



**Q4 2014**

**EARNINGS CONFERENCE**

March 12, 2015

Bad Ragaz, Switzerland

# Speakers

## Lukas Winkler, President and CEO

- Key figures Q4 2014 and FY 2014
- Target market business review
- 2015 Expectations

## Matthias Tröndle, Vice President and CFO

- Financials Q4 2014 and FY 2014
- Distribution
- Guidance

# Lukas Winkler

INFICON

President and Chief Executive Officer



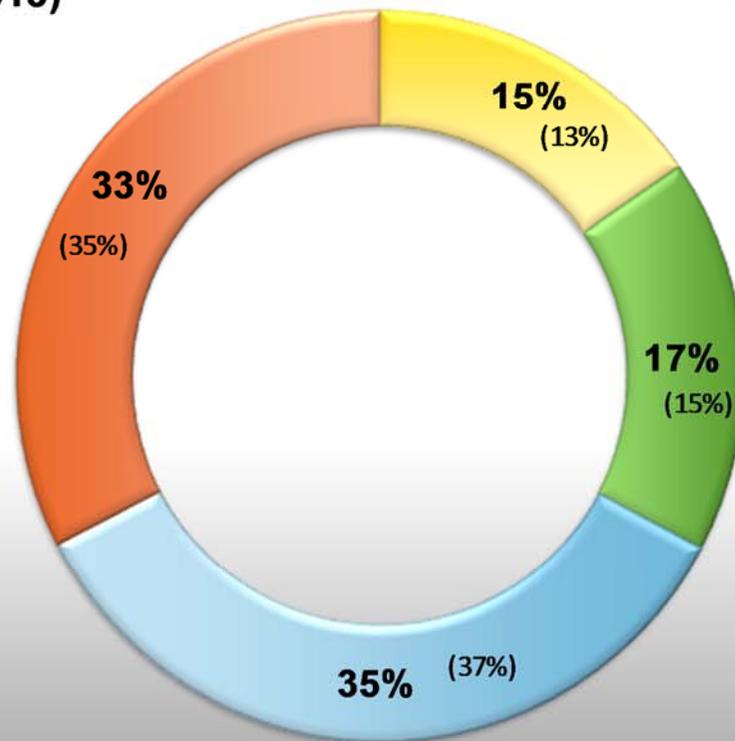
# Q4 2014 – Key Figures

- **Sales increase driven by strong ER&S and Semiconductor market despite rather weak European General Vacuum market**
    - Consolidated sales increase of 7.2% to USD 86.4 million compared with Q4 2013, organic increase of 10.4%
    - Sequential sales increase over Q3 2014 of 18.9%
  
  - **Operating result influenced by**
    - Record high sales volume
    - Strong gross margin and stable overhead cost
    - Operating income of USD 18.7 million in Q4 2014 (21.7% of sales) compared with USD 14.6 million (18.1% of sales) in Q4 2013
- Net income of USD 13.9 million or 16.1% of sales**

# Net Sales by End Market

USD 86.4 million in Q4 2014 vs. USD 80.5 million a year ago (+7.2%)

**Q4 2014  
(Q4 2013)**



- Emergency Response & Security
- Refrigeration & Air Conditioning
- Specific Vacuum Process Industries (Solar, Display, Optics & Semi)
- General Vacuum Processes

# FY 2014 – Key Figures

- **Strong final quarter drives sales increase and generates organic growth of 3.9%**
    - Sales at USD 305.5 million – increase of 4.3%, organic 3.9%
    - Sales increase in ER&S and RAC while GV and Specific Vacuum market weakened
    - Book to Bill = 1
  
  - **Operating result influenced by**
    - Solid sales volume
    - Strong gross margin at slightly increasing overhead cost
    - Operating income of USD 51.4 million in 2014 (16.8% of sales) compared with USD 46.2 (15.8% of sales) in 2013
- **Net income of USD 38.6 million or 12.6% of sales**
- **Proposed cash distribution of 15.00 CHF per share**

# Specific Vacuum Process Industries

Solar, Display, Optics & Semiconductor

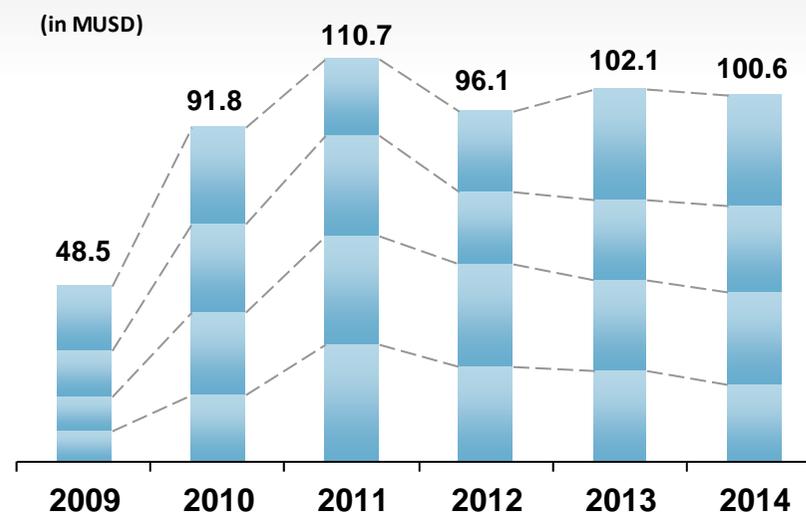
## Q4 2014

- Q4 2014 sales stable vs. Q4 2013 mainly driven by higher demand from Semiconductor business
- Sequential increase of 25%
  - Successful Semiconductor market recovery, both at OEM & End-user level
  - Stable Optics (incl. OLED) market
  - Continued weak Solar & LCD Display markets

## Market Trends

- Continuation of increased demand for mobile communication chips
- Flash (Nand) memory market recovery
- OLED replacing LCD technology for next-generation flat panel displays
- Very slow solar recovery in sight
- New semiconductor manufacturing technologies (450mm wafer and EUV-lithography) delayed

