



**HEXAGON**

## **Interim Report Q2 2019**

26 July 2019

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



## Net sales and earnings

# Overview Q2 2019

## Organic growth of -1 per cent, net sales growth of 4 per cent

- Solid organic growth in Geosystems (6 per cent) and PPM (3 per cent)
- Manufacturing Intelligence recorded -7 per cent organic growth, reflecting the weaker demand environment in China, especially in electronics
- As expected and previously communicated, Safety & Infrastructure began to stabilise during the second quarter

## Earnings and margins

- Gross margin, excluding non-recurring items, of 63.0 per cent (62.3) and EBIT1 margin of 24.5 per cent (24.4)
  - Benefitted from favourable product mix



# Overview Q2 2019 (cont'd)

## China in Q2 2019

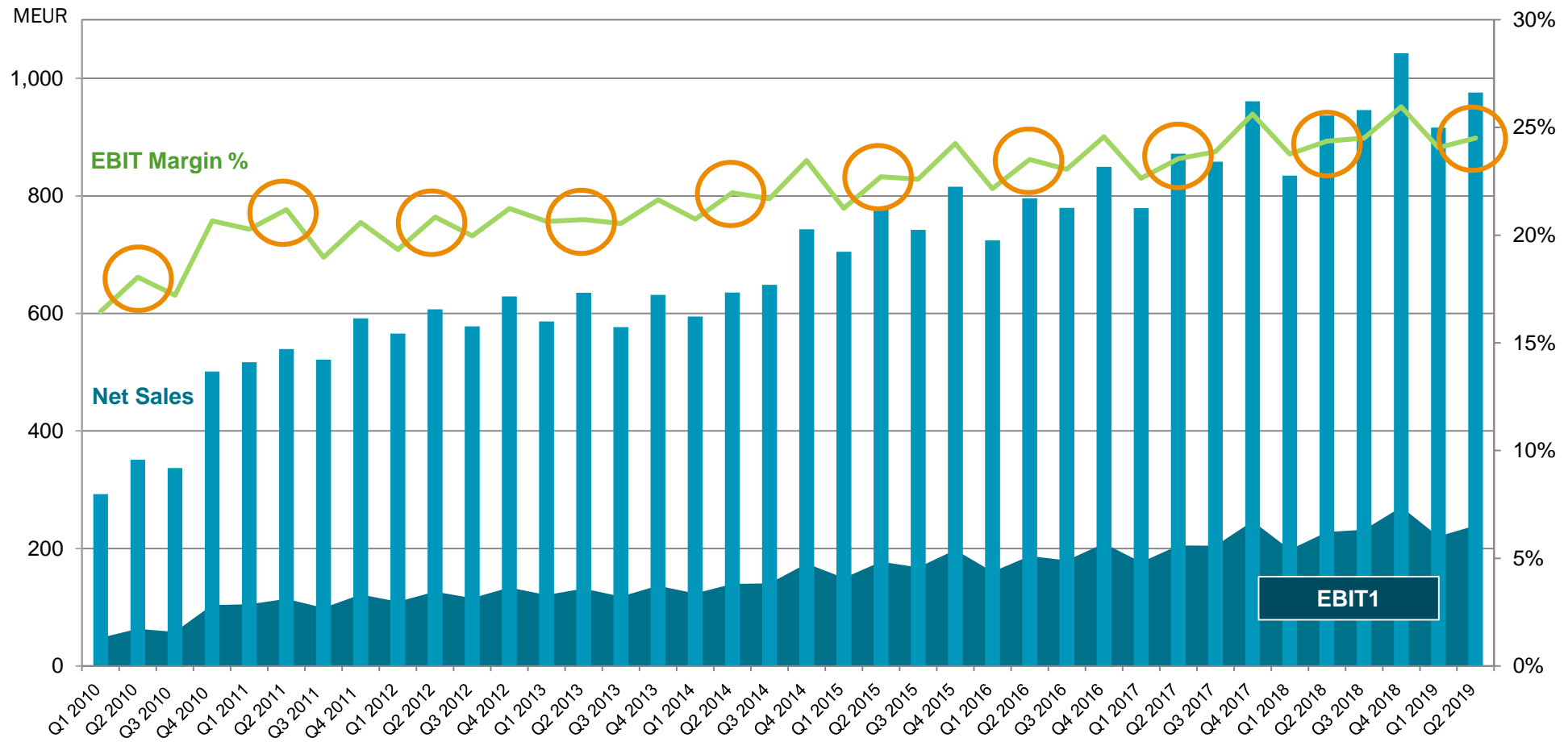
- Increased geopolitical uncertainties on global trade, especially within the electronics business in China
  - Electronics accounted for 4 per cent of group sales in Q2 2018 whilst declining to below 1 per cent in Q2 2019
  - China accounted for 17 per cent of sales in Q2 2018, to be compared with 12 per cent in Q2 2019
- Customers are restructuring supply chains and face restricted access to foreign technology

## Financial impact and savings from the restructuring programme

- Proactive restructuring actions to ensure the company remains on track to meet its 2021 financial targets
- Reduce the global workforce by approximately 700 employees
- Hexagon has taken a one-off charge of 44.4 MEUR during Q2 2019
- Expected to result in annualised cost savings of 51 MEUR with full run-rate as from 2020

