



# RESULTS 2017

**+20% EBITDA growth on flat sales  
reflecting tangible progress on 'focus to perform' initiatives**

# EXECUTIVE SUMMARY | 2017 RESULTS



## +20% EBITDA growth

Strong margin improvement accross divisions, driven by strong gross margin accretion and controlled spending



## Topline in line with 2016

Healthy growth in Enterprise & Healthcare offsetting softness in Entertainment (Cinema)



## Reflecting tangible progress on “focus to perform” initiatives

Making choices: revisiting underperforming or non strategic initiatives in Entertainment/Enterprise & optimizing manufacturing footprint

Value engineering



**RESULTS 2017**










**FOCUSED  
TO PERFORM**



# FINANCIAL HIGHLIGHTS 2017

EBITDA margin expansion on a flat topline, net earnings reflects focus decisions

<b>Orders</b>		vs. 2016
<b>€ 1,105.2m</b>		+2.2%
Sales	€ 1,084.7m	 -1.6%
Gross Profit Margin	37.3%	 +2.9ppts
<b>EBITDA</b>		
% of Sales	<b>9.9%</b>	 +1.9ppts
In euro	€ 107.1m	+19.1m
Free Cash Flow	€ 40.0m	 -17.5m
Net Income	€ 24.8m	 +13.8m
EPS	€ 2.01 / Share	 +1.10

- **Orders** ↑, keeping order book in line with last year
- **Sales** (excl impact Lighting) flat vs last year
  - ↑ 1% in constant currencies (CNY↓)
- **Profitability** ↑↑ with lowered dependency on topline growth
  - 10.5% in constant currencies
  - Margin accretion across all divisions
- **Free cash flow** down yoy, impact of Cinema advances
  - Net working capital staying strong at -3.8% of sales
- Improved **net income** yoy
  - After restructuring and impairments (€ 32.4m), mainly non-cash costs
  - After minority interest Cinema JV in China (€ 8m)

# FINANCIALS PER SEMESTER

Stepped up EBITDA-performance in 2H

(in millions of euro)

	First Half		Second Half		Full Year	
	2017	Δ 2016	2017	Δ 2016	2017	Δ 2016
Orders	561.9	5.4%	543.3	-0.9%	1,105.2	2.2%
Sales	518.0	-2.1%	566.7	-1.1%	1,084.7	-1.6%
<b>Gross Profit</b>	<b>198.4</b>		<b>205.7</b>		<b>404.2</b>	
% Sales	38.3%	2.4	36.3%	3.4	37.3%	2.9
Indirect Expenses	(165.5)	7.3%	(161.7)	-4.0%	(327.2)	1.4%
<b>EBITDA</b>	<b>48.2</b>	<b>(1.3)</b>	<b>59.0</b>	<b>20.4</b>	<b>107.1</b>	<b>19.1</b>
% Sales	9.3%	0.0	10.4%	3.7	9.9%	1.9

- 2H reported sales slightly down yoy
  - +3.1% growth in constant currency & excl Lighting
- 2H gross profit margin improvement +3.4ppts yoy
  - Accretion in all divisions
  - Mix effect and value engineering
- Indirect expenses contained in 2H, -4% yoy
- Resulting in EBITDA margin of 10.4%

# ORDERS & SALES

Solid Americas and EMEA momentum balanced expected China Cinema slowdown and FX

## AMERICAS



## EMEA



## ASIA PACIFIC



2017 (Sales)

**36%**

**32%**

**32%**

Change vs 2016

**Sales (-1.6%)**

~

-1%

-3%

Change vs 2016

**Orders (+2.2%)**

+8%

+1%

-2%

### Entertainment

- ⚡: Cinema bottoming out and impact of lighting, partially offset by V&H with new product launches

- ↓: driven by Cinema

- ↓: anticipated slow down Cinema China with other regions up; V&H up across APAC

### Enterprise

- Enterprise ↑↑: broadened ClickShare portfolio and strong in Control Rooms

- Enterprise ↑: strong ClickShare sales, expanding channels and soft Control rooms

- Enterprise ⇄: pick-up of ClickShare offsets softer performance in Control Rooms

