

Sopra Steria announces plans to acquire CS GROUP

Exclusive negotiations launched with the objective to create a benchmark prime contractor in digital services and critical systems for the defence & security, space and energy sectors

- Agreement aimed at acquiring, at the price of €11.50 per share, 16,033,492 ordinary shares representing a total of 65.26% of the share capital of CS GROUP, in addition to the 9.80% stake already held by Sopra Steria
- The acquisition in cash of these shares would lead to the filing by Sopra Steria of a simplified public tender offer with the *Autorité des Marchés Financiers*
- The tie-up between the two companies would give rise to a benchmark prime contractor in digital services and critical systems for the sensitive sectors of defence & security, space and energy, in particular nuclear power
- Stronger position in aeronautics and cybersecurity markets
- Confirmation of the Group's solid positioning in digital sovereignty and trust
- Tie-up will strengthen verticals which, in light of the current geopolitical and energy situation, offer a strong growth outlook
- Transaction expected to boost earnings per share¹ by 1.0% in the 1st year, and by 4.0% in the 2nd year (2024) taking into account synergies generated by the tie-up

Paris, 28 July 2022, 7:00 a.m. – Sopra Steria (Euronext Paris: SOP), a European tech leader, renowned for its consulting, digital services and software development, has announced that it has entered into exclusive negotiations with a view to acquiring, at the price of €11.50 per share, all the CS GROUP shares held by the company's Chairman of the Board of Directors Yazid Sabeg, Chief Executive Officer Eric Blanc-Garin, and their joint holding company Duna & Cie, representing around 29.73% of the share capital of CS GROUP ("main block"). In parallel with this, CIRA Holding and founders of Novidy's have granted Sopra Steria a commitment to sell all of the shares of CS GROUP that they own, i.e. approximately 29.15% and 6.38%, respectively, in the company's share capital ("other blocks"), representing a total, including the acquisition of the "main block", of 65.26% of the share capital of CS GROUP. This operation would bring the entire share capital held by Sopra Steria, when taking into account the 9.80% already owned, to 75.06% of the capital of CS GROUP.

The acquisition of these shares would lead to Sopra Steria filing a proposed simplified public tender offer (*OPA simplifiée*) with the *Autorité des Marchés Financiers* in Q1 2023. The transaction, for 100% of the share capital, would amount to €282.5 million², without taking into account €3.2 million in net debt³. This tie-up would boost earnings per share by 1.0% in the first year (2023). In 2024, taking into account 70% of the commercial, operational and tax synergies, earnings enhancement would be 4.0%.

¹ "Net Income (GAAP)" earnings per share consensus estimate by CapIQ – 21 July 2022

² Including treasury shares

³ The change from equity value to enterprise value includes debt (including the impact of IFRS 16), factoring, cash adjusted for treasury shares and CS GROUP's R&D tax credit as published in the 2021 URD

The Boards of Directors of Sopra Steria Group and CS GROUP, which have already been consulted, have each reacted unanimously in favour of this transaction, without prejudice to a review of the documentation of the public offer when it becomes available, and to the reasoned opinion to be formulated by the Board of Directors on the public tender offer after receiving the independent expert's opinion in the event that the acquisition of the "main block" and the "other blocks" is completed. To this end, the Board of Directors of CS GROUP has set up a committee comprising Ms. Edwige Avice, Ms. Catherine Euvrard, Mr. Jean-Marc Georgin and Mr. Blaise Jaeger, which intends to propose the nomination of Finexsi as independent expert to attest to the fairness of the public offer.

Information and consultation procedures with the employee representative bodies of Sopra Steria and CS GROUP will be initiated.

