



**Q4 2016 and Full Year 2016  
EARNINGS CONFERENCE**

March 14, 2017

Zürich, Switzerland

# Speakers

## Lukas Winkler, President and CEO

- Key figures Q4 2016 and FY 2016
- Target market business review
- Expectations 2017

## Matthias Tröndle, Vice President and CFO

- Financials Q4 2016 and FY 2016
- Distribution
- Guidance

# Lukas Winkler

INFICON

President and Chief Executive Officer



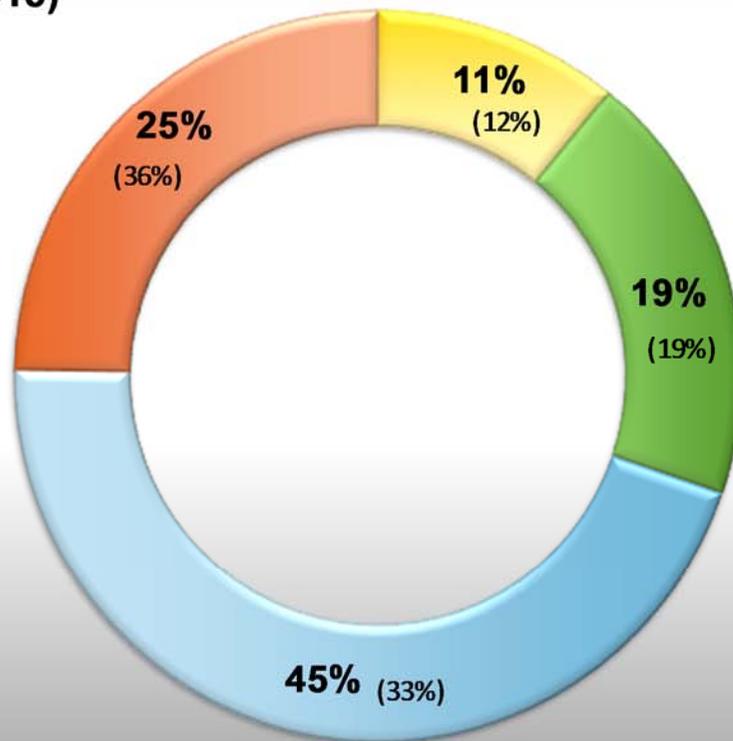
# Q4 2016 – Key Figures

- **Sales increase in all markets, except General Vacuum (GV)**
    - Consolidated sales increase of 21.3% to USD 86.2 million compared with Q4 2015, organic increase of 19.3%
    - Sequential sales increase over Q3 2016 of 10.2%
    - Book to bill ratio ~1
  
  - **Operating result influenced by**
    - Increased sales volume
    - Improved gross margin and higher overhead cost
    - Operating income of USD 18.2 million in Q4 2016 (21.1% of sales) compared with USD 11.1 million (15.6% of sales) in Q4 2015
- **Net income of USD 13.8 million or 16.1% of sales**

# Net Sales by End Market

USD 86.2 million in Q4 2016 vs. USD 71.1 million a year ago (+21.3%)

**Q4 2016  
(Q4 2015)**



- Security & Energy
- Refrigeration, Air Conditioning & Automotive
- Semi & Vacuum Coating
- General Vacuum

# FY 2016 – Key Figures

- **Sales increase in all markets, except General Vacuum (GV)**
    - Consolidated sales increase of 11.1% to USD 309.7 million compared with 2015, organic increase of 9.4%
    - Book to bill ratio ~1
  
  - **Operating result influenced by**
    - High sales volume
    - Stronger gross margin and increased overhead cost
    - Operating income of USD 51.0 million in 2016 (16.5% of sales) compared with USD 39.8 million (14.3% of sales) in 2015 (+28.3%)
- **Net income of USD 40.3 million or 13.0% of sales (+34.2%)**
- **Proposed cash distributions of 16.00 CHF per share**

# Semi & Vacuum Coating

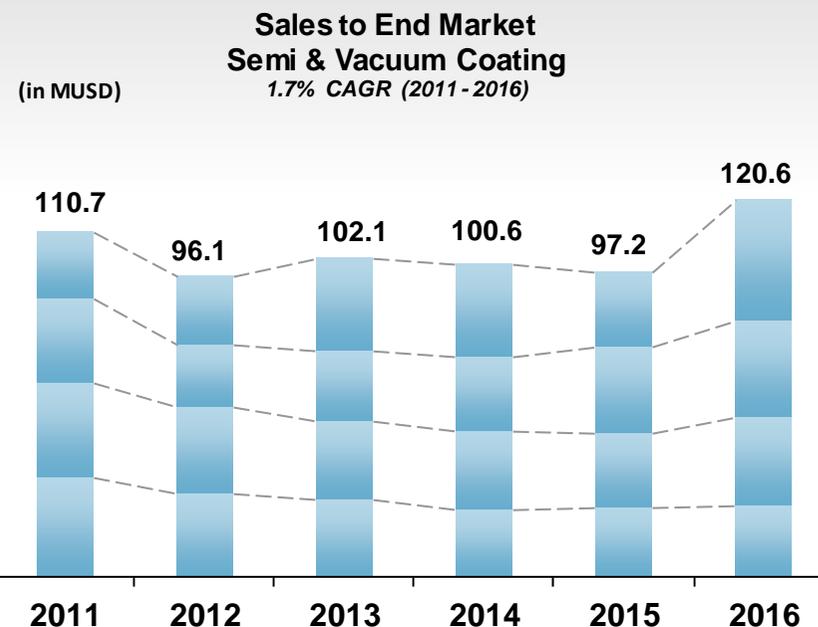
Solar, Display, Optics & Semiconductor

## Q4 2016

- Sales Q4 2016 increase of 63% vs. Q4 2015
- Sequential increase of 24%
- New annual sales record in FY2016, mainly due to large investments in OLED flat panel production capacity
- #1 position in process control, leak-detection and thin film monitoring, #2 for pressure measurement

