



**Q4 2018 and Full Year 2018
EARNINGS CONFERENCE**

March 5, 2019

Zurich, Switzerland

Speakers

Lukas Winkler, President and CEO

Key figures Q4 2018 and FY 2018
Target market business review
Expectations 2019

Matthias Tröndle, Vice President and CFO

Financials Q4 2018 and FY 2018
Distribution
Guidance

Speakers

Lukas Winkler

INFICON

President and Chief Executive Officer



Q4 2018 – Key Figures

- **Sales decrease in all markets and regions, except Europe**
 - Consolidated sales decrease of -7.7% to USD 94.2 million compared with Q4 2017, organic decrease of -7.8% (acquisitions +1.2%, FX-1.1%)
 - Sequential sales decrease of -7.1% over Q3 2018
 - Book to bill ratio ~1

 - **Operating result influenced by**
 - Decreased sales volume
 - Lower gross margin and operating expense
 - Operating income of USD 14.9 million in Q4 2018 (15.8% of sales) after USD 22.2 million (21.8% of sales) in Q4 2017
- **Net income of USD 13.0 million or 13.8% of sales**

FY 2018 – Key Figures

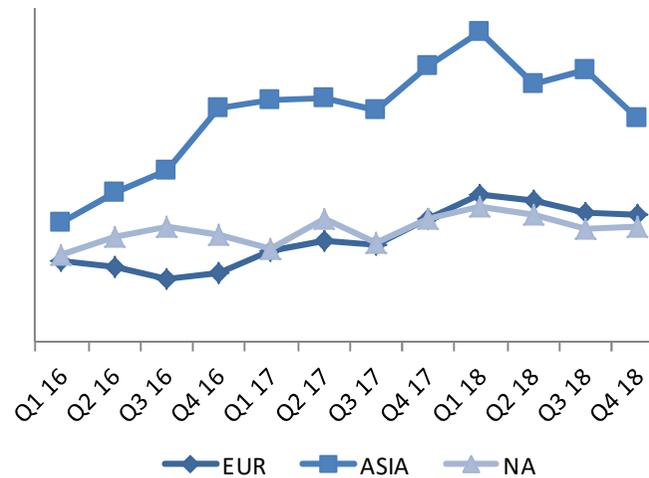
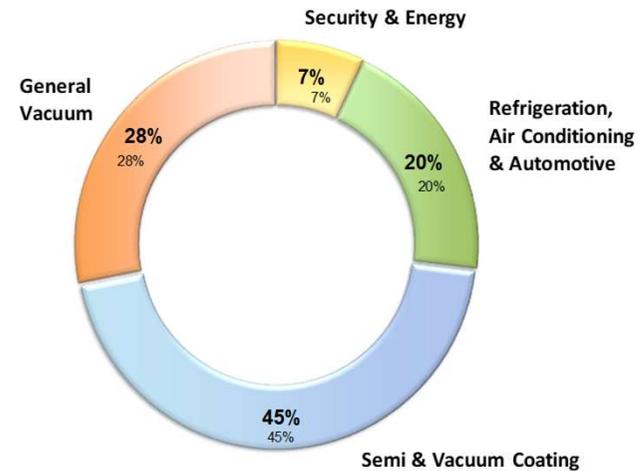
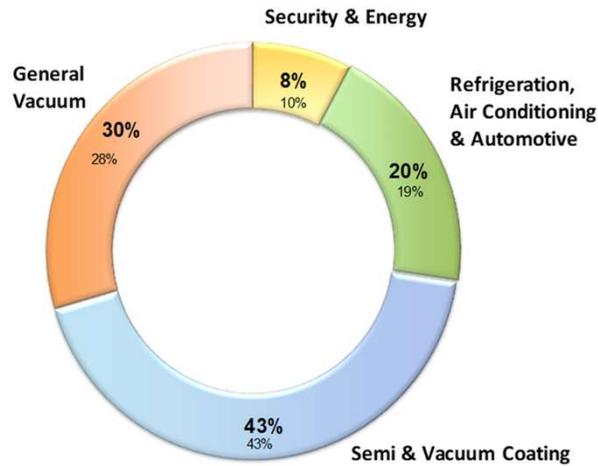
- **Sales increase in all markets and all regions**
 - Sales increase of 9.9% to USD 410.4 million compared with 2017, organic increase of 8.0%
 - New record
 - Book to bill ratio ~1

 - **Operating result influenced by**
 - High sales volume
 - Slightly lower gross margin and increased overhead cost
 - Operating income of USD 81.5 million in 2018 (19.9% of sales) compared with USD 73.6 million (19.7% of sales) in 2017 (+10.8%)
- **Net income of USD 64.2 million or 15.6% of sales**
- **Proposed cash distributions of CHF 22.00 per share**

Net Sales by End Market

USD 94.2 million in Q4 2018 (-7.7%)

USD 410.4 million in 2018 (+9,9%)



