Atos

Press release

H1 2023 results

Continued operational improvement drives robust H1 results:

- Solid commercial traction in Q2 results in 112% book-to-bill
- Strong revenue growth at Eviden and managed decrease at Tech Foundations drive +2.3% Group organic growth in H1
- Operating margin reaches 3.8%, more than tripling compared to H1 2022

Full-year outlook upgraded and precised:

- Organic revenue growth outlook upgraded to 0.0% to +2.0%
- Operating margin outlook confirmed, at 4% to 5%
- Free cash flow expected broadly similar to H1, at €-969m, reflecting high pace of major transformative actions carried out throughout the year and working capital normalization as announced at the June 2022 CMD

Major milestones in transformation project achieved:

- Internal operational carve-out completed
- €700m divestment program now fully secured and expanded by an additional €400m

Paris, July 28, 2023 - Atos, a global leader in digital transformation, high-performance computing and information technology infrastructure, today announces its financial results for the first half of 2023.

Atos' leadership team, Nourdine Bihmane, Diane Galbe and Philippe Oliva, declared: *"Atos H1 results reflect our continued operational improvement and demonstrate the effectiveness of our strategy. Our robust H1 organic growth prompted an upgrade to our full-year outlook, and our operating margin more than tripled compared to H1 last year, thanks to strong execution of our transformative initiatives. While we improved our underlying operational cash generation by €144 million, our free cash flow reflects the intense pace of delivery on our major transformative actions carried out through 2023, including margin expansion through restructuring and tackling underperforming contracts, internal carve-out and working capital normalization. We have achieved key milestones in our strategic project, notably the successful completion of separating our internal operations into two entities, enabling us to sharpen our focus, enhance our agility and better serve our customers. Within a 12-month timeframe, we have also fully secured our €700 million disposal program of non-core businesses, which has streamlined our portfolio and contributed to the financing of our ongoing transformation. We would like to express our gratitude to all Atos teams for their unwavering dedication and commitment, which have played a decisive role in the results achieved so far."*

In € million	**H1 2023**	**H1 2022**
Revenue	**5,548**	5,563
Organic growth	*+2.3%*	*-2.1%*
Growth at constant currency	*+0.5%*	*-0.6%*
Operating Margin	**212**	59
In % of revenue	*3.8%*	*1.1%*
OMDA	**487**	369
In % of revenue	*8.8%*	*6.6%*
Normalized Net income (loss)	-113	-119
Net income (loss)	-600	-503
Free Cash Flow	**-969**	-555
Net debt	2,321	1,792

H1 2023 performance highlights

Strong commercial traction in Q2

Commercial traction improved significantly in Q2, with a 112% **Book-to-bill** at the Group level, compared to 73% in Q1. The implementation of distinct go-to-market strategies for the two perimeters is producing tangible results. **Eviden**'s book-to-bill was 119% in Q2, well balanced between Digital, Big Data and Cybersecurity, with a solid order entry (+50% vs. Q1 2023) showcasing the strong differentiating factors that set Eviden apart, including unique secured cloud migration capabilities and deep expertise in selected industries. As an illustration Eviden won a contract with a major healthcare company in the US for public cloud migration combining application development and cybersecurity. In Q2, Eviden also continued to focus on short-term revenue generation contracts (48% of Q2 order entry was made of contracts with durations below 18 months).

Tech Foundations' book-to-bill was 106% in Q2, exceeding 100% for the first time since the business line was created in Q2 2022, compared to 67% last year. Tech Foundations began reaping the benefits of its refocused go-to-market strategy, improving fertilization of its top 100 accounts and successfully driving revenue retention, notably in the US where Tech Foundations secured major long-term contract renewals in Q2, demonstrating its ability to foster long-lasting customer relationships. As an example, Tech Foundations renewed a contract with the Texas Department of Information Resources for private cloud and mainframe-as-a-service, delivering adaptative, resilient and cost-effective services to over 35 state agencies.

Robust organic revenue growth

Group revenue was €5,548 million in H1 2023, up +2.3% on an organic basis, as robust business trends continued into Q2. **Eviden** delivered +7.0% organic growth in H1 (+4.6% in Q2). Digital Security achieved strong growth, fueled by Eviden's leadership and innovation in cybersecurity. In June 2023, Eviden partnered with AWS to launch AIsaac Cyber Mesh, a cutting-edge cybersecurity detection and response solution powered by generative AI technologies. Advanced computing grew strongly, driven by HPC and high-end servers designed for artificial intelligence and machine learning. Despite some impacts from contract portfolio rationalization in H1 2023, Digital's organic growth improved significantly compared to the same period last year, driven by smart platforms and cloud transformation services, along with positive trends in the public sector in Europe.

