



Press Release

Third quarter of 2018 Growth slowed by non-recurring events

9 months

Organic growth: +1%

Revenue: €1,213.9 million

3 months (Q3)

Organic growth: 0%

Revenue: €427.9 million

Paris, 25 October 2018 – From July to September, Ipsos revenue was €427.9 million, compared with €434 million in 2017, a decrease of 1.4% in current euros. Currency effects were -1.2%.

For the first nine months of 2018, revenue was €1,213.9 million, compared with €1,267.8 million in 2017. The decline over nine months represented 4.3% in current euros. Over the period, currency effects were -5.2% and scope effects and accounting adjustments related to the implementation of IFRS 15 were negligible. Cumulative organic growth was 1%, slightly less than expected, because at the beginning of the year, Ipsos estimated that it could grow at between 2% and 3% on a comparable basis.

Consolidated revenues <i>(in millions of euros)</i>	2018	2017	2016	Total growth for the period 2018/2017
First quarter	367.0	390.1	386.9	-5.9%
Second quarter	419.0	443.7	446.7	-5.6%
Third quarter	427.9	434.0	431.7	-1.4%
Revenue 9 months	1,213.9	1,267.8	1,265.3	-4.3%
Fourth quarter	-	512.7	517.4	-
Full-year	-	1,780.5	1,782.7	-



Consolidated revenues by geographical area

<i>In millions of euros</i>	2018 (9 months)	2017 (9 months)	Change 2018/2017	Organic growth (9 months)
Europe, Middle East and Africa	535.2	548.7	-2.5%	0.5%
Americas	440.7	485.6	-9.2%	-1%
Asia-Pacific	238.0	233.5	1.9%	6.5%
Revenue 9 months	1,213.9	1,267.8	-4.3%	1%

The regional developments observed in the first part of 2018 were confirmed and even accentuated in the third quarter.

- In Asia-Pacific, Ipsos grew on a comparable basis by 6.5% in nine months, and by 8.9% in the third quarter alone, driven by excellent performances in China and India, which are already the two flagship markets in the region and will be even more so in the coming years.
- Ipsos revenue grew slightly in EMEA (Europe, Middle East and Africa) over the January-September period. Organic growth was +0.5% despite a decline of 1.2% in the third quarter alone, due mainly to difficulties in some Arab countries as well as two or three markets in Western Europe. However, business activity remains strong in West Africa, Eastern Europe and even Turkey, a country that was undoubtedly helped due to the dominant position Ipsos holds there.
- The Americas are the least satisfactory region, with a decline on a comparable basis of 1% over nine months and 2.9% in the third quarter alone. There are several reasons for this, and each one had a role to play. The macro environment (economic and political) is mediocre in many Latin American countries. In North America, the sectoral rotation mentioned several times in the last two years is still at work. CPG companies are significantly reducing market research budgets allocated to Ipsos and its counterparts. This decrease is only partly offset by more intense business activity with pharmaceutical companies, the GAFSA companies and, more generally, companies with activities centred on technologies and platforms.

Consolidated revenues by audience segment

By type of activity, Ipsos' new structure makes the former breakdown by business line irrelevant.

In this and future releases, a new segmentation will appear for both 2018 and 2017. It is based on the identity of the people studied by Ipsos and the distinction between consumer, customer and citizen. For greater clarity, we have specified which Service Lines (or bundles of services) represent research using people defined primarily as citizens, customers or consumers. There is also a fourth segment that includes work conducted with doctors, health professionals and patients and excludes research designed to measure the perceived effectiveness of public or private policies (Health Foundations), which are classified in the "citizen" segment. Like all classification systems, it is to a certain extent arbitrary. Nevertheless, it reflects the reality of a society in full transformation, in which the categories used to classify people (citizens, customers, consumers, patients) move closer together but remain separate. Our company, for its part, interacts in many ways, as demonstrated by the diverse nature of the 75 services and 17 Service Lines that it operates.



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<i>In millions of euros</i>	2018 (9 months)	2017 (9 months)	Change 2018/2017	Organic growth (9 months)
Consumers (1)	745.5	789.5	-5.9%	-0.5%
Clients and employees (2)	200.4	208.6	-4.1%	2%
Citizens (3)	143.3	136.8	4.6%	9%
Doctors and patients (4)	124.7	132.9	-6.7%	0%
Revenue 9 months	1,213.9	1,267.8	-4.3%	1%

Distribution of Service Lines by audience segment:

- (1) Audience Measurement, Brand Health, Clinics & Mobility Labs, Creative Excellence, Innovation, Ipsos UU (except pharma), Ipsos MMA, Market Strategy & Understanding, Observer (except public sector), Media Development, Social Intelligence Analytics
- (2) Customer Experience, Market Measurement, Mystery Shopping, Quality Measurement, Retail Performance, ERM
- (3) Public Affairs, Corporate Reputation
- (4) Healthcare (quantitative and qualitative)

Organic growth for the first nine months of 2018 was heavily concentrated in the "citizens" segment, thus reflecting and confirming the information released in previous quarters on the success of the "Opinion & Social Research" business line. The activity most negatively affected by the market transformation is the one that operates with consumers. It is here that CPG companies operate with the greatest regularity.

