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ALTEN Q4 2021 Results

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Operator: Ladies and gentlemen, welcome to ALTEN Results Presentation for the Fourth Quarter 2021. During this call, you will be on listen-only mode. However, you will be invited to ask questions at the end of the presentation. You can do this by pressing star one on your handset and then you can record your question.

I'd now like to give the floor to Bruno Benoliel, Deputy Chief Executive Officer, to kick off our conference this evening.

Bruno Benoliel: Thank you. Good evening, everyone. This conference is my first opportunity to wish you all a happy new year 2022, hoping that we can move on from the COVID pandemic and that we can get back to business and life as usual.

The geopolitical and economic circumstances, rates, economic recovery are all factors that affect 2022 as it starts. There's likely to be more randomness and unexpectedness than in the previous year. Speaking of the previous year, at the beginning of 2021, we wouldn't have bet on an improvement of the public health situation that would be as fast as we've seen, and we definitely wouldn't have bet on such a strong recovery.

However, we have almost moved past pre-COVID levels, and excluding new acquisitions, ALTEN at the end of 2021 is back to the business levels that it had at the end of 2019. And that was not an easy thing to achieve.

Business boomed in the third quarter, and that trend continued into the fourth quarter despite a base effect that was less positive, given the fact that business had started to recover after two strong negative quarters.

In Automotive and Civil Aerospace Engineering, business remains lower than pre-COVID periods, even though business did start off faster and earlier than we had expected in those two sectors. In all other sectors, as we'll be showing you later, we have gone beyond business levels from 2019. We are therefore at €2.224 billion at the end of the year, up 24.9% versus December 2019.

In France, business is up 13.7% and 32.9% internationally. Like-for-like, business is up strongly 12.9%, up 8.4% in France and 15.7% outside of France. Acquisitions contributed to half of overall growth this year and about 10% of revenue. International regions represent now 65% of overall turnover.

The data from the fourth quarter, especially, are as follows. Business is up 40.1%, 26.4% in France and 48.5% outside of France. Organic growth this quarter is at 22.3%, 17% in France and 23% abroad. Businesses remained strong, 82.7% in the fourth quarter after 82.9% in the third quarter, the previous one.

In the second quarter, 92.8% and 91.5% for the entire year. The first quarter having borne the brunt of the public health crisis. In the second half, growth beyond average Groupwide, which as you know is 92% to 92.3%, but is still slightly lower than that rate for the rest of the year.

Headcount for the Group. Headcount is up 8,500 people in 2021. 7,750 of them are engineers. Therefore, we now have 42,300 people on our roster at the end of the year. And as a reminder,

we had 33,800 one year ago and 38,500, 33,000 of which were engineers at the end of June 2021.

Taking into account acquisitions at the end of 2021 that were announced during the previous press release, i.e., an Indian company with a small front office in the US and a Chinese company with business in the US as well. With the addition of those two companies, consolidated dated 1st January on the P&L of the Group. By including those two acquisitions on 1st January 2022, we had 45,500 people, 40,000 of which were engineers.

Engineer headcount has continued to increase in the final quarter at a similar trend and rate as the previous quarters, about 1,400. Excluding acquisitions and divestments, our engineer headcount would be at some 33,000 with a sequential increase between the December 2021 and 2022, some 4,500 people, almost 5,400 and also in France and 4,500 also abroad.

Broken down by region, the business is as follows. In France, all sectors are up with the exception of the automotive industry, which is still down versus 2020 damaged by the car manufacturers. France is still 15% below pre-COVID business levels. Aerospace has ramped up in the last quarter, even if activity is still 13% lower. Remember that we were at minus 45% in the Aerospace industry in France one year ago.

The driving sectors are still Energy 16%, Pharma 10%, Rail and Naval 10%, Defence and Security 7%, with a 10% growth or more on all of these sectors. Internationally, business is also growing strongly in most of our regions. Only Scandinavia and one other, where civil engine – Civil Aerospace Engineering and Rail are still below their pre-crisis levels.

