ACTIA®

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PRESS RELEASE

2019 Annual Results

Toulouse, 31 March 2020 at 7 am

In € millions, IFRS, audited	2019(1)	2018	Var.
Revenue	**520.4**	**476.5**	+9.2%
EBITDA(2)	**45.8**	29.9	+55.1%
as a % of revenue	*8.8%*	*6.2%*	
Operating income	**16.3**	**9.6**	+70.0%
as a % of revenue	*3.1%*	*2.0%*	
Financial result	(3.9)	3.4	-215.2%
Net income	**8.7**	**9.2**	-5.1%
as a % of revenue	*1.7%*	*1.9%*	
Net income, Group share	8.6	9.0	-4.7%
Debt / Equity	**138.1%**	**126.9%**	

(1) The individual and consolidated financial statements were approved by the Executive Board at a meeting held on 30 March 2020 and submitted to the Supervisory Board on the same day.
(2) EBITDA: net income + tax + impairment of goodwill + interest and financial charges + provisions for depreciation +/- financial instruments

2019 revenue reached €520.4 million, an increase of €43.9 million or 9.2% compared to 2018, in line with the annual objective of €520 million. With a declining automotive market in 2019, ACTIA Group was able to grow thanks to the diversification of its Automotive Division, while achieving similar levels as in 2018 with the Telecommunications Division.

While finalising the major capital expenditure programme initiated at end 2017 and despite the ongoing supply difficulties in the components market, internal measures and the ramping up of new automotive contracts resulted in a 70.0% increase in the Group's operating income.

❖ 2019 ACTIVITIES & RESULTS

In 2019, international sales represented 75.7% of the Group's revenue. Apart from Egypt (telecommunications contract), they continued to be buoyed up by the growth in the automotive business in the United States, where ACTIA opened an industrial facility at end 2018, as well as in Belgium and Germany and, in general, by the performance in Europe and China.

The **Automotive Division** (89.1% of Group sales) saw an improvement of 10.9% with sales reaching €463.5 million and the growth spread evenly across the 3 areas of activity (OEM, Aftermarket, MDS), despite a sharp slowdown at the end of the year in automobiles and trucks. In the OEM segment (76.5% of the Automotive Division's sales, up by 10.5%) telematics solutions enjoyed strong growth resulting in a better balance between the historic light vehicle contract and the many commercial successes of the past few years for specialist vehicles (off-highway, buses and coaches). The Aftermarket segment (12.1% of the division, up by 13.2%) had a good second half driven by sales of technical inspection products following the EquipAuto trade fair and a new contract in the Philippines, more than offsetting the decline in garage equipment. MDS (11.4% of the division, up by 10.7%) once again benefited from ACTIA's considerable development and production capacity with a high quality and faithful customer base.

Gradually offsetting the overwhelming importance of the historic light vehicle contract, the steady growth of the new contracts is improving the product mix. This, combined with the modernisation of production facilities and systems, and the measures taken to optimise purchasing and industrial processes, meant that EBITDA grew by 64.9% to €39.4 million, equivalent to 8.5% of the Automotive Division's sales.

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ABOUT ACTIA

ACTIA Group is a mid-market company (ETI) founded in 1986. It is at once a family and an international business whose head office is located in France. This family aspect guarantees the long-term future of the Group and its independence with an ever present entrepreneurial spirit. ACTIA's business is to design and produce the electronics that control systems in the particularly demanding fields of the automotive industry, rail, aeronautics, the aerospace industry, defence, energy and telecommunications.

The commitments made by ACTIA can be seen in the Group's ambitious contributions to tackling challenges that currently face society: mobility, connectivity, safety and the environment. Control over the design and production of products bearing the ACTIA signature is a true guarantee of quality. All Group employees share this demanding approach to quality in an environment that is fully certified.

Consolidated key figures

- 2019 revenue: €520.4 million.
- Over 3,800 employees around the world, including nearly 1,100 engineers and technicians working in R&D.
- Present in 16 countries.
- 14 to 17% of revenue reinvested every year in R&D.

Stock markets

- Euronext C
- ISIN FR0000076655 – Mnemonic: ATI
- Reuters: MRSP.PA – Bloomberg: AIELF: FP
- Indices: ENT PEA-PME150 – CAC PME – CAC Small – CAC Mid & Small – CAC Industrials – CAC EL.&EL.EQ – TECH 40 – Gaïa-Index

Taking into account the investments made to improve the efficiency of its production facilities in France, Tunisia and the United States, and that of its R&D centres in France and Tunisia, the division, which in 2019 also obtained ISO 27001 certification for its production of electronics and software, saw its operating income more than double to €12.5 million, an increase of 153.0%, to reach 2.7% of sales as opposed to 1.2% in 2018.

The **Telecommunications Division** (revenue of €56.8 million, or 10.9% of Group sales) whose turnover jumped in 2018 by 49.7% over 2017, was able to maintain its level of business in 2019, with a slight drop of 2.5%. It continued to be driven by a 13.6% growth in SatCom sales thanks to the major contract in Egypt, while developments in the areas of Energy and Rail were postponed to 2020, and the non-strategic and insignificant IRT business (just 2.8% of the division's revenue) is being wound down. Given the situation, the Telecommunications Division, which otherwise has an increasingly international focus (53.6% of sales in 2019, 43.2% in 2018 and just 8.5% in 2017), achieved EBITDA of €6.0 million, equivalent to 10.5% of revenue (12.0% in 2018) and operating income of €3.6 million, equivalent to 6.3% of revenue (8.9% in 2018).

