

SANDVIK MACHINING SOLUTIONS TO ACQUIRE SOFTWARE COMPANY METROLOGIC GROUP



27 APRIL 2018



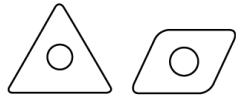
INTRODUCTION



CAPITAL MARKETS DAY, NOVEMBER 2017

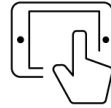
From a world leading player in the “niche” industry of metal cutting, to a leading solutions provider to the wider manufacturing industry delivering accelerated growth with maintained high profitability and returns

SANDVIK MACHINING SOLUTIONS STRATEGY FOCUSED ON GROWTH AND DIGITAL MANUFACTURING



01

Protect and strengthen
Sandvik Machining
Solutions' core business
and grow in niches



02

Develop and expand
digital offering



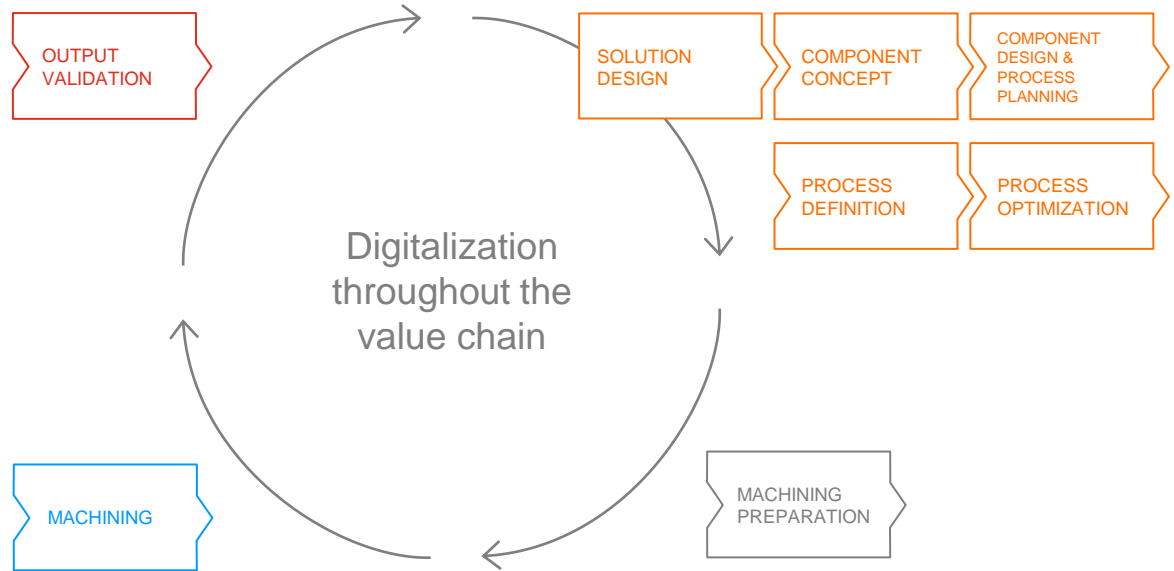
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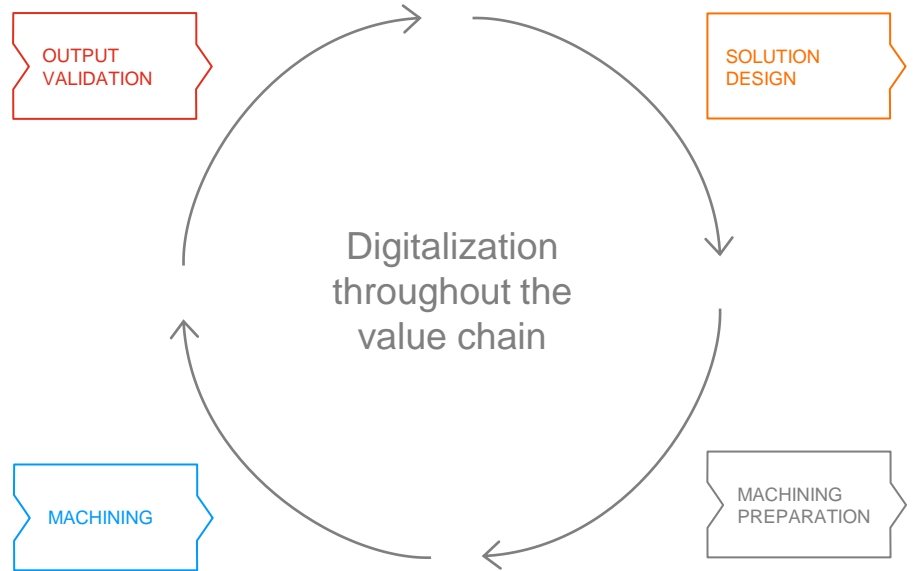
Adjacent growth



