

English Transcription Audio Call Alten

Bruno BENOLIEL, Deputy CEO

Good afternoon everybody and thank you for being at this web conference on the activity at the end of March 2025. I assume you have all received the press release that was released a few minutes ago and I hope you have had time to read it.

This quarter started with business stabilising after several quarters of slowdown, and economic conditions that were slightly more buoyant given the fall in interest rates and the American elections and some clients decided to increase their orders. Since the beginning of January to the end of March the economic context has changed drastically because of a lack of visibility in the US but also other regions of the world. As a result, most clients decided to defer their investment decisions, which has led to new cancelations of calls for tenders or projects being postponed because these clients are looking for increased productivity. As a consequence, the first quarter and the outlook for the coming months are not as positive as anticipated in the first quarter.

Revenue was EUR 1.06 million, down 0.5%, growing 4.2% in France and down 2.8% outside France. Like for like, the business declined by 5.5%, down 3.8% in France and 6.3% outside France. There is one less working day than last year, which leads to a 1% decline in organic growth, therefore economic decline is 4.5%. The activity rate for the first quarter was 91.2% compared to 91.5% in the first quarter 2024. The flat market is actually quite satisfactory. The headcount has 58,200 which is an increased number from 57,700 at the end of December, of which 51,540 are engineers compared to [inaudible] engineers at the end of 2024. There are 51,540 engineers outside France and 11,980 in France, and this factors in the World grid[?]. On a like for like basis we are down 356 engineers between the end of February and the beginning of March, 151 in France and 205 outside France.

If we look at the different geographies, the trend in growth and decline [inaudible] is very much in line with Q4, just amplified a little, [inaudible] 3.8%, 2.8% in economic impact. The [inaudible] the Automotive sector was down along with Telecommunications, and Banking. Aeronautics has remained flat, but Defence [inaudible] have remained dynamic.

In the Iberic region [inaudible] has continued to slow down but remains satisfactory with 7% growth. All the sectors are up except for Banking and Finance, which after several years of [inaudible] activity is stabilising but remains positive except for [inaudible] and Tertiary sectors but remains in growth.

In Germany, activity declined by 18.3%, not as bad as we [inaudible] in 2024. This shows that the market continues to decline but is stabilising after several quarters that were really down. The Automotive sector, which accounts for half of the market in Germany, is heavily impacted, with manufacturers, accounting for two-thirds, down 25%, and OEMs down 50% because it is really complicated. Civil Engineering has declined by 13%.

In the UK, the risk of decline at 8.3% and is stabilising. The Public Sector, 45% of the market, is still down 20%. Automotive, accounting for 15%, is down [inaudible] and Automotive, which is 18% of revenue is back to growth, up 15%.

Benelux has stabilised. Belgium was 14.5% thanks to Automotive, Tertiary and Life Sciences. The Netherlands was down 14. [Inaudible]% because of very high Energy, Tertiary, Semiconductors and including ASML, that was [inaudible].

In Eastern Europe the [inaudible] 2.5%. Poland accounts for two-thirds of our [inaudible] almost 9%, also the Banking and Finance sector. Most of the other sectors were up, while Romania 'd has gone down 15% because of Automotive and Tertiary.

Activity in Scandinavia slowed by [inaudible] 3%. The Automotive sector in Sweden and Finland were heavily impacted, 20% [inaudible].

Activity in North America has gone down [inaudible]%. The USA, most of our activity, is down because of a decline in Life Sciences and Tertiary, two-thirds of the area. General Motors and Stellantis have both postponed projects. In Canada, 20% of the activity, is up 6% and we still see growth in Mexico at 13%.

In Asia-Pacific activity is down by 4.5%. China, which accounts for one-third of the area, has very low growth in all sectors except for Telecommunications, which is declining by 15%. India, which accounts for 30% of the area, is down 13% because of the Tertiary sector and others. Japan, which accounts for 20% of the area, is back to growth, thanks in particular to the Automotive sector. Korea, 8% of the area, is down because of the Automotive sector.

