



# Exosens Full-year 2024 Results

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## Exosens Full-year 2024 Results

**Operator:** Hello and welcome to the Exosens Full-year 2024 Results Call. Please note this call is being recorded, and for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero, and you will be connected to an operator.

I will now hand you over to your host, Laurent Sfaxi, Head of Investor Relations, to begin today's conference. Thank you.

**Laurent Sfaxi:** Good morning, everyone, and thank you for joining us today. I'm Laurent Sfaxi, Head of Investor Relations at Exosens, and I'm joined today by Jérôme Cerisier, our CEO, and Quynh-Boi Demey, our CFO, who will present you Exosens' full-year 2024 results and outlook. This presentation will be followed by a Q&A session, so we can take your questions.

I will now hand over to Quynh-Boi.

**Quynh-Boi Demey:** Thank you, Laurent. Good morning, everyone, and thank you for joining us today. 2024 was a remarkable year for us, and in our first year as a public company, we overperformed most of our IPO guidance.

First on revenue, we targeted around 30% total growth, including acquisition. We achieved 35%, and we targeted a high-teens organic growth, and we delivered 25%. On adjacent EBITDA, we targeted at least €150 million. We delivered €118.5 million. And EBITDA margin slightly above 2023 level at 29.5%, and we delivered a 30.1%, which is the first year where we crossed the 30% line, by the way. On adjusted EBIT, we targeted between 24% and 25%, which we delivered. And finally, on the leverage ratio, we aimed for a ratio of 1.6x at year-end, and we reached 1.2x.

So, I will now hand over to Jérôme, who will recall who we are and what we do, and the trends that we see in our market, and I will continue with more insights on our financial performance.

**Jérôme Cerisier:** Thank you, Quynh-Boi. Good morning, everyone. Let me first talk to recall what we do at Exosens.

At Exosens, we provide innovative sensing solutions in the universe of Photonics that contribute to a safer world, either in protection or in prevention. We protect people, we protect soldiers, we protect infrastructure, we protect, in fact, all assets in our societies. On the other side, we prevent quality issues, we prevent contaminations, we prevent wasting resources, again, in our societies.

In fact, to do that, we make use of physical and chemical phenomena that are invisible to the human eye to create sensing data information useful to our OEM and our end users. So, we reveal the invisible, which is our motto.

In a nutshell, Exosens is a global leader in Amplification, detection, and imaging. We have strong positions in niches, with positions as number one or two. We are active in four high-value-added, fast-growing verticals: Defense, industrial control, life science, and nuclear. We are global, as our customers are in different locations, in different industries. They are where

they are. We have a history of serving over 70 countries. We focus, in fact, rather on applications, rather than geographies, as technology is used globally.

We are a highly technological company, with around 7.7% of our revenues invested in R&D, a long history of technological edge, over 230 inventions or patent families, let's say, in our history, of which 80 are still active. Finally, on the financial side, we achieved 2024, reaching €394 million of revenue, which is a growth of 35% over the last year, and EBITDA in the range of 30%.

Next slide.

So, our markets are fast-growing, with high-end technological applications, life-critical applications, underpinned by very strong secular growth. So, our business is 72% in Defense, 12% in Life Sciences, 13% in Industrial Control, and Nuclear, with more than 3%, is still a very interactive and growing and active area in our portfolio.

Defense is our largest market. We are benefiting, obviously, from increased budgets, but we also have short acquisition cycle products, which allow us to transform the Defense budget quickly into products at a relatively fast pace. Industrial Controls, where we provide sensors that are critical to quality control, industrial efficiency, basically, where we create fundamental data usable in software, in artificial intelligence, developed by our customers for their applications. Life Sciences is more driven by drug discovery, environmental protection, acceleration of research, and Nuclear, obviously, is pulled by the renewal of nuclear industry, generally speaking, but more importantly, by the pull of increased energy needs in the frame of a decarbonisation of energy sources.

So, Exosens is definitely present on markets with structural, long-term growth drivers with very strong positions in these.

So, we are a technology platform. We provide sensors, photonic sensors, over the whole spectrum, over the whole spectrum of light or particles. Not many cover this whole spectrum, apart from Teledyne, as we explained in the past. In these different bandwidths, we either select, develop internally, or acquire technologies via selective M&A. Not having the same strength and depth in each bandwidth is obvious, but we can complement that accordingly. And the in-house developments, but also the acquisitions, have enlarged our portfolio of products in a different bandwidth, in a very complementary, cross-functional, and cross-selling manner.

