



HEXAGON

empowering an autonomous, sustainable future

Q3 Interim Report 2023

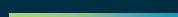
27 October 2023



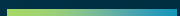
Q3
Highlights



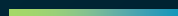
Financial
review



Awards &
customer stories



Closing remarks
& QA



I. Q3 highlights

Highlights Q3 2023

- Good organic growth in most regions and verticals.
- Innovation in automation, reality capture and cloud support positive momentum.
- Solid GM% and strong FX adjusted incremental margin.
- Good cash from operations diluted by temporary tie-up in working capital.
- Rationalisation plan on track.
- Acquisition of Hardline (Mining).



65%
Adj. gross
margin



64%
Cash
conversion



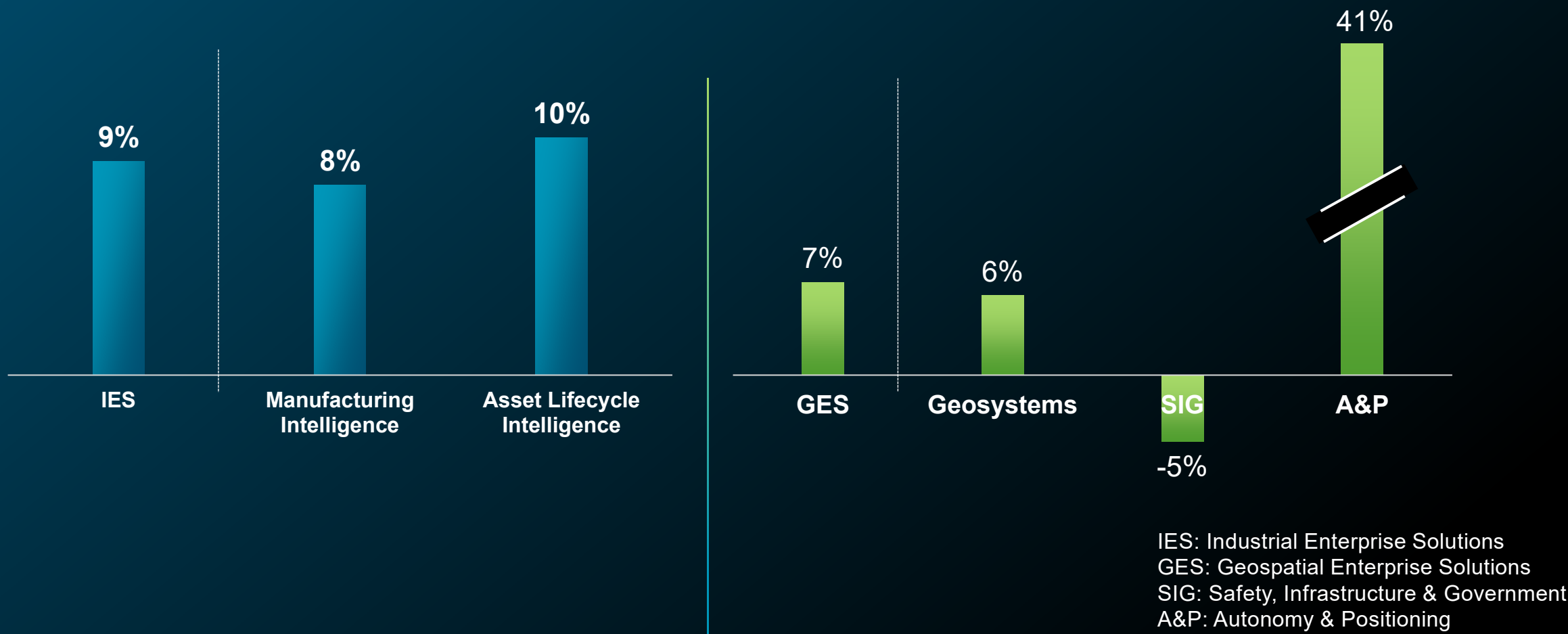
8%
Organic
growth



29%
Adj. operating
margin



Strong organic growth in IES, standout performance in A&P



Rationalisation programme update

Targeting annualised savings of 160-170 MEUR fully realised from 2025

Progress at Q3 2023

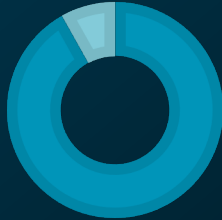
P&L Investment

Full 198.6 MEUR charge taken



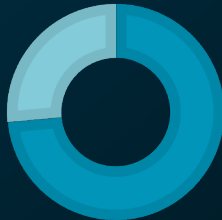
Cash costs

16.2 MEUR cash impact



Annualised savings

45 MEUR current run rate
(6 MEUR realised in Q3)



Priorities

Synergies

- Optimise G&A spend across teams and divisions.
- Focus on IT operations and scale.

