

Press release

11 February 2020

Full year results 2019 Solid results in a more challenging environment

- Revenues: €3,217.1m (+10.3% reported, +6.2% economic and +6.0% organic growth vs. FY 2018)
- Operating margin: €408.7m (+16.0% vs. FY 2018)
- 12.7% operating margin, +60 bps vs. FY 2018
- Adjusted net income: €212.9m, +29.0% vs. FY 2018
- Free Cash Flow: +€164m vs. +€82m in FY 2018
- Continued deleveraging with leverage ratio reduced to 2.8x EBITDA
- Adjusted EPS: €0.84 vs. €0.72 in FY 2018

Commenting on the Group's 2019 results, **Dominique Cerutti, Chairman and Chief Executive Officer of Altran** declared:

“Altran posted a solid performance in 2019, driven by a good performance in Europe and a steady acceleration in the Americas. The dynamism in some of our key sectors such as Communications, Energy, Industrials, Life Sciences and Aerospace more than offset the headwinds of a challenging auto market in Germany and the macroeconomic slowdown due to Brexit in the UK. We generated strong cash flows this past year and our profitability continued to improve, standing at a record level of 12.7%. In the last five years, we have profoundly transformed Altran’s business model. This transformation continues to bear its fruits both operationally and financially thanks to the talent and commitment of our teams. The tender offer launched by Capgemini is a success as a majority of Altran shareholders have chosen to tender their shares. We are now resolutely looking towards the future.”

Results

<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%
% of revenues	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%

Altran reported solid FY 2019 **revenues** of €3,217.1m from €2,916.4m in FY 2018¹ (up 10.3% reported), representing an economic growth of +6.2% and an organic growth of +6.0%.

The Group's **operating margin** amounted to €408.7m, up 16.0% compared to FY 2018, and reached a 12.7% margin, a 60 bps increase compared to last year.

The Group's **net financial expenses** came in at €86.3m, compared to €94.8m in FY 2018, reflecting a normalized structure of financing after the one-off effects from last year's acquisition of Aricent.

The **adjusted net income (Group share)** increased by +29.0%, to €212.9m compared to €165.1m in FY 2018, reflecting the improvement in the operating performance. Net income (Group share) for the period was €144.0m, compared to €80.6m in FY 2018.

¹ Reminder: Aricent integrated as of March 20, 2018

Detailed analysis of revenues²

Altran reported FY 2019 **revenues** of €3,217.1m from €2,916.4m in FY 2018 (up 10.3%), representing a solid economic and organic growth of respectively +6.2% and +6.0%.

(in €m)	Fourth Quarter				Full year			
	Revenues	Reported Growth%	Organic Growth%	Economic Growth%	Revenues	Reported Growth%	Organic Growth%	Economic Growth%
EUROPE	622.1	1.9%	2.2%	2.7%	2,375.4	5.7%	6.5%	6.7%
West Europe	294.9	4.3%	3.9%	5.4%	1,114.7	6.3%	6.0%	6.4%
North Europe	87.4	-8.5%	-9.6%	-9.6%	362.0	2.2%	2.3%	2.2%
South East Europe	82.7	12.2%	11.6%	11.5%	303.2	12.3%	11.7%	11.7%
Iberia	83.7	13.3%	13.3%	11.8%	300.5	13.3%	13.2%	13.3%
Central Europe	73.4	-13.4%	-8.4%	-7.8%	295.0	-4.4%	2.2%	2.1%
AMERICAS	211.8	8.7%	5.4%	4.8%	803.3	26.3%	3.9%	3.9%
ASIA	10.3	40.9%	41.1%	39.6%	38.4	14.9%	13.5%	13.6%
TOTAL	844.2	3.9%	3.3%	3.4%	3,217.1	10.3%	6.0%	6.2%

