



**Q2 2018
EARNINGS CONFERENCE CALL**

July 26, 2018

Bad Ragaz, Switzerland

Speakers

Lukas Winkler, President and CEO

Key figures Q2 2018

Target market business review

Expectations 2018

Matthias Tröndle, Vice President and CFO

Financials Q2 2018

Key financials first half-year 2018

Guidance

Speakers

Lukas Winkler

INFICON

President and Chief Executive Officer



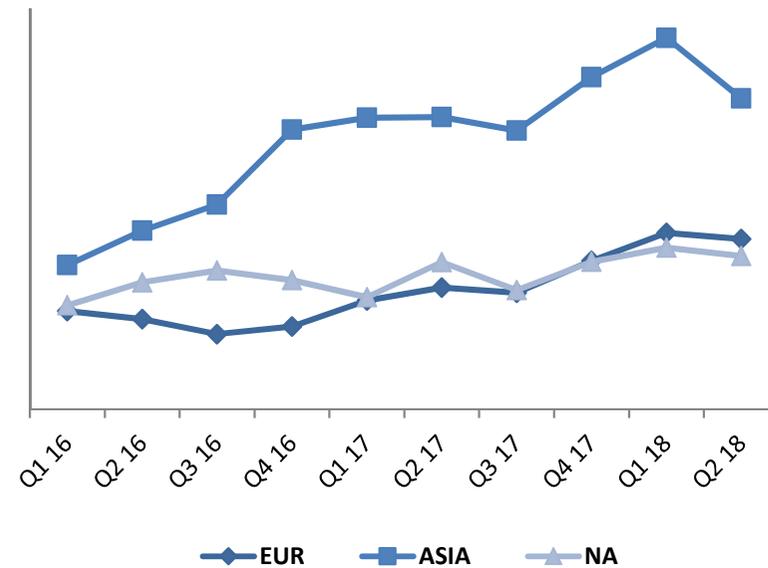
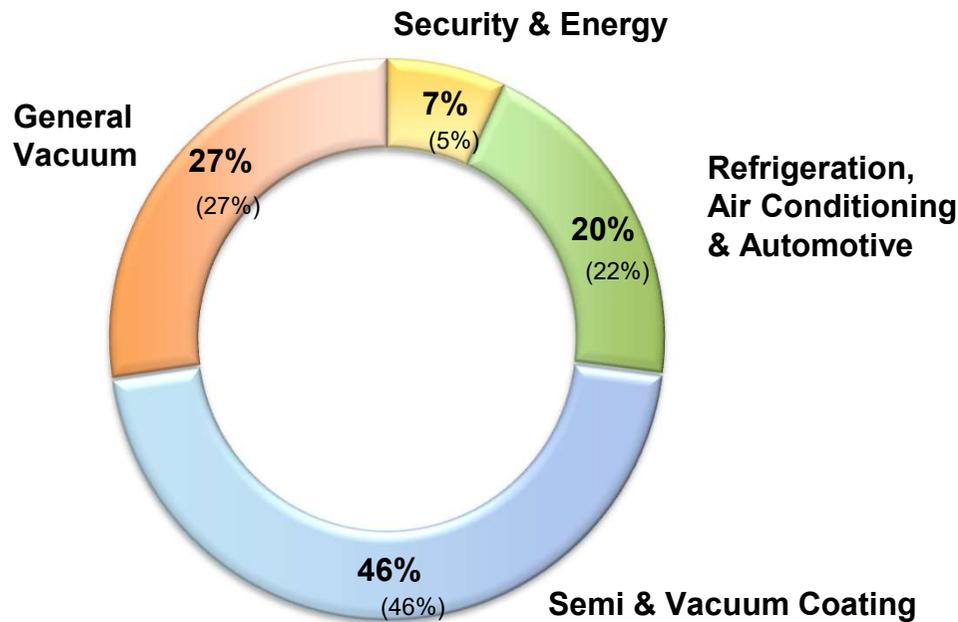
Q2 2018 – Key Figures

- **Sales increase in all markets and regions**
 - Consolidated sales increase of 11.3% to USD 104.2 million compared with Q2 2017, organic increase of 8.5%
 - Sequential sales decrease over Q1 2018 of 5.9%
 - Book to bill ratio close to 1

 - **Operating result influenced by**
 - Increased sales volume
 - Slightly increased gross margin and higher overhead cost
 - Operating income of USD 22.0 million in Q2 2018 (21.1% of sales) compared with USD 18.4 million (19.7% of sales) in Q2 2017
- **Net income of USD 17.1 million or 16.5% of sales**

Net Sales by End Market

USD 104.2 million in Q2 2018 vs. USD 93.6 million a year ago (+11.3%)



