

PRESS RELEASE

DPA delivers solid performance in first half of 2020

Highlights of first half year:

- Revenue: 71.4 million euro (H1 2019: 75.3 million)
- Gross profit: 20.3 million euro (H1 2019: 22.9 million)
- Gross margin: 28.4% (H1 2019: 30.4%)
- Restructuring costs due to COVID-19 pandemic in Q2 2020: 1.1 million euro
- EBITDA: 8.6 million euro (H1 2019: 9.5 million)
- EBITDA margin: 12.1% (H1 2019: 12.6%)
- Goodwill impairment: 7.3 million euro (H1 2019: 0.0 million)
- One fewer working day in H1 compared to 2019: impact of 0.6 million euro on revenue and 0.5 million on gross profit and EBITDA

Condensed income statement¹	H1 2020	H1 2019
<i>in millions of euro or percentages</i>		
Net revenue	71.4	75.3
Cost of sales	51.1	52.4
Gross profit	20.3	22.9
Gross margin	28.4%	30.4%
Selling and general administrative expenses excl. depreciation, amortisation and goodwill impairment	11.7	13.4
EBITDA	8.6	9.5
EBITDA margin	12.1%	12.6%
Depreciation and amortisation	-11.3	-4.3
EBIT	-2.7	5.2
EBIT margin	-3.8%	6.9%
Financial income and expenses	-0.2	-0.3
Result of associates	0.0	0.0
Profit before tax	-2.9	4.9
Tax on profit	-1.1	-1.2
Net profit	-4.0	3.7

^{1.} The 2019 and 2020 half-year figures have not been audited.

Commenting on the first-half results, DPA CEO Arnold van Mameren said:

“DPA was very well able to continue providing its services to its clients in the first half of 2020. Fastidious leadership, strong cash management and cost control helped see to it that the impact of the COVID-19 pandemic on our operations remained relatively limited. Most of our clients enabled their DPA professionals to continue to work for them remotely. We are very proud of this and consider this to be a successful litmus test of the relevance of our employees and services.

The core of our strategy is to help organisations by recruiting, connecting, matching and developing specialist professionals. The sound foundation we have created for this enables us to respond quickly to new knowledge needs and regulations.

Relevance continues to be the key word at DPA, also in these exceptionally challenging market conditions. A good example of this relevance is the support we provide to help Dutch municipal authorities to process the large number of applications for temporary bridging finance for independent entrepreneurs ('Tozo' applications). Another example is the use of KYC and CDD specialists in the banking sector to help prevent financial fraud and money laundering. We are proud of all our employees and the flexibility they have shown in these unprecedented times. They have been able to effectively and efficiently transition to working from home. Their efforts and commitment ensure that we can continue to provide our clients with tailor-made services and increase our added value.

As a precautionary measure and based on the information available at the time DPA applied for assistance under the Dutch government scheme aimed at partially compensating wage costs (the 'NOW-1 scheme'). Because the impact of the COVID-19 pandemic on revenue was less pronounced than expected when we applied, we have repaid the amount we were advanced. DPA will not apply for assistance under the NOW-2 scheme.

Development of net profit in the first half of 2020

In the first half of the 2020 financial year revenue declined by 5.2% to 71.4 million euro (H1 2019: 75.3 million). The direct costs fell by 2.5% to 51.1 million euro (H1 2019: 52.4 million). Gross profit was down 11.3% at 20.3 million euro (H1 2019: 22.9 million). The first half of 2020 contained 124 working days: one fewer than in 2019. This had an impact of around 0.6 million euro on revenue and 0.5 million on gross profit and EBITDA.

In the past period DPA has been able to benefit from recent efforts in the field of digitalisation. By simplifying the organisational structure and highly digitalising the work processes, the company has been able to respond comprehensively to changes in the market while optimising its activities. Furthermore, digitalisation resulted in a further drop in selling and general administrative expenses to 11.7 million euro (H1 2019: 13.4 million). The indirect costs as a percentage of revenue declined to 16.4% (H1 2019: 17.8%).

Due to the COVID-19 pandemic EBITDA fell to 8.6 million euro (H1 2019: 9.5 million). The EBITDA margin declined to 12.0% (H1 2019: 12.6%).

