

Press Release

Q2 2019: Continued double digit revenue and EBIT growth (excluding one-off), results impacted by loss on contract in new activities

Amsterdam, 2 August 2019

Key points Q2 2019

- Revenue up by 17% to EUR 258 million
- EBIT (excluding one-off) up by 21% to EUR 5 million
- EBIT EUR 0.5 million negative due to one-off loss of 5.5 million

Key points H1 2019

- Revenue up by 20% to EUR 524 million
- EBIT (excluding one-off) up by 51% to EUR 17 million, reported EBIT up by 3% to EUR 12 million

Jilko Andringa, CEO of Brunel International N.V.: *“We continued to outperform in key markets like Germany and Middle East & India. However, we also incurred a one-off loss in the USA.*

In line with our entrepreneurial spirit, we started an entity to build up new project capabilities in Texas. With this new entity, we won many new projects. One of the initial projects did not go as planned and resulted in a loss. As painful as this is, we used the learnings of this project to improve our team, processes and controls. Supported by the improved settings, this new activity delivers profitable revenue growth.

In the DACH region, we continued to grow, while we experienced some impact from the weakness in the Automotive Industry. This has not reduced headcount and productivity, as we continued to focus on other growth markets, in line with our strategy of diversification. In the Netherlands, despite a revenue decline, we were able to realize a higher EBIT than Q2 last year, as a result of operational control and cost savings.

Overall, Brunel realized strong growth in most of its regions in the first half of 2019. Outside of Europe, we see project activity and our pipeline increasing. Taking into account some project ramp-up time this will lead to continued growth in revenue and profitability”.

Brunel International (unaudited)

P&L amounts in EUR million

	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
Revenue	258.1	221.3	17% ^a	524.2	435.1	20% ^b
Gross Profit	47.0	48.7	-3%	106.1	98.7	8%
Gross margin	18.2%	22.0%		20.2%	22.7%	
Operating costs	47.5	44.6	7% ^c	94.5	87.4	8% ^d
EBIT	-0.5	4.1		11.6	11.3	3%
EBIT %	-0.2%	1.8%		2.2%	2.6%	
Average directs	12,607	11,889	6%	12,797	11,558	11%
Average indirects	1,650	1,539	7%	1,630	1,533	6%
Ratio direct / Indirect	7.6	7.7		7.9	7.5	

*a 15 % at constant currencies**b 18 % at constant currencies**c 6 % at constant currencies**d 7 % at constant currencies*

H1 2019 results by division

P&L amounts in EUR million

Summary:

Revenue	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
DACH region	69.6	65.8	6%	143.2	130.0	10%
The Netherlands	51.9	54.1	-4%	106.3	110.3	-4%
Australasia	28.6	28.3	1%	57.3	56.0	2%
Middle East & India	28.6	20.3	41%	55.6	39.5	41%
Rest of world	79.4	52.9	50%	161.9	99.4	63%
Total	258.1	221.3	17%	524.2	435.1	20%

EBIT	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
DACH region	4.3	4.7	-8%	12.8	10.4	24%
The Netherlands	1.6	1.1	39%	4.4	5.3	-18%
Australasia	-0.4	-0.5	23%	-1.0	-0.5	-91%
Middle East & India	2.3	1.7	37%	5.2	3.4	51%
Rest of world	-6.6	-0.4	-1426%	-6.0	-2.3	-160%
Unallocated	-1.7	-2.4	32%	-3.8	-5.0	23%
Total	-0.5	4.1	-112%	11.6	11.3	3%

DACH region (unaudited)

