

English transcription webinaire

ALTEN

Bruno BENOLIEL, Deputy CEO, ALTEN

Hello, everybody. Thank you for being here for this conference on ALTEN's H1 2023 activities. I hope you received the press release that was sent out and displayed a few minutes ago. If you have had time to read it, you will have seen that the figures we are going to discuss this evening show that growth has been satisfactory and in line with expectations. The Group's turnover is EUR 2.48 billion, a 12.2% increase versus last year, which was EUR 1.26 billion. In France, the business went up 9.4% and outside France [The interpreter did not hear the figure] on a like-for-like basis. The business rose by 11.4%, plus 9.4% in France and plus 12.5% outside France. Second quarter growth went down to 7.8%, which was no surprise, 6.7% in France and 9.7% outside France on a like-for-like basis. Growth is actually identical at 8.6% at Group level, 6.7% in France and 9.7% outside France. Let me just draw your attention to the fact that H2 was penalised because there were two fewer working days compared to last year, while it was actually penalised by 0.4% based on the second semester was penalised by 1.2 days versus 2022.

The business rate in the second quarter was satisfactory and actually quite normative once again as in the first quarter, at 91.4% versus 92.9% in 2022, if I remember correctly. In H1 the Group's business rate was 91.8% versus 92.7% in H1 2022, in other words a 0.9% decline. Let me just remind you that in 2022 we indicated that the business rates were abnormally high because we were still in the post-Covid period. As you many know, the business rate of 91.9 is normative, because it actually ranges between 91.8% and 92.2% and on this basis, this is actually in line with what we believe is a satisfactory rate for the Group's business.

In the aftermath of the 2022 CPRIME acquisition we had x number of collaborators as of December, 47 240 engineers. We now have 57 400 people in 50 professions, passing 750 engineers [inaudible], 11 500 in France and 39 000 outside of France. In the first semester, the engineer count went up by 3 500 people, 2 226 organically, with 450 in France and 2076 outside France. The acquisitions represented a difference of 680 engineers.

Let us now have a look at business per geographical zone. This analysis is based on the fact that [inaudible] with the UK and Italy, the second semester figures show slower growth everywhere in the world, which is quite normal. What else is new? The growth rates cannot be around 15% indefinitely, client budgets are not unlimited, and the growth capacity is directly related to client budget extensions or the outsourcing extension process. We had already anticipated this deceleration of growth rates as early as the end of last year and we were a bit surprised that it did not happen sooner.

In France, despite the unfavourable mass effect and two less working days than last year, the business rose by 6.7% in the second quarter, in other words 9.9% if you had to restate. The working days in the first semester in France, the business rose by 9.4%, in other words [The interpreter did not hear the figure]. The business remained quite dynamic in the Automotive sector, Defence & Security was 20% and Civil Aviation growth was still quite strong at about 30%.

In Europe outside France there was a quite satisfactory rise in the business, although Scandinavia and Germany slowed down in the second quarter. In Europe, in the Iberian Peninsula, business went up by 17% with all segments growing, even Banking and Finance. The second quarter decline in Germany was amplified by the working day parameter, in other words, a pro forma 9.2% growth versus 6.6% published in the second semester; the growth in the first semester was 12.2%. There is no working day parameter in Germany, which means German growth went down because of the progressive stabilisation in the Automotive sector and it also went up by 9% versus 2022. Let me just remind you that growth in the Automotive sector has been quite strong in Germany over the last few years and it makes

sense that, in the end, their budgets end up levelling off. It also went down because of the deceleration in the Aviation sector, but we still grew by 20% in those two sectors which, as you may know, represent 70% of turnover in Germany.

In the UK, despite one less working day, growth is still stable, mainly because of the Civil Aviation and Automotive sectors. Growth in Italy is still at 25%, with all sectors rising including tertiary, Finance, Automotive, Defence & Security. Growth in Benelux was 15%. The Netherlands and Belgium were quite homogeneous. In the Netherlands Automotive, electronics and some items like semiconductors and industrial equipment, were actually guaranteed growth. In Belgium the Automotive and Pharmaceutical industry, also rebounded quite well and are growing quite significantly. There were the same effects in Scandinavia as in Germany with the progressive stabilisation of sectors including Automotive. We actually saw deceleration in Eastern Europe but growth at 27% was quite satisfactory, although it went down in Q2. Poland represents 65% of the zone and went up by over 30%. Romania is 35% of the zone and the business went up by plus 20% because of the tertiary Finance segment.

