



# **ANALYST CONFERENCE**

## **Paris, February 10, 2017**

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André Harari, Chairman of the Board of Directors

Daniel Harari, Chief Executive Officer

Jérôme Viala, Executive Vice President,  
Chief Financial Officer

# Analyst Conference – Paris, February 10, 2017

Financial Results for Q4 2016

Financial Results for FY 2016

Assessment of the 2013–2016 Strategic Roadmap

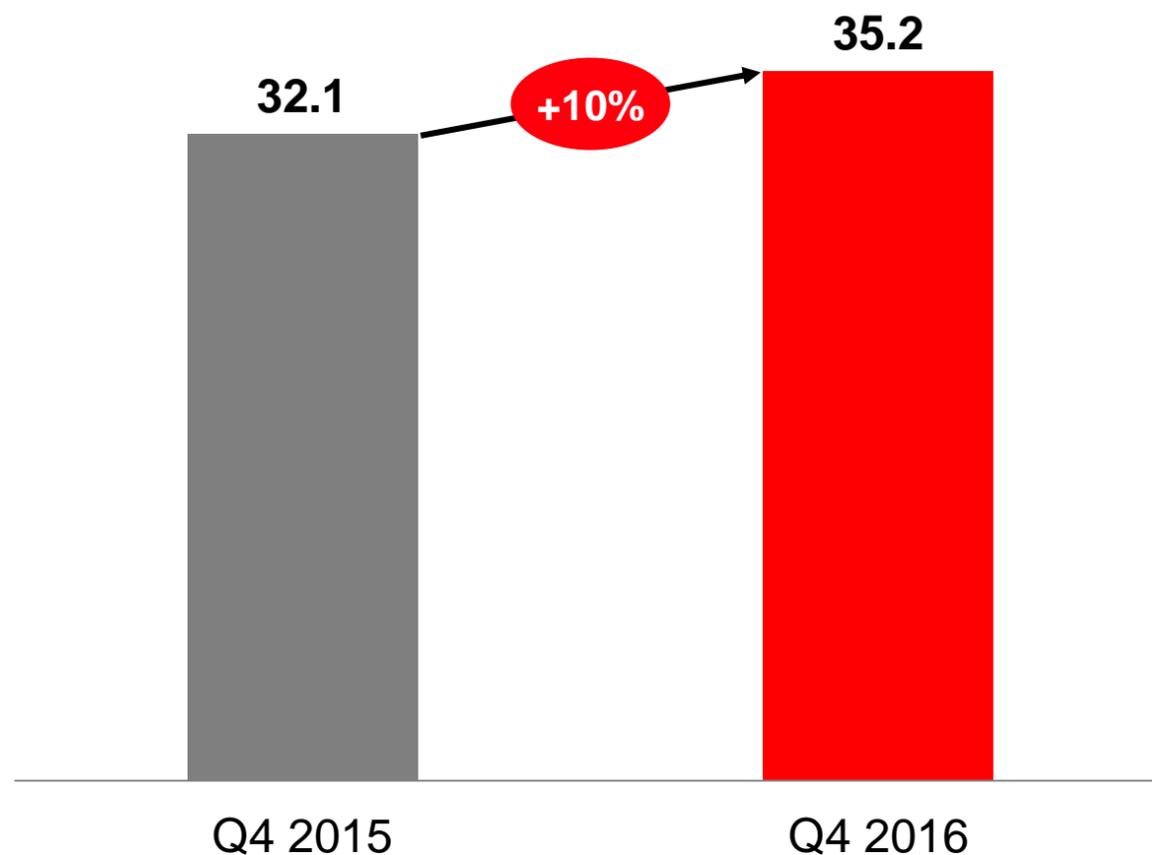
New Strategic Roadmap for 2017–2019

2017 Outlook

*Detailed comparisons between 2016 and 2015 are based on 2015 exchange rates (“like-for-like”) unless stated otherwise*

# Q4 2016: Record Orders for New Systems

**Orders for New Systems**  
(in millions of euros)



## Orders for new systems totaled €35.2 million

- An increase of €3.1 million (+10%) compared with Q4 2015
  - New software licenses: €6.8 million (+3%)
  - CAD/CAM equipment: €23.9 million (+10%)
  - Training and consulting: €4 million (+28%)\*
- Like in 2014 and 2015, Q4 was the strongest quarter of the year
  - Orders were €26.1 million, €30.5 million and €23.7 million in Q1, Q2, Q3 2016, respectively

**This quarterly level of orders is a record high for the company**

\* This strong increase follows the signature of several major projects

# Q4 2016: Continuing Growth in Revenues and Earnings

<i>In millions of euros</i>	Q4 2016 Actual	Q4 2016 At 2015 exchange rates	Q4 2015 Actual	Change at actual exchange rates		Change like-for-like	
				€M	%	€M	%
<b>Revenues</b>	<b>69.4</b>	<b>68.9</b>	<b>62.2</b>	<b>+7.2</b>	<b>+12%</b>	<b>+6.8</b>	<b>+11%</b>
New systems	30.5	30.2	26.0	+4.5	+17%	+4.1	+16%
Recurring	38.9	38.8	36.2	+2.7	+8%	+2.6	+7%
<b>Gross profit</b>	<b>51.0</b>	<b>50.5</b>	<b>46.4</b>	<b>+4.5</b>	<b>+10%</b>	<b>+4.1</b>	<b>+9%</b>
<i>in % of revenues</i>	73.4%	73.3%	74.7%		-1.3 points		-1.4 points
<b>Income from operations</b>	<b>10.7</b>	<b>10.4</b>	<b>8.9</b>	<b>+1.8</b>	<b>+21%</b>	<b>+1.5</b>	<b>+17%</b>
<i>in % of revenues</i>	15.4%	15.1%	14.2%		+1.2 points		+0.9 point
<b>Net income</b>	<b>7.9</b>	<b>na</b>	<b>7.4</b>	<b>+0.5</b>	<b>+7%</b>	<b>na</b>	<b>na</b>
<b>Free cash flow</b>	<b>7.6</b>	<b>na</b>	<b>6.7</b>	<b>+0.8</b>	<b>+12%</b>	<b>na</b>	<b>na</b>
<b>\$/€ exchange rate</b>	1.08	1.09	1.09				

- Net income was recorded after a tax expense of €2.6 million, which includes a charge of €0.4 million reflecting a re-measurement of the deferred tax position of Lectra SA, resulting from the planned reduction of the corporate income tax rate applicable in France, enacted in the 2017 Budget Act (*loi de finances pour 2017*) which will apply progressively starting in 2018
  - This decision is a positive one, however, as it will lead to a reduction of the Group income tax charge in the mid-term

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# Tough Macroeconomic Conditions

**The company stated that it entered 2016 with even more solid operating fundamentals than in 2015 and an even stronger balance sheet**

- Lectra's newly formed sales teams were expected progressively to build momentum
- It further stated that the outlook for the year looked unpredictable once again

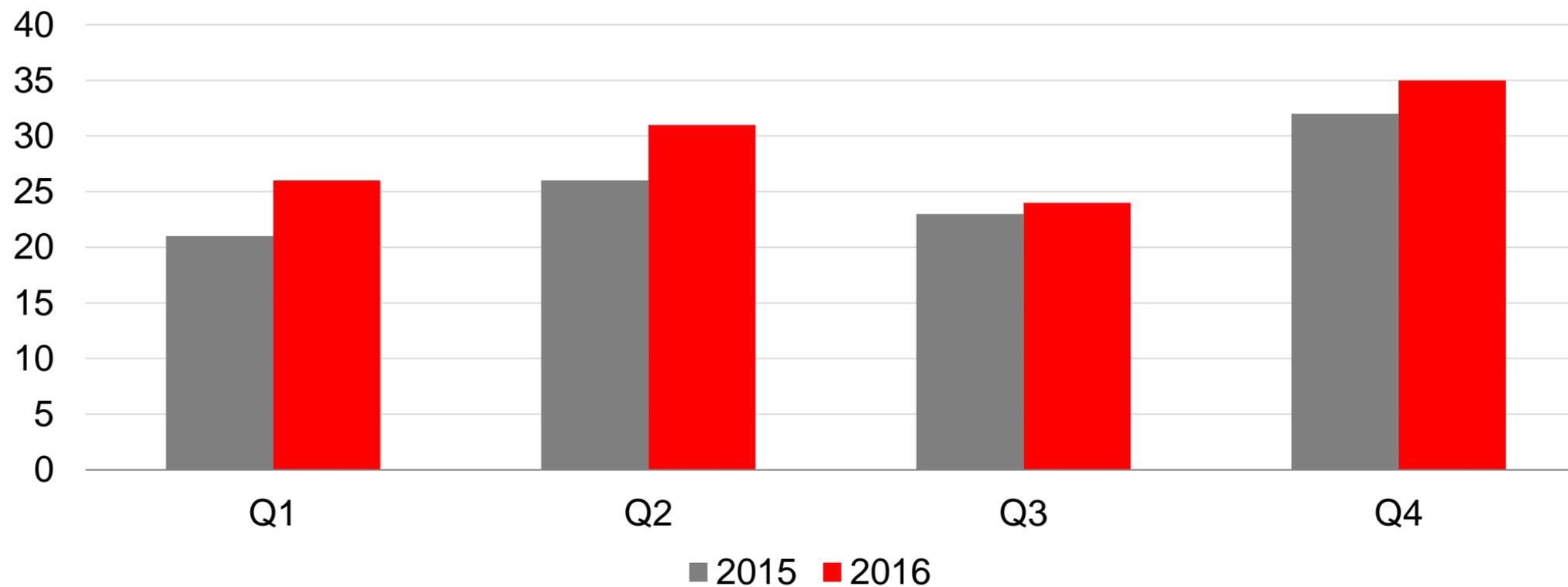
**Macroeconomic and geopolitical conditions were indeed difficult year-long, especially in some countries**

- The US elections and their impact on other countries, notably Mexico
- The political and economic situations in Brazil and Turkey
- Weak growth in much of Western Europe
- Terrorist attacks or the risk of attacks in a growing number of countries
- Etc.

