



**Q4 2017 and Full Year 2017
EARNINGS CONFERENCE**

March 13, 2018

Zürich, Switzerland

Speakers

Lukas Winkler, President and CEO

- Key figures Q4 2017 and FY 2017
- Target market business review
- Expectations 2018

Matthias Tröndle, Vice President and CFO

- Financials Q4 2017 and FY 2017
- Distribution
- Guidance

Lukas Winkler

INFICON

President and Chief Executive Officer



Q4 2017 – Key Figures

- **Sales increase in all markets and regions**

- Consolidated sales increase of 18.4% to USD 102.1 million compared with Q4 2016, organic increase of 16.2%
- Sequential sales increase over Q3 2017 of 14.2%
- Book to bill ratio ~1

- **Operating result influenced by**

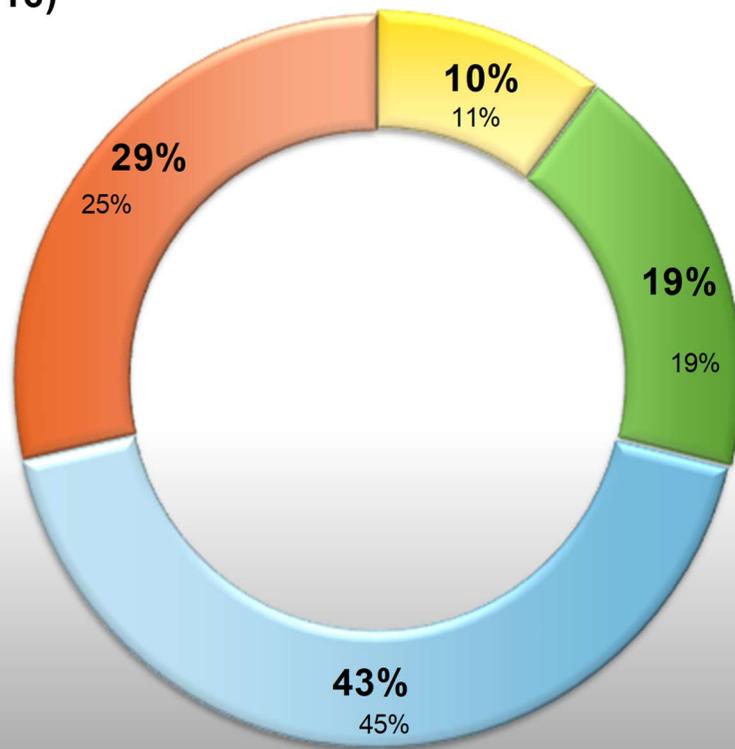
- Increased sales volume
- Slightly decreased gross margin and higher overhead cost
- Operating income of USD 22.2 million in Q4 2017 (21.8% of sales) compared with USD 18.2 million (21.1% of sales) in Q4 2016

→ **Net income of USD 21.5 million or 21.0% of sales**

Net Sales by End Market

USD 102.1 million in Q4 2017 vs. USD 86.2 million a year ago (+18.4%)

Q4 2017
(Q4 2016)



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

FY 2017 – Key Figures

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

- Consolidated sales increase of 20.6% to USD 373.6 million compared with 2016, organic increase of 20.1%
- Book to bill ratio >1

- **Operating result influenced by**

- High sales volume
- Slightly higher gross margin and increased overhead cost
- Operating income of USD 73.6 million in 2017 (19.7% of sales) compared with USD 51.0 million (16.5% of sales) in 2016 (+44.2%)

→ **Net income of USD 59.5 million or 15.9% of sales**

→ **Proposed cash distributions of 20.00 CHF per share**

Semi & Vacuum Coating

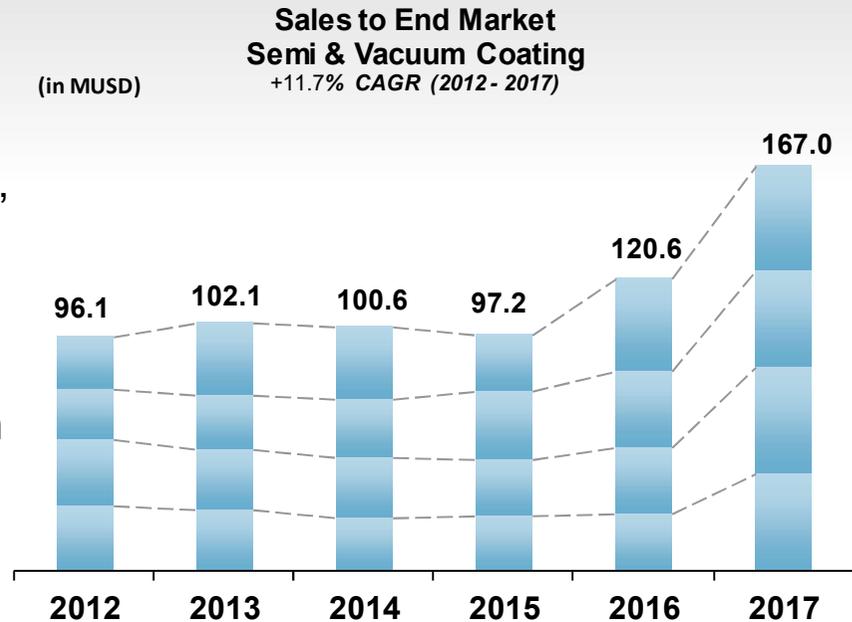
Solar, Display, Optics & Semiconductor

Q4 2017

- Sales increase of 13% vs Q4 2016
- Sequential increase of 10%
- New annual sales record in FY 2017 (+39%), 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 position in 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
- 2018 expectations: Growth



