

Full year 2023 results: current EBITDA above 20%, strong cash generation in the second semester

Key elements of the year 2023

Exail Technologies achieved a good performance in 2023. The second semester showed a notable improvement: more revenue growth, more order intake, and a strong operational cash generation (+59 M€). The company has thus initiated its deleveraging, visible through the decrease in the net debt to current EBITDA ratio at the end of the year.

The year 2023 confirmed the interest in the acquisition of iXblue, which exceeded expectations for its first full year. The former iXblue activities recorded a +20% revenue growth and the trend is accelerating for sales of navigation and positioning systems (+27% order intake in 2023). The increase in orders for inertial units is particularly notable in naval defense applications, but the company is also making headway in the land defense domain.

In the field of underwater mine clearance, Exail Technologies has been facing particularly intense commercial activity since mid-2023. After the years 2021 and 2022 without significant tender results, many navies are advancing simultaneously. Positioned as a leader in demining solutions with drones, Exail is consistently solicited. The company has also won its first program in the Middle East at the end of 2023 against major competing defense groups. The Group is expecting further progress, in the short or medium term by 2024, regarding several particularly significant programs.

In this context, Exail Technologies chooses to respond to all opportunities. Beyond the significant increase in costs for responding to calls for tenders, this choice results in a particularly heavy workload for the technical teams. This workload temporarily creates a disruption in the allocation of resources, penalizing profitability. The Navigation & Maritime Robotics segment thus generated a current EBITDA margin of 22% in 2023, below expectations for the second half. This situation is expected to continue for at least the first 6 months of the year 2024. However, Exail Technologies aims at an absolute growth in its current EBITDA in 2024.

Income statement 2023

Application of IFRS 3R standard and restatement of previous year's financial information.

The IFRS 3R - Business Combinations standard provides that the finalization of the fair value assessment of acquired assets and liabilities must be subject to retrospective modifications as if the modifications had been made at the date of entry into the scope. As part of the acquisition of iXblue, which entered the scope on October 1, 2022, the valuations that had been carried out in 2022 were provisional and were finalized in 2023. Therefore, the 2022 accounts were modified to incorporate the completion of this work.

The intangible assets related to technology and customer relationships have been revalued upwards to €250 million (+ €210 million). These assets are amortizable. As a result, the residual goodwill has decreased and is now €126 million. Consequently, Exail Technologies records an amortization of intangible assets recognized at fair value of €18 million in 2023 in the "Other operating income and expenses" line. This level of amortization will continue in the coming years.

Furthermore, in terms of the balance sheet, the Group has changed the method of accounting for commitments to purchase minority interests. An explanation of this change, which has no impact on the results, is available in the appendix of this press release.

The last sale of the activities of the former Engineering & Protection Systems division was completed at the end of the first quarter of 2023. This operation generated a receipt of €30 million for Exail Technologies, and the capital gain is fully recognized in the accounts of the first half of the year. The ISP division was already no longer contributing to the 2022 income statement, except for the line item of results from discontinued operations (application of IFRS 5 standard).

<i>(in €million)</i>	FY 2023	FY 2022 equivalent scope ¹	FY 2022 restated ²	Var M€ (2023 vs 2022 equiv)	Var. %
Backlog at the end of the period	630,2	628,3	628,3	+1,9	+0%
Revenues	322,8	278,2	180,1	44,7	+16%
Current EBITDA³	65,1	60,5	38,8	4,5	+7%
<i>Current EBITDA margin (%)</i>	<i>20,2%</i>	<i>21,8%</i>	<i>21,6%</i>	<i>-1,6 pts</i>	-
Income from ordinary activities³	39,9	37,0	22,9	2,9	+8%
Other elements of operating income	-32,7	-24,9	-21,8	-7,8	+31%
Operating income	7,2	12,2	1,1	-4,9	-40%
Net financial debt cost	-25,2	-23,8	-8,4	-1,4	+6%
Other financial charges and income	-1,1	4,3	3,5	-5,5	<i>n.a</i>
Tax	-0,1	1,7	-6,6	-1,7	<i>n.a</i>
Net income from discontinued activities	31,4	0,9	0,9	30,4	<i>n.a</i>
Consolidated Net income	12,3	-4,7	-9,5	16,9	<i>n.a</i>
Net income in group share	15,9	na	-8,1	na	<i>n.a</i>

