

Thales further strengthens its digital leadership thanks to the acquisition of Guavus

28 April 2017

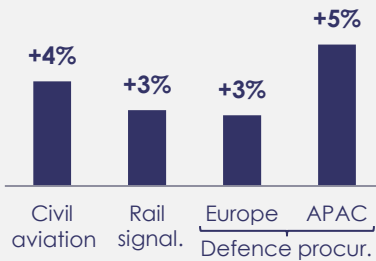


Digital transformation: a key growth opportunity for Thales

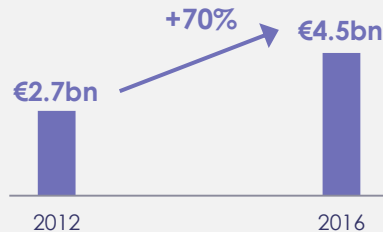


Building a growing, more global and more profitable Thales

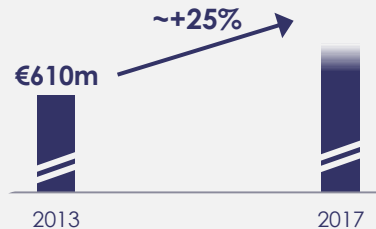
Long-term market growth forecasts



Emerging market sales



Self-funded R&D



1 Leverage market growth across both civil and defense markets

2 Build on successful expansion into emerging markets

3 Reinforce technology leadership through focused R&D investment

4 Accelerate innovation thanks to group-wide digital expertise

M&A reinforcing strength in 4 core digital technologies



Connectivity, mobility, “Internet of Things”

- Multiple connectivity related business lines, from military tactical radios and telecommunication satellites to resilient networks and in-flight Internet connectivity
- External sales of around €2.8bn in 2016
- Acquisition of **Live TV** to accelerate in-flight Internet connectivity solutions (2014)



Cyber-security

- Expertise in 4 segments, including global leadership in data protection
- External sales of around €500m in 2016
- 2,000+ cyber-security experts
- Acquisition of **Vormetric**, great complement to existing hardware-based business (2016)



“Big Data”

- Increasing number of projects requiring Big Data solutions, in several business lines
- 100+ data scientists
- Multiple use cases identified
- Acquisition of advanced analytics platform and access to pool of expertise essential to accelerate industrialization



Artificial Intelligence

- Technology maturing rapidly, with many internal proof-of-concept projects ongoing
- 100+ artificial intelligence experts
- Big Data processes and tools essential to leverage AI algorithms

Guavus in brief

■ A private company, founded in 2006, based in San Mateo, California

- With large offices in India and Canada

■ Providing Big Data analytics through

- A real-time Big Data processing solution
- A series of analytics applications, adapted to the telecom market, and expanding into industrial IoT

■ 20+ customers worldwide

- 5 of the top 5 North American mobile operators
- 4 of the top 5 US backbone carriers
- 7 of the top 8 US cable operators

■ 2017 sales: US\$ 30m+

■ A strong leadership team, 250 employees, of which 2/3 in R&D

Guavus current product offering

Reflex™ collector suite



Data collection

- Broad range of adaptors to collect structured and unstructured data
- Processing very large volumes of data streams for telecom operators

Reflex™ platform: Computing & analytics



Interpretation

- Real-time streaming analytics
- Set of advanced algorithms



Baselining



Anomaly detection



Root cause analysis

Guavus Application suite



Conversion into actionable data

- **Network analytics:** forecasting, capacity planning...
- **Service analytics:** service assurance, predictive maintenance...
- **Subscriber analytics:** segmentation, monetization

Guavus: perfect fit to expand Thales digital leadership



Proven industrialized platform

- Platform used by key players operating some of the world's largest telecom networks
- Demonstrated availability and resilience



Able to process massive real-time data flows

- Majority of Thales data applications require real-time processing for time-critical insights
- “Streaming” architecture
- 5 peta-bytes processed every day



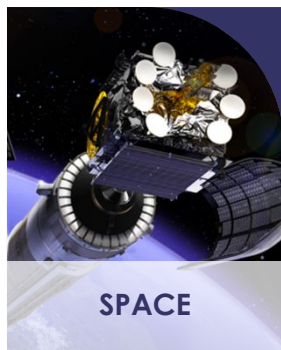
Applicable in all Thales vertical markets

- Able to ingest unstructured (sensor) and structured data
- Modular: designed to handle diversity of use-cases coming from any of our vertical markets
- Scalable: from small stand-alone configurations to large clouds

