



# Press Release

## Ipsos: First half 2014 It's a game of two halves but... A poor first half makes the year more difficult

**Revenue: -5.9%**  
**Organic growth: +0.1%**

**Paris, 23 July 2014** – Ipsos' revenue in the first half of 2014 was 756 million euros, a fall of 5.9% on the same period last year. Currency effects were the main contributor to this trend, reducing revenue by 5.1%, the automatic result of converting revenues generated outside the euro zone into euros.

Changes in the scope of consolidation, reflecting sold or discontinued businesses, reduced revenue by 0.9%. Organic growth over the first half was 0.1%. After a reasonable first quarter, it was during the second quarter – which accounts for nearly 55% of total revenue for the first half – that Ipsos stalled.

Between April and June revenue at Ipsos was down 7.1% on the same period in 2013, with three factors all pulling in the same direction: currency effects of 4.7%, changes in the scope of consolidation for 1.3% and a decline in like-for-like revenue of 1.1%. This is the first time since the first quarter of 2013 that Ipsos has reported a drop in revenue. This reversal of the trend will not last, but despite its temporary nature it will have consequences for Ipsos' overall performance in 2014.

At this stage, we are expecting revenues to be stable or slightly higher – at constant scope and exchange rates – with operating margins in line with the level in 2013.

### Performance by region and business line

Revenue contributions by geographic area <i>(in millions of euros)</i>	1st half 2014	1st half 2013	Change 2014/2013	Organic growth
Europe, Middle East and Africa	355.6	359.5	-1.1%	+1.5%
Americas	277.9	314.9	-11.8%	-2.5%
Asia-Pacific	122.5	129.3	-5.2%	+2.5%
<b>First-half revenue</b>	<b>756.0</b>	<b>803.7</b>	<b>-5.9%</b>	<b>+0.1%</b>

Revenue trends varied from region to region.

Revenue grew in the Asia Pacific region, with organic growth of 2.5% (0% in the first quarter and +5% in the second), was more or less stable in Europe, the Middle East and Africa, rising 1.5% and was very disappointing in the Americas, where it shrank by 2.5%. In this region, the two quarters saw quite different patterns, with growth of 2% between January and March and a contraction of 6% between April and June. The abrupt nature of this downturn warrants some explanation, particularly as it was not expected and as the performance in April was in line with that of previous months.



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In May and June, Ipsos' business levels were mediocre in both Latin America and the USA. In Latin America, several factors played their part, including the deterioration of the economic and political situations in several markets (Venezuela, Argentina and Brazil) and of course, in June at least, the World Cup effect: many clients were unwilling to undertake projects at a time when consumers were distracted by this modern version of gladiatorial combat. A substantial share of Ipsos' lost revenue in Latin America during these two months has not simply vanished, and the company should be able to make up lost ground over the coming months.

The problem in the USA is different. The market is clearly sensitive to "new offers". And indeed it is in this market where our new services are seeing the quickest uptake, even though this is clearly not quick enough. But it goes further: the context – both economic and political – in the USA is uncertain, even if one limits one's observations to the dramatic downgrading of US GDP figures for the first quarter (contraction of nearly 3%) or the constant challenges faced by the government. Most importantly, the change in behaviour of major US companies, discussed in our own press release in April, has not (yet?) happened.

Never have so many big companies undertaken efficiency programmes, which is the same as saying that they are continuing to seek productivity gains rather than new growth. In 2013, US companies handed back more money to their shareholders, in the form of dividends and share buy-backs, than they invested in their own (new) products and services. In many cases innovation is being used to help in the strict management of cash rather than driving initiative and development. For these reasons, and even if, as we expect, business volumes at Ipsos improve in the USA over the second half, this poor first half will prevent Ipsos from reaching its full-year targets for 2014.

