

# LATÉCOÈRE

AEROSTRUCTURES  
& INTERCONNECTION SYSTEMS

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FY 2019 RESULTS

MARCH 10, 2020



## ▶ DISCLAIMER

Certain statements contained in this document are forward-looking statements. These statements includes, without limitation, statements that are predictions of or indicate future events, trends, plans, expectations or objectives. Examples of forward-looking statements include statements relating to business strategy, objectives, delivery schedules or future performance. Words such as “anticipates”, “believes”, “estimates”, “seeks”, “intends”, “may” and similar expressions are used to identify these forward-looking statements.

Such statements are, by their nature, subject to known and unknown risks and uncertainties. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements as these are dependent on risk factors such as the variation of the exchange rates, program delays, industrial risks relating to safety, the evolution of regulations and the general economic and financial conditions and other matters of national, regional and global scale, including those of a political, economic, competitive and regulatory nature. Please refer to the section “Risks management” of the latest Latécoère’s Annual Report, for a description of certain important factors, risks and uncertainties that may affect Latécoère’s business.

Latécoère makes no commitment to update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

# LATÉCOÈRE IN 2019



**3,807**  
DOORS IN 2019



**48,043**  
COCKPIT PANNELS  
IN 2019



**356**  
FUSELAGES IN  
2019



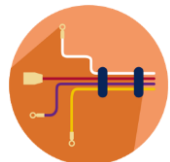
**435**  
CAMERAS IN 2019



**7,409**  
RACKS IN 2019



**154**  
EQUIPPED SATELLITES  
LAUNCHERS AND  
CARGO CARRIERS FOR  
ISS



**65,096**  
HARNESSES IN 2019

## KEY FIGURES

**€713M**  
REVENUES



**103**  
YEARS

**2%**  
REVENUES ON R&T



**5,187**  
EMPLOYEES

**2.2B**  
BACKLOG



**13**  
COUNTRIES

**€36M**  
GROSS CAPEX\*

\*: Purchase of tangible and intangible assets, excluding €22.3M related to the acquisition of Bombardier's EWIS activity

# FY 2019 HIGHLIGHTS

€ **713**M

REVENUE

+ **8.2**%

vs. 0.3% in 2018

**6.2**%

AEROSTRUCTURES  
rec. EBITDA margin

vs. 4.7% in 2018

€ **60.5**M\*

CASH FLOW in H2  
2019

vs. €(33.1)M in H1 2019

**1.09**x

Book to Bill

vs. 1.09x in 2018

€ **47.6**M

Rec. EBITDA

vs. €54.5M in 2018

**6.8**%

INTERCONNECTION  
SYSTEMS  
rec. EBITDA margin

vs. 12.9% in 2018

**82**%

TRANSFORMATION  
2020 TARGETED

Cost savings >€40M

€ **2.2**B

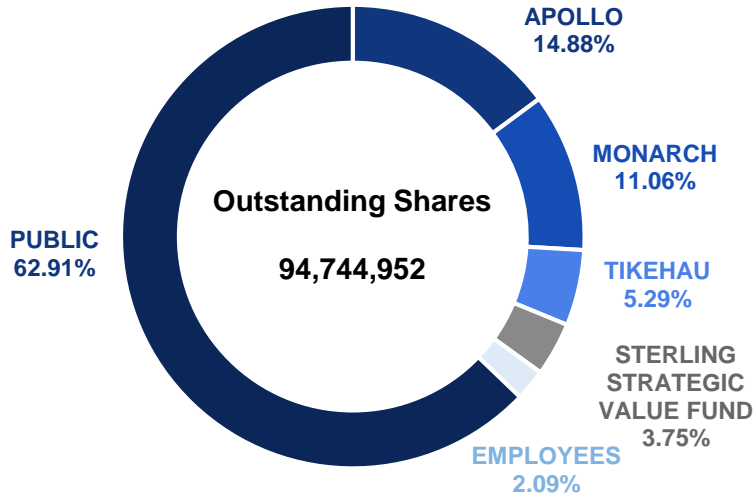
ORDER BOOK VALUE

vs. €2.1B in 2018

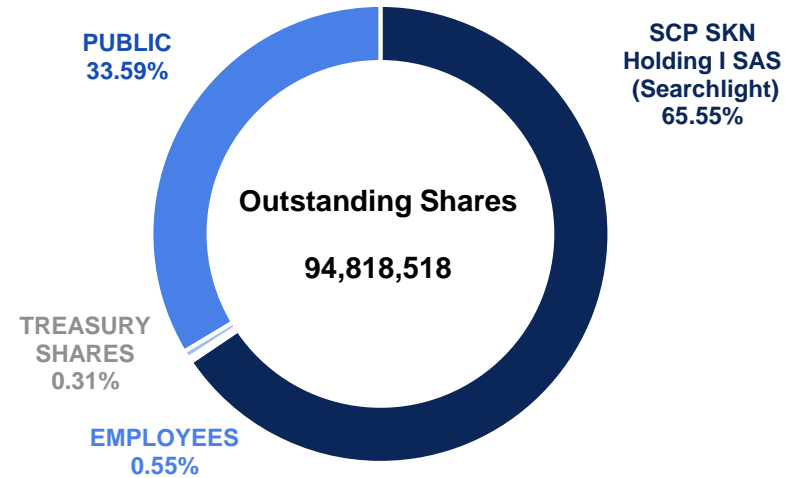
\*: including €42 million inflow from Airbus reverse factoring program onboarding

# SHAREHOLDING STRUCTURE

Shareholding structure  
as of 31<sup>st</sup> December 2018



Shareholding structure  
as of 31<sup>st</sup> December 2019



▶ CONTENTS

H2 & FY 2019 BUSINESS HIGHLIGHTS	————	+
H2 & FY 2019 FINANCIAL HIGHLIGHTS	————	+
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PART 1

H2 & FY 2019  
BUSINESS  
HIGHLIGHTS

# THE BENEFITS OF TRANSFORMATION 2020

- Extension of Toulouse-Montredon site in France
- Inauguration of Belagavi site in India
- Extension of Plovdiv site in Bulgaria
- Final transfer of production of A320 Cockpit Control Panel to Had Soualem site in Morocco
- New Head Office in Toulouse in France



