



Altran 2019 annual results

February 11th, 2020

ALTRAN

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01.

Highlights of the period

ALTRAn

FY 2019: Delivering solid results in a more challenging environment

FY revenues of €3,217m reflecting +10.3% reported growth, +6.2% economic growth and +6.0% organic growth

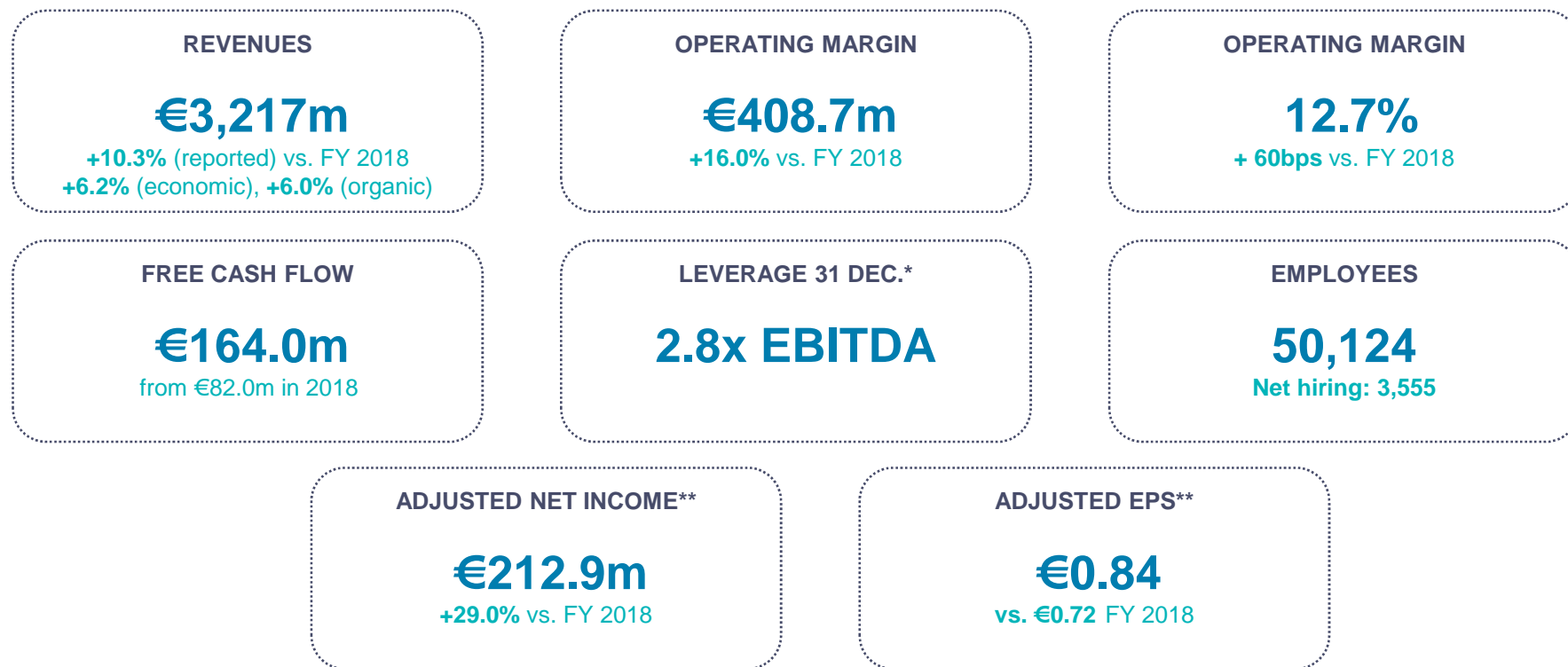
Good performance in Europe (+6.7% economic growth) despite a challenging auto market in Germany and macroeconomic slowdown due to Brexit. Steady acceleration in Americas

Communications, Energy, Industrials, Life Sciences, Aerospace, Defense and Rail fueled top line growth

Operating margin of 12.7%, up 60bps on FY 2018

Strong FCF generation allowing continuous deleveraging – reaching 2.8x as of 31 Dec. 2019

