Q2 2020 Results

Agfa-Gevaert Group

August 26, 2020

Key highlights

Key highlights

- The Imaging IT business delivered on its strategic roadmap and substantially improved its profitability, Radiology Solutions division showed overall margin resilience
- Cost containment measures mitigated the COVID-19 impact on the profitability of the printing activities
  - Offset structural changes being addressed
  - Digital Print & chemicals mid term attractiveness confirmed in spite of significant short term impact
- Sale of part of HealthCare IT successfully closed in May, 2020 at an enterprise value of 975 million Euro, resulting in a significant excess cash position
- About 350 million Euro will be used to substantially increase the funding ratio of the funded pension plans and to implement de-risking actions

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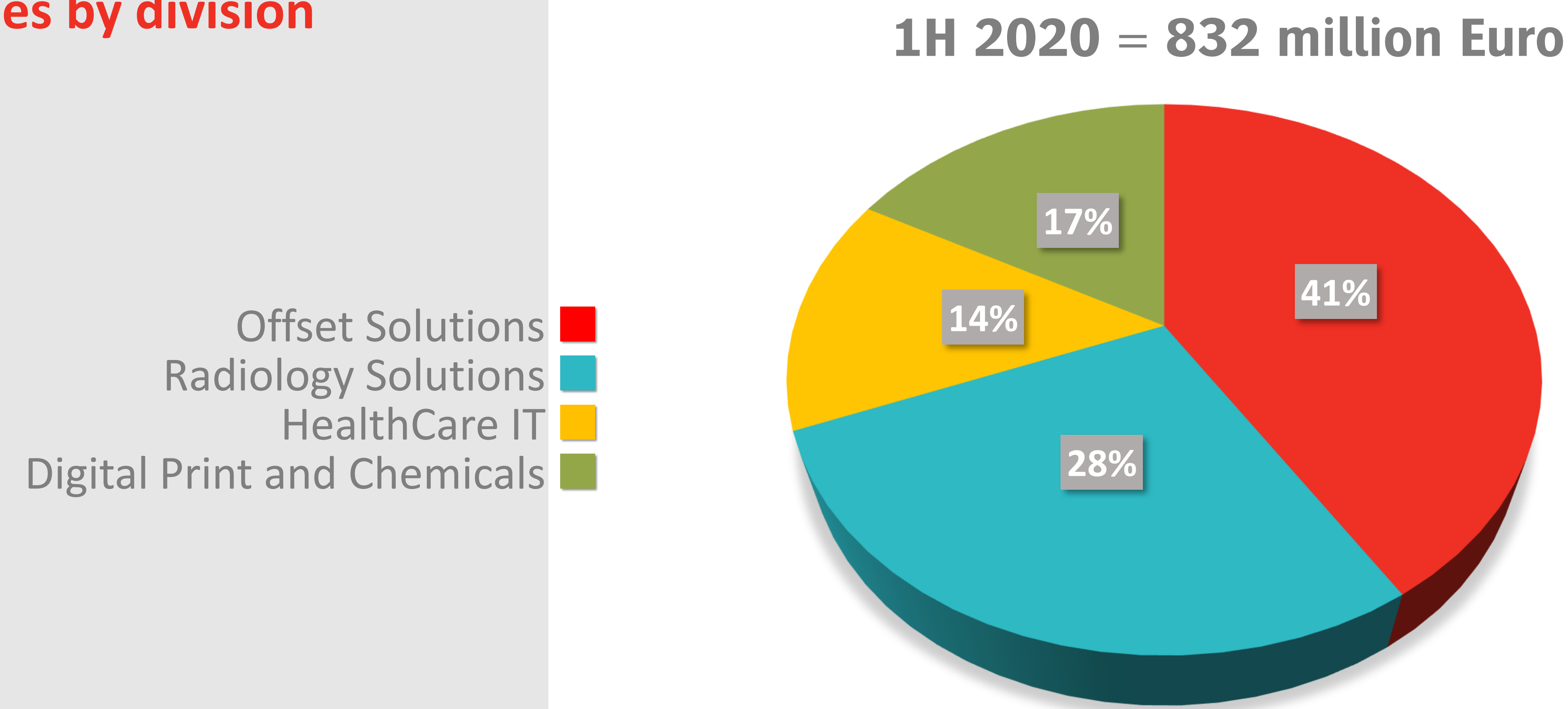
Sales by division



Agfa-Gevaert Group

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q2 '20	Q2 '19 (re-presented	Δ% (excl.curr.)	HY '20 (re-presented)	HY '19 (re-presented)	Δ% (excl.curr.)
Sales	**397**	497	-20.2% (-20.1%)	**832**	958	-13.2% (-13.5%)
Gross Profit* as a % of sales	**120** **30.2%**	158 31.8%	-24.2%	**255** **30.7%**	296 30.9%	-14.0%
SG&A* as a % of sales	**-82** **20.7%**	-104 20.9%	-20.7%	**-179** **21.5%**	-210 22.0%	-15.0%
R&D*	**-21**	-24	-13.0%	**-46**	-50	-9.1%
Other operating items*	**-1**	-1		**-8**	3	
Adjusted EBITDA* as a % of sales	**31** **7.9%**	48 9.7%	-35.5%	**55** **6.7%**	77 8.0%	-28.0%
Adjusted EBIT* as a % of sales	**16** **3.9%**	29 5.8%	-46.2%	**23** **2.7%**	39 4.0%	-40.9%

