



## 1H17 RESULTS

19 July 2017



SOLID PROFITABILITY

–

CONTINUED STRONG  
ORDER INTAKE



## EXECUTIVE SUMMARY

### **SOLID PROFITABILITY PERFORMANCE & CONTINUED STRONG ORDER INTAKE SUPPORTING SALES PICK UP IN 2H17**







- Mid-single digit growth in orders (↑ 5%), low-single digit decline in sales (↓ 2%)
- Margin improvement mainly resulting from gross profit accretion focus
  - Gross profit margin accretion of ↑ 2.4ppts
  - Good EBITDA % performance: = vs 1H16 and ↑ vs FY16, despite lower shipments and negative currency effect
- On track for further EBITDA improvements with flat y-o-y sales
  - 2H focus on execution to win with new NPI's, orderbook conversion and free cash flow generation

### **ABSORBING CINEMA MARKET TRANSITION WHILE STRENGTHENING PORTFOLIO & COMMERCIAL CAPACITY**

- Cinema in transition
  - China remains solid but slower vs 2016
  - Mature markets focusing on rationalization and infrastructure upgrades
  - Opportunities in SEA, India & LATAM
- New laser phosphor projectors for V&H market meet with promising demand
- ClickShare continues on double digit growth path and extends portfolio with higher value products
- Strategic investment tracks ongoing in Control Rooms with some first orders pick up
- Winning market share in Healthcare segments with steady growth

# FINANCIAL HIGHLIGHTS 1H17

SOLID PROFITABILITY – CONTINUED STRONG ORDER INTAKE

<b>Orders</b>		vs. 1H 2016
<b>€ 561.9m</b>		<b>+5.4%</b>
Sales	€ 518.0m	 <b>-2.1%</b>
Gross Profit Margin	38.3%	 <b>+2.4ppts</b>
<b>EBITDA</b>		
% of Sales	<b>9.3%</b>	<b>~0.0ppts</b>
In euro	€ 48.2m	<b>-1.3m</b>
Free Cash Flow	€ -33.5m	 <b>-4.6</b>
Net Income	€ 19.2m	 <b>+1.1</b>
EPS	€ 1.56 / Share	 <b>+0.07</b>

- Orders ↑ 5.4% yoy (↑ 7.3% cont'd)\*
  - Cinema in mature markets ↓ vs last year
  - ↑ ClickShare, V&H projectors, Control Rooms & Healthcare, APAC
 → Strong orderbook @ € 350m; ↑ 5% vs 1H16 and ↑ 9% EOY
  
- Sales ↓ 2.1% yoy (↓ 0.6% cont'd)\*
  - Impact of discontinued activities and transition in Cinema market
  
- Gross profit margin ↑ 2.4ppts yoy
  - Mix & value engineering/productivity effects
  
- EBITDA @ 9.3% ; "=" yoy, ↑ 1.3ppts vs. FY16
  
- Free cash flow negative but good mid-year working capital performance
  - Net working capital @ 0.5% of sales

# ORDERS & SALES - GEOGRAPHICAL BREAKDOWN

STRONG ORDER INTAKE IN APAC & THE AMERICAS ; SALES SLIGHTLY DOWN IN ALL REGIONS

## AMERICAS



## EMEA



## APAC



2017 (Sales)

**37%**

**32%**

**31%**

Change vs 1H16 –  
Sales (-2.1%)

-2%

-1%

-4%

Change vs 1H16 –  
Orders (+5.4%)

+6%

-

+10%

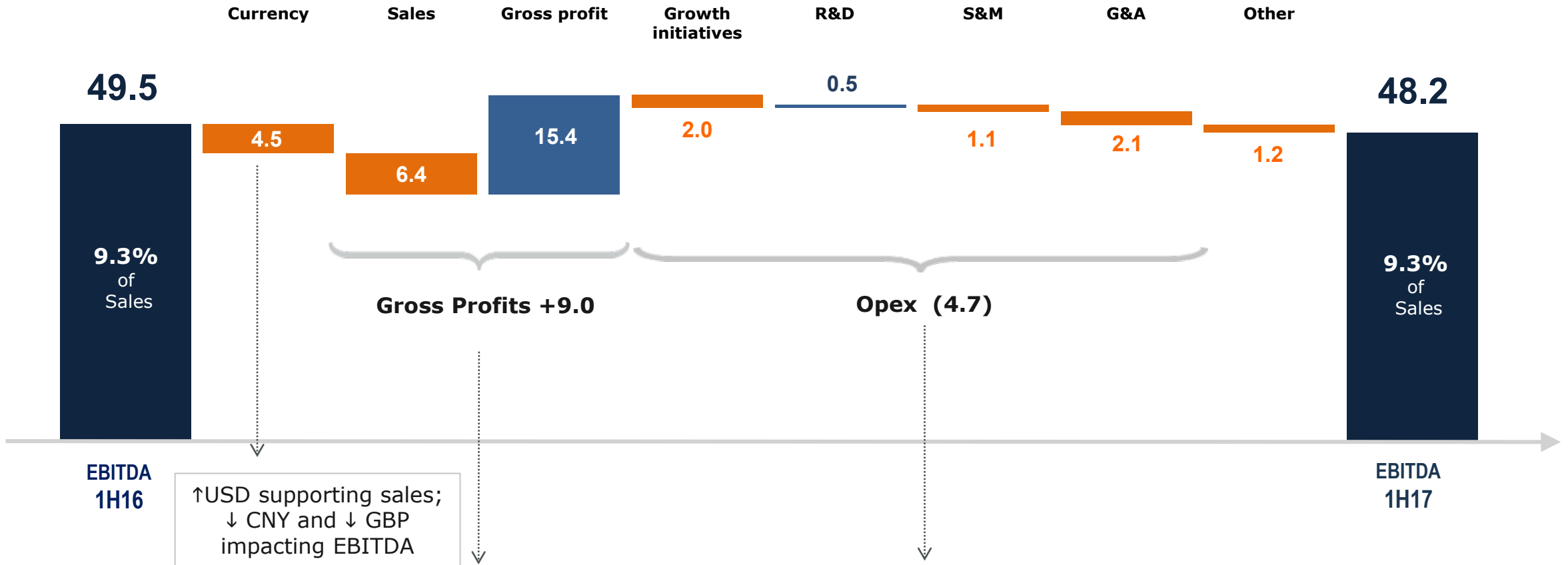
- Entertainment slower vs 1H16 in O&S
- Strong order intake for Enterprise & Healthcare

