



**Q3 2014**

**EARNINGS CONFERENCE CALL**

October 22, 2014

Bad Ragaz, Switzerland

# Speakers

## Lukas Winkler, President and CEO

- Key figures Q3 2014
- Target market business review
- 2014 expectations

## Matthias Tröndle, Vice President and CFO

- Financials Q3 2014
- Outlook

# Lukas Winkler

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President and Chief Executive Officer



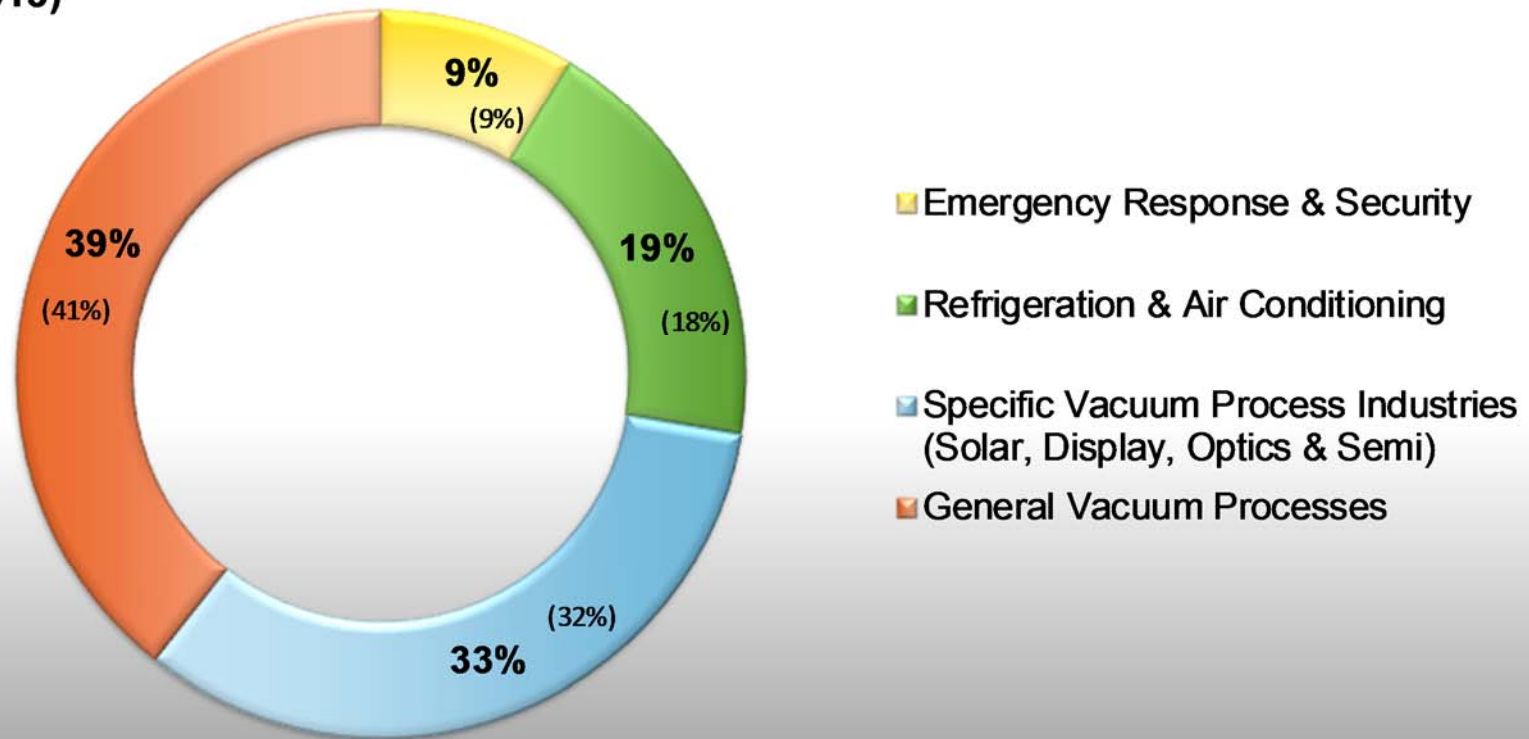
# Q3 2014 – Key Figures

- **YoY sales growth in all end-markets with record sales to Refrigeration & Air Conditioning incl. Automotive market**
    - Consolidated sales increase of 5.6% to USD 72.7 million compared with Q3 2013, organic increase of 4.3%
    - Sequential sales decrease of -2.9% over Q2 2014
    - Book to bill ratio > 1
  
