ALTEN First Half Results 2022, Webcast 23rd of September 2022

Hello everyone. Welcome to the presentation meeting for the half results of ALTEN. For those of you who follow us online, you can ask your question directly on the platform. For those of you who are in the room, of course, the Q&A session will be held at the end of the presentation, so I give the floor too seamlessly. Chairman of ALTEN Simon AZOULAY.

Thank you and hello, everyone. I'm very happy to be here to present to you the results of the first half, 2022. I was hoping. That I had a full room today.

We thought during the board meeting that in a period of post-COVID everybody could be here. So I'm very surprised to see that people are still following online and not attending in presence. So I believe that there'll be probably 30% of us in the room and the rest following us remotely, which give us the trend for the next meetings. In any event, you are all here, even online. And we're very happy to present to you the results and the strategy for 2022 and the two coming years.

So the results were published yesterday, as you can see, and I hope it is not a big surprise for you. The growth is here, the results are good.

We've already published the revenue at the end of July. We have a very good surprise, however, is that our forecasts. That we presented to you a few months ago. Did not allow us to hope for such a high level of one 11.4% considering the pressure that we had on the headcount since the beginning of the year. So we didn't know how would it affect. The VRA.

So two phenomenon helped to produce this number, a very strong demand and a deficit of engineers that is everywhere in the world, including in low cost countries Asia. Eastern Europe. North Africa that has led to the fact that clients had to do something about it because they were facing this deficit of engineers. So it limited the number of inter internal contracts. And so we can announce 11.4%. The calendar will be less favorable on H2.

And Bruno will talk about it, but it's going to be between ten and 10.5%. We end the the half year with 43,650 engineers. Which means 49, 600 employees. This number has been outgrown already today.

And our ambition would have been to present to you the magic number of 50,000 engineers in December 2022. We hope it's still going to be possible. It's going to be difficult. Depending on the M&A activity, it might be possible.

Our international growth. Is the getting stronger even in France has very good results as you can see on the map today are. International footprint is at 67%. And if we have these 50,000 engineers will be at 30% in France and 70% internationally. So, all the scopes all the geographic scopes have grown different pieces. But you could see that. It's a very positive the organic, organic growth and external growth as well. External growth has been less strong than last year. It's been mostly recovery of from organic growth. France that has not had external growth has recuperated. As you can see on the graph, going four, ten, six of five, 6550 engineers, up to 10,800 engineers for this year, which is quite a miracle for such a year.

So, of course, you will have this chart later and you will have a chance to analyze it deeper on our sites. But globally, you have to remember that. There's no geographic difference.

In all countries, I have the same issue of not finding enough engineers, and this is going to stay. Unfortunately, the loss of engineers.

The deficit of engineer is going to be here to stay. So, I would like to insist. On this on two types of the breakdown between two types of activity that really characterize the peculiarity of the Elton group. For those of you who I have met before. We have two jobs in the world of services. There's a blue job and the yellow job.

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So this is what Elton calls them. And the blue meteor is the all the engineering services, everything that is design and deployment of products that are going to be sold. So, it's a core business of our clients. And the yellow meteor is everything that is I.T. enterprises, services, apps, databases, networks, deploying the networks, the cloud, cybersecurity, etc. So Blue is technical management and production management. Yellow is internal needs that you find in most companies. Blue is engineering. It's often yellow is the OR the company's a subsidiary specialized in consulting and expertise.

So, what if we are in the blue? If our core business is in the blue, why are we doing in the yellow parts? Because since the digitalization calls for develop specific development and very technical developments were required were requested from banks, insurances or retail to develop particular apps that we know how to do in the world of products.

The embedded, the unmarked software that we have developed for the last 30 or 40 years in the group of ten.

And it's mostly the engineering companies that are requested to develop specific products. In the world of I.T. services of companies.

But there are many things they will not do in the yellow world. We won't do what is called BPO. It's taking a whole payroll or CRM with the audits and the analysis and training and deployment in India. This is not our core business. Our business is designed with teams of engineers, products with their specifications. Same goes with the networks of companies who are requested many times to choose to do something about this. But we'd say that ALTEN is an engineering company at 70% and uses its technical skills to offer specific developments and technical developments to the world, to the internal functions of companies. In the world of the engineering, there are two branches the branch R&D design. Up to the prototypes and the manufacturing branch.

The manufacturing branches. ALTEN was not present on that branch 15 years ago because the plants were 2.0. It was a lot of blue colors, a lot of people, management. And since the factories have become more and more digitalized, it's the the automation of plants with the Iot. And everything that it generates has helped. As helped us think about it differently on how we can deliver our industrial equipment's. And we have again a need for engineers, and we develop more and more on the world of manufacturing. In the 70% that we have today, it represents maybe 45% for R&D and 25% for manufacturing and production, engineering, engineering, whether it's real telecom, energy sectors. I hope that helps you understand better how ALTEN is positioned and the fact that ALTEN is the only real-world operator. Independent. With the mindset of an engineer. And it's a reality of today that our clients are very aware of, and that's why they want our services. So what characterizes Alton as well? It's two other points.

I often present this slide. Sometimes I do, sometimes I don't. But I always insist on the fact that Alton focuses on specific studies, whether it's for R&D or for manufacturing or for special applications of I.T. services on the jobs of engineering and specific developments. We recruit only engineers, and they are all on our payroll. So we have a very high investment in recruiting and managing the careers of these engineers and the we help them grow to functions of specialists, of experts, project leaders or been business unit managers, which is what you see on the level two and three of this slide.

We work in technical assistance with the clients who ask us for additional resources, but more and more the clients are giving us the entirety of the project, the projects that we manage in our premises or sometimes in the development centers abroad. If they ask for low-cost prices in Romania or in India and at 70%, 70% of our revenue in France is in the 1% worldwide. We have the responsibility for the project, for the management of the project. We don't do the level one which we call staffing or freelancing. There's a market for it. There are some freelance companies, staffing companies. It's grown quite a lot in the US because of a much more liberal work law. We don't do the level for either that could be compromising us with our clients because some our clients do it themselves.

So we have our own test centers. And. And so we don't want to be competing with a tier one. If they sell their own services to industrial companies. So we're not on level four and level four would not allow us to manage on a semester basis.

No the profit rates depending on we manage all that. From an accounting point of view. So over the four possibilities of the service offer, we are on level two and three. We want to work with industrial companies in banks and four major industries for 72% of our revenue in the area of technical products and services, I think it's clear enough, but I'm happy to go back on it. So now.

We on the breakdown by sector of our revenue.

This is the logical consequence of the strategy, as you can see, where 70% in the world of technical and engineering products. 20% in approximately land, transport, automotive and rail. It's about pretty stable where we grew a bit, even in the aerospace and security and novel world departments. And then you have all the other technical equipments around the energy, life, science, telecom, electronics, where you have about each of them representing about 10%. And then you have the remaining 25, 28%, which because it's grown in the services sector, bank and insurance. So how? How does it work with all these sectors? They're all doing very well. But I want to insist on the fact that during each crisis, only one or two sectors were hit. So, it's very strategic.

