

Latécoère Reports FY 2021 Results

FY 2021 adjusted data

- FY 2021 revenues stand at €379.8 million (-8% vs FY2020)
- FY 2021 recurring EBITDA improved at €-31.2 million (+13% vs FY 2020) despite drop in sales
- Recurring EBITDA in H2 2021 shows a strong improvement compared to H1 2021 (€-8.2 million vs €-23.1 million)
- Major steps were taken to ensure that Latécoère will emerge as a stronger player from the future market recovery:
 - Group's balance sheet strengthened: Capital increase of €222.4 million completed and €130 million of French State backed loans ("PGE") obtained
 - Top management team strengthened – with Thierry Mootz as Group CEO and Philippe Salats as Group CFO
 - Organization streamlined in terms of cost base and industrial footprint
 - Bolt on acquisitions completed with TAC in Belgium, Shimtech composites and Bombardier wiring and interconnection systems both in Mexico

FY 2022 outlook

- Double digit growth of revenues
- Strong improvement in recurring EBITDA expected in FY 2022 driven by full impact of cost savings, increased build rates and M&A

Toulouse, March 16, 2022 – Latécoère, a tier 1 partner to major international aircraft manufacturers, today announced that its Board of Directors under the Chairmanship of Pierre Gadonneix, at their meeting on March 15, 2022, adopted and authorised the publication of Latécoère's financial statements for the twelve-month period ended December 31, 2021.

Thierry Mootz, Group Chief Executive Officer, stated: *"Latécoère's performance continues to improve according to plan. In 2021 the Group has actively participated in the market consolidation. Growth will continue in 2022 driven by M&A strategy and increased build rates. Thanks to the improvement of our competitiveness, the Group is well positioned to serve the aerospace industry with innovative solutions for a sustainable world"*.

Adjusted results 2021

Preamble

In order to better monitor and compare its operating and financial performance, the Group has decided to disclose adjusted financial statements alongside the consolidated financial statements. The explanation of the restatements is presented in the appendix to this press release.

All figures are expressed in adjusted figures, unless otherwise stated.

(Adjusted data - € thousand)	H1	H2	2020	H1	H2	2021
Revenue	231,9	181,3	413,2	181,1	198,7	379,8
Reported growth	-37,6%	-46,9%	-42,1%	-21,9%	9,6%	-8,1%
Organic growth	-36,8%	-44,8%	-40,7%	-31,7%	-14,6%	-24,1%
Recurring EBITDA *	(14,0)	(21,2)	(35,2)	(23,0)	(8,2)	(31,2)
Recurring EBITDA margin on revenue	-6,0%	-11,7%	-8,5%	-12,7%	-4,1%	-8,2%
Recurring operating income	(30,8)	(36,3)	(67,1)	(39,3)	(21,6)	(61,0)
Recurring EBIT margin on revenue	-13,3%	-20,0%	-16,2%	-21,7%	-10,9%	-16,1%
Non recurring items	(34,6)	(63,7)	(98,3)	(2,8)	(7,2)	(9,9)
Impairment depreciation	(28,2)	(11,9)	(40,1)			
Other non recurring items	(6,4)	(51,8)	(58,2)	(2,8)	(7,2)	(9,9)
Operating income	(65,4)	(100,0)	(165,4)	(42,1)	(28,8)	(70,9)
Net Cost of debt	(1,6)	(2,3)	(3,9)	(1,4)	(21,5)	(23,0)
Other financial income/(expense)	(10,7)	(4,7)	(15,4)	(8,4)	(7,9)	(16,3)
Financial result	(12,3)	(7,0)	(19,2)	(9,8)	(29,4)	(39,3)
Income tax	(12,1)	(2,0)	(14,1)	(1,7)	(0,5)	(2,2)
Net result	(89,8)	(108,9)	(198,7)	(53,6)	(58,8)	(112,4)
Operating free cash flows	(5,2)	(17,3)	(22,5)	(16,7)	(55,0)	(71,7)

* Recurring EBITDA = Recurring operating income + Depreciation and amortization of tangible and intangible assets and impairment losses

* Adjusted recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements.

