Press Release

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First Half 2013: Net Income and Free Cash Flow Strongly Positive, Balance Sheet Particularly Solid

- Revenues: €99.2 million (+2%)(*)
- Income from operations before non-recurring items: €7.2 million (–10%)(*)
- Net income: €14.6 million
- Free cash flow: €14.2 million
- Net cash: €22.4 million

(*) like-for-like

In millions of euros	April 1 - June 30		January 1 - June 30	
	2013	2012	2013	2012
Revenues	50.9	51.7	99.2	99.5
Change like-for-like (%) [(1)]	*+1%*		*+2%*	
Income from operations before non-recurring items	4.1	5.5	7.2	8.8
Change like-for-like (%) [(1)]	*-15%*		*-10%*	
Operating margin before non-recurring items (in % of revenues)	8.0%	10.7%	7.2%	8.9%
Income from operations[(2)]	4.1	5.5	18.3	8.8
Net income[(2)]	2.4	3.6	14.6	5.9
Free cash flow[(2)]	0.9	2.9	14.2	8.0
Shareholders' equity[(3)]			73.9	65.0
Net cash[(3)]			22.4	14.2

[(1)] *Like-for-like: 2013 figures restated at 2012 exchange rates*

[(2)] *In 2013, the €11.1 million received from the litigation against Induyco results in a non-recurring income of the same amount, a net income of €10 million and an increase of €11.1 million in free cash flow and cash position*

[(3)] *At June 30, 2013, and December 31, 2012*

Paris, July 25, 2013. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the first half of 2013, after a limited review by the Statutory Auditors.

(Unless stated otherwise, comparisons between 2013 and 2012 are like-for-like.)

Q2 2013: Progress in the Company's Transformation Plan

At the end of 2011, and despite the prevailing economic conditions, the company decided to accelerate its transformation over the period to 2015, giving precedence to its long-term strategy over short-term profitability.

This far-reaching plan represents a cumulative €50 million of investments for the future, fully expensed over the period 2012-2015, while their benefits will only be felt progressively. It comprises three components: a major recruitment plan devoted to strengthening sales and marketing teams, which will grow from 220 people at the end of 2011 to 330, and from 16% to 22% of the total workforce (with a doubling of the number of sales people); the addition of 40 engineers to the software R&D teams in Bordeaux-Cestas (France), bringing the total number to 260; accelerated investment in marketing (see February 12, 2013, financial report and 2012 annual report).

Execution of the plan continued in Q2. In particular, there have been 70 recruitments since January 2013, bringing the total new hires since the end of 2011 to 180. The main priorities, in addition to bolstering software R&D teams, have been North America, China, and the Germany and Eastern Europe region. Meanwhile, 140 people have left the Group, also under the transformation plan.

Orders for New Software Licenses and CAD/CAM Equipment Rise, but Remain Hampered by Persistently Sluggish Economic Conditions

On February 12, 2013, the company indicated that it was preparing for economic conditions as weak in 2013 as in 2012, and that the year was likely to be both difficult and unpredictable. Since then many developed and emerging countries have experienced slower growth. Greater concern among companies as a consequence of this has affected their investment decisions.

Despite these relatively adverse conditions, orders for new software licenses and CAD/CAM equipment for Q2 2013 (€18.7 million) increased by €1.5 million (+8%) compared with Q2 2012. New software licenses were up 7% and CAD/CAM equipment up 9%. Orders increased by 16% compared with Q1 2013 (€16.2 million).

Revenues (€50.9 million) were up 1%, and down 2% at actual exchange rates. Revenues from new systems sales (€21.2 million) were down by €2 million (–8%), mainly due to the weak order backlog for new systems at April 1, 2013. Recurring revenues (€29.7 million), on the other hand, rose by €2.4 million (+9%).

Income from operations (€4.1 million) was down €0.8 million and the operating margin (8%) decreased by 1.8 percentage points.

Net income (€2.4 million) was down €1.2 million (–33%) at actual exchange rates.

First Half 2013: Financial Results on the Whole in Line with the Company's Most Cautious Scenario

The company's 2013 roadmap corresponding to the most cautious scenario communicated on February 12, 2013, anticipated revenues of €99.6 million and income from operations before non-recurring items of €5.8 million for the first half of 2013. While H1 revenues were in line with this scenario, overall, with a shortfall of only €0.4 million, income from operations before non-recurring items was €1.4 million above expectations.

These figures, at actual exchange rates, are attributable to adverse factors—chief among these being the shortfall in orders and revenues from new systems—offset by positive factors including exchange rate effects, stronger growth in recurring revenues, and deferral until the second half of the year of certain fixed costs relating to the transformation plan.

Orders Slightly Down

Orders for new software licenses and CAD/CAM equipment (€34.9 million) were down €1.1 million (–3%) relative to H1 2012.

Geographically, the situation remains uneven. While orders in the Americas increased by 34% overall, those in Europe and in Asia-Pacific dropped by 27% and 12% respectively. Orders in the rest of the world increased by 55%. Orders in emerging countries (56% of total orders) increased by 2% and in developed countries (44% of total orders) decreased by 9%.