Sales to End Market  
Specific Vacuum Process Industries  
15.7% CAGR (2009-2014)



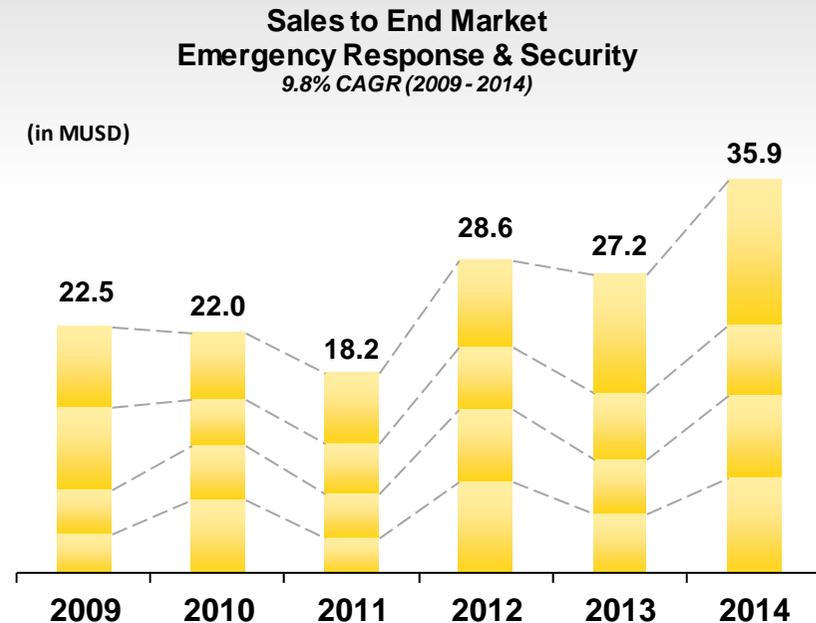
# Emergency Response & Security

## Q4 2014

- Q4 2014 sales increase of 23% vs. Q4 2013 and 111% vs. Q3 2014
- Increase over high level in Q4 2013 – record year
- Larger shipments to USA & China

## Market Trends

- Security needs around the world generate new business opportunities
- Good pipeline of opportunities
- Interesting projects (China) for environmental application (air & water)
- New target markets and application opportunities in conjunction with new GC technologies



# Refrigeration & Air Conditioning

incl. Automotive

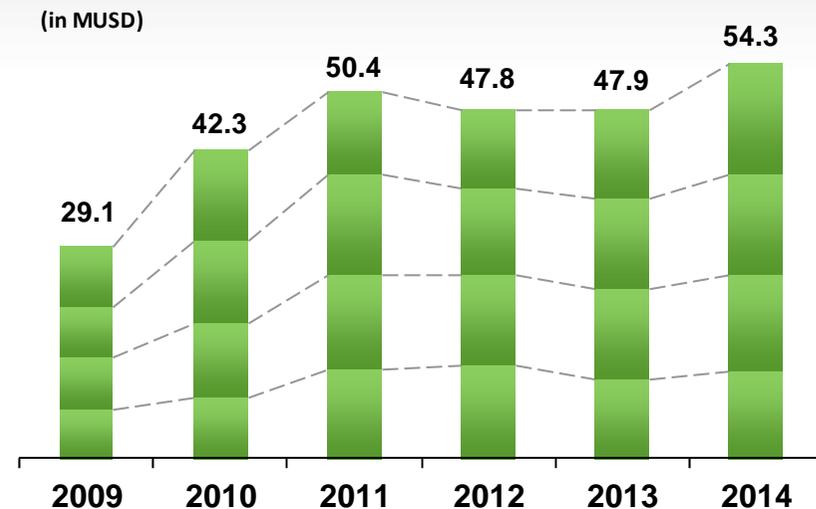
## Q4 2014

- Q4 2014 sales increase of 25% vs. Q4 2013
- Sequential increase of 9% mainly due to sales to Asian customers
- Continued market share gains

## Market Trends

- Tougher regulation drives increased use of instrumentations in the automotive market
- Strong industrial recovery in the USA
- Slow growing RAC manufacturers market
- Increasing installed basis drives after-sale service products worldwide

**Sales to End Market  
Refrigeration & Air Conditioning**  
13.3% CAGR (2009 - 2014)



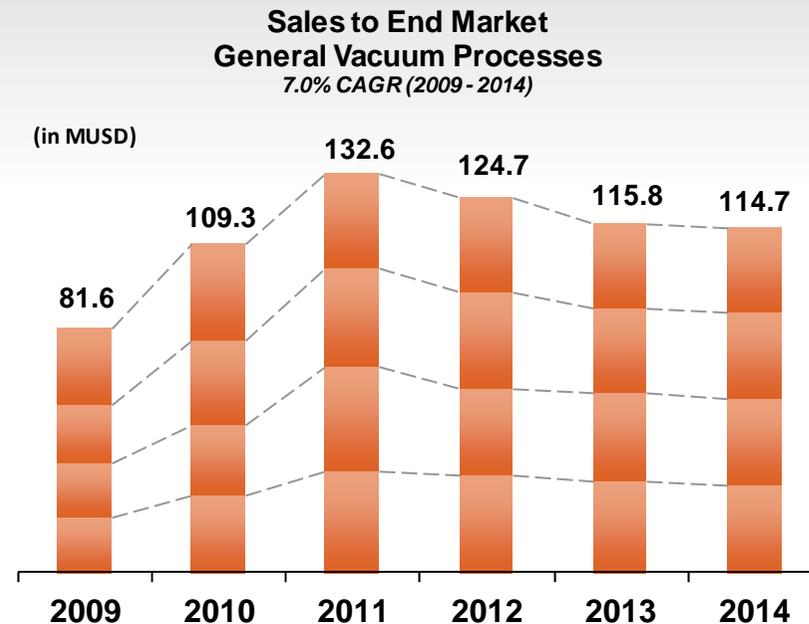
# General Vacuum Processes

## Q4 2014

- Q4 2014 sales +1% vs. Q4 2013
- Sequential decrease of 2%, mainly due to lower sales to European distributors