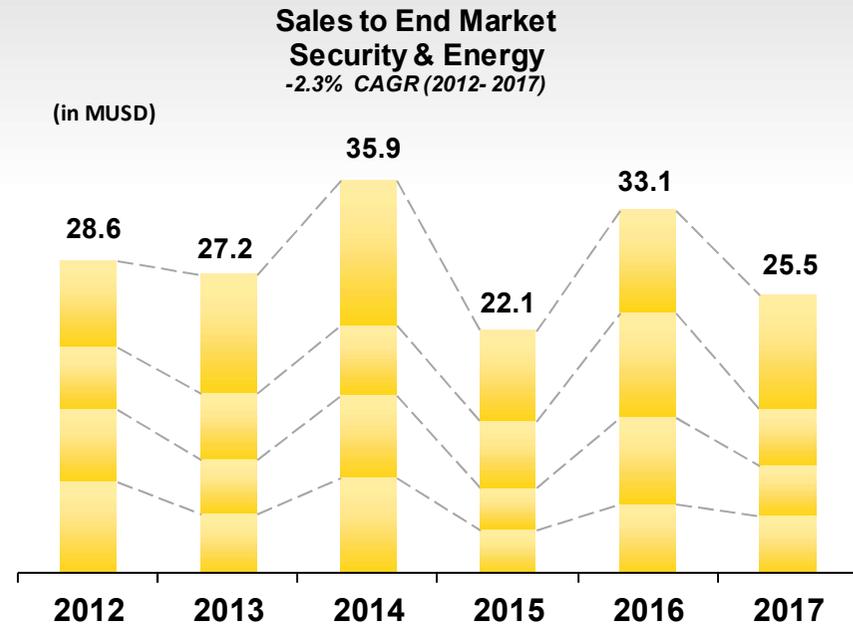
Security & Energy

Q4 2017

- Sales increase 12% to USD 10.5 million in Q4 2017 vs Q4 2016 and more than double vs Q3 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
- 2018 expectations: Challenging



Refrigeration, Air Conditioning & Automotive

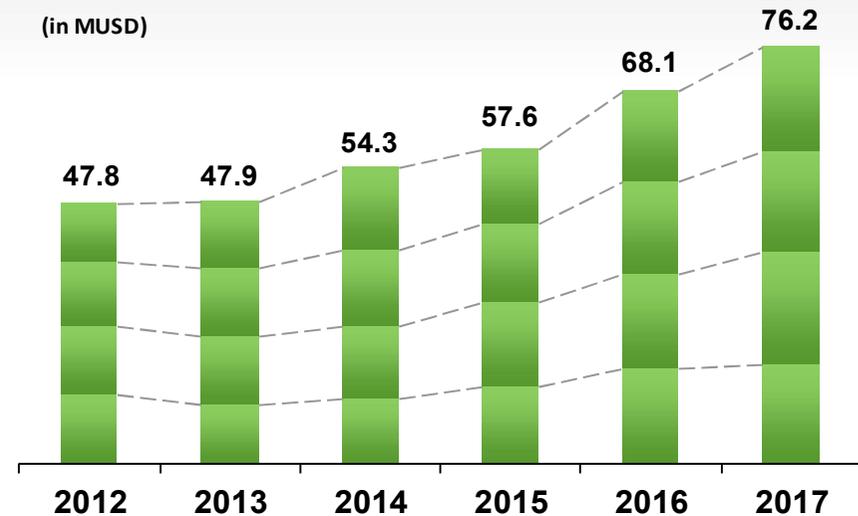
Q4 2017

- Sales increase of 15% to USD 18.9 million vs Q4 2016
- Growth in Asia and Europe, new record
- Sequential increase of 2%
- Continued market share gains

Market Trends

- Tougher regulations drive increased use of instrumentations in automotive market
- E-car opportunities :
 - New and existing battery technologies
 - Fuel cell technology (Hydrogen)
- New distribution & product initiatives for handheld after-sales-service products
- 2018 expectations: Growth

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



General Vacuum

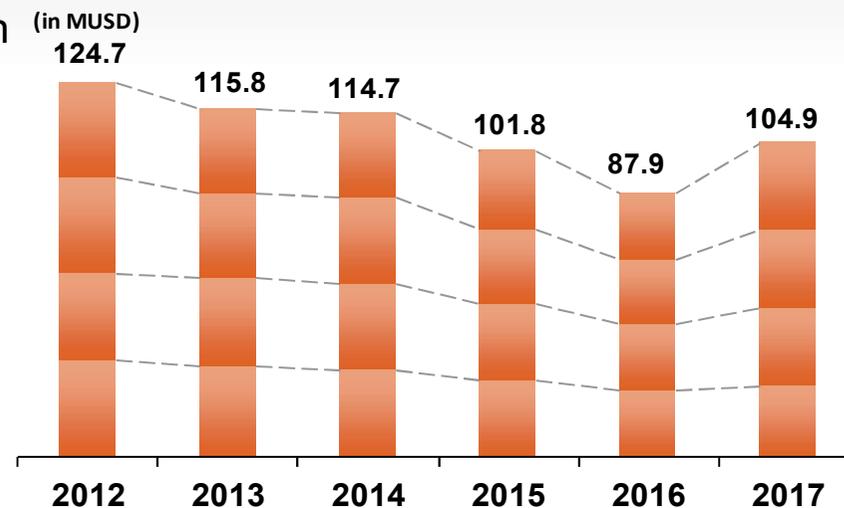
Q4 2017

- Sales grow 33% to USD 29.2 million vs Q4 2016, mainly due to higher sales to European and Asian customers
- Annual increase of 19% 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
- 2018 expectations: Slow growth