FY 2019 Financial snapshot

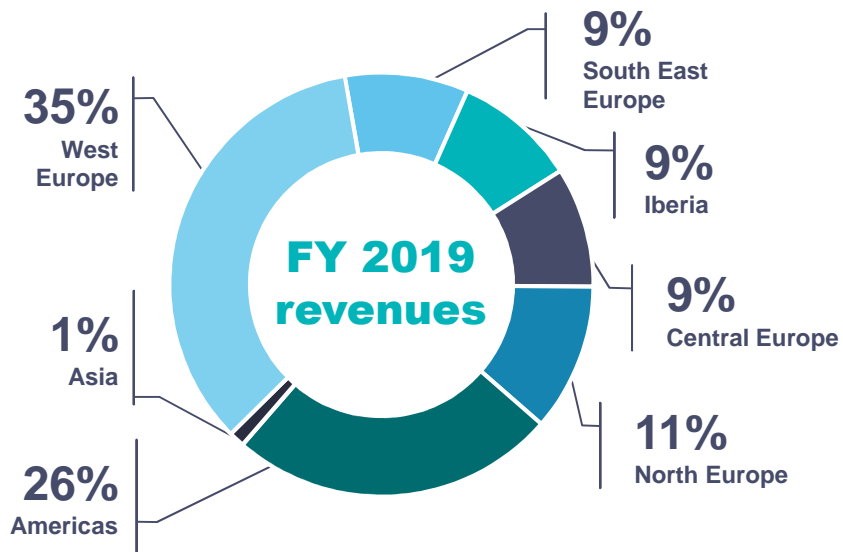


*LTM EBITDA

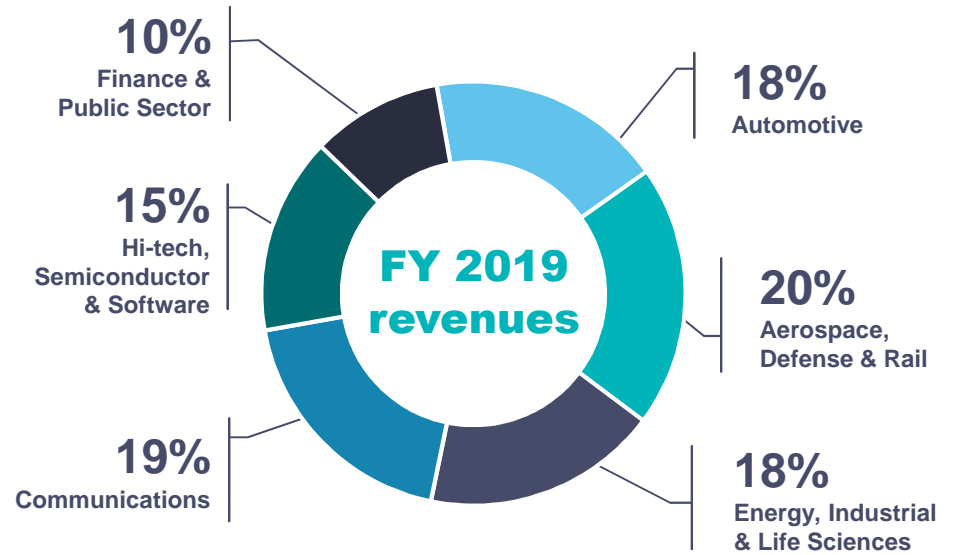
6 **Adjustments relate to the impacts of the acquisition of Aricent and Capgemini tender offer, consistent with past practices. Net income has not been adjusted for non recurring net proceeds from Aricent resolution nor the impact of the cyber-attack.

Balanced revenue mix across geographies and sectors

Revenue mix per geography



Revenue mix per sector



- Europe is operating through clusters since January 1st, 2019.
- West Europe: France, Belgium, Luxemburg, Morocco, Tunisia; South East Europe: Italy, Switzerland; Iberia: Spain, Portugal; Central Europe: Germany, Austria, Czech Republic, Slovakia, Romania; North Europe: Netherlands, Scandinavia, United Kingdom

02.

FY 2019 financial results

altran

FY 2019 financial highlights

Steady revenue growth (+10.3% reported, +6.2% economic and +6.0% organic growth) to €3,217m

Operating margin improving by +60bps to 12.7% (€408.7m, up +16% vs. 2018)

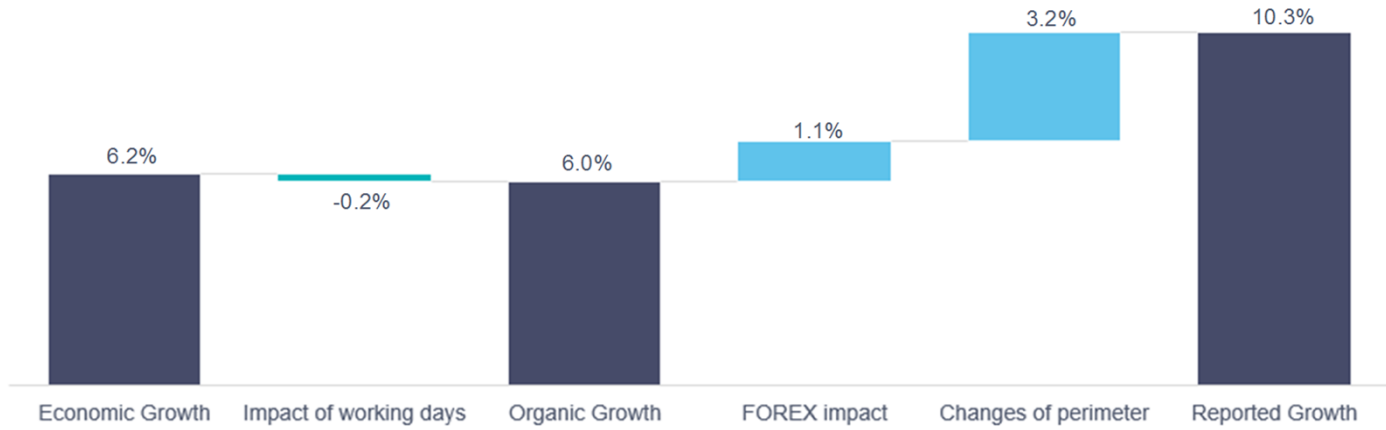
Adjusted net income of €212.9m (up +29.0% vs. 2018)

Strong performance in Free Cash Flow to €164m from €82m in 2018

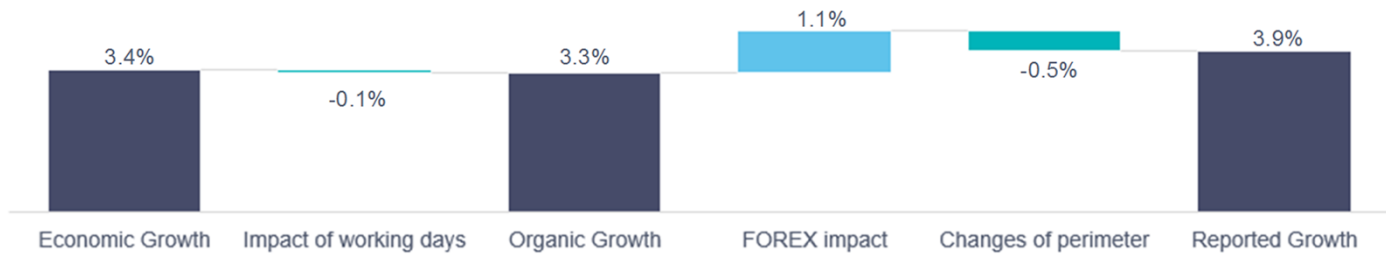
Reduction in net financial debt to €1,280m bringing leverage ratio down to 2.8x EBITDA