Underperformance

- Rationalise non-core business areas and activities.
- Right size services footprint.

Footprint

- Reduce offices and facilities by ~25%
- Adapt to hybrid work needs, optimise manufacturing footprint.

Automation

- One-off investments to leverage automation and cloud platforms across the group.
- Robotics and AI-driven efficiency.

Analysis of organic growth per geographic region and by industry

	Share of sales ¹⁾	W EU 26% (25)	EEMEA ²⁾ 7% (7)	NA 36% (36)	SA 5% (4)	CN 14% (15)	ASIA ³⁾ 12% (13)	
Surveying & Reality Capture	17%	↘	↘	↗	↘	↘	↗	
Power, Energy & Mining ⁴⁾	22%	↗	↗	↗	↗	↗	↗	
Electronics & Manufacturing	18%	↗	↗	↘	↗	↗	↗	
Infrastructure & Construction	12%	↗	↗	↗	↘	↘	↗	
Automotive	8%	↗	↗	↘	↗	↘	↗	
Aerospace & Defence	10%	↗	↗	↗	↗	↗	↗	
Public Safety	4%	↘	↘	↗	↘	↗	↗	
Other	9%							> 8% ↗
Total organic growth		4%	23%	7%	13%	6%	8%	0 to 8% ↗ Negative ↘

1) Share of sales as per Q3 2023

2) Eastern Europe, Middle East and Africa

3) Asia, excluding China

4) Oil & Gas represented 4% of total revenue in 2022

Geospatial Enterprise Solutions – Q3 2023 overview



Geosystems

+6% organic growth

- Strong demand for mining and reality capture solutions
- Slowdown in mature construction markets

Software & services*

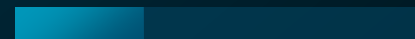


SIG

-5% organic growth

- Continued impact of exit of low-margin defense contracts
- Good momentum with the Public Safety OnCall roll-out

Recurring revenue*



A&P

+41% organic growth

- Strong growth in agriculture and defense
- Positively impacted by a large one-off software deal

Direct sales*



*Full year 2022

Sales and EBIT1



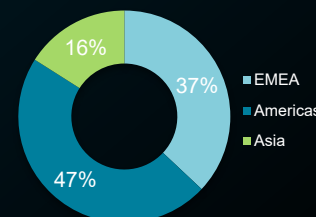
Sales of 666.1 MEUR (641.9) – organic growth of **7** per cent



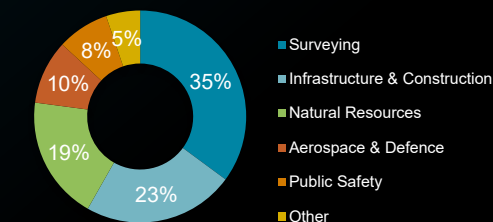
EBIT1 of 203.2 MEUR (197.0) and operating margin of **30.6** per cent (30.7)

>> Negatively impacted by FX

Sales per geography



Sales per segment



Industrial Enterprise Solutions – Q3 2023 overview



Manufacturing Intelligence

+8% organic growth

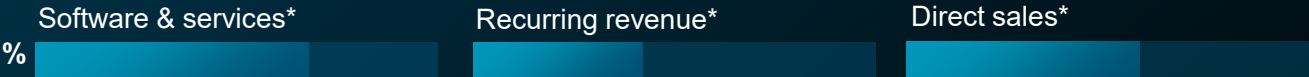
- Good growth in aerospace and general manufacturing, continued momentum in China
- Automotive markets slowing
- Good growth and integration momentum in ETQ



Asset Lifecycle Intelligence

+10% organic growth

- Diversification efforts continue, with large multi-year deals in mining, pulp and paper
- Asset management growing strongly, with EAM in double-digit growth



*Full year 2022

Sales and EBIT1



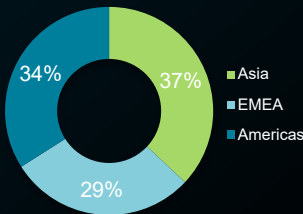
Sales of 686.0 MEUR (678.3) – organic growth of **9** per cent



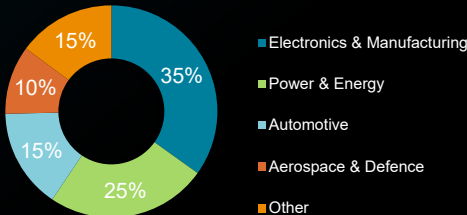
EBIT1 of 196.8 MEUR (198.1) and operating margin of **28.7** per cent (29.2)