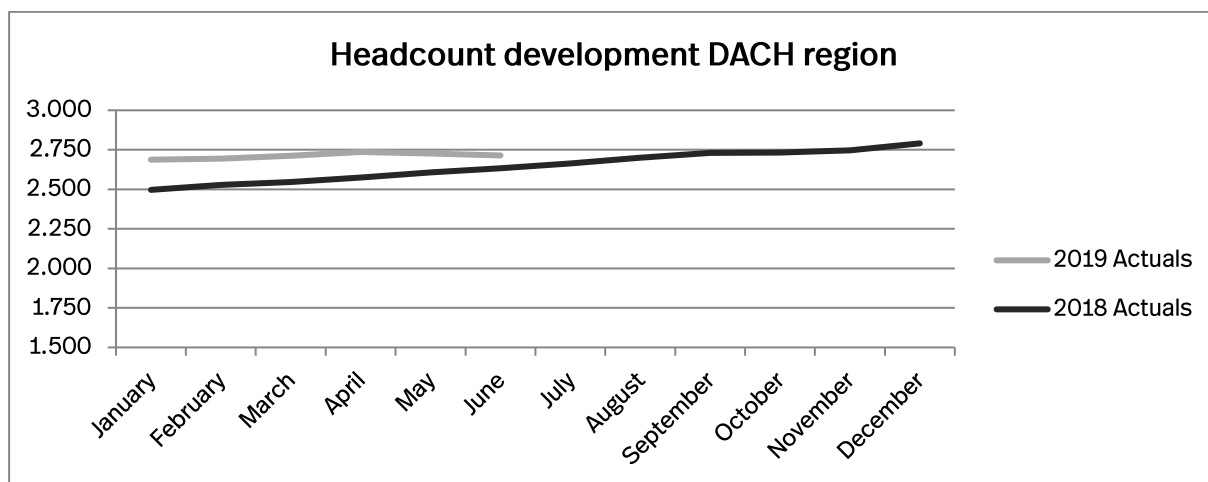
P&L amounts in EUR million

	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
Revenue	69.6	65.8	6%	143.2	130.0	10%
Gross Profit	20.6	20.1	2%	45.4	40.7	11%
Gross margin	29.6%	30.6%		31.7%	31.3%	
Operating costs	16.3	15.4	6%	32.6	30.3	8%
EBIT	4.3	4.7	-8%	12.8	10.4	24%
EBIT %	6.2%	7.1%		9.0%	8.0%	
Average directs	2,725	2,606	5%	2,712	2,565	6%
Average indirects	516	476	8%	509	474	7%
Ratio direct / Indirect	5.3	5.5		5.3	5.4	

Revenue

This region includes Germany, Switzerland, Austria and Czech Republic. In Q2 we started to experience some slowdown in the Automotive market, but have been able to balance this through our diversification approach and found projects for our specialists in other market segments.

Revenue per working day increased by 7% in Q2, despite a slightly lower productivity due to vacation. In H1 revenue per working day increased by 11%. Headcount at 30 June 2019 is 3% above last year's headcount and we experienced a 3-4% price increase through the first half of 2019.



Working days

	Q1	Q2	Q3	Q4	FY
2019	63	59	66	62	250
2018	63	60	65	62	250

Gross Profit

The gross margin adjusted for working days in Q2 is 30.6% (Q2 2018: 30.6%). The gross margin adjusted for working days in H1 is 32.2% (H1 2018: 31.3%). Adjusted for working days, the gross profit in Q2 increased by 7%, or EUR 1.5 million.

Operating costs

Operating costs in Q2 increased by 6% mainly driven by continued investments in our commercial organization.

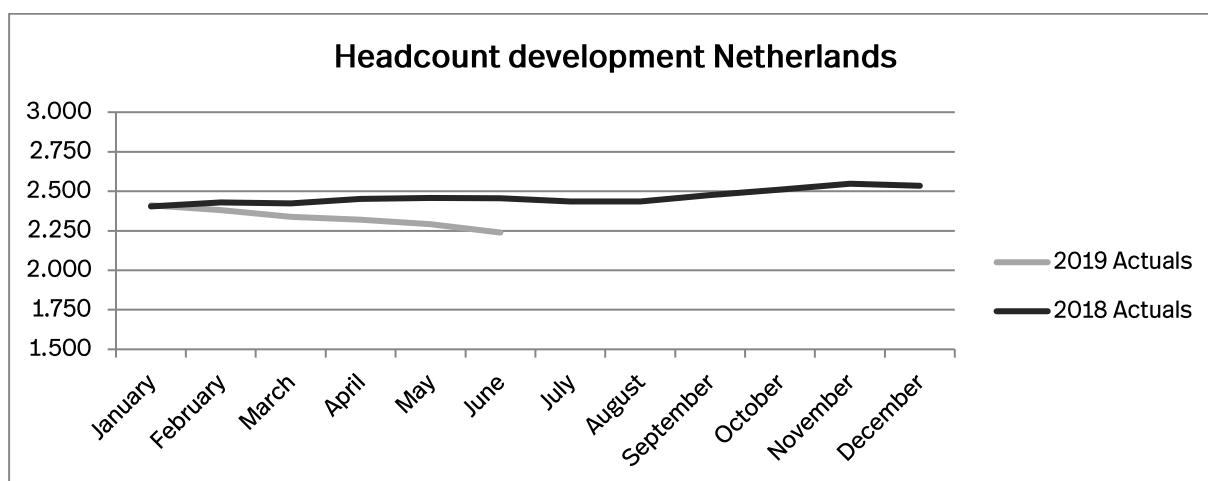
Brunel Netherlands (unaudited)

