



**Q3 2019  
EARNINGS CONFERENCE CALL**

October 17, 2019

Bad Ragaz, Switzerland

# Speakers

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

Key figures Q3 2019

Target market business review

Expectations 2019

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

Financials Q3 2019

Guidance

# Speakers

**Lukas Winkler**

INFICON

President and Chief Executive Officer

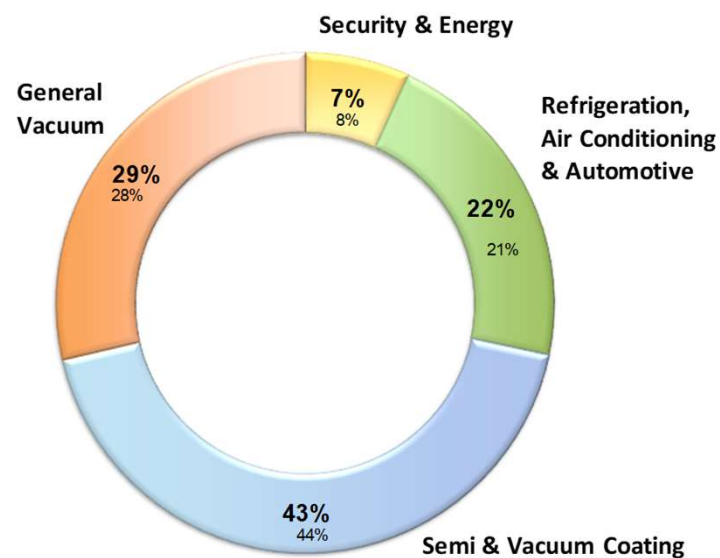


## Q3 2019 – Key Figures

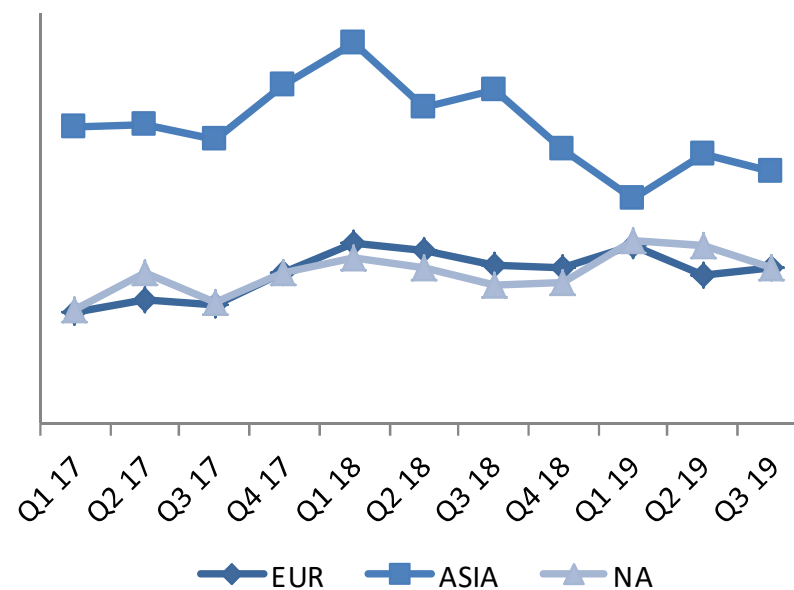
- **Sales decrease year-over-year in all markets and regions, except the Americas**
    - Sales decrease of -8.1% to USD 93.2 million compared with Q3 2018, organic decrease of -8.6%
    - Sequential sales decrease of -3.5% over Q2 2019
    - Book to bill ratio > 1
  - **Operating result**
    - Decreased sales volume at lower gross margin and operating expense
    - Operating income of USD 16.3 million in Q3 2019 (17.5% of sales) after USD 20.0 million (19.7% of sales) in Q3 2018
    - Sequential operating income margin increased from 16.3% to 17.5% of sales
- **Net income of USD 12.4 million or 13.3% of sales**

# Net Sales by End Market

USD 93.2 million in Q3 2019 vs. USD 101.4 million a year ago (-8.1%)



Smaller share in Semi & Vacuum Coating, higher share in General Vacuum and Refrigeration, Air Conditioning & Automotive



