ISRA VISION AG: 2016/2017 financial year – Revenues and EBT +11%, cash flow significantly stronger

ISRA again matches full year guidance: Heading for the next revenue level with double-digit growth rates

- Revenues at 143.0 million euros, plus 11% (FY 15/16: 128.8 million euros)
- EBT growth of 11% to 28.0 million euros (FY 15/16: 25.2 million euros)
- High margin level continues:
  - EBITDA plus 14%, margin rises to 30% to revenues and 27% to total output (FY 15/16: 29% and 26%)
  - EBIT plus 11%, margin at 20% to revenues and 18% to total output (FY 15/16: 20% and 18%)
  - EBT plus 11%, margin at 20% to revenues and 18% to total output (FY 15/16: 20% and 18%)
- Gross margin of 61% to total output (FY 15/16: 61%) and 57% to revenues (FY 15/16: 56%) remains on high level of previous year
- Operational cash flow rises to 37.1 million euros (FY 15/16: 34.3 million euros)
- Strong net cash flow of 12.8 million euros (FY 15/16: 1.8 million euros)
- Net debt reduced significantly by 17.8 million euros
- Order backlog of currently more than 90 million euros gross (FY: 85 million euros gross)
- Earnings per share (EPS) plus 17% to 4.68 euros (FY 15/16: 4.01 euros)

ISRA VISION AG (ISIN: DE 0005488100), one of the world's top companies for industrial image processing (Machine Vision) and a global leader for the surface inspection of web materials and 3D machine vision, has – after audited, but not yet confirmed figures – again achieved its forecast targets for the 2016/2017 financial year with its usual planning consistency, and systematically continued its profitable development. With an increase in revenues of 11 percent to 143.0 million euros (FY 15/16: 128.8 million euros), the Company has almost achieved its pursued revenue target of 150 million euros – a key milestone for additional economies of scale and further growth. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) rise by 14 percent to 42.9 million euros (FY 15/16: 37.7 million euros), thus bringing the EBITDA margin to 30 percent of revenues and 27 percent of total output (FY 15/16: 29% and 26% respectively). EBIT (Earnings Before Taxes) improve by 11 percent to 28.0 million euros (FY 15/16: 25.2 million euros), corresponding to an EBT margin of 20 percent to revenues and 18 percent to total output (FY 15/16: 20% and 18% respectively). The measures in past quarters for optimizing cash flow result in a significant increase – operational cash flow rises to 37.1 million euros (FY 15/16: 34.3 million euros) and net cash flow to 12.8 million euros (FY 15/16: 1.8 million euros). With the current cash flow, an improvement in the equity ratio by 2 percentage points to 62 percent (September 30, 2016: 60%) and the credit facilities available, ISRA has optimal capital resources to respond effectively to expansion and market opportunities.

The 2016/2017 financial year closed out as another year of continuous double-digit growth in revenues and earnings, with recurring strong margins. As with EBITDA and EBT, gross margin and EBIT achieve the high
level of previous year, with the total amounts rising by 11 percent. The gross margin (total output minus costs of materials and costs of labor in production and engineering) lies at 57 percent to revenues (FY 15 / 16: 56%) and 61 percent to total output (FY 15 / 16: 61%), adding up to 96.6 million euros (FY 15 / 16: 86.8 million euros). EBIT (Earnings Before Interest and Taxes) increase to 28.3 million euros (FY 15 / 16: 25.6 million euros), while the EBIT margin amounts to 20 percent of revenues (FY 15 / 16: 20%) and 18 percent of total output (FY 15 / 16: 18%). Earnings per share after taxes (EPS) rise by 17 percent to 4.68 euros (FY 15 / 16: 4.01 euros). The management team will recommend a dividend of more than 50 cents per share for the 2016/2017 financial year.

The positive changes in various balance sheet positions reaffirm the success of measures taken to improve cash flow and to reduce inventories. On the assets side, cash and cash equivalents are up 76 percent to 29.7 million euros (September 30, 2016: 16.9 million euros). Despite the traditionally strong fourth quarter, inventories decrease by 3 percent to 32.7 million euros (September 30, 2016: 33.7 million euros). Trade receivables amount to 98.0 million euros at the end of the financial year (September 30, 2016: 88.5 million euros); 50.6 million euros of this amount relate to system deliveries already invoiced (September 30, 2016: 38.7 million euros). Receivables measured according to the percentage of completion (POC) method decline to 47.4 million euros (September 30, 2016: 49.9 million euros).