* Before restructuring and non-recurring items

Agfa-Gevaert Group

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q2 '20	Q2 '19 (re-presented)	Δ%	HY '20 (re-presented)	HY '19 (re-presented)	Δ%
Adjusted EBIT* as a % of sales	**16**	29	-46.2%	**23**	39	-40.9%
Restructuring/non-recurring	**-47**	-10		**-50**	-14	
Operating result	**-32**	19		**-26**	23	
Non-operating result	**-9**	-8		**-16**	-18	
Profit before taxes	**-41**	11		**-43**	5	
Taxes	**-5**	-3		**-7**	-9	
Profit from continuing operations	**-45**	8		**-49**	-3	
Profit from discontinued operations, net of tax	**713**	8		**719**	15	
Profit	**668**	15		**670**	12	

* Before restructuring and non-recurring items

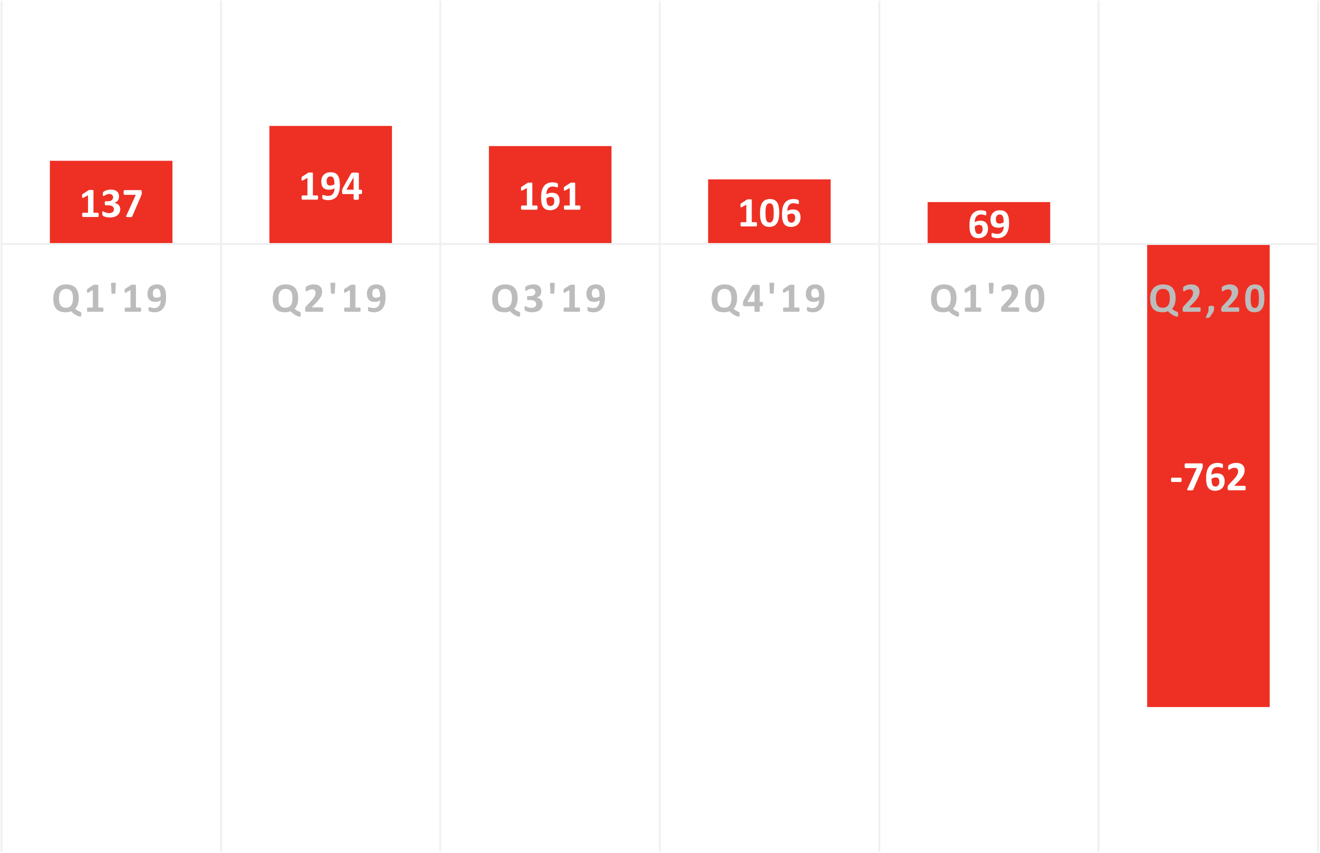
Agfa-Gevaert Group

Main drivers behind key figures

- The sale of part of Agfa HealthCare's IT activities was successfully concluded in May. Excluding the effects of this sale, the Group's revenue decreased by 20.2%. The COVID-19 pandemic, the issues in the offset printing industry and the refocus on higher margin activities in several business areas had a strong impact on the Group's top line.
- The Group's gross profit margin amounted to 30.2% of revenue, versus 31.8% in the second quarter of 2019. The gross profit margin improvements of HealthCare IT and Radiology Solutions were counterbalanced by the COVID-19 impact on the printing industry.
- Adjusted EBIT at 16 million Euro.
- Including the proceeds of the sale of part of the HealthCare IT activities, the Group posted a net profit of 668 million Euro.

