



**HEXAGON**

## **Interim Report 2022**

27 October 2022

- Net sales and earnings
- Market development
- Reporting segments
- M&A, orders and product releases
- Organisational update
- Summary



## Net sales and earnings

# Overview Q3 2022

## Recorded sales increased by 23 per cent, organic growth of 7 per cent

- Broad-based demand across geographies and industries resulting in a record Q3
- Product mix improved margins, in spite of inflationary pressures and costs related to supply chain constraints
- Expecting a resolution of supply chain pressures by the end of the year

## Record third quarter despite inflationary pressures

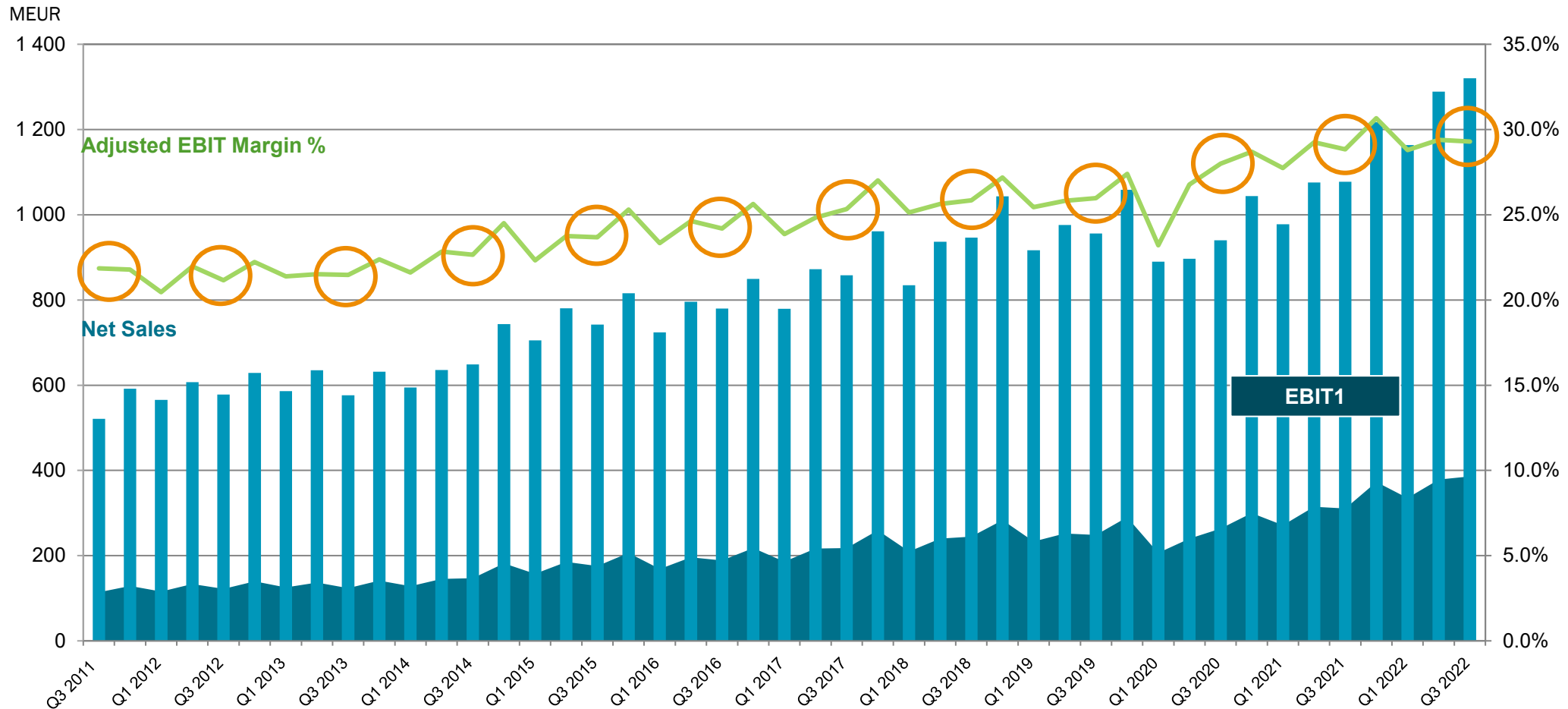
- Adjusted operating earnings (EBIT1) amounted to 386.2 MEUR (310.6), an increase of 24 per cent
- Adjusted operating margin of 29.3 per cent (28.8) and gross margin of 65.2 per cent (64.3)

## Sales Bridge Q3

Net sales	
2021, MEUR	1,077.2
Structure, %	7%
Currency, %	9%
Organic growth, %	7%
Total, %	23%
2022, MEUR	1,320.2

