Q1 2020 Results

Agfa-Gevaert Group

May 12, 2020

AGFA Agfa

Key highlights

Key highlights

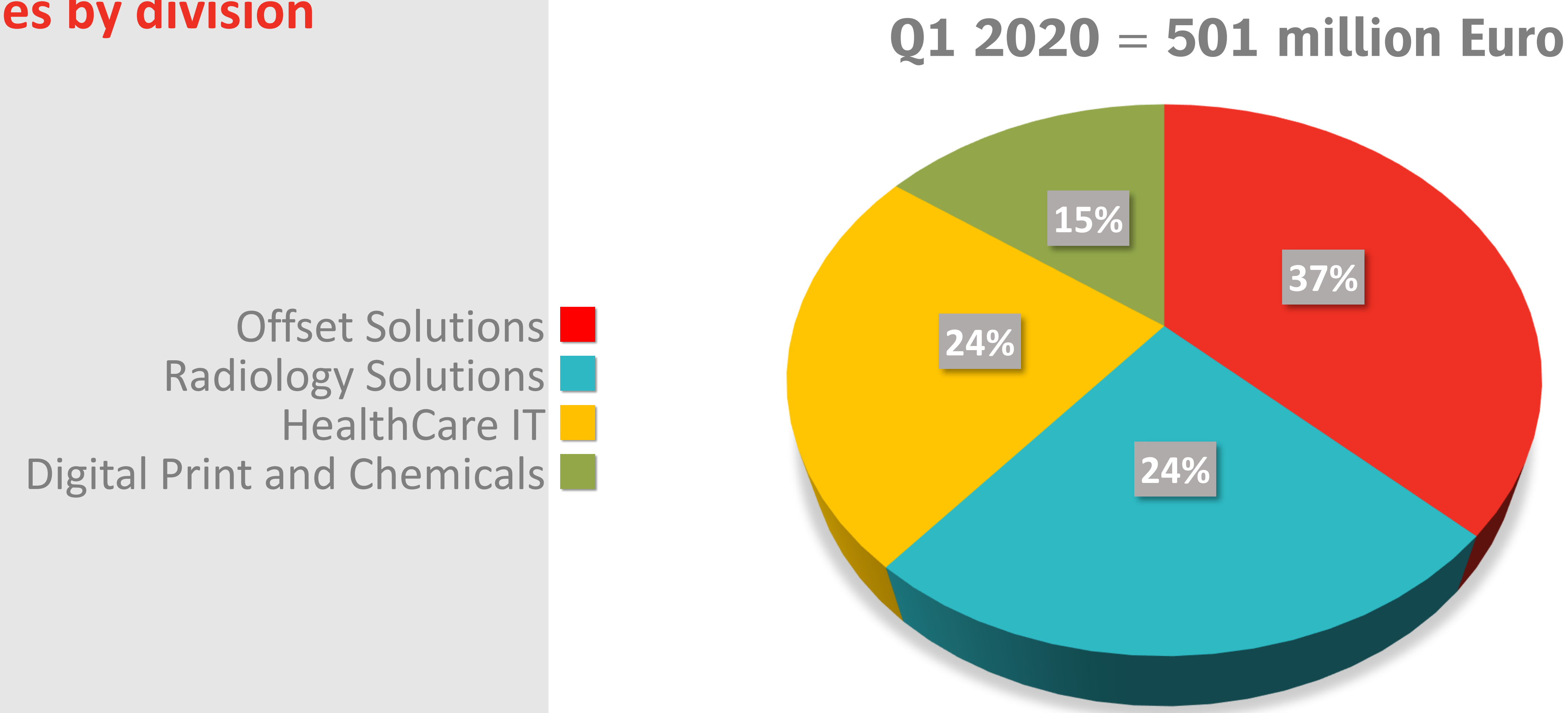
- **Sale of part of Agfa HealthCare's IT business**

  Sale to the Dedalus Group successfully closed in May, 2020 at an enterprise value of 975 million Euro

  Agfa HealthCare's state-of-the-art Imaging IT software business is not included in the sale and will be a key source of future value creation for the Agfa-Gevaert Group
- **Solid set of results due to gross margin improvements and cost saving measures**
- **Radiology Solutions and HealthCare IT resilient**
- **Specific segments of printing industry started to be impacted by COVID-19**
- **Strong cash generation, driven by a substantial decrease in working capital – net financial debt decreased to 69 million Euro (excluding IFRS 16 impact)**

Agfa-Gevaert Group

Sales by division



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Agfa-Gevaert Group

Key figures

Profit & Loss

in million Euro	Q1 '20 (incl. IFRS 16)	Q1 '19 (incl. IFRS 16, restated)	Δ% (excl.curr.)
Sales	501	524	-4.4% (-5.0%)
Gross Profit*	170	172	-1.0%
as a % of sales	33.9%	32.7%	
SG&A*	-108	-118	-8.8%
as a % of sales	21.5%	22.6%	
R&D*	-36	-37	-0.7%
Other operating items*	-7	4	
Adjusted EBITDA*	39	43	-9.7%
as a % of sales	7.8%	8.2%	
Adjusted EBIT*	18	20	-11.1%
as a % of sales	3.6%	3.9%	

