

The logo for BARCO, consisting of the word "BARCO" in white uppercase letters on a red square background.

## 1H18 RESULTS

EBITDA MARGIN expands to 10.3% ; Outlook confirmed

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19 July 2018

# Say.Do.

# 1H18 RESULTS | EXECUTIVE SUMMARY

1. Sustained profit growth
  - EBITDA margin improvement on track with a 10.3% at mid-year
  - Improved gross profit margin & controlled OPEX resulting from “focus to perform” initiatives
  
2. Sales 1H18 ↓ vs last year, ↑ @ constant currencies
  - Reported sales: -3.8% ; excluding fx: +2.7%
  
3. Outlook “EBITDA improvement on flat y-o-y sales\*” reaffirmed
  
4. Advancing on focus to perform & key growth initiatives accross the company, towards our medium & long term targets

\*“Flat sales y-o-y” on a comparable basis, see “Update on deconsolidation BarcoCFG”, slide 8

# FINANCIAL HIGHLIGHTS 1H18

Profitability accretion, strong fx headwinds masking topline growth

<b>Orders</b>	€ 539.7m	vs. 1H 2017 ▼ -4.0%
<b>Sales</b>	<b>€ 498.1m</b>	▼ -3.8%
<b>Gross Profit Margin</b>	38.8%	▲ +0.4ppts
<b>EBITDA</b>		
% of Sales	<b>10.3%</b>	▲ +1.0ppts
In euro	€ 51.5m	+3.3m
<b>Free Cash Flow</b>	€ -4.0m	▲ +29.5m
<b>Net Income</b>	€ 27.3m	▲ +8.1m
<b>EPS</b>	€ 2.20 / Share	▲ +0.64

- Orders -4% reported growth, +2% @ constant currencies
- Orderbook strong at € 324.4m, built up +14% vs YE17\*
- Sales -3.8% reported growth, +2.7% @ constant currencies
- EBITDA @ 10.3% of sales, +1ppt y-o-y
  - Continued gross profit margin improvement & focus to perform actions
  - Entertainment & Enterprise margins up & HC ~ y-o-y
- Net earnings @ € 27.3m, +42% y-o-y
  - EPS of € 2.20

\* Order book YE17 restated for impact deconsolidation BarcoCFG

# REGIONAL BREAKDOWN 1H18

Currency impact and China Cinema weighing on 1H growth

## AMERICAS



## EMEA



## APAC



2018 (Sales)

36%

35%

29%

Change vs 1H17 –  
Sales (-3.8%)

-6%

+3%

-8%

Change vs 1H17 –  
Orders (-4.0%)