» Negatively impacted by FX

Sales per geography



Sales per segment



II. Q3 Financial review

Income Statement – Q3 2023

MEUR	Q3 2023	Q3 2022	Change %
Operating net sales	1,352.1	1,320.2	8 ¹⁾
Revenue adjustments	-2.3	-3.6	n.a.
Net sales	1,349.8	1,316.6	8 ¹⁾
Adjusted gross earnings	885.6	860.7	3
Adjusted gross margin, %	65.5	65.2	0.3
Adjusted operating earnings (EBIT1)	393.0	386.2	2
Adjusted operating margin, %	29.1	29.3	-0.2
Earnings before taxes, excl. adjustments	350.0	377.3	-7
Adjustments (before taxes) ²⁾	-246.2	-43.8	n.a.
Earnings before taxes	103.8	333.5	-69
Net earnings	87.2	273.5	-68
Net earnings, excl. adjustments	287.1	309.4	-7
Earnings per share, excl. adjustments, Euro cent	10.6	11.4	-7

Sales bridge	
2022, MEUR	1,320.2
Structure, %*	2%
Currency, %	-7%
Organic growth, %**	8%
Total, %	2%
2023, MEUR	1,352.1

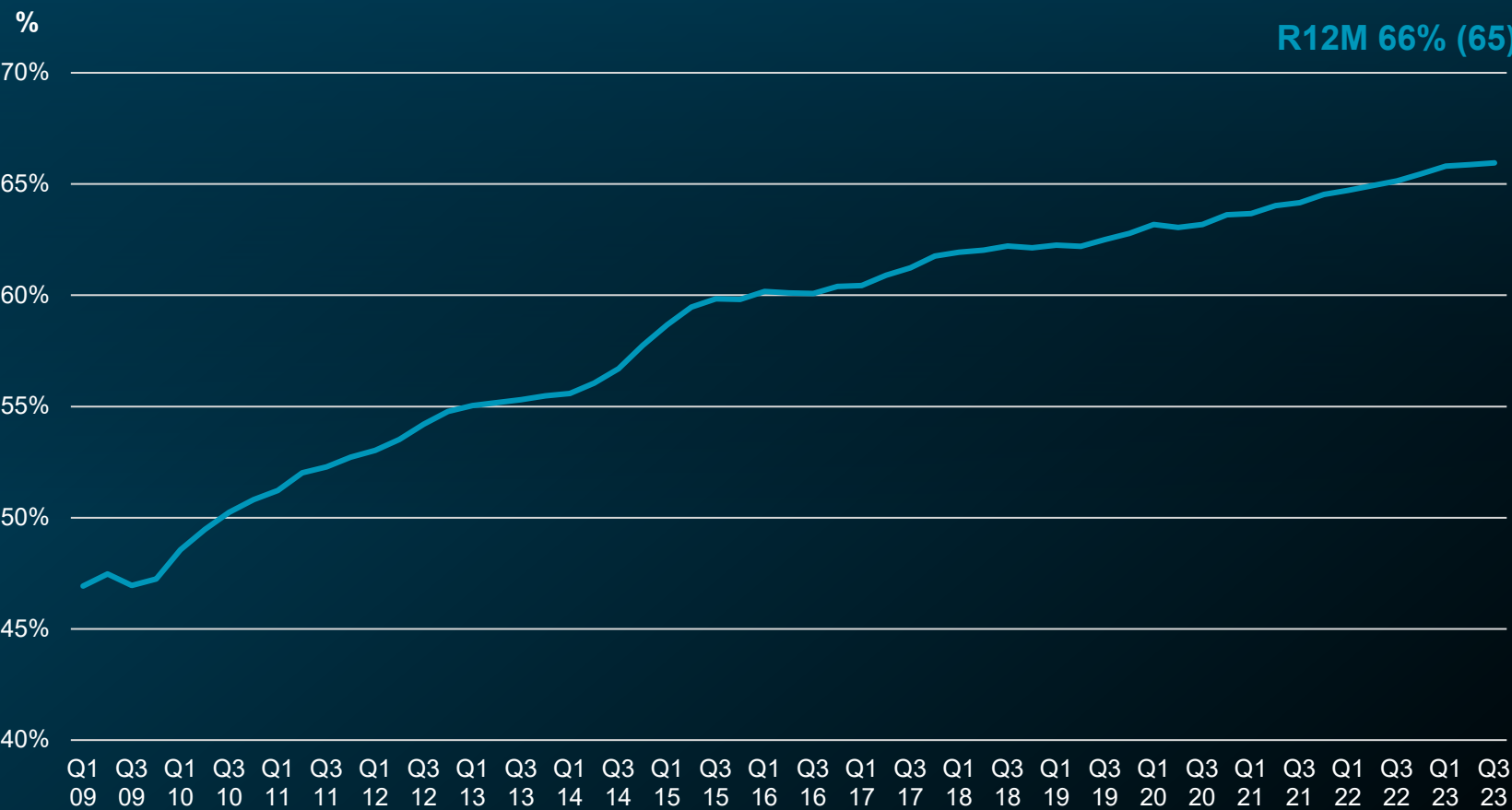
* All acquisitions are included in structural growth for the first 12 months

