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# Results 1Q20 & update on covid-19 impact

## Analyst & Investor call

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22 April 2020

# PRELIMINARY NOTES

## Safe harbor statement

This deliverable may contain forward-looking statements. Such statements reflect the current views of management regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Barco is providing the information as of this date and does not undertake any obligation to update any forward-looking statements contained in this deliverable in light of new information, future events or otherwise.

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## Glossary

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

## EXECUTIVE SUMMARY



### **1Q20 low single digit decline**

EMEA/AM moving into lock-down as of mid-March, China picking up again after weak Q1  
Healthcare strong, Entertainment still up in Q1, Enterprise facing weaker demand and push-outs



### **Navigating 2020, focus on employee wellbeing and business continuity**

Supply chain largely restored since early March, Barco remains “open for business” with factories active, measures in place to keep employees safe and healthy, aligning activity rate with demand and cost containment actions ongoing



### **Dividend confirmed, sharing a 1H20 outlook**

Longer term growth opportunities across segments remain intact with some delay in the short term ; dividend confirmed

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**1Q20 reflecting regional mix and different covid-19 trends per business segment**

# AGENDA

1. Look-back 1Q20
2. COVID-19
  - Current status @ Barco
  - Insights per business
  - Navigating through covid-19 times
3. Outlook
4. Q&A



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# LOOK-BACK 1Q20



## TRADING UPDATE | 1Q20

Covid-19 stalling growth to low single digit decline

(in millions of euro)	1Q20	Δ 1Q19
<b>ORDERS</b>	253.7	-5.7%
<b>SALES</b>	235.7	-2.9%
Entertainment	99.7	6.0%
Enterprise	67.2	-22.3%
Healthcare	68.8	10.7%

- Orders -5.7% decline
  - -7.2% @ constant currencies
- Order book
  - Flat yoy at € 342m (+0.2%)
  - ↑ € 20m vs YE19, up in all divisions
- Sales -2.9% decline
  - -4.5% @ constant currencies
- China started picking up in March ; EMEA/AM order and sales push outs (no cancellations) in last 2 weeks of Q1



# TRADING UPDATE | 1Q20

## Q1 revealing regional mix and different covid-19 trends

Division/Segment	Impact Category in Q1
<b>Entertainment</b>	<b>II</b>
<b>Cinema</b>	II
Cinema China	III
Replacement	II
New builds	II
Service revenues	N
<b>Venues &amp; Hospitality</b>	II
V&H China	III
Events	II
Pro AV (fixed install)	II
Simulation	N
<b>Enterprise</b>	<b>III</b>
Corporate (ClickShare)	II
Control Rooms	III
<b>Healthcare</b>	<b>I</b>
Diagnostic Imaging	I
Surgical	N

- **China** impacted the most in Q1 - Entertainment & Enterprise
- **Rest of world** only showing impact as of end of Q1 - Entertainment & Enterprise
- **Entertainment**
  - Good start of the year with replacement and expansion programs in cinema, first covid-impact by end of Q1
  - Expanded portfolio in V&H well received
- **Enterprise**
  - Slower Control Rooms performance vs strong comp base & project push-outs (oil & gas crisis impact and project delays)
  - ClickShare portfolio transition impacting growth, as anticipated
- **Healthcare** strong growth in orders and sales, rising demand for diagnostic imaging solutions

I	Positive impact
II	Medium negative impact
III	Material negative impact
N	Neutral



