



Q2 2017

EARNINGS CONFERENCE CALL

July 26, 2017

Bad Ragaz, Switzerland

Speakers

Lukas Winkler, President and CEO

- Key figures Q2 2017
- Target market business review
- Expectations 2017

Matthias Tröndle, Vice President and CFO

- Financials Q2 2017
- Key financials first half-year 2017
- Guidance

Lukas Winkler

INFICON

President and Chief Executive Officer



Q2 2017 – Key Figures

- **Sales increase in all markets, except Security & Energy (S&E)**

- Sales increase of 24% to USD 93.6 million compared with Q2 2016, organic increase of 25%; new record level
- Sequential sales increase of 5.7% over Q1 2017
- Book to bill ratio ~1
- Two markets (S&V, RAC&A) with new quarterly record levels

- **Operating income increased 56.5% year over year**

- Operating income of USD 18.4 million in Q2 2017 (19.7% of sales) compared with USD 11.8 million (15.6% of sales) in Q2 2016
- Influenced by
 - Increased sales volume
 - Stable gross margin
 - Higher overhead cost

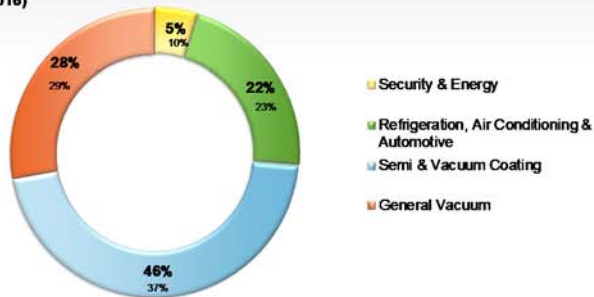
→ **Net income of USD 13.8 million or 14.8% of sales**

Net Sales by End Market

USD 93.6 million in Q2 2017 vs. USD 75.5 million a year ago (+24.0%)

- Higher share in Semi & Vacuum Coating End Market

Q2 2017
(Q2 2016)



Semi & Vacuum Coating

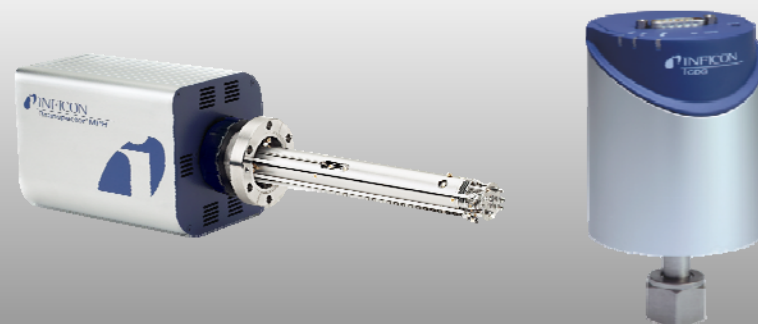
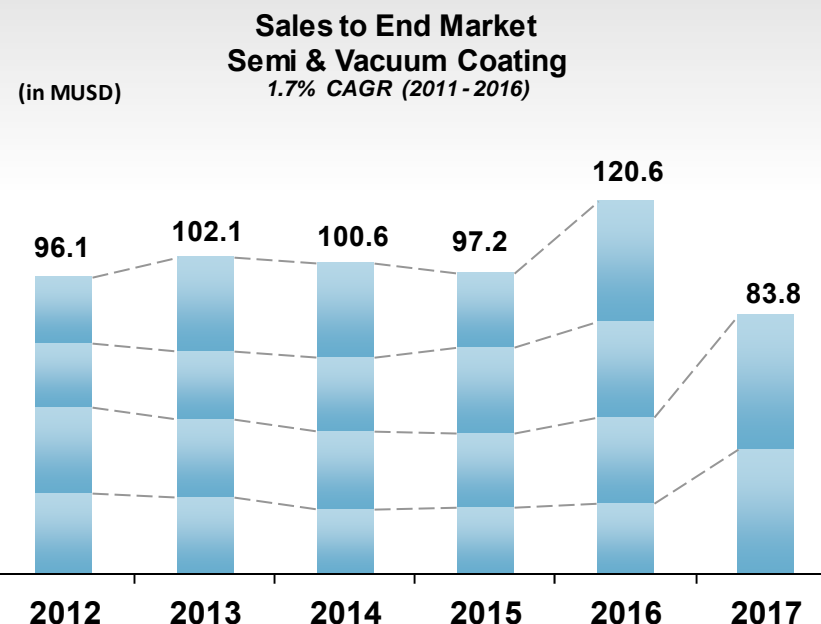
Solar, Display, Optics & Semiconductor