Tech Foundations' core business revenue[1] was broadly stable in H1 (-0.1% organic). The decline of Hybrid Cloud & Infrastructure continued to soften, while other core business lines posted moderate growth. Simultaneously, Tech Foundations remained committed to reducing non-core activities (BPO, hardware & software resale) as part of its ongoing portfolio reshaping efforts. UCC, in the process of being divested, grew its revenue in H1. As a result, Tech Foundations recorded a slight organic decrease of -1.6% in total revenue in H1 2023.

At the Group level, changes in perimeter accounted for -1.7%, primarily reflecting the divestment of Atos Italian operations, finalized on April 3, 2023, and of Russian activities in September 2022. Foreign exchange contributed -0.8%, mainly reflecting the depreciation of the Pound Sterling against the Euro over the period.

Strong improvement in operating margin

Operating margin was €212 million, or 3.8% of revenue, a strong improvement compared to H1 2022 (€59 million or 1.1% of revenue). **Eviden**'s operating margin was € 138 million, or 5.3% of revenue, a substantial increase compared to 3.5% in H1 2022. Despite continued cost inflation, Eviden demonstrated improvements across all activities, resulting from effective cost take-out actions, portfolio rationalization, and higher fixed costs absorption in Advanced Computing.

[1] Excluding UCC, Italian operations, BPO and hardware and software resale

Tech Foundations' operating margin amounted to €73 million, or 2.5% of revenue, compared to -1.0% in H1 2022. Tech Foundations is making steady progress on its comprehensive margin expansion plan targeting €1.2 billion in gross benefits by 2026. As of June 2023, 32% of this target has already been achieved, translating into a € 230 million gross increment in operating margin in H1 2023 alone, partly offset by cost inflation, backfills and revenue decrease. This achievement was primarily driven by 900 headcount reductions in high-cost countries during H1, bringing the total to c. 1,600 since the plan's inception.

Free cash flow and net debt

Atos' **adjusted cash flow from operations**[2] showed a notable €144 million improvement, at €-200 million in H1 2023, compared to H1 2022 (€-344 million), demonstrating the tangible progress made in enhancing the Group's underlying operational cash generation through better OMDA and strict control of capital expenditure and leases. Including the impact of transformative actions and associated costs (€-274 million), as well as a one-off working capital normalization impact in the context of the Group's transformation (approximately €-250 million), **free cash flow** was €-969 million in H1 2023.

Net debt was €-2,321 million at the end of June 2023, compared to €-1,792 million at the end of June 2022.

2023 full-year outlook

In 2023, **Group revenue organic growth** is now expected between 0.0% and +2.0% (previously: -1.0% to +1.0%), with an acceleration of Eviden's organic growth compared to 2022 and a managed reduction of Tech Foundations' revenue resulting from portfolio reshaping.

Group operating margin[3] outlook remains unchanged, at 4% to 5%. Eviden's operating margin is expected to increase compared to 2022, while Tech Foundations' operating margin is expected in positive territories.

Free cash flow for the full year is expected to remain broadly similar to that of H1.

Major achievements in strategic transformation project

Completion of operational carve-out

Atos announces the completion of its internal operational carve-out within a 12-month timeframe. This is a decisive step in the execution of Atos' strategic transformation project.

Primary local carve-outs and underlying separation activities have been successfully executed in all countries[4]. These include legal entity operationalization, and the transfer of employees, contracts, assets and liabilities to new legal entities where legal and regulatory laws allow.

As a result, Tech Foundations and Eviden are now fully operational as separate entities within the Atos Group. Each entity has a distinct operating model, go-to-market strategy and a focused portfolio, enabling them to cater to specific customer needs. Atos has therefore completed the rollout of its new client-centric organization fostering innovation, performance and consistent value delivery to all of the Group's stakeholders.