* Before restructuring and non-recurring items

Key figures

Profit & Loss

in million Euro	Q1 '20 (incl. IFRS 16)	Q1 '19 (incl. IFRS 16)	Δ% (excl.curr.)
Adjusted EBIT* as a % of sales	18 3.6%	20 3.9%	-11.1%
Restructuring/non-recurring	-2	-4	
Operating result	16	16	
Non-operating result	-8	-11	
Profit before taxes	7	5	
Taxes	-6	-8	
Net result	1	-3	

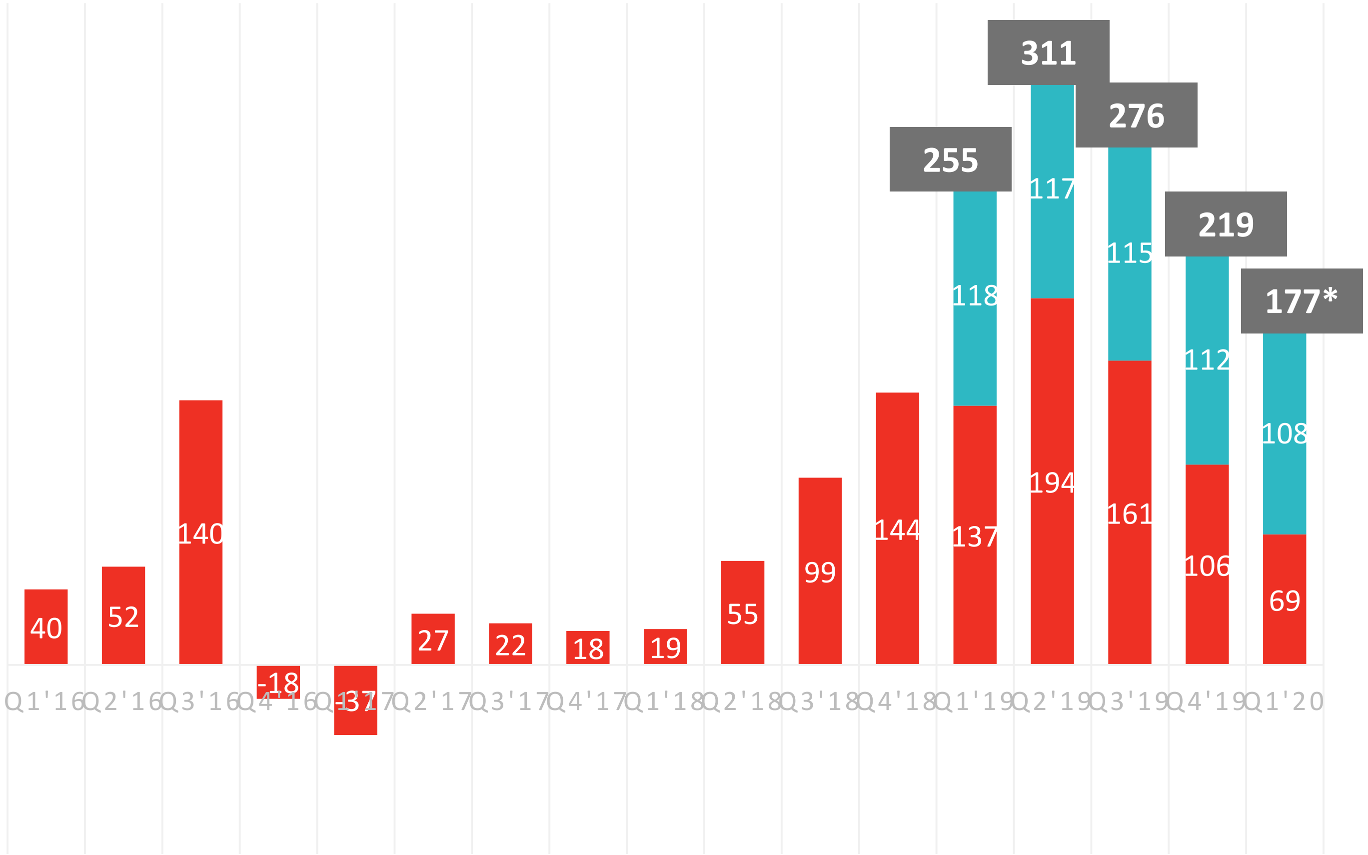
* Before restructuring and non-recurring items

Main drivers behind key figures

- Thanks to its program to reduce working capital, the Agfa-Gevaert Group succeeded in generating strong cash flows in the first quarter of 2020. Excluding the impact of IFRS 16, net financial debt decreased to 69 million
- On the one hand, the Radiology Solutions and HealthCare IT divisions showed resilience in the uncertain global economic conditions. Certain activities in the printing industry on the other hand, were starting to be impacted by the COVID-19 pandemic. This new challenge adds to the already tough conditions in this industry.
- Thanks to gross margin improvements and cost saving measures, the Group was able to post strong results. Excluding the impact of the fading effects of the Siegwerk alliance in the Digital Print and Chemicals division, the Group’s adjusted EBITDA would have been in line with the first quarter of 2019.