# Seasonality in profit

Seasonal pattern: Q1 weakest, **Q3** second weakest, Q2 & Q4 strong



# Key figures – Q3 2022

MEUR	Q3 2022	Q3 2021	Change %
Operating net sales	1,320.2	1,077.2	7 <sup>1)</sup>
Revenue adjustments	-3.6	-	n.a.
Net sales	1,316.6	1,077.2	7 <sup>1)</sup>
Adjusted operating earnings (EBITDA)	473.7	413.4	15
Adjusted operating margin, (EBITDA) %	35.9	38.4	-2.5
Adjusted operating earnings (EBIT1)	386.2	310.6	24
Adjusted operating margin, %	29.3	28.8	0.5
Earnings before taxes, excl. adjustments	377.3	304.3	24
Adjustments (before taxes) <sup>2)</sup>	-43.8	-23.2	n.a.
Earnings before taxes	333.5	281.1	19
Net earnings	273.5	230.6	19
Net earnings, excl. adjustments	309.4	249.6	24
Earnings per share, EUR	11.4	9.6	19

1) Adjusted to fixed exchange rates and a comparable group structure (organic growth)

2) Adjustments in 2022 relate to share programmes (LTIP), amortisation of surplus values (PPA) and acquired deferred revenue

# Key figures – YTD

MEUR	2022	2021	Change %
Operating net sales	3,772.3	3,130.7	8 <sup>1)</sup>
Revenue adjustments	-13.7	-	n.a.
Net sales	3,758.6	3,130.7	8 <sup>1)</sup>
Adjusted operating earnings (EBITDA)	1,355.8	1,182.9	15
Adjusted operating margin, (EBITDA) %	35.9	37.8	-1.9
Adjusted operating earnings (EBIT1)	1,099.8	896.5	23
Adjusted operating margin, %	29.2	28.6	0.6
Earnings before taxes, excl. adjustments	1,079.5	875.8	23
Adjustments (before taxes) <sup>2)</sup>	-186.9	-59.8	n.a.
Earnings before taxes	892.6	816.0	9
Net earnings	727.7	669.2	9
Net earnings, excl. adjustments	885.2	718.3	23
Earnings per share, EUR	32.5	27.8	17

1) Adjusted to fixed exchange rates and a comparable group structure (organic growth)

2) Adjustments in 2022 relate to share programmes (LTIP), amortisation of surplus values (PPA) and acquired deferred revenue

