ISRA VISION AG: 3rd quarter 2015/2016 – Again double-digit growth: Revenues +10%, EBT +15%

ISRA continues profitable growth – Outlook on strong fourth quarter

- Revenues at 84.3 million euros, plus 10% (Q3-YTD-14/15: 76.4 million euros)
- EBT at 16.2 million euros, plus 15% (Q3-YTD-14/15: 14.1 million euros)
- Again increased margins to total output
  - EBITDA margin plus 19% at 27% (Q3-YTD-14/15: 25%)
  - EBIT margin plus 14% at 18% (Q3-YTD-14/15: 17%)
  - EBT margin plus 15% at 18% (Q3-YTD-14/15: 17%)
- Gross margin again at high level of 61% to total output (Q3-YTD-14/15: 61%)
- Operational cash flow increases to 21.1 million euros (Q3-YTD-14/15: 12.0 million euros)
- Net debt reduced by 9.2 million euros as of the reporting date
- High order backlog of currently over 85 million euros gross (PY: 70 million euros gross)
- Earnings per share (EPS) plus 18% at 2.60 euros (Q3-YTD-14/15: 2.20 euros)
- Annual forecast specified: Revenues over 10%, overproportional growth of earnings 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, confirms with the 9-month results once again its profitable growth. In the period under review, revenues increase considerably compared to the first nine months of the previous year by 10 percent to 84.3 million euros (Q3-YTD-14/15: 76.4 million euros), EBT (Earnings Before Taxes) grows overproportionately by 15 percent to 16.2 million euros (Q3-YTD-14/15: 14.1 million euros). As a result, ISRA achieves the best Q3 result since company foundation. As in the previous quarters, the operational cash flow further improves to 21.1 million euros (Q3-YTD-14/15: 12.0 million euros). Given the current order entries and the traditionally strong fourth quarter, ISRA expects a dynamic conclusion of the current financial year.

The company further improved its high profitability also in the third quarter of the current financial year. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) with 25.2 million euros (Q3-YTD-14/15: 21.2 million euros) is 19 percent above the compared period of the previous year, which corresponds to a margin plus of two percentage points to 27 percent to total output (Q3-YTD-14/15: 25%). With a growth of 14 percent compared to the 9-month results of the previous year to 16.6 million euros (Q3-YTD-14/15: 14.5 million euros), EBIT (Earnings Before Interest and Taxes) reaches a margin increase of one percentage point to 18 percent to total output (Q3-YTD-14/15: 17%). EBT (Earnings Before Taxes) climbs to 16.2 million euros (Q3-YTD-14/15: 14.1 million euros) and achieves a margin of 18 percent to total output (Q3-YTD-14/15: 17%). Compared to the same period of the previous year, the gross margin (total output minus cost of material and labor of production) grows by 11 percent and equals 61 percent to total output (Q3-YTD-14/15: 61%).

The high order backlog and the thereby increased manufacturing products for the expected strong fourth quarter lead to inventories of 36.4 million euros (September 30, 2015: 30.7 million euros) in the third quarter of the financial year. Trade receivables add up to 81.2 million euros (September 30, 2015: 86.8 million euros). Receivables from delivered and invoiced systems amount to 36.4 million euros (September 30, 2015: 32.1 million euros). The receivables from unfinished orders valued according to the percentage of completion
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(POC) method are reduced significantly as planned by 9.9 million euros to 44.8 million euros (September 30, 2015: 54.7 million euros). The net debt (short-term and long-term financial liabilities minus cash and cash equivalents) decreases by 9.2 million euros to 25.7 million euros (September 30, 2015: 34.9 million euros). As already in previous quarters, the measures to improve the cash flow show positive results: the operating cash flow increases considerably in the third quarter to 21.1 million euros (Q3-YTD-14 / 15: 12.0 million euros). Cash flow from financing activities totals to -15.4 million euros (Q3-YTD-14 / 15: -2.1 million euros), including dividend payout in the amount of 1.8 million euros (Q3-YTD-14 / 15: 1.7 million euros) and the repayment of financial liabilities to banks of 13.1 million euros (Q3-YTD-14 / 15: 3.0 million euros). Thereby, the company takes another step to further optimize its capital structure. After investments in product innovations and tangible assets of 8.8 million euros (Q3-YTD-14 / 15: 8.6 million euros), the net cash flow amounts to -3.8 million euros as of the reporting date (Q3-YTD-14 / 15: 1.4 million euros). Given an increased equity ratio of 61 percent (September 30, 2015: 56 %) and the available credit lines, the company is equipped with good capital resources for future growth. The EPS after taxes improves by 18 percent to 2.60 euros (Q3-YTD-14 / 15: 2.20 euros).

