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(AKA.PA – FR0004180537)

November 15, 2018 at 05:45pm

Inside/regulated information

LAUNCH OF AKKA'S NORTH AMERICA BUSINESS UNIT

AKKA FINALIZES THE ACQUISITION OF PDS TECH IN THE UNITED STATES

PRESS RELEASE

Brussels, November 15, 2018 – Following the approval by US authorities, AKKA has finalized the acquisition of PDS Tech Inc.¹ This acquisition is part of the CLEAR 2022 strategic plan and aims to **create a leading engineering and technology services consultancy in the US.**

To support the strong demand from North American clients of PDS Tech and to take advantage of synergies with AKKA's existing customers, AKKA has been actively structuring its North America Business Unit for continued success. Consequently, AKKA has appointed Cash Nickerson as Chairman of the Business Unit and has assembled a highly experienced advisory board, combining both technical expertise and first-rate business connections to accelerate AKKA's development in North America.

As a long-time shareholder of PDS Tech, Cash Nickerson has served as the company's President and Chief Financial Officer for fifteen years. He has worked in a variety of high-tech industries for over 30 years and will bring his extensive knowledge of the North American aerospace market and his network of top tier clients to the AKKA Group. Cash Nickerson will also join AKKA's Group Executive Committee. Benjamin Ricci, who recently set up the AKKADEMY, AKKA's in-house training and innovation hub, will work alongside him. The operational management will be led by one of AKKA's long-time managers from the Aerospace Sector.

Maurice Ricci, Chief Executive Officer of AKKA, said:

"Today AKKA enters the United States with the ambition of becoming a leader in the US R&D market, capable of supporting the world's leading industry players, who are looking for external support. This operation will create value for US industry and contribute towards achieving our growth and operational performance targets as set out in our strategy CLEAR 2022. I am delighted that Cash Nickerson is joining us in this endeavour. We have brought together a distinguished and accomplished group of individuals to join our advisory board, and they will play a key role in the successful roll-out of our ambitions in the United States."

CREATION OF A LEADER IN THE UNITED STATES

The US market for R&D consulting and engineering is valued at \$295 billion² and is expected to double over the next several years. An important development and market signal among large industrial players today is the increasing concentration of outsourced engineering services in their supply chains.

With the acquisition of PDS Tech, AKKA is ideally positioned to benefit from the strong growth in the United States for outsourced R&D services. AKKA aims to be at the forefront of this trend and support its global clients operating in North America.

¹ On June 2018, AKKA announced that it had started exclusive and firm negotiations with the shareholders of PDS Tech in view of its acquisition

² Source : Zinnov.

PDS Tech brings to AKKA significant complementary benefits:

- AKKA is positioned as one of the leading suppliers to the US aerospace industry (five-time winner of Boeing's *Performance Excellence Awards* for the quality of its engineering services and nominated by Gulfstream as *Best Supplier of the Year*);
- Revenue of **\$300M** is expected for the fiscal year 2018, **organic growth of more than 15%**;
- **AKKA can rely on a unique recruiting capacity** close to the main innovation hubs and major US manufacturers:
 - ✓ Ability to recruit 10,000 engineers per year;
 - ✓ A database of 1.2 million CVs.

Cash Nickerson, Chairman of AKKA North America's Business Unit, added:

"I look forward to this new challenge and to develop the AKKA North America business. With 8% growth to nearly \$300 billion in 2017, the US outsourced R&D market is three times larger than that of France and Germany combined. The combination of PDS Tech and AKKA provide a powerful driver to accompany leading US companies towards integrated solutions."

A WELL-MANAGED INTEGRATION

The new management team will leverage its proven expertise of the North American market and AKKA's engineering know-how to build a Business Unit with solid foundations to capitalize on this outsized growth opportunity.

AKKA North America will continue to operate with the **PDS Tech** brand, teams, and business model for staffing activities, while benefiting from numerous synergies with the AKKA Group. **PDS Tech will accelerate its established business** in the US for both AKKA's as well as its own long-standing clients. In parallel, **AKKA will deploy its structured offerings in the North American market** to support the **evolution in demand** of major clients towards technology and innovation consulting services.