## Market Trends

- Continuation of increased demand for mobile communication chips
- Investments in new Semi Fabs in China
- OLED replacing LCD technology for next-generation flat panel displays
- Very slow solar recovery in sight
- 2017 expectations: Growth



# Security & Energy

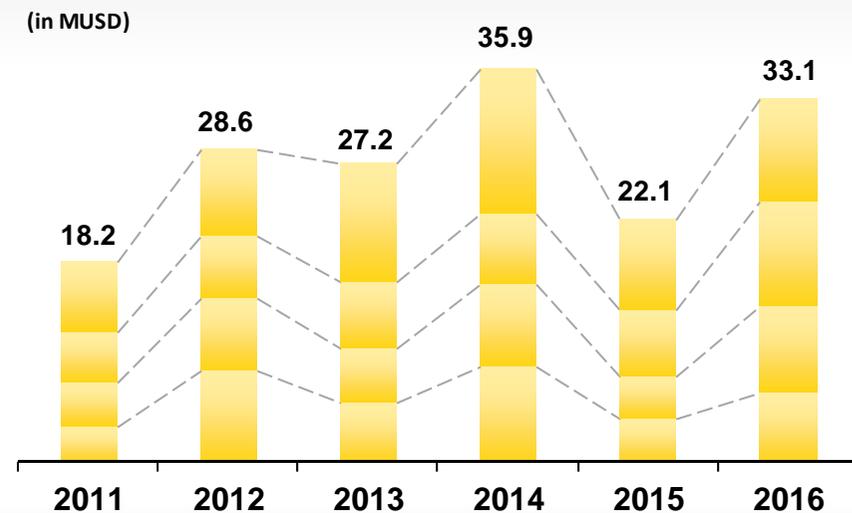
## Q4 2016

- Strong Q4 2016
- Sales increase 13% in Q4 2016 vs. Q4 2015 and decrease of 2% vs Q3 2016
- 2nd best year, due to sales to US and Chinese government customers
- Shipment bottlenecks solved / backlog reduction

## Market Trends

- Security needs around the world generate new business opportunities
- Interesting projects (China) for environmental application (air and water)
- New target markets and application opportunities in energy market with
  - Fusion® micro-GC technologies
  - Irwin® methane leak detector
- 2017 Expectations: Challenging

**Sales to End Market  
Security & Energy**  
12.6% CAGR (2011 - 2016)



# Refrigeration, Air Conditioning & Automotive

## Q4 2016

- Q4 2016 sales increase of 21% vs. Q4 2015 (some customer reclassifications)
- Sequential decrease of 2%; lower sales in all regions
- Continued market share gains

## Market Trends

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

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



# General Vacuum

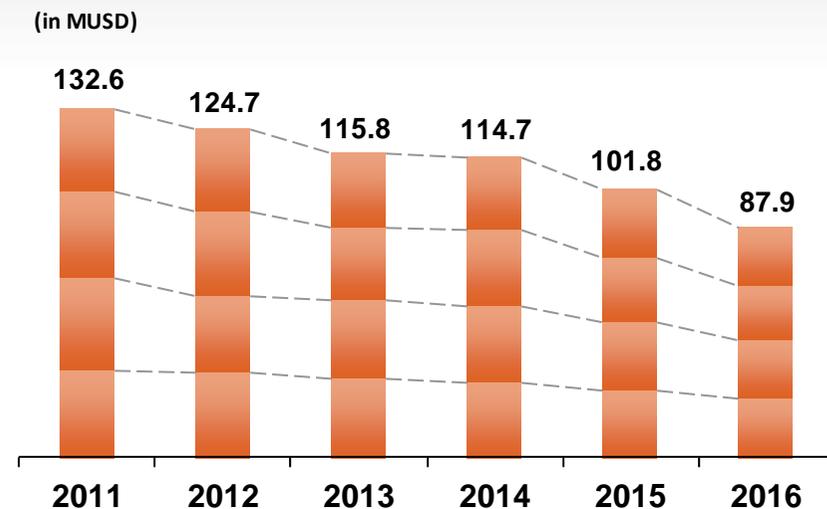
## Q4 2016

- Q4 2016 sales decrease 14% vs. Q4 2015, mainly due to lower sales to European distributors
- Sequential increase of 4%
- Customer reclassifications
- Contributions from InstruTech acquisition (US)

## 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)
- Growing demand in emerging market regions as well as recovery in the US
- 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)
  - Increased forecasts for new equipment (OEM business) incl. EUV lithography
- OLED flat panel display technology investment boom continuous  
INFICON products and consumables at all levels (sub-suppliers, OEMs and end-user)
- Higher investments in new leak-detection applications (industrial and automotive market) together with a sales initiative for hand-held service tools compensate for saturating RAC manufacturers markets (mainly China)  
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 320 million**

