Results 1H20

Analyst & Investor call

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PRELIMINARY NOTES

Safe harbor statement

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Glossary

All definitions for Alternative Performance Measures (APM's) are available in the Glossary of the Half Year Report and on the investor portal (www.barco.com/en/about-barco/investors)

AGENDA

1. Exec Summary
2. Group Results
3. Divisional Results
4. Navigating 2020 & beyond
5. Q&A

RESULTS 1H20 | EXECUTIVE SUMMARY

Topline @ -18% as pandemic impacts markets

Different dynamics: severe impact April/May for Entertainment and Enterprise … first signs of partial recovery in June; Healthcare up in 1H20

EBITDA margin @ 10% ; working capital peaking

Impactful actions to adjust cost levels to topline reality, reducing indirect expenses by 15% y-o-y

Working capital peaks on high component & finished goods inventory levels

Navigating the crisis with focus on business continuity

Leveraging lessons from China, robust end-to-end supply chain

Balancing employees safety, business continuity and responsiveness

Longer term growth opportunities remain intact, but delayed

Pandemic with varied impact throughout the business … center of gravity in 2nd quarter

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COVID-19 IMPACT ON 2Q20

Division/Segment	Assumed Impact **FY20**	2Q20 vs 2Q19
Entertainment	Material negative	-44%
Cinema	Material neg	--
Replacement	Material neg	--
New builds	Med neg	-
Service revenues	Med neg	-
Venues & Hospitality	Med neg	--
Events	Material neg	--
ProAV (fixed install)	Med neg	-
Simulation	Neutral	~
Enterprise	Med neg	-48%
Corporate	Med neg	--
Control Rooms	Med neg	--
Healthcare	Positive	+5%
Diagnostic Imaging	Positive	+
Surgical	Neutral	+

- Group H1 and Q2 sales and orders drop entirely related to impact covid-19
- Evolutions for the year largely as anticipated, with some pronounced effects in Q2
  - Entertainment & Enterprise severely impacted in Q2; partial offset by growth in Healthcare
  - All regions
- Timing effect throughout the quarter
  - Impact started to come in latter half of March - most severe in April & May - started to lessen in June as lock-downs began to be lifted
- End-to-end supply chain continued to operate without major disruptions, though higher transportation costs and inventories

BUSINESS RESILIENCE OVER 2Q20

I. Focus on health and safety of employees

- Leveraging lessons from China
- Safe working environment – limited impact on workforce
- Reconfigured lay-outs, tele-work and rotation policy, awareness and training, protective equipment

II. Focus on market and customer continuity

- Operations and Services managed step-up and continued to operate without major disruptions
- Accelerating digital connectivity solutions in Enterprise and Healthcare
- Webinars and digital Marketing tools to keep customers/partners educated and engaged

III. Mitigating impact on profitability with early cost containment actions

- Freeze of discretionary spending
- Aligning activity rate/costs to market realities, including temp unemployment, internal redeployments, scaling back temps, merit increase & bonus awards on hold
- Shifting investment pattern on selected longer term initiatives
- Cost-efficiency gain on UniSee LCM production (closing Taiwan factory)

IV. Managing cash, working capital and liquidity

- Strength of Balance Sheet provides optionality
- Absorbing temporary inventory peak and increasing receivables at end of June
- Working down inventory & DSO-levels over 2H20

RESULTS 1H20 | REGIONS

Different lock-down restrictions accross geographic markets result in overall slow 2Q20

SALES
% of group

42 %

AMERICAS | Sales ↓ 13%

- Cinema renewal wave and ProAv (events) investments stalled after good Q1 start
- Out-of-office stalling ClickShare investments
- Diagnostics strong on accelerated demand for home reading; adding strategic partners for Surgical digital OR

36 %

EMEA | Sales ↓ 22%

- Entertainment business drops, delaying and stalled investments
- ClickShare sales weak during out-of-office - portfolio expansion with conference products starts to see traction
- Control Rooms exposed to oil & gas and lock-down push-outs
- Diagnostics growing strong with increased demand in Middle East

22 %

ASIA PACIFIC | Sales ↓ 19%

- Q1 growth momentum in Entertainment stalled during lock-downs in Q2; ProAV recovering in Q2
- Both Corporate & Control Rooms confronted with push-outs in Q2 across different countries
- Healthcare growing well in APAC with existing customer base in SEA & Japan, expanding footprint in China

