



**Q2 2019
EARNINGS CONFERENCE CALL**

July 25, 2019

Bad Ragaz, Switzerland

Speakers

Lukas Winkler, President and CEO

Key figures Q2 2019

Target market business review

Expectations 2019

Matthias Tröndle, Vice President and CFO

Financials Q2 2019

Key financials first half-year 2019

Guidance

Speakers

Lukas Winkler

INFICON

President and Chief Executive Officer

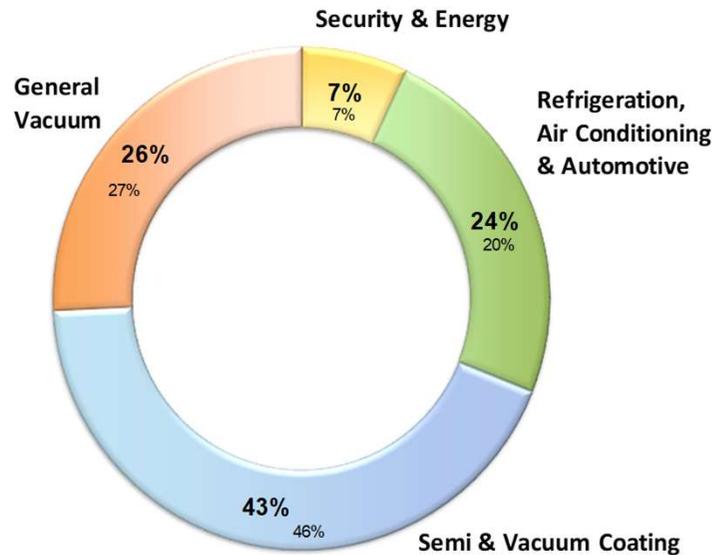


Q2 2019 – Key Figures

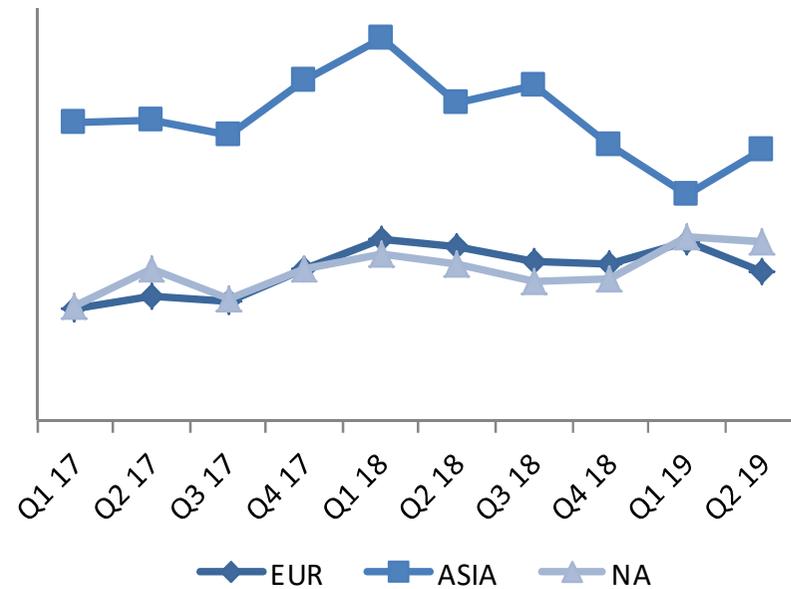
- **Sales decrease year-over-year in all markets and regions, except for America and Refrigeration, Air Conditioning & Automotive**
 - Sales decrease of -7.3% to USD 96.6 million compared with Q2 2018, organic decrease of -6.3%
 - Slight sequential sales increase of 0.9% over Q1 2019
 - Book to bill ratio > 1
 - **Operating result**
 - Decreased sales volume at lower gross margin and operating expense
 - Operating income of USD 15.8 million in Q2 2019 (16.3% of sales) after USD 22.0 million (21.1% of sales) in Q2 2018
 - Sequential operating income margin declines from 17.5% to 16.3% of sales
- **Net income of USD 11.8 million or 12.2% of sales**

Net Sales by End Market

USD 96.6 million in Q2 2019 vs. USD 104.2 million a year ago (-7.3%)



Smaller share in Semi & Vacuum Coating
Higher share in Refrigeration, Air Conditioning & Auto



