FY 2022 Results

Agfa-Gevaert Group

March 8, 2023

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EBITDA impacted by cost inflation, lockdowns in China and softer demand in non-Healthcare markets

Key highlights FY’22

- Adjusted EBITDA decrease of 9% versus 2021 due to continuing cost inflation, lockdowns in China and softer demand in non-Healthcare markets.
- HealthCare IT: momentum created
  - Significant improvement in order intake, both in terms of volume and in terms of quality, resulting in top line growth and stabilization of recurring revenue
  - Conversion of sales growth in EBITDA delayed by post-COVID reinvestments in R&D and commercial efforts
- Digital Print & Chemicals: overall revenue growth, profitability strongly impacted by cost inflation and one-offs
  - Profitability impacted by lagging price increase impact, industrial inefficiencies, cost inflation and investments in the future
  - Inca acquisition creates new growth opportunities
  - Zirfon membranes for green hydrogen production take off
- Radiology Solutions profitability suffered from margin and volume pressure in China
  - Medical film impacted by lockdowns in China and geopolitical situation
  - Direct Radiography: growth and streamlining of operations
- Offset Solutions: turnaround established and sale to Aurelius Group on track
  - Successful pricing and restructuring actions, but demand weakness in H2
  - Sale to Aurelius Group on track – targeted closing in first week of April 2023

Offset closing and one time charges

- Offset closing expected 1st week of April
- Offset Reporting and Impairment:
  - FY 2022:
    - Criteria IFRS 5 “asset held for sale” are not met due to technical carve out in US/CAN not yet completed
    - Impairment test (IFRS 36: “impairment of assets”) : comparing net asset value versus enterprise value resulted in an impairment of non-current assets of 41 million Euro
    - In addition, we booked charges non-recoverable deferred tax assets and transaction closing costs in the amount of 13 million Euro
  - Q1 2023:
    - Expected to meet criteria IFRS 5 “asset held for sale”
    - IFRS 5: “fair value less costs to sell” will be fully reflected 2023, mainly in Q1 : additional charge estimated at 45-60 million Euro
- Radiology: impairment of all acquisition related intangibles due to reduced profitability: 73 million Euro
- Excess tax expenses of 27 million Euro are primarily related to the Offset carve-out and the above-mentioned impairments

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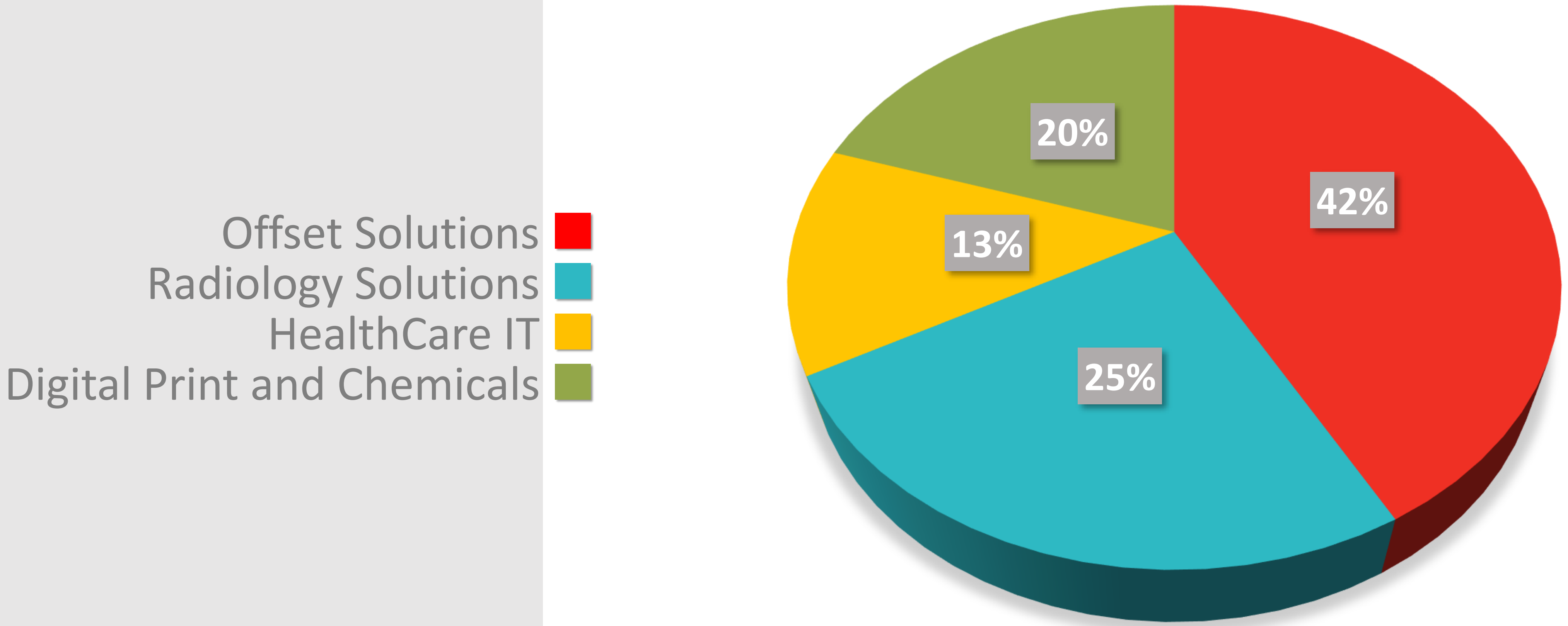
Sales by division

12 m 2022 = 1,857 million Euro



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Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q4 '22	Q4 '21	Δ% (excl.curr.)	12m'22	12m'21	Δ% (excl.curr.)
Sales	490	484	1.3% (-2,8%)	1,857	1,760	5.5% (1.0%)
Gross Profit* as a % of sales	135 27.5%	128 26.5%	5.1%	529 28.5%	498 28.3%	6.3%
SG&A* as a % of sales	-97 19.7%	-95 19.7%	1.3%	-389 21.0%	-363 20.6%	7.2%
R&D*	-28	-24	18.1%	-101	-95	6.4%
Other operating items*	-5	2		-8	2	
Adj. EBITDA* as a % of sales	21 4.2%	27 5.5%	-23.2%	94 5.1%	104 5.9%	-9.2%
Adj. EBIT* as a % of sales	5 1.0%	11 2.3%	-57.4%	31 1.7%	42 2.4%	-24.5%

