Atos

Press Release

Market update

- Atos announces the parameters of its refinancing framework, based on its full business perimeter of Tech Foundations and Eviden:
  - €600 million of cash needed to fund the business over the 2024-25 period. Funds to be provided in the form of debt and/or equity by existing stakeholders or third-party investors
  - €300 million in new revolving credit facility and €300 million in additional bank guarantee lines
  - Targeting BB credit profile by 2026, which assumes a financial leverage[1] below 3x by year-end 2025 and below 2x by year-end 2026 and implies a gross debt reduction of €2.4 billion
  - Remaining debt maturities extended by 5 years

- Existing stakeholders of Atos SE and third-party investors can submit financing proposals including new money by April 26, 2024. Given the Group's needs, a global refinancing agreement will trigger significant dilution of existing shareholders.

- Targeting to reach a refinancing agreement with financial creditors by July 2024

- Agreement in-principle with a group of banks, a group of bondholders and the French State on interim financing of €450 million for additional liquidity until refinancing agreement is reached

- Refinancing framework based on a new long-range business plan, with the following assumptions:
  - For 2024: revenue of circa €9.9 billion, with organic revenue evolution at circa -2%; operating margin at circa 4% and free cash flow of €-0.4 billion before the unwinding of about €1.8 billion working capital actions as of December 2023
  - In 2027: revenue of approximately €11.4bn, with an operating margin of around 10% and free cash flow of about €0.5 billion

[1] Ratio net debt pre-IFRS16 over EBITDA pre-IFR16; EBITDA computed as OMDA pre-IFRS16 minus anticipated RRI (restructuring, rationalization, interagtion) costs and Other changes

Paris, France – April 9, 2024 - Further to its press release dated April 2, 2024, and as part of the discussions initiated by Atos SE with its financial creditors under the *aegis* of the conciliator appointed on March 25, 2024, Atos SE presented its updated business plan and the parameters of its refinancing framework to its financial creditors on Monday April 8, 2024.

2024-2027 business plan of the Atos Group

Atos SE provided key strategic and prospective financial information about the Group's 2024-2027 business plan, the details of which can be found on the Company's website[2].

The 2024-2027 business plan has been analyzed by the independent consulting firm Accuracy.

Key highlights 2024[3]

The Group 2024 revenue of €9.9 billion represents an organic revenue evolution of circa -2% compared with 2023:

- Eviden revenue of €5.0 billion represents an organic growth of about +2%, reflecting the current market slowdown notably in Americas and the uncertainty facing the Group, with Digital revenue of €3.5 billion and BDS revenue of €1.6 billion.
- Tech Foundations revenue of €4.9 billion represents an approximately -6% organic decline, reflecting the impact of the financial situation of the Company on its sales momentum, which may include a slow-down of contract renewals and new client acquisitions, as well as potential termination or rescoping of existing contracts. The revenue decline also reflects the deliberate reduction of non-core activities such as Business Process Outsourcing (BPO) and Value-Added Resell (VAR).

Operating margin of €0.4 billion or 4.3% of revenue:

- Eviden operating margin of €0.3 billion represents 6.0% of revenue, a slight improvement compared with 2023 pro forma and consisting in Digital operating margin at €0.2 billion and BDS operating margin at €0.1 billion.
- Tech Foundations operating margin rate of €0.1 billion represents 2.5% of revenue, slightly below 2023 pro forma, reflecting the impact of lower revenues.

Free cash flow after interest and taxes of €-0.4 billion excludes the full unwind of the working capital actions of circa €1.8 billion, as of December 31, 2023, which will be covered from cash on the balance sheet.

Free cash flow after interest and taxes for 2024 based on the Accuracy analysis is expected to be €-0.6 billion.

[2] Investors - Atos

[3] Please refer to the disclaimer of this press release

Key highlights 2027[4]

The Group's revenue of €11.4 billion in 2027 represents a revenue CAGR[5] of +3.1% over the 2023PF[6] - 2027 period, in line with the market and reflects a recovery in commercial activities starting from the end of 2024.