Broadening Sandvik Machining Solutions' offer in
digital manufacturing

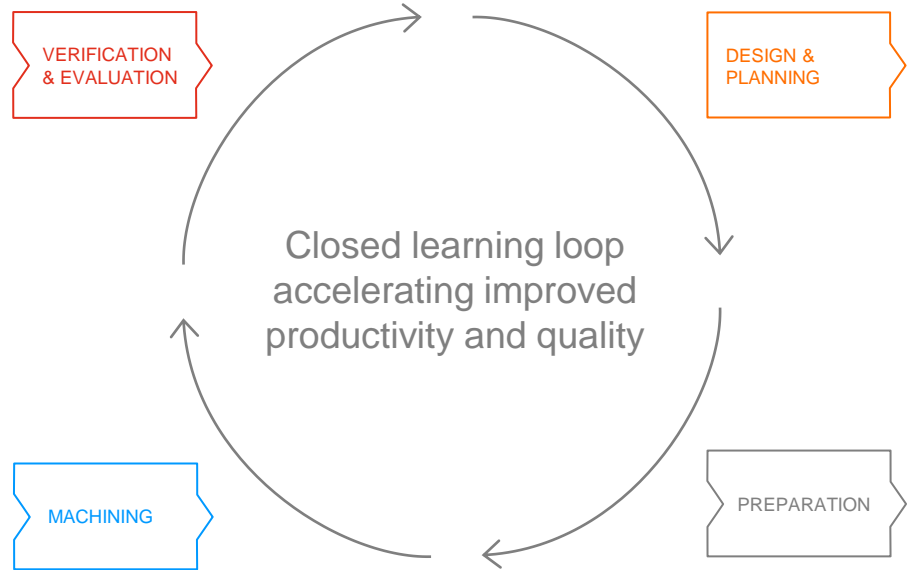






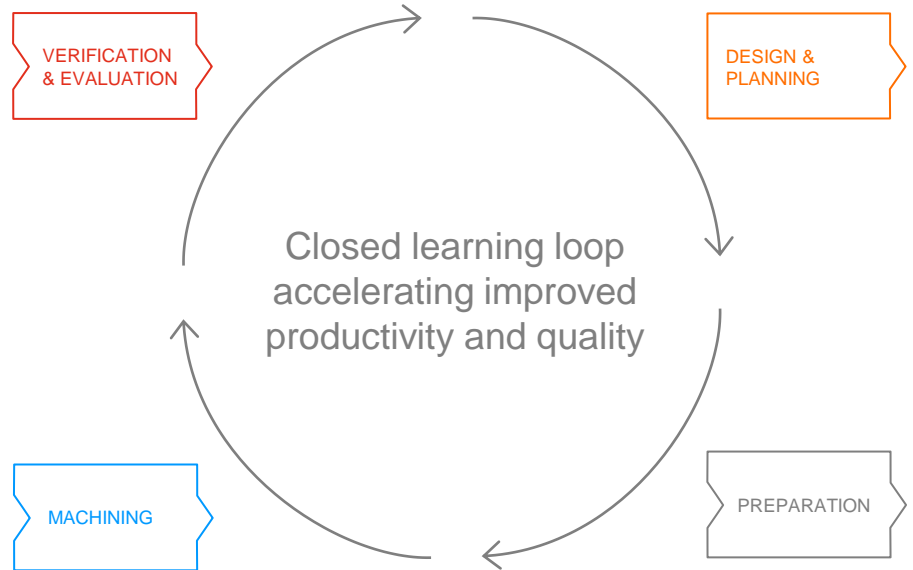
SANDVIK MACHINING SOLUTIONS DIGITAL STRATEGY:

BUILDING A SEAMLESS
DIGITAL THREAD FOR
MANUFACTURING



THE FIRST STEP ON A TRANSFORMATIVE JOURNEY

- Manufacturing companies are demanding in-line metrology; instant feedback on quality, to reduce scrap and allow for in-line adjustments
- Integration of **MACHINING** and **VERIFICATION & EVALUATION** is a key enabler for
 - in-line metrology
 - continuous improvements
 - an integrated manufacturing chain
- Combining Sandvik Machining Solutions and Metrologic would be a first decisive step to take the lead in this development