Growth is Asia, weaker Europe

Security & Energy

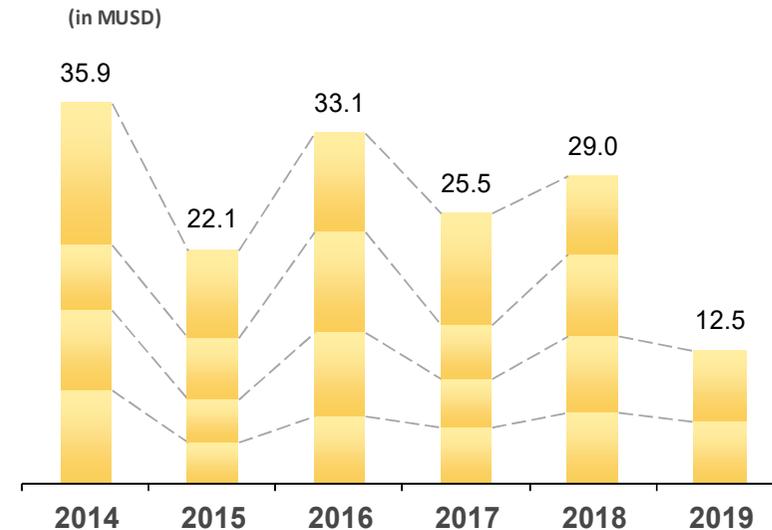
Q2 2019

- Sales decrease -7% to USD 6.7 million in Q2 2019 vs. Q2 2018, yet increase of 15% vs. Q1 2019
- Majority of sales went to the security market, mostly 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
 - Fusion™ Micro-GC technologies
 - IRwin™ Methane leak detector
- 2019 expectations: Below average

Sales to End Market
Security & Energy
+1.3% CAGR (2013- 2018)



Refrigeration, Air Conditioning & Automotive

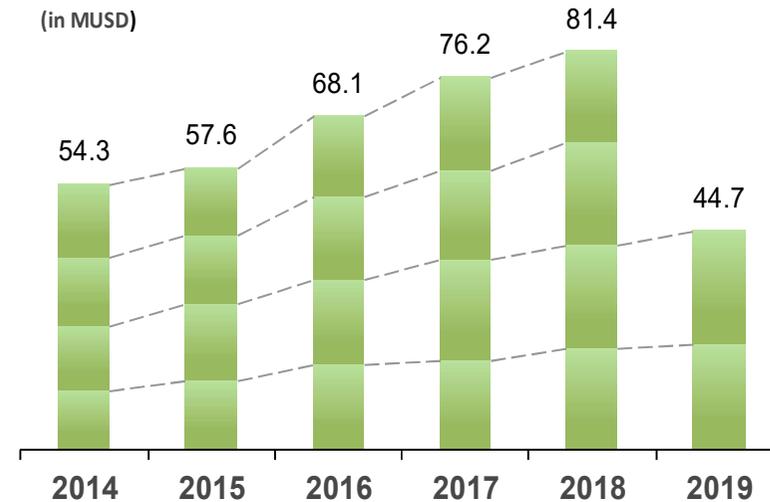
Q2 2019

- Q2 2019 sales increase of 12% to USD 23.3 million vs. Q2 2018
- Growth in all regions, new record level
- Sequential increase of 9%
- Growing battery testing & after-sales-service activities

Market Trends

- Tougher regulations drive increased use of leak-checking instruments in the automotive market
- New E-Mobility opportunities
 - New and existing battery technologies
 - Fuel cell technology (Hydrogen)
- New distribution & product initiatives for handheld after-sale service products
- 2019 expectations: Growth

Sales to End Market
Refrigeration, Air Conditioning & Automotive
+11.2% CAGR (2013 - 2018)