In North America, in the US, accounting of 80% of the North America region, business is up 14% roughly, has achieved pre-COVID levels, including in the automotive industry accounting for 20% of overall revenue in the region despite the drop-off – less pronounced drop-off nonetheless to oil and gas, which happened this year.

In Canada, about 20% of the North America region, growth is at 34%, thanks to the Tertiary Finance sector, which accounts for about half of local revenue. Telecom 17% of local revenue, and Life Sciences 10% of local revenue.

In Germany, the economic recovery has ramped up throughout the year, especially in the final quarter of the year at plus 32% as you can see on the documents that were handed out. You've probably already downloaded them. And this is mainly due to Aeronautics and Automotive affected heavily by the crisis, but they reinvested heavily at the end of the year.

Organic growth is therefore at 8% for the year, but still about 10% lower than the pre-COVID situation. Aeronautics 18% of revenue, is down 35% still, whereas Automotive industry 46% of revenue is only 8% behind its pre-COVID level.

The diversification sectors, Tertiary Finance 10% of revenue now. In Germany, industry 7% up as well. In Spain, business is up 9%. The rhythm of the recovery accelerated in the second half, and we are now well beyond the pre-COVID level. All sectors are up in Spain, especially Defence, Security, Energy, Other Industries and Aerospace.

In Italy, growth is holding strong at 30%, even though business grew 12% during the crisis in 2021. All sectors are up with the strongest progress being in Automotive, 50% growth for the Italian accounts, which unfortunately is not the same as what we have in France. 20% of

overall revenue comes from cars. 37% growth in Italy on Defence and Security. And 75% growth in Other Industries.

For Asia Pacific, the rate of growth continued to accelerate to 31%. The zone that had growth in 2021 despite the crisis, 6.5%, is up around 40% versus its pre-crisis level. India, which represents 30% of our APAC region, China 20% of the APAC region, are both up around 20%, driven by the Automotive industry.

Japan, 15% of the region, is also in 45% positive growth, thanks to strong penetration of the third Tertiary sector and Finance. Scandinavia, business is very slightly up with the growth rhythm having paradoxically slowed down in the final quarter. Finland representing 22% of Scandinavia is up 6% only, thanks to Goods and Industrial Equipment, which accounts for three quarters of the local activity.

In Sweden, where it's only minus 0.5% but recovery is visible in all sectors. They suffered from the HGV automotive industry and accounted for 40% of local revenue. As a reminder, that dropped off 23% in 2020, and so is still 22% below pre-COVID levels.

In Benelux, where growth also ramped up 16% in the final quarter with business up 10% in – over 2021. Belgium had growth of 7%, excluding the Tertiary sector, which is slightly down, all of the important sectors are up, including Pharmacy, which accounts for more than 41% of revenue in local – in Belgium locally, is up 20%.

In the Netherlands, business is strong, 12.5% total growth over the year, thanks to Electronics and Semiconductors, which are a solid third of the business in the Netherlands. In the UK, activity is strongly up. As you can see, we're at 26%. We are 15% above the pre-crisis levels, and that happened in 2021 and recovery has been strong in the Automotive industry even if we are still slightly below our end of 2021 – 2019 results, sorry. And the Aeronautics business is well above the pre-COVID levels.

Switzerland was not heavily affected by the crisis and is now at 24% in Q4 and 12% over the year, thanks to Pharmacy and Tertiary & Finance. And Eastern Europe had solid growth, especially thanks to Poland, representing 60% of the region with 65% growth, thanks to Auto and Tertiary Finance. Romania grew 15%, thanks to growth in the same businesses as Eastern Europe.

So the recovery that we observed in the second quarter continued to ramp up in the third quarter and was confirmed further in the fourth quarter. All of our business lines have now overtaken pre-COVID with the exception of HGV, Automotive and Civilian Aerospace, although they're also exhibiting recovery.

