

# Full-Year Results 2019

**Heinz Kundert**

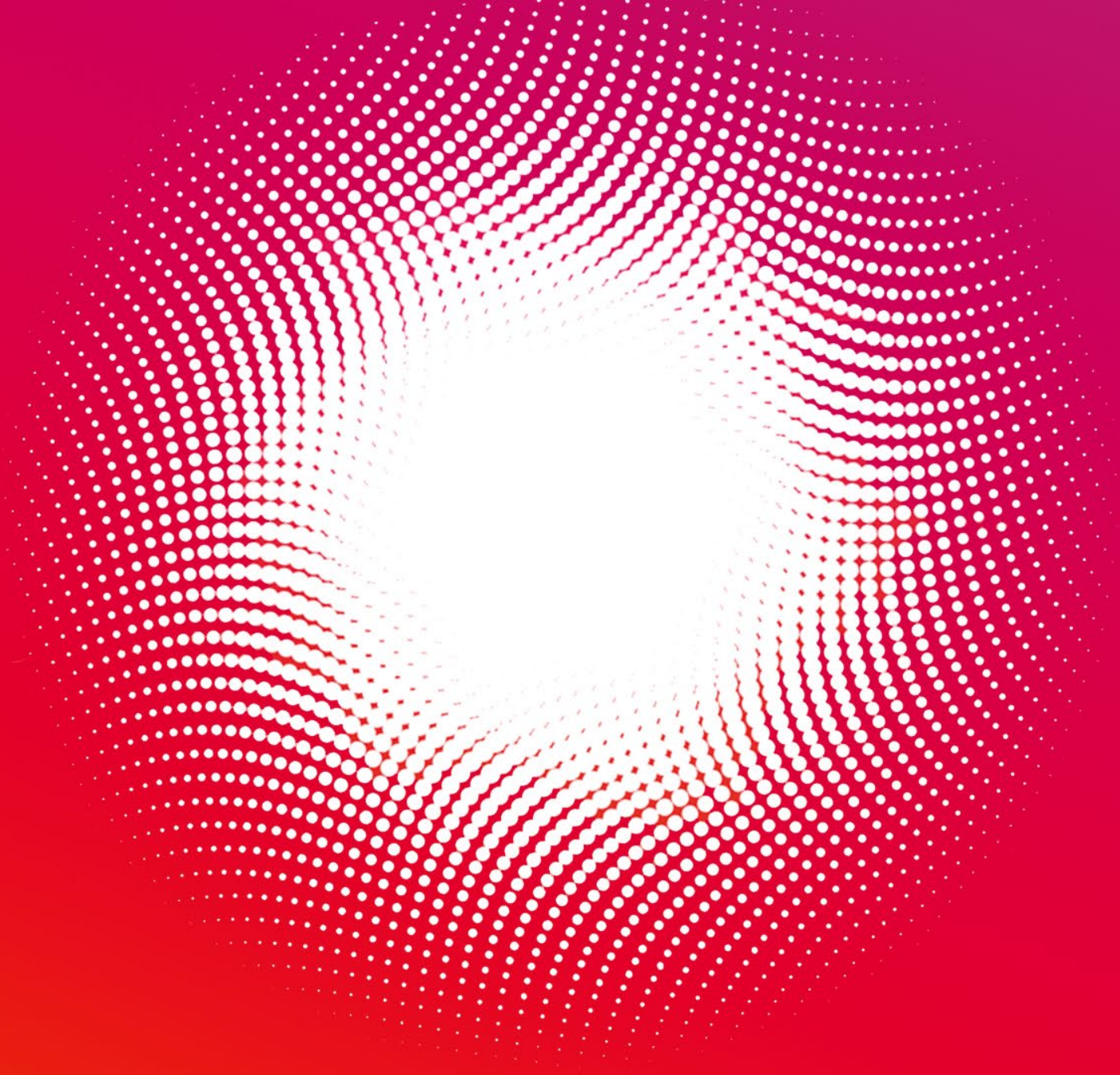
Chairman of the Board and CEO

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# Agenda

**01 Comet Group's FY 2019 at a Glance**

Heinz Kundert

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**02 Strategic Direction**

Heinz Kundert

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**03 Financial Review**

Nicola Rotondo

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**04 Outlook**

Heinz Kundert

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**05 Questions & Answers**

# Comet masters the challenges of a demanding year

**371.6**

Net sales in CHFm  
(-14.8% vs. 2018)

**10.8%**

EBITDA margin  
(vs. 9.8% in 2018)

**30.0**

Free cash flow in CHFm  
(vs. CHF 0.8m in 2018)

**50.0%**

Equity ratio

Successful ramp-up along with rapidly rising demand in semiconductor market in Q4 could not compensate for weakness in the first 3 quarters

Above prior year and above expectations

Positive impact from:

- Cost-saving measures
- Restructuring at IXS, EBT
- Absence of one-time costs

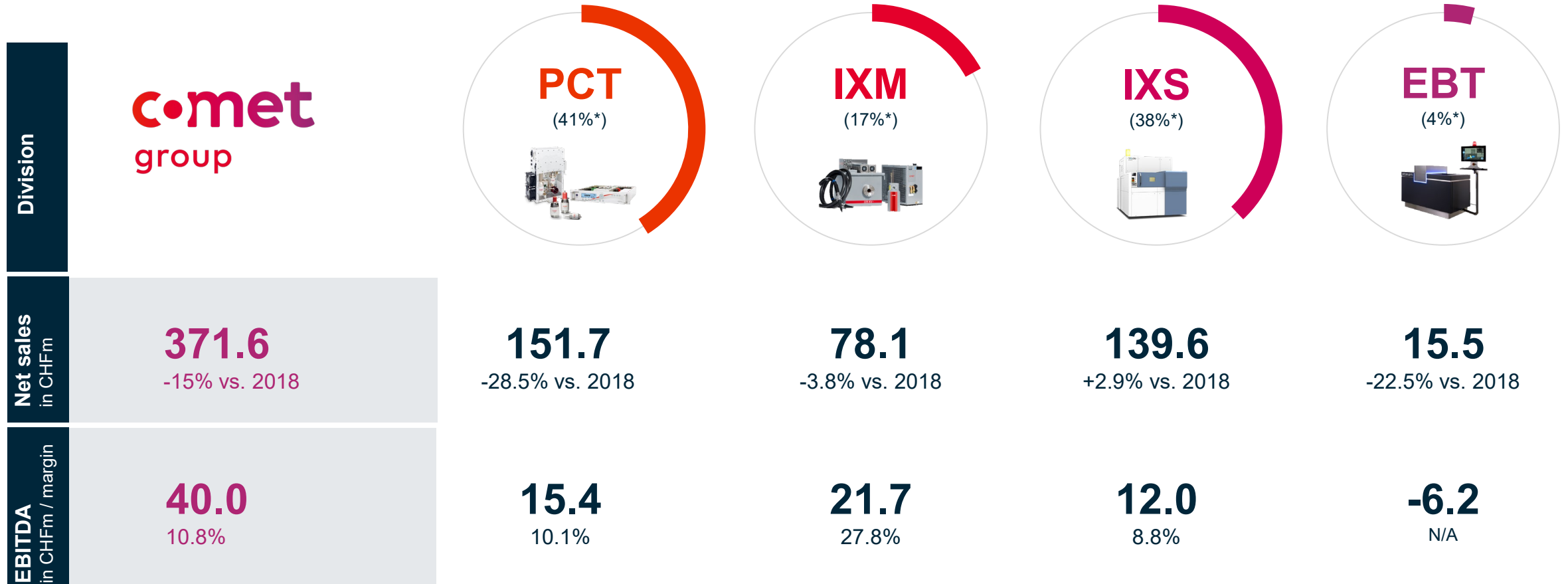
Investments in R&D continued

Substantially improved free cash flow

... as a result of rigorous net working capital management, improved operating activities and reduced CAPEX.

