



# Acquisition of Bombardier Transportation: accelerating Alstom's strategic roadmap

February 17<sup>th</sup>, 2020

**ALSTOM**  
• mobility by nature •

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# Transaction highlights

## Excellent strategic rationale

- Acquisition of the 4<sup>th</sup> global rail OEM<sup>1</sup>, with strong commercial and product complementarities with Alstom
- Accelerating Alstom's strategic roadmap, strengthening all product lines and adding strategic industrial capacity
- Significant efficiency potential from synergies and improving Bombardier Transportation's performance



## Significant value creation

- Strategic and immediate additions to Alstom's operational profile
- Mid term objective to improve Bombardier Transportation's margins to a standard level
- ~€400m annual run rate cost synergies yielding a NPV >€3bn<sup>2</sup>
- Double-digit EPS<sup>3</sup> accretion from year 2 post closing

## Solid transaction structure

- Alstom to acquire Bombardier Transportation for €5.8bn – €6.2bn net proceeds, o/w €5bn financed with equity component
- Fully committed financing securing Alstom's balance sheet
- Caisse de dépôt et placement du Québec ("CDPQ") to become a new long-term shareholder of Alstom
- Closing expected in H1 CY21, subject to customary regulatory approvals

1. Original Equipment Manufacturer; 2. Net of implementation cost; 3. Post synergies, implementation cost and before PPA amortization

# Robust macro-economic drivers supporting the steady growth of rail traffic

## Supportive macro-economic drivers



Economic growth



Sustainable development



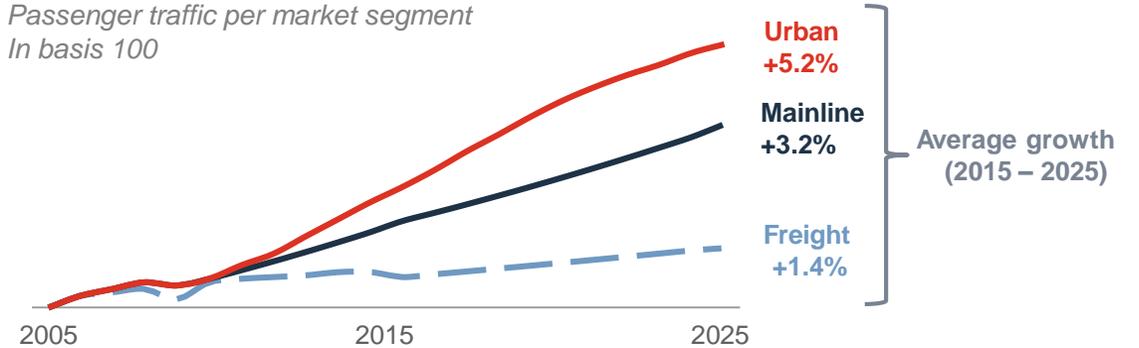
Government funding



Urbanization

## Strong rail traffic growth

Passenger traffic per market segment  
In basis 100



## Sustainable global rail OEM market growth

In €bn

2018-2020

114

2021-2023

125

3.0%  
CAGR

Sources: SCI Verkehr multi client studies 2017; UNIFE Market Study 2018

# Alstom, a leading track record with a clear ambition

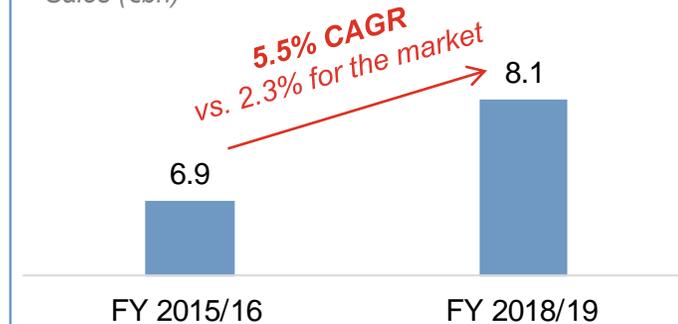
## Record backlog in the industry

Latest figures available



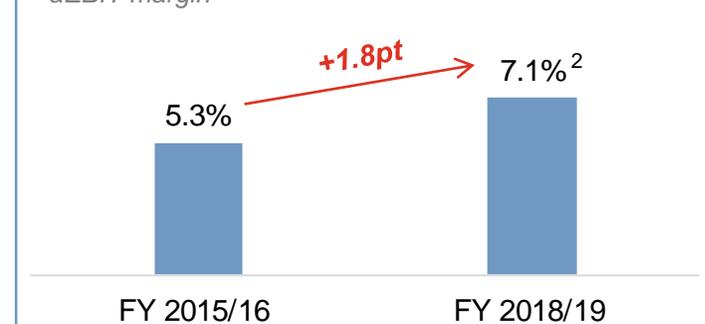
## Top growth performance

Sales (€bn)



## Significant profitability improvement

aEBIT margin



## A clear strategy : “Alstom in Motion” 2019 – 2023 strategic plan



Driven by **One Alstom team**, Agile, Inclusive and Responsible

1. As of 31-Dec-2019; 2. 7.5% with the new Alstom EBIT definition which includes the share in net income of the equity-accounted investments namely CASCO