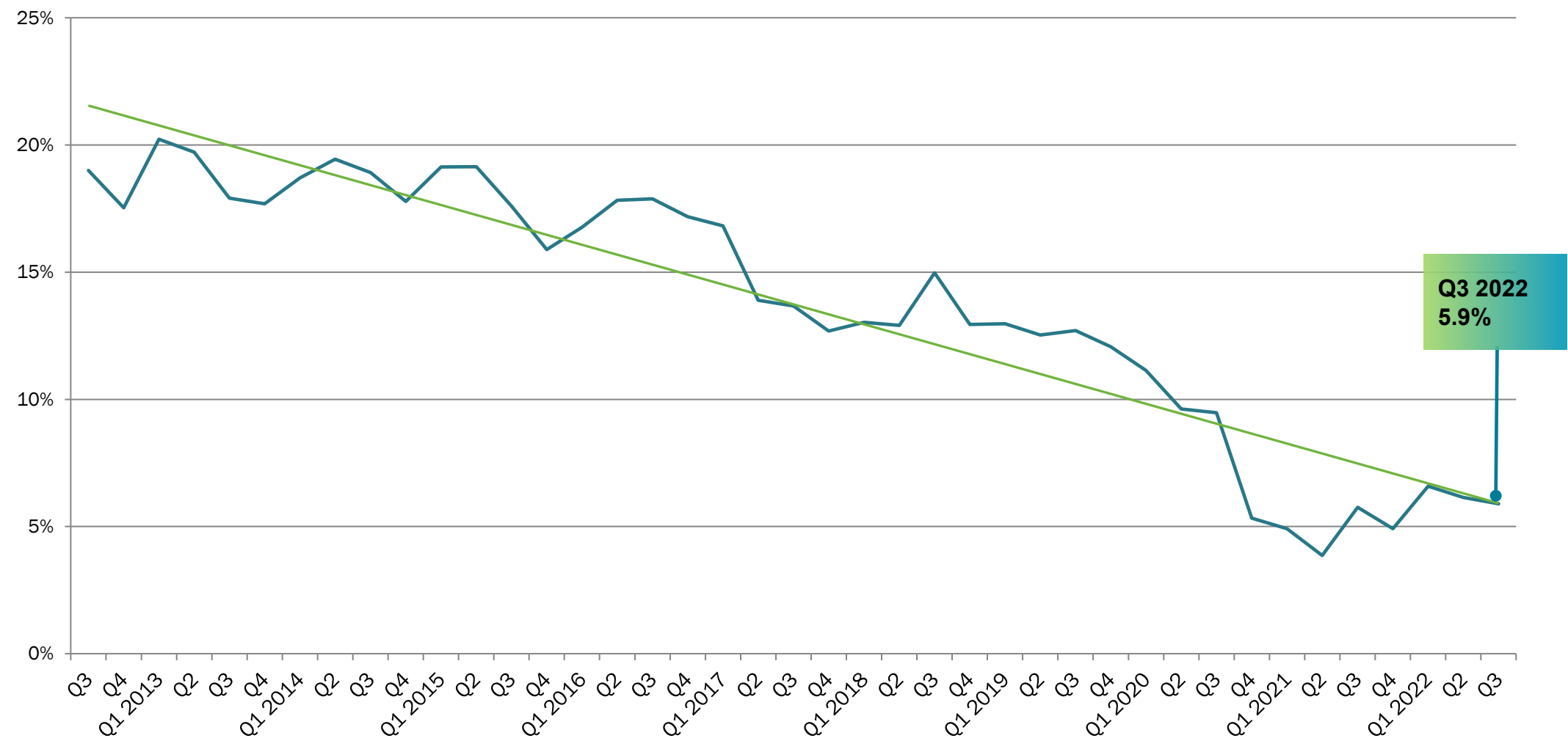
# Cash flow

MEUR	Q3 2022	Q3 2021
Cash flow from operations before changes in working capital excl. taxes and interest	463.1	399.0
Taxes paid	-47.3	-45.2
Interest received and paid, net	-8.6	-6.2
Cash flow from operations before changes in working capital	407.2	347.6
Change in working capital	-21.9	-64.4
Cash flow from operations	385.3	283.2
Investments tangible assets	-33.8	-22.5
Investments intangible assets	-108.0	-76.4
Operating cash flow before non-recurring items	243.5	184.3
Non-recurring cash flow	-10.9	-4.7
Operating cash flow	232.6	179.6

- Cash conversion of 78 per cent (79) in Q3 2022
- Cash conversion target of 80-90 per cent

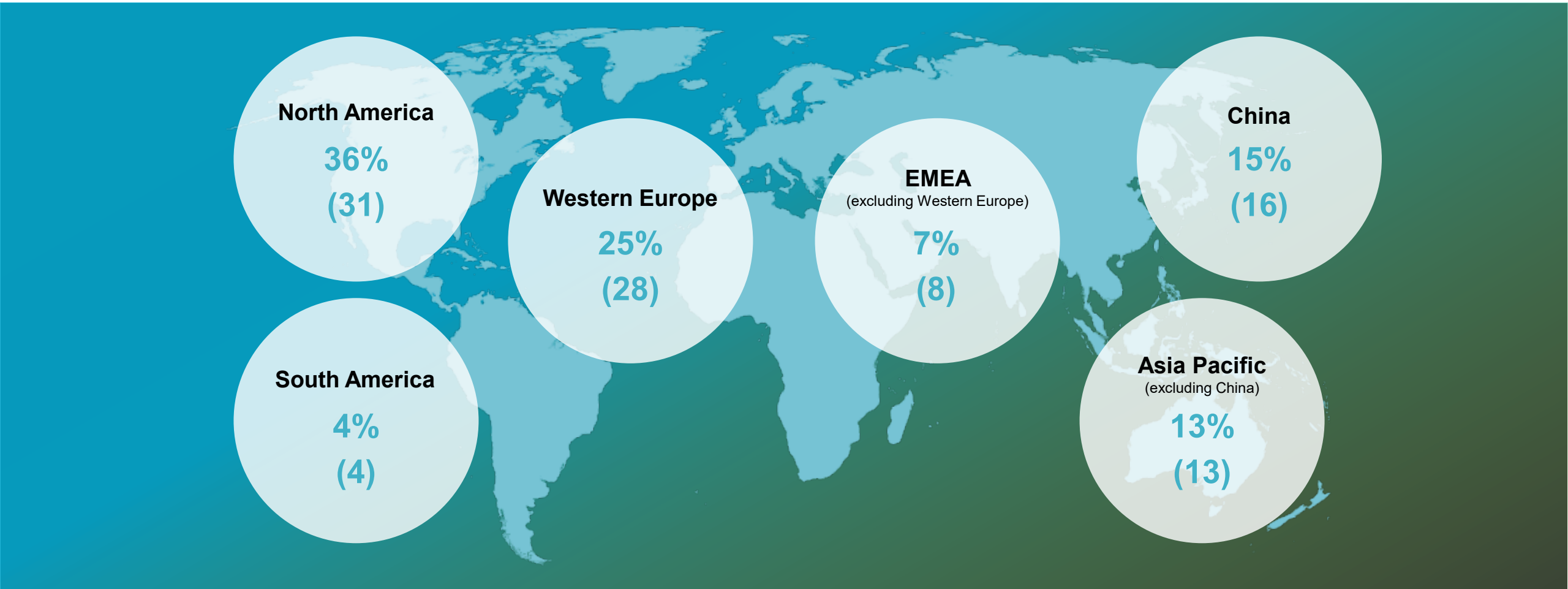


# Working capital to sales










# Market development

# Sales mix Hexagon Q3 2022 (Q3 2021)



# Analysis of organic growth<sup>1)</sup> per geographic region

CONTRIBUTORS TO GROWTH <sup>1)</sup> (descending order)	
<b>Q3 2021</b>	<b>1,077.2</b>
Asia excl. China	
South America	
North America	
Western Europe	
China	
Eastern Europe, Middle East & Africa	
<b>Q3 2022</b>	<b>1,320.2</b>

