Brunel

Press Release

Q2 2020: Impact COVID-19 less than expected, strong free cash flow

Amsterdam, 31 July 2020

Key points Q2 2020

- Revenue decrease ongoing business limited to 8% (yoy) to EUR 223 million
- Restructurings in DACH region and Americas to align to lower activity level and prepare for end date government relief in Germany
- Good performance in the Netherlands with strict bench and cost management
- Cost savings (14%) exceeding gross profit decline (-12%), annualised savings of EUR 30 million
- EBIT amounted to EUR 0.8 million (Q2 2019: EUR -0.5 million)

Key points H1 2020

- Revenue decrease ongoing business 1% (yoy) to EUR 480 million
- EBIT amounted to EUR 9 million
- Strong free cash flow of EUR 22 million, cash position at EUR 111.5 million

Jilko Andringa, CEO of Brunel International N.V.: *"During these tough times, which have significantly impacted our society, Brunel has shown to be very resilient. The impact of COVID-19 on our business in the quarter was less than initially expected. Our main priority was and remains the health and safety of our people, and I am proud to see that our employees and specialists continue to work diligently to serve our clients to the best of their ability, at our clients, from our offices where possible, or remote.*

In Q2, we continued to see project delays, reductions and cancellations due to the pandemic. The DACH region has seen the biggest impact and reports a loss in the quarter, which is also the result of seasonality and the first impact of a restructuring. The Netherlands is flattening out and shows improved profitability versus last year, through bench and cost management. Being active in a cyclical business, Brunel has great cost agility and can adjust costs levels where needed and we are prepared to organise ourselves as agile as needed in the coming quarters.

At the same time, we continue to execute our diversification strategy, and our sales teams continue to find new specialised client solutions that will help grow our business and increase our margins in the foreseeable future. The current circumstances bring even more internal awareness for the need to diversify and to become more specialised.

With the duration of the pandemic unknown, Brunel will continue to support its employees, specialists, clients and other stakeholders where possible, while maintaining a healthy financial basis and ensuring continued profitability and future returns to our shareholders. The second half of this year will be tough, but with the many great Brunellers around the world, we are ready to show our unique combined strength, short, medium and long term."

Brunel International (unaudited)

P&L amounts in EUR million	Q2 2020	Q2 2019	Δ%		H1 2020	H1 2019	Δ%	
Revenue	223.4	258.1	**-13%**	a	481.3	524.2	**-8%**	b
Gross Profit	41.6	47.0	**-12%**		96.0	106.1	**-10%**	
Gross margin	18.6%	18.2%			19.9%	20.2%		
Operating costs	40.8	47.5	**-14%**	c	87.2	94.5	**-8%**	d
EBIT	0.8	-0.5	**259%**		8.8	11.6	**-24%**	
EBIT %	0.3%	-0.2%			1.8%	2.2%		
Average directs	10,345	12,607	**-18%**		10,896	12,797	**-15%**	
Average indirects	1,480	1,650	**-10%**		1,524	1,630	**-7%**	
Ratio direct / Indirect	7.0	7.6			7.2	7.9		

a -13 % at constant currencies

b -8 % at constant currencies

c -14 % at constant currencies

d -8 % at constant currencies

The COVID-19 outbreak and the sharp decline in oil price had an impact on the financial results in all our regions in Q2. Especially in April, when countries' lockdown measures were at the peak, we noted a strong decrease in activities at our clients, leading to a decrease in revenue in most regions. The revenue decline started to ease in May and June.

The Group's Q2 revenue excluding BIS decreased by 8%, mainly due to the decrease in the DACH region. The Middle East & India and Rest of the World regions showed growth year-on-year in Q2. For H1, we see revenue growth in the regions Australasia, Middle East & India, Rest of the World and the Americas.