Net financial debt

excl IFRS 16, in million Euro



Note: Total net cash position Q2 2020 incl IFRS 16 = 677 million Euro

Pensions: increase the funding ratio, de-risk and lower the cash outs

Objectives

De-risk funded plans

Decrease volatility

Increase funding ratio

Decrease future pension cash outflows

- Objective is to reduce the total net Agfa post-employment and long term benefit liabilities to below 700 million Euro over the next 4 years, decreasing the balance sheet volatility

- Plan is to use 350 million Euro for the key funded plans (UK, US, BE): reducing pension liabilities and de-risking
  - Around 250 million Euro will be injected already in 2020
  - Target to raise the funded status close to fully funded

- The predictable German plan will remain unfunded, with a known cash outflow reducing by 1 million Euro/year (from 40 million Euro in 2020 to 30 million Euro in 2030)

- As a result, the total cash contributions will decrease from 80 million Euro/year today, to around 50 million Euro in 2026, continuing to reduce over time.

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Working Capital

	Q2 2020	Q1 2020	Opening balance 2020 (restated)	Q4 2019	Q2 2019	Indicative restated evolution Q2 2020 vs 2019	Δ Q2 2020 vs 2019	Δ 2020 Q2 vs Q1
Inventories (Mio Eur)	496	467	435	436	529	-32	*-33*	29
° DIOH in days	137	122	111	103	125			
Trade Receivables, Contract Assets/Liabilities	264	307	344	377	343	-46	*-79*	-43
° DSO in days	60	63	58	57	54			
Trade Payables (Mio Eur)	221	259	218	234	216	*21*	*5*	-38
° DPO in days	61	68	55	55	51			
Trade Working Capital	539	515	561	579	656	-99	*-117*	24
° Trade Working Capital as % of sales	29%	27%	28%	26%	29%			

Inventory to be managed down by year end, increase driven by production efficiency consideration as well as business continuity needs

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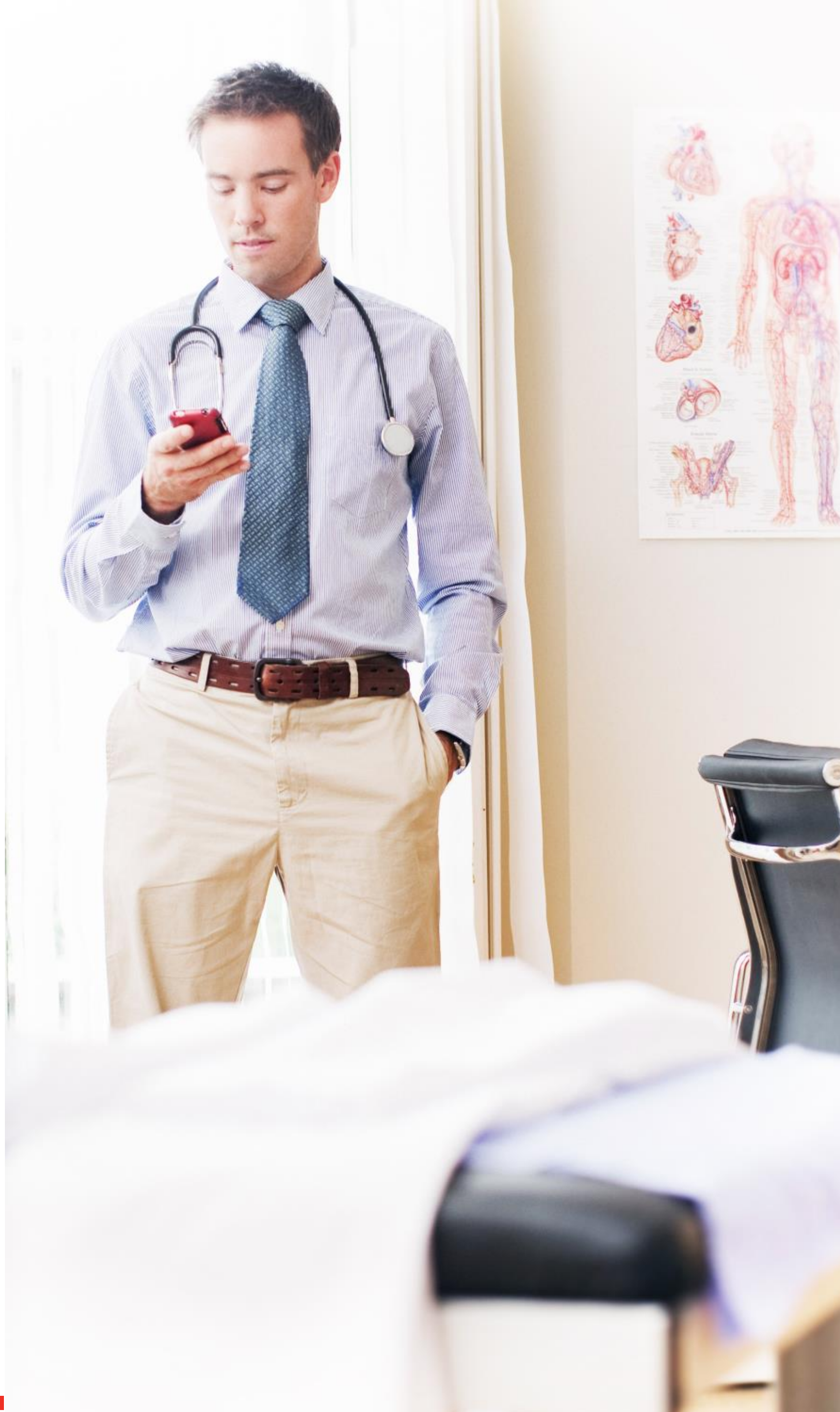
HealthCare IT



