

H1 2019 Results

Debt Investors Call

July 30, 2019





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7/30/2019

CEO Update

Yann Delabrière- President & CEO





Delivering on Budget & Confirming solid growth momentum

› Revenue grew 3% in H1 from €1,051 million to €1,083 million (1% at constant currency)

- Second consecutive quarter of revenue growth, ahead of budget => H1 revenue growth at +3% versus -12% in H1 2018
- Revenue above budget by €14.3 million or 1.3%, in H1 2019

› Secured Enterprise Transactions: Revenue growth acceleration (+3% in H1)

- Strong performance in Financial Institutions segment with positive premium card and dual interface trends
- Robust activity in Digital solutions (+28% in software) with strong pipeline
- Growth in Automotive (+13%) and biometric terminals (+16 %)
- Connectivity on budget and stabilizing

› Government Solutions: on budget

- Sustained by solid performance in the USA driven by enrolment services (TSA pre check) and border control
- Activity picking up in the rest of the world on the back of several program deliveries (Hong Kong), new civil ID contracts (North Africa) and enrolment services in India
- Very solid order intake in Government Solutions in H1 2019 (€765 million, +35% versus H1 2018) with backlog of €2,132 million, up 15% from end of December 2018

› Solid profitability with EBITDA margin at 15.1% in H1, ahead of budget

- H1 EBITDA at €163.4 million is above budget by €4.3 million or 2.7%
- As per budget orientation, sizeable investments in H1 in sales and marketing to support growth acceleration going forward

› Focus on Cash: significant improvement versus last year

- Material €70 million year-on-year improvement in Operating Cash Flow supported by significant enhancement in working capital management (- €115 million in H1 2018 to - €6 million in H1 2019 in change in working capital)



H2 will show acceleration

› We are back to growth and anticipating substantial acceleration in H2 2019

- High visibility on large programs expected to take off in H2 notably in the Financial Institutions segment
- Solid H1 order intake in Government Solutions will result in H2 revenue growth acceleration both in the USA and in the rest of the world.

› EBITDA expected ahead of budget

- We expect to deliver a solid H2 supported by top line acceleration and the first positive effects of Transfo 2.0 program

› Focus on Cash: on target for Cash neutrality in 2019

- H1 has demonstrated our ability to improve operational cash generation with efficient control of working capital
- H2 cash flow should further evidence that the actions taken are yielding results with further expected benefits in working capital management.
- We expect as well disposals for ~€75 million in FY 2019 (of which €9 million in H1), including off balance sheet factoring and reverse factoring programs.
- We reiterate our target for a cash neutral Full Year 2019.



In summary

Strictly Private & Confidential

› We have reviewed our product roadmap strategy

- We have defined clear priorities to invest where we have the highest return on capital in the form of sales growth and profitability
- Our recent strategic review supports a sustained growth acceleration over several years
- SET and Government Solutions have strategic goals aligned to our 3Y outlook

› We have finalized our plans

- We are implementing our Transfo 2.0 strategy and keep focusing on profitability
- The post merger integration is complete, we are now fully focused on business matters
- The organization and the top management are in place to deliver
- Cash plan improvement is rolled out across the company (working capital management, business model return on capital analysis...)

› We will share our Vision and detailed 3-year outlook in Q4 2019

- Revenue Growth per annum: mid single digit
- EBITDA margin ~ 20% mid term
- Deleveraging to resume from 2020
- 2020 to show a meaningful EBITDA increase towards the mid-term ambitions and a return to positive cash generation