  - **Operating result influenced by**
    - Higher sales volume
    - Strong gross margin and slightly increased overhead cost
    - Operating income of USD 11.5 million in Q3 2014 (15.8% of sales) compared with USD 9.4 (13.7% of sales) in Q3 2013
- **Net income: USD 9.0 million or 12.4% of sales**

# Net Sales by End Market

USD 72.7 million in Q3 2014 vs. USD 68.8 million a year ago (+5.6%)

**Q3 2014  
(Q3 2013)**



# Specific Vacuum Process Industries

Solar, Display, Optics & Semiconductor

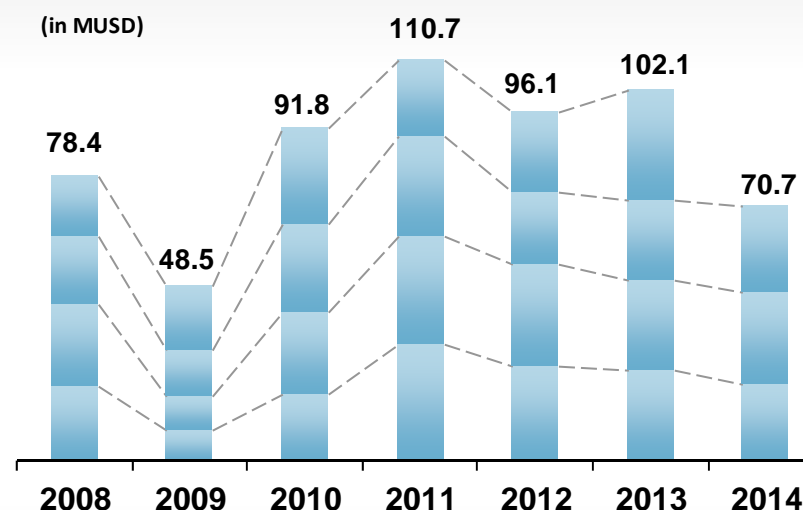
## Q3 2014

- Q3 2014 sales increase of 9% vs. Q3 2013 mainly driven by increasing demand from semiconductor equipment manufacturers
- Sequential decrease of 5% vs. Q2 2014
- Too aggressive installation schedules lead to certain delays
- Improving optics and display market
- Ongoing weak solar markets

## Market Trends

- Smartphones, tablets and big data continue to be the main drivers for increased chip demand
- Confirmed delay of breakthrough new semiconductor manufacturing technologies (450mm wafer size, EUV-lithography)
- OLED replacing LCD technology for next-generation *small* flat panel displays
- Photo voltaic solar technology still very active (new technologies and materials), but delayed market recovery

Sales to End Market  
Specific Vacuum Process Industries  
3.5% CAGR (2007-2013)



# Emergency Response & Security

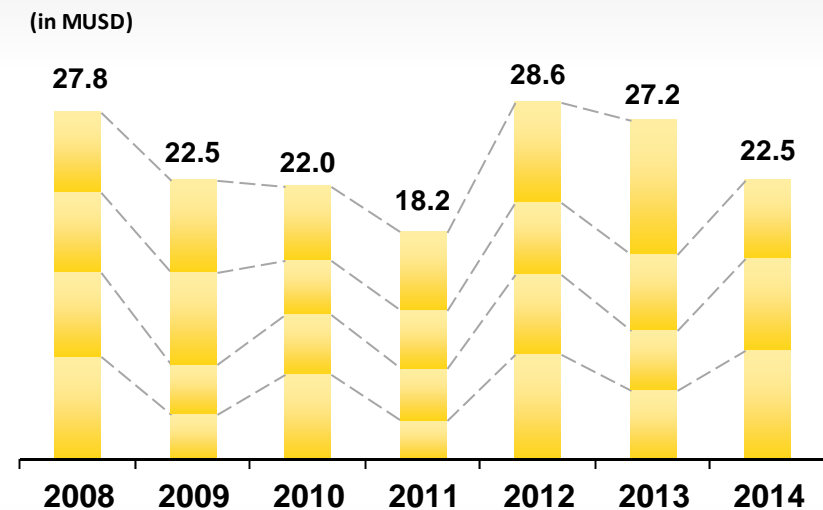
## Q3 2014

- Q3 2014 sales increase of 3% vs. Q3 2013 and 15% sales decrease vs. Q2 2014
- Larger shipments to US customers
- Good order intake and record high backlog