Revenue contributions consolidated by business line <i>(in millions of euros)</i>	1st half 2014	1st half 2013	Change 2014/2013	Organic growth
Advertising Research	120.3	131.6	-8.6%	0%
Marketing Research	390.6	420.2	-6.4%	-1%
Media Research	71.2	79.2	-10.1%	-3.5%
Opinion & Social Research	73.0	70.0	-0.1%	+3%
Client and employee relationship management	100.8	102.7	-1.8%	+5.5%
<b>First-half revenue</b>	<b>756.0</b>	<b>803.7</b>	<b>-5.9%</b>	<b>+0.1%</b>

**By business line** variations were less extreme and more predictable.

As expected, Ipsos MediaCT, which had lagged behind in the first quarter with organic growth of -7%, recovered in the second quarter and finished the first half with revenue down 3.5%.

Ipsos Loyalty, which is responsible for customer relationship management surveys, enjoyed two consecutive good quarters.

Ipsos Public Affairs and Ipsos ASI (advertising effectiveness research) saw a slight downturn at the end of the period, but this was not particularly significant.

The shortfall in revenue at Ipsos in the second quarter is more noticeable at Ipsos Marketing, which more than any other business line is dependent on our clients' desire to undertake investment in growth.

Summarized income statement

<i>In millions of euros</i>	H1 2014	H1 2013	Change H1 2014 / H1 2013
Revenue	756.0	803.7	-5.9%
Gross profit	485.6	512.0	-5.2%
<b>Gross margin</b>	<b>64.2%</b>	<b>63.7%</b>	<b>+50bp</b>
Operating profit	39.1	49.0	-20.2%
<b>Operating margin</b>	<b>5.2%</b>	<b>6.1%</b>	<b>-90bp</b>
Total of exceptional, non-recurring items	(10.1)	(84.0)	-
Finance charge	(10.9)	(12.8)	-7.8%
Tax	(4.2)	(5.4)	-21.6%
Net profit (attributable to the Group)	10.1	(60.2)	-
<b>Adjusted net profit* (attributable to the Group)</b>	<b>26.1</b>	<b>31.3</b>	<b>-16.6%</b>

\* Adjusted net profit is calculated before non-cash items linked to IFRS 2 (share-based payments), amortisation of acquisition-related intangible assets (client relationships), deferred tax liabilities related to goodwill on which amortisation is tax-deductible in certain countries and the impact net of tax of other non-recurring income and expenses.

The Group's *operating margin* suffered from the effects of a lack of volume in the second quarter and came to 5.2% of revenue, a drop of 90 basis points relative to the margin in the first half of 2013, with the improvement in gross margin only partially offsetting the drop in the absolute value of gross profit.

*The improvement in gross profit*, which is calculated by deducting from revenues the external direct variable costs attributable to contracts, remains one of the keys to improvements in profitability. Gross margin was 64.2% compared to 63.7% in the same period in 2013. This 50 basis point improvement was the result of a continued policy of insourcing production capacity, the continued move to on-line collection and a good performance in maintaining prices in all countries.

As far as operating costs were concerned, total *staff costs* fell by 4.2% due to currency effects, but increased as a percentage of revenues and gross profit, with staff numbers remaining more or less stable at 15 512 permanent employees on 30 June 2014, compared with 15 536 at 31 December 2013 and 15 730 at 30 June 2013.

The increase in *variable share-based compensation* from 5.5 million euros to 6.5 million euros reduced operating margin by 20 basis points. This reflects the inclusion of a larger number of employees in the programme to associate staff with the success of the company through the allocation of free shares, which has been in place since 2012. From 2015, this programme, which will reach its full extent in 2014, will no longer affect the evolution of operating margin ratio.

*General operating expenses* were kept under control, and fell by 5.3%.

*Other operating income and expenses* includes mainly the impact of transactional currency movements on the operating account, which was positive in the first half of 2013 but negative in the first half of 2014.



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**Amortisation of intangibles identified on acquisitions** relates to the element of goodwill allocated to client relationships in the 12 months following the date of acquisition, which is subject to amortisation via the income statement over several years, in accordance with IFRS. This charge amounted to 2.3 million euros in the first half of 2014, compared to 2.4 million euros in the previous period.