> 8%	
0 to 8%	
Negative	

*1) Adjusted to fixed exchange rates and a comparable group structure (organic growth)*

# Analysis of organic growth per geographic region

	Share of sales <sup>1)</sup>	W EU 25%	EMEA <sup>2)</sup> 7%	NA 36%	SA 4%	CN 15%	ASIA <sup>3)</sup> 13%
Surveying	20%	➔	➔	➔	➔	➔	➔
Power, Energy & Mining	20%	➔	➔	➔	➔	➔	➔
Electronics & Manufacturing	16%	➔	➔	➔	➔	➔	➔
Infrastructure & Construction	14%	➔	➔	➔	➔	➔	➔
Automotive	9%	➔	➔	➔	➔	➔	➔
Aerospace & Defence	8%	➔	➔	➔	➔	➔	➔
Public Safety	3%	➔	➔	➔	➔	➔	➔
Other	10%						
Total	➔	➔	➔	➔	➔	➔	➔

> 8% ➔

0 to 8% ➔

Negative ➔

1) Share of sales as per Q3 2022

2) EMEA, excluding Western Europe

3) Asia, excluding China

# EMEA market trends – Q3 2022

- Western Europe recorded 6 per cent organic growth
  - Solid demand for surveying and positioning solutions
  - Strong demand across manufacturing industries and power and energy
- EMEA excluding Western Europe declined
  - Russia declining significantly, reflecting the impact of the sanctions imposed by the European Union, the U.S. and other countries, and actions taken to freeze all business operations in Russia
  - EMEA excluding Russia and Western Europe recorded strong double-digit organic growth



Q3 Share of sales, %	32
Q3 Organic growth, %	4
- Organic growth, GES %	0
- Organic growth, IES %	10

# Americas market trends – Q3 2022

- North America recorded 8 per cent organic growth
  - Solid demand across most industries
  - Surveying and automotive particularly strong in the quarter
- South America recorded double-digit organic growth
  - Strong growth in mining and power and energy



Q3 Share of sales, %	40
Q3 Organic growth, %	8
- Organic growth, GES %	8
- Organic growth, IES %	8



# Asia market trends – Q3 2022

- China recorded 5 per cent organic growth
  - Driven by growth in general manufacturing and automotive
  - Weakness in the infrastructure and construction markets
- Japan, Southeast Asia and India recorded strong growth
  - Supported by strong demand for surveying and manufacturing solutions
  - Mining solutions recorded strong growth in Australia



Q3 Share of sales, %	28
Q3 Organic growth, %	8
- Organic growth, GES %	7
- Organic growth, IES %	9



A low-angle, upward-looking photograph of a large industrial distillation column at night. The column is illuminated by several bright yellow lights, creating a strong contrast against the dark blue sky. The structure is complex, with multiple levels of platforms, ladders, and pipes. The image is framed by large, overlapping geometric shapes in shades of teal and green, which create a modern, abstract background. The overall composition suggests a focus on industrial technology and engineering.

# Reporting segments

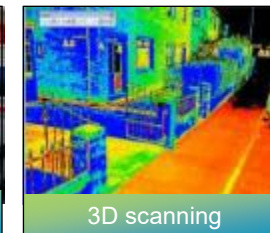
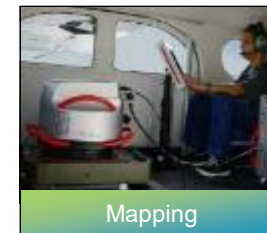
# Geospatial Enterprise Solutions – Q3 2022 overview

## Organic growth of 5 per cent

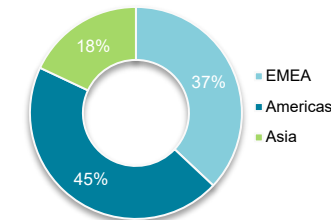
- Geosystems: 4 per cent organic growth, driven by solid demand for surveying and mining solutions but hampered by tough comparison numbers
- SIG: 5 per cent organic growth, driven by growth in defence
- Autonomy & Positioning: 9 per cent organic growth, fuelled by strong demand for defence solutions and growth in autonomous driving solutions

