

Thales reports its Q1 2020 order intake and sales

- Order intake: €2.7 billion, up 17% (down 15% on an organic basis¹)
- Sales: €3.9 billion, up 16% (-4.7% on an organic basis)
- First impacts of the disruptions caused by the Covid-19 crisis
- Implementation of the global crisis adaptation plan announced on 7 April

Thales (Euronext Paris: HO) announces today its order intake and sales for the first quarter of 2020.

Order intake <i>in € millions</i>	Q1 2020	Q1 2019	Total change	Organic change
Aerospace	778	672	+16%	+15%
Transport	156	249	-37%	-38%
Defence & Security	960	1,301	-26%	-26%
Digital Identity & Security	761	34	n.s.	n.s.
Other	7	16	n.s.	n.s.
Total	2,663	2,273	+17%	-15%
Sales				
<i>in € millions</i>				
Aerospace	1,083	1,221	-11.3%	-11.9%
Transport	347	398	-12.9%	-13.1%
Defence & Security	1,724	1,686	+2.3%	+2.4%
Digital Identity & Security	727	36	n.m.	n.m.
Other	18	21	n.m.	n.m.
Total	3,899	3,361	+16.0%	-4.7%
Of which mature markets ²	2,895	2,439	+18.7%	+2.3%
Of which emerging markets ²	1,004	922	+8.9%	-23.0%

“Q1 2020 order intake and sales are marked by the first impacts of the Covid-19 crisis, hiding the good dynamics of both Defence & Security and Digital Identity & Security segments.”

¹ In this press release, “organic” means “at constant scope and currency”.

² Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 6.

All Thales teams are fully mobilized to implement the global adaptation plan announced on 7 April.

Coming out of this unprecedented crisis, Thales will benefit from its unique positioning: a solid and diversified client base, a worldwide footprint and a portfolio of key technologies at the highest scientific and technical levels, especially in the digital field. These key structural assets will enable us to quickly return to a profitable growth trajectory”.

Patrice Caine, Chairman and Chief Executive Officer

Order intake

In the first quarter of 2020, order intake amounted to €2,663 million, up 17% compared to Q1 2019, following the integration of Gemalto’s businesses (consolidated from 1st April 2019). At constant scope and currency,³ it was down 15% compared to Q1 2019.

The impact of the disruption related to Covid-19 is estimated at around €190 million for the first quarter, of which €80 million is related to civil aeronautics businesses and approximately €110 million is related to other businesses, largely due to delayed orders. Adjusted for this impact, order intake was down by approximately 8%, reflecting the natural volatility of large contract signatures.

During the quarter, the Group booked one large order worth more than €100 million, namely for an air surveillance system in a Middle Eastern country. By comparison, the Group booked 3 large orders in Q1 2019.

Orders with a unit value of less than €10 million totalled €1,462 million, up 4% from Q1 2019 excluding the impact of the Gemalto consolidation.

From a **geographical**⁴ point of view, order intake was up 5% in mature markets and up 54% in emerging markets compared to Q1 2019, driven by the integration of Gemalto. On an organic basis, order intake was down 18% in mature markets and down 5% in emerging markets, reflecting the geographical mix of large orders booked in the 2 periods.

Thanks to a strong performance in avionics from January to mid-March 2020, order intake in the **Aerospace** segment was up 16%, amounting to €778 million vs €672 million in Q1 2019, despite the negative impacts from the Covid-19 crisis. Space order intake was stable compared to Q1 2019.

Compared to a robust Q1 2019, order intake in the **Transport** segment was down 37% to €156 million, impacted by delays in finalising contracts.

³ Taking into account a positive exchange rate effect of €1 million and a positive scope effect of €731 million.

⁴ See table on page 6.

Order intake in the **Defence & Security** segment fell sharply (-26%), totalling €960 million versus €1,301 million in Q1 2019. This decline reflects the natural volatility of large orders and delays caused by the Covid-19 crisis.

Orders in the **Digital Identity & Security** segment are structurally close to sales, as the majority of the businesses in this segment operate on short cycles. The difference between order intake and sales during the first quarter was due to the booking of two significant biometric orders.

Sales

Q1 2020 sales came in at €3,899 million versus €3,361 million in Q1 2019, up 16% on a reported basis and down 4.7% at constant scope and currency.⁵ Adjusted for the estimated impact of disruptions caused by the Covid-19 crisis, sales were up slightly, in line with expectations.

The impact of the Covid-19 crisis on Q1 sales is estimated at around €200 million, of which €60 million is related to civil aeronautics businesses and €140 million to other businesses, the latter largely due to the impact of sanitary measures on productivity.

From a **geographical**⁶ point of view, this decrease was primarily observed in emerging markets (down 23.0% on an organic basis), while mature markets recorded an organic growth of 2.3%, driven mainly by the strong performance of the French market (+9.8%).

In the **Aerospace** segment, sales totalled €1,083 million, down 11.3% compared to Q1 2019 (-11.9% at constant scope and currency). This decline was notably due to a €60 million impact of Covid-19 related disruptions on civil aeronautics businesses and to a lesser impact on the rest of the segment, reflecting the first disruptions in France and Italy. Space sales continued to decline in line with expectations, reflecting the phasing of institutional orders and the slowdown in the commercial market that began in 2017.

