



Inspired by visions. Proven by success.

**Q2 2020  
EARNINGS CONFERENCE CALL**

July 29, 2020

Bad Ragaz, Switzerland

# Speakers

## **Lukas Winkler, President and CEO**

Key figures Q2 2020

Target market business review

Expectations 2020

## **Matthias Tröndle, Vice President and CFO**

Financials Q2 2020

Key financials first half-year 2020

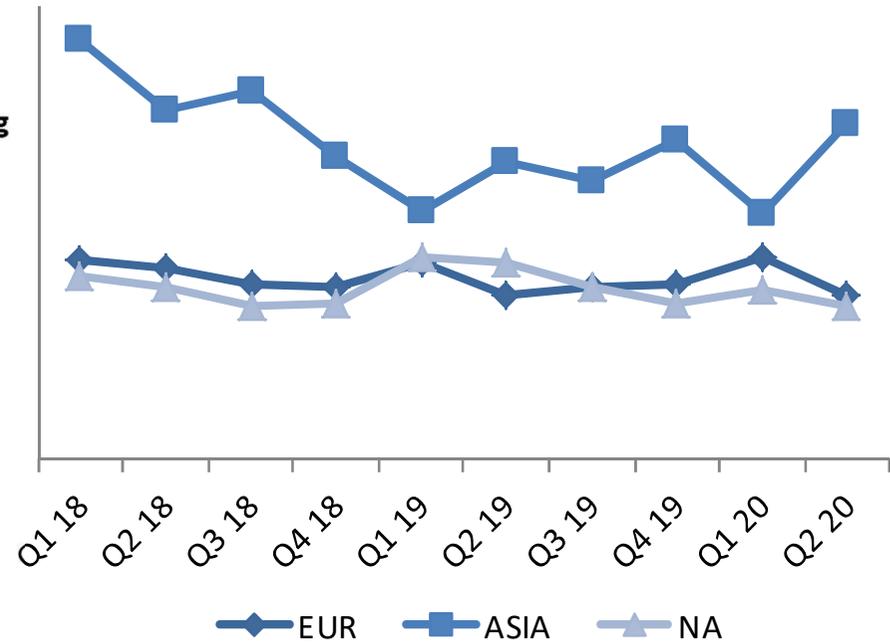
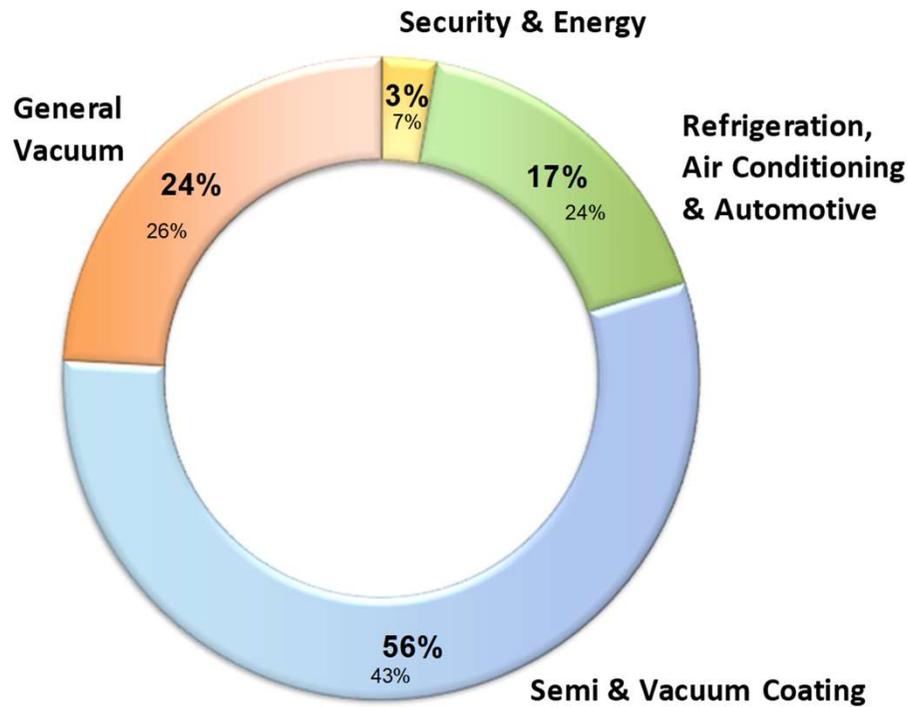
Guidance