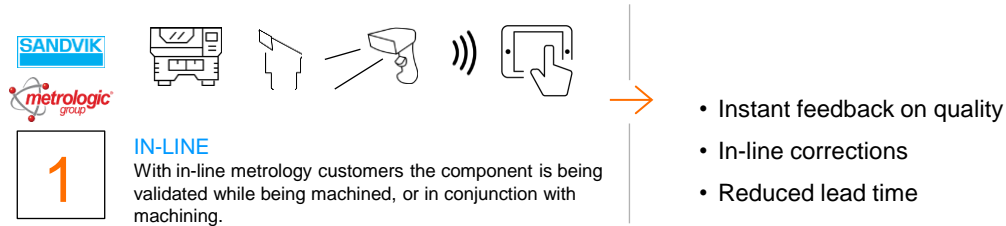


METROLOGY IS MOVING FROM THE MEASUREMENT ROOMS INTO THE MACHINES

TRADITIONAL MANUFACTURING



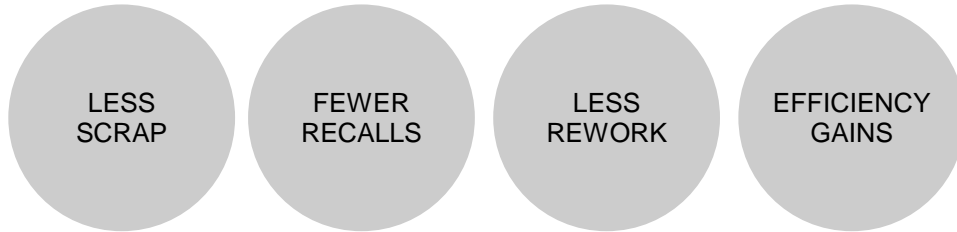
IN-LINE METROLOGY



INTEGRATION OF MACHINING & VERIFICATION

NUMEROUS CUSTOMER BENEFITS FROM INTEGRATING METROLOGY WITH SANDVIK MACHINING SOLUTIONS' CORE BUSINESS

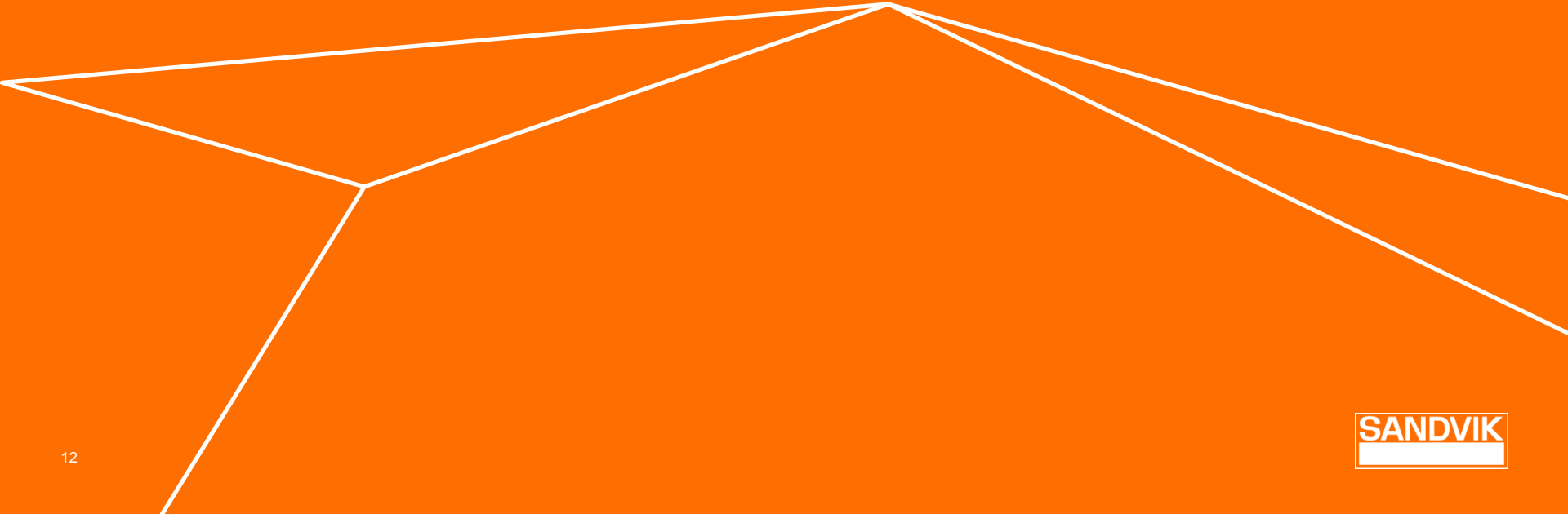
Four direct customer benefit areas



Numerous indirect customer benefit areas

- Reduced leadtime
- Quality overhead costs
- Time to produce reports
- Complaint Management
- Extra inspection

