

English transcription webinaire ALTEN

Simon AZOULAY, Chairman and CEO

Hello, thank you for being here for the presentation of the results of the first semester 2023. I am Simon Azoulay from the ALTEN Group and I will be presenting the results with Bruno, going through the different evolutions over the course of this half year and, of course, looking ahead.

You have had the published results of the revenue with good, interesting, mainly organic growth. Unfortunately, some problems were encountered accelerating the M&S on the first semester given the extraordinary level of prices, which encouraged us to be more cautious with regards to certain operations, but let me reassure you that will start up again. Plus 12.2% of growth, 11.4% of organic, and you have had that figure since the end of July. This 12% growth is broken down into growth of 13.5% internationally, and 9.5% in France, where it was just organic, so very satisfactory. With regard to our general rate, it was an exceptional year outside any big mergers or acquisitions or being an outstanding year like 2021 with about 12% organic growth and 4% organic growth. That gives you an idea of what we have had outside one-off years, good organic growth, notably internationally, representing 68% of revenues and 32% in France, so that trend is going to continue. France will continue to grow organically with 12 000 to 13 000 engineers in France and internationally, we will be accelerating faster still and we believe that will be much higher than 70%, maybe looking to reach 75% internationally, while French revenue should reach 25% with regard to the overall revenues.

Operating profits on activity were 9.2% of revenue, compared year on year with 2022, which once again was a one-off linked to a number of parameters that Bruno will comment on in much more detail. For the same period we had 11.4% in 2022, but it is important to remind you that the normal rate of performance over the past 15 years, our business model normally puts us between 9.7% and 10% in the first semester, while the second part of the year generally speaking is between 10% and 10.5%. That gives an annual average ROA over operating profit, EBIT, of 10.5% in good years, and 10.3% and here we have 9.2%.

As we expected, there was a correction linked to a number of phenomena. First, and this is good news, there is the mix of salaries and sales price, which we thought was going to be very difficult. However we have managed to play with the gap between the big 5% increase in salaries in 2021 – 2022 and how that impacted our fees, and the impact will only cost us 0.3% of the difference. That is to say, we have managed to pass on the increase in salaries of over 5%, in our sales prices, quotes, work packages and fees. That is very good news because, to be honest with you, this was the parameter where I was most worried and, as I said, the impact will be 0.3% and no more. That is also linked to our capacity to improve productivity levels in our work packages and major projects where we have succeeded in delivering on projects with fixed fees thanks to our technical direction, so it is a good result.

The rest of the gap comes from an increase in the inter-contract where we had anticipated a lot of recruitment for the end of last year and the beginning of this one. Despite seeing some warning signs at the end of 2022, as always when we have lived through different crises such as the Internet bubble in 2003, the sub-prime crisis in 2009, or to a lesser extent the Covid crisis in 2021, we thought that this was the time to recruit massively. We did it at the end of 2022 but the market did not follow, the situation calmed and we found ourselves with an occupancy rate that was less satisfactory than we would have hoped. We lost approximately 1% of occupation rate, which corresponds to 0.7% on the OPA.

The third parameter is the impact of acquisitions and M&M, which was down 3% over the acquisitions of last year for an impact on 2023 of 0.3%.

The final parameter, which is something new, is the cost sales, cost of recruitment, which has increased substantially. That will be reduced in the second semester of 2023 and looking

ahead for 2024 because we invested substantially in the recruitment process and in training new business unit managers and also the G&A, because the Group was becoming very heavy, as you can see 57 400 employees. All our major customers are international companies, like Airbus, with revenues over EUR 50 million, with at least three or four countries involved. That means a lot of international recruitment and the deployment of growing models, such as in Poland and Asia, where we will reach 8 000 engineers, as well as Japan, where we are developing very strongly, and in North America where we have major ambitions. Therefore, it is those over costs, HR G&A and sales investments that have cost us 0.9% and we are looking to reduce that by 0.5% in 2024.

That is to say that we believe the normalised OPA for 2024 will return to the figures I indicated, which is over 10%, with the small potential variation between the first and second semester but will be above 10% in 2024 as in previous years. Naturally, we have a lot of acquisitions and those will be the good news over the coming months, notably in Asia and Eastern Europe, and the impact can be variable according to the EBIT of those companies. Bruno will come back to all that in detail, but that is what I can say regarding the operating profit on the 2023 activities and we are looking at being back to our normal figures soon.

