JENOPTIK AG – First nine months 2019

Dr. Stefan Traeger | Hans-Dieter Schumacher I November 12, 2019

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Major events in the first nine months of 2019

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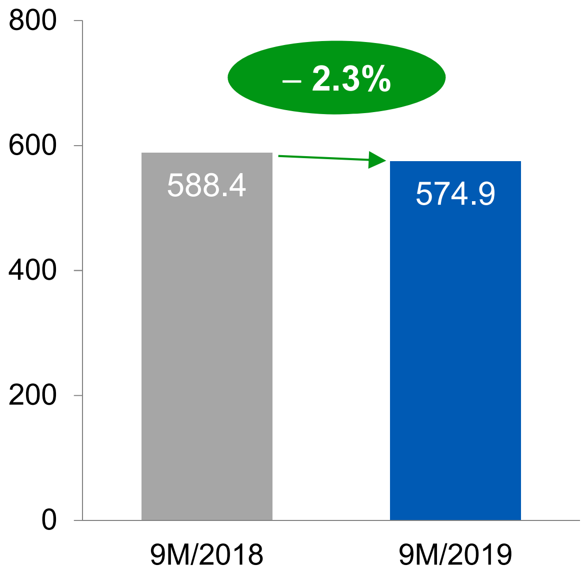
9M
2019

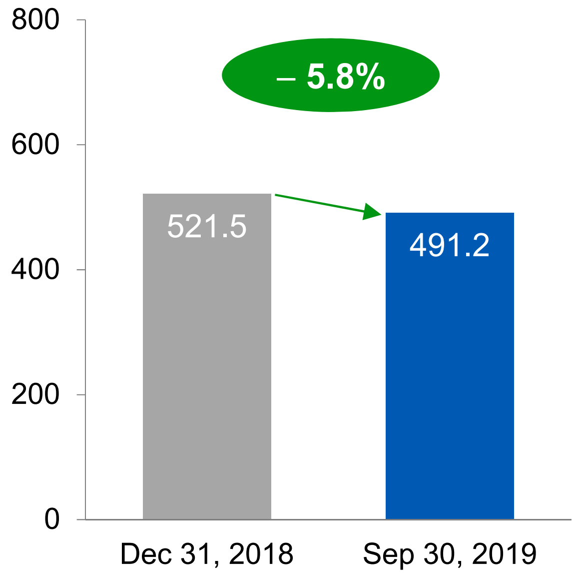
- Permission received to export energy systems for the "Patriot" air missile defense system at beginning of October
- Sales process for VINCORION division started
- CEO confirmed in office for another five-year term
- Substantial investments in expansion and modernization of our locations
- Several orders received by Prodomax in the automation area
- New corporate structure has been in place since January 1, 2019

Order intake figures slightly down on prior year

Order intake in million euros



Order backlog in million euros



- Light & Production with growth;
  Light & Optics division received major order earlier than expected in Q4/2018
- **Book-to-bill ratio** 0.96 (prior year 0.99)

- Solid basis for coming months
- Approx. 46% with planned conversion to revenue in 2019 (prior year 48%)
- **Frame contracts** at 52.2 million euros (31/12/18: 62.5m euros)

Momentum further increased in 3rd quarter, revenue slightly exceeded prior-year level