METROLOGIC GROUP



METROLOGIC GROUP AT A GLANCE

COMPANY PROFILE

Established:	1980
Offices:	France (HQ), USA, Germany, Italy, Brazil, China
CEO	Bertrand Gili
Revenue:	c. €43M ¹ , EBITDA margin accretive to Sandvik Machining Solutions
Employees:	160
Customers²	Europe (54%), US (36%), RoW (9%)

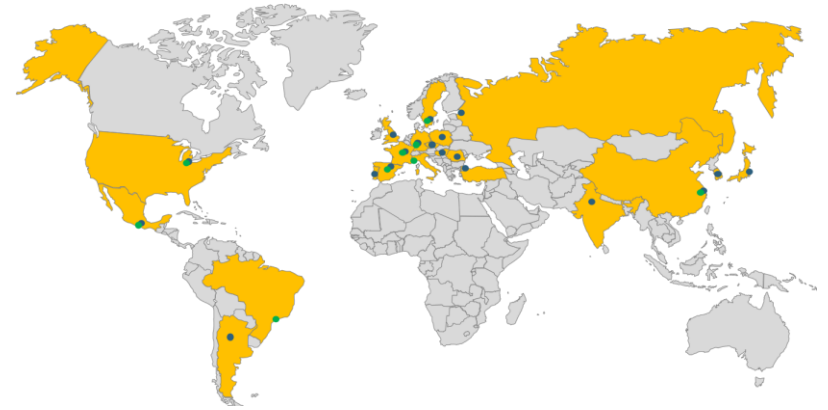
OVERVIEW

- Metrologic is a leader in agnostic metrology software, offering software for metrology, automation and robotics control
- Well positioned in key manufacturing trends with promising product roadmap
- iRobot recently released, a new universal solution that enables users to control a robot and a measuring device simultaneously
- Growth opportunities thanks to growing metrology segment as well as new product offerings
- Metrologic operates through the local offices in France, Germany, Italy, China, Brazil and the US

CUSTOMER SEGMENTS

- Automotive
- Aerospace
- Construction & Agriculture
- Medical
- Transportation
- Engineering
- Energy
- Metalworking
- Education & Research

WORLDWIDE PRESENCE






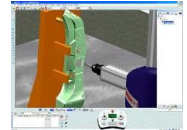
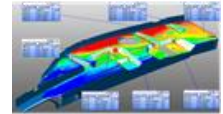
1. September YE, 2017
2. Revenue



METROLOGIC PRODUCT OVERVIEW

THREE MAIN SOFTWARE PRODUCTS

	SOFTWARE	VALUE PROPOSITION
	ONLINE Measuring machine/device connection, steering, measuring, live data acquisition, analysis, reporting	<ul style="list-style-type: none">• Agnostic: all brands of hardware, all kind of metrology machines and devices• Reduces complexity and simplifies cross-site comparison• Shortened set up times, increased process speed• Large data sets, e.g. CAD, point cloud, big data
	OFFLINE Programming, planning, simulation, optimization	<ul style="list-style-type: none">• Hardware independent programming and simulation• 550 virtual machines available• Complete virtual probe library
	INLINE / INMACHINE Software to manage complex robot assisted measuring	<ul style="list-style-type: none">• All types of robots and brands• All types of measuring devices• Significant reduction of complexity and preparation time



