



# RESULTS 2016

EBITDA MARGIN EXPANSION ON HIGH-SINGLE DIGIT SALES GROWTH

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# AGENDA

❧ FINANCIAL HIGHLIGHTS & EDITORIAL COMMENTS

❧ DIVISIONAL RESULTS

❧ EXECUTIVE FOCUS & OUTLOOK

❧ Q&A

# EXECUTIVE SUMMARY

## SUSTAINED GROWTH; STEPPED UP FOCUS ON OPERATIONAL EFFICIENCY

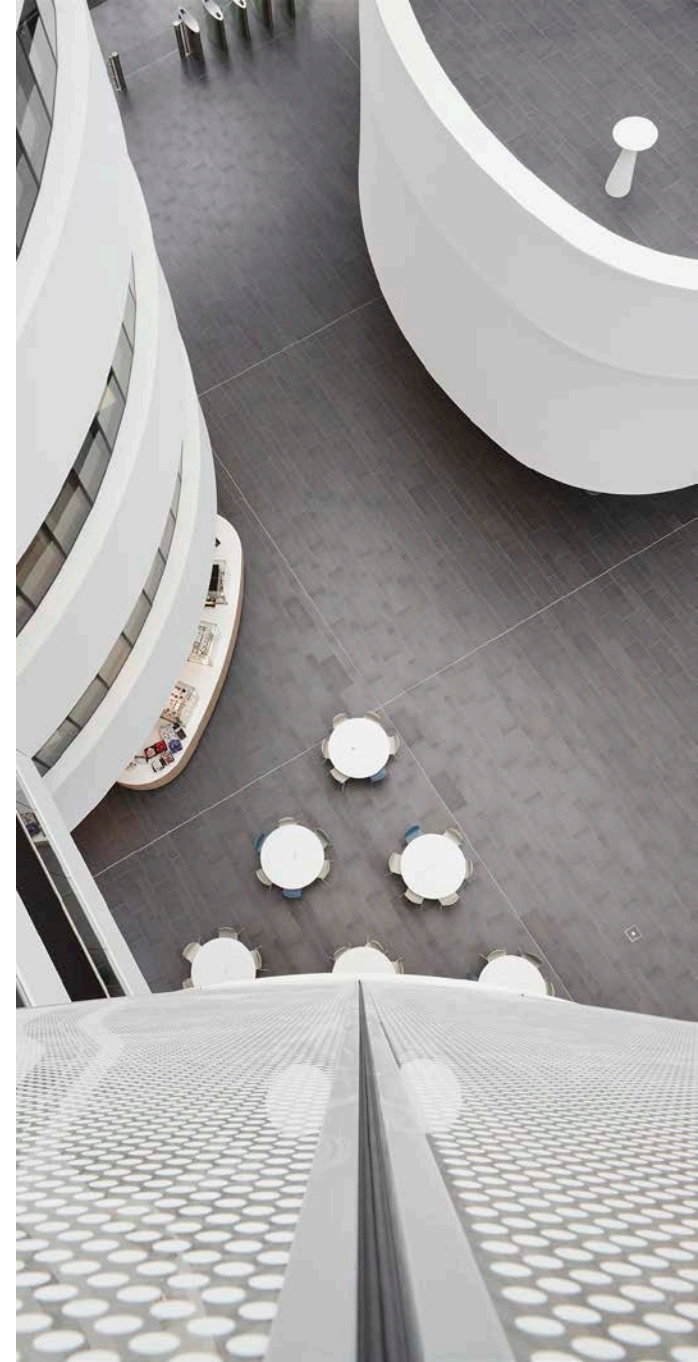
- ❧ High/Mid-single digit growth in orders & sales yoy
  - Orders ↑ 4%
  - Sales ↑ 7%
- ❧ Further margin improvement despite stepped up growth investments and focus actions
  - EBITDA% ↑ 0.8ppts
  - Building gross margin accretion culture and process
- ❧ 2H working capital actions resulting in solid FCF