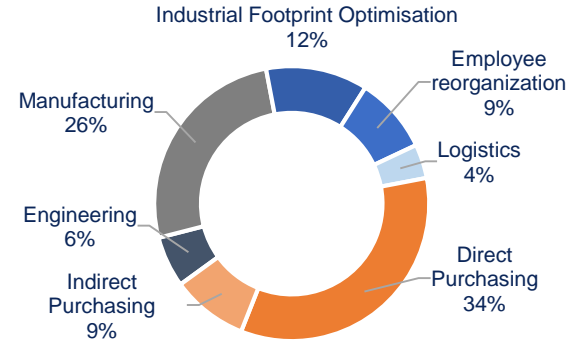
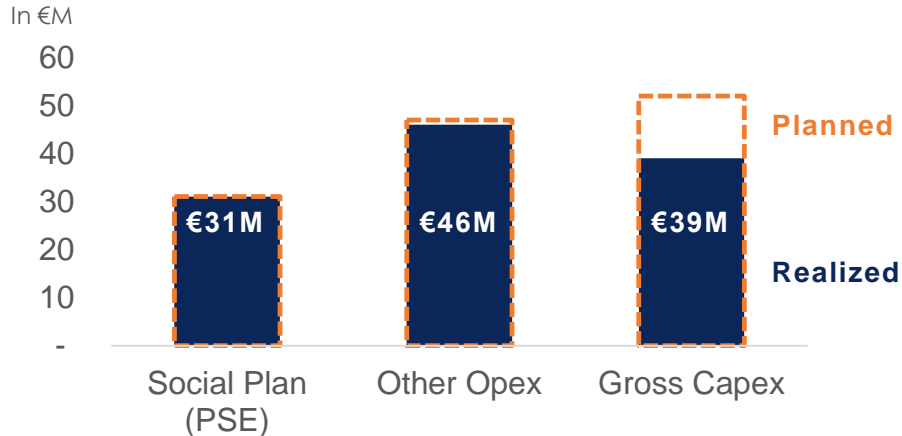
# PROGRESS TOWARDS TRANSFORMATION 2020

**c. 91%**  
**SPENT VS.**  
**PLAN**  
 as of Dec. 31<sup>st</sup>, 2019

**82%**  
**OF INITIAL**  
**TARGETED**  
**SAVINGS**  
**SECURED**  
 as of Dec. 31<sup>st</sup>, 2019

**>€40M**  
**COST**  
**REDUCTION**  
**PLAN**  
**OBJECTIVE**

**c.€130M**  
**INVESTMENTS**  
**OVER 3 YEARS**



# TRANSFORMATION 2020

## Extension of Toulouse-Montredon site



- ISO 14001 certification obtained in Summer 2019
- 5 additional digitally controlled machines in 2019 for a higher production power
- 3,000 sqm extension to accommodate surface treatment and painting activities
- Close to 900 Part Numbers re-internalized since the launch of the plant
- Objective to reach the full production rate of 330,000 parts per year in 2021
- Ramp-up of the production of surface treatment in Q1 2020

**€8M**  
Capex  
Invested

**95%**  
Internalization  
of surface  
treatment

# TRANSFORMATION 2020

## Inauguration of Belagavi site



- Official opening with customers on Sept. 10, 2019
- Initial site of 4,400 sqm with 70 employees (300 in 2022)
- Activities on site:
  - For **Dassault Aviation**, Latécoère is manufacturing the radio Navigation harness of the Falcon 2000 and will transfer in 2020 the main harness of the same aircraft
  - Start of the production in May 2019
  - For **THALES Avionics Inc.**, Latécoère is manufacturing IFE harnesses for various platforms such as B777 or B737, A320 and various airlines such as Emirates, British Airways, Qatar, etc.
  - Start of the production in June 2019

# TRANSFORMATION 2020

## Extension of Plovdiv site



- Extension of 2,600 m<sup>2</sup> for a total production area of 6,600 m<sup>2</sup>
- Transfer of A320 doors structure sub-assembly
- Production of the A350 nose fuselage
- Rack structure production transfer finalized
- Total investment budget of around €15 million

# TRANSFORMATION 2020

Final transfer of production of A320 Cockpit Control Panel to Had Soualem

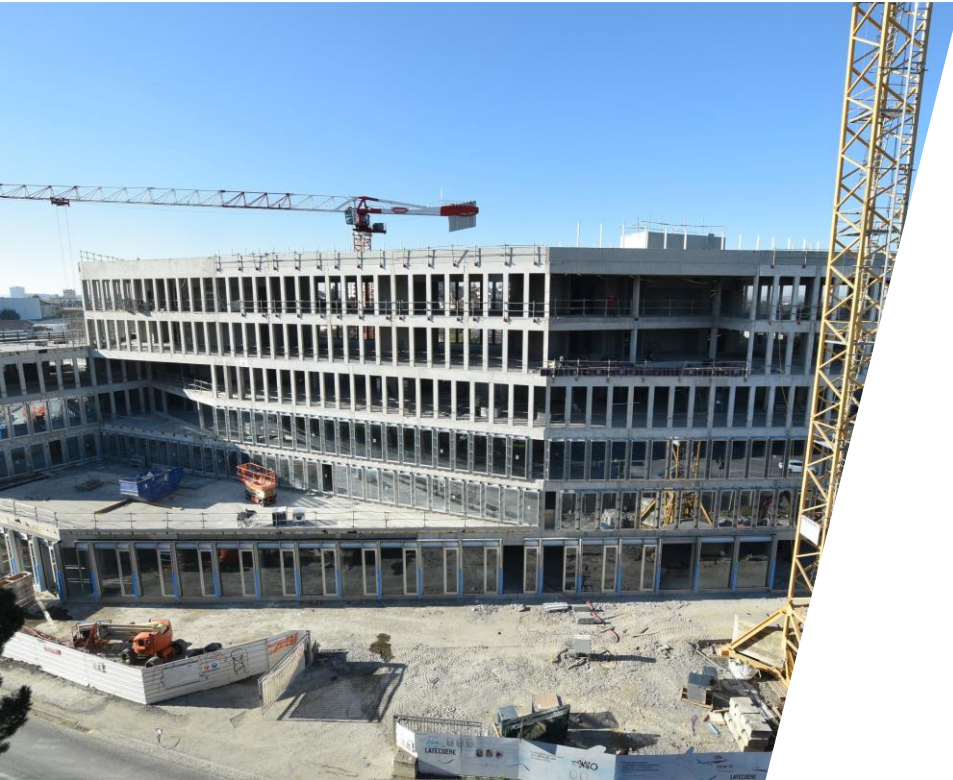


- Transfer finalised from Colomiers/Labège production site
- Step by step transfer (first manufacturing then test)
- Smooth Ramp Up: Started with a rate of 50% in March 2018 to reach 90% in April 2019
- Approximately 29,000 to be delivered in 2020



# TRANSFORMATION 2020

## New Head Office in Toulouse



- Final step of Transformation 2020
- The office will bring together the teams of two divisions and the corporate teams
- Promotion of better synergies between teams
- Eco-friendly building

# A GOOD BUSINESS MOMENTUM

- New EWIS contract for the Boeing 777X
- Boeing 787 passenger doors contract extension
- Acquisition of Bombardier's EWIS business

# A GOOD BUSINESS MOMENTUM

## New EWIS contract for the Boeing 777X



- Latécoère Interconnection Systems division's first collaboration on EWIS with Boeing
- Long term contract with Boeing to supply Electrical Wiring Interconnection Systems (EWIS) harnesses
- First electrical harnesses to be delivered in 2020.
- This build-to-print production will use automatic connection machines (LATMAT) starting 2021



# A GOOD BUSINESS MOMENTUM

Boeing 787 passenger doors contract extension



- Latécoère will deliver 787 passenger doors until 2029
- According to forecast, this will represent 5,600 doors

# A GOOD BUSINESS MOMENTUM

## Cash Acquisition of Bombardier's EWIS business in Querétaro



- \$50 million acquisition of EWIS activities and related assets as well as a skilled workforce specializing in harnessing and electrical sub-assemblies in Querétaro
- Strengthening the relationship with Bombardier and other related customers