We have taken various cost saving measures in most of our regions, to make sure we organise ourselves as flexible as we can, while in the regions in which we continue to experience revenue growth, we retain the capacity to grasp new opportunities. In the DACH region and the Americas, where we expect the revenue decline to continue, we have executed our restructuring plans to adjust our organisations. As a result of the cost saving initiatives that are already executed, the Group's operating costs in Q4 will be 15% lower compared to Q1, annualised a cost saving of EUR 30 million.

The Q2 EBIT for the Group was higher than last year. Excluding BIS the EBIT decreased by EUR 4.7 million (-83%), mainly due to the decrease in the DACH region of EUR 4.9 million. In absolute amounts, the other regions achieved small decreases or slight growth in EBIT compared to Q2 2019.

H1 2020 results by division

P&L amounts in EUR million

Summary:

Revenue	**Q2 2020**	**Q2 2019**	**Δ%**	**H1 2020**	**H1 2019**	**Δ%**
DACH region	52.8	69.6	-24%	122.4	143.2	-15%
The Netherlands	46.4	51.9	-11%	97.2	106.3	-9%
Australasia	28.4	28.6	-1%	58.4	57.3	2%
Middle East & India	30.0	28.6	5%	63.7	55.6	15%
Americas	23.0	25.8	-11%	51.6	48.1	7%
Rest of world	42.8	39.4	9%	87.2	76.2	14%
Subtotal	**223.3**	**243.8**	**-8%**	**480.4**	**486.7**	**-1%**
BIS	0.1	14.2	-100%	0.9	37.6	-98%
Total	**223.4**	**258.1**	**-13%**	**481.3**	**524.2**	**-8%**

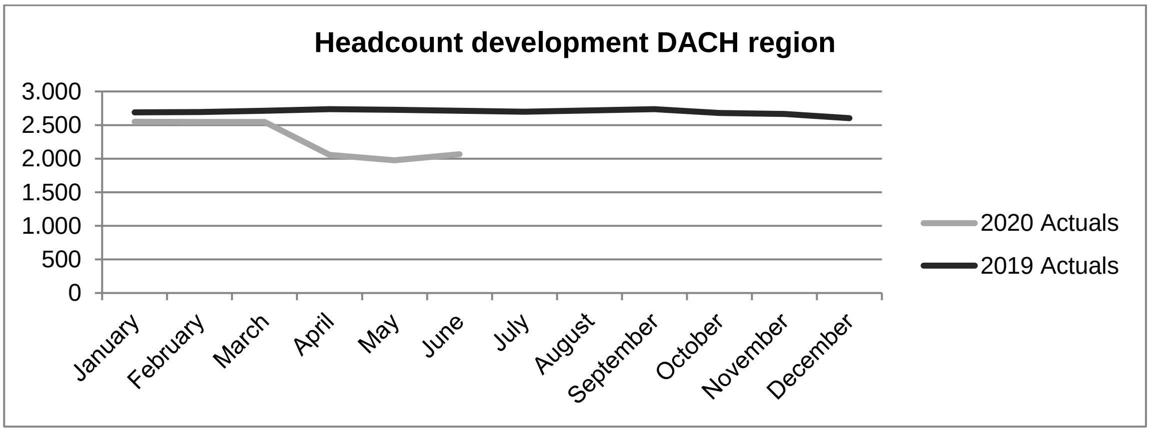
EBIT	**Q2 2020**	**Q2 2019**	**Δ%**	**H1 2020**	**H1 2019**	**Δ%**
DACH region	-0.6	4.3	-115%	3.4	12.8	-73%
The Netherlands	1.7	1.6	7%	4.9	4.4	11%
Australasia	-0.3	-0.4	34%	-0.3	-1.0	69%
Middle East & India	1.9	2.3	-18%	5.1	5.2	-1%
Americas	-0.7	0.0		-1.4	0.3	
Rest of world	0.8	-0.3		1.9	-0.6	
Unallocated	-1.8	-1.8	-2%	-4.4	-4.2	-4%
Subtotal	**1.0**	**5.7**	**-83%**	**9.2**	**16.9**	**-46%**
BIS	-0.2	-6.2	97%	-0.3	-5.3	93%
Total	**0.8**	**-0.5**	**259%**	**8.8**	**11.6**	**-24%**