**→ Operating income margin greater than 17%**

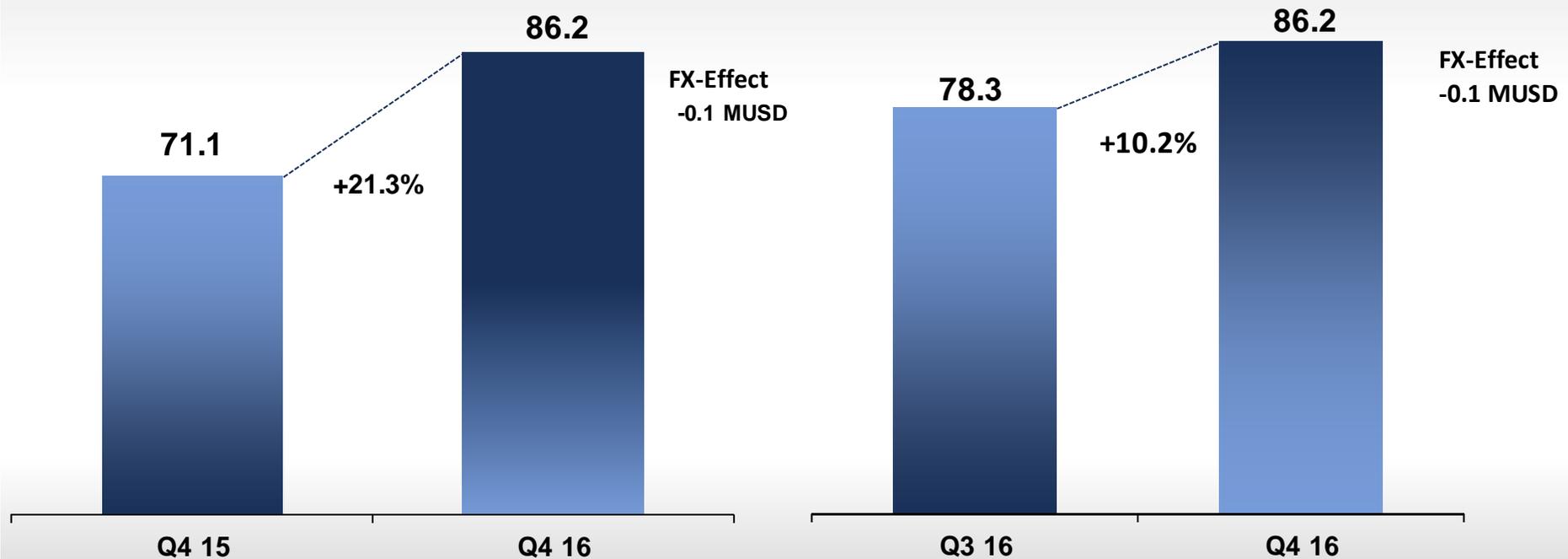
# Matthias Tröndle

INFICON

Vice President and  
Chief Financial Officer



# Sales (in USD million)

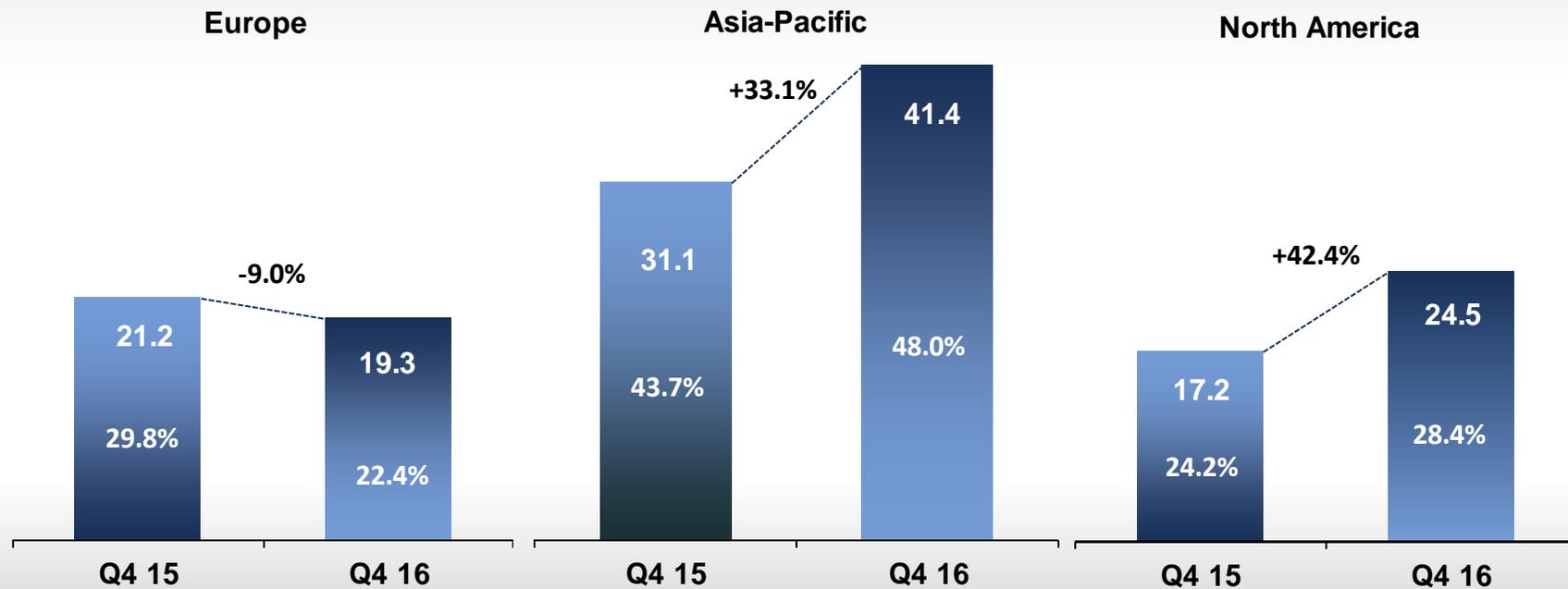


All end-markets increased except  
General Vacuum

General Vacuum and S&V  
increased, R&A and S&E slight  
decrease

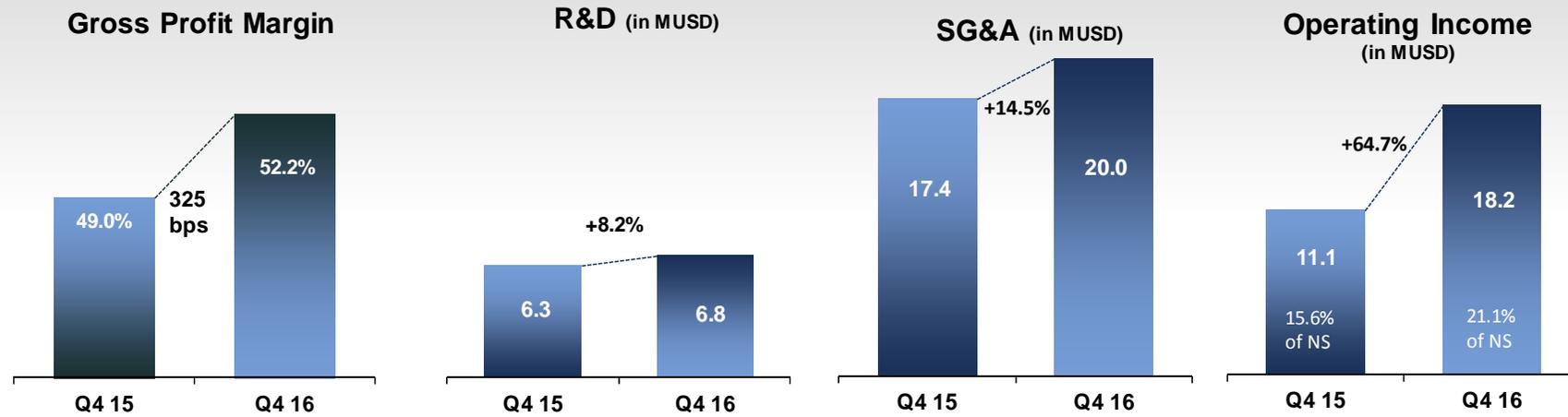
# Geographic Sales Breakdown – Quarter

(in USD million)



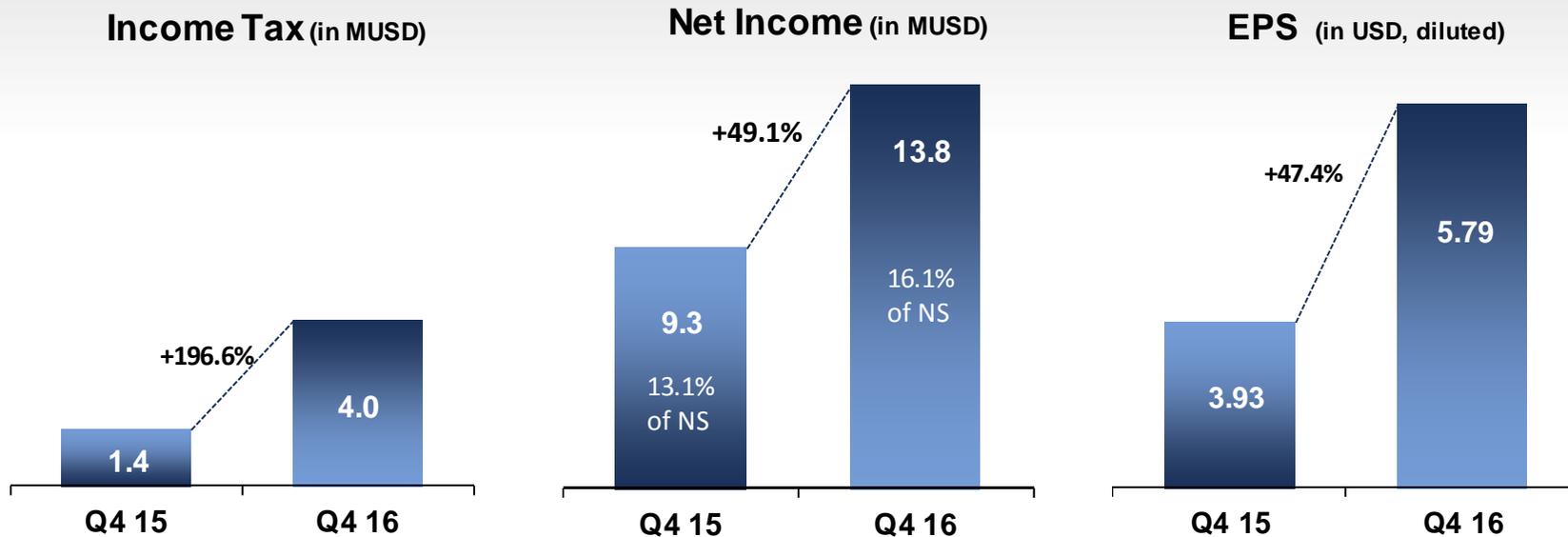
Increase in Asia and in North America, decrease in Europe

# Gross Profit, Costs, and Operating Income



- **Gross profit margin:** Clearly improved margin, driven by higher volume and mix. In absolute numbers margin increase of 3%
- **R&D cost:** Increase due to acquisition impacts and continued development efforts
- **SG&A:** Increase due to acquisition impacts, higher variable compensation and commissions
- **Operating income:** Increase due to higher sales volume, improved gross margin while costs slightly increased

