Proposed acquisition of Imperva

CREATING A WORLD-CLASS CYBERSECURITY LEADER

www.thalesgroup.com
Transaction highlights

Agreement to acquire Imperva, a leading US-based data and application security provider, from Thoma Bravo, subject to regulatory approvals

Rare opportunity to create a world-class premium cybersecurity leader
- Imperva ideally positioned on the fast-growing data and application security markets
- Recently scaled up, top tier technology platform
- Robust “rule of 30” software business model

Compelling strategic rationale for Thales
- Broad and complementary product offering, massively increasing TAM\(^{(a)}\)
- Entering a double-digit growing cybersecurity product category: application security
- Changing Thales’ scale in the cybersecurity market

Material shareholder value creation
- $110m run-rate pre-tax synergies
- Significant enhancement of DIS financial profile

(a) TAM: Total Addressable Market
## Contemplated transaction details

<table>
<thead>
<tr>
<th>Transaction description</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>&gt; Proposed acquisition of 100% of Imperva share capital from Thoma Bravo</td>
<td></td>
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<tr>
<td>- 2022 sales of $496m</td>
<td></td>
</tr>
<tr>
<td>- Sustained double digit top line growth, ~20% EBIT margin in 2027</td>
<td></td>
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<tr>
<td>&gt; Closing expected by beginning of 2024, subject to regulatory approvals</td>
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<table>
<thead>
<tr>
<th>Transaction consideration</th>
<th></th>
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<tbody>
<tr>
<td>&gt; Transaction price based on a $3.6bn enterprise value&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td></td>
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<tr>
<td>&gt; Valuation multiples:</td>
<td></td>
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<tr>
<td>- Implied EV/2024E sales multiple of 6.1x</td>
<td></td>
</tr>
<tr>
<td>- Implied EV/2024E EBIT of 17x post synergies&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>- Implied EV/2027E EBIT of 13x post synergies&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td></td>
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<tr>
<td>&gt; Significant medium-term EPS accretion</td>
<td></td>
</tr>
<tr>
<td>&gt; Transaction adjusted ROCE&lt;sup&gt;(c)&lt;/sup&gt; &gt; WACC in Year 5 post-closing</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing and leverage</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Transaction funded with a mix of cash and debt to be raised</td>
<td></td>
</tr>
<tr>
<td>&gt; Maintaining solid investment grade. Pro forma 2024 leverage ratio: ~0.7x&lt;sup&gt;(d)&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

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<sup>(a)</sup> $3.7bn gross Enterprise Value, net of ~$0.1bn tax benefits  
<sup>(b)</sup> Run-rate cost and revenue synergies of $110m  
<sup>(c)</sup> The definition of all non-GAAP measures can be found in appendix  
<sup>(d)</sup> Net debt / EBITDA. Pro forma proposed acquisitions of Cobham Aerospace Communications, Tesserent and Imperva, based on 17 July 2023 broker consensus available on Thales website
Cybersecurity: a very attractive market and a critical enabler for all Thales businesses

**Very attractive market**
- Long-term fast-growing
- Technology-driven
- Aligned with Thales purpose
- Key building block for a sustainable digital future

**Critical mass already achieved by Thales**
- Solid positions in selected product and service markets
- 4,000+ cybersecurity experts

**Enabler across all Thales businesses**
- Critical capability in all Thales markets
- Digital innovation leadership expands TAM across all divisions

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(a) Sources: PAC, Gartner, IDC

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**Global cybersecurity market (a)**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2026</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td>136</td>
<td>198</td>
<td>+10%</td>
</tr>
<tr>
<td>Services</td>
<td>140</td>
<td>100</td>
<td>+11%</td>
</tr>
</tbody>
</table>

2022 sales: ~€1.5bn

**2026 sales**

- Aerospace
- Defense & Security
- Digital Identity
- Data Protection

Sovereign protection products
- Global cybersecurity market
- Products
- Services

Sovereign protection products
- Digital Identity & Security
- Products
- Services
Transforming DIS into a world-class cybersecurity leader

Strongly expanding civil cybersecurity
Total Addressable Market

2022, $bn

- Current: 22
- New\(^{(a)}\): 36

\(+60\%\)

2022-26 CAGR

\(+10\%\)

