



Inspired by visions. Proven by success.

**Q4 2019 and Full Year 2019
EARNINGS CONFERENCE**

March 5, 2020

Zurich, Switzerland

Speakers

Lukas Winkler, President and CEO

Key figures Q4 2019 and FY 2019

Target market business review

Expectations 2020

Matthias Tröndle, Vice President and CFO

Financials Q4 2019 and FY 2019

Distribution

Guidance

Q4 2019 – Key Figures

- **Sales increase year-over-year in all regions and markets, except for General Vacuum market**
 - Sales increase of 2.2% to USD 96.3 million compared with Q4 2018, organic increase of 2.6%
 - Sequential sales growth of 3.2% over Q3 2019
 - Book to bill ratio ~1
 - **Operating result**
 - Higher sales volume with improved gross margin and higher operating expense
 - Operating income of USD 16.0 million in Q4 2019 (16.6% of sales) after USD 14.9 million (15.8% of sales) in Q4 2018
 - Sequential operating income margin decreased from 17.5% to 16.6% of sales
- **Net income of USD 15.8 million or 16.4% of sales**

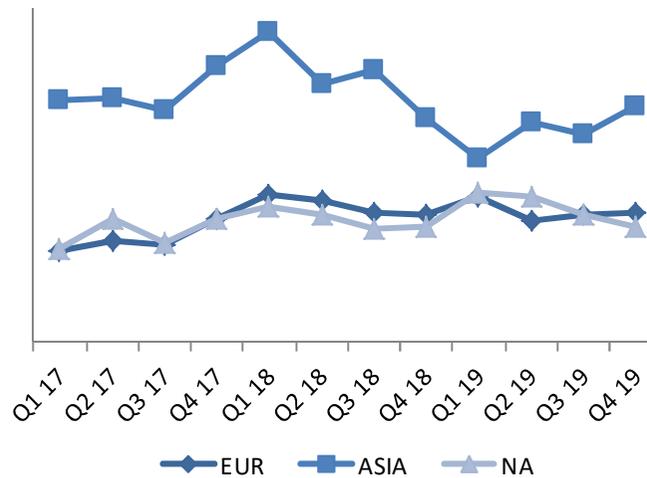
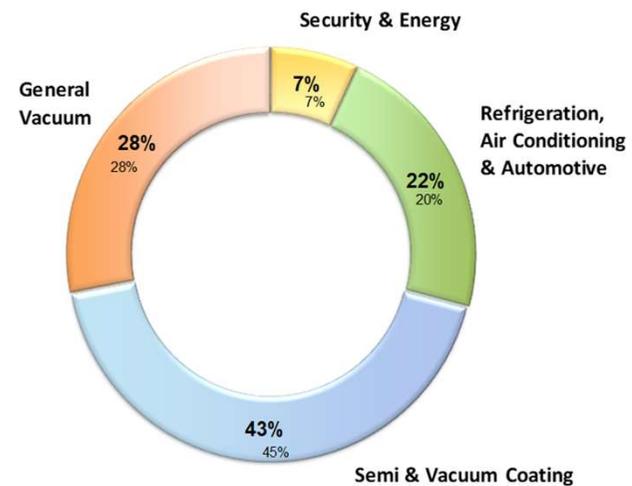
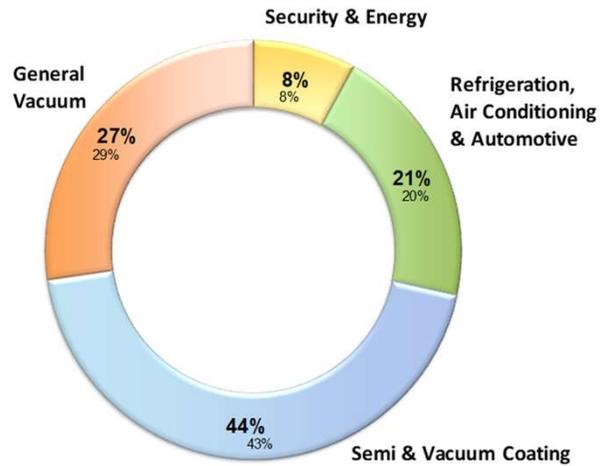
FY 2019 – Key Figures

- **Sales decrease mainly caused by OLED market (Asia) and General Vacuum (Europe)**
 - Sales decrease of 7.0% to USD 381.7 million compared with 2018, organic decrease of 6.5%
 - Book to bill ratio ~1
 - **Operating result influenced by**
 - Decreased but solid sales volume
 - Slightly lower gross margin and stable overhead cost
 - Operating income of USD 64.8 million in 2019 (17.0% of sales) compared with USD 81.5 million (19.9% of sales) in 2018 (-20.5%)
- **Net income of USD 52.8 million or 13.8% of sales**
- **Proposed cash distributions of CHF 18 per share**

Net Sales by End Market

USD 96.3 million in Q4 2019 (+3.3%)

USD 381.7 million in 2019 (-7.0%)



Security & Energy

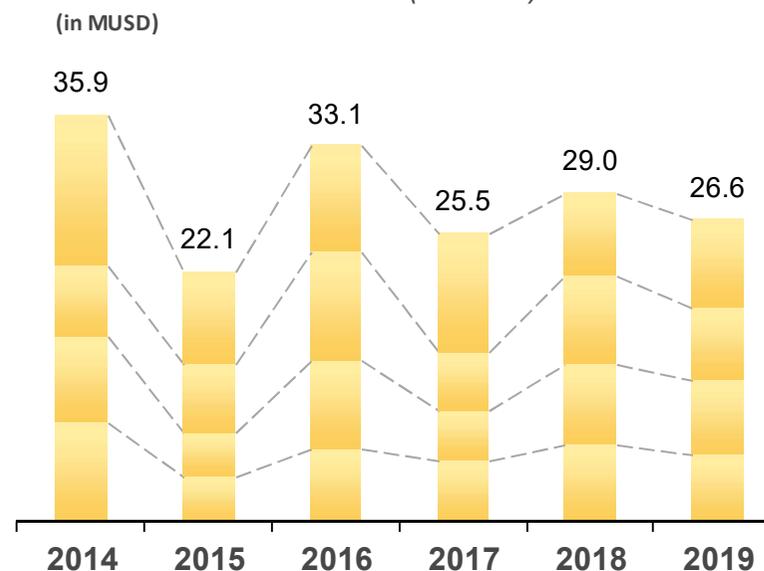
Q4 2019

- Sales increase of 5.4% to USD 7.8 million in Q4 2019 vs Q4 2018, and 23.8% vs Q3 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
- 2020 expectations: uncertain (security market)

