

## 2024 Capital Markets Day: Thales, a global technology leader in Defence, Aerospace and Cyber & Digital

- **Thales has successfully reinforced its business portfolio and delivered on its operational commitments over the last 5 years**
  - Defence reinforced as a core market
  - Aerospace strengthened both organically and through M&A
  - Cyber & Digital scaled as a new core technology segment
  - Ground Transportation divested
  - Robust commercial performance
  - Solid increase in profitability
  - Outstanding cash flow performance
- **Building on its unique technological platform, the Group will implement the following strategic priorities**
  - Leverage premium portfolio to deliver profitable growth
  - Reinforce premium positioning
  - Differentiate through disruptive technology
  - Enhance employer attractiveness
  - Strengthen its ESG leadership
- **Thales is setting new financial targets for the 2024-28 period**
  - Organic sales growth rate (CAGR over 2024-2028, base year 2023) of +5-7%<sup>1</sup>
  - EBIT margin improvement to 13-14% in 2028<sup>2</sup>
  - Average FOCF<sup>3</sup> conversion of 95-105%

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Thales (Euronext Paris: HO) is hosting today its 2024 Capital Markets Day with investors and financial analysts, in-person and through a live webcast accessible via the following [link](#).

Following the acquisitions of Gemalto, Imperva and Cobham AeroComms, Thales has successfully transformed its business portfolio into a unique global technology enabled Defence, Aerospace, and Cyber & Digital company, with strong and differentiated leadership positions across businesses.

Patrice Caine, Chairman and Chief Executive Officer, Pascal Bouchiat, Senior Executive Vice-President, Chief Financial Officer, and members of the Executive Committee of Thales will provide details of the Group's key new strategic priorities, medium-term financial objectives and the characteristics that make Thales' unique positioning, able to deliver accelerated long-term profitable growth.

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<sup>1</sup> "Organic" stands for "at constant scope and exchange rates".

<sup>2</sup> Non-GAAP financial indicators, see definitions in the appendices, page 6.

<sup>3</sup> Defined as the conversion ratio of adjusted net income into free operating cash flow.

*“Since our last Capital Markets Day in 2019, Thales has successfully navigated an unprecedented and challenging geopolitical environment. I would like to thank all our teams for their continuous commitment and our customers for their trust. Through these times, we have improved the quality of our businesses with active portfolio management, strengthening our core Defence and Aerospace portfolio while transforming and scaling up our Cyber & Digital business.*

*The strong platform we have built with unique leadership positions across our three markets, our ability to innovate and anticipate technological disruptions and our strong pipeline of new premium products & services enable us to look forward to the next chapter of accelerated and sustainable growth with confidence.*

*I am delighted to be today with investors and financial analysts and set out our roadmap to deliver attractive, profitable growth over the next five years, with our strengthened portfolio. I look forward to interacting with our key stakeholders.”*

**Patrice Caine, Chairman & Chief Executive Officer**

### Strategic priorities

Looking ahead, Thales will implement the following strategic priorities:

1. **Leverage premium portfolio to deliver profitable growth**, building on our leadership position in fast growing segments. 80-90% of Thales' revenues are exposed to fast growing markets. Thales' long-term visibility on these market segments along with a diversified customer base provides confidence in Thales' ability to execute on its growth ambition.
2. **Reinforce premium positioning**, combining notably delivery excellence, operational superior performance, customer driven innovation, user-friendly design and experience and best in class after-sales' support. Thales will continue to differentiate itself through innovation in these fields that deliver higher value to customers driving growth in our market share and better pricing.
3. **Differentiate through disruptive technology**, embracing technology disruptions and staying ahead of the competition, with ~€4bn allocated to research and development (€5bn by 2028). This critical mass enables the Group to work on a wide spectrum of technology and projects, such as trustworthy AI, 6G, and quantum technology. This will enable Thales to strengthen its undisputed technological leadership in the future.
4. **Reinforce employer attractiveness**, by investing in attracting and retaining the best talents everywhere and becoming a Learning Company. The Group's purpose, thorough leadership, and partnerships with top universities, academies, and renowned scientists set it apart. Its contribution to major societal challenges makes it the destination of choice for the brightest minds.
5. **Strengthen its ESG leadership**, delivering on its ambition to become an ESG leader and protecting our societies, people, and the planet. Thales unique portfolio of solutions can help solve some of the major societal issues and build a future we can all trust. Thales has joined the CAC 40 ESG Index in September 2024 and will unveil its new 2030 flagship ESG objectives in 2025.