HealthCare IT

Key figures
Profit & Loss

Incl. IFRS 16

in million Euro	Q2 '20	Q2 '19 (re-presented)	Δ% (excl.curr.)	HY '20	HY '19 (re-presented)	Δ% (excl.curr.)
Sales	**62**	61	1.2% (0.7%)	**117**	120	-2.6% (-3.5%)
Gross Profit*	**30**	24	24.5%	**55**	47	16.4%
as a % of sales	**49.3%**	40.1%		**46.5%**	39.0%	
SG&A*	**-14**	-16	-11.2%	**-29**	-33	-9.6%
as a % of sales	**23.3%**	26.6%		**25.2%**	27.1%	
R&D*	**-7**	-8	-1.7%	**-15**	-16	-3.7%
Other operating items*	**0**	1		**0**	1	
Adjusted EBITDA*	**10.5**	4.0	161.2%	**15.2**	4.8	218.6%
as a % of sales	**17.0%**	6.6%		**13.0%**	4.0%	
Adjusted EBIT*	**8.4**	1.5	478.9%	**10.4**	-0.4	
as a % of sales	**13.6%**	2.4%		**8.8%**	-0.4%	

* Before restructuring and non-recurring items

HealthCare IT delivers on its strategic roadmap

Main drivers behind key figures

- Strategic roadmap of targeted geographies and customer segments, focus on higher value revenue streams - own software and professional services - supported by strong customer project execution shows positive results
- The second quarter of 2020 was exceptionally strong. Robust project revenues in North America, and especially the delivery of Enterprise Imaging solutions to the AdventHealth group in Florida, positively influenced the results of the business
- Overall top line is flat but the percentage of own license software and total services in the revenue mix remains strong at over 80%
- While project revenues can be influenced by major contract implementations, recurring revenues represent over 55% of activity
- Project pipeline slightly impacted by COVID situation but total order backlog remains at a healthy level, covering more than a full year of total revenues
- Confident to reach profitability target of high teens EBITDA margin over the next years

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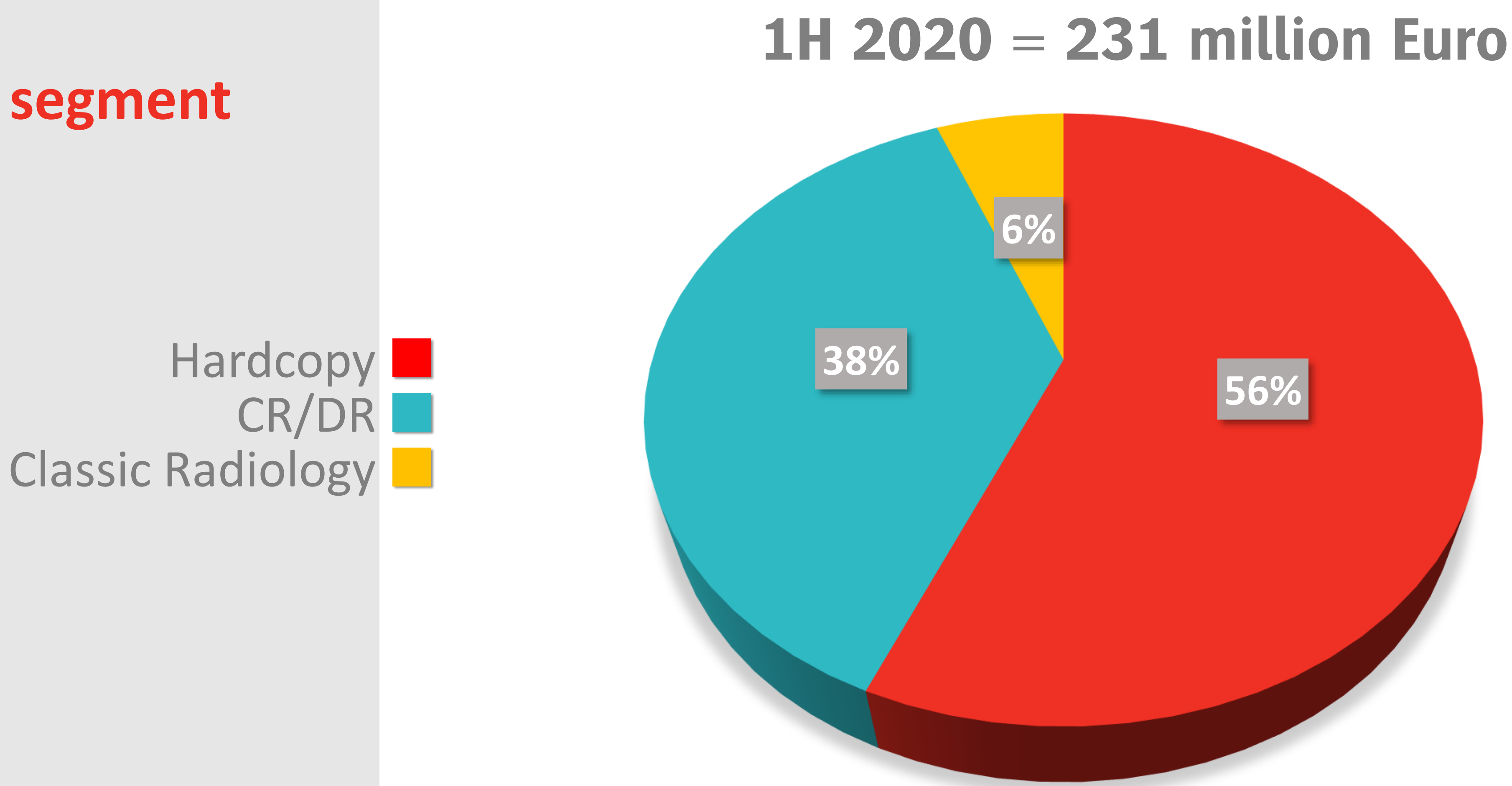
Radiology Solutions

