Alstom Conference Call

Thursday, 16th April 2026

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Operator: Welcome to the Alstom Conference call. For the first part of the conference call, the participants will be in listen-only mode. During the questions and answers session, participants will be able to ask questions by dialling, pound key five, on their telephone keypad. Now I will hand the conference over to the speakers. Please go ahead.

Martin Sion: Good evening, everyone. Thank you for joining us tonight at short notice. I'm Martin Sion, Group CEO of Alstom. Joining me is Bernard Delpit, Executive Vice-President and Chief Financial Officer. We'll start with a few opening remarks on tonight's announcement and then we'll open the line for Q&A.

First, let me be very clear from the start, this is not the way I was expecting to start my mandate. The financial result on cash generation are not at the level you should expect from a market leader, especially with a €100 billion backlog in a growing industry. After the last 12 months, we delivered strong organic sales, growth of 7%, but this did not lead to margin improvement. And in a year of record commercial activity with €28 billion of order intake, free cash-flow generation should have been much stronger.

Multiple factors are at play here. The production ramp up of new rolling stock platforms has not been as steep as what we expected in the fourth quarter. On other projects that met challenges early in their life cycle, we've not been able to turn them around as planned. And fair to say that the current situation in the Middle East has been an additional constraint. Taken together, these factors will have knock-on effects on near-term financial performance.

Over the last two weeks since my arrival, I've been visiting factories in Italy, France, and Germany. I went into the detail of financial reviews and processes. I met people that are highly committed and highly competent. I met teams on the shop floor. I met engineers, project leaders, and obviously the regional management. But one conclusion is very clear, our ability to stick to planning is not strong enough. In a project business, sticking to planning is essential. And today, development, industrialization, and manufacturing across multiple sites are not always aligned, creating complexity. In some cases, productions move ahead while homologation is still pending.

That's why my priority is to drive deep operational changes and improve execution quality. In short, this means tighter day-to-day execution, stronger planning discipline, and better coordination across engineering, supply chain, and production. We will also start a broader reflection about adopting a more focused product and commercial strategy. Of course, in parallel, we will continue to further improve results in services and signalling, where I see more opportunities. And we'll continue the work done in recent years to improve the quality and risk profile of the order intake across all product lines.

As I'm new in the role, I will also be reviewing the portfolio and industrial footprint. This includes reviewing the industrial transformation plan already in place and assessing where adjustment or acceleration is required.

Restoring performance in rolling stock is a major opportunity for the group. It is achievable with discipline. This is a necessary step to execute the backlog and prepare the group for sustainable cash generation and profitable growth. We will keep you informed on our progress and we will outline our action plan later this fiscal year.

And I'll now hand over to Bernard.

Bernard Delpit: Thank you, Martin. I will now comment on the preliminary unaudited figures for the fiscal year 2025-2026, as well as all the preliminary outlook for the next fiscal year. Starting with orders, Alstom recorded €27.6 billion of orders in the fiscal year, representing a book to bill of 1.4. The second half saw a higher proportion of services contracts compared to the first half. Overall, order intake was well balanced by product line over the full year with both rolling stock and services at a book to bill of 1.4.

Turning to operations, with a particular focus on car production. The group produced 4,284 cars during the fiscal year, down 2% year-on-year. In the fourth quarter, car production came in below our January expectations as some rolling stock projects are ramping up more slowly than anticipated and homologations have shifted.

Moving to sales, Alstom recorded €19.2 billion of sales in the fiscal year, up 4% compared to last year. After adjusting for negative currency and scope effects, organic sales grew by 7%. All production lines contributed to organic growth, with the exception of systems, which faced a tough comparison base.

Turning to profitability, adjusted EBIT margin for fiscal year 2025-2026 lands at around 6%. At constant currency and scope, adjusted EBIT margin is broadly stable compared to the prior fiscal year. On the one hand, execution of contracts signed over the recent years and tight control over SG&A supported margins. On the other hand, this was more than offset by a slower than expected execution on some large rolling stock projects, and therefore with associated costs, all those most visibly in the fourth quarter. But also stronger than expected execution headwinds and a limited number of late-stage projects in rolling stock as well as higher R&D expenses, it has a negative impact on adjusted debit. Altogether, adjusted EBIT margin is coming lower than last year and to the guidance.

