HEXAGON

Q3 2024 report

25 October 2024

Paolo Guglielmini

President and Chief Executive Officer

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Potential separation of NewCo

Hexagon evaluating potential separation of NewCo

- The Board of Directors has authorised management to evaluate a potential separation of its Asset Lifecycle Intelligence (ALI) division (NewCo).

- NewCo will also include businesses with strong customer, technology and operational synergies with ALI:
    - ETQ (*Enterprise Quality Management Software platform, currently in Manufacturing Intelligence)*
    - Bricsys (*AEC CAD/BIM software provider, currently in Geosystems)*
    - Utilities & Infrastructure (*network engineering software, currently in Safety, Infrastructure & Geospatial)*

- The ambition is to create two scaled public companies with distinctive strategies and financial profiles, and create additional value for all stakeholders

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Hexagon AB

Accelerated focus on capturing and integrating reality data through automation

Company profile

- Market leading portfolio of industrial and geospatial solutions
- Strong innovation capabilities tailored to serve large global customer base
- Solutions that leverage 3D data through AI-infused cloud platforms
- Creates best-in-class digital twins through automation and sensors

The Opportunity

- Increased adoption as customers accelerate digital transformation, driven by **labour shortages, sustainability** and need to improve **quality** and **safety**
- The application of core precision measurement and reality capture technologies in **fast-growing adjacent industries** like electronics and medical
- Leveraging the convergence of **sensor fusion, AI and robotics** to support customers on their journey towards **full autonomy** in mining and agriculture
- **Increased customer adoption of digital twins** driving demand for reality capture solutions, data analytics, and downstream platforms (HxDR)
- Growing installed base to drive **recurring revenue** opportunity

Estimated key metrics*

Revenue: 4,408 MEUR

Gross margin: ~64%

EBIT1 margin: ~28%

Recurring revenues: 30-35%

Employees: ~19,600

Customers: 800k+

Installed base (sensors): 3m+

- Led by Paolo Guglielmini
- Listed on Nasdaq OMX Stockholm

- 12 months ended September 30, 2024
  The exact scope of NewCo has not yet been finally determined, the actual results of NewCo, and Hexagon excluding NewCo, may vary from the preliminary unaudited figures reflected in this document

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NewCo

Diversified solution provider for assets and industrial facilities

Company profile

- Leading software provider to Fortune 500 companies
- World class portfolio of solutions to manage digital projects and assets
- Leverages digital twins to improve project and operational efficiency
- Creates actionable intelligence from large data sets
- Poised to capitalise on structural trends toward asset optimisation

The Opportunity

- Unprecedented growth in generative AI workloads drives **data center demand**, creating new opportunities in asset management and performance
- Using world-class **asset management and asset performance** solutions to extract the maximum productivity and sustainability
- Institutionalising the knowledge of an **aging workforce in traditional industries** by capturing organisations's most valuable information assets
- Turning **big data into actionable intelligence** for smarter decision making across asset-heavy industries
- Safeguarding against **current and future cyber threats**

Estimated key metrics*

Revenue: 980 MEUR

Gross margin: ~80%

EBIT1 margin**: ~35%

Recurring revenues: 75-80%

Employees: ~5,000

Customers: ~7,000

- To be led by Mattias Stenberg
- Investigating listing options in U.S. and Sweden

* 12 months ended September 30, 2024
** Before consideration of standalone costs
The exact scope of NewCo has not yet been finally determined, the actual results of NewCo, and Hexagon excluding NewCo, may vary from the preliminary unaudited figures reflected in this document

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Potential transaction details

Lex Asea distribution

- The separation of NewCo would be by way of a Lex Asea distribution (or “spin-off”) to shareholders
- Shareholders would receive shares of Newco in proportion to their existing holding in Hexagon
- Hexagon is evaluating listing options for NewCo in the U.S. and Sweden
- The separation, spin-off and listing would be subject to the approval of the board and shareholders, as well as being subject to other conditions and regulatory approvals.
- There can be no assurances a separation, spin-off or listing will occur

Potential timeline

Expected to take 12-18 months

Proposal

- *25 October 2024 (today)*
- Proposal announced to shareholders and media via press release & conference

Updates

- *Throughout*
- Updates to be provided at quarterly results, AGM and ad hoc as required
- Capital market days in 2025

Process

- *12 – 18 months*
- New legal entity creation
- Multiple workstreams related to separation, independent company readiness, tax, audit and stock market preparation

Decision & list

- *In 12-18 months*
- Decision (by shareholders) to distribute the shares by Lex Asea distribution
- NewCo listed thereafter

Q3 2024

Performance Update

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Strong growth in recurring revenues and solid margins

- Market conditions in several geographies and verticals remained challenging
- Continued positive momentum in recurring revenues, up 7% y/y to 565 MEUR, driven by subscription and SaaS growth
- Improved gross margin of 67.1% (65.5), driven by:
  - Innovation, pricing and mix
  - Operational improvements, divestments, rationalisation program
- Solid operating margin of 29.0% (29.1), despite muted growth and currency headwinds, and good cash conversion despite weak seasonality, on track for full year target
- Strong execution on innovation, with important product launches across divisions expected to drive growth into 2025
- Similar trading environment expected into Q4, but Hexagon is well positioned for growth once macro environment improves

Total revenue

1,299.8 MEUR (1,352.1)

-2% organic growth

-4% reported growth

Adjusted operating earnings

376.6 MEUR (393.0)

29.0% margin (29.1)

Cash conversion

70% (64)