## Market Trends

- Geopolitical uncertainties generate new security needs around the world
- Good pipeline of opportunities
- Increased awareness for environmental issues will lead to new applications
- New target markets and application opportunities for gas analysis products within energy production and distribution

Sales to End Market  
Emergency Response & Security  
7.7% CAGR (2007 - 2013)



# Refrigeration & Air Conditioning, incl. Automotive

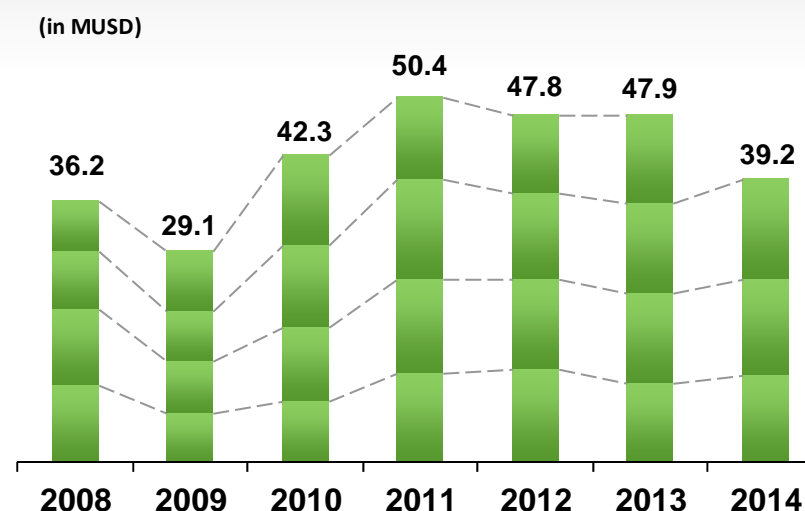
## Q3 2014

- Q3 2014 sales increase of 10% vs. Q3 2013
- Sequential sales increase of 3% vs. Q2 2014 mainly due to stronger sales to Asian customers
- Record high quarterly sales
- Continued market share gains in Automotive
- Market introduction of IRwin™, a new public gas distribution leakfinder

## Market Trends

- Tighter specifications, new regulations and new refrigerants open the field for new leak-detection applications
- Growing addressable market by targeting new automotive applications (incl. H<sub>2</sub> sensor applications)
- New leak-detection applications within natural gas distribution and food packaging market beyond 2014

Sales to End Market  
Refrigeration & Air Conditioning  
3.7% CAGR (2007 - 2013)



IRwin® Mobile  
Methane Leak  
Detector





# General Vacuum Processes

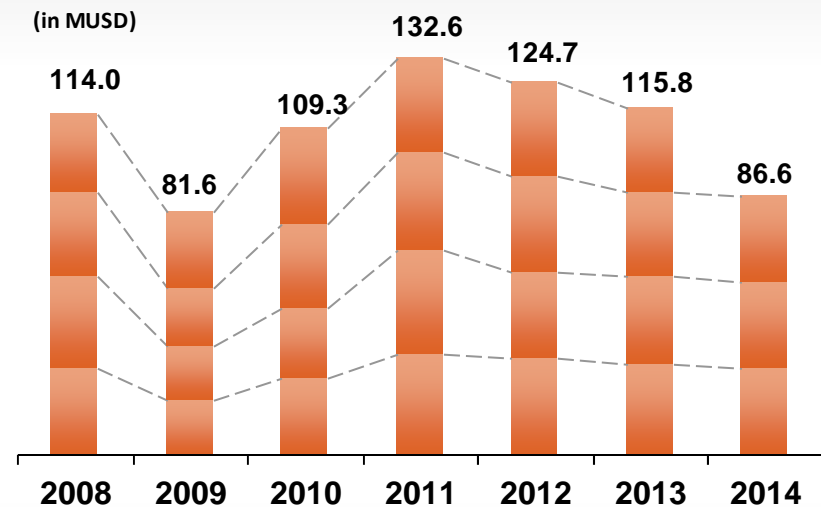
## Q3 2014

- Q3 2014 sales +2% vs. Q3 2013
- Sequential decrease of 1% vs. Q2 2014, mainly driven by lower sales to European distributors