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[2] Excluding one-off working capital normalization impact for approximately €-250 million
[3] At current perimeter, including UCC and EcoAct (transactions expected to close in H2 2023)
[4] Except for three countries representing 0.3% of Group revenue

€700 million divestment program fully secured and expanded by an additional €400 million

On July 3rd, 2023, Atos announced it had entered into exclusive negotiations with Schneider Electric for the sale of 100% of EcoAct. This proposed transaction, combined with the other divestments already successfully closed or secured, would allow Atos to complete its non-core businesses divestment program of €700 million set during the Group's Capital Markets Day on June 14, 2022. This achievement highlights Atos' determination to swiftly execute this program, which streamlines the Group's portfolio and contributes to the financing of its ongoing transformation.

When devising its divestment program and refining the scope of its two future entities, the Group identified additional opportunities to rationalize its portfolio, which have already garnered expressions of interests. As a result, the divestment program is expanded by an additional €400 million.

Human resources

Total headcount was 107,013 at the end of June 2023, down -3.4% compared to 110,797 at the end of December 2022 (-1.9% organically).

In H1 2023, Atos hired 8,431 new employees (gross), effectively offsetting voluntary attrition, which stood at 18% at the end of June on a trailing twelve-month basis, and 15% in Q2 alone. The reduction in Group headcount was due to restructuring and performance-related terminations, resulting in 2,404 exits in H1. Additionally, the divestment of Atos Italia in Q2 2022 accounted for a reduction of 1,647 employees.

Operating Margin to Operating Income

In € million	**H1 2023**	**H1 2022**
Operating margin	**212**	**59**
Reorganization	-430	-73
Rationalization and associated costs	-30	-33
Integration and acquisition costs	-4	-18
Total RRI costs	*-464*	*-124*
Amortization of intangible assets (PPA from acquisitions)	-60	-67
Equity based compensation	-14	-11
Impairment of goodwill and other non-current assets	-55	-91
Other items	-53	-64
Operating income (loss)	**-434**	**-298**

Operating income was €-434 million in the first half of 2023, compared to €-298 million in the first half of 2022.

Reorganization costs amounted to €-430 million in H1 2023, reflecting intensified workforce adaptation actions, within Tech Foundations, including the accrual of a restructuring plan in Germany, as well as within Eviden. They also included one-off costs associated with the internal carve-out, which was successfully finalized in July 2023.

Other items amounted to €-53 million in the first half of 2023, compared to €-64 million in the first half of 2022, and included legal costs and the impacts of a vendor contract renegotiation.

Operating income to Net income Group share

In € million	H1 2023	H1 2022
Operating income (loss)	**-434**	**-298**
Net financial income (expense)	-103	-129
Tax charge	-65	-77
Share of net profit (loss) of equity-accounted investments	2	-
Net Income Group Share	**-600**	**-503**
Normalized Net Income Group Share	**-113**	**-119**
Basic earning per share	-5,42	-4,55
Diluted earning per share	-5,42	-4,55

Net financial expense amounted to €-103 million in the first half of 2023, compared to €-129 million in the first half of 2022 (which included a €-109 million loss related to the disposal of Worldline shares in June 2022). Cost of net financial debt increased to €-40 million in the first half of 2023, compared to €-13 million in the first half of 2022.

Free cash flow and net debt

In € million	H1 2023	H1 2022
Operating Margin before Depreciation and Amortization (OMDA)	**487**	**369**
Capital expenditures	-110	-123
Lease payments	-181	-207
Change in working capital requirement	-645	-383
Cash flow from operation (CFO)	**-450**	**-344**
Adjusted CFO – excl. WC normalization	***-200***	***-344***
Tax paid	-40	-21
Net cost of financial debt paid	-40	-13
Reorganization, Rationalization & Integration costs	-274	-113
Other changes	-165	-64
Free Cash Flow (FCF)	**-969**	**-555**

OMDA was €487 million in H1 2023 (8.8% of revenue), a 32% increase compared to H1 2022, resulting from revenue growth and operating margin improvement.

Capital expenditure and lease payments decreased to €-293 million in total, representing 5% of revenue (compared to 6% in H1 2022), reflecting capex optimization measures as well as the gradual evolution of the Group's business mix towards less capital intensive activities.

Change in working capital requirement was €-645 million, including an impact from working capital normalization in the context of the Group's transformation, as anticipated at the June 14th, 2022 Capital Markets Day, for c. €-250 million.

Excluding the one-off working capital normalization impacts, **adjusted cash flow from operations** was €-200 million in H1 2023, a notable improvement compared to H1 2022. This demonstrates the tangible progress made by Atos in enhancing its underlying operational cash generation.

Reorganization, rationalization and integration costs amounted to €-274 million, reflecting the ramp-up of transformative actions and associated costs.