Robust financial footing

# Performance of Comet Group and divisions



\* % of Group sales in 2019

# PCT: Successful ramp-up in Q4; investments in future projects are reflected in earnings

## Full-year sales down 28%

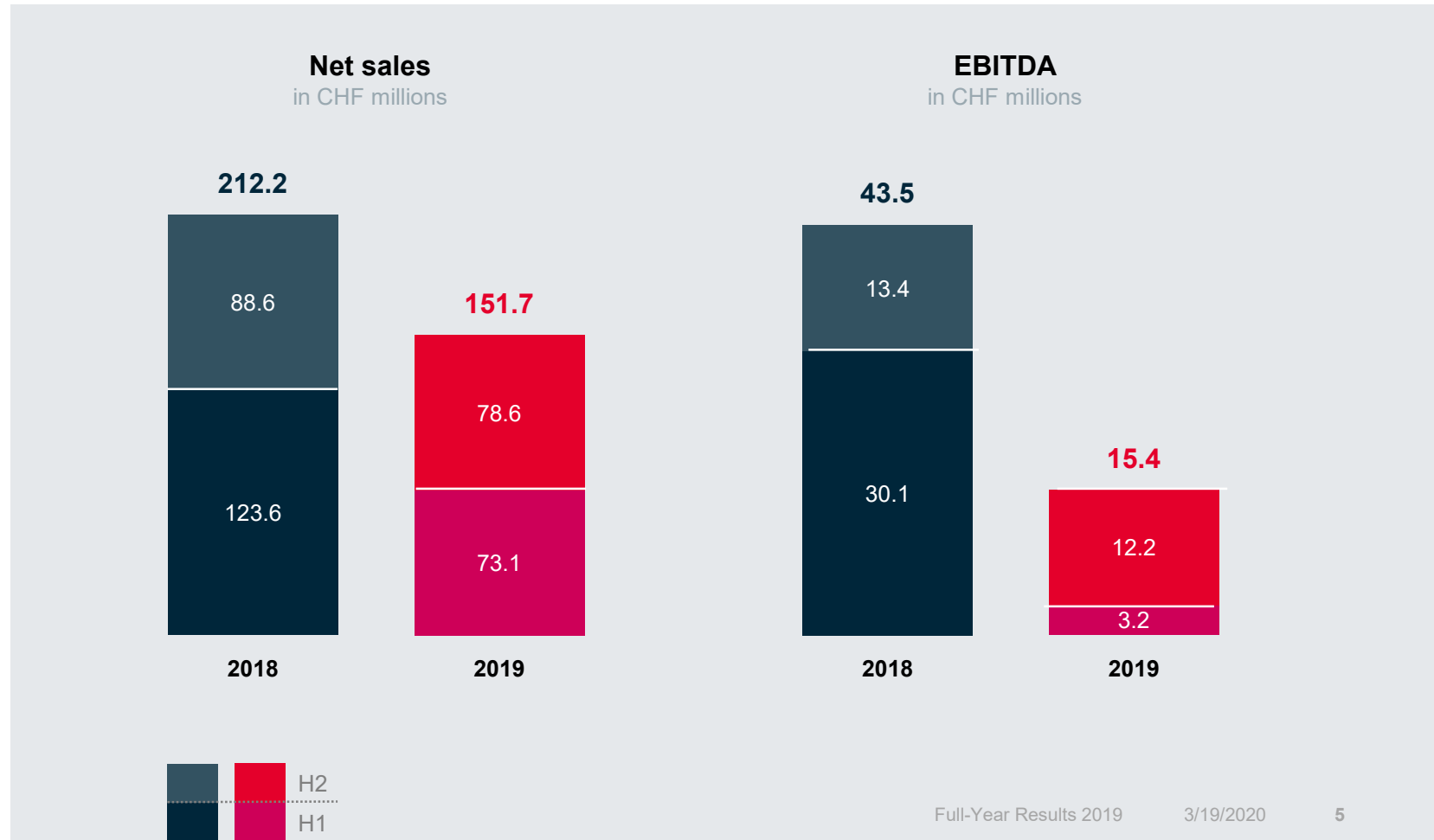
- Continued memory overcapacity in H1
- Rapid ramp-up managed in Q4

## EBITDA margin at 10.1% due to:

- Low volume and continued investment in innovation (e.g., RF generator)

## Strengthening the presence in Asia

- Decision made for new production facility in Penang, Malaysia
- 2019 Supplier of the Year awards from AMEC, Boffotto, and SARFT



# IXM: Increased profitability despite slowdown in core markets

## Full-year sales down slightly (3.8%)

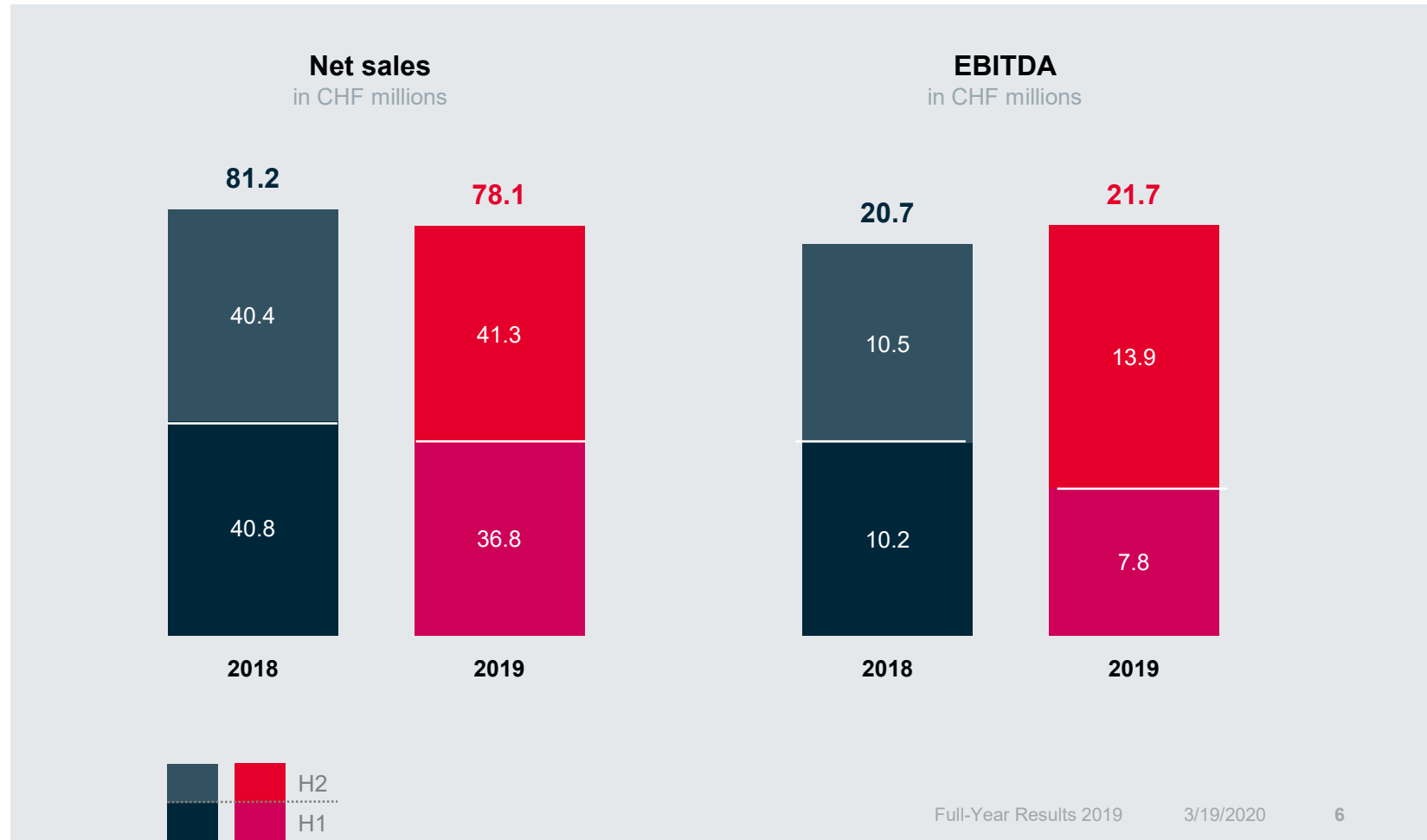
- General slowdown in global economic growth

## 27.8% EBITDA margin, increase by 2.3 pp vs. previous year

- Thanks to tight overall cost control and lowered production costs

## Strengthened product portfolio

- Xplorer microfocus tube for entering electronics market
- Mesofocus x-ray source for metrology and high-precision NDT applications
- ION fully integrated x-ray source for Security applications