The positive development in all regions – Asia, Europe and America – continues in the third quarter of 2015/2016 with double-digit growth rates in order entries. In particular, the local sales activities in Asia are showing an effect: Revenues increase significantly, predominantly driven by the high level of customer interest from China. After the strong contributions to the half-year result, the European markets continue to show a high demand. The positive development on the American markets also continues in the third quarter with increasing order entries. With over 25 locations worldwide, ISRA is one of the globally most broadly positioned Machine Vision providers in the industry. Strengthening the regional presences will remain an important part of the company strategy in the future contributing to continued profitable growth. In addition to establishing the location in Querétaro (Mexico) and Tehran (Iran), expanding the sales and the service network in strategic growth regions, such as Southeast Asia, is being advanced in a targeted way.

In the period under review, ISRA achieved additional revenue increase in both segments, Industrial Automation and Surface Vision. The Industrial Automation segment, whose customer base predominantly includes the international automotive industry, completes the third quarter of the current financial year with a 13 percent growth in revenues to 19.2 million euros (Q3-YTD-14 / 15: 17.1 million euros). EBIT increases to 3.8 million euros (Q3-YTD-14 / 15: 3.2 million euros), which corresponds to an EBIT margin of 19 percent to total output (Q3-YTD-14 / 15: 17 %). The successful participation at the internationally largest trade fair for industrial automation, AUTOMATICA, had an extremely positive effect on demand. Particularly customers from the automotive industry placed additional orders following the trade fair, accompanied by extensive inquiries for Plug & Automate products. The demand for solutions from 3D measurement technology also supports the positive development of the segment.

The Surface Vision segment demonstrates a continued positive development with a revenue plus of 10 percent to 65.0 million euros (Q3-YTD-14 / 15: 59.3 million euros) and a considerable increase in order entries. EBIT of the segment rises by 12 percent to 12.8 million euros (Q3-YTD-14 / 15: 11.4 million euros), the EBIT margin improves to 18 percent to total output (Q3-YTD-14 / 15: 17 %). After a strong half-year result, the solar unit continues its dynamic growth with new order entries – particularly from China. The revenues from the printing industry show a significant rise following the successful presence at the worldwide largest industry trade fair, DRUPA, and the continued customer interest in solutions for quality assurance of print products. The sustained positive development in the plastics area was driven in the third quarter by an increased demand for inspection solutions for high-end products made of plastic web and non-woven materials. Besides systems for quality assurance of floatglass, the expansion of the portfolio for the inspection of display glass forms the
basis for additional growth impulses from the glass industry. In the paper unit, ISRA intensifies the activities in dynamic market segments such as the packaging industry. Order entries for solutions in the security paper area continue to develop positively; the expansion of the portfolio to high-security printing is intended to open new revenue potentials. Targeted measures in marketing and sales as well as additional product innovations strengthen the business in the metal customer market. In the third quarter, service products contribute to the quarterly result with a double-digit growth. The continuous increase of the service revenues worldwide will remain a strategic goal of management for the coming quarters.

The company plans to reach its growth targets through an expansion of the core business – in particular driven by a strong, future-oriented innovation pipeline – as well as acquisitions. In the focus of the acquisition activities are target companies that will sustainably advance ISRA’s technology leadership, market position or expansion to new markets. Thereby, the continuous analysis of possible targets and the conclusion of a suitable project are further a central task.

With an again high order backlog of currently more than 85 million euros gross (PY: 70 million euros gross), ISRA robustly started into the last quarter of the 2015/2016 financial year. For the traditionally strong fourth quarter, the company is counting on further growth in the double digit percentage range. For the full year 2015/2016, ISRA expects a revenue increase of over 10 percent and margins on the high level of the previous quarters. Based on the current order entry dynamics, the planning of the management provides for double digit revenue growth also in the upcoming financial year 2016/2017. At the same time, the margins shall be strengthened and further potential realized. Optimizing operational productivity and cash flow stays in the strategic focus of the management. The target of the company remains to grow diversified across industries and regions and to exceed the revenue mark of 150 million euros in the medium term.