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# **Atos to acquire Xerox's IT Outsourcing operations and to enter into a worldwide strategic collaboration with Xerox**

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December 19, 2014

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# Atos to acquire Xerox's IT Outsourcing operations and to enter into a worldwide strategic collaboration with Xerox

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**A**

▶ **Transaction highlights and strategic rationale**

**B**

▶ **Xerox IT Outsourcing: a unique opportunity to acquire significant scale in the US**

**C**

▶ **Strong value creation potential and attractive financial profile**

# Atos to acquire Xerox's IT Outsourcing operations and to enter into a worldwide strategic collaboration with Xerox

1

Atos will acquire Xerox's IT Outsourcing operations (ITO) for \$950m (€760m) plus an additional consideration of \$50m (€40m) subject to the occurrence of certain events prior to closing

2

Purchase price to also include an additional payment of \$100m (€80m) representing the estimated present value of future tax benefits to Atos

3

The scope of the transaction covers most of Xerox's IT outsourcing business, personnel, contracts and assets

4

Atos will almost triple its revenue in the US to c. €1.7bn, which would represent its largest operating geography

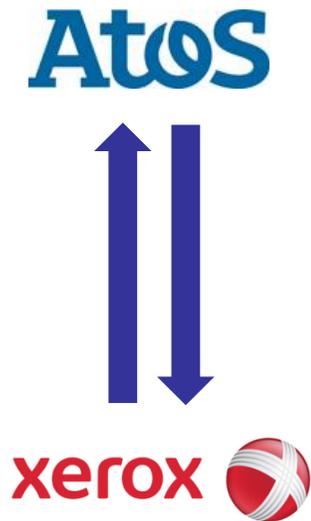
5

Atos and Xerox to jointly collaborate worldwide, Atos becoming one of Xerox's primary IT services providers

6

An attractive transaction financial profile: expected to be accretive on Atos' EPS by 10% as early as the first year, significant revenue and cost synergies

# A strategic collaboration geared to leverage both parties' technologies and capabilities



- 1 Atos to take over the operations of the IT infrastructure services delivered to Xerox, becoming one of its main IT services providers
- 2 Atos to benefit from Right of First Offer / First Negotiation on opportunities with Xerox
- 3 Atos to deliver IT services to Xerox BPO and Document Outsourcing customers
  - Exclusivity on existing contracts
  - Renewal of contracts with Atos if BPO customer extends with Xerox ITO
- 4 Joint go to market to supply IT services on Xerox BPO opportunities in Europe and North America
- 5 Joint innovation board

**c. \$240 million of ITO annual revenue generated with Xerox today**  
**Joint ambition to generate additional volumes and business opportunities**

# Governance mechanisms in place to ensure a successful strategic collaboration, beneficial for both parties

## Strategic Governance Board *Atos and Xerox CEOs*

- ▶ Strategy of the Global relationship between Atos and Xerox
- ▶ Xerox contributing its deep knowledge of the US market to Atos
- ▶ Quarterly meetings

## Steering committee *X Corp CIO – XBS CEO Atos global service line CEO*

- ▶ Go-to-market strategy for products, services and client opportunities
- ▶ Atos offerings
- ▶ Accounts planning /review of opportunities and pipe
- ▶ Conciliation and Settlement of discrepancies
- ▶ Monthly meetings

## Operational committees *Client executive X Corp - XBS*

- ▶ Permanent committee dealing with operational follow-up

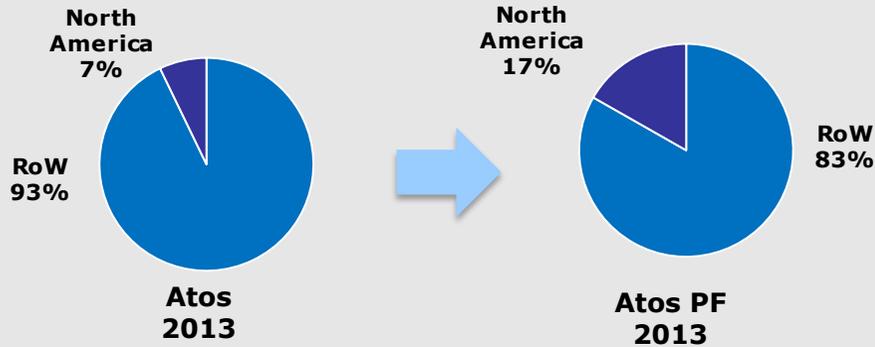
## Joint innovation board

- ▶ Atos and Xerox to collaborate on joint innovation projects

**An efficient governance co-chaired by Ursula Burns and Thierry Breton on a quarterly basis**

# A unique complementarity securing Atos' foothold in the US and anchoring its global leadership

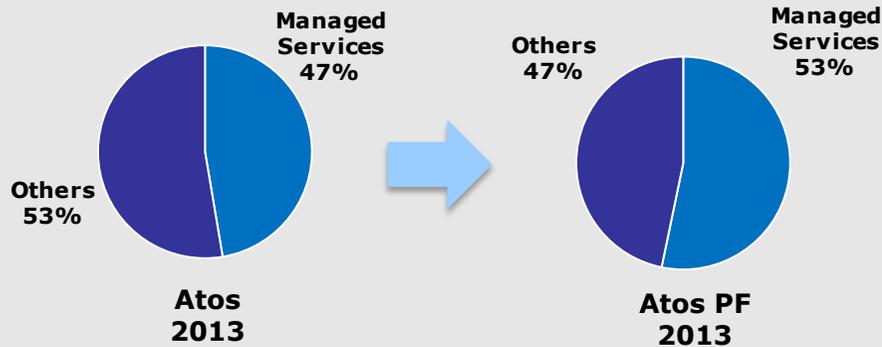
## 1 Secures a strong foothold in the US