Security & Energy

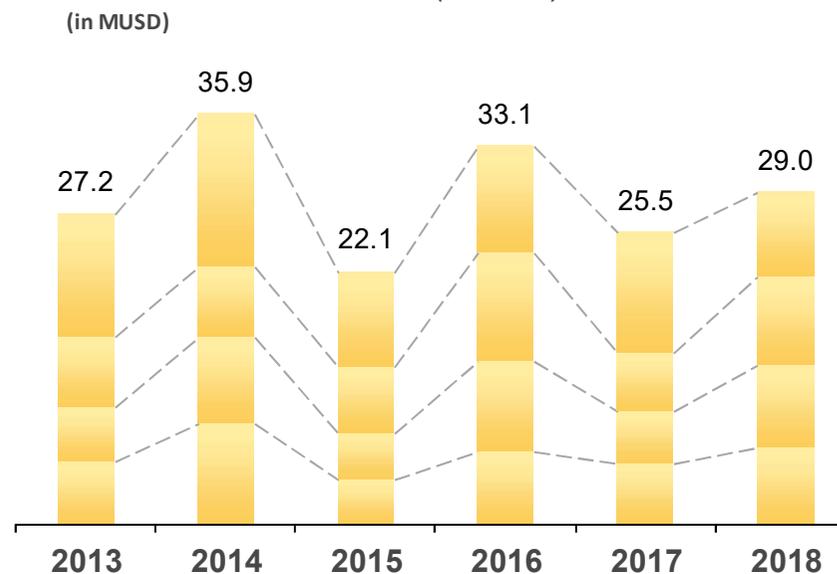
Q4 2018

- Sales decrease -29.5% to USD 7.4 million in Q4 2018 vs Q4 2017 and sales decrease -3.9% vs Q3 2018
- 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
+1.4% CAGR (2013- 2018)



Refrigeration, Air Conditioning & Automotive

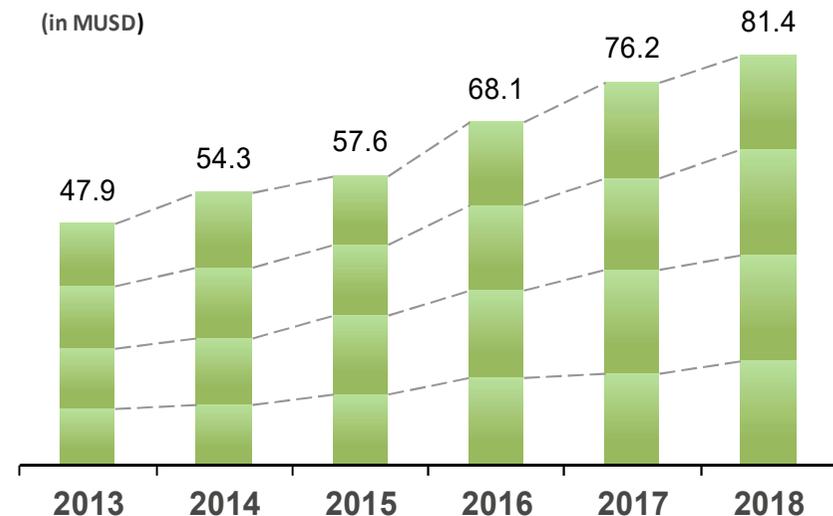
Q4 2018

- Q4 2018 sales decrease of -2.6% to USD 18.4 million vs Q4 2017
- Growth in all regions
- Sequential decrease of -13.6%
- Continued market share gains

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)
- Increasing installed base and new sales distribution channels drive after-sale service products worldwide
- 2019 expectations: Flat

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



Semi & Vacuum Coating

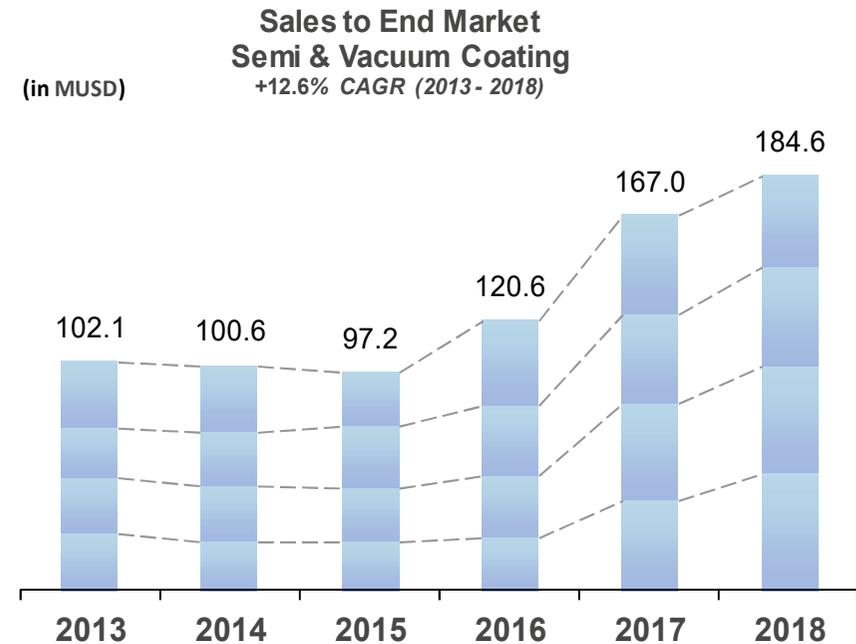
Solar, Display, Optics & Semiconductor

Q4 2018

- Sales Q4 2018 decrease of -6.7% vs Q4 2017
- Sequential decrease of -8.4%
- Softening demand at a high level, mainly driven by lower investments in OLED flat panel display technology in Asia
- #1 position in process control, leak-detection and thin film monitoring, #2 position in pressure measurement

Market Trends

- Increased demand for new smart sensors, IoT, AI, Big Data, and computing power
- Temporarily weaker Semi market
- Investments in new semi fabs in China continue, but at lower speed
- OLED flat panel display: capacity > demand
- 2019 expectations: challenging