*The transaction is subject to customary conditions and approvals and is expected to close in the first half of 2020.*

# BUSINESS OVERVIEW – OPERATIONS AND CUSTOMERS

The opportunity to acquire a large part of Bombardier's platforms EWIS content

## Business overview

A state-of-the-art standalone facility



- Over 100,000 square feet
- Strategically located in Querétaro, Mexico
- ~1.9M direct labor hours production capacity
- Part of broader Bombardier manufacturing cluster and Aerospace excellence center

Wide Range of Products



- Mid-fuse harnesses
- Cockpit harnesses
- Box assembly
- Landing gear harnesses
- Interconnectors
- Other harnesses

## Customer overview

Business Jets

**BOMBARDIER**



Learjet 75



Challenger 350 & 650



Global 5000/6000/7500

Commercial Aviation

**BOMBARDIER**



CRJ 700/900/1000 <sup>(1)</sup>



Q400

Supplier to External Parties

Tier 1



Tier 2



(1) Sale of CRJ program to Mitsubishi Heavy Industries announced on June 25th 2019 and expected to close 1H 2020; (2) Through Bombardier Aviation's site in Belfast, Northern Ireland

# A GOOD BUSINESS MOMENTUM

A global increase in production rates

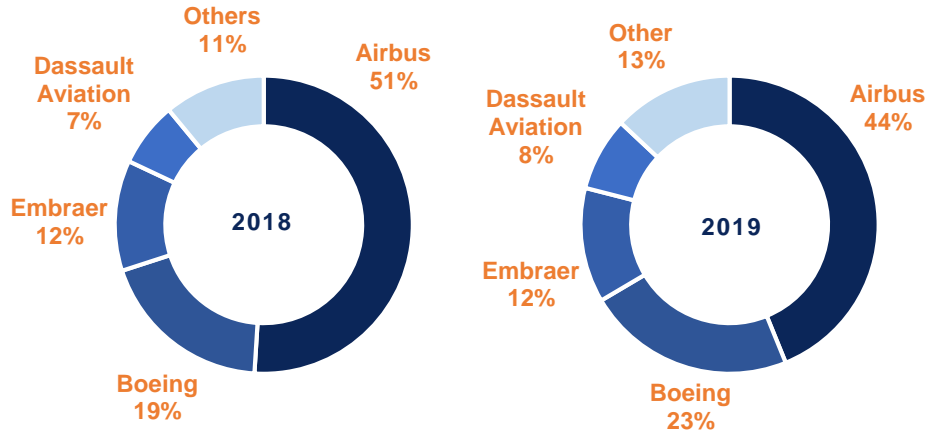
- **Aerostructures**'s profitability was driven by higher volumes, notably on the Boeing B787.
- **Interconnection Systems** confirmed the very good momentum in cabin and kitting activities. The increase in production rates for Airbus A350, A320 and Dassault programs was partly offset by reduced rates on Airbus A330, A400M and ATR programs.

Delivery rates by aircraft	2018	2019
A320 - Doors *	391	347 ↘
A320 - Interconnection Systems	644	684 ↗
A350 - EWIS & Racks	92	109 ↗
Embraer E1 – Doors	75	86 ↗
Embraer E1 - Fuselages	87	67 ↘
Embraer E2 – Doors	6	28 ↗
Boeing 787 – Doors	143	167 ↗
Dassault F7X/F8X - Fuselages	23	27 ↗
Dassault F7X/F8X - EWIS	21	24 ↗

\*Only 50% of OEM production manufactured by Latécoère

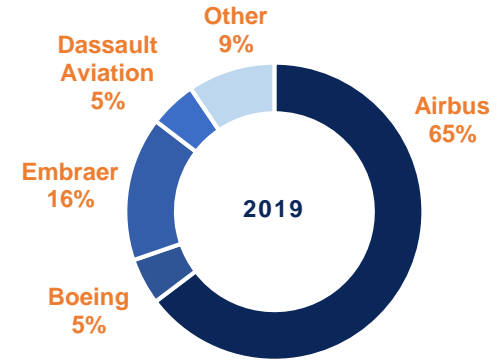
# A MULTI-CUSTOMER PLATFORM

## REVENUE SPLIT



**1.09** Book to Bill

## OEM ORDER BOOK PROJECTION\*



**€2.2B > 3** years

\* Based on €/€ exchange rate of 1.24

# GO-TO-MARKET INNOVATION

- Supporting Aerostructures and Interconnection Systems to win new business
- An effort of 2% of sales in innovation to support growth
- Pursuing differentiation and strengthening our goodwill
- LiFi technology by Latécoère takes off

# R&T CHALLENGES AND TARGETS

Supporting Aerostructures and Interconnection Systems to win new business

**Significant new business opportunities drive our R&T roadmaps in time-to-market**

- Lead the competition for the new aircraft through cooperation with the airframers
- Increase marketshare on the existing fleet with innovative and competitive solutions

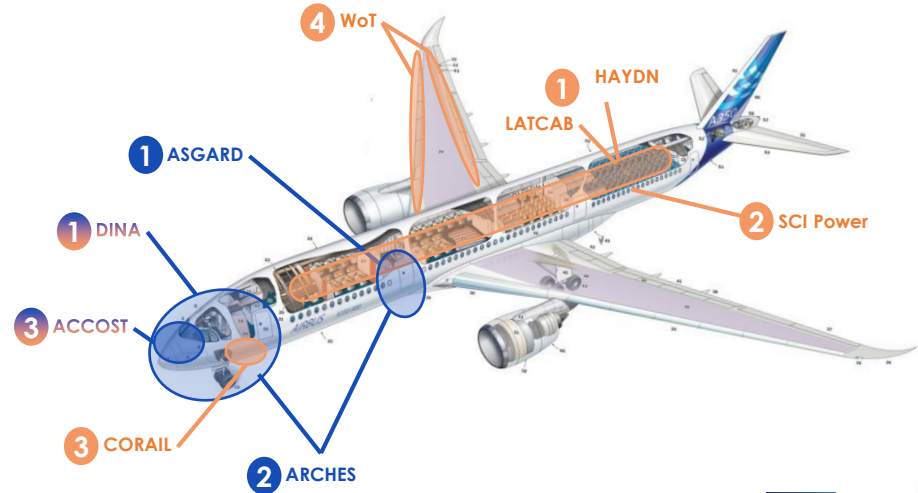
## Aerostructures

1. Build differentiation on structural components and equipment through a system approach.
2. Increase value on metallic and composite manufacturing & assembly technologies for core and new products: doors, complex fuselage assemblies, composite structures.