# IXS: Restructuring bearing fruit: Strongly improved profitability; Focus strategy to leverage even more potential

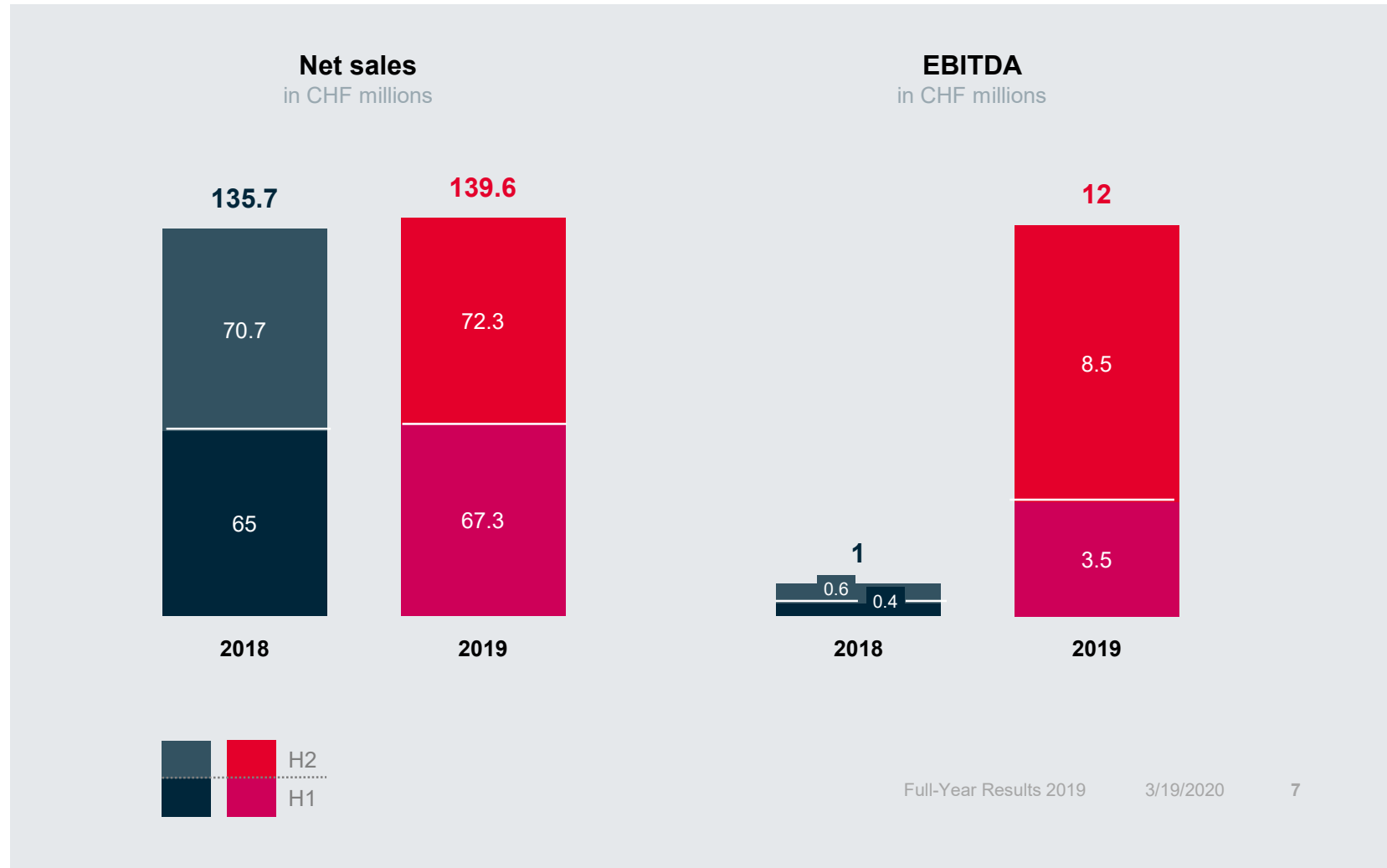
## +2.9% in sales vs. previous year

- At guided level, driven primarily by orders from electronics and aerospace

## Increase in EBITDA margin to 8.6% vs. 0.7% in 2018

- Above guided level
- Realignment in sales, R&D and operations

## Focus strategy defined



# EBT: Positive effect from divestiture and cost savings – assessment of strategic options ongoing

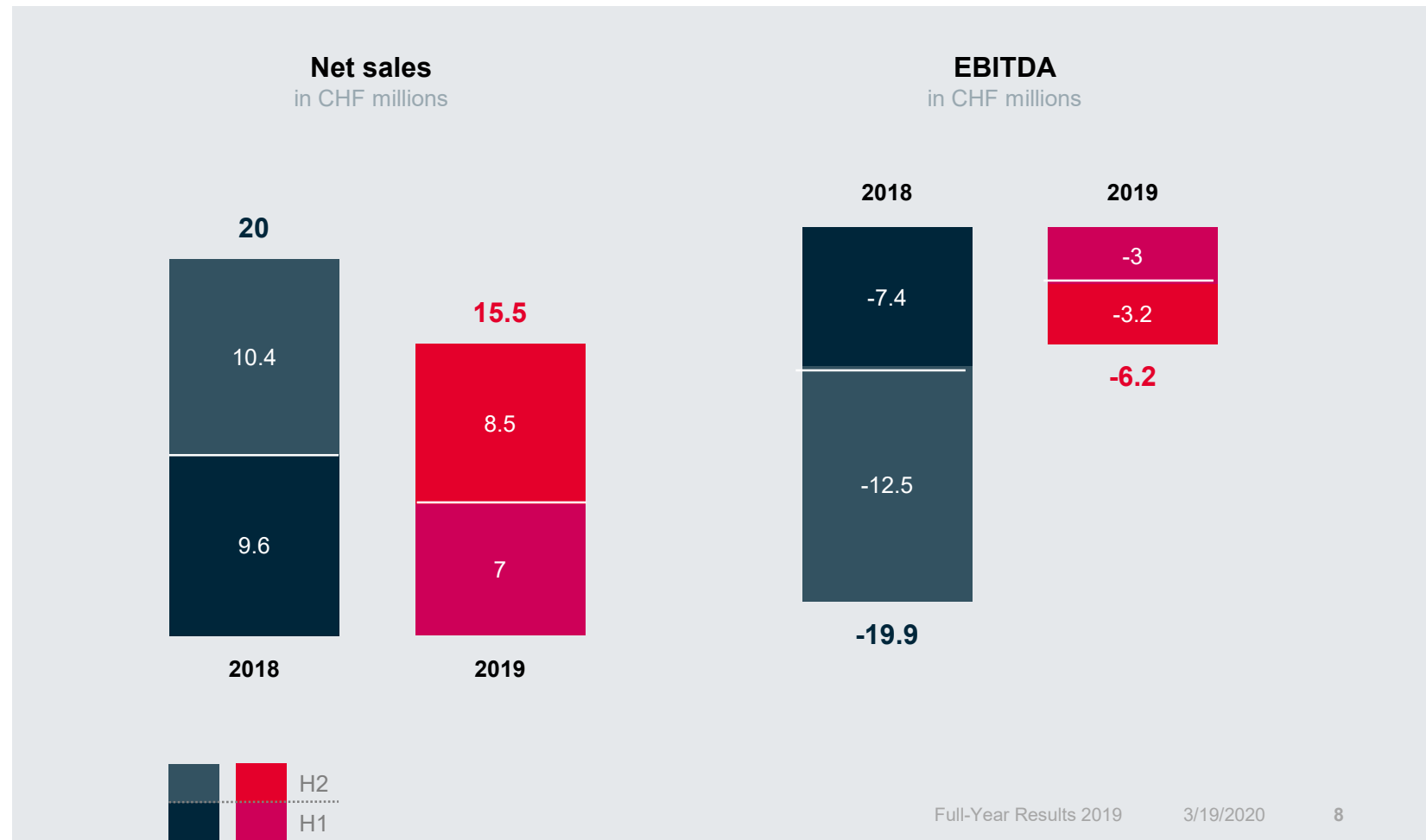
## Full-year sales at guided level

### Substantial CHF 13.7 improvement in EBITDA loss thanks to:

- Divestiture of loss-making US systems manufacturer
- Rigorous cost savings
- Non-recurring one-time costs of CHF 6.6m

### Discussions with partners are at an advanced stage

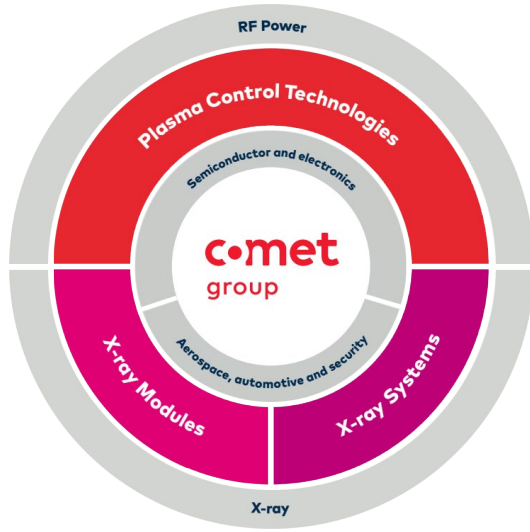
- Completion expected mid-year
- Production for customers safeguarded
- No negative impact expected for 2020 results



