



**HEXAGON**

# **Interim Report Q2 2020**

24 July 2020

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



## Net sales and earnings

# Overview Q2 2020

## Recorded sales decreased by -8 per cent, organic growth of -10 per cent

- Solid organic growth in the software portfolios
  - Safety & Infrastructure and PPM recorded 14 per cent and 1 per cent organic growth respectively
- Geosystems and Manufacturing Intelligence recorded -16 per cent and -14 per cent organic growth respectively
  - Negatively impacted by shutdowns from government restrictions in Europe and North America

## Earnings and margins

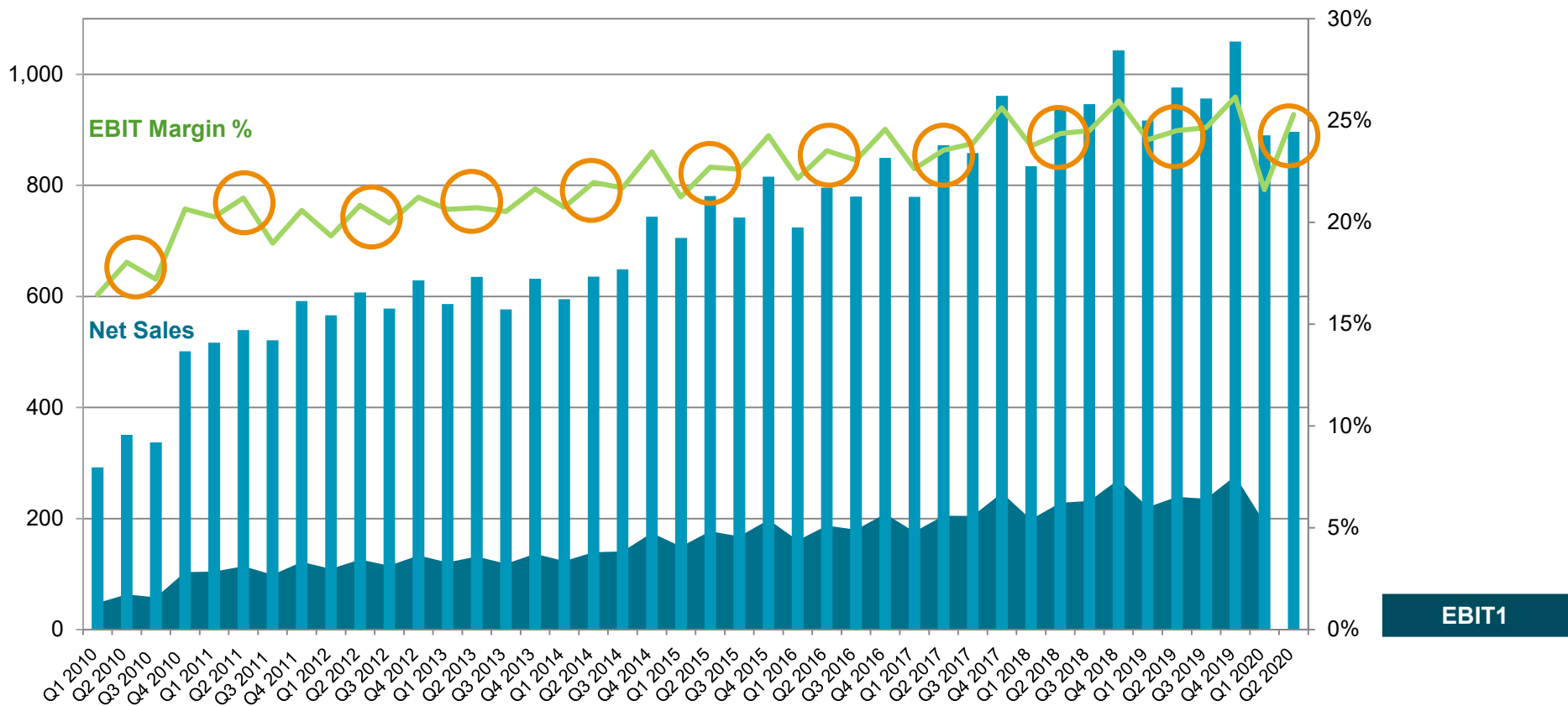
- Record Q2 EBIT1 margin of 25.3 per cent (24.5), supported by continued growth in software and a strong focus on cost control
- Gross margin of 61.4 per cent (62.1)
  - Gross margin excluding NRI of 62.9 per cent (63.0)
- Implementing long-term cost savings measures to ensure continued stability of the company's financial performance
  - Are expected to offset any reversal of the short-term saving effects seen during the second quarter



# Seasonality in profit

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

MEUR



# Key figures – Q2 2020

MEUR	Q2 2020	Q2 2019	Change %
Net sales	896.6	976.0	-10 <sup>1)</sup>
Operating earnings (EBITDA)	362.6	330.2	10
Operating margin, (EBITDA) %	40.4	33.8	6.6
Operating earnings (EBIT1)	226.5	239.2	-5
Operating margin, %	25.3	24.5	0.8
Earnings before taxes, excl. non-recurring items	220.1	232.3	-5
Non-recurring items (before taxes) <sup>2)</sup>	-135.0	-44.4	n.a.
Earnings before taxes	85.1	187.9	-55
Net earnings	70.6	154.1	-54
Net earnings, excl. non-recurring items	180.5	190.5	-5
Earnings per share, EUR	0.19	0.42	-55

