



NEWS RELEASE

9 January 2018

Full-Year Results

“Record performance building on Altrad’s strong and diversified service offering.”

Altrad Group, a global leader in industrial maintenance services across multiple sectors, is pleased to report its Full-Year Results for the fiscal year ended 31 August 2018.

HIGHLIGHTS

- Strong growth in all financial KPIs following successful integration of Cape acquisition
- Revenue at €3,419m (2017: €2,159m)
- EBITDA of €443m (2017: €325m)
- Net profit of €201m (2017: €138m)
- Net debt to EBITDA ratio of 1.53x compared with approx. 2x in FY16
- At the end of August, the Group had a services order book at €2,531m
- Successful rebranding to Altrad Services in certain core markets
- Positive outlook supported by growth drivers for Altrad’s core sectors and markets

Commenting on the Results, CEO Louis Huetz said:

“These record full-year results reflect the transformative evolution that the Group has undertaken in recent years. The strategic rationale to diversify Altrad’s service offering and expand our geographical footprint has provided the Group with a significantly stronger and more balanced business. The breadth of our services ensures we have the scale and capabilities to meet the exacting demands of our enviable blue-chip client-base across our various sectors and geographies. Following the successful integration of Cape throughout this year, we have firmly established ourselves as an undisputed world leader in services to large industry and equipment for access to the construction and maintenance of the world’s largest facilities. We are employing strategies to consolidate this position further by leveraging the operating efficiencies and new opportunities that present themselves to us on account of our increasing scale and profile within the industry.”

OVERVIEW

Altrad has delivered a record financial performance this fiscal year by building on the strong and diversified service offering assembled through organic and acquisitive means in recent years. The largest contributor to this performance was the successful integration of Cape into the Group, resulting in a step-change in revenue and profitability on account of the operating efficiencies and synergies associated with that transaction.

As highlighted at the time of the acquisition of Cape in September last year, the transaction significantly expanded and diversified Altrad’s service offering, with a greater weighting towards Services and better exposure to a number of long-term growth sectors, particularly in Oil and Gas. This strategic focus on Services is guided by the desire to underpin the business with the longer-term, lower-risk, higher-visibility revenues associated with multi-year maintenance contracts. Today,



NEWS RELEASE

Services represents 81% of the overall revenue of the business, with the remaining revenue generated from Equipment.

One of the core initiatives throughout the year has been on the alignment of the businesses under Altrad's Services umbrella, with an initial focus on the core Services markets within the UK. A number of wholly owned subsidiaries, including Cape and Hertel, have been successfully rebranded as Altrad Services in the UK market. The concept of rebranding the businesses was to achieve greater operating efficiencies through economies of scale and to forge a one-team cohesive cultural among our staff. The challenge for the Group has been to phase out well-known, respected brands with an established reputation in their respective industries and create a new identity for the collective division that becomes synonymous with being a leading service provider within this core market. Pleasingly, the transition has been successful and the feedback from existing and potential new customers has been consistently positive as they recognise the benefits to their own businesses of having these services all under one roof and one brand.

The creation of an experienced executive committee for the UK, comprised of senior management from the subsidiary companies, has enabled the seamless transition into Altrad Services, and the Group is benefitting from a collaborative knowledge-share and expanded network of customers. Altrad Services has firmly established itself as a market leader across the UK and is expected to deliver a strong performance as it continues to streamline activity and leverage the deeper service offering across its blue-chip client base.

Alongside Services, Altrad's traditional Equipment business continues to perform well. The Equipment division contributes approximately 19% of Group Revenue, and maintains healthy margins enabling the division to generate 27% of the Group's EBITDA.

Overall, Altrad's business is diversified and balanced across a number of sectors, markets and geographies, which is underpinning growth of the business whilst simultaneously mitigating risk by reducing exposure to cyclical or vulnerable sectors and markets.

Over one third of Altrad's activity now takes place outside of Europe, giving the Group exposure to both mature and emerging markets in regions including Pacific, Middle East, Asia and Africa. Continental Europe represents 38% of group revenue, and the UK represents 27%.

Altrad provides support in all these markets to majors and multinationals that are leaders in their respective sectors including EDF, Total, Shell, BP, ExxonMobil, Chevron, Equinor, Dow, Samsung Heavy Industries, Sonatrach and Saudi Aramco.

Altrad also benefits from a balanced sales mix between Oil and Gas (43%), Construction (30%), Power Process Industries (18%) and Power (9%), providing protection from any downturns that may occur in each sector.

FINANCIALS

The Group generated record revenue of €3,419 million during the fiscal year, ahead of expectation at the time of the acquisition of Cape Plc. Of note, over 70% of the Services revenue, which represents 81% of the Group revenue, is a recurring revenue profile from multi-year maintenance contracts.



NEWS RELEASE

The Group has achieved a solid level of profitability, with EBITDA margin of 13% trending positively from 12.2% figure provided in the Half Yearly Results as the Group successfully extracted synergies associated with the acquisition of Cape.

The Group generated EBITDA of €443 million with a net profit of €201 million. Pleasingly, the Group achieved a conversion of free cash-flow to EBITDA of 66% compared with 59% in 2017.

At year end, Altrad's Order Book stood at €2.5 billion, providing decent coverage for the anticipated activity for the coming year. The order book shows a significant decrease from the figure reported at Half-Year due mainly to the completion of large projects in Australia and major maintenance contracts coming for renewal in UK. The Group expects to secure major order intake in the coming year to provide more order book cover and stronger visibility on revenue.