## CONTINUED PROGRESS IN ALL VERTICALS ON PORTFOLIO DEVELOPMENT & CHANNEL BUILD OUT

- ❧ Exceptional strong China cinema year
- ❧ Introducing laser projector solutions across divisions & segments enabling upgrade cycle
- ❧ Expanding the ClickShare portfolio and channel to further build and capture market
- ❧ Control Rooms growth under pressure. Investing in new product introductions, software propositions and channel build
- ❧ Steady growth in Healthcare, stepping up focus on emerging markets opportunity



# FINANCIAL HIGHLIGHTS & EDITORIAL COMMENTS



# FINANCIAL HIGHLIGHTS

## EBITDA MARGIN EXPANSION ON HIGH-SINGLE DIGIT SALES GROWTH

	<b>2016</b>	Δ 2015
<b>Orders</b>	<b>1,081.2</b>	+3.6%
<b>Sales</b>	<b>1,102.3</b>	+7.1%
<b>EBITDA</b>	<b>88.0</b>	+18.8%
<b>% of Sales</b>	<b>8.0%</b>	+0.8ppts
<b>Free Cash Flow</b>	<b>57.4</b>	-47.9%
<b>Net Income</b>	<b>11.0</b>	-36.9%
<b>EPS</b>	<b>0.91</b>	-0.54pts

- 🔗 Orders growth 3.6%
  - ↑ 6% excl FY15 bulk orders in Healthcare
  - Orderbook at € 321m, ↓ 3.7%
- 🔗 Sales growth 7.1%
  - 8.6% in constant currencies (CNY)
- 🔗 EBITDA @ 8%, ↑ 0.8ppts vs '15
  - 9.1% in constant currencies
- 🔗 Free cash flow @ € 57m
  - Solid recovery in 2H with working capital actions

- 🔗 Net income @ € 11m ; EPS @ 0.91€
  - After non-recurring amort. on capitalized dvpmnt (€ 23m)
  - After restructuring and impairments (€ 13m)
  - After minority interest Cinema JV in China (€ 15m)

(in % of sales)	<u>Sales</u>	<u>EBITDA</u>	<u>% of sales</u>
Entertainment	578.2	30.4	5.3%
Enterprise	289.7	33.0	11.4%
Healthcare	234.6	24.6	10.5%

# FINANCIAL HIGHLIGHTS – 1H/2H 2016

2H GROWTH ACCELERATION & MARGIN-IMPACT DUE TO FOCUS ACTIONS & GROWTH INVESTMENTS

(in millions of euro)

	First Half		Second Half		Full Year	
	2016	Δ 2015	2016	Δ 2015	2016	Δ 2015
Orders	532.9	2.0%	548.3	5.2%	1,081.2	3.6%
Sales	529.2	4.6%	573.1	9.7%	1,102.3	7.1%
<b>Gross Profit</b>	<b>190.0</b>		<b>188.8</b>		<b>378.8</b>	
% Sales	35.9%	2.6	32.9%	0.6	34.4%	1.5
OPEX	(154.2)	12.6%	(168.5)	10.4%	(322.7)	11.4%
<b>EBITDA</b>	<b>49.5</b>		<b>38.6</b>		<b>88.0</b>	
% Sales	9.3%	1.3	6.7%	0.3	8.0%	0.8

- ❦ Accelerated sales growth in 2H
  - Strong Cinema China, V&H flat
  - Continued strong dd growth in Corporate, decline in Control Rooms
  - Healthcare steady high-single digit
  
- ❦ Gross profit margin improvement ↑ 1.5ppts YoY
  - Value engineering yielding results on gross margin
  - Positive mix effect (Enterprise)
  - Pressure in 2H from focus actions & growth initiatives
  
- ❦ Opex 2H ↑10% vs 1H, mainly due to growth initiatives, partially offset by focus actions
  
- ❦ Resulting in full year EBITDA ↑ 0.8ppts

# SALES - GEOGRAPHICAL BREAKDOWN

DOUBLE DIGIT GROWTH IN GREATER CHINA, EMEA AND AMERICAS AT LOW-SINGLE DIGIT

AMERICAS



EMEA



ASIA



2016

36%

31%

33%

Change vs '15  
(+7.1%)

