

2019 earnings in line with revised estimates

- Revenues: 280 million euros (-3%)*
- Income from operations: 40.9 million euros (-6%)*
- Net income: 29.3 million euros (+2%)
- Free cash flow: 36.2 million euros
- Net cash: 120.6 million euros
- Dividend** maintained at €0.40 per share

* Like-for-like

** Proposed to the Annual Shareholders' Meeting on April 30, 2020

In millions of euros	October 1 – December 31		January 1 – December 31	
	2019	2018	2019	2018
Revenues	74.2	75	280	282.6
<i>Change like-for-like (%)⁽¹⁾</i>	-2%		-3%	
Income from operations ⁽³⁾	11.2	12	40.9	40.2
<i>Change like-for-like (%)⁽¹⁾</i>	-10%		-6%	
Operating margin (in % of revenues)	15%	16%	14.6%	14.2%
Net income	8	8.6	29.3	28.7
<i>Change at actual exchange rates (%)</i>	-7%		+2%	
Free cash flow ⁽³⁾	18.1	12.8	36.2	21.6
Shareholders' equity ⁽²⁾			183	170.4
Net cash ⁽²⁾⁽³⁾			120.6	102.2

(1) Like-for-like: 2019 figures restated at 2018 exchange rates

(2) At December 31

(3) The definition for performance indicators appears in the Management Discussion of December 31, 2019

Paris, February 11, 2020. Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the consolidated financial statements for the fiscal year 2019. Audit procedures have been performed by the Statutory Auditors. The certification report will be issued at the end of the Board of Director's meeting of February 25, 2020.

(Comparisons between 2019 and 2018 are like-for-like, unless stated otherwise. As the impact of the acquisition of Retviews on the financial statements for the full year is not material, like-for-like changes exclude only the variations in exchange rates).

Q4 2019

In a continuing degraded environment that is unlikely to contribute to an upturn in investment decisions by Lectra customers, orders for new systems (30 million euros), decreased by 9% from Q4 2018 (-8% at actual exchange rates). Orders for new systems had amounted to 27.4 million euros in Q1 of this year, 26.5 million euros in Q2, and 28 million euros in Q3.

Revenues (74.2 million euros) decreased by 2% (-1% at actual exchange rates).

Income from operations (11.2 million euros) was down 10% (-7% at actual exchange rates) and the operating margin (15%) decreased by 1.3 percentage points.

Net income (8 million euros) was down 0.6 million euros (-7%) at actual exchange rates.

Free cash flow amounted to 18.1 million euros (12.8 million euros in Q4 2018).

2019

Acquisition of the company Retviews

On July 15, 2019, Lectra entered into an agreement to acquire the Belgian company Retviews.

Founded in 2017, Retviews has developed an innovative technological offer that enables fashion brands to analyze real-time market data and make the best decisions to optimize their collections, increase their sales and margins, thanks to artificial intelligence algorithms.

Positive impact of currency changes

With an average exchange rate of \$1.12/€1, the US dollar was up 6% compared to the same period in 2018, while the yuan strengthened by 1% against the euro.

Currency changes thus mechanically increased revenues by 5 million euros (+2%) and income from operations by 3 million euros (+8%) at actual exchange rates compared to like-for-like figures.

Challenging macroeconomic and geopolitical environment

In a context of uncertainty and apprehension, the entire year was marked by a very strong "wait-and-see" attitude by many companies, particularly in the fashion and automotive markets. This adverse climate is primarily the consequence of the trade wars between the United States, on the one hand, and Mexico, China and Europe, on the other, as well as the slowdown in the automotive sector, particularly in China.

Earnings in line with revised objectives

Orders for new systems (111.9 million euros) were down 10% relative to 2018.

Revenues amounted to 280 million euros, down 3% (-1% at actual exchange rates). Revenues from software licenses, equipment and non-recurring services (110.2 million euros) decreased by 12% and recurring revenues (169.8 million euros) increased by 4%.