¹The 2022 figures on a like-for-like basis include IXBLUE as if its acquisition had been completed on January 1, 2022. Normative adjustments are applied: neutralization of acquisition costs, normalization of interest expense based on its structure at the acquisition date, neutralization of the negative impact of the change in scope on Exail Technologies' deferred taxes, and recognition of amortization of intangible assets recognized at fair value as if the asset valuation had been carried out as of January 1, 2022. These 2022 figures are provided for indicative purposes only and are not in compliance with IFRS standards.

² Income statement 2022 under IFRS, incorporating IXBLUE for 3 months starting from October 1st, 2022. This income statement has been subject to retrospective modifications in accordance with IFRS 3 standard.

³ See the glossary in the appendix for definitions of alternative performance indicators.

€323 million in revenue in 2023

Exail Technologies achieved a revenue growth of +16% in 2023, mainly driven by the Navigation & Maritime Robotics segment (€245 M).

Navigation & Maritime Robotics segment: significant progress, especially in defense applications

The revenues of the Navigation & Maritime Robotics segment increased by +16% in 2023, including +21% in the fourth quarter of 2023. This segment includes the group's two main vertically integrated activities: the sale of navigation and positioning systems and the marketing of drones and autonomous drone systems for maritime applications. The revenue growth is driven by three important growth drivers:

- **The progress of major ongoing defense programs**, including programs to combat underwater mines. The contribution of the program to the Belgian and Dutch navies is approximately €55 million (+€10 million compared to 2022, in line with the order book flow plan).
- **The growth of navigation systems**, particularly in the maritime domain, with an increasing number of units delivered. The naval defense sector has been particularly strong this year, and the civilian maritime sector remains dynamic.
- The breakthrough in booming civilian applications through differentiated solutions, **such as underwater drone mapping**, notably with our surface drone DriX.

Advanced Technologies Segment: strong demand translates into record deliveries

The components and products of this segment are sold directly to third parties or integrated into the Navigation & Maritime Robotics segment systems. The ramp-up in production pace of this segment continues and has been able to meet the significant deliveries of the year, both for internal needs and for external customers. As a result, revenues for this segment are increasing by +19%.

The highly diversified customer base includes many leading players in lasers, telecommunications, aerospace, space, defense, and quantum, who rely on Exail as a strategic and recurring supplier.

More details on the 2023 revenues are available in the dedicated press release published on February 26, 2024 ([link to the press release](#)).

Financial results at a good level

Operating result by segment⁴

<i>(in €million)</i>		FY 2023	FY 2022 equivalent scope⁵	Var M€	Var. %
Navigation & Maritime Robotics	Revenues	245,3	210,9	+34	+16%
	Current EBITDA	53,3	-	-	-
	<i>Current EBITDA margin (%)</i>	21,7%	-	-	-
	Income form ordinary activities	37,7	-	-	-
Advanced technologies	Revenues	84,9	71,3	+14	+19%
	Current EBITDA	14,3	-	-	-
	<i>Current EBITDA margin (%)</i>	16,9%	-	-	-
	Income form ordinary activities	9,3	-	-	-

A current EBITDA margin of 20%

Exail Technologies achieved €65 million in current EBITDA in 2023, with a strong contribution from the Navigation & Maritime Robotics segment. This segment generated a 22% current EBITDA margin, which was below the group's targets in the second half of 2023. The intense commercial activity is temporarily weighing on the profitability of ongoing programs and leading to high costs of participating in tenders (€4 M in 2023 for the group, a record level). This factor mainly explains the 1,6 point decrease in the current EBITDA margin rate between 2023 and 2022 at a comparable scope.