Q2 2017

- Sales Q2 2017 increase of 55% to USD 43.3 million vs Q2 2016
- Sequential increase of 7%, new record
- Increase mainly driven by large investments in OLED flat panel display technology in Asia and as well as a continued strong semiconductor demand
- #1 position in process control, leak-detection and thin film monitoring, #2 for pressure measurement

Market Trends

- Increased demand for new smart sensors, IoT, AI, Big Data and computing power
- Investments in new semi fabs in China
- OLED replacing LCD technology for next-generation flat panel displays
- Slow solar recovery in sight
- 2017 expectations: Growth



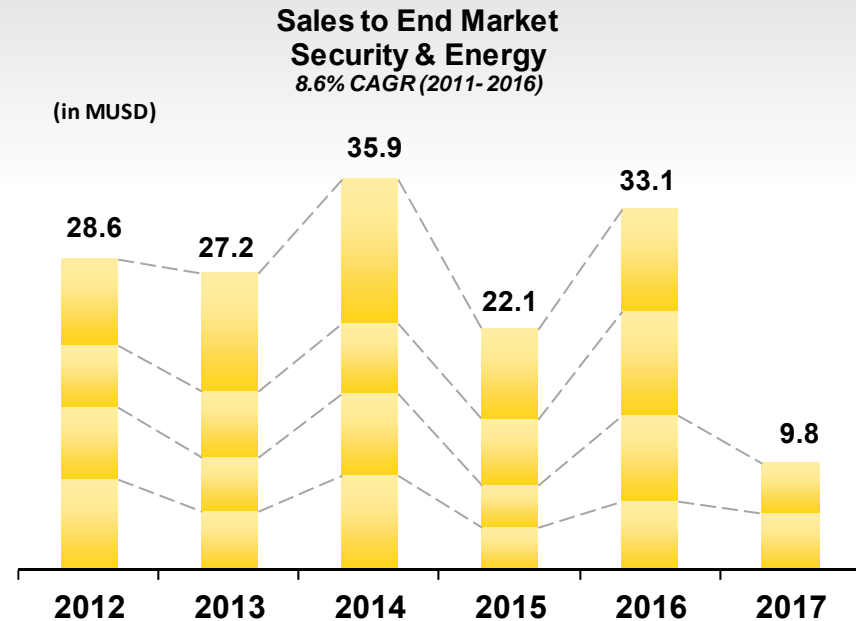
Security & Energy

Q2 2017

- Sales decrease 42% to USD 4.6 million in Q2 2017 vs Q2 2016 and -14% vs Q1 2017
- Weak start into 2017, due to low shipments to large US 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
- 2017 expectations: Challenging



Refrigeration, Air Conditioning & Automotive

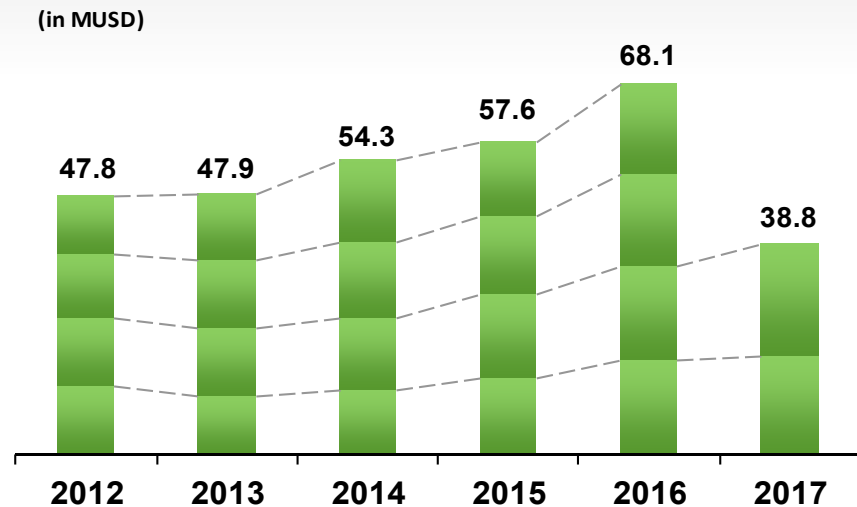
Q2 2017

- Q2 2017 sales increase of 16% to USD 20.4 million vs Q2 2016
- Growth in all three regions, new record
- Sequential increase of 11%
- Continued market share gains