Let's look at Automotive. If we break it down per sector, Automotive industry 16.2% of overall revenue for ALTEN, a business that was bouncing back in the second quarter confirmed in the third and fourth quarters of this year – of the past year rather, up 8.3% but still 12% below pre-COVID levels for the entire Group. As I'm sure you've understood, the recovery has been uneven based – depending on the region.

And if we look on a per client base, for the OEMs, there are ups and downs. Stellantis France, JLR, Daimler and Renault are still down, whereas most of the OEMs in Germany, in China and the US are strongly up. Overall, OEMs accounted for 66% of the Automotive industry are stable

with some good players offsetting the other ones, and the original equipment manufacturers are up 30%.

Aeronautics up 11.5% and the growth is mainly been from the Naval side of things, with a strong boom with the Naval group contract, 10% above pre-COVID levels there. Aerospace 11.6% of overall revenue is up 17%. Aerospace only accounts for 2.2% of revenue but the recovery has been much stronger-than-expected with growth above 20%.

Civilian Aeronautical Engineering, the recovery that we saw in the third quarter of last year was confirmed in the fourth quarter, happened earlier and stronger than we expected. Our growth in the Civilian Aeronautics sector was pushing into the 100% range at the end of the quarter, a recovery that is as strong as it was unexpected. Over the year, we've therefore got growth of 16%, which significantly offset the never-before-seen drop-off that we observed in 2020 with that minus 45 you may remember.

We're not yet back to pre-COVID levels but we're not far if you'll allow me say – saying it, because Aerospace is now only 13% below its pre-COVID levels. Defence and Security, 5% of overall revenue, grew 20% and have also overtaken pre-COVID levels. Energy, 11% of revenue, almost is up 9.1%, slightly above its pre-COVID levels at this point but depending on the subsector you looked at the – look at the situation can be different.

Oil and gas 4.8% of overall revenue is slightly up, slightly higher than 1%, although demand is increasing. Prices are increasing. And there's been underinvestment in that sector for a number of years, which should lead to a strong bounce back, if logic applies. Nuclear, 2.7% of revenue, continues to grow 10%. As you know, we have a very strong trend behind us in that.

Equipment for Energy 2.7% of revenue, a strong increase in the growth rate there, now beyond 25%, especially thanks to investment made in Equipment Renewables. Life Sciences 9.5% with solid growth, with 15%, thanks to the Pharmacy sector, whereas the Medical Equipment sector is growing but more sluggishly. Other industries, OEMs transformation 6% of overall revenue. They are up 22% this year. Now significantly higher than the end of 2019.

Telecom 5.6% of revenue slightly up about 3%. Overall, solid situation for telecom operator around 4% and a growth of 10% for the equipment manufacturers. Our business is almost back to where it was before COVID, but telecom is maybe the only sector where recovery has been disappointing.

In the Electronics sector, we have Semiconductors representing 16%, mainly due to strong activity in the semis. And finally, Tertiary Finance, which is approximately 25% of sales. And this is a business that's picking up in banking and insurance. We have now gone well beyond our pre-pandemic level.

And all sectors have gone back to a level well above that of the pre-crisis. There's still a catch-up potential in the two remaining sectors, which are still below end 2019, which all goes well for potential growth in 2022, '23 and the following years.

Looking at acquisitions, we had announced at the last publication of results the six acquisitions in France and overseas in 2021. I won't dwell on it. In 2022, we have acquired a company in Spain in IT services on the cloud business and digital transformation. This is a company which in 2021 should post revenues of €12 million and profitability of approximately 8%.

So 2022 looks promising. 2021 quite unexpectedly has turned out to be an excellent year with business picking up much more strongly than expected. The pandemic is, to a large extent, behind us. Two or three countries are still below their 2019 levels. And the fourth quarter was very strong, much more than we expected.

January has got off to a good start. Our organic growth is kicking off at 7%, higher than usual. And this augers for a strong growth year in 2022, unless, of course, macroeconomic or geopolitical or health crisis conditions prove otherwise.

