Q1 2023 Results

Agfa-Gevaert Group

May 9, 2023

Key highlights Agfa-Gevaert Group

Key highlights

- HealthCare IT:
  - Increase in order intake of 25%, revenue increase of 4.8%
  - Profitability impacted by cost inflation and unfavorable mix effects
- Digital Print & Chemicals:
  - Growth driven by Digital Printing and Zirfon membranes
  - Successful price increase actions and cost reductions allowed to restore profitability
- Radiology Solutions:
  - Medical film: volumes recovering in China but continuing margin pressure and geopolitical impact
  - Direct Radiography: continuing the positive trend in sales and profitability
- Adjusted EBITDA amounted to 13 million Euro
- Net result at minus 66 million Euro, impacted by the loss from discontinued operations related to the Offset sale (amounting to 47 million Euro)

Completion Offset Solutions sale and new way of reporting

- Sale of Offset Solutions successfully completed on April 4, 2023
- A new division was created called 'Contractor Operations & Services former Offset' or 'CONOPS'.
- As of Q2, CONOPS will represent the agreements with the external party ECO3 (new branding for former Offset). The turnover represents the supply agreements, with corresponding COGS charges. The income related to the support services will be accounted for as Other Income, while the costs related to those represented in the different SG&A lines.
- Q1 '23 reflects the financials as if the agreements are already in place. The comparative period Q1 '22 has been re-presented accordingly.
- As per IFRS 5, stranded costs related to Offset have been treated differently in 2023 vs 2022. In Q1'22 stranded costs are reported under CONOPS. In Q1 '23 these are absorbed by the 3 business divisions.
- Impact of the Offset sale according to IFRS 5: "fair value less costs to sell" leads to a charge of 47 million Euro (at the lower end of our previous guidance).
- We expect the cash impact of the Offset transaction around 28 million Euro over Q2 and Q3.

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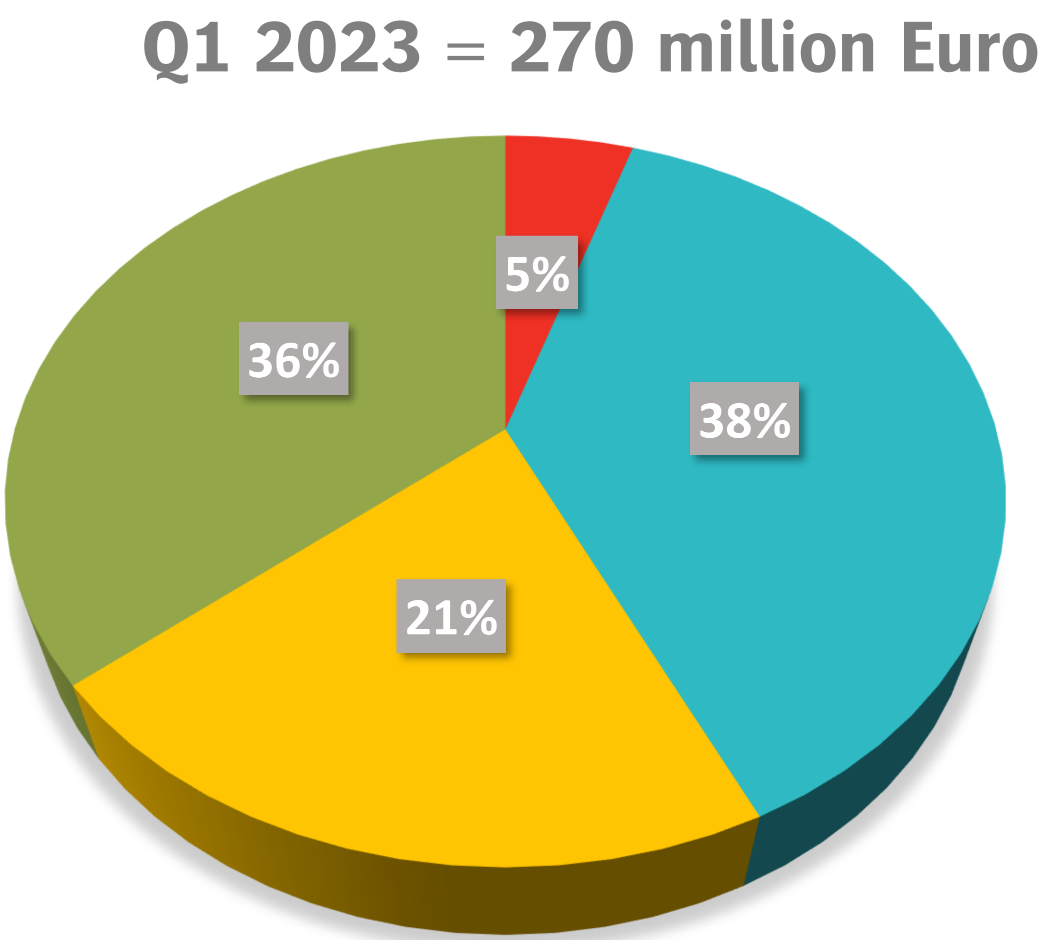
Sales by division