DACH region (unaudited)

P&L amounts in EUR million	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	52.8	69.6	**-24%**	122.4	143.2	**-15%**
Gross Profit	14.3	20.6	**-31%**	35.6	45.4	**-21%**
Gross margin	27.1%	29.6%		29.1%	31.7%	
Operating costs	14.9	16.3	**-9%**	32.2	32.6	**-1%**
EBIT	-0.6	4.3	**-115%**	3.4	12.8	**-73%**
EBIT %	-1.2%	6.2%		2.8%	9.0%	
Average directs	2,032	2,725	**-25%**	2,290	2,712	**-16%**
Average indirects	481	516	**-7%**	496	509	**-3%**
Ratio direct / Indirect	4.2	5.3		4.6	5.3	

Revenue

As anticipated, revenue and gross margin decreased due to the lower headcount and lower productivity for all components within the DACH region. Short-time working (Kurzarbeit) is still in place for 500 professionals. The short-time working option can be used per office until 31 December 2020, but is conditional on meeting certain requirements. With the expected development in the remainder of the year, we are planning to decrease the usage of this facility, which will likely result in a higher than normal bench for H2 2020.



Headcount as of 30 June 2020 was 2,064.

Working days Germany:

	Q1	Q2	Q3	Q4	FY
2020	64	59	66	65	254
2019	63	59	66	62	250

Gross profit

Cost of sales includes savings of EUR 6 million relating to the use of the short-time working relief plan. Adjusted for working days, H1 gross profit decreased by 24%. The gross margin adjusted for working days in H1 is 28.6% (2019: 31.7%).

Operating costs

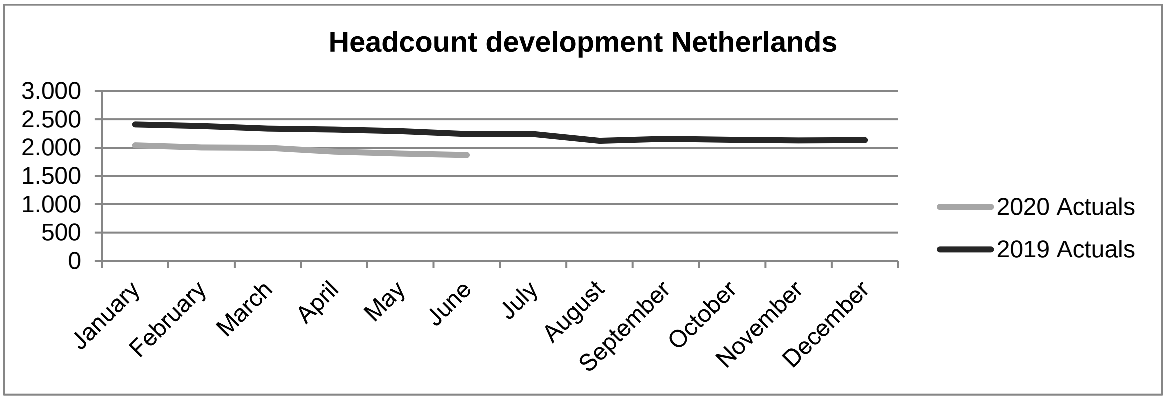
Operating costs include savings of EUR 1 million relating to the use of the short-time working relief plan, as well as EUR 0.8 million of restructuring cost. Overall, operating costs in Q2 decreased by 9%. H1 operating costs decreased by 1%. We have executed a restructuring to offset the expected further decline in revenue, and to plan for the expected end date of the relief plan, leading to further cost savings.

