Continued profitable growth – half-year results and solid order backlog confirm ISRA’s annual forecast

- Revenue plus of approx. 10% to 53.3 million euros (Q2-YTD-14/15: 48.7 million euros)
- EBT growth of 14% to 10.3 million euros (Q2-YTD-14/15: 9.1 million euros)
- Strong margin level referenced to total output continues:
  - EBITDA margin at 28% (Q2-YTD-14/15: 26%); plus 18%
  - EBIT margin at 18% (Q2-YTD-14/15: 17%); plus 13%
  - EBT margin at 18% (Q2-YTD-14/15: 17%); plus 14%
- Gross margin again at high level of 61% to total output (Q2-YTD-14/15: 61%)
- Operational cash flow increases to 13.9 million euros (Q2-YTD-14/15: 7.3 million euros)
- Net debt reduced by 5.7 million euros
- Strong order entry results in repeated high backlog of over 85 million euros gross (PY: 65 million euros gross)
- Outlook for FY 2015/2016 confirmed: Continued profitable growth in the lower double-digit percentage range with at least stable margins

ISRA VISION AG (ISIN: DE 0005488100), one of the world’s top companies for industrial image processing (Machine Vision) as well as globally leading in surface inspection of web materials and 3D machine vision applications, successfully continues the positive development of the first quarter also in the second quarter of the 2015/2016 financial year and concludes the first six months with double-digit growth in revenues and EBT. While group revenues increase by approx. 10 percent to 53.3 million euros (Q2-YTD-14/15: 48.7 million euros) compared to the first six months of the previous year, the EBT (Earnings Before Taxes) rises disproportionately by 14 percent to 10.3 million euros (Q2-YTD-14/15: 9.1 million euros). At the same time, the operational cash flow increases to 13.9 million euros in the first six months of the financial year (Q2-YTD-14/15: 7.3 million euros), the net debt (short-term and long-term liabilities minus cash and equivalents) was reduced by 5.7 million euros. With strong order entries and the resulting, continuously high order backlog of over 85 million euros gross (PY: 65 million euros gross), ISRA starts dynamically into the second half of the year.

The first half-year results again show ISRA’s sustainable course of business. In line with the forecasted double-digit growth rates for the financial year, group revenues for the half-year increase to 53.3 million euros (Q2-YTD-14/15: 48.7 million euros). The strong margin level of the previous quarters was also confirmed, with a further improvement in important earnings margins. Compared to the same period of the previous year, the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) increases by 18 percent to 16.3 million euros (Q2-YTD-14/15: 13.8 million euros), resulting in an EBITDA margin growth of two percentage points to 28 percent to total output (Q2-YTD-14/15: 26%). EBIT (Earnings Before Interest and Taxes) rises by 13 percent to 10.6 million euros compared to the first six months of the previous year (Q2-YTD-14/15: 9.4 million euros), which corresponds to an EBIT margin of 18 percent to total output (Q2-YTD-14/15: 17%). The EBT (Earnings Before Taxes) grows by 14 percent to 10.3 million euros (Q2-YTD-14/15: 9.1 million euros) resulting in a margin increase by one percentage point to 18 percent (Q2-YTD-14/15: 17%). With 61 percent (Q2-YTD-14/15: 61%), the gross margin (total output minus cost of material and labor of production) again reaches a high level.
The half-year balance sheet reflects the increased order entries and the high order backlog of over 85 million euros gross (PY: 65 million euros gross). Inventories climb disproportionately to 33.4 million euros (September 30, 2015: 30.7 million euros). Trade receivables were reduced to 79.4 million euros (September 30, 2015: 86.8 million euros). The net debt (short-term and long-term liabilities minus cash and equivalents) was decreased by 5.7 million euros to 29.2 million euros (September 30, 2015: 34.9 million euros) after repayment of financial liabilities in the amount of 10.3 million euros and a dividend distribution of 1.8 million euros. The net cash flow in total amounts to -4.6 million euros (Q2-YTD-14 / 15: -1.3 million euros). Given the strong increase in equity ratio to 61 percent (September 30, 2015: 56%) and the available credit lines, ISRA is equipped with solid capital resources for future growth. The earnings per share (EPS) after taxes improve by 18 percent to 1.66 euro (Q2-YTD-14 / 15: 1.41 euro).