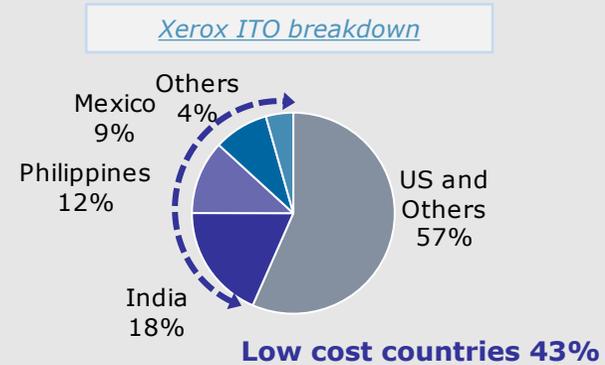
## 2 Extends Atos' customer base



## 3 Anchors Atos' global leadership in Managed Services<sup>1</sup>



## 4 Enhances Atos' offshore strategy



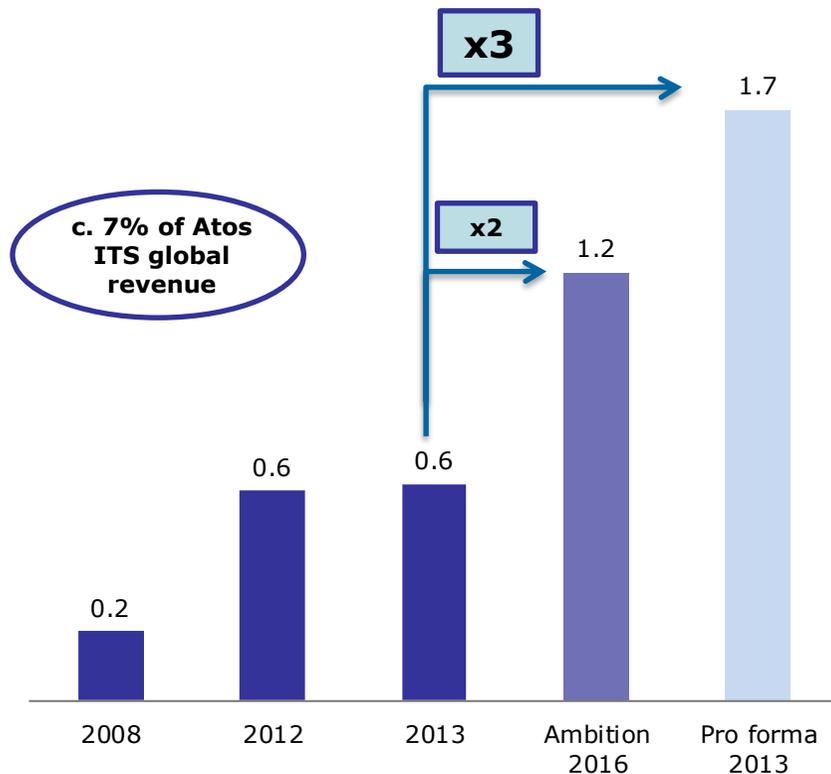
(1) Excluding Worldline

# Securing a strong foothold in attractive US market

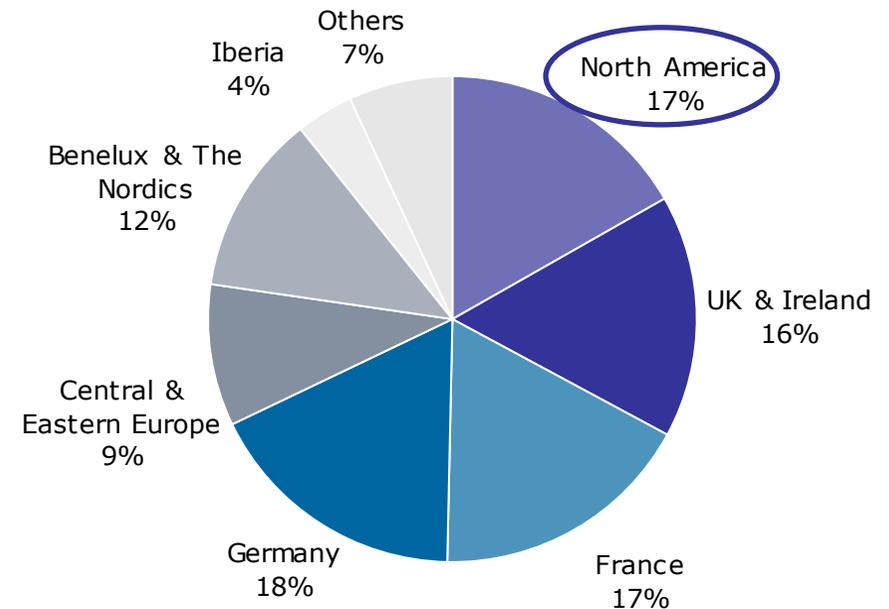
A transaction allowing Atos to exceed Ambition 2016 objectives and almost triple revenue in the US ...

