Atos 2019 Investor Day

Wednesday, 30th January 2019

Welcome

Gilles Arditti

Head of Investor Relations, Atos

Good morning. My name is Gilles Arditti. I am the Head of Investor Relations of Atos. Welcome to all the participants here in our headquarters in Bezons and to everyone who is listening on the webcast. Today is a very important one for Atos, as you may already have understood reading the press release we issued this morning.

We have altogether an Investor Day to present our new three-year plan covering the period 2019 to 2021. You will get figures and we will explain in a detailed way the drivers of our business model. I am convinced that you will get a very good understanding of what we perform and how the Group will develop. Let me now summarise the agenda.

Agenda

We will start with the webcast presentation from Thierry Breton, our Chairman and CEO, and Elie Girard, our Group CFO, before the first Q&A session and the first break at 09.45. We will continue this morning with the business segments and with North America, a good opportunity for you to see new faces. Around 12.30 we will have lunch on the second floor of this building and we will restart at 13.45 to cover a session on portfolio offerings and sales efficiency, then people strategy and Worldline will present its three-year plan which will also at that time be webcast. Thierry Breton will conclude and we will have a second Q&A session before the end of the day, around 16.30 CET.

Disclaimer

One word on the disclaimer which is here. You will have time to read it and obviously it covers all the forward-looking figures of the plan. I wish you a great day and I would like now to welcome our Chairman and CEO, Thierry Breton. Thierry, the floor is yours.

Performance, Vision and Strategy

Thierry Breton

Chairman and CEO, Atos

Thank you very much, Gilles, and thank you from us to all of you to be here today, especially today because it is the first time it is snowing in Paris. You are very courageous to be here but at the end of the day, better than expected, a bit will be the same, I guess, for the economy this year. Yes, Gilles, this is a very important day for us and I am extremely pleased to welcome you and to spend all the day together with you. We will try to be sharp on time. I know that a lot of you will have to go back to your country but we will try to answer all your questions. We have a lot of things to do.

Working on a three-year plan is always a very interesting exercise in a company. We have to ask ourselves what we did well and where it could progress. We have to project ourselves over the next three years. Of course, like always and especially in Atos, forecasting what will be the future, what are the requirements of our customers, how is technology changing our environment and then to build an ambitious but very feasible, achievable plan. This is exactly what we did and I am happy to share this with you.

I would just remind you that we decided to have the three-year plan today, one year before planned, because 2018 has been extremely active. We finalised our acquisition of Syntel, having now for Atos everything we need to be able to answer our customers' needs, especially with a lot of agility. We will have a very interesting session with Sean and Rakesh on how the acquisition and integration of Syntel is changing a lot our ability to react quickly to our customers' needs, especially in the US but not only. Of course, Gilles, with the acquisition of SIX Payment which makes Worldline the undisputed European leader in the payment industry.

2018 Results and 2019 Objectives

2018 key figures

First of course I need to speak about our results. A very solid year, as you will see. First, as already said, you read the disclaimer, we are today 30th January so it is yet unaudited figures because it is exactly where we are today. However, that is a view we see after the hard work of your team, Elie, over the past few months. Revenue €12.3 billion in 2018. This is a good Q4, 1.2% growth in Q4. I know that we were expecting and you were expecting less, 1.04%. We had a strong Q4, especially at the end of the year. Very strong book to bill at 112%. By the way, for the year it is also 102%. Operating margin at €1.3 billion, 10.3%. Free cash flow very solid and extremely good work in free cash flow in the second-half. I am very proud of the team. They worked extremely well. €700 million of free cash flow, which is a conversion rate of 57% so very, very good achievement here with our team. Total number of employees 122,000 and net debt at €2.9 billion.

2019 objectives

Of course our objectives remain unchanged, as we said. We have finalised everything and the plan is done. Everybody has their objectives in our companies. Revenue we expect between 2% and 3% on a yearly basis in 2019. Operating margin at 11.5-12% and free cash flow between €900,000 to €1 billion. After these figures we will have again the final results, but that will be close to what I presented today, on 21st February.

Atos Journey

Over the past ten years we have delivered on our vision, creating value, becoming a true global player and the leader in our home market: Europe

Now we are going into the purpose of this day together and I would like to present our journey. First I have one slide of the past. I would remind you by the way that it is now ten years that I am the Chairman and CEO of Worldline and Atos, Worldline Chairman, and Atos more than ten years ago, it was in November 2008. Since then, in ten years, we more than doubled the revenue of the company. We multiplied by four the operating margin of the company. Profitability more than doubled. Free cash flow from –€100 million to €800 million. Workforce was also multiplied by two and the market cap by more than seven.

However, remember that my vision and I express it very often to first our colleagues but also to our customers and to you, was – and this is definitely why I decided after having been a professor at Harvard Business School when I was teaching cases on how to well-manage a company to my students, I decided to come back to business – because I thought it was an opportunity to create a European leader in information technology. Of course being a global and worldwide player but that we needed a global player in information technology to help to transform European companies and global companies into worldwide businesses. I said always to my team, 'First you need to be the first in your home market.' Of course our home market was and still is Europe, even if now we are definitely a global player and a leader of the market in the US. But we can do this because we are number one in Europe.

We do not want to be number one or number two. It is because it is important to be a leader to attract the key talent, to be able to get the right technologies and then of course to serve our customers better.

We have delivered on our vision – becoming the digital services and payments leader in Europe

Just a reminder on this slide of what I just told you. My ambition was to be the European leader in IT services. We are now the IT services in Europe which is number one. I said also in cloud. There is a lot of misunderstanding in cloud but we will try to come back to this during this day, Ericirca I said that our aim is to be a cloud enabler, supporting our clients and to achieve their business objectives. That was in 2009. We are in 2019 and we are now number one in Europe in cloud and hybrid cloud. Maybe it is a surprise for some of you but not for the analysts who are here for the industry and following us.

Payments, we said, Gilles, you remember, the first meeting in Seclin, that we wanted to use this asset, Worldline, to enhance our presence in payments. When we decided to IPO the company we said that our goal was to become the European leader in payments. While being able to consolidate the European landscape we are now the undisputed number one player in Europe.

From 2008 to 2018 we have progressively created two pure-play global leaders

In fact from 2008 to 2018 we have progressively created two listed pure-player global leaders. Atos is the number one digital player in Europe with €11.3 billion annual revenue, just Atos without Worldline, with 110,000 experts and present in more than 70 countries. And Worldline is the number one payment leader in Europe with €2.2 billion, 11,000 experts and present in 30 countries. By the way, whilst doing this we have been able year after year to create fantastic cooperation between Atos and Worldline at many levels, which are creating, were creating and continue to create a lot of value for both Atos and Worldline. Yes, we have now two players, of course with the same DNA because they are coming from the same root, and both of them leading their respective home market and being global worldwide player.

Time to enhance both players' strategic and financial flexibility

I will tell you how we came to the conclusion as a Board that it is time to enhance both players' strategic and financial flexibility. That is why we announced today, this morning and you are the first ones to know, that Atos plans to submit to its next AGM, which is to be held on 30th April, the resolution to distribute 23.4% of Worldline share capital to Atos shareholders holding 27.4% of Worldline share capital. After this distribution it will mean that the free float of Worldline will move from roughly today 22% to 45.7%. Atos will continue to be the first shareholder of Worldline at 27.4% and SIX Group will have 26.9%.

In terms of Worldline governance we will not change many things but governance is extremely important. To adapt, to adjust to this move, Atos with today five seats on the Worldline board, will reduce its board membership to three board members. We will have absolutely no change in all the governance of Worldline in terms of committees, organisation and everything. I will continue to be non-executive Chairman. Gilles will continue to be the CEO but as early as 1st February Gilles will spend 100% of his time as the CEO.

Of course we preserve and we protect all the alliances that we had with SIX Payments which was very important. We will keep this 27.4% in Worldline. It will allow us to consolidate Worldline and this very important stake that we will own will be accounted for as financial assets into Atos's balance sheet.

Maintaining all existing partnership on an arm's length basis

This being said, we will maintain all commercial, industrial and go-to-market relationships which have been in arm's length contracts between both entities through what we will call the Atos-Worldline Alliance. I think, Gilles, we could say when we decided to IPO the company, we had an ambition. Done. At the same time we have created a lot of value with Worldline. What we propose today is just to give back to our shareholders the value that we have created in Worldline since we decided to IPO the company. I think it is a fair way to behave. Of course we will hold what we need to hold in order to maintain all the governance structures that we have had so far with SIX. However, we thought it was appropriate to do this and this is how you could calculate this amount.

It is very important this Atos-Worldline Alliance. Again I mentioned it, but a joint go-to-market that is innovation, joint R&D programmes, data and security, a lot of things. Innovation cooperation, purchasing joint agreement. I think also with the common talent pools. We will of course maintain all this, enhance it and of course the two parts of this alliance will be voted on both boards of Atos and Worldline. This is very important because this is a real tool of value creation for both our stakeholders and of course our customers.

Strict governance process of the project

We worked extremely carefully to reach this decision at the board level of Atos. First we created a specific governance process through the creation of an ad hoc committee comprising all the independent board members of Atos and myself. We created this at the end of 2018 to assess all the options that we had in front of us. We evaluated any options. We met several times together because it was fuelled by our three-year plan so we wanted to be ready today if we decided to take a decision, which is the case. We were, by the way, assisted by Goldman Sachs and by d'Angelin Conseil. We formulated after careful evaluation a recommendation which was taken unanimously by the ad hoc committee. Then we presented this project to the Board of Directors of Atos. I should tell you that the Board of Directors unanimously supported the recommendation of the ad hoc committee that are presented to you, including the board member representing the employees of the company.

Unanimous support from both Atos's and Worldline's Board of Directors

That is very important because we worked extremely carefully and we informed yesterday Gilles, the Board of Directors of Worldline. It is my pleasure also to tell you that unanimously the Board of Worldline supported strongly this decision, which will of course not only increase the free float of Worldline but will enhance the ability of Worldline to continue to move ahead using its balance sheet and maybe its stock. You know that, being blocked at 50%, we knew that it could have made your strategy, Gilles, a little bit more difficult but our goal is to give you everything to continue in this fantastic journey. By the way, we will all benefit from it, Atos's shareholders because I am sure they will keep the shares with a lot of value ahead of us, and Atos because we will be the first shareholder.

It was important in our decision to give smartly without any disruption. We are working in a very complex environment with Worldline, very complex and very regulated. There are more than 20 regulators watching what Worldline is doing everywhere where Worldline operates. Many customers are very sensitive as to who will be the main shareholder. We had to be careful not to destabilise anything, not to destabilise the management, not to destabilise the employees, not to destabilise the customers and not to destabilise the landscape of regulators. We believe that this is probably the best way to first recompense our shareholders for their loyalty, being a part together with us of this huge value creation and also securing the process.

From Atos of course we will continue to benefit also and to increase our strategic and financial flexibility. We will not consolidate the data of Worldline anymore. Of course, we will have still €2.9 billion of debt so you see that the remaining part matches almost perfectly on the balance sheet the level of our debt. I am speaking about the part 27.4% that we will continue to own in Worldline. Yes, our flexibility will be largely enhanced to continue our progress.

