Half-Year 2019 Results

Marc von Waldkirch, CEO
Matthias Gantner, CFO

21 August 2019

SENSIRION
THE SENSOR COMPANY

Agenda

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

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

3
- Outlook — Marc von Waldkirch, CEO

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- Q&A

H1 2019 Overview

Business	▪ The current crisis in the automotive industry, the significantly weaker than expected global industrial production, and the continuing global trade disputes negatively impact demand in all end markets. ▪ Newly ramping-up business can only partly compensate for the weaker demand. ▪ In spite of the currently 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. ▪ A new, miniaturized generation of CO_2 sensor based on an innovative packaging was announced in H1 2019.
Financials	▪ Revenue CHF 83.9m, -7.0% YoY. ▪ Stable gross margin 53.2%. ▪ Adjusted EBITDA margin 10.0%. ▪ Operating cash flow CHF 11.1m, free cash flow CHF 1.0m.
Outlook	▪ For H2 2019, we expect continuing weak market demand and reduced visibility. ▪ Expected for FY 2019: revenue CHF 160-170m, gross margin 52-54%, adjusted EBITDA margin 9-12%.

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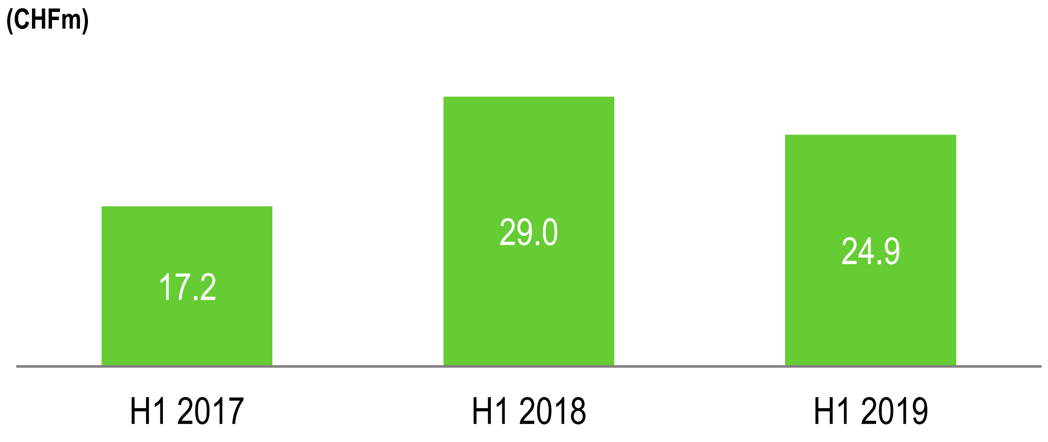
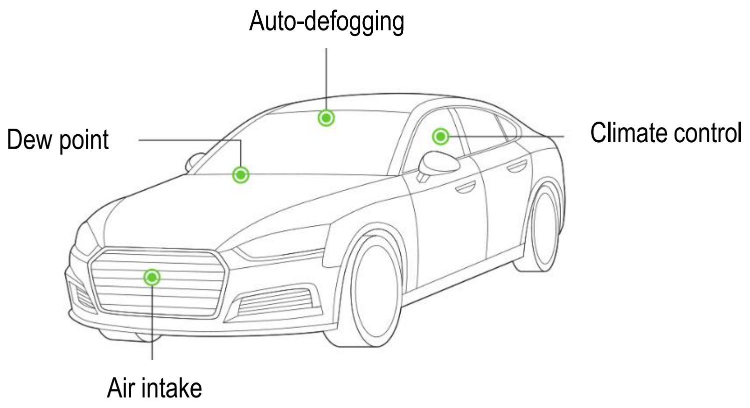
Automotive H1 2019 Business Review

Main results

- HY 2019 revenue decreased by 14.1% YoY to CHF 24.9m. Revenue in H1 2019 is comparable to H2 2018.
- Declining revenue YoY resulted from weaker demand in the automotive industry combined with inventory optimization throughout the automotive supply chain.
- Running design projects proceeding as planned, both for components and modules.
- Sensirion Automotive Solutions realized important project design wins with module products, which will generate revenues in approximately three years from now.

Revenue development



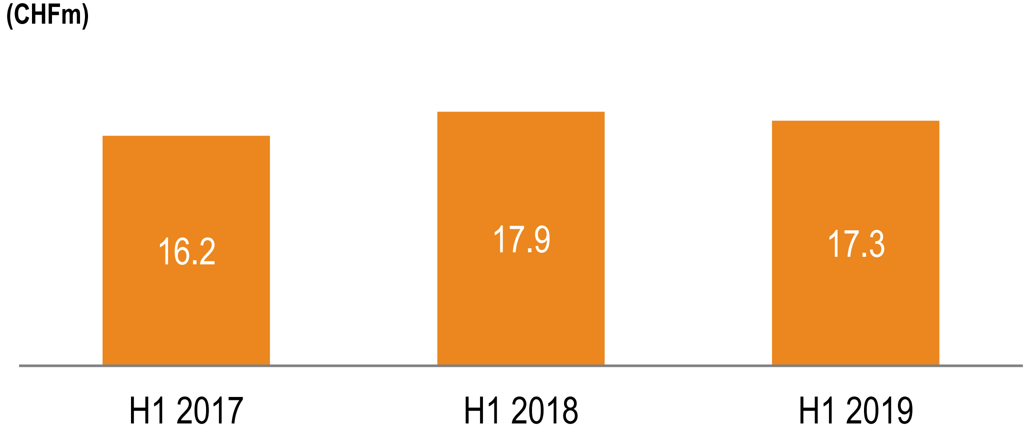


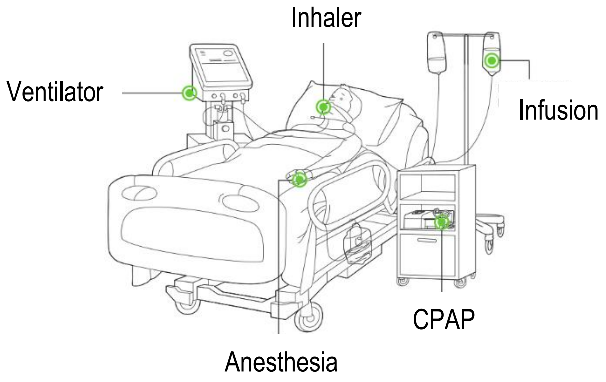
Medical H1 2019 Business Review

Main results

- With CHF 17.3m, revenue in H1 2019 decreased by 3.3% compared to H1 2018.
- Revenues in the medical market are dominated by application of differential pressure sensors in CPAP devices, which showed a very strong H2 2018 and a normalized H1 2019.
- On the other hand, the application of differential pressure sensors in ventilators and anesthesia devices grew.