- **Europe:** delivered good performance with revenues of €2,375.4m in FY 2019, representing an organic growth of +6.5% (economic growth: +6.7%).
 - West Europe (35% of revenues): revenues totaled €1,114.7m, representing a +6.0% organic growth (economic growth: +6.4%). France drove performance in the region, thanks to the dynamism of the Aeronautics and Energy sectors.
 - North Europe (11% of revenues): revenues were of €362.0m, representing an organic growth of +2.3% (economic growth: +2.2%) in spite of macroeconomic slowdown due to Brexit.
 - South East Europe (9% of revenues): the region remained very dynamic this year, notably driven by Communications and Life Sciences industries, with revenues of €303.2m, representing +11.7% of organic growth (economic growth: +11.7%).
 - Iberia (9% of revenues): with FY 2019 revenues of €300.5m, the cluster saw a +13.2% organic growth (economic growth: +13.3%) thanks to ongoing dynamism of Spatial and Defense in Spain and strong growth in Portugal, particularly in Communications.
 - Central Europe (9% of revenues): revenues amounted to €295.0m, representing an organic growth of +2.2% (economic growth: +2.1%). Over the year and particularly in the second half, the region was impacted by the slowdown in the German automotive industry.
- **Americas** (26% of revenues): revenues totaled €803.3m, representing +3.9% organic growth (economic growth: +3.9%). The region recorded a steady acceleration throughout the year benefiting particularly from increasing demand in the Communications industry.

² Reminder : 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

- **Asia** (1% of revenues): Asia recorded a robust performance over the year with +13.5% organic growth (economic growth: +13.6%).

Cash and debt

For the full year 2019, the Group's **Free Cash Flow** came at €164m, vs. €82m at end-December 2018, thanks to the strong operating performance and a first tranche of proceeds from Aricent's resolution (€41.8m).

The Group's **net financial debt** excl. IFRS16 came out at €1,280m in FY 2019, versus €1,312m at end-December 2018. This translates into a reduction of the leverage ratio to c. 2.8x EBITDA at the end of December 2019.

At the end of FY 2019, the Group had **available cash** of €447m after a €48m partial debt repayment, vs. €473m at end-December 2018.

Trends in staff levels

As of December 31, 2019, total headcount of the Altran group was 50,124 employees, compared with 46,693 at December 31, 2018. Net hiring over the period reached +3,555 restated for the changes in perimeter.

Dividend

To date, the Board of Directors has not taken a decision regarding the payment of a dividend for the year 2019. This decision will be taken when the agenda of the Shareholders' Annual General Meeting to be held on 23 June 2020 will be set.

Update on the cyber-attack

The direct costs related to the cyber-attack amounted to €20m for 2019 although the net impact for the full year is limited to a loss of €5m.

During the fiscal year, the insurance company funded Altran with an advance payment of €10m. In addition, the insurance company has committed to pay additional compensation of €5m, which was recognized in the financial statements for the year ended December 31, 2019. This additional payment was received in January 2020.

These insurance indemnities were recorded as non-recurring income. As a result, the net impact of the cyber-attack on non-recurring expenses for the second half of 2019 is an income of €12m and the net impact for the full year is a loss of €5m. The impact on Free Cash Flow is a €10m cash outflow for the full year.

Update on Capgemini's tender offer

On June 24, 2019, Capgemini (Euronext Paris: CAP) and Altran have entered into an agreement for exclusive negotiations whereby Capgemini is to acquire Altran. This combination of the two companies will create a group with revenues of €17 billion and 270,000 employees, a world leader in the digital transformation of industrial and technology companies.

At the end of the offer closed on January 22, 2020, Capgemini held 53.57% of Altran's share capital and at least 53.41% of Altran's voting rights. The reopened offer closed on February 10, 2020. The results are expected next week.

Capgemini committed not to take control of the Company until the ruling of the Paris Court of Appeal decision which is expected on March 19, 2020.

Outlook

Looking into 2020, most of the H2 2019 disparate events (Brexit, German market, Semiconductor cycles) are expected to normalize in 2020. Continued focus on execution in 2020 should drive further performance.