### Healthcare

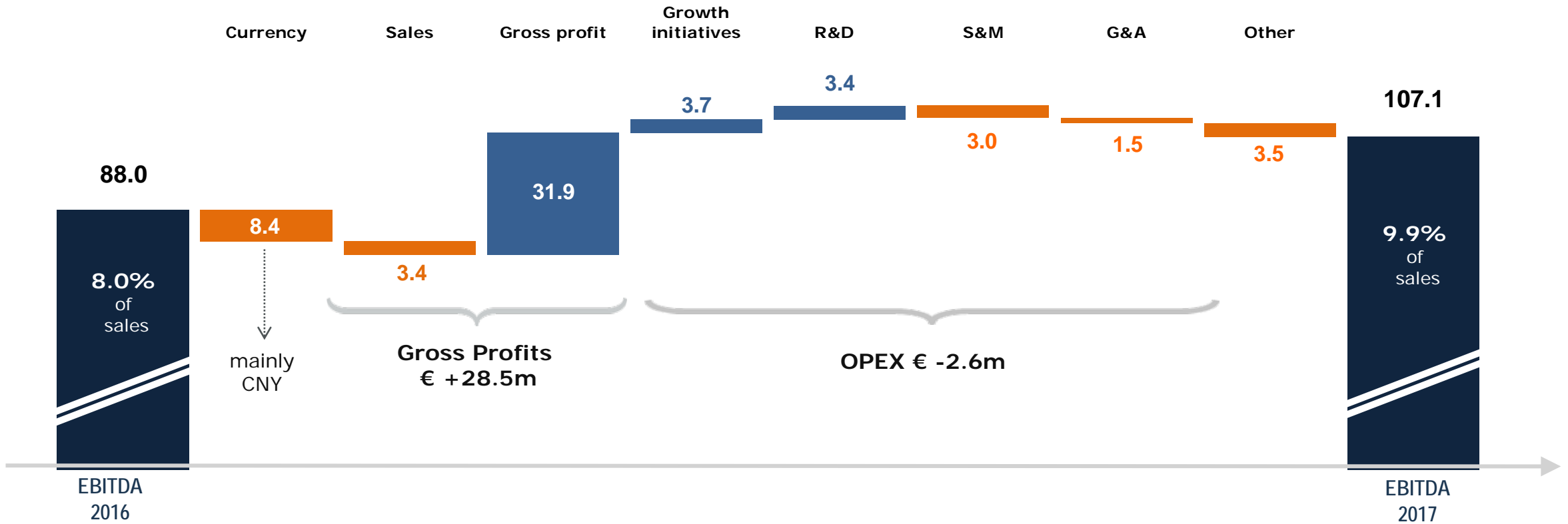
- Healthcare ↑↑: winning market share in Diagnostics

- Healthcare ↑: with Diagnostics and supported by growth in Surgical

- Healthcare ↑: gaining share in both Modality & Diagnostic

# BALANCED EXECUTION DELIVERING SOLID PROFIT GROWTH

Profitability up € +19m, lowered dependency on topline growth



OPEX INVESTMENTS CONTAINED VS GROSS PROFIT GROWTH

# NET INCOME

'Focus to perform' decisions impacting reported net income

(in millions of euro)

	2017	2016	Δ 2016
<b>EBITDA</b>	<b>107.1</b>	<b>88.0</b>	<b>19.1</b>
% Sales	9.9%	8.0%	1.9
Change (ppts)			
Depreciations & amortizations (excl development)	(33.9)	(28.6)	
Change in accounting treatment development	-	(22.9)	
Non recurring income (sale building)	-	6.9	
Restructuring & impairments	(32.4)	(12.9)	
<b>EBIT</b>	<b>40.8</b>	<b>30.5</b>	<b>10.3</b>
Interest and taxes	(9.3)	(5.1)	
Share in the result of joint ventures & associates	1.3	0.3	
Non-controlling interest	(8.0)	(14.7)	
<b>Net income</b>	<b>24.8</b>	<b>11.0</b>	<b>13.8</b>
Earning per Share	2.01	0.91	1.10

- Improved operating results: EBITDA margin @ 9.9% (+ 1.9ppts)
- D&A higher driven by depreciations on OneCampus & OnePlatform & amortizations related to MTT & Medialon acquisitions
- Focus actions due to pivot decisions in Enterprise (X20) and Entertainment (Escape, Sound for cinema, Norway move), resulting in higher non-recurring restructuring & impairments (primarily non-cash impacts)
- Effective tax rate at 26.5% vs 20% in FY16, effect of tax reforms US/BE (non-recurring) → adjusted tax rate 16% in FY17
- Lower non-controlling interest on lower results in Cinema JV in China, after peak year in 2016



## CASH FLOW & BALANCE SHEET

Continued ROCE improvement & healthy balance sheet

- ROCE @ 19%, ↑ 4ppts vs last year
  
- Free cash flow of € 40.0m
  - Continued solid gross operating cash flow
  - 2H cash flow of € 73.5m, mainly driven by specific actions on accounts receivable
  