If we analyse the verticals, the Automotive sector is down 15%. Of course, the figures I am giving are on a like for like basis and if we can [inaudible] by sector. If we check the sector spread for 2024, you can see that is very different because Worldgrid has entered our scope so, of course, we should not draw any conclusions from these figures because of that. The rate decreases by 15%, 10% among manufacturers, which represent 80% of our turnover today, and 30% among manufacturers that represent 30%. There are only two exceptions for manufacturers, and it is the same German OEMs.

Aerospace is now declining slightly because Space declined by more than 20% and Civil Aviation is more or less stable. It is no surprise that Defense, Security and Naval business, which represents 8% of our turnover, has grown by 11.5%. Energy, 11.5% of our turnover, grew 4.6% thanks to nuclear energy, which has increased by 9%, and oil and gas, plus 7%. The equipment sector for Energy remains stable. Life Sciences declined by 5% and Medical Equipment was minus 18%, whereas the Pharmaceuticals sector is stable. Industrial Equipment, Electronic and Semiconductors represent around 9% of our turnover and declined by 4%; Other industries declined by more than 8%, whereas Electronics and Semiconductors is stabilising. Telecoms declined by 8% and the business has declined by 30% among OEMs but has increased by 5% among operators. The rate of decline in the Finance sector continues to slow down at 3% but the performance varies depending on the. Most accounts outside France are either now growing or are stabilising. Retail, Services and the Public Sector, about 10% of our turnover, have declined by 9%, mostly because of budget cuts in the Public Sector.

To conclude, we thought that the first quarter would confirm that our business had stabilised, and it has confirmed improvements in some areas but overall, since March business has continued to decline in some sectors and areas. As for M&A, the long and complex carve-out process for Worldgrid was finished at the end of September and the integration is going well. There is just one small business, representing EUR 5 million of turnover, that is going through a social process. No other acquisitions were made in the first quarter, but other medium-sized projects are under consideration.

As for 2025, the business stabilised at the end of 2024 and the first quarter, but the global context has generated uncertainty and lack of visibility. Several big groups in all geographies have adopted a new strategy where they are [reporting postponing?] their investment projects and even big calls for tender have been cancelled because a number of clients do not know what the future holds and have decided to postpone their consultations. Therefore, we think that there will be a 6% decrease in our business during the first quarter and we do not have enough visibility to assess it will evolve during the second quarter. The decrease in business will have an impact on the first quarter operating margin and because of a big difference in the number of days between Q1 and Q2 the margin will be much lower.

That is it and as usual, I am going to give you the floor and open the conference to the people who want to ask questions. Please give your name if you ask a question because we cannot see you if you are on your mobile.

Participant

Thank you for your call, Bruno, I have a question on operating margins. Do you have any indications for the [inaudible] building blocks that would allow you to remain in the historical

range of between 9% and 10% for 2024[?] Or, do you consider in light of the pressure on the top line that it is possible you will be below that margin?

Bruno BENOLIEL

I am going to talk about the Q1 margin because we do not have any visibility on the second quarter even if we have made measures to adjust for the cost of investment, like any other company. Just as a reminder, last year Alten's margin was 9.1% throughout the whole year but was only 8.4% in Q1 because there is less of a difference between H1 and H2. Today, if we look at the 8.4% difference there are two mechanical effects because there are 1.4 fewer business days, which represents about 0.6% - 0.7% less in terms of margin. This does not reflect a structural evolution of our margins but rather a contextual one. We will see if the calendar is more favourable in 2026, we have not checked yet. We also have a little bit more intracontract that might have an impact on the margins of 15 – 20 basis points. Then we have a decrease in the top line, which mechanically contributes less to the margins and the SG&A ratios. I will let you calculate but of course, margins will be lower than last year, but we should not see it as a structural decrease in growth. We still consider it to be around 10% but we will not get there this year, and we did not reach that level last year either.

Aditya BUDDHAVARAPU, Bank of America

I have a couple of questions. You mentioned that several customers have postponed projects, could you maybe give some colour on the markets where that is happening? Do you think that is temporary or could those projects come back quickly if you start to see a bit more clarity on tariffs?

