

First Sensor on track operationally in first nine months of 2019

- Sales up 6.7% at EUR 122.9 million.
- Q3 sales in line with expectations at EUR 41.6 million
- Operating EBIT margin of 8.2% after nine months
- Earnings still impacted by special effects from planned acquisition

First Sensor AG, a developer and manufacturer of standard products and customer-specific sensor solutions (ISIN: DE0007201907), generated sales of EUR 41.6 million in the third quarter of 2019, corresponding to an increase of 2.0% as against the same quarter of the previous year (EUR 40.8 million). Sales after nine months of the year increased to EUR 122.9 million, representing growth of EUR 7.7 million or 6.7% compared to the same period of the previous year (EUR 115.1 million). Operating EBIT after nine months amounted to EUR 10.0 million (previous year: EUR 8.6 million), equating to an operating EBIT margin of 8.2%. Although this did not match the outstanding figure for the third quarter of 2018 of 11.3%, it shows that First Sensor has the potential to keep increasing profitability significantly. The figures for the first three quarters provide a sound basis for achieving the operating sales and earnings targets for 2019, albeit most likely at the lower end of the range due to changes in the ordering behavior of some key customers.

Extraordinary expenses in connection with the planned acquisition by TE Connectivity Sensor Germany Holding AG were incurred again in the third quarter. Overall, the negative impact from transaction costs and accruals came to almost EUR 6.7 million after nine months of the year. Taking account of these extraordinary negative effects, EBIT in accordance with IFRS amounted to EUR 3.4 million (previous year: EUR 8.6 million), corresponding to an EBIT margin of 2.7% (previous year: 7.5%).

“In a challenging business environment, we are benefiting from our broad positioning on the Industrial, Medical and Mobility target markets and our ongoing internationalization in Asia and North America in line with our strategy for profitable growth,” says Dr. Dirk Rothweiler, CEO of First Sensor AG. “Nonetheless, incoming orders are not in line with our expectations and we are carefully monitoring the market for possible signs of a further economic slowdown.”

“Profitability developed in line with the satisfactory sales,” says Dr. Mathias Gollwitzer, CFO of First Sensor AG. “Adjusted for the special effects in connection with the planned combination with TE Connectivity Sensors Germany Holding AG, operating EBIT after nine months improved by 16.1% compared to the same period of the previous year.”

Target markets

In the Industrial target market, sales rose by 5.1% to EUR 21.7 million in the third quarter of 2019 (previous year: EUR 20.7 million). Sales after nine months of the year amounted to EUR 65.3 million, up EUR 7.5 million or 13.1% on the previous year (EUR 57.7 million). This growth was due to growing demand from Asian customers for pressure transmitters for industrial process control and for optical sensor chips. The Medical target market reported sales on a par with the previous quarter at EUR 8.9 million in the third quarter of 2019. Compared with the same quarter of the previous year (EUR 9.5 million), this represents a decline of 6.6 percent, resulting from inventory corrections by some key customers. Sales after nine months of the year came to EUR 27.5 million (previous year: EUR 25.8 million), representing an increase of 6.3%. In particular, this growth was attributable to demand for optical sensors for medical imaging. In the Mobility target market, sales posted a slight increase of 3.8% to EUR 10.9 million in the third quarter (previous year: EUR 10.5 million), driven by OEM pressure

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sensor solutions for fuel-efficient mobility and the expansion of camera business. After nine months of the year, sales came to EUR 30.1 million (previous year: EUR 31.5 million).

Incoming orders and order backlog

After the somewhat weaker level of incoming orders in the second quarter, this figure now also indicates a continued stable business development at EUR 41.5 million in the third quarter. After nine months, First Sensor's order backlog amounted to EUR 94.3 million and was thus virtually unchanged compared to the previous quarter. A little over one-third of existing orders are expected to impact sales before the end of 2019 and two-thirds of the order backlog has already been scheduled for next year, forming a good planning basis for 2020. The rolling book-to-bill ratio increased slightly compared to the previous quarter and came to 1.00.

Balance sheet and cash flow

Since December 31, 2018, total assets have increased by EUR 10.4 million to EUR 178.8 million. This increase largely resulted from the first-time application of IFRS 16 and the resulting increase in both intangible assets and financial liabilities. Equity increased slightly again by EUR 0.9 million to EUR 89.7 million as a result of retained earnings in the reporting period. The equity ratio of 50.2% is somewhat lower than it was as of December 31, 2018 (52.7%), also due to the first-time application of IFRS 16. Compared to the sales growth of 6.7%, working capital increased only marginally by EUR 0.9 million or 2.5% to EUR 38.2 million in the reporting period. This mainly resulted from the slight decline in trade payables.

After nine months of the year, operating cash flow amounted to EUR 13.0 million. This represents a significant improvement compared to the same period of the previous year (EUR 4.1 million), mainly as a result of more stable working capital and provisions in connection with the planned acquisition by TE Connectivity Sensor Germany Holding AG. Cash flow from investing activities of EUR 7.5 million reflects the investments made and planned for 2019. Free cash flow after nine months was clearly positive at EUR 5.5 million (previous year: EUR -2.0 million). Cash and cash equivalents increased slightly by EUR 1.5 million to EUR 30.1 million.

