Lectra

Press Release

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2015: Very Strong Earnings Growth

- Revenues: €237.9 million (+13%)
- Income from operations: €31.8 million (+61%)
- Net income: €23.4 million (+63%)
- Free cash flow: €21.5 million
- Dividend*: €0.30 per share (+20%)

(Changes at actual exchange rates)

** Proposed to the Annual Shareholders' Meeting on April 29, 2016*

In millions of euros	October 1 – December 31		January 1 – December 31	
	2015	2014	2015	2014
Revenues	62.2	57.4	237.9	211.3
Change at actual exchange rates (%)	*+8%*		*+13%*	
Change like-for-like (%)(1)	*+3%*		*+5%*	
Income from operations	8.9	6.6	31.8	19.8
Change at actual exchange rates (%)	*+35%*		*+61%*	
Change like-for-like (%)(1)	*+7%*		*+16%*	
Operating margin (in % of revenues)	14.2%	11.4%	13.4%	9.4%
Net income	7.4	4.8	23.4	14.4
Change at actual exchange rates (%)	*+55%*		*+63%*	
Free cash flow	6.7	9.7	21.5	19.0
Shareholders' equity(2)			113.0	94.3
Net cash(2)			59.3	43.1

(1) Like-for-like: 2015 figures restated at 2014 exchange rates
(2) At December 31

Paris, February 11, 2016. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the fiscal year 2015, after review by the Statutory Auditors.

(Unless stated otherwise, changes are at actual exchange rates).

Q4 2015: Steep Rise in Orders for New Systems

Orders for new systems (€32.1 million) increased by €5.3 million compared with Q4 2014, up 20% (+12% like-for-like). They were €21.3 million, €26.2 million and €22.9 million respectively in Q1, Q2 and Q3 2015.

Revenues (€62.2 million) were up 8% (+3% like-for-like).

Income from operations (€8.9 million) was up 35% (+7% like-for-like).

Net income (€7.4 million) increased by €2.6 million (+55%) compared with Q4 2014.

Free cash flow was €6.7 million (€4 million in Q4 2014, excluding the receipt of €5.7 million relating to the 2010 French research tax credit).

2015: Tougher than Expected Macroeconomic Conditions

In its February 11, 2015 report, the company stated that 2015 was likely to be both difficult and unpredictable.

Several unforeseen events have aggravated conditions more than anticipated, including the slowing growth of the global economy, particularly China's—with consequences for all Asian countries, which are highly dependent on China, and raw material-exporting countries—the crash of Brazil's economy, major currency shifts unsettling almost all countries' conditions, the steep fall in oil prices, wars in the Middle East, terrorist attacks in France and elsewhere in the world, etc. The proven competitiveness of the US industry was among the positives, meanwhile.

Companies within Lectra's market sectors have consequently slowed their investments in response to a lack of visibility and rising concerns.

Positive Impact from Weaker Euro

The sharp fall in the euro since summer 2014 has been a major event for the company, significantly bolstering its competitive position worldwide.

At the same time, the competitive situations of Lectra customers have altered radically—improving or deteriorating—depending on the location of their production and sales. The European companies that have outsourced their production or made their purchases in China must adjust to rising import costs by realigning their supply strategy. Chinese manufacturers are experiencing a decline in orders from European customers, leading to industrial overcapacity, which in turn has negatively impacted their investment decisions.

Exchange rate variations have had a very favorable mechanical impact overall, boosting 2015 revenues by €16.4 million (+7%) and income from operations by €8.9 million (+39%) at actual exchange rates compared with like-for-like figures. Given the complex effects produced by such sharp fluctuations in currency parities, like-for-like comparisons between 2015 and 2014 are of limited relevance.

Orders for New Systems Up at Actual Exchange Rates and Stable Like-for-Like

Orders for new systems (€102.4 million) increased by 9% relative to 2014 : +6% for new software licenses, +13% for CAD/CAM equipment, -4% for training and consulting. They fell below company expectations of a rise of more than 15% like-for-like.

Geographically, the situation is highly contrasted: orders in the Americas increased by 55% (+64% in North America and +24% in South America), but were down 5% in Europe and 1% in Asia-Pacific; they increased by 11% in the rest of the world.

Very Strong Earnings Growth

Revenues (€237.9 million) were up by 13% (+5% like-for-like). Revenues from new systems sales (€99.4 million) increased by 12%, recurring revenues (€138.5 million) by 13% (+3% and +6% like-for-like, respectively).