For. The ALTEN Group to have this diversity of sectors. We're number one in the engineering sector as an independent structure, but we are also one of the only companies that is multisectoral in the engineering world, which is that we have we work on a number of sectors, and that has prevented us from being hit during all the crisis.

We were hit pretty bad by the crisis of the Internet bubble because we worked a lot in the telecom sector. We suffered for a semester, but because the other sectors were doing fine, we we could overcome that. The 2009 crisis as well, the motive as well. But at the same time, the aerospace sector was doing well. So it saved us the crisis, the COVID crisis. We were hit, of course, in the aerospace sector. We had a drop of 60% of the revenue in aero aeronautics. And for the equipment manufacturers, the automotive companies suffered a bit, but the other sectors held up pretty well. So this diversity of sectors is fundamental for us to protect us from the crisis. And so we are not depending on only one sector. It's a form of guarantee, but it implies that we have a critical size in each country and each sector.

So we have that, and that's why we need this number of 50,000 engineers. I'm going to say a word on each sector, but in the next slides, I'm not going to want to take them, all of them. You'll have more details on how each sector is characterized. Defense sector is a market that is doing very well.

We have a lot of requests from most defense operators.

Safran Tell us and the others or Leonardo. It will notice the sector came back to the level pre-COVID with new projects such as the hydrogen plane, the revamping of a number. Of. Existing models, which means in fact that they're completely redone from the inside, even if the outside is not changed with new engines. So it's a sector where we have quite a good visibility and we can expect a nice growth for the next two years. Regarding the sector of automotive and rail in the automotive sector, we have a lot of requests. We managed to work with most of French, German, American and Swedish car manufacturers. So that protected us because it's a tough sector, very high pressure on prices. They consider in the automobile sector that engineering is part of the costs, the production costs. And before before they look at the quality, they look at the price first.

And there's a big pressure on offshoring of all the car services. The R&D of the automotive sector is not strategic as it could be in the arena tax or defense sector. So. The goods the Manila, Philippines, Morocco, India, and we have delivery center in those countries. It's a little less true for rail and naval sectors. We have many requests from the sector on the engines and the network. And also on the in the the layouts, there's some many big sites. We were we were working with major players and that opens some very nice

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perspectives of development as well on the sector for the other sectors that we call other industries, which is energy, life, science, telecoms, energy is we have a major project on nuclear energy. As you can imagine. We operate in France very well. We know that we're going to have some major investment in the south of France, England and Nordics. We're preparing for that.

We are expecting for the nuclear side. A growth of 50%, an increase of 50% of our revenue in this sector. Because we have the right skills and we must conquer new activities in the energy sector where we are less presence, which is more network, deploying the net, the grid, deploying the grid and renewable energies. We have a footprint in this network, but not enough. Regarding the life science. Uh, can imagine how busy this sector is. It's mostly pharmaceutical industry. And medical instruments.

We decided seven or eight years ago to be present on this market that we believed first was more meant for different type of companies, because we're not biologists, we're engineers. But we realized that there are many big needs on the two sides of the pharmaceutical groups. On the one hand, data treatment of the clinical trials where we grew very strongly, it's data and certification together. And on manufacturing because. They need quality and traceability such as in the spatial industry. And we realized that we were quite needed in those sectors, and we grew them quite a bit.

The only limit to our development is not the market, is its capacity of training specialists and business managers to develop those products. So in terms of industrial equipment and electronics, VLSI tool, machine tools, we work on two countries mostly, never on all of all of countries. And we need to deploy what we need, what we know to do in our flagship countries. What I say also applies to the telecoms industry. We operate mostly on deploying 4G, 5G networks on two countries. So those two sectors offer a very nice perspective. We don't expect any crisis to come. So it's up to us to capture all these but all these potential. Everything that is digitalization in the retail sector and the services, media, and public sector. We is needs a lot of the services and engineers. It's completely underserved. And it's up to us to. Get into these markets. And in this yellow world, we can see that the wages have been going up very much because the CEOs. Have need the company to run. So everything is web and web marketing.

They must put in place no matter the cost. So this is organization per sector. Let you read over what I just said on those two or three slides that are coming up. It's the same thing, but it's just broken down and you have the percentage of activities. Uh. In percentage of revenue. But you have to keep in mind that everything is going well. And if there's a major crisis in a sector, despite the warnings that we have, when we hear, oh, the economy, the world economy is going to collapse, there's going to be a global crisis. But on our own positioning and on our specific DNA, which is to conduct products, projects with engineers that we manage from A to Z or our market is our limits, and our clients are asking us to do more and more. Okay.

A word on the competition. Of course, things have changed a bit in the last 4 to 5 years. You find our new actors now.

There are two different types of major players. You have the big IT companies that cap acts and tours. They try to penetrate a market. They have made some acquisitions like Alt Ultra and. Uh. And they are penetrating the market with a very with a business approach that is very different than the one that is now that we have now they are used to as a major player of the world, of the services in management, I.T. , to take BPOs, where we call BPOs, which are processes with 304 hundred people by telling, okay, we're going to handle all your payroll, your accounting, we're manager, you're going to manage all of your tools, including the CRM from top to bottom with in all the countries that you have worldwide.

It doesn't work that way in the engineering sector because we look at the core business of the clients and specifics. The client only externalize 30% of his needs for additional. Resources because this needs to evolve depending on the new projects and the new equipment that he's working on and for technological needs.

If he doesn't have them but we stay in his core business, and he keeps in charge is stays in charge of his business.

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A car manufacturer is not going to externalize a car or full engine. It's not the way it works in the industry. So globally we. This competition. It's not scary to us because.

It doesn't fit the approach to the engineering world. What we could be frightened of with these new competitors is their offshore capacities, mostly in India, because these are not companies. There are no French companies anymore, American companies anymore.

They are legally Indian companies. Half of their payroll are in India. So they come to the market and they tell the client, We can do anything you want in India, from India. So we said that there's 10% of offshoring in the engineering world, but we're not letting us letting it frighten us. So we gained a lot of new markets in the offshoring, including in India, against these actors, because the clients knows locally and our local footprint in Europe is in France or in Europe or in the U.S. is very reassuring for clients.

Then you have the Indian clients. Their strategy is to do nothing locally. So if you address the engineering sector, the client needs a minimum at least 30%, if not 70% of local activities. Versus 30 to 70% offshoring in low cost countries. But the strategy of the Indian actors is to do nothing locally, to have sales. The local sales that bring back all the countries to India. So the strategy that generates less overhead, of course, because all the overhead are in India, they have 20 points or more versus in the the engineering the local engineering model. And we are first of the class.

First in class, it's 10% of of our area because all the structures are local. And the management is done by local engineers based in Europe or in the U.S. So it's a different type of competition. Oh, we're going to. And the question is, are we going to see everything brought being brought back in India? But it's not. It's a the model is I gain the market and I bring it back to India. And then we saw interim and staffing companies. I don't want to make any comments on that. We're watching them and we're going to see how they how they evolve. The engineering is not compatible with staffing.

