COMPANY BACKGROUND & STRATEGY
Lectra Company Background & Strategy

- Who is Lectra?
- Strategic Roadmap for 2017–2019
A Recognized Leadership

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 and manufacturers from design to production, providing them with the market respect and peace of mind they deserve. Founded in 1973, today Lectra has 32 subsidiaries across the globe, serving customers in over 100 countries.
Who is Lectra?

Serving World-Class Customers in Different Market Segments

**FASHION AND APPAREL**
- Brands
- Manufacturers
- Retailers
- Hybrid Manufacturers

**AUTOMOTIVE**
- Fabric car seat and interiors
- Leather car seats and interiors
- Airbags

**FURNITURE**
- Residential
- Outdoors
- Contract (Hospitality, offices, etc.)

**OTHER INDUSTRIES**
- Aeronautic
- Marine
Who is Lectra?

A Unique Worldwide Presence

€277 MILLION
2017 revenues

Lectra generates **93% of its revenues outside France** and more than **90% directly with customers** through its network of fully-owned subsidiaries, backed by agents and distributors in certain regions.

- **32 subsidiaries**
- **5 international call centers**
- **3 international advanced technology centers**
- **1,650 employees**
  - France: 51%
  - Rest of Europe: 19%
  - Asia-Pacific: 15%
  - Americas: 11%
  - Other countries: 4%
- **50 nationalities**

Europe: 42%
Americas: 25%
Asia-Pacific: 26%
Other countries: 7%
Who is Lectra?

Innovation at the Service of Excellence

INNOVATION IS AN INTEGRAL PART OF LECTRA’S GENETIC CODE

% of revenues dedicated to R&D & innovation

- 9.6% 2017
- 8.7% 2016

330 people dedicated to R&D & innovation end-2017

€199 million cumulated investments in R&D over the last 10 years

DNA PRESERVED BY KEEPING R&D AND PRODUCTION IN FRANCE

- The decision taken in 2005 to keep R&D and production in France has enabled Lectra to develop both a unique offer and improve its competitive position thanks to innovation, while protecting its industrial property.
- The geographic proximity of R&D teams, the main Call Center and production teams is a genuine accelerator of innovation.
- While its main competitors chose to manufacture in China – and now face increasing production costs – Lectra has achieved its highest-ever gross profit margins on equipment, thus confirming the relevance of its strategy.

The company intends to pursue its policy of substantial investments in R&D and innovation, to further extend its technological lead and its value proposition.
Who is Lectra?

A Unique Offer for Collection Creation, Development and Management

**LECTRA FASHION PLM**
- Drawing on 40 years of experience and in-depth knowledge of best practices, *Lectra Fashion PLM* enables streamlining and managing each step in the development of collections in order to optimize costs and lead times.
- Silos between teams vanish and decisions are taken further upstream.

**KALEDO**
- *Kaledo* allows designers to virtually create and visualize garments and textiles in real time.

**MODARIS**
- Since its launch, *Modaris* has been consistently considered the software of reference for luxury and premium companies by meeting product development teams and 3D prototyping needs.

**DIAMINO**
- *Diamino* enables to optimize materials thanks to advanced marker making algorithms.
Who is Lectra?

Since 2007, Vector is the Undisputed Reference in Fabric Cutting

- Lectra’s decades of expertise and sustained research and development efforts have continually made it pioneer in the field of automated fabric cutting
- A pioneer, Lectra installed in 2007 over one hundred sensors, making Vector the first cutting solution on the market connected to the Internet with a system of predictive maintenance
- Today, nearly 3,400 machines from Vector 2007 and 2012 generations are operational across 2,100 global production sites
Who is Lectra?