Sales
by business segment



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Radiology Solutions

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q2 ’20	Q2 ’19	Δ% (excl.curr.)	HY ’20	HY ’19	Δ% (excl.curr.)
Sales	**113**	135	-16.2% (-16.0%)	**231**	251	-8.1% (-8.4%)
Gross Profit*	**44**	51	-14.9%	**89**	94	-5.4%
as a % of sales	**38.8%**	38.2%		**38.5%**	37.4%	
SG&A*	**-22**	-27	-15.4%	**-49**	-54	-9.4%
as a % of sales	**19.9%**	19.7%		**21.0%**	21.3%	
R&D*	**-4**	-5	-26.1%	**-8**	-10	-19.9%
Other operating items*	**0**	-2		**-5**	-1	
Adjusted EBITDA*	**23.8**	24.2	-2.0%	**40.1**	41.4	-3.0%
as a % of sales	**21.1%**	18.0%		**17.4%**	16.5%	
Adjusted EBIT*	**17.7**	17.7	-0.3%	**27.7**	29.2	-4.9%
as a % of sales	**15.6%**	13.2%		**12.0%**	11.6%	

* Before restructuring and non-recurring items

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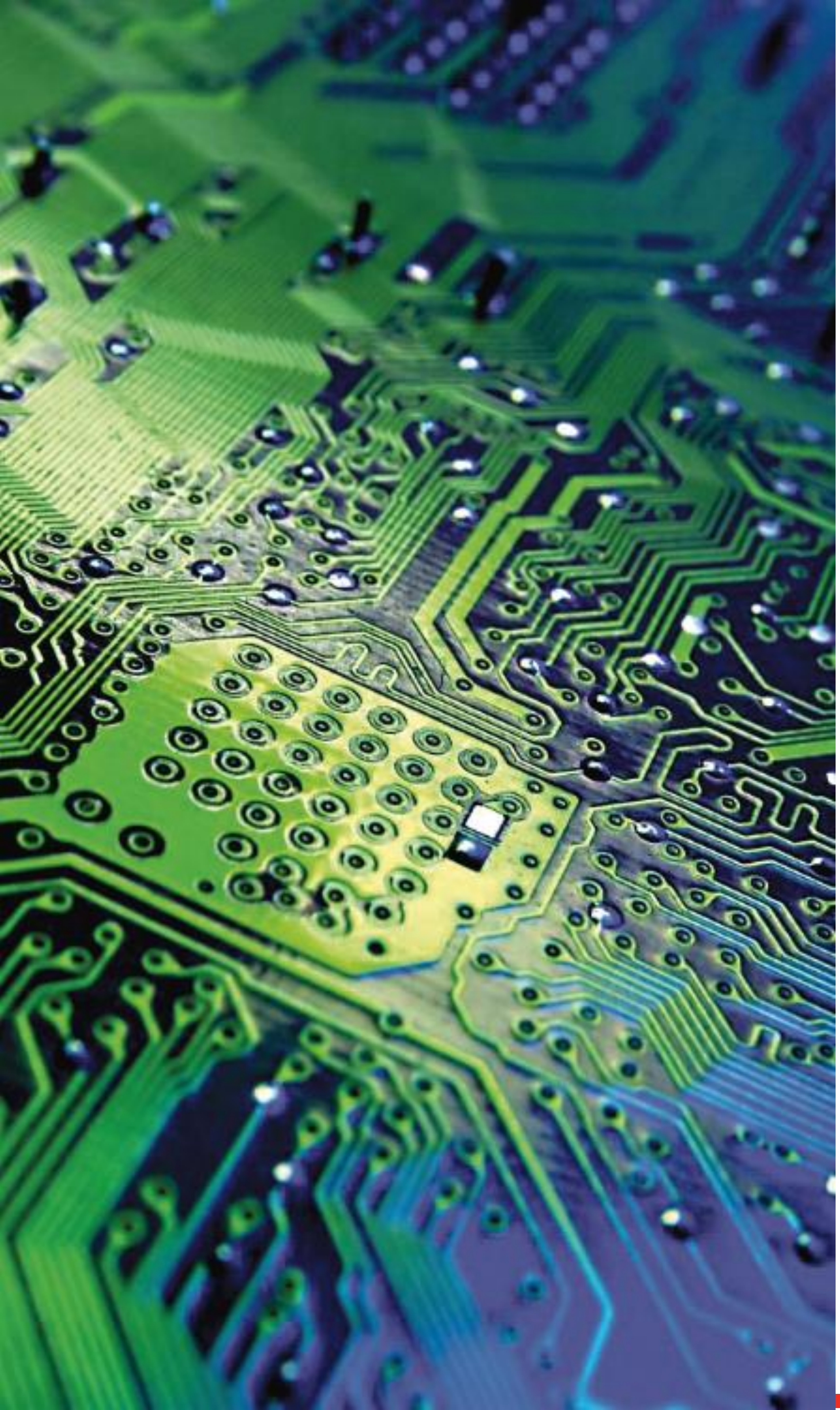
Radiology Solutions shows overall margin resilience