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

# Key figures – 6M 2020

MEUR	6M 2020	6M 2019	Change %
Net sales	1,786.5	1,892.5	-8 <sup>1)</sup>
Operating earnings (EBITDA)	649.8	638.4	2
Operating margin, (EBITDA) %	36.4	33.7	2.7
Operating earnings (EBIT1)	418.9	459.7	-9
Operating margin, %	23.4	24.3	-0.9
Earnings before taxes, excl. non-recurring items	406.7	445.2	-9
Non-recurring items (before taxes)	-135.0	-54.1	n.a.
Earnings before taxes	271.7	391.1	-31
Net earnings	223.6	320.6	-30
Net earnings, excl. non-recurring items	333.5	365.1	-9
Earnings per share, EUR	0.60	0.87	-31

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

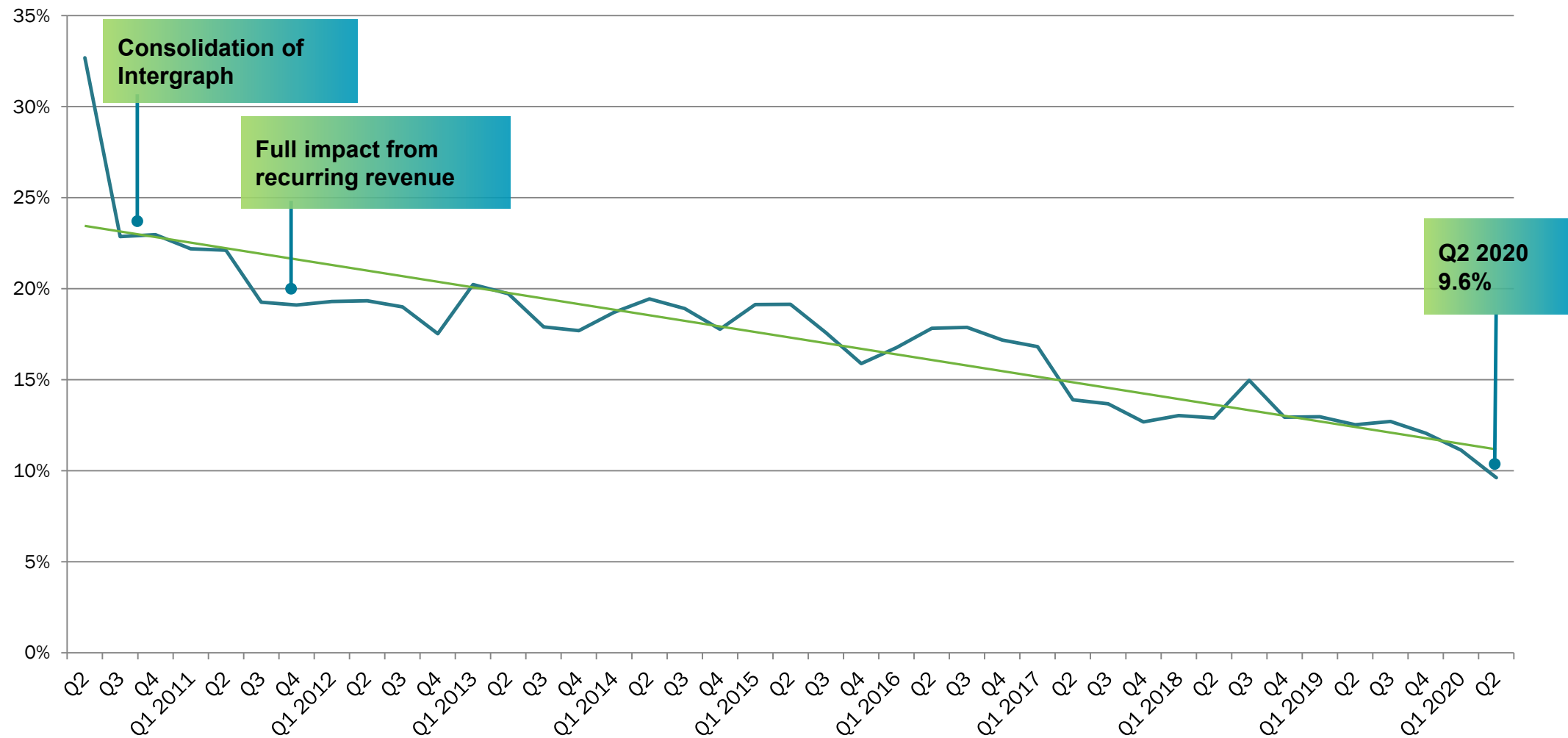
# Cash flow

MEUR	Q2 2020	Q2 2019
Cash flow from operations before changes in working capital excl. taxes and interest	322.8	332.0
Taxes paid	-26.7	-34.3
Interest received and paid, net	-7.8	-7.9
Cash flow from operations before changes in working capital	288.3	289.8
Change in working capital	55.9	8.8
Cash flow from operations	344.2	298.6
Investments tangible assets	-24.0	-34.6
Investments intangible assets	-66.7	-74.6
Operating cash flow before non-recurring items	253.5	189.4
Non-recurring cash flow	-14.3	-11.1
Operating cash flow	239.2	178.3

- Cash conversion of 127 per cent (97) in Q2 2020
- Cash conversion target of 80-90 per cent