Technology is our core. We develop the common technological bricks to iron them in a way that makes them specific to each application, covering the spectrum, allowing cross-selling opportunities, allowing cross-fertilisation of technologies, together serving better customers with a wider portfolio for their own applications.

**Quynh-Boi Demey:** So, our main source of growth is technology. It differentiates us in our market, and it gives us the ability to win, and to create a virtuous cycle of technology and growth. Innovation is in our DNA, and we have invested consistently between 7% and 8% of our sales revenue. We have 85 PhDs out of 1,500 permanent employees, which gives you an idea of the level of technology in the company. And a great proof of the importance of innovation in our company is the number of patents that we have filed until now, over 230, of which 80 are active.

We also leverage a global system of cutting-edge partners to foster innovation in the various fields of research that we have, for example, raw materials with EPFL in Switzerland; artificial intelligence with a French startup called ThinkDeep; nuclear with CEA; or infrared with University of Leuven; hyperspectral with University of Laval to name a few.

So, combining our efforts and innovation partnerships in our ecosystem, we have succeeded in launching new products on a regular basis. And as a result, 60% of our revenue comes from products that we have launched since 2016.

The second fuel for growth is M&A. We closed four acquisitions in 2023, we announced four acquisitions last year, and we want to continue in the same pace in the future, as we want to be a platform to consolidate technology. We are very selective in our M&A process with three main criteria. First is technology, second is go-to-market, and the third one is synergy.

Let's look at the first one, technology. If you recall the full spectrum of light and particles that Jérôme showed earlier, we are present in almost all of the spectrum. There is some spectrum where we are stronger than others.

For example, we were not present in MWIR bandwidth, and instead of developing it internally, we acquired first Telops and then Noxant, which was announced, but not yet closed. So, this technology is very suitable for gas detection and surveillance markets. We could also add lasers or X-rays where we're not present, and add adjacencies in the markets that we address.

Two, go-to-market. We look for targets which are positioned in fast-growing markets and that will help us enlarge our commercial reach and increase our market share. This is the typical case of Centronic, that helped us double our market share in nuclear and neutron detection, while also enlarging our commercial reach within the semiconductors, the Geiger Muller radiometry market, and accelerating in the SMR market for nuclear detectives.

Three, synergy. We will look for fast-growing players that will bring us synergy. As an example, Xenics brought us the SWIR technology that we didn't have, and we were both present in LWIR, and we could combine our product roadmap in this technology and make savings. And we also could bring them our operational excellence methodology and processes when we decided to combine and rationalise all camera assembly sites. Another example of synergies with El-Mul: we have enhanced our innovation capabilities by R&D cross-fertilisation. And for example, El-Mul and Photonis team for mass spectrometry, we have been able to develop new design-in for our Tier-1 customers.

How do we think about sustainability? We always have two objectives in mind when we think about sustainability. First is achieve sustainable development goals, as we are a signatory of the United Nations Global Compact. And two, sustainability should contribute to the company's performance and create value. Our ESG targets should meet both objectives to be sustained over time.

With this in mind, to ensure that we address the right issues and define the right strategy, we performed a double-materiality matrix two years ago, and we updated it with the CSRD framework in 2024.

So, our strategy is organised in four pillars.

Our first pillar, partnership with CSR commitment, is about how we select and engage with our suppliers from a sustainability perspective. Our second pillar looks at people, how we ensure their well-being and development when ensuring that we have a diverse workforce, as this is a demonstrated enabler of performance. Our third pillar targets our environmental impact. And our fourth pillar is on governance and ethics within our organisation.

In each of these pillars, we have defined targets in the medium term. Last year in September, we obtained the silver Ecovadis medal, and we aim for the gold medal this year.

**Jérôme Cerisier:** So, let's talk a bit perhaps about our market dynamics. So, to start with, in Amplification, and especially in light amplification, we are an undisputed leader with 71% market share, excluding the United States, and around, we estimate, 42%, including it. This segment represented €280 million of revenues in FY24, and it is seeing higher than initially expected at IPO growth. We see it growing on the medium term in the range of 8-10% CAGR per annum. So, we are proven on the battlefield on this market, and we are the only sizeable non-ITAR player, our two main competitors being US-based.