## Market Trends

- Diverse customer base and end markets, served through different sales channels (direct and indirect)
- Increased use and competition of vacuum technologies for a variety of different existing and new applications (incl. Life Science & analytical market)
- Growing demand in emerging market regions as well as recovery in the USA and Europe



# Outlook 2015

Mixed signals from different markets/regions:

- Increased demand for mobile communication devices (Semiconductor market)
  - Investments in new equipment (OEM business), driven by the big 4
  - Increased complexity (3D chip design) & new 10nm processes on existing wafer sizes and delayed EUV lithography require advanced sensor and software solutions (*2<sup>nd</sup> half of 2015*)
- OLED technology to be used for flexible & curved mobile applications
- Ongoing strong automotive market may offset slow growing RAC opportunities
- Expect first small investment in solar photovoltaic manufacturing capacity, again
- China's environmental issues (air and water) became a top priority political topic
- Expect the remaining US DoD HAPSITE replacement business
- First succes in new markets: Energy & Food packaging (*2<sup>nd</sup> half of 2015*)
- Slow recovery expected in the General Vacuum Processes market

## Guidance for FY 2015:

→ Sales between USD 300 to 330 million

→ Operating income in the range of USD 48 to 58 million

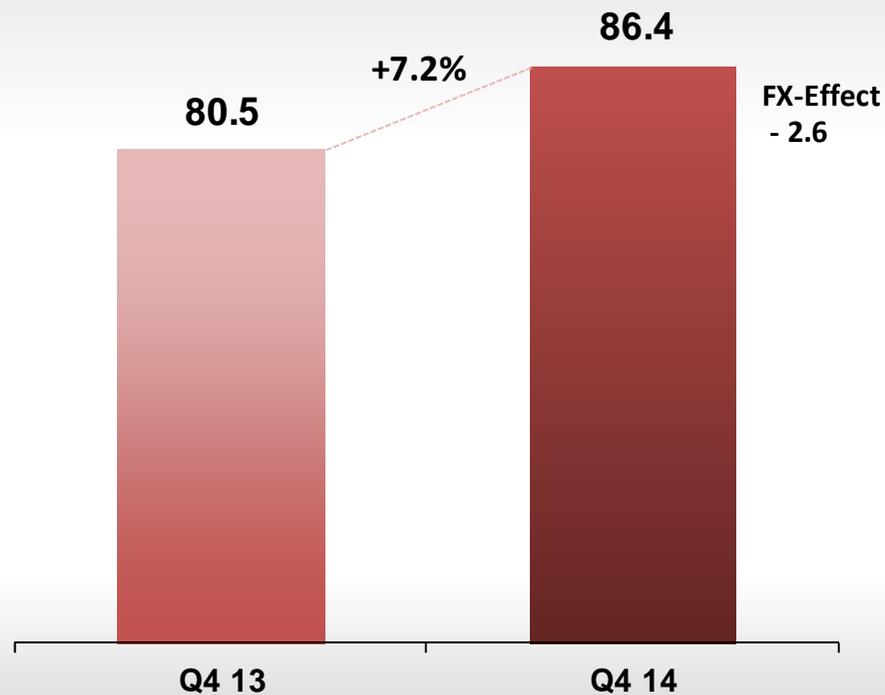
# Matthias Tröndle

INFICON

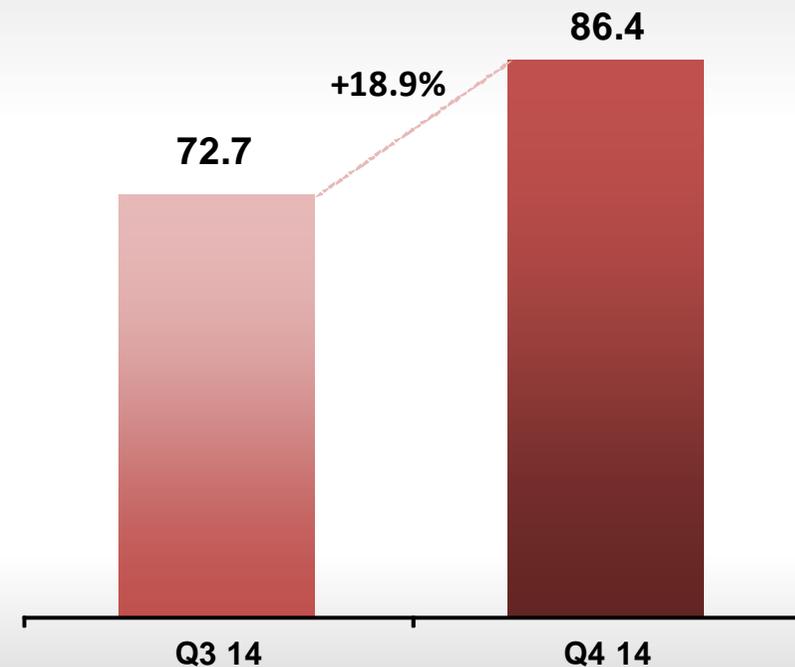
Vice President and Chief Financial Officer