The business in North America rose by 7% on a like-for-like basis. You may know that the US represents three-quarters of the North America zone, and the annual growth actually went down, and it was confirmed in Q2. It is not a great concern, and it stems from the Automotive sector where budgets are stabilising, and quite a number of projects are terminating in the oil and gas sector in Canada. Growth also decelerated because of the very negative mass parameter in the Aerospace and Banking sectors representing over half of the revenues.

Finally, in Asia-Pacific growth slowed as of Q4 2022, with 6% this semester. I would like to draw your attention to a point I do not think I have talked about before. The Asia-Pacific zone actually gathers together quite a number of countries, including Singapore, which represents 12% of the APAC zone. Activity in Singapore decreased this year with the termination of a number of oil and gas projects, because they had a platform that mainly addressed the Middle East. The banking and finance sector was also less attractive because their major project terminated. The decline of our activity in Singapore by two-thirds this semester really had a negative impact on growth in this area. However, to really understand the dynamic of the APAC zone outside Singapore, we should interpret growth as 18% and not 6%. Singapore represented 12% of this and only represents 4% of the area now and is now representing a marginal activity. China represents 35% of the APAC zone and 7%, and was penalised by the Telecommunications sector, which represents a significant part of local revenues. However, the automotive sector represented over 30% of our revenues with China still growing by over 35%. India, 31% of the revenues in the area of course for local markets, is going up by 15% with the automotive and tertiary sectors. Today, Japan represents 11% of the area and rose by 30% thanks to the electronics and tertiary sectors. Finally, South Korea, 8% of the area, also rose quite rapidly, like Japan, going up by over 35% thanks to automotive, semiconductors and electronics activities. Therefore, growth is still satisfactory in most of the geographic zones in which we are present.

In addition, all the business sectors are rising, even though the pace is different from place to place. As I said already, the automotive sector went down, and the growth rate is still decelerating but is sustained in some geographic zones and the automotive segment went up 20% in this half of the year. Growth is actually generated among manufacturers because we are talking about a 25% growth globally. The only manufacturer that is slowing down is General Motors but on the other hand the growth deceleration is confirmed among OEMs at less than 10%. [The interpreter did not hear the word] one segment was actually quite stable in 2022 but now generated a 10% growth in Aerospace. Civil Aviation is still quite buoyant, and that sector grew by 30% with business which is driven by manufacturers, Airbus Helicopters and Dassault Helicopters, and among OEMs, Safran, Rolls Royce, Thales, etc., which are still generating growth today. Growth in the Defence, Security, Naval sectors, is still quite significant at by 25%, mostly thanks to Defence. In the defence sector. The Energy sector [The interpreter did not hear the word] actually contracted by 8% because oil and gas activities representing 2.2% of revenues have been going down for quite a few years since

2015, and represented about 9% of revenues. The oil and gas business continues to contract from year-to-year and there was an impact from projects terminating in Africa, the US and the Gulf area, as well as because of Russia withdrawing in H2 2022. On the other hand, all the other sectors, nuclear, energy, chemical equipment, grew by 8%. Thanks to the pharmaceutical segment, Life Sciences have risen by 5% and growth was stable at 15% in industrial equipment, electronics and semiconductors, and this is quite homogeneous. Growth was slow in telecommunications at 2%, which has been generating limited growth among operators and budgets have now stabilised having gone down in 5G equipment.

Finance, 9.3% of turnover, slowed down in Q2, mainly in Banking which grew by 5%, while Insurance is doing fairly well at 15%. The Banking sector activity is growing a lot in Southern Europe and Canada, but is down in France because of budget reductions. Retail and public sector grew by 7% but generally slowed down during the second semester.

You can see that all of the sectors are either growing or growing strongly, except for oil and gas. Of course, some of them slowed down during the second semester but the activity remains satisfactory.

