


PRESS RELEASE

Figeac, 16th December 2020

PROVISIONAL 2020/21 HALF-YEAR RESULTS

(1st April to 30th September 2020)

- **Business in the first half was hit hard by an unprecedented health crisis**
- **The Group is poised to benefit from the first encouraging signs of an upturn in the air traffic industry**
- **Winning new contracts and increasing our market share with clients**
- **Reactivity and preparation: a structural fixed cost-cutting plan amounting to €30 million**
- **Safeguarding the Group’s cash and liquidity by introducing an operational optimisation plan, streamlining planned investments and taking on new loans totalling €95 million**
- **Revenues and margins expected to improve significantly in the second half with cash-flows managed effectively**

The FIGEAC AÉRO Group (ticker: FGA), a leading partner for major aerospace manufacturers, has today released its 2020/21 half-year results (period ended 30th September 2020), which are currently being audited. The accounts will be approved by the Board of Directors on 23rd December 2020.

Jean-Claude Maillard, Chairman and Chief Executive Officer of FIGEAC AÉRO, made the following statement on the first-half results: “*We have proved agile and resilient amid an unprecedented global crisis. We took immediate action to prioritise the health of all our employees and set up procedures to enable us to resume production safely. I would like to thank all of FIGEAC AÉRO’s staff for the commitment they have shown during this extremely difficult period.*

We rapidly drew up a roadmap aimed at shoring up our cash position and launched an operational optimisation plan, supplementing the measures set out in the 2021/24 business plan, in order to safeguard our competitive standing and prepare for the recovery. We also consolidated our business relations with our clients, and the new contracts won during the crisis are testament to our efforts; meanwhile, we continued to roll out our development strategy.

All these initiatives give us full confidence that we will be able to manage our operating margins and cash-flows effectively by the second half of this financial year”.

€k - IFRS (1st April to 30th September)	H1 2019/20[1]	H1 2020/21	LFL change[2]
Revenue	**224,483**	**94,413**	**-57.6%**
Current EBITDA[3]	**38,941**	**(6,684)**	**-116.5%**
Current EBITDA / Revenue	***17.3%***	-	
EBITDA	**36,021**	**(7,447)**	
EBITDA / Revenue	***16.0%***	-	
Net depreciation, amortisation and provisions	(22,372)	(23,770)	
Current operating income	**13,649**	**(31,217)**	**-326.7%**
COI / Revenue	***6.1%***	-	
Other non-recurring operating income and expenses	(1,144)	(19,565)	
Share of net income (loss) of joint ventures	48	(21)	
Operating income	**12,553**	**(50,803)**	
Cost of net financial debt	(4,828)	(4,111)	
Realised currency gains & losses	(5,681)	(2,945)	
Unrealised gains & losses on financial instruments	(4,208)	11,822	
Other financial income and expenses	43	(26)	
Income tax	1,541	(5,029)	
Consolidated net income	**(580)**	**(51,092)**	
Net income, Group share	**(588)**	**(51,078)**	

The beginning of the financial year was hit hard by the Covid-19 crisis, as clients suddenly reduce their production programmes considerably and draw down their inventory

The 1st half of financial year 2020/21 was severely affected by the global Covid-19 pandemic, which took a heavy toll on all sectors of the global economy, particularly the aerospace industry.

Global air traffic plummeted during the period, prompting contractors across the board to slash their delivery schedules and focus on drawing down their stocks in the short term.

In these unprecedented conditions, FIGEAC AÉRO's revenue reached €94.4 million in the 1st half of financial year 2020/21 (1st April to 30th September 2020), which is 57.94% lower year-on-year. At constant scope and exchange rates, the Group's revenue fell by 57.56%.

The Aerostructures division was already struggling due to unfavourable events in 2019/20 which heavily penalised the civil aerospace industry (discontinued production of the Boeing 737 Max, slower production rates on long-haul aircraft and delayed certification of the Boeing 777X), and its revenues fell sharply (-61.55% reported and -61.14% like-for-like) due to the effects of the Covid-19 crisis. The Group's other business activities registered a €9.4 million drop in revenue.

With all the resilience initiatives that were rolled out so rapidly, the Group was able to lower its operating expenses in the 1st half of 2020/21, including:

- a reduction in personnel expenses thanks to adjustments made to the payroll (of which a targeted plan to lower the headcount) and economic support measures granted by the public authorities (of which short-time working arrangements),
- savings generated on production costs and overheads.

All in all, operating expenses decreased by €105.5 million and they will remain on this downward trajectory in the 2nd half of 2020/21.

