



**HEXAGON**

## **Interim Report Q1 2020**

29 April 2020

- Net sales and earnings
- Market development
- Reporting segments
- Orders and product releases
- Summary

The background features a collage of various business and technology-related graphics. It includes line charts with multiple data series, a world map with hexagonal overlays, a globe with connecting lines, a bar chart with a downward arrow, and icons of people. The design is composed of overlapping geometric shapes in shades of blue and green.

## Net sales and earnings

# Overview Q1 2020

## Recorded sales decreased by -3 per cent, organic growth -7 per cent

- Solid organic growth in the software portfolios
  - PPM and Safety & Infrastructure recorded 8 per cent and 24 per cent organic growth respectively
- Geosystems and Manufacturing Intelligence recorded -11 per cent and -14 per cent organic growth respectively
  - Negatively impacted by a slowdown in demand related to the COVID-19 pandemic, causing production disturbances and shutdowns from government restrictions
- China and Western Europe declined
  - Excluding China and Western Europe, the rest of the world recorded 4 per cent organic growth

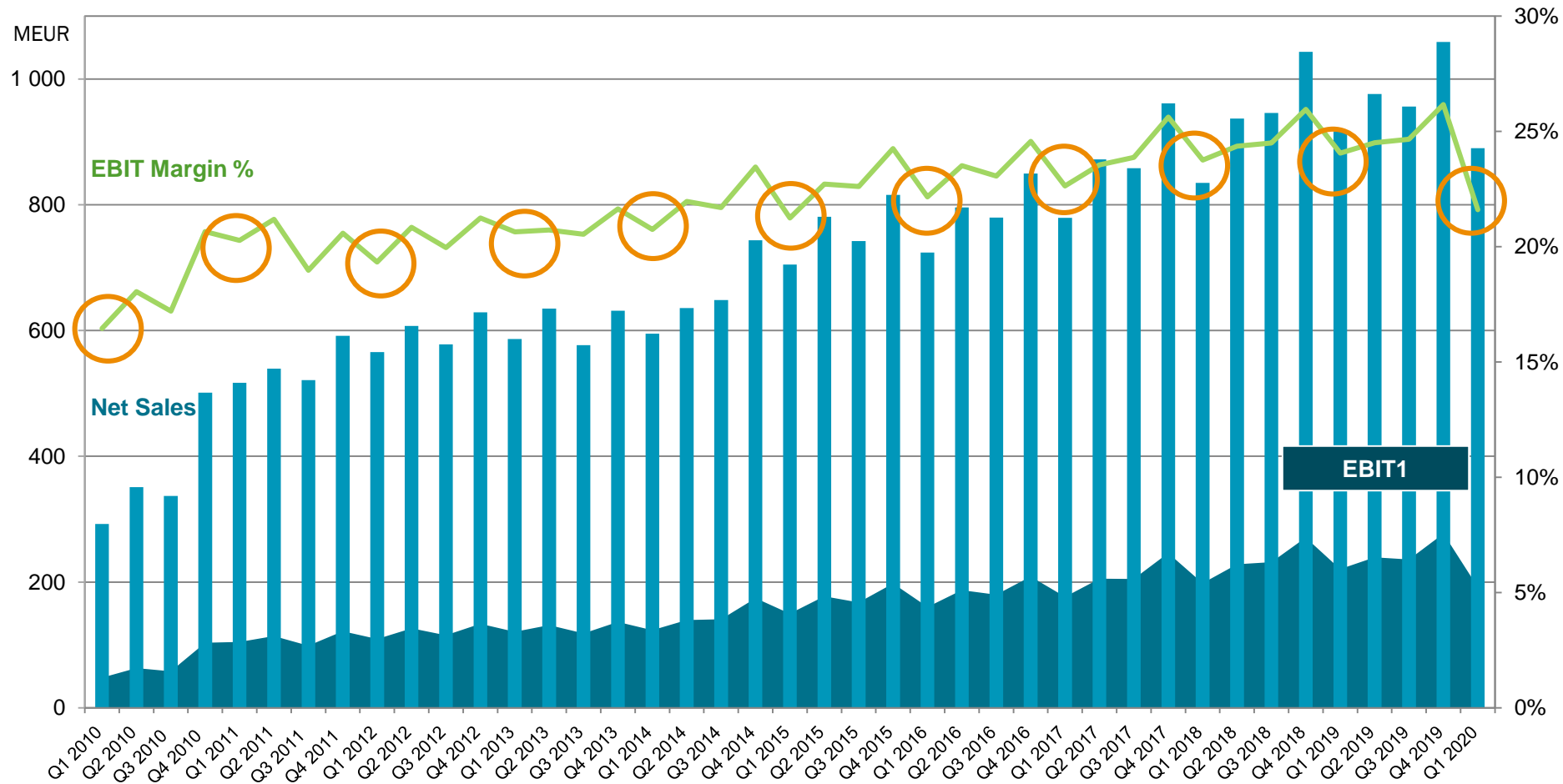
## Earnings and margins

- EBIT1 margin of 21.6 per cent (24.1), negatively impacted by the sales decline and currency effects
- Gross margin at record level, 64.2 per cent (62.6) driven by favourable product mix
- Initiated measures in Q2 to accelerate operational efficiencies to support its long-term financial objectives



