

Press release, March 25, 2020

First Sensor Expecting Downturn in Sales in Coronavirus Year

- Sales expected to be between €145 million and €155 million in fiscal year 2020 after €161.3 million
- Adjusted EBIT margin likely to be between 3% and 6%
- Executive Board and Supervisory Board propose dividend of €0.20 per share

The First Sensor Group today published its report for fiscal year 2019. As previously announced, sales climbed to €161.3 million despite the less favorable market environment. This equates to growth of 3.9%. Operating earnings (EBIT), adjusted for transaction costs in connection with the business combination with TE Connectivity Sensors Germany Holding AG, increased by 10.1% to €13.5 million, and the EBIT margin rose to 8.4% (previous year: 7.9%). Despite a difficult economic environment the company still met its sales and earnings targets.

“Our customers, particularly those in the automotive industry, and their suppliers faced some major challenges in 2019. First Sensor performed well in this environment, increased its sales and further improved its profitability,” said Dr. Dirk Rothweiler, CEO of First Sensor AG. “This shows that our strategy for profitable growth is taking effect and having the desired results, albeit at the lower end of the originally intended range on account of market factors.”

Improved operating earnings on all levels

The gross profit margin in relation to total operating performance increased to 54.5% (previous year: 52.9%). Operating earnings (EBITDA) – before expenses arising from the business combination with TE Connectivity Sensors Germany Holding AG – improved to €24.6 million (previous year: €21.3 million). This drove the adjusted EBITDA margin up significantly year-on-year from 13.7% to 15.3%. EBIT also improved by 10.1%, reaching €13.5 million (previous year: €12.2 million), and the adjusted EBIT margin hit 8.4% (previous year: 7.9%). As a result, the original target range for the EBIT margin of 8.5% to 9.5% was narrowly achieved at an operating level despite the less favorable market environment. Adjusted consolidated net income for the fiscal year came to €10.9 million (previous year: €7.5 million), corresponding to adjusted earnings per share in circulation of €1.08 (previous year: €0.72).

Detached from the course of operating business, extraordinary expenses in connection with the planned combination with TE Connectivity Sensors Germany Holding AG burdened the operating result in fiscal year 2019. Transaction costs and provisions resulted in additional personnel expenses of €3.7 million and additional other operating expenses of €4.7 million in the reporting period. Under the influence of these special effects, EBITDA fell to €16.2 million (previous year: €21.3 million). This corresponds to an EBITDA margin of 10.0% (previous year: 13.7%). Accordingly, this results in EBIT of €5.1 million (previous year: €12.2 million) with an EBIT margin of 3.1% (previous year: 7.9%). As at December 31, 2019, net profit for the period after special effects amounted to €2.5 million (previous year: €7.5 million). This results in

earnings per share in circulation of €0.26 (previous year: €0.72). Retained earnings at First Sensor AG amount to €8.7 million (previous year: €9.3 million). The Executive Board and the Supervisory Board therefore intend to propose to the Annual General Meeting that a dividend of €0.20 per share be distributed. This corresponds to a total distribution of €2.1 million or 24.0% of retained earnings.

Target markets

Sales in the Industrial target market grew by €6.2 million to €86.6 million (previous year: €80.4 million). With this increase of 7.8%, Industrial was the growth driver for the Group in fiscal year 2019. Increasing demand for optical sensors and sensor systems from Asia played a significant role here. Growth in the Medical target market was more moderate. Here, sales increased by 2.5% to €35.4 million (previous year: €34.6 million). However, business performance lagged expectations slightly because customers opted to postpone projects. Nevertheless, there was a positive development in demand from key customers in this target market. In line with the slowdown in the automotive industry, the Mobility target market was more subdued in fiscal year 2019, especially in the second half, and posted a downturn in sales of €1,0 million or 2.4%.

Incoming orders and order backlog

Incoming orders declined by 2.2% to €156.2 million for the year as a whole. At year-end, the order backlog came to €92.9 million, corresponding to a decline of 4.8%. Particularly in the first half of the year, orders were increasingly postponed temporarily in a more challenging economic environment while sales were still at a good level, and the order backlog decreased accordingly.