[1] For the record, the results at 31st March 2020 reflect the first-time application of IFRS 16 - The Group opted to apply the so-called transition "simplified retrospective" method, so the financial statements at 30th September 2019 have not been restated for the impact of applying IFRS 16
[2] At constant scope and exchange rates
[3] Current EBITDA = current operating income + depreciation and amortisation + net provisions - before the breakdown of R&D expenses capitalised by the Group by type

Current EBITDA therefore did not fall too steeply in the 1st half of 2020/21 and reached -€6.7 million, including a negative B737 Max grounding effect and a widespread downturn in activity on all aerospace programmes due to the Covid-19 health crisis.

The Aerostructures division's current EBITDA totalled -€4.4 million, having been hit hardest by the effects of the public health situation as well as the B737 Max crisis. The Group's other business activities turned in current EBITDA of -€2.2 million.

After factoring in depreciation and amortisation charges and provisions (-€23.8 million), current operating income came to -€31.2 million.

Still with a view to maintaining its competitive standing, FIGEAC AÉRO began to adapt the way its production sites are organised overseas but also in France by bringing in a PSE (Employment Protection Plan). This plan could result in the elimination of 320 positions at the Figeac site and another 21 at the Méaulte site.
Based on the latest information known on the account closing date, the Group has set aside a net restructuring provision of €11.8 million. Furthermore, FIGEAC AÉRO recognised an additional non-cash asset impairment provision of €4.5 million, primarily to reflect the impact of the Covid-19 pandemic on the Aerostructures business.
Operating income thus came out at -€50.8 million in the 1st half of 2020/21, dragged down mainly by the estimated effects of the PSE measures.
Last of all, after incorporating the financial result and taxes, the net result (Group share) in the 1st half of 2020/21 was -€51.1 million.

Balance sheet

Free cash-flows totalled -€35.4 million during the 1st half of the year as the working capital requirement was penalised by raw materials stock turnover and clients pushing back their orders due to the fact that production rates are taking longer than expected to recover. The Group is nevertheless confident that it will be able to manage its cash-flows effectively in the 2nd half of 2020/21.

In keeping with the planned trajectory, net investments were halved year-on-year during the period and totalled €17.3 million, of which recoverable deposit guarantees to the tune of €4.1 million. They were mainly allocated to:

- continued efforts to roll out the new ERP so as to pursue the Group's digitalisation drive,
- the maintenance of production facilities,
- optimisation of the Group's industrial footprint post-Covid.

FIGEAC AÉRO is keen to sustain its resources at this time, and during the half-year it obtained a €15 million "Atout" loan from Bpifrance (impacting on its cash position in the 2nd half of 2020/21) in addition to State-Guaranteed Loans totalling €80 million from its banking partners. At 30th September 2020, FIGEAC AÉRO had a solid cash position of €104.3 million and net financial liabilities[4] totalling €308.8 million (€301.1 million ex-IFRS 16).

Furthermore, the Group held successful negotiations with its long-standing banking partners to ease the terms and conditions of its financial covenants for the year ending March 2021, evidence of their full confidence in the Group's development strategy.

[4] Excluding financial liabilities not bearing interest

An operational optimisation plan well underway to ensure the Group is fully poised to benefit from the first encouraging signs of an upturn in the sector

FIGEAC AÉRO took on board these unprecedented circumstances by immediately introducing an operational optimisation plan focused on two top priorities:

- It rapidly rolled out a series of measures to achieve structural fixed cost cuts and optimise its production facilities, the aim being to mitigate the impact of sharply lower business volumes on the Group's margins. These measures include the following:
  - a reduction in personnel expenses and general and administrative expenses,
  - a drive to streamline the Group's production sites, for instance by merging its Moroccan units,
  - selective insourcing of some of the purchases that were previously outsourced,
  - optimised use of raw materials,
  - streamlined general purchases.

- It secured long-term financial resources to ensure the Group's business continuity.

All the measures taken under the operational optimisation plan should help the Group to achieve structural fixed cost cuts of approximately €30 million, and almost the full effects will be visible in the 2nd half of financial year 2021/22.

The Group is also keen to maintain its competitive standing and to prepare for the economic difficulties lying ahead as well as their repercussions on jobs; it has therefore launched safeguard proceedings for its FIGEAC AÉRO Auxerre subsidiary (in the 2nd half of the year). The administrator appointed by the Trade Tribunal is expected to hand down their decision by the end of the year.

Furthermore, the plan is expected to incur one-off costs estimated at between €20 million and €23 million (including industrial optimisation capex), most which will be recognised this financial year (ending 31/03/2021).

All these cost savings will make the Group more competitive and generate significant operating leverage when volumes pick up again, which will allow for cash-flow generation over the long term.