Bruno BENOLIEL

All markets, European but also US markets, have been hit by the decision taken by customers to freeze some projects that were about to be launched, as well as to freeze some bids that were about to be released. We do not have precise information from customers, because they say they do not have any visibility on what is going to happen in the future so they cannot decide where and how they will launch big new projects. We do not think it will last that long but obviously, industrial companies need to know what their investment strategy is going to be. I cannot answer your question about whether or not it is temporary. Those projects will be launched anyway, and many have been delayed for a year or almost two because at the end of 2023 and 2024 was weaker in terms of business, I would say in the last three semesters. For example, we had two big purchases that were frozen in the US at GM and Stellantis and when we asked when they planned to relaunch the projects we did not get any answer, and it is the same in Europe. We do not know what is going to happen in Life Sciences activities because, as you know, today that business is doing quite well in that environment, but a lot of budgets depend on federal agencies in the US. For example, we have customers waiting for those subsidies in order to be able to go ahead with existing projects that are in place today. It is a very strange situation and as a result customers are completely lost and do not know how to behave for the coming months. I do not think it will last too long because we think that probably in the end the US and other areas will come to an agreement because it is important to know the rules can play. We depend on our customers and our investment strategy but since they do not know the rules today they have decided to postpone as much as they can.

Aditya BUDDHAVARAPU

Understood, thank you very much. You mentioned that Telecoms was down quite sharply, especially among OEMs, so could you expand on why those customers were down so much in Q1?

Bruno BENOLIEL

Are you talking about OEMs in the Automotive sector?

Aditya BUDDHAVARAPU

No, in the Telecommunications sector.

Bruno BENOLIEL

Our main customers in the telco sector are Nokia and Erickson.

Aditya BUDDHAVARAPU

Okay, got it. Then could you just talk about what your plans on are for hiring in this environment given the lack of visibility?

Bruno BENOLIEL

The hiring activity is very cautious. We do not hire people if we do not need them on projects, which is why you, as you can see, our engineering staff numbers declined at the end of Q1. Staff turnover remains over 20%, so we are letting people go, and we are tightly managing the bank to just get onboard the people we need. We are still hiring people because we need to replace the people leaving the company as well as recruiting specific skills for some projects, but we do not have a precise plan in terms of how many people we plan to hire, for example, in Q2 or Q3, because I would say that the hiring activity continues in real-time for the ongoing business.

Aditya BUDDHAVARAPU

Understood. Thank you very much.

Nicolas DAVID, Oddo BHF

I have a few questions, the first is about the slowdown we have seen in March, especially across different geographies, it seems to be quite general. You talked about different sectors, is it mainly Life Sciences and Automotive that have been impacted? Are there other sectors that could be a positive surprise in the coming quarters? For example, I am thinking about the Public Sector in Europe, Banking, Nuclear, even Defense on your exposure. This is my first question and then I have another one.

Bruno BENOLIEL

There are two sectors that performed quite well. One is obviously Defense, up 11% so it is doing quite well. Then there is Energy, and for the first time the oil and gas investments have really started, including in the US and a bit in Europe as well. Then we have sectors that are around zero, Railways minus 1%, Aerospace and Civil Aeronautics per se zero plus, Banking, Finance zero or less. However, we are still seeing a decline in the Public Sector, which is down 10% but Alten's positioning is quite low in the Public Sector per se because it only represents 4% of our revenues. It is not much, and it is mainly in the UK and Spain, so I do not think it is very representative. However, if we listen to the prime minister's statements in the UK, it does not seem that they are going to invest in the public sector. We do not really know what is going to happen in the future and what sectors are going to recover. Railways probably because there are large projects.

