



# **Altran Capital Markets Day**

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**The High Road, Altran 2022**

June 2018

**alTRAN**



# THE HIGH ROAD, ALTRAN 2022 – AGENDA

1.

## Our Industry

Shift happened



2.

## Our Ambition

A new league player



3.

## Our Focus

Disciplined & phased execution



4.

## Our Commitment

Superior & sustainable value creation





# 1.

## Our Industry

Shift happened

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➤ **COMPELLING MARKET OPPORTUNITY**

FAST EVOLVING COMPETITIVE LANDSCAPE

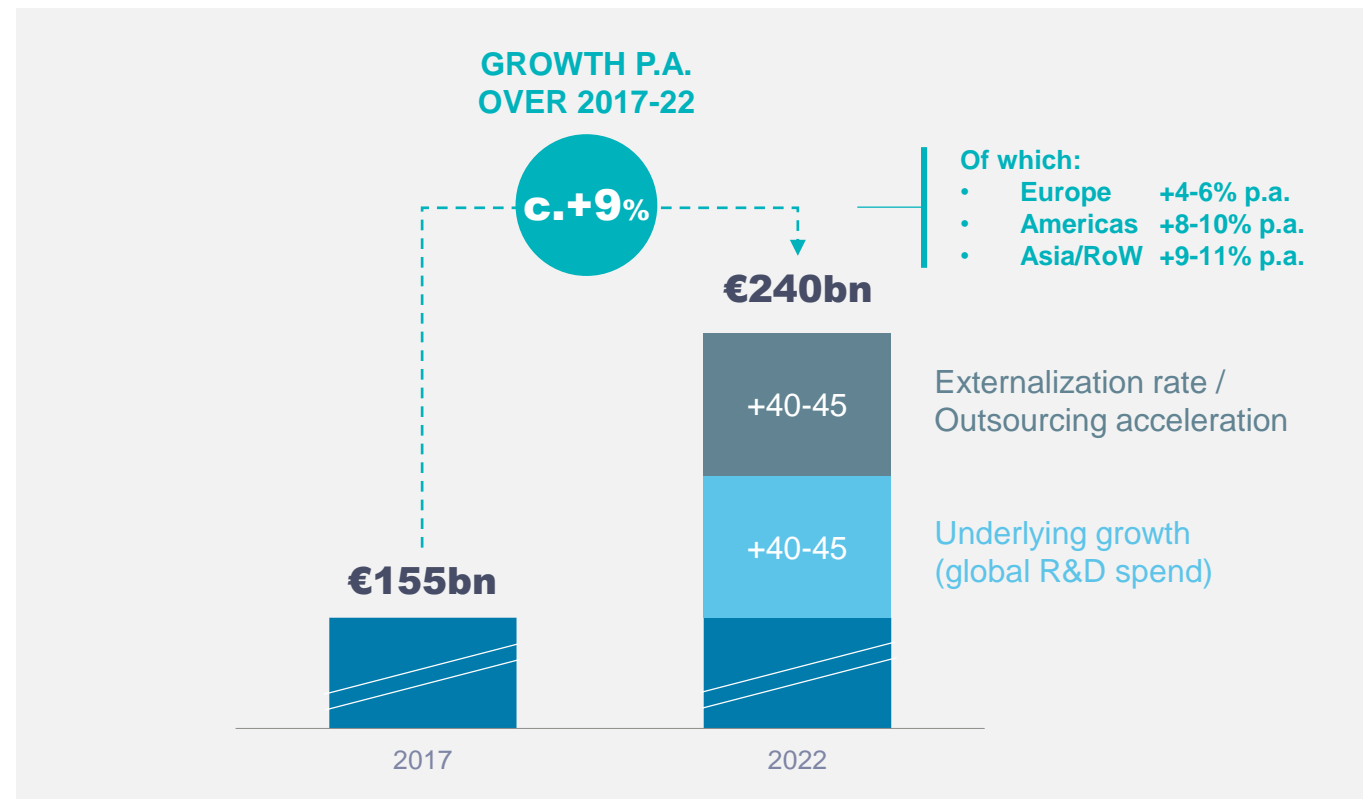
NEW TRENDS IN CLIENT BEHAVIOR





# ER&D SERVICES MARKET TO GROW C. +9% P.A. OVER 2017-22

## ENGINEERING AND R&D (ER&D) SERVICES MARKET WILL GROW BY €85B BY 2022



## 4 KEY TRENDS FUELING MARKET GROWTH

1

**Avalanche of technology disruptions**

2

**Growth in Hi-tech industries, US and Asia**

3

**Talents scarcity and supply/ demand geographic mismatch**

4

**Clients' deliberate and contrasted approach to ER&D sourcing**

Sources: OECD, IRI, IMF, International Management Consultants, Altran



# 1.

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Shift happened

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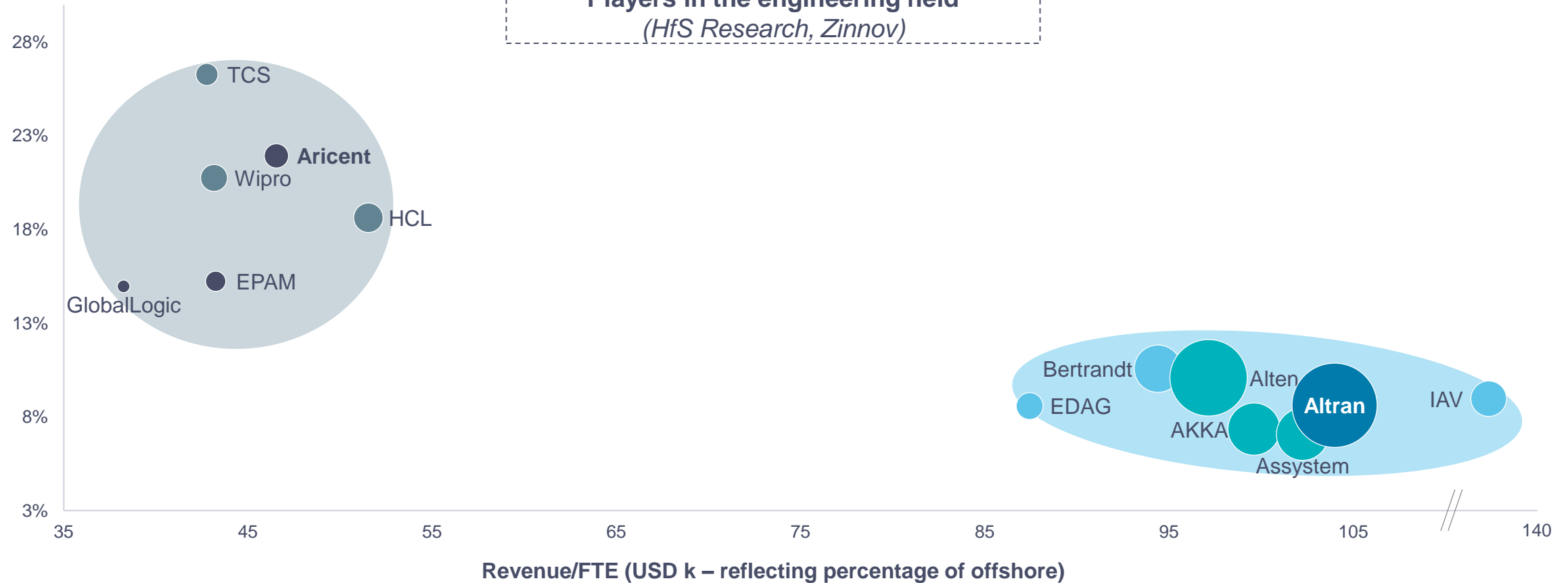






# TWO DISTINCT GROUPS OF PLAYERS, MASSIVELY DOMINATED BY EUROPEANS

EBIT (%)



Sources: financial reports, estimates for GlobalLogic and IAV

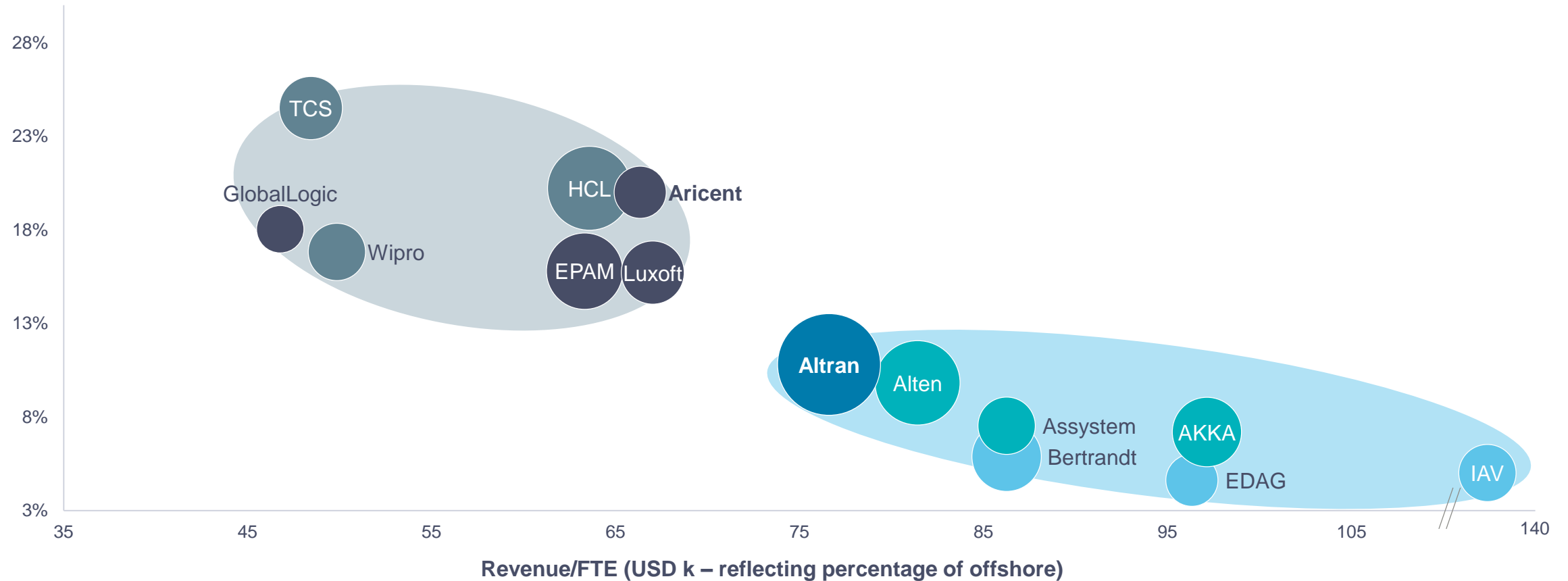






# OVER 5 YEARS, VERY CONTRASTED DYNAMICS HAVE REBALANCED THE COMPETITIVE LANDSCAPE

EBIT (%)