Growth in Europe, weaker in Asia and Americas

# Security & Energy

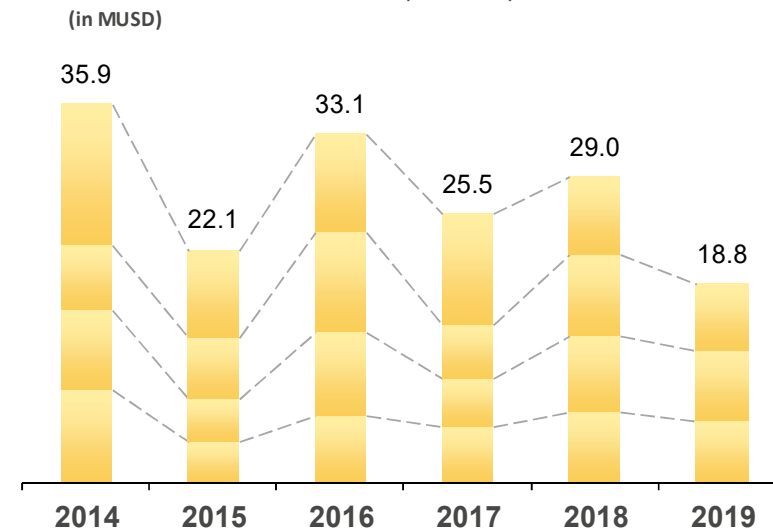
## Q3 2019

- Sales decrease -18.2% to USD 6.3 million vs. Q3 2018, and decrease -6.0% vs. Q2 2019
- Majority of sales went to the security market, mostly government customers
- Increased 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 (Bio-Methane) and application opportunities in the energy market with:
  - Fusion™ Micro-GC technologies
  - IRwin™ Methane leak detector
- 2019 expectations: improving

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



# Refrigeration, Air Conditioning & Automotive

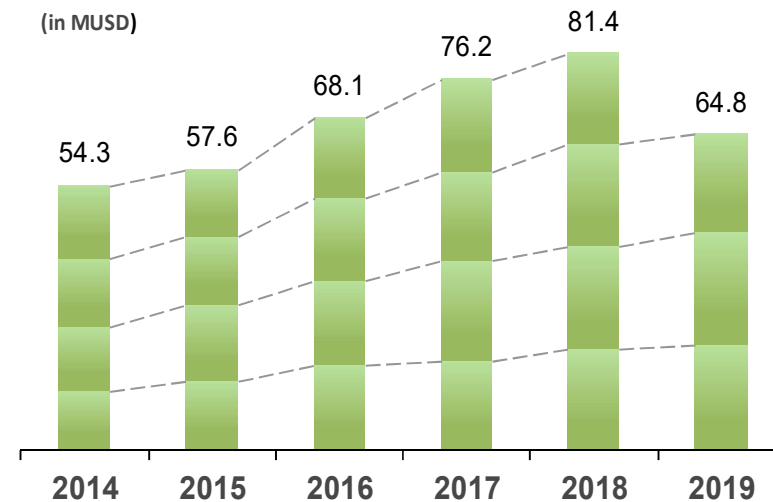
## Q3 2019

- Sales decrease -5.6% to USD 20.1 million vs. Q3 2018
- Sequential decrease of -13.7% vs. Q2 2019
- All regions weaker in Q3
- Growing battery testing and 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

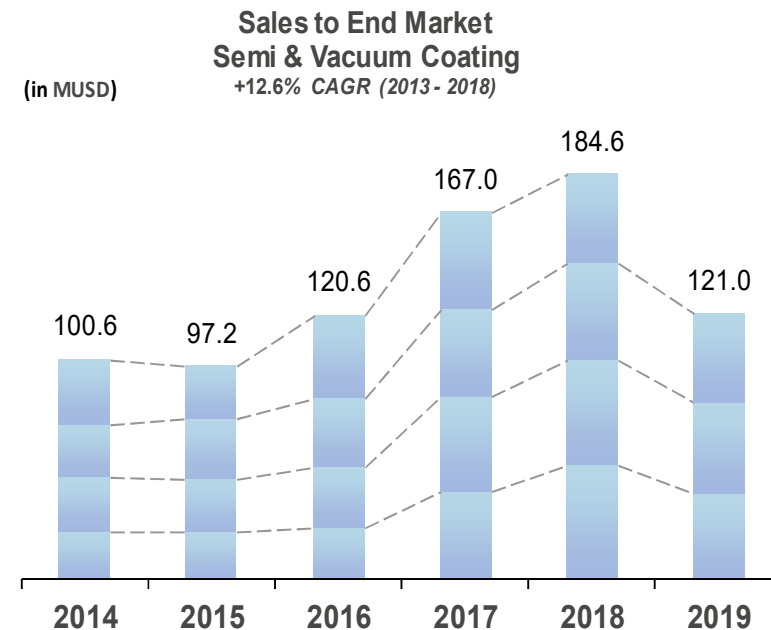
Solar, Display, Optics &amp; Semiconductor