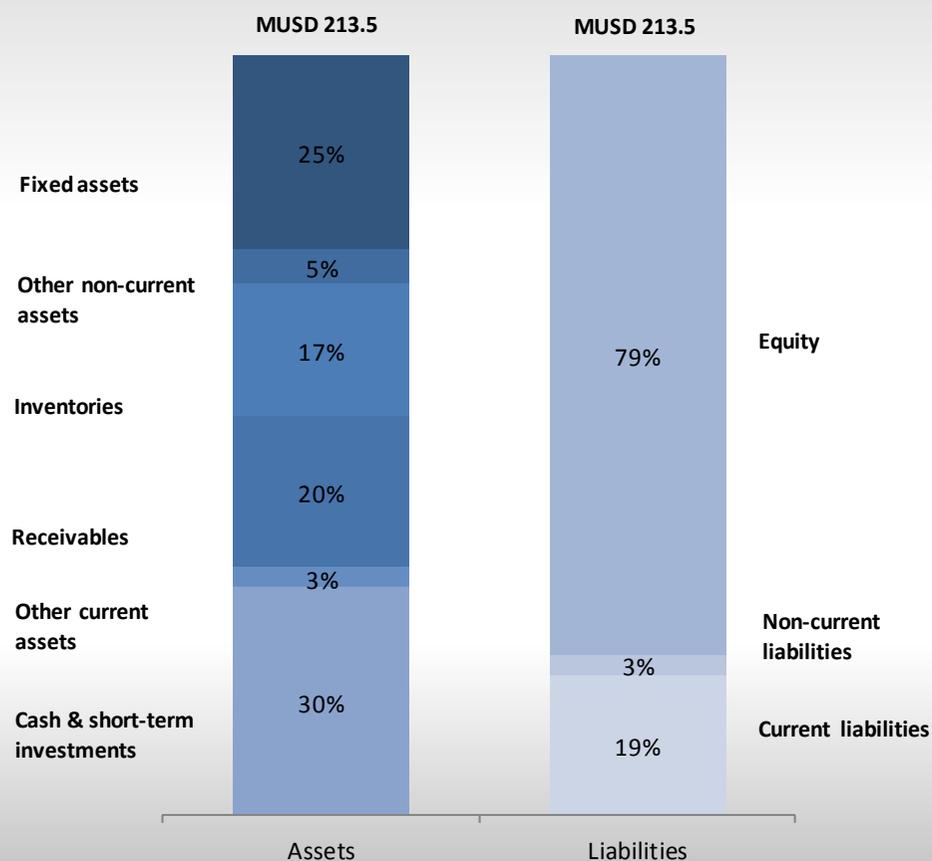
# Net Income and EPS development



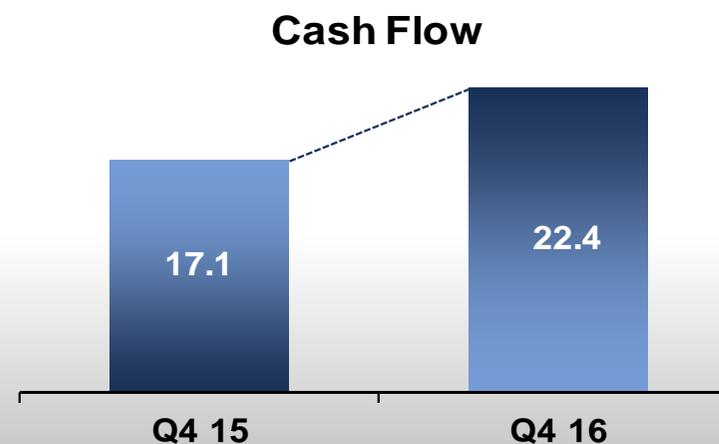
- **Income tax:** higher global tax rate of 22.6% driven by the mix in earnings and tax rates
- **Net income:** Increase due to higher operating income at higher tax expense
- **EPS:** Increase in line with net income

# Balance Sheet Highlights (in USD million)

## Balance Sheet Structure 2016



	Q4 16	Q4 15
Net Cash	63.9	60.9
DSO	47.4	45.6
Inventory Turns	3.8	3.6
Working Capital	20.7%	23.1%