Net financial debt

in million Euro



* IFRS 16 impact of 108 million Euro

Working capital

in million Euro

in million Euro	Q1 2019	Q4 2019	Q1 2020
Inventories	**539**	**437**	**469**
DIOH (in days)	128	103	113
Trade Receivables, Contract Assets, Contract liabilities	**338**	**378**	**320**
DSO (in days)	57	57	57
Trade Payables	**(230)**	**(234)**	**(274)**
DPO (in days)	55	55	66
Trade Working Capital	**647**	**579**	**515**
as a % of sales	29%	26%	23%

Corporate Services

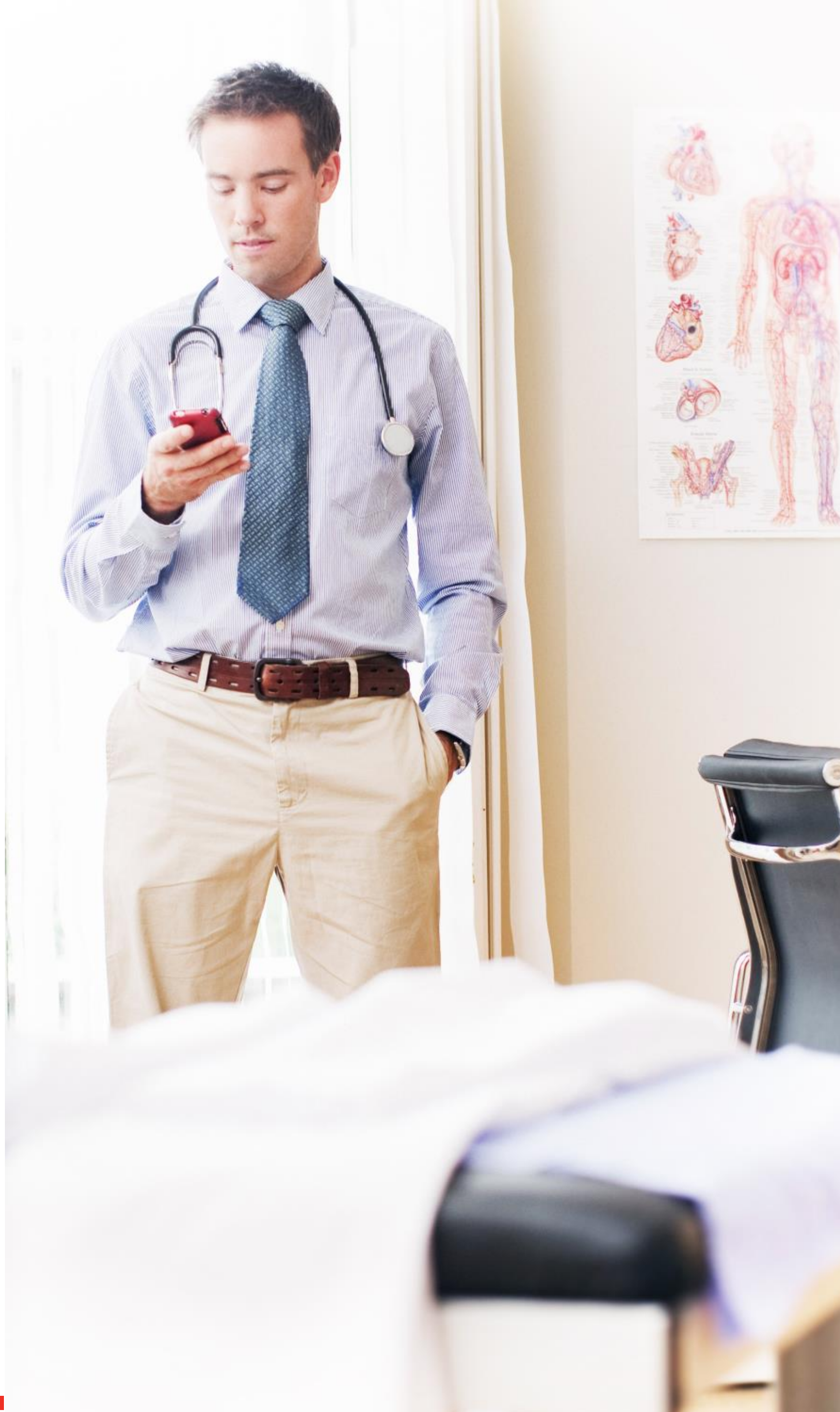
Key figures
Profit & Loss

in million Euro	Q1 ’20 (incl. IFRS 16)	Q1 ’19 (incl. IFRS 16)	Δ% (excl.curr.)
Adjusted EBITDA	-4.3	-4.8	-11.1%
Adjusted EBIT*	-4.3	-4.9	-10.8%

