Atalian Servest Q3 2018 results

November 29, 2018

ATALIAN
GLOBAL SERVICES

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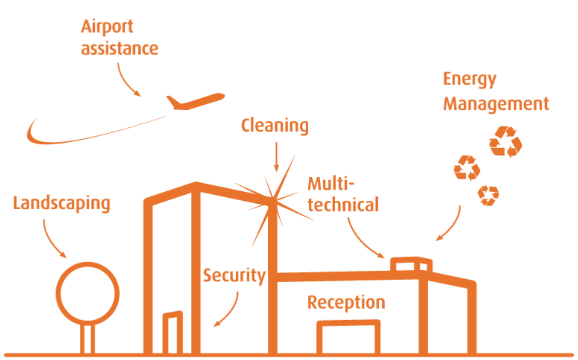

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Matthieu de Baynast
Chief Executive Officer of ATALIAN Group

Robert Legge
Chairman UK - USA
Main board Director
Atalian Servest Group

Stéphane Vermersch
Group General Secretary / CFO

Fabien Antignac
Advisor to the Chairman and CEO / Investor Relation

1 KEY HIGHLIGHTS OF 9M 2018

Q3 – Key highlights

- 2018 has been a transforming year for the group with the acquisition of Servest, the high level of contract renewals in France and the transition to a new management team
- Q3 2018 results
  - Consolidated Q3 2018 sales of €721m and EBITDA of €40m. Excluding Servest, Atalian had €529m sales and €30m EBITDA compared to Q3 2017 of €517m sales and €30m EBITDA
- 9 months 2018 results
  - 9-month 2018 France margin excluding impact of CICE and acquisitions of 8.6% compared to 9.1% for 9 months 2017
    - c.50 bps decrease mainly related to renewal of large contracts on which margins are expected to ramp up in 6 to 12 months and one large contract restructured in the security business
  - UK 5-month EBITDA of €18m equivalent to annualized EBITDA of €42m
    - LTM sales at same perimeter of £521m compared to £457m as of Sept 2017, equivalent to 9% normalised growth rate, expected to continue into 2019
  - International 9-month 2018 EBITDA of €36m, up 10% compared to 9 months 2017
  - Net debt of €1,332m impacted by investment in Getronics of €23m in July 2018, working capital consumption of €28m in Q3 2018 due to some cut off impact on cash collection in France
  - Based on LTM pro-forma EBITDA of €203m, net debt leverage of 6.6x and 6.1x taking into account IFRS 16 adjustments for leases

Q3 – Key highlights

ATALIAN GLOBAL SERVICES + servest

France

- Higher percentage of large contracts renewal at the end of 2017 and at the beginning of 2018 impacting negatively margins
- Ramp-up of margin of renewed contracts ongoing
- Ongoing implementation of synergies plans

€M	9m-17	9m-18
Revenues	898	987
excl. BBA and Limpa acquisitions	–	(53)
Adjusted Revenues	**898**	**934**
EBITDA	82	80
Margin	*9.1%*	*8.1%*
CICE	–	4
Acquisitions	–	(4)
Adjusted EBITDA	**82**	**80**
Adj. Margin	*9.1%*	*8.6%*

Servest

- Organic growth equivalent to 9% over 12 months
- Positive impact on gross margin of new contracts started in 2018
- Strong contracts backlog
- Ongoing integration of Servest and implementation of synergies plan

€M	9m-17	9m-18
Reported revenues	386	534
excl. 2018 acquisitions (1)		(77)
Adjusted Revenues	**386**	**457**
% growth		*18%*
Normalised 12m growth		9%
Annualised revenues		787 (2)
Annualised EBITDA		42 (2)
% margin		*5.3%*

International

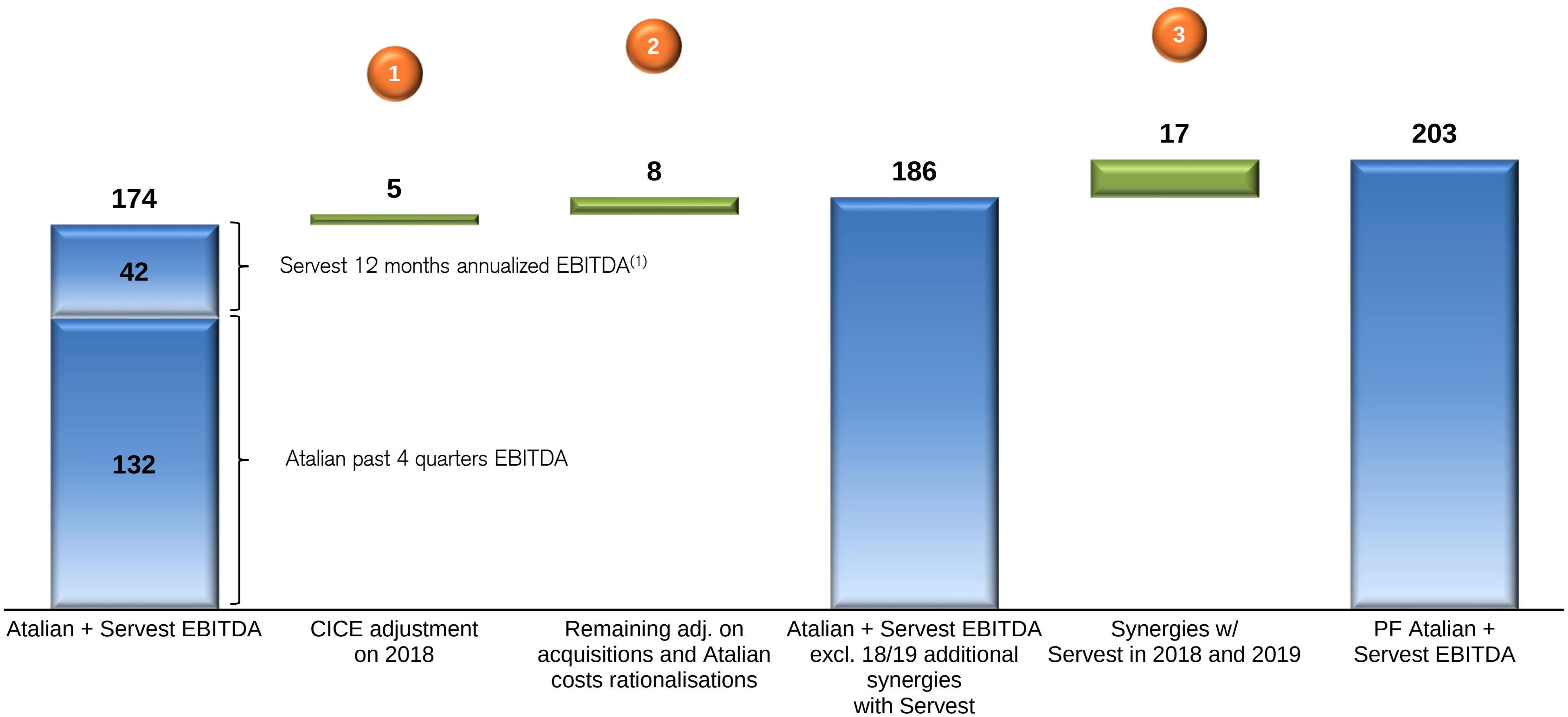
- **Asia**:
  - Continued growth
  - First large bid in collaboration with Getronics
- **USA:**
  - Repositioning of the business post loss of DOE contract
  - Focus on like-for-like growth
- **Europe:**
  - Negative impact of loss of Hungarian business and Turkish Lira