Market Trends

- Tougher regulations drive increased use of instrumentations in the automotive market
- New E-Mobility opportunities :
 - New and existing battery technologies
 - Fuel cell technology (Hydrogen)
- Saturation indications of RAC device manufacturers, mainly in Asia
- Increasing installed base and new sales distribution channels drive after-sale service products worldwide
- 2017 expectations: Growth

Sales to End Market
Refrigeration, Air Conditioning & Automotive
6.2% CAGR (2011 - 2016)



General Vacuum

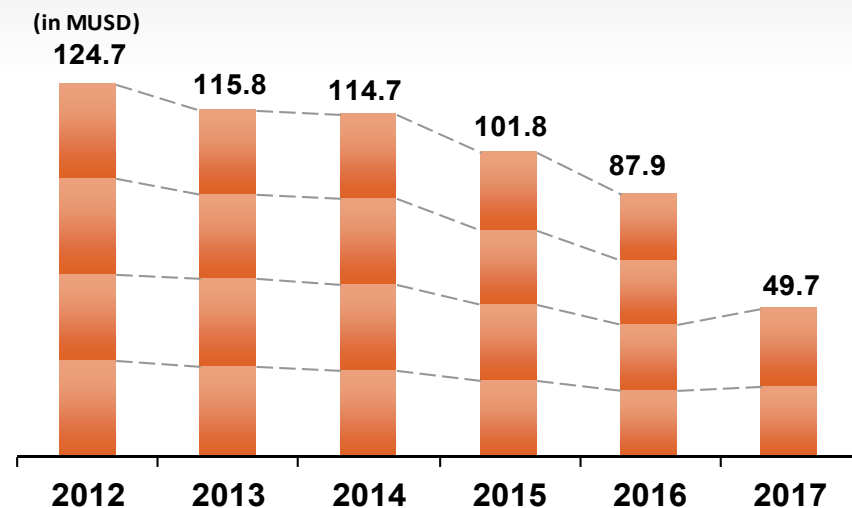
Q2 2017

- Q2 2017 sales grow 14% to USD 25.4 million vs Q2 2016, mainly due to higher sales to European and Asian customers
- Sequential increase of 4% due to improved world economy

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
- 2017 expectations: Slow growth

Sales to End Market
General Vacuum
-7.9% CAGR (2011 - 2016)



Outlook 2017

Positive – with mixed signals from the Security & Energy market

- Semiconductor market remains robust
 - Investments in new fabs (China) and new technologies (3D, <10nm, new Materials, MEMS)
 - High demand for new equipment (OEM business) incl. EUV lithography
- OLED flat panel display technology investment boom continues
INFICON products and consumables at all levels (sub-suppliers, OEMs, and end-user)
- Investments in new leak-detection applications (industrial and automotive market) together with a sales initiative for hand-held service tools compensate for a saturating RAC device manufacturers market (mainly Asia)
- E-Mobility (current and future battery technologies)
- Increased sales from General Vacuum, due to an improved global economy
- Uncertain global political situation with unclear impact on the Security & Energy market
- First sales contribution from new applications: Public utility, food packaging, fracking

Guidance for FY 2017:

→ Sales exceeding USD 340 million

→ Operating income margin greater than 18%

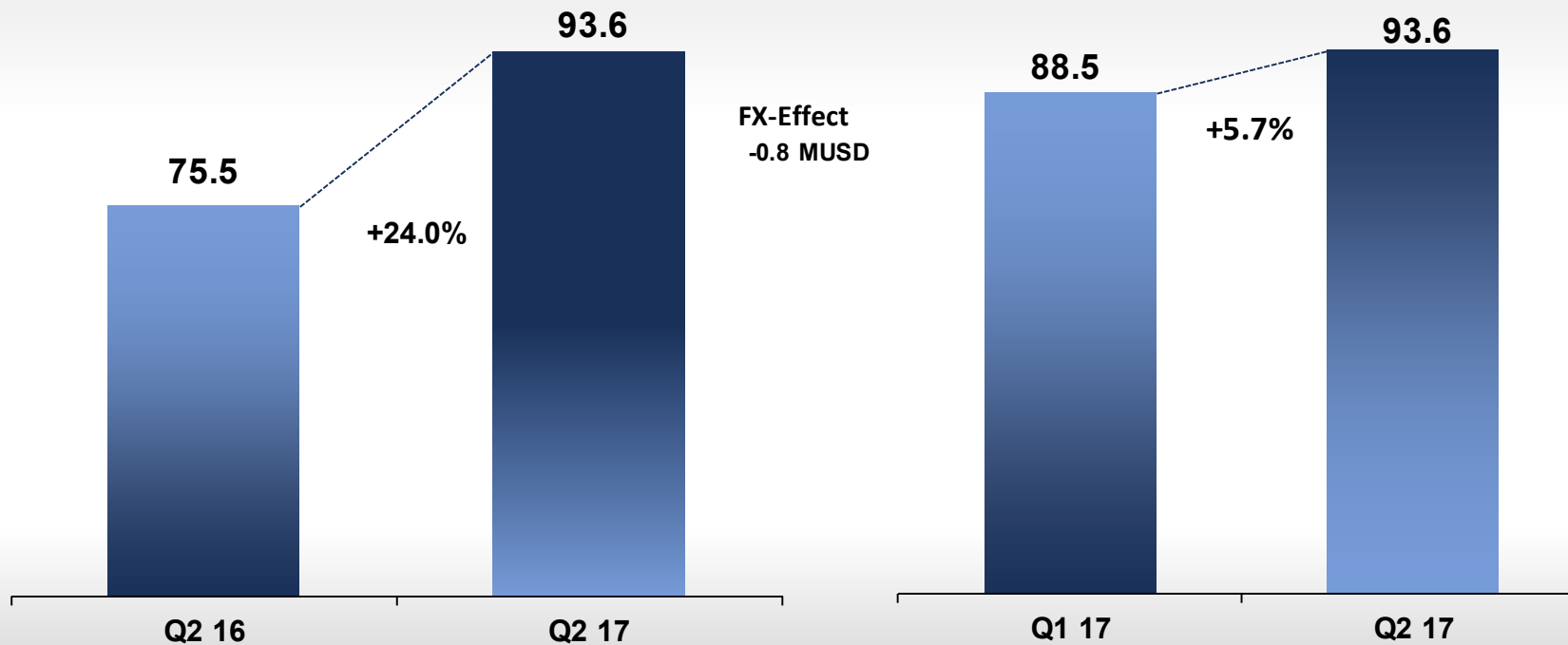
Matthias Tröndle

INFICON

Vice President and
Chief Financial Officer

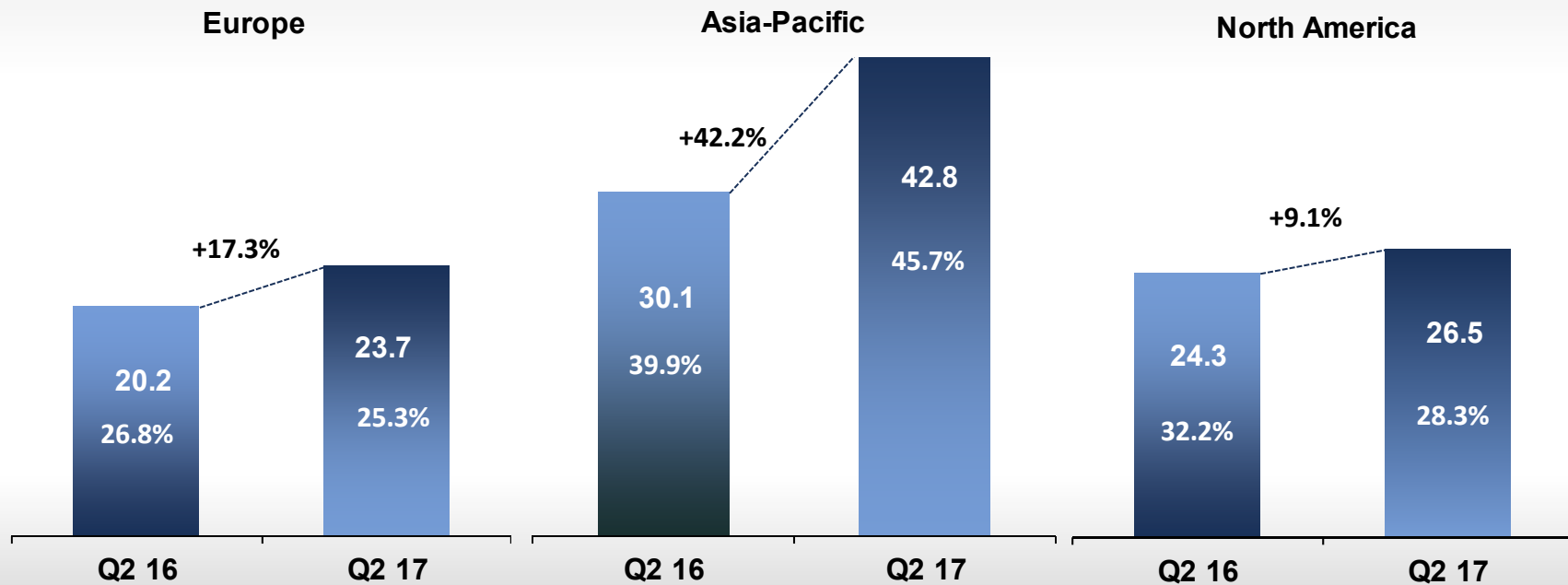


Sales (in USD million)