Accelerating sales growth

Sales, €bn

- 2024 consensus: 3.6
- 2027 target: 5.4 to 5.5\(^{(b)}\)

\(+6-7\%\) organic CAGR

Materially increasing EBIT potential

EBIT, €m

- 2024 consensus: 520
- 2027 target: \(~900\(^{(b)}\)\)

\(+380\)

EBIT margin

\(~16.5\%\) consensus

\(~16.5\%\) consensus

\(14.4\%\)

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(a) Post acquisitions of Imperva, Tesserent, S21 Sec, Excellium and OneWelcome
(b) Assuming €1=$1.1. Including impact of scheduled transfer of civil cybersecurity businesses from the Defense & Security segment to DIS, subject to social processes.

Proposed acquisition of Imperva - 5
Imperva: uniquely positioned on data and application security
Proposed acquisition of Imperva - 7

**Imperva: leading global data and application security provider**

**Leading global provider of cybersecurity software solutions**
- Focused on data and application security
- Founded in 2002
- Based in San Mateo, CA
- 1,400+ employees

**Diversified blue chip customer base**
- ~35% of Fortune 100
- 7 of top 10 global financial services firms
- 6 of top 10 global telecom providers

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2022 revenue by segment

- **Data security**: $496m (39%)
- **Application security**: $496m (61%)

2022 revenue by geography

- **Americas**: 58%
- **APAC**: 22%
- **EMEA**: 20%

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2022 revenue breakdown:
- Americas: $496m
- APAC: $496m
- EMEA: $496m

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**THALES**

Building a future we can all trust
Addressing some of the fastest growing market segments

**Data security**

Solutions to understand which data is more sensitive and to enforce the necessary data protection and governance capabilities

<table>
<thead>
<tr>
<th>Main offerings</th>
<th>Market forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data discovery and classification</td>
<td>$bn</td>
</tr>
<tr>
<td>Data access monitoring</td>
<td>2022</td>
</tr>
<tr>
<td>Data security governance</td>
<td>~15</td>
</tr>
</tbody>
</table>

Sources: Gartner, IDC, ABI, Accenture

**Application security**

Solutions to protect applications after they get deployed, and the data they use

<table>
<thead>
<tr>
<th>Main offerings</th>
<th>Market forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web Application Firewall</td>
<td>$bn</td>
</tr>
<tr>
<td>Distributed Denial-of-Service (DDoS) Protection</td>
<td>2022</td>
</tr>
<tr>
<td>Advanced bot protection</td>
<td>~6</td>
</tr>
<tr>
<td>Application Programming Interface (API) security</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Gartner, IDC, ABI, Accenture

*Proposed acquisition of Imperva - 8*
Recognized leader in both data and application security

Data security: KuppingerCole Leadership Compass

Selected [Imperva] awards
- Gartner Peer Insights Customers’ Choice for Web Application and API Protection
- Trust Award Winner in the 2022 SC Magazine Awards for Data Security
- Cybersecurity Excellence Award in 2022 for Best Cybersecurity Company

Application security: Gartner Magic Quadrant for WAAP (a)

Proposed acquisition of Imperva - 9
Proposed acquisition of Imperva

Imperva: positioned for sustained long term growth and cash generation

Robust software business model

- Compelling products and technologies
- Highly recurring revenue model
- High growth, high EBIT margin
- Structurally high free cash-flow margin
- US business at scale, with high potential for global expansion

Important growth investments realized over 2021-2023

- Data security customer migration from licenses to subscriptions initiated in 2020
- Scale up of IT infrastructures
- Development of new cloud solutions
- Investments in go-to-market and customer success organization

Sales growth

<table>
<thead>
<tr>
<th></th>
<th>2020 to 22 CAGR</th>
<th>2022 to 27 CAGR</th>
</tr>
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<tbody>
<tr>
<td>+8%</td>
<td></td>
<td></td>
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</table>

EBIT margin (a)

<table>
<thead>
<tr>
<th></th>
<th>2021-22 average</th>
<th>2027</th>
</tr>
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<tbody>
<tr>
<td>16%</td>
<td></td>
<td>~20%</td>
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</table>

Free cash-flow margin (b)

<table>
<thead>
<tr>
<th></th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>~20%</td>
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</table>

(a) Normalized based on GAAP accounts restated for exceptional items
(b) Free cash-flow excluding interest cash-out
A highly complementary combination
Establishing a world-class cybersecurity product portfolio protecting the most critical enterprise assets

Addressing strong demand from enterprise customers to simplify fast-growing complexity of cybersecurity

Proposed acquisition of Imperva - 12
Proposed acquisition of Imperva

Creating the global benchmark data security platform

Data security platform

A. Thales

- Hardware Security Modules
- Encryption
- Tokenization
- Key management

B. Imperva

- Data discovery & classification
- Data security governance
- Data access monitoring

C.