COVID-19

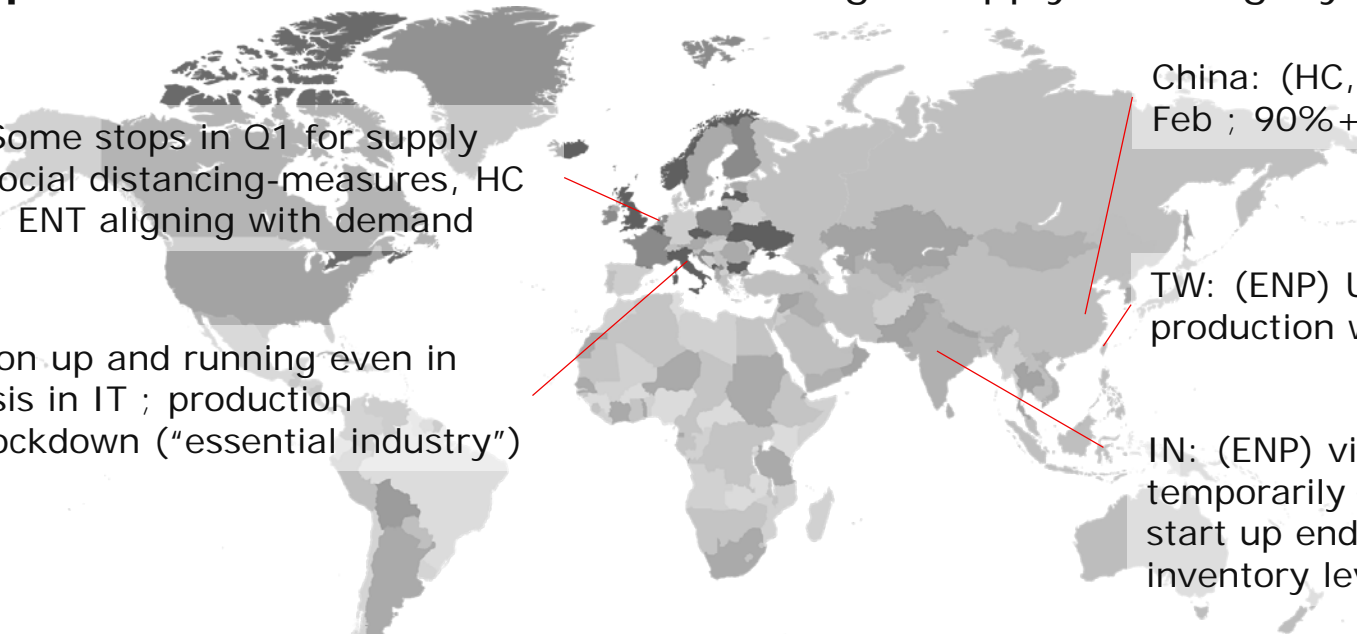




## COVID-19 | CURRENT STATUS IN BARCO

Pro-active approach, managing with focus on employee health & business continuity

- **Organization** - global picture
  - Global response team in place since January, tracking & steering country actions and communications
  - Limited impact on workforce ; strong focus on on-site sanitary & social distancing measures
  - Office operations: 80%+ of employees at telework since 2<sup>nd</sup> half of March ; China back in office since April
- Global **supply** of materials back to ~90% normal status since early March and dealing with transitionary logistics and production blips as lock-down decisions move across countries
- Factory **operations** : Overall solid manufacturing & supply chain agility and resilience



BE: (HC & ENT) Some stops in Q1 for supply gaps & prep for social distancing-measures, HC near full capacity, ENT aligning with demand

IT: (HC) Production up and running even in peak of covid-crisis in IT ; production exempted from lockdown ("essential industry")

China: (HC, ENT) Up & running since mid Feb ; 90%+ capacity

TW: (ENP) Up & running, aligning production with demand

IN: (ENP) videowall-RP cubes production temporarily closed (lockdown), expected to start up end of April/begin of May, inventory levels OK and shipments allowed

# COVID-19 IMPACT | PROJECTED MARKET DYNAMICS OVER 2020

## Entertainment

### Cinema

- Cinemas in lock-down globally ; theatres & studios collaborating on movie programming with major releases pushed out to 2H20 ; Market expects uptick in Q3-Q4 on **combi “safe experience + content + confidence”**
- Concerns around exhibitor cash issues starting to reside with different support programs (e.g. US)
- **China** theaters plan to re-open in May/June
- **Replacement opportunity** Western-Europe & North America theaters eyeing June/July restart, but assuming prudent ramp up Q3-Q4 given need for confidence building ; capital investment will trail
- **Expansion opportunity** (Global new builds with hotspots in Middle-East, India, Latam) will show push-outs with deployment delays but no cancellations (often part of larger 2020 deployment plan)
- **Cinema Service** revenues to show some impact during lockdown, to recover when business re-opens

### V&H

- **Events**-sector severely hit with event cancellations and push-outs globally over Q2 and Q3 ; slow pick-up expected after summer
- **ProAV**-segment (fixed installs for museums, theme parks, projection mapping indoor/outdoor) showing more resilience with lockdown delays but no cancellations ; equipment part of longer term investment plans ; start recovery expected within few months after easing of constraints ; early recovery signs in China in Mar/Apr
- **Simulation** (projectors for e.g. flight simulation) expected to show resilience with some projects shifts offset by stronger demand for real-scale simulators (pilot training hours)