Economic to reported growth

FY 2019



Q4 2019

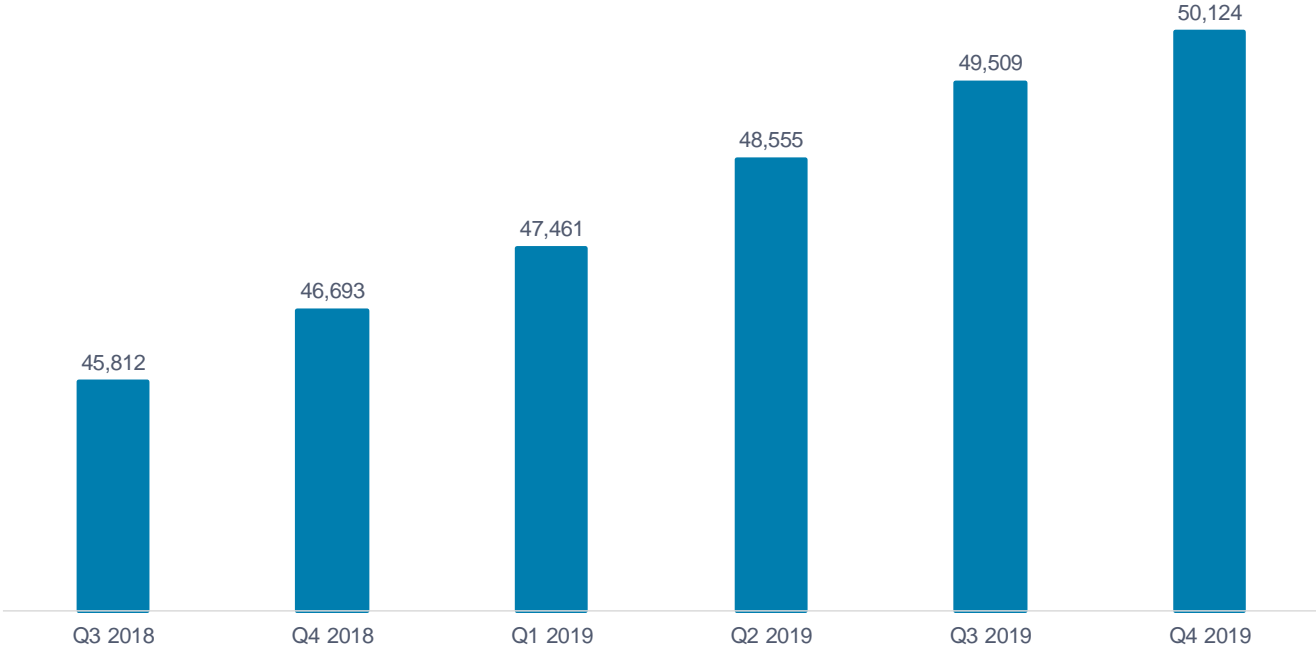


Revenues growth per region Q4 and FY

<i>(in €m)</i>	Fourth Quarter					Full Year				
	Q4 2019	Q4 2018	Reported Growth%	Organic Growth%	Economic Growth%	FY 2019	FY 2018	Reported Growth%	Organic Growth%	Economic Growth%
EUROPE	622.1	610.6	1.9%	2.2%	2.7%	2,375.4	2,246.9	5.7%	6.5%	6.7%
West Europe	294.9	282.8	4.3%	3.9%	5.4%	1,114.7	1,048.9	6.3%	6.0%	6.4%
North Europe	87.4	95.5	-8.5%	-9.6%	-9.6%	362.0	354.3	2.2%	2.3%	2.2%
South East Europe	82.7	73.7	12.2%	11.6%	11.5%	303.2	269.9	12.3%	11.7%	11.7%
Iberia	83.7	73.9	13.3%	13.3%	11.8%	300.5	265.4	13.3%	13.2%	13.3%
Central Europe	73.4	84.7	-13.4%	-8.4%	-7.8%	295.0	308.4	-4.4%	2.2%	2.1%
AMERICAS	211.8	194.8	8.7%	5.4%	4.8%	803.3	636.1	26.3%	3.9%	3.9%
ASIA	10.3	7.3	40.9%	41.1%	39.6%	38.4	33.4	14.9%	13.5%	13.6%
TOTAL	844.2	812.7	3.9%	3.3%	3.4%	3,217.1	2,916.4	10.3%	6.0%	6.2%

- Europe is operating through clusters since January 1st, 2019.
- West Europe: France, Belgium, Luxemburg, Morocco, Tunisia; South East Europe: Italy, Switzerland; Iberia: Spain, Portugal; Central Europe: Germany, Austria, Czech Republic, Slovakia, Romania; North Europe: Netherlands, Scandinavia, United Kingdom

Resources



**12-month
net hiring:
+ 3,555***
*end of Dec. 2019
vs. Dec. 2018*

**restated for the changes in perimeter*

Strong operating performance

<i>(in €m)</i>	2019	2018	Change (%)
Revenues	3,217.1	2,916.4	10.3%
Net operating expenses	(2,808.4)	(2,564.1)	
Operating margin	408.7	352.3	16.0%
<i>% of revenues</i>	12.7%	12.1%	
Other operating expenses	(119.6)	(135.3)	
Operating income	289.1	217.0	33.2%
Net financial expenses	(86.3)	(94.8)	
Income tax	(57.9)	(41.1)	
Net income from discontinued operations	(0.0)	(0.1)	
Non-controlling interests	(0.9)	(0.4)	
Net income (Group share)	144.0	80.6	78.7%
Adjusted net income (Group share)	212.9	165.1	29.0%