Radiology Solutions
HealthCare IT
Digital Print & Chemicals
Contractor Operations & Services*



* related to the former Offset Solutions business

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Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q1 '23	Q1 '22 re-presented	Δ% (excl.curr.)
Sales	270	252	7.2% (7.3%)
Gross Profit* as a % of sales	87 32.1%	78 30.8%	11.6%
SG&A* as a % of sales	-74 27.2%	-76 30.3%	-3.6%
R&D*	-21	-19	5.4%
Other operating items*	10	13	
Adjusted EBITDA* as a % of sales	13 4.8%	7 2.9%	77.9%
Adjusted EBIT* as a % of sales	2 0.8%	-5 -1.8%	148.5%

* Before restructuring and non-recurring items

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Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q1'23	Q1'22 re-presented
Adjusted EBIT*	2	-5
Restructuring/non-recurring	-10	-8
Operating result	-8	-13
Non-operating result	-6	2
Profit before taxes	-14	-10
Taxes	-5	-2
Result from continuing operations	-20	-12
Result from discontinued operations	-47	5
Result for the period	-66	-7

* Before restructuring and non-recurring items

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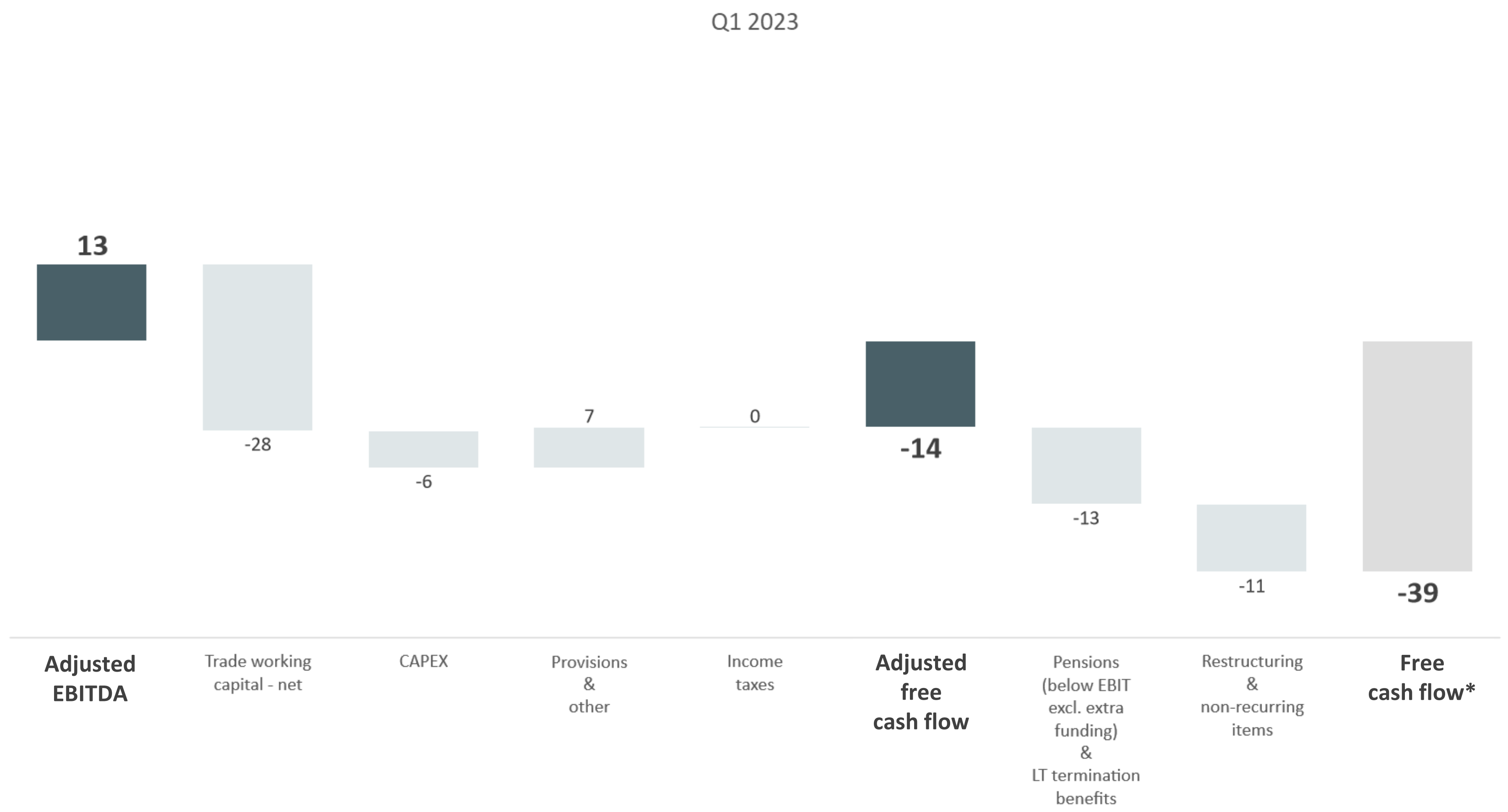
Revenue growth mainly driven by DPC, EBITDA amounted to 13 million Euro