+3%

+4%

+17%

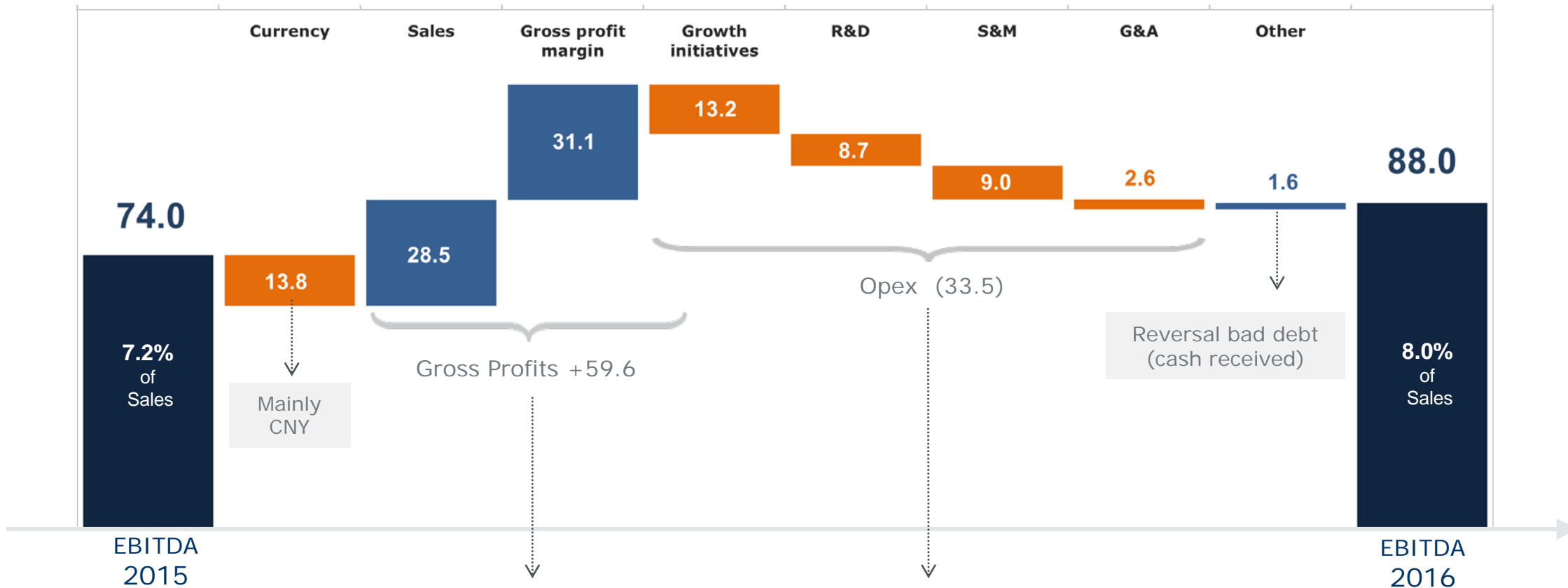
- ⌘ Entertainment market moving to tech upgrade & services
- ⌘ Enterprise: Competitive Control Rooms HW market, Collaboration market emerging at double digit growth
- ⌘ Healthcare @ steady single digit growth pace

- ⌘ Peak in Entertainment infrastructure build out
- ⌘ Building Barco distribution capability in Enterprise and Healthcare



# EBITDA EVOLUTION (+€ 14m, +0.8ppts)

## GROWTH AND GROSS MARGIN ACCRETION YIELDING EBITDA AND EBITDA% GROWTH



- Sales growth in all regions, Asia +17% ; low-single digit growth in Americas and EMEA
- Gross profit margins up +1.5ppts: value engineering yield and mix effect Enterprise, stock write-off limited to 1% of sales (↓ 0.4ppts yoy) despite clean up and focus actions

- OPEX +1.3ppts vs last year
- Impact of investments in growth initiatives such as Barco Escape, flexible Led and increased R&D and S&M-investments in Corporate