## Q2 2020 – Key Figures

- **Strong performance in Semi & Vacuum, all other markets declined**
    - Sales decrease of 0.4% to USD 96.2 million compared with Q2 2019, organic decrease of 0.2%
    - Sequential sales increase of 3.9% over Q1 2020
    - Book to bill ratio: < 1 (YTD > 1)
  - **Operating result**
    - Comparable sales volume and slightly lower gross margin compensated by lower operating expense
    - Operating income of USD 16.0 million in Q2 2020 (16.6% of sales) after USD 15.8 million (16.3% of sales) in Q2 2019
    - Sequential operating income margin improved by 14.2%
- **Net income of USD 12.9 million or 13.4% of sales**

# Net Sales by End Market

**USD 96.2 million in Q2 2020**  
 (-0.4% vs. Q2 2019 and +3.9% vs. Q1 2020)



# Security & Energy

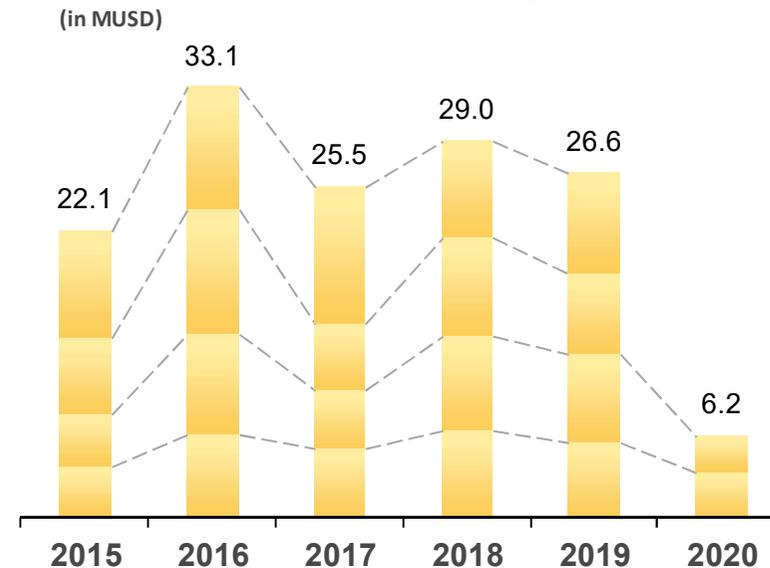
## Q2 2020

- Sales decrease of -59.7% to USD 2.7 million in Q2 2020 vs Q2 2019, and -22.9% vs Q1 2020 due to low security business in all regions
- Increased contribution from new products for energy applications

## Market Trends

- Short-term security needs changed, due to the current COVID-19 pandemic
- Challenging mid-term security market predictions due to geopolitical uncertainties
- New target markets: Bio-Methane (EU)  
Landfill Monitoring (US)
- 2020 expectations: uncertain and very challenging security market

Sales to End Market  
Security & Energy  
-5.8% CAGR (2014 - 2019)



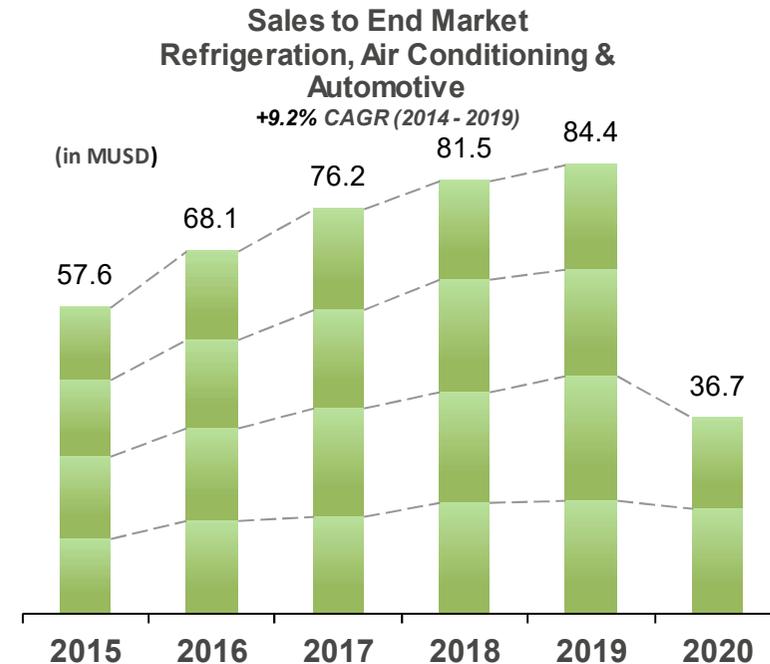
# Refrigeration, Air Conditioning & Automotive

## Q2 2020

- Q2 2020 sales decrease of -28.3% to USD 16.7 million vs Q2 2019, and -16.5% vs Q1 2020
- Auto and Refrigeration hit hard by COVID-19
- Growing battery testing and after-sales service activities