Semi & Vacuum Coating

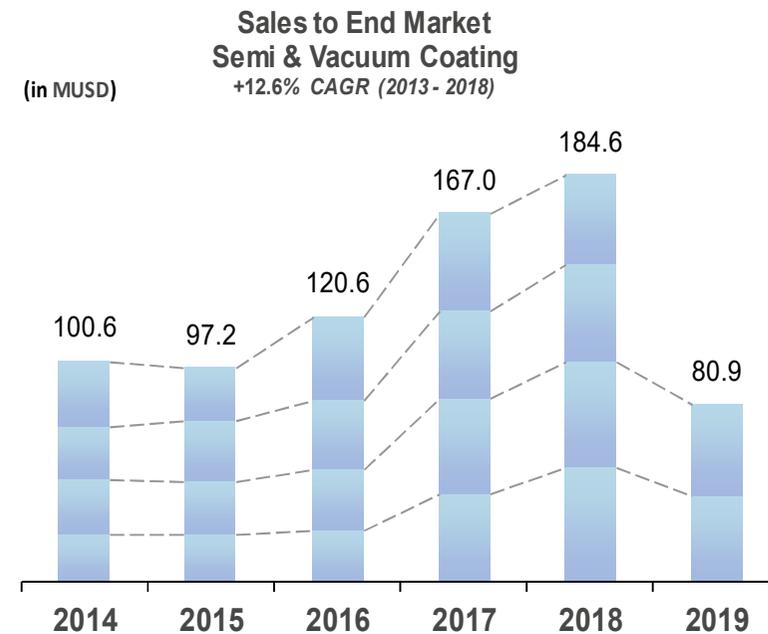
Solar, Display, Optics & Semiconductor

Q2 2019

- Sales Q2 2019 decrease of -12% to USD 41.7 million vs. Q2 2018
- Sequential increase of 6%, driven by Asia
- Reduced Capex primarily in Asia for Semi and OLED-display manufacturing

Market Trends

- Long-term demand for new smart sensors, IoT, AI & AD, Big Data, and computing power
- Temporarily weaker Semi market, primarily for memory chips
- Increased use of EUV lithography tools for < 7nm node technology
- US-China trade issues with negative impact on Chinese Semi initiative
- OLED flat panel display: capacity > demand
- 2019 expectations: Challenging



General Vacuum

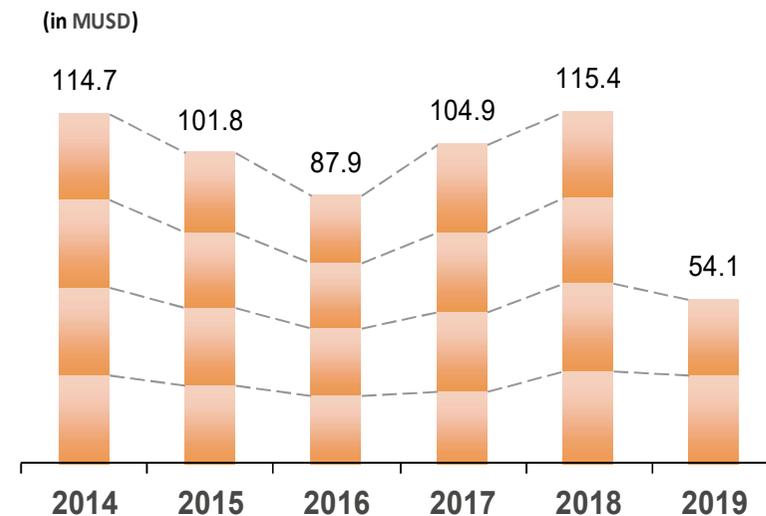
Q2 2019

- Q2 2019 sales decline of -13% to USD 24.9 million vs. Q2 2018, mainly due to lower sales to European and Asian customers
- Sequential decrease of -15%, all regions weaker

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)
- Uncertain global economy and trade issues
- Growing food-packaging applications
- 2019 expectations: Weakening

Sales to End Market
General Vacuum
-0.1% CAGR (2013-2018)



Outlook 2019

Challenging 2019 due to volatility in the markets and geopolitical landscape

- Weak Semiconductor (memory) market at a high level (Industry 4.0, IoT, Big Data, etc.)
 - Investments in new memory fabs (China) at risk, due to US/China trade issues
 - Continued investments in new technologies (3D, 5nm, ALD/E, MEMS) incl. EUV lithography
 - 2019 = transition year
- Overcapacity for OLED flat panel display manufacturing, except for new flexible applications
- Stable RAC manufacturers market and increase after sales services
- Increased E-Mobility investments (current and future battery technologies)
- Geopolitical landscape and economic environment creates uncertainty for General Vacuum, Environmental & Security applications
- Accelerated sales growth from new applications such as energy and food-packaging as well as new products and solutions for advanced semiconductor applications

