Full-Year 2019 Results

Marc von Waldkirch, CEO
Matthias Gantner, CFO

10 March 2020

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Agenda

1
- Full-Year 2019 Highlights — Marc von Waldkirch, CEO
- Business Review

2
- Full-Year 2019 Financial Review — Matthias Gantner, CFO

3
- Outlook — Marc von Waldkirch, CEO

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- Q&A

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FY 2019 Overview

Business	▪ In all markets, we faced reduced demand and higher volatility as a result of the numerous geopolitical uncertainties and the crisis in the automotive industry. ▪ Newly ramped up business in H2 2019 generated growth and partly compensated reduced revenue in H1 2019. ▪ Despite the persisting difficult market conditions, the long-term market trends, the technology, and the product pipeline remain strong. Therefore, we maintain our current R&D intensity while responding to the challenging market environment with intensified cost management.
Financials	▪ Revenue CHF 171.0m, -2.2% YoY (-1.8% organic, -0.4% FX effects). ▪ Stable gross margin 53.7%. ▪ Adjusted EBITDA margin 12.0%. ▪ Operating cash flow CHF 25.7m, free cash flow CHF 8.6m.
Outlook	▪ Given the current rapidly changing situation, it is difficult to provide an outlook for 2020: the global economic situation remains fragile and challenging in view of the continuing tense geopolitical environment and the unresolved coronavirus epidemic. Future effects of the epidemic on current business and the supply chain are currently difficult to assess. ▪ Assuming that the market environment and exchange rates do not deteriorate significantly, we anticipate sales growth of 4-10% to CHF 178 188 million for full-year 2020, with a consistently strong gross margin of 52-54%. For the adjusted EBITDA margin, we expect an improvement to 14-16%. Based on the progress in important R&D projects, we also confirm our medium-term annual sales growth target of 10-15%.

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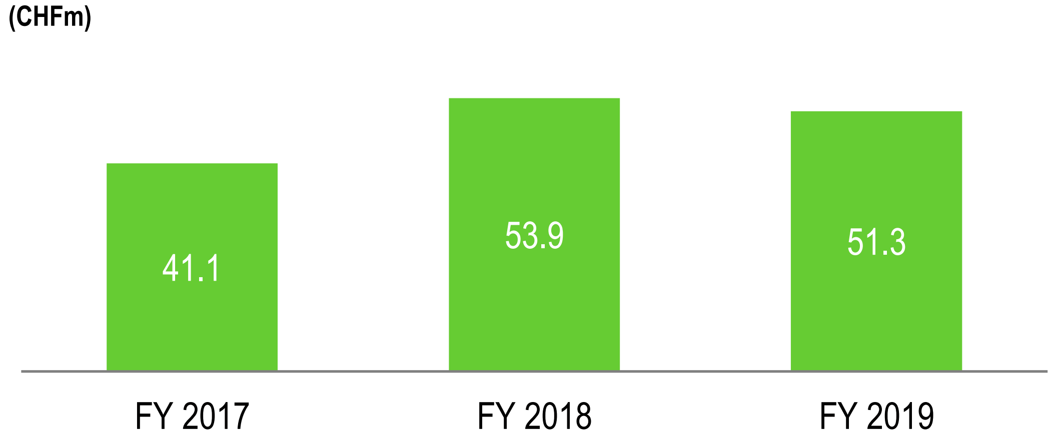
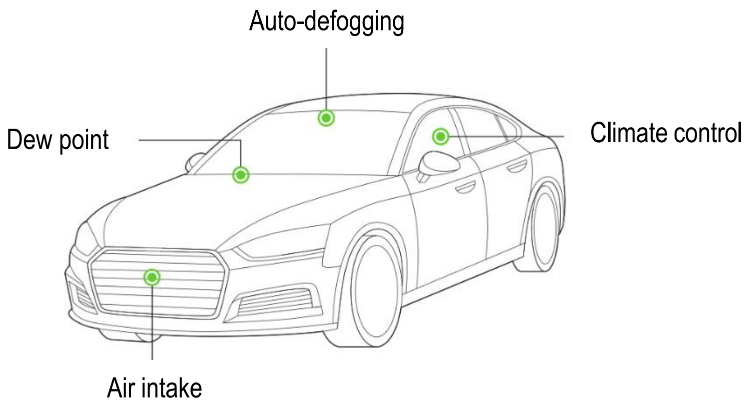
Automotive FY 2019 Business Review

Main results

- FY 2019 revenue decreased by 4.8% YoY to CHF 51.3m.
- Revenue decline YoY primarily due to lower sales volumes in H1 2019 because of weak demand and inventory optimization throughout the whole supply chain.
- Demand stabilized in H2 2019, which together with new business, led to 6.1% growth comparing H2 2019 with H2 2018.
- Running design-in projects are proceeding as planned, both for components and modules.

Revenue development



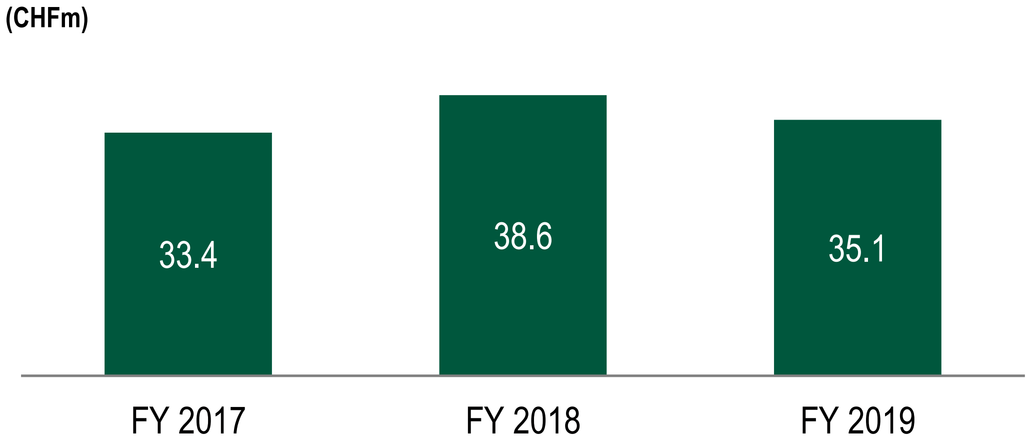


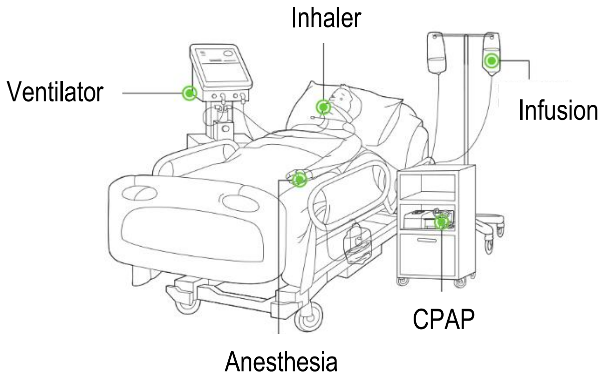
Medical FY 2019 Business Review

Main results

- At CHF 35.1m, revenue in FY 2019 decreased by 8.9% YoY.
- The revenue decline YoY resulted from a base effect. Two important CPAP customers built up inventories to launch new product generations during H2 2018, thus generating increased revenue.
- H1 and H2 2019 were again in line with the long-term volume and revenue trend.
- Business from the application of differential pressure sensors in ventilators and anesthesia devices developed flatly, as expected.

Revenue development





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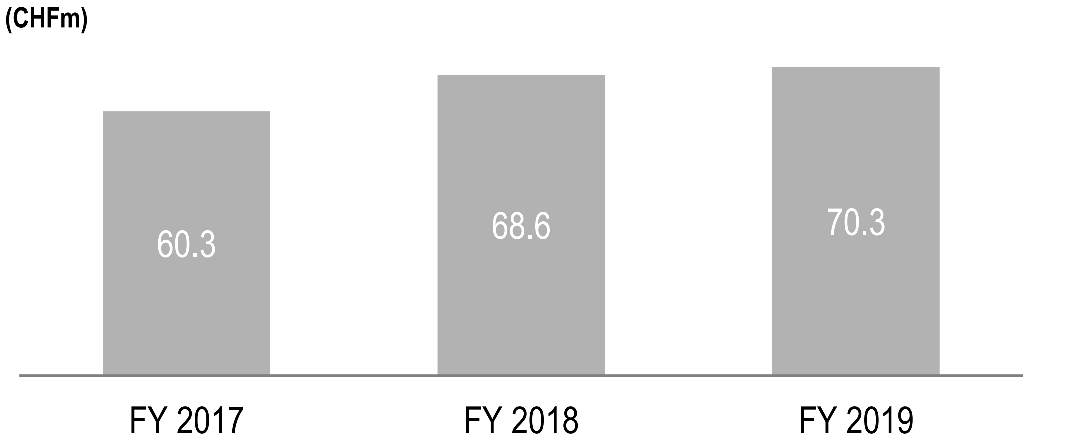
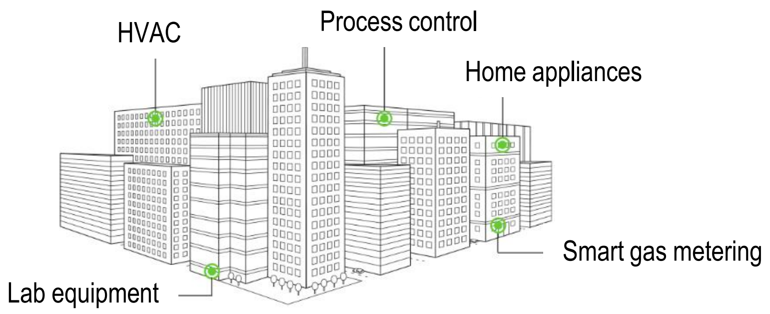
Industrial FY 2019 Business Review

Main results

- FY 2019 revenue increased by 2.5% YoY to CHF 70.3m.
- Revenue in the home appliance market grew YoY based on a stronger H2 2019. First significant revenue contribution from our CO_2 sensor in air exchanger applications.
- In the gas metering, one of our major customers increased market share resulting in higher revenues YoY.
- In the areas of HVAC and process automation, testing, and analytics, revenue remained stable due to growth in some projects and decline in others.
- In the rather volatile hard disk market, revenue declined as expected because of the ongoing transition to SSD drives.

Revenue development





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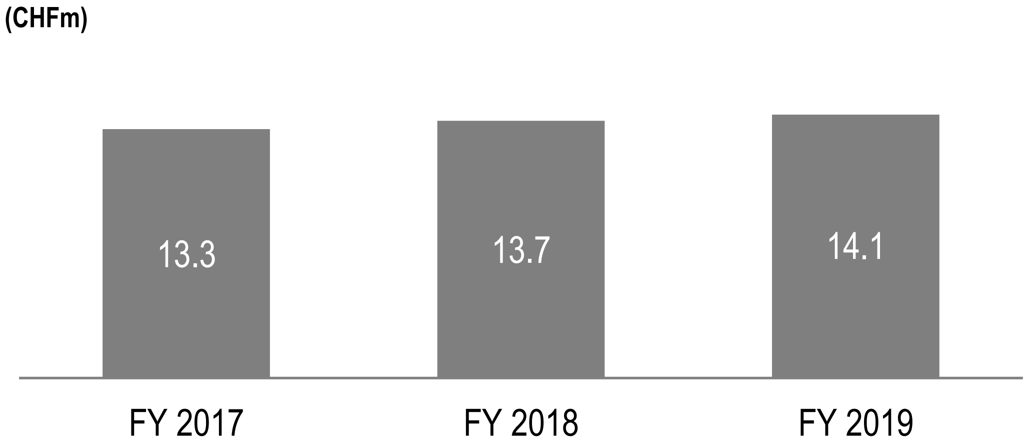
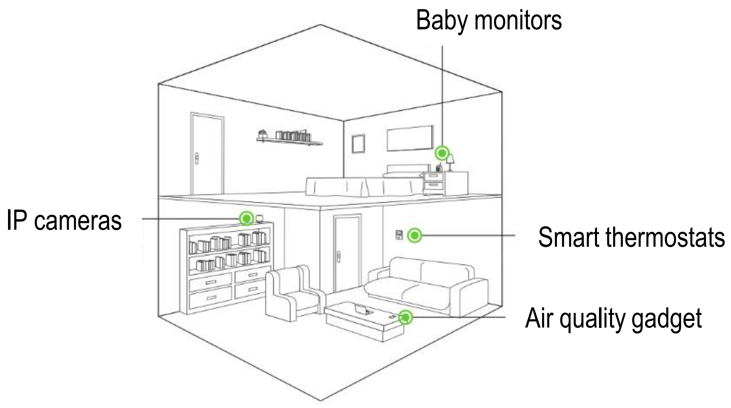
Consumer FY 2019 Business Review

Main results

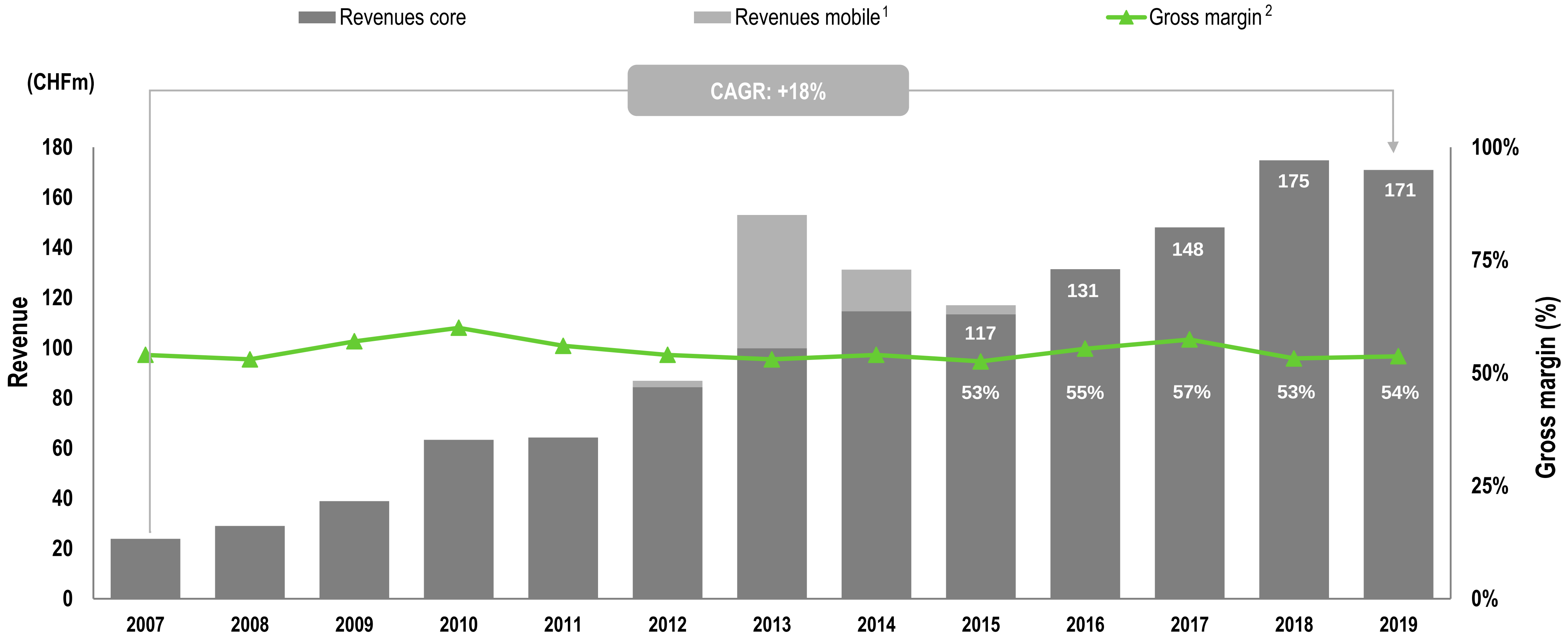
- FY 2019 revenue increased by 3.1% YoY to CHF 14.1m.
- Fragmented market with many small- and mid-size customers with various applications.
- Slight growth originated in higher volumes of humidity sensors, both through direct sales and our distribution network, overcompensating for some decline as a result of the dampening geopolitical effects.

Revenue development





Historical Revenue and Gross Margin Development



Note: revenues and gross margin from FY 2007 to FY 2014 according to Swiss GAAP FER, revenues and gross margin from FY 2015 onwards according to IFRS.

[1] Revenues from mobile only in FY 2012 – 2015

[2] Including mobile

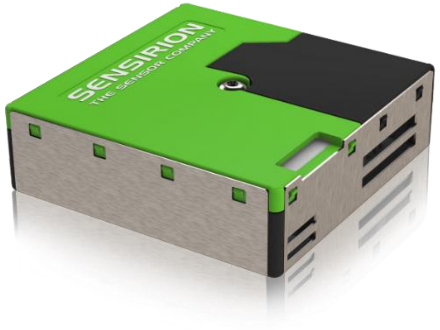
Expanded Portfolio of Environmental Sensors

Highlights

- The 1st generation CO_2 sensor launched at the beginning of 2018 substantially contributed to revenue for the first time, thanks to product launches with lead customers in the industrial market.
- A 2nd generation of CO_2 sensors was announced in mid-2019. Through technology innovation, we could reduce the size and cost structure significantly without compromising performance. Production start is scheduled for summer 2020.
- The particulate matter sensor (PM2.5) launched later in 2018 is also developing positively on the market. As a result of further important nominations in the industrial and automotive markets, we will achieve continuous and sustainable sales growth with this product family in the coming years.
- To further expand our environmental portfolio, we acquired a very promising electrochemical sensor technology. The technology transfer has been successfully completed and a larger internal development team started to develop a first sensor based on this technology, with targeted product launch in 2021.

CO_2 sensor, 1st generation

CO_2 sensor, 2nd generation



PM2.5 sensor

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Financials Overview FY 2019

Key Financials

- Revenue **CHF 171.0m**, -2.2% YoY (-1.8% organic, -0.4% FX effects).
- Gross margin **53.7%**.
- Adjusted EBITDA margin **12.0%**.
- Operating cash flow **CHF 25.7m**, free cash flow **CHF 8.6m**.

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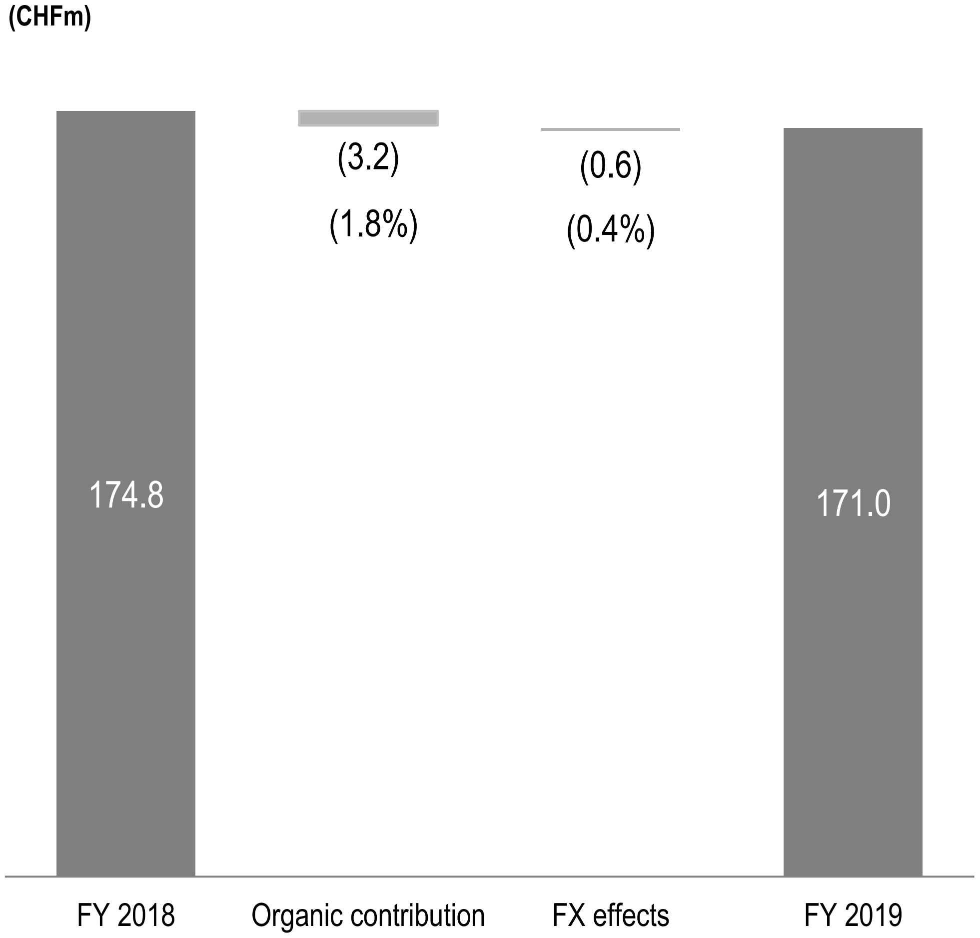
Revenue Development from FY 2018 to FY 2019

Components of revenue



Revenue FY 2019

- -2.2% YoY reduction, mainly from the automotive market (demand reduction) and the medical market (base effect).

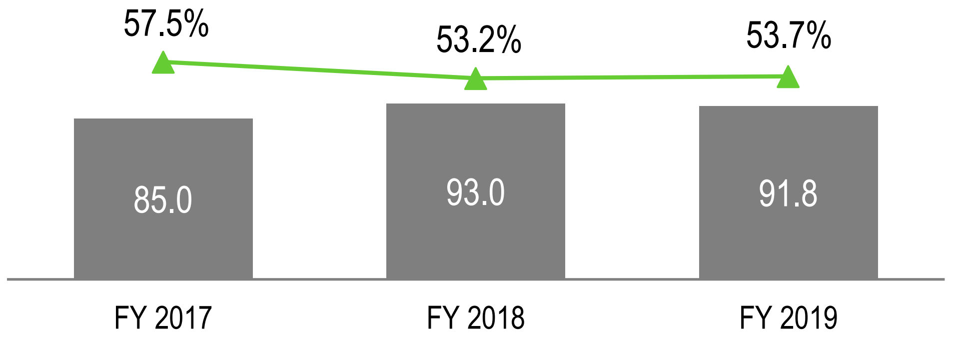
Foreign currency exchange effects

- -0.4%, mainly from EUR and USD.

Gross Margin and Opex Development

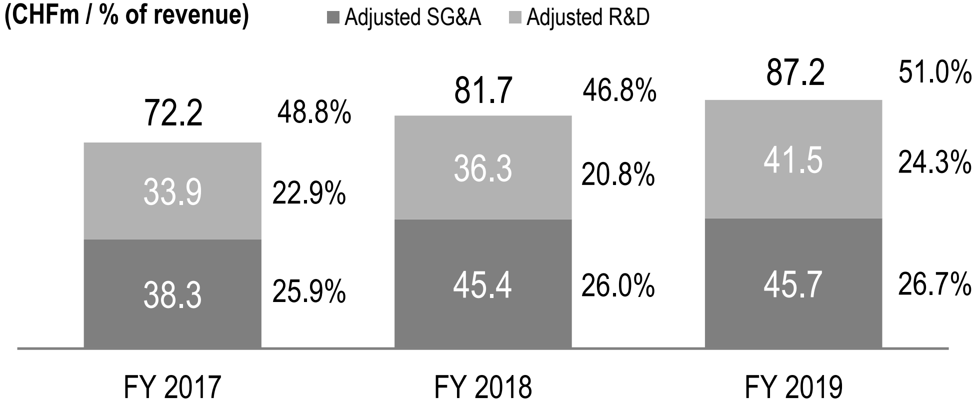
Gross profit and gross margin (%)

(CHFm / % of revenue)



Adjusted R&D[1] and adjusted SG&A[2] expenses

(CHFm / % of revenue)



Gross margin

- From FY 2017 to FY 2018, dilution because of characteristics of legacy module business and inventory valuation impacts.
- From FY 2018 to FY 2019, stable based on structural development.

R&D expenses FY 2019

- R&D spending maintained to support mid and long-term growth opportunities in spite of challenging external circumstances.

Adjusted SG&A FY 2019

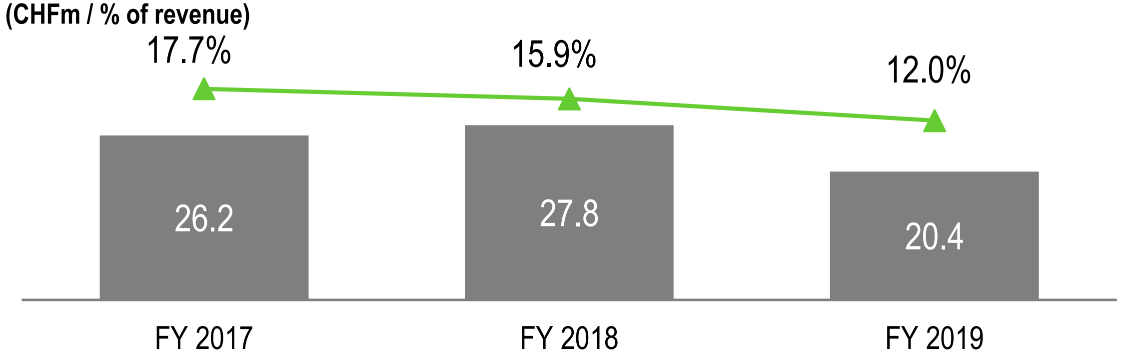
- Remained stable YoY.
- Excludes last tranche of the IPO Loyalty Share Program (CHF 6.5m).

[1] R&D expenses adjusted for expenses for impairment loss on goodwill in FY 2017. Total adjustments FY 2017 CHF 5.6m.

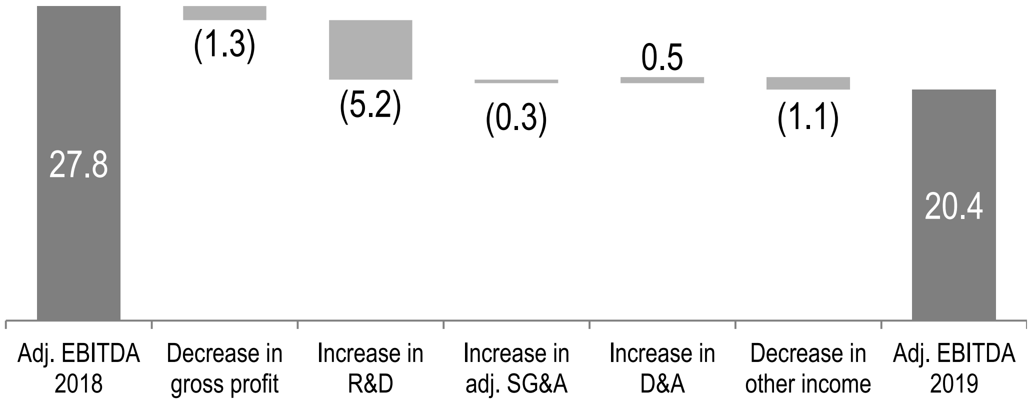
[2] SG&A expenses adjusted for expenses for acquisition-related costs in FY 2017; expenses on social security relating to the gain in excess of formula value, past service credit on the defined benefit obligation in FY 2018; external costs related to IPO in FY 2017 and FY 2018, costs related to IPO Loyalty Share Program, incl. social security expenses in FY2018 and FY2019. Total adjustments: FY 2017 3.5m, FY 2018 CHF 16.8m, FY2019 CHF 6.5m.

Adjusted EBITDA Development

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



FY2018 to FY2019



Adjusted EBITDA FY 2019

- Adjusted EBITDA margin suffered disproportionately because of R&D-spending to support future growth and the decline in revenue in conjunction with the low variable costs of our products.
- Excludes last tranche of the IPO Loyalty Share Program (CHF 6.5m).

[1] Defined as EBITDA adjusted for net finance costs excluding net interest expenses, share of profit or loss of equity-accounted investees, costs related to the IPO Loyalty Share Program, expenses on social security relating to gain in excess of formula value, external costs related to IPO, and acquisition-related costs. Total adjustments: FY 2017 CHF 9.7m, FY 2018 CHF 18.6m, FY 2019 CHF 8.1m.

Income Statement

Condensed consolidated income statement

(CHFm / % of revenue)

	FY 2019		FY 2018	
Revenue	**171.0**		**174.8**	
Cost of sales	(79.2)		(81.8)	
Gross profit	**91.8**	**53.7%**	**93.0**	**53.2%**
R&D expenses	(41.5)	(24.3%)	(36.3)	(20.8%)
SG&A expenses	(52.3)	(30.6%)	(62.2)	(35.6%)
Adj. SG&A expenses	*(45.7)*	*(26.7%)*	*(45.4)*	*(26.0%)*
Other income	-		1.1	
Operating profit (loss)	**(2.0)**	**(1.2%)**	**(4.4)**	**(2.5%)**
Net finance costs	(2.0)		(2.3)	
Profit (loss) before tax	**(4.0)**	**(2.3%)**	**(6.7)**	**(3.8%)**
Income taxes	1.3		0.3	
Profit (loss) for the period	**(2.7)**	**(1.6%)**	**(6.4)**	**(3.7%)**
One-time effects	6.5	3.8%	16.8	9.7%
Adjusted profit (loss) for the period	**3.8**	**2.2%**	**10.4**	**6.0%**

One-time effects

- FY 2018: Mainly CHF 3.0m for external IPO costs and CHF 16.2m for the IPO Loyalty Share Program.
- FY 2019: Mainly CHF 6.5m for the last tranche of the IPO Loyalty Share Program.
- Included in SG&A expenses.

EBITDA FY 2019

- EBITDA of CHF 12.3m.
- Adjusted EBITDA of CHF 20.4m.

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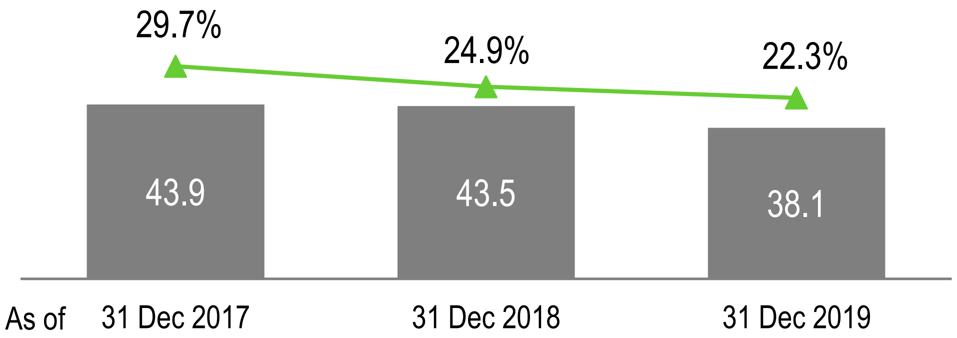
Net Working Capital and Capital Expenditures

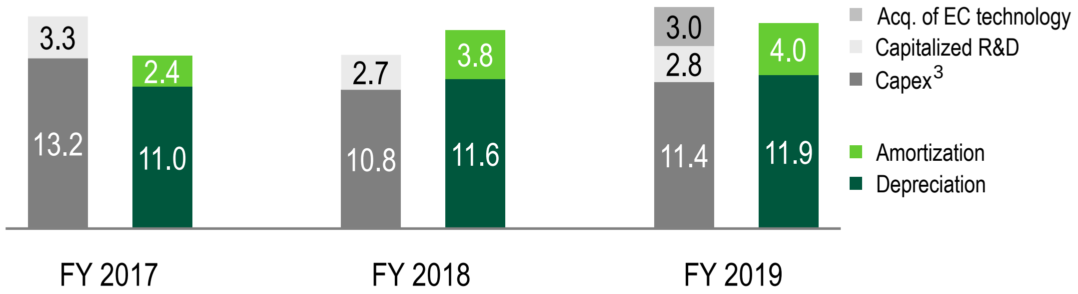
Net working capital[1]

(CHFm / % of LTM revenue)



Capex[2] vs. D&A

(CHFm / % of revenue)



Net working capital FY 2019

- Decreased YoY because of significant reduction of inventories during 2019.

Capex FY 2019

- Includes acquisition of electrochemical sensor technology.
- Capitalized R&D expenses amounted to 6.7% of total R&D expenses, 1.6% of revenue.

Depreciation and Amortization FY 2019

- D&A remained practically stable YoY.

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.
3 Excluding capitalized R&D, and acquisition of electrochemical sensor technology.

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Continuing Strong Balance Sheet

As of 31 December 2019

Equity / total assets	72.5%
Net cash[1]	CHF 48.0m
Net cash / LTM adjusted EBITDA	2.3

Assets

Cash	CHF 60.3m
Trade receivables	CHF 21.6m
Inventories	CHF 22.0m
Other current assets	CHF 4.9m
Non-current assets	CHF 106.7m
Total	**CHF 215.5m**

Liabilities and Equity

Trade payables	CHF 5.5m
Lease liabilities	CHF 12.3m
Other liabilities	CHF 41.5m
Equity	CHF 156.2m
Total	**CHF 215.5m**

As of 31 December 2018

Equity / total assets	74.6%
Net cash[1]	CHF 42.6m
Net cash / LTM adjusted EBITDA	1.5

Assets

Cash	CHF 53.9m
Trade receivables	CHF 22.1m
Inventories	CHF 30.2m
Other current assets	CHF 6.1m
Non-current assets	CHF 102.6m
Total	**CHF 214.9m**

Liabilities and Equity

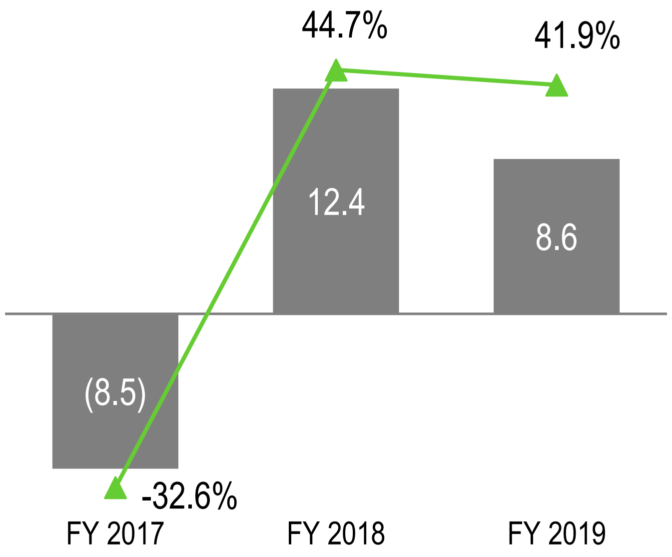
Trade payables	CHF 8.8m
Lease liabilities	CHF 11.3m
Other liabilities	CHF 34.4m
Equity	CHF 160.4m
Total	**CHF 214.9m**

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

Free Cash Flow[1] Development

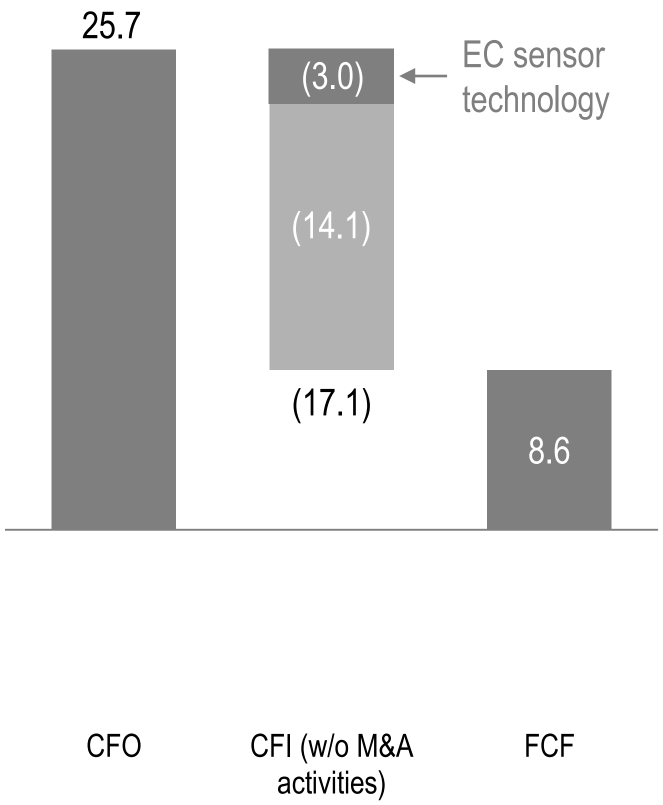
FCF and FCF conversion rate (%)

(CHFm / % of adjusted EBITDA)



FY 2019

(CHFm)



FCF FY 2019

- CFI includes CHF 3.0m in connection with the purchase of the electro-chemical (EC) sensor technology.

FCF conversion rate[2]

- FY 2017 -32.6%
- FY 2018 44.7%
- FY 2019 41.9%

[1] Free cash flow (FCF) defined as the sum of cash flows from operating activities (CFO) and cash flows from investing activities (CFI), excluding M&A activities.
[2] FCF conversion rate defined as FCF in percentage of adjusted EBITDA.

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Strategic Priorities

Strategic drivers	Strategic pillars	Strategic priorities
Energy efficiency Quality of life Digitalization and automation	1 Drive market and cost leadership in existing markets	▪ Increase application penetration rate in all end markets through trickle-down effect. ▪ Leverage economies of scale through platform development and innovation leadership to secure margins. ▪ Drive operational excellence.
	2 Expand product portfolio	▪ Increase customer content by new products in existing applications. ▪ Expand our markets with new applications.
	3 Develop technologies for future growth	▪ Invest in complementary and disruptive technology innovation. ▪ In M&A, strategically seek out innovative new sensor technologies and opportunistically pursue selective acquisitions.
	4 Recruit and retain top talent	▪ Recruit and retain superior talent to foster innovation. ▪ Nurture entrepreneurial company culture "SensiSpirit".

Strategic Achievements

Strategic drivers

- Energy efficiency
- Quality of life
- Digitalization and automation

Strategic pillars / Main strategic achievements

Strategic pillars	Main strategic achievements
1 Drive market and cost leadership in existing markets	▪ Further gains in market share in the Italian gas meter market. ▪ Continuous slight increase of market share in the humidity sensor market. ▪ Product launch of the new generation liquid flow sensor. ▪ Reduction of NWC through increased operational excellence.
2 Expand product portfolio	▪ First relevant revenue contribution from the 1st generation CO_2 sensor. Announcement of the 2nd generation CO_2 sensor. ▪ Expansion of the environmental sensor portfolio ongoing; additional design-ins for the PM2.5 sensor in automotive and industrial markets.
3 Develop technologies for future growth	▪ Acquisition of the electrochemical gas sensor technology. ▪ Start of development of the first gas sensor based on electrochemical technology.
4 Recruit and retain top talent	▪ Awarded title of best employer in Switzerland in the category “large companies” by “Great Place to Work”.

Outlook

Given the current rapidly changing situation, it is difficult to provide an outlook for 2020: the global economic situation remains fragile and challenging in view of the continuing tense geopolitical environment and the unresolved coronavirus epidemic. Future effects of the epidemic on current business and the supply chain are currently difficult to assess.

Assuming that the market environment and exchange rates do not deteriorate significantly, we expect for **full-year 2020**

- Revenue **CHF 178-188m** (+ 4-10%).
- Gross margin **52-54%**.
- Adjusted EBITDA margin **14-16%**.

Based on the progress in important R&D projects, we also confirm our **medium-term target**

- Medium annual revenue growth **10-15%**.

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Financial Calendar

Date	Event
10 March 2020	Full-Year 2019 Results and Annual Report
11 May 2020	Annual General Meeting 2020
19 August 2020	Half-Year 2020 Results and Interim Report

Contact information

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Appendix

Reconciliation of Profit (Loss) to Adjusted EBITDA

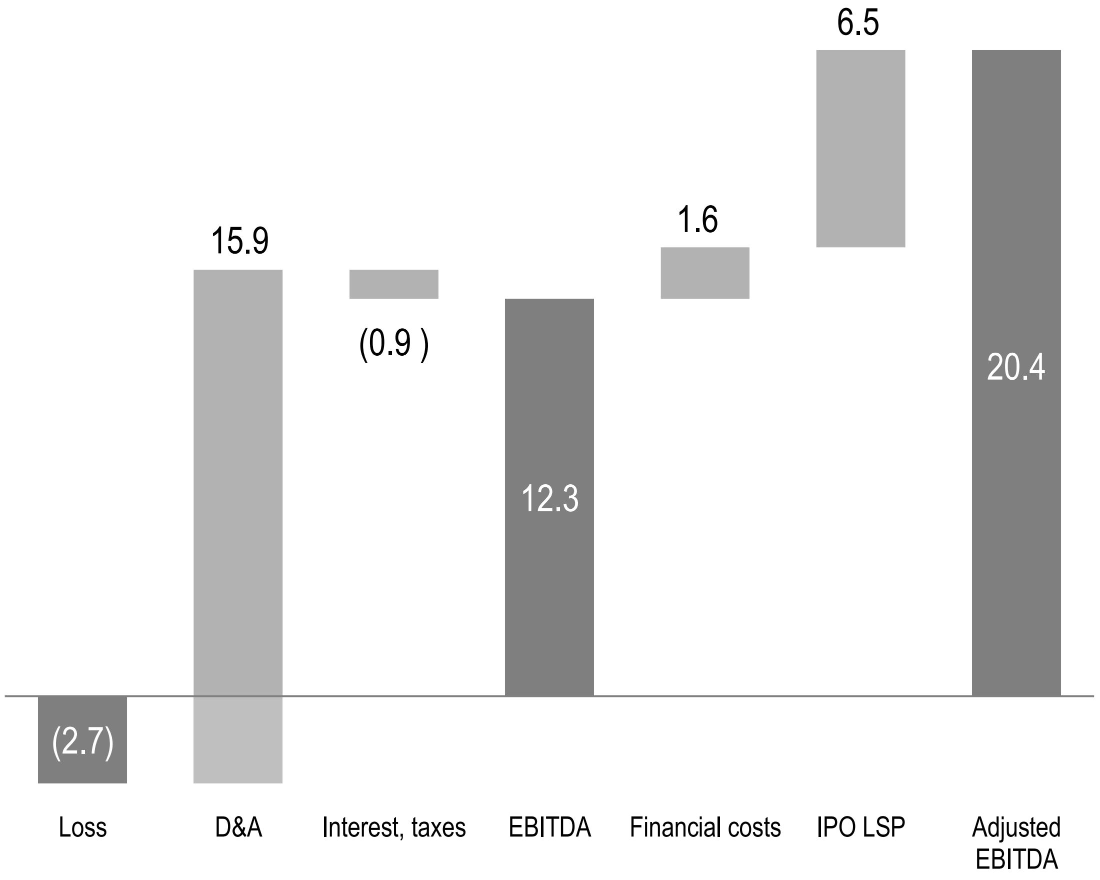
Reconciliation

(CHFm)

	FY 2019	FY 2018
Profit (loss) for the period	**(2.7)**	**(6.4)**
- Depreciation & amortization	15.9	15.3
- Net interest expenses, income taxes	(0.9)	0.3
EBITDA	**12.3**	**9.2**
Adjusted for		
- Net finance costs excluding net interest expenses	1.2	1.2
- Share of loss (profit) of equity-accounted investees	0.4	0.6
- Past service credit on defined benefit obligation (1e Plan)	-	(2.0)
- IPO Loyalty Share Program (IPO LSP)	6.5	16.2
- Social security expenses related to gain in excess of formula value	-	0.7
- External IPO costs	-	3.0
- Acquisition-related costs (income)	-	(1.1)
Adjusted EBITDA	**20.4**	**27.8**

FY 2019

(CHFm)



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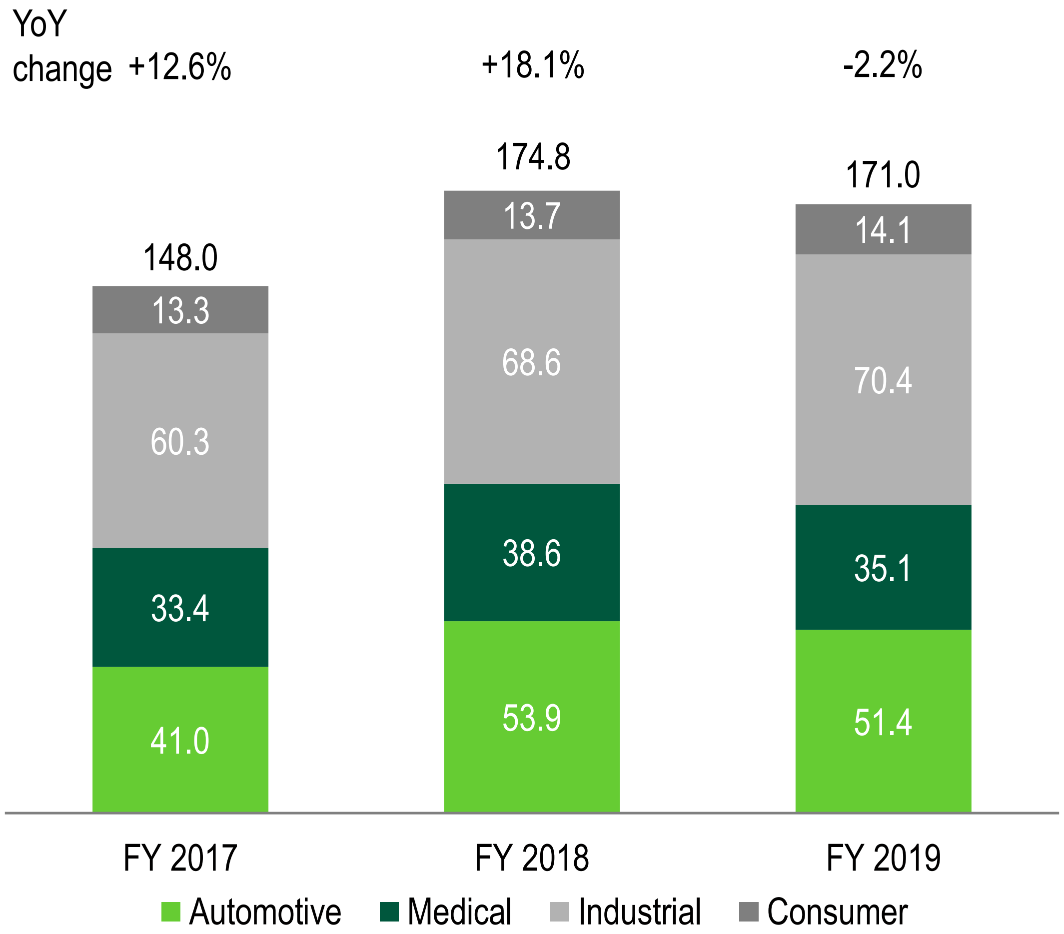
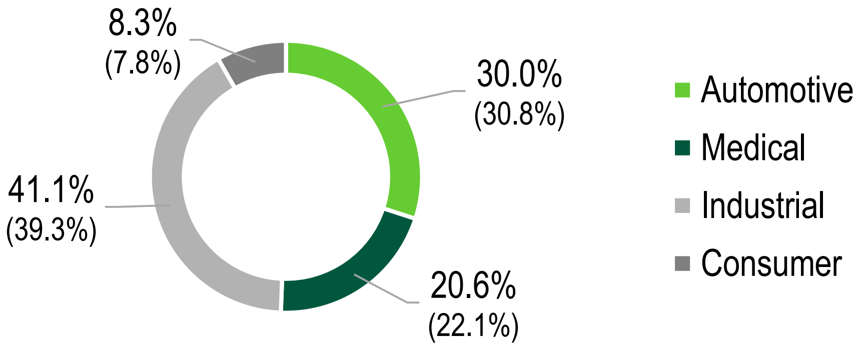
Diversified Revenue Development Across all our End Markets

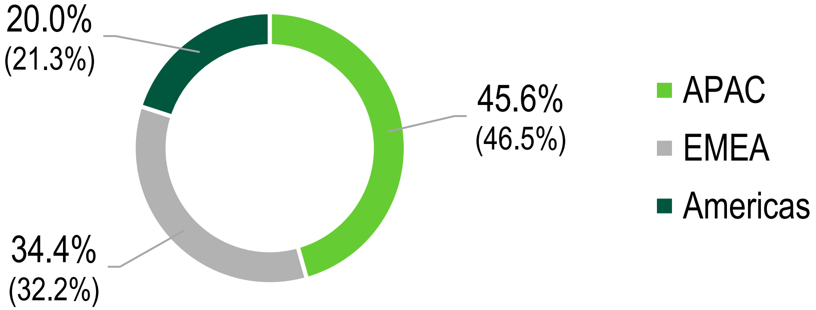
Revenue development

(CHFm)



FY 2019 (FY 2018) revenue distribution



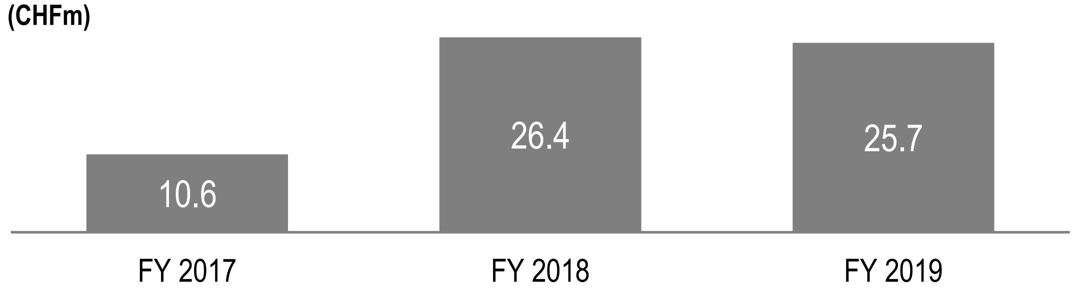


Statement of Cash Flows

Condensed consolidated statement of cash flows

(CHFm)	FY 2019	FY 2018
Cash flow from operating activities (CFO)	25.7	26.4
Cash flow from investing activities (CFI)	(17.2)	(3.6)
Cash flow from financing activities (CFF)	(1.8)	21.9
Net change in cash and cash equivalents	**6.7**	**44.7**
Cash and cash equivalents at 1 January	53.9	9.4
Effect of movements in exchange rates on cash held	(0.3)	(0.2)
Cash and cash equivalents at 31 December	**60.3**	**53.9**

Cash flow from operating activities



CFO FY 2019

- Continuous generation of cash through operating activities.

CFI FY 2019

- Includes CHF 3.0m in connection with the purchase of the electrochemical (EC) sensor technology.

CFF FY 2019

- After the IPO in FY 2018, regular cash flow again.

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