## Evolution of Atos revenue in the US

Revenue in € billions



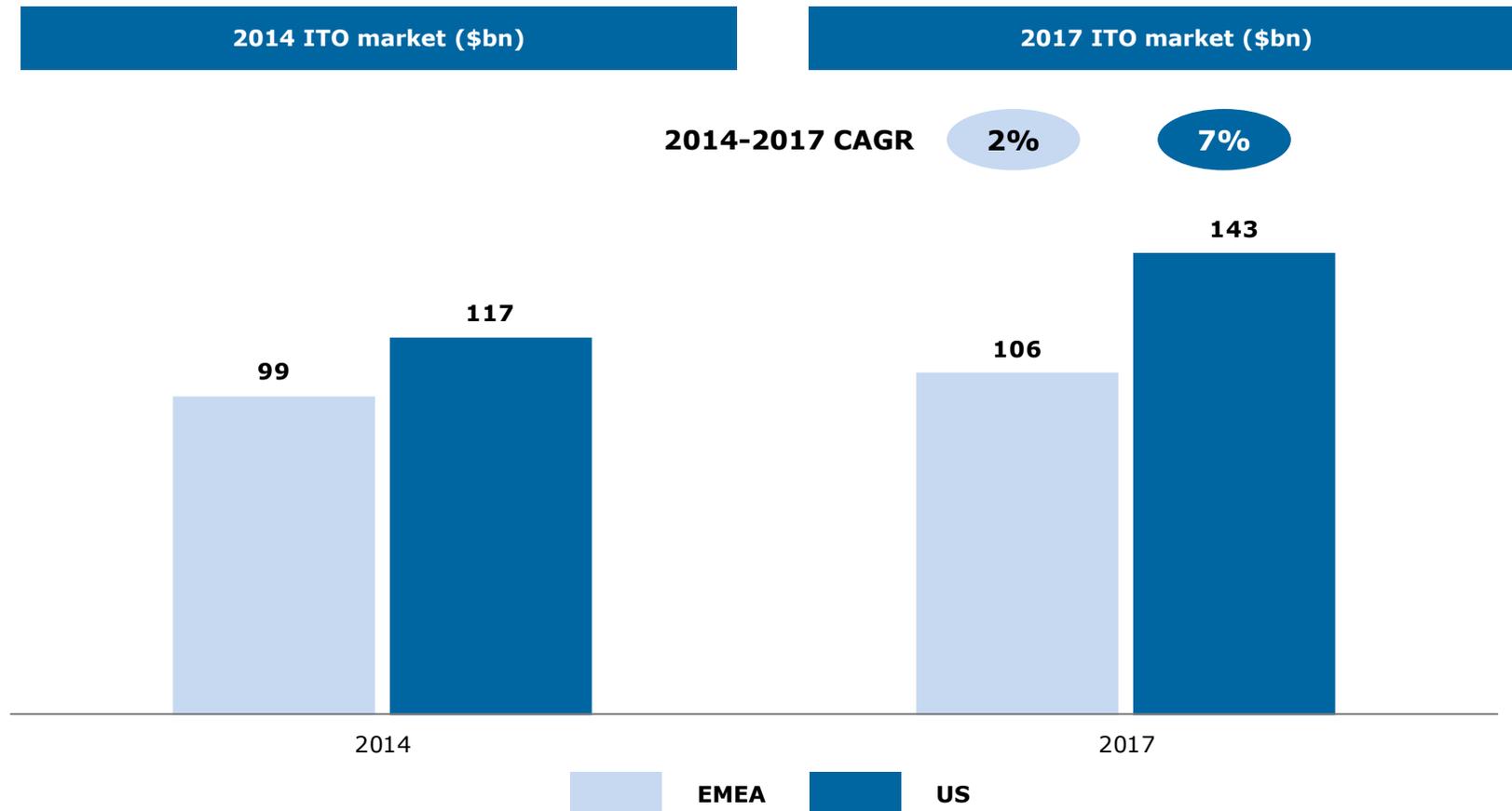
## Combined geographical breakdown of 2013 PF IT Services revenue



Note: based on Xerox ITO 2013 pro forma revenue

# Securing a strong foothold in attractive US market

... providing Atos with access to the largest ITO market that is expected to grow 3x faster than the EMEA market



# Becoming a global leader in the IT marketplace

With Xerox ITO, Atos will reinforce its position as the preferred IT partner of European and US players

## For Xerox ITO customers

## For Atos US customers

## For Atos European customers

### A global player...

- ▶ Access to global Atos footprint
- ▶ Opportunity to outsource more to Atos

- ▶ Access to broader Atos footprint in North America
- ▶ Opportunity to outsource more to Atos

- ▶ Access to broader Atos footprint in North America
- ▶ Opportunity to outsource more to Atos