- Eviden's revenue of €6.6 billion in 2027 represents a revenue CAGR of +7.8% over the 2023PF - 2027 period reflecting notably:
  - Strong market demand for generative AI solutions and cloud HPC computing capabilities;
  - Increased demand, including for AI-powered cyber offerings, due to regulatory compliance and greater cyber threat intensity;
  - Growth from indirect channels and marketplace for SaaS sales;
  - Demand driven by continued cloud adoption and hyperscaler platform consumption;
  - New controlled, trusted or sovereign cloud offerings boosted by increasing regulatory compliance and data security focus;
  - Accelerated demand for digital transformation;
  - New industry solutions powered by generative AI and big data analytics;
  - Digital revenue growth of 5.9% CAGR and BDS growth of 12.0% CAGR.

- Tech Foundations' revenue of €4.8 billion in 2027 represents a revenue CAGR of -1.9% over the 2023PF - 2027 period.
  - Negative organic growth in 2024 and 2025 with a turnaround from 2026 onwards;
  - Redefined core portfolio addressing key customer priorities, including sustainability, and capitalizing on market trends such as distributed workforce post-Covid, fast move to multi-cloud and hybrid configurations, and heightened importance of sovereign cloud and AI.

[4] Please refer to the disclaimer of this press release
[5] CAGR : Compound annual growth rate
[6] PF : Pro forma

The Group’s operating margin of €1.2 billion in 2027 represents 10.3% of revenue.

- Eviden operating margin of €0.8 billion in 2027 represents 12.1% of revenue benefitting from following levers:
  - Shift to higher-margin activities, including generative AI solutions, digital cyber offerings and technology consulting;
  - Increased share of subscription and maintenance revenue;
  - Value based pricing, particularly on generative AI platforms, sovereign cloud capabilities and IP differentiated offerings;
  - Improvement in workforce management, with labor pyramid optimization, best-shore delivery model and span of control optimization;
  - Productivity improvements driven by notably to higher utilization and billability of resources, reduction of indirect support costs and tighter supply chain management;
  - Digital operating margin of €0.5 billion represents 12.2% of revenue and BDS operating margin of €0.3 billion represents 12.0% of revenue.

- Tech Foundations operating margin of €0.4 billion in 2027 represents 7.8% of revenue, with profitability improvement coming from:
  - Delivery modernization, including restructuring in high-cost locations and data-driven autonomous operations;
  - Turnover of under-performing accounts and deployment of AI-based contract management;
  - Supplier consolidation and renegotiation;
  - Rationalization of SG&A, including increased self-service and automations.

Free cash flow after interests and taxes of €0.5 billion in 2027 reflects a €0.9 billion improvement compared with 2024 from:

- €0.7 billion operating margin improvement;
- €0.3 billion reduction in capex;
- €-0.2 billion negative contribution from change in working capital requirements;
- €0.2 billion reduction in cash out related to other operating expenses, acquisition and separation costs;
- €0.1 increase in interests and taxes.

Group Free cash flow after interest and taxes based on Accuracy analysis is €0.3 billion in 2027.

The evolution of the Group's revenue, operating margin, and free cash flow is summarized in the table below:

in € millions	2023PF	2024E	2025E	2026E	2027E
External revenue	10,093	9,900	10,182	10,817	11,420
Growth (%)		*-1.9%*	*2.8%*	*6.2%*	*5.6%*
Operating margin	416	427	639	930	1,176
OM%	*4.1%*	*4.3%*	*6.3%*	*8.6%*	*10.3%*
OMDA pre-IFRS 16		754	1,102	1,209	1,455
OMDA %		*7.6%*	*10.8%*	*11.2%*	*12.7%*
Free cash flow after interest and taxes		-391	-202	405	504

Free cash flow may vary based on interest expense related to the new refinancing solution. Please refer to the disclaimer in this press release.