**These conditions continued to weigh on corporate investment decisions**

# Strong Growth in Orders for New Systems

<i>Orders</i> <i>(in millions of euros)</i>	2016 Actual	2015 Actual	Change 2016 / 2015 At actual exchange rates	Change 2016 /2015 Like-for-like
<b>Total</b>	<b>115.6</b>	<b>102.4</b>	<b>+13%</b>	<b>+13%</b>
<i>Of which</i>				
<i>New software licenses</i>	25.1	23.7	+6%	+6%
<i>CAD/CAM equipment</i>	75.3	64.2	+17%	+17%
<i>Training and consulting</i>	12.9	12.3	+5%	+5%



*In millions of euros – Figures at actual exchange rates*

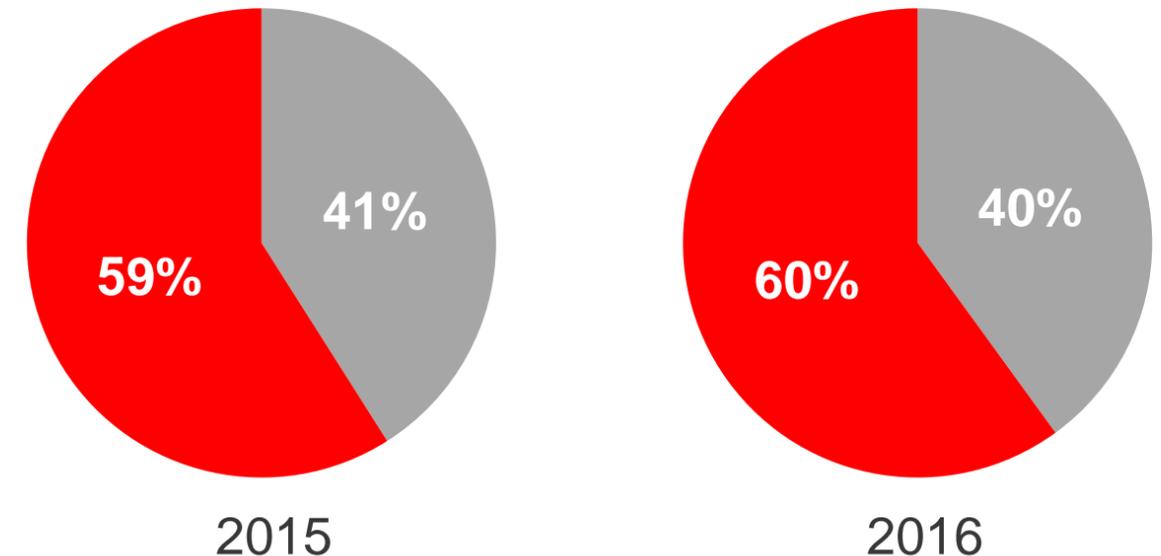
# Very Strong Growth in Asia-Pacific and Automotive

## Highly contrasted situation

- Asia-Pacific (39% of total orders): +47%
  - Of which China (15%): +25%
- Europe (38%): +18%
- Americas (18%): -26%
  - North America (15%): -21%
  - South America (2%): -44%
- Other countries (6%): -1%

## Increase driven by Automotive

- Fashion and apparel (45% of total vs. 49%): +3%
  - Europe: +9%
  - North America: -23%; South America: -40%
  - Asia-Pacific: +23%
- Automotive (40% vs. 33%): +36%
  - Europe: +52%
  - North America: -27%; South America: -60%
  - Asia-Pacific: +79%
- Furniture (10% vs. 11%): +6%
- Other industries (5%): -12%



■ Emerging countries ■ Developed countries

## Share of emerging countries increased

- Emerging countries: +18%
- Developed countries: +7%

\* In 2015, orders in the Americas increased by 55%, while those in Asia-Pacific decreased by 1% vs. 2014

Orders for new software licenses, CAD/CAM equipment, and training and consulting.

# Revenues and Earnings Up Sharply, in Line with the Company's Roadmap

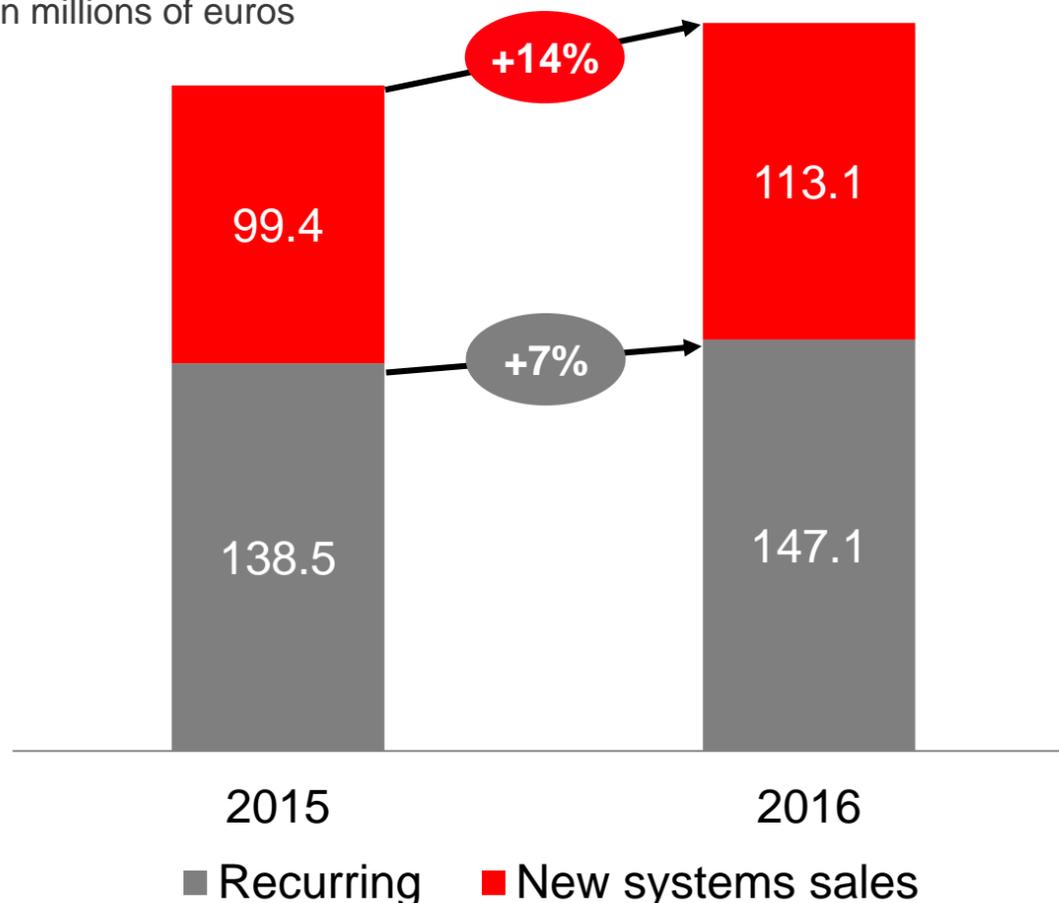
<i>In millions of euros</i>	2016 Actual	2016 At 2015 exchange rates	2015 Actual	Change at actual exchange rates		Change like-for-like	
				€M	%	€M	%
<b>Revenues</b>	<b>260.2</b>	<b>261.4</b>	<b>237.9</b>	<b>+22.3</b>	<b>+9%</b>	<b>+23.6</b>	<b>+10%</b>
New systems	113.1	113.1	99.4	+13.7	+14%	+13.7	+14%
Recurring	147.1	148.4	138.5	+8.6	+6%	+9.8	+7%
<b>Gross profit</b>	<b>191.7</b>	<b>193.0</b>	<b>179.3</b>	<b>+12.4</b>	<b>+7%</b>	<b>+13.7</b>	<b>+8%</b>
<i>in % of revenues</i>	<i>73.7%</i>	<i>73.8%</i>	<i>75.4%</i>		<i>-1.7 points</i>		<i>-1.6 points</i>
<b>Income from operations</b>	<b>37.3</b>	<b>37.7</b>	<b>31.8</b>	<b>+5.5</b>	<b>+17%</b>	<b>+5.9</b>	<b>+18%</b>
<i>in % of revenues</i>	<i>14.3%</i>	<i>14.4%</i>	<i>13.4%</i>		<i>+0.9 point</i>		<i>+1.0 point</i>
<b>Net income</b>	<b>26.7</b>	<b>na</b>	<b>23.4</b>	<b>+3.3</b>	<b>+14%</b>	<b>na</b>	<b>na</b>
<b>Free cash flow</b>	<b>23.8</b>	<b>na</b>	<b>21.5</b>	<b>+2.3</b>	<b>+10%</b>	<b>na</b>	<b>na</b>
<b>\$/€ exchange rate</b>	1.11	1.11	1.11				

- These results are at a record high for the company, at the top of the range of expected revenues and income from operations for FY 2016, as indicated on July 28 and confirmed on October 28, as well as for the objectives set at the beginning of the year before the decision to step up the R&D program

# Sharp Increase in Revenues and in Order Backlog

Increase in total revenues  
+€23.6 million (+10%)

In millions of euros



**Revenues from new systems sales (43% of total revenues): €113.1 million (+14%)**

- New software licenses: €24.5 million (+4%)
- CAD/CAM equipment: €74.7 million (+22%)
- Training & consulting: €11.6 million (-5%)

**Revenues from recurring contracts (32%): €83.1 million (+5%)**

- Software evolution and online services contracts: €47.4 million (+4%)
- CAD/CAM equipment maintenance and online services contracts: €35.7 million (+7%)

**Revenues from consumables and parts (25%): €64 million (+10%)**

**Order backlog on December 31, 2016: €25.8 million (+€2.8 million vs. December 31, 2015)**

- €18.3 million in new software licenses and CAD/CAM equipment (€16 million for shipment in Q1 2017, the remaining over the rest of the year)
- €7.5 million in training and consulting to be delivered as projects are carried out

# Increase in Recurring Revenues Finances Increase in Fixed Overhead Costs

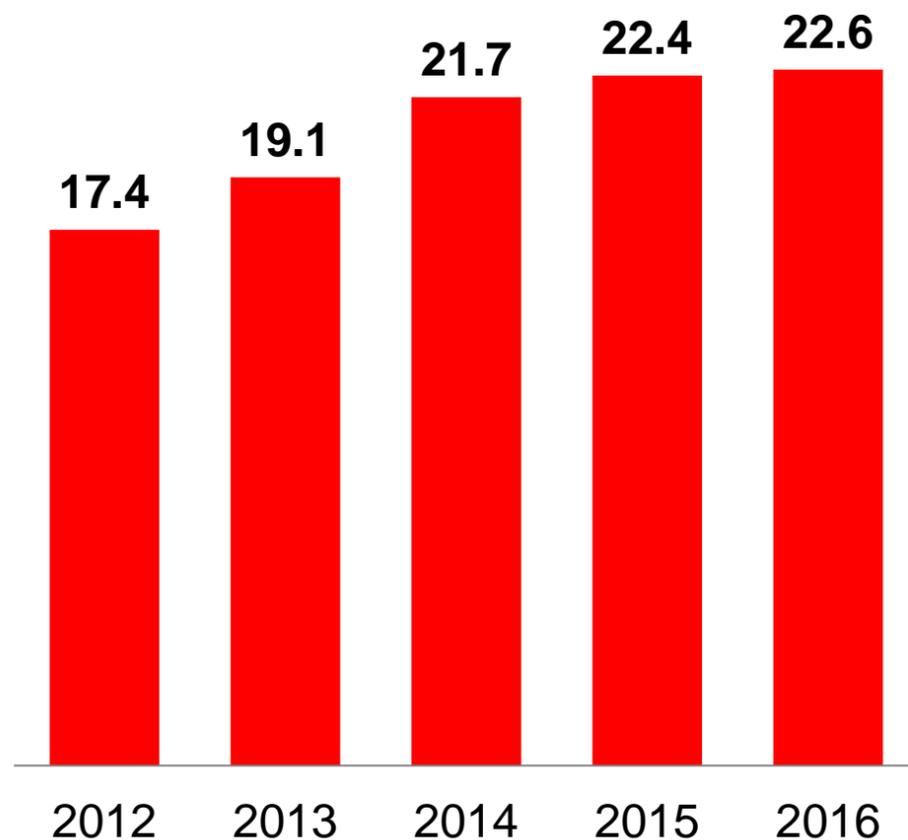
In millions of euros, at actual exchange rates



# Lectra Continued to Invest Steadfastly in R&D

## R&D investments

In millions of euros



**R&D is not reported on the balance sheet: R&D spending is fully expensed and included in the overhead costs for the fiscal year**

**R&D costs represented 8.7% of 2016 revenues (9.4% in 2015)**

- Net R&D costs\*: €15.5 million (€14.3 million in 2015)
- 270 engineers (17% of workforce) dedicated to R&D