30/07/2019

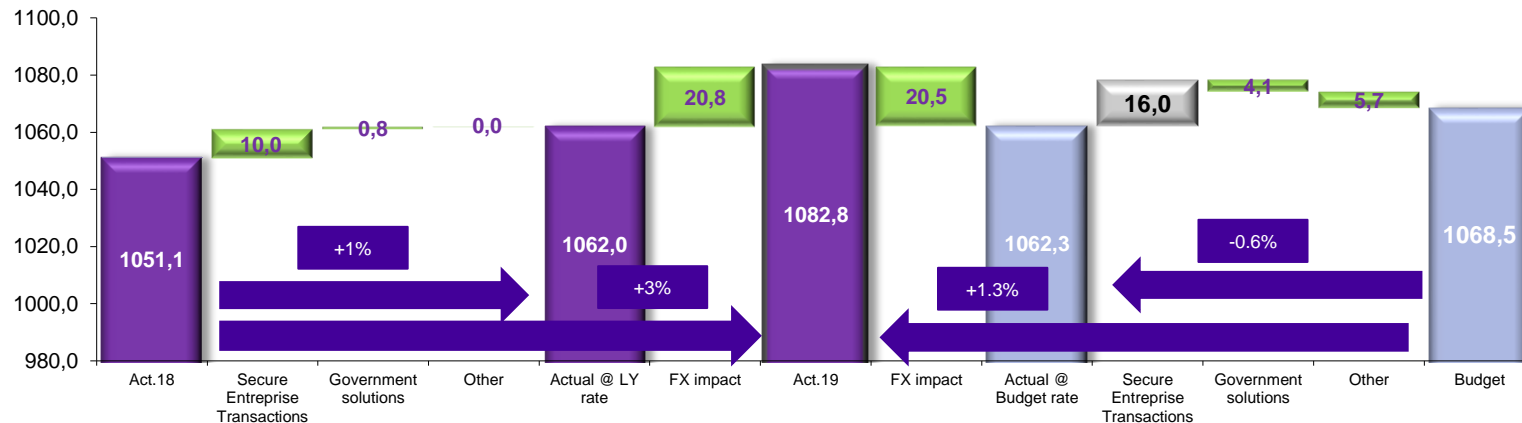
Financial review

Laurent Lemaire- Group CFO





Focus on H1 Revenue trends



	H1 2019						
	Actual 2019	Actual 2018	Var. Current	Var. Constant	Budget 2019	Var. Current	Var. Constant
Group	1082,8	1051,1	3,0%	1,0%	1068,5	1,3%	-0,6%
Secure Enterprise Transactions	549,2	535,3	2,6%	1,9%	552,5	-0,6%	-2,9%
Government Solutions	533,6	515,8	3,4%	0,2%	521,6	2,3%	0,8%
Others	0,0	0,0	1,7%	1,7%	-5,7	n/a	n/a

Solid H1, SET below budget but expected to more than catch up in H2 (signed contracts)



Strong order intake and backlog in Government Solutions

› High visibility on near term revenues with backlog of EUR2,132 million, up 15% from end of December 2018

› Order Intake reached EUR765 million in H1 2019: strong Book to Bill ratio of 1.4x

- Order intake increased by 35% versus the Order intake of H1 2018
- YTD to June 30, 2019, we had received orders already covering 65% of FY 2018 Order intake
- Our Book to Bill ratio (defined as Order Intake/ Revenue for the period) reached 1,4x; up from 1,1x in FY 2018

in €m	December 31, 2018	June 30, 2019
Order Intake	1 181	765
Revenue	1 037	534
Book to Bill	1,1	1,4



H1 2019- Selected Profit & Loss data

€, in millions	Actual	Budget	Var. vs. Budget	LY 18	Var. vs. LY 18
Revenue	1 082,8	1 068,5	14,3	1 051,1	31,7
Cost of sales	-699,1	-700,6	1,5	-678,1	-21,0
Gross Margin	383,7	367,9	15,8	373,0	10,7
% of revenue	35,4%	34,4%	1,0ppt	35,5%	0,0ppt
Operating Expenses	-306,8	-294,5	-12,3	-277,0	-29,8
Operating Margin	76,9	73,4	3,6	96,0	-19,0
% of revenue	7,1%	6,9%	0,2ppt	9,1%	-2,0ppt
Depreciation and amortization	86,5	85,7	0,8	82,9	3,5
EBITDA	163,4	159,1	4,3	178,9	-15,5
% of revenue	15,1%	14,9%	0,2ppt	17,0%	-1,9ppt