Details of net operating expenses and other operating expenses

<i>(in €m)</i>	2019	2018
Cost of revenues	(2,275.8)	(2,068.8)
<i>o/w amortization of large software deals</i>	(31.3)	(22.3)
Selling, General & Administrative expenses	(532.6)	(495.3)
Net operating expenses	(2,808.4)	(2,564.1)

Total costs related to the Aricent integration: c. €10m

Germany restructuring costs: €10m

<i>(in €m)</i>	2019	2018
Share-based compensation	(11.9)	(1.2)
Amortization of intangibles arising from business combinations	(68.3)	(48.7)
Restructuring & "convergence" costs	(40.9)	(44.1)
Acquisition & integration costs	(5.3)	(33.6)
Litigation and miscellaneous	6.8	(7.7)
Other operating expenses	(119.6)	(135.3)

Detail of litigation and miscellaneous expenses

	2019
<i>(in €m)</i>	Impact on net income
Litigation costs	(7.9)
Cyber-attack direct costs	(20.0)
Cyber insurance	15.0
Costs related to the Capgemini tender offer	(10.0)
Net proceeds from Aricent resolution (Tranche 1)	41.8
Others	(12.1)
Total litigation and miscellaneous	6.8

Net financial expenses

<i>(in €m)</i>	2019	2018
Interest expense on loans	(65.7)	(57.3)
Other interest income and expenses	(1.9)	(2.7)
Cost of net financial debt	(67.6)	(60.0)
Other financial items	(18.7)	(34.8)
<i>o/w lease interests</i>	(11.4)	
Net financial expenses	(86.3)	(94.8)

From Net income to Adjusted net income

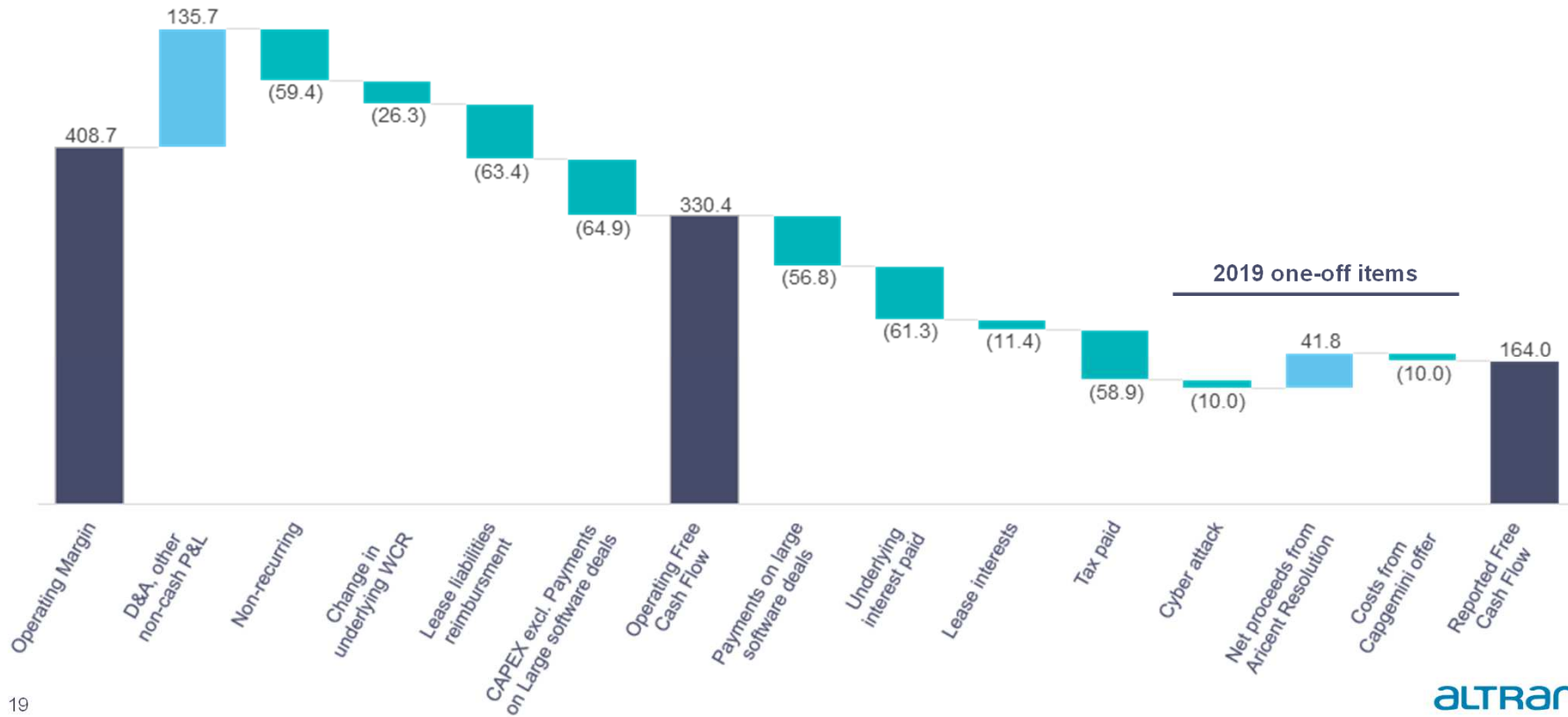
<i>(in €m)</i>	2019	2018
Net income	144.0	80.6
Acquisitions & integration costs	16.7	39.0
Restructuring & "convergence" costs	1.7	10.5
Amortization of intangibles arising from business combinations	68.3	48.7
Net financial expenses	10.3	24.3
Income tax	(28.1)	(38.0)
Adjusted net income	212.9	165.1