**€103 million invested over the last 5 years**

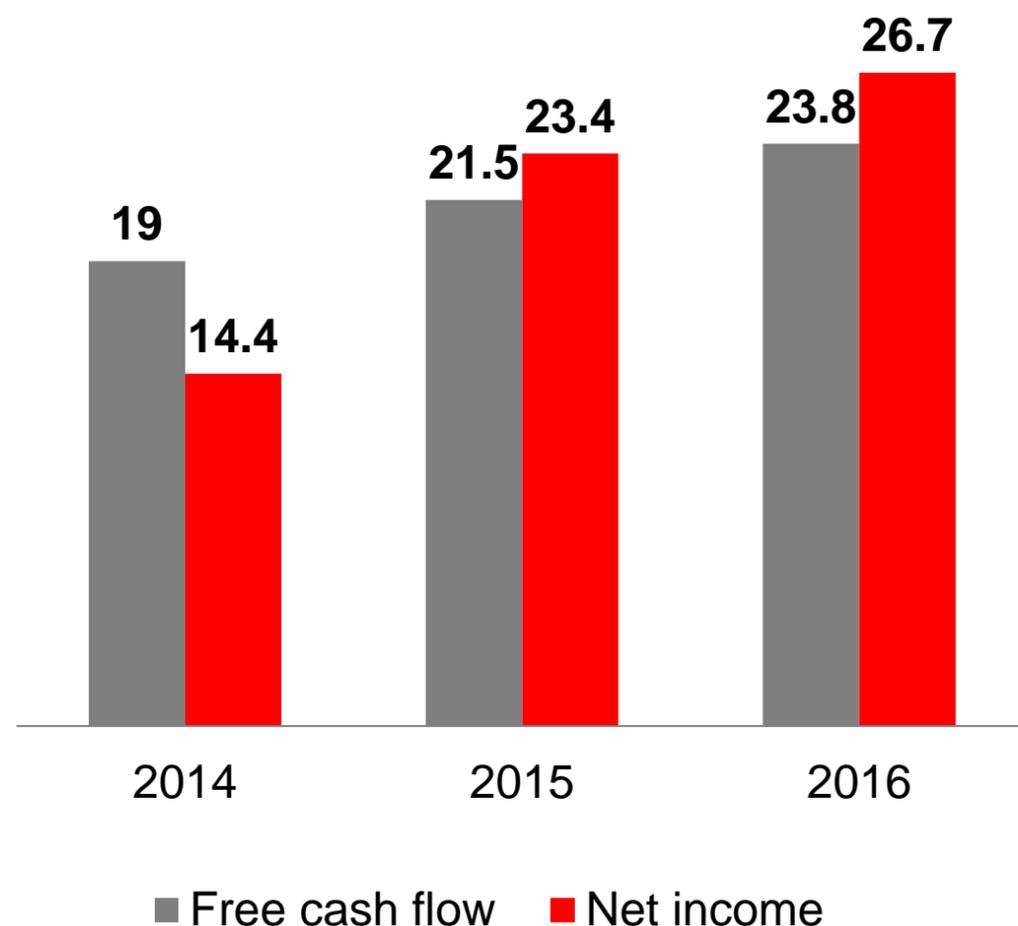
- €67.3 million net\*



\* After deducting the research tax credit and the corresponding portion of the competitiveness and employment tax credit applicable in France, and grants accounted for in the period

# Free Cash Flow Continues to Reflect the Pertinence of Lectra's Business Model

In millions of euros



## 2016 free cash flow: €23.8 million\* (+10%)

- Cash flow provided by operating activities: €30.5 million (including a €2.2 million increase in the working capital requirement)
- Capital expenditures: €6.7 million
- €5.1 million received in Q3 corresponding to the balance of the 2012 French research tax credit
- The research tax credit (€6.8 million) and the competitiveness and employment tax credit (€0.8 million) for 2016, applicable in France, were accounted for but not received
  - If the tax credits recognized had been received, free cash flow would have been €21.3 million, excluding reimbursement of the 2012 research tax credit

## Cumulated free cash flow since January 1, 2014: €64.4 million

\* Free cash flow included €4.8 million non-recurring impact of disbursements relating to the Bordeaux-Cestas refurbishment and extension program launched in 2014, which will continue until the middle of 2017 (total budget: approx. €10 million)

# A Zero-Debt Company, Shareholders' Equity and Net Cash Position Further Reinforced

On December 31, 2016

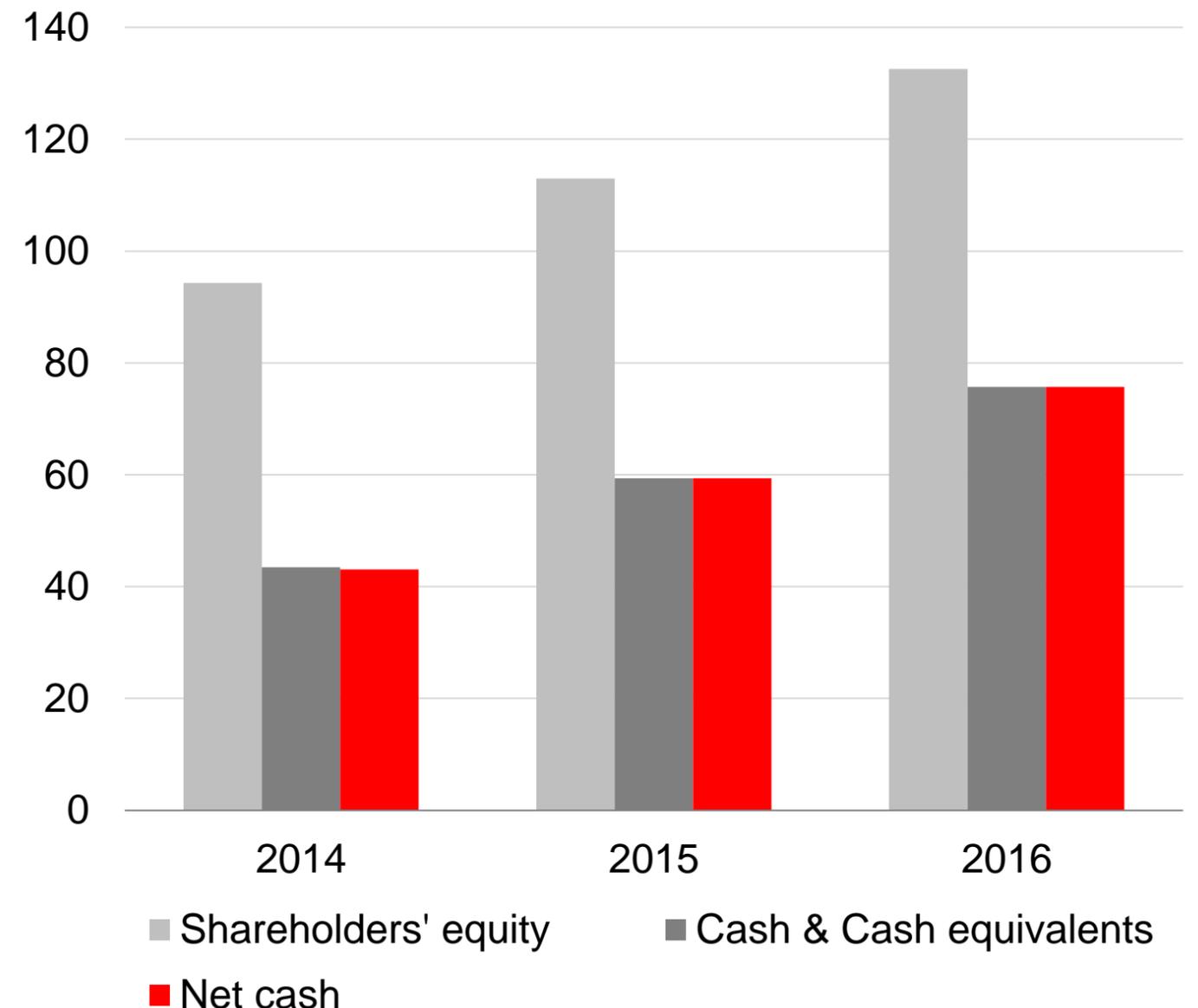
## Shareholders' equity: €132.6 million

- €113.0 million on December 31, 2015

## Net cash: €75.7 million

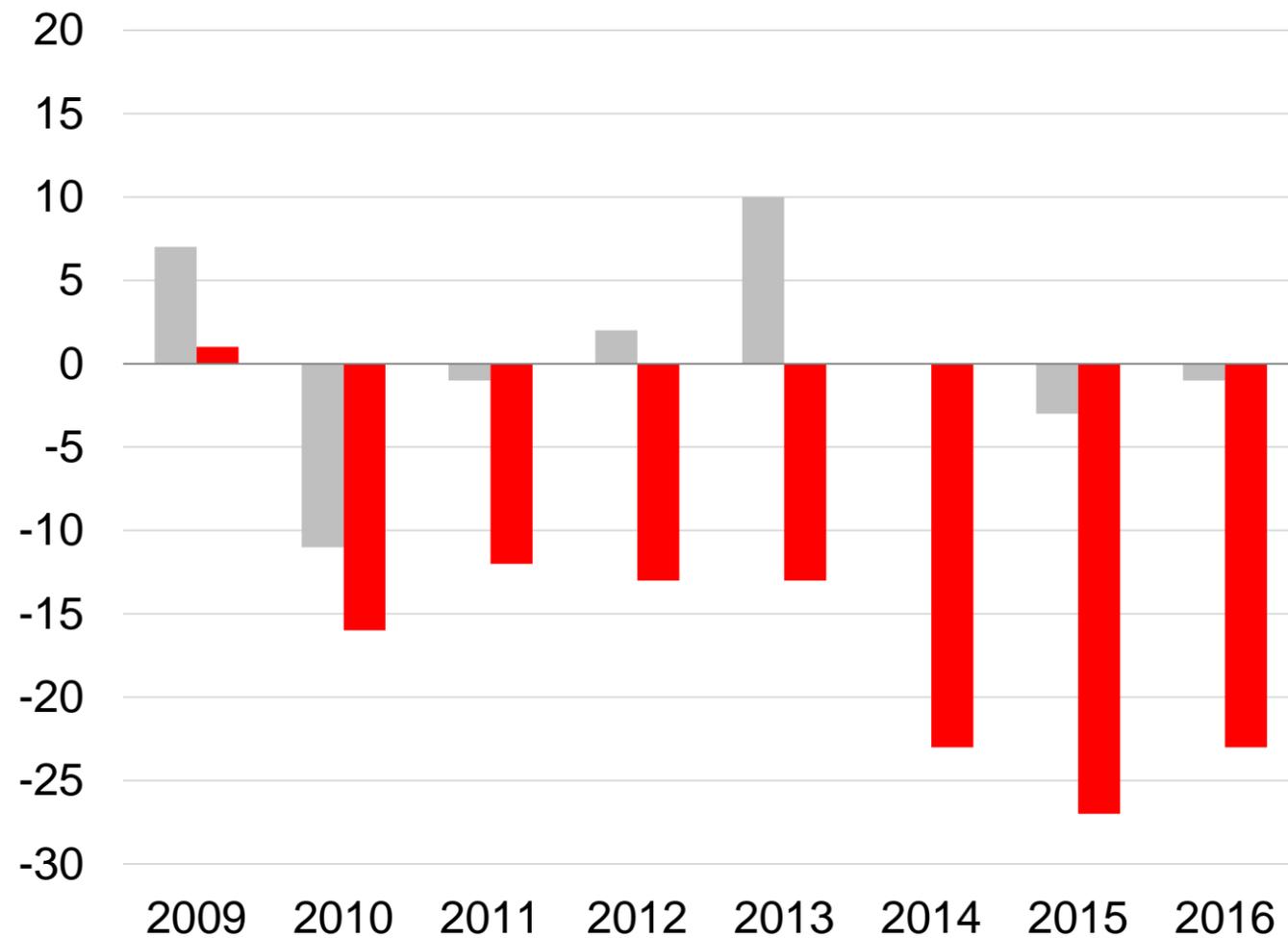
- After payment of the dividend of €9.3 million (€0.30 per share) declared in respect of FY 2015
- €59.3 million on December 31, 2015
- The company has no financial debt since March 2015