## 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
- Growing demand in emerging market regions as well as recovery in the USA, but still fragile development in Europe

Sales to End Market  
General Vacuum Processes  
3.0% CAGR (2007 - 2013)



# Outlook 2014 and beyond

## Continued challenging market environment

- Expect slightly improving semiconductor market, despite the ongoing low visibility
  - Positive market trend from foundries and flash memory manufacturers
  - New 3D technology requires more vacuum based process steps
- Stable RAC market and increasing importance of the automotive parts manufacturer
- Large dependency on government spending in the ER&S market
- Fragile situation in the European economy
- Expect continued economic growth in the USA & China
- Book-to-Bill ratio > 1

Groundbreaking ceremony for new USD 20 million production facility in Syracuse/USA to improve and expand our manufacturing capabilities

## Guidance for FY 2014:

→ Sales between USD 295 to 305 million

→ Operating Income in the range of USD 46 to 50 million

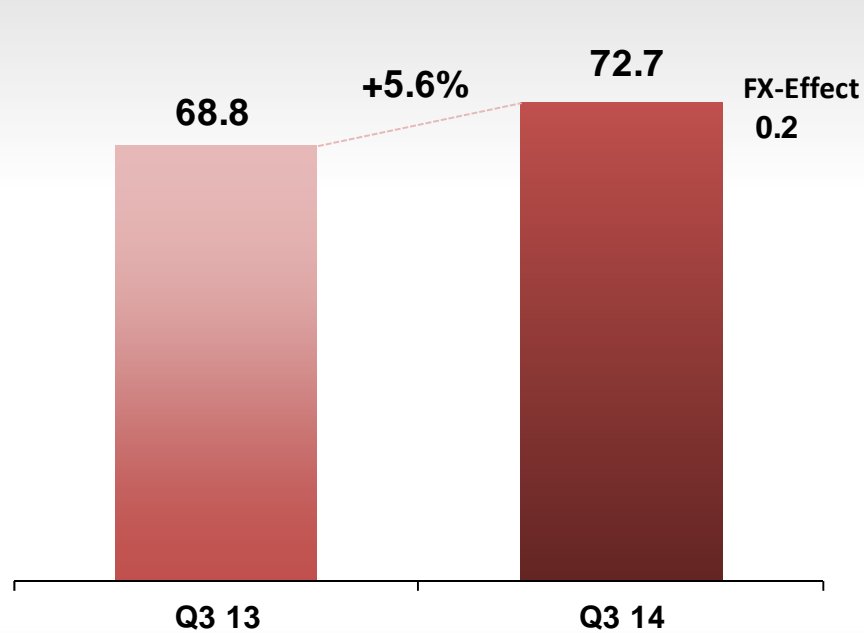
# Matthias Tröndle

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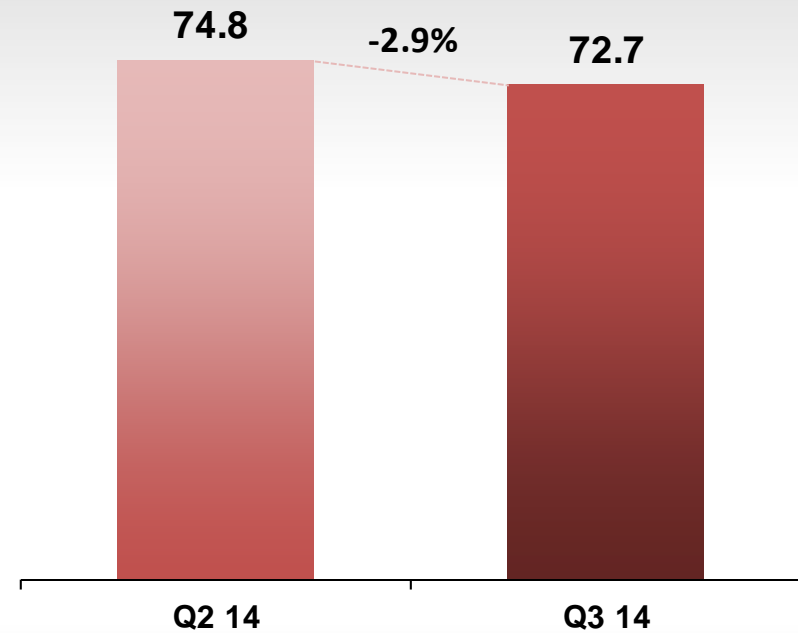
Vice President and Chief Financial Officer