## Q3 2019

- Sales decrease -9.5% to USD 40.1 million vs. Q3 2018
- Sequential decrease of -3.8%, caused by Asia while Europe and US showed growth
- 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

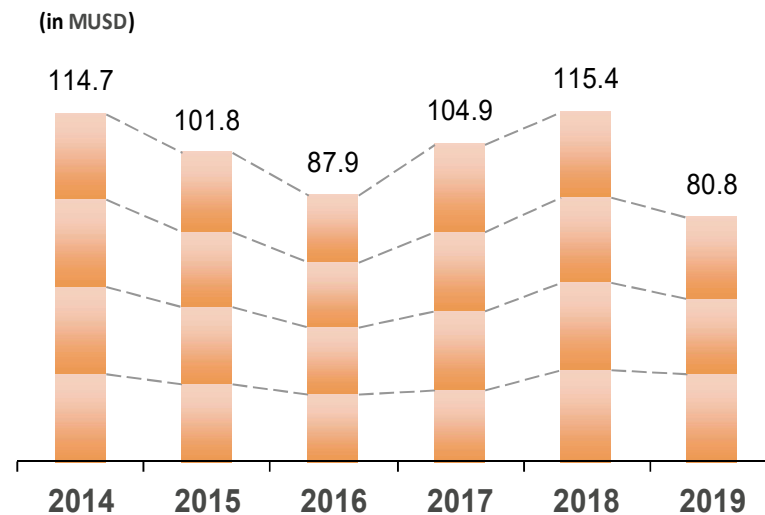
## Q3 2019

- Sales decline -5.0% to USD 26.7 million vs. Q3 2018, mainly due to lower sales to European and Asian customers
- Sequential increase of 7.2%, all regions stronger with growth

## 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: unchanged

**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.)
  - Uncertainty in the China Semi Initiative, 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
- Weakening RAC manufacturers market (at high level) and increase after sales services
- Increased E-Mobility investments, but cost pressure on current 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
- Focus on achieving guidance in fourth quarter

