

Full year 2022 results: €280 million pro forma revenues and 23% current EBITDA margin

Exail Technologies is publishing its results for the first time in its new simplified scope, now focused on the activities of Exail. The 2022 consolidated revenues thus include the contribution of iXblue in the last quarter of 2022. Exail Technologies also unveils a pro forma 2022 income statement, including the contribution of iXblue over the whole year 2022. Within this scope, the company generated revenues of €280 million in 2022 and a current EBITDA margin of 23%.

Consolidated and pro forma P&L 2022

<i>(in €million)</i>	FY 2022 pro forma¹	FY 2022	FY 2021²	Var M€ (2022 reported vs 2021)	Var. %
Backlog at the end of the period	633,7	633,7	489,9	+143,9	+29%
Revenues	279,8	179,8	115,9	+63,9	+55%
Current EBITDA³	63,6	36,5	25,3	+11,2	+44%
<i>Current EBITDA margin (%)</i>	<i>22,7%</i>	<i>20,3%</i>	<i>21,8%</i>	<i>-0,0 pts</i>	<i>-0,1 pts</i>
Income from ordinary activities²	36,5	21,2	12,5	+8,7	+70%
Operating income	28,3	6,6	11,3	-4,7	-42%
Financial result	-19,2	-4,9	-1,2	-3,7	296%
Tax	-4,4	-8,5	-2,2	-6,3	289%
Net income from discontinued activities	0,9	0,9	39,0	-38,1	-98%
Consolidated Net income	5,6	-5,9	46,9	-52,8	-113%
Net income in group share	3,4	-5,9	46,2	-52,1	-113%

¹ The pro forma income statement includes iXblue over 12 months, as if the acquisition had taken place on January 1, 2022. Normativity adjustments have been applied: neutralization of acquisition costs, normalization of interest expense based on its structure at the acquisition date, neutralization of the negative impact of changes in the scope of consolidation on deferred tax assets related to the expected utilization of Exail Technologies' tax loss carryforwards.

² Income statement 2021 restated in accordance with IFRS 5.

³ See the glossary in the appendix for definitions of alternative performance indicators.

The last disposal of the former Engineering & Protection Systems (EPS) division was completed at the end of the first quarter of 2023, in line with the announced schedule. This transaction will generate a cash inflow of €30 million for Exail Technologies⁴ in 2023 and a capital gain of €26 million, the positive impact of which will be fully recognized in the first-half accounts. The EPS division is classified in the 2022 and 2021 accounts as discontinued operations (IFRS 5 standard).

An excellent level of revenues, particularly strong at the end of 2022

Pro forma 2022 revenues, including iXblue for the full year, amount to €280 million, illustrating the change in dimension of the group.

The maritime robotics activities, including drone systems, generated more than €110M in revenues in 2022. The contribution of the BENL program represents around €45m, in line with what was announced at the beginning of 2022. Two new milestones in this program have recently been reached: the passage of the Test Readiness Review, and the launch of the first of the twelve ships built by our partner Naval Group, which will be equipped with Exail's drone systems.

This contract remains the group's largest, but its relative weight is being significantly reduced in favor of equipment sales to a very diversified client base. These products, which have a relatively short sales cycle, have rapidly benefited from the supportive context of the defense market for naval and land equipment.

This is the case for navigation and positioning systems, comprising in particular the range of inertial navigation systems (INS). The performance of this business was better than expected a year ago, when the acquisition of iXblue was announced, and generated around €100 million in revenues over the year 2022.

The rest of the sales concerns on-board electronics equipment, photonic and quantum components used by the group and also sold to external customers. The photonics business also contributed to the better-than-expected profitability.

Pro forma current EBITDA margin increasing to 23%

Exail Technologies, in its new perimeter, has generated €64 million of pro forma current EBITDA in 2022, representing a margin of 23%. This very good performance is significantly higher than the 20% expected when the acquisition of iXblue was announced. It is the combined result of:

- **Quality and high performance in each of the businesses.** Operational excellence and the innovative characteristics of the group's systems and products have enabled to maintain high gross margins.
- **The vertical integration of businesses,** which gives Exail a significant control of its costs and its supply times for critical components. This major advantage also enabled the group to win orders at the end of the year thanks to its responsiveness and competitive delivery times.
- **Increase in revenues.** This growth, combined with the gradual implementation of synergies, has enabled better coverage of fixed costs, better use of production capacity and the pooling of certain resources (support functions, R&D)

⁴ Including €27 million in proceeds from the sale of shares in companies in the ESP division and €3 million in bond redemption for one of these companies.

