ISRA VISION AG (ISIN: DE0005488100) – one of the world's top companies for industrial image processing (Machine Vision) as well as a global leader for the surface inspection of web materials and 3D machine vision applications, publishes its half-year results in a challenging COVID-19 environment.

With a nine percent decline in revenues to 64.6 million euros (Q2-YTD 18 / 19: 70.9 million euros) compared to the same period of last year, the company is currently experiencing an interruption of its long-term profitable growth. The EBT margin declines by three percentage points to 18 percent of revenues and 16 percent of total output (Q2-YTD 18 / 19: 21 % and 19 %), while EBITDA remained with an almost stable margin at a high level of 35 percent of revenues (Q2-YTD 18 / 19: 34 %) and 30 percent of total output (Q2-YTD 18 / 19: 31 %). During the reporting period, the individual regions and customer industries were affected differently by COVID-19 implications. The recovery at the end of the second quarter that was forecasted at the beginning of the year failed to materialize due to the global spread of the pandemic. Instead, the COVID-19 restrictions in Asia from January on led to a decline in orders and further post-
Ad hoc announcement
June 02, 2020

Postponements of previously announced orders. Towards the end of the second quarter, this trend also intensified in the American and the European markets. There were an increasing number of postponed orders - hardly any cancellations. It is currently not predictable how much longer the realization of these projects will be postponed. The cost optimization programs that have been initiated are supporting efficiency and will have a positive effect on cash flow in the second half of the year.

The gross margin (total output minus material and labor costs of production) remains constant at 63 percent of total output (Q2-YTD 18/19: 63 %). EBITDA (earnings before interest, taxes, depreciation and amortization) declined by 7 percent to 22.7 million euros (Q2-YTD 18/19: EUR 24.4 million), with a strong margin of 35 percent to revenues (Q2-YTD 18/19: 34 %) and 30 percent to total output (Q2-YTD 18/19: 31 %), while EBIT (earnings before interest and taxes) fell by 20 percent to EUR 12.0 million (Q2-YTD 18/19: EUR 15.0 million) and achieved reduced margins of 19 percent of revenues (Q2-YTD 18/19: 21 %) and 16 percent of total output (Q2-YTD 18/19: 19 %). EBT (earnings before taxes) loses around 21 percent and amounted to 11.8 million euros (Q2-YTD 18/19: 14.9 million euros), which equates to an EBT margin of 18 percent to revenues and 16 percent to total output (Q2-YTD 18/19: 21 % and 19 %, respectively). All 2019/2020 EBITDA, EBIT and EBT figures are adjusted for one-time transaction costs of EUR 0.95 million, unless otherwise stated.

The half year results reflect the decline in order entries and more difficult shipping conditions for systems that have already been manufactured, especially towards the end of the second quarter. Inventories rose to 53.5 million euros (September 30, 2019: 46.9 million euros). Trade receivables decreased to 107.6 million euros (September 30, 2019: 115.8 million euros), with cash receivables amounting to 46.2 million euros (September 30, 2019: 48.9 million euros) and contract assets of 61.3 million euros (September 30, 2019: 66.9 million euros). Net debt amounted to -10.1 million euros (Q1-19/20: -11.0 million euros).

Compared to the first quarter of the financial year, operating cash flow improved slightly to 2.8 million euros in the first half of financial year (Q1-19/20: -4.3 million euros), while net cash flow came to -13.1 million euros after repayment of 3.7 million euros in financial liabilities (Q2-YTD 18/19: 9.0 million euros). Earnings per share (EPS) after taxes amounted to 0.35 euros (Q2-YTD 18/19: 0.46 euros). At the virtual Annual General Meeting held on May 14, 2020, the shareholders voted to increase the dividend for financial year 2018/2019 to 0.18 euros per share. With equity of 221.9 million euros (September 30, 2019: 214.7 million euros), a strong equity ratio of 65 percent (September 30, 2019: 62 %) and free credit lines, ISRA is well capitalized during the current COVID-19 crisis and has good prospects for further growth.

The company’s consistent global expansion, the expansion of market shares in relevant fields and the strengthening of the international teams at its more than 25 locations in recent years represent important strategic assets in the current challenging market environment. Although the recovery did not set in at the end of the second quarter, as one had hoped, due to the COVID-19 pandemic, orders were still booked and revenues generated in certain regions, while regional lockdowns in Asia, and China in particular, have already led to a decline in incoming orders and the postponement of deliveries of systems that have already been manufactured. In the European markets, ISRA still recorded good demand in nearly all business units in the first half of the second quarter, which also declined towards the end of the reporting period. Currently initial positive impulses again become noticeable in China. Sales in North and South America were significantly lower than in the previous year. By implementing significant cost optimization measures and simultaneously focusing on marketing and sales, the company is creating the requirements to benefit from emerging market recoveries as quickly as possible.
Revenues of 19.5 million euros were generated in the Industrial Automation segment, whose customer base includes primarily well-known premium manufacturers from the automotive industry as well as global players from a wide variety of industries. This represents an increase of 14 percent over the same period last year (Q2-YTD 18 / 19: 17.2 million euros). EBIT even increased by 19 percent to 4.3 million euros (Q2-YTD 18 / 19: 3.6 million euros), with an EBIT margin to total output of 18 percent (Q2-YTD 18 / 19: 18 %). With an anticipated incipient recovery of the European markets in the fourth quarter of 2019/2020, the strengthening of the management team and portfolio expansions in the Smart Factory Automation segment and the resumption of production hoped for in the global automotive plants, the company expects demand to develop positively in this segment in the months to come. The innovations in the area of embedded systems for Smart Factory Automation that were initiated together with Photon-focus will also contribute to this development.