Main drivers behind key figures

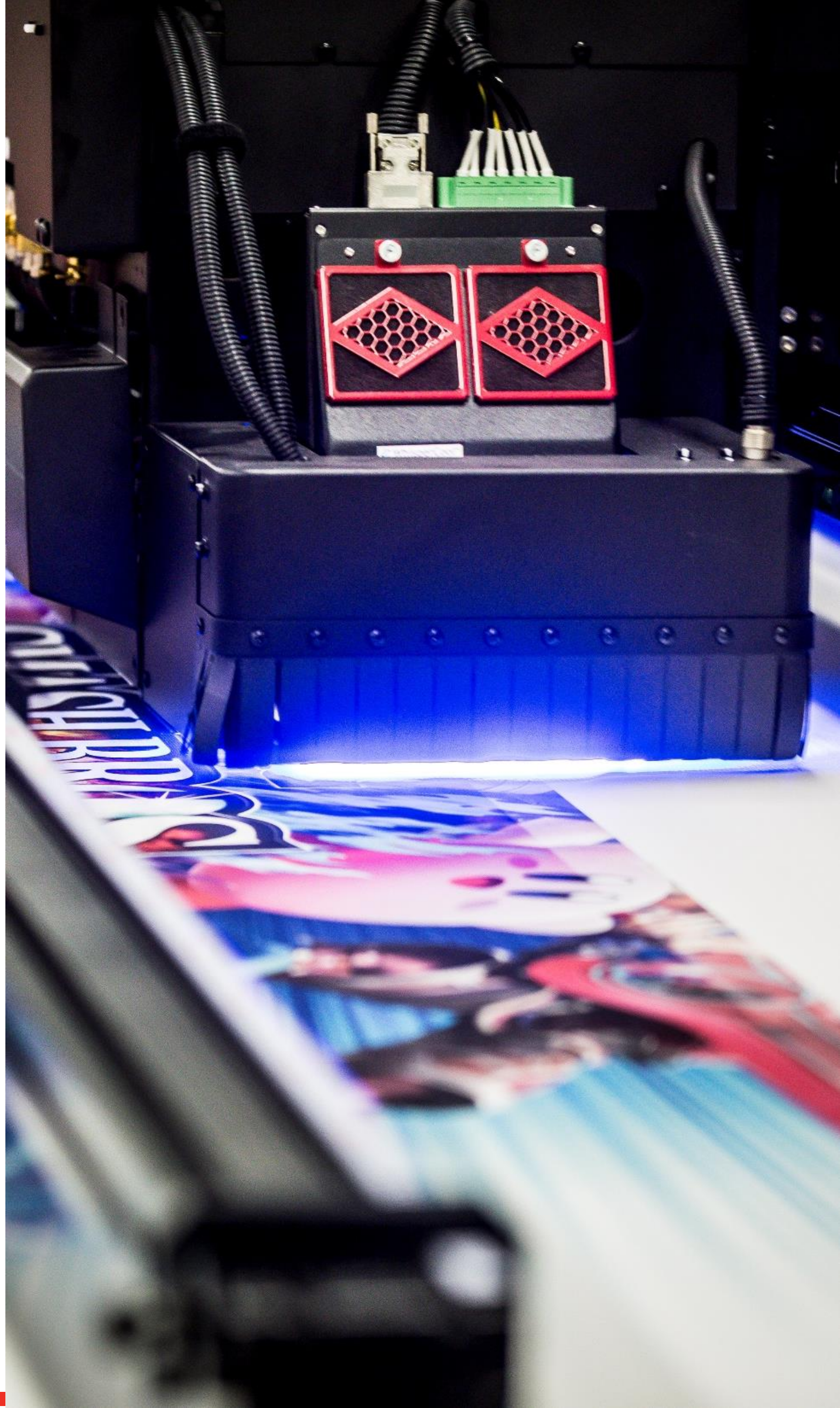
- In a Direct Radiography market that is disrupted by the COVID-19 pandemic, Agfa succeeded in gaining market share with its mobile DR solutions and is considerably improving the profitability of its DR product range
- Effective management of Computed Radiography market decline focused on high profit margins
- Except for the activities in China, the hardcopy product range sales continued to be impacted by COVID-19 due to lockdown situations
- Margins increased as improved service efficiencies in DR and efficient distribution channel management in hardcopy compensated for the volume decline
- Adjusted EBIT amounted to 17.7 million Euro