## Interconnection Systems

1. Shift to optics : develop optical network for data & LiFi transmission in cabin.
2. Build differentiation on cabin power infrastructure with converters and controllers.
3. Increase value on rack and cockpit equipment with new standard for Racks and cockpit panels.
4. Develop high density wiring in harsh environment

**Through a focused R&T strategy on demonstrators and differentiating technologies**

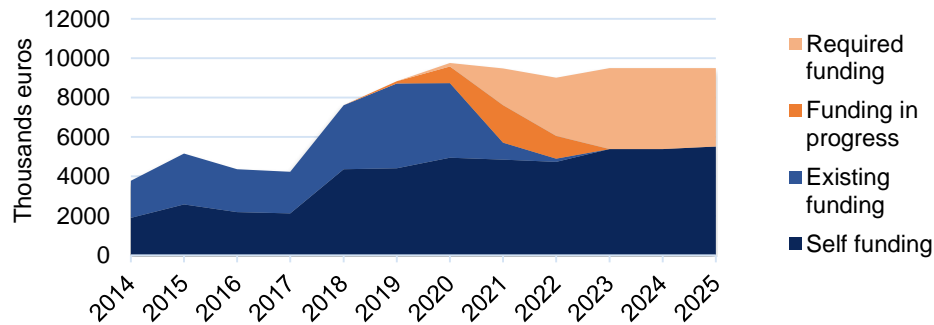


# R&T FINANCIALS

An effort of 2% of sales in innovation to support growth

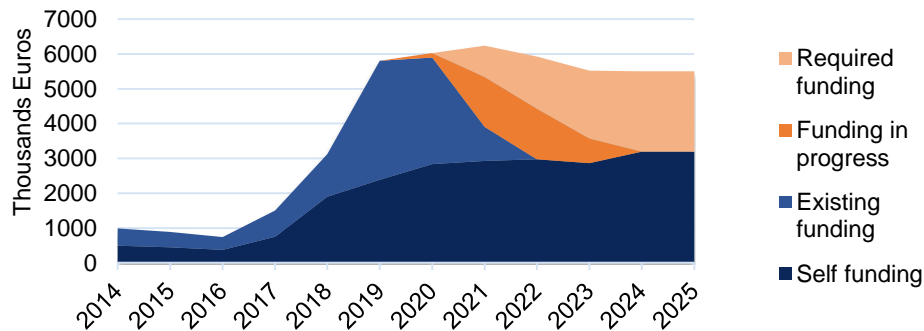
## AEROSTRUCTURES – Win the new aircraft

➔ Reinforce the R&T effort : from 5M€ to 9M€ over 2017-2025



## INTERCONNECTION – Disrupt cabin and develop capabilities

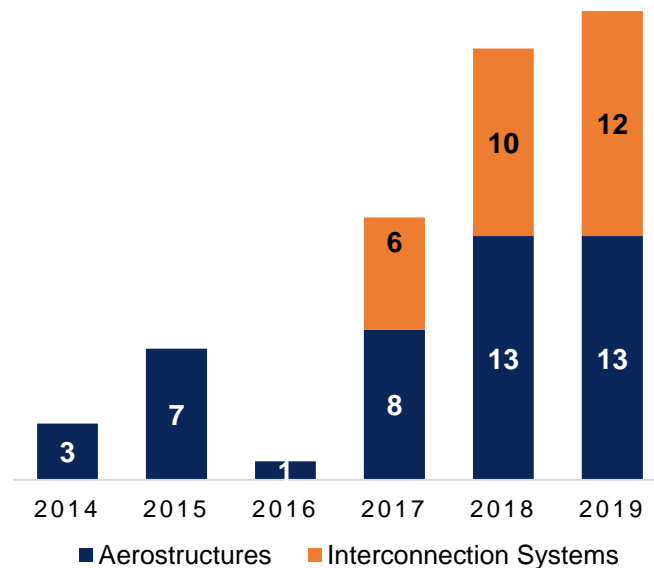
➔ Foster the R&T activity : 5M€ to 6M€ over the 2017-2025 period



## Leading to a shift in patent registrations

➔ A portfolio of 142 patents

### Patent Family 1<sup>st</sup> Registration





# BRINGING GO-TO-MARKET INNOVATION

LiFi technology by Latécoère takes off



At the International Paris Air Show, Air France, Latécoère and Ubisoft promoted their new LiFi (Light Fidelity) technology using light to transmit data and run an in-flight video game tournament.

On October 30th, 2019, Air France tested the very first flight equipped with LiFi technology developed by Latécoère on board the commercial flight AF6114 operated by Airbus A321 from Paris-Orly to Toulouse.



In October 2019, Latécoère announced the industrial scale-up of its LiFi technology, thanks to a first MoU signed with Signify and a second MoU signed with Huneed Technologies.



# READY FOR THE AVIATION GREEN DEAL

- How Latécoère is contributing to an environmentally responsible aviation

# READY FOR THE AVIATION GREEN DEAL

How Latécoère is contributing to an environmentally responsible aviation



## Impact of Latécoère's activities under control

- 8/16 sites certified ISO-14001 (4 Interconnection Systems and 4 Aerostructures)
- Certification planned in 2020 (Hermosillo, Chargaia & Fouchana, Vendargues), 2021 (Plovdiv, Hambourg) and 2022 (Belagavi, Prague)

## Corporate culture

- International launch in 2019 of the "Green Week" based on initiatives taken by the production sites.



## Calculation of the group's carbon footprint planned in 2020 by Bureau Veritas

Focusing on the elements within our perimeter and on which we have a power of influence:

- Direct emissions
- Indirect emissions related to electricity and steam/hot/cold consumption
- Upstream/downstream freight transport, business travel

A photograph of three technicians in a laboratory setting, working on a large, white, rectangular electronic device. The technicians are wearing dark blue polo shirts and safety glasses. The technician on the left is using a red tool. The technician in the center is leaning over the device, and the technician on the right is wearing yellow gloves. The background is a blue, diamond-patterned acoustic panel. The device has various components, including green and yellow parts. The overall scene is brightly lit.

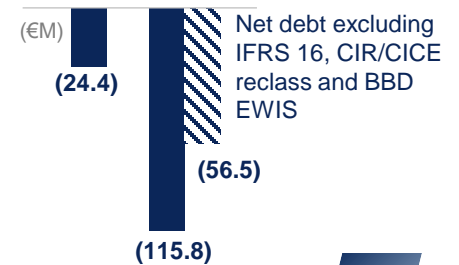
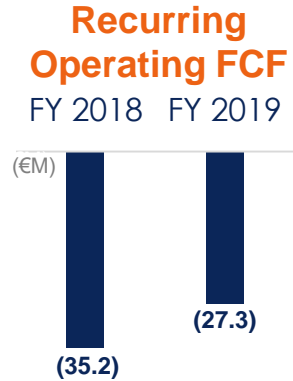
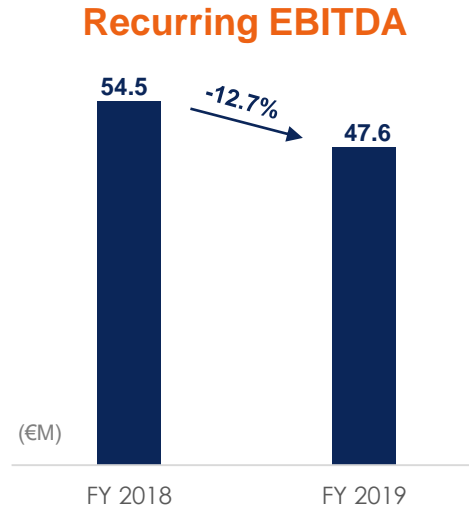
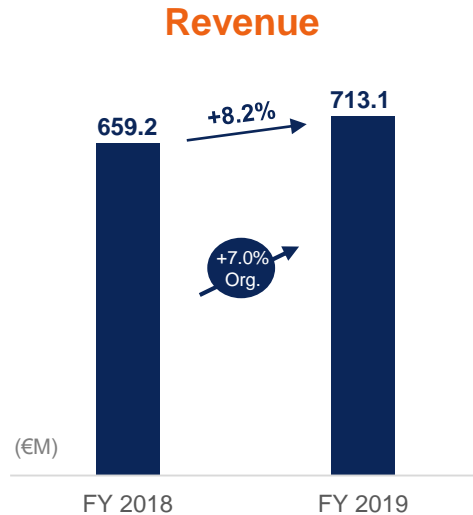
PART 2