# Bombardier Transportation, a reference in rail mobility

- Strong historical track record of **market leadership**
- **A broad product portfolio** in all market segments, with strategic products
- **Comprehensive expertise** ranging from component manufacturing to rail operations
- **A balanced industrial footprint** between best-cost and high-tech countries
- **Largest installed base worldwide** with a fleet of 100,000 vehicles



€7.4bn<sup>1</sup> of revenue



€32bn<sup>1</sup> of backlog



*People Mover - Bangkok*



*Multilevel – New Jersey*



*Aventra - London overground*

1. As of 31-Dec-2019

# Establishing unparalleled commercial reach to feed sustainable growth

## ✓ Acquiring strong presence in strategic and growing markets

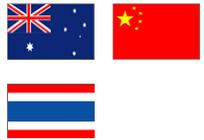
### Strong presence

### Market trends



UK to invest ~€40bn by 2024

DB & Germany to invest ~€86bn by 2030



China to spend ~€100bn on country's railways in 2020



Significant investment expected in rail infrastructure



Middle-East & Africa rail OEM market CAGR of 4.9%<sup>1</sup>

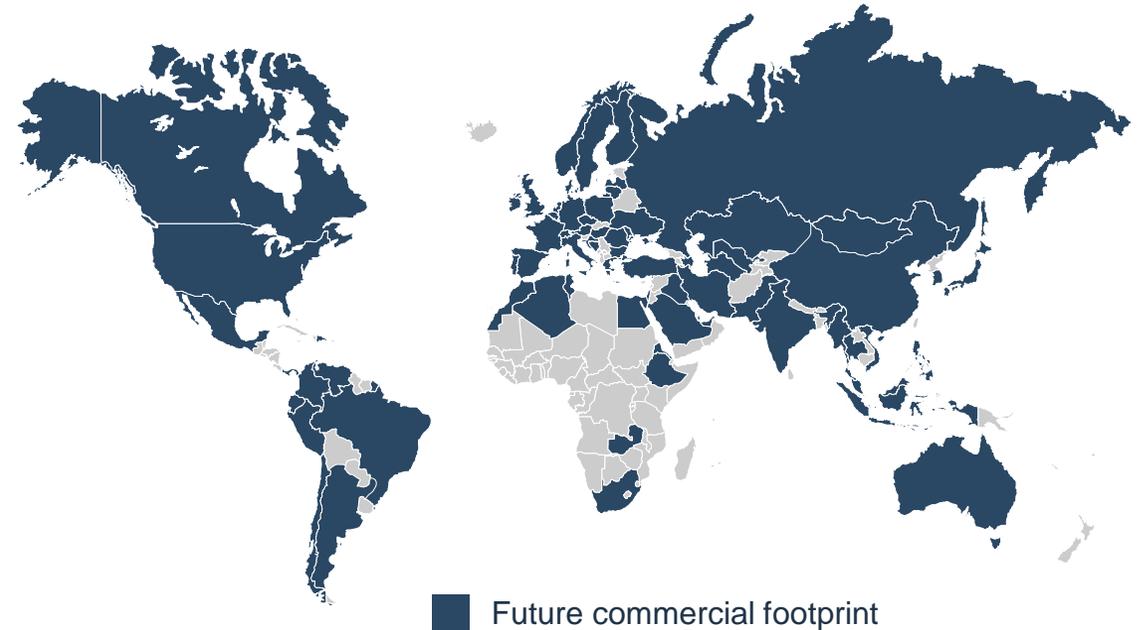
## ✓ Critical size on all continents

**BOMBARDIER**  
TRANSPORTATION

Presence in over **70 countries**

**ALSTOM**

Presence in over **60 countries**



Bringing Alstom's global expertise to a wider set of clients

1. Over 2016-2022

# Rolling Stock : addition of a complementary and attractive portfolio to respond to a wider set of customer needs

## Comprehensive & complementary portfolio

### BOMBARDIER TRANSPORTATION

	Metro	Complementary specific products in London, San Francisco, Singapore
	Tram / Light rail	Complementary specific products in Germany, Canada, Australia
	People Mover / Monorail	✓✓✓
	Intercity / Regional	Complementary specific products in UK (Aventra), Nordics (Regina)
	High Speed / VHS	✓
	Locomotives	✓✓✓

