



**Q2 2014**

**EARNINGS CONFERENCE CALL**

August 7, 2014

Bad Ragaz, Switzerland

# Speakers

## Lukas Winkler, President and CEO

- Key figures Q2 2014
- Target market business review
- 2014 expectations

## Matthias Tröndle, Vice President and CFO

- Financials Q2 2014
- Outlook

# Lukas Winkler

INFICON

President and Chief Executive Officer



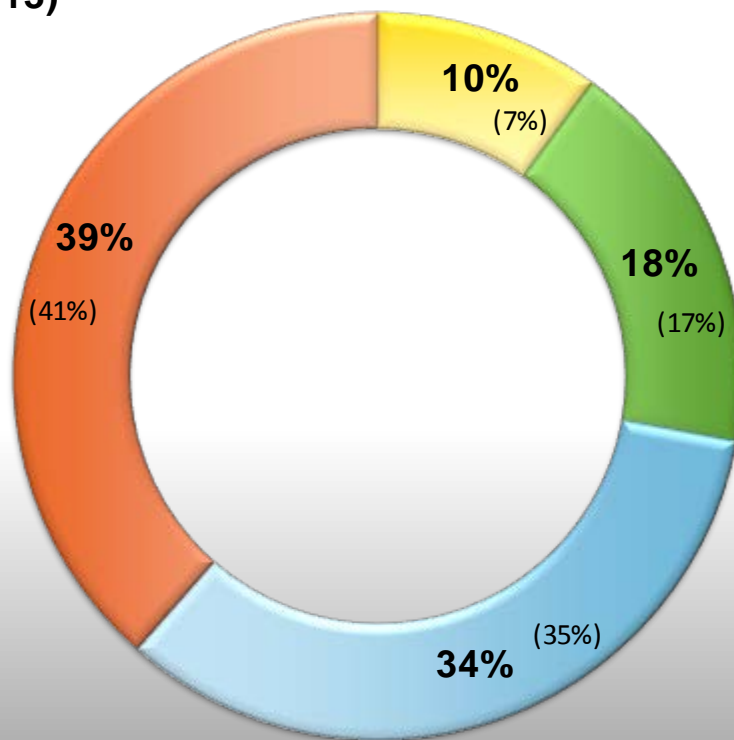
# Q2 2014 – Key Figures

- **Sequential sales growth with strong Emergency Response & Security and Refrigeration & Air Conditioning businesses**
    - Consolidated sales increase of 5.4% to USD 74.8 million compared with Q2 2013, organic increase of 2.9%
    - Sequential sales increase over Q1 2014 of 4.4%
    - Book to bill ratio ~1
  
  - **Operating result influenced by**
    - Higher sales volume
    - Strong gross margin and increased overhead cost
    - Operating income of USD 11.3 million in Q2 2014 (15.2% of sales) compared with USD 10.7 (15.1% of sales) in Q2 2013
- **USD 8.3 million or 11.2% net income**

# Net Sales by End Market

USD 74.8 million in Q2 2014 vs. USD 71.0 million a year ago (+5.4%)

**Q2 2014  
(Q2 2013)**



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

# Specific Vacuum Process Industries

Solar, Display, Optics & Semiconductor

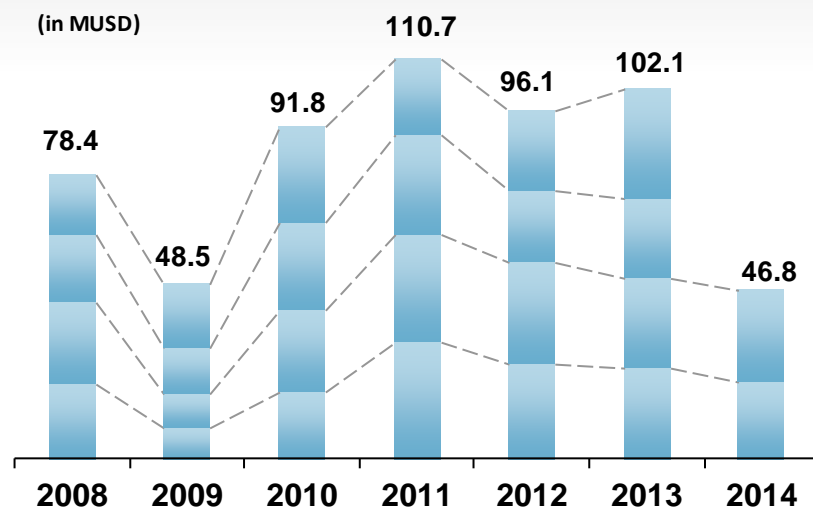
## Q2 2014

- Q2 2014 sales stable vs. Q2 2013, mainly driven by increasing demand from semiconductor business in the USA
- Sequential increase of 16%
  - Ongoing strong foundry market
  - Stable optics market
  - Improving OLED flat panel display activities and a first small silver line on the solar market horizon