Guidance for FY 2019

→ Sales around USD 400 million

→ Operating income margin around 19%

Speakers

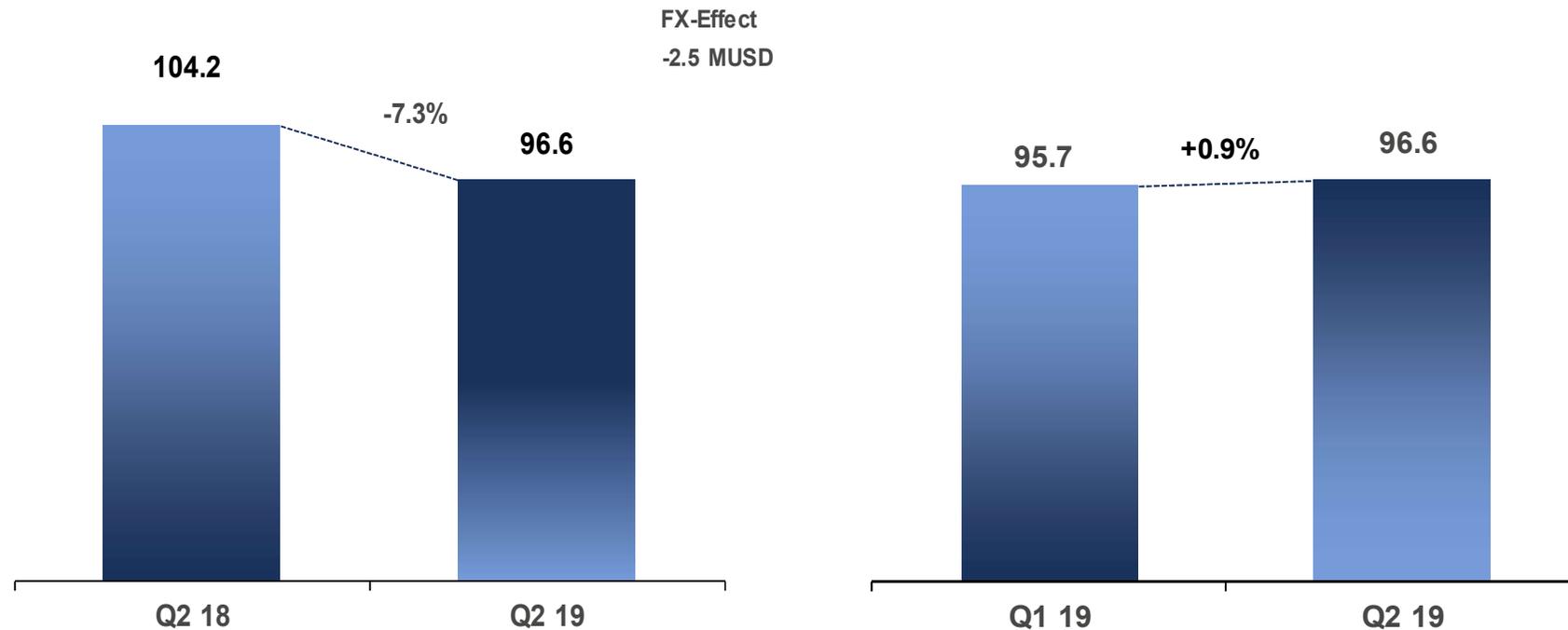
Matthias Tröndle

INFICON

Vice President and
Chief Financial Officer



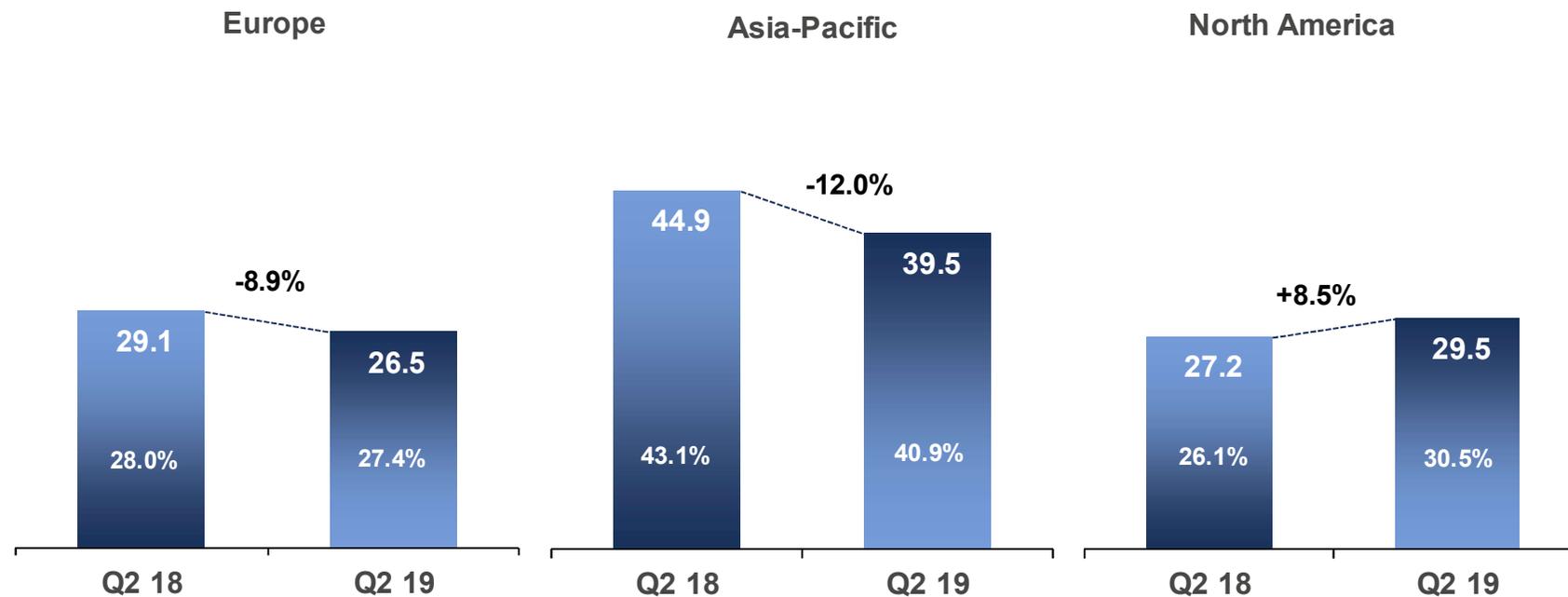
Sales (in MUSD)