Brunel Netherlands (unaudited)						
P&L amounts in EUR million						
	Q2 2020	**Q2 2019**	**Δ%**	**H1 2020**	**H1 2019**	**Δ%**
Revenue	46.4	51.9	**-11%**	97.2	106.3	**-9%**
Gross Profit	11.5	13.2	**-13%**	25.6	28.3	**-10%**
Gross margin	24.7%	25.4%		26.3%	26.6%	
Operating costs	9.8	11.6	**-16%**	20.7	23.9	**-13%**
EBIT	1.7	1.6	**7%**	4.9	4.4	**11%**
EBIT %	3.6%	3.0%		5.0%	4.1%	
Average directs	1,899	2,284	**-17%**	1,957	2,330	**-16%**
Average indirects	343	417	**-18%**	355	423	**-16%**
Ratio direct / Indirect	5.5	5.5		5.5	5.5	

Revenue

Q2 revenue per working day in the Netherlands decreased by 8.3%, with the decrease in headcount partly offset by higher rates. Although many projects continued unchanged (with people working from home), there was a decrease in the number of new projects.

We applied for the Dutch government relief plan (NOW-regeling), and received advance payments. At the time of the application, the application was submitted as a precaution as we could not make an exact assessment of the impact. With the impact currently less than anticipated, the application has been withdrawn and the advances have been repaid.



Headcount as of 30 June 2020 was 1,871.

Working days per Q 2020 / 2019:

	Q1	Q2	Q3	Q4	FY
2020	64	60	66	65	255
2019	63	62	66	64	255

Gross Profit

Q2 2020 had 2 less working days compared to 2019. The gross margin adjusted for working days in Q2 is 26.6% (2019: 25.4%). The gross margin adjusted for working days increased by 1.2 ppt.

H1 2020 had 1 less working day compared to 2019. The gross margin adjusted for working days increased by 0.2 ppt. mainly due to higher rates and slightly higher productivity.

Operating costs

In Q2 the operating costs decreased by EUR 1.8 million, following cost saving initiatives and a reduction of indirect headcount.

Australasia (unaudited)

P&L amounts in EUR million	Q2 2020	Q2 2019	Δ%		H1 2020	H1 2019	Δ%	
Revenue	28.4	28.6	**-1%**	a	58.4	57.3	**2%**	b
Gross Profit	2.2	2.4	**-6%**		4.8	4.7	**1%**	
Gross margin	7.8%	8.3%			8.2%	8.2%		
Operating costs	2.5	2.8	**-11%**	c	5.1	5.7	**-11%**	d
EBIT	-0.3	-0.4	**34%**		-0.3	-1.0	**69%**	
EBIT %	-0.9%	-1.4%			-0.5%	-1.7%		
Average directs	1,040	908	**15%**		1,049	908	**16%**	
Average indirects	83	85	**-2%**		82	85	**-3%**	
Ratio direct / Indirect	12.5	10.7			12.7	10.7		

a 1 % at constant currencies

b 6 % at constant currencies

c -8 % at constant currencies

d -7 % at constant currencies

Revenue

Australasia, which includes Australia and Papua New Guinea, managed to keep revenue stable compared to a year earlier. The region continues to see opportunities, although it currently experiences some impact of travel restrictions and cost saving initiatives at clients.

Gross Profit

The decreased gross margin is mainly the result of an adverse development in the exchange rate for the activities in Papua New Guinea (impact -0.4 ppt.).

Operating costs

In Q2, the operating costs decreased by 11%, mainly as a result of several cost saving initiatives.

