ISRA fully in line with guidance: double digit growth continues with high margins and strong cash flow

- Revenues plus 11% to 93.3 million euros (Q3-YTD-15/16: 84.3 million euros)
- EBT growth plus 12% to 18.1 million euros (Q3-YTD-15/16: 16.2 million euros)
- Continued high margin level:
  - EBITDA margin plus 13% to 31% to revenues and 28% to total output (Q3-YTD-15/16: 30% and 27%)
  - EBIT margin plus 10% to 20% to revenues and 18% to total output (Q3-YTD-15/16: 20% and 18%)
  - EBT margin plus 12% to 19% to revenues and 18% to total output (Q3-YTD-15/16: 19% and 18%)
- Gross margin of 61% to total output (Q3-YTD-15/16: 61%) remains at the high level of the previous quarters
- Operational cash flow increases to 23.3 million euros (Q3-YTD-15/16: 21.1 million euros)
- Net cash flow significantly positive at 5.3 million euros (Q3-YTD-15/16: -3.8 million euros)
- Net debt reduced considerably by a total of 10.3 million euros
- Order backlog of around 83 million euros gross (PY: 85 million euros gross)
- Customer Service and Support continues to increase and contributes to growth with double-digit revenues
- Outlook for FY 2016/2017 confirmed: approx. 10% profitable revenue growth

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, underscores the outlook for the financial year with its strongest third quarter ever and consistently continues its long-term profitable growth. Compared to the first nine months of the previous year, revenues reach a plus of 11 percent to 93.3 million euros (Q3-YTD-15/16: 84.3 million euros). EBT (Earnings Before Taxes) grow by 12 percent to 18.1 million euros (Q3-YTD-15/16: 16.2 million euros). Operational cash flow continues to improve and rises to 23.3 million euros (Q3-YTD-15/16: 21.1 million euros). Net cash flow increases significantly to 5.3 million euros (Q3-YTD-15/16: -3.8 million euros) while net debt (short-term and long-term financial liabilities minus cash and cash equivalents) is simultaneously reduced double digit by 10.3 million euros to 8.8 million euros (September 30, 2016: 19.0 million euros). Thanks to further optimization, the productive capacity expanded continuously and the order backlog decreases to around 83 million euros, despite the record level of the order entries.

Also in the third quarter of 2016/2017, ISRA again enhanced its profitability and underlined its sustainable growth course. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is 13 percent higher than in the same period of the previous year at 28.5 million euros (Q3-YTD-15/16: 25.2 million euros), corresponding to an increase in the EBITDA margin of one percentage point to 31 percent of revenues (Q3-YTD-15/16: 30%) and 28 percent of total output (Q3-YTD-15/16: 27%). Compared to last year’s 9-month results, EBIT (Earnings Before Interest and Taxes) grow by 10 percent to 18.4 million euros (Q3-YTD-15/16: 16.8 million euros)
16.6 million euros). The EBIT margin therefore amounts to 20 percent of revenues (Q3-YTD-15 /16: 20%) and 18 percent of total output (Q3-YTD-15 /16: 18%). The EBT (Earnings Before Taxes) increases by 12 percent to 18.1 million euros, corresponding to an EBIT margin of 19 percent of revenues (Q3-YTD-15 /16: 19%) and 18 percent of total output (Q3-YTD-15 /16: 18%). With 61 percent, the gross margin (total output minus cost of materials and costs of labor in production and engineering) remains at the level of the same period of the previous year (Q3-YTD-15 /16: 61%).

In preparation for the strong fourth quarter and on the basis of the high order entries, inventories amount to 35.0 million euros (September 30, 2016: 33.7 million euros). Trade receivables, which include receivables from delivered and invoiced systems and receivables according to the POC (percentage of completion) method, decrease to 86.0 million euros (September 30, 2016: 88.5 million euros). As reported above, cash flow improves significantly due to the initiated measures: Cash flow from operational activities increases to 23.3 million euros (Q3-YTD-15 /16: 21.1 million euros) and net debt is reduced by 10.3 million euros to 8.8 million euros (September 30, 2016: 19.0 million euros), following the repayment of financial liabilities in the amount of 5.0 million euros (Q3-YTD-15 /16: 13.1 million euros) and a dividend distribution of 2.1 million euros. The net cash flow – after financing activities totaling 7.4 million euros (Q3-YTD-15 /16: 15.4 million euros) – amounts to 5.3 million euros (Q3-YTD-15 /16: -3.8 million euros). Given the robust equity ratio of 63 percent (September 30, 2016: 60%) together with the available credit lines, the Company is equipped with solid capital resources for future growth. Earnings per share (EPS) after taxes were improved by 10 percent to 2.85 euros (Q3-YTD-15 /16: 2.60 euros).