17 *Adjustments relate to the impacts of the acquisition of Aricent and Capgemini tender offer, consistent with past practices. Net income has not been adjusted for non recurring net proceeds from Aricent resolution nor the impact of the cyber-attack.*

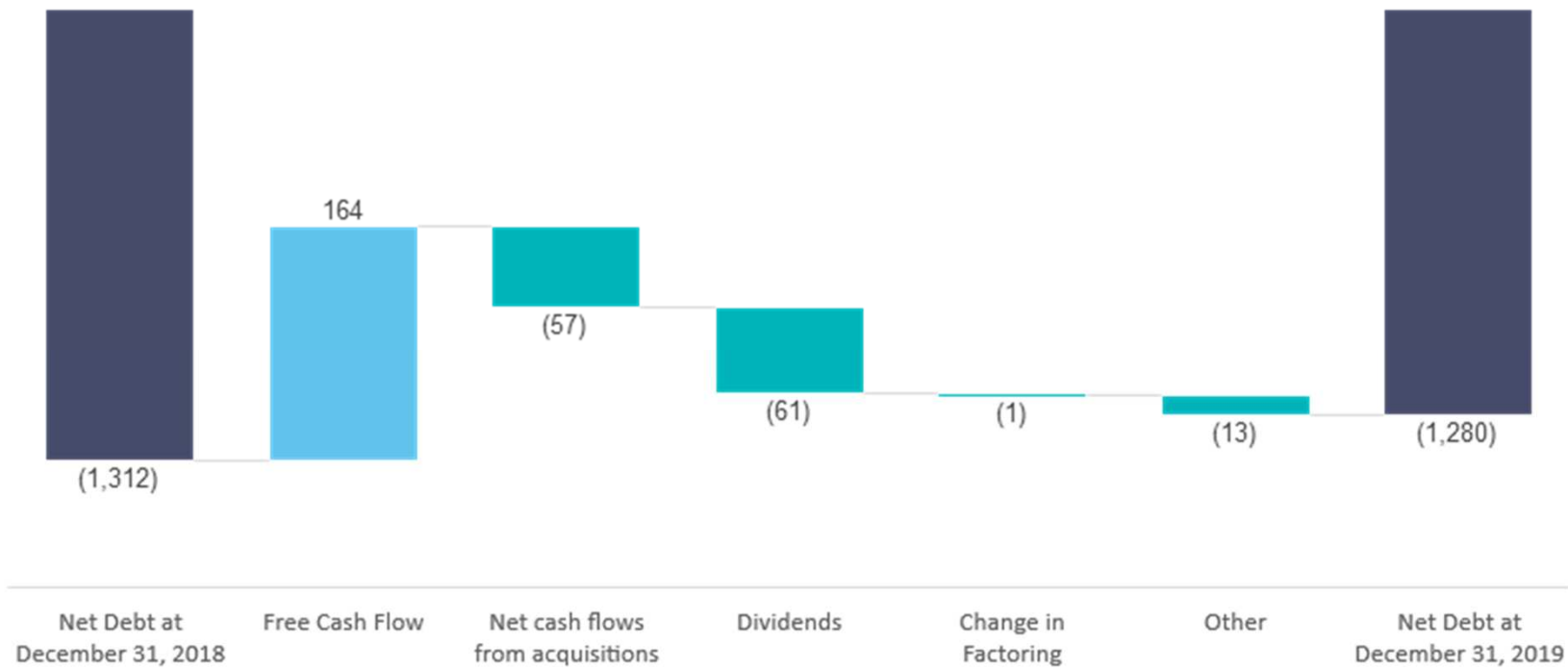
Improved Free Cash Flow performance

<i>(in €m)</i>	2019	2018
Operating margin	408.7	352.3
Depreciation, amortization and provisions	70.8	61.6
Amortization of rights of use	64.9	
Other P&L items	0.0	2.3
Non-recurring items (cash impact)	(32.4)	(69.0)
CASH FLOW	512.0	347.2
Change in WCR	(31.3)	(37.2)
One time Tax asset disposal		101.2
Interest paid	(61.3)	(142.8)
Lease interests	(11.4)	
Lease liabilities reimbursement	(63.4)	
Tax paid	(58.9)	(43.3)
Capital expenditures	(121.7)	(143.1)
<i>o/w payments on large software deals</i>	<i>(56.8)</i>	<i>(69.6)</i>
FREE CASH FLOW	164.0	82.0
% of revenues	5.1%	2.8%

Free Cash Flow – main items



Net debt evolution over 12 months



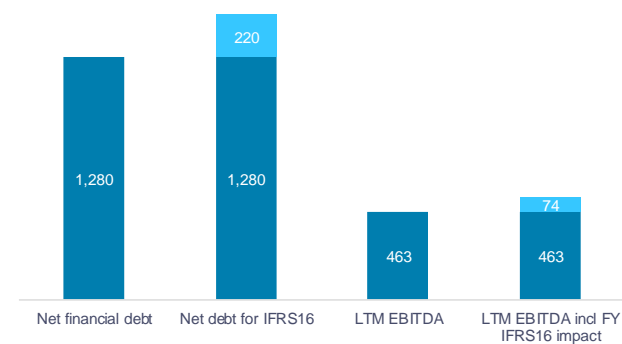
Leverage ratio

(in € m)	December 2019 utilized	December 2019 committed and uncommitted	December 2019 available
Term Loan B	1,563.6	1,563.6	
Revolving Credit Facility	0.0	250.0	250.0
Commercial Paper (NEU CP)	103.5	500.0	396.5
Consolidated factoring debt	44.0		
Other debt (ST and LT)	2.4		
Accrued interest	1.8		
Overdrafts	11.3	35.0	23.7
Total	1,726.6	2,348.6	670.2
Total gross financial debt	1,726.6		
Cash & Cash Equivalents	446.5		
Consolidated financial net debt	1,280.1		
Factoring	245.1	439.5	194.4
Deconsolidated factoring (excluding security deposit)	201.1		
Consolidated factoring debt	44.0		
Total available committed and uncommitted credit lines			864.6
Lease liabilities (IFRS16)	220.4		

