

Q1 2020: revenues and earnings impacted by the COVID-19 virus

- Revenues: 63.5 million euros (-6%)*
- Income from operations: 5.1 million euros (-39%)*
- Net income: 3.4 million euros (-41%)
- Free cash flow: 3.7 million euros
- Net cash: 124 million euros

* Like-for-like

in millions of euros	January 1 – March 31	
	2020	2019
Revenues	63.5	67
<i>Change like-for-like (%)⁽¹⁾</i>	-6%	
Income from operations	5.1	7.9
<i>Change like-for-like (%)⁽¹⁾</i>	-41%	
Operating margin (in % of revenues)	8%	11.8%
Net income	3.4	5.7
<i>Change at actual exchange rates (%)</i>	-41%	
Free cash flow	3.7	9.8
Shareholders' equity ⁽²⁾	186.9	183
Net cash ⁽²⁾	124	120.6

(1) Like-for-like: 2020 figures restated at 2019 exchange rates

(2) At March 31, 2020 and December 31, 2019

Paris, April 29, 2020. Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the unaudited consolidated financial statements for the first quarter of 2020.

(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 quarter is not material, like-for-like changes exclude only the variations in exchange rates).

The COVID-19 epidemic and its consequences marked the first quarter of 2020. After emerging in China in December 2019, the health crisis quickly spread across the world in March, causing a global economic crisis of unprecedented proportions.

From the start of the crisis, the Group took the necessary hygiene and 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 is not required; this was done in France and other countries where such measures were ordered or recommended by the government.

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

Decline in revenues and income from operations

In this unique and unprecedented environment, the Group's revenues (63.5 million euros) decreased by 6% compared to Q1 2019. At actual exchange rates, they declined by 5%.

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 (19.3 million euros) were down 28%. The slowdown in orders was particularly acute in March. Orders for perpetual software licenses (2.7 million euros), equipment and accompanying software (13.5 million euros), and training and consulting (2.6 million euros) decreased by 26%, 30% and 21%, respectively.

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (22 million euros) were down by 15% (-14% at actual exchange rates).

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

The annual value of new software subscription orders amounted to 0.6 million euros, up by 52% compared to Q1 2019.

Revenues from recurring contracts (25 million euros), a key pillar of the Group's business model, which constitute a protective factor and will help mitigate the impact of the COVID-19 crisis on revenues and results, increased by 5%.

Revenues from consumables and parts (16.5 million euros), which were affected by the reduction in business activity of the Group's customers due to the COVID-19 crisis, decreased by 7%.

Income from operations and net income

Income from operations (5.1 million euros) decreased by 39% (-35% at actual exchange rates).

The operating margin (8%) was down 4.2 percentage points like-for-like (-3.8 percentage points at actual exchange rates).

Net income (3.4 million euros) decreased by 41% at actual exchange rates.

Positive free cash flow – a particularly robust balance sheet

Free cash flow came to 3.7 million euros (9.8 million euros in Q1 2019).

Consolidated shareholders' equity amounted to 186.9 million euros.

Cash and cash equivalents, as well as net cash position, totaled 124 million euros.

Business trends and 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 improves.

Since then, the health crisis 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 the consequences of the COVID-19 crisis into account.

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 COVID-19 crisis and its consequences.

Lectra can face the impacts of the epidemic with a particularly robust balance sheet, a positive net cash position of 124 million euros at March 31, 2020, and a proven business model with, among other strengths, a very high percentage of recurring revenues. The Group therefore considers that it is financially equipped to deal with a temporary or more sustained reduction in its business activity.

While the Group has implemented measures to control its fixed overhead costs, it 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, in light of its sound financial position, capacity for resilience, and medium-term outlook. It thus intends to maintain its entire R&D effort, which currently drives 377 men and women, and so be ready post-crisis with well-prepared, motivated teams. Lectra also supports 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 quarter, it is difficult to predict the impact over the rest of the year. The greatest impact, however, could be expected in Q2, which could see a sharp decline in revenues and in income from operations.

The Group's business activity should rebound after this crisis; however, the date and extent of the rebound are difficult to estimate, due to the uncertainties regarding how the pandemic will evolve. 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.

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

Lectra's markets provide goods for which consumer demand will persist worldwide. The Group, which preserves its competitive advantage and benefits from a very solid financial position, therefore 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 Q1 2020 are available on lectra.com

The Combined Annual Shareholders' Meeting will be held on April 30, 2020, without the physical presence of shareholders.

Q2 and H1 2020 earnings will be published on July 27, 2020, after the close of trading on Euronext Paris.

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 more than 1,800 employees, Lectra reported revenues of 280 million euros in 2019. Lectra is listed on Euronext Paris (LSS).

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