

Global Graphics Shareholder Q&A: Acquisition of HYBRID Software



Graeme Huttley, CFO; Mike Rottenborn, CEO

January 6, 2020



Background

- This webinar is designed to provide full transparency and an open dialog with all shareholders of Global Graphics PLC
- It will be recorded and made publicly available
- Please mute your microphone if in a noisy location
- Questions are permitted after each slide as well as at the end
- Another session is planned on Jan. 5 or 6 for shareholders who could not attend today
- A mechanism will also be provided to submit written questions for company responses which will be posted publicly

Agenda

- Transaction Summary
- Group Structure
- Overview of HYBRID Software
- Global Graphics Business Factors
- Valuation
- Timing
- Next Steps
- Q&A

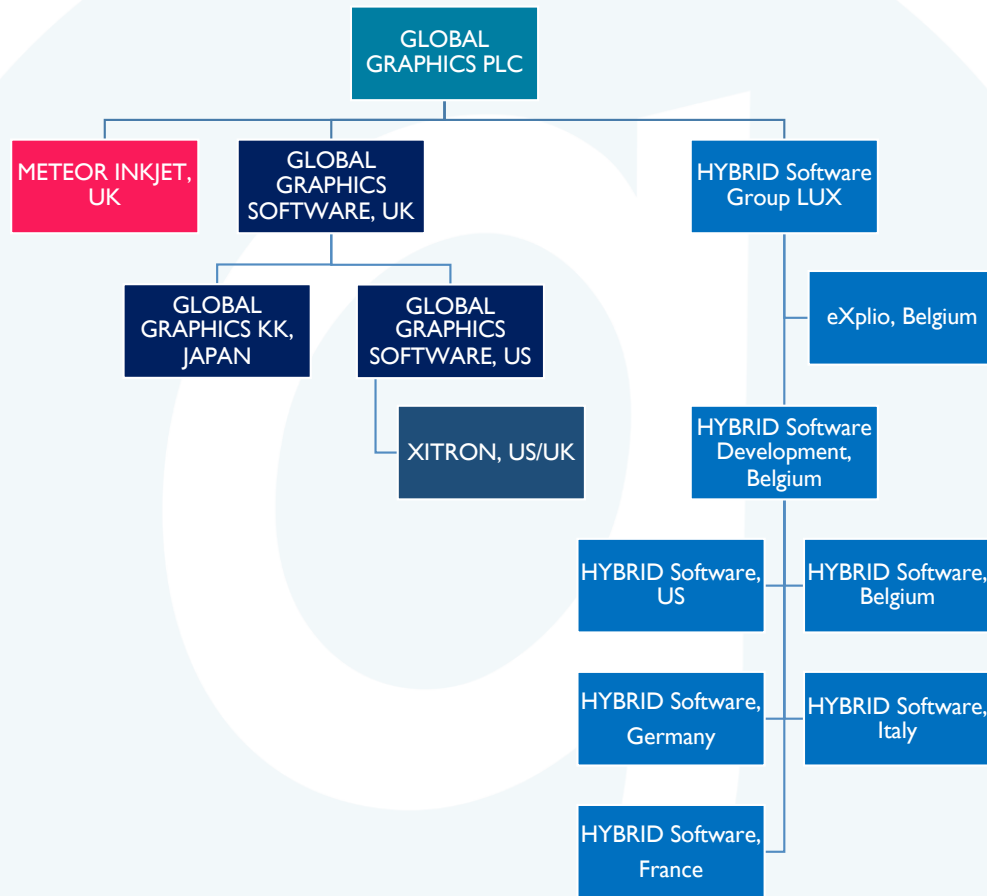
Transaction Summary

- SPA signed for Global Graphics PLC to acquire 100% of HYBRID Software from Congra Software in exchange for €80M in shares
 - Price based on 30-day weighted average of GLOG closing share price
- General meeting of shareholders scheduled for Jan. 8 to vote on transaction
- If transaction is approved
 - 21,074,030 new GLOG shares will be issued to Congra
 - HYBRID Software will become the 4th group company within Global Graphics PLC
 - Congra Software will increase their ownership stake from ~50% to 82%

