



One Barco

The road ahead...  
A journey of perpetual transformation

June 2013

# Company history



## 75+ years of experience

Founded in 1934  
as the "Belgian  
American Radio  
Corporation"



## '50s and '60s

Barco one of the first  
manufacturers  
to use printed  
circuits for its  
television sets



## '70s and '80s

Diversification and  
international  
expansion with  
video projection  
systems



## '90s

Barco moves into  
professional markets  
(projection, medical  
imaging, 3D  
and LED)



## 21st century

Global leader in  
professional  
visualization and  
networking capabilities

# Barco 2012

You will find us where images are critical to professionals



**NYSE  
Euronext**

International company  
Headquartered in Belgium  
Stocklisted (BAR) on  
NYSE Euronext Brussels

**90+**

Presence in more  
than 90 countries

**3,900**

Employees

**1.156**

Billion euro  
sales in 2012



# Vertical markets



Cinema



Healthcare



Utilities, security & surveillance



Venues & Hospitality



Corporate AV



Defense & Aerospace



OEM

# Technology





# Healthcare

**Diagnostic Imaging**



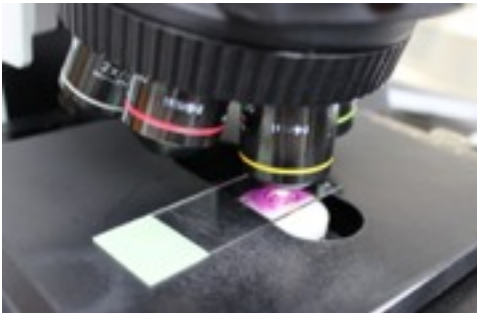
**Clinical Review**



**Modality & Custom**



**Pathology**



**Surgical Imaging**



**Point of Care**



# Digital Cinema



“Enchanting 50 million moviegoers every day”



"While good films remain key, our alternative offering attracts new audiences. Barco greatly helped us move into this **exciting digital age**"



Nicolas Hamon, Projection & Sound Manager Kinepolis, Belgium

**BARCO**

Visibly yours



Rental & Staging



Festival of the Light, Ghent

BARCO

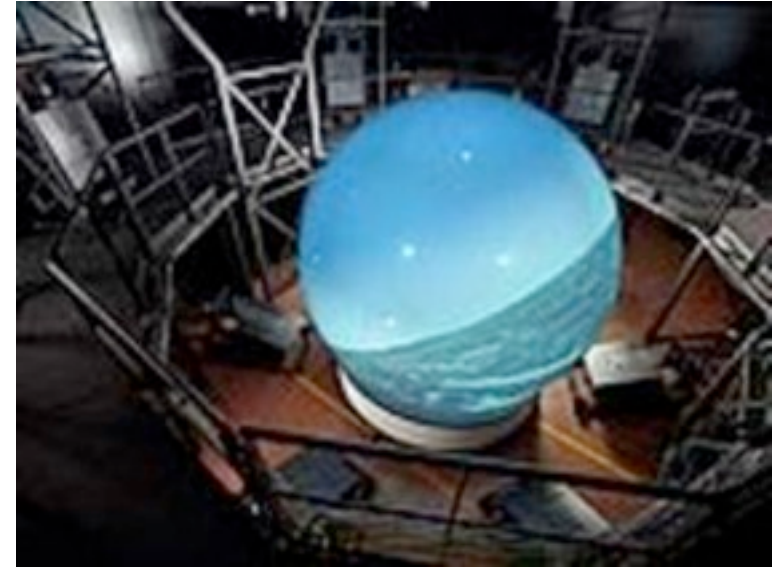
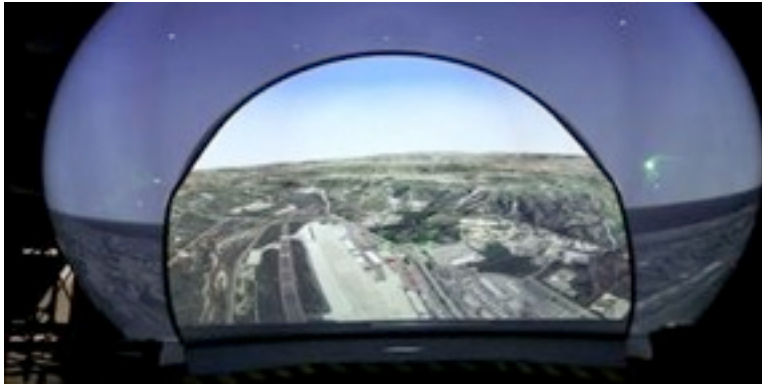
Visibly yours

vendredi 14 juin 13





# Simulation





# Defense & Aerospace



“Flying aboard **100** types of aircraft every day”



# 2009: Barco is determined to create shareholder value



- Barco has seen a **significant historical performance decline**
  - Flat revenue and declining market shares
  - Declining gross margins
  - Fluctuating and inconsistent EBIT
  - Declining shareholder value
- Since 2009, Barco is **determined to reverse this trend**

# 2009 - Time to act

- Organization **ill prepared** for **Digital Cinema**
- **Wrong** strategic focus on **events market**
- **Silo culture** **destroyed value**
- **Complexity** was **life-threatening**
- Global **operations** were **substandard**
- **Technology** **too narrow**, base needed broadening
- **S&M** pointed to **inefficient** go-to-market models
- **Service** and **quality** **below** customer expectations
- Management **systems and processes** **end-of-life**