General Vacuum

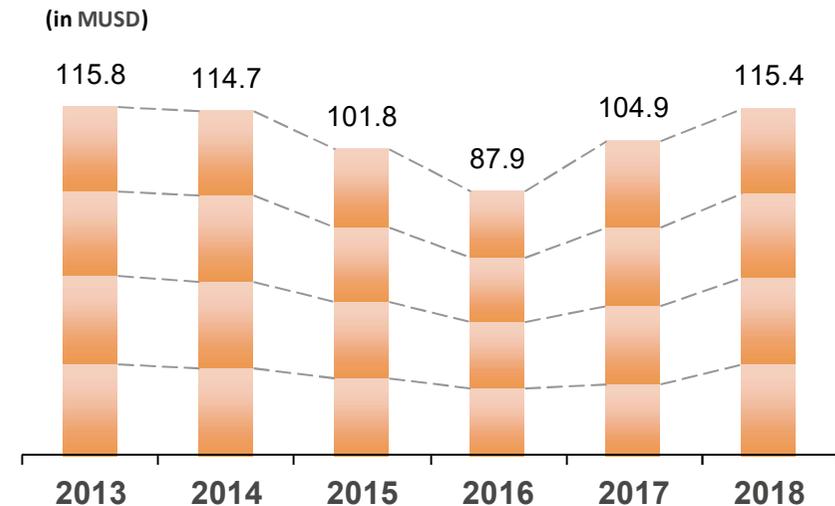
Q4 2018

- Q4 2018 sales decline -4.8% to USD 27.8 million vs Q4 2017, mainly due to higher sales to European and Asian customers
- Sequential decrease of -1.1%, due to traditionally lower summer sales in Europe

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
- 2019 expectations: moderate growth

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



Outlook 2019

Challenging 2019 with volatility in the markets and geopolitical landscape

- Semiconductor market weakening at a high level (Industry 4.0, IoT, Big Data, etc.)
 - Investments in new memory fabs (China) at risk
 - 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 market and increase after sales services
- Increased E-Mobility investments (current and future battery technologies)
- Geopolitical landscape and economic environment creates some uncertainty for General Vacuum, Environmental and 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