If you're doing project management, you need a super strong technical management. It won't be done by staffing or freelancers or people who will not be loyal to the company or. I'm not saying that there are competitors, but financial operators, private equity funds. And we have seen that the I.T. market is developing. Of course, there are many private equity funds carrying out a build up. Of course, these are not all success stories, but they are gaining in size and the objective is to be bought back at a very high price. And so they basically they present operations with four, five, 10,000 people with basically no added value trying to make profits or to make profits on the first acquisition. M&A usually, or the 30 to 50% more expensive than we are. And this has really impacted our growth and potential, especially externally, because when they do an acquisition, they look management and where the absolutely crazy systems in which is not something that we want to do when we design our strategy. So these are not fully fledged players from a technical point of view, but rather they are troublesome players when it comes to carrying out our own policy. But let me repeat that Alden is in a unique position, and we should make sure that we seize this opportunity to develop ourselves because the market is present, is responding correctly, and we will. And we have to make sure that we will be able to respond to the changes we have implemented over the past four years of this approach. We have a cross-cutting of structures, so we have a world wide approach, especially at the sales level. This is absolutely necessary.

We cannot come up with these methods in all of the countries of crisis. So we had to invest massively in France, for example, to be able to then develop them in Germany, the UK and the rest of Europe. And the sales and direction is also something that has to be thought through.

It cannot be done in an independent manner. It because in the majority of our clients are multinationals, we can't have eggs in France and Germany, in Spain, in the UK and so on and so forth.

We have one global client and some stellantis at the same. When it merged with Fiat Chrysler, we had to adopt our method to have one unique approach. We had to coordinate our actions with the Italians and the Americans, which was not an easy task. But this is the real challenge that we have. But it is also an opportunity

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for us to attract more international clients. And then we also need to take stock of our assets worldwide so that we can present them to our clients. Altan is not only a service provider, which until a few years ago actually had the capacity to carry out projects with robust teams.

ALTEN has also now become a company which has a very strong offer in various sectors, and our offering is really impressive to our clients. We need to do better when it comes to marketing so that we can actually step up our game and we will need to concentrate on our cross-cutting structures which will have to be further developed to the financial health of the Altan Group also allows us to carry out all the acquisitions that we want to, but this unfortunately doesn't mean that we always use it to its best.

All the companies that we could be interested in today are already in part managed by private equity funds or very expensive or. Sometimes the price is way beyond our value on the stock market. So this would be a very damaging blow for us. If it were a very strategic move, then we would be ready to do so. But it has not been the case so far. So we would need to find a very strategic move to Kerry to move forward with this, and maybe it will happen in the future. I know you. So as you can see the I'm in a includes. A head count of between 308 hundred people. But this is not really what happened this year, with the exception of an Indian company.

Or rather, an American company which. Carries out two projects with the delivery center in India. This has come and complemented our offshoring capabilities. There was a larger company in the UK and then we had two other acquisitions of more modest sized companies in Spain and Australia. We are currently negotiating with some companies and we want to strengthen our position in some sectors.

As I said before, we do not have the critical business size or mass in some countries, in some sectors, for example, the UK or Spain in the US. We need to make sure that we can strengthen our position. Um. Many companies are used to working with delivery sensors and ingest, and this is something that we have to think about. We also have an advice company and a local engineering company.

So in this sense, we need to think about our positioning. Usually we concentrate on engineering and not advice because the average age of our engineers is around 30 years old and our image is to provide engineering solutions and not advice services. So again, this is going to maybe change our positioning or our activities. I hope that we will be able to make some to give you some good news in the future. We have a lot going on in the pipeline, but unfortunately negotiations are sometimes difficult and we are hoping that the current situation internationally will be will benefit us. Now, regarding our capital, our shareholder base, it has not changed approximately 83% in the public sector.

Then we can see also some is being owned by APC and FCP. I beg your pardon. MARTIN And so employees and leaders, managers and approximately 15% of the capital is detained by our founders. I said a few years ago that I wanted to see that at least 5% of my stories moved a benefit to charities. But unfortunately, I can't do that given the current situation. So now I'm going to give the floor to windows so that we can have a closer look at the first half results.

Good morning. As usual, I'd like to start with this slide because you can see the developments in the growth of the group. You can see that there was a slight slowdown in 2020 for obvious reasons, but you can see that since 2015, the group as a whole has almost doubled in size and. You can see the evolution of our revenue. You can also see that in terms of headcount, the group has significantly grown in 2022 because we went from 42,300 in 2021 and we are almost at 50,000 today.

We were three of 43,650 engineers in the first half of the year.

We have recruited 6500 people. 3500 people have joined us, mainly in the MENA region because we bought a company in China and India and they represented 2700 engineers out of the 3500 that I mentioned and in the first half of the year, we also recruited an additional 3440 engineers, even though we would need more. So 450. In France, it's a less than internationally because internationally we have recruited approximately 3000 people. And as usual here you can see the analysis of the changes in the revenue.

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We have a like for like on a like for like like for like basis.
You can see that's since the year of first to the half of the year 2021.
The growth has been robust and has not declined. We have we are around a 20%. The organic growth is the first grade growth driver of the growth because it is the main driver, as I said. And while it was a different last year. 30% of our activities happen outside outside the euro area. So this is why the forex impact is particularly high this year. Because you know that the euro has lost some of its value, especially vis a vis the dollar.
In France. Organic growth is satisfactory. Of course it is lower than at the group level because we have a 20% growth of the group level. In France, the growth was mainly driven thanks to a civil aeronautics.
With Airbus, for example, it represents 26% of the French revenue. It has grown by more than 46%. And I think that we have exceeded our pre-crisis levels. The growth has also been driven by nuclear activities in France and energy activities overall and represents approximately 10% of the revenue, with a comprehensive growth of approximately 20%. And the automotive industry, which represents 10% of the French revenue, has only grown by 6% and the growth is mainly due to projects executed on offshore.
It are mainly for EMS and. So we have not yet recovered the year pre-COVID levels and the projects increasingly rely on mean and destroy short. Internationally. Um. Like in France, you can see that the organic growth is robust at 23%, represents a two thirds of the overall growth. And we will see later on that the organic growth is as strong in almost all geographical areas where we operate. All right. So here you can see the various geographical areas and the details, the majority of them at least, and the developments for the first half of the year.
You can see that the overall the average growth is around a 20%, with two exceptions the Scandinavia. In Scandinavia, activities concentrate on the heavy trucks. And bouncing back was more difficult in this region. And second was Switzerland, which represents a very small share of our revenue.
You can see that in other regions the situation is positive in a very growing region and the growth has reached a 23.5% in Germany.
Activities had just started picking up in the in the latter semester and the last half of the second half of the year last year with a total growth of 23.5%. This is and has been precedented for the best in years. And Italy is sorry, I beg your pardon.
We have seen a strong growth in the automotive industry in Germany with a plus 35% growth, and it represents a big share of the German revenue and it has the recovery from the crisis in Italy and 27% and growth and this has been the case for several years consecutively in Benelux.
The growth is picking up again, as we had seen at the end of 2021 has reached 17% at the end of June 2022, mainly driven by the Netherlands, where activities are increasing in the semiconductor and electronic components, and in Belgium and growth is above of 5%. But you can see that the growth is lower compared to other countries in the region. In the UK, the activity is doing very well as well.
We have a plus 25% growth and we have seen a significant growth in the aeronautic activity sector and the automotive sector as well, with 100% and 40% growth respectively in Eastern Europe. And growth is sustained as well, with an approximately 40% growth thanks to Poland, which has a trade. In this growth, we have a plus 50% growth and Romania plus 20% growth thanks to the auto and automotive and the energy sectors. And now North America, which includes the US and Canada.
The United States represents approximately 80% of the area. We have recorded a plus 25% growth in the US and plus 30% growth in Canada thanks to services and aeronautics sectors and now Asia-Pacific. This region has been growing steadily. It represents today. A significance of the group's activities.
The pace of growth has accelerated in India's second quarter, with an average of more than 14%. China represents a big third of the area and has grown by 25%. India represents 30% of the region and that has recorded a 40% growth. And Japan represents 10% of the region and has grown by 10%. Singapore. We mention this country seldomly only, but actually this country has recorded a plus 60% growth. When I talk