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



Outlook 2018

Positive – with some uncertainty from the Security & Energy market

- Semiconductor market remains robust (Industry 4.0, IoT, Big Data, etc)
 - Investments in new fabs (incl. China) and new technologies (3D, 7nm, ALD/E, MEMS)
 - High demand for new equipment (OEM business) incl. EUV lithography
- OLED flat panel display technology investment boom continues (Korea & China)
 - INFICON products and consumables at all levels (sub-suppliers, OEMs, and end-user)
- Defend high market share in the stabilized 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: Public utility, food packaging & fracking

Guidance for FY 2018:

→ Sales around USD 400 million

→ Operating income margin greater than 19%

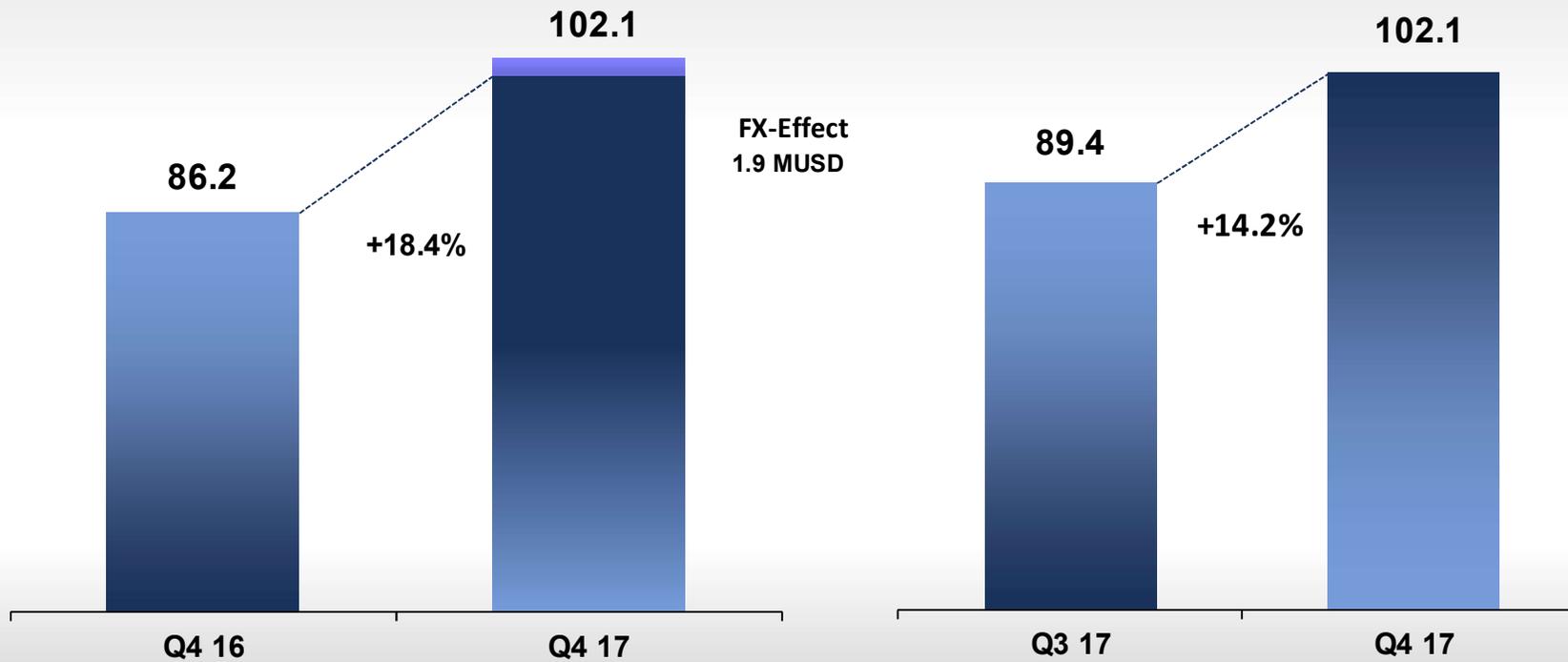
Matthias Tröndle

INFICON

Vice President and
Chief Financial Officer



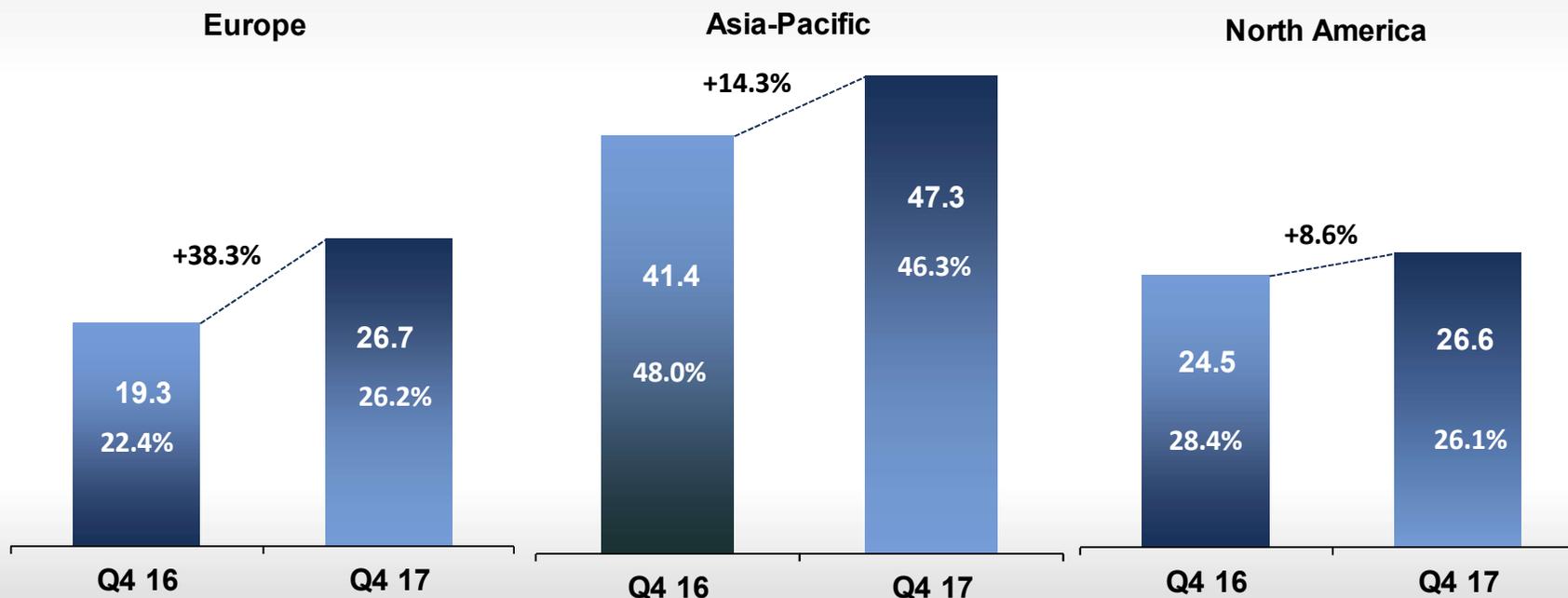
Sales (in USD million)



