



**HEXAGON**

# **Year-End Report 2019**

5 February 2020

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- Reporting segments
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- Summary



## Net sales and earnings

# Overview Q4 2019

## Organic growth of -2 per cent, net sales growth of 2 per cent

- Solid organic growth in PPM (13 per cent) and SI (7 per cent)
- Geosystems recorded -2 per cent organic growth
  - Negatively impacted by a general slowdown in some construction markets
- Manufacturing Intelligence recorded -8 per cent organic growth
  - Hampered by a slowdown in automotive and general manufacturing in China compared to last year's strong sales growth

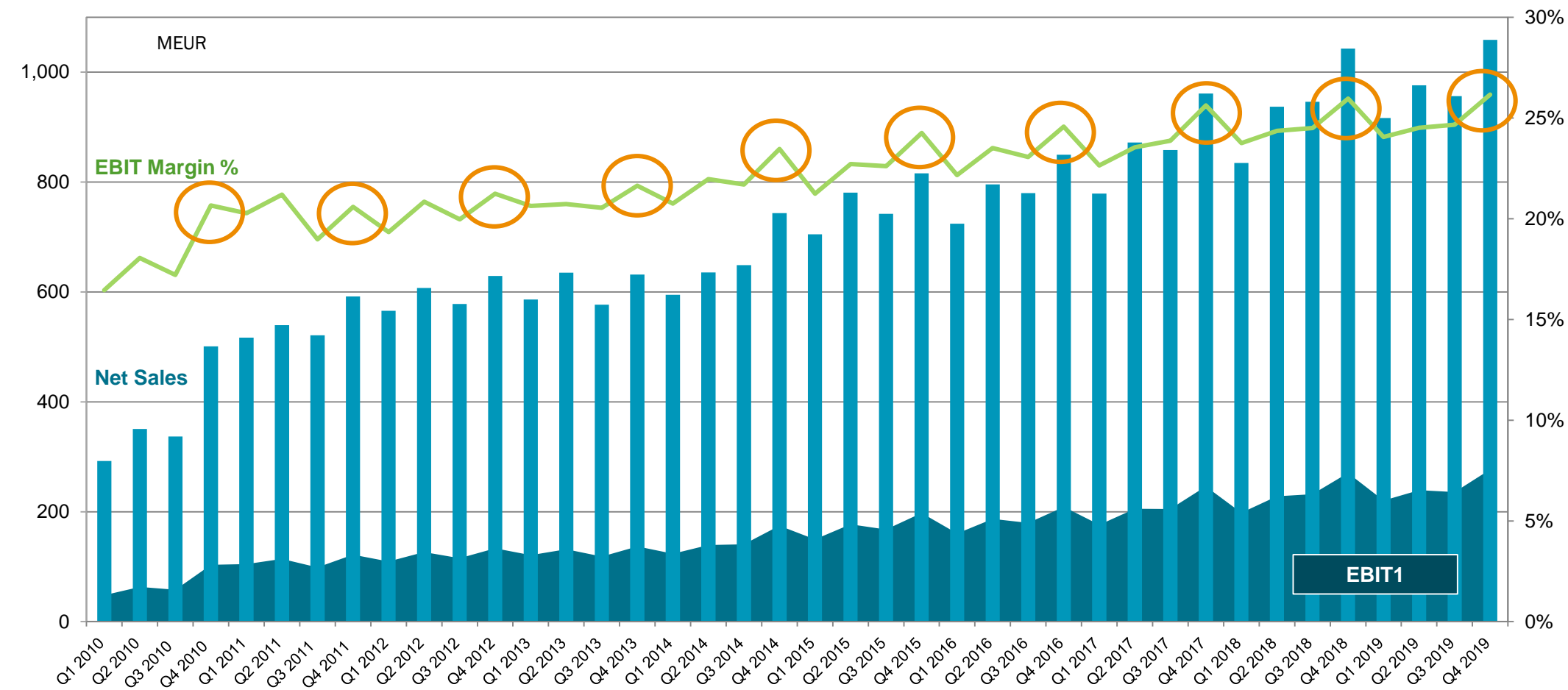
## Record earnings and margins

- Gross margin of 63.3 per cent (62.2) and EBIT1 margin of 26.2 per cent (26.0)
  - Benefited from a favorable product mix and cost savings



# Seasonality in profit

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



# Key figures – Q4 2019

MEUR	Q4 2019	Q4 2018	Change %
Net sales	1,058.9	1,043.0	-2 <sup>1)</sup>
Operating earnings (EBITDA) <sup>2)</sup>	374.4	348.7	7
Operating margin, (EBITDA) %	35.4	33.4	2.0
Operating earnings (EBIT1) <sup>2)</sup>	277.0	270.7	2
Operating margin, %	26.2	26.0	0.2
Earnings before taxes, excl. non-recurring items	271.1	265.4	2
Non-recurring items (before taxes) <sup>3)</sup>	-26.2	-	n.a.
Earnings before taxes <sup>2)</sup>	244.9	265.4	-8
Net earnings	200.0	217.6	-8
Net earnings, excl. non-recurring items	222.3	217.6	2
Earnings per share, EUR	0.54	0.60	-10

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

2) EBITDA was improved by 19 MEUR and EBIT by 1 MEUR while Earnings before taxes was negatively impacted by -1 MEUR due to IFRS 16

3) Non-recurring items relates to the acquisitions of Volume Graphics, Blast Movement Technology and Geopraevent AG