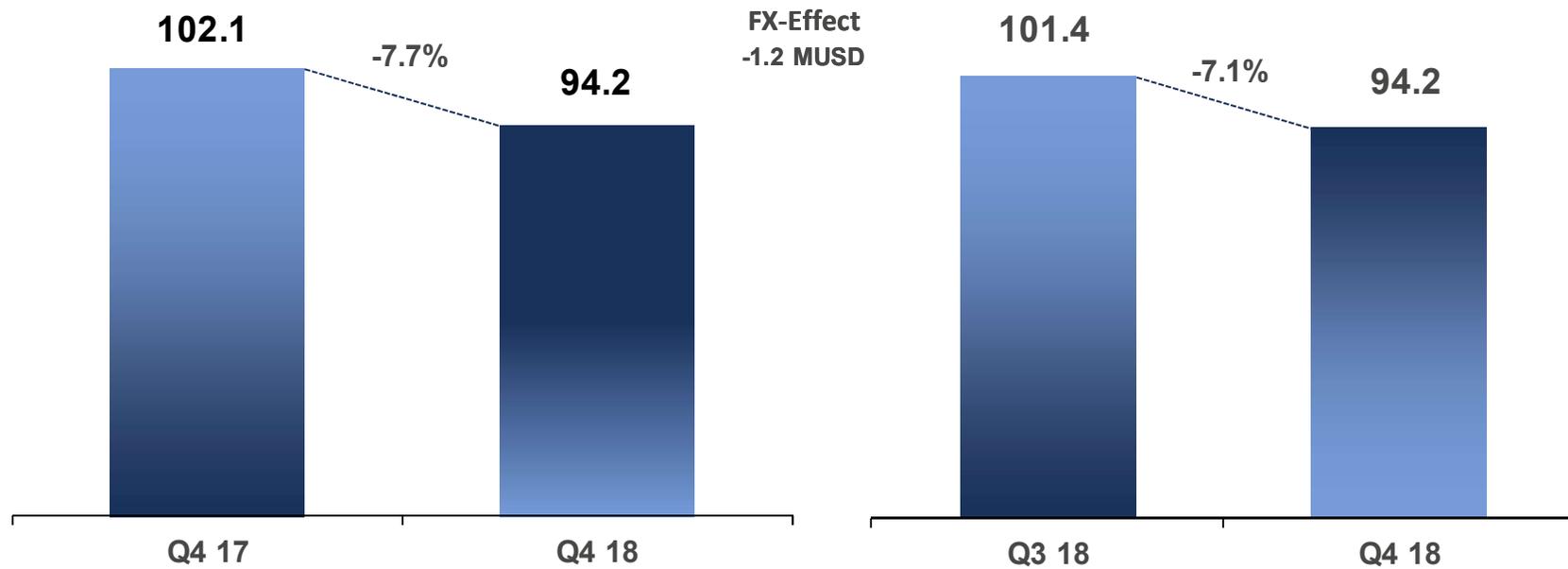
Matthias Tröndle

INFICON

Vice President and
Chief Financial Officer

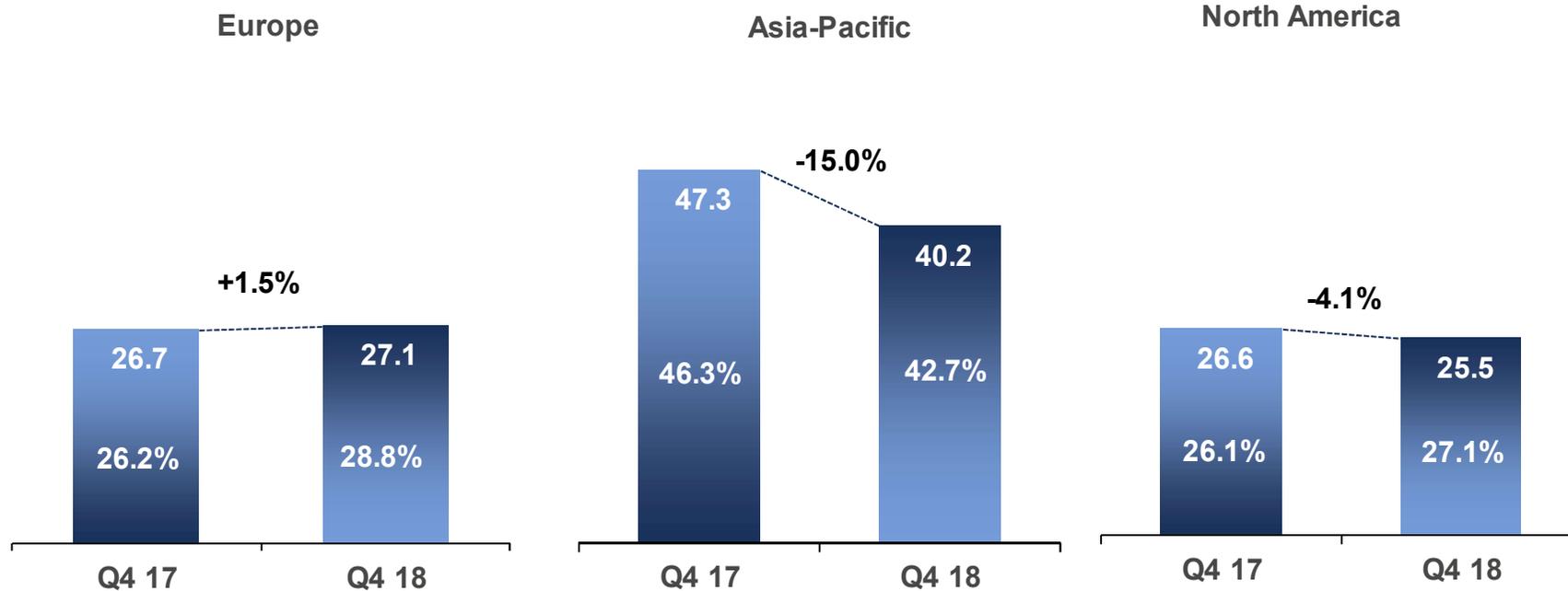


Sales (in MUSD)



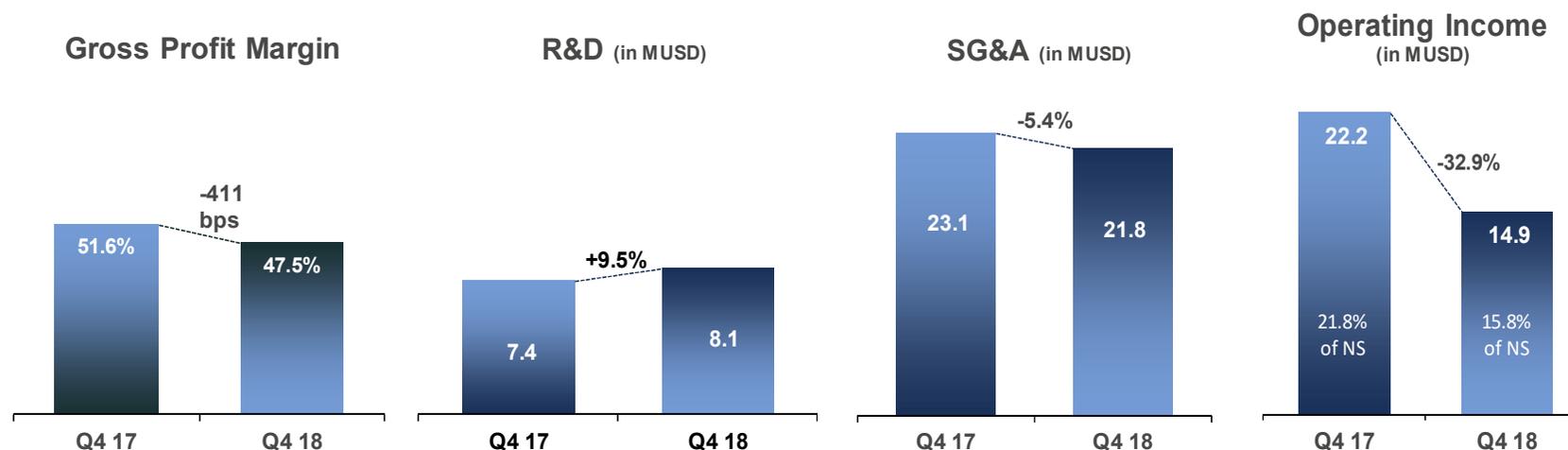
Decrease in all end-markets

Geographic Sales Breakdown – Quarter (in MUSD)



Main reduction in Asia-Pacific due to lower Semi & Vacuum Coating sales

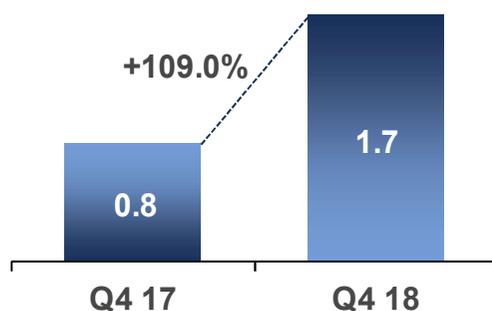
Gross Profit, Costs, and Operating Income



