ISRA VISION AG: First quarter 2017/2018 – revenues grow by approx. +10%, EBT by +11%

ISRA starts dynamically into the new financial year: Guidance again double-digit

- Revenues at 31.2 million euros, plus 10% (Q1 16/17: 28.5 million euros)
- EBT growth of 11% to 6.2 million euros (Q1 16/17: 5.6 million euros)
- Continued high margin level:
  - EBITDA plus 10%, margin at 29% of total output (Q1 16/17: 29%) and 32% of revenues (Q1 16/17: 32%)
  - EBIT plus 11%, margin at 18% of total output (Q1 16/17: 18%) and 20% of revenues (Q1 16/17: 20%)
  - EBT plus 11%, margin at 18% of total output (Q1 16/17: 18%) and 20% of revenues (Q1 16/17: 20%)
- Gross margin with 61 percent of total output (Q1 16/17: 61%) and 57 percent of revenues (Q1 16/17: 57%) at the high level of the previous year
- Operational cash flow increases to 4.4 million euros (Q1 16/17: 2.0 million euros)
- Net cash flow of 1.6 million euros (Q1 16/17: -6.1 million euros)
- Net debt reduced to zero as of the end of Q1 2017/2018
- High Order backlog at 83 million euros gross (PY: 90 million euros gross)
- Further acquisition planned in the current financial year
- Earnings per share (EPS) increases by 15% to 1.01 euros (Q1 16/17: 0.88 euros)
- Outlook for the 2017/2018 year as a whole: Profitable organic growth of approx. 10%, margins at least at the level of the previous year

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, starts with again double-digit revenue and profit growth rates into the 2017/2018 financial year and is thus successfully continuing its profitable growth course. Revenues increase by roughly 10 percent in comparison with first three months of the 2016/2017 financial year, reaching 31.2 million euros (Q1 16/17: 28.5 million euros). Earnings before taxes (EBT) rise by 11 percent to 6.2 million euros (Q1 16/17: 5.6 million euros) thus generating an EBT margin of 18 percent of total output (Q1 16/17: 18%) and 20 percent of revenues (Q1 16/17: 20%). The comprehensive measures to optimize cash flow and working capital continue to have a positive impact in the first quarter of the 2017/2018 financial year: operational cash flow increases to 4.4 million euros (Q1 16/17: 2.0 million euros), and net cash flow considerably improves to 1.6 million euros (Q1 16/17: -6.1 million euros) following the repayment of financial liabilities. With a net liquidity of 0.4 million euros (September 30, 2017: -1.3 million euros), ISRA is calculative debt free at the end of the first quarter of 2017/2018. After strong incoming orders in all segments, the gross order backlog is currently 83 million euros (PY: 90 million euros gross). Further strategic large scale orders are already in an advanced stage of negotiation and are expected near-term.
Earnings per share (EPS) after taxes rise by 15 percent to 1.01 euros (Q1 16/17: 0.88 euros). As announced on February 13, 2018, the Annual General Meeting on March 28, 2018 will vote on a stock split as well as a dividend for the 2016/2017 business year of 0.59 euros per share.

In this first quarter, the Company confirmed and further extended the high margin level it achieved in the last financial year. The gross margin (total output minus the material and labor costs of production) is again at the high level of the corresponding period of the previous year at 57 percent of revenues and 61 percent of total output (Q1 16/17: 57% and 61%) respectively. EBITDA increases by 10 percent to 10.0 million euros (Q1 16/17: 9.1 million euros), which corresponds to an EBITDA margin of 32 percent of revenues (Q1 16/17: 32%) and 29 percent of total output (Q1 16/17: 29%). EBIT increases by 11 percent to 6.3 million euros (Q1 16/17: 5.7 million euros). The corresponding EBIT margin amounts to 20 percent of revenues (Q1 16/17: 20%) and 18 percent of total output (Q1 16/17: 18%). EBT increases by 11 percent to 6.2 million euros, reaching an EBT margin of 20 percent of revenues (Q1 16/17: 20%) and 18 percent of total output (Q1 16/17: 18%).

In the consolidated balance sheet, trade receivables steadily decline to 91.4 million euros (September 30, 2017: 98.0 million euros). This figure includes receivables from delivered and invoiced systems of 41.5 million euros (September 30, 2017: 50.6 million euros) and receivables according to the POC (percentage of completion) method, which after advance payments amount to 50.0 million euros (September 30, 2017: 47.4 million euros). Net debt (short-term and long-term liabilities minus cash and equivalents) is completely eliminated; cash and equivalents of 31.4 million euros (September 30, 2017: 29.7 million euros) result in net liquidity of 0.4 million euros (September 30, 2017: -1.3 million euros). This means that ISRA is calculative debt free to the end of the first quarter of 2017/2018. Equity increases in the first three months of the current financial year to 181.9 million euro (September 30, 2017: 177.0 million euro), thus reaching an equity ratio of 64 percent (September 30, 2017: 62%). Together with the available credit lines, the Company has solid capital resources for future growth.