The Group's revenue reached €379.8 million for the full year 2021 compared to €413.2 million in 2020, representing a decrease of -8.1%. 2021 was impacted throughout the year by the Covid-19 crisis, whereas 2020 was affected from the second quarter only. This was compounded by the sharp drop in deliveries for the Boeing 787 (-75% compared to 2020) following the temporary halt of Boeing's assembly line. Revenue for the second half of 2021 grew 9.6% compared to the first half of the year, despite the situation with Boeing 787 (-48%).

Excluding the impact of Boeing 787 deliveries, 2021 organic revenue is down -10.5% year-on-year. On the same basis, the organic growth for the second half of 2021 is +4.6% compared to the second half of 2020, and +6.6% compared to the first half of 2021.

Recurring EBITDA for 2021 increased by €+4.0 million to reach €-31.2 million driven by continued operational improvements implemented since 2020 which more than offset the sales decrease.

Second half year Recurring EBITDA for 2021 reached €-8.2 million, a strong improvement vs second half of 2020 (€+13 million) as well as vs first half of 2021 (€+14.8 million). H2 2021 improvement is driven by the adaptation of the cost base, and by external growth.

In this context, **FY 2021 recurring operating income amounted to €-61.0 million** compared to €-67.1 million in the same period of 2020.

FY 2021 non-recurring items of €-9.9 million mostly derived from acquisitions' costs of €-7.9 million.

Financial result totalled to €-39.3 million in 2021 compared to €-19.2 million in 2020.

FY 2021 financial result includes net cost of debt for €-23.0 million which is primarily due to the full recording of the interest expense of the SCP shareholder loan (as it is fully repaid) for an amount of €-16.4 million and other financial income and expenses for €-16.3 million which include unwinding of hedging portfolio for an amount of €-14,6 million.

Group net income amounted to €-112.4 million compared to €-198.7 million in 2020.

Free cash flow from operations for 2021 of €-71.7 million was driven by cash flow from operating activities before income tax paid of €-22.1 million and by a negative cash from investments of €-49.6 million including the acquisition price of TAC and Shimtech for €-32.9 million.

Net debt was €65.1 million declining by €-82.5 million as a result of free cash flow from operations of €-71.7 million, cash from capital increase (detailed hereafter) of €-222.4 million linked to recapitalisation realized in August 2021, cost of debt paid for €-18.8 million, hedging portfolio unwinding of €-14.6 million, IFRS 16 lease of €-25.5 million and Income tax paid of €-4.7 million.

At the end of December 2021, cash and cash equivalent stood at €277.6 million.

Recapitalisation and strengthening of the Group's liquidity

A capital increase of €222.4 million was completed on August 2021 and the Group obtained an additional €130 million in French State backed loans (PGE). Part of the proceeds from this recapitalisation were used to repay the shareholder loan for an amount of €52.5 million and to finance the acquisition of Technical Airborne Components. The balance of the proceeds from the capital increase will be used to achieve external growth operations (M&A) and the PGE proceeds will be used to finance the general operational financing needs of the Group, in the short and medium term.

Currency hedging

In November 2021, management decided to implement a new hedging policy aiming at reducing the exposure to foreign exchange risk. This new policy will qualify under hedge accounting as per the IFRS. As a consequence, the portfolio of hedge derivatives was unwound which generated a financial loss of €-14.6 million. The new portfolio of hedge instruments in place consists of primarily €/€ collars covering the net currency exposure for 2022 and 2023. The weighted average upper limit of these collars is of 1.15 for 2022 and of 1.18 for 2023.

Streamlining of the cost structure

Following previous announcements made, Latécoère has continued to further adjust its cost base and industrial footprint to ensure its long-term sustainability.

