



**HEXAGON**

# **Year-End Report 2022**

24 January 2023

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



## Net sales and earnings

# Overview Q4 2022

## Recorded sales increased by 15 per cent, organic growth of 8 per cent

- Strong finish to the year with good momentum across all regions
- The impressive organic growth in both Manufacturing Intelligence (13 per cent) and Autonomy & Positioning (15 per cent) fuelled the accelerated organic growth
- Small impact from the strained supply of components in the quarter, the situation is considered resolved going forward

## Solid EBIT1 margin and record gross margin despite inflationary pressures and FX impacts

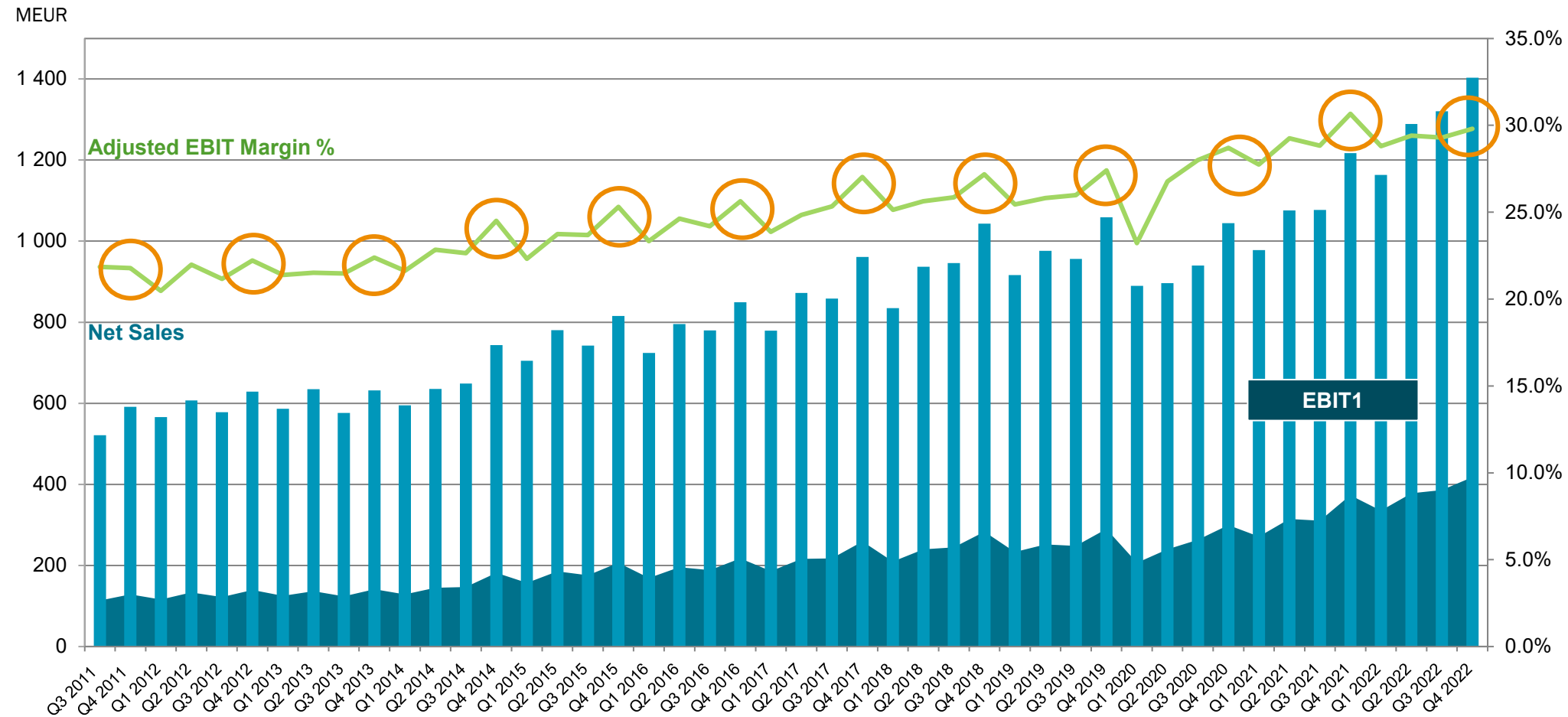
- Adjusted operating earnings (EBIT1) amounted to 418.0 MEUR (373.1), an increase of 12 per cent
- Adjusted operating margin of 29.8 per cent (30.7) and gross margin of 66.2 per cent (65.0)

## Sales Bridge Q4

Net sales	
2021, MEUR	1,216.7
Structure, %	2%
Currency, %	5%
Organic growth, %	8%
Total, %	15%
2022, MEUR	1,403.2

# Seasonality in profit

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



# Key figures – Q4 2022

MEUR	Q4 2022	Q4 2021	Change %
Operating net sales	1,403.2	1,216.7	8 <sup>1)</sup>
Revenue adjustment	-1.3	-6.3	n.a.
Net sales	1,401.9	1,210.4	8 <sup>1)</sup>
Adjusted operating earnings (EBITDA)	521.3	471.2	11
Adjusted operating margin, (EBITDA) %	37.2	38.7	-1.5
Adjusted operating earnings (EBIT1)	418.0	373.1	12
Adjusted operating margin, %	29.8	30.7	-0.9
Earnings before taxes, excl. adjustments	399.6	367.6	9
Adjustments (before taxes) <sup>2)</sup>	-44.2	-200.0	n.a.
Earnings before taxes	355.4	167.6	112
Net earnings	291.4	140.8	107
Net earnings, excl. adjustments	327.7	299.7	9
Earnings per share, excl. adjustments, Euro cent	12.1	11.0	10