Other changes, for €-165 million, included costs incurred on legacy onerous contracts for which provisions were recorded in 2021 and in 2022.

Items below free cash flow mainly included proceeds from disposals for €218 million and a negative €-59 million impact from foreign exchange fluctuations.

Net debt position as of June 2023 was €-2,321 million (compared to €-1,792 million at the end of June 2022), including €2.6 billion in gross cash. As of June 2023, Atos had access to €0.3 billion undrawn banking credit facilities.

Condensed consolidated financial statement

Atos Board of Directors in its meeting held on July 27, 2023, has reviewed the Group half-year consolidated financial statements closed at June 30, 2023. The Statutory Auditors have completed their usual limited review of the half-year condensed consolidated financial statements and an unqualified Auditors' report is in process to be issued.

Analyst and investor conference call

Atos' Management invites you to an international conference call on the Group first half 2023 results, on **Friday, July 28, 2023 at 09:00 am (CET – Paris)**.

You can join the **webcast** of the conference:

- via the following link: https://edge.media-server.com/mmc/p/asskej2s

- by telephone with the dial-in, 10 minutes prior the starting time. Please note that if you want to join the webcast by telephone, **you must register in advance of the conference** using the following link: https://register.vevent.com/register/BIc37aebd991a74fd0841095e7843f6e9f

  Upon registration, you will be provided with Participant Dial In Numbers, a Direct Event Passcode and a unique Registrant ID. Call reminders will also be sent via email the day prior to the event.
  During the 10 minutes prior to the beginning of the call, you will need to use the conference access information provided in the email received upon registration.

After the conference, a replay of the webcast will be available on atos.net, in the Investors section.

Forthcoming events

October 26, 2023	(Before Market Opening)	Third quarter 2023 revenue

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Appendix

H1 2023 revenue by Regional Business Unit

In € million	Revenue					Operating margin		Operating margin %	
	H1 2023	H1 2022	Variation	Var. at cst. curr.	Var. organic	H1 2023	H1 2022	H1 2023	H1 2022
Americas	1,311	1,353	-3.1%	-2.6%	-2.6%	133	73	10.1%	5.4%
Northern Europe & APAC	1,584	1,625	-2.6%	-0.2%	-0.2%	63	28	4.0%	1.7%
Central Europe	1,297	1,258	+3.1%	+2.4%	+4.8%	16	-30	1.3%	-2.4%
Southern Europe	1,211	1,198	+1.1%	+0.9%	+6.8%	58	40	4.8%	3.4%
Others & Global Structures	145	129	+12.6%	+21.4%	+21.4%	-58	-52	NA	NA
Total	**5,548**	**5,563**	**-0.3%**	**+0.5%**	**+2.3%**	**212**	**59**	**3.8%**	**1.1%**

Americas revenue decreased by -2.6% organically, resulting from the low level of order entry recorded in FY22, a trend that largely reversed, with a 164% book-to-bill in Q2 2023. The decline in Tech Foundations activities narrowed and was primarily attributable to a proactive reduction in underperforming contacts. Eviden's activities remained robust despite an element of market slowdown, while numerous opportunities lie ahead in the cloud and security markets. Operating margin improved markedly to 10.1%, thanks to cost structure adaptation measures carried out in H2 2022.

Northern Europe & APAC revenue was broadly stable year-on-year. Tech Foundations activities were slightly down due to the exit of a large BPO contract at the end of 2022, while the core business showed good resilience with the ramp-up of new contracts. Eviden's activities were slightly up thanks to robust trends in Digital particularly in the public sector, while Advanced Computing contracted due to fluctuations in HPC and Lab-as-a-service revenue. Operating margin improved to 4.0% in H1 2023, thanks to management actions conducted in 2022 to improve delivery, reduce costs and increase pricing.

Central Europe recorded a robust +4.8% organic growth (+2.4% at constant currency, primarily reflecting the exit of Russian operations in 2022). Eviden's activities reported high growth across the board, partially offset by the decline of Tech Foundations' activities driven by the reduction in value-added resale and a difficult infrastructure market in Germany. Operating margin turned positive at 1.3%, resulting from strong execution of Tech Foundations margin expansion plan, as well as higher margin on new business at Eviden.