The restated balance of **other non-recurring and non-operating income and expenses** was (7.9) million euros compared to (10.8) million euros in the first half of 2013. This includes exceptional items not related to operations and includes acquisition costs as well as the costs of the restructuring programmes being carried out, particularly in Western Europe.

In the first half of 2013, other non-recurring and non-operating income and expenses also included **the net impact of exceptional items relating to the Synovate transaction**, for a total of 73.2 million euros. There have been no new developments in this case since 31 December 2013.

**Finance costs** Net interest costs were 10.9 million euros in the first half of 2014 from 12.8 million euros in the same period in 2013, the 7.8% fall being the result of a reduction in debt. Change in fair value of derivatives was (0.9) million euros.

**Tax** The effective tax rate on the IFRS income statement was 24.7% compared to 25% as at 30 June 2013 (effective tax rate excluding the net impact of non-recurring items relating to the Synovate transaction). As in the past, this includes a deferred tax liability of 1.8 million euros (compared to 2.8 million euros in the first half of 2013) which cancelled out the tax saving achieved through the tax deductibility of goodwill in certain countries, even though this tax charge would fall due only if the activities concerned were sold, and which is restated accordingly in adjusted net profit.

**Adjusted net profit attributable to the Group**, the relevant indicator used consistently to measure performance, was 26,1 million a decrease of 16,6% on the first half of 2013. Reported net profit attributable to the Group was 10.1 million euros, from (60.2) million euros in the first half of 2013, which reflected the impact of exceptional items relating to the Synovate transaction.

### Financial structure

#### Free cash flow

Free cash flow from operations, net of recurring investment, was positive to the tune of 29.4 million euros, from a deficit of 3.1 million euros at 30 June 2013, despite the seasonal increase in working capital requirements. This marks a real turning point following the Synovate deal and a new record since the stock market flotation of Ipsos, 15 years ago, on 1 July 1999.

In more detail, gross operating cash flow was 48.0 million euros in the first half of 2014, compared with 59.3 million euros a year earlier, which was in line with the drop in operating profit.

Working capital requirements, which had increased by 25 million euros in the first half of 2013, saw their first positive change for a long time, to the tune of 13.3 million euros.

Recurring investment in tangible and intangible fixed assets, consisting mainly of IT investment, was down slightly per consolidated cash flow statement: 6.3 million euros disbursed over the semester against 8.7 million euros in the same period last year. In fact, this does not give the full picture: for the past three years, Ipsos has had a policy of IT investment which is not capitalised on the balance sheet but registered directly as IT services in the operating costs. It should also be noted that Ipsos has adopted a consistent accounting approach of not capitalising the time costs of its own development teams. IT investment recognised as operating charges (as IT services, staff costs for the 600 IT specialists who work for Ipsos and amortisation and depreciation of IT equipment and software acquired and capitalised) came to 100 million euros in 2013 and is likely to be stable in 2014 (at constant exchange rates).



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As to **non-recurring investment**, Ipsos invested a total of 5.1 million euros over the first half in its acquisitions programme, notably including the buy-out of minority shareholders in a US company and acquisitions in some emerging markets, Egypt and the Balkans.

Ipsos also invested 9.9 million euros in its share buyback programme in order to limit the dilutive effect of its free share attribution plans.

**Shareholders' equity** stands at 820.7 million euros, from 804.5 million euros at 30 June 2013.

**Net debt** came to 541.9 million euros at 30 June 2014, from 634.0 million euros a year earlier. This reduction was the result of strong free cash flow over the past 12 months. Significantly, net debt was also slightly lower than the 544.8 million euros at 31 December 2013, despite the traditional peak in working capital requirements at 30 June, due to the large number of research projects in progress.

Gearing stood at 66.0% compared to 78.8% at 30 June 2013.

**Liquidity position. Cash and equivalent** at the end of the first half was 135.7 million euros, from 98.1 million euros at 30 June 2013, giving Ipsos a good liquidity position. The company also has around 200 million euros in available lines of credit.

### 2014 outlook

Over the next few months there should be no shortage of factors supporting growth at Ipsos. Some of them are likely to play a significant role.