- Net working capital staying strong at -3.8% of sales, ↓ 1.3ppts vs FY16
  - ↓ 1.3ppts vs FY16 due to lower DPO (58 days, -5 days) and lower advances on contracts (linked to lower topline Cinema)
  - DSO @ 55 days and inventory turns @ 3.6, both ↔ vs last year
  
- Net cash, excl cash in China JV, at € 210.7m per year-end 2017, ↑ € 24m yoy
  - Cash inflows from FCF and divestments
  - Cash outflows from dividend payments



## DIVISIONAL UPDATE



FOCUSED  
TO PERFORM



# ENTERTAINMENT

## Results YE17

(in millions of euro)

	Full Year	
	2017	Δ 2016
Orders	535.7	-6.8%
Sales	533.3	-7.7%
<b>EBITDA</b>	<b>38.9</b>	
% Sales	7.3%	2.0
Change (ppts)		

### Market

- **Cinema** in transition as anticipated
  - China ↓ but still solid ; US ↓; other regions such as APAC (non China), LATAM ↑
  - Market converting to laser based technologies
  - Replacement programs expected to come as of late 2018 and 19 as well as upgrades to premium cinema
- **ProAv/Events** market on single digit growth path and expected to convert fast to new laser-based technology

### Orders & Sales

- **Cinema** decreasing in China but opportunity remains solid, mature markets slowing down ; APAC ↑↑ & Latam ↑
- **ProAv/Events** strong with renewed product portfolio (UDX & F-series)

### Profitability

- **EBITDA% + 2ppts**
- **Gross profit margin increases & lower OPEX** helped by 'focus to perform' decisions

### Business update

- Maintaining market share in Cinema with (smart) **laser portfolio** quickly gaining traction: +1/3 of total cinema projector volume shipped in 2017 & reached the 100+ all laser multiplexes
- Creating dedicated commercialization channel with **new cinema JV** to tap into renewal and premium opportunity; kick-off in 2018
- ↗ ProAv/Events market share driven by UDX & F-series + image processing solutions; channels picking up
- **'Focus to perform'** decisions:
  - Decision to discontinue Escape as both search for strategic partnership + content creation stream did not yield satisfactory outcomes
  - Decision to relocate manufacturing Fredrikstad (NO) to Belgium

# ENTERPRISE

## Results YE17

(in millions of euro)

	Full Year	
	2017	Δ 2016
Orders	323.9	11.6%
Sales	308.2	6.4%
<b>EBITDA</b>	<b>40.7</b>	
% Sales	Change (ppts)	13.2%
		1.8

### 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)...; opportunity ↓
  - China ... foreign LCD-suppliers displaced by local manufacturers; EMEA & APAC –, US recovering
- Investment weakness in key markets such as Oil & Gas & emerging regions

### Orders & Sales

- **Corporate** continues dd growth track across all regions ... gearing up GTM ... Good for 57% of divisional sales
- **Control Rooms** ↓ in 2H17 vs 2H16 ... reflecting investment softness and rear projection opportunity narrowing

### Profitability

- **EBITDA% +1.8 ppts**
- **Corporate** continued strong performance... driven by topline evolution while improving gross profit margins
- **Control Rooms** still negative driven by sales declines and investments related to new product launch

### Business update

- Market leadership wireless presentation confirmed: +350.000 meeting rooms equipped with ClickShare
- ClickShare-range expanded with CSE-800 ... adding key distributors for US & APAC ... extending ecosystem play with Logitech
- **New LCD-product launch** meets with positive feedback, landing first orders in all regions ... ramp up of delivery capability will be key
- **In country for country**: China for Control Rooms: CEC partnership further developed, building sales capability
- **Focus to perform** decisions: Silex divested and X2O under strategic consideration

# HEALTHCARE

## Results YE17

(in millions of euro)

	Full Year	
	2017	Δ 2016
Orders	245.8	13.7%
Sales	243.3	3.7%
<b>EBITDA</b>	<b>27.5</b>	
% Sales	Change (ppts)	11.3% 0.8

### Market

- **Diagnostics and Surgical** ↑ across all regions, ↓ for modality ...
- North America - mixed trends - pressure on large integrators while new players coming in ... ↑ trends in China. Barco remains small player, key to develop local capabilities
- **Consolidation** ongoing and competition moving out of the market
- **Digital OR** play increasing role in mature markets with more competitors coming in