02

# The course for the future is set

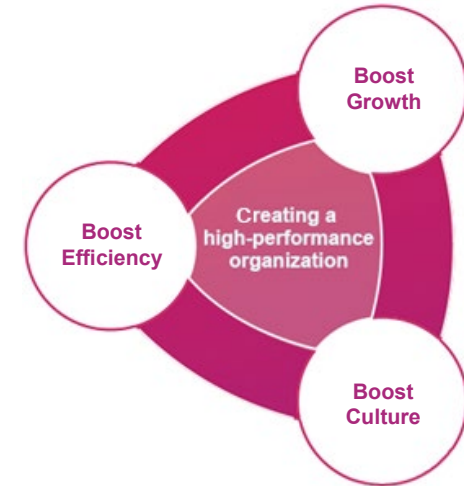
# Strategic direction is defined



**Focus strategy is set**

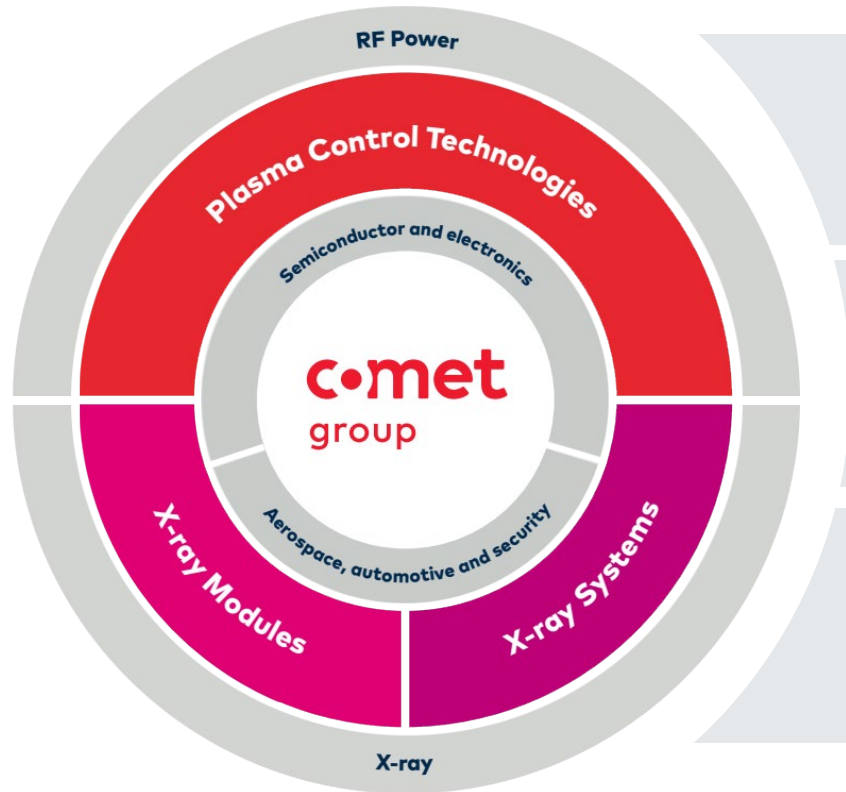


**Group-wide organizational “health check” with measures to become a high-performing organization**



**Implementation of Boost initiated, comprising 20 initiatives**

# Strategy and company portfolio revised and refined; Semiconductor & electronics as main market



Now 2 established technologies, down from 3

Now 4 core markets, down from 9

**Repositioning of X-Ray Systems business**

Focus on modular, standardized systems and digital services based on AI, ML, data analytics

# Organizational health check done; implementation of initiatives addressing findings is well underway

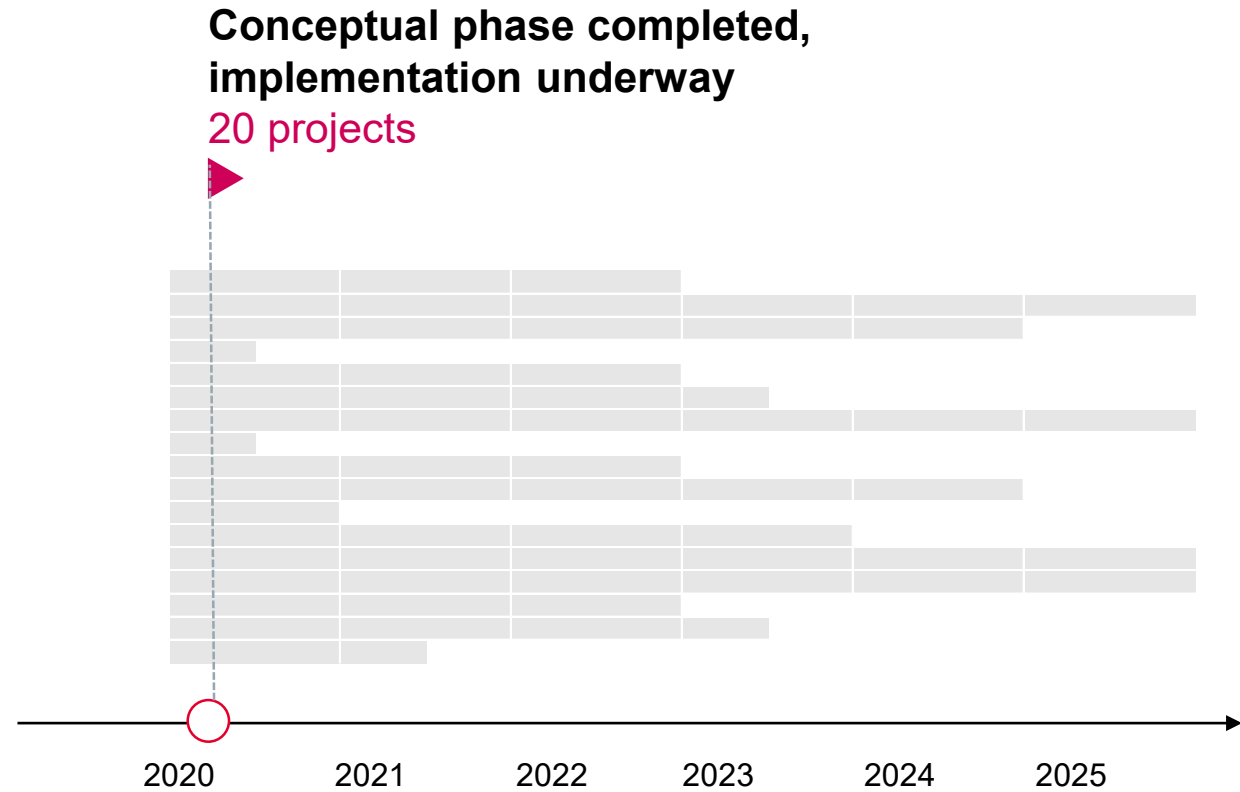
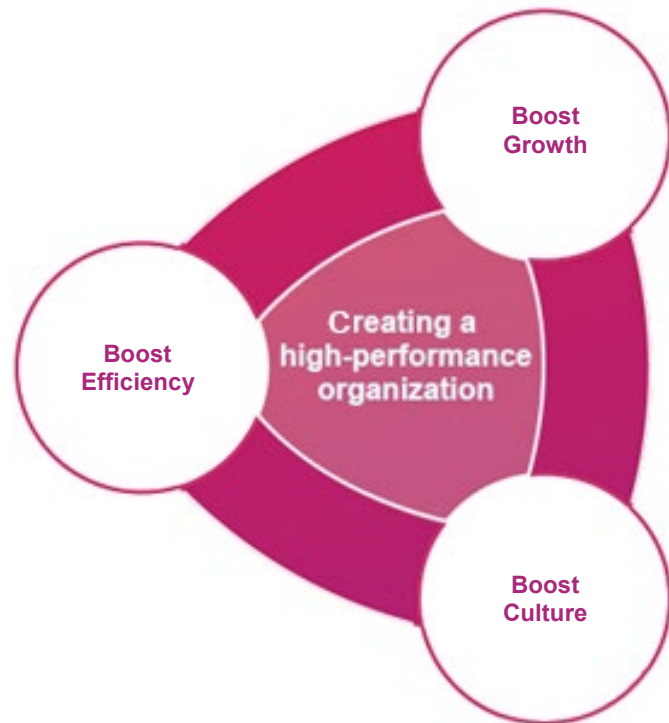


**High participation rate of 81% of employees worldwide**

**Finding: Comet is functioning, but not high-performing**

**More focused operating model as basis for addressing majority of findings**

# “Boost” strategy implementation program initiated to increase growth and efficiency and create a high-performing organization





# Joint program with IMD to strengthen culture

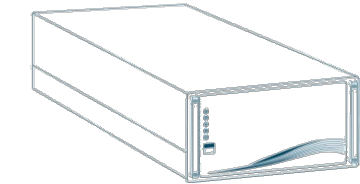
Program kicked off to enable change in behavior and put needed change into action with a diverse group of leaders and managers from across the organization



- Shaping the organization, enabling leaders and talents  
→ *Building on culture as competitive advantage to achieve sustained high performance*
- Strengthening customer centricity  
→ *Including field work, benchmarking, best practice, fostering shift from organizational to an outside-in focus*
- Facilitating organizational execution training  
→ *Delivering effective tools*
- Triggering mobilization and collaboration at all levels