Life Sciences is slightly above minus 4% but this is probably because of the decisions by the American administration, and I am getting a lot of warnings on Life Sciences even though it has not happened yet. However, a huge call for tender was cancelled and I cannot give you the name of the client, but it was actually cancelled the day before they were actually going to allocate the market. As you may have seen, the launch of the A320 NEO has been announced for 2028 and they are starting their research. They should finalise it by 2040 – 2050 and there will be architectural work before that, but we will not see that in 2025 or 2026, it will take a few years. I think the economy simply wants to recover because we have had three quarters of slowdown and some point or another our clients have seen previous slowdown cycles and even when there is a lack of visibility people will start to invest in any

case because they do not want to take any risks. However, to be clear, as of today when we talk to our clients they are telling us that it is really blurry.

There is one sector where there are a lot of strategic challenges, which is Automotive. Our positioning is very European, even if we are present in the US, but even in the US we have quite a lot of projects. The question is how the European Automotive sector is going to adapt to this new situation, and I know that projects have been stopped, not only because of tariffs are going to increase significantly but also because there are strategic issues behind that on the technology. I do not know if you have seen the news, but technological progress has been made in electric cars and a lot of car manufacturers in Europe are wondering how to catch up and they are running after a technology that is already owned by the Chinese. European manufacturers are probably going to redefine their investment strategies because they are going to try to catch up but for now these players are not even wondering about investing more in R&D, they are already thinking about something else, about the strategy itself. Look at what Volkswagen is doing, I cannot give you too much detail but just take a look. Things are complicated and as a result the development of our Automotive activities in China with European groups that have a presence there will not offset the decline in activity in Europe. Not only do they need to solve a technological deficit if you compare European to Chinese manufacturers, which is also the case for the US, there is also the economic side of things because production and design costs are different in Europe and the US compared to China.

Nicolas DAVID

Thank you, that is very clear. I have another question. Organic headcounts are down, and embedded growth calculated at the end of March does not seem as brutal as what is expected in Q2. I assume that headcount will still drop in Q2, and I guess intracontracts will increase or are there price effects? That is Q2 may be potentially and the embedded decline.

Bruno BENOLIEL

We have a 3.5% embedded decline at the beginning of the year and if you add the opening day for the quarter, that is 4.5% but the embedded decline is 3.5%. We should probably be down 6% for the first half of the year but that means that the second part of the quarter will probably be worse than the beginning. These are forecasts and we are trying to be as objective as possible but, of course, there is uncertainty here. This is a result of an embedded situation at the beginning of Q2, so we have taken this embedded decline into account in the previous months and there is an evolution in the mix with activities that are increasingly transferred offshore. However, for the Automotive sector, including in Germany, there are now a lot of projects that are being transferred to India.

Nicolas DAVID

Are you also supporting this move towards India?

Bruno BENOLIEL

Sure, absolutely, except that the per capita revenue is not the same there.

Nicolas DAVID

Thank you that is really clear. Let us hope the situation improves really quickly because I know the situation is tense for the coming months for several companies. Let us hope that the situation improves. There have been improvements over the past few weeks so let us hope that this continues.

Laurent DAURE, Kepler Cheuvreux

I have four questions, but they are really quick. In your comments on M&A you said that you had a few projects but there were red lights. Is that because the outlook for these

companies has changed, the context or changed or have you realised that there are no good deals around and that it will be difficult to close deals in the current context?

Bruno BENOLIEL

It is a good question. On the projects that reached the end of the due diligence process there were two main reasons we did not go for them. One was because the content of the offer itself and the company's positioning based on what was described was not exactly aligned. The second was that we realised that the positioning of these companies was acceptable or at least aligned with what we wanted but that the price for the seller was not adjusted. We had companies telling us that they were profitable but at the end of the due diligence process they were not as profitable as expected. We want the gross margin and the quality of the gross margin, and we need to look at the intracontracts, the margin per project. When the gross margins are poor quality because the prices are too low or the do not manage their projects well enough, we cannot say we will pay 12% EBIT, when the truth is it is actually 4%. Therefore, the misalignment between the content and the price led to red lights. The other reason is that there were some deals where the profitability level was pretty much aligned, but the sellers were expecting multiples between 13% and 17% and that is nonsense.

Laurent DAURE

Do you still have potential deals in India or is there nothing there either?

