Brunel

Press Release

Q1 results Brunel: Revenue up, EBIT down, limited impact from COVID-19

Amsterdam, 30 April 2020

Key points Q1 2020

- Revenue excluding BIS up 6% (yoy) to EUR 257 million over the quarter;
- EBIT excluding BIS down by 28% (yoy) to EUR 8 million, mainly due to decrease in the DACH region;
- Impact of COVID-19 on Q1 results limited, more impact in Q2;
- Strong financial position, cash and borrowing capacity, enabling Brunel to cope with the current crisis

Jilko Andringa, CEO of Brunel:

"*Brunel's results in Q1 continued to show an excellent performance in our Middle East & India region and positive developments in Australasia and The Rest of the World. Australasia's new leadership made great progress and reached break-even-level, for the first time in many years. The Netherlands improved its profitability as a result of significant cost savings to mitigate the challenges on the flex market.*

As communicated in March, we were confronted with the effects of the Corona virus early in the year in our international operations. In The Netherlands and the DACH region, the impact started from mid-March. In total, our revenues over the first quarter were still largely unaffected. Having said that, the Corona virus is impacting our business and our everyday lives. Our main priority continues to be the health and safety of all Brunellers. We follow this closely and are happy to see that only a few colleagues got the Corona virus and none of them is in a critical condition at the moment. I also would like to share my gratefulness for the flexibility and dedication of all Brunellers and their family and friends. It is impressive to see how everybody makes the extra step for Brunel.

Looking forward, we expect revenue decline in the coming quarters and see tough economic conditions in most of our regions and industries. Our response plan has great depth and is built on our historic experiences for internal adjustments and on external models for future revenue and margin expectations. We have the flexibility to adjust our structure and costs where needed to manage through this crisis. In addition, we are comfortable that our cash position and borrowing capacity are adequate to get Brunel through this situation, with the room to invest when opportunities arise."

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Q1 2020 results by division

P&L amounts in EUR million

Summary:

Revenue	**Q1 2020**	**Q1 2019**	**Δ%**
DACH region	69.6	73.6	-5%
The Netherlands	50.8	54.5	-7%
Australasia	30.0	28.7	5%
Middle East & India	33.8	27.0	25%
Americas	28.7	22.3	29%
Rest of world	44.2	36.7	20%
Subtotal	**257.1**	**242.8**	6%
BIS	0.8	23.4	
Total	**257.9**	**266.2**	**-3%**

EBIT	**Q1 2020**	**Q1 2019**	**Δ%**
DACH region	4.0	8.5	-53%
The Netherlands	3.2	2.8	14%
Australasia	0.0	-0.6	
Middle East & India	3.2	2.9	10%
Americas	-0.8	0.3	-367%
Rest of world	1.1	-0.3	467%
Unallocated	-2.6	-2.4	-8%
Subtotal	**8.1**	**11.2**	-28%
BIS	-0.1	0.9	
Total	**8.0**	**12.1**	**-34%**

Brunel International (unaudited)				
P&L amounts in EUR million				
	Q1 2020	**Q1 2019**	**Change %**	
Revenue continued operations	*257.1*	*242.8*	*6%*	
Revenue BIS	*0.8*	*23.4*		
Total revenue	**257.9**	**266.2**	**-3%**	a
Gross Profit	54.4	59.1	**-8%**	
Gross margin	21.1%	22.2%		
Operating costs	46.4	47.0	**-1%**	b
EBIT	8.0	12.1	**-34%**	
EBIT %	3.1%	4.5%		
Average directs	11,447	12,987	**-12%**	
Average indirects	1,567	1,609	**-3%**	
Ratio direct / Indirect	7.3	8.1		

a -3 % like-for-like

b -1 % like-for-like

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

The **Group's** revenue excluding BIS increased by 6%, especially due to the excellent performance in our Middle East & India region and the positive developments in Australasia and The Rest of the World and the additional working day in Germany and The Netherlands. EBIT excluding BIS decreased by 28%.

The COVID-19 outbreak and the sharp decrease in oil price had an impact on the valuation of the Group's assets and liabilities. We have added EUR 1.0 million to the provision for doubtful debt, of which EUR 0.5 million relates to the DACH region, due to the diversified client base. The changing environment increased the expected credit losses on our trade receivables.