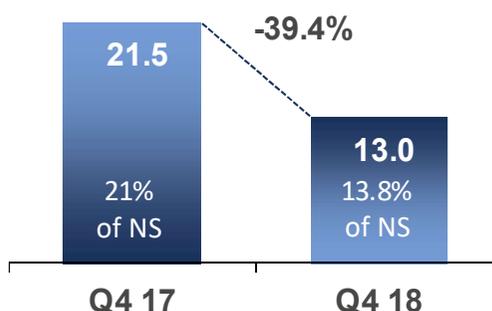
- **Gross profit margin:** Decline in margin due to lower volume and mix
- **R&D cost:** Increase due to continued development efforts and acquisition impacts
- **SG&A:** Investments in selling capabilities and acquisitions compensated by lower variable compensation and commissions and FX impacts
- **Operating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

Net Income and EPS Development

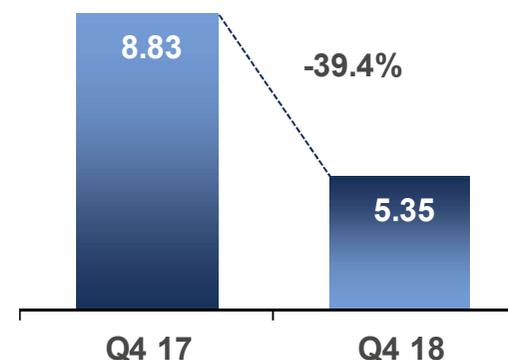
Income Tax (in MUSD)



Net Income (in MUSD)



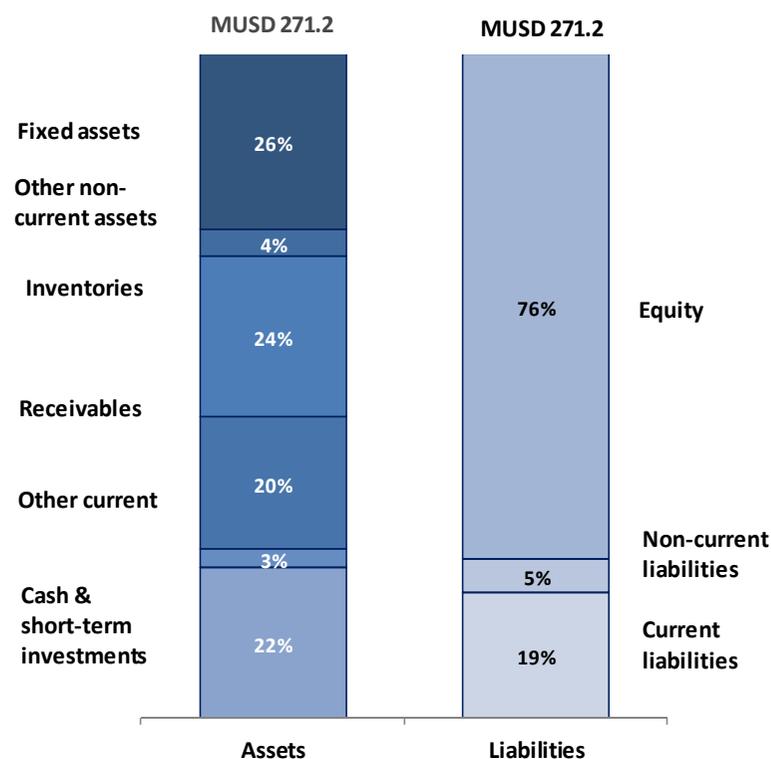
EPS (in USD, diluted)



- **Income tax:** Low global tax rate of 11.6% driven by the mix in earnings and tax rates; Previous year very low due to adoption/implementation of the US tax reform
- **Net income:** Decrease due to lower operating income at a higher global tax rate
- **EPS:** Decrease in line with net income

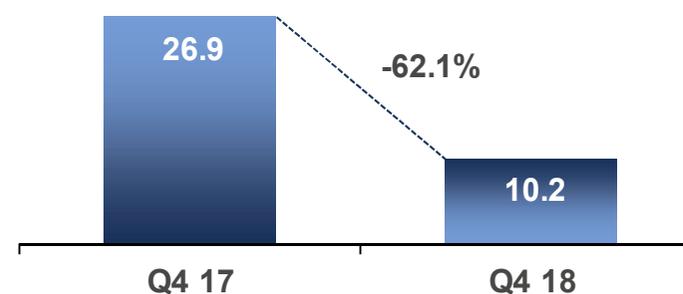
Balance Sheet Highlights (in MUSD)

Balance Sheet Structure 2018



	<u>Q4 18</u>	<u>Q4 17</u>
Net Cash	62.3	85.0
DSO	51.4	50.3
Inventory Turns	3.5	4.2
Working Capital	110.4	91.3
Operating Cash Flow	10.2	26.9