# Seasonality in profit

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



# Key figures – Q2 2019

MEUR	Q2 2019	Q2 2018	Change %
Net sales	976.0	936.9	-1 <sup>1)</sup>
Operating earnings (EBITDA) <sup>2)</sup>	330.2	293.2	13
Operating margin, (EBITDA) %	33.8	31.3	2.5
Operating earnings (EBIT1) <sup>2)</sup>	239.2	228.2	5
Operating margin, %	24.5	24.4	0.1
Earnings before taxes, excl. non-recurring items	232.3	222.8	4
Non-recurring items (before taxes) <sup>3)</sup>	-44.4	-	n.a.
Earnings before taxes <sup>2)</sup>	187.9	222.8	-16
Net earnings	154.1	182.7	-16
Net earnings, excl. non-recurring items	190.5	182.7	4
Earnings per share, EUR	0.42	0.50	-16

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

2) EBITDA was improved by 17 MEUR and EBIT by 1 MEUR while Earnings before taxes was negatively impacted by -1 MEUR due to IFRS 16

3) Non-recurring items in Q2 2019 relate to a restructuring programme



# Key figures – 6M 2019

MEUR	6M 2019	6M 2018	Change %
Net sales	1,892.5	1,771.6	2 <sup>1)</sup>
Operating earnings (EBITDA) <sup>2)</sup>	638.4	552.7	16
Operating margin, (EBITDA) %	33.7	31.2	2.5
Operating earnings (EBIT1) <sup>2)</sup>	459.7	426.5	8
Operating margin, %	24.3	24.1	0.2
Earnings before taxes, excl. non-recurring items	445.2	415.1	7
Non-recurring items (before taxes) <sup>3)</sup>	-54.1	-	n.a.
Earnings before taxes <sup>2)</sup>	391.1	415.1	-6
Net earnings	320.6	340.4	-6
Net earnings, excl. non-recurring items	365.1	340.4	7
Earnings per share, EUR	0.87	0.93	-6

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

2) EBITDA was improved by 34 MEUR and EBIT by 2 MEUR while Earnings before taxes was negatively impacted by -2 MEUR due to IFRS 16

3) Non-recurring items in 6M 2019 relates to the acquisition of Thermopylae and a restructuring programme