Security & Energy

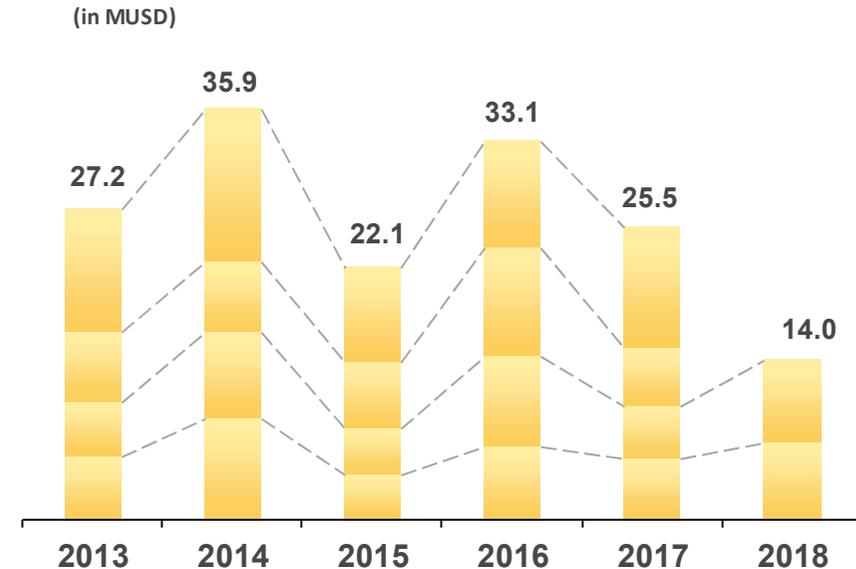
Q2 2018

- Sales increase 58% to USD 7.2 million in Q2 2018 vs Q2 2017 and sales increase 8% vs Q1 2018
- Majority of sales went to the Security market, mostly 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
- 2018 expectations: Challenging

Sales to End Market
Security & Energy
-2.3% CAGR (2012- 2017)



Refrigeration, Air Conditioning & Automotive

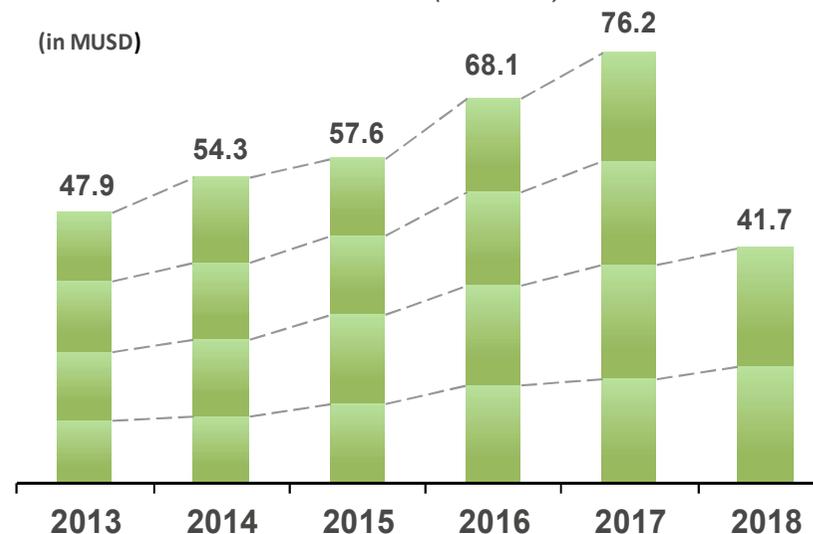
Q2 2018

- Q2 2018 sales increase of 3% to USD 20.9 million vs Q2 2017
- Growth in Asia and Europe
- Sequential slight increase of 0.6%
- Continued market share gains

Market Trends

- Tougher regulations drive increased use of leak-checking instruments in the automotive market
- New E-Mobility opportunities :
 - New and existing battery technologies
 - Fuel cell technology (Hydrogen)
- Increasing installed base and new sales distribution channels drive after-sale service products worldwide
- 2018 expectations: Growth

Sales to End Market
Refrigeration, Air Conditioning & Automotive
+9.8% CAGR (2012 - 2017)