External growth

Three bolt-on acquisitions were completed in 2021:

- Bombardier's electrical wiring and interconnection systems business in Querétaro (Mexico) as of February 1, 2021
- Technical Airborne Components (TAC) as of May 1, 2021
- Shimtech de Mexico (SDM) as of October 1, 2021

Furthermore, in December 2021, the Group has entered into a definitive agreement to acquire a Spanish company called Malaga Aerospace, Defense & Electronics Systems (MADES) that will strengthen its interconnection systems business and defense capabilities. The acquisition is planned to be closed during Q2 2022.

Aerostructures

FY 2021 revenue in the Aerostructures division declined 23.2% from €228.4 million in 2020 to €175.5 million. Excluding B787 related deliveries, the reported growth would have been of 10%.

Revenue for the second half of 2021 was down -11.7% at €92.7 million, compared to €105.0 million in the second half of 2020. Excluding B787 related deliveries, reported sales growth would have been of around 30%.

Excluding the impact of the decline in deliveries relating to Boeing 787, the second-half of 2021 organic growth was +5.8% compared to the second half of 2020 and +12.1% compared to the first half of 2021.

2021 recurring EBITDA in the division slightly increased by €+0.9 million to reach €-16.2 million driven by continued operational improvements in a context of a low level of production.

The second half of 2021 EBITDA increased significantly by €+7.8 million to reach €-2,7 million compared to second half of 2020 driven by costs reduction. External growth realized in 2021 also contributed to the improved EBITDA, especially in the second half year of 2021.

Aerostructures (Adjusted data - € thousand)	H1	H2	2020	H1	H2	2021
Consolidated revenue	123,5	105,0	228,4	82,8	92,7	175,5
Organic growth	-41,7%	-44,5%	-43,1%	-36,5%	-27,9%	-32,5%
Inter-segment revenue	11,1	11,5	22,6	10,2	9,3	19,5
Revenue	134,6	116,4	251,0	93,1	101,9	195,0
Recurring EBITDA *	(6,6)	(10,5)	(17,1)	(13,5)	(2,7)	(16,2)
Recurring EBITDA margin on revenue	-4,9%	-9,1%	-6,8%	-14,5%	-2,7%	-8,3%
Recurring operating income	(15,1)	(19,5)	(34,6)	(21,0)	(12,2)	(33,2)
Recurring EBIT margin on revenue	-11,2%	-16,8%	-13,8%	-22,6%	-12,0%	-17,0%

* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements.

Interconnection Systems

FY 2021 revenue of Interconnection systems increased by 10.5%, from €184.8 million in 2020 to €204.3 million. The division's second half revenue of €106.0 million represented an increase of +38.9% compared to €76.4 million in the second half of 2020. Revenue growth is mainly driven by external growth, namely the consolidation of Bombardier wiring business.

2021 recurring EBITDA for the Interconnection Systems increased by €+3.2 million to reach €-14.9 million.

Recurring EBITDA in H2 2021 increased by €5.1 million to reach €-5.5 million driven by the production level recovery.

Interconnection Systems (Adjusted data - € thousand)	H1	H2	2020	H1	H2	2021
Consolidated revenue	108,5	76,4	184,8	98,3	106,0	204,3
Organic growth	-30,2%	-45,2%	-37,5%	-26,3%	3,6%	-13,7%
Inter-segment revenue	0,5	0,7	1,2	0,5	0,6	1,1
Revenue	108,9	77,1	186,0	98,8	106,6	205,4
Recurring EBITDA *	(7,5)	(10,6)	(18,1)	(9,5)	(5,5)	(14,9)
Recurring EBITDA margin on revenue	-6,9%	-13,8%	-9,7%	-9,6%	-5,1%	-7,3%
Recurring operating income	(15,7)	(16,8)	(32,5)	(15,6)	(12,2)	(27,8)
Recurring EBIT margin on revenue	-14,5%	-21,7%	-17,5%	-15,7%	-11,5%	-13,5%

* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements.