Revenue development



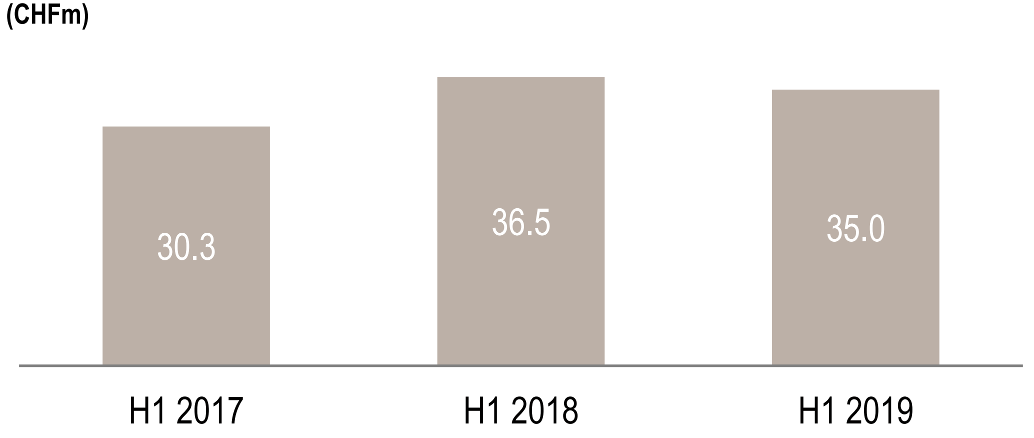


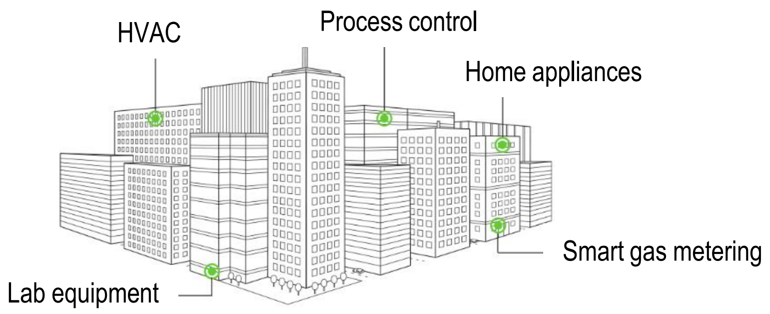
Industrial H1 2019 Business Review

Main results

- H1 2019 revenue decreased by 4.3% YoY to CHF 35.0m.
- Increased business from differential pressure sensors for HVAC and process control applications, and from natural gas flow sensors for residential gas meters compensated for a demand reduction in other industrial submarkets.
- In the rather volatile hard disk market, a significant revenue decline resulted from lower sales of humidity sensors due to the global economic situation.

Revenue development



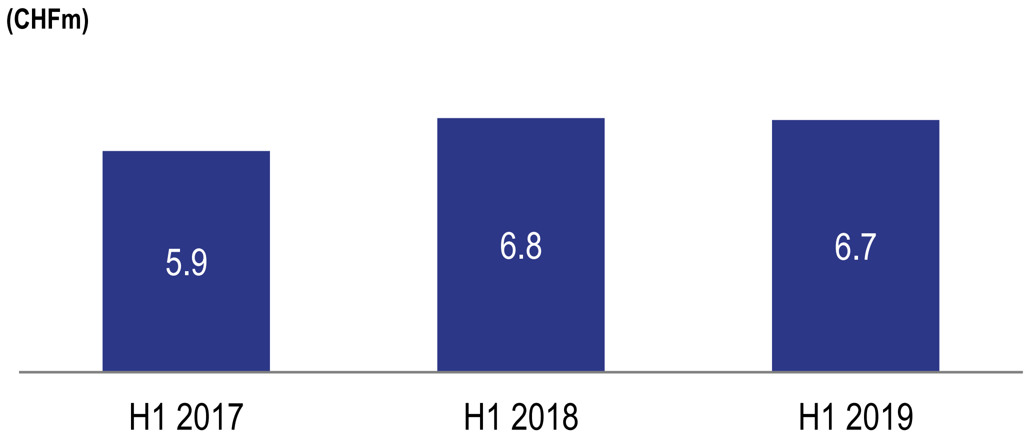


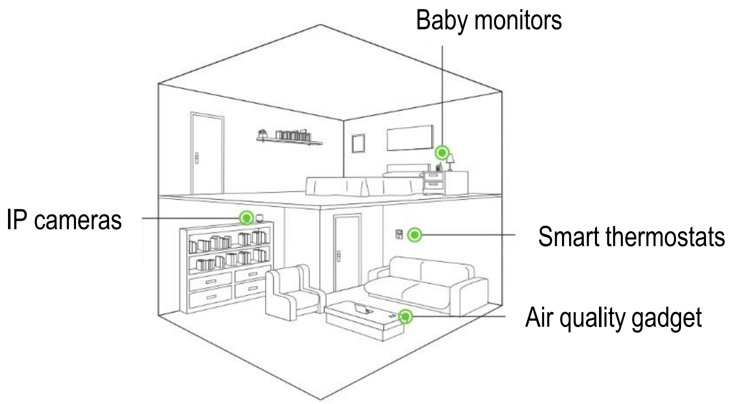
Consumer H1 2019 Business Review

Main results

- H1 2019 revenue decreased by 0.8% YoY to CHF 6.7m.
- In similar fashion to the other markets, nervousness and uncertainty in connection with the geopolitical situation dampened stronger growth, and new projects were only just able to offset reduction in current business.