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	5,175.5	4,347.4	8 <sup>1)</sup>
Revenue adjustment	-15	-6.3	n.a.
Net sales	5,160.5	4,341.1	8 <sup>1)</sup>
Adjusted operating earnings (EBITDA)	1,877.1	1,654.1	13
Adjusted operating margin, (EBITDA) %	36.3	38.0	-1.7
Adjusted operating earnings (EBIT1)	1,517.8	1,269.6	20
Adjusted operating margin, %	29.3	29.2	0.1
Earnings before taxes, excl. adjustments	1,479.1	1,243.4	19
Adjustments (before taxes) <sup>2)</sup>	-231.1	-259.8	n.a.
Earnings before taxes	1,248.0	983.6	27
Net earnings	1,019.1	810.0	26
Net earnings, excl. adjustments	1,212.9	1,018.0	19
Earnings per share, excl adjustments, Euro cent	44.6	38.8	15

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), acquired deferred revenue and non-recurring items.

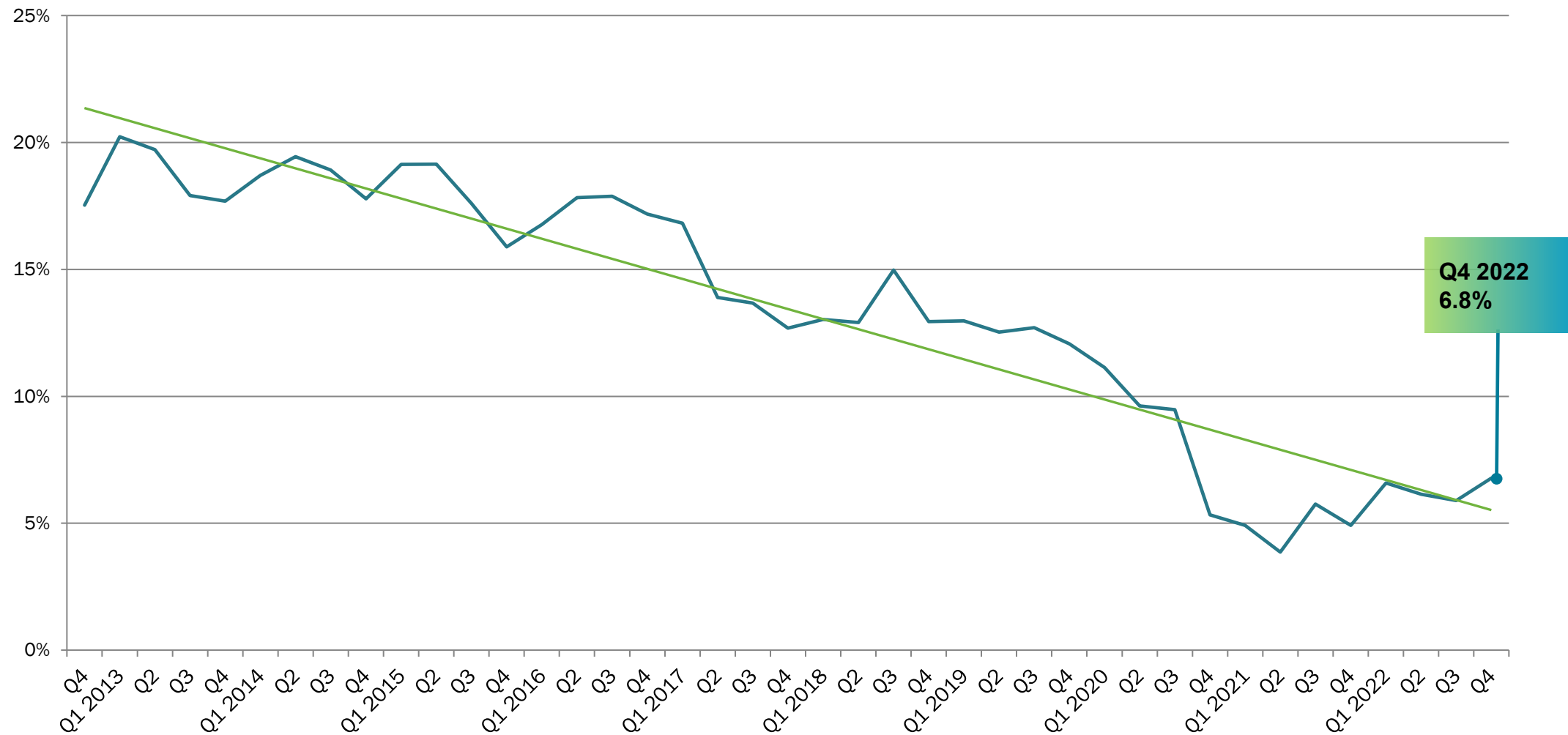
# Cash flow

MEUR	Q4 2022	Q4 2021
Cash flow from operations before changes in working capital excl. taxes and interest	497.6	438.3
Taxes paid	-66.1	-41.3
Interest received and paid, net	-18.3	-9.4
Cash flow from operations before changes in working capital	413.2	387.6
Change in working capital	-76.1	-17.4
Cash flow from operations	337.1	370.2
Investments tangible assets, net	-44.7	-36.3
Investments intangible assets	-119.8	-86.8
Operating cash flow before non-recurring items	172.6	247.1
Non-recurring cash flow	-19.5	-9.8
Operating cash flow	153.1	237.3