Southern Europe recorded a strong +6.8% organic growth. Growth was high at Eviden, driven by Advanced Computing with the delivery of a significant HPC contract in Spain, as well as Digital Security. Tech Foundations activities were flat as growth in Digital Workplace and Technology Advisory & Customized Services compensated for the deliberate reduction in value-added resale. Scope impacts represented -5.9%, primarily reflecting the divestment of Italian operations in Q2 2023. As a result, revenue growth at constant currency was +0.9%. Operating margin improved to 4.8% thanks to renegotiation of underperforming contracts.

Others and global structures encompass Middle East, Africa, Major Events as well as two cost centers: the Group's global delivery centers and global structures. Revenue grew +21.4% organically supported by by double-digit growth in Africa and Middle East and Turkey. Operating margin, structurally negative, was stable.

Revenue at constant scope and exchange rates reconciliation

In € million	**H1 2023**	**H1 2022**	**% change**
Statutory revenue	5,548	5,563	-0.3%
Exchange rates effect		-45	
Revenue at constant exchange rates	**5,548**	**5,518**	**+0.5%**
Scope effect		-92	
Exchange rates effect on acquired/disposed perimeters		-3	
Revenue at constant scope and exchange rates	**5,548**	**5,423**	**+2.3%**
Statutory operating margin	212	59	+258.6%
Exchange rates effect		-4	
Operating margin at constant exchange rates	**212**	**55**	**+285.8%**
Scope effect		-5	
Exchange rates effect on acquired/disposed perimeters		0	
Operating margin at constant scope and exchange rates	**212**	**50**	**+326.7%**
as % of revenue	*3.8%*	*0.9%*	

Scope effects (including exchange rates effect on acquired/disposed perimeters) amounted to €-95 million for revenue and €-5 million for operating margin. They mainly related to the exit of Russia in 2022, and in 2023 to the divesture of Italy, and to a lesser extent to the divestiture of EGSE and Sislog.

Currency exchange rates effects negatively contributed to revenue for €-45 million and Operating margin for €-4 million. They mostly came from the depreciation of the Pound Sterling, the Argentine peso and the Turkish libra not compensated by the appreciation of the American dollar.

Order entry Backlog

Order entry was €5.1 billion in H1 2023, representing a book-to-bill ratio of 93% (compared with 87% in H1 2022). Book-to-bill improved markedly in Q2, to 112%, compared to 73% in Q1.

At the end of June 2023, the **full backlog** was € 19.6 billion, down €-0.5 billion compared to December 2022 excluding the impact from divestments. It represented 1.8 years of revenue.

The **full qualified pipeline** amounted to €6.9 billion at the end of June 2023, up €0.3 billion compared to December 2022 excluding the impact from divestments. It represented 7.6 months of revenue.

About Atos

Atos is a global leader in digital transformation with 107,000 employees and annual revenue of c. € 11 billion. European number one in cybersecurity, cloud and high-performance computing, the Group provides tailored end-to-end solutions for all industries in 69 countries. A pioneer in decarbonization services and products, Atos is committed to a secure and decarbonized digital for its clients. Atos is a SE (Societas Europaea) and listed on Euronext Paris.

The purpose of Atos is to help design the future of the information space. Its expertise and services support the development of knowledge, education and research in a multicultural approach and contribute to the development of scientific and technological excellence. Across the world, the Group enables its customers and employees, and members of societies at large to live, work and develop sustainably, in a safe and secure information space.

Disclaimers

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Revenue organic growth is presented at constant scope and exchange rates.

Regional Business Units include **Americas** including North America (USA, Canada, Guatemala and Mexico) and South America (Argentina, Brazil, Chile, Colombia, Uruguay, and Peru), **Northern Europe and APAC** including Northern Europe (United Kingdom & Ireland, Belgium, Denmark, Estonia, Belarus, Finland, Luxembourg, The Netherlands and Sweden) and Asia-Pacific (Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand), **Central Europe** (Germany, Austria, Bulgaria, Bosnia, Croatia, Czech Republic, Greece, Hungary, Israel, Poland, Romania, Serbia, Slovenia, Slovakia, and Switzerland), **Southern Europe** (France, Andorra, Spain, Portugal, and Italy) and **Rest of the World** including Middle East & Africa (Algeria, Benin, Burkina Faso, Egypt, Gabon, Ivory Coast, Kenya, Kingdom of Saudi Arabia, Madagascar, Mali, Mauritius, Morocco, Qatar, Senegal, South Africa, Tunisia, Turkey and UAE), Major Events and Global Delivery Centers.