Increase in all end-markets

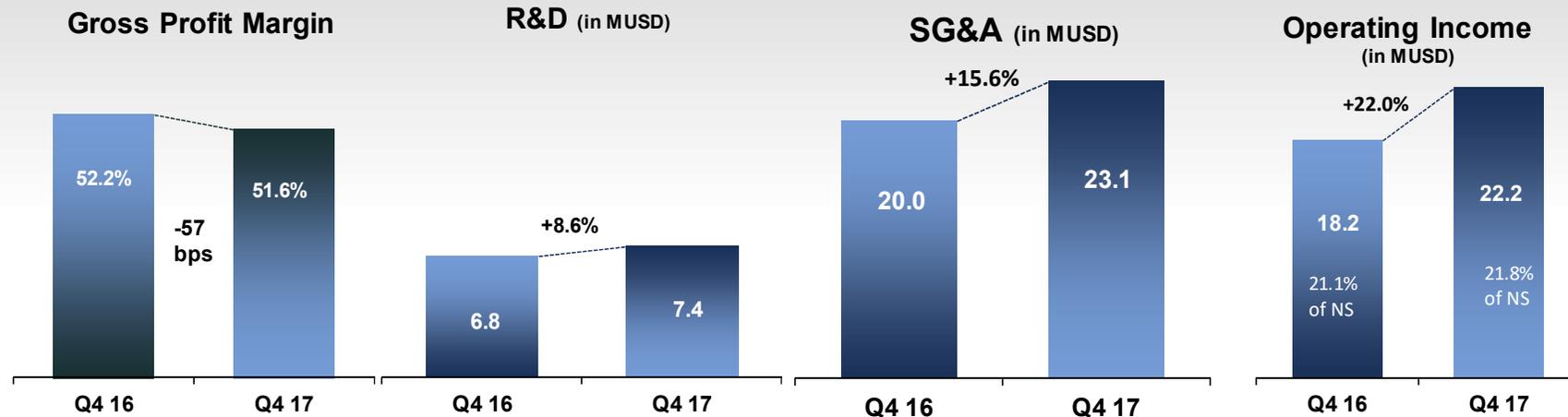
Geographic Sales Breakdown – Quarter

(in USD million)