## Guidance for FY 2019

→ Sales around USD 400 million

→ Operating income margin around 19%

# Speakers

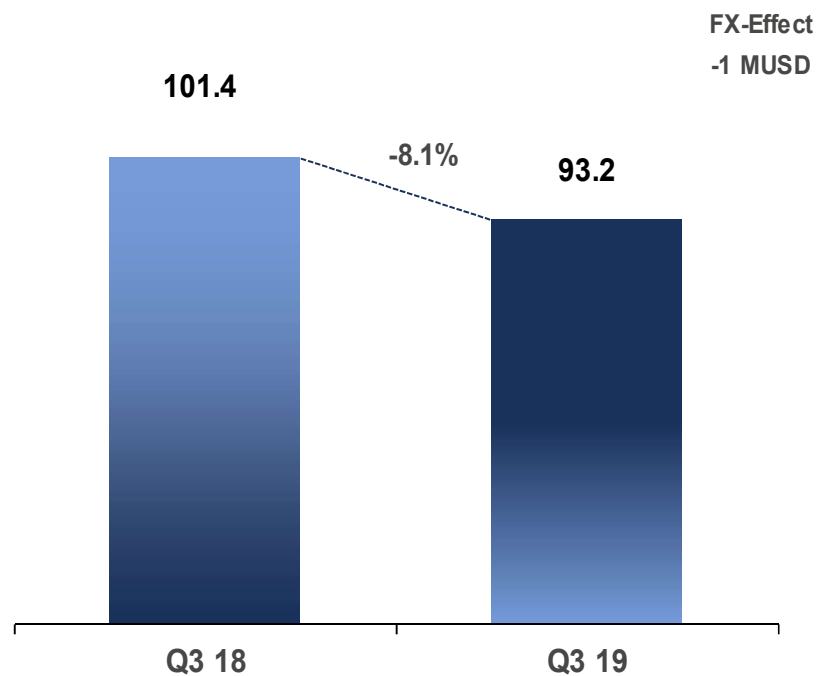
## Matthias Tröndle

INFICON

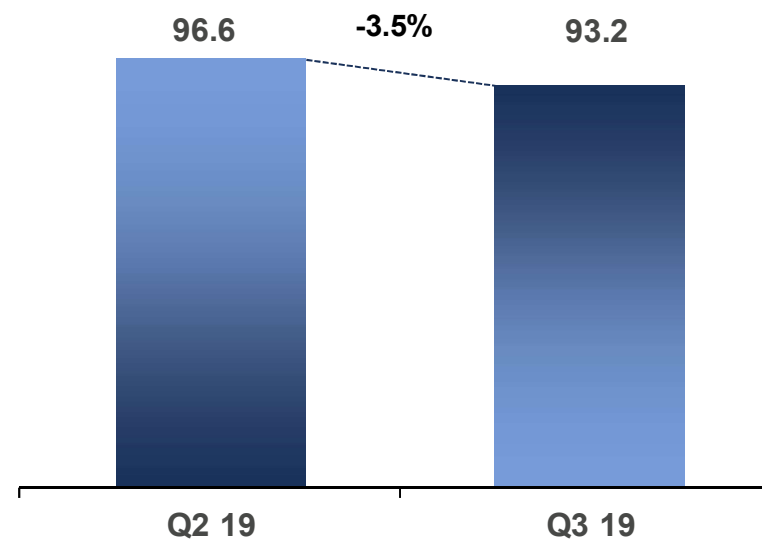
Vice President and  
Chief Financial Officer