With regard to the growth in the number of engineers, with regard to the growth in revenues, as you can see we have had a growth of around some 3 000 engineers, most of them outside France. It is interesting to look at the world as a whole to see the different geographic areas and how growth has and is occurring. There is growth everywhere in the world, including North America, where there is a massive project there with 2 600 engineers and let me remind you that there are 2 600 engineers between Mexico, the States and Canada. However, there are also around 2 000 engineers in offshore countries like India, so it is over 4 000 engineers provided with work so the revenues are higher than you might imagine by just looking at the number of employees.

Moving to France, there was a growth of around 500 engineers but in reality, the revenues increased more. That is because a lot of revenue was gained in France, particularly in the automotive sector, which has gone offshore to low-cost countries such as Morocco, India or Romania, in particular, but other industries have done the same. When you look at the growth in the number of engineers it is not always related to the growth in revenues and you can look at the corresponding growth of the number of engineers in Morocco. When you look at the rest of Europe, there is a growth of 1 500, notably on local markets, South Europe, BENELUX and Scandinavia, so things went well. There was also good growth in Asia and with all of that, let me reiterate with a first semester that was practically just organic growth with very little external growth. We have been following all the external growth projects we have looked at or are currently looking at for some months or even semesters, and they will be made public in the coming month and will impact 2024.

Coming back to the positioning of ALTEN, it is important to know that it is evolving a bit but what should be retained is that in ALTEN's jargon, there is blue activity, which is product engineering. That is engineering services with the design of industrial equipment in space, defence, aerospace, automotive, public transport, trains, telcos, or research for life sciences. This is a characteristic of ALTEN, where we are one of the world leaders and it represents 70% of our activities and that is our brand image and original know-how. Crucially we are in project or work package mode, which is to say that our customers expect us to do part or the whole design of their industrial equipment, everything around planning and organisation, or the design of their plants, manufacturing and engineering with the roll-out of their infrastructure, customer support and technical documentation.

Then there is the yellow activity. ALTEN is not just about engineering and we are not just IT services, we have this activity which essentially relates to banking, financing, and insurance industries. This sectors has suffered a lot and it is the activity that has impacted us the most, as well as retail and services, and public administration. It is therefore divided 70:30 in every country and managed in a different way within the ALTEN Group and it is really important to understand that this is how ALTEN is organised.

Looking at the different industries and the breakdown of turnover per sector, you will find practically the same figures because, as I said, you have got service, retail, bank, and public sectors, which represent approximately 30% and to a certain extent, no more than 2%, in the industrial world. You can see that all sectors have functioned well because you have seen growth in the automotive industry, with a lot of offshoring there. A lot of what we make in France and Germany goes into delivery, into realisations in India, Morocco, Romania and now Mexico for the United States. There is growth in aerospace, defence, security and naval sectors, where there is practically no offshoring for reasons that are easy to understand. The percentage is stable, which mean 10% growth in absolute terms for all the other sectors, energy, life sciences, telco. In Energy there are a lot of projects around nuclear in association with EDF and everything related to the EPRs. Life Sciences activities are linked to processing stats of clinical tests, in particular, then, of course, 5G in Telecoms. Therefore, the blue sectors, engineering have had good results, good growth, notably in Automotive, Aerospace, Defence. It has been a bit harder in the yellow sectors, Bank, Finance, Retail and Services but I will let you look at and quickly discover this split in our activities.

This breakdown of our activities is strategic. We do not want to be pigeon-holed as ALTEN and just linked to one industry like a lot of our competitors in France, Germany or elsewhere that specialise in aerospace, automotive, etc. The industry fit and breakdown is fundamental to ALTEN's strategy in the sense that it enables us to withstand crises without suffering too much. For example, telecoms suffered in 2003, 2009 it was the automotive sector and the banking sector also suffered a lot, then in the 2021 there was the Covid crisis and the aeronautics sector suffered a lot. Having this breakdown with a presence in so many sectors is a guarantee of ALTEN's durability and sustainability, and it is one of the big groups at this level that has this specific multi-sector coverage.