# NET INCOME

CONTINUED ACTIONS FOR BALANCE SHEET HEALTH WEIGH ON REPORTED NET INCOME

(in millions of euro)

	2016	2015	Δ 2015
<b>EBITDA</b>	<b>88.0</b>	<b>74.1</b>	<b>13.9</b>
	8.0%	7.2%	
Depreciations & amortizations (excl development)	(28.6)	(22.9)	
Interest & Taxes	(9.5)	(6.1)	
Minority interest and result equity shareholdings	(14.4)	(10.1)	
<b>Recurring Net income</b>	<b>35.6</b>	<b>35.0</b>	<b>0.6</b>
<b>Non-recurring income</b>	<b>6.9</b>	<b>47.0</b>	<b>(40.2)</b>
Gain Sale HQ building	6.9	-	
Gain Sale D&A Business	-	47.0	
<b>Non-recurring costs</b>	<b>(35.8)</b>	<b>(78.5)</b>	<b>42.7</b>
Change in accounting treatment development	(22.9)	(49.4)	
Restructuring & Impairment	(12.9)	(29.1)	
Interest & Taxes	4.4	14.0	(9.6)
<b>Net income</b>	<b>11.0</b>	<b>17.5</b>	<b>(6.4)</b>
Earning per Share	0.91	1.45	

- Improved operating results: EBITDA 7.2% -> 8%
- Increased depr. & amort. due to One Campus and amortizations of acquisition intangibles
- Equal effective tax rate (20%) yet switch from negative to positive result before taxes
- Minority interest on higher profit in Cinema JV in China

## Recurring net income € 35.6m

Non-recurring and clean up actions impacting net income :

- Last time hit from change in development accounting treatment
- € 13m impairment on goodwill for Patient Care & repositioning Lighting & LED activity
- Non-recurring positive due to sale HQ building