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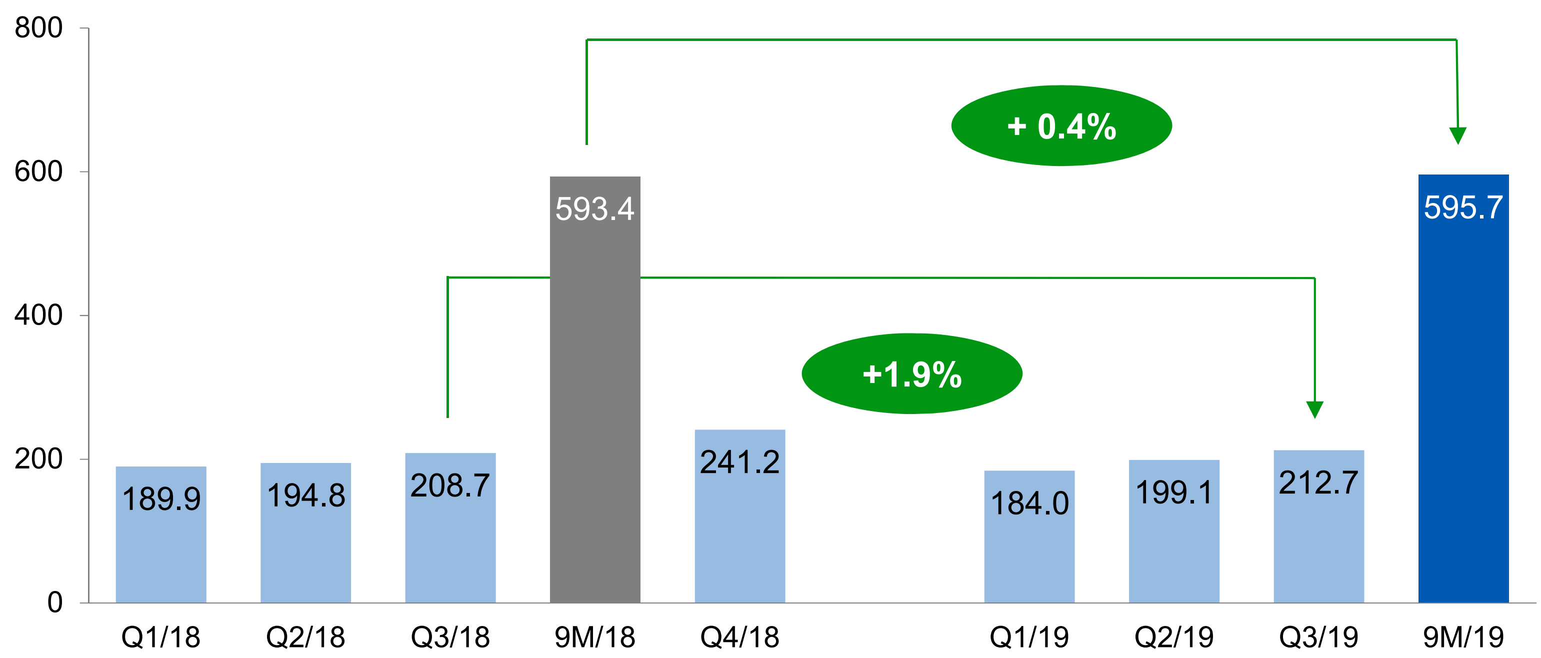
Revenue in million euros



- Revenue grew both in the first nine months and on a quarterly basis, rise over the course of the year
- Good business with semiconductor equipment industry and in the Automation & Integration area
- Contribution of the companies acquired in 2018: approx. 52 million euros (prior year 21.8m euros)
- Export restrictions affected development; high revenue contribution from the toll monitoring project in the prior year (approx. 25 million euros) makes comparison difficult

Significant revenue growth in the first nine months of 2019 in the Americas

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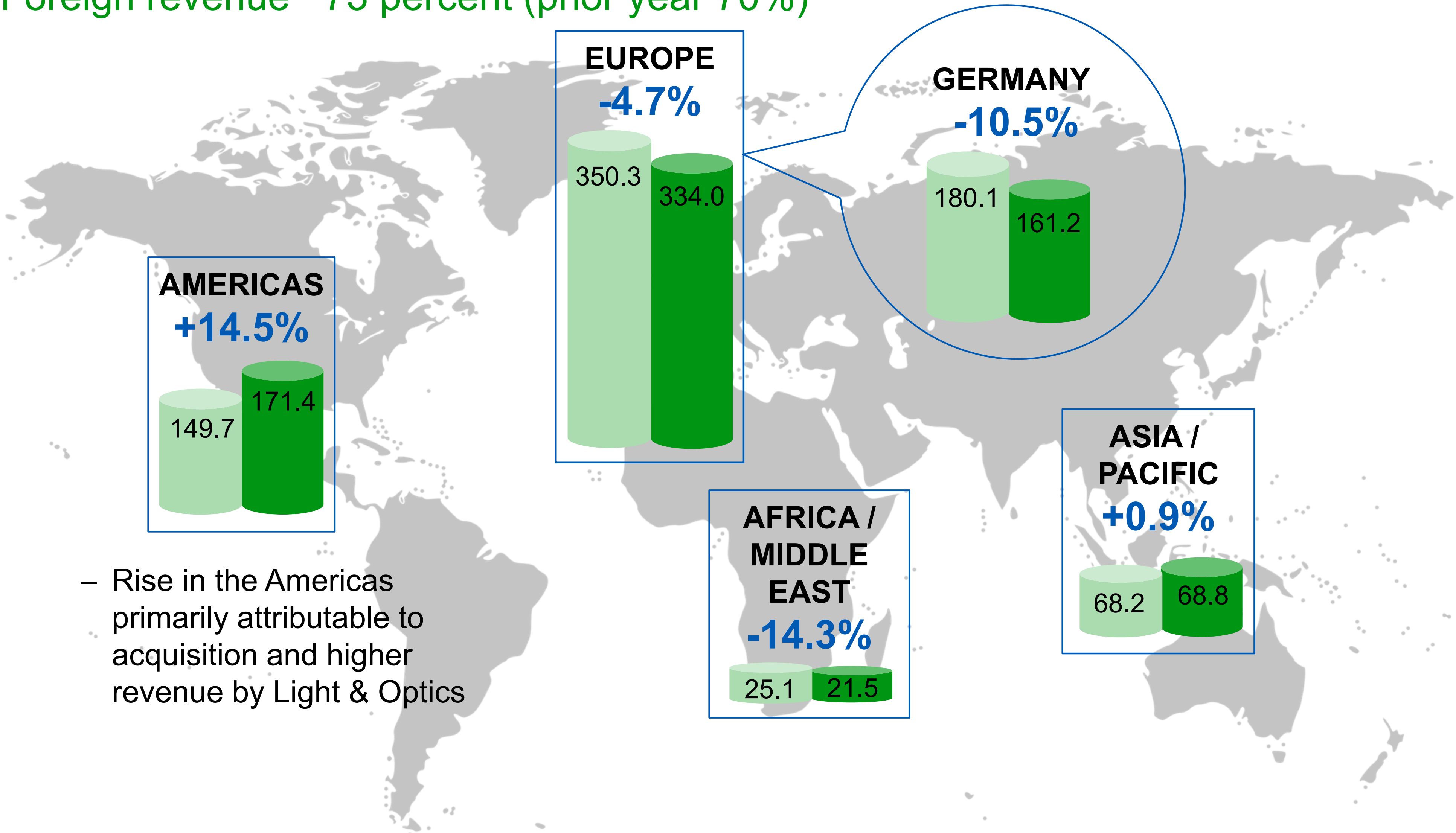
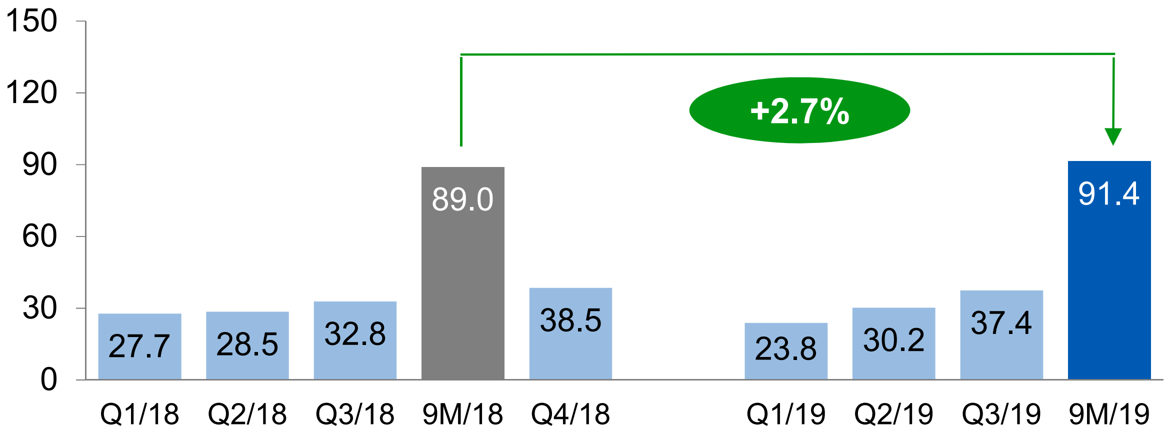
Foreign revenue ~73 percent (prior year 70%)



– Rise in the Americas primarily attributable to acquisition and higher revenue by Light & Optics

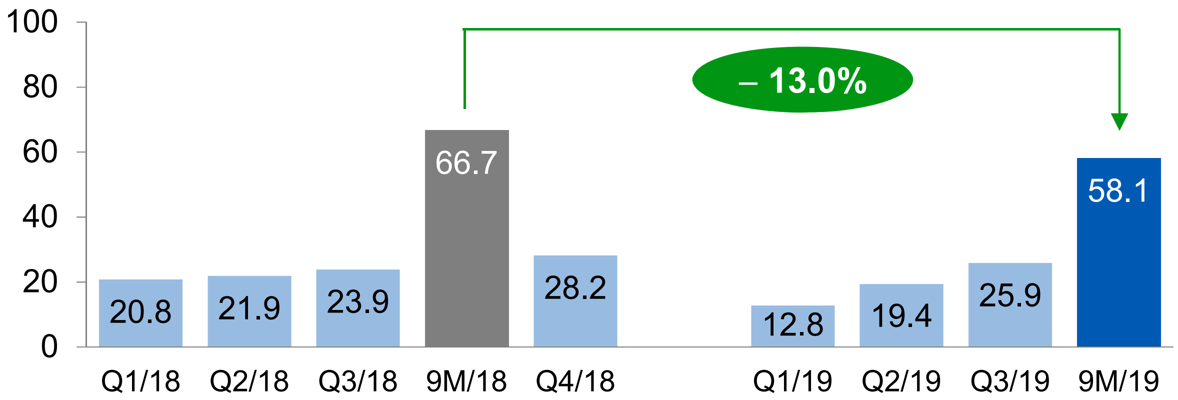
EBITDA improved compared with prior quarter and prior-year quarter

EBITDA in million euros



- EBITDA impacted by
  - Higher functional costs (–)
  - Positive effects from first-time application of IFRS 16 (+)
  - Contributions by acquisitions (+)
- EBITDA margin at 15.3% (prior year 15.0%)

EBIT in million euros



- EBIT margin at 9.7% (prior year 11.2%)
- EBIT contribution of companies acquired in 2018 came to 4.8 million euros (pr. year –0.2m euros), incl. PPA effects of –4.2 million euros (prior year –6.3m euros)

Higher spending for future growth caused rise in functional costs

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In million euros	9M/2019	9M/2018
Revenue	**595.7**	**593.4**
Gross margin	35.2%	35.3%
Functional costs	147.1	138.7
EBITDA	**91.4**	**89.0**
EBIT	**58.1**	**66.7**
Financial result	–1.6	–2.0
Earnings before tax	**56.5**	**64.7**
Earnings after tax	44.3	53.7
Earnings per share (euros)	**0.77**	**0.94**

- **Gross margin** stable
- Rise in functional costs by 6.1%
  - **R+D:** at prior-year level
  - **Selling:** increase due to expansion of international distribution; acquisition of Prodomax
  - **Administrative:** higher personnel costs and administrative expenses, also attributable to companies acquired in 2018
  - **Tax rate** grew to 21.5% due to utilization of capitalized deferred taxes on losses carried forward (pr. year 16.9%); **Cash-effective tax rate** increased to 14.9% (prior year 14.5%) resulting from higher share of earnings generated abroad

Free cash flow impacted by lower operating cash flows and higher investments

In million euros	9M/2019	9M/2018
Operating profit before adjusting working capital	90.4	88.5
Changes in working capital and other items	–51.8	–5.1
Cash flows from operating activities before income taxes	38.6	83.4
Cash flows from operative investing activities	–31.3	–26.3
Free cash flow (before interest and taxes)	**7.3**	**57.2**

- **Working Capital** grew to 257.3 million euros (31/12/18: 216.8m euros / 30/9/18: 239.9m euros), attributable in particular to higher inventories and operating receivables*
- **Working capital ratio** came to 30.7% (31/12/18: 26.0% / 30/9/18: 29.5%)
- **Investments** increased as planned to 31.6 million euros (prior year 26.8m euros)
- **Net debt** increased to 57.4 million euros (prior year –27.2m euros) which was attributable to higher financial debt (rose by 55.9m euros due to IFRS 16) and reduced cash and cash equivalents

* Trade receivables and contract assets

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Light & Optics division: Development in line with expectations

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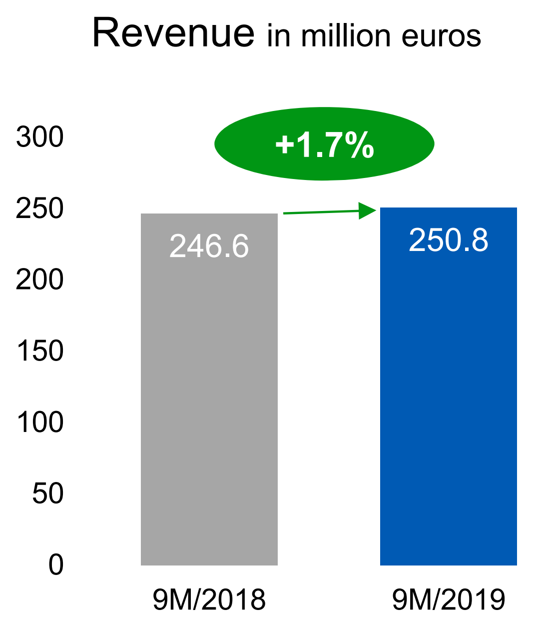

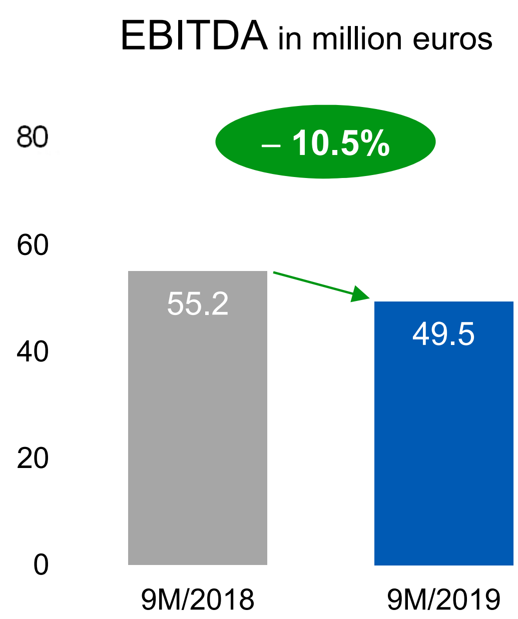

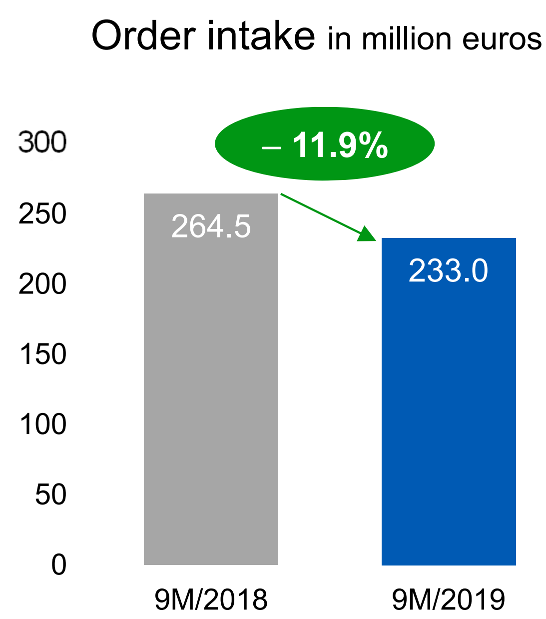

- Good business with semi-conductor equipment industry; decline in the area of industrial solutions
- Substantial growth of revenue in the Americas

- At 19.6% **EBITDA margin** remained at very good level (prior year 22.2%), margin decline in industrial solutions
- **EBIT** came to 41.0 million euros (prior year 49.2m euros); **EBIT margin** 16.2% (prior year 19.8%)

- Major order in semiconductor equipment area already received in Q4/2018
- **Book-to-bill**: 0.93 (pr. y. 1.07)
- **Order backlog**: 154.0 million euros (31/12/18: 180.6m euros)
- **Frame contracts:** 11.2 million euros (31/12/18: 12.5m euros)

Light & Production division: Strong growth attributable to automation business and acquired businesses

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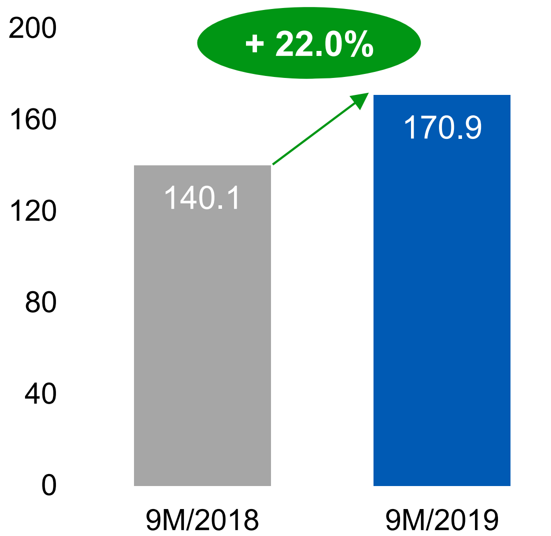
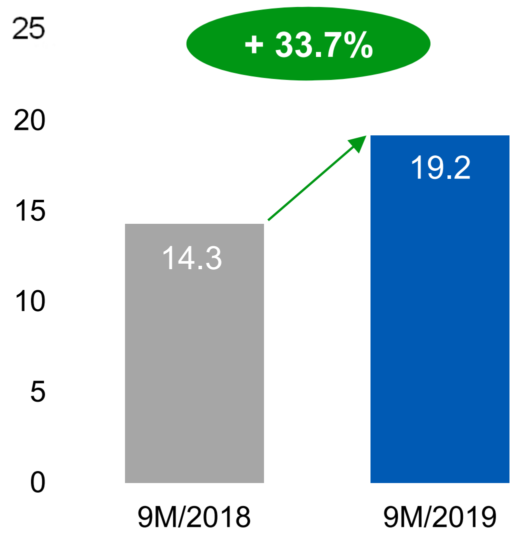
Revenue in million euros



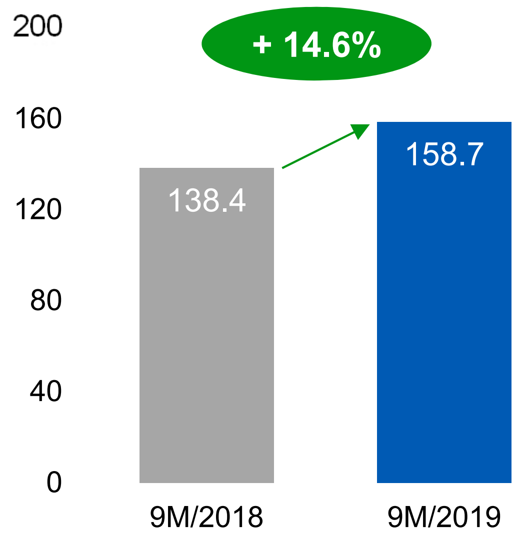
- Companies acquired in 2018 contributed approx. 52 million euros to revenue (prior year 21.8m euros)
- Strong rise in the Americas

EBITDA in million euros



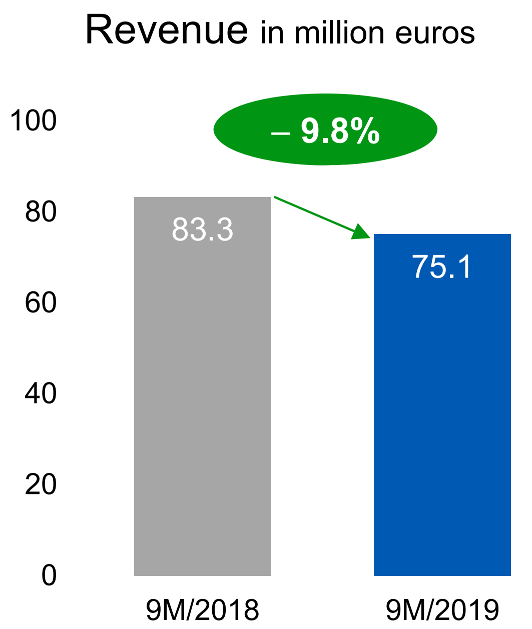
- **EBITDA margin** improved to 11.2% (prior year 10.2%)
- **EBIT** grew to 10.4 million euros (prior year 9.6m euros), contribution of 4.8 million euros incl. PPA effects of –4.2 million euros by companies acquired in 2018
- **EBIT margin** came to 6.1% (prior year 6.8%)

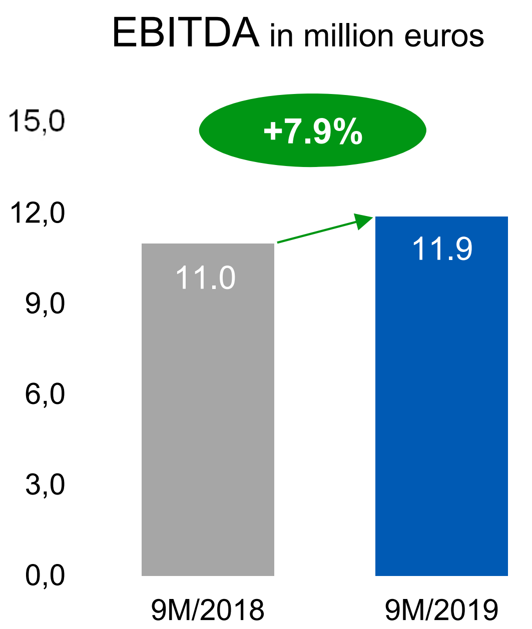
Order intake in million euros

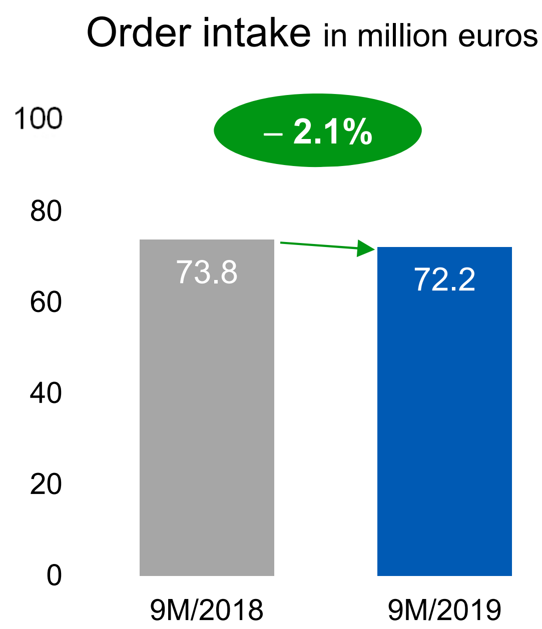


- Several orders worth in total more than 30 million euros received
- **Book-to-bill**: 0.93 (prior year 0.99)
- **Order backlog**: 100.6 million euros (31/12/18: 112.5m euros)
- **Frame contracts**: none

Light & Safety division: Profitability improved; shortfall in revenue due to toll monitoring project in 2018 further reduced







- In the prior year, toll monitoring project contributed approx. 25 million euros to substantial growth
- Increase in the Americas and Middle East/Africa, decline in Germany

- EBITDA increased (higher depreciation due to IRFS 16); **EBITDA margin** improved to 15.9% (prior year 13.3%)
- **EBIT** dropped to 6.6 million euros (prior year 7.3 million euros), **EBIT margin** unchanged at 8.8% (prior year 8.8%)

- **Book-to-bill** improved to 0.96 (prior year 0.89)
- **Order backlog**: 67.2 million euros (31/12/18: 69.5m euros)
- **Frame contracts:** 13.9 million euros (31/12/18: 19.2m euros)

VINCORION: Good order backlog, export restrictions with negative effect on revenue and earnings

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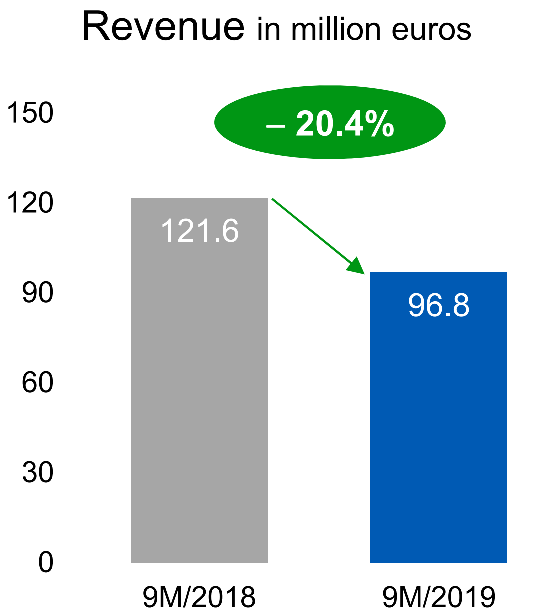
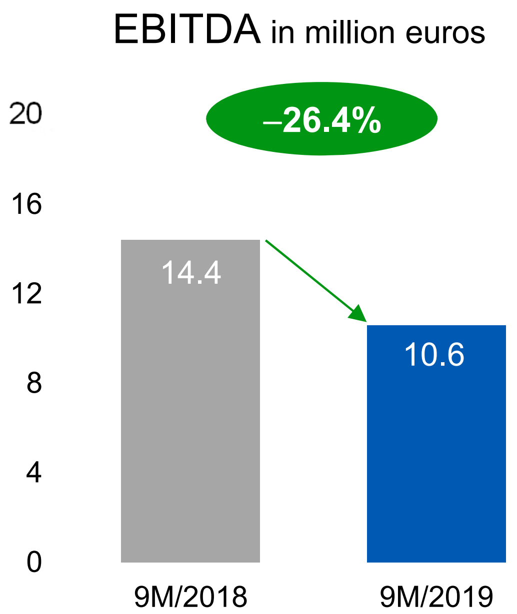
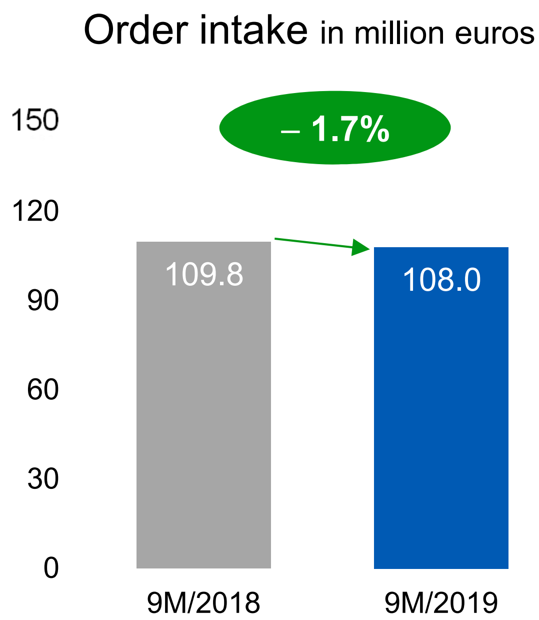


- Extended export restrictions, in particular, caused decline in revenue; permission was granted at the beginning of October
- Lower revenue in particular in Germany and the Americas



- Reduced revenue had an impact on earnings
- **EBITDA margin** at 10.9% (prior year 11.8%)
- **EBIT** 5.6 million euros (prior year 11.7 million euros);
  EBIT margin reduced to 5.8% (prior year 9.6%)



- **Book-to-bill** grew to 1.12 (prior year 0.90)
- **Order backlog** improved to 168.7 million euros (31/12/18: 158.9m euros)
- **Frame contracts:** 27.1 million euros (31/12/18: 30.7m euros)

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Growth expected for 2019; forecast for revenue and earnings confirmed

We anticipate revenue, without major portfolio changes, in a range between 850 and 860 million euros.

EBITDA margin is expected to come to around 15.5 percent.

This presupposes that political and economic conditions do not worsen.

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Key financials 2018 of the new divisions

in million euros	Light & Optics	Light & Production*	Light & Safety	VINCORION		Group*
Revenue	339.6	210.9	116.9	166.4		834.6
EBITDA	74.1	24.6	15.9	20.1		127.5
EBITDA margin	21.8%	11.7%	13.6%	12.1%		15.3%
EBIT	65.9	16.8	10.9	16.5		94.9
EBIT margin	19.4%	8.0%	9.3%	9.9%		11.4%
Order intake	398.6	200.9	118.5	154.9		873.7
Order backlog	181.5	112.5	69.5	158.9		521.5

*incl. PPA effects

Dates and contact

November 12, 2019	Conference call on the results of the first nine months 2019
November 21, 2019	Capital Market Day, Jena
November 28, 2019	Roadshow Düsseldorf
November 29, 2019	Roadshow Zurich
December 3, 2019	Roadshow Paris
December 5, 2019	Berenberg European Conference, Pennyhill
January 9/10, 2020	Oddo Conference, Lyon
January 21, 2020	Kepler Cheuvreux Conference, Frankfurt/Main

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