FY 2019  
FINANCIAL  
HIGHLIGHTS

Z21



# FY 2019 FINANCIAL HIGHLIGHTS



# 2019 CONDENSED P&L

(€ million)	FY 2018	H1 2019	H2 2019	FY 2019
<b>Revenue</b>	<b>659.2</b>	<b>371.7</b>	<b>341.4</b>	<b>713.1</b>
o/w Aerostructures	399.1	224.2	205.3	429.5
o/w Interconnection Systems	276.8	157.4	146.0	303.4
o/w elimination inter-sector	(16.6)	(9.9)	(10.0)	(19.9)
<b>Recurring EBITDA *</b>	<b>54.5</b>	<b>28.1</b>	<b>19.5</b>	<b>47.6</b>
o/w Aerostructures	18.8	16.2	10.6	26.8
o/w Interconnection Systems	35.6	11.9	8.9	20.8
<b>Recurring operating income</b>	<b>28.0</b>	<b>10.8</b>	<b>1.0</b>	<b>11.8</b>
o/w Aerostructures	6.6	8.7	2.1	10.8
o/w Interconnection Systems	21.2	2.1	(1.1)	1.1
<b>Non recurring items</b>	<b>(23.1)</b>	<b>(7.9)</b>	<b>(13.6)</b>	<b>(21.4)</b>
o/w A380 End of program impact	(12.6)	-	-	-
o/w Other non recurring items	(10.5)	(7.9)	(13.6)	(21.4)
<b>Operating income</b>	<b>4.9</b>	<b>2.9</b>	<b>(12.5)</b>	<b>(9.6)</b>
Net Cost of debt	(4.5)	(2.7)	(2.6)	(5.3)
Other financial income/(expense)	9.4	(5.2)	(6.9)	(12.1)
<b>Financial result</b>	<b>4.9</b>	<b>(7.9)</b>	<b>(9.5)</b>	<b>(17.4)</b>
Income tax	(3.8)	(1.0)	(4.9)	(5.9)
<b>Net result</b>	<b>6.0</b>	<b>(5.9)</b>	<b>(27.0)</b>	<b>(32.9)</b>

2019 hedged rate at 1.17  
vs 1.16 in 2018

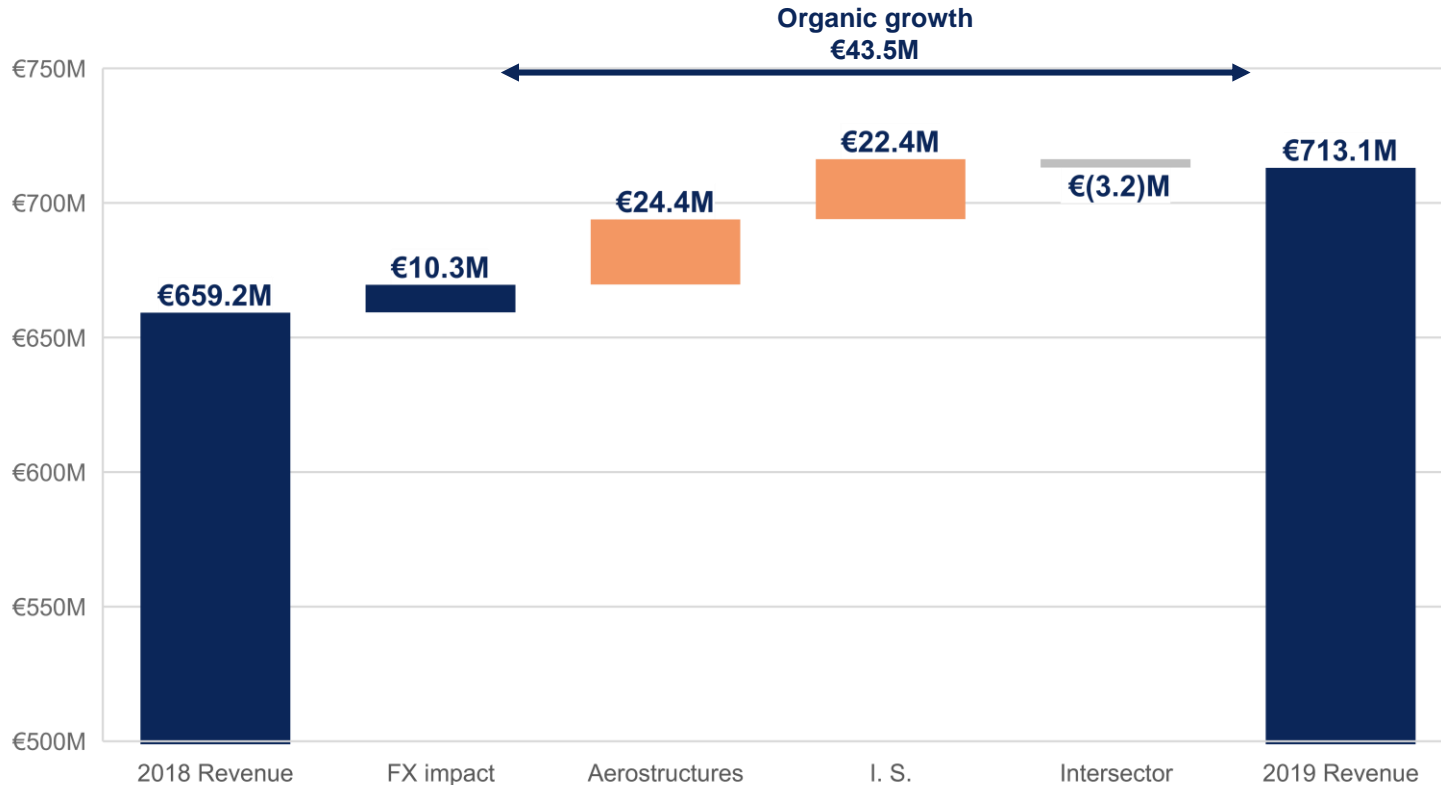
Incl. new sites (Montredon, Bulgaria)  
start up costs, transfer costs and  
transformation/transaction fees