Planned timetable

The timetable, I already mentioned it, we will launch the consultation process with all the relevant workers councils' representatives. Publication of the first notice in the BALO will be in February and then March. Then the AGM vote is expected on 30th April and effective distribution of Worldline shares to Atos will be in May 2019. Elie will come back of course in his presentation with all the detail and financial detail but it will be with everything including the tax and everything which will be I think very sharply defined. So I'll leave it, he will come back on this.

Atos digital services scorecard

After this deconsolidation what will Atos look like? By the way the beauty, but it's there whether or not, is that of course we will no longer have to account the operating margin part coming from Worldline and the cash coming from Worldline. However, it will be replaced, Rakesh, matched almost perfectly at least by what Syntel is bringing to us. The profile is not changing. That is why we did it of course but it is the magic of the figures, if I may say so. Yes, we will be 111,000 engineers, experts working in Atos, let us say Digital Services, without Worldline being consolidated. Strong and reinforced pure player, number one by far in Cyber Security services in Europe. I will come back on this. It is extremely important. €1 billion revenue here, growing at 10% with 15% EBIT. This is quite an asset.

By the way, Gilles, it reminds me of something a few years ago at Worldline because, as you know, Pierre, my ambition is to give you the ammunition to grow significantly this business and to continue to enhance your leadership position in Europe but also elsewhere. €11.5 billion of revenue, €1.2 billion operating profit expected in 2019, between €600 million and €700 million of free cash, 111% of book to bill ratio in 2018, €21 billion full backlog at the end of 2018, number one leading pure player in Europe, in the top five digital world leaders, 45% offshore and nearshore employees, very resilient which is important in these days of uncertainties, with 70% of the revenue with multi-year contracts, number one in cloud and hybrid cloud in Europe and extremely important to me and to us, 5,000 patents with roughly €250 million of R&D per year. Of course, Elie you will mention this our BBB+ rating is expected to be maintained after this announcement.

Worldline scorecard

You know the ID card for Worldline. Reinforced pure player, €2.4 billion of revenue, 6-8% growth in 2019, c €560 million of EBITDA in 2019, around €300 million of free cash in 2018, number one global payment in Europe, present in more than 30 countries, 46% free float, 6.2% organic growth in 2018 and of course a very strong partnership which will continue to be enhanced with Atos. That is what I wanted to announced to you, which is part of course of our three-year plan, which is a very important move. We will present reworks to the plan with Worldline and without Worldline but of course we expect this to be finalised, as I said, on 1st April.

Vision and Ambition

A global context of growing uncertainties

Now I would like to spend a few minutes on our vision and ambition and present to you our three-year plan. First of course, I will not be too long here, but it is true that we are preparing ourselves. I have always one slide here in this kind of exercise and very much will be extremely shaky and unpredictable. Geopolitical of course, a lot of instability and very difficult to predict, eroding trust in governance, evolving a post-global balance of power.

Economic, uncertain. There is always this risk of indebtedness. Will it be in 2019? Will it be in 2020? You know this is one of my big concerns, also the Minister of Finance. Of course the changes in trade policies make our work running a global company in 70 countries not easy but we have to adapt. Our team is adapting itself. We are working in Argentina. We are working in some countries where it is difficult to manage the monetary uncertainty.

Of course societal and environmental is playing a more and more important role. Environmental issues of scarce resources and natural hazard. The financing of ecological transition challenge will be more and more important and the rising wealth inequality is also something that we have of course to take into consideration at all the levels of our company. Of course more than everywhere at our level as the Executive Committee and the Board.

These are the parameters. They are not rosy and not easy but this is what we consider we will have to take into consideration to build our three-year plan.

Leveraging the data deluge

This slide is pretty interesting because you know that we are clearly facing a deluge of data. This is led by a very strong increase of connected devices. According to IHS there will be a multiplying of users by three over the next six years. 23 billion connected devices today, mostly of course basic sensors, to over 75 billion smart objects in 2025. That is of course a big swing and we will speak a lot about that because it is changing drastically our industry. This increase of course will lead to a number of created data multiplied by five over the same period to reach 175 zettabytes in 2025.

However, what is probably the most interesting to read on this slide is a prediction by Gartner that I share with you, which is I think pretty important, which forecasts that around 25% of enterprise data will be processed outside-run, outside of data centres and cloud in 2022 and probably 80% in 2025. Today that is only 10%. These figures demonstrate to you the change of paradigm that we have to be prepared for in our company.

The digital services revolution over the past ten years

If we look back over the last ten years the digital services or digital revolution depicted of course the way IT is consumed. While it was based previously on CAPEX, we now have a massive adoption on a pay-per-use model and notably in the cloud. Defined architecture has become now hybrid and orchestrated. Cyber Security has become absolutely key and notably for the IoT but now for all the systems that we will have to protect moving from Data Management to Big Data analytics at the same time.

In Atos with its last digital revolution we have already reinvented ourselves according to all our offerings technology that we propose to our clients. We are now of course entering into the next wave of disruptive changes. The era of industry platforms, data insights and, Eric, servitisation.

Upcoming evolution for the next decade

On the next slide we propose here the view of our scientific community for the next ten years, which is pretty important again to build our plan, the first three years of our plan. As this transformation is not about the evolution of devices it is about the integration of intelligent data but everywhere into everything we do.

In this new era that will develop over the next decade the nature of our IDM aerial, Eric, our focus will be more and more through a complete evolution that it is not just about technology solutions but will reflect the change of the very nature of our services and business values will be perceived and will be delivered. The boundaries of traditional managed services will be expanding as the services enabled by infrastructure will become faster and extended outside of data centres and outside of the cloud.

The foundation of the Atos digital value proposition

For Atos if we look at the foundation, first cybersecurity will be extremely important, more important than ever. It is good to be already the number one, Pierre and Philippe, in Europe, but we will not be satisfied. We need more. We need more technology and more resources. We know that and we will move for that. We have the ammunition to do it.

IDM, Eric, you will say this in your presentation, which has become the leader in data centre management and desktop management using RPA and predictive analytics, is the foundation of the broader digital value proposition of Atos, including IoT, application of edge computing and prescriptive analytics. Using of course machine learning to offer distributed platform management. In other words you will see that we will have to move from managing inside infrastructure or cloud to a multiple level of infrastructure. This is what we will talk about this morning.

Leveraging IDM: a strategic asset and expertise at the heart of Atos's next decade of digital services

Indeed, beyond data centres and desktop, our share of the management of the 100 billion objective. It is definitely the next frontier for IDM with a key go-to-market strategy. This is of course a very important word, servitisation. Products will incorporate more and more services and will increasingly be sold as consumption-based utilities. Ultimately as such models evolve to maturity digital twins and their associated services will become only part of the end-to-end capabilities that IDM is the only one to be able to offer.

By the way, Eric will be more precise on this. You know that an important part of IDM business is managing data centres. It is historicirca Eric, in your activities the imbalance is €1 billion, right? In IDM activity what do you think today is the percentage that we operate in managing data centres like we did ten years ago? What do you think? 60%? 70%? Anything more? 15%. Today it is 15%. Today our first activity in this segment is of course cloud and hybrid cloud. However, I know there is a misleading view of what we do. What we do is manage infrastructure. By the way, in a growing market. It is growing more than 1% per year. Do not worry. I asked yesterday the same question to our employees at the working council. They had exactly the same answer as you. Even one said 80% and now it is 15%.

It is important because it means that the perception is absolutely not the reality and we strongly believe, and not only believe but know, that because of all this multiple expertise and know-how that we have in IDM that it is very complex with architects, software engineers and specialists with all the automation tools that we have in all kinds of activities. We know that this will be the foundation of the new generation of what we will have to do to serve our customers in this new era. This is why we put on this and it is in our vision of course, you remember that we said that Atos was the chosen partner for your digital journey but we had enabling customers' digital business with secure, data-driven ecosystems and end-to-end industry-specific services and technology.

That is very important because the end-to-end industry, we speak a lot about this today also, because of course now our customers, they are not wanting a specific solution, they are willing us to come to a global solution end-to-end. They do not care how we do. They do not care if we will do on a private, on a hybrid, on a public or on whatever cloud. They will just care that we understand their problem, we take everything, we do it in-house or with a partner, and we deliver the value that they expect on their data. This is why I speak a lot about industry end-to-end services and organisations. One of my goals of course in 2019 is to smoothly reorganise the company – it will be early next year – to be much more vertical and here answering definitely the needs of our customers. That is the vision but how to implement it now?

Implementing the Strategy: 2019-2021

ADVANCE 2021

Of course it will be the plan, the programme that we are presenting to you today called ADVANCE 2021: Atos Digital Value Advancing Customer Excellence. That is the name of our plan.

Four main levers of execution

Four levers: technology expertise and partnerships, industry focus and vertical go-to-market – I spoke about it, mobilising and developing people skills and key talent. This is extremely important. We will hire over the next three years, Philippe, roughly 60,000 new engineers in our company so we have to be prepared. We know it is a fantastic opportunity but we are extremely careful. We have now the best relations with most of the best universities worldwide, thanks to you Philippe. That is a very important subject. Also we are skilling our people. Philippe will talk about it today. Finally, enhancing and automating the delivery model.

Technology expertise and partnerships

Very quickly in technology we have already developed things, a very powerful scientific community and a large pool of experts, more than 2,000. A strong patent portfolio, I spoke already about it. €300 million invested per year in R&D. A Chief Technology Officer almost in every country, a lot of R&D labs and very strong partnership with key technology enablers.

Industry focus and vertical go-to-market

An important slide on the industry focus and vertical go-to-market. We have today seven important industry sectors. In healthcare we run and operate more than 1,000 hospitals in the world. That is a huge, huge asset and expertise. Of course we will develop this. In energy and utilities we have four million smart grid endpoints and more than 200 customers worldwide, which is extremely important. In telecom, media and technology we have more than 150 telco clients, which is extremely important, and a lot of expertise here. In retail, transport and logistics we have five billion annual payment transactions processed and 15 million daily shipments processed. In the public sector there are 100 million identities managed daily. In manufacturing, which is extremely important and where we are extremely strong and in advance, we believe, against all competitors, 20 million secured industrial objects are connected already. In financial and services 13 of the 20 largest banks in the world are our customers and 15 of the 20 largest insurance companies are also our customers. Again, this is something that you will hear us speaking about today but also during the year, how we plan to implement smoothly this move again from being more and more vertical in our company.

Mobilise and develop people skills and key talents

I already spoke about it. That is an extremely important subject. Philippe will speak about it.

Enhance and automate delivery model

We have a lot of things in automation. We enhanced, by the way, our capacity with Syntel. We will increase again automation so you will hear a lot of automation today. It is a big part of the three-year plan of course, Eric, but not only, everywhere. By the way, you all know that we had the TOP plan which was a very important plan to help us to achieve our operational profit and progress. Now we will enhance TOP for the next three years and the new plan will be RACE, Road to Agile Competitiveness & Excellence. Of course each of my colleagues will explain to you how RACE will be developed in their own activities.

Non-financial performance 2021 targets – consolidating our #1 CSR position in the industry

One slide on the non-financial performance 2021 targets. We are today viewed by the community as number one in CSR in our industry. We spend a lot of time here, a lot of time. That is extremely important. Not only do we intend to maintain this position, which is important and difficult, but we will increase the score of Great Place to Work. We will enhance our net promoter score which is already high, already at more than 50% but we would like to enhance it. 100% of our employees trained in Code of Ethics, 25% of women in top management and 70% of total spend assessed by EcoVadis. We will continue of course to reduce CO2 which is something extremely important.