› Revenue growth of €31.7 million year-on-year; €14.3 million above budget

› Translating into Gross margin expansion (+€10.7 million versus last year), in excess of budget

- Good resilience of Gross margin as a % of revenue (stable versus a year ago)
- 100 bps ahead of budget

› Operating expenses increase driven by investments in sales and marketing & R&D as indicated with FY Budget 2019

- Front end loaded in H1 to get some of the revenue uplift benefits early on

› EBITDA above budget (€4.3 million)



H1 Cash Flow Statement

	H1 2018	H2 2018	FY 2018	H1 2019	H1 2019 versus H1 2018
EBITDA	179	207	386	163	-16
Change in working Capital	-115	0	-115	-6	109
Capex (excl IFRS 16)	-76	-80	-156	-90	-14
Non-cash items in EBITDA, Profit sharing, Other	-1	8	7	-10	-9
Operating Free Cash Flow	-13	135	122	57	70
Non-recurring items	-51	-49	-100	-47	4
Operating Free Cash Flow after non recurring items	-64	86	22	10	74
Net Financial charges	-51	-52	-102	-54	-4
Tax paid	-19	-27	-46	-24	-5
Free cash flow after Tax, financial charges, and non-recurring	-134	7	-126	-68	65
M&A	-2	1	-1	-8	-6
Asset Disposal				9	9
IFRS 16 impact	-20	-17	-38	-19	1
Total	-156	-9	-165	-87	69

- › Material improvement year-on-year in Operating Free Cash flow (+€70 million versus H1 2018)
- › Working Capital Evolution: substantial improvement (-€6 million in H1 2019 vs -€115 million in H1 2018) benefiting from action plan rolled out, with notably inventory levels below June last year. H1 trends are in line with usual seasonality in working capital in our sector.
- › Capex increase versus H1 2018 in line with our budget. FY figures expected to be below budget.
- › After 3 semesters of ~€50 million in non-recurring cash out, we expect these to come down in H2 (~€33 million).



H1 2019 Net Financial Debt

	June 30, 2019	December 31, 2018	Variation
Net Consolidated Debt	2 412	2 300	112
Minus Financing fees/ profit sharing	49	55	
Minus Shareholder loan	-314	-299	-16
Net Consolidated Third party Debt (a)	2 147	2 056	96
LTM EBITDA	370	386	-16
Synergies	69	50	19
LTM EBITDA including synergies (b)	439	436	3
Net third party leverage ratio (c)=(a)/(b)	4,9x	4,7x	0,2x

› Solid liquidity

- Cash & Cash equivalent at €136 million
- RCF committed and undrawn: €240 million, nearly stable from December 31, 2018 level

› Long term debt maturity

- Financial debt has an average maturity of 4,2 years and is 88% due in January 2024
- Short term debt is composed of factoring and local lines that can be rolled

› Leverage calculation

- 4.9x end of June 2019 vs 4.7x end of December 2018
- New “Transfo 2.0” €40 million future savings now included in the leverage calculation, €21.5 million run rate synergies realized to date in 2019.

Questions?





Upcoming events

› September 6, 2019, Idemia will present at the JP Morgan conference in London and host One & One meetings