Bruno BENOLIEL

What we have right now are small potential deals in Telecommunications and Life Sciences, and a slightly bigger one, that is thousands of people, in Semiconductors. We are currently negotiating an LOI. We also have a few in the Automotive sector in China, we do not really want to invest in China for political reasons but given the situation in the Automotive sector we do not want to take risks. We are also looking at a potential deal in France and one in Spain. We do have a pipeline and also one in the US. We have a pipeline of deals we are discussing and negotiation as always, but it is hard to tell which ones will close in 2025.

Laurent DAURE

Is the slowdown also due to the fact that you have this offshoring trend? Are some clients trying to negotiate on price as well?

Bruno BENOLIEL

Has the price environment stabilised? No, not really. We are looking at work packages here and the truth is that our clients tend to consider the price as a whole and the price is based on- Each bidder comes up with a price based on the size of the team they want to deploy, the skills that they want and the wages, so I cannot deny there is clearly a negotiation on price. However, it is not as transparent as for technical assistance because you have clear grids even though you have different skills, especially in France with the seniority [inaudible] but every bidder creates their own offer. Then you have the AI issue. A lot of clients are asking us if we are going to use AI and if so, they want us to change our prices based on that. We are increasingly seeing that in calls for tenders, not all but a number of them.

Then the design and materials market in Germany is clearly down and the price negotiations, especially in the Automotive sector are tough. For instance, we have had a significant decline with BMW.

Laurent DAURE

Does that mean you are able to keep your grow margin thanks to regulated wages?

Bruno BENOLIEL

Based on the end of March analysis the current global gross margin per project remains resilient thanks to the work packet activity. The global gross margin, because we need to structure our work packages, and we also have technical costs, so it is slightly different. This increases a little bit but the intrinsic margin for our projects is resilient.

Laurent DAURE

Two last points, and I will do this really quickly, there are still countries and geographies where you have had significant declines. Does this mean that you will have redundancy plans, or can we expect higher restructuring costs this year?

Bruno BENOLIEL

Higher, I do not know, but there are clearly two areas, two geographies where we will have a restructuring plan, Germany and Scandinavia but we are not talking about large amounts of money.

Laurent DAURE

Last comment on the Banking sector, which was Nicolas' question, but it is true that it is one of the few verticals where there is a little hope. What explains the situation in France compared to the rest of Europe or even the US?

Bruno BENOLIEL

Our perception is that we may not be in the best position to talk because there is a lot of competition in IT in the Banking sector and there are probably people are more representative than we are. However, French banks continue to have very tight budgets because they still have reduction targets for IT budgets and the service providers working on project management and design are paying the price for that. Over the past three years I have seen this in the IT cost evolution of the Group and part of the value capture by the editors of the different tools are now SAS and this inflates the cost of IT, which are already quite high. Large publishers like Microsoft, VMware, etc., have increased their prices by a lot, over 50% if not more, and that is something that has to be done by information system departments and clients say that they are going to postpone their projects because IT costs have increased significantly over the past three years. There was a really interesting study by Gartner on this that talks about the skyrocketing costs of IT in the Industry and Tertiary sectors.

Laurent DAURE

Thank you, Bruno, that was very clear.

[Derric MARCON, Bernstein?]

I have several questions if I may. I am going to try to have a positive mindset and like you, some other companies have observed a delay in decision-making at the end of March and a real wait and see attitude from clients. However, from the beginning of April, following Liberation Day, they noticed that the business flow was back to business as usual. Of course, the tariffs had had an impact but the wait and see attitude at the end of March seemed to be over at the beginning of April. Have you also seen this in your KPIs?

Bruno BENOLIEL

Not at all.

Derric MARCON

Second Point, there were positive comments on the massive investment plan in Germany, though not on all fronts. Do you think this will have an impact on the recovery of the business?