Specific regional complementarity
  Platform complementarity

## Bombardier Transportation brings selected attractive & profitable niches



E-locomotive  
TRAXX



Monorail  
Innovia



People Mover  
Innovia

## As well as specific products catering large markets majority share of Bombardier Transportation RS revenue



Aventra



Talent 3



San Francisco  
metro



BiLevel coaches



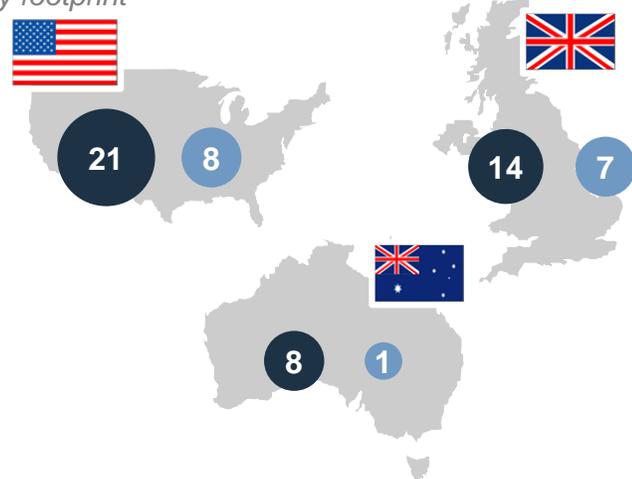
## While Alstom will extend its platform and large project capabilities to Bombardier Transportation's existing clients

# Services : access to the largest installed train fleet and strong technical capabilities



Bombardier Transportation brings **large maintenance facilities footprint** and **100k installed train fleet** for further development with **low capital intensity**

Key footprint



Maintenance facilities

**BOMBARDIER**  
TRANSPORTATION

**ALSTOM**



**€12.6bn** backlog in services<sup>1,2</sup>



**€1.9bn** sales in services<sup>1,2</sup>



**Additional solutions in digital / predictive maintenance,** which can be enhanced by data scale effect



**Orbita ©**

*Cross-reference information from extensive global fleet database to establish patterns of equipment performance*

**Orbita © fleet monitor**

- Improved prognostic capability
- Replace legacy systems



Bombardier Transportation's **experience in operations** to enhance value of service offering



