Thales strengthens its resilience to lower the impact of the Covid-19 crisis

- Implementation of a global crisis adaptation plan
- Completion of an additional €2 billion syndicated credit facility
- Withdrawal of final dividend proposal, with cash value of €430 million
- Withdrawal of 2020 financial outlook

Thales (Euronext Paris: HO) announces the implementation of a global adaptation plan in response to the Covid-19 pandemic.

"Today we are announcing a series of exceptional measures to deal with the scale of the Covid-19 crisis.
Our first priority is and will remain the implementation of all the measures necessary to preserve the health of our employees, their relatives, our customers and the population at large, in all the countries where we operate.
Our direct exposure to the most affected markets is limited. Our civil aeronautics businesses represent only around 12% of the Group's turnover.
However, like all industrial companies, this crisis is currently seriously disrupting production chains and project execution.
This is why we are implementing a global adaptation plan in order to limit the impacts of this crisis and strengthen our resilience.
The remarkable mobilization of our teams, combined with our unique positioning, built on a portfolio of key technologies in critical domains, a diversified customer base and a strengthened balance sheet, will be structural assets to mitigate the effects of this unprecedented crisis."

Patrice Caine, Chairman and Chief Executive Officer

The global environment in the first half of 2020 is profoundly changed by this unprecedented health crisis, which affects Thales like all companies.

The measures implemented to limit the spread of Covid-19 have a significant impact on the Group’s production, project execution, supply chain and customers’ ability to take delivery of products and systems.

In addition, this crisis affects 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 is implementing a global adaptation plan 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.
The main levers of this plan are as follows:

- implementation of sanitary guidelines ensuring health protection for employees: organization in separate shifts, adaptation of workstations to facilitate physical distancing measures, deep cleaning and disinfection, work from home, etc.;
- maintaining the continuity of critical and strategic client services, followed by a gradual resumption of operations;
- coordination of actions within every supply chain, in particular to avoid supply disruptions, for example within the framework of GIFAS in France;
- paid leave during the lockdown period, sharp reduction of temporary work, implementation of exceptional government-supported temporary furlough in the countries which provide for them, hiring freeze in support functions;
- Deferral of non-critical investments (R&D, IT, real estate, etc.);
- Significant reduction in discretionary spending (marketing, travel, external consultants, etc.);
- Strengthening of actions to control working capital requirements, in particular to take into account the impact of the crisis on demand and supply chains.

Completion of an additional €2 billion syndicated credit facility

The Group enjoys a very robust financial position. At 31 December 2019, it held €2.9 billion in cash and cash equivalents and an undrawn committed credit facility amounting to €1.5 billion, maturing in December 2021.

In order to bolster its liquidity, Thales has signed a further €2 billion syndicated credit facility. This new facility has no covenant and can be utilized in the next 12 months, with a 6-month extension option.

At 31 March 2020, the amount of outstanding commercial paper is comparable to the level at 31 December 2019 (€746 million).

Furthermore, in January 2020, the Group refinanced the €500 million bond maturing on 19 April 2020. The next bond maturity is in March 2021 and amounts to €300 million.

Withdrawal of final dividend proposal, with cash value of €430 million

In a spirit of responsibility vis-à-vis all Group stakeholders, and in order to preserve funding capacity if the crisis were to last, the Board of Directors decided, during its meeting of 6 April 2020, to modify its 2019 dividend proposal.

In consequence, the dividend proposal submitted to the Annual General Meeting scheduled for 6 May 2020 will be limited to the interim dividend of €0.60 per share already paid in December 2019, allowing the Group to avoid a cash outflow of around €430 million.

The Annual General Meeting will take place on 6 May 2020 as planned, but will be held behind closed doors at the Group’s head office.
Withdrawal of 2020 financial outlook

The scale of the Covid-19 outbreak invalidates the financial outlook that was announced when the Full Year 2019 results were disclosed on 26 February 2020, which was assuming a limited impact of the Covid-19 crisis based on the situation to date.

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, duration and depth of the crisis, as well as the potential catch-up effects at the end of the year.

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.

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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).

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.