Semi & Vacuum Coating

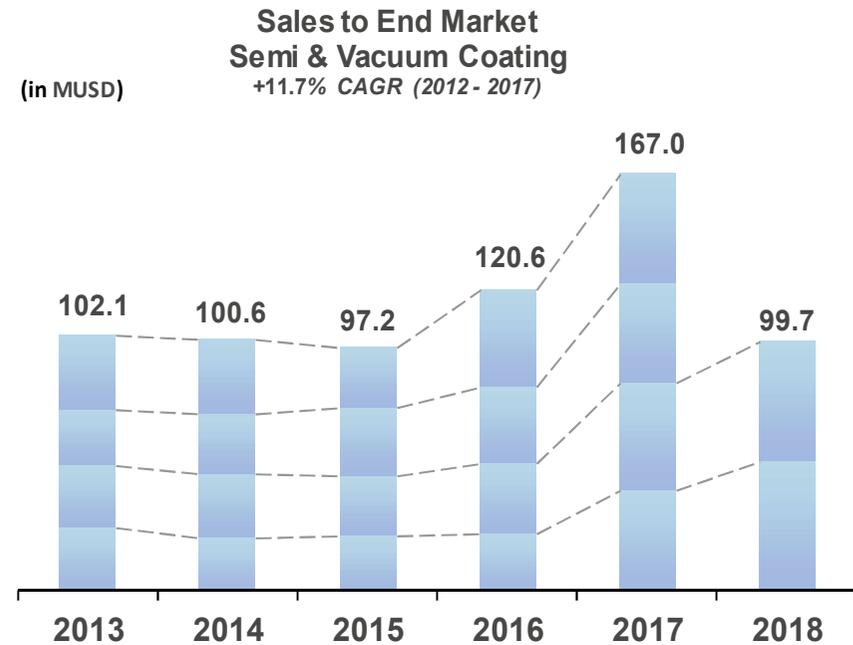
Solar, Display, Optics & Semiconductor

Q2 2018

- Sales Q2 2018 increase of 10% vs Q2 2017
- Sequential decrease of 9%
- Softening demand at a high level, still mainly driven by large investments in OLED flat panel display technology in Asia and 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 flat panel displays
- New investments in solar capacity (China)
- 2018 expectations: Growth, but lower 2nd HY



General Vacuum

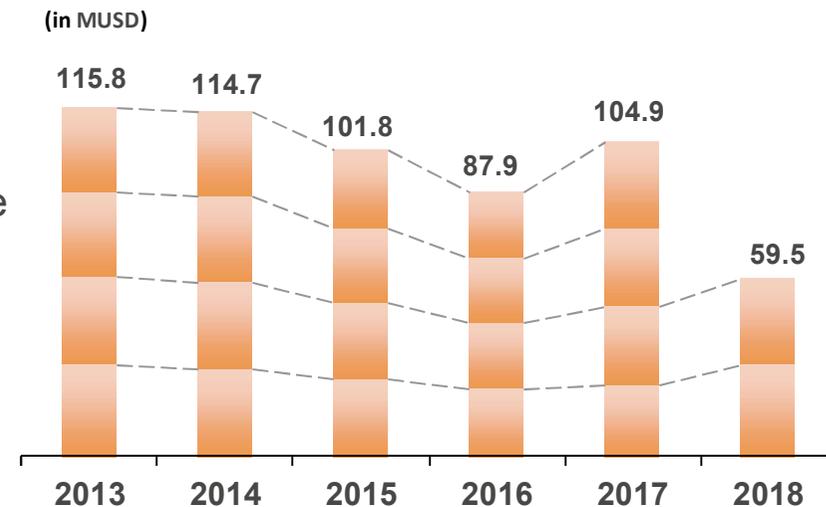
Q2 2018

- Q2 2018 sales grow 12% to USD 28 million vs Q2 2017, mainly due to higher sales to European and Asian customers
- Sequential decrease of 8% mainly due to a launch of a new product generation in Europe

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
- 2018 expectations: Slow growth

Sales to End Market
General Vacuum
-3.4% CAGR (2012 - 2017)



Outlook 2018

Positive – with a weaker second half 2018 (Semiconductor & OLED) and ongoing uncertainty from the Security & Energy market

- Semiconductor market weakening at a high level (Industry 4.0, IoT, Big Data, etc.)
 - Investments in new fabs (incl. China) and new technologies (3D, 7nm, ALD/E, MEMS)
 - Flat demand for new equipment (OEM business) incl. EUV lithography
- OLED flat panel display technology investments reached peak (Korea & China)
 - INFICON products and consumables at all levels (sub-suppliers, OEMs, and end-user)
- Defend high market share in stable RAC market and increase after sales services
- E-Mobility (current and future battery technologies)
- Continued improving global economy
- Uncertain global political situation with unclear impact on the Security market
- Accelerated sales growth from new applications: Energy and Food packaging

Guidance for FY 2018:

→ Sales around USD 400 million

→ Operating income margin greater than 19%

Speakers

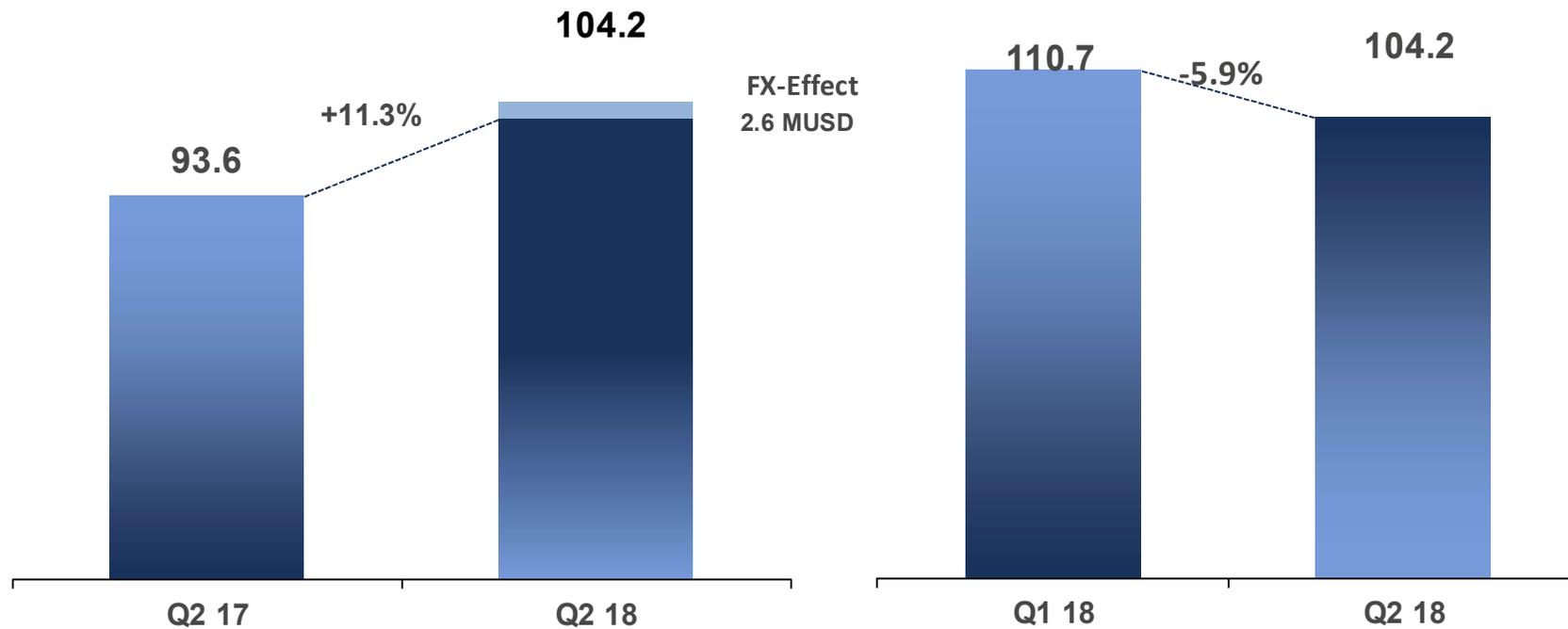
Matthias Tröndle

INFICON

Vice President and
Chief Financial Officer



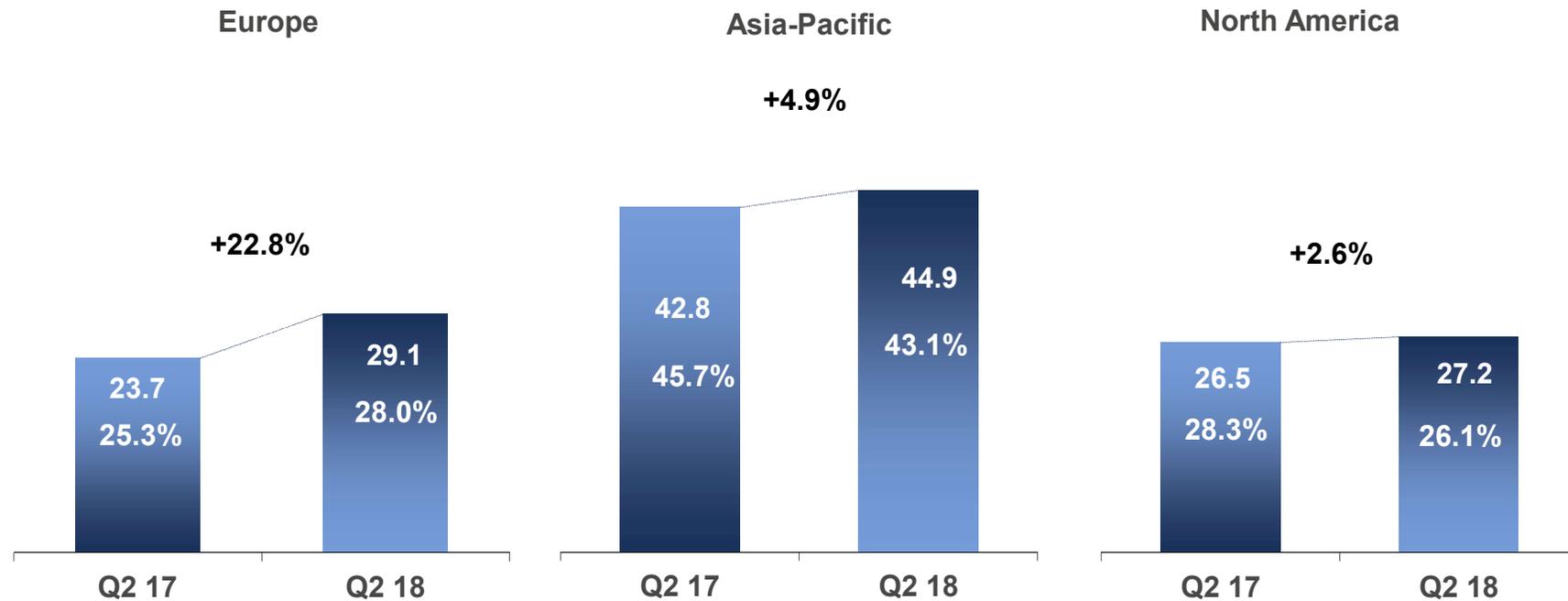
Sales (in MUSD)



