ISRA VISION AG: First half year 2017/2018 – revenues +10%, EBT +11%

Continued double-digit growth in the first half-year of 2017/2018 – good start into the second half of the year confirms full year guidance – further acquisitions planned

- Revenues at 64.7 million euros, plus 10% (Q2-YTD-16/17: 58.9 million euros)
- EBT growth of 11% to 12.7 million euros (Q2-YTD-16/17: 11.5 million euros)
- Earnings margins remain at high level:
  - EBITDA plus 11%, margin at 29% of total output (Q2-YTD-16/17: 28%) and 31% of revenues (Q2-YTD-16/17: 31%)
  - EBIT plus 10%, margin at 18% of total output (Q2-YTD-16/17: 18%) and 20% of revenues (Q2-YTD-16/17: 20%)
  - EBT plus 11%, margin at 18% of total output (Q2-YTD-16/17: 18%) and 20% of revenues (Q2-YTD-16/17: 19%)
- Gross margin remains at the level of the previous year of 61% to total output (Q2-YTD-16/17: 61%) and 57% to revenues (Q2-YTD-16/17: 57%)
- Net cash flow of 5.2 million euros (Q2-YTD-16/17: 1.4 Million euros)
- Positive net liquidity of 3.9 million euros (September 30, 2017: -1.3 Million euros)
- Integration of Polymetric GmbH at an advanced stage
- High gross order backlog currently over 95 million euros (PY: 90 million euros gross)
- Guidance for 2017/2018 financial year confirmed: Further profitable growth of approx. 10 percent with at least stable margins planned

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, concludes the first half of the 2017/2018 financial year with double-digit growth rates in revenue and profit, thus creating optimum conditions for achieving the annual guidance. Year-on-year revenues increase by 10 percent to 64.7 million euros (Q2-YTD-16/17: 58.9 million euros), while EBT grows by 11 percent to 12.7 million euros (Q2-YTD-16/17: 11.5 million euros). The EBT margin to revenues thus increases by one percentage point, amounting to 20 percent (Q2-YTD-16/17: 19%), and 18 percent to total output respectively (Q2-YTD-16/17: 18%). After ISRA completely eliminated net debt (current and non-current financial liabilities minus cash and equivalents) in the previous quarter, the Company records a positive net liquidity (current and non-current financial liabilities minus cash and equivalents) of 3.9 million euros (September 30, 2017: -1.3 million euros). With the equity ratio improved by approx. 3 percentage points to 65 percent (September 30, 2017: 62%) and the available credit lines, ISRA has solid capital resources for future growth. With a high gross order backlog of over 95 million euros (PY: 90 million euros gross) the Company is starting off successfully into the second half of the year.

The development in earnings of the last six months underlines ISRA’s sustained profitability: The high margin level of the first quarter was confirmed and extended. Compared to the same period of the previous year, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) increases by 11 percent to 20.4 million euros (Q2-YTD-16/17: 18.4 million euros), thus reaching an EBITDA margin of 31 percent to revenues (Q2-YTD-16/17: 31%) and 29 percent to total output (Q2-YTD-16/17: 28%). By rising to 12.9 million
Euros, EBIT (Earnings Before Interest and Taxes) is 10 percent higher compared to the figure of the previous year (Q2-YTD-16/17: 11.7 million euros). Thus, the EBIT margin amounts to 20 percent of revenues (Q2-YTD-16/17: 20%) and 18 percent of total output (Q2-YTD-16/17: 18%). EBT (Earnings Before Taxes) improves by 11 percent to 12.7 million euros (Q2-YTD-16/17: 11.5 million euros), corresponding to a slightly increased EBT margin of 20 percent to revenues (Q2-YTD-16/17: 19%) and 18 percent to total output (Q2-YTD-16/17: 18%). At 57 percent to revenues and 61 percent to total output, the gross margin (revenues/total output minus cost of materials and costs of labor in production and engineering) remains at the high level of the previous year (Q2-YTD-16/17: 57% / 61%).

After the successful first half of the current financial year, inventories increase to 36.4 million euros in preparation for the second half of the year and considering the high order backlog (September 30, 2017: 32.7 million euros). Trade receivables reduce to 89.4 million euros (September 30, 2017: 98.0 million euros), including receivables from delivered and invoiced systems of 37.3 million euros (September 30, 2017: 50.6 million euros) and receivables according to the percentage of completion method of 52.1 million euros (September 30, 2017: 47.4 million euros). In the first six months, operational cash flow reached 12.6 million euros (Q2-YTD-16/17: 15.0 million euros), while net cash flow totals 5.2 million euros (Q2-YTD-16/17: 1.4 million euros). Earnings per share (EPS) after taxes improved by 15 percent to 2.05 euros (Q2-YTD-16/17: 1.79 euros). Since May 23, 2018, the ISRA shares are traded with a split ratio of 1:5, which was based on a capital increase from corporate funds, leaving the Company’s equity unchanged. The conversion of shareholders’ accounts was performed on May 25, 2018; all shares are fully entitled to dividends for the 2017/2018 financial year.