Parameters of Atos' refinancing framework

As indicated in its press release of March 26th, 2024, Atos SE has entered into an amicable conciliation procedure in order to frame discussions with its financial creditors. This is to facilitate the emergence of a global agreement regarding the restructuring of its financial debt within a short and limited timeframe of four months, which could be further extended by one month if needed.

In this context, Atos SE presented on Monday April 8, 2024 to its financial creditors the Company's key parameters of its refinancing framework, which included:

- €600 million of cash needed to fund the business over the 2024-25 period. Funds to be provided in the form of debt and/or equity by existing stakeholders or third party investors;
- €300m revolving credit facility, and €300m of guarantee lines;
- Targeting a BB credit profile by 2026, which implies a financial leverage[7] below 3x by year-end 2025 and below 2x by year-end 2026 and a gross debt reduction of €2.4 billion;
- A 5-year maturity extension for the residual financial debt.

[7] ratio net debt pre-IFRS16 over EBITDA pre-IFR16; EBITDA computed as OMDA pre-IFRS16 minus anticipated RRI costs and Other changes

These parameters are based on the Group's current perimeter, which includes the assets of Eviden and Tech Foundations without taking into account the impact of any potential asset disposals.

These parameters act as guidelines for all interested parties who will ultimately present their proposals to the company and the conciliator.

The Group's refinancing framework aims to achieve the following objectives:

- To protect the social interest of the Company, including its employees, clients, suppliers, shareholders, and other stakeholders and preserve the strategic interests of the French State
- Secure operational stability:
  - Ensure business continuity of the Group and its long-term sustainability;
  - Reassure clients, employees and suppliers on Atos' counterparty credit worthiness;
- Ensure ample liquidity to execute the Group's business plan:
  - Provide adequate time to implement Atos' strategic plan and deliver results;
  - Have a fully funded business plan over the 2024-2027 period;
- Establish a sustainable capital structure:
  - Align capital structure with Company's future cash flow generation;
  - Implement a debt structure that will support future successful refinancing;
- Regain a BB credit rating profile by 2026:
  - Consistent with Atos' quality of assets;
  - Enhance access to capital markets.

The main figures of Atos' financial debt and the coming maturities of Atos SE's borrowings are detailed in Appendix 1 of this press release and in the presentation.

Interim financing

Atos has reached an agreement in principle with a group of banks and a group of bondholders regarding an interim financing in the amount of €400 million, consisting of:

- €300 million factoring facility provided by the banks;
- €100 million revolving credit facility provided by the bondholders.

In addition, provided the Group's financing banks grant a waiver, the French State has agreed in principle to extend a €50 million loan through the FDES (Fonds de Développement Economique et Social) to a subsidiary of Atos, Bull SA, which controls sovereign sensitive activities. This loan shall be reimbursed in full at the closing of the refinancing.

Atos will commit, in return, to sign an agreement at the level of Bull SA for the benefit of the French State which together with the issuance of a preferred share (*action de préférence*) by Bull SA will give the French State protection rights on such sovereign sensitive activities, under a legal documentation to be finalized. This agreement in principle provides for a right for the French State to purchase sovereign sensitive activities if a third-party has acquired 10% or a multiple of 10% of Atos' share capital or voting rights and Atos and the French State have not reached a reasonable agreement on how to protect national interests in relation to these sovereign sensitive activities (without prejudice to the application of the French FDI regime). It also provides for governance rights for the French State at the level of Bull SA (with no voting rights at this stage).

With these new facilities, Atos believes it has adequate liquidity until its long-term refinancing plan is set up.

Next steps and refinancing discussions' process

Existing stakeholders of Atos SE and third-party investors can submit proposals for new money by April 26, 2024 in order to allow a global agreement on the new capital structure of the Company to be finalized by July 2024.

