

## Acquisition of Bombardier Transportation: accelerating Alstom's strategic roadmap

- A step-change acquisition to address the ever-increasing demand for sustainable mobility
- Excellent strategic rationale bringing to Alstom:
  - Strong commercial and product complementarities
  - Strengthened product lines and strategic industrial capacity
  - Leading portfolio offering and R&D capabilities
- Acquisition price from €5.8bn to €6.2bn
- CDPQ to become the largest shareholder of Alstom with c.18% of the capital

**17 February 2020** – Alstom announces today that it has signed a Memorandum of Understanding with Bombardier Inc. and Caisse de dépôt et placement du Québec (“CDPQ”) in view of the acquisition of Bombardier Transportation. Post-transaction, Alstom will have a backlog of around €75bn and revenues around €15.5bn<sup>1</sup>. The price for the acquisition of 100% of Bombardier Transportation shares will be €5.8bn to €6.2bn<sup>2</sup> which will be paid via a mix of cash and new Alstom shares. CDPQ will reinvest c.€2bn corresponding to 100% of cash proceeds to be received from the sale of its stake in Bombardier Transportation and further invest €0.7bn<sup>3</sup> in Alstom, outlining its strong belief in the strategic rationale and value creation potential of the combination.

*“I’m very proud to announce the acquisition of Bombardier Transportation, which is a unique opportunity to strengthen our global position on the booming mobility market. This acquisition will improve our global reach and our ability to respond to the ever-increasing need for sustainable mobility. Bombardier Transportation will bring to Alstom complementary geographical presence and industrial footprint in growing markets, as well as additional technological platforms. It will significantly increase our innovation capabilities to lead smart and green innovation. We will be thrilled to welcome all the talent and energy of Bombardier Transportation employees. We are deeply committed to step up the turnaround of Bombardier Transportation activities and deliver significant value to all stakeholders, particularly our customers. We will also further develop Bombardier Transportation’s historical presence in Québec, drawing on Québec’s well-established strengths in innovation and sustainable mobility. We are pleased to welcome CDPQ as a new long-term shareholder.*”

<sup>1</sup> Based on Alstom results as of 31-march-19 and Bombardier results as of 31-december 2019

<sup>2</sup> Floor and cap 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

<sup>3</sup> €2.6- 2.8bn equity to be provided by CDPQ through a reserved capital increase at closing

*CDPQ is fully supportive of the transaction and Alstom's strategy.*" said Henri Poupart-Lafarge, Chairman and CEO of Alstom.

### **A step-change acquisition**

Alstom and Bombardier operate in a very positive market environment with passenger traffic expected to grow between 3% to 5% annually over the 2015-2025 period and global rail OEM market expected to achieve a +3.0% CAGR between 2021-2023<sup>4</sup>. The dynamic is driven by urbanisation trend and a strong push for decarbonation of mobility. In Europe, the European Commission has set very ambitious targets in terms of CO2 reduction and several countries have announced large investments in rail.

Alstom is a preeminent rail equipment player with an industry-record backlog of €40bn and €8.1bn of annual sales as of 31-Mar-2019. Over the period 2016-2019<sup>5</sup>, Alstom delivered strong sales development with an average annual growth of 5.5% outperforming the market, and significantly improved profitability (up to 7.5% adjusted EBIT margin).

Bombardier Transportation is a reference player in global rail transportation with a €32bn backlog and €7.4bn sales as of December 2019. With a track record of market leadership and a strong expertise, Bombardier Transportation offers a broad product portfolio across all market segments and has a well-balanced industrial footprint between best-cost and high-tech countries.

Post-transaction, Alstom will benefit from significant additional technologies and added R&D resources to consolidate its innovation leadership in sustainable mobility.

The group will also further develop its presence in Québec, Canada. After the transaction, Montréal will welcome the Headquarters of Alstom of the Americas, leading all Alstom operations and expansion in these geographies. In addition, drawing on Québec's well-established strengths in innovation and sustainable mobility, Alstom will establish a centre of excellence for design and engineering, as well as high-tech R&D activities, which will notably be focused on developing sustainable mobility solutions.