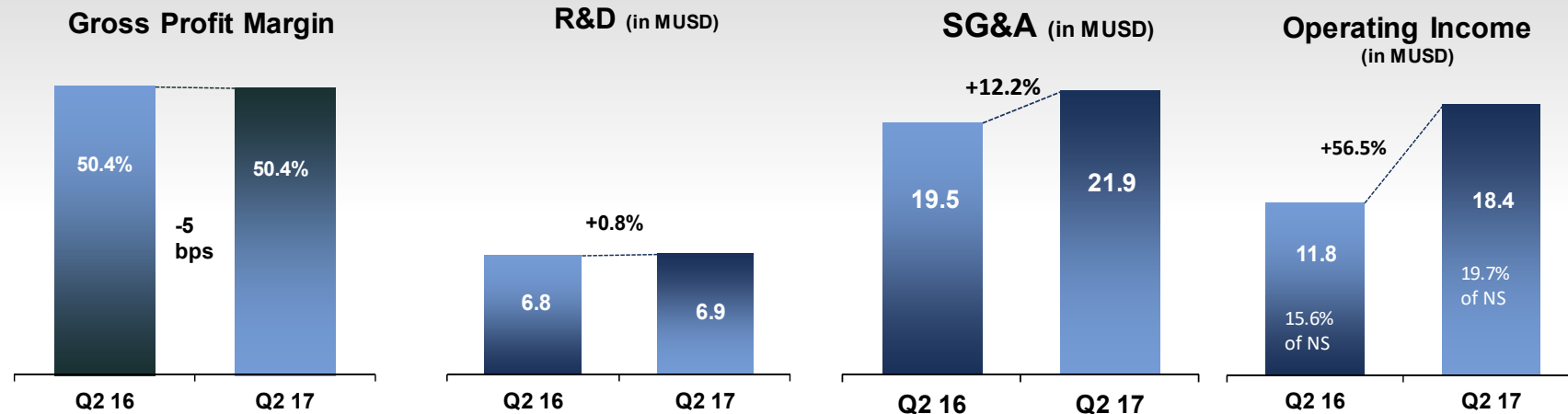
All end-markets increased except Security & Energy

Geographic Sales Breakdown (in USD million)