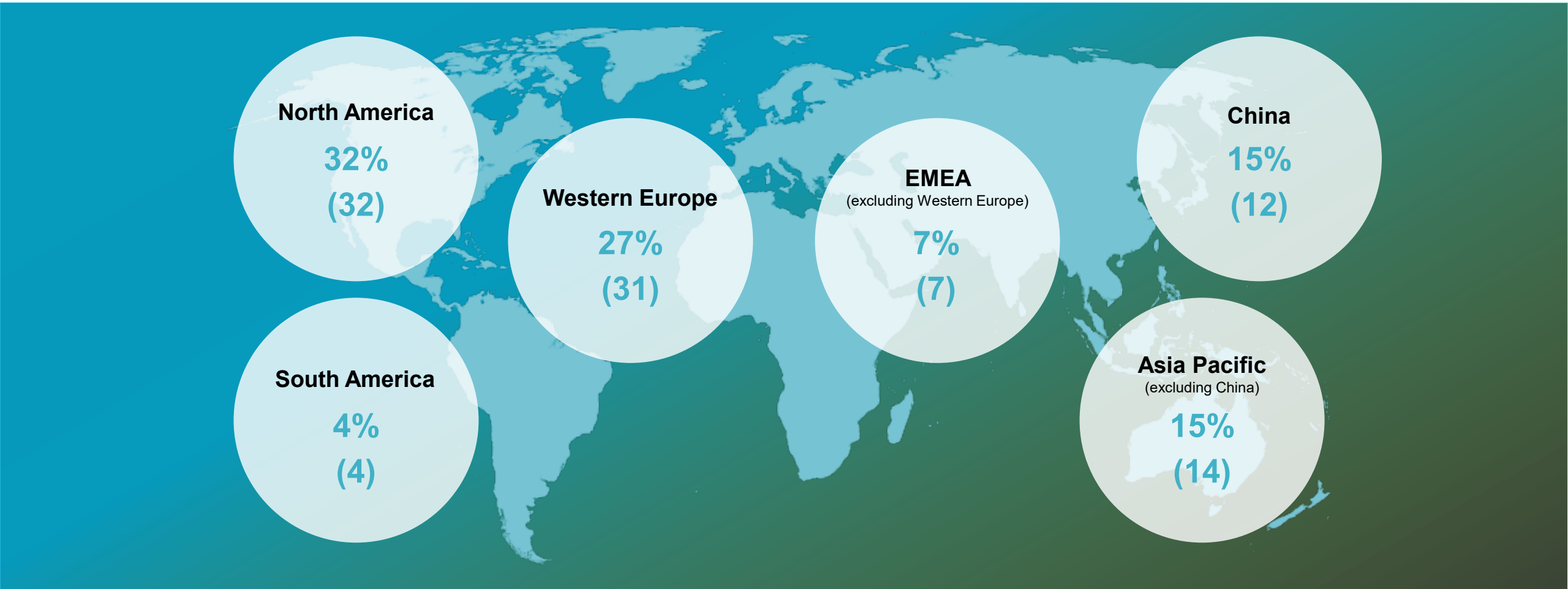


# Working capital to sales









# Market development

# Sales mix Hexagon Q2 2020 (Q2 2019)



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

CONTRIBUTORS TO GROWTH <sup>1)</sup> (descending order)	
<b>Q2 2019</b>	<b>976.0</b>
China	
South America	
North America	
Western Europe	
Asia Excl. China	
Eastern Europe, Middle East & Africa	
<b>Q2 2020</b>	<b>896.6</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 27%	EMEA <sup>2)</sup> 7%	NA 32%	SA 4%	CN 15%	ASIA <sup>3)</sup> 15%
Surveying	19%						
Power, Energy & Mining	20%						
Electronics & Manufacturing	15%						
Infrastructure & Construction	14%						
Automotive	8%						
Aerospace & Defence	10%						
Public Safety	6%						
Other	8%						
Total							

> 8%

0 to 8%

Negative

1) Share of sales as per Q2 2020

2) EMEA, excluding Western Europe

3) Asia, excluding China

# EMEA market trends – Q2 2020

- EMEA recorded -19 per cent organic growth
  - Heavily impacted by the COVID-19 related lockdowns
  - Solid growth in the software portfolios in PPM and Safety & Infrastructure in Western Europe



Q2 Share of sales, %	34
Q2 Organic growth, %	-19
- Organic growth, GES %	-16
- Organic growth, IES %	-22

# Americas market trends – Q2 2020

- Americas recorded -9 per cent organic growth heavily impacted by COVID-19 related lockdowns
  - Favorable growth in the power and energy and positioning segments
- South America recorded low single-digit organic growth
  - Solid growth in the mining and public safety segments



Q2 Share of sales, %	36
Q2 Organic growth, %	-9
- Organic growth, GES %	-7
- Organic growth, IES %	-12



# Asia market trends – Q2 2020

- China recorded 16 per cent organic growth
  - Strong recovery across all segments
- South Korea and Japan recorded low single-digit growth fuelled by a solid development in infrastructure and construction
- South-Eastern Asia and India declined



Q2 Share of sales, %	30
Q2 Organic growth, %	4
- Organic growth, GES %	3
- Organic growth, IES %	4



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 a large, diagonal, teal-colored graphic element that splits the background into two sections: a lighter teal on the left and a darker teal on the right.

# Reporting segments

# Geospatial Enterprise Solutions – Q2 2020 overview

## Organic growth of -9 per cent

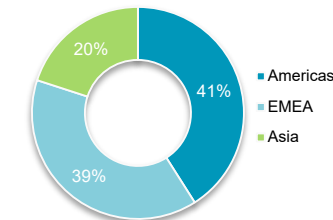
- Geosystems: -16 per cent organic growth, hampered by COVID-19 related shutdowns, especially in Europe and the US. Demand was strong in China and the mining segment continued to record favorable growth.
- SI: Recorded 14 per cent organic growth, supported by several recent contract wins and continued positive momentum for the newly launched OnCall platform.
- Autonomy & Positioning: -8 per cent organic growth, positively impacted by solid demand in defence and agriculture but adversely impacted by weaker demand in automotive and marine.