2021 targets

This being said the plan that we will propose to you today that we will develop, you have Atos as well because we are still today Atos as a whole. This is how we should communicate until 30th April. Our ambition for the Group is to grow between 3-4% CAGR between 2019 and 2021, with an operating profit around 13% and a free cash flow between €1.2-1.3 billion in 2021. That is exactly where the plan should lead us and this is how we build it. We reviewed this with external experts and auditors to make sure that we were very consistent with the market trends and also with the assumptions that we took. It was of course an important tool to vote this plan unanimously by the Board.

Worldline, Gilles will present it, between 7% and 8% CAGR growth during the period and OMDA by 2021 between 25% and 26%, and a free cash flow expected around €400 million at the end of the period. Of course Gilles, understand your own belief, my little finger, *comment dit en francais*, tells me that maybe we may have another bigger parameter this time but this is understand and believe how we beat the plan.

Now, per difference, you have of course Atos after the consolidation of Worldline, while keeping again the 27.4% of tech on our balance sheet, between 2% and 3% organic growth CAGR, an operating margin between 11% and 11.5%, and a free cash flow between €800 million and €900 million.

That is the plan I wanted to present to you. Thank you for your attention and now we will enter into financial details with Elie. Thank you.

Financial Achievements and Objectives

Elie Girard

Group CFO, Atos

Hello everyone and very happy to meet you all again here. I have for you a series of very funny CFO slides as usual that I hope you will like. I will develop in detail the three important topics of the day that Thierry outlined. I would come back to the 2018 results first of all. I will then give more details about the project of the distribution of Worldline shares and I will give you a few bridges and details on our three-year plan 2019-2021, ADVANCE 2021.

2018 key figures

Starting with the big numbers of 2018 as a reminder, €12.3 billion revenue overall, 1.2% growth which is the figure for the full-year and for Q4. Operating margin €1.3 billion, 10.3% of the revenue. Free cash flow close to 60% conversion rate at €720 million. That excludes, as per our guidance, €62 million of one-off costs for acquisition and financing of Syntel and SIX acquisition. And 122,000 employees, Thierry talked about that. Net income between €625 million and €650 million. As Thierry said, we are still finalising until the end of January the consolidation of the figures and the audit. That is why we are giving a range. That includes an accelerated deferred tax asset of roughly €90 million and that also includes roughly -€25 million of one-off costs for the two acquisitions in P&L. €62 million was in cash, -€25 million is in P&L. Net debt at €2.9 billion, which reflects mostly the two acquisitions, Syntel and SIX. The cash part of the SIX acquisition mitigated partly by the generation of free cash flow. I will come back to this in detail.

Organic growth improvement in Q4 2018

On the revenue I want to come back on the quarterly profile of the year which is interesting. We had in Q3 a disappointing figure that we were very disappointed with and I think you were as well. You expressed it loud and clear. As clearly Q4 was a clear acceleration, an improvement of this growth, 1.2% versus the 0.4-0.5% which was expected. That came entirely from an improvement in, in particular, Data Management, Eric, an acceleration of growth in France and in Germany, while we still had, Simon, a difficult Q4 in North America where the decrease in the core business was mitigated by the integration of two months of Syntel. Again, I will give a bit more detail in a minute.

2018 performance by Division

By division, this is the usual view I give to you. On the revenue you find the 1.2% again. The 2.9% on the entire year for Infrastructure & Data Management is not a surprise to you. What is important as well, because we are of course focusing a lot on Infrastructure & Data Management, is that all the other businesses have performed in line or above target. The 4% in Business & Platform Solutions is mostly before Syntel. The impact of Syntel is very minimal, only with two months here. Big Data & Cybersecurity, Pierre, was even above the objective at 12.8% organic growth and Worldline, Gilles, at 6.3%, you will come back to this as well.

On the margins, 10.3% which came slightly shy of the 10.5% which was expected. That came from the total decrease of the organic growth in North America IDM for which we took out costs but with the acceleration of the decrease not enough. That will be recovered in 2019. In Germany where the take out of course was made quite difficult and we will explain as well that we are launching a transformation and de-risking plan in Germany. German management will launch this plan for 2019 and 2020 to be discussed with the workers council, to be able to adapt the cost structure more rapidly than today.

2018 performance by Business Unit

By geographies, I will be very quick because I discussed Germany and North America already. All the other geographies were either growing or stable. There are two points that I want to make on this slide. First of all is the very good more than resilience of the UK, Adrian, with 0.7% in an environment which is an ecosystem which is quite difficult. This +0.7% is the result of the very hard commercial work of yourself and your team in the UK. That is a really good performance, improving the margin as well.

The second topic I want to highlight here is the improvement of the margin in the Other Business Units. It includes in particular our productivity gains in the global delivery centres including, Eric, in the Cloud Factory. We are generating more and more productivity gains which is great. It will be even more the case, Rakesh, with Syntel as we are reporting India global delivery centres in this line. That explains, not for Syntel because that was only two months, but for all the other global delivery centres of Atos and for the Cloud Factory, the improvement by roughly two points of the other business units, on top of improvements in several geographies including in Central & Eastern Europe in particular.

Digital Transformation Factory at 30% of Group revenue with Hybrid Cloud growth above 35%

A quick but important point on the structure of our business and the quality of what we are selling and what we are delivering, with our Atos Digital Transformation Factory going to 30% of the revenue. It is 30% of revenue growing roughly 30%, including hybrid cloud, Eric, growth more than 35%. We have done more than half of the migration of the cloud now, you will explain that, and we are preparing for the next phase. As a reminder, the Digital Transformation Factory for Atos is four key offerings: the orchestrated hybrid cloud, digital workplace, Codex, which is our analytics offering, and the migration to SAP HANA. We have got several logos here. I think Robert and Adrian this afternoon will come back to this in more detail.

Solid free cash flow generation

This is a very important slide on the free cash flow, especially after a lot of discussions and questioning that we had since this summer. I want to take a few minutes on this slide. First of all, we achieved €720 million of free cash flow, excluding the €62 million of one-off costs for our acquisition and financing of Syntel and SIX. That was the way we expressed our guidance. We are quite close with 60%, which was expected. What is important is that that was a very solid free cash flow generation with only €36 million of sales receivables increase, while we had guided and were expecting an increase of roughly €100 million. It is much less than the €100 million that we had guided to.

The second element I want to say is that there was no increase in H2 already. It was even a slight decrease of the sales receivables and we confirm that as for 2019 and further there will be no increase of sales or receivables in our free cash flow. The last point, which is also very important, is that the contract assets or so-called unbilled revenue have significantly decreased in H2 by roughly 10% thanks to a very strong billing and invoicing activity across all the business units.

2018 headcount

A word on the headcount where we are finishing the year at 122,000 colleagues. All those numbers of course for 2018 are including Worldline. Most of this increase is coming from the scope effect, which is 23,000 for Syntel and a bit more, 3,861 for SIX new colleagues. That explains the landing of the year at more than 122,000 people.

2019 objectives & 2021 targets

The objectives and targets for 2019 and 2021, I do not believe I have to go back to them. I just want to underline on top of what Thierry said, that our operating margin objective for 2019 is maintained between 11.5% and 12%. All the objectives for 2019 are exactly the same as the ones we gave to you in the Q3 publication at the end of October. The free cash flow of 2019 between €0.9 billion and €1 billion corresponds to c60%. In 2021 €1.2 billion to €1.3 billion corresponds to roughly 65% of cash conversion.

Distribution of Worldline shares: Indicative Terms

Let me now on the next few slides give you a bit more detail on the indicative terms of our proposed distribution of Worldline shares to our shareholders. As highlighted by Thierry, the proposed transaction would consist of a distribution of around 23.4% of Worldline share capital to Atos shareholders out of the 50.8% currently owned by the Group. It is less than half of our stake in Worldline. Pro forma for the transaction, Atos will still own 27.4% of Worldline share capital and will remain the largest shareholder. Worldline is expected to be deconsolidated from Atos accounts on the day of the distribution and the remaining stake, the 27.4%, would be accounted as a financial asset.

Regarding the structure of the proposed distribution, from a practical point of view Atos shareholders will receive two Worldline shares for five Atos shares. Thierry explained that. The project would be submitted to the vote of Atos shareholders at the next AGM on 30th April 2019. The payment of the proposed distribution of shares is expected to happen concurrently with any ordinary dividend that could be proposed by the Board of Directors and approved by the AGM and in line with our current dividend policy which is to distribute between 25% and 30% of the net income Group share of the Group.

From a tax perspective for Atos shareholders at current Worldline share price levels roughly half of the value distributed to Atos shareholders should be qualified as a partial repayment of share capital, which under French tax law is not taxable at the level of French tax residents and does not trigger any French withholding tax when paid to non-French residents.

So, I think it is a very important feature of the distribution to keep in mind that roughly half the distribution will be in part *remboursement d'accord*, so a repayment of the share capital with this special tax treatment. Further details, of course, will be provided at a later stage on the detailed technical parameters of the transaction. One of the important items we focused on while preparing this operation with our advisors was the implications from a capital market point of view and I would like to underline a few points with that regard.

There is a meaningful overlap between Atos and Worldline shareholder base, with roughly half of top Atos institutional shareholders owning shares in Worldline and circa two-thirds of Worldline top institutional shareholders holding Atos shares. That should be a positive tailwind for the Worldline share price.

Second, following the distribution of the shares, Worldline free float will increase by approximately 23%, which is doubling the free float, Thierry explained that. That will enhance the equity capital market profile of the company given the increased free float and liquidity, which is a criticism that has been made, of course, and rightfully to Worldline with a quite narrow free float so far and quite low level of liquidity. That will be clearly enhanced by this transaction.

Finally, Atos together with SIX are expected to commit to a six-month lock up which is market standard on their respective stakes in Worldline post-distribution. That is also an important element for the stabilisation of the stock price of Worldline.

Income statement and cash flow

On the next slide, you have got all the pro forma income statement and cash flow items. I will not go through all of them. You have the slides, you have all the numbers. Just to mention the main KPIs of the new animal. €11.3 billion revenue for the new Atos and 10.0% operating margin, so we are natively at a double digit operating margin with this new structure. I think it is also worth to underline that. As Thierry said, Worldline is roughly speaking replaced in the matrix profile, not business profile, the matrix profile by Syntel in the overall group.

Balance sheet impacts

On the next slide, we have shown how the transaction impacts our balance sheet flexibility. That was absolutely essential for us as already highlighted by Thierry, given the continued changes in the digital landscape and the need to preserve Atos' flexibility going forward in terms of development.

As you can see the Group's net debt post-transaction will remain stable at €2.9 billion on a pro forma basis at the end of 2018. That means that the leverage ratio net debt of our OMDA will slightly increase from 1.5 to 2 times OMDA. Note that both figures include the full year contribution of Syntel. However, this is highlighted on the slide. The €2.9 billion compares with roughly €2.4 billion value of our remaining interest in Worldline. So de facto we are virtually in a debt-free situation pro forma for this transaction allowing this development flexibility going forward.

One other point worth highlighting, that the transaction – I talked about the tax treatment for you, for the Atos shareholders – the transaction is also taxed off a very low base, so that is about the taxation for Atos this time. The value, the historical value of Worldline shares in our balance sheet is less than €100 million for the full 50.8% but we are eligible for the long-term capital gain treatment and you will remember that we have very important tax deficit carried forward which will allow us to make this transaction at a very, very low tax level. The distribution itself would trigger less than €50 million tax impact, which is extremely low for such a sizable transaction.

