

PRESS RELEASE

DPA FY 2019 results: sharp rise in profitability and strong foundation for the future

Highlights of 2019¹:

- Revenue: 151.7 million euro (2018: 158.8 million)
- Gross profit: 42.8 million euro (2018: 43.3 million)
- Gross margin: 28.2% (2018: 27.3%)
- EBITDA: 14.3 million euro (2018: 10.1 million)
- EBITDA margin: 9.4% (2018: 6.4%)
- Net profit: 8.6 million euro (2018: 9.0 million)

Highlights of fourth quarter 2019¹:

- Revenue: 40.2 million euro (Q4 2018: 41.1 million)
- Gross profit: 11.4 million euro (Q4 2018: 10.2 million)
- Gross margin: 28.4% (Q4 2018: 24.8%)
- EBITDA: 4.3 million euro (Q4 2018: 2.9 million)
- EBITDA margin: 10.7% (Q4 2018: 7.1%)

Condensed income statement <i>in millions of euro and percentages</i>	2019 post IFRS 16	2019 pre IFRS 16	2018 pre IFRS 16	Q4- 2019 post IFRS 16	Q4- 2019 pre IFRS 16	Q4- 2018 pre IFRS 16
Net revenue	151.7	151.7	158.8	40.2	40.2	41.1
Cost of Sales	104.7	108.9	115.5	27.8	28.8	30.9
Gross profit	47.0	42.8	43.3	12.4	11.4	10.2
Gross margin	31.0%	28.2%	27.3%	30.8%	28.4%	24.8%
Selling and general administrative expenses excl. depreciation and amortisation	26.2	28.5	33.2	6.7	7.1	7.3
EBITDA	20.8	14.3	10.1	5.7	4.3	2.9
EBITDA-margin	13.7%	9.4%	6.4%	14.2%	10.7%	7.1%
Depreciation and amortisation	-8.6	-2.3	-2.5	-2.1	-0.6	-0.7
Result of sale of Group companies	0.1	0.1	3.9	-	-	3.9
EBIT	12.3	12.1	11.5	3.6	3.7	6.1
EBIT-margin	8.1%	8.0%	7.2%	9.0%	9.2%	14.8%
Financial income and expenses	-0.8	-0.4	-1.1	-0.2	-0.1	-0.3
Share of results of associates	-0.1	-0.1	-0.3	-0.1	-0.1	-0.1
Profit before tax	11.4	11.6	10.1	3.3	3.5	5.7
Income tax	-2.9	-3.0	-1.1	-0.8	-1.0	-
Net profit	8.5	8.6	9.0	2.5	2.5	5.7

¹DPA adopted IFRS 16 as of 1 January 2019. The IFRS 16 standard includes new or revised provisions regarding the recognition, valuation, presentation and disclosure of lease contracts. Based on these provisions there is no longer a distinction in the recognition of operational and financial lease contracts for lessees. DPA has used the practical expedient to not restate the comparative information. To aid comparison the explanatory notes to the 2019 full-year results are based on the annual figures before application of IFRS 16. An exception has been made for the explanation regarding net cash flow.

Commenting on the annual results, DPA CEO Arnold van Mameren said:

“In 2019 we reaped the benefits of the streamlining of our organisation. The clustering laid the foundation for an effective market approach based on focusing on DPA’s core propositions in the areas of Finance, Banking, Supply Chain & Logistics, IT, and Legal & Public. In addition, the management structure has been simplified and the clustering has promoted collaboration at DPA, both within and between the clusters. This has further increased our ability to help our clients solve the issues they are facing.

“In conjunction with the clustering the internal organisation has been changed. The successful implementation of our new management system and the streamlining of the internal processes have led to a fall in selling and general administrative expenses. In turn, this has resulted in a sharp increase in EBITDA and the EBITDA margin.

“Along with our customer focus the other item at the top of our agenda is to be an attractive employer. The ability to offer a challenging career and great assignments with appealing clients is key to recruiting our professionals and retaining their interest. As is the case for most other companies, we are faced with the challenge of staff turnover combined with a tight labour market. DPA will therefore continue to invest in the professional and personal development of its professionals.