** Organic growth calculated as the growth excluding impacts from structure and currency during the period

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

2) Adjustments in the quarter relate to share programmes (LTIP), amortisation of surplus values (PPA), acquired deferred revenue and non-recurring items relating to the rationalisation programme

Gross margin – R12M



- Historic R12M GM% expansion:**
- Richer software mix in portfolio through innovation and M&A
 - Innovation drives higher GM% for next generation devices
 - Q3 adjusted gross margin of 65.5% (65.2)

Profitability bridge

Growth		-7%	2%	8%	2%
MEUR	Q3 2022	Currency	Structure	Organic	Q3 2023
Operating Net Sales	1,320.2	-87	20	99	1,352.1
Adjusted Operating Earnings (EBIT1)	386.2	-41	6	42	393.0
Adjusted Operating Margin	29.3%	47%	30%	42%	29.1%
Accretion / (Dilution)		-1.1%	0.0%	0.9%	

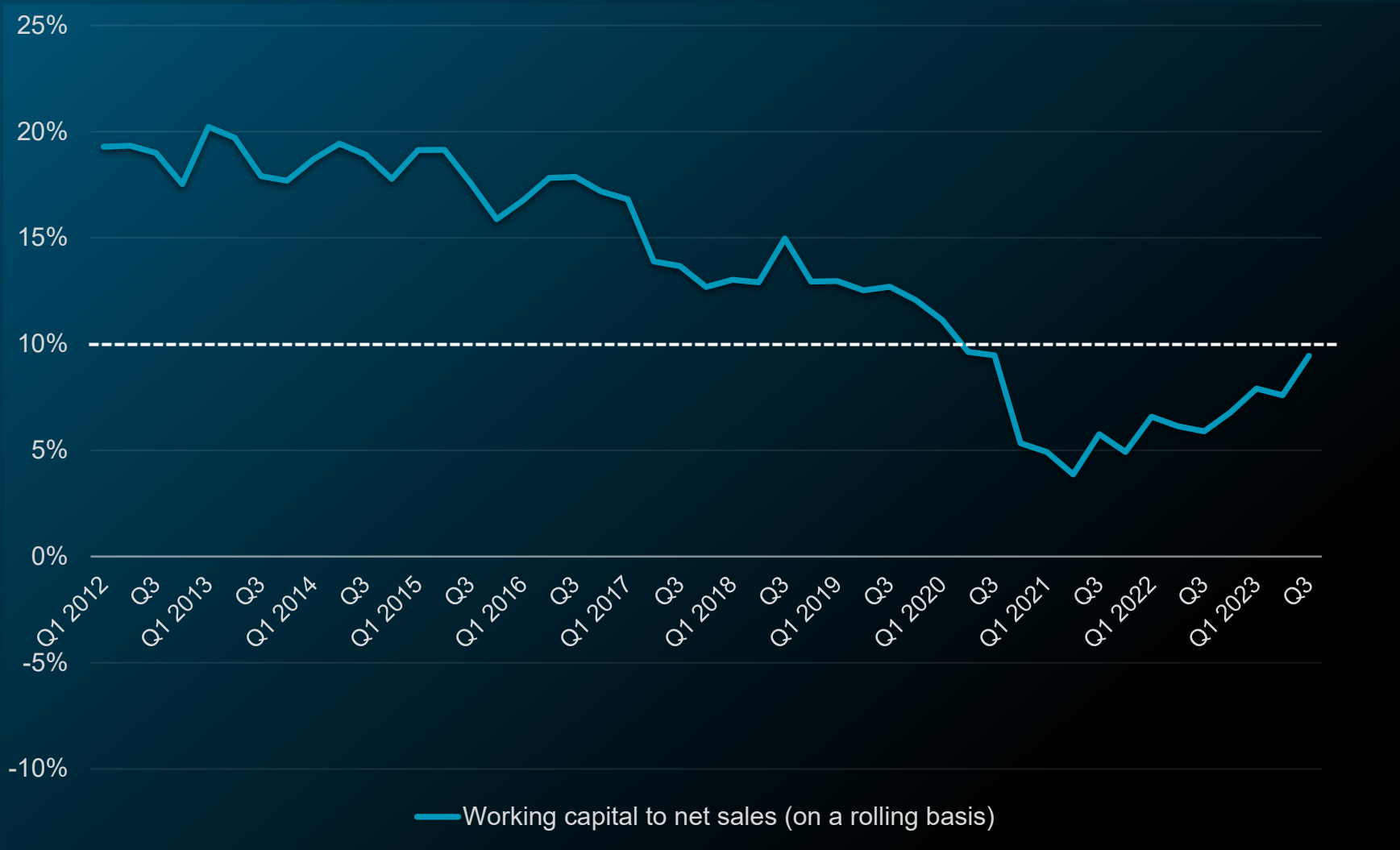
Q3 Cash Flow analysis

Cash Flow Statement MEUR	Reported Q3 2023	Reported Q3 2022	Change %
Adjusted operating earnings (EBIT1)	393.0	386.2	2%
Cash flow from operations before change in working capital excluding taxes and interest	489.6	463.1	6%
Investments (Intangible and Tangible)	-141.2	-141.8	0%
Cash flow post investments	348.4	321.3	8%
Cash flow from change in working capital	-98.0	-21.9	n.a.
Operating cash flow before tax and interest	250.4	299.4	-16%
Cash conversion %	64%	78%	
Taxes paid	-61.5	-47.3	30%
Interest received and paid, net	-42.4	-8.6	n.a.
Operating cash flow before non-recurring items	146.5	243.5	-40%

- Investments consistent with the prior year
- Working capital outflow driven by growth in the quarter drives the cash conversion
- Increase in taxes paid relates to timing of tax payments
- Higher interest payments reflect the higher interest rate environment

Working capital to sales

WC/Sales, %



WC Bridge	Q3 2023
Receivables & Prepaid expenses	35.1
Inventories	-5.0
Liabilities	56.9
Deferred revenue	34.1
Accrued expenses	-23.1
Change in WC	98.0

III. Awards & customer stories

Hexagon receives Wichmann Innovations Award for software and hardware