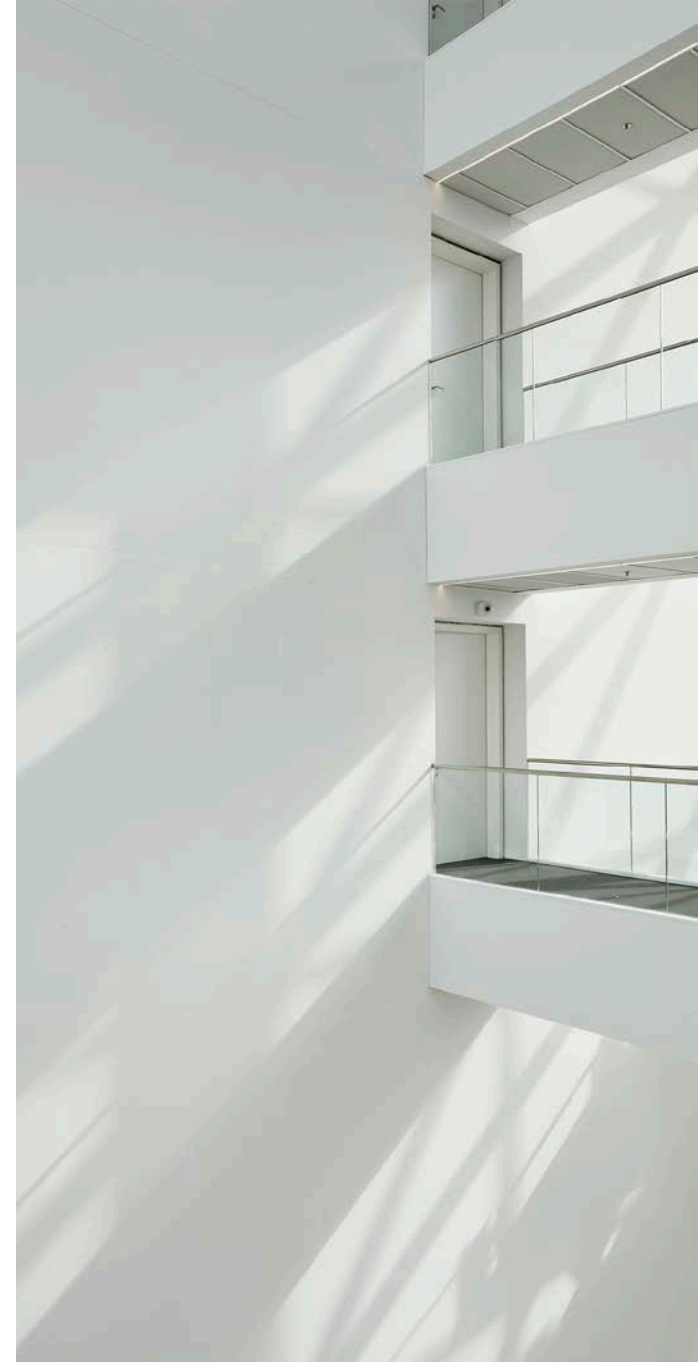
# CASH FLOW & BALANCE SHEET

## 2H RECOVERY ACTIONS YIELD RESULTS

- ❧ Free cash flow of € 57m
  - Continued solid gross operating cash flow
  - 2H cash flow of € 86m, driven by focused actions
  
- ❧ Net working capital –5% of sales ; ↑ 3ppt vs FY15
  - Working capital kept stable with 7% topline growth
  - Main improvement on receivables DSO (55 days, ↓ 3 days)
  - Inventory turns flat yoy @ 3.6
  
- ❧ ROCE @ 15% (excluding impact of amortizations on development), ↑ 4ppts vs last year
  
- ❧ Net cash at € 287m per year-end 2016, ↑ € 22m yoy
  - Cash inflows from FCF and sale of former headquarter building
  - Cash outflows from dividend payments, acquisitions and One Campus investments
  - Net cash excl. cash in China Film Group Joint Venture: € 187m, in line with last year
  
- ❧ Capitalized development costs fully absorbed
  
- ❧ Capital expenditure @ € 33m (including One Campus) (vs € 43m in 2015)



## DIVISIONAL RESULTS



(in millions of euro)	2016	Δ 2015
Orders	574.8	7.2%
Sales	578.2	12.4%
<b>EBITDA</b>	<b>30.4</b>	
% Sales	5.3%	-3.2
<i>Change (ppts)</i>		

## MARKET, ORDERS & SALES DYNAMICS

### Strong performance in Cinema

- Continued strong Chinese Cinema market and positive dynamics in emerging regions
- Trend in premium and large format cinema drives technology upgrades: RGB laser & laser phosphor

### Mixed dynamics in Venues & Hospitality

- Slower performance in the Events market with strong competition and rental partners searching for new business models
- Good uptake in Fixed Install with inroads in niche segments and evolutions in China with theme parks, museums and arena's trending

### Service revenues capture in line with FY15 (12%)

## PROFITABILITY

- Robust performance in Cinema business but recovery required for Events
- Sizeable investments in initiatives such as Barco Escape and flexible LED solutions weighing on EBITDA

## BUSINESS UPDATE

- Rounding the projector portfolio with laser and laser phosphor solutions
- Strong engagement with key customers developing premium value propositions
- Barco Escape concept tested (Star Trek) and meets with good audience feedback and box-office. Solving for content financing
- MTT acquisition strengthens future projection technology offerings
- Considering strategic options for Lighting activity

(in millions of euro)

	2016	Δ 2015
Orders	290.2	1.4%
Sales	289.7	-3.6%
<b>EBITDA</b>	<b>33.0</b>	
% Sales	Change (ppts)	11.4%
		7.7

### MARKET, ORDERS & SALES DYNAMICS

- ❧ Good topline evolution for Corporate offset by declines in Control Rooms
- ❧ Corporate
  - ClickShare continues to expand footprint quarter after quarter
  - Wireless presentation opportunity window still open across all regions
- ❧ Control Rooms
  - Weaker topline performance driven by weaker hardware sales
  - Intensified competition in the LCD-market and slower Oil & Gas market
  - Infrastructure investments drive demand in APAC. EMEA market stable and slow US market (delayed public spending)

