



Q2 2016

EARNINGS CONFERENCE CALL

August 4, 2016

Bad Ragaz, Switzerland

Speakers

Lukas Winkler, President and CEO

- Key figures Q2 2016
- Target market business review
- Expectations 2016

Matthias Tröndle, Vice President and CFO

- Financials Q2 2016
- Key financials first half year 2016
- Guidance

Lukas Winkler

INFICON

President and Chief Executive Officer



Q2 2016 – Key Figures

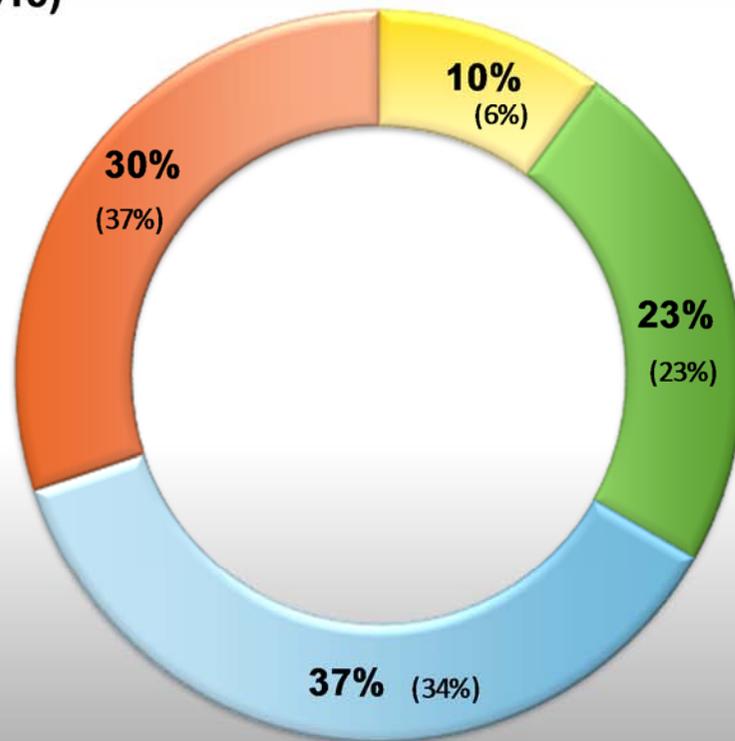
- **Sales increase in all markets, except General Vacuum**
 - Consolidated sales increase of 9.9% to USD 75.5 million compared with Q2 2015, organic increase of 8.3%
 - Sequential sales increase over Q1 2016 of 8.3%
 - Book to bill ratio ~1
 - First sales of packaging leak-detector Contura S400

 - **Operating result influenced by**
 - Increased sales volume
 - Improved gross margin and higher overhead cost
 - Operating income of USD 11.8 million in Q2 2016 (15.6% of sales) compared with USD 9.0 million (13.1% of sales) in Q2 2015
- **Net income of USD 9.7 million or 12.8% of sales**

Net Sales by End Market

USD 75.5 million in Q2 2016 vs. USD 68.7 million a year ago (+9.9%)