- EMEA flat in both orders & sales
- Enterprise & Healthcare offsetting declines in Entertainment market for both orders and sales

- Softer sales after 2016 China cinema peak
- APAC region growing in orders across the board

# 9.3% EBITDA MARGIN PERFORMANCE REPEATED

GROSS PROFIT MARGIN MAKES UP FOR TOPLINE SOFTNESS



- Solid growth in APAC (excl. China) and ClickShare with Cinema pressure in China and North America
- Gross profit margins ↑ 2.4ppts through positive mix effect and value engineering/operational improvements

- Opex at 29.8% of sales
- Investments in go-to market, IT infrastructure and growth initiatives across segments

# NET INCOME

## STEADY NET INCOME EVOLUTION

(in millions of euro)

	1H '17	1H '16	Δ '16
<b>EBITDA</b>	<b>48.2</b>	<b>49.5</b>	<b>(1.3)</b>
	9.3%	9.3%	
Depreciations & amortizations (excl development)	(16.6)	(12.4)	
Interest & Taxes	(4.4)	(7.0)	
Minority interest & result equity shareholding	(3.4)	(6.8)	
<b>Recurring Net income</b>	<b>23.7</b>	<b>23.2</b>	<b>0.5</b>
<b>Non-recurring income</b>	<b>0.0</b>	<b>7.8</b>	<b>(7.8)</b>
Gain Sale HQ building	-	7.8	
<b>Non-recurring costs</b>	<b>(4.5)</b>	<b>(12.9)</b>	<b>8.4</b>
Change in accounting treatment development	-	(12.9)	
Impairment	(4.5)	-	
<b>Net income</b>	<b>19.2</b>	<b>18.1</b>	<b>1.1</b>
Earning per Share	1.56	1.49	0.07

- Increased depr. & amort.: OneCampus/OnePlatform and amortization of acquired intangibles
- 20% effective tax rate vs 24% 1H16
- Minority interest on profit Barco CFG lower due to lower topline & profits in JV vs last year

- 1H17 Non-recurring cost: impairment on minority investment of € 4.5m
- 1H16 Non-recurring income out of sale HQ building partly offset by amortizations on development

## BALANCE SHEET & FREE CASH FLOW

WORKING CAPITAL @ 0.5% OF SALES

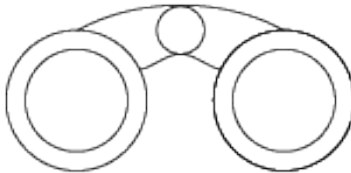
- Net working capital @ all time low on a mid-year @ 0.5% of sales ... but ↑ vs EOY 2016 ... impacting free cash flow 1H17
  - Main improvements on inventory turns (3.3)
  - DSO too high at 63 days (longer payment terms)
  - Other working capital in 1H17 impacted by the seasonal lower advances
  
- Free cash flow 1H17 €-33.5m in line with 1H16
  
- Net cash @ €228m (vs €193m at 1H16 and €287m EOY 2016)
  - Lower operating cash flow & dividend payments
  - Immediately available cash €140m
  
- ROCE\* @ 11% vs 10% y-o-y



FOCUSED  
TO PERFORM



DIVISIONAL UPDATES





# ENTERTAINMENT

## RESULTS 1H17

€m	First Half	
	2017	Δ 2016
Orders	275.9	-2.7%
Sales	247.4	-9.2%
<b>EBITDA</b>	<b>17.5</b>	
% Sales	Change (ppts)	
	7.1%	-1.2