€M	9m-17	9m-18
Revenues	581	658
% growth	*21.9%*	*13.3%*
EBITDA	33	36
% margin	*5.7%*	*5.5%*

(1) Aktrion, Unique Catering and Thermotech.
(2) Corresponds to the contribution of Servest from May-18 to Sep-18 (5 months) annualised.

Reference EBITDA of €203m (Pro forma LTM 30-Sep-18)

in €M



1. Adjustment related to the reduction of the CICE[(2)] tax credits rate from 7% to 6% in 2018 (impact of €4.5m in 9M 2018)
2. €7.8m EBITDA contribution from 9M 2018 bolt-on acquisitions and related costs rationalisations
3. €17m expected synergies from future costs rationalisations related to Servest acquisition (to be delivered in 2018 and 2019)

(1) Annualised Servest's five months contribution (May to September) in Atalian's Q2 and Q3 2018 financials post-closing.
(2) CICE (tax credit for competitiveness) is specific to French legislation and companies operating in France.

Capitalisation table as of 30-Sep-18

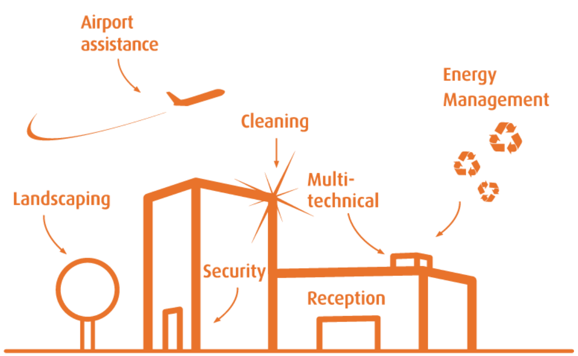
€M	Current capitalisation (excl. IFRS 16)			Current capitalisation (incl. IFRS 16)			
PF 30-Sep-18	**Amount**	**xRef. EBITDA**	**Adj.**	**Amount**	**xRef. EBITDA**	**Tenor**	**Margin / Coupon**
Reference EBITDA	**203**		24	**227**			
Cash	(108)	(0.5x)	–	(108)	(0.5x)		
Revolver	20	0.1x	–	20	0.1x	5 years	E+225bps
Factoring	153	0.8x	–	153	0.7x		c.2.500%
Other debt	39	0.2x	–	39	0.2x		c.4.000%
Gross secured debt	**212**	**1.0x**	**–**	**212**	**0.9x**		
Net secured debt	**104**	**0.5x**	**–**	**104**	**0.5x**		
EUR 4.000% Senior Notes	625	3.1x	**–**	625	2.8x	May-24	4.000%
EUR 5.125% Senior Notes	350	1.7x	**–**	350	1.5x	May-25	5.125%
GBP 6.625% Senior Notes	254 (1)	1.2x	**–**	254 (1)	1.1x	May-25	6.625%
IFRS 16 adjustment	–	–	45 (2)	45	0.2x		
Total debt	**1,440**	**7.1x**	**45**	**1,485**	**6.5x**		
Total net debt	**1,332**	**6.6x**	**45**	**1,377**	**6.1x**		

- **Corporate rating of B+ (negative) from S&P and of B2 (stable) from Moody's**

(1) Corresponds to the £225m 6.625% Senior Notes at an exchange rate of £1 = €1.13 as of 30-Sep-18.
(2) Capitalisation of operating leases: €24m lease rental expense added back to EBITDA and debt adjustment of €45m.