At this year's INTERGEO in Berlin, Germany, Hexagon's Reality Cloud Studio powered by HxDR and the new handheld reality capture scanner, the Leica BLK2GO PULSE, won the prestigious Wichmann Innovations Awards.





Customer story

Glencore

Customer background

One of the world's largest globally diversified natural resource companies, headquartered in Switzerland and operating in 35+ countries. Glencore has more than 60 mining, metallurgical and oil production assets.

Customer challenge

Seeking to improve safety in their mining operations. Global strategic partnership across all mine sites and commodities.



10+ years of Glencore/Hexagon partnership

Hexagon's Operator Alertness System – 4 continents, 15 mines.

Hexagon's Collision Avoidance System – 3 continents including recent deal. for 200 CAS systems at Lomas Bayas. \$3.9M USD over 3 years (Chile; Q3-2023).

Hexagon's Vehicle Intervention System – 3 mine sites, +150 haul trucks.





Customer win

Maquinarias THM

Customer background

A Chile based machine contractor for mining, focused on quality of service in mining operations.

Customer challenge

Keeping operators out of danger while improving productivity in dam handling operations.



How Hexagon is helping

Hexagon's newly acquired **Hard-Line TeleOp system** remotely operates 5 excavators in dam operations, helping the customer reach 100% safety compliance.

This deal will be a strategic reference site for future referrals.





Customer win

CORio

Customer background

Rio de Janeiro is the second largest city in Brazil with over 9 million people.

Customer challenge

Consolidating many different departments to more effectively control the city's daily operations.



How Hexagon is helping

Hexagon's incident and operational management software platform **HxGN OnCall** enables over 30 departments to control and share information as needed, in response to emergencies.

This deal includes software, implementation and maintenance over five years.





Customer win

Global Energy Company

Customer background

A Canadian midstream oil and gas company focused on energy infrastructure solutions across the value chain.