Balance sheet and cash flow

Total assets increased to €179.7 million in fiscal year 2019 (previous year: €168.4 million). The equity ratio declined slightly to 50.0% (previous year: 52.7%). The decline was primarily caused by the extension of the balance sheet triggered by the first-time application of IFRS 16 and the resulting increase in financial liabilities to €55.5 million (previous year: €48.0 million). Working capital came to €39.2 million (previous year: €37.3 million). This was due to the slight increase in inventories combined with a simultaneous reduction in trade receivables. Capital employed climbed to €149.6 million (previous year: €123.1 million); this increase is also largely attributable to the first-time application of IFRS 16.

Operating cash flow improved significantly year-on-year, rising by 28.3% to €20.4 million (previous year: €15.9 million). Cash flow from investing activities increased to €11.6 million (previous year: €9.7 million). The investments in 2019 largely related to capitalized development costs as well as new machinery and equipment for an expansion of capacity. There was also a very positive development in free cash flow, which amounted to €8.9 million (previous year: €6.3 million).

Employees

The First Sensor Group had a total of 892 (previous year: 863) employees (full-time equivalents) and 30 apprentices (previous year: 32) as at the reporting date of December 31, 2019.

Outlook

The Executive Board is expecting the novel infectious disease COVID-19 to have a significant impact on the global economy in fiscal year 2020. Taking account of the currently announced public and economic measures, First Sensor is anticipating sales of between €145 million and €155 million in 2020. “COVID-19 is presenting us, our customers and suppliers, as well as our employees, with unprecedented challenges,” said Dr. Dirk Rothweiler. “We have taken numerous steps to protect the health of our team, as we have to safeguard supply chains and production. These steps are particularly relevant for the production of our pressure sensors for respiratory devices.”

Lower sales on account of COVID-19 will also affect the profitability of the Group. “We are anticipating an adjusted EBIT margin – before expenses arising from the business combination with TE Connectivity Sensors Germany Holding AG – of between 3% and 6% in fiscal year 2020,” said CFO Marcus Resch.

Key figures for fiscal year 2019 at a glance (rounding differences may occur)

in € million, unless otherwise indicated	2015	2016	2017	2018	2019
Sales revenues	137.7	150.1	147.5	155.1	161.3
Industrial	74.1	72.5	75.1	80.4	86.6
Medical	23.8	30.7	27.9	34.6	35.4
Mobility	39.8	46.9	44.5	40.2	39.2
EBITDA	11.4	19.4	19.6	21.3	24.6*
EBITDA margin (%)	8.3	12.9	13.3	13.7	15.3*
EBITA	2.5	11.2	12.8	14.5	15.7*
EBIT	1.2	10.0	10.6	12.2	13.5*
EBIT margin (%)	0.9	6.7	7.2	7.9	8.4*
Earnings before taxes (EBT)	1.2	8.7	7.2	10.4	11.9*
Net profit for the period	-1.5	6.1	4.4	7.5	10.9*
Earnings per share (€)	-0.17	0.57	0.40	0.72	1.08*
Cash flow from operating activities	5.0	16.6	16.0	15.9	21.7*
Free cash flow	-1.8	10.0	3.5	6.2	10.1*
Balance sheet total	153.5	154.0	159.6	168.4	179.7
Shareholders' equity	71.3	77.5	81.9	88.8	89.9
Equity ratio (%)	46.4	50.3	51.3	52.7	50.0

Net debt	33.0	24.4	22.8	19.5	22.0*
Working capital	36.5	35.7	37.	37.3	39.2
ROCE (%)	1.0	8.5	8.6	9.9	9.0*
Incoming orders	142.3	132.9	163.7	159.6	156.2
Orders on hand	90.7	82.2	92.5	97.6	92.9
Book-to-bill-ratio	1.03	0.89	1.11	1.03	1.0
Employees (average of the period)	770	791	787	835	882
Number of shares in thousand as of Dec., 31	10,167	10,208	10,216	10,222	10,269

* Adjusted for transaction costs and provisions in connection with the business combination with TE Connectivity Sensors Germany Holding AG

About First Sensor AG

Founded as a technology start-up in the early 1990s, today, First Sensor is a global player in sensor technology. With our expertise in chip design and production as well as microelectronic packaging, we develop and produce standard sensors and customer-specific sensor solutions 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. With around 1,000 employees, we are represented at six German locations and also have development, production and sales sites in the USA, Canada, China, the Netherlands, Great Britain, France, Sweden and Denmark along with a worldwide partner network. First Sensor AG has been listed in the Prime Standard segment on the Frankfurt Stock Exchange since 1999. For more information please visit www.first-sensor.com.

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