# Key figures – 2019

MEUR	2019	2018	Change %
Net sales	3,907.7	3,760.7	-1 <sup>1)</sup>
Operating earnings (EBITDA) <sup>2)</sup>	1,339.1	1,197.7	12
Operating margin, (EBITDA) %	34.3	31.8	2.5
Operating earnings (EBIT1) <sup>2)</sup>	972.5	929.0	5
Operating margin, %	24.9	24.7	0.2
Earnings before taxes, excl. non-recurring items	945.6	906.2	4
Non-recurring items (before taxes) <sup>3)</sup>	-80.3	-3.9	n.a.
Earnings before taxes <sup>2)</sup>	865.3	902.3	-4
Net earnings	708.6	738.1	-4
Net earnings, excl. non-recurring items	775.4	743.1	4
Earnings per share, EUR	1.92	2.02	-5

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

2) EBITDA was improved by 72 MEUR and EBIT by 4 MEUR while Earnings before taxes was negatively impacted by -5 MEUR due to IFRS 16

3) Non-recurring items 2019 relates to the launch of a restructuring programme in Q2 and acquisitions during Q1 and Q4



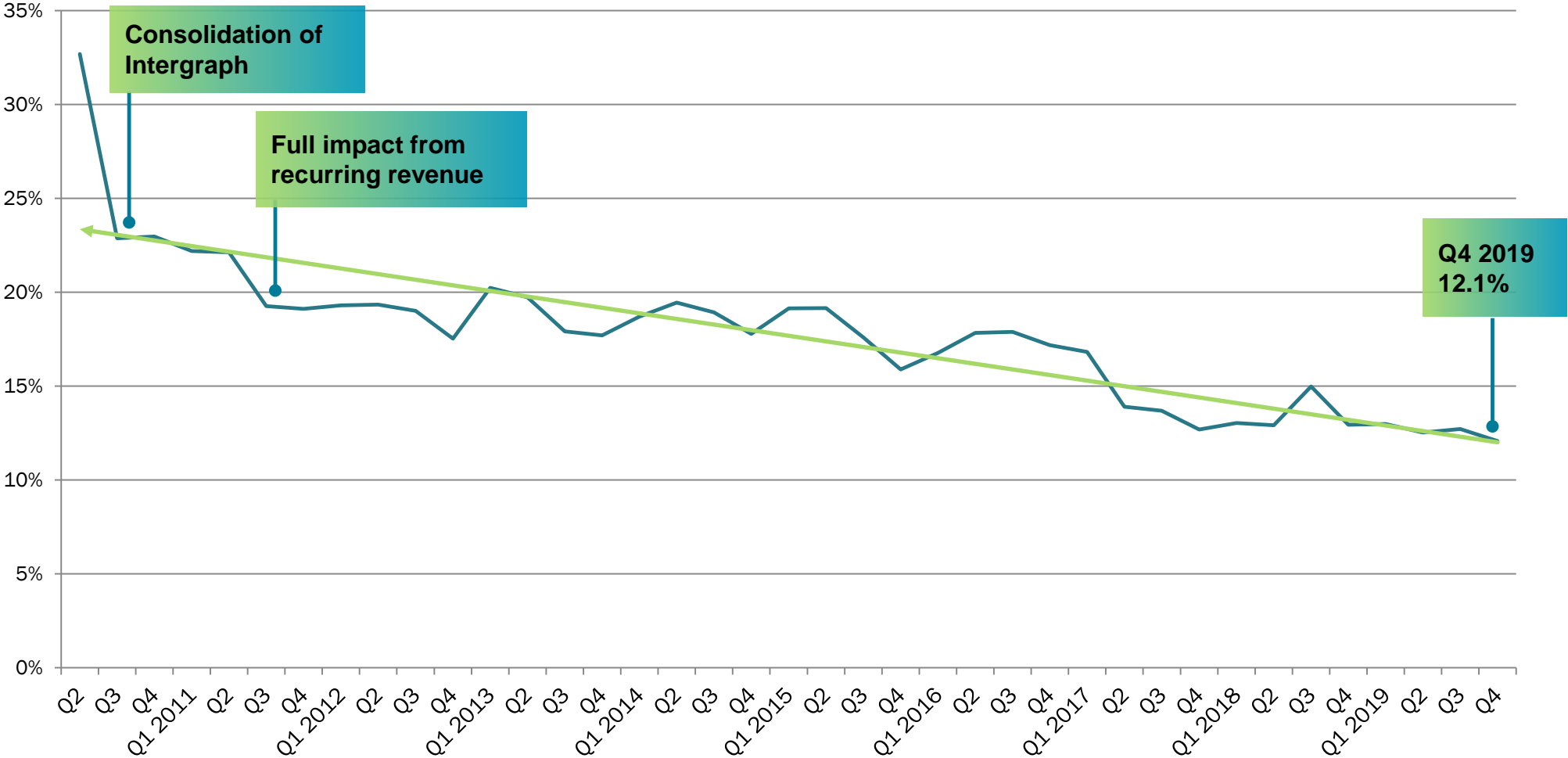
# Cash flow

MEUR	Q4 2019	Q4 2018
Cash flow from operations before changes in working capital excl. taxes and interest	361.0	338.8
Taxes paid	-35.3	-38.5
Interest received and paid, net	-5.3	-5.3
Cash flow from operations before changes in working capital	320.4	295.0
Change in working capital	13.7	65.5
Cash flow from operations	334.1	360.5
Investments tangible assets	-26.5	-27.6
Investments intangible assets	-73.2	-65.3
Operating cash flow before non-recurring items	234.4	267.6
Non-recurring cash flow	-13.3	-5.1
Operating cash flow	221.1	262.5