## EBIT1

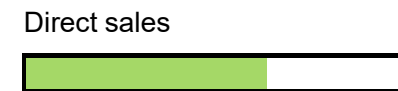
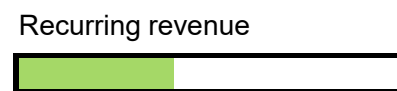
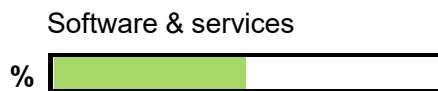
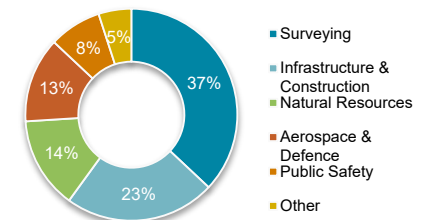
- Sales of 457.6 MEUR (496.8)
- EBIT1 of 118.9 MEUR (126.9) and operating margin of 26.0 per cent (25.5)
  - positively impacted by a favorable product mix and temporary short-term cost savings but adversely impacted by currency movements and lower volumes.



Sales per geography



Sales per segment



# Industrial Enterprise Solutions – Q2 2020 overview

## Organic growth of -10 per cent

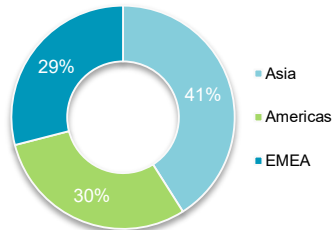
- MI: -14 per cent organic growth, largely driven by the significant decline in Europe and North America following the COVID-19 pandemic. China recorded solid organic growth, mainly driven by a recovery in the electronics segment.
- PPM: 1 per cent organic growth, supported by strong development in the asset information management and AEC (architect, engineering and construction) design software portfolios.

## EBIT1

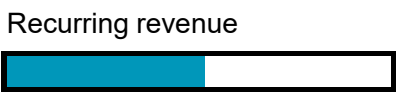
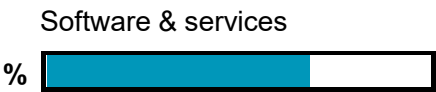
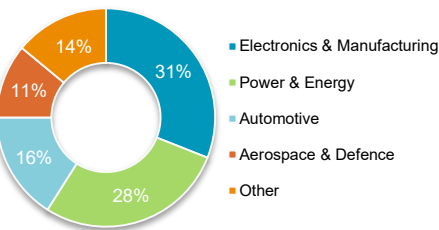
- Sales of 439.0 MEUR (479.2)
- EBIT1 of 110.9 MEUR (119.5) and operating margin of 25.3 per cent (24.9)
  - Positively impacted by a favorable product mix and temporary short-term cost savings but adversely impacted by lower volumes.