## Sales and EBIT1

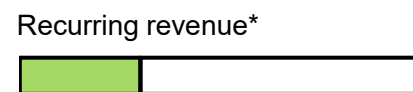
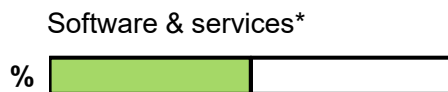
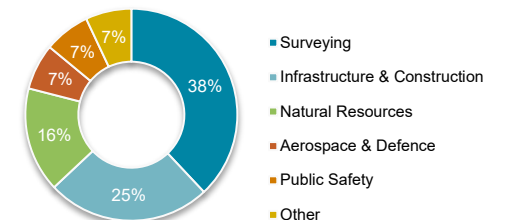
- Sales of 641.9 MEUR (551.9)
- EBIT1 of 197.0 MEUR (172.6) and operating margin of 30.7 per cent (31.3)
  - Positively impacted by currency movements
  - Continued investments in new product launches and marketing costs



Sales per geography



Sales per segment



\*Full year 2021

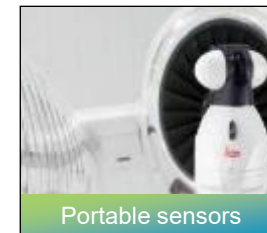
# Industrial Enterprise Solutions – Q3 2022 overview

## Organic growth of 9 per cent

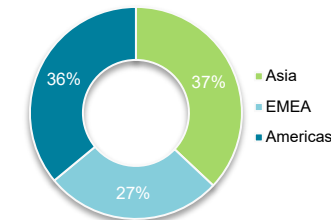
- MI: 8 per cent organic growth, driven by solid broad-based strength across geographies, industries and the software portfolio
- Asset Lifecycle Intelligence: 12 per cent organic growth, fuelled by growth in both design and asset information management software

## Sales and EBIT1

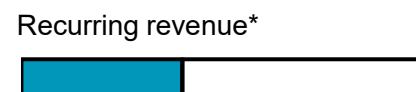
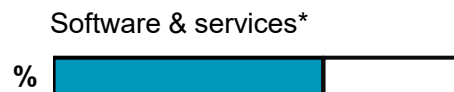
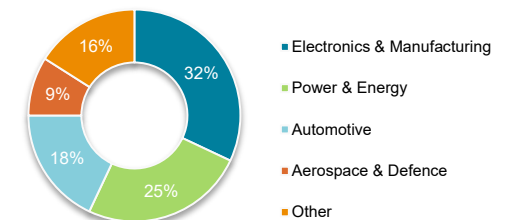
- Sales of 678.3 MEUR (525.3)
- EBIT1 of 198.1 MEUR (142.6) and operating margin of 29.2 per cent (27.1)
  - Positively impacted by product mix and currency movements