Long Term Commitment

- Guido Van der Schueren is here today as Chairman of Global Graphics
- However, he would also like to communicate his intentions as the controlling shareholder of Congra Software
 - If approved, this transaction ends the Congra takeover attempt from 2018
 - There are no plans to de-list or privatize Global Graphics
 - There are no plans to squeeze out other shareholders
- As always, the Board of Directors is dedicated to growing the company for the benefit of all stakeholders, and we believe unanimously that acquiring HYBRID Software is critical to our growth plans
- We're all on the same side of the table and we want all shareholders to win
 - Congra's acceptance of an all-stock transaction for the sale of their primary asset, HYBRID Software, is strong evidence of Guido's dedication to Global Graphics

Planned Group Structure After HYBRID Acquisition



Confidential

HYBRID Software Overview

A background graphic consisting of a network of grey dots connected by thin grey lines, forming a complex web-like structure.

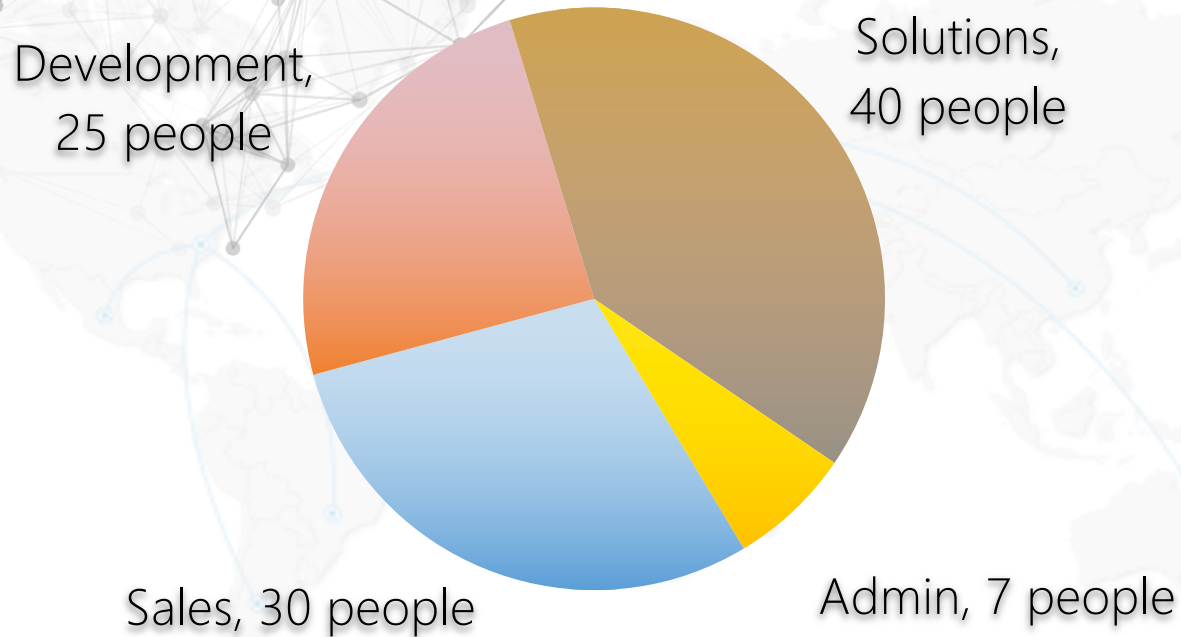
HYBRID Software DNA

- **We create software**
...and deliver innovation and performance
- **We are the IT people**
...with Labels and Packaging knowledge
- **We are Labels and Packaging people**
...with IT competence
- **We listen to our customers**
...and act upon their input

HYBRID Locations



More than 100 Employees Worldwide



Much higher concentration of sales and solutions personnel than other Global Graphics companies, primarily due to HYBRID's focus on end-user sales and the staffing requirements for major markets