FINANCIAL HIGHLIGHTS | RESULTS 1H20

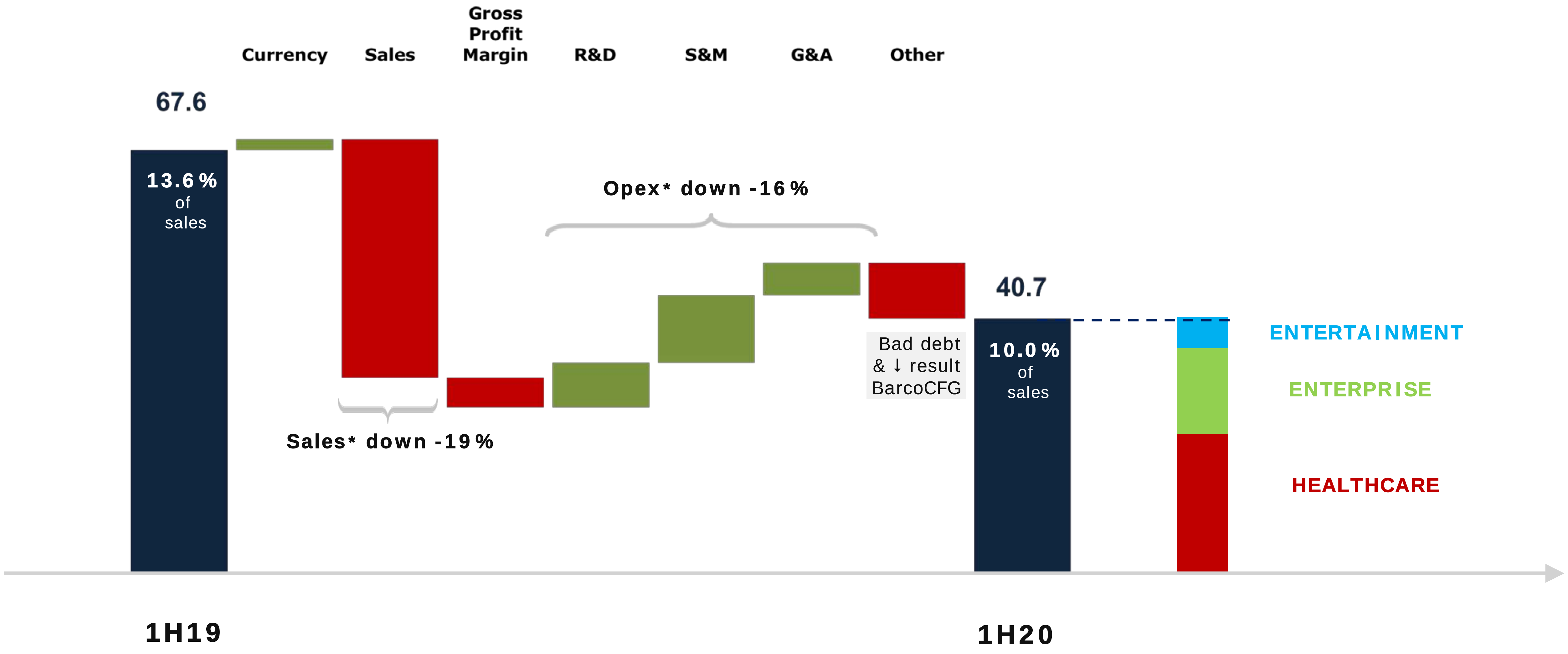
Topline reflect pandemic – Early cost containment measures result in 10% EBITDA margin - Working capital build up weighing on cash flow

		vs. 1H19
Orders	€ 398.7m	▼ -25.3%
Sales	€ 407.2m	▼ -18.0%
Gross Profit Margin	39.4%	▼ -1.1ppts
EBITDA % of Sales	10.0%	▼ -3.6ppts
EBITDA In euro	€ 40.7m	▼ -26.9m
Free Cash Flow	€ -50.9m	▼ -92.5m
Net Income	€ 10.4m	▼ -32.7m
EPS	€ 0.12 / Share	▼ -0.37

- **Orders & sales** hit by economic standstill / slow restart
  - Weak start of 2Q, first signs of recovery as of June
  - Order book @ € 317m, ~ vs YE19, ↓8% yoy, no material cancellation
- **Gross profit margin** ↓1.1ppt, higher transport costs and mix effect
- **Opex** adjusted downward, ↓15% yoy, discretionary spending cuts and adjusted activity levels in line with topline drop
- **EBITDA @ 10%** of sales, ↓3.6ppts yoy
- **Free cash flow** negative, with working capital peak, resulting from derisking supply chain disruptions and time lag in adjusting parts supply