Including, in 2019:  
FX impact of €(3.6)M  
change in fair value of €(7.6)M

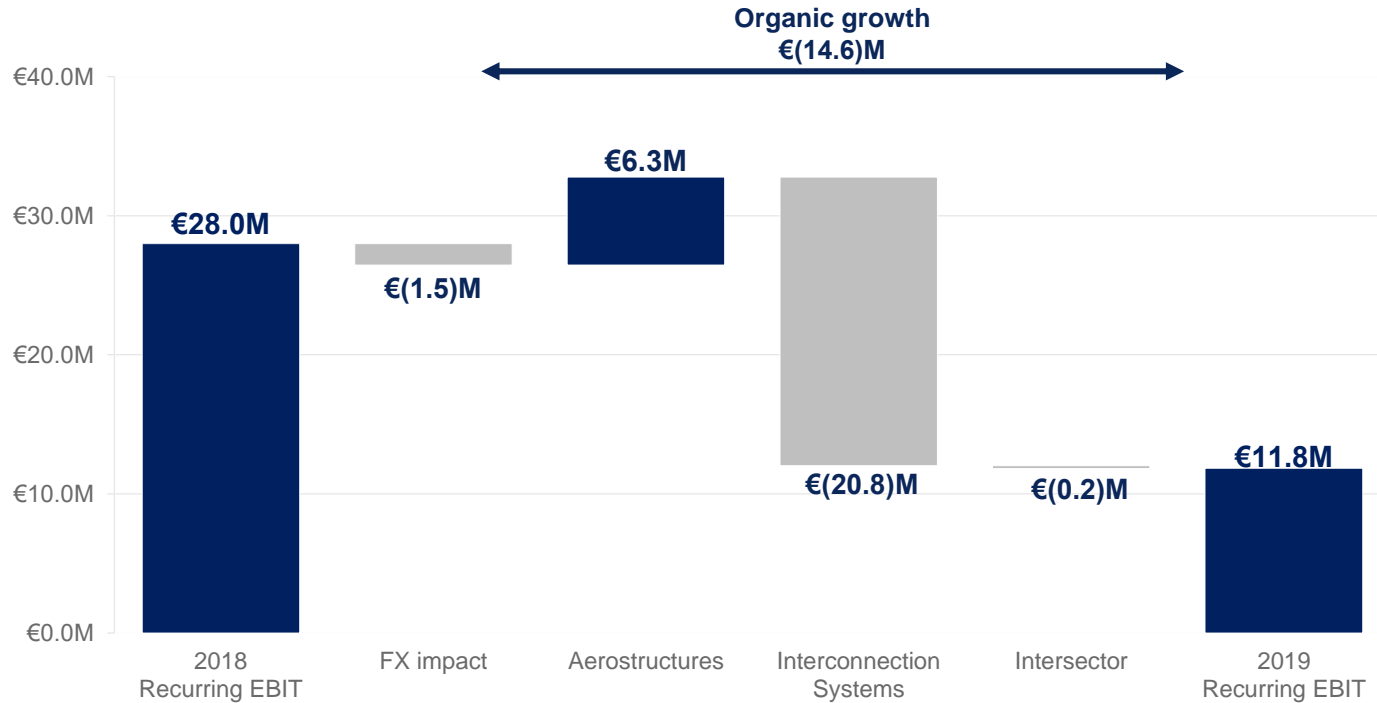
and in 2018:  
A380 impact of €16.7M  
change in fair value of €(6.3)M

\* Recurring EBITDA = Recurring operating income + Depreciation and amortization of tangible and intangible assets

# REVENUE BRIDGE



# RECURRING EBIT BRIDGE





# RESULTS BY BUSINESS UNIT

(€ million)	2019	Aerostructures	Interconnection Systems	Inter-sector
<b>Revenue</b>	<b>713.1</b>	<b>429.5</b>	<b>303.4</b>	<b>(19.9)</b>
<i>Growth in %</i>	8.2%	7.1%	9.7%	n/a
<i>Organic growth in %</i>	7.0%	5.8%	8.5%	n/a
<b>Recurring operating income</b>	<b>11.8</b>	<b>10.8</b>	<b>1.1</b>	<b>0.0</b>
<i>% of revenues</i>	1.7%	2.5%	0.3%	n/a
<i>Recurring operating income margin variation (vs FY2018)</i>	-2.6bps	+0.9bps	-7.3bps	n/a

# FOCUS ON AEROSTRUCTURE PROFITABILITY

(€million)	2018	2019	Change	Organic Change
Revenue (outside group)	384.2	411.4	7.1%	5.8%
Inter-sector	14.9	18.1		
<b>Total Revenue</b>	<b>399.1</b>	<b>429.5</b>	<b>7.6%</b>	
<b>Recurring EBIT</b>	<b>6.6</b>	<b>10.8</b>	<b>4.2</b>	
% of revenue	1.6%	2.5%	+0.9bps	
Non recurring items	(18.4)	(22.2)		
EBIT	(11.8)	(11.4)		

## Revenue

- Positive impact on FX
- Positive impact on production rate
- Strong activity on customer support activities and NRC invoicing
- Pressure on prices

## Recurring EBIT

- Negative FX hedge rate impact
- Good performance from customer support and development (NRC) activities
- Higher volumes
- Negative impact on sales price
- Negative impact on new sites ramp-up

# FOCUS ON INTERCONNECTION SYSTEMS PROFITABILITY

(€ million)	2018	2019	Change	Organic Change
Revenue (outside group)	275.0	301.7	9.7%	8.5%
Inter-sector	1.8	1.7		
<b>Revenue</b>	<b>276.8</b>	<b>303.4</b>	<b>9.6%</b>	
<b>Recurring EBIT</b>	<b>21.2</b>	<b>1.1</b>	<b>(20.2)</b>	
% of revenue	7.7%	0.3%	-7.3bps	
Non recurring items	(4.7)	0.7		
EBIT	16.6	1.8		

