Hexagon AB – Betting on Short Memories

Hexagon fabricate a Divergent investment timeline, make increasingly poor disclosures, and are still stumped by the concept of corporate governance.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 5

August 8, 2023 – On July 19, 2023, Viceroy Research released a investigative report on Hexagon AB titled "Six Sides to Every Story" (**the Report**). It detailed wide concerns we had found within Hexagon, including:

- Conflicts of interest, related party transactions & (the lack of) corporate governance
- Discrepancies in Hexagon's claimed organic growth & underperforming acquisitions
- The poor level of Hexagon's disclosures & aggressive accounting policies
- The lack of cash flows, poor asset utilization, and comps discrepancies

Weeks later, on August 2, 2023, Hexagon published a 16 page response to our report (**the Response**). The Response was totally inadequate **and failed to satisfactory address the concerns we highlighted**. It illustrates everything that is wrong with Hexagon. This commentary calibrates the truth in relation to the Response:

Conflicts of Interest, Corporate Governance & Related Party Transactions

The revisionist historians at the top of Hexagon and Greenbridge fabricated an investment timeline for Divergent in order to mask that a Hexagon insider-controlled slush fund (which obviously should not even exist) front ran / double dipped their investment. This is followed by a ludicrous claim that Greenbridge and Hexagon are not related parties.

- The timing of Blackbird's cash transfer to Divergent is inconsequential. The SPV was established in advance of Hexagon's investment for the sole purpose of investing in Divergent. The intention was to unjustly enrich insiders to the detriment of Hexagon's shareholders.
  - Hexagon claims that Divergent only began soliciting other D-round investors, including Greenbridge, in 2023 after Hexagon's investment on December 9, 2022.
  - **Blackbird was established in November 2022**, before Hexagon's investment in Divergent, for the sole purpose of investing in Divergent, which produces the SR-71 "Blackbird" inspired hyper-car.
- On 8th December 2022, a day before Hexagon's investment, Divergent issued a statement to the press that it expected to receive $200m from Hexagon explicitly. This was announced on S&P's newswire and has an auditable trace.
  - Hexagon claims to have "confirmed with Divergent that it never made an announcement to this effect". The announcement is still live, and can be found here.
  - Hexagon spuriously claims that it never considered a $200m investment with Hexagon, but it appears that a substantial portion of $200m was deployable on 8 December 2022 by Hexagon and Blackbird.
- Alongside their fabricated timeline, Hexagon management have sought to downplay the situation with some classic **shareholder gaslighting**, where it told investors that management's "skin in the game" in the form of side-pots of Hexagon's private investments "can only be seen as a good thing."
- **It is undisputable that Hexagon and Greenbridge are related parties under IAS 24.9(b)**:
  - Ola Rollen is the Chairperson of Greenbridge. He was simultaneously the CEO of Hexagon through to the end of 2022, and now the Chairperson of Hexagon.
  - Schörling (MSAB) and Rollen collectively own ~38% of Greenbridge, effectively a controlling stake.
  - There are a further 6 Hexagon executives and former executives which own a further 4% of Greenbridge, including the former CFO Robert Belkic (who resigned only in July 2023), Bo Pettersson (former CTO) and importantly the former General Counsel of Hexagon Kent "Johnny" Andersson.
  - A further 41% of Greenbridge is owned by associates of Ola Rollen, Melker Schörling, and Hexagon (including shareholders of Hexagon & MSAB, noteholders of Hexagon, nomination committee members of Hexagon, distributors of Hexagon products).

- In direct contradiction (by omission) to Hexagon's statements relating to the passive roles of Hexagon executives at Greenbridge: **both Ola Rollen (CEO of Hexagon to 2022) and Johnny Andersson (Hexagon General Counsel) have performed duties at Greenbridge while employed by Hexagon**.
- "The Chairman of the Board of Hexagon also has the final say about any Greenbridge investments that might conflict with Hexagon's business interests", as claimed by Ola Rollen in 2017. The Chairman of Hexagon at the time of Greenbridge's investment was Ola Rollen.

The intention of management's investment in Divergent was self-enrichment. It represented an immediate conflict to the interest of shareholders. Greenbridge gained an unfair advantage. It is fraud.

Given management' intentionally obtuse understanding of related party transactions, we believe Hexagon carries enormous risk of malfeasance.

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. Hexagon do not understand the **fundamental guard-rails put in place to protect the board and executive team in its capacity to exercise their fiduciary duties and ethical judgement in avoiding conflicts of interest.**

Organic Growth

We maintain our opinion that Organic growth has been vastly overstated.

- We reiterate that from 1998-2017, organic revenues should have accrued in the multiples of billions. We also note that Hexagon purported to **achieve these insane organic growth figures while making acquisitions at a 20-year average of 2x sales** (growing to ~3x sales from 2011 to 2017).
  - Viceroy have substantially complete data sets for this period.

Hexagon Organic Growth Analysis		'98-'17	'18-'22	Total
Net acquisition considerati	*EUR m*	**5,809**	**5,539**	**11,348**
Prior period revenue	*EUR m*	468	3,448	468
Acquired revenue	*EUR m*	2,923	1,529	4,452
Disposed revenue	*EUR m*	(1,084)	-	(1,084)
Revenue (estimate)	*EUR m*	**2,307**	**4,977**	**3,836**
Revenue (reported)	*EUR m*	3,448	5,161	5,161
Delta (organic growth)	*EUR m*	**1,141**	**184**	**1,325**
'enue acquisition multiple	*X*	**1.99**	**3.62**	**2.55**

Figure 1 – Viceroy Analysis

- Hexagon's explanation of misrepresented organic growth consists of cherry-picked acquisition data to highlight organic growth that has occurred in the last 5 years. Viceroy also highlighted that Hexagon experienced organic growth during this period, albeit significantly less than the alleged growth in the prior 20 years.
  - Line-by-line responses to Hexagon's exhibits can be found annexed to this report, and will demonstrate incorrect Hexagon organic growth calculations, fill gaps of intentional omissions, and highlight more of Hexagon's ridiculous disclosure policies.
- Taking Hexagon's statements as gospel will depict a business that has completely drifted from a successful 20 year roll up and commenced making acquisitions at double or triple the consistent valuation of historical acquisitions, and generating lower growth (4.7% organic growth against previous 20-year average of 6%)

Revenues from Structure	€	Consideration	Multiples
2017	204	915	4.5
2018	150	427	2.8
2019	118	350	3.0
2020	100	751	7.5
2021	182	2500	13.7
2022	220	1195	5.4

Figure 2 – Viceroy Analysis

Independence & the Board

Hexagon addressed none of the compliance questions (including those required under the Swedish Companies Act) which we asked in the Report.

- Hexagon claims that the nomination committee, which is substantially consisted of MSAB, and includes other "independent" members who are Greenbridge investors, are "committed to continuously improve board composition". This is evidently false given the nomination committee have had 20 years to improve the composition of the board and have failed to do so.
- MSAB had already decided to propose more "independent" members to the BOD. Of course they did, because three "independent" directors declined re-election this year!
- Hexagon appears to acknowledge that the composition of the remuneration committee and its audit committee is not compliant by suggesting that it will look to add expertise to these areas.