P&L amounts in EUR million

	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
Revenue	51.9	54.1	-4%	106.3	110.3	-4%
Gross Profit	13.2	14.2	-7%	28.3	31.2	-9%
Gross margin	25.4%	26.3%		26.6%	28.2%	
Operating costs	11.6	13.1	-11%	23.9	25.9	-8%
EBIT	1.6	1.1	39%	4.4	5.3	-18%
EBIT %	3.0%	2.1%		4.1%	4.8%	
Average directs	2,284	2,455	-7%	2,330	2,437	-4%
Average indirects	417	434	-4%	423	428	-1%
Ratio direct / Indirect	5.5	5.7		5.5	5.7	

Revenue

Revenue per working day in **the Netherlands** decreased by 6% in Q2. This decline is caused by clients actively taking over our professionals, in combination with challenges to recruit new professionals due to the scarcity in the labour market.



Working days

	Q1	Q2	Q3	Q4	FY
2019	63	62	66	64	255
2018	64	61	65	64	254

Gross Profit

The gross margin adjusted for working days in Q2 is 24.3% (Q2 2018: 26.3%). The decline in gross margin is mainly caused, as in Q1, by a higher bench and margin pressure. In June the bench returned to a normal level of 4%.

Operating costs

In Q2 the operating costs decreased by EUR 1.5 million as a result of cost saving initiatives and the costs related to digital market initiatives we incurred in 2018.

Australasia (unaudited)

P&L amounts in EUR million

	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
Revenue	28.6	28.3	1% ^a	57.3	56.0	2% ^b
Gross Profit	2.4	2.2	7%	4.7	4.6	3%
Gross margin	8.3%	7.8%		8.2%	8.2%	
Operating costs	2.8	2.7	4% ^c	5.7	5.1	12% ^d
EBIT	-0.4	-0.5	23%	-1.0	-0.5	-91%
EBIT %	-1.4%	-1.8%		-1.7%	-0.9%	
Average directs	908	932	-3%	908	928	-2%
Average indirects	85	75	13%	85	76	11%
Ratio direct / Indirect	10.7	12.5		10.7	12.2	

a 3 % at constant currencies

b 3 % at constant currencies

c 2 % at constant currencies

d 12 % at constant currencies

Revenue

Australasia includes Australia and Papua New Guinea. Australasia managed to achieve limited growth, even despite a challenging and competitive environment in the mining sector. The growth is mainly driven by our traditional services in the Oil & Gas sector.

Gross Profit

The improved gross margin is mainly the result of our diversification in mining and other types of services.

Operating costs

The increased operating costs reflect our investments in diversification and the sales team.

Middle East & India (unaudited)

P&L amounts in EUR million

	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
Revenue	28.6	20.3	41% ^a	55.6	39.5	41% ^b
Gross Profit	5.2	3.6	43%	10.0	7.0	43%
Gross margin	18.0%	17.8%		17.9%	17.6%	
Operating costs	2.9	1.9	53% ^c	4.8	3.6	33% ^d
EBIT	2.3	1.7	37%	5.2	3.4	51%
EBIT %	8.0%	8.2%		9.3%	8.7%	
Average directs	3,697	3,105	19%	3,815	2,749	39%
Average indirects	137	114	21%	133	113	18%
Ratio direct / Indirect	27.0	27.3		28.6	24.3	

a 35 % at constant currencies

b 33 % at constant currencies

c 42 % at constant currencies

d 29 % at constant currencies

Revenue

We achieved another very strong quarter in Kuwait, Qatar and India. We continue to see a strong pipeline of work and we expanded by opening new offices in India, and setting up businesses in Oman and Abu Dhabi.

Gross Profit

The gross margin is in line with 2018 and varies based on the relative share of project business versus traditional manpower offerings.

Operating costs

The increase in operating costs is the result of the investments we made in our organisation to support continued strong growth. As a result of the implementation of IFRS 16, an amount of EUR 0.8 million is now recorded under operating costs, which was previously recorded in cost of sales.