- **Good management of indirect costs**, which remain under control.

Pro forma operating result of €28 million

Amortization and provisions amounted to €27 million in the 2022 pro forma scope. Pro forma operating income thus amounted to €36.5 million.

Other operating income items represent €8 million in the pro forma income statement and are mainly composed of costs related to the employee incentive and retention plan implemented by iXblue for several years. The costs of structuration and acquisition of iXblue have been neutralized in the pro forma accounts and represent approximately €10 million over the year 2022.

As a result, the company's pro forma operating profit is €28.2 million, more than twice the operating result for the year 2021. This sharp increase is due to the acquisition of iXblue and the increase in activity.

Higher cost of financial debt, with limited effect on cash flow

The acquisition of iXblue was completed without a capital increase by Exail Technologies thanks to the leverage created at the level of the subsidiary EXAIL HOLDING, to which ECA Group was contributed by externalizing its real value. This financial structure offers a significant potential for value creation, due to the amplification of the effects of the group's growth through financial leverage. It led to an increase in the cost of financial debt, to €23 million in 2022 pro forma⁵.

A significant part of the interest recorded - the interest on the bonds issued to ICG - is capitalized and therefore has no effect on cash. Cash outflows related to interest on debt therefore account for slightly more than half of the expense recorded in the income statement. These costs should decrease in the coming years with the gradual deleveraging of the group, which has already begun since the acquisition.

A financial structure under control

At the end of 2022, the group's adjusted net debt⁶ stood at €266 million, including €81 million of bonds *in fine* (2030) subscribed by the financial partner ICG and €92 million of *in fine* bank debt (2029). The profitability generated by the group allows it to largely respect its banking covenants at the end of 2022.

The ratio of net debt to current EBITDA 2022 pro forma is thus 2.9x excluding the ICG bonds (debt *in fine* subordinated to bank debt) and 4.2x including them.

Cash flow from operating activities amounts to +€88 million in 2022 pro forma⁷, including a +€17 million improvement in working capital. Capex amounted to €26 million, mainly comprising R&D investments.

These amounts and ratios do not include the proceeds from the sale of the ESP division. This transaction was finalized at the end of March 2023 and generated a cash inflow of €30 million. The allocation of this cash will be discussed by the Board of Directors. The company does not intend to keep it permanently as available cash, nor to invest it in new activities other than those of Exail.

⁵ The pro forma income statement for 2022 includes a model of financial expenses as if the acquisition debt had been subscribed on January 1, 2022 and without any assumption of capital amortization in 2022. It benefits in 2022 from a €4 million revaluation of hedging instruments, bringing the 2022 pro forma financial result to -€19 million.

⁶ See glossary in the appendix for a definition of net debt.

⁷ The items in the 2022 pro forma cash flow statement have not been audited and are provided for information purposes only.

Distribution of the remaining Prodways Group shares held by Exail Technologies

In December 2021, Exail Technologies distributed most of its Prodways Group shares to all its shareholders. In the continuity of this operation, the Group will propose to distribute the remaining shares of Prodways Group held by Exail Technologies, representing an indicative value of €7.3 million (5.95% of Prodways Group's share capital, valued at €2.38 on April 14, 2023). Each shareholder will thus receive 1 Prodways Group share for 6 Exail Technologies shares held. The details of the operation will be published in a dedicated press release at a later date.

Outlook: strong growth in the short and medium term

The context of increased defense budgets worldwide, which was not anticipated at the time of the agreement to acquire iXblue a year ago, has a positive impact on the group's activities. The increase in defense spending is materializing, in orders or tenders, both in the short term through sales of navigation and positioning systems, and in the medium term for major mine clearance or seabed control projects. Exail Technologies won €104 million in orders in the fourth quarter 2022, an increase of around +40% compared to the volume of orders for the same period last year on a comparable basis.