Revenue development





Expanded Portfolio of Environmental Sensors

Highlights

- Continued positive market response to the carbon dioxide (CO_2) and particulate matter (PM2.5) sensors combined with first important design wins laid the foundation for continuous, sustainable growth of revenues from these sensors in the upcoming years.
- A new generation of CO_2 sensor was announced in H1 2019, with a significantly smaller form factor. The step forward in reducing the size while maintaining performance is foremost based on innovation in packaging of the sensor. Together with an attractive cost structure, the smaller size should enable new applications of the CO_2 sensor.
- To further expand our environmental sensor portfolio, we acquired IP on electrochemical sensor technology. The development of a new, more selective gas sensor was initiated, based on the support of worldwide experts in the field.

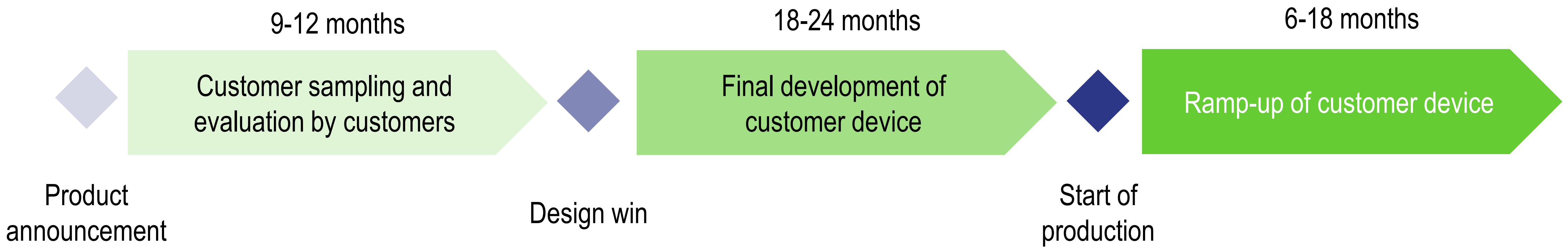
CO_2 sensor
1st generation

CO_2 sensor
2nd generation
(early sample)

Go-to-Market Process

The go-to-market process of a new product involves several stages.

- Typically, the design-in cycle time takes two to three years, followed by a continuous but moderate ramp-up.
- Consequently, revenues from newly launched products are expected to become significant three to four years after first product announcement.



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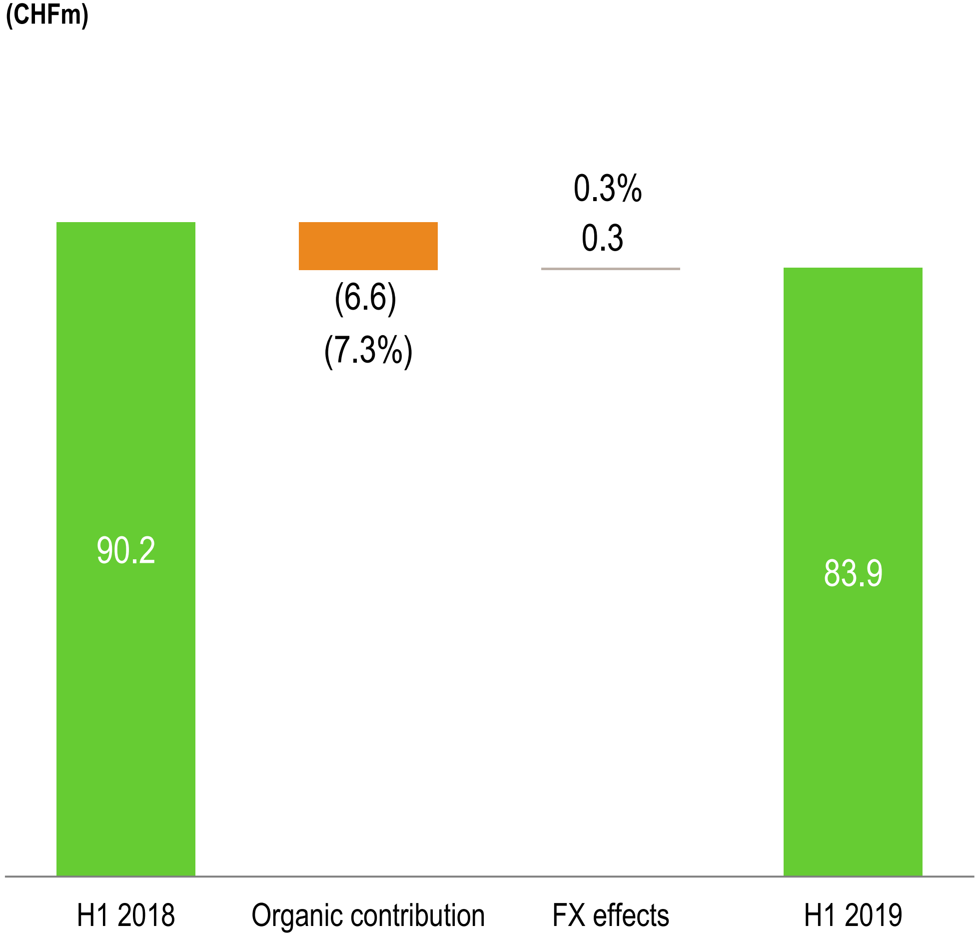
Financials Overview

Key Financials

- Revenue CHF 83.9m, -7.0% YoY.
- Gross margin 53.2%.
- Adjusted EBITDA margin 10.0%.
- Operating cash flow CHF 11.1m, free cash flow CHF 1.0m.

Revenue Development from H1 2018 to H1 2019

Components of revenue



Revenue H1 2019

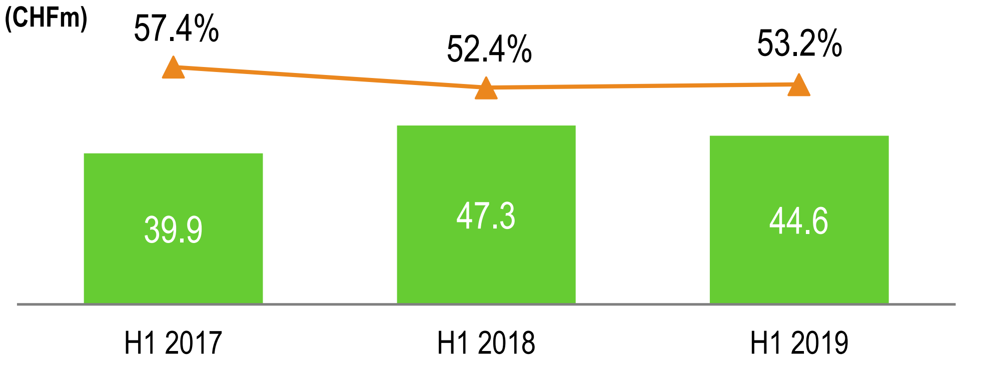
- -7.0% YoY reduction, from all end markets, more pronounced in automotive market.