The business again develops to be persistently positive in the regions. On the American markets ISRA is recording double digit revenue growth. After a successful first half year, the dynamic in Europe, especially in Western Europe, is continuing. In Asia, particularly in China, the Company notes further revenue growth in the reporting period.

The global market position in the two segments Industrial Automation and Surface Vision was again strengthened in the third quarter of the 2016/2017 financial year. In the segment Industrial Automation, ISRA concentrates on a broad customer base of international car manufacturers – including renowned premium providers – as well as global industry-leading companies from other sectors. Segment revenues increase considerably by 19 percent to 22.8 million euros (Q3-YTD-15 /16: 19.2 million euros), while EBIT grows by 16 percent to 4.5 million euros (Q3-YTD-15 /16: 3.8 million euros). Segment earnings are mainly driven by the orders from automotive customers. Premium car manufacturers in particular are showing continuing interest in 3D robot automation solutions. Additional future potential is expected by new product developments for 3D measurement and fully automated paint inspection.

Revenues in the Surface Vision segment increase by 8 percent to 70.5 million euros in the third quarter of 2016/2017 (Q3-YTD-15 /16: 65.0 million euros). EBIT amounts to 13.9 million euros (Q3-YTD-15 /16: 12.8 million euros), corresponding to an EBIT margin of 18 percent of total output (Q3-YTD-15 /16: 18%). In the glass business, growth continues at the same high level and is partly strengthened by the continuing demand for products for the inspection of float and display glass. Frugal solutions with embedded system architecture are generating new revenue sources in the plastics industry. The Company is benefiting from its complete-portfolio strategy in the metal industry. After extensive marketing and sales measures and the positioning of cost-optimized solutions, the paper business is seeing strong order entries. The key account activities in the printing industry are intensified; expanded activities in Europe and Asia are opening up additional potentials. New product developments for high-security printing are motivating strategical order
entries in the niche market for specialty paper inspection. For the solar market the Management is focused on innovations, a consistent design-to-cost approach and intensified sales activities in order to stimulate new customer orders especially in China. After initial successful steps in Europe, new strategical orders are shortly expected in the semiconductor wafer inspection business. The market introduction in Asia is planned to start next quarter based on the European references. With a product portfolio for high precision 3D quality control, ISRA also offers comprehensive inspection solutions for various markets. A major order from Asia and further order entries for the measurement of reflective surfaces underscore the successful positioning of the products. As planned, the customer support and service revenue is making up a double-digit share of total revenues. The Company is systematically advancing with the internationalization of its service strategy in order to continue achieving over proportional growth in the medium term.

Management sees potential for future growth in the field of INDUSTRY 4.0 thanks to the new product generations with high connectivity and embedded technologies. Impetus is also expected from the enhanced software tool Enterprise PROduction Management Intelligence „EPROMI“ for improving productivity on automated production lines. In order to realize new market opportunities, ISRA has planned significant investments in Digital Marketing and Business Development.

Besides the organic growth, acquisitions of suitable companies remain an important part of the long-term strategy. The focus here is on targets that will sustainably advance ISRA’s technology leadership, market position or expansion into new markets. Several projects are currently in different stages of negotiation. Investments in technology businesses in the 3D field are planned for the current financial year – the respective discussions will soon be completed.

With good results in the third quarter and an again high order backlog of around 83 million euros gross (PY: 85 million euros gross), ISRA had a robust start into the traditionally strong fourth quarter. Given that the current economic conditions do not significantly change, management expects revenue growth of approx. 10 percent and high margins at least at the previous year’s level in 2016 / 2017. Optimizing operational productivity and cash flow remains one of the management's key strategic objectives. The Company will continue to focus on achieving diversified growth across industries and regions and on exceeding its revenue target of 150 million euros already in the financial year 2017 / 2018.