Aggressive Accounting

Hexagon hilariously claims that it continuously reviews its level of disclosures to ensure it is "commensurate with current best in class practice". It then conveniently claims that it was *already* considering increased disclosures as discussed in the Report, including greater detail on acquisitions, R&D, and revenue quality. In our view, it did not adequately address any of these issues:

- We believe that it is a ridiculous proposition by Hexagon that the lowest level of internal assessment for €10b of goodwill is five high-level Cash Generating Units (**CGUs**). Goodwill is allocated to these CGUs from acquisitions made in 1998 which have no utility within the current CGUs.
  - As we have also highlighted in the Report: various goodwill-generating acquisitions appear to be underperforming.
  - We reiterate that acquisition spend is like-for-like with R&D in Hexagon's instance. It acquires distributors, salespeople, competitors, third party software, and tangible businesses with short technology cycles that quickly and demonstrably become redundant.
- **A back envelope calculation of discounted cash flows from CGUs suggests intangible asset values can only be achieved pre-capex and other necessary investment outflows.**
- Hexagon claims that the "majority of capitalized development spend is in software with an anticipated useful life of 5 years or less". This is incomplete data. Analysis shows that amortization expenses fell in 2022 despite significant increases in capitalized R&D across the last 5 years.
  - While it may be true that "the majority of capitalized development" has a useful life of 5 years or less, this appears to still show a material increase from pre-2021.
- Hexagon's asset turnover over the last 20 years (indexed against comps) has fallen significantly. This is to be expected as:
  - Hexagon does not impair goodwill, which we describe as being like-for-like with R&D spend.
  - Hexagon incrementally capitalizes R&D, and appears to gradually extend amortization schedules, which in turn balloon intangible assets; and
  - We observe numerous Hexagon acquisitions and subsidiaries are underperforming post-acquisition.

New Disclaimer

- We note that Hexagon appear to sport a new Disclaimer, wherein it does not only disclaim the accuracy of forward-looking statements, but also the accuracy of everything contained in its response.
- Hexagon has sufficient, easily accessible data to rebut every criticism we have opined in our Reports. The data should be accurate. We understand the need for disclaimers in the ordinary course of business, but a disclaimer is not appropriate in this context and suggests that management cannot be relied upon, or perhaps they do not have the support of their advisors such as their lawyers or auditors
- It is clear that in being intentionally opaque (in Hexagon's own words: "balancing visibility") Hexagon's sensible squadron do not feel comfortable in their (limited) disclosures.

Key takeaways

There is no doubt in our minds that Hexagon has made some great acquisitions of best-in-class assets. Similarly, we have no doubt that many acquisitions and internally generated IP have been profitable. We even firmly believe that Hexagon can genuinely provide synergies in the acquisitions it has made. This is not in dispute.

Hexagon is not a zero, but it has major problems:

- The finesse of a streamlined tech-savvy business is lost on hundreds of acquisitions of distributors which appear to underperform post-acquisition and revenue run-off streams of mature market operators.
- The premise of vast organic growth repeatedly represented by management is simply untrue. Hexagon buys safe, mature revenues, acquires R&D, and reaps earnings over relatively short technological life cycles. **It is an industrials conglomerate.**
- Hexagon's short technological life cycles appear to accelerate the redundancy and inefficiency of its assets, as dictated by asset turnover.
- It is not in the management's interest to generate organic growth or spend money on R&D. It is in their interest to acquire earnings, as this dictates management bonuses.
- Acquisition of distributors may not have a significant impact on revenue immediately but will impact margins.
- **Hexagon has enormous governance issues, and its management appears to be committing fraud.**

We believe that **Hexagon AB should be 50% below where it is currently trading,** before allowing for the risks associated with poor governance. **Viceroy believes this report details significant downside to the share price and enormous risk in HEXA-B.**

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.

About Viceroy

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1. "Regarding the Divergent Investment" – Making Up Timelines

In our recent report on Hexagon (the "Report"), we noted that Ola Rollén, Hexagon's current Chairman, former CEO, and board member since 2000, had **sold half of his interest in Hexagon** to found the investment vehicle called **Greenbridge** in 2015.

Greenbridge has subsequently raised hundreds of millions of Euros from Melker Schörling's investment vehicle, Melker Schörling AB (MSAB), Hexagon management (CFO, CTO, COO, VPs), independent nomination/election committee members, third party distributors, and other significant Hexagon and **MSAB** shareholders.

We iterate our belief that Greenbridge has front-run and/or double dipped in Hexagon investments for the self-enrichment of Greenbridge investors (i.e. Hexagon insiders) and to the detriment of Hexagon's other shareholders. Despite the denials of management, Hexagon's investment in Divergent Technologies was a prime example of this.

In their attempted rebuttal of our allegations about Divergent, we believe that Hexagon management (which include Greenbridge insiders) have fabricated an artificial investment timeline in order to mask the true state of affairs. If this is the case, then it is a clear admission of guilt.

Alongside their fabricated timeline, Hexagon management have sought to downplay the situation with some classic shareholder gaslighting, telling investors that management's "skin in the game" when it comes to Hexagon's investments "can only be seen as a good# thing." This is clearly clutching at straws and a ludicrous misunderstanding of skin in the game. The position is in fact a clear conflict of interest, where significant Hexagon insiders and stakeholders, who are also Greenbridge investors, have more of a stake in Greenbridge than they do in Hexagon. Where is the skin in the game?

Key Takeaways

- On 18 November 2022, Greenbridge established a special purpose investment vehicle called Blackbird Holdings for the sole purpose of investing in Divergent. This preceded Hexagon's investment in Divergent by over 3 weeks. The idea behind this investment would have been formulated well in advance of the establishment of the SPV.
- On 8th December 2022, Greenbridge registered Blackbird with the Luxembourg Corporate Registry. It appears that at this point, it already had €65m capital to invest in Blackbird and sported a dual-class structure, with Greenbridge the only Class A shareholder. Again, it is inconceivable that this level of capital commitment happened overnight.
- Also on 8th December 2022, Divergent issued a statement to the press that it expected to receive $200m from Hexagon, explicitly. This was announced on S&P's newswire and has an auditable trace.
- Hexagon claims to have "confirmed with Divergent" that it never made an announcement to this effect. The announcement is pictured below. It exists.

The timing of Blackbird's cash transfer to Divergent is inconsequential. The SPV was established in advance of Hexagon's investment for the sole purpose of investing in Divergent. The conceptualization, structuring and funding of Blackbird's investment in Divergent would have taken place at the same time as Hexagon was making its investment decision. Clearly, the intention was to enrich insiders.

The Faux-Timeline

Hexagon's timeline is misleading by omission. For ease of reference, we will recreate Hexagon's response timeline and add back omitted data in **bold**:

- Hexagon has had contact with Divergent since 2017. We have discussed further involvement and collaboration ever since then.
- After summer 2022 [**outstanding description**], a formal opportunity arose given Divergent's intention to raise capital and look for a partner for manufacturing process quality technologies.
  - Hexagon was interested in a minority position in Divergent to benefit from the resulting operational partnerships, which is expected to be the leading value driver for Hexagon.
- During August through October 2022, Hexagon and Divergent met several times to discuss the opportunity.
- In late October the discussions progressed, and by early November, a proposal had been negotiated where Hexagon would take the lead in a Series D round of newly issued shares in Divergent and Hexagon would participate with a maximum 100 MUSD.
  - Hexagon and Divergent also agreed that the investment would include a framework for Hexagon to supply certain metrology technology equipment and software products in Divergent Adaptive Production Systems manufacturing process.
- **On 18 November 2022, Greenbridge established a special purpose investment vehicle called Blackbird Holdings created for the sole purpose of investing in Divergent. Ola Rollén (at the time, Hexagon's CEO) and Greenbridge CFO Alan Hennebery were appointed as administrators of Class A & Class B shareholders respectively.**

  Date de constitution
  18/11/2022

  Figure 3 – Blackbird Holdings SARL corporate extract

  - **Divergent founder, Kevin Czinger, developed the Czinger 21C Hyper-Car with Divergent technology. Its design drew inspiration from the Blackbird SR-71. We believe this to be the namesake of the investment vehicle.**

> When the Los Angeles-based automotive company Czinger needed inspiration for the exterior aesthetics of its new 21C hyper car, the sky was the limit—quite literally. The design team there looked to the legendary SR-71 Blackbird spy plane, the fastest manned aircraft ever built, for inspiration. Matching that innovative plane to the Czinger 21C wasn't exactly a reach. One could make a strong argument that the car is as revolutionary among its peers as the Blackbird was among its own.

