



Press Release

First quarter of 2018

A quarter marked by a strong euro Total organic growth, first quarter: +2%

Paris, 26 April 2018 – In the first quarter of 2018, Ipsos' revenue stood at €367 million, down 5.9% on the first quarter of 2017.

In the absence of any scope effect, this change was driven by currency effects. The sharp decline of many currencies, such as the US dollar (-15.5%), the Japanese Yen (-10%), as well as those of many emerging economies, including the Brazilian real (-19.3%) or the Chinese RMB (-6.6%) compared to the euro, had the effect of reducing Ipsos' revenue by 8%.

Conversely, organic growth had a positive effect of +2% and the transition to IFRS 15 had an impact of +0.4%. The increase in the organic growth is an improvement on the first three months of 2017 (+1%). It is weaker than in the second half of 2017, which had seen organic growth rates of more than 4%, in part, as we had indicated in July, due to the closing of the gap observed in mid-2017 between stable revenue and a rise in the value of contracts sold.

To a certain extent, the same phenomenon could occur in 2018. At the end of March, revenue growth (+2%) lagged behind the growth in sales by 100 basis points.

This phenomenon of a lag in the conversion of sales into revenue, seen now for the second year running, stems from a change in the structure of contracts won and performed by Ipsos. In short, our position in the market and our ability to carry out large, complex, multi-country projects, mean that we manage more large-scale contracts for which work is spread over one or more years. Consequently, the rate at which the revenue generated is recognised is lower. In 2017, activity in the second half of the year thus appeared more positive than in the first-half. This scenario could be repeated again in 2018, on condition, of course, that the volume of new sales continues its rise.

Performance by region and business line

Performance by geographical area and business line as recorded at the start of the year should be treated with caution. The first quarter is always the lowest in terms of revenue recorded, accounting for only 20% of full-year revenue. The indications it provides tend therefore to be unreliable as soon as performance is reviewed at the level of smaller sub-aggregates, whether these are regions or business lines.

That said, in 2018, the performance in Asia-Pacific is, and will probably remain, more buoyant than in the rest of the world. The difference between the Americas and Europe, Middle East and Africa is likely to narrow.

Looking beyond the regions, emerging countries are growing at a faster rate than developed markets. The difference in performance is only 200 basis points (+3% in organic growth for the first and +1% for the second). It reflects, however, and for the first time, a faster growth of the New Services in emerging countries.



Press release - cont. - 26 April 2018

These 17 New Services rolled out from 2015 represent, in the first quarter of 2018, 13.9% of Ipsos' revenue compared with 12% in the first quarter of 2017. They are up +14%, or +27.5% in emerging countries – a considerable achievement – and +10% in developed countries, which is also clearly significant.

They now represent 12.3% of Ipsos' total performance in emerging markets and 14.7% on the same basis in developed countries.

These figures are satisfactory and consistent with previous years. Nevertheless, in themselves they are not sufficient to achieve Ipsos' ambition to return to a rate of growth closer to the top of the range ("between 2% and 5%") announced in 2015 and confirmed in 2017.

Consolidated revenues by geographical area <i>(in millions of euros)</i>	1st quarter 2018	1st quarter 2017	Change 2018/2017	Organic growth
Europe, Middle East and Africa	167.5	168.2	-0.4%	3%
Americas	129.4	149.8	-13.6%	-2%
Asia-Pacific	70.1	72.0	-2.6%	7%
Quarterly revenues	367.0	390.1	-5.9%	2%

Performance by business line is more consistent. The excellent performance of Opinion & Social Research nonetheless stands out, with organic growth of +6% year-on-year, confirming the strong growth seen in recent years.