Versalis is a Major Breakthrough in Leather Cutting

- Versalis was conceived to respond to leather manufacturers needs regarding performance, flexibility and cost reduction
  - Productivity and quality remain unmatched no matter the production layout, design complexity and leather type
  - Versalis handles the most complex, natural hides and optimizes leather use while preserving materials’ quality
  - Through an integrated software that identifies flaws, performs marker-making and cutting as well as aids unloading, the solution increases productivity in the cutting room

- Leading automotive and furniture manufacturers have already adopted Versalis
  - This technology is a disruption, forcing companies to review their entire cutting room processes
  - Approx. 150 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

Industry 4.0 compatible
FocusQuantum is a comprehensive and connected solution, combining laser cutter, software suite and high value-added services

- FocusQuantum offers over twice the productivity of Lectra’s previous generation solutions, together with unmatched precision and the enhanced reliability of predictive maintenance
- Lectra holds about 70% of the airbag cutting solutions market
- Potential is strong due to the number of machines requiring replacement and the additional capacity needs linked to the growing use of airbags in vehicles

FocusQuantum Sets New Standards in Airbag Cutting
Who is Lectra?

A Solid, Proven Business Model

THE THREE PILLARS OF LECTRA’S BUSINESS MODEL

1. The distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and the very large number of customers throughout the world.

2. A balanced revenue mix between revenues from new systems sales and recurring revenues.

3. The generation of significant annual free cash flow.

BREAKDOWN OF 2017 REVENUES

- New CAD/CAM and PLM software licenses (32%)
- CAD/CAM equipment and accompanying software (14%)
- Training & consulting (6%)
- Consumables and parts (5%)
- Miscellaneous (1%)
- CAD/CAM and PLM software evolution and online services contracts (18%)
- CAD/CAM equipment and accompanying software maintenance and online services contracts (24%)

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THE DISTRIBUTION OF BUSINESS ACTIVITY OVER MARKET SECTORS AND GEOGRAPHICAL MARKETS WITH CYCLES THAT ARE DIFFERENT FROM EACH OTHER, AND THE VERY LARGE NUMBER OF CUSTOMERS THROUGHOUT THE WORLD

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Who is Lectra?

A Zero Debt Company, Development Internally Funded in Full

A COMPLETELY SELF-FINANCED DEVELOPMENT

A very strong balance sheet
- Zero debt
- Net cash: €98.1 million
- Shareholders’ equity: €151.2 million

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
- 2017 Free cash flow: €33.2 million
- Working capital: -€5.5 million
- - €25.1 million after restatement of the receivable on the French tax administration (Trésor public) corresponding to the research tax credit recognized since FY 2014, which has not yet been received or offset against income tax

Lectra’s security ratio reached 84% in 2017
- The security ratio, a leading indicator of Lectra’s performance, is the percentage of annual fixed overhead costs covered by gross profit on recurring revenues

1 At December 31, 2017
A Highly Committed, Experienced Management Team

Lectra’s management is fully determined to provide the company with particularly solid financial fundamentals, enhance its competitiveness and pursue the company’s long-term strategy.
Who is Lectra?

Share Price Increased by 25% since January 1\textsuperscript{st} 2017

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AT FEBRUARY 9, 2018

- **Share**: €22.55
- **Market cap.**: €712 million
- **Enterprise Value**: €614 million
- **EV/Revenues**: 2.2x
- **EV/EBIT**: 15.6x
- **PER**: 24.3x

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**EVOLUTION FROM JANUARY 1, 2017 TO FEBRUARY 9, 2018, in euros**

- **High**: June 5, 2017
  - €30.00
- **Low**: January 5, 2017
  - €16.89

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- **LECTRA**: +25%
- **CAC MID&SMALL**: +18%
- **CAC 40**: +4%
Who is Lectra?

Strong Increase in Trading Volume

<table>
<thead>
<tr>
<th>VOLUME TRADED</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Volume traded on Euronext</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares:</td>
<td>4.8 million</td>
<td>9.2 million</td>
</tr>
<tr>
<td>Capital:</td>
<td>€69.1 million</td>
<td>€216.7 million</td>
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Including the disposal by André Harari of his entire shareholding in Lectra

<table>
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<tr>
<th></th>
<th>2016</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Shares:</td>
<td>14.8 million</td>
<td></td>
</tr>
<tr>
<td>Capital:</td>
<td>€352.9 million</td>
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By including trading on other trading platforms, the total trading volume represents twice the volume recorded on Euronext, according to company estimates.

