

First nine months of 2023: decline in revenues and EBITDA before non-recurring items in a very degraded environment

- Revenues: 358.3 million euros (-7%)*
- EBITDA before non-recurring items: 59.2 million euros (-17%)*
- Net income: 24.9 million euros (-30%)
- Free cash flow before non-recurring items: 32.1 million euros
- 2023 outlook: revised revenues – confirmation of EBITDA before non-recurring items

*Like-for-like

In millions of euros	July 1 – September 30		January 1 – September 30	
	2023	2022	2023	2022
Revenues	118.7	141.2	358.3	392.1
<i>Change like-for-like (%)⁽¹⁾</i>	-11%		-7%	
EBITDA before non-recurring items ⁽²⁾	23.9	29.7	59.2	74.9
<i>Change like-for-like (%)⁽¹⁾</i>	-10%		-17%	
EBITDA margin before non-recurring items (in % of revenues)	20.1%	21.0%	16.5%	19.1%
Net income	11.0	15.2	24.9	35.4
<i>Change at actual exchange rates (%)</i>	-27%		-30%	
Free cash flow before non-recurring items ⁽²⁾	15.5	16.9	32.1	31.6

(1) Like-for-like: 2023 figures restated at 2022 exchange rates

(2) The definition of the key performance indicators is shown in the September 30, 2023 Financial Report

Paris, October 25, 2023. Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the consolidated financial statements for the third quarter and first nine months of 2023, which have not been reviewed by the Statutory Auditors.

Comparisons between 2023 and 2022 are based on 2022 exchange rates unless otherwise stated ("like-for-like"). As the impact of the acquisition of TextileGenesis on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

Currency changes between 2022 and 2023 mechanically decreased revenues and EBITDA before non-recurring items by 6.4 million euros (-5%) and 2.8 million euros (-10%) respectively in Q3, and by 7.3 million euros (-2%) and 3.0 million euros (-5%) respectively in the first nine months of the year, at actual exchange rates compared to like-for-like figures.

1. Q3 2023

The environment remained highly degraded in the third quarter, owing primarily to expectations of lower growth or even recession in some countries, persistent high energy costs, and historically high interest rates. With many customers also experiencing lower demand for their products, investment decisions continued to be postponed.

As a result, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (32.3 million euros) were down 26% compared to Q3 2022.

Orders for new software subscriptions, of which the annual value came to 2.2 million euros, continued to rise, displaying a growth of 19%.

Q3 revenues (118.7 million euros) were down 11%.

EBITDA before non-recurring items (23.9 million euros) was down 10% and despite the decline in revenues, the EBITDA margin before non-recurring items rose 0.3 percentage points to 20.1%, thanks to the sharp improvement in gross margin (+5.7 percentage points compared to Q3 2022) and the impact of actions to reduce fixed overhead costs.

2. FIRST NINE MONTHS OF 2023

The uncertainty that characterized the first nine months of the year has led many companies to take a very cautious wait-and-see attitude. In these circumstances, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (107.1 million euros) were down 29% compared to the same period of 2022.

The annual value of new software subscription orders came to 7.7 million euros, up 27% compared to the first nine months of 2022.

Revenues (358.3 million euros) were down 7%. While revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (117.6 million euros) decreased by 25%, recurring contract revenues (134.5 million euros), which benefited from the growth in software subscription orders and the acceleration of synergies from the Gerber acquisition, increased by 11%. Revenues from consumables and parts (106.1 million euros) were stable.

Gross profit amounted to 249.6 million euros, down 2% compared to 2022, while revenues fell by 7%. The gross profit margin came to 69.7%, up 3.7 percentage points. This increase stems mainly from the synergies coming from the Gerber acquisition.

EBITDA before non-recurring items (59.2 million euros) was down 17% and the EBITDA margin before non-recurring items came to 16.5%, down 2.1 percentage points.

Income from operations came to 39.3 million euros. This included a 9.5-million-euro charge for amortization of intangible assets arising from the acquisitions carried out since 2021 and a non-recurrent income item of 2.6 million euros.

Net income (24.9 million euros) decreased by 30% at actual exchange rates.

Free cash flow before non-recurring items was 32.1 million euros (31.6 million euros in the first nine months of 2022). It is higher than net income.

At September 30, 2023, the Group had a particularly robust balance sheet with a consolidated shareholders' equity of 426.2 million euros and a positive net cash position of 12.5 million euros, consisting in financial debt of 98.0 million euros and cash of 110.6 million euros.

The working capital requirement at September 30, 2023 was a negative 7.6 million euros.

3. BUSINESS TRENDS AND OUTLOOK

In its 2022 Financial Report, published February 8, 2023, Lectra presented its new roadmap for 2023-2025. The Group also specified that 2023 remained unpredictable given the degraded macroeconomic and geopolitical environment, which resulted in many uncertainties that could continue to weigh on its customers' investment decisions.

At the beginning of the year, the Group set itself objectives of achieving, in 2023, revenues in the range of 522 to 576 million euros and EBITDA before non-recurring items in the range of 90 to 113 million euros. It subsequently reported on April 27 that it then anticipated revenues in the range of 485 to 525 million euros and EBITDA before non-recurring items in the range of 78 to 95 million euros.

In what continues to be a highly degraded environment in macroeconomic and geopolitical terms, orders and revenues from new systems in Q3 were lower than anticipated by the Group. Recurring revenues, on the other hand, which should account for over 65% of total revenues in 2023, continued to grow in Q3, and provide good visibility. In addition, the initial measures to reduce overhead costs have begun to bear fruit.

In light of these factors, full-year revenues are now anticipated in the range of 474 to 481 million euros, thus slightly lower than anticipated on April 27, and EBITDA before non-recurring items in the range of 78 to 82 million euros, in the lower part of the range indicated on April 27. These scenarios are based on September 30 exchange rates for Q4, including \$1.06 to the euro.

Because the Group's customers operate in a highly competitive environment that demands they continue to improve performance, their investments will pick up as soon as the macroeconomic situation improves. Lectra's roadmap for 2023-2025, which was launched on January 1, 2023, will enable the Group to take full advantage of the upturn and accelerate its growth.

The 2022 Annual Financial Report, as well as the Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for the first nine months of 2023 are available on lectra.com. Q4 and FY 2023 earnings will be published on February 14, 2024.

As a major player in the fashion, automotive and furniture markets, Lectra contributes to the Industry 4.0 revolution with boldness and passion by providing best-in-class technologies.

The Group offers industrial intelligence solutions - software, equipment, data and services - that facilitate the digital transformation of the companies it serves. In doing so, Lectra helps its customers push boundaries and unlock their potential. The Group is proud to state that its 2,500 employees are driven by three core values: being open-minded thinkers, trusted partners and passionate innovators.

Founded in 1973, Lectra reported revenues of 522 million euros in 2022 and is listed on Euronext (LSS).

For more information, please visit www.lectra.com.



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