- Cash conversion of 99 per cent (115) in Q4 2019 and 93 per cent (79) in FY 2019
- Cash conversion target of 80-90 per cent

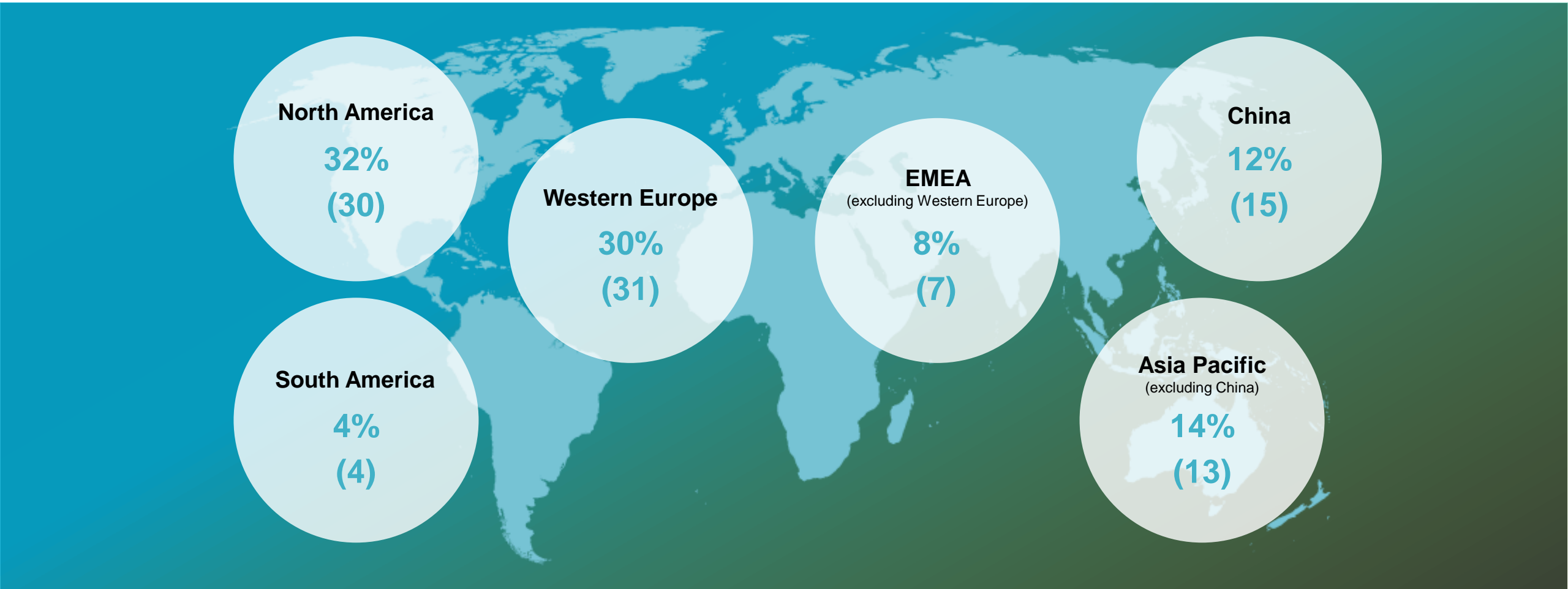


# Working capital to sales






# Market development

# Sales mix Hexagon Q4 2019 (Q4 2018)



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

CONTRIBUTORS TO GROWTH <sup>1)</sup> (descending order)	
<b>Q4 2018</b>	<b>1,043.0</b>
Eastern Europe, Middle East & Africa	
South America	
Asia excl. China	
North America	
Western Europe	
China	
<b>Q4 2019</b>	<b>1,058.9</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 30%	EMEA <sup>2)</sup> 8%	NA 32%	SA 4%	CN 12%	ASIA <sup>3)</sup> 14%
Surveying	20%						
Power, Energy & Mining	19%						
Electronics & Manufacturing	15%						
Infrastructure & Construction	14%						
Automotive	11%						
Aerospace & Defence	11%						
Public Safety	5%						
Other	5%						
Total							

> 8%

0 to 8%

Negative

1) Share of sales as per Q4 2019

2) EMEA, excluding Western Europe

3) Asia, excluding China

# EMEA market trends – Q4 2019

- Western Europe recorded -2 per cent organic growth
  - Hampered by slower demand in the manufacturing segment in Germany and Spain and infrastructure and construction markets in the UK and the Nordics
- Strong growth in the power & energy segment
- Russia, the Middle East and Africa recorded double digit growth



Q4 Share of sales, %	38
Q4 Organic growth, %	0
- Organic growth, GES %	-2
- Organic growth, IES %	3

# Americas market trends – Q4 2019

- North America recorded flat organic growth
  - Solid growth in public safety solutions
  - Growth hampered by decline in the construction, manufacturing and mapping markets
- South America recorded high single-digit growth



Q4 Share of sales, %	36
Q4 Organic growth, %	1
- Organic growth, GES %	4
- Organic growth, IES %	-2



# Asia market trends – Q4 2019

- China recorded -21 per cent organic growth
  - Mainly impacted by weaker demand in the manufacturing industry
  - Infrastructure and construction also declined somewhat
- India and South Korea continued to record solid growth



Q4 Share of sales, %	26
Q4 Organic growth, %	-10
- Organic growth, GES %	-10
- Organic growth, IES %	-10

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 large, overlapping geometric shapes in shades of teal and green, which create a modern, abstract background. The overall composition suggests a focus on industrial technology and engineering.