## Market Trends

- Delayed capacity investments in the RAC manufacturers market
- Very weak “traditional” automotive market
- Shift from combustion-engine cars to e-cars (battery and hydrogen powered)
- Growing Li-Ion battery testing market
- New distribution and product initiatives for handheld after-sale service products
- 2020 expectations: improved 2<sup>nd</sup> half year



# Semi & Vacuum Coating

Solar, Display, Optics & Semiconductor

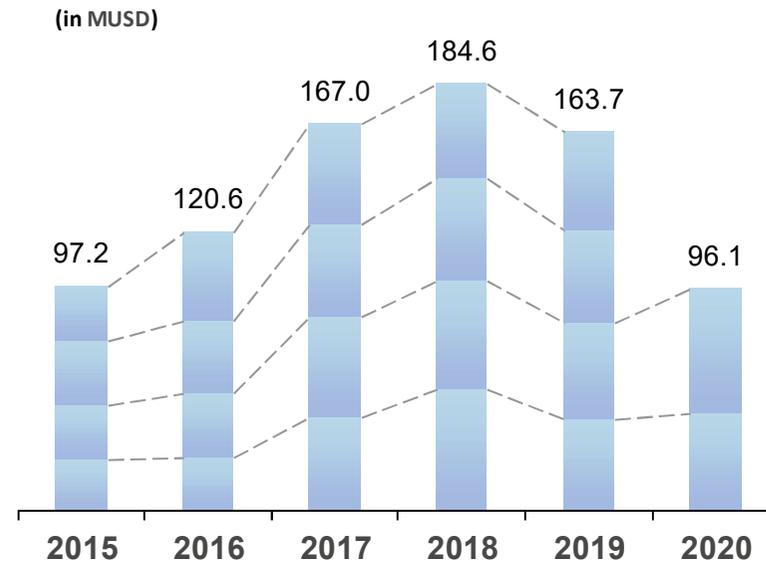
## Q2 2020

- Sales Q2 2020 increase of 28.5% vs Q2 2019, and 26.1% vs Q1 2020 to USD 53.6 million
- Asia surged by 33%, other regions with growth
- Ongoing Semiconductor market recovery (equipment CAPEX)

## Market Trends

- Unchanged long-term demand for new smart sensors, 5G, IoT, AI & AD, Big Data, and computing power
- EUV lithography tools a must for < 7nm nodes
- Chinese Semiconductor initiative ongoing, but challenged by trade disputes
- Modest investments in OLED flat panel display
- 2020 expectations:
  - growth (Semiconductor)
  - flat (Vacuum Coating)

Sales to End Market  
Semi & Vacuum Coating  
+10.2% CAGR (2014 - 2019)



# General Vacuum

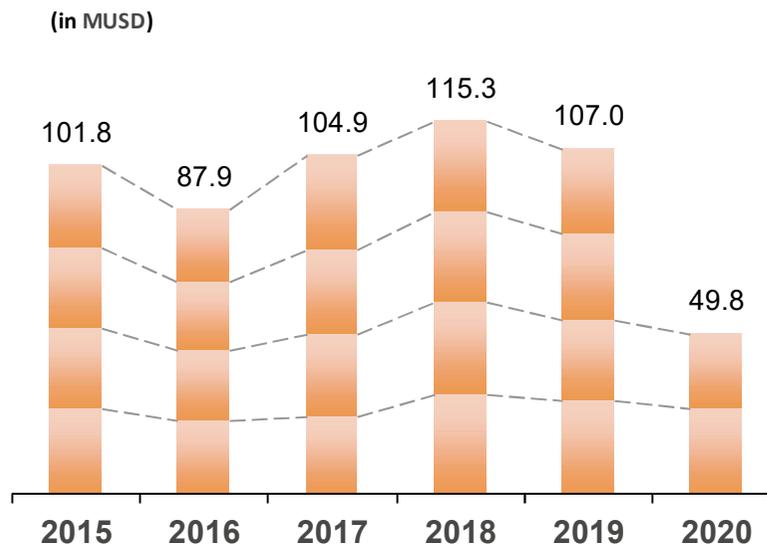
## Q2 2020

- Q2 2020 sales decline of -6.8% to USD 23.2 million vs Q2 2019 mainly caused by European and USA market slowdown
- Sequential decrease of -12.8%

## Market Trends

- Diverse customer base and end markets, served through different sales channels (direct and indirect)
- Increased use of vacuum technologies for a variety of different existing and new applications (incl. life sciences, analytical, and food-packaging market)
- Uncertain short-term global economic development
- Growing food-packaging applications
- 2020 expectations:
  - Short-term slow-down in EU and US
  - Recovery in Asia