## Market Trends

- Continued investments in advanced semiconductor manufacturing technologies
  - < 20nm nodes
  - 3D chip design
- Delayed 450mm wafer size technology, but progress with new EUV-lithography application
- OLED replacing LCD technology for next-generation *small* flat panel displays
- PV solar technology recovery insight

Sales to End Market  
Specific Vacuum Process Industries  
3.5% CAGR (2007-2013)



# Emergency Response & Security

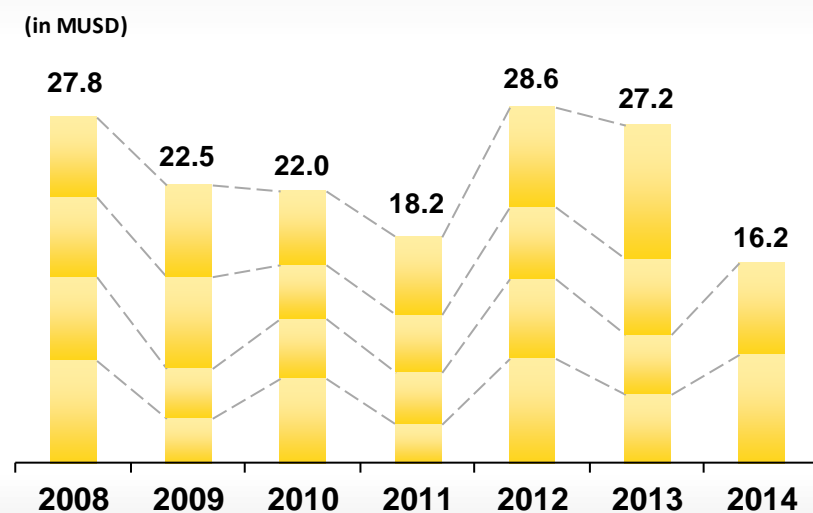
## Q2 2014

- Q2 2014 sales increase of 56% vs. Q2 2013 and 15% sales decrease vs. high Q1 2014
- One of the best quarterly sales levels
- Larger shipments to Asia and US

## Market Trends

- Security needs around the world generate new business opportunities
- Ongoing replacement of the first generation of HAPSITE within the US DoD
- New target markets and application opportunities within energy production and distribution for gas analysis products

**Sales to End Market  
Emergency Response & Security**  
7.7% CAGR (2007 - 2013)



# Refrigeration & Air Conditioning

incl. Automotive

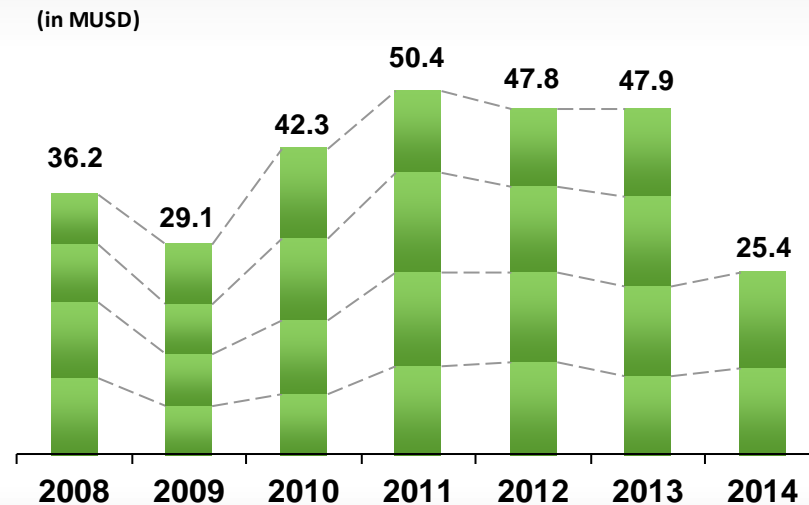
## Q2 2014

- Q2 2014 sales increase of 11% vs. Q2 2013
- Sequential sales increase of 12% mainly due to stronger sales to Asian customers
- Second best quarterly sales level
- Increased contribution from applications in the automotive market