about China and India, I also, of course mention local activities because activity is coming out in China and India and the delivery centers, the activities carried out in the delivery centers are not and taking into account locally because they involve the foreign markets, for example, the US. Now add the income statement and you can see that's where the margin has increased if. The operating profit has increased by 52%. I'm going to give you the main components. So as you can see, the margin has increased by 40% because 40 bips.
There was a significant increase of our activity levels as as humans said. And. This represented 140 bips. And. We had to face, as it was expected, a worsening of the. Right. Racial income wages. Unfortunately, Japanese had decreased decrease by 15 bips and.
We decided to start investing in the commercial and editorial structures, and this has been the case since the end of 2021. We will have a closer look at this in the second half of the year and the results of the second half of the year. So you can see that overall the situation is satisfactory and much better than what we had anticipated. And. Free shares have achieved €15.4 million this year and should increase next year as well. For years shares in. Have increased when you look at the total amount.
We have also seen a strong increase of the value of four year treasuries because of the changes on the stock markets. We have a €6.2 million result as well.
This includes our various acquisitions. And past acquisitions with a €6.5 million and a restructuring cost of 0.8. We have also won some legal proceedings against Safra, which has a reimbursed €1.5 million. ESF has reached €48.2 million and. So this is something that will have to be taken into account.
It shouldn't be lower in the second half of the year. Our financial income analysis. IFRS 16 is for accounting purposes, of course. You can see that we are in the positive bracket with €1.8 million and ten is. Financing its activities through structured banking activities and through its own capital. So we have reached a balance when you look at the cost of net financial debt. But you can see the figures on the on the screen and the other net financial income represent 0.04% here.
Let us look at the income statement by region. You can see some significance from some of the differences between France and England and overseas, of course, in France.
We have seen some increase and some improvements in the figures and. Just the situation. Details on. Sometime before, so. The operating margin grew by 14 bips thanks to an increase of the contracts for France are activity level that has picked up very strongly because the activity level of the Q1 of 2021 was still penalized by the aerospace activity and business. So the increase of the activity level has generated ten bips from the gross margin. And so we had to take into account the wage ratio. In France, the 16 ratio has progressed by ten bips and in a rate that remains stable.
I wanted to say that France, because of the maturity of the country and its organization and its critical size, is integrated in his PNL, a number of overhead corporate court that we will call corporate cost that will be broken down over the whole group and that are because of the positioning of France and the group activities supported by the French business. So if we need to think in economical terms, the operating result of France would be around 10% and the international will be just slightly below.
There are no effects on the credit for taxes. It's about the same than last year. And about 7 to €8 million for the first half of the year internationally, an operating margin that it keeps growing for the same reasons. And that goes from 11.5. 5 to 13 in 2020 to a gross margin that progressed by 16 deeps because of an improvement of the productivity, an activity level that grew as well in a little less because it was higher internationally in the first semester of 2021, which explains an increase of 120 bips. So. As DNA that is diminishing as well by 20 beeps in the first half saw a result that goes over the 13% internationally by geographic areas without getting into too many details.
But to give you the major trends, we have North America that sees its margin with a double digit growth. Germany, a very high activity rate, and that has a bit of about 5% for the first half of the year. It hadn't happened in a while.

Scandinavia that maintains in event ability structured between seven and nine U.K. Benelux sales in Europe have improved there in the profitability that was already way above 10% and Asia Pacific has improved its profitability. That is over 10% now. So the balance sheet of vault in a very healthy structure no major come in and that's the analysis of or no figures are the same you could see the consequence of the policies of M&A policy are equity are getting stronger consistently.
They represent 40% of the total of the balance sheet, 156 million to the liabilities of Altan at the end of June 117 that are to be repaid within a year. And the rest, 30 million in less than a year. The net cash has shrunk for the reasons that I will explain to you in the next slide. And this was the gearing was at minus five is now at -4.1 at the end of June. A small parenthesis is the influence of the A4 a16 on the PNL. And the balance sheets, the impact is nil.
On the accounts, none on the income statement and the financing statement. Of course, the FIA says 16 immediately real estate because that represents 85% of that line. A quick analysis of our free cash flow and Dalton's cash on this first half of the year. Antennas generated at the first semester of 2020 to a cash flow outside of the for 16 of 113 million use, which is operational cash flow that represents I 11.7 of the revenue and that is aligned with our operating result, which is 11.4. This cash has helped pay for taxes for 43% for sorry for 46.4 more higher than I thought.
So the cash out has become normative again, which is not the case before for reasons of decreasing revenue. It's aligned with the tax burden that is in the panel. It also financed the evolution of the before the WCR with CapEx at 0% of the revenue. So our free cash flow is slightly positive and it is at €1.1 million. The financial investments represent €116 million, among which 107 linked to the M&A strategy, acquisitions and or notes. The rest is a cushioning to the companies associated company. The dividend that went from one year to one EUR 30 has explained the outflow of €44 million. And logically, the forex effects on cash flow for the subsidiaries into foreign currencies has generated a revelation of the cash flows in currencies. This is what you see in what calls other financial flows for €1.6 million.
So at the end of June, the cash flow was positive four with a number of €62.4 million net cash. Considering regarding the WCR, you're going to have questions on that. I'm going to try to anticipate your questions on that one. We have a growth of the WCR that is quite significant.
It is linked on the one hand to inorganic growth that is very sustained at the second semester of 2020, one of the first semester of 2020 to have an organic growth of at 20%. And at the end of June, it's the time when the cash flow is at its lowest point and where the key accounts are at the lowest point. So if we want to explain this evolution of WCR, you have an organic growth that generated a growth of 102 million for accounts receivable and the pick up of the activities at the kinds with the clients and the negotiations on rates that lasted longer than usual have led to receive their POS leads.
And so the invoiced late the activity of the first semester which post pushed back the invoicing and the the. And also increased the receivables.
So are there so raised because went back to its pre COVID level which is 94 days. So it increased since December 21, 2021. It should go down by the end of the year. I cannot tell you exactly what number it is going to be at because a lot of clients ask us to push back the invoicing for a few days to improve their presentations, their financial presentations. But it may not get back to the 86 day point, but I hope will try at least to bring it down to 90 or 91 symmetrically. This increase of the days so has led to an increase of the accounts receivable by 96.5 million and a forex effect of €100 million.
Considering the growth, the liabilities have increased by €44 million. On this slide. We're not going to stay on it very long. I want to present that to you because of the seasonality of the activity is very important to look at the evolution of our free cash flow over rolling 12 months.
So just a few conclusions here. Of course, the cash flow is systematically aligned with our operating income.