<table>
<thead>
<tr>
<th>OWNERSHIP¹</th>
<th>82.6%</th>
<th>17.4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel Harari</td>
<td></td>
<td>Free float</td>
</tr>
</tbody>
</table>

FREE FLOAT

- Kabouter Management LLC (United States): >10% and <15%
- Allianz SE (Germany): > 5% and <10%
- Kempen Oranje Participaties (The Netherlands): > 5% and <10%
- No other shareholder above 5%

¹ At February 12, 2018
Lectra Company Background & Strategy

- Who is Lectra?
- Strategic Roadmap for 2017–2019
A Long Term Vision

Continuing to focus on the long term, Lectra’s 2017-2019 roadmap is the first step in the company’s development plans for the coming decade to become an indispensable player in Industry 4.0.
Four Major Trends are Shaping Lectra’s Market Sectors and Geographic Markets

At the same time as pursuing their quest for operational excellence—more crucial today than ever—Lectra’s customers must adapt to emerging trends set to significantly impact their future.
Industry 4.0: an Unprecedented Opportunity for Lectra

Industry 4.0 will encourage a growing number of companies to create fully digital value chains around products.

**DIGITALIZATION**

**OPERATIONAL EXCELLENCE**

**QUALITY AND EFFICIENCY**

Mass production

Agile production

Made to measure / Made to order

Mass customization

Integration of smart solutions and services

Replacement of production tools

This shift will drive all businesses to integrate modular solutions and connected, smart services, an essential condition of continuing competitiveness in the digital age.
Lectra, an Indispensable Player in Industry 4.0

The company has everything required to achieve this ambition

- **40 YEARS OF SAVOIR-FAIRE IN ELECTRONICS**
  - Real-time management of information emitted by hundreds of sensors installed in cutting solution

- **10 YEARS OF EXPERIENCE IN THE INDUSTRIAL INTERNET OF THINGS**
  - 3,400 Industry 4.0-compatible machines are in operation across 2,100 production sites worldwide

- **A COMBINATION OF MACHINES, SOFTWARE, SERVICES AND DATA**
  - The only player in its industry to propose a complete added-value offer, compatible with Industry 4.0

- **STRONG BUSINESS EXPERTISE**
  - 500 business consultants and solution experts
A Strategy Based on the Same Foundations as the Previous Roadmap

CONTINUE TO FOCUS ACTIVITIES ON THREE 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 Lectra increases market share year after year

MAINTAIN PREMIUM POSITION

Primarily targeting 5,000 customers or prospects across the world: about 4,500 in Fashion & apparel, 200 in Automotive and 300 in Furniture
Many Opportunities to Accelerate Growth

Growth accelerators that contributed to Lectra’s dynamic activity in 2017 should continue to support revenue growth in 2018.

1. **China**: as the country upgrades its manufacturing plant and expands its domestic market, supported by the Chinese government’s strategic ‘Made in China 2025’ initiative.

2. **Leather**: this is increasingly used in the automotive and furniture industries. Almost all materials are still cut by hand, but cutting processes need to be automated.

3. **Airbags**: due to the growing number being fitted to each vehicle, and to the potential to renew installed bases for older-generation automated cutters.

4. **Personalization of consumer products**: the entire value chain needs to be fully automated and interconnected, requiring hefty investments in cutting-edge technology.