# Strengthen product and service offering to address new applications and increase share of wallet



**RF Generator**  
PCT



**Forward integration**  
Generators



**Enter new market segment**  
of RF generators, with a market size of approx. CHF 700m, from 2021 onwards



**Xplorer**  
IXM



**For highly precise testing of parts**  
like chip packages in electronics sector  
- in-line and at-line



**Enter semi/electronics as new market for IXM**



**FF65**  
IXS



**Become partner of choice**  
to customers addressing new applications around e-mobility (batteries) and testing of bonds in high performance chip packaging, and increase service revenues



Leverage AI/machine learning as **enabler for new capabilities** based on data and expand digital services



# Strengthening global footprint as enabler of growth and higher efficiency



Asset light approach



## New facility in Aachen, Germany

Move from Stolberg into a new building in Aachen as major milestone in preparation for serial production of new RF generator from 2021

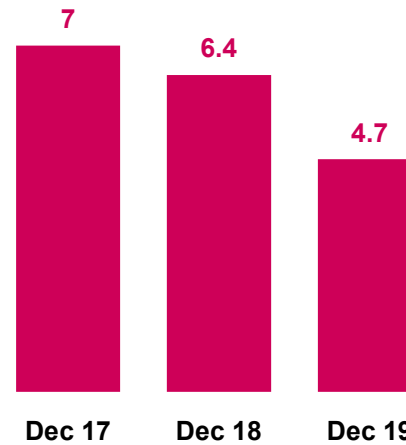
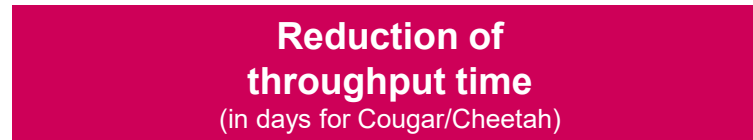
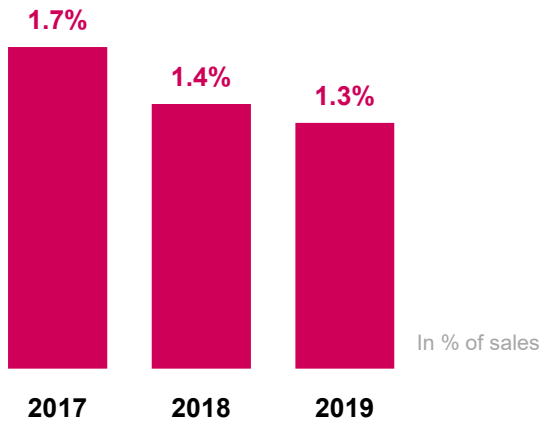
## Production facility in Penang, Malaysia

Legal entity established in early 2020, preparations underway to begin production for PCT mid-year. Started evaluation for bulk assembly of other divisions.



# Initiatives ongoing in all divisions to reduce cost and improve performance

Examples at IXS - Similar initiatives underway in all divisions



03

# Financial Review

# Decreased net sales, stable profitability with strong free cash flow

## Growth

### Net sales in CHF

Decrease of  
**14.8%**  
year-over-year from

**436.4m** to **371.6m**

## Profitability

### Net income in CHF \*

Decrease of  
**2.6%**  
year-over-year from

**12.3m** to **12.0m**

### EBITDA margin \*

Increase of  
**1.0 pp**  
year-over-year from

**9.8%** to **10.8%**

### Free cash flow in CHF \*

Increase  
year-over-year from

**0.8m** to **30.0m**

\* All 2018 figures shown throughout the presentation are after IFRS 16 restatement

# Reduced net debt and robust equity ratio

## Quality of balance sheet

### Net debt in CHF

Decrease in net debt vs. 2018 from  
**39.0m** to **25.0m**

### Equity ratio

Down 2.1 pp vs. 2018 from  
**52.1%** to **50.0%**

## Earning power

### Economic profit in CHF

Increase by  
**0.4m**  
year-over-year from  
**-6.7m** to **-6.3m**

### Return on capital employed \*

Increase of  
**0.2 pp**  
year-over-year from  
**6.3%** to **6.5%**

\* NOPAT / (avg. fixed operating assets + avg. NWC)

# Impact of IFRS 16 restatement on financial key indicators

in CHF millions	2019	2018	IFRS 16	2018
	Actual	Restated		As reported
<b>EBITDA</b>	<b>40.0</b>	<b>43.0</b>	<b>5.2</b>	<b>37.8</b>
In % of sales	10.8%	9.8%	1.1%	8.7%
Depreciation & amortization	-20.0	-24.2	-4.4	-19.8
<b>EBIT</b>	<b>19.9</b>	<b>18.8</b>	<b>0.8</b>	<b>18.0</b>
In % of sales	5.4%	4.3%	0.2%	4.1%
Financial result	-4.6	-3.5	-0.7	-2.8
Income taxes	-3.3	-2.9	-0.1	-2.9
<b>Net income</b>	<b>12.0</b>	<b>12.3</b>	<b>0.0</b>	<b>12.3</b>
In % of sales	3.2%	2.8%	0.0%	2.8%
<b>Free cash flow</b>	<b>30.0</b>	<b>0.8</b>	<b>5.2</b>	<b>-4.4</b>
In % of sales	8.1%	0.2%	1.2%	-1.0%
<b>Net cash used in financing activities</b>	<b>-12.0</b>	<b>-17.8</b>	<b>-5.2</b>	<b>-12.6</b>

in CHF millions	2019	2018	IFRS 16	2018
	Actual	Restated		As reported
<b>Total assets</b>	<b>391.7</b>	<b>380.3</b>	<b>12.6</b>	<b>367.7</b>
<b>Total liabilities</b>	<b>195.8</b>	<b>182.0</b>	<b>14.3</b>	<b>167.7</b>
<b>Equity</b>	<b>195.9</b>	<b>198.3</b>	<b>-1.7</b>	<b>200.0</b>
Equity ratio	50.0%	52.1%	-2.3%	54.4%

- Full IFRS 16 restatement with adjustment of prior period
- Increased EBITDA and EBIT margin: operating lease expenses are split into depreciation and interest costs
- Free cash flow increased by CHF 5.2m due to shift of lease liability payments into financing activities
- Gross-up of balance sheet: recognition of right-of-use asset and lease liability

# Stable operating income and EBITDA despite decline in net sales

in CHF millions	2019	2018*	Change Absolute	In %
New orders	402.3	436.5	-34.2	-7.8%
Order backlog	137.4	113.9	23.5	20.6%
Book-to-bill ratio	1.08	1.00	0.08	8.0%
<b>Net sales</b>	<b>371.6</b>	<b>436.4</b>	<b>-64.8</b>	<b>-14.8%</b>
<b>Gross profit</b>	<b>142.8</b>	<b>171.1</b>	<b>-28.3</b>	
<b>Gross profit margin in %</b>	<b>38.4%</b>	<b>39.2%</b>	<b>-0.8 pp</b>	
Other operating income	5.1	4.2	0.9	
Development expenses	-48.7	-53.9	5.2	
SG&A	-79.3	-96.0	16.7	
Loss on disposal of businesses	-	-6.6	6.6	
<b>Operating income (EBIT)</b>	<b>19.9</b>	<b>18.8</b>	<b>1.1</b>	
Net financing expenses	-4.6	-3.5	-1.1	
Income taxes	-3.3	-2.9	-0.4	
<b>Net income</b>	<b>12.0</b>	<b>12.3</b>	<b>-0.3</b>	
EPS in CHF	1.55	1.59	-0.04	
<b>Operating income (EBIT)</b>	<b>19.9</b>	<b>18.8</b>	<b>1.1</b>	
Amortization & depreciation	20.0	24.2	-4.2	
<b>EBITDA</b>	<b>40.0</b>	<b>43.0</b>	<b>-3.0</b>	
<b>EBITDA margin in %</b>	<b>10.8%</b>	<b>9.8%</b>	<b>1.0 pp</b>	

- Book-to-bill of 1.08 and an increased backlog
- Slightly lower gross profit margin driven by lower sales volumes
- Functional costs reduced by CHF 29.4m; on-going high investment in R&D activities
- Net financing expenses include interest costs of CHF 1.9m and foreign currency translation effects of CHF -2.7m
- “Amortization & depreciation” in 2018 included high impairment costs

# Strong cash flow as a result of rigorous net working capital management

in CHF millions	2019	2018*	Change Absolute
Net cash provided by operating activities	48.7	27.7	21.0
In % of net sales	13.1%	6.4%	
Net cash used in investing activities	-18.7	-26.9	8.2
<b>Free cash flow</b>	<b>30.0</b>	<b>0.8</b>	<b>29.2</b>
In % of net sales	8.1%	0.2%	
Net cash used in financing activities	-12.0	-17.8	5.8
<b>Net increase/decrease in cash and cash equivalents</b>	<b>18.0</b>	<b>-17.0</b>	<b>35.0</b>
Foreign currency translation differences on cash and cash equivalents	-0.7	-0.4	-0.3
<b>Net cash and cash equivalents at Jan 1</b>	<b>43.0</b>	<b>60.4</b>	<b>-17.4</b>
<b>Net cash and cash equivalents at Dec 31</b>	<b>60.3</b>	<b>43.0</b>	<b>17.3</b>