Goodwill impairment

Due to the impact of the COVID-19 pandemic DPA recognised a goodwill impairment of 7.3 million euro in the second quarter of the year. Uncertainty about the future and a 2% rise to 10.6% in the weighted average cost of capital applied in the underlying calculations compared to the previous annual review (2019: 8.5%) have led to a goodwill impairment. This increase in the weighted average cost of capital is caused by a rise in the required return on equity and an increase in the percentage of capital that is equity compared to the percentage of capital that is debt.

Segment breakdown of net profit

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

- Finance & Banking comprising the clusters Finance and Banking
- Legal & Public comprising the cluster Legal and Public

- IT, Supply Chain & Logistics & Participations comprising the clusters IT, Supply Chain & Logistics and Participations

Revenue and gross profit by segment <i>In millions of euro and %</i>	H1 2020			H1 2019		
	Revenue	Gross profit	Margin %	Revenue	Gross profit	Margin %
Finance & Banking	41.5	11.7	28.1%	43.0	13.0	30.2%
Legal & Public	10.6	4.0	37.8%	14.0	4.3	31.0%
IT, Supply Chain & Logistics & Participations	19.4	4.6	23.8%	18.3	5.6	30.5%
Total	71.4	20.3	28.4%	75.3	22.9	30.4%

Financial position

The net cash flow from operating activities amounted to a positive 17.3 million euro (H1 2019: positive 1.7 million). The positive cash flow was mainly due to improved working capital management with a stricter receivables policy and enhanced invoicing process. The cash flow from operating activities shows the positive impact of the possibility provided by the Dutch government to postpone payments.

Days sales outstanding (average accounts receivable in days) equalled 25 at 30 June 2020 (30 June 2019: 35). Trade receivables and sales yet to be invoiced stood at 22.0 million euro (30 June 2019: 33.3 million).

The net cash flow from investment activities amounted to a positive 0.4 million euro (H1 2019: negative 0.1 million euro). The net cash flow from financing activities was a negative 8.0 million euro (H1 2019: negative 1.4 million euro). The difference was partly due to a decline in long-term loans of 1.5 million euro. Moreover the overdraft facility was reduced by 6.3 million euro so that the balance currently stands at a positive 10.2 million euro. It should be noted that this balance includes the government assistance measures, including the deferral of VAT payment and the amount advanced under the Dutch NOW-1 scheme of 8.5 million euros, which has now been refunded.

The net debt position fell sharply to 4.1 million euro (30 June 2019: 38.2 million euro). This substantial drop is the result of repayments of the overdraft facility and long-term loans.

DPA has 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. The acquisition financing stood at 1.2 million euro at 30 June 2020 and will be repaid in full in the second half of 2020

Employees

In the second quarter of 2020 DPA focused on deploying its professionals in the best possible way. This involved ongoing monitoring how clients responded to the impact of the COVID-19 pandemic on their operations. Thanks to the flexibility of employees the number of people side-lined was limited and productivity remained high. At the same time DPA continued to invest in the development of employees via for example the DPA Academy and the Fagro Academy, as well as the Dutch financial supervision act (Wft) curriculum for banking specialists.

The current slide in demand has resulted in a drop in the number of employees. At 30 June 1,092 professionals (30 June 2019: 1,234) and 160 internal employees (30 June 2019: 186) were

employed by DPA. An important ratio is the direct/indirect ratio (professionals under contract/internal employees). This ratio improved from 6.5 on 31 March 2020 to 6.8 on 30 June 2020. At 30 June DPA had 160 self-employed professionals under contract on a full-time basis (30 June 2019: 186).

(on an FTE basis)	31-3-2019	30-6-2019	30-9-2019	31-12-2019	31-3-2020	30-6-2020
Professionals	1,255	1,234	1,240	1,266	1,196	1,092
Self-employed professionals	159	215	185	179	190	160
Internal employees	195	186	172	178	185	160

Outlook

DPA has come through this extraordinary half year well. The relevance and flexibility we have shown along with the strength of our mixed portfolio and above all the commitment of our employees instils confidence in the future. The further course of the COVID-19 pandemic remains a cause of uncertainty. DPA will continue to monitor developments in the market closely in order to ensure the impact remains limited in the second half of the year. Proactive leadership, strong cash management and cost control are our motto. Furthermore, in the second half of the year DPA will focus even more on retaining experienced professionals and expanding our commercial clout.

About DPA Group N.V.

DPA connects organisations with professionals who have the right knowledge and know-how. The company gives its employees room to be driven about their profession and constantly 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

For more information please contact Sharon van Straalen at sharon.vanstraalen@dpa.nl or on +31 (0)6 5141 1647.

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