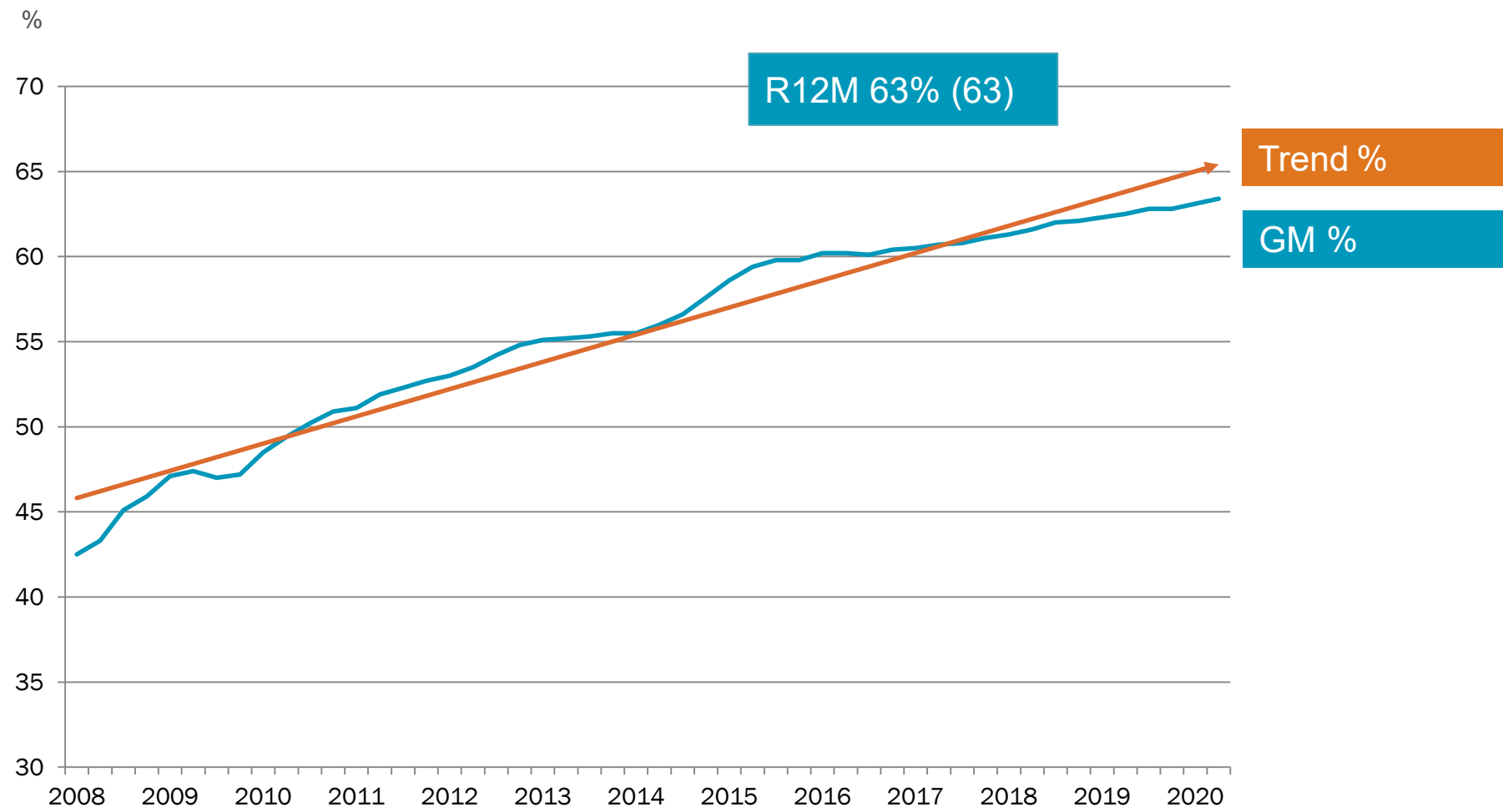
Sales per geography



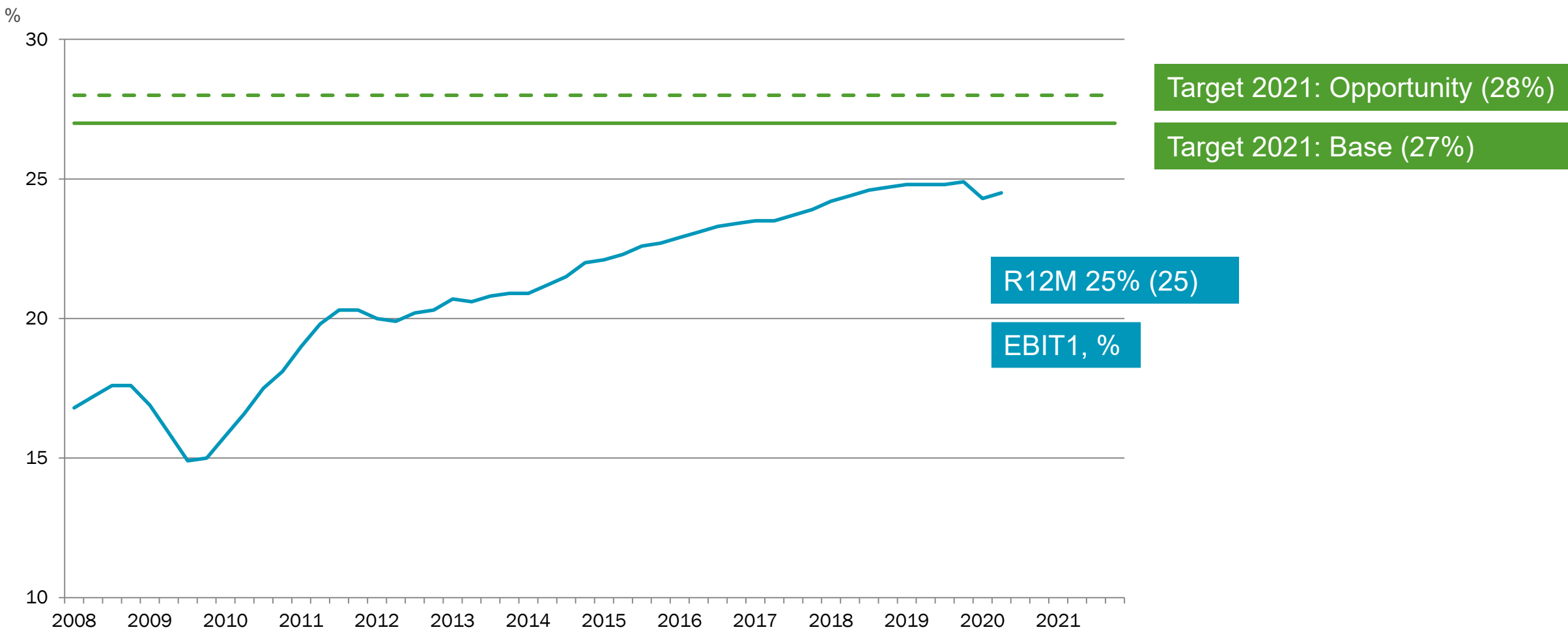
Sales per segment



# Gross margin – R12M quarterly data



# Operating margin – R12M quarterly data



The background of the slide is a dark blue gradient. On the left side, there is a large, abstract graphic composed of several overlapping geometric shapes in shades of teal, green, and yellow. Overlaid on these shapes and the background is a complex network of glowing lines and nodes, resembling a data visualization or a network diagram. The lines are in various colors (yellow, green, blue, red) and connect different points. In the upper left, there is a large, glowing yellow sphere. The overall aesthetic is high-tech and digital.

