LECTRA

Press Release

Contact: Adeline Fogel
e-mail: a.fogel@lectra.com
Office: +33 (0)1 53 64 42 37

First half 2020: revenues and earnings strongly impacted by the COVID-19 crisis

- Revenues: 114 million euros (-17%)*
- Income from operations: 7.1 million euros (-61%)*
- Net income: 4.5 million euros (-65%)
- Free cash flow: 1.5 million euros
- Net cash: 109.9 million euros

** Like-for-like*

In millions of euros	April 1 – June 30		January 1 – June 30	
	2020	2019	2020	2019
Revenues	50.5	70.2	114	137.2
Change like-for-like (%)(1)	*-28%*		*-17%*	
Income from operations	2	9.5	7.1	17.4
Change like-for-like (%)(1)	*-79%*		*-61%*	
Operating margin (in % of revenues)	4%	13.6%	6.2%	12.7%
Net income	1.1	6.9	4.5	12.6
Change at actual exchange rates (%)	*-85%*		*-65%*	
Free cash flow(3)	(2.2)	2.7	1.5	12.5
Shareholders' equity(2)			176.2	183
Net cash(2) (3)			109.9	120.6

(1) Like-for-like: 2020 figures restated at 2019 exchange rates
(2) At June 30, 2020 and December 31, 2019
(3) The definition of the key performance indicators is shown in the December 31, 2019 Financial Report

Paris, July 27, 2020. Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the consolidated financial statements for the first half of 2020, after a limited review by the Statutory Auditors.

(Detailed comparisons between 2020 and 2019 are like-for-like, unless otherwise stated. As the impact of the acquisition of Retviews on the financial statements for the first half of 2020 is not material, like-for-like changes exclude only the variations in exchange rates).

Q2 2020: positive income from operations and net income despite the sharp decline in revenues

In its Q1 financial report, published April 29, 2020, the Group had anticipated a sharp decrease in revenues and in income from operations in Q2, due to the COVID-19 epidemic and its consequences, particularly the expansion of confinement measures in many countries that led to the slowdown or closure of nearly all production plants operated by Lectra's customers.

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (15 million euros) were down 42% compared to Q2 2019. The annual value of new software subscription orders (0.3 million euros) was up 30%.

Revenues (50.5 million euros) decreased by 28%.

Income from operations (2 million euros) was down 79% and the operating margin (4%) was down 9.6 percentage points.

Net income (1.1 million euros) decreased by 85% at actual exchange rates compared to Q2 2019.

First half 2020

The COVID-19 epidemic and its consequences really marked the first half of 2020.

From the start of the crisis, the Group took the necessary hygiene and physical distancing measures to safeguard the health of employees, customers, suppliers and other stakeholders.

A remote working system was immediately put in place for all employees whose physical presence on site was not required; this was done in France and all other countries where such measures were ordered or recommended by the government. At the date of publication of this report, the vast majority of Group employees have returned to the workplace, while continuing to comply with health and safety rules in place since the crisis began.

In parallel, the Group has maintained all business operations. In particular, it has continued to manufacture and deliver equipment, consumables and spare parts worldwide. After-sales support for the Group's solutions has been provided to customers that continue to operate.

Confinement measures implemented by most countries during the first half of the year have led to a significant reduction in activity by the Group's customers, and to the suspension of some business discussions with Lectra. All three strategic market sectors—fashion, automotive, and furniture—have been strongly impacted.

In this unique and unprecedented environment, revenues (114 million euros) decreased by 17% compared to H1 2019.

Orders and revenues from software licenses, equipment and accompanying software, and non-recurring services

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (34.2 million euros) were down 35%. The slowdown in orders, initiated in March, intensified in Q2. Orders for perpetual software licenses (3.7 million euros), equipment and accompanying software (25.6 million euros), and training and consulting (4.2 million euros) decreased by 45%, 35% and 27%, respectively.

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (37.8 million euros) decreased by 30%.

Orders from software subscriptions - revenues from recurring contracts, and consumables and parts

The annual value of new software subscription orders (1 million euros) was up 44% compared to H1 2019.

Revenues from recurring contracts (49.9 million euros), one of the key pillars of the Group's business model, which constitutes a protective factor that will help mitigate the impact of the COVID-19 crisis on revenues and results, increased by 4%.

Revenues from consumables and parts (26.3 million euros), which were affected by the acute reduction in business activity of the Group's customers due to the health crisis, decreased by 27%.