Sales to End Market
Security & Energy
-5.8% CAGR (2014 - 2019)



Refrigeration, Air Conditioning & Automotive

Q4 2019

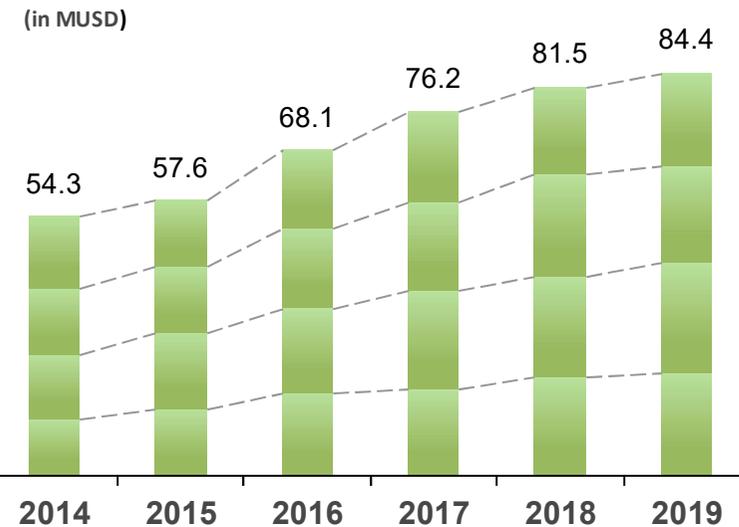
- Q4 2019 sales increase of 6.5% to USD 19.6 million vs Q4 2018
- Sequential decrease of -2.5% vs Q3 2019
- New annual sales record
- Growing battery testing and after-sales service activities

Market Trends

- “Saturated” RAC manufacturers market
- Shift from combustion-engine cars to e-cars (battery and hydrogen powered)
- Growing Li-Ion battery testing market
- New distribution and product initiatives for handheld after-sale service products
- 2020 expectations: flat

Sales to End Market Refrigeration, Air Conditioning & Automotive

+9.2% CAGR (2014 - 2019)



Semi & Vacuum Coating

Solar, Display, Optics & Semiconductor

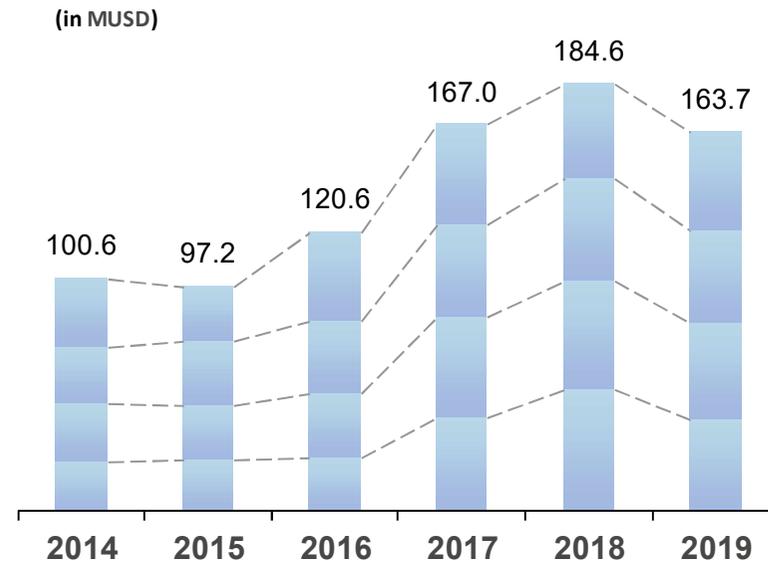
Q4 2019

- Sales Q4 2019 increase of 5.2% vs Q4 2018
- Sequential increase of 6.5%, mainly driven by growth in Asia
- Mild Semi market recovery (equipment CAPEX)

Market Trends

- Unchanged long-term demand for new smart sensors, 5G, IoT, AI & AD, Big Data, and computing power
- Memory market still challenging
- EUV lithography tools a must for < 7nm nodes
- Chinese Semi initiative challenged by trade disputes and COVID-19
- Modest investments in OLED flat panel display
- 2020 expectations: modest growth

Sales to End Market
Semi & Vacuum Coating
+10.2% CAGR (2014 - 2019)



General Vacuum

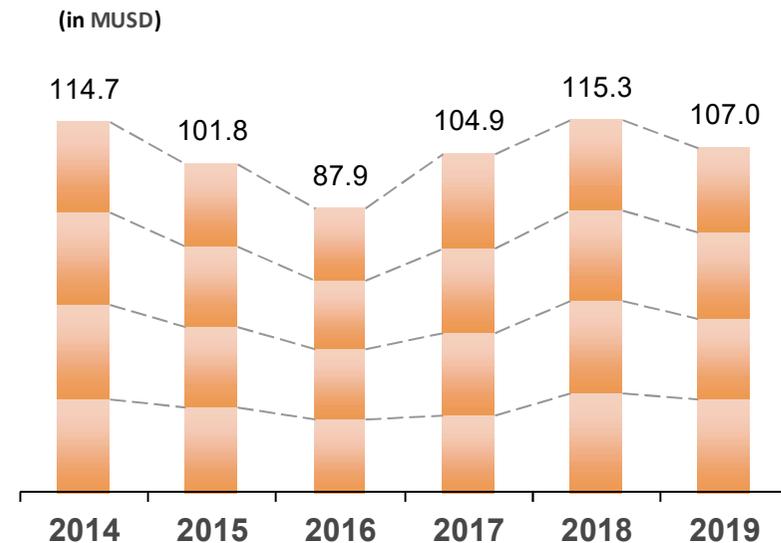
Q4 2019

- Q4 2019 sales decline of -5.8% to USD 26.2 million vs Q4 2018, mainly due to higher sales to European and Asian customers
- Sequential decrease of -1.9%, all regions declined except North America