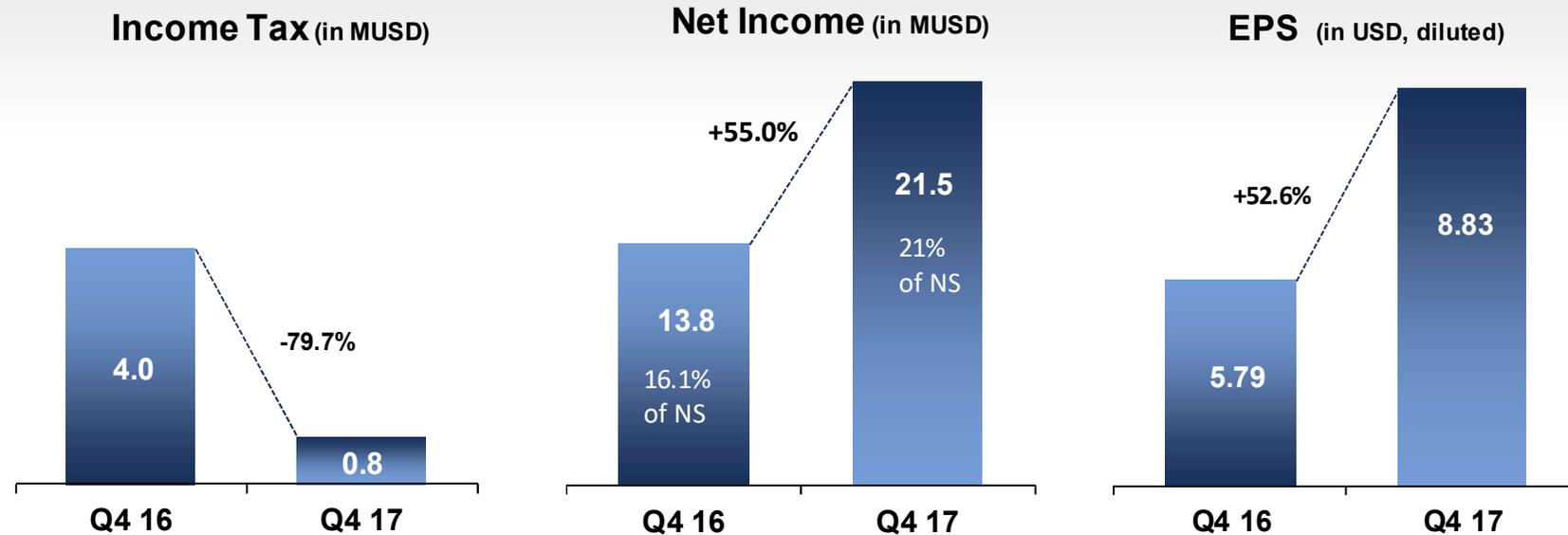
Growth in all regions

Gross Profit, Costs, and Operating Income



- **Gross profit margin:** 17% absolute increase, steady margin
- **R&D cost:** Increase; continued development efforts
- **SG&A:** Driven by investments in marketing and selling capabilities, higher variable compensation and commissions
- **Operating income:** Increase due to higher sales volume, solid gross margin while costs slightly increased

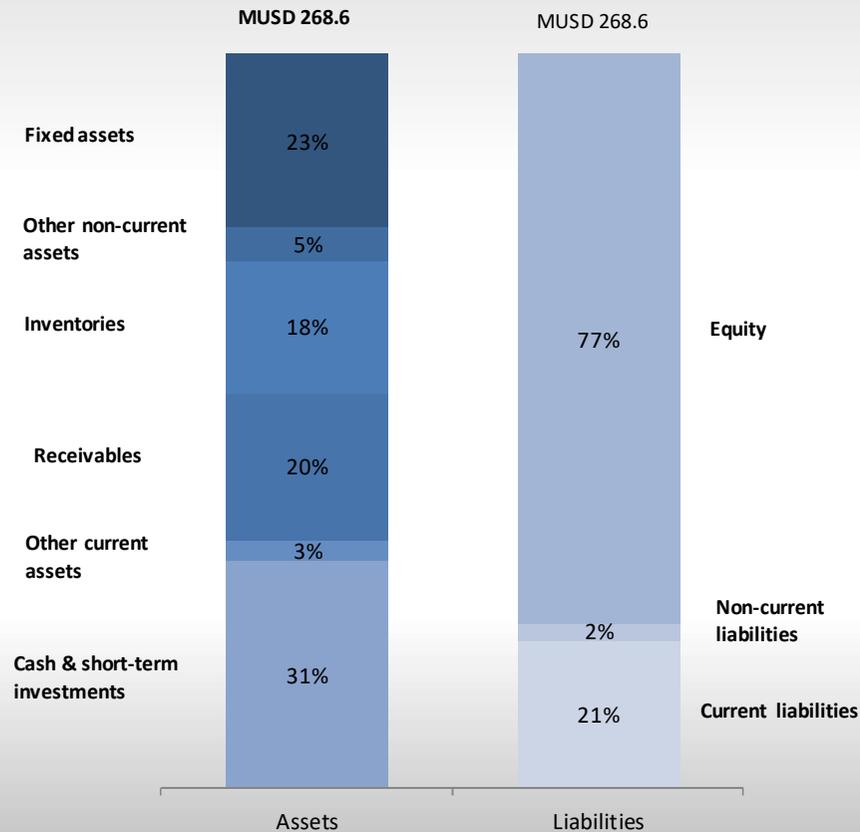
Net Income and EPS development



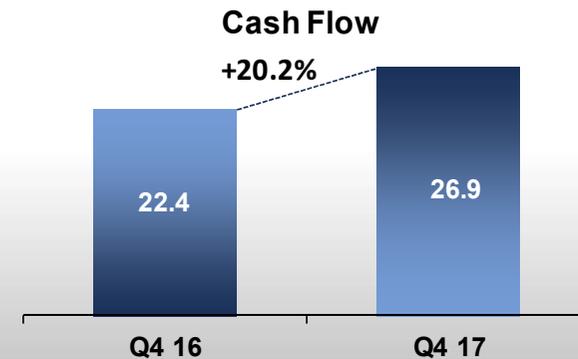
- **Income tax:** lower global tax rate of 3.7% driven by favorable US tax impacts as well as by the mix in earnings and tax rates
- **Net income:** Increase due to higher operating income at lower tax expense
- **EPS:** Increase in line with net income

Balance Sheet Highlights (in USD million)

Balance Sheet Structure 2017



	<u>Q4 17</u>	<u>Q4 16</u>
Net Cash	85.0	63.9
DSO	50.3	47.4
Inventory Turns	4.2	3.8
Working Capital	22.4%	20.7%