**Q2 2016
(Q2 2015)**



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

Semi & Vacuum Coating

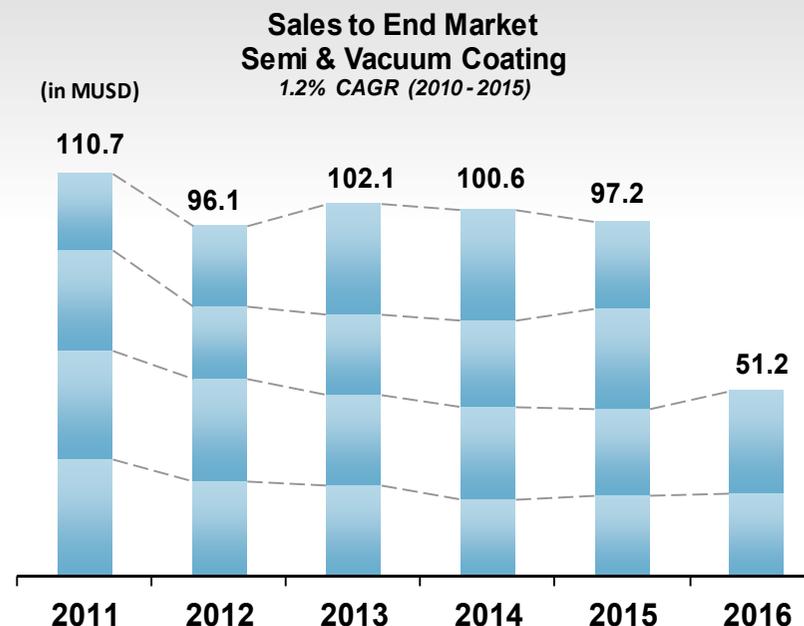
Solar, Display, Optics & Semiconductor

Q2 2016

- Q2 2016 sales increase 19% vs. Q2 2015 mainly driven by higher demand from Semiconductor & Vacuum Coating business in Asia
- Sequential increase of 20%
 - Stable Semiconductor business
 - Very strong OLED flat panel display market
 - Weaker Optics market (EU & US), and improved, but still low Solar business, primarily in China

Market Trends

- Continuation of increased demand for mobile communication chips
- Memory market recovery
- OLED replacing LCD technology for next-generation flat panel displays
- Slow Solar recovery in sight
- New Semi manufacturing technologies (no 450mm wafer activities so far, but EUV-lithography will be used at < 10 nm node technology)



Security & Energy

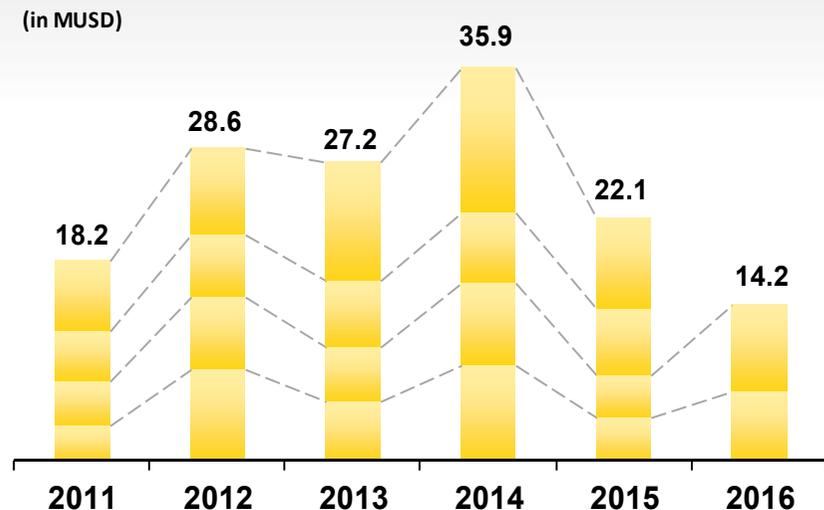
Q2 2016

- Q2 2016 sales increase of 90% vs. Q2 2015
- Increase of 22% vs. Q1 2016
- Shipment bottlenecks solved / backlog reduction

Market Trends

- Security needs around the world generate new business opportunities
- Good pipeline of opportunities within US DoD
- Interesting projects (China) for environmental application (air and water)
- New target markets and application opportunities in the energy market with
 - Fusion™ micro-GC technologies
 - IRwin™ methane leak detector

Sales to End Market
Security & Energy
0.1% CAGR (2010 - 2015)



Refrigeration, Air Conditioning & Automotive

Q2 2016

- Q2 2016 sales increase of 11% vs. Q2 2015 (some Customer reclassifications)
- Sequential increase of 1%; higher sales in all regions
- Continued market share gains

Market Trends

- Tougher regulations drives increased use of instrumentations in the automotive market
- Industrial market recovery in US
- Saturation of RAC manufacturers market (mainly China)
- Increasing installed basis and new sales distribution channels drive after-sale service products worldwide

Sales to End Market
Refrigeration, Air Conditioning & Automotive
6.4% CAGR (2010 - 2015)



