

## First nine months of 2020: revenues and earnings impacted by the COVID-19 crisis

- Revenues: 170.6 million euros (-16%)\*
- Income from operations: 15.6 million euros (-45%)\*
- Net income: 11 million euros (-48%)
- Free cash flow: 10 million euros
- Net cash: 117.9 million euros

\* Like-for-like

In millions of euros	July 1 – September 30		January 1 – September 30	
	2020	2019	2020	2019
Revenues	56.5	68.6	170.6	205.8
<i>Change like-for-like (%)<sup>(1)</sup></i>	-15%		-16%	
Income from operations	8.5	12.3	15.6	29.7
<i>Change like-for-like (%)<sup>(1)</sup></i>	-24%		-45%	
Operating margin (in % of revenues)	15%	17.9%	9.1%	14.4%
Net income	6.6	8.7	11	21.3
<i>Change at actual exchange rates (%)</i>	-24%		-48%	
Free cash flow	8.5	5.6	10	18.1
Shareholders' equity <sup>(2)</sup>			183.5	183
Net cash <sup>(2)</sup>			117.9	120.6

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

(2) At September 30, 2020 and December 31, 2019

**Paris, October 28, 2020.** Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the consolidated financial statements for the third quarter and first nine months of 2020. The financial statements have not been reviewed by the Statutory Auditors.

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

### Q3 2020: signs of improvement

In its Q1 and Q2 financial reports, published April 29 and July 27, 2020, respectively, the Group had anticipated the impact of the COVID-19 crisis and its consequences on the financial statements for 2020.

While the repercussions of the pandemic continued to mark Q3, several signs of improvement were observed.

Indeed, after a decline of 42% in Q2, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (20.7 million euros) were down 21% compared to Q3 2019.

The annual value of new software subscription orders (0.8 million euros) was up 75%, thus confirming the adoption of Lectra's new offers for Industry 4.0, sold in SaaS mode.

At the same time, revenues from consumables and parts, a leading indicator of the Group's customers' activity, declined by 9%, following a 46% drop in Q2.

Total revenues (56.5 million euros) decreased by 15% (-18% at actual exchange rates).

Income from operations (8.5 million euros) was down 24% (-31% at actual exchange rates) and the operating margin (15%) 1.8 percentage points (down 2.9 percentage points at actual exchange rates).

Net income (6.6 million euros) decreased by 24% at actual exchange rates. It was down 85% in Q2 2020.

Free cash flow was positive by 8.5 million euros (5.6 million euros in Q3 2019).

### **First nine months of 2020**

The COVID-19 epidemic and its consequences really marked the first nine months 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. These measures are still in effect.

Lockdown measures implemented by most countries, especially 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 commercial discussions with Lectra.

While a gradual increase in activity occurred in Q3, many customers have not reached the level of activity they had before the crisis and have been led to temporarily reduce their capital expenditures or operating expenses. All three strategic market sectors—fashion, automotive and furniture—have been strongly impacted.

### **Orders**

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (54.9 million euros) were down 30%.

In addition, the annual value of new software subscription orders amounted to 1.8 million euros, up 56% compared to the first nine months of 2019. These orders increased in all geographical regions, primarily in the fashion market.

### **Revenues**

In this unique and unprecedented environment, total revenues (170.6 million euros) decreased by 16% compared to the first nine months of 2019 (-17% at actual exchange rates)

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (54.4 million euros) fell by 31%.

Revenues from recurring contracts (74.5 million euros), a key pillar of the Group's business model that 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 (41.6 million euros) were affected by the acute reduction in business activity of the Group's customers due to the health crisis, especially during the lockdown periods, and decreased by 21%.

### *Income from operations and net income*

Income from operations (15.6 million euros) declined by 45% (-47% at actual exchange rates).

The operating margin (9.1%) was down 5 percentage points (down 5.3 percentage points at actual exchange rates).

Net income (11 million euros) decreased by 48% at actual exchange rates.

### **Positive free cash flow – a particularly robust balance sheet**

Free cash flow was 10 million euros (18.1 million euros for the first nine months of 2019). This decline is attributable mainly to the lower income.

At September 30, 2020, the balance sheet remained particularly robust with a consolidated shareholders' equity of 183.5 million euros and, cash and cash equivalents, as well as a net cash position of 117.9 million euros.

### **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 120 million euros at September 30, 2020, and a proven business model with, among other strengths, a very high percentage of recurring revenues.

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.

Furthermore, the Group has implemented measures to reduce its overhead costs, which were initially budgeted to increase by 8% in 2020, by cancelling or postponing all non-essential expenses.

The Group's three strategic market sectors, fashion, automotive and furniture, will probably undergo a consolidation and restructuring phase and companies operating in these markets could continue to reduce their capital expenditures and operating expenses, depending on the evolution of the macroeconomic environment, as well as the health aspect of the crisis.

Nevertheless, a significant improvement in the volume of orders, revenues and income from operations was recorded in Q3 and this trend could potentially be confirmed in Q4; however, such developments are subject to continuing uncertainties surrounding the evolution of the pandemic.

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 Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for the first nine months of 2020 are available on [lectra.com](http://lectra.com). Q4 and FY 2020 earnings will be published on February 10, 2021.*

*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).*

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