focused on high-potential geographic regions, following the disposals of all of the Group's Scandinavian businesses and the closure of the Italian office and the Data Consulting arm in Spain;
- The major work conducted on structuring the Group's support services and overheads, in step with the 2017-2020 growth plan, is now complete (establishing the Artefact brand, structuring recruitment and the HR department, equipping the finance department with new tools, etc.).

The combined impact of these factors should result in strong earnings growth as of the current fiscal year. The Group therefore reiterates its confidence in its ability to generate EBITDAr 2020 margin in excess of 10% (compared to 4.5% achieved in FY 2019).

Meanwhile, the Group's solid financial position lends weight to these bright prospects, with more than €18m in cash on the books at 30 June 2020, including a French state guaranteed loan (PGE) of €6m.

Financial calendar (after market):

27 October 2020
H1 2020 earnings and Q3 2020 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).

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