### PROFITABILITY

- ❧ Strong recovery mainly driven by strong performance in Corporate
- ❧ Improving though still negative EBITDA for Control Rooms, due to topline decline and investments in new solutions

### BUSINESS UPDATE

- ❧ Strengthening ClickShare coverage in EMEA & US, while expanding the portfolio; still slow in some APAC-regions
- ❧ Control rooms struggling due to delayed releases
- ❧ Strengthening competitive positioning for Control Rooms with new hardware releases, workflow solution and with Joint Venture in China

(in millions of euro)		2016	Δ 2015
Orders		216.3	-2.2%
Sales		234.6	8.6%
<b>EBITDA</b>		<b>24.6</b>	
% Sales	Change (ppts)	10.5%	1.5

## MARKET, ORDERS & SALES DYNAMICS

- Good market trends for Diagnostics and Surgical across all regions, slower Modality market
- Positive market trends in China though Barco still small
- Strong momentum worldwide for digital operating room, attracting new entrants
- Orders somewhat behind sales for the year but order book remains healthy, impacted in 2015 by bulk orders

## PROFITABILITY

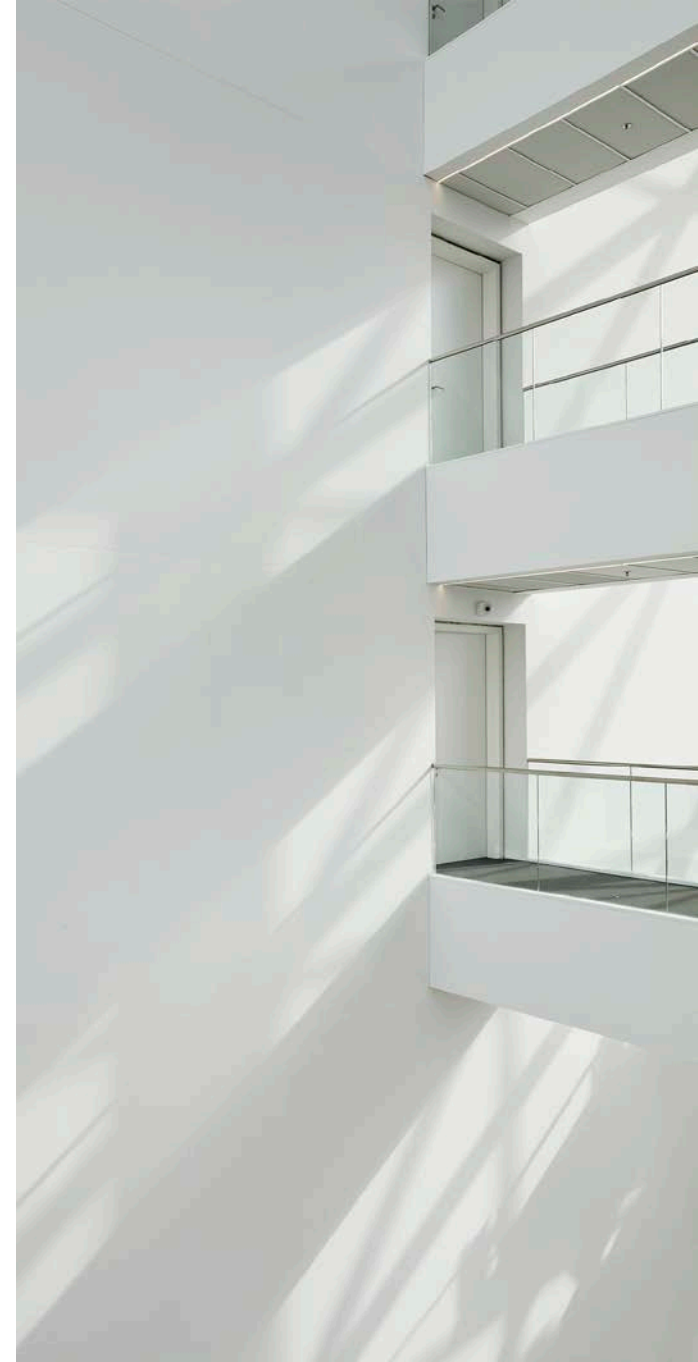
- Gross profit and EBITDA trending positively
- Steady value engineering progress offsetting price pressure
- Scale back in Patient Care to accelerate momentum in Surgical