# Sales (in USD million)



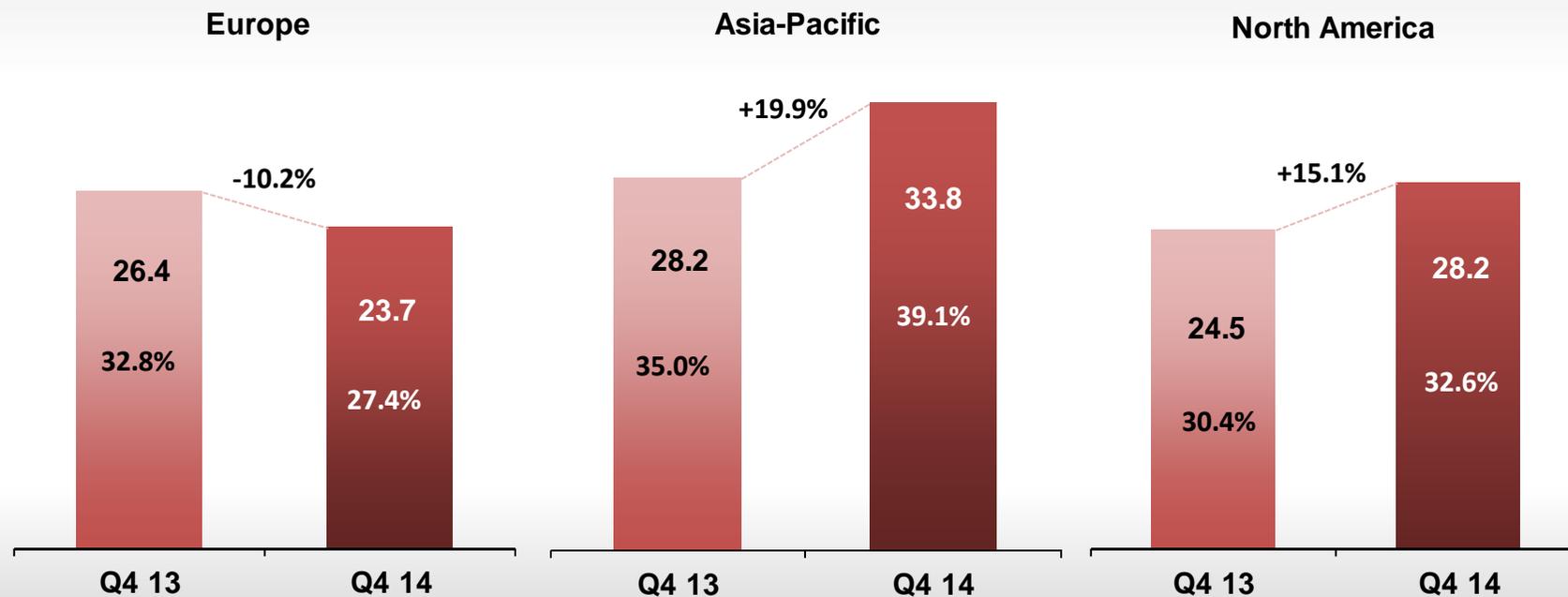
Sales increase in all markets  
(strong ER&S and RAC markets)



Strong increase in ER&S and  
Specific Vacuum vs. Q3 14

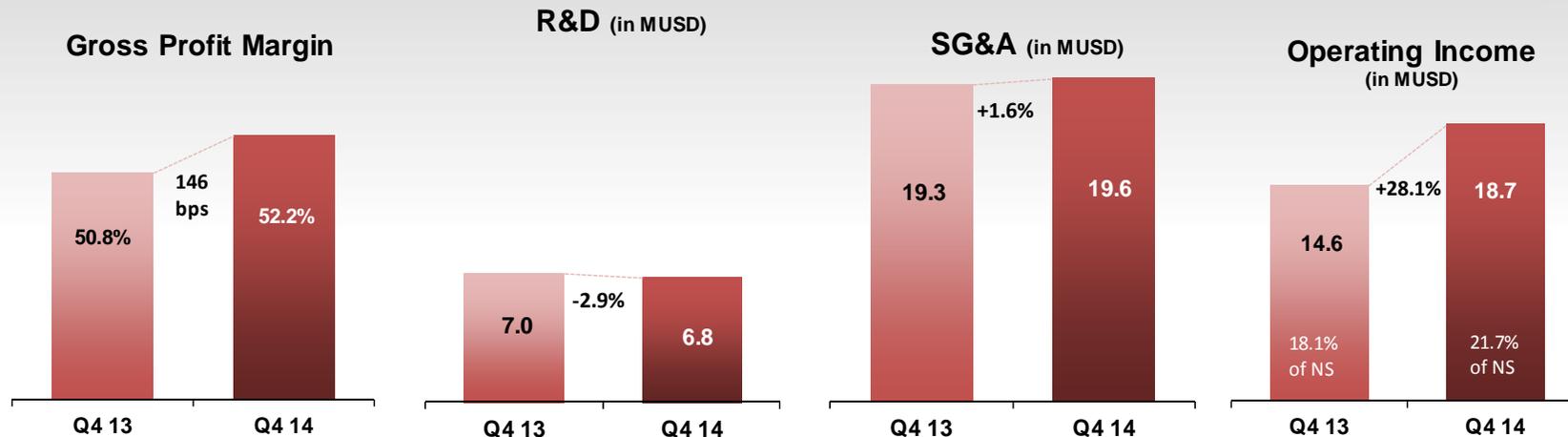
# Geographic Sales Breakdown – Quarter

(in USD million)



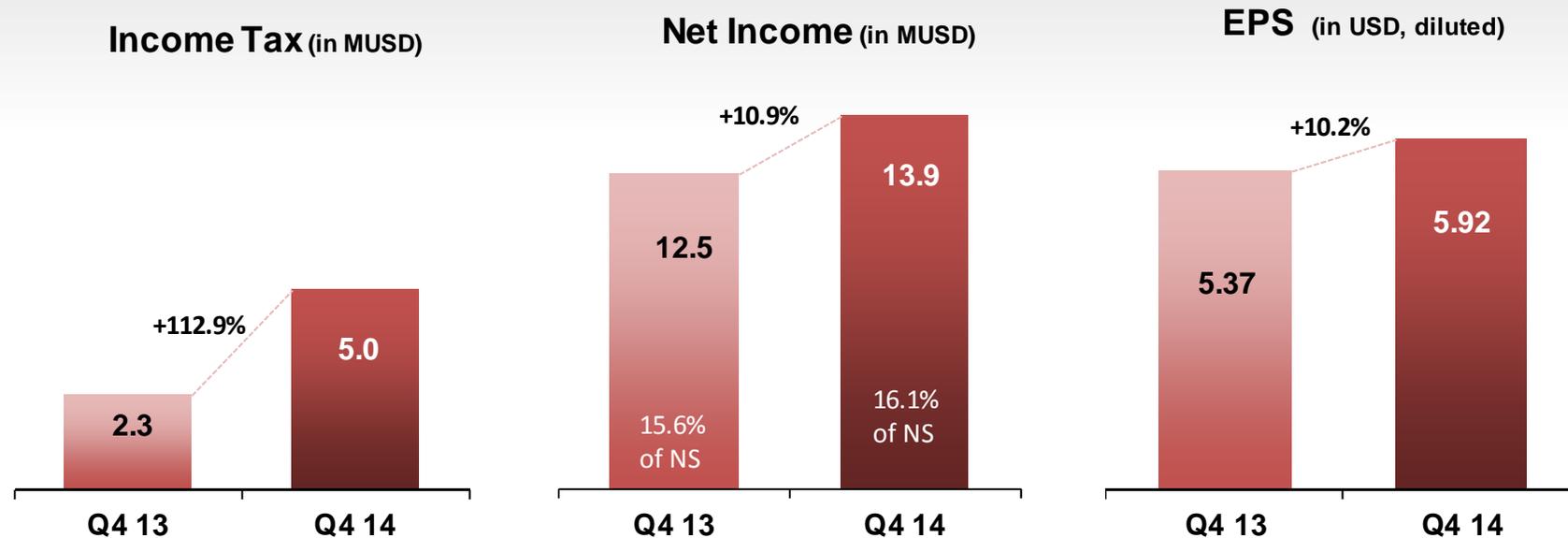
Increase in Asia-Pacific and North America, decrease in Europe