Regarding external growth and M&As, ALTEN took over a company during the first semester, but we mentioned this at the last meeting, with turnover at EUR 18 million and 185 consultants. In the second semester, we acquired a company present in India, the US and who has a slight presence in Germany, with around 500 consultants and a EUR 9 million turnover. There was a company in Poland in IT and telecoms services, with a turnover of EUR 19 million and 350 consultants, half of whom are external, which is often the case in the IT sector. Very recently we acquired a company present in Spain and a branch in Germany, with a EUR 7 million turnover and 130 consultants, specializing in aeronautic consulting, and they are part of the Airbus ecosystem. We are carrying out due diligence on other companies, which is business as usual and a certain number of complementary acquisitions will take place in September and October, and there is no reason why there should not be more by the end of the year.

The first semester of 2023 was quite good, and we anticipated the slowdown, which is quite normal and in line with our expectations. We are expecting growth levels to continue to slow in the second semester, both because of the first reason and the macroeconomic context. Nevertheless, we do expect satisfactory organic growth of around 10% for 2023, maybe a little bit more when the analysts come together but we remain quite positive about the second semester.

I suggest that we open up the conference and start the Q&A session.

Aditya BUDDHAVARAPU, Bank of America

I have a couple of questions, first on the Q2 organic growth. You said that the slowdown was expected, but could you maybe just give us some colour on how we should think about the shape of growth in the second half of the year in terms of Q3 versus Q4? Is there anything in particular in terms of the trends between those two quarters? On the comment on the overall pipeline and the conversations with clients, are they still looking to invest, are you seeing any projects being stopped, for example? Finally, could you also just comment, given the organic growth you put in Q2, I know you have not reported the margins, but how should we think about the margin outlook for the first half and then maybe also for the full year in this context?

Bruno BENOLIEL

Organic growth for Q2 was 8.6% and I would say we expect H2 to deliver roughly similar growth. Of course, I cannot tell you exactly what it will be, but we do not expect today's organic growth to decelerate more strongly. All this will depend on what is going on in September because September and October are key months for our business, since our customers are launching projects around the end of Q3 and the beginning of Q4. We will know better then and, of course, that will have an impact on both the activity rate of the

company, as well as hiring. As you know, we hire engineers whenever we are confident about the number of new projects that will be launched.

What was your other questions?

Aditya BUDDHAVARAPU

The second question was just about the pipeline you are seeing in terms of projects, the conversations with clients. Are you seeing clients postponing or cutting [inaudible]?

Bruno BENOLIEL

No, we are not seeing clients postponing projects or if they are, we do not know about it. For example, customers are not launching bids and they are saying they are going to delay the launching of the projects. When they launch a bid, the cycle for decisions remains quite stable and is not longer than previously and the projects start. Certainly, we have experienced very high levels of organic growth in the last two years because of catching up after Covid and also because customers, mainly in industry, are obliged to invest in the transition. However, their budgets have increased, and we suspect that they have also increased the outsourcing rate, meaning that this is an additional market for us. In any case, they will not continue to increase their budgets by 10% or 15% year-on-year, so that market will progressively normalise, and we will return to what I would say are normal growth rates. There is nothing to worry about, it is simply that we are progressively returning to a soft landing for our business.

Aditya BUDDHAVARAPU

My last question was on the margin outlook for the first half given the growth you have seen. How should we think about the margins for the full year as well, also given hiring and base inflation, all those sectors, just trying to think about them moving past there?

Bruno BENOLIEL

This call is not dedicated to margins but nevertheless, I can give you some flavour regarding the margins for H1. Last year, we announced that the 11% margin we achieved was absolutely not normative for Alten. You know that for us the margin is roughly around 9%, could be more or less, so if we compare last year with that year, in H1 the activity rate was lower by one point, which is roughly 70 [inaudible], a ratio that a lot of people are familiar with. We also had the same number of working days compared with last year globally but in the end, if we go into detail we lost some days in countries where the revenue per head is very high, for example, France, Germany or the UK. On the other hand, it was the same number of days in countries where the revenue per head is lower, so that also has an impact. We have also decided to invest in our technical divisions to reinforce the sales organisation to accompany the growth in new IS tools, etc., and we will discuss that in September. Of course, the margin in H1 will be lower in 2023 compared to 2022.

Gregory RAMIREZ, Bryan, Garnier & Co.

Hello, Bruno. Regarding the net of hiring, if I do the maths and look at the acquisitions, we are roughly at 1 050 engineers.