So I will now hand over to participants, so that you may ask questions, if you so wish. We will now reopen.

Questions and Answers

Operator: Ladies and gentlemen, if you wish to ask a question, please press star one on your keyboard. And I'll tell you when you can ask your question. First question is from ODDO.

Speaker: Good evening. I hope you can hear me clearly.

Bruno Benoliel: Yes.

Speaker: Thank you for this year-end conference on results, results better than expected. I have some questions on inflation. How does ALTEN traditionally fair in an inflation environment? What is your capacity to raise your contract prices with clients? And also, how will you be able to recruit in the present environment, given strong wage increases? I see that your goal for engineer headcount is 42,000 in 2022. Are you still as confident in that respect?

Bruno Benoliel: Well, we are not accustomed to working in an inflationary environment because for some years now, even decades, France, Europe and the world have been operating in a low-inflation environment.

Now we have to adapt to the situation and we will see whether this is a lasting pickup in inflation or not. Come what may, there are certainly tensions in the labour market in France and elsewhere. In those countries where we operate, the skills in the areas in our sectors are very much sought after.

We could have achieved better results if we had been able to recruit. At present, we are really very busy with course for tendering. And in terms of recruitment, we have been doing well. We are recruiting approximately 1,450 engineers every quarter. This is one of the strongest results we have ever achieved. In the past, I think the strongest result was 2,000 in a quarter. So we are still a very attractive company. We are still able to attract people to the company.

Of course, this is being done against the backdrop of strong wage rises. Engineers are demanding higher salaries than what we had one or two years ago. This is important. And pay scales are going to be going up by 2-3%, which is still in fact reasonable relatively speaking. In terms of our own prices, well, we try to negotiate increases with all of our clients.

The situation is somewhat heterogenous depending on sectors, depending on countries. Customer reactions vary. What we can say overall is that we should be able to pass on most

of the wage increases in the hope that wage increases will not be excessive. And for the time being in fact, amongst our competitors, we're not really seeing strong wage competition.

You have three types of competitor, in actual fact, you have the customers who are the most difficult ones in terms of wage competition. They're quite happy to go ahead with a 5% pay scale increase. We're not able to do that.

Our immediate competitors who have to take into account market conditions, but who do not go into a wage spiral for similar reasons to ourselves. And then fin-tech start-ups is the third category. And remunerations are still at a level which is 20-30% above ours, so that's very difficult for us to go against them.

But that does not represent the major part of our recruitment. So in actual fact, we're still managing to deal with this through the kind of projects that we offer and career prospects.

With clients, we're able to pass on increases in order to offset, to a large extent, wage increases. There's one sector of activity where it's rather more difficult. That's the Automobile sector. And France is a difficult market, mainly in the Industrial sector and specifically in the Auto sector. At present, I cannot say what will be the outcome of all this.

I think we'll have to do look at this ex post[?] probably at the end of the first half. But to be sure, everybody is looking to keep margins at a satisfactory level in order to avoid any deterioration in the price margin ratio and no significant decrease compared to 2020.

And I hope that answers your question.

Speaker: And that certainly is a reassuring answer. Now your – regarding the goal to achieve a headcount of 42,000 engineers, is this still relevant would you say given wage tensions?

Bruno Benoliel: Well, we're already above that as of 1st January looking at our recruitment and with the acquisitions that we expect in future recruitments. Unless, quite frankly, there's an economic – some kind of economic disaster, I think we will comfortably achieve our goal of 42,000.

Speaker: And when you talk of about onboard growth, what you're talking about is external growth that you've already achieved?

Bruno Benoliel: No. External growth is not included in this. No, it only includes organic growth, which will be mechanically achieved at constant scope.

Speaker: Thank you very much.

Operator: Next question, Gilbert Dupont.

Speaker: Good evening, Bruno. Can you hear me?

Bruno Benoliel: Yes.

Speaker: Onboard growth. Have you included the onboarded growth through price increases? That's my first question. The second one is on second half 2021 margins. Could you give us a brief update? In your last presentation, you were saying that it was very similar to H1. But we're hearing that the margin is very strong, that sales are very strong. Can you be – give us a little bit more detail?