2 Major Product Lines



■ **PACKZ**

- Desktop software for MacOS and Windows
- Native PDF editing and prepress application
- Approximately 3,500 licenses sold worldwide



■ **CLOUDFLOW**

- Server and cloud software for enterprise workflow automation
- 900 customer installations & growing

Background: Global Graphics Group Today

- Global Graphics has always been a RIP company; it's our DNA
- Largest contributors to group revenue are Harlequin RIP & Meteor hardware
 - Mako, Direct, PrintFlat, etc. very strategic but still maturing and growing market share
- Group synergies exist, especially in digital inkjet, but it's difficult to leverage these synergies at the OEM level
 - Larger OEMs tend to buy the pieces they need the most and integrate them in-house
- The market needs are changing and we have to adapt to grow
 - Pricing and margin pressure on software and hardware components
 - Preference from many OEMs for more integrated solutions and turnkey products
 - Need to fill a few gaps in our technology portfolio and our company structure to address the most profitable market segments and product lines

Current Status of RIP Market

- Graphic designs are more complex than ever
 - Transparency, layers, embellishments, variable data, spot colors, etc.
- Speed and quality are table stakes
 - Constant R&D and very specialized skillset required to keep RIPs compatible with evolving design applications
- Global Graphics is only company truly innovating in the RIP market today
 - Offered first native PDF RIP 9 years before the competition
 - Award-winning innovations in screening and output quality that are unique to GG
 - Fast, cost effective, and easy to work with
- Very mature market; most OEMs have already chosen a RIP supplier
 - Also very commoditized: can buy 3rd party RIPs and workflows (e.g. Xitron Navigator) to drive most platemaking & proofing devices

Current Status of DFE Market

- Digital press manufacturers bundle Digital Front Ends (DFEs) with presses
- RIPs play a smaller role in DFEs for digital printing than in platemaking
 - Press controls, job queueing, ink & media handling, inspection, color management, & workflow are important DFE functions
 - Constant price pressure on RIP suppliers like Global Graphics
- Harlequin is a key player in the DFE market
 - Used by HP Indigo and HP Industrial for all of their DFEs, plus many other OEMs
 - Very strong market share in Japanese market thanks to GGKK team
 - Direct launched to provide higher speed and easier integration with inkjet print heads
- OEMs are asking for high functionality solutions, not just components

Applications & Major Market Segments

Industrial Inkjet

Ceramics, laminates,
Wallpaper, fabric



Production Workflow

Automated manufacturing
linking business &
graphics operations



Digital Front Ends (DFEs)

Controllers for
all types of MFPs
& digital printing
presses



Wide Format

Display graphics, Billboards, POP



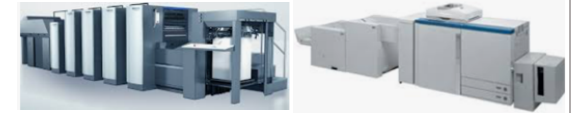
Labels & Packaging

Labels, shrink sleeves, folding cartons,
films, corrugated boxes



Commercial Printing

Documents, statements, forms direct
mail, mktg. collateral



Embedded

“RIP on a chip” Mainly SOHO



Computer to Plate (CTP)

Output of plates, cylinders,
and screens for
analog
printing presses



Applications

Design, preflight,
editing, QA,
Web2Print, layout



Highest Growth Potential for Global Graphics

Industrial Inkjet

Ceramics, laminates,
Wallpaper, fabric



Production Workflow

Automated manufacturing
linking business &
graphics operations



Digital Front Ends (DFEs)