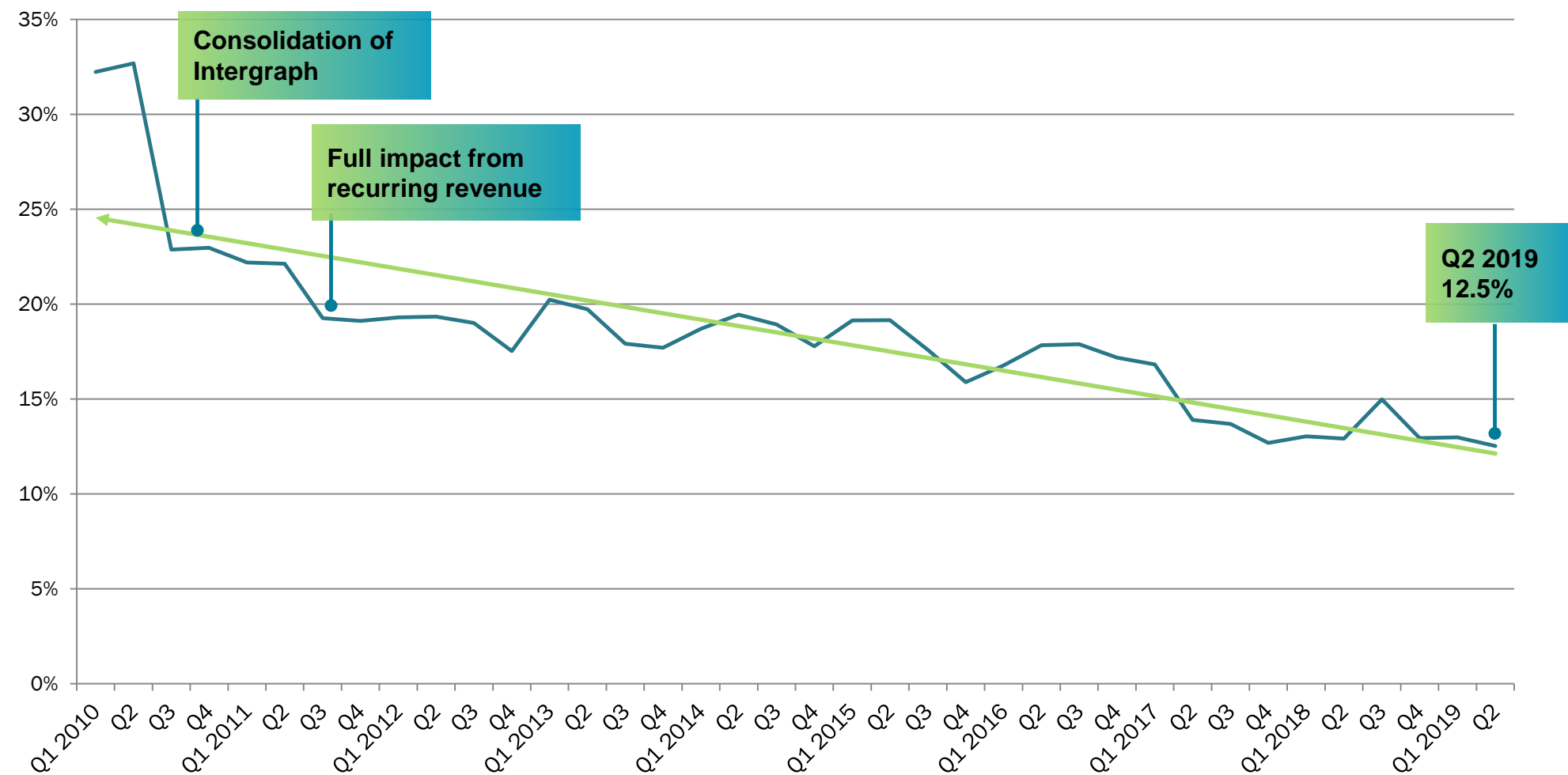


# Cash flow

MEUR	Q2 2019	Q2 2018
Cash flow from operations before changes in working capital excl. taxes and interest	332.0	294.1
Taxes paid	-34.3	-46.4
Interest received and paid, net	-7.9	-5.6
Cash flow from operations before changes in working capital	289.8	242.1
Change in working capital	8.8	1.8
Cash flow from operations	298.6	243.9
Investments tangible assets	-34.6	-26.7
Investments intangible assets	-74.6	-55.0
Operating cash flow before non-recurring items	189.4	162.2
Non-recurring cash flow	-11.1	-5.2
Operating cash flow	178.3	157.0

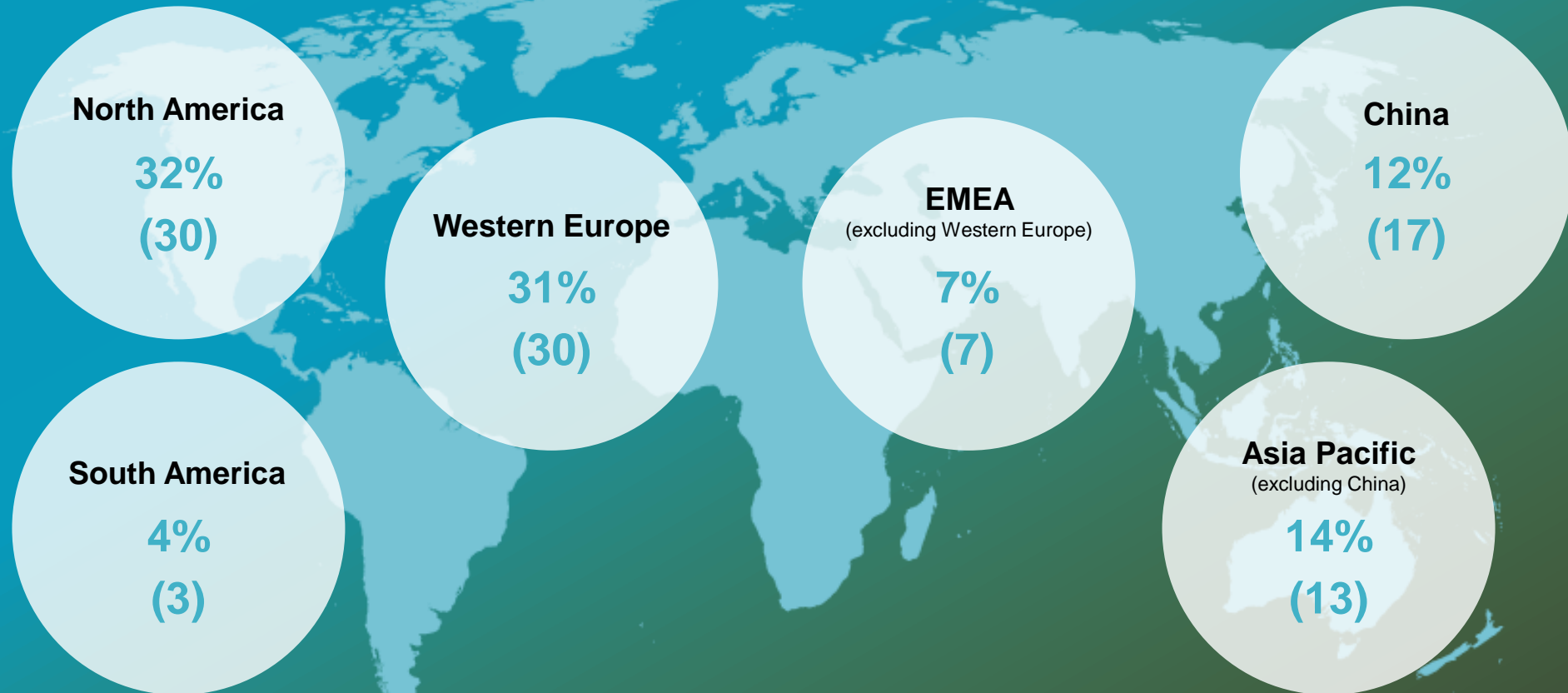
- Cash conversion of 97 per cent (94) in Q2 2019
- Cash conversion target of 80-90%