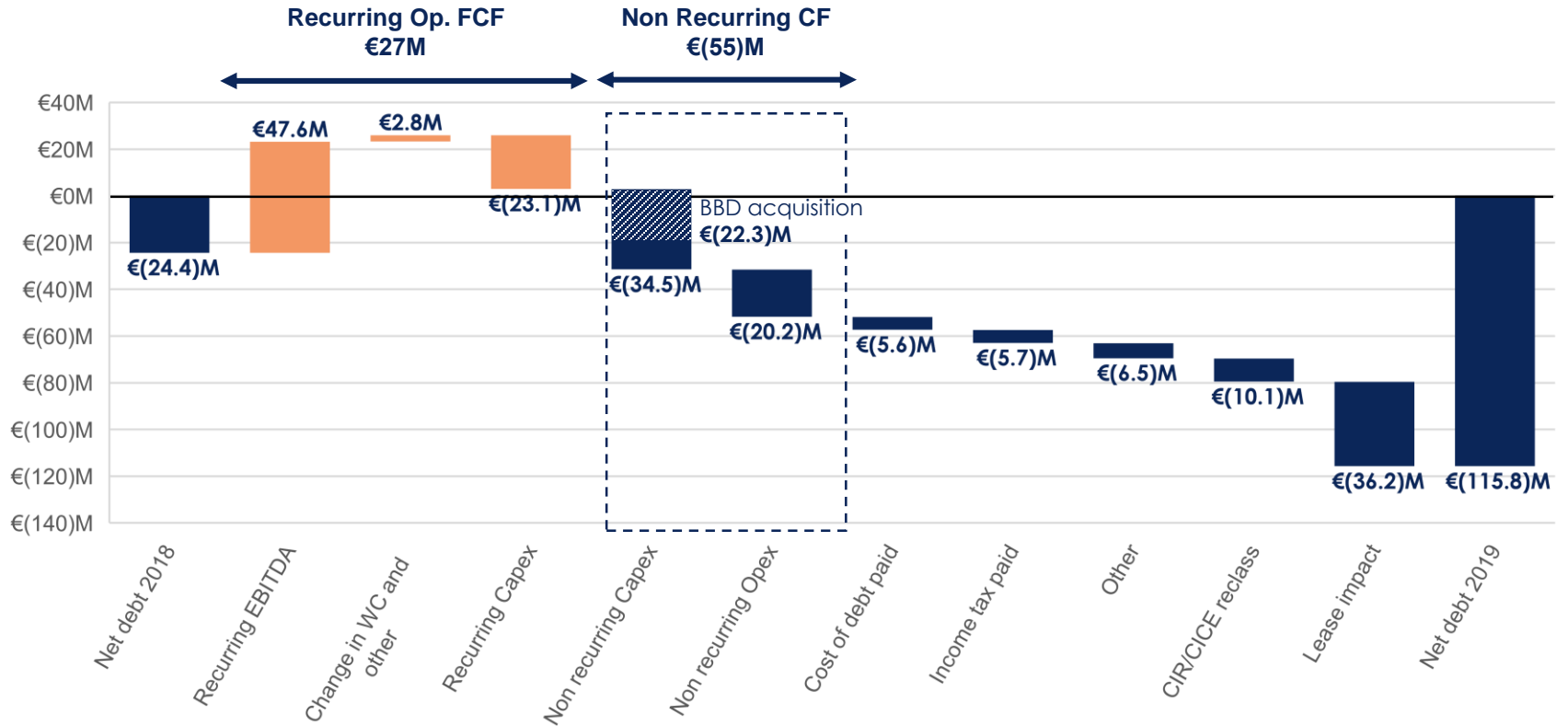
## Revenue

- Positive impact on FX
- Increase in production rate
- Strong activity in Cabin

## Recurring EBIT

- Higher volume
- New contract ramp-up costs
- Indirect overcosts related to suppliers crisis and delayed internal reorganisation

# 2019 OPERATING CASH FLOW AND NET DEBT



# RESEARCH & DEVELOPMENT AND RESEARCH & TECHNOLOGY BY ACTIVITY

in m€	2019	Aerostructures	Interconnection Systems	2018	Aerostructures	Interconnection Systems
R&D expenses	(13.5)	(8.7)	(4.8)	(11.5)	(9.2)	(2.3)
R&T expenses	(10.9)	(5.3)	(5.6)	(10.3)	(7.5)	(2.7)
Total expenses	(24.3)	(14.0)	(10.4)	(21.8)	(16.7)	(5.0)
% of revenues	3.4%	3.3%	3.4%	3.3%	4.2%	1.8%
Tax credit & Grants	9.2	5.9	3.3	6.2	4.2	2.0
Total expenses after tax credit & Grants	(15.2)	(8.1)	(7.1)	(15.6)	(12.5)	(3.1)
Gross capitalized R&D	-	-	-	2.1	0.9	1.3
Amortized R&D	(14.8)	(1.3)	(13.5)	(12.0)	(1.0)	(10.9)
P&L R&D and R&T in recurring operating income	(30.0)	(9.4)	(20.6)	(25.5)	(12.7)	(12.7)
% of revenues	4.2%	2.2%	6.8%	3.9%	3.2%	4.6%

# NET DEBT

Net debt	2018	2019
Bank Loan	45.0	55.0
Factor	76.5	41.6
Finance Lease (including IFRS 16) *	10.9	42.8
Other financial debt	0.0	10.2
<b>Gross Debt</b>	<b>132.5</b>	<b>149.6</b>
<b>Net Cash</b>	<b>108.0</b>	<b>33.8</b>
<b>Net Debt</b>	<b>24.4</b>	<b>115.8</b>

\* IFRS 16 impact of €26.9m as of December 31<sup>st</sup>, 2019

**Net Debt**  
**<60%**  
**Shareholders' equity**

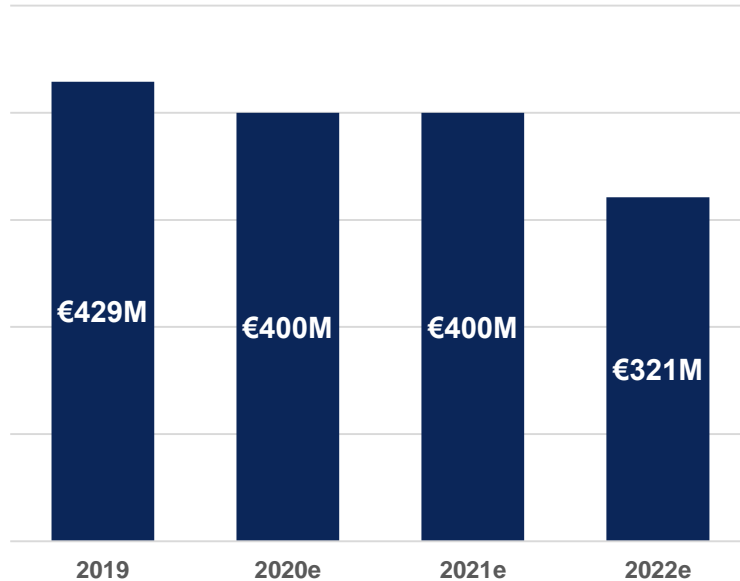
**Net Debt**  
**<2.5x**  
**Recurring EBITDA**  
(<2.0x recurring EBITDA excluding BBD EWIS)



Gross debt repayment schedule (Dec 31<sup>st</sup>, 2019)



# HEDGING PORTFOLIO



## Portfolio as of March 9, 2020 = \$1,051M

- New hedges put in place in 2020 for \$300m
- FY 2020 and FY 2021 fully secured
- FY 2022 secured for > 75%

	2019	2020e	2021e	2022e
<b>New guidance</b>	<b>1.17</b>	<b>1.19-1.21</b>	<b>1.19-1.21</b>	<b>1.18-1.21</b>
<i>Old guidance</i>	<i>1.18</i>	<i>1.24</i>	<i>1.23-1.25</i>	<i>n/a</i>

A large industrial robotic arm with a bright orange frame and a white lattice-patterned interior is the central focus. The arm is mounted on a blue base. In the background, there are various industrial components, including a blue cabinet with a '603' label, a black control panel, and a blue safety fence. The scene is set in a well-lit industrial environment.