Orders in the automotive market were up 14%. Those in fashion dropped by 12%, in furniture by 13% and in other industries by 17%.

Revenues Remain Stable thanks to Growth in Recurring Revenues, Illustrating the Strength of the Company's Business Model

H1 2013 revenues (€99.2 million) increased 2% like-for-like (stable at actual exchange rates). Revenues increased 22% in the Americas and 18% in the rest of the world, but decreased 10% in Asia-Pacific and 6% in Europe.

Revenues from new systems sales (€40.7 million) were down 6% and represented 41% of total revenues. Recurring revenues (€58.5 million) increased by €4.5 million (+8%), resulting from a 5% increase in recurring contracts revenues and an increase of 12% in revenues from spare parts and consumables. This confirmation of the acceleration of recurring revenues (up 3% in 2012) is a remarkable performance and deserves special mention.

The order backlog of new software licenses and CAD/CAM equipment at June 30, 2013 (€11.8 million) was down €0.3 million relative to January 1, 2013. The order backlog comprised €10.9 million for shipment in Q3 2013.

Income from Operations and Net Income Affected by Investments for the Future and the Payment of the Outstanding Amount Received in the Litigation Against Induyco

The overall gross profit margin was 72%. Like-for-like, it decreased by 0.3 percentage points relative to H1 2012, given the mix of sales, software's share of total revenues having declined. The gross profit margin for each product line is stable.

Income from operations before non-recurring items (€7.2 million) was down 10% and the operating margin before non-recurring items (7.2%) down 1 percentage point; and down €1.7 million (-19%), or 1.7 percentage points, at actual exchange rates. This figure comprises a €1.6 million decline in revenues from new systems sales, a €0.5 million natural increase in fixed overhead costs, and a €2 million increase in fixed overhead costs related to the company's transformation plan. These three impacts were partly offset by the favorable effect of increased recurring revenues (€3.2 million). Finally, currency fluctuations had a €0.8 million negative impact.

At actual exchange rates, investments for the future linked to the transformation plan have thus accounted for 1.9 percentage points of the reduction in the operating margin in H1 2013 relative to H1 2012, and for 3.6 percentage points relative to H1 2011, before the introduction of the transformation plan.

After inclusion of the €11.1 million non-recurring income resulting from the receipt of the outstanding amount due in the litigation against Induyco, income from operations amounted to €18.3 million.

Net income was €14.6 million. Net income before non-recurring items amounted to €4.6 million (€5.9 million in the first half 2012).

Net earnings per share on basic and diluted capital were €0.50 (€0.21 and €0.20 per share, respectively, in H1 2012).

Free cash flow amounted to €14.2 million.

Free cash flow before non-recurring items amounted to €3 million (€8 million in H1 2012). If the research tax credit and the competitiveness and employment tax credit had been received, free cash flow before non-recurring items would have amounted to €6.3 million, exceeding net income before non-recurring items by €1.7 million.

A Zero-Debt Company

At June 30, 2013, consolidated shareholders' equity amounted to €73.9 million. Cash and cash equivalents totaled €23.3 million and the net cash position was positive at €22.4 million, after payment of the €6.4 million dividend declared in respect of fiscal 2012.

Financial borrowings have been reduced to €0.9 million. They correspond to interest-free government advances to help finance R&D programs. The company repaid on March 31, 2013, the remaining €5.4 million of the €48 million medium-term loan, at its initiative and ahead of the contractual due date.

Business Trends and Outlook

The company has discussed its business trends and outlook at length in its February 12, 2013, financial report, and in its 2012 Annual Report.

The company stated that, in its most cautious scenario, it expected total revenues of approximately €203 million (+6% versus 2012) for fiscal 2013, income from operations before non-recurring items of around €15 million (–10%), reducing the operating margin before non-recurring items to approximately 7.5%, and net income of around €10 million (–25% at actual exchange rates).

The company emphasized that its goal was to exceed these figures. Each additional €1 million in revenues from new systems sales would boost income from operations by approximately €0.45 million.

First-half results are in line with this scenario, which remains relevant.

The company entered 2013 with very solid operating fundamentals and a strong balance sheet, which has been further strengthened. Bolstered by its performance since 2010, the strength of its business model and the relevance of its new strategic roadmap, the company is confident in its growth prospects for the medium term and in reaching the goals it has set itself for 2015.

Q3 earnings will be published on October 29, 2013.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for First Half 2013 are available on lectra.com.

With nearly 1,400 employees worldwide, Lectra is the world leader in software, CAD/CAM equipment and associated services specifically designed for industries using fabrics, leather, technical textiles and composite materials to manufacture their products. Lectra serves major world markets: fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), and furniture, as well as a broad array of other industries (aeronautics, marine, wind power, etc.).

Lectra (code ISIN FR0000065484) is listed on NYSE Euronext (compartment C).

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