LECTRA

# Press Release

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## First Half 2019: Earnings lower than Company expectations

- Revenues: €137.2 million (-4%)*
- Income from operations: €17.4 million (-8%)*
- Net income: €12.6 million (+3%)
- Free cash flow: €12.5 million
- Net cash: €104 million

** Like-for-like*

| In millions of euros | April 1 – June 30 | | January 1 – June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | 70.2 | 73.0 | 137.2 | 140.2 |
| *Change like-for-like (%)(1)* | *-6%* | | *-4%* | |
| Income from operations | 9.5 | 9.8 | 17.4 | 17.0 |
| *Change like-for-like (%)(1)* | *-11%* | | *-8%* | |
| Operating margin (in % of revenues) | 13.6% | 13.5% | 12.7% | 12.1% |
| Net income | 6.9 | 6.9 | 12.6 | 12.3 |
| *Change at actual exchange rates (%)* | *0%* | | *+3%* | |
| Free cash flow | 2.7 | 5.0 | 12.5 | 7.5 |
| Shareholders' equity(2) | | | 172.0 | 170.4 |
| Net cash(2) | | | 104.0 | 102.2 |

*(1) Like-for-like: 2019 figures restated at 2018 exchange rates*
*(2) At June 30, 2019 and December 31, 2018*

**Paris, July 29, 2019**. Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the consolidated financial statements for the first half of 2019, after a limited review by the Statutory Auditors.

*(Comparisons between 2019 and 2018 are like-for-like, unless stated otherwise).*

### Q2 2019: Significant decline in orders for new systems

The second quarter was marked by the intensification of the trade wars between the United States and China and between the United States and Mexico, alongside fears of slower growth. This situation has led more and more companies, in all Lectra market sectors, to exercise greater caution, prompting them to reduce or delay their investment decisions.

In these circumstances, orders for new systems (€26.5 million) were 22% lower than in Q2 2018. At actual exchange rates, they decreased by 21%.

Revenues (€70.2 million) were down 6% (-4% at actual exchange rates).

Income from operations amounted to €9.5 million, down 11% (-3% at actual exchange rates) and the operating margin (13.6%) decreased by 0.8 percentage points (it increased by 0.1 percentage points at actual exchange rates).

Net income (€6.9 million) was stable at actual exchange rates compared to Q2 2018.

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# First Half 2019

## Positive impact of currency changes

With an average exchange rate of $1.13/€1 in H1, the US dollar was up 7% compared to H1 2018 ($1.21/€1), while the yuan strengthened by 1% against the euro.

Currency changes thus mechanically increased revenues by €2.9 million (+2%) and income from operations by €1.8 million (+12%) at actual exchange rates compared to like-for-like figures.

## Lower than expected orders for new systems

In a degraded macroeconomic environment, orders for new systems (€53.9 million) were down 15% compared with H1 2018: new CAD/CAM and PLM software licenses were stable, equipment and accompanying software decreased by 18%, and training and consulting by 12%. Orders for subscriptions, in particular for new Software-as-a-Service (SaaS) offers, accounted for 18% of the total amount of software orders in H1. Their total annual value amounted to €0.7 million (€0.5 million in H1 2018).

## Decline in revenues and income from operations

Revenues (€137.2 million) decreased by 4% (-2% at actual exchange rates).

Revenues from software licenses, equipment and non-recurring services (€53.5 million) decreased by 16%, recurring revenues (€83.7 million) increased by 5%.

Income from operations (€17.4 million) was down 8% (up 2% at actual exchange rates).

The operating margin (12.7%) decreased by 0.5 percentage points (it increased by 0.6 percentage points at actual exchange rates).

Net income (€12.6 million) increased by 3% at actual exchange rates.

## Strong growth in free cash flow – a particularly robust balance sheet

Free cash flow amounted to €12.5 million (€7.5 million in H1 2018).

Consolidated shareholders' equity came to €172 million.

Cash and cash equivalents, as well as net cash position, totaled €104 million, after payment of the dividend of €12.8 million.

# Acquisition of the Belgian company Retviews

On July 15, 2019, the Company announced the acquisition of the Belgian company Retviews (see press release dated July 15, 2019).

# 2019 outlook revised downward

In its February 12, 2019 Financial Report and its 2018 Annual Report, to which readers are invited to refer, the Company reported its long-term vision and its 2019 outlook.

Lectra entered 2019 with a particularly robust balance sheet and operating fundamentals, a new organization of its subsidiaries, and a strengthened Executive Committee. The Company significantly enhanced its products and services offer in 2018, with new innovative solutions to empower its customers in implementing the principles of Industry 4.0. They are being rolled out progressively and will be available worldwide by the end of 2019.

At the start of the year, the Company set objectives of achieving revenue growth of 3% to 7% in 2019, like-for-like, with growth in income from operations before non-recurring items down 4% in the low assumption and up 4% in the high assumption.

The shortfall in orders for new systems in the first half of the year relative to the Company's expectations will not allow the Company to achieve its objectives in 2019, especially as the current weak level of orders could continue. In this context, the Company now anticipates a decline of 1% to 5% in revenues and 4% to 14% in income from operations before non-recurring items, like-for-like.

On the date of this report, visibility remains very limited. Nevertheless, an improvement in the business climate, particularly in the event of agreements in the trade disputes between the United States and China, and between the United States and Mexico, could result in a rebound in investments by the Company's customers.

Bolstered by the strength of its business model and its roadmap fully geared to the demands of Industry 4.0, the Company remains confident in its prospects for the medium term.

*The 2018 Annual Financial Report and the 2018 Annual Report, as well as the Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for H1 2019 are available on lectra.com*
*Q3 and first nine months 2019 earnings will be published on October 30, 2019.*

*For companies that breathe life into our wardrobes, car interiors, furniture and more, Lectra is crafting the premium technologies that facilitate the digital transformation of their industry. Lectra's offer empowers brands, manufacturers and retailers, from design to production, providing them with the market respect and peace of mind they deserve. Founded in 1973, today Lectra has 32 subsidiaries across the globe, serving customers in over 100 countries. With more than 1,700 employees, Lectra reported revenues of $333 million in 2018. Lectra is listed on Euronext Paris (LSS).*

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