**NTRANSIT**  
The Way To Go.



Operation and Maintenance



**AIRTRAIN JFK**



Operation and Maintenance

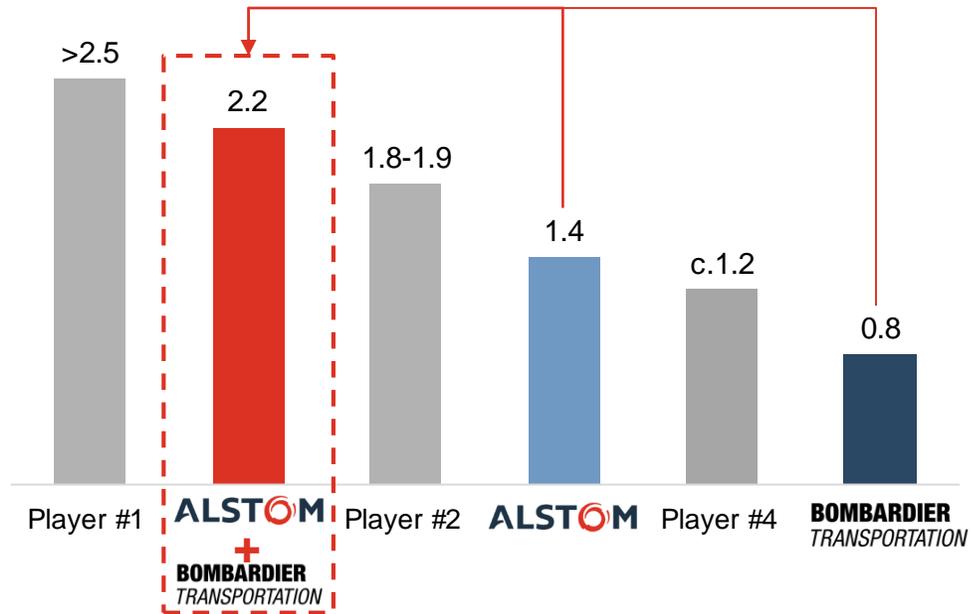
1. Globally; 2. As of 31-Dec-2019

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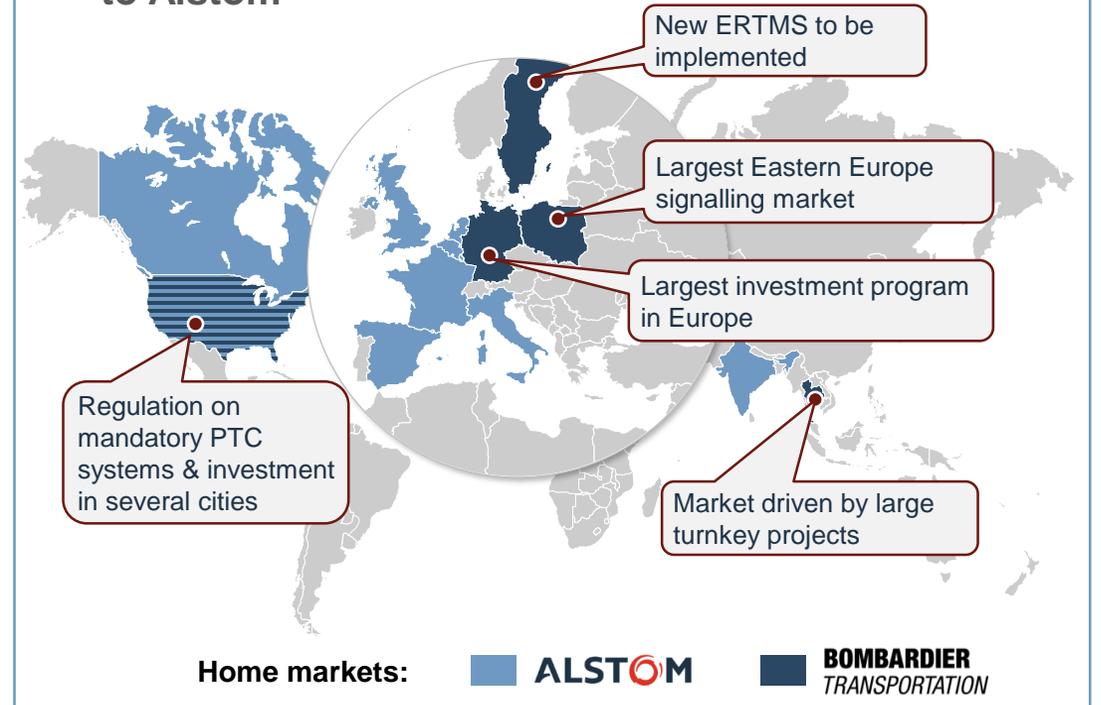
# Signalling : scale increase to achieve Alstom's leadership ambition

## ✓ Becoming the #2 in Signalling

Based on 2018 sales (€bn)



## ✓ Bombardier Transportation's brings complementary and strategic signalling markets to Alstom



## ✓ 3,800 highly qualified Bombardier Transportation Signalling employees

## ✓ Data analytics experience from Bombardier Transportation to boost Alstom's Signalling services strategy

# Acquiring industrial capacity in strategic and complementary geographies

## ✓ Attractive Bombardier Transportation footprint



7 production sites through JVs (8,000+ employees) covering the entire value chain (rolling stock, signalling and services)