Bruno BENOLIEL

No. Do you mean for T2? No, we are at 860, so we are coming back to more normal levels. I wanted to say that the figure of 1 050 is correct but we consolidated a company in April with 190 people, so it is just to say that the 1 050 was correct but that 190 came from an acquisition that joined us in April and 860 comes from net hiring.

Gregory RAMIREZ

I had a rhythm of around 800 per quarter. If the activity growth remains stable do you believe-?

Bruno BENOLIEL

Yes, I think we will be coming back to something similar, around 800 per quarter, but it all depends on our turnover and client activity, but this is coherent. If you take what happened in Q2, it is quite unusual and enough to be mentioned, but we had zero growth in net headcount in France. This does not mean that the activity is not doing well, but all our activity came from net of international hiring. Why not in France? That is because growth in certain sectors, automobile and let us say industry in general, is where we hired a lot, as well as industrial equipment. However, all this was partially absorbed by a decrease in bank and finance, where the market trends are clearly complicated in France and also because there are certain sectors where many new projects are starting offshore, especially in the automobile sector, mainly for reasons of productivity. Of course, this is why we have zero in France but on a global scale we carried on growing, not in all geographies, but generally speaking.

Gregory RAMIREZ

Have you noted an increase in July of the seasonal impact of the end of projects, do you have more or less than usual?

Bruno BENOLIEL

I would say no more than usual and in any case, as I said, growth rates will continue to decrease in the second semester. A deceleration is taking place, but this is something we have anticipated, it is in our budget and has been for quite a while, so there are no surprises. Of course, then the macro figures come and if you take and consider the European or French growth levels, the situation is absolutely normal.

Gregory RAMIREZ

A very last question about the three acquisitions you mentioned. What are the margin levels?

Bruno BENOLIEL

Generally speaking they are slightly below Group levels, but these are small companies, which do not have enough sales staff and they are also clearly understaffed in terms of their internal organisation, finance, etc. The first comment when you do the due diligence, take the figures and analyse them is that it gives us a margin slightly lower than Group levels, but their normative margin is lower.

Gregory RAMIREZ

Okay. Thank you, very much for this.

Bruno BENOLIEL

Also, I do not know if I mentioned the M&As last year and this year, but there was this question of margins, and this is going to weigh on the first semester margins. It is difficult to find companies with high levels of profitability in our business, you can find them, but the thing is they are usually very expensive, prices are very high and unfortunately, often when you look take a closer look at them, you know that this margin is unsustainable. It does not explain why we buy these companies between five and 10, but we have seen companies like an acquisition that, as I mentioned during the first semester, we looked at, but it was bought for a crazy price. We do not make this type of deal just to pay 10 or 15 times the

EBIT, this is not part of the Group's culture and while it might not damage our margins, but in terms of cash, it is disproportionate when you consider our valorisation.

Gregory RAMIREZ

Thank you very much.

Laurent DAURE, Kepler Cheuvreux

I have several standard questions. Could you tell us more about the attrition, evolution of salaries and prices on the market? My second question is on the growth expected for the second semester and the phasing of this deceleration because we were at 14.6% in Q1 but are at 10% in organic in France in Q2.

Bruno BENOLIEL

Yes, but only for France.

Laurent DAURE

What about Group level?

Bruno BENOLIEL

At Group level we had one less working day, and we did not do the maths at group level but of course this weighed on our growth by maybe 3% or 4% but we had an extra day in Q1 that compensated for it.

Laurent DAURE

I am looking by how there is a slowdown quarter by quarter because-

Bruno BENOLIEL

We have to be very careful at how we look at this if we want to normalise things because we have to compare things that cannot be compared.

Laurent DAURE

What are you expecting for the second semester, around 1.5% less?

Bruno BENOLIEL

Yes, for the second semester compared to last year on average we will be losing 2.3 days.

Laurent DAURE

Over six months?

Bruno BENOLIEL

Yes, over six months. That means that globally we are expecting growth obviously to be lower because the comparison basis being what it is, the sequential growth decreasing. This all ends up in the growth rate, which will continue to decrease and therefore the organic growth in S1 would be above that for S2. However, I would say that we would generally be close to 10%, unless September and October are really not good months, but this is not the sense we are getting from the field.