Consolidated revenues by business line <i>(in millions of euros)</i>	1st quarter 2018	1st quarter 2017	Change 2018/2017	Organic growth
Media and Advertising Research	76.6	81.3	-5.8%	3%
Marketing Research	195.0	208.6	-6.5%	1%
Opinion & Social Research	43.6	44.7	-2.5%	6%
Client and employee relationship management	51.8	55.4	-6.5%	1%
Quarterly revenues	367.0	390.1	-5.9%	2%

Impact on revenue of the transition to IFRS 15

IFRS 15 replaced IAS 18 Revenue and IAS 11 Construction contracts from 1 January 2018 and incorporates new principles for the recognition of revenue, in particular in respect of the obligating event for the recognition of revenue, the identification of performance obligations, the recognition of variable revenue and the allocation of the transaction price for contracts with multiple components.

In general, revenues from contracts with Ipsos clients will still be recognised according to the percentage of completion under IFRS 15, since control in respect of the service provided is generally seen to be passed on a continuous basis. Methods that do not reflect the percentage of completion of research have been abandoned under IFRS 15, in favour of the straight-line method, as much as this reflects the percentage of completion in a reliable manner.



Press release - cont. - 26 April 2018

In addition, Ipsos has elected to apply the simplified transition method, which involves restating only revenue from contracts impacted by the change in standard and still in force at 1 January 2018. The impact of this change is recognised in opening consolidated shareholders' equity at 1 January 2018. Accordingly, FY 2017 presented for comparison is not restated.

Throughout 2018, for the calculation of organic growth in 2018 and as required for the disclosures in the notes to the financial statements published in respect of the impact of the change in method, revenue (and other items impacted) have continued to be monitored in accordance with the former standard (IAS 18) solely in the Group's internal reporting.

As announced, this change in accounting principles does not have a significant impact on Ipsos' revenue under IFRS 15. In the first quarter of 2018, the change amounted to +0.4% compared to the former method under IAS 18.

Other information about operating conditions in the first quarter

Profitability is in line with the objectives announced for the full year.

Net gearing at 31 March 2018, at 47%, is down compared to that recorded at 31 December 2017 (48%). This reduction was made possible by good free cash flow generation.

OUTLOOK FOR 2018

In 2018, Ipsos is using a variant of the so-called "same time" method.

At the same time as the teams are working hard to prepare and implement the Total Understanding project, they are continuing to work on everything that will enable Ipsos to achieve acceptable performance in 2018. At the same time, Ipsos is looking to resume a programme of targeted acquisitions in areas where acquiring transformational and pertinent skills, technologies and know-how would be a faster and more reliable way to attain them than organically.

As we have already said, the Total Understanding project is about growth. It takes into account the existence of a robust but transformed market, global but at the same time regional and local, defined by data - not only by its production but also by its use, driven and embodied by major companies but also by many specialised new companies known for the systematic, normative use of one or a group of new technologies.

The Total Understanding project's architecture has already been presented. Two further communications will be made on it: in July, at the presentation of the first-half results, a few weeks after its operational launch set for 1 July 2018, and again on 7 November, during the Investors' Day that Ipsos will hold in Paris.

Its effect on Ipsos' growth is expected to be limited in 2018, a year in which the pace of the company's development should be similar to 2016/2017, at between 2% and 3%. More substantial growth should come in the following year.

Operating profit in 2018, here again as in 2017, will increase modestly, followed by more rapid growth from 2019/2020 as the effects of the Total Understanding project create enhanced growth, a greater weighting of high value-added services and stronger relations with companies and institutions who have chosen Ipsos as the preferred partner in the "holistic" understanding of Society, Markets and People.



Press release - cont. - 26 April 2018

Next publication: 25 July 2018, first-half results 2018

GAME CHANGERS

« Game Changers » is the Ipsos signature.

At Ipsos we are passionately curious about people, markets, brands and society.

We make our changing world easier and faster to navigate and inspire clients to make smarter decisions.

We deliver with security, simplicity, speed and substance.

We are Game Changers.

Ipsos is listed on Euronext.

The company is part of the SBF 120 and the Mid-60 index
and is eligible for the Deferred Settlement Service (SRD).

ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP

www.ipsos.com