# Working capital to sales











# Market development

## Sales mix Hexagon Q2 2019 (Q2 2018)



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

CONTRIBUTORS TO GROWTH <sup>1)</sup> (descending order)	
<b>Q2 2018</b>	<b>936.9</b>
South America	
Asia excl. China	
Eastern Europe, Middle East & Africa	
Western Europe	
North America	
China	
<b>Q2 2019</b>	<b>976.0</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 31%	EMEA <sup>2)</sup> 7%	NA 32%	SA 4%	CN 12%	ASIA <sup>3)</sup> 14%
Surveying	20%	↗	→	→	↗	↘	↗
Power, Energy & Mining	19%	↗	↗	↘	↗	↗	→
Electronics & Manufacturing	14%	→	→	→		↘	→
Infrastructure & Construction	14%	→	↗	→	→	↘	↗
Automotive	10%	↘	→	↘	→	↘	→
Aerospace & Defence	10%	→	↗	→	↗	→	↗
Public Safety	5%	↘	↘	↘	↗	↗	↘
Other	8%						
Total	↘	→	↗	↘	↗	↘	↗

> 8% ↗

0 to 8% →

Negative ↘

1) Share of sales as per Q2 2019

2) EMEA, excluding Western Europe

3) Asia, excluding China

# EMEA market trends – Q2 2019

- Western Europe recorded 5 per cent organic growth
  - Growth driven by strong demand in infrastructure and construction, positioning solutions and power and energy
  - Strong growth primarily in Germany and France, weakness seen in the UK
- Double-digit organic growth in Russia and high single-digit growth in Eastern Europe
- The Middle East recorded mid-single digit growth



Q2 Share of sales, %	38
Q2 Organic growth, %	5
- Organic growth, GES %	4
- Organic growth, IES %	6



# Americas market trends – Q2 2019

- North America recorded -1 per cent organic growth
  - Continued solid demand in infrastructure and construction
  - Growth hampered by a decline in construction solutions for PPM due to large perpetual orders in Q2 2018
- South America continue to recover, recording double-digit growth supported across the region
  - Strong growth in mining
  - Continued recovery in Brazil



Q2 Share of sales, %	36
Q2 Organic growth, %	2
- Organic growth, GES %	7
- Organic growth, IES %	-4

# Asia market trends – Q2 2019

- China recorded -25 per cent organic growth
  - Impacted by the increased geopolitical uncertainty on global trade felt most heavily within the electronics business of the Manufacturing Intelligence division
  - The demand in automotive, infrastructure and construction and positioning solutions segments also declined somewhat
  - Power and energy recorded strong growth
- Vietnam, Malaysia and Indonesia all benefit from the geopolitical uncertainties when manufacturing companies are building capacity, diversifying its investments in Asia
- Japan and South Korea continued to record double-digit growth



Q2 Share of sales, %	26
Q2 Organic growth, %	-11
- Organic growth, GES %	-6
- Organic growth, IES %	-12

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, ladders, and pipes. The image is framed by large, diagonal, semi-transparent geometric shapes in shades of teal and green. The overall composition is modern and industrial.

## Reporting segments

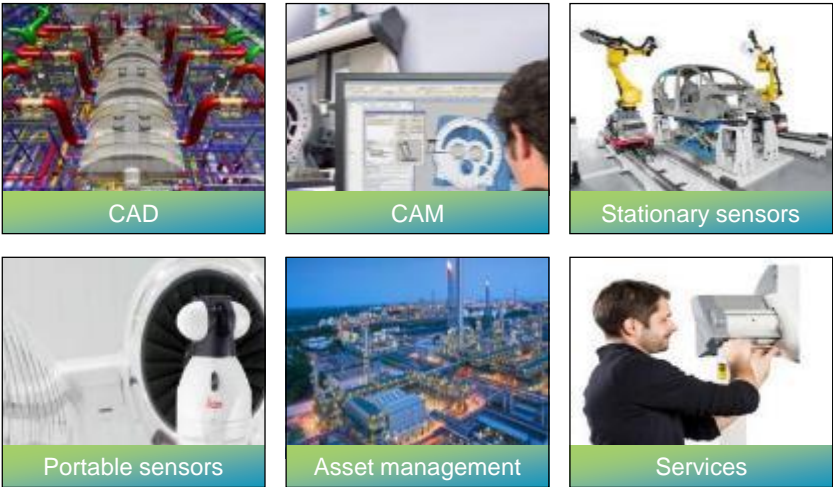
# Industrial Enterprise Solutions – Q2 2019 overview

## Organic growth of -4 per cent

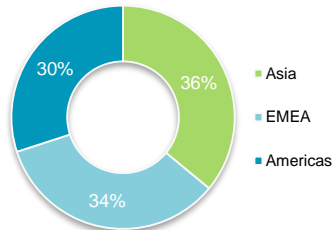
- MI: -7 per cent organic growth, reflecting the weaker demand environment in China that offset continued solid growth in the design and production software portfolios and the business in the rest of the world
- PPM: 3 per cent organic growth, with strong growth in the traditional design portfolio and information management solutions compensating for tough comparatives in the construction markets