# Seasonality in profit

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



# Key figures – Q1 2020

MEUR	Q1 2020	Q1 2019	Change %
Net sales	889.9	916.5	-7 <sup>1)</sup>
Operating earnings (EBITDA)	287.2	308.2	-7
Operating margin, (EBITDA) %	32.3	33.6	-1.3
Operating earnings (EBIT1)	192.4	220.5	-13
Operating margin, %	21.6	24.1	-2.5
Earnings before taxes, excl. non-recurring items	186.6	212.9	-12
Non-recurring items (before taxes)	-	-9.7	n.a.
Earnings before taxes	186.6	203.2	-8
Net earnings	153.0	166.5	-8
Net earnings, excl. non-recurring items	153.0	174.6	-12
Earnings per share, EUR	0.41	0.45	-9

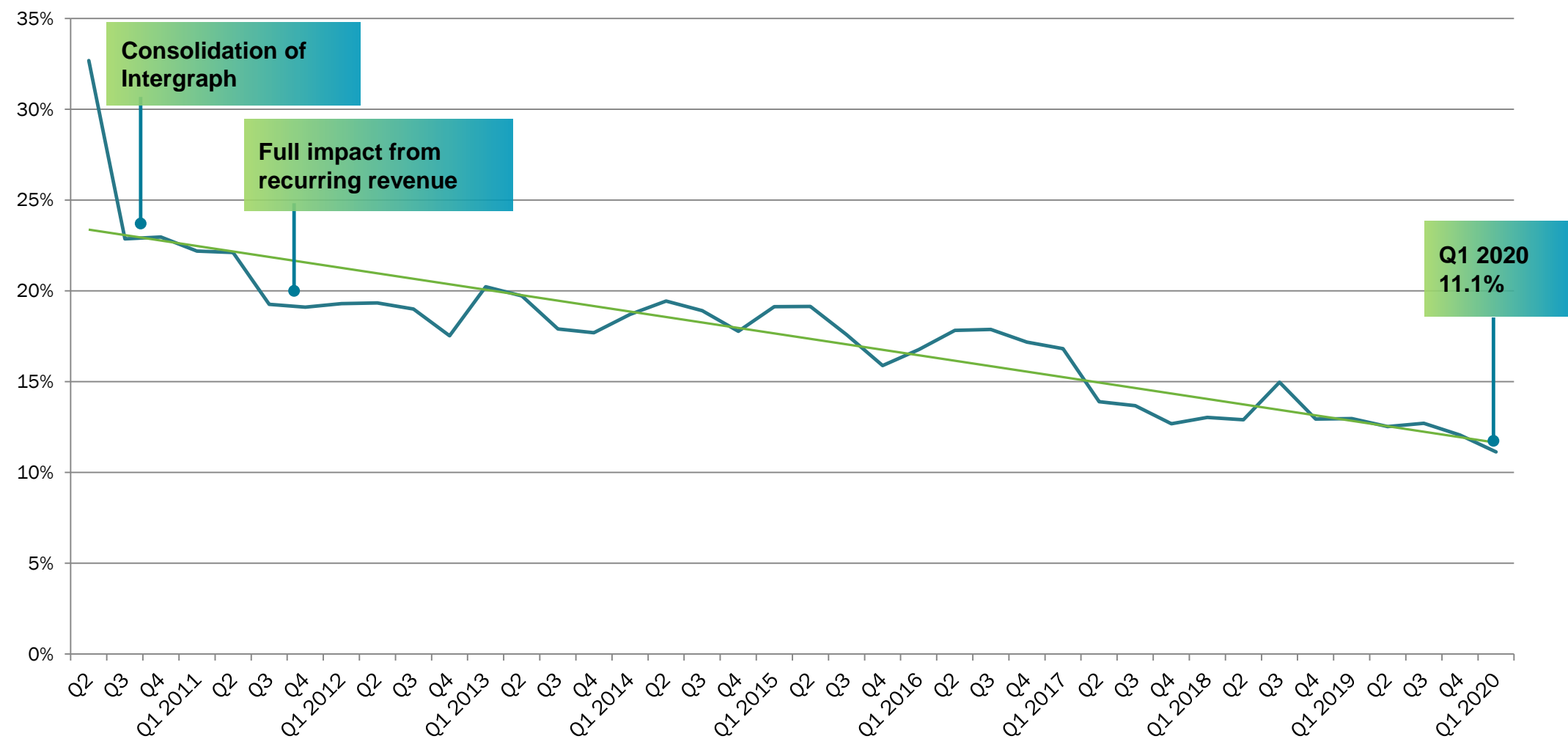
1) Adjusted to fixed exchange rates and a comparable group structure (organic growth)

# Cash flow

MEUR	Q1 2020	Q1 2019
Cash flow from operations before changes in working capital excl. taxes and interest	282.7	304.4
Taxes paid	-56.1	-53.5
Interest received and paid, net	-4.4	-5.8
Cash flow from operations before changes in working capital	222.2	245.1
Change in working capital	26.4	-48.6
Cash flow from operations	248.6	196.5
Investments tangible assets	-27.4	-22.1
Investments intangible assets	-75.1	-67.9
Operating cash flow before non-recurring items	146.1	106.5
Non-recurring cash flow	-9.2	-10.2
Operating cash flow	136.9	96.3

- Cash conversion of 107 per cent (75) in Q1 2020
- Cash conversion target of 80-90 per cent