ATALIAN SERVEST

2 DIVISIONAL PERFORMANCE



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Revenue and EBITDA – Quarterly evolution

ATALIAN SERVEST

France – Quarterly evolution

2017 reported

€M	Q1-2017	Q2-2017	Q3-2017	9m-2017
Revenues	287	296	315	898
EBITDA	27	28	27	82
Margin	*9.4%*	*9.6%*	*8.4%*	*9.1%*

2018 reported

€M	Q1-2018	Q2-2018	Q3-2018	9m-2018
Revenues	311	359	317	987
EBITDA	26	27	27	80
Margin	*8.3%*	*7.6%*	*8.6%*	*8.1%*

Adjustments

		Q1-2018	Q2-2018	Q3-2018	9m-2018
Adj. Revenues (1) (excl. acq. impact)		311	315	309	934
CICE	1	1.4	1.4	1.4	4.1
Acquisitions (1)	2	–	(2.0)	(2.2)	(4.2)
EBITDA core (adj. for above items)		**27.3**	**26.6**	**26.4**	**80.2**
Adj. margin		*8.8%*	*8.4%*	*8.5%*	*8.6%*
Security contract (2)	3	0.5	0.5	0.5	1.5
EBITDA core (adj. for above item)		**27.8**	**27.1**	**26.9**	**81.7**
Adj. margin		*8.9%*	*8.6%*	*8.7%*	*8.8%*

1 **CICE effect**

- Decrease of CICE rate from 7% to 6% in Jan-18
- Replacement of CICE in Jan-19 by a permanent decrease in social security charges to 6% for salaries below 2.5x the legal minimum wage and up to 10% for salaries below 1.6x the legal minimum wage
- Equivalent for Atalian to a 6% blended permanent reduction between Jan-19 and Sep-19 and then to 7% from Oct-19 onwards (back to a similar level as 2017)
- Tax impact expected to be negligible for Atalian given existing loss carry forward

2 **Acquisitions effect**

- Dilutive effect of the acquisitions of LIMPA and BBA (with YTD contribution consolidated in Q2-18) until realisation of synergy potential

3 **Impact of security contract**

- Impact of single large contract in security division where same volume of sales was dispatched on a significantly larger number of sites

(1) Revenue impact of €53m in 9 months and EBITDA of €4.2m – all excluded from adjusted ratios.
(2) Excluding related restructuring costs.

International (excl. UK) – Quarterly evolution

2017 reported

€M	Q1-17	Q2-17	Q3-17	9m-17
Revenues	181	189	211	581
% growth YoY	*16.4%*	*24.3%*	*24.9%*	*21.9%*
EBITDA	8	12	14	33
% margin	*4.5%*	*6.1%*	*6.4%*	*5.7%*

2018 reported

€M	Q1-18	Q2-18	Q3-18	9m-18
Revenues	213	226	220	658
% growth YoY	*17.4%*	*19.4%*	*4.4%*	*13.3%*
EBITDA	11	13	13	36
% margin	*5.1%*	*5.7%*	*5.7%*	*5.5%*

Asia:

- Continued growth supported by positive outsourcing trends and urbanisation
- First large bid in collaboration with Getronics

USA:

- Repositioning of the business post loss of DOE contract
- Focus on net gain of new contracts

Europe:

- Negative impact of loss of Hungarian business and Turkish Lira (c.€1m EBITDA impact over 9 months 2018)