## Sales to End Market General Vacuum -1.4% CAGR (2014 - 2019)



# Outlook 2020

**Besides COVID-19, the global markets, economy and trade situation are hard to predict**

- *Ongoing Semiconductor market recovery (Industry 4.0, IoT, Big Data, 5G, AI etc.)*
  - *Foundry and Logic Fab remain at a high level & memory market rebound*
  - *EUV Lithography technology = must for < 7nm node size chips*
  - *Chinese Semiconductor Initiative ongoing, but impacted by US/Chinese trade issues*
- *Only modest investments in OLED flat panel display manufacturing capacities*
- *RAC manufacturers market short-term “on-hold”, but increase in after sales services*
- *Increased E-Mobility investments, but very weak “traditional” automotive market*
- *Geopolitical landscape & economic environment create uncertainty for General Vacuum as well as Security applications*

Given the strength of the semiconductor market and in the light of certain signs of recovery in the other target markets, INFICON assesses the outlook for the current year cautiously optimistic.

## **Guidance for 2020**

**→ Sales around USD 370-390 million and Operating Income Margin around 16%**

# Speaker

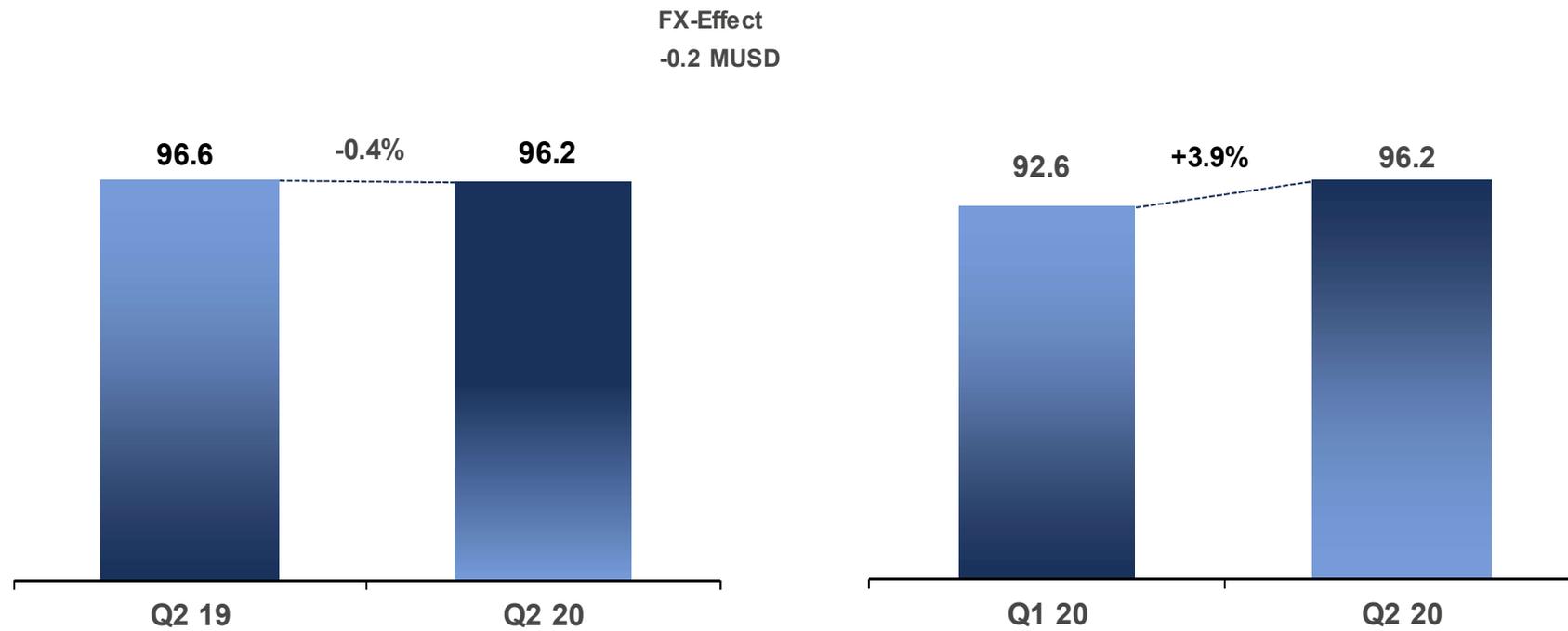
## **Matthias Tröndle, Vice President and CFO**