- Web App. Firewall
- DDoS protection
- Advanced bot protection
- API security

- Best-of-breed technology
- Covering all key functional areas
- Benefiting from R&D scale to drive innovation
Run rate pre-tax cost and revenue synergies estimated at $110m

$50m run-rate cost synergies, achieved by 2028
- SG&A savings on full perimeter
- Procurement cost reduction
- Real estate footprint optimization

$60m EBIT impact of revenue synergies expected by 2029
- Enlarged customer base with multiple up-sell and cross-sell opportunities
- Development of combined offerings
- Leveraging scale in services

Expected ramp-up of synergies

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost synergies</th>
<th>Revenue synergies</th>
<th>EBIT impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>~10</td>
<td></td>
<td>~10</td>
</tr>
<tr>
<td>2025</td>
<td>~30</td>
<td></td>
<td>~30</td>
</tr>
<tr>
<td>2026</td>
<td>~50</td>
<td></td>
<td>~50</td>
</tr>
<tr>
<td>2027</td>
<td>~70</td>
<td></td>
<td>~70</td>
</tr>
<tr>
<td>2028</td>
<td>~100</td>
<td></td>
<td>~100</td>
</tr>
<tr>
<td>2029</td>
<td>~110</td>
<td></td>
<td>~110</td>
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</tbody>
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Integration costs: ~$30m over 2024-2026

High confidence on rapid execution leveraging same DNA, increased scale and proven track record
Building a world-class global cybersecurity leader with a comprehensive range of premium products and solutions

**Global security products**
- Data security
- Application security
- Identity & Access management

**Services**
- Threat & risk evaluation
- Training & simulation, detection & response
- Integration projects

**Sovereign protection products**
- High grade encryptors
- Cyber attack detection systems
- Unidirectional security gateways

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Key pro forma metrics

- ~€2.4bn \(^{(a)}\) sales in 2024
- Double digit organic growth
- EBIT margin above 15%

- World-class product portfolio, protecting data and all paths to it
- 11 Security Operations Centers on 4 continents
- Trusted partner for major sovereign protection projects in Europe
- 8,000 employees, of which 5,800 cybersecurity experts

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\(^{(a)}\) Pro forma proposed Tesserent and Imperva acquisitions.
\(^{(b)}\) Assuming €1=$1.1. Scheduled for 1st January 2024 and subject to social processes, the civil cybersecurity services business will be reported within the DIS segment instead of in the Defense & Security segment. Including Tesserent, it is expected to generate sales of €350m to €400m in 2024.
Proposed acquisition of Imperva - 16

Major expansion of civil cybersecurity Total Addressable Market

Civil cybersecurity Total Addressable Market, 2022. Sources: Gartner, IDC, ABI, 451 Research

$bn

Market 2022-26 CAGR

Current TAM

New TAM

Imperva

22

8

12

Data & application security

Identity & Access Management

Premium cybersecurity services (EMEA, APAC)

OneWelcome

S21

Excellium Cyber Solutions/Thales

tesserent

2

3

9

4

9

12

12

12

+60%

+10%

+10%

+10%

+10%

+10%

+14%

+13%

+10%

+13%
Significant enhancement of DIS financial profile

**DIS pro forma 2024 sales mix**

- **27%** Banking & Payment
- **44%** Global cybersecurity solutions
- **13%** Mobile connectivity
- **16%** Biometrics

**2024 sales**(a) ~€4.5bn

**DIS sales and EBIT margin**(b)

- **€bn**
  - **3.6** (2024 consensus)
  - **4.5** (2024 pro forma)
  - **~16.5%** (2027 target)
  - **+6-7%** organic CAGR

**D&S civil cybersecurity business**(c)

- **~4.5** (pro forma)