DACH region (unaudited)

P&L amounts in EUR million

	Q1 2020	Q1 2019	Change %
Revenue	69.6	73.6	**-5%**
Gross Profit	21.3	24.8	**-14%**
Gross margin	30.6%	33.7%	
Operating costs	17.3	16.3	**6%**
EBIT	4.0	8.5	**-53%**
EBIT %	5.7%	11.5%	
Average directs	2,548	2,698	**-6%**
Average indirects	510	503	**2%**
Ratio direct / Indirect	5.0	5.4	

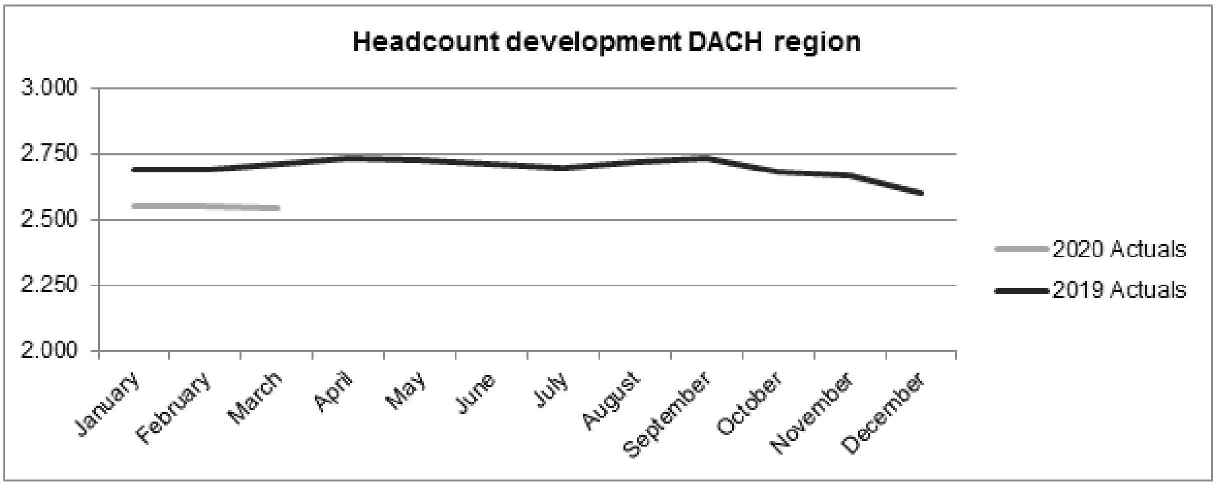
As anticipated, revenue and gross margin decreased due to the lower headcount and expected lower productivity. From mid-March, the performance in the DACH region was affected by COVID-19. Work from home policies are in effect and although only a few projects were cancelled or postponed, this has resulted in an even lower productivity and a significant reduction of the number of new projects.

We applied for the government relief plan of short-time working ("Kurzarbeit") for over 450 professionals and 200 staff, starting 1 April. The relief plan allows for part of the employees' compensation to be paid by the government. Although this will have a positive effect on costs, we will see a significant reduction of the revenue and gross profit contribution of these professionals in Q2.

Revenue per working day in the **DACH region** decreased by 7%. The gross margin adjusted for working days is 29.7% in Q1 2020 (2019: 33.7%).

Working days Germany:

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



Headcount as of 31 March was 2,545 (2019: 2,713).

The Netherlands (unaudited)