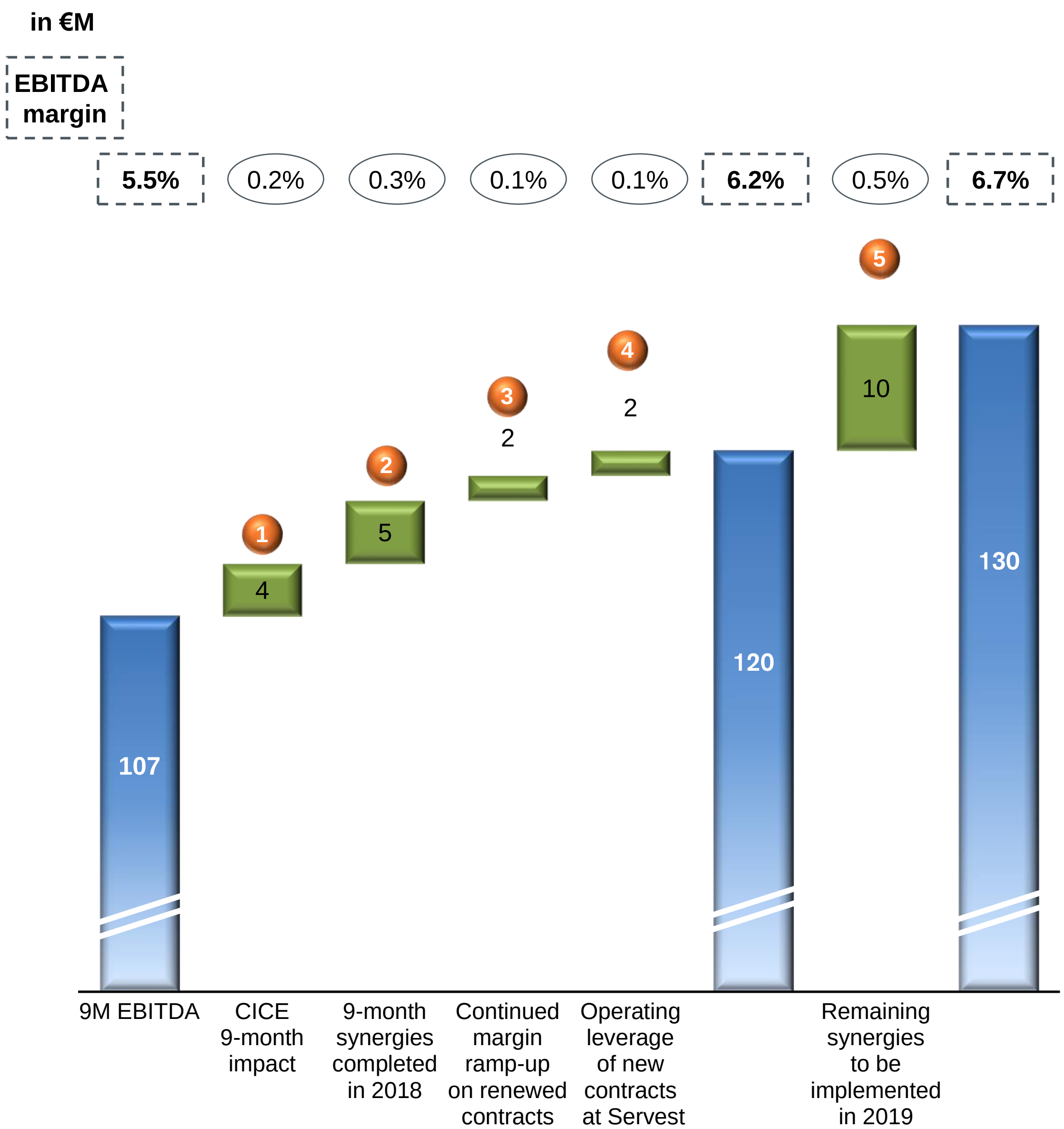
UK – Quarterly evolution

£M	Q4 17	Q1 18	Q2 18	Q3 18	L9M
Revenue	115.9	135.6	162.5	175.1	473.2
Acquisition contribution	–	14.6	26.8	26.5	67.9
Revenue excl. Acquisition contribution	**115.9**	**121.0**	**135.7**	**148.6**	**405.3**
Growth %	*3.3%*	*4.4%*	*12.1%*	*9.5%*	-
EBITDA incl. Acq.	5.4	7.3	7.9	9.3	24.5
Margin %	*4.7%*	*5.4%*	*4.9%*	*5.3%*	*5.2%*
Acquisition contribution	–	(0.7)	(1.3)	(2.1)	(4.1)
Management fees			0.3	0.4	0.7
EBITDA excl. Acquisition contribution	**5.4**	**6.6**	**6.9**	**7.6**	**21.1**
Margin %	*4.7%*	*5.4%*	*5.1%*	*5.1%*	*5.2%*

Growth analysis

£M	Q4 17	Q1 18	Q2 18	Q3 18	L9M	L12M
New contracts started - Annualized	14.7	18.3	61.1	24.4	103.8	118.5
Contracts losses - Annualized	(18.1)	(1.9)	(4.8)	(3.6)	(10.3)	(28.4)
Net gains - Annualized	**(3.4)**	**16.4**	**56.3**	**20.8**	**93.5**	**90.1**
Implied LFL Revenue growth						*20%*
Cumulative net gains	(0.9)	2.4	16.3	41.7	-	41.7
Implied cumulative net gains growth						*9%*