The seasonality is you can read it through the variations of the changes in WCR, which is clearer over 12 months and six months.

The organic growth, of course, is you can is everywhere in the numbers because it has the clear impact on the clients points. And the CapEx are very low because there are between 0.620.8 of the revenue. So on a like to like basis with an area of about 10% of free cash flow is around 6 to 7% of the revenue. So you have here. The information that I gave to you. A constant you show the necessary are free cash flow would have been at €100 million.

So to sum up, what do you need to retain from these figures from the first half of the year? Alton largely exceeded its pre-crisis activity level, thanks to a very sustained organic growth since Q2 2021. Taking acquisitions into account business has grown by over 30% in two years, so very significant growth. The operating margin reaches 11.4% thanks to an improvement of the gross margin margin. Sorry, based on the high activity rates productivity that is enhanced on projects despite an adverse price, salaries effects and a relative decrease of the s10e. So a very strong organic growth. We started investing on structural projects and reinforcing, of course the teams for recruitments and sales teams. The organic growth and seasonal effects have hindered free cash flow this semester. However, we self-financed all our activity, whether it's organic activity, M&A is financing the dividends that create. And so we end with a positive cash position of €62 million. Gearing is at -4.1%. So a very healthy structure that will help us carry out the acquisition policy in the next semester.

So the operating margin is 11.4% because of the difference between working days between s one and his D are less favorable. We only have two days, so over the years we'll have probably one more day practically to maybe versus last year. So people, you know, took a lot of time off over more over the second semester than the first semester. So the activity level is about the same. So the gross margins should grow, should drop and the structure shouldn't effects effort sorry have helped us to pick up the as good a rate so we'll have a s to margin that will be lower than the S one margin. And that will leave us with an operating margin for activity that is very satisfying. I'm now going to give the floor to see more who will commence to you. The development strategy. The growth strategy. Thank you, Bruno. So to conclude this presentation and answer your questions very quickly, everything has been said. No worries, no concerns on the business for the years to come. We are looking at a market where demand is higher than the offer.

We have deficits of engineers and we have to adjust to that. And with the quality of recruiting and to attract talents to fill up those needs, regardless of the economic situation and despite the major crises that I mentioned early on, we always managed to get through them. In 2020.

We thought that this health crisis that was quite spectacular would be different from the other crises. And we haven't taken advantage enough of the situation to recruit heavily because we if we had a crystal ball when we're sitting at home with our masks on, we made the mistake of not anticipating that. And in 2023, we recruited massively, and that gave us a formidable advance on our competitors.

There was only a few of us and three. Three, 15,000. Engineers, and we recruited heavily as well in July of 2009. Despite what's going on this time, this crisis, this COVID crisis, we didn't do it and we can only regret it. And we have to draw. The lessons for the future will always be facing a loss deficit of engineers.

And we'll have to valorize our offers in our market. Our market is our limits. So regarding. The challenges for the future. We have to keep our margins, of course, with the pressure on the wages. It went a little better than the planned. 70% of the clients agreed. 30% are keeping their pressure on or trying to push us to localize, which is not a good thing.

So we have to generate enough managers and directors to conquer the critical size in all countries and new sectors that are not yet existing or not yet deployed in many countries.

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So that's the challenges with cross-cutting structures that are going to cost money managers, sales managers, a team of 50 people that will have to improve the technical management, international coordination, tenders, management, all these new things that are going to cost money, but they're going to add added value and they're going to help us keep our margins. Third point. What is the competitors doing?

We might have a jump to play, which will bring to ALTEN a different view from the clients. They'd like us to be ALTEN, and we have to deliver in some areas where our competitors don't have the advantages that we have. Our offshore capacity, we have to double it. And we work a lot on it right now.
We are quite satisfied. We need to congratulate ourselves because in 2019 we had announced for 2022 a goal of 44,000 engineers. Despite the year 2020 and the first semester of 2021 that were major crisis, uh, we were quite scared. We went above this goal through the M&A, but also to organic growth because we are now today at over 46,000 engineers and if the Yemenis allow will get to 50,000.
So despite COVID, we went over the goal that we set for ourselves and for the next two years, of course, if we manage our transnational organization and the production of managers because we are actors and leaders in a very specific positioning, so we need to produce these resources will go above the 70,000 engineers mark.
That's for our strategy. No major surprises. It's quite simple.
We need to be up to our size and our goals and challenges. I thank you for your attention and Bruno and myself are here to answer the questions that you may have. To do today.

Q&A

Hello, my name is T…. I have a few question. Can we have a staff turnover for the first half of the year? In a slide, you said that the operating result was a much broader and technical assistance than work package. Is it due to some sort of volatility? Volatility? Is there a notion of productivity that can actually impact this margin? And what about the rise in interest rates? Isn't it and Impacting down the War and our activities in some sectors, and maybe it's too early on to say. Well, regarding the staff turnover, of course it has increased because usually on average over the past 20 years it was around a 25%. So this means that usually in ten years of stay for 4 to 5 years with us, we are recruiting 50% of young engineers.
We we've between 0 to 2 years of experience and the rest have between 2 to 4 years of experience. Well, so we try to retain as much as possible those individuals who can actually and manage a team or offers some significant experience. But now we have exceeded 30%. But this is not so. Homogenous depending on the years of experience. We see a gap between the two groups.
So this means that the very one group on which we are concentrating, we are investing in terms of communication, follow up support and training. This is the 2 to 4 year experience in ten years because the staff turnover had reached almost 40% while it was slightly below 25% for the younger engineers.
So of course, there is some staff turnover meant that we had to invest more in our recruitment activities.
So it has been marked by a 5% increase. No recounting the margins between the work package and the technical assistance. The fees. And that we negotiate when we are in the short list are fees.
One on a 2 to 3 years of time frame. It is approximately around €400 per day. It's cheap, to be honest with you.
It's ten times less than what a lawyer would charge. But this is not fair given the level of the training and education and the level of quality of our services. But this is our positioning. So you understand the pressure that we are under. So we are constantly negotiating our fees. When we renew a contract and we have a

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dumper away, the companies that which are currently struggling on the markets, and which are also trying to decrease to reduce their prices by 5% to try and win contracts. And so, this is a way for them to try and force us to lower our fees. Of course, the two main competitors on the market are doing a much better job of resisting, much better, but they concentrate on offshore. Our margin is between a 10 to 11 12%. We are a first in class, of course, if. We had to. A better margin would be even better. But if you look at local markets, we are first in class and resilience is strong. And the fact that more than 60% of our revenue comes from the work packages means that we don't have to negotiate our fees on a daily basis. This is why the margin on the work packages is better because we no longer talk about the daily fees, but rather we negotiate, or the fees are for a project as a whole. And you know, some groups, when they are too cheap, they can also scare away some of the clients. So this is about the margin. And for the third question, I'll let you answer. Yes, of course. And the interest rates and the increase in risk just in the interest rates in swing to drive prices down. Of course, this is not yet visible, but I think it is going to happen. Let's say that via.