# Sales (in MUSD)

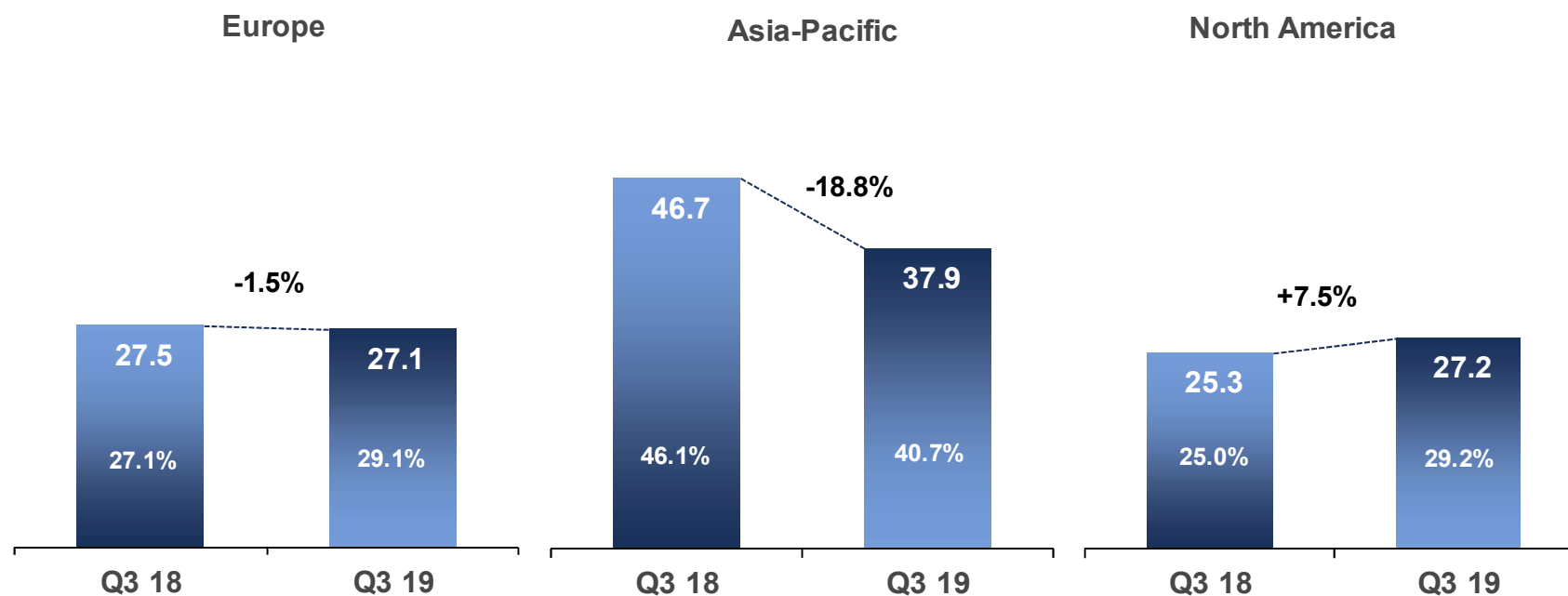


Year-over-year: Decrease in all end-markets



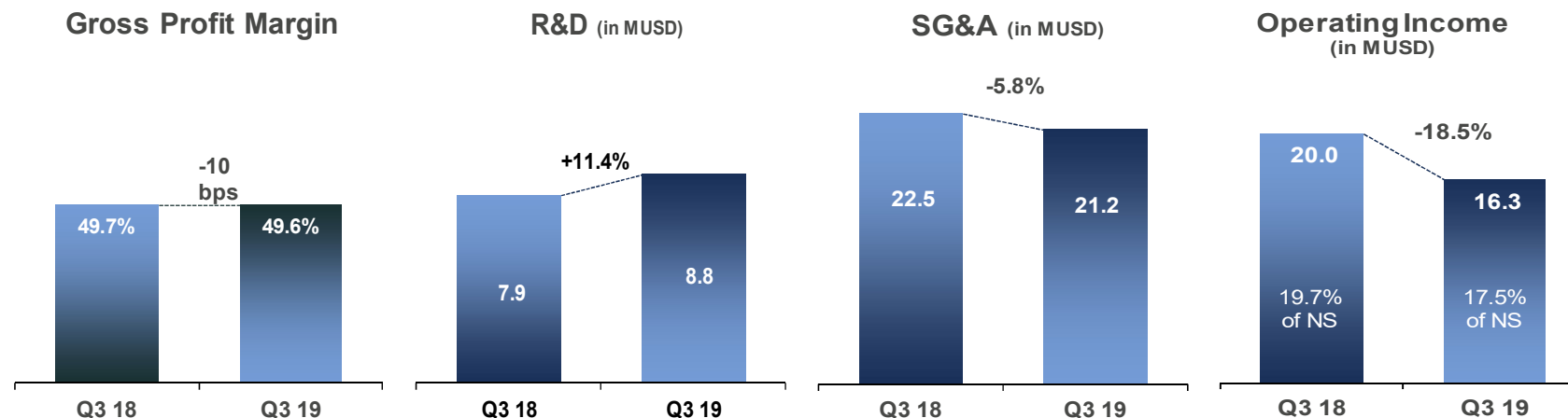
Sequential: Except for General Vacuum, all end-markets decreased