### Orders & Sales

- Strong demand in diagnostic; Barco capturing share with key wins in US and APAC
- **Modality slower** in 2H sales driven by US and slowness in new programs
- Mixed outcomes in **Surgical**: Flat in shipments (partners scaling slow) but promising order intake with new partners onboarding

### Profitability

- **EBITDA% +0.6ppts**
- Stronger gross profit margin yoy (mix and value engineering) while investing in R&D and GTM

### Business update

- Market leadership in DI reflecting in stronger runrates for the 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 building local Chinese production



**DIVIDEND  
EXEC FOCUS & OUTLOOK**



**FOCUSED  
TO PERFORM**



## DIVIDEND 2017

*“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 1.90 euro to **2.10 euro per share** to be paid out in 2018.”*

## EXECUTIVE FOCUS 2018

**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

- Expand channels for Clickshare and Unisee
- Build out ICFC footprint for Healthcare in China
- Build new cinema JV to tap into renewal and premium opportunity

### CONTINUE FOCUS ON OPERATIONAL & COMMERCIAL EXCELLENCE

- Sustain opex control and agility on investments and re-deployments
- Sustain initiatives: value engineering, manufacturing efficiency, ThinkSales, working capital
- Increase focus on services execution

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



## OUTLOOK

*“While our performance in 2017 demonstrates that we are moving in the right direction, we are not finished improving our profitability and execution efficiency. Therefore, in 2018, we remain focused on advancing our strategic initiatives in order to deliver another year of EBITDA growth.”*