* Before restructuring and non-recurring items

Agfa-Gevaert Group

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q4'22	Q4'21	12m'22	12m'21
Adjusted EBIT*	5	11	31	42
Restructuring/non-recurring	-155	-28	-192	-33
Operating result	-150	-17	-160	9
Non-operating result	-5	0	-19	-8
Share of profit of associates	-1	-	-1	-
Profit before taxes	-156	-18	-181	1
Taxes	-30	0	-42	-15
Profit	-186	-18	-223	-14
Attributable to owners of the company	-182	0	-221	0
Attributable to non controlling interest	-4	-18	-2	-14

* Before restructuring and non-recurring items

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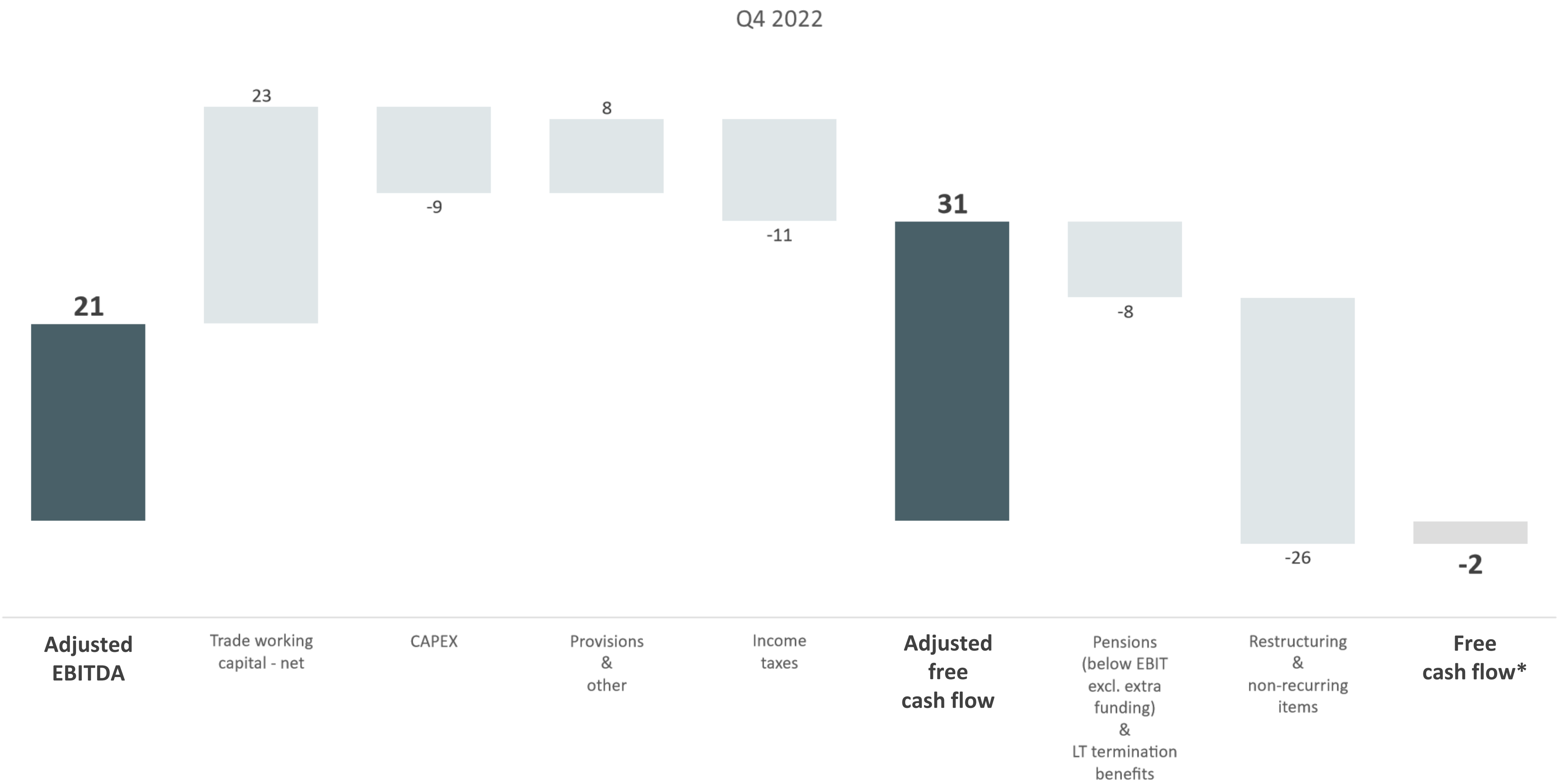
Main drivers behind key figures (FY ‘22)

- Sales growth for HealthCare IT and DPC, Offset stable and Radiology Solutions’ medical film business heavily impacted by the COVID lockdowns in China.
- Gross profit margin stable at 28.5% of revenue, mainly due to price increase actions
- Adjusted EBITDA was influenced by continuing cost inflation, lockdowns in China and softer demand in non-Healthcare markets.
- Net loss of 223 million Euro mainly impacted by non-cash impairments charges:
  - Significant impairments in Radiology Solutions (73 million Euro) and Offset Solutions (41 million Euro) impacted restructuring/non-recurring items
  - Excess tax expenses (27 million Euro versus end of ‘21) related to the Offset Solutions carve-out and the above-mentioned impairments.
- Strong decrease in net pension liability (material countries): positive impact of 177 million Euro versus end of ‘21