# Reporting segments

# Industrial Enterprise Solutions – Q4 2019 overview

## Organic growth of -4 per cent

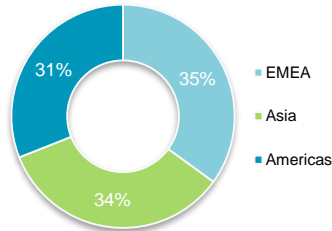
- MI: -8 per cent organic growth, largely driven by a slowdown in automotive and general manufacturing in China which offset continued good growth in aerospace. The performance in the software portfolios remained stable
- PPM: 13 per cent organic growth, supported by strong development in the design and asset management portfolios, especially in EMEA

## EBIT1

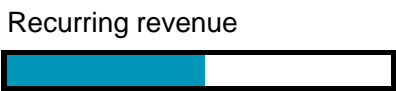
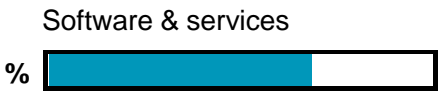
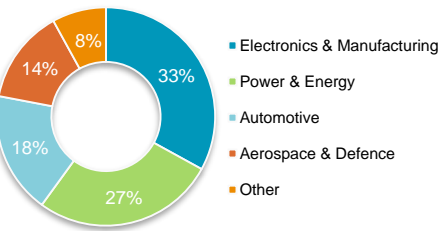
- Sales of 544.0 MEUR (546.2)
- EBIT1 of 147.8 MEUR (148.0) and operating margin of 27.2 per cent (27.1)
  - Benefited from an increased software mix and cost savings but was hampered by the organic revenue decline



Sales per geography



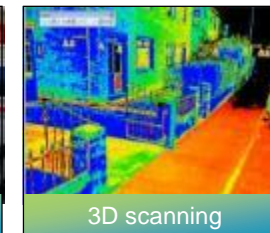
Sales per segment



# Geospatial Enterprise Solutions – Q4 2019 overview

## Organic growth of -1 per cent

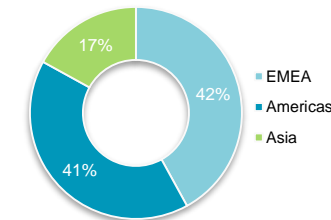
- Geosystems: -2 per cent organic growth, hampered by continued weakness in some construction markets and a lower contribution from new products compared to the previous year, which offset the positive momentum in the mining segment
- SI: Accelerated, recording 7 per cent organic growth. The recently launched OnCall platform is gaining traction and building a solid pipeline ahead
- Autonomy & Positioning: -9 per cent organic growth, hampered by weaker demand in automotive



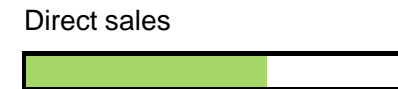
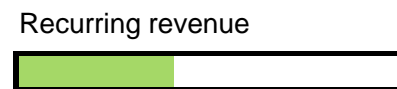
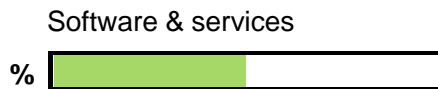
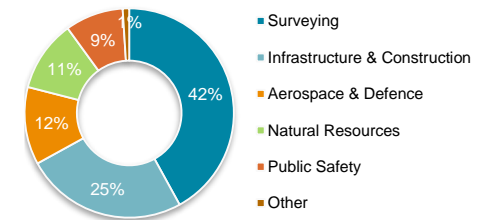
## EBIT1

- Sales of 514.9 MEUR (496.8)
- EBIT1 of 134.6 MEUR (129.5) and operating margin of 26.1 per cent (26.1)
  - Positively impacted by cost savings but adversely impacted by the decline in organic growth