## EBIT1

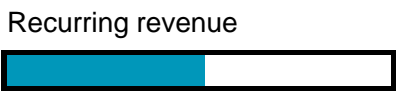
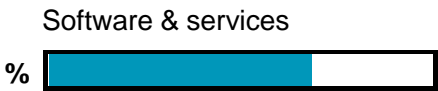
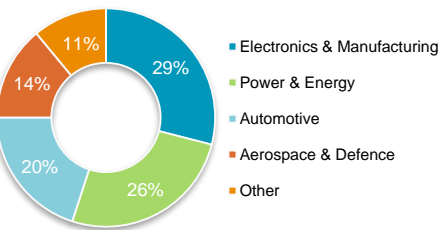
- Sales of 479.2 MEUR (482.1)
- EBIT1 of 119.5 MEUR (121.6) and operating margin of 24.9 per cent (25.2)



Sales per geography



Sales per segment

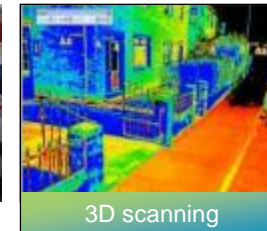




# Geospatial Enterprise Solutions – Q2 2019 overview

## Organic growth of 3 per cent

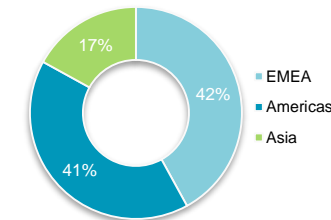
- Geosystems: 6 per cent organic growth, mainly driven by continued strong growth in the infrastructure and construction markets and demand for mining solutions and new products such as the RTC360
- SI: As expected and previously communicated, Safety & Infrastructure began to stabilise during the second quarter, recording -4 per cent organic growth
- Positioning: 0 per cent organic growth, with strong growth in the agriculture and defense markets and a continued recovery in marine and weaker demand in the surveying market



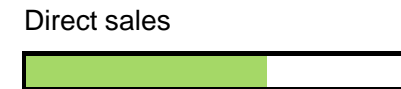
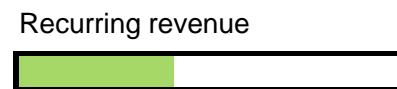
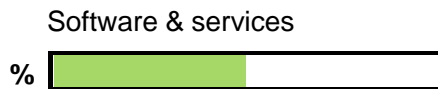
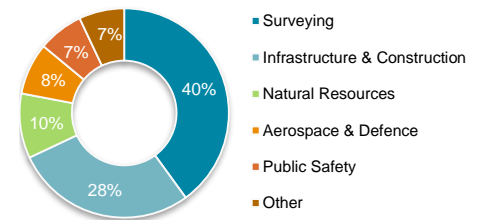
## EBIT1

- Sales of 496.8 MEUR (454.8)
- EBIT1 of 126.9 MEUR (113.7) and operating margin of 25.5 per cent (25.0)