The order backlog at the end of the year thus represents €634 million, or more than two years of revenues.

Significant tenders are underway for underwater mine hunting, with some responses expected in 2023. Negotiations are underway for various programs, some of which have made progress in recent months.

Significant value creation potential for Exail Technologies' shareholders

Since the acquisition a year ago, the new Exail group has delivered a very good performance, driven by strong demand for ex-iXblue's navigation systems and photonic components, as well as the good performance of the ex-ECA business.

These favorable developments, not integrated at the time of the acquisition, have already strengthened the value of the company. Going forward, the combined effects of revenue growth, improved current EBITDA margin and leverage effect will continue to generate significant value for the shareholders.

Revenue growth should accelerate this year: Exail Technologies has set a revenue growth target of more than +15% in 2023 compared to pro forma 2022 revenues. The higher-than-expected current EBITDA margin in 2022 strengthens the group in its objective of increasing this margin from 20% in 2021 to 25% by 2025-2026.

Next financial events

- Activity of the first quarter 2023: 27 April 2023
- General Meeting: 15 June 2023
- Activity of the second quarter 2023: 26 July 2023

About Exail Technologies

Exail Technologies is the new name of Groupe Gorgé, adopted after the transformation of the group at the end of 2022, now focused on the activities of its subsidiary Exail. Exail Technologies is an industrial company specializing in high technology in the field of autonomous robotics with a vertical integration of its businesses. The group offers complex drone and navigation systems, as well as products for the aerospace and photonics industries. Exail Technologies provides performance, reliability and safety to its civil and military customers operating in harsh environments and generates revenues in nearly 80 countries.

Exail technologies is listed on Euronext Paris Compartment B (EXA).
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APPENDIX

Definitions of alternative performance indicators

- **Current EBITDA:** Operating income before “depreciation, amortization and provisions”, “other items of operating income” and “Group share of the earnings of affiliated companies”.
- **Income from ordinary activities:** Operating income before “other items of operating income” and “Group share of the earnings of affiliated companies”.
- **Adjusted Net Debt:** Net debt excluding lease liabilities resulting from the application of IFRS 16 and including the value of treasury stock.

P&L consolidated 2022, 2022 pro forma and 2021 restated in application of IFRS 5

<i>(in € thousand)</i>	2022 pro forma⁸	2022 publié	2021⁹
REVENUES	279 803	179 827	115 906
Capitalized production	16 056	10 098	11 393
Inventories and work in progress	6 034	(1 300)	(1 907)
Other income from operations	21 218	11 869	7 215
Purchases and external charges	(132 576)	(82 631)	(53 773)
Personnel expenses	(124 328)	(78 754)	(53 236)
Tax and duties	(3 366)	(2 264)	(1 167)
Depreciation, amortization, and provisions (net of reversals)	(27 126)	(15 370)	(12 833)
Other operating income and expenses	741	(312)	860
INCOME FROM ORDINARY ACTIVITIES	36 457	21 164	12 457
Group share of the earnings of affiliated companies	(5)	(5)	-
Other items in operating income	(8 167)	(14 606)	(1 166)
OPERATING INCOME	28 285	6 552	11 291
Interest on gross debt	(23 690)	(8 509)	(2 073)
Interest on cash and cash equivalents	136	70	4
NET BORROWING COST (A)	(23 554)	(8 438)	(2 069)
Other financial income (b)	5 562	4 075	168
Other financial expense (c)	(1 236)	(581)	652
FINANCIAL INCOME AND EXPENSES (D=A+B+C)	(19 227)	(4 944)	(1 249)
Income tax	(4 423)	(8 458)	(2 172)
NET INCOME FROM CONTINUING OPERATIONS	4 634	(6 850)	7 870
Net income from discontinued operations	934	934	39 001
CONSOLIDATED NET INCOME	5 568	(5 916)	46 871
INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	3 355	(5 869)	46 208
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	2 213	(47)	663
Average number of shares	17 105 312	17 105 312	17 218 321

⁸ The 2022 pro forma column includes the contribution of IXBLUE (now EXAIL SAS) over 12 months; the methods for preparing this pro forma income statement will be detailed in the 2022 Universal Registration Document.