› Q3 2019 Financial Results will be communicated on November 6th, 2019

7/30/2019

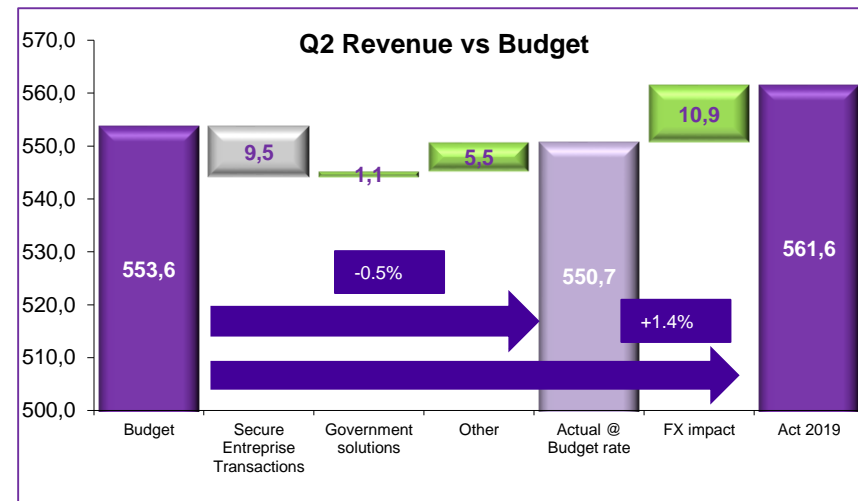
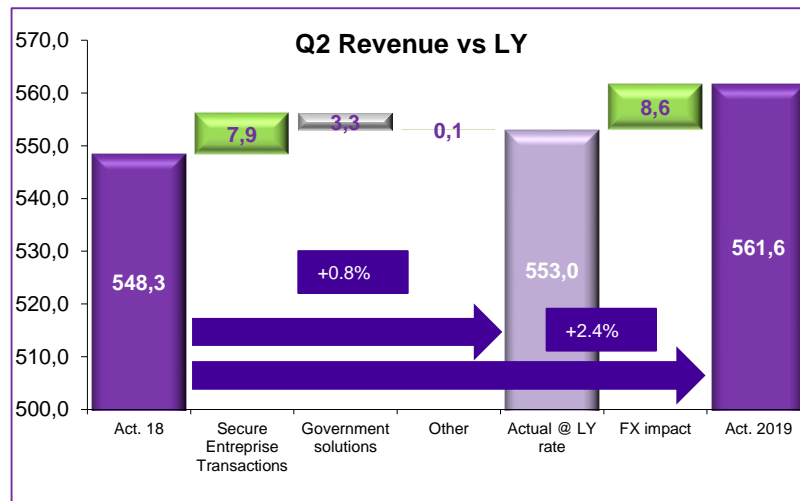
Appendices

H1 2019 Financials





Focus on Q2 2019 Revenue trends



	Actual 2019	Actual 2018	Var. Current	Var. Constant
Group	561,6	548,3	2,4%	0,8%
Secure Enterprise Transactions	288,2	279,1	3,3%	2,8%
Government Solutions	273,4	269,3	1,5%	-1,2%
Others	0,0	-0,0	-117,9%	-117,8%

	Budget 2019	Var. Current	Var. Constant
	553,6	1,4%	-0,5%
Secure Enterprise Transactions	291,4	-1,1%	-3,3%
Government Solutions	267,8	2,1%	0,4%
Others	-5,5	n/a	n/a

Underlying revenue growth well oriented and in line with budget 2019 overall



Q2 2019- Selected Profit & Loss data

€, in millions	Actual	Budget	Var. vs. Budget	LY 18	Var. vs. LY 18
Revenue	561,6	553,6	7,9	548,3	13,2
Cost of sales	-360,1	-358,5	-1,6	-348,4	-11,7
Gross Margin	201,5	195,1	6,4	199,9	1,6
% of revenue	35,9%	35,2%	0,6ppt	36,5%	-0,6ppt
Operating Expenses	-154,1	-146,7	-7,4	-140,1	-14,1
Operating Margin	47,3	48,4	-1,1	59,8	-12,5
% of revenue	8,4%	8,7%	-0,3ppt	10,9%	-2,5ppt
Depreciation and amortization	45,6	44,1	1,5	46,8	-1,1
EBITDA	93,0	92,5	0,5	106,7	-13,6
% of revenue	16,6%	16,7%	-0,2ppt	19,5%	-2,9ppt

› Revenue in absolute terms grew €13.2 million and came in €7.9 million above budget

› Solid Gross margin:

- Stable versus last year (+€1.6 million above)
- €6.4 million better than budget