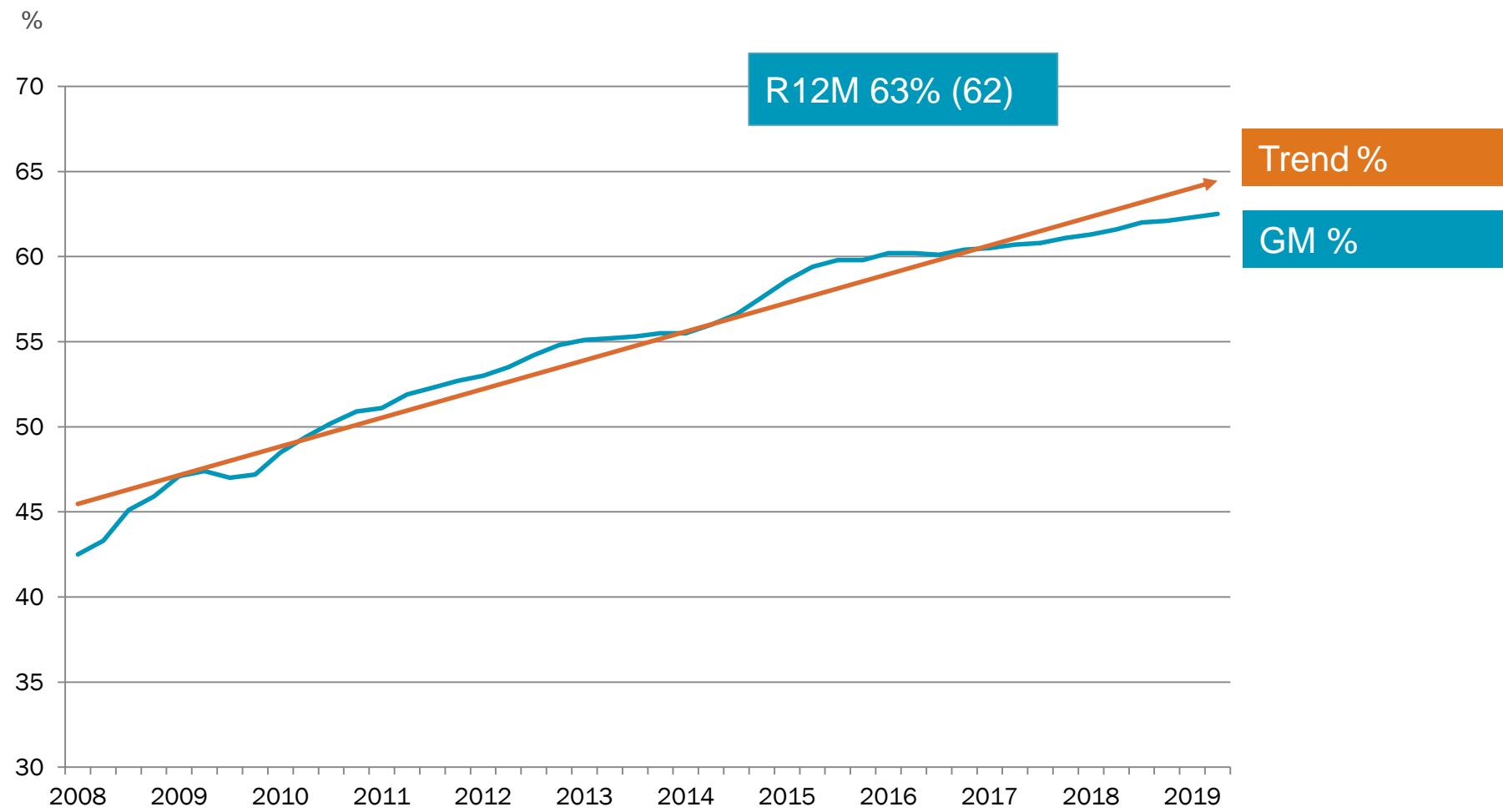
Sales per geography



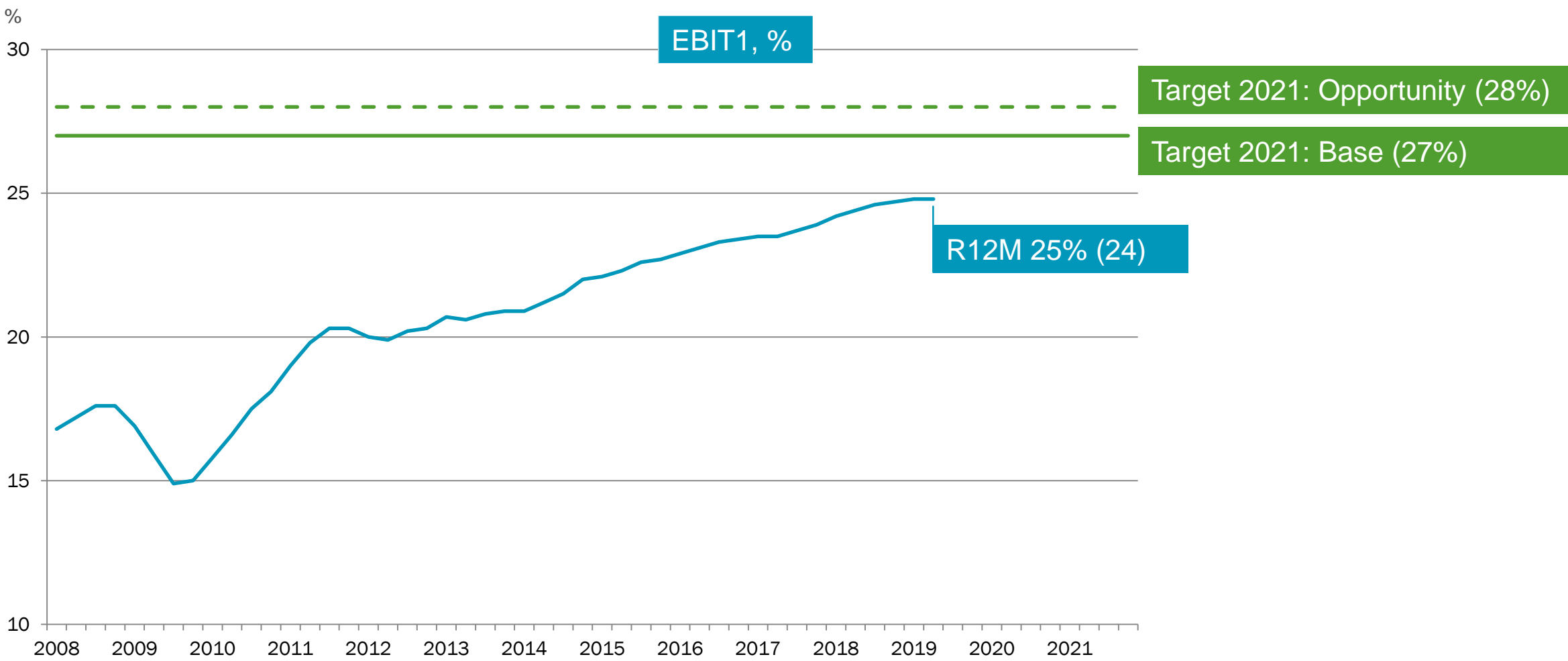
Sales per segment



# Gross margin – R12M quarterly data



# Operating margin – R12M quarterly data





The background of the slide is a complex digital composition. It features a dark blue field with various geometric shapes in shades of teal and green. Overlaid on these are several data visualization elements: a line graph with multiple series in yellow, green, and blue, a circular radar chart in the upper left, and a background of glowing binary code (0s and 1s) in red and orange. A bright light source creates a lens flare effect in the upper right quadrant.

