

Atos studying a possible separation into two publicly listed companies to unlock value and implement an ambitious transformation plan

- *Two strong leaders in their respective markets, each with a focused strategy, a dedicated management team, an independent Board of Directors, and an adequate financial structure:*
 - *SpinCo (Evidian): a leading player in the digital transformation, big data and cybersecurity markets, delivering high growth and high margins, with a €0.4 billion plan to accelerate profitable growth*
 - *TFCo (Atos): a leader in managed infrastructure services, digital workplace and professional services, with an ambitious €1.1 billion plan to drive full turnaround by 2026*
- *Contemplated project involves a prior reorganization expected to be completed during the second half of 2023 with listing and distribution of SpinCo shares by end of 2023¹*
- *Management to present its transformation plan under study at a Capital Markets Day, held today for analysts and investors.*

Paris – June 14, 2022 – Atos, a global leader in digital transformation, high-performance computing and information technology infrastructure, today announces that it is studying a separation into two publicly listed companies:

- **SpinCo (Evidian)** would bring together Atos' Digital and Big Data and Security (BDS) business lines, which generated in 2021 a combined €4.9 billion revenue, growing organically by +5%, and a 7.8% operating margin. SpinCo would be managed by Philippe Oliva, capitalizing on his vast international experience in the Digital sector, and would aim at achieving strong sustainable growth and double-digit margins underpinned by solid underlying market trends and synergy opportunities between BDS and Digital.
- **TFCo (Atos)** would be composed of Atos' Tech Foundations business line, which in 2021 generated revenue of €5.4 billion (excluding Unified Communications & Collaboration (UCC)), declining organically by -12%, and a -1.1% operating margin. TFCo would be managed by Nourdine Bihmane, who brings a wealth of experience in the technology sector. TFCo would aim at delivering a full turnaround and restore growth, profitability and cash generation by 2026.

¹ According to preferred scenario at this stage

Rodolphe Belmer, Chief Executive Officer of Atos, said: *"Today we announce our intention to take the in-depth transformation of the Group, started at the beginning of the year, one step further. This potential new path for Atos would aim to optimize the two distinct markets that the Group operates in, both with fundamentally different dynamics: on the one hand, the infrastructure-driven, asset-led market, and, on the other hand, the digital applications and security driven market.*

Separating these two businesses would create two companies, leaders in their respective segments with proven and recognized track records: Tech Foundations is a trusted partner of choice for managing and modernizing mission critical systems, broadly recognized by the market for leading positions in Digital Workplace and Hybrid Infrastructure; and SpinCo would be strategically positioned on the data & security markets, recognized as the worldwide leader in managed security and #3 in supercomputing.

By specializing in two businesses on different and equally attractive paths, each company would focus on what they do best for their customers, creating significant new investment capacity for both and giving both the chance for long term success, growth and achievement. I would like to thank our talented and dedicated employees, who have embarked on the Group's transformation journey since the beginning of the year."

Bertrand Meunier, Chairman of the Board of Directors of Atos, added: *"Having examined a number of possible options, Atos' Board of Directors is convinced that the envisioned project, presented today by the management, is the best possible for the Group, and would create the highest value for all Atos Stakeholders."*

The contemplated project would maximize value for all Atos' stakeholders by:

- Creating two companies, with an increased focus on their respective strategies and markets, each with a dedicated management team, the agility to better serve their customers and to execute their respective transformation plans;
- Providing each company with an adequate capital structure adapted to its respective growth and cash generation profile;
- Unlocking value of SpinCo by creating a publicly listed company exposed to high-growth and high-margin markets;
- Supporting TFCo's transformation and fully financing its turnaround, thereby restoring its financial performance, while keeping optionality to participate in market consolidation;
- Creating a wealth of professional development opportunities for employees.