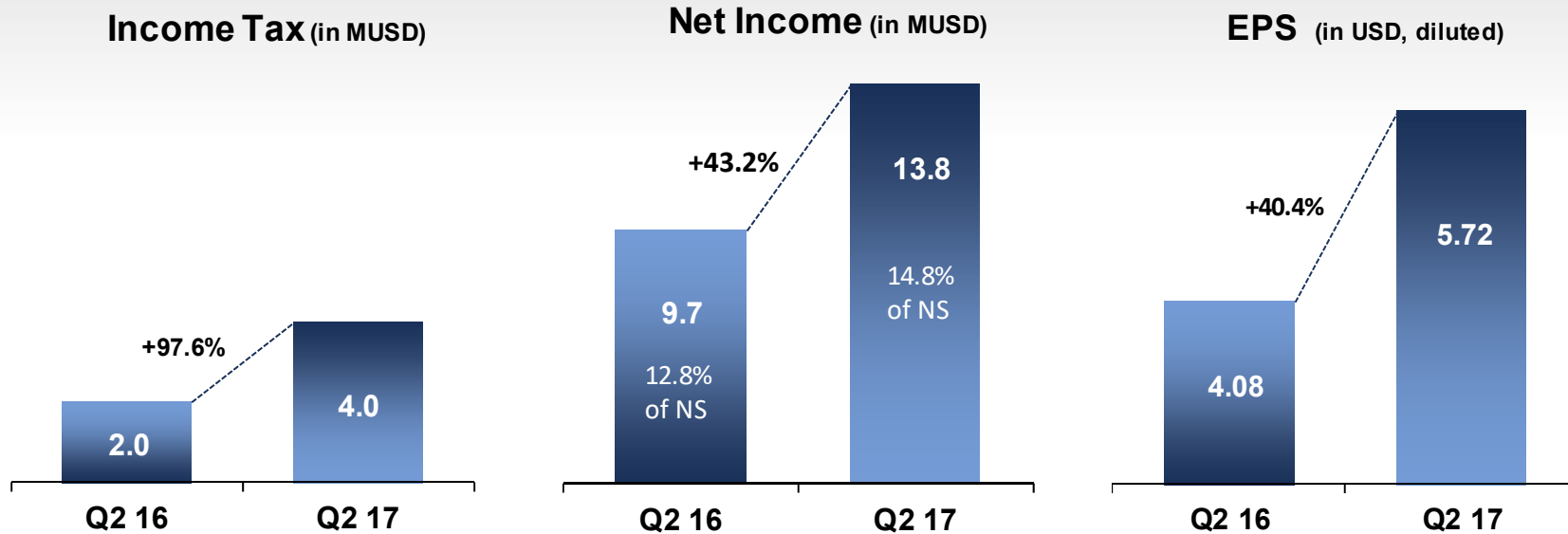
Growth in all regions

Gross Profit, Costs, and Operating Income



- **Gross profit margin:** 24% absolute increase, steady margin
- **R&D cost:** Stable; continued development efforts
- **SG&A:** Increase due to investments in marketing and selling capabilities, higher variable compensation and commissions
- **Operating income:** Increase due to higher sales volume, stable gross margin while costs slightly increased

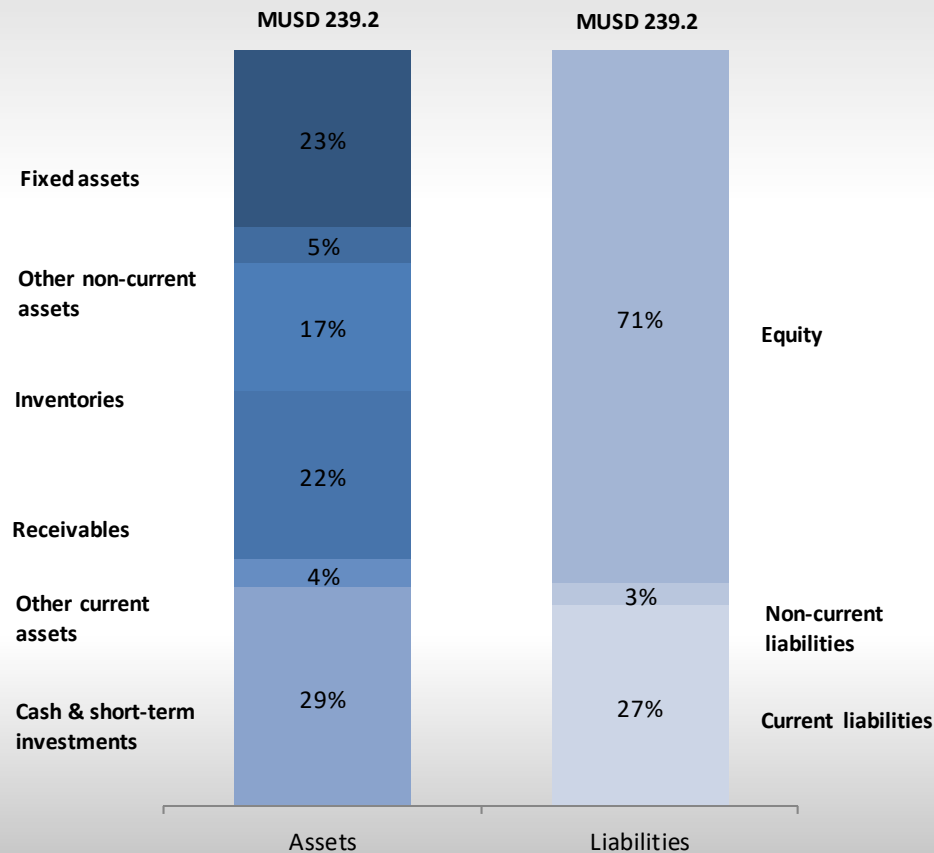
Net Income and EPS development



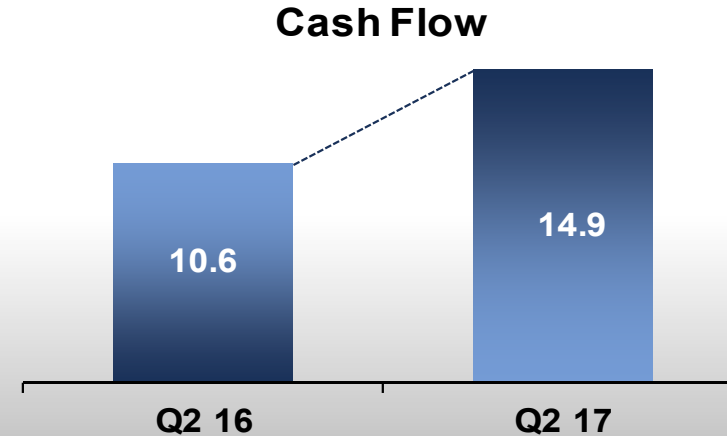
- **Income tax:** higher global tax rate of 22.2% driven by the mix in earnings and tax rates
- **Net income:** Increase due to higher operating income at higher tax expense
- **EPS:** Increase in line with net income