Financials Q2 2020

Key financials first half-year 2020

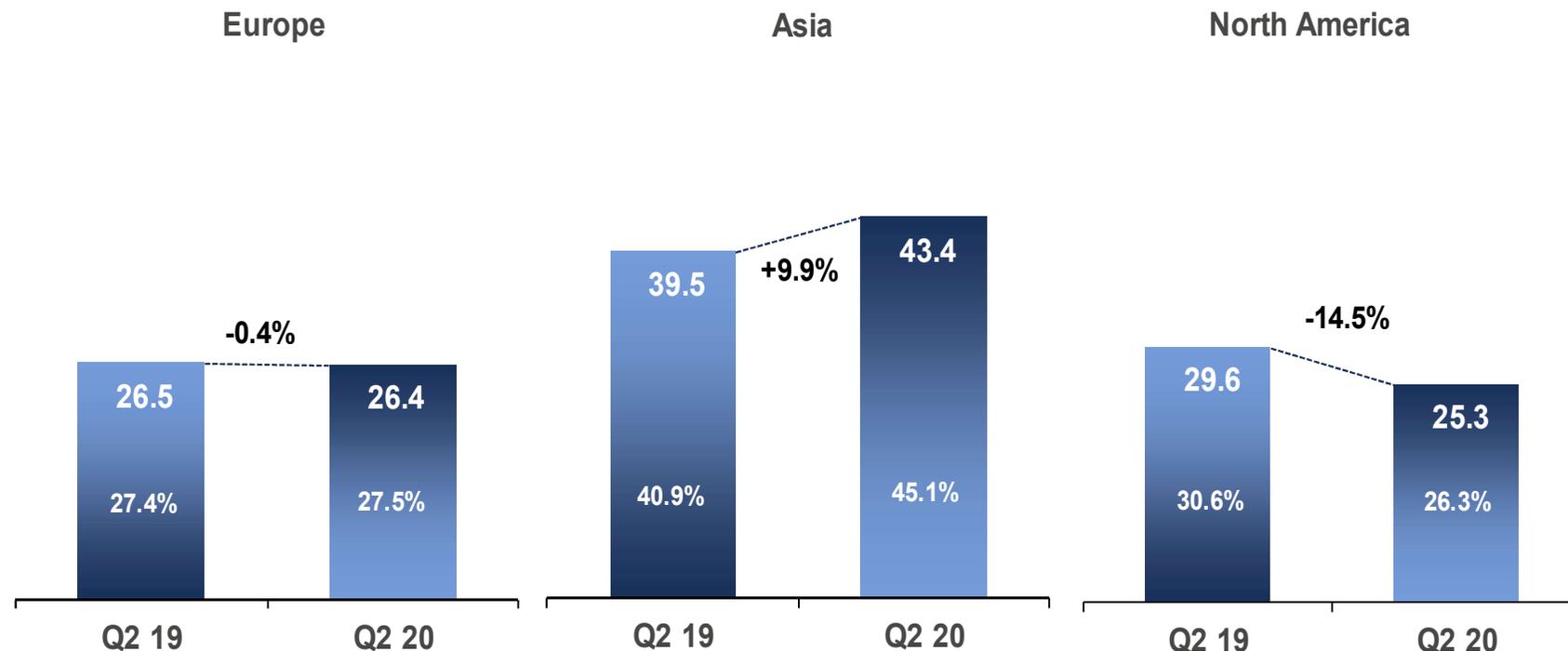
Guidance

# Sales (in MUSD)



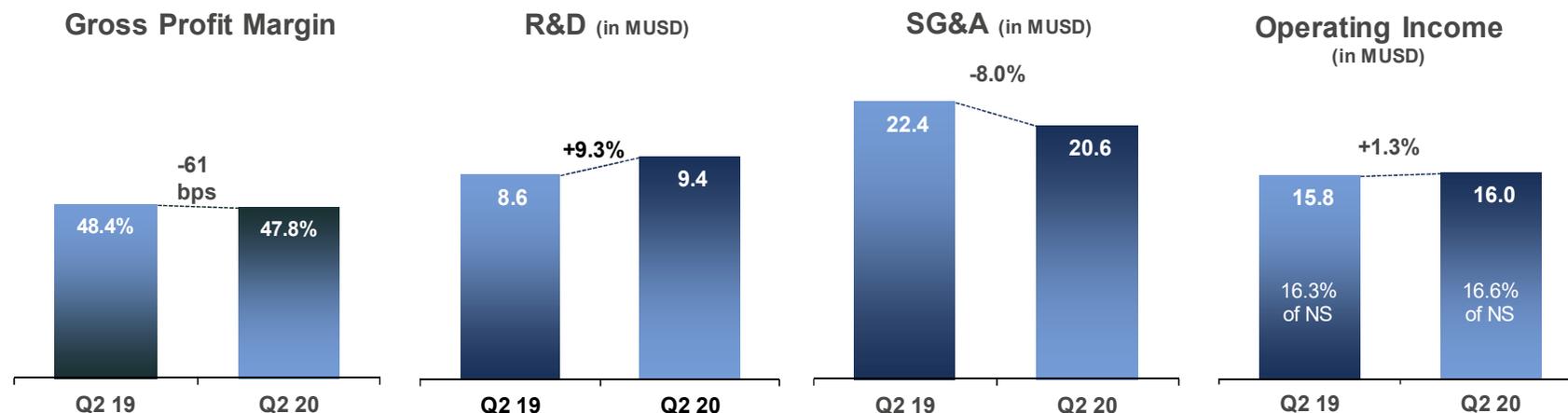
Sales in Semiconductor & Vacuum Coating very strong;  
All other markets weak.