Controllers for
all types of MFPs
& digital printing
presses



Wide Format

Display graphics, Billboards, POP



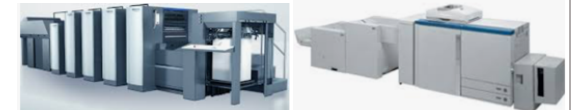
Labels & Packaging

Labels, shrink sleeves, folding cartons,
films, corrugated boxes



Commercial Printing

Documents, statements, forms direct
mail, mktg. collateral



Embedded

“RIP on a chip” Mainly SOHO



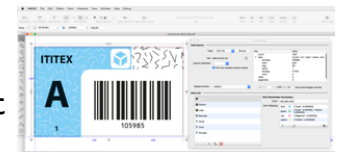
Computer to Plate (CTP)

Output of plates, cylinders,
and screens for
analog
printing presses



Applications

Design, preflight,
editing, QA,
Web2Print, layout



Market Segment: Industrial Inkjet

- Tremendous growth in many areas
 - Ceramics, laminates, textiles, wall coverings, wearables, etc.
- New applications coming all the time
 - 3D printing, direct to shape labelling, etc.
- “Recession Proof” due to fragmentation and geographic diversity
- Led by Meteor but important to all Global Graphics companies
- DFE requirements becoming more sophisticated
 - Great opportunity for RIP and workflow sales in the future

Market Segment: Labels & Packaging

- Conversion from analog to digital printing accelerated by COVID-19 due to “touchless” production process and more flexibility for brands
 - Much easier to change an ingredient, size, or design late in the production process
 - Both run lengths and job counts have increased during pandemic
 - HP Indigo print volumes up 14% in labels & packaging this year
- Pent-up demand for new presses and software once pandemic starts to ebb
- GG active in packaging at the component level: Meteor, Harlequin, ScreenPro
- Need specialized domain expertise and local presence to sell turnkey products for labels & packaging
 - HYBRID Software acquisition will bring this to Global Graphics

Product Opportunity: Turnkey DFEs

- Digital presses will soon support turnkey DFEs from 3rd parties
 - Allows press OEMs to focus on hardware and launch new devices faster
 - Meteor supplies hardware and software components to many OEMs
 - GGS & Hybrid have already partnered to offer “Fundamentals” DFE
- Offering turnkey DFEs opens larger market for Harlequin RIP
 - Fewer OEMs have the skills to develop their own DFE around Harlequin
 - OEM prices for RIPs are low and will continue to be under pressure
 - With HYBRID on board, Global Graphics can create fully functional DFEs
 - Greater value to OEMs and end-user customers
 - Higher revenue to Global Graphics

Product Opportunity: Production Workflow

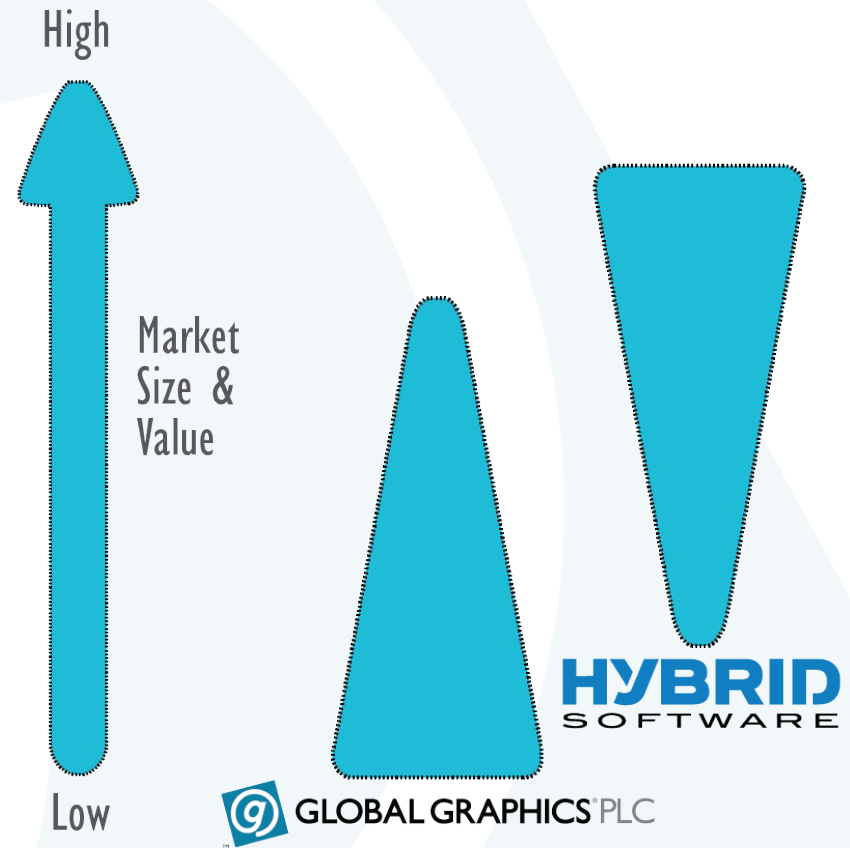
- Labels & Packaging is highest-value segment for workflow & editing
 - High demand and premium pricing, even during pandemic
 - HYBRID has a strong customer base in this segment already
- Much higher margins for end-user sales of production workflow
 - RIPs are critical enabling technology for workflow systems
 - Tremendous markup of RIP price as OEMs add value to core RIP
- Enterprise software: digital & conventional output, load balancing across printers and production facilities, integration of e-commerce and MIS/ERP systems, links to QA and inspection systems, etc.
 - HYBRID customers already running global automation in Amazon Cloud