Customer challenge

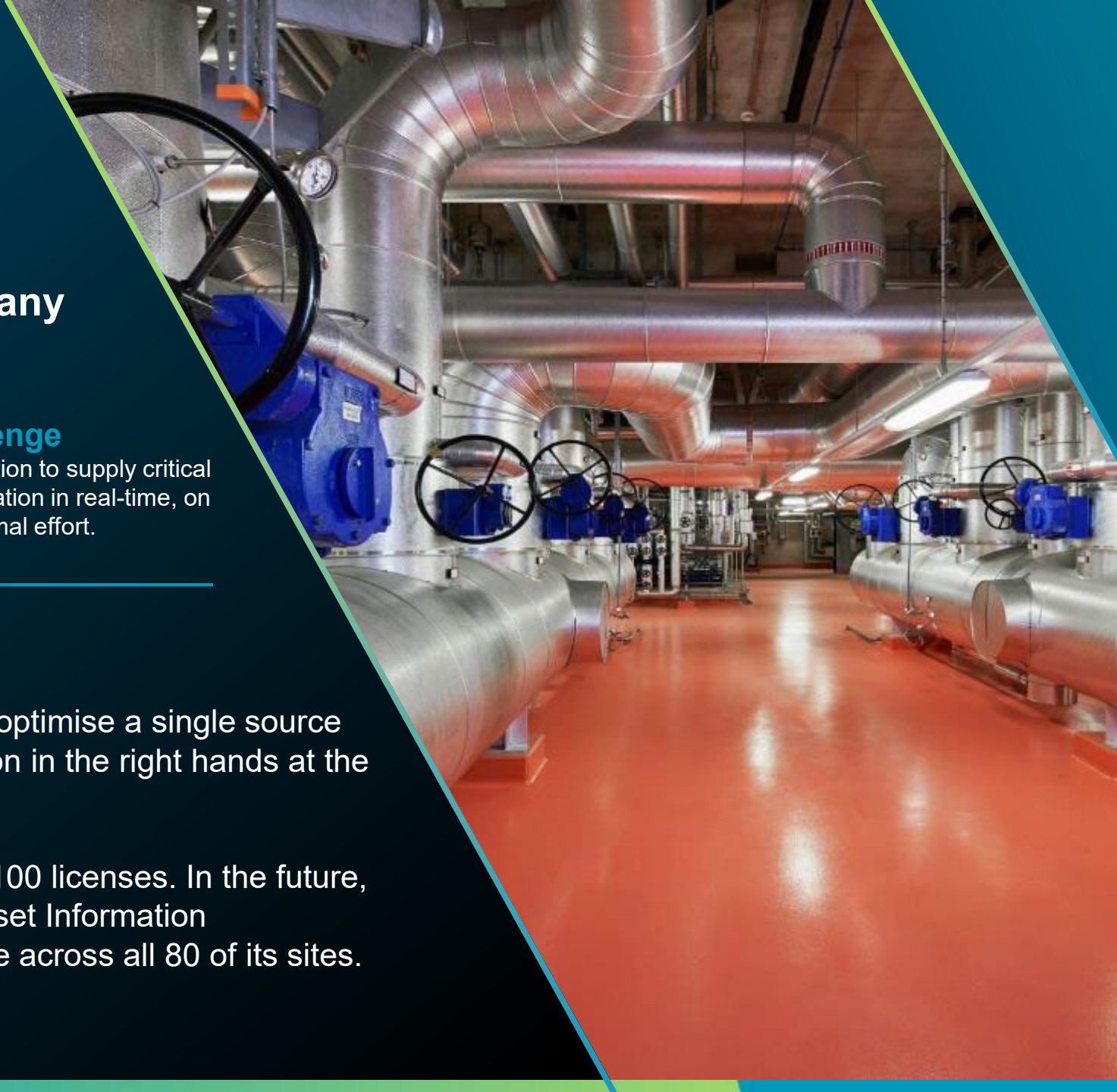
Needed a reliable solution to supply critical plant and asset information in real-time, on demand and with minimal effort.



How Hexagon is helping

With **HxGN SDx®**, the customer can optimise a single source of truth that places the right information in the right hands at the right time.

This 5-year SaaS deal includes over 100 licenses. In the future, the customer plans to roll out their Asset Information Management Solution (AIMS) initiative across all 80 of its sites.





Customer win

Mueller

Customer background

A leading manufacturer in the transmission, distribution and measurement of water in North America.

Customer challenge

Implement new technology to improve operational efficiency.



How Hexagon is helping

Our **Nexus Connected Worker software** helps Mueller manage production, maintenance, quality control and inventory across their plants, increasing productivity up to 30%.

For Hexagon, it provides recurring monthly revenue streams.





Customer win

HAUK

Customer background

This automotive parts supplier in the Czech Republic has been a Hexagon customer for 25 years.

Customer challenge

Needed to improve and modernise their inspection processes for their largest customer, SKODA.