Net financial debt as of December 2019: €1,280.1m

Available credit lines: €868.4m

Financing cost 2019	
	Rate
Long term financings	4.02%
Short Term financings (factoring, CP)	0.82%
Average cost of debt	3.44%
Cash & cash equivalents avg yield	0.33%
Net cost of debt	3.38%



Financial Leverage ratio: 2.8x

Leverage ratio inc IFRS16: 2.8x

03.

Update on Capgemini's tender offer

ALTRAn

The creation of a global digital transformation leader

A world leader of €17 billion of revenues and more than 270,000 employees, a unique combination of expertise to support the digital transformation of industrial companies

June 24, 2019 : Agreement for exclusive negotiation whereby Capgemini is to acquire Altran via a cash offer

January 27, 2020 : Capgemini holds 53.57% of Altran's share capital and at least 53.41% of Altran's voting rights

Reopened offer closed on February 10, 2020. Result expected in the next week

Capgemini committed not to take control of the Company until the ruling of the Paris Court of Appeal decision (end of March 2020)

04.

Conclusion

A global leader with 50,000+ employees and 3 service models at scale



A full transformation of the company profile in 5 years

	31 Dec. 2014	31 Dec. 2019
Revenues	€ 1.7 bn	c. € 3.2 bn
North America revenues	\$ 100 m	c. \$ 900 m
Next Core + IGS revenue	€ 100 m	c. € 1.3 bn
Operating margin	9.4%	c. 12.7%
Employees	22,500 HC	c. 50,000+ HC
Offshore HC	600 HC	c. 18,000 HC

Multiple client success stories across our service models in 2019

Mainstream Engineering and R&D services



- **FCA** : selected by FCA Safety Center to provide physical testing, testing tools and in-depth engineering know-how to deliver reliable **virtual simulation results**, crash tests and engineering recommendations for vehicle safety
- **European nuclear player**: won a multi-years contract to support in France the **design activities** of the conventional turbine island as well as the balance of plant for **nuclear power plants** with a multidisciplinary engineering team.
- **Leading manufacturer of industrial tools and equipment**: selected to develop an **automated testing controller compressor room**
- **US medical devices company**: supported the development of a **digital therapeutics** solution for the prenatal diagnosis of pregnant women
- **Instituto de Informatica** (providing critical systems to Portugal's social security): won **application management** deals

High Value / Next Core Services



- **Major Automotive Tier 1**: support to the development of a new generation **full digital cluster** by developing and testing software
- **Leading Aero Tier 1**: project on Turbine Inspection image **analytics**
- **Leading energy manufacturer: digital twin project** for maintenance, sales training and operations of turbines
- **Life Sciences leader: designed a clinical trials operations center** able to monitor 500 ongoing clinical trials at thousands of sites globally
- **Vodafone**: expanded partnership started in 2018 with 5G Use Case development in Italy to support **Vodafone's 5G journey** in Spain and Portugal
- **Sanofi**: supported the creation of evolutionary co-innovation spaces, the Sanofi **Innovation labs**

Industrialized GlobalShore®



- **Leading aircraft supplier**: Manufacturing Engineering support for **Plant General methods services center**
- **Tier 1 NEP**: setup 2 teams in India to provide support managing **Service Requests** for client's end customers as well as managing SW and HW **Licensing** and renewal aspects
- **Global leader in postage meters mailing equipment & services**: help client **roll out new apps** for small and midsize customers and develop & maintain Payment Solutions
- **Leading Aero OEM**: selected as 1 of 2 strategic suppliers for managing the set-up of a **BPO model to deliver all ordering activities** for procurement operations in airframe
- **Major French bank**: support the deployment of its **captive in Portugal in a BOT** (Build Operate and Transfer) model

Conclusion

- 1 | **Solid 2019 performance in a more challenging environment**
- 2 | **Most of the H2 disparate events (Brexit, German market, Semiconductor cycles) are expected to normalize in 2020**
- 3 | **Continued focus on execution to drive future performance**