FY 2022 outlook

For FY 2022 Latécoère expects to achieve:

- Revenue growth of more than +20% on a reported basis and in the mid to high teens on an organic basis
- A significant improvement in recurring EBITDA driven by the full impact of footprint optimization and cost cutting, despite volatility in customer demand: EBITDA is expected to be close to break-even but still negative
- Operating free cash flow will be impacted by the remaining costs of restructuring, the increased working capital due to sales growth and by key capex to strengthen Latécoère's competitive position

About Latécoère

As a "Tier 1" international partner of the world's major aircraft manufacturers (Airbus, Boeing, Bombardier, Dassault, Embraer and Mitsubishi Aircraft), Latécoère serves aerospace with innovative solutions for a sustainable world. The Group is active in all segments of the aeronautics industry (commercial, regional, business and military aircraft), in two areas of activity:

- Aerostructures (46% of turnover): fuselage sections and doors,
- Interconnection Systems (54% of turnover): wiring, electrical furniture and on-board equipment.

As of December 31, 2021, the Group employed 4,764 people in 14 different countries. Latécoère, a French limited company capitalised at €132,745,925 divided into 530,983,700 shares with a par value of €0.25, is listed on Euronext Paris - Compartment B, ISIN Codes: FR0000032278 - Reuters: LAEP.PA - Bloomberg: LAT.FP.

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Reconciliation of the consolidated financial statements to the adjusted financial statements

In order to better monitor and compare its operating and financial performance, the Group presents, in parallel with the consolidated financial statements, adjusted financial statements:

- for gains and losses resulting from the exercise of hedging instruments of the Group over the period. Revenue net of purchases in US dollar currency hedged by instruments is therefore measured using the hedging rate obtained over the period. The remaining unhedged dollar exposure is measured at the average rate for the period. This result, presented as financial result in the consolidated financial statements is reclassified as revenue (operating result) in the adjusted financial statements
- for changes in fair value, which include all changes in the fair value of derivatives not eligible for hedge accounting and relating to flows in future periods and the revaluation at the hedged rate of balance sheet positions (trade receivables and trade payables denominated in USD), the amount of which is presented in operating income.
- changes in deferred taxes resulting from these items are also adjusted if necessary.

Income statement for 2021

	Consolidated income statement		Hedging		Adjusted income statement December 31, 2021
	December 31, 2021	December 31, 2021	Exchange rate result	Change in fair value	
<i>('000 EURO)</i>					
Revenue		375 877	3 886		379 763
Other operating revenue		954			954
Change in inventory: work-in-progress & finished goods		-9 878			-9 878
Raw material, Other Purchases & external charges		-239 485			-239 485
Personnel expenses		-158 432			-158 432
Taxes		-3 818			-3 818
Amortization		-29 814			-29 814
Net operating provisions charge		-12 395			-12 395
Net depreciation of current assets		-678			-678
Other operating income		13 621		-839	12 782
Other operating expenses		12			12
RECURRING OPERATING INCOME		-64 035	3 886	-839	-60 988
<i>Operating Income / Sales</i>		<i>-17,04%</i>			<i>-16,06%</i>
Other non-recurring operating income		15 551			15 551
Other non-recurring operating expenses		-25 476			-25 476
OPERATING INCOME		-73 959	3 886	-839	-70 912
Net Cost of debt		-22 953			-22 953
Foreign Exchange gains/losses		-9 263	-3 886	-422	-13 571
Change in fair value of financial derivative instruments		141		-141	0
Other financial incomes and expenses		-2 741			-2 741
FINANCIAL RESULT		-34 815	-3 886	-563	-39 265
Income tax		-2 200			-2 200
NET RESULT FOR THE PERIOD		-110 975	0	-1 402	-112 377
• Of which, Owners of the parent		-110 975	0	-1 402	-112 377
• Of which, Non-controlling interests		0	0	0	0