# Insufficient Intelligence

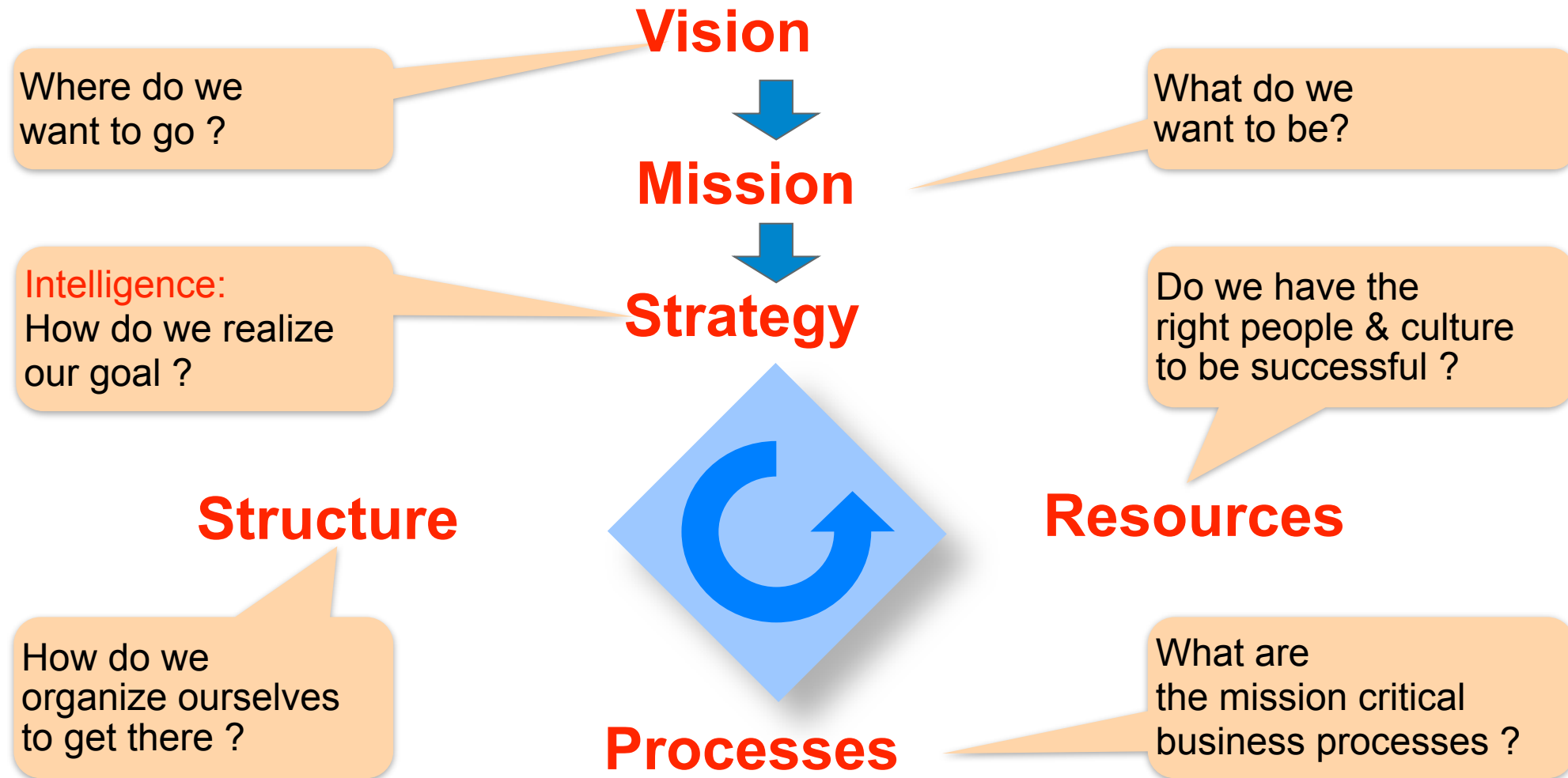
- Customer intimacy
  - Satisfaction
  - Priorities & Expectations
  - Outlook / Forecasts
  - Services
- Competition
  - Knowing the playing field
  - Competitive dynamics
- Market dynamics
  - Our position

# Corrections of 2009

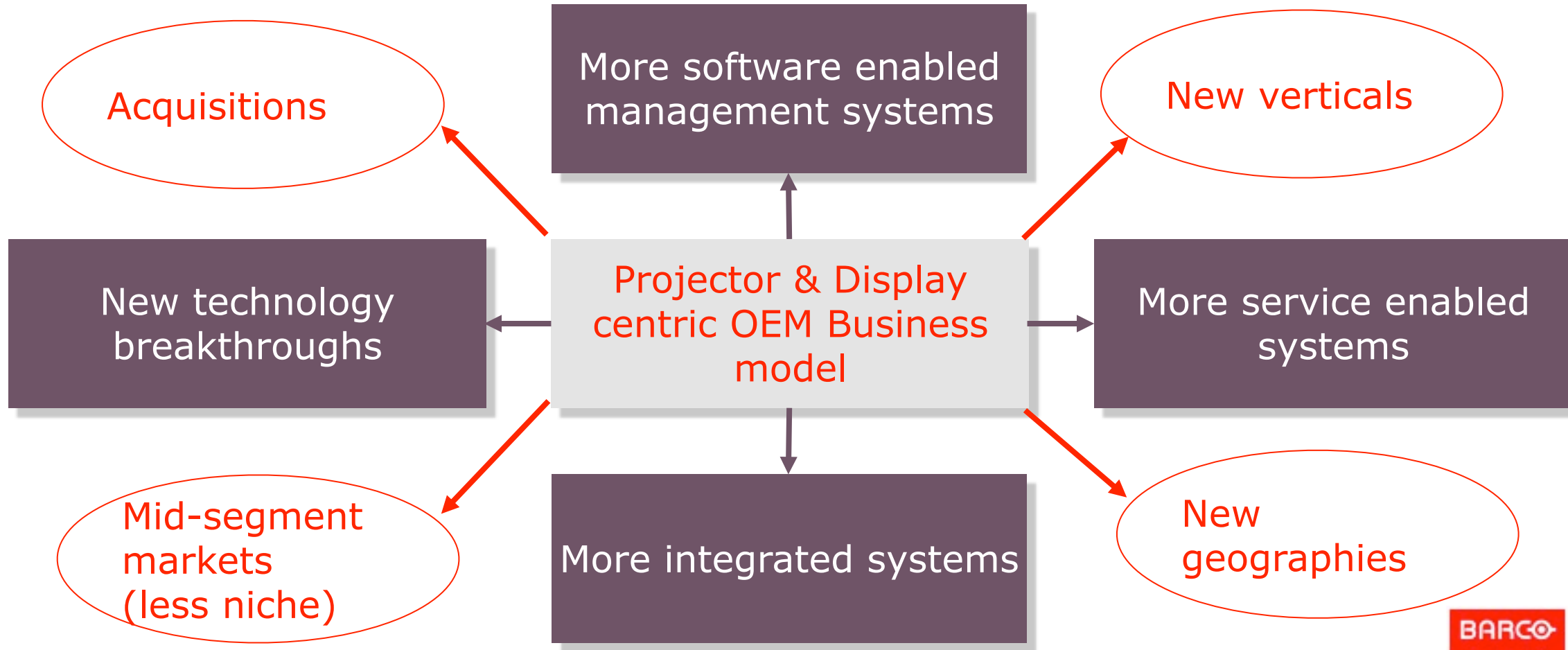
1. Sales	€ -85m
2. Quality & sell-off related margin hits	€ -24m
3. Operating expenses	€ -53m
4. Additional restructuring provisions	€ -6m
5. Capitalized R&D	€ -15m
6. Inventories	€ -45m
7. Impairments on goodwill	€ -25m
8. Positive cash flow	€ +64m



# 2010: Strategic repositioning of Barco



# Intelligence to consider strategic growth options



# Analysis helped to frame the trends

- **Mobility: bring your own device (BYOD)...**
- **Increased bandwidth** for wireless connections
- **Teleworking / remote learning / remote collaboration**
- **Emerging need for multifunctional screens**
- Customers demand more **integrated end-to-end systems**
- Customers demand **more full connectivity and collaboration**

Competitive Intelligence helped to discover new value creation models with new contenders are being deployed... and showing Barco's unique position...