Main drivers behind key figures

- Revenue increase of 7.2% mainly driven by DPC:
  - DPC: strong sales of inks, the first Onset machines (with Agfa inks) and Zirfon membranes as well as the positive impact of price increases
  - HE IT: Increase in order intake of 25%, revenue increase of 4.8%
  - Radiology Solutions: growth in DR, medical film volumes recovering in China but margin pressure and geopolitical impact remaining
- Gross profit margin improved from 30.8% of revenue in Q1 2022 to 32.1% of revenue, mainly due to price increase and cost reduction actions.
- Adjusted EBITDA at 13 million Euro
- Net result at minus 66 million Euro, impacted by the loss from discontinued operations related to the Offset sale

Free cash flow (Continuing operations)



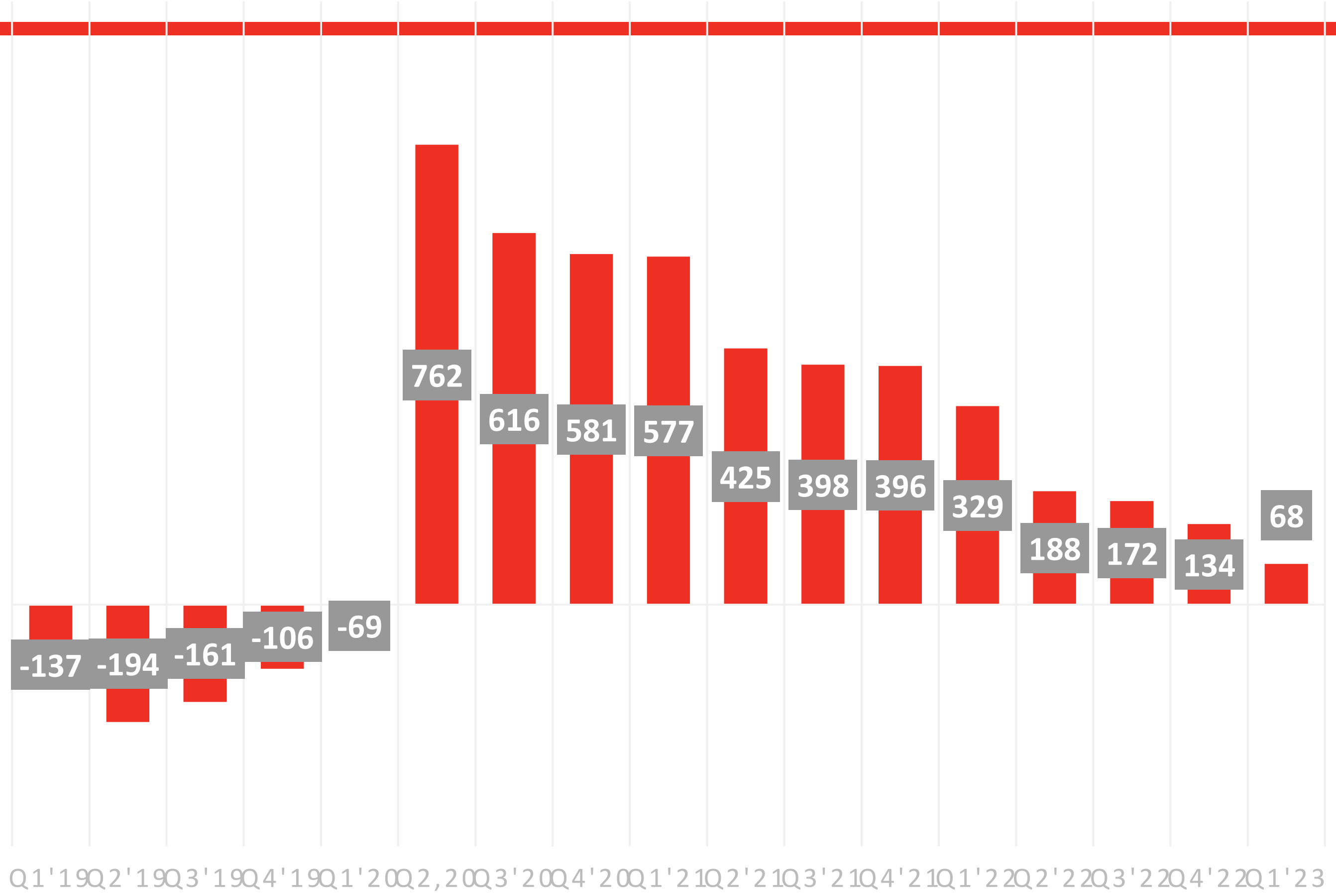
Adjusted free cash flow equals the sum of net cash from operating & investing activities excluding the impact of acquisitions and disposal of discontinued operations (see definition of Free cash flow *) ADJUSTED for the impact of the cash out for pensions below EBIT and the cashout for LT termination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

