Earnings guidance outperformed significantly; EBT margin at record level and solid revenue growth – FY 2018/2019: extended focus on Production Analytics and Smart Factory Automation

- Significant EBT growth of 18% to 33.0 million euros, EBT margin on revenues reaches record level of 22%
- Revenues of 152.5 million euros (FY 16/17: 143.0 million euros) exceed mid-term revenue target of 150.0 million euros with plus 7% – higher production capacity initiated
- High margin level increased further – earnings margins up by 2 percentage points across the board:
  - EBITDA up by 14%, margin at 32% of revenues and 29% of total output (FY 16/17: 30% and 27%)
  - EBIT up by 17%, margin at 22% of revenues and 20% of total output (FY 16/17: 20% and 18%)
  - EBT up by 18%, margin at 22% of revenues and 20% of total output (FY 16/17: 20% and 18%)
- Gross margin with 61% of total output (FY 16/17: 61%) and 57% of revenues (FY 16/17: 57%) remain at the high level of the previous year
- High gross order backlog currently over 98.0 million euros (FY 16/17: 90.0 million euros gross)
- Operating cash flow of 25.6 million euros (FY 16/17: 37.1 million euros), net cash flow of 5.0 million euros (FY 16/17: 12.8 million euros)
- Net liquidity of 1.8 million euros (September 30, 2017: -1.3 million euros)
- Earnings per share (EPS) after taxes increases by 13% to 1.06 euros (FY 16/17: 0.94 euros)
- Production Analytics and Smart Factory Automation as additional growth drivers
- Outlook for 2018/2019: growth in the low double-digit range in revenue and profit; detailed forecast in February 2019

ISRA VISION AG (ISIN: DE 0005488100) – the TecDAX company for industrial image processing (machine vision), as well as a global leader in surface inspection and 3D machine vision applications has – according to audited but not yet confirmed figures – far exceeded its earnings forecast and reached a new historic record in the 2017/2018 financial year with significant EBT growth (earnings before taxes) by 18 percent to 33.0 million euros (FY 16/17: 28.0 million euros) and an EBT margin on revenues of 22 percent. With an increase of 7 percent in revenues to 152.5 million euros (FY 16/17: 143.0 million euros), ISRA has exceeded its previously announced mid-term revenue target of 150.0 million euros and reached a key milestone for additional economies of scale and continued growth. Part of the high order entry volume in the second half of the 2017/2018 financial year – with the current order volume of 98.0 million euros as the prior record – will be reflected as revenues in the 2018/2019 financial year due to the conservative expansion of resources. The required expansion of capacity and personal reinforcement to enhance production efficiency are already initiated. EBITDA (earnings before
interest, tax, depreciation and amortization) increased by 14 percent to 49.0 million euros (FY 16 / 17: 42.9 million euros), which corresponds to an EBITDA margin of 32 percent of revenues and 29 percent of total output (FY 16 / 17: 30% and 27%). In the 2017/2018 financial year, operational cash flow was 25.6 million euros (FY 16 / 17: 37.1 million euros), the net cash flow was 5.0 million euros (FY 16 / 17: 12.8 million euros), with a net liquidity of 1.8 million euros (September 30, 2017: -1.3 million euros). Given a solid equity ratio of 63 percent (September 30, 2017: 62 %), ISRA is perfectly prepared to continue its growth and can respond flexibly to market and expansion opportunities.

ISRA increased its high profitability once again in the 2017/2018 financial year. The gross margin (total output minus costs of materials and costs of labor in production and engineering) matched the high level of the previous year and is 61 percent of total output (FY 16 / 17: 61 %) or 57 percent of revenues (FY 16 / 17: 57 %) for 103.4 million euros (FY 16 / 17: 96.6 million euros). EBIT (earnings before interest and tax) generated a higher growth rate and amounts to 33.2 million euros (FY 16 / 17: 28.3 million euros). Thus, the EBIT margin amounts to 22 percent of revenues (FY 16 / 17: 20 %) and 20 percent of total output (FY 16 / 17: 18 %).

In the balance sheet, cash and cash equivalents rose by 17 percent to 34.7 million euros (September 30, 2017: 29.7 million euros). Due to the gross order volume in excess of 98.0 million euros (previous year: 90.0 million euros gross) inventories increased to 36.9 million euros (September 30, 2017: 32.7 million euros). Trade receivables were 111.8 million euros (September 30, 2017: 98.0 million euros). Of this, 45.5 million euros (September 30, 2017: 50.6 million euros) were for systems deliveries that have already been billed. Receivables under the POC (percentage of completion) method rose to 66.3 million euros (September 30, 2017: 47.4 million euros). As mentioned above, operational cash flow from business activities reached 25.6 million euros (FY 16 / 17: 37.1 million euros), while net cash flow totaled 5.0 million euros (September 30, 2017: 12.8 million euros). After the complete elimination of net debt over the year, net liquidity reached 1.8 million euros (September 30, 2017: -1.3 million euros). A dividend of 2.6 million euros has been paid. Due to the stock split on May 23, 2018, subscribed capital rose by 17.5 million euros to 21.9 million euros, while capital reserves lowered by 17.1 million euros to 21.7 million euros. Earnings per share (EPS) after taxes improved by 13 percent to 1.06 euros (FY 16 / 17: 0.94 euros).