General Vacuum

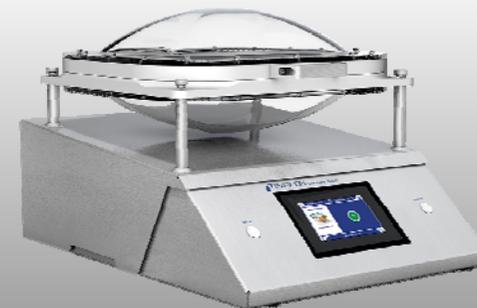
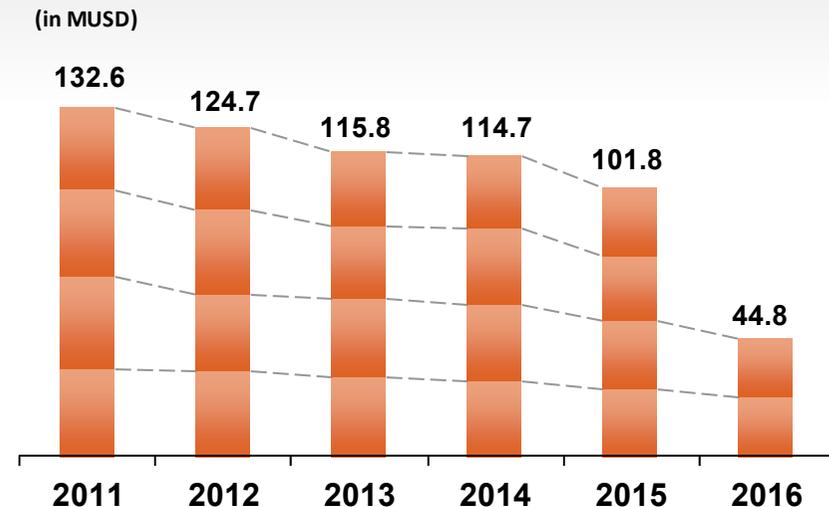
Q2 2016

- Q2 2016 sales decrease 12% vs. Q2 2015, mainly due to lower sales to European distributors
- Sequential decrease of 2%
- 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

Sales to End Market
General Vacuum
-1.4% CAGR (2010 - 2015)



Outlook 2016

Challenging – with mixed signals from different markets/regions

- Semiconductor market expectations with mixed indications
 - Increased forecasts for new equipment (OEM-business) incl. EUV lithography
 - But diffuse (confuse) outlook from some chip-manufacturers (end-users)
- OLED flat panel display technology investment boom in 2016 (Korea and China)
 - 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)
- Solid US DoD business activities and new gas monitoring safety applications
- Increased sales from General Vacuum, due to acquisition (InstruTech) and sales initiatives
- First sales contribution from new applications: Public Utility, Packaging Leak Detection, Fracking

Guidance for FY 2016:

→ Sales exceeding USD 300

→ Operating income margin greater than 15%

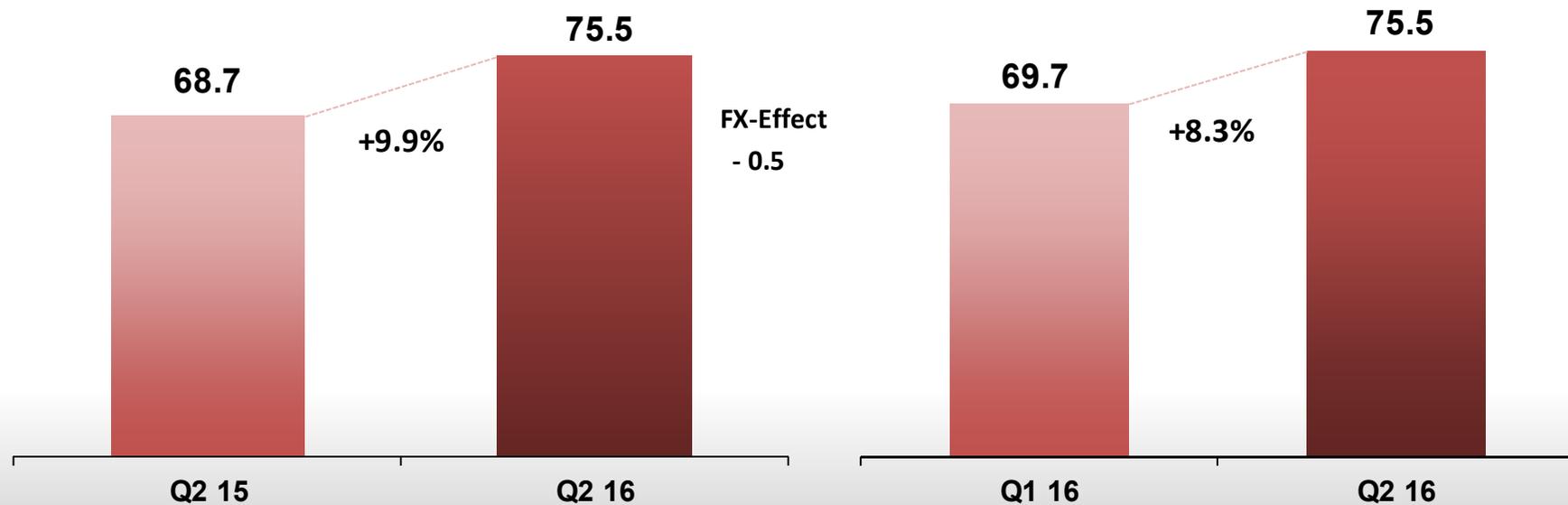
Matthias Tröndle

INFICON

Vice President and
Chief Financial Officer



Sales (in USD million)