## Market Trends

- Tighter specifications and new regulations (energy consumption and environmental concerns) lead to new leak-detection applications
- Increasing installed basis drives after-sales service and products worldwide
- New applications within natural gas distribution and food packaging market beyond 2014

**Sales to End Market  
Refrigeration & Air Conditioning**  
3.7% CAGR (2007 - 2013)





# General Vacuum Processes

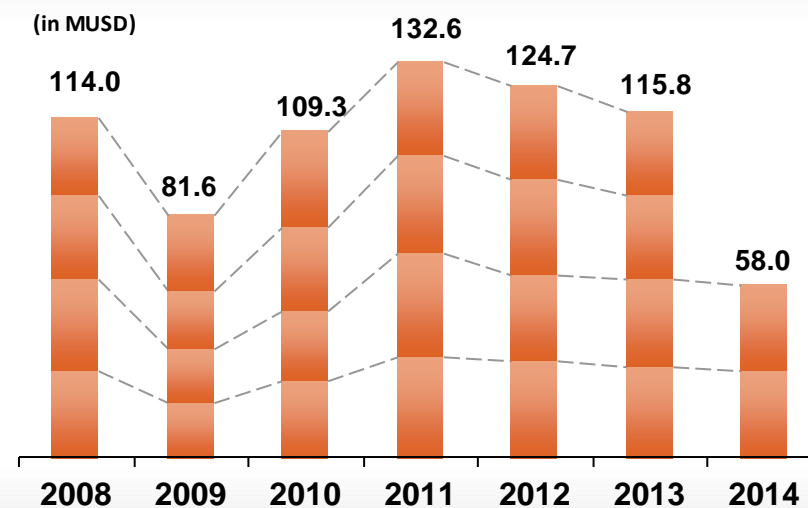
## Q2 2014

- Q2 2014 sales -1% vs. Q2 2013
- Sequential decrease of 1%, mainly due to lower sales to European distributors

## Market Trends

- Increased use of vacuum technologies for a variety of different existing and new applications
- Growing demand in emerging market regions as well as recovery in the US, but fragile development in Europe
- Increased direct sales enables better customer support to satisfy the diverse complexity of specific needs

**Sales to End Market  
General Vacuum Processes**  
3.0% CAGR (2007 - 2013)



# Outlook 2014 and beyond

## Continued challenging market environment

- Ongoing mixed signals from the semiconductor market
  - ongoing low visibility, but increased numbers of design wins
  - Positive market trend from foundries and flash memory manufacturers
  - Delayed 450 mm wafer size transition but improved EUV lithography technology outlook
- Reduced overcapacity for flat panel displays and photovoltaic applications
- Stable RAC market and increasing market share in the automotive market
- Increased backlog for ER&S products due to government spending
- Slow recovery of the European economy
- Strong business momentum in the US and China
- Year-to-date Book-to-Bill ratio >> 1

Guidance for FY 2014:

→ **Sales between USD 290 to 320 million**

→ **Operating income in the range of USD 44 to 56 million**

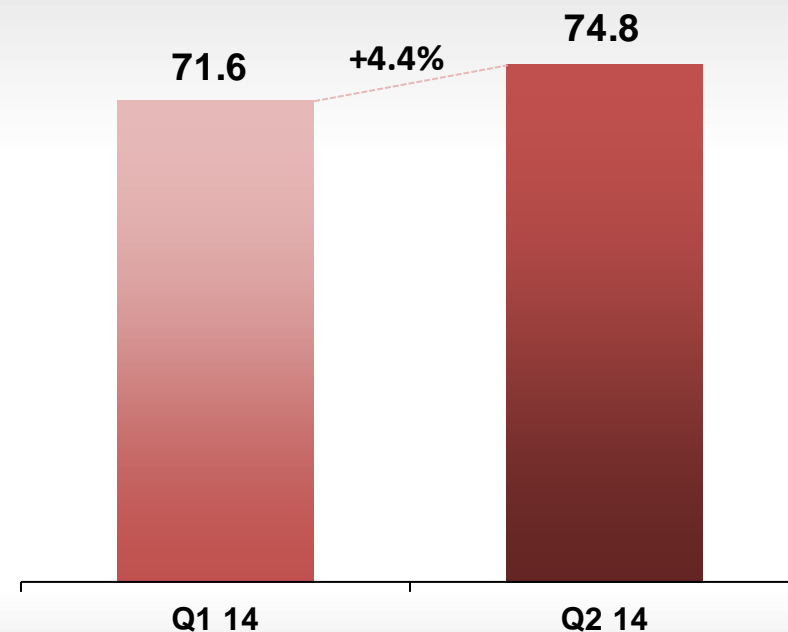
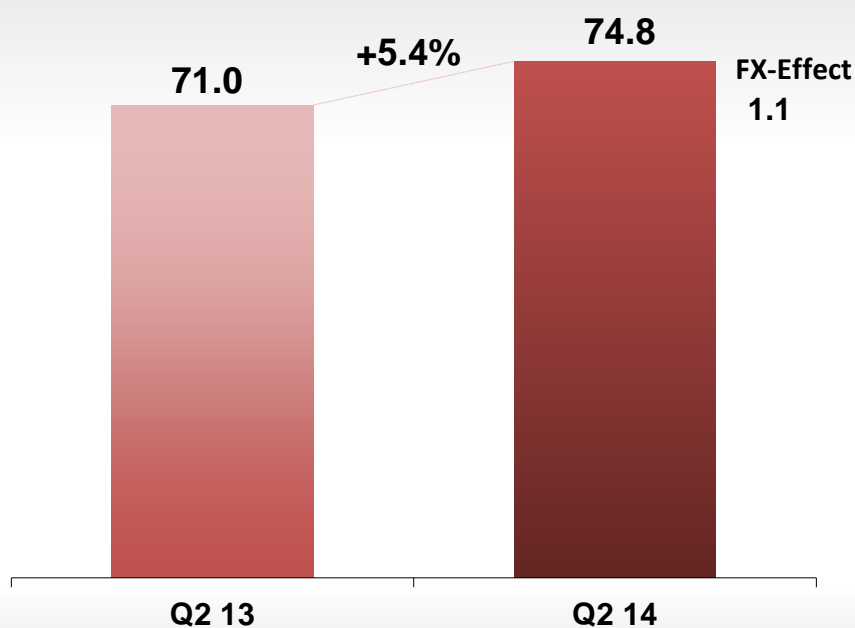
# Matthias Tröndle

