

COMET GROUP

Half-Year Results 2019

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COMETGROUP

Comet Group | H1 2019 Reporting | August 15, 2019

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HALF-YEAR RESULTS 2019

Agenda

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First Half of 2019 at a Glance



PERFORMANCE AT A GLANCE

Difficult market environment weighs on first-half results Comet's financial footing remains robust

177

Net sales in CHFm
(-23.8 vs. H1 2018)

Sequential decrease in semi equipment market

... from the already weaker H2 2018. Tightening of trade tariffs.

4.8%

EBITDA margin
(vs. 13.8% in H1 2018)

Investments in R&D continued

... in order to ensure future growth. Positive impact from profit improvements at IXS. Drop at PCT, however, could not be compensated for.

8%

Operating
Cash flow margin
(vs. 2% in H1 2018)

Stronger cash flow

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

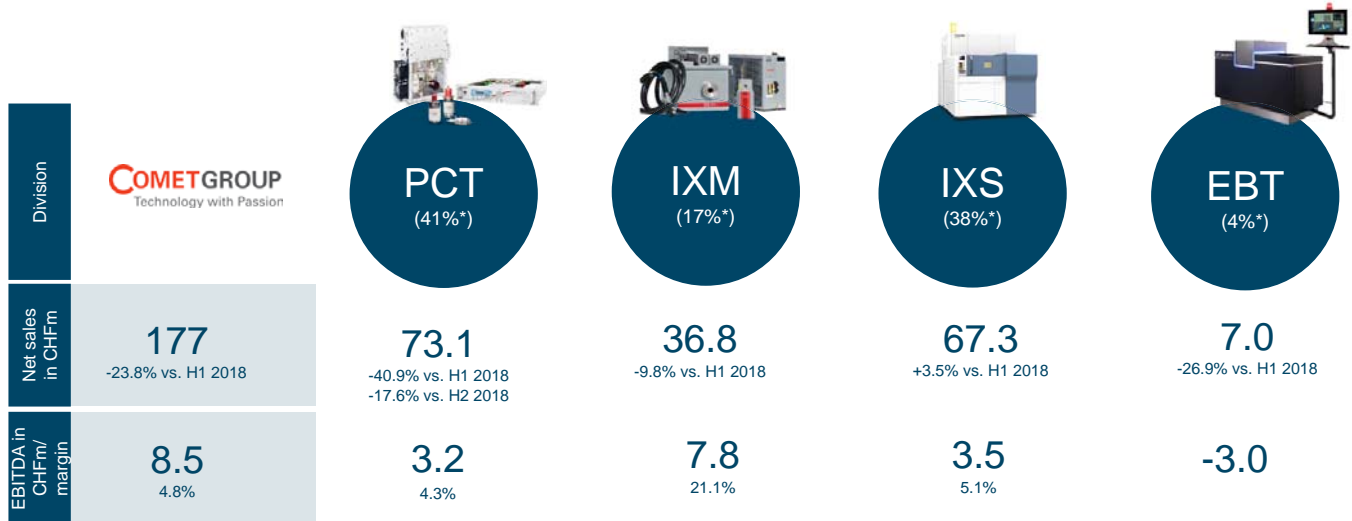
48.8%

Equity ratio

Robust financial footing

PERFORMANCE AT A GLANCE

Performance of Comet Group and divisions



* % of Group sales in H1 2019

CONDITIONS IN KEY MARKETS

Overall mixed trends in Comet's main industries in H1

Semiconductors

- Weak demand, high inventory levels at equipment manufacturers
- Industry reached the lowest point and is likely poised for moderate growth in the quarters ahead.
- Trade conflicts led to push-outs for additional capacity.
- Longer-term growth drivers remain attractive due to digitalization, the ubiquity of the internet of things, artificial intelligence and new technologies.

NDT – Electronics

- High demand as key accounts in China continue to invest and new factories are being built in SEA
- Strategy of moving from off-line to at-line systems is showing initial results
- Strong growth drivers as smaller and more complex parts need to be inspected using x-ray/CT vs. just optical inspection
- Overall increased demand from automation and IoT in high-end applications

NDT – Automotive

- Mixed trend due to uncertainties caused by trade conflicts, but also by transition to new technologies
- Ramp-up of e-mobility leading to shift in parts inspection from castings to electronics and 3D manufacturing
- Transition may lead to postponed investment decisions by end consumers

Trade tensions and increased tariffs



CONDITIONS IN KEY MARKETS

Overall mixed trends in Comet's main industries in H1



NDT – Aerospace



- Positive trend as market transitions from analog to digital inspection solutions, which Yxlon supports with features like Assisted Defect Recognition