Moving to free cash-flow. Free cash-flow for fiscal year 25/26 amounted to around €330 million. Despite execution challenge, adverse currency effects, and effects of geopolitics on payment related to Middle East contracts, we've achieved free cash-flow in the guided range. Contract working capital increase was offset by downpayments, reflecting strong commercial momentum and by favourable trade working capital. This is not particularly satisfying, having met cash guidance two years in a row, that we're not reconfirming the cash plan for the next fiscal year.

Financial net debt is coming as expected, to around €400 million at the end of fiscal year 2025-2026. Liquidity is solid with a gross cash position of €2.3 billion at the end of March 2026. Revolving credit facilities of respectively €2.5 billion and €1.75 billion and a €2.5 billion commercial paper programme.

Turning now to the preliminary 2026-2027 outlook. Commercial activity should remain strong and we guide for a book to bill ratio above one. Organic sales growth should be around 5%. We expect the adjusted debit margin to return to around 6.5% in fiscal year 2026-2027, with R&D expenses expected to increase as a percentage of sales. The improvement will be driven by rebounding gross margin back to levels seen in fiscal year 2023-2024. Gross margin in the backlog now stands at 18%.

We expect positive free cash-flow for year 2026-2027. On the one hand, we expect commercial activity will be robust, driving solid downpayments. On the other hand, lower margin than previously anticipated, CapEx to support the growth of services being pulled forward, as well as trade working capital changes will weigh on the cash compared to what we'd previously planned.

This concludes our introduction remarks. Now, Martin and I will open the floor to your questions.

Questions and Answers

Operator: Ladies and gentlemen, if you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Gael de-Bray from Deutsche Bank. Please go ahead.

Gael de-Bray (Deutsche Bank): Oh, thanks very much. Good evening, everybody. I guess the first question is for Mr Sion. I'm wondering if you had time to go through some of the projects yourself. I mean, if the project review I guess is not finalised, but I guess I'm trying to judge whether there will be a second round of adjustments potentially later in the year. So, that's question number one.

Question number two is around the free cash-flow guidance, which apparently you expect to remain positive in the upcoming year, although with a negative free cash-flow, that is expected to be around €1.5 billion in H1. So, I don't really get how you hope to turn it into a positive free cash-flow for the year, given the pretty slow start.

And then lastly, at the end, I mean, do you expect the group's net debt to decrease or increase by the end of the next fiscal year? Thank you.

Martin Sion: So, Bernard, maybe I take the first one and you take the two other. So, what did I do in the last two weeks? I shared my time between programme – not programme but regional reviews and product line reviews. We were concentrating on the budget process which was being achieved. So, regions by regions, we had the concatenation of all programmes and with overview of all the challenges and also all the achievements of each programme. So, I did not do a specific programme review for each of the programmes, but it was regions by regions and product line by product line.

And the other half of my time I was in the different sites in France, Germany, Italy in five sites, to confront what were the assumptions, operational assumptions, which were behind the financial figure. So, we remain – if we look at today's situation, I acknowledge the situation with – this is what I know today. It's true that we have already identified areas where we can put in place immediate improvement in terms of operational excellence and our priority is to secure execution of the projects to deliver what is mentioned in this guidance. Bernard?

Bernard Delpit: Yeah. As you said, Gael, we expect a strong seasonality in the next year, both in H1, negative, around €1.5 billion. You spotted it well. And in H2, with a very positive free cash-flow expected. By the way, when you look at the track record on those last years, H2 has been stronger and stronger year over year. So yes, I confirm strong H2 expected, bringing the cash-flow for the year in positive territories. And regarding the debt, I expect is going to be stable or a slight increase.

Gael de-Bray: Okay. Thanks very much. I'll probably get back in the queue. Thank you.

Bernard Delpit: Next question, please.

Operator: The next question comes from James Moore from Rothschild and Co Redburn. Please go ahead.