Foreign exchange effects

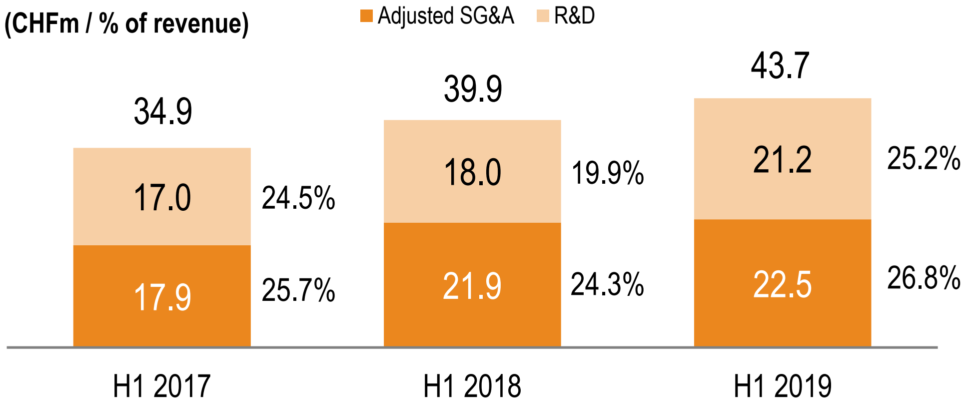
- +0.3%, mainly from EUR and USD.

Gross Margin and Opex Development

Gross profit and gross margin (%)



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



Gross margin H1 2019

- Stable compared to H1 2018 and FY 2018.

R&D expenses H1 2019

- Increased as % of revenue due to less revenue than expected due to demand reduction.
- R&D spending maintained to support mid and long-term growth opportunities.

Adjusted SG&A H1 2019

- Increased absolute due to slight expansion of sales staff, and as % of revenue due to lower revenues.
- Excludes IPO Loyalty Share Program (CHF 2.9m).

[1] SG&A expenses adjusted for costs related to IPO Loyalty Share Program, social security expenses relating to gain in excess of formula value, external costs related to IPO, and acquisition-related costs. Total adjustments: H1 2017 CHF 0.3m, H1 2018 CHF 8.8m, H1 2019 CHF 2.9m.

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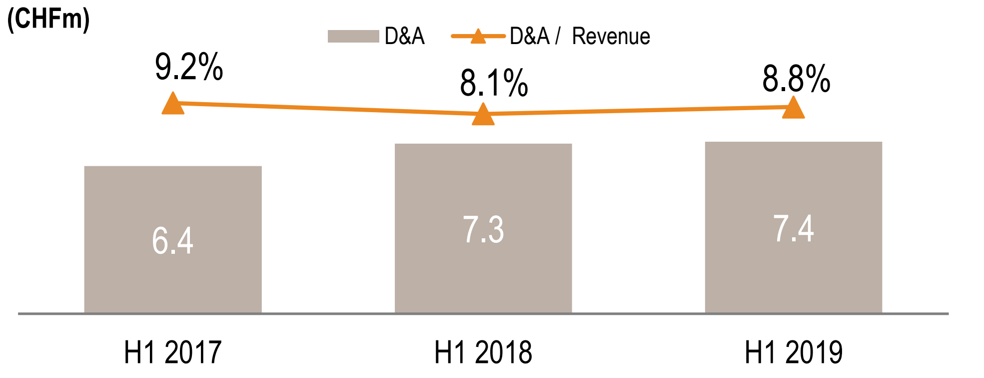
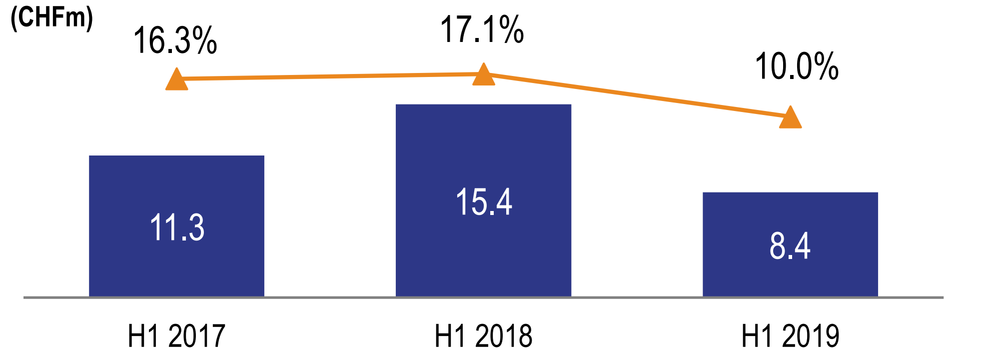
Adjusted EBITDA Development

Depreciation and Amortization



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



Depreciation and Amortization

- D&A remained stable YoY and HoH.

Adjusted EBITDA H1 2019

- Adjusted EBITDA margin suffered disproportionately from the decline in revenue due to the low variable costs of our products.
- Excludes IPO Loyalty Share Program (CHF 2.9m).

[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 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: H1 2017 CHF 1.2m, H1 2018 CHF 9.3m, H1 2019 CHF 3.6m.