With more than 25 locations worldwide, ISRA is one of the globally most broadly positioned machine vision providers. A strong international presence is a central element of the long-term corporate strategy to continuously leverage new market potential and generate future growth. In the second quarter of 2017/2018, the dynamic business development in the regions continues. In the first six months of the financial year, demand in the Asian markets experiences strong year-on-year growth. In the Americas, particularly in North America, business again develops significantly positive. In Europe, revenues reach the high level of the comparable period. In addition to its existing locations, the management is currently examining new opportunities for increased expansion in South East Asia and Eastern Europe.

A high level of diversification across different industries and markets – the so-called multi-branch strategy – creates a robust foundation for ISRA’s continuous and sustainable growth. In the Industrial Automation segment, the Company counts a broad base of international premium car manufacturers and global industry-leading providers from other sectors to its customers. The revenues here amount to 15.9 million euros in the first half year of 2017/2018, an increase of 15 percent compared to the same period of the previous year (Q2-YTD-16/17: 13.8 million). EBIT grows by 16 percent to 3.1 million euros (Q2-YTD-16/17: 2.6 million euros). The segment result is driven by an increasing demand for ISRA’s quick and easy to install Robot Vision solutions and the completion of a major order for 3D precision measurement technology for quality assurance of smartphones. During the first six months, the Company also launched numerous innovative products following the INDUSTRIE 4.0 philosophy. Part of these sensors designed to meet the demands of networked production are the first synergies created in development projects together with Polymetric GmbH. Especially an innovative 3D high performance inline measurement sensor which features fast measurement and an extra-large field of view combines the expertise of both companies. With these product innovations, ISRA follows its internal innovation roadmap which also takes latest progress in the utilized technologies as well as impulses from customer industries into account.
Revenues in the Surface Vision segment amount to 48.8 million euros in the first six months of 2017/2018 (Q2-YTD-16/17: 45.1 million euros). EBIT is 9.8 million euros (Q2-YTD-16/17: 9.0 million euros), again corresponding to an EBIT margin of 18 percent (Q2-YTD-16/17: 18%) to total output. One of the growth areas is the business unit metal inspection in which the international success of the complete portfolio for surface inspection and 3D measurement across the entire process chain is again confirmed. In the glass industry, the positive order situation continues; as already communicated, ISRA records rising demand regarding inspection solutions for display and touchscreen glass. Initial orders for new systems to inspect state-of-the-art cover glass designs with rounded edges are anticipated already for the current financial year. In the plastics industry, further revenue impulses are indicated on the basis of color camera technology and the targeted address of equipment providers in the production of non-woven materials. In the Solar unit, a large order is currently at an advanced stage of negotiation. In this area, management expects growth of 10 percent for the whole financial year. Revenues in the printing industry increase significantly, driven by the combined film and print inspection for packaging printing. In the paper industry, the Company is optimizing its current portfolio on an ongoing basis in respect to functionality as well as cost and intensifies addressing customers on an international basis. Embedded architectures for high-security printing are aiming to access new potential in the niche market of special (security) paper, additionally new business impulses are generated by participating in leading industry fairs. In the semiconductors unit which is currently being developed, ISRA is focusing on launching the products in Asia after orders from important initial customers in Europe. The service offers contribute to the positive revenue development with a double-digit share of revenues in the second quarter. The Company is systematically continuing the internationalization of its service strategy to improve the profit contribution of the service range more strongly in the medium term.

ISRA is accompanying its ongoing growth path with successive structural expansion of all corporate areas. With various management extensions in business development, operations and marketing – digital as well as regional, mainly in Asia and North America – the Company is focusing on strategic organizational development. Furthermore, alongside expanded infrastructure capacities at the Berlin, Herten, Seoul and Shanghai subsidiaries, construction of a new headquarters in Darmstadt is planned.

In addition to consistent organic growth, acquisitions remain a key element in ISRA’s expansion strategy. The activities are mainly targeting companies whose technical expertise will sustainably advance ISRA’s products, strengthen the market position of the Company and open up new markets. Several acquisition projects are already in the stage of intensive analysis, one of them in an advanced stage of negotiating. If the results of the examination are positive, it is planned to conclude one of these projects in the current financial year.

The profitable result of the first six months of the 2017/2018 financial year again demonstrates ISRA’s planning consistency and confirms the full-year guidance to achieve low double digit growth with increased or at least stable earnings margins. With the high gross order backlog of currently 95 million euros (PY: 90 million euros gross), the Company has a solid basis for a successful second half of the year. The expansion of the international presence, the optimization of operating productivity and cash flow as well as a strong market position remain the primary strategic targets of management in order to reach the next revenue dimension of more than 200 million euros in the medium term.