Figure 4 – EQ – The Czinger 21C Hyper-Car, the New SR-71 Spy Plane[1]

- On the 6th of December, Hexagon's board took the decision to invest in Divergent in line with the conditions outlined in the Series D documentation.
- **On 8th December 2022, Greenbridge registered Blackbird with the Luxembourg Corporate Registry. It appears that at this point, it already had €65m capital to invest in Blackbird and sported a dual-class structure, with Greenbridge the only A Class shareholders.**

  Blackbird Holdings S.à r.l.
  Numéro d'immatriculation : **B273423**

  Date d'immatriculation
  08/12/2022

  Dénomination ou raison sociale
  Blackbird Holdings S.à r.l.

  Figure 5 – Blackbird Holdings SARL corporate extract

[1] https://equicapmag.com/wheels/czinger-21c-hypercar-3d-print/

- **Also on 8th December 2022, Divergent issued a statement to the press that it expected to receive $200m from Hexagon, explicitly. This was announced on S&P's newswire and has an auditable trace.**
  - **Hexagon claims to have "confirmed with Divergent that it never made an announcement to this effect. The announcement is pictured below. It exists.**

Divergent Technologies Inc. announced that it expects to receive $199.999983 million in funding from Hexagon AB

December 08, 2022

Share

Divergent Technologies Inc. announced that it will issue 6,314,227 series D preferred shares of par value $0.00001 per share at a price of $31.6745 per share for gross proceeds of $199,999,983.1115 on December 9, 2022. The shares will be convertible into common shares at a fixed conversion price of $31.6745 per share. The round will be raised at a post-money valuation of $1,736,434,511.

Share

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Divergent Technologies Inc. announced that it has received $99.999976 million in funding from Hexagon AB

December 15, 2022

Share

On December 16, 2022, Divergent Technologies Inc. closed the transaction. The company has issued 3,157,113 series D preferred shares for gross proceeds of $99,999,975.7185 in the transaction. The transaction included participation from new investor Hexagon AB (publ).

A portion of the transaction is subject to to certain regulatory approvals.

Share

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Figures 6 & 7 – Market Screener Divergent Announcements Dec 8 2022[2] & Dec 15 2022[3]

  - **Hexagon spuriously claims that it has never considered a $200m investment with Hexagon, but it appears that a substantial portion of $200m was deployable on 8 December 2022 by Hexagon and Blackbird.**
- Hexagon invested in Divergent on the 9th of December 2022. As lead investor Hexagon invested long before any other investor in the Series D Round. Greenbridge invested in Divergent on the 4th of April 2023.
  - **The timing of Blackbird's investment is inconsequential. The SPV was established in advance of Hexagon's investment for the sole purpose of investing in Divergent. The intention was to enrich insiders. Period.**
- **On 15th December 2022, Divergent issues a follow-up press release to the press release it allegedly did not make on 8th December 2022, stating that Hexagon had invested $100m, not $200m, in Series D.**
- In early 2023, Divergent started to have discussions with other potential investors in the Series D round, which we understand are still ongoing.
- As noted in Greenbridge's response to the short seller report, it invested 15 MUSD through the Blackbird consortium, which in total invested 65 MUSD, in line with the conditions set in the Series D round, in April 2023.
  - **Greenbridge's capital outlay to Blackbird appears to have been in November 2022.**
  - **Greenbridge did not invest on the same conditions as other series D investors did. Blackbird may have invested on the same terms as other Series D investors, however Greenbridge established itself with Class A shares in Blackbird, which hold greater rights than other consortium investors, which it likely solicited.**
- The Series D round is expected to close in August 2023.

Even if Hexagon's faux timeline were true (**it is not**), management believe it acceptable for Greenbridge investors (Hexagon insiders) to personally benefit from access to investments, opportunities and favorable investment terms that were clearly only made accessible to them through the operations, activities and influence of Hexagon.

Avoiding conflicts of interest in this situation would be impossible and the fact that this has been happening speaks terribly to the standards and awareness of corporate governance at Hexagon.

[2] https://www.marketscreener.com/quote/stock/HEXAGON-AB-6491358/news/Divergent-Technologies-Inc-announced-that-it-expects-to-receive-199-999983-million-in-funding-from-42645031/
[3] https://www.marketscreener.com/quote/stock/HEXAGON-AB-6491358/news/Divergent-Technologies-Inc-announced-that-it-has-received-99-999976-million-in-funding-from-Hexago-42586146/

Related Party Nature of the Transaction

We note the following:

- Ola Rollén was both the CEO of Hexagon and Chairperson and of Greenbridge.
- Melker Schörling is the controlling shareholder of Hexagon, whose daughters and various other associates represent his interest in the board of directors. Melker Schörling is also a major investor in Greenbridge.
- Greenbridge's investors are substantially all Hexagon insiders and Schörling associates.
- Collectively, this group exerts control over both Greenbridge and Hexagon.

These satisfy various conditions of a related party under IAS 24.9(b)[4]. Any assertion that Greenbridge and Hexagon are not related parties is asinine and should be met with contempt.

In its Q2 2023 conference call, Hexagon's 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 misleading and specious use of the term "skin in the game" that we have ever encountered. Skin in the game would have been to invest in Hexagon, not for management to create a secret slush fund to invest in parallel with Hexagon and intentionally take stakes in select ventures alongside Hexagon.

The intention of management's investment in Divergent was self-enrichment. It represented an immediate conflict to the interest of shareholders. Greenbridge gained an unfair advantage. It is fraud.

Given management' intentionally obtuse understanding of related party transactions, we believe Hexagon carries enormous risk of malfeasance.

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.**

[4] https://www.iasplus.com/en/standards/ias/ias24

2. The relationship between Hexagon & Greenbridge

With perfect comedic timing: Hexagon's Response then elaborates on how the businesses of Greenbridge and Hexagon are not related by:

- Dishonestly implying Rollén and/or Schörling do not control Greenbridge.
- Claiming only 3 Hexagon executives are Greenbridge shareholders and collectively control less than 1% of share capital.
- That the Hexagon executives who are Greenbridge shareholders have never been in a position to exert influence or performed any duties at Greenbridge

That no other employees of Hexagon will be invited to become shareholders of Greenbridge

> - Melker Schörling AB (MSAB) and Ola Rollén are the largest shareholders in Greenbridge, with 19% each.
> - Three managers in Hexagon own shares in Greenbridge. These holdings are less than one percent of Greenbridge. None of them can exert influence over Greenbridge and are personal private financial investments.
> - Furthermore, Greenbridge has confirmed that (1) none of these three individuals have ever held any position or performed any duties in relation to Greenbridge, and (2) there will be no other employees of Hexagon invited to become shareholders in Greenbridge.