Balance Sheet Highlights (in USD million)

Balance Sheet Structure 2017



	Q2 17	Q4 16
Net Cash	51.4	63.9
DSO	48.7	47.4
Inventory Turns	4.3	3.8
Working Capital	22.6%	20.7%

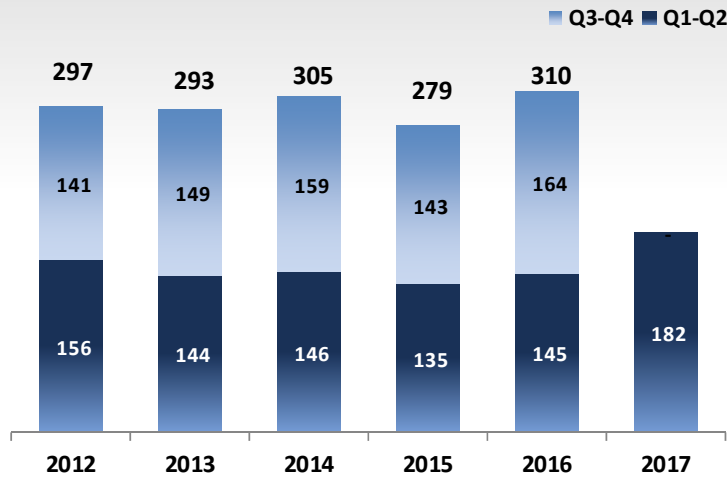


Solid balance sheet, improved inventory ratio, working capital driven by high AR balance, strong Q2 cash flow

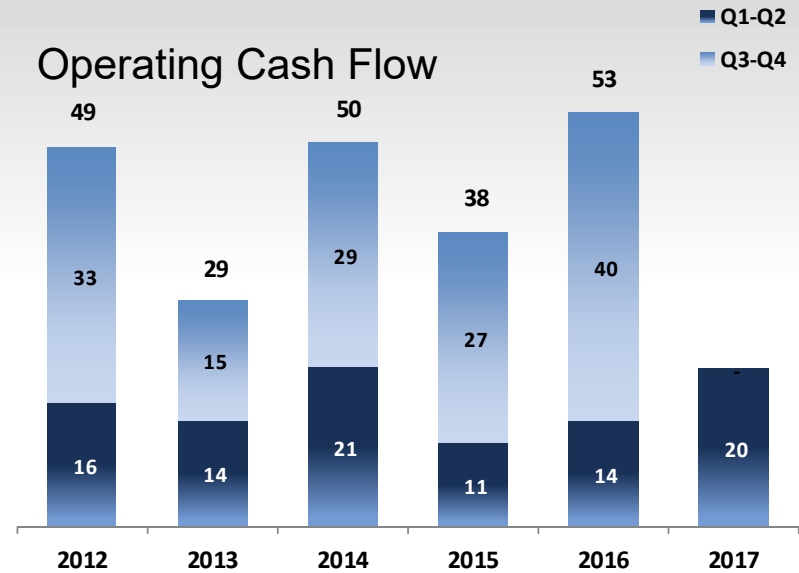
Financial Performance First Half-Year 2017

(USD million)

