

Beat: Technology

ALSTOM PRESENTS ITS MEW STRATEGIC PLAN OBJECTIVES FOR 2023

ALSTOM IN MOTION ON A GREEN GROWTH

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USPA NEWS - ALSTOM UNVEILS ITS NEW STRATEGIC PLAN AND OBJECTIVES FOR 2023

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2020 STRATEGY FOR SUCCESS A STRONG BASIS FOR ALSTOM IN MOTION (AIM)-----“2020 strategy” success, a strong basis for « AiM » “Thanks to its 2020 strategy, Alstom has become the most global leader of the rail manufacturing sector. Overperforming the market, the Group achieved its objectives of sales organic growth and achieved an average growth of 5.5% by year between 2015/16 [3] and 2018/19. It released an adjusted EBIT margin of 7.1% [4] in 2018/19 (+1.8 pts vs 2015/163). The free cash flow also increased over the period with +€153 million in 2018/19 versus €(326) million in 2015/16. The group has a solid balance sheet with a net cash amounting to €2,325 million at March 31 2019, before the proposed dividend distribution of 5.5 Euros/share [5]. Finally, Alstom can also count on a record backlog of €40.5 billion at the end of March 2019, offering strong visibility for the coming years.

Solid market perspectives “The estimated market growth between 2018 and 2023 should be around 3.0% [6] per year, driven by urbanisation trends, strong environmental concerns, including reduction of CO2 emissions as well as the continued growth of the global economy. Presentation of its strategic plan AiM « Alstom in Motion » with a clear ambition: be the leading global innovative player for a sustainable and smart mobility. The Group is targeting the following main commercial and operational objectives: become number one or two on each of its market, lead in sustainable and smart mobility solutions, achieve a margin and free cash flow level among the best of its sector, and further improve its social and environmental impact.

THE AIM "ALSTOM IN MOTION" STRATEGY IS BASED ON THE FOLLOWING PILLARS-----

Growth by offering greater value to our customers “Alstom has strong market shares in all of its activities and geographies. The Group ambitions to consolidate its positioning in each:

“By becoming the undisputed leader in services, leveraging its installed based and worldwide presence, and by relying on its technical expertise and innovative solutions

“ç In signalling, by gaining market and product leadership thanks to the digitalisation of its solution and by being a key player in the development of international standards

“ç By expanding its leadership in rolling stock and systems thanks to the geographical expansion of our new product platforms and by enhancing their competitiveness.

ALSTOM AIMS AT BECOMING NUMBER ONE OR TWO IN EACH ITS MARKETS-----Alstom aims at becoming number one or two in each its markets: geographies and activities. Services and signalling should represent 40% of 2022/23 sales compared to 35% in 2018/19. Innovation in smarter and greener mobility solutions ““ Green and smart mobility, encouraged by customers’ and passengers’ expectations, is leading to a transformation of the market. Already recognized as an industrial reference in this domain, with for example the first hydrogen train and products like Hesop which recovers the energy generated by trains in braking mode, Alstom has set six priority areas to confirm its leadership:

“ç Green traction and energy performance;

“ç Road electromobility;

“ç Eco-design and manufacturing;

“ç Autonomous train;

“ç Data driven rail mobility for more connected products and services;

“ç Multimodality and Flow management.

Alstom will rely on sustained R&D investments and constant in percentage of sales. Innovation is also at the heart of Alstom’s entrepreneurial culture with for example already more than 6.500 patents issued and multiple key partnerships.

ALSTOM 'S AMBITION IS TO LEAD IN GREEN AND SMART SOLUTIONS Efficiency, powered by digital ““ The Group will capitalize on its worldwide presence and its industrial and engineering capacities in emerging markets, as well as on the gain in competitiveness of its new generation of products and services. The Group will also implement additional levers, in particular the digital transformation of all its value chain, optimising sites and projects.

ALSTOM'S AMBITION IS TO ACHIEVE A MARGIN AND FREE CASH FLOW LEVEL AMONG THE BEST OF ITS SECTOR One Alstom Team: an agile, inclusive and responsible culture ““ In order to support the railway sector transformation, Alstom will pursue its environmental and social responsibility commitments at a mid-term horizon. Among the objectives targeted for 2025 [7], energy consumption of solutions offered to its clients should be reduced by 25% [8] and 100% of the group electricity supply should come from renewables. 100% of its suppliers should be monitored or assessed on CSR and E&C standards. Alstom employees share together the same culture, with strong local actions and ethical commitment.

Following a consultation of all its employees, Alstom will change its brand signature, to become « mobility by nature » in order to reaffirm its leadership in mobility.-----

FINANCIAL OBJECTIVES UP TO 2022/23

According to the projections for the Financial objectives up to 2022/23, here are the perspectives to come up to 2023 :

“ç Over the period 2019/20 ““ 2022/23, sales should have an average annual growth rate around 5%, overperforming the estimated growth for the market.

“ç The adjusted EBIT margin [9] should reach around 9% in 2022/23, benefiting particularly from the impact of operational efficiency measures.

“ç By 2022/23, the conversion from net income [10] to free cash flow should be above 80% driven by capex stabilisation to around 2% of sales in the mid-term, and mid-term stability of the working capital.-----

The free cash flow generation is subject to usual short-term volatility linked to customers down payments and milestone payments from customers.-----

“ç Alstom will conduct a disciplined investment and external growth transactions policy to support its development and to create value.

“ç Alstom will introduce, as early as current fiscal year, a dividend policy with a pay-out ratio of between 25% and 35%.

The 2019/20 fiscal year will be a year of stabilisation of growth after a 2018/19 fiscal year with an exceptional sales and profitability growth. For 2019/20 fiscal year, the business cycle with the finalisation of major systems contracts and the evolution of large rolling stock projects will lead to a sales and margin growth lower than the average objectives set in the context of AiM, and to a working capital evolution impacting the generation of free cash flow.

[1] Including the share of net income of the joint venture with CASCO held by Alstom at 49%““[2] Net profit from continuing operations attributable to equity holders of the parent““[3] The 2015/16 and 2016/17 figures are the published figures and are not restated for IFRS 9 & 15.““[4] The 2018/19 adjusted EBIT including the share of net income of the joint venture with CASCO is 7.5%

[5] Proposed dividend amount totals 1.23 bn Euros. Net cash is given pre IFRS16 adjustments.““[6] Source: UNIFE 2018““[7] A full list of objectives is available on the Alstom website, in the capital markets day presentation““[8] Compared to 2014““[9] Including the share of net income of the joint venture with CASCO held by Alstom at 49%

[10] Net profit from continuing operations attributable to equity holders of the parent The presentations of the Capital Markets day will be available online at 10 am Paris time and a replay of the meeting will be available during the day on www.alstom.com. (Source Alstom)

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