## Orders and product releases

# AMendate acquisition supports customer shift to additive manufacturing

- **AMendate**, a German-based provider of simulation software solutions, **supports the generation and optimisation of designs for additive manufacturing and engineering simulation**
- AMendate's technology **eliminates the inefficient manual efforts that significantly slow down workflows**, allowing steps to be completed in days that would have otherwise taken weeks
- Enhances Hexagon's Smart Factory solutions by minimising time-to-print



# Speeding transition from document-based to digital workflows, together with Aspen Technology

- This partnership creates an **enhanced collaboration** that more closely aligns AspenTech's conceptual, basic engineering and cost estimation solutions with Hexagon's detailed engineering suite
- The result is a **data-centric workflow** that supports the flow of digital project information from conceptual design and front-end engineering design (FEED) to detailed design and, ultimately, into the systems that operate and maintain the plant



# Introducing the smallest portable, completely integrated handheld-imaging laser scanner

- New **Leica BLK2GO** combines **visualisation, LiDAR, and edge-computing technologies to 3D scan while in motion**, allowing much more efficient and agile capture of objects and spaces
- **Wide range of applications** – from adaptive reuse projects in the architecture and design industries to location scouting, pre-visualisation, and visual effects (VFX) workflows for media and entertainment





# Announcing continuous 3D reality capture

- New **Leica BLK247** provides real-time situational awareness through **continuous 3D reality capture**
- **Eliminates the need for constant human monitoring** of security screens or smart building dashboards within restricted or high-security spaces
- Using **edge computing, LiDAR-enabled change-detection technology, and artificial intelligence**, it can detect the difference between still and moving objects to identify security threats and provide real-time alerts



# Revolutionising underground utility detection with new ground penetrating radar (GPR) solution

- New **Leica DSX** GPR solution is designed to **easily detect, map and visualise underground utilities** – safely and reliably, with the highest positioning accuracy
- Unlike other GPR solutions, **expertise in interpreting raw radar data and hyperbolas isn't necessary** – its intuitive software (Dxplore) uses a smart algorithm to translate correlated signals into user-friendly, intuitive results, generating digital utility maps within minutes while users are still in the field



# Introducing next-generation public safety software

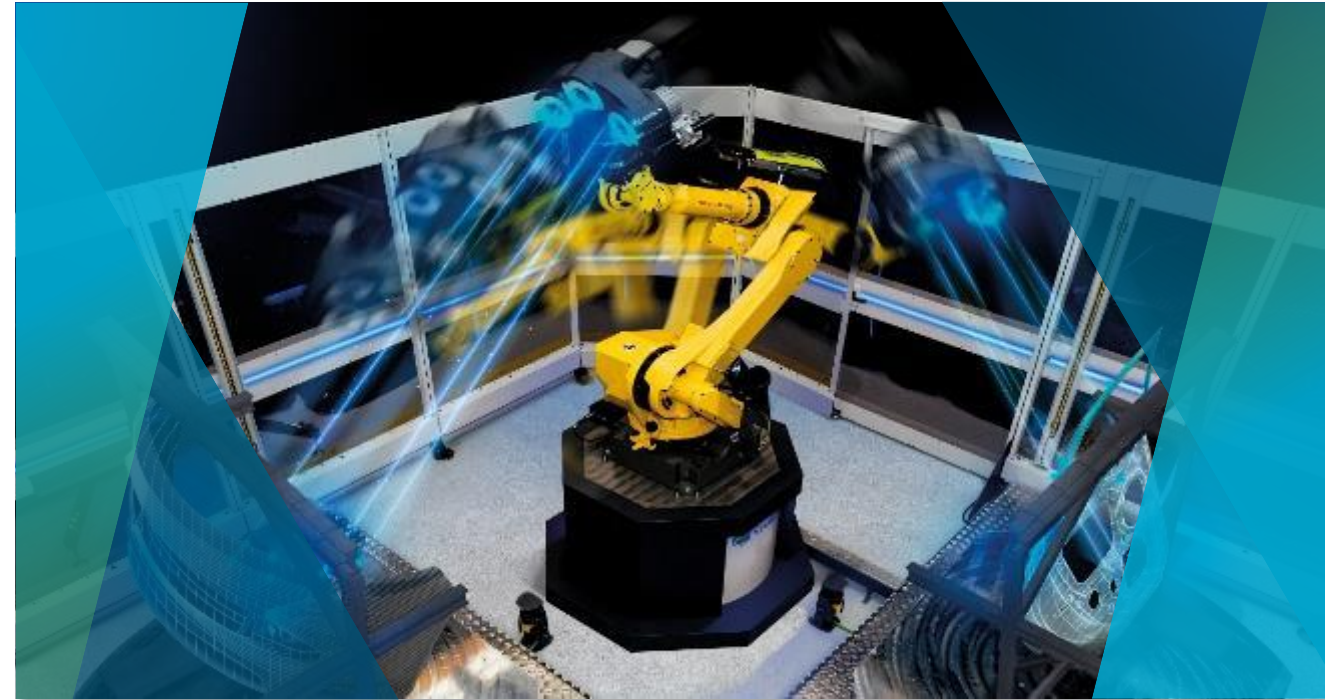
- New **HxGN OnCall** portfolio helps public safety agencies of all sizes achieve more agility and resiliency through modernised capabilities spanning call-taking and dispatch, records, analytics, major event management, and mobility
- HxGN OnCall products can be **deployed on-premise or in the cloud, accessed via browsers and mobile apps, and easily configured** – enabling agencies to adapt Hexagon’s core software capabilities to meet their specific needs