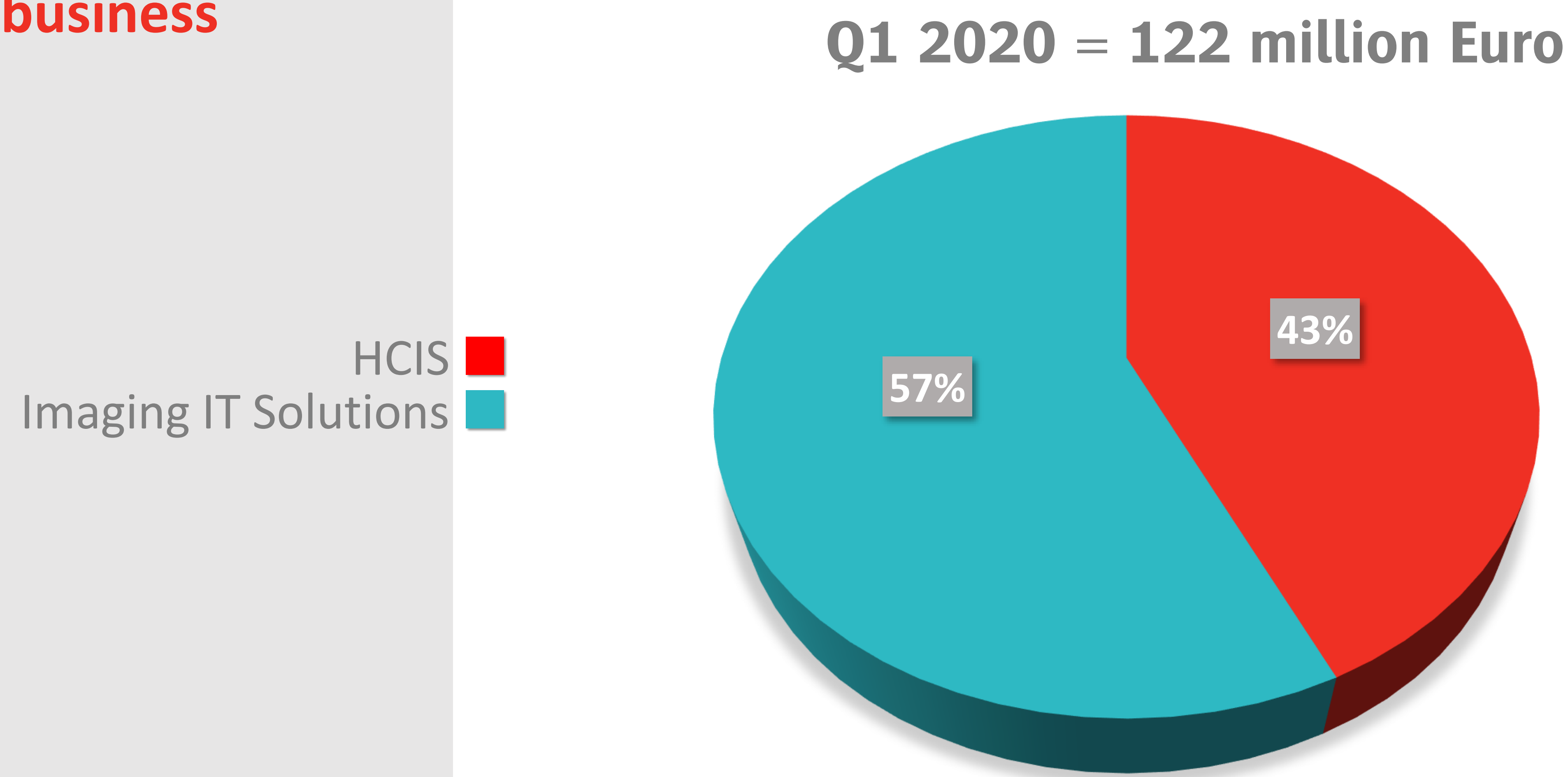
- To allow a more accurate assessment of the business performances, costs of corporate functions at Group level are grouped under Corporate Services

* Before restructuring and non-recurring items

HealthCare IT



Sales by business segment



HealthCare IT

Key figures
Profit & Loss

in million Euro	Q1 '20 (incl. IFRS 16)	Q1 '19 (incl. IFRS 16)	Δ% (excl.curr.)
Sales	122	122	-0.4% (-1.0%)
Gross Profit* as a % of sales	59 48.2%	55 45.4%	5.8%
SG&A* as a % of sales	-27 21.8%	-28 23.2%	-5.3%
R&D*	-19	-19	3.9%
Other operating items*	0	0	
Adjusted EBITDA* as a % of sales	19.7 16.1%	15.6 12.8%	26.1%
Adjusted EBIT* as a % of sales	12.7 10.5%	8.8 7.2%	45.6%