- Cash conversion of 61 per cent (81) in Q4 2022
- Cash conversion target of 80-90 per cent

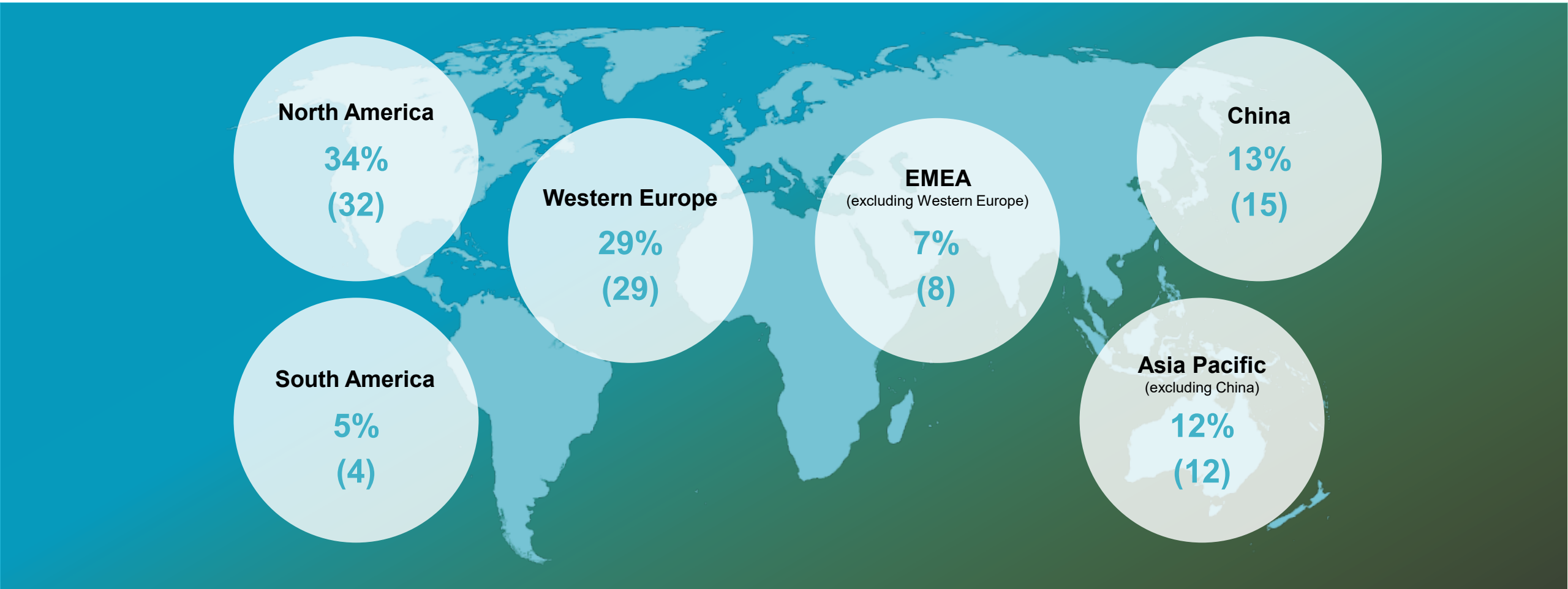


# Working capital to sales










# Market development

# Sales mix Hexagon Q4 2022 (Q4 2021)



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

CONTRIBUTORS TO GROWTH <sup>1)</sup> (descending order)	
<b>Q4 2021</b>	<b>1,216.7</b>
Western Europe	
Asia excl. China	
South America	
North America	
Eastern Europe, Middle East & Africa	
China	
<b>Q4 2022</b>	<b>1,403.2</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 29%	EMEA <sup>2)</sup> 7%	NA 34%	SA 5%	CN 13%	ASIA <sup>3)</sup> 12%
Surveying	18%	➡	➡	➡	➡	➡	➡
Power, Energy & Mining	20%	➡	➡	➡	➡	➡	➡
Electronics & Manufacturing	17%	➡	➡	➡	➡	➡	➡
Infrastructure & Construction	13%	➡	➡	➡	➡	➡	➡
Automotive	10%	➡	➡	➡	➡	➡	➡
Aerospace & Defence	9%	➡	➡	➡	➡	➡	➡
Public Safety	3%	➡	➡	➡	➡	➡	➡
Other	10%						
Total	➡	➡	➡	➡	➡	➡	➡

> 8% ➡

0 to 8% ➡

Negative ➡

1) Share of sales as per Q4 2022

2) EMEA, excluding Western Europe

3) Asia, excluding China

# EMEA market trends – Q4 2022

- Western Europe recorded 13 per cent organic growth
  - Strong growth in automotive, aerospace and defence
  - Solid demand for public safety and infrastructure and construction solutions
- 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 business operations in Russia
  - EMEA excluding Russia and Western Europe recorded strong double-digit organic growth



Q4 Share of sales, %	36
Q4 Organic growth, %	11
- Organic growth, GES %	12
- Organic growth, IES %	10

# Americas market trends – Q4 2022

- North America recorded 6 per cent organic growth
  - Driven by continued strong growth in aerospace and automotive markets
  - Hampered by weakness in defence and tough comparisons in infrastructure and construction
- South America recorded high double-digit organic growth
  - Strong growth in mining and power and energy