P&L amounts in EUR million

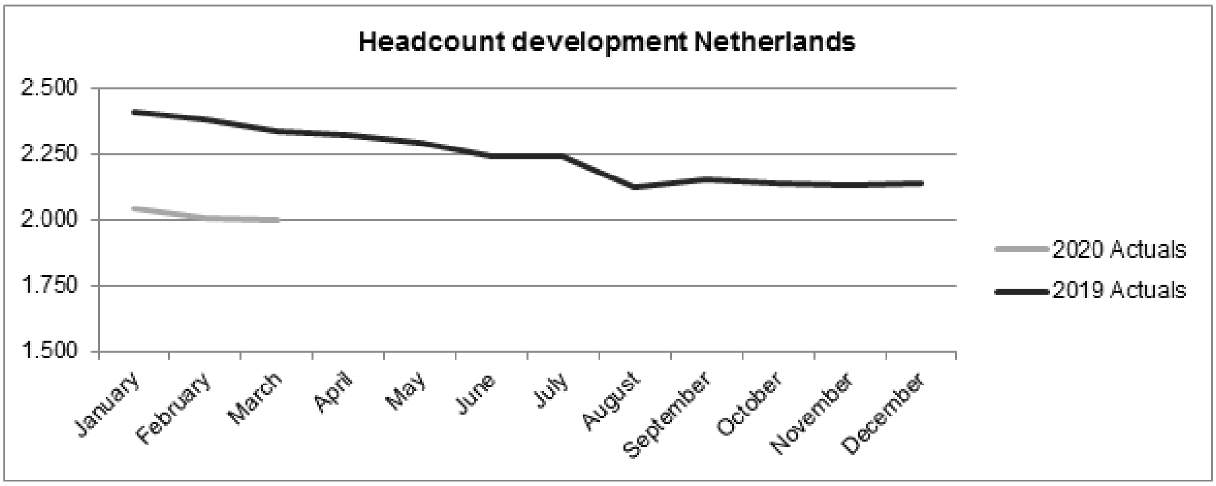
	Q1 2020	Q1 2019	Change %
Revenue	50.8	54.5	**-7%**
Gross Profit	14.1	15.1	**-7%**
Gross margin	27.8%	27.7%	
Operating costs	10.9	12.3	**-11%**
EBIT	3.2	2.8	**14%**
EBIT %	6.3%	5.1%	
Average directs	2,016	2,377	**-15%**
Average indirects	367	429	**-14%**
Ratio direct / Indirect	5.5	5.5	

Mid-March the Dutch government decided to implement measures to stop the spreading of COVID-19. Many of our professionals and staff work from home. The number of new projects reduced significantly and the bench is increasing. At the moment, we do not yet meet the conditions to use the government relief plan ('NOW-regeling'), but if the headcount decreases significantly or the conditions of the plan are adjusted, this might also be applicable for us.

Revenue per working day in **The Netherlands** decreased by 8%, mainly due to the challenging circumstances in the Dutch flex market. Gross margin adjusted for working days is 26.8% in Q1 2020 (Q1 2019: 27.7%). EBIT improved as the result of all cost saving initiatives that were started in 2019.

Working days The Netherlands:

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



Headcount as of 31 March was 2,000 (2019: 2,339).

Australasia (unaudited)

P&L amounts in EUR million

	Q1 2020	Q1 2019	Change %	
Revenue	30.0	28.7	**5%**	a
Gross Profit	2.6	2.3	**13%**	
Gross margin	8.7%	8.0%		
Operating costs	2.6	2.9	**-10%**	b
EBIT	0	-0.6	**100%**	
EBIT %	0.0%	-2.1%		
Average directs	1,059	908	**17%**	
Average indirects	82	85	**-4%**	
Ratio direct / Indirect	13.0	10.7		

a 11 % like-for-like

b -6 % like-for-like

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

Australasia shows a mixed picture. Both the oil & gas and mining sectors are considered essential to the economy and projects continue, also following the COVID-19 related developments in China, where companies are going back to business. However, in Australia and PNG there are travel restrictions that limit the availability of expats and hence require a larger local workforce. We see a rapid response in the mining sector, requesting support to fill these local positions.

Measures taken in 2019 by Australia's new leadership are starting to show a return. Revenue is up and so is our operational leverage, leading to a break-even level in Q1.

Middle East & India (unaudited)

P&L amounts in EUR million

	Q1 2020	Q1 2019	Change %	
Revenue	33.8	27.0	**25%**	a
Gross Profit	5.9	4.8	**23%**	
Gross margin	17.5%	17.8%		
Operating costs	2.7	1.9	**42%**	b
EBIT	3.2	2.9	**10%**	
EBIT %	9.5%	10.7%		
Average directs	2,711	3,932	**-31%**	
Average indirects	146	129	**13%**	
Ratio direct / Indirect	18.5	30.4		

a 22 % like-for-like

b 36 % like-for-like

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

The region **Middle East & India** continued its strong performance, supported by investments in our operations to support growth. The effects of COVID-19 are most visible in the speed of onboarding new professionals. Most countries are now in lockdown and do not allow expats to enter the country. This delays projects we have won, but we expect these to commence once travel restrictions are lifted.