* Before restructuring and non-recurring items

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HealthCare IT

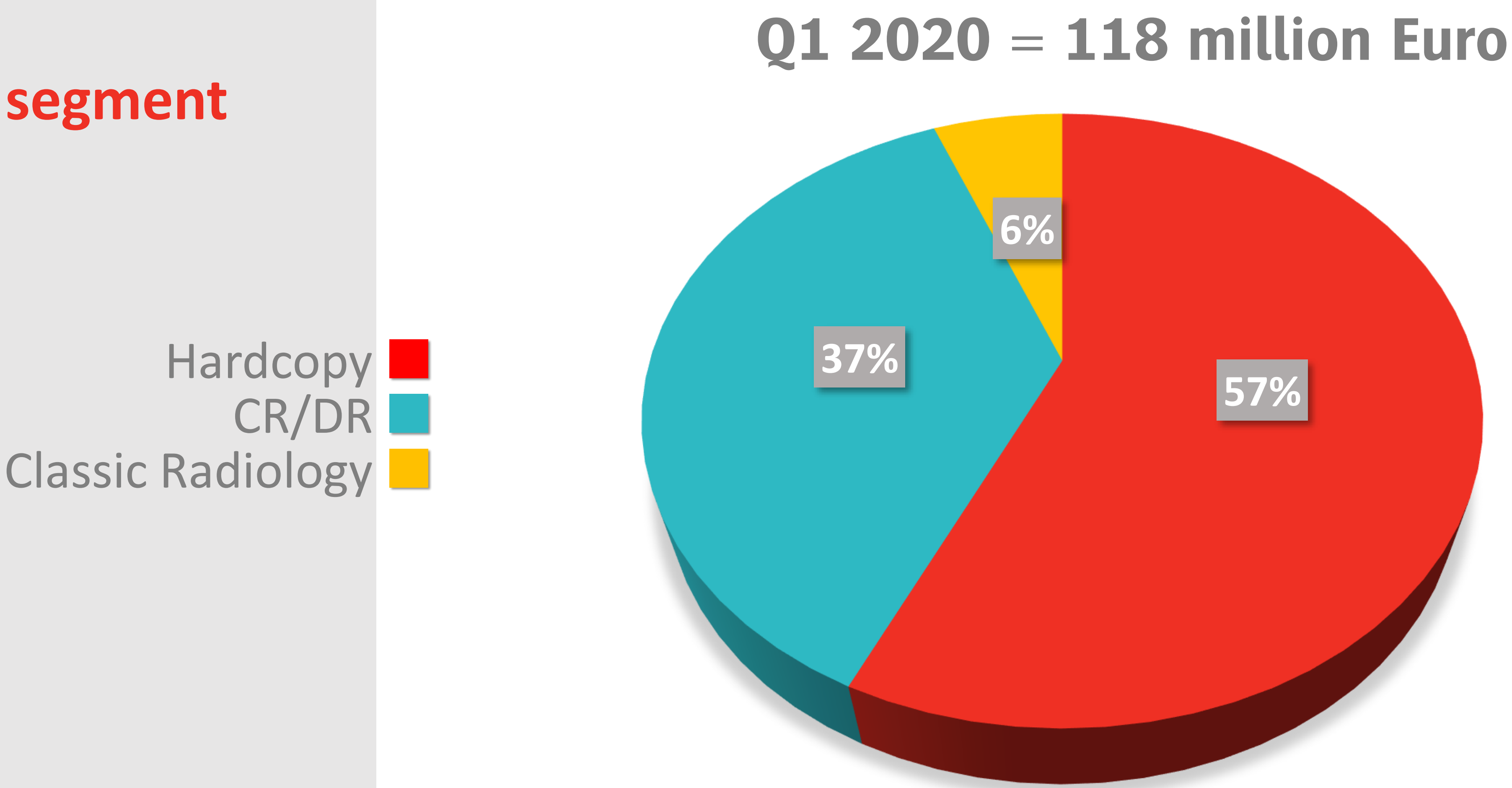
Main drivers behind key figures

- The HealthCare IT division's top line remained stable compared to the first quarter of 2019. The gross profit margin improved from 45.4% of revenue in the first quarter of 2019 to 48.2%. Significant service efficiency improvements, and the decision to refocus the Imaging IT Solutions business had a positive effect on profitability. Adjusted EBIT reached 12.7 million Euro (10.5% of revenue), versus 8.8 million Euro (7.2% of revenue) in the previous year.
- For the Imaging IT Solutions business that is not included in the sale to the Dedalus Group, the division continues to execute its successful plan to improve profitability by focusing on generating 'quality turnover' in selected geographies and segments. As a result, this business posted a significant increase in margins versus the previous year. However, as some hospitals are now postponing investments in comprehensive software solutions, there is a risk that a COVID-19 impact will become visible in the next quarters.