## Traditional competitors

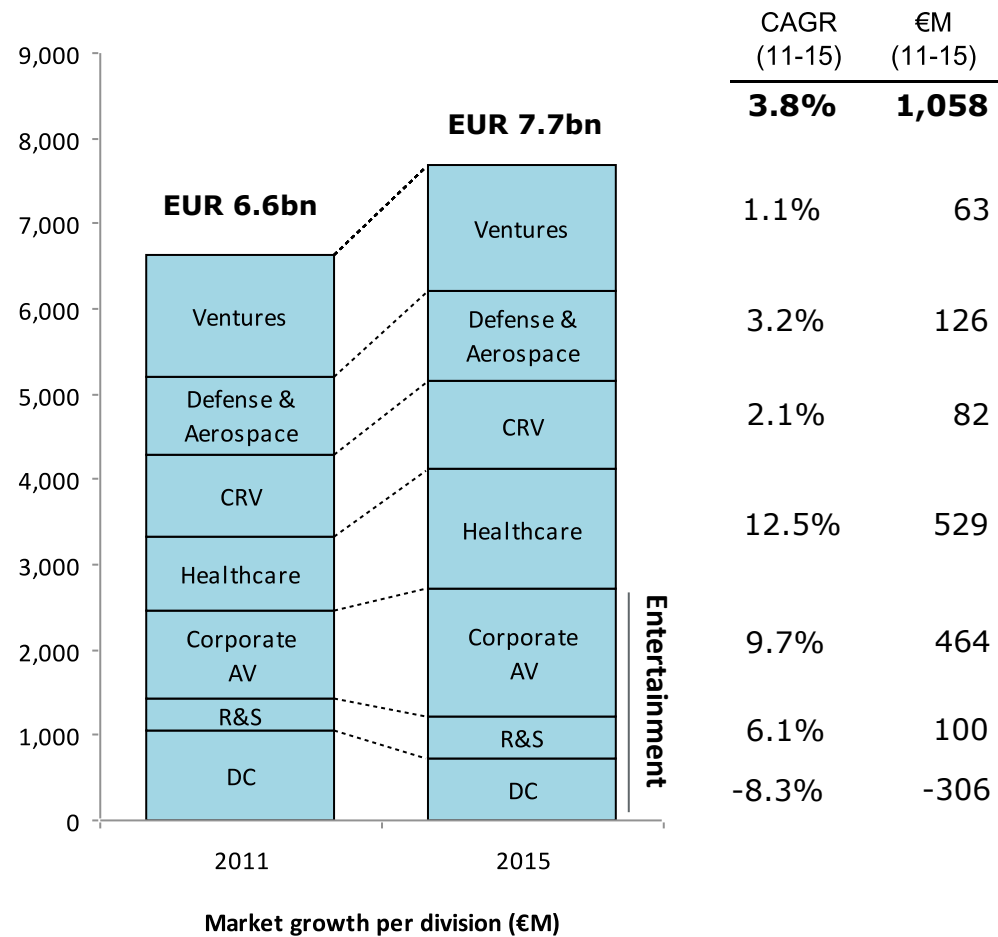
## Emerging competitors

				New capabilities	New markets	New geographies
<b>Projection</b>						
<b>Healthcare</b>						
<b>Advanced Visualization</b>						
<b>Defense &amp; Aerospace</b>						



# Market Intelligence helped in seeing the growth and its drivers

## TAM growth 2011-2015

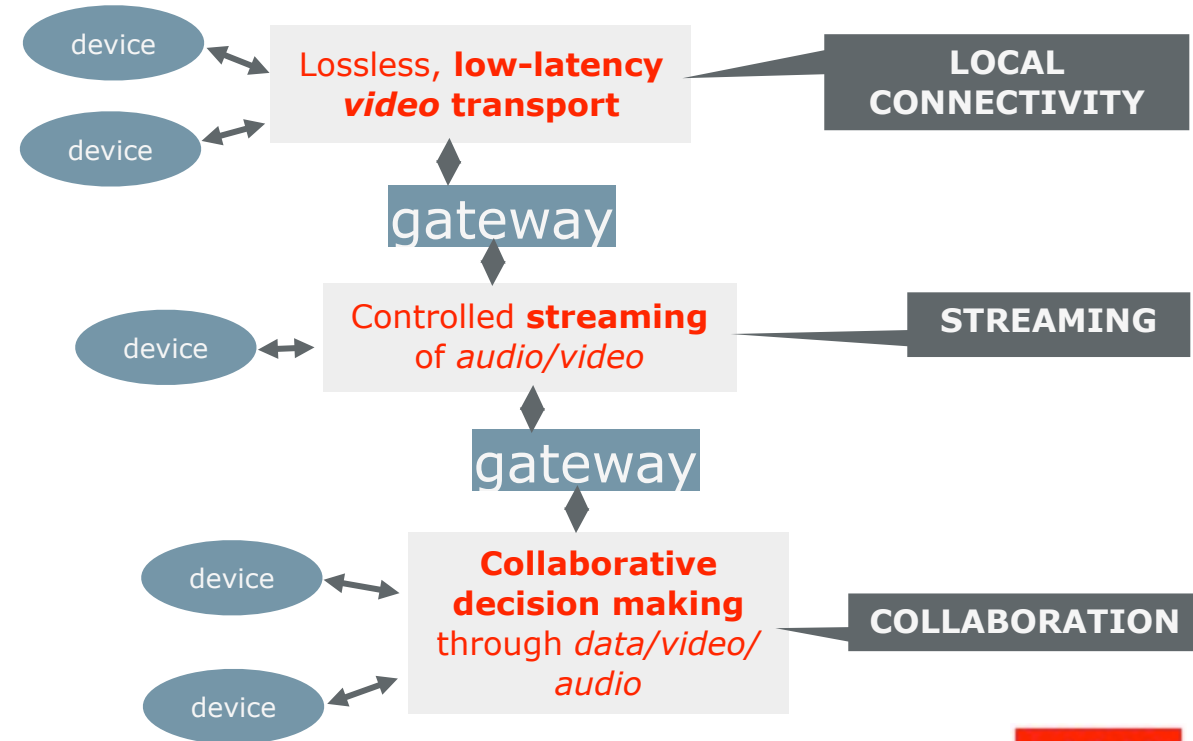
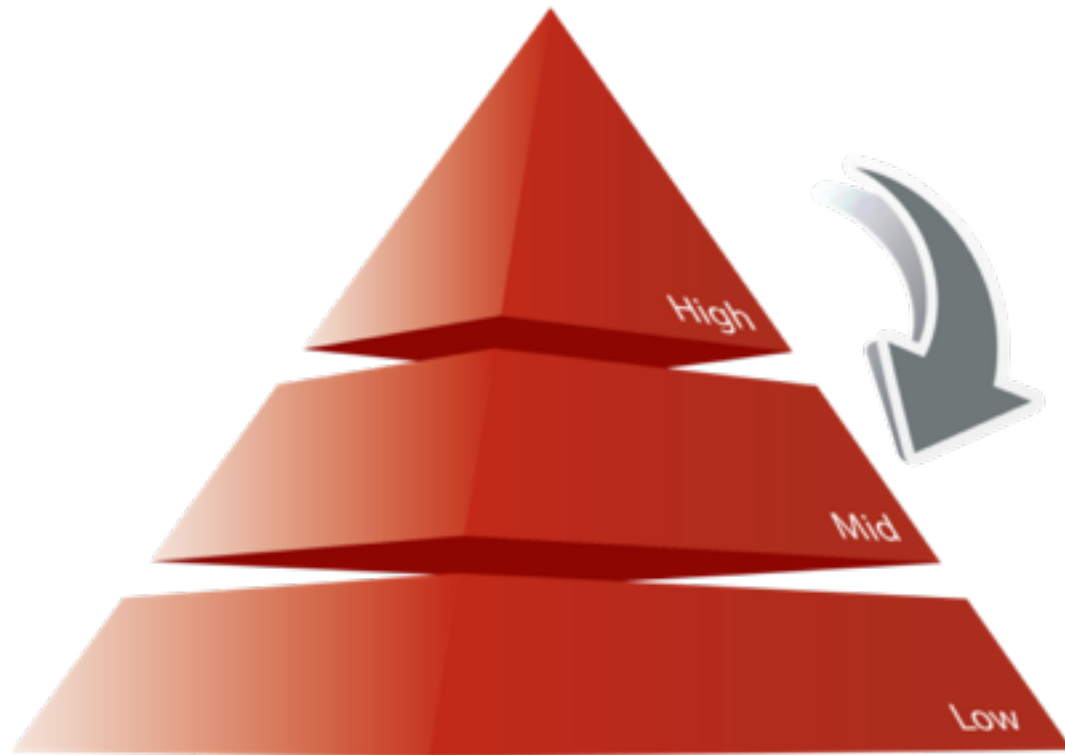


