Q3 2018: First Sensor generates profitable growth

- Quarterly sales surpass the EUR 40 million mark
- EBIT margin above 11% for the first time
- The Executive Board confirms sales and earnings guidance for fiscal year 2018

First Sensor AG, a developer and manufacturer of standard products and customer-specific sensor solutions in the growth market of sensor technology, continued in the vein of the strong previous quarter in the third quarter of 2018, achieving total sales of EUR 40.8 million. The company continued to improve its earnings quality with the sales it generated in the third quarter, with EBIT climbing to EUR 4.6 million (previous year: EUR 4.1 million) and producing an unparalleled EBIT margin of 11.3% (previous year: 10.4%). With a net profit of EUR 3.4 million (previous year: EUR 0.9 million), earnings per share amounted to EUR 0.33 (previous year: EUR 0.09). Consolidated sales amounted to EUR 115.1 million after nine months, up 6.4% on the previous year's figure of EUR 108.2 million. The EBIT margin stands at 7.5% (previous year: 6.9%) and is now in the target range for the year as a whole. Earnings per share reached EUR 0.55 (previous year: EUR 0.28) based on a net profit of EUR 5.7 million after nine months.

"In Q3 2018, sales and EBIT margin have reached a new level. This success shows that our strategy geared toward economies of scale with measures for improved operational excellence is having an impact", says CEO Dr. Dirk Rothweiler. "As a result, our production locations have continued to improve their profitability by optimizing value chains and targeting improvements in yield. At the same time, we are also seeing success in the strategy employed by our sales and development teams to focus on forward-integrated, customer-specific solutions and their continued efforts to differentiate our standard products on the market."

Target Markets
The Industrial target market generated sales of EUR 20.7 million in the third quarter of 2018 (previous year: EUR 19.4 million). Sales after nine months of the year amounted to EUR 57.8 million, up EUR 2.2 million on the previous year (EUR 55.5 million). The main factors that contributed to this growth are increasing demand for pressure sensor technology like the H series and the acquisition of new projects in the field of optical sensor technology.

The Medical target market reported year-on-year sales growth of EUR 1.9 million, bringing sales to EUR 9.5 million in the third quarter of 2018 (previous year: EUR 7.6 million). Sales after nine months of the year came to EUR 25.8 million, an increase of EUR 5.5 million compared to the same period of the previous year (EUR 20.4 million). This growth can largely be attributed to rising demand for pressure sensors and to growing orders for services relating to optical packaging.

Sales in the Mobility target market remained at a stable level of EUR 10.5 million compared to the first two quarters of the year. Sales after nine months of the year totaled EUR 31.5 million (previous year: EUR 32.3 million).

Incoming orders and orders on hand
First Sensor's order backlog remains at a high level of EUR 100.6 million. A third of existing orders are still scheduled for 2018, and two thirds already show good visibility for 2019. Although incoming orders declined to EUR 39.5 million, they remain at a high level. After nine months of the year the rolling book-to-bill ratio was 1.07, which is an indicator of further growth.

Statement of financial position and cash flow

Total assets have increased by EUR 2.5 million since December 31, 2017 from EUR 159.6 million to EUR 162.1 million. This increase can be explained predominantly by the continued expansion of inventories by EUR 6.0 million with the aim of counteracting price changes on the markets and supplier shortfalls in good time and enabling the company to respond flexibly to customer requirements. Sales factors drove trade accounts receivables up by EUR 3.7 million. The EUR 4.9 million decrease in cash and cash equivalents can be accounted for on the one hand by the increase in working capital, which produces a temporarily higher level of tied-up liquidity, and on the other hand by the financing of investments through own funds and the payment of a dividend of EUR 1.6 million in May 2018. Net debt amounted to EUR 26.9 million as of September 30, 2018, which was EUR 4.1 million higher than the figure as of December 31, 2017 (EUR 22.8 million). This can be explained by the expansion of inventories of raw materials and supplies and by higher trade receivables in relation to sales. But measures have already been taken during the year to improve the net debt position as of June 30, 2018 (EUR 30.5 million) such as repaying further loans in the amount of EUR 0.5 million and generating higher revenues. By the reporting date September 30, 2018, the equity ratio reached 53.3%, two percentage points higher than the figure as of December 31, 2017 (51.3%).

After nine months of the year, cash flow from operating activities amounts to EUR 4.1 million. This improvement compared to the first half of 2018 (EUR -1.9 million) is the result of increased income before tax, and also compensates for the rise in working capital. Cash flow from investing activities has developed in a straight line with investments planned for 2018 and completed to date. These investments have been financed to only a limited extent by proceeds from new loans, which – combined with the dividend payment in the second quarter – puts cash flow from financing activities at EUR -3.0 million. Free cash flow improved by EUR 0.3 million to EUR -2.0 million compared to the previous year (EUR -2.3 million).