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 sciences, analytical, and food-packaging market)
- Uncertain global economy and trade issues
- Growing food-packaging applications
- 2020 expectations: Slow recovery in EU and US; China uncertain

Sales to End Market
General Vacuum
-1.4% CAGR (2014 - 2019)



Outlook 2020

Uncertainty and fragile situation due to COVID-19; Danger of knock-on effects!

- Ongoing Semiconductor market recovery (Industry 4.0, IoT, Big Data, 5G, AI etc.)
 - Foundry and Logic Fab remain at a high level & mild memory market rebound expected
 - EUV Lithography technology = bottleneck for new high-tech Fabs
 - China Semi Initiative uncertainties, due to US/China trade issues and COVID-19
- Only modest investments in OLED flat panel display manufacturing capacities
- Saturated RAC manufacturers market (at high level), but increase in after sales services
- Increased E-Mobility investments, but weak “traditional” automotive market
- Geopolitical landscape & economic environment create uncertainty for GV & Security applications
- Impossible to accurately quantify current and near-time economic impacts of COVID-19 crisis on the Chinese and world economies

Guidance for FY 2020

- **Cautiously optimistic, but geopolitical developments and impacts of COVID-19 epidemic remain difficult to predict**
- **No formal Guidance for 2020**

Speaker

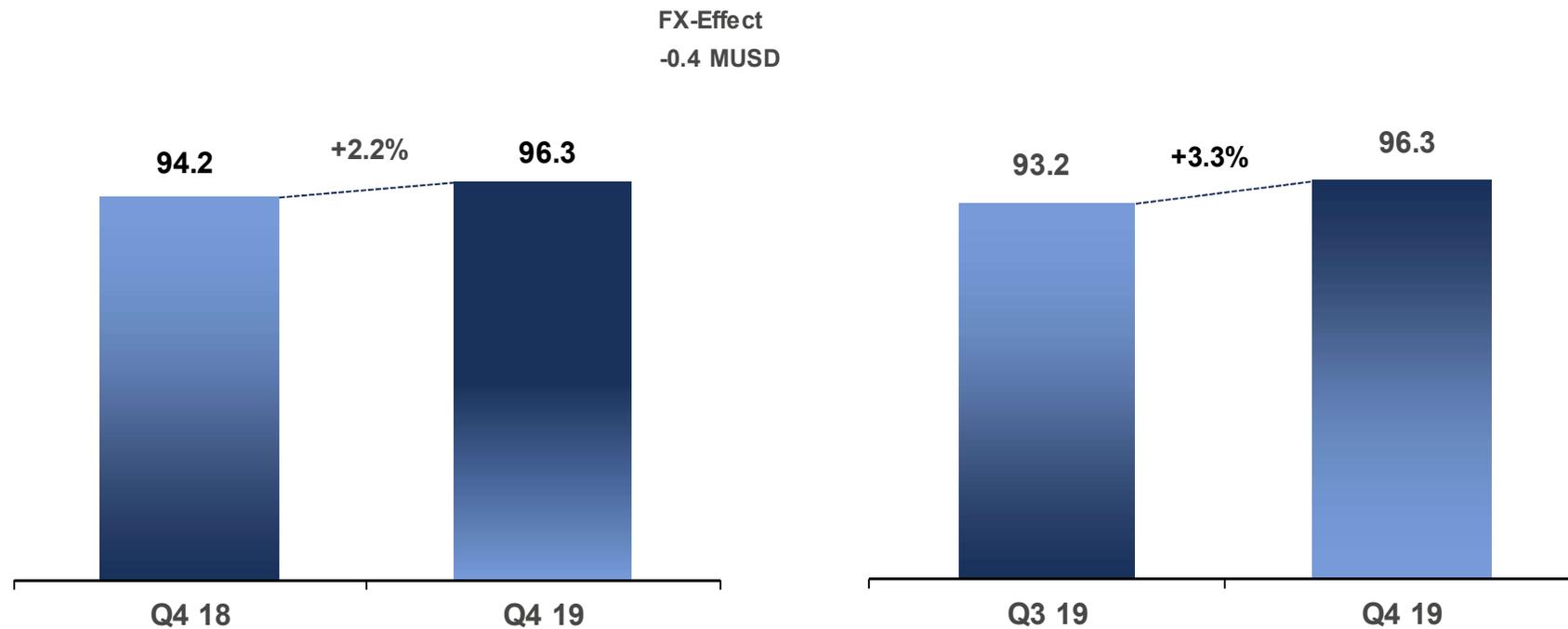
Matthias Tröndle, Vice President and CFO