Income from operations totaled 40.9 million euros and the operating margin 14.6%, down 2.4 million euros (-6%) and 0.4 percentage point, respectively. At actual exchange rates, income from operations rose by 2% and the operating margin by 0.4 percentage point.

These results are in line with the Group's expectations as set out on July 29.

Net income totaled 29.3 million euros, up 0.6 million euros (+2%) at actual exchange rates and free cash flow totaled 36.2 million euros (+14.6 million euros).

Greater impact of the sale of software on a subscription basis

As expected, both the volume and the percentage of sales of software sold on a subscription basis (SaaS) increased in 2019.

This change to the SaaS model will contribute to the long-term development of the Company's activities and strengthen its recurring revenues. In the short-term, however, it has a negative impact on revenues and income from operations, as revenues from software subscriptions are recorded progressively over several years.

If the SaaS sales in 2019 had been made in the form of perpetual licenses with their associated maintenance contracts, revenues and income from operations would have been higher by 2.8 million euros and 2.9 million euros, respectively. Therefore, at actual exchange rates, revenues would have been stable, income from operations would have increased by 9%, and the operating margin would have totaled 15.5%.

A business model that once again proves its strength

With income from operations only slightly lower, and a record 14.6% operating margin despite the decline in new system orders and the impact of the growing percentage of software sold on a subscription basis, the 2019 results demonstrate the strength of Lectra's business model, which is attributable primarily to recurrent revenues and the gross profit margin it generates.

The remarkable free cash flow performance (36.2 million euros) also confirms the business model's ability to generate significant free cash flow, which generally exceeds net income, due to the structurally negative working capital requirement.

A particularly robust balance sheet

At December 31, 2019, consolidated shareholders' equity amounted to 183 million euros and the cash and cash equivalents, as well as net cash position, totaled 120.6 million euros, after the dividend payment of 12.8 million euros declared in respect of fiscal year 2018 and the disbursement of 8 million euros for the acquisition of Retviews.

Assessment of the 2017-2019 strategic roadmap

Continuing its focus on the long-term, in February 2017 the Group launched its new Lectra 4.0 strategy with the objective to make Lectra an indispensable player in Industry 4.0.

This new strategy was embodied in the roadmap for 2017-2019, the first decisive stage in Lectra's evolution over the next ten years, which will further reinforce Lectra's global leadership, ensure sustainable growth, and preserve its profitability.

The strategic objectives that Lectra established have been accomplished overall.

The detailed assessment of this strategic roadmap appears in the Annual Financial Report of December 31, 2019, released February 11, 2020 to which the reader is referred.

Dividend maintained at €0.40 per share

The Board of Directors will propose to the Combined Shareholders' Meeting of April 30, 2020 to maintain the dividend at €0.40 per share in respect of FY 2019. This dividend would represent a payout ratio of 44% of consolidated net income and a yield of 1.8% based on the December 31, 2019 closing share price.

A new strategic roadmap for 2020-2022

A long-term vision

Throughout the world, Lectra customers in the fashion, automotive and furniture markets are faced with both changes in their environment and in consumer behavior, as buyers reveal new expectations in terms of experience and personalization, and demand ever greater transparency, authenticity and ethical commitment from all actors in the value chain.

In addition, Industry 4.0 calls for a new approach to organizing production plants based on communication across a configuration of increasingly flexible players and production tools, while optimizing the use of available resources.

Launched in 2017, the Lectra 4.0 strategy, which aims to position the Group as a key Industry 4.0 player in its market sectors between now and 2030, is built on four pillars:

- Premium positioning;
- Focus on three strategic market sectors – fashion, automotive, and furniture;
- Integration of customers into the heart of the Group's activities;

- The gradual market launch of new 4.0 services that will combine data analysis, Lectra's expertise and artificial intelligence.

Acceleration towards Industry 4.0

Lectra will continue to implement its strategy over the next three years. As anticipated back in 2017, the objective of the Group is to capture the full potential of its new offers for Industry 4.0, while delivering sustainable, profitable business growth. To achieve this objective, the Group has set four strategic priorities.