## Growth drivers

- The markets Barco serves, are **growing at ~4% p.a.** driven by
  - Double digit growth in Healthcare
  - Decline in DC off-set by growth in Professional AV
  - Moderate growth in CRV, D&A and Ventures
- Within these markets, Barco **targets those segments that exhibit most attractive growth potential:**

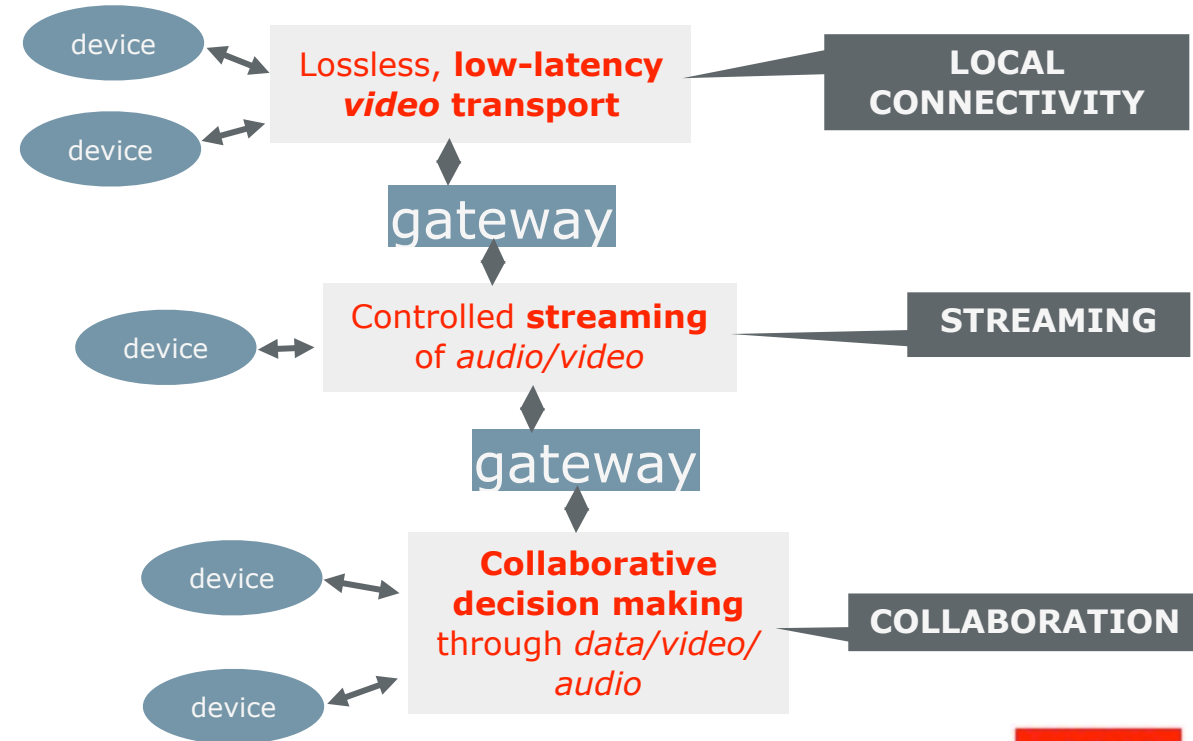
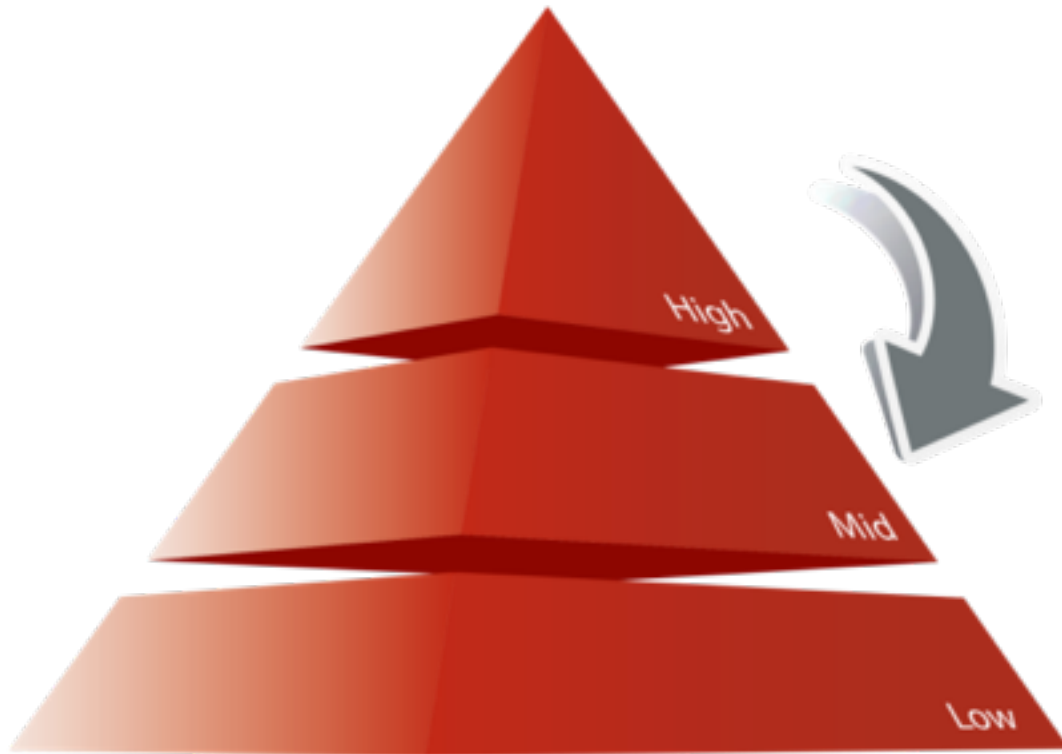
- Corporate AV in Entertainment ~10% CAGR