Digital Print

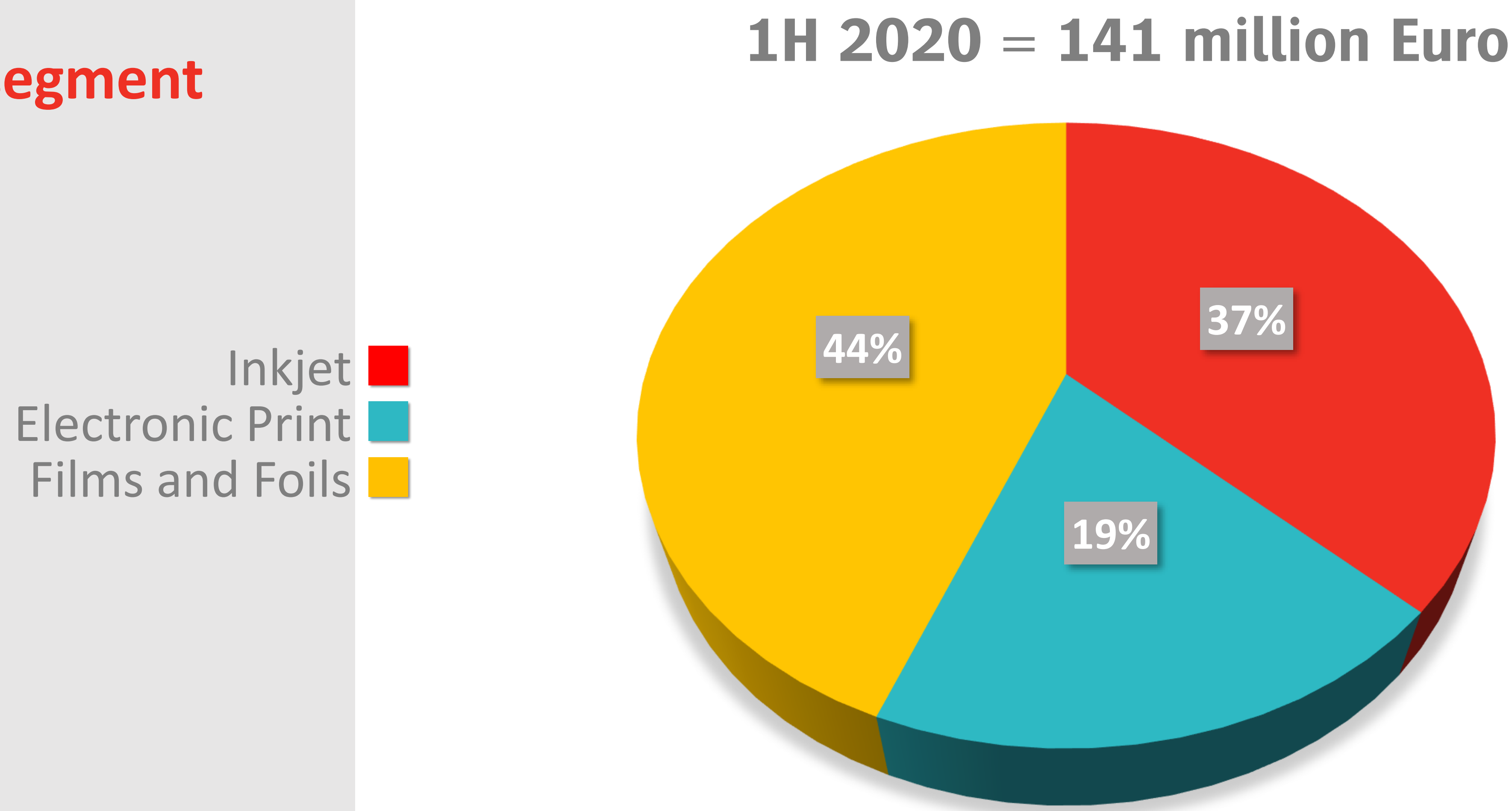
&

Chemicals



Digital Print & Chemicals

Sales by business segment



Digital Print & Chemicals

Key figures
Profit & Loss

Incl. IFRS 16

in million Euro	Q2 ’20	Q2 ’19 (re-presented)	Δ% (excl.curr.)	HY ’20	HY ’19 (re-presented)	Δ% (excl.curr.)
Sales	**67**	94	-29.0% (-29.1%)	**141**	181	-21.9% (-22.1%)
Gross Profit* as a % of sales	**18** **26.2%**	30 31.3%	-40.6%	**39** **27.9%**	55 30.4%	-28.3%
SG&A* as a % of sales	**-12** **18.4%**	-17 18.2%	-28.1%	**-27** **19.0%**	-34 18.7%	-20.6%
R&D*	**-4**	-5	-6.1%	**-10**	-10	3.1%
Other operating items*	**0**	2		**-1**	6	
Adjusted EBITDA* as a % of sales	**3.6** **5.4%**	12.5 13.2%	-71.0%	**7.1** **5.1%**	23.9 13.2%	-70.1%
Adjusted EBIT* as a % of sales	**1.0** **1.6%**	9.6 10.2%	-89.1%	**1.9** **1.4%**	18.1 10.0%	-89.3%

* Before restructuring and non-recurring items

Digital Print & Chemicals COVID impacted but well positioned for rebound

Main drivers behind key figures

- Digital printing is impacted as large format printing equipment business shows considerable weakness while sales of inks improve sequentially
  - Preparing several product initiatives in the sign and display market to be prepared for the rebound
  - Recently launched solutions for new digital printing applications such as laminate floorings and leather
  - Solutions for other new applications (e.g. in the field of packaging) are being developed
  - Investment in sustainable water-based inks production capacity
- Specialty chemical business well positioned for future growth
  - Conductive polymers in hybrid and electric car technology
  - Differentiated membranes used in green hydrogen production
- Film and foil business also impacted by COVID-19
  - Exposure to industry (aeronautics, oil and gas) leads to reduced volume

