Brunel

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."

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%**

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)

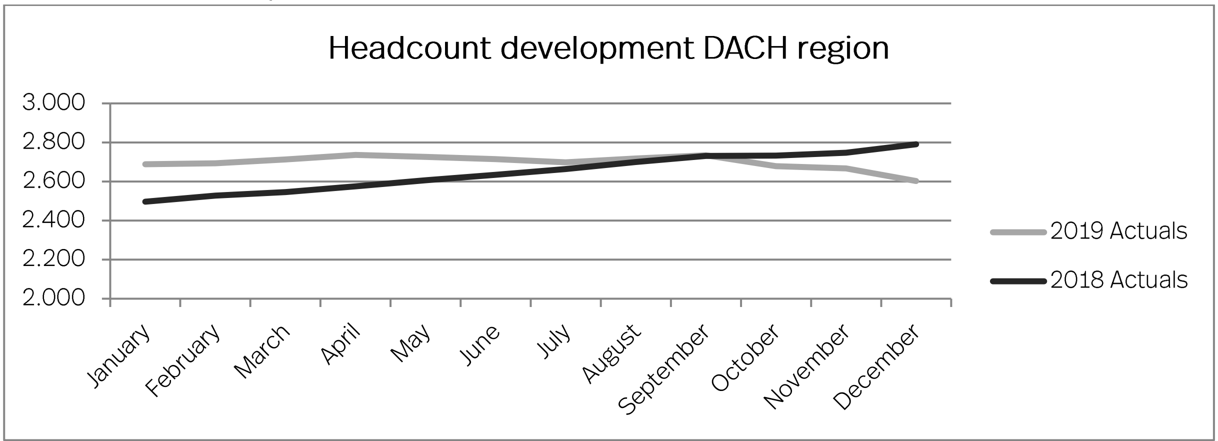
P&L amounts in EUR million	Q4 2019	Q4 2018	Δ%	YTD 2019	YTD 2018	Δ%
Revenue	66.6	68.1	**-2%**	284.3	268.6	**6%**
Gross Profit	20.2	21.8	**-7%**	92.6	86.3	**7%**
Gross margin	30.3%	32.0%		32.6%	32.1%	
Operating costs	16.6	15.6	**6%**	65.5	61.2	**7%**
EBIT	3.6	6.2	**-41%**	27.1	25.1	**8%**
EBIT %	5.5%	9.1%		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 headcount development in 2019 is as follows:



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.

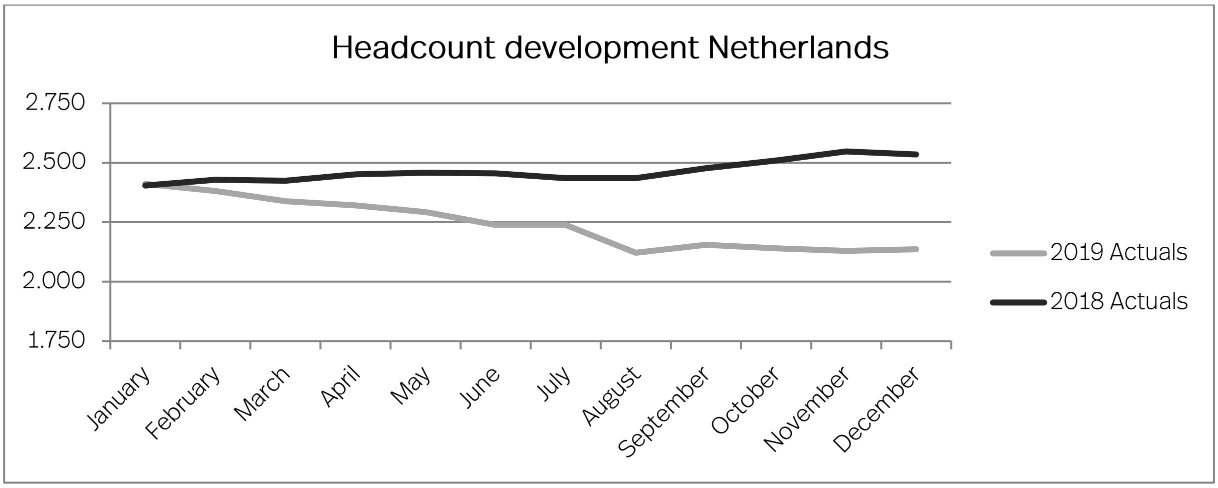
Brunel Netherlands (unaudited)

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 headcount development in 2019 is as follows:



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.

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.

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.

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.

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.

Brunel

Not for publication

For further information:

Jilko Andringa	CEO Brunel International N.V.	tel.: +31(0)20 312 50 81
Peter de Laat	CFO Brunel International N.V.	tel.: +31(0)20 312 50 81

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 April 2020	Trading update for the first quarter 2020
14 May 2020	Annual general meeting of shareholders
18 May 2020	Ex-dividend listing
5 June 2020	Dividend available for payment
31 July 2020	Publication half-year 2020 results
30 October 2020	Trading update for the third quarter 2020