Other information about operating conditions in the first nine months

Ratios of profitability and operating cash flow have not evolved since the last first-half results release.

Net gearing at 30 September 2018, at 50.8%, was down compared to that recorded at 30 September 2017 (57.4%).

On 21 September 2018, thanks to the success of its inaugural bond issue in the amount of €300 million (7-year, annual coupon of 2.875%), Ipsos was able to extend the maturity of its debt profile and diversify its investor credit base.

The net proceeds from this issue were allocated to the general needs of the company, including the refinancing of certain existing debts. They were also used for the acquisition of GfK Research assets, finalised on 10 October.

On 17 September, Ipsos also refinanced its main multi-currency bank facility, which dated from August 2013, for five years (with an option for two additional years), for an amount of €160 million and improved financial terms.

Ipsos would like to warmly thank its partner banks in this transaction for their confidence: Banco Sabadell; BNP Paribas; Commerzbank; Crédit Agricole Group (Credit Agricole Corporate and Investment Banking; Caisse Régionale de Crédit Agricole Mutuel de Paris and Ile de France and Crédit Lyonnais); Crédit Industriel et Commercial; HSBC France; and Société Générale Corporate & Investment Banking.

This refinancing will give the company unused credit lines of over €400 million.



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2018 Outlook

The implementation of the Total Understanding project

Business activity for Ipsos in the 3rd quarter is more slack than expected. Even though the market research industry is continuing its transformation and remains highly competitive, two non-recurring events also played a role.

Temporary "distractions", the Total Understanding project, and the acquisition of certain GfK activities have combined to slow down Ipsos' business activity in the third quarter. Finally, the base effect was difficult to compensate. In 2017, it was between July and September that Ipsos posted the highest like-for-like growth at a rate of 4.9%, with annual performance of 2.4%. In 2018, the third quarter will be, on the contrary, more difficult.

The introduction of the new organisation resulting from the "Total Understanding" project began on 1 July. Over the course of the summer, in the 89 countries and 200 offices from which Ipsos operates, thousands of people have had to embrace and learn their new functions and the new hierarchical and collaborative systems from which to ascertain their roles, responsibilities and objectives. This implementation is running smoothly. It has created very few troublesome situations, internal conflicts and/or malfunctions. It should enable Ipsos to be more competitive, more agile and closer to its clients and their needs. However, it has distracted the teams from their usual activities. Many Ipsos leaders and their teams have had to reallocate a part of their time to the learning, understanding and implementation of the new rules of the game. The attention focused on internal affairs has most likely, and temporarily, led to less time spent with clients than expected and ultimately to reduced business activity.

The buy-out operation to acquire certain GfK assets produced a second major event during this same quarter.

Ipsos remains upbeat over the opportunities from the acquisition of significant revenue from GfK, generated in 26 countries by a thousand professionals transferred to Ipsos, together with the contracts they were handling. Because they have often been our competitors, we are well aware of their talent, knowledge and know-how, and of their technical and business capabilities. We welcomed them with pleasure on 1 October (effective date).

Several of our Service Lines, specifically those working with public and private institutions on citizen-focused activities, those conducting research in the pharmacy sector and those helping companies to better handle their customer relations and their innovation programmes, are now all the stronger. From a geographic standpoint, the developed countries (the US, UK, Germany and Northern European countries) have opened their doors to the vast majority of these new Ipsos employees and have consequently grown in size.

Naturally, this significant operation and its immediate consequences both on the preparation for the management of new research projects and the integration of new employees have diverted the attention of a number of Ipsos leaders and executives away from their usual activities. In this respect, it has produced this second distraction concurrently to the implementation of the "Total Understanding" project.

In contrast, the inclusion of these activities will very quickly give Ipsos added strength and improve its performance. Our company will once again have been a part of the necessary movement towards the consolidation of our industry, because we will be able to support our clients more easily by connecting them to larger teams, in more countries, with the ability to deal more effectively with both new and more traditional issues.

Thanks to the deal negotiated with GfK, Ipsos teams will be closer to many clients in several vital sectors such as pharmacy, transport and financial services, and they have acquired or consolidated considerable know-how. There are more teams, they are better spread geographically and by area, and they more often hold leadership positions in their respective markets.

Slightly from the 4th quarter forward and especially in 2019, the business activity of Ipsos will bear the mark of this favourable growth operation and of other transactions to be announced in the coming weeks.



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Consequently, despite the still-present changes affecting the research market, despite the ever perceptible effects of the implementation of the Total Understanding project and the efforts made for the successful induction of teams and activities acquired from GfK, Ipsos is looking forward to a fourth quarter that will show an improvement over the third, even though overturning results recorded over nine months in just three months may seem complicated.

More specific information relating to Ipsos business activity and its margins at the end of 2018, in 2019 and in the years thereafter will be made public during the "investors day" to be held in Paris at the company's offices on the 7th November next.

An investor day will be held on: 7 November 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.

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

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