All end-markets increased
RAC/Auto with new record

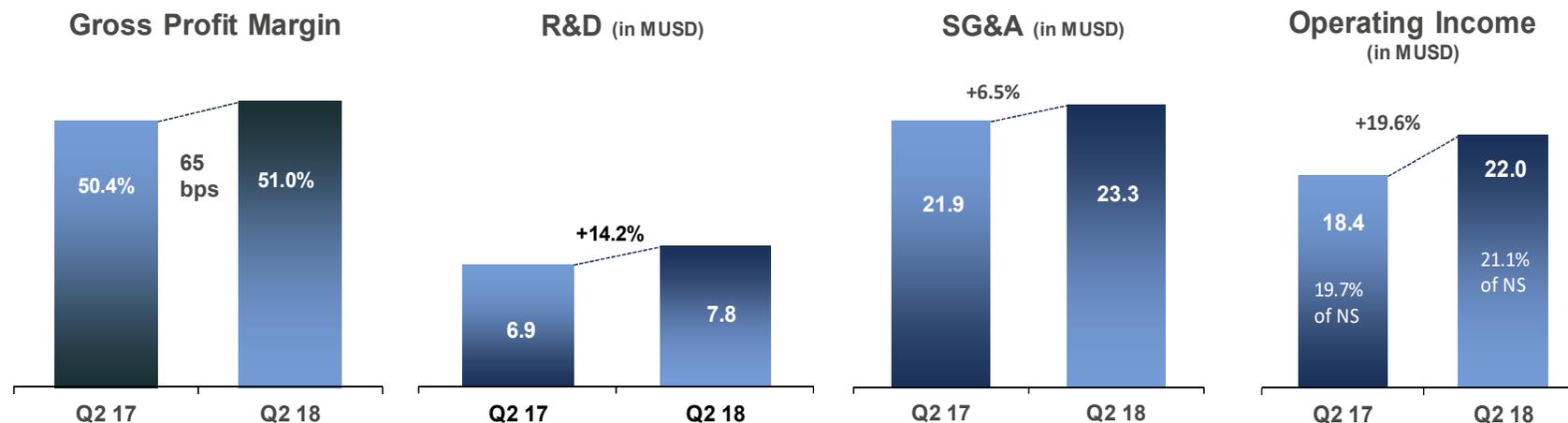
Mixed developments in end-markets

Geographic Sales Breakdown - Quarter (in MUSD)