So, in 2024, the next page, we connected businesses with our customers. We reconducted businesses, we won new businesses, and we achieved some major wins. We name here a few. OCCAR is a major contract that was announced late in the year. I think Quynh-Boi will probably talk a little bit more about it a little bit later. But we also had significant wins or developments or further contracts or awards of business with Finland, with France, with Poland, with UK, with Australia. This is only, of course, a few, and we actually achieved many others' armies.

2024 also marked the acquisition of NVLS. NVLS, so it's not closed yet, by the way. It is expected to close in H1 2025. It's a manufacturer of night vision devices, 65 people, based in Madrid, in Spain. And with NVLS, we aim at reinforcing our presence in Spain, in Latin America, in certain countries in Asia, and developing and using a strong optical and system competence to develop innovative systems, combining image intensifiers and imaging sensors from our Detection & Imaging segment at some point in time.

Our Defense markets are benefiting from very strong tailwinds, like geopolitical environment is telling us every day. And as everyone can witness, the target set a few years ago by NATO countries was 2%. And many countries did increase their spending until that point, which has been reflected in our activity. But as we see today, the NATO target is being upgraded to more, at least to a 3%-ish or more. That will come in the next days. Of course, countries are still planning for that, are still preparing for that. It's not fully official or a decision taken, but the trend is there. And so, we see Defense budget continue to grow in a foreseeable future. We are well-positioned to benefit from this increase. In a way, we are already seeing it partially in the fact that we are seeing a stronger market than we saw initially at IPO.

And we are and remain the partner of choice of NATO countries. With that, because we have shown the ability to ramp up, to increase our output and to have the technological edge that the modern armies are looking for, in order to be the "first to see".

Night vision itself, or image intensifiers, is enjoying very strong perspectives. First, we have short cycles, short commercial cycles, but also short production cycles. I mean, we can get significant – we can feel significant quantities of equipment in only a few months or a few quarters, as opposed to years for larger platforms. So we are quick. And so the

transformation of Defense budget into real equipment in the field is quick, pushing for increasing, let's say, the speed at which the contract can be executed.

Second, is night vision is today really a key tactical advantage on the field. It has been able, it has been demonstrated in the latest high-density conflict, that it is essential to be operating at night. And the last high-density conflict are putting some emphasis on the land forces, where all soldiers now are targeted to be equipped. This is a change of doctrine, which is pushing even further the equipment rate targeted by the countries for the night vision forces. In fact, as a matter of fact, the low investment of the last decade is also pushing for an increased investment in night vision.

And at a relatively low cost, you can have, or let's say, reasonable cost, you can have a very massive effect. For the cost of, let's say, around two fighters, two fighter aircraft, you can equip a whole division, 12,000 people fully equipped on the ground. So combat at night, quick cycles, massive effects, key tactical advantage will continue fuelling our strong market dynamics. And that's where we are uniquely positioned to serve.

**Quynh-Boi Demey:** Our main product in Amplification is the image intensifier tube. It looks like a small tube made of plastic, as you can see on the right in the top. But actually, it contains an awful lot of technology inside, which are difficult to master and replicate. Only a few players can do it after ten years of investment and experience. There are more than 460 production steps to manufacture it. And we have more than 40 years of experience manufacturing these tubes.

So, our component is integrated into night vision goggles to allow the soldiers to see in the dark. And we estimate that around 70% of the goggle performance comes from our tube.

So the night vision goggles are the eyes of the soldier, and we are the engine of the device.

We have 71% market share outside of the US, and we are therefore delivering our light amplification products in most of the countries already in the world. So let me give you some specifics on three countries here.

At the bottom, Germany and Belgium with the OCCAR contract, that we initially signed in July 2021, and then extended with a second option at the end of 2022. And now with a third option that we announced in December 2023. The bulk of option three is to be delivered in 2026. And so far, we have delivered 50,000 devices based on 16 mm format, where we are the sole provider in the world.

The third country I would like to give you some specifics is the US. In the US, it represents 45% of the world market. Today in this market, we do not address the Department of Defense with the night vision tubes, but we sell to tier-2 customers like police forces, coast guards, and also leisure market for hunters.

It is a very dynamic market with local capacity constraints. So, we have decided to set up a new factory in the US for night vision goggles for two reasons. First, we have capacity in Europe so that our Europe factories only focus on Europe and countries that require ITAR-free products. And two, manufacture tubes for the US market where we envision opportunities at the forefront effort of modernising the forces with the return of high-density conflicts. We were not able to address these needs until now. And of course, it would take time to develop this market.