Illustrative margin step up based on 9-month EBITDA

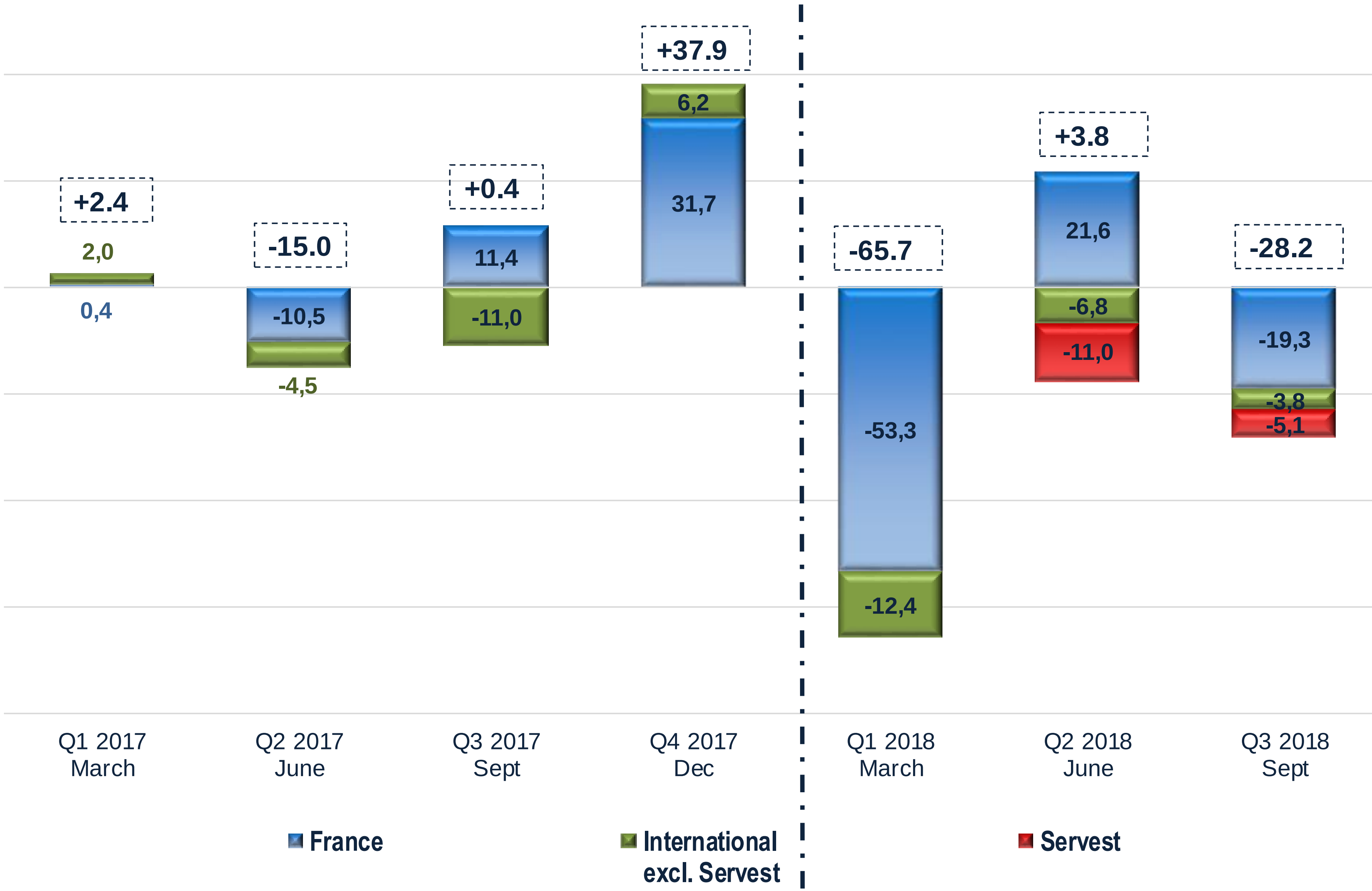


1. Decrease of CICE from 7% to 6% in 2018. Return to 7% equivalent by end 2019
2. Full-year effect pro-rata of €7m synergies implemented in 2018
3. c.20bps on French margin: impact of ramp-up on renewed large contracts in France
4. Full-year impact on gross margin of net new contracts of £90m started in 2018
5. Impact of remaining €10m synergies to be implemented in 2019

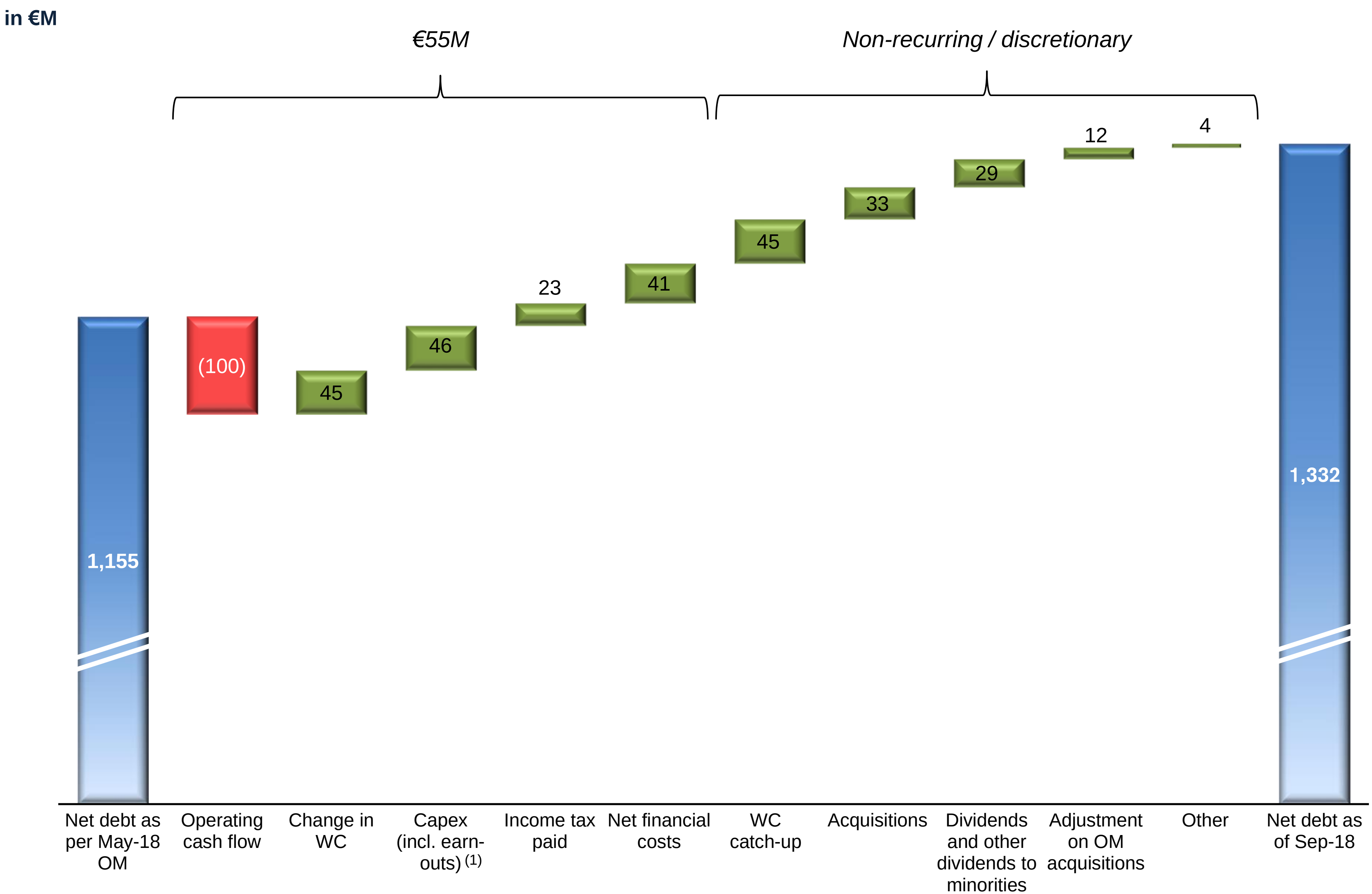
Atalian Servest Synergies

in €M	Addressed cost base as of Dec-17	Expected gross synergies	Already implemented in 2018
EQUIPMENT	65	7	3
CONSUMABLES AND FOOD/BEVERAGES	52	3	0.5
THIRD PARTY SERVICE PROVIDER	24	1	0.5
ONLY SUPPLY INCLUDING IN INDIRECT COSTS	73	2.5	1.8
OTHER INDIRECT COSTS	-	3	Ongoing
SERVEST COSTS RATIONALISATIONS PLAN	-	3.5	1
TOTAL	214	20	c.7

Focus on quarterly change of working capital



Net debt bridge May-18 OM to Sep-18

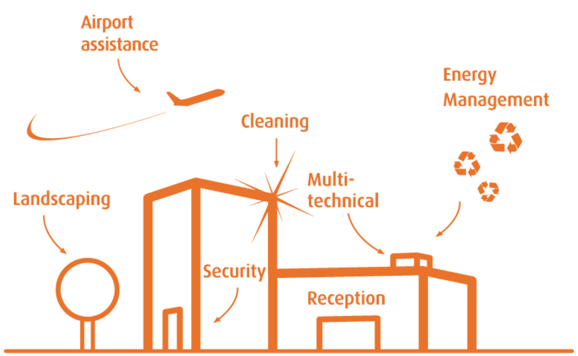


(1) Including c.€7m of earn-outs.