Figure 8 – Hexagon Response to the Report

These statements are intentionally dishonest by omission. We note the following:

- Ola Rollén is the Chairperson of Greenbridge. He was simultaneously the CEO of Hexagon through to the end of 2022 and is now the Chairperson of Hexagon.
- Melker Schörling (MSAB) and Rollén collectively own ~38% of Greenbridge, effectively a controlling stake.
- There are a further 6 Hexagon executives and former executives which own a further 4% of Greenbridge, including the former CFO Robert Belkic (who resigned only in July 2023), Bo Pettersson (former CTO) and importantly the former General Counsel of Hexagon Kent "Johnny" Andersson.
  - That Hexagon believes it acceptable that even 3 members of its executive team be shareholders of an off-balance sheet personal investment vehicle immediately in conflict with the interests of Hexagon is, in itself, unbelievable.
- A further 41% of Greenbridge is owned by associates of Ola Rollén, Melker Schörling and Hexagon (including shareholders of Hexagon & MSAB, noteholders of Hexagon, nomination committee members of Hexagon, distributors of Hexagon products).

We also refer to the following statement made on the website "Ola Rollén Truth", in response to concerns that Greenbridge's investment vehicle would inevitably create a conflict with Hexagon:

> **A:** One should remember that the individuals and companies that have invested in Greenbridge may exercise the right to remain anonymous. Such investments are private and unrelated to Hexagon. It's at each individual's full discretion as to whether he/she wants to disclose ownership.
>
> After it was announced that Melker and Ola had decided to form Greenbridge, wishes to invest were expressed by several individuals including friends and family and a few employees at Hexagon. It was very encouraging to receive such trust as investors.
>
> To ensure transparency, a set of rules for Hexagon employee investors was established. Along with guidelines to avoid the risk of conflicts of interest between Hexagon and Greenbridge, an investor who is also a Hexagon employee cannot have any operational involvement in Greenbridge.
>
> The Chairman of the Board for Hexagon also has the final say about any Greenbridge investments that might conflict with Hexagon's business interests.
>
> Apart from Ola, Johnny Andersson is the only Hexagon employee who has had a role within Greenbridge. Johnny and Ola have worked together since 2001. When Ola had the chance to set up Greenbridge he asked Johnny to advise on proper legal structure set up and act as the secretary to Greenbridge's Board of Directors. Being the secretary to the Greenbridge Board requires Johnny Andersson to be present in a few board meetings per year, similar to that of an external board assignment. This has been approved by the Board of Directors of Hexagon since Johnny Andersson also holds the position as General Counsel for Hexagon.

Figure 1 – OllaRollenTruth.com – google cache[5]

We note the folloiwing:

- In direct contradiction (by omission) to Hexagon's statements relating to the passive roles of Hexagon executives at Greenbridge: both Ola Rollén (CEO of Hexagon to 2022) and Johnny Andersson (Hexagon General Counsel) have performed duties at Greenbridge while employed by Hexagon.
  - Ola Rollén was the CEO of Hexagon when Greenbridge created Blackbird.
  - Johnny Andersson was both the chief compliance officer (!) of Hexagon and co-founder & advisor of Greenbridge, according to his LinkedIn.
  - We also find it very hard to believe that other senior Hexagon insiders and stakeholders exerted no influence at Greenbridge.
- In response to possible conflicts of interest between Greenbridge and Hexagon, Ola Rollén claimed that Greenbridge's investments "are private and unrelated to Hexagon", and "guidelines to avoid the risk of conflicts of interest between Hexagon and Greenbridge" were established. Hexagon should immediately publish these guidelines together with evidence of the date on which they were first disseminated.
- "The Chairman of the Board of Hexagon also has the final say about any Greenbridge investments that might conflict with Hexagon's business interests". Greenbridge's Blackbird Venture was established in November 2022; however it finalized its investment in Divergent in 2023. Ola Rollén was the Chairman of Hexagon in 2023, and was preceded by Gun Nilsson, who represented the interests of Schörling.
  - Any such "final say" should of course of have been made by an individual, or better still a committee, that was truly independent. It is unfathomable that Hexagon's Chairman, Ola Rollén and/or Gun Nilsson, had the responsibility to approve their own conflicted investment via Greenbridge. The serious conflict of interest could not be clearer.
- In response to Greenbridge criticism pre-dating Divergent, Ola Rollén dismissed calls for Greenbridge transparency, stating that its investments were "private and unrelated to Hexagon". Clearly, this was not the case with Divergent.

[5] https://web.archive.org/web/20230805135813/https://webcache.googleusercontent.com/search?q=cache:juUrSAZP6S4J:https://olarollentruth.com/wp-content/uploads/2017/04/QuestionAboutGBInvestorsv3.pdf&cd=16&hl=en&ct=clnk&gl=br

Greenbridge Shareholder Register

Greenbridge Shareholders	UBO	Hexagon Link	Shares	%
Certo AB	Robert Belkic	CFO (former)	4,087,497	0.50%
Citrava Invest Ltd	Kent Johnny Andersson	Former GC of Hexagon	8,159,148	1.01%
Norbert Hanke		COO / Human Resources / IT Functions.	3,137,469	0.39%
Iskossala Ltd	Ola Rollen	Director / Former CEO	150,452,204	18.57%
Li Hongquan		President - China	5,439,433	0.67%
Melker Schorling AB	Melker Schorling	Major Owner	154,427,059	19.06%
Rollen Family Revocable Trust	Ola Rollen	Director / Former CEO	3,974,855	0.49%
Bo Pettersson		CTO (former)	5,527,481	0.68%
Mattias Stenberg		President - Asset Lifecycle Division	3,684,988	0.45%
		Total - Current & Former Hexagon Executives	**338,890,134**	**41.82%**
Elsa Bonnier	Bonnier Group	Gun Nilsson director of Bonnier Group	74,163,974	9.15%
FundRock Managament Company		Shareholder / Debtholder	6,274,938	0.77%
M&V Kennedy Super Account	Malcolm Kennerdy	**Distributor / Subsidiary Director**	2,303,117	0.28%
Monesi Forvaltning AB	Henrik Didner	**Nomination & election committee, Hexagon / Hexpol**	18,424,940	2.27%
Ramsbury Invest AB	Persson Family	MSAB & Hexa shareholders	124,061,846	15.31%
UIE plc		Shareholder MSAB	78,424,852	9.68%
Veikko Laine Oy	Pasi Laine?	Gun Nilsson on Board of Konecranes with Pasi Laine	31,374,691	3.87%
		Total - "Assosicates, Friends & Family"	**335,028,358**	**41.34%**
Alan Henneby		Greenbridge CFO	100	0.00%
Emannuel Lang		Greenbridge MP	1,170,844	0.14%
Flamboyant Ltd		Unknown	29,639,919	3.66%
Multi Spectrum One Inc		Unknown	7,189,314	0.89%
SEB-Stiftelsen	Pension fund		51,812,178	6.39%
Wasa Chip sarl	Stena AB		39,218,364	4.84%
West Investing		Unknown	7,409,979	0.91%
		Other incl. "Unknown"	**136,440,698**	**16.84%**

Figure 1 – Viceroy Analysis – sourced from Greenbridge corporate extract

3. Regarding the Independence of the Board

Hexagon makes no attempt to defend the composition of its board, making the following claims instead:

> - The board today consists of seven directors, after three previous directors decided to not seek reelection at the AGM 2023 because of other professional commitments.
> - The nomination committee, which includes MSAB and other shareholder representatives, is committed to continuously improve board composition.
> - MSAB, who chairs Hexagon's nomination committee, had already decided to propose to the committee the addition of more independent members for the board of directors. The new members will have strong relevant industry knowledge and financial background.
> - The board is committed to strengthening the independence of its audit and remuneration committees and is always looking at ways to align its leadership to investors' requirements.