Last slide on the distribution of the Worldline shares. Two messages that I would like to highlight on this one. Our consolidated shareholders' equity will increase as a result of the transaction. This may be a bit counterintuitive but de facto we will be re-evaluating the consolidated balance sheet of Atos post the distributed stake and the remaining stake of 27.4% interest in Worldline.

You see that with the light blue bar of €2.6 billion which reflects this re-evaluation, that more than offset the fact that our shareholders' equity will be deflated by €2.0 billion as a result of the distribution.

This is from a consolidated account's point of view. From a statutory account's point of view, it work a little bit differently because we evaluate only the distributed part but that means given that the value in the account, the consolidated account for the Worldline shares, is very low, that means that roughly the distribution, the retained earnings, of the group will be preserved which means a distribution capacity which will be mostly preserved, the distribution capacity being measured on the basis of the statutory account and not the consolidated account.

Three-year plan ADVANCE 2021

I will now move to the three-year plan itself, ADVANCE 2021. So from now onwards, all my figures will be without Worldline. I will start by a reminder of the guidance for 2019 and the target for 2021 that Thierry already developed. We have basically an acceleration on each dimension: revenue, organic growth, operating margin and free cash flow. I don't believe I have to go back to the figures that Thierry highlighted already.

What is important to look by divisions on what it means on the next slide. So IDM is expected to be growing slightly about zero CAGR. Eric, you will comment, and each of my colleagues are going to come back on each division later on this morning and will give you much more details than I will give you here.

This CAGR for the three years will end up in 2021 with 1% organic growth, which is back to the market average but I believe this is quite reasonable figure and projection. That will be supported by the second half of the cloud migration. As a reminder, more than 35% organic growth in the orchestrated hybrid cloud in 2018 but that will be also supported by the start of very high growth new markets like IUT and edge computing.

Brief summary by division

Digital workplace, which is actually the biggest part of our infrastructure and Data Management business and where we are around number one by far – Eric, you will explain that as well – will continue to support our figures and the trend and again, you will have more details on this in a few minutes.

On business and platform solutions, circa 5% organic growth, Sean and Rakesh will come back to that as well. That includes exactly the synergies that we announced on July 22nd or 23rd when we announced the transaction, so we stick exactly to those synergies, revenue synergies with Syntel, but we will also have an improvement on the basis with several new markets or accelerating markets, in particular cloud application development where we are investing a lot in new skills to get leader position on this new market as well.

Big Data and Cyber Security, Pierre will continue on double-digit CAGR trend. In all dimension, Cyber Security, Big Data which will be fuelled more and more by artificial intelligence and machine learning as well as mission critical systems, which is the third activity of Big Data and Cyber Security division.

You will also extend your go-to-market, both geographically which you have started to do since the acquisition of Bull massively actually, and also across industries to develop much more in private sector and in all verticals.

Total 2-3% tying up to the guidance. Of course, this slide is just a brief summarising of what I have just said by divisions so I don't spend too much time on this one.

Seven verticals

The next one also will not go through all the items. What is important, Thierry explained that we are going to reorganise progressively the company around verticals by the beginning of

2020. These are the seven verticals we are working on. In each vertical you have got here the areas and the domains in which we are already investing and we will further invest and those investment, commercial investments, Robert and Adrian, that you will develop in detail this afternoon, are embedded in our three-year plan. This is all tying up to 2-3%. You have got many specific areas. We have made some choices. We had to decide on choices to concentrate our effort, be it the NSB in the telco sector, reporting and compliance management in banking sector, computer assisted diagnostics in healthcare, etc, etcirca Again, that will be developed by Robert and Adrian this afternoon.

This is a very important slide I wanted to show you because we have been, of course, with Jean and myself over the last six-nine months, very rightfully challenged by all of you on the dynamics of the top line in the US and you rightfully asked why or how we could support our saying that we would go back to growth in mid-2019. So I wanted to show this graph to support this.

So this is a bridge between H2 2018 and H2 2019 on Atos without Syntel, so that we don't blur the figures and I take out the help of Syntel top line, which goes very fast. So, it is really on the Atos North America without Syntel to make it clear. We start from roughly €900 million in H2 2018. We have a drag of roughly €70 million remaining from terminated contracts and volumes from down on existing contracts, contracts which were not terminated but on which we have that live of contract and we have terminated and we have finished transition transformation for example, we can have less volumes in the run, so this is just a normal life of contract. This is printed. This is certain. What is also certain is the ramp up of €45 million of contracts – new contracts, new customers, assignments – that have been already signed, won, for which we have started for most of them the delivery. I think of C and A, for example, that we announced earlier in 2018. So those €45 million are as well certain, they are signed, won, in delivery.

The third bridge is another one which will happen, which is the fertilisation on existing contracts. I talked in the grey one on the reduction on some contracts of volumes. In the daily life, we also have additional volumes, additional fertilisation on existing contracts. That's the counterpart of the grey one, €30 million. You see that at this stage, just stopping here, you see the dotted line which is the 0% growth level, we are already slightly above.

Then on top of that, there is another element which is also quite certain which is the product of Big Data and Cyber Security, which Thierry and Simon are developing very fast in North America, which would bring another €15 million just continuing on the current pace.

Then the last one, but again this is what I wanted to show, we are not relying on new signatures. It does not mean that we are not seeking for new signatures. Simon is exceptionally here and is going to be with you, but the rest of his life, he is working on the last piece, of course, but I just wanted to show what supports our confidence in this back to growth in H2 2019 without having to rely on new signatures.

The very last point is, because you do not see it here in the graph, we do not have any graph coming from lost renewals for the simple fact that we have very, very, very few renewals in the year 2019, three or four times less than in 2018 and most of them are secured. Again, Simon would come back to that but I just wanted to make that point today with you after, again, the very rightful questions you had on that topic in the last month.

Margins by division

I go now to the margin and by division, I will go quickly. Double digit margin, back to double digit margin. In fact, in particular in Data Management we were at 10.6-10.5% in 2017/2016. I was just saying double digit, so I think as on the top line, we're being reasonable in the numbers and in the plan in particular in Data Management. We are shooting for more than 10%, but this has the strength, at least, Eric, that we have already done that in many years.

That will be supported, of course, by all the automation programmes and the productivity, as we have showed already in the global centres including in our cloud factory. And other RACE actions, which is a success Thierry introduced and I will talk about it in a minute.

Business and Platform Solutions, Sean and Rakesh, include as well exactly the amount of synergy that we announced to you back in July at the time of the announcement of Syntel acquisition, and continue process to offshore and near shore our workforce 13-14% in total of operating margin. And finally Big Data and Cyber Security, while double-digit growing, will continue to maintain its high level of profitability, Pierre, at 15%.

RACE: Road to Agile Competitiveness and Excellence

The next slide I can skip it; it is just a summary of what I have said into a bridge of contributions of those operating margin level by divisions to the fuller target. Then a few words on RACE, which is the Road to Agile Competitiveness and Excellence, which is our new very important and across the group operational performance plan. You see the 12 streams broken down here. What is important, I think, to understand here – I will not go through each of them, we can go in the Q and A, of course, if you like – what is important here is that we have been focusing a lot on GNA optimisation in the past. We will still continue, of course, to make sure that we optimise as much as possible our GNA expenses but this programme is very much focused on improving our direct cost base, our gross margin, through improving optimising our processes of production. So, that includes a lot of automation. I think, we have got automation in fact, on every line here. Robotisation, RPA, but very much again concentrated on the direct costs and the cost margin.

Costs and operating margins

That translate into this bridge, which is probably even more interesting than the bridge by division in terms of margin, because this is really the bridge operating margin by nature of cost. First element is that we will, as we did in the past with all our plans, we always managed to compensate the salary increases by a very sharp workforce management. What will be different in this plan, yes, we will probably have a little pressure upward on the salaries due to new skills that we have to hire. Philippe, you will explain that, but on the other hand on the workforce management, we would have an increase offshore move and Rakesh will, of course, build very much on your resource management expertise, know-how, and tools that we want to extend across the group and that will be another enhancement of this workforce management, opposite and compensating the additional salary increase.

Number two is a price concession that we see at roughly 4% per year across the group. This is an average, of course, across all the contracts. That will be compensated for a little half by the procurement efforts. This is also what we achieved in the past year so that will continue.

The six next bridges gather all the optimisation plans which are embedded in RACE, that I discussed earlier, so again many of them embed automation and RPA and robotisation. Then you have got the Syntel synergies which is exactly the size of what we promised and we get with risk execution a little buffer that we keep, of course. We get to the 11-11.5% margin objective.

The people equation

Another point I wanted to make even the people equation, which is often a question that you have. To underline a few aspects. First of all, taking into account the attrition and the restructuring of the group which we have today, roughly, we will hire – Thierry said that – we will hire more than 60,000 new engineers in the company, so that gives you an idea of the fantastic ability of the group to move forward and to transform itself with new skills and to very fast on the new markets and the new opportunities. Philippe will develop that in detail but this is a very important number. This is very positive number.

Taking all this into account, we would increase the headcount by 4.5%, which is 3% less than the top line, so 1% less on average than the top line per year. This 1% comes from our ability to retain roughly 20% of the productivity gains, meaning that 80% is given to the customer, 20% that we retain. So, that is this 1%. This is also something that we managed to achieve in the past year. This 1% creates the room for the improvement of operating margin. That is the conclusion of this slide, tying up to 11-11.5% operating margin in 2021.

Free cash flow

I will finish my presentation with two important slides. One on the free cash flow, the development of the free cash flow until 2021, where you see – it's not a surprise – that most of the contribution is coming from our organic expansion of revenue and operating margin. Still we will continue to activate a few levels which are very important to us and I know that you cherish yourself. Continuing improvements of the quality of our operating margin, continuing to reduce the net erosion in the operating margin, which we did over the last four years very consistently and we will continue.

The CAPEX optimisation and control will continue. We will be helped and we have been helped by the cloud migration on this, it helps optimising the infrastructure and therefore the capex control.

Just to finish on this slide with two remarks. As expected, again, no further increase of sales or receivables as part of this bridge to get to the €800 to €900 million of free cash flow in 2021. As I mentioned earlier, the German management will implement a transformation and reskilling plan, especially in IDM, to be finalised with work councils, of course, estimated at circa €25 million in 2019, €25 million in 2020.

Summary

The very last slide which is in fact, a kind of conclusion or summary of everything that Thierry explained and a few figures that have been given to you in the previous slides, which all summarise into a 12% CAGR growth of our normalised EPS in the next three years, which I think is building up a very exciting future for our group.

I stop here and I believe that we can go to the Q&A session. Thierry? Thank you very much.

Q&A

Thierry Breton: We will stand here with Elie, myself and maybe our colleagues if it is needed. So, before we start it is appropriate to have a first exchange between us. So we are looking for questions.

Moe: Great, hello. Hi, Thierry, Elie. Maybe you can talk about on the core IT businesses, you're hoping to bring this business digital. Have you built in any plans for additional reinvestment around reskilling? I know you talked about more automation and efficiency drivers. Many of your peers have been investing over and above in order to sustain that competitive advantage. So maybe let us know what is built into the plan for that.