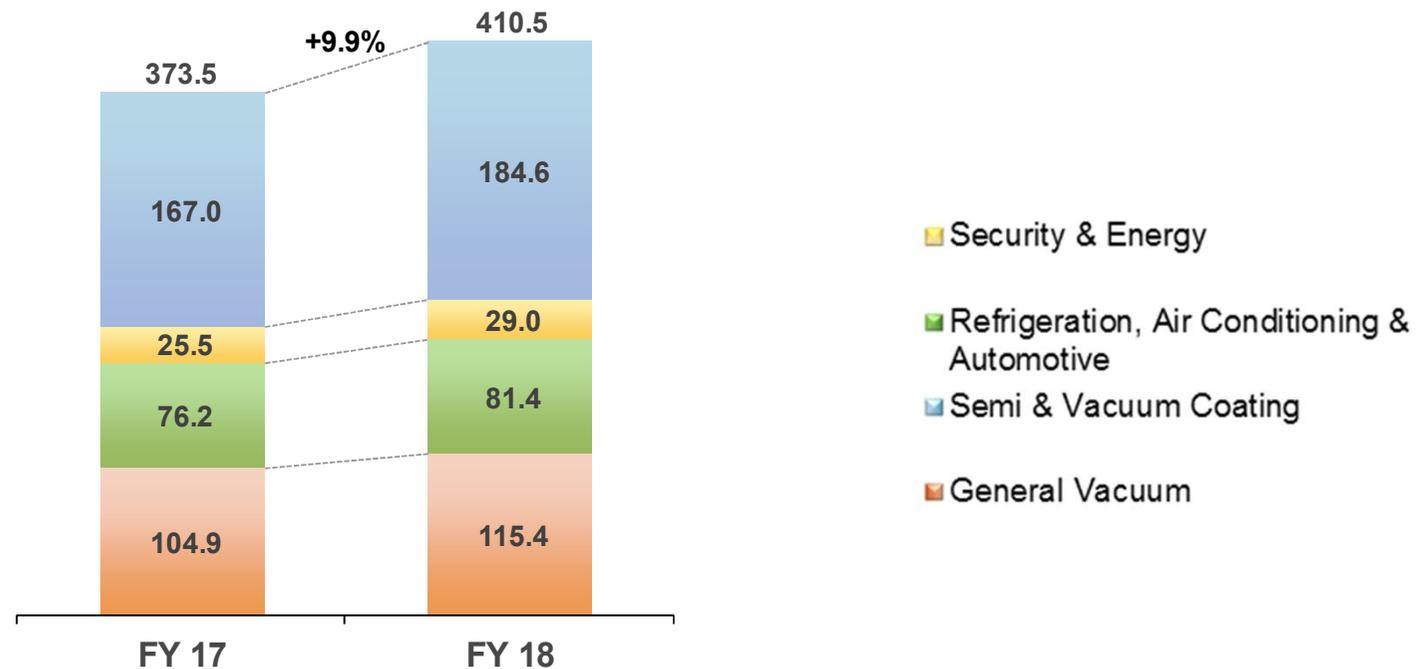
Cash Flow



Solid balance sheet; turns ratio and working capital driven by higher inventory balance, lower Q4 cash flow

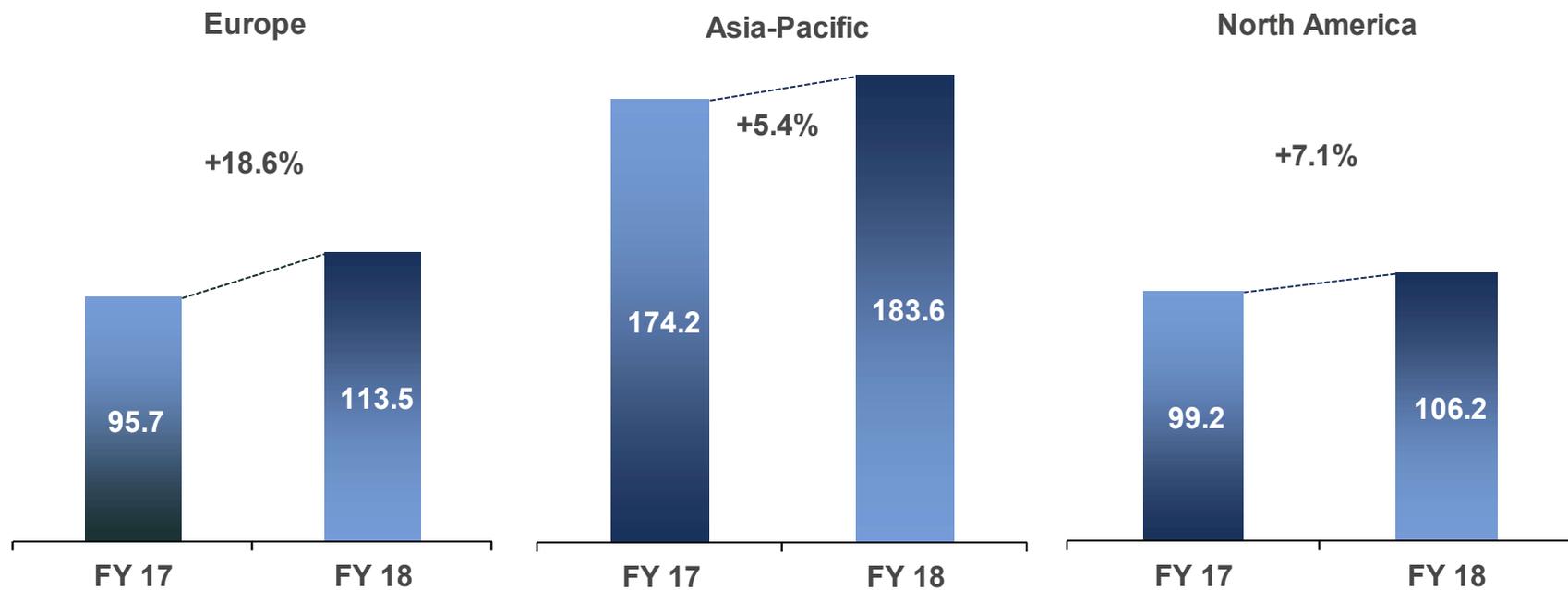
FISCAL YEAR 2018 RESULTS

Full Year Sales (in USD million)