### ...with advanced technologies and strong R&D...

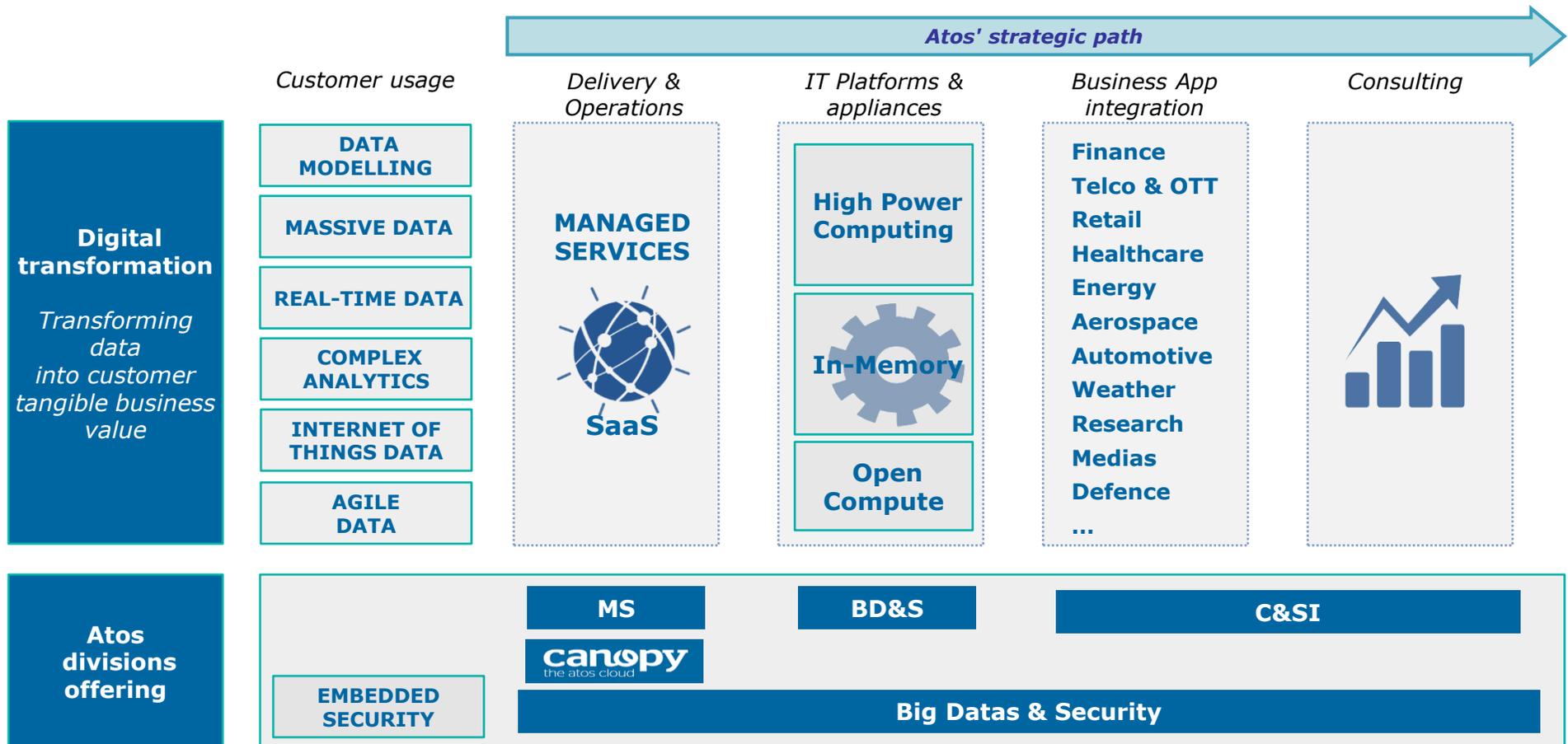
- ▶ Consulting and system integration offering
- ▶ Canopy (cloud) – EMC Federation Partnership
- ▶ Big data & World fastest memory servers
- ▶ Cybersecurity technologies
- ▶ ...

### ...benefiting from scale and industrialization

- ▶ Long term benefit from Atos' larger scale and tier one effectiveness and efficiency
- ▶ Automatization
- ▶ North America talented people traction
- ▶ Brasilia technology and offering (BPO)
- ▶ Large Latam global delivery center (>1,100HC Mexico /Guatemala)

# Developing customer focused offerings

Infrastructure stands as a primary requisite to support customers' business digitalization on an end-to-end basis



# A transaction aligned with major objectives set by Atos' Ambition 2016 strategic plan



€11 billion 2013  
combined revenue



circa 95.000  
headcount



72 countries

## Ambition 2016: Become a Tier 1 global IT brand

- 1 Anchor Atos global **leadership in Managed Services**
- 2 Reinforce **growth and profitability in Systems Integration**
- 3 Grow through customer focus, **new offerings & partnerships**
- 4 Accelerate **Cloud services** development
- 5 **Acquisitions** with financial discipline in **specific geographies and segments**
- 6 Provide **strategic flexibility** to **Worldline** to anchor its **leadership in Payments**



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- ▶ **Transaction highlights and strategic rationale**