I will not go into details of the stakes sector by sector, you will have seen what has happened on the different sectors in the previous slides. Things are looking good in automotive with a lot of engineers moving to low-cost countries, but automotive sector is still running after the sectors but there are a lot of new projects, a lot of reorganisation with the manufacturers and they are increasingly putting their trust in us. We have big contracts in rail that let us believe that there will be big projects, worldwide projects or replacement of rolling stock. We are very well-positioned in aeronautics and space, in particular with all the manufacturers in Europe. Unfortunately, we hardly have a presence with Boeing in the United States and you can imagine the field for investigation ahead of us and the possibilities, so we could get very aggressive to move further into that market. However, there is a lot happening, particularly around the improvement of production, supply chain efficiency in manufacturing and a lot of new projects in space. There are a lot of projects in defence and security, and naval and we know that despite what has happened with cancelled projects in the naval sector, there are a lot of new projects in the offing and we are being told to prepare for good growth. In energy there are projects around the EPRs and renewable energies, and we are going to look at having a transborder organisation so that we do not just respond in France but also the UK and other countries. Life sciences were quite flat over the course of the first semester but there is now a good recovery and we are launching the transnational activity at ALTEN level and looking to boost and I hope accelerate development. Telecoms are quite flat with companies looking for cost savings and limiting spend but it has not been dramatic and we have maintained our activity from a percentage point of view with a slight growth. There are a lot of interesting things happening in industrial equipment and electronics with some OEMs that have decided to become partners. There are difficulties in bank, finance and insurance and we are looking to maintain our existing activities and margins, but it is a challenge and we are looking to have the same rate of occupancy without too many inter-contract periods, which increased over the course of the first semester.

I will say a few words about our CSR policy and approach, which is very important. We have come a long way from 2010 to 2023 and allocated a lot of resources to respond to all the regulations and certifications. We have all the major certifications, and I am just talking about CSR here but we have others particularly for safety of IT systems with ISO 27001, the

different isolation and quality indexes. However, just talking about RSE and CSR you can see how proud the different teams can be in being able to present all these results.

I touched earlier on the growth strategy and we are not very happy with the results over the first semester. We have succeeded in signing some acquisitions that had been in the pipeline since nearly the beginning of 2022, structured in the US and Canada. Not a major one with 185 consultants and as I said, we are now looking at companies with between 300 and 1 200 consultants, so this is under-target. A very good company in Poland specialising more in IT and Telecoms and there are others in the offing. Our Indian activity has been joined by a company with consultants there that does a lot of offshoring work for the United States and Germany. There is a small activity in aeronautics in Spain and Germany, and perhaps the most interesting one in the first semester is in Japan with around 720 consultants which take us above 1 4000 consultant engineers on the Japanese market and more to follow. Like Germany, the United States, the UK and India, Japan is a strategic country and we hope at some stage to reach over 10 000 consultants, so Japan is going to take off. Once again, I anticipate there will be more announcements in the coming years to talk about ALTEN's non-organic growth. If we had had more external growth we could have reached 16% to 17% growth rather than just organic and I hope that is what will happen in the coming semesters, we are investing a lot and the prices seem to have calmed down a bit. For information, 90% of companies with over 500 people we contact for M&A are already held by private equity funds or business banks looking at multiples of 15. That is too expensive, especially with corrected EBITA that really corresponds to the EBIT prepared one or two years earlier looking for resale. Therefore, we cannot just look at companies like this, there really needs to be normalised EBITs and that is rarely the case and it is a major issue to find the right targets in Europe or Asia. We need to identify companies still run by the founders and who want to be supported by the ALTEN Group, so that confuses the situation but things are looking better and I hope that is in fact the case and things will improve on that level.

Before giving the floor to Bruno, maybe a quick word with regards to the shareholder base, which has not moved at all, so it is very simple. I still hold around 15% of the capital and around 12 months ago I announced that at the right moment I will transfer a lot of those shares, possibly 5%, to a charity or foundation, so if there is movement you will know where that is going, the organisation or investment with regard to the development of the ALTEN Group. I think we will change at that level.

Thank you. I will be back at the end of this presentation to talk about what we can expect and the perspectives for next year. I will now give the floor to Bruno to go into more detail.

Bruno BENOLIEL, Deputy CEO

Hello. Of course, Simon has provided you with a lot of indications around activities in the first semester and the overall results. ALTEN has pursued its growth almost uninterrupted since the very beginning and has doubled over five years. International revenues are practically 70% of the Group, which was the target we set for 2024 – 2025, so we have reached it earlier than expected.