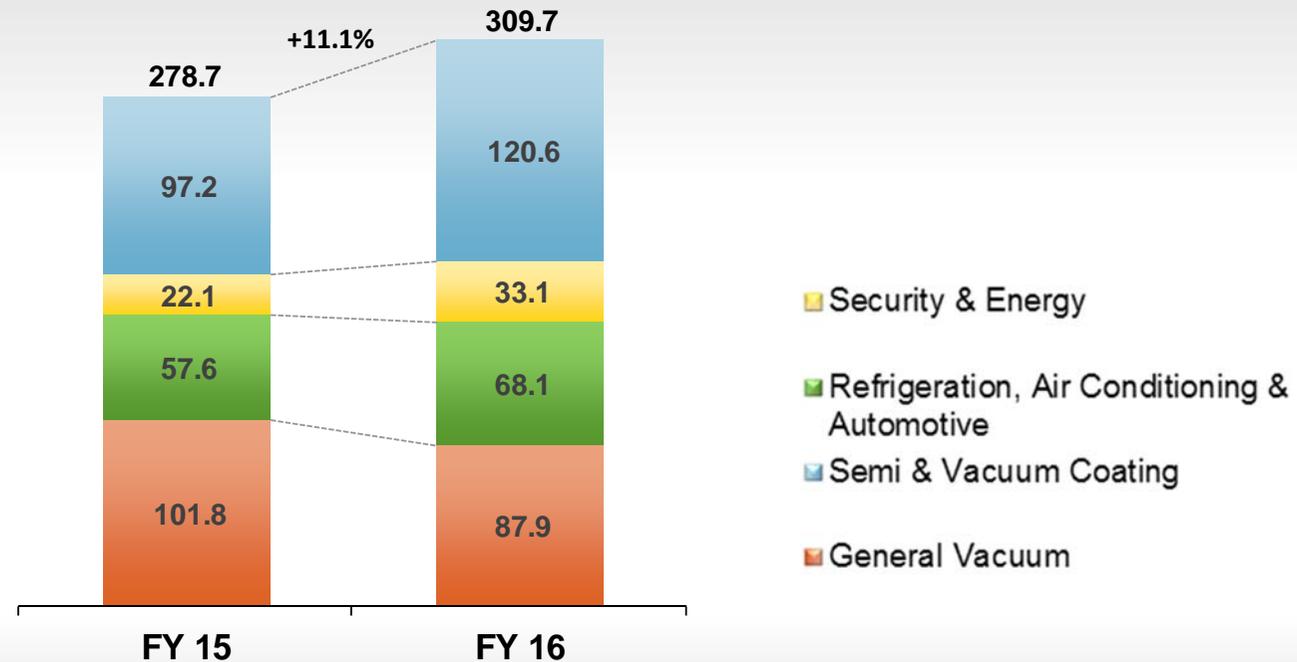


Solid balance sheet, improved inventory ratios, cash increased due to strong cash flow in Q4



# **FISCAL YEAR 2016 RESULTS**

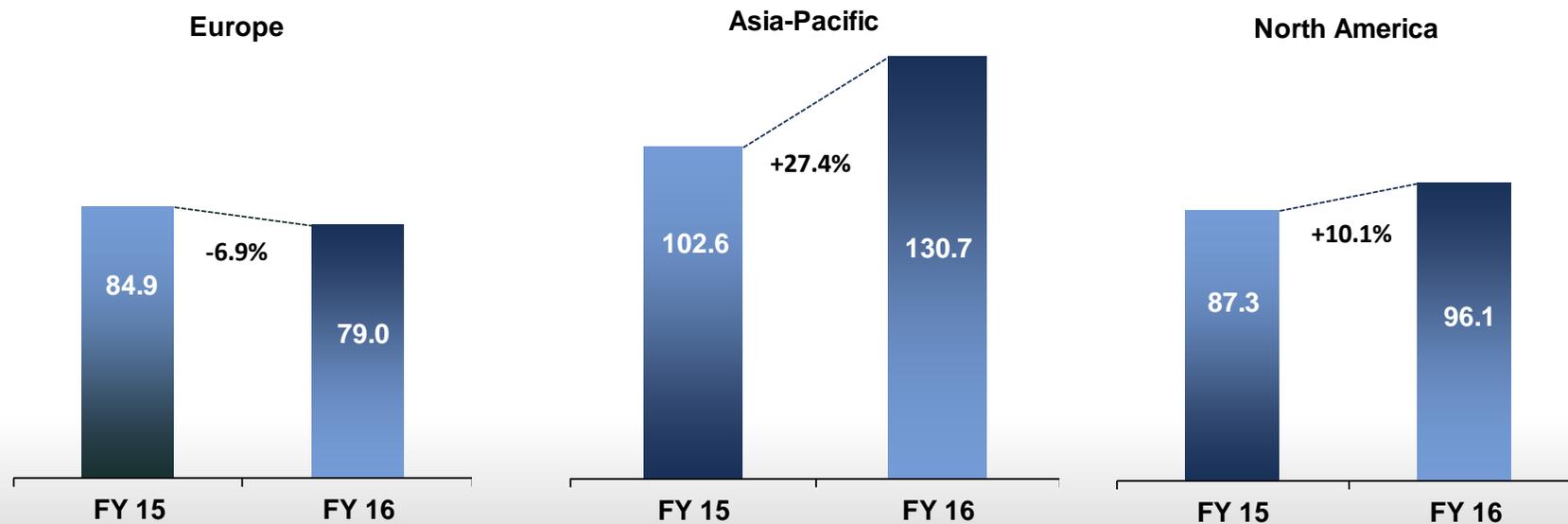
# Full Year Sales (in USD million)