INFICON

Vice President and Chief Financial Officer



# Sales (in USD million)

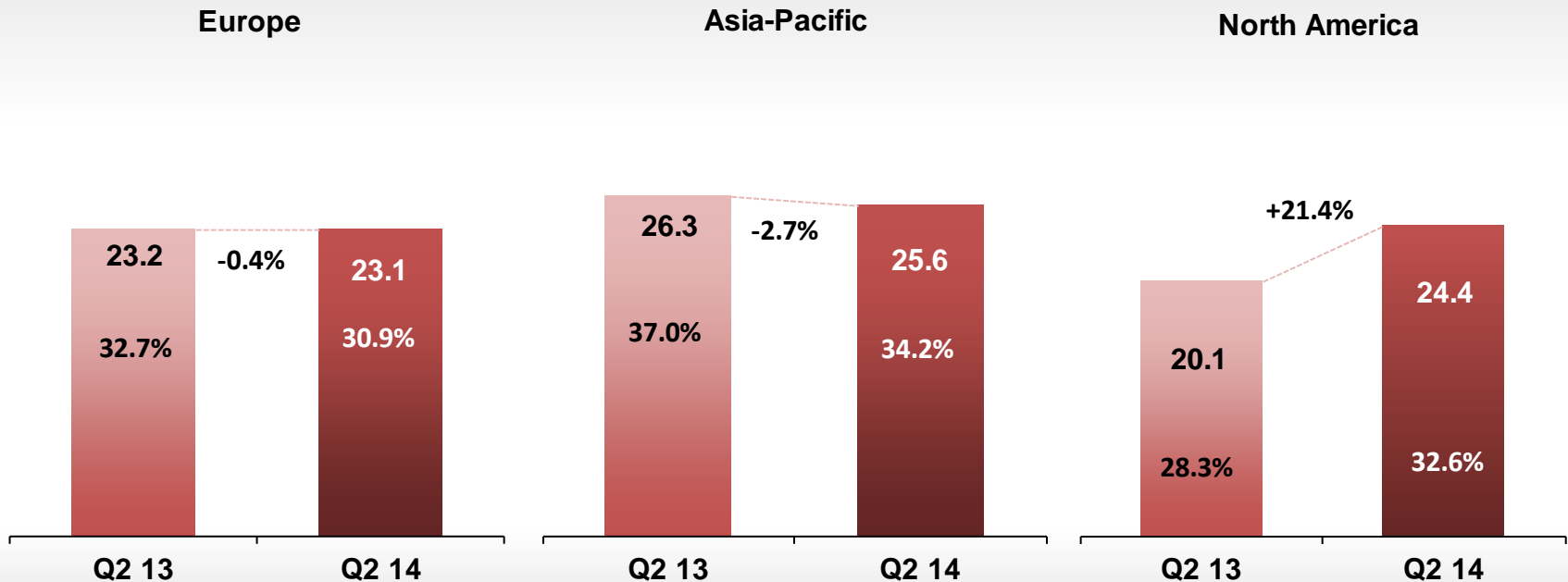


Sales growth with strong ER&S and RAC markets

Sales increase driven by Semiconductor and RAC

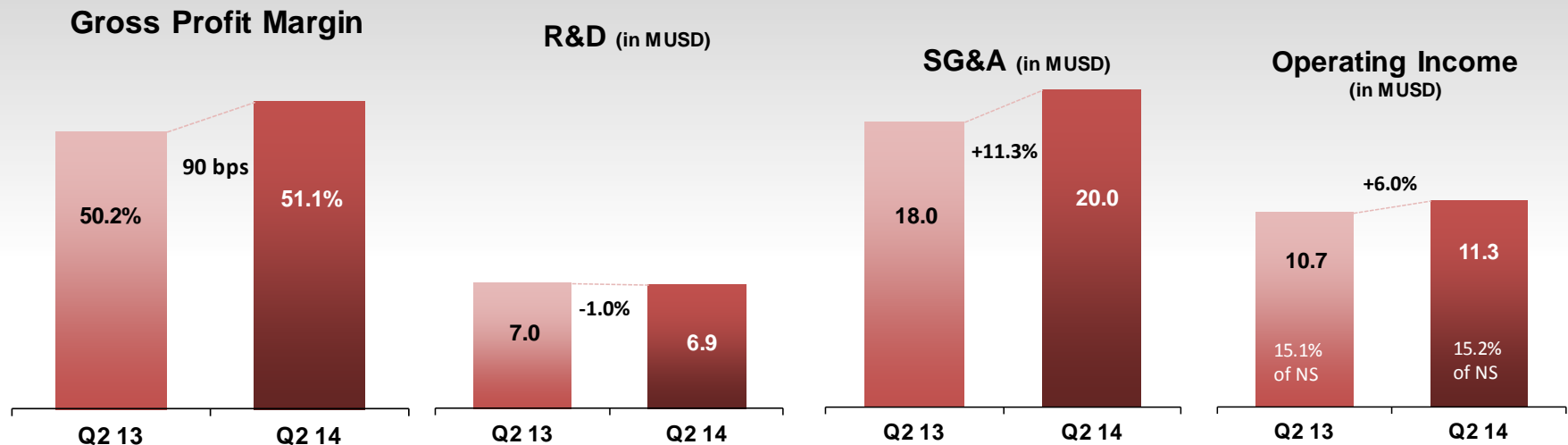
# Geographic Sales Breakdown – Quarter

(in USD million)