In millions of euros, on December 31



# A Structurally Negative Working Capital Requirement, a Key Feature of Lectra's Business Model

In millions of euros, on December 31



■ Working Capital Requirement

■ Working Capital Requirement after restatement of the research tax credit receivable

**Working capital requirement on December 31, 2016 was negative at €1.3 million**

- This includes the receivable of €21.6 million on the French tax administration (*Trésor public*) corresponding to the research tax credit recognized since FY 2013, which have not yet been received or offset against income tax

**Restated for this receivable, the working capital requirement was negative at €22.8 million**

# Dividend Raised to €0.35 per Share (+17%)

## The Board of Directors will propose to the Ordinary Shareholders' Meeting of April 28, 2017 to increase the dividend to €0.35 per share in respect of FY 2016

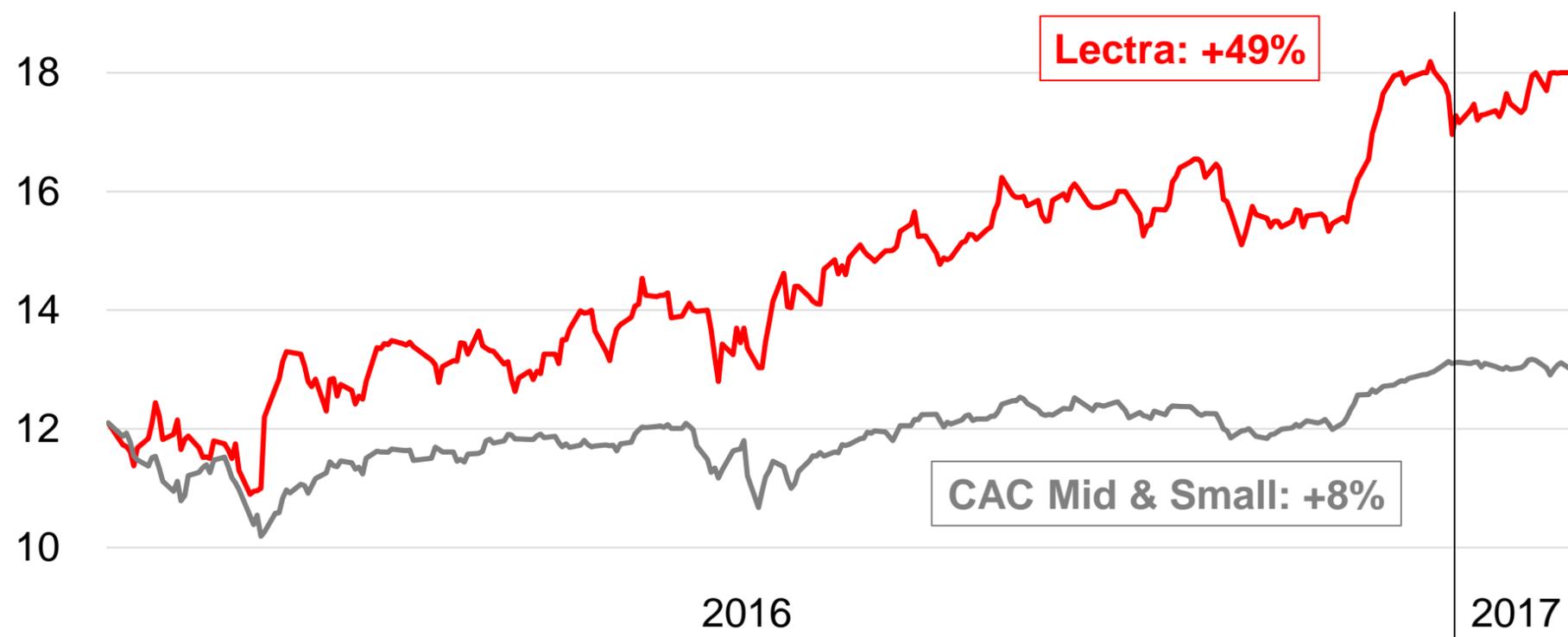
- The company had declared a dividend of €0.30 per share in respect of FY 2015, of €0.25 per share in respect of FY 2014 and of €0.22 per share in respect of FY 2013, 2012 and 2011
- Payout ratio: 41% of 2016 net income
- Yield: 1.9%\*
- Payable: May 5, 2017

\* Based on the December 31, 2016 closing share price

# Strong Increase in Share Price

Evolution from January 1, 2016 to February 8, 2017

(in euros, daily closing price and index)



## Share price

- February 8, 2017: €18.00
- 2016
  - High (December 29): €18.32
  - Low (February 11): €10.76
  - Volume traded on Euronext
    - Shares: 4.8 million (-45%)
    - Capital: €69.1 million (-32%)
  - By including trading on other trading platforms, the total trading volume represents almost twice the volume recorded on Euronext, according to company estimates

## Ownership\*

- André Harari and Daniel Harari: 35.6%
- Free float: 64.4%
  - Delta Lloyd (Netherlands): >5% and <10%
  - Kempen Capital Management (Netherlands): >5% et <10%
  - Allianz SE (Germany): >5% et <10%
- In 2016, the number of shares increased by 461,155 (+1.5%) due to the exercise of options

## Market Capitalization\*: €563 million

- Enterprise Value: €487 million
  - 1.9x 2016 Revenues
  - 13.1x 2016 EBIT
- 2016 PER: 21.1x

\* At February 8, 2017

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# End-2009: Launch of Lectra 3.0 Strategy

**This strategy aimed at safeguarding the company's financial condition, fundamentally rethinking its value proposition and positioning, and enabling it to emerge stronger from the economic and financial crisis**

**Its five overriding objectives have remained unchanged since its launch**

- To accentuate Lectra's technological leadership and further enhance the value of its product and service offer
- To strengthen the company's competitive position and long-term relationships with customers
- To accelerate organic growth and preserve cash for future acquisitions
- To boost profitability by regularly increasing the operating margin
- To generate free cash flow enabling the company to self-finance future growth

**The strategy was rolled out through two roadmaps**

- The first, from 2010 to 2012, aimed at resetting Lectra in light of the new post-crisis economic order, to prepare the company for emerging challenges and to seize the resulting opportunities
- The second, from 2013 to 2015, to enable Lectra to fulfill its growth potential, while continuing to prioritize the company's long-term strategy
  - In February 2014, in response to slower than anticipated global growth and more uncertain macroeconomic conditions, and as a precautionary measure, Lectra postponed the financial objectives initially set for 2015 until the end of 2016. The roadmap was extended to cover the period from 2013 to 2016
  - In light of turmoil in the macroeconomic environment, and the complex effects produced by sharp fluctuations in currency parities, Lectra announced in February 2016 that its ambition was now to reach the financial goals of its roadmap at actual exchange rates rather than like-for-like

# 2016: A Successful Company Transformation

**These roadmaps were supported by a transformation plan and €50 million in investments for the future, fully expensed, over the 2012-2015 period, which consisted of three components**

- A major recruitment plan to strengthen sales and marketing teams
- The addition of 40 software R&D engineers in Bordeaux–Cestas, bringing the total R&D workforce to 260 engineers
- Accelerated investment in marketing

**Financial goals of the 2013-2016 roadmap were**

- Revenue growth of 33% or greater over the period 2013-2016
- A 15% operating margin (before non-recurring items) in 2016
- More than doubling income from operations (before non-recurring items) and net income in four years
- A security ratio (percentage of annual fixed overhead costs covered by gross profit on recurring revenues) greater than 75%

**All the objectives that the company had set  
have almost been achieved**

# Teams Ready to Build the Future

## An extensive renewal and increase of teams

- 42% of the workforce joined Lectra in the last five years

Workforce by function	2011	2011 (%)	2016	2016 (%)	Evolution
Sales, marketing	214	16%	321	21%	<b>x1.5</b>
Services	451	34%	481	31%	
R&D	218	16%	270	17%	<b>x1.2</b>
Purchasing, production, logistics	154	12%	152	10%	
Administration	301	22%	326	21%	
<b>Total</b>	<b>1,338</b>	<b>100%</b>	<b>1,550</b>	<b>100%</b>	<b>+212</b>

## Main focuses were Corporate functions, China, North America, and Germany and Eastern Europe region

Workforce by function	2011	2016	Evolution
Corporate	605	704	<b>+99</b>
China	90	121	<b>+31</b>
North America	111	132	<b>+21</b>
Germany & Eastern Europe	70	87	<b>+17</b>
Others	462	506	<b>+44</b>
<b>Total</b>	<b>1,338</b>	<b>1,550</b>	<b>+212</b>

# Fundamental Advances in Technology



Since 2013, the company invested €86 million in R&D, representing 9.4% of revenues

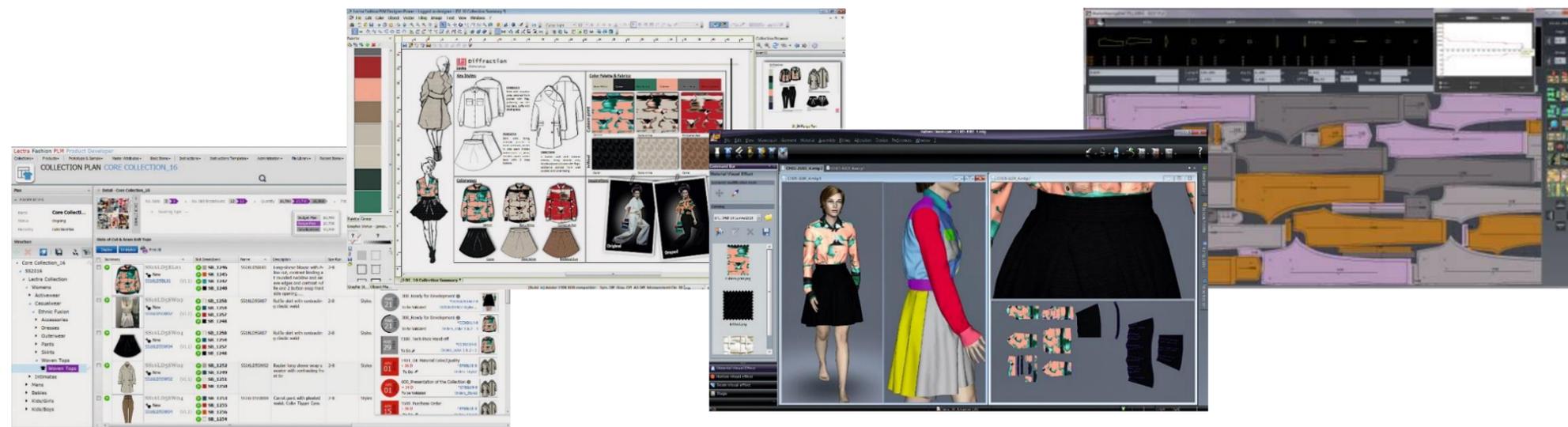
- Fully expensed

These investments enabled Lectra to

- Enrich the software offer for fashion and apparel with new versions of its flagship solutions *Kaledo*, *Modaris*, *Diamino* and *Lectra Fashion PLM*
- Drive leading-edge innovations for automated cutters
  - The *Vector* range and the *Versalis* range were entirely renewed in 2012, then extended
  - A new generation of laser cutter for airbags, the *FocusQuantum*, was launched end-2015

Lectra's offer for the cutting room is unrivalled in today's marketplace

# Lectra Fashion PLM Regarded as One of the Best PLM Solutions on the Market



*“Lectra’s technology is among the best the industry has to offer; its roadmap is clear; and its extended Fashion Platform reveals a persuasive vision”  
(December 2016)*



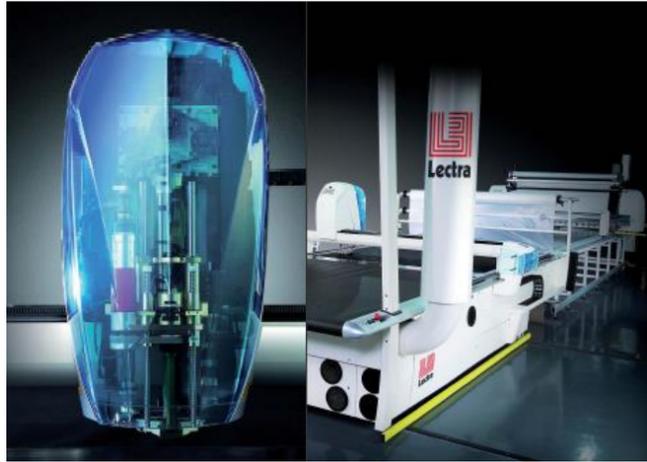
**Thanks to its 40 years of experience and its deep knowledge of best practice, Lectra has developed a collection and product lifecycle management software solution that helps brands and retailers to boost their overall performance**

- *Lectra Fashion PLM* enables to streamline and control each step of the collection and product development process, thus optimizing time and costs
- Many innovations in recent years: new modules for collection planning and calendar management, extension to pre-production, integration of Adobe’s Creative Cloud applications, etc.