Second, as you are increasing the float in Worldline, you obviously have an interesting Cyber Security business. Will we see this roadmap being applied on that down the line? Do you need to do potentially some more M&A there to scale up?

Lastly, in terms of you are clearly implying some significant re-acceleration in the core business. You have also historically done a lot of M&A. Should we see more of an emphasis on organic growth for Atos or at least over the next 12 to 18 months and M&A take more of a backseat? Thank you.

Thierry Breton: Thank you, Moe. I'll take maybe the number two, number three, you take number one.

Elie Girard: I will start with your last one and then we will go up. Definitely you will have to see a bigger focus on growth, that is for sure. Because now, we spoke a lot about this, we have everything in hand in terms of, at least, for the growth profile, one month closer to some of our RPA. Absolutely true that we knew for years and you have told us this many times when Robert joined us, he said we are missing a part in our strategy and we knew that we are missing Rakesh the part that we required. I just told you that we are looking for Syntel, for Rakesh, for more than four years, almost five, I think. We think it was a good fit, it took time but more now, we have everything in hand in terms of delivery of what we need. So, yes, my goal and the goal of my team will be definitely to focus on growth. That is for sure.

Now this being said, this will tell me I need to go to the second question. I am extremely clear here like I was a few years ago when we spoke, Gilles, on Worldline. This asset is extremely important for Worldline and we are speaking of Cyber Security and Big Data, Pierre. We spoke a lot about it. Pierre told me many times in my office with Philippe Vannier, 'We have this opportunity, we could do this, we could do that,' and I said to them, 'Step by step, time will come. Both time is coming.' We are a big player, we have ammunitions. We can, again, retrieve our flexibility. Yes, I think, you could envisage that we could follow exactly the same strategy that we followed with Worldline with our Cyber Security business, for a simple reason. When you look at these assets, they are pretty expensive. The multiple of this type of asset is the same as the multiple in payment. It is very – so why – four to five times revenue, so that is extremely expensive. So, I mean, if you want to pay in cash, Pierre, and we discussed this many times, it could be very, very difficult for us and we are extremely careful with money of our shareholders. So I said to Pierre, coming with proposals with assets not as good as us. Paid five times revenue, I was a little reluctant, I would say. I said, 'Pierre, we will do the same as Worldline when the time will come.'

Now, after this, the time is coming. So, we have opportunities, we have view, we will not do crazy things but it is not something that I think, yes, we have a model that we did with Worldline. It works. We know how to make it work in terms of governance, in terms of organisation, so, yes, you could expect us to move in this area. Looking at what we did, we can probably forecast what we will try to do. Believe me, a lot of opportunity in the market today and, again, more flexibility to move ahead.

Thierry Breton: Yes, Moe, on your first question there are two dimensions. First, the investment needed in new skills and verticalisation, vertical offering, which would be roughly €20 million 2019, €20 million in 2020 to fully finance the re-deployment for the workforce and efforts. The second dimension is in Germany, which would make the integration and restructuring and optimisation envelope increase by €25 million in 2019 and 2020 for the transformation in [inaudible] the two dimensions of it.

Elie Girard: Also, some aging consideration. Early retirement, first in Germany for early retirement.

Thierry Breton: John.

John: Yes, thanks for taking the questions. Just two. Firstly on the Worldline partial disposal. I am just wondering how you came up with the percentage that you are disposing of. Obviously, it seems very precise and, obviously, since you go below 50%, you lose the consolidation benefit. So I was just wondering why you wouldn't almost sell or dispose – disperse more of the assets. That is the first question.

Then on a different topic in the US. The fear of the market in general is that the US is the lead indicator for the rest of the world in terms of what we have seen with cloud, etc, so I am just wondering what kind of win rate did you see – renewal rates did you see in 2018 to give some comfort that that is not a lead indicator? We might see renewal rates deteriorate across the business. Thank you.

Thierry Breton: I will take the first one. That is a very good question and to tell you the truth, we worked on all scenarios. All scenarios, because the fact that we believe so much in the value of Worldline and one of my board members, I will not tell you who of course, it is a secret, said we must also maybe study the fact that we may buy back Worldline because it is such a huge value creation. We studied, just to tell you, every scenario that we had in mind.

So, how did we come to this figure? We want to do this again. The idea was to give back to the shareholders the value that we have created since the IPO. We understand that. In the meantime, we have many, many conditions to match. First, certainty of execution. Of course, you could have said also, why didn't you ask somebody to buy the block, and by the way we evaluated this. Could have been an option. Of course, then it is a big part. It could be stabilising, takes time. Provoke some shock on the stock price. Maybe, big discussion with all our shareholders – with the customers and the shareholders – will this newcomer be welcomed or not? Discussion with regulators so feasible but with much more uncertainty.

Then, of course, for us we consider the fact that the most important thing was to do it. I have done in my life many privatisations. It is like a privatisation, in a way, everything being equal. However, my experience that when you do these kind of things, you do it step by step. It is always better because you have all our colleagues here are used to working together for always. Customers being used to working together and the key for us was not to destabilise our shareholding structure. The agreement we had also with SIX. Remember that SIX joined us last December, only in December. Extremely important partner and, of course, the fact that while being just the first shareholder allows us to maintain so far all the agreements that we have worked on over the past few months was an important subject decision that the board took into consideration to reach just this level.

The other question is we could have done 27% instead of 27.4% but we wanted to be above 26.9%. So, that is really the conclusion we reached. So, we believed that taking into consideration everything is probably the, if I may say, the smartest thing that we proposed together with our advisors. Again, it is extremely important when you manage this kind of process to get also the support of the employees and of the union of the working committee which I mentioned, by the way, that representative of the union voted in favour of this, so that was something to take into consideration not to destroy value. So far this is where we are and this is how we reached our decision.

Thierry Breton: Michael.

Michael: Thank you. A couple from me. In terms of INDM can you talk about growth this year? Obviously, the challenge is in North America, the ambition is to get to 1% by 2021, but do you think 2019 will be positive or still slightly negative?

In terms of the patterns in Q4, obviously, the growth was a bit better than the market was expecting. Where were the positive surprises and as you look at the three-year plan, are you assuming a steady macro?

Then finally, Elie, on the working capital trends up to 2021, I think we asked this last time in 2016, through a growing business that would normally lead to a higher working capital and a drag on cash flow but the slide you showed seemed to imply that it is going to be a positive trend. Can you explain that in the context of the guidance?

Elie Girard: So, one by one? So, in Infrastructure and Data Management for the year 2019, we believe we should be in the full year between -1 and -2. So, you should read the trajectory from 2018 to 2021 at 1% roughly linear. We are shooting for more, of course, but this is what we embedded in the plan with, of course, H2 better than H1, driven notably by the US.

In Q4, as was your second question, the positives came mostly from Germany. Germany was positive in Q4 after a very difficult Q3 and from France where we were above 4% organic growth in France in Q4 with a sharp improvement in Big Data and Cyber Security, which so far in France was more challenging given the very strong position of [inaudible] that we already have in France and Q4 was pushing. So, these are the two main sources of acceleration in Q4.

Then you had a question on the working capital. So the working capital, the way it has been built and the bridge I showed you, without any improvement of the working capital, from the very low level of 2018 which I do not consider as normal. We have built up a path of the working capital a big negative in H1. In H2, but of course, not at all entirely so the level of changing working capital in 2018 was exceptionally low. Even if we were to stay at this level of this changing working capital, we would be in the range of €800 to €900 million free cash flow. And then anything on top which would come from an improvement of the change in working capital over the period would help us to move to the upper range of the range €800 to €900 million.

Did I miss anything? No? Thank you.

Laurent: Yes, good morning. Two questions on my side. On IDM again, you talked about opportunities. Could you give us a little bit more colour on your pipeline at the moment compared to a year ago? If you have some sizable opportunities?

The second question is on the US you touched on the whole scope but I am sure you will talk more during the day on Syntel, but can we have a first feeling on how the year has developed the last two months and also how it started? Thank you.

Thierry Breton: On Syntel, first you will have a flavour with a presentation of Sean, but I could tell you that I am extremely, extremely pleased with almost all customers. I visited a lot myself too in the US of course or mainly in the US. We didn't lose anybody, which is good. It was important when you have this kind of transfer, we think and we explain everything. I was impressed by the way by the quality and the stickiness of the customers. I remember, Sean, there was a visit we had at FedEx, extremely impressive. The way Syntel is part of the organisation and part of everything which is extremely strategic is fantasticirca By the way, they discovered that you could bring other things also so we had a very interesting talk. This being said, the year ended very well as planned. That is extremely important because no destabilisation. It was very important to us and start extremely well so I'm very pleased.

We have also fantastic infrastructure in India. Fantastic companies, they are tremendous companies with more than 10,000 engineers, extremely well qualified in a place that makes me a little bit jealous, working in Bezons, but that's life. I could tell you that not only the infrastructure is fantastic but also the quality of our people and the dedication is amazing.

So, in a nutshell very pleased with the integration. Very pleased also with the way we run it. You know that this is one organisation, of course, but Rakesh is running the old Syntel which is now the delivery centre, I would say, on Sean's activity with best in class expertise. We are transferring contracts that Rakesh and his team will deliver with, and it is possible, higher margin and higher quality. So, it is a win-win. We have a fantastic prospects. So, overall, we are very pleasedm but again you will see on the presentation from Rakesh.

The first question was? IDM. Maybe, Eric or somebody? Eric, yes?

Eric Grall: Good morning. So, the pipeline, in fact, of IDM as we enter the year is higher than what we had last year and also differently balanced because we will have less renewals in the pipes this year which is an important element. Elie mentioned that also in his introduction and talking about the forward-looking piece. We have renewed a number of contracts. We have less big renewals coming to us in this year notably in the US but also in the rest of the world. We have a few as usual because we have five years average TCE and durations of contracts you have to go through renewals every year but relatively speaking less which means that we have more net new or expansion opportunities in pipeline.

Also, related unfortunately, to some contracts we were expecting to sign in the first quarter but that, in fact, have been postponed to the first quarter for most of them and two or three other significant facts.

Thierry Breton: But, of course, you will hear more in Eric's presentation. I think it is almost time for a break that you deserve. Again, thank you very much for your attendance and looking forward for the continuation of the day. Thank you. Thank you.

[BREAK IN PRESENTATION]

Worldline's journey and 2019-2021 Three-Year Plan

Gilles Grapinet

Senior Executive Vice-President, Worldline CEO

An important day

Hello, everyone, Gilles Grapinet speaking. Do I need to state that it is an important day for Worldline today? Do I need to state that I am very happy? Of course, being in front of you as always, as it is a very rare opportunity that we can really address such an important audience for our project. I am talking about where the European payment industry is going and what we are going to build with Worldline along this journey, but definitely today given the strategic decision announced by Thierry this morning is a very special day. We are going to turn an important page of our young story as a listed company and definitely we are going at the same moment to open a new one, an even brighter one an even more fantastic one to go through shaping and freeing our full potential as the leading European consolidator of payments that we want to be for years and that we are today and that we will even further tomorrow.