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

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Income Statement

Condensed consolidated income statement

(CHFm / % of revenue)

	H1 2019		H1 2018	
Revenue	**83.9**		**90.2**	
Cost of sales	(39.3)		(42.9)	
Gross profit	**44.6**	**53.2%**	**47.3**	**52.4%**
R&D expenses	(21.2)	(25.2%)	(18.0)	(19.9%)
SG&A expenses	(25.4)	(30.3%)	(30.7)	(34.0%)
Adj. SG&A expenses	*(22.5)*	*(26.8%)*	*(21.9)*	*(24.3%)*
Other income	0.0		0.6	
Operating profit (loss)	**(2.0)**	**(2.3%)**	**(0.8)**	**(0.8%)**
Net finance costs	(0.8)		(0.8)	
Profit (loss) before tax	**(2.8)**	**(3.4%)**	**(1.6)**	**(1.8%)**
Income taxes	0.9		(0.4)	
Profit (loss) for the period	**(1.9)**	**(2.2%)**	**(2.0)**	**(2.2%)**
Adjustments	3.6	4.3%	9.3	10.3%
Adjusted profit (loss) for the period	**1.7**	**2.1%**	**7.3**	**8.1%**

One-time effects

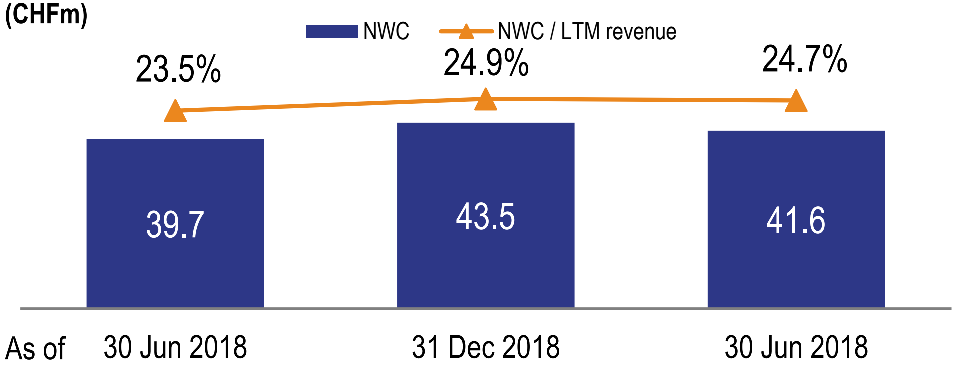
- H1 2018: Mainly CHF 3.0m for external IPO costs and CHF 5.1m for IPO Loyalty Share Program.
- H1 2019: Mainly CHF 2.9m for IPO Loyalty Share Program.
- Included in SG&A expenses.

EBITDA H1 2019

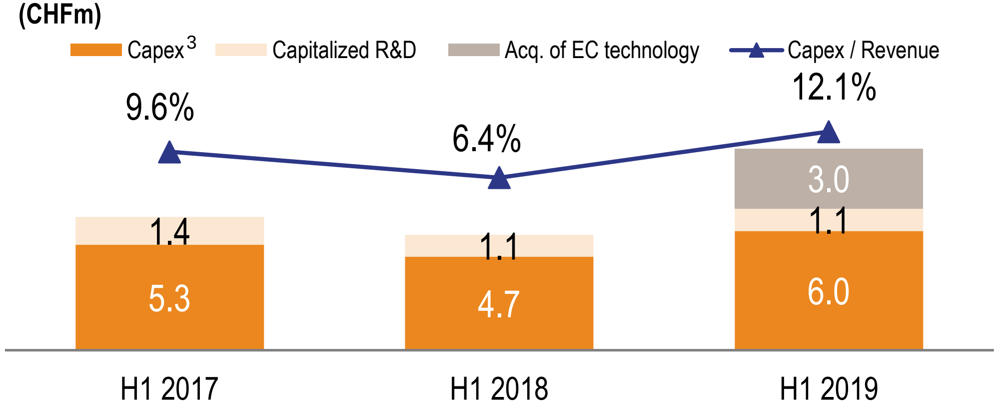
- EBITDA of CHF 4.8m.
- Adjusted EBITDA of CHF 8.4m.

Net Working Capital and Capital Expenditures

Net working capital[1]



Capex[2]



Net working capital H1 2019

- Increased YoY due to build-up of inventories towards end of 2018 in view of then expected growth for 2019. Compared to 31 December 2018, inventories have been reduced.

Capex H1 2019

- Includes acquisition of electrochemical sensor technology.
- Capitalized R&D expenses amounted to 5.4% of total R&D expenses, 1.4% 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.
[3] Excluding capitalized R&D; and acquisition of electrochemical sensor technology in H1 2019.

Continuing Strong Balance Sheet

As of 30 June 2019

Equity / total assets	73.5%
Net cash[1]	CHF 39.9m
Net cash / LTM adjusted EBITDA	1.9

Assets		Liabilities and Equity	
Cash	CHF 53.3m	Trade payables	CHF 7.5m
Trade receivables	CHF 21.3m	Lease liabilities	CHF 13.5m
Inventories	CHF 27.9m	Other liabilities	CHF 36.4m
Other current assets	CHF 6.5m	Equity	CHF 158.7m
Non-current assets	CHF 107.1m		
CHF 216.1m		**CHF 216.1m**	

As of 31 December 2018

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

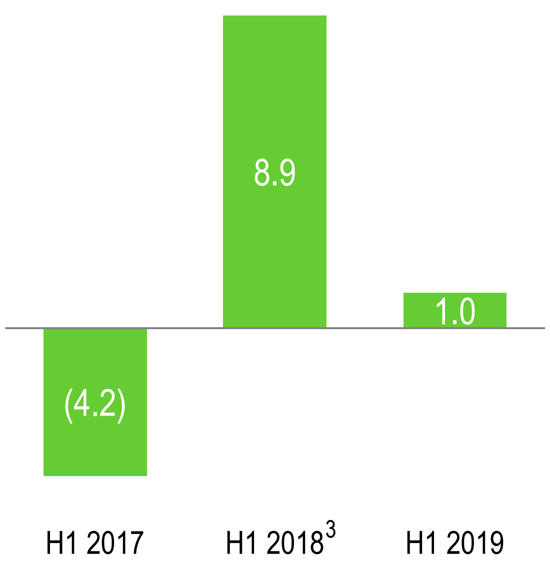
Assets		Liabilities and Equity	
Cash	CHF 53.9m	Trade payables	CHF 8.8m
Trade receivables	CHF 22.1m	Lease liabilities	CHF 11.3m
Inventories	CHF 30.2m	Other liabilities	CHF 34.4m
Other current assets	CHF 6.1m	Equity	CHF 160.4m
Non-current assets	CHF 102.6m		
CHF 214.9m		**CHF 214.9m**	