## BUSINESS UPDATE

- Surgical continuing to expand and gaining momentum in the US as well in 2016
- Smooth integration of Advan, with successful launch of 4k surgical display
- Expanding China local capabilities



## EXECUTIVE FOCUS & OUTLOOK



# EXECUTIVE FOCUS 2017

## BALANCED EXECUTION

### FOCUS ON OPERATIONAL & COMMERCIAL EXCELLENCE

- Increase cost discipline, get the results from restructuring & focus actions
- Continue efficiency initiatives: ThinkSales, Value Engineering, OnePlatform and working capital focus

### EXPAND MARKET REACH & SHARE OF WALLET

- Continue to develop and deepen our sales and channel network
- Deploy China and India growth strategy

### FOCUS ON INNOVATION, TECHNOLOGY AND NEW CAPABILITIES

- Combine HW, SW & Services to drive outcomes for existing & new customers
- Build up platform for services & software capabilities

WIN WITH CLICKSHARE – LEVERAGE CINEMA-POSITION – DRIVE SURGICAL – DELIVER ON CONTROL ROOMS PROJECTS – CAPTURE GROWTH FROM NEW V&H LAUNCHES – DRIVE GROWTH INITIATIVES AGILITY



Assuming a stable economic environment and currencies at current levels, **management expects further margin improvement on mid-single digit sales growth.**