## Orders and product releases



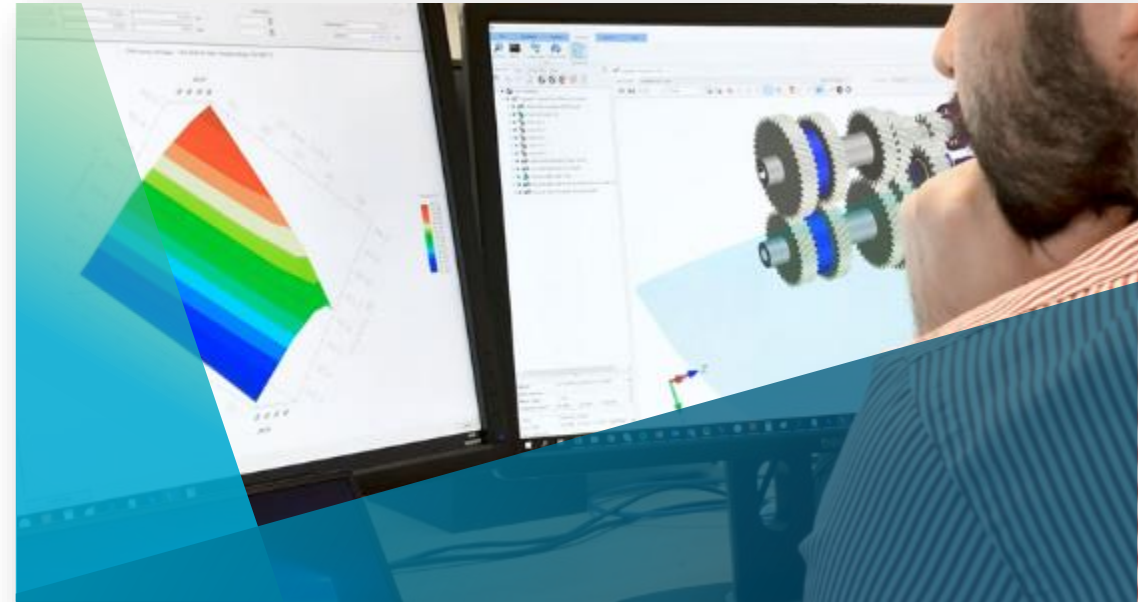
# Acquisition of COWI's mapping business strengthens HxGN Content Program

- Bringing valuable expertise in capturing and selling Content as a Service (CaaS), **COWI's** mapping unit has been delivering **HxGN Content Program services in Europe since 2015**
- The business provides public administrators, government organisations, infrastructure project stakeholders, utility companies and global internet companies **access to the most relevant geospatial data during their planning processes**
- Will operate within Hexagon's Geosystems division – 2019 sales, less intra-group sales, **amounted to 14 MEUR**



# Acquisition of Romax Technology, enhancing CAE Solutions

- Established in 1989 with headquarters in Nottingham UK, Romax is a global leader in **simulation software and services** for rotating and electric machinery
- Applications for this platform include efficiency of **automobile, aerospace and wind turbine powertrains**, and **increased battery range of electric vehicles**
- **Strengthens Hexagon's ability** to support customers initiatives to electrify drivetrains
- Will operate within Hexagon's Manufacturing Intelligence division – 2019 sales **amounted to 27 MEUR**





# Hexagon and Proudfoot aim for “zero-harm” in mining

- **Hexagon’s Mining division** entered into a new partnership with **Proudfoot**, an operational management consulting firm, to offer a **unique safety-driven solution for mining**
- The partnership intends to **accelerate their pursuit of zero-harm** by combining market-leading safety technology with a proven people-centric change methodology
- These solutions will help to **de-risk mine operations** so equipment is protected and everyone goes home safely



# Hexagon connects slope stability monitoring with mine operations

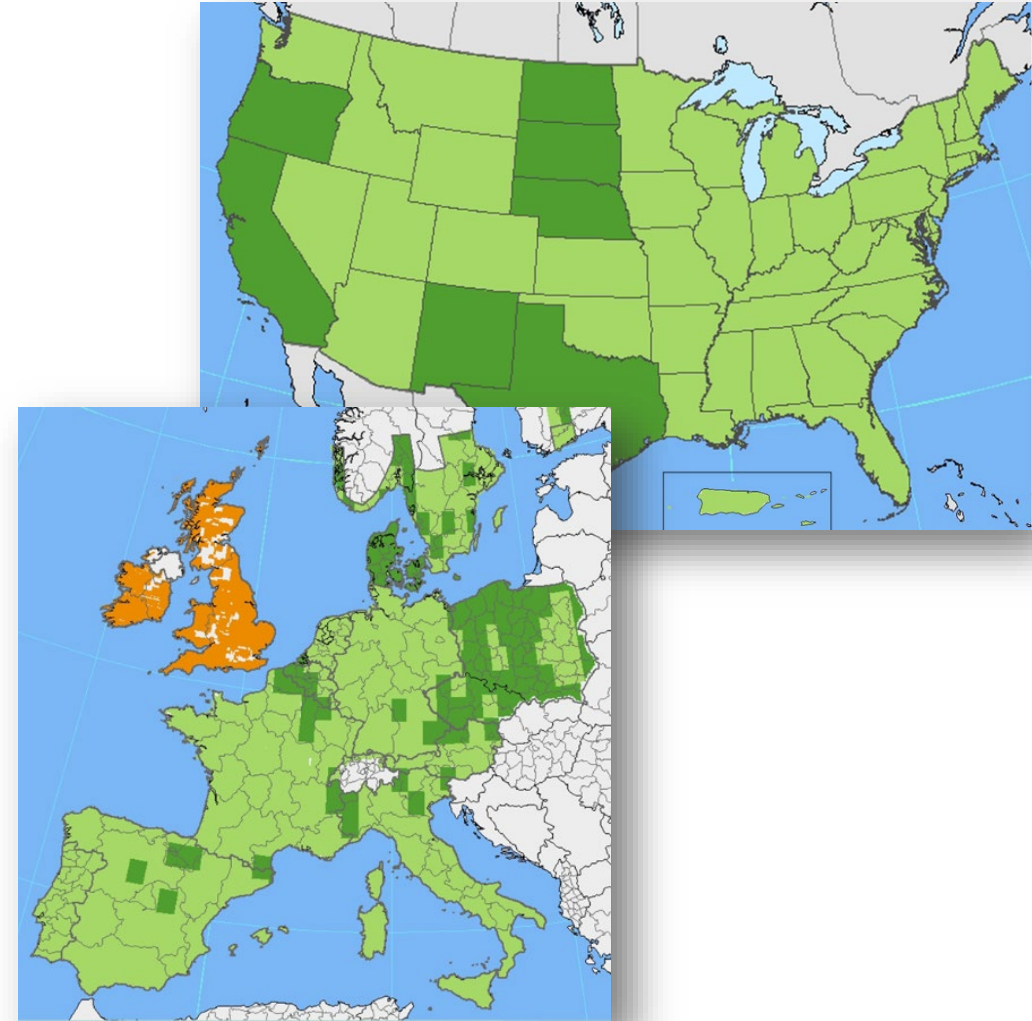
- Hexagon accelerates its “zero-harm” vision and announced the **mining industry’s first straightforward integration** of systems for safety and radar-based slope stability hazards
- Mines are now able to receive **real-time equipment visualisation with timely alerts** about hazardous areas for people and machinery
- Workers and equipment are **protected from injury-threatening events** by being forewarned of no-go-zones





