

An abstract graphic consisting of several blue lines that intersect and diverge, creating a sense of movement and depth. The lines are thin and vibrant blue, set against a plain white background.

SANDVIK

TO ACQUIRE SOFTWARE COMPANY CGTECH

20 OCTOBER 2020

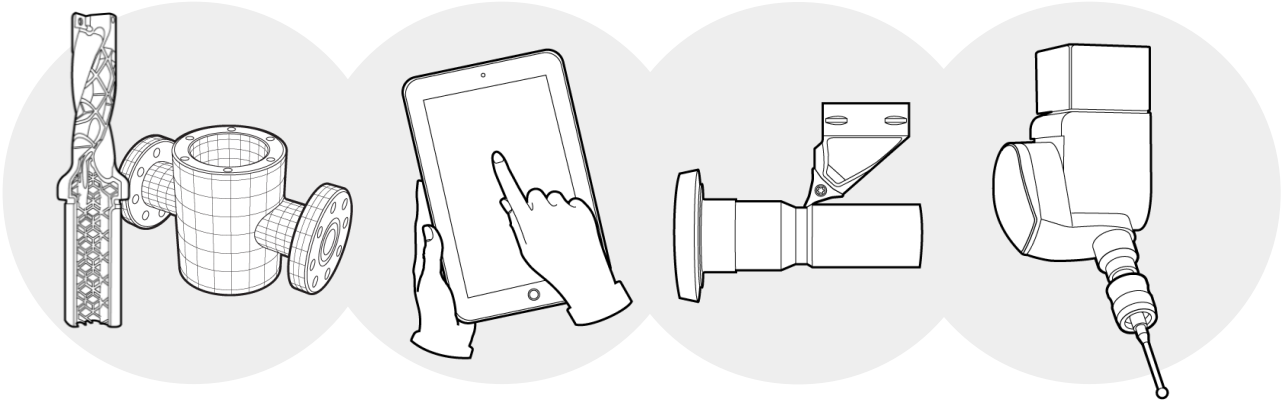


# RECAP CMD 2019

---

The SMS vision is to become the world leading solutions provider to the wider component manufacturing industry.