**B**

- ▶ **Xerox ITO: a unique opportunity to acquire significant scale in the US**

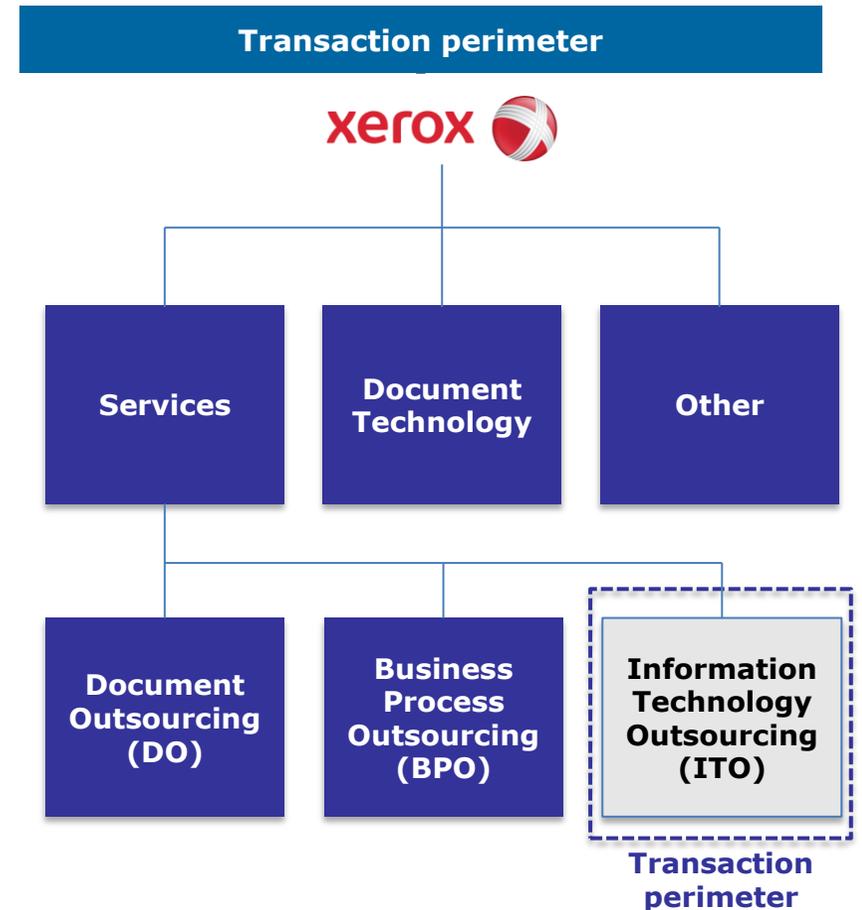
**C**

- ▶ **Strong value creation potential and attractive financial profile**

# Xerox IT outsourcing subsidiary

## Formerly part of Affiliated Computer Services

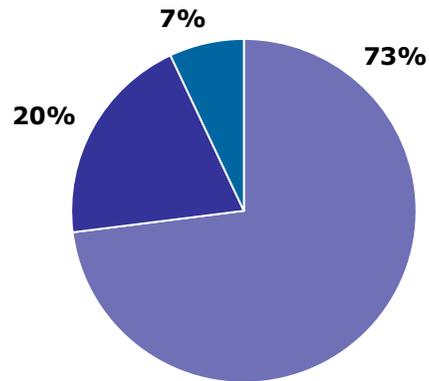
<b>Founded</b>	<ul style="list-style-type: none"> <li>▶ 1988 as part of Affiliated Computer Services (ACS)</li> </ul>
<b>Key services</b>	<ul style="list-style-type: none"> <li>▶ Mainly infrastructure outsourcing services</li> </ul>
<b>2014e key figures</b>	<ul style="list-style-type: none"> <li>▶ Revenue: c. \$1.5 bn</li> <li>▶ Operating margin: 8%</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>▶ c. 300 clients with additional c. 800 indirect clients through BPO segment</li> <li>▶ 65 clients produce 85% of total revenues</li> </ul>
<b>Facilities</b>	<ul style="list-style-type: none"> <li>▶ 379 offices</li> <li>▶ 21 Data Centers</li> </ul>



# Business profile

## US-focused managed services pure-play

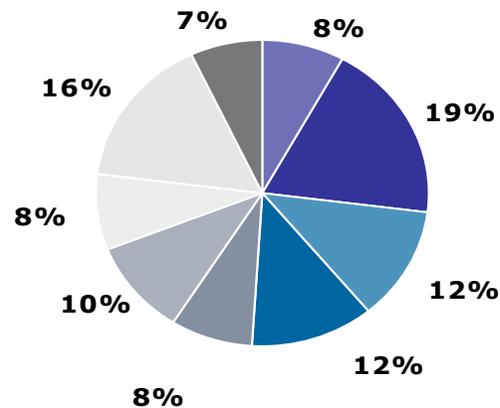
By business



- Infrastructure
- Workplace
- Network

▶ **A pure managed services player with a large infrastructure segment**

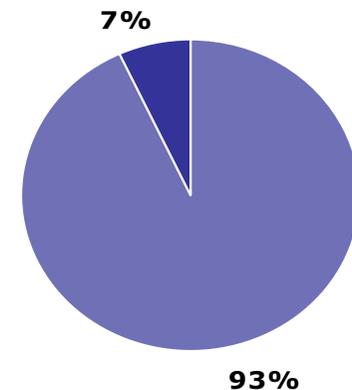
By vertical



- Manufacturing
- Retail & Consumer Products
- Healthcare
- Hospitality & Entertainment
- Energy & Logistics
- Pharma
- Public Sector
- Xerox
- Other