[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

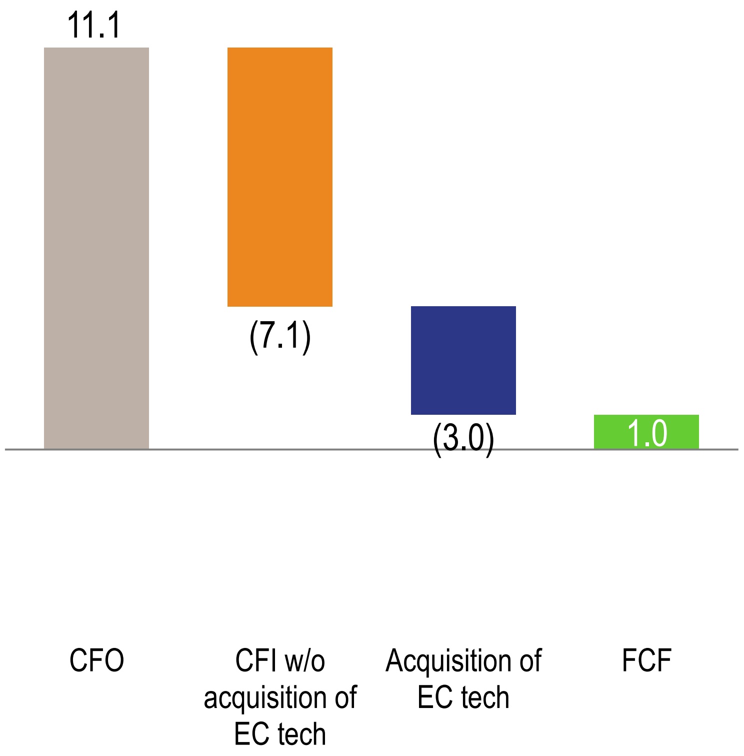
H1 2017 – H1 2019

(CHFm)



H1 2019

(CHFm)



FCF H1 2019

- CFI includes cash flows of CHF 3.0m in connection with acquisition of electrochemical (EC) sensor tech.

FCF conversion rate[2]

- H1 2017 -37.0%
- H1 2018 59.3%[3]
- H1 2019 11.4% (47.1%[4])

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 Excluding cash flow of CHF 3.7m from AIC escrow repayment.
4 Excluding cash flow of CHF 3.0m in connection with acquisition of electrochemical sensor technology.

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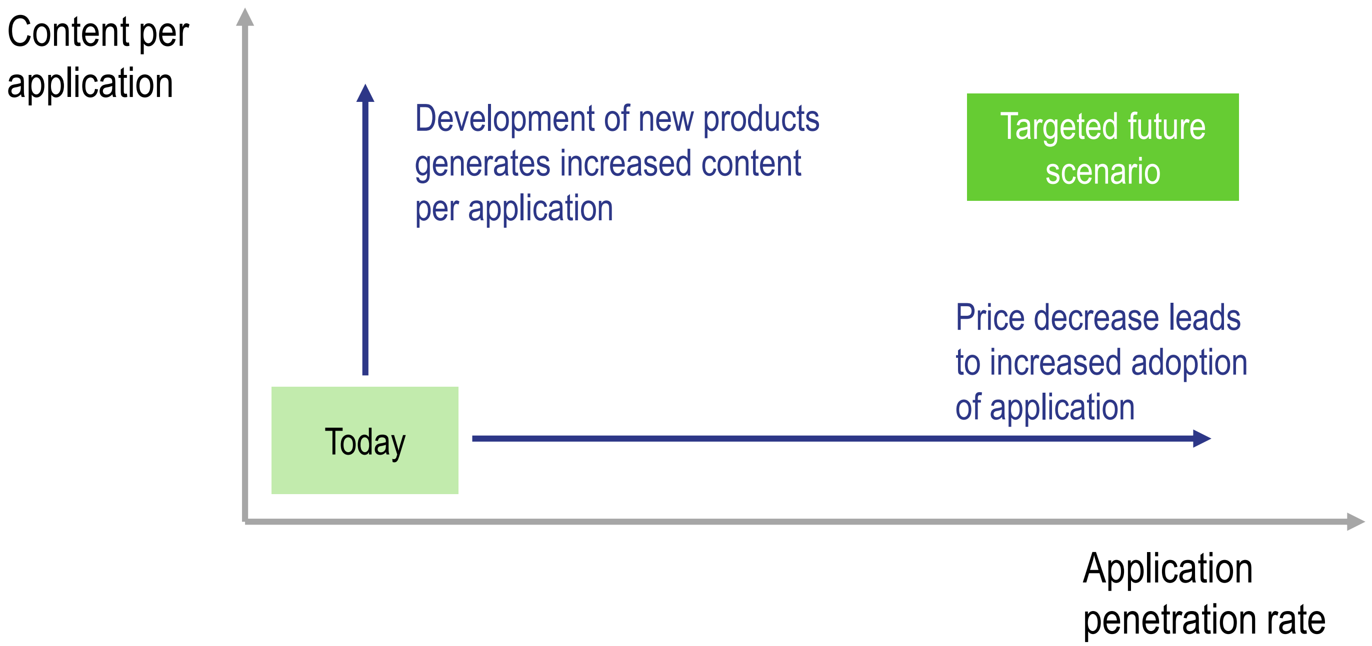
Customer Content and Application Penetration

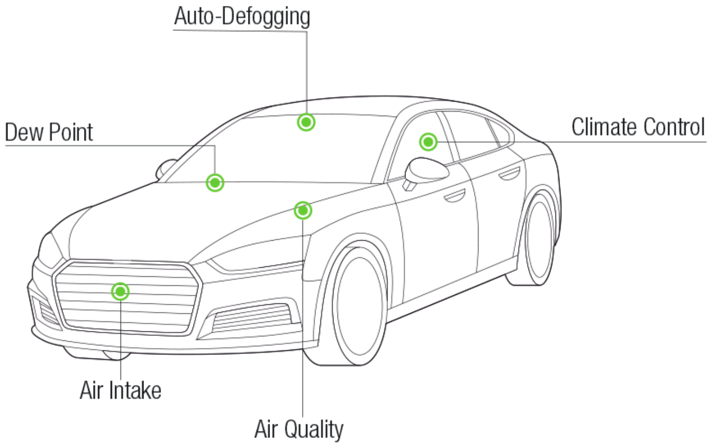
Mid-term growth develops along two dimensions:

- Expansion of sensor portfolio enables continuing increase of content per application.
- Simultaneously, the penetration rate per application continuously increases due to trickle-down effects.



Examples of Increase of Customer Content

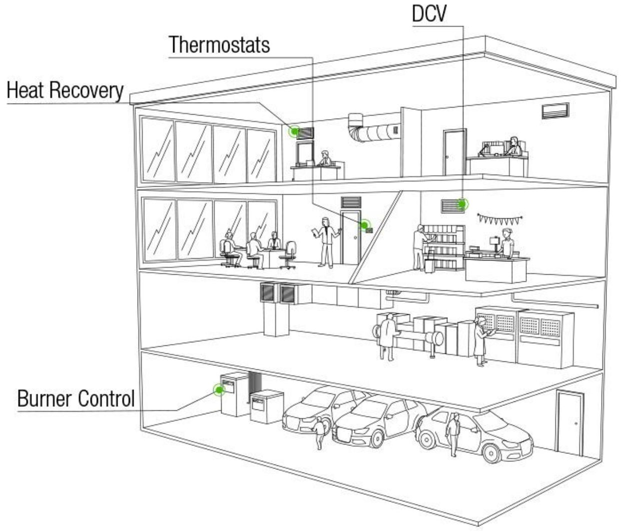
Automotive



In-cabin climate control

RHT → RHT, PM2.5, module

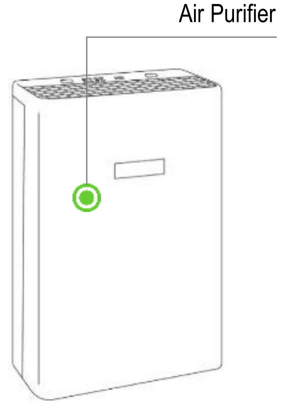
HVAC



Demand-controlled ventilation (DCV)

DP → DP, RHT, VOC, CO_2

Home Appliances



Air purifier

RHT, VOC → RHT, VOC, PM2.5

RHT: Relative Humidity and Temperature, DP: Differential Pressure, VOC: Volatile Organic Compounds, CO_2: Carbon Dioxide, PM2.5: Particulate Matter

Outlook

As published on 11 July 2019, Sensirion reduced its outlook for the financial year 2019 as a result of the challenging market conditions. In spite of the currently difficult market conditions, the long-term market trends, the technology, and the product pipeline remain strong. Sensirion consequently confirms its mid and long-term growth perspectives.

Under the updated outlook from 11 July 2019, and in view of this market scenario and stable exchange rates, we expect for financial year 2019:

- Revenue CHF 160-170m
- Gross margin 52-54%
- Adjusted EBITDA margin 9-12%.

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Upcoming Events

Date	Event
10 March 2020	Financial Year 2019 Results and Annual Report
11 May 2020	Annual General Meeting 2020

Contact information

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Appendix

Reconciliation of Profit (Loss) to Adjusted EBITDA

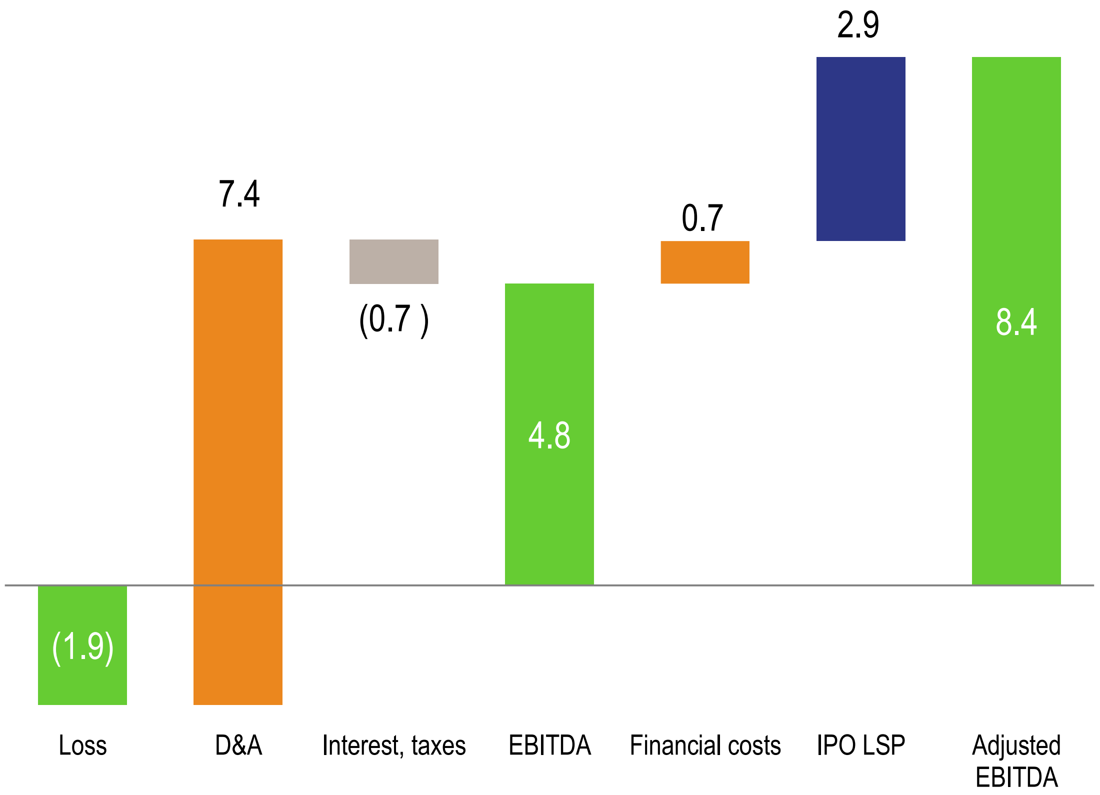
Reconciliation

(CHFm)