Net debt at period end was €678 million, giving a net debt to EBITDA ratio of 1.53, comfortably below Altrad's preferred gearing ratio of 2x EBITDA over a 12-month rolling period..

MARKET CONDITIONS

Oil and Gas

The Oil & Gas sector represents the largest sector for Altrad in terms of revenue. Cape's exposure to Upstream and Downstream activity in core global markets such as North Sea, MENA and LNG projects in APAC, was a core rationale for Altrad's acquisition of the business.

With supportive long-term fundamentals suggesting that demand is forecast to grow at around 1.3% per annum up until 2040, Altrad sees significant long-term opportunities in the sector and has recently been awarded a number of material Services contracts. These include contracts with ADNOC in the UAE and with the Sadara Chemical Company, a JV with Saudi Aramco and the Dow Chemical Company.

The market saw signs of a recovery through 2018 in line with an oil price recovery. That said, the weakness of the oil price in Q4 showed the fragility of the market and the requirement for Operators to align themselves with value-add and innovative service companies. In offshore, Altrad is increasingly offering more efficient and economic solutions to provide maintenance to ageing assets and is well placed to benefit from industry's focus on this trend.

LNG

The LNG market continues to grow, and for the third consecutive year the industry set a record for consumption, reaching 293.1 million tonnes. This volume, the second largest ever, was driven by increased supply, especially out of Australia from large scale projects such as Gorgon, Wheatstone and Ichthys for which Altrad has been a supplier of services.

With LNG suppliers anticipating a shortfall of supply in the early 2020s, significant FID approvals on major projects are anticipated in the near term to enable supply to match demand for projected LNG requirements. With specific experience and expertise in LNG, Altrad remains well positioned to benefit from the expected growth in this market, and is positioning itself for new build activity, as well as converting the recently completed large-scale construction projects in Australia into recurring maintenance-based activity.



NEWS RELEASE

Nuclear

The nuclear industry is currently experiencing global investment into new and existing facilities, particularly in UK, China, France and UAE. We expect this to continue as New Nuclear gains traction, with projects being considered in Africa and Eastern Europe. As a leader with specific expertise in maintenance and new build of nuclear facilities, Altrad is well positioned to benefit from the opportunities of new projects. In September 2018, Altrad became a member of Hinkley Point MEH Alliance, a Joint Venture formed at the request of client EDF. The collaboration is intended to form a blueprint for the delivery of Hinkley Point C, the UK's first new nuclear power station in 20 years, and other new nuclear plants that may be built. Other opportunities are presented by the continuing markets for late life extensions and decommissioning activities.

Equipment

The Equipment business continues to perform well and deliver healthy margins, benefitting from a recovery in Construction activities across continental Europe. The Group continues to work closely with its customers to innovate through new product development. As a recognised developer of one of the best scaffolding systems in the world, the Group's modular scaffolding system is becoming a genuine standard for reliable quality.

Altrad Services' wide geological footprint presents opportunities for expansion of Equipment, with a presence in countries with a growing demand for scaffolding. By leveraging the extensive customer relationships and local knowledge, the Group expects to drive business development of Equipment, and traction is already being achieved in this regard with sales of scaffolding and construction equipment in Middle East and Asia.

To facilitate the anticipated growth in demand, the Group is currently implementing the necessary industrial investments to ensure capacity for growth and the constant innovation of product development to meet customers' requirements.

OUTLOOK

Market conditions vary between sectors and geographies. Oil & Gas, the sector to which Altrad has most exposure, is experiencing uncertainty following a sharp retraction of crude pricing in Q4'18. Whilst this is impacting industry spend and pricing, the Group's principal focus on maintenance activities provides a certain level of protection against this volatility.

Bidding activity across the Group remains high and a number of key multi-year maintenance contracts are due for renewal this coming year. As a result, the management has confidence that it will gradually build out the order book through 2019 as it replaces the revenue from completed LNG projects in Australia. The first quarter of the current fiscal year has already seen a number of significant contract wins across different sectors and markets and the Group expects to continue this momentum throughout the year.

With over one quarter of Group revenue derived from UK, the Group continues to ensure contingency plans are in place for the various potential outcomes of Brexit. At present the Group's activities in UK are showing good resilience, despite the significant uncertainties associated with the Brexit process.



NEWS RELEASE

It is however unclear what the effect of the transition period and ultimate Brexit will be on the demand for the Group's products and services in this market.

The Group is cautiously optimistic that it will deliver another year of growth in EBITDA, as it has delivered consistently for the past 20 years. The Group expects to extract further synergistic operating efficiencies from its expanded business platform and continues to assess complementary inorganic opportunities in line with its stated growth strategy.

ANNUAL REPORT

For further detail on the Group's activities and operations, please access the Annual Report from the following link: <https://www.altrad.com/en/publications-and-press-releases.html>

CONTACT

For media enquiries:

Buchanan: Ben Romney / Chris Judd

E: altrad@buchanan.uk.com

T: +44 (0)20 7466 5000

Altrad: Group Head Office

125, Rue du Mas de Carbonnier - 34000 Montpellier - France

E: antoine.martinez@altrad.com

T: +33 (0)4 67 94 52 52

ABOUT ALTRAD GROUP

Altrad is a global leader in the provision of industrial services, generating high added value solutions principally for the Oil & Gas, Energy, Power Generation, Process, Environment and Construction sectors. The group is also a recognised leader in the manufacturing of equipment dedicated to the Construction and Building market. Altrad's multidisciplinary services range from engineering and technical services to maintenance, access solutions and specialised services for industry leaders. The Group, headquartered in France, employs around 40,000 people and owns established international brands including Cape, Hertel and Prezioso Linjebygg.