Laurent DAURE

Therefore, you do not expect a big change between the second quarter and H2. Does this information come from the field in all geographical areas?

Bruno BENOLIEL

Yes.

Laurent DAURE

I am asking because some companies, more in IT, that have gone for assumptions where S2 is much slower than Q2.

I will let you answer the first question and then I have a couple of things I would like to look at in price/salary attrition.

Bruno BENOLIEL

The turnover rate is still high, and it should be around 27% to 28%, which are the figures we generated last year. It is a bit complicated to answer the question as far as the ratio is concerned because you have different parameters such as geographical areas, offers, consultant seniority, work packages, etc. We are no longer talking about a business that was driven only by grid prices, which could be compared to wages because of more limited geographical areas but what can be seen today- the only thing we are able to gauge is that wages are going up by 13% to 14% in Poland whereas prices are going up by 16% to 17%, but this has to be homogenous across customers and this is not necessarily the case. When you increase wages and actually transfer it to prices there is some time lapse. Prices went up in April and if buyers can actually scrape out three months they will, and other increases are going to take place in H2. In some countries, some customers are negotiating three times a year and say they will talk about prices when the new referencing is defined. You get a commercial grid and today we are no longer actually able to sum things up as before, but all this is quite [inaudible] by work package parameters. It is the same thing with wages, you get a turnover effect, and you can only add some visibility on the remuneration grid evolutions, which do not increase the same way from one geographic area to another. You also have the age pyramid and the consultant mix, which also have to be factored in.

At the end of the day, we are looking at the evolution of the price/wage ratio and at the margin it generated on projects, regardless of the projects and geographies we are talking about, and the margin that is directly related to the price/wage ratios. We have got the cost of premises because we have a lot of projects, IT costs, the environment, etc., and we are now analysing the situation because we are closing this, but the price/wage ratio in H1 did not deteriorate. This is rather good news if it had to be warranted because, as indicated, we are anticipating a new deterioration of the price/wage ratio, which was 90 last year, but does not seem to be the case, but I will confirm this in September.

Okay. I have two other points. Just to clarify the situation since you talked about the H1 margins, one [inaudible] in terms of margin seasonality, we are now seeing a return to normal. In other words an H2 margin that is way above H1 margin, not way above because of the working day difference, we will be penalised versus last year because we will have on less day because last year we had an average of 124 – 126, while this year it is 124 – 125. However, we will have a seasonal effect with a margin that will be higher than in H1, not a difference of three points but the objective is to have a 10 plus margin.

Laurent DAURE

This is what you said at the beginning of the year.

Bruno BENOLIEL

Yes, we said at the beginning of the year we said we would actually be getting back to a margin of 10, in other words this is not going to change. We are quite comfortable with a normal margin of 10. When it comes to whether we reach 10 throughout the year, we will just have to look at it in H2.

Laurent DAURE

Last point, with the exception of Singapore, which is the loophole here, for H2 what is the focal point you are quite cautious about with lower visibility when put up against the rest of the Group.

Bruno BENOLIEL

Singapore is a bit of an outlandish case and I actually talked about it because it impairs the visibility on the dynamic in APAC, so it is quite important to put those figures into perspective. We could reach some bad conclusions because the decline in oil and gas was driven by Singapore, so let us actually set it aside. There is no special focal point. Obviously, we have a topic on Finance in France with a contraction in the Banking, Finance segment. I am not sure if it is the case everywhere, but we are obviously getting messages from clients announcing cost cuts in their IT budget, which can be seen very clearly in the number of bids for tender, productivity levels, etc. There is quite a significant slowdown in Germany, which is also an issue because it has a quite challenging margin structure. We generated good performance levels last year because the business rate was very high in Germany and demand was extremely strong, but this year Germany is heading back to a more normative rationale. Since we are also getting bigger everywhere, we are now working on investments today in technical department structuring in different geographical areas, as well as IT tools. This is related to the development of processes that are now being digitalised. There we want to change the CRM and we have also set up new business steering tools for managers, etc. When you think about it, we are now bracing ourselves for the next phase.

Laurent DAURE

Okay, thank you.

Bruno BENOLIEL

Right now, there are no concerns and at the end of the day, it is just business as usual. We have customers who are still asking for productivity despite pressure on wages. This is our bread and butter, this is what we do.