## A clear roadmap for each business

Relying on 1) the execution of each of the above strategic priorities, 2) the unprecedented visibility Thales is currently benefiting from across its portfolio and 3) solid growth prospects, the Group has set up a clear and ambitious 2028 roadmap for each of its businesses:

- In Defence: Thales intends to leverage its extended delivery capabilities to capture high market growth. Sales organic growth CAGR<sup>4</sup> over 2024-2028 should reach +6 to 7% and EBIT margin 13%.
- In Avionics: the Group will grasp the advantage of an enhanced state of art product portfolio to address strong market demand. Sales organic growth CAGR<sup>4</sup> over 2024-2028 should reach +5 to 7% and EBIT margin 13 to 14% in 2028.
- In Space: Thales is focused on restoring the business profitability to exceed the Group's WACC, while considering selective business opportunities. Sales organic growth CAGR<sup>4</sup> over 2024-2028 should reach +2% and EBIT margin 7%+ in 2028.
- In Cyber & Digital: the Group intends to leverage the unique product offering with best-in-class solutions to reinforce Thales leadership on this fast-growing market. Sales organic growth CAGR<sup>4</sup> over 2024-2028 should reach +6 to 7% and EBIT margin 16 to 17% in 2028.

## 2024-2028 Group financial targets

Over the last five years, Thales has built a stronger and clearer portfolio, while delivering on its operational commitments, leading to higher profitability and further cash generation. Strong commercial performance has led to a record backlog, which should represent close to four years of revenue at the end of 2024 in Defence, providing unequalled visibility into the future. The business portfolio provides a solid base to address the next decade of market growth, deliver on our full potential and maximize value creation thanks to higher added value, technology driven businesses.

Based on this current view and assuming no major changes in the macro-economic and geopolitical environment, and stability of tax regulation in its key geographies, Thales announces today its medium-term financial targets as follows:

- **Organic sales growth** of +5-7% per year on average over the 2024-28 period, driven by broad-based growth across businesses. Thales' strong market position, increased production capacity and premium positioning, will enable the Group to meet the growing market demand and accelerate organic growth in Defence, leverage market demand in Avionics and benefit from the structural growth opportunities in Cyber & Digital.
- **EBIT margin improvement** to 13-14% in 2028. EBIT margin improvement will be driven by multiple levers, including volume growth, premiumization of products & services, and cost efficiency, while increasing R&D investments to drive innovation. This will be spread across business segments, meaning maintaining best in class profitability within Defence, margin improvement in Aerospace, primarily driven by recovery in Space margins to 7%+ in 2028, and further margin development within Cyber & Digital, including Imperva.

Thales will pursue the integration of Imperva and Cobham AeroComms, to deliver the expected synergies, revenue and profitability.

The above will drive **adjusted EPS growth of 50-60%** over the 2024-2028 period.

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<sup>4</sup> CAGR over 2024-2028, base year 2023.

Thales will maintain a **high cash conversion rate, which should stand between 95 and 105% on average** over the 2024-2028 period.

Thales will continue to operate with an active capital allocation strategy to maximize shareholder value, prioritizing organic growth and deleveraging, maintaining a dividend payout of ~40%<sup>5</sup> and strengthening the Group portfolio with selective acquisitions that meet high business and financial thresholds. The company will consider share buy back to prevent excessive deleveraging and if the Group's valuation suggest it.

