ISRA VISION AG: Financial year 2018/2019 – EBT margin of 22% of revenues at a stable high level, revenues growth of +1% under challenging market conditions

ISRA concludes financial year 2018/2019 with high profit margins despite stagnating growth; positive double-digit revenues development expected over the course of 2019/2020: Innovation roadmap as growth driver

- Revenues increase by 1% and exceed the global Machine Vision market in a challenging global economic environment (FY 18/19: 153.9 million euros; FY 17/18: 152.5 million euros)
- Margins at a stable high level
- (Unless stated otherwise EBITDA, EBIT and EBT figures are adjusted in the following for one-time acquisition costs in the amount of 1.6 million euros.)
  - EBITDA margin at 34% of revenues and 30% of total output (FY 17/18: 32% and 29%)
  - EBIT margin at 22% of revenues and 20% of total output (FY 17/18: 22% and 20%)
  - EBT margin at 22% of revenues and 20% of total output (FY 17/18: 22% and 20%)
- Gross margin at 62% of total output (FY 17/18: 61%) and 57% of revenues (FY 17/18: 57%), remains at the high level of the previous year
- Operating cash flow rises to 33.3 million euros (FY 17/18: 25.6 million euros)
- Net cash flow of 5.2 million euros (FY 17/18: 5.0 million euros) after investments of 10.3 million euros in the acquisition of Photonfocus
- Integration of Photonfocus proceeding positively – first joint innovations in implementation
- Order backlog of currently approx. 86 million euros gross (FY: approx. 97 million euros gross)
- Outlook for 2019/2020: Recovery in order entry dynamic expected in the course of the second quarter, low double-digit growth planned for the financial year

ISRA VISION AG (ISIN: DE 0005488100), the SDAX company for industrial image processing (Machine Vision) and one of the world’s leading providers of surface inspection and 3D Machine Vision applications, releases its audited but not yet confirmed figures for financial year 2018/2019 today. As already announced on November 25, 2019, revenues for the past financial year rose in the low single-digit range (+1%) and amounted to 153.9 million euros (FY 17/18: 152.5 million euros). ISRA thus still stands out positively from the Machine Vision market (according to the German Engineering Federation (VDMA), a mid to high single-digit decline in industry sales). In the preceding quarters of the financial year, the company had successfully maintained its position in the steadily cooling market by recording robust growth. Delays in expected major orders, particularly from Europe and Asia, significantly weakened the momentum in the fourth quarter.
Even under these market conditions, the company maintained its usual high level of profitability for financial year 2018/2019 as a whole. EBITDA (earnings before interest, taxes, depreciation and amortization) rose by 6% to 52.0 million euros (FY 17/18: 49.0 million euros), with the EBITDA margin rising to 34% of revenues and 30% of total output (FY 17/18: 32% and 29%). EBIT (earnings before interest and taxes) increased to 33.9 million euros (FY 17/18: 33.2 million euros) with a margin of 22% to revenues and 20% to total output (FY 17/18: 22% and 20%). EBT (earnings before taxes) developed slightly positive to 33.7 million euros (FY 17/18: 33.0 million euros), with a margin of 22% to revenues and 20% to total output (FY 17/18: 22% and 20%). The gross margin (total output minus cost of materials and costs of labor in production and engineering) improved to 62% of total output (FY 17/18: 61%) or 57% of revenues (FY 17/18: 57%) and amounted to 106.5 million euros (FY 17/18: 103.4 million euros).

Cash flow from operating activities increased significantly to 33.3 million euros (FY 17/18: 25.6 million euros) in financial year 2018/2019, while net cash flow increased after investments of 10.3 million euros for the acquisition of Photonfocus AG to 5.2 million euros (FY 17/18: 5.0 million euros). Cash and cash equivalents increased by 15% to 39.9 million euros (September 30, 2018: 34.7 million euros). As a result of orders placed very late in the financial year, inventories increased to 46.9 million euros (September 30, 2018: 36.9 million euros). Trade receivables amounted to 48.9 million euros (September 30, 2018: 45.5 million euros), contract assets to 66.9 million euros (September 30, 2018: 66.3 million euros). With an equity of 215.1 million euros (September 30, 2018: 197.8 million euros), a strong equity ratio of 62% (September 30, 2018: 63%) and free credit lines, ISRA has excellent capital resources for future growth and for financing potential acquisition projects. Earnings per share (EPS) after taxes amounted to 1.03 euros (FY 17/18: 1.06 euros). This year, too, the management plans an appropriate increase in the dividend and thus the continuation of the sustainable dividend policy.