# New advanced positioning system for automated 3D optical measurement

- **LightRunner** is transforming automated 3D optical measurement by **speeding up surface data capture while simplifying setup and operation**
- A patented pattern projection technique and advanced software algorithms **improve productivity and shorten cycle times by removing mapping and robot stabilisation time**
- Removes some of the major challenges of implementing automated 3D optical measurement, enabling more manufacturers to benefit from the rich data capture it offers



# Open Autonomy Pilot in Peoria, Illinois, USA

- Since the beginning of June, **Hexagon's automated research and development vehicles have been circulating on a defined route through downtown Peoria** to refine autonomous capabilities for partners and other research development organisations
- The pilot brings several Hexagon cross-divisional technologies together into a single demonstration platform, **enabling engineering teams and partners to test their technology in complex, real-world driving conditions**



# The biggest thing in anti-jam technology just got smaller

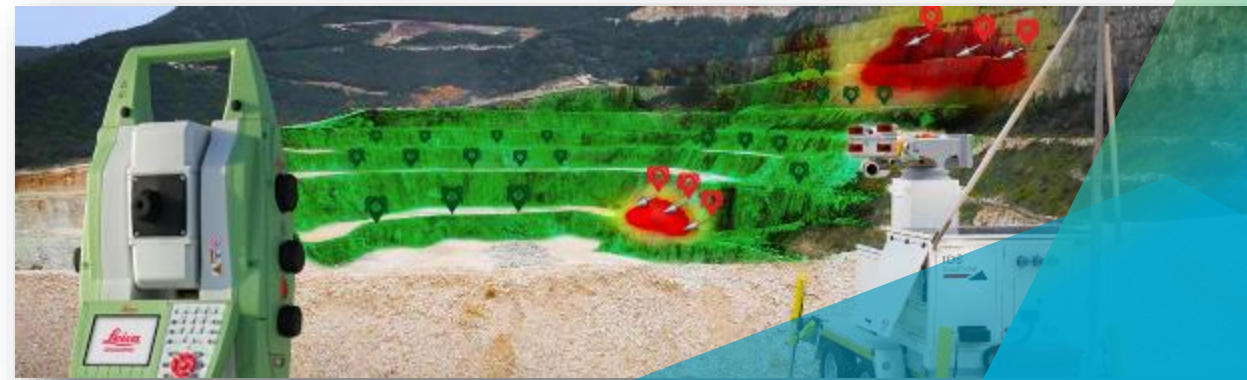
- The **GAJT-410ML** is the **newest addition and next evolution** to Hexagon's Anti-Jam Technology (GAJT®) portfolio
- Designed specifically for **space-constrained** military land applications, it offers more choices for users looking to protect against GPS denied or GPS constrained situations
- Protects against intentional jamming and accidental interference **at the same performance levels of larger systems**, but in a **lower size, weight and power**





# Presenting an integrated visualisation and analysis mining platform

- New **HxGN GeoMonitoring Hub** provides an integrated visualisation and analysis platform for mining – bringing together Leica sensor technologies with mining software, creating one integrated solution
- Combines, analyses, visualises and cross checks all measurement results delivered by automated monitoring systems, such as total stations, GNSS, radar systems, geotechnical and environment sensors, InSAR, as well as manual readings in one easy-to-use integrated software platform
- Integrates data from two existing platform: the IDS GeoRadar Guardian platform and the Leica GeoMoS Monitoring Solution, providing a single-entry point to see all available data in one holistic view



# Providing Data-as-a-Service (DaaS) for German Railway

- **Deutsche Bahn** (German Railway) chose Hexagon's **Data-as-a-Service (DaaS) geospatial solution** to deliver a Germany-wide cadastral map to support planning and operations
- Scaling from a national level down to individual assets, the solution **combines data from different states into a single, streamlined, country-wide service** – saving time and resources



# Iowa USA selects Hexagon's documentation services for DOT facilities

- The Iowa, USA Department of Transportation (IDOT) has selected Hexagon's documentation services (via Multivista) for full-service documentation of 180 existing IDOT facilities in 2019, with 90+ additional scheduled in 2020
- Hexagon will be supporting IDOT with multiple services:
  - 3D images, powered by BLK3D - interior and exterior existing conditions for insurance verification, repairs and maintenance, and digital asset management.
  - UAV (Drone) mapping for site planning
  - Mobile app to create a visual maintenance history of each facility



The background of the slide is a dark blue gradient. On the left side, there is a large, light blue, semi-transparent graphic of a world map. Overlaid on the map is a network of white dots connected by thin white lines, representing a global communication or data network. The map and network graphic is tilted slightly to the right. In the bottom left corner, there is a green and blue geometric shape, possibly a stylized 'H' or a logo element, also tilted. The word 'Summary' is written in white, bold, sans-serif font on the right side of the slide.

## Summary



# Summary Q2 2019

- Reported 4 per cent sales growth (-1 per cent organic growth) despite a more uncertain global trade environment impacting parts of the business
  - Solid organic growth in Geosystems (6 per cent) and PPM (3 per cent)
  - Manufacturing Intelligence recorded -7 per cent organic growth, reflecting the weaker demand environment in China, especially in electronics
- Hexagon announced proactive restructuring actions to ensure the company remains on track to meet its 2021 financial targets
- Continued margin expansion despite negative organic growth
  - EBIT1 margin of 24.5 per cent (24.4)

# Disclaimer

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