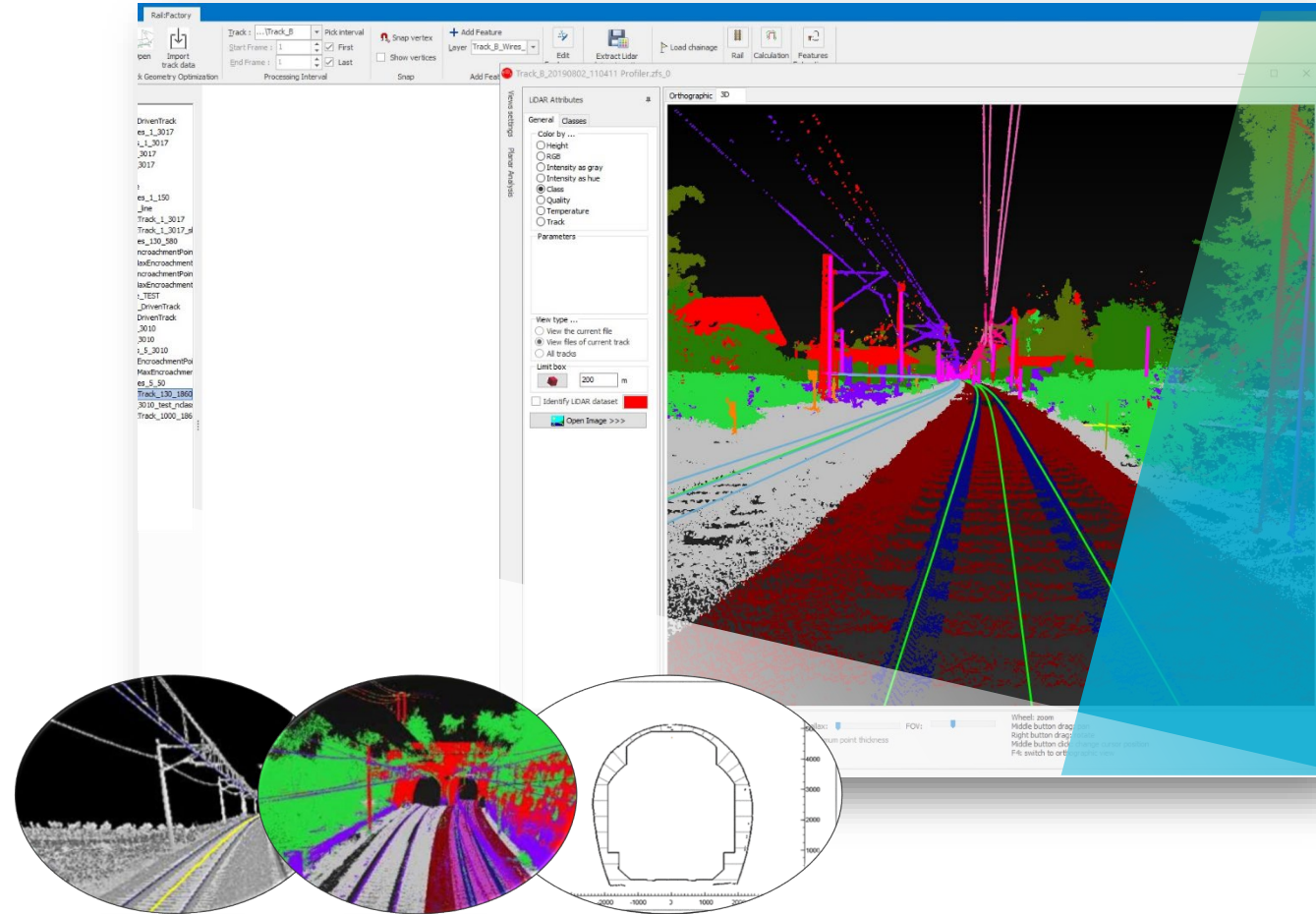
# Leveraging AI with library of high-accuracy airborne data