I would lie if I would not state that it has also a significant emotional content for the Worldline community as in three months' time, subject to the favourable vote of the Atos shareholders we would leave the consolidated perimeter of the Atos Group that has really nurtured our business of a decade as a matter of fact. Let me be very clear. We are more than ready to be a standalone company. This is more than a timely decision. It is our moment. It is the moment to make this decision. It is why that most probably – I don't know if it is possible – even with more enthusiasm than usual, we will try with Marc-Henri Desportes and Eric Heaurtaux to drive you through what with envision for Worldline, what we are sure we will be at minimum and more importantly, what we believe we also may be through further transformation of our payment industry landscape were we will play such a big role.

So, of course, just for the one, maybe, having less followed another, we are today in the perimeter of the Atos Group because everything is moving fast after the closing of the SIX Payment transactions services on the pro forma 2018, you have the ID card of the company on the slide to that €2 billion turnover, pro forma 2018, a bit more than 11,000 employees in the world and 30 countries of direct operation of Worldline and of the Worldline brand.

Three divisions

The business is based, as you all know, around the three main divisions. Merchant services, roughly €1 billion turnover where we support large and small retailers all across Europe and actually also many countries in the world the more we go. Financial services, €800 million turnover where we support banks and all the ones that want to issue, operate, accept, authorise payment means of any form or shape. Last, mobility and transactional services where we bring payment technologies and payment expertise to less usual suspects of the payment customers world like governments and transportation companies.

Of course, before projecting a company in the future as you all know, you need just also sometimes just to take a breather and look at what you have just delivered and what has been your journey so far so I would like just to drive you very quickly on the 2018 results and Eric will actually go deeper into them.

Figures in line with guidance

So, first element on the left 2018 as you saw our press release of this morning has been, again, a very, very solid year for Worldline. We have been delivering absolutely in line with all our guidance including the acceleration of growth during H2 that was anticipated at the start of the year. We actually closed Q4 at circa 7% and we have been delivering more than 100BP of improvement of OMDA at the very solid free cash flow growing by 18% versus last year. Of course, while we absorb, as Eric will mention, very significant transaction cost with SIX Payment Services and still sizeable transformation cost with Worldline.

Of course, this has been a particularly busy year for the team because at the same time, we were delivering this organic performance with one month of SIX Payment Services, of course. Here we have also closed and actually integrated SIX Payment Services and the merger – maybe it is important to restate it – the merger between Worldline and SIX Payment Services is just the largest industry combination in payment ever done in Europe as long as you can look back. There is absolutely nothing as powerful as this combination and we could not only sign it and close it with actually the company is up and running as one organisation as I am speaking.

Phenomenal development

Last, the commercial development has been phenomenal. This year the book to bill of the company has been absolutely great. We have been signing, as you remember, very large and important deal, outsourcing of payment processing services. For example, Commerzbank actually some matters have been [inaudible] but more recently and maybe less seen, our Mobility and Transactional Services division was able to sign a major deal in France where we will build and process all the ticketing activities of the entire Paris region, a contract which is known as Ile-de-France Mobility which is really the future ticketing system for 12 million inhabitants and 60 million tourists and business travellers per year. One of the largest ever ticketing programmes that will be delivered and processed by Worldline.

The pipe is actually growing extremely nicely. We have further larger outsourcing opportunities that have been maturing gently in the course of 2018 and that we expect for some of them at least to become signing in the course of next year. Significant commercial breakthrough as a matter of fact as you know a lot of things are moving in the payment industry with a lot of regulatory innovation like instant payment, PSB2, the evolution of security requirements to actually authorise payment online or through mobile phones, and we have been quite active also to ready the company for that.

So, I think, very solid but actually I would say this is just another solid data point of the pretty solid journey that we did since we IPO-ed the company and, my God, time flies. It was just June 2014, barely 4½ years ago only.

Just helping you to look back once again with me before looking forward, the company has been transforming itself immensely and as it is stated here, the financial profile of Worldline has been deeply transformed through organic and inorganic development as you know. So, there was just 2014 when where we were at the time of the IPO, the revenue has doubled, the profitability measured at the level of OMDA has more than doubled and the free cash flow has circa doubled, particularly if you take into consideration this exceptional transaction and transformation costs that we are still having in our 2018 figures which is, of course, something on which I guess, Eric will come back in a minute.

In parallel, the market capitalisation of the company has been multiplied by four and, of course, consequently to the increasing size and the profitability, the financial leverage available to Worldline which is still a non-indebted company as I am speaking in front of you, is more important than ever.

A timely decision

So, the company is really in good shape. This is why I was mentioning this morning to Thierry and, of course, in front of you just minutes ago, that it is more than a timely decision. This is a company which is much, much stronger than what it was and fully ready now to stand for its next phase of development.

As a matter of fact as part of the commitment taken at the IPO 4½ years ago, we had taken a very important commitment to all of you, which was to be an active participant into the forthcoming European consolidation of payment and it is exactly what we did as you all know. As a matter of fact, we have been making a number of acquisitions extremely well balanced between our merchant services division on the left and our financial services division on the right. There is, of course, the key name that those following us know by heart and, of course, two very transformative ones – SIX Payment Services in merchant services and Equens to set up Equens together in the GV in the financial services but beyond these two major ones, I would like you not to forget the actual real contribution of many mid-size acquisitions we did that have been playing an important role in the acceleration of our growth in the expansion of our portfolio in our extraordinary potential that we have today within our hands.

A history of acquisitions

Paysquare, our first access to the German and Polish acquiring market, KB Smartpay, our first access to the commercial acquiring business in Eastern Europe from the Czech Republic, highly successful and growing from there. Digital River world payment. This is a breakthrough in online payment for us, providing us a tier one global acceptance payment gateway and very prominent customers like Spotify or Airbnb. Of course, I mention here MRL Posnet even if it takes place in India, which has helped to reinforce our leading position in India. And if you look at financial services, of course, First Data Baltic, our first access to the Nordic region with a leading position in the three Baltic countries and more recently, the acquisition of Genis, the software leader on the French market for liquidity management for banks.

The portfolio for our line has been really transformed both in terms of size of geographic reach and content. This is really the achievement of four years and it is why definitely I mentioned here that the global reach, the portfolio and the industrial scale of the company are as important in our capacity to project ourselves than the sheer financials that we have been able to boast over the last few years.

Number one in European payment services

From that stand point if we do a snapshot at the European payment industry as it stands today, I mean, Worldline is really the number one European payment services provider by far. Extremely diversified in terms of portfolio coverage, allowing us fundamentally to stand in front of any type of scenario of evolution of the payment methods or payment needs that we can foresee coming.

And having on the right, an extraordinary and I really note it is unique, European reach for payment services. Most of the names that are standing behind us in this ranking have a much more concentrated geographic focus but Europe is a real market for payment. Euro and SEPA are everywhere. The large retailers they are operating in 15, 20, 25 countries and now they want to have one-stop shop with the payment services provider and Worldline has built this one-stop shop for them in Europe both for online and both for offline payment. This is really something that you should not miss when you look at what we have been building. It goes beyond the size. It is a unique value proposition in the market particularly after the SIX Payment Services acquisition.

The coming year

Now, with that in hand what do we want to do in the coming year? We have definitely a very strong confidence but, fundamentally, like anything in life you need to be able to express your strategy in simple terms. So, I want to be very simple. Our 2019, 2020, 2021 plan is quite straightforward. It will be about doing more of the same but with better weapons as you have understood. We are not going to reinvent the wheel. We are going to do more of what we have been able to demonstrate we know how to deliver. More growth, thanks to our extended geographic scope, to our very favourable market trends, to our unique value proposition in the market and our much wider portfolio. More profitability, thanks to the synergies that are coming with the SIX Payment Services acquisition, the one remaining with equensWorldline and of course, our constant effort of productivity and efficiency.

And more M&A, because more than ever today, we are more visible than ever. We have the practicals, we have the brand, we have with us many banks believing in this story and more knocking at the door and, of course, the market is requesting consolidation. We all know that.

So, this is the story. I hope it is simple enough, just more of the same with better weapons than today, better strategic flexibility. I will come back on that in my conclusion. So let me maybe stop once again on the market because the market is just extraordinary for payment services providers. It is a structurally growing market, we all know that. There is a huge trend to the move to cashless societies which is all about moving the cash outside of the payment equation and these are some figures I wanted to share with you.

Growth in non-cash payments

It is anticipated that the number of non-cash transactions between 2016 and 2021 in Europe will grow at a CAGR of 7% per year and in the world it is 13%. This is the speed at which we are actually converting cash-based payment to non-cash payment. Keep in mind that as I am speaking in front of you, 75% of the retail payments in Europe are still done in cash in terms of number of transaction, so roughly 50% of the amount that is paid in Europe. It is a gold mine that we are fundamentally shifting to our platform. That is number one.

The second beauty of this market, it is a market which is fully synchronised with technology innovation and regulatory innovation. So, you have here some data points showing that not only we move the cash to traditional platforms but fundamentally we are opening constantly new methods to actually accelerate the shift and provide more value to both merchant banks and ultimately the payers and the payees. This is fundamentally what is said here and Worldline is ideally positioned to capture the speed of the growth of digital commerce, the fantastic evolution that is coming now with mobile payments and, fundamentally, the extraordinary revolution that is forthcoming with mobile digital banking, thanks to the combination of PSD2 and instant payment on top of the traditional card-base value proposition. This is where Worldline is playing and all what is on this slide are offers that are in production, at scale and that have proven practicals with very large brands both on the merchant side and on the banking side within Worldline today.

European Payments Consolidation

Secondly, the amount of costs of our trajectory is to understand what is happening around us in Europe in terms of consolidation of the payment industry. This, the story is even simpler. After we can really consider that the first thing that has been happening during the first phase of the banking crisis, between 2007-2008 to 2011-2012, except Worldpay in the UK, fundamentally, no significant transaction took place.

Since 2012, roughly 40+ sizeable transactions have taken place in European payments. These transactions have allowed the leading consolidators that have emerged – Worldline being the most active of them – to each increase their size by 50%-100%. There are three or four names that you all know here.

We have been increasing our size drastically, while the non-moving players stayed exactly what they were. The non-consolidated players are exactly what they were five years ago in terms of geographic reach, type of activities they serve, and type of customers they have. Most of them are captive platform belonging to bank communities, as you all know.

It means that in these five years of time, we have been massively increasing the competitive difference and advantage we have versus the non-consolidated companies. Of course, it is about industrial scale that we have doubled or tripled in certain domains. It is about innovation and speed of time to market. And it is, of course, about value creation that we could demonstrate the leading consolidators while the guys that are not consolidated basically have deprived their shareholders of this value creation.

The beauty of our situation is that, as I am speaking in front of you, the rest of the payment industry that is not yet consolidated includes, as a matter of fact, some of the largest

European economies, where are still two-day processed some of the largest transaction volume in Europe. It is France. It is Spain. It is Italy. It is Germany. It is Sweden. It is Portugal. And a number of other countries of certain banks that are sizeable in smaller countries.

Actually, the best of the consolidation is still to come, and the pressure that has been created on the non-consolidated platform is giganticirca I can tell you that because one thing was absolutely eye opening for me. It was the day we announced the SIX transaction. My phone had been ringing. I was called by banks and by leading banks in Europe to tell me, 'Come and explain.' There is a big, big shift of paradigm today. The leading consolidators have created a momentum that is irresistible. It is exactly the point where we are.

Key Strategic Axis of 3-Year Roadmap

Therefore, it is right, of course, that I need to talk about our strategy for the years to come. This is very simple, ultimately, and will be then presented more in detail by Marc-Henri. It is taking advantage of our scale and reach and fully leverage the uniqueness of Worldline to be everywhere in Europe.