- Despite their difficulties, emerging markets – not all, but many of them – are seeing economic growth that is not affected by deflationary expectations. Ipsos is well placed in most emerging markets and will be able to build on this presence, which was strengthened by the acquisition of Synovate in 2011. In the first quarter, organic growth in these markets was 5.3%. This growth should be maintained, even though experience shows that these markets can be volatile and even though exchange rate effects mean that revenue growth in euro terms was very negative, with a decline of more than 10%.
- Despite the fact that volumes remain low, the new services Ipsos offers its clients are becoming an essential vector of support for our business and for strengthening client relations. These services represent 7% of our total revenues today. Overall, they have seen growth of 40%. Each individual service has seen growth of at least 10%. Whether it involves using new approaches such as Ethnography or Neurosciences, new ways of working together via activation workshops, engaging the analytical resources of Ipsos teams on Big Data projects, drawing on the soaring popularity of social networks, or the ability – thanks to mobile platforms – to make radical savings in the time taken for a research project, all these initiatives, some of which are more transformational than others, contribute (and will continue to contribute) to closing the gap between what the market aspires to and what Ipsos can provide and, let's be frank, between what Ipsos aspires to – sustained and profitable growth – and its current performance.
- Despite the conservative choices of our traditional major clients, who remain preoccupied by efficiency and security rather than growth and conquest, we continue to believe in what we said at the beginning of the year. In April we wrote, "our teams are receiving more approaches than before [...] to help develop the systems and protocols that will be used to drive new initiatives, new ideas and new markets." Clearly, in May and June this did not translate into a satisfactory level of business. Perhaps some things just can't be rushed.  
At some point, the more daring will come out of hiding and demonstrate yet again that the first players to move are often proved right.



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There is nothing inevitable about the decline of brands or the flat-lining of prices and sales volumes. Consumers and clients are not satiated. They are just better educated, less naïve, and more exposed to similar offers. Ipsos, in common with the rest of the research industry, has a role to play in restoring the confidence of its clients, to help them define and manage their growth strategies. We know that it is our responsibility to demonstrate to them, each and every day, the value of our contribution. We know that we will succeed if we can provide our clients with reliable, relevant information that is easy to use and presented in an attractive way.

We have set our performance criteria, and we measure, every day and on every one of the projects and programmes we carry out, whether or not we are offering our clients the security, simplicity, speed and substance that they need to justify their decision to work with our teams.

Can we do better in the second half than in the first of 2014? Our teams certainly think so, particularly in North and South America. They have the ideas, the determination and the resources to make up at least some of the lost ground.

**However**, as stated above, and considering the trends of the first semester, we expect full year revenue to be stable or grow slightly at constant scope and exchange rate and an operating margin in line with 2013.

### Appendix

- **Consolidated income statement**
- **Statement of financial position**
- **Consolidated cash flow statement**

**A full set of consolidated financial statements  
is available at [www.ipsos.com](http://www.ipsos.com)**

**The 2014 performance and results presentation  
will be available from 24 July on the [www.ipsos.com](http://www.ipsos.com)**

### **Nobody's Unpredictable**

"Nobody's unpredictable" is the Ipsos signature.

Our clients' clients are increasingly changing their habits –  
hopping from one trend to the next, changing their behaviour, views and preferences.  
We help our clients to capture these trends, which characterise the society in which we live.  
We help them to understand their clients – and the world - as they are.

Ipsos is listed on Eurolist - NYSE-Euronext.  
The company is part of the SBF 120 and the Mid-60 index.

**ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP  
[www.ipsos.com](http://www.ipsos.com)**



Consolidated income statement  
**First half to 30 June 2014**

In thousands of euros	30 June 2014	30 June 2013	31 December 2013
<b>Revenue</b>	<b>756,012</b>	<b>803,777</b>	<b>1,712,403</b>
Direct costs	(270,387)	(291,752)	(614,620)
<b>Gross profit</b>	<b>485,625</b>	<b>512,025</b>	<b>1,097,783</b>
Payroll - excluding share based payments	(335,133)	(349,841)	(690,096)
Payroll - share based payments	(6,452)	(5,462)	(11,321)
General operating expenses	(103,847)	(109,678)	(215,393)
Other operating income and expense	(1,085)	1,967	1,158
<b>Operating margin</b>	<b>39,108</b>	<b>49,011</b>	<b>182,132</b>
Amortisation of intangibles identified on acquisitions	(2,280)	(2,394)	(4,712)
Other non operating income and expense	(7,913)	(10,801)	(18,205)
Income from associates	(43)	(4)	26
<b>Operating profit (Before net impact of remeasurements relating to the transaction Synovate post allocation period)</b>	<b>28,871</b>	<b>35,811</b>	<b>159,241</b>
Net impact of remeasurements relating to the transaction Synovate post allocation period		(73,155)	(71,273)
<b>Operating profit</b>	<b>28,871</b>	<b>(37,344)</b>	<b>87,968</b>
Finance costs	(11,790)	(12,790)	(23,373)
Other financial income and expense	(7)	(2,327)	(5,903)
<b>Profit before tax</b>	<b>17,073</b>	<b>(52,461)</b>	<b>58,693</b>
Income tax - excluding deferred tax on goodwill	(2,437)	(2,600)	(29,715)
Income tax - deferred tax on goodwill	(1,781)	(2,780)	(3,782)
Income tax	(4,217)	(5,380)	(33,498)
<b>Net profit</b>	<b>12,856</b>	<b>(57,841)</b>	<b>25,195</b>
<b>Attributable to the Group</b>	<b>10,104</b>	<b>(60,159)</b>	<b>17,439</b>
<b>Attributable to Minority interests</b>	<b>2,752</b>	<b>2,318</b>	<b>7,756</b>
Earnings per share (in euros) - Basic	0.22	(1.33)	0.38
Earnings per share (in euros) - Diluted	0.22	(1.33)	0.38
<b>Adjusted net profit</b>	<b>29,034</b>	<b>33,824</b>	<b>129,685</b>
<b>Attributable to the Group</b>	<b>26,131</b>	<b>31,336</b>	<b>120,950</b>
<b>Attributable to Minority interests</b>	<b>2,903</b>	<b>2,488</b>	<b>8,735</b>
Adjusted earnings per share (in euros) - Basic	0.58	0.69	2.67
Adjusted earnings per share (in euros) - Diluted	0.57	0.68	2.63



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**Consolidated balance sheet**  
**First half to 30 June 2014**

In thousands of euros	30 June 2014	30 June 2013	31 December 2013
<b>ASSETS</b>			
Goodwill	1,142,586	1,177,605	1,133,006
Intangible assets	84,915	89,727	87,336
Property, plant and equipment	34,364	43,245	36,154
Interests in associates	735	474	772
Other non-current financial assets	25,752	24,594	23,832
Deferred tax assets	38,047	46,683	36,544
<b>Total non-current assets</b>	<b>1,326,400</b>	<b>1,382,328</b>	<b>1,317,644</b>
Trade receivables	529,890	555,129	583,932
Current income tax	22,999	21,465	18,866
Other current assets	77,405	80,226	56,977
Derivative financial instruments	3,456	3,217	2,224
Cash and cash equivalents	135,686	98,132	148,703
<b>Total current assets</b>	<b>769,436</b>	<b>758,169</b>	<b>810,702</b>
<b>TOTAL ASSETS</b>	<b>2,095,836</b>	<b>2,140,496</b>	<b>2,128,346</b>