ALTEN started 2023 with 53 600 staff on 1 January including 47 000 engineers, and at the end of June the Group had 57 400 staff with 50 550 engineers. This represents a growth of 3 310 engineers over the first semester and 2 625 through organic growth. Therefore, in the first semester ALTEN has continued to grow the sequential growth of ALTEN staff beyond the growth in revenues, which translates this growth dynamic for the forthcoming semester and beyond. The sequential growth of staff was 7%, 5% organic just looking at the first semester. Organic growth continues in the current semester and represented 90% of total growth, so less contribution through acquisitions with generally a ratio of two-thirds to one-third. Organic growth represents 90% of total growth, 12.5% in France and there is a foreign exchange because of the recovery of the euro with regard to some other currencies and that accounts for 1% of the total growth.

Internationally, the detailed figures explaining the growth because of the sale of an activity last year, Colagine, the reported revenue was processed, so 12.5% organic growth on a like for like basis, which represents 80%. Foreign exchange weighs more, minus 1.5%. However international growth is not homogeneous and depends on the different geographical areas.

Global growth remains satisfactory in the first semester, even though as some of you will have noticed, it decelerated in the second quarter. That was anticipated and we had already communicated around that back in 2022 and which should continue over the second semester. In France, despite a base effect with one less working day than last year, the activity progressed by 9.5%, which would have been 10.5% if the working days had been like for like. automotive, defence, security and civil aeronautics remain dynamic at plus 20% in each of those sectors.

Growth was satisfactory in Europe outside France at almost 16%, although Scandinavia and Germany slowed down in the second quarter. Without going into too much detail, activity in progress by 17% everywhere, a slowdown in Germany due to progressive stabilisation of the automotive industry, with still a 10% growth year on year, and deceleration of the growth in aeronautics. These two sectors in Germany represent 70% of the turnover. Growth in the UK is around 16% due to automotive and aeronautics. Growth in Italy of roughly 26% in all sectors. BENELUX growth of 15%, and even between the Netherlands and Belgium. We have more IT in the Netherlands and a big increase in automotive and rail in Belgium. Scandinavia is more of the same as Germany due to automotive and trucks. 27% for Eastern Europe is quite satisfying even though it was slightly down in the second quarter. Poland represents a big chunk of this and grew quite substantially.

If we look outside Europe, North America grew by 7% like for like. In the US, what we had already noticed at the end of 2022 was confirmed in the first half of this year, especially in automotive and security, which were rather flat. In Canada growth is also down due to the aeronautics and finance sectors.

We already saw a slowdown in Asia last year and the explanation here is mainly Singapore, which is 12% of our revenue. The growth in Singapore is explained by a certain number of big projects in oil and gas, as well as finance. I will share the situation because it is important to understand the figures, Singapore only represents 4% of the Asia-Pacific whereas it was 12% last year. Without Singapore, Asia-Pacific growth would be 18% rather than 6%, so the situation is really quite good in Asia-Pacific given the situation. In China, which represents 35% of the area, growth slowed down to 7%, India is up by 15%, Japan up by 30% and Korea up by 35%.

As Simon mentioned, there are several reasons why the operating margin in the first half moved from 11.5% to 9.2%. It is comparable to the margins that ALTEN generated before Covid. Just to explain, M&A cost us 30 beeps but then, as we explained in July, the activity rate is 92%, slightly down and represented 70 beeps. The other impacts, price ratios, etc., cost us 30 beeps and then the SG&As cost us 90 beeps. I want to emphasise here that we have to include a number of non-recurring expenses, namely the fitting out of a number of offices, we also had to work on information systems and, as you know, most of our chosen solutions are SaaS where they used to be assets. Overall, the result is quite satisfying and the margin of 9.2%.

Then when we look at share-based payments, this is non-cash, which has to be taken into account and represents EUR 16.6 million, which is in line with what we did in 2022. To give the plan projected for the year, this will represent roughly EUR 31 million. The profit is EUR 15 million but this is due to M&A. We have EUR 1.7 million due to a number of fees and acquisition costs and EUR 7 million in bonus pools, which are kind of earnouts but that cannot be counted as goodwill due to a number of management rules. Then there are a number of complementary expenses for earnouts that have to be counted here. Therefore the real non-recurring financial income is roughly EUR 3 million; I will explain the financial result in a moment. Our tax was EUR 42.5 million and for 2023 you can roughly count on it being 25%, so the income result is 5.4% of the revenue due to M&A and operating expenses.