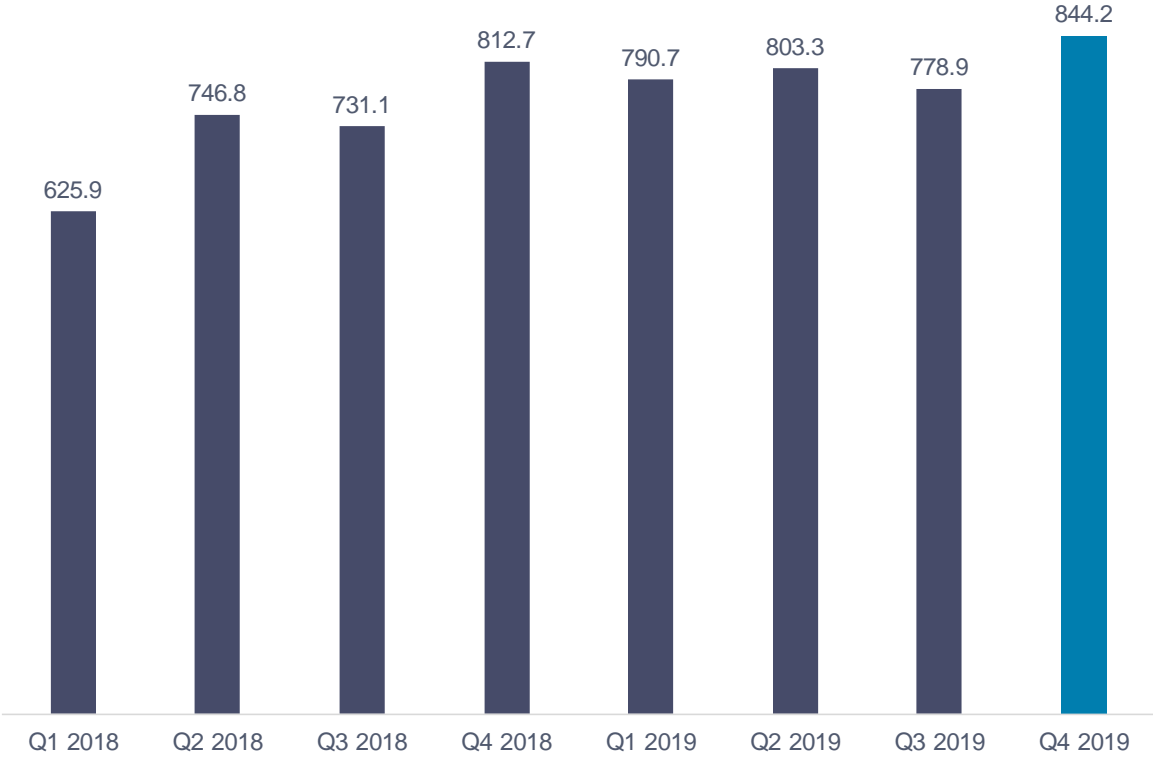
Appendix

GLOSSARY

In accordance with the AMF's position « DOC 2015-12 » applicable as of July 3, 2016, please find below the definitions of the alternative performance indicators

- **Organic growth** is the reported growth decreased by the impact of changes in the consolidation scope and the impact of exchange rate changes
- **Economic growth** is the organic growth restated for the variation in the number of working days
- **Operating margin** is made up of the difference between the revenues and the net operating expenses
- **Free Cash Flow:** (operating margin + D&A + amortization of rights of use + current income and expenses without cash impact) - non-recurring items +/- change in WCR - net interest and financial expense paid – lease interests - tax paid - Capex - repayment of lease liabilities
- **Adjusted Net Income:** Net Income adjusted for PPA expenses from Aricent acquisition, acquisition fees, insurance premium, one-offs related to the Group refinancing, integration costs, costs related to Capgemini offer net of tax impacts
- **Adjusted EPS:** Adjusted Net Income divided by the average number of shares outstanding over the period
- **EBITDA:** operating margin - share-based compensation + amortization, depreciation & changes in net provisions
- **Financial leverage ratio:** Net financial debt divided by LTM EBITDA

Quarterly revenues change (in €m)



Net Income Adjustments for FY 2019 and FY 2018

<i>(in €m)</i>	2019	2019 Adjustment	2019 Adjusted	2018	2018 Adjustment	2018 Adjusted
Revenues	3,217.1		3,217.1	2,916.4		2,916.4
Net operating expenses	(2,808.4)		(2,808.4)	(2,564.1)		(2,564.1)
Operating margin	408.7	0.0	408.7	352.3	0.0	352.3
<i>% of revenues</i>	<i>12.7%</i>		<i>12.7%</i>	<i>12.1%</i>		<i>12.1%</i>
Other expenses	(119.6)	86.7	(32.9)	(135.3)	98.2	(37.1)
Operating income	289.1	86.7	375.8	217.0	98.2	315.2
Net financial expenses	(86.3)	10.3	(76.0)	(94.8)	24.3	(70.5)
Income tax	(57.9)	(28.1)	(86.0)	(41.1)	(38.0)	(79.1)
Net income from discontinued operations	(0.0)		(0.0)	(0.1)		(0.1)
Non-controlling interests	(0.9)		(0.9)	(0.4)		(0.4)
Net income (Group share)	144.0	68.9	212.9	80.6	84.5	165.1

Free Cash Flow by semester for FY 2019 and FY 2018

<i>(in €m)</i>	H1 2019	H2 2019	2019	H1 2018	H2 2018	2018
Operating margin	178.2	230.5	408.7	138.5	213.8	352.3
Depreciation, amortization and provisions	33.2	37.6	70.8	25.1	36.5	61.6
Amortization of right of use	31.0	33.9	64.9	-	-	-
Non-cash P&L	(0.8)	0.8	0.0	(0.2)	2.5	2.3
Non-recurring items (cash impact)	(39.1)	6.7	(32.4)	(24.4)	(44.6)	(69.0)
CASH FLOW	202.5	309.5	512.0	139.0	208.2	347.2
Change in WCR	(71.4)	40.1	(31.3)	(168.8)	131.6	(37.2)
Financial Asset Disposal		0.0	0.0		101.2	101.2
Interest paid	(34.3)	(27.0)	(61.3)	(105.5)	(37.3)	(142.8)
Lease interests	(5.7)	(5.7)	(11.4)		-	-
Lease liabilities reimbursement	(30.2)	(33.2)	(63.4)		-	-
Tax paid	(32.3)	(26.6)	(58.9)	(20.1)	(23.2)	(43.3)
Capital expenditures	(59.5)	(62.2)	(121.7)	(69.4)	(73.7)	(143.1)
<i>o/w payments on large software deals</i>	(31.8)	(25.0)	(56.8)	(32.0)	(37.6)	(69.6)
FREE CASH FLOW	(30.9)	194.9	164.0	(224.8)	306.8	82.0

Balance sheet - assets (in €m)