# Geographic Sales Breakdown – Quarter (in MUSD)



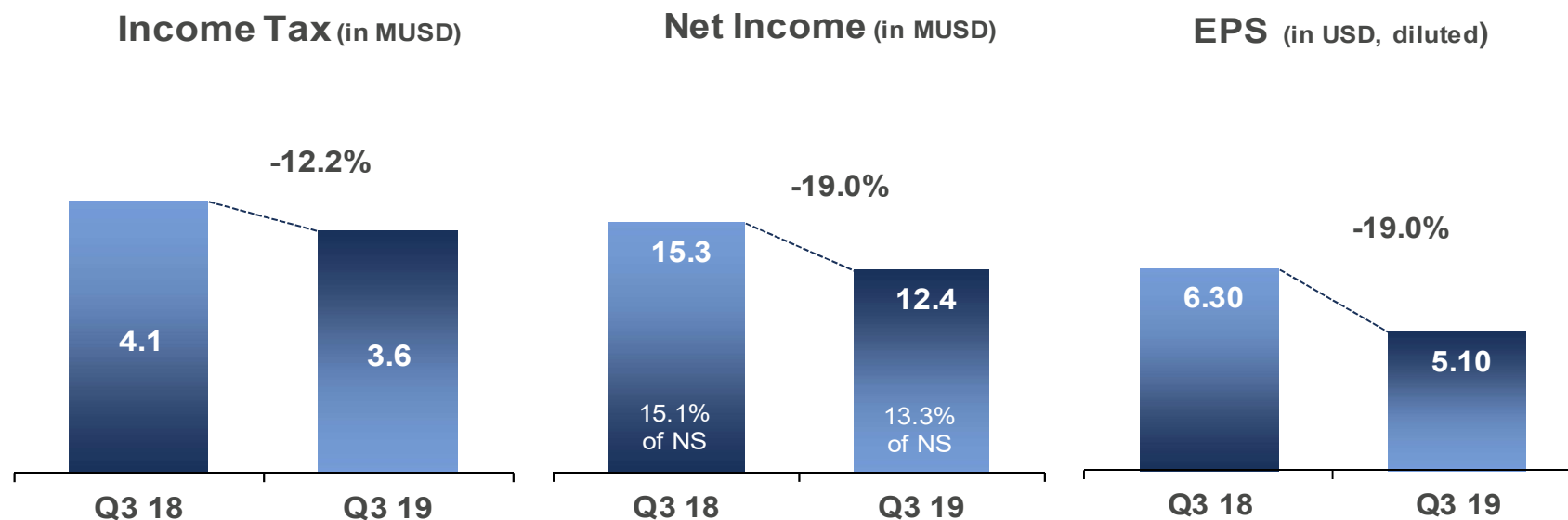
Decline in Asia-Pacific due to lower Semi & Vacuum Coating sales,  
and broadly based growth in the Americas

# Gross Profit, Costs, and Operating Income



- **Gross profit margin:** Stable development in margin. Sequential increase of 120bps
- **R&D cost:** Increase mainly due to acquisition impacts; continued development efforts
- **SG&A:** Investments in selling capabilities and acquisition effects offset by lower variable compensation and commissions and FX impacts
- **Operating income:** Decrease due to lower sales volume and gross margin while costs lightly decreased

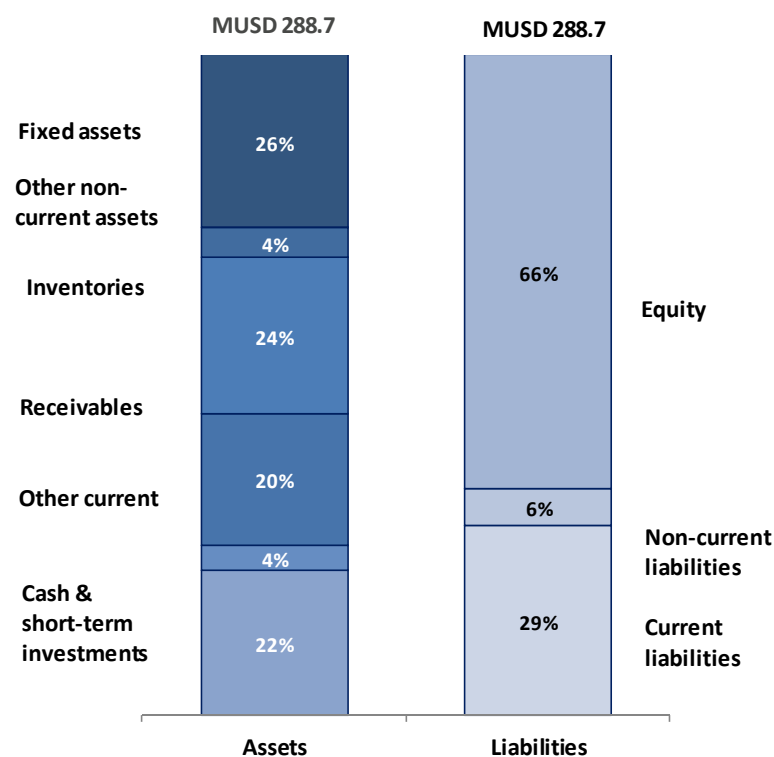
# Net Income and EPS Development



- **Income tax:** Decrease driven by operating income development, slightly higher global tax rate of 22.7% driven by the mix in earnings
- **Net income & EPS:** Decrease in line with operating income development