It is about posturing and convincing banks that they have nothing sell, but that want to optimise their current model of operation to pursue outsourcing to online to gain the benefit of our industrial scale, like we did with Commerzbank. It will be a big focus on online payment, because we need to reveal the power of Worldline in online and omni-commerce payments.

We are the number three in terms of volume in Europe. This is barely known, and of course, with Marc-Henri we will pursue making that obvious for the future signings that we are going to announce in the coming months. It is about, of course, grabbing all the innovation and regulatory initiatives that are helping us to revamp our offer. Also, we will be extremely fast in integration of system and services, and of course, extracting the remaining value from the equensWorldline combination. In addition, more than ever give to M&A and industrial consolidation of payment an absolute priority in parallel of this organic development.

Of course, all that will be done with our people. We will make sure that Worldline stands as the most favoured employer brand in the payment industry. I think we will start to get there when I am looking at the number of CVs coming with competitors and very famous names of this industry.

2019-21 Ambition

Our guidance, as you saw that in the press release, is actually much stronger than the previous three-year plan. All KPIs are actually much stronger:

- 7%-8% CAGR by 2021 for organic growth;
- Improving, again, the profitability between +400BP and +500BP versus the 2018 pro forma with SIX Payment;
- A very solid currency doubling of the free cash flow delivering between €370-€410 million in 2021.

2019 Objectives

With a first year fully in line with this three-year trajectory as is written here:

- 6%-8% organic growth;
- Between 23%-24% of OMDA;
- Free cash flow for 2019 between €275-€290 million.

With that, I will give the floor to Eric Heurtaux, my CFO, and then to Marc-Henri. Then, I will come back for conclusion.

2019 Financial Ambition

Eric Heurtaux

Chief Financial Officer, Worldline

2018 Results

Thank you, Gilles, and good afternoon to you all. Let me start my presentation by sharing with you our 2018 figures. Please have in mind that these figures have not been formally audited yet, and therefore, qualify as estimates as per French AMF regulations.

Globally, the results are perfectly in line with the 2018 guidance we presented last year, and as planned, revenue growth accelerated during the second semester. They include the contribution of SIX Payment Services one month in December 2018.

Revenue

Let us start with revenue, which hit €1,720 million, representing an organic evolution of 6.2%. Q4 was particularly dynamic reaching 7% growth.

Merchant services posted a year-on-year growth of 4%, mainly thanks to the commercial acquiring division. As for the previous quarter the good performance in commercial acquiring was partially offset by temporary slowdown of sales of terminals.

Financial Services growth for 7.6% was fuelled by strong volume and high project activities. All four divisions contributed to that performance.

With the growing contribution of recently signed contracts, Mobility and e-Transactional Services grew by 7.5% thanks to the latest contracts and Tap2Use contracts.

OMDA

Regarding profitability, OMDA reached €391 million or 22.7%, representing a year-on-year improvement of 100BP. This is a very good performance resulting from the delivery of various streams of our efficiency and transformation plan, from the synergy derived from the first phase of the equensWorldline integration and from the results of productivity improvement plan in Mobility and e-Transactional Services that were launched mid-year.

Free cash flow

Some comments now on cash. Free cash flow reached €207 million or 18% improvement compared with 2017. We were able to deliver that strong performance with a good cash generation in most of the entities of the group, while absorbing equensWorldline second year of implementation costs for synergies and large part of SIX Payment Services production costs.

2018 Performance by Business Line

The detailed performance by business line is presented here in the usual format. I will just add a few points. First, the good performance of Merchant Services with a growth of 7.4% without the terminal business. The fact FS profitability exceeded 30% for the first time on a fully-year basis, and ETL growth has been above average with a strong acceleration in Q4 and a strong order entry. All those highlights of good trends for 2018 constitute a strong starting point for our three-year plan.

As a reminder, our full annotated figures will be presented on 20 February 2019.

Worldline + SIX Payment Services

Let me present you the 2018 pro forma for revenue and OMDA as if SIX Payment Services had been consolidated in Worldline from January 2018, to give you an idea of a new company combining Worldline standalone and SPS.

In terms of revenue, Worldline Group now reached €2.2 billion, of which €550 million coming from SIX Payment Services, which is slightly above what was expected due to the intrinsic performance of SPS and alignment of accounting treatment on one value-added product – the last one with no impact on the margin.

Regarding profitability, Worldline's standalone OMDA is 22.7%, whereas OMDA contribution from SPS reaches 17%. This leads to an OMDA percentage for the new Worldline in 2018 at circa 21%.

Main 2019-2021 Revenue Growth Drivers

I would like now to present the main revenue growth drivers between 2019 and 2021. We envision an accelerated growth between 7%-8% during the period, which translates in Merchant Services going higher than the average of the group at a high single-digit growth rate, Financial Services consistently above 5% growth over the period, Mobility and e-Transactional Services expected to grow overall at the average growth rate of the group.

Merchant Services

In Merchant Services, revenue growth should accelerate due to:

- An improved geographical mix;
- A higher production of online payments and lesser contribution from payment terminals, which will improve the product mix;
- Solid trends in commercial acquiring and the benefit of a new generation of payment terminals;
- Last, expected cross-sell of services and products between Worldline and SIX Payment Services customer base.

All these should bring Merchant Services to the high single-digit growth.

Financial Services

Financial Services is expected to strongly benefit from its leadership position in Europe, with the signature of new contracts coming from a stronger pipeline of large and medium-sized opportunities, and boosted by recurring project activity with banks, notably in online and mobile payments, PSD2-compliant secured access to account platform and instant payment technologies. Based on the confirmed strong track record of our division over the last two years, we are now confident that it can sustain the growth rate constantly above 5%.

Mobility and e-Transactional Services

Expected growth for Mobility and e-Transactional Services rely on a solid pipeline of opportunities, notably for open payment technologies, pack and track solutions or consumer engagement platforms. Also, the focus of a division and offering with an international potential should accelerate the growth. Large volumes are expected to ramp up on existing platforms. These trends will support the EPS growth rate expected within the Group average.

Main 2019 – 2021 OMDA Improvement Drivers

Moving on to profitability and OMDA improvement drivers, overall, there are two key drivers for the margin improvement. The first one is the TEAM^2 efficiency programme. The second one is, of course, the synergy plans with SIX Payment Services, which concerns Financial Services division and Merchant Services Division.

Merchant Services

On top, and specifically for Merchant Services, profitability is expected to improve, benefiting from a larger scale and a higher proportion of online payments. Overall, this would increase Merchant Services OMDA percentage from the low twenties to the high twenties in 2021.

Financial Services

Financial Services will also benefit from the higher operating leverage and from phase 2 of the synergy plan with equensWorldline, which targets an over €50 million run rate in OMDA by 2021. Altogether, this would enable Financial Services to improve its profitability from the high twenties to the low thirties in 2021.

Mobility and e-Transactional Services

Last, Mobility and e-Transactional Services is expected to gradually improve its OMDA percentage from 15% to 17% for stronger focus on large-scale platforms, optimisation of delivery models and more transactions on existing platforms.

Free Cash Flow Main Assumptions

The main assumptions used to derive our free cash flow targets are as follows. CAPEX is expected to remain stable in percentage between 5% and 6% of revenue over the period reflecting our continuous investment policy. The change in working capital is expected to have a slight positive impact over the period. Going forward SPS synergy implementation costs are expected to match incremental synergy benefit over the period. Lastly, we envision to stabilise the tax rate over the period to 24%.

All this leads to a free cash flow between €370 million and €410 million in 2021.

Cash and Profitability: The Way to Continue to Grow

To conclude, I would also like to illustrate Worldline's M&A firepower. First, I remind our financial policy consisting in reaching mid-term net debt to OMDA financial leverage ratio between 1.5x and 2.5x. As of today, Worldline has already circa €1.4 billion immediately availability made of Worldline's treasury position, 2.5x leverage on Worldline 2018 proforma OMDA, and 2.5x leverage on potential new acquisition OMDA.

In addition, over the period circa €1.7 billion new financing capacity will be added made of free cash flow over the period 2019-2021, and 2.5x leverage on expected OMDA increase. Not even considering the potential leverage on synergy from the combination with the potential new acquisition or the free cash flow from the acquisition. All in all, Worldline firepower exceeded €3.0 billion over the period.

Now, I leave the floor to Marc-Henri for a presentation of the business development ambitions.

2021 Business Development Ambitions

Marc-Henri Desportes

Deputy CEO, Worldline

Thank you, Eric, and good afternoon to you all. Gilles, you said, m'Mre of the same, but with better weapons.' That is what I am going to talk about.

Integration and Efficiency Programmes

Starting with more of the same, with even more tested weapons. Highlighting the very strong benefit of the integration and efficiency programme for the company's development, it is particularly important to do so at this moment as we are starting the integration of the new massive company with SIX Payment Services. As Gilles stated in his introduction speech, we have been able to deeply transform our company since the IPO in 2014, doubling the growth from the initial starting point and adding 400BP to the OMDA before the pro forma impact of integrating SPS.

We head now towards a 7%-8% growth and profitability increase by another 400BP-500BP by 2021. This results from the transformation and synergy programmes with the acquired company as we integrate them consistently in terms of management, in terms of processes, in terms of efficiency methods, and in terms of platforms.

Talking transformation, most of you are well aware of our team initiatives: improving constantly, quality, procurement, workforce management, platform robustness and contract profitability using levers such as automation, offshoring, lean management and much more. Our ability to run successfully in parallel during the last months and years of the transformation activity on top of the integration of one big company and six small ones I think is a very reassuring proof point. As we involved for this integration so many people to perform it, we have examined so much process that we feel extremely well geared to embrace much more.

Now, to give you a simple and clear picture about how we will evolve the profitability of the company during the three-year plan, I can give a very simple picture. The transformation programme on the stand-alone Worldline will bring circa 100BP over the period. The phase two of the Equens synergies and the remaining part of the Equens integration programme should bring circa 50BP. Also, on top, we will get 300BP improvement for the expected synergy of SIX Payment Services. Total is circa 450BP, and that is a range we give of 400BP-500BP of OMDA improvement over the three-year plan.

Robust and Secured Synergy Plan with SPS

Let me now focus a bit on the status of the SPS Integration Plan, which is core for the improvement plan as you saw just now. This plan has been carefully prepared. It is in the pre-integration phase, which occurred between the signing in May 2018 and the closing at the end of November. So, it allowed us to start totally prepared day one with a full organisation in place and defined, and, of course, all the mangers in the organisation in charge of the synergies they are to deliver and always tightly monitored as per our proven methodology.

For such an exercise our best-fit for the job principal resulted in a remarkably mixed management structure in particular on Merchant Services. You may remember that the two companies were of similar size in Merchant Services before the merger. And we have realised a perfect balance in terms of former Worldline-ers and former SPS managers in the Merchant Services business line management.

On this basis and following a detailed bottom exercise that we performed post-closing and with full access to the data, I can today fully confirm the expected benefit of OMDA improvement of circa €110 million in 2022, out of which circa 25% are in 2019 and approximately half in 2020.