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Key geographic trends

Mixed demand environment across geographies

Americas
41% of revenues
-3% Organic growth

North America
- Continued growth in manufacturing, particularly in portable metrology
- Construction & infrastructure slower
- Large one-off defence deal in prior year

South America
- Growth in construction
- Weakness in agriculture & mining

EMEA
33% of revenues
0% Organic growth

Western Europe
- Slower manufacturing activity outside of larger enterprise customers
- Construction remains weak
- Growth in design software and marine

EEMEA
- Positive momentum in Middle East

APAC
26% of revenues
-5% Organic growth

China
- Declined -8%, softer manufacturing environment
- Stimulus expected to positively impact 2025

Rest of Asia
- Good underlying momentum in India
- More uncertain mining environment in SE Asia

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Divisional performance

Mixed markets, tough comparatives, strong margins

Q2 2024, MEUR	Manufacturing Intelligence	Asset Lifecycle Intelligence	Geosystems	Autonomous Solutions	Safety, Infrastructure & Geospatial	Hexagon
Revenue	463.8	207.6	373.0	134.8	119.6	1,299.8*
Organic Growth	-2% (8%)	6% (10%)	-5% (3%)	-12% (34%)	2% (-5%)	-2% (8%)
EBIT1	118.3	72.5	121.4	45.8	24.6	376.6*
Operating margin	25.5% (25.4%)	34.9% (37.2%)	32.6% (31.5%)	33.9% (34.4%)	20.6% (22.2%)	29.0% (29.1%)

* Hexagon total includes revenue, gross earnings and EBIT1 from other operations (such as R-evolution and group costs)

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Divisional performance

Division	Category (MEUR)	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024
Hexagon*	Revenue	**1,352.1**	1,435.3	5,440.0	1,299.9	1,353.4	**1,299.8**
	Organic growth in revenue	**8%**	5%	7%	3%	0%	**-2%**
	EBIT1	**393.0**	438.4	1,596.7	376.5	399.5	**376.6**
	EBIT1 margin %	**29.1%**	30.5%	29.4%	29.0%	29.5%	**29.0%**
Manufacturing Intelligence	Revenue	**487.1**	551.5	2,013.0	478.1	483.8	**463.8**
	Organic growth in revenue	**8%**	7%	9%	5%	0%	**-2%**
	EBIT1	**123.5**	158.9	530.8	124.8	129.1	**118.3**
	EBIT1 margin %	**25.4%**	28.8%	26.4%	26.1%	26.7%	**25.5%**
Asset Lifecycle Intelligence	Revenue	**197.6**	207.6	782.0	192.2	203.1	**207.6**
	Organic growth in revenue	**10%**	8%	11%	2%	9%	**6%**
	EBIT1	**73.5**	79.3	283.2	66.5	70.5	**72.5**
	EBIT1 margin %	**37.2%**	38.2%	36.2%	34.6%	34.7%	**34.9%**
Geosystems	Revenue	**389.0**	399.4	1,603.0	376.8	405.5	**373.0**
	Organic growth in revenue	**3%**	1%	4%	-2%	-5%	**-5%**
	EBIT1	**122.7**	121.1	510.3	117.5	131.0	**121.5**
	EBIT1 margin %	**31.5%**	30.3%	31.8%	31.2%	32.3%	**32.6%**
Autonomous Solutions	Revenue	**157.1**	150.0	571.1	135.5	141.2	**134.8**
	Organic growth in revenue	**34%**	16%	22%	8%	-2%	**-12%**
	EBIT1	**54.0**	50.2	193.6	47.7	52.6	**45.8**
	EBIT1 margin %	**34.4%**	33.5%	33.9%	35.2%	37.3%	**34.0%**
Safety, Infrastructure & Geospatial	Revenue	**120.0**	126.1	463.9	116.9	119.8	**119.6**
	Organic growth in revenue	**-5%**	-4%	-7%	5%	6%	**2%**
	EBIT1	**26.6**	37.3	104.0	24.3	23.8	**24.6**
	EBIT1 margin %	**22.2%**	29.6%	22.4%	20.8%	19.9%	**20.6%**

**Hexagon total includes revenue and adjusted operating earnings (EBIT1) from other operations (such as R-evolution and group costs)*

Manufacturing Intelligence

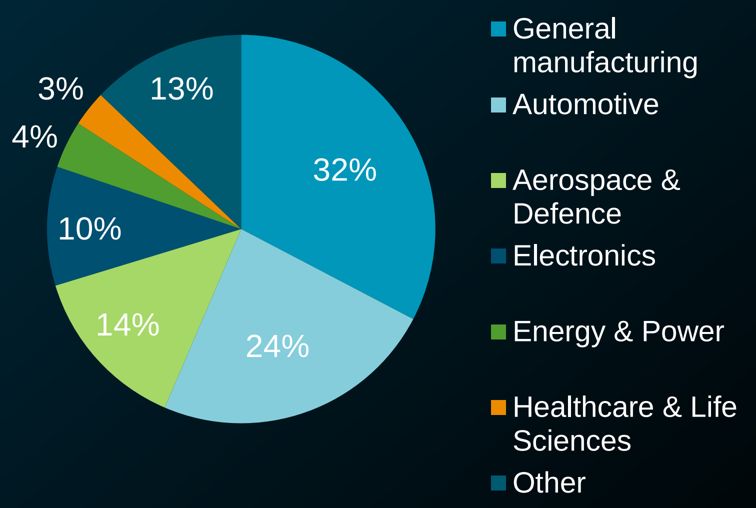
Q3 2024, MEUR (Q3 2023)	
Revenue	463.8 (487.1)
Organic Growth	-2% (8)
EBIT1	118.3 (123.5)
Operating Margin	26% (25)