⁹ The 2021 column has been restated in accordance with IFRS 5.

Consolidated balance sheet - Assets

<i>(in € thousands)</i>	31/12/2022	31/12/2021
NON-CURRENT ASSETS	458 734	116 244
Goodwill	292 289	23 792
Other intangible assets	59 441	34 172
Property, plant and equipment	47 207	23 277
Rights of use	34 305	15 078
Investments in affiliated companies	-	5
Other financial assets	19 495	18 543
Deferred tax assets	3 905	1 378
Other non-current assets	2 091	-
CURRENT ASSETS	331 728	203 565
Net inventories	64 284	23 003
Net trade receivables	53 020	43 757
Contract assets	85 191	63 189
Other current assets	31 469	17 115
Tax receivables	30 043	13 375
Other current financial assets	8 964	217
Cash and cash equivalents	58 756	42 909
Assets held for sale	50 352	32 751
TOTAL ASSETS	840 814	352 560

Consolidated balance sheet - Liabilities

(in €thousand)	31/12/2022	31/12/2021
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT	106 318	59 300
Stakes attributable to non-controlling interests	104 259	5 001
NON-CURRENT LIABILITIES	361 547	107 355
Long-term provisions	5 994	5 224
Long-term liabilities – portion due in more than one year	288 872	86 696
Lease liabilities – portion due in more than one year	30 122	11 972
Deferred tax liabilities	3 729	150
Commitments to buy minority interests	29 645	3 138
Other financial liabilities	3 185	175
CURRENT LIABILITIES	221 463	148 643
Short-term provisions	5 323	4 881
Long-term liabilities – portion due in less than one year	42 201	41 114
Lease liabilities – portion due in less than one year	6 465	3 279
Other current liabilities	5 077	-
Operating trade payables	44 834	32 843
Contract liabilities	48 046	22 504
Other financial current liabilities	69 195	43 780
Tax liabilities payable	322	242
Liabilities held for sale	47 226	32 260
TOTAL LIABILITIES	840 814	352 560

Cash-flow statement

The pro forma 2022 cash flow statement is not presented below, as it has not been audited. The information given above in this press release is given for information only.

<i>(en milliers d'euros)</i>	2022	2021
NET INCOME FROM CONTINUING OPERATIONS	(6 850)	7 870
Accruals	14 333	7 704
Capital gains and losses on disposals	(135)	9
Group share of income of equity-accounted companies	5	-
CASH FLOW FROM OPERATIONS (before neutralization of the net borrowing cost and taxes)	7 353	15 583
Expense for net debt	8 438	2 069
Tax expense	8 458	2 172
CASH FLOW (after neutralization of the net borrowing cost and taxes)	24 250	19 824
Tax paid	(1 978)	(605)
Change in working capital requirements	24 090	(36 318)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	46 361	(17 100)
Investing activities		
Payments/acquisition of intangible assets	(9 856)	(12 186)
Payments/acquisition of property, plant and equipment	(7 255)	(12 076)
Proceeds/disposal of property, plant and equipment and intangible assets	201	20
Payments/acquisition & Proceeds/disposal of non-current financial assets	578	14
Net cash inflow/outflow on the acquisition/disposal of subsidiaries	(312 219)	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(328 551)	(24 229)
Financing activities		
Capital increase or contributions	151 700	-
Dividends paid	(584)	(5 696)
Other equity transactions	(264)	(3 213)
Proceeds from borrowings	259 677	116 965
Repayment of borrowings	(100 833)	(73 062)
Repayments of rental debts	(3 488)	(2 294)
Cost of net debt	(2 921)	(1 588)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	303 287	31 113
CASH FLOW GENERATED BY CONTINUING OPERATIONS (D = A+B+C)	21 098	(10 216)
Cash flow generated by discontinued operations	2 222	(10 769)
CHANGE IN CASH AND CASH EQUIVALENT	23 320	(20 985)
<i>Effects of exchange rate changes of the year</i>	<i>(113)</i>	<i>16</i>
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	38 230	48 736
Cash and cash equivalents from discontinued activities	(461)	(307)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	58 756	38 230