In the first six months of the 2015/2016 financial year, the course of business in the regions showed an overall positive dynamic. In Asia, the demand continues at a high level. ISRA also records continued high order entries from Europe. On the American markets, the order situation develops positively, particularly driven by orders from the US. For further development of the South American markets, the company is examining new expansion opportunities in neighboring countries next to the location in Brazil. The initial setup of sales for the growth market in Mexico was advanced in a targeted way at the new location in Querétaro. Similarly, new potentials in the Near East will be developed with the re-established market activities in Iran with the new location in Tehran and a local sales team.

In both company segments – Surface Vision and Industrial Automation – the order entries in the first six months of the 2015/2016 financial year show a positive development. In the Industrial Automation segment, ISRA serves customers from the international automotive industry – including a high range of globally operating German premium car manufacturers – as well as other industry leading companies with systems for efficient automation. The revenues of the Industrial Automation segment rise by 23 percent compared to the same period of the previous year to 11.8 million euros (Q2-YTD-14 / 15: 9.6 million euros), while EBIT grows by 26 percent to 2.3 million euros (Q2-YTD-14 / 15: 1.8 million euros). With modular applications for the networked production in the automotive industry and the extension of regional sales structures, ISRA plans to further develop the segment. The concept for a new product series was already presented at the “Hannover Messe” at the end of April.

In the second quarter, the Surface Vision segment contributes to ISRA’s high order backlog with double-digit growth rates in order entries and continues the positive outlook of the first quarter also for the full half-year. Revenues grow by 6 percent to 41.5 million euros (Q2-YTD-14 / 15: 39.1 million euros) compared to the period of the previous year. With 8.3 million euros (Q2-YTD-14 / 15: 7.6 million euros), the EBIT of the segment is 10 percent higher than in the same quarter of the previous year and thereby reaches a margin of 18 percent. The plastics business continues to profit strongly from the expansion of the application portfolio to a variety of new materials, which also enables the use in high-end products, such as battery film or carbon-fiber-reinforced plastics (CFRP). The business with customers from the glass industry continues to be driven by quality assurance solutions for float-glass production as well as the comprehensive product portfolio for the inspection of display glass. The order entries for the inspection of solar wafers, cells and modules also increased strongly, similar to the first three months of the financial year, particularly in China and other Asian countries. The positive order situation for printing inspection solutions continues with a double-digit growth and also profits from the most recent portfolio extensions which are being presented to an international audience at the world’s largest industry trade fair for print media, DRUPA. New inspection solutions for metal surfaces, accompanied by targeted measures in marketing and sales, strengthen the activities in the metal industry.
the paper unit, the company concentrates, next to several sales-generating measures, also on fast-growing market segments, such as the packaging industry. With modular high-end systems for the inspection of security paper, the company examines new sales potential in high security printing. The wafer inspection area remains to stay at the center of the development of the business; the expansion of the application portfolio with existing ISRA technologies thereby marks the strategic focus. Furthermore, service performance remains to be one of the management’s priorities. Its expansion is continuously being advanced on a global level to gradually increase the double-digit revenue contribution.

Besides organic growth, acquisitions are an important part of ISRA’s strategy. Of particular interest are target companies that are expected to meaningfully expand the technology and product portfolio, to increase the market shares, to develop new markets as well as to offer an efficient integration. Management is constantly examining new acquisition objects and plans to organize the coordination of the activities in a central management position. ISRA plans to expand the management team in the short term to purposefully accompany the further external growth in the context of future planning.

The profitable first half-year 2015/2016 again confirms ISRA’s planning consistency and underscores the forecast for the current financial year. The positive result of the first six months in a globally challenging economic background prove the strategy of the company to grow sustainably and robust with an innovative and broadly diversified application portfolio. With an order backlog of over 85 million euros gross (PY: 65 million euros gross), the company start into the second half of the financial year 2015/2016. Management assumes that the current economic framework conditions will continue unchanged and expects further profitable revenue growth in the lower double-digit percentage range as in previous years. In terms of profit, the planning anticipates a further increase of the margins, while at least maintaining the current high level. ISRA’s strategy continues to be directed to grow diversified across industries and regions - while at the same time optimizing cash flow and profitability - to the medium-term revenue goal of 150 million euros.