Source: financial reports, estimates for GlobalLogic and IAV

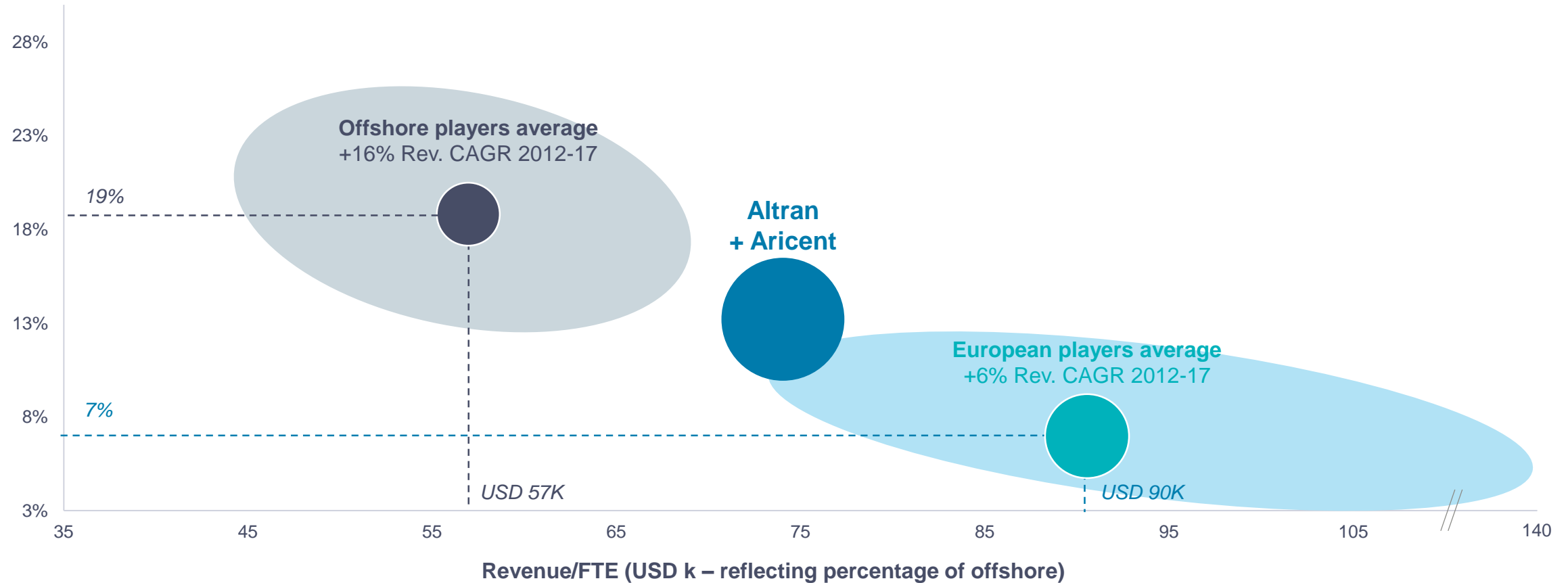






# OVER 5 YEARS, VERY CONTRASTED DYNAMICS HAVE REBALANCED THE COMPETITIVE LANDSCAPE

EBIT (%)



Sources: financial reports, estimates for GlobalLogic and IAV

Note: average bubble for European players includes: Alten, AKKA, Assystem, Bertrandt, EDAG, IAV, and for Offshore players: HCL, Wipro, TCS, EPAM, Luxoft, GlobalLogic

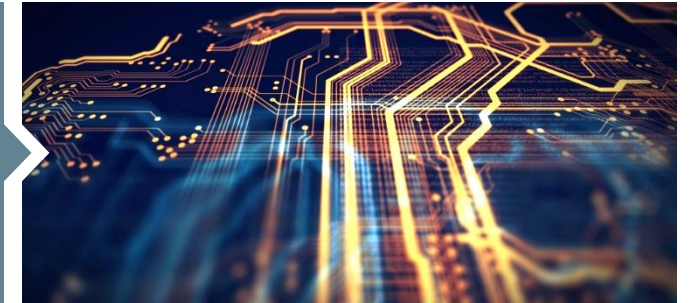


# ARICENT ACQUISITION: THE PERFECT FIT

**US leader**



**Pivotal industries**



**Unique global delivery model**



**Successful IP model**



**Iconic design brand**



**Seasoned senior leadership team**





# 1.

## Our Industry

Shift happened

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COMPELLING MARKET OPPORTUNITY

FAST EVOLVING COMPETITIVE LANDSCAPE

› NEW TRENDS IN CLIENT BEHAVIOR





# CLIENTS ARE INCREASINGLY APPLYING A DELIBERATE AND RATIONAL APPROACH TO THEIR R&D

## CORE

Success increases competitive differentiation

## CONTEXT

All other activities

### MISSION CRITICAL

Failure is material to current performance



Deploy at scale



Manage & optimize key processes

Flow of innovation

### SUPPORTING

All other activities



Innovate fast



Extract, outsource & redeploy

Sources: Geoffrey Moore, Altran



# CLIENTS ARE FORCING A SHIFT IN THE COMPETITIVE LANDSCAPE

## CORE

Success increases competitive differentiation

## CONTEXT

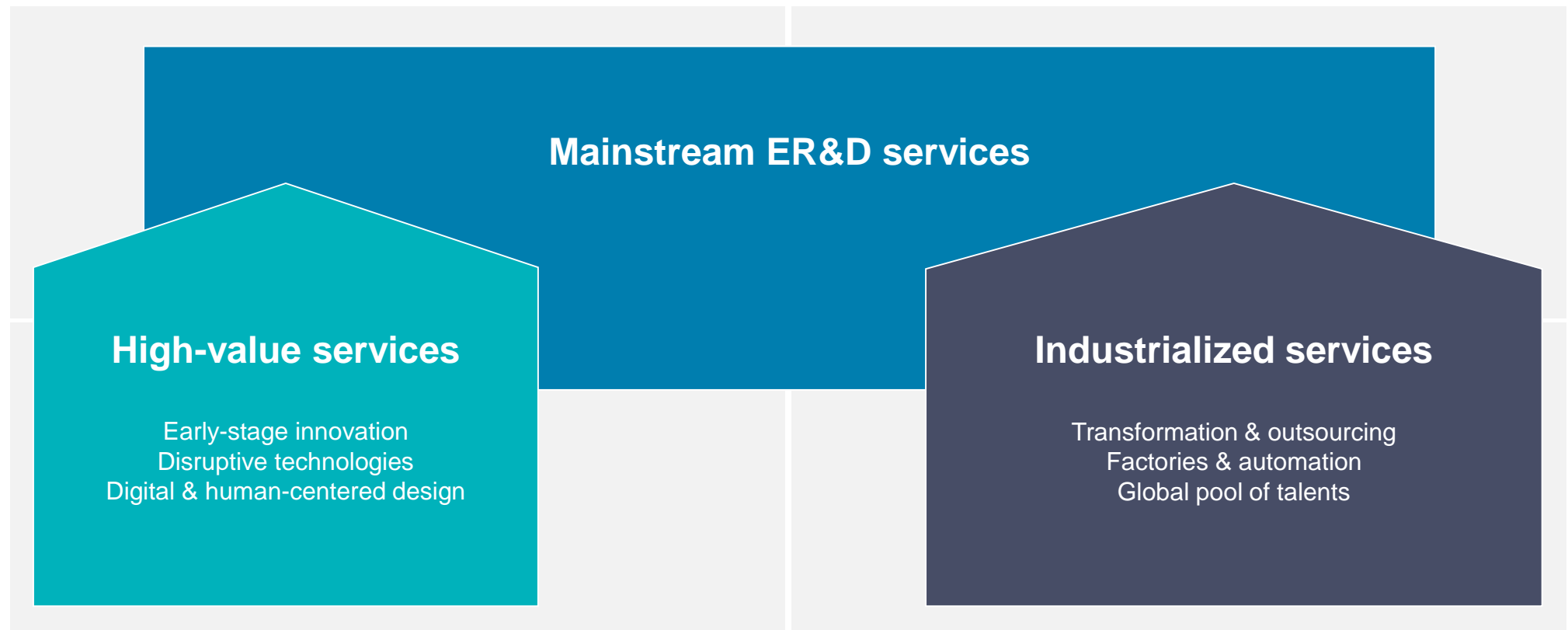
All other activities

### MISSION CRITICAL

Failure is  
material  
to current  
performance

### SUPPORTING

All other  
activities





# MULTIPLE CLIENT SUCCESSSES VALIDATE OUR APPROACH

## CORE

Success increases competitive differentiation

## CONTEXT

All other activities

### MISSION CRITICAL

Failure is  
material  
to current  
performance

### SUPPORTING

All other  
activities

#### ✓ Altran Service Lines



#### ✓ Altran + Aricent World-Class Centers



#### ✓ Altran + Aricent Industrialized GlobalShore®



# 2.

## Our Ambition

A new league player

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# THE HIGH ROAD, ALTRAN 2022



## BEST-OF-BREED SYNERGETIC SERVICE MODELS

Elevate our service models to best match client demand & capture value



## HIGH-GROWTH INDUSTRIES

Expand our footprint in fast growing and pivotal industries



## GEOGRAPHIC LEADERSHIP

Demonstrate our leadership position in North America



# THE HIGH ROAD, ALTRAN 2022



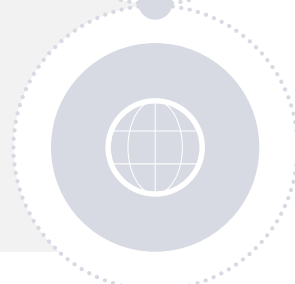
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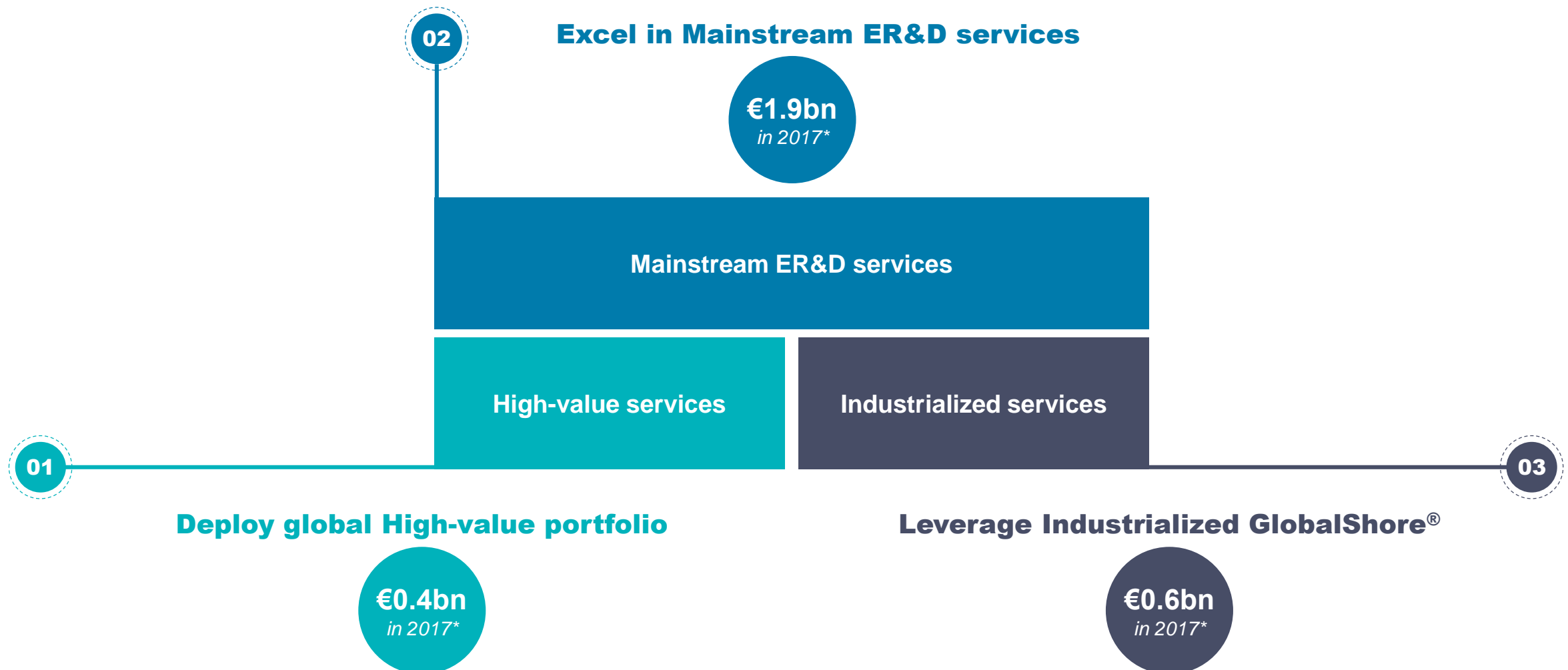
## GEOGRAPHIC LEADERSHIP