Bruno BENOLIEL

This is an excellent question that we asked the boss in Germany because massive amounts are going to be invested. We are not really present in the Defense sector in Germany, aside from Airbus Defense & Space of course, and there are other accounts, such as Impulse Marine Metal that are exposed. We work with them a little bit, so these accounts have been strengthened by Alten, but things are not changing significantly. We see an increase in business, but it is more small projects where the management of time and material is not a significant work package of the sort we have with Thales, Safran, etc. Now we need to look at how to penetrate these accounts and if they have an outsourcing strategy, which we do not yet know because want to generate turnover, but we also want margins, which is sometimes difficult in Germany.

Derric MARCON

That is for Defense but what about the EUR 500 billion you invested in infrastructure, transport and the energy transition. Do you have clients who are going to benefit from these investments?

Bruno BENOLIEL

We have a few but they are actually quite small, and it is part of a commercial strategy that needs to be implemented.

Derric MARCON

Third question. You were quite cautious in October because you had had a lot of theories and buffers for the results in the fourth quarter. Do you have the same buffers in place for Q2 in light of what took place in March and if so, can you give us figures?

Bruno BENOLIEL

We have all the managers and their financial directors to have an objective approach to the situation rather than a commercial one and to only insist[?] on projects that we will win. It is 20 April and there are two months until the end of Q2 so do not think that it will be too far from the guidance I gave you.

Derric MARCON

Is it not the case that a significant part, or a small part of your business is linked to new business?

Bruno BENOLIEL

Yes, of course. The decision-making cycle is really short, so it is difficult to have visibility on our projects. We have a lot of engineers, there are projects in the pipe, and they know their clients. If your question is if we take potential project wins into account, then the answer is of course because otherwise we are not going to do anything.

Derric MARCON

What is the run rate versus project gains?

Bruno BENOLIEL

I do not know exactly because I do not delve into the detail of what each company does.

Derric MARCON

My last question keeps coming up, but I will ask it again anyway.

Bruno BENOLIEL

No, they have stopped outsourcing, fired people and significantly reduced their costs. Tata has announced a big deal with a European OEM, though it might be an automobile supplier. It is a EUR 15 million deal with some vehicle company, is this the type of deal on which you might position yourselves or is it something you would not necessarily look at?

Bruno BENOLIEL

They are not positioning themselves on such big deal so far in Germany but rather on smaller deals.

Derric MARCON

Why not because you have the delivery capacity in India? It is a big project for Germany but not that big given the size of the Group. Why not get involved in these deals around the reorganisation of the software development and infotainment part of Volkswagen.

Bruno BENOLIEL

To be clear, when there are big projects like this it is the Indians who win them and there are very significant risks as well as ramp-up costs. I think that the economic equation for such projects is too risky for our Group. We would do it if it was EUR 15 million or EUR 20 million. We have done it Germany for Telekomunika[?] for instance, but we decided not to go there yet with such a big project with such big ramp-up and execution costs.

Derric MARCON

Just to continue on this question, you started a partnership with [Bertrand Laguet?] or others but is it to address this type of project?

Bruno BENOLIEL

We have a small JV with Renault, with Bertrand, but it is not for that. If we wanted to find alliances for this sort of project we would look to China today.

Derric MARCON

I thought that the teams you have in your offshore factory in India were significant enough to go out and get this type of project.

Bruno BENOLIEL

Once again, it is not a question of size, it is a question of the economic risks on these projects.

Derric MARCON

That is very clear, thank you.

Bruno BENOLIEL

I have received a written question from Alexandre asking me for the French and international occupation rates. We do not communicate these rates, not because we do not want to, but because we follow them per company and per country, geography, not just for France and abroad. I can tell you that the occupation rate in France is above the Group average, and it is slightly above 90% internationally.

There are no more questions so thank you all for taking part in this call about Q1. I hope I have answered all your questions and I am available until 8pm tonight if you have any more that you might have forgotten. I wish you all a good evening and see you soon.

Unfortunately we could not check the following words and names:

51 540 engineers.....	1	Derric MARCON, Bernstein.....	7
Automotive, which is 18% of revenue is		insist.....	8
back to growth, up 15	1	reporting.....	2
Bertrand Laguet.....	9	Telekomunika	9