# Sales (in USD million)



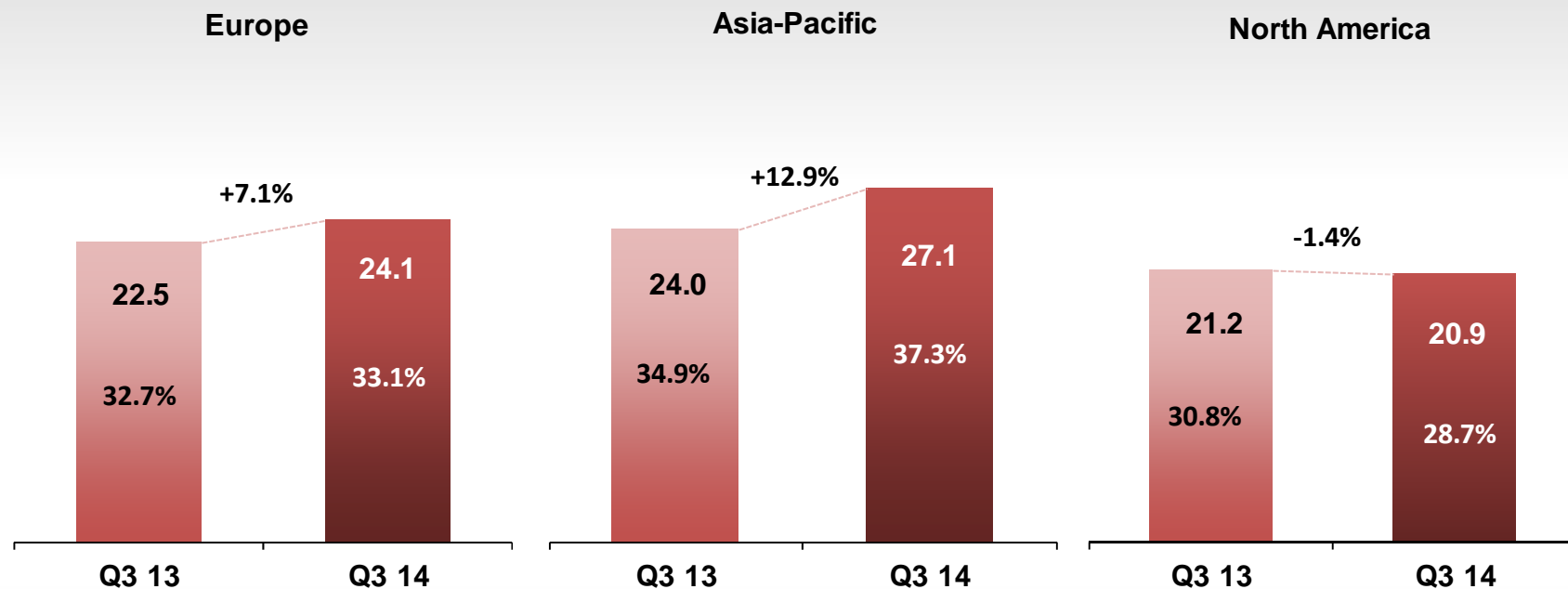
Sales growth in all markets  
(strong ER&S and RAC markets)