Rest of world (unaudited)

P&L amounts in EUR million

	Q2 2019	Q2 2018	Δ%	H1 2019	H1 2018	Δ%
Revenue	79.4	52.9	50% ^a	161.9	99.4	63% ^b
Gross Profit	5.8	8.5	-32%	17.8	15.3	17%
Gross margin	7.2%	16.1%		11.0%	15.4%	
Operating costs	12.4	8.9	39% ^c	23.8	17.6	35% ^d
EBIT	-6.6	-0.4		-6.0	-2.3	-160%
EBIT %	-8.3%	-0.8%		-3.7%	-2.3%	
Average directs	2,992	2,791	7%	3,033	2,880	5%
Average indirects	443	386	15%	429	387	11%
Ratio direct / Indirect	6.8	7.2		7.1	7.4	

a 44 % at constant currencies

b 57 % at constant currencies

c 35 % at constant currencies

d 32 % at constant currencies

Revenue

Rest of World includes Americas, Russia, Belgium and Asia. The Americas show significant growth, also driven by the entrance to the shale market we obtained with our new activities in Texas. Excluding a one-off loss the Americas has returned to profitability in H1 2019.

In Asia, we see activities on the yards increasing.

Gross Profit

The gross margin decreased significantly due to the lump sum project in the USA. Adjusted for this loss, the gross margin amounts 14.2%, down 1.9 ppt., due to a change in the mix of countries and services.

Operating costs

The operating costs increased to support further growth throughout these regions.

New activities in Texas

In 2017, we started Brunel Industry Services (BIS) in Pasadena, Texas. These activities have provided us access to the shale market and are currently one of the strong drivers of growth, and EBIT contribution.

We encountered a one-off loss on a project for a water treatment plant. After a successful fixed price contract for the maintenance of water treatment tanks in 2017, we were granted a second project in July 2018. This was a EUR 12 million fixed price project for a water treatment plant, based on the design and engineering of our client. Work on this project started in September 2018 and even though we experienced a backlog, project management seemed in control, and the project appeared successful by year-end 2018.

In June 2019, at 55% completion, our new experienced BIS leader and his team had to determine that the project had not advanced as expected. A re-estimate resulted in a EUR 5.5 million loss for the total project until completion which is scheduled in Q1 2020. The loss is recognised in the Q2 results.

The re-estimate is made up of many components, from missing parts in the initial bid, inefficiencies in the performance of the team, resulting in a lack of progress, disadvantageous renegotiations with subcontractors and insufficient project management.

We have replaced the general manager of Brunel Industry Services (BIS), strengthened the organisation, improved processes and procedures, and reduced our risk-appetite in the acceptance of new projects to prevent this type of incidents to occur in the future. Brunel does not have any similar type of contracts anywhere in the world.

Effective tax rate

The effective tax rate in the first half year of 2019 is 52.0% (2018 at 54.4%). Due to the seasonality in our businesses in the Netherlands DACH region and the negative impact from the one-off loss in the USA in Q2, we expect the effective tax rate for the full year to come down significantly to around 35%.

Risk profile

Reference is made to our 2018 Annual Report (pages 93 - 116). Reassessment of our earlier identified risks and the potential impact on occurrence has not resulted in required changes in our internal risk management and control systems.

Cash position

Brunel's cash position decreased to EUR 60.6 million in line with our expectations, due to the increased working capital as a result of growth, our normal seasonality in our cash flow and the dividend payment in June.

Outlook for 2019

In the DACH region, we expect limited growth in the remainder of the year, with increased profitability. Cost savings in the Netherlands will result in an improved EBIT, despite a decline in revenue. The Middle East will continue its strong performance, whilst the strong growth in the Rest of the World will support a return to profitability in the course of the second half of 2019.

For the full year we expect revenue between EUR 1,025 billion and 1,075 billion and normalized EBIT between EUR 43.5 million and EUR 48.5 million. Including the one-off loss of EUR 5.5 million, we expect the full year EBIT to end up between 38 million and 43 million.

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 that 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, 2 August 2019
Brunel International N.V.

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Not for publication

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We connect the most talented professionals with leading clients in Oil & Gas, Global offshore, Operations & Maintenance, Renewable Energy, Automotive, Mining and Infrastructure.

Incorporated in 1975, Brunel has since become a global company with over 14,000 employees and annual revenue of EUR 0.9 billion (2018). 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

1 November 2019 Trading update for the third quarter 2019

Certain statements in this document concern prognoses about the future financial condition and the results of operations of Brunel International N.V. as well as plans and objectives. Obviously, such prognoses involve risks and a degree of uncertainty since they concern future events and depend on circumstances that will apply then. Many factors may contribute to the actual results and developments differing from the prognoses made in this document. These factors include general economic conditions, a shortage on the job market, changes in the demand for (flexible) personnel, changes in employment legislation, future currency and interest fluctuations, future takeovers, acquisitions and disposals and the rate of technological developments. These prognoses therefore apply only on the date on which the document was compiled.