Bruno Benoliel: Right. Looking at onboarded growth, well, that's an excellent question. There's no price effect here. It purely being achieved through volumes. I can't really say how prices will behave. So our approach is based on constant prices, unchanged prices. Constant prices and stable levels of the business versus the second half – second half levels, which may create a slight bias but it will not be significant.

Now regarding second half margins in 2021, indeed, you have indicated it will be above that of the first half. And you said it would be no likelihood well above the first half. So we are looking here at double-digit margins for that year as a whole.

Now the level of activity is well above what was expected, and that's very important because this produces volumes of sales which immediately generate margin. Next, we had budgeted, for the second half some investment spending in order to cope with growth requirements. We didn't manage this because it's difficult to recruit engineers across the board in all the businesses. We have specific projects which have run over the planned deadline. So the budget for the half two has been optimised.

So I can't really say anything about the impact on the margin. I wouldn't want to take this – the analysis of the margin too far. But it's clear that the second half will be well above the first half.

Speaker: Okay. And one last point. I recall that in terms of external growth, you had quite a few items in the pipe. Some of them had come to fruition. Do you think that – in the first half that transactions will pick up?

Bruno Benoliel: Well, we've had 3,200 people, 88% to whom are engineers were recruited in the fourth quarter. So those are two major acquisitions that we're talking there in the fourth quarter. Next, we've just closed another acquisition in Spain, 180 people, 12 million in revenues. It's a smaller deal.

And in the pipeline, we – well, I don't know whether all the transactions will be closed, given all the H1 processes. But if all goes to plan, this is what should happen.

Speaker: Thank you. Have a pleasant evening. That's all very clear.

Operator: Next, Bryan Garnier.

Speaker: Yes, good evening, Bruno. Sorry to ask these particular questions, but I have some connection problems at the beginning of the call. Could you go back on the utilisation rate and the net hires as of 31st December, including engineers – the figures for engineers?

Bruno Benoliel: Sure. The Q4 was 92.7% capacity utilisation, which is 92.8% for the second half and 91.5% for the year as a whole. Headcount for the Group, plus 1,500, 7,500 engineers. Q4 specifically, net staff hiring 1,400 people. So for the year as a whole, growth in engineer headcount came out, organic growth that is, 4,993 and 2,750 through acquisitions. So you add the two. And that's 42,300 at the end of December 2021, of which 37,150 engineers to which you should add the two acquisitions that were made at the end of the year consolidated into the balance sheet at 31/12 and the P&L from 31st January.

And overall, that brings it to 3,000 – plus 3,200 with Group headcount at 45,500 at the end of January and 40,000 engineers.

Speaker: Okay. Thank you very much. So you're talking about the utilisation rates, which is at a historical high. Do you not think that perhaps at some point, depending on the level of hires, the utilisation rates might, in actual fact, go down somewhat?

Bruno Benoiel: Well, I think we should almost be hoping for that, because in actual fact we have business levels in excess of 95%, which clearly reflects difficulties in hiring staff, and the goals as such that all geographical regions are increasing their level of business, which means – so if we're at 93% or 96%, that's a very high level. We need to come back to something between 91-92%.

Now if we're not heading for that as looking at January, in January we still have lower levels of business because some projects are late in getting started. Orders are late in getting pushed through. But looking at January, with record levels in January that – we're perhaps looking above the standard levels. But I hope that things will stabilise over the year.

Operator: Next question from CIC Securities[?].

Speaker: Can everyone hear me? Can you hear me, Bruno?

Bruno Benoiel: Yes, I can.

Speaker: Fantastic. So first of all, well done on the results. Couple of the questions. You mentioned Poland in your presentation. Can we talk about how many of the 40,000 engineers are from areas like that?

Secondly, if we look at the aggregate levels, 70-30 with [inaudible] development versus IT, as things are getting centred more towards digital technologies in IT, has that been rebalanced? That was my second question.