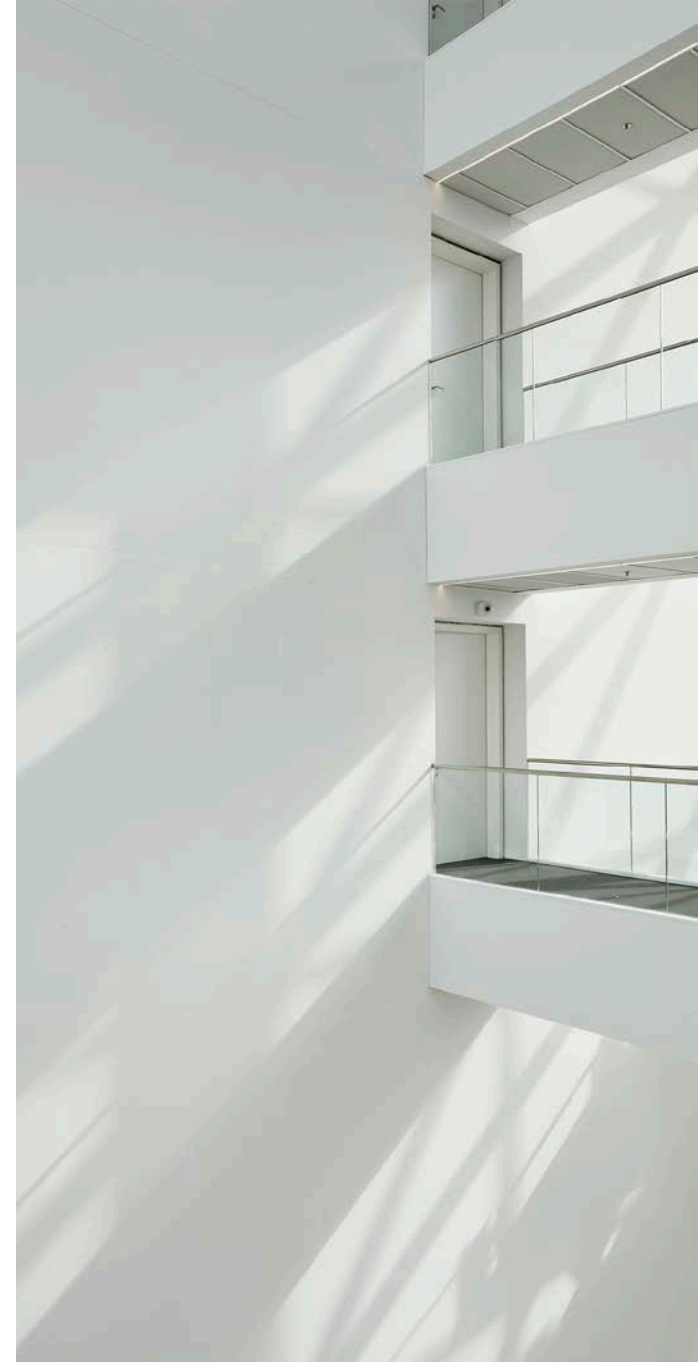
## DIVIDEND 2016

It remains Barco's objective to generate consistent dividend growth for its shareholders.

The Board of Directors will therefore propose to the General Assembly to increase the dividend from 1.75 euro to **1.90 euro per share** to be paid out in 2017.

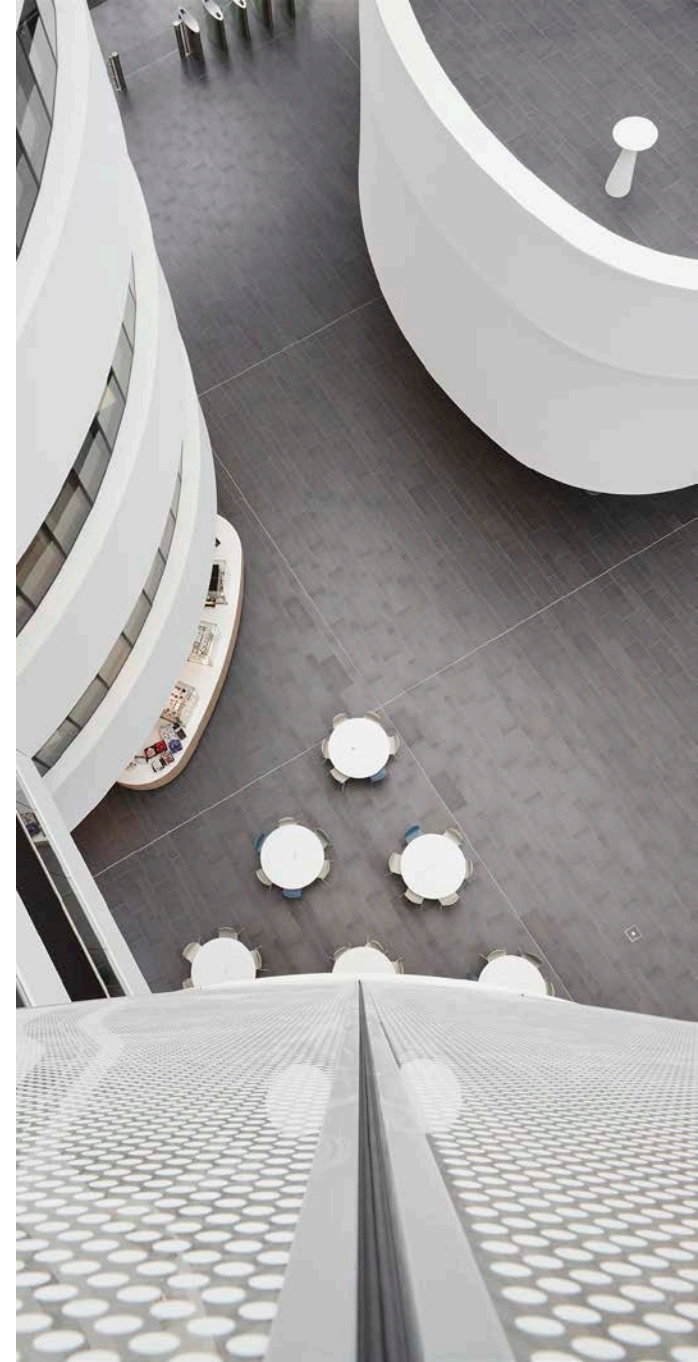


Q&A





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