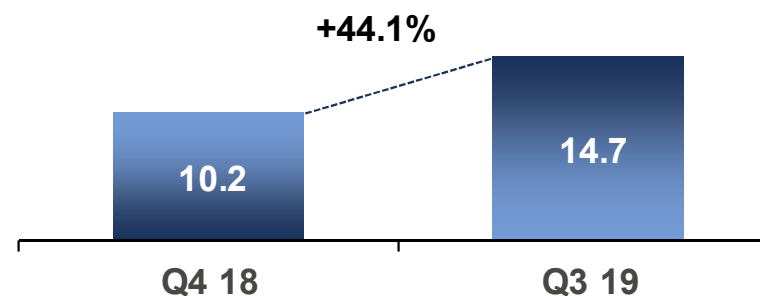
# Balance Sheet Highlights (in MUSD)

Balance Sheet Structure 2019



	Q3 19	Q4 18
Net Cash	29.2	62.3
DSO	52.7	51.4
Inventory Turns	2.9	3.5
Working Capital	115.4	110.4
Operating Cash Flow	14.7	10.2

Cash Flow



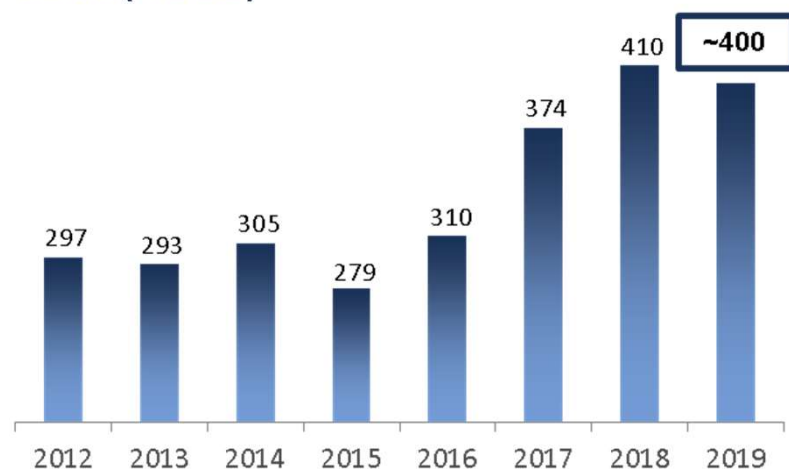
Solid balance sheet; turns ratio shows higher inventory balance, working capital affected by higher A/R and inventory; solid and improved cash flow



# GUIDANCE FY 2019 AND CORPORATE COMMUNICATION CALENDAR

# Full Year 2019 Guidance

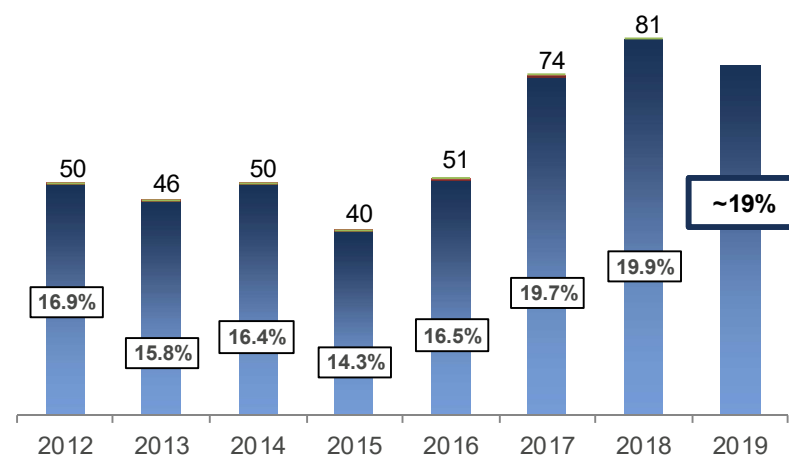
## Sales (MUSD)



## Guidance 2019

Based on our current expectations for our end-markets

## Operating Income (MUSD)



Sales ~ 400 MUSD

Op. Income ~ 19%

# Corporate Calendar FY 2019 / 2020

- Q4 and FY 2019 Earnings Conference Call      March 5, 2020
- Annual General Meeting      April 3, 2020
- Q1 FY 2020 Earnings Conference Call      April 22, 2020
- Q2 FY 2020 and Half-Year Results  
Earnings Conference Call      July 29, 2020

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



**THANK YOU!**

**Q&A**