Demonstrate our leadership position in North America





# ELEVATE OUR SERVICE MODELS TO BEST MATCH CLIENT DEMAND & REALIZE VALUE

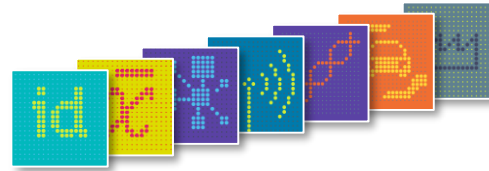


Note: (\*) Pro-forma of Aricent acquisition



# 1. DEPLOY GLOBAL HIGH-VALUE PORTFOLIO

## UNMATCHED PORTFOLIO OF HIGH-VALUE BRANDS & EXPERTISE



WORLD CLASS CENTERS



INNOVATION PRACTICES  
& SOFTWARE FRAMEWORKS



## WE WILL...

- Develop **synergies across these proven-track record entities**
- **Focus** our senior global sales team (c. 100 FTE) **to High-value portfolio sales**
- Drive **accountability** through a **specific P&L**
- Continuously **enrich the portfolio** with new disruptive technologies

Ambition:

€0.4bn  
in 2017\*

+9-10%  
CAGR  
organic

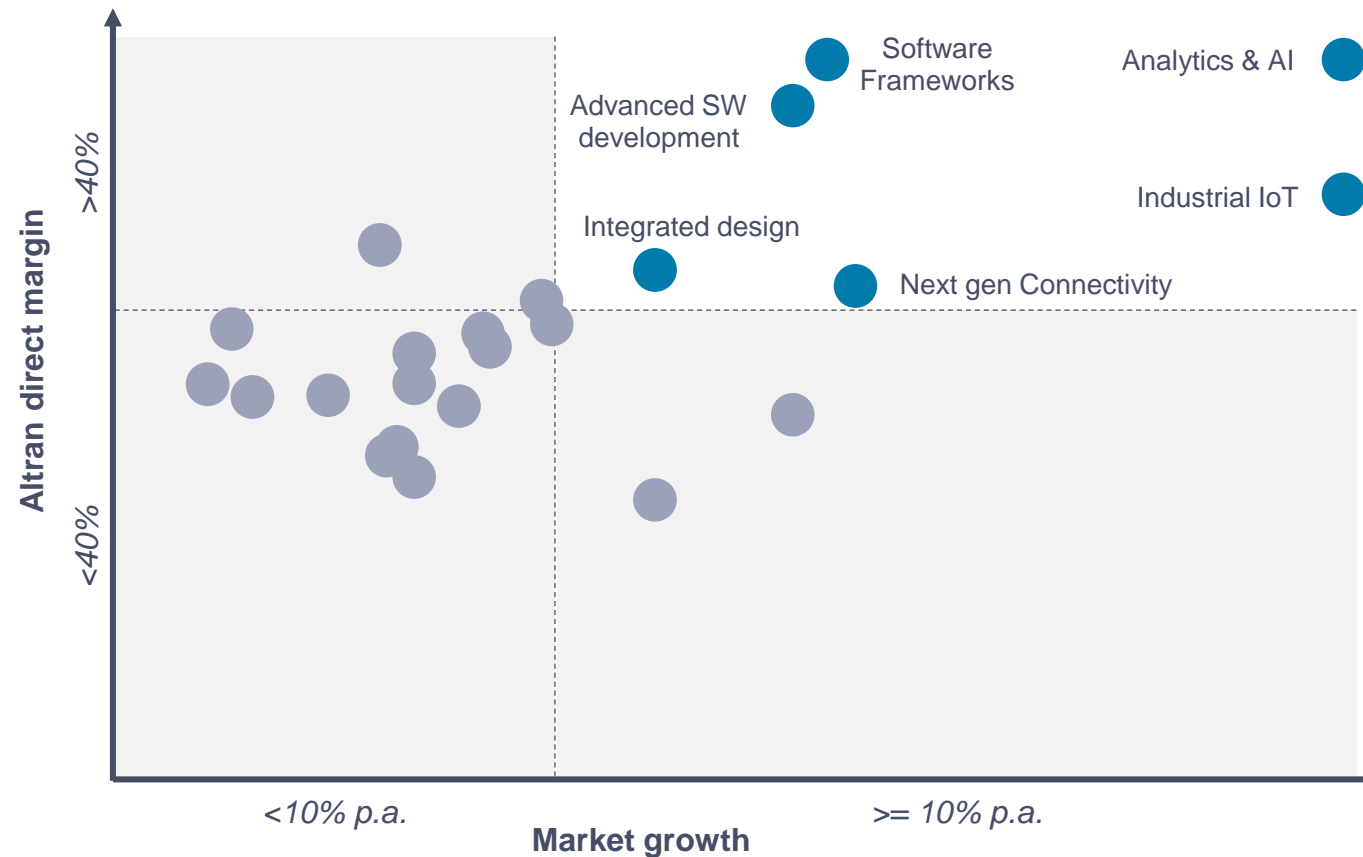
c. €0.6bn  
in 2022

(\*) Pro-forma of Aricent acquisition



# 1. OUR HIGH-VALUE PORTFOLIO ADDRESSES ATTRACTIVE MARKET SEGMENTS

## ALTRAN PORTFOLIO MAPPING



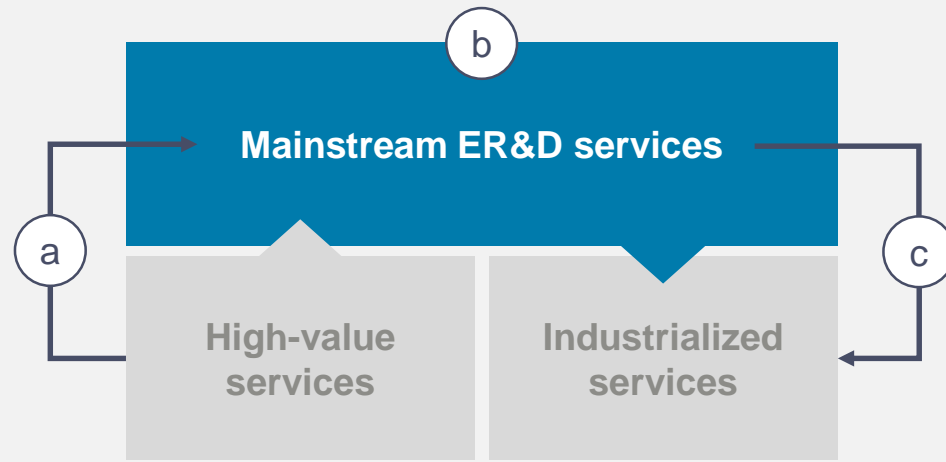
## FAST-GROWING HIGH-VALUE DOMAINS

- Integrated design**
- Advanced software development**
- Software frameworks**
- Analytics & AI**
- Industrial Internet of Things**
- Next Gen Connectivity**





## 2. EXCEL IN MAINSTREAM ER&D SERVICES



### WE WILL...

- a **Capture & scale profitable opportunities** deriving from High-value services
- b **Maintain focus & business discipline** through strengthened governance
- c Leverage the model as a platform to **transform clients' R&D through Industrialized services**