Rail vehicles  
Rail control  
Components



Rail vehicles  
Rail control  
Components



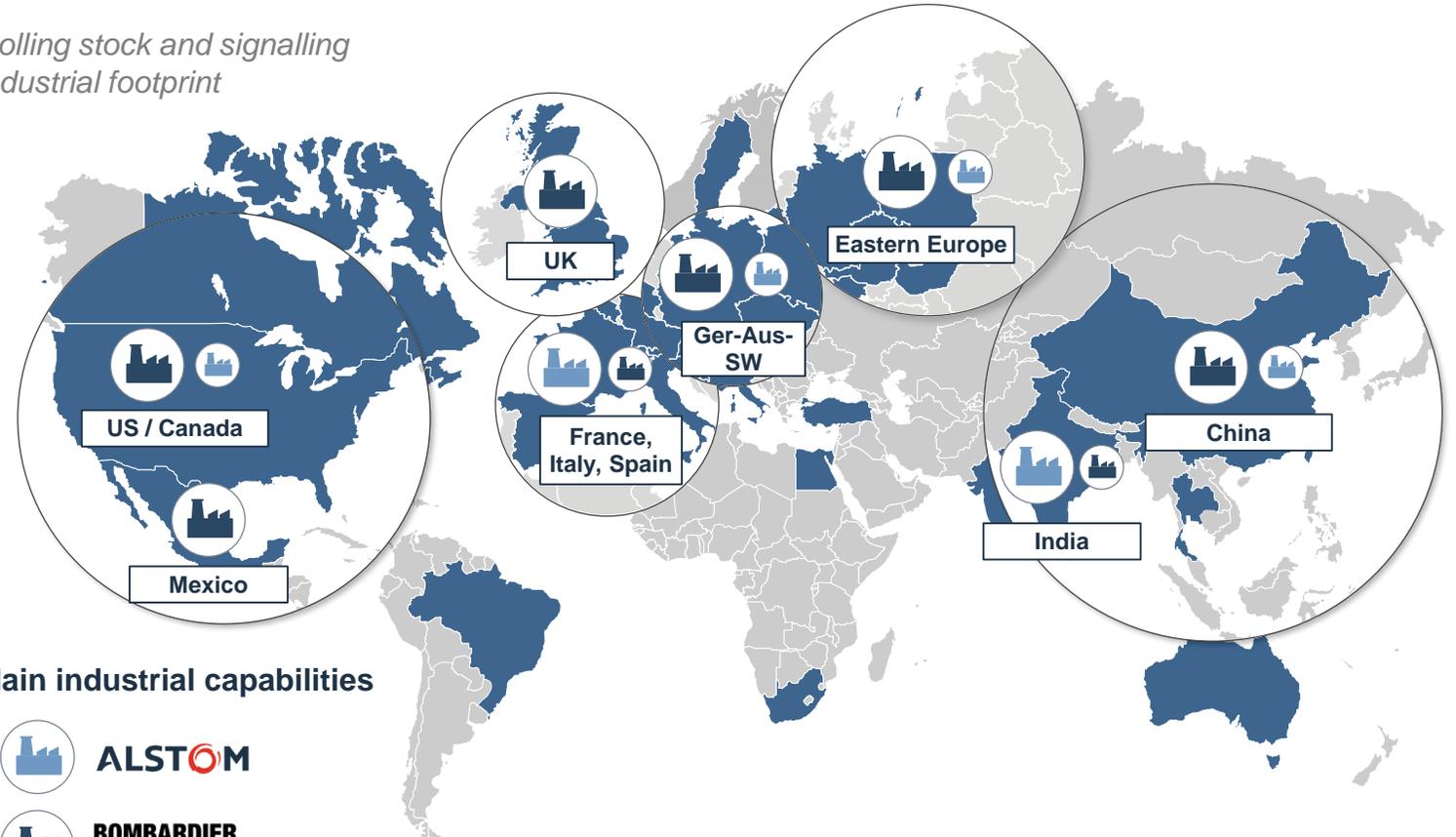
Rail vehicles  
Rail control



Rail vehicles  
Components

## ✓ Alstom's footprint balanced across mature and emerging markets

*Rolling stock and signalling industrial footprint*

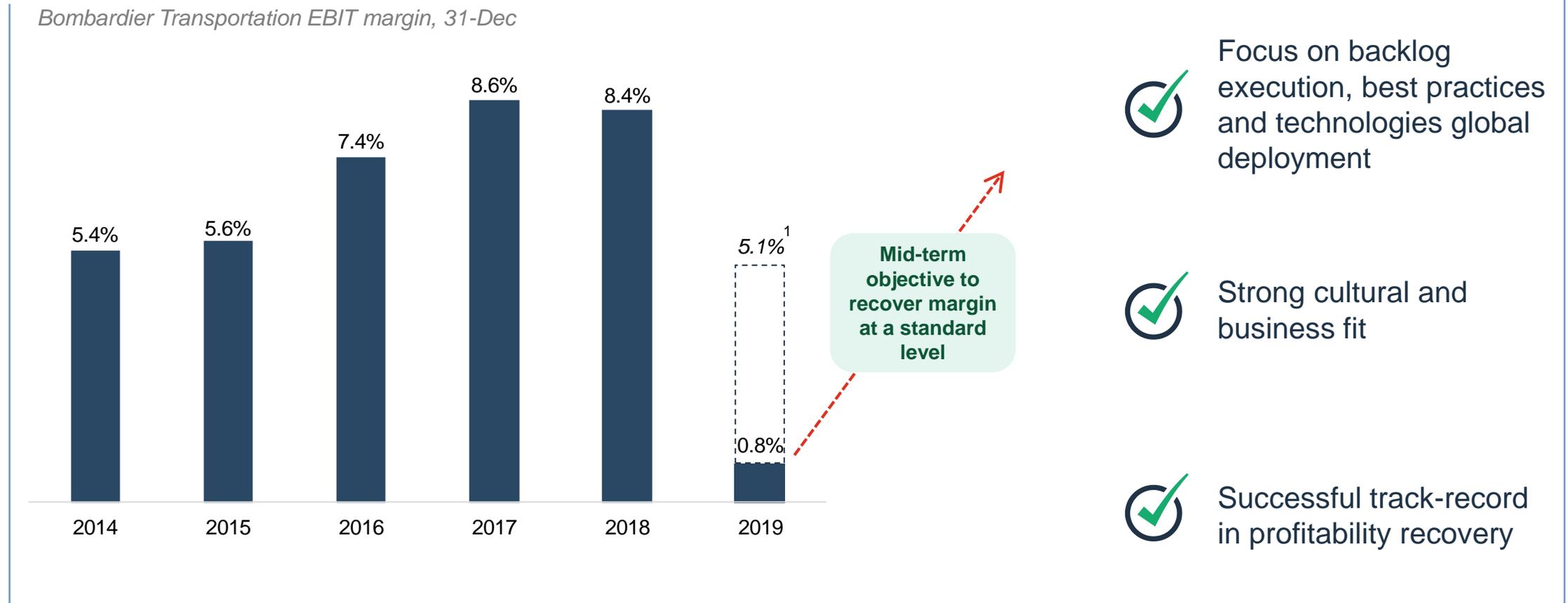


**Main industrial capabilities**



# Clear levers to recover Bombardier Transportation's full potential and profitability

## Objective to restore Bombardier Transportation margins towards a standard level



1. Adjusted for \$350m impact in Q4 related to certain projects (Avantra, SBB) and increased production and manufacturing costs for projects in Germany

# Well-identified and executable synergies

✓ ~€400m run rate cost synergies achieved after 4 to 5 years<sup>1</sup> with potential additional upside



1. Post closing

# A strong value creating transaction

## A strengthened operational profile in a growing market



Revenue: **€15.5bn<sup>1</sup>**  
(Global critical size)