The Advanced Technologies segment achieved a current EBITDA margin of 17%. It includes high-profit activities such as optical fibers for laser applications, and growing activities (such as ground drones and certain quantum instruments) that did not contribute to the group's profitability this year. The profitability of this division also suffered from weak sales of autonomous drones for the logistics sector (AMR). The group has decided to stop this activity due to its much slower development than expected.

⁴ The sum of the aggregates of the two divisions must be completed with intra-group eliminations and structure to obtain the consolidated result presented above. The details of these elements will be available in the 2023 annual report.

⁵ The company is unable to provide the profit and loss account by segment for the year 2022 on a comparable basis due to the complexity and time that would have been required to retrospectively rebuild the various aggregates.

An operating result of €7 million

Depreciation and provisions amounted to €25 million in 2023, a stable level compared to the previous year. The operating profit thus stands at €40 million.

Other elements of the operating result represent a charge of €33 million, mainly without impact on cash flow. They include:

- €18 million in amortization of assets recognized at fair value in accordance with IFRS 3R (see the dedicated paragraph on this subject earlier in this press release).
- €8 million related to incentive and retention plans for employees implemented by iXblue (renamed EXAIL) before its acquisition by the group, plans implemented for management since the acquisition, and the latest costs related to the acquisition of iXblue.
- €5 million comes from the decrease in the value of Prodways Group⁶ shares. Almost all of the Prodways Group shares still held by the group were distributed to shareholders in June 2023.

As a result, the Group's operating result stands at €7 million.

Cost of financial debt : €25 million with partial effect on cash-flow

The net cost of financial debt amounts to €25 million in 2023, an increase due to the acquisition of iXblue finalized in September 2022. A significant portion of the interest expenses - the interest on bonds issued to ICG - is capitalized and therefore has no effect on cash flow. This amount represents €11 million in 2023.

Disbursements related to debt interest represent just over half of the expense shown in the income statement. They are increasing compared to 2022 at a comparable scope due to the rise in interest rates. These costs are expected to decrease in the coming years with the gradual deleveraging of the company.

Other financial income and expenses amount to -€1 million compared to +€4 million in 2022. They included in 2022 a gain recognized on the fair value of hedging instruments.

Cash generation: a significant improvement in the second half of 2023

Exail Technologies generated an operational cash flow of +56 million euros in 2023, with a strong increase in the second half (+59 million euros). This result is mainly due to a significant improvement in the working capital requirement in the second half of the year, linked mainly to the seasonal billing milestones of the Belgian-Dutch program. The working capital requirement remained stable throughout the year 2023.

⁶ On June 21, 2023, Exail Technologies distributed the balance of its Prodways Group shares to Exail Technologies shareholders (only 216,440 shares now remain in assets). These shares were valued at their market price in the financial statements, and a loss was recognized due to the fall in Prodways Group's share price since December 31, 2022.

Capex amounted to 32 million euros, mainly including investments in R&D (for 22 million euros), as well as investments in certain production tools. This level is relatively stable compared to the evolution of the turnover.

Furthermore, Exail Technologies generated +9 million euros in cash, mainly through the sale of a real estate asset and two major operations: the group sold the ISP division in the first half of 2023; this product was used in July 2023 to acquire 5% of the subsidiary EXAIL Holding for 24.5 million euros (more details on this operation are available in the press release of July 26, 2023).

Financial structure by the end of 2023: debt reduction underway

The acquisition of iXblue was made possible without Exail Technologies raising capital, thanks to leverage created at the EXAIL HOLDING subsidiary level. This financial structure offers significant potential for value creation, due to the amplification of the group's growth effects through financial leverage. The operation was financed by bank loans, for €185 million, and instruments (equity and bonds) subscribed by partner ICG for €231 million. The bonds have no impact on cash flow until ICG exits (capitalized interest).

The group's profitability allows it to easily meet its bank covenants by the end of 2023.

The group's adjusted net debt³, excluding ICG bonds, decreased in 2023. It stands at €174 million compared to €184 million a year ago. The group's net debt to current EBITDA ratio is therefore significantly lower, from 3.0x to 2.7x over one year (on a comparable basis).

Outlook

€324 million in order intake by 2023, growing by +14%

The Navigation & Maritime Robotics segment is the driving force behind this year's orders, with €244 million in new contracts, up +24% from last year on a comparable basis.

This performance is primarily driven by a significant increase in orders for navigation systems, totaling €144 million in 2023 (+27%). This is the result of commercial successes in all application areas:

- Many important naval defense contracts, such as the modernization of the US Coast Guard fleet or the equipment of the future anti-submarine frigates of the Netherlands;
- Record orders in civil maritime, both for maritime transport and for operations at sea, by boats or drones;
- The development of terrestrial and space applications, notably with the successful launch of the new Astrix-New space model for satellite constellations.

In maritime robotics, order intakes reached €100 million with a notable success at the end of 2023, the result of long and intense commercial efforts: following an international tender for a Defense application, Exail Technologies signed a €28 million contract to provide a drone system to the United Arab Emirates Navy.

In the field of naval defense, the group also recorded €63 million in additional orders from existing customers, such as the Belgian Navy. Sales of drones for civilian applications have increased this year, particularly with the DriX drone dedicated to surveying.

The Advanced Technologies segment recorded €79 million in external orders in 2023, achieving a good performance. Half of these orders are generated by sales of advanced optical and quantum components to a diversified customer base. The other half includes critical equipment for civil aviation (such as distress beacons).

Compared to 2022 on a comparable basis, the level of order intake is €9 million lower due to an exceptionally large contract for this segment (around €20 million) that was signed in December 2022.

The order book at the end of 2023 stands at €630 million, which is nearly two years of revenue.

Growing and well-oriented markets, particularly in defense

The annual defense spending growth of NATO member countries reached +10% in 2023, with +21% for European countries. Among these significant increases, the share of budgets dedicated to the development of autonomous naval solutions is also increasing. The United States is at the forefront of this trend, with Task Force 59 specializing in unmanned capabilities. Deployed in the Middle East, it monitors 2.5 million square miles and has conducted over 60,000 hours of drone operations. France, in its new Military Programming Law, explicitly plans for autonomous solutions for underwater demining and deep surveillance capabilities.

For the year 2024, Exail Technologies indicates three major trends:

1. The progress of the program for the Belgian and Dutch navies suggests stable activity in 2024. The growth of the Navigation & Maritime Robotics segment will therefore be driven by Navigation, which is expected to grow by more than 15%. The Advanced Technologies segment should also grow by more than 15%.

For the entire 2024 fiscal year, Exail Technologies **aims for double-digit revenue growth.**

2. As explained in the introduction of this press release, temporary disruptions induced by intense commercial context are expected to continue for at least the first 6 months of the fiscal year. However, **Exail Technologies aims at an absolute growth in its current EBITDA in 2024.**
3. **Several important tenders are currently being negotiated.** The Group is expecting further progress, in the short or medium term by 2024, regarding a few of them.



About Exail Technologies

Exail Technologies is the new name of Groupe Gorgé, adopted after the transformation of the group at the end of 2022, now focused on the activities of its subsidiary Exail. Exail Technologies is an industrial company specializing in high technology in the field of autonomous robotics with a vertical integration of its businesses. The group offers complex drone and navigation systems, as well as products for the aerospace and photonics industries. Exail Technologies provides performance, reliability and safety to its civil and military customers operating in harsh environments and generates revenues in nearly 80 countries.