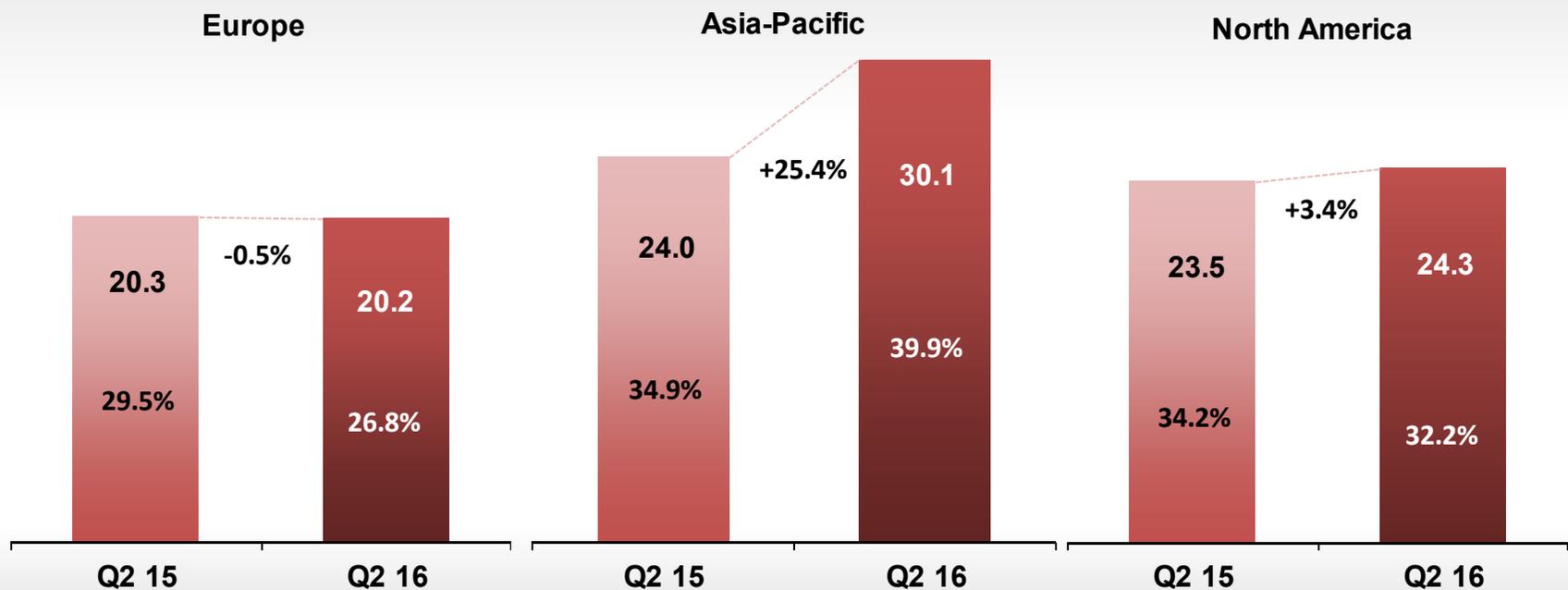


All end-markets increased except
General Vacuum

All end-markets increased,
General Vacuum flat

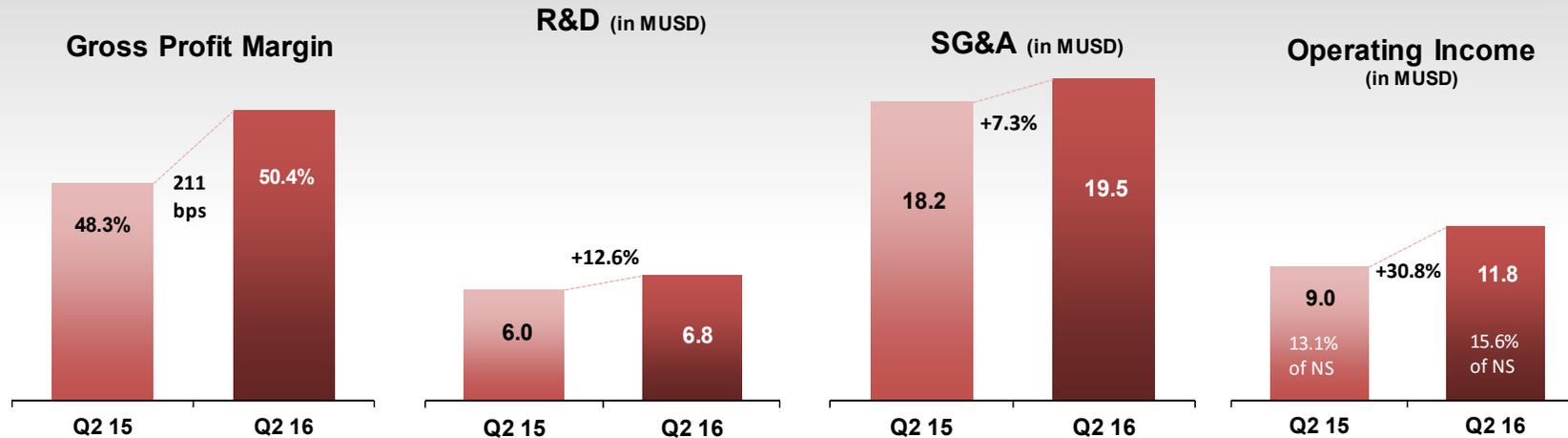
Geographic Sales Breakdown – Quarter

(in USD million)



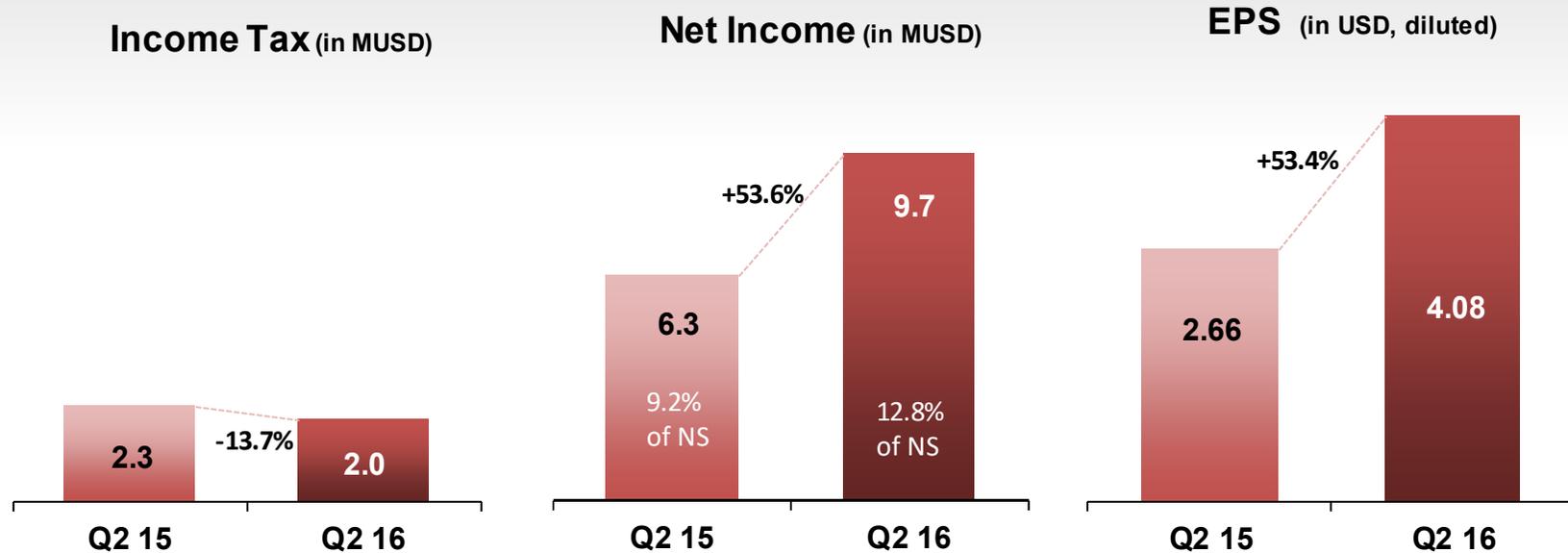
Increase in Asia and in North America, almost stable in Europe