Atos will evaluate all proposals, under the aegis of the conciliator Maître Hélène Bourbouloux in the best corporate interest of the Company including its employees, clients, suppliers, shareholders, and other stakeholders, while maintaining an attractive business mix. Atos will also take into consideration the sovereign imperatives of the French state.

Atos will inform the market in due course of the progress of the refinancing discussions, which will result in a change in its capital structure arising from a final global refinancing agreement, including the potential issuance of new equity which will result in a dilution of the existing shareholders.

Shareholders and financial creditors will be consulted in compliance with French legal requirements.

*

Atos SE confirms that information that could be qualified as inside information within the meaning of Regulation No. 596/2014 of 16 April 2014 on market abuse and that may have been given on a confidential basis to its financial creditors in the context of the presentation held on Monday April 8, 2024 has been published to the market, either in the past or in the context of this press release, with the aim of re-establishing equal access to information relating to the Atos Group between the investors.

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Conference call

Atos' Management invites you to an international conference call on **Tuesday, April 9, 2024 at 08:00 am (CET – Paris)**.

You can join the **webcast** of the conference:

- via the following link: https://edge.media-server.com/mmc/p/r4mhigey
- by telephone with the dial-in, 10 minutes prior the starting time. Please note that if you want to join the webcast by telephone, **you must register in advance of the conference** using the following link:

  https://register.vevent.com/register/BIbb8cac21bc124265adae510d10eeb672

  Upon registration, you will be provided with Participant Dial In Numbers, a Direct Event Passcode and a unique Registrant ID.

  During the 10 minutes prior to the beginning of the call, you will need to use the conference access information provided in the email received upon registration.

After the conference, a replay of the webcast will be available on atos.net, in the Investors section.

Appendix 1

The debt structure of the Group as of 31 December 2023, taking into account drawings on the remaining available RCF (drawn in January 2024) is as follows:

Debt Structure as of 31 Dec. 2023, Pro Forma(1)		
€ in million	Maturity	Outstanding
Term Loan A	Jan-25	1,500
RCF	Nov-25	900
Bank loans		**2,400**
Sustainability linked Bond 1%	Nov-29	800
OEB zero coupon	Nov-24	500
Senior Bond 1.75%	May-25	750
Senior Bond 2.5%	Nov-28	350
NEU MTN	Apr-26	50
Bonds & mid-term notes		**2,450**
Other debt		85
Total debt		**4,935**

(1) Pro Forma €320M RCF draw and maturity extension of Term Loan A to January 2025
(2) Excluding accrued interest on LT Borrowing

Note: the €1.5 billion term loan A, maturing in July 2024, provides for another 6-month extension option until January 2025 available to Atos SE under standard conditions (notably no event of default and payment of an extension fee); it should be noted that under French law, any events of defaults triggered by the opening of *mandat ad hoc* or *conciliation* proceedings are considered void.

The debt principal schedule of the Group from 31 December 2023, taking into account drawings the remaining available RCF and assuming TLA second extension option exercised would be as follows:

Maturity Profile of Gross Debt as of 31 Dec. 2023, Pro Forma(1)

€ in million, FYE Dec.	H1-24	H2-24	H1-25	H2-25	2026	2027	2028	2029
Term Loan A	-	-	1,500	-	-	-	-	-
RCF	-	-	-	900	-	-	-	-
Bank loans	**-**	**-**	**1,500**	**900**	**-**	**-**	**-**	**-**
Bonds	-	500	750	-	-	-	350	800
MTN	-	-	-	-	50	-	-	-
Bonds & mid-term notes	**-**	**500**	**750**	**-**	**50**	**-**	**350**	**800**
Total debt	**-**	**500**	**2,250**	**900**	**50**	**-**	**350**	**800**

(1) Pro Forma €320M RCF draw and maturity extension of Term Loan A to January 2025

Appendix 2 : expected guarantee needs

€ million, FYE Dec.	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-26**	**Dec-27**
Guarantees beginning of period	**504**	**573**	**407**	**453**	**562**
New lines	280	164	226	214	199
Releases	(211)	(330)	(180)	(105)	(114)
Outstanding end of period	**573**	**407**	**453**	**562**	**647**

Appendix 3: FY23 actual – FY23 proforma revenue and operating margin reconciliation

The tables below present the reconciliation between the FY 2023 actual revenue and operating margin and the 2023 pro forma revenue and operating margin, for the Group, Eviden, Tech Foundations and the two components of Eviden, Digital and BDS. Elements in reconciliation correspond to businesses disposed in 2023.