**Lectra’s flagship software are integrated into *Lectra Fashion PLM***

- *Kaledo*: allows designers to virtually create and visualize garments and textiles in real time
- *Modaris*: the most widely used patternmaking and grading solution and consistently considered the software of reference for luxury and premium companies
- *Diamino*: pre-costing and marker-making solution

# Since 2007, *Vector* is the Undisputed Reference in Fabric Cutting



## In 2007, Lectra revolutionized automated fabric cutting

- The new *Vector* generation constituted a genuine technological leap forward, setting new standards for cutting speed, quality and reliability
- It enabled Lectra to increase market share in all of its market sectors, strengthening the company's leadership in fashion and automotive
- A pioneer, Lectra installed over one hundred sensors, making *Vector* the first cutting solution on the market connected to the Internet with a system of predictive maintenance



## In 2012, Lectra again crossed a new frontier in innovation

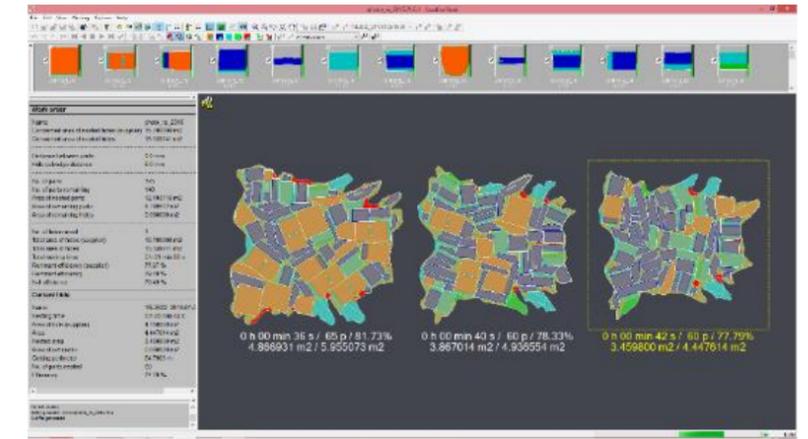
- Enabling companies to control performance within cutting rooms, this new *Vector* generation, which set new standards for productivity and reliability, is still unrivalled today

## End-2016, two new models expanded the *Vector* range

- *Vector iQ* has a specific model for each market sector, integrating continuous cutting to boost productivity by 10%
- *VectorAuto iX6*, for synthetic materials' cutting

**Today, nearly 3,000 machines from these generations are operational across 2,000 global production sites**

# Versalis is a Major Breakthrough in Leather Cutting



## In 2011-2012, Lectra launched *Versalis* for leather cutting

- A technological revolution, this new range offers fashion, automotive and furniture manufacturers an unprecedented optimization of productivity and material management

## The offer was extended in 2014 with a new range to scan leather, nest pieces on the hide, and cut in separate stages

- This innovative process enables multi-hide nesting to significantly increase material savings and to cut several half hides simultaneously, boosting productivity and simulating costs prior to the cutting phase

## Leading automotive and furniture manufacturers have already adopted *Versalis*

- This technology is a disruption, forcing companies to review their entire cutting room processes
- Approx. 100 *Versalis* sold since its launch
  - Strong potential: the automation rate is still low despite 25% of automotive interiors and 40% of furniture upholstered use leather

# FocusQuantum Sets New Standards in Airbag Cutting



**FocusQuantum is a comprehensive and connected solution, combining laser cutter, software suite and high value-added services**

- Leveraging Lectra's innovative strength and 30 years of experience in laser cutting for airbags
- This solution with zero production defaults offers over twice the productivity of Lectra's previous generation solutions: each machine can cut up to 8 million airbags per year

**One year after its launch, a large number of airbag producers have already adopted FocusQuantum solutions**

- Global Safety Textiles (Germany), HMT (China), Dual et Kolon Industries (South Korea), Key Safety Systems (United States) et Sumisho Airbag Systems (Japan) have acquired one or several *FocusQuantum*
- Lectra holds two thirds of the market for airbag cutting machines and continues to carve more with 10 *FocusQuantum* sold in 2016 (11 in total since launching in December 2015)

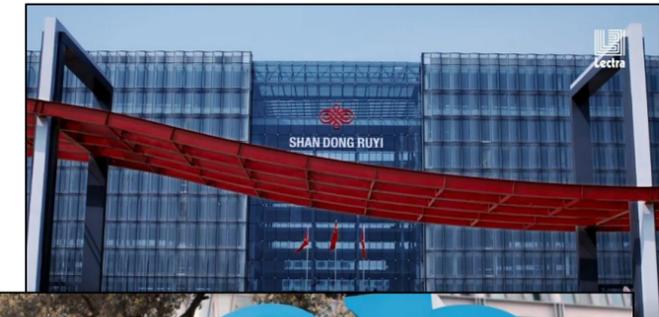
# Reinforcing Lectra's Image and Reputation

➔ Click to see online content

**Global automotive campaign: *Those who demand more, demand Lectra***

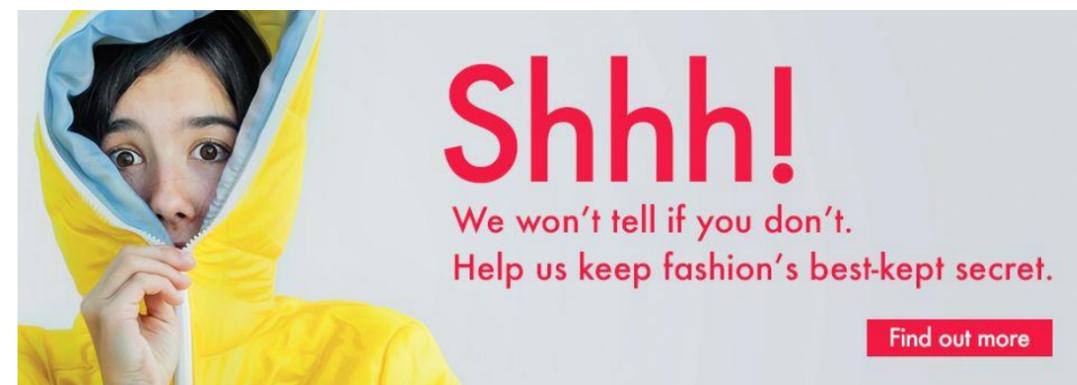
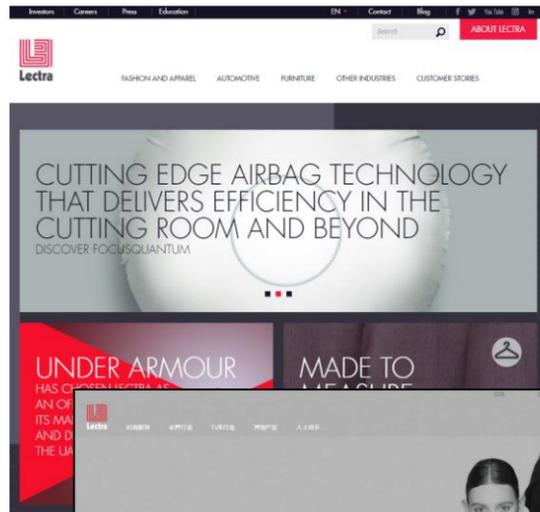


## Videos



**Global furniture campaign: *Make it with Lectra***

## Website



**Global fashion campaign: *Fashion's best kept secret***

# Lectra's Campus: a Total Re-Think



**Lectra's Bordeaux-Cestas campus – emblematic of the company's strategy and a showcase for its expertise – was extended and totally refurbished**

- A privileged venue for dialogue and international gatherings, the campus welcomes customers' events all year long
- Lectra has rethought its industrial facilities and global logistics' platform to ramp up production capacity and to achieve the highest performance standards

# An Expanded Global Footprint



**Subsidiaries opened in South Korea (2014) and in Vietnam (2016), two of the most dynamic economies in Asia, expanded Lectra's unique international network (33 fully-owned subsidiaries)**

- None of Lectra's competitors have the same network
- This network enables Lectra to deliver its value proposition across the world, adapting to each local context, and to be the privileged partner to major brands and worldwide manufacturing groups

# A Fully Operational Organization to Execute the New Roadmap



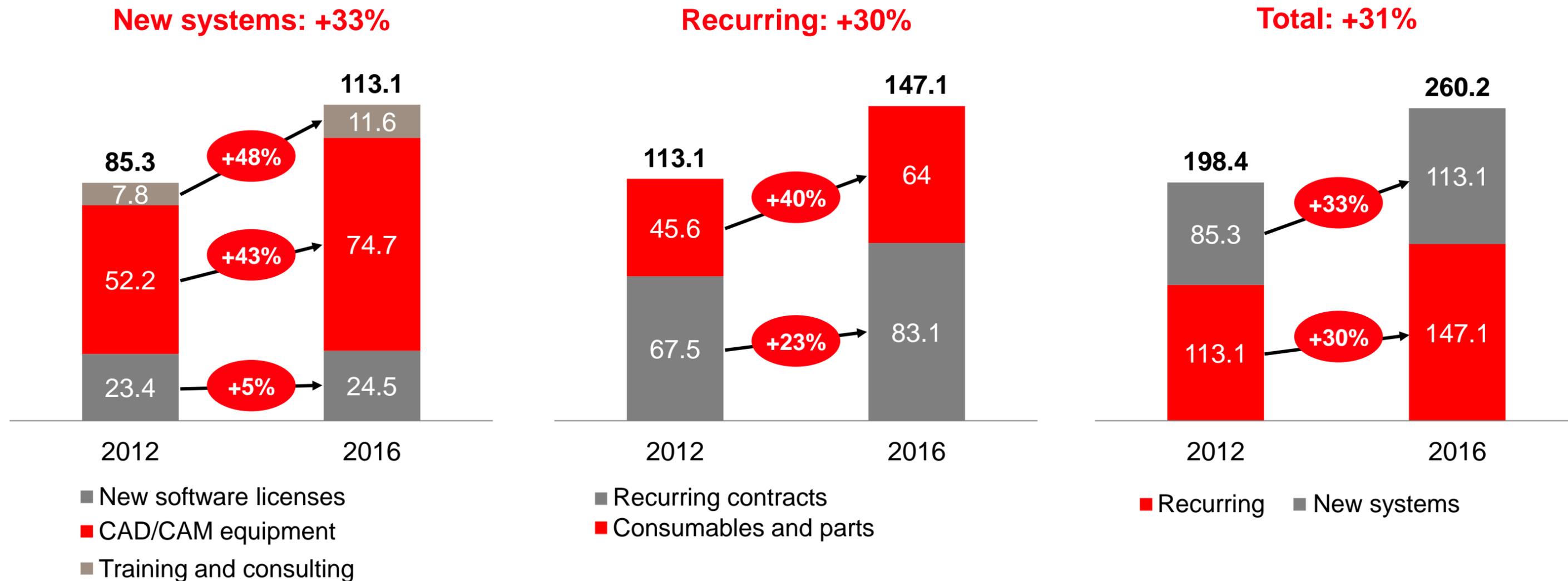
**The composition and missions for members of the Executive Committee evolved, going a step further to fulfill Lectra 3.0 strategy and to prepare for the future**