Sales decrease driven by  
semiconductor and ER&S

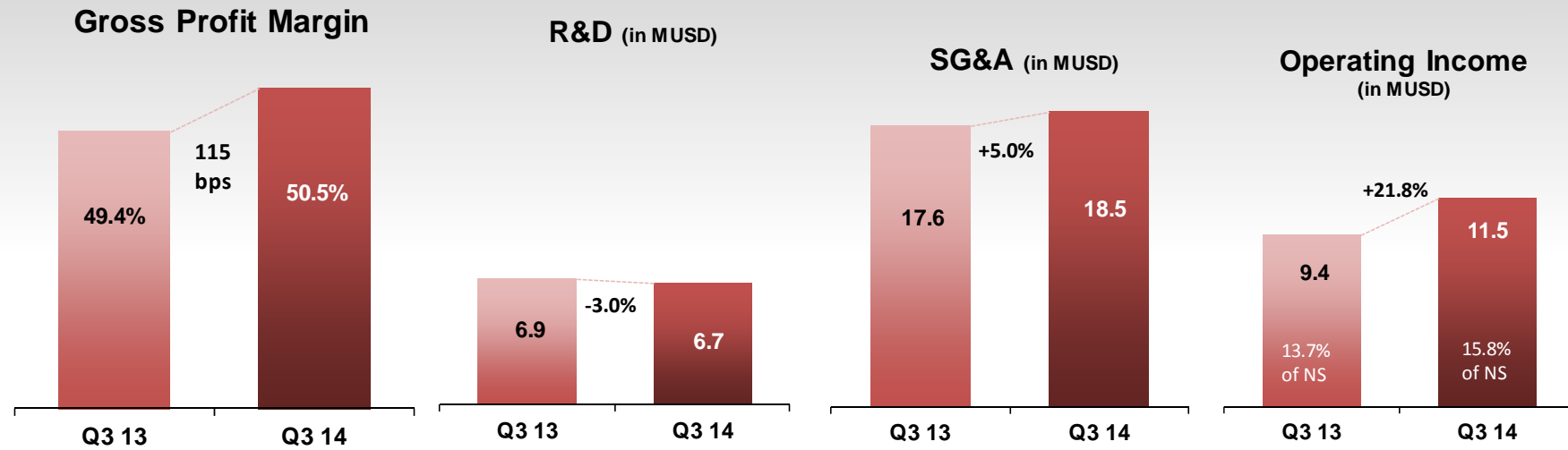
# Geographic Sales Breakdown – Quarter

(in USD million)



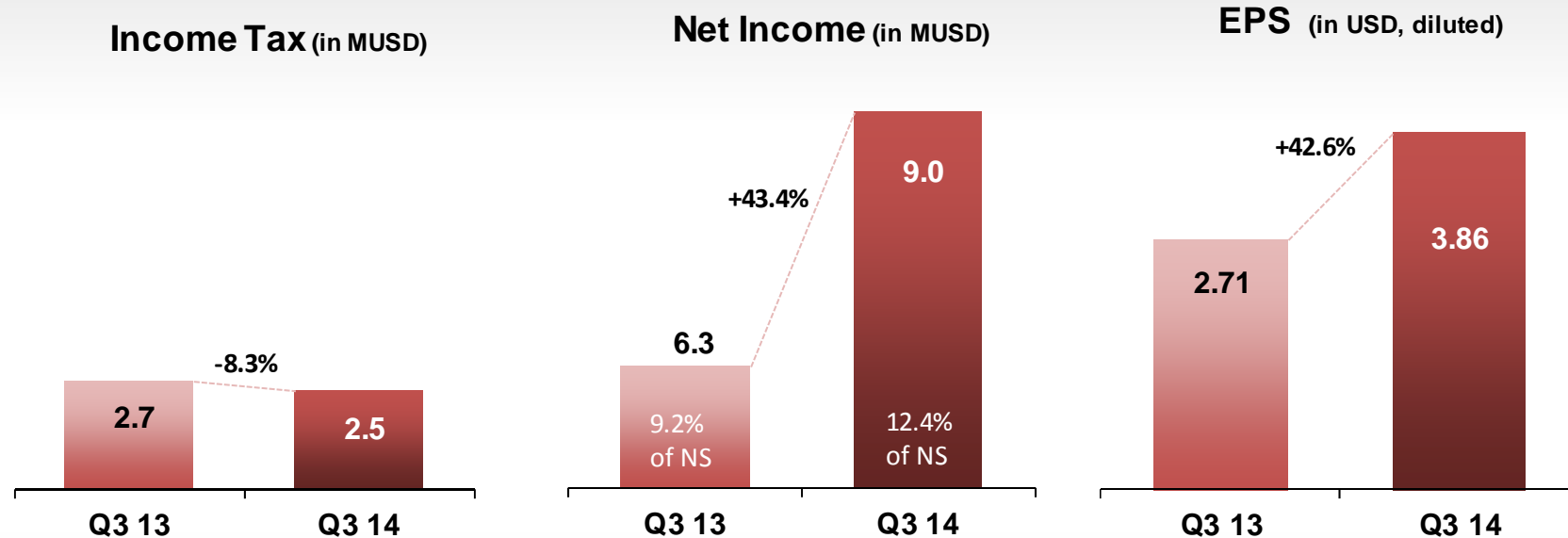
Increase in Asia–Pacific and Europe, decrease in North America

