

## **Thales to acquire Cobham Aerospace Communications to strengthen its avionics portfolio**

Thales enters into exclusive negotiation to acquire, for USD 1.1bn<sup>1</sup>, Cobham Aerospace Communications (“AeroComms”), a leading supplier of advanced, ultra-reliable innovative safety cockpit communication systems.

With ~690 employees, of which ~190 engineers, the company operates across a well-invested footprint in France, South Africa, USA / Canada and Denmark. It is expected to generate ~US\$200m revenues in 2023.

With this acquisition, Thales aims to pursue its strategy to strengthen its Avionics portfolio:

- Adding global leading position in safety cockpit communications, complementing Thales Avionics strong offering
- Incorporating recently developed cutting edge products benefiting from solid positions with major OEMs and strong aftermarket/retrofit opportunities

### **Value accretive transaction for the Group:**

- Expected medium-term double-digit growth per annum and accretive impact on margins
- 17x FY23E EBIT pre-synergies / 15x FY23E EBIT post-run rate cost synergies
- EPS accretive from year 1

*“With the acquisition of Cobham Aerospace Communications and its highly skilled team of aerospace communications experts, and combined with our own critical avionics experts, Thales will establish a game changer in the very attractive and fast-growing communications and connectivity market to the benefit of a more sustainable aerospace future. By guaranteeing a cyber-secured, live connection between the cockpit and air traffic control, aircraft will be able to fly optimized trajectories in real time, significantly reducing fuel consumption and, consequently, CO<sub>2</sub> emissions in the next two to three years.”*

**Yannick Assouad, Thales Executive Vice-President Avionics**

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<sup>1</sup> Enterprise value, debt free/cash free assuming normative working capital level

*“This acquisition reflects the successful transformation of Cobham Aerospace Communications in recent years under Advent’s ownership. Our sizeable investment in R&D over the last years has further consolidated our position as a leading player in our markets, with a series of new contracts won already this year.*

*We are proud to join Thales, which will provide Cobham Aerospace Communications with a platform to build on recent success, continue the development of several cutting-edge avionics products, and ensure the business’ future growth. The aircraft connectivity and communication markets will undergo a true revolution in the coming years, which will unlock potential for unique avionics products like ours. Our combined offering with Thales Avionics will enable us to further accelerate our contribution to safer, greener, more comfortable and more efficient air travel.”*  
**Nicolas Bonleux, Cobham Aerospace Communications Chief Executive Officer**

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### **AeroComms: a safety cockpit communication leader**

AeroComms designs, produces and supports a rich portfolio of avionics solutions focused on cockpit communications. Its product range notably includes full L-Band Satcom systems (antennas and transceivers), complete digital audio and radio management solutions and passive antenna systems enabling connectivity, communications & navigation.

AeroComms is strongly positioned to benefit from the OEMs ramp up and wave of operating fleet retrofit opportunities. As part of its ongoing product development, AeroComms has recently developed game-changing products that will support future revenue growth: Aviator-S in Satcom and DRAIMS in digital Audio/Radio. The company benefits from a diversified revenue exposure with Defense customers representing ~30% of FY23E revenue.

### **Strengthening Thales Avionics portfolio to address the major trend towards connected cockpits**

By integrating AeroComms’ unique leading safety cockpit communication systems portfolio, Thales will be ideally positioned to seize the opportunity of the shift towards connected cockpits. By the end of the decade, Thales will hence be able to fully address the permanent and secured connectivity needs of the aeronautical market.

This enhanced offering will put Thales in a highly differentiated position to provide its customers with safer, affordable and sustainable solutions through:

- Real time and cyber-secured air-to-ground services
- Increased operations’ efficiency (enabling eco-friendly/green flight, full spectrum cockpit connectivity...)
- Better pilot assistance, paving the way to future autonomy solutions
- Reduced OEMs installation burden with integrated offers and reduced aircraft weight and drag (smart antenna)

### **Value creative transaction for shareholders**

The addition of AeroComms will improve Thales Avionics' sales growth and EBIT margin profile. These top line growth and high EBIT margin level will be further fueled over time by significant synergies that have already been identified:

- Run-rate pre-tax net **cost synergies** of ~US\$10m per annum, driven by the consolidation of Thales Avionics Satcom and digital Audio & Radio control activities within AeroComms, focused R&D efforts and technology roadmap alignment, vertical integration and purchasing optimization as well as convergence in support and spares & repairs activities.
- Run-rate **revenue synergies** of ~US\$40m per annum, stemming from accelerated time-to-market for Satcom, Thales Avionics/ AeroComms Satcom combined offering, larger go-to-market for AeroComms' digital Audio/ Radio control thanks to Thales' reach as well as aftermarket upselling.

The transaction will be EPS accretive, pre-synergies, as of the first year post closing.

Thales will finance this acquisition through its available cash resources.

### **Next steps**

Employee representative bodies of both Thales and Cobham Aerospace Communications will be consulted as part of the project. The closing of the transaction is expected during the first half of 2024 upon customary merger control and regulatory approvals completions.

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*This press release contains certain forward-looking statements. Although Thales believes that its expectations are based on reasonable assumptions, actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Universal Registration Document, which has been filed with the French financial markets authority (Autorité des marchés financiers – AMF).*

## About Thales

Thales (Euronext Paris: HO) is a global leader in advanced technologies within three domains: Defence & Security, Aeronautics & Space, and Digital Identity & Security. It develops products and solutions that help make the world safer, greener and more inclusive.

The Group invests close to €4 billion a year in Research & Development, particularly in key areas such as quantum technologies, Edge computing, 6G and cybersecurity.

Thales has 77,000 employees in 68 countries. In 2022, the Group generated sales of €17.6 billion.

## About Cobham Aerospace Communications

Cobham Aerospace Communications is a leading supplier of airborne avionics systems in the fields of satellite communications, audio/radio management, antennas, lights, clocks, and man-machine interfaces. We are an international company with headquarters in Rungis (Paris), France, and operate multiple sites in France, the United States, Canada, South Africa, and Denmark, with sales offices in Singapore, China and India. Through its unique technologies, Cobham Aerospace Communications has established strong and long-standing partnerships with many of the world's leading manufacturers of commercial and regional aircraft; business jets; general aviation aircraft; military trainer, transport, and fighter aircraft; helicopters; and UAVs.

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## CONTACTS

## EN SAVOIR PLUS

### Thales, media relations

Cédric Leurquin  
+33 (0)1 57 77 90 93  
cedric.leurquin@thalesgroup.com

Groupe Thales



### Cobham Aerospace Communications, media relations

Nicholas Bowkett  
+44 (0) 795 531 6 062  
nbowkett@ctgroup.com

### Thales, analysts / investors

Olivier Bizien  
+33 (0)1 57 77 86 51  
ir@thalesgroup.com