Figure 9 – Hexagon Response

We note the following:

- Hexagon claims that the nomination committee, which is substantially consisted of MSAB, and includes other "independent" members who are Greenbridge investors, are "committed to continuously improve board composition". This is evidently false given the nomination committee have had 20 years to improve the composition of the board and have failed to do so.
- Of course MSAB had already decided to propose more "independent" members to the BOD: 3 directors declined re-election! It is literally listed in the first paragraph!
- Hexagon appears to acknowledge that the composition of the remuneration committee and its audit committee is not compliant.

We reiterate our questions from our original report:

Please clarify which of its directors are independent of major shareholders.

Please clarify and correct statements as to the financial relationships between management, directors, and major shareholders.

Please advise which of the audit committee's members are independent in relation to the company and its executive management?

Please advise which member of the audit committee, and moreover the board, possesses accounting or audit competence. Hexagon has engaged in ~300 M&A transactions over the prior 25 years. Do you believe the audit committee's accounting skills are sufficiently appropriate to adequately conduct its duty?

4. Organic vs Acquired Growth

This section will summary our Organic Growth findings in the Report against the body of Hexagon's responses.

We reiterate that from 1998-2017, organic revenues should have accrued in the multiples of billions. We also note that Hexagon purported to **achieve these insane organic growth figures while making acquisitions at a 20-year average of 2x sales** (growing to ~3x sales from 2011 to 2017).

We maintain our opinion that Organic growth has been vastly overstated.

Hexagon's explanation to our allegations of misrepresented organic growth consists of cherry-picked acquisition data to highlight organic growth has occurred in the last 5 years. Viceroy also highlighted that Hexagon experienced organic growth during this period, albeit significantly less than the alleged growth in the prior 20 years.

Even if we took Hexagon's calculations and disclosures as accurate (**which we do not**), the crux of management's response asserts to the market that it has commenced overpaying for acquisitions by many multiples from 2017 vs the previous 20 years, and experienced slower growth. Hexagon cannot function as a roll-up that makes bad acquisitions.

Line-by-line responses to Hexagon's exhibits can be found annexed to this report, and will demonstrate incorrect Hexagon organic growth calculations, fill gaps of intentional omissions, and highlight more of Hexagon's ridiculous disclosure policies.

1998 - 2017

Viceroy have **substantially complete data** from Hexagon's acquisitions from 1998-2017. We note the following:

From 1998 to 2017, Hexagon

- Acquired € 2.9b in revenues.
- Disposed €1.1b in revenues.
- It commenced the period with €468m in revenues.
- Reported an average organic growth rate of 7%

Hexagon Organic Growth Anal	'98-'10	'11-'17	'98- '17
Acquisition consideration			
less: cash acquired			
Net acquisition consideration	**3,606**	**2,203**	**5,809**
Prior period revenue	468	1,481	468
Acquired revenue	2,186	738	2,923
Disposed revenue	(1,024)	(60)	(1,084)
Revenue (estimate)	**1,630**	**2,159**	**2,307**
Revenue (reported)	1,564	3,448	3,448
Delta (organic growth)	**(66)**	**1,289**	**1,141**
Revenue acquisition multiple	**1.65**	**2.99**	**1.99**
Reported organic growth			

Figure 10 – Viceroy Analysis

We reiterate that for this 20-year period, organic revenues should have accrued in the multiples of billions. We also note that Hexagon purported to **achieve these insane organic growth figures while making acquisitions at a 20-year average of 2x sales** (growing to ~3x sales from 2011 to 2017).

We note that we are still missing revenues from dozens of acquisitions across these 20 years, but believe that the data is sufficient to evidence, conservatively, that organic growth is much weaker than claimed.

2018 – 2022

From 2018, Hexagon accounts became extraordinarily opaque, and acquisition jurisdictions were also significantly less opaque. Viceroy (nor any other private investor we know of) had access to financial data of over half of Hexagon's acquisitions from 2018 to now.

Viceroy estimated acquired sales from these periods on acquisition multiples which already exceeded those of the previous 20 years.

Hexagon Organic Growth Analysis		'98-'17	2018	2019	2020	2021	2022	'18-'22	Total
Acquisition consideration	*EUR m*		555	394	860	2,589	1,252		
less: cash acquired	*EUR m*		(10)	(38)	(35)	(5)	(22)		
Net acquisition consideration	***EUR m***	**5,809**	**545**	**356**	**825**	**2,583**	**1,230**	**5,539**	**11,348**
Prior period revenue	*EUR m*	468	3,448	3,761	3,908	3,764	4,341	3,448	468
Acquired revenue	*EUR m*	2,923	182	119	275	646	308	1,529	4,452
Disposed revenue	*EUR m*	(1,084)	-	-	-	-	-	-	(1,084)
Revenue (estimate)	***EUR m***	**2,307**	**3,630**	**3,879**	**4,183**	**4,410**	**4,649**	**4,977**	**3,836**
Revenue (reported)	*EUR m*	3,448	3,761	3,908	3,764	4,341	5,161	5,161	5,161
Delta (organic growth)	***EUR m***	**1,141**	**131**	**28**	**(418)**	**(69)**	**512**	**184**	**1,325**
Revenue acquisition multiple	*X*	**1.99**	**3.0**	**3.0**	**3.0**	**4.0**	**4.0**	**3.62**	**2.55**
Reported organic growth	*%*		*8%*	*-1%*	*-4%*	*12%*	*8%*		

Figure 11 – Viceroy Analysis

Intentionally Obtuse 2017 – 2022

Hexagon's response suggests that it acquired only ~€950m of revenues in this period. Viceroy's extremely limited filings and disclosures across this period result in acquired revenues of €900, however we have zero representative data for at least 33 acquisitions, which is over half of the acquisitions made in the period (including those with over €10m of annual revenues, per Hexagon's disclosures).

Hexagon has refused to acknowledge that dozens upon dozens of acquisitions appear to be immediately dissolved and merged into existing businesses. In these scenarios (especially in the acquisition of distributors) acquired revenues would be largely indistinguishable from pre-existing revenues.

Instead of presenting information in any useful manner, Hexagon has resorted to structure-bridging analysis calculations. This conceals the non-consolidated income period from acquisitions and bundles them together in the following year's "Prior Year Contribution" lines. Any attempt at getting any useful data from Hexagon is like trying to draw blood from a stone.

Conclusion – Catch 22

Taking Hexagon's statements as gospel will depict a business that has completely drifted from a successful 20 year roll up and commenced making acquisitions at double or triple the consistent valuation of historical acquisitions, and generating lower growth (4.7% organic growth against previous 20-year average of 6%); or

Revenues from Structure	€	Consideration	Multiples
2017	204	915	4.5
2018	150	427	2.8
2019	118	350	3.0
2020	100	751	7.5
2021	182	2500	13.7
2022	220	1195	5.4

Figure 12 – Viceroy Analysis

We believe that it is more likely that Hexagon has misrepresented its organic growth. Either now, or in the past, or both.

We reiterate our opinion that Hexagon's organic growth is vastly overstated.