Exail technologies is listed on Euronext Paris Compartment B (EXA).
www.exail-technologies.com

Contacts

Investors relations

Hugo Soussan
Tel. +33 (0)1 44 77 94 86
h.soussan@exail-technologies.com

Anne-Pauline Petureau
Tel. +33 (0)1 53 67 36 72
apetureau@actus.fr

Media relations

Manon Clairet
Tél. +33 (0)1 53 67 36 73
mclairret@actus.fr

APPENDIX

Definitions of alternative performance indicators

- **Current EBITDA** : Operating income before “depreciation, amortization and provisions”, “other items of operating income” and “Group share of the earnings of affiliated companies”.
- **Income from ordinary activities** : Operating income before “other items of operating income” and “Group share of the earnings of affiliated companies”.
- **Self-financing capacity**: Cash flow generated by the activity before changes in working capital and after neutralizing the cost of net financial debt and taxes.
- **Adjusted Net Debt**: Net debt excluding lease liabilities resulting from the application of IFRS 16 and including the value of treasury stock.

Change in the method of accounting for minority interest buyback commitments

A debt is recognized when the Group is committed to buying back shares held by a minority shareholder in a subsidiary, with the consideration for this commitment being recorded as a decrease in equity (subsequent changes in the value of the commitments are also recorded in equity). Previously, the commitments were recorded as a decrease in "equity - portion attributable to the Group" in full. To improve the quality of financial information and adopt a preferred practice in France, the Group has changed the presentation method to record commitments as a decrease in "equity - interests of non-controlling interests" up to their amount and as a decrease in "equity - portion attributable to the Group" for the remainder.

The impact as of January 1, 2022 is a reclassification of €15.3 million as an increase in "equity - portion attributable to the Group".

Income statement 2023

<i>(in € thousand)</i>	2023	2022 restated ⁷	2022 equivalent scope ⁸
REVENUES	322 820	180 052	278 166
Capitalized production	24 057	10 098	16 056
Inventories and work in progress	4 101	(222)	5 852
Other income from operations	20 247	11 869	21 218
Purchases and external charges	(165 952)	(81 602)	(133 213)
Personnel expenses	(136 847)	(78 754)	(124 328)
Tax and duties	(3 772)	(2 264)	(3 366)
Depreciation, amortization, and provision (net of reversals)	(25 122)	(15 973)	(23 497)
Other operating income and expenses	408	(327)	161
INCOME FROM ORDINARY ACTIVITIES	39 939	22 876	37 048
Group share of the earnings of affiliated companies	-	(5)	(5)
Other items in operating income	(32 694)	(21 806)	(24 869)
OPERATING INCOME	7 245	1 065	12 174
Interest on gross debt	(25 427)	(8 509)	(23 917)
Interest on cash and cash equivalents	274	70	136
NET BORROWING COST (A)	(25 153)	(8 438)	(23 781)
Other financial income (b)	310	4 075	5 562
Other financial expense (c)	(1 438)	(581)	(1 236)
FINANCIAL INCOME AND EXPENSES (D=A+B+C)	(26 281)	(4 944)	(19 455)
Income tax	(54)	(6 580)	1 688
NET INCOME FROM CONTINUING OPERATIONS	(19 090)	(10 459)	(5 593)
Net income from discontinued operations	31 365	934	934
CONSOLIDATED NET INCOME	12 275	(9 525)	(4 660)
INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	15 887	(8 082)	na
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(3 612)	(1 443)	na
Average number of shares	17 038 353	17 105 312	nd

⁷ Income statement 2022 under IFRS, including IXBLUE for 3 months starting from October 1st, 2022. This income statement has been subject to retrospective modifications in accordance with IFRS 3 standard.

⁸ The 2022 figures on a like-for-like basis include IXBLUE as if its acquisition had been completed on January 1, 2022. Normative adjustments are applied: neutralization of acquisition costs, normalization of interest expense based on its structure at the acquisition date, neutralization of the negative impact of the change in scope on Exail Technologies' deferred taxes, and recognition of amortization of intangible assets recognized at fair value as if the asset valuation had been carried out as of January 1, 2022. These 2022 figures are provided for indicative purposes only and do not comply with IFRS standards.