Q4 Share of sales, %	39
Q4 Organic growth, %	7
- Organic growth, GES %	2
- Organic growth, IES %	13



# Asia market trends – Q4 2022

- China recorded 0 per cent organic growth
  - Hampered by Covid-19 related restrictions and weakness in infrastructure and construction
  - Supported by growth in automotive and aerospace
- Japan and India recorded strong growth
  - Driven by strong growth in surveying and manufacturing solutions



Q4 Share of sales, %	25
Q4 Organic growth, %	7
- Organic growth, GES %	-2
- Organic growth, IES %	11



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

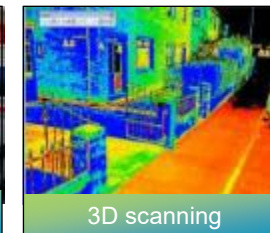
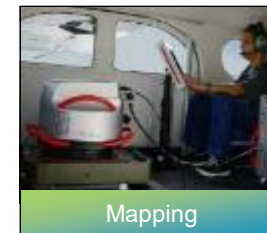
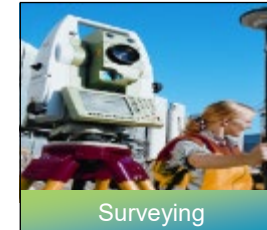
# Geospatial Enterprise Solutions – Q4 2022 overview

## Organic growth of 5 per cent

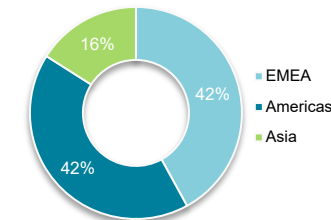
- Geosystems: 4 per cent organic growth, driven by strong demand in mining and infrastructure and construction, but hampered by weakness in China
- Safety, Infrastructure & Geospatial: 3 per cent organic growth, driven by growth in public safety, but hampered by weakness in certain defence markets
- Autonomy & Positioning: 15 per cent organic growth, fuelled by strong demand for aerospace and defence solutions and growth in agriculture

## Sales and EBIT1

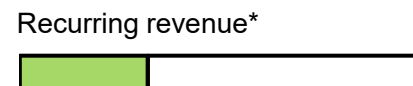
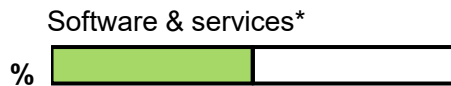
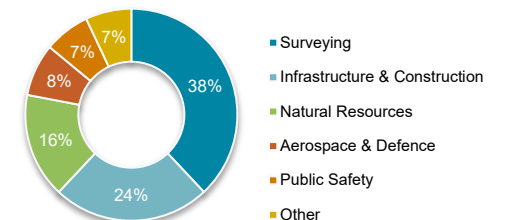
- Sales of 662.0 MEUR (586.5)
- EBIT1 of 208.3 MEUR (182.0) and operating margin of 31.5 per cent (31.0)
  - Negatively impacted by currency movements



Sales per geography



Sales per segment



\*Full year 2022

# Industrial Enterprise Solutions – Q4 2022 overview

## Organic growth of 12 per cent

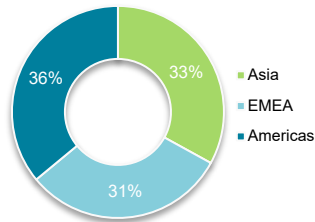
- MI: 13 per cent organic growth, driven by strong growth across all geographies and industries, and the software portfolio
- Asset Lifecycle Intelligence: 8 per cent organic growth, driven by strong growth in both design and enterprise asset management software

## Sales and EBIT1

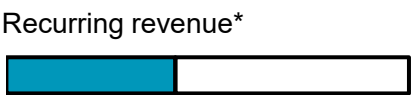
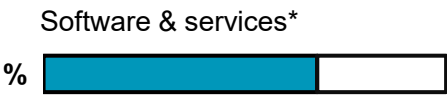
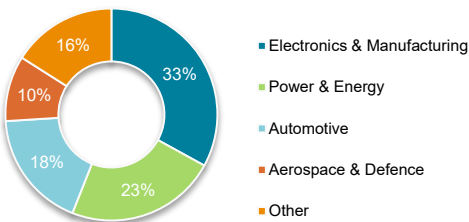
- Sales of 741.2 MEUR (630.2)
- EBIT1 of 213.4 MEUR (200.9) and operating margin of 28.8 per cent (31.9)
  - Negatively negatively impacted by currency movements, investments in innovation and a normalisation of sales and marketing costs