AGNOSTIC METROLOGY SOFTWARE

TRADITIONAL CUSTOMER SETUP



AGNOSTIC SW CUSTOMER SETUP



RATIONALE



METROLOGIC – A PERFECT STRATEGIC FIT

01

Premium player with strong brand name and high customer loyalty

02

Leader in agnostic metrology software

03

Strong customer overlap with broad customer base in Automotive and Aerospace

04

Key competence in integration and connection of shop floor systems

05

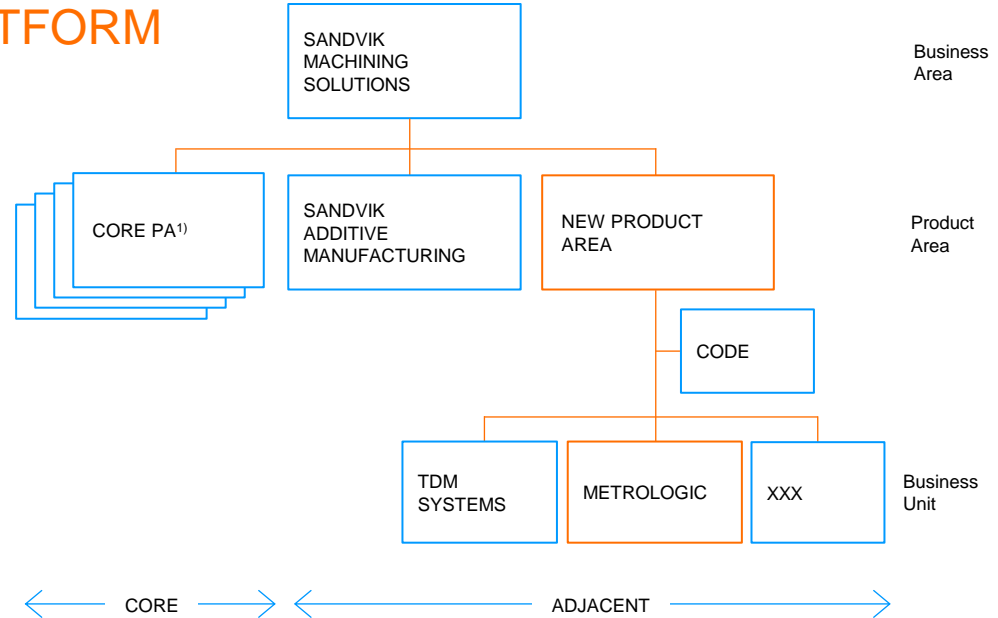
Strong software development resources and capabilities

COMPLEMENTARY TO SANDVIK MACHINING SOLUTIONS' CORE OFFERING,
ENABLER TO REACH OUR LONG TERM VISION IN DIGITAL

NEW PRODUCT AREA WITHIN SANDVIK MACHINING SOLUTIONS

BUILDING A DIGITAL GROWTH PLATFORM

- Executing Sandvik Machining Solutions digital strategy and decentralization by building a leading and integrated portfolio of brands & solutions
- New PA – main mission: portfolio development and management. Driving growth organically and through M&A
- String of pearls strategy – acquired brands kept and developed, supported by strong Center of Digital Excellence (CODE)



BALANCING SANDVIK MACHINING SOLUTIONS INTEGRATION WITH STRONG INDEPENDENCE

SEVERAL VALUE CREATION DRIVERS CONTINGENT ON INTEGRATION WITH SANDVIK MACHINING SOLUTIONS

- Leverage productivity centers for lead generation and to showcase solutions
- Leverage Sandvik Machining Solutions key account sales force for lead generation
- Develop integrated Sandvik Machining Solutions / Metrologic offerings, leveraging resources and technology within new product area

HOWEVER, NEED TO KEEP METROLOGIC AUTONOMOUS TO PROTECT CORE BUSINESS

- Continue to develop high quality software
- Continue high customer involvement to drive satisfaction
- Ensure agnostic position towards OEMs

TRANSACTION OVERVIEW & FINANCIAL IMPACT



TRANSACTION OVERVIEW

TRANSACTION CONSIDERATIONS

- **Enterprise value:** 360 MEUR
 - **Sellers:** Astorg V FPCI
 - **Funding:** cash deal
 - **Estimated closing:** expect to close the transaction in mid 2018, following works council consultation and subject to customary regulatory approvals
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FINANCIAL BENEFITS

- **Synergies:** revenue synergies by leveraging Sandvik Machining Solutions customer base, sales force and productivity centers
 - **Financial profile:** margin accretive to Sandvik Machining Solutions
 - **EPS impact:** neutral to slightly accretive to EPS in Year 1
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FINANCIAL IMPACT ON GROUP

01. IMPACT ON GROUP'S P&L

- EPS – neutral to slightly accretive
- MARGIN – slightly accretive
- ROCE – slightly negative

02. IMPACT ON KEY METRICS

- NET GEARING – limited impact
- NET DEBT/EBITDA – limited impact

SANDVIK GROUP (SEKM)

	Q1 2018 AS REPORTED	Q1 2018 PROFORMA
NET DEBT	14,690	18,391

GROUP METRICS

NET GEARING	0.27	0.34
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SUMMARY



A FIRST STEP IN METROLOGY, A DECISIVE EXPANSION IN DIGITAL MANUFACTURING

Strong
strategic fit

Clear growth
synergies

Step towards
digital
manufacturing



From a world leading player in the "niche" industry of metal cutting, to a leading solutions provider to the wider manufacturing industry delivering accelerated growth with maintained high profitability and returns

QUESTIONS & ANSWERS