5. Regarding Accounting Policies & Disclosures

Hexagon hilariously claims that it continuously reviews its level of disclosures to ensure it is "commensurate with current best in class practice". It then conveniently claims that it was *already* considering increased disclosures as discussed in the Report, including greater detail on acquisitions, R&D, and revenue quality.

> - Even so, it is normal to continually review the level of disclosure, to ensure it is commensurate with current best in class practice and was already planned to be a topic for the upcoming CMD in December. The topics under consideration include:
>   - increased detail on revenue quality;
>   - additional disclosures around acquisitions, to include a revenue and EBIT bridge (as in the 2Q23 presentation), more detail on smaller transactions; and
>   - increased disclosure on R&D priorities, material investments and payback.

Hexagon's level of disclosure has been criticized for over a decade. It has gotten progressively *worse* as the company has grown. Voluntary disclosures are cherry-picked, and completely inconsistent, as highlighted in the Report. Management claims of "best in class" disclosure practice is laughable.

It precedes claims of disclosure grandeur with non-answer statements on their accounting policies:

Goodwill

Hexagon claims that it performs requisite goodwill impairment tests for cash generating units (**CGUs**).

> - Goodwill and other acquired intangible assets with an indefinite life are not subject to annual amortisation but are subject to annual impairment testing in accordance with IFRS. Hexagon performs the requisite test for the cash generating units and applies sensitivity analysis in line with IAS 36. No impairment is deemed necessary as the recoverable value in total in 2022 was nearly double the book value.

We believe that it is a ridiculous proposition by Hexagon that the lowest level of internal assessment for €10b of goodwill is five high-level CGUs. Goodwill is allocated to these CGUs from acquisitions made in 1998 which have no utility within the current CGUs.

As we have also heighted in the Report: various goodwill-generating acquisitions appear to be underperforming.

We reiterate that acquisition spend is like-for-like with R&D in Hexagon's instance. It acquires distributors, salespeople, competitors, third party software, and tangible businesses with short technology cycles that quickly and demonstrably become redundant.

Hexagon claims that the Recoverable Value of CGUs are tested value-in-use with a discounted cash flow method. The discounted rates are below:

	Discount rate after tax	
	2022	2021
Geosystems	7.6%	7.6%
Manufacturing Intelligence	9.2%	8.2%
Autonomy & Positioning	9.3%	8.9%
Asset Lifecycle Intelligence	10.1%	8.7%
Safety, Infrastructure & Geospatial	10.1%	8.7%

In the extreme example of Hexagon's aggressive acquisitions, we do not believe the high-level value-in-use CGU discounted cash flow will accurately reflect Hexagon's extreme R&D, Capex & acquisition spend. It claims that the recoverable value derived from a discounted cash flow method was "nearly double the book value".

A back envelope calculation of discounted cash flows suggests this can only be achieved pre-capex and other necessary investment outflows.

R&D Spend

Our Report highlights the following:

- Hexagon aggressively capitalizes over 50% of R&D outflows.
- Capitalized R&D vastly and incrementally outpaces annual amortizations (even when accounting for R&D growth). This has accelerated the growth of its intangible asset base.
- That Hexagon amended the useful life of capitalized R&D assets from 2-6 years to 2-10 years, which in theory has taken a lot of pressure off of earnings.

R&D Analysis	2022	2021	2020	2019	2018	2017	2016	2015
Sales	5,161	4,341	3,764	3,908	3,761	3,448	3,149	3,044
R&D Total	**714**	**567**	**507**	**515**	**449**	**416**	**366**	**360**
% sales	*13.8%*	*13.0%*	*13.5%*	*13.2%*	*11.9%*	*12.1%*	*11.6%*	*11.8%*
R&D Capitalized	377.8	296.8	271.4	275.6	224.2	216.1	197.1	186
R&D Expensed	**336.5**	**269.7**	**235.9**	**239.1**	**224.9**	**199.5**	**169.1**	**173.7**
% Expensed	*47.1%*	*47.6%*	*46.5%*	*46.5%*	*50.1%*	*48.0%*	*46.2%*	*48.3%*
Amortization expensed	173.5	179	169.7	158	147.7	140.3	130.6	109.7
Amortization / capitalization	*45.9%*	*60.3%*	*62.5%*	*57.3%*	*65.9%*	*64.9%*	*66.3%*	*59.0%*

Figure 13 – Viceroy Analysis

Hexagon addresses none of these concerns:

> - Hexagon evaluates R&D expenditure in line with the requirements in IAS 38 and capitalises qualifying expenses in the development phase where it can be demonstrated that the intangible assets are expected to generate future economic benefits. Amortisation of capitalised intangible assets commences on commercial release of the project, and the depreciable amount is allocated on a systematic basis over its useful life, in order to match with anticipated future revenue. The majority of the capitalised development spend is in software with an anticipated useful life of 5 years or less.

Figure 14 – Hexagon Response

We note the following:

- Hexagon claims that the "majority of capitalized development spend is in software with an anticipated useful life of 5 years or less". This is incomplete data. Analysis shows that amortization expenses fell in 2022 despite significant increases in capitalized R&D across the last 5 years.
  - While it may be true that "the majority of capitalized development" has a useful life of 5 years or less, this is still a material increase from pre-2021.
- Hexagon's asset turnover ratio has deteriorated over the last 20 years. If anything: increased capitalization is demonstrating that the intangible assets are underperforming consistently. We elaborate on "Revenues" below.

Revenues, Margins & Comps

Hexagon did not address aggressive margins, quality of revenue, and aggressive accounting in any detail besides claiming accounts are audited. Like every single other company Viceroy has written about: audited financial statements have not accurately represented true financial health.

Hexagon's asset turnover over the last 20 years (indexed against comps) has fallen significantly. This is to be expected as:

- Hexagon does not impair goodwill, which we describe as being like-for-like with R&D spend;
- Hexagon incrementally capitalizes R&D, and appears to gradually extend amortization schedules, which in turn balloon intangible assets; and
- We observe numerous Hexagon acquisitions and subsidiaries are underperforming post-acquisition.

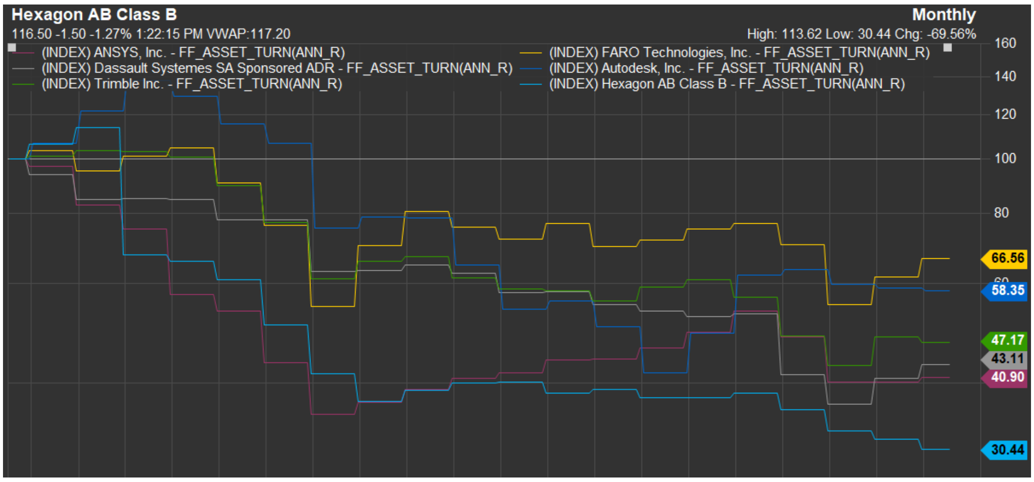

Figure 15 – FactSet

Hexagon significantly underspends on R&D, vying instead to acquiring R&D through business combinations.