# ...adding new and sizeable growth opportunities



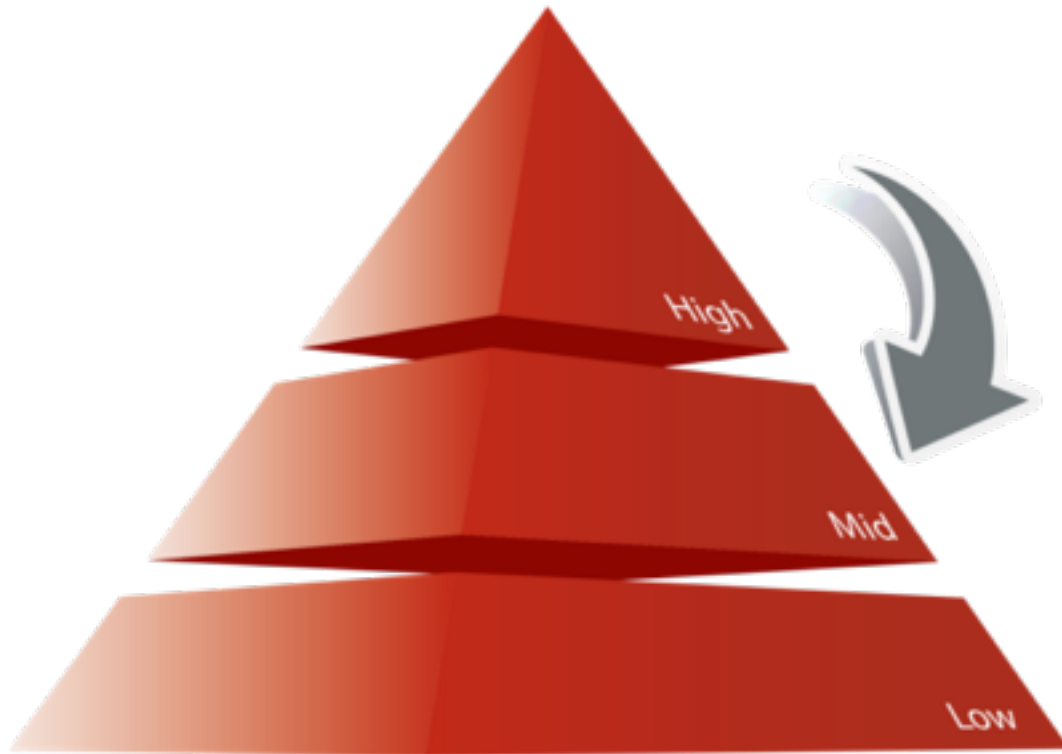
# ...adding new and sizeable growth opportunities

- Mid Segment

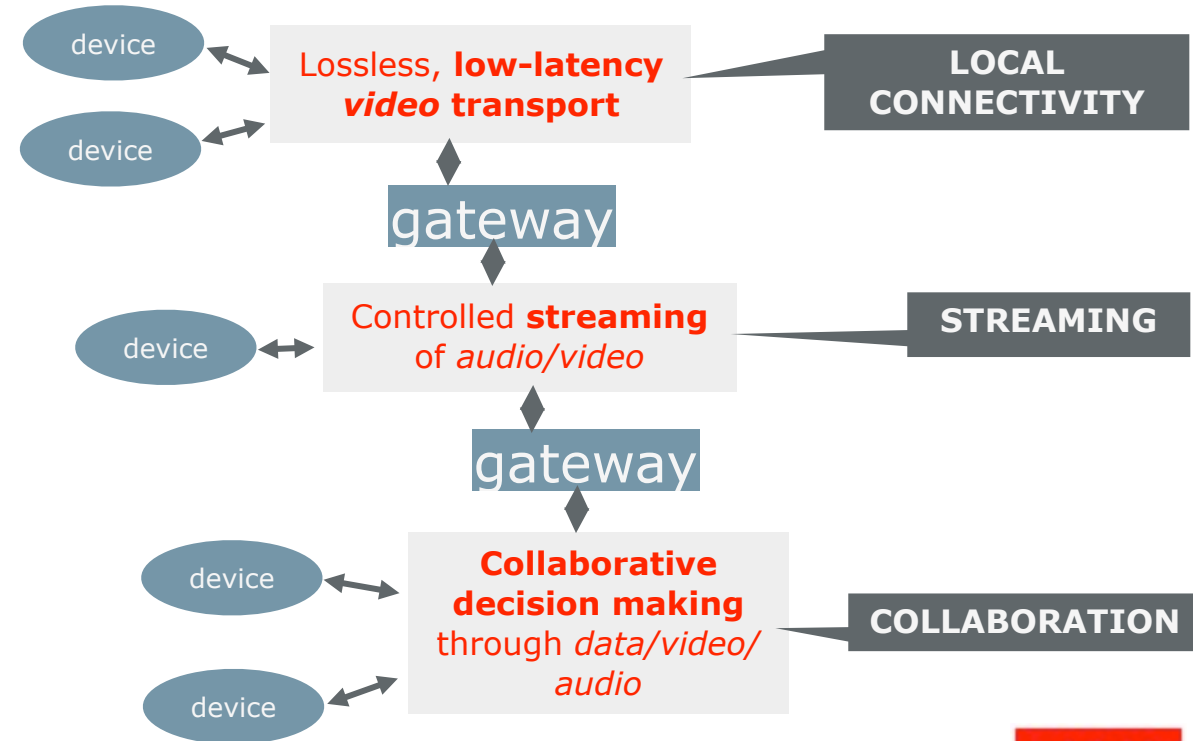


# ...adding new and sizeable growth opportunities

- Mid Segment



- “Connectivity” & “Collaboration”