Cyril Malargé, Chief Executive Officer of Sopra Steria Group, commented:

"The tie-up between Sopra Steria and CS GROUP would create a benchmark player in digital services and engineering, a prime contractor for critical systems in the fields of defence & security, space, and nuclear energy. It would also strengthen our position in aeronautics and cybersecurity. Furthermore, it would confirm our positioning in digital sovereignty and trust supporting our major European public- and private-sector clients. Lastly, it would position us well in verticals which, in light of the geopolitical and energy situation, offer a very strong growth outlook over the coming years. With defence and aeronautics already among our top-performing businesses, CS GROUP's skills and expertise would act as a powerful driver to accelerate the Group's development. I'm delighted by this planned tie-up, which would help us offer our clients even more value, and am looking forward to welcoming CS GROUP's employees to Sopra Steria Group, where I hope they will find attractive prospects if the transaction is completed."

Eric Blanc-Garin, Chief Executive Officer of CS GROUP, commented:

"CS GROUP supports its customers in highly sensitive sectors in the design and implementation of their critical systems, aiding them in conducting operations in the context of their most demanding missions in terms of availability and security. To this end, CS GROUP implements innovative and sovereign solutions. Our core business revolves around information and communication systems, focused on the operational challenges of our customers in the Defense & Security, Space, Aeronautics and Energy sectors, with high constraints in terms of cybersecurity and data recovery. This merger with Sopra Steria would be a formidable lever for accelerating our development strategy and would enable us to amplify the objectives of our Vision 2024 plan thanks to the synergies identified."

Creation of a benchmark player in the sensitive fields of defence & security, space and energy

For many years, Sopra Steria's technological solutions and specific business lines have supported the armed forces and the administrations in charge of homeland security in many European countries. In 2021, the Group generated more than €500 million in revenue in this field. The tie-up between Sopra Steria and CS GROUP would substantially increase the Group's presence and would create a powerful player with strategic connections to major manufacturers and with recognised expertise in systems of command and control, secure communications, logistics information and cyber defence. CS GROUP would also contribute its own high-tech solutions: counter-drone solutions, combat training systems, tactical data management, maritime surveillance and perimeter security, geo-information and image processing, data intelligence and AI, hardened operating systems and embedded secure systems, among others. These solutions are backed by cutting-edge R&D expertise, a vast network of connections to universities and research centres, and renowned industrial partners.

The acquisition of CS GROUP would also help forge in-depth expertise in space-related systems and applications, based in Europe. For over 40 years, CS GROUP, which is among the top European players in spatial computing, has taken an end-to-end approach to all the business lines involved in space systems, throughout their entire life cycle.

The tie-up between Sopra Steria and CS GROUP would also bring together key expertise in the energy field, particularly with regard to nuclear power. Sopra Steria's capacity in consulting, digital transformation and PLM



would be combined with CS GROUP's expertise in technical and industrial computing as well as digital simulation and modelling.

With this tie-up, Sopra Steria confirms its robust positioning in digital sovereignty and trust for its European clients.

Bolstering the Group's solutions in cybersecurity and the aeronautics market

The acquisition of CS GROUP would also boost the Sopra Steria's expansion in the critical and promising field of cybersecurity, based on a range of end-to-end, sovereign solutions. With the addition of more than 200 experts, the Group would bolster its position as one of France's leading players in cybersecurity.

It would also bolster aeronautics, one of the Group's most powerful verticals.

Expanded presence in high-growth vertical markets

Renewed international geopolitical tensions and the increased risk of conflict will lead many states, particularly in Europe, to scale up their investments in defence and security, not only on land, sea and air but also in space and the cybersphere. There will be a rapid surge of growth in these new global security priorities, particularly in light of the new communication capabilities that will be provided by upcoming satellite constellations. The interoperability and security of critical operational systems for exchanging vital real-time information will become increasingly essential.

In the current geopolitical context, energy independence is also becoming a growing priority. Combined with the need to transition to more sustainable energy sources and reduce greenhouse gas emissions, these priorities will boost investment in nuclear power. In France, for example, the new government would like to relaunch the country's nuclear programme with the construction of 6 new EPRs.

Immediately earnings-enhancing transaction

Sopra Steria expects the transaction to boost earnings per share⁴ from the very first year (by 1.0% in 2023).