	Dec. 2019	Dec. 2018
	Net Value	Net value
Goodwill	2,408	2,363
Intangible assets	609	680
Rights of use	203	0
Tangible assets	144	144
Non-current financial assets	62	50
Deferred tax assets	55	101
Other non-current assets	93	97
Total non-current assets	3,574	3,435
Inventory and work in progress	4	2
Trade accounts and other receivables	586	527
Assets related to customer contracts	195	202
Current financial assets	24	23
Cash and cash equivalents	447	473
Total current assets	1,255	1,227
TOTAL ASSETS	4,829	4,662

Balance sheet - liabilities (in €m)

	Dec. 2019	Dec. 2018
Shareholders' equity	1,818	1,692
Non-current financial liabilities	1,568	1,603
Non-current provisions for contingencies and liabilities	69	61
Non-current employee benefits	82	65
Non-current lease liabilities	159	
Deferred tax liabilities	49	169
Other long-term liabilities	88	66
Other non-current liabilities	447	361
Total non-current liabilities	2,015	1,964
Trade payables and related accounts	638	648
Current lease liabilities	61	
Liabilities related to customer contracts	114	100
Suppliers and other current payables	813	748
Provisions for short-term risks and charges	24	23
Current liabilities for securities	0	53
Current financial liabilities	159	182
Other current liabilities	183	258
Total current liabilities	996	1,006
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,829	4,662

Balance sheet evolution



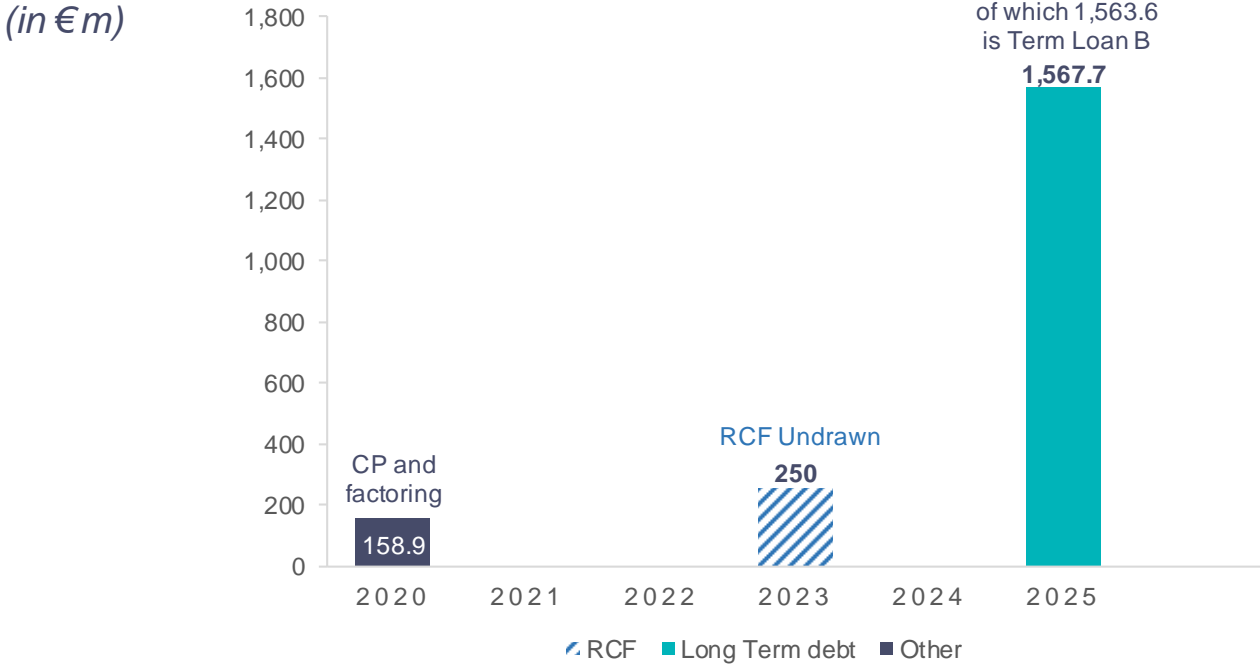
Consolidated Income statement (in €m)

	2019	2018
Revenues	3,217.1	2,916.4
Other income from operations	109.7	99.1
REVENUES FROM ORDINARY OPERATIONS	3,326.8	3,015.5
Purchases & external expenses	(624.9)	(643.3)
Personnel costs	(2,162.3)	(1,957.1)
Taxes	(4.6)	(4.0)
Amortization and provisions	(138.2)	(60.0)
Customer-relationship amortization / Goodwill depreciation	(68.3)	(48.7)
OPERATING INCOME ON ORDINARY ACTIVITIES	328.5	302.4
Non recurring income/losses	(39.4)	(85.4)
OPERATING INCOME	289.1	217.0
Cost of net financial debt	(67.6)	(60.0)
Other financial income / expense	(18.7)	(34.8)
Income tax	(57.9)	(41.1)
NET INCOME BEFORE DISCONTINUED OPERATIONS	144.9	81.1
Net income from discontinued operations		(0.1)
Non-controlling interest	(0.9)	(0.4)
NET INCOME (GROUP SHARE)	144.0	80.6
ADJUSTED NET INCOME	212.9	165.1

Income statement (in €m) / Geographical data – IFRS 8

	Revenues		Operating margin		Operating margin (in %)	
	2019	2018	2019	2018	2019	2018
Europe	2,375.4	2,246.9	266.9	244.9	11.2%	10.9%
Americas	803.3	636.1	142.3	107.0	17.7%	16.8%
Asia	38.4	33.4	-0.5	0.4	-1.3%	1.2%
TOTAL	3,217.1	2,916.4	408.7	352.3	12.7%	12.1%

No significant debt maturity until 2025



altran