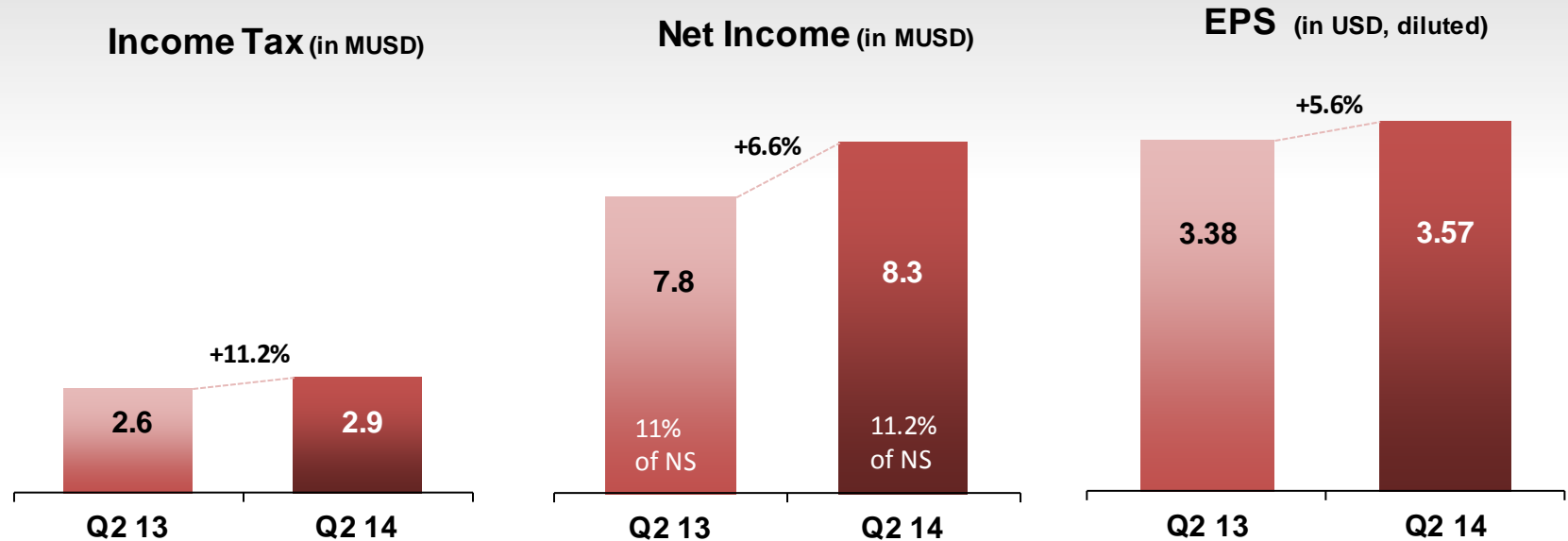
Increase in North America, stable Europe and decrease in Asia-Pacific

# Gross Profit Margin and Cost development



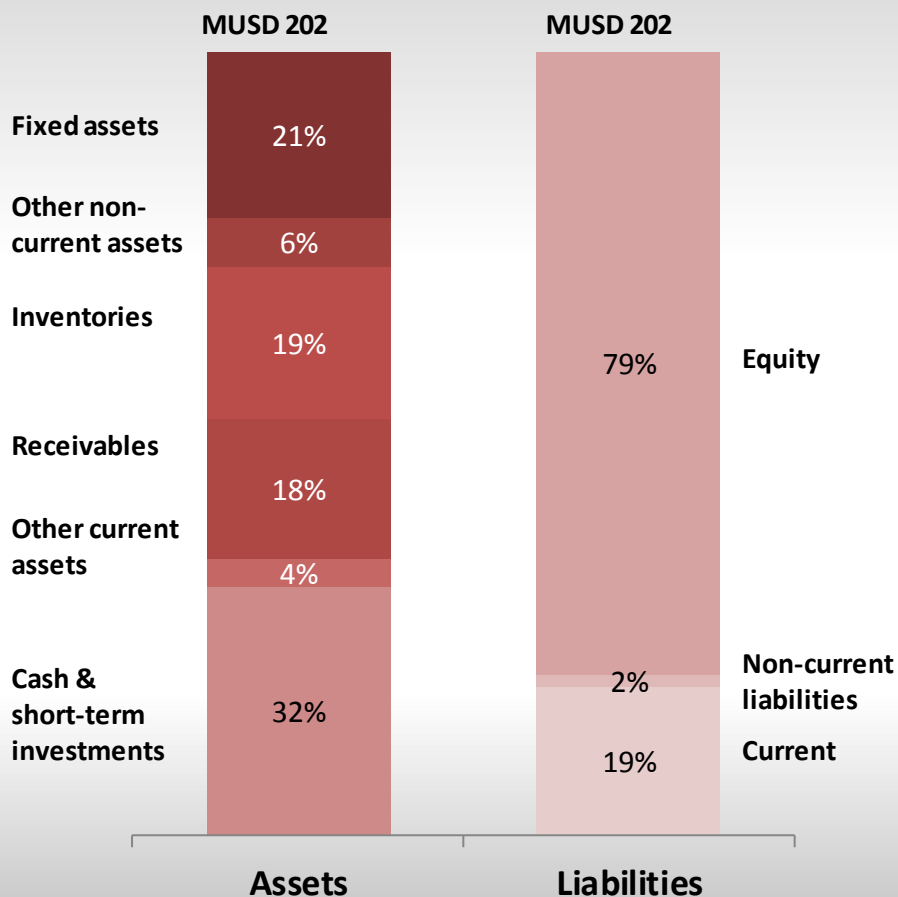
- **Gross profit margin:** Increase driven by favorable product mix
- **R&D:** Stable, continued development efforts
- **SG&A:** Slightly up due to continued investments in marketing capabilities and infrastructure, some F/X impacts and acquisitions
- **Operating income:** Increase due to higher sales volume and gross profit margin