### Ambition:

€1.9bn  
in 2017\*

+5-6%  
CAGR  
organic

c. €2.5bn  
in 2022

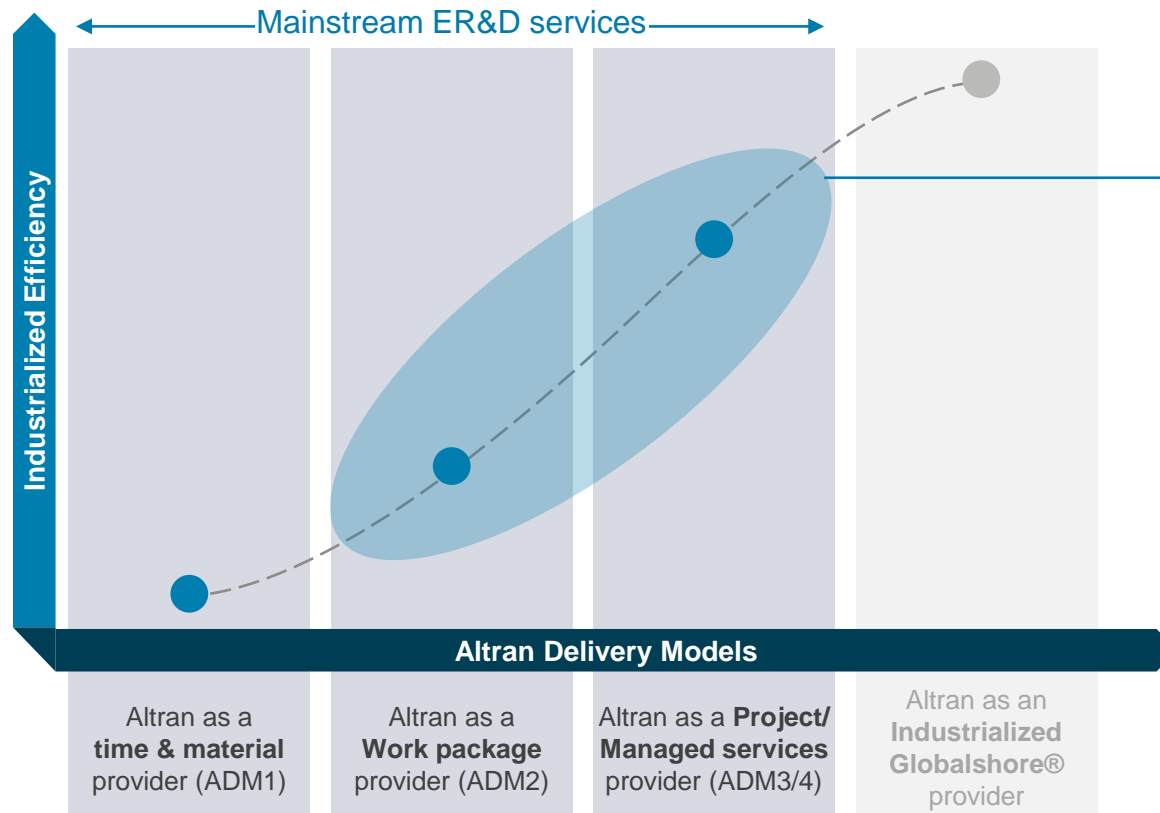
(\*) Pro-forma of Aricent acquisition



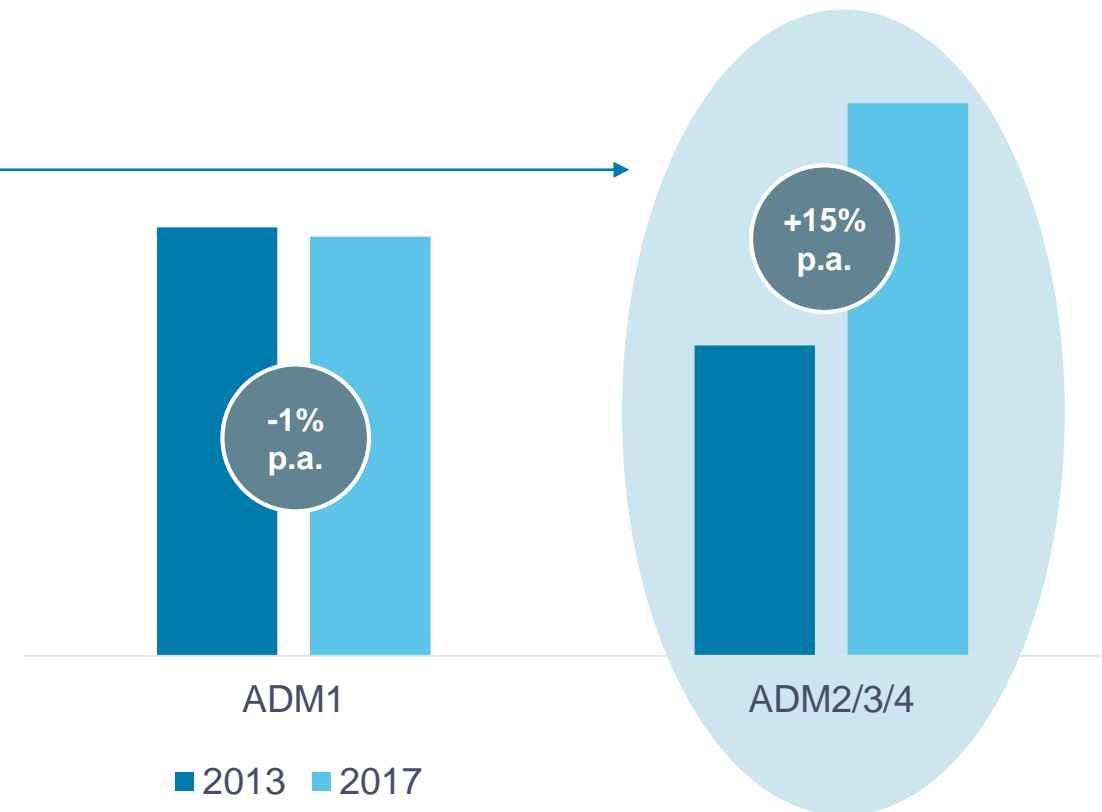


## 2. EXCEL IN MAINSTREAM ER&D SERVICES

Value  
for customer



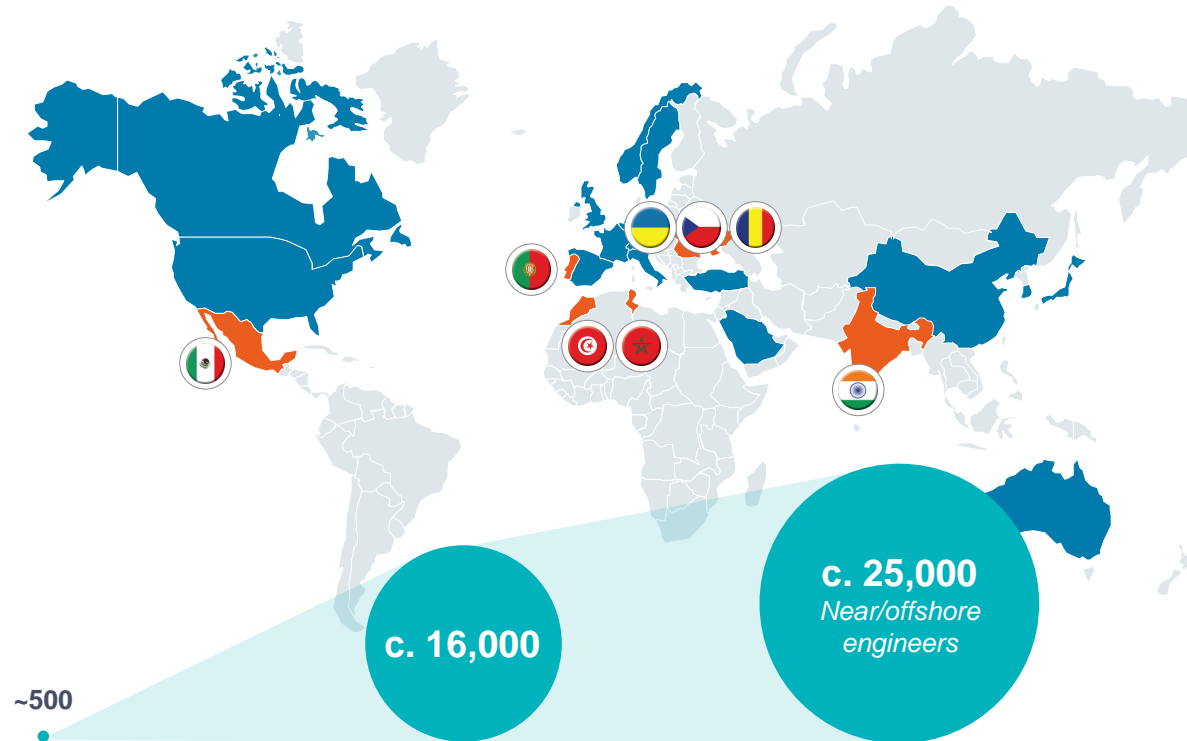
### ADM EVOLUTION IN FRANCE





### 3. LEVERAGE INDUSTRIALIZED GLOBALSHORE®

#### SCALING TO C. 25,000 ENGINEERS BY 2022

**2015**

**3** Global Delivery centers  
**3%** of total workforce

**2018**

**5** Global Delivery centers  
**36%** of total workforce

**2022**

**6** Global Delivery centers

(\*) Pro-forma of Aricent acquisition

#### WE WILL...

- Seize **global opportunities linked** to clients' transformation
- **Co-develop tailored delivery centers** with strategic clients
- Position as the **preferred ER&D services partner** to bridge talent geographic mismatch
- Drive **standardization** & software **automation** towards next level of industrialization

Ambition:

€0.6bn  
in 2017\*

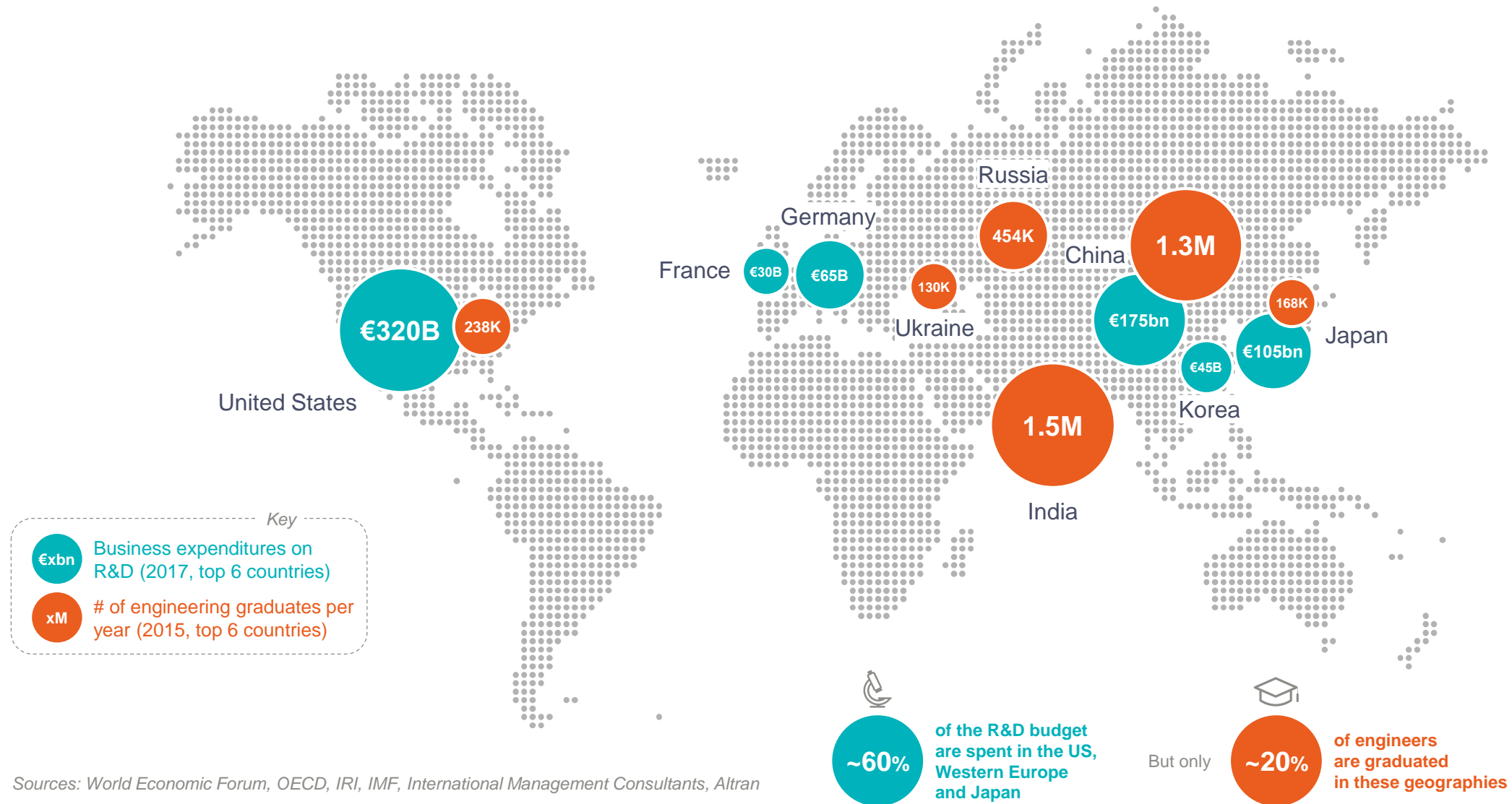
+8-10%  
CAGR  
organic

c. €0.9bn  
in 2022

altran

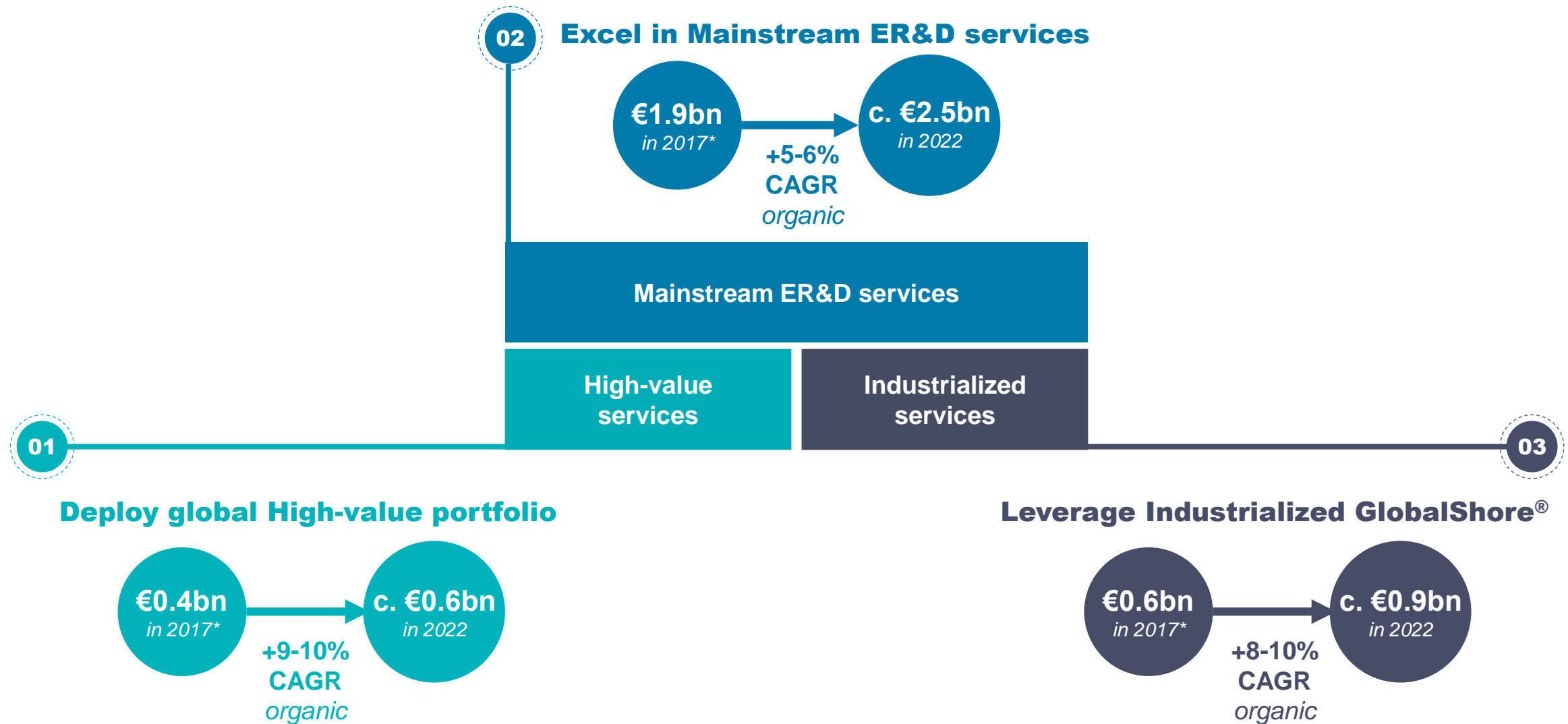


# 3. BRIDGING THE GEO MISMATCH IN TALENT SUPPLY/DEMAND





# FROM €2.9B PRO-FORMA IN 2017... TO €4.0B IN 2022 (ORGANIC)





# THE HIGH ROAD, ALTRAN 2022



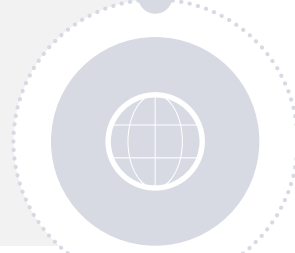
## BEST-OF-BREED SYNERGETIC SERVICE MODELS

Elevate our service models to best match client demand & capture value



## HIGH-GROWTH INDUSTRIES

Expand our footprint in fast growing and pivotal industries



## GEOGRAPHIC LEADERSHIP

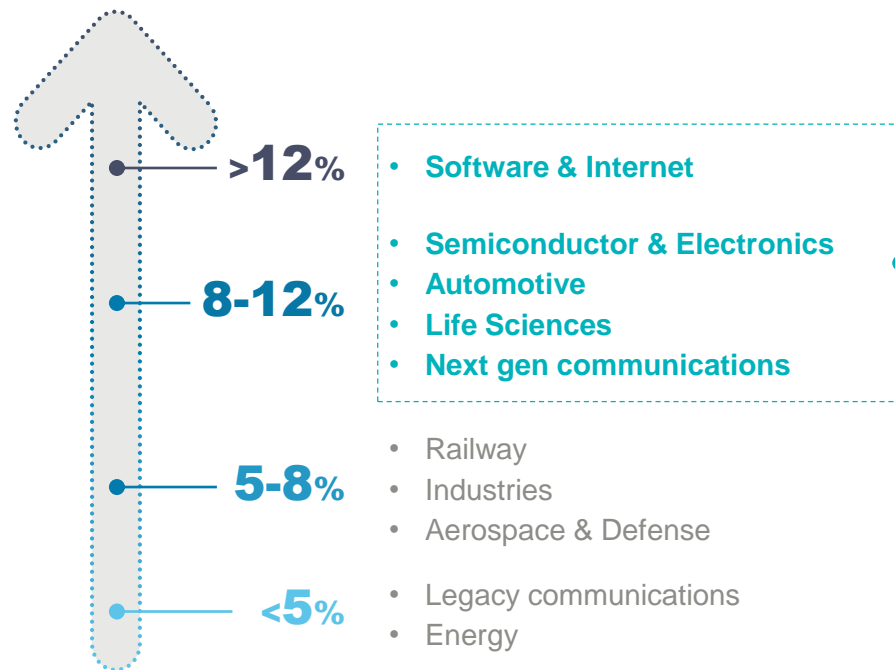
Demonstrate our leadership position in North America



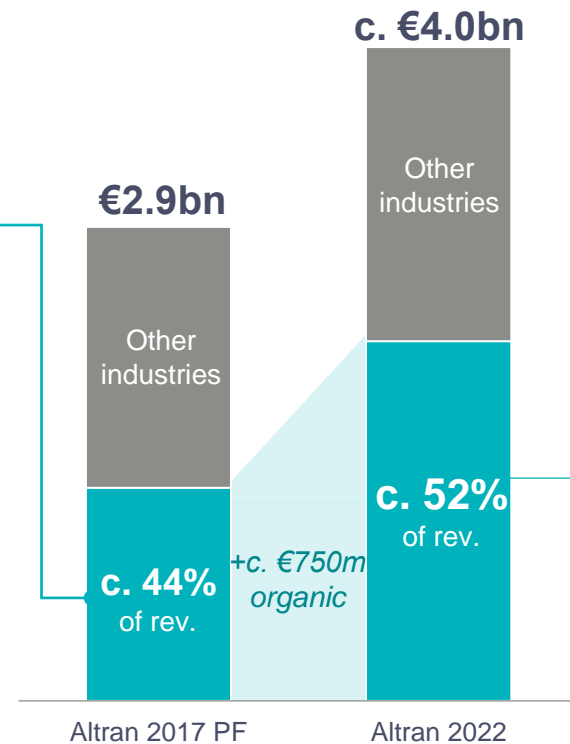
# EXPAND FOOTPRINT IN HIGH GROWTH INDUSTRIES

## MARKET: STRONG GROWTH IN HI-TECH INDUSTRIES

ER&D services market growth (2017-22, annual growth)



## EXPAND IN FAST GROWING INDUSTRIES LEVERAGING SYNERGIES WITH ARICENT



### Software & Internet vertical 🇺🇸

- Become a **leading edge Software Product Engineering company**

### Semiconductor & Electronics 🇺🇸

- Position as the **preferred transformation partner** for chipmakers and **leverage capabilities** across other industries

### Automotive 🇺🇸 🇪🇺

- Accelerate on **next gen car** (UX, ADAS and Connectivity)
- Win large deals on **complete vehicle development**

### Next gen communications 🇺🇸 🇪🇺

- Lead in **next gen technologies** (5G, SDN/NFV, IoT, edge computing...)