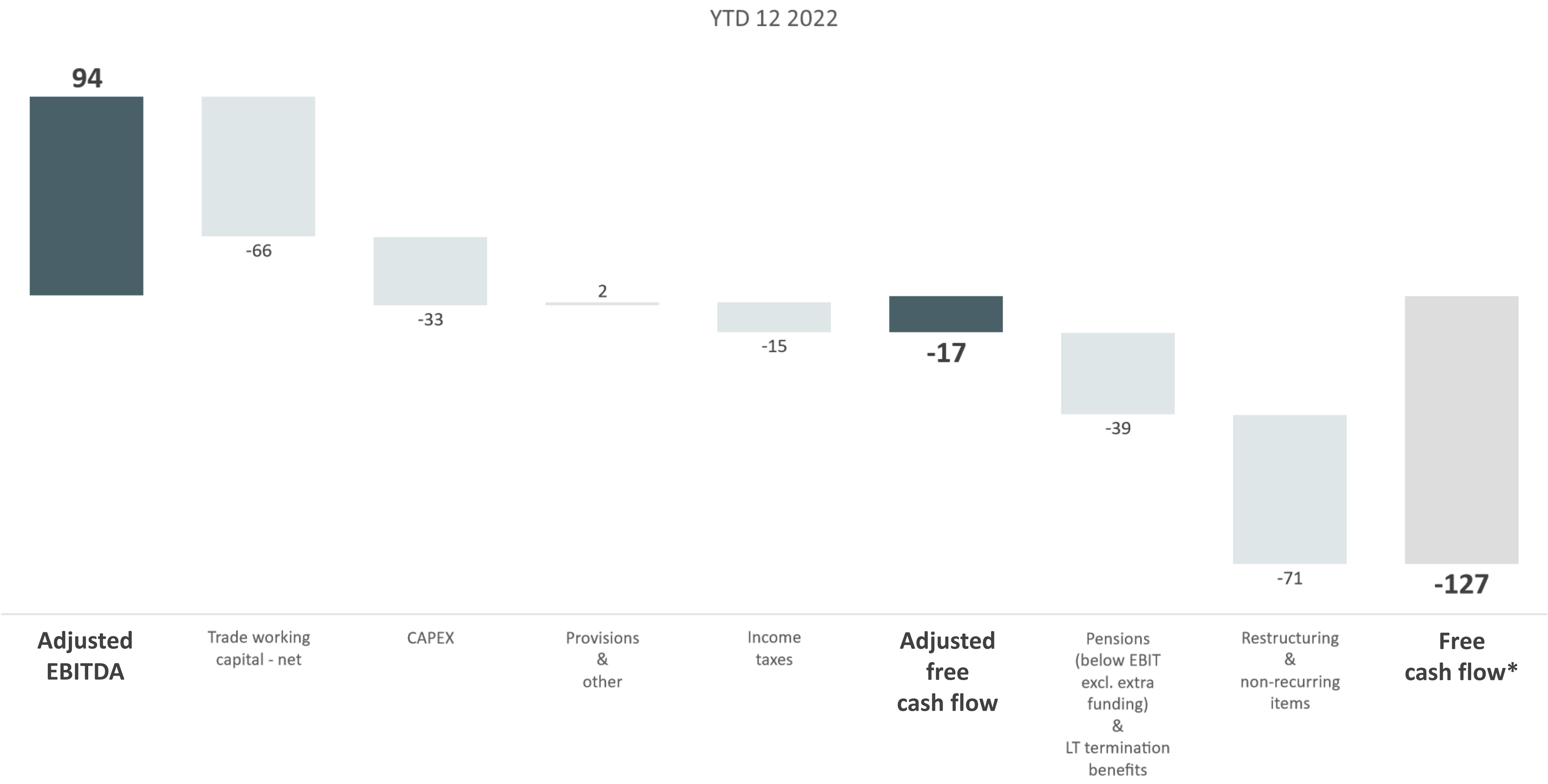
Free Cash Flow Agfa Group Q4 2022



Adjusted free cash flow equals the sum of net cash from operating & investing activities excluding the impact of acquisitions and disposal of discontinued operations (see definition of Free cash flow *) ADJUSTED for the impact of the cash out for pensions below EBIT and the cashout for LT termination benefits.

Free cash flow * is defined as the sum of net cash from operating & investing activities excluding the impact of acquisitions and disposal of discontinued operations.

Free Cash Flow Agfa Group FY 2022



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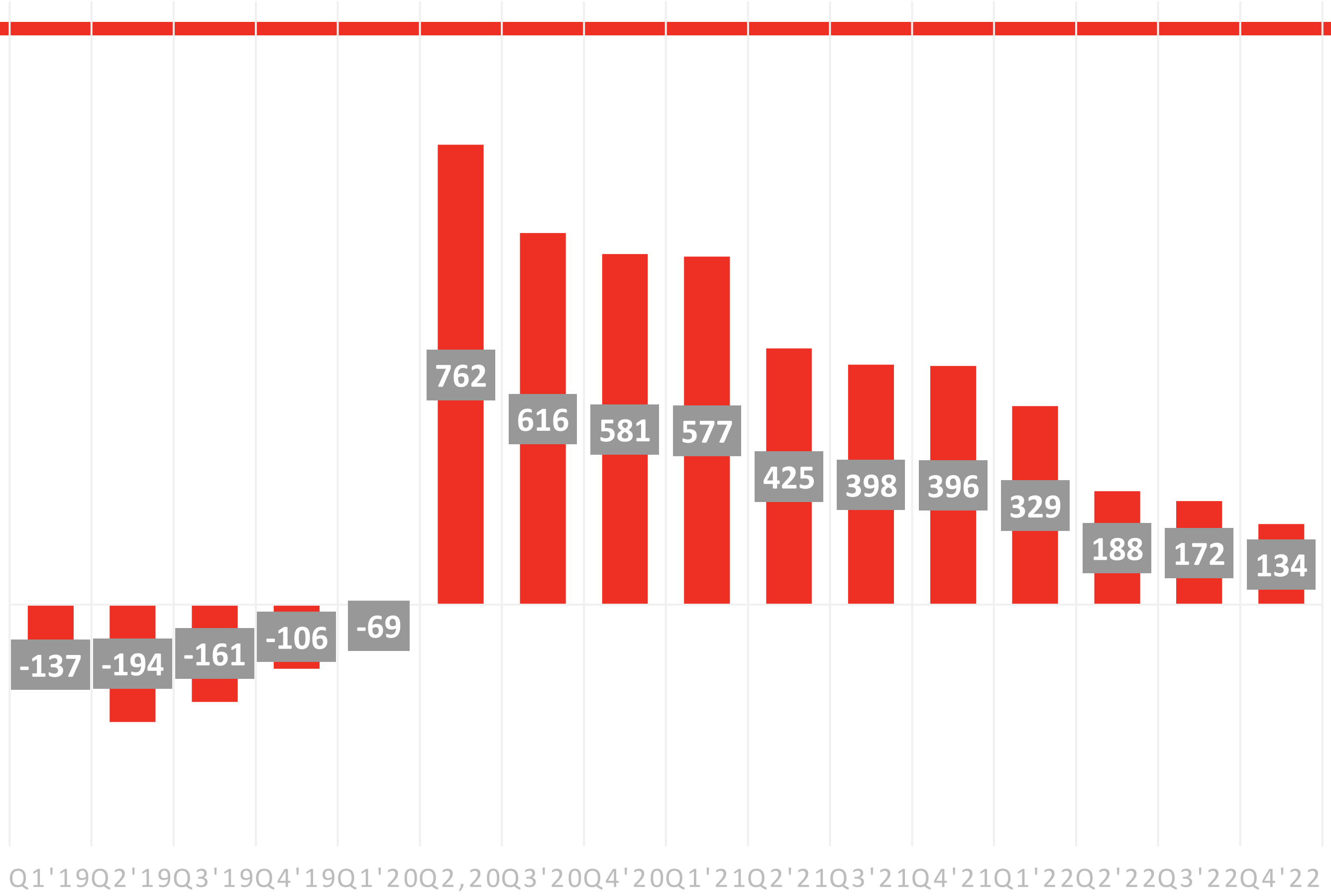
Net cash position