Brunel

Middle East & India (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%		H1 2020	H1 2019	Δ%	
Revenue	30.0	28.6	**5%**	a	63.7	55.6	**15%**	b
Gross Profit	4.5	5.2	**-13%**		10.4	10.0	**4%**	
Gross margin	15.0%	18.0%			16.3%	17.9%		
Operating costs	2.6	2.9	**-10%**	c	5.3	4.8	**10%**	d
EBIT	1.9	2.3	**-18%**		5.1	5.2	**-1%**	
EBIT %	6.3%	8.0%			8.0%	9.3%		
Average directs	2,506	3,697	**-32%**		2,608	3,815	**-32%**	
Average indirects	141	137	**3%**		144	133	**8%**	
Ratio direct / Indirect	17.8	27.0			18.2	28.6		

a 4 % at constant currencies

b 13 % at constant currencies

c -9 % at constant currencies

d 9 % at constant currencies

Revenue

In Q2 2020, the region continued to deliver a strong performance and attained 5% higher revenue compared to Q2 2019. Qatar is the main contributor to the increase, partially offset by lower revenue in other countries of the region. The activities in the Middle East are heavily dependent on our ability to mobilise specialists to the Middle East. We do have a healthy pipeline of projects, however the starting moment of these projects is uncertain due to the current travel restrictions.

Gross Profit

The gross margin has reduced following a reduction in our services due to the challenging environment. We have also seen some margin pressure and a change in the mix of clients.

Operating costs

Operating costs decreased by 10% as a result of various cost saving measures.

Americas (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%		H1 2020	H1 2019	Δ%	
Revenue	23.0	25.8	**-11%**	a	51.6	48.1	**7%**	b
Gross Profit	2.5	3.0	**-18%**		5.7	5.9	**-3%**	
Gross margin	10.7%	11.6%			11.0%	12.2%		
Operating costs	3.2	3.0	**7%**	c	7.1	5.6	**27%**	d
EBIT	-0.7	0.0			-1.4	0.3		
EBIT %	-3.0%	0.1%			-2.8%	0.7%		
Average directs	747	856	**-13%**		812	827	**-2%**	
Average indirects	102	130	**-21%**		112	127	**-12%**	
Ratio direct / Indirect	7.3	6.6			7.3	6.5		

a -7 % at constant currencies

b 9 % at constant currencies

c 10 % at constant currencies

d 30 % at constant currencies

Revenue

While we still saw growth in Q1, revenue has decreased over Q2, mainly caused by a high number of projects that have been stopped or paused in the US. Canada, Brazil and Mexico still managed to achieve growth.

Gross Profit

The gross margin and gross profit are impacted by a lower recruitment revenue. Adjusted for the impact of the lower recruitment revenue, the gross margin is at the same level as in Q2 2019.

Operating costs

We reduced our cost level and aligned the organisation with the expected lower business volume. This already resulted in a cost decrease of 20% when compared to Q1 2020, and we expect to see the full impact of these measures in Q3 of this year.

Rest of world (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%		H1 2020	H1 2019	Δ%	
Revenue	42.8	39.4	**9%**	a	87.2	76.2	**14%**	b
Gross Profit	6.7	6.1	**10%**		14.0	11.7	**19%**	
Gross margin	15.6%	15.5%			16.0%	15.4%		
Operating costs	5.9	6.4	**-8%**	c	12.1	12.3	**-2%**	d
EBIT	0.8	-0.3			1.9	-0.6		
EBIT %	2.0%	-0.6%			2.2%	-0.8%		
Average directs	2,105	1,837	**15%**		2,150	1,818	**18%**	
Average indirects	264	290	**-9%**		270	283	**-5%**	
Ratio direct / Indirect	8.0	6.3			8.0	6.4		

a 9 % at constant currencies

b 14 % at constant currencies

c -7 % at constant currencies

d -2 % at constant currencies

Revenue

Rest of World includes Russia & Caspian, Belgium and Asia. Total revenue in the region increased, mainly driven by growth in China, while Russia and Belgium saw declines in revenue over the quarter.

Gross Profit

The gross margin in the region in Q2 was in line with Q2 2019.

Operating costs

The operating costs in the rest of world decreased mainly as a result of government relief plans in Asia and cost saving initiatives.

Asia is the main contributor to the higher EBIT.

Closure of Brunel Industry Services

Early July, we finalised our work on the only remaining project of Brunel Industry Services in the US, which we decided to terminate in October 2019. During the quarter, we have been able to collect most receivables and terminated the remaining leases, and we will continue to employ a small group of people in Q3 to deal with the final financial settlement, mainly the collection of the agreed amounts.