What can we say about this financial income? Not much. If we look at a certain number of aspects, namely the interest on leasing contracts under IFRS 16, down by EUR 1.7 million, the cost of the net financial debt is EUR 1.6 million, the exchange result is minus EUR 1.8 million and the other net financial income is down by EUR 0.8 million. If we look at this by geographical area, France and international have performed less well compared to last year. Let me draw your attention to the fact that in France we have the burden of certain corporate expenses that are cannot be invoiced to international due to their nature. Having said that, given the way it is structured, the impact of these costs on the revenues for France are quite significant and it is important to understand this. Operating profits were down 2.3% for France and there was one less working day this year compared to last year, which cost us 60 beeps. Other impacts on the growth margin include a number of income and payroll impacts that need to be taken into account. If we take SG&A, it increased by 70 beeps, which is temporary for the reasons I explained. Looking at International, the margin is quite high at close to 11% and the impact here is from M&As for 45 beeps, as we said. We are down due to activity rates that are lower than 2022, as well as the increase in structuring expenses. Just to summarise per geographical area, we can say that we have three big packages: North America, the UK, Nordics and Germany, where we are down by 10%; APAC and Eastern Europe with a 10% margin; and BENELUX and Southern Europe with a very high margin at over 10%. There is a major impact from M&A in international and the IS rate is 27 and 25 for International, so this takes into account the rate in the UK where we moved from 19 to 25.

You know the balance sheets and just the figures have changed from one half to another. Global assets are still the same, net cash at EUR 396.5 and the gearing is down by 17.9%. Then the impact of IFRS 16 is pretty flat, 85% for real estate, 12% on vehicles and 3% on others. Cash generation for this first half and you can see the treasury bridge. ALTEN generated a cash flow outside IFRS 16 of EUR 35.4 million, so that is 9% of our revenue and this was used to pay 81.9% of tax. Then we have to take into account the Cprime sale. The increase in working capital requirements was EUR 111 million and capex, was not that high at EUR 12.8 million. Therefore, free cash flow is negative by EUR 35.4million for this half. For the financial investments, we have EUR 53.5 million. EUR 14.5 payback of cash in and then we paid EUR 21 million of cash out, EUR 147 million for the acquisition of a certain number of companies. Dividends EUR 54 million and forex is rather technical, not the high, representing EUR 1.8 million. These are the main elements to help you understand the free cash flow.

We have the presentation for the half year and over 12 months, because there is obviously a lot happening in the first half. The cash flow business is in line with our ROA. We paid EUR 37 million in tax, so the tax that has been paid is only EUR 44.8 million. The working capital change is higher in the first half. We see the increase in our customers from 112, 111 due to the customers. Then we also have an increase with the work in progress, namely for the Eurozone. As for each first half, this increase is due to a lag in the orders, as well as the complex situation with our clients, which obviously creates lags in the invoices from our clients who ask us to help them manage their working capital requirements, and this has an impact. There are not that many payment delays, we obviously always invoice, but overall this cost us a few days of DSO. Of the EUR 116 million, EUR 55 million are due to organic growth, which obviously uses up cash. Then for the rest we have DSO lags of 92 days, which is 2.5 more days than last year. There is not much else that needs to be said. Capex represents EUR 12.8 million. The free cash flow at EUR 22.4 is 1.1% of our revenue, and it would have been EUR 14.7 million, so 0.7% of our revenues, so higher than 2022 if we had restated the one-off tax impact.

What you see here is the main information I just mentioned and just a summary concerning the results of this first half. What you need to bear in mind is that the organic growth in our activity remains solid, even though it is slower as a result of the normalisation of the economy. It is expected to be around 10% at the end of 2023, perhaps a bit more, perhaps a bit less, depending on how Q4 pans out, especially October and November. The operating margin, which includes the dilutive impact of M&A and so this was the impact of what we could say are satisfactory activity rates, although lower than 2022 which

exceptional, for the first half, this half too, for the whole of the year actually. Then we have a number of operational and organisational initiatives and spending, so technical departments, sales, hiring, commercial and systems, etc., and a price/wage ratio that will remain stable overall. The free cash flow that we stated for the one-off tax impact [inaudible] [0:47:16], over EUR 40.7 million, so 0.7% of revenue and the net available cash of EUR 299 million, which allows ALTEN to continue its development, namely M&A and International.

I have now reached the end of the presentation and I am happy to answer any questions you may have. Before that, I will give the floor back to Simon to take us through our growth strategy.