(a) Pro forma proposed Tesserent and Imperva acquisitions and scheduled transfer to DIS of Defense & Security civil cybersecurity business, subject to social processes
(b) Based on €1 = USD1.1
(c) Expected in the €350m to €400m range

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Proposed acquisition of Imperva - 17
Significant value creation
Significant value creation for Thales shareholders

Attractive transaction multiples

- $3.6bn Enterprise Value, net of tax assets\(^{(a)}\)
- Implied EV/2024E sales multiple: 6.1x
- Implied EV/2024E EBIT post-synergies\(^{(b)}\): 17x
- Implied EV/2027E EBIT post-synergies\(^{(b)}\): 13x

Value creative to Thales

Enhancing DIS financial profile

Significant medium-term adjusted EPS accretion

$110m run-rate synergies

Transaction adjusted ROCE\(^{(d)}\)

above WACC

in Year 5 post-closing

\(\text{[a]}\) $3.7bn gross enterprise value, net of $0.1bn tax benefits
\(\text{[b]}\) Including run-rate synergies of $110m
\(\text{[c]}\) Including phased synergies and one-off implementation costs
\(\text{[d]}\) The definition of all non-GAAP measures can be found in appendix
Acquisition in line with disciplined capital deployment framework

Pro forma 2024E net debt/EBITDA leverage ~0.7x\(^{(a)}\)

- Rapid deleveraging anticipated

Solid investment grade profile maintained

Confirmation of attractive distribution and capital allocation policy

- Confirmation of target dividend pay-out ratio of 40%, in line with previous years
- Continuation of ongoing share buy-back program
- Bolt-on M&A strategy focused on core businesses and accretive to our financial profile

\(^{(a)}\) Based on broker consensus posted on Thales website on 17 July 2023. Including proposed acquisitions of Tesserent, Cobham Aerospace Communications and Imperva
Key takeaways

Rare opportunity to build a global leader in data and application security, driving very significant synergies

Creation of a world-class premium cybersecurity leader

Transaction significantly accretive to DIS financial profile

Acquisition in line with disciplined capital deployment framework

Structurally higher quality portfolio

Sustainable shareholder value creation
Appendix
Proposed acquisition of Imperva

Tripling addressable market in data and application security

Thales data & application security Total Addressable Market

$bn

TAM

Current TAM

4

TAM with Imperva

12

Broadening data security product range thanks to Imperva

Entering application security market

A

B

C

+10%

+15%

+18%

+14%

TAM
2022-26
CAGR
Definition of non-GAAP measures and other remarks

Rounding of monetary amounts
In the context of this presentation, the amounts expressed in millions of euros or dollars are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and variances are calculated based on underlying amounts, which feature in the consolidated financial statements.

Definitions
- Organic: at constant scope and exchange rates

Non-GAAP measures
This presentation contains non-Generally Accepted Accounting Principles (GAAP) financial measures. Thales regards such non-GAAP financial measures as relevant operating and financial performance indicators for the Group, as they allow non-operating and non-recurring items to be excluded. Thales definitions for such measures may differ from similarly titled measures used by other companies or analysts.
- EBIT: income from operations; plus the share of net income or loss of equity affiliates less: amortization of acquired assets (PPA), expenses recorded in the income from operations that are directly related to business combinations. See also notes 13-a and 2 of the consolidated financial statements at 31 December 2022.
- EBITDA: income from operations; plus the share of net income or loss of equity affiliates less: amortization of acquired assets (PPA), expenses recorded in the income from operations that are directly related to business combinations, plus depreciations and amortizations excluding PPA.
- Free operating cash flow: net cash flow from operating activities, less: capital expenditures, less: deficit payments on pensions in the United Kingdom. See notes 13-a and 6.3 of the consolidated financial statements at 31 December 2022.
- Free cash flow: net cash flow from operating activities, less: capital expenditures, less deficit payments on pensions in the United Kingdom, after deduction of interest rate derivatives. See note 6.2 of the consolidated financial statements at 31 December 2022.
- Transaction adjusted ROCE: for a given acquisition, ratio between:
  - at the numerator, EBITDA of the acquisition; plus impact of phased synergies including implementation costs; less capital expenditures; less change in net working capital; less income taxes incurred on EBIT including phased synergies and implementation costs;
  - at the denominator, the net enterprise value of the acquired asset
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