Sales per geography

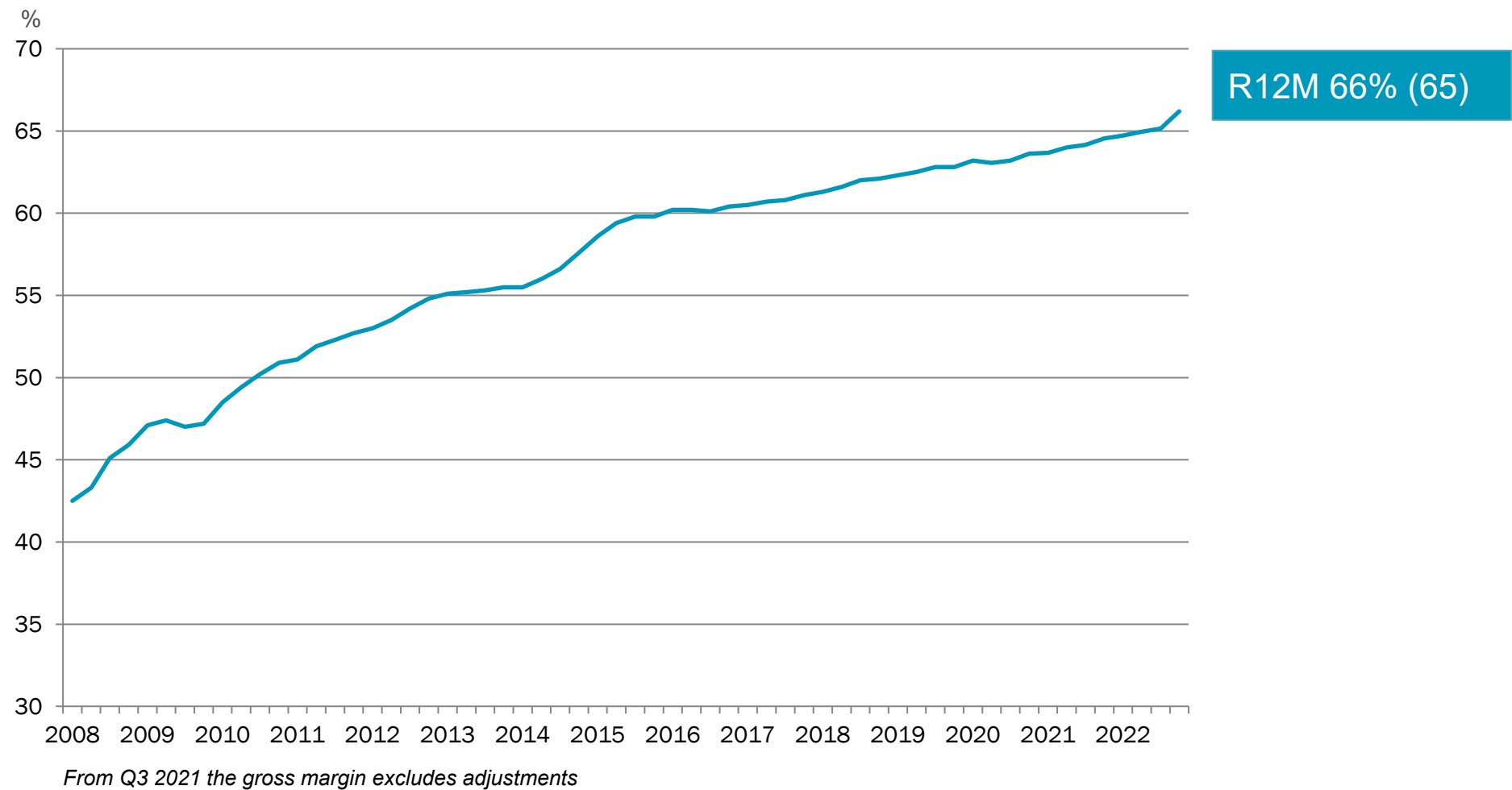


Sales per segment

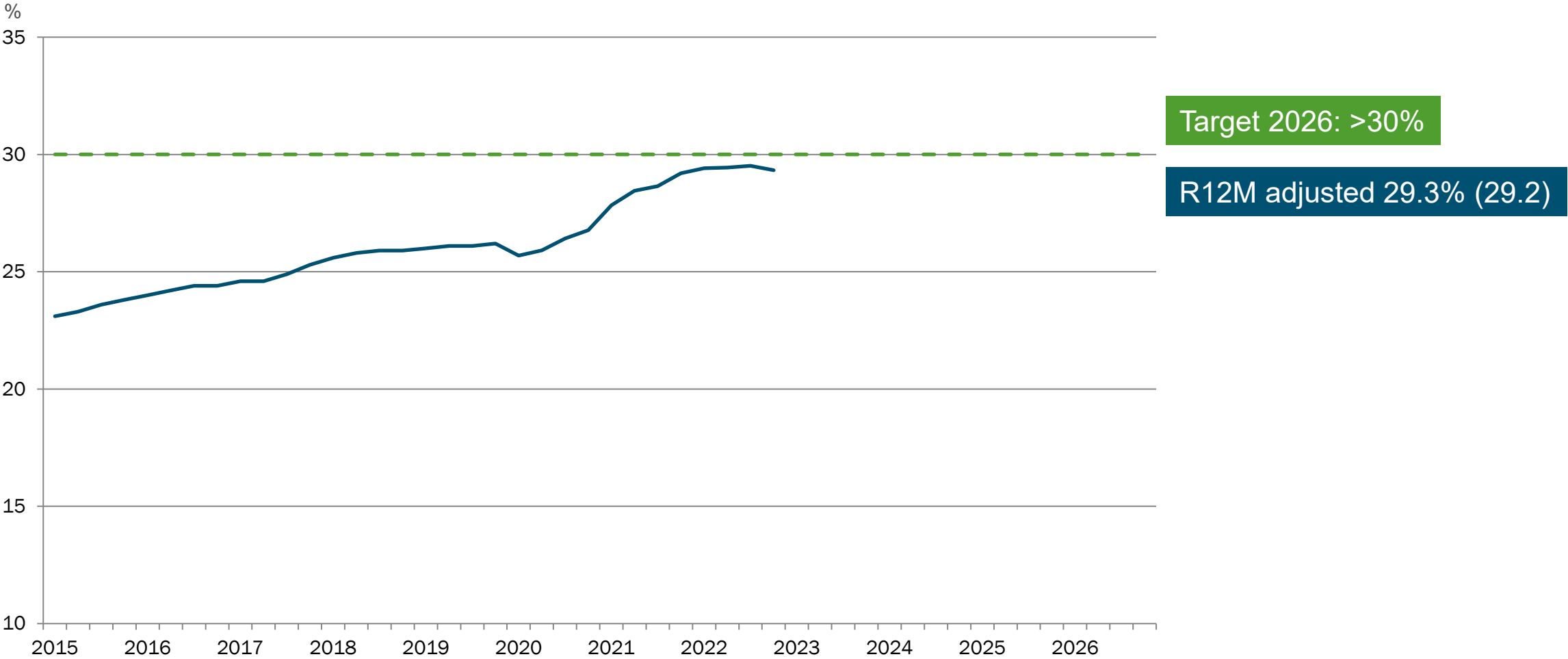


\*Full year 2022

# 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 in the top-left corner; a large, semi-transparent blue triangle in the bottom-left corner; and a large, semi-transparent orange triangle in the top-right corner. In the center, there is a grid of binary code (0s and 1s) in a light blue color. Overlaid on the binary code are several line graphs with different colored markers (yellow, green, blue, and red) and connecting lines. The graphs appear to be data series, with some showing a general upward trend and others showing more fluctuation. There are also some glowing light effects and a small, semi-transparent blue square in the top-right area of the binary grid.

## M&A, orders and product releases



# Qognify acquisition

Adds comprehensive and tightly integrated video capabilities to public safety portfolio

- Headquartered in New York, USA, **Qognify** is a leading provider of physical security and enterprise incident management software
- Qognify's solutions **leverage real-time analytics and information from video feeds** to minimise the impact of security, safety and operational incidents
- Provides dispatchers, responders and investigators with **new levels of intelligence** to serve and protect communities