On the equity and liabilities side, net debt (short-term and long-term liabilities minus cash and equivalents) reduces significantly by 17.8 million euros to 1.3 million euros as of September 30, 2017 (September 30, 2016: 19.0 million euros), while a total dividend of 2.1 million euros was distributed (FY 15 / 16: 1.8 million euros). After the repayment of liabilities to banks of 5.0 million euros, the respective balance sheet item declines by 14 percent to 31.0 million euros (September 30, 2016: 36.0 million euros).

With more than 25 locations worldwide, ISRA is currently represented in all relevant industrial nations, making the Company one of the world’s most broadly positioned providers in the machine vision industry. An international presence and early positioning on future-oriented markets are fixed components of its corporate strategy. The Company is currently recording high demand on the American markets. Business in Asia is reporting double-digit growth rates, and the positive order situation indicates the potential for further revenues. In Europe, the market dynamic is continuing at the high level of the previous year.

In the past twelve months, ISRA has globally expanded its leading market position in both business segments, Industrial Automation and Surface Vision. The extensive customer base in Industrial Automation includes international automotive manufacturers – among them several ones in the premium segment – and leading companies from a wide range of industries. The segment's revenues increase by 20 percent at 37.2 million euros (FY 15 / 16: 31.1 million euros), and its EBIT rise by 21 percent to 7.6 million euros (FY 15 / 16: 6.2 million euros), corresponding to an EBIT margin of 19 percent to segment revenues (FY 15 / 16: 18%). As in previous quarters, the organizational expansion of the sales unit for generic products leads to higher revenues from 3D measurement and 3D robot guidance systems.

The overall demand in the segment Surface Vision is being stimulated by specifically targeting the market with innovations and products based on embedded technologies. Revenues rise by 8 percent to 105.8 million euros (FY 15 / 16: 97.7 million euros), bringing the EBIT margin to 18 percent of the segment's total output (FY 15 / 16: 18%). As in previous quarters, the glass business reports strong growth as a result of consistently high interest in systems for the high resolution inspection of smart touch devices as well as float and display glass. ISRA is continuing to benefit from its complete portfolio strategy in the metal industry with products for the entire process chain; the combination of 3D surface measurement and inspection as well as Production
Analytics tools is expected to provide additional revenues. In the printing industry, ISRA is focusing in particular on more intensive sales activities in Asia and an international key account strategy; contributions to further growth are also expected from digital print and flexible packaging. The favorable revenue and order situation on the specialty paper niche market is getting a substantial increase from new opportunities for inspecting high security printing. Management is stepping up its marketing and sales activities in the solar business, and is also optimizing the product cost base to expand its competitiveness in Asia, especially in China. In the paper unit, the Company is reaching out to new customer groups with innovations and design-to-cost approaches by concentrating on dynamic market segments such as packaging materials. Further revenue potentials in the plastics industry are expected especially due to product extensions for the comprehensive control of film and nonwoven materials as well as advanced solutions equipped with embedded technologies. A new strategic customer order in the relatively young semiconductor wafer business provides a good basis for further expansion and the planned market launch in Asia. The ongoing efforts to grow the service business are showing constant results: With international teams serving customers worldwide and a diversified service range, ISRA is planning to increase the revenue contribution by the Customer Service and Support Center at a significantly faster rate in the medium term.

In advancing the connective smart sensor portfolio the Company sees extended future chances related to INDUSTRIE 4.0. Moreover, the Management is expecting additional potential from Production Analytics software tools, allowing for efficient process control and yield maximization on the basis of inspection and automation technology data.

Besides organic growth, expansion through acquisitions with promising market potential remains a key element of the Company’s strategy. These activities are focused on targets that offer sustainable advantages and opportunities for technological leadership, market position or entry into new markets. ISRA is currently monitoring and analyzing several potential targets in various industries. Due to the constantly shifting market environment no closing of a current acquisition projects could be coordinated during the past financial year. In the opening quarters of the new financial year, at least one project is expected to be completed.

With a high order backlog of currently more than 90 million euros gross (PY: 85 million euros gross), the Company had a good start into the new financial year. ISRA is responding to the different situations in the various markets with customer-oriented innovations to drive forward its sustainable corporate development. Strategic and operational planning is targeting progress in sales and regional development as well as the expansion of the corporate structures in all business areas to prepare the Company for the next dimension in revenues beyond 200 million euros. For the financial year 2017 / 2018, Management is planning further revenue growth in the low double-digit range with at least stable margins, similar to the previous year. ISRA will release a detailed guidance in February 2018.