Key operational cash flow items

in €M	Q1	Q2	Q3	9M	12M normalised
Recurring EBITDA	29	38	40	107	*Cash EBITDA* 185 - 200
Change in Working Capital	(66)	4	(28)	(90)	(20) - (30)
Income tax paid	(0)	(14)	(9)	(23)	(20) - (25)
Capex	(9)	(17)	(13)	(39)	(60) - (70)
Operational cash flow	(47)	12	(11)	(46)	75 - 90

3 FINANCIAL REVIEW



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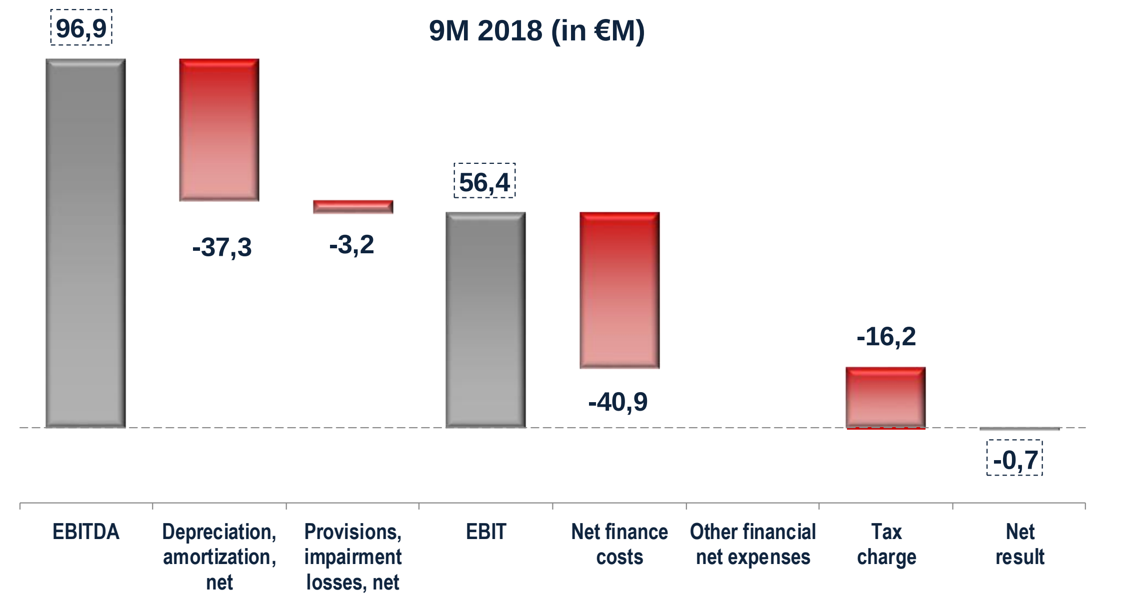
EBITDA – 9M 2018

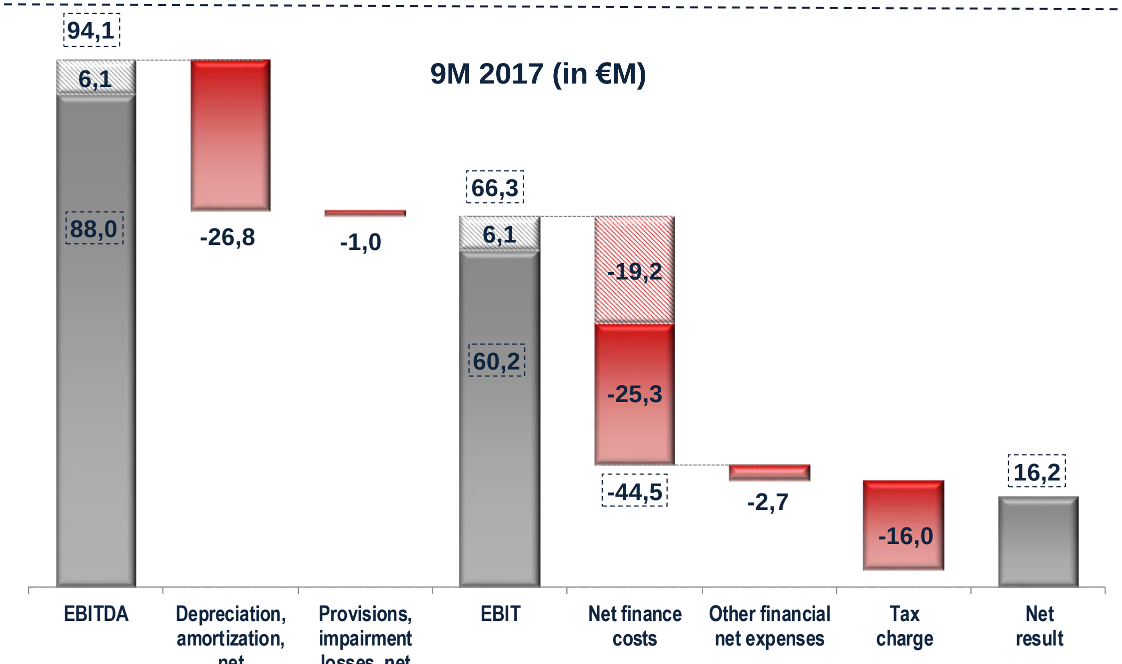
in €M	9M 2018	9M 2017	*Change*
Revenue	**1 945,3**	**1 453,5**	***33,8%***
Payroll costs	(1274,3)	(951,7)	
% of revenue	*65,5%*	*65,5%*	
Raw materials & consumables used	(439,9)	(308,7)	
% of revenue	*22,6%*	*21,2%*	
External expenses	(114,4)	(89,9)	
% of revenue	*5,9%*	*6,2%*	
Other operating net expenses	(10,0)	(15,2)	
% of revenue	*0,5%*	*1,0%*	
Total operating costs	**(1 838,6)**	**(1 365,5)**	***34,6%***
% of revenue	*94,5%*	*93,9%*	
Recurring EBITDA	**106,7**	**88,0**	***21,3%***
Recurring EBITDA margin	***5,5%***	***6,1%***	
EBITDA	**96,9**	**94,1**	***3,0%***
EBITDA margin	***5,0%***	***6,5%***	
CICE adj. EBITDA margin	***5.7%***		