Gross Profit, Costs and Operating Income



- **Gross profit margin:** Clearly improved margin, driven by higher volume and mix. In absolute numbers margin increase of 15%
- **R&D cost:** Increased due to acquisition impacts and continued development efforts
- **SG&A:** Increase due to acquisition impacts and higher variable compensation
- **Operating income:** increase due to higher sales volume, improved gross margin while costs did slightly increase

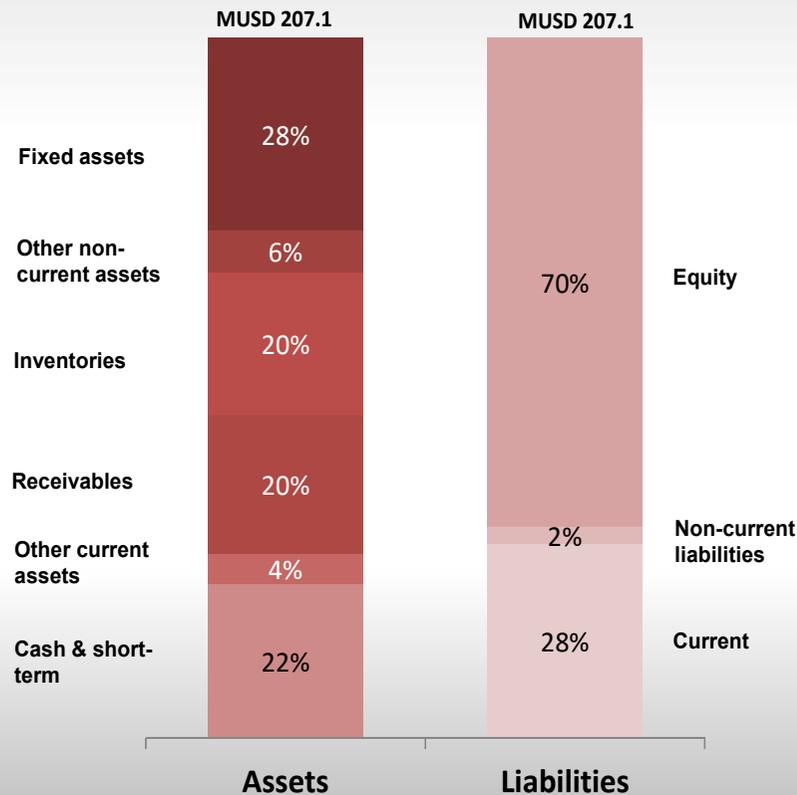
Net Income and EPS development



- **Income tax:** Low tax rate driven by the mix in earnings and tax rates
- **Net income:** Strong increase due to higher operating income and lower tax expense
- **EPS:** Increase in line with net income

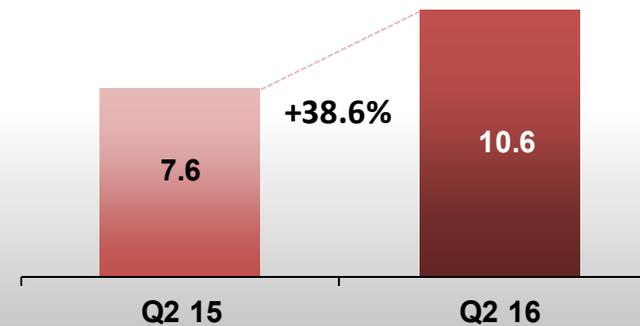
Balance Sheet Highlights (in USD million)