- Qognify will operate as part of Hexagon's Safety, Infrastructure & Geospatial division



# LocLab acquisition

Adds speed, scalability and automation to digital twin creation

- Headquartered in Germany, **LocLab** serves some of the world's largest transportation, construction, and design consultant companies
- LocLab's semi-automated modelling process with AI-based object recognition from video data and its enormous library of 3D digital content **allows the cost- and time-efficient creation of digital twins**
- LocLab will operate as part of Hexagon's Geosystems division





# Hexagon and ZF Group partnership

Advancing the integration of our positioning solutions into mass-production autonomous driving

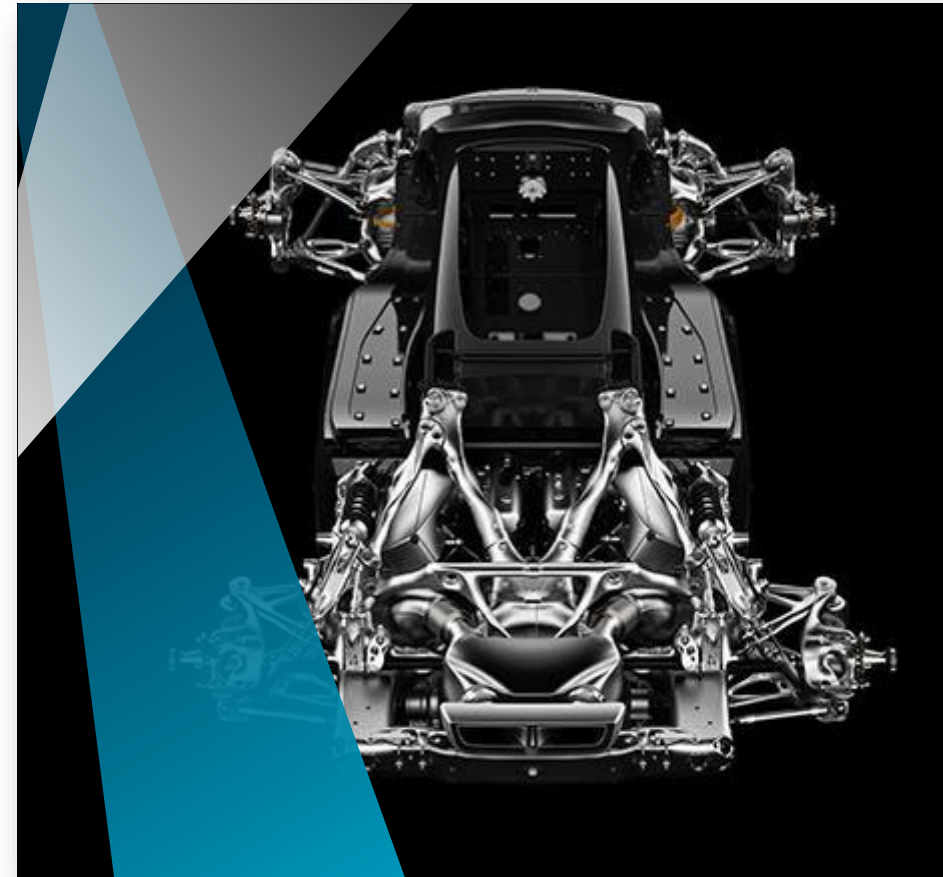
## About ZF Group

- German-based global technology company supplying systems for passenger cars, commercial vehicles and industrial technology
- Focused on the next generation of mobility – from electric vehicles to fully autonomous systems
- Hexagon's **safety-certifiable software positioning engine** and **correction services** will be integrated into **ZF's ProConnect connectivity platform**, which enables full vehicle communication (vehicle-to-vehicle, vehicle-to-satellite and vehicle-to-network)
- The integration is vital to providing the necessary **functional safety, lane-level positioning accuracy and ASIL rating** (automotive safety integrity level) that ZF's platform requires