**PART 3**

**OUTLOOK**



# 2020 OUTLOOK

## Key assumptions

## FY2020 guidance

- Increased rates for the Embraer E2 and Airbus A320 family
- Positive contribution from Interconnection Systems' new business
- Soft demand on twin aisle programs both at Airbus and Boeing
- Price reduction on Airbus programs in both divisions
- Lower production rates for the Embraer E1 and Dassault Aviation's F7X/F8X programs
- Excluding impact of the acquisition of Bombardier EWIS activity and Coronavirus crisis
- Group revenue to decline by circa 5% at constant exchange rates
- Low-single digit Group recurring operating margin
- Positive operating free cash flow



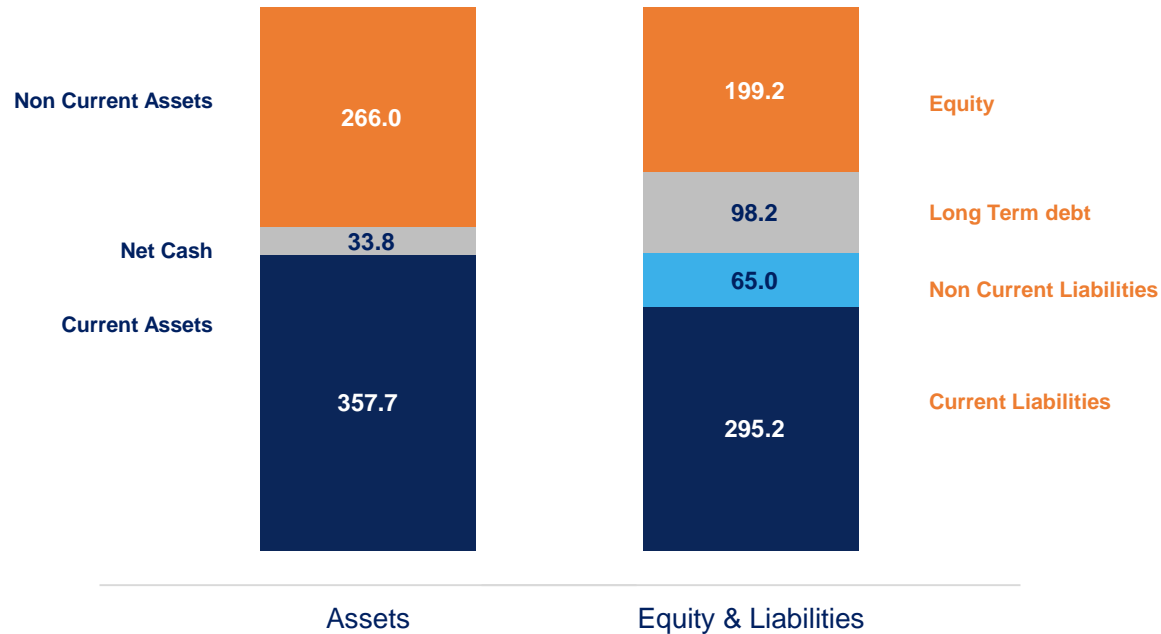
THANK  
YOU

A technician in a dark t-shirt is seen from the side, focused on organizing a complex network of cables within a server rack. The cables are bundled and secured with white zip ties, creating a structured and professional appearance. The background is filled with rows of similar racks, suggesting a large-scale data center environment. The lighting is cool and blue-toned, emphasizing the technical nature of the work.

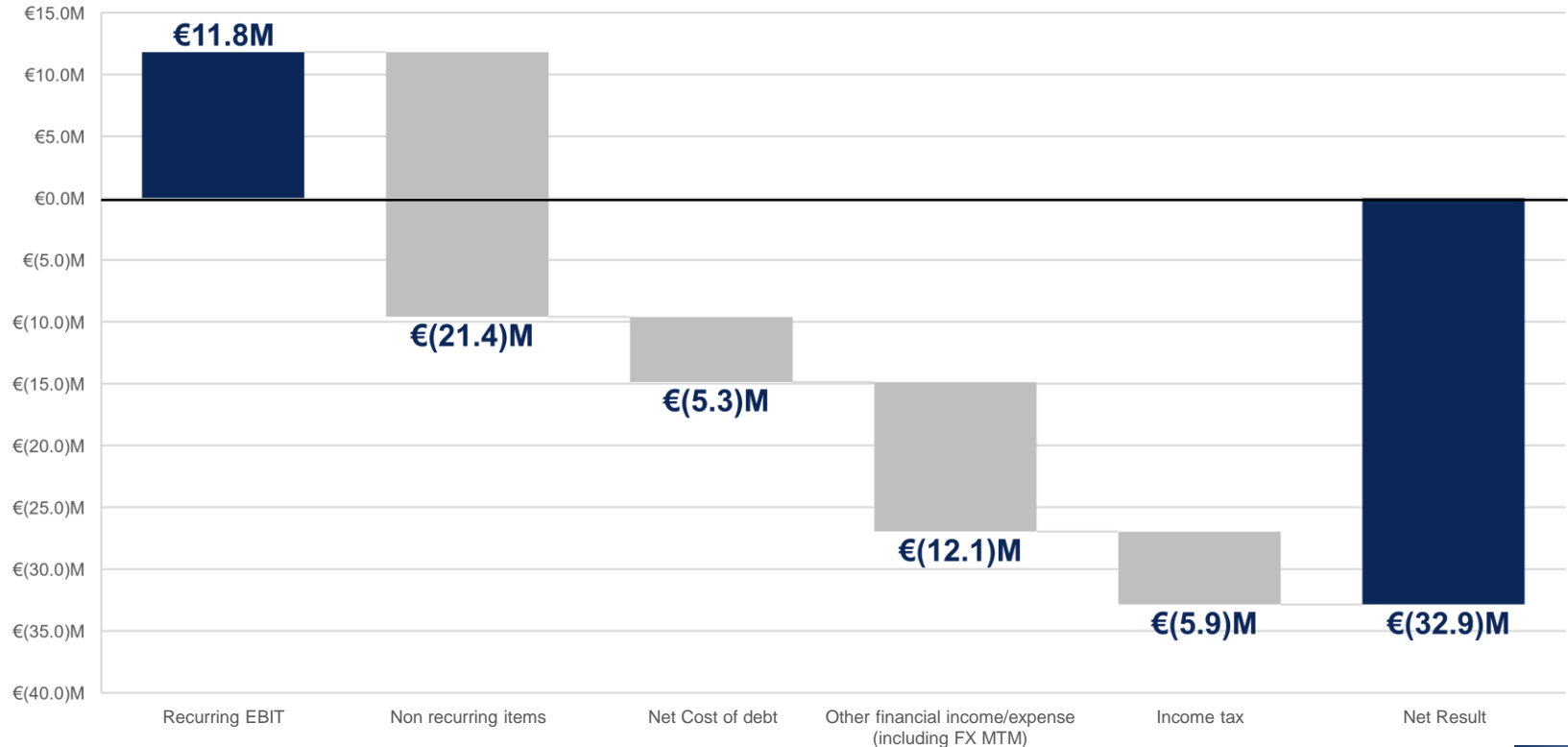
PART 5

# APPENDIX

# 2019 CONDENSED BALANCE SHEET



# 2019 REC. OPERATING INCOME TO 2019 NET PROFIT



# LATECOERE PURCHASING: WORLD-WIDE SINGLE SOURCES



Based on Tier-1 main sites and available information about tier-1 sub-sites  
Annual spending based on 2019 figures