Selected Guavus platform use cases



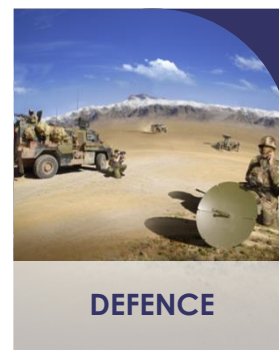
- Flight trajectory and air traffic optimization
- ECOsystem: Air traffic management big data platform
- In-flight entertainment personalization



- Optimization of Telecom satellite networks and operations
- Enhanced interpretation of satellite images



- Asset tracking and predictive maintenance



- Asset tracking and predictive maintenance
- Resource optimization for military telecom networks



- Increased efficiency of cyber-security supervision
- Improved real-time security monitoring of critical infrastructures

Financials and timetable

■ Enterprise value: up to a maximum of US\$ 215m

- Subject to achievement of significant sales growth targets

■ EV/sales in line with recent similar transactions

- Does not take into account future savings on internal Big Data R&D

■ Expected non material negative impact on 2017 Thales EBIT

■ Deal expected to close in Q3 2017

- Definitive agreement signed
- Regulatory approvals, including CFIUS, and customary closing conditions

Takeaways: further strengthening of Thales digital leadership

- **Real-time big data platform and competencies identified as essential to accelerate Thales digital offering**
- **Guavus fits perfectly Thales requirements**
 - Proven industrialized platform
 - Able to process massive real-time data flows
 - Useable for applications in new vertical markets
- **Multiple use cases identified, across all Thales businesses**
- **Acquisition fully consistent with stated M&A / capital deployment policy**
 - Strengthening solid, fast-growing businesses with new capabilities
 - Bolt-on

Definition of non-GAAP measures and other remarks

Rounding of amounts in euros

In the context of this presentation, the amounts expressed in millions of euros are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and variances are calculated based on underlying amounts, which feature in the consolidated financial statements.

Definitions

- **Organic:** at constant scope and exchange rates;
- **Book-to-bill ratio:** ratio of orders received to sales;
- **Mature markets:** All countries in Europe excluding Russia and Turkey, North America, Australia and New Zealand;
- **Emerging markets:** All other countries, ie Middle East, Asia, Latin America and Africa.

Non-GAAP measures

This presentation contains non-Generally Accepted Accounting Principles (GAAP) financial measures. Thales regards such non-GAAP financial measures as relevant operating and financial performance indicators for the Group, as they allow non-operating and non-recurring items to be excluded. Thales definitions for such measures may differ from similarly titled measures used by other companies or analysts.

- **EBIT:** income from operations; *plus* the share of net income or loss of equity affiliates *less*: amortization of acquired intangible assets (PPA). From 1 January 2016, it also excludes expenses recorded in the income from operations that are directly related to business combinations (2016 impact: €+19m, 2015 impact: 0). See also notes 14-a and 2 of the consolidated financial statements at 31 December 2016.
- **Adjusted net income:** net income, *less* the following elements, net of the corresponding tax effects: (i) amortization of acquired intangible assets, (ii) expenses recorded in the income from operations which are directly related to business combinations, which by their nature are unusual (2016 impact: €+12m, 2015 impact: 0), (iii) disposal of assets, change in scope of consolidation and other, (iv) change in fair value of derivative foreign exchange instruments (recorded in "other financial results" in the consolidated accounts), (v) actuarial gains or losses on long-term benefits (accounted within the "finance costs on pensions and employee benefits" in the consolidated accounts). See note 14-a of the consolidated financial statements at 31 December 2016.
- **Adjusted EPS:** ratio of adjusted net income (as defined above) to average number of shares outstanding. See note 14-a of the consolidated financial statements at 31 December 2016.
- **Net cash (net debt):** cash and other short-term financial assets, *less*: long-term and short-term financial debt, *less*: fair value of interest rate derivatives. See notes 14-a and 6.2 of the consolidated financial statements at 31 December 2016.
- **Free operating cash-flow:** net cash flow from operating activities, *less*: capital expenditures, *less*: deficit payments on pensions in the United Kingdom. See notes 14-a and 11.1 of the consolidated financial statements at 31 December 2016.



Thales – Tour Carpe Diem – 31 Place des Corolles – 92098 Paris La Défense – France
www.thalesgroup.com

This presentation may contain forward-looking statements. Such forward-looking statements are trends or objectives, as the case may be, and shall not be construed as constituting forecasts regarding the Company's results or any other performance indicator. These statements are by nature subject to risks and uncertainties as described in the Company's registration document ("Document de référence") filed with Autorité des Marchés Financiers. These statements do not therefore reflect future performance of the Company, which may be materially different.