Simon AZOULAY

Thank you, Bruno. Our development strategy is quite clear since it consists of going over the 50 000 engineers to 70 000 engineers, broken down as 25% for France and 75% International, split 75% for blue and 30% for yellow activities, so trying to consolidate. That gives us a split of 35 000 people for engineering and 15 000 for IT Services.

We need to sustain the international expansion of ALTEN, so this is our challenge the three years to come. This is actually what we are working on daily so we need to ensure we have the proper management to have the right development of the company. This management will not come from outside ALTEN, although we could hire external people for support functions and finance. However, we do not have any competition in what we could call positions that are really ALTEN, technical functions, sales, business management, that would allow us to recruit people at the level we need. Therefore, we need to make these people and this is exactly what ALTEN's development is all about, we need to maintain our talents, have a great employer brand and to push the people with regards to mobility. It may seem odd but our problem is not so much the market but management, we need to have enough managers and we cannot find them outside the company because we are the leader. We just need to push the training and to push for manager mobility, this is the main issue. Then we have to take into account the evolution of our international customers and work on the technical and commercial organisation, which obviously has an impact on the G&A. The G&A did not just increase because of that, it is about half the increase but the other half is the investment in HR structures. It is a good thing to go abroad but then working on the impact of sales, management, on five or six countries for certain projects, but this is what it takes to push our top clients to over EUR 100 million, the top 30.

Then we need to improve the profitability of our centres, consolidate the technical departments to maintain our level of margin, taking into account wage increases, but our wage strategy has obviously been very important considering our margin. Then the financial situation of the company allows us to go for acquisitions but given the situation, M&A may slow down so we need to go out and find the companies that will allow us to consolidate countries, mainly Japan, Germany, the UK. We have a lot of work to do to achieve what we want by 2026 and this is basically what our challenges are about.

We are confident that this will happen smoothly. We have implemented what will be required to do this and to generate the necessary margins. Now, as I said, we have all the necessary assets to manage this development, the organisations, the financial situation. Perhaps the main and most complex item, is the fact that the geographical organisation needs to be consolidated by a transnational organisation. This means that even though we have this P&L manager, we want to have transnational offer management to manage this better, so this is about strategy. This is really great and we really believe in it and I am confident that we have all the assets to do this.

With this, thank you very much for your attention, Bruno and I are very happy to answer any questions you may have for us. I will take them as they come, I am not going to say who is asking them, they will know.

We talked about Boeing, which could generate as much as business as Airbus. With Airbus we have these four clients, Civil, Aeronautics, Aerospace and Airbus Helicopter. Why

not Boeing? Before we go for Boeing and it is obviously a strategic decision, we need to be ready in the US, we need to be properly set up, we cannot just go. Even though ALTEN knows what it is doing and we are good at what we do, then we have France and Germany, and we need to have the right capacity in the US and the neighbouring countries, mainly Mexico but possibly Canada too, to have the proper base. We have an existing sales structure and what will actually give the go for the Boeing strategy is once we have consolidated the technical departments in the US. We do not have these departments per se and since the North American reorganisation at the end of 2022, the idea is for North America to benefit from the European system and structure. I hope that we will be ready before the end of the first half of 2024. The person that is in charge of Aeronautics, Space, Defence in France and coordinates it internationally, has been appointed manager of the US, for this specific reason, this is for Boeing, so we hope to go for Boeing next year. We know that we are able to present a Boeing offer and then we have some number that are set to go to India but now they are not that happy due to a number of issues, even though they have their teams in India in some cases. There is a know-how and it needs to be sustained locally but in Boeing and the US, they could go for freelance but we do not believe that will ever be the case.

Then we have a lot of questions concerning the margin and I will let Bruno answer those.

Bruno BENOLIEL

Concerning the margin for this year and actually only for the first half, the question is about the gap between 2022 and 2023. Let me remind you that in the second half we had 1.3 fewer working days than last year, which is important and needs to be taken into account. We have the dilutive impact of acquisitions, which due to the consolidation of new acquisitions should increase slightly. Then, everything will depend on the September activity. I think we were at 10.5% last year and we will not have a 2.2 differential as during the first half but, to give you an idea, it should be somewhere between 0.7 and 1.5 negative, and this should allow you to compare H2 2023 with H2 2022. Whether we can have a global operational margin for 2023 below 10% will depend on Q4 but if we assume the high would be below, at 1.5, so one, and we are up 0.5, so we would be just slightly below 10% overall for 2023.