Laurent DAURE

Thank you for everything, perfect.

Derric MARCON, Societe Generale

I have three short questions, first on oil and gas. I am not sure I understand whether the situation in Q2 versus Q1 went down because when you read the Q1 notes, oil and gas went down by 30% in Q1 and is still going down in Q2. I am really having a hard time to clarify the situation. Energy was going down in Q1 and went down a lot more in Q2 and you get the impression that oil and gas does not really weigh more in the equation.

Bruno BENOLIEL

I do not know how to answer because it is true that oil and gas has been going down and the decline was practically the same in Q2 as in Q1, and growth in other sectors was probably lower in Q2 than in Q1. In terms of the impact of oil and gas generation, today we still have products that are terminated in H2 which may weigh more on the growth rate than in H1. This is perhaps the only logical explanation I can give you. In other words, the various components of the Energy, the nuclear sector, did not grow as much as in the first quarter in the nuclear sector in particular, which was quite a surprise. This is related to resources rather than need.

Derric MARCON

Is this too granular for you to answer the question on the growth rates?

Bruno BENOLIEL

No, well to be honest with you, I do not have the growth rate in my head [The interpreter did not hear the word]. We went down quite a lot, and we are now plus 3% in the nuclear sector, which went down very significantly. While in energy equipment, I do not know if you noted the growth rates, but I can find them for you, but in H1 we were at 15%, so it went down because we were supposed to be over 20%.

Derric MARCON

In fact, growth is going down in all the other sectors and oil and gas is still going down. Okay, thank you.

My second question is a similar one on Singapore, just to understand the more negative impact in Q2 than it is in Q1. When you look at the APAC figures and the zones you mentioned outside Singapore, the growth rate of APAC has really gone down dramatically between Q1 and Q2. Can you quantify it and actually give us the change in revenues, the difference between the revenues generated in Q1 and Q2?

Bruno BENOLIEL

Can I do it? Yes, but I cannot answer off the top of my head because I do not have all the data. However, if you like I can send you a note about it, but what exactly are we talking about?

This is a small country, but we are still talking about several millions of euros not just EUR 100 000. Let me tell you, Singapore is not just EUR 100 000, if memory serves me, I believe in Q2 Singapore represented over EUR 4 million and it actually went from 12 to four, which is eight points difference, for example, in Singapore Q2. Last year it was EUR 9.8 million and this year EUR 2 million. What does going from 12 to four mean? It means we lost a lot of revenues in Q2.

Derric MARCON

In other words 4% in H1 and there were EUR 2 million in Q2 2023, is that correct?

Bruno BENOLIEL

In Q1 2022, Singapore was EUR 9.8 million with EUR 4.4 in Q1. Now, we have the figures for this year with EUR 2 million compared to EUR 9.8 million, so it went down more significantly in Q2 than in Q1 in Singapore.

Derric MARCON

Out of the number of invoiced days, the figures you mentioned when you answered Laurent's question on the invoiced days impact, 1.3 days, it seems to be quite important if you compare this to H1. You were saying that this was actually zero in H1 and we agreed that in H2, with the exception of Q3 with minus 1 day effect in France but I imagine that we may have effects in other countries that I do not have in mind, but 1.3 days is a lot during the year given the Q2 impact

Bruno BENOLIEL

The figures are as follows; it is not that complicated. This is what we have in France, we are losing one day in Q3 and nothing in Q4 and we are losing one day internationally, perhaps a little less than one day, in Q3 and we are losing 0.5 day in Q4. This adds up globally, so we are talking about an average weighted by the relative impact of each [inaudible]. This is a 1.3 loss in H2, but at the end of the day, this is related to what I said before, in other words, we have a general rationale based on a number of days, but they are not equal. To be precise you would have to weigh the number of days by the number of people, because this is not an arithmetical average, and you would have to weigh this on the basis of [The interpreter did not hear the word].

Derric MARCON

This makes sense, we have 1.3 days less, this is because of the global basis, I did not realise the situation or that the number of invoiced days was contracting that much when compared to H2 2022.

My last question is about France. There is no organic growth deceleration in the whole Group versus the Q2 level but at the same time, if you zoom in on France we realise that it is zero in Q2. As Laurent mentioned, perhaps you could have a step and carry on with organic growth contracting in Q3 and Q4?