EBIT1 positively impacted by mix, but negatively by FX

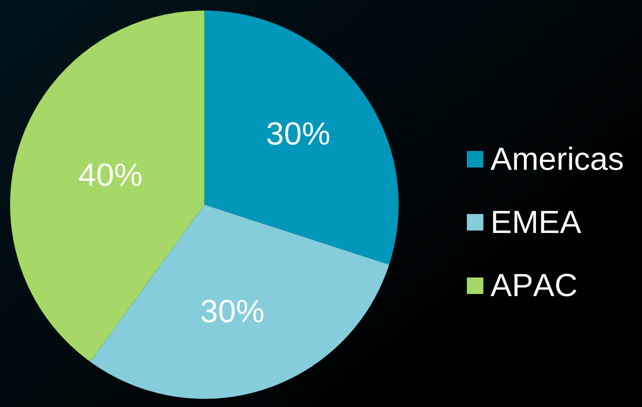
Business update

- Continued growth in aerospace, general manufacturing broadly stable, automotive continues to be challenging
- Negative growth in China
- Americas slowed but continued to grow
- Good growth in software and portable metrology, stationary metrology weaker
- Sale of low-margin PMI business (February 2024) and rationalisation programme support margins

Revenue by industry (FY 2023)



Revenue by geography (FY 2023)



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Asset Lifecycle Intelligence

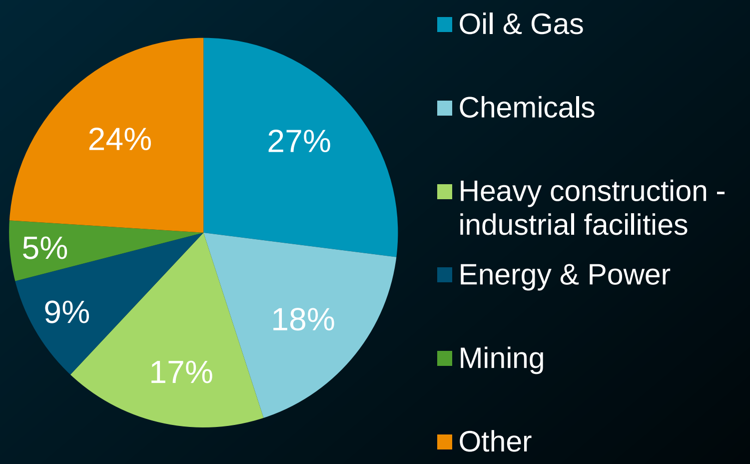
Q3 2024, MEUR (Q3 2023)	
Revenue	207.6 (197.6)
Organic Growth	6% (10)
EBIT1	72.5 (73.5)
Operating Margin	35% (37)

EBIT1 negatively impacted by FX

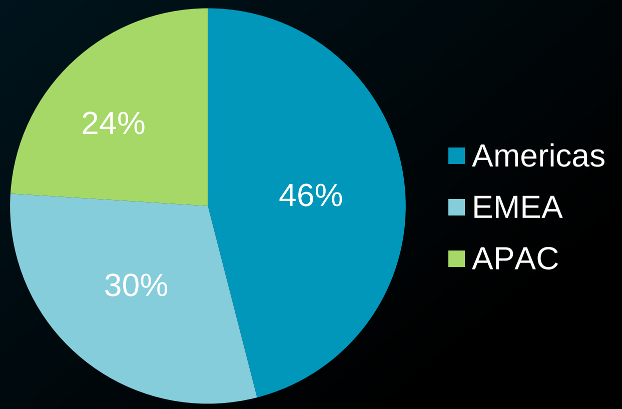
Business update

- Strong sales in SaaS and perpetual software, offset by weaker services
- Double digit growth in EMEA
- EAM continues to deliver double digit growth in SaaS revenues
- Strong margins despite tough comparative (product mix) and investments in new product delivery

Revenue by industry (FY 2023)



Revenue by geography (FY 2023)



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Geosystems

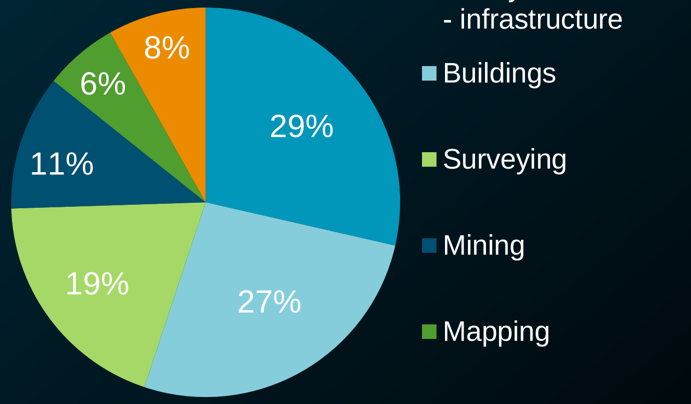
Q3 2024, MEUR (Q3 2023)	
Revenue	373.0 (389.0)
Organic Growth	-5% (3)
EBIT1	121.5 (122.7)
Operating Margin	33% (32)