Between '21 and '24, we almost doubled our usable capacity as our output more than doubled since 2020. We executed major steps over 2023, and the remaining one in 2024. And we have now completed the first capacity plan. In light of the recent even higher demand in our market, we have decided to launch a new capacity increase. So, we will invest around €20 million over these two years. All layouts and design of equipment will be ours. We will set up a new factory in the US where we already have a factory for our detection business, leveraging internal synergies. The plan is to be ready by the first half of 2027.

We will also invest in Europe, rethink our factories' layout to create space, invest in new equipment where we see bottlenecks, and improve our processes and efficiency to increase capacity.

With this additional investment, we will increase our capacity by 25% over 2025-26 from where it is today.

**Jérôme Cerisier:** As innovation remains our core, we continue to develop new technologies and new products. We are continuing to develop our 5G, which is the next-generation image intensifier for night vision. It yields significant performance improvements over the current 4G. It's fully in line with the needs of the armies and of the end users to be the "first to see". As a matter of fact, superior performance allows us to see further and see before being seen and being able to act or react first before the opponent.

Special forces have already tested the product. They're confirming this is a product they're looking for, or they want as a next-generation one. And we will launch commercially the 5G in September 2025, while it remains available for testing and qualification purposes at our OEMs already.

So, we did spend some time on our Amplification segment, yet our Detection & Imaging segment is also enjoying very strong positions. We had sales of about €118 million in 2024 in this segment.

We are leaders in our niches that are fast-growing, and we see there a range of growth in the range of 7-9% per annum in the medium term. The underlying market dynamics, I already explained, but they are confirming and reinforcing the need for high-end specific technologies, specific to the applications coming from the Photonics and from the Photonics universe.

So, we have a global presence on these markets. We focus to serve our customers by the most adequate technology, by being design-in a new machine, serving exactly the purpose of the customers, and so allowing our OEMs to fulfil their own mission with the end users. So, we leverage here our portfolio of technologies across the spectrum to foster synergies both at the commercial and at the technological levels in the different verticals.

These verticals in particular, so all four of them are present in this segment, all with strong underlying growth and with the exception of Nuclear, large total addressable markets. Nuclear being more modest in size, but where we have a very strong position.

So the drivers for this market are indeed for Life Sciences, the acceleration of drug and vaccine discovery, the new materials or environmental regulation. For Nuclear, as already mentioned, an emerging small modular reactor (SMR) ecosystem, and more generally the resurgence of nuclear projects due to a rising demand in electricity. Three, for Industrial Control, is driven by robotics, by factory automation, by visual control, all of that put together

and bundled under the use of advanced software, artificial intelligence in the industrial production system. And last, Defense is a smaller part of our detection imaging segment, but is showing a very strong trend in the current geopolitical influence.

So, FY24 was a year of significant design-ins that were achieved in many areas. We mentioned here only a few of them, but as examples, in mass spectrometry, we reached the rapid phase for major instruments at Biomérieux or at Danaher, which in fact more than compensated a flattish market following a slowdown in certain areas like China.

In nuclear, we started the development with several SMRs, both in Europe, in the US, and we're developing specific neutron sensors, working on high-temperature sensors, high-temperature meaning above 400 or 450 degrees, that we are mastering.

In imaging, we saw strong momentum in Defense with Hensoldt or with Rheinmetall, as well as significant tailwinds in hyperspectral that also here, more than compensated stabilised softness in industrial markets.

So I think we wanted to highlight something that we often are interrogated on, what does artificial intelligence mean for Exosens? In fact, artificial intelligence is a tailwind for us in two aspects.

If we talk about B2B, we provide, we create the data that is needed, that is required by the artificial intelligence developed by our customers to actually perform their duty and serve the end users. So, we create the data that is used by artificial intelligence.

In B2C, the direction is coming from a different angle. It's more that B2C and the emergence of artificial intelligence is driving, in fact, increased needs for data centres, so that millions of people can use it every day. And these data centres require increased levels of energy, where fostering and nurturing, in fact, the increase in the power plant project and the emergence of the SMRs in this world. We serve these markets, and we support the development of these energy needs that are, in fact, induced by artificial intelligence.

So, we see the development of artificial intelligence not as a threat, but really as a strong tailwind for our activities because we produce data that are the core of this development and this emergence.

So I think Quynh-Boi will now tell you how our recent acquisitions accelerated the growth in the Detection & Imaging segment.

**Quynh-Boi Demey:** Thank you, Jérôme. So, we like to say that we have a decentralised yet military approach when it comes to the integration of our acquisitions. Our integration playbook includes seven workstreams, four for support functions, that you see at the bottom of the slide, finance, IT, HR, and legal, and three operational functions, workstreams, sales & marketing, R&D, and operations.

Support functions integration playbook is straightforward, and we implement them consistently for all our acquisitions.

For operational workstream playbook, we define working groups, combining teams of the acquired company and business unit teams to execute the integration plan, define common concrete goals, and deliver synergy. For server marketing workgroup, this results in alignment and go-to-market, cross-selling opportunities, development, and mergers of teams.



For R&D, it is about alignment of R&D roadmaps and harmonising the product portfolio. And for operations, it is about simplification and optimisation.

The integration is fully completed for all acquisitions in Imaging, for Xenics, Telops, and LR Tech, and for detection, El-Mul. And it is well on the way for Centronic in Nuclear, which was acquired more recently.

Let's focus now on our four-year 2024 performance. As I highlighted at the beginning, we achieved very strong four-year results, exceeding our IPO guidance, but also at the top of the range of sales and EBITDA that we gave early January.

On revenue, we guided towards a range of €390-395 million revenue, and we've delivered €394 million. On profitability, we said in January that we would be between €116 million and €118 million, representing an EBITDA margin of around 30%. So, we achieved €118.5 million, slightly above our range, with an EBITDA margin of 30.1%.

On cash flow, we generated €55 million, which is a significant improvement versus last year, and this represents a cash conversion ratio of 74%. This is an improvement versus both '22 and '23, which were 69%. We have completed the investment phase, the first investment phase, that we initiated in '22, 2023, and at year-end of this last year. We have anticipated a new investment phase to meet the higher demand, and as a consequence, we're slightly under the guidance at 75% for this year.

On leverage ratio, we significantly deleveraged after the IPO, and with the cash generated from operations, we achieved a leverage ratio of 1.2x our EBITDA at year-end, and this is below the 1.6x EBITDA that we guided at the time of the IPO.

In 2024, we delivered both growth and margin expansion. We continue to grow at a significant pace at +35%, and +25% on a like-for-like basis. And as a reminder, to be on a comparable scope of last year, we have to exclude six months of Photonis Germany and El-Mul, which were acquired mid-year of 2023, and nine months of revenue of Telops, which was acquired in October 2023. And we also need to exclude the 2024 acquisition of Centronic for five months, that we have a contribution for five months, and LR Tech for four months, to be on a comparable scope with full-year 2023.

So, over '21 and '24, we have more than doubled our revenue, and this demonstrates first, our ability to increase capacity and seize all opportunities in a very fast-growing Defense market, and this translates into the plus €70 million revenue that you see in Amplification. This also demonstrates our ability to execute our bolt-on M&A strategy, and this translates into the plus €35 million increase in revenue in D&I, as we focused our M&A efforts in this segment.

On adjusted gross margin, we achieved a +45% growth, and this reflects the volume increases and the margin expansion, as you will see in the next slide.

So, Amplification addresses many Defense markets, and its growth is purely organic. In this market, we delivered 34% growth, which is mainly volume-driven, with price and mix effect accounting for mid-single-digit.

While we delivered significant volume, we also managed to increase our gross margin by 281 basis points, of which roughly 60% is from favourable product mix/price, and 40% from yield

improvement. And this demonstrates our operational excellence, as we maintain quality, while we have increased our production significantly over the past three years.

D&I addresses many industrial and commercial markets. We grew 42%, taking into account the impact of our acquisitions. On a like-for-like basis, it is a 7% growth. That is an improvement versus H1, which was low-single-digit. And if you recall from our half-year earnings call, we consolidated our camera assembly sites during Q1 and Q2, and this has normalised our supply chain, but it's behind us now.

What also impacted us is the softness of the Chinese market that impacts the machine vision market. This is still the case today. But it is more than offset by growth that we see, and the market share gains that we had in our scientific cameras and electronic microscopy, and also in the cameras in defense and surveillance markets.

So, we grew volumes, but we also managed to increase our growth margin by 292 basis points. Half of this increase is due to a negative one-off of last year, where we sold some old inventory. So, excluding the one-off, we improved our gross margin by 160 basis points, thanks to favourable product mix, improved yield, and the benefits of our synergy.

We delivered best-in-class EBITDA margin of 30.1% and EBIT margin of 24.2%, that reflects our strong positioning in the market with a high level of technology and industrial know-how. While we delivered growth and margin expansion, we also controlled our cost structure. So, we benefited from the scale effects; and this resulted in a 60-basis-point improvement in EBITDA margin, and a +150-basis-point in EBIT margin.

In terms of net profit, on the next slide, we delivered €30.7 million net profit, which is a significant improvement versus last year, +66%.

Three points here that I would like to mention. In 2024, our P&L includes significant one-offs due to the IPO. Close to €4 million operational costs booked in other expenses, so €3.9 million that you see. And in our financial results, we have also close to €13 billion of costs relating to the refinancing of our debt, out of which €8 million is non-cash. This is close to €17 million negative one-off expenses that we won't have in the future, that impacted our profit before tax this year.

Second point is, we restructured our debt, and we divided the cost by two. As you can see, the second half financial cost of €5.5 million. Third, our income tax increased significantly compared to last year, as we increased our profitability. Please note that in 2023, the €1.8 million income tax charges includes the activation of historical deferred tax losses.

I will skip slide 35 and 36, as we run short of time, and I focus directly on the slide on cash generation, slide 37.

Here again, 2024 was a very strong year, where we managed to deliver profitable growth and generate cash. Over the period, we achieved almost €55 million free cash flow generation, which is more than double the one of last year, of 2023. And this is in spite of the IPO costs that I mentioned earlier. We also control our working capital requirements and control our CAPEX, where we delivered substantial growth. Cash conversion ratio increases to 74%, up to 69%, as we normalise our CAPEX spending. We are below our year-end expectation of 75%, as I mentioned earlier, as we have accelerated at year-end, as we launch our new investment phase to meet the higher demand.

At the IPO, we refinanced our debt with a new term loan, that is maturing in 2029. We decreased our leverage ratio from 3.3x our EBITDA to 1.2x. And with a strong cash generation from operations, the refinancing at the IPO, including the €250 million term loan B, and the €100 million of RCF that is not drawn at year-end, we have a very strong balance sheet to fund our organic growth and our M&A bolt-on strategy.

So, given our strong financial performance and strong cash generation, our Board of Directors decided during its meeting on 28 February to propose a payment of €0.10 cash dividend per share for fiscal year 2024. It is representing a payout ratio of 16%, slightly above the IPO guidance, where we say the payout ratio of 20-25% with a half-year stub dividend paid in 2025.

**Jérôme Cerisier:** So concerning the future, concerning our 2025 outlook, we expect a continued sustained growth, with revenues growing high-teens versus 2024, while we expect our EBITDA to grow low-20s versus 2024. And so this implies indeed that we expect a mild improvement in our EBITDA rate as a percentage of our revenue.

Until 2026, we expect the 2024-26 EBITDA average growth rate, CAGR, to be in the high teens.

On CAPEX, as announced, we are reviewing our CAPEX plan to include the capacity expansion of about €20 million in Europe and in the US over the 2025-26 period. And consequently, we now expect a cash conversion ratio, whose definition did not change, to be in the 70-75% range. Finally, we will continue our selective M&A strategy, while maintaining a leverage ratio of below about 2x.

So I have to conclude this presentation and these results, that 2024 has been a very strong year. We are well-positioned as a technology platform in Defense, in Industrial Control, in Life Sciences, in Nuclear. We will continue benefiting from strong tailwinds, and so we expect the best for 2025.

Thank you for your attention. And so, we are now ready to take your questions concerning this presentation and these results.

## Questions and Answers

**Operator:** Thank you. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, please press star two.

We will take our first questions from Aleksander Peterc from Bernstein. Your line is open. Please go ahead.

**Aleksander Peterc (Bernstein SG):** Yes, good morning, and thank you for taking my question. I'd have three.

So the first one is regarding your investment into US-based manufacturing capacity for image-intensified tubes. Is this a sign of confidence that you can enter the US market at scale and compete in the US DoD supply? And if you could explain to us, what are the mechanics around ITAR restrictions? Would that mean that your US operations would then be also restricted or not?

The second question would be just maintenance regarding your top-line guidance. Does this include just the announced acquisitions, or does it include also acquisitions that are yet to be announced between now and year-end?

And then the third one is just a question on net leverage, which came out at 1.2x, so well below your IPO indication. I think it was 1.6x. Is this because you made less acquisitions than you thought you would, or because of your better operating performance? Thanks very much.

**Jérôme Cerisier:** Thank you for your questions. So, first, concerning our investment in the US, the operation in the US, as soon as production is done on the US ground, is an ITAR production. So, indeed, we will – the restrictions concerning the ITAR restrictions will exist for this production outside from the US. Our decision to invest into the US is a sign of confidence that we can be more present and be successful in this market. But building the manufacturing capacity and building the business will take time, but we are there for the longer term, and so we want to make this investment as a sign of confidence that the market is there, the market is growing, and we have a role to play there, preferably a very good and strong role.

Quynh-Boi, perhaps for the other questions?

**Quynh-Boi Demey:** Yeah. On the top-line guidance, it includes only announced acquisitions and not acquisitions which are to come. And your third question, on the leverage ratio below our guidance, one of the reasons is the fact that out of the four acquisitions that we announced, two have not been closed yet. So, if we had been able to close them before year-end, we would have been at 1.6x EBITDA. And at the same time, it's true that we generated very strong cash flow at year-end. So, it's a combination of both.

**Aleksander Peterc:** That's very clear. Thank you very much.

**Operator:** Thank you. We're now taking our next questions from David Perry from JP Morgan. Your line is open. Please go ahead.

**David Perry (JP Morgan):** Hello, Jérôme. Hello, Quynh-Boi. Congrats on a good first year. I just had one quite simple, high-level question, please. You gave your guidance in January. You raised the medium-term guidance, but a lot has happened since January in the world.

So, what kind of Defense spending backdrop were you assuming when you gave that guidance in January? And in light of some of the dramatic things that were said yesterday at the Defense Summit, what is the potential that you can achieve, do you think? Thank you.

**Jérôme Cerisier:** Thank you for your question. Indeed, a lot is happening, but it's happening every day. So, we are constantly re-evaluating our activity moving forward, but we are still also waiting for more stability in understanding what is going to happen.

Obviously, when we gave our guidance in January, we were expecting – we were seeing and already seeing that the market is stronger than what we expected IPO. This is what drove our mid-term guidance, which we are maintaining. Of course, we will have that evolve according to what we see coming from the market as a result of the constant moves that are constantly being – that are constantly happening.

So, the situation is moving, and we will have to – and we will revisit in due course our guidance if we need to, or when we see we have to, as a result of the geopolitical trends that are now developing under everyone's eyes.

**David Perry:** Okay. So, maybe if I can just follow up. I mean, are you – could you just comment sort of qualitatively on the customer engagement you're having, the kind of requests for proposals and any indications you've had there at all?

**Jérôme Cerisier:** Well, so the requests for proposals, the demand we are seeing from the market is increasing, but it's increasing, let's say, at a pace that is different than the daily announcements we see in the situation that is still evolving. This is what we call the stronger market. With time, new programmes evolve, defense budgets will increase, they will transform into additional orders requirements.

But obviously, the translation of the current trend into actual programmes has not fully started, so it will come with time, but that makes us at least much more confident on the medium term of maintained Defense budget growth. We are not seeing that on a daily basis because the news are, in fact, moving too fast for the – to cope with the budget and the administrative constraints in placing orders. But the programmes are developing, and they will translate into additional activity in the future, for sure.

**David Perry:** Thank you very much and good luck.

**Operator:** Thank you. We are now taking our next questions from Aurélien Sivignon from ODDO BHF. Your line is open, please go ahead.

**Aurélien Sivignon (ODDO BHF):** Hi, good morning. Thank you for taking my question. I've got three.

First, maybe, again, a follow-up on the new investment capacities in the US. Can you give us more colour on which product will you be producing there? I mean, either 4G or 5G tubes, and what will be exactly the capacity there by H1 '27?

Then on D&I division, organic growth has been much better last year in H2 rather than H1. I was wondering if you were expecting a similar trend this year, or should we expect growth to be more linear in 25?

And lastly, I had a quick housekeeping question on the tax rate. Do you intend to activate again deferred tax losses in '25 to get a bit closer to the 18% that was initially targeted, I believe? Thank you.

**Jérôme Cerisier:** Thank you. So, concerning our investment in the US, it's our capacity increase is expected to be altogether around 25% for our investments, following our investments both in Europe and in the US. We do not communicate specifically on the capacity that will result from this US.

It will be set up so that starting 2027, we have fully installed capacity, beginning 2027. 25% overall of our current production is already a nice step, but we, of course, we will re-evaluate this moving forward, depending on the market evolution. We need to do that because the market is much higher than expected.

So, this is what we are focussing on now.

**Quynh-Boi Demey:** On your second question, organic growth for D&I, yes, indeed, we expect H2 that will be higher than H1, as we experienced last year.

Your third question on tax rate, as what we see today is our profitability is higher than what we anticipated, and we continue to grow at a higher pace, and we generate more profit than we anticipated. As a consequence, we have already activated all our historical deferred tax losses and there are no more tax losses to activate. Yet, we are consuming deferred tax losses that we have.

So, in terms of cash tax payout for 2024, it was a 19% tax rate.

**Aurélien Sivignon:** Very clear. Thank you very much.

**Operator:** Thank you. We are now taking our next questions from Hendrik Stahlschmidt from Stifel. Your line is open, please go ahead.

**Hendrik Stahlschmidt (Stifel):** Hello, thank you for taking my question. I was wondering whether the latest announced export restrictions from China regarding certain minerals have any impact on your operations. Thank you.

**Jérôme Cerisier:** So, we are consuming certain materials, but compared to the general market demand, what we consume is extremely small. So, the volumes are extremely small, and we procure our materials that are already transformed from European or US suppliers, depending on the application in the area. The quantities we consume are more in the range of grams or kilograms, rather than tonnes or anything else. So, it's more quantity anyway. So, we do not expect a direct impact of these restrictions on our business.

**Hendrik Stahlschmidt:** Thank you very much.

**Operator:** Thank you. We are taking our next questions from Laurent Gelebart from BNP Exane. Your line is open. Please go ahead.

**Laurent Gelebart (BNP Paribas Exane):** Yes, good morning, Jérôme. Good morning, Quynh-Boi. So, I have three questions.

So, the first one regards your go-to-market in the US. Which kind of clients are you going to target? Here, we refer to the law enforcement, let's say, people or army because I guess that if you want to tackle the army, you need to have enough scale to be able to support. So, that's one question.

Second one, when you refer to the growth of the market going forward from 8-10%, does it include the US market or not? And last one, regarding D&I, where do you see the growth, the highest growth segment into 2025? Thank you.

**Jérôme Cerisier:** So, concerning the demand in the US market in Amplification, the US market is a vast market with many different programmes and operations and a lot of local OEM partners. We intend to globally serve this market also through OEM partners, like we are doing in other areas, but also on certain occasions directly with DoD. That is a – there is not a single way to go to market in that way.

Generally speaking, it's important to say, yes, we are investing in the US, but also in Europe to increase our capacity because we see that the armies that are not ordering at the pay they should, or they want will come very late. And so, the scarcity of the supply will impact their

acquisition programmes. So, overall, the 8-10% growth that we expect that is a general trend for this market, not specifically targeted at a specific region.

Concerning D&I, our areas for growth are, in fact, are all the different areas. I mentioned, and we mentioned, that the trends are very strong underlying trends. 2024 was not exactly as we expected, with some softness in the first, in certain markets. We compensated that by design-in. We have design-in the programmes, and when our customers do well, we do even better because we replace older machines with new machines. Sorry. Older machines are replaced by new machines in which our detectors are present, and so that benefit from this ramp-up. This is true for machines, for instruments, but also in Industrial Control. And we expect that in 2025, the destocking in certain areas, the softness in certain areas will have stabilised at a lower level or will restart increasing, depending, for example, in semiconductor, we expect that by the end of the year, there will be a restart to a certain extent of the investment. So, we expect these areas as being growth areas, but generally speaking, our markets have benefit from these very strong underlying trends.

**Laurent Gelebart:** Thank you.

**Operator:** Thank you. As a final reminder, if you would like to ask a question, please press star one on your telephone keypad now. It appears there are no further questions, so I will now hand you back to Laurent Sfaxi for any additional or closing remarks. Please go ahead, sir.

**Laurent Sfaxi:** Thank you. Thank you again for joining this call. We are – we remain at your disposal should you have any further questions, and we look forward to meeting some of you during our roadshow in the coming weeks, and wish you a very good day. Thank you.

**Operator:** This concludes today's call. Thank you for your participation. You may now disconnect.

[END OF TRANSCRIPT]