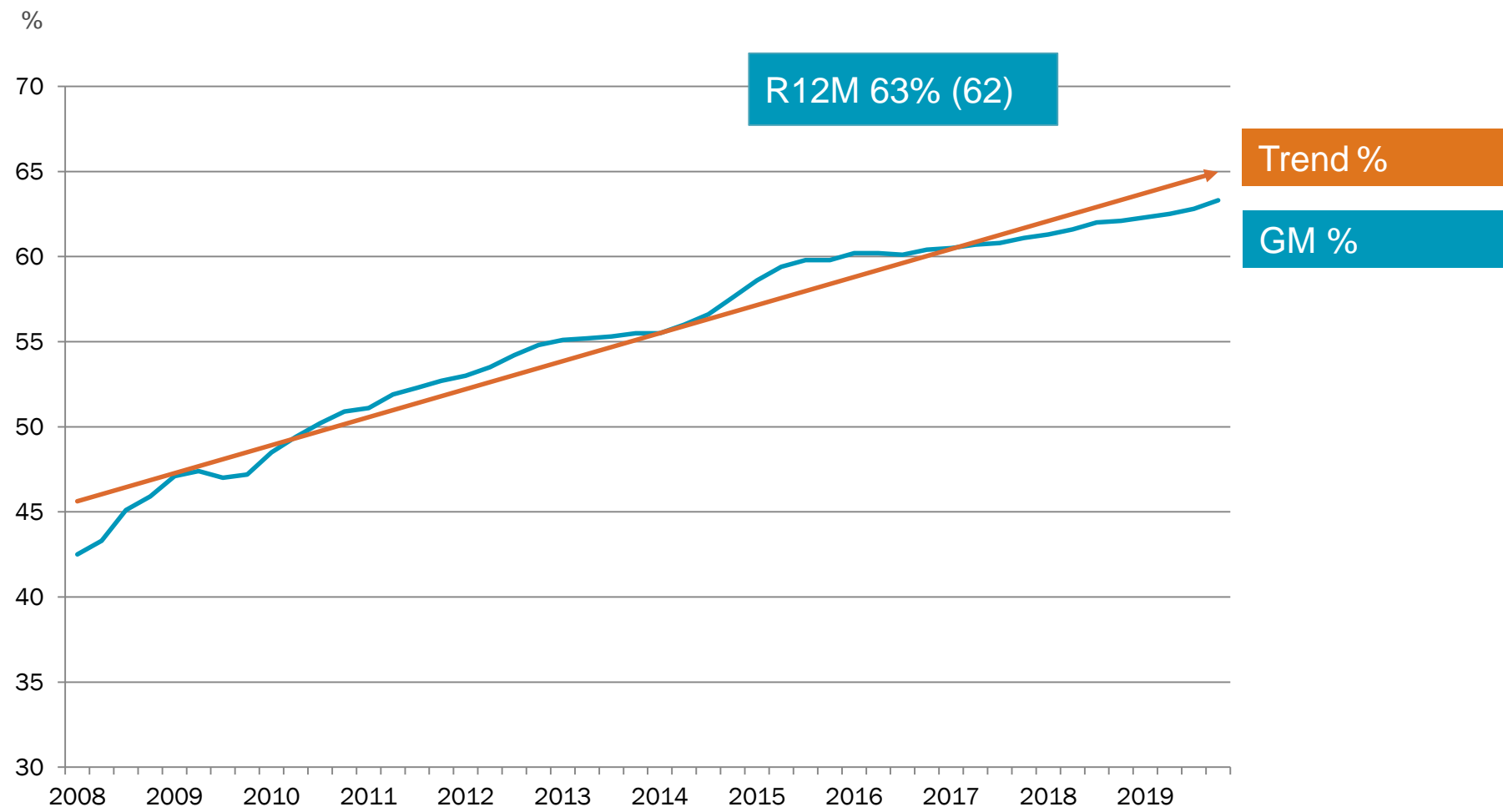
Sales per geography



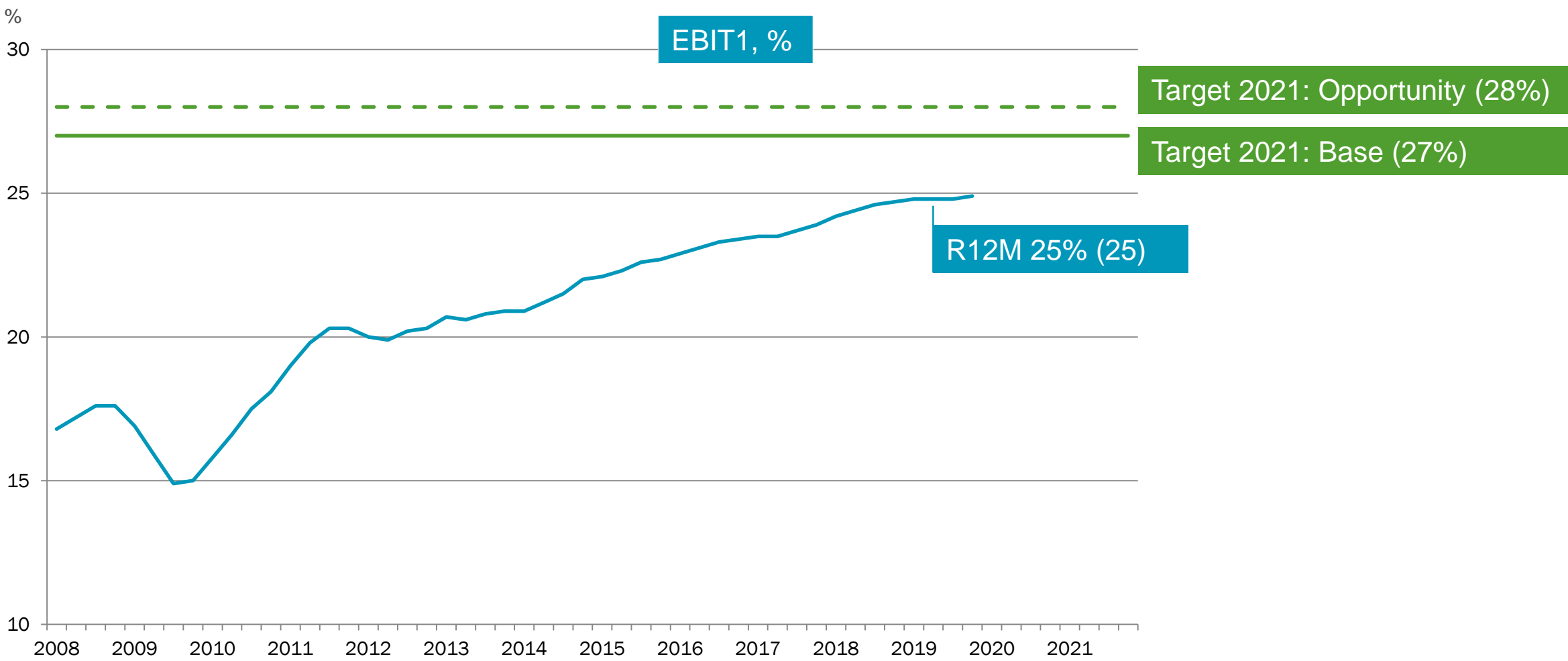
Sales per segment



# Gross margin – R12M quarterly data



# Operating margin – R12M quarterly data





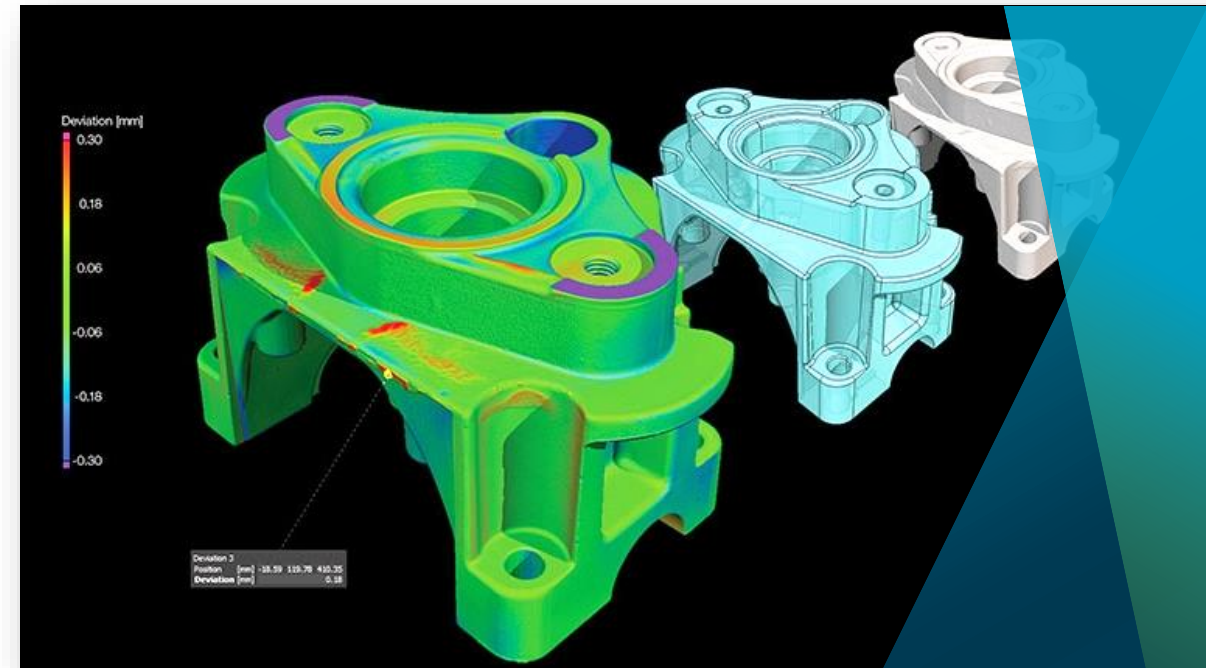
The background of the slide is a complex digital-themed composition. It features a dark blue base color. In the upper left, there's a triangular area with a green-to-blue gradient. Overlaid on this and the rest of the slide are various digital elements: a grid of glowing binary code (0s and 1s) in red and white, several line graphs with different colored markers (yellow, white, blue, green) and connecting lines, and a large, semi-transparent yellow circle on the left side. The overall aesthetic is high-tech and data-oriented.

## Orders and product releases



# Hexagon broadens Smart Factory Solutions portfolio with Volume Graphics acquisition

- Volume Graphics offers **high-end analysis and visualisation computed tomography (CT) software**, enabling manufacturers to produce 3D external and internal representations of scanned objects
- Volume Graphics brings over 20 years of experience in software development for non-destructive inspection and testing
- Industrial CT scanning is fast becoming a critical asset to manufacturers as more and more industries embrace additive manufacturing



# London Police select Hexagon's advanced public safety solutions

- **HxGN OnCall** was selected to upgrade the Metropolitan Police Service (MPS) command and control system
- The comprehensive portfolio of advanced public safety solutions will serve as a key pillar to improve information sharing with other emergency services to achieve greater connectivity, collaboration and intelligence