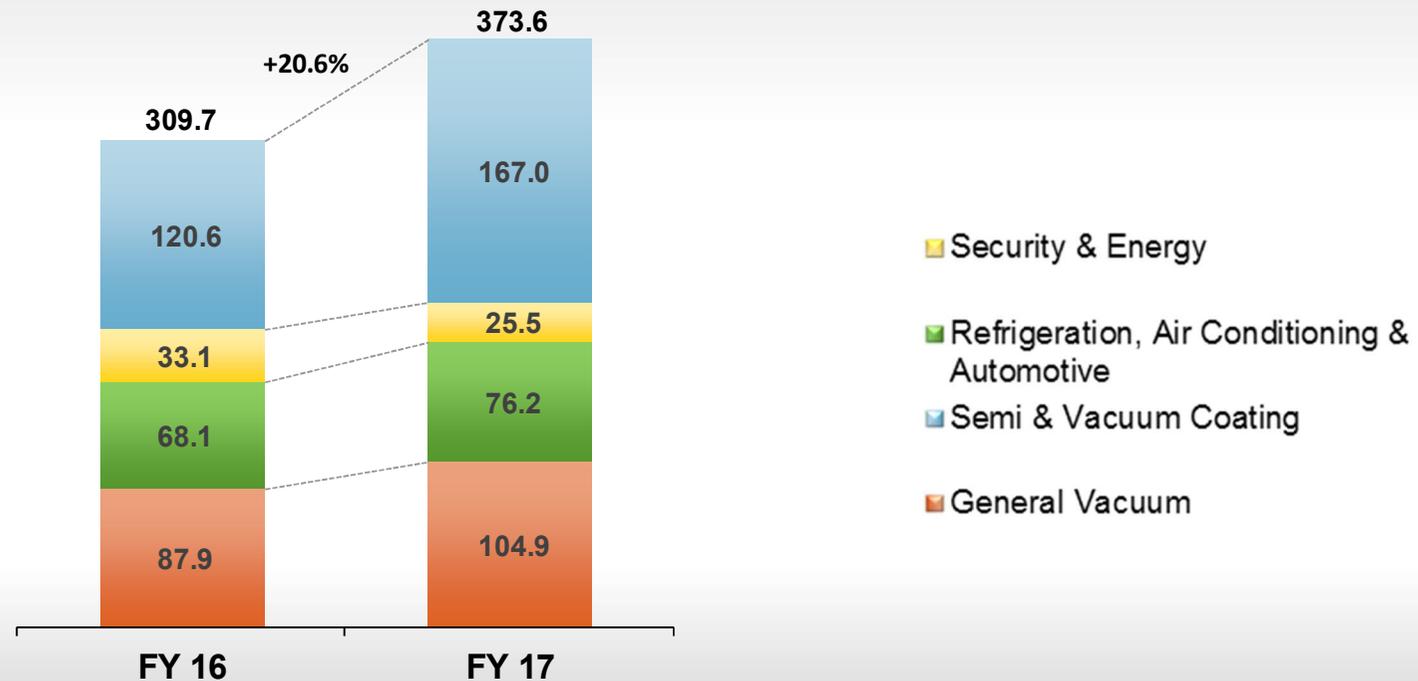


Solid balance sheet, improved inventory turns,
working capital driven by high AR balance, strong Q4 cash flow



FISCAL YEAR 2017 RESULTS

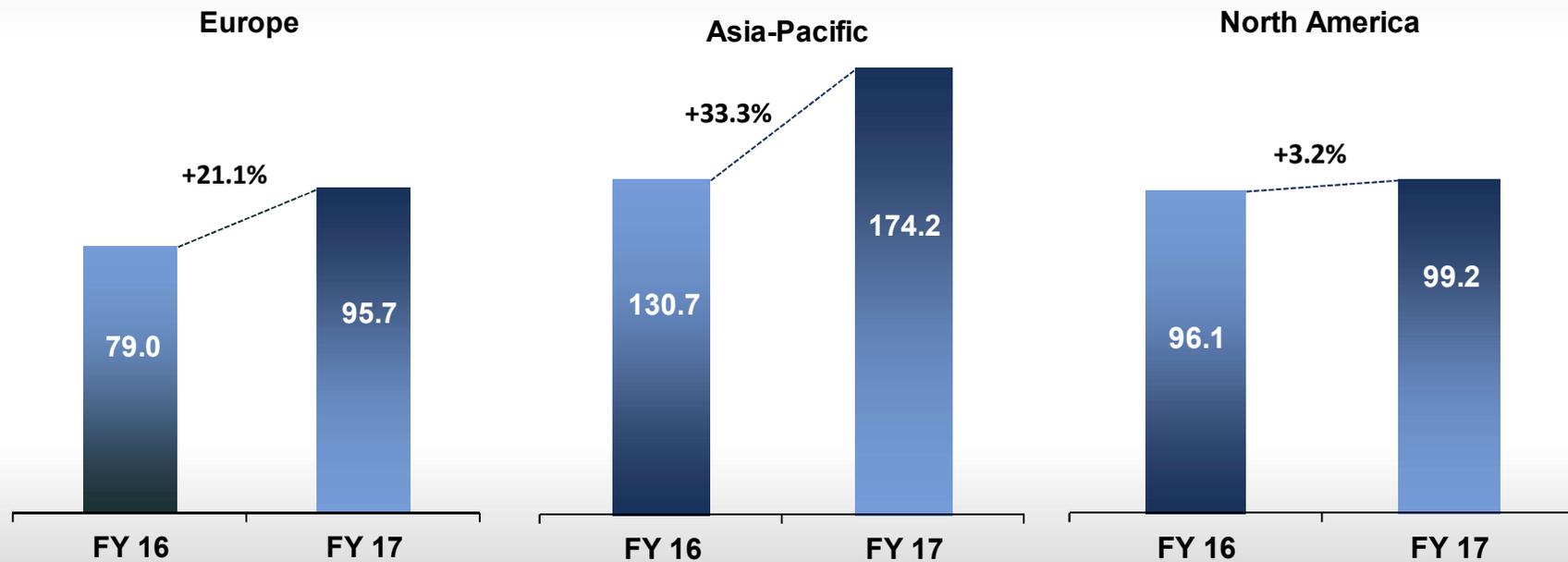
Full Year Sales (in USD million)



Sales increase in all markets except Security & Energy;
Organic increase of 20.1%