› Operating expenses increase driven by:

- Investment plan to support revenue growth
- Slightly ahead of budget due to “frontloading”

› EBITDA in line with budget with a margin of 16.6%

- Gap vs LY driven by Opex increase to support future growth



H1 Consolidated P&L

(in € millions)	Note	June 30, 2019	June 30, 2018	Variation
REVENUE		1,082.8	1,051.1	31.7
Cost of sales	5.4	(699.1)	(678.1)	(21.0)
GROSS MARGIN	5.4	383.7	373.0	10.7
Sales & Marketing		(105.3)	(94.8)	(10.6)
Research & Development	5.5	(66.8)	(66.0)	(0.8)
General & Administrative		(134.6)	(116.2)	(18.5)
Share in profit from joint ventures		0.0	0.0	
IFRS2 Share-based payments		(2.2)		
OPERATING EXPENSES		(308.9)	(277.0)	(31.9)
OPERATING MARGIN		74.8	96.0	(21.2)
Amortization of identified intangible assets		(46.4)	(48.3)	1.8
Impairment of goodwill and identified intangibles assets	5.11.4	(0.1)	0.0	(0.1)
Non-recurring income and expenses	5.12	(27.9)	(45.6)	17.6
OPERATING PROFIT		0.4	2.2	(1.8)
NET FINANCIAL EXPENSES	6.2	(72.9)	(82.4)	9.5
Share in profit from associates		0.0	(0.0)	0.0
PROFIT (LOSS) BEFORE TAX		(72.5)	(80.2)	7.7
Income tax	7	(18.6)	(13.5)	(5.1)
NET PROFIT (LOSS)		(91.1)	(93.7)	2.7
Profit (loss) attributable to the owners of the company		(92.5)	(94.8)	2.3
Profit (loss) attributable to non-controlling interests		1.4	1.1	0.3
Basic earnings per share attributable to the owners of the company (in €)		(0.12)	(0.12)	
Diluted earnings per share attributable to the owners of the company (in €)		(0.12)	(0.12)	



(in € millions)	June 30, 2019	June 30, 2018
OPERATING MARGIN	74.8	96.0
Amortization of intangible fixed assets	36.1	32.0
Depreciation of tangible fixed assets	50.4	51.0
IFRS2 Share-based payments	2.2	
EBITDA	163.4	179.0



Balance Sheet

Assets in million €		June 2019	Dec. 2018	Variation Vs Opening
Non-current assets	Intangible assets	737	740	(3)
	Goodwill	2,343	2,322	21
	Property, plant and equipment	359	350	9
	Other financial assets	32	26	6
	Deferred tax	53	56	(4)
	Total non-current assets	3,524	3,494	29
Current assets	Inventories	238	192	46
	Trade receivables	534	533	1
	Other receivables	172	185	(13)
	Deferred expenses	39	33	6
	Cash and cash equivalents	136	221	(85)
	Total current assets	1,120	1,165	(45)
Total Assets		4,644	4,659	(15)

Equity & Liabilities in million €		June 2019	Dec. 2018	Variation Vs Opening
Group Equity	Equity Group	951	1,058	(106)
	Minority interests	6	6	(0)
	Equity Group	957	1,063	(106)
Non-current liabilities	Shareholder loan	313	299	15
	Financial Debt	2,080	2,059	21
	Employee benefits	53	52	1
	Provisions	37	41	(4)
	Deferred tax liabilities	77	88	(11)
	Other non current liabilities	61	8	52
	Total non-current liabilities	2,621	2,547	74
Current liabilities	Borrowings	155	163	(9)
	Trade payables	334	304	29
	Other payables	250	221	28
	Deferred income	74	86	(12)
	Provisions	136	164	(28)
	Current tax liabilities	35	25	10
	Other Current liabilities	82	85	(3)
	Total current liabilities	1,065	1,048	17
Total equity and liabilities		4,644	4,659	(15)