### **A unique opportunity to accelerate Alstom's strategic roadmap, Alstom in Motion**

The acquisition of Bombardier Transportation is a one-time opportunity coming at the right moment for Alstom, having significantly strengthened its operational and financial profile over the past 4 years to accelerate its strategic roadmap, and adding to Alstom complementary commercial and industrial platforms. Bombardier Transportation will notably bring to Alstom:

- complementary geographical presence to broaden Alstom's commercial reach in key growing markets leveraging on Bombardier's successful historical track record in Germany, UK, North America and its unique presence in China

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<sup>4</sup> UNIFE and SCI Verkher

<sup>5</sup> Between FY 2015/16 and FY 2018/19

- attractive rolling stock additions to Alstom's portfolio establishing a comprehensive offering across all rail segments to better address customers' needs for fit-for-purpose mobility solutions, notably with selective niches such as Monorail, People Mover and bringing strong expertise recognition through the development of local specific solutions to blue-chip clients
- significant assets for Alstom services business with access to the largest installed train fleet worldwide and a wide maintenance facilities network in a high value segment and opening new opportunities with a strengthened market coverage and service offering
- complementary and strategic new geographies in signalling enabling Alstom to accelerate the roll-out of its solutions leveraging on new market access and highly qualified employees consolidating Alstom capabilities in a strategic segment
- complete innovation portfolio and significant engineering and R&D resources to lead smart and green mobility innovations
- best cost industrial footprint including in Eastern Europe, Mexico and China and complementary footprint in mature markets e.g. Germany & UK

### **A value-creating transaction for all stakeholders**

Alstom is committed to recover Bombardier Transportation's full operational and profitability potential with the objective of restoring project execution and margin towards standard level. This will be achieved thanks to clearly identified levers including:

- focus on operation turnaround and backlog execution based on Alstom best practices systematic roll-out
- structured action plan to ensure successful integration and deployment of Alstom best practices and technologies globally
- Alstom's financial discipline and successful track record in profitability step-up
- the strong cultural fit and understanding of Bombardier Transportation developed during numerous co-led projects

In addition, tangible and executable synergies have been identified and Alstom plans to deliver €400m run rate cost synergies in year 4 to 5.

As a result of greater efficiency and of a more robust operational profile, the transaction is expected to be double-digit EPS accretive from year 2 post closing<sup>6</sup> for Alstom shareholders.

Customers will also benefit from the extensive expertise and the broad portfolio of this larger entity.

### **CDPQ becoming a new long-term shareholder of Alstom**

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<sup>6</sup> Post cost synergies and implementation costs, and before PPA amortization

Pursuant to the terms of the acquisition, CDPQ (currently holding 32.5% of Bombardier Transportation), will become the largest shareholder of Alstom with approximately 18% of capital<sup>7</sup>. CDPQ is a highly regarded strategic investor with a long-term investment approach and has a significant and successful track record in the rail industry. It is fully supportive of the transaction and Alstom's strategy. CDPQ will reinvest its proceeds for c.€2.0bn and realize an additional investment of €0.7bn in Alstom.

Bouygues will remain an important shareholder of Alstom with around 10% of capital<sup>8</sup>. It is fully supportive of the transaction and undertook to vote in favor of the transaction-related resolutions at the EGM.

For existing Alstom shareholders, the transaction is expected to deliver significant value and they will be offered the possibility to accompany Alstom in the financing of this strategic acquisition through a rights issue, subject to EGM approval.

### **Indicative timetable and next steps**

The signing of the Memorandum of Understanding has been unanimously approved by each of Alstom's and Bombardier Inc.'s board of directors and the envisaged transaction is fully supported by CDPQ.