EBIT1 positively impacted by mix, but negatively by FX

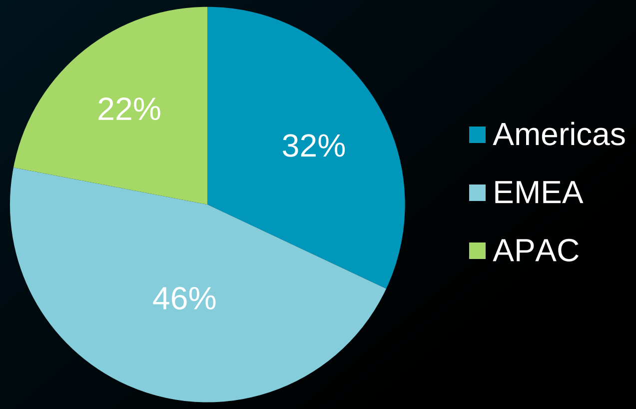
Business update

- Construction markets remain challenged and difficult comparatives in reality capture
- US markets more uncertain in the quarter, Asia & Europe trending similarly to H1
- Recurring revenues grew 13% and HxDR recorded strong billings and pipeline growth
- Growth in EBIT1 margins reflect favourable mix, gross margin improvement and efficiencies

Revenue by industry (FY 2023)



Revenue by geography (FY 2023)



Autonomous Solutions (AS)

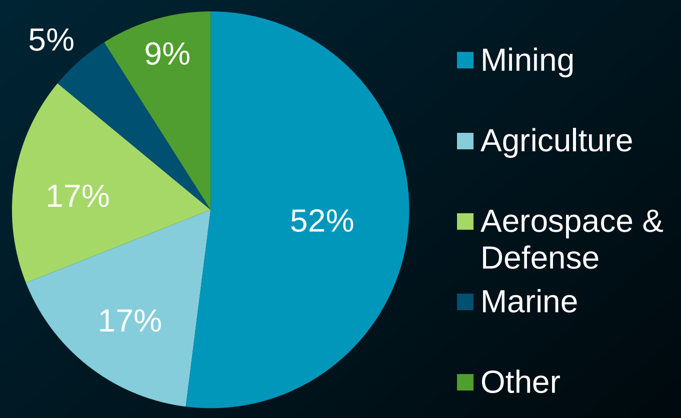
Q3 2024, MEUR (Q3 2023)	
Revenue	134.8 (157.1)
Organic Growth	-12% (34)
EBIT1	45.8 (54.0)
Operating Margin	34% (34)

EBIT1 negatively impacted by FX

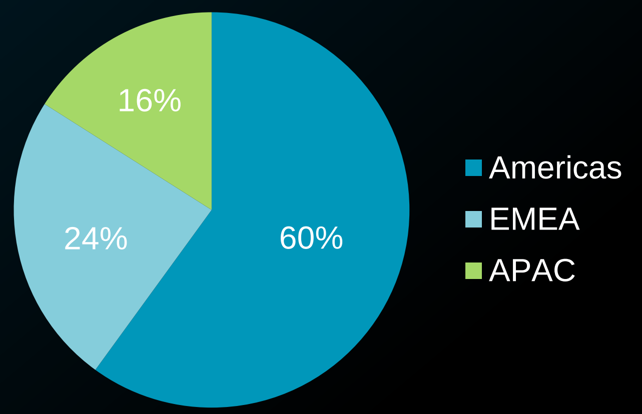
Business update

- Mining environment more uncertain, performance also impacted by delays in order conversion
- Agriculture remains weak
- Strong comparatives in aerospace & defence although underlying momentum very strong
- Margins remain strong despite the lower growth and currency environment

Revenue by industry (FY 2023)



Revenue by geography (FY 2023)



Safety, Infrastructure & Geospatial

Q3 2024, MEUR (Q3 2023)

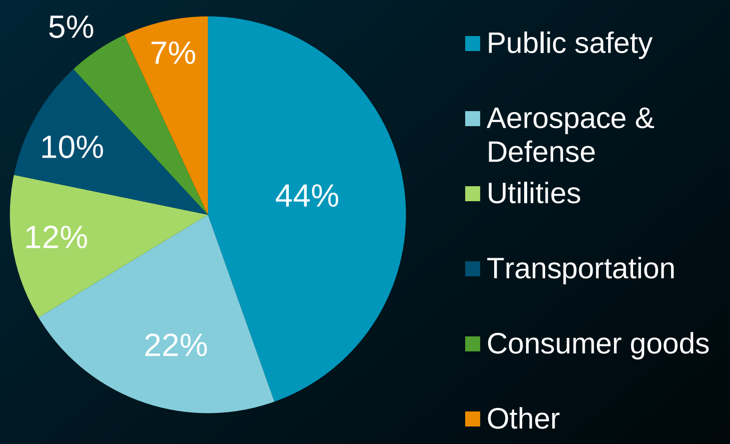
Revenue	119.6 (120.0)
Organic Growth	2% (-5)
EBIT1	24.6 (26.6)
Operating Margin	21% (22)

EBIT1 negatively impacted by product mix

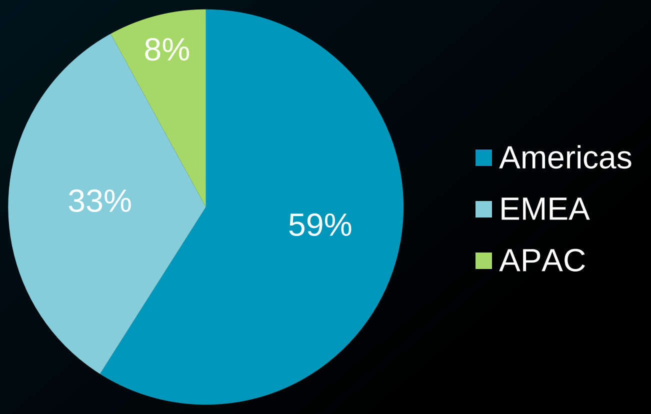
Business update

- Strong growth in public safety and network & utilities
- Significant OnCall dispatch order win with Telekom Malaysia driving strong growth in Asia.
- US Federal service business and tough comparatives in security held back revenue growth
- Margin decline reflects product mix and currency headwinds

