Lectra

Press Release

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First Nine Months of 2013: Growth in Revenues, Income from Operations and Net Income

- Revenues: €150 million (+5%)*
- Income from operations before non-recurring items: €13.2 million (+6%)*
- Net income: €18.8 million
- Free cash flow: €16 million
- Net cash: €24.9 million

** like-for-like*

In millions of euros	July 1 - September 30		January 1 - September 30	
	2013	2012	2013	2012
Revenues	50.8	47.9	150.0	147.3
Change like-for-like (%) (1)	*+11%*		*+5%*	
Income from operations before non-recurring items	6.1	5.4	13.2	14.2
Change like-for-like (%) (1)	*+32%*		*+6%*	
Operating margin before non-recurring items (in % of revenues)	11.9%	11.2%	8.8%	9.7%
Income from operations (2)	6.1	5.4	24.3	14.2
Net income (2)	4.2	3.8	18.8	9.7
Free cash flow (2)	1.9	(2.3)	16.0	5.7
Shareholders' equity (3)			78.6	65.0
Net cash (3)			24.9	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, accounted for in the first quarter

(3) At September 30, 2013, and December 31, 2012

Paris, October 29, 2013. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the unaudited consolidated financial statements for the third quarter and first nine months of 2013.

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

Q3 2013: Very Good Performance

Implementing the 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, representing cumulative investments for the future of €50 million over the period 2012-2015, fully expensed over the period, 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 software R&D engineers in Bordeaux-Cestas (France), bringing the total R&D workforce to 260 engineers; finally, accelerated investment in marketing.

Execution of the plan continued in Q3. Since January 1, 2013, there have been more than 110 recruitments, bringing the total of new hires since the end of 2011 to close to 230. The main priorities, in bolstering sales and marketing teams, have been North America, China, and the Germany and Eastern Europe region.

Meanwhile, 170 people have left the Group under the transformation plan.

Growth in Orders, Revenues and Income from Operations

Despite persistently sluggish business conditions, orders for new software licenses and CAD/CAM equipment (€19.4 million) were up 4% compared with Q3 2012. They amounted to €18.7 million in Q2 2013 and to €16.2 million in Q1.

Revenues (€50.8 million) were up 11% (+6% at actual exchange rates). Revenues from new systems sales (€21.2 million) increased by 15% and recurring revenues (€29.6 million) by 8%. This confirmation of the acceleration of the growth in recurring revenues (in fiscal 2012, this growth amounted to 3%) is a remarkable performance and deserves special mention.

Despite the impact of investments for the future, income from operations amounted to €6.1 million. Like-for-like, it was up by €1.7 million (+32%) and the operating margin before non-recurring items (11.9%) increased by 2.2 percentage points.

Net income (€4.2 million) was up by €0.5 million (+12%) at actual exchange rates.

First Nine Months of 2013: Income from Operations before Non-Recurring Items Ahead of 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 €149.9 million and income from operations before non-recurring items of €10.9 million for the first nine months of 2013.

At actual exchange rates, revenues were in line with this scenario; income from operations before non-recurring items, meanwhile, was €2.3 million above expectations.

Orders for New Software Licenses and CAD/CAM Equipment Stable

Orders for new software licenses and CAD/CAM equipment amounted to €54.3 million, stable relative to the first nine months of 2012.

Geographically, the situation remains uneven. While orders in the Americas and in Asia-Pacific increased by 14% and 2% respectively, those in Europe dropped by 20%. Orders in the rest of the world increased by 35%. Orders in emerging countries (56% of total orders) increased by 5%, while those in developed countries (44% of total orders) decreased by 7%. The share of the emerging countries continues to increase (it was 54% over full-year 2012).

Orders in the automotive market continued on their upward path with a rise of 13%, going from 38% to 43% of total orders. Those in the fashion sector dropped by 3%—their share falling slightly to 46% of total orders—, in furniture by 16% and in other industries by 37%.

Growth in Revenues Driven by Recurring Revenues, Illustrating the Strength of the Company's Business Model

Revenues for the first nine months of 2013 (€150 million) increased 5% (+2% at actual exchange rates). Revenues increased 18% in the Americas and 5% in Asia-Pacific, but decreased 5% in Europe.

Revenues from new systems sales (€61.9 million) were stable and represented 41% of total revenues. Recurring revenues (€88.1 million) increased by €6.9 million (+8%), resulting from a 6% increase in recurring contract revenues and a 12% increase in revenues from spare parts and consumables; their contribution to total revenues grew from 57% to 59%.

At September 30, 2013, the order backlog of new software licenses and CAD/CAM equipment (€12.8 million) was up €0.7 million relative to December 31, 2012.

Income from Operations and Net Income Impacted by Investments for the Future and the Receipt of the Outstanding Amount in the Litigation against Induyco

The overall gross profit margin was 72.3%. Like-for-like, it decreased by 0.3 percentage points relative to the first nine months of 2012, reflecting the evolution of the sales mix, with software representing a smaller share of total revenues. The gross profit margin for each product line remains stable.

Income from operations before non-recurring items was €13.2 million (+6%) and the operating margin before non-recurring items (8.8%) was up 0.1 percentage points.

At actual exchange rates, income from operations before non-recurring items decreased by €1 million (–7%). This figure comprises a €0.2 million decline in revenues from new systems sales, a €0.2 million natural increase in fixed overhead costs, and a €3.6 million increase in fixed overhead costs related to the company's transformation plan. Finally, currency fluctuations had a €1.8 million negative impact. These four negative impacts were partly offset by the €4.9 million positive impact resulting from the increase in recurring revenues.

Expenditures corresponding to investments for the future linked to the transformation plan have thus accounted for 4.3 percentage points of the reduction in the operating margin in the first nine months of 2013 relative to the first nine months of 2011, before the introduction of the transformation plan.

Net income (€18.8 million) includes the net income of €10 million resulting from receipt of the balance due from the litigation against Induyco.

Net earnings per share on basic and diluted capital were €0.65 and €0.64 respectively (€0.34 and €0.33 per share, respectively, in the first nine months of 2012).

Free cash flow amounted to €16 million. Free cash flow before non-recurring items amounted to €4.9 million (€5.7 million in 2012).

A Zero-Debt Company, Shareholders' Equity and Net Cash Position Bolstered

At September 30, 2013, consolidated shareholders' equity amounted to €78.6 million. Cash and cash equivalents totaled €25.8 million and the net cash position was positive at €24.9 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.

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% like-for-like 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 7.5%, and net income of around €10 million (–25% at actual exchange rates).

The company also emphasized its goal of exceeding these figures. Each additional €1 million in revenues from new systems sales would boost income from operations by approximately €0.45 million.

Visibility remains poor in the current economic conditions, calling for continuing caution as regards the level of orders and revenues from new systems for Q4. Meanwhile, the increase in overhead costs resulting from the acceleration of the transformation plan and the unfavorable evolution of the euro/dollar exchange rate will have an impact on income from operations before non-recurring items in Q4. Given its advance at September 30, 2013, on the company's roadmap corresponding to this scenario, income from operations before non-recurring items should, however, exceed the €15 million expected.

The company entered 2013 with very solid operating fundamentals and a strong balance sheet, which has been further strengthened by net income for the first nine months, the receipt of the balance due from the litigation against Induyco, and the repayment of its financial debt.

The company will present its outlook for 2014 together with the first progress report on the implementation of its roadmap, on February 11, 2014.

Q4 and FY 2013 earnings will be published on February 11, 2014.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for the third quarter and the first nine months of 2013 are available on lectra.com.

With more than 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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