Studying the creation of two strong leaders in their respective markets

1. SpinCo (Evidian): a leading player positioned in the high-growth digital transformation, big data and cybersecurity markets

SpinCo (Evidian) would be positioned in high growth markets, driven by the shift to public cloud, increasing need for cybersecurity, big data and analytics going mainstream, and the development of smart applications. SpinCo would be led by a seasoned management team with a successful track record, under the leadership of Philippe Oliva (and appointed deputy Group CEO in charge of the Digital/BDS perimeter) and Anil Agrawal as CFO. In 2021, the SpinCo perimeter generated €4.9 billion revenue, a 7.8% operating margin and a c. €150

million free cash flow before interest and tax. SpinCo would bring together two of Atos' existing business lines:

- **Digital:** with 50,000 experts² and strong partnerships with hyperscalers and market leading software vendors, Digital partners with customers in their digital journey to help them transform their businesses. In a fast-growing market supported by the shift to cloud and an increasing demand for digital transformation, Digital is well positioned to grow. Led by Rakesh Khanna, Digital generated €3.5 billion in revenue and a high single-digit operating margin in 2021. Digital's 2022-2026 acceleration plan, for a total cost of c. €370 million over the period, would aim at improving its sales performance in order to unlock growth potential, and transforming its delivery model in order to enhance profitability.
- **Big Data and Security (BDS):** with 9,000 highly talented experts², BDS is the trusted partner for secure data intelligence, through two activities: Digital Security and Advanced Computing. Recognized by Gartner as the #1 player in Managed Security Services worldwide and by Hyperion as the #3 player worldwide in Supercomputing, BDS enjoys a strong position in its markets, to capitalize on a growing demand for cybersecurity and advanced computing products and services. Led by Jean-Philippe Poirault, BDS generated €1.4 billion in revenue and a mid-single-digit operating margin in 2021 (driven down by the Advanced Computing division while Digital Security stood at a high-single digit). Investments in BDS over 2022-2026, for a total amount of c. €40 million, would aim at accelerating growth, notably by repositioning its advanced computing portfolio, and stepping up operating margin, through renewed growth and improved cost base.

SpinCo would benefit from strong commercial and managerial synergy opportunities between its two business lines, in particular with the fertilization of Digital's customer base by BDS and with a joint go-to-market strategy. In total, SpinCo's acceleration plan is expected to represent an investment of €0.4 billion over the next five years. This is expected to allow SpinCo to deliver c. 7% organic growth on average over 2022-2026 (starting from an expected €5.3 billion in 2022), to gradually improve its operating margin to 12% in 2026 and generate €700 million in free cash flow before interest and tax, corresponding to a 75% to 80% OMDA conversion³. SpinCo's leverage target would be below 3.0x OMDA as of 2024.

2. TFCo (Atos): leader in Managed Infrastructure Services, Digital Workplace and Professional Services

TFCo (Atos) would consist of Atos' Tech Foundations business line, focused on designing, building and managing complex and vital information systems worldwide. Led by Nourine Bihmane (and appointed Group deputy CEO in charge of the Tech Foundations perimeter) and Darren Pilcher, CFO, Tech Foundations is positioned on the infrastructure and private cloud market, which is currently experiencing a mix shift from traditional to next generation infrastructure. With 48,000 employees² across the world and serving more than 1,200 customers across geographies and industries, Tech Foundations generated, in 2021 (excluding UCC), €5.4 billion in revenue, a -1.1% operating margin and a €-507 million free cash flow before interest and tax (including an exceptional €-180 million cash out related to the funding of a restructuring plan in Germany and working capital normalization for around €-200 million).

² Indicative and provisional figure as c. 6,000 Atos employees are still in the process of being allocated. If a decision is made to move forward with the envisaged project, full allocation is expected to be completed at the close of the project.

³ Expressed in percentage of OMDA pre-IFRS 16

In order to adapt to the shifting market trends described above, TFCo would implement an ambitious turnaround plan that would ultimately reposition the business for growth, profitability and cash generation. This plan, for a total cost of €1.1 billion over the 2022-2026 period, is articulated around 3 key steps:

- Refocus: rationalizing the activity portfolio to pave the way for transformation, by exiting non-strategic businesses and turning around or exiting negative margin accounts;
- Recover: resetting the cost structure by addressing structural issues across right shoring, age pyramid, reducing third-party spending and consolidating data centers and facilities to drive cost savings;
- Rebound: stabilize revenue and then pivot to growth, thanks to the development of next generation offerings and investments in sales capabilities.