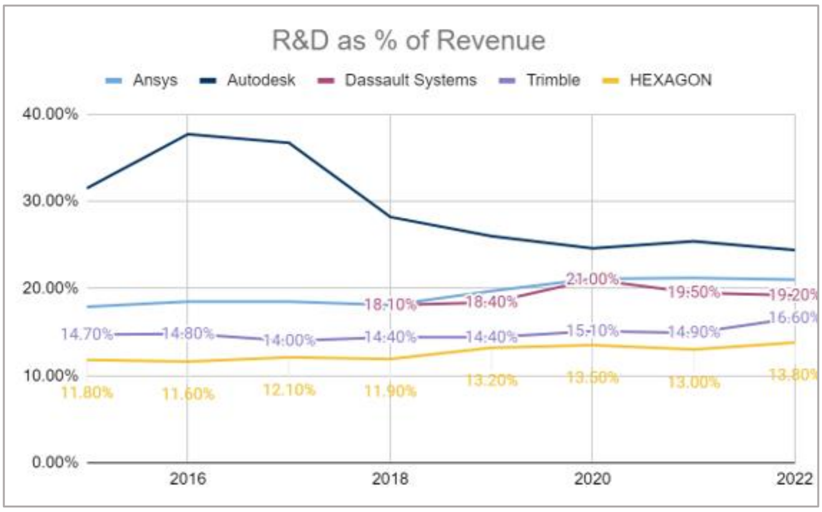

Figure 16 – Viceroy Analysis

Given the above, Hexagon's margins become vastly overstated, as Goodwill (like-for-like R&D) is never impaired, R&D is increasingly capitalized, and amortization schedules extend. Hexagon posts margins similar to best-in-class competitors. These are undeserved, and do not reflect Hexagon's poor earnings quality.

Tax Audits

Hexagon claims that, as a large multinational, tax audits are a normal course of business. Management should not flatter themselves. We have not known many large multinationals subject to "several" ongoing tax investigations. Of course, Hexagon does not elaborate on the nature of any such audits, and claims they are immaterial despite listing the investigations as a material risk in their own annual report.

- Hexagon is a large, multinational enterprise operating in many countries, and therefore tax audits are a normal course of business. Hexagon has no material tax legal proceedings in process at this time.

Tax

Hexagon operates through subsidiaries in a number of jurisdictions and all cross-border transactions are normally a tax risk because there are no global transfer pricing rules. Local tax authorities follow their own local transfer pricing rules and authorities interpret transfer pricing guidelines differently. Hexagon frequently interacts with local taxing authorities and frequently has several ongoing tax audits in progress.

Figure 17 & 18 – Hexagon Response & Hexagon Annual Report 2019

6. The Rest

Buying out of Insolvency

Hexagon factually has bought companies out of insolvency. We don't understand why this is a point of contention. Brown & Sharpe, GPD & Sheffield Automation were insolvent purchases. iConstruct was insolvent on previous occasions. There appear to be many other restructuring acquisitions which we could not fully identify.

We have still not identified another J5 International in the UK, however, will endeavor to continue our search in South Africa upon approval of registry access.

We have similarly informed FactSet of their error surrounding the acquisition extract of Claughton Office Equipment listed under Hexagon AB and its subsidiary Planit.

View all Participant Details

Target Claughton Office Equipment Ltd. - Subsidiary	**Industry** Wholesale Distributors
Parent of Target Frillo Ltd. - Private Company	**Industry** Specialty Stores
Acquirer British Thornton ESF Ltd. - Subsidiary	**Industry** Medical Specialties
Parent of Acquirer Hexagon AB (HEXA.B-SE)	**Industry** Electronic Equipment/Instruments

Announce Date **Close Date** **Deal Type**

British Thornton ESF Ltd, a subsidiary of Planit Holdings Ltd, which is ultimately owned by Hexagon AB acquired Claughton Office Equipment Ltd, a subsidiary of Frillo Ltd, for an undisclosed amount. The transaction strengthens all the companies portfolio of furniture manufacturing operations. As part of the transaction, Claughton Office Equipment Ltd would integrate with British Thornton ESF Ltd and its sister company EME Furniture Ltd and operates as British Thornton. Following the transaction, Gerard Toplass, managing director of Claughton Office Equipment Ltd would join as chief executive officer of the new board and joins with Simon Crawford, group sales director. Claughton Office Equipment Ltd is located in East Riding of Yorkshire, Yorkshire, United Kingdom and designs and manufactures furniture for education and industrial industries.

Figure 19 – FactSet

Disclaimer

We note that Hexagon appear to sport a new Disclaimer, wherein it does not only disclaim the accuracy of forward-looking statements, but also the accuracy of everything contained in its response.

Hexagon has sufficient, easily accessible data to rebut every criticism we have opined in our Reports. The data should be accurate. We understand the need for disclaimers in the course of business, but this indicates that Hexagon have strayed from the path.

It is clear that in being intentionally opaque (in Hexagon's own words: "balancing visibility") Hexagon's sensible squadron do not feel comfortable int their (limited) disclosures.

HEXAGON

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Figure 20 – Hexagon Response disclaimer

Annexure 1. – Dissecting the Organic Growth Exhibits

Hexagon's M&A disclosure and integration

Hexagon's disclosure policy is listed as follows:

Current Disclosure Policy

- Hexagon discloses the contribution to growth from structure every quarter. Acquisitions are treated as "structure" for the first 12 months following acquisition.
- Acquisitions are disclosed in the annual report and quarterly earnings release by name during the year of purchase.
- For companies with material revenues in the year of purchase, revenues are disclosed in the annual report and/or press release on closing.
- For larger acquisitions Hexagon discloses valuation, revenues and profitability in the press release, and discloses separately the acquisition details in the annual report.

Figure 21 – Hexagon Response

We will debate the calculations further below; however we note the following:

- Hexagon has refused to acknowledge that dozens upon dozens of acquisitions appear to be immediately dissolved and merged into existing businesses. In these scenarios (especially in the acquisition of distributors) acquired revenues would be largely indistinguishable from pre-existing revenues.
- Hexagon claims for companies with material revenues, these are disclosed in the annual report "and/or" press release on closing. This is exactly the problem. There is zero consistency in the reporting of material acquisitions, let alone the aggregate material impact of various immaterial acquisitions.
- Hexagon claims to disclose valuation, revenues and profitability of "larger acquisitions" in its press releases. Hexagon absolutely does not provide profitability figures for any acquisitions that we know of. Management seriously believes that the below phrases, such as "accretive to group" and "strong profitability" are acceptable profitability disclosures.