# Working capital to sales





# Cost savings measures initiated

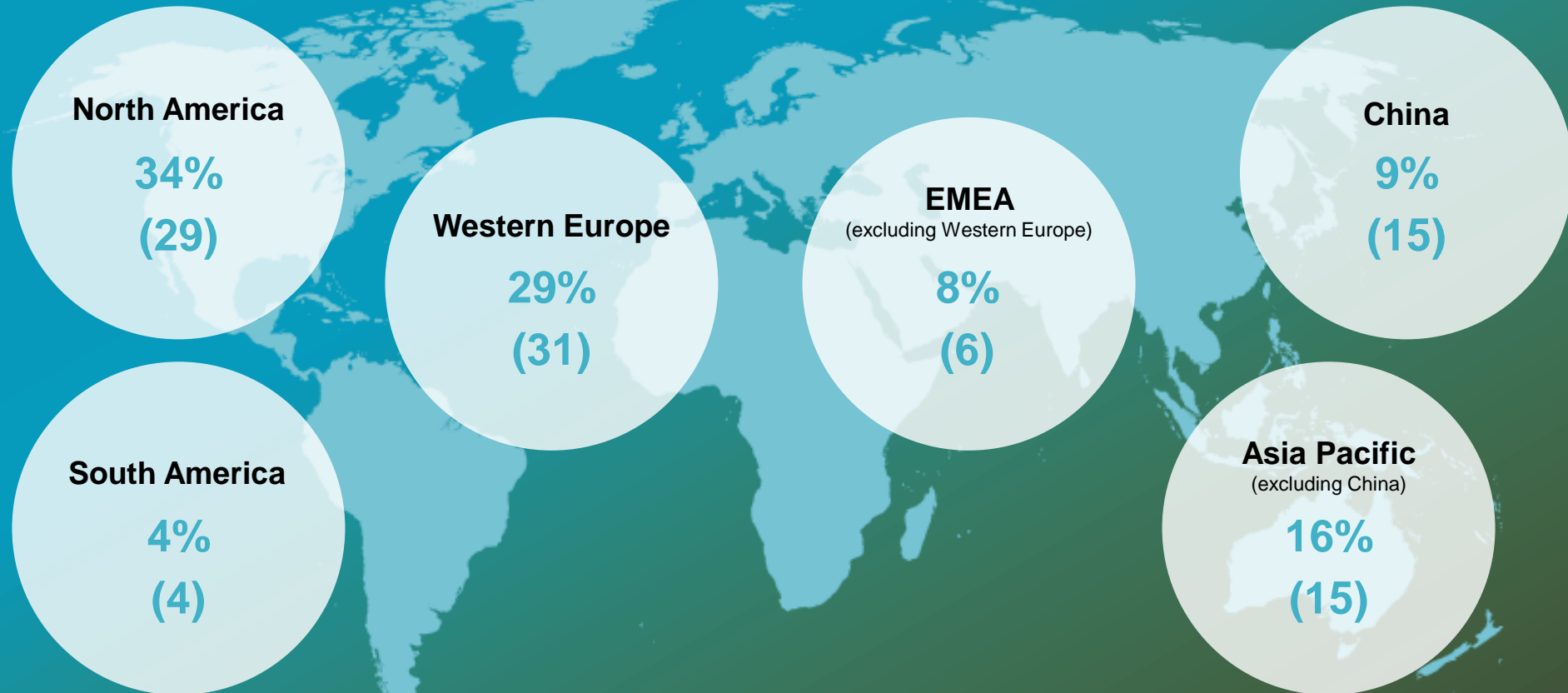
<b>EBIT1 Q1 2019</b>	<b>24.1%</b>
FX	-0.8%
Product Mix	1.6%
Volume	-1.5%
OPEX	-1.8%
<b>EBIT1 Q1 2020</b>	<b>21.6%</b>

- Short-term measures include shorter work weeks, furloughs and reductions in discretionary spending
- Long-term measures include a company-wide cost savings programme which was initiated in April
  - Structural changes – from reallocating resources to new business opportunities to optimising office locations
  - Work force reductions that reflect more enduring changes in market demand and revenue mix
  - One-off charge of approximately -135 MEUR taken during the second quarter 2020, with the majority impacting cash flow
  - Annualised cost savings of approximately 125-150 MEUR by the end of 2020







# Market development

## Sales mix Hexagon Q1 2020 (Q1 2019)



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

CONTRIBUTORS TO GROWTH <sup>1)</sup> (descending order)	
<b>Q1 2019</b>	<b>916.5</b>
South America	
North America	
Eastern Europe, Middle East & Africa	
Asia excl. China	
Western Europe	
China	
<b>Q1 2020</b>	<b>889.9</b>

> 8%	
0 to 8%	
Negative	

<sup>1)</sup> 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> 8%	NA 34%	SA 4%	CN 9%	ASIA <sup>3)</sup> 16%
Surveying	19%						
Power, Energy & Mining	19%						
Electronics & Manufacturing	15%						
Infrastructure & Construction	13%						
Automotive	9%						
Aerospace & Defence	12%						
Public Safety	6%						
Other	7%						
Total							

> 8%

0 to 8%

Negative

1) Share of sales as per Q1 2020

2) EMEA, excluding Western Europe

3) Asia, excluding China

# EMEA market trends – Q1 2020

- Western Europe recorded -9 per cent organic growth
  - Slower demand in manufacturing and construction towards the end of the quarter, impacted by the COVID-19 pandemic
  - Double-digit growth in the software portfolios PPM and Safety & Infrastructure
- Russia and the Middle East recorded solid growth