James Moore (Rothschild and Co Redburn): Oh, yes. Thank you and good evening. I don't know if you can hear me, because I couldn't hear your answer to the last question. There seemed to be some distortion on the line. But I'll try anyway. It's a philosophical question really, and if we think about the last 20 years, free cash conversion has been about 50%, 60%. It's been a long standing topic. And if we take the free cash, including your new guidance, for the seven years since the merger, we're talking about declaring €1.2 billion of free cash, but probably closer to €2.5 billion of free cash burn if we adjust for hybrid and lease payments and minorities.

I have to confess to believing, with the number of the managerial changes in the last couple of years, that you would be able to change the free cash management of the company to deliver an improved outcome, which we now appear not to be able to achieve. I guess the question would be when you look at the last couple of years, Bernard, and you compare it to say your main competitor making a high single-digit free cash margin, what is it you think you've come to understand about the challenges of delivering and improved free cash-flow?

Bernard Delpit: Hi, James. To make it very simple, execution makes a difference, and that's where we are facing some challenges here. So, there is no magic trick here, we need to improve execution. So, again, I said that I was not really happy with having met the guidance in the last years and semesters and not doing it again next year. I will not answer over the longer cash conversion, because what was Alstom 20 years ago is totally different from what Alstom is today. And our plan is to have Alstom very different in the next years from what Alstom has been since the merger in 2021. So, we are in this phase, true.

And we'll discuss a bridge on free cash-flow on the 13th of May when we will have some detail analysis on what makes the gap to the €1.5 billion that we planned two and a half years ago. And so we'll make it clearer that project execution, simply project execution, makes the difference.

Martin Sion: And if I may complete, I mean, the project execution is really concentrated on rolling stock. And among rolling stock, in the part of the projects which are significant part of the problems are in a part of the projects where we are developing new products. And there are a lot of new products which are being introduced in service. And the end of development, homologation and ramping production is a challenge in some sites. The good news is that when we are in serial production, the product are produced efficiently, with good quality and customer satisfaction. So, I don't want to give the feeling that it's all the projects on all phases. There are some topics where we should concentrate the effort.

James Moore: Martin, maybe if I could follow up, and very nice to meet you. But I noticed a huge improvement in the operational performance in your previous business, Arianespace, and I wondered if you could talk about some of the levers that you use to improve that performance and what you think is relevant for your current role, and from your early exploration of the company, what you identify as topics that could be changed in the way that you perhaps previously changed them in that position.

Martin Sion: So, yes, I was in the three previous years, CEO of Ariane Group, which is also a project company with two big projects. And the one you're mentioning is Ariane 6. And it's clear that one of the levers that we use on Ariane 6 was to really focus all the management in order to secure first the first flight date and then the production ramp up. There are levers which are, I would say, usual levers of improvement which exist in all industrial company. And in a project company we need to have a strong focus on planning adherence, which is clearly a key even more than in other companies.

At the same time, one of the specificity of Alstom, compared to Ariane Group, is that we've got hundreds of projects. We have an industrial footprint which is very different. We are multi local. And so, it will not be a copy-paste from things we have done before. But I believe that with the people I met in the factories on the site, we do have the resources in order to improve operational excellence. It will not be something which will be from day one to day two, but there are things that we can start very rapidly.

James Moore: Thank you very much.

Operator: The next question comes from Akash Gupta from JP Morgan. Please go ahead.

Akash Gupta (JP Morgan): Yes, hi. Good evening, Martin and Bernard. Thank you for your time. I've got three questions as well. My first one is a follow-up to previous question, when you answered that the problems are in some rolling stock projects. So, I mean, we have heard before that Alstom in a given year is working on hundreds of projects in a year. Can you quantify, are we talking about issues in just a handful of projects or is it more widespread across the organisation, which means that it might take significantly longer to fix? So, that's number one, to quantify how many projects out of the total projects that you're working on are really this problem child.

The second one is on a balance sheet. So, when we look at your cash-flow guidance, and your guiding €1.5 billion outflow in first half, when you speak to rating agencies, is your balance sheet strength enough to cope with this first half cash outflow, or do you think that some action might be required to strengthen the balance sheet?