- MPS receives 7 million calls annually in more than 250 languages, polices 620 square miles, and serves more than 8 million residents and 4+ million visitors and commuters each day with 31,000 officers and 10,000 police staff



# Hexagon partners with TetraPak, expanding to the food service sector

- **Tetra Pak**, the world's leading food processing and packaging solutions company, announced a collaboration with **Hexagon's PPM Division** for the design, construction and operation of plants, ships and offshore facilities
- The collaboration enables **virtual design and visualisation of entire plant solutions** using Hexagon's digital twin technology
- This will allow Tetra Pak to effectively collaborate with customers, colleagues, and suppliers globally in **designing a total production plant**, making it easy to simulate, evaluate and select optimal solutions





# Regional transportation projects to improve performance with Hexagon

- Bay Area Rapid Transit (BART) – the public transportation rail system connecting California’s San Francisco Peninsula with the surrounding mainland cities – partnered with Hexagon to **improve efficiency and cost performance of all projects** via a connected Project Portfolio Management system
- Using **EcoSys** for managing project portfolios, project controls, and contracts and **Bricsys 24/7** for document management, BART can manage the full lifecycle of projects
- Solution provides better visibility and insights by integrating financial data with BART’s PeopleSoft accounting software and supports best practices critical to the success of transportation projects