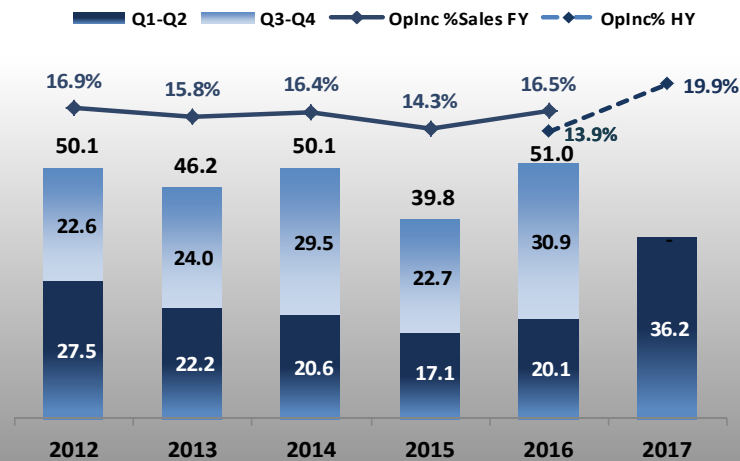
Net Sales



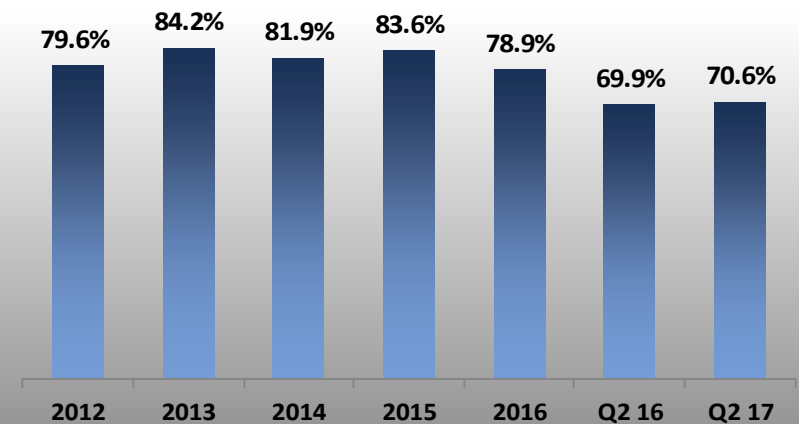
Operating Cash Flow



Operating Income and Ratio

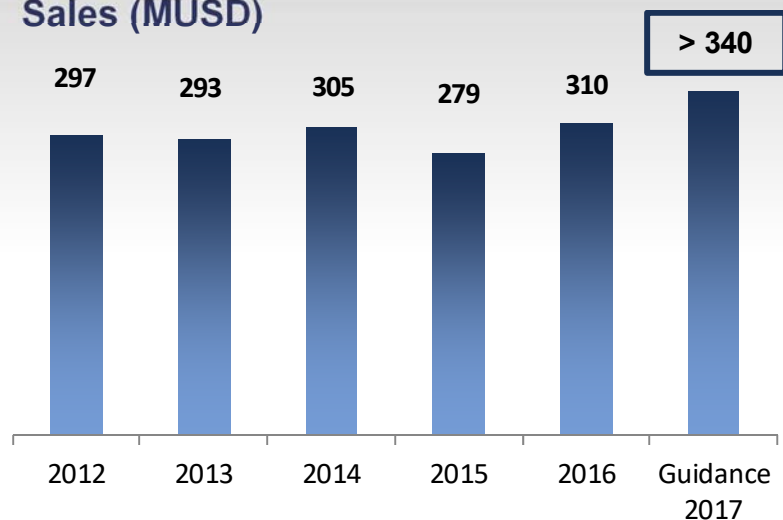


Equity Ratio



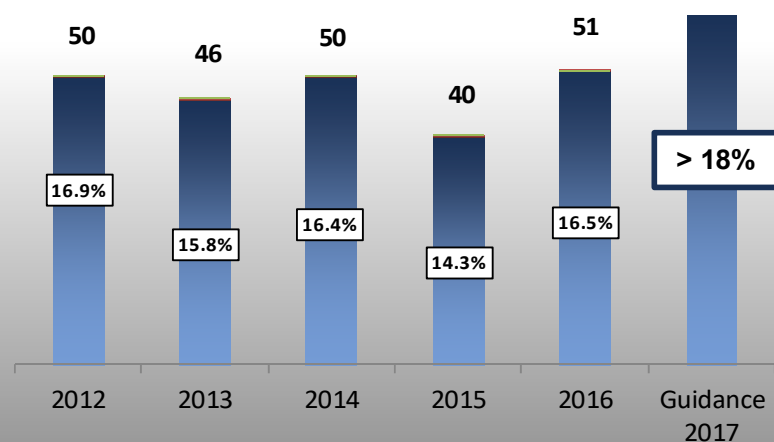
Full Year 2017 Guidance

Sales (MUSD)



Based on our current expectations for our end markets

Operating Income (MUSD)



Sales > 340 MUSD

Op. Income > 18%

Corporate Calendar FY 2017

- Q3 2017 Earnings Conference Call Thursday, October 19, 2017
- Q4 and FY 2017 Earnings Conference Call Tuesday, March 13, 2018
- Annual General Meeting Thursday, April 12, 2018
- Q1 2018 Earnings Conference Call Friday, April 20, 2018
- Q2 2018 Earnings Conference Call Thursday, July 26, 2018
- Q3 2018 Earnings Conference Call Thursday, October 18, 2018

Earnings dates are subject to change



THANK YOU !

Q&A