Americas (unaudited)

P&L amounts in EUR million

	Q1 2020	Q1 2019	Change %
Revenue	28.7	22.3	**29%**
Gross Profit	3.2	2.9	**10%**
Gross margin	11.1%	13.0%	
Operating costs	4.0	2.6	**54%**
EBIT	-0.8	0.3	**-367%**
EBIT %	-2.8%	1.3%	
Average directs	877	797	**10%**
Average indirects	121	124	**-2%**
Ratio direct / Indirect	7.2	6.4	

a 28 % like-for-like

b 53 % like-for-like

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

In the **Americas,** revenues grew by 29%, while margin in Q1 has decreased compared to Q1 2019, mainly due to lower perm fees. Operating costs have increased to support the (anticipated) growth and will be adjusted to the current economic circumstances, as COVID-19, in combination with the decrease in oil price, caused a disruption in the market. Working from home policies are in place and we see lay-offs at our clients. The decrease in oil price has the most immediate effect in the shale play, where our presence is limited. We continue to work on projects that will continue for the foreseeable future and have adjusted our organisation to match this new reality.

Rest of world (unaudited)

P&L amounts in EUR million

	Q1 2020	Q1 2019	Change %	
Revenue	44.2	36.7	**20%**	a
Gross Profit	7.3	5.7	**28%**	
Gross margin	16.5%	15.5%		
Operating costs	6.2	6.0	**3%**	b
EBIT	1.1	-0.3	**467%**	
EBIT %	2.5%	-0.8%		
Average directs	2,195	1,798	**22%**	
Average indirects	275	277	**-1%**	
Ratio direct / Indirect	8.0	6.5		

a 19 % like-for-like

b 4 % like-for-like

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

The **Rest of World** includes South East Asia, Russia & Caspian area, Belgium and Europe & Africa. Revenues increased by 20%, mainly driven by our activities in China and Singapore. The margin in Q1 has been supported by positive developments in exchange rates. The impact of the COVID-19 virus on the Q1 results is limited. In most cases, the projects we are working on are at a point that they will be completed and are marked essential to local economies. In China we are almost back to business-as-usual. We expect a change in the market as global mobility will be limited and companies will look for local solutions.

Closure of Brunel Industry Services

In October 2019, we took the decision to halt the activities of Brunel Industry Services in the US. Following termination of all existing client contracts in 2019, the only remaining project is the water treatment plant. This project is marked essential, which means that following the outbreak of COVID-19, we can continue our work under strict HSE measures. These measures however cause a delay in the project. Nonetheless, we confirm our expectation to finalise the water treatment project in Q2 2020 and in line with the estimates.

Outlook

Looking ahead, we foresee revenue decline in the coming quarters and challenging economic conditions in most of our regions and industries. The second quarter is always our weakest quarter due to the seasonality, and will significantly be affected by the impact of COVID-19. However, we also see that many of our professionals can continue to work, either from home or because they are working on essential projects. Our results are also supported by relief plans and flexibility in our cost structure.

In the DACH region, at the moment 75% of our professionals continue to work on our clients' projects. Most of the remaining professionals are in the short-term working program. For these employees, compensation is paid by the government. In The Netherlands, headcount is decreasing and the bench has increased to 7% in April. Americas is facing cancellations of projects, also due to the low oil price. Overall, we are adjusting the cost base to reflect the anticipated lower level of activities.

The overall impact will depend on how fast COVID-19 can be controlled, and how soon economies can start recovering. Brunel's financial position remains strong and we have sufficient cash and borrowing base to deal with these circumstances in a healthy manner. In times of declining activities, our cashflow is supported by the release of working capital. Slightly better than our normal seasonal pattern, our net cash position only decreased to EUR 87 million at 31 March 2020 (31 December 2019: EUR 92 million).

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

14 May 2020	Annual general meeting of shareholders
31 July 2020	Publication half-year 2020 results
30 October 2020	Trading update for the third quarter 2020