GROUP EBITDA @ 10%

Profitability impacted by strong topline drop, partly mitigated with cost containment measures



(*) excluding currency-impact

NET INCOME € 10.4M

		1H20	1H19	Δ 19
EBITDA		40.7	67.6	(26.9)
% Sales	Change (ppts)	10.0%	13.6%	-3.6
Depreciations & amortizations		(20.3)	(19.3)	(1.0)
Impairments & Restructuring		(8.1)		(8.1)
EBIT		12.3	48.2	(35.9)
% Sales	Change (ppts)	3.0%	9.7%	-6.7
Interest income/(expense) net		0.8	2.3	(1.6)
Income taxes		(2.2)	(8.6)	6.4
Share in the result of joint ventures & associates		(0.4)	0.1	(0.5)
Non-controlling interest		(0.0)	1.0	(1.0)
Net income		10.4	43.1	(32.7)
% Sales	Change (ppts)	2.6%	8.7%	-6.1
Earnings per share		0.12	0.49	-0.37

- EBITDA @ 10% sales, protected business health through timely cost measures
- Impairment & restructuring costs (mainly non cash) related to the announced closing of the factory in Taiwan and decision to outsource the UniSee LCM (*)
- Effective tax rate at 17% (~ 1H19)

(*) Liquid crystal module

CASH FLOW & BALANCE SHEET

Working capital build up weighing on free cash flow, caused by time lag on holding back incoming goods, impacting mid-year balance

- Free cash flow € -51m (last year: € +42m)
  - Gross operating cash flow € 36m, net after ~ € 4m pay-out of lay-off costs ‘Fit to Lead’ program (~€ 10m last year)
- Working capital @ 10.9% of sales (1.6% last year)
  - DSO high @ 82 days, ↑ 30 days yoy, mainly linked to Entertainment (Cinema)
  - Inventory ↑ & trade payables ↓ : result of focus to keep factories open, derisking supply chain (building buffer of incoming goods) (Feb-April) with time lag to see effects of adjusted purchasing
- Net cash @ € 223.2m
  - ↓ € 106m vs end 2019: negative FCF, dividends paid out and investment in Unilumin
- ROCE @ 16% (down from 23% last year)

DIVISIONAL RESULTS 1H20

ENTERTAINMENT

Q2 lock-down … expecting slow comeback in Cinema replacement & Events over Q4, and earlier for Cinema expansion & ProAV

(in millions of euro)		1H20	Δ 1H19
Orders		141.3	-38.9%
Sales		156.2	-19.7%
EBITDA		**4.9**	***(10.6)***
% Sales	*Change (ppts)*	3.1%	-4.8

1H

Cinema

Cinemas in lock-down; major releases pushed out to 2H20 & beyond; exhibitor cash concerns start to reside with different support programs

- **Replacement projects:** stand-still in Q2
- **Expansion opportunity:** push-outs with deployment delays but no cancellations
- **Cinema Service** revenues dipped during lockdown

- One competitor exiting the market ; division strengthened market share and technology leadership (laser) ; securing new contracts

V&H

- **Events**-sector significantly hit with event cancellations and push-outs globally over Q2 and Q3
- **ProAV**-segment softer but more resilient ; lockdown delays but no cancellations; early recovery signs in China (as of Mar) and selected regions (as of June)
- **Simulation** more resilient with project shifts, offset by stronger demand for real-scale simulators

- Gross profit margin remained stable for the division
- EBITDA substantially lower reflecting strong negative leverage on fixed costs

2H

Cinema

- Theaters globally re-opening June-August, prior focus on occupancy rates & cash replenishment
- **Replacement opportunity:** assuming prudent ramp up of theatres Q3-Q4; capital investment will trail
- **Expansion opportunity:** expected to start seeing recovery
- **Cinema Service** revenues expected to rebound

V&H

- **Events:** slow pick-up expected in Q4
- **ProAV**-segment showing more resilience and start recovery expected in line with easing of constraints
- **Simulation** expected to show steady performance

ENTERPRISE

Declines across all regions and in both segments but early signs of recovery during June

(in millions of euro)	1H20	Δ 1H19
Orders	114.5	-34.5%
Sales	112.9	-35.1%
EBITDA	**13.7**	**(21.8)**
% Sales *Change (ppts)*	12.1%	-8.3