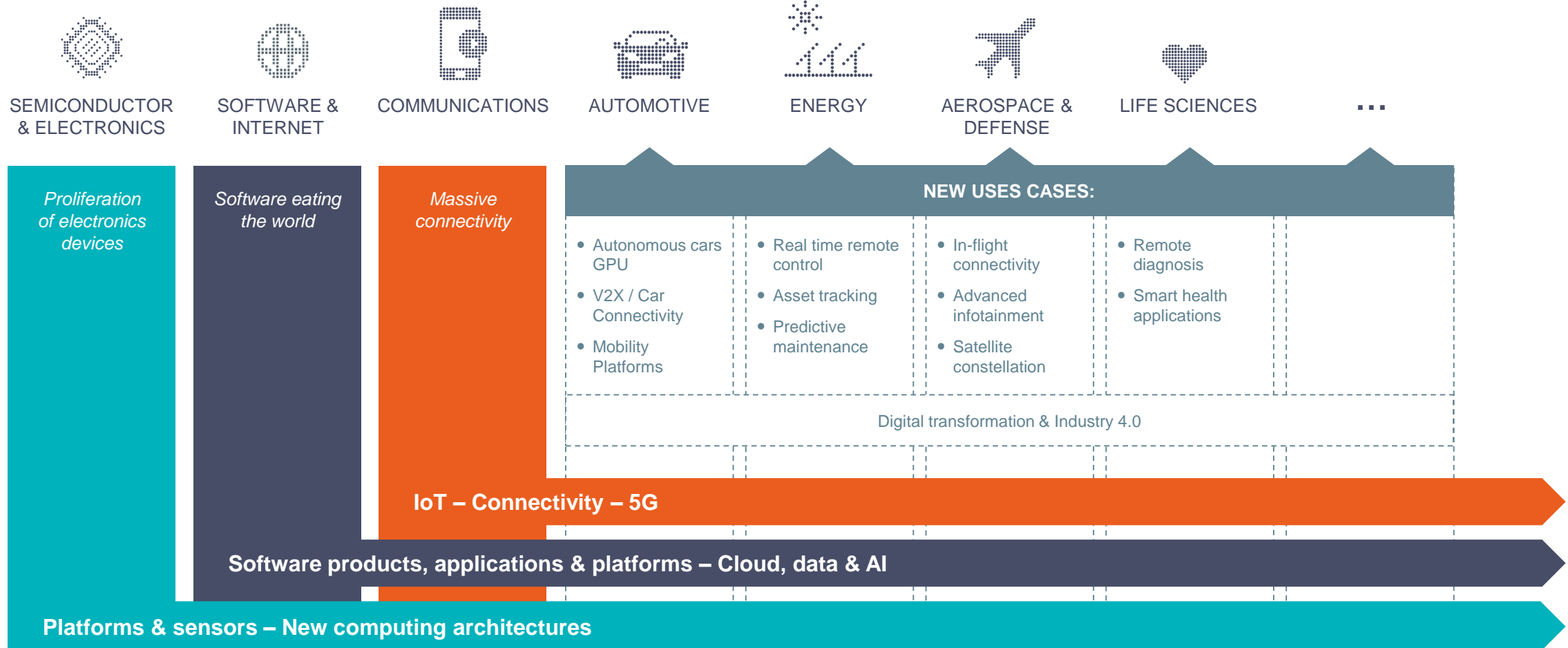
### Life Sciences 🇺🇸 🇪🇺

- Accelerate** development and **leverage** High-value brands

Sources: OECD, IRI, IMF, International Management Consultants, Altran

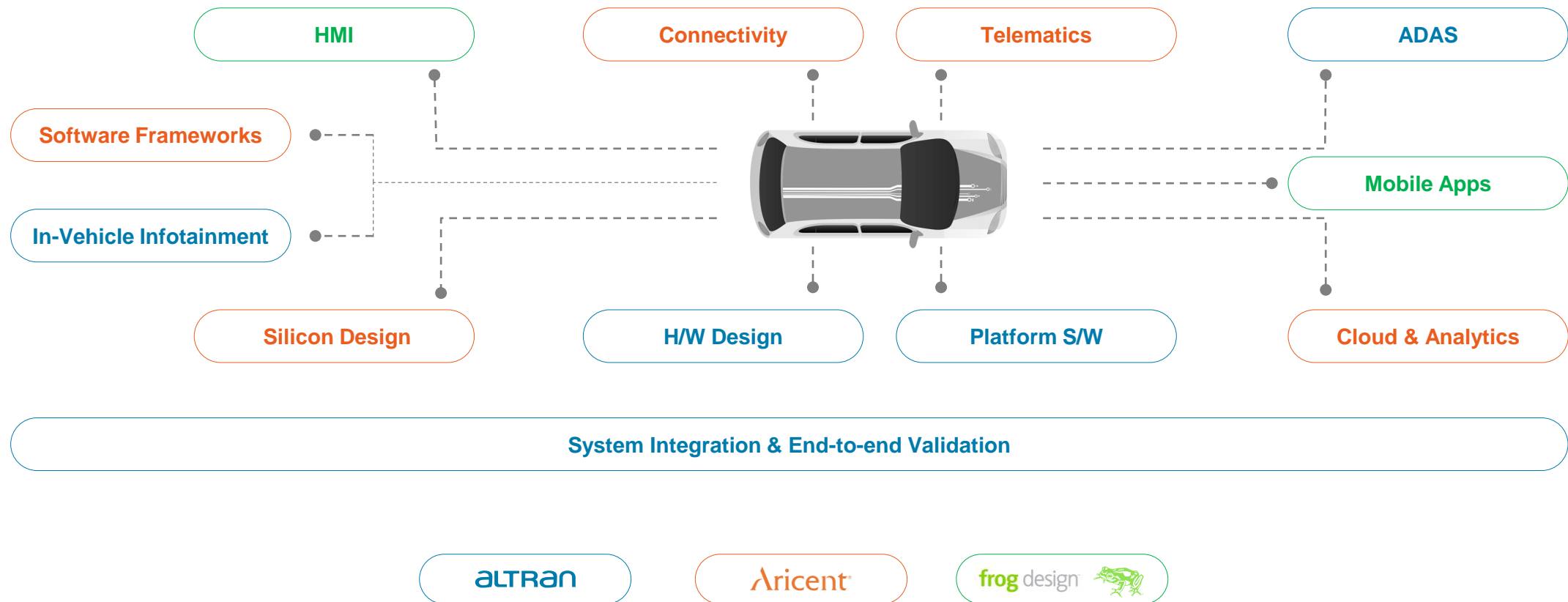


# SEMICONDUCTOR, SOFTWARE & COMMUNICATIONS CAPABILITIES BECOME PIVOTAL ACROSS INDUSTRIES





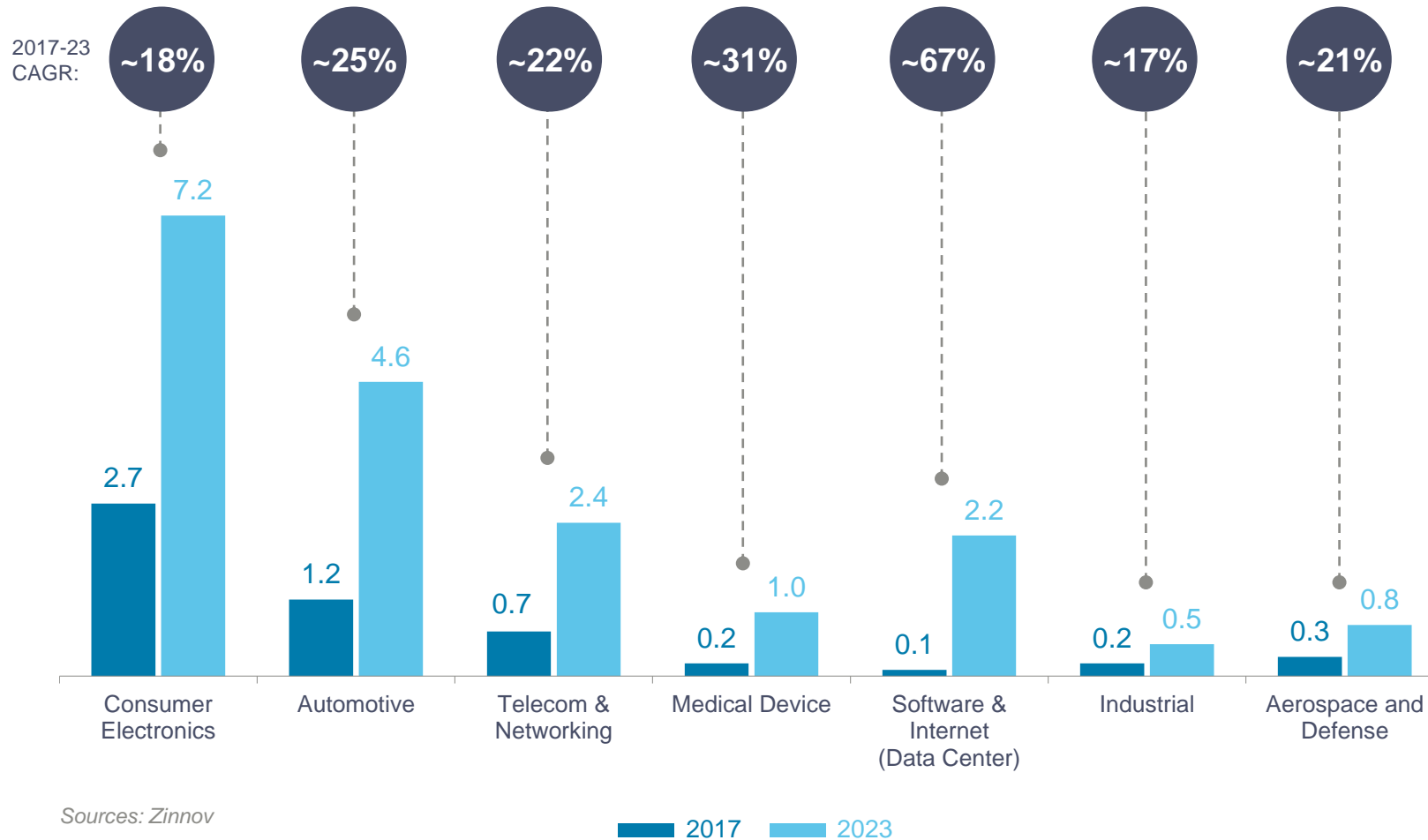
# UNMATCHED COMBINED OFFERING TO ADDRESS NEXT GEN CAR CHALLENGES





# SEMICONDUCTOR BECOMING PERVASIVE

## EVOLUTION OF SEMICONDUCTOR R&D SPEND ACROSS INDUSTRY VERTICALS (USD BN)



**Rise of connected devices across industries is pushing companies to design custom chipsets**



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## GEOGRAPHIC LEADERSHIP

Demonstrate our leadership position in North America



# GEOGRAPHIC LEADERSHIP



**2017 MARKET:**  
€65bn  
+8-10% CAGR

## Demonstrate our leadership position in North America

Deploy a multi-industry ER&D services leader leveraging a premier global delivery

Leverage our leading position in Communications and Semiconductor

Accelerate development in Automotive, Software / Internet and Life Sciences



**2017 MARKET:**  
€40bn  
+4-6% CAGR

## Strengthen #1 position in Europe

Deploy the Altran service models at scale in all geographic clusters

Achieve profit turnaround in Germany

Reach next level of operational excellence



**2017 MARKET:**  
€50bn  
+9-11% CAGR

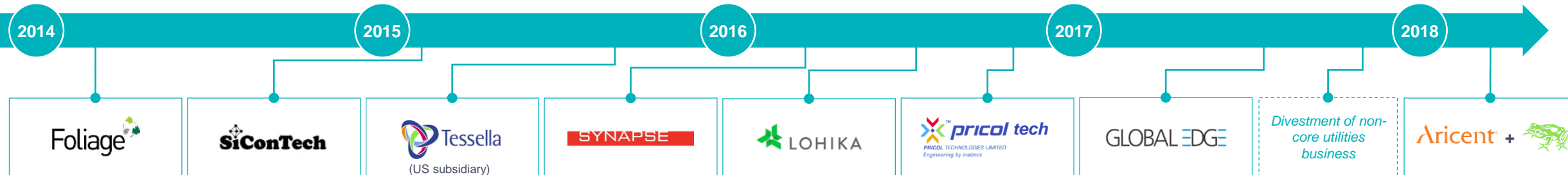
## Selective expansion in Asia

Establish platform for growth in China on selected domains

Initiate development in adjacent Asian markets



# 2015-2018: WE HAVE EXECUTED A DISCIPLINED USA BUILD-UP...

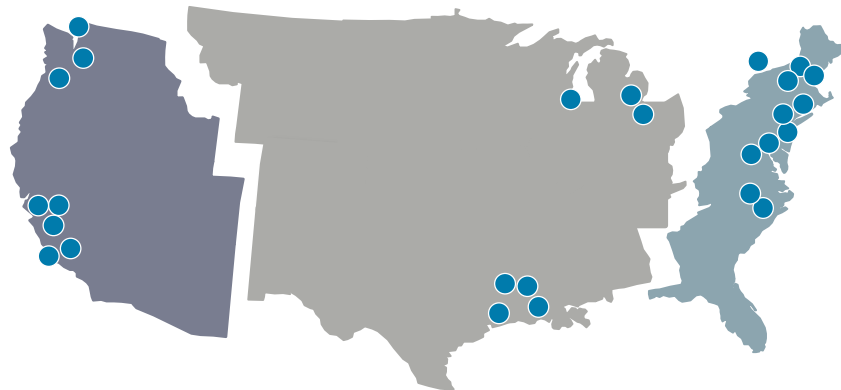


## BUILDING A FOOTPRINT ACROSS THE USA...

West Coast

Central

East Coast



c. USD 800m

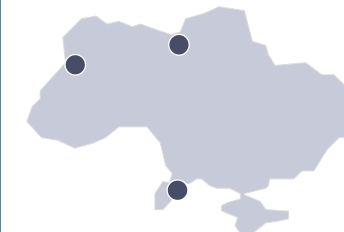
Revenues in 2017 PF\*

India



## ...CONNECTED TO GLOBAL TALENT POOLS

Ukraine



Mexico



(\*) Including revenues generated by Cambridge Consultants and Tessella in the US



# ...TO BE INTEGRATED IN A MULTI-INDUSTRY LEADER WITH A PREMIER GLOBAL DELIVERY

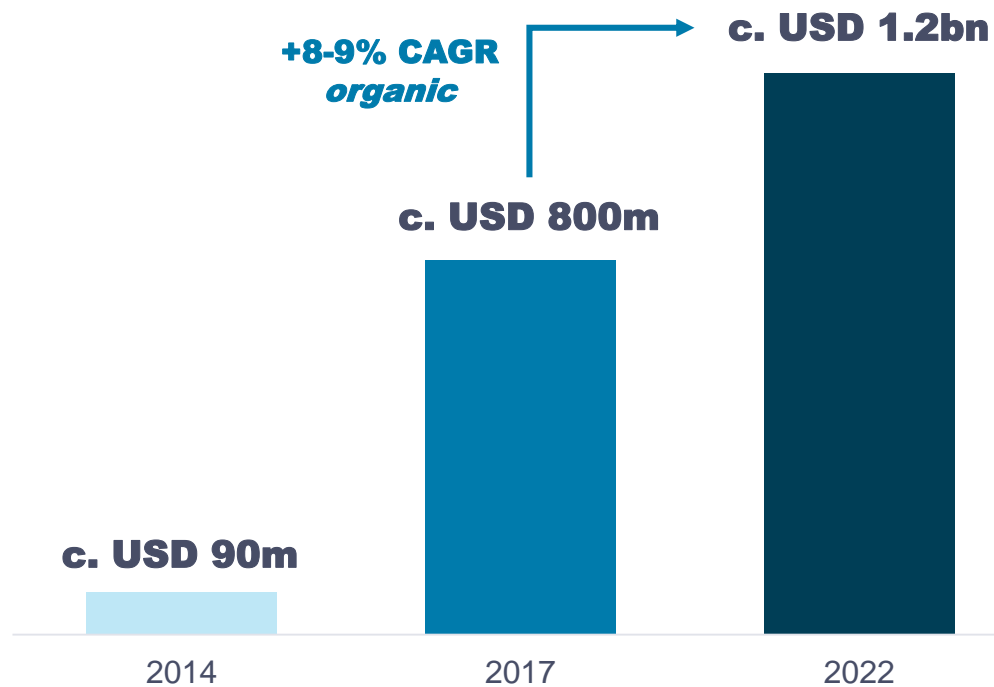
Altran North America / Aricent®





# ALTRAN NORTH AMERICA UNIQUELY POSITIONED TO CAPTURE PROFITABLE GROWTH

## REVENUES GENERATED IN NORTH AMERICA\*



(\*) Continued operations only; including revenues generated by Cambridge Consultants and Tessella in the US



## WE WILL...

- Aggressively pivot investments to **digital and next gen** capabilities
- Drive **client centricity** and **growth culture**
- Win & develop the best **design and engineering talent**
- Relentlessly drive **cost and revenue synergies** through integration



# THE HIGH ROAD, ALTRAN 2022: TOPLINE EXPANSION



## HIGH-GROWTH INDUSTRIES

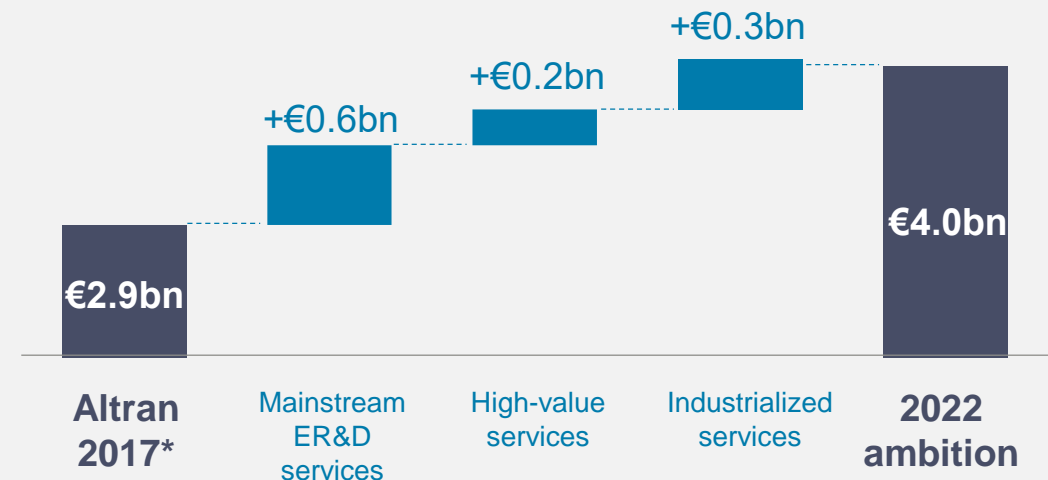
c. +10% CAGR organic  
c. +€750m in high-growth industries by 2022