Financials Q4 2019 and FY 2019

Distribution

Guidance

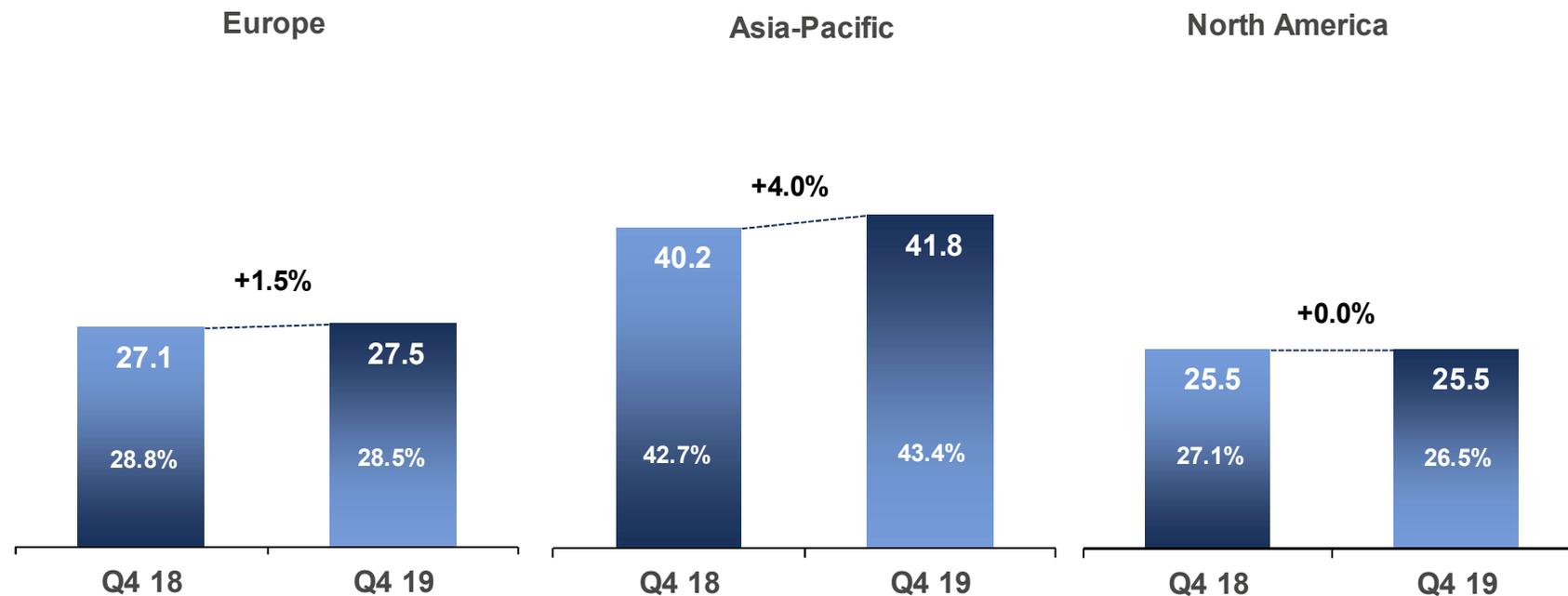
Sales (in MUSD)



Year-over-year: increase in all regions and markets, except for General Vacuum market

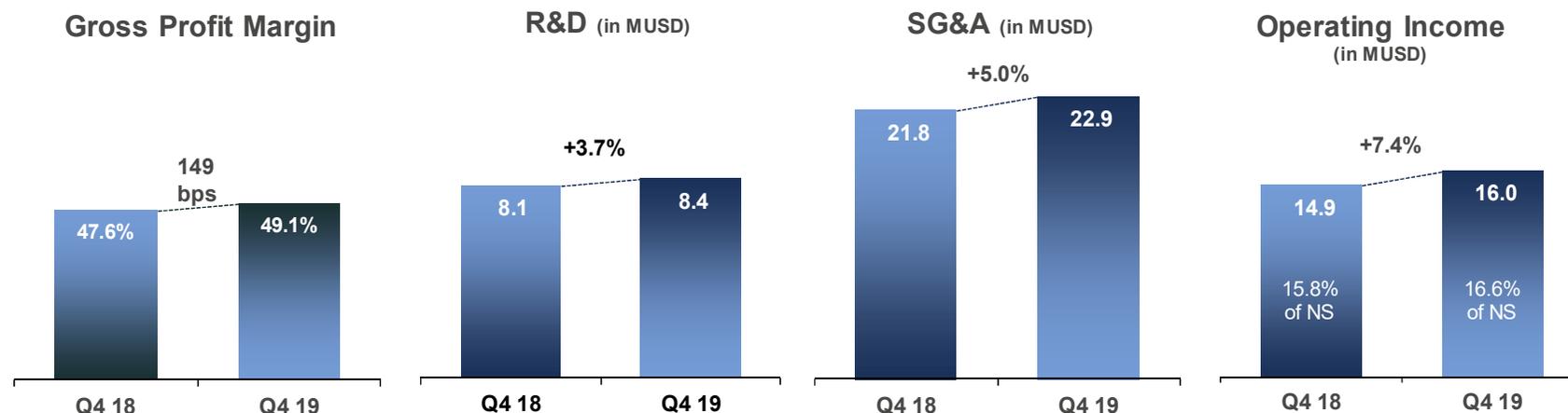
Sequential: driven by Asia and Semi & Vacuum Coating markets

Geographic Sales Breakdown – Quarter (in MUSD)