With a network of more than 25 locations worldwide, ISRA is one of the most broadly positioned companies in the machine vision industry. Its global presence in all significant future markets and growth regions, together with the multi-branch strategy, represents an additional essential foundation for the Company’s long-term development. In the first quarter of the 2017/2018 financial year, revenues in the European market experienced substantial double-digit growth. Demand in Asia reaches the high level of the previous year and were further increased. As the result of intensified sales activities, the management anticipates further order entries in the American markets over the coming months.

In the Industrial Automation segment, ISRA serves a broad customer base of international car manufacturers – including renowned premium manufacturers – as well as industry leaders from other sectors. The first three months of the current financial year shows an increase in revenues by 10 percent or 0.7 million euros to 7.8 million euros (Q1 16/17: 7.1 million euros). EBIT rises by 14 percent to 1.7 million euros (Q1 16/17: 1.5 million euros), achieving an EBIT margin of 19 percent of total output (Q1 16/17: 20%). With new inspection systems for fully automatic quality control of vehicle painting and innovations for 3D measuring technology, ISRA is addressing new market potential and is generating additional revenue contributions, also in the important Asian markets. Especially for inspection solutions for smart phone and tablet touch screens supplemented with new developments for the quality assurance of state-of-the-art display designs with innovative features, ISRA is currently expecting further orders entries.

Revenues in the Surface Vision segment increase at a double-digit growth rate in the first quarter of 2017/2018 to 23.4 million euros (Q1 16/17: 21.3 million euros). Incoming orders also register double-digit growth. EBIT amounts to 4.6 million euros (Q1 16/17: 4.2 million euros), with an EBIT margin of 18 percent of total output.
The metal unit continues to benefit from the complete portfolio strategy, recording ongoing high demand for 3D inspection and measurement systems for quality assurance throughout the entire production chain. In the paper industry, new developments using consistent design-to-cost approaches generate further impulses and stimulate increasing incoming orders. The solar sector is focusing on systems for inspecting efficiency-increasing cell and module designs as well as product extensions for intelligent quality management; with this product combination, the Company plans to again generate high level revenue and growth. The print market continues to react positively to the broad range of systems for various process steps and materials. In order to leverage this additional market potential, ISRA is expanding its key account-management and is intensifying sales activities in important producer regions. After a short slowdown in the plastics industry, the Company is noting increasing incoming orders, particularly in the area of flexible packaging, battery film and high-end products such as optical film. The innovations launched last year in the glass business – in particular for inspecting thin glass for touch displays – are motivating higher revenues; simultaneously, the sales team is working on acquiring new strategic orders in this area. In the special paper niche market, ISRA is currently positioning an expanded portfolio that also enables quality assurance for security printing, in addition to the inspection of security and document paper; intensified sales measures are accompanying this market launch. In the growth area of semiconductor wafer inspection, after successful orders in Europe, the Asian market is increasingly addressed. Once again revenues of the service business achieved a double-digit share in the first quarter of the current financial year. Through the internationalization of the business unit, the Company is planning to consistently expand the service business to increase the revenue contribution overproportionally in the medium term.

With the development of intelligent sensors for the next system generation with higher connectivity, ISRA is addressing marketing opportunities resulting from realizing the vision of INDUSTRIE 4.0. In the current financial year, the Company is planning to present further products optimally aligned to being deployed in the networked production world. In addition, the management is expecting increasing revenue contributions from the Touch & Automate and Touch & Inspect portfolios for intelligent industry automation and surface inspection. Management anticipates further potential from Production Analytics software tools, which enable efficient process control and yield maximization based on inspection and automation data. In preparation for the next sales dimension above 200 million euro, ISRA is investing in establishing the infrastructure as well as in operating and strategic measures in all corporate areas. Alongside a team for Digital Business Development and the adjustment of premises, this includes reinforced management capacity in the areas of Sales, Service, Production and Human Resources.

A further key element of the medium- and long-term expansion strategy is the acquisition of suitable companies in order to grow in a sustained and diversified way on the basis of technologies, regions and markets. The focus here is on target companies that will advance ISRA’s technology leadership, market position or the entry into new markets. The integration of Polymetric GmbH, which has been part of the corporate group since January 2018, expands the portfolio in the area of 3D measuring technology. After the integration is completed in the next two quarters, scale and revenue effects are anticipated especially as a result of an alignment of the Polymetric products to ISRA standards. In addition to the Polymetric integration which is at an advanced stage the management is currently observing and analyzing further targets, expanding the focus to include Asia. Several acquisition projects are already being worked on, some of them at an advanced stage. A further closing is planned for the current financial year.
With a profitable quarterly result, strong incoming orders and a high gross order backlog of approx. 83 million euros gross (PY: 90 million euros gross) – further large scale orders are expected near-term – ISRA has started into the new financial year in a robust fashion. For the 2017/2018 financial year, the management is planning further profitable low double digit growth and for high profit margins at least at the level of the previous year. International expansion, extending the core business and product innovations to tap additional market potential remain in the focus of Management to considerably exceed the revenue target of 150 million euros as forecasted in the current financial year.