And my third question with this kind of growth, can we effect – can we expect any effects on working capital requirements?

Bruno Benoiel: Okay. That's a lot of questions. The engineers we have in Poland work for the local market. With the exception of a 100 or so of them, these are not engineers working for Germany because that's often the case in a lot of companies.

However, at the end of 2021, we had about 3,300 people working on the – on nearshore basis between India, where we have 1,250 to 2,000 depending on the month you look at, 250 in China, people mainly working for Japan in fact, around a 1,000 in Morocco and 400 in Romania.

We acquired two companies and they are likely to add, give or take, an extra 2,000 to the headcount. And they will be added to the offshore headcount, because they will be in China and in India. They will mostly be working for local markets, but may also be working remotely for American client.

Speaker: So 5,300 is how you make it?

Bruno Benoiel: Yes, 5,500 roughly. Sorry, what was your next question?

Speaker: My second question was the split between pure IT and research and development.

Bruno Benoiel: Recently, we did some acquisitions in IT. The two latest acquisitions are 100% IT engineering firms and it hasn't significantly shifted, shall we say, the business balance between IT and engineering.

And the third question was on WCR. We still have WCR under control despite the issues in 2021. With acquisitions, it's organic growth that creates extra WCR. We may see some working capital requirement increases in 2022. But you'll see the cash figures on that for the end of February when we publish for the year. WCR is well under control.

When you've got a VSO[?] that is about 90 days in the Group, that means that, of course, any increase in revenue increases WCR.

Speaker: Okay. Thank you very much.

Operator: Next question from Kepler Cheuvreux.

Speaker: Can you hear me? Good evening, Bruno. I have a number of questions. Could you come back to the attrition rate? Often, there are a lot of people leaving the company near the end of year period. I know that you don't have a clear overview of hiring in 2022. But if you look at just the coming two quarters, do you have an in-house target to continue to hire about 1,400, 1,500 engineers organically every quarter? Or is that a target being adjusted for the attrition rate? Are you still around 25% on that? And that's the first question.

Bruno Benoliel: We don't have any hard numbers for our hiring targets, because it really depends on the project. We look at the contracts that we get and then we always make sure that we have enough of a buffer of engineers so that we can handle growth.

So we have increased resources going into hiring engineers in 2020 that was drawn down so that we can hire at least – net, at least 1,500 people per quarter. And that is net. But it depends on changes in business. Currently, things are moving at a good clip with our portfolio of tenders that's full. So we are looking at high hiring numbers.

Speaker: How about people leaving? Any shifts there?

Bruno Benoliel: We're at 27% right now, give or take.

Speaker: On that note, you've said that there were 2-3% increases in wages for 2022. As it stands, your engineers, are you able to lower the average age? Is it remaining stable? Are you shifting towards offshore engineers to save money on wages? How are you controlling those parameters?

Bruno Benoliel: The engineer population is getting younger. It had slightly aged with the drop of the churn rate. It shifted by about a year. I think we went above that 30-year-old threshold. Now it's going back down because churn rate is going up again. And the new hires are younger. I don't know whether that answers your first question.

Next on wages and costs especially. The increase in the share of offshore staff is mainly due to requests from clients, especially French clients that want to drill down their engineering, research and development costs. So where possible, we shift projects to Morocco or India, and that is because costs are lower over there. This then, of course, has an impact on average wages and has an impact on the average sale cost, because unlike IT, engineering is not a business sector where offshoring will enable you to get better margins because actually it's the clients that get a lot of the savings that comes from the offshoring.

So on face value having more offshore staff working on the projects, although it's not a significant increase, would reduce the average wage but it also reduces concurrently the average sale price.

Speaker: Now, I know this isn't a result call, but I would like to ask you a structural question. The landing in 2021 is likely to look good, but from a more structural perspective and independently from the fact that you invested a little late in the recovery cycle, are there savings that could have been done during the lockdown that could have improved margins from 10.1%, 10.2%? And can we hope to see margins back to a sustainable 11%? Has anything structural changed?