Revenue by industry (FY 2023)



Revenue by geography (FY 2023)



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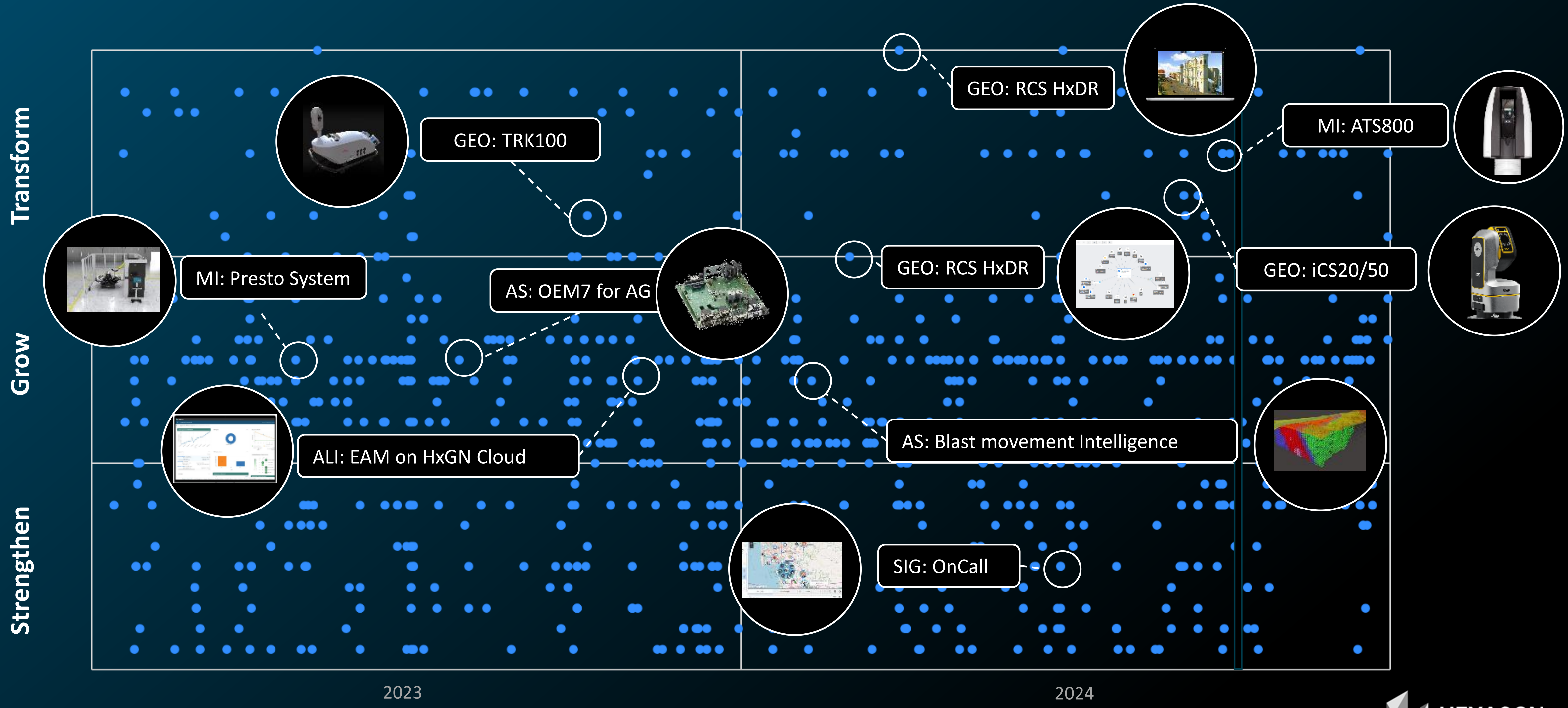
Innovation delivery

Strong track record of delivering organic growth & incremental margins



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David Mills

Chief Financial Officer

Income statement

Strong margins despite challenging markets

Adjusted income statement MEUR	Q3 2024	Q3 2023	% Change
Net Sales	1,299.8	1,352.1	-2*
COGS	-427.7	-466.5	-8
Gross earnings	872.1	885.6	-2
Gross margin	*67.1%*	*65.5%*	*1.6*
Operating earnings (EBITDA)	489.5	491.5	0
EBITDA margin	*37.7%*	*36.4%*	*1.3*
Operating earnings (EBIT1)	376.6	393.0	-4
EBIT1 margin	*29.0%*	*29.1%*	*0.1*
Earnings before taxes	332.4	350.0	-5
Earnings per share, Euro cent	10.1	10.6	-5
EBIT1, incl PPA	349.0	364.0	-4
EBIT1, incl PPA, margin	*26.9%*	*26.9%*	*-0.1*

*Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth

Sales bridge	
2023, MEUR	**1,352.1**
Structure, %*	**0%**
Currency, %	**-1%**
Organic growth, %**	**-2%**
Total, %	**-4%**
2024, MEUR	**1,299.8**

* *All acquisitions/divestments 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*