	Corporate	Control Rooms
1H	▪ **ClickShare** showing softness as of mid-March and during the lockdown ; starting to see first recovery as of June, led by EMEA, mix CS Present & Conference ▪ Seeding the market with the newly launched **ClickShare Conference**; well received by first users & channel	▪ Resilient market (critical infrastructure/crisis management) but new projects in slow motion - but not stopped - Q2 stronger than Q1 ▪ Expanded value proposition (triple play and software) starts to show value-add and strengthens market position
	▪ Accelerating commercial efforts on **weConnect** (Virtual Class Room), demo-ing infrastructure globally and building funnel and steadily growing # of reference projects	
	▪ Gross profit margin stable for the division ▪ EBITDA margin down mainly due to volume loss ClickShare	

2H	▪ **ClickShare Present** expected to lead the rebound
	▪ **ClickShare Conference** expected to start show traction in early phase after restrictions ease up
	  ◦ Accessible market increases with video-conferencing breakthrough; unlocking to drive hybrid meeting room collaboration
	  ◦ Channel sees ClickShare products as early catch up opportunity
		▪ **Control Rooms** market opportunity confirmed and expected to translate in pick-up in line with market recovery
		▪ Making progress in maturing and commercializing software & networking solutions ; expanding coverage into critical infrastructure and operations

HEALTHCARE

Solid growth in topline H1 and strong profitability step-up

(in millions of euro)		1H20	Δ 1H19
Orders		142.9	11.9%
Sales		138.2	8.0%
EBITDA		**22.1**	**5.5**
% Sales	Change (ppts)	16.0%	3.0

	Diagnostic	Surgical
1H	▪ Strong growth in sales ∘ diagnostic OEMs stepping up capacity ∘ intensified demand for **radiology** (home-reading) solutions and **modality** solutions	▪ Solid order growth and expanding strategic partnerships ▪ Sales growth more modest in the first half with elective surgery postponed and deployments slower than anticipated
	▪ Demetra launched in Europe, FDA clearance granted, commercial launch US postponed to 2H20 ▪ Synergi (Remote collaboration solution for oncology) launched in test markets resulting in first projects	
	▪ Operating leverage on higher sales and strict discipline on opex, bring EBITDA margin to 16%, with continued investments in growth initiatives and "In China For China" program	
2H	▪ Expecting to see diagnostics evolve to regular growth trends, on stable diagnostics markets in North America and Europe ▪ Surgery: expecting to see uptake of growth in 2H20 on partial translation of 1H20 pushouts and strong order intake ▪ China to steadily deliver on growth investments ▪ Advancing collaboration with caresyntax® to solidifying surgery product & software propositions	

NAVIGATING 2020 & BEYOND

COVID-19 IMPACT | IMPACT GRID II – PROJECTION 3Q

Division/Segment	Assumed Impact **FY20**	Qualitative comments	*Assumed evolution 3Q-vs-2Q*
Entertainment	Material negative		~
Cinema	Material neg		~
Replacement	Material neg	Cinema's gradually coming out of lock-down but recovery likely slow until Q4;	~
New builds	Med neg	New builds to show some recovery as of 3Q	+
Service revenues	Med neg	Services to rebound as cinemas reopen	+
Venues & Hospitality	Med neg		+
Events	Material neg	Events business likely to remain slow in 2H20	~
ProAV (fixed install)	Med neg	ProAV expected to show steady recovery quarter-over-quarter	+
Simulation	Neutral	Simulation steady	~
Enterprise	Med neg		+
Corporate	Med neg	ClickShare Conference well positioned for hybrid operation with more videoconferencing; back-to-office trend likely to be helpful	+
Control Rooms	Med neg	Control Rooms largely depending on recession recovery	~
Healthcare	Positive		~
Diagnostic Imaging	Positive	Healthcare expected to sustain steady y-o-y growth	~
Surgical	Neutral		+

~ : 3Q in line with 2Q ; +: 3Q better vs 2Q

NAVIGATING 2020

Protecting business health while chasing recovery

Absorb the shock	Ensure business health	Recover, relaunch growth & strategic roadmap in a adjusted world
▪ Pro-actively leveraging lessons from China ▪ Focus on employee health & safety and business continuity ▪ Install new work methods ▪ First spending level down ▪ Stay connected with business partners and customers	▪ Adjust spending level and business activity to new market realities and opportunities ▪ Reconsider timetable selected R&D & investment projects ▪ Prep organization for new context	▪ Adjust timelines & expectations to market/economic outlook ▪ Pursue new strategic activities aligned to opportunities ▪ Leverage strength/reserves to strengthen market position