And then the third and final one is on contract assets. When I look at your revenue for last fiscal year as well as guidance, I don't see any haircut on your revenues, which to me doesn't indicate that you have taken any haircut on contract asset or you are planning to take any haircut on contract asset. Can you confirm if that is really the case? Thank you.

Martin Sion: So, what I can say is that there are several projects which are in difficulty, but it's obvious that there are some big projects, and when we are late then you've got domino effect with significant consequences. But an addition of small projects which are late can have also consequences on the – for the company. So, what we really consider is that we have to improve execution throughout our rolling stock activity. And it's not a topic of solving one or two or three topic or three projects. It's more something that we have to address in general and concentrating on the critical phase, which is ramp up, which is the end wind that we had this year. By the way, you also know that we have also some projects which are at late stage of execution with low margin, but I think that has been already discussed in the past.

Bernard Delpit: Yeah, Akash, I will take the next ones. Yes, I believe the balance sheet is strong and robust enough to deal with the seasonality of H1. Credit metrics are estimated in line with previous fiscal year with solid cash position. The business plan confirms consistency with BAA3 rating expectations. And we are, of course, totally committed on investment grade rating and further credit metrics improvement. We have an open dialogue with credit agency but I will not – and I cannot speak on behalf. But we have an open and transparent dialogue with the agency.

And on your last question, contract assets? No indeed, no haircut as such on contract assets.

Akash Gupta: Thank you.

Operator: The next question comes from Daniela Costa from Goldman Sachs. Please go ahead.

Daniela Costa (Goldman Sachs): Hi. Good afternoon, both. Thank you for taking my question. I have two as well. But I just wanted to actually understand, in the last three months since you had reiterated the 7% guidance before, exactly sort of like all of these – was it just all of these projects coincided on that? Was it a bit of Middle East pause? Or is a pretty very big chunk and with 100% drop through loss? How come that everything just came now or you just found it out now and you had to do adjustments maybe to what was going on before just – because it was fairly shortly that you've actually had reiterated the 7% margin guidance?

Bernard Delpit: Hey, I will take this one, Daniela. It's true that the operational situation was not the same at the end of December, at the end of Q3. And you remember that we said since the very beginning of the year that the ramp up was backend loaded and Q4 was key for volumes and for homologation, for project Milestone. So, it's true that what happened in Q4 has changed our view on the way to address project reviews, that are happening, by the way, in February, March, and beginning of April. So, that's absolutely true, that the situation has changed in the last quarter. But, in a way, it was expected that the Q4 was kind of critical time for the full year.

Daniela Costa: Got it. Thank you. And then just thinking about the margin guidance for next year and what you factored in, is it the whole versus what you had before just continuing to roll these problems for longer? Or how much have you factored in already from things like the new way the Section 232 is calculated in the US where it seems like final products now get 25% and the USMCA is overwritten and just general inflation? And how different are you in being able to deal with this general inflation versus what you were able to do like two, three years ago when we had a similar situation?

Bernard Delpit: Well, frankly, Daniela, I don't see the inflation topic as totally crucial for the way we assess our margins going forward. I don't know if it's a time now to give you a proper bridge in terms of moving parts from the gross margin in 2025-2026 to 2026-2027, but for sure we see a strong improvement from last fiscal year to the next one. And on top of that, you have also to consider volumes. You need also to take in consideration maybe some cautiousness in the way we assess next year challenges. Because, as Martin said, we are in the ramp up phase. We have not been able to be totally successful, the least, we can say, in Q4 this year. So, the ramp up continues and it will be on our agenda, top of the agenda for H1 this year. And that's why, by the way, we have this kind of seasonality.

So, inflation, I do not see that as a major topic, because as you said before, we're, we think, well protected. We look very carefully at everything that happens on logistics and commodities.

But I do not think that's the main point that we wanted to raise by updating the margin in 2025-2026 and 2026-2027.

Daniela Costa: Got it. Thank you very much.

Operator: The next question comes from Vlad Sergievskiy, from Barclays. Please go ahead.