Net cash position

Net cash position

excl IFRS 16, in million Euro



Note: Total B/S net cash position Q1 2023 incl IFRS 16 = 24 million Euro

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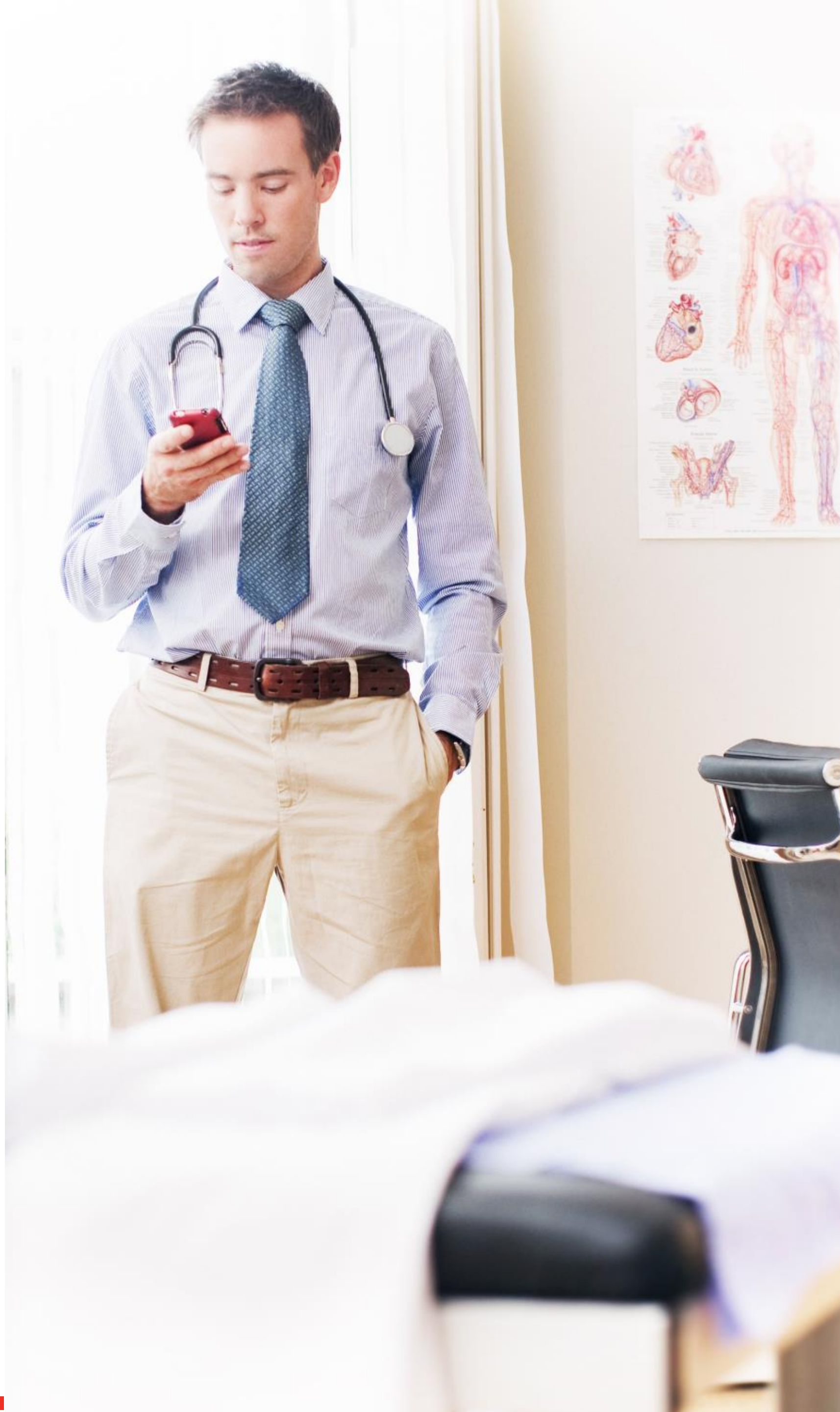
Working Capital (excl. CONOPS)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Δ Q1 2023 vs 2022	Δ 2023 Q1 vs Q4 LY
Inventories (Mio Eur)	330	307	347	348	304	26	22
° DIOH in days	160	152	175	181	162	-2	8
Trade Receivables, Contract Assets/Liabilities	146	150	130	137	137	9	-4
° DSO in days	51	45	43	46	52	-1	6
Trade Payables (Mio Eur)	108	116	107	115	105	3	-7
° DPO in days	53	57	54	60	56	-3	-5
Trade Working Capital	367	342	370	370	336	32	25
° Trade Working Capital as % of sales	33%	32%	35%	36%	33%		