▶ **A balanced portfolio**  
▶ **Strong positions in Retail and Healthcare**

By geography



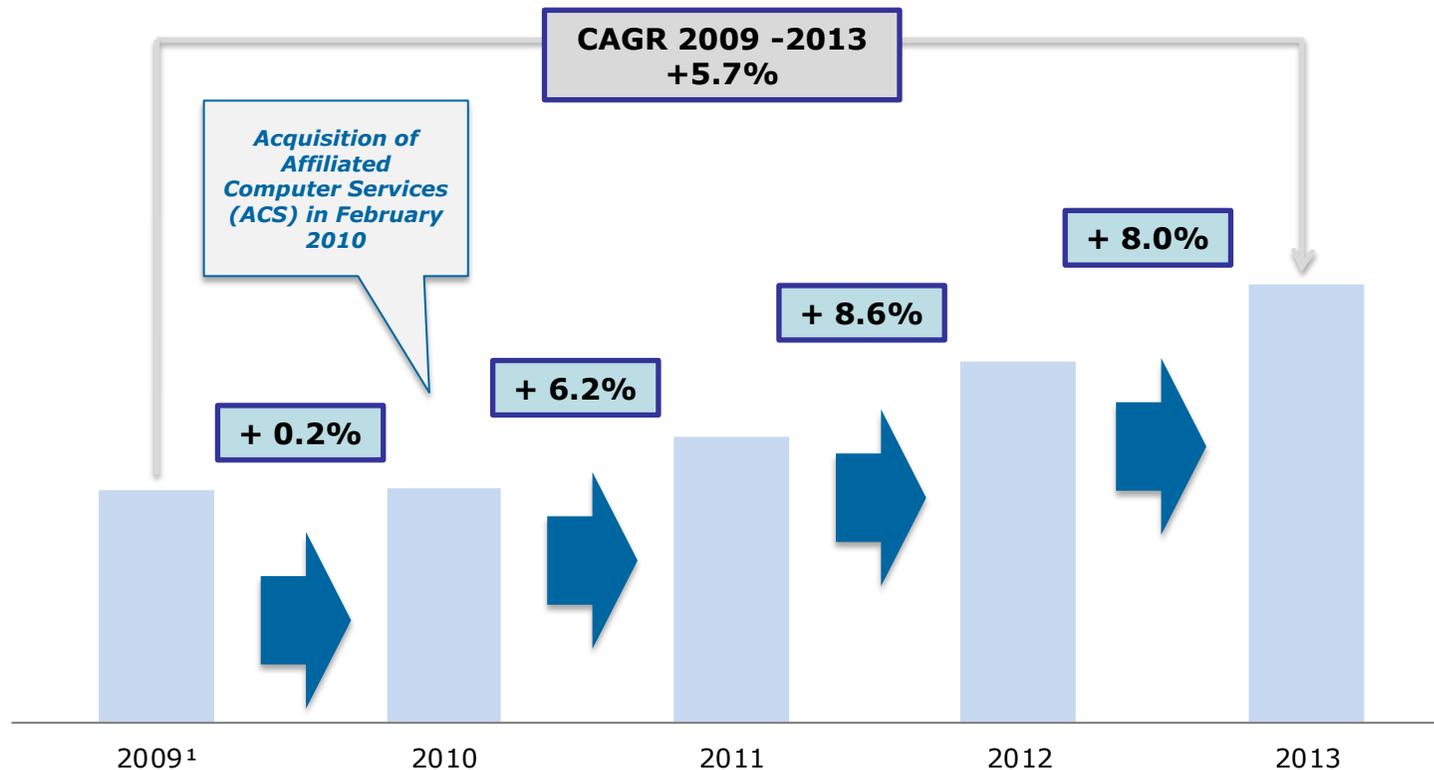
- North America
- Europe

▶ **Majority of revenues in US**  
▶ **Primarily US-based clients**

# Historical financial performance

## Strong management track record

Historical IT outsourcing revenues in USDbn (Reported revenue)



**Xerox ITO operations have posted strong growth historically with an above 5% CAGR in the last 5 years**

Source: Company

(1) Pro forma of ACS

# Service capabilities

## Strong capabilities in infrastructure services

▶ **21 datacenters** in five countries with near **17,000 sqm** of raised floor

▶ **8 private clouds**

▶ **7 multi-tenant cloud hubs**

▶ **621,000 end-user devices** managed

▶ **47k MIPS** managed

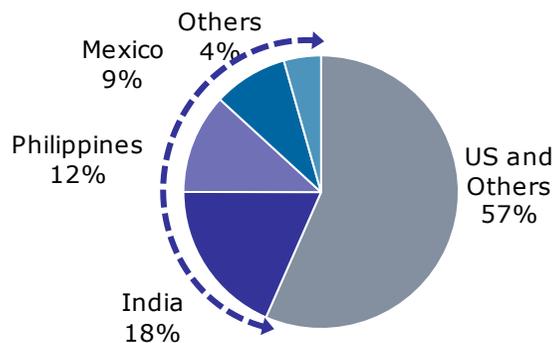
▶ **45,5000+ network devices** managed

# Global delivery capabilities

## Xerox ITO's workforce distribution enhances Atos' offshore strategy

### Employee breakdown

Total FTEs: 9,800



Low cost countries 43%

- ▶ Near 50% of Xerox ITO's employees based in low cost countries
- ▶ Highly complementary footprint to Atos'

### Geographical footprint

#### North America

▪ FTE: 4,500

#### Europe

▪ FTE: 1,040  
 – o/w France: 40  
 – o/w UK & Ireland: 570  
 – o/w Germany: 230  
 – o/w Other Europe: 200