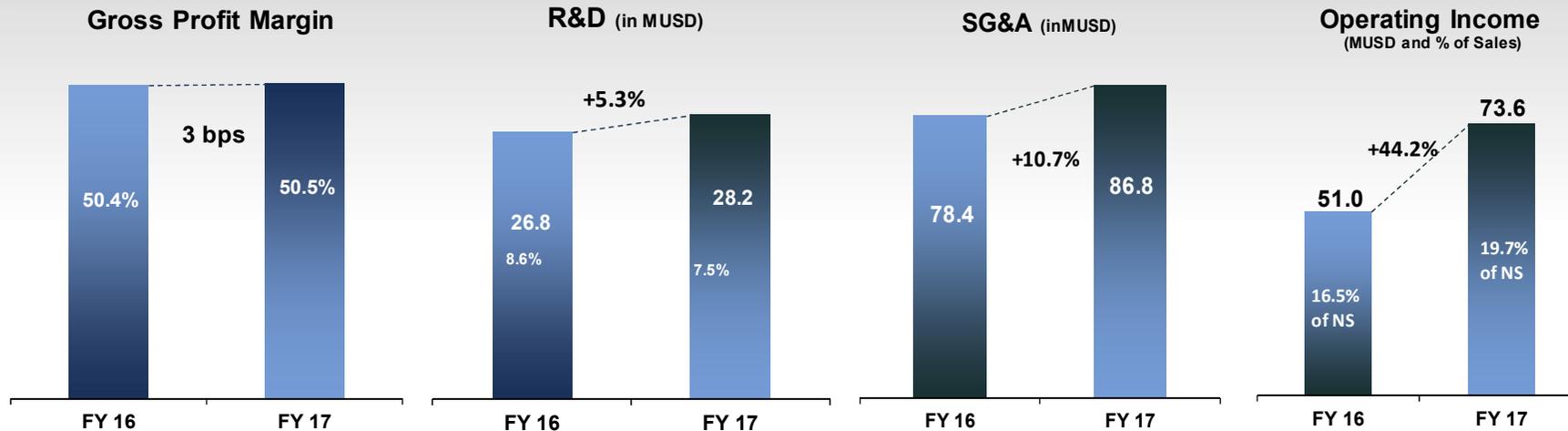
Geographic Sales Breakdown – Full Year

(in USD million)



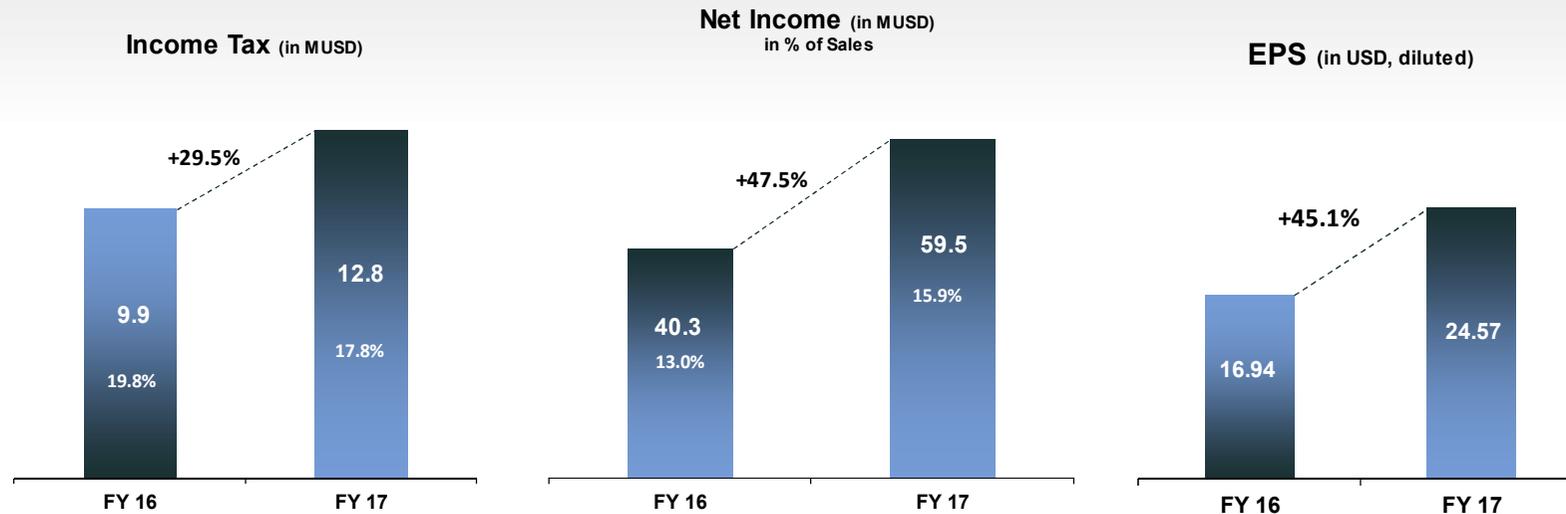
Sales Growth in all regions

Gross Profit, Costs, Operating Income (YoY)