Year-over-year: Decrease in all end-markets, except RAC&A

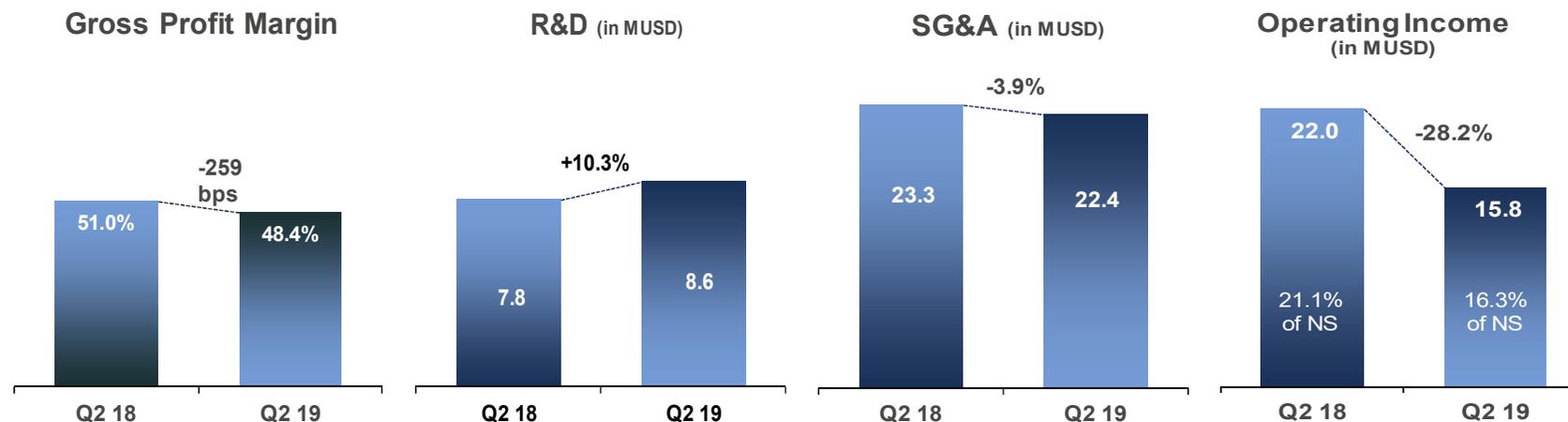
Sequential: Except General Vacuum, all end-markets increased

Geographic Sales Breakdown – Quarter (in MUSD)