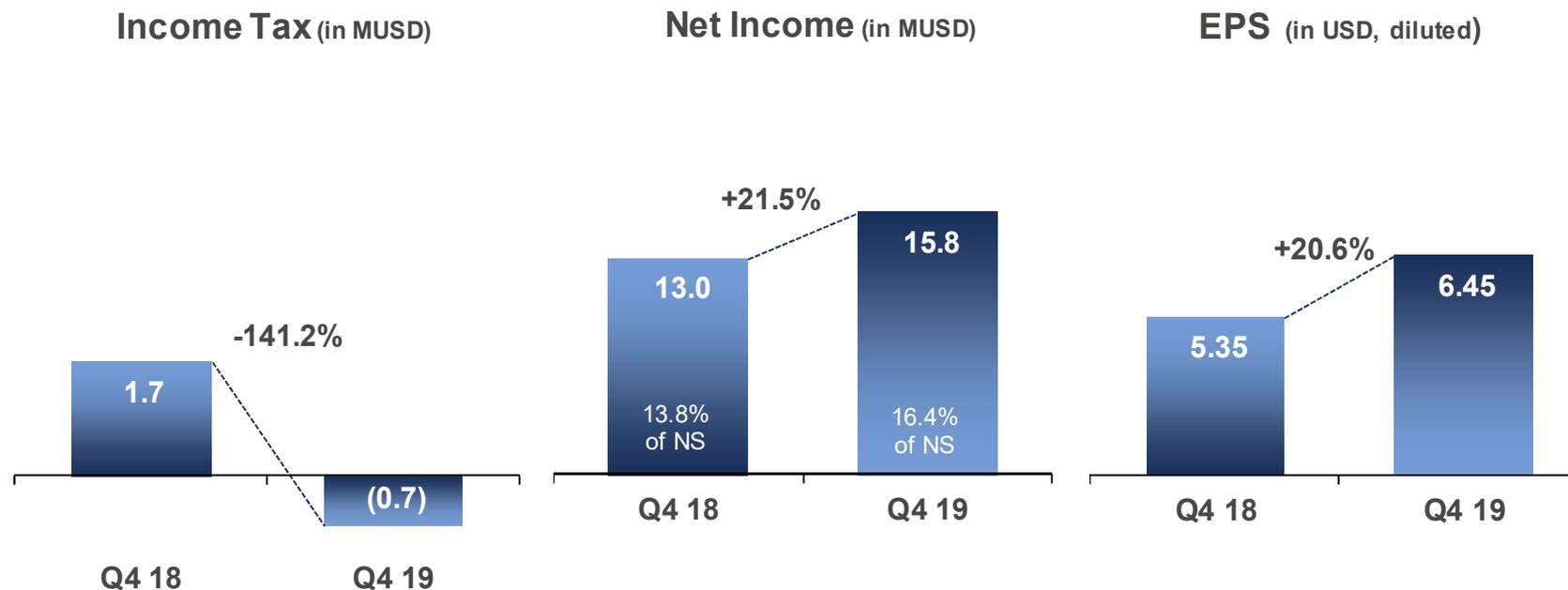
Growth in Asia-Pacific due to higher Semi & Vacuum Coating sales,
and stable development in EU and the Americas

Gross Profit, Costs, and Operating Income



- **Gross profit margin:** Improved margin of USD 2.5 million or 5.6%. Sequential decrease of 50 bps
- **R&D cost:** Increase mainly due to continued development efforts
- **SG&A:** Investments in selling and marketing capabilities compensated by lower variable compensation and commissions and FX impacts
- **Operating income:** Increase due to higher sales volume and gross margin partially compensated by higher costs

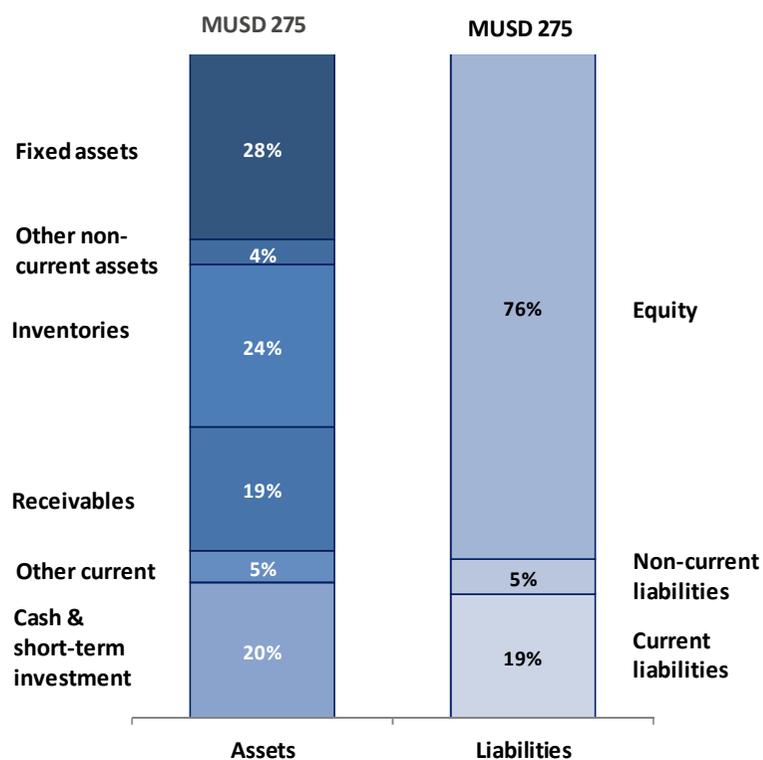
Net Income and EPS Development



- **Income tax:** Decrease driven by reductions in accruals/prepayments as well as some favorable tax impacts in Germany and the US
- **Net income & EPS:** Increase in line with operating income development

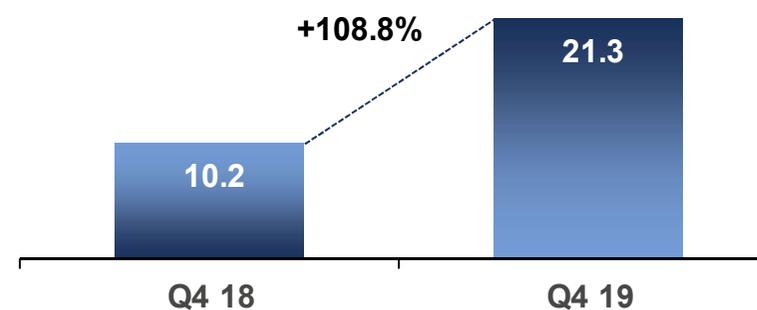
Balance Sheet Highlights (in MUSD)

Balance Sheet Structure 2019



	Q4 19	Q4 18
Net Cash	50.1	62.3
DSO	51.8	51.4
Inventory Turns	2.8	3.5
Working Capital	108.8	110.4
Operating Cash Flow	21.3	10.2