A slowing down of investment funds and build ups or acquisitions in our sector is something that we have noticed, but not in our sector, to be honest. Private equity funds are very much a presence in an M&A company.

This is the case. There is a lot of competition. There is no exclusive negotiations happening. And private equity firms very much present in our sector, that's for sure. But what we can say over the past three weeks and the changes in the international environment has impacted I.T. startups. Some of these startups had some very good ideas for sure, but they wanted seed funding, starting from €1 million, and the wages and salaries were almost double that, what we can ourselves offer. But they were using money which they did not even have, and they were asking for it to start an activity. So this has changed. And this is this means that the playing field is levelling out. Hello. Money has gone there. I wanted to talk about two prices again and the offshore. We? We see that the economic situation is compounding at the moment.

However, demand remains very strong in all sectors and industries. That's fine. But if we look at to 2023, let's say that the situation worsens considerably. Some industries are stuck with some investments or they will have to carry out in the automotive industry, for example, or the energy sector. Is there going to be any additional pressure on costs, for example? This is not something that you are seeing or noticing right now, but maybe this could be the case next year. And could this lead us actually to concentrates concentrate more on offshoring for R&D as well? You are planning to move from 15 to 20% of offshore R&D. Is this linked to the situation or. Are you maybe going to have to accelerate your offshore road map if the situation goes in the direction that I mentioned? Well. And all the territories we can actually concentrate more on offshore and won't do so no matter whether or not there is a crisis or not. It is not about the key services or externalizing or outsourcing a complete admin service offshore.

This would not be strategic. It is. So it's feasible. But in the aeronautics industry or in the defence industry, there are some things that cannot be outsourced and placed offshore. So there are some activities which will have to be protected because of that very nature. But the automotive industry does not have these kind of constraints.

Then look at Stellantis, for example. But actually, that's not really the case for a German constructors because they don't really like to go offshore. They'll only go as far as Romania and Bulgaria, for example, but it may be the case for other constructors. And so European offshoring, which concerns 2000 engineers, may increase to 3 to 4000 engineers in the next few years. But this is the case for Europe. Of course.

And this is true as long as we remain in our blue pillar. So, everything about engineering. But the situation is different in the U.S. The shortage of resources is even more marked than here. And they have a lot of front offices in India because they can be the Internet intermediary person between American companies and their clients. Unfortunately, we are not really present in the U.S. where this is not our main markets and. We have some, I must say. We for her, we mentioned the example of 400 Indian engineers working in India for the US.

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So, for the US they can be up to okay, but they can be offshore for up to 50%. So in the US the situation is different, but it is not a massive change because this is already the situation and it is different from what happens elsewhere. So, we are not worried in this sense. We know what our clients need, and we know that we can win more contracts.

Hello again. I have four questions for you. I know that it's still early to talk about 20, 23, but earlier you mentioned you said that some sectors were hit harder than others in previous crises. Have you had any feedback from your clients regarding their potential investments for 2023, or is it too early? And in your opinion or. We which are the sectors in which you feel more less confident? The other question. The performance is really good in the Asia Pacific, in all of the geographical regional regions, of course. But can you tell us a bit more in details what is happening really in Asia? What about the clients? And now that we have some experience in this area, in this region, do you think that this area can actually generate some significant revenue in 5 to 10 years.

Our margin is at 11.4. We are increasingly turning towards the international market. But what about the marking the margin?

Aren't we becoming too cautious? Is 11 the new normal. And then what about the pace of recruitment for the second half of the year? What about Q3? What is your ambition? Are you still looking to? Recruit more engineers in September and through the third quarter this year.

Well, a lot of questions. I'm going to try and do my best to answer all of them. So, in 2023, what are our concerns and. There will be some hardships in some sectors. But this is not going to be linked to some specific needs or activities, but to cull the cultural aspects in these sectors. Let me take the example again of the automotive industry. The automotive industry is constantly under pressure, even when everything is going well. And in the automotive industry, the pressure is constant now trying to harmonize the activities internationally and they have no problem going offshore. Because there aren't any specific safety or legal restrictions. So even if we increase our head count, it doesn't mean that our revenue will increase by so much. Because when you have 500 engineers in India, Morocco or elsewhere, this corresponds to a loss of 200 engineers in France, for example. And the revenue which will move from one region to the other will be divided by three. But offshore has a higher margin because if we manage this correctly here, we can have between 15 to 20 points. So, this is what I said. If we have offshore sales on points and delivery points as well, in Asia, for example, the delivery centers in Asia, we can reach higher margins, but the revenue is actually moved from one region to the other.

But then we have to do a careful analysis to see what this means. So concretely, so maybe we could reach a 12% if we had 70,000 engineers, including 20 to 20000 offshore. So I laid out our plan for Europe. We said that maybe 3 to 4000 would go offshore, but the impact would not be so significant. But this is for Europe. You know that overseas and it works differently. We are in our presence is limited in the U.S. and in the U.S. This offshoring phenomenon is massive. But because of our limited prisons, this is not going to impact Arlington very much. And regarding your last question. We are a first in class. We are doing very well. Our. Marge our involvement and presence is around 10%, while our competitor is fair around the 6 to 7%. So we have to make sure that we nail everything to our sales representatives, CapEx and management of work packages and so on and so forth. So, this 10% figure is incredible, and we could maybe reach 11% of margin if we went a bit more offshore. But I prefer to remain cautious because I do not want to disappoint anyone, and I'd rather be realistic. The model for artists is not to go from 11 to 12, but rather to reach a 10%, 11%. That would be great over the next ten years. 11% would also mean that the situation is very bright. But if there are any unfavorable events, for example, a debt line or a problem hitting a sector, maybe we could go down to 9%. So we would be very happy with ten, 10.5%. And this is what we are doing this year. We have rates of ten, 10.5%. So, we are very happy about this and we will make no promises about reaching 11 to

12%, of course.