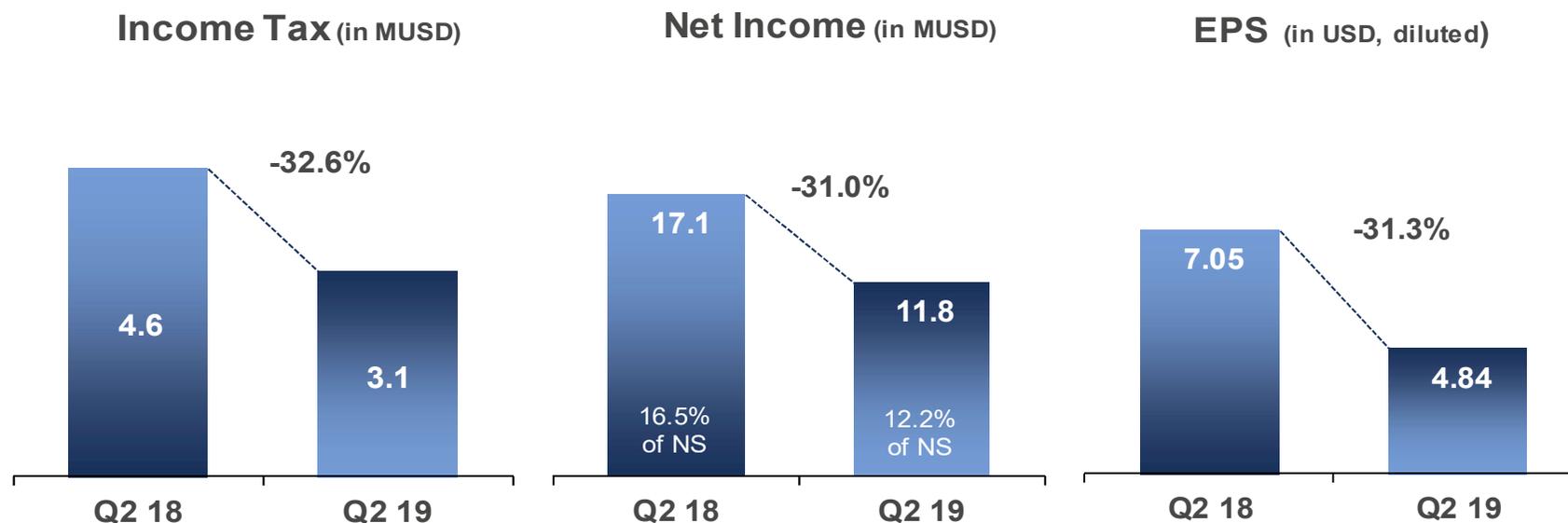
Decline in Asia-Pacific due to lower Semi & Vacuum Coating sales,
and Europe due to decreased General Vacuum sales

Gross Profit, Costs, and Operating Income



- **Gross profit margin:** Decline in margin due to lower volume and mix
- **R&D cost:** Increase mainly due to acquisition impacts; continued development efforts
- **SG&A:** Investments in selling capabilities and acquisition effects compensated by lower variable compensation and commissions and FX impacts
- **Operating income:** Decrease due to lower sales volume and gross margin while costs slightly decreased

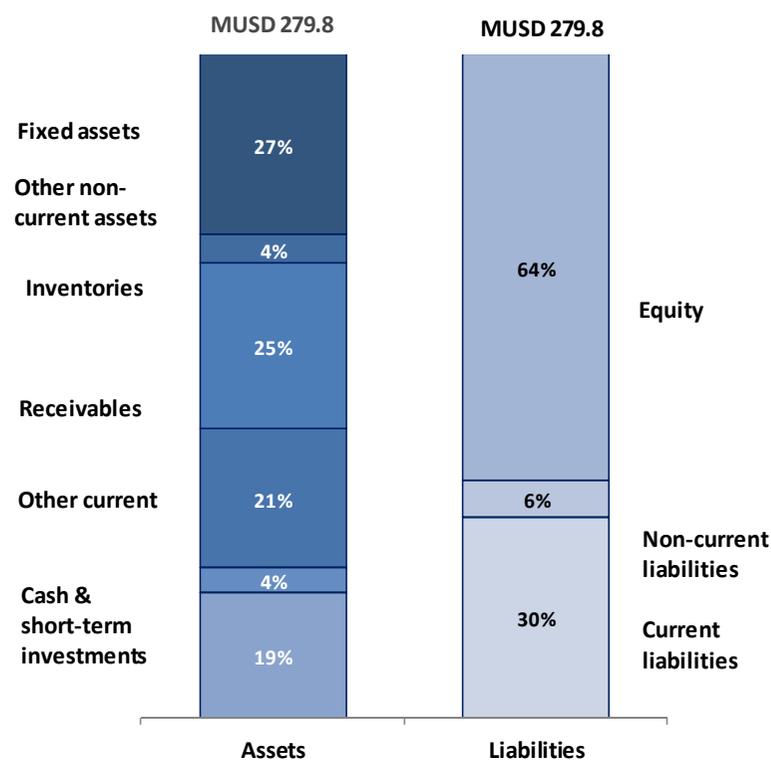
Net Income and EPS Development



- **Income tax:** Decrease reflects operating income development, slightly lower global tax rate of 20.6% driven by the mix in earnings
- **Net income & EPS:** Decrease due to lower operating income at slightly lower global tax rate