+5%

-2%

-16%

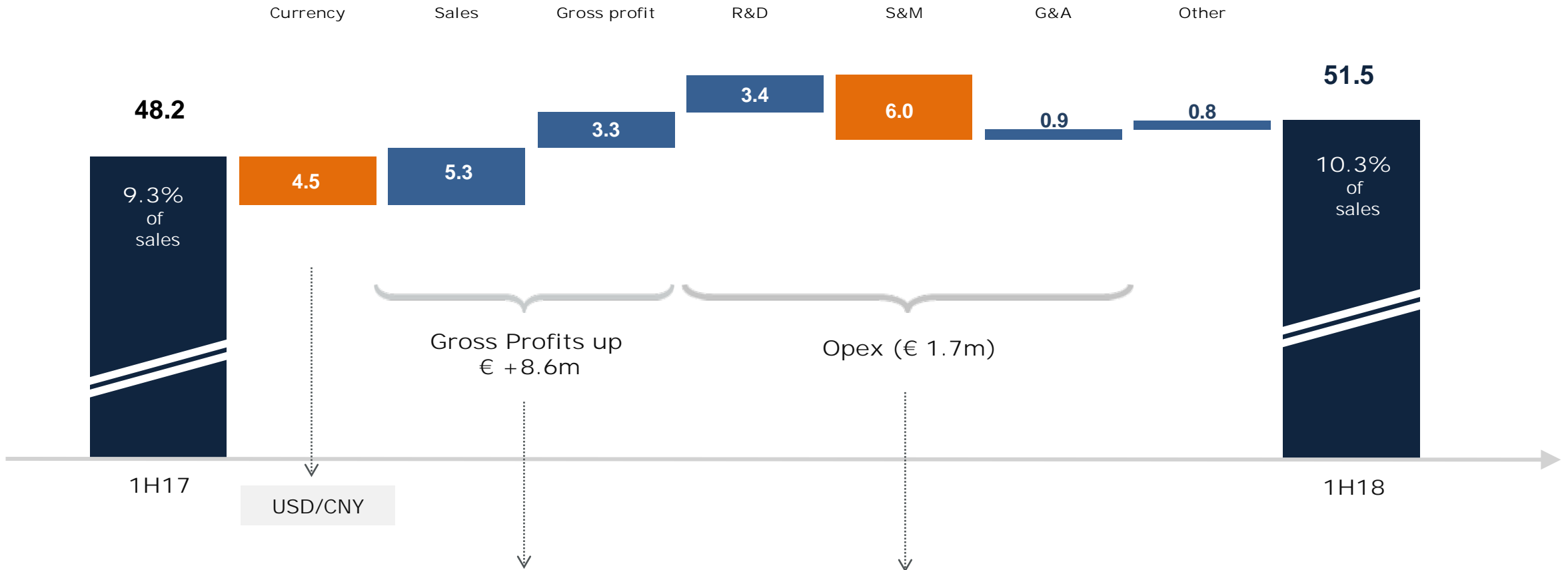
- Strong FX headwind
- FX masking growth in Enterprise (Corporate & Control Rooms)
- V&H and Surgical strong growth levers
- Cinema ~ in sales, up in orders

- Upsides in Enterprise & Healthcare offset modest declines in Cinema
- Corporate driving Enterprise and offsetting declines in Control Rooms
- Healthcare up in all segments
- Cinema ~

- FX headwind
- Soft sales & orders driven by declines in China cinema
- China growing in non-cinema
- APAC region (ex China) ~ for cinema ; growth for Enterprise & Healthcare

# EBITDA @ 10.3% (+€ 3.3m, +1.0ppts)

Growth driving EBITDA accretion, opex controlled - focus on commercialization



- Sales ↑ with growth in EMEA and Americas, down in APAC (Cinema)
- Gross profit margins +0.4ppts, mainly driven by positive mix effect (Corporate and Healthcare)

- Opex increase controlled, executing on go-to-market build-out and R&D investment choices

# NET INCOME

Improved operating results yielding 1.8ppts extra net income

(in millions of euro)

	1H18	1H17	Δ '17
<b>EBITDA</b>	<b>51.5</b>	<b>48.2</b>	<b>3.3</b>
% Sales	10.3%	9.3%	1.0
Change (ppts)			
Depreciations & amortizations (excl development)	(16.6)	(16.6)	
Restructuring & impairments	(0.0)	(4.5)	
Other non operating Income/Expense	(0.0)	0.2	
<b>EBIT</b>	<b>34.9</b>	<b>27.2</b>	<b>7.7</b>
% Sales	7.0%	5.2%	1.8
Change (ppts)			
Interest and taxes	(4.4)	(4.4)	
Share in the result of joint ventures & associates	(0.9)	0.2	
Non-controlling interest	(2.4)	(3.8)	
<b>Net income</b>	<b>27.3</b>	<b>19.2</b>	<b>8.1</b>
% Sales	5.5%	3.7%	1.8
Change (ppts)			
Earning per Share	2.20	1.56	0.64

- Improved operating results:
  - EBITDA @ 10.3% (vs 9.3% in 1H17)
  - EBIT @ 7.0% (vs 5.2% in 1H17)\*
- Effective tax rate: 18% (vs 20% in 1H17)
- Lower non-controlling interest on decreased sales & profits for BarcoCFG in China
- Net Income\*\* @ 5.5% (vs 3.7% in 1H17)