# Gross Profit, Costs and Operating Income



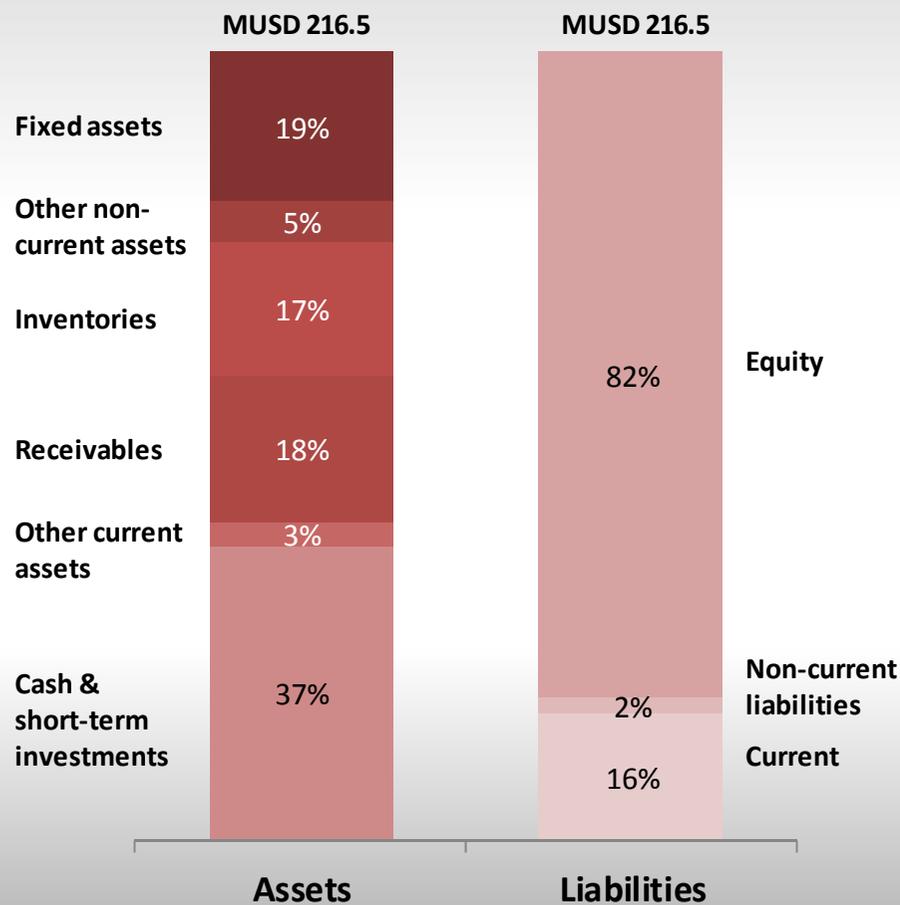
- **Gross profit margin:** Increase driven by favorable product mix
- **R&D cost:** Slightly lower, continued development efforts
- **SG&A:** Q4 2014 up due to variable compensation, continued investments in marketing capabilities and new hires
- **Operating income:** Increase due to higher sales volume, a strong Gross Margin and stable cost development

# Net Income and EPS development

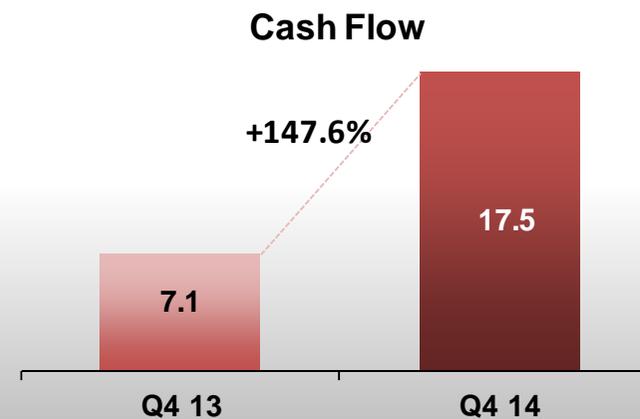


- **Income tax:** Increase due to EBIT development and higher tax rate compared with last year's extraordinary low tax rate
- **Net income:** Driven by operating income development
- **EPS:** Increase in line with Net income

# Balance Sheet Highlights (in USD million)



	<u>Q4 14</u>	<u>Q4 13</u>
Net Cash	81.0	75.0
DSO	45.1	46.7
Inventory Turns	3.9	4.4
Working Capital	20.2%	21.2%