Bruno Benoiel: As it stands, I wouldn't want to commit to an answer there, because I don't think anything fundamentally structural to the company has changed. What has changed is our sector mix and our region mix, and that's going to continue to shift going forward, because the automotive industry is bouncing back and the automotive industry has lower margins than elsewhere. So that's going to bring growth but it's also going to have a negative impact on margins. And then you have the geographical effects that are in play as well.

France is down as a proportion and then you've got regions like Italy, where profitability is quite high. You've got Benelux, which is up as well. And all of that has a positive impact on the spread for revenue. At the moment, we have been able to reduce some cost but they're going to come back at some point.

So I wouldn't call our current situation a stabilised one. So we're going to wait at least a year before we can bring an answer to the question you asked. My answer for the time being would be no though. I don't see any way for us to sustainably increase our margins up to 11 points and to have that be stable, especially as there are issues with wages and prices that are still up in the air. And we're going to have to see what happens in 2022 in that regard and beyond 2022 because there really is our concerns about inflation right now and our clients are not particularly inclined although some may be more than others to accept any significant price increase. So there's many practice of uncertainty, and therefore it's very difficult to answer the question.

Speaker: So perhaps we're going to – probably we're perhaps heading for 2022 margin which should be lower than that of 2021?

Bruno Benoiel: Well, it'll be a good – we have a good year, but that doesn't mean that we'll necessarily really at 12% margin. But we'll be above 10%, that's for sure. And logically, 2022 should be a little bit lower. But when I say above 10%, I'm not talking – I'm talking about EBIT. I'm not talking about sales.

Speaker: Now could you talk about the two to three acquisitions and how whether some surprises here, good or bad? Are there significant acquisitions ahead?

Bruno Benoiel: Well, one is with headcounts above the 500 and the others are the usual size.

Speaker: And of the last – among the last ones, if you had – have you been pleasant surprise – pleasantly surprised or were there some unpleasant surprises?

Bruno Benoiel: No disappointments and I would even say that there was some pleasant surprises. In other words, there was some companies for which the margin picked up even faster than we expected.

Speaker: Well, that's a very full answer. Thank you so much, Bruno.

Operator: Société Générale is the next question.

Speaker: Hi, Bruno. I'll be brief. First question, could you have – give us an update on expectations for France and overseas for 2022?

Bruno Benoliel: Well, yes and no. One day less in 2022, I can't remember – 2021, but I can't remember which half, one day less.

Speaker: And I think it's the same thing internationally?

Annica Bresky: Yes, pretty much so.

Speaker: And second question to follow on from the attrition, staff attrition, you're talking about 27% compared to 2021. You were saying it was going up every quarter. But when you look at the number of departures you had between 31st December and 1st January, the usual kind of resignations at that time of year. Did you notice anything different compared to previous years? Or is the level of resignations more or less the same or a bit lower or more or less what you expected?

Bruno Benoliel: It was basically what we expected. At the end of the year, we have less than usual with January 2021 for obvious reasons, even though we did have some. And this year, we've gone back to the usual level of resignations.

Speaker: Okay. And my third question, on France, there is a strong pickup in Q4. Does this have an impact on the outlook for 2022 for France, or were there still areas of uncertainty? And you're basically depending on countries, which did well in 2021 and should do so in 2022? Or would you say that France now is really moving ahead and that the pickup should – we should have a strong pickup in 2022?

Bruno Benoliel: Well, France, like Germany, in fact, because the two move in tandem, and to a lesser extent, Sweden. Well, France got off to a slow start because we had to start off by managing the inter-contract periods. And this took us all the way through to April-May. And in 2021 as a reminder, we had furloughing through the whole of the first quarter and part of the second. And this was mainly applicable to France and Germany.