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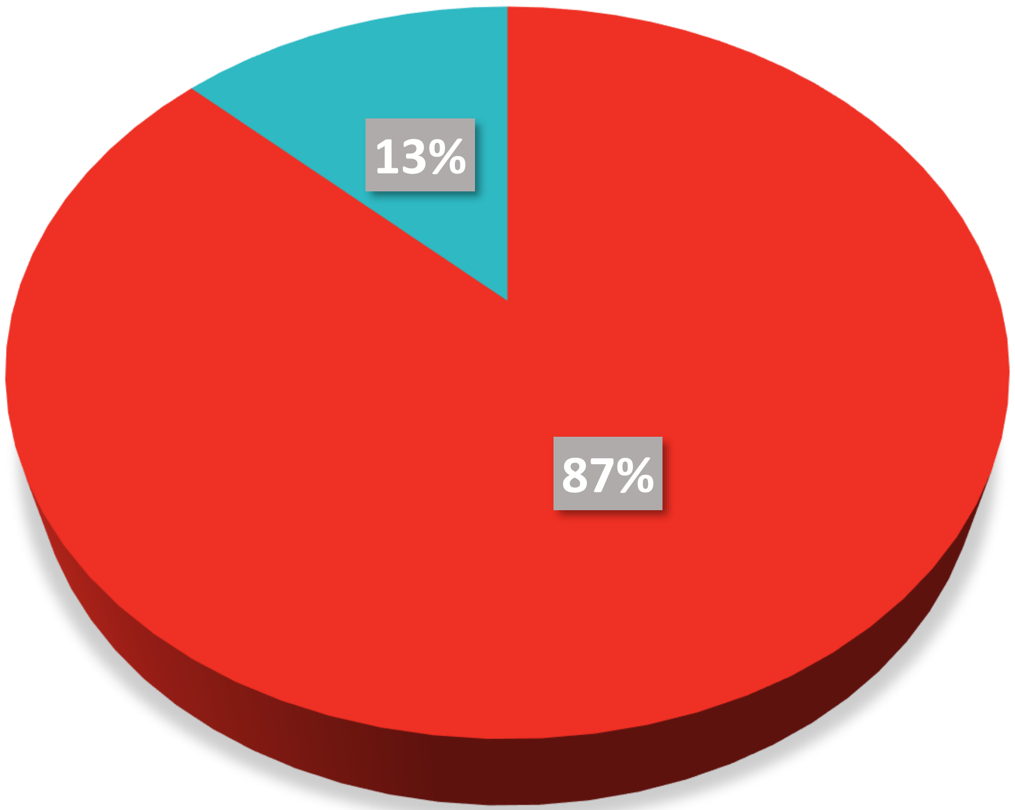
Offset Solutions

Offset Solutions

Sales
by business segment

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

1H 2020 = 342 million Euro



Offset Solutions

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q2 '20	Q2 '19	Δ% (excl.curr.)	HY '20	HY '19	Δ% (excl.curr.)
Sales	**155**	207	-25.1% (-24.7%)	**342**	406	-15.7% (-15.8%)
Gross Profit*	**28**	53	-7.9%	**72**	101	-28.1%
as a % of sales	**18.2%**	25.4%		**21.1%**	24.8%	
SG&A*	**-29**	-41	-4.7%	**-67**	-84	-19.6%
as a % of sales	**19.0%**	19.7%		**19.6%**	20.6%	
R&D*	**-5**	-7	-31.3%	**-11**	-14	-23.0%
Other operating items*	**-2**	-1		**-3**	-3	
Adjusted EBITDA*	**-2.8**	11.3	-124.9%	**0.9**	15.2	-93.9%
as a % of sales	**-1.8%**	5.5%		**0.3%**	3.8%	
Adjusted EBIT*	**-7.6**	3.8	-298.3%	**-9.0**	0.2	
as a % of sales	**-4.9%**	1.9%		**-2.6%**	0.1%	

* Before restructuring and non-recurring items

Offset Solutions

Main drivers behind key figures

- The Offset Solutions division's revenue decreased by 25.1% to 155 million Euro. COVID-19 had a very strong impact in the second quarter on top of the structural decline of the offset markets. The pandemic causes a decrease in advertising and commercial activities, leading to lower print volumes and a lower demand for printing plates.
- To improve profitability and to address the significant decline in market demand, Agfa is reviewing its offset business model, simplifying its organization and streamlining its product offering.
  - Recently announced project to shutdown 2 production facilities in Europe
- The company estimates that the current pricing levels in the industry are not sustainable. It is looking into ways to adapt the earning model for certain services it provides to its customers.
- Adjusted EBIT at minus 7.6 million Euro.

Outlook

Outlook

- Short term
  - Activity level improves gradually in Q3, but pace of recovery expected to remain subdued. Margins will be impacted by increased idle time and lesser effects from government measures
  - Increased momentum expected in Q4, if current business environment will not deteriorate again
- Medium term
  - Overall confidence in the solidity of the Agfa business portfolio
  - Healthcare activities well positioned to grow
  - Digital printing and chemicals’ innovative solutions show growth potential
  - Offset printing demand will not recover to pre-crisis levels, steps being taken to right size the business

HealthCare IT 2019

re-presented

HealthCare IT: re-presented 2019 P&L

Key figures

Profit & Loss

In May 2020, the Group closed the sale of part of its HealthCare IT activities.

The 2019 numbers have been re-presented.

in million Euro re-presented	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Sales	59	61	60	61	241
Gross Profit* as a % of sales	22 37.8%	25 40.1%	25 41.6%	24 39.2%	96 39.7%
SG&A* as a % of sales	-16 27.7%	-16 26.6%	-16 27.0%	-15 25.2%	-64 26.6%
R&D*	-8	-8	-8	-9	-32
Other operating items*	0	1	0	1	2
Adjusted EBITDA* as a % of sales	0.8 1.3%	4.0 6.6%	4.0 6.6%	3.1 5.1%	11.8 4.9%
Adjusted EBIT* as a % of sales	-1.9 -3.2%	1.5 2.4%	0.5 0.8%	0.7 1.1%	0.7 0.3%

* Before restructuring and non-recurring items

Questions

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Answers

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