Backlog of **€75bn** at 31-Dec  
with **>33% of services<sup>2</sup>**



Significant increase in  
**# clients and geographies**

## Clear levers for Bombardier Transportation's margins recovery and robust synergies



Mid-term objective to **recover Bombardier Transportation's EBIT margin** at a standard level



**~€400m of run rate cost synergies** achieved after 4 to 5 years<sup>3</sup>



NPV of synergies **>€3bn<sup>4</sup>**

Double-digit EPS<sup>5</sup>  
accretion from  
year 2 post closing

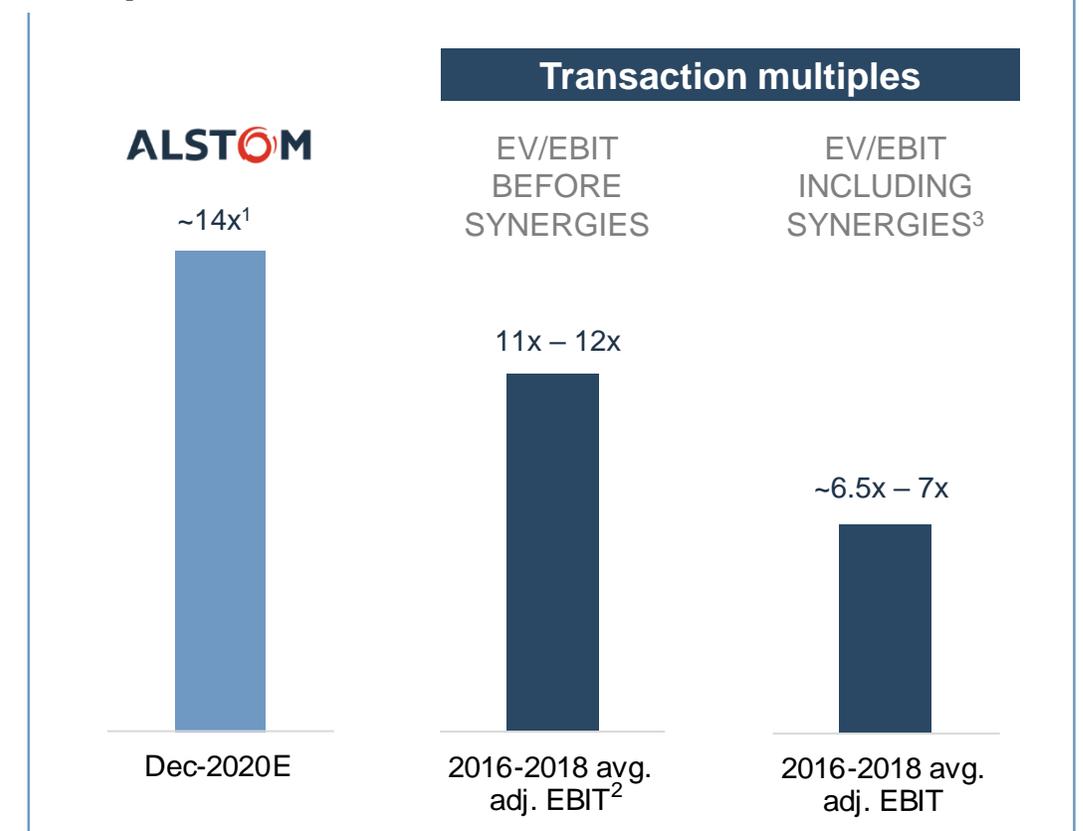
1. Based on Alstom results as of 31-Mar-2019 and Bombardier results as of 31-Dec-2019; 2. Based on Bombardier Transportation backlog as of 31-Dec-2019 and Alstom backlog as of 30-Sep-2019; 3. Post closing; 4. Net of implementation cost; 5. Post synergies, implementation cost and before PPA amortization

# Transaction considerations

## Net proceeds to Bombardier Transportation shareholders

- Net proceeds floor & cap at €5.8bn - €6.2bn, subject to closing mechanisms
- Bombardier Transportation net cash position at closing to be retained by Alstom
- Protection mechanism guaranteeing minimum zero net cash as at 31-Dec-2020
- Illustration at 31-Dec-2019
  - €5.8bn net proceeds to Bombardier Inc.
  - €0.4bn Bombardier Transportation net cash retained by Alstom
  - €0.9bn net pension liabilities assumed by Alstom