Merchant Services

I come now to the strategic business development we expect of our three global business lines. I will start with Merchant Services. Clearly, after the acquisition of SPS, we expect our company to fully grab the benefit of scale and unique positioning in Europe in terms of reach, both for physical and online services. You know how important scale is in this business, and here, we will have an excellent position starting with the largest scale in transaction in contract inside Europe based on the biggest processor on the market and leveraging on number three position in online payments acceptance in Europe.

We will also benefit from a unique mix of portfolio of solutions and assets. Our cross-border acquiring solution integrated and enhanced from SIX Payment Services is probably the best on the market having encountered the best success recently, our latest omni-channel platform, One Commerce Hub that we developed integrating Digital River World Payment with our own assets is clearly a wonderful tool complemented with an innovative range of payment terminals and our ability and tools to operate bank partnerships will be also a perfect weapon to score in the field of Merchant Services.

Our recent wins in e-acquiring, I can mention AvailPro on this slide. In Merchant Wallet, we showed already a round total, but there are others. In cross-border acquiring in which we signed recently global car rental companies or luxury brands. They are excellent proof points of this strategy.

In short, with the doubling in size and in portfolio of solutions of Merchant Services, we are going to deliver for this business line the improvements that you witnessed for the Financial Services when we integrated Equens. So, in this case, it is more of the same with the doubling of weapons.

Financial Services

Now, Financial Services. I want to be very clear. We are the European leader in this business with the largest scale, the largest portfolio of solutions and very differentiated products. I name a few here: issuing for new-banks, digital wallets & tokenisation, open banking for banks and also third parties, instant payments, et cetera, et cetera.

SPS brought on top customer access in new geographies like Switzerland and Austria. Also, we can process any kind of payments in this division in all European geographies and covering all channels. This is why we are able to sign such big deals, as Commerzbank, and I can tell you that we have other discussions of this kind, and you should expect much more of this in the coming three years.

On top of that, sometimes it is not well spotted, we have also a significant online exposure and excellence in this domain. We are securing a lot of the remote transactions in Europe, having the best solution in Trusted Authentication, and so we secure a lot of the online commerce in Europe. We have delivered a lot of Bank Wallets. Also, we are behind, for example, the most successful European online payment method, which is IDEAL. Today, it is still the most successful one.

In the case of Financial Services, it is more of the same with even better weapons.

Mobility & e-Transactional Services

Now, we truly believe that traditional payments are crossing boundaries and penetrating new markets such as transport and connected objects. We have demonstrated through recent and numerous successes that we have opened payment up to use solutions. Transport is clearly a fast-growing payment market. However, we also see a rise in secured interactions penetrating other parts of the digital economy such as connected objects, but also values over B2C situations.

So, clearly, our growth in MeTS is expected to benefit from refocusing on the most successful of our platforms and solutions, open payment solution for transport, of course at the centre of the game. But also, our Worldline Contact platform, Worldline Digital ID and others. Our plan is to push all these solutions on an expanded now merchant and bank-based customer base and to grow them internationally. They are still not all of them fully internationally distributed, in particular in the new expanded geography that we have added recently through various acquisitions and always boosted by our ability to form technology alliances.

Last but not least for MeTS, after an intense project activity in the recent period and in particular in 2018, we intend to concentrate on increasing volume on existing platforms and solutions, like the one I just mentioned, and optimising contract delivery. That delivers strong impact on the profitability. Eric said it. It is a very important focus for this business, but H2 is very encouraging from that point of view.

So, here, more of the same but with weapons that others do not have.

Sustainability at the Core of Business Model

Last word about CSR, in particular, people. Our company has a strong focus on CSR, and this focus is already largely recognised with the top one ranking that we received. Our policies encompass all necessary levers to make our activity sustainable. We have actions around the secure processes and platform for data-privacy and data protection, or the eco-efficiency of our data centres, for example.

What I would like to highlight here particularly as a central elemental of this policy is a maximum attention to our people. We are a people company. We are fighting for very disputed technology talent, growing sometimes very niche expertise, and anyway, we always need the strong engagement of payment experts to deliver the best results. So, we continue and reinforce our focus on people with all the actions mentioned here, in particular:

- Talent and expert development programmes;
- Internal first recruitment policies very much in line also with the Atos approach;
- Gender equity programmes;
- Well being @ Worldline initiative, et cetera, et cetera.

With the trust and engagement of our team and customers, we intend to really make a difference with this new Worldline – a Worldline which is leading in Europe in scale, in reach and in portfolio. Now, both for Merchant Services and for Financial Services.

With this team of people, it will be much of more of the same with better soldiers. So, now it is time with all these weapons and soldiers to give the floor back to the Commander-In-Chief, Gilles, for the conclusion.

Conclusion and summing up

Gilles Grapinet

Chief Executive Officer, Worldline

Thank you, Marc-Henri. As a matter of fact, I will try to be fast, of course, conscious of time.

Adapting Worldline to Become Stand-Alone

Thierry and the Board of Directors of Atos have announced a very important decision taken by Atos regarding its shareholding in Worldline but, of course, as you can guess, we will need to adapt Worldline to this perspective in three months' time to become a fully standalone organisation. So, it means that we will work, of course, to adapt the governance as Thierry mentioned. We will have to adapt to a reduction of the number of directors at Board level coming from Atos, and consequently, we are already heavily engaged in the necessary search to find new independent directors that will have the majority in the Board once it will be done.

As you have heard, I will actually – as soon as 1 February 2019 – be full-time dedicated to Worldline, which is at the same time the recognition that the company has massively increased in size and, of course, a direct consequence of what was announced this morning. I will hand over all my former Atos responsibilities into the hands of Thierry, who will reallocate them to the relevant and adequate executives.

In parallel, we engage in, and it has actually started yesterday, the social processes with all our unions in Worldline to, of course, have our own social organisation adapted to what the company is today and, of course, to make sure that we have the right level and adequate clarity of social dialogue with our people.

Last, we will work at arm length with the Atos Group to setup what they call the 'Atos Worldline Alliance,' what I call the 'Worldline Atos Alliance,' but it is the same concept, which is fundamentally a mutually beneficial arm-length corporation that will reflect the fact that we are – it is a transition, of course. We have been working hand-in-hand for years. We have very mutually beneficial cooperation in sales, in technology and also in sourcing. We are the part of the club of purchasing of Atos, for example.

We are extremely attached to keep all these benefits for Worldline, and of course, they will be enrolled also for our HR dimension. Philippe mentioned it. We will keep, of course, the current existing privilege access for the Atos people to Worldline job opportunities and vice versa for the Worldline people to Atos job opportunities. Of course, we will with Marc-Henri and the team manage very carefully our communication internally and externally to the relevant stakeholders and the regulators all in due time.

Taking Advantage of Projected Stand-Alone Status

That, to a certain extent is not the essence. The essence is what we will do with this new freedom that Atos intends to give to Worldline. I want to be very clear, this is really a phenomenal breakthrough for us that is happening and taking place and announced today and now fully taking place in three months' time. The proposed distribution that has been covered at length this morning will nail down three potential limitations that Worldline was facing in the current setup.

After the acquisition of SPS, as I mentioned, we received many requests from banks and banking community to understand the transaction structure and actually start to discuss if we would be in a position to replicate such a transaction structure if they were to come to the conclusion that we were the right partner to hold their payment processing activities or their merchant acquiring business. Of course, there was a type of doubt that given the type of taboo that was associated with the 50+% retention by Atos of a majority stake, this transaction structure could be replicated.

As of today, this limitation is no longer existing, and we are in a position, as a matter of fact, to renew our ability to welcome, if it is their will and if we find enough value, potential new banking communities in the Worldline shareholding. And, of course, to share together a journey like we are currently doing with SIX group.

Second, potential limitation that sometimes some of you expressed to us was that, yes, indeed, Worldline was having huge leverage potential. I think Eric was showing it just a minute ago. But, of course, as Atos was consolidating the potential data for Worldline on top of it, there was a type of implicit fear that at a point in time this could become a bottleneck for the real ability of Worldline to make sizeable use of its balance sheet if it was at a point in time overlapping potential equivalent engagement at Atos level. This theoretical fear due to the deconsolidation of the Atos financial is gone. We will use as much as needed for value-creative transactions and in respect of our financial policy, of course, our balance sheet in the course of our consolidation journey.

Last, if I was to mention one point that coming in a negative manner in my road shows over the last four years, it was the lack of liquidity on the Worldline stock due to the fact that, of course, even if the valuation of the company has massively increased over the last four years, after the SIX Group transaction, it was only 22%. We know, for sure, that there were many investors that were sometimes reluctant to really take big tickets in the company due to this perspective that it would take for them weeks to actually, if need be, get outside the stock. This also will be massively fixed with this announcement of today.

Actually, all dots are connected. Because when we talk with banking communities, coming back to the first point that is on this slide, very often, one of the attractive elements of discussing such transaction structure as SIX Group is precisely having the benefit of all good word, which is being liquid in Worldline. And if there is more liquidity, this value of liquidity will be much better perceived by banking communities, because it is real.

So, this is there, but it is a fantastic day.

M&A and European Consolidation Priority Focus

I will tell you, I know what I will do with one-third of my time that is going to be freed up from Friday, 1st February. It has driven me to the conclusion, which is M&A and European consolidation more than ever, as you had understood, will be an absolute priority focus for this management team. I genuinely believe that we are at the tipping point of the second wave of consolidation that is going to start. The potential for consolidation as is written – I think I explained it to you – is absolutely huge. The largest economies are still untapped in Europe and so the largest transaction volumes.

Of course, I think we have now a signature in the European payment industry. We are the bank-friendly company. We know how to actually solve the problems of the banks. We are not the problems of the bank. We are the solutions for the banks. We did not create their issues of profitability with their payment businesses. We did not create their lack of care. It is a legacy of the former monetary organisation, and because banks are not consolidating themselves across European borders, we do it in payment.

This is why we are the solution to a problem that we did not create. I think we have demonstrated that we are this bank-friendly company that European banks actually need.

Also, thanks to the Atos proposal, we now have in our hand a phenomenal tool box for making these transactions happen. It is, of course, as I mentioned, the possibility to reuse Worldline equity. It is the full potential to use our balance sheet. But, it is also setting more JVs as we did with equensWorldline. It is, of course, setting alliances as we do in commercial acquiring, and sometimes more traditional industrial partnerships.

The toolbox of Worldline is immense. Our flexibility to adapt ourselves to each and every situation and governance and trends is second to none. Believe me, the name that consolidated European payments will have is actually Worldline.

Thank you. I am happy to take your questions.

Thierry Breton: I would like to say before my conclusion, one word. Gilles said it was an emotional day for him. Gilles, I should say it is also an emotional day for me. We worked with Gilles many years and for the past decade in Atos, Gilles has been extremely instrumental over the past 10 years for the success of Atos, and of course, for the success of Worldline. By way, you see it there. He started at €1.1 billion – €1.1 billion. It is a good figure to start. But, you multiply it by two. So, Gilles, I would like to thank you for everything you bring to the company – to Atos. Of course, we will continue to work together, but differently, since starting the day after tomorrow, as you mentioned, you will be full time dedicated to Worldline.

My only regret that I have over the past 10 years is that for the first time I was forced to keep a secret with Gilles, because I did not tell him that the Board has decided to launch this other committee. I had to keep it for me. It was a decision of the Board of Directors of Atos, and we decided to do it totally at the level of the Board, only with independent Board members. It is the first time that I did not tell you something. I hope you will forgive me.

[END OF TRANSCRIPT]