Balance Sheet Structure 2016



	<u>Q2 16</u>	<u>Q4 15</u>
Net Cash	32.3	60.9
DSO	46.7	45.6
Inventory Turns	3.7	3.6
Working Capital	24.7%	23.1%

Cash Flow

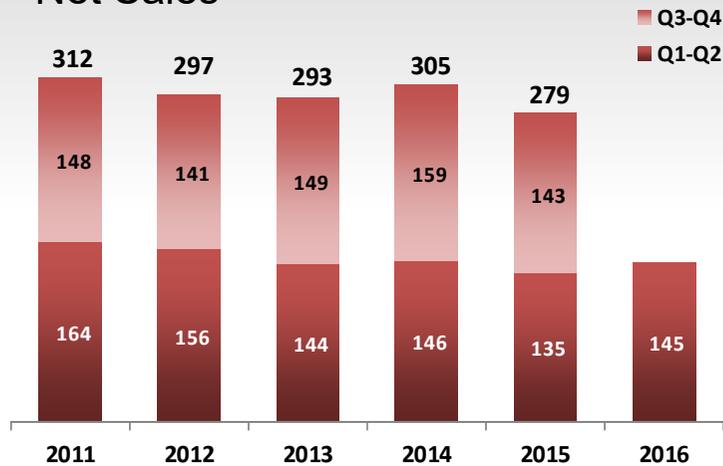


Solid balance sheet, cash and equity reduced due to distribution to shareholders and acquisition in Q2

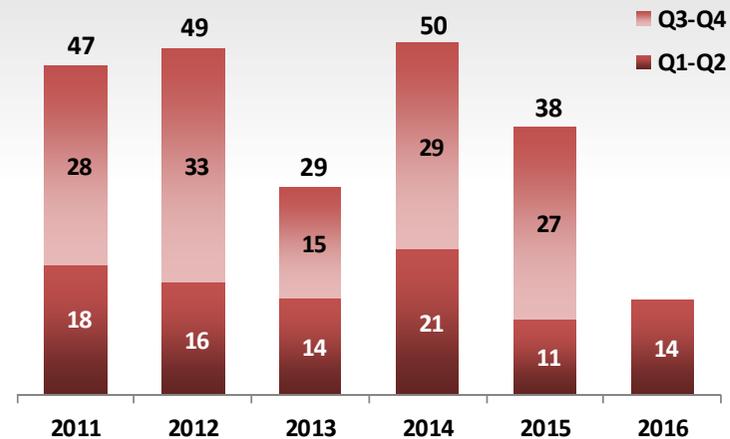
Financial Performance First Half-Year 2016

(USD million)