- Jérôme Viala was promoted to Executive Vice President on January 1, 2017; Jérôme retains his position as Chief Financial Officer
- Véronique Zoccoletto was appointed as Chief Transformation Officer
- Edouard Macquin, Chief Sales Officer, is now also responsible for training and consulting
- Céline Choussy-Bedouet joined the Executive Committee on July, 1 2016 as Chief Marketing and Communications Officer



**Group management team was strengthened at Lectra's head office and in subsidiaries**

# Strong Increase in Revenues Across all Product Lines

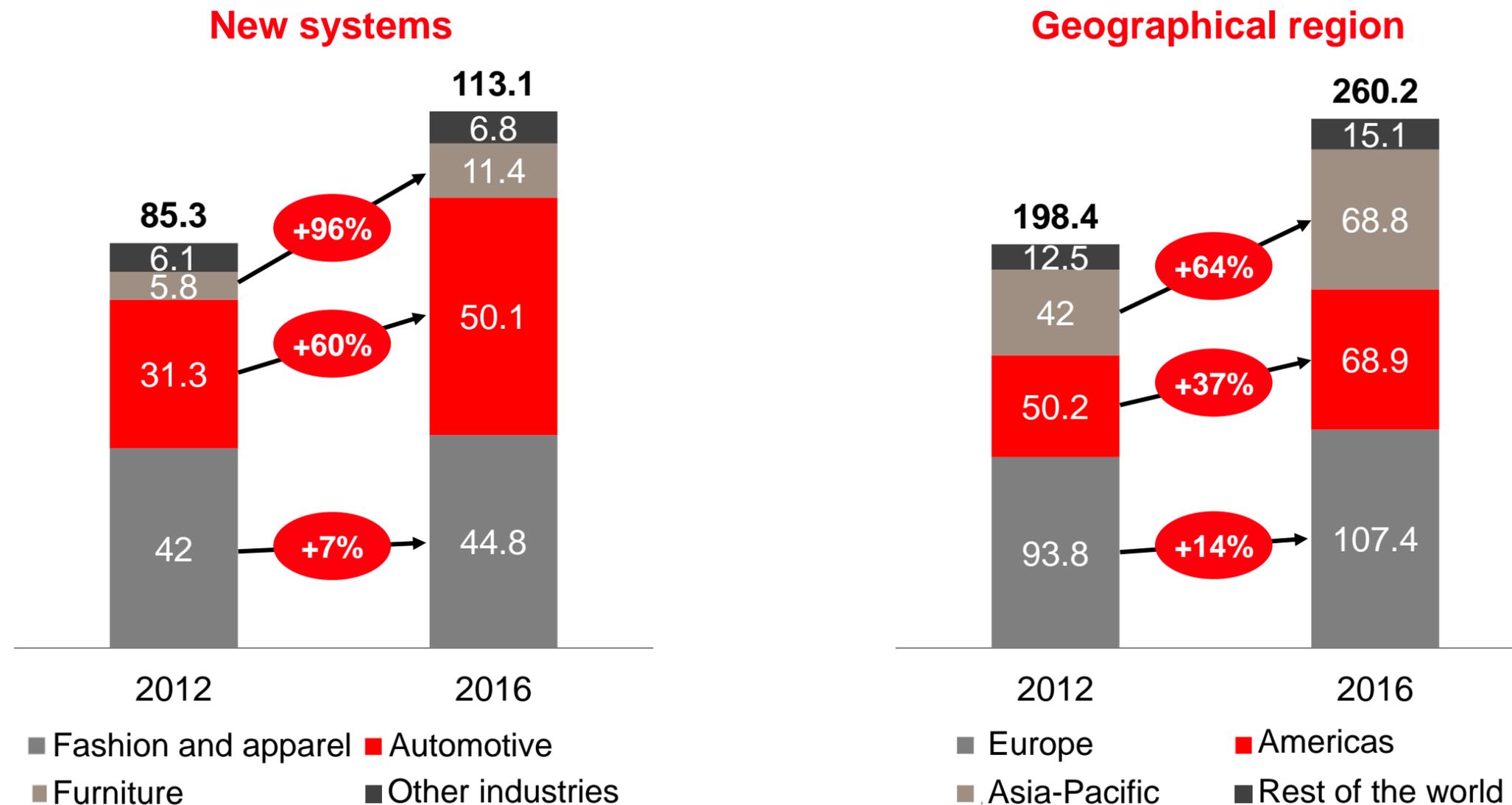


## Rise in total revenues is close to the set objective

- Recurring revenues rose quicker than foreseen, notably thanks to strong dynamic in consumables and parts
- Rise in revenues from new systems was slower than hoped

Revenues in millions of euros – Figures and change at actual exchange rates

# Strong Increase in Revenues Across all Market Sectors and Geographic Regions

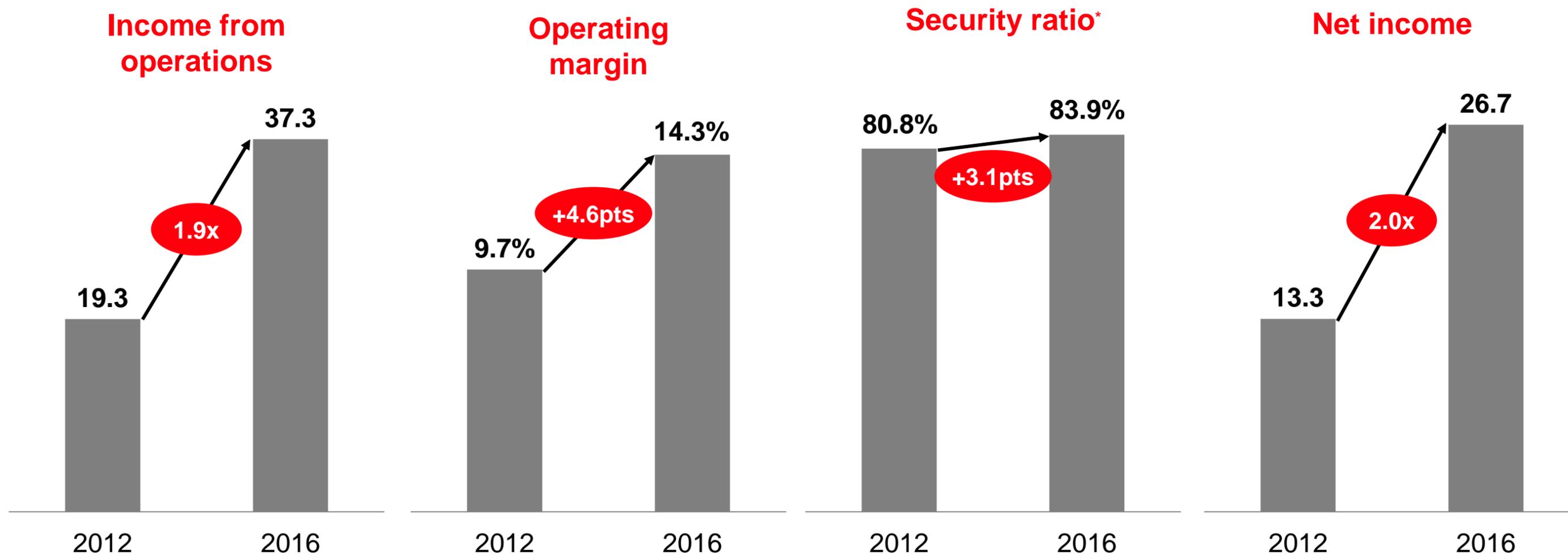


## Results reflect the impact of Lectra 3.0 strategy

- Very strong progress for automotive as well as furniture, which becomes the third market sector for Lectra
- Asia-Pacific weighs nearly the same as the Americas

Revenues in millions of euros – Figures and change at actual exchange rates

# Increased Profitability



## Record financial results

- These results demonstrates Lectra's ability to accelerate organic growth and strengthen profitability despite uncertainties and highly challenging macroeconomic conditions over the period

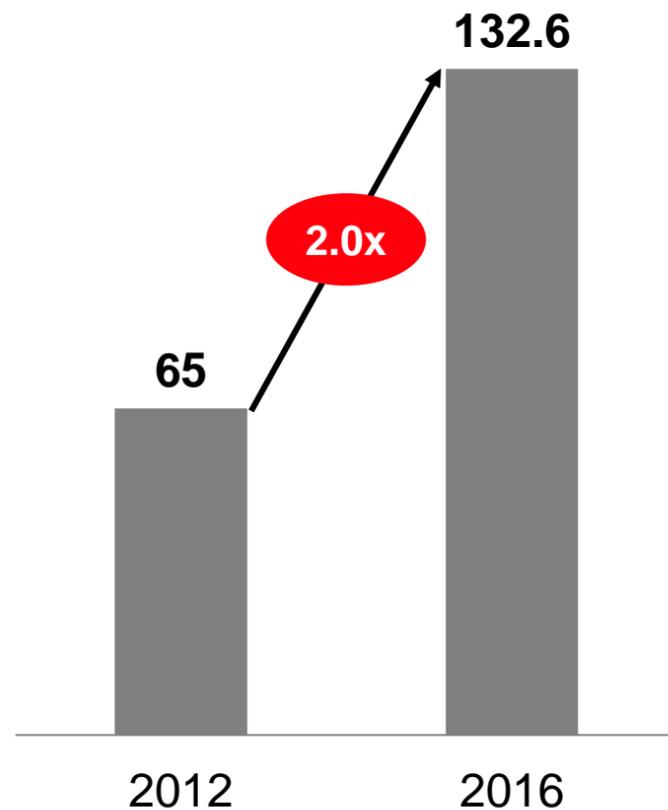
## Security ratio significantly exceeds 2012 level

- Costs resulting from the transformation plan and €50 million for future investments were easily absorbed

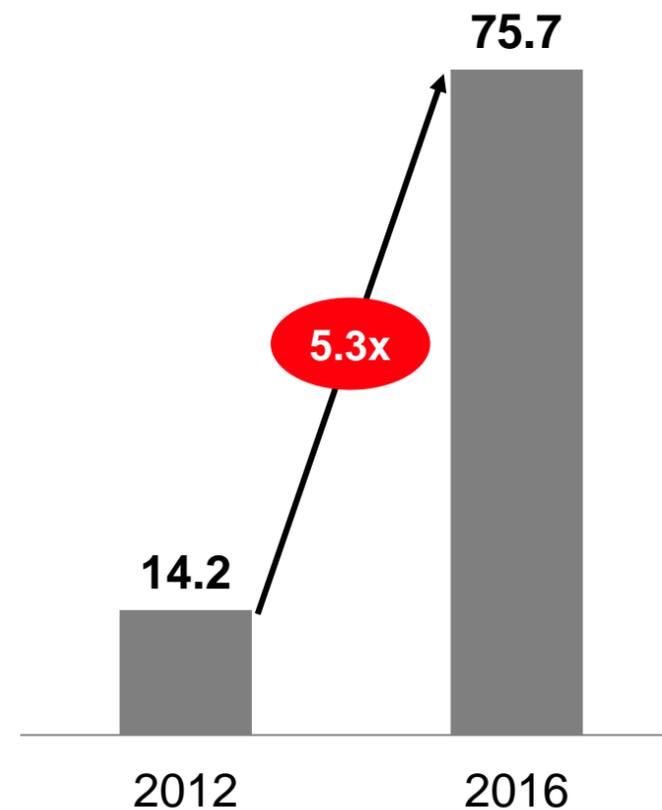
\* Percentage of annual fixed overhead costs covered by gross profit on recurring revenues  
In millions of euros – Figures and change at actual exchange rates

