

Press release

28.06.2018

Altran launches new strategic plan *The High Road, Altran 2022*

- *The plan capitalizes on an attractive market, fueled by technology disruptions and digitalization across industries*
- *Building on seamless integration of Aricent, Altran assumes undisputed leadership, leverages a multi-industry footprint and a premier global delivery model*
- *Clients to benefit from both differentiating high-value services and R&D cost optimization*
- *Altran as a new league player, with enhanced growth profile, best-in-class financials, and delivering superior shareholder value*

The High Road, Altran 2022 - STRATEGIC HIGHLIGHTS

- Engineering and R&D services market to grow by c. 9% p.a. to €240bn by 2022 (2017: €155bn) with highly differentiated growth patterns across geographies and industries.
- Altran to focus on high-tech, high-growth industries following Aricent acquisition Altran to leverage its leadership position and accelerate growth in **North America**, strengthen its number 1 position in **Europe** and pursue selective expansion in **Asia**
- Altran to address **differentiated clients' needs with distinct ER&D services models**: mainstream engineering, high-value services and Industrialized GlobalShore©

The High Road, Altran 2022 - 2022 FINANCIAL TARGETS

- **Revenues**: c. € 4.0 billion at constant perimeter
- **Operating margin**: c. 14.5%¹
- **Free cash Flow**: c. 9% of revenues²
- **Leverage ratio**: below 1.5x
- **Earnings per share**: x2 (vs. reported 2017 of € 0.68/share)

¹ Operating Margin is defined as Operating Income plus Amortization of intangibles assets arising from business combinations plus Non-recurring items plus Share-based compensation.

² Free Cash Flow (incl. financing costs) defined as Operating Margin plus Depreciation & Amortization (D&A), plus or minus the impact of Non-cash P&L, plus or minus the Cash impact on non-recurring, plus or minus the Decrease/increase of working capital, minus Tax paid, minus Capital expenditures net of fixed assets sale proceeds minus Cash financing costs.

London, June 28, Altran, the global leader in Engineering and R&D services (ER&D), today unveiled *The High Road, Altran 2022*, a new five-year strategic plan to elevate its service model and expand its footprint in key industries and geographies to meet client demand and powerful technological disruptions. The plan was presented to investors at a Capital Markets Day held in London.

The High Road, Altran 2022 will capitalize on the projected growth of the ER&D services market of c.9% per year between 2017 and 2022, from €155 billion in 2017 to €240 billion in 2022 with highly differentiated growth patterns across geographies and industries.

The ER&D market transformation is driven by:

- an avalanche of technology disruptions, with unprecedented changes brought by digital, AI, connectivity and autonomisation.
- the accelerated growth rate in hi-tech areas such as software, life sciences, semiconductors and automotive, reaching double-digit levels in the US and Asia;
- the geographic mismatch in talent where currently, 60% of R&D budgets are spent in the US, Western Europe and Japan, while 20% of engineers graduate in these geographies;
- and the shift in spending focus to industrialized and high-value services.

Dominique Cerutti, Chairman and Chief Executive Officer of the Altran Group, said: *“With our new strategic plan, The High Road, Altran 2022, we will capitalize on the opportunities that lie ahead as client demand rapidly evolves. By expanding our footprint in fast-growing industries and geographies, and sharpening our service models, we will continue to elevate our growth profile while expanding our margins to new levels. Leveraging our first mover advantage, great talents and our extensive portfolio of services, we are positioned to become a preferred partner of the Top 1000 R&D global spenders with both high-value and R&D cost optimization services. We are delighted with the progress on the Aricent integration and client feedback; as we continue to execute we will deliver superior return to shareholders.”*

Three Strategic axes and four enablers for *The High Road, Altran 2022*

The High Road, Altran 2022 relies on three strategic axes:

- **Best-of-breed synergetic service models:** Clients are now differentiating between (i) activities which truly create a competitive advantage for clients and other processes as well as between (ii) activities which have an immediate impact on their performance and those that do not. Altran will need to elevate its models to match the specific needs of each of these segments. High-value services will drive growth across the Group’s portfolio of recognized brands in attractive domains such as Cambridge Consultants and Synapse in innovative product developments, frog in design, or the Group’s portfolio of World Class Centers and software frameworks. Industrialized GlobalShore© will leverage the Group’s Global Delivery Centers to seize global opportunities, offering clients access to global talents pools and cost competitiveness by increasing the number of near- and offshore engineers to 25,000 and focusing on industrialization.
- **Focus on high-growth industries:** Software and Internet, Semiconductor and Electronics, Automotive, Life Sciences and Next Gen Communications will add € 750m of revenues organically between 2017 and 2022. As some of these sectors morph into fundamental technology blocks enabling next gen innovations such as autonomous cars, the internet of things or 5G, they create significant opportunities across industries.

