Altran unveils its strategic plan: ‘Altran 2020. Ignition’

New strategic plan sets a new horizon for the Engineering and R&D services (ER&D) market. ‘Altran 2020. Ignition’ targets > €3 billion revenue and best-in-class profitability through augmented value, GlobalShore industrialization, geographic expansion and operational excellence.

- New drivers will boost the Engineering and R&D services market, expected to reach ~ €220 billion by 2020.
- Globalization and consolidation expected to significantly accelerate driven by client demand.
- Altran will sharpen its services through augmented value, Industrialized GlobalShore and best-in-breed quality.
- Financial targets for 2020:
  - Revenues: > €3 billion
  - EBIT Margin: ~13% of revenues
  - Free Cash-Flow: 7% of revenues


This ambitious plan aims at delivering value for all stakeholders of the company:
- Clients, with leading-edge solutions, enhanced competitiveness, and global footprint,
- Altran shareholders, who will benefit from superior financial performance,
- and Altran engineers, with a new way of fulfilling their passion for making innovation.

‘We stand at a true point of inflection for our industry. The Engineering and R&D services market is undergoing profound changes. We estimate that our market will grow significantly faster than what traditional observation has suggested until now. This will be driven by clients, who must accelerate their time-to-market to innovate better, to differentiate themselves, bring the best of the planet to their own R&D and move to transformational outsourcing for efficiency reasons.

Clients want us to capture the specifics of their business issues, propose effective solutions and higher value. They expect us to be global and to provide an approach that combines critical technologies, domain expertise and cross-fertilization between sectors.

‘Altran 2020. Ignition’ has been designed to answer the evolving needs of our clients. First, we are going to increase the value of what we offer to clients. Therefore, we will complement our current offering by channeling all the expertise, assets and intellectual property worldwide through a series of dedicated world-class centers. Second, clients expect us to be more and more industrial. They want the best that the planet can offer at the best possible price. Hence, we are going to build the world’s
premier offshore capability in ER&D services. Finally, we cannot be global without significantly ramping up in some key markets, and notably developing a major presence in the USA.

This strategic plan is a growth story that will benefit our clients, our shareholders and our 25,000 engineers and consultants. We will execute to be more global, more innovative, and will sharpen our business models to better serve our customers. We will maintain an ultimate attention on operations and customer satisfaction. 2016 and 2017 will be years of transition and transformation, in order to reach full momentum over 2018-2020,’ said Dominique Cerutti, Chairman & CEO of the Group.

‘Altran 2020. Ignition’

The Engineering and R&D services market is expected to reach €220 billion by 2020, fueled by new customer expectations.

Three levers will boost the ER&D services industry:
- R&D spending among all industries and mainly among Global 500 companies (+6% P.A.) due to critical need for differentiation, disruptive horizons provided by technologies, and stronger environmental and safety regulations
- Progressive Increase in the rate of Externalization (+0.5pt P.A.) towards engineering partners like Altran
- Acceleration of transformational outsourcing, offering a new level of efficiency to clients

Altran is best positioned to take the lead in this market transformation

Due to the evolution, globalization and future consolidation of the market, we expect, as typical patterns suggest in such a phase of maturity, that a few global leaders will emerge, serving up to 20% of this €220 billion market. Altran, thanks to its teams, its assets, its laboratories, its intellectual property and its international footprint is well positioned to capture this opportunity.

Four growth engines
- Augmented value: client demand is becoming both broader and more specific. Altran will sharpen its value creation models with four initiatives: World Class Centers, Business consulting practice, Innovative Product Development expansion and deployment of transformational deals teams.
- Industrialized GlobalShore: Altran intends to build the world’s premier offshore capability in ER&D services rolling out a scalable and industrialized supply chain of engineering services delivered at a competitive price.
- Geographical expansion:
  - US: change dimension to reach €500 million by 2020,
  - Germany: invest and grow to above €400 million by 2020,
  - China: leverage the existing Joint Ventures (with a focus on automotive),
  - India: expand, from an existing base of 1,200 people, to become the cornerstone of the Industrialized GlobalShore strategy.
- Operational excellence will remain a top priority: best-in-class discipline, focus on invoicing rate and cost optimization.

The success of the plan will be achieved through a phased approach of implementation while maintaining the current discipline on execution. Altran believes this strategic plan defines a new value model and related levels of standards for the ER&D services industry, which will help global clients, achieve their ambitious goals in an exciting but more stringent and demanding environment.
Key elements of the Altran 2020 financial model:

- Revenues: > €3 billion
- EBIT margin: ~13% of revenues
- Free Cash-Flow: 7% of revenues
- EPS Growth: > 100% over the period

Leverage < 1.5 time EBITDA at the end of each year (including M&A activity).

The presentation to analysts and investors will be available via Webex from 2:30pm (CET) today.

About Altran

As global leader in innovation and high-tech engineering consulting, Altran offers its clients a new way to innovate. The Group develops with or for its clients the products and services of tomorrow. Altran works along with its clients on every link in the value chain of their project, from conception to industrialization. The Group has been providing its expertise for over thirty years to key players in the Aerospace, Automotive, Defence, Energy, Finance, Life Sciences, Railway, and Telecoms sectors, among others.

In 2014, the Altran group generated revenues of €1.756bn. With a headcount of nearly 25,000 employees, Altran is present in more than 20 countries.

ignition.altran.com
www.altran.com
Find our news on our hub press

Press contact
+33 1 46 41 72 10
press@altran.com

Follow us on Twitter:
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Caveat
The strategic plan disclosed on November 23rd, 2015 could eventually be subject to changes / adjustments depending on the result of discussion to be lead between the Board of Directors and the Central Works Council which will be consulted on this draft strategic plan.