September 2018 vs September 2017

- Reduction of the CICE rate (competitiveness and employment tax credit) from 7% to 6% in 2018: negative impact of €4.1M in 9m 2018
  - At constant CICE rate, EBITDA margin would reach 5.7% of turnover
- Newly UK contracts not yet at full profitability level
- Decrease of EBITDA margin mainly due to last acquisitions before expected synergies effect by the end of the year
- Non recurring EBITDA:
  - In Q1 2017, assignment of trademarks (€6.1M)
  - For the 9M 2018,
    - Servest acquisition costs (-€6.6M)
    - Restructuration costs (-€3.2M)

Net Result – 9M 2018





September 2018 vs September 2017

- Net depreciation & amortization stabilized at 1.9% of revenue
- In 9M 2017, non recurring net financial expenses due to payment of penalties related to early repayment of previous bonds

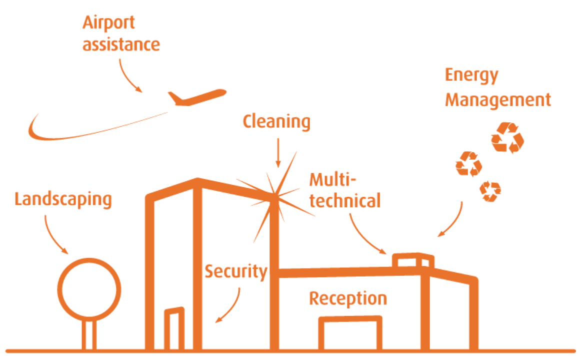
Q3 net debt

in €M	September 2018	June 2018	December 2017
Net cash and cash equivalents	**108,1**	**111,0**	**144,5**
HY bonds	1 228,6	1 228,9	625,0
Factoring	153,1	127,5	8,8
Other	56,6	25,0	28,4
Total gross debt	**1 438,3**	**1 381,4**	**662,2**
Financial instrument	1,9	1,4	1,3
Total net debt	**1 332,1**	**1 271,8**	**519,0**
Deconsolidated Factoring	–	–	14,6
Adjusted Net Debt	**1 332,1**	**1 271,8**	**533,6**

- Net debt increase vs June 2018 of €60M as a result of
  - Acquisitions in France (mainly Cadiou)
  - Change in working capital of -€28M for Q3
- No longer deconsolidated factoring facility
- Increasing of capacity of revolving credit facility from €75M to €98M
- New CIC factoring facility of £27m signed at UK level

In €M	Net cash and cash equivalents	Factoring loans	Revolving Credit Facility	Total
Confirmed lines		186.0	98.0	284.0
Utilised lines		153.1	20.0	173.1
Head room		**32.9**	**78.0**	**110.9**
Liquidity available	**108.1**	**32.9**	**78.0**	**219.0**

4 STRATEGY UPDATE



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Update on strategy going forward

OPERATIONAL FOCUS

- **France:**
  - Focus on growth ramp up of renewed contracts
  - Finalization of synergies plan
  - Continued phasing on productivity plan
- **UK:**
  - Support continuous growth of new contracts
  - EBITDA margin improvement resulting from operating leverage and finalization of synergies
- **International:**
  - Continue to support growth in Asia and Benelux/Eastern Europe
  - Operational turn-around of US finalized and resumption of organic growth

FINANCIAL POLICY

- Focus on operational cash flows through integration of acquisition and realisation of synergies
- Discretionary cash out to come back to normalized levels
- Deleveraging through cash flow to lead to 5.0x – 5.5x net leverage in 3 - 4 years, 4.5x net leverage to be achieved through non-organic measures

Q&A


Airport
assistance
Energy
Management
Cleaning
Landscaping
Multi-
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Security
Reception
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APPENDICES


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Other developments

- Capacity of the existing revolving credit facility has been increased from €75m to €98m in July 2018
- Atalian Servest maintained a significant stake (28.3%) and influence in Getronics through its shareholder Bottega InvestCo SARL by investing €23m in Bottega InvestCo SARL in July 2018 to contribute to the extension of Getronics into the US
  - Bottega InvestCo SARL acquired Pomeroy Group Holdings Inc, one of the leading US providers of digital workplace transformation services. The Getronics and Pomeroy businesses has combined revenues of approximately $1.3bn per annum
- Update to risk factors: reference is made to the disclosure in "Risk Factors – An investigation involving our relationship with one of our subcontractors has led us to identify certain deficiencies in our internal controls and may have a material adverse impact on us and expose us and our principal shareholder to liability" included in the Informational Document published by Atalian on its website on 25-Apr-18
  - By way of an update, the Company's indirect principal shareholder has recently been requested to appear before the relevant French judicial authorities to be heard on 4-Dec-18 in connection with the investigation of this matter