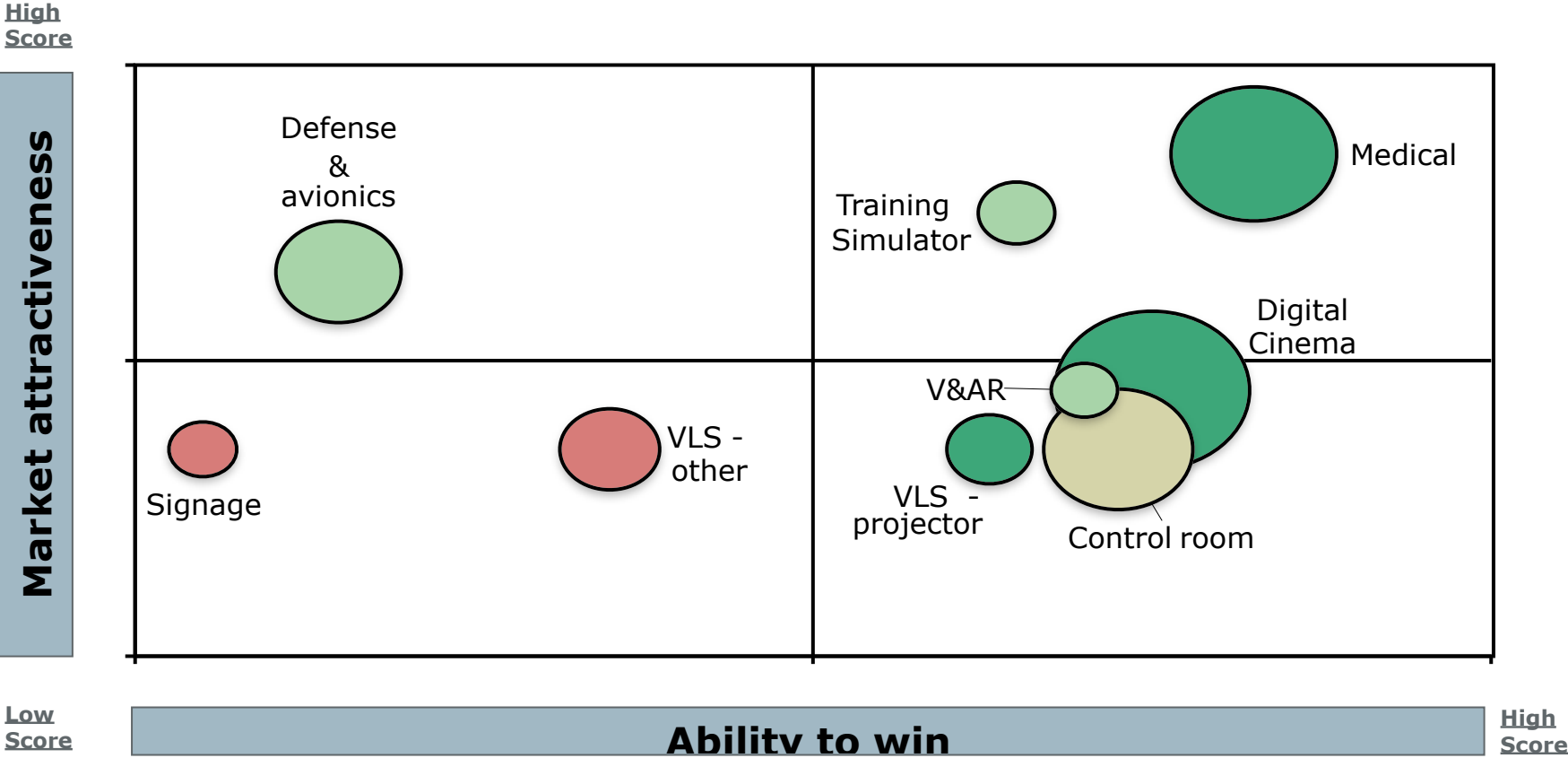
# Strategic repositioning of Barco

- Portfolio analysis
  - Align organization with strategy
  - Invest and grow the core
  - Consolidate Avionics with Defense
  - Each business unit to 10/10/20
- Leadership and culture
  - We-culture at the top
  - Values and behaviors
  - Next generation leaders
- Customer intimacy
  - More customer centric approach
  - Strategic marketing
  - Key account focus
  - Professional channel management
  - Global service capability