The Memorandum of Understanding organises the information and consultation process by Alstom and Bombardier of their respective Works Councils and contains exclusive commitments by both parties.<sup>9</sup>

An extraordinary general meeting (EGM) voting on the reserved capital increases and the rights issue should take place no later than October 31, 2020. Bouygues undertook to vote in favour of the transaction-related resolutions at this EGM.

Subject to the EGM, rights issue will take place between H2 2020 and H1 2021 and the reserved capital increases will take place at closing.

The transaction will also be subject to clearance from relevant regulatory authorities and anti-trust authorities. Closing is expected in the first half of 2021.

## **APPENDIX**

### **Deal transaction terms**

#### **Structure of the transaction**

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<sup>7</sup> Post equity raising transactions including rights issue

<sup>8</sup> Post equity raising transactions including rights issue.

<sup>9</sup> A €75million break-fee is payable at the termination of the Memorandum of Understanding by Alstom if it were not to pursue the transaction

The transaction will take the form of an acquisition, directly or indirectly, of 100% of Bombardier Transportation's share capital and voting rights, held by Bombardier Inc. and CDPQ.

After equity raising transactions, CDPQ will become the first shareholder of Alstom with c.18%<sup>10</sup> of the capital depending on financing and closing conditions and will be committed to a 21-month lock-up undertaking from closing and a 22% standstill<sup>11</sup>. It will appoint two board representatives and one Observer (*censeur*). It will be proposed to the shareholders of Alstom to remove double voting rights to adopt the one share-one vote model.

### Price structure

The price for the acquisition of 100% of Bombardier Transportation shares will be €5.8bn to €6.2bn subject to Bombardier Inc's accounts and mechanisms at closing.

In addition, Bombardier Transportation net cash position at closing will be retained by Alstom and a specific mechanism will lower purchase price on a Euro-per-Euro basis, should Bombardier Transportation have a negative net cash position as of 31 December 2020.

### Fully committed financing – securing the transaction while maintaining Alstom's strong credit profile

Alstom has a fully committed financing structured with the objective of maintaining Alstom's strong credit profile and commitment to its Baa2 rating.

The acquisition of 100% of Bombardier Transportation shares will be paid with a mix of cash and new Alstom shares. The total equity component of the financing will represent approximately €5bn, of which €2bn will be raised on the market.

- €2.6- 2.8bn equity to be provided by CDPQ through a reserved capital increase at closing, for a fixed subscription price of 44.45 euros per Alstom share. CDPQ is to reinvest 100% of the transaction proceeds (€1.93-2.08bn)<sup>12</sup> in Alstom and add new money for €0.7bn.
- €0.5bn equity to be provided by Bombardier Inc. through a reserved capital increase at closing, for a fixed subscription price of 47.50 euros per Alstom share<sup>13</sup>
- €2.4bn bridge facility, fully underwritten by banks, to be refinanced through
  - an equity portion expected to represent up to €2bn to be raised through a rights issue subject to market conditions
  - new debt issuance of c.€0.4bn new debt
- the balance to be paid with Alstom existing cash on the balance sheet including Bombardier Transportation net cash at closing.

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<sup>10</sup> Indicative proforma shareholding after all equity raising transactions, including a €2bn rights issue

<sup>11</sup> Or 2% above its shareholding at closing if such shareholding exceeds 20%

<sup>12</sup> based on final transaction price to be determined at closing

<sup>13</sup> Resulting in a c.3% shareholding post equity raising, three months lock-up undertaking from closing

Alstom will reinforce its liquidity profile through a new €1.5bn Revolving Credit Facility replacing Alstom's and Bombardier Transportation's existing revolving credit facilities. The new facility will have a five-year tenor with two one-year extension options.

Rothschild & Co and Société Générale are acting as financial advisors to Alstom. Société Générale, Crédit Agricole Corporate & Investment Bank and HSBC are acting as underwriters in the bridge and revolving facilities, with Société Générale also acting as Structuring and Coordinating bank. Cleary Gottlieb Steen & Hamilton is acting as lead legal advisor to Alstom.