Bruno BENOLIEL

We generated growth once again in Q3 and Q4 in France, so effectively, we have readjusted the outlook compared to what we anticipated three or four months ago to really factor in that we missed out on some hundreds of engineers in France. However, the Q3 and Q4 forecast established on the basis of what we are seeing in the field, means that growth is going back up in terms of headcount in Q3 and Q4 in France, so we are certainly going to have organic growth similar to H1. This makes a lot of sense but the organic growth in France is not going to be two times lower than the H1 growth. We will have a clearer view on the situation at the analysts meeting in September but in any case, this is not our hypothesis.

Derric MARCON

As I understand it, H2 is in line with H1 and Q3 not going down below Q2 and then going back up in Q4. [The interpreter states he cannot hear due to the quality of the sound].

Bruno BENOLIEL

No, we do not really see this. It is difficult to compare Q3 to Q2, you can compare the rate of organic growth year-on-year, but that is quarter after quarter. In Q3 we have holiday periods and last year we also had three days more in addition to this, but if you restate this, we do not see Q3 deteriorating versus Q2 in France. We are not talking about five points in France.

I hope we are not overly optimistic [inaudible] the end of June perhaps [The interpreter did not hear the word due to the quality of the sound]. We usually do this at the analysts meeting rather than July, but the numbers of departures at the end of June versus, but in any case, there will not be any severe cuts this year.

Derric MARCON

Okay.

Bruno BENOLIEL

We have received two questions in English that I will read out.

There is one that asks for a bit more colour on the competitive landscape in the US and our potential in that market. The US market is quite different from the European one because of the local labour laws. Our main core business today, which is work package activities where we take charge of the achievement of a whole project for customers, does not exist that much in the US. US industrial companies either outsource parts of a vehicle, plane, etc., or I would say they hire resources in more of a staffing mode because they need additional resources for their projects. There is no big competitor in the US of a size similar to ALTEN or other European competitors but nevertheless, there are small companies trying to do the same business. That is why when we complete acquisitions in the US, I would say we buy smaller companies. The main competition in the US comes from what we call the US-Indian or Indian-US companies, meaning that there is a local front office in the US, which could be commercial as well as technical, but the projects are carried out in India where the cost of resources is much lower. Of course, this is why we try to enter the US market by either

building local teams with local US engineers, of whom we have a bit more than 2 000 today. We also recently bought a small company with the same configuration of a US front office and back office in India, and we are trying to develop that offer, which is really busy in the US.

The second question is about providing a bit more colour on the M&A landscape in our core market and the potential for M&A for large international players in our core markets? On the M&A side, we are either competing with ALTEN's competitors, but frankly there are fewer today in that market, or sometimes with industrial companies but not much. However, increasingly, which is frankly a shame, we compete with private equity companies that buy even smaller companies of 500 people at quite high multiples. It is very difficult to compete with them because we are not in a position to pay those kinds of multiples. I mentioned a company that was present in the US with a back office in India, and it was sold for 17 times the EBITDA and we walked away from it because we are not in a position to or want to pay that high a price. The M&A landscape is not that easy and that is why we mainly complete smaller acquisitions.

There are no other questions, so thank you very much for taking part in this conference and enjoy the summer holidays, which I imagine most of you will be taking. See you soon in September when I believe we have a meeting on the morning of the 22nd, which will be a remote meeting and it will be a good opportunity for us to talk again.

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Unfortunately we were unable to check the following names, words or phrases:

2076.....	1	impairs	8
39 000.....	1	Laurent DAURE	6
47 240.....	1	lot during the year given the Q2 impact 10	
9.4%.....	1	more negative impact in Q2 than it is in Q1	
Aditya BUDDHAVARAPU, Bank of		9
America.....	3	restate	1
Bruno BENOLIEL, Deputy CEO, ALTEN1		scrape out three months.....	7
Derric MARCON, Societe Generale.....	8	the global basis.....	10
EUR 9.8 million.....	9	There is no working day parameter in	
five points.....	10	Germany	2
Gregory RAMIREZ, Bryan, Garnier & Co.		valorisation.....	6
.....	4	was penalised by 1.2 days versus 2022 1	
H2	7	will take place	3