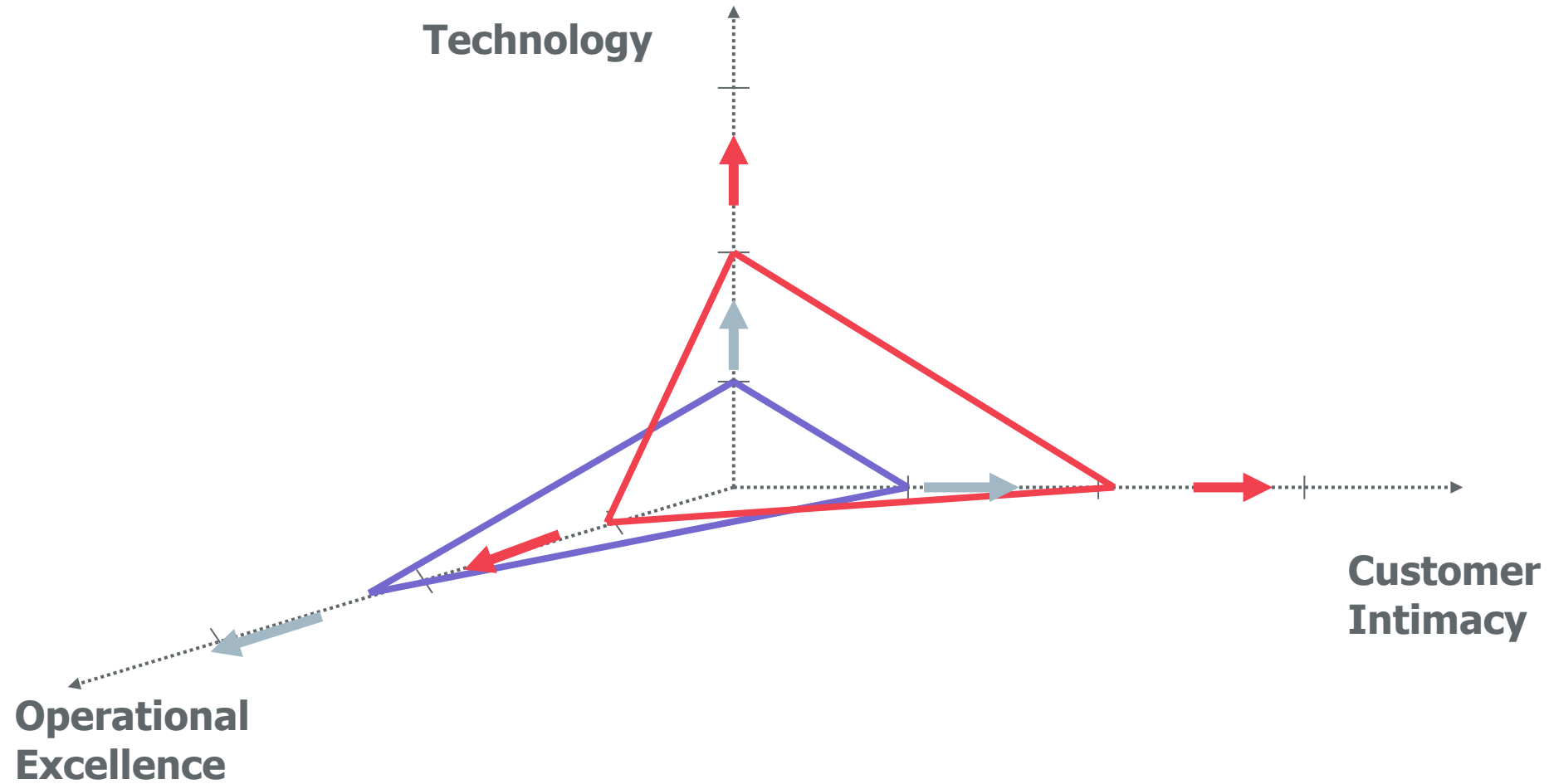
# Strategic repositioning of Barco

- Operational Excellence
  - Reduced complexity and footprint
  - Better systems and reporting
  - India and China
  - Quality and operational efficiency
- Lead through technology
  - IP-connectivity and processing
  - Next generation projector technologies
  - User friendly interfaces and management systems
  - Multimedia systems

# The first step in redefining Barco was an intelligence exercise: in-depth analysis of the current activities



# Dimensions of competitive advantage



# It took 4 years to reshape Barco: 2009-2012

**Phase I (2009)**  
Weather the crisis

**Phase II (2010)**  
Resume growth and  
restore profitability

**Phase III  
(2011/2012)**  
Consolidate global  
leadership



2009 vs 2012

**SALES** from € 640m to € 1,160m  
**EBITDA** from 3.8% to 13.8%

**ROCE** from -9% to 24%

# 2009 – 2012

	2009	2010	2011	2012	CAGR 2009-2012
Incoming Orders (Mio €)	618	978	1,083	1,134	+22%
Sales (Mio €)	638	897	1,041	1,156	+22%
EBITDA (Mio €)	24	99	130	159	+88%
EBIT (Mio €)	(30)	45	78	100	
Net income (Mio €)	(60)	44	76	94	
EPS	(5.02)	3.66	6.32	7.84	
Headcount	3,217	3,499	3,520	3,727	

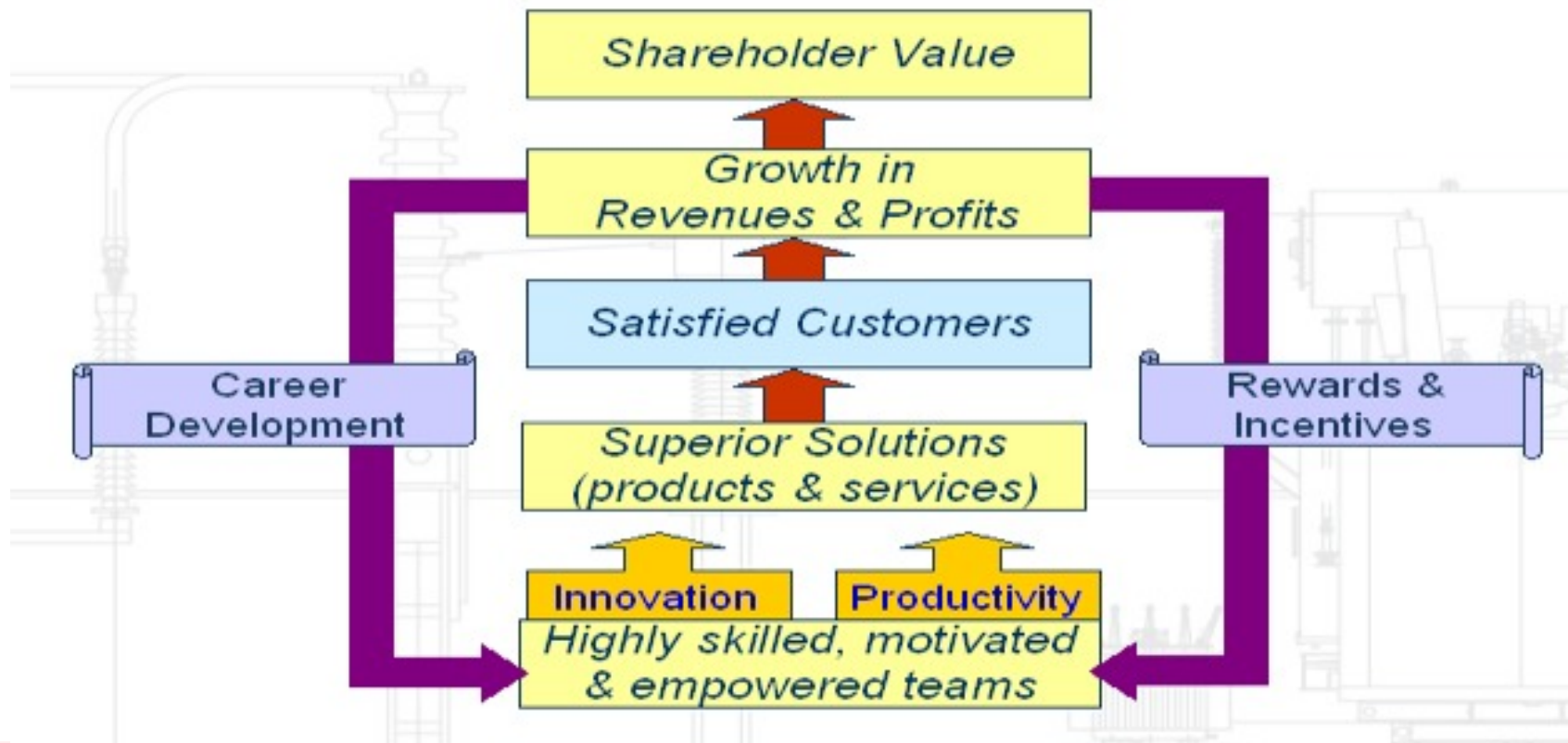


# Barco anno 2012

- **1.16 billion** strong and growing
- Global leader in **projectors** and **displays** for professional use
- **Strategic acquisitions** to reinforce **collaboration**
- **Technology leader** through innovative solutions for **connectivity**
- Playing a home game in ALL **strategic geographies**
- Building on **innovative core technology platforms**
- **Value creation** and **entrepreneurship** in promising ventures
- Built on **worldclass systems, processes and operations**
- Having strategic marketing with **intelligence** in place