HealthCare IT



HealthCare IT

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q1 ’23	Q1 ’22	Δ% (excl.curr.)
Sales	57	55	4.8% (3.6%)
Gross Profit* as a % of sales	24 41,7%	25 44.9%	-2.6%
SG&A* as a % of sales	-16 28,0%	-15 27.7%	6.2%
R&D*	-8	-8	-4.8%
Other operating items*	1	1	
Adjusted EBITDA* as a % of sales	2.7 4.7%	4.4 8.0%	-38.2%
Adjusted EBIT* as a % of sales	0.9 1.7%	2.5 4.6%	-62.4%

* Before restructuring and non-recurring items

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HealthCare IT

Main drivers behind key figures

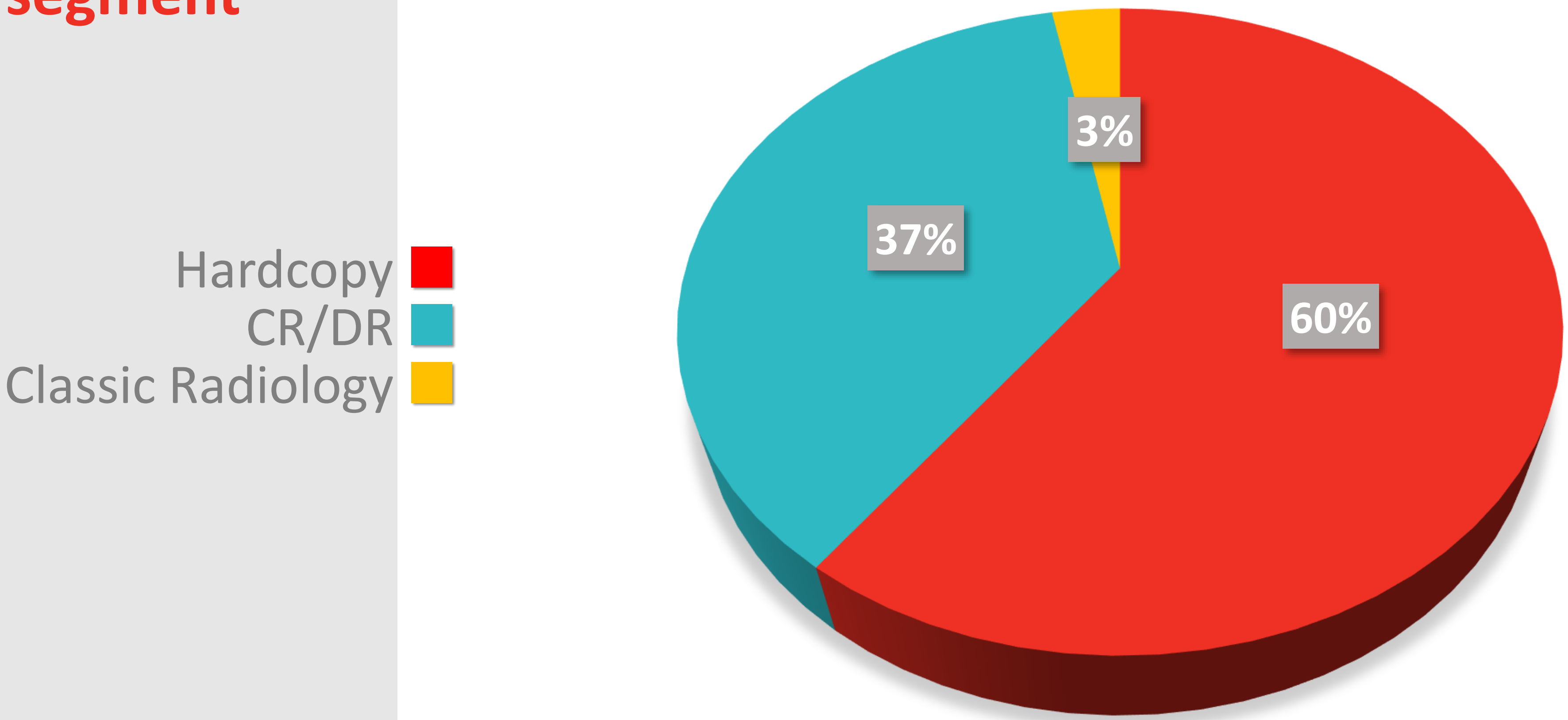
- Order book at very healthy level driven by strong growth in order intake of 25% with high value business (own software) increasing with 35%.
- Portion of managed services is growing, leading to revenue recognition being spread over a longer period.
- Top line increased by 3.6% versus Q1 2022.
- Impacted by continuous cost inflation and unfavorable product/mix effects, the division’s gross profit margin decreased from 44.9% of revenue in Q1 2022 to 41.7%. The adjusted EBITDA margin decreased from 8.0% to 4.7%.
- The strategy will ultimately allow the division to reach the targeted growth of EBITDA: starting from a mid-single-digit percentage in 2019 to percentages in the high-teens over the next years.