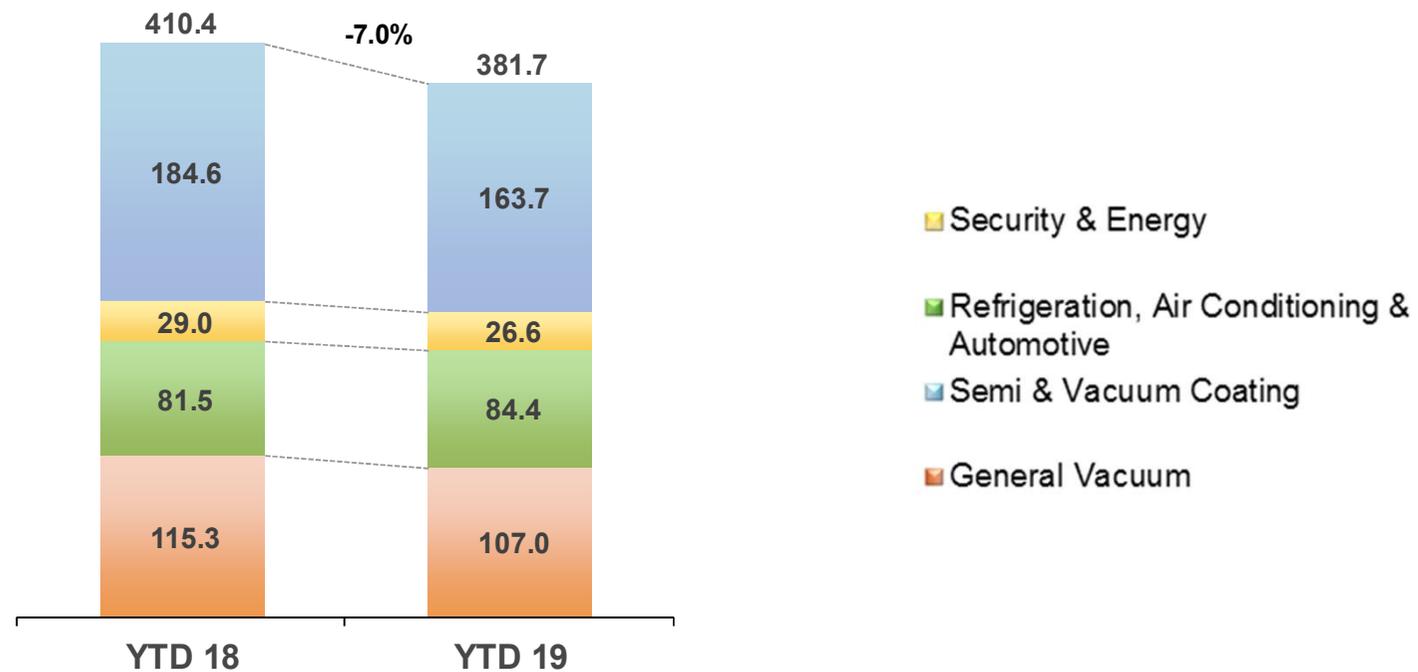
Cash Flow



Solid balance sheet; turns ratio reflects higher inventory balance, working capital slightly reduced due to lower A/R (cash collections); strong and improved cash flow

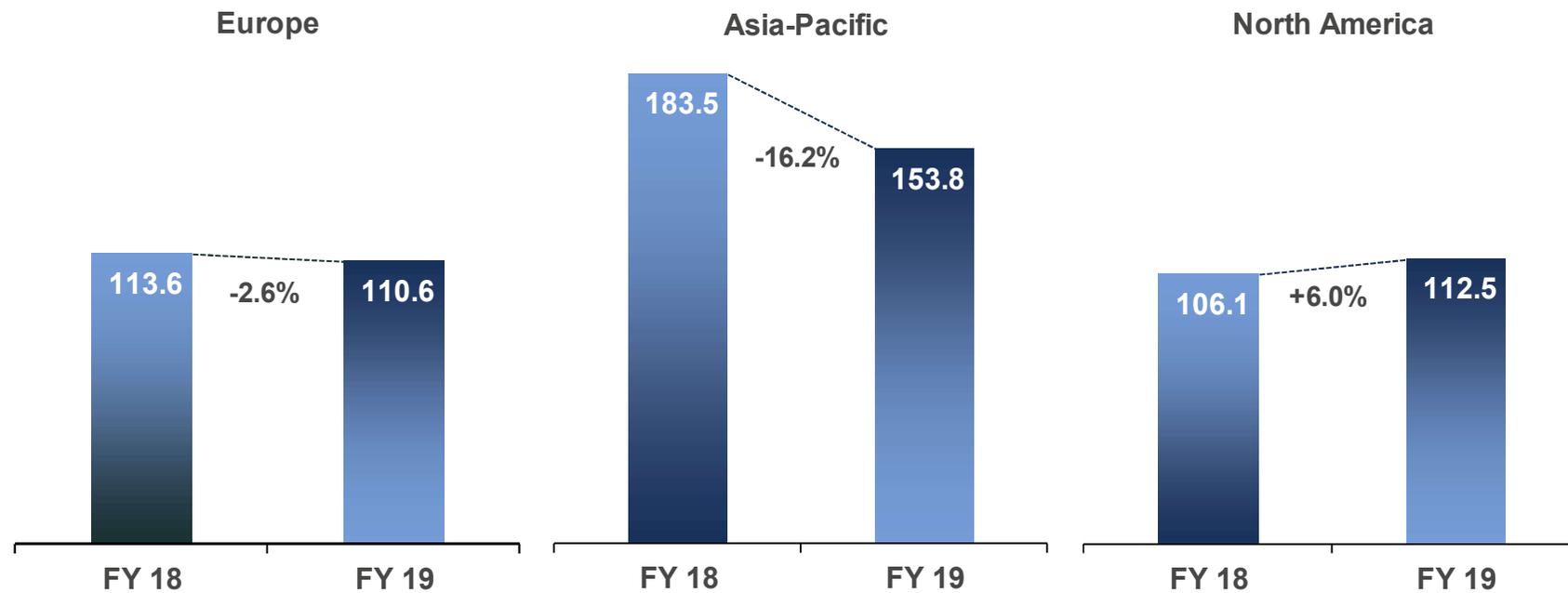
FISCAL YEAR 2019 RESULTS

Full Year Sales (in USD million)