- The **HxGN Content Program**, the largest library of high-accuracy airborne data, is using **artificial intelligence to automatically extract features** in the data (e.g., buildings, roads, railways, vegetation, solar panels, etc.) to provide valuable information across multiple applications
- Its consistency and wide coverage area creates an ideal data set to **train machine-learning algorithms**
- In addition, the platform is updating 3 million km<sup>2</sup> of high-accuracy orthophotos, digital surface models (DSM) and stereo imagery across the United States and Europe in 2020



# Using AI to identify and measure rail structures

- Working with Hexagon, **Network Rail** was awarded research funding from the government's Innovate UK agency
- The project will use AI to **auto-identify bridges, tunnels and other trackside structures from LiDAR data**
- The project **will greatly reduce time spent manually analysing data** to identify structures and perform measurements, known as “gauging”



# Improving enterprise asset management for German rail

- **Deutsche Bahn (DB) AG**, selected **GeoMedia**, a flexible GIS management platform, for its central enterprise asset management system
- Hexagon's technology will allow DB, the largest railway operator and infrastructure owner in Europe, to efficiently **geo-manage 36,000 km of tracks**, assets adjacent to tracks, and infrastructure





# BLK2GO enables new methods for home measurement

- **Zibber B.V.**, a service provider for real estate agents providing house dimensions and presentations, ordered **Leica BLK2GOs** **Leica Cyclone register 360 software**
- According to Dutch law, house dimensioning must be accomplished with an **industry-wide measurement instruction**
- Zibber improved its workflow with BLK2GO, providing **hundreds of reports per week**, combining the house survey with photography of the house much faster than before



# BLK series earns multiple product and design awards

- The **Security Industry Association** (SIA) – the flagship awards program in recognising innovative security products, services and solutions – awarded the **Leica BLK247** the **Best New Product** honour in the Emerging Technologies category for its 3D surveillance innovations
- The **MUSE Design Awards** – which identify new products across categories that are uniquely useful, inspire confidence and loyalty in customers – awarded the **Leica BLK2GO** with two design recognitions including the **Platinum Award for Product Design**
- The **Core77 Design Awards** – which signify the richness of design in operational equipment and systems designed for public, commercial, industrial, medical and scientific use – named the **BLK2GO** as “**Notable Commercial Equipment**”



# Mobile public safety solutions support agencies around the world

- **Rhineland-Palatinate**, the sixth-largest federal state in Germany, selected **I/CAD 9.4 with mobile technologies** to support state police, fire and EMS agencies
- **Santa Clara County in California**, and the adjacent counties of **Beaver and Washington in western Pennsylvania, USA**, chose **I/CAD 9.4** and **in-vehicle mobile technology** to deliver better services during emergencies and major events
- Looking to improve its rural policing, **Alberta's Ministry of Justice and Solicitor General** upgraded its **CAD system** and expanded the use of **Hexagon's public safety solutions**



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# Expanding the market for precision agriculture technology

- **Coopercitrus**, one of the largest cooperatives in Brazil in the sale of agricultural inputs, machines and implements, has purchased multiple machine control and monitoring solutions – **HxGN AgrOn Auto Steering, HxGN AgrOn Monitoring and HxGN AgrOn Control Room**
- With a **membership portfolio of over 35,000 farmers**, Coopercitrus will be able to bring complete and high-accuracy products throughout its extensive network of dealerships
- The solution will be used to assist members with the **growing demand for precision agriculture technology**



# Centralising facility operations across the enterprise

- SOCAR Turkey, with operations within petro-chemical products, refining and natural gas, was looking to centralise its operations by combining systems for **requisition, procurement and contracting for all SOCAR Turkey sites**
- The company purchased **Intergraph Smart Materials, Smart Reference Data, Reference Data Plus, Smart Materials Portal and Smart Materials BIR** to implement quickly and realise business drivers as soon as possible
- Outcomes include procurement streamlining, and using **a central set of specifications in one catalog** to enable faster procurement across sites



# Digital transformation in China's process industry

- **Shandong Haicheng Petrochemical Engineering Design Co. Ltd.** upgraded to **Intergraph Smart 3D** to meet digital transformation requirements
  - This upgrade will **improve its engineering capabilities** and bring about more project opportunities
- **Zhongke (Guangdong) Refinery & Petrochemical Company Limited**, which is a wholly-owned subsidiary of China Petrochemical Co. Ltd., purchased **SmartPlant Foundation (SPF)** to meet its digital plant requirements
- **Inner Mongolia Jiutai New Material Co. Ltd.**, which is a subsidiary of Jiutai Group – purchased **SPF** to build a solid base for its smart enterprise and digital delivery project





The background features a stylized world map in dark blue and grey, overlaid with a white network of dots and lines. The map is positioned in the upper left quadrant. The rest of the background is composed of large, overlapping geometric shapes in shades of teal, blue, and green, creating a modern, tech-oriented aesthetic.

# Summary

# Summary Q2 2020

- Record Q2 EBIT1 margin of 25.3 per cent (24.5), supported by continued growth in the software portfolios and a strong focus on cost control
- Reported -8 per cent sales growth (-10 per cent organic growth)
  - Solid organic growth for SI (14 per cent) and PPM (1 per cent)
  - Geosystems and Manufacturing Intelligence recorded -16 per cent and -14 per cent organic growth respectively
    - Negatively impacted by a slowdown in demand related to the COVID-19 pandemic in Europe and North America
- Implementing long-term cost savings measures to ensure continued stability of the company's financial performance

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