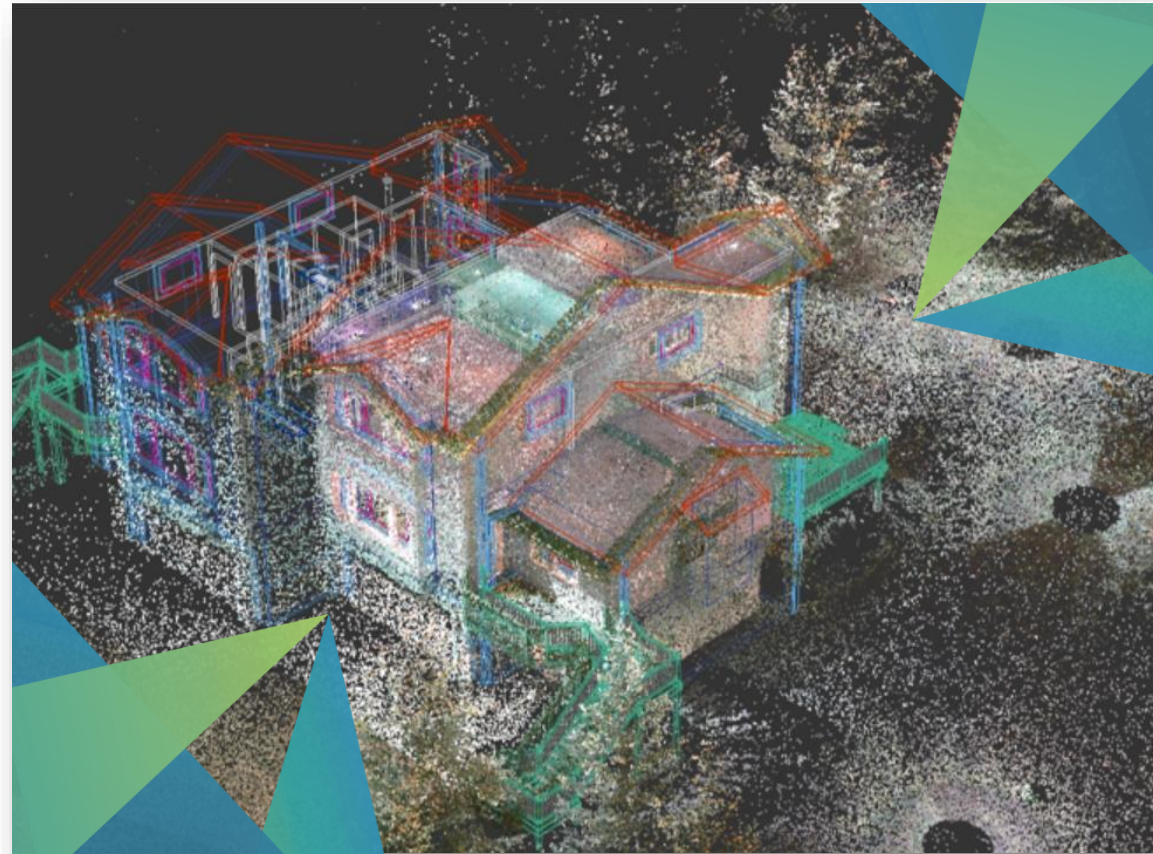
# Leitz Reference BX aids freeform manufacturing design and production

- The new Leitz Reference BX – a **coordinate measuring machine (CMM) designed for blade and glass manufacturers** – is the only CMM in the marketplace that addresses inspection challenges for new and innovative designs and freeform components
- Offers better access, flexibility, accuracy and speed for complex surfaces – like the curvature of a smartphone screen or intricate components such as fan and turbine blades
- Accurately captures detailed measurement data across the entire surface of a freeform shape, while dramatically reducing cycle time



# ‘Scan-to-BIM’ initiative to deliver significant construction productivity gains

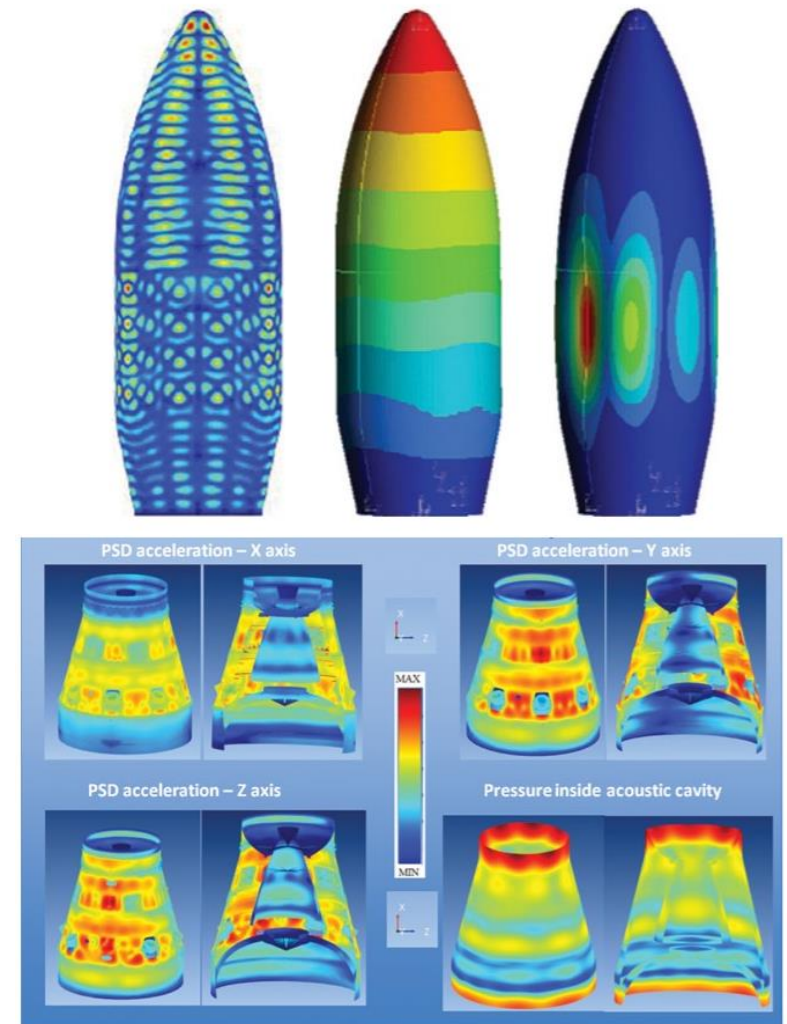
- **In partnership with HOK** – a global architecture firm – Hexagon launched a ‘**Scan-to-BIM**’ initiative to accelerate today’s time-consuming renovation and construction workflows and deliver significant productivity gains
- Hexagon is integrating its building design capabilities (via its BricsCAD suite from Bricsys acquisition) with its reality capture capabilities to automatically convert point clouds into solid geometry
- Industry guidance from HOK will help deliver a solution that is scalable and built to **handle large commercial reality capture projects with ease**