Effective tax rate
The effective tax rate in the first half year of 2020 was 56.4% (2019 at 52.0%). We expect the effective tax rate for the full year to come down to around 50%.

Risk profile
Our company's risk profile as presented in our 2019 Annual Report (pages 52 – 73) is impacted by the COVID-19 crisis in different ways. The crisis brings increased uncertainty in areas such as: workplace health & safety, changing regulatory and economical environment, contract liability & delivery, credit risk, information technology and cyber security and tax and labor law compliance. We have implemented processes and procedures to deal with these increased uncertainties to the extent possible under the current circumstances. For example: our health & safety procedures for all our staff, credit management, and information security measures, are re-evaluated based on emerging risks from this pandemic and are continuously being upgraded where needed. These evaluations and adjustments are part of our continuous monitoring processes and operational flexibility, which include international exchange of protocols and good practices between our operating companies in all mentioned areas. The crisis has also brought opportunities for acceleration of our digital transformation, where for example clients have been working with us over the past months to further digitalise exchange of data to improve efficiency in their and our processes.

We continue to closely monitor the key risks and opportunities, and will respond appropriately to any emerging risk. We have a wide geographical coverage, which spreads our exposure across mature and emerging markets, which are experiencing different economic conditions. Since it remains difficult to predict future economic developments, we focus on responding to actual performance in each of our local markets. Our business model, processes and weekly indicators help to ensure that we are flexible enough to respond to these economic conditions.

Cash position
Brunel was able to attain a strong free cash flow of EUR 22 million over Q2. This results in an increased cash position of EUR 111.5 million (EUR 96.8 million non-restricted).

Outlook for 2020
We expect the impact of COVID-19 on our society and the global economy to continue. In the DACH region, we do not see signs of a recovery yet and we expect productivity to be under pressure due to the reduction of the use of short-time working towards the end of the year.

In the Netherlands, headcount is stabilising. The second half of the year might see some lower productivity because of postponed vacations of our specialists.

Activities in Australasia are expected to remain pretty stable, with the results supported by further cost savings.

The restructuring positions the Americas well to recover quickly once the COVID-19 situation eases.

In the Middle East & India and in the Rest of the World we have secured new projects through our improved sales activities, but the start of these are dependent on an ease in flight and travel restrictions. If we are not able to mobilise our specialists, we might experience a small decrease due to projects that are finalising.

Overall, we expect slightly lower revenue in Q3 (compared to Q2), but at a higher profitability, due to the cost measures taken, as well as due to seasonality.

Statement of the Board of Directors

The Board of Directors of Brunel International N.V. hereby declares that, to the best of its knowledge:

- the interim financial statements give a true and fair view of the assets, liabilities, financial position and result of Brunel International N.V. and the companies jointly included in the consolidation, and
- the interim report gives a true and fair view of the information referred to in the eighth and, insofar as applicable, the ninth subsection of Section 5:25d of the Dutch Act on Financial Supervision and with reference to the section on related parties in the interim financial statements.

Amsterdam, 31 July 2020
Brunel International N.V.

Jilko Andringa (CEO)
Peter de Laat (CFO)
Graeme Maude (COO)

Not for publication

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Brunel International N.V. is an international service provider specialising in the flexible deployment of knowledge and capacity in the fields of Engineering, Oil & Gas, Aerospace, Automotive, ICT, Finance, Legal and Insurance & Banking. Services are provided in the form of Project Management, Secondment and Consultancy. Incorporated in 1975, Brunel has since become a global company with over 12,900 employees and annual revenue of EUR 1.0 billion (2019). The company is listed at Euronext Amsterdam N.V. For more information on Brunel International N.V. visit our website www.brunelinternational.net.

Financial Calendar

30 October 2020	Trading update for the third quarter 2020