# Gross Profit Margin and Cost Development



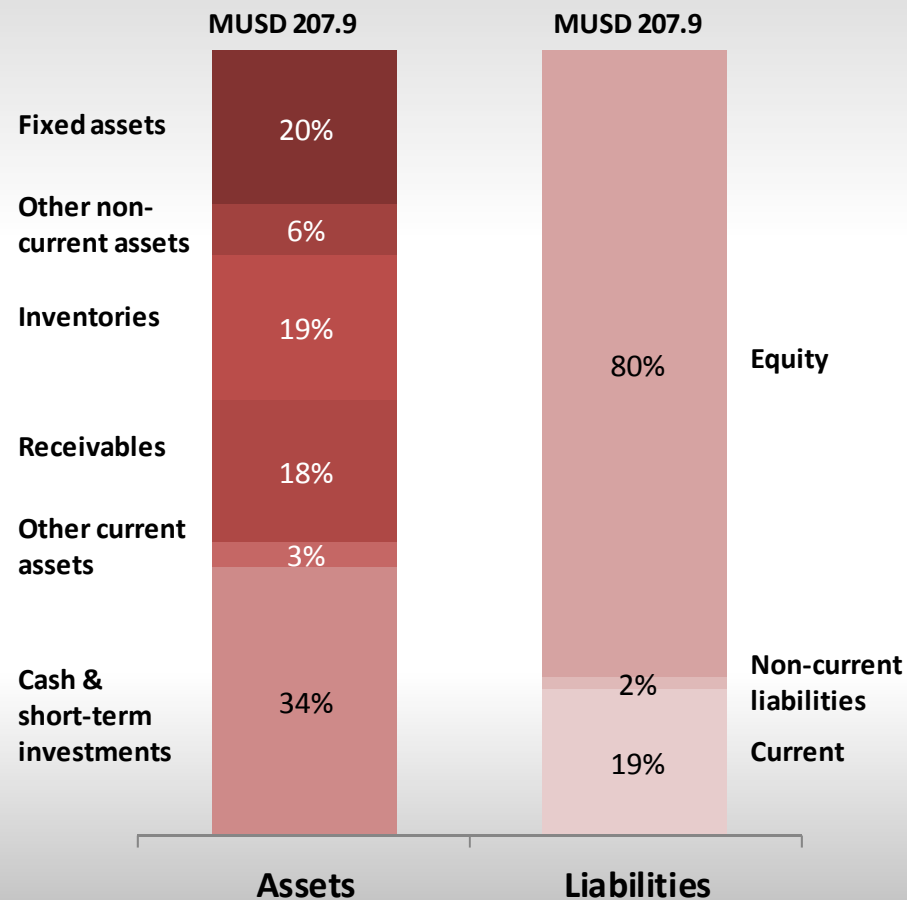
- **Gross profit margin:** Increase driven by favorable product mix
- **R&D:** Decreased, continued development efforts
- **SG&A:** Slightly up due to continued investments in marketing and selling capabilities, some F/X impacts and acquisitions
- **Operating income:** Increase due to higher sales volume and strong gross profit margin with costs under control