5. **Digitalization of the fashion and apparel industry**: which implies adopting collaborative technologies to facilitate management of collections and products.
Five Strategic Objectives for 2017-2019

1. To accelerate revenue growth, both organic and through targeted acquisitions

2. To accentuate Lectra’s technological leadership and leverage new technologies to further enhance the value of its products and services offer

3. To strengthen Lectra’s competitive position and long-term relationships with customers

4. To progressively launch new software offers in SaaS mode

5. To maintain the group’s profitability and generate a high level of free cash flow in order to self-finance internal and external development

1 Other than potential acquisitions whose scale might require additional financing
An Offer With a Broader Scope for the Industry 4.0

2015-2016
Start of the development of new Industry 4.0 compliant offer

2017
Test with selected pilot customers

2018
Progressive commercial launch

Starting 2019
Enhancement of the offer

Lectra will accelerate the integration of available new technologies, will continue to develop new cloud services and will adapt its equipment to Industry 4.0’s best practices.

Cloud services will be included in the new software offers progressively commercialized in 2018; they will be compatible with all cutting machines sold since 2007, and with the latest releases of nearly all software.
The Company Has Decided to Sell its Future Software Offers Exclusively with the SaaS Model

The company anticipates that most sales of its existing software over the next two years will be in the form of perpetual licenses.
The Deployment of the SaaS Business Model Will Have a Negligible Impact on Revenues and Cash Position in the Short Term

- The migration of customers under contracts to SaaS offers with greater added-value will be limited
- A limited portion will be transformed into recurring subscriptions over the next two years
- New software offers will be exclusively sold with the SaaS model
- New software lines sold in SaaS mode will complement the offer progressively starting from 2018
- Software accompanying CAD/CAM equipment will continue to be sold as perpetual software licenses

2017 revenues

- New CAD/CAM and PLM software licenses: 32%
- CAD/CAM equipment and accompanying software: 24%
- CAD/CAM and PLM software evolution and online services contracts: 14%
- Training and consulting: 5%
- Consumables and parts: 18%
- Miscellaneous: 6%

- New CAD/CAM and PLM software evolution and online services contracts
- CAD/CAM equipment and accompanying software
- Training and consulting
- Consumables and parts
- Miscellaneous

Company Background & Strategy - March 2018
Reinforced R&D Investment

LECTRA WILL CONTINUE TO INVEST ACTIVELY IN INNOVATION TO REINFORCE ITS COMPETITIVE LEADERSHIP AND VALUE PROPOSITION

New profiles:
- DevOps
- Cloud Architect
- Data Scientist
- Etc.

R&D investments
(in % of revenues)

Recruitment of sales and pre-sales consultants together with marketing, services, production and administration positions, from now on will grow more slowly than revenues

2016
8.7%

2017-2019
10%

+50%
In 2019 vs. 2016

2016 vs. 2019
+50%
A New Revolutionary Offer, Respecting Industry 4.0 Principles

THIS NEW SAAS OFFER WILL COMPLETE THE ACTUAL SOFTWARE AND CAD/CAM EQUIPMENT OFFER
Financial Objectives Focus on Revenue Growth and the Transformation to a SaaS Business Model

2017-2019 FINANCIAL TARGETS

1. Annual organic revenue growth
   - 6% to 12%

2. Growth in operating margin equal to or greater than revenue growth

- These financial targets are based on purely organic growth and take into account expected macroeconomic conditions, and the impact of developments relating to Lectra’s business model over the next years.
- They go together with maintaining a security ratio\(^2\) equal to, or greater than, 80% (84% in 2017).
- Given the possible uncertainties, notably economic and political, these objectives would be subject to review over the period. They will also be adjusted if the company executes one or more targeted acquisitions.

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1 Like for like comparison
2 Percentage of annual fixed overhead costs covered by gross profit on recurring revenues
Use of Available Cash

Lectra’s business model

Generating a high level of free cash flow and a structurally negative working capital requirement

Pursuit of the dividend payment policy

Payout ratio of around 40% of net income\(^1\)

Remaining 60% used to fund Lectra’s growth

The aim is to achieve a steadily rising dividend per share

The Company has sufficient cash to finance future targeted acquisitions

In the event of a major acquisition a debt equivalent to half its shareholders’ equity could be envisaged

\(^1\) Excluding non-recurring items
Thank you!

Investor relations
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