# Great companies thrive on passion and commitment

Outstanding people and teams  
operating in a motivating and nurturing environment  
are key to success



## Role of leaders

The timeless role of leaders is  
to help their organizations work  
through necessary but painful changes  
that don't happen naturally

# Barco core values

1. We trust each other
2. We encourage team play
3. We care about our people
4. We deal openly and ethically
5. We delight our customers
6. We are accountable
7. We lead through innovation
8. We deal with facts

# Vision - The road ahead...

Over the **next 4 years** Barco should foster **the ambition** to **grow organically** into **1.5 billion** in revenues

- 10% CAGR
  - EBIT = > 9% on sales
  - > 75 millions in FCF per annum
- 
- Through increased focus on rapidly growing opportunities for networked & collaborative visualization systems in the core markets, now defined as Healthcare, Projection, Advanced Visualization, Defense & Aerospace
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- ...and beyond the 1,5 billion threshold through inorganic growth

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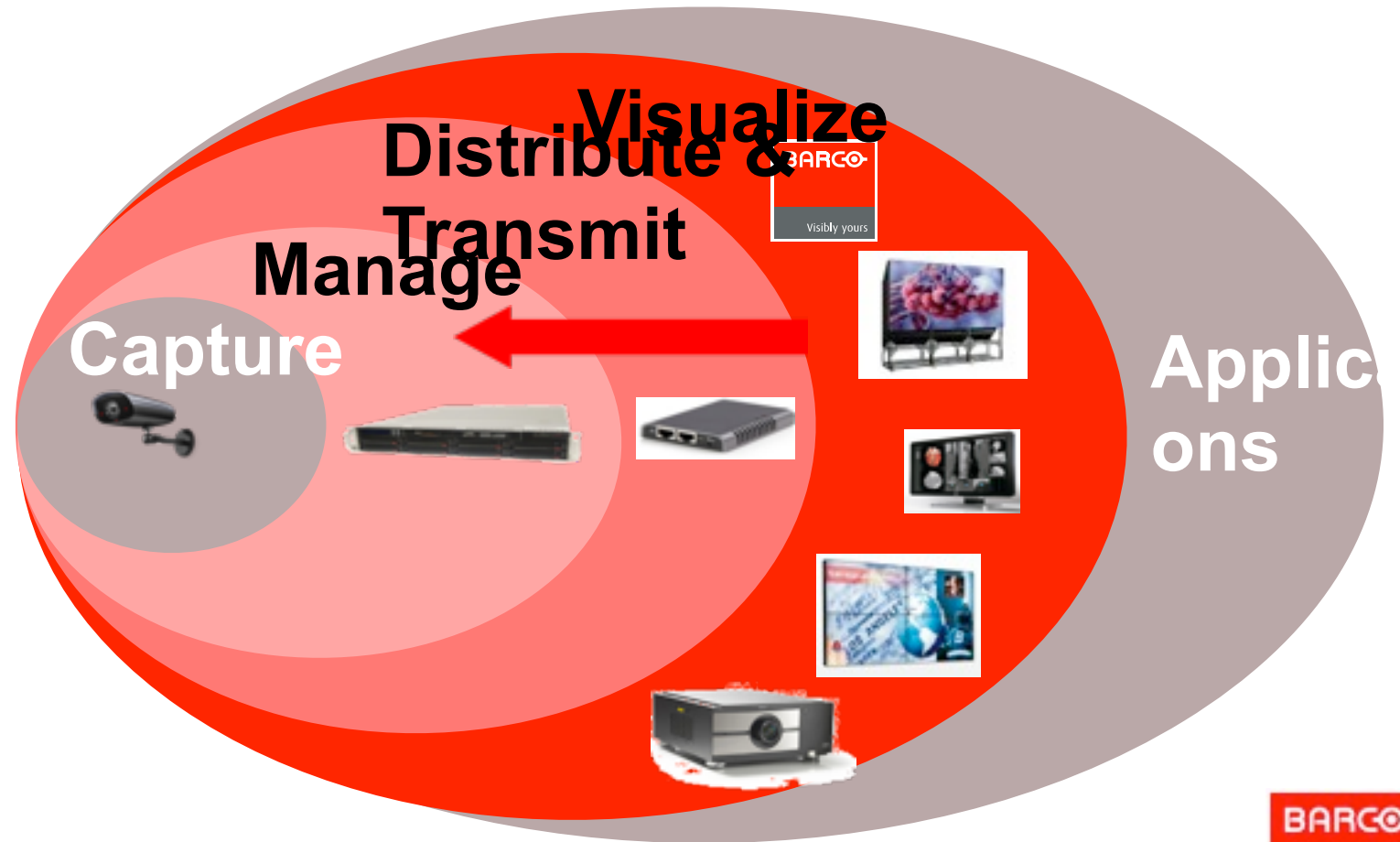
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# Barco's strategy



- Defend & reinforce Barco's leadership position in the "Visualize" core
- Capitalize on the IP-connectivity and collaboration opportunity
- Expand into adjacent markets



*No Barco's offer today in "Visualize":*

# One Barco – New Campus Kortrijk



# Ten commandments of a turnaround

# 10

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# Ten commandments of a turnaround

1. Dare to see reality the way it is and not the way you had hoped it to be
- 2. Market and Customer Intelligence:** do the necessary diagnostics upfront and consult with your people and your customers to collect their inputs and get them involved early on
- 3. Competitive Intelligence:** benchmark the industry leaders and assess why they have been successful
4. Communicate your assessment of 'current state' clearly and succinctly to all stakeholders. Don't beat around the bush and repeat often. Illustrate why change is needed
5. Articulate a new vision & strategy for a brighter future and illustrate how

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# Ten commandments of a turnaround

6. Be a role model for change. Change begins at the top. Create a leadership team with a 'we' culture. Engage your most valuable players early on
7. Determine whether the current organizational structure is still suited for deliverance of the new vision and strategy. Change if necessary
- 8. Business Intelligence:** identify and publish the key performance indicators and review and discuss them open and honestly and frequently with the leadership team. Push for their collective commitment and enforce accountability
9. Reward team behavior and team culture and implement new incentive schemes that will reinforce and support your new vision and strategy

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# Questions & Answers

# Thank you

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