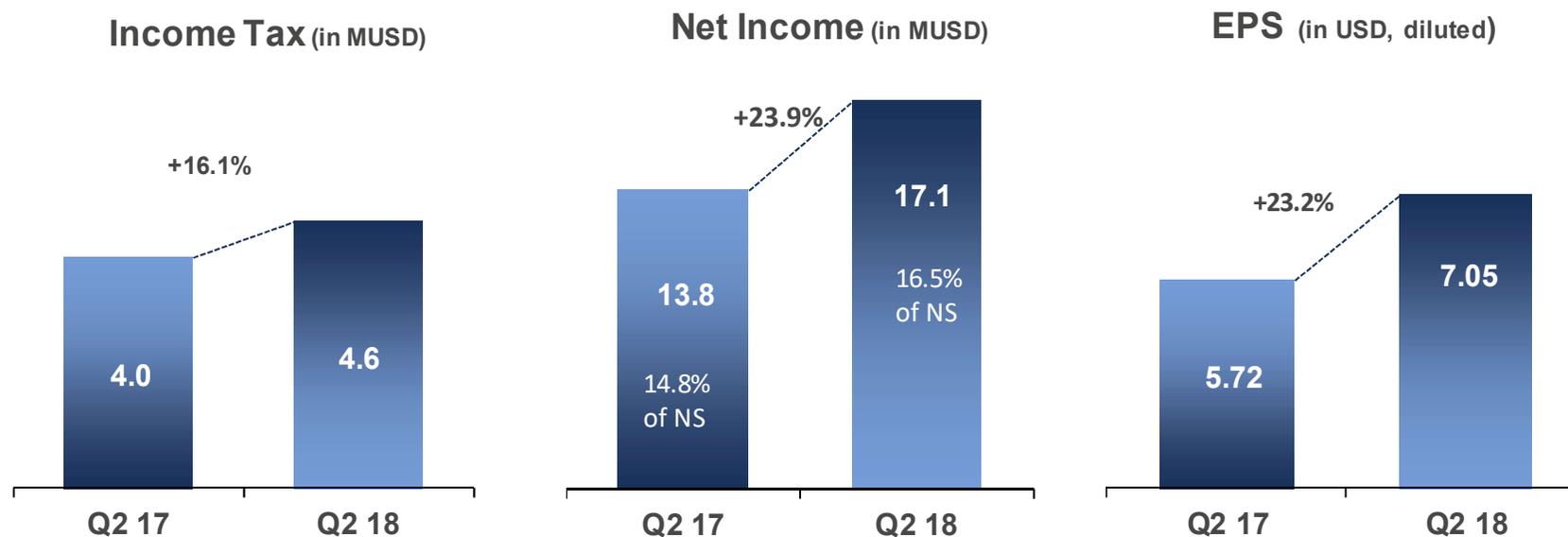
Growth in in all regions

Gross Profit, Costs, and Operating Income



- **Gross profit margin:** 13% absolute increase, slightly improved margin
- **R&D cost:** Increase; continued development efforts and F/X impacts
- **SG&A:** Investments in marketing and selling capabilities, higher variable compensation and commissions and F/X impacts
- **Operating income:** Growth due to higher sales volume, solid gross margin while costs slightly increased