Year	Company	Description	Disclosed Revenues (€m)	Disclosed Profitability	Disclosed Purchase Price
2017	MSC	A US-based provider of computer-aided engineering (CAE) solutions	209	"strong profitability"	780
2017	Luciad	A Belgium-based provider of 5D visualisation and analysis solutions	21	"larger than group margin"	*Undisclosed*
2018	Bricsys	A Belgian based developer of CAD (computer-aided design) software	16	Undisclosed	*Undisclosed*
2019	Thermopylae	A software provider that specialises in geospatial applications/location intelligence	43	"accretive to group"	*Undisclosed*
2019	Volume Graphics	A market leader in the industrial computed tomography (CT) software industry	26	"accretive to group"	*Undisclosed*
2020	Romax	A provider of Computer Aided Engineering (CAE) software	24	"accretive to group"	*Undisclosed*
2020	DPT	A provider of computer-aided manufacturing (CAM) technology	35	"accretive to group"	*Undisclosed*
2020	PAS	A leading provider of Operational Technology (OT) integrity solutions	28	Undisclosed	*Undisclosed*
2021	Infor EAM	A provider of Enterprise Asset Management and APM software	151	"Over 40%"	2422
2022	ETQ	A leading provider of SaaS-based quality management (QMS) software	65	"Over 35%"	1063
	Total		**617**		**4265**

Figure 22 – Hexagon Response

Hexagon highlights that they will focus their response from 2017-2022, a period in which even we acknowledged organic growth existed, and the period with the most missing data in Hexagon's acquisitions.

"Exhibit 1" – 2017 – 2022

Hexagon claim that from 2017 to 2022, the company recorded approximately ~€950m of "Structure" acquired revenue growth (excludes 2016 structure income).

Exhibit 1: A summary of Hexagon's M&A disclosures (2017-2022)

Eur m		Total Acquisitions Disclosed		Acquisitions Individually Disclosed				Calculated
Year	Revenues from "Structure" *	Number of Acquisitions	Consideration (Annual Report)	Number of Acquisitions	Annual Revenues (AR, Release)	Consideration (AR, Release)	Transactions Disclosed	% of Total Consideration
2017	204	13	915	2	230	780	MSC	85%
2018	150	10	427	3	83	207	AutonomouStuff	49%
2019	118	8	350	2	69			
2020	100	12	761	6	157			
2021	182	6	2500	1	151	2422	Infor EAM	97%
2022	220	11	1195	1	65	1063	ETQ	89%
	974	**60**	**6147**	**15**	**755**	**4472**		**73%**

Source: Hexagon press releases and annual reports

Figure 23 – Hexagon Response

Viceroy's data and revenues pulled from registries shows €900m of revenues We note that this excludes (at least) 33 acquisitions (many sizeable) made by Hexagon across the period. Accordingly, we extrapolated acquired revenues from 2018-2022 from consideration outlay/revenue multiple.

We also note the following:

- Instead of presenting information in any useful manner, Hexagon has resorted to structure-bridging analysis calculations. This conceals the non-consolidated income period from acquisitions and bundles them together in the following year's "Prior Year Contribution" lines. Any attempt at getting any useful data from Hexagon is like trying to draw blood from a stone.
- Hexagon has refused to acknowledge that dozens upon dozens of acquisitions appear to be immediately dissolved and merged into existing businesses. In these scenarios (especially in the acquisition of distributors) acquired revenues would be largely indistinguishable from pre-existing revenues.
- Hexagon claim to source its populated table from Annual Reports and press releases. We highlight that structure growth percentages disclosed in Hexagon annual reports deviate from presented "Revenues from Structure" figures by up to 17%. Hexagon then re-present these calculations without adjusting the percentages to adjust for rounding errors. In all likeliness, these figures have been hard coded.

Structure	2017	2018	2019	2020	2021	2022
Prior period revenue	3,149	3,448	3,761	3,908	3,764	4,341
Structure	6.0%	4.0%	3.0%	3.0%	5.0%	5.0%
Estimated structure revenue	189	138	113	117	188	217
Reported Structure	204	150	118	100	182	220
Delta	15	12	5	(17)	(6)	3
Delta (%)	7.4%	8.1%	4.4%	-17.2%	-3.4%	1.3%

Figure 24 – Viceroy Analysis

EV/Sales

Hexagon has consistently acquired at around 2-3x revenues in the preceding 20 years prior to 2018.

Even accounting for outliers in pervious years, the revenues acquired in low-multiple acquisitions generally bring multiples towards 0.

Taking Hexagon's statements as gospel will depict a business that has completely drifted from a successful 20 year roll up and commenced making acquisitions at double or triple the consistent valuation of historical acquisitions, and generating lower growth (4.7% organic growth against previous 20 year average of 6%).

We again note that several acquisitions were blended into existing companies, whose revenues would likely be indistinguishable from existing sales.

The estimate metric was not outlandish. That Hexagon alleges to have strayed from the path, is.

Disagreements

We have made amendments as necessary to our calculations for Mecadat, Immersal, ZG Technologies, & Licom.

We note the following:

- The Mecadat filings we have obtained from the Bundesanzeiger do not include a P&L statement. We will take Hexagon's word for it.
- Immersal Oy's revenues have been corrected. Viceroy had previously addressed this issue. It had no impact on our report's conclusions. We note that Immersal has in fact recorded negative y/y growth, and earnings have fallen from positive to very loss-making. Hexagon can disagree with their own financial filings as much as they like.
- ZG Technologies: We have made corrections. It has no impact on our report's conclusions.
- Licom: We have made corrections. It has no impact on our report's conclusions.
- Etalon, Melown, Fasys & Kronion: we acknowledge the imprecise methodology of the working capital ratio used to calculate sales for these entities. In absence of any disclosures from Hexagon, we must resort to the method. We are happy to make amendments should Hexagon make the proper disclosures, and note that Hexagon have not spoken to the inaccuracy of the figures we have provided.

"Exhibit 2 & 3" – More Information on Organic Growth

Hexagon presents a hard-coded sales bridge with figures that do not match structure % changes to 1 decimal place (as presented in the table). Management then obtusely provide only structure contributions, which obfuscate revenues of individual acquisitions towards the back end of the "structure" period. These are unhelpful, against a much preferred pro-rata impact of acquisitions (obviously).

We again note that acquisitions appear to be immediately dissolved and merged into existing businesses. In these scenarios (especially in the acquisition of distributors) acquired revenues would be largely indistinguishable from pre-existing revenues.

"Exhibit 4"

Hexagon bizarrely posts "acquired revenue by type" from 2017 to 2022 against 2013 to 2022. The balance looks roughly unchanged, and you really do have to eyeball it because not only do the comparing periods overlap, but the pie charts are not annotated with any numerical data.

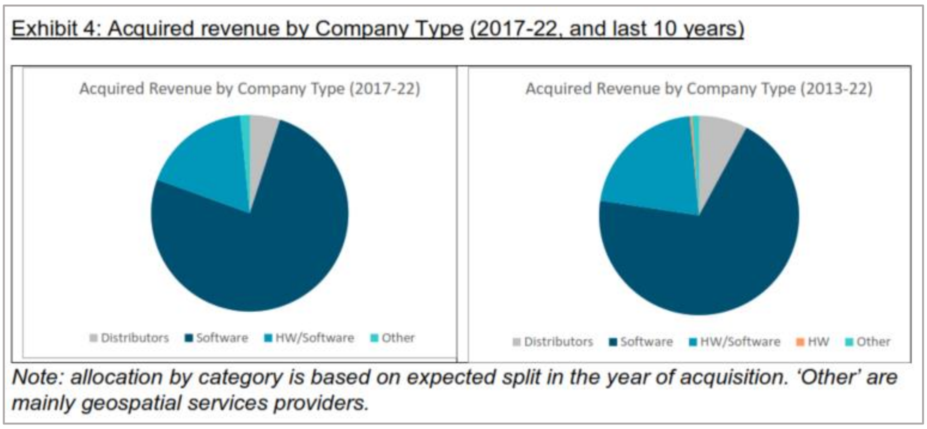

Figure 25 – Hexagon Response

We reiterate that it does not appear that Hexagon has amended its M&A strategy in the last 10 years.