In 2019, the Telecommunications Division, anticipating the end of shipments to Egypt, consolidated its order book with an extension of the country's satellite programme and a new military contract in France. Further positive outcomes are expected in 2020.

❖ RESULTS AND CONSOLIDATED FINANCIAL SITUATION

In line with its business plan and the commitments made in 2019, ACTIA has maintained its growth trajectory while activating a number of levers to improve its profitability: Group EBITDA reached €45.8 million, a year-on-year increase of 55.1%, and equivalent to 8.8% of consolidated revenue (6.2% in 2018).

At end 2018, ACTIA undertook a major capital expenditure programme in terms of industrial infrastructure with the acquisition of €48.8 million in capital assets in 2019 following on from €52.3 million in 2018 and in R&D capacity. These investments contribute towards improved management of the development and production cycles and are reflected in the 42.0% increase in provisions for depreciation to a total of €29.4 million, of which €4.3 million is due to the application of the new IFRS 16 on leasing contracts. The investments have been accompanied by a new Product Lifecycle Management (PLM) solution, prior to the finalisation of the deployment of the new ERP system, which is still planned for 2020. The optimisation of the purchasing and logistics processes has limited the increase in purchases consumed to 7.4%, or a total of €288.1 million. Currency fluctuations (EUR/USD) resulted in an exchange gain on ongoing operations of €3.1 million, as opposed to a loss of €0.4 million in 2018, underscoring the pertinence of the hedging strategy in a very volatile market.

Personnel costs of €123.1 million were up by 11.7% as ACTIA continued to recruit and retain expert profiles in Europe and Tunisia, but also in the United States in response to the needs of its new venture. Group headcount grew from 3,697 at end 2018 to 3,854 at end 2019, an increase of 4.2%. The restatement of leasing contracts due to IFRS 16 resulted in a 1.9% decrease in external costs to €77.7 million, which hides the limited use of outsourcing (up by only 2.7%), made possible by bringing forward recruitment and a further decrease in transport costs as a result of the gradual return to normal of the components market and the Group's ongoing efforts. The warranty costs linked to high volume contracts rose by €4.2 million.

For the past 2 years, the renewal of the portfolio of activities which is intended to improve diversification into high added value segments, has been reflected in the progress on R&D programmes, where expenses rose by a modest 2.7% over the period. However, a slight decrease in the rate of capitalisation and a drop in the level of reinvoicing to customers to 32.9% (compared to 36.2% in 2018) has resulted in a 16.3% increase in the costs included in the income statement. This cyclical effect is partially offset by the 21.2% increase in the Research Tax Credit (CIR) to €4.7 million.

In a components market that is still below capacity, but taking into account a gradual improvement in the product mix, the effectiveness of the measures taken and the optimisation of the systems, the Group's operating income grew by 70.0% to reach €16.3 million, or 3.1% of Group revenue, compared to €9.6 million and 2.0% of Group revenue in 2018.

In 2019, the financial result of a negative €3.9 million is due mainly to interest and financial charges; in 2018, it took into account a favourable valuation of forex hedging instruments at 31 December. After taking into account a tax charge of €3.7 million, as opposed to €2.9 million at end 2018, 2019 net income comes in at 5.1% below that of 2018 at €8.7 million, compared to €9.2 million.

The increase in net debt to €193.9 million at end 2019, compared to €168.6 million at end 2018, is mainly related to the €16.0 million impact of IFRS 16 and the end of the capital expenditure programmes. Group operations generated cash flow of €44.0 million in 2019, thus covering its investments at €43.5 million, and leaving free cash flow of €0.1 million, which should be compared to a negative €48.4 million in 2018. Despite an 18.4% increase in inventories to €161.1 million, WCR improved slightly thanks mainly to the setting up of a deconsolidating factoring contract with the subsidiary in Sweden. Capital expenditure is now forecast to diminish with the completion in early 2020 of the modernisation and expansion programme begun in 2017. In view of the new arrangements put in place in 2019, banking covenants have been respected.

❖ 2020 OUTLOOK

ACTIA intends to pursue the deployment of its strategy to ensure continued diversification into complementary areas and an international positioning in high added value equipment and solutions.

In response to the challenge posed by the coronavirus, on 18 March 2020 ACTIA published a release (go to: https://www.actia.com/fr/investisseurs/actualites-investisseurs): the situation has not substantially changed since then and it remains impossible at this stage to assess the impact that the economic slowdown will have on the sales of ACTIA Group's customers in 2020. Before the pandemic, in view of its order book and commercial successes, ACTIA had forecast continued growth in 2020, albeit at a slower pace than in 2019.

It will be possible to publish clearer financial data as the year progresses and depending on the way the pandemic evolves; a web site containing information for customers, suppliers and employees can be found at https://covid19.actia.com.

FUTURE DATES

Q1 2020 turnover: Wednesday 13 May at 7 am

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