Last of all, we are beginning to see some positive signals pointing to an uptick in volumes:

- the FAA (Federal Aviation Administration) has given its approval for the Boeing B737 Max to begin flying again,
- air traffic in China has recovered and is almost back at its pre-Covid levels,
- Airbus is keeping production rates of the A320 at 47 aircraft per month for the summer of 2021, and
- various pharma groups have announced Covid-19 vaccines, which will enable international air traffic to resume.

The crisis already peaked in the 1st half of the year and the Group will reap the benefits of the structural cost-cutting measures it has taken, so it should be able to deliver positive current EBITDA and manage its cash-flows effectively in the 2nd half of this financial year. The Group is thus fully poised to grasp the opportunities arising from this positive momentum.

New contract wins, confidence of long-standing clients intact

Despite the crisis, FIGEAC AÉRO continued to roll out its commercial strategy in the 1st half of the year, resulting in:

- a new 'programme life' contract with Collins Aerospace worth a total of USD250 million (at current production rates) to produce structural parts for high-precision nacelles and sub-assemblies for the A320, A321 and B787 programmes,

- a Long-Term Agreement worth roughly USD50 million with Rolls Royce to supply casings to be fitted on the A350's engines. Rolls Royce has thus expressed its confidence in FIGEAC AÉRO yet again as this is the second contract it has awarded the Group in less than 18 months,
- greater customer satisfaction, as reflected in a very solid contract renewal rate and market share gains; this gives the Group more visibility on its long-standing business relations and helps to shore up its commercial base further,
- important multi-platform consultations currently underway, with FIGEAC AÉRO well placed to capture some of these opportunities in the near future.

Last of all, the Group stepped up its commercial momentum in terms of diversifying its business mix, for instance in the following areas:

- Defence, with its Mecabrive Industries subsidiary winning a new contract with Nexter,
- Energy (Oil & Gas), with dedicated commercial resources being allocated to this activity in order to gain more market share in this industry,
- a new range of services being rolled out to tap into the Group's machining expertise and greenfield industrial culture which it has built up over the past 30 years.

Outlook

FIGEAC AÉRO is not in a position to issue financial targets for the current financial year in today's market conditions with such poor visibility on an upturn in global air traffic.

FIGEAC AÉRO will pursue its programme with the aim of rolling out operational and financial measures that will pay off during the current financial year. It thus expects to deliver stronger revenues and operating margins in the 2nd half of the year and to manage its cash-flows effectively.

ABOUT FIGEAC AÉRO

The FIGEAC AERO Group, a leading partner for major aerospace manufacturers, specialises in producing light alloy and hard metal structural parts, engine parts, landing gear and sub-assemblies. FIGEAC AERO is a global group operating in France, the USA, Morocco, Mexico, Romania and Tunisia. The Group generated annual revenue of €447m in the year to 31st March 2020.

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APPENDICES

BALANCE SHEET - €k - IFRS	31/03/2020	30/09/20
Fixed assets	323,681	310,493
Other non-current assets	26,666	33,525
Inventory	183,591	177,526
Contract assets	29,406	29,261
Trade receivables	50,937	34,804
Tax receivables	7,917	8,474
Other current assets	23,302	22,339
Cash and cash equivalents	106,811	104,329
TOTAL ASSETS	752,311	720,751
Shareholders' equity	138,553	89,676
Non-current financial liabilities	269,402	358,634
Non-current liabilities	55,990	58,851
Short-term financial liabilities	40,133	21,335
Current portion of financial liabilities (1)	75,441	48,853
Debt not bearing interest	15,370	15,011
Repayable advances	4,211	4,201
Trade payables and related accounts	92,764	56,641
Current liabilities	60,447	67,549
TOTAL LIABILITIES	752,311	720,751

(1) At 31/03/2020: following the covenant breach, the >1-year portion of the EBRD loan has been classified as <1 year, with an impact of €19,620k

Cash-flow statement - €k IFRS	31/03/2020	30/09/20
Cash flow before cost of financial debt and taxes	43,303	(12,434)
Change in working capital requirement	22,542	(5,641)
Net cash flow from operations	65,845	**(18,075)**
Net cash flow from investing activities	**(56,443)**	**(17,303)**
FREE CASH-FLOWS	9,402	**(35,378)**
Acquisitions or disposals of treasury shares	1,302	682
Change in borrowings and repayable advances	(17,169)	51,102
Net cash flow from financing activities	**(15,867)**	**51,784**
Change in cash position	**(6,465)**	**16,406**
Change in translation adjustment	**306**	**(204)**
Net cash position	**66,792**	**82,994**