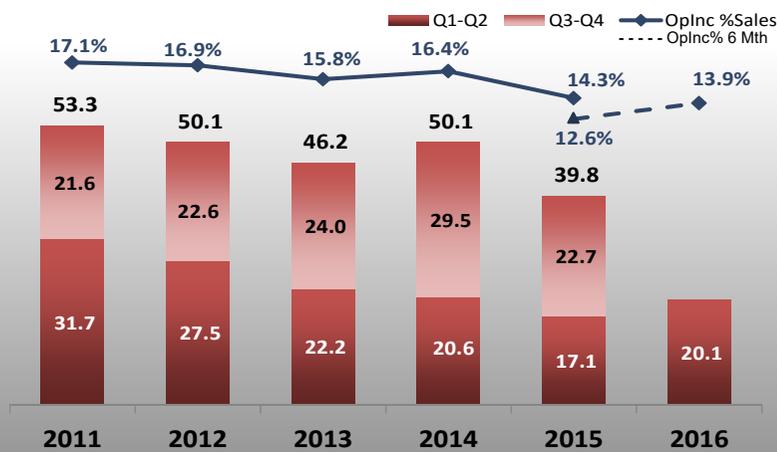
Net Sales



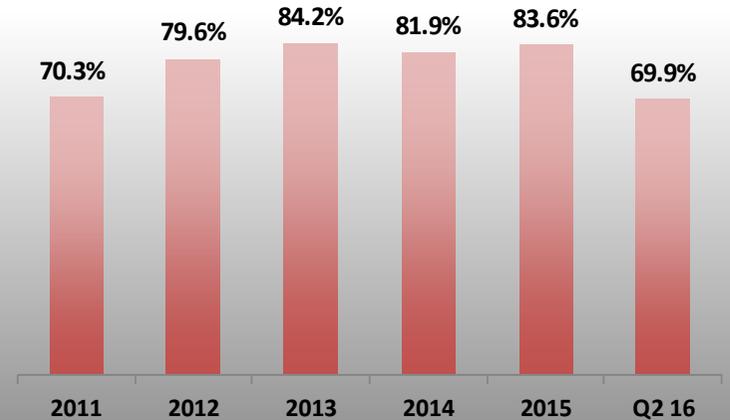
Operating Cash Flow



Operating Income and % of Sales

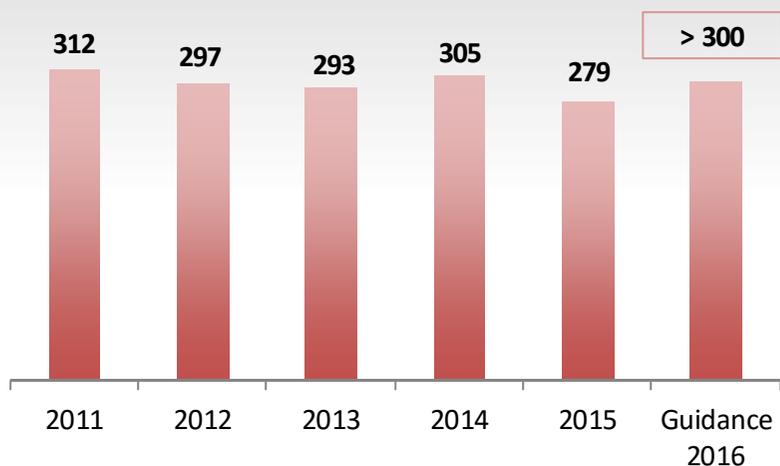


Equity Ratio



Full Year 2016 Guidance

Sales (MUSD)

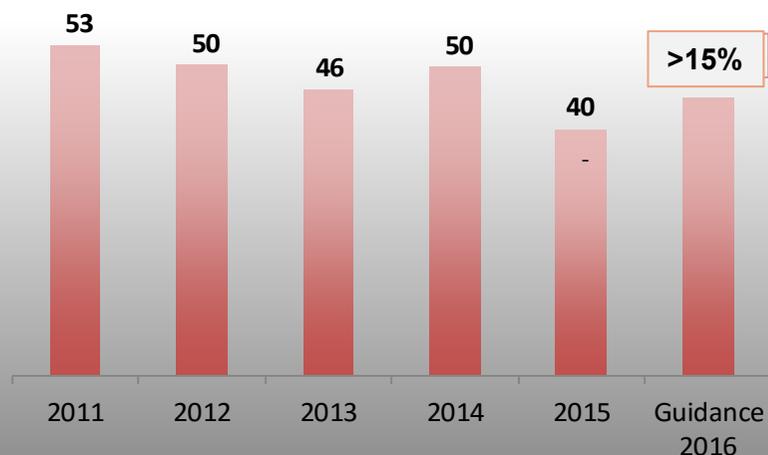


Based on our current expectations for our end markets

Sales > USD 300 million

Op. Income > 15%

Operating Income (MUSD)



Corporate Calendar FY 2016

- Q3 2016 Earnings Conference Call Thursday, October 20, 2016
- Q4 and FY 2016 Earnings Conference Call Tuesday, March 14, 2017
- Annual General Meeting Tuesday, April 11, 2017
- Q1 2017 Earnings Conference Call Friday, April 21, 2017
- Q2 2017 Earnings Conference Call Thursday, August 3, 2017
- Q3 2017 Earnings Conference Call Thursday, October 19, 2017

Earnings dates are subject to change



THANK YOU !

Q&A