As one of the world’s leading machine vision providers, ISRA is represented in more than 25 locations in all key countries. The broad international presence and diversification across various future-oriented markets was once again confirmed as a successful corporate strategy in the 2017/2018 financial year. Business in the regions is performing well once again. The European markets were reinforced according to plan – with ISRA again seeing significant growth in revenues, particularly in Central and Eastern Europe. In the most important Asian markets, such as China, Korea and Japan, order entries remain at the same dynamic level of last year. In North America, the Company is benefiting in particular from intensive marketing and sales activities. At the same time, new momentum is being generated for business development in North and South America as management expands. The expansion in global presence and focused marketing in additional high-margin regions will remain an integral part of the future strategy.

In the 2017/2018 financial year, ISRA reinforced its global position in the Industrial Automation and Surface Vision segments. The Industrial Automation segment, with a customer base comprising mainly premium automotive manufacturers and global players from a wide range of industries, generated significant growth of 7 percent, for a revenue increase to 39.8 million euros (FY 16 / 17: 37.2 million euros). EBIT rose by 25 percent to 9.4 million euros (FY 16 / 17: 7.6 million euros), achieving an EBIT margin of 21 percent of total output
Alongside the successful 3D machine vision solutions for robotic assembly and high precision 3D metrology, growth was driven by continued high levels of interest in ISRA’s portfolio for automation. The successful introduction of additional “Touch & Automate” products – prepared for INDUSTRIE 4.0 – at important trade shows such as AUTOMATICA and the Hannover Messe resulted in another boost to the high demand this financial year. The Company also received a number of major strategic orders, e.g. for fully automated paint inspection in the automotive industry and for high-resolution 3D inspection of smart touch devices. Both markets show sustainable potential for ISRA and will be addressed intensively.

In the Surface Vision segment, the targeted approach of product innovations and successful participation in leading industry trade shows is stimulating overall demand. Revenues rose as well by 7 percent to 112.7 million euros (FY 16 / 17: 105.8 million euros), and the EBIT margin was 19 percent (FY 16 / 17: 18%) of total output. Thanks to its targeted expansion of the complete portfolio to high-potential customer applications and a management expansion, the metals business made a positive contribution to the annual earnings. In Glass, ISRA is serving the market with innovative product development for inspection of smart touch devices and float glass products. It attracted strategic orders this financial year along with a major order for high-resolution inspection of thin glass for display applications. The former plastics portfolio now has an even broader position with an extended focus on innovative materials, which is reflected in the name change to ADVANCED MATERIALS. Strengthened international selling in this area has brought ISRA an important major order for 3D high-end inspection in the packaging industry. The dynamics in the print inspection business remains on a high level and product innovations were well received by the market. Cost-optimized products in the paper industry are generating new revenue potential; additional momentum results from new Production Analytics software tools. SECURITY – formerly known as Specialty Paper – complements the product portfolio of specialized inspection solutions for high security paper to include additional solutions with an attractive price point. In the solar industry, business in China slowed noticeably after the start of the year due to government intervention regarding subsidies for solar power; new growth momentum is being generated by product innovations such as CONNECTED PHOTOVOLTAICS 4.0, a software tool for multi-line production with the goal of cross-location connectivity. In the young semi-conductor wafer business, the Company has generated two major orders from leading European manufacturers and is continuing the market launch in the Asian region. Thanks to a diversified range of services and international service teams, ISRA continues to expand the share of its Customer Support and Service Center in total revenues in the double-digit range.

More than 19 innovative product launches in the last financial year have enlarged the technological expertise of the Company significantly, especially with regard to INDUSTRIE 4.0. At the same time, this product offensive has a market potential of several hundreds of millions of euros, particularly in the recently redefined business fields of Smart Factory Automation and Production Analytics. The expansion of Digital Business Development ISRA implements a future-oriented digital strategy for market and customer communications and paves the way – e.g. with the recently launched, new website – to open up additional sales opportunities. In parallel, the Company is expanding internal structures and preparing the organization for the next revenue dimension of 200+. To this end, ISRA is reinforcing Technical Operations with an expert for significant optimization of production efficiency. Furthermore, Finance Operations has also grown to include a specialist for expanding international structures and the reinforcement of regional units for future growth. The Digital Marketing Team has been equipped with a very experienced manager to maintain its future progress.

Besides organic growth, external growth through acquisitions of suitable companies is another important part of the long-term strategy. The focus is on companies to expand ISRA’s technology portfolio for the future, in-
crease market share, or cultivate new markets. There are five projects under view that contribute in particular to expanding the technology base and that provide synergies in the areas of Smart Factory Automation, Embedded Systems and Production Analytics.

ISRA is off to a strong start for the new 2018/2019 financial year with a broader business focus and a high gross order volume of more than 98.0 million euros (previous year: 90.0 million euros gross). With a targeted focus on innovations and efficiency, alongside the reinforcement of individual regions, the strategic and operational planning is already headed for the next revenue dimension in excess of 200 million euros. In combination with the optimization of production capacity and efficiency, the management is planning an increased operational cash flow and further growth in the low double-digit range in revenues and profit. The Company continues the sustainable dividend strategy and will propose a similar payout of dividend as in the previous year to the annual shareholder assembly. As in the past, ISRA will release a detailed forecast for the 2018/2019 financial year in February 2019.