# COVID-19 IMPACT | PROJECTED MARKET DYNAMICS OVER 2020

## Enterprise

### Corporate

- **ClickShare** showing softness during the lockdown, expecting to see recovery on the back of a strong value proposition when businesses start to unlock and get part of employees back to office
- **ClickShare Conference** expected to show traction in early phase after restrictions ease up
  - Accessible market increases with video-conferencing breakthrough
  - End users investing in laptops and peripherals (e.g. headsets) during lockdown to enable tele-work/ videoconferencing ; unlocking expected to result in hybrid operation (mix office/tele-work) with more video-conferencing and strong motivation to have all users (remote and office) engaged
  - Well received by first users & channel ; facilitator/upsell opportunity to video conference offerings
  - Channel sees ClickShare products as early catch up opportunity during un-locking
- Enabling remote collaboration with **weConnect** (Virtual Class Room), demo-ing infrastructure in Europe, N-A & Australia and supporting universities with urgent installs

### Control Rooms

- Resilient market (critical infrastructure/crisis management) but seeing project shifts in Q2/Q3 due in part by weaker demand from oil & gas industry customers compounded by covid-19 related project delays
- Expanded value proposition has shown value-add, now working to expand commercial coverage into critical infrastructure and operations

# COVID-19 IMPACT | PROJECTED MARKET DYNAMICS OVER 2020

## Healthcare

- Intensified demand for **diagnostic imaging** with diagnostic OEMs stepping up capacity, and demand for remote radiology solutions (e.g. home-reading radiology)
- Demand for **surgical solutions** remains solid with some push-out to 2H20, as hospitals turn operating rooms temporarily into ICU rooms
- Growth initiatives
  - Launch of Demetra in US postponed to 2H20
  - Remote collaboration solution Synergi™ (multi-disciplinary oncology collaboration) gaining interest

# COVID-19 IMPACT | PROJECTION OF IMPACT/BUSINESS SEGMENT OVER 2020

Division/Segment	Approx weight in Group/Division (2019) (Revenues)	Impact Category
<b>Entertainment</b>	42%	III
<b>Cinema</b>	58%	III
Replacement	less than a 1/3	III
New builds	more than 1/2	II
Service revenues	about 1/5	II
<b>Venues &amp; Hospitality</b>	42%	II
Events	more than a 3rd	III
Pro AV (fixed install)	about a third	II
Simulation	about 1/4	N
<b>Enterprise</b>	33%	II
<b>Corporate</b>	58%	II
<b>Control Rooms</b>	42%	II
<b>Healthcare</b>	25%	I
<b>Diagnostic Imaging</b>	73%	I
<b>Surgical</b>	27%	N

I	Positive impact
II	Medium negative impact
III	Material negative impact
N	Neutral



# COVID-19 ACTIONS | BARCO BUSINESS CONTINUITY PLAN

## I. Focus on health and safety of employees

- Continue to guarantee a safe working environment applying government guidelines and best practice behavioral rules
  - Sanitary & social distancing measures on-site / expanded home-work protocol and rotation / reconfigured production lay-out, people workflows & shifts / EHS desk on production floor / awareness & training

## II. Barco “remains open for business”

- Keeping operations running worldwide as much as possible and continue to manufacture, ship, deploy, support and service customers & partners
- Re-deployed to step up support to respond to urgent demand for diagnostic imaging solutions, virtual classroom solutions, ...
- Moving forward in lock-down context and preparing for next phase
  - Commercial teams remain in touch with customers ; supporting partners and funnel building
  - (Virtual) training and demo for customers and partners ; preparing post lockdown ramp capacity
- Governance & IR in 2Q: AGM in webcast-format, meeting investors via virtual conference, conf calls...