Sales per geography

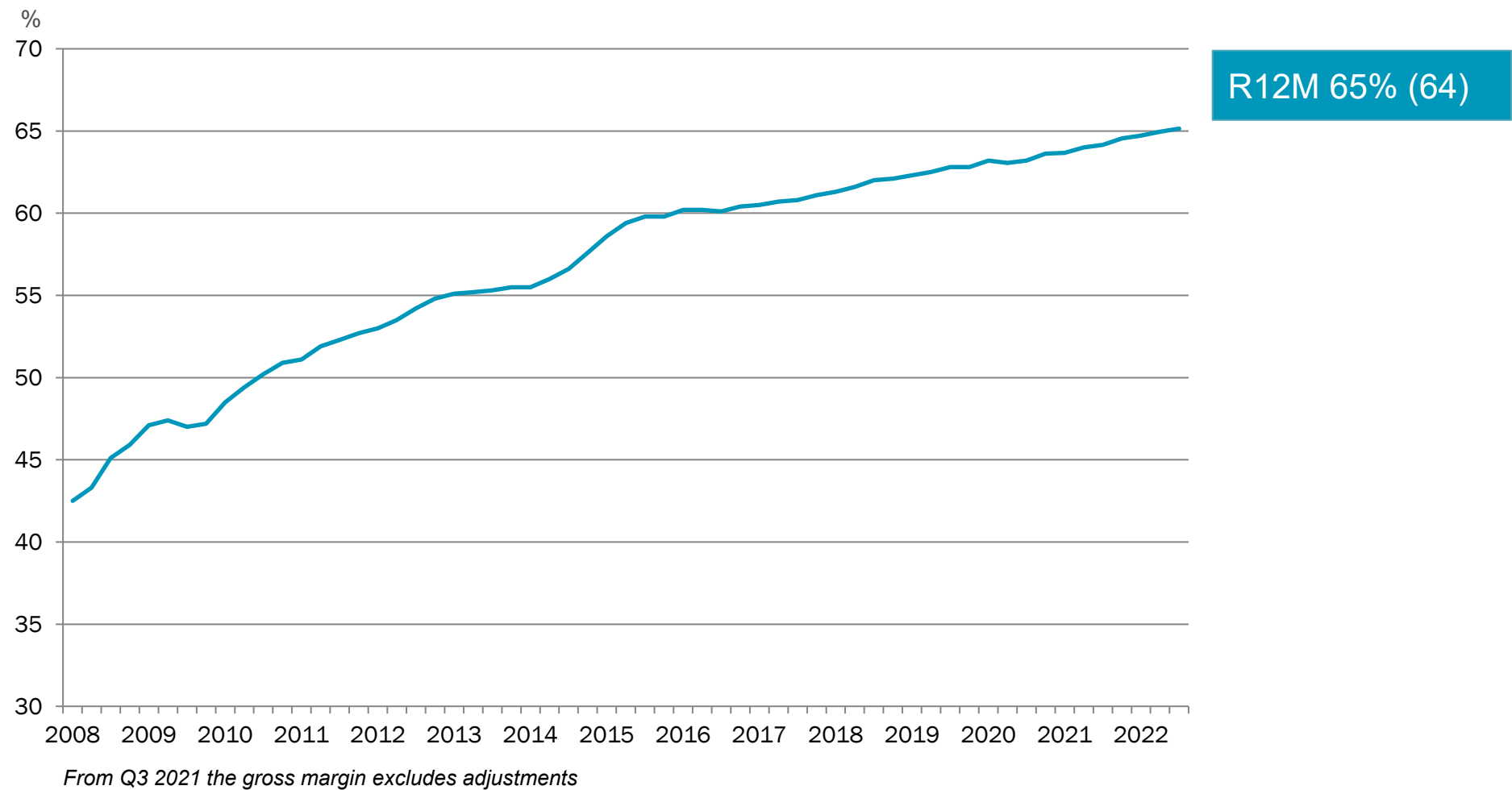


Sales per segment

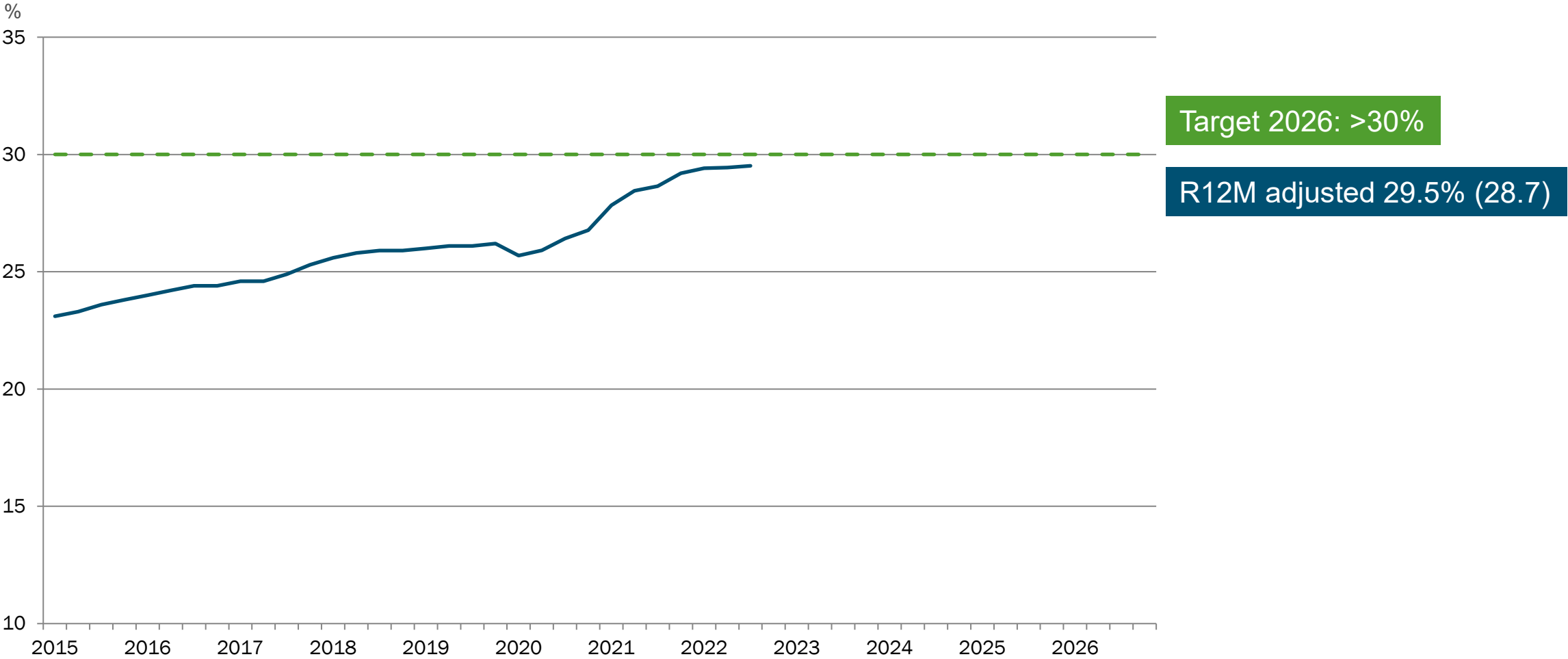


\*Full year 2021

# Gross margin – R12M



# Adjusted operating margin – R12M



*The 2026 target of reaching an adjusted operating margin of >30% is based on an older definition of EBIT1 where amortisation of surplus values were excluded*