## GEOGRAPHIC LEADERSHIP IN NA

+8-9% CAGR organic  
c. +USD 400m by 2022

## BEST-OF-BREED SYNERGETIC SERVICE MODELS



(\*) Pro-forma of Aricent acquisition



# 3.

## Our Focus

Disciplined & phased execution





## 1. PHASED CONVERGENCE

Phased, focused & de-risked execution of the *Convergence* program with Aricent

## 2. ORGANIZATION

Sharpened organization focusing on execution

## 3. LEADERSHIP BENCH

Diverse and seasoned leadership bench to support the implementation

## 4. OPERATIONAL EXCELLENCE

Disciplined approach and operational focus

# EXECUTION & IMPLEMENTATION



# 01 **CONVERGENCE PROGRAM**

## PRINCIPLES

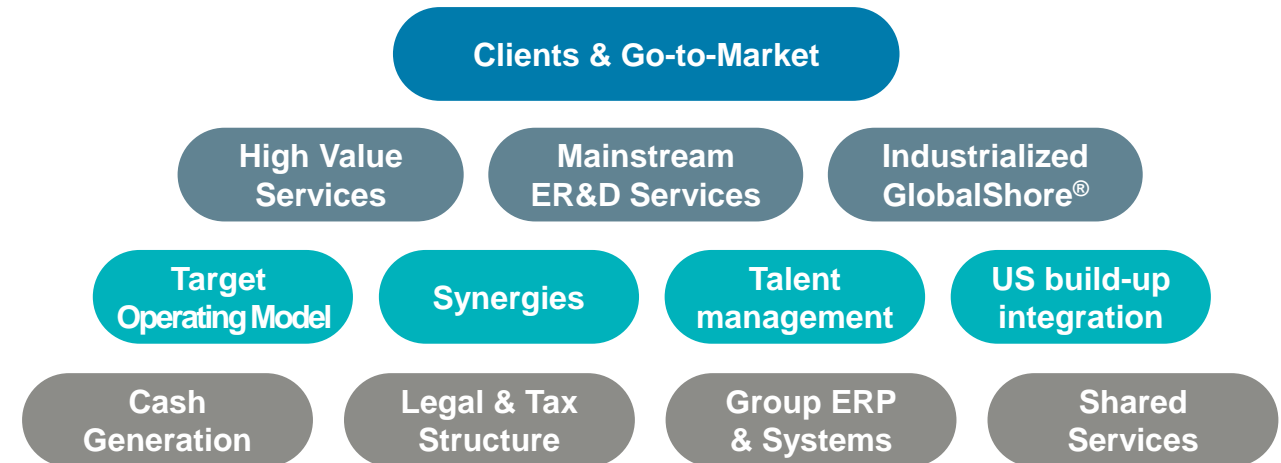
Phased

Focused

De-risked

...Enabling plan **execution**, **synergies** capture and **convergence** towards target operating model

## EXECUTION BLOCKS



## Sequence highlights

### H2 2018

Clients & Go-to-market unified ✓

### 2019

Service models aligned ✓  
US build-up integrated ✓  
Talent management unified ✓

### 2020

Target operating model rolled-out ✓  
Synergies totally delivered ✓  
Group ERP running ✓  
Legal & Tax Structure simplified ✓



# 100-DAY CEO REPORT: ASSUMPTIONS CONFIRMED

## Leadership

- Deep-seated **shared vision**
- • All **senior leaders in position & accountable** – zero departure
- Confirmation of the **strength of Aricent management team**

## Offerings & Operations

- **Powerful complementarity** on technology, innovation and IP
- • Straight **convergence** of our global **delivery models**
- Promising **client feedback & pipeline** building

## Synergies & de-risking

- **Synergies** outlook **confirmed** by management
- • Potential for **further SG&A optimization**
- Very **minimal overlap** de-risking *Convergence*





# STRONG COMMERCIAL MOMENTUM IS MATERIALIZING

## EARLY SUCCESSES RECORDED



**6 common engagements** signed:

- **5** amounting to **c. €10m**
- **1** landmark project in excess of **€100m total contract value** over 3 years

## SOLID PIPE DEVELOPMENT



**40+ opportunities** jointly addressed:

- Over **€100m total contract value**
- **Several tangible deals** on transformation services

✓ **VALIDATES OUR TOPLINE SYNERGIES ASSUMPTIONS (€150M)**



# OPERATIONS: SHARPENED ORGANIZATION FOCUSING ON EXECUTION



Dominique CERUTTI



Frank KERN



Daniel CHAFFRAIX



Pascal BRIER



## DELIVERY & TRANSFORMATION

## TECHNOLOGY & INNOVATION



Cyril ROGER



### EUROPE

#### Europe COO

William ROZÉ



- Performance & business discipline
- Excel in mainstream ER&D services
- Enable High-value/industrialized services

#### SVP Industry global leaders

- Grow High-value and industrialized services

- Global delivery

- Group “Convergence” program

- Technology & innovation

- High-value business development



Laila WORRELL



### NORTH AMERICA

#### NA COO

Rick PADINHA



- Performance & business discipline
- US build-up integration
- Cost synergies

- Topline synergies

#### SVP Industry global leaders

- Delivery synergies

- Altran / Aricent docking



# DIVERSE AND SEASONED LEADERSHIP BENCH (EXTRACT)



Pascal BRIER  
Microsoft, AT&T



## Technology & Innovation



Keith WILLIAMS  
Praxis HIS



Walid NEGM  
Accenture



Corinne JOUANNY  
2014 Engineering  
woman of the year



Glenn HOOGERWERF  
HCL



Harry WEST  
Continuum



Eric WILKINSON  
BP



Cyril ROGER  
Segula



Laila WORRELL  
Accenture, BCG



## Industries & Operations



William ROZÉ  
Altran



J.R. MAGARZO  
EY, Capgemini



Rick PADINHA  
IBM



Thierry VOISIN  
Capgemini



Dan DARGHAM  
IBM



Harmeet CHAUHAN  
HCL, Microsoft



Dietmar WENDT  
IBM, T-Systems



M. PATRIGNANI  
Altran



Scott HOUGHTON  
AMD,  
Open-Silicon



Daniel CHAFFRAIX  
IBM, Capgemini



## Transformation & Delivery



Helen CHERRÉ  
Airbus



Sanjeev VARMA  
Sopra Steria



Mark PHILLIPS  
IBM



Meryem CHAMI  
OCP



Mohan RANGAN  
Hughes Software



Chandra REDDY  
Wipro



Albin JACQUEMONT  
Carrefour, Suez



## Finance



Olivier SERGENT  
Technip, Nokia



Eric JOHNSON  
IBM

...



# OPERATIONAL EXCELLENCE

## STILL A LEVER FOR MATERIAL MARGIN IMPROVEMENT

### ASSESSMENT TO DATE

- Business discipline **delegated to 20+ countries**, driving to **contrasted business performance**



### NEW EXECUTION GOVERNANCE: JULY 2018

- Group COO, North America
- Group COO, Europe
- Group Program Office, Global

### 3 TOP PRIORITIES

**Mainstream business  
excellence &  
Talent acquisition**

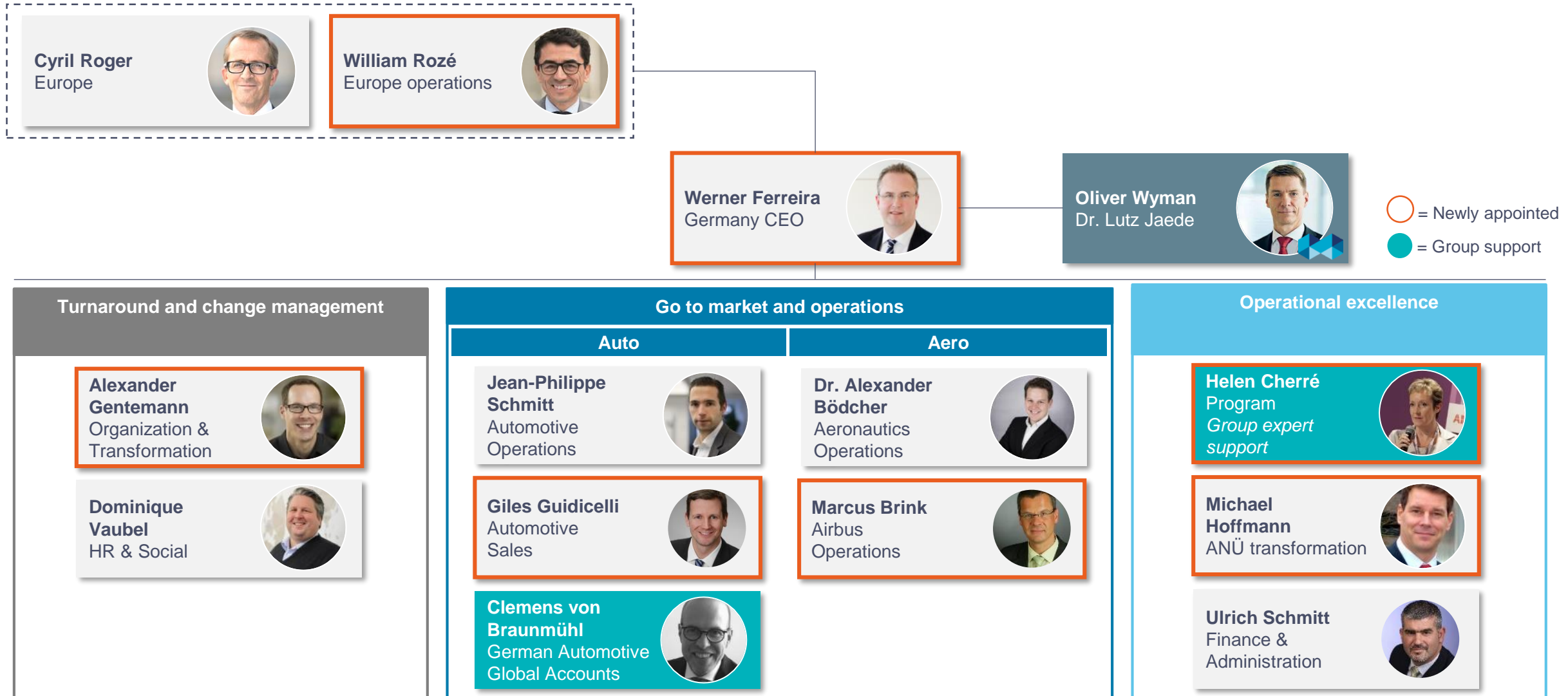
**Complex Program  
performance**

**Germany turnaround  
Task force**



04

# REINFORCED GERMANY MANAGEMENT (2018)





# 2018-20 GERMAN TURNAROUND EXECUTION PATH

KPIs	German cluster YE 2017		German cluster min. target 2020	Group YE 2017	Improvement levers
Gross margin (%)	c. 21%	>	c. 25%	c. 29%	<ul style="list-style-type: none"> <li>• <b>Utilization task force</b> to restore invoicing rate from 81% to c. 85% (group benchmark at 88%)</li> <li>• <b>Reinforced program management</b> to optimize delivery</li> <li>• Increase share of <b>Industrialized GlobalShore®</b></li> <li>• <b>Prioritize profitable projects</b> and increase DSR</li> </ul>
SG&A (%)	c. 22%	>	c. 19%	c. 18%	<ul style="list-style-type: none"> <li>• <b>G&amp;A transformation</b> to converge towards Group benchmark</li> </ul>
EBIT (%)	c. -1%	>	c. 6%		