Radiology Solutions

Radiology Solutions

Sales
by business segment



Radiology Solutions

Key figures

Profit & Loss

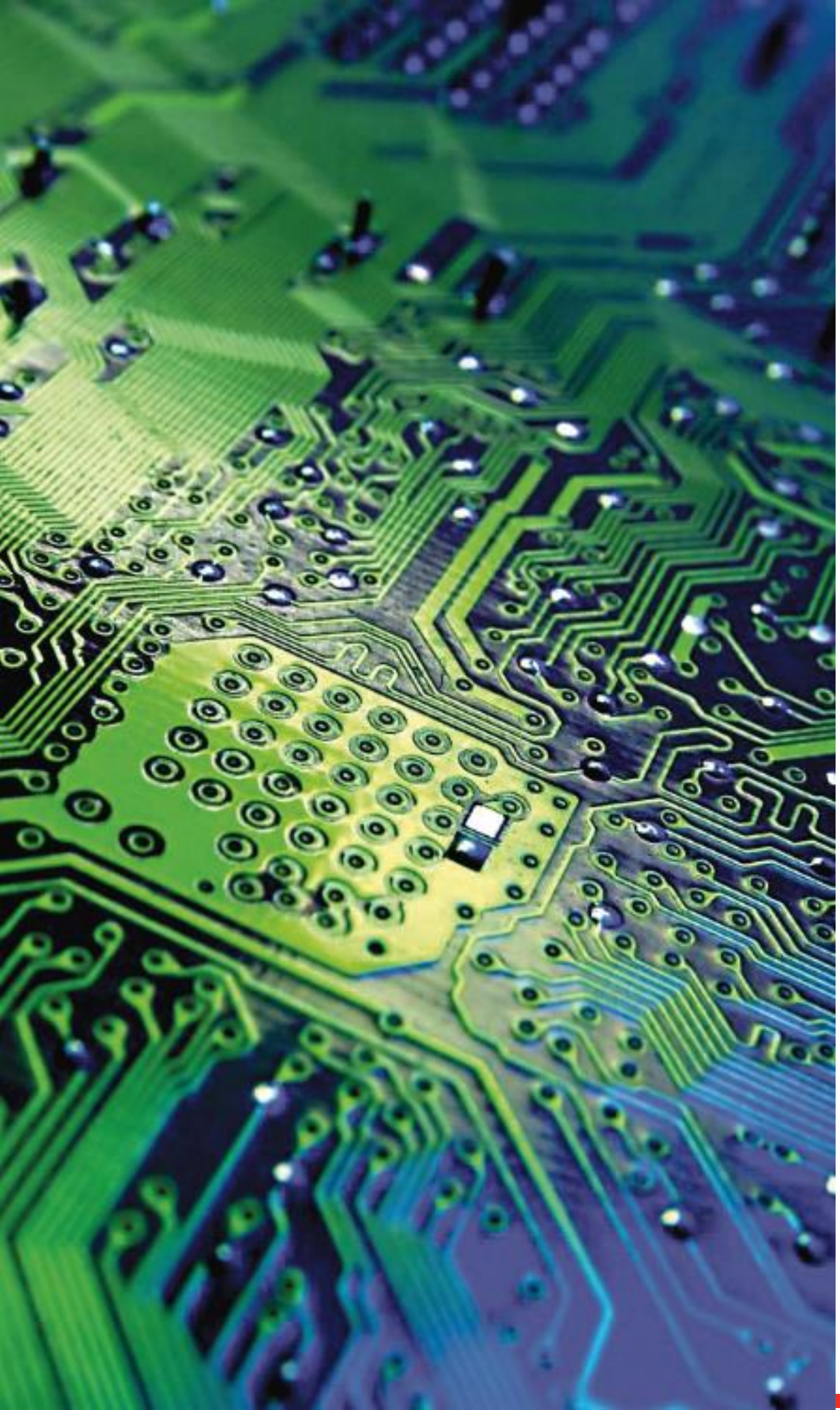
in million Euro	Q1 ’20 (incl. IFRS 16)	Q1 ’19 (incl. IFRS 16)	Δ% (excl.curr.)
Sales	118	117	1.3% (0.4%)
Gross Profit* as a % of sales	45 38.2%	43 36.5%	6.0%
SG&A* as a % of sales	-26 22.1%	-27 23.2%	-3.5%
R&D*	-5	-5	-14.3%
Other operating items*	-4	1	
Adjusted EBITDA* as a % of sales	16.4 13.9%	17.1 14.7%	-4.3%
Adjusted EBIT* as a % of sales	10.1 8.5%	11.5 9.8%	-12.0%

* Before restructuring and non-recurring items

Radiology Solutions

Main drivers behind key figures

- In the Radiology Solutions division, the Direct Radiography range posted strong revenue growth. Due to the COVID-19 outbreak, many hospitals are speeding up their investments in mobile Direct Radiography solutions. These devices can be used to perform high-quality bed-side X-ray examinations, even in intensive care units. The top line of the Computed Radiography range continued to decline. This is partly market-driven and partly due to COVID-19 related effects, as private practices in India, Latin America and other geographies are postponing their investments in CR equipment. The hardcopy product range posted a limited revenue decrease, which is entirely due to the impact of the COVID-19 impact on the activities in China and India. Due to the outbreak, hospital visits not related to COVID-19 were postponed, resulting in a lower demand for hardcopy film.
- Partly due to improved service efficiencies, the division's gross profit margin increased from 36.5% of revenue in the first quarter of 2019 to 38.2%.
- Adjusted EBIT reached 10.1 million Euro.