# Geographic Sales Breakdown – Quarter (in MUSD)



Asia-Pacific growth driven by Semiconductor and General Vacuum markets, Europe with stable development while North America impacted by weaknesses in most markets

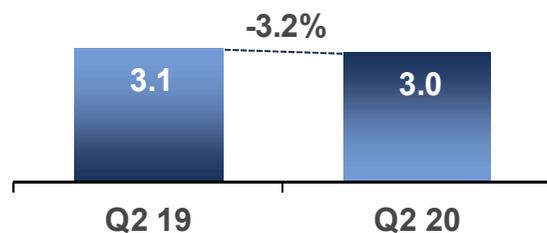
# Gross Profit, Costs, and Operating Income



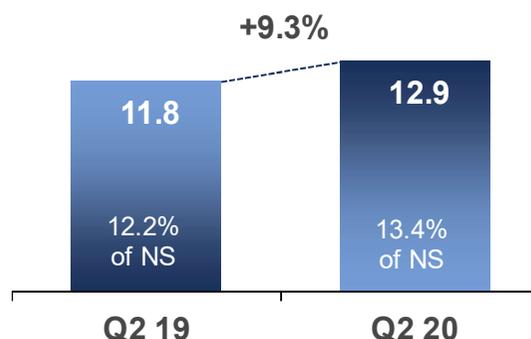
- **Gross profit margin:** Slight decline in margin of 61 bps or by 1.6%.
- **R&D cost:** Increase due to continued development efforts and additional headcounts
- **SG&A:** Costs impacted by lower variable compensation/commissions and third party expenses (*travel, trade shows, consulting*)
- **Operating income:** Comparable sales volumes and somewhat lower gross margin, while operating expense decreased as driver for slight increase in profitability

# Net Income and EPS Development

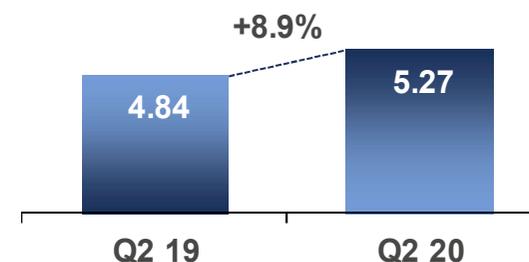
Income Tax (in MUSD)



Net Income (in MUSD)

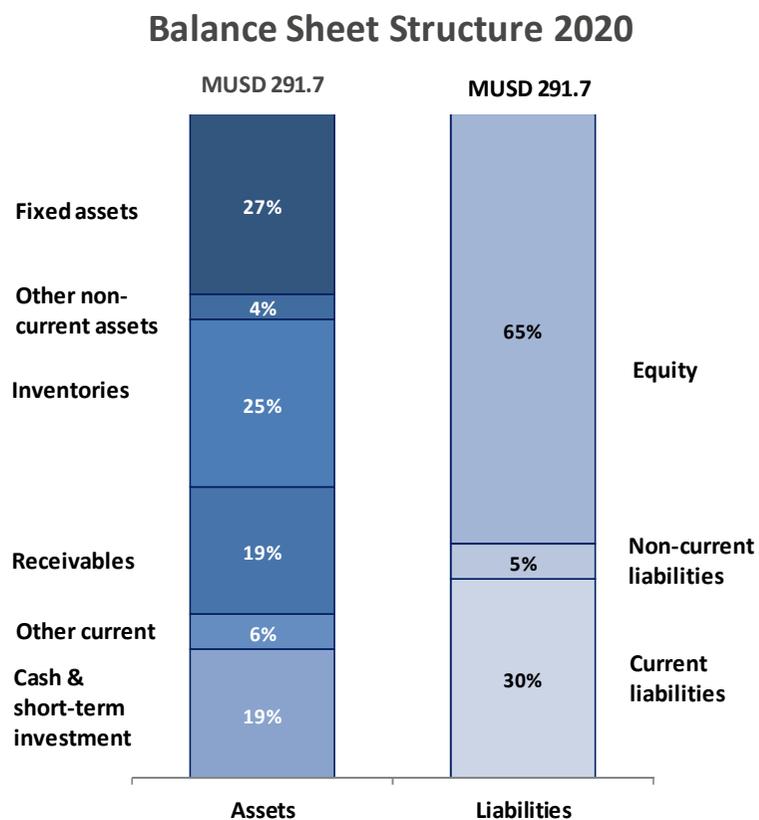


EPS (in USD, diluted)