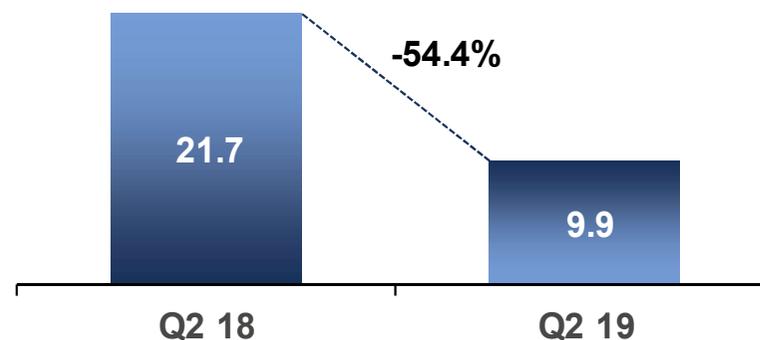
Balance Sheet Highlights (in MUSD)

Balance Sheet Structure 2019



	Q2 19	Q4 18
Net Cash	18.3	62.3
DSO	51.3	51.4
Inventory Turns	3.0	3.5
Working Capital	117.4	110.4
Operating Cash Flow	9.9	10.2

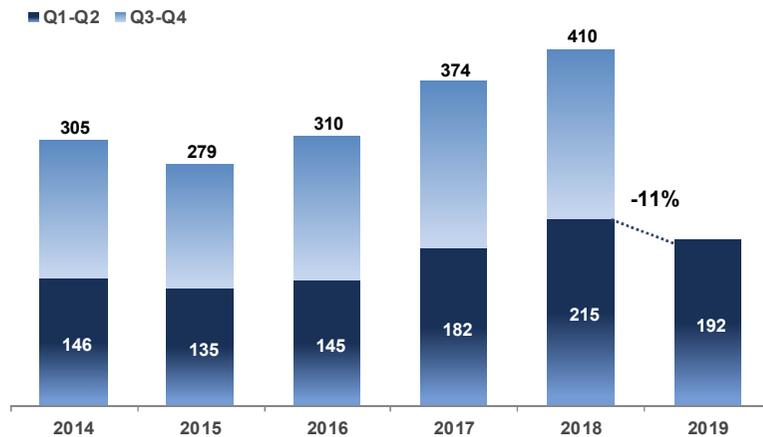
Cash Flow



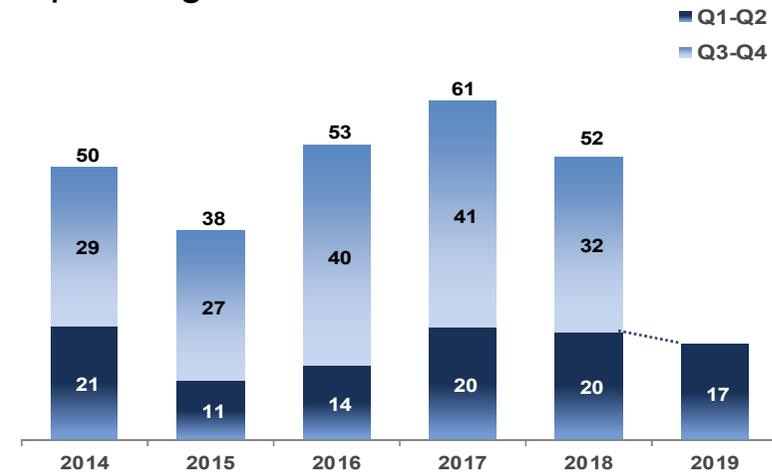
Solid balance sheet; turns ratio shows higher inventory balance, working capital affected by higher A/R while DSO slightly improved; solid cash flow

Financial Performance First Half-Year 2019 (in MUSD)