Q1 Share of sales, %	37
Q1 Organic growth, %	-6
- Organic growth, GES %	-6
- Organic growth, IES %	-6



# Americas market trends – Q1 2020

- North America recorded mid-single-digit organic growth
  - Solid growth in power & energy, manufacturing and public safety solutions
  - Growth hampered by decline in surveying and construction
- South America recorded double-digit growth supported by strong growth in Brazil and solid demand in mining solutions



Q1 Share of sales, %	38
Q1 Organic growth, %	6
- Organic growth, GES %	6
- Organic growth, IES %	5

# Asia market trends – Q1 2020

- China recorded -40 per cent organic growth
  - Significantly impacted by shutdowns from government restrictions related to the COVID-19 pandemic
  - Started to recover towards the end of the quarter and ended with a positive book-to-bill ratio
- South Korea and Japan recorded solid organic growth
- South-Eastern Asia and India declined



Q1 Share of sales, %	25
Q1 Organic growth, %	-21
- Organic growth, GES %	-18
- Organic growth, IES %	-22





# Reporting segments

# Industrial Enterprise Solutions – Q1 2020 overview

## Organic growth of -9 per cent

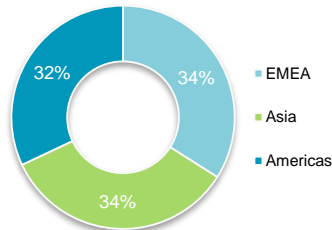
- MI: -14 per cent organic growth, largely driven by the significant decline in China related to the COVID-19 pandemic. North America recorded solid organic growth, supported by a positive development within the aerospace market. The performance in the software portfolios remained stable
- PPM: 8 per cent organic growth, supported by a strong development in the design and asset management portfolios in both AEC and process industries

## EBIT1

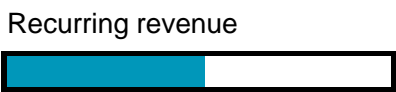
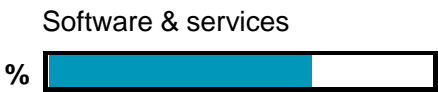
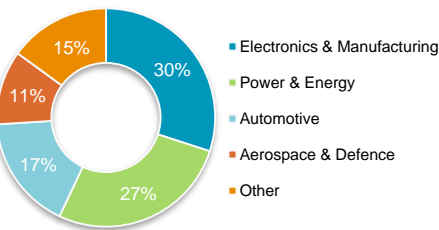
- Sales of 436.1 MEUR (467.8)
- EBIT1 of 92.8 MEUR (113.9) and operating margin of 21.3 per cent (24.3)
  - Hampered by the organic revenue decline and currency effects



Sales per geography



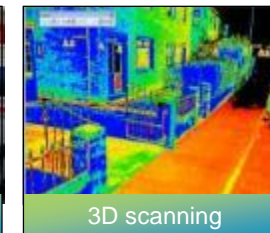
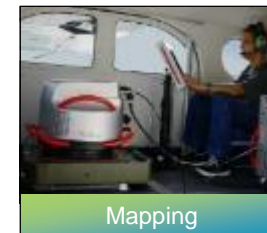
Sales per segment



# Geospatial Enterprise Solutions – Q1 2020 overview

## Organic growth of -4 per cent

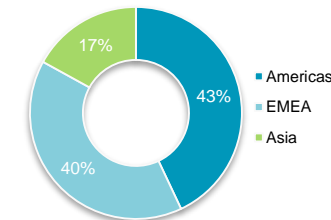
- Geosystems: -11 per cent organic growth, hampered by general weakness in some construction markets and government restrictions related to the COVID-19 pandemic. Mining solutions continued to record favorable organic growth
- SI: Recorded 24 per cent organic growth, supported by several new contract wins and continued positive momentum for the recently launched OnCall platform
- Autonomy & Positioning: -1 per cent organic growth, positively impacted by solid demand in defence and agriculture but adversely impacted by weaker demand in automotive and marine



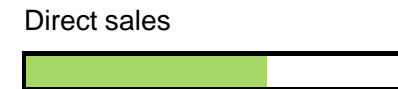
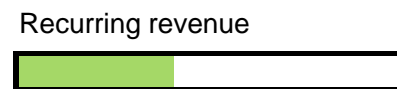
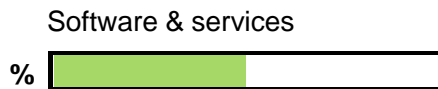
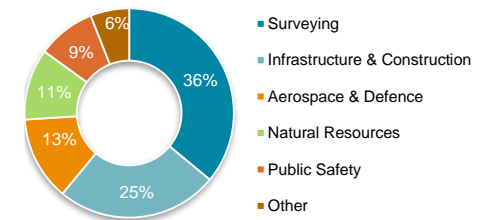
## EBIT1

- Sales of 453.8 MEUR (448.7)
- EBIT1 of 102.4 MEUR (112.4) and operating margin of 22.6 per cent (25.1)
  - Hampered by the organic revenue decline and currency effects