**Alstom will hold an analyst call on Monday 17 February at 6:30pm CET**



**About Alstom**

Leading the way to greener and smarter mobility worldwide, Alstom develops and markets integrated systems that provide the sustainable foundations for the future of transportation. Alstom offers a complete range of equipment and services, from high-speed trains, metros, trams and e-buses to integrated systems, customised services, infrastructure, signalling and digital mobility solutions. Alstom recorded sales of €8.1 billion and booked orders of €12.1 billion in the 2018/19 fiscal year. Headquartered in France, Alstom is present in over 60 countries and employs 36,300 people.



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prospectus, product disclosure statement or other offering documents for purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14<sup>th</sup> 2017.

This announcement includes forward-looking statements, including but not limited to statements relating to Alstom's and Bombardier's beliefs and expectations regarding the acquisition of Bombardier Transportation by Alstom and expectations regarding the proposed transaction, benefits that would be afforded to customers, benefits that are expected to be obtained as a result of the proposed transaction and the relevant parties' ability to enhance shareholder value through, among other things, the delivery of cost savings and expected synergies. These statements are based on certain assumptions and reflect Alstom's and Bombardier's current expectations.

These forward-looking statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. Alstom or Bombardier may also make forward-looking statements in other reports, in presentations, in materials delivered to shareholders and in press releases. In addition, Alstom's or Bombardier's representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and assumptions of Alstom's and Bombardier's respective management teams, and depend on numerous factors that are beyond Alstom's or Bombardier's control. These forward-looking statements are subject to a number of risks, uncertainties and factors, including but not limited to: the failure of Alstom's shareholders to approve the proposed transaction; the effect of regulatory conditions, if any, imposed by regulatory authorities; the reaction of Alstom's and Bombardier's customers, employees and suppliers to the proposed transaction; the ability to promptly and effectively integrate the business of Bombardier Transportation within of Alstom; the diversion of management time on transaction-related issues; and those risks described in disclosures that have been made or may be made with regulatory authorities such as the French Autorité des marchés financiers (the "AMF") and/or the Autorité des marchés financiers (Québec). Should one or more of these risks or uncertainties materialize, or should underlying expectations or assumptions prove to be incorrect, the actual results, performance, financial condition and prospects of Alstom or Bombardier may vary materially from those expressed or implied in the relevant forward-looking statements. Neither Alstom nor Bombardier intends, nor assumes any obligation, to update or revise these forward-looking statements in light of subsequent developments, new information or circumstances that differ from those currently anticipated. There can be no assurance that the proposed transaction will be consummated or that the anticipated benefits will be realised. The proposed transaction is subject to various regulatory approvals and the fulfilment of certain conditions, and there can be no assurance that any such approvals will be obtained and/or such conditions will be met.

This document includes supplemental financial measures that are not clearly defined under IFRS and that are or may be non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation or as alternatives to measures of [Alstom] and [Bombardier Transportation]' net assets and financial position or results of operations as presented in accordance with IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled supplemental financial measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

### **Additional information**

In connection with the proposed transaction, Alstom may file (i) with the AMF, a prospectus and other relevant documents in connection with the proposed transaction and (ii) if applicable, with the relevant regulatory authorities important documents related to the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO CAREFULLY READ ALL RELEVANT DOCUMENTS FILED WITH THE AMF AND THE RELEVANT REGULATORY AUTHORITIES , INCLUDING THE PROSPECTUS WHEN IT BECOMES AVAILABLE, BECAUSE THEY WILL CONTAIN

IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders may obtain free of charge a copy of the prospectus as well as other documents filed with the authorities (when they are available) at the AMF's website, [www.amf-france.org](http://www.amf-france.org), and the relevant regulatory authorities' websites. Those documents, when filed, may also be obtained free of charge [from Alstom's website at [www.alstom.com](http://www.alstom.com) or by contacting Alstom's Investor Relations team at [investor.relations@alstomgroup.com](mailto:investor.relations@alstomgroup.com).