Vlad Sergievskiy (Barclays Bank): Yes, gentlemen, good afternoon. Appreciate you taking the time. I have two groups of questions. I'll start with one on free cash flow. The guidance is up to €1.5 billion cash outflow in the first half. But at the same time you, I understand, plan to make some positive EBIT in the first half. So, can I ask why this gap between cash-flow and earnings just keeps widening? The other one, why swings between first half and second half cash-flows are just getting bigger and bigger every year? And maybe finally on cash-flow, which component of trade working capital will be driving big cash outflow in the first half? Is it contract assets or contract liability?

Bernard Delpit: I will try to answer to your question. So, it's true that we have a strong seasonality. EBIT has also kind of seasonality. But let me take a step back. When I tried to explain what is missing in the cash with the previous plan, it comes from FX, it comes from CapEx, but it comes also from EBITDA. So, from margins. From that point of view, I think we have a very good consistency with what we are seeing on EBIT and margins and what we are seeing in terms of free cash-flow.

Now, to your last questions, what we see for the working capital, it has to do first with the seasonality in terms of contract liabilities. I mean, we think that the phasing of down payments will be more pronounced with less in H1 and more again in H2. And we also have trade working capital in H1 that would be adverse with some payables headwinds in H1. So, I don't know if you can – it answers all your question, but at least that are the moving parts in the equation of free cash-flow next year.

Vlad Sergievskiy: Thank you very much for those details. Can I also ask then on the balance sheet? It looks like you could have net debt in excess of €2 billion in September, and in that period, potentially even higher. Do you think in principle this is the right balance sheet for a project business, which carries sizable multi-billion pre-payment? And also, just to clarify, did you manage to speak to Moody's already on those numbers or this conversation is yet to happen?

Bernard Delpit: Okay. So, I say again what I said, we have an open dialogue with Moody's, but I will not share more on that with you. We speak of course with Moody's on regular occasions, so they are aware. And second, on the balance sheet, I keep saying the same for the last two years, we need to have a strong balance sheet. I think we need to be a net cash, considering the size of the backlog and the kind of activity that we have. It's not that different from other integrators with some seasonality in what they do. So, I have not changed my mind, we need a strong balance sheet to operate in this business. But looking at it with another angle, our liquidity is ample today and I do not see that at all as an issue.

Vlad Sergievskiy: That's clear. Thank you very much.

Operator: The next question comes from Jonathan Mounsey from BNP Paribas. Please go ahead.

Jonathan Mounsey (BNP Paribas): Hi. Yeah. Thanks for fitting me in. Just really thinking back to - obviously, we had a clear the deck exercise in, I think 2024 and 2025, rights issue, hybrid bonds, as I remember it. And on the hybrid bonds, my remembering is that the plan was probably to redeem it at the first opportunity, which I think is like five years in, it's 2029. And from memory, if you don't do that, it's almost 3% margin on top of the going rate. Do you think – I mean, obviously we're not going to generate at least €1.5 billion to the end of 2027. I don't know what comes after, but the starting point on the margin is only 6.5% now. It should have been somewhere in the 7%s, high 7%s, by the end of 2027, it's not going to be so now. It all points to less cash generation.

What's going to happen to that hybrid now? I understand you've got liquidity for now, but your liquidity would be greatly reduced if you had to redeem that bond? Or is there potential here that we're just going to turn it into equity? Thank you.

Bernard Delpit: Hey, Jonathan. I mean, as you said, it's a non-call 5% that we have, non-call 5.25%, by the way, that we have issued in May, 2024. So, that's not a question for the short term. And we have not discussed and we will not discuss free cash-flow beyond March 2027. So, it's not a question for today. And the way we will deal with hybrid is something that we discuss at a later stage. But I take your point, but I don't think it's on the agenda for the coming, I would say months and quarters. Thank you.

Operator: There are no more questions at this time. So, I hand the conference back to the speakers for any closing remarks.

Bernard Delpit: Okay. Thank you very much. Just want to reiterate that we were dealing with preliminary figures and preliminary outlook. So, we will talk to you next on the 13th of May with our fiscal year results and usual financial communication. Thank you very much. Good evening.

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