	H1 2019	H1 2018
Profit (loss) for the period	**(1.9)**	**(2.0)**
- Depreciation & amortization	7.4	7.3
- Net interest expenses, income taxes	(0.7)	0.8
EBITDA	**4.8**	**6.1**
Adjusted for		
- Net finance costs excluding net interest expenses	0.5	0.3
- Share of loss (profit) of equity-accounted investees	0.2	0.2
- IPO Loyalty Share Program (IPO LSP)	2.9	5.1
- Social security expenses related to gain in excess of formula value	0.0	0.7
- External IPO costs	0.0	3.0
Adjusted EBITDA	**8.4**	**15.4**

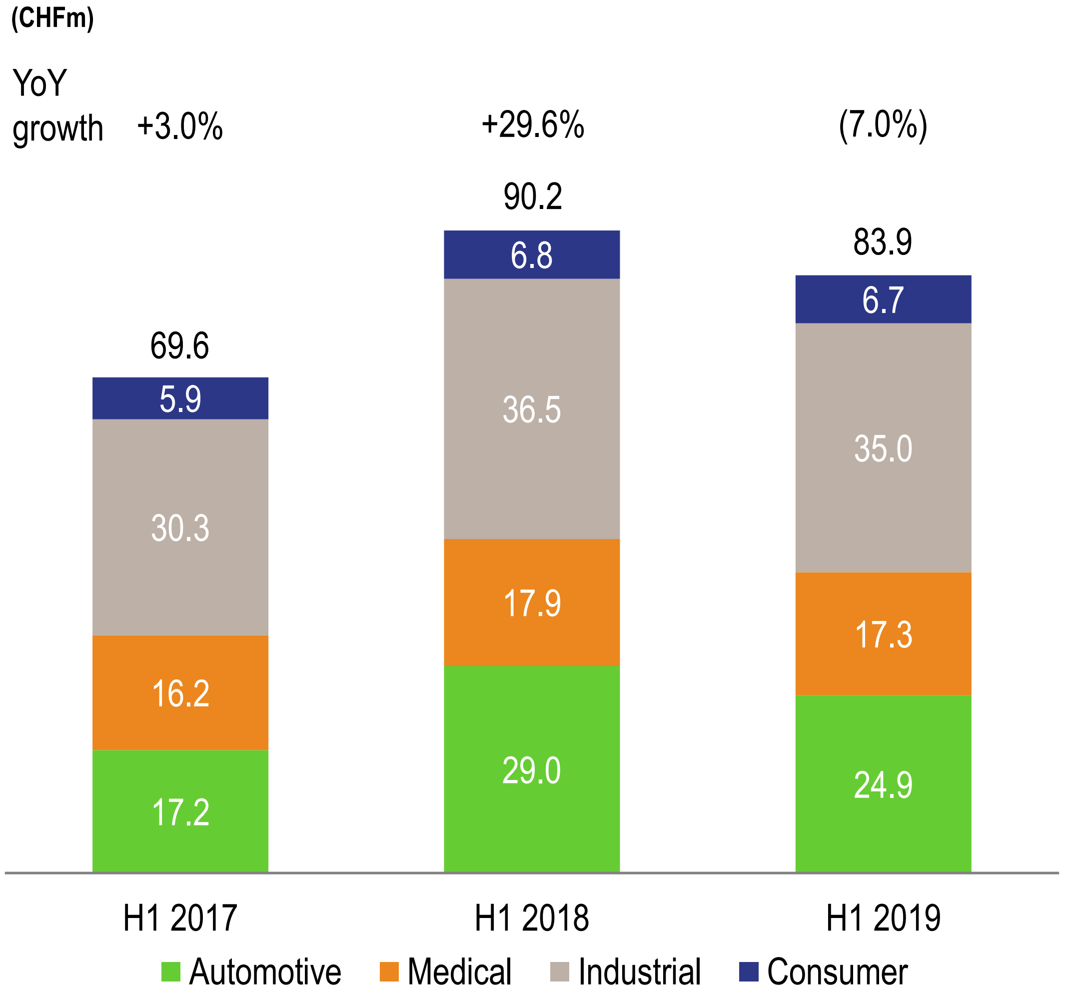
H1 2019

(CHFm)

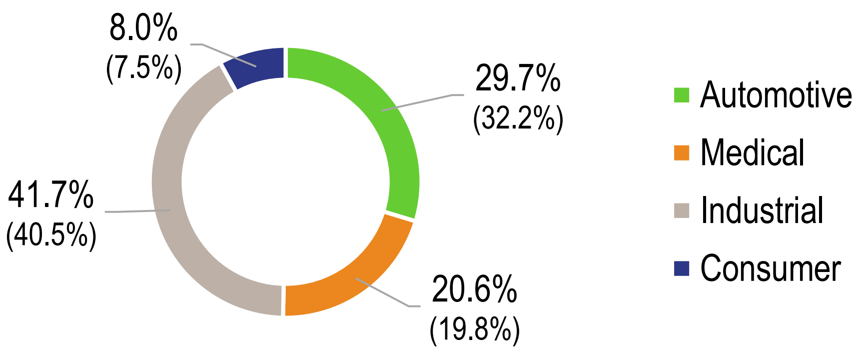


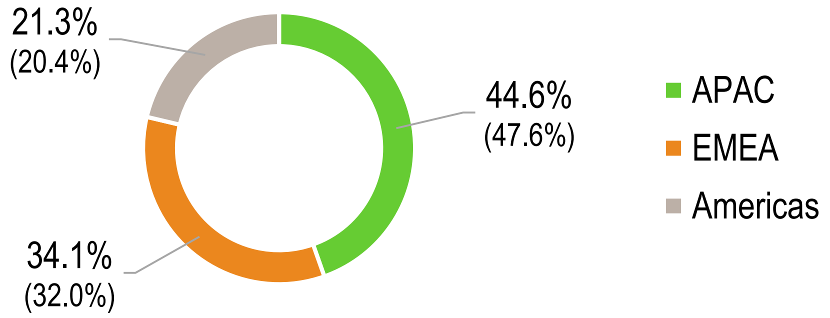
Diversified Revenue Development Across all our End Markets

Revenue development



H1 2019 (H1 2018) revenue distribution





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