“We are keeping a close eye on the developments surrounding the coronavirus. While it is clear that this will have major economic consequences, the precise impact will depend on how quickly the coronavirus can be brought under control both in the Netherlands and internationally. At this point in time it is impossible to predict the long-term impact on the Dutch economy with any certainty.”

Details of 2019 full-year results**Development of results**

Profitability improved sharply during the year under review. A strong financial foundation was laid, which is reflected in a sharp rise in EBITDA (earnings before interest, taxes, depreciation and amortisation) and the EBITDA margin.

Organically, revenue rose by 1.6%. However, reported revenue was lower compared to 2018 as a result of the sale of Cauberg Huygen on 31 October 2018 and the divestment of several small-scale or insufficiently profitable activities. This resulted in a decline in revenue to 151.7 million euro in 2019 (2018: 158.8 million). The number of working days in 2019 equalled 255, one more than in the previous year (2018: 254).

Gross profit in 2019 declined fractionally in absolute terms to 42.8 million euro (2018: 43.3 million). The gross margin rose to 28.2% (2018: 27.3%). EBITDA rose considerably to 14.3 million euro from 10.1 million euro in 2018, an increase of 42%. EBITDA as a percentage of revenue also rose, to 9.4% (2018: 6.4%). Net profit came in at 8.6 million euro (2018: 9.0 million).

Selling and general administrative expenses

Over the last two years DPA has adjusted its business model to continuing specialisation based on clusters with efficient central support. The result is an organisation that is strongly focused on organic growth and is geared to further digitalisation of the work processes. Thanks to simplification of the organisational structure selling and general administrative expenses fell by 4.7 million euro to 28.5 million (2018: 33.2 million). Indirect costs as a percentage of revenue fell to 18.7% (2018: 20.9%).

Segment breakdown

For reporting purposes the six DPA clusters are combined into three segments:

- *Finance & Banking* with the clusters Finance and Banking & Insurance (including Your Professionals)
- *Legal & Public* with the cluster Legal & Public
- *IT, Supply Chain & Logistics & Participations* with the clusters IT, Supply Chain & Logistics and Participations (excluding Your Professionals)

Revenue and gross profit by segment <i>In millions of euro and %</i>	2019 (pre-IFRS 16)			2018 (pre-IFRS 16)		
	Revenue	Gross profit	Margin %	Revenue	Gross profit	Margin %
Finance & Banking	88.4	24.6	27.8	90.3	24.1	26.7
Legal & Public	26.5	8.8	33.2	27.3	9.2	33.9
IT, Supply Chain & Logistics & Participations	36.8	9.4	25.5	41.2	10.9	26.4
Non-allocated	-	-	-	-	-0.9	-
Total	151.7	42.8	28.2	158.8	43.3	27.3

Financial position

The net cash flow from operating activities amounted to a positive 18.8 million euro (2018: positive 9.7 million euro). The positive cash flow was mainly due to the upward development of the operating result during the year under review and improved working capital at the end of the year as a result of a tighter receivables policy and an enhanced invoicing process.

Days sales outstanding (average accounts receivable in days) equalled 28 at end-2019 (end-2018: 34). At 31 December 2019 the debtor position and sales yet to be invoiced stood at 27.1 million euro (end-2018: 28.0 million).

The net cash flow from investment activities amounted to a positive 0.7 million euro (2018: positive 3.4 million euro). The difference was due to the sale of Cauberg Huygen in 2018. The net cash flow from financing activities was a negative 19.5 million euro (2018: negative 13.5 million euro). The difference was largely due to the adoption of IFRS 16 (6.6 million euro). On balance, long-term loans declined by 3.2 million euro and the overdraft facility was reduced by 5.2 million euro. Shareholders received a dividend of 4.5 million euro in 2019 (2018: 1.3 million).

There was a sharp decline in the net debt position, which stood at 8.7 million euro at end-2019 (end-2018: 17.0 million excluding IFRS 16; 2019: 22.5 million including IFRS 16).

DPA signed two financing agreements with Rabobank - a credit facility and an acquisition financing agreement. The credit facility is for a maximum of 25.0 million euro. The permitted maximum amount is determined based on the balance of 70% of the total amount of 'revenue yet to be billed' plus 70% of the total amount of legally pledged claims. At end-2019 the acquisition financing stood at 2.7 million euro.

