

ISRA VISION AG: First quarter 2019/2020 as predicted; robust profitability with a slight decline in revenues

ISRA starts financial year 2019/2020 as forecasted – Corona virus makes expected order entry dynamics uncertain – detailed annual guidance only possible to a limited extent

- Revenues of 33.1 million euros – robust at -3% compared to industry average (Q1 18/19: 34.2 million euros) – recovery compared to fourth quarter of 2018/2019
- Earnings margins at a stable high level:
- EBITDA margin at 37 % of revenues and 32 % of total output (Q1 18/19: 34 % and 31 %)
- EBIT margin at 20 % to revenues and 18 % to total output (Q1 18/19: 20 % and 18 %)
- EBT margin at 20 % to revenues and 18 % to total output (Q1 18/19: 20 % and 18 %)
- Gross margin at 64 % to total output (Q1 18/19: 62 %) and 57 % to revenues (Q1 18/19: 57 %)
- Cash flow reflects late order intake in Q4 2018/2019 and preparation for upcoming major orders; significant improvement expected in Q2 2019/2020
- Integration of Photonfocus almost completed – Market launch of first joint innovations
- Order backlog of currently around 89 million euros gross (PY: 96 million euros gross)
- Proposal to increase the dividend to 0.18 euros per share (PY: 0.15 euros)
- High equity ratio of 64 % (September 30, 2019: 62 %)
- Despite positive start into the second quarter and a well-filled order pipeline first effects in order entry dynamics due to Corona virus noticeable
- Executive Board and Supervisory Board support Atlas Copco's public offer

ISRA VISION AG (ISIN: DE 0005488100) – the SDAX Machine Vision company and one of the world's leading providers of surface inspection solutions and 3D machine vision applications, is publishing its quarterly figures for the first three months of financial year 2019/2020 following the announcement of the public offer by Atlas Copco on February 10, 2020. ISRA achieved revenues of 33.1 million euros in the first quarter of 2019/2020 (Q1 18/19: 34.2 million euros). With a moderate decline of three percent compared to the strong figures of the previous year, ISRA already sees a recovery compared to the last quarter of the financial year 2018/2019. Some of the orders expected for the fourth quarter have been completed in the last weeks of the first quarter of 2019/2020, others at the beginning of Q2 2019/2020; to date, also larger orders, are still in the closing process. The order entry dynamics in the next months especially from Asia will largely depend on the extent to which the Corona virus has an effect.

With solid EBT of 6.6 million euros (Q1 18/19: 6.9 million euros), the company underscores its robust profitability and has so far put itself off positively from the sector in an uncertain global economic situation. Earnings per share (EPS) after taxes amounts to 0.22 euros (Q1 18/19: 0.23 euros). The management proposes an increase in the dividend to 0.18 euros for financial year 2018/2019 to the Annual General Meeting on March 17, 2020, and is thus continuing the sustainable dividend policy.

ISRA confirmed the high margin level of the last financial year in the first quarter. The gross margin (total output minus material and labor costs of production) increased to 64 percent of total output (Q1 18/19: 62%) and 57 percent of revenues (Q1 18/19: 57%). EBITDA (earnings before interest, taxes, depreciation and amortization) also developed positively and amounted to 12.2 million euros (Q1 18/19: 11.7 million euros). The EBITDA margin increased slightly to 37 percent of revenues (Q1 18/19: 34%) and 32 percent of total output (Q1 18/19: 31%). Having 6.7 million euros, EBIT (earnings before interest and taxes) is slightly below the previous year's figure (Q1 18/19: 6.9 million euros), while the EBIT margin is correspondingly 20 percent to revenues (Q1 18/19: 20%) and 18 percent to total output (Q1 18/19: 18%). EBT (earnings before taxes) amounted to 6.6 million euros (Q1 18/19: 6.9 million euros), which equates to an EBT margin of 20 percent of revenues (Q1 18/19: 20%) and 18 percent of total output (Q1 18/19: 18%).

In preparation for major orders that are currently being concluded, inventories in the balance sheet increased to 51.4 million euros (September 30, 2019: 46.9 million euros). Trade receivables amounted to 104.9 million euros (September 30, 2019: 115.8 million euros). Operating cash flow was -4.3 million euros (Q1 18/19: 4.8 million euros). Invoicing of a large number of projects worked on in the first quarter 2019/2020 is planned for the second quarter of the current financial year; therefore considerably higher cash flow is expected. Equity increased to 218.7 million euros (September 30, 2019: 214.7 million euros) with an equity ratio of 64 percent (September 30, 2019: 62%).

With more than 25 locations worldwide, ISRA is one of the most broadly positioned suppliers in the Machine Vision industry. Besides its multi-industry strategy, ISRA's presence in all important future markets and growth regions represents a further important basis for the long-term development of the company. Business developed differently in the various regions in the first quarter of 2019/2020. In the European markets, the company is still registering slight restraint in some sectors. Revenues in Asia have remained at a similarly high level as in the previous year thus far. Orders from American customers developed similarly.