Sales increase in all markets except General Vacuum;  
Organic increase of 9.4%

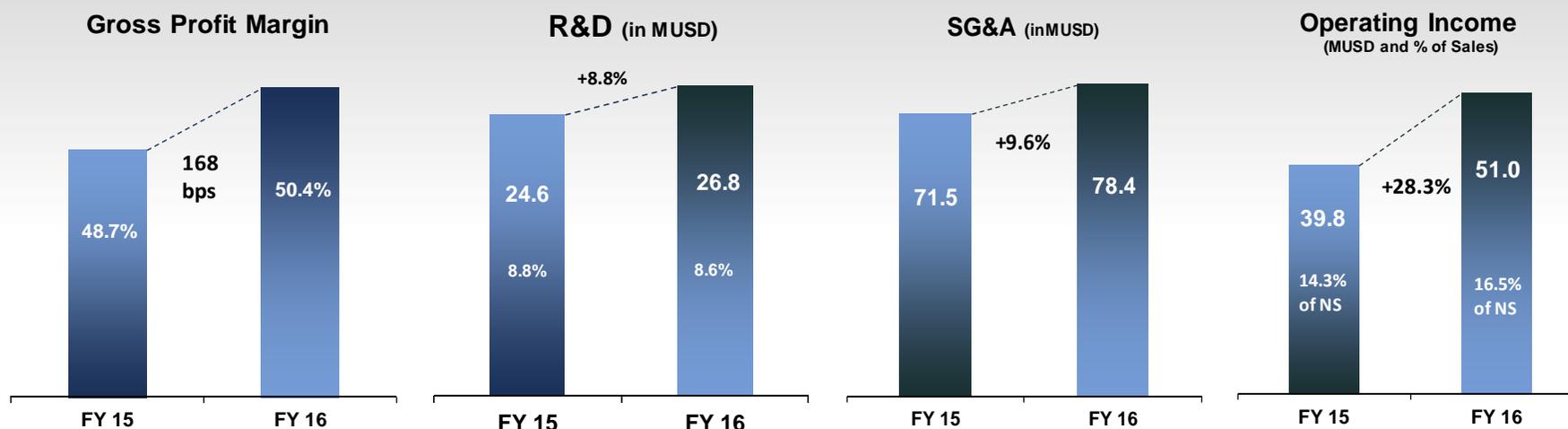
# Geographic Sales Breakdown – Full Year

(in USD million)



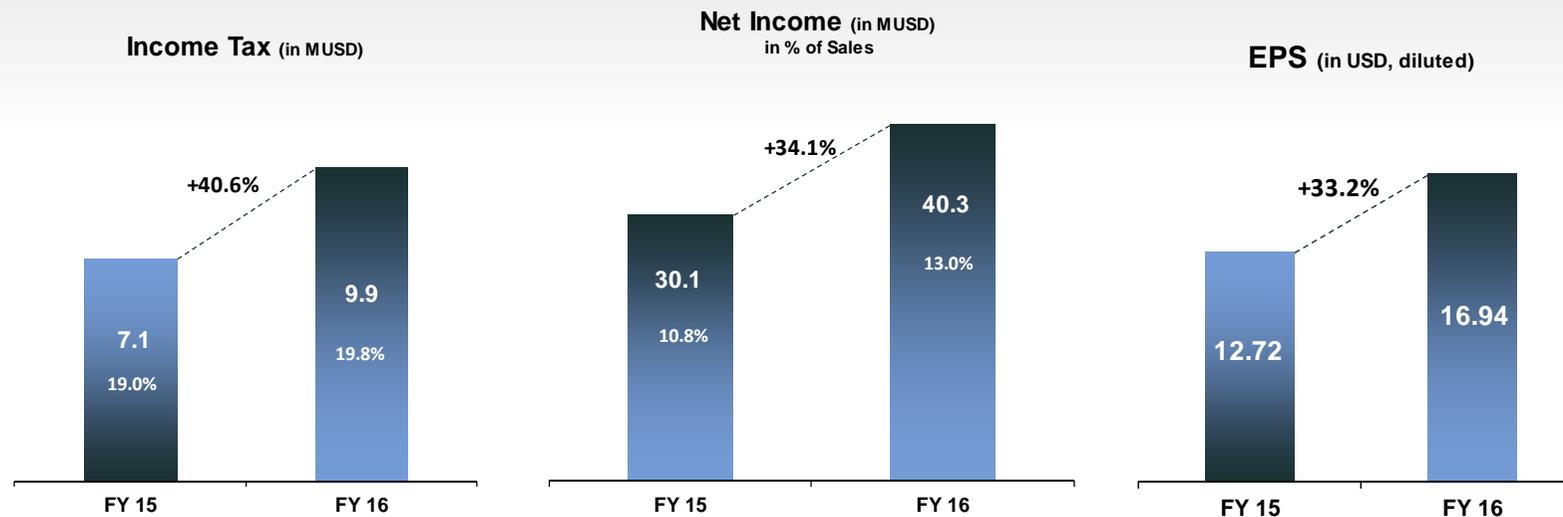
Increase in Asia-Pacific and North America, decrease in Europe

# Gross Profit, Costs, Operating Income (YoY)



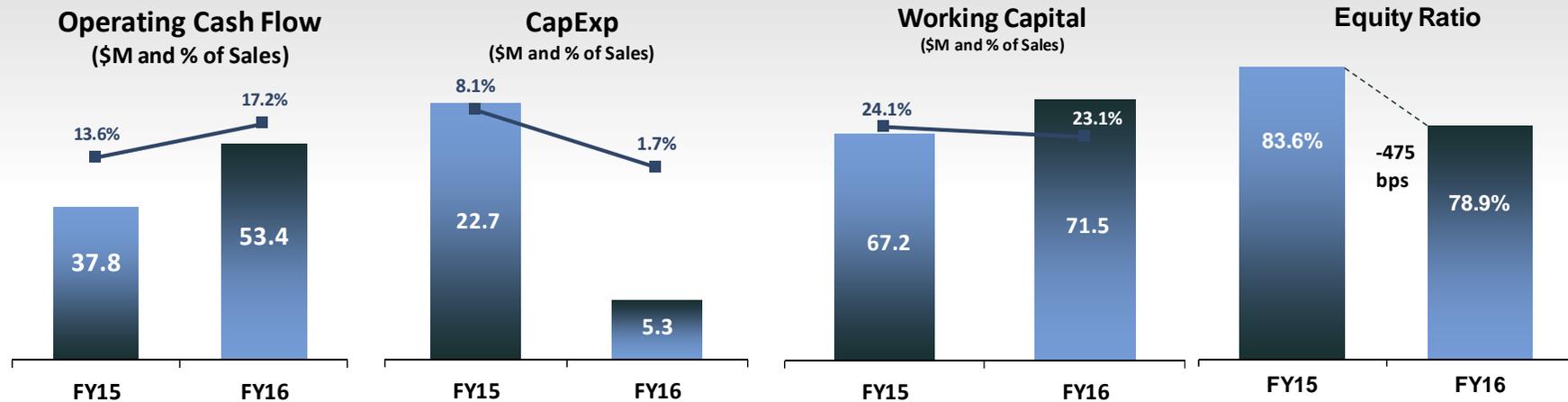
- **Gross profit margin:** Influenced by higher volume and favorable mix
- **R&D cost:** Increase due to higher variable compensation and acquisition impacts
- **SG&A:** Increase due to investments in marketing and selling capabilities, acquisition impacts and higher variable compensation
- **Operating income:** Increase due to higher sales volume, improved gross profit margin while costs have been kept under control