Employees

There was an increase in employees of 15 FTEs (full-time equivalents) in production, which took the First Sensor Group's headcount from 830 FTEs in the second quarter of 2018 to 845 FTEs in the third quarter of 2018. More new employees were hired within the scope of the demand-related capacity expansion to allow for a three-shift model to be introduced on six to seven days of the week. A total of 41 additional FTEs have been hired in production since the previous year's reporting date. Since then, 11 more FTEs have also joined the product and technology development team to expand business for customer-specific solutions and First Sensor LIDAR expertise. Increasing sales revenues drove sales per employee back up slightly over the course of 2018. For the third quarter of 2018 sales per employee amounts to EUR 48.2 thousand.

Outlook

Based on the previous course of business and the current order situation, the company still expects to achieve sales of between EUR 150 million and EUR 160 million and an EBIT margin of between 7% and 9% for the year as a whole. Sensor technology remains an important key technology in the medium to long term with respect to industry automation, the advancement of medical technology and the transition to a new era of mobility. "Sensors are the only means of turning physical parameters into digital signals and data. We want to continue to generate profitable growth in this future market and believe that the combination of our analog chip expertise and microelectronic packaging expertise puts us in an excellent position to achieve this", says CFO Dr. Mathias Gollwitzer.

The Interim Report Q3 2018 is available for download on the Internet at https://www.first-sensor.com/en/investor-relations/financial-publications/quarterly-reports/index.html. The results are presented by the Executive Board on Monday, November 12, 2018 at 2 p.m. CET: https://webcasts.eqs.com/firstsensor20181112

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Financial Figures at a Glance (rounding differences may arise)

in € million, unless otherwise indicated	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Sales revenues	34.3	34.6	39.3	39.3	34.5	39.9	40.8
Industrial	17.8	18.3	19.4	19.6	16.3	20.7	20.7
Medical	6.4	6.4	7.6	7.6	7.4	9.0	9.5
Mobility	10.1	9.9	12.3	12.1	10.8	10.2	10.5
EBITDA	4	3.8	6.3	5.5	3.3	5.2	6.9
EBITDA margin (%)	11.7	11	16	14.1	9.5	13.0	17.0
EBITA	2.4	2.2	4.7	3.6	1.6	3.6	5.1
EBITA margin (%)	6.9	6.3	11.9	9.3	4.7	8.9	12.6
EBIT	1.8	1.6	4.1	3.1	1.1	3.0	4.6
EBIT margin (%)	5.1	4.6	10.4	7.8	3.1	7.5	11.3
EBT	1.4	1.5	2.2	2	0.6	2.6	4.2
EBT margin (%)	4.1	4.4	5.5	5.2	1.8	6.4	10.4
Net profit for the period	1.2	0.8	0.9	1.3	0.2	2.1	3.4
Earnings per share (EUR)	0.13	0.08	0.09	0.13	0.02	0.21	0.33
Cash flow from operating activities	-0.2	2	3.8	10.4	0.1	-2.0	1.9
Free cash flow	-2.5	-0.7	0.9	5.8	-1.9	-3.9	3.1
Balance sheet total	154.6	153.1	158.3	159.6	159.2	156.9	162.1
Shareholders' equity	78.7	79.4	80.2	81.9	82.1	82.8	86.3
Equity ratio (%)	50.9	51.8	50.7	51.3	51.5	52.8	53.3
Net debt	27.3	28	27.5	22.8	25.2	30.5	26.9
Working capital	38.3	38.8	41.1	37.5	38.4	43.4	44.5
Incoming orders	35.1	44.4	42	42.1	39.3	44.4	39.5
Orders on hand	88.9	90.7	96.5	92.5	97.3	102.1	100.6
Book-to-bill-ratio	1	1.3	1.1	1.1	1.14	1.11	0.97
Employees (FTE, average of period)	783	784	784	798	811	830	845
Sales revenues per employee in thousand €	43.9	44.1	50.1	49.2	42.5	48.07	48.2
Number of shares in thousand	10,211	10,211	10,211	10,216	10,216	10,216	10,216

About First Sensor AG

In the growth market of sensor systems, First Sensor develops and produces standard products and customer-specific solutions for the ever-increasing number of applications in the industrial, medical, and mobility target markets. Based on tried-and-tested technology platforms, we develop products from single chips to complex sensor systems. Trends such as Industry 4.0, autonomous driving, and the miniaturization of medical technology will drive growth extremely rapidly in the future. First Sensor was founded in Berlin in 1991 and has been listed on the Frankfurt Stock Exchange since 1999.

Disclaimer

Statements in this report relating to future developments are based on a prudent estimate of future events. Actual events of the company may deviate significantly from planned events, as they depend on a large number of market and economic factors, some of which are outside of the company's control.