## CASH FLOW & BALANCE SHEET

Continued ROCE improvement & healthy balance sheet

- Free cash flow of € -4.0m (vs € -33.5m for 1H17)
  - Continued solid gross operating cash flow
  - Improvements in working capital use, reducing seasonality
  
- Working capital ↑ vs YE17... but low on a mid-year @ € 4.1m or 0.4% of sales:
  - DSO @ 64 days (vs 63 days for 1H17)
  - Inventory turns @ 3.1 (vs 3.3 for 1H17)
  
- Net cash @ € 196.7m (excl. cash in BarcoCFG)
  - Net after dividend pay-outs of € 25.3m
  
- ROCE @ 18%, in line with full year 2017

## UPDATE ON DECONSOLIDATION BARCOCFG

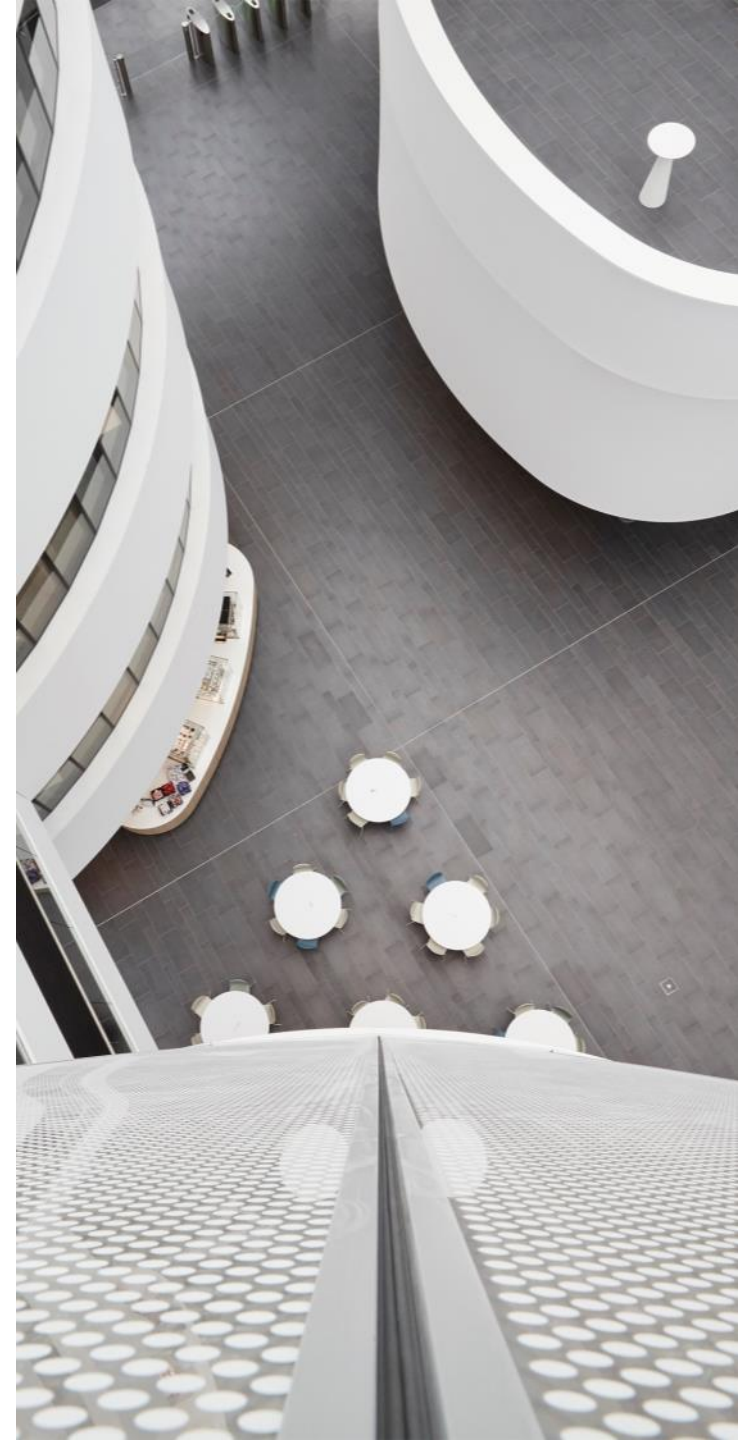
Deconsolidation takes effect as of 2H18

- BarcoCFG
  - Customary approvals & monetary transaction OK as of 5 July 2018
  - Barco's stake from 58% to 49%
  - => Deconsolidation of BarcoCFG JV as of 2H18
  