What does HYBRID Software Bring?

- Enterprise production workflow & packaging expertise
 - Trapping, imposition, nesting, cloud computing, automation, etc.
- Screening technology for flexographic platemaking
- Extensive integration support
 - MIS/ERP systems, e-commerce, inspection & QA systems, etc.
- Application expertise in Extended Color Gamut (7-color) output
- Native PDF Editing software based on own PDF library built for packaging
- End-user sales, distribution, and support networks
- Higher margins and recurring revenue model

Graphic Production Value Stream

- Brands / CPGs / Print Buyers
- Graphic Design Agencies
- Printing & Packaging Companies
- Enterprise Software (ERP, Workflow)
- Printing Press OEM Suppliers
- Digital Front Ends (DFEs)
- RIPs & Computer to Plate (CTP)
- Component Suppliers (HW & SW)



Comparative Valuation Metrics

- EV/EBITDA is fairest metric to compare public & private companies
 - P/E not applicable to HYBRID Software since it's privately held
- 2018 Congra takeover bid offered €4.25/share
 - Viewed as too low by some shareholders and ultimately unsuccessful
 - 52-week high of €4.20 was reached the day before the SPA signed last week
 - EV/EBITDA multiple of **13.93** (2-year average) for cash buyout offer
- HYBRID acquisition valued at €89 million (shares + net debt)
 - EV/EBITDA multiple of **16.18** (based on HYBRID's projected 2020 results)
- Is this 16% increase in EV/EBITDA an indication that the price is too high?

What's Different this Time?

- Recurring revenue component much higher at HYBRID
 - Valuation multiples for recurring revenue are much higher
 - HYBRID's enterprise software focus contributes to higher valuation
- HYBRID is a high-growth company (34.3% CAGR over last 7 years)
- HYBRID is a pure software company with high profitability
 - HYBRID gross profit ~97%
 - Meteor gross profit much lower due to hardware manufacturing costs
 - Global Graphics gross profit ~80% at group level
- Congra accepting all shares in consideration for 100% of its major asset
 - Testament to Guido's belief in the long-term prospects for Global Graphics
- Any of these are valid reasons to explain the modest 16% increase in EV/EBITDA multiple for this deal