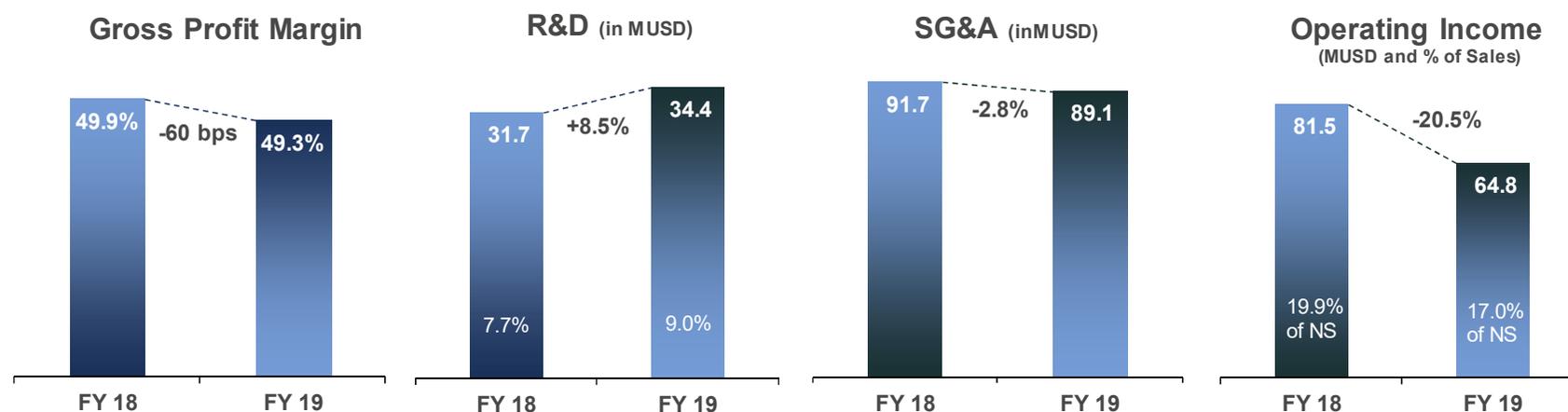
Sales decrease in all markets except for RAC&A with new annual record; Organic decrease of 6.5%

Geographic Sales Breakdown – Full Year



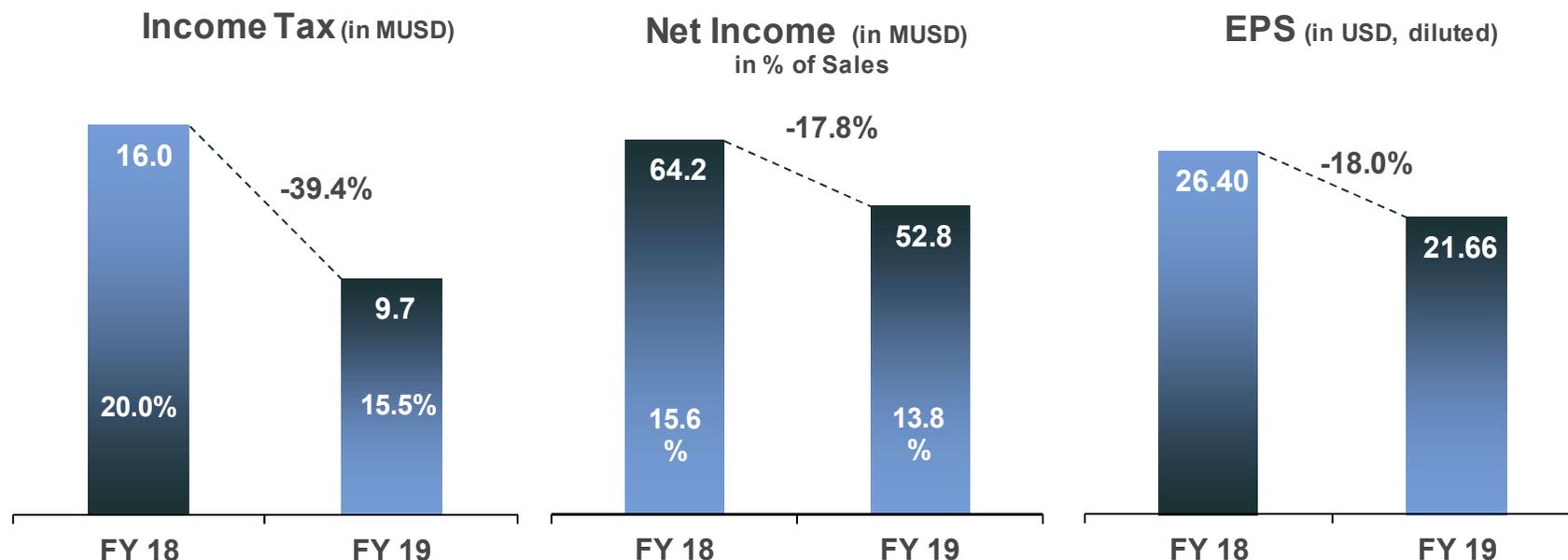
Sales decline in Asia caused by Semi & Vacuum Coating market

Gross Profit, Costs, Operating Income (YoY)