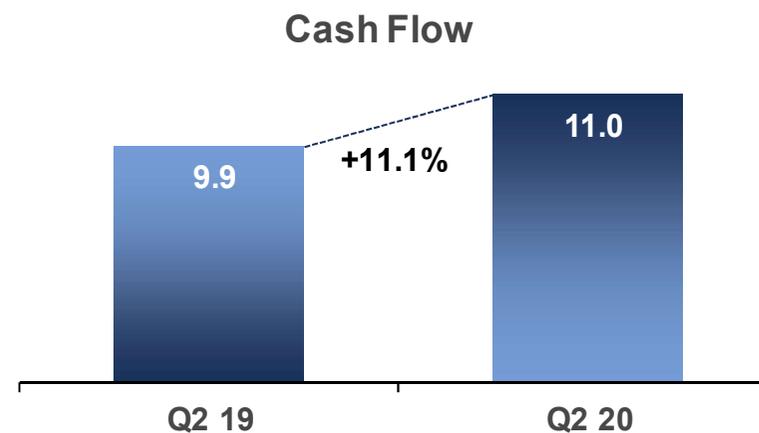


- **Income tax:** Decrease driven by the profit mix in the various tax jurisdictions around the world as well as by reductions in accruals/prepayments
- **Net income & EPS:** Increase due to higher operating income and lower tax burden

# Balance Sheet Highlights (in MUSD)



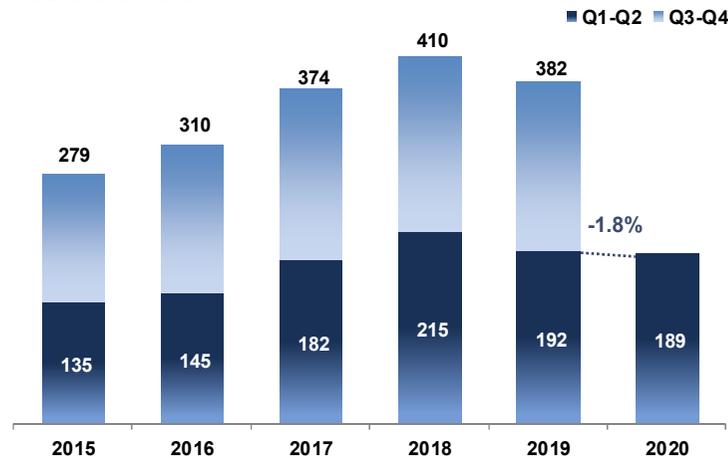
	Q2 20	Q4 19
Net Cash	12.8	50.1
DSO	51.5	51.8
Inventory Turns	2.8	2.8
Working Capital	119.0	108.8
Operating Cash Flow	11.0	21.3



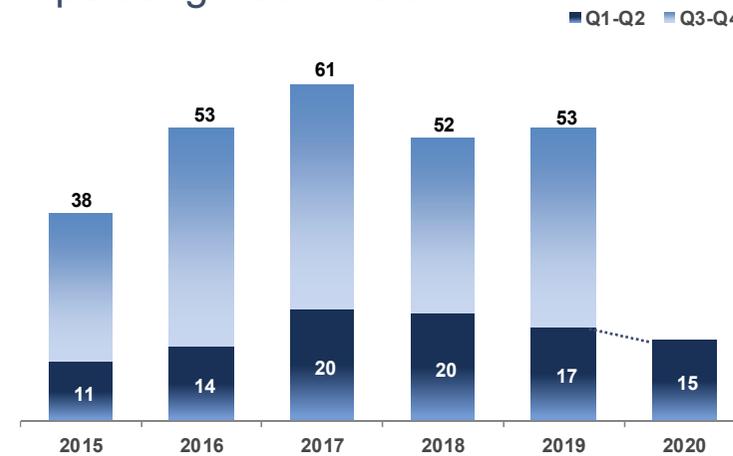
Solid balance sheet; working capital level higher due to lower A/P, higher A/R and Inventory; cash flow with improvement vs. previous year and Q1