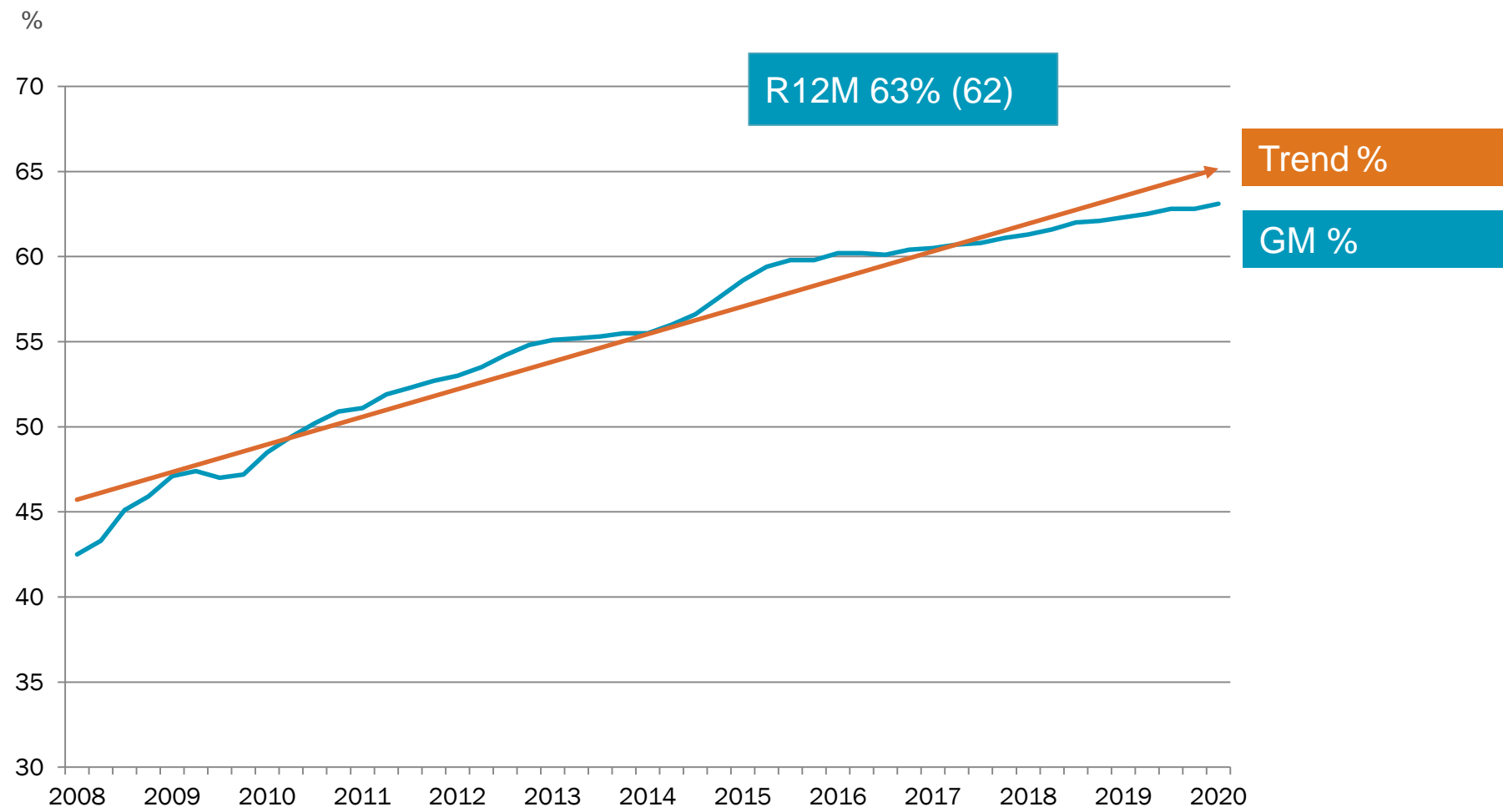
Sales per geography



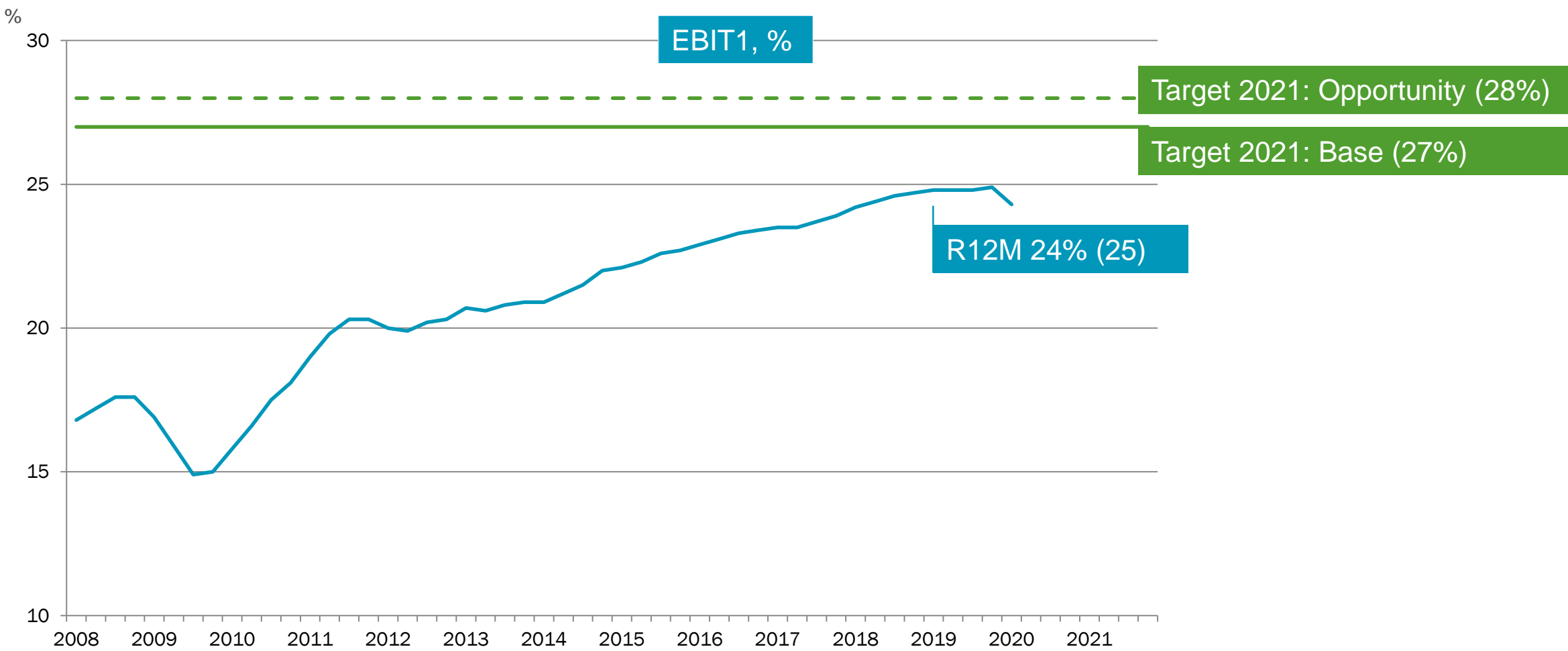
Sales per segment



# Gross margin – R12M quarterly data



# Operating margin – R12M quarterly data



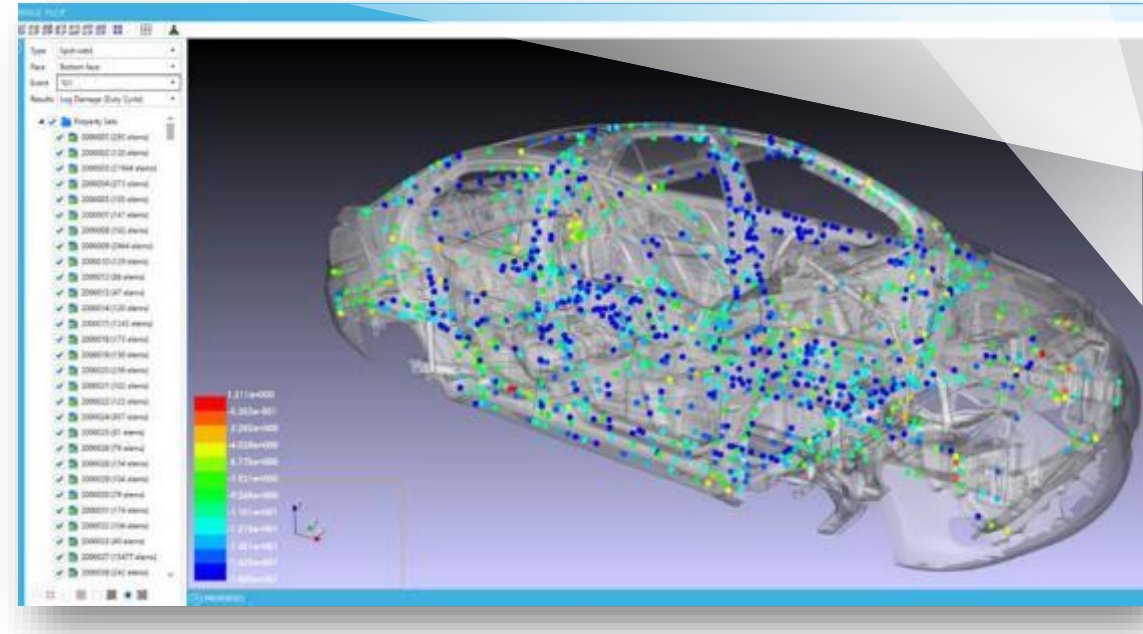


The background features a large teal triangle on the right side. On the left, there are overlapping geometric shapes in shades of green and blue. A circular graphic with glowing white and blue lines, resembling a circuit or data flow, is positioned in the upper left. Faint binary code (0s and 1s) is scattered across the background.

## Orders and product releases

# CAEfatigue acquisition augments Hexagon's simulation competencies

- As a provider of mechanical fatigue simulation solutions, **CAEfatigue's** software suite **improves manufacturing product design, quality, and reliability**
- Its solutions provide **faster, more accurate and more intuitive qualitative analysis**, supporting industry-leading performance and accuracy
- They are used by global manufacturers across multiple industries, including automotive and aerospace, and are interoperable with leading computer-aided engineering (CAE) packages



*CAEfatigue operates as part of Hexagon's Manufacturing Intelligence division. The acquisition has no significant impact on Hexagon's earnings.*

# Geopraevent acquisition strengthens suite of natural hazard monitoring and alarm solutions

- **Geopraevent** is a leading provider of **natural hazard monitoring and alarm systems** for the early detection and warning of dangerous events such as **landslides, rockfalls, and avalanches**
- Building off its strong presence in Switzerland, Geopraevent has **close to 100 live systems in operation across the globe today**, serving federal and local authorities and private infrastructure operators in markets such as transportation, public safety, tourism, mining and energy
- This acquisition **accelerates the accessibility of Hexagon's total monitoring solutions** for multiple market segments



*Geopraevent operates within Hexagon's Geosystems division. The acquisition has no significant impact on Hexagon's earnings.*