In 2024, taking into account 70% of the commercial, operational and tax synergies identified, the Group expects the transaction to boost earnings per share by 4.0%. These synergies are expected to take full effect in 2025 (20% in 2023, 70% in 2024 and 100% in 2025).

Commercial and operational synergies are estimated at more than €13 million on an annual basis. In addition, the tie-up between the two entities would make it possible to gradually use a significant portion of CS GROUP's €364 million⁵ in tax losses carried forward.

Transaction features and schedule

The final agreement in respect of the acquisition of the "main block" and the fulfilment of commitments pertaining to the acquisition of the "other blocks" shall not be finalised until the procedures for informing and consulting with applicable employee representative bodies at CS GROUP and Sopra Steria have been completed.

Completion of the transactions with the "main block" and the "other blocks" remains subject to the customary consultations, and, in particular, requires prior regulatory approval both in France and abroad. It would be expected to close in Q1 2023.

The purchase price for the "main block" and the purchase price for the "other blocks", which would be paid in full in cash, has been set at €11.50 per share.

⁴ "Net Income (GAAP)" earnings per share consensus estimate by CapIQ – 21 July 2022

⁵ Tax basis



Subject to completion of the acquisition of the “main block” and the “other blocks”, Sopra Steria would launch a public tender offer for the outstanding CS GROUP shares at the purchase price applicable to the “main block” and the “other blocks”, namely €11.50 per share, which would equate to a premium of 74.69% above the volume-weighted average price of CS GROUP shares over the month to 27 July 2022 and a premium of 68.57% above the volume-weighted average share price over the last 60 trading days.

The total amount of the transaction would come to €282.5 million⁶, before taking into account €3.2 million in net debt⁷.

The proposed public tender offer would need to be filed in early Q1 2023, and would potentially be followed by a mandatory delisting (*retrait obligatoire*).

The transaction is expected to be finalised by the end of Q1 2023.

It should be noted that Sopra Steria already holds 9.80% of CS GROUP's share capital to date.

Transaction financing

The transaction will be financed through cash and existing credit facilities.

Post-transaction EBITDA leverage⁸ at year-end 2022 would be around 1x.

Disclaimer

This document contains forward-looking information subject to certain risks and uncertainties that may affect the Group's future growth and financial results. Readers are reminded that licence agreements, which often represent investments for clients, are signed in greater numbers in the second half of the year, with varying impacts on end-of-year performance. Actual outcomes and results may differ from those described in this document due to operational risks and uncertainties. More detailed information on the potential risks that may affect the Group's financial results can be found in the 2021 Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on 17 March 2022 (see pages 38 to 44 in particular). Sopra Steria does not undertake any obligation to update the forward-looking information contained in this document beyond what is required by current laws and regulations. The distribution of this document in certain countries may be subject to the laws and regulations in force. Persons physically present in countries where this document is released, published or distributed should enquire as to any applicable restrictions and should comply with those restrictions.

About Sopra Steria

Sopra Steria, a European tech leader, renowned for its consulting, digital services and software development, helps its clients drive their digital transformation and obtain tangible and sustainable benefits. It provides end-to-end solutions to make large companies and organisations more competitive by combining in-depth knowledge of a wide range of business sectors and innovative technologies with a fully collaborative approach. Sopra Steria places people at the heart of everything it does and is committed to putting digital to work for its clients in order to build a positive future for all. With 47,000 employees in nearly 30 countries, the Group generated revenue of €4.7 billion in 2021.

The world is how we shape it.

Sopra Steria (SOP) is listed on Euronext Paris (Compartment A) – ISIN: FR0000050809

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⁶ Including treasury shares

⁷ The change from equity value to enterprise value includes debt (including the impact of IFRS 16), factoring, cash adjusted for treasury shares and CS GROUP's R&D tax credit as published in the 2021 URD

⁸ Pro forma 12-month rolling EBITDA leverage before the impact of IFRS 16