As one of the world’s leading Machine Vision providers, ISRA is represented at over 25 locations in all relevant countries. ISRA’s broad international presence and diversification across various future-oriented markets also proved its value in a weak global economic climate in financial year 2018/2019. In Europe and Asia, ISRA was able to maintain the high level of the previous year despite the increased challenges, while growth rates were even achieved in North America. Recent targeted reinforcements of regional management in the UK, Mexico and Spain are expected to provide additional impetus. The expansion and strengthening of its global presence will continue to be an integral part of its future strategy: The measures planned will address India, Eastern Europe, Southeast Asia and MENA.

The global economic trends in financial year 2018/2019 are also reflected in the results of the segments. In the Industrial Automation segment, whose customer base includes mainly premium automobile manufacturers and global players from a wide variety of industries, momentum weakened slightly and orders were postponed, resulting in revenues of 39.1 million euros (FY 17/18: 39.8 million euros). EBIT amounted to 9.2 million euros (FY 17/18: 9.4 million euros). This equates to an EBIT margin to total output of 20% (FY 17/18: 21%). In addition to planned orders from the automotive industry, further growth potential is expected in the coming months from portfolio expansion in the Smart Factory Automation segment and from intensified entry into new markets for networked automation. The product innovations for 3D surface inspection with integrated precision measurement technology and for 3D robot vision applications address not only the automotive industry but also other discrete manufacturing sectors such as the electronics and display industries.
In the Surface Vision segment, ISRA achieved slight growth through broad diversification across various target markets. Revenues rose to 114.8 million euros (FY 17/18: 112.7 million euros), the EBIT margin reached 20% of total output (FY 17/18: 19%). In the Metal segment, one of the growth drivers in past financial years, the company countered the delay in incoming orders with marketing and sales intensifications as well as innovations in the area of 3D inspection. There are already signs of an improvement in order entry dynamics. The Advanced Materials segment recorded strong revenues growth over the entire financial year 2018/2019. The development of new niche markets for innovative materials, in conjunction with increasing quality requirements in the respective end markets, ensures sustained order intake. Business in the glass sector is developing comparably well with high customer demand. Here the focus on high-end applications for demanding markets such as the display or solar industry is paying off. The Print division will be further strengthened in the future through targeted investments in marketing and sales. The increased use of embedded technologies enables optimal pricing to expand the volume business. In the solar sector, important major orders were concluded in financial year 2018/2019; the Chinese market in particular also offers further potential in 2019/2020. Some projects recently delayed are at an advanced stage of negotiation or close to completion. ISRA is responding to the increasing local competition in Asia with offensive sales activities. In the paper segment, management is strengthening its position by further optimizing its portfolio with cost-reducing embedded technologies and by focusing on high-margin industries such as the packaging sector. The Security division, with specialized inspection systems for high-security paper, developed as planned at a moderate growth level. The still young semiconductor inspection business is expanding its range of applications with new technology approaches. New strategic customers were acquired in the course of the year; additional orders are also expected in the coming months from the development of the Asian market.

An important focus in the company strategy remains to complement organic growth with acquisitions. With the acquisition of Photonfocus AG, Switzerland, the strategic portfolio in the field of embedded sensor technologies was expanded in order to combine 3D Machine Vision expertise with robot automation both in established markets and in discrete manufacturing industries. The use of innovative Photonfocus technologies also provides new impetus for surface inspection. Together with the development competencies, these are already integrated into new products and are expected to open up additional market potential in the mid-double-digit million range in the medium term. Further acquisition targets from the areas of industrial automation, production analytics and INDUSTRIE 4.0 software and sensor technology are currently being examined in more detail. Projects to strengthen regional business in Eastern Europe and Asia are also being examined.

The management is countering the slowdown in the markets with targeted measures to generate new market impulses. The strengthening of digital marketing and the expansion of sales capacities by approx. 15 percent have been initiated and largely completed. In connection with the strong innovation roadmap, the focus is on stimulating the order entry dynamic. Measures to optimize costs in the areas of production efficiency, management reorganization and process optimization are currently implemented. Based on the order backlog of approx. 86 million euros gross (PY: approx. 97 million euros gross) and the emerging recovery of the economic environment, ISRA expects a gradual improvement in the sector economy in the customer industries and an increasingly positive business development from the second quarter onwards. For the financial year, the management plans to return to low double-digit growth rates in revenues and earnings. The medium-term strategic focus remains unchanged at exceeding the 200 million euro revenues mark. The company is thus continuing its long-term strategy of expanding its market position both through organic growth and through the integration of innovative companies. As in previous years, the management will issue a detailed forecast for the 2019/2020 financial year in February 2020.