How Hexagon is helping

HAUK has moved from using our traditional manual metrology and inspection devices to our new automated measuring cell, **Standard PRESTO**, to improve cost efficiencies. This is the first PRESTO unit sold.



Conclusions



Continued growth

As innovation offsets slowing end markets

Resilient margins

Good FX adjusted incremental margin

Rationalisation

Kicked-off and on track against targets

Cash conversion

Impacted by growth driven working capital

Governance

Focus on transparency and BoD composition

Capital Markets Day 2023



7th December 2023



12:00 – 5:00 PM GMT



London

Webcast will be made available

IV. Closing remarks & QA

Appendix

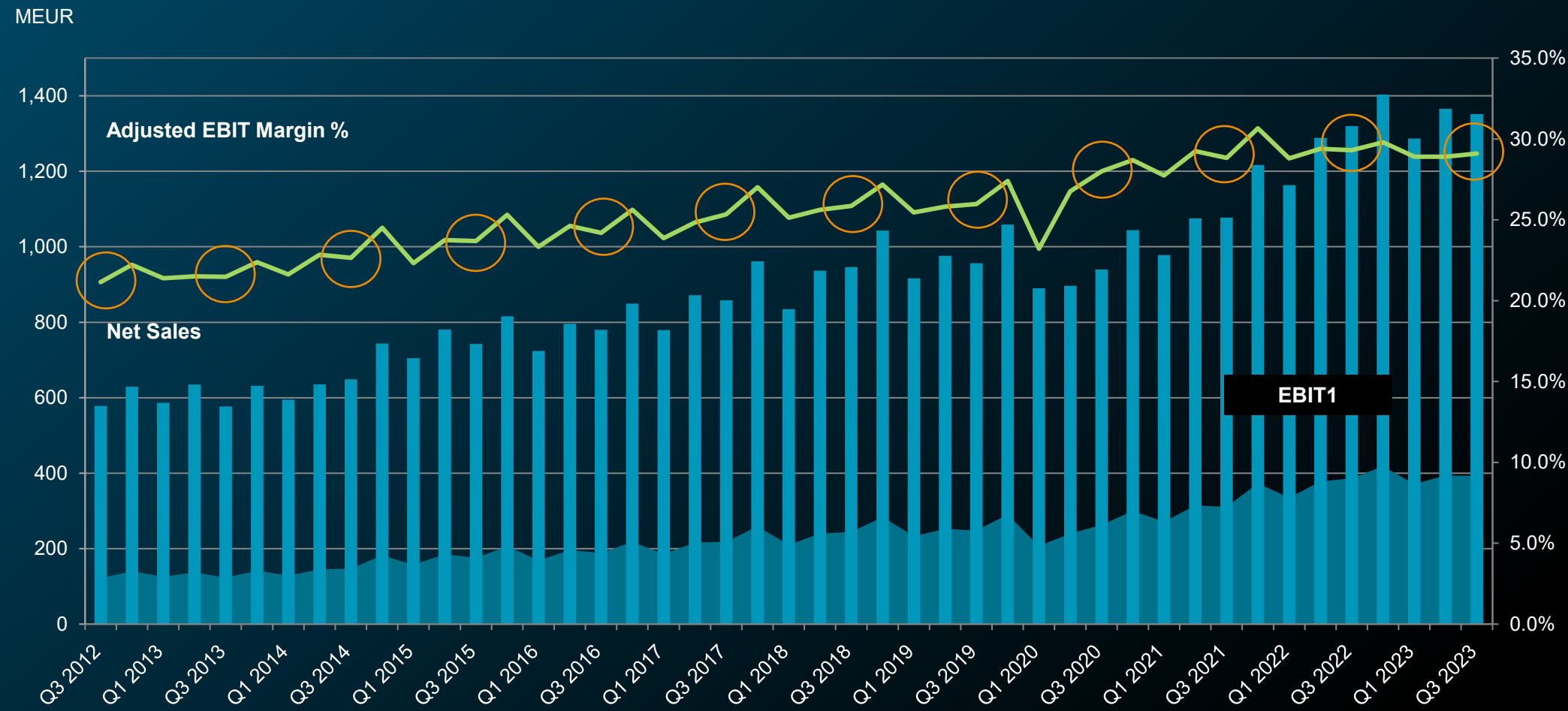
Cash flow statement

MEUR	Q3 2023	Q3 2022
Cash flow from operations before changes in working capital excl. taxes and interest	489.6	463.1
Taxes paid	-61.5	-47.3
Interest received and paid, net	-42.4	-8.6
Cash flow from operations before changes in working capital	385.7	407.2
Change in working capital	-98.0	-21.9
Cash flow from operations	287.7	385.3
Investments tangible assets	-19.1	-33.8
Investments intangible assets	-122.1	-108.0
Operating cash flow before non-recurring items	146.5	243.5
Non-recurring cash flow	-16.2	-10.9
Operating cash flow	130.3	232.6