Net cash position

excl IFRS 16, in million Euro

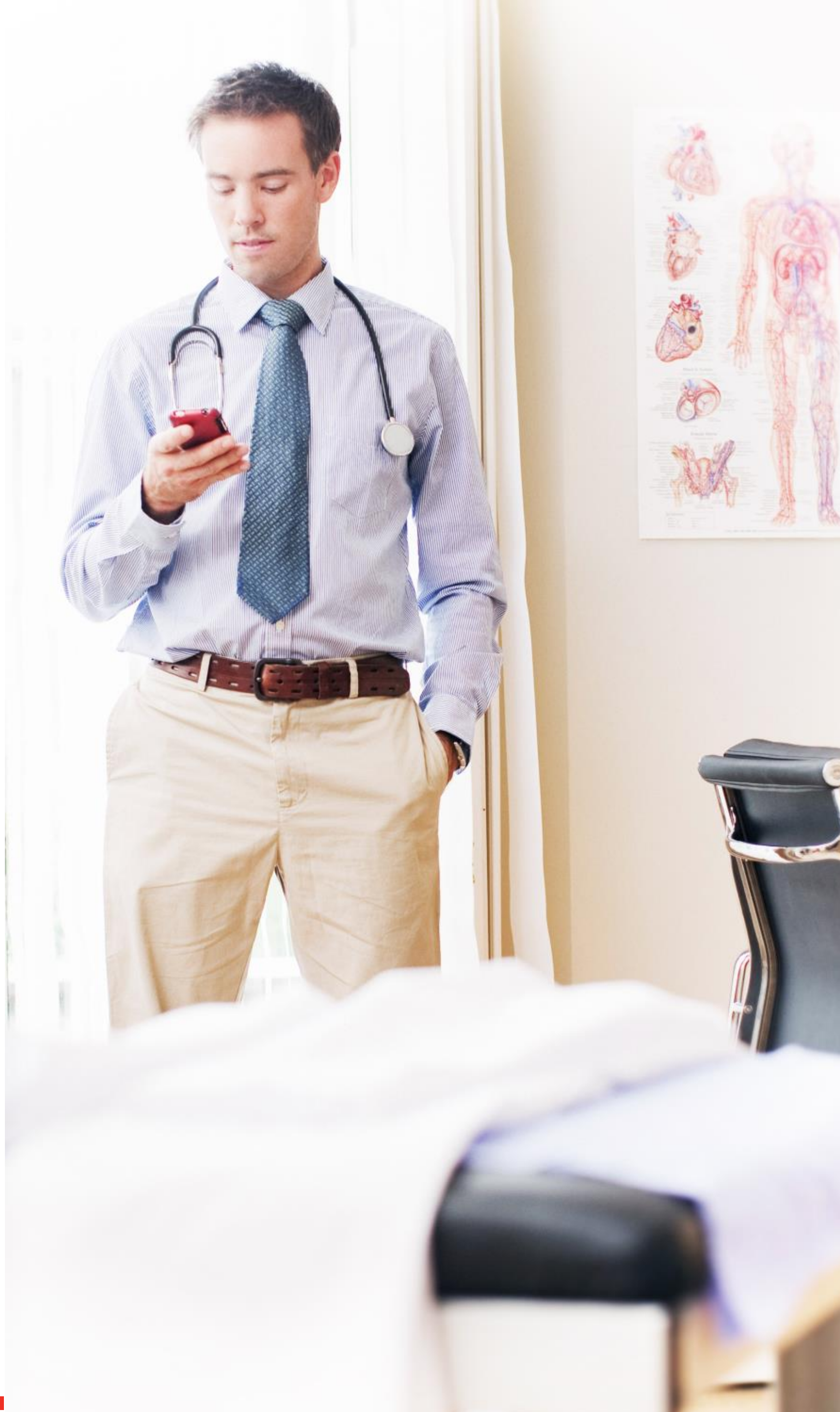


Note: Total B/S net cash position Q4 2022 incl IFRS 16 = 72 million Euro

Working Capital: decrease in % versus Q3 but still above Q4 '21

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Δ Q4 2022 vs 2021	Δ 2022 Q4 vs Q3
Inventories (Mio Eur)	487	561	536	477	418	69	-74
° DIOH in days	132	152	147	134	119	13	-20
Trade Receivables, Contract Assets/Liabilities	285	284	297	293	283	1	1
° DSO in days	52	54	57	62	53	0	-2
Trade Payables (Mio Eur)	249	273	270	263	252	-2	-24
° DPO in days	68	74	74	74	72	-4	-7
Trade Working Capital	523	571	563	507	449	73	-48
° Trade Working Capital as % of sales	28%	31%	31%	28%	26%		