#### Asia

▪ FTE: 3,150  
 – o/w India: 1,810

#### Other BUs<sup>1</sup>

▪ FTE: 40

#### Latin America

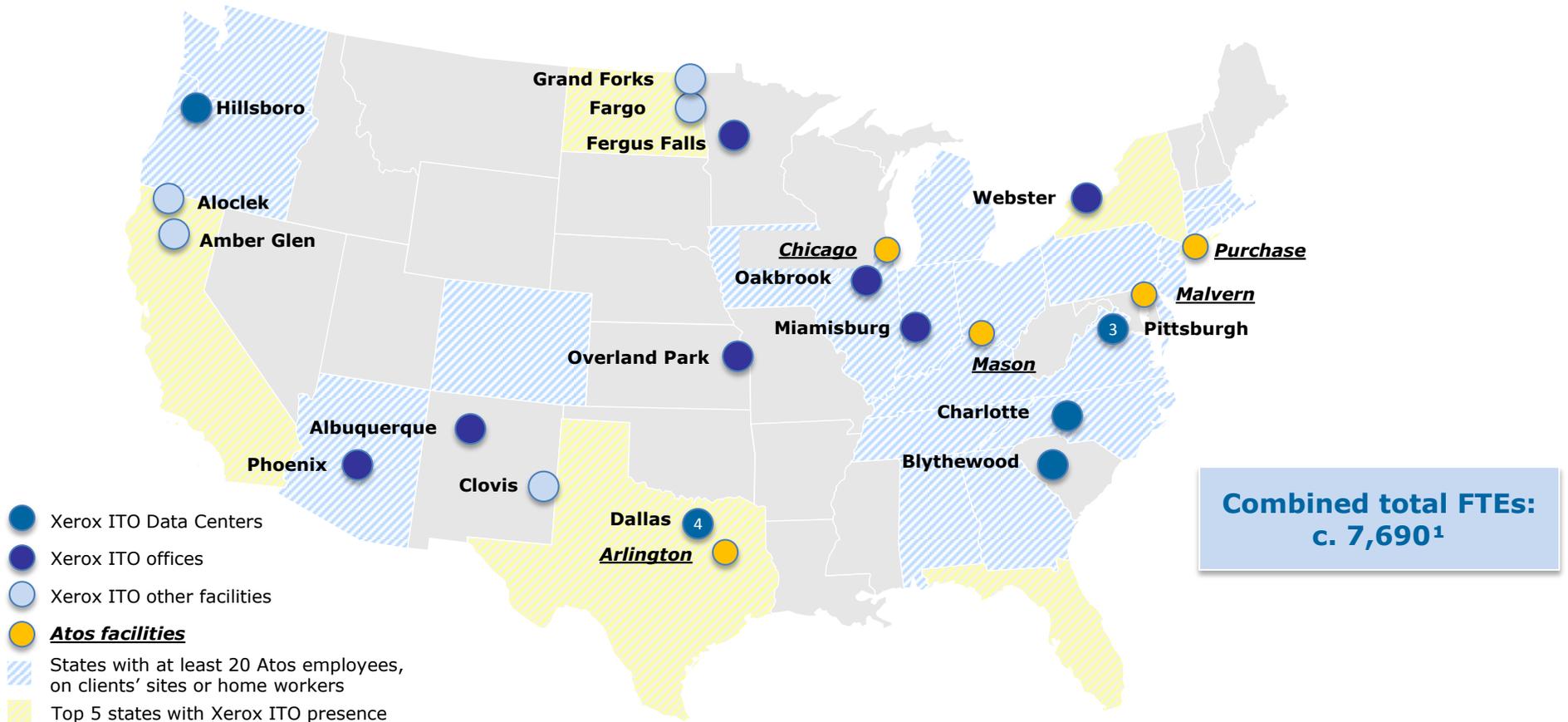
▪ FTE: 1,070

Note: as of 30/06/2014

(1) Including Turkey

# US coast-to-coast footprint

Strong geographic expansion in the US thanks to complementary footprints



**Complementary workforce distributions expanding Atos' reach in the US**

(1) Excluding Bull (representing an additional 139 employees)

# Significant revenues synergies

Over \$100m of incremental annual revenues from synergies and Xerox collaboration by 2017

1

- ▶ **Selling Canopy portfolio into Xerox ITO accounts and North America to generate incremental cloud revenue**

2

- ▶ **Selling Systems Integration portfolio, in particular AMS, into Xerox ITO accounts, starting with Xerox, new North America logos, and CAMS**

3

- ▶ **Cross-fertilization opportunities from the sale of IT services to existing Xerox Business Services customers**

4

- ▶ **Incremental opportunities from the sale of additional IT services to Xerox Group**

# Additional value creation from identified cost synergies

c. \$35m annual run-rate cost synergies to be achieved by 2017

## Cost synergy components

### KPIs & LEAN (productivity)

- ▶ Integrate Brazil's global service delivery with Atos' delivery centers
- ▶ Align to the Atos tower model & KPIs
- ▶ Span of control

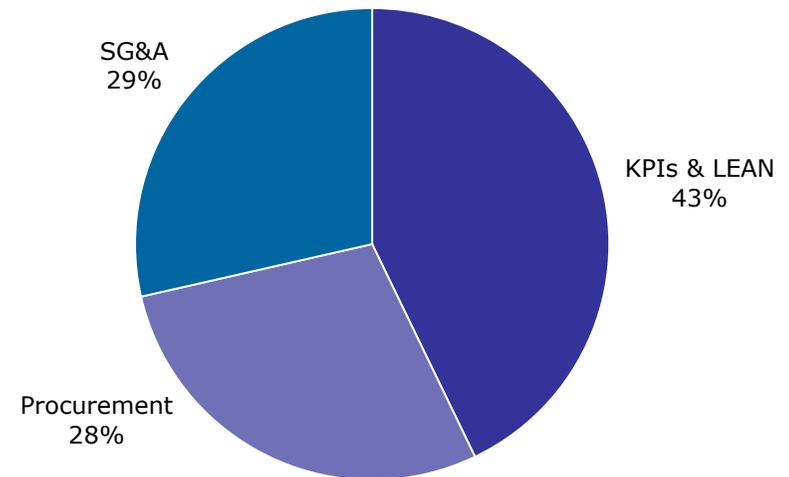
### Procurement

- ▶ Purchasing synergies

### SG&A

- ▶ Optimize and integrate corporate functions
- ▶ Integrate real estate footprint within the enlarged North American platform

## Run-rate synergy overview<sup>1</sup>



**c. \$35m cost synergies  
annually in 2017<sup>1</sup>**

(1) Preliminary estimate

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# Purchase price of \$950m with additional upfront payment of \$100m for value of section 197 deductions

## Purchase Price

- ▶ Enterprise value of \$950m (8.7x OM 2014e)
- ▶ Upfront payment of \$100m as present value for the section 197 deduction
- ▶ Earn-out payment of \$50m subject to the condition of certain assets at closing

## Purchase Price Adjustments

- ▶ Net financial debt
- ▶ Capital leases
- ▶ Pension liabilities (no defined benefit plan in the US)
- ▶ Net working capital normalization

# Transaction structuring

## Carve-out of company via a mix of asset and share deals

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- 1 ▶ **Share deals in the US after carve-out of Xerox ITO assets**
- 2 ▶ **Share deals in India, Philippines and Mexico after carve-out of Xerox ITO assets**
- 3 ▶ **Share deals in UK and Germany**
- 4 ▶ **Asset deals in other jurisdictions (40), all of them representing a small portion of the business**

# Indicative timeline of the transaction

- ▶ **Transaction has received the unanimous support from both Atos' and Xerox's Board of Directors**
- ▶ **Transaction expected to close by Q2 2015 after:**
  - **Completion of the carve-out of Xerox ITO**
  - **Receipt of antitrust approvals; and**
  - **Consultation of the relevant employee representative bodies**