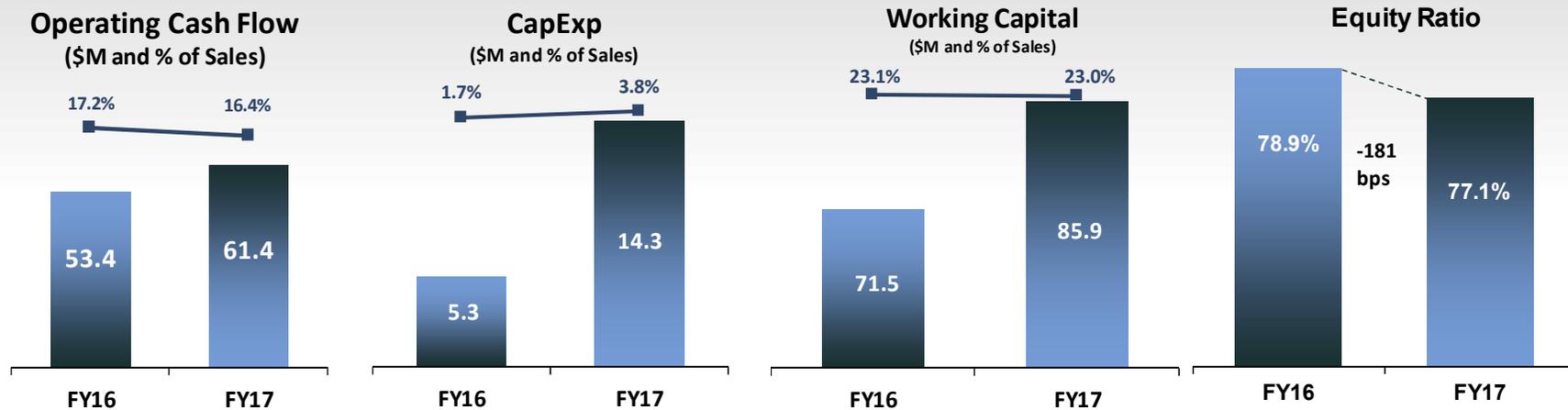
- **Gross profit margin:** Stable, influenced by higher volume and mix
- **R&D cost:** Increase due to higher variable compensation and continued development efforts
- **SG&A:** Driven by headcount additions, investments in marketing and selling capabilities and higher variable compensation
- **Operating 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, tax rate driven by favorable US Tax impact as well mix in earnings and tax rates
- **Net income / EPS:** Increase driven by operating income development, and lower tax rate

Key Balance Sheet data (YoY)



- **Operating cash flow:** Increase due to higher net income, higher payables/liabilities partially compensated by higher A/R and inventory
- **CAPEX:** Higher investments in machinery & equipment
- **Working capital:** Higher balance, slightly lower as a percentage of sales
- **Equity:** Slightly lower at a very solid level



DISTRIBUTION PROPOSAL

Distribution 2017

- **Strong Balance Sheet and Cash Generation**
 - No debt (short-term and long-term)
 - USD 85 million cash
 - Shareholders' equity ratio ~77%
- **Board of Directors intends to propose a cash distribution of CHF 20.00 per share**
 - Annual General Meeting of Shareholders on April 12, 2018
 - To be distributed out of capital contribution reserves
 - Returning ~USD 51.4 million cash to shareholders in 2018
 - Payout ratio ~86%
 - Attractive yield of approximately 3.6%



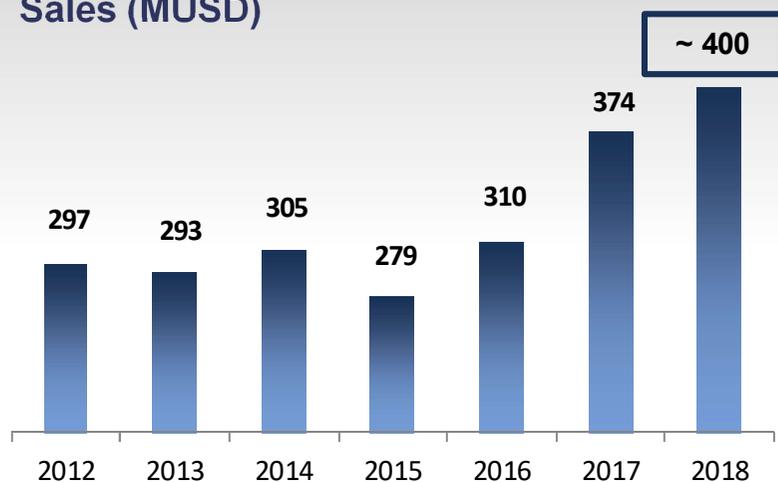
GUIDANCE FY 2018

AND

CORPORATE COMMUNICATION CALENDAR

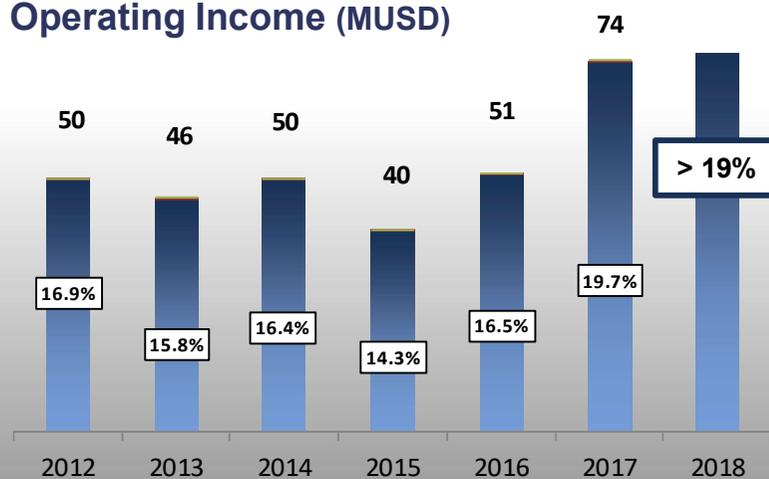
Full Year 2018 Guidance

Sales (MUSD)



Based on our current expectations for our end markets

Operating Income (MUSD)



Sales ~ 400 MUSD

Op. Income > 19%

Corporate Calendar FY 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
- Q4 and FY 2018 Earnings Conference Call March 2019

Earnings dates are subject to change



THANK YOU !

Q&A