Digital Print

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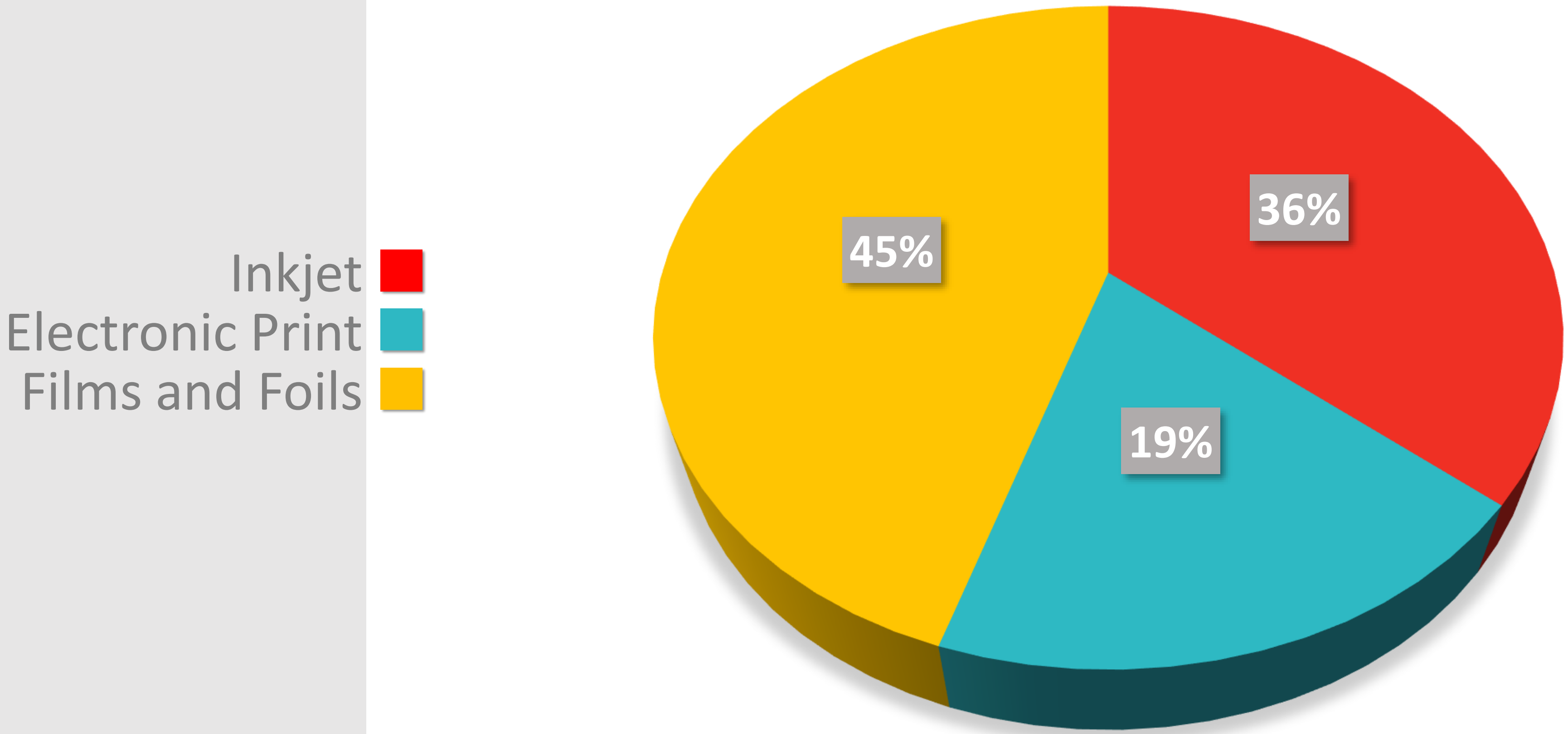
Chemicals

Digital Print & Chemicals

Sales by business segment

Q1 2020 = 74 million Euro



Digital Print & Chemicals

Key figures

Profit & Loss

in million Euro	Q1 ’20 (incl. IFRS 16)	Q1 ’19 (incl. IFRS 16, restated)	Δ% (excl.curr.)
Sales	74	87	-14.2% (-14.5%)
Gross Profit*	22	25	-14.1%
as a % of sales	29.5%	29.4%	
SG&A*	-14	-17	-12.9%
as a % of sales	19.5%	19.2%	
R&D*	-5	-5	-12.4%
Other operating items*	-1	4	
Adjusted EBITDA*	3.5	11.4	-69.1%
as a % of sales	4.7%	13.1%	
Adjusted EBIT*	0.9	8.5	-89.6%
as a % of sales	1.2%	9.9%	