Overall, recurring revenues (76.2 million euros) were down 9%.

Income from operations and net income

Income from operations (7.1 million euros) decreased by 61% (-59% at actual exchange rates).

The operating margin (6.2%) was down 6.7 percentage points (-6.5 percentage points at actual exchange rates).

Net income (4.5 million euros) decreased by 65% at actual exchange rates.

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Positive free cash flow – a particularly robust balance sheet

Despite this adverse environment, free cash flow remained positive and came to 1.5 million euros (12.5 million euros in H1 2019). This decline is attributable mainly to the lower income.

The balance sheet remained particularly robust, with a consolidated shareholders' equity of 176.2 million euros and cash and cash equivalents, as well as a net cash position of 109.9 million euros, after the payment of the dividend of 12.8 million euros, declared in respect of FY 2019.

Business trends and 2020 outlook

In its 2019 Financial Report, published February 11, 2020, Lectra had reported its long-term vision and its new strategic roadmap for the 2020-2022 period.

The Group already noted the uncertainties linked to the COVID-19 epidemic, whose impact was observed only in China at the time and decided that it would not formulate estimates for 2020 until such time as visibility improved. Since then, the epidemic has become a pandemic, leading to a major and rapid slowdown of the global economic activity.

While most of the objectives of the 2020-2022 strategic roadmap remain valid, and particularly the acceleration towards Industry 4.0, the growth objectives for the end of the period will have to take into account the consequences of the economic crisis, caused by the COVID-19. As a result, the Group will update its objectives when it considers that visibility has returned to a sufficient level.

2020 outlook

The year 2020 will be marked by the global health crisis and its consequences.

Lectra has a particularly robust balance sheet, a positive net cash position of close to 110 million euros at June 30, 2020, and a proven business model with, among other strengths, a very high percentage of recurring revenues. The Group considers that it is financially equipped to deal with a temporary or more sustained reduction in its business activity.

In addition, the Group has implemented measures to reduce its overhead costs, the effects of which are already apparent in the business operations and financial statements for Q2, and which will continue at least through the end of the year.

In light of its sound financial position, capacity for resilience, and medium-term outlook, the Group has decided not to put in place short-time working arrangements (under the partial activity scheme), and not to benefit from any financial support from the French government. Lectra has also supported the nation's collective effort to fight against this crisis by voluntarily cutting masks and medical personal protective equipment.

At this stage, while the consequences of the crisis are already apparent in the business operations and financial statements for the first half of 2020, it is difficult to predict the impact over the rest of the year.

The Group's three strategic market sectors, fashion, automotive and furniture, will probably undergo a consolidation and restructuring phase. Depending on the evolution of the macroeconomic environment among other things, companies operating in these markets could be led to temporarily reduce their capital expenditures and operating expenses.

While a gradual increase in the volume of orders, revenues and income from operations could potentially occur as early as the third or fourth quarter, such developments are subject to substantial continuing uncertainties surrounding the evolution of the pandemic, which make it difficult to estimate the timing and extent of the rebound in activity.

In this particularly uncertain environment, the Group demonstrates on a daily basis, through the decisions that it has taken, its commitment to its social, environmental and societal responsibilities, and to the fundamental values that underlie these responsibilities.

The Group's markets provide goods for which consumer demand will persist worldwide. Lectra, which despite the crisis preserves its competitive advantage and benefits from a very solid financial position, remains confident in its growth prospects for the medium-term.

The 2019 Annual Financial Report, as well as the Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for H1 2020 are available on lectra.com. Q3 and the first nine months of 2020 earnings will be published on October 28, 2020.

For companies that breathe life into our wardrobes, car interiors, furniture and more, Lectra is crafting the premium technologies that facilitate the digital transformation of their industry. Lectra's offer empowers brands, manufacturers and retailers, from design to production, providing them with the market respect and peace of mind they deserve. Founded in 1973, today Lectra has 34 subsidiaries across the globe, serving customers in over 100 countries. With almost 1,800 employees, Lectra reported revenues of 280 million euros in 2019. Lectra is listed on Euronext Paris (LSS).

lectra.com

Lectra – World Headquarters: 16–18, rue Chalgrin • 75016 Paris • France
Tel. +33 (0)1 53 64 42 00 – Fax +33 (0)1 53 64 43 00 – lectra.com
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