

Tech Foundations Highlights Plan to Refocus, Recover and Rebound, and Upgrades Mid-Term Ambitions

- *Redefining portfolio around core activities and pivoting in industry-leading offerings with focus on higher growth segments and new go-to-market strategy*
- *Strong execution leading to improved outlook: revenue to bottom out in 2024 at c. € 5 billion, with 0-2% core revenue growth and ongoing managed decline in non-core business*
- *Executing a comprehensive margin expansion plan, targeting € 1.2 billion gross benefits by 2026 to bring operating margin to industry standard*
- *Over € 300 million higher cumulative cash flow for the next four years compared to original plan*
- *Upgrading mid-term ambitions to reflect strong delivery and faster transformation:*
 - *Revenue back to growth in 2026*
 - *6 - 8% operating margin in 2026*
 - *Cash flow¹ turning positive in 2025 and reaching over € 250 million in 2026*

Paris, June 7, 2023 - Tech Foundations, the Atos business leading in managed services, focusing on hybrid cloud infrastructure, employee experience and technology services, holds today an Analyst Day to highlight its proven transformation plan, leading to a clear and accelerated path to value creation and upgraded 2026 ambitions.

Nouridine Bihmane, Atos Group CEO and co-CEO in charge of Tech Foundations, declared: *"Over the past 12 months, the teams across Tech Foundations have been fully mobilized and dedicated to implementing a comprehensive plan to renew with a path to success. In just a short amount of time, we have managed to deliver better-than-expected results and have received overwhelmingly positive feedback from our stakeholders. At today's Analyst Day, we aim to provide additional insight into our transformation plan and how we envision Tech Foundations moving forward: a leader focused on its core businesses, an innovative actor able to seize new opportunities in growing markets and a pillar of tomorrow's IT. While our achievements to date are just the beginning, they allow us to continue with confidence and upgrade our mid-term ambitions."*

¹ Free cash flow before interest and tax

A redefined portfolio addressing larger and growing markets

Tech Foundations has redefined its core portfolio to better address key customer priorities and to strategically position itself to capitalize on market trends such as distributed workforce post-Covid, fast move to multi-cloud and hybrid configurations and heightened importance of sovereign cloud as well as artificial intelligence.

Through the strategic redirection on its core offerings, Tech Foundations is pivoting towards **a larger addressable market of approximately € 705 billion worldwide, which is 40% higher than what was considered at last year's Atos Capital Markets Day** on June 14, 2022. In particular, the redirection addresses an expanded technology advisory & customized services market, as well as new business areas in hybrid and multi-cloud infrastructure and digital business platforms. This larger total addressable market is **expected to grow 3-5% per annum over 2022-2026 (CAGR)**.

Specifically, Tech Foundations' portfolio is evolving around four core businesses, totalling € 4.5 billion revenue in 2022:

- **Hybrid and cloud infrastructure** to manage, operate and modernize business-critical operations in the cloud continuum, seamlessly from edge to public and everywhere else in-between. This offering, with its new services, totalled € 2.1 billion in revenue in 2022;
- **Digital workplace**, to provide end-to-end employee experience through digital collaboration and productivity tools, as well as intelligent customer care services. This offering totalled € 1.2 billion in revenue in 2022;
- **Technology advisory & customized services**, which delivers tech advisory and technical professional services, including expanded solutions such as AI, data analytics, automation and IoT. This expanded offering totalled € 0.9 billion in revenue in 2022;
- **Digital business platforms**, which encompass high-growth solutions such as generative AI, green IT, major events and more. This new offering totalled € 0.3 billion in revenue in 2022.

In parallel, Tech Foundations is actively reducing its exposure to non-core activities (BPO, hardware & software resale and UCC), which represented revenue of € 0.9 billion in 2022.

Strong execution positioning Tech Foundations on a path for sustainable value creation

Tech Foundations is implementing a comprehensive margin expansion aiming to reduce costs and improve operational efficiency. This transformational effort, unprecedented in the Group's history, encompasses over 300 initiatives that have already yielded significant results, with a gross run-rate benefit of € 270 million delivered as of the end of Q1 2023. These achievements have been primarily driven by 900 headcount reductions in high-cost countries, pricing increases across more than 85 accounts, and addressing 66% of underperforming accounts revenue so far. As a result, **Tech Foundations is on track to realize targeted gross benefits of € 1.2 billion from its transformation plan by 2026**.

In parallel, on the commercial side, Tech Foundations has stabilized its performance by gradually rebuilding a robust and more selective commercial pipeline, which has led to new logos and large deals wins, and an improved book-to-bill ratio quarter-over-quarter. With its actions currently in place, **Tech Foundations aims to significantly accelerate its book-to-bill**.

Thanks to its strategic portfolio reshaping and the successful implementation of a comprehensive margin expansion plan, Tech Foundations has achieved notable milestones. **In 2022, Tech Foundations stabilized its core portfolio revenue with organic growth of +1.2%, and turned its operating margin positive, three years ahead of its original plan**.

Upgrading mid-term ambitions

In light of its recent outperformance and its long-term strategic vision, Tech Foundations is upgrading its 2026 ambitions:

- Revenue is expected to bottom out at c. € 5 billion in 2024, as a combination of a 0-2% organic growth p.a. in core revenue and an ongoing managed decline in non-core activities. Tech Foundations' revenue is then expected to resume a growth trajectory in 2026.
- Operating margin is expected to reach 6% to 8% in 2026.
- Free cash flow before interest and tax is expected to turn positive in 2025 and reach over € 250 million in 2026.

In comparison with the previous plan, presented at last year's Atos Capital Markets Day, and based on strong execution and financial performance so far, this upgraded plan aims to stabilize core revenue 2 years earlier, deliver 100 to 300 basis points higher operating margin in 2026 and a cumulative free cash flow before interest and tax higher by over € 300 million over the 2023-2026 period – this results from a higher operating margin as well as a total cost of the transformation plan being approximately 10% lower. Such costs are now estimated at € 780 million for the period 2022-2026 and ensure a payback period of less than two years.

Analyst Day conference

Tech Foundations' Analyst Day will begin June 07, 2023, at 9:00 am CET.

You can join the webcast of the conference by registering and login at the following address: https://investor-day2023.aio-events.com/192/participation_form

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

About Tech Foundations

Tech Foundations is the Atos Group business line leading in managed services, focusing on hybrid cloud & infrastructure, employee experience and technology services, through decarbonized, automated and AI-enabled solutions. Its 52,000 employees advance what matters to the world's businesses, institutions and communities. It is present in 69 countries, with revenue of € 6 billion in 2022.

About Atos

Atos is a global leader in digital transformation with 110,000 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.

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