PDS Tech and AKKA have already benefitted from initial commercial synergies:

- **Mitsubishi Aircraft Corporation (MITAC):** as a long-time customer of AKKA and of PDS Tech since 2014, the combined offerings will strengthen cooperation with MITAC.
- **Boeing:** PDS Tech's main customer in the United States, welcomes of the move between PDS Tech by AKKA. Thanks to the new set-up, the Group will make every effort to provide solutions for close to 1,500 open positions at Boeing.
- **Fincantieri:** to whom PDS Tech is the main supplier in the US, is rapidly growing in the United States and Europe, and has an active policy of outsourcing its R&D activity. The combination of PDS Tech's positioning in the United States and AKKA's positioning in Europe opens up a strong partnership opportunity with this key client.



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A VENTURE CREATING SUBSTANTIAL VALUE

PDS Tech is well-positioned to quickly capture growth in the industry. **PDS Tech's revenue is expected to grow by 15% to \$300M in 2018**, compared to \$260M in 2017, with a **2018 operating margin up by 100 basis points**.

In parallel, AKKA has identified margin improvement drivers that will enable the **North America Business Unit to reach an operating margin of 7% by 2020**:

- Strong commercial synergies and recruitment acceleration have the potential to improve the margin by 150 to 200 basis points;
- Decreasing overhead costs a further 100 to 150 basis points;
- Optimized facility management another 50 to 100 basis points.

AKKA's North American activities will also benefit from the **ramp-up of the Group's engineering offerings to achieve 10% profitability by 2022**, in line with the Group's objectives.

In summary, given the expectation of margin growth and an acquisition price of less than \$100M negotiated on 2017 performance, the Group confirms that this transaction will be accretive in the first year.



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Next Event:

Publication of Q4 2018 revenue: Thursday, February 7, 2019

About AKKA

AKKA ranks as the European leader in engineering consulting and R&D services in the mobility sector. As an innovation accelerator for its clients, AKKA supports leading industry players in the automotive, aerospace, rail and life-sciences sectors throughout the life cycle of their products with cutting edge digital technologies (AI, ADAS, IoT, Big Data, robotics, embedded computing, machine learning, etc.). Founded 1984, AKKA has a strong entrepreneurial culture and is pursuing fast-paced growth and international development in line with its strategic plan CLEAR 2022. With 16,300 employees in 29 countries, who are passionate about technology and dedicated to advancing the future of industry, the Group recorded revenues of €1.3 billion in 2017.

AKKA is listed on Euronext Paris – Segment B – ISIN code: FR0004180537.

For more information, please visit www.akka-technologies.com

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In case of discrepancy between the French and English versions of this press release, only the French version shall be deemed valid.

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BIOGRAPHY OF CASH NICKERSON



Mr. Steven "Cash" Nickerson is the President and CFO of PDS Tech, Inc., a position he has held for fifteen years. Mr. Nickerson has held a variety of legal and executive positions in his 30-year career. He served as an attorney and marketing director at Union Pacific Railroad, an associate and then partner at Jenner & Block, one of five largest law firms in Chicago, and President and CEO of an internet company operating in the digital economy that he took public through a reverse merger.

BIOGRAPHIES OF THE BOARD OF DIRECTORS OF BU AKKA NORTH AMERICA



Ms. Sid Ashworth recently retired as the Vice President of Government Relations for Northrop Grumman Corporation, a global leader in security. In this role, she was responsible for providing effective management, coordination and support to the company's relationships with the United States Government. She has also been a member of the Northrop Grumman Corporate Policy Council.



General John F. Campbell took office as Vice Chief of Staff of the United States Army on March 8, 2013. The Son of a senior American air force sergeant, General Campbell grew up in military bases around the world before attending the US Military Academy at West Point, New York. He graduated in 1979 with a commission in the infantry division.



Lieutenant-General (Retired) Bob Durbin is the Chief Operating Officer of the Aerospace Industries Association, the most influential American trade association representing the country's leading manufacturers and suppliers to the aerospace industry.



Mr. Stéphane Bollon joined Aeroconseil in the beginning of 2010 as a Sales Manager. Following AKKA Group's acquisition of Aeroconseil in early 2012, he continued to represent the Group and promote its wide range of technology offerings. Then Stéphane was appointed Vice President of International Sales & Development, Deputy Chief Executive Officer France and Senior Vice President Aerospace.



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Mr. Benjamin Ricci graduated with honors from the prestigious Swiss Business School EHL. After working for TEDx and the French energy giant Engie, Benjamin Ricci joined AKKA's head office where he implemented the AKKADEMY, AKKA's digital talent incubator.