Details on our Debt & Cash

(in € millions)	June 30, 2019	December 31, 2018	Variation
Term Loan B (EUR)	1,385.0	1,385.0	0.0
Term Loan B (USD)	646.1	645.5	0.7
Financing fees (amortization on capitalized interest)	(50.0)	(55.4)	5.4
IFRS16 Long term	98.6	83.6	15.0
Financial Debt	2,079.7	2,058.7	21.0
RCF	60.0	50.0	10.0
Factoring	28.7	29.6	(0.9)
Local Borrowing / reverse factoring	26.0	26.9	(0.9)
Accrued interest	1.1	0.9	0.2
Shareholder loan	313.2	298.6	14.6
Profit sharing	0.9	0.9	0.0
Term Loan B (USD)	6.7	6.6	0.0
Bank overdrafts	0.8	4.5	(3.7)
Total Debt - IFRS16 excluded	2,418.4	2,393.1	25.4
IFRS16 2019	129.9	128.1	1.8
Total Debt	2,548.3	2,521.2	27.1
Cash and cash equivalents	(136.5)	(221.1)	84.6
Net Consolidated Debt	2,411.8	2,300.1	111.8
Minus Financing Fees/Profit Sharing	49.0	55.0	(5.9)
Minus Shareholder loan	(314.0)	(299.0)	(14.9)
Net Consolidated Thrid Party Debt	2,146.8	2,056.1	90.8
LTM EBITDA	370.0	386.0	(15.9)
Synergies	68.5	50.0	18.6
LTM EBITDA including synergies	438.5	436.0	2.6
Net Third Party Leverage ratio	x 4.9	x 4.7	x 0.2



H1 Consolidated Cash Flow Statement

(in € millions)	June 30, 2019 w/o IFRS16	June 30, 2018 w/o IFRS16	Variation w/o IFRS16
Net profit (loss)	(90)	(92)	3
Net income of companies accounted for under the equity method	(0)	0	(0)
Depreciation and amortization	118	116	1
Provisions	(18)	11	(29)
Gain (loss) on disposal of assets	(1)	(0)	(1)
Other non-cash items	0	(2)	2
Profit sharing	(0)	0	(1)
Share-based payments	2	0	2
Current and deferred tax expenses	19	14	5
Financial result	69	79	(10)
Operating cash flow excluding net interest expenses and tax expenses	98	125	(28)
Change in inventories and work in progress	(41)	(13)	(28)
Change in trade receivables	4	(49)	53
Change in advances and payments received on orders	0	9	(9)
Change in trade and other receivables and payables	17	(71)	87
Effect of changes in working capital	(20)	(124)	104
Tax paid	(25)	(19)	(6)
Cash flow provided by operating activities	53	(18)	71
Change in scope	(2)	(2)	0
R&D expenses capitalized	(27)	(24)	(4)
Acquisition of intangible and tangible assets	(103)	(55)	(48)
Acquisition of financial assets	(8)	6	(14)
Change in assets suppliers	34	1	33
Disposal of intangible and tangible assets	15	2	13
Cash flow used in investing activities	(91)	(72)	(20)
Increase in borrowings	16	30	(14)
Decrease in borrowings	(6)	(4)	(1)
Repricing fees paid & commitment fees	(1)	(2)	1
Net interests paid	(50)	(47)	(4)
Dividends paid	(2)	(1)	(1)
Cash flow used in financing activities	(42)	(23)	(19)
Foreign currency translation adjustments	(0)	(6)	5
Net opening cash and cash equivalents	217	295	(79)
Net closing cash and cash equivalents	136	176	(41)
Net increase in cash and cash equivalents	(81)	(119)	38
Cash and cash equivalents in balance sheet	136	179	(43)
Bank overdrafts	(1)	(3)	2
Net cash and cash equivalents at June 30,	136	176	(41)

CONTACT

Justine DIMOVIC

SVP Treasury, Financing & Investor Relations
Finance

Justine.Dimovic@idemia.com

Idemia Investors website has changed to <https://investors.idemia.com/>



www.idemia.com