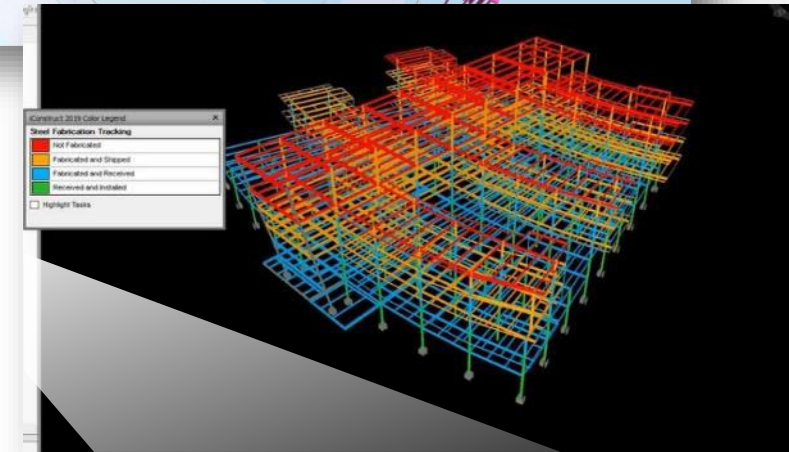
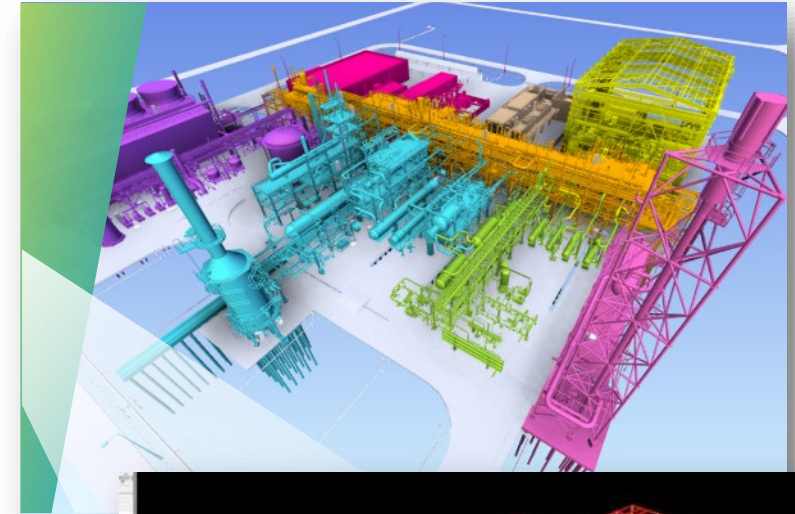
The background of the slide is a complex digital-themed composition. It features a dark blue base color. Overlaid on this are several elements: a large, semi-transparent green triangle on the left side; a large, semi-transparent blue triangle on the right side; and a central rectangular area with a dark background containing glowing binary code (0s and 1s) in red and white. Overlaid on the binary code are several line graphs with different colored markers (yellow, white, blue, green) and connecting lines. There are also some bright, out-of-focus light spots and a faint grid pattern.

## M&A, orders and product releases



# Acquisition of iConstruct expands Smart Digital Reality™ capabilities

- Hexagon acquired **iConstruct**, a **provider of award-winning BIM (Building Information Modelling) software** for commercial, infrastructure and industrial construction
- **iConstruct PRO** combines different design models into a single source – enabling information exchange from design and construction through facility operations and maintenance
- Opens opportunities for Hexagon's Asset Lifecycle Intelligence and Geosystems divisions – both can deliver greater data management, project planning and communication efficiencies to more construction customers



# AVVIR joined Hexagon, further strengthening ability to intelligently power construction

- **AVVIR** enables intelligent, data-driven job sites that empower commercial, infrastructure and industrial construction professionals to reliably and safely deliver on schedule and within budget
- AVVIR's **BIM-focused reality analysis platform** improves project workflows, schedules, and outcomes by leveraging onsite reality capture data, enriched BIM models and AI
- **Nicely complements Hexagon's current construction offerings**, including BricsCAD and the HxGN Smart Build portfolio





# Driving asset lifecycle excellence and sustainability in mining, transportation and energy

- A major **global mining operator** selected **Hexagon's SmartPlant suite** as the backbone of its Engineering Information Management (EIM) system to manage data across the entire asset lifecycle
- A **transit company** moving its bus fleet to zero emission vehicles powered by renewable energy by 2035, selected over 30 different **HxGN EAM** applications to drive operational performance and enhance report generation for auditing, compliance and tracking
- A **leading EPC** operating in 49 countries providing project and asset services to the energy, chemicals, and resources sectors, chose **HxGN SDx** to support its sustainability and digitalisation goals to help move the world toward net zero



# Providing early landslide warning in Greenland

- As part of a multi-year collaboration with **ETH Zürich**, a public research university in the city of Zürich, Switzerland, Hexagon installed an **autonomous deformation camera system** on Karrat Island, an island of Greenland
- The station – designed for arctic conditions with satellite communication and an autonomous power supply – is an **early landslide warning system** showing mountain slope deformations to improve the prediction of landslides which ultimately cause tsunamis