Security inspection *for modules and components*



- Temporarily reduced investment by customers in freight and baggage screening (relevant for Comet) to invest more in checkpoints, where Comet does not yet have a presence



NDT – Oil & Gas *for modules and components*



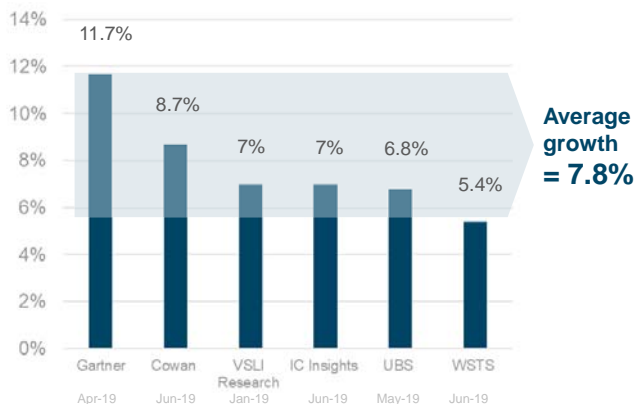
- US oil and gas production has spiked, however, investment in inspection significantly reduced vs. strong H1 2018
- Ongoing sanctions against Iran have created a climate of volatility

Trade tensions and increased tariffs

CONDITIONS IN KEY MARKETS

Indications of recovery in semiconductor market in 2020

SEMI summary of semiconductor forecasts for 2020



Semiconductor Industry Association (SIA) data for June 2019

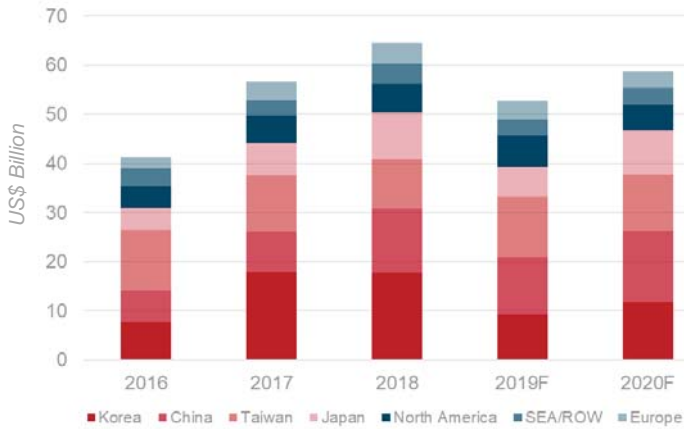
“ The memory data in June is clearly showing the surprising strength that lead to July price stabilization ...

Clearly, we have shifted suddenly from customer depletion of inventory to customer build... ”

CONDITIONS IN KEY MARKETS

Indications of recovery in semi equipment market in 2020

SEMI summary of the equipment market
Forecast of 2020

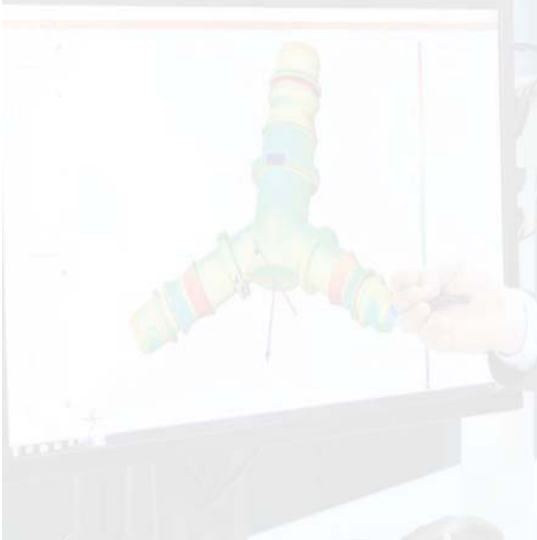


SEMI Equipment Association
as of July, 2019

“ Taiwan will become the largest market in 2019 ...

China will be the largest market in 2020. ”

Financial Results



FINANCIAL RESULTS

Impact IFRS 16 restatement on financial key indicators

in CHF millions	H1 2019	H1 2018		
	Actual	Restated	IFRS 16	as reported
EBITDA	8.5	32.1	2.6	29.5
<i>In % of sales</i>	4.8%	13.8%		12.7%
Depreciation & amortization	-9.7	-14.5	-2.1	-12.4
EBIT	-1.2	17.6	0.5	17.1
<i>In % of sales</i>	-0.7%	7.6%		7.4%
Financial result	-2.3	-0.8	-0.4	-0.4
Income taxes	0.4	-2.3	-0.0	-2.3
Net income	-3.1	14.5	0.1	14.4
<i>In % of sales</i>	-1.8%	6.2%		6.2%

in CHF millions	H1 2019	31.12.2018		
	Actual	Restated	IFRS 16	as reported
Total assets	375.0	380.3	12.6	367.7
Total liabilities	192.0	182.0	14.3	167.7
Equity	183.0	198.3	-1.7	200.0
<i>Equity ratio</i>	48.8%	52.1%		54.4%