Income from operations (€31.8 million) increased by 61% (+16% like-for-like) and the operating margin (13.4%) was up 4 percentage points (+0.9 percentage points like-for-like).

Net income reached €23.4 million, up 63%, and free cash flow €21.5 million.

The company's objective, communicated on February 11, 2015, was to generate total revenues of approximately €240 million for the fiscal year 2015, income from operations before non-recurring items of around €29 million, an operating margin before non-recurring items of 12%, and net income of around €20 million, based on exchange rates at December 15, 2014, notably $1.25/€1.

At actual exchange rates, revenues are very close to this objective and income from operations is €2.8 million ahead. Operating margin is 1.4 percentage points higher, thanks to improved margins, lower-than-expected overhead costs and the positive impact of currency fluctuations. Net income exceeds the objective by €3.4 million.

At the exchange rates used when setting these objectives, revenues and income from operations are lagging behind the objectives by 6% and 12% respectively.

Increase in Free Cash Flow

Free cash flow amounted to €21.5 million, versus €19 million in 2014.

A Zero-Debt Company, a Very Strong Balance Sheet

At December 31, 2015, shareholders' equity increased by €18.7 million compared to December 31, 2014 and reached €113 million (+20%); net cash position by €16.3 million to €59.3 million (+38%), after payment of the dividend of €7.6 million declared in respect of FY 2014.

The company was debt free as of March 31, 2015.

Dividend Raised to €0.30 per Share

The Board of Directors will propose to the annual Ordinary Shareholders' Meeting of April 29, 2016 to increase the dividend to €0.30 per share (+20%) in respect of FY 2015. This dividend would represent a payout ratio of 40% of net income and a yield of 2.5% based on the December 31, 2015 closing share price. Subject to approval by the shareholders, the dividend will be made payable on May 6, 2016.

Strategic Roadmap for 2013-2016: Third Progress Report

The transformation and investment for the future plan of €50 million came to an end at the close of 2015, as intended. It will have enabled a major renewal and a reallocation of resources toward the most strategically important activities as well as the fastest-growing geographical markets and market sectors, with a total Group headcount as planned. The company has now entered a process of continuous improvement.

The business model has emerged strengthened, moreover, with better than expected profitability ratios, overall gross profit margin and operating margin especially, and the security ratio (i.e. the percentage of annual fixed overhead costs covered by gross profit on recurring revenues) was particularly robust (83%).

2016 Outlook

The company entered 2016 with even more solid operating fundamentals than in 2015 and an even stronger balance sheet. Lectra newly formed sales teams should progressively gain momentum.

However, 2016 looks unpredictable once again. Persistent macroeconomic, geopolitical and monetary uncertainty, together with increased risks, are liable to delay the revival of confidence and could continue to weigh heavily on companies' investment decisions.

As in previous years, the main uncertainty concerns the level of orders from new systems sales and corresponding revenues. Visibility remains limited, calling for continued caution.

In this context, the company's objectives are a growth in revenues of 6% to 12% and a growth of income from operations of 8% to 25%.

These like-for-like variations are on the basis of 2015 financial results restated at 2016 exchange rates. The company has based its 2016 scenarios on exchange rates at December 31, 2015, notably $1.10/€1.

More than ever, the whole company is focused on stepping up growth in its sales activity.

Bolstered by the strength of its business model, increasingly robust operating fundamentals, a further reinforced balance sheet, and the relevance of its strategy, the company remains confident in its growth prospects for the medium term. It plans to unveil its new 2017-2019 roadmap on February 9, 2017, on the occasion of the publication of the financial statements for the fourth quarter and full year of 2016.

First quarter earnings for 2016 will be published on April 28, 2016. The Annual Shareholders' Meeting will take place on April 29.

The Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for Q4 and the fiscal year 2015 are available at lectra.com. Audit procedures have been applied to the consolidated financial statements. The statutory auditors' certification report will be issued after the Board of Directors meeting on February 25, 2016.

With 1,500 employees worldwide, Lectra is the world leader in software, CAD/CAM equipment and associated services specifically designed for industries using fabrics, leather, technical textiles and composite materials. Lectra serves major world markets: fashion and apparel, automotive (car seats and interiors, airbags), and furniture, as well as a broad array of other industries (aeronautics, marine, wind power, etc.).

Lectra (code ISIN FR0000065484) is listed on Euronext (compartment B).

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