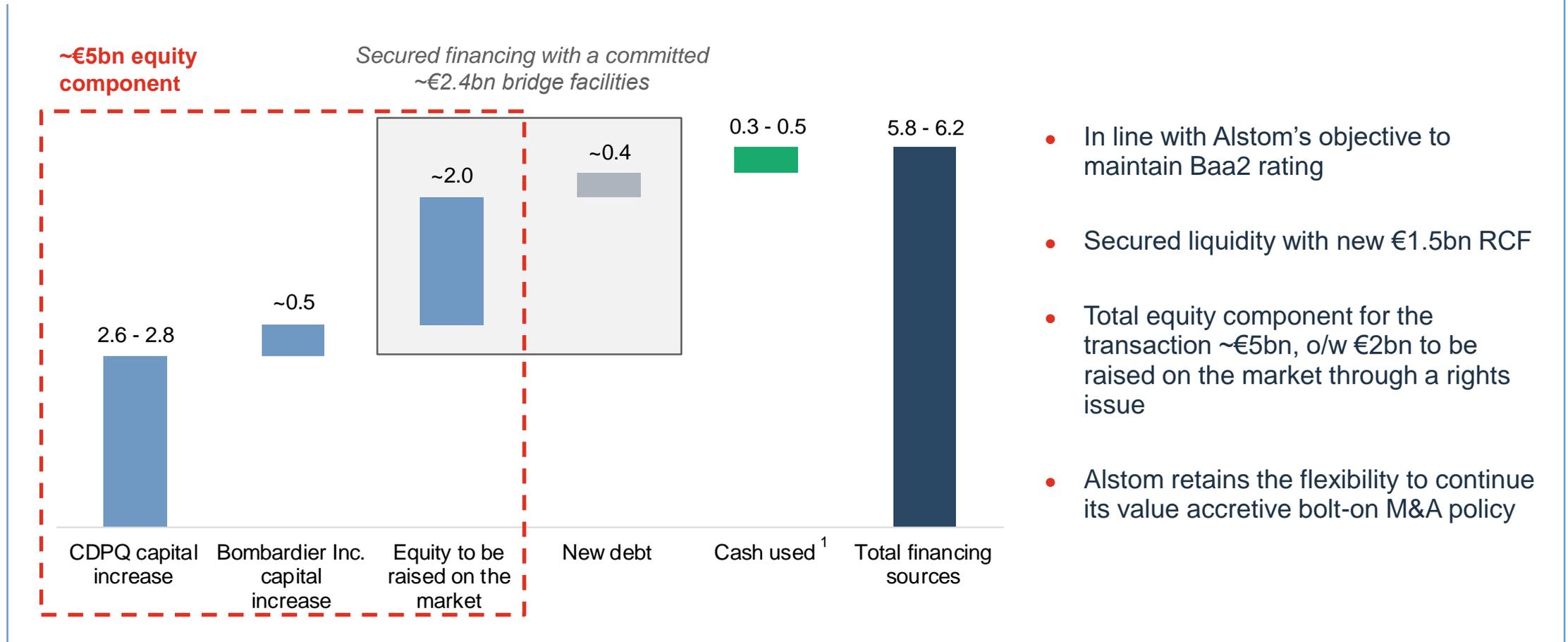
## Perspectives on transaction value



1. Based on Alstom share price as of 20-Jan-2020; 2. Representing an average margin of 8.1%; 3. Includes ~€400m of run rate cost synergies

# Fully committed financing – securing Alstom’s strong balance sheet

## Structure to finance net proceeds to Bombardier Transportation shareholders (€bn)



- In line with Alstom’s objective to maintain Baa2 rating
- Secured liquidity with new €1.5bn RCF
- Total equity component for the transaction ~€5bn, o/w €2bn to be raised on the market through a rights issue
- Alstom retains the flexibility to continue its value accretive bolt-on M&A policy

1. From Bombardier Transportation net cash at closing and Alstom net cash

# A solid acquisition structure strengthening Alstom's long-term shareholding base

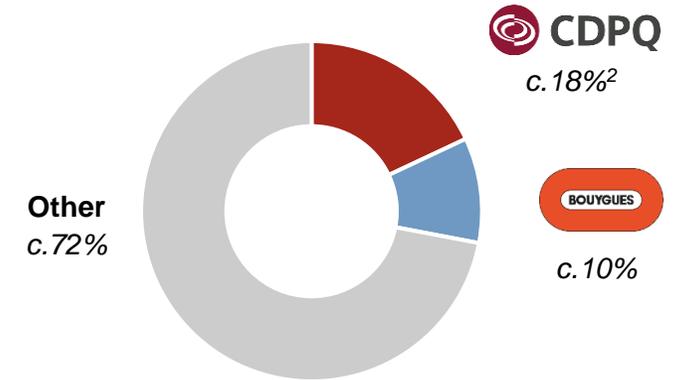
## Transaction mechanism



- Acquisition by Alstom of Bombardier Transportation with
  - 1 cash & new Alstom shares to Bombardier Inc<sup>1</sup>
  - 2 new Alstom shares to CDPQ<sup>2</sup>
- Unanimous support from Alstom's Board of Directors
- Bouygues committed to vote in favor of the transaction related resolutions at EGM

## CDPQ: a new long term shareholder

Indicative shareholding post equity raising<sup>3</sup>



- CDPQ strong commitment with a €2.6bn - €2.8bn investment in the transaction
- 21-month lock up commitment period from closing for CDPQ
- CDPQ to appoint 2 Board representatives and 1 Observer (*censeur*)

1. c.3% shareholding post equity raising based on a €47.5 reference share price, 3-month lock-up undertaking from closing; 2. Based on a €44.45 reference share price; 3. Indicative proforma shareholding after all equity issuances