- Cinionic
  - Commercial launch in 1H18 and awaiting customary approvals
  
- Financial impact of BarcoCFG Deconsolidation
  - 2H18 Sales & Orders for Cinema/Entertainment: approx € -40m
  - EBITDA going forward will include 49% ownership interest in BarcoCFG's net income
  - Net impact on EBITDA will be offset by stronger projected EBITDA across the group
  - Impact on Net Earnings immaterial (excluding one-time recurring gain in 2H18 associated with the 9% sales)





# DIVISIONAL UPDATES



# ENTERTAINMENT

## Results 1H18

	vs. 2017
<b>ORDERS</b> € 248.7m	▼ -9.9%
<b>SALES</b> € 228.9m	▼ -7.4%
<b>EBITDA</b> % Sales <b>7.6%</b>	▲ +0.5ppts
In euro € 17.4m	~ -0.1m

### Market

- Cinema in transition as anticipated but opportunity becoming more clear
  - Expansion opportunity still very solid but gradually coming down... another 30k + screens in next 4 years in China, India, APAC & LATAM... with both lamp & laser based projectors
    - China: still solid but ↓↓ ... opportunity moves to tier 3 & 4 cities with more mid-range projectors
  - Renewal opportunity: Tendering process dynamics & initial replacement programs picking up in EMEA & US; demand also for laser upgrades to premium cinema
- ProAv/Events market on single digit growth path ww and expected to convert fast to new laser-based technology

### Orders & Sales

- Cinema decreasing in China but opportunity remains solid, EMEA & US market bottoming out
- ProAv/Events strong & capturing share with renewed laser based product portfolio (UDX & F-series) ; +40% of divisional sales

### Profitability

- EBITDA flat on lower topline & EBITDA% + 0.5ppts
- Resulting from 'focus to perform' decisions & value engineering

### Business update

- Maintaining market share in the expansion opportunity in Cinema with (smart) laser portfolio quickly gaining traction: almost ½ of total cinema projector volume shipped in first half 2018
- Cinionic commercially launched to strengthen positioning for the renewal and premium opportunity ; first renewal contracts signed
- ProAv/Events market share driven by UDX & F-series + image processing solutions; channels picking up globally
- Focus to perform: Relocation manufacturing Fredrikstad (NO) to Belgium underway

# ENTERPRISE

## Results 1H18

	vs. 2017
<b>ORDERS</b> € 158.9m	▼ -7.1%
<b>SALES</b> € 149.3m	▼ -1.0%
<b>EBITDA</b> % Sales <b>13.6%</b>	▲ +2.5ppts
In euro € 20.3m	▲ +3.5m

