ISRA VISION AG: Third quarter 2018/2019 – Profitability strong (EBT +19% with a 22% margin), robust revenue increase (+8%)

High double-digit margin growth; very positive cash flow impresses; significant potential for growth through technology acquisition

- EBT growth of 19% to 24.5 million euros (Q3-YTD-17 / 18: 20.5 million euros) 
  (Unless otherwise stated, EBITDA, EBIT and EBT values are adjusted for one-time acquisition costs).
- Revenues rise to 110.6 million euros, up 8% (Q3-YTD-17 / 18: 102.8 million euros)
- Earnings margins further increased at high level:
  - EBITDA up 20%, margin at 35% of revenues and 31% of total output 
    (Q3-YTD-17 / 18: 31% and 29%)
  - EBIT up 19%, margin at 22% of revenues and 20% of total output 
    (Q3-YTD-17 / 18: 20% and 18%)
  - EBT up 19%, margin at 22% of revenues and 20% of total output 
    (Q3-YTD-17 / 18: 20% and 18%)
- Gross margin rises to 62% of total output (Q3-YTD-17 / 18: 61%) and 57% of revenues 
  (Q3-YTD-17 / 18: 57%)
- Strong cash flow
  - Operating cash flow rises to 26.6 million euros (Q3-YTD-17 / 18: 18.3 million euros)
  - Net cash flow at 9.0 million euros (Q3-YTD-17 / 18: 5.6 million euros)
- Net liquidity increases significantly to 9.4 million euros (September 30, 2018: 1.8 million euros)
- Current order backlog of around 93 million euros gross (PY: 90 million euros gross)
- Earnings per share after taxes up 15% to 0.76 euros (Q3-YTD-17 / 18: 0.66 euros)
- Embedded sensor technology and development expertise of acquired Photonfocus AG open up additional market potential
- Traditionally strong Q4 will be decisive for overall annual growth; noticeable impact of macro-economic situation on order entry dynamics
- Outlook for the financial year 2019/2020: Current planning focuses on double-digit growth in revenues and earnings

ISRA VISION AG (ISIN: DE 0005488100), the TecDAX and SDAX company for industrial image processing (machine vision) and one of the world’s leading providers of surface inspection solutions and 3D machine vision applications, continued to develop profitably in the third quarter of the financial year with enormous EBT growth of 19 percent to 24.5 million euros (Q3-YTD-17 / 18: 20.5 million euros) and an EBT margin of 22 percent of revenues (Q3-YTD-17 / 18: 20%) and 20 percent of total output (Q3-YTD-17 / 18: 18%). With revenues of 110.6 million euros (Q3-YTD-17 / 18: 102.8 million euros), an increase of around 8 percent, the company is making further progress toward its medium-term target of revenues exceeding 200 million euros. EBITDA amounted to 38.6 million euros (Q3-YTD-17 / 18: 32.1 million euros), representing significant growth of 20 percent at a very high margin of 35 percent of revenues (Q3-YTD-17 / 18: 31%) and 31 percent of total output.
Ad hoc announcement
August 30, 2019

(Q3-YTD-17 / 18: 29%), while EBIT grew 19 percent to 24.6 million euros, reaching a margin of 22 percent of revenues (Q3-YTD-17 / 18: 20%) and 20 percent of total output (Q3-YTD-17 / 18: 18%). Supported by continuing measures to improve efficiency, ISRA reports a significant increase in operating cash flow to 26.6 million euros (Q3-YTD-17 / 18: 18.3 million euros), net cash flow of 9.0 million euros (Q3-YTD-17 / 18: 5.6 million euros) and net liquidity of 9.4 million euros (September 30, 2018: 1.8 million euros). The gross margin (total output minus material and labor costs of production) increased by one percentage point to 62 percent of total output (Q3-YTD-17 / 18: 61%).

The balance sheet for the first nine months of the financial year reflects a strong order backlog of 93 million euros gross (PY: 90 million euros gross). Inventories have increased slightly to 40.5 million euros (September 30, 2018: 36.9 million euros) while total trade receivables have decreased to 105.5 million euros (September 30, 2018: 111.8 million euros) whereby cash receivables amount to 39.9 million euros (September 30, 2018: 45.5 million euros) and contract assets to 65.6 million euros (receivables according to the percentage of completion* method on September 30, 2018 at 66.3 million euros). Earnings per share (EPS) after taxes improved by 15 percent to 0.76 euros (Q3-YTD-17 / 18: 0.66 euros). With significantly higher equity of 209.8 million euros (September 30, 2018: 197.8 million euros), an equity ratio up by 3 percentage points to 66 percent (September 30, 2018: 63%) and the available credit lines, the company is equipped with very good capital resources for future growth and to finance potential further acquisition projects.