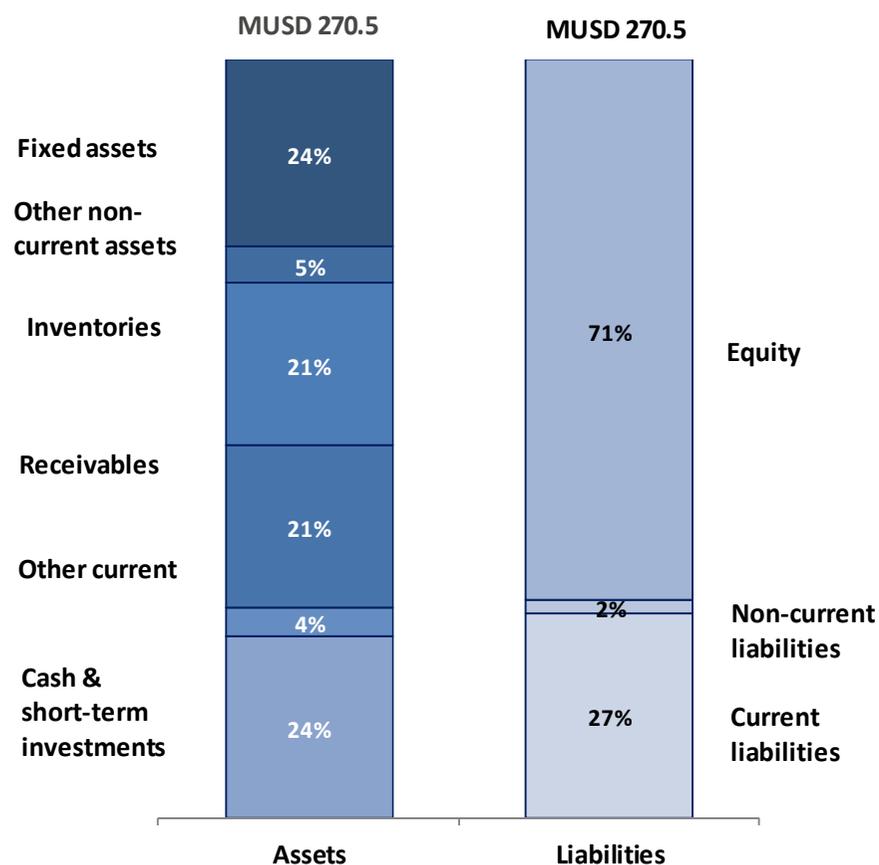
Net Income and EPS Development



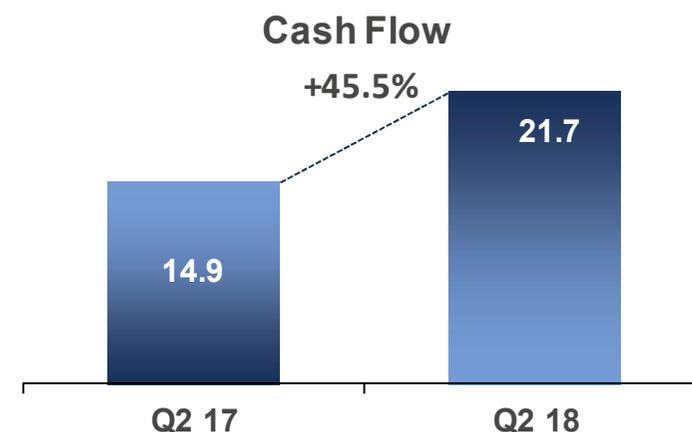
- **Income tax:** higher by 16.1%; lower global tax rate of 21.1% driven by the mix in earnings and tax rates
- **Net income:** Increase due to higher operating income and slightly lower global tax rate
- **EPS:** Increase in line with net income

Balance Sheet Highlights (in MUSD)

Balance Sheet Structure 2018



	<u>Q2 18</u>	<u>Q4 17</u>
Net Cash	45.7	85.0
DSO	50.9	50.3
Inventory Turns	3.9	4.2
Working Capital	104.5	91.3

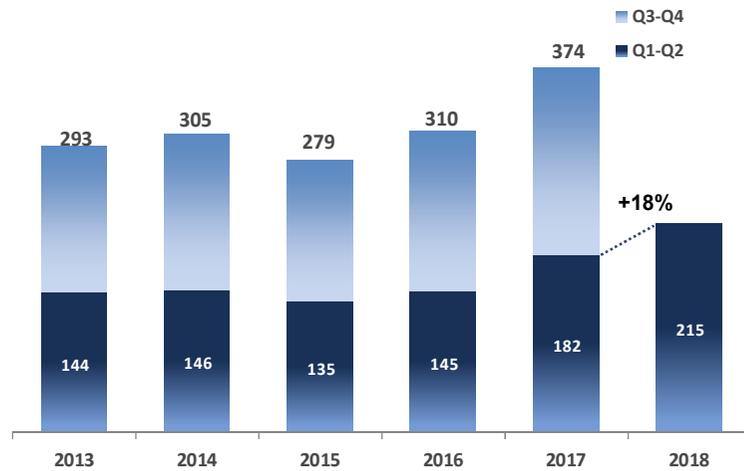


Solid balance sheet, turns ratio and working capital driven by higher inventory balance, improved Q2 cash flow

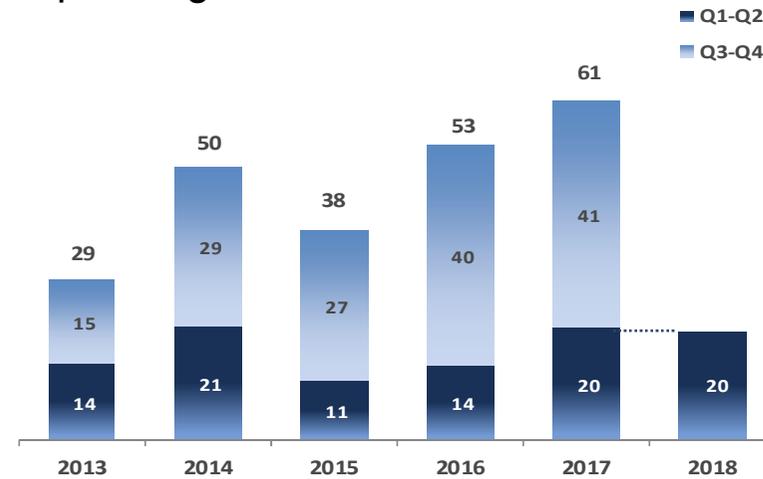
Financial Performance First Half-Year 2018

(USD million)