# BMT acquisition enables more efficient mine blasting solutions

- Hexagon acquired **BMT (Blast Movement Technologies)**, a pioneer in blast movement monitoring and analysis for open pit mines
- The acquisition complements Hexagon's **drill and blast solutions** with accurate ore location information, enabling customers to extract greater profit from every blast
- With offices worldwide, Brisbane-based BMT counts more than **100 customer sites mining nine commodities in nearly 40 countries**



*BMT operates within the mining unit of Hexagon's Geosystems division. 2019 sales amounted to 19 MEUR.*

# Hexagon launches Smart Autonomous Mobility solutions portfolio

- Announced at **CES 2020**, Hexagon is bringing together all the necessary sensors, software and services to make autonomous driving possible through its **Smart Autonomous Mobility** solutions portfolio
- The portfolio has three solution sets:
  - **Enable:** Fast-track R&D with hardware, software, and services to quickly enable autonomous driving systems across a variety of vehicle platforms and applications
  - **Accelerate:** Create Smart Digital Realities™ – seamless workflows between real-world and simulated environments
  - **Deploy:** Quickly scale from prototype and R&D phases to production for any autonomous application



# HxDR platform enables seamless combination of reality capture data

- Announced at CES 2020, **HxDR** is a new **cloud-based, digital reality visualisation platform**
- HxDR creates accurate digital representations of the real world through the **seamless combination** of reality capture data from **airborne, ground and mobile sensors**
- The platform addresses the growing need for simple-to-create yet highly **sophisticated and accurate visualisations of reality capture data** that boost project efficiencies and cost savings





# First surface, sub-surface and geospatial monitoring in a single package

- Hexagon's IDS GeoRadar partnered with Worldsensing, a leading player in monitoring technology, to launch the **most comprehensive mine safety monitoring system**
- The joint solution will simplify data management through the HxGN GeoMonitoring Hub, an integrated visualization and analysis platform
- The system is the first in the world to offer **surface, sub-surface and geospatial monitoring in a single package**, greatly simplifying contracting and deployment



## Two Leica BLK scanners honoured as “Best of Innovation” at CES 2020

- The **Leica BLK2GO** was selected as the **highest-rated product** in the **digital imaging and photography** category at CES 2020
  - The **industry’s first wireless handheld imaging laser scanner** allows users to scan spaces, structures and objects simply by walking through the space while holding the lightweight device
- The **Leica BLK247** was named a ‘Best of Innovation Award Nominee’ at CES 2020
  - The BLK247 is a **first-of-its-kind reality capture sensor for building security and operations** that offers continuous 24/7 monitoring of buildings and change detection within spaces using LiDAR, 3D digital fencing that creates digital barriers around a space



# LG Uplus prepares for autonomous vehicle application

- **LG Uplus**, a South Korean cellular carrier preparing for autonomous vehicle application using their 5G solution, has secured 70 nodes of **SpiderNet** to provide **GNSS signal correction services**
- GNSS accuracy for autonomous vehicles must be within 15 centimetres
- LG Uplus has a plan to establish its own CORS network in the future





# HxGN OnCall to support public safety project spanning all of Denmark

- Hexagon has partnered with Denmark's **Netcompany**, a next-generation IT services company with more than 2,000 employees in six countries, to support a Danish public safety agency
- Hexagon will provide its next-generation **HxGN OnCall** computer-aided dispatch (CAD) and field mobility software solutions to **support strategic Denmark public safety initiatives** for keeping more than 6 million citizens and visitors safe
- HxGN OnCall will help the agency make more informed decisions; easily connect devices, systems, and people; and harness next-generation technology to better meet future challenges



# Dispatch and mobile solutions bolster Frankfurt transit security

- **Verkehrsgesellschaft Frankfurt am Main mbH – VGF (Frankfurt Transportation Authority)** has selected Hexagon's **industry-leading computer-aided dispatch (CAD) and mobile solutions** to strengthen its safety and security infrastructure for its **173 million annual passengers**
- In addition to improving connections between the stations and command centre, the project will include the **integration of more than 300 IP cameras** with SOS pillars in subway and tramway stations
- This implementation will enhance public perception of safety, support criminal investigations and help dispatchers rapidly and efficiently mitigate any incidents



Photo credit: Jensino Birnini on Pixabay.com



# Comprehensive solutions for Chilean copper mining company

- A Chilean copper mining company has purchased Hexagon's fleet management system software, including **HxGN MineProtect Collision Avoidance System (CAS)**
- CAS **reduces collision events to save lives** by employing 360-degree proximity detection for surrounding vehicles and selected assets via a non-intrusive cabin display unit
- In addition, the company purchased hardware to fully change its network **from Wi-Fi to wireless LTE data**, improving operations with faster and more effective communication performance



# Operator alertness system to support large fleets of mining haul trucks

- **HxGN MineProtect Operator Alertness Heavy Vehicle (OAS-HV)** with cell phone detector and OAS suite viewing layer has been purchased for an Australian zinc mine
- OAS-HV will be implemented in a **fleet of 36 haul trucks** to manage and track operator fatigue levels, fatigue incidents and phone usage (as use of cell phones in the cab is against site policy)
- Hexagon also leveraged the existing relationship with a global commodities trading house to expand the MineProtect portfolio to another operation in New South Wales' Hunter Valley, where **OAS-HV will be implemented in 46 units**