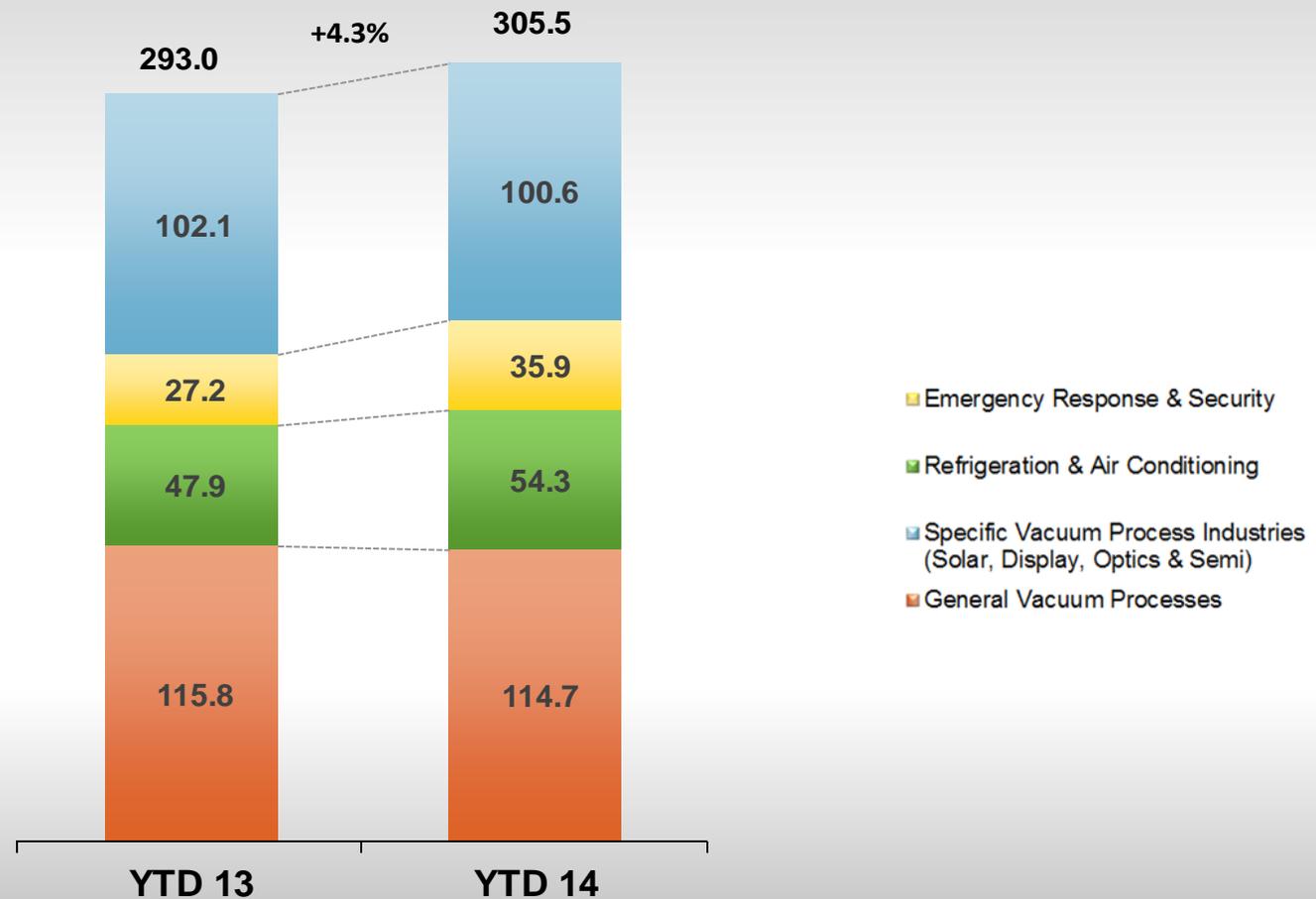


Solid balance sheet, no more debt



# **FISCAL YEAR 2014 RESULTS**

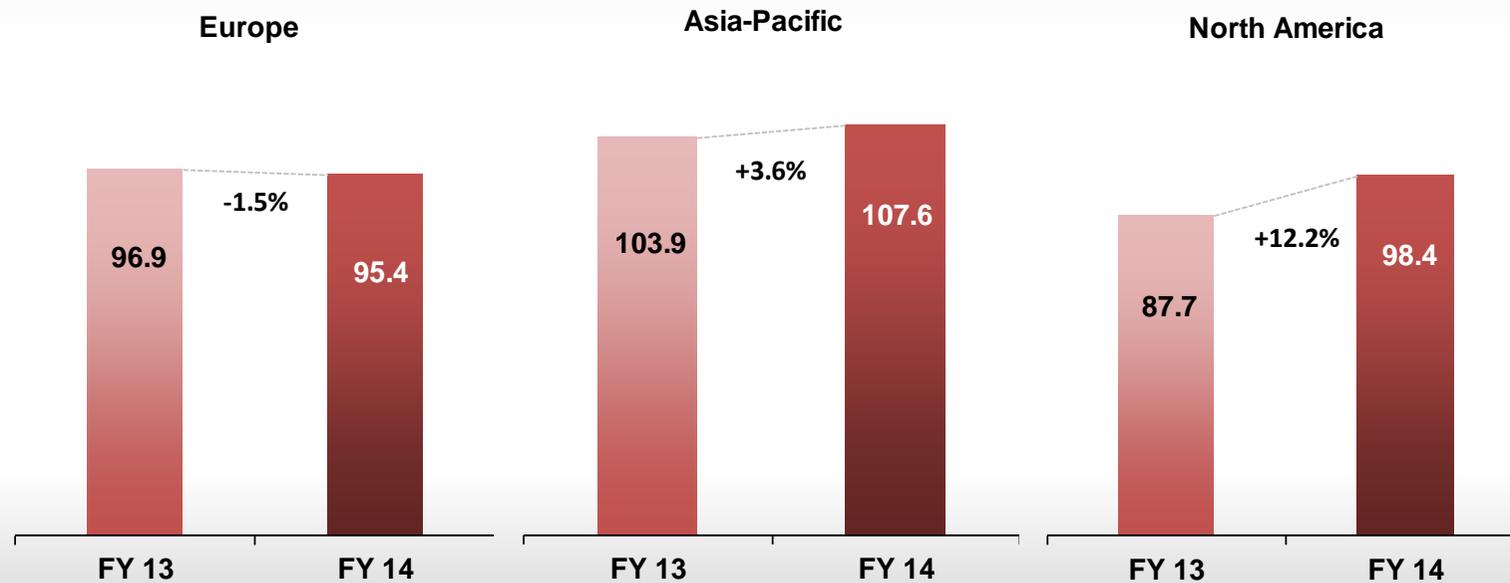
# Full Year Sales (in USD million)