- Protecting business health to enable recovery when markets gradually resume activity
  - Containment actions remain in place for Q3
  - Timely & balanced management of activity rate aligned with expected market realities
  - Redeployments for growth areas where appropriate
- Planning 2021 budget with a cost base no higher than 2019 group level to deal with market reality/uncertainty

OUTLOOK

> *"With its **end market demand fundamentals intact** but delayed, solid orderbook, **strong balance sheet** and resilient business model, I am confident that Barco is capable of absorbing the business uncertainties ahead and remains well positioned for future profitable growth as economic activity gradually resumes."*

Quote CEO, Jan De Witte

- Outlook 2020
  - Since the pace of recovery in our markets (shape of recession, risk and impact of repeat lock-downs) remains uncertain, Barco will not reinstate guidance for 2020 at this time
  - Management expects that the second quarter will be the weakest quarter of the year and expects steady quarter-over-quarter improvement during the second half of the year albeit with different dynamics across the portfolio

- Preparing 2021
  - Based on management's current assessment of the quarterly progression for 2020, the company is planning to develop a 2021 budget with a cost base no higher than 2019 group level

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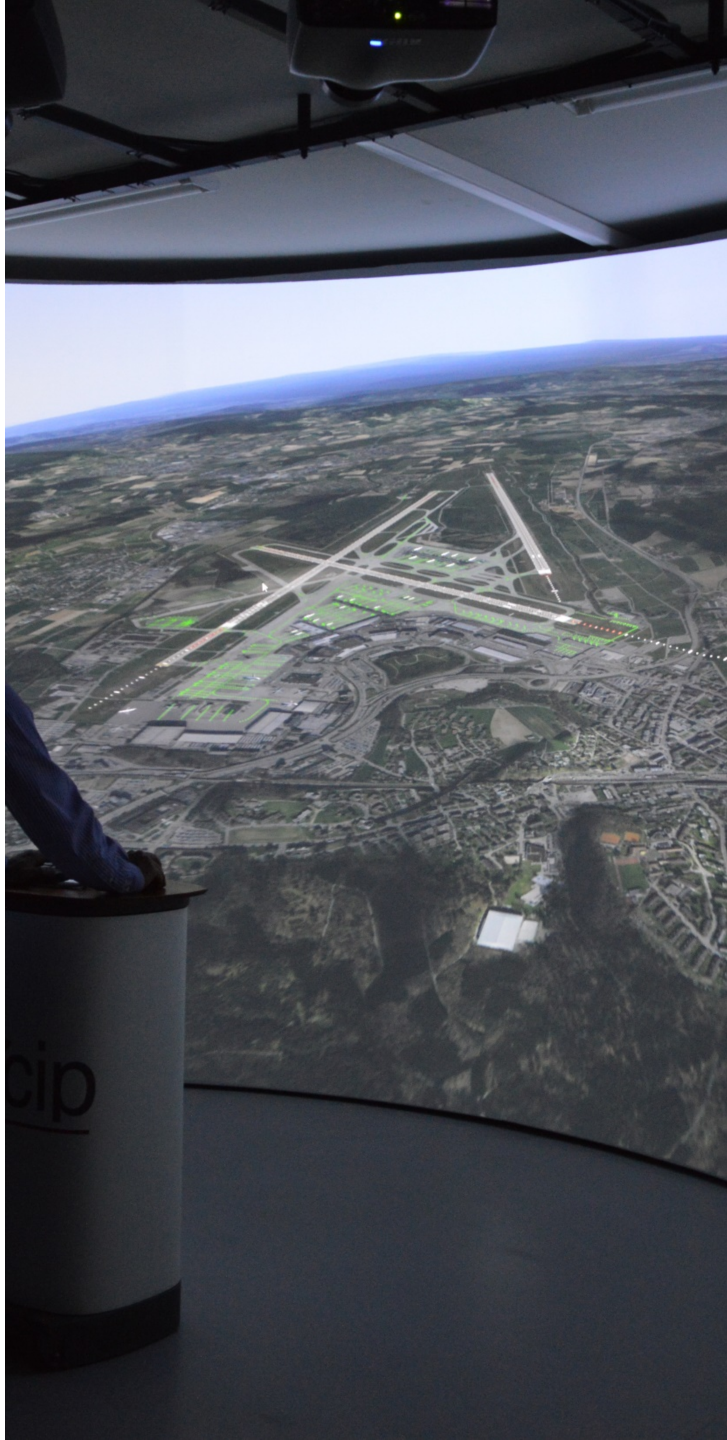
Q&A



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