First, accelerate organic growth. Lectra will reinforce simultaneously its prospecting actions in order to increase its market shares, and its sales actions aimed at introducing new product lines to existing customers in order to generate higher revenues per customer. The Group will also strive to seize every opportunity in its markets, in particular the transformation of the Chinese ecosystem, the automation of leather cutting in the automotive and furniture sectors and the rise in airbag production.

Second, strengthen customer relations. The Group will review its activities with a focus on how its solutions are actually used, in order to anticipate customers' expectations and personalize their interactions with Lectra. In particular, the Group will progressively deploy Customer Success teams country by country in order to optimize customers' performance.

Third, extend the offers for Industry 4.0. These offers, whether in new product lines or as additions to existing software and equipment, present strong growth potential for Lectra.

Fourth, develop new areas for growth. Continuing on from the previous roadmap, the Group plans to intensify its targeted acquisitions and will promote open innovation, particularly by increasing partnerships.

Sustainable, profitable growth

To ensure sustainable growth in an uncertain macroeconomic and geopolitical environment, the Group's ambition is to increase recurring revenues by 20% in three years. Recurring revenues should then account for over 60% of the Group's total revenues in 2022, with the following objectives:

- Revenues from software sold in SaaS mode to exceed 13 million euros;
- 4% annual growth in revenues from CAD/CAM and PLM software maintenance contracts, and equipment and accompanying software maintenance contracts;
- 5% annual growth in revenues from consumables and parts.

The Group will use the growth in margin generated by recurring revenues to finance its development, particularly through strong investment in R&D, and reinforcement of its sales and services teams. The security ratio will therefore be maintained at 90% – the 2019 level – during the 2020-2022 period, with continuing strict controls over the increase in fixed overhead costs.

The Group has set itself the objective of maintaining its dividend payment policy with dividends that over the roadmap period should represent a payout ratio of 40% to 50% of net income (excluding non-recurring items).

Lectra will use its available cash to finance future targeted acquisitions. In the case of major acquisitions or opportunities available under the right conditions, the Group could take on debt equivalent to half its shareholders' equity.

2020 outlook

Lectra entered 2020 with a particularly robust balance sheet and operating fundamentals, and an enhanced offer of products and services, now available worldwide, enabling its customers to implement the principles of Industry 4.0.

Impact of the sale of software on a subscription basis

The Group has decided to sell its new software exclusively in SaaS mode and the volume of software sold on a subscription basis should continue to increase in 2020.

This change in sales model will have a positive impact on the Company's revenues and income from operations in the medium term. However, it will have a negative impact on the Group's results for 2020, reducing revenues and operating margin by 1 to 2 percentage points, compared to the levels that would be booked if 2020 SaaS sales were in the form of perpetual licenses along with their associated maintenance contracts.

An uncertain macroeconomic and geopolitical environment, recently aggravated by the coronavirus epidemic

The year ahead is still fraught with unpredictability in light of persisting uncertainty regarding geopolitical factors and the slowdown in the automotive sector, which could continue to weigh on businesses' investment decisions.

The coronavirus epidemic, whose impact on the business of the Group and its customers is difficult to assess at this time, is an additional major source of uncertainty.

Therefore, until visibility improves, the Company has decided, at this stage, not to formulate estimates for the year.

The Company remains confident in its medium-term growth prospects

The new products launched in 2018 and 2019 and those that will be released in subsequent years should make an ever-increasing contribution to this growth.

Bolstered by the strength of its business model and a new roadmap fully geared to the demands of Industry 4.0, the Group 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 Q4 and the fiscal year 2019 are available on lectra.com. First quarter earnings for 2020 will be published on April 29, 2020. The Combined Annual Shareholders' Meeting will take place on April 30, 2020.

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 and manufacturers 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 close to 1,800 employees, Lectra reported revenues of 280 million euros in 2019. Lectra is listed on Euronext (LSS).

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