- Full IFRS 16 restatement with adjustment of prior period
- Increased EBITDA and EBIT margin: operating lease expense are split into depreciation and interest costs
- Gross-up of balance sheet: recognition of right-of-use asset and lease liability

FINANCIAL RESULTS

Net sales and net income impacted by sharp decline of the semi-conductor market

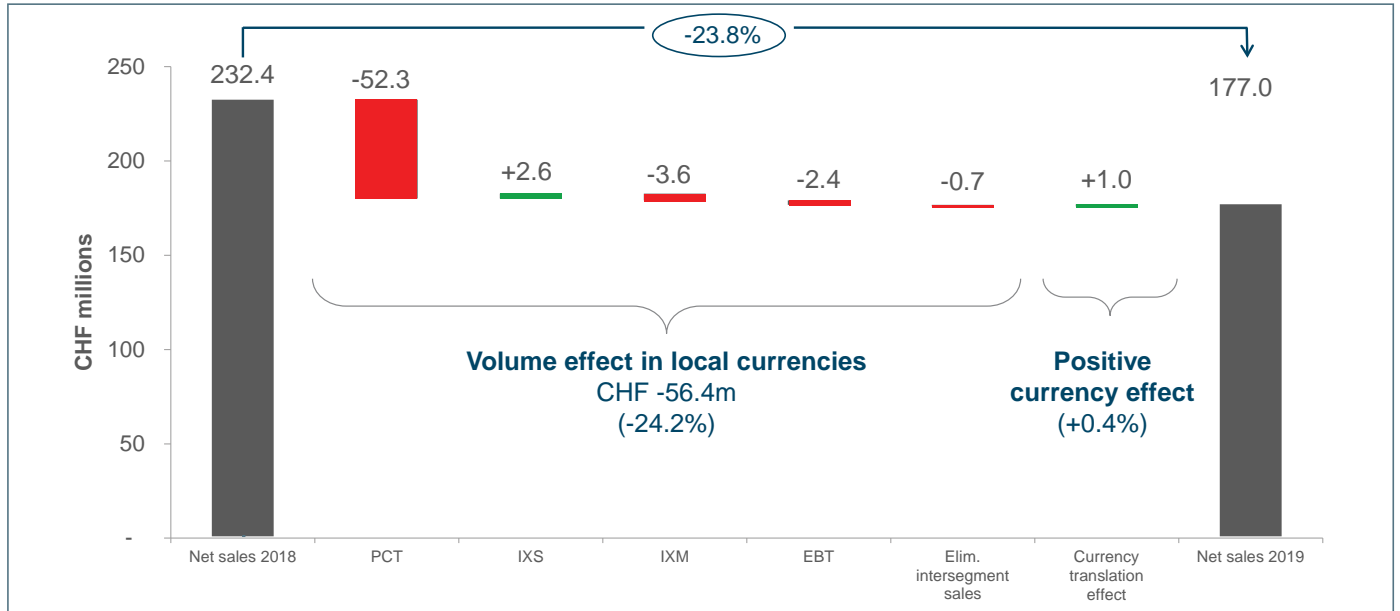
in CHF millions	H1 2019		Change	
	2019	2018*	Absolute	In %
New orders	185.5	236.5	-51.0	-21.6%
Backlog	120.7	129.9	-9.2	-7.1%
Net sales	177.0	232.4	-55.4	-23.8%
Gross profit	64.4	93.8	-29.4	
Gross profit margin in %	36.4%	40.4%	-4.0%	
Other operating income	2.3	2.6	-0.3	
Development expenses	-25.5	-27.6	2.1	
SG&A	-42.4	-51.3	8.9	
Operating Income (EBIT)	-1.2	17.6	-18.8	
Financial result	-2.2	-0.8	-1.4	
Income taxes	0.4	-2.3	2.7	
Net income	-3.1	14.5	-17.6	
EPS in CHF	-0.40	1.87	-2.27	
Operating Income (EBIT)	-1.2	17.6	-18.8	
Amortization & depreciation	9.7	14.5	-4.8	
EBITDA	8.5	32.1	-23.6	
EBITDA margin in %	4.8%	13.8%	-9.0%	

* All 2018 figures IFRS 16 restated

- Slightly decreased backlog, but stable
- Lower gross profit margin due to lower sales volumes
- Functional costs reduced by CHF 11.0m; on-going high investments in R&D activities
- Financial result driven by higher interest costs of CHF -1.0m and foreign currency translations of CHF -1.2m