Income statement for 2020

En milliers d'euros	Compte de résultat consolidé 31/12/2020	Couverture de change		Compte de résultat ajusté 31/12/2020
		Résultat de change	Variation de juste valeur	
Chiffre d'affaires	413 232			413 232
Autres produits de l'activité	497			497
Production stockée	-24 426			-24 426
Achats consommés et charges externes	-263 544			-263 544
Charges de personnel	-158 200			-158 200
Impôts et taxes	-5 940			-5 940
Dotations aux amortissements et pertes de valeur	-31 879			-31 879
Dotations nettes aux provisions d'exploitation	-12 246			-12 246
Dotations nettes aux actifs circulants	155			155
Autres produits	13 486		7 416	20 902
Autres charges	-5 615			-5 615
RESULTAT OPERATIONNEL COURANT	-74 478	0	7 416	-67 062
<i>Résultat opérationnel / chiffre d'affaires</i>	<i>-18,02%</i>			<i>-16,23%</i>
Autres produits opérationnels non courants	4 196			4 196
Autres charges opérationnelles non courantes	-102 500			-102 500
RESULTAT OPERATIONNEL	-172 782	0	7 416	-165 366
Coût de l'endettement financier net	-3 854			-3 854
Gains et pertes de change	-13 470		-342	-13 812
Gains et pertes latents sur instruments financiers dérivés	16 240		-16 240	0
Autres produits et charges financières	-1 574			-1 574
RESULTAT FINANCIER	-2 657	0	-16 582	-19 239
Impôts sur les bénéfices	-14 127			-14 127
RESULTAT NET	-189 566	0	-9 166	-198 732
• dont attribuable aux propriétaires de la société mère	-189 566	0	-9 166	-198 732
• dont attribuable aux participations ne donnant pas le contrôle	0	0	0	0

Consolidated financial statements (IFRS)

Consolidated Income statement

('000 EURO)	Dec 31, 2021	Dec 31, 2020
Revenue	375 877	413 232
Other operating revenue	954	497
Change in inventory: work-in-progress & finished goods	-9 878	-24 426
Raw material, Other Purchases & external charges	-239 485	-263 544
Personnel expenses	-158 432	-158 200
Taxes	-3 818	-5 940
Amortization	-29 814	-31 879
Net operating provisions charge	-12 395	-12 246
Net depreciation of current assets	-678	155
Other operating income	13 621	13 486
Other operating expenses	12	-5 615
RECURRING OPERATING INCOME	-64 035	-74 478
Other non-recurring operating income	15 551	4 196
Other non-recurring operating expenses	-25 476	-102 500
OPERATING INCOME	-73 959	-172 783
Net Cost of debt	-22 953	-3 854
Foreign Exchange gains/losses	-9 263	-13 470
Change in fair value of financial derivative instruments	141	16 240
Other financial incomes and expenses	-2 741	-1 574
FINANCIAL RESULT	-34 815	-2 657
Income tax	-2 200	-14 127
NET RESULT FOR THE PERIOD	-110 975	-189 566
• Of which, Owners of the parent	-110 975	-189 566
• Of which, Non-controlling interests	0	0

Consolidated Balance sheet

('000 EURO)	Dec 31, 2021	Dec 31, 2020
Goodwill	16 431	0
Intangible assets	67 541	56 022
Tangible assets	155 433	154 155
Other financial assets	5 105	4 291
Deferred tax assets	913	684
Financial derivative instruments	4 299	0
Other non-current assets	775	129
TOTAL NON-CURRENT ASSETS	250 497	215 282
Inventories	124 298	115 122
Accounts receivable	85 771	65 269
Tax receivable	9 829	11 509
Financial derivative instruments	2 574	3 347
Other current assets	1 613	1 816
Cash & Cash Equivalents	277 659	77 614
TOTAL CURRENT ASSETS	501 746	274 676
TOTAL ASSETS	752 243	489 957
('000 EURO)	Dec 31, 2021	Dec 31, 2020
Share capital	132 746	189 637
Share premium	326 064	213 658
Treasury stock	-477	-455
Other reserves	-196 695	-176 119
Derivatives future cash flow hedges	323	509
Group net result	-110 975	-189 566
EQUITY ATTRIBUTABLE TO PARENT OWNERS	150 986	37 664
NON-CONTROLLING INTERESTS	0	0
TOTAL EQUITY	150 986	37 664
Loans and bank borrowings	325 453	215 546
Refundable Advances	20 886	22 359
Employee benefits	16 060	16 294
Non-current provisions	25 281	26 445
Deferred tax liabilities	3 012	29
Financial derivative instruments	4 568	0
Other non-current liabilities	6 297	3 650
TOTAL NON-CURRENT LIABILITIES	401 557	284 323
Loans and bank borrowings (less than 1 year)	17 353	9 707
Refundable Advances	2 966	2 254
Current provisions	15 046	18 096
Accounts payable	122 729	89 480
Income tax liabilities	1 811	2 745
Contracts liabilities	33 700	38 982
Other current liabilities	4 262	3 844
Financial derivative instruments	1 832	2 863
TOTAL CURRENT LIABILITIES	199 700	167 970
TOTAL LIABILITIES	601 257	452 293
TOTAL EQUITY & LIABILITIES	752 243	489 957