# COVID-19 ACTIONS | BARCO BUSINESS CONTINUITY PLAN

## III. Mitigating impact on profitability with early cost containment actions

- Aligning activity rate of our organization to the softening demand in some of our end markets
  - Hiring freeze non-critical **vacancies**, stopped non-essential **contractors/temps**
  - Temporary **internal re-deployments** from areas with reduced activity to peak areas
  - **Temporary unemployment mechanisms**
- Shifting investment pattern on selected longer term initiatives
  - Selected R&D projects, Marketing spend, IT
- Cutting or shifting **discretionary spending** (e.g. travel, marketing)

## IV. Managing cash, working capital and liquidity

- Strength of Balance Sheet provides optionality
- Managing working capital but ready to absorb temporary inventory increases and receivables



# OUTLOOK

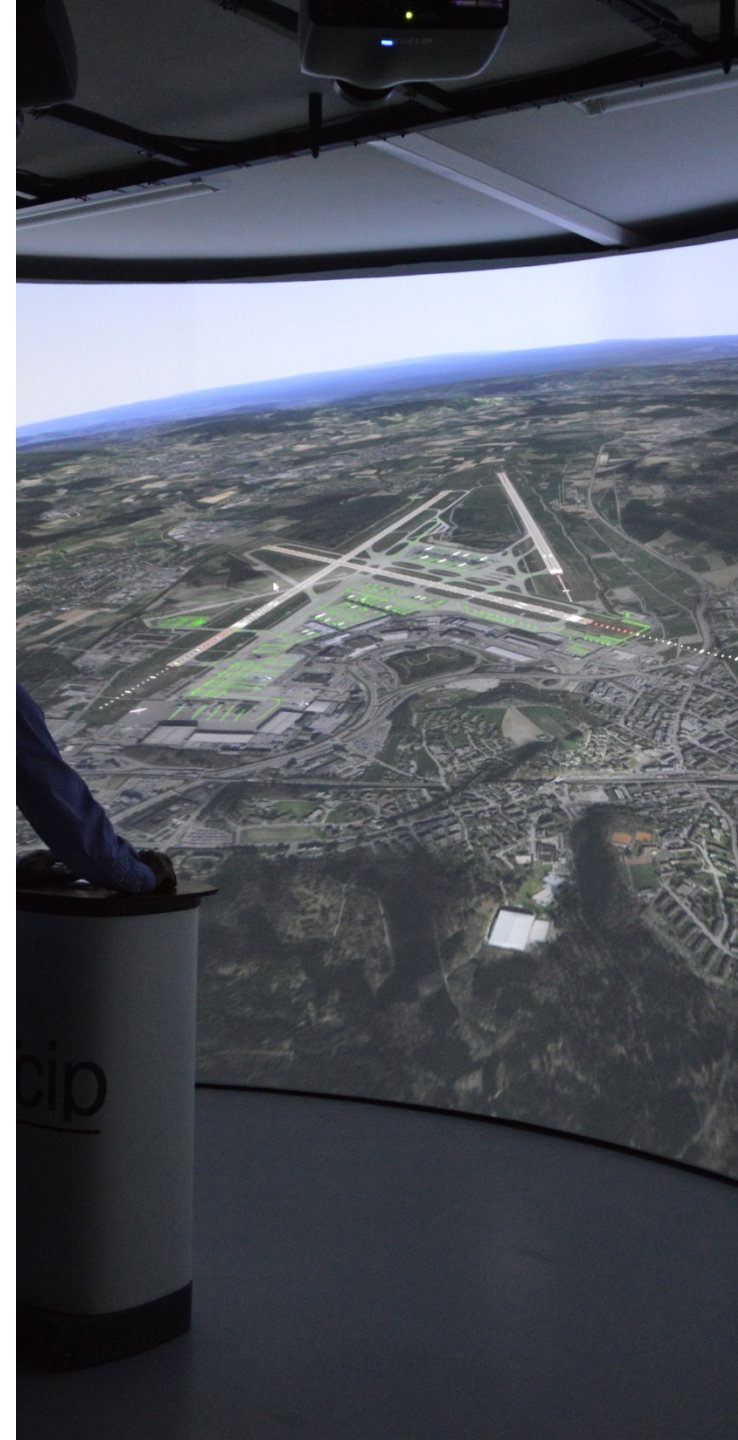


## OUTLOOK

- Barco's **balance sheet** is strong, and provides ample liquidity to support the business activities while sustaining also the dividend
  
- Outlook 2020
  - Barco believes it has reasonable visibility on the second quarter financial performance and expects the second quarter to be weaker than the first quarter resulting in a sales decline for the first half of approximately 10 to 15% versus last year
  
  - With unclarity both on the timing of government decisions to ease restrictions and on the economic impact on some of its markets, Barco's visibility for the year is limited. Therefore the company is withdrawing its full year outlook for 2020
  
  - Management intends to give a full year 2020 outlook when it reports first half results in July 2020

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Q&A





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**THANK YOU**






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