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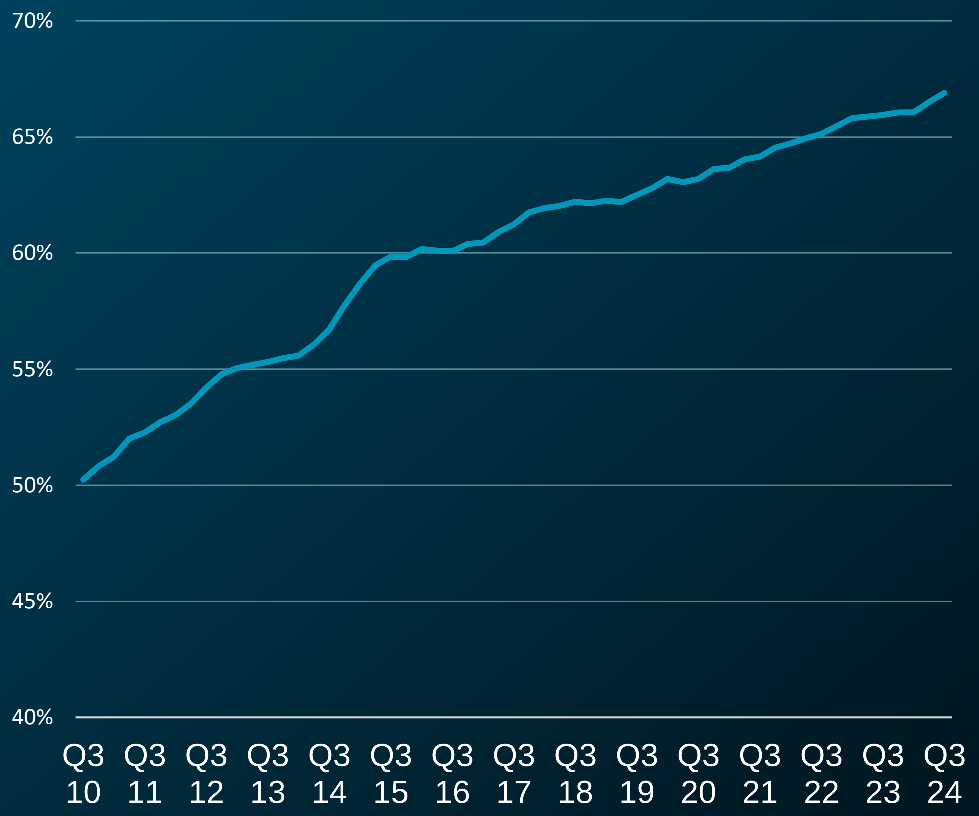
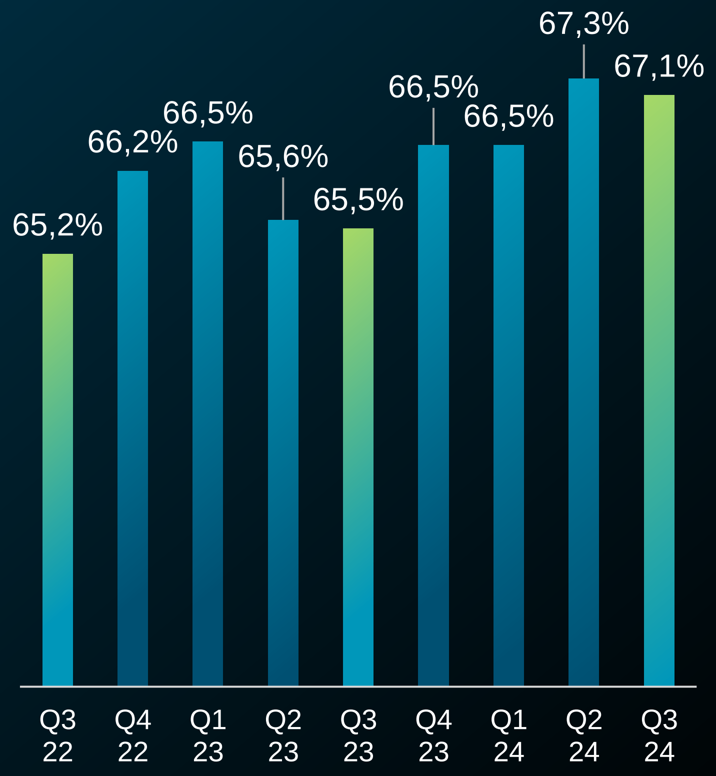
Gross margin

Continued strong gross margin progression

Rolling 12-months gross margin



Gross margin by quarter



Resilient GM% development:

- Richer software mix in portfolio through innovation and M&A
- Innovation drives higher GM% for next generation sensors
- Exit of low margin activities in SIG and MI
- Q3 adjusted gross margin of 67.1% (65.5)

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Revenue & profitability bridge

Good margin improvement contribution from structure and organic

MEUR	Q3 2023	Currency	Structure	Organic	Q3 2024
Operating Net Sales	1,352.1	-14	-6	-33	1,299.8
Growth		0%	-1%	-2%	-4%
Adjusted Operating Earnings (EBIT1)	393.0	-16	0	0	376.6
Adjusted Operating Margin	29.1%	119%	1%	0%	29.0%
Accretion / (Dilution) on margin		-0.9%	0.1%	0.7%	