HealthCare IT



HealthCare IT

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q4 '22	Q4 '21	Δ% (excl.curr.)	12m'22	12m'21	Δ% (excl.curr.)
Sales	70	59	19.1% (12.1%)	244	219	11.5% (4.0%)
Gross Profit* as a % of sales	32 45.1%	30 50.3%	6.8%	110 45.2%	102 46.5%	8.4%
SG&A* as a % of sales	-16 22.4%	-14 23.0%	15.8%	-62 25.3%	-52 23.8%	18.9%
R&D*	-8	-7	16.7%	-33	-29	12.9%
Other operating items*	1	0		4	1	
Adjusted EBITDA* as a % of sales	11.1 15.8%	11.2 19.0%	-0.9%	26.9 11.0%	30.2 13.8%	-10.8%
Adjusted EBIT* as a % of sales	9.3 13.3%	9.2 15.6%	1.3%	19.6 8.0%	21.6 9.9%	-9.3%

* Before restructuring and non-recurring items

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HealthCare IT delivers on its strategic roadmap

Main drivers behind key figures (FY '22)

- Order Book at very healthy level driven by strong growth in order intake of 18% with high value business (own software) increasing with 23%.
- Increased momentum in project activity in 2H in North America and Europe and a stabilization of recurring revenue
- Impacted by the strong post-COVID cost inflation and investments in R&D and commercial resources, adjusted EBITDA margin decreased from 13.8% to 11.0%.
- KLAS Research 2022 Europe PACS report named Agfa HealthCare among top performers in terms of customer satisfaction. Agfa was as well recognized as "Best in KLAS" for its Enterprise Imaging for Radiology solution in the PACS Middle East/Africa category.
- On track to reach profitability target of high teens EBITDA margin over the next years.

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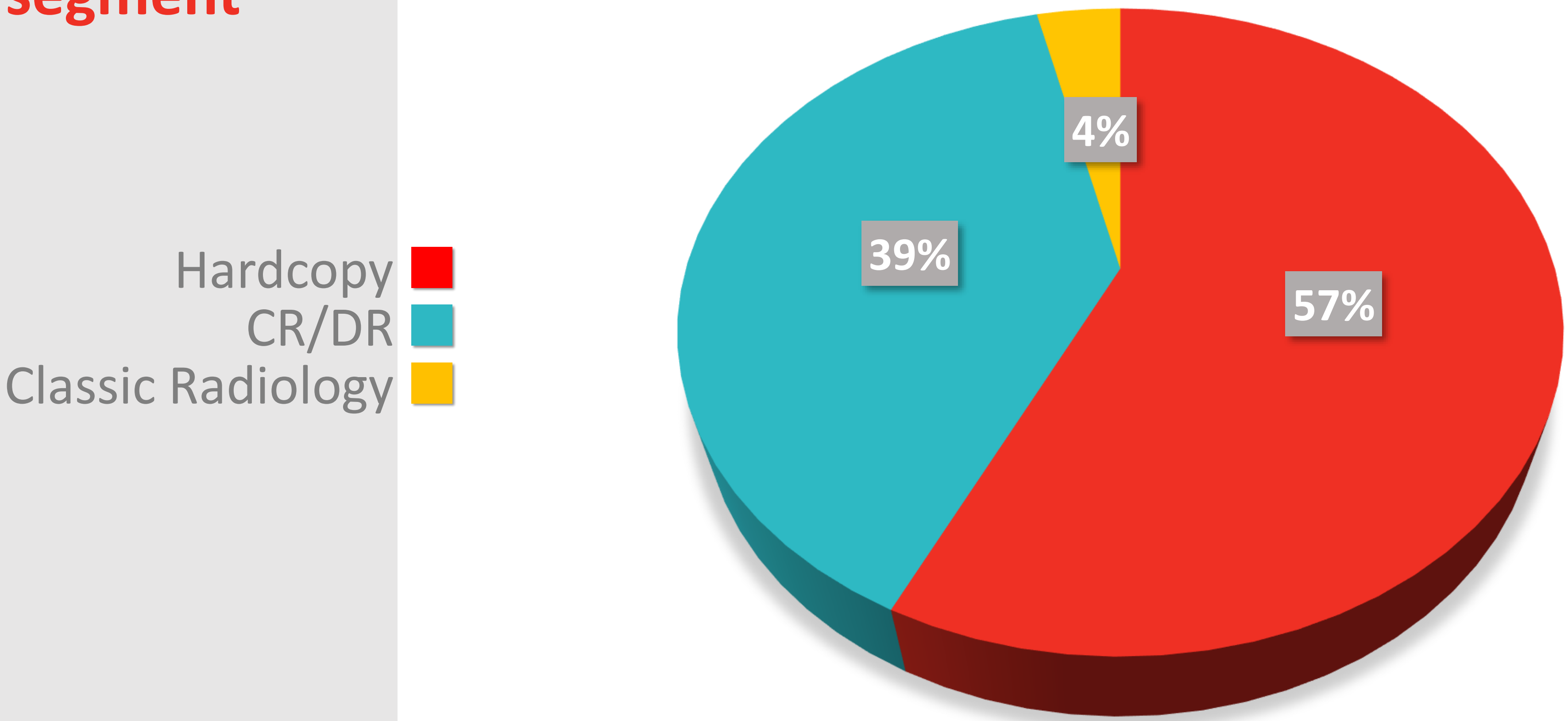
Radiology Solutions

Radiology Solutions

Sales
by business segment

12m 2022 = 462 million Euro



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Radiology Solutions

Key figures
Profit & Loss

Incl. IFRS 16

in million Euro	Q4 '22	Q4 '21	Δ% (excl.curr.)	12m'22	12m'21	Δ% (excl.curr.)
Sales	129	128	0.6% (-2.9%)	462	464	-0.4% (-5.4%)
Gross Profit*	45	41	9.8%	148	157	-5.5%
as a % of sales	34.8%	31.9%		32.1%	33.9%	
SG&A*	-27	-26	4.2%	-106	-101	4.9%
as a % of sales	21.0%	20.3%		23.0%	21.8%	
R&D*	-4	-5	17.8%	-16	-18	-12.0%
Other operating items*	-1	1		-4	0	
Adjusted EBITDA*	18.6	17.6	5.7%	46.9	60.7	-22.9%
as a % of sales	14.4%	13.7%		10.1%	13.1%	
Adjusted EBIT*	12.5	11.6	7.5%	22.3	37.7	-40.9%
as a % of sales	9.7%	9.1%		4.8%	8.1%	

* Before restructuring and non-recurring items

Radiology Solutions: profitability suffered from margin and volume pressure in China - DR started to pick up in 2H

Main drivers behind key figures (FY'22)

- Medical film business mainly impacted by the COVID lockdowns in China and geopolitical situation
- DR revenue started to pick up in 2H. The order book for DR remains strong, with continuously longer conversion lead times affected by the supply chain environments.
- Agfa is taking actions to increase the business' agility and to better adapt it to the current market conditions.
- The division's full year profitability was affected by volume decreases, mix effects and cost inflation.