- Reduced NWC of CHF 12.6m as driver of the improved operating cash flow
- Free cash flow improved due both to operating cash flow and to reduced capex
- Main financing activities:
  - + bridge-loan of CHF 4.0m
  - dividend payment of CHF 9.3m
  - payments for interest and lease liabilities (IFRS 16) of CHF 6.7m
- Cash increased by CHF 17.3m

\* All 2018 figures IFRS 16 restated

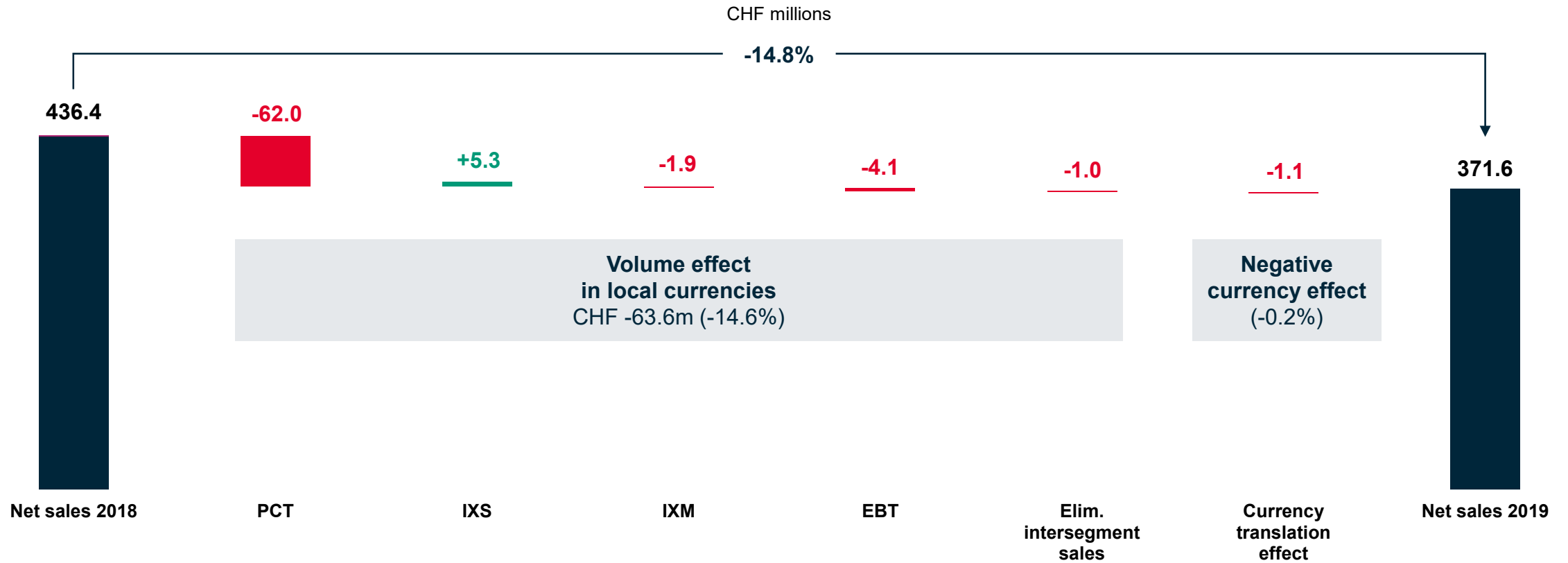
# Ongoing sound balance sheet ratios

in CHF millions	2019		2018*	
Current assets	217.2	55.5%	206.1	54.2%
Non-current assets	174.5	44.5%	174.2	45.8%
<b>Total assets</b>	<b>391.7</b>	<b>100%</b>	<b>380.3</b>	<b>100%</b>
Current liabilities	111.9	28.6%	98.1	25.8%
Non-current liabilities	83.9	21.4%	83.9	22.1%
<b>Total liabilities</b>	<b>195.8</b>	<b>50.0%</b>	<b>182.0</b>	<b>47.9%</b>
<b>Equity</b>	<b>195.9</b>	<b>50.0%</b>	<b>198.3</b>	<b>52.1%</b>
<b>Total liabilities and equity</b>	<b>391.7</b>	<b>100%</b>	<b>380.3</b>	<b>100%</b>

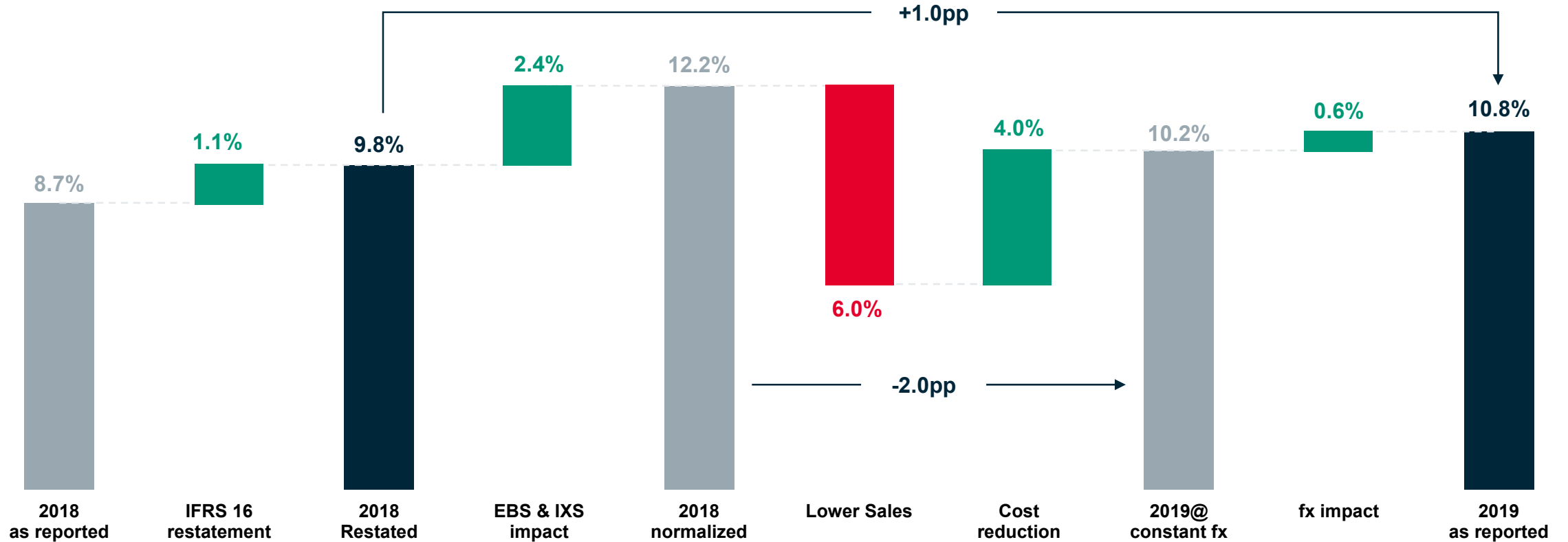
- Increase in current assets related to the increase in cash (CHF 17.3m), offset partly by lower working capital items
- Increase in liabilities mainly related to short-term financing (CHF 4.0m) and contract liabilities (CHF 8.3m)
- Equity decreased due to actuarial losses of CHF 3.1m recognized in OCI and changes in cumulative translation adjustments (CHF -2.3m), compensated slightly by lower dividend payments (CHF 2.3m)
- Equity ratio decreased mainly due to balance sheet expansion