Market	<ul style="list-style-type: none"> <li>Wireless presentation opportunity window further expands across all regions; continued strong dd growth; competitive landscape getting more populated</li> <li>Rear projection cube market further declining in Western markets, opportunities in China ... competitor consolidation (Mitsu – Delta – Barco)             <ul style="list-style-type: none"> <li>China ... foreign LCD-suppliers displaced by local manufacturers; EMEA &amp; APAC ~, US recovering</li> </ul> </li> <li>Investment weakness &amp; delays in key markets such as Oil &amp; Gas and emerging regions</li> </ul>
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Orders & Sales	<ul style="list-style-type: none"> <li>Corporate continues dd <u>growth track</u> across all regions ... US a bit softer ... strengthening our GTM ... good for 60% of divisional sales</li> <li>Control Rooms ↓ in 1H18 vs 1H17 ... UniSee confirms attractiveness but not offsetting narrowing rear projection opportunity yet</li> </ul>	Profitability	<ul style="list-style-type: none"> <li>EBITDA + 20.6% and EBITDA % @ 13.6% (+2.5ppt)</li> <li>Corporate continued <u>strong performance</u>... driven by topline evolution while further improving gross profit margins</li> <li>Control Rooms not accretive yet, with negative sales growth (RPC), investing in exploiting the UniSee opportunity as of 2H18</li> </ul>
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Business update	<ul style="list-style-type: none"> <li>Continued market leadership in wireless presentation confirmed: +420.000 meeting rooms equipped with ClickShare</li> <li>Working go-to-market globally for ClickShare, adding key distributors for US &amp; APAC ... extending ecosystem play with Zoom Rooms</li> <li>New LCD-product (UniSee) launch meets with positive feedback, +50 reference installations globally... further ramp up of delivery capacity in 2H18 key to meet demand</li> <li>Focus to perform: divestment of X20 completed</li> </ul>
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# HEALTHCARE

## Results 1H18

		vs. 2017
<b>ORDERS</b>	€ 132.1m	▲ +14.9%
<b>SALES</b>	€ 119.8m	~ -0.1%
<b>EBITDA</b>		
% Sales	<b>11.6%</b>	~ +0.1ppts
In euro	€ 13.9m	~ +0.1m

### Market

- Diagnostics and Surgical ↑ across all regions
- Modality growth shifting to APAC
- Digital OR play increasing role in mature markets with more competitors coming in
- ↑ trends in China in all segments ... local players favored to capture share

### Orders & Sales

- Diagnostic: Barco capturing share globally, with key wins in US
- Modality softer demand due to program transitions
- Strong in Surgical: promising order intake, good sales, new partners onboarding

### Profitability

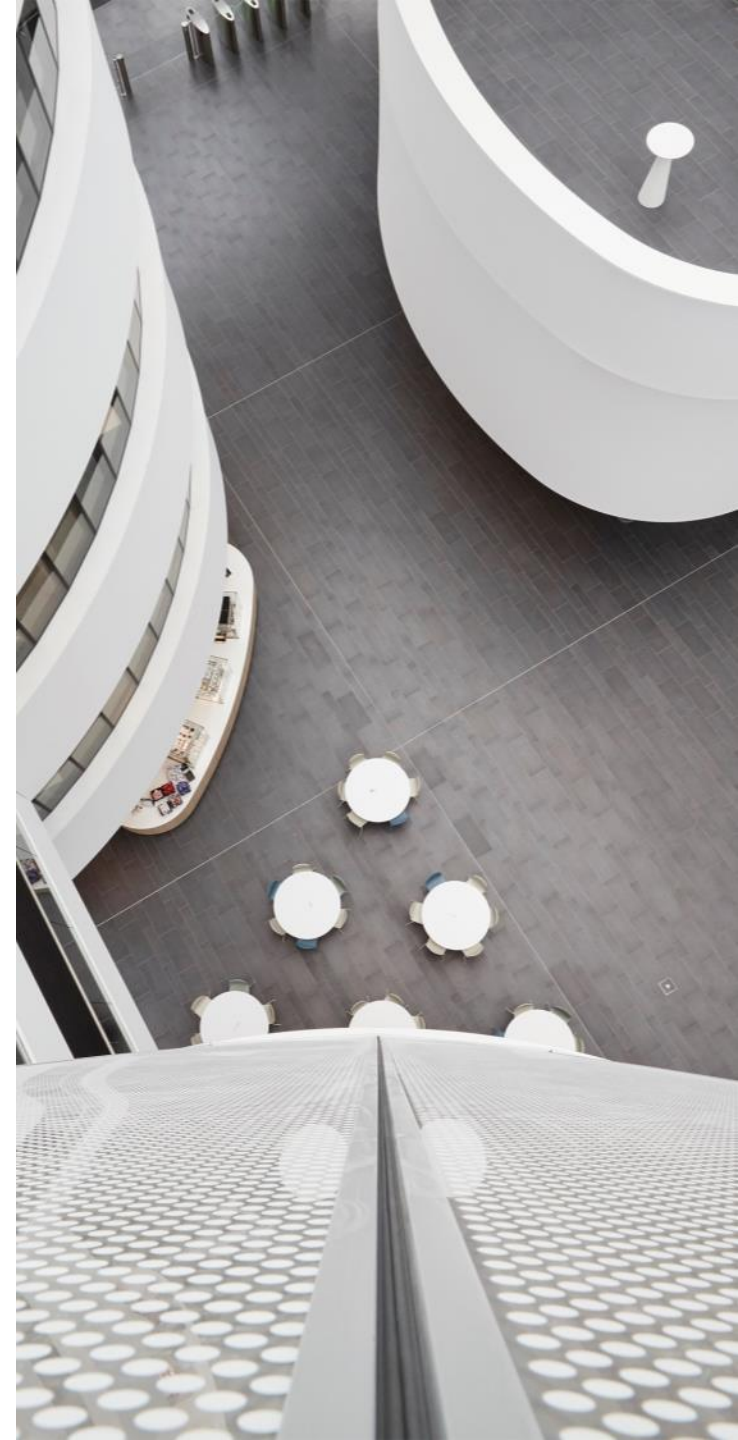
- EBITDA ~ vs 1H17
- Stronger gross profit margin y-o-y (mix and value engineering) ; stepped up investments in R&D and GTM mainly China