### MARKET

- Cinema in transition: 1H continues to drive on expansions (China) and upgrades to premium Cinema (Mature markets) ... Opportunities in SEA & LATAM , India
  - China remains solid but growth ↓ vs 2016, India & SEA ↑
  - Slowness in US Cinema in 1H17... renewal cycle impacted by current capital allocations to infrastructure... Latin America ↑
  - EMEA market flat
- V&H market on single-digit growth path and expected to convert to new laser-based technology

### ORDERS & SALES

- Mixed performance in Cinema ... ↓ sales in China, not orders ... slower topline in mature markets ... India, SEA and Latam ↑↑
- Promising order intake for V&H driven by renewed product portfolio (laser-phosphor & 4K), with first conversions in sales

### PROFITABILITY

- EBITDA recovering from 2H16 performance with product costs down and portfolio streamlining actions but higher opex spending related to V&H NPI's

### BUSINESS UPDATE

- Conversion to laser progressing: 2000 smart lasers, 200 flagship laser and 50 all-laser multiplexes
- Good Cinemacon & CineEurope fair with smart laser and "smartcare" service well received
- New high res LED activity landing first orders
- Divestment High End Systems closed in 1Q17

# ENTERPRISE

## RESULTS 1H17

€m	First Half	
	2017	Δ 2016
Orders	171.1	19.1%
Sales	150.8	7.0%
<b>EBITDA</b>	<b>16.8</b>	
% Sales	Change (pts)	
		11.1% 0.0

### MARKET

- Wireless presentation opportunity window remains open across all regions ; competitive landscape getting more populated
- Consolidation ongoing in the rear projection cube market (Mitsu – Delta – Barco)
  - EMEA & APAC ~ and US ↑
  - In China market foreign LCD-suppliers being displaced by local manufacturers

### ORDERS & SALES

- Corporate (ClickShare) continues its double digit growth track y-o-y across all regions for both orders and sales
- Control Rooms shipments down but growing order intake building up orderbook across the globe ... winning share with the laser cube

### PROFITABILITY

- Growing EBITDA for Corporate (ClickShare) as result of higher topline and stable gross profit margin
- Topline decline & investments in Control Rooms causes negative EBITDA performance ... value engineering/In-Country-For-Country initiatives initiated

### BUSINESS UPDATE

- ClickShare-range expanded with higher value products ... sales China picking up ... adding key distributors for US & APAC
- Control Rooms new RGB laser cube meets with good demand and gearing up for new LCD-product launch
- Control Rooms in China: CEC partnership being further developed, building sales capability
- Continuing strategic capability investments in talent, software, workflows and cloud platform for future services

# HEALTHCARE

## RESULTS 1H17

€m	First Half	
	2017	Δ 2016
Orders	114.9	8.7%
Sales	119.9	3.7%
<b>EBITDA</b>	<b>13.8</b>	
% Sales	Change (pts)	11.5%
		2.0

### MARKET

- Positive trends for Diagnostics and Surgical across all regions, ↓ for modality in North America
  - North America - mixed results - pressure on some large integrators and new players ramping up
  - ↑ trends in China. Barco remains small vs local players
- Consolidation ongoing and NEC moving out of the DI market
- Digital OR plays increasing role in mature markets with more competition coming in

### ORDERS & SALES

- Good evolution in orders and sales for Diagnostic Imaging ... capturing market share & realizing key wins in APAC and US
- Modality slower in 1H17 due to price erosion effects & delay in partner programs
- Steady growth evolution in Surgical

### PROFITABILITY

- Healthy EBITDA driven by ↑ sales, favorable product mix and cost control efforts

### BUSINESS UPDATE

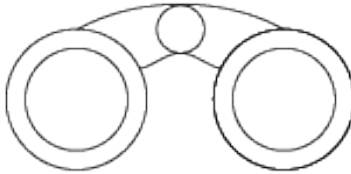
- Dental launched ; targeting German market and receiving good first interest
- Go-to-market efforts in APAC markets resulting in increasing sales
- Patient care activity scaled back and resources redeployed in profitable growth opportunities
- Integrated platform design & supply chain project achieves Edelman award final



# FOCUSED TO PERFORM



# EXECUTIVE FOCUS & OUTLOOK



## OUTLOOK

*... "With a solid orderbook and the completion of selected portfolio optimizations we are well positioned for an improvement in sales and EBITDA margin for the second half of the year compared to the first half"*

Quote of the CEO

Given topline results for the first half of the year, management expects full year sales to be in line with last year.

Our target of further improving our EBITDA remains unchanged.

# EXECUTIVE FOCUS 2017

BALANCED EXECUTION, **STAYING THE COURSE IN 2H17**

## **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



FOCUSED  
TO PERFORM



Q&A



FOCUSED  
TO PERFORM




THANK YOU






## **ENABLING BRIGHT OUTCOMES**

 | [youtube.com/BarcoTV](https://youtube.com/BarcoTV)

 | [linkedin.com/company/Barco](https://linkedin.com/company/Barco)

 | [twitter.com/Barco](https://twitter.com/Barco)

 | [facebook.com/Barco](https://facebook.com/Barco)