The senior net debt ratio (i.e. the consolidated, non-subordinated interest-bearing debt less freely available cash and cash equivalents divided by EBITDA) may not exceed 3.00. At end-December 2019 the ratio stood at 1.1, after applying IFRS 16. As at 31 December 2019 DPA was in compliance with the financial covenants and all other conditions of its agreement with Rabobank.

Employees

The pressure on the job market continues to impact the activities and cause relatively high employee turnover. DPA works with the best professionals: employees who are very highly sought-after by other employers. At 31 December 2019 the number of FTE professionals on a permanent contract was 1,266 (31 December 2018: 1,314). As at that date the number of internal employees at DPA was 178 (31 December 2018: 223). The 20% decline was the result of the previously introduced cluster structure and improved efficiency of the support services. At 31 December 2019 DPA had 179 self-employed professionals under contract on a full-time basis (end-2018: 184).

The ratio of direct/indirect staff (professionals under contract/internal employees) improved considerably: from 5.9 at 31 December 2018 to 7.1 at 31 December 2019. Productivity, measured as the number of billable hours compared to the number of available hours (contract hours less leave and absenteeism due to sickness), rose slightly to 90% (2018: 89%).

Development of results in the fourth quarter of 2019

Revenue amounted to 40.2 million euro in the fourth quarter of 2019, down 2.2% compared to the same period last year (Q4 2018: 41.1 million). This was due to the fact that Cauberg Huygen was still included in the 2018 fourth-quarter results until 31 October 2018 inclusive. Gross profit rose to 11.4 million euro (Q4 2018: 10.2 million euro), while the gross margin rose to 28.4% of revenue (Q4 2018: 24.8%).

In the fourth quarter of 2019 the operating costs amounted to 7.1 million euro (17.7% of revenue), compared to 7.3 million in the same quarter last year (Q4 2018: 17.8% of revenue). EBITDA (earnings before interest, taxes, depreciation and amortisation) came in at 4.3 million euro in the fourth quarter of 2019 (Q4 2018: 2.9 million euro).

Outlook

DPA's strategy is aimed at continuing to build a sound organisation that is relevant to its professionals and clients each and every day. The ability to ensure optimum employability of specialist professionals is the main prerequisite for sustained success. In 2019 much progress was made in terms of our development as a knowledge partner who understands the client's business and is able to quickly translate this understanding into new knowledge and services. DPA will make every effort to continue down this chosen path in 2020.

Coronavirus

DPA is closely following the developments surrounding the coronavirus. A taskforce has been set up and measures have been taken to limit the spread of the virus; these follow the national guidelines. Additionally DPA is maintaining close contact with its clients regarding specific measures for the professionals concerned. DPA is alert to business-critical processes which could be impacted by the coronavirus and/or measures to contain it such as demand for and the productivity and availability of our employees. Given the uncertainties it is impossible at present to estimate the impact on future results.

Annual Report for 2019 and Annual General Meeting

The annual results reported in this press release and the figures in the annex are based on management information and the annual accounts for 2019 as prepared by the Management Board. These are available on the DPA website (www.dpa.nl). The annual accounts for 2019 will be presented for adoption by the Annual General Meeting (AGM). As previously announced, DPA intends to hold the AGM on 18 May 2020 at its office at Gatwickstraat 11 in Amsterdam, commencing at 1 pm. Further measures will be taken in light of the coronavirus. Additional

information about these will be made available in the convocation notice for the AGM to be published on the DPA website on 6 April 2020.

Shares and dividend

The total number of outstanding shares at 31 December 2019 was 46,968,197 (31 December 2018: identical). In accordance with the DPA dividend policy under normal circumstances it would have been proposed to distribute a dividend of 0.08 euro per share. Given the current external circumstances the Annual General Meeting of Shareholders will be asked to dispense with the distribution of dividend and allocate the entire 2019 net profit of 7.8 million euro to the general reserve. This decision is based on the macroeconomic effects of the coronavirus which are causing growing uncertainty.

DPA Group N.V.

DPA connects organisations with professionals who have the right knowledge and know-how. Under the motto 'improving your performance' the company gives its employees room to be driven about their profession and continuously work on their professional and personal development. This enables them to help clients realise improvements and innovations. DPA is listed on Euronext Amsterdam. Further information can be found at www.dpa.nl

Further information

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Disclaimer

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