## Key dates

**December  
18, 2014**

- ▶ Announcement of transaction

**End-  
January  
2015**

- ▶ Employee Work's Council review

**End-  
February  
2015**

- ▶ Anti-trust clearance

**Q2 2015**

- ▶ Expected closing
- ▶ Completion of carve-out of Xerox ITO

## Summary key figures Xerox ITO

**Revenue:  
c.\$1.5bn**

**8%  
operating  
margin**

**c.\$70m free  
cash flow  
(estimated)**

**93% of  
revenue in  
the US**

**9,800  
employees**

**Workforce:  
>40%  
offshore**

# Transaction key figures

**US revenue:  
from \$0.8bn  
to \$2.1bn**

(from 6% to 17% of  
Group ER)

**Synergies/  
Collaboration:**

**>\$100m**

(annual rev. synergies)

**c.\$35m**

(annual cost synergies)

**Transaction  
multiples:**

**x8.7 OM 2014**

**x4.2 OMDA 2014**

**EPS accretion:**

**10% in year 1**

(estimated)

**Tax savings in  
the US**

(section 197)

**Deal consideration:**

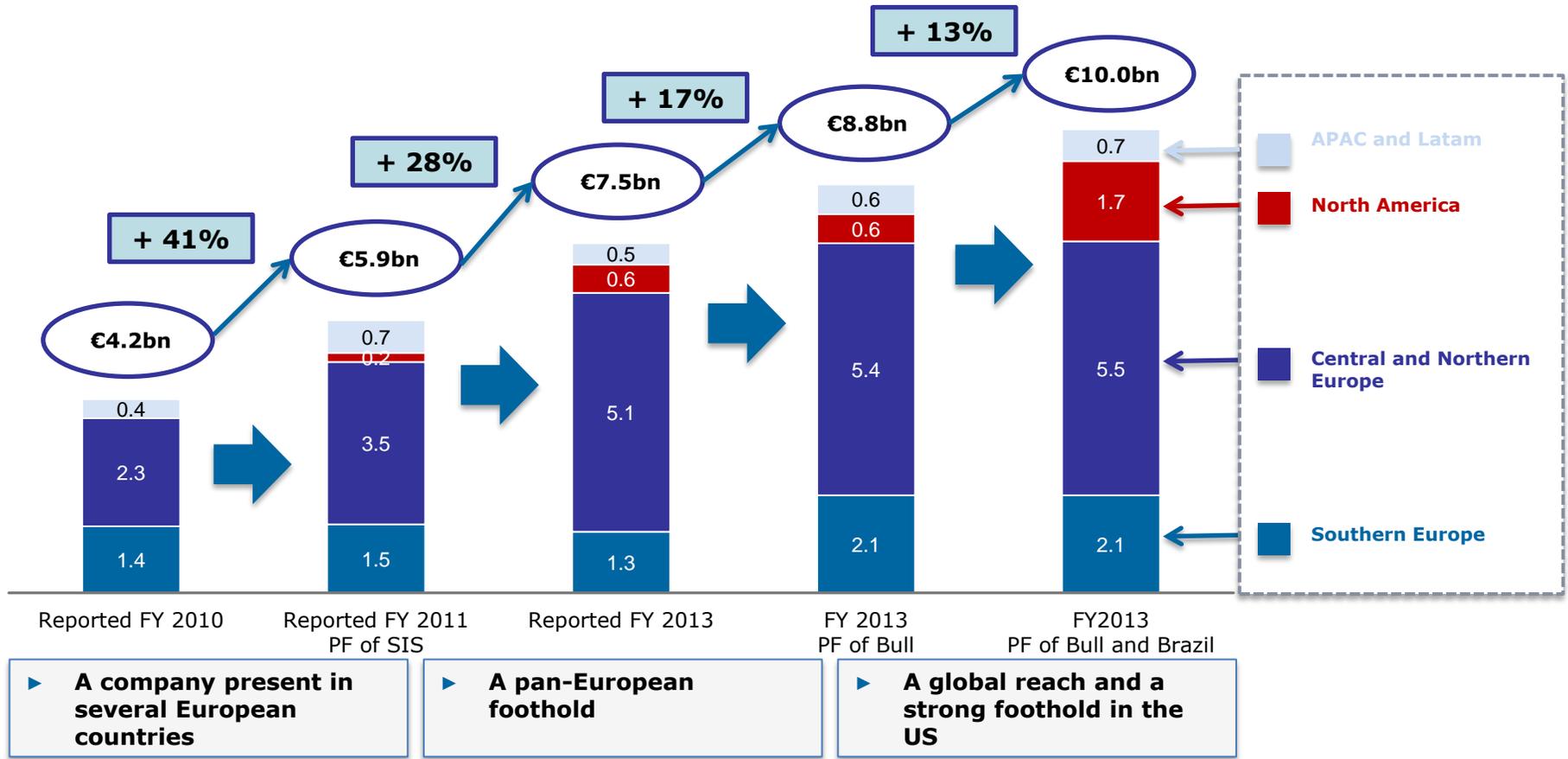
**\$1,050m**

(€840m)

**fully financed with  
Group's resources**

# A new step to expand Atos' reach and reinforce the group's ability to serve clients worldwide

## Evolution of Atos IT Services revenue by geography<sup>1</sup>



(1) Excluding Worldline

# A transformational year for Atos

3 transactions matching all Ambition 2016 objectives

	Xerox ITO	Bull	Worldline
▶ Expand Atos foothold in the US	✓		
▶ Anchor Atos global leadership in Managed Services	✓	✓	
▶ Increasing Cloud position	✓	✓	
▶ Reinforce growth and profitability in Systems Integration		✓	
▶ Grow through customer focus, new offerings & partnerships	✓	✓	
▶ Provide strategic flexibility to Worldline to anchor its leadership in Payments			✓

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# From Questions to Answers

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# Thank you

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