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Cash flow

Seasonal cash conversion

Cash Flow Statement MEUR	Q3 24	Q3 23	Change %
Adjusted operating earnings (EBIT1)	**376.6**	**393.0**	**-4**
D&A (Excluding adjustments)	112.9	98.5	15
Adjusted EBITDA	**489.5**	**491.5**	**0**
Non-cash items	-18.1	-1.8	n.a.
Cash flow from operations before change in working capital excluding taxes and interest	**471.4**	**489.7**	**-4**
Capital expenditures	-151.5	-141.2	7
Cash flow post investment	**319.9**	**348.5**	**-8**
Working capital	-56.2	-98.0	n.a.
Operating cash flow before tax and interest	**263.7**	**250.5**	**5**
Cash conversion*	70%	64%	6
Taxes paid	-57.0	-61.5	-7
Interest received and paid, net	-40.8	-42.4	-4
Cash flow before non-recurring items	**165.9**	**146.6**	**13**
Non-recurring cash flow	-22.7	-16.2	n.a.
Operating cash flow	**143.2**	**130.3**	**10**

*** Operating cash flow before tax and interest divided by adjusted operating earnings (EBIT1)**

- Improved operational cash generation
- Capital expenditures down sequentially
- Tie-up in working capital due to normal seasonality
- Interest rate payments marginally down year on year

Q3 cash conversion of 70%

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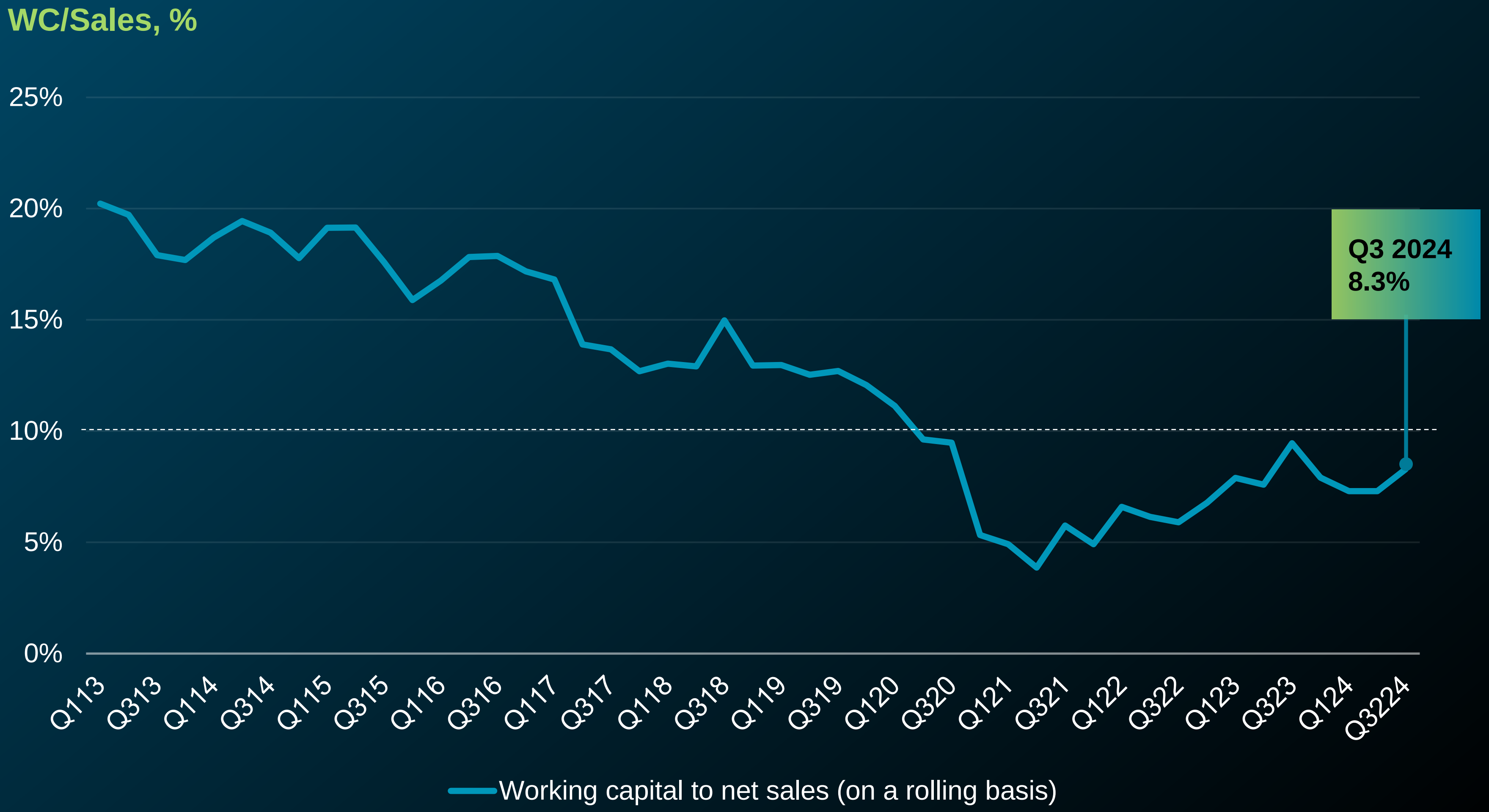
Working capital to sales

Returning to trend



WC Bridge	Q3 2024
Receivables & Prepaid expenses	8.6
Inventories	12.8
Liabilities	14.1
Deferred revenue	35.3
Accrued expenses	-14.6
Change in WC	56.2

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Ben Maslen

Chief Strategy Officer

Hexagon's net-zero target have been validated by SBTi*

Targets grounded in climate science

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2027 **Source 100% of renewable electricity**
Procure renewable electricity and increase investments in onsite renewables

2028 **50% of procurement spend with suppliers using science-based reduction targets**
Supplier engagement program to support them to set CO2 targets and reduce emissions

2030 **Reduce absolute scope 1 and 2 emissions**** by **95%**
Electrify our company vehicle fleet and reduce fuel consumption in major sites

2030 **Reduce scope 3 emissions 51.6% per EUR value added****
Emissions divided by net sales

2050 **Reach net-zero across the value chain**
Reduce emissions as much as feasible and remove residual emissions from the atmosphere

* SBTi: Science Based Target initiative
** from a 2022 base year.