When we came back to a normal situation, in other words, resources consistent with the level of projects, then we were able to go back to recruiting bearing in mind that in France the Auto sector among the manufacturers has not picked up. It's still quite weak. Auto sales in France, well, the projects that we have a bigger than usual but are more offshore projects. So there's a very clear policy here to – all we have to do is read the press [inaudible] to understand the goals of the French auto manufacturers.

And in this sector, we dealt with the inter-contract period. And the business picked up again strongly in particular in the Aeronautical sector. And this accounted in fact for the pickup in hirings, because that's, in fact, the area where the recruitments were the strongest. So for 2022, we had plus 70% organic growth in Q4, so that momentum is good.

We no longer have this inter-contract problem to deal with, and France will go back to a standard level of growth consistent with that of the Group as a whole in 2022, provided the auto sector pickups.

Speaker: But don't you think that France, given the base effect and the slow start that if you had minus 20 in 2020, you're well up in 2021? Plus say, don't you think that the logic would

have it that we would – can project 2021 into '22, which means that France would post growth of more than 10%?

Bruno Benoliel: Well, France could do that because the strong pickup in France, the strong recovery is above 5%. So yes, France could do that. But again it may even achieve this without the auto sector, because there are other sectors which are driving the recovery. But I think that there will be pickup in oil and gas.

We have a huge increase in course for tendering Nuclear Energy, Pharmaceuticals, Aeronautics. There's a lot of demand. And we have a premium referencing with Airbus that which has just come through. So yes, France could achieve this. France could definitely achieve this, but the growth momentum in France will be all the stronger if the auto sector picks up in France with projects in the Auto sector in France, because let's not forget that we're still 30% below the auto sector growth in France compared to the sector as a whole.

And with Scandinavia where levels which are still stuck at a little bit better than rock bottom but not much better.

Speaker: Okay. That's very – and my last question on the two last acquisitions at the end of 2021, which will be considered – consolidated from the first – end of January into the P&L.

Bruno Benoliel: So the cash out will be booked to 2021 and will be consolidated onto the balance sheet for 2021 will have the goodwill and the P&L.

Speaker: Okay. Thanks a lot.

Bruno Benoliel: Thank you. Enjoy the evening.

Operator: Next question.

Speaker: Can you hear me? Okay, excellent. First of all, congratulation for your results. I won't hold you for too long. But out of these acquisitions, you had some things for the first half. Are those acquisitions focused on a particular sector or a region? You've already mentioned a couple of things. And then the second question. Can you – can we extrapolate the projected acquisitions for 20 – for the first half into the whole of 2022?

Bruno Benoliel: So you've got six first acquisitions, which were all international acquisitions and they're in a diverse set of regions. Only two of them in fact are from the same place out of six. So by that, I mean, in the same country. And we have some other statements of intent that are looking to be signed but negotiations haven't begun yet. But if all runs smoothly, we think we could expect around ten acquisitions for the year.

But if I'm honest, this isn't a target. Acquisitions come as they may. There are acquisitions that we didn't follow through despite having statements of intent. We were hovering the pen over the paper, so to speak, for some acquisitions but we pulled out again for reasons related to last-minute negotiations or because the negotiations were disappointing in their content.

But it's an opportunistic process. It is clearly part of our strategy, even though organic growth remains a strong driver of our development at ALTEN. Ten is something that might happen but is in no way certain.

Speaker: Okay. Thank you, Bruno.

Operator: We have no further questions in the queue. If you would like to ask a question, please press star one on your handset.

Bruno Benoliel: Okay, if you have no further questions, in that case, the only thing that remains to me is to wish you a pleasant evening. I'd like to remind you that we'll be present – we'll be publishing ALTEN's books on 22nd February in the evening after closing and the analyst meeting unfortunately is going to be remote again, but it will be on the 23rd in the morning. I hope this is the final time we'll be holding the analyst meeting remotely. But we have to deal with the circumstances as they present themselves. So I'll see you on Wednesday, 23rd February. Have a good evening.

Operator: Thank you for being with us this evening. You can now hang up your telephones.

[END OF TRANSCRIPT]