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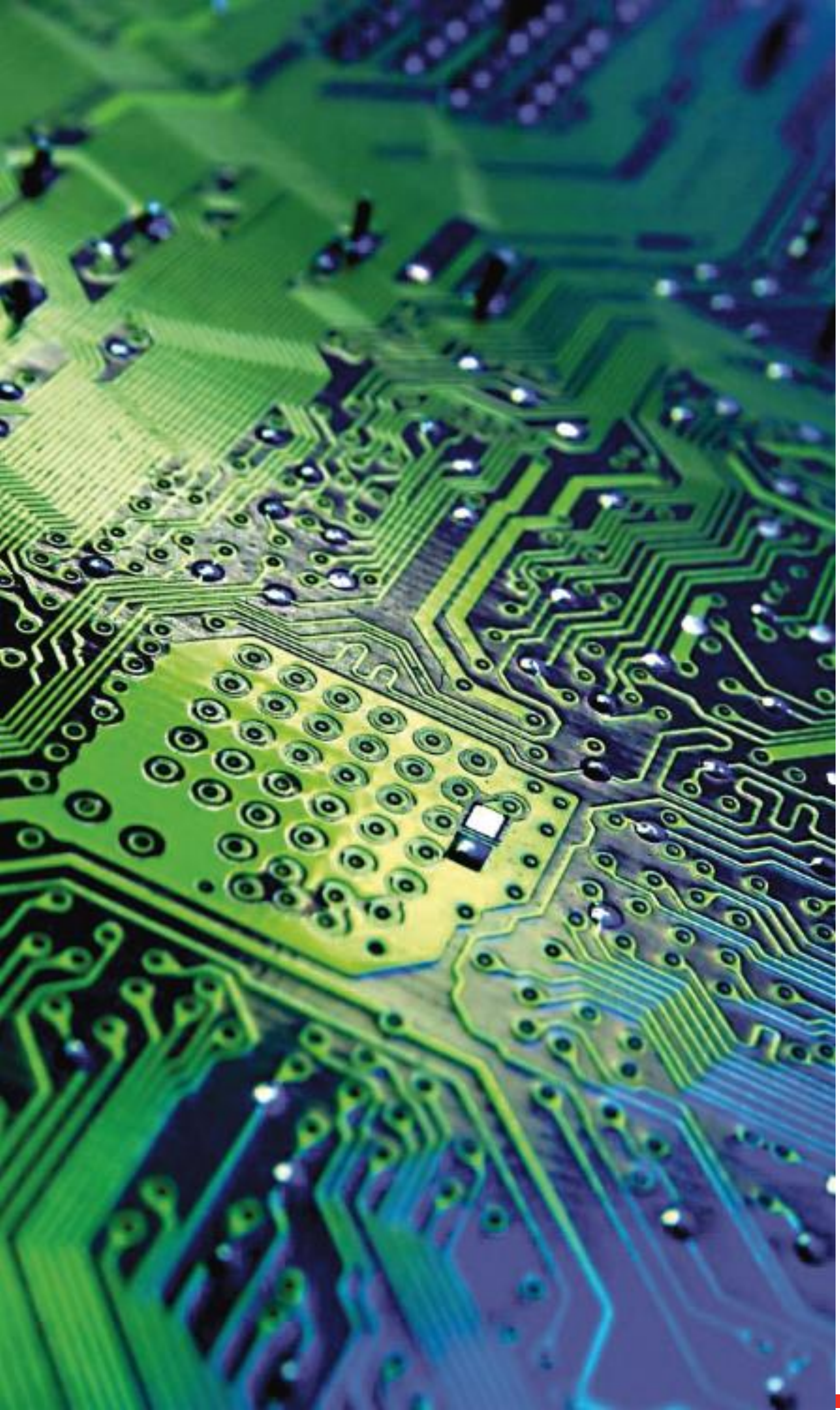