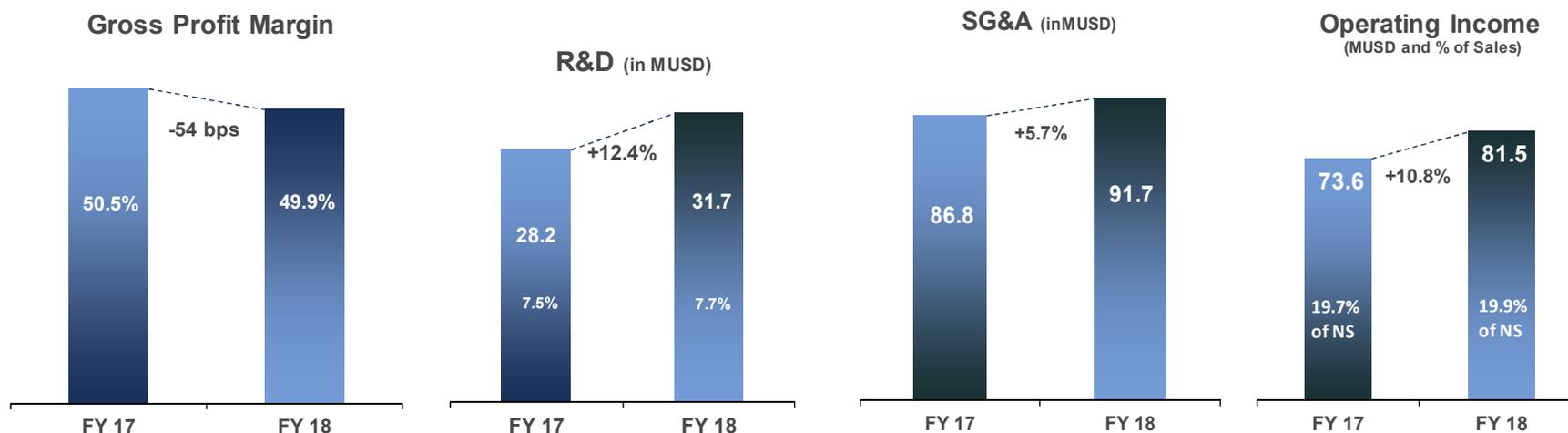
Sales increase in all markets;
Organic increase of 8.0%

Geographic Sales Breakdown – Full Year



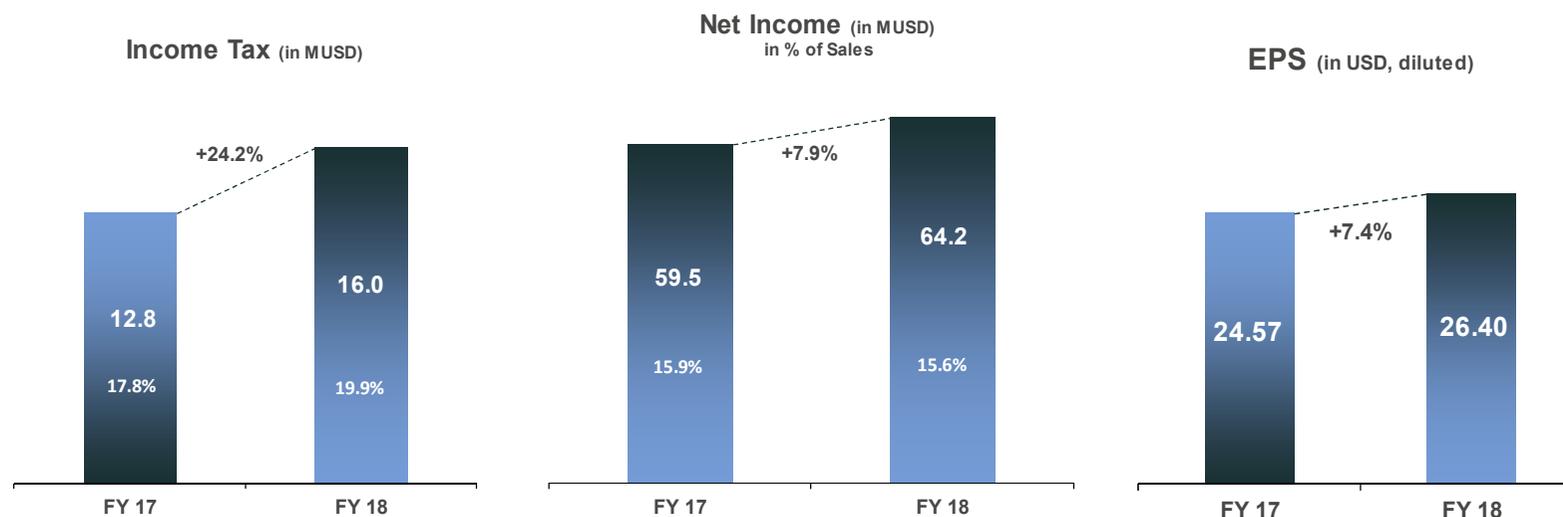
Sales Growth in all regions

Gross Profit, Costs, Operating Income (YoY)



