SANDVIK TO ACQUIRE SOFTWARE COMPANY CGTECH

20 OCTOBER 2020
The SMS vision is to become the world leading solutions provider to the wider component manufacturing industry.
THE MANUFACTURING VALUE CHAIN
MACHINE-SHOP WORKFLOW

1. COMPONENT DESIGN
2. PRODUCTION PREPARATION
3. MACHINING
4. VERIFICATION
Select manufacturing process sequence

Computer Aided Manufacturing “CAM” programming

Simulate, verify and optimize post-processed NC-code

PRODUCTION PREPARATION - KEY DECISION AREA

PRODUCTION PREPARATION

MACHINING

VERIFICATION

COMPONENT DESIGN
- Simulation of the machining process with a digital twin.
- Verification that the process has been designed to specification.
- Optimization of machining strategy improving time and cost.
CGTECH AT A GLANCE

COMPANY PROFILE

Established: 1988
Offices: US (HQ), 11 additional countries
CEO: Jon Prune
Revenue: 49MUSD 2019A
Employees: ~180
Customers: Americas (44%), Europe (32%), Asia (23%)

OVERVIEW

• CGTech is an Irvine, California based provider of NC code simulation, verification, optimization and programming software.

• Founded in 1988 by owner and CEO Jon Prune with ~180 employees out of which 36 are in R&D.

• Products are CAM, machine tool, and cutting tool neutral and work stand alone or in conjunction with all major CAM suppliers.

• All industry segments are served including a large presence in Aerospace.

• Modular pricing strategy with a maintenance recurring revenue component accounting for 51% of sales.

MAIN CUSTOMER VERTICALS

• Aerospace & defense
• Automotive and transportation
• Machinery and tooling
• Mold and die

WORLDWIDE PRESENCE

USA
RUS
UK
FR
GB
IT
IN
CN
SK
JP
BR
ID
DK
# CGTECH PRODUCT OVERVIEW

## SOFTWARE

Since 1988 CGTech’s product VERICUT®, has become the industry standard for simulating CNC machining in order to detect errors, potential collisions, or areas of inefficiency.

## VALUE PROPOSITION

- Eliminates the process of manually proving-out NC programs.
- Reduces scrap loss and rework.
- Optimizes NC programs in order to both save time and produce higher quality results.
- Simulates all types of CNC machine tools, including those from leading manufacturers and runs standalone or integrated with all leading CAM systems.

### Vericut: CNC simulation, verification and optimization software.
- Various modules designed for different manufacturing processes (e.g., additive, drilling, etc.) and materials.
- Software is sold as perpetual license.

### Maintenance: provide existing customers with technical support, upgrades, etc.
- Training and other services (e.g., implementation, modelling, customization, etc.)
- Services are sold as annual maintenance contract or one-off purchase.
CGTECH – A PERFECT STRATEGIC FIT

01 Leading player in closely adjacent market to core

02 Premium offering with strong brand name and consumer regard.

03 Platform to provide machining strategies.

04 Healthy profitability and source of reoccurring revenue.

05 Opportunity for digital twin leadership in diverse applications.

CGTECH IS AN ADVANCE AND WELL-POSITIONED PLAYER IN THE STRATEGICALLY IMPORTANT PRODUCTION PREPARATION STEP WITHIN THE MANUFACTURING VALUE CHAIN
 TRANSACTION OVERVIEW & FINANCIAL IMPACT
TRANSACTION OVERVIEW

TRANSACTION CONSIDERATIONS

- **Enterprise value**: not disclosed
- **Sellers**: Jon Prune
- **Estimated closing**: expect to close the transaction Q4 2020, subject to customary regulatory approvals

FINANCIAL IMPACT

- **Financial profile**: slightly margin dilutive to Sandvik Manufacturing and Machining Solutions
- **EPS impact**: neutral to EPS including PPA amortization
- **Funding**: Cash deal
- **Group gearing** today is 0.05 and **net debt/EBITDA** is not measurable. The deal will have an impact on the debt KPI:s, but very limited and not impacting credit rating KPI:s in a substantial way.
SUMMARY
A STRATEGIC ACQUISITION IN THE IMPORTANT PRODUCTION PREPARATION STEP

Strong strategic fit

Healthy long-term growth prospects

Another step towards digital manufacturing