(in € million)

External revenue	**2023 Actuals**	**Scope effects**	**2023 PF**
Digital	*3,630*	*-154*	*3,476*
BDS	*1,459*	*-21*	*1,438*
Sub-total Eviden	5,089	-175	4,914
Tech Foundations	5,604	-425	5,179
Total Group	**10,693**	**-600**	**10,093**

Operating margin	**2023 Actuals**	**Scope effects**	**2023 PF**
Digital	*257*	*-23*	*234*
BDS	*38*	*-2*	*36*
Sub-total Eviden	295	-25	270
Tech Foundations	172	-25	147
Total Group	**467**	**-50**	**417**

Appendix 4: Free cash flow reconciliations

	In € billions
Reported 2023 Free cash flow	-1.1
Less: working capital actions	-1.8
Free cash flow assuming no working capital actions	-2.9

2024E free cash flow before the unwinding of working capital actions	-0.4
Unwinding of the working capital actions	-1.8
2024E free cash flow after the unwinding of working capital actions	-2.2

Disclaimer

This document contains forward-looking statements that involve risks and uncertainties, including references, concerning the Group's expected growth and profitability in the future which may significantly impact the expected performance indicated in the forward-looking statements. These risks and uncertainties are linked to factors out of the control of the Company and not precisely estimated, such as market conditions or competitor's behaviors. Any forward-looking statements made in this document are statements about Atos's beliefs and expectations and should be evaluated as such. Forward-looking statements include statements that may relate to Atos's plans, objectives, strategies, goals, future events, future revenues or synergies, or performance, and other information that is not historical information. Actual events or results may differ from those described in this document due to a number of risks and uncertainties that are described within the 2022 Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on April 21st, 2023 under the registration number D.23-0321 and within the 2023 Consolidated financial statements published by Atos SE on March 26, 2024. Atos does not undertake, and specifically disclaims, any obligation or responsibility to update or amend any of the information above except as otherwise required by law. This document does not contain or constitute an offer of Atos's shares for sale or an invitation or inducement to invest in Atos's shares in France, the United States of America or any other jurisdiction.

This document includes information on specific transactions that shall be considered as projects only. In particular, any decision relating to the information or projects mentioned in this document and their terms and conditions will only be made after the ongoing in-depth analysis considering tax, legal, operational, finance, HR and all other relevant aspects have been completed and will be subject to general market conditions and other customary conditions, including governance bodies and shareholders' approval as well as appropriate processes with the relevant employee representative bodies in accordance with applicable laws.

About Atos

Atos is a global leader in digital transformation with c. 95,000 employees and annual revenue of c. € 11 billion. European number one in cybersecurity, cloud and high-performance computing, the Group provides tailored end-to-end solutions for all industries in 69 countries. A pioneer in decarbonization services and products, Atos is committed to a secure and decarbonized digital for its clients. Atos is a SE (Societas Europaea), and listed on Euronext Paris.

The purpose of Atos is to help design the future of the information space. Its expertise and services support the development of knowledge, education and research in a multicultural approach and contribute to the development of scientific and technological excellence. Across the world, the Group enables its customers and employees, and members of societies at large to live, work and develop sustainably, in a safe and secure information space.

Contacts

Investor relations : David Pierre-Kahn | investors@atos.net | +33 6 28 51 45 96

Individual shareholders : 0805 65 00 75

Press contact : globalprteam@atos.net