**From  
Ignition...**

**...To  
The High Road**



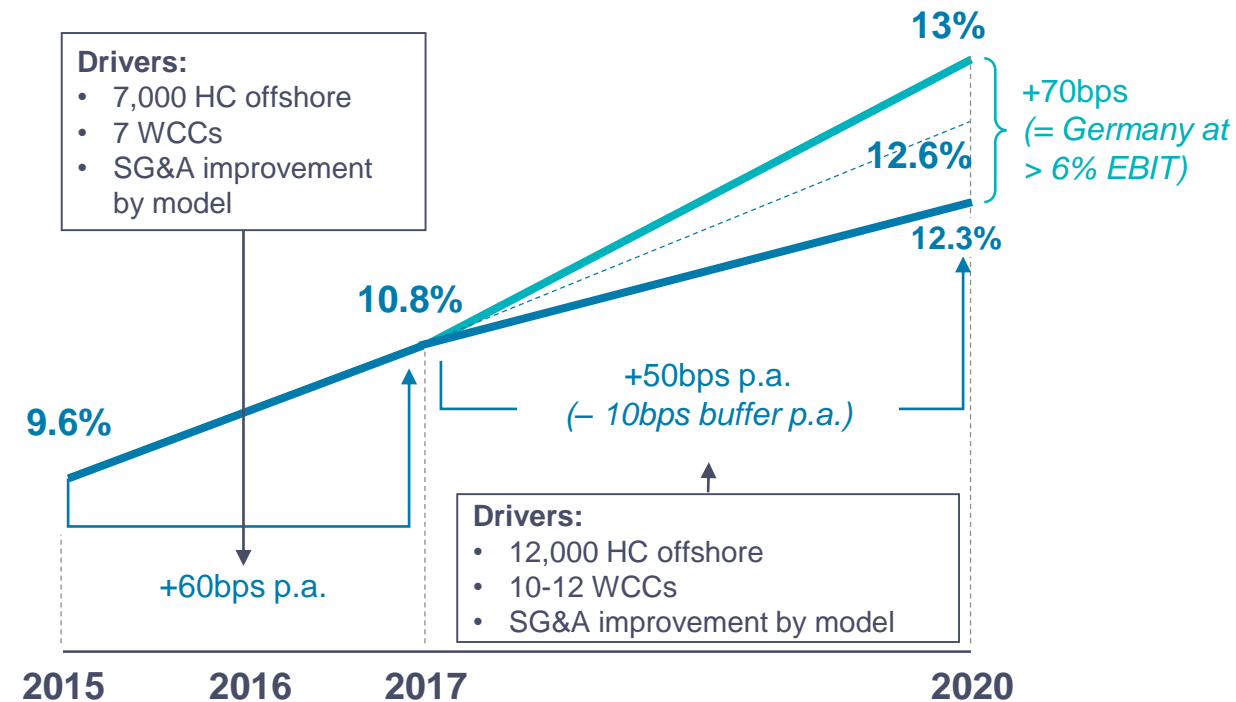


# STATUS OF ALTRAN 2020. IGNITION PRIOR TO ARICENT ACQUISITION

ON TRACK TO €3B REVENUES IN 2020 ✓

	Ignition 2020 target	Achieved 2015-2017
Economic Growth	4.5% p.a.	5.7% p.a.
Acquisitions	€500m	c. 50% after 2 years

ON TRACK TO 13% EBIT IN 2020 ✓





# 4.

## Our Commitment

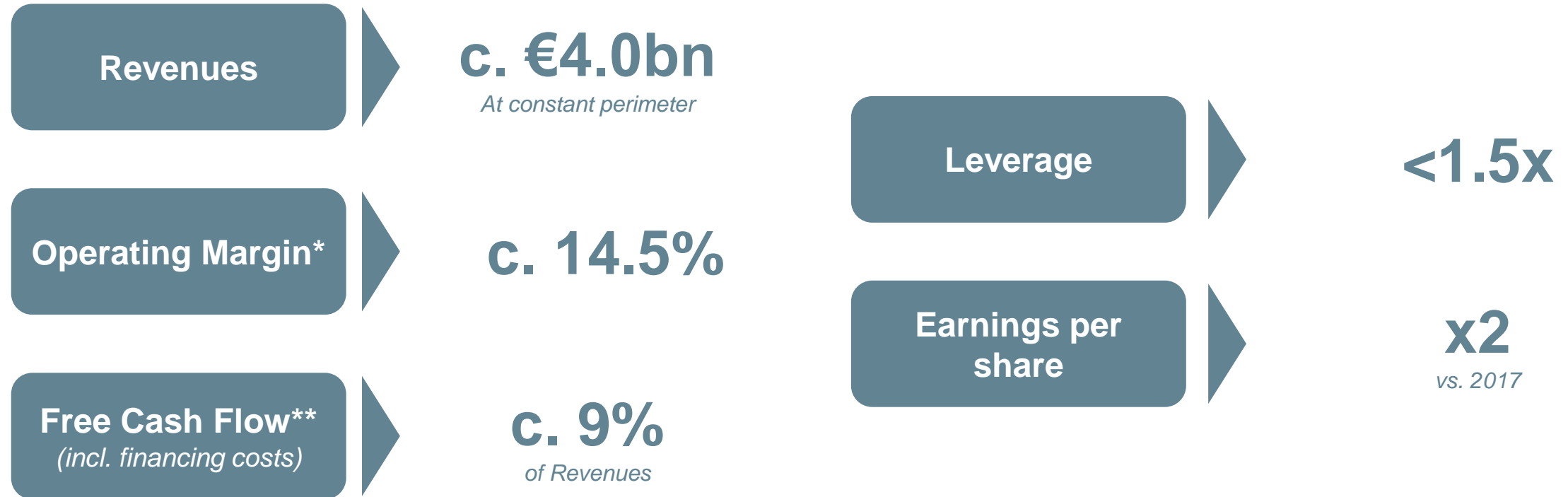
Superior & sustainable value creation

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# 2022 FINANCIAL OBJECTIVES: FOCUS ON PROFITABLE GROWTH AND DELEVERAGING

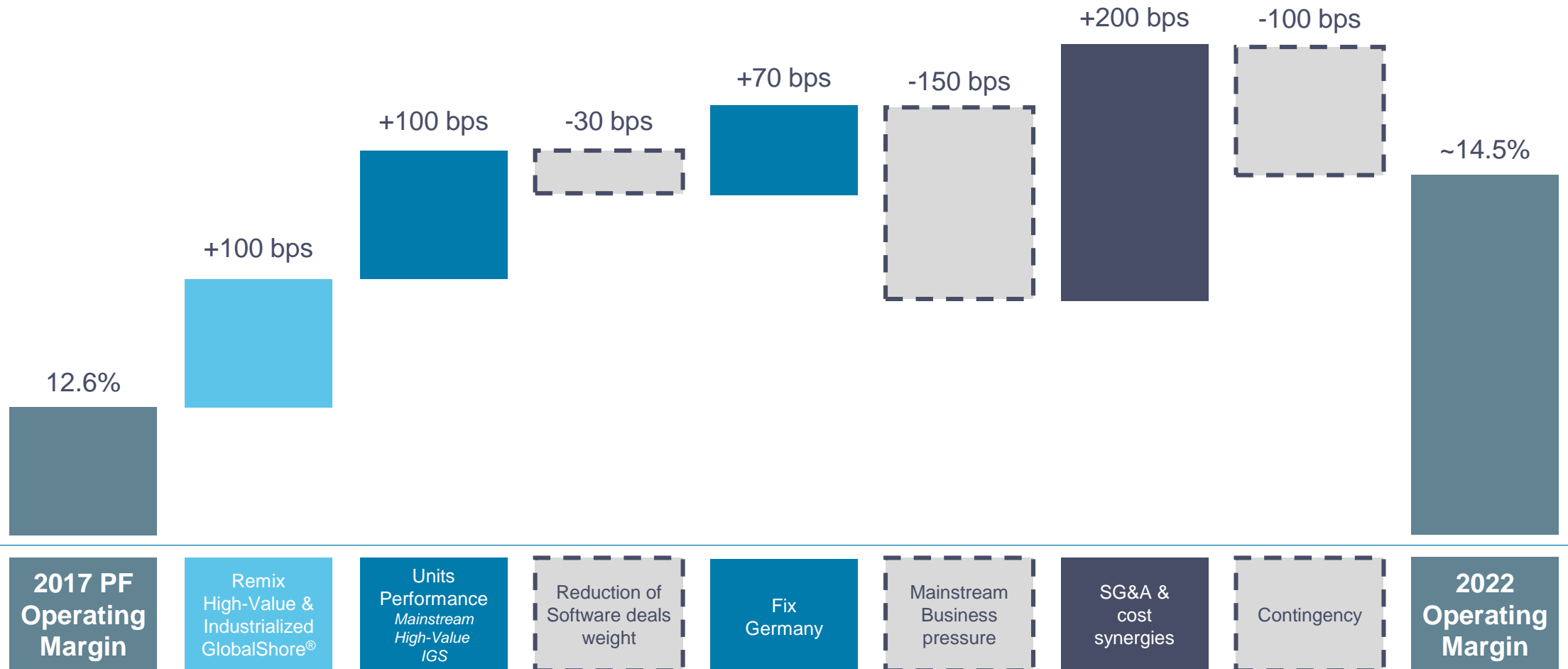


\*Operating Margin is defined as Operating Income plus Amortization of intangibles assets arising from business combinations plus Non-recurring items plus Share-based compensation.

\*\* 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, minus impact of cash commitments from large software outsourcing deals.



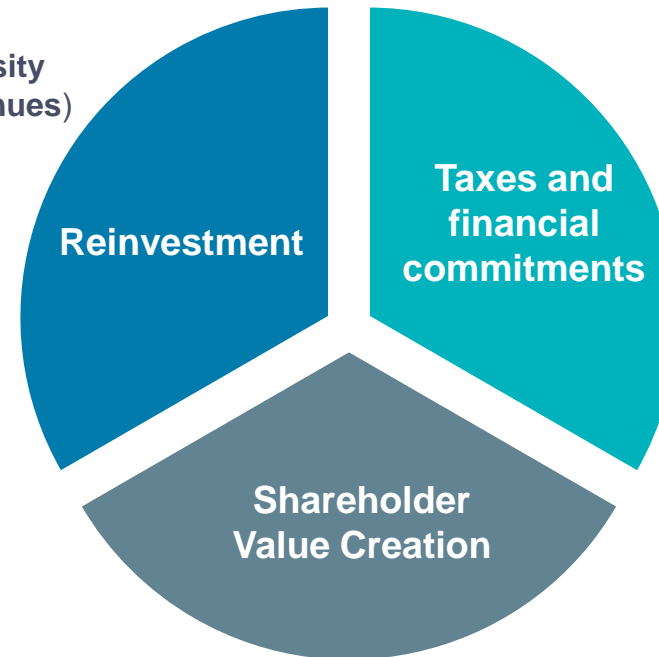
# 2017-2022 OPERATING MARGIN BRIDGE





# BALANCED CAPITAL DEPLOYMENT ENABLING DELEVERAGING

- Enable the integration, capture synergies and cost savings
- Support business expansion with working capital
- Invest with discipline in the business (capital intensity c.2% of revenues over the plan / D&A c. 2% of revenues)



- Pay financial costs (decreasing with deleveraging)
- Extinguish Aricent cash commitments (decreasing each year and ending in 2021)
- Revamp tax structure and benefit from improving tax environment

- Prioritize deleveraging: below 2.5x in 2020 and below 1.5x in 2022
- Maintain cash above EUR 250m and gradually repay debt
- Return value to shareholders in line with past practice





**CLOSING REMARKS**

**THE HIGH ROAD, ALTRAN 2022**