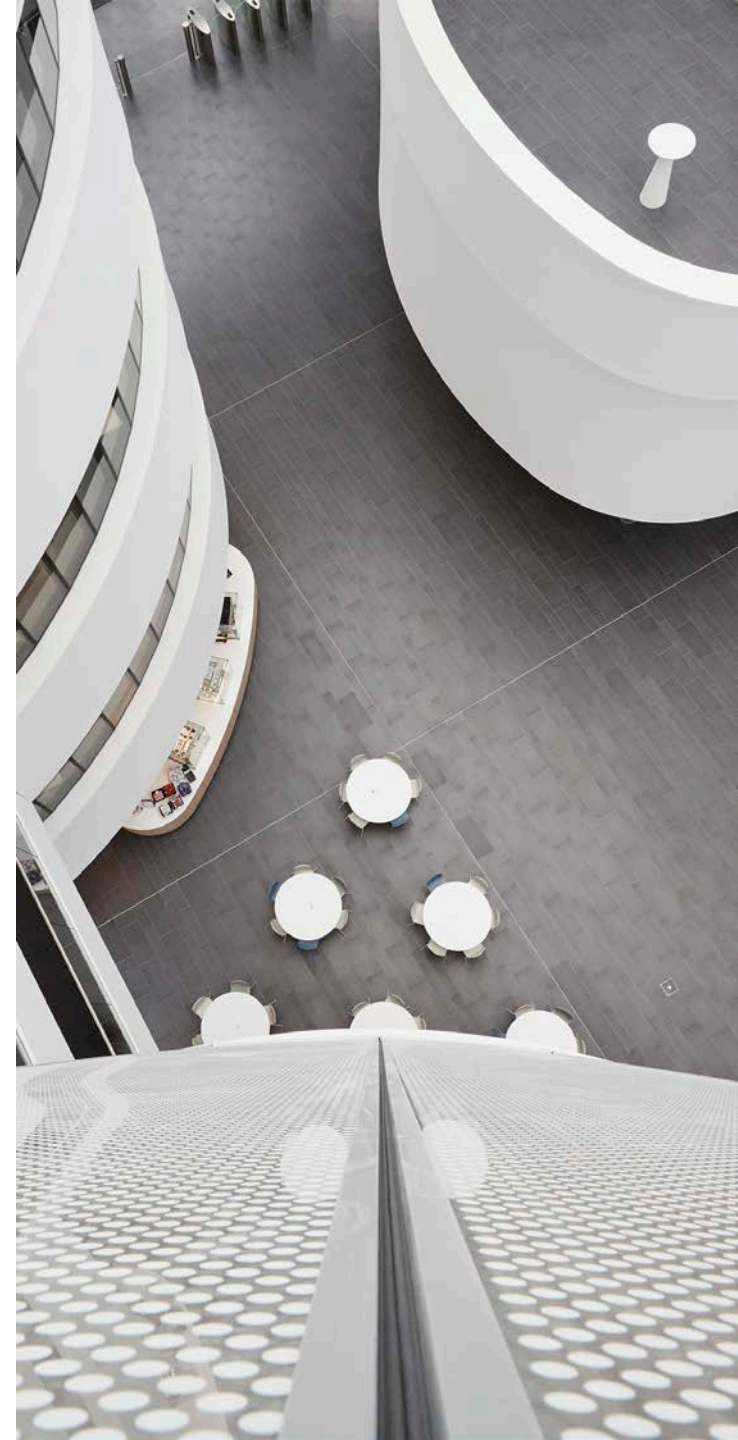
Quote of the CEO, Jan De Witte

- Assuming a stable economic environment and currencies at current levels, management expects to generate **further margin improvement** on **flat sales** for 2018 compared to 2017
- Management’s full year outlook on sales anticipates unfavorable currency comparison for the first half offset by stronger sales on a comparable currency basis in the second half of the year.

Note: Management’s guidance for 2018 excludes the impact of the new ownership structure of the BarcoCFG joint venture and the new strategic cinema joint venture since the timing of these planned transactions is not certain at this time.

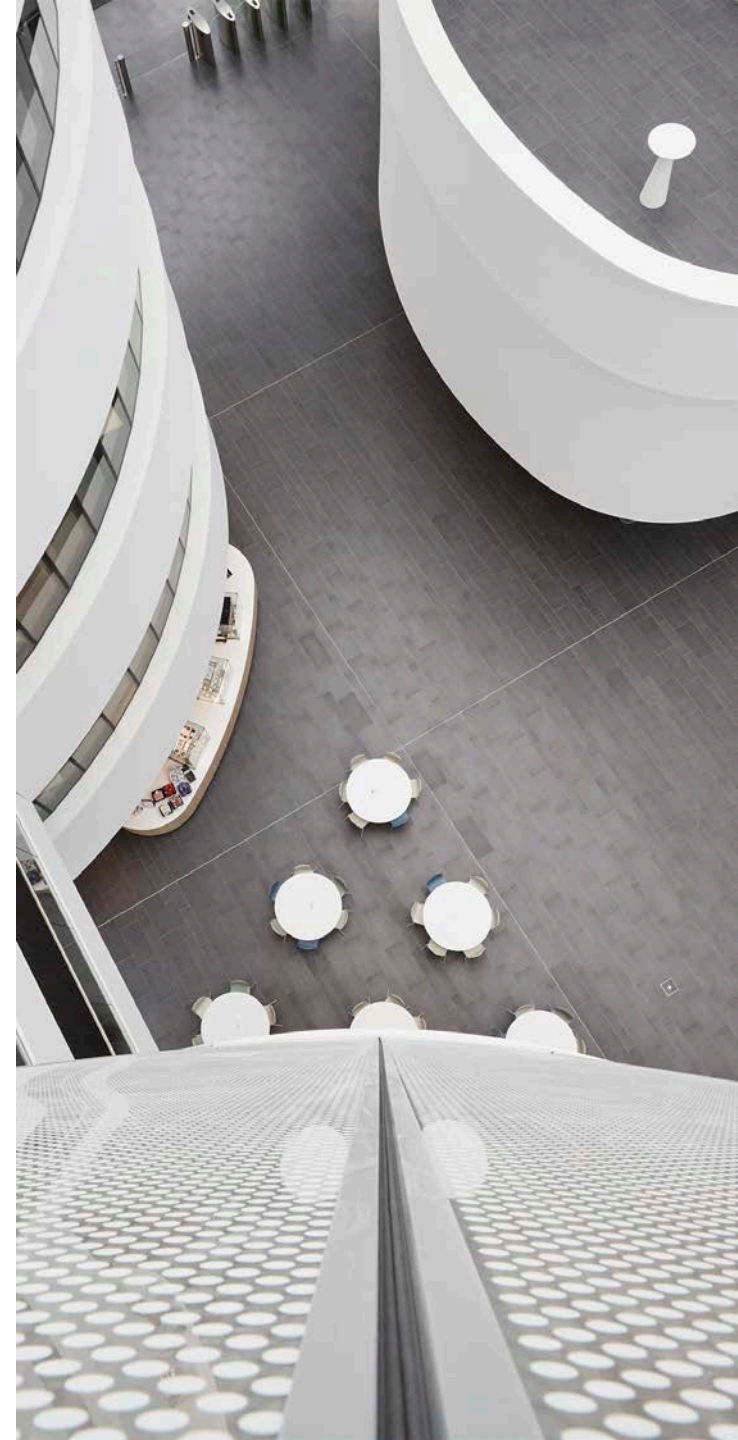
**BARCO**

**Q&A**





**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)