Radiology Solutions

Radiology Solutions

Sales
by business segment

Q1 2023 = 102 million Euro



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Radiology Solutions

Key figures

Profit & Loss

Incl. IFRS 16

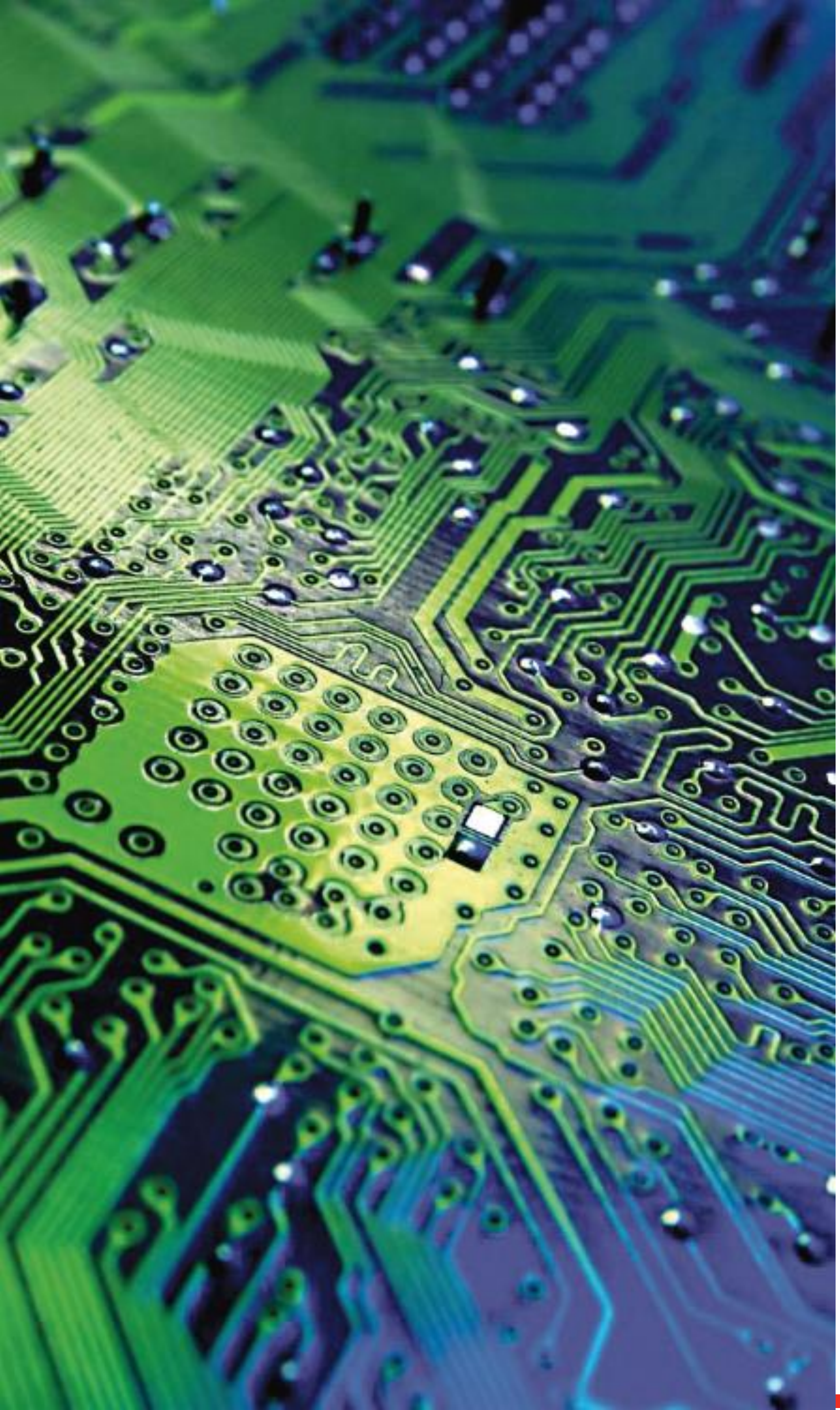
in million Euro	Q1 ’23	Q1 ’22	Δ% (excl.curr.)
Sales	102	101	1.6% (0.9%)
Gross Profit* as a % of sales	33 32.2%	31 30.3%	7.8%
SG&A* as a % of sales	-26 25.0%	-26 25.8%	-1.2%
R&D*	-4	-4	-10.7%
Other operating items*	-2	0	
Adjusted EBITDA* as a % of sales	6.5 6.3%	7.0 6.9%	-7.4%
Adjusted EBIT* as a % of sales	2.2 2.1%	1.0 1.0%	121.7%