Revenues in the Surface Vision segment amounted to 45.1 million euros in the first half year of 2019 / 2020 (Q2-YTD 18 / 19: 53.8 million euros), a decline of 16 percent compared to the same period last year. Thereby EBIT declined to 7.7 million euros (Q2-YTD 18 / 19: 11.4 million euros), which represents an EBIT margin of 15 percent to total output (Q2-YTD 18 / 19: 19 %). The company recorded mixed demand in the reporting period in the segment’s individual customer industries. The Metals Inspection business that recently benefited from the complete portfolio strategy and innovations in the area of INDUSTRY 4.0-capable systems was already experiencing a decline in the period under review, partly due to relatively strong exposure to Asia. The Glass unit still recorded significant growth at the beginning of the financial year and also benefited from a number of larger orders in the second quarter. The company has a significant number of further offers placed in the market. The date of assignment however at this moment is not foreseeable. The Advanced Materials unit, with its expanded focus on innovative materials, is also making good contributions to revenues; expected follow-up projects in the lower single-digit million euro range have been partially booked and have the potential to support growth in the coming months. Demand from the printing industry, including digital printing applications, continues to develop positively. Following the design-to-cost measures implemented in the paper segment, the company continues to concentrate on growth sectors such as the packaging industry and is stepping up its marketing and sales activities. The security business unit is developing according to plan. The expected revenue impulses for the solar industry, whose customer base is largely based in Asia, were affected by the COVID-19 restrictions, whereas individual orders were received in the still young field of semiconductors.

Even in the current tense global economic situation, the company is consistently expanding its Customer Service and Support unit internationally and plans to increase the contribution of high-margin service revenues to total revenues disproportionately in the medium term with a diversified range of products and a strengthening of management.

After the first quarter of the financial year 2019 / 2020, in which the company, despite the challenging market conditions achieved a good result compared to the rest of the industry, ISRA was affected by the effects of COVID-19 in the second quarter. Due to the fact that the consequences of the Corona-virus on the global economy, supply chains and the completion of projects by ISRA’s customers cannot yet be conclusively assessed, the visibility for the second half of the current financial year is very limited. In an unclouded economic environment, the offers placed on the market and the number of major orders to be negotiated for future projects still would have the potential to generate profitable revenues and earnings growth in the lower double-digit percentage range. These will continue to shift, however, due to the massive global impact of the COVID-19- pandemic, which means that a realization of revenues in the current
financial year (September 30, 2020) cannot be forecasted with certainty, although order entries from Asia, especially China, are already showing initial signs of recovery. The company expects a turnaround in the order intake dynamics at the end of the third quarter or in the fourth quarter. The necessary operating resources are being prepared in terms of planning.

The management took action to mitigate the impact of the COVID-19 pandemic and to optimize the company’s liquidity and cash flow. In principle, ISRA's strategy remains focused on sustainably expanding its global market position through product innovations for industrial automation while simultaneously increasing efficiency, as well as growing revenues – including optimization of costs and working capital – over the mark of 200 million euros mark in the medium term.

On April 29, the additional acceptance period for the Atlas Copco Group’s voluntary public takeover bid for ISRA VISION AG expired. ISRA shareholders have tendered a total of 17,205,199 shares. This represents 78.51 percent of ISRA’s share capital. With an acceptance rate of 78.51 percent and a shareholding of 13.68 percent (as of May 05, 2020), Atlas Copco will hold 92.19 percent of ISRA VISION's shares after the completion of the tender offer. The Atlas Copco Group's offer is subject to approval by the Committee on Foreign Investment in the United States (CFIUS). All other offer conditions have been fulfilled. Further information on the offer is available at www.technology-offer.com.

Company profile

ISRA VISION AG, together with its subsidiaries, is worldwide leading in surface inspection of web materials. Furthermore, it is one of the globally leading providers of machine vision programs, specialising in the area of 3D machine vision, in particular for “3D robot vision”.

The core competence of the Company is the ISRA-BrainWARE®, an innovative software for intelligent machine vision systems. Here, the scientific know-how from the fields of optics, lighting technology, surveying technology, physics, image processing and classification algorithms and a complex system design are combined. Machine vision is a key technology for visualising systems that imitate the human eye. Today’s ISRA applications focus primarily on the automation of production and quality assurance of goods and products supplied to large, future-oriented markets such as energy, healthcare, food, mobility and information. The customers mainly include renowned global players from the respective sectors. With more than 25 locations worldwide, ISRA offers customer proximity everywhere and ensures optimum service and support.

Further information is available at www.isravision.com.
Additional Information

ISRA VISION AG
Industriestraße 14
64297 Darmstadt
Germany
Tel.: +49 (0) 6151 948 - 0
Fax: +49 (0) 6151 948 - 140
Internet: www.isravision.com

Investor Relations
E-Mail: investor@isravision.com

Melanie Böttcher
Tel.: +49 (0) 6151 948 - 209

Susanne Becht
Tel.: +49 (0) 6151 948 - 212