Additional information

Altran's Board of Directors met on February 10, 2020 to close the FY 2019 financial statements. The audit procedures on the consolidated financial statements have been completed. The audit report will be released after review of the management report and the finalisation of procedures required for the publication of the annual financial report.

Investor Calls Details

Investor meeting & conference call on February 11, 2020 at 9:00 am Paris time (CET) in Altran HQ

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Financial calendar

24 April, 2020: Q1 2020 revenues

23 June, 2020: Shareholders' Annual General Meeting

27 July, 2020: First half 2020 results and Q2 2020 revenues

23 October, 2020: Q3 2020 revenues

Glossary

- 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

About Altran

Altran is the undisputed world leader in engineering and R&D services. The Group offers its customers a unique value proposition to meet their transformation and innovation challenges. Altran supports its customers, from concept to industrialization, to develop the products and services of tomorrow. Altran has been working for more than 35 years with major players in many sectors: Automotive, Aeronautics, Space, Defence & Naval, Rail, Infrastructure & Transport, Industry & Consumer Products, Life Sciences, Communications, Semiconductor & Electronics, Software & Internet, Finance & Public Sector. In 2019, Capgemini, and Altran announced a merger project in the context of a friendly tender offer to create a global leader in "Intelligent Industry". Altran generated €3.2 billion in revenue in 2019, with more than 50,000 employees in more than 30 countries. www.altran.com

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This press release contains forward-looking statements (as defined in the United States Private Securities Litigation Reform Act, as amended) based upon current management expectations. Numerous risks, uncertainties and other factors (including, risks relating to: government legislation affecting our businesses; competition; our ability to manage rapid technological change in the industries in which we compete; litigation risks, labour issues; unanticipated costs from disposals or restructuring) may cause actual results to differ materially from those anticipated, projected or implied in or by the forward-looking statements. Many of the factors that will determine our future results are beyond our ability to control or predict. These forward-looking statements are subject to risks and uncertainties and, therefore, actual results may differ materially from our forward-looking statements. You should not place undue reliance on forward-looking statements which reflect our views only as of the date of this presentation. We undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

Appendix:

1. Alternative Performance Measures:

a. Adjusted net income

<i>(in €m)</i>	2019	2018
Net income	144.0	80.6
Acquisitions & integration costs	16.7	39.0
Restructuring 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

b. Free Cash Flow

Free Cash Flow is an alternative indicator used by the Company to measure performance. From 2018, the definition has changed and now refers to the cash flow generated by Group operations after payment of taxes, investments needed by the Company to carry out its business, and payment of net interest. It represents the cash flow available to repay debt, pay out dividends or carry out specific transactions, in particular growth-related operations.

<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

c. Net debt & leverage ratio

<i>(in €m)</i>	31 Dec. 2019	31 Dec. 2018
Bonds		
Factoring	44.0	47.7
Bank Loans	1,680.8	1,734.4
FINANCIAL DEBT	1,724.8	1,782.1
Cash	446.5	472.7
NET FINANCIAL DEBT	1,278.3	1,309.4
Accrued interest	1.8	2.4
NET DEBT	1,280.1	1,311.8
Lease liabilities	220.4	
FINANCIAL LEVERAGE RATIO	2.8	3.0

2. Consolidated financial statements

a. Balance sheet / Assets (in €m)

	31 Dec. 2019	31 Dec. 2018
	Net Value	Net value
Goodwill	2,408	2,363
Intangible assets	609	680
Rights of use	203	-
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

b. Balance sheet / Liabilities (in €m)

	31 Dec. 2019	31 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	-	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

c. 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	(18.6)	(34.8)
Income tax	(57.9)	(41.1)
Net income from discontinued operations		(0.1)
Non-controlling interest	(0.9)	(0.4)
NET INCOME (GROUP SHARE)	144.0	80.6