# Hexagon invests 100 MUSD in autonomous and sustainable manufacturing through Divergent

- **Divergent**, a pioneer of green manufacturing technologies, is empowering car makers with more efficient and environmentally friendly manufacturing processes that minimise material usage and total system cost
- Their production process – DAPS (Divergent Adaptive Production System) – is an alternative process to traditional vehicle manufacturing, **creating the first complete modular digital factory for complex structures** through AI-optimised generative design software, additive manufacturing (3D printing) and automated assembly
- The design-agnostic process is less energy- and resource-intensive, delivers more efficient structures faster and achieves weight reductions between 20% and 70% leading to dramatic improvements in vehicle efficiency



# Large cereal producer selects HxGN EAM for plant standardisation

- **Post Consumer Brands** is the 3<sup>rd</sup> largest cereal company in the United States, with a broad portfolio of products and nine plants located throughout North America
- **HxGN EAM** was selected to support the consolidation and standardisation of the company's EAM software and processes into a single platform
- Expected benefits include a **decrease in unplanned downtime and waste** as well as **increased efficiencies and productivity** – all integral to the company's continued focus on manufacturing digital transformation





# Optimising excellence and sustainability across different asset lifecycles

**American multinational** automotive, space exploration and clean energy company

- Investing in multiple mega-facilities to enhance supply-chain – selected **HxGN j5 Operations Management Solutions** to standardise processes for improved productivity, efficiency, and safety

**Major global manufacturer** of synthetic rubber, polymers, latex, and specialty chemical materials

- Chose **PAS PlantState Integrity** to build an Operations Risk Management program that reduces unnecessary alarms, improves operator awareness and plant safety and reduces costs from unplanned downtime

**Leading EPC** operating in 49 countries providing project and asset services to energy, chemicals, and resources sectors

- Elected to implement a suite of **HxGN Engineering tools** to optimise engineering practices in support of sustainability and digitalisation goals



# Hexagon's Leica BLK2FLY named one of TIME's Best Inventions of 2022

- The **BLK2FLY**, recognised for its productivity and innovation, is the world's first fully integrated autonomous flying laser scanner
- It's part of **Hexagon's BLK suite of autonomous reality capture sensors** known for their speed, portability, ease-of-use and mobility
- TIME solicited nominations from its editors and correspondents around the world, paying special attention to growing fields – such as the electric vehicle industry, green energy, and the metaverse – evaluating each contender on key factors such as originality, efficacy, ambition, and impact



# Significant customer wins in China: BYD Auto and Weichai Power

## BYD Auto, Shenzhen, Guangdong, China

- As a leading new energy vehicle manufacturer, **BYD** has invested in new plants in Jinan, Zhengzhou, Fuzhou and other cities, covering the east, west, north and south of China
- The company uses Hexagon's **Alpha, Global, and Toro** coordinate measuring machines (CMMs) for vehicle body measurement at each new plant



## Weichai Power, Weifang, Shandong, China

- The Weichai Power Group's sales of engines and heavy trucks rank **first in the world**
- The company uses Hexagon's **Simufact Additive** design and engineering software to optimise design and reduce engine fluid noise



# Continued ETQ momentum – strong sales and customer expansion

**Embecta** – Medical device maker focused on diabetes care

- Sought to harmonise disparate quality systems on single platform, globally
- Required QMS to integrate with ERP, CRM, PLM, and LMS
- Comprehensive QMS solution to support corporate growth targets



**Trane Technologies** – Manufacturer of heating, ventilation, aircon and refrigeration systems

- Committed to data-driven quality (special focus on supplier quality and integration)
- ETQ serves as hub of Trane's "data superhighway"
- ROI of 32% reduction in scrap and rework; 30%+ YoY annual warranty cost improvements



**Skywater** – American semiconductor engineering and fabrication foundry

- Comprehensive ETQ Reliance implementation
- Replacing manual processes and legacy systems
- Highly focused on enterprise risk management