Consolidated cash flow statement

('000 EURO)	Dec 31, 2021	Dec 31, 2020
Net result for the period	-110 975	-189 566
Adjustments related to non-cash activities :		
Depreciation and provisions	26 153	85 126
Fair value gains/losses	-20	-16 240
Net (gains)/losses on disposal of assets	200	116
Other non-cash items	240	770
Others (*)	15 378	675
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	-69 024	-119 119
Income taxes	2 200	14 127
Net Cost of debt	20 795	3 854
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	-46 029	-101 139
Changes in inventories net of provisions	14 419	57 799
Changes in client and other receivables net of provisions	-13 240	93 490
Changes in suppliers and other payables	22 760	-60 098
Income tax paid	-4 710	-2 628
CASH FLOWS FROM OPERATING ACTIVITIES	-26 801	-12 575
Effect of changes in group structure (**)	-32 926	51
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-16 045	-12 687
Purchase of financial assets	-941	0
Increase (decrease) in loans and advances made	248	-583
Proceeds from sale of tangible and intangible assets	97	669
Dividends received	0	3
CASH FLOWS FROM INVESTING ACTIVITIES	-49 567	-12 547
Proceeds from issue of shares	221 139	0
Purchase or disposal of treasury shares	-22	1 388
Proceeds from borrowings	129 670	124 362
Repayments of borrowings	-36 162	0
Repayments of lease liabilities	-5 911	-5 817
Financial interest paid	-18 636	-3 761
Flows from refundable advances	-761	-846
Other flows from financing operation (***)	-13 291	-45 516
CASH FLOW FROM FINANCING ACTIVITIES	276 025	69 809
Effects of exchange rate changes	375	-860
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	200 031	43 827
Opening cash and cash equivalents position	77 589	33 762
Closing cash and cash equivalents position	277 620	77 589

(*) In 2021, reclassification as flows from financing activities mainly relating to accrued interest on repayable advances (+€1.6m) and the impact of the unwinding of the hedging portfolio

(**) Composed of the acquisition price of Technical Airborne Components (TAC) net of cash acquired for -€31.4 million and the acquisition of Shimtec de Mexico for -€1.6 million

(***) of which the impact of the unwinding of the hedging portfolio for -€14.6m

Glossary

Organic Growth

Organic growth excludes EUR/USD currency impacts (by applying a constant exchange rate for the periods considered) and by applying a constant Group structure.

Recurring operating income

In order to better reflect the current economic performance, the Group uses a sub-total named “recurring operating income” which excludes from operating income, non-recurring items (income or expenses) which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. Details of non-recurring items are presented in the Group's accounting principles applied to consolidated financial statements.

EBITDA

EBITDA corresponds to operating income before depreciation, amortization, and impairment losses.

Recurring EBITDA

Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements.

Operating free cash flow

Operating free cash flow corresponds to cash flow from operating activities and from investing activities excluding income tax paid.

Net debt

Net debt corresponds to loans and bank borrowings (over one year) and loans and bank borrowings (less than one year) which include factoring and bank overdrafts less cash and cash equivalents. Net debt also includes financial debt from finance lease contracts.