# Financial Performance First Half-Year 2020 (in MUSD)

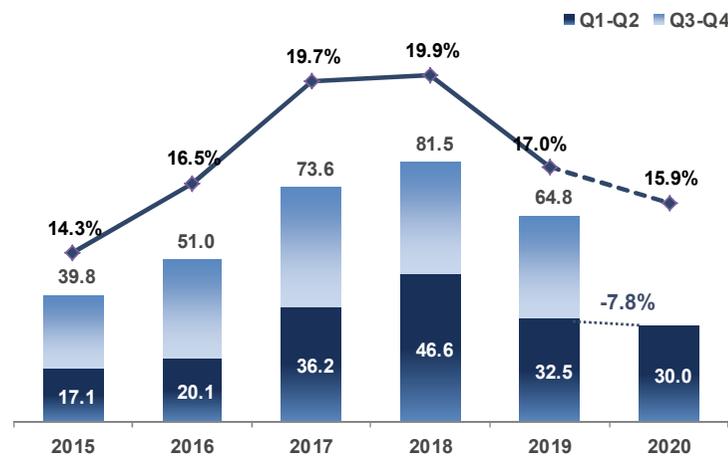
## Net Sales



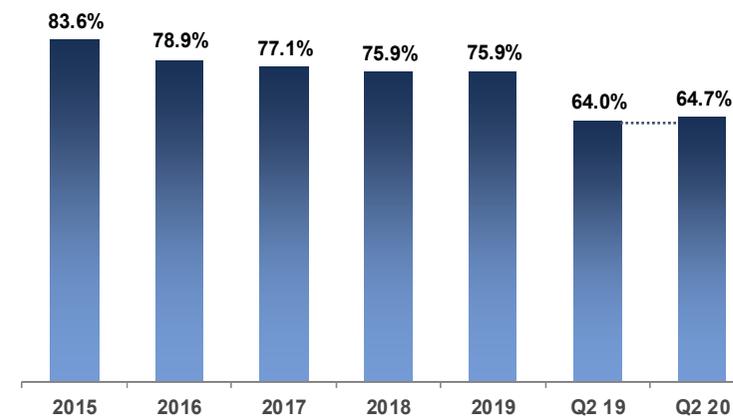
## Operating Cash Flow



## Operating Income and Ratio



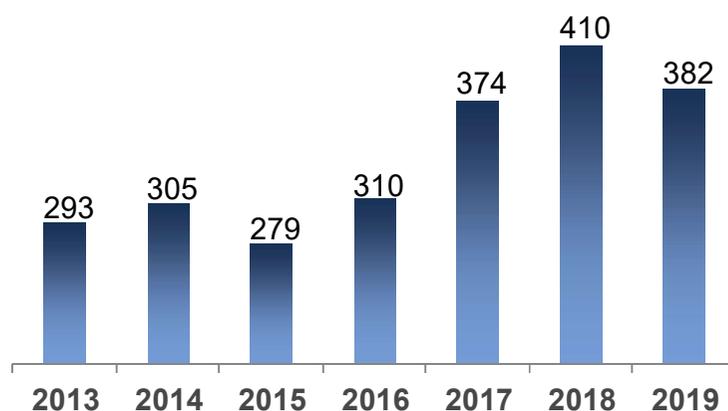
## Equity Ratio



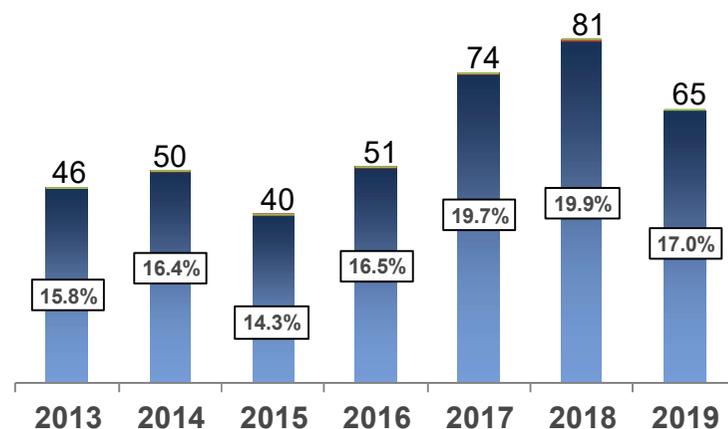
# **GUIDANCE FY 2020 AND CORPORATE COMMUNICATION CALENDAR**

# Full Year 2020 Guidance

## Sales (MUSD)



## Operating Income (MUSD)



## Guidance 2020

Due to the expected strength of the semiconductor market and in the light of certain signs of recovery in the other target markets, INFICON assesses the outlook for the current year cautiously optimistic.

Sales

USD 370-390 million

Op. Income Margin

around 16%

# Corporate Calendar FY 2020

- Q3 FY 2020 Earnings Conference Call                      October 21, 2020
- Q4 and FY 2020 Earnings Conference Call                      March 2021

*\*\*Earnings dates are subject to change\*\**



Inspired by visions. Proven by success.

**THANK YOU!**

**Q&A**