Outlook

In an increasingly challenging environment, the business performance in the first nine months of 2019 was largely as planned. However, due to changes in the call-up patterns of some key customers, the Executive Board still expects that sales for the year as a whole will most likely be at the lower end of the target range of EUR 160 million to EUR 170 million. "We are thus narrowing down our statement in the six-month interim report, which is also still supported by the current data on incoming orders, the order backlog and the book-to-bill ratio," says Rothweiler.

The satisfactory sales level also influenced operating profitability, although this was still slightly below the target range. In the Executive Board's view, the task for the company is not to let up in its efforts so that it stays on track for the year as a whole. As with the expectations for the future sales development, the operating EBIT margin for the year as a whole is expected to be toward the lower end of the target range of 8.5% to 9.5%. In addition, further special effects that cannot be quantified precisely are also expected in the final quarter of 2019 in connection with the planned combination with TE Connectivity Sensors Germany Holding AG.

"Sensor technology will continue to be an innovation driver for our sales markets, which are influenced by megatrends, in the medium and long term," says CEO Dr. Dirk Rothweiler. "We intend to tap this potential together with TE as a strategic investor and partner. We are pleased that the majority of our

shareholders supported this proposal and submitted a total of 71.87% of outstanding shares to TE's takeover bid. We expect the transaction to be completed by mid-2020 at the latest."

Key figures at a glance (rounding differences possible)

in € million, unless otherwise indicated

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
						IFRS/adjusted	IFRS/adjusted
Sales revenues	34,5	39,9	40,8	40,0	41,4	39,9	41,6
Industrial	16,3	20,7	20,7	22,6	22,2	21,4	21,7
Medical	7,4	9,0	9,5	8,7	9,8	8,8	8,9
Mobility	10,8	10,2	10,5	8,7	9,5	9,7	10,9
EBITDA	3,3	5,2	6,9	5,9	6,4	1,4/5,8	3,8/6,1
EBITDA margin (%)	9,5	13,0	17,0	14,7	15,4	3,4/14,4	9,2/14,8
EBITA	1,6	3,6	5,1	3,6	3,6	-1,2/3,2	1,6/3,9
EBITA margin (%)	4,7	8,9	12,6	9,0	8,6	-3,1/8,0	3,8/9,4
EBIT	1,1	3,0	4,6	3,6	4,1	-1,8/2,6	1,0/3,3
EBIT margin (%)	3,1	7,5	11,3	9,0	9,9	-4,5/6,5	2,5/8,1
EBT	0,6	2,6	4,2	3,0	3,9	-2,5/1,9	0,8/3,1
EBT margin (%)	1,8	6,4	10,4	7,5	9,4	-6,0/5,0	2,0/7,5
Net profit for the period	0,2	2,1	3,4	1,8	2,7	-1,9/2,5	1,0/3,3
Earnings per share (EUR)	0,02	0,21	0,33	0,17	0,27	-0,20/0,23	0,10/0,32
Cash flow from operating activities	0,1	-2,0	6,0	11,8	5,5	1,3	6,2
Free cash flow	-1,9	-3,9	3,8	8,2	3,0	-1,5	4,0
Balance sheet total	159,2	156,9	162,1	168,4	170,1	173,8	178,8
Shareholders' equity	82,1	82,8	86,3	88,8	91,6	88,7	89,7
Equity ratio (%)	51,5	52,8	53,3	52,7	53,8	51,0	50,2
Net debt	25,2	30,5	26,9	19,5	16,7	21,5	17,6
Working capital	38,4	43,4	44,5	37,3	36,1	38,4	38,2
Incoming orders	39,3	44,4	39,5	36,4	42,3	35,6	41,5
Orders on hand	97,3	102,1	100,7	97,6	98,4	94,2	94,3
Book-to-bill-ratio	1,22	1,11	0,97	0,91	1,02	0,89	1,00
Employees (as of Sep. 30, 2019)	811	830	845	863	863	894	883
Number of shares in thousand	10.216	10.216	10.216	10.222	10.222	10.228	10.269

Download

The full report on the third quarter and the first nine months of 2019 is available for download on the internet at <https://www.first-sensor.com/en/investor-relations/results-center/index.html>.

Financial calendar

The Annual Report 2019 is expected to be published on March 25, 2020.

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About First Sensor AG

Founded as a technology start-up in the early 1990s, today, First Sensor is a global player in sensor technology. Based on our know-how in chip design and production as well as microelectronic packaging, standard sensors and customer-specific sensor solutions are developed in the fields of photonics, pressure and advanced electronics for the ever-growing demand in key applications for the target markets of Industrial, Medical and Mobility. The strategy is aimed at profitable growth and focuses on key customers and products, forward integration and strengthening our international presence. First Sensor has been listed on the Frankfurt Stock Exchange since 1999 [Prime Standard | WKN: 720190 | ISIN DE0007201907 | SIS]. Further information: www.first-sensor.com.

Disclaimer

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