Sales increase in RAC and ER&S markets, while GV and Specific Vacuum slightly weaker; Organic growth of 3,9%

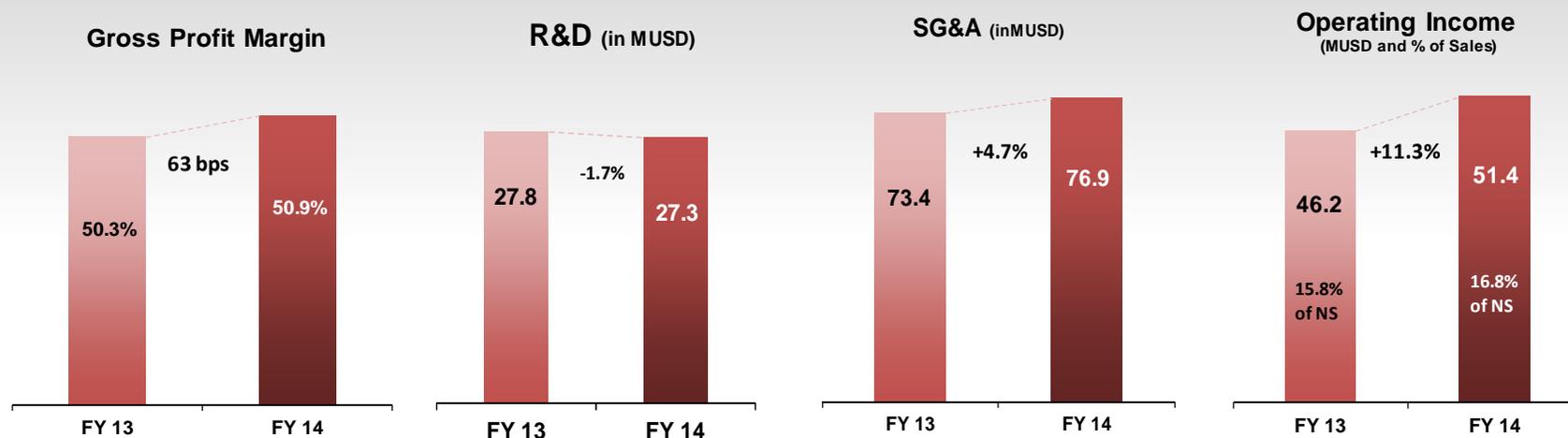
# Geographic Sales Breakdown – Full Year

(in USD million)



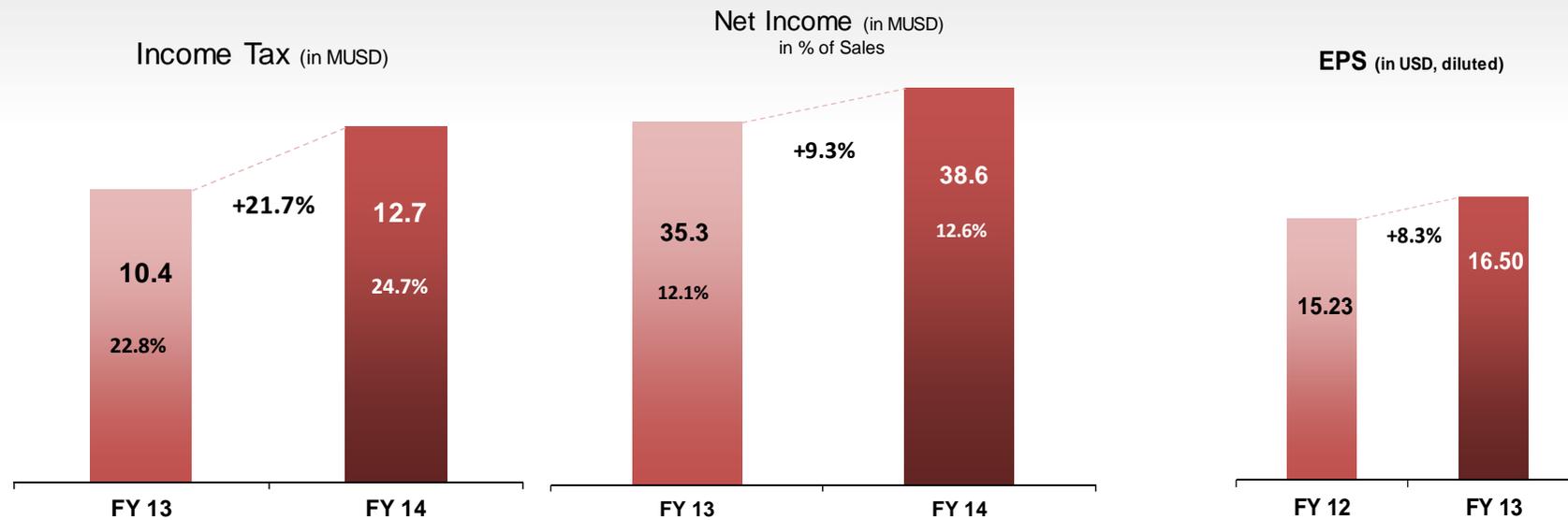
Increase in North America and Asia-Pacific, decrease in Europe