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Customer win

Malaysia Next Generation 999 (NG999) Project

Customer background

NG999 is a new platform for Malaysian Emergency Response Services, integrating five emergency agencies (police, hospital, fire brigade, civil defence and coast guard) and managing 15 million+ calls per year.

Customer challenge

The agencies sought to modernise Malaysia's 999 emergency services operational communications with next-generation functionality like mobility and citizen apps to report incidents.

Why they chose Hexagon

HxGN OnCall, Hexagon's computer-aided dispatch solution will enhance collaboration and data sharing among Malaysia's key public safety agencies, improving efficiency & response.

Customer win

Leading European EPC

Customer background

A global leader in large-scale infrastructure across nearly 50 countries.

Customer challenge

Needed a single, streamlined solution to manage the lifecycle of engineering deliverables with customisable workflows and automated reporting.

How Hexagon is helping

The customer selected **HxGN SDx2**, Hexagon's advanced, cloud-native SaaS solution to boost efficiency & productivity.

SDx2’s AI capabilities and seamless integration into existing systems will provide deeper insights, and reporting and workflows ensure the right data gets to the right employees.

Customer story

BYD (Build Your Dreams)

Customer background

A global leader in electric vehicles and renewable energy solutions, known for pioneering battery technology, sustainable transportation and energy systems.

Customer challenge

Increasing pressure to reduce costs, creating the challenge to balance quality and efficiency while meeting procurement demands.

How Hexagon is helping

To support their cost reduction & efficiency goals, we provide timely, cost-effective, and customised solutions that include several **HyperScan Super, Bridge CMM, RA85 Arms and Laser Trackers.**

Customer story

Paris Olympics / Swiss Timing

Customer background

Swiss Timing provides timing, scoring, and result services for various sports events worldwide. This August, they supported the 2024 Summer Olympics in Paris, France.

Customer challenge

Measuring the difference between athletes at an elite sport level requires extreme precision and accuracy. Every millimetre counts.

How Hexagon is helping

Hexagon's **high-precision total stations** ensure that measurements are accurate, fast and incontestable.

Swiss Timing chose Hexagon's total stations at the Olympic Games to ensure fairness in a high-stakes event.

Absolute Tracker ATS800

The leading edge, at a distance

Hexagon revealed the Leica Absolute Tracker ATS800 at IMTS, a high-end direct scanning laser tracker opening a wide range of applications in aerospace, automotive, and large-scale industrial manufacturing where crucial tolerances are needed at a distance.

High-accuracy, direct measurement of **features, edges, and surfaces from a distance.**

Combination of **direct scanning and reflector tracking** for improved efficiency and safety.

Speed, quality, integration, automation, and ease of use, all packaged into one device, backed by local, world-class technical support globally.

Digital twins

Industry report

Published 22nd October 2024

Key headlines

8 out of 10 organisations say their digital twin is helping reduce their carbon emissions

The average revenue growth associated with a digital twin is **19%**

87% of digital twin users are seeing a ROI of between 11-40%

56% expect to increase their investments in digital twins

For the full document please go to hexagon.com/resources/insights/digital-twin/report

Paolo Guglielmini

President and Chief Executive Officer

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Conclusions

Innovation

Strong pipeline of product development coming through

Recurring revenues

Strong adoption for SW platforms and applications

Strong execution

Stable operating margins across the divisions despite FX

Cash generation

Confident in 80% to 90% for full year

Potential separation

Evaluation in progress

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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.

Appendix

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Our key targets

Conviction in our existing 2022-2026 targets	Organic growth	Average annual **growth of 5-7%**
	Growth via M&A	Average annual **growth of 3-5%**
	Operating margin (EBIT1 incl. PPA)	**More than 30%** by the end of 2026
Additional targets	Cash conversion	Annual target **range of 80-90%**
	ESG	**95% reduction** of Scope 1 and 2 by 2030 **Net zero** by 2050

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R&D breakdown

Research & Development MEUR	Q3 2024
Gross R&D cost	**213**
Capitalised R&D	**120**
Amortisation of previously capitalized R&D	**60**
Adjusted net R&D cost (impact on EBIT1)	**154**

Income statement YTD

Nine months to 30 September 2024

Adjusted income statement MEUR	YTD 2024	YTD 2023	% Change
Net Sales	3,953.1	4,004.7	0*
COGS	-1,305.5	-1,366.9	-4
Gross earnings	2,647.6	2,637.8	0
Gross margin	*67.0%*	*65.9%*	*1.1*
Operating earnings (EBITDA)	1,481.0	1,443.0	3
EBITDA margin	*37.5%*	*36.0%*	*1.5*
Operating earnings (EBIT1)	1,152.6	1,158.3	0
EBIT1 margin	*29.2%*	*28.9%*	*0.3*
Earnings before taxes	1,023.6	1,052.3	-3
Earnings per share, Euro cent	31.0	31.7	-2
EBIT1, incl PPA	1,069.1	1,071.9	0
EBIT1, incl PPA, margin	*27.0%*	*26.8%*	*0.2*

*Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth

Sales bridge	
2023, MEUR	**4,004.7**
Structure, %*	**0%**
Currency, %	**-1%**
Organic growth, %**	**0%**
Total, %	**-1%**
2024, MEUR	**3,953.1**

* *All acquisitions/divestments 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*

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Seasonality

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