# Net Income and EPS development

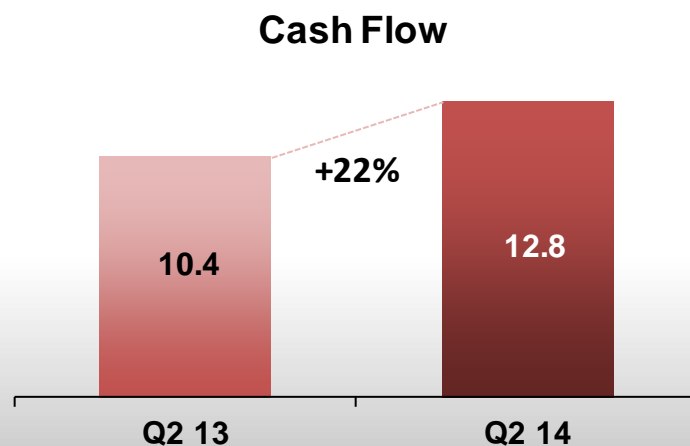


- **Income tax:** Increase due to EBIT development, tax rate stable
- **Net income:** In line with operating income development
- **EPS:** Increase driven by net income development

# Balance Sheet Highlights (in USD million)



	Q2 14	Q4 13
Net Cash	57.4	75.0
DSO	47.1	46.7
Inventory Turns	4.0	4.4
Working Capital	21.9%	21.2%