# Enhancing railroad safety through accurate digital twins of railway corridors

- For over a decade, Hexagon has provided **CORYS** (a supplier of training and engineering simulators for the nuclear, rail and process industries) with solutions to build object-based, super-realistic 3D computer-generated imagery (CGI) simulations of rail networks worldwide
- CORYS extended its collaboration, choosing Hexagon's **Content Program** to provide the **digital twins of the railway corridors** for the 3D simulations – aerial data sets extending 100 meters or more to either side of the tracks
- The data provides a quantum leap in the detail, resolution and accuracy of the visual elements that make up the surroundings, which significantly improves training for territory familiarisation, situational awareness and operational vigilance





# Modernising railway operations through dispatch and geo-location intelligence

- **Amtrak**, the largest passenger operation in the United States with 300+ trains to 500 locations, chose **HxGN OnCall Dispatch** to modernise its dispatch operations
- **Správa železnic**, a stated-owned company managing Czech Republic's 9,400 km of railways, selected Hexagon to build a digital map and detailed database of its infrastructure
  - Many of Hexagon's solutions will be leveraged as part of this new central management system, including **Luciad**, **ERDAS APOLLO**, **GeoMedia** and **HxGN NetWorks**



# Providing real-time construction insights with OxBlue

- **Walbridge**, a US top-50 construction, design, and real estate services firm, installed **OxBlue** cameras for multi-project management
- **OxBlue's** web app provides direct access to stakeholders across the world, enabling jobsite views from any device
- Users can remotely monitor activity across all projects – scheduling reports, enhancing communication through automatic sharing, and quickly highlighting progress through time-lapses



# Enhancing underground utility mapping with Stream DP

- The new **Stream DP** is part of Hexagon's Stream family of products which provide advanced investigation of underground utilities
- Stream DP features patented Equalised scrambled Technology (EsT) to enable deeper, real-time 3D mapping of underground utilities and features
- The solution offers previously unachievable ground penetrating radar depth performance, locating deeply buried objects without compromising resolution





# Continuing to shape the future of airborne mapping with the Leica DMC-4

- The new **Leica DMC-4** is an imaging mapping solution providing superior image precision, acquisition efficiency and application versatility
- Supports multiple applications, such as photogrammetry, remote sensing, terrain extraction and vector mapping – **maximising acquisition efficiency and improving performance by 20%** to cover larger areas with fewer flight lines



# Announcing aerial data collection of US at 15-centimetre resolution

- The 2022 season marks Hexagon's shift to a 15-cm (6-in) resolution acquisition of the United States
- Hexagon will begin by capturing eight states in 2022 for the **USDA Farm Service Agency's National Agriculture Imagery Program (NAIP)** – data that will not only be leveraged for agricultural applications but also for environmental change detection, public health and safety, forest management, urban planning and land classification
- The data will be available via the HxGN Content Program/HxDR, offered in multiple formats (natural colour and color-infrared orthoimagery, stereo imagery and imagery-derived digital surface models)





# Helping one of India's largest automotive OEMs streamline eMobility

- **One of India's largest automotive OEMs** chose Hexagon to standardise solutions for NVH (noise, vibration, and harshness), durability and design optimisation of its new electric-vehicle business
- Hexagon is also helping the OEM implement end-to-end material lifecycle management integrated with its computer-aided engineering (CAE) practice areas, using Hexagon's **Romax design and engineering software**



# Supporting space research center in India with metrology technology

- Hexagon's technologies play a significant role at **India's largest space research center**, where its metrology devices are used for jig measurements, gauge validations, high-accuracy component measurement, prototyping, and printed circuit board (PCB) inspection
- Hexagon's **Leica Absolute Tracker AT960** – a laser tracker that offers speed, flexibility, repeatability and accuracy – enables the research center to easily perform measurements for a wide variety of applications



A stylized world map in dark grey, centered on the Atlantic Ocean, with white dots representing major cities and thin white lines connecting them to form a global network. The map is set against a background of teal and green geometric shapes.

# Organisational update

## Announced 7 October 2022

**David Mills** to be appointed new **Chief Financial Officer (CFO)** for Hexagon, **effective 1 July 2023**.

Currently CFO of Hexagon's Manufacturing Intelligence division, David has served Hexagon in multiple finance leadership roles since joining Hexagon in 1999, driving and developing improved financial performance across devices and software portfolios, proactively supporting Hexagon's M&A activities and leading and developing global teams.

David will continue in his current role as CFO for the Manufacturing Intelligence division until a successor has been appointed.

**Robert Belkic**, currently Hexagon's **CFO** and **Executive Vice President**, will leave Hexagon as of 30 June 2023. He will continue in his current role, reporting directly to Hexagon's President and CEO and remain a member of the executive management team until then.







Q&A