# THE MANUFACTURING VALUE CHAIN

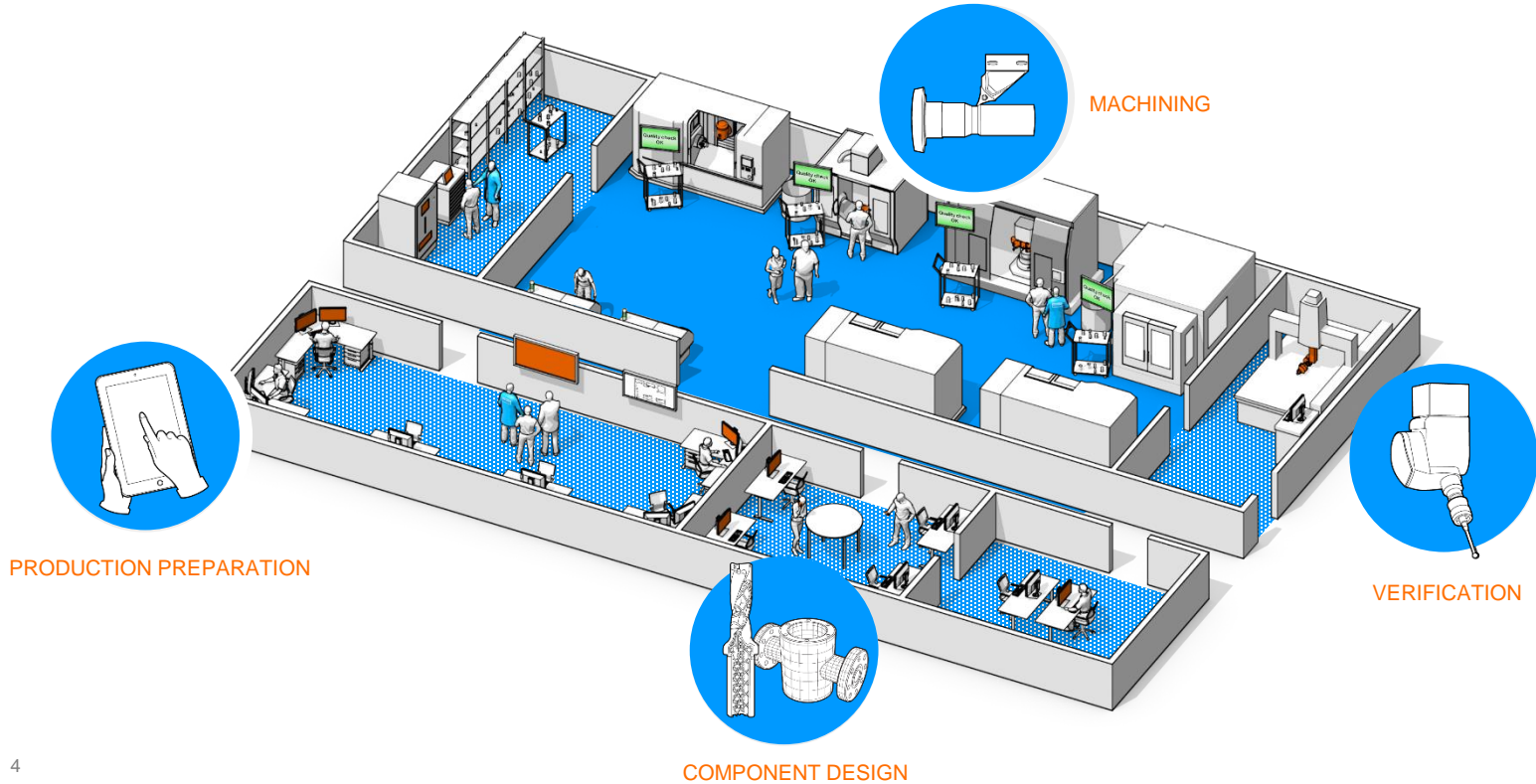


COMPONENT DESIGN    PRODUCTION PREPARATION    MACHINING    VERIFICATION

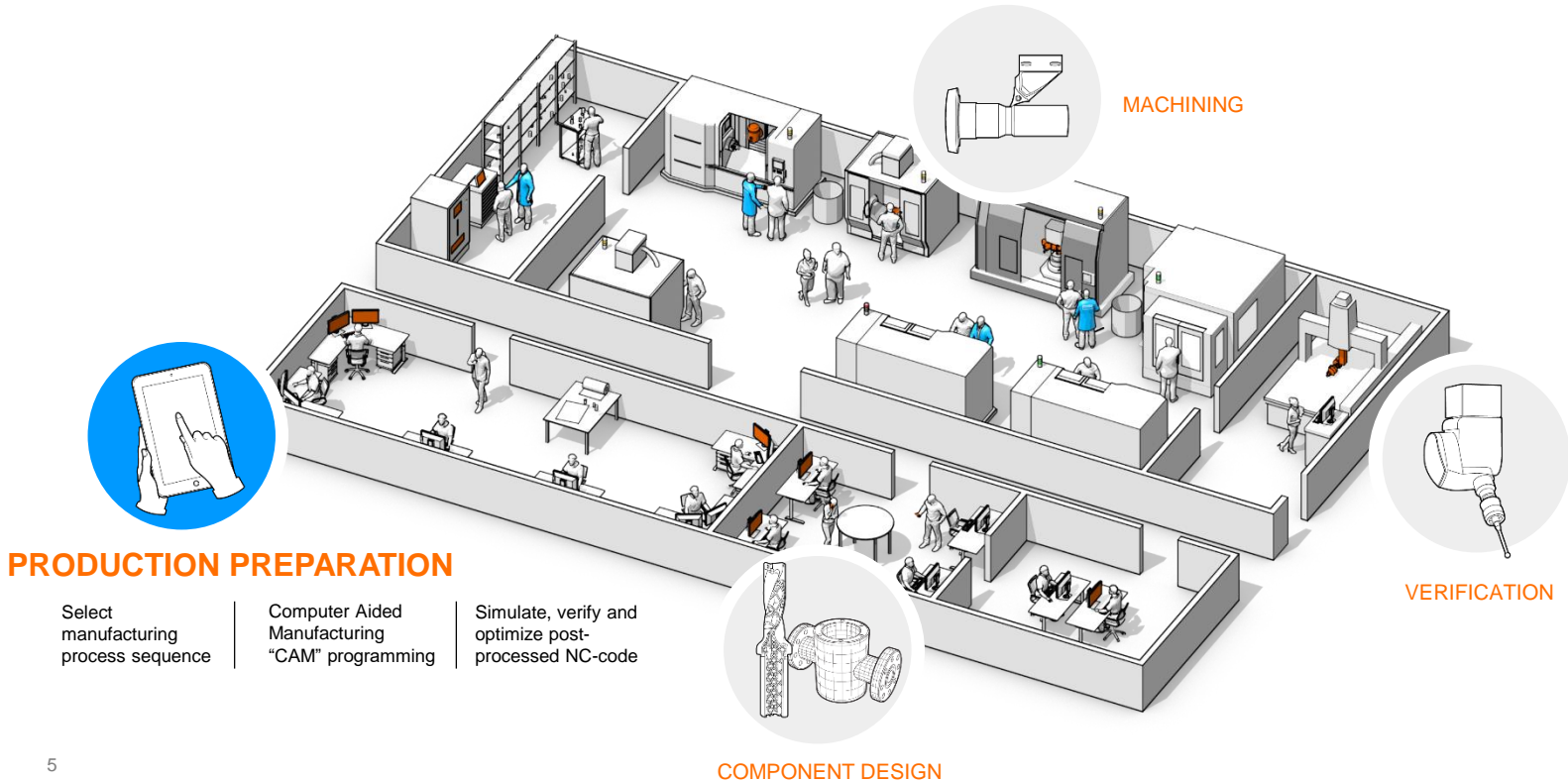
---

OUR OWN SOLUTIONS    |    ACQUISITIONS    |    PARTNERSHIPS

# MACHINE-SHOP WORKFLOW



# PRODUCTION PREPARATION - KEY DECISION AREA



# SIMULATION, VERIFICATION AND OPTIMIZATION

## SIMULATION, VERIFICATION AND OPTIMIZATION

- 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.

MACHINE  
PRODUCTIVITY



MACHINING



VERIFICATION



COMPONENT DESIGN



## PRODUCTION PREPARATION

Select  
manufacturing  
process sequence

Computer Aided  
Manufacturing  
