# Press Release

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# First Nine Months 2015: Very Strong Earnings Growth

- Revenues: €175.7 million (+14%)
- Income from operations: €23 million (+73%)
- Net income: €16 million (+66%)
- Free cash flow: €14.8 million
- Net cash: €52 million

*(Changes at actual exchange rates)*

| In millions of euros | July 1 – September 30 | | January 1 – September 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | 59.3 | 53.8 | 175.7 | 153.9 |
| *Change at actual exchange rates (%)* | *+10%* | | *+14%* | |
| *Change like-for-like (%)(1)* | *+4%* | | *+6%* | |
| Income from operations | 9.8 | 7.4 | 23.0 | 13.3 |
| *Change at actual exchange rates (%)* | *+33%* | | *+73%* | |
| *Change like-for-like (%)(1)* | *+8%* | | *+20%* | |
| Operating margin (in % of revenues) | 16.5% | 13.7% | 13.1% | 8.6% |
| Net income | 7.0 | 5.2 | 16.0 | 9.6 |
| *Change at actual exchange rates (%)* | *+35%* | | *+66%* | |
| Free cash flow | 10.8 | 2.7 | 14.8 | 9.3 |
| Shareholders' equity(2) | | | 105.3 | 94.3 |
| Net cash(2) | | | 52.0 | 43.1 |

*(1) Like-for-like: 2015 figures restated at 2014 exchange rates*
*(2) At September 30, 2015 and December 31, 2014*

**Paris, October 29, 2015**. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the unaudited consolidated financial statements for the third quarter and first nine months of 2015.

*(Unless stated otherwise, changes are at actual exchange rates).*

## Q3 2015: A More Difficult than Expected Macroeconomic Context

Since July 1, the macroeconomic context has continued to deteriorate, mainly due to the Chinese economy's confirmed slowdown and its repercussions on all Asian countries, which are very dependent upon China, and to Brazil's and Turkey's further downturn. In general, the business environment worldwide is less favorable. Customers within Lectra's market sectors have consequently decreased their investment levels due to a lack of visibility and increasing concerns.

In this context, orders for new systems (€22.9 million) were down 3% (–9% like-for-like) compared with Q3 2014.

## Revenues and Income from Operations Up Sharply

Revenues (€59.3 million) were up 10% (+4% like-for-like).

Income from operations (€9.8 million) increased by 33% (+8% like-for-like).

Net income (€7 million) was up +35%.

Free cash flow was €10.8 million. This includes the receipt of €4.8 million relating to the 2011 French research tax credit.

## First Nine Months of 2015: Income from Operations Ahead of The Company's Roadmap at Actual Exchange Rates, but Lagging Behind Like-for-Like

The roadmap corresponding to the company's annual objective communicated on February 11, 2015 anticipated first nine month revenues of €176.8 million and income from operations of €20.4 million (based on exchange rates used in setting them, notably $1.25/€1).

At actual exchange rates, revenues (€175.7 million) were thus almost in line with the roadmap and income from operations (€23 million) were ahead by €2.6 million. At the exchange rates used when setting the 2015 objectives, revenues and income from operations were lagging behind the roadmap €9.6 million (–5%) and €1.9 million (–9%) respectively.

### Positive Impact from Weaker Euro

The US dollar was up 22% compared with the first nine months of 2014; the yuan appreciated 20%.

Exchange rate variations have mechanically had a major impact, boosting revenues by €13.2 million (+8%) and income from operations by €7.1 million (+44%) for the first nine months at actual exchange rates compared with like-for-like figures.

The sharp fall in the euro since summer 2014 has been a major event for the company. Lectra has significantly bolstered its competitive position worldwide.

Given the complex effects produced by such sharp fluctuations in currency parities, like-for-like comparisons become decreasingly relevant.

### Orders for New Systems Below Company Expectations

Orders for new systems (€70.3 million) increased 4% compared with the first nine months of 2014. Like-for-like, they were down 4% and remained significantly below company expectations of a rise of above 15%.

Orders for new software licenses (€17.1 million) were up 5%, and CAD/CAM equipment (€42.5 million) by 6%. Training and consulting (€9.2 million) were down 4%, in the absence of significant new projects signed in the first half. Geographically, the situation is highly contrasted: orders in the Americas increased by 33% (+44% in North America and +5% in South America), but were down 3% in Europe and 6% in Asia-Pacific; they increased by 5% in the rest of the world.

### Very Strong Earnings Growth

Revenues (€175.7 million) were up 14% (+6% like-for-like). Revenues from new systems sales (€73.3 million) increased by 15%, recurring revenues (€102.4 million) by 14% (+5% and +6% like-for-like, respectively).

Income from operations (€23 million) increased by 73% (+20% like-for-like) and the operating margin (13.1%) up 4.5 percentage points (+1.2 percentage points like-for-like).

Net income reached €16 million, up 66%, and free cash flow €14.8 million.

### A Zero-Debt Company, a Very Strong Balance Sheet

At September 30, 2015, shareholders' equity increased by €11 million compared to December 31, 2014 and reached €105.3 million.

The company is debt free. Cash and cash equivalents as well as net cash position amounted to €52 million after payment of the €7.6 million dividend (€0.25 per share) declared in respect of fiscal 2014.

## 2015 Outlook

The company indicated, in its July 30, 2015 financial report, that the shortfall in orders for new systems in the first half compared to expectations would not enable the company to meet the objectives it had set for fiscal 2015 at the beginning of the year, based on the exchange rates used in setting them, notably $1.25/€1. The company stated it should however achieve the corresponding figures and changes at actual exchange rates, based on the forecast parities used for the second half of the year, notably $1.10/€1: total revenues of approximately €240 million (+14% relative to 2014), with income from operations before non-recurring items of around €29 million (+47%), an operating margin before non-recurring items of 12% (+2.6 percentage points) and net income of around €20 million (+39%).

Given Q3 2015 financial results and business activity expected for the remaining part of the year, based on the forecast parities used for Q4, notably $1.11/€1, fiscal 2015 revenues should be slightly below the figure communicated on July 30, between €235 and €238 million, and income from operations above, between €30 and €32 million.

Visibility remains limited and caution must be maintained.

While orders for new systems in 2015 have fallen short of the company's roadmap, all other financial parameters—recurring revenue, gross profit margins, and fixed overhead costs and free cash flow—were met.

Given the transformation plan's expected positive effects, the acceleration of orders for new systems should occur once the macroeconomic context has stabilized and normalized.

More than ever before, the whole company is focused on accelerating the growth of its sales activity.

The 2016 objectives will be published on February 11, 2016.

Bolstered by the strength of its business model, even more robust operating fundamentals, a further reinforced balance sheet, and the relevance of its strategic roadmap, the company remains confident in its growth prospects for the medium term.

*Q4 and FY 2015 earnings will be published on February 11, 2016.*

*The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for the third quarter and the first nine months of 2015 are available on lectra.com.*



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