



Hexagon AB – Q2 2023 No Updates

This supplemental report contains a review of Hexagon’s zero-transparency Q2 2023 interim report and non-answer statements in its Q&A session with analysts.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 4

July 26, 2023 – Viceroy Research is short **Hexagon AB** (STO: HEXA-B). On July 19, 2023 we published [our report](#) “Hexagon AB – Six Sides to Every Story”. That report exposed the egregious fraud and accounting irregularities occurring within the vast network of Hexagon entities. In the short time since we published that report, new discoveries have come to light.

This is a supplement to our earlier report, which covers some of the fluff Hexagon have released today.

What we’ve already exposed

Our report “Hexagon AB – Six Sides to Every Story” exposed a wide range of issues at Hexagon, principally:

- **The fraudulent Greenbridge slush fund:** Olla Rollén and many other Hexagon top-brass use Greenbridge to front run Hexagon investments through fraudulent and undisclosed third-party transactions, thereby unjustly enriching themselves to the detriment of Hexagon’s shareholders.
- **Accounting misrepresentations:** the use of accounting loopholes, mischaracterization of revenues, and aggressive accounting practices to present a misleading financial picture.
- **Fraudulently misrepresenting organic growth numbers**, which means Hexagon’s valuation should be many multiples below that which it currently is.
- **Inflating margins:** Capitalizing ~50% of R&D costs and amortizing these costs over a shortened period of time has a positive impact on Hexagon’s margins.
- **Breach of IFRS Standards:** Hexagon’s business combination disclosures (IFRS 59-64) do not give investors a fair and accurate representation as to their financial statement impact.
- **Overstated assets:** Hexagon has clearly been vastly overvaluing its intangible assets and goodwill. It only made €8.5m of impairments to €9.6b of goodwill over 25 years and hundreds of acquisitions.
- **The misperception of Hexagon as a leading high-tech enterprise:** In fact, Hexagon is a simple industrial conglomerate.

We believe that Hexagon AB should be 50% below where it is currently trading, before allowing for the risks associated with poor governance.

Governance

When pressed on whether Hexagon-insider controlled and owned Greenbridge should be investing in the same assets as Hexagon: CEO Paolo Guglielmini states that “**as a shareholder, having more skin in the game from the Chairman in this transaction can only be seen as a good thing**”.

This is the most ridiculous anti-governance stance we have ever heard.

Perhaps the very reason Hexagon’s corporate governance is so poor is because those at the top have no understanding of the framework of good governance and ethics.

Fundamental guard-rails put in place to protect the board and executive team in its capacity to exercise due care and judgement is the avoidance of conflicts of interest.



Organic Growth

Hexagon claims its organic growth amounted to 8% in Q2 2023 against Q2 2022. The sales bridge notes this as follows:

| SALES BRIDGE - SECOND QUARTER | |
|-------------------------------|-----------------------------------|
| | Operating net sales ¹⁾ |
| 2022, MEUR | 1,288.7 |
| Structure, % | 2 |
| Currency, % | -4 |
| Organic growth, % | 8 |
| Total, % | 6 |
| 2023, MEUR | 1,366.0 |

¹⁾ Net sales from acquisitions and divestments during the last twelve months are reported as "Structure" in the table above. Percentages are rounded to the nearest whole per cent.

Organic Growth – Hexagon Sales Bridge

The "Structure" element of the Sales bridge is alleged to account for net sales and divestments acquired during the last 12 months. Just in the last 6 months: Hexagon has acquired €17m in working capital assets of software companies, which presumably are receivables.

| MEUR | 6M 2023 | 6M 2022 |
|---|--------------|----------------|
| Fair value of acquired assets and assumed liabilities | | |
| Intangible fixed assets | 65.8 | 276.8 |
| Other fixed assets | 0.5 | 6.7 |
| Total fixed assets | 66.3 | 283.5 |
| Total current assets | 20.3 | 38.4 |
| Total assets | 86.6 | 321.9 |
| Total long-term liabilities | -8.1 | -68.6 |
| Total current liabilities | -24.7 | -44.5 |
| Total liabilities | -32.8 | -113.1 |
| Fair value of acquired assets and assumed liabilities, net | 53.8 | 208.8 |
| Goodwill | 315.8 | 1,008.1 |
| Total purchase consideration transferred | 369.6 | 1,216.9 |
| Less cash and cash equivalents in acquired companies | -3.3 | -19.5 |

During the first six months of the year 2023, Hexagon acquired the following companies:

- LocLab, a leader in 3D digital twin content creation
- Projectmates, provider of SaaS-based enterprise construction project management software
- Comernal Software, a software development center
- Qognify, a leading provider of physical security and enterprise incident management software solutions
- Cads Additive, a provider of specialised software for metal additive manufacturing (AM)

Gaslighting shareholders, management assert that for larger acquisitions, they have "given you revenues. We've given you profitability [they haven't]...So you can work out the multiples. So I think we've actually given quite a lot of information around that. That doesn't seem to be reflected in the short-seller reports."

We note that over the last 12 months, Hexagon have acquired about a dozen companies. The only P&L figure Hexagon has released for these acquisitions is the revenue figure of Qognify. This is absurd. The P&L impact of acquisitions is material in aggregate and should be disclosed.

We continue to believe that Hexagon vastly overstates organic growth. Over 20 years of more complete data, this is very evident.



Restructure

Hexagon’s announced an “operational efficiency programme”, **which appears to be jargon for closing down underperforming business units.** Viceroy has provided dozens of case studies where acquisitions are underperforming. We expect these will not only impact revenues but **will incur significant Goodwill impairments.**

The programme is focused on a number of areas, including:

- Reduction of Hexagon’s office and facilities footprint by approximately 25%
- Extraction of cross-divisional efficiencies to reduce overall overhead costs
- Optimisation of development, manufacturing and digital processes through automation
- Rationalisation of non-core business areas and activities

Fad Opportunists

Instead of addressing any concerns raised by Viceroy in its presentation or in its Q&A: management instead committed to numerous slides of vomit-inducing jargon intended for the sole purpose of pumping its stock.

The slide features the NVIDIA Omniverse logo on the left and the HxDR Digital Reality logo in the center. To the right, text reads: "How to meet the global demand for Covid vaccines (up c 30%) with the same level of assets." Below this, a dark blue box contains the text: "Customer win: Global semiconductor manufacturer" and "Customer background: A leading global EV manufacturer in China – one of our largest existing customers."

All of these contracts and initiatives appear to be small off-the-shelf EAS cloud platforms which are largely undifferentiated, or one-time hardware. We do not believe Hexagon has any utility for generative AI.

Statements to the Press

Hexagon claimed that it would be answering questions relating to issues raised in its quarterly results day. It has not addressed any issues we have raised in any detail, and referred most governance issues to the board, who are conflicted.

Hexagon said it will answer questions about the issues raised when it releases its quarterly report on July 26.

¹Figure 1 - Hexagon comment to Reuters July 24, 2023

Hexagon stated that it would be publishing a response in the following “days or weeks”. The only reason we believe Hexagon has not had a prepared response for its earnings day (which has been a disaster) is that they do not have the backing of their advisors. The data we present is easily replicable with internal documents.

¹ <https://www.reuters.com/article/shortseller-hedgefunds-sweden-hexagon/greenbridge-hits-out-at-viceroy-research-short-seller-report-on-hexagon-statement-idUKL4N39A1SQ>



Attention: Whistleblowers

Viceroy encourages any parties with information pertaining to misconduct within Hexagon, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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