### Business update

- Market leadership in DI with strong positions for 5, 6MP and Uniti in US & APAC
- Making progress in adding major US integrators for Surgical
- In Country for Country: gearing up local Chinese business development and launched Suzhou operations (local Chinese R&D & production)



# EXECUTIVE FOCUS & OUTLOOK



## OUTLOOK

"... a solid orderbook, positive book-to-bill ratios in each division and strong sales funnels give us confidence that we will deliver sales growth for 2H18 and another year of EBITDA margin improvement for 2018 on flat sales.

Barco's first semester performance demonstrates the progress we are making toward our stated goal of building a stronger foundation that supports improved quality of earnings ... we continue our strong focus on realizing business- and cost-efficiencies, while investing in innovative solutions and go-to-market strategies as we advance towards our mid-term objective of achieving an EBITDA margin in the range of 12% to 14% by 2020"

Quote of the CEO, Jan De Witte

- Given the performance for the first half of the year – and assuming a stable global economic environment and currencies at current levels - management reaffirms its full year outlook which calls for further margin improvement.
- The deconsolidation of BarcoCFG is expected to result in a reduction in reported group sales and orders for the year of approximately 40 million euro. Stronger projected EBITDA across the group for 2H18 is expected to offset the reduction in EBITDA resulting from the deconsolidation.

## EXECUTIVE FOCUS 2H18

**Say.Do.** Continue building execution culture while driving core business growth

Focus on Innovation Effectiveness, Technology and new capabilities

- Continue leadership level investments on foundational technologies
- Pilot digital business platform in selected software propositions

Expand Market Reach & share of wallet

- Leverage the ClickShare channel expansion
- Further build out ICFC footprint for Healthcare in China
- Leverage Cinionic-venture to tap into renewal and premium opportunity

Continue Focus on Operational & Commercial Excellence

- Sustain opex control and build out business- and cost-efficiencies
- Embed value engineering and ThinkSales into our DNA
- Expand UniSee manufacturing output

MAINTAIN CLICKSHARE LEADERSHIP – RAMP UP CINIONIC – CAPTURE UNISEE VIDEOWALL OPPORTUNITY – BUILD OUT ICFC IN CHINA - DRIVE SURGICAL PENETRATION AND DIAGNOSTIC SHARE IN HC – SUSTAIN GROWTH IN V&H



# Q&A





BARCO

THANK YOU





## ENABLING BRIGHT OUTCOMES

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