* Before restructuring and non-recurring items

Digital Print & Chemicals

Main drivers behind key figures

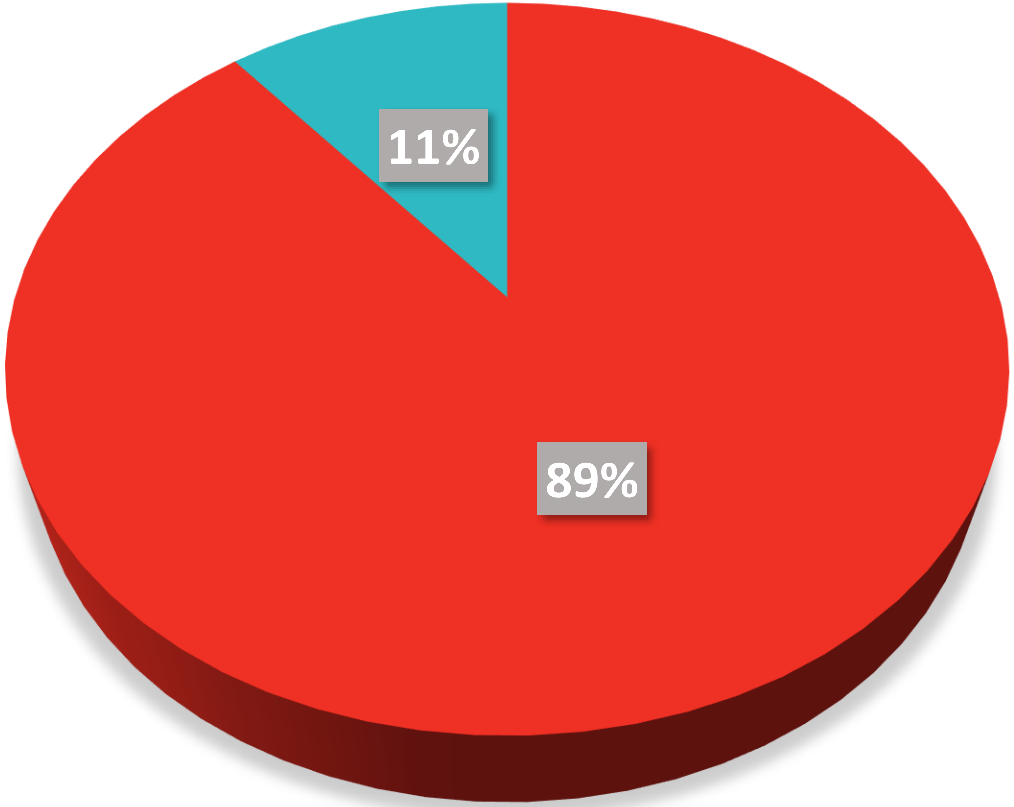
- In August 2019, the Group terminated its inkjet media reseller activities in the USA. To allow correct comparison, the Q1 2019 numbers have been restated.
- In inkjet, the ink product ranges performed well. On the other hand, many companies are postponing investments in high-end large-format printing equipment due to the COVID-19 pandemic. As this market almost came to a standstill in March, a strong COVID-19 impact will also be visible in the coming quarters. In spite of these adverse conditions, Agfa still considers inkjet as an important growth engine. The company continues to explore promising business opportunities in new market segments. The Industrial Films and Foils segment started to feel a limited COVID-19 impact due to the slowdown in industrial activities, whereas the businesses in the Electronic Print segment resisted well in the first quarter.
- Aside from COVID-19 related elements, the fade-out of the effects of the strategic alliance for UV digital packaging inks with Siegwerk Druckfarben had a 4.5 million Euro impact on the division's results. Adjusted EBIT amounted to 0.9 million Euro

Offset Solutions

Offset Solutions

Sales
by business segment

Q1 2020 = 187 million Euro



Digital computer-to-plate
Analog computer-to-film

Offset Solutions

Key figures

Profit & Loss

in million Euro	Q1 ’20 (incl. IFRS 16)	Q1 ’19 (incl. IFRS 16)	Δ% (excl.curr.)
Sales	187	199	-5.8% (-6.4%)
Gross Profit* as a % of sales	44 23.6%	48 24.1%	-8.1%
SG&A* as a % of sales	-38 20.2%	-43 21.6%	-11,9%
R&D*	-6	-7	-14.9%
Other operating items*	-2	-2	
Adjusted EBITDA* as a % of sales	3.7 2.0%	3.9 2.0%	-5.2%
Adjusted EBIT* as a % of sales	-1.4 -0.7%	-3.6 -1.8%	+62.2%

* Before restructuring and non-recurring items

Offset Solutions

Main drivers behind key figures

- The Offset Solutions division's revenue decreased by 5.8% to 187 million Euro. The sales coming from the alliance with Lucky HuaGuang Graphics were not able to compensate for the structural decline of the offset markets and the effects of COVID-19 pandemic, which in the first quarter had an impact on the business in China. The pandemic causes a decrease in advertising and commercial activities, which in the coming quarters will lead to lower print volumes and a lower demand for printing plates.
- The Offset Solutions division's gross profit margin decreased slightly from 24.1% of revenue in the first quarter of 2019 to 23.6%. Due to improved manufacturing efficiencies and savings on operating expenditures, adjusted EBIT improved to minus 1.4 million Euro.
- The Offset Solutions division has implemented cost containment plans, working capital measures and other actions to improve profitability and to adapt its activities to the worsened market situation.

Questions

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Answers

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