During the first nine months of the financial year, ISRA continued to invest in the global expansion of market shares in the target industries and in strengthening the international teams at more than 25 locations. As such, important new managers were recruited in the United Kingdom and China, while the company intensified its market expansion measures in Mexico. In addition, step-by-step expansion is currently being implemented in North and South America, South East Asia and India. For the further expansion of the service business that contributed to the positive development of the company with a double-digit share of revenues in the third quarter, ISRA recruited an experienced manager. The objective of this is to strategically strengthen the Customer Support & Service Center and achieve an above-average increase over the coming quarters.

Business in the regions was robust in the third quarter of 2018/2019, with ISRA achieving successes in sales in the European markets. Revenues in Asia continued to develop on a high level compared to the third quarter of the previous year; the company expects amongst others large-scale orders from China over the coming months. Business in North and South America grew significantly and should receive further impetus from an additional intensification of marketing and sales activities. Revenues in the Industrial Automation segment rose to 28.0 million euros during the reporting period, representing growth of 10 percent (Q3-YTD-17 / 18: 25.5 million euros), while business with the automotive industry alone grew by 12 percent. EBIT increased by 21 percent to 6.1 million euros (Q3-YTD-17 / 18: 5.1 million euros) at an EBIT margin of 19 percent of total output (Q3-YTD-17 / 18: 18%). The segment result was driven by machine vision solutions for robot-guided assembly and measuring technology. Experience shows that these capital goods for the automation of production are the subject of cross-industry demand, even when the business climate is weakening. This especially applies for the automotive industry, as the major players invest in optimizing production and increasing efficiency in times of economic slowdown.

In the third quarter of 2018/2019, revenues in the Surface Vision segment increased by 7 percent to 82.6 million euros (Q3-YTD-17 / 18: 77.4 million euros). At the same time, EBIT grew to 18.5 million euros (Q3-YTD-17 / 18: 15.7 million euros), which corresponds to an EBIT margin of 20 percent of total output (Q3-YTD-17 / 18: 19%). The metal inspection business continues to benefit from the complete portfolio strategy and is thus one of the important growth areas.
ISRA is currently exploiting additional market potential here with the ongoing development of INDUSTRIE 4.0-capable systems for connected production. The order situation in the glass industry remains positive, supported by new and enhanced products. Furthermore, recently launched additions to the high-end portfolio for the detailed inspection of float glass mean that further momentum can be expected in future. Advanced Materials once again achieved strong growth by opening up new niche markets for innovative materials amongst others. Both glass and advanced materials have proven to be growth drivers. The Print business is being strengthened further through investments in marketing and sales. Following the successful conclusion of a large-scale order from a well-known manufacturer from China and thanks to a good order backlog, the solar industry appears to offer further potential; ISRA is tackling the tough competition for market shares in Asia with an aggressive sales strategy. Future markets such as the packaging sector are the focus of business activities in the paper industry. Various projects for optimizing the innovative portfolio with cost-reducing embedded technologies are currently being implemented here, while marketing and sales are also being strengthened. The Security business experienced solid demand for its specialized inspection solutions for high-security paper and printing, while the relatively new semiconductors business area is enjoying increasingly positive development and has a good order situation.

It continues to be part of the company’s strategy to effectively supplement sustainable organic growth with acquisitions. With the recently acquired Swiss company Photonfocus AG, the strategic portfolio in the embedded sensor technology segment has been expanded to combine competence in 3D machine vision with robot automation in established markets as well as in industries that use discrete manufacturing processes. The technology will also facilitate significant progress for surface inspection: the high image recording speed and the use of 3D and infrared technology together with hyperspectral sensors enable additional applications to be addressed in established markets. The specialized technologies and development expertise will be implemented in new product generations in the short term and could open up additional market potential in the mid double-digit million range in the medium term. Further acquisition targets in the fields of industrial automation, production analytics and INDUSTRIE 4.0 sensor technology are currently being examined in detail.

With a strategic focus on expanding the innovation portfolio, intensified engagement in global markets and the good current order backlog of around 93 million euros gross, ISRA is well positioned for the final quarter of the financial year. At the same time, the management is concentrating on further optimizing production efficiency and cash flow. The strategic objective remains to achieve the revenues dimension of more than 200 million euros in the medium term. The traditionally strong fourth quarter will be significantly determine growth, whereby macroeconomic factors are now exerting a noticeable influence on the dynamics of order entries. The upcoming weeks will also be affected by the closing of a number of major orders that are at an advanced negotiation stage. Based on these booking expectations ISRA is planning for an annual growth similar to the 3rd quarter. Assuming that global economic conditions do not deteriorate further – also taking into account the current trade policy tensions – the management is planning for double-digit growth in revenues and earnings in the coming financial year 2019/2020.