* Before restructuring and non-recurring items

Radiology Solutions: good performance of DR, medical film volumes recovered in China

Main drivers behind key figures

- Medical film: in China, volumes recovered but still margin pressure. Other regions influenced by the geopolitical situation.
- DR: modest revenue growth but order intake softer in Q1, due to the geopolitical situation and the financial challenges that customers and governments are facing.
- The first effects of Agfa's actions (right-sizing of the organization, relocations, cost control actions, price increases, net working capital actions) visible in Q1.
- Mainly driven by a strong improvement for DR, the division's gross profit margin increased from 30.3% of revenue in Q1 2022 to 32.2%.



Digital Print

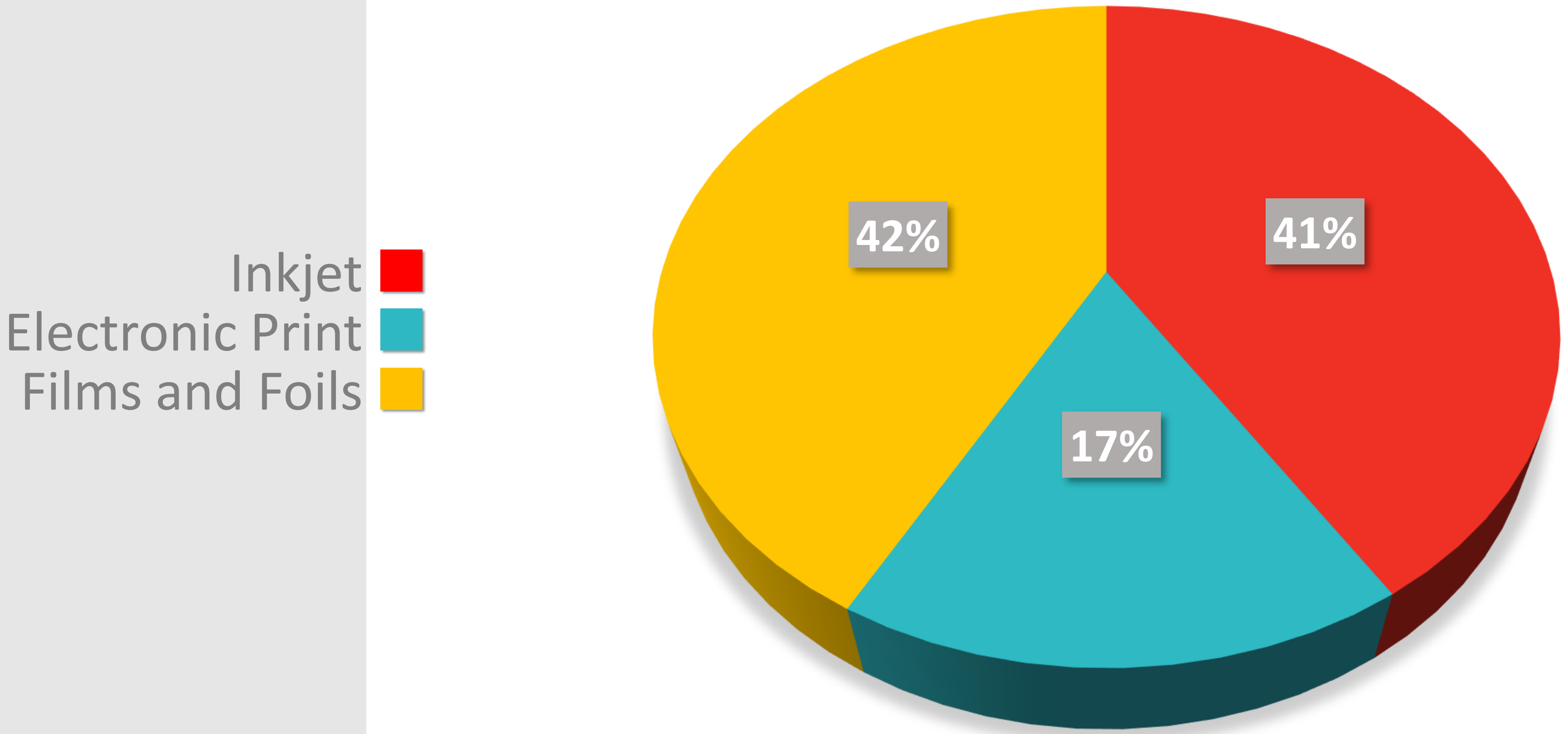
&

Chemicals

Digital Print & Chemicals

Sales
by business segment

Q1 2023 = 97 million Euro



Digital Print & Chemicals

Key figures

Profit & Loss

Incl. IFRS 16

in million Euro	Q1 ’23	Q1 ’22	Δ% (excl.curr.)
Sales	97	79	22.0% (21.5%)
Gross Profit* as a % of sales	30 31.1%	24 30.4%	25.0%
SG&A* as a % of sales	-19 19.2%	-16 19.7%	19.0%
R&D*	-8	-6	34.1%
Other operating items*	0	-1	
Adjusted EBITDA* as a % of sales	6.6 6.8%	4.1 5.1%	61.8%
Adjusted EBIT* as a % of sales	3.1 3.2%	1.5 1.8%	112.0%

* Before restructuring and non-recurring items

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Digital Print & Chemicals: continued top line growth, margins recover thanks to actions

Main drivers behind key figures

- Digital print: profitable sales growth
  - Sign & display revenue continued to grow strongly driven by ink sales and the Inca acquisition: first 3 Agfa-branded Onset wide-format systems (using Agfa inks) sold.
  - Industrial inkjet: décor printing business continued to feel weak investment climate.
  - Volumes for OEM inks started to pick up.
- Zirfon membranes: Q1 2023 sales exceeding FY 2022 sales but not yet contributing to the results as it is still in industrial ramp-up and development phase.
- Weakness in electronics industry continued to impact volumes of Orgacon and PCB film.
- Price increase actions, cost reductions and a positive contribution of Inca allowed to restore the gross profit margin from 18.7% of revenue in Q4 2022 to 31.1%. In Q1 2022, the gross profit margin was at 30.4% of revenue.
- The organization of DPC was also adapted and 2 new business leaders were added to the management team. The organizational structure is now ready to facilitate future growth.

Contractor Operations & Services former Offset

New division: Contractor Operations & Services former Offset (CONOPS)

Key figures

Profit & Loss

Incl. IFRS 16

Stranded costs in million Euro	Q1	FY
In division CONOPS in 2022	4.8	14.1
Absorbed by other 3 divisions in 2023*	2.5	7.0

* estimates

in million Euro	Q1 ’23	Q1 ’22	Δ%
Sales	14	18	-20.9%
Adjusted EBITDA*	1.3	-3.4	-138.3%
as a % of sales	9.4%	-19.5%	