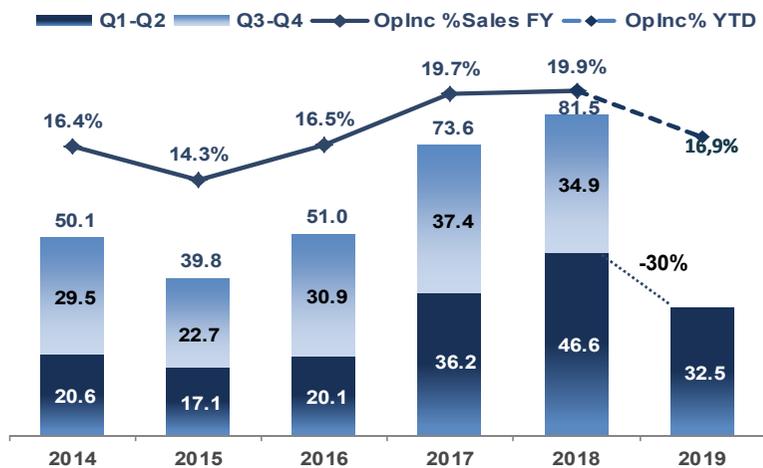
Net Sales



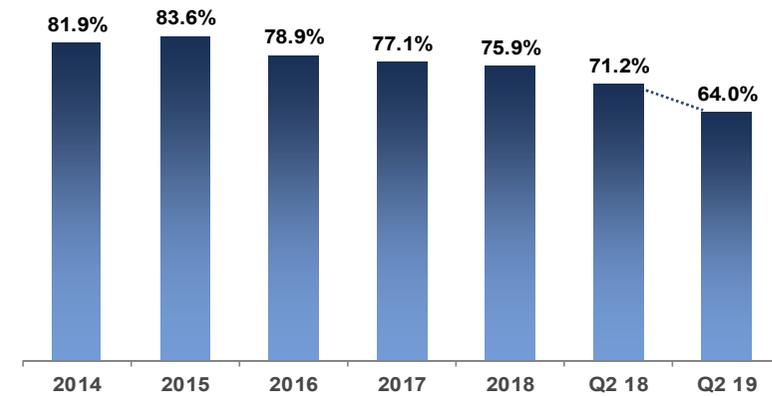
Operating Cash Flow



Operating Income and Ratio



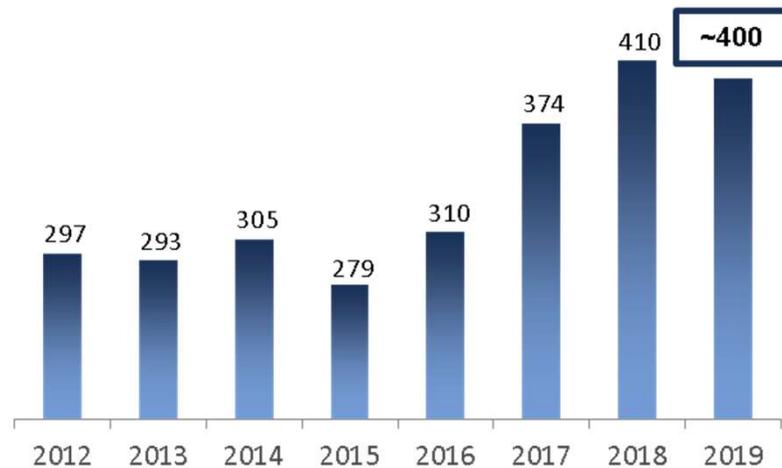
Equity Ratio



GUIDANCE FY 2019 AND CORPORATE COMMUNICATION CALENDAR

Full Year 2019 Guidance

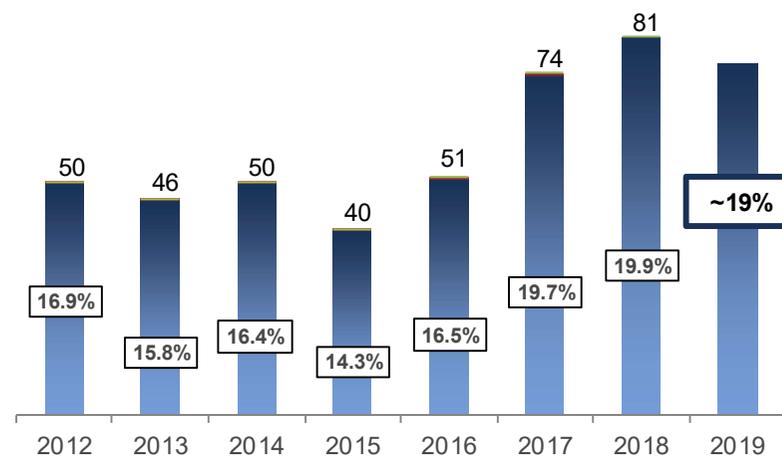
Sales (MUSD)



Guidance 2019

Based on our current expectations for our end-markets

Operating Income (MUSD)



Sales ~ 400 MUSD

Op. Income ~ 19%

Corporate Calendar FY 2019

- Q3 2019 Earnings Conference Call October 17, 2019
- Q4 and FY 2019 Earnings Conference Call March 2020

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



THANK YOU!

Q&A