# A Stronger than Ever Balance Sheet

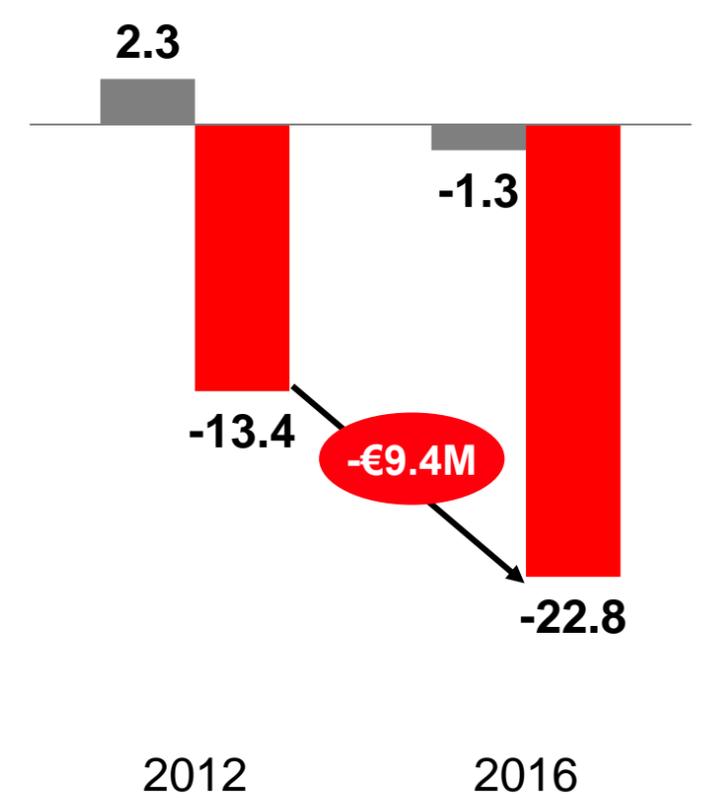
Shareholders' equity



Net cash



Working capital



■ Working Capital Requirement

■ Working Capital Requirement after restatement of the research tax credit receivable

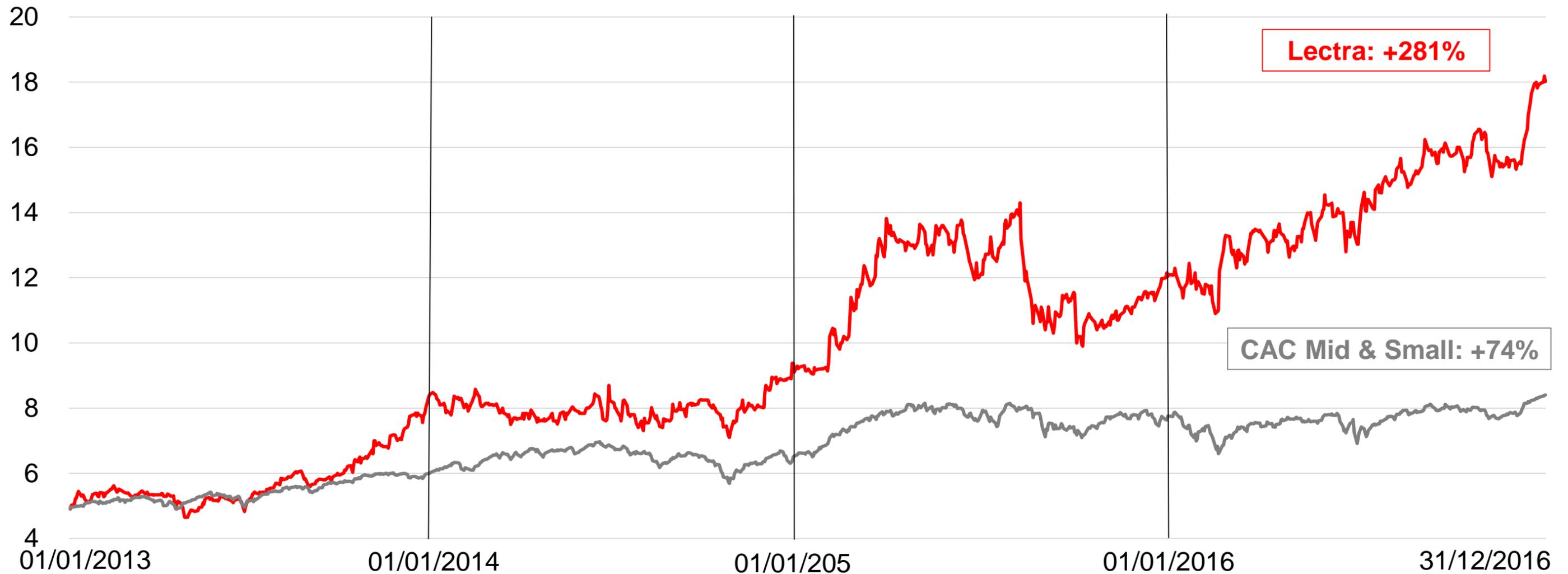
**The company has no financial debt since March 2015**

**€29.9 million in aggregate dividends paid in respect of FY 2012 to 2015**

*In millions of euros, at December 31*

# Share Price Multiplied by 3.8

Evolution from January 1, 2013 to December 31, 2016  
(in euros, daily closing price and index)



**Market capitalization multiplied by 4.1, increasing from €137 million to €562 million**

# 2013-2016: Enhanced Capabilities In All Areas—A Strong Foundation for Future Developments

## In four years, Lectra has entirely transformed

- Lectra has bolstered its technological advance, enhanced the expertise of its teams and the value of its offer, notably in cutting room automation
- The company has boosted its overall competitiveness
- It has forged strong relationships with prestigious customers in all of its main market sectors and geographic markets, and consolidated its positions in automotive and fashion and apparel, as well as acquiring strong positions in furniture
- Lectra's Bordeaux-Cestas campus was extended and totally refurbished to better welcome customers from all over the world. A highly modern setting for Lectra's workforce, the campus fosters creativity and the sharing of information and experiences
- The company has rethought and adapted its industrial facilities and global logistics' platform, where Lectra develops, assembles and ships all CAD/CAM equipment, to ramp up production capacity and to achieve the highest performance standards
- Revenues, income from operations, operating margin, net income and free cash flow have all risen annually, reaching record levels, enabling the company to fund its growth internally

**The results of the 2013-2016 roadmap, associated with the success of Lectra's €50 million investments for the future from 2012 to 2015, create a solid foundation for building the company's next roadmap**

*Excluding non-recurring items*

# Analyst Conference – Paris, February 10, 2017

Financial Results for Q4 2016

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# A Long-Term Vision

## Continuing to focus on the long term, Lectra's new 2017-2019 roadmap is the first step in the company's development plans for the coming decade

- Across the world, Lectra's customers face fast-changing economic and societal conditions, with wide regional variations
- At the same time as pursuing their quest for operational excellence, more crucial today than ever, its customers must adapt to four emerging trends set to significantly impact their future
  - The Millennials
  - The digitalization of business
  - The emergence of Industry 4.0
  - China's evolving economy

# Millennials Will Transform the Global Economy



**Born between 1980 and 2000, Millennials represent the largest generation of working age in history**

- In a few years, this generation will equate to the largest number of consumers in the world
- Brought up in a digital world, Millennials are shaking up rules, behavior, needs and demands in terms of deliveries, quality, patterns of consumption, product personalization and respect for the environment

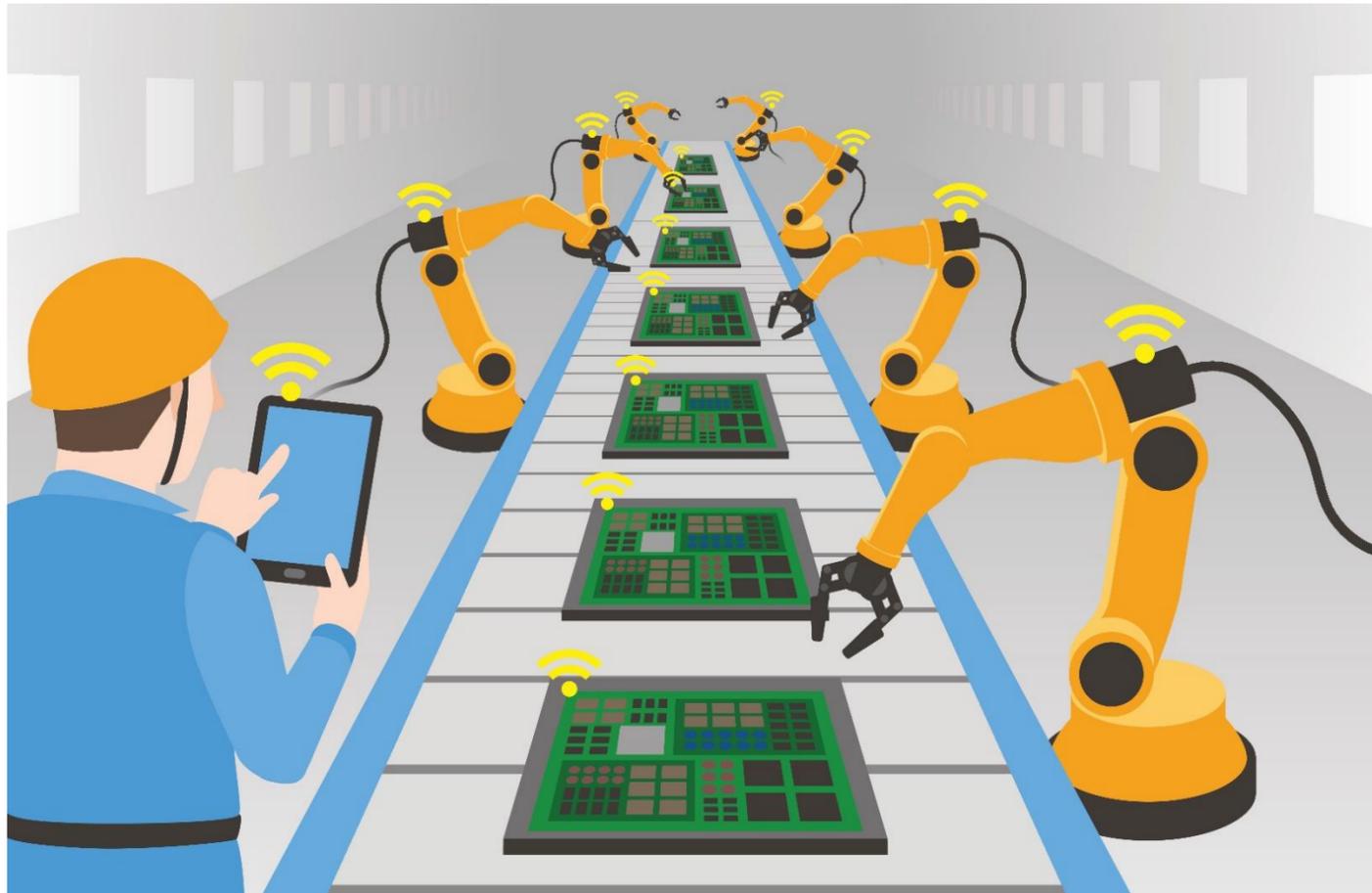
# Digitalization Will Force Companies to Reinvent Themselves