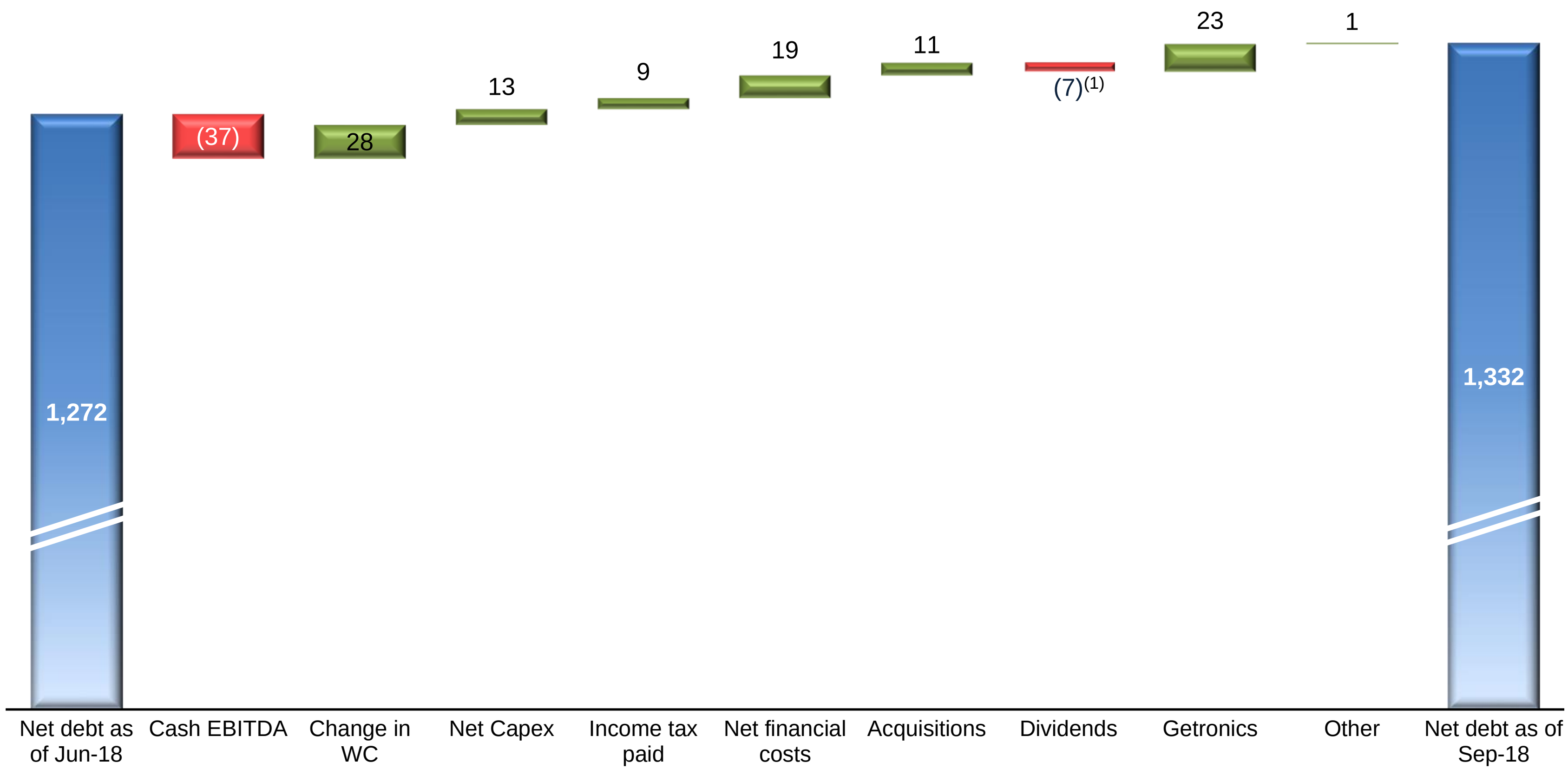
Summary of consolidated statement of financial position

In €M	September 30, 2018	June 30, 2018	December 31, 2017
Intangible assets	1,222.7	1,202.8	629.7
Property, plant and equipment	125.9	128.6	85.7
Other non-current assets	140.4	102.9	80.4
Trade receivables	587.4	581.4	387.9
Other current assets	379.1	781.7	253.3
Cash and cash equivalents	112.8	115.9	144.5
Total assets	**2,568.3**	**2,913.3**	**1,581.5**
Equity (including non-controlling interests)	148.4	148.4	143.4
Financial debt (current and non-current)	1,438.2	1,381.4	661.9
Other non-current liabilities	30.2	33.4	30.2
Trade payables	294.7	287.9	198.4
Other current liabilities	652.1	1,057.3	547.4
Bank overdrafts	4.7	4.9	0.2
Total liabilities	**2,568.3**	**2,913.3**	**1,581.5**

- On Q2 some subsidiaries of Servest presented both VAT and social receivables and liabilities instead of net position. In Q3 this has been adjusted

Net debt bridge Q2 to Q3

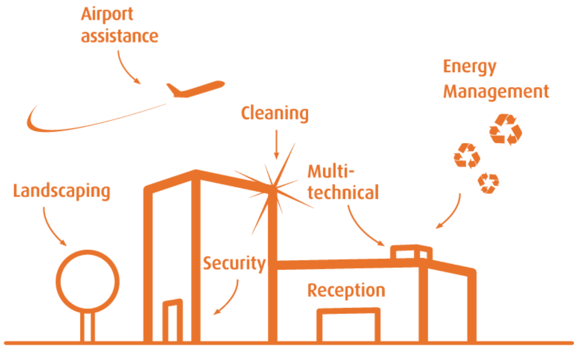
in €M



(1) Cash inflow relating to the sales of buildings.

INVESTOR RELATIONS CONTACT

investorcontact@atalian.com



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