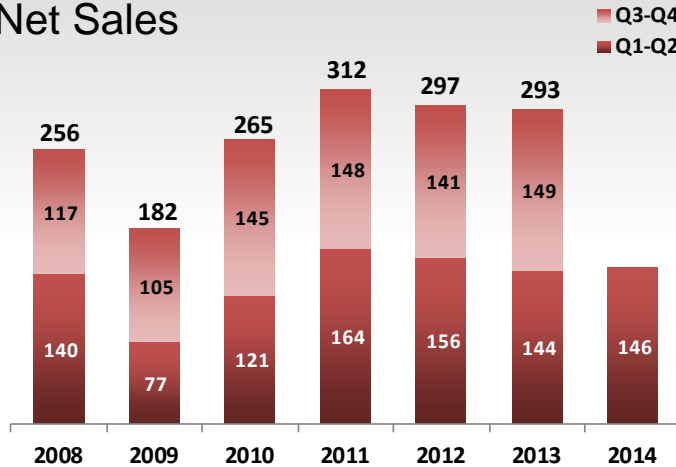


Solid balance sheet, no long-term debt

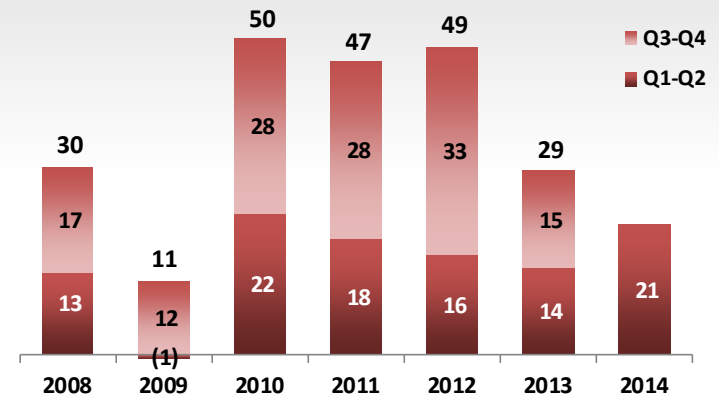


# Financial Performance Half-year 2014 (USD million)

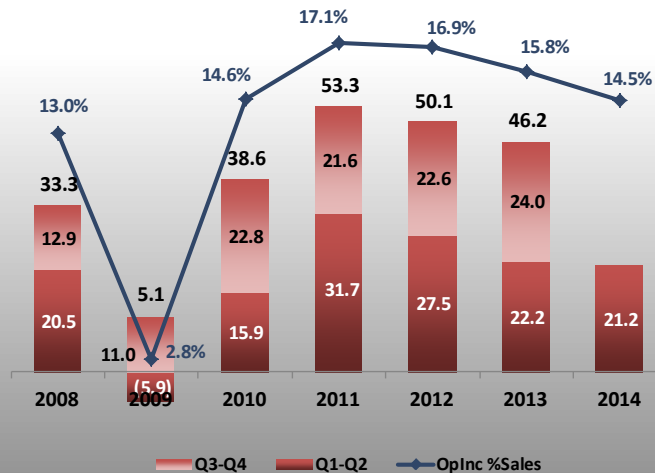
## Net Sales



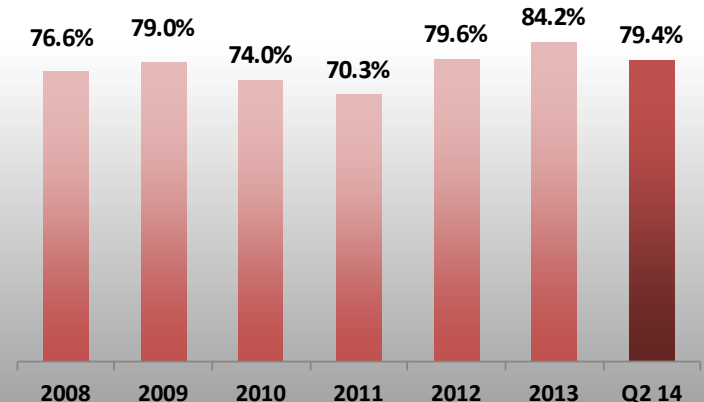
## Operating Cash Flow



## Operating Income and Ratio

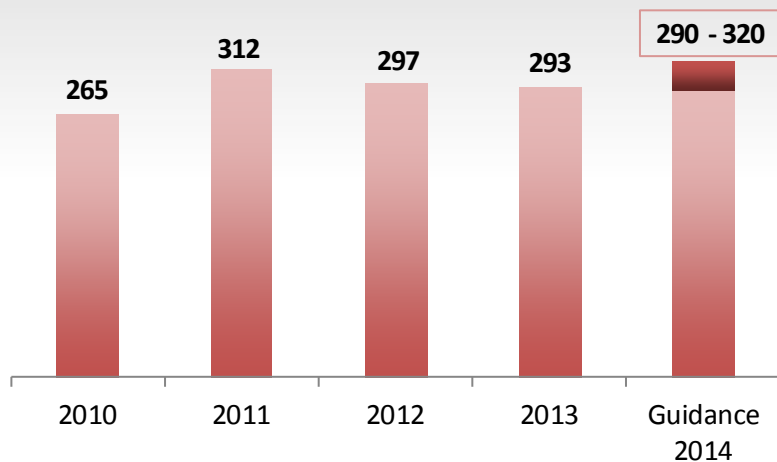


## Equity Ratio



# Full Year 2014 Guidance

## Sales (MUSD)

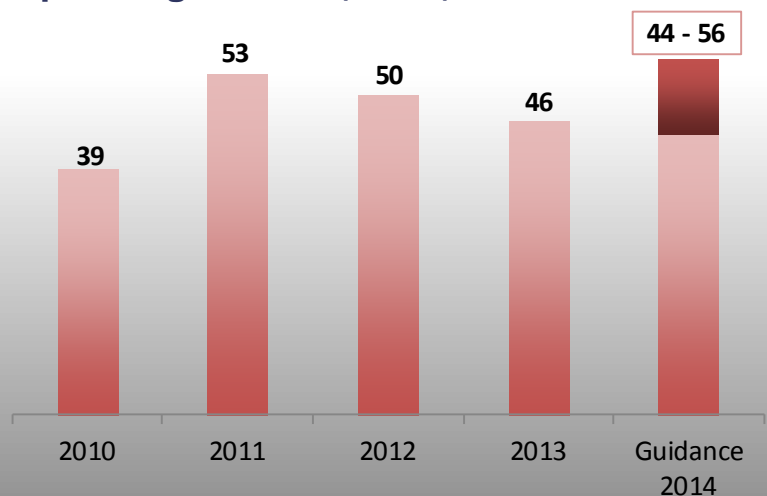


Based on current expectations for our end markets

Sales 290 – 320 MUSD

Op. income 44 – 56 MUSD

## Operating income (MUSD)





**THANK YOU !**

**Q&A**