# Hexagon assists autonomous space observation program

- Avio – a leading international space travel group – is using Hexagon’s **computer-aided engineering (CAE) solutions** to predict the vibro-acoustic response of launcher structures at lift-off
- The technology supports Avio VEGA – a European Space Agency program – with the aim to achieve a global, continuous, autonomous, high quality, wide-range Earth observation capacity
- Benefits of the program’s success include accurate, timely and easily accessible information used to mitigate the effects of climate change, ensure civil security, and more





# Hexagon's technology supports GM in pursuit of autonomous driving

- GM's Global Autonomous Driving Center in Michigan is **leveraging Hexagon's combination of sensor and scanning technologies**, including Pegasus (enabling digital reality capture from a car) and Virtual Test Drive (simulation software suite)
- The Global Autonomous Driving Center is guided by GM's vision of a future with zero crashes, zero emissions, and zero congestion



# Grande Prairie Fire streamlines emergency response

- Seeking to more **efficiently manage emergency calls** across its large geography, Grande Prairie Fire selected the dispatch, analytics, and mobility solutions from the **HxGN OnCall** portfolio
- Grande Prairie is located in Northwestern Alberta, Canada, and is the **largest city north of Edmonton** – its fire department serves 69,000 residents in the city and another 280,000 in the nearby surrounding areas



# German defence organisations build on Hexagon's Power Portfolio

- The **Bundeswehr** (unified armed forces of Germany) **Center for Geographic Information Technology** extended a framework agreement with Hexagon to **use Hexagon's Power Portfolio to provide geospatial information to German defense organisations**
- Germany's Army, Air Force, Navy, Medical Service, Armed Forces Center and Cyber Command/Information Room will benefit from the availability of location-based information, such as map materials, weather advice and forecasts





# Sustainable water infrastructure with Hexagon's geospatial solutions

- AQUASIS – a Portuguese company that develops information systems for the water market – is extending its infrastructure management solution based on all of Hexagon's geospatial portfolios:
  - **Power Portfolio** (photogrammetry, remote sensing, GIS and cartography technologies)
  - **Smart M.App platform** (lightweight and dynamic application platform)
  - **Luciad** (situational awareness and real-time location intelligence)
- Hexagon's software will be used in various ongoing and future projects to promote operational efficiency and reduced costs for the water, sewage and wastewater industries



# Mine safety in South Africa and Australia

- AngloAmerican Kumba Iron Ore moved ahead of government regulations compelling mine operators to install vehicle intervention technology, bringing on **HxGN MineProtect Vehicle Intervention System + Tracking Radar** at its Sishen and Kolomelo mines in **South Africa**
- AngloAmerican is installing **HxGN MineProtect Operator Alertness System Heavy Vehicle** in more than 100 pieces of equipment across the three operations – Lake Lindsay, Dawson and Dawson South in **Australia**
- Bengalla Mining Company of New South Wales is installing **HxGN MineProtect Collision Avoidance System** in more than 180 pieces of equipment, adding to a previous installation of Hexagon's Operator Alertness System for Heavy Vehicles, marking a unique installation of both products concurrently at one site in **Australia**



# Mueller builds IoT infrastructure on shop floor with Xalt

- Mueller Water Products – a leading manufacturer of products and services used in the transmission, distribution and measurement of water in North America – is **leveraging Hexagon's Xalt framework** and its advanced real-time integration capabilities **to connect all the machines on its shop floor** for the purpose of production control, maintenance, and several other key processes
- Machine Monitoring allows them to better plan the execution of the production line based on outputs from machines as well as utilise labor resources optimally – lowering the cost of manufacturing for the goods produced



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 this graphic and the background is a complex network of glowing lines and nodes, resembling a data visualization or a financial chart. The lines are in various colors (yellow, green, blue, red) and connect different points, some of which are highlighted with small squares or circles. In the upper right portion of this graphic, there is a bright, glowing orange and red area with a lens flare effect. The overall aesthetic is high-tech and digital.

# Dividend



# Dividend

- The Board of Directors proposes a dividend of 0.62 EUR (0.59) per share, an increase of 5 per cent
- The dividend can be paid in EUR to shareholders who wish to receive it in this currency
- Other shareholders will receive the dividend payment in SEK



The background features a stylized world map in dark grey, overlaid with a network of white dots and connecting 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 and green, creating a modern, tech-oriented aesthetic.

## Summary

# Summary Q4 2019

- Reported 2 per cent sales growth (-2 per cent organic growth)
  - Solid organic growth for PPM (13 per cent) and SI (7 per cent)
  - Manufacturing Intelligence recorded -8 per cent organic growth, reflecting weaker demand in China and automotive
- Record earnings and profitability supported by positive product mix and cost savings
  - EBIT1 margin of 26.2 per cent (26.0)

# Disclaimer

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