# Net Income and EPS development

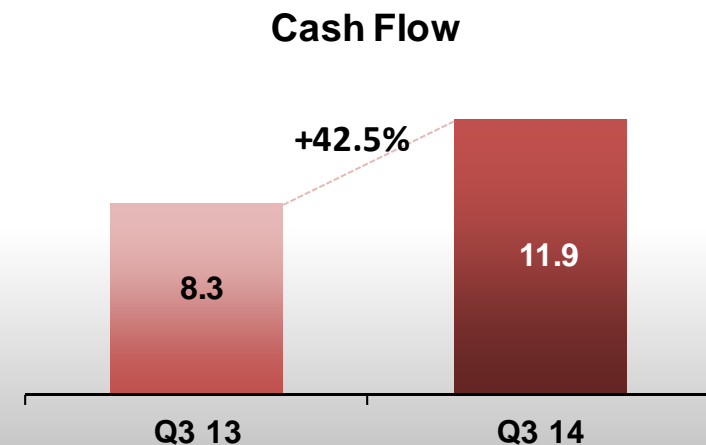


- **Income tax:** decrease due to favorable tax rate and last year adjustment
- **Net income:** Driven by operating income development and higher financial result
- **EPS:** In line with net income development

# Balance Sheet Highlights (in USD million)



	Q3 14	Q4 13
Net Cash	66.9	75.0
DSO	46.6	46.7
Inventory Turns	3.9	4.4
Working Capital	23.5%	21.2%

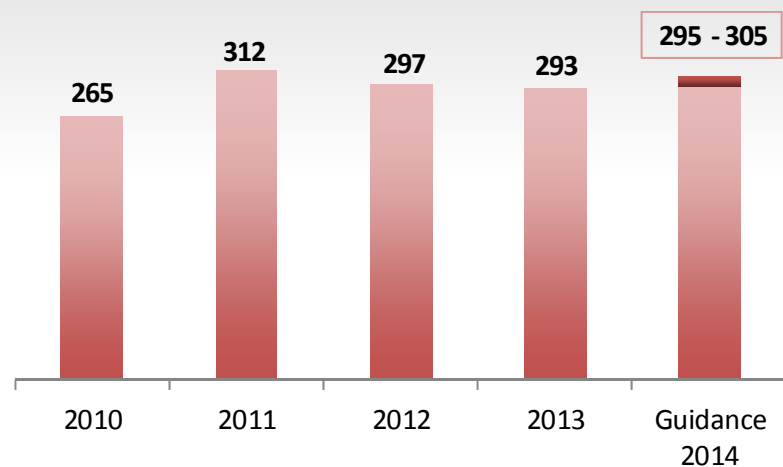


Solid balance sheet, no long-term debt



# Full Year 2014 Guidance

## Sales (MUSD)

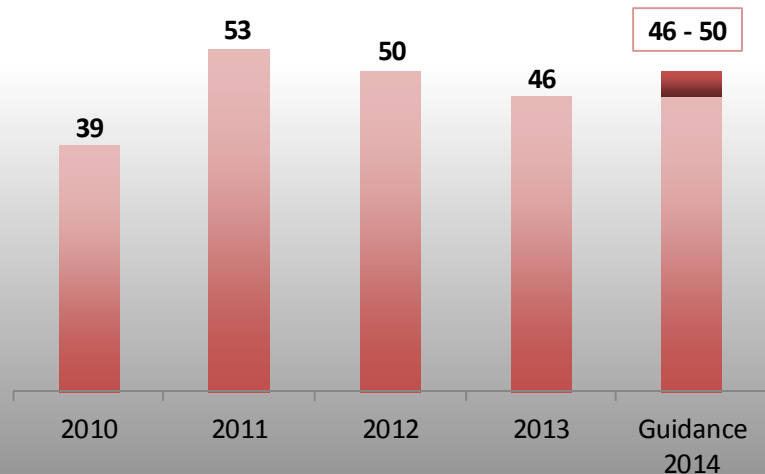


Based on current expectations for our end markets

Sales 295 – 305 MUSD

Op. Income 46 – 50 MUSD

## Operating Income (MUSD)



# Corporate Calendar FY 2014

- Q4 and FY 2014 Earnings Conference Call Thursday, March 12, 2015
- Q1 2015 Earnings Conference Call Thursday, April 23, 2015
- Annual General Meeting Wednesday, April 29, 2015
- Q2 2015 Earnings Conference Call Thursday, August 6, 2015
- Q3 2015 Earnings Conference Call Thursday, October 22, 2015
- Q4 and FY 2015 Earnings Conference Call March 2016

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



**THANK YOU !**

**Q&A**