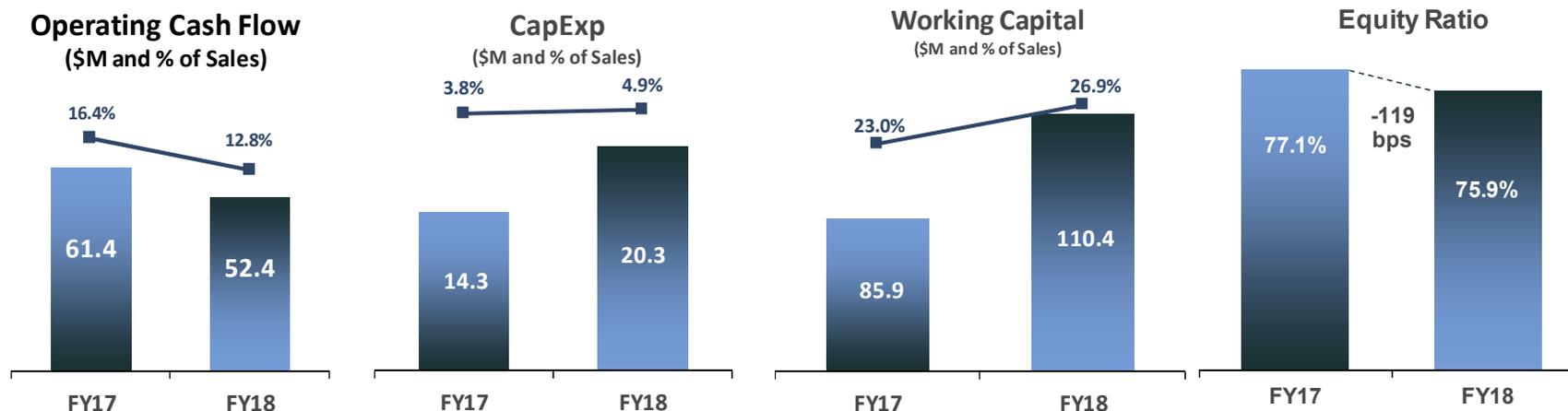
- **Gross profit margin:** Slightly lower due to unfavorable mix
- **R&D cost:** Increase due to continued development efforts and acquisitions
- **SG&A:** Increase due to headcount additions, investments in marketing and selling capabilities and higher variable compensation
- **Operating income:** Increase due to higher sales volume, solid gross profit margin while costs have been kept under control

Net Income and EPS development (YoY)



- **Income tax:** Increase due to EBIT development; tax rate driven by mix in earnings and tax rates; last year favorable US tax reform impacts
- **Net income / EPS:** Increase driven by operating income development

Key Balance Sheet data (YoY)



- **Operating cash flow:** Decrease due to higher payables/liabilities and inventory
- **CAPEX:** Higher investments in machinery & equipment
- **Working capital:** Higher balance due to increased inventory levels
- **Equity:** Stable at high level

DISTRIBUTION PROPOSAL

Distribution 2018

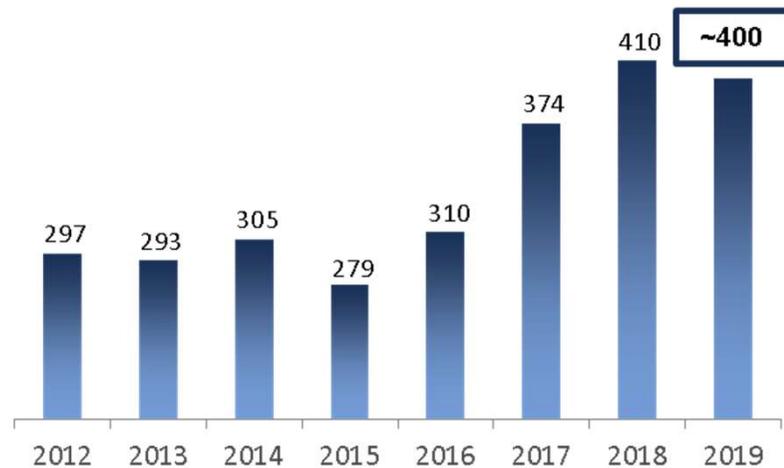
- **Strong Balance Sheet and Cash Generation**
 - No debt (short-term and long-term)
 - USD 62 million cash
 - Shareholders' equity ratio ~76%

- **Board of Directors intends to propose a cash distribution of CHF 22.00 per share**
 - Annual General Meeting of Shareholders on March 28, 2019
 - To be distributed out of capital contribution reserves and ordinary income (5 CHF and 17 CHF)
 - Returning ~USD 54 million cash to shareholders in 2019
 - Payout ratio ~84%
 - Attractive yield of approximately 4,2%

GUIDANCE FY 2019 AND CORPORATE COMMUNICATION CALENDAR

Full Year 2019 Guidance

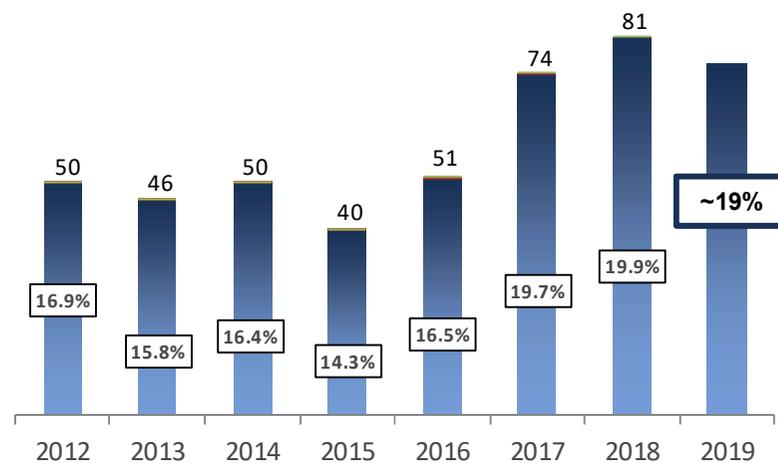
Sales (MUSD)



Guidance 2019

Based on our current expectations for our end-markets

Operating Income (MUSD)



Sales ~ 400 MUSD

Op. Income ~ 19%

Corporate Calendar FY 2019

- Annual General Meeting March 28, 2019
- Q1 FY2019 Earnings Conference Call April 17, 2019
- Q2 FY2019 and Half-year Results July 25, 2019
- Q3 2018 Earnings Conference Call October 17, 2019
- Q4 and FY 2018 Earnings Conference Call March 2020

Earnings dates are subject to change



THANK YOU!

Q&A