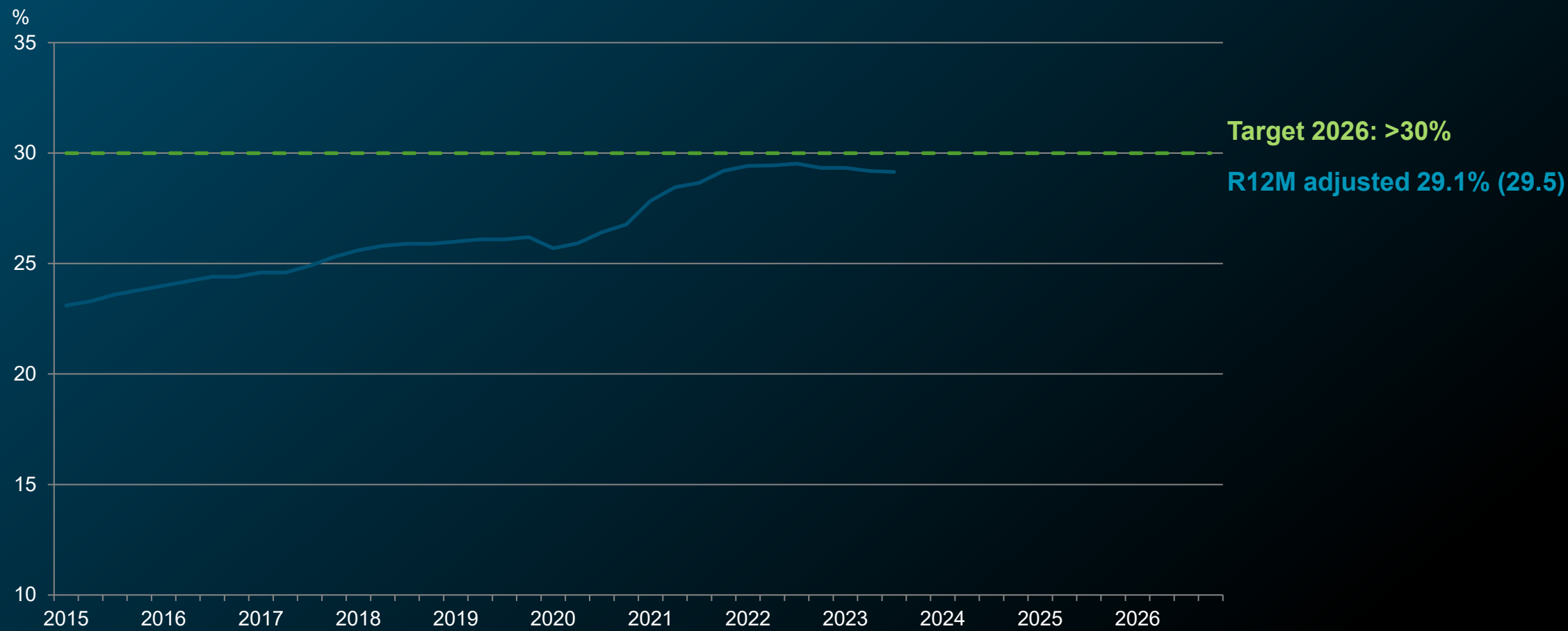
- Cash conversion of 64 per cent (78), impacted by working capital
- Working capital to sales of 9.5 per cent (5.9)

Seasonality in profit

Seasonal pattern: Q2 & Q4 tend to be the strongest quarters



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

Cautionary statement

This communication may contain forward-looking statements. When used in this communication, words such as "anticipate", "believe", "estimate", "expect", "intend", "plan" and "project" are intended to identify forward-looking statements. They may involve risks and uncertainties, including technological advances in the measurement field, product demand and market acceptance, the effect of economic conditions, the impact of competitive products and pricing, foreign currency exchange rates and other risks. These forward-looking statements reflect the views of Hexagon's management as of the date made with respect to future events and are subject to risks and uncertainties. All of these forward-looking statements are based on estimates and assumptions made by Hexagon's management and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements. Hexagon disclaims any intention or obligation to update these forward-looking statements.



Global leader in **digital reality solutions** that are
empowering an autonomous, sustainable future
by putting data to work