Concerning the acquisition in Japan, as you know we do not publish the price. It was sold by a private equity fund and no earnouts and because of this, we are obviously higher than the usual situation, somewhere between six and eight, but since there is no earnout it will obviously be slightly higher. The operational margin is roughly 10%, just slightly above, but as Simon mentioned, we are very sceptical about this kind of EBIT because there are usually a lot of margins that are not exactly the operating margins, especially when we acquire from a fund. It could be somewhere over 10% but it could be just 10% depending on what exactly we do and each time a company joins the company we need to structure it, not just on the sales level.

Maybe I will let Simon answer with regard to the M&A pipeline, the geographical areas where we have ongoing discussions and the possible size we are talking about.

Simon AZOULAY

As I was saying earlier, the areas where we have satisfactory feedback are more towards Asia, India and Asia-Pacific, as well as Eastern Europe. That is not because that is where we are focusing but because those are the areas we have been able to identify interesting companies looking to join us. Our efforts are very focused on North America and Germany but we are currently struggling for the reasons I explained, because the companies are owned by private equity groups looking for multiples 15 and 2.5% on revenue, which is totally unacceptable for us, of course. This is why we are not having that much success in those areas but strategically, we are looking to identify acquisitions internationally in every country. We could even envisage an acquisition in France to complete some sectors or industry offers, but that is not really where we are concentrating our efforts. The UK is very interesting

because we want to go beyond 5 000 but very expensive and with our acquisition policy nothing has really been discovered there. Our preferred countries are those with a substantial capacity to pan-UK, Germany, India and the United States of America and of course, those are the places that are the most complicated.

To come back to other questions, there are a number of questions asking about the specific impacts. I believe that with regard to the margin for the forthcoming semesters, as I mentioned, there are the different parameters, activity rate, which is currently normative. That is not where we are going to garner more points, it is more about adapting our costs, M&A, productivity of work packages, and improving and recapturing the margin mix, salaries, and sale price, where we have lost approximately 0.3%. Of course, we have limited the damage but otherwise it would be 0.6% mitigated by 0.3% of improvement projects. If you want the details, we are really looking to bridge the 0.6% gap in the salaries/prices mix and perhaps recapture it over the second semester of 2023. At our current stage we have already recaptured part of it but as soon as we have the negotiations at the beginning of 2024. That is why we are confident we will get back to the normative framework with regard to our EBITA and our usual operational result, in other words to be over 10%.

I want to emphasise one element, which I mentioned earlier, we were expecting worse looking at the sales price/salary mix. That is a 5% salary increase, so it was difficult to pass that on throughout 2022, but it was partially passed on to the customers in 2023 and I hope it will be passed on totally in 2024. The fact that we only lost 0.3% in terms of that ratio, thanks to the productivity of work packages, is good news. We would say that the bad news is the 0.9% of SG&A but, as Bruno explained, it was really down to the situation and we have mitigated that and will continue to do so rapidly.

Bruno BENOLIEL

We have a question now with regard to the consolidation date of 2023 acquisitions with regard to the operating margin perspectives, so the normative. That changes nothing with regards to ALTEN, its normative margin of approximately 10% over the years, the activity rates, the mix of activities country by country, the number of working days. You have heard that continues to have an impact on the operating profitability but, even if last year the margin was under 10%, ALTEN's economic model is a margin of around 10%.

The question about the dates of consolidation of acquisition has come up a number of times, and the first company that Simon mentioned that we bought in the United States and Canada will be consolidated from 1 July 2023. The one purchased in Poland will be consolidated from 1 October 2023 and so will the company we bought in India. The company we bought in Aeronautics in Spain will be consolidated from 1 January 2024, as will the Japanese company we have just acquired. That gives you the provisional consolidation dates for recent acquisitions. You can imagine that the internal organisation of the companies we buy has to be looked at before they can be brought into line with our requirements for consolidation, and their integration requires considerable efforts on our side. That means there is usually around three months between the acquisition and consolidation dates.

Simon AZOULAY

I hope we have answered the questions that came in, which covered several areas but we tried to summarise them in our answers. Of course, we remain at your disposal after this meeting and from next week we can commit to one-on-one meetings or smaller committees. Do not hesitate us if you have any questions.

Thank you very much for your participation and attention.

Unfortunately, we were unable to check the following words:

Colagine.....	5	H2 2022	8
Global	6		