# Transitioning emergency call-taking in Portugal to Next Generation 112

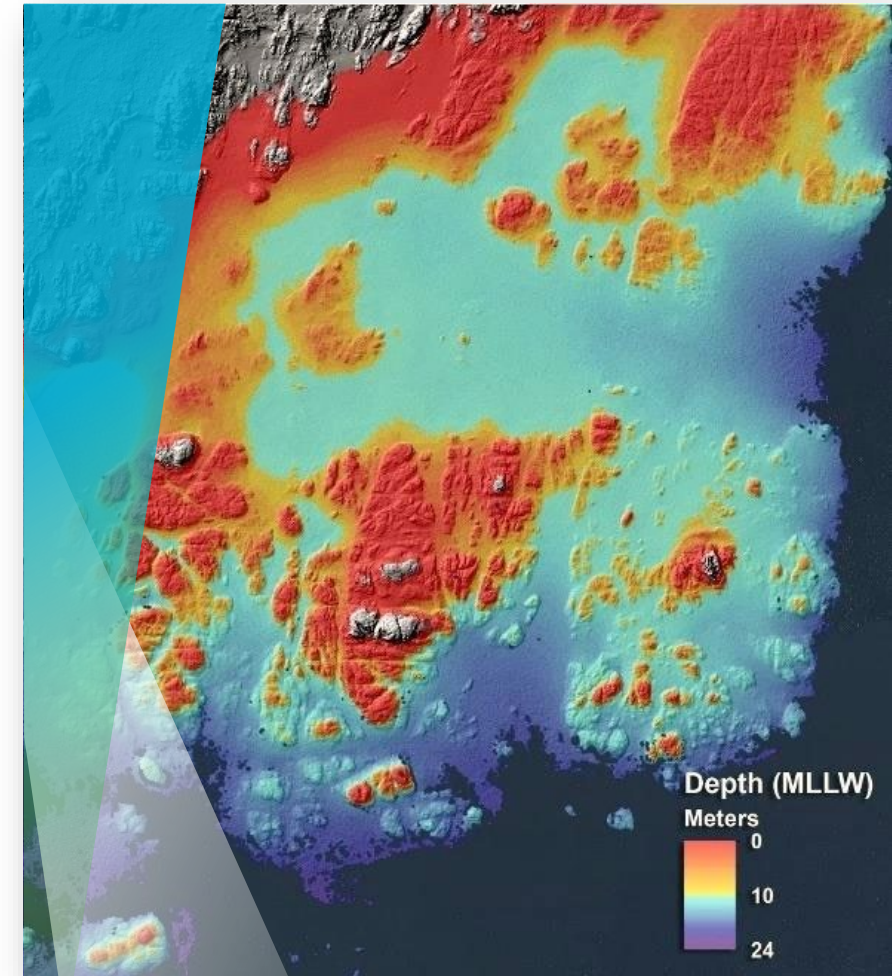
- **Portugal's Ministry of Internal Administration** chose **HxGN OnCall** to provide the technology platform for its **transition to NG112** (Next Generation 112)
- NG112 is the future framework for 112 call delivery – an ability for people in distress to use modern technology and send data such as text messages and photos to help first responders more quickly locate people in need
- The Hexagon solution will provide a unified call-taking system for all NG112 voice, text and video communications across Portugal's 112 call centers which receive nearly 8 million calls and manage 5.5 million multi-agency events per year





# NV5 Global leveraging Leica Chiroptera and Hawkeye to map US coastline

- **NV5 Global** is a provider of compliance, technology, and engineering consulting solutions
- NV5's investment in the **Leica Chiroptera** and **Hawkeye bathymetric LiDAR systems** reflects the increasing demand for bathymetric services in the US market
- The company has been awarded a \$9M contract with the **National Oceanic and Atmospheric Administration (NOAA)** to map Maine's shoreline and joined the **Florida Seafloor Mapping Initiative**, a \$100 M project to survey the state's entire coast
- The topographic, shallow and deep-water survey data collected with Hexagon's bathymetric sensors will support marine navigation safety, nautical charting and environmental monitoring



# Hexagon's R-evolution enables blue carbon credits for the world's largest seagrass ecosystem

- **R-evolution**, the sustainable innovation and green-tech investment subsidiary of Hexagon, is supplying multi-dimensional intelligent mapping services of The Bahamas' seabed using Hexagon's airborne bathymetric LiDAR technologies
- This mapping is vital to the protection of seagrass habitat across The Bahamas Banks and **providing the foundation for a sovereign blue carbon exchange**
- The services will enable the island nation to protect, restore and activate its blue carbon ecosystems to invest in climate resilience and biodiversity initiatives



The background of the slide is a complex digital-themed composition. It features a dark blue gradient with various geometric shapes in shades of teal and green. Overlaid on these are several data visualization elements: a line graph with multiple colored lines (yellow, green, blue) and square markers, a circular pie chart-like shape in yellow, and a background of glowing binary code (0s and 1s) in red and white. A bright light source creates a lens flare effect in the upper right quadrant of the graphic area.

**Dividend**

# Dividend

- The Board of Directors proposes a dividend of 0.12 EUR (0.11) per share for the fiscal year 2022, an increase of 9 per cent
  - The dividend can be paid in EUR to shareholders who wish to receive it in this currency
  - Other shareholders will receive the dividend payment in SEK







## Incident update

# Isolated email event

We chose to release the Q4 summary and change the release date of Hexagon's full year-end report as a prudent measure, promptly after discovering unauthorized access to one email account containing information related to Hexagon's Q4 2022 results.

- This was an isolated event caused by human error by a current employee acting in good faith (user was tricked into approving an authentication request)
- No other accounts were accessed, and no specific files were targeted
- A swift, thorough investigation was carried out and immediate action was taken to mitigate the situation
- There was no impact to Hexagon's internal networks or operations, and no evidence was found to indicate that confidential information was taken
- All appropriate notifications and disclosures were made in accordance with best practices under applicable laws, including, but not limited to the EU Market Abuse Regulation
- No material expenses are expected related to this event

We are continuously reviewing and strengthening our cyber security measures and investments, including our employee awareness/training programme which includes all key topics of security.

**To preserve the ongoing integrity of Hexagon's security and confidentiality, we cannot provide more details about the event.**



A stylized world map is positioned in the upper left corner, tilted diagonally. The map is dark grey with white dots representing major cities, which are interconnected by a fine network of white lines. The background of the slide is composed of several overlapping geometric shapes in shades of teal, blue, and green. The text 'Q&A' is written in a clean, white, sans-serif font on a solid blue background.

Q&A