The Industrial Automation segment, whose customer base includes in particular well-known premium manufacturers from the automotive industry as well as global players from various industries, increased its revenues to 8.4 million euros in the first quarter of the financial year (Q1 18/19: 8.3 million euros). EBIT remained constant at 1.8 million euros (Q1 18/19: 1.8 million euros) with an EBIT margin of 18 percent of total output (Q1 18/19: 18%). In addition to innovative 3D Machine Vision solutions for robot-guided assembly and high-precision 3D metrology, the segment result is being driven by good customer demand for the "Touch & Automate" products prepared for INDUSTRIE 4.0.

In the coming months and quarters, ISRA expects significant revenues from a frame agreement with a premium automobile manufacturer for innovative measurement technology solutions. A large order in the mid-single-digit million range for several systems for 100% paint inspection in automotive production should also make a positive contribution to earnings. Further market potential will be tapped by the first jointly developed innovations in the area of Embedded Systems for Smart Factory automation after complete integration of Photonfocus. These innovations are about to be launched on the market and are aimed at applications for 3D measurement and 3D robot guidance in the automobile industry as well as in broader markets for the automation of discrete manufacturing processes.

Revenues in the Surface Vision segment in the first quarter of 2019/2020 amounted to 24.7 million euros (Q1 18/19: 25.9 million euros). EBIT reached 4.9 million euros (Q1 18/19: 5.2 million euros), with an EBIT margin of 18 percent of total output (Q1 18/19: 18%). In the Metal inspection segment, management expects growth in the current financial year, supported in particular by the complete portfolio strategy and the further development of innovative steel inspection solutions for the automobile industry as well as the expansion of new software solutions for the entire metal production process and INDUSTRIE 4.0-capable systems. The Glass business recorded significant growth in the reporting period and is also benefiting from a major order in the current quarter. The company anticipates that a significant number of additional systems will be ordered in the months ahead. Solutions for the inspection of display as well as solar and automobile glass are also increasingly in demand. The Advanced Materials segment, with its expanded focus on innovative materials, is also making good contributions to revenues; expected follow-up projects in the lower single-digit million range could support growth in the next months. Demand from the printing industry, also for digital printing applications, is developing positively. In the Paper segment, following the design-to-cost measures implemented, the company continues to concentrate on growth sectors such as the packaging industry and is increasing up its marketing and sales activities. The Security business is developing according to plan. There are signs of new revenue impulses in the solar industry from Asia, although the influence of the Corona virus remains to be seen. The same applies to orders in the still young Semiconductor segment, where the company has intensified its efforts to address the Asian market following the successful acquisition of strategic orders from leading manufacturers in Europe.

In the first quarter of 2019/2020, the service business again contributed with a double-digit share of revenues to the company's development. ISRA is consistently expanding its Customer Support and Service Center internationally and plans to increase the contribution of service revenues to total revenues disproportionately in the medium term with the help of a diversified product range.

After the first quarter of financial year 2019/2020, in which the company – despite the challenging market conditions – achieved good results compared to the rest of the sector, ISRA got off to a positive start in the second quarter. The potential of the open offers placed on the market and the number of major orders to be negotiated for future projects underscores the annual forecast of profitable revenues and earnings growth in the lower double-digit percentage range. Due to the currently unpredictable effects of the Corona virus on the supply chains and the handling of projects at ISRA's customers, visibility is currently limited and a forecast is only possible to a limited extent. First effects are being felt in the form of delays in projects with customers in China. Should there be significant delays in the placement of orders or in the completion of projects, this could lead to a later onset of the growth dynamics and a slower development of revenues for the entire financial year. The management has already prepared measures to compensate effects of the Corona virus and maintain the Company's profitability. 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 in the medium term.

Press Release

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As announced on February 10, 2020, a strategic partnership between ISRA VISION AG and the Swedish Atlas Copco Group is planned, which includes the succession of Enis Ersü, CEO of ISRA VISION AG. The respective public offer was published on February 28, marking the beginning of the acceptance period during which all shareholders can accept the offer of 50 euros per share, which will run until April 8, 2020. The dividend for financial year 2018/2019, which is expected to amount to 0.18 euros, will be paid irrespective of the acceptance. Atlas Copco's offer is strongly supported by CEO, the rest of the Executive Board and the Supervisory Board. At the time of publication of the offer document, Atlas Copco had already secured 37.85 percent of the share capital of ISRA VISION AG through irrevocable tender obligations (28.78 %) and share purchase agreements with institutional investors (9.07 %). Further information to the public offer under: 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.

In the past seventeen years, ISRA has shown profitable growth with an annual average increase in sales of approx. 25 percent. Currently the Company employs approx. 900 employees worldwide.

Further information are available at www.isravision.com.

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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