\* All 2018 figures restated for IFRS 16

# Sales performance affected by downturn at PCT

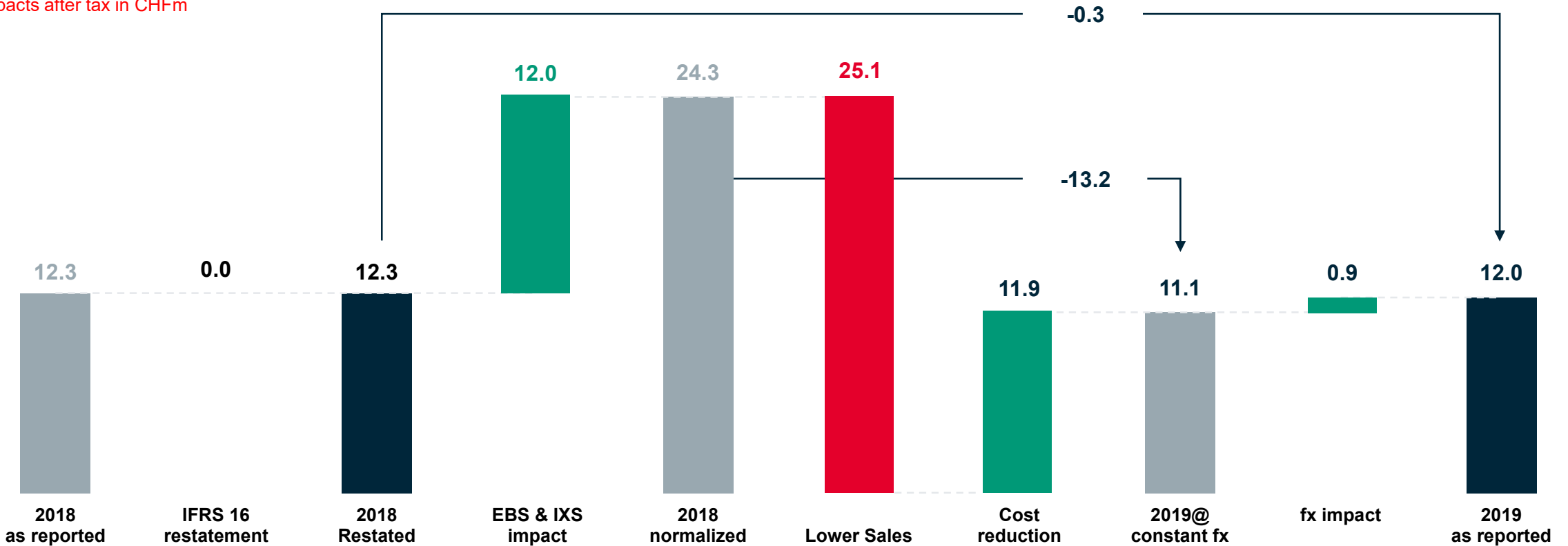


# EBITDA margin above prior year (below prior year on a comparable basis)

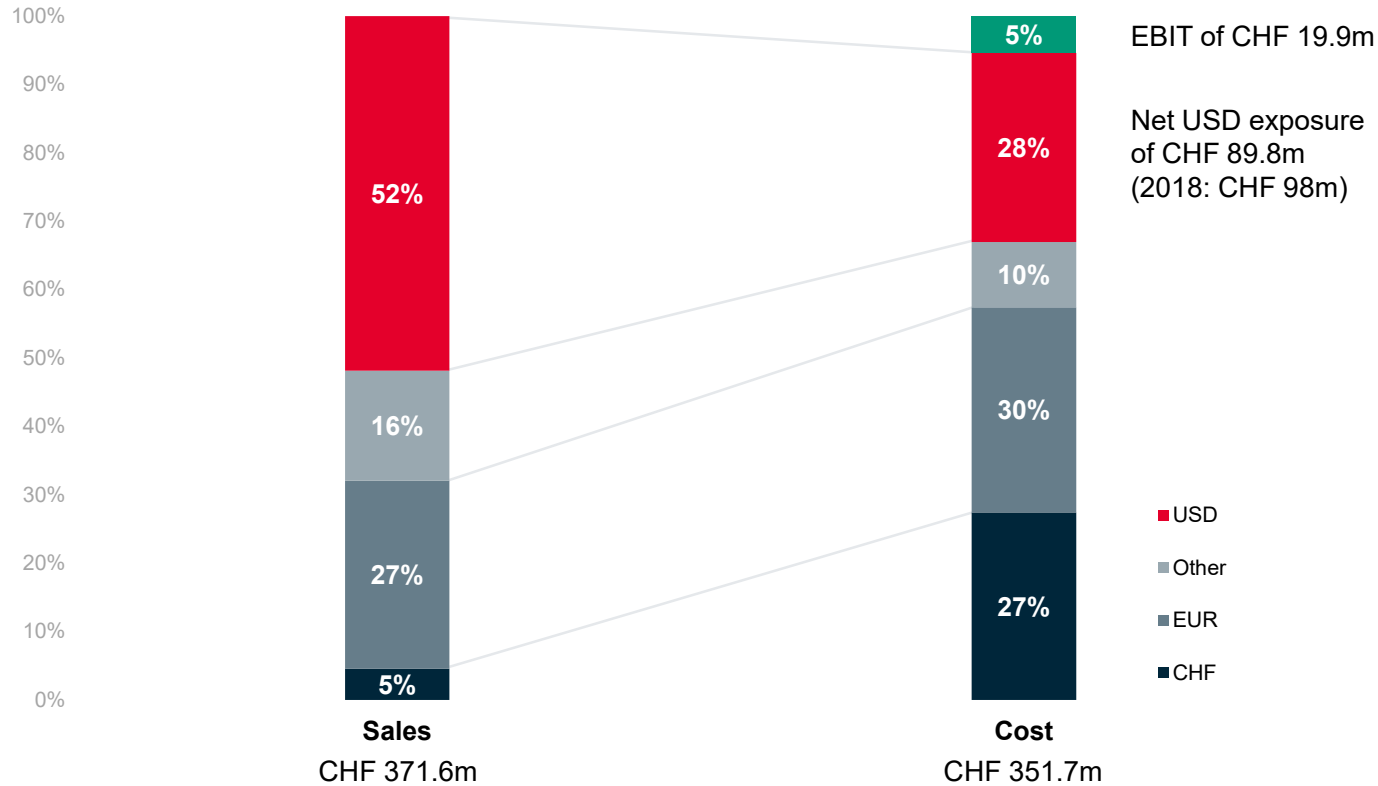


# Net income at prior-year level (below prior year on a comparable basis)

Impacts after tax in CHFm

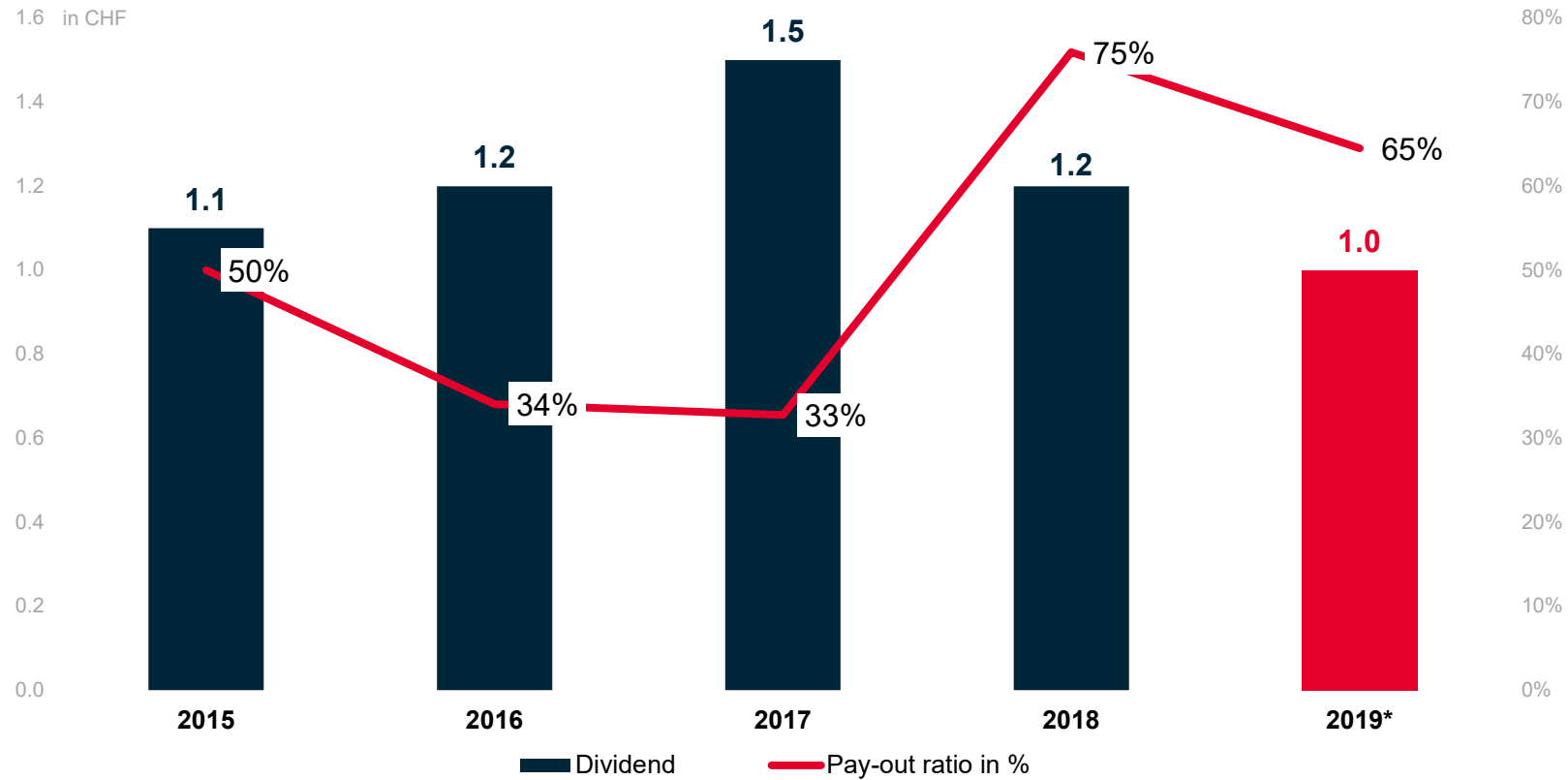


# Decreasing USD exposure; structural cost base in CHF



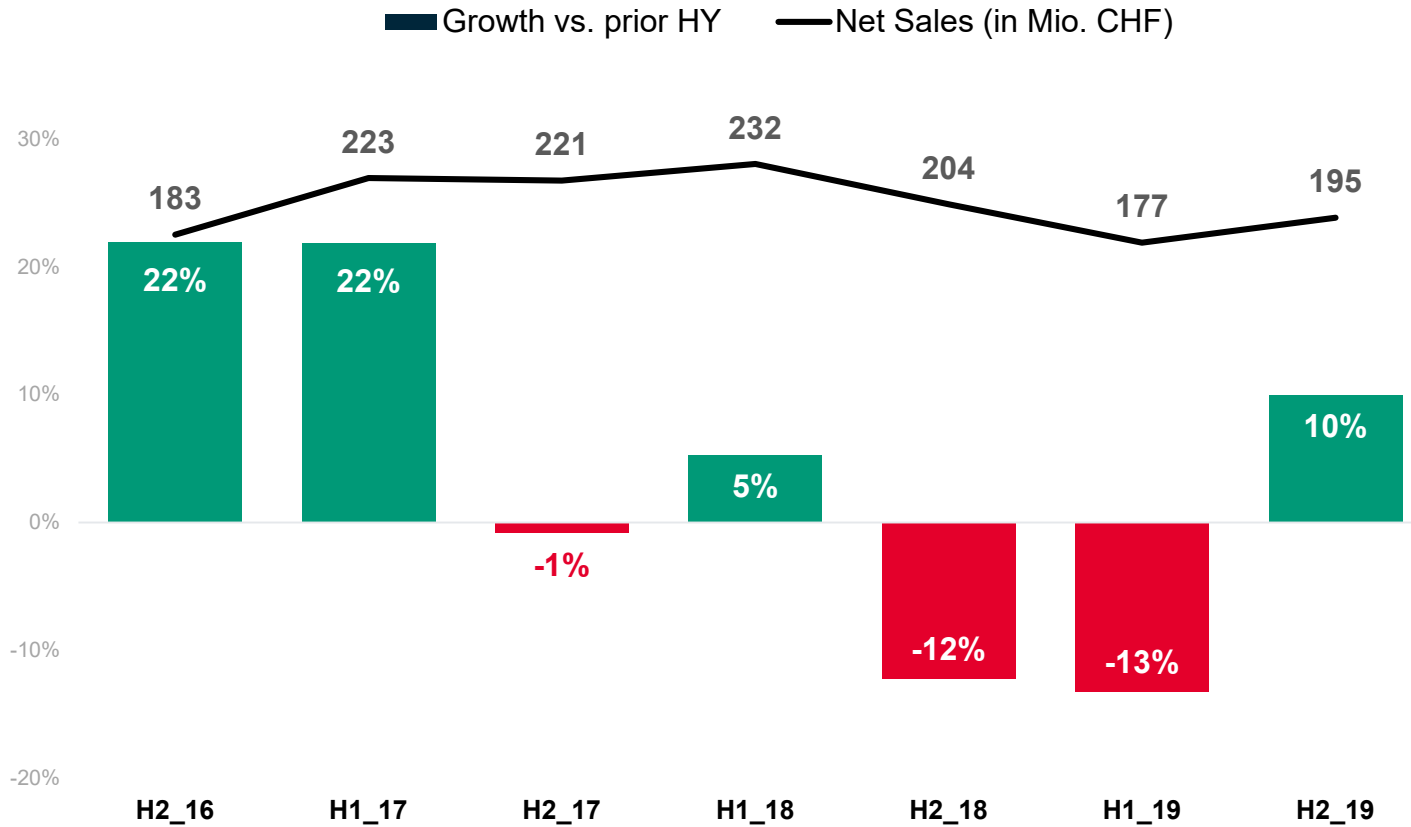
- Structural cost base in CHF remains high
- USD net exposure decreased due to lower PCT Sales in USD
- Natural hedge of EUR
- Slight increase in net exposure for other currencies (CNY, JPY)

# Dividend proposal of CHF 1.00 per share for shareholders



\* The Board of Directors will propose to distribute CHF 1.00 per share as a regular dividend (with a pay-out ratio of 65% based on EPS of CHF 1.55)

# Sales started to increase again

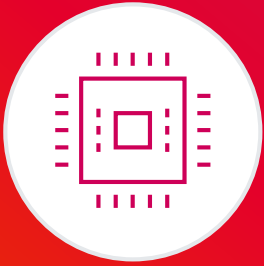


- In H2\_18 and again in H1\_19, sales declined by a respective 12% and 13%, due to the downturn at PCT
- In H2\_19, sales increased by 10% vs. H1\_19
- In 2016 and 2017, Comet had already shown the ability to manage the strong ramp-up driven by the semi-conductor market

04

# Outlook

# Fundamental market drivers intact; Digitalization is progressing



Front-end:  
**AI, IoT, ML, 5G,  
autonomous cars**

**Jump from 96 to 128  
layers in 3D NAND**

Back-end:  
**More complex IC  
packaging requiring  
x-ray inspection**



**More safety-critical  
electronics parts needing  
inspection**

**Smaller, high-performance  
components**