"CAM" programming

Simulate, verify and  
optimize post-  
processed NC-code

# CGTECH



# CGTECH AT A GLANCE

## COMPANY PROFILE

<b>Established:</b>	1988
<b>Offices:</b>	US (HQ), 11 additional countries
<b>CEO</b>	Jon Prune
<b>Revenue:</b>	49MUSD 2019A
<b>Employees:</b>	~180
<b>Customers</b>	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





# 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.

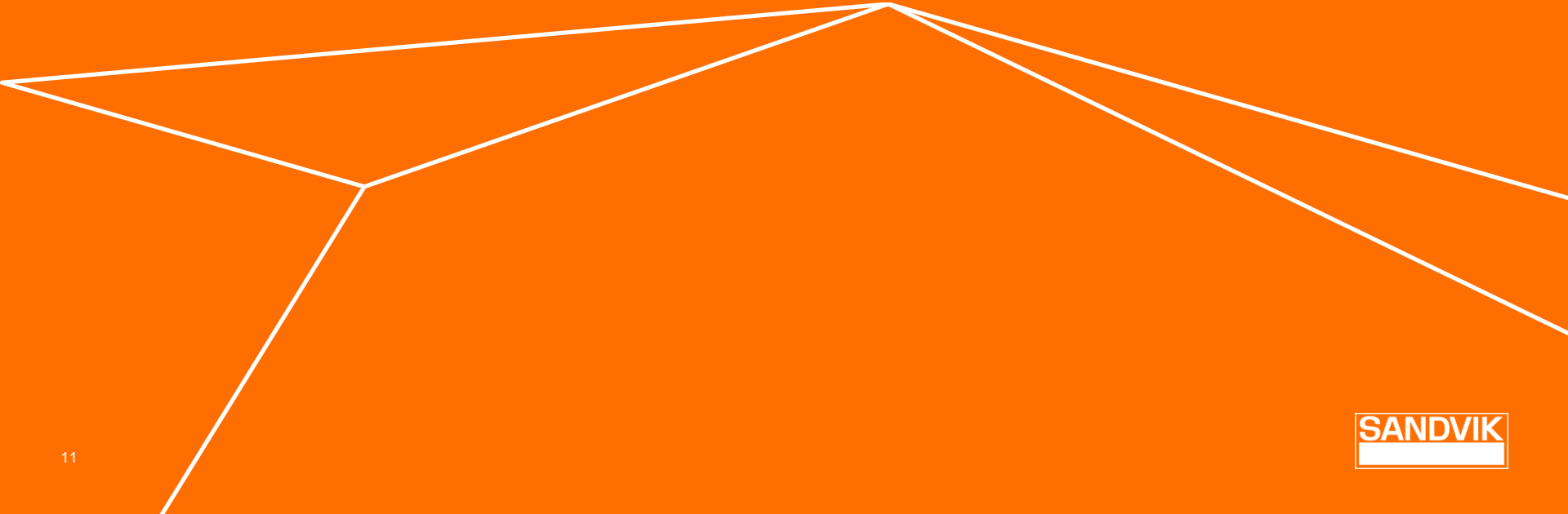
05

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 PREPERATION STEP

Strong  
strategic fit

Healthy long-  
term growth  
prospects

Another 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