Full-Year 2018 Results

Marc von Waldkirch, CEO
Matthias Gantner, CFO

07 March 2019

SENSIRION
THE SENSOR COMPANY

Experts for Smart Sensor Solutions

Sensirion

- Sensirion is a pure-play sensor company at the forefront of sensor innovation, supplying environmental and flow sensor solutions to the automotive, medical, industrial, and consumer markets.

- Founded in 1998 as a spin-off company of the Swiss Federal Institute of Technology in Zurich (ETH Zurich), Sensirion has 20 years of experience in creating best-in-class sensor solutions.

Agenda

1

- Fiscal year 2018 highlights — Marc von Waldkirch, CEO
- Strategic milestones
- Business review

2

- Fiscal year 2018 financial review — Matthias Gantner, CFO

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- Q&A

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Successful FY 2018 with Revenue Growth Across our Diversified End Markets

Business	▪ Expectations communicated at IPO achieved. ▪ All end markets contributed to revenue growth, with slowdown in H2 2018. ▪ Successful expansion of environmental sensor portfolio through launch of CO_2 and PM2.5 sensors. ▪ Decisive progress in new business division, Sensirion Automotive Solutions.
Financials	▪ Revenue CHF 174.8m (+18%). ▪ Gross margin 53%. ▪ Adjusted EBITDA margin 16%. ▪ Free cash flow CHF 22.8m.
Outlook	▪ For H1 2019, we expect weaker market demand and reduced visibility. ▪ Positive trend for H2 2019 is likely. ▪ Apart from short-term uncertainties, Sensirion’s long-term fundamentals remain strong. ▪ Expected for FY 2019: revenue CHF 175-190m, gross margin 52-54%, adjusted EBITDA margin 15-17%.

Strategic Milestones in 2018

Highlights

- Successful initial public offering.
- Successful expansion of environmental sensor portfolio.
- Decisive progress in Sensirion Automotive Solutions.
- Expanding operational footprint and excellence.
- Diversified revenue growth in all end markets.

Initial Public Offering

Highlights

- Sensirion successfully listed on SIX Swiss Exchange on 22 March 2018.
- Sensirion aimed at expanding shareholder base including long-term committed anchor shareholders.
- Co-Founders Moritz Lechner and Felix Mayer remain fully invested and committed to future development of Sensirion.

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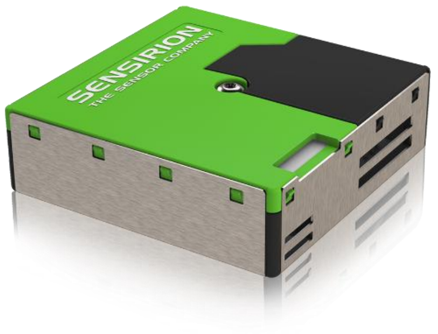
Successful Expansion of Environmental Sensor Portfolio

Highlights

- Carbon dioxide (CO_2) and particulate matter (PM2.5) sensors successfully launched in 2018 to complement environmental sensor portfolio.

- Both sensors generated positive market response, CO_2 sensor in industrial market, PM2.5 sensor primarily in automotive market. Revenues from these sensors expected to steadily increase in upcoming years.

CO_2 sensor



PM2.5 sensor

Decisive Progress in Sensirion Automotive Solutions

Highlights

- Sensirion acquired the sensor module business of AIC in 2017 to strengthen its competitive position as a supplier of automotive sensor solutions and establish manufacturing facilities in China and South Korea.
- Integration of new business division, Sensirion Automotive Solutions, on track. Focus on synchronization of production and development processes and quality systems between China, South Korea, and Switzerland.
- Newly acquired sites in Seoul and Shanghai successfully certified according to automotive norm IATF 16949.

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AUTOMOTIVE SOLUTIONS

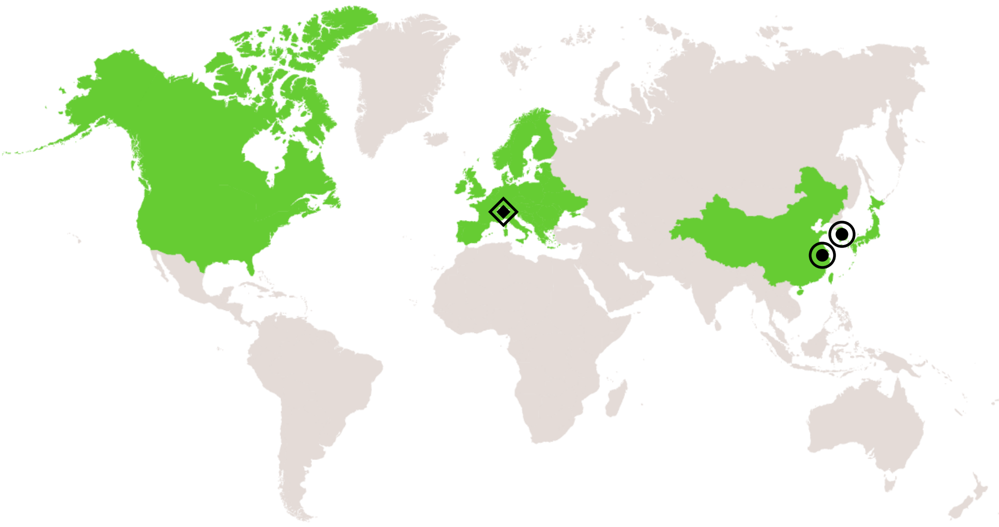
Auto-defogging sensor

Expanding Operational Footprint and Excellence

Highlights

- "Fab-light" approach to manufacturing contributes to cost-efficient manufacturing and enables operating flexibility to efficiently respond to market trends and customer demands.
- Newly acquired sites in Seoul and Shanghai significantly enhance our capabilities to cost-efficiently manufacture sensor modules.
- After moving into new production site in Shanghai, manufacturing of PM2.5 and CO_2 products started in China.

Global Footprint, Close to Customers



◈ Manufacturing site in Switzerland
◉ New manufacturing sites in Seoul and Shanghai

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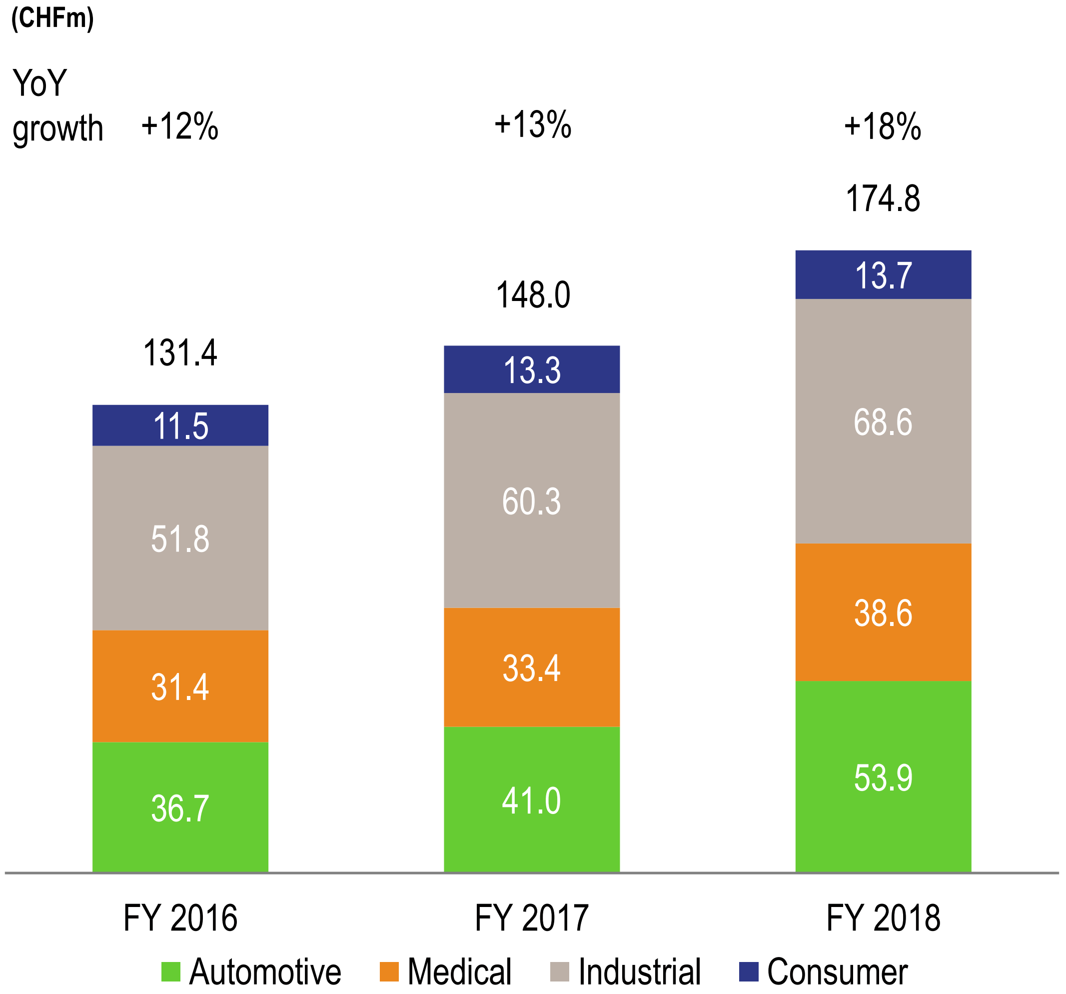
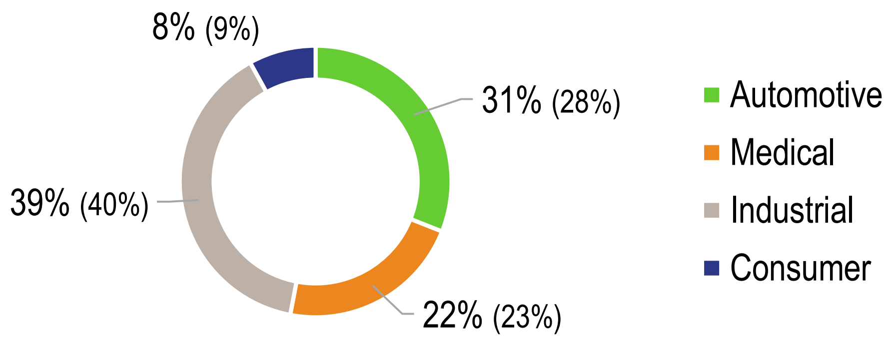
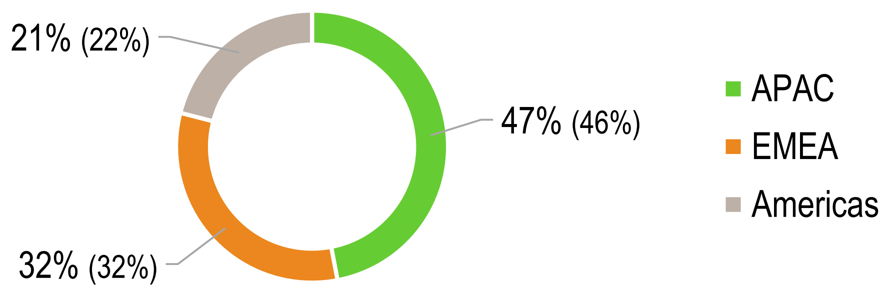
Diversified Revenue Growth Across all our End Markets

Revenue development



2018 (2017) distribution by end market and region





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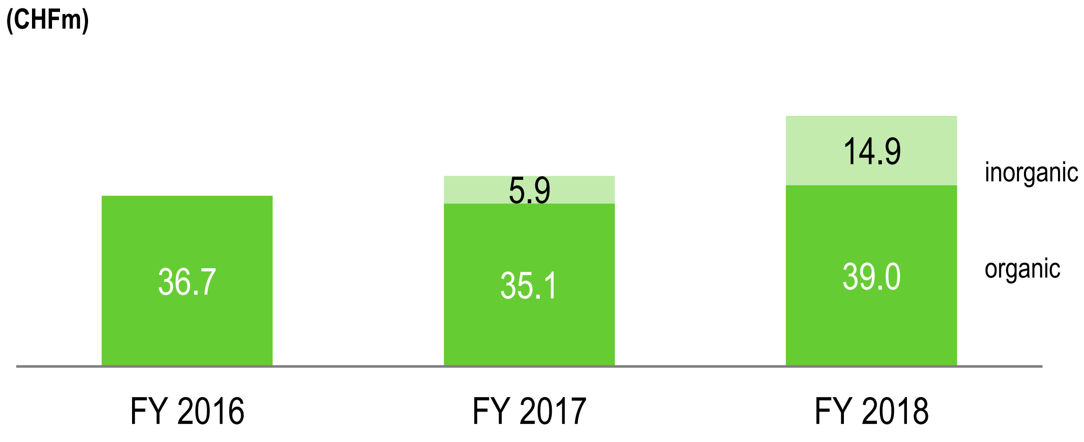
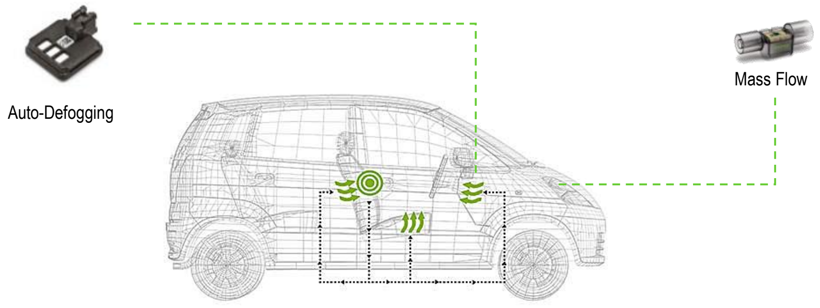
Automotive FY 2018 Business Review

Highlights

- FY 2018 revenue increased by 31% YoY to CHF 53.9m.
- Organic growth 8% YoY, inorganic growth 23% YoY.
- Organic growth driven by increased volumes of RHT- and mass flow sensors, employed in anti-fogging / climate control and air intake applications, respectively.
- Inorganic growth from acquisition of sensor business of AIC. Revenues from legacy products auto-defogging, ambient temperature and ionizer modules within expected range.
- After a very dynamic H1 2018, H2 2018 was weaker because of inventory optimizations by customers and the increase of economic and political uncertainties.

Revenue development





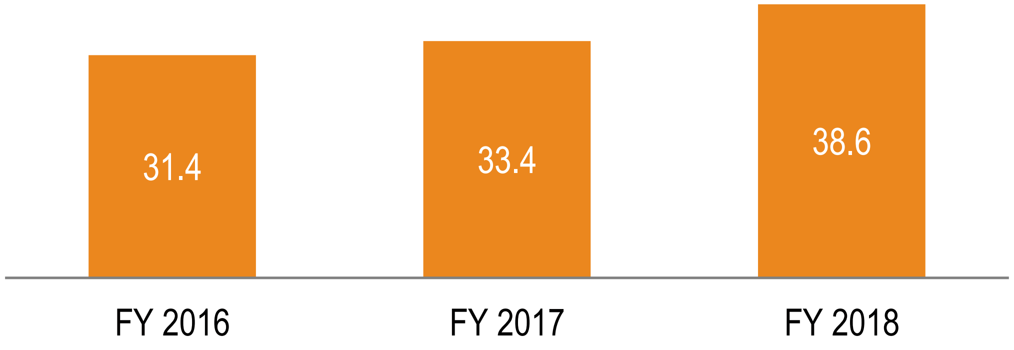
Medical FY 2018 Business Review

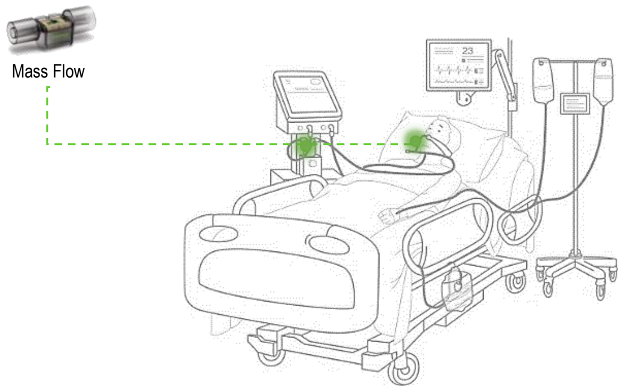
Highlights

- FY 2018 revenue increased by 15% YoY to CHF 38.6m.
- Growth resulted from continued volume increase of existing customer projects.
- Main growth drivers were increased volumes of differential pressure sensors applied in continuous positive airway pressure (CPAP) devices and ventilators.
- Increased volumes of anesthesia devices also contributed to higher revenues.

Revenue development

(CHFm)





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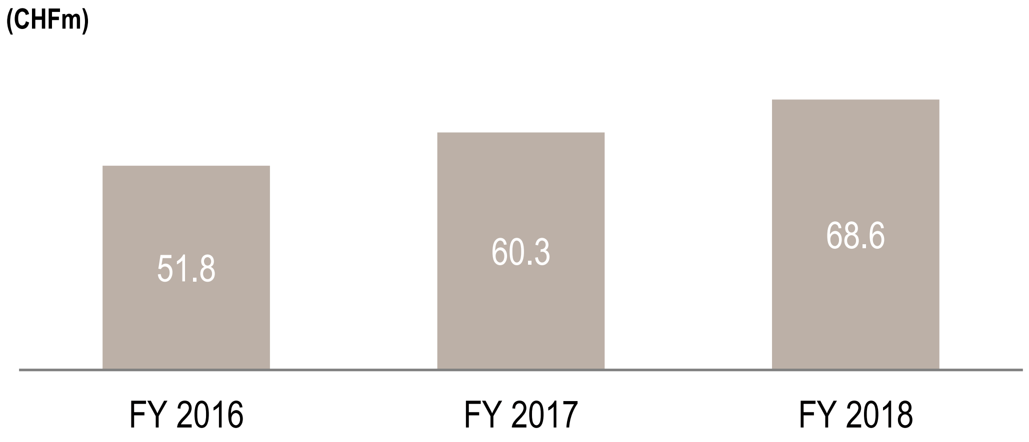
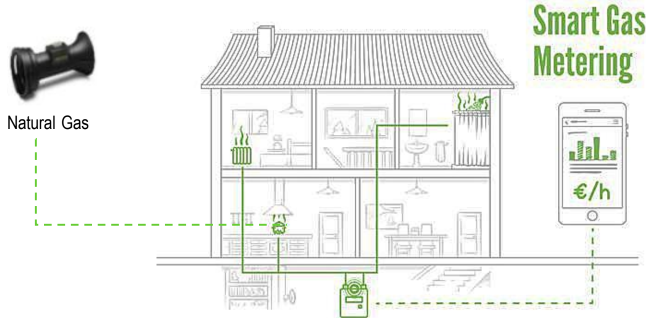
Industrial FY 2018 Business Review

Highlights

- FY 2018 revenue increased by 14% YoY to CHF 68.6m.
- Growth mainly from increased sales through distribution sales channels and market share gains of a major smart gas meter customer.
- In appliances market, our air quality sensor was employed in air purifiers, in addition to our RHT-sensor.
- In heating, ventilation, and air-conditioning (HVAC) market, revenue increase resulted from a ramp-up of variable-air volume applications.
- Hard disk market yielded higher than expected revenue from sales of humidity sensors. In future, declining revenues expected due to technology shift to flash-based storage.

Revenue development



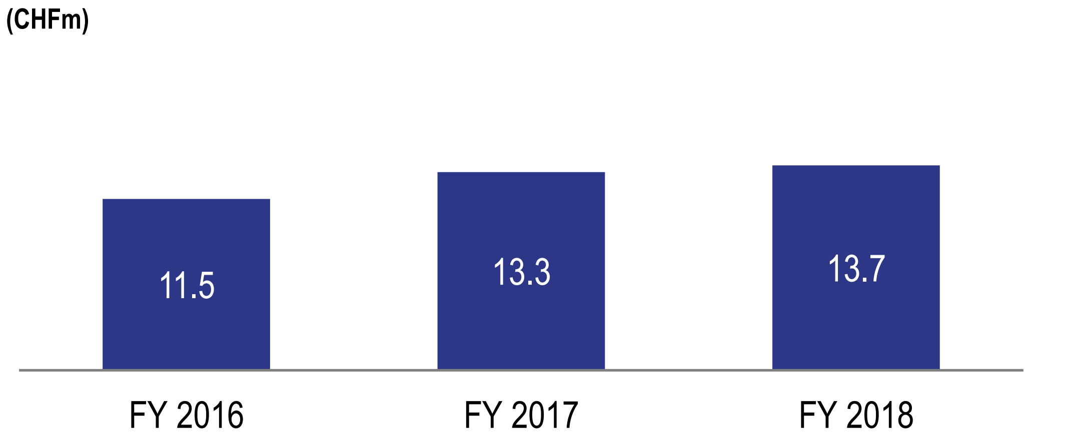


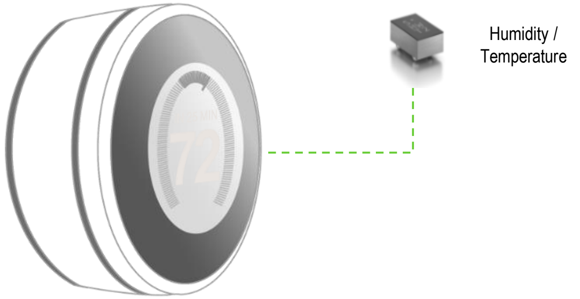
Consumer FY 2018 Business Review

Highlights

- FY 2018 revenue increased by 3% YoY to CHF 13.7m.
- Growth from increased sales of RHT- and air quality sensors through distribution channels, especially in China and US.
- Sensor applications centered around smart home and internet of things devices.
- A niche smartphone, targeted at construction workers, employed our gas sensor (air quality sensor). No larger, overall market trend expected from this application.
- After a strong H1 2018, H2 2018 suffered from a slowdown, mainly in China, due to the increase of economic and political uncertainties.

Revenue development





Sensirion's Growth Drivers and Opportunities

Growth Strategy

1 Drive market leadership in our core

2 Expand our market with new technologies and applications

3 Create growth opportunities that go beyond

Sensirion's long-term fundamentals remain strong

- Continuous trickle-down from existing high and middle-end to broad applications in all end markets.
- Leverage economies of scale through platform development and market leadership.

- Introduction and expansion of environmental sensor modules by combining sensors from environmental portfolio.
- Steadily growing revenues from recently launched products (Gas, CO_2, PM2.5 sensors).
- Growth from ramp-up and expansion of automotive module business through Sensirion Automotive Solutions.

- Continuous long-term investment in sensor innovation, including M&A opportunities.

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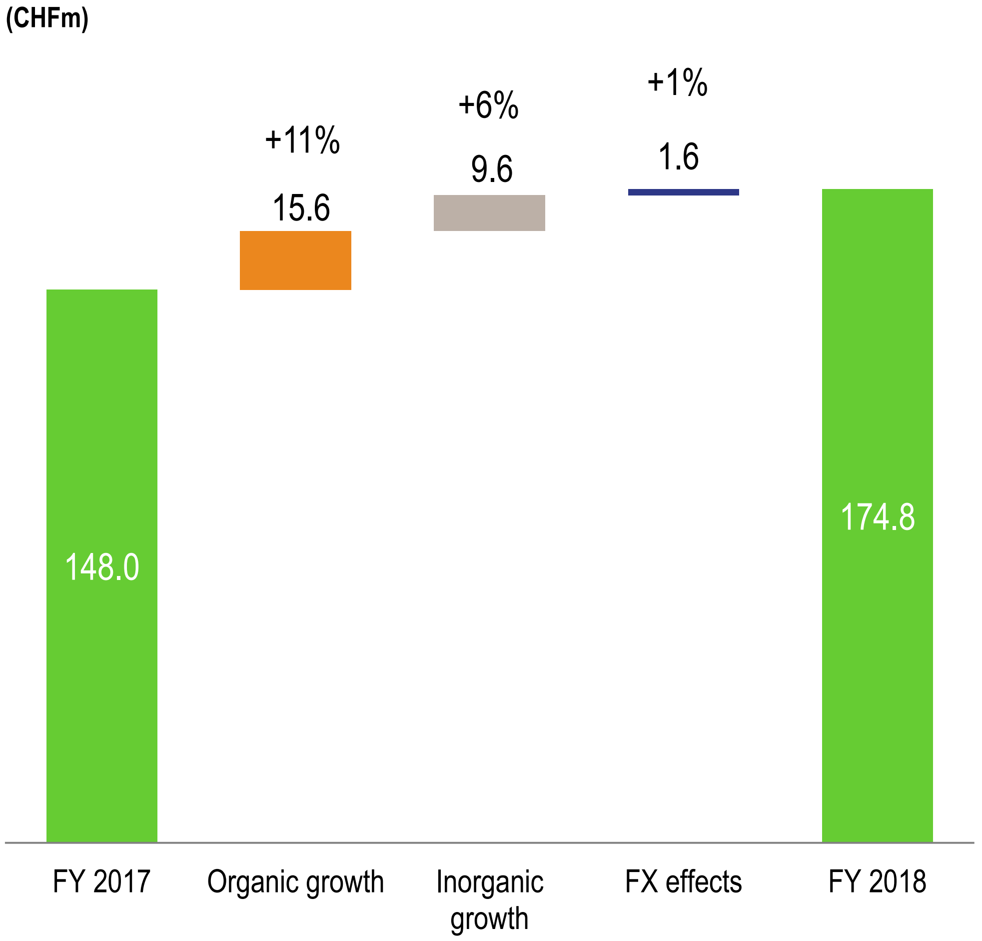
Financials Overview

Key Financials

- Revenue CHF 174.8m (+18%).
- Gross margin 53%.
- Adjusted EBITDA margin 16%.
- Free cash flow CHF 22.8m.

Revenue Growth from FY 2017 to FY 2018

Components of growth



Revenue FY 2018

- 18% total growth.

Organic growth

- 11%, from all markets.

Inorganic growth[1]

- 6%, from AIC acquisition.

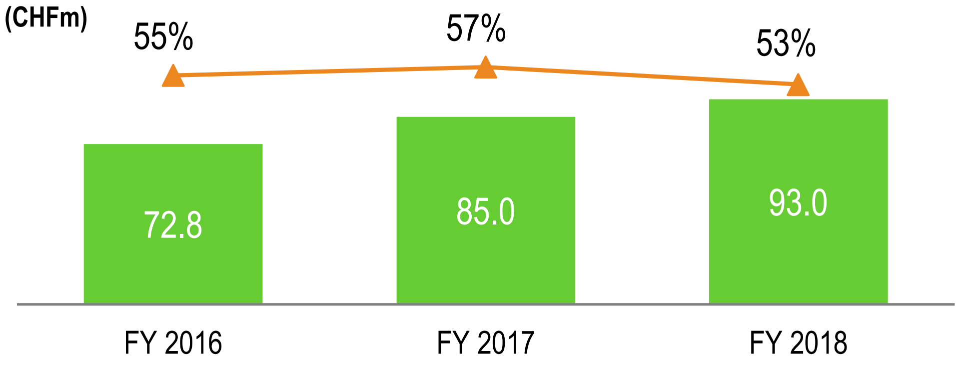
Foreign exchange effects

- 1%, mainly from EUR, USD and JPY.

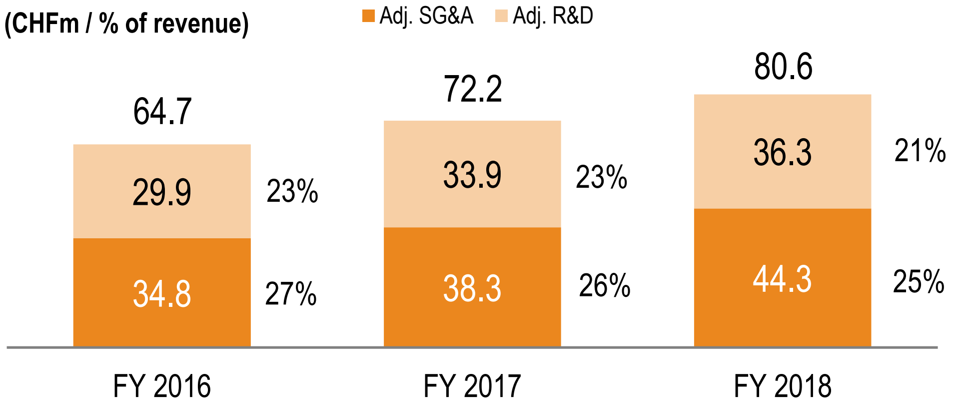
[1] AIC fully consolidated from 1 September 2017 onwards.

Gross Margin and Opex Development

Gross profit and gross margin (%)



Adj. R&D[1] and adj. SG&A[2] expenses



Gross margin FY 2018

- In line with historical long-term trend.
- Dilution because of characteristics of legacy module business.

R&D expenses FY 2018

- Continued premium R&D spend to enable sustainable growth.
- Decreased as % of revenue because of dilution due to acquisition of legacy module business.

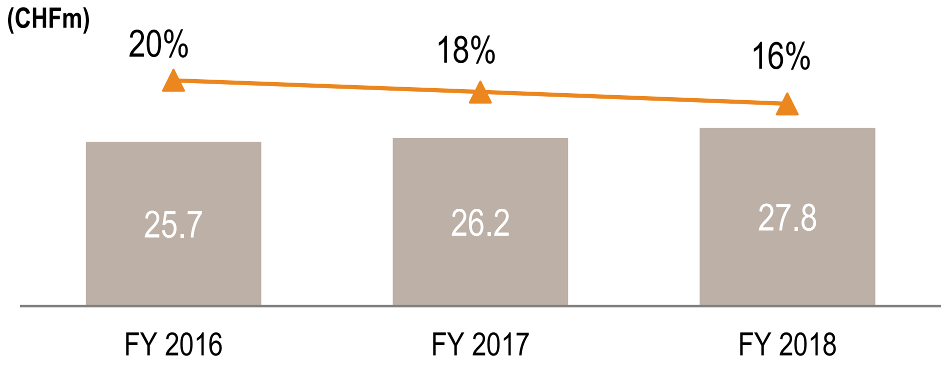
Adjusted SG&A FY 2018

- Excludes one-off costs, primarily IPO Loyalty Share Program and other IPO-related costs.
- Decreased as % of revenue because of operational leverage improvement.

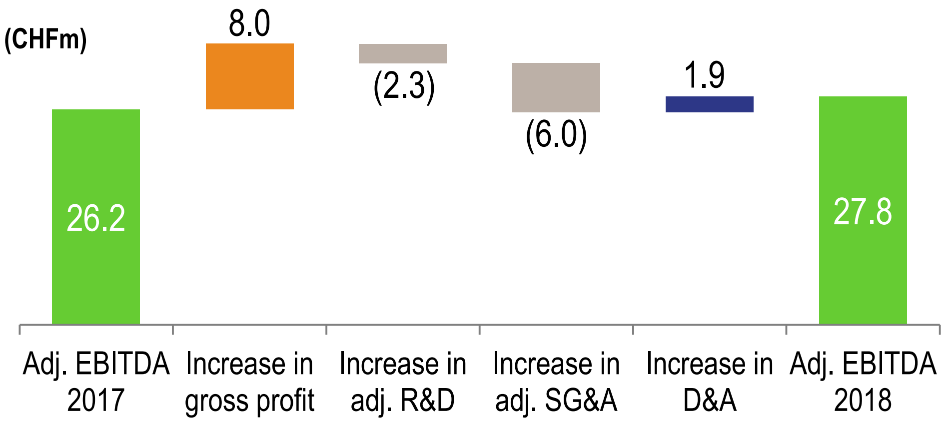
1 R&D expenses adjusted for expenses attributable to digital barometric pressure sensor business in FY 2016; for impairment loss in FY 2017. Total adjustments FY 2016 CHF 3.3m, FY 2017 CHF 5.6m.
2 SG&A expenses for acquisition-related costs in FY 2017; costs related to IPO Loyalty Share Program, incl. social security expenses, expenses on social security relating to the gain in excess of formula value, past service credit on the defined benefit obligation in FY 2018; external costs related to IPO in FY 2017 and FY 2018. Total adjustments: FY 2017 3.5m, FY 2018 CHF 17.9m.

Adjusted EBITDA Development

Adj. EBITDA[1] and adj. EBITDA margin (%)[2]



FY2017 to FY2018



Adjusted EBITDA FY 2018

- Excludes one-off costs, primarily IPO Loyalty Share Program and other IPO-related costs.
- Slight decrease of adjusted EBITDA margin because of full year consolidation of legacy module business.

Adjusted EBITDA FY 2017 to FY 2018

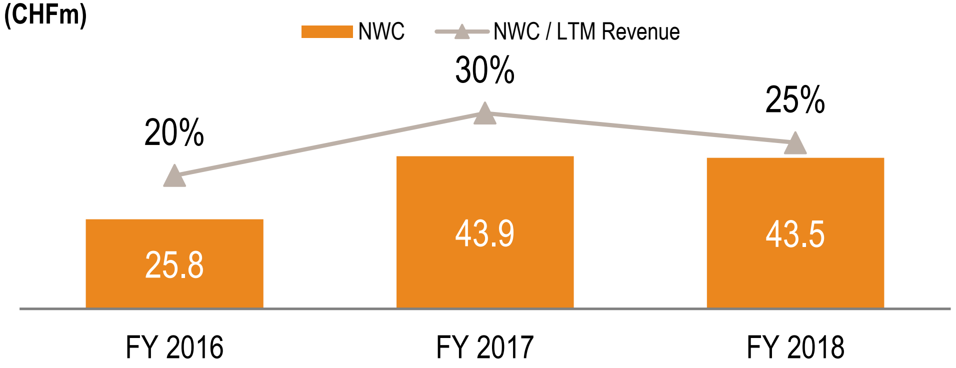
- D&A remained stable as % of revenue.

[1] Defined as EBITDA adjusted for income from sale of digital barometric pressure sensor business, R&D expenses attributable to digital barometric pressure sensor business in 2016. For FY 2017 and FY 2018, see page 28. Total adjustments: FY 2016 CHF 0.4m, FY 2017 9.7m, FY 2018 CHF 18.6m.

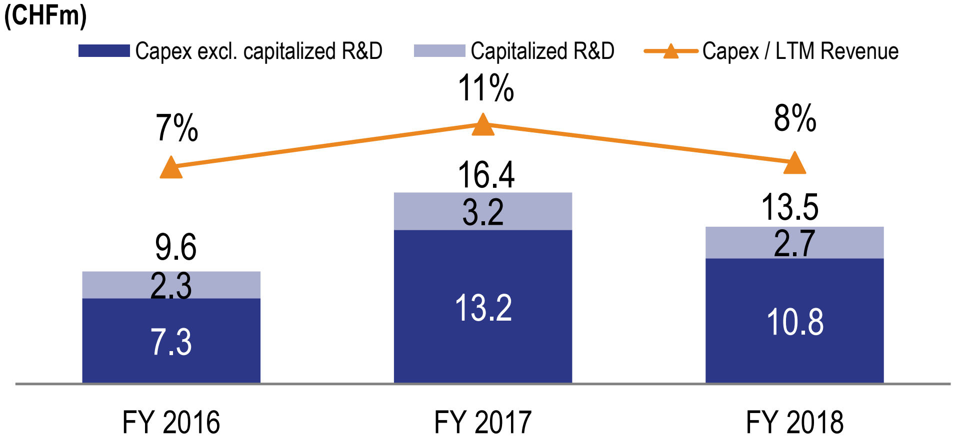
[2] Defined as adjusted EBITDA in percentage of revenue.

Net Working Capital and Capital Expenditures

Net working capital[1]



Capex[2]



Net working capital FY 2018

- Decreased YoY absolute and as % of LTM revenue.

Capex FY 2018

- In line with historical mid-term trend.
- Capitalized R&D expenses amount to 8% of R&D expenses, 2% of revenue.

[1] Defined as the sum of trade receivables and inventories, less trade payables.
[2] Defined as the sum of acquisition of property, plant, and equipment, proceeds from sale of property, plant, and equipment, acquisition of intangible assets, and development expenditure.

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Strong Balance Sheet to Support Future Growth

As of 31 December 2017

Equity / total assets	35%
Net cash (debt)[1]	(CHF 69.3m)
Net (debt) / LTM adjusted EBITDA	(2.6)

Assets		Liabilities and Equity	
Cash	CHF 9.4m	Trade payables	CHF 3.0m
Trade receivables	CHF 21.1m	Loans and borrowings	CHF 67.5m
Inventories	CHF 25.8m	Lease liabilities	CHF 11.2m
Other current assets	CHF 15.0m	Other liabilities	CHF 33.4m
Non-current assets	CHF 104.8m	Equity	CHF 61.0m
	CHF 176.1m		**CHF 176.1m**

As of 31 December 2018

Equity / total assets	75%
Net cash[1]	CHF 42.6m
Net cash / LTM adjusted EBITDA	1.5

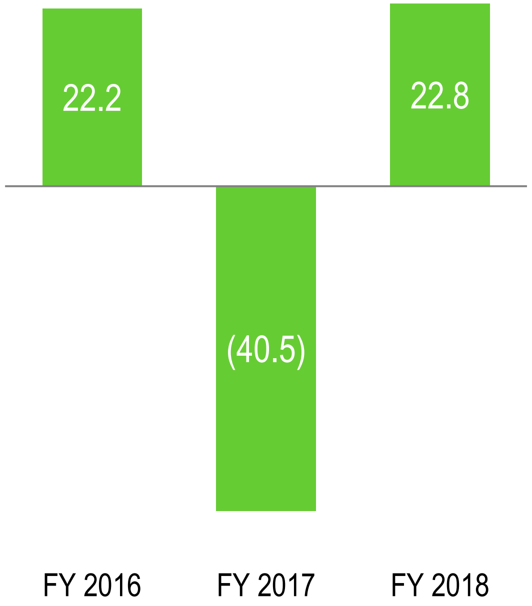
Assets		Liabilities and Equity	
Cash	CHF 53.9m	Trade payables	CHF 8.8m
Trade receivables	CHF 22.1m	Lease liabilities	CHF 11.3m
Inventories	CHF 30.2m	Other liabilities	CHF 34.4m
Other current assets	CHF 6.1m	Equity	CHF 160.4m
Non-current assets	CHF 102.6m		
	CHF 214.9m		**CHF 214.9m**

[1] Defined as sum of cash and cash equivalents less loans and borrowings less lease liabilities (current and non-current).

Free Cash Flow[1] Development

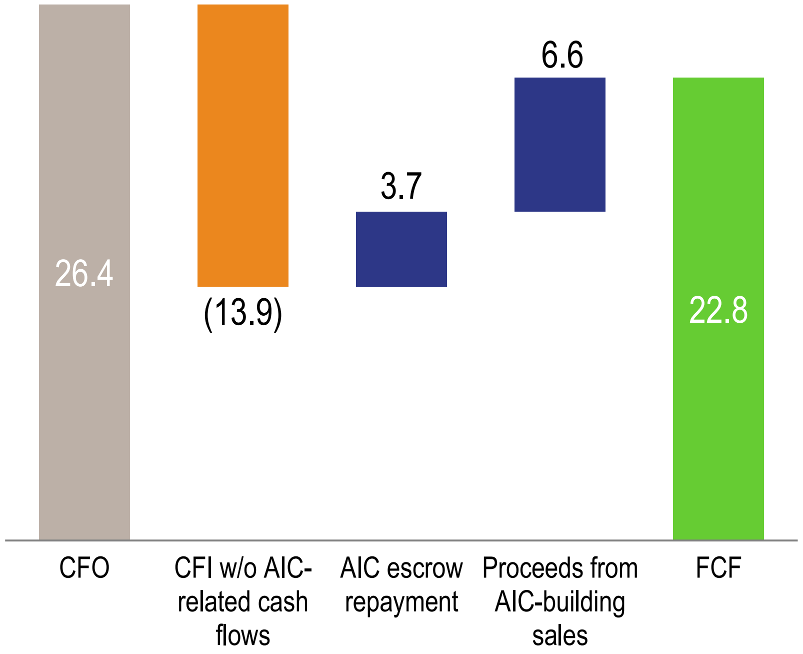
FY 2016 – FY 2018

(CHFm)



FY 2018

(CHFm)



FCF conversion rate[2], adjusted for one-off items[3]

- FY 2016 48%
- FY 2017 (33%)
- FY 2018 45%

[1] Free cash flow (FCF) defined as sum of cash flows from operating activities (CFO) and cash flows from investing activities (CFI).
[2] FCF conversion rate defined as FCF in percentage of adjusted EBITDA.
[3] Excluded cash flows are: in FY 2016 proceeds from sale of digital barometric pressure business CHF 10.0m; in FY 2017 acquisition of AIC sensor module business, net of cash acquired (CHF 31.9m); in FY 2018 AIC escrow repayment CHF 3.7m, proceeds from sales of AIC building CHF 6.6m, in total CHF 10.3m.

Outlook

The global economic situation changed in H2 2018. For H1 2019, we expect weaker market demand and reduced visibility because of increasing economic and political uncertainties. A positive trend for H2 2019 is likely, provided geopolitical tensions do not intensify. Apart from short-term uncertainties, Sensirion's long-term fundamentals remain strong.

In view of this market scenario and stable exchange rates, we expect for FY 2019:

- Revenue CHF 175-190m.
- Gross margin 52-54%.
- Adjusted EBITDA margin 15-17%.

Upcoming Events

Date	Event
14 May 2019	Annual general meeting
21 August 2019	2019 half-year results and interim report

Contact information

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Appendix

Reconciliation of Profit (Loss) to Adjusted EBITDA

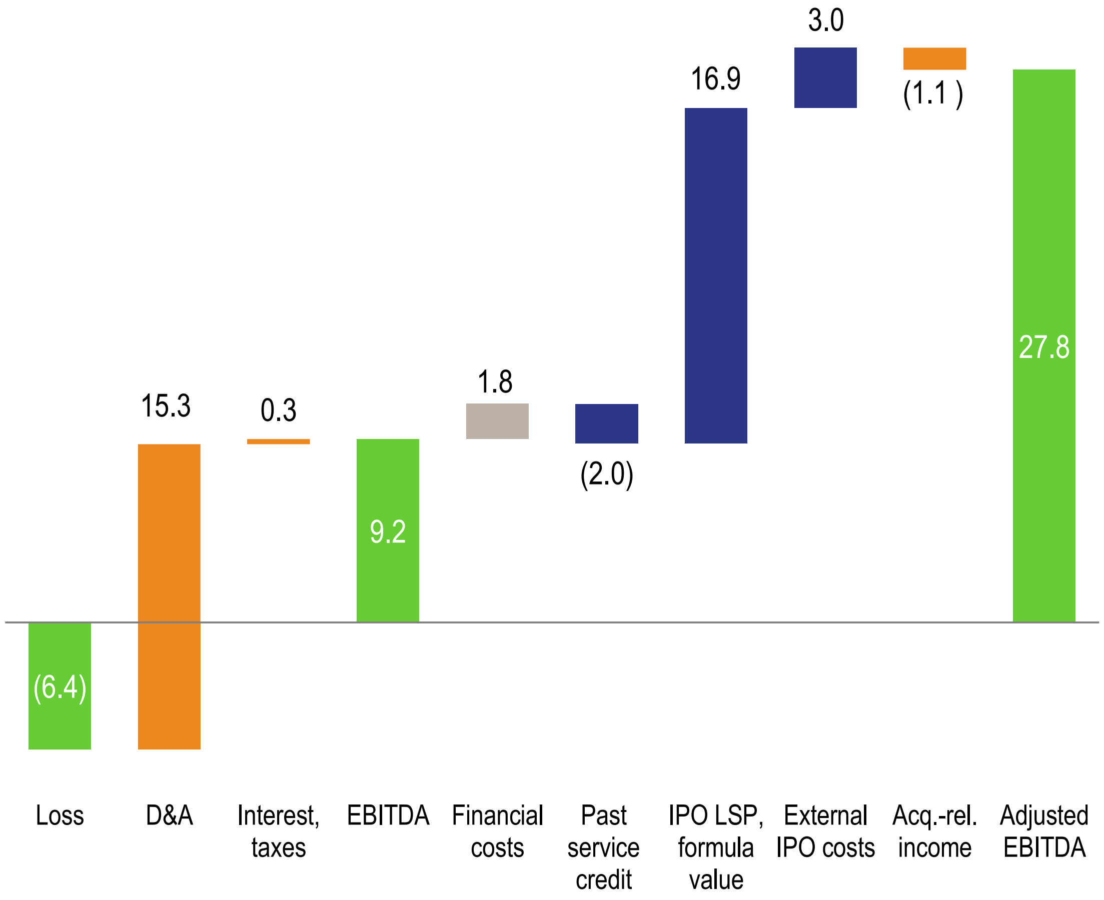
Reconciliation

(CHFm)

	FY 2017	FY 2018
Profit (loss) for the period	**(0.8)**	**(6.4)**
- Depreciation & amortization	13.4	15.3
- Net interest expenses, income taxes	3.9	0.3
EBITDA	**16.5**	**9.2**
Adjusted for		
- Net finance costs excluding net interest expenses	0.4	1.2
- Share of loss (profit) of equity-accounted investees	0.2	0.6
- Past service credit on defined benefit obligation	-	(2.0)
- Impairment loss on goodwill	5.6	-
- IPO Loyalty Share Program	-	16.2
- Social security expenses related to gain in excess of formula value	-	0.7
- External IPO costs	1.6	3.0
- Acquisition-related costs (income)	1.9	(1.1)
Adjusted EBITDA	**26.2**	**27.8**

FY 2018

(CHFm)



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