Valuation Details

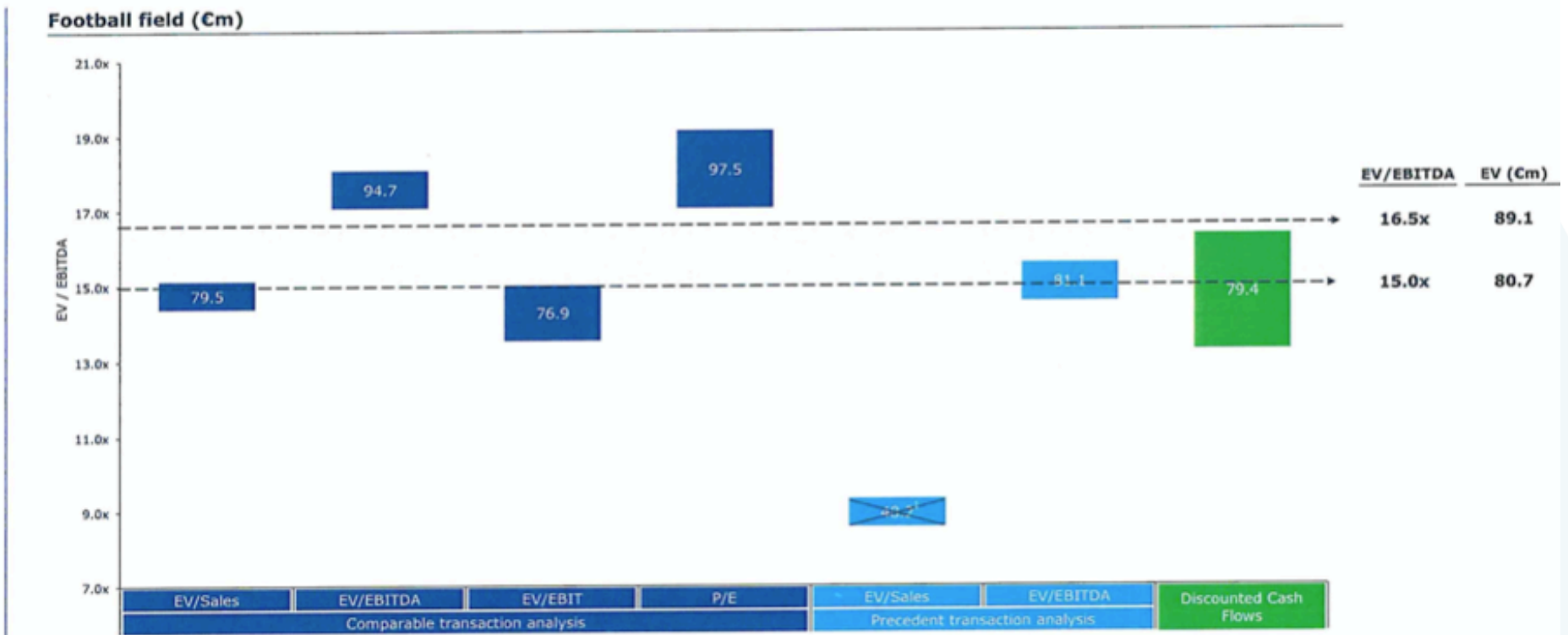
- Two independent valuation studies performed
- HYBRID received report from KBC Securities in Belgium
 - EV range of €80.7M - €89.1M
- Global Graphics commissioned independent valuation study from Arrowhead Business & Investment Decisions in New York
 - EV range of €70M - €96M

KBC Securities Valuation Overview

1. INDICATIVE VALUATION HYBRID SOFTWARE

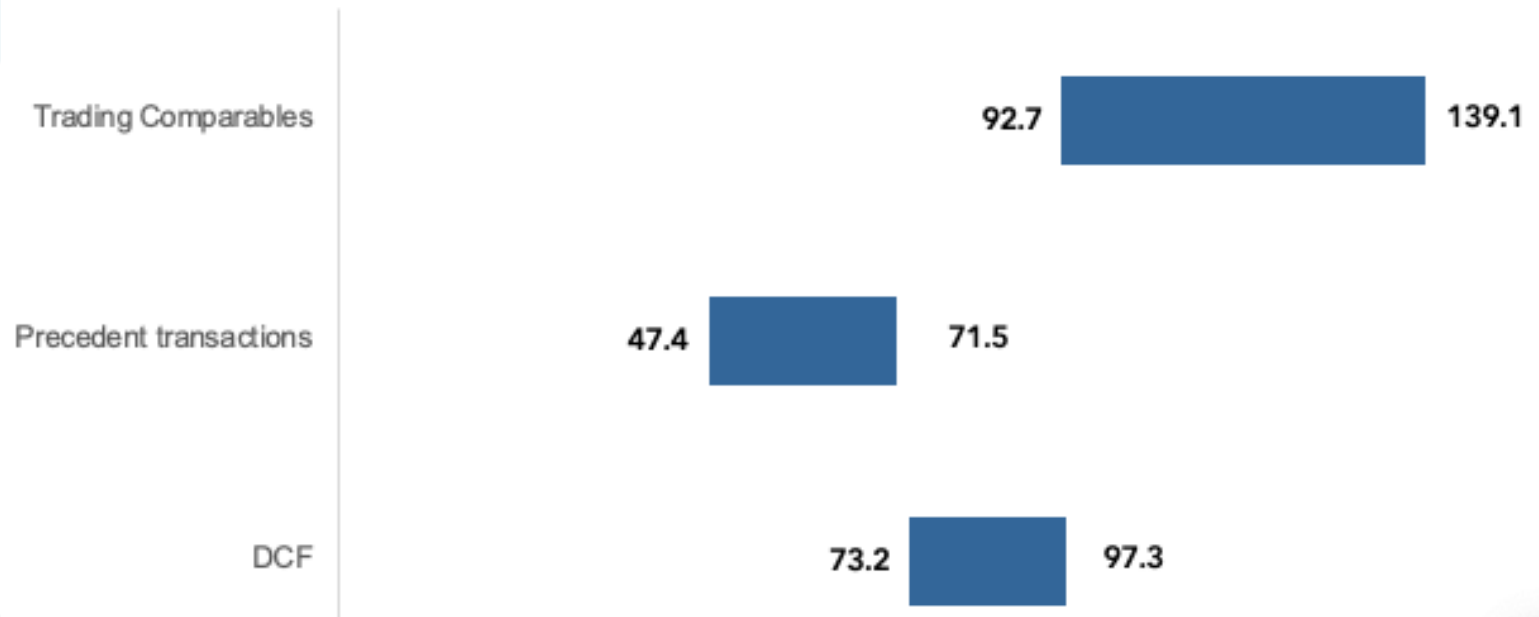
Valuation overview

Indicative valuation summary of Hybrid Software's stand-alone value



Arrowhead BID Valuation Overview

Football Field Analysis



Timing

- With Global Graphics and HYBRID Software already partners, why did we announce this transaction so close to the holidays?
- Two simple reasons
 - End of pandemic will boost hardware and software investment by the labels & packaging industry. HYBRID will benefit from this and price would increase if we waited longer
 - Did not want to announce the deal during the quiet period in Q1 where it could be argued that the Board has access to information that is not yet public
- Provided almost twice as much time between the notice and the general shareholder meeting as required
 - Intention is to be completely transparent to all shareholders

Summary of Strategic Opportunities

- Climbing up the value chain: higher margin RIP sales to end users and higher functionality DFEs for OEMs
- Expansion of Global Graphics into production workflow in industrial inkjet and labels & packaging segments
- New technology from HYBRID Software available to all group companies
- Broader scope & larger size makes Global Graphics best choice for OEMs
- New business models including subscriptions and SaaS for Harlequin customers
- More opportunity to leverage group synergies with bundled HW/SW offerings
- More dominant position for Global Graphics in profitable, high-growth segments

Next Steps

- Q&A to follow
- All relevant information posted at <https://investor.globalgraphics.com>
- Written questions can be emailed to investor-relations@globalgraphics.com
- Deadline for proxy votes has passed
- General Meeting at 15:00 CET on Jan. 8, 2021
 - Will be held by webinar due to COVID-19 and Brexit travel restrictions

Questions?