Another sector which could be problematic is that of services, tertiary services. This is not our main area. It is part of the yellow pillar that we mentioned at the beginning, just part of services, retail, banking, finance. We know that there are going to be some pressure on this sector. So we have to make the most of it because we are present in the sector, of course. But our footprint is very specific because we are an I.T. supplier and not a BPO supplier. Now, regarding regarding the specificities of Asia and our development in the region. There are three areas in Asia. So India, China. And Japan, Korea. India represents half of the local market, which still has to be developed. And the remaining half is delivery centers for the rest of the world. And we have more than 7500 engineers in India, as I said. And thanks to the local market, which represents 50% of our local activities in India, we will reach 10,000. I think the local market, like any other local markets you have an Indian engineer is work engineer working for an Indian clients and we reached a margin of 10%. This is true everywhere and the offshore market will add something to it because it is not really a fully fledged Indian market. It is a hybrid situation. So I mentioned already our offshoring strategy regarding China. We have never had any intention to concentrate on China early. Only we were lucky to find a very positive advantages and AI to acquisition in China, which works on and about equipments and telecommunications for international players and clients. And not only Chinese clients, of course.
So we decided to acquire this company. It has reinforced that with our footprint in China now with more than 3000 people in China. We will try to increase our footprint with 4 to 5000 employees. And the demand is very strong in China. But we are always scared of something happening similar to what is happening in Russia or in Ukraine. There may be a geopolitical crisis in a few years, so this is why we are being very careful in China. So our strategic approach is different, of course. And. Our ad revenue is and our bid is around a 10%. Like in any other local market. For Japan and Korea, it's slightly different. It's like the U.S. or Germany or the U.K. We should have at least 10,000 engineers in Japan.
Given the importance of the country being a Japan and Korea in Germany and Austria, we should have 10,000 as well and same in the US. So we have three areas which should reach a critical size.
Only in France and India. We have reached this mark. So we need to find a way to do this and to accelerate M&A. Of course, we need to make the most of organic and external growth in these areas where the untapped potential is immense. Other countries, we have a 2 to 3000 engineers. Italy. Spain. Benelux. And the Nordics. Eastern European countries. Canada as well. We are going to get there. We are already halfway there or even a bit more. We could increase by two fold if we do things right. Regarding Asia, we are going to have some organic growth in China. Same in India with the delivery centers and I think that we will do much better with M&A. Thanks, Temenos in Japan. Recounting a recruitment for the second half of the year. It should be okay, but it is tough. We may not reach the set objective because we are struggling. We have recruitment and staff turnover. I had to fantasize I would be able to announce that we have reached the 50,000 engineer mark. But I don't think this will be the case. And fortunately.
Nicolas David, the. I have three questions on my side. First one is on organic growth at the time of the tea to Q2, sorry, figures, an organic growth over 2%. Is it still? We had more than 12 to 15% for the second semester. Second, the prospects on the margins, you talked about being over ten and a half. We expected you to be below that. I can see that S-1 is much better than we expected. Is it? Above 10.5.

Can we reach the margin of last year? I would love to. To have the elements of the gross margin of as to my question is in North America, you have a profitability that is just above ten below 10%, considering that it's a country with the positive pricing and that does offshore. What is the rate of margin that you can expect for a company such as ALTEN if you include offshore? And what could be the weight of this country for you? You talked about 10,000 engineers, but it's a bigger margin market than Korea or Japan. On the long run, we should be able to go above this number with a mix of offshore. What could be the revenue for North America. Would you, um, is it something that you want to grow that you're following up on the long term? I'm going to answer your second question on the margins of the second semester. We have two effects that make us be cautious, and as two is the calendar effect that is going to be the favorable unfavorable. That's the way it is. And we there's a very big inertia in the impact of the evolution of the average rate versus the increase of prices. So the turnover is here.

The recruitments, it's it's we have a big turnover. We have new recruits coming in. We have pressure on the wages and that is impact. So statistically, the altered population throughout the rotations of engineers in our headcount. So there will be an impact that has not been shown yet in the firms in this one. It's been only affecting the newcomers, but it's going to be more significant on as to so we're quite prudent on as to and I don't think we do better than 11% on this too. But I'd like to I'd be very happy if we just over 10% if we announce you the good news at the end of the year it would be great but I don't expect to do 11% on is to considering these two phenomenon that I just explained. Just to be clear for as to 10.5 is very likely. But it's not a perfect science here. And regarding.

The forecast for organic growth. I'm going to let maybe Bruno answer you. We didn't give any figures in the release on the organic growth of as to. Generally speaking, we don't give them very precisely.

There's nothing new under the sun vis a vis the communication of July. We said that would have an organic growth that would be above 10% on as to this is confirmed, you mentioned a number of 12 to 15. It's quite possible. Concerning the strategy on North America, North America, and it's the United States because Canada is a big difference and Mexico is as well. But the United States work in a very different way than we do. They are culturally for the last 20 years have shortage of engineers and they turned for reasons of shortage and not only for price reasons to offshoring. And so they got used to localize, externalise strategically some entire businesses. Subsidiaries and in India. And who are local customers who act as local customers in the country? Most industrial structures, American structures have their representation in India, and these Indian representations become local Indian actors. So to tackle the American market and to say that we want to have 10,000 people, it's not dealt the same way than in Europe. So it's a bit of a riddle for us.

We have to we're going to buy companies, 500,000 people who are already companies with engineers that are in India who deliver projects with foreign sales, unique foreign sales in America.

And those are not structures. That recruits engineers in the U.S. to conduct projects in the U.S. except for the defense sector. They're not going to let us work in the defense sector, in the U.S. being French. Imagine that. So if we want to conquer a local market, we may have a chance to have something in rail energy analytics with Boeing, maybe, but we're not present there at all today, so we have hopes to ramp up there. If we could export that French management to Dallas or Seattle, that would be great. But we don't have people who are that mobile and they don't really want to go to the U.S. So. So we're not going to find the American managers either. There's a lot of many, many little companies in the U.S. , but no major play, no major structure. So that's. Comes in the way of us conquering the local to local markets and for the market and to us. If we have tens India, to us, if we have 10,000 people, will have three through four in the U.S. and the rest in India. So these two equations are quite complicated for us to solve. We may be good at what we're doing, but we're not geniuses. And we have to find a way to export some managers to the U.S. It may be easier to develop, strangely enough, Japan, than to develop the U.S. in terms of margin the local to local. There's always been settling at about ten points of bids and for the offshore 10 to 15 for the tip of the EBIT, for the Offshore. So that's the general outlook of what would be a business of 10,000 people. We have competitors who bought some freelance companies. You could see what it boiled down to. It is not at all our strategy. So we're going to take some questions from the Internet for questions from there. Very good.