**The digitalization of processes and objects, now connected, is set to have a greater impact on organizations than the Internet**

- It is made possible by an entire ecosystem of new technologies, from the cloud to mobility, and from augmented reality to artificial intelligence
- The process of analyzing and exploiting the data generated—big data—will expand the range of possibilities, from improving operations to building new business models

# Industry 4.0 Will Nurture New Models



**This concept, articulated in Germany in 2010 to tackle growing competition from emerging countries, has spearheaded today's fourth industrial revolution**

- Since then, many countries have launched similar initiatives to modernize industrial tools, with a view to building smart factories. Examples include 'Manufacturing USA' in the United States, *Industrie du Futur* (the factory of the future) in France, and 'Made in China 2025' in China

**Founded on the digitalization of industrial processes—from design to production—Industry 4.0 is charting a new organization for factories**

- They increase their flexibility while making better use of available resources
- Real-time communication between different participants, objects, production lines and services is at the heart of Industry 4.0

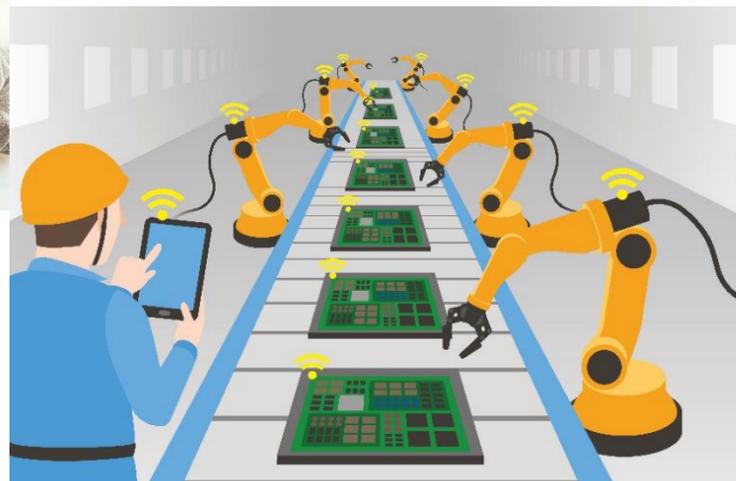
# China's Evolving Economy Will Have Global Consequences



**The country is accelerating its transition towards a growth model firmly anchored in consumption, added-value and productivity**

- While this evolution will create new opportunities, substantial challenges for both Chinese and non-Chinese companies will also emerge
- China is intent on retaining its dominant position on the global industrial stage: fashion and apparel, automotive and furniture manufacturers are undergoing full modernization propelled by China's government

# The impact of these four major trends, already perceptible, is expected to be felt with growing strength



## They generate many challenges for Lectra's customers

- To go on developing, to bolster their competitive position and to serve their customers and end-consumers, businesses need to accelerate the implementation of vital technologies required to boost efficiency across the entire value chain
- Growing demand for quality, for rapid responses, shorter time-to-market for products and the constant need to control costs are compelling businesses to deploy more collaborative, agile and efficient organizations and practices

# Industry 4.0: an Unprecedented Opportunity for Lectra

**Calling for the integration of smart solutions and services, and the replacement of production plants incompatible with connected factories' concepts, Industry 4.0 presents an unprecedented opportunity for Lectra**

- The combination of SaaS (Software as a Service) with the cloud are opening up new horizons for innovation

**Factories are at the heart of the value chain, propelling a new digitalized lifecycle for products for the benefit of consumers**

- With Industry 4.0, mass production will leave more and more room for large scale personalized—and profitable—manufacturing, with greater quality and no added costs or delays
- This shift will force all businesses to integrate modular solutions and connected, smart services, an essential condition of continuing competitiveness in the digital age
- Fashion and apparel, as well as automotive and furniture manufacturers will have to ramp up their transformation, adopting the technologies and services shaping Industry 4.0

# Lectra, an Indispensable Player in Industry 4.0

## Lectra is in a formidable position to help customers step into this new industrial age

- Lectra's expert knowledge of customers' business deployed by Lectra's teams, the ability to accompany customers and their command of best practices in each industry is universally recognized
- Its capacity to combine machines, software and services, rather than merely juxtapose them, is a major asset to the company as it supports its customers at increasingly strategic levels in their value chain
- Ten years' experience in the industrial Internet of Things, combined with expertise in software solutions to automate and optimize the design and development of fashion collections, makes Lectra the only player in its industry to propose a complete added-value offer, compatible with Industry 4.0 and critical to its deployment, across all market sectors and geographic markets
- Lectra's capacity to develop and program its own electronics enables the company to manage in real time information emitted by the many hundreds of thousands of sensors installed in current generations of *Vector*, *Versalis* and *FocusQuantum*. This also creates a high entry barrier for competitors, still reliant on standard electronic boards

# Lectra Aims to Significantly Boost the Value of its Offer

## **Lectra will accelerate the integration of available new technologies to reinforce the company's premium positioning and hold onto its competitive edge**

- Over the next three years, the company will continue to develop revolutionary new cloud services, started in 2016, and adapt its equipment to Industry 4.0's best practices
- By anticipating production orders very early in the process, customers will thus be able to maximize cutting operations for throughput, reduce total costs, and continually improve processes with new key performance indicators

## **The same applies to Lectra's product design and development, and fashion collection management software offer**

- The cloud's capabilities are spawning a multitude of opportunities to automate tasks still performed manually, promoting collaboration between all of the teams involved in the process across a product's lifecycle, and reinforcing industrial integration with sub-contractors

## **Lectra plans to roll out its first cloud services progressively, starting in 2018**

# Developing the Business Model for Long-Term Growth

**The 2017-2019 roadmap was framed to enable Lectra to consolidate its global leadership within this new context and achieve sustained growth, while maintaining short-term profitability**

**The company will continue to focus activities on its main market sectors**

- Fashion and apparel, the company's historical core market in which it is a leading reference
- Automotive, a strongly growing market in which Lectra has an unrivalled leadership
- Furniture, a market with a strong potential in which the company increases market share year on year

**Lectra will maintain its premium positioning, primarily targeting the company's top 5,000 customers or potential customers across the world, compared to 3,000 in the previous roadmap**

**This roadmap will be implemented in three phases**

- Phase 1 in 2017, during which Lectra will develop and pilot test its first new SaaS offers with selected customers
- Phase 2 beginning 2018, during which Lectra will progressively launch its offers
- Phase 3 beginning 2019, to support the growth of new offers across the world

# Ambitious Strategic Objectives

## Lectra's five strategic objectives are

- To accelerate revenue growth, both organic and through targeted acquisitions
- To accentuate Lectra's technological leadership and leverage new technologies to further enhance the value of its products and services offer
- To strengthen Lectra's competitive position and long-term relationships with customers
- To progressively transform most of its revenues from new software licenses into recurring subscriptions by establishing a SaaS business model
- To maintain the group's profitability and generate a high level of free cash flow in order to self-finance internal and external development\*

## By implementing a SaaS business model, Lectra will afford customers greater flexibility through subscription or pay-per-use based access to its software offer

- At the same time, the progressive migration of customers under software evolution and online services' contracts to SaaS offers with greater added-value will further boost software revenues
- This process will have no material impact on its cash position

\* Other than potential acquisitions whose scale might require additional financing

# Many Opportunities to Accelerate Growth

## In addition to Industry 4.0 and SaaS offers, Lectra is counting on five other accelerators to boost growth

- China: as the country upgrades manufacturing plants and expands its domestic market, supported by the Chinese government's strategic 'Made in China 2025' initiative
- Leather: increasingly used in the automotive and furniture industries. Almost all materials are still cut by hand, but cutting processes need to be automated
- Airbags: due to the growing number being fitted to each vehicle, and to the potential to renew installed bases for older-generation automated cutters
- Personalization of consumer products: the entire value chain needs to be fully automated and interconnected, requiring hefty investments in cutting-edge technology
- The digitalization of the fashion and apparel industry, which implies adopting collaborative technologies to facilitate management of collections and products

# Financial Objectives Focus on Revenue Growth and the Transformation to a SaaS Business Model

**Taking into account expected macroeconomic conditions, and the impact of developments relating to Lectra's business model over the next three years, the company has set the following financial targets for 2017-2019**

- 6 to 12% annual organic revenue growth, reflecting increased revenues from new systems and higher recurring revenues (SaaS, recurring contracts, consumables and parts)
- 15% annual operating margin before non-recurring items, potentially lower in the first two years reflecting the acceleration of Lectra's shift to the new SaaS business model

They go together with maintaining a security ratio equal to or greater than 80%

**Given the possible uncertainties, notably economic and political, these objectives are subject to review over the period**

- They will also be adjusted if the company executes one or more targeted acquisitions

*Based on like-for-like comparisons – Before non-recurring items*

# Increased Investment in Design and Development of Lectra's Offers

## Lectra will continue to invest actively in innovation to reinforce its competitive leadership and value proposition

- R&D expenditure will progressively rise, averaging around 10% of annual revenues over the period, compared to 9.4% for the previous roadmap (and 8.7% in 2016)

## Lectra believes it has the necessary resources to achieve its growth potential

- Recruitment of sales and pre-sales consultants together with marketing, services, production and administrative positions, from now on will grow more slowly than revenues
  - Actual workforce will enable Lectra to achieve its financial objectives set for 2017
- Lectra's Bordeaux-Cestas industrial site already has the capacity, with another 50 or so employees, to increase output by 50% with no major additional investment

# Lectra Will Continue to Self-Finance its Development and Pursue its Dividend-Payment Policy

## The key to Lectra's business model is the generation of a high level of free cash flow and a structurally negative working capital requirement

- Thanks to this virtuous circle, the Company's net and available cash stood at €75.7 million on December 31, 2016

## The company will pursue its dividend-payment policy

- Total annual dividend should, over the roadmap's period, represent a payout ratio of about 40% of net income\*, the remaining 60% used to fund Lectra's growth internally
- The aim is to achieve a steadily rising dividend per share

## Lectra will have sufficient cash on hand to finance targeted future acquisitions

- It could borrow up to half of its shareholders' equity if required in order to make a major acquisition
- The company could, exceptionally, repurchase its shares up to a maximum of €50 million, in order to tender them in exchange, or as payment, as part of external growth operations\*\*

\* Excluding non-recurring items

\*\* Subject to shareholder approval at the Ordinary Shareholders' Meeting on April 28, 2017

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# 2017 Outlook

**Lectra entered 2017 with stronger operating fundamentals than ever and an even stronger balance sheet**

**However, the year looks unpredictable once again**

- Persistent macroeconomic, geopolitical, political and currency uncertainties, together with increased risk, are liable to continue to weigh heavily on businesses' investment decisions
- As in previous years, the main uncertainty concerns the level of orders for new systems and corresponding revenues
- Visibility remains limited, calling for continued caution

**In these conditions, the company is targeting (like-for-like)**

- **6 to 12% revenue growth**
- **7 to 15% growth in income from operations before non-recurring items**

# Upcoming Financial Calendar

Q1 2017 Financial Results	April 27, 2017
Annual Shareholders' Meeting	April 28, 2017
Q2 2017 Financial Results	July 27, 2017
Q3 2017 Financial Results	October 30, 2017
Analyst Conference	October 31, 2017
FY 2017 Financial Results	February 12, 2018
Analyst Conference	February 13, 2018



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