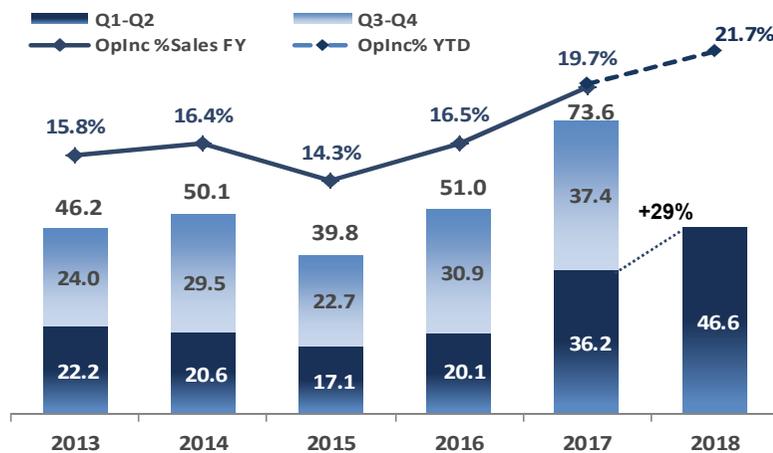
Net Sales



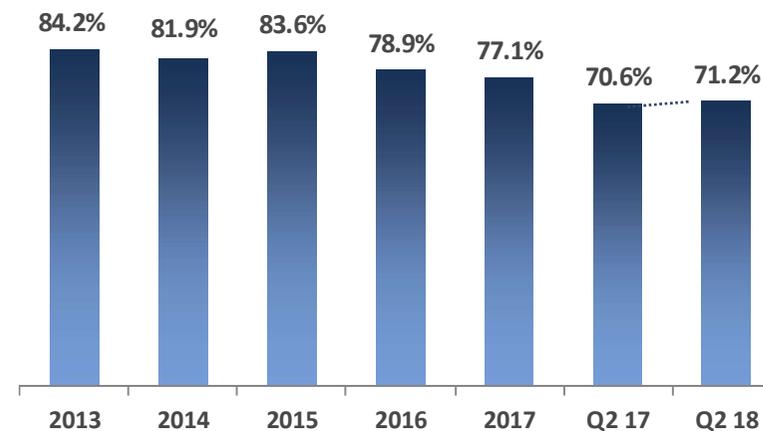
Operating Cash Flow



Operating Income and Ratio

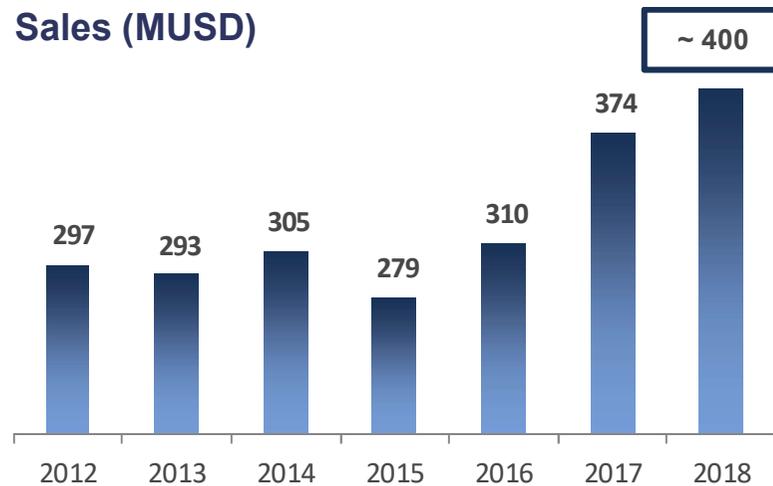


Equity Ratio



Full Year 2018 Guidance

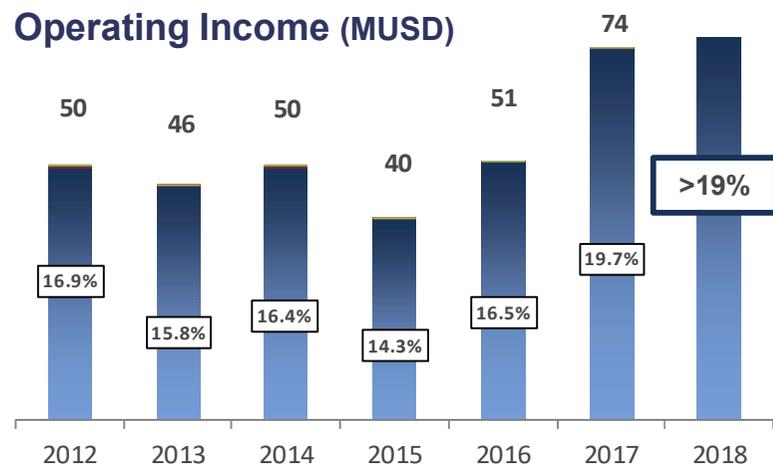
Sales (MUSD)



Confirmed guidance:

Based on our current expectations
for our end markets

Operating Income (MUSD)



Sales

~ 400 MUSD

Op. Income

> 19%

Corporate Calendar FY 2018

- Q3 2018 Earnings Conference Call Thursday, October 18, 2018
- Q4 and FY 2018 Earnings Conference Call March 2019

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



THANK YOU!

Q&A