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Michael from the SG The first question is, what is the weight of manufacture and injuring in a percentage of the revenue for S1 2022? You mentioned 4% for S1 2021. Do you see any signs of slowdown in the automotive sector or other manufacturing sectors? Third question, could you give us some indication on the level of net staff at the date of Q3 2022? And do you think that this level to Q4 2020 to be as strong as for Q3? Last question, in what way do you imagine the gains of productivity on the projects can be sustained? Regarding the volume of manufacturing, you have to be careful about the definition of manufacturing. In the presentation, I send you back to the presentation of Slide eight. We have 75% of blue activity, which is engineering. That is the design, engineering and manufacturing, engineering, and deployment as well, and customer support. So that's the second branch. You have the activity design and conceive, the plant design, the two. A plant is a digital project. That's the way and. And you have a deployment of projects, trains, and airports and etc. And nuclear plants. Or telecoms towers and you have customer supports. So, after the design and prototyping phase, you have three activities manufacturing over the 75% weighs about for about the total of these three activities outside of the design phase represents 25 to 30% of these 75% in which the manufacturing represents 20% of the plants 4.0. So sorry to not to be able to be more precise, but it gives you a general perspective. And there are some sectors and businesses that we're not going to go into. In, for example, production, manufacturing. We're not very present on the supply chains, supply chain, QA, big BPOs of managing commissioning that are more up to the Accenture's and other companies like this. But when they're developing in, the services will go for that. Um. The margin regarding the margin and the productivity of the work packages, we are quite proud that we have invested on methods and tools. This is a real knowhow and expertise and beyond each own recruitment. This is our capacity to secure our clients. In the conditions of delivery and respect, of the specifications of the projects that were being handled. The work packages of the project that we manage go from 5 to 40 people, minimum average of about 20 people for a year, year and a half. So that represent projects between two and 3 million jobs. This is not BPOs with 300 people for three six years. This is specific projects. So to everything is new every time. There's nothing that can be reused from a previous project because we're always looking at a new product. So this talent to do something new, build up teams. We have capitalized on it for work, real time software in a very in a very relevant matter manner. We classify all the vectors of production productivity improvement.
You have optimization of resources in terms of talents. You have optimization of the occupation sea rates. You have management officers. Managing equipment. Flex office. Offshoring the potential that offshoring represents for certain projects, even if sometimes decline doesn't even ask for it. Training of technical directors and managers. All these eight elements, it's not a matter of are we good or not on it? We've put in place a whole process, a quality process and optimization. Of delivery. And techniques on our work packages. We have obtained some major improvements in most areas. We'll have a bit more to gain to get, but we've gained a lot already. We can maybe gain one point on the work packages if we improve everything that can be improved. But we're really in a good place and we're probably one of the best companies in the world in this capacity. Of real ability of delivery of the work packages, sometimes much better than all kinds. So that's for the gain of productivity and technical assistance. It's just about the negotiations of rates with our clients, and they're always very difficult.

Quick question for you, Bruno. This one on the slowdown of the automotive industry there not there is not one at the moment. The industry is growing. There are no signs that I'm aware of of a slowdown. It remains quite dynamic. Regarding the Eric's question of direct staff hiring on Q3 and Q4, we'll give you an answer in October once we published the activity of Q3.

Another question from Maxence from Portzamparc. Could you give us an update on the percentage of clients who accepted price rises rises this year? I give you a ratio. 70% of the clients accepted the new prices. We've

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had clients who accepted a raise of 5 to 6%, some accepted 1 to 2%. So that gives you an average of the raises that we had. It's not linked to a sector. It's linked to the personality of the team, of the procurement team, of the climate of the client. Sorry, and the pressure that the technical or h.r. Managers put on procurement and how the procurement teams is being incent incentivized, televised, knowing that. If you are in a work package mode, the kind negotiations are not so fundamental. It's just being put in competition on a project of 2030 people between three or four companies that have been selected. And then depending on the technical quality of the answer that you provide you at 5%, then the client will take you or will not take you. So it's not really a negotiation of rates. It's more like a real competition. If you have a dumper in front of you, who's on the market, who wants to get into the market and is prepared to do minus ten or -20%? We had this case some we have people did that and they entered at a loss. So it's more linked to a sales negotiation than real fees negotiation. If we're technical assistance in 30%, there's some cost that we cannot cut. So some clients, we will not budge. They said we don't want any increase in the fees and they take the risk either to have a lower quality of have less offers that we could make to them. The automotive sector is always tough, but the other sectors, it depends on everybody's approach.

Question On the recruitment topic, can you explain to us what ALTEN is doing to reinforce recruitment and how do you retain talents? How do you differentiate yourself from other players that you're up against? I don't know if we're that different from other companies. Yeah. We have increased by 30 to 40%. The means we call DSI. It's our management for the engineers. We want them to be heard more, listened to more because of this fear of turnover that we had at the beginning of the year. We want to know if they're satisfied with their projects, if they're satisfied with their compensation, and also if they're satisfied with their managers and career perspectives. So we need to see them more often. We need to listen to them more often to provide to all our consultants, engineers possibilities to grow in their career and to remind them of it. It worked. Well, of course, raising the the wages was the fundamental element. And we could retain a lot of people who stayed getting a higher pay, a higher paycheck. So we're just trying to do our job.

There were some questions on the margin. But I think, Bruno, you answer that question on the economic situation. In case we enter a recession, what do you think? What will be the economic sectors that will be the most resilient and what will the growth and the margins of out and look like? I would be surprised that we have a recession on transports and attacks or land transports. What happened in 2020 was linked to the COVID crisis. That's locked everybody down. Unless we go back to such a scenario. These sectors should not have any issue and they're actually in quite high demand, including the automated automotive sector. The sectors that we fear could be creating problems is retail and finance banking because they have to change all their tools. The. If there's maybe a slight concern, it would be more in that direction. As a series of three questions on the level of demand, can you tell us about what you can expect in terms of demand in your conversations with your clients or clients thinking about pushing back, carrying forward their expense on R&D? Or how are the conversations on prices with your clients, how they've evolved over the two semesters of 2022 and in 2023? And last question is it possible to reduce even further the overhead on the middle term? To compensate the increase of the employees increase, the staffing increase. So regarding prices, we will have less pressure on the negotiations on fees to renew the referencing. It's done three times a year, every three years. That should be going fine. Except, again, for those who won't budge. But we're not worried about that. The only vector of economy that our clients have is the offshore. And the limited in offshoring because of the strategic part of it. Because of all the works we do for them on their core business. I give you the numbers early on and the forecast. So. It remains in a bracket, a volume that is quite well defined. Regarding the demand. We have no warning signs today at the present moments, despite everything we hear on the current environment, maybe because we have a small presence footprint in the US is hiding from us things

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that are going to be coming to Europe next year. But we still do go to the US and we and we don't we it's difficult to hire there as well to find people there.

See that those are going to be the last questions. And then we'll end with the question in the room. Can you comment on the impacts of the prices and wage for the first semester and for the second for the groups of as to. Can you comment on the strongest sectors and the weakest sectors? And what does it mean in terms of growth rates? In general, can you comment on the contractual negotiations and the impact that you could have they could have on your calendar and the WCR.

Oh. I think we've answered to those questions the impact of the balance between prices and wages. It's evaluated 50 beeps as one. It's, of course, going out, going through the year. The prices are negotiated once a year and they really change throughout the year, even if it happens. We had anticipated an evolution of the racial wage and prices that was 70 to 80 beeps for the year 2022, which means that it will have a biggest impact on during as then a bigger than S1. The second question I was asking if you could just read it out for me again. Sorry. The last question was. On the contract. Contract negotiations. Can you comment them for the book and its impact on prices and how it could affect your calendar and your WCR? So the negotiations have already started for I have already happened for 2022. We'll start the negotiations for 2023 at the end of the year at the beginning of next year. So we'll have no impact on as to nor on the WCR nor on the margins. We may see some increases of rates. That could be for clients where they're referencing is less structured. But for our major accounts, we have references that are annually. So we'll talk about next year. No more question on line. If somebody has a question in the room, please speak up otherwise seamlessly.
You can wrap up this presentation.
So I hope that between the presentation and the questions we could address most. Of, uh, well. The questions that you were asking yourselves, we remain very optimistic despite an environment that is challenging, but one because where we do on the works packages modes by the two third by two, third and second, because we are looking at a market of shortages which is quite unique, and offer is slow being smaller than demand. So thank you very much for your attention in your questions.

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