- **Geographic leadership:** Demonstrate Altran's leadership position in North America by reaching Revenues of c.\$ 1.2bn in the region in 2022, up from \$ 800m in 2017, through the building of a leading-edge Software Product Engineering company and developing aggressively in the Automotive sector by leveraging synergies with Aricent; strengthen leading position in Europe with a focus on accelerated organic growth and will initiate a selective expansion program in Asia.

The Group has also highlighted four operational enablers supporting the execution of the strategic plan:

- **Convergence program:** a phased and focused program de-risking the execution of the strategy, enabling synergy capture and preparing the deployment of a common target operating model between Altran and Aricent. 100-day after closing, the assumptions underpinning the path to success have been confirmed in terms of leadership stability, commercial pipeline building, operations efficiency as well as synergies that will be delivered.
- **Organization:** a sharpened organization focusing on execution within two zones: Europe and North America, supported by global industry leaders and Group transversal delivery, transformation, technology and innovation teams.
- **Leadership bench:** Altran has cultivated, including with the acquisition of Aricent, a leadership bench of very diverse and seasoned executives with complementary skills, business cultures and large scale operation transformation experiences which is unique in our industry.
- **Operational excellence:** The Group has reconfirmed operational excellence as a top priority and a lever for material margin improvement. It has appointed several Group Senior Executives focusing on operations and execution. One of the immediate priority will be to execute a profit turnaround in Germany. Altran has reinforced its German team and committed both Group and external resources to complete this turnaround.

2022 financial objectives: focus on profitable growth and deleveraging

The deployment of The High Road, Altran 2022 strategic plan is expected to generate:

- **Revenues:** c. € 4.0 billion at constant perimeter
- **Operating Margin:** c. 14.5%
- **Free cash Flow** (incl. financing costs): c.9% of Revenues
- **Leverage ratio:** 1.5x
- **Earnings per Share:** x2 (vs. reported 2017 of € 0.68/share)

The Group will deploy its capital in a balanced way between shareholder value creation, reinvestment in the business, and taxes and financial commitments is anticipated:

- The Group's financial policy will **prioritize deleveraging**, with the objective to be below 2.5x in 2020 and below 1.5x in 2022. This will be achieved by allocating the Free Cash Flow of the company to the gradual repayment of debt while maintain a cash balance above € 250m and remunerating shareholders in line with past practices.
- **Strong drivers are supporting the expansion of the Group's Free Cash Flow:** (i) the increase in the operating margin including through synergies and cost savings, a capital intensity around 2% of Revenues, while working capital requirements will be commensurate with growth; (ii) Financial costs are expected to decrease over time as debt is repaid, while the Aricent cash commitments will decrease each year and end in 2021, finally the tax structure will be revamped and the group should benefit from an improving tax environment.

From Ignition 2020 to The High Road 2022

Altran has reconfirmed that on a standalone basis the Group had been on a growth and margin improvement trajectory that would have led to the achievement of the targets of its previous plan, *Altran 2020. Ignition*.

About Altran

Altran ranks as the undisputed global leader in Engineering and R&D services (ER&D), following its acquisition of Aricent. The company offers clients an unmatched value proposition to address their transformation and innovation needs. Altran works alongside its clients, from initial concept through industrialization, to invent the products and services of tomorrow. For over 30 years, the company has provided expertise in aerospace, automotive, defense, energy, finance, life sciences, railway and telecommunications. The Aricent acquisition extends this leadership to semiconductors, digital experience and design innovation. Combined, Altran and Aricent generated revenues of €2.9 billion in 2017, with some 45,000 employees in more than 30 countries.

www.altran.com

Contacts

Stéphanie Bia

Group Vice-President Investor Relations

Tel: + 33 (0)1 46 41 72 01

stephanie.bia@altran.com

Marine Boulot

Group Vice-President Communications

Tel: + 33 (0)1 46 41 71 73

marine.boulot@altran.com

Follow us on Twitter: [@Altran](https://twitter.com/Altran)

DISCLAIMER

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.