# Net Income and EPS development (YoY)



- **Income tax:** Increase due to EBIT development and mix in earnings and tax rates among the different tax jurisdictions
- **Net income / EPS:** Increase driven by operating income development, and less FX impacts

# Key Balance Sheet data (YoY)



- **Operating cash flow:** Increase due to higher net income, higher payables and liabilities partially compensated by higher A/R
- **CAPEX:** lower investments; FY15 heavy investment in building USA
- **Working capital:** higher balance, lower as a percentage of sales, tightly managed
- **Equity:** Slightly lower at a very solid level



# **DISTRIBUTION PROPOSAL**

# Distribution 2016

- **Strong Balance Sheet and Cash Generation**
  - No debt (short-term and long-term)
  - USD 64 million cash
  - Shareholders' equity ratio ~79%
  
- **Board of Directors intends to propose a cash distribution of CHF 16.00 per share**
  - Annual General Meeting of Shareholders on April 11, 2017
  - To be distributed out of capital contribution reserves
  - Returning ~USD 38.4 million cash to shareholders in 2017
  - Payout ratio ~95%
  - Attractive yield of approximately 3.6%



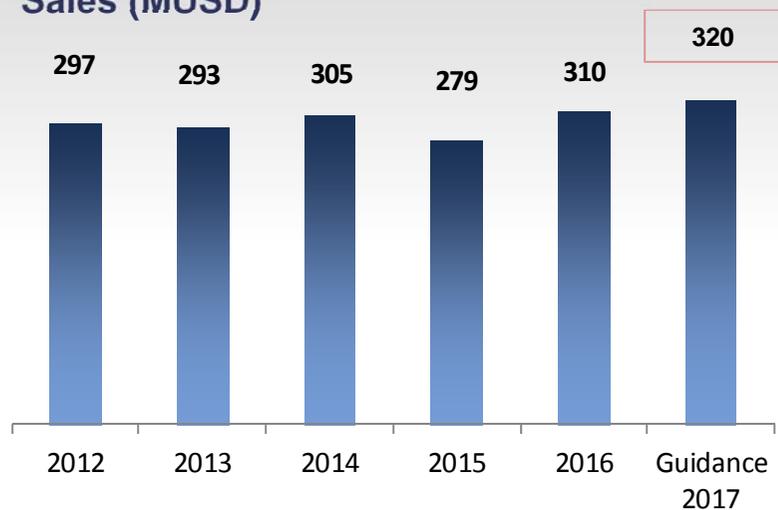
**GUIDANCE FY 2017**

**AND**

**CORPORATE COMMUNICATION CALENDAR**

# Full Year 2017 Guidance

## Sales (MUSD)

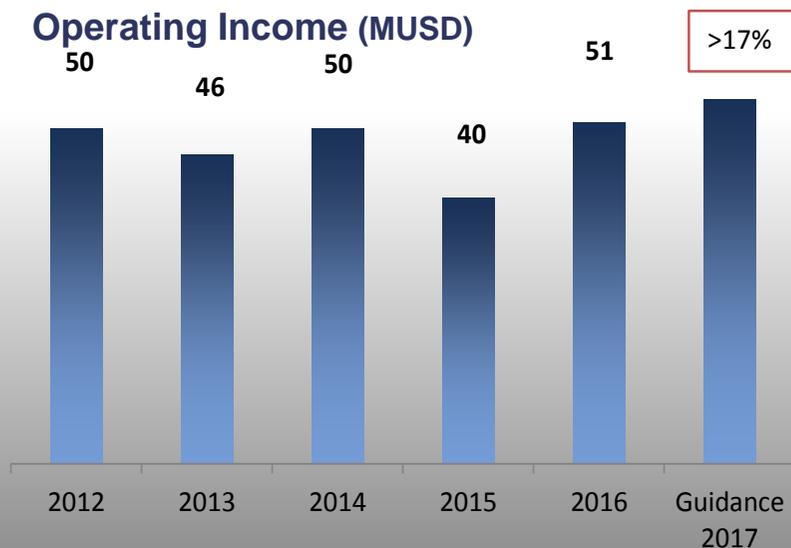


Based on our current expectations for our end markets

Sales > 320 MUSD

Op. Income > 17%

## Operating Income (MUSD)



# Corporate Calendar FY 2017

- Annual General Meeting Tuesday, April 11, 2017
- Q1 2017 Earnings Conference Call Friday, April 21, 2017
- Q2 2017 Earnings Conference Call Wednesday, July 26, 2017
- Q3 2017 Earnings Conference Call Thursday, October 19, 2017
- Q4 and FY 2017 Earnings Conference Call March 2018

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



**THANK YOU !**

**Q&A**