Adjusted EBIT*	0.0	-4.7	-100.8%
as a % of sales	0.3%	-26.9%	

- CONOPS represents the supply of film and chemicals as well as a set of support services delivered by Agfa to Offset.
- As of Q2, this will represent the agreements with the external party ECO3 (new branding for former Offset).
- Q1 ‘23 reflects the financials as if the agreements are already in place. The comparative period Q1 ‘22 has been re-presented accordingly.
- The turnover represents the supply agreements, with corresponding COGS charges.
- The income related to the support services will be accounted for as Other Income, while the costs related to those represented in the different SG&A lines.
- As per IFRS 5, stranded costs related to Offset have been treated differently in 2023 vs 2022. In Q1’22 stranded costs are reported under CONOPS. In Q1’23 these are absorbed by the 3 business divisions.

* Before restructuring and non-recurring items

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: Whilst order intake growth continues to be very strong, the uncertainty around the timing of the order book execution and continued cost inflation could result in a weaker first half of the year, followed by a stronger second half. Therefore, full year EBITDA growth versus last year could be delayed.
    - 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.

Sustainability @ Agfa

The road to 2030 & beyond
Sustainable and Profitable growth

Focus on our Planet

- Work in progress to set up a global comprehensive carbon reduction plan, based on the approved reinvestment plan in energy production for Belgian manufacturing sites that will allow us to significantly reduce CO_2 emissions from 2024 on
- Extension of the mobility plan for (PH)EVs lease to additional countries ongoing, after the successful implementation in Belgium

Focus on our People

- ‘Well-being in the workplace’ training campaign has been launched
- Safety programs are being rolled out to further reduce the number of accidents

  → 11 accidents with minimum one day lost in Q1 2023 (annual target is 24)
- 25% female intake (recruitment) in Q1 2023, reaching +5% of women market representation in 3 out of the 6 functional areas in which Agfa has been actively hiring (annual target is reaching these +5% in all of them)
- The first DEI initiatives have been defined by the 3 Employee Resource Groups working on gender equality, ethnicity and collaboration across generations

BRONZE 2022 ecovadis Sustainability Rating

Focus on a better Corporate Governance and Sustainable Performance

- Agfa-Gevaert Group Sustainability report has been released – publicly available on our website
- Full compliance to our ‘*Progress in sustainability towards next generation products*’ principle
- Work in progress to increase sustainability of next generation products in DPC and Radiology Solutions

AGFA

Questions

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Answers