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This press release contains certain forward-looking statements. Although Thales believes that its expectations are based on reasonable assumptions, actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Universal Registration Document, which has been filed with the French financial markets authority (Autorité des marchés financiers – AMF).

#### **About Thales**

Thales (Euronext Paris: HO) is a global leader in advanced technologies specialized in three business domains: Defence, Aerospace and Cyber & Digital. It develops products and solutions that help make the world safer, greener and more inclusive.

The Group invests close to €4 billion a year in Research & Development, particularly in key innovation areas such as IA, cybersecurity, quantum technologies, cloud technologies, and 6G.

Thales has nearly 81,000 employees in 68 countries. In 2023, the Group generated sales of €18.4 billion.

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<sup>5</sup> Subject to Board of Directors' approval.

## Appendices

### Summary of Financial targets over the 2024-2028 period

	2023 (Base Year)	2028 / Plan period
<b>ORGANIC SALES GROWTH CAGR*</b>		<b>+5-7%</b>
Defence		+6-7%
Avionics		+5-7%
Space		+2%
Cyber & Digital		+6-7%
<b>EBIT MARGIN (%)</b>	<b>11.6%</b>	<b>13-14%</b>
Defence	13%	13%
Aerospace (Avionics / Space)	7% (11.6% / 1%)	11-12% (13-14% / 7%+)
Cyber & Digital	14%	16-17%
<b>CAPEX in % of sales</b>	<b>3.4%</b>	<b>3-3.5%</b>
<b>Self-funded R&amp;D in % of sales</b>	<b>6.0%</b>	<b>~6.5%</b>
<b>Dividend Payout Ratio</b>	<b>40%</b>	<b>40%</b>
<b>Average FOCF conversion</b>	<b>135% over 2019-2023</b>	<b>95-105% over 2024-2028</b>

Note: 2023 figures are restated for the Cyber civil activities transferred from Defence to Cyber & Digital.  
\* CAGR over 2024-2028, base year 2023.

#### Potential impact of new tax measures in France

The French Government has confirmed, as provided for in the draft finance bill for 2025, its intention to implement a temporary additional contribution to corporate tax rate (temporary contribution for 2 years). A 41.2% surtax could apply in 2024, resulting in an overall rate of 36.13% (instead of the current 25.83%), and a 20.6% surtax could apply in 2025, resulting in an overall rate of 30.98%.

In the event of the adoption of such a measure, the current estimation of the impacts for the group Thales would be as follow: the additional current tax expense for 2024 would be in the range of €70 million, with the related cash outflow in 2025. And for 2025 an impact in the range of €35m, with the related cash outflow in 2026.

## Definitions of non-GAAP financial indicators

In order to facilitate the monitoring and benchmarking of its financial and operating performance, the Group presents three key non-GAAP indicators, which exclude non-operating and/or non-recurring items. They are determined as follows:

- **EBIT**, an adjusted operating indicator, corresponds to income from operations plus the share in the net income of equity-accounted companies, before the impact of entries recorded as part of business combinations (amortization of assets valued when determining the purchase price allocation, other expenses directly related to acquisitions).
- **Adjusted net income** corresponds to net income, excluding the following items and net of the corresponding tax effects:
  - Amortization of assets valued when determining the purchase price allocation (business combinations);
  - Expenses recognized in income from operations or in finance costs that are directly related to business combinations;
  - Gains and losses on disposals of assets, changes in scope and other;
  - Impairment of non-current assets;
  - Changes in the fair value of derivative foreign exchange instruments (recognized under "Other financial income and expenses" in the consolidated financial statements);
  - Actuarial gains (losses) on long-term benefits (recognized under "Finance costs on pensions and other long-term employee benefits" in the consolidated financial statements).
- **Free operating cash flow** corresponds to the net cash flow from operating activities before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments.