Acquisition of Bombardier Transportation: accelerating Alstom’s strategic roadmap

February 17th, 2020
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Transaction highlights

**Excellent strategic rationale**

- Acquisition of the 4th global rail OEM\(^1\), with strong commercial and product complementarities with Alstom
- Accelerating Alstom’s strategic roadmap, strengthening all product lines and adding strategic industrial capacity
- Significant efficiency potential from synergies and improving Bombardier Transportation’s performance

**Significant value creation**

- Strategic and immediate additions to Alstom’s operational profile
- Mid term objective to improve Bombardier Transportation’s margins to a standard level
- ~€400m annual run rate cost synergies yielding a NPV >€3bn\(^2\)
- Double-digit EPS\(^3\) accretion from year 2 post closing

**Solid transaction structure**

- Alstom to acquire Bombardier Transportation for €5.8bn – €6.2bn net proceeds, o/w €5bn financed with equity component
- Fully committed financing securing Alstom’s balance sheet
- Caisse de dépôt et placement du Québec (“CDPQ”) to become a new long-term shareholder of Alstom
- Closing expected in H1 CY21, subject to customary regulatory approvals

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1. Original Equipment Manufacturer; 2. Net of implementation cost; 3. Post synergies, implementation cost and before PPA amortization
Robust macro-economic drivers supporting the steady growth of rail traffic

- Economic growth
- Sustainable development
- Government funding
- Urbanization

**Strong rail traffic growth**

- Passenger traffic per market segment
  - In basis 100
  - Urban +5.2%
  - Mainline +3.2%
  - Freight +1.4%

**Average growth (2015 – 2025)**

**Sustainable global rail OEM market growth**

- In €bn
  - 2018-2020: 114
  - 2021-2023: 125

Sources: SCI Verkehr multi client studies 2017; UNIFE Market Study 2018
Alstom, a leading track record with a clear ambition

Record backlog in the industry

Latest figures available

€43bn¹
€33bn
€32bn

Global competitor 1
Global competitor 2

Top growth performance

Sales (€bn)

6.9
FY 2015/16
8.1
FY 2018/19

5.5% CAGR vs. 2.3% for the market

Significant profitability improvement

aEBIT margin

FY 2015/16
FY 2018/19

5.3%
+1.8pt
7.1%²

A clear strategy: “Alstom in Motion” 2019 – 2023 strategic plan

Driven by One Alstom team, Agile, Inclusive and Responsible

1. As of 31 Dec 2019; 2. 7.5% with the new Alstom EBIT definition which includes the share in net income of the equity-accounted investments namely CASCO
Bombardier Transportation, a reference in rail mobility

- Strong historical track record of **market leadership**
- **A broad product portfolio** in all market segments, with strategic products
- **Comprehensive expertise** ranging from component manufacturing to rail operations
- **A balanced industrial footprint** between best-cost and high-tech countries
- **Largest installed base worldwide** with a fleet of 100,000 vehicles

\[ \text{€7.4bn}^1 \text{ of revenue} \quad \text{€32bn}^1 \text{ of backlog} \]

1. As of 31-Dec-2019

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Establishing unparalleled commercial reach to feed sustainable growth

**Acquiring strong presence in strategic and growing markets**

- **Strong presence**
  - **UK** to invest ~€40bn by 2024
  - **DB & Germany** to invest ~€86bn by 2030

- **China** to spend ~€100bn on country’s railways in 2020

- **Middle-East & Africa rail OEM market**
  - CAGR of 4.9%

**Critical size on all continents**

- **Presence in over 70 countries**
- **Presence in over 60 countries**

**Future commercial footprint**

**Significant investment** expected in rail infrastructure

1. Over 2016-2022

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Rolling Stock: addition of a complementary and attractive portfolio to respond to a wider set of customer needs

Comprehensive & complementary portfolio

- **Bombardier Transportation** brings selected attractive & profitable niches

  - E-locotive TRAXX
  - Monorail Innovia
  - People Mover Innovia

- As well as **specific products** catering large markets majority share of Bombardier Transportation RS revenue

  - Aventra
  - Talent 3
  - San Francisco metro
  - BiLevel coaches

- While Alstom will extend its **platform and large project capabilities** to Bombardier Transportation’s existing clients

  - Specific regional complementarity
  - Platform complementarity
**Services**: access to the largest installed train fleet and strong technical capabilities

Bombardier Transportation brings large maintenance facilities footprint and 100k installed train fleet for further development with low capital intensity

**Key footprint**

- **21** in the USA
- **8** in China
- **14** in the UK
- **7** in Australia
- **8** in France
- **1** in Germany

**Maintenance facilities**

- **BOMBARDIER TRANSPORTATION**
- **ALSTOM**

**Additional solutions in digital / predictive maintenance, which can be enhanced by data scale effect**

**Orbita ©**

- Cross-reference information from extensive global fleet database to establish patterns of equipment performance

- **Orbita © fleet monitor**
  - Improved prognostic capability
  - Replace legacy systems

**Bombardier Transportation’s experience in operations to enhance value of service offering**

- **€12.6bn backlog in services**
- **€1.9bn sales in services**

1. Globally; 2. As of 31-Dec-2019

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Signalling: scale increase to achieve Alstom’s leadership ambition

Becoming the #2 in Signalling

Based on 2018 sales (€bn)

Player #1

>2.5

Player #2

2.2

1.8-1.9

1.4

c.1.2

0.8

Player #4

BOMBARDIER TRANSPORTATION

3,800 highly qualified Bombardier Transportation Signalling employees

Bombardier Transportation’s brings complementary and strategic signalling markets to Alstom

New ERTMS to be implemented

Largest Eastern Europe signalling market

Largest investment program in Europe

Market driven by large turnkey projects

Home markets:

Data analytics experience from Bombardier Transportation to boost Alstom’s Signalling services strategy
Acquiring industrial capacity in strategic and complementary geographies

**Attractive Bombardier Transportation footprint**

- 7 production sites through JVs (8,000+ employees) covering the entire value chain (rolling stock, signalling and services)

**Alstom’s footprint balanced across mature and emerging markets**

- Rolling stock and signalling industrial footprint

**Main industrial capabilities**

- Rail vehicles
- Rail control
- Components

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Clear levers to recover Bombardier Transportation’s full potential and profitability

Objective to restore Bombardier Transportation margins towards a standard level

Bombardier Transportation EBIT margin, 31-Dec

- 2014: 5.4%
- 2015: 5.6%
- 2016: 7.4%
- 2017: 8.6%
- 2018: 8.4%
- 2019: 5.1%

Focus on backlog execution, best practices and technologies global deployment

Strong cultural and business fit

Successful track-record in profitability recovery

1. Adjusted for $350m impact in Q4 related to certain projects (Avantra, SBB) and increased production and manufacturing costs for projects in Germany

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Well-identified and executable synergies

~€400m run rate cost synergies achieved after 4 to 5 years with potential additional upside

- Cost base optimization and resourcing
- Best practice sharing, tender costs, better design and project management capabilities
- Consolidating R&D projects, G&A
- Footprint optimization

Further upsides include cross-selling, further BCC cost initiatives, financing cost

Implementation cost equivalent to c.1 year of run rate synergies

1. Post closing
A strong value creating transaction

A strengthened operational profile in a growing market

- Revenue: €15.5bn\(^1\) (Global critical size)
- Backlog of €75bn at 31-Dec with >33% of services\(^2\)
- Significant increase in # clients and geographies

Clear levers for Bombardier Transportation’s margins recovery and robust synergies

- Mid-term objective to recover Bombardier Transportation’s EBIT margin at a standard level
- ~€400m of run rate cost synergies achieved after 4 to 5 years\(^3\)
- NPV of synergies >€3bn\(^4\)

Double-digit EPS\(^5\) accretion from year 2 post closing

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Transaction considerations

Net proceeds to Bombardier Transportation shareholders

- Net proceeds floor & cap at €5.8bn - €6.2bn, subject to closing mechanisms
- Bombardier Transportation net cash position at closing to be retained by Alstom
- Protection mechanism guaranteeing minimum zero net cash as at 31-Dec-2020
- Illustration at 31-Dec-2019
  - €5.8bn net proceeds to Bombardier Inc.
  - €0.4bn Bombardier Transportation net cash retained by Alstom
  - €0.9bn net pension liabilities assumed by Alstom

Perspectives on transaction value

Transaction multiples

<table>
<thead>
<tr>
<th>EV/EBIT</th>
<th>EV/EBIT</th>
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</thead>
<tbody>
<tr>
<td>BEFORE</td>
<td>INCLUDING</td>
</tr>
<tr>
<td>SYNERGIES</td>
<td>SYNERGIES³</td>
</tr>
</tbody>
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- ~14x¹
- 11x – 12x
- ~6.5x – 7x

1. Based on Alstom share price as of 20-Jan-2020; 2. Representing an average margin of 8.1%; 3. Includes ~€400m of run rate cost synergies
Fully committed financing – securing Alstom’s strong balance sheet

Structure to finance net proceeds to Bombardier Transportation shareholders (€bn)

- In line with Alstom’s objective to maintain Baa2 rating
- Secured liquidity with new €1.5bn RCF
- Total equity component for the transaction ~€5bn, o/w €2bn to be raised on the market through a rights issue
- Alstom retains the flexibility to continue its value accretive bolt-on M&A policy

1. From Bombardier Transportation net cash at closing and Alstom net cash
A solid acquisition structure strengthening Alstom’s long-term shareholding base

Transaction mechanism

- Acquisition by Alstom of Bombardier Transportation with
  1. cash & new Alstom shares to Bombardier Inc\(^1\)
  2. new Alstom shares to CDPQ\(^2\)

- Unanimous support from Alstom’s Board of Directors

- Bouygues committed to vote in favor of the transaction related resolutions at EGM

CDPQ: a new long term shareholder

- CDPQ strong commitment with a €2.6bn - €2.8bn investment in the transaction

- 21-month lock up commitment period from closing for CDPQ

- CDPQ to appoint 2 Board representatives and 1 Observer (censeur)

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1. c.3% shareholding post equity raising based on a €47.5 reference share price, 3-month lock-up undertaking from closing; 2. Based on a €44.45 reference share price; 3. Indicative proforma shareholding after all equity issuances.
Indicative timetable and next steps

Key milestones

- Memorandum of Understanding signing between Bombardier Inc, CDPQ and Alstom: February 2020
- Share Purchase Agreement signing: H2 CY20
- Alstom EGM: End October 2020
- Targeted regulatory approvals: H1 CY21
- Rights issue: H2 CY20 – H1 CY21, subject to market conditions
- Expected closing: H1 CY21

Closing conditions

- Workers’ Councils consultation
- Anti-trust and regulatory approvals
- Alstom Extraordinary General Meeting approving CDPQ and Bombardier Inc reserved capital increases and the rights issue (majority of 2/3rd needed, Bouygues committed to vote in favor of the deal related resolutions)
Conclusion

- Unique opportunity to accelerate Alstom’s strategic roadmap in a growing market
- Acquiring key commercial, product and industrial complementary assets
- Leading portfolio offering and R&D capabilities to address ever-increasing needs for mobility
- Strong cultural fit and robust action plan to restore Bombardier Transportation’s full potential
- Value creation for all stakeholders, within a secured financing structure