TFCo is expected to generate c. €5.0 billion in revenue in 2022 (excluding UCC). As the turnaround plan is being executed, revenue is expected to decrease to c. €4.1 billion in 2024 before stabilizing in 2025 and resuming a growth trajectory from 2026 onwards. Operating margin is expected to turn positive in 2025 and to exceed 5% in 2026. Free cash flow before interest and tax is expected at €150 million in 2026 and growing around €50 million per year thereafter, which would enable TFCo to have a solid stand-alone path or participate in industry consolidation.

Financing

Should Atos decide to move forward with this project, the Group estimates its total funding needs for the 2022-2023 period, until the contemplated separation would become effective, to be around €1.6 billion. This amount of €1.6 billion is based on a €3.4 billion cash position as of December 2021 and a €2.8 billion minimum cash needed to run the Group's operations as of December 2023, and takes into account:

- An estimated €-1.4 billion total cash outflow, including the costs of the transformation plans of both SpinCo and TFCo, for their portion to be expensed in 2022 and 2023, (c. €-0.9 billion), a potential further increase in working capital in the context of the Group transformation, (c. €-0.4 billion), the Cloudreach acquisition, as well as free cash flows and other items for the 2022-2023 period;
- Debt repayments for an estimated cumulative amount of €-1.5 billion over the period;
- Proceeds expected from a contemplated non-core businesses disposal program (mostly within SpinCo), for €0.7 billion.

This funding requirement is covered by the Group's current liquidity at hand, and the Group is currently in advanced discussions with two of its financing banks.

After the completion of the contemplated separation, the capital structure of both Spin Co and TFCo would be designed to fit their respective financial profile and funding needs.

Contemplated transaction calendar and details

If it is decided to move forward with the project, the objective would be to complete the separation into two entities (involving a prior reorganization of the Group) during the second half of 2023, and to complete the listing and distribution of SpinCo shares by the end of 2023, according to the preferred scenario at this stage. Atos' Board of Directors has approved the launch of the in-depth study of the contemplated transaction. The decision on this reorganization and separate listing project and its terms and conditions will be

made after the ongoing in-depth analysis has been completed; it remains conditional on general market conditions and would be subject to customary processes, including governance bodies and shareholders' approval as well as consultation with the relevant employee representative bodies. Further information on any significant developments in this respect will be made to the market in due time, in accordance with applicable regulations.

In the preferred scenario at this stage, Atos' shareholders would retain their current shares of Atos and would receive SpinCo shares as in-kind distributions. SpinCo would be listed on the Euronext Paris stock exchange. After completion of the envisaged transaction, it is currently contemplated that Atos shareholders would hold 100% of TFCo and 70% of Spin Co. The remaining 30% stake in Spin Co would be held by TFCo and monetized over time to refinance TFCo's turnaround costs.

While SpinCo and TFCo management teams will be fully dedicated to their day-to-day operations and the execution of their respective transformation plans, the potential separation process will be managed by a dedicated team led by Rodolphe Belmer, Atos Chief Executive Officer, alongside Diane Galbe, Atos Chief Strategy Officer.

Atos 2022 financial outlook

- Revenue growth at constant currency of -0.5% to +1.5%;
- Operating margin of 3% to 5%;
- Free cash flow between €-150 million and € 200 million.

Business trends at the date of this press release confirm revenue growth and free cash flow ranges and point towards the lower half of the operating margin range.

Advisors

D'Angelin & Co, Goldman Sachs Bank Europe SE, Perella Weinberg Partners LP and Rothschild & Co are acting as financial advisors to Atos. Darrois Villey Maillot Brochier and White & Case are acting as legal advisors and Clifford Chance is acting as tax advisor.

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About Atos

Atos is a global leader in digital transformation with 111,000 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 71 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), listed on Euronext Paris and included in the CAC 40 ESG and Next 20 Paris Stock indexes.

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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