In thousands of euros	30 June 2014	30 June 2013	31 December 2013
<b>LIABILITIES</b>			
Share capital	11,334	11,334	11,334
Share premium	540,201	540,201	540,201
Own shares	(1,438)	(1,052)	(686)
Currency translation differences	(54,941)	(25,079)	(61,274)
Other reserves	311,648	267,255	349,513
<b>Shareholders' equity - attributable to the Group</b>	<b>806,805</b>	<b>792,659</b>	<b>839,088</b>
Minority interests	13,881	11,909	13,409
<b>Total shareholders' equity</b>	<b>820,686</b>	<b>804,568</b>	<b>852,497</b>
Borrowings and other long-term financial liabilities	614,629	525,612	628,355
Non-current provisions	16,277	19,104	16,076
Retirement benefit obligations	22,145	20,267	20,997
Deferred tax liabilities	105,031	105,719	104,148
Other non-current liabilities	73,643	77,033	65,636
<b>Total non-current liabilities</b>	<b>831,724</b>	<b>747,735</b>	<b>835,212</b>
Trade payables	203,957	210,799	221,600
Short-term portion of borrowings and other financial liabilities	66,444	209,768	67,397
Current income tax liabilities	5,383	5,593	10,296
Current provisions	3,989	5,958	3,941
Other current liabilities	163,652	156,074	137,403
<b>Total current liabilities</b>	<b>443,425</b>	<b>588,193</b>	<b>440,637</b>
<b>TOTAL LIABILITIES</b>	<b>2,095,836</b>	<b>2,140,496</b>	<b>2,128,346</b>



## Consolidated cash flow statement

### First half to 30 June 2014

In thousands of euros	30 June 2014	30 June 2013	31 December 2013
<b>OPERATING ACTIVITIES</b>			
<b>NET PROFIT</b>	<b>12,856</b>	<b>(57,841)</b>	<b>25,195</b>
<b>Adjustments to reconcile net profit to cash flow</b>			
Amortisation and depreciation of fixed assets	12,241	13,389	26,578
Net profit of equity associated companies - net of dividends received	43	4	(26)
Losses/(gains) on asset disposals	44	133	506
Movement in provisions	(111)	79,360	74,624
Share-based payment expense	5,838	4,955	10,814
Other non cash income/(expenses)	460	(488)	(1,034)
Acquisitions costs of consolidated companies	668	1,665	2,814
Finance costs	11,790	12,790	23,373
Income tax expense	4,217	5,380	33,498
<b>OPERATING CASH FLOW BEFORE WORKING CAPITAL. FINANCING AND TAX PAID</b>	<b>48,048</b>	<b>59,347</b>	<b>196 341</b>
<b>Change in working capital requirement</b>	<b>13,348</b>	<b>(24,968)</b>	<b>(54,136)</b>
<b>Interest paid</b>	<b>(10,696)</b>	<b>(12,695)</b>	<b>(24,699)</b>
<b>Income tax paid</b>	<b>(13,690)</b>	<b>(14,739)</b>	<b>(25,132)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>37,009</b>	<b>6,945</b>	<b>92,374</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisitions of property, plant, equipment and intangible assets	(6,294)	(8,728)	(17,186)
Proceeds from disposals of property, plant, equipment and intangible assets	53	122	325
Acquisition of financial assets	(1,326)	(1,484)	(1,103)
Acquisition of consolidated companies and business goodwill	(934)	(1,465)	11,784
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(8,501)</b>	<b>(11,555)</b>	<b>(6,180)</b>
<b>FINANCING ACTIVITIES</b>			
Increase/(decrease) in capital	0	186	186
Increase/(decrease) in long-term borrowings	(9,847)	(4,050)	(3,944)
Increase/(decrease) in bank overdrafts and short-term debt	(24,896)	(24,886)	(28,733)
(Purchase)/proceeds of own shares	(623)	3,997	3,287
Acquisition of minority interests	(5,099)	(1,997)	(2,395)
Dividends paid to parent-company shareholders	(0)	-	(28,996)
Dividends paid to minority shareholders of consolidated companies	(2,042)	(124)	(885)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(42,507)</b>	<b>(26,874)</b>	<b>(61,480)</b>
<b>NET CASH FLOW</b>	<b>(13,998)</b>	<b>(31,483)</b>	<b>24,714</b>
Impact of foreign exchange rate movements	982	(2,640)	(8,265)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>148,703</b>	<b>132,254</b>	<b>132,253</b>
<b>CASH AT END OF PERIOD</b>	<b>135,686</b>	<b>98,132</b>	<b>148,703</b>