Digital Print

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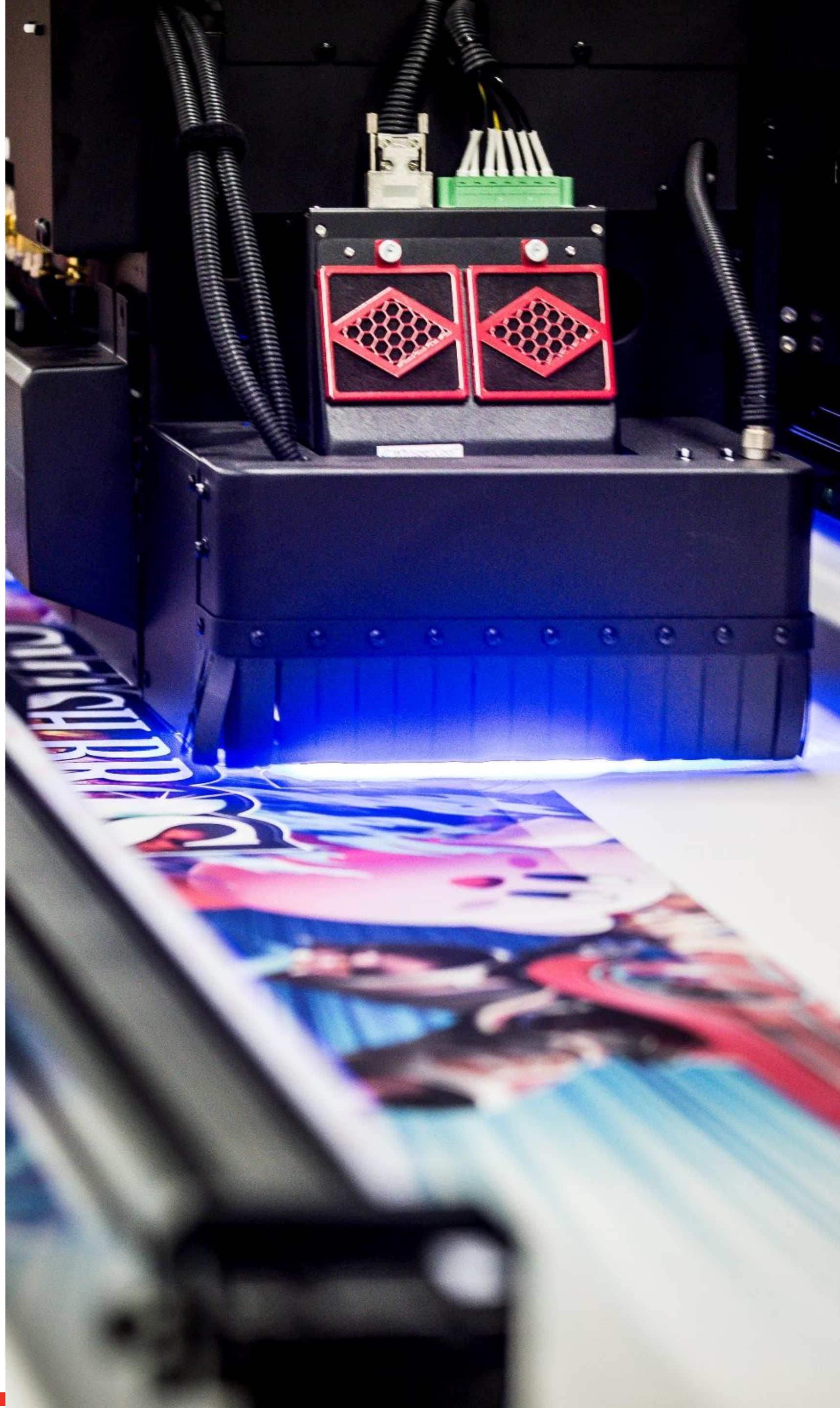
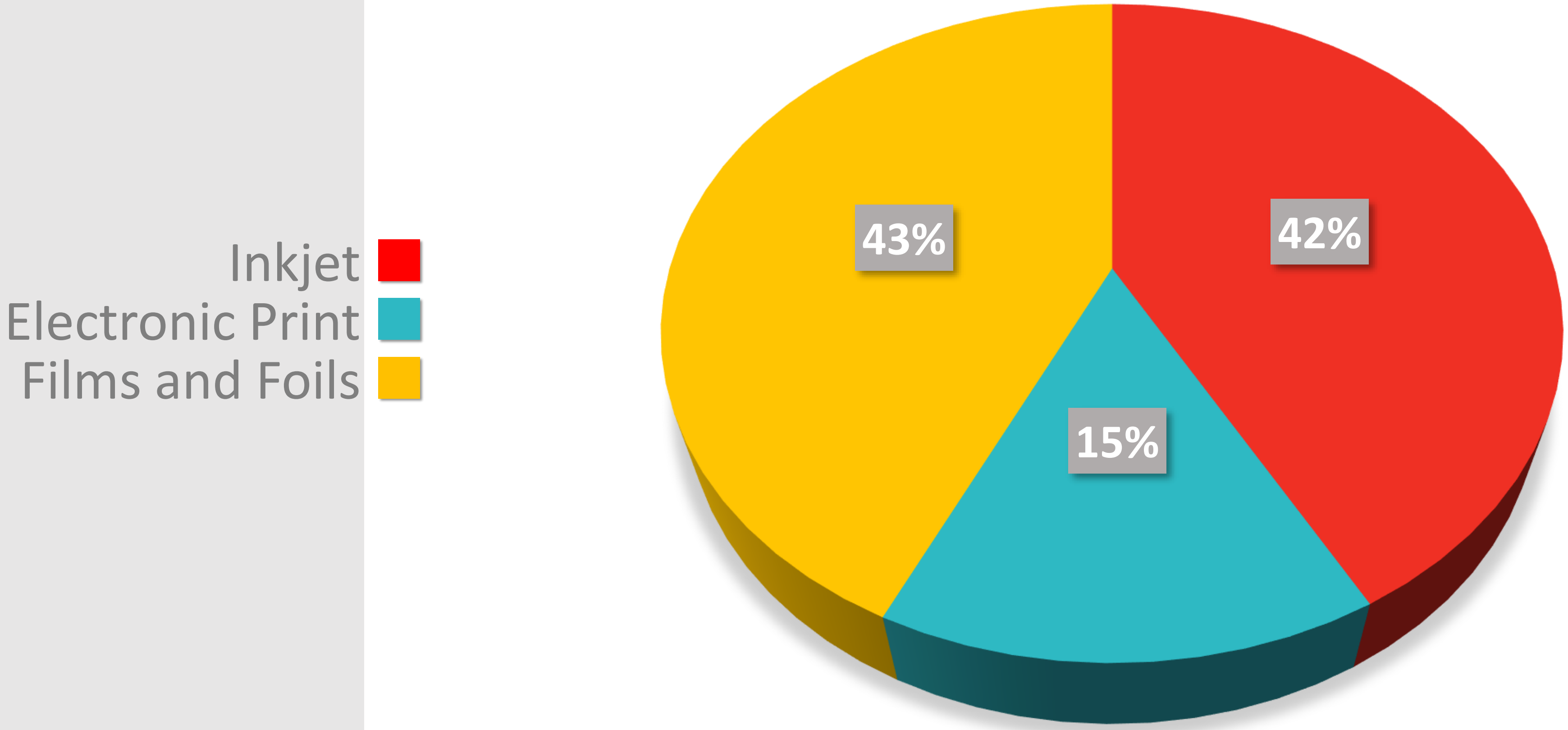
Chemicals