# Location intelligence systems and support for France's navy

- **Atelier Industriel de l'Aéronautique** (AIA), part of France's Ministry of Defense in charge of aircraft development and maintenance, is developing a mission planning and restitution system based on **Hexagon's Luciad portfolio**
- The system is designed for **Atlantique 2 aircraft** and will be delivered to the French Navy
- In addition to software development, Hexagon will also **provide maintenance support** for operations





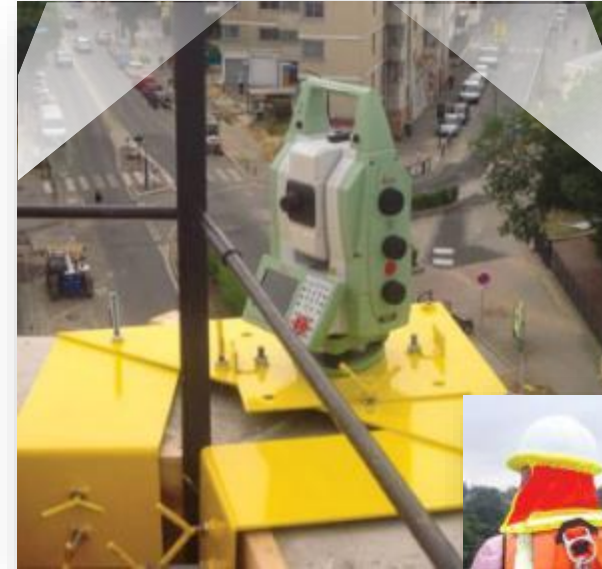
# Enterprise deal for HxGN AgrOn automation and monitoring tools

- **Usina Vale do Tijuco** in São Paulo, Brazil has purchased **HxGN AgrOn Harvesting** products AgrOn Machine Monitoring and AgrOn Haul-Out Dynamic Allocation
- The products will **enhance automation levels** by monitoring and controlling workflows of **76 machines** for harvesting operations (harvesters, tractors, transshipments, and trucks) in the first phase of this project
- Additionally, Hexagon's solutions will bring **logistical optimisations to the field level**, synchronising and dispatching haul-out machines to increase sugarcane cutting capacity and reduce downtimes



# Total station solutions support “Grand Paris” project

- The “Grand Paris” project aims to **transform the Paris city area** into a 21st century city and improve life for residents, evening out disparity between territories while **building a sustainable city**
- **MIRE SAS NGE Group** has selected a group of **Leica Geosystems solutions** (TM50, TS60, TS16, GS18T) to support the “Grand Paris” project
- These solutions will **support fleet renewal** and development of their monitoring services



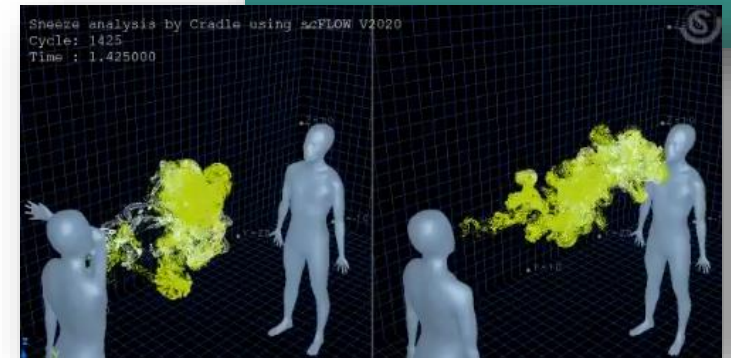
# Data intelligence supports public safety for women in India

- **Women Power Line 1090** (WPL1090) selected Hexagon's **M.App Enterprise** to analyse and visualise data related to calls for service
- WPL 1090, which is a dedicated call center created by Uttar Pradesh Police to enable women to register harassment complaints in India's most-populous state, is utilising the software to **identify hotspots, and to produce daily reports and dashboards**
- Hexagon's software will **increase call center efficiency**, help police better **manage resources**, and enable the department to more **effectively serve citizens**



# Hexagon's solutions support response to COVID-19

- Hexagon made its **aerial imagery library of the entire United States and Europe**, provided through the **HxGN Content Program**, freely available to any government agencies and non-profit organizations managing the COVID-19 outbreak
- An on-demand drone company in Ghana is using **Hexagon's positioning technology** to **deliver COVID-19 samples from health centers in remote areas** – now, a single test from a rural area can be transported for analysis in under an hour versus hours or days
- Hexagon's **simulation analysis software** was used to demonstrate the interaction between droplets and fluids when we sneeze, to stress the value of social distancing to prevent the spread of the virus
- The city of **Almada, Portugal**, used **Hexagon's M.App Enterprise** to identify where groceries and other essential items are available in real time, helping citizens take some of the guesswork out of shopping for necessary items





The background features a stylized world map in dark blue, overlaid with a complex network of glowing white and light blue lines connecting various nodes. The map is partially obscured by a large, diagonal, semi-transparent green shape in the bottom-left corner. The overall color palette is dominated by blues and greens.

# Summary



# Summary Q1 2020

- Reported -3 per cent sales growth (-7 per cent organic growth)
  - Solid organic growth for PPM (8 per cent) and SI (24 per cent)
  - Geosystems and Manufacturing Intelligence recorded -11 per cent and -14 per cent organic growth respectively
    - Negatively impacted by a slowdown in demand related to the COVID-19 pandemic, causing production disturbances and shutdowns from government restrictions
- Initiated measures in Q2 to accelerate operational efficiencies to support its long-term financial objectives

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