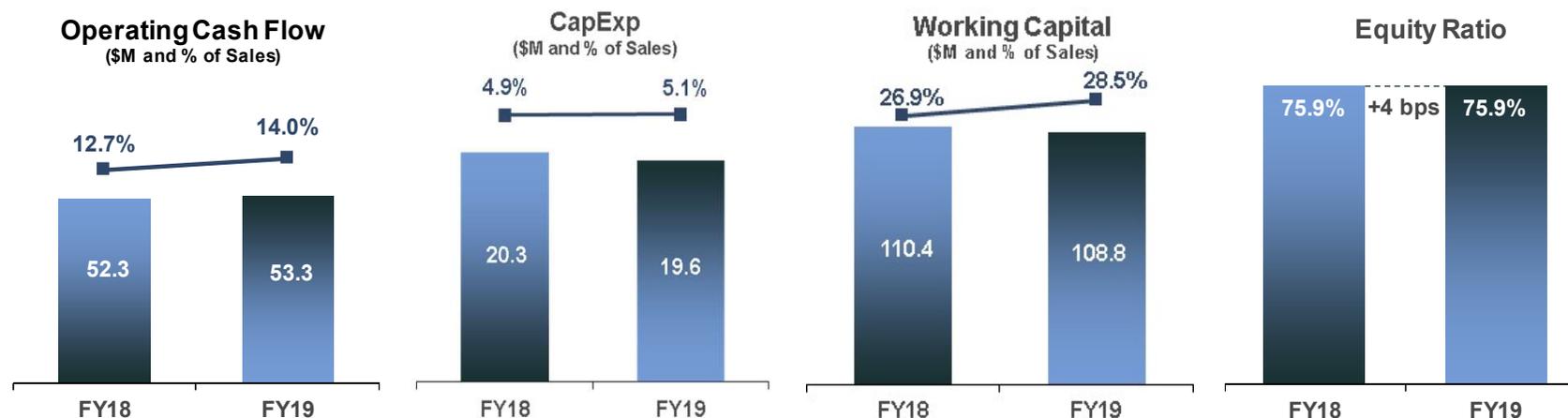
- **Gross profit margin:** Slightly lower due to unfavorable mix, tougher competition and import duties
- **R&D cost:** Increase due to continued development efforts and acquisitions partially compensated by FX impacts
- **SG&A:** Decrease due to lower variable compensation and favorable FX impacts
- **Operating income:** Decline due to lower sales volume and gross profit margin while costs developed stably

Net Income and EPS development (YoY)



- **Income tax:** Decrease due to EBIT development; lower tax rate driven by mix in earnings/tax rates and some favorable tax impacts
- **Net income / EPS:** Decrease reflects operating income development

Key Balance Sheet data (YoY)



- **Operating cash flow:** Less inventory increase and lower accounts receivables could compensate lower net income
- **CAPEX:** Investments in machinery & equipment at stable level
- **Working capital:** Lower balance due to reduced accounts receivable
- **Equity:** Stable on high level

DISTRIBUTION PROPOSAL

Distribution for 2019

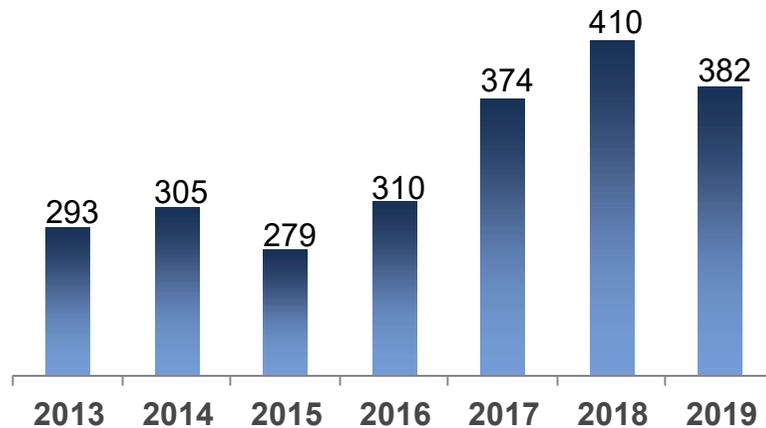
- **Strong Balance Sheet and Cash Generation**
 - No long-term debt
 - USD 50 million cash
 - Shareholders' equity ratio unchanged at 76%

- **Board of Directors intends to propose a cash distribution of CHF 18 per share**
 - Annual General Meeting of Shareholders on April 3, 2020
 - Returning ~USD 45 million cash to shareholders in 2020
 - Payout ratio ~86%
 - Yield of approximately 2,6%

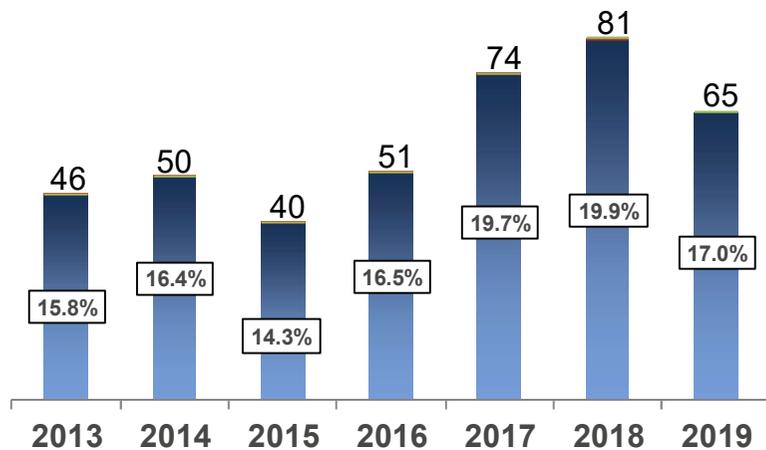
GUIDANCE FY 2020 AND CORPORATE COMMUNICATION CALENDAR

Full Year 2020 Guidance

Sales (MUSD)



Operating Income (MUSD)



Guidance 2020

- No formal Guidance for 2020
- Cautiously optimistic, but geopolitical developments and the impacts of the COVID-19 epidemic remain difficult to predict

Corporate Calendar FY 2020

- Annual General Meeting April 3, 2020
- Q1 FY 2020 Earnings Conference Call April 22, 2020
- Q2 FY 2020 and Half-Year Results July 29, 2020
- Q3 FY 2020 Earnings Conference Call October 21, 2020
- Q4 and FY 2020 Earnings Conference March 2021

Earnings dates are subject to change



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THANK YOU!

Q&A