Digital Print & Chemicals

Sales by business segment

12m 2022 = 372 million Euro



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Digital Print & Chemicals

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q4 '22	Q4 '21	Δ% (excl.curr.)	12m'22	12m'21	Δ% (excl.curr.)
Sales	99	93	5.9% (4.2%)	372	330	12.9% (10.4%)
Gross Profit* as a % of sales	18 18.7%	21 22.2%	-11.0%	93 24.9%	87 26.3%	6.7%
SG&A* as a % of sales	-16 16.4%	-16 17.3%	0.5%	-68 18.4%	-58 17.7%	17.6%
R&D*	-10	-5	82.1%	-29	-22	33.2%
Other operating items*	-1	1		-5	1	
Adjusted EBITDA* as a % of sales	-5.1 -5.1%	3.3 3.5%	-254.8%	3.2 0.9%	19.2 5.8%	-83.1%
Adjusted EBIT* as a % of sales	-8.7 -8.8%	0.3 0.4%	-2747,7%	-9.5 -2.6%	7.4 2.3%	-227.9%

* Before restructuring and non-recurring items

Digital Print & Chemicals: overall revenue growth, profitability impacted by cost inflation and one-offs

Main drivers behind key figures (FY'22)

- Digital print:
  - Strong top line growth for sign & display while décor printing business and OEM inks impacted by the weakening economic environment.
  - Inca: Integration completed and first contracts signed for Agfa ink-powered and Agfa-branded Onset machines. Inca's Speedset single-pass packaging printer: development proceeding as planned.
  - Pinnacle Product Award from PRINTING United Alliance for 5 of Agfa's inkjet printing solutions.
- Zirfon takes off:
  - Agfa received the prestigious essenscia Innovation Award 2022 for its Zirfon UTP 220 membrane technology.
  - Number of active customers > 100
- Weakness in electronics industry and lockdowns in China impacted volumes of electronic print.
- Specialty film and foil remained stable versus 2021.
- Profitability impacted by lagging price increase impact, industrial inefficiencies, cost inflation and investments in the future.
- Double-digit price increases across DPC portfolio worldwide as from January 1st, 2023.

Offset Solutions

Offset Solutions

Key figures
Profit & Loss

Incl. IFRS 16

in million Euro	Q4 ’22	Q4 ’21	Δ% (excl.curr.)	12m’22	12m’21	(exc
Sales	192	204	-5.7% (-8.0%)	779	748	(-0
Gross Profit*	39	37	6.7%	177	153	1
as a % of sales	20.5%	18.1%		22.7%	20.4%	
SG&A*	-33	-35	-3.7%	-136	-133	
as a % of sales	17.4%	17.1%		17.4%	17.8%	
R&D*	-6	-5	10.4%	-20	-20	
Other operating items*	-4	-2		-4	-6	
Adjusted EBITDA*	0.9	0.2	334.9%	35.7	12.4	18
as a % of sales	0.5%	0.1%		4.6%	1.7%	
Adjusted EBIT*	-3.5	-4.5	23.2%	17.9	-6.0	39
as a % of sales	-1.8%	-2.2%		2.3%	-0.8%	

* Before restructuring and non-recurring items

Offset Solutions: turnaround established and sale to Aurelius on track

Main drivers behind key figures (FY'22)

- Continued to focus on high-value regions, concentrating on margins rather than volumes, successful implementation of price increases to tackle the overall cost inflation.
- Demand weakness in H2.
- Gross profit margin improved from 20.4% of revenue in 2021 to 22.7% due to the implemented price adjustments and the focus on high-value regions.
- Adjusted EBITDA improved strongly to 35.7 million Euro.
- Sale to Aurelius on track. Targeted closing in the first week of April 2023.

Outlook 2023: recovery in profitability expected

Outlook

- Overall, the Agfa-Gevaert Group expects a recovery in profitability in the full year 2023 versus 2022.

  - HealthCare IT: The division's growth strategy is expected to deliver top line growth, as well as double-digit adjusted EBITDA growth in 2023.
  - Radiology Solutions: Stability is expected, with continuous margin pressure for medical film. The progress in Direct Radiography that was recorded in the second half of 2022 is expected to continue.
  - Digital Print & Chemicals: The division expects to restore profitability, based on pricing, cost improvement actions and on positive contributions from the Inca acquisition and the Zirfon membranes. The revenue generated by Zirfon will continue to grow very strongly.

Pensions

Pension Status (4 material countries): strong decrease in net liability

Excluding Belgian DC Plans

Funded status

Strong decrease in net liability mainly due to a significant increase in discount rate

in million Euro	2021	2022	Δ
Funded Status	**(670)**	**(493)**	**177**
Obligations	1,767	1,270	(497)
Assets	1,098	777	(321)

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Pension cost and cash outflow (4 material countries)

Excluding Belgian DC Plans

Cost and cash outflow

Thanks to all pension de-risking actions, decrease in regular pension cash out

Estimate 2023 excludes Offset (as from early April)

in million Euro	2021	2022	2023 (Est excl Offset)
Pension Cost in EBIT	24	19	13
Net interest cost	8	9	19
Non recurring	-	-	-
Total pension cost	**32**	**28**	**32**
Pension cash outflow	**(178)**	**(55)**	**(51)**
of which regular	**(64)**	**(55)**	**(51)**
of which extra	**(114)**	**0**	**0**

Sustainability @ Agfa

The road to 2030 & beyond
Sustainable and Profitable growth

Focus on our Planet

- A new roadmap for further investments for carbon reduction has been approved for Belgium
- 3 CO_2 reduction projects were concluded in 2022
- 100% of the bought volume of electricity in Belgium came from renewable resources in 2022
- The new mobility plan extended to bike and (PH)EVs lease has been successfully implemented
  → End Q4/2022, 95% of ordered company cars since the launch were (PH)EVs

Focus on our People

- A global Diversity, Equality and Inclusion (DEI) Council has been launched to shape and share best practices globally to influence inclusionary actions and behaviors for all Agfa colleagues
- Supported by 3 Employee Resource Groups (ERGs) working on gender equality, ethnicity and collaboration across generations
  → 32.8% women in all new hires of permanent positions (target was 37%)
- An additional task force has been set up to define and roll out a global action plan to further reduce the number of accidents
  → 35 accidents with minimum one day lost in 2022 (target was 27)

Focus on increased corporate governance and sustainable performance

- New Agfa Sustainability team: Gunther Koch as Head of Sustainability & Justine Ciret as Sustainability Manager
- Agfa-Gevaert Group Sustainability Management Policy has been released – publicly available on our website
- Agfa's sustainability performance has been awarded with an EcoVadis bronze medal for the 2nd year in a row
- Full compliance to our 'no throwback in sustainability towards next generation products' principle

Questions

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Answers