# Indicative timetable and next steps

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## Key milestones

- Memorandum of Understanding signing between Bombardier Inc, CDPQ and Alstom : February 2020
- Share Purchase Agreement signing: H2 CY20
- Alstom EGM: End October 2020
- Targeted regulatory approvals: H1 CY21
- Rights issue: H2 CY20 – H1 CY21, subject to market conditions
- Expected closing: H1 CY21

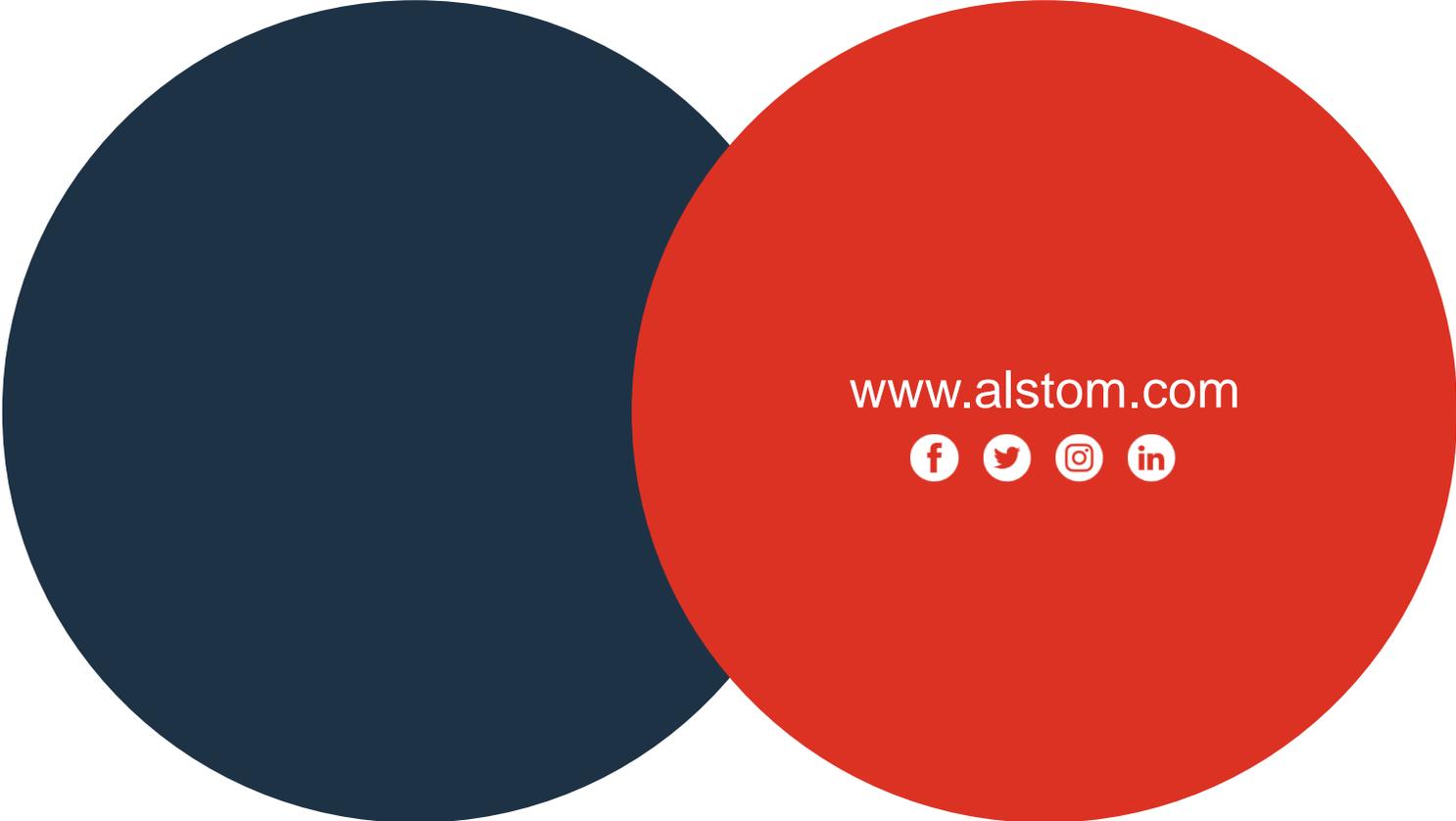
## Closing conditions

- Workers' Councils consultation
- Anti-trust and regulatory approvals
- Alstom Extraordinary General Meeting approving CDPQ and Bombardier Inc reserved capital increases and the rights issue (majority of 2/3<sup>rd</sup> needed, Bouygues committed to vote in favor of the deal related resolutions)

# Conclusion

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- ✔ Unique opportunity to accelerate Alstom's strategic roadmap in a growing market
- ✔ Acquiring key commercial, product and industrial complementary assets
- ✔ Leading portfolio offering and R&D capabilities to address ever-increasing needs for mobility
- ✔ Strong cultural fit and robust action plan to restore Bombardier Transportation's full potential
- ✔ Value creation for all stakeholders, within a secured financing structure



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