**Energy-efficient batteries  
and drives**



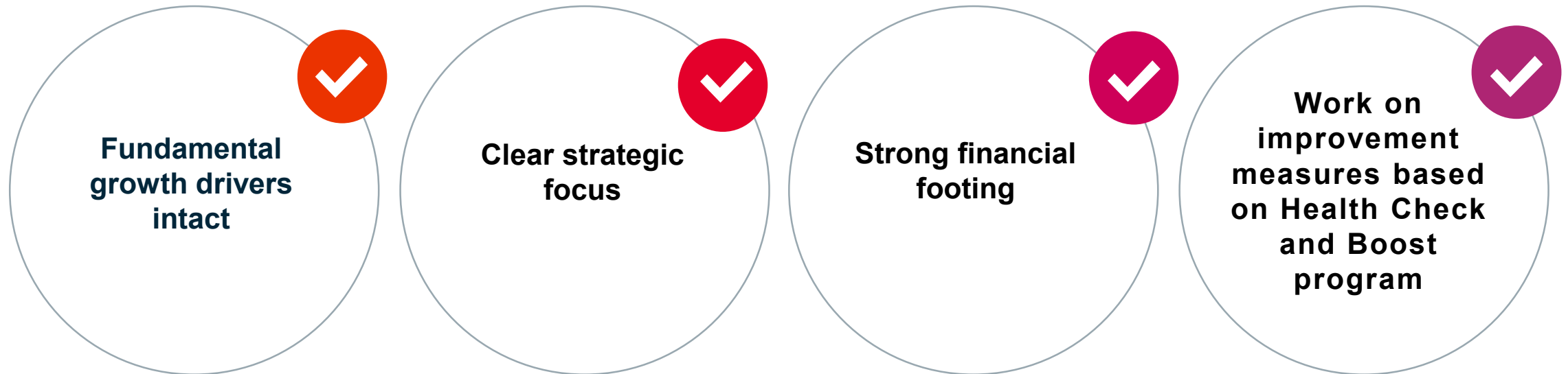
**Digitalization from analog  
to digital film**

**Energy-efficient drives**



**Tourism, immigration,  
online commerce  
fostering demand  
for security inspection  
of goods and baggage**

# The stage is set: Comet continues to rapidly implement improvement initiatives



# Outlook for 2020

<b>Cautiously positive despite Covid-19</b>	Industry analysts continue to expect semi market to recover vs. 2019 ⇔ Impact on supply chains difficult to assess, postponement of installations cannot be ruled out
<b>Align production with customer demand</b>	Currently, 3 weeks of mandatory lockdown in San Jose following government decision
<b>Preparing for steep ramp-up after Covid-19 has subsided</b>	Contingency plans in place, in case of postponed orders
<b>Comet continues strategic investments</b>	

**> As visibility is currently low amid the coronavirus situation, Comet opts not to issue quantitative guidance for 2020.**

05

# Q&A

# Important information regarding AGM on April 23, 2020

**As a result of the exceptional situation around the coronavirus outbreak, and in reliance on section 6a (1) (b) of Ordinance 2 on Measures to Fight the Coronavirus (as amended March 16, 2020), Comet has decided to hold the Annual Shareholder Meeting of April 23, 2020 without the physical presence of shareholders.**

**All shareholders are asked to issue a written or electronic proxy to the independent proxy with their voting instructions. Further details will follow with the meeting notice.**



c•met  
group