Consolidated balance sheet - Assets

<i>(in € thousand)</i>	2023	2022 ⁹
NON-CURRENT ASSETS	516 950	527 393
Goodwill	145 085	145 085
Other intangible assets	275 739	278 637
Property, plant and equipment	44 693	47 207
Rights of use	36 914	34 305
Investments in affiliated companies	-	-
Other financial assets	9 739	19 495
Deferred tax assets	2 736	572
Other non-current assets	2 043	2 091
CURRENT ASSETS	296 295	323 035
Net inventories	72 913	64 284
Net trade receivables	63 295	52 866
Contract assets	75 134	83 627
Other current assets	27 204	24 494
Tax receivables	26 440	30 043
Other current financial assets	5 772	8 964
Cash and cash equivalents	25 538	58 756
ASSETS HELD FOR SALE	-	50 352
TOTAL ASSETS	813 245	900 780

⁹ The state of the consolidated financial situation has been retrospectively modified in accordance with IFRS 3 standards and due to a change in accounting for the counterpart of commitments to minority shareholders in subsidiary capital

Consolidated balance sheet – Liabilities

(in € thousand)	2023	2022 ⁹
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT	131 266	115 096
Stakes attributable to non-controlling interests	81 904	102 698
NON-CURRENT LIABILITIES	375 320	408 713
Long-term provisions	6 433	5 994
Long-term liabilities – portion due in more than one year	263 573	285 696
Lease liabilities – portion due in more than one year	32 110	30 122
Deferred tax liabilities	51 995	54 071
Commitments to buy minority interests	17 978	29 645
Other financial liabilities	3 232	3 185
CURRENT LIABILITIES	224 756	227 046
Short-term provisions	7 277	7 367
Long-term liabilities – portion due in less than one year	36 015	45 377
Lease liabilities – portion due in less than one year	7 212	6 465
Other current liabilities	4 248	5 077
Operating trade payables	58 476	45 180
Contract liabilities	39 706	48 046
Other financial current liabilities	71 166	69 215
Tax liabilities payable	655	322
Liabilities held for sale	-	47 226
TOTAL LIABILITIES	813 245	900 780

Cash-flow statement

<i>(in € thousand)</i>	2023	2022 restated⁹
NET INCOME FROM CONTINUING OPERATIONS	(19 090)	(10 459)
Accruals	48 876	20 319
Capital gains and losses on disposals	3 461	(161)
Group share of income of equity-accounted companies	-	5
CASH FLOW FROM OPERATIONS (BEFORE NEUTRALIZATION OF THE NET BORROWING COST AND TAXES)	33 247	9 705
Expense for net debt	25 153	8 438
Tax expense	54	6 580
CASH FLOW (AFTER NEUTRALIZATION OF THE NET BORROWING COST AND TAXES)	58 454	24 724
Tax paid	(2 831)	(1 589)
Change in working capital requirements	26	23 609
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	55 649	46 362
Investing activities		
Payments/acquisition of intangible assets	(22 451)	(9 856)
Payments/acquisition of property, plant and equipment	(9 360)	(7 255)
Proceeds/disposal of property, plant and equipment and intangible assets	4 600	201
Payments/acquisition & Proceeds/disposal of non-current financial assets	3 523	578
Net cash inflow/outflow on the acquisition/disposal of subsidiaries	2 762	(312 219)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(20 926)	(328 551)
Financing activities		
Capital increase or contributions	2 093	151 700
Dividends paid	(128)	(584)
Other equity transactions	(2 889)	(264)
Proceeds from borrowings	664	259 677
Repayment of borrowings	(65 578)	(100 833)
Repayments of rental debts	(7 207)	(3 488)
Cost of net debt	(14 861)	(2 921)
Other funding streams	(986)	-
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	(67 893)	303 287
CASH FLOW GENERATED BY CONTINUING OPERATIONS (D = A+B+C)	(33 170)	21 098
CASH FLOW GENERATED BY DISCONTINUED OPERATIONS	729	2 222
CHANGE IN CASH AND CASH EQUIVALENT	(32 441)	23 320
<i>Effects of exchange rate changes of the year</i>	<i>(49)</i>	<i>(111)</i>
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	58 756	38 230
Cash and cash equivalents from discontinued activities	-	(461)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25 538	58 756