In the **Transport** segment, sales came in at €347 million, down 12.9% compared to Q1 2019 (-13.1% at constant scope and currency). Most of this decline was due to the phasing down of the four major urban rail signalling contracts signed in 2015 and 2016 (London, Doha, Dubai and Hong Kong). Despite some difficulties related to on-site deployment, the Covid-19 crisis had only a moderate impact this quarter, since most teams are based in countries relatively unaffected by the sanitary measures in the first quarter.

Sales in the **Defence & Security** segment were €1,724 million, up 2.3% compared to Q1 2019 (+2.4% at constant scope and currency). Growth in the segment was affected by a high basis of comparison (strong performance in 2019) and by the first effects of production delays related to Covid-19, particularly on French sites.

⁵ Taking into account a positive scope effect of €697 million and no exchange rate effect. See page 7.

⁶ See table on page 6.

Sales in the **Digital Identity & Security** segment totalled €727 million, up 5% compared to Q1 2019 on a pro forma basis. This growth was driven by another dynamic quarter for EMV payment cards and a modest decline in SIM card sales. The Covid-19 crisis mainly affected biometric solutions and IoT modules, with very little impact in the rest of the segment.

Outlook

As stated in the 7 April 2020 press release, the global environment in the first half of 2020 has been profoundly changed by the Covid-19 public health crisis, which is affecting Thales like all companies, thus invalidating the 2020 financial outlook issued in February.

The measures implemented to limit the spread of the virus have a significant impact on the Group's production, project execution, supply chains and customers' ability to take delivery of products and systems.

In addition, this crisis is affecting demand across the Group's markets. The greatest impact is expected to be on civil aeronautics businesses, which generated sales of approximately €2.15 billion in 2019.

In this context, and while keeping as number one priority the health and safety of its employees, Thales has launched a global adaptation plan⁷ in order to (1) maintain its productive capacities at the service of its customers, (2) limit the financial impact of this crisis and (3) strengthen its funding capacity in the event that the crisis persists or worsens.

At this stage, it is impossible to quantify the financial impact of this crisis on the Group's financial statements. The impact will depend in particular on the scope and duration of the sanitary measures imposed in the various countries where the Group operates.

Considering that a large part of the world is under some form of partial or full lockdown, the Group expects the crisis to have a very significant impact on its activity during Q2 2020 and on its H1 2020 financial statements.

As soon as it is able to do so, Thales will provide an update on the financial impact of this crisis on its financial statements and adjust its financial outlook.

This press release may contain forward-looking statements. Such forward-looking statements represent trends or objectives and cannot be construed as constituting forecasts regarding the Company's results or any other performance indicator. Actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Registration Document, which has been filed with the French Financial Markets Authority (Autorité des marchés financiers — AMF).

⁷ The key features of this adaptation plan are described in the 7 April 2020 press release.

About Thales

Thales (Euronext Paris: HO) is a global technology leader shaping the world of tomorrow today. The Group provides solutions, services and products to customers in the aeronautics, space, transport, digital identity and security, and defence markets. With 83,000 employees in 68 countries, Thales generated sales of €19 billion in 2019 (on a pro forma basis including Gemalto over 12 months).

Thales is investing in particular in digital innovations – connectivity, Big Data, artificial intelligence and cybersecurity – technologies that support businesses, organisations and governments in their decisive moments.

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Order intake by destination – Q1 2020

	Q1 2020	Q1 2019	Total change	Organic change	Q1 2020 weighting in %
<i>(in € millions)</i>					
France	568	481	+18%	+12%	21%
United Kingdom	139	335	-59%	-68%	5%
Rest of Europe	581	580	+0%	-25%	22%
Sub-total Europe	1,289	1,396	-8%	-22%	48%
United States and Canada	446	234	+91%	+8%	17%
Australia and New Zealand	76	89	-15%	-28%	3%
Total mature markets	1,811	1,719	+5%	-18%	68%
Asia	407	395	+3%	-31%	15%
Near and Middle East	303	82	+271%	+151%	11%
Rest of the world	142	77	+86%	-38%	5%
Total emerging markets	852	553	+54%	-5%	32%
Total all markets	2,663	2,273	+17%	-15%	100%

Sales by destination – Q1 2020

	Q1 2020	Q1 2019	Total change	Organic change	Q1 2020 weighting in %
<i>(in € millions)</i>					
France	1,105	982	+12.5%	+9.8%	28%
United Kingdom	263	281	-6.3%	-16.6%	7%
Rest of Europe	823	675	+21.9%	+0.2%	21%
Sub-total Europe	2,192	1,939	+13.1%	+2.6%	56%
United States and Canada	503	299	+68.5%	+2.8%	13%
Australia and New Zealand	200	202	-1.0%	-2.1%	5%
Total mature markets	2,895	2,439	+18.7%	+2.3%	74%
Asia	515	469	+9.8%	-21.6%	13%
Near and Middle East	257	304	-15.5%	-28.2%	7%
Rest of the world	232	149	+55.5%	-16.6%	6%
Total emerging markets	1,004	922	+8.9%	-23.0%	26%
Total all markets	3,899	3,361	+16.0%	-4.7%	100%

Organic change in sales

	2019 sales	Currency impact	Impact of disposals	2020 sales	Impact of acquisitions	Total change	Organic change
<i>(in € millions)</i>							
Q1	3,361	-0	-	3,899	+697	+16.0%	-4.7%

Main scope effects:

- Acquisitions: consolidation of Gemalto from 1 April 2019 (Digital Identity & Security segment).