



Q3 2017

EARNINGS CONFERENCE CALL

October 19, 2017

Bad Ragaz, Switzerland

Speakers

Lukas Winkler, President and CEO

- Key figures Q3 2017
- Target market business review
- Expectations 2017

Matthias Tröndle, Vice President and CFO

- Financials Q3 2017
- Guidance

Lukas Winkler

INFICON

President and Chief Executive Officer



Q3 2017 – Key Figures

- **Sales increase in all markets, except Security & Energy (S&E)**
 - Sales increase of 14.2% to USD 89.4 million compared with Q3 2016, organic increase of 14.0%
 - Sequential sales decrease of 4.5% over record-high Q2 2017
 - Book to bill ratio >1

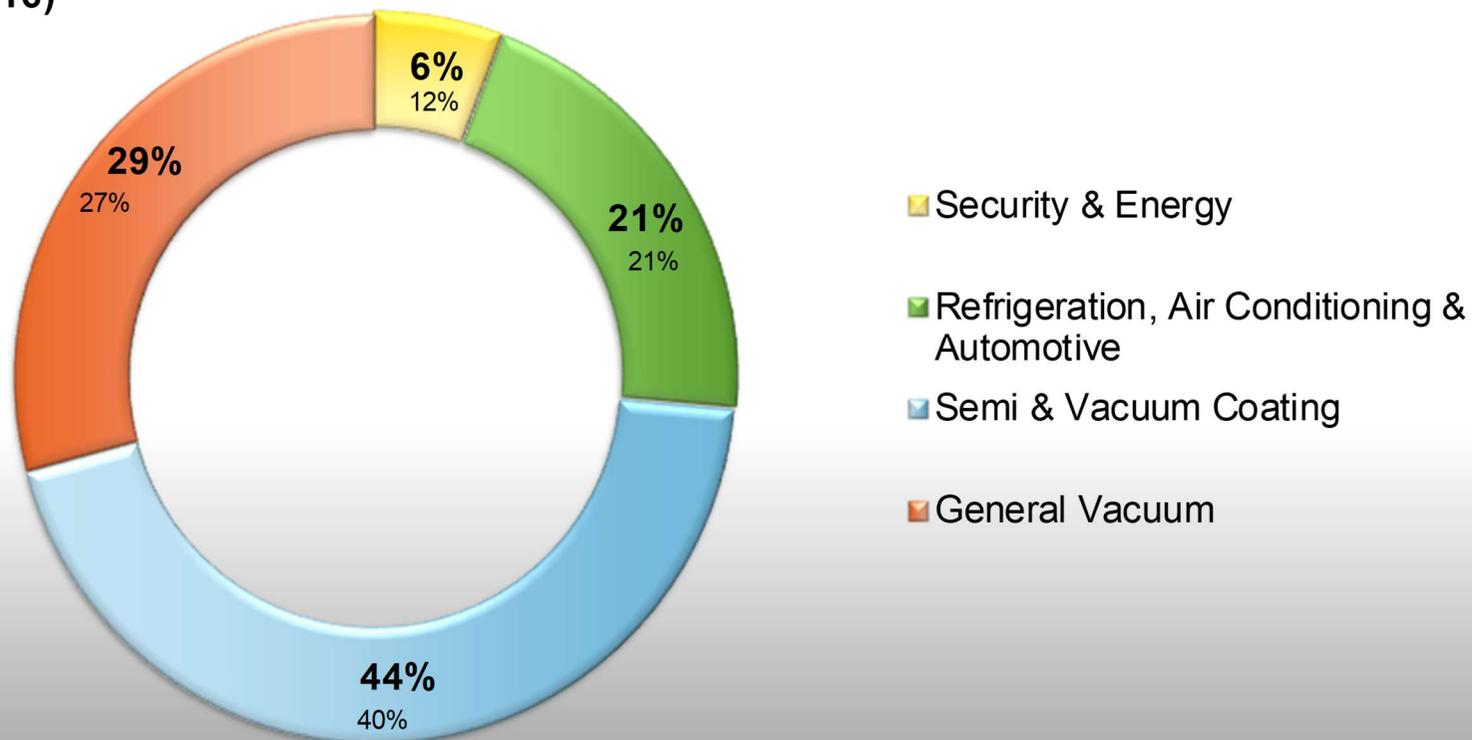
 - **Operating income increased 19.6% year over year**
 - Operating income of USD 15.1 million in Q3 2017 (17.0% of sales) compared with USD 12.7 million (16.2% of sales) in Q3 2016
 - Influenced by increased sales volume at solid gross margin and higher overhead costs
- **Net income of USD 11.2 million or 12.5% of sales**

Net Sales by End Market

USD 89.4 million in Q3 2017 vs. USD 78.3 million a year ago (+14.2%)

- Higher share in Semi & Vacuum Coating End Market

Q3 2017
(Q3 2016)



Semi & Vacuum Coating

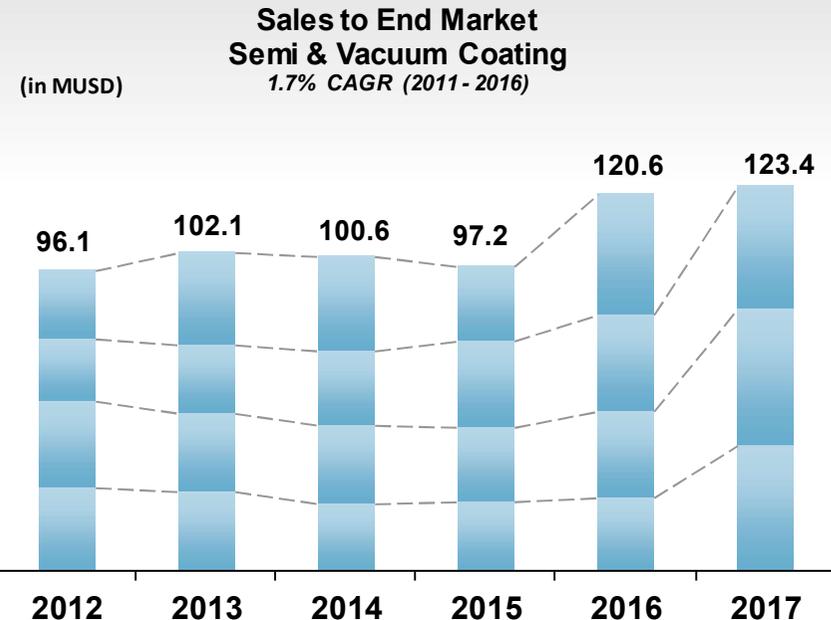
Solar, Display, Optics & Semiconductor

Q3 2017

- Sales Q3 2017 increase of 29% to USD 39.7 million vs Q3 2016
- Sequential decrease of 8%
- Sales driven by large investments in OLED flat panel display technology in Asia and a continued strong demand for semiconductor based products
- #1 position in process control, leak-detection and thin film monitoring, #2 for pressure measurement

Market Trends

- High demand for new smart sensors, IoT, AI, Big Data and computing power
- Investments in new semi fabs in China
- OLED replacing LCD technology for next-generation flat panel displays
- Slow solar recovery in sight
- 2017 expectations: Growth



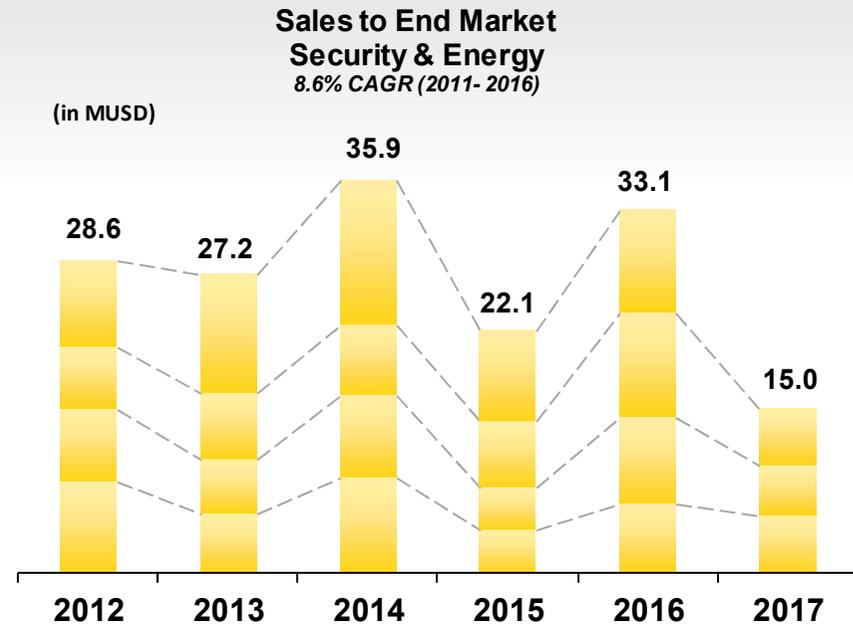
Security & Energy

Q2 2017

- Sales decrease 47% to USD 5.1 million in Q3 2017 vs Q3 2016 and +11% vs Q2 2017
- Weak 2017, due to low shipments to large US Government customers
- Small contribution from new products for energy applications

Market Trends

- Security needs around the world generate new business opportunities
- Challenging market predictions due to geopolitical uncertainties
- New target markets and application opportunities in energy market with
 - Prospetor™ MS Gas Analyzer
 - IRwin™ methane leak detector
- 2017 expectations: weak year



Refrigeration, Air Conditioning & Automotive

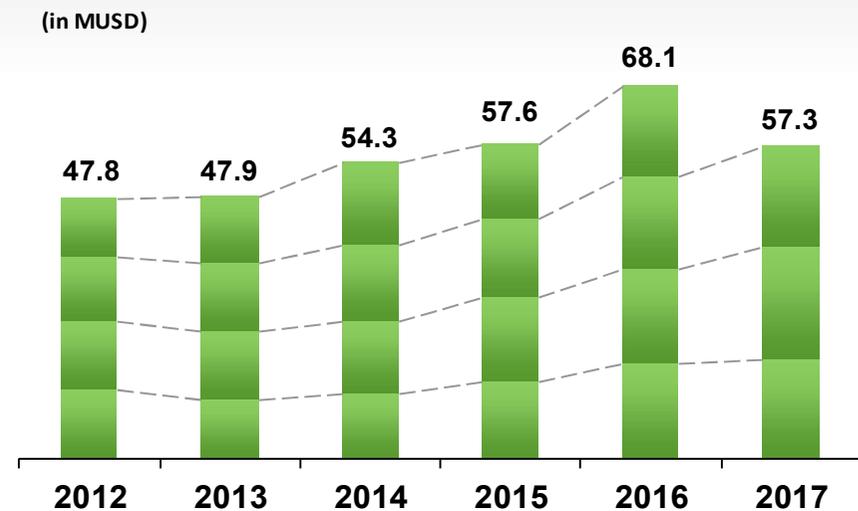
Q3 2017

- Q3 2017 sales increase of 11% to USD 18.5 million vs Q3 2016
- Growth in Asia and Europe
- Sequential decrease of 9%
- Continued market share gains

Market Trends

- Tougher regulations drive increased use of instrumentations in the automotive market
- New E-Mobility opportunities
 - Existing & future battery technologies
 - New regulations & incentive programs
 - Fuel cell technology (Hydrogen)
- Saturation indications of RAC device manufacturers, mainly in Asia
- Increasing installed base and new sales distribution channels drive after-sale service products worldwide
- 2017 expectations: Growth

Sales to End Market
Refrigeration, Air Conditioning & Automotive
6.2% CAGR (2011 - 2016)



General Vacuum

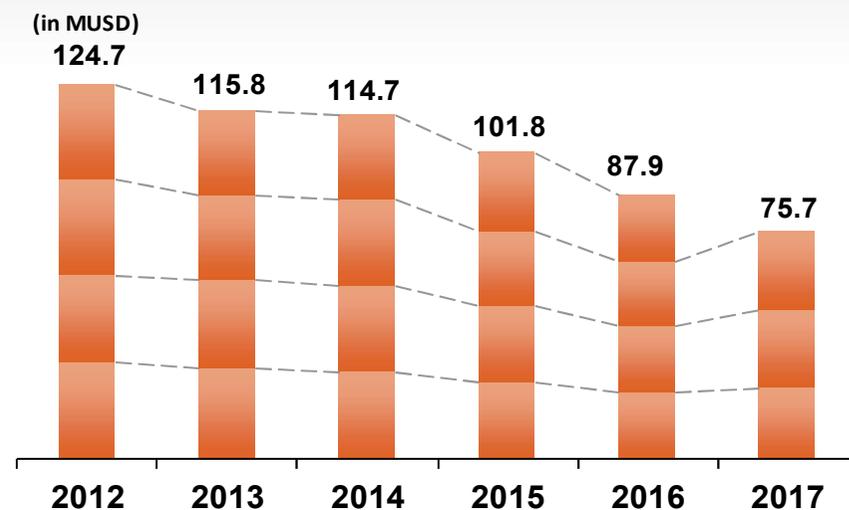
Q3 2017

- Q3 2017 sales grow of 24% to USD 26.1 million vs Q3 2016
- Growth in all three regions
- Sequential increase of 3% supported by improved world economy

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 science-, analytical-, and food-packaging market)
- Improved global economy
- Growing food-packaging applications
- 2017 expectations: Slow growth

Sales to End Market
General Vacuum
-7.9% CAGR (2011 - 2016)



Outlook 2017

Positive – improved year-end expectations in the Security & Energy market

- Semiconductor market remains robust
 - Investments in new fabs (China) and new technologies (3D, <10nm, new materials, MEMS)
 - High demand for new equipment (OEM business) incl. EUV lithography
- OLED flat panel display technology investment boom continues
INFICON products and consumables at all levels (sub-suppliers, OEMs, and end-user)
- Investments in new leak-detection applications (industrial and automotive market) together with a sales initiative for hand-held service tools compensate for a saturating RAC device manufacturers market (mainly Asia)
- E-Mobility (leak integrity tests for current Li-Ion battery technology)
- Increased sales from General Vacuum, due to an improved global economy
- Increased year-end shipments to government customers in the Security market
- First sales contribution from new applications: Public utility, food packaging, fracking

Guidance for FY 2017

→ Sales exceeding USD 360 million

→ Operating income margin greater than 18%

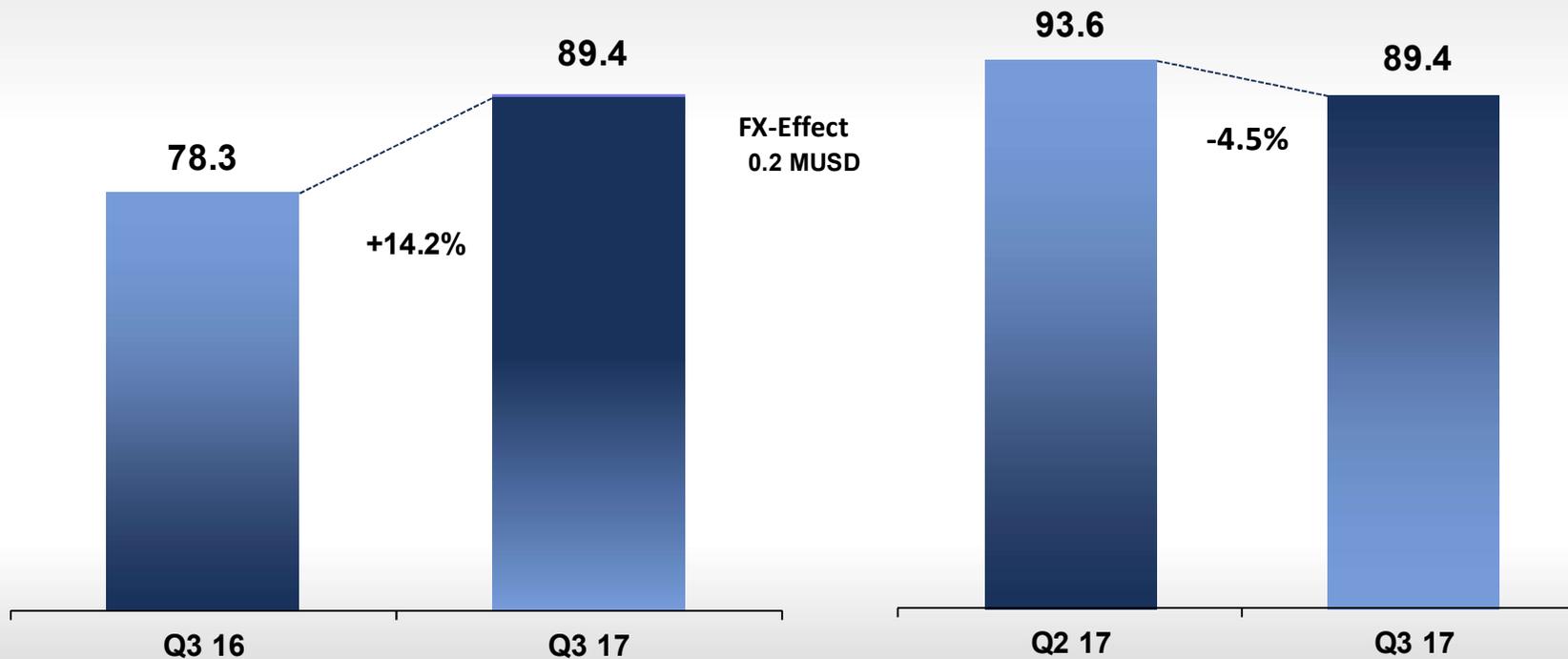
Matthias Tröndle

INFICON

Vice President and
Chief Financial Officer



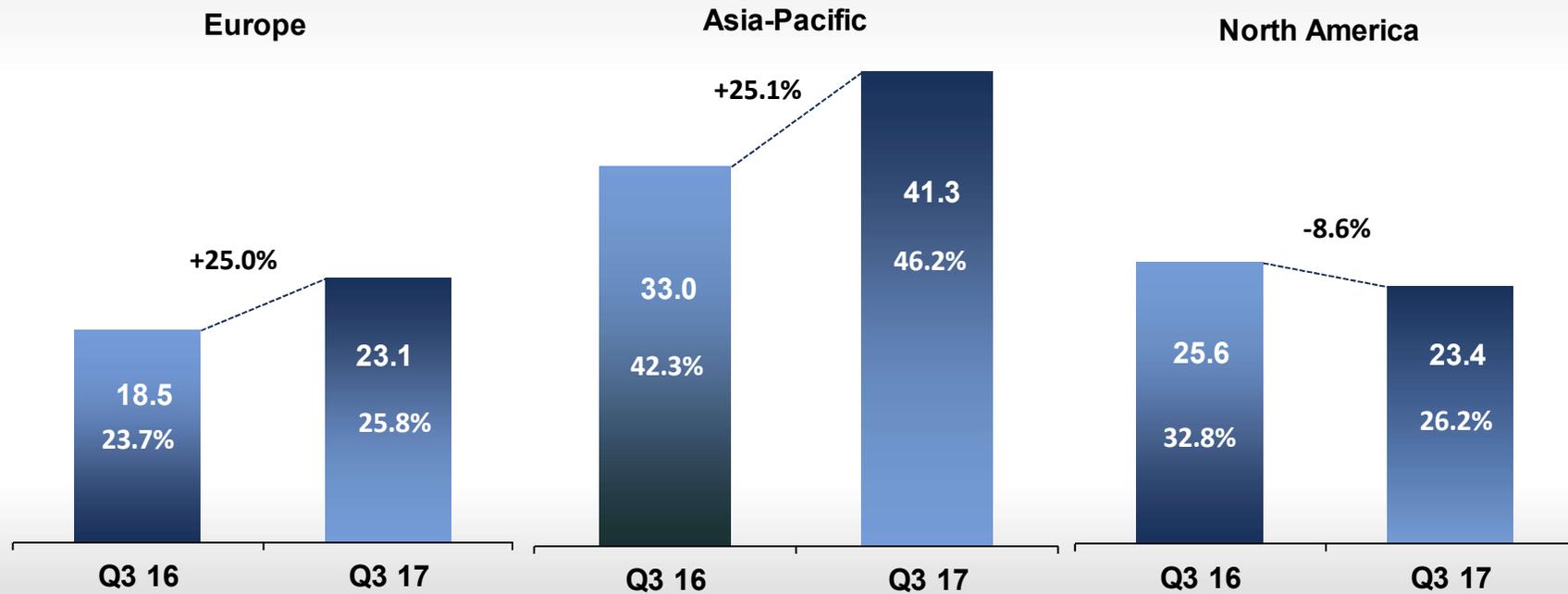
Sales (in USD million)



All end markets increased
except Security & Energy

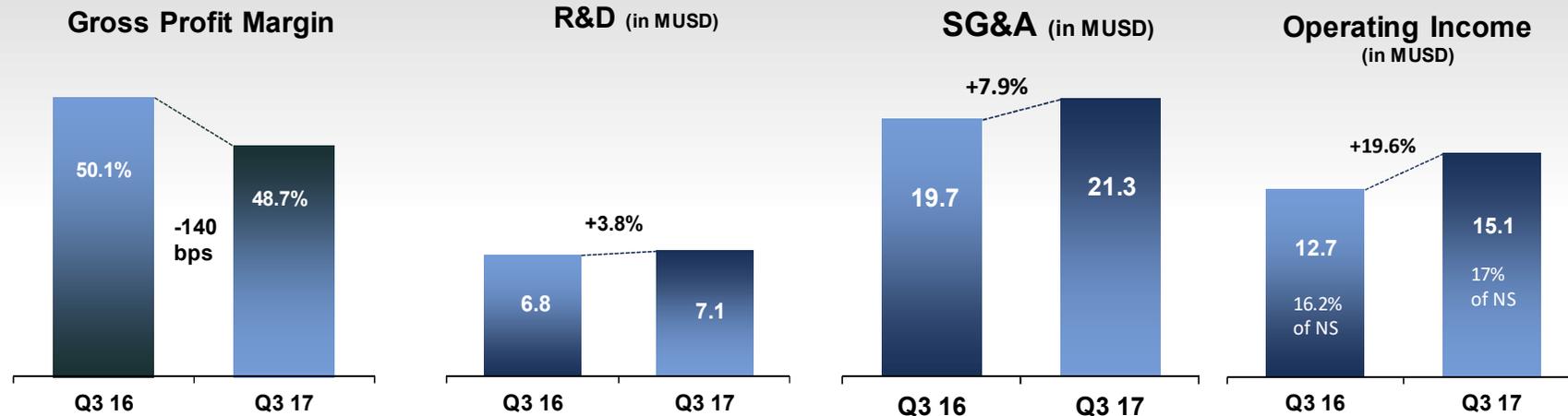
Semi & Vacuum Coating
and RAC/Auto decreased

Geographic Sales Breakdown (in USD million)



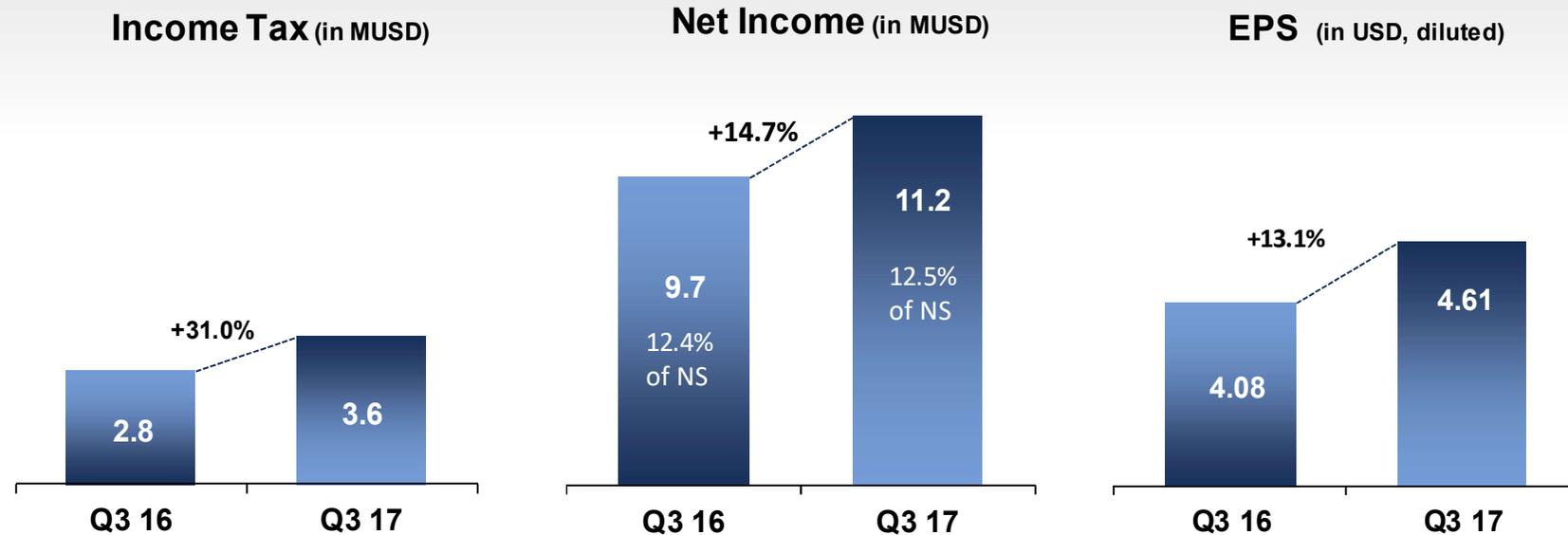
Growth in Europe and Asia-Pacific, decrease in North America

Gross Profit, Costs, and Operating Income



- **Gross profit margin:** 11% absolute increase at slightly lower margin%, impacted by deferred revenue and product mix
- **R&D cost:** Small increase; continued development efforts
- **SG&A:** Increase due to investments in marketing and selling capabilities, higher variable compensation and commissions
- **Operating income:** Increase due to higher sales volume at a solid gross margin while costs increased under-proportionally

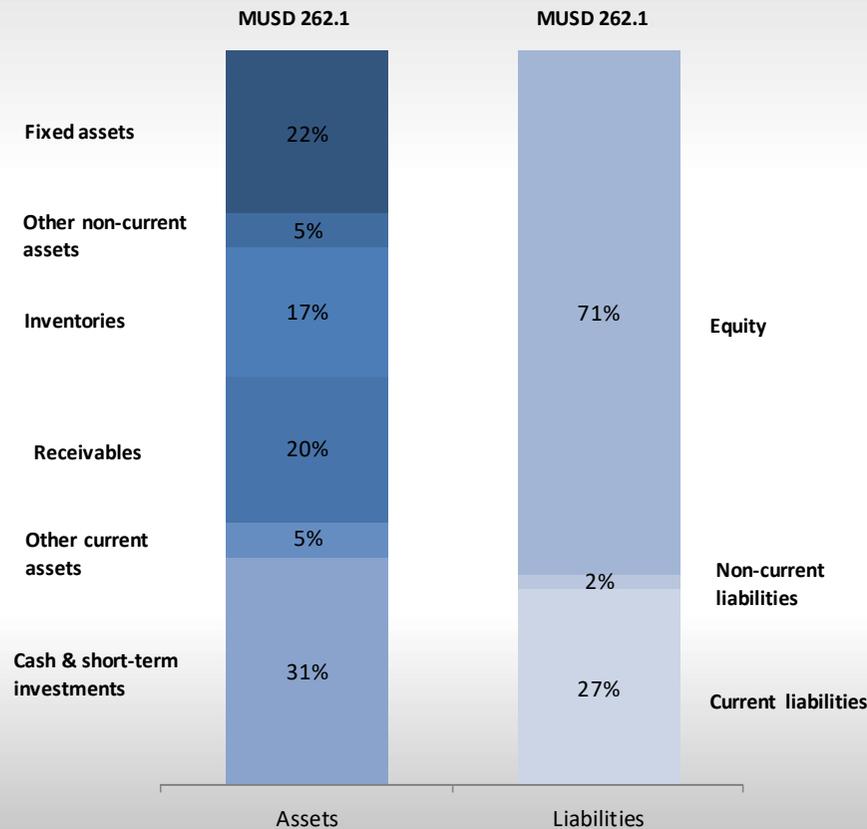
Net Income and EPS development



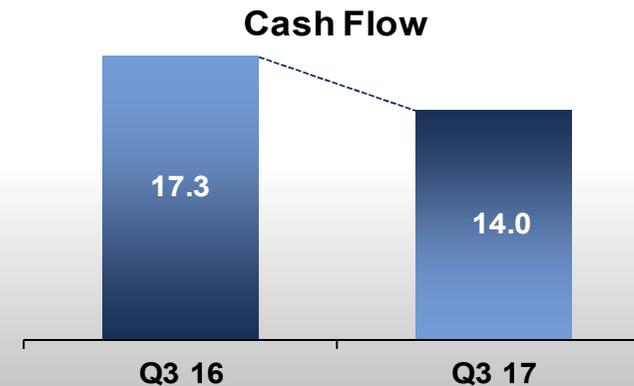
- **Income tax:** higher global tax rate of 24.4% driven by the mix in earnings and tax rates
- **Net income:** Increase due to higher operating income at higher tax expense
- **EPS:** Increase in line with net income

Balance Sheet Highlights (in USD million)

Balance Sheet Structure 2017



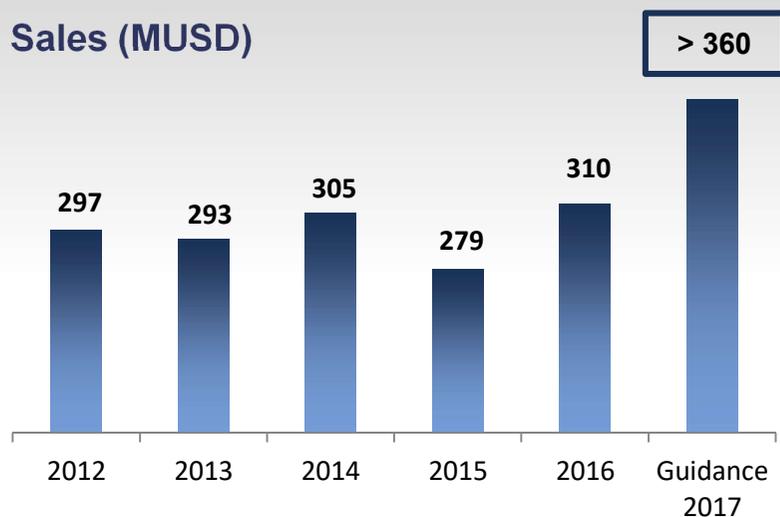
	<u>Q3 17</u>	<u>Q4 16</u>
Net Cash	66.3	63.9
DSO	49.7	47.4
Inventory Turns	4.3	3.8
Working Capital	24.5%	20.7%



Solid balance sheet, improved inventory ratio,
working capital driven by higher inventory balance, solid Q3 cash flow

Full Year 2017 Guidance

Sales (MUSD)

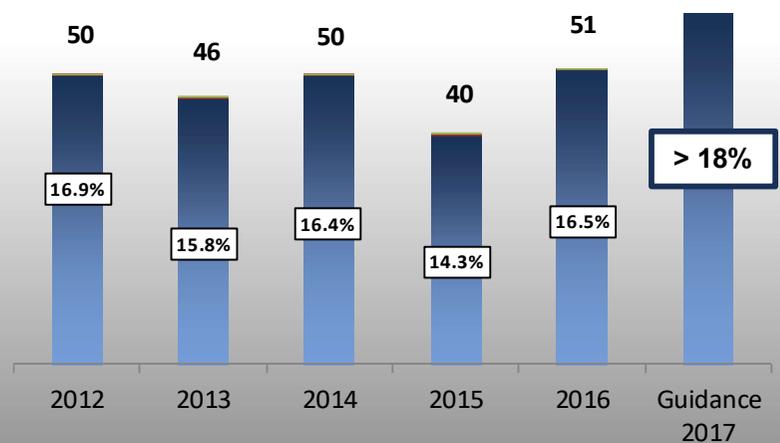


Based on our current expectations for our end markets

Sales > 360 MUSD

Op. Income > 18%

Operating Income (MUSD)



Corporate Calendar FY 2017/2018

- Q4 and FY 2017 Earnings Conference Call Tuesday, March 13, 2018
- Annual General Meeting Thursday, April 12, 2018
- Q1 2018 Earnings Conference Call Friday, April 20, 2018
- Q2 2018 Earnings Conference Call Thursday, July 26, 2018
- Q3 2018 Earnings Conference Call Thursday, October 18, 2018

Earnings dates are subject to change



THANK YOU !

Q&A