# Gross Profit, Costs, and Operating Income (YoY)



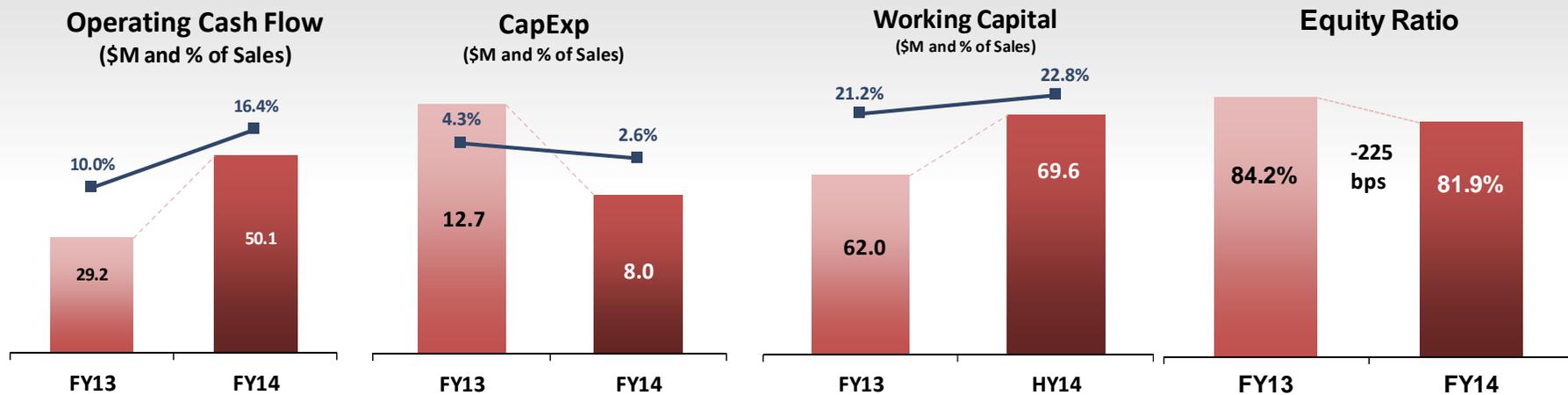
- **Gross profit margin:** Increase driven by favorable product mix
- **R&D cost:** Slightly decreased after high development efforts in FY 2013
- **SG&A:** Increase due to continued investments in marketing capabilities and infrastructure, new hires and acquisitions
- **Operating income:** Increase due to higher sales volume and strong gross margin while costs kept under control

# Net Income and EPS development (YoY)



- **Income Tax:** Increase due to EBIT development and profit mix
- **Net income / EPS:** Increase driven by Operating Income development

# Key Balance Sheet data (YoY)



- **Operating cash flow:** Increase influenced by higher income, provisions, accruals and payables partially offset by increased inventory
- **CAPEX:** Decrease after investments in equipment and buildings in FY 2013
- **Working capital:** Increased due to higher inventory levels while AR (DSO) improved further
- **Equity:** Ratio slightly decreased at very high level



# **DISTRIBUTION PROPOSAL**

# Distribution 2014

- **Strong Balance Sheet and Cash Generation**
  - No debt (short-term / long-term)
  - USD 81 million cash
  - Shareholders' equity ratio ~82%
- **Board of Directors intends to propose a cash distribution of CHF 15.00 per share**
  - Annual General Meeting of Shareholders on April 29, 2015
  - To be distributed out of capital contribution reserves
  - Returning ~CHF 35 million cash to shareholders in FY15
  - >90% payout ratio
  - Attractive yield of approximately 4.6%



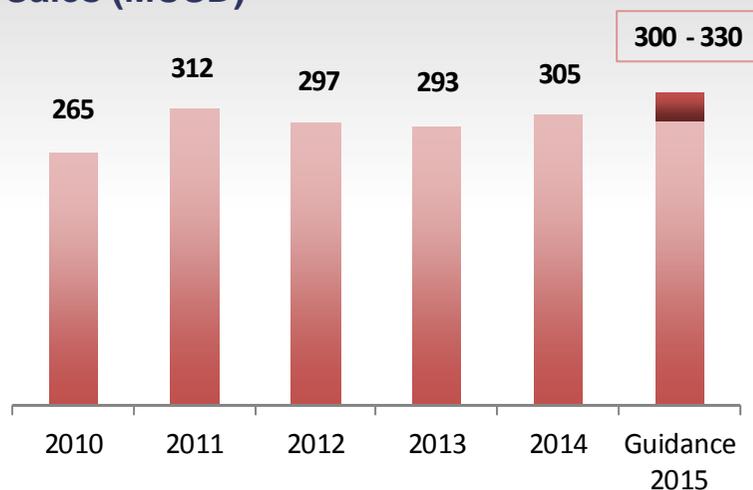
**GUIDANCE FY15**

**AND**

**CALENDAR FY15**

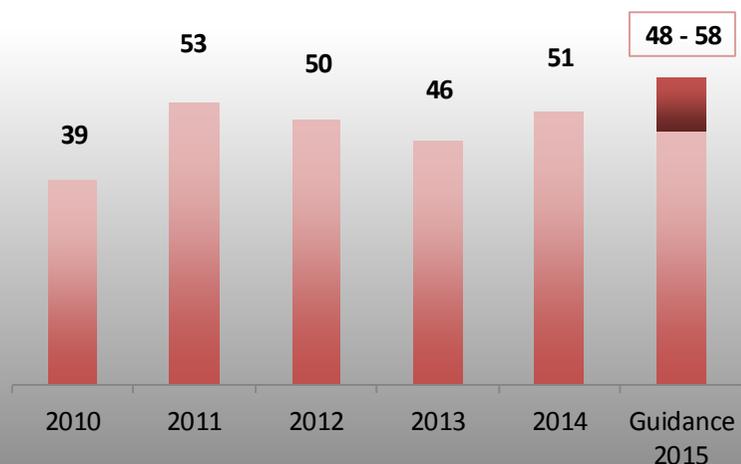
# Full Year 2015 Guidance

## Sales (MUSD)



Based on previous performance and current expectations for our end markets

## Operating Income (MUSD)



Sales 300 – 330 MUSD

Op. Income 48 – 58 MUSD

# Corporate Calendar FY 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 Tuesday, October 20, 2015
- Q4 2015 Earnings Conference Call March 2016

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



**THANK YOU !**

**Q&A**

