

## Press Release

Stockholm, Sweden, 25 February 2022

### **Hexagon acquires ETQ, adding market-leading SaaS-based QMS software platform to its portfolio**

Hexagon AB, a global leader in digital reality solutions combining sensor, software and autonomous technologies, today announced the acquisition of ETQ, a leading provider of SaaS-based QMS (quality management system), EHS (environment, health and safety) and compliance management software.

Customers have long relied on ETQ's future-ready, truly multi-tenant QMS solution, ETQ Reliance. It provides the data backbone for automating the collection and delivery of manufacturing quality control data, non-conformance reports, customer feedback and more, providing an enterprise view of quality management across the entire product lifecycle. Its broad portfolio of best-in-class applications comes with out-of-the-box functionality and no-code configurability, enabling customers to tailor the solution to their unique needs and optimise critical business processes to achieve their quality, safety and environmental goals.

"Our leadership in quality data capture and smart digital realities makes ETQ an excellent fit. The acquisition brings a mix of talent and deep quality expertise across extensive industry verticals, targeting the rapidly widening gap between quality data creation and leverage," says Hexagon President and CEO [Ola Rollén](#). "Integrating data from our metrology systems with Reliance leads to increasing levels of autonomy that improve a customer's ability to put quality and process data to work. ETQ also enables connectivity of quality data and processes across supply chains, bringing suppliers and customers into one system."

ETQ's advanced data management capabilities, driven by machine learning and artificial intelligence, make quality data fully actionable and available further upstream. Not only does this reduce defects, scrap, rework, and recalls, but it also enables an autonomous feedback loop, digital information trail and virtuous cycle of continuous improvement.

"Hexagon has long been in the business of enabling customers to realise the benefits that data-driven automation and product quality insights bring, including the freedom to create the undisputed factory floor of tomorrow—one that is self-sufficient, self-monitoring, self-optimising and self-repairing," continued Rollén. "With our global footprint, vertical synergies and good customer fit, which includes our recently acquired EAM business, ETQ is poised for rapid growth. We're proud to welcome ETQ to the family as we continue to accelerate our journey to the cloud and build the world's leading quality stack from shop floor to top floor."

Founded in 1992, ETQ is headquartered in Massachusetts, USA, with additional offices in Arizona, USA and Dublin, Ireland. With 185 employees, its team of quality experts drive customer success across diverse industries—life sciences, healthcare, heavy manufacturing, electronics, food and beverage, heavy process, automotive and more. ETQ will operate as part of Hexagon's Manufacturing Intelligence division.

**Transaction overview**

ETQ is expected to generate revenues of around 75 MUSD in 2022 with an adjusted operating margin of over 35 per cent (cash EBITDA margins of around 45 per cent, reflecting a SaaS prepayment model). ETQ has been driving its customer base to SaaS, which is expected to account for half of bookings in 2022 and has been growing at a trailing 3-year Compound Annual Growth Rate (CAGR) of 60 per cent. Given the strong fit across Hexagon's manufacturing and process industries and the significant scope for geographical expansion, the transaction is expected to generate sales synergies of over 40 MUSD, with very strong incremental margins, by 2026.

Transaction and integration costs including surplus values in the purchase price allocations (PPA) and deferred revenue adjustments affecting the income statement will be communicated as soon as the calculations are completed.

Hexagon will pay a purchase price of 1,200 MUSD for ETQ on a cash and debt free basis. The cash consideration will be fully financed via existing debt facilities resulting in a proforma net debt to EBITDA ratio of approximately 2.0 after the transaction. ETQ will be accretive to Hexagon's adjusted earnings (before PPA and other purchase accounting adjustments) as of closing.

Completion of the transaction is subject to regulatory approvals and other customary conditions, which are expected to be fully completed by early in the second quarter 2022.

For further information, please contact:

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*Hexagon is a global leader in digital reality solutions, combining sensor, software and autonomous technologies. We are putting data to work to boost efficiency, productivity, quality and safety across industrial, manufacturing, infrastructure, public sector, and mobility applications.*

*Our technologies are shaping production and people related ecosystems to become increasingly connected and autonomous – ensuring a scalable, sustainable future.*

*Hexagon (Nasdaq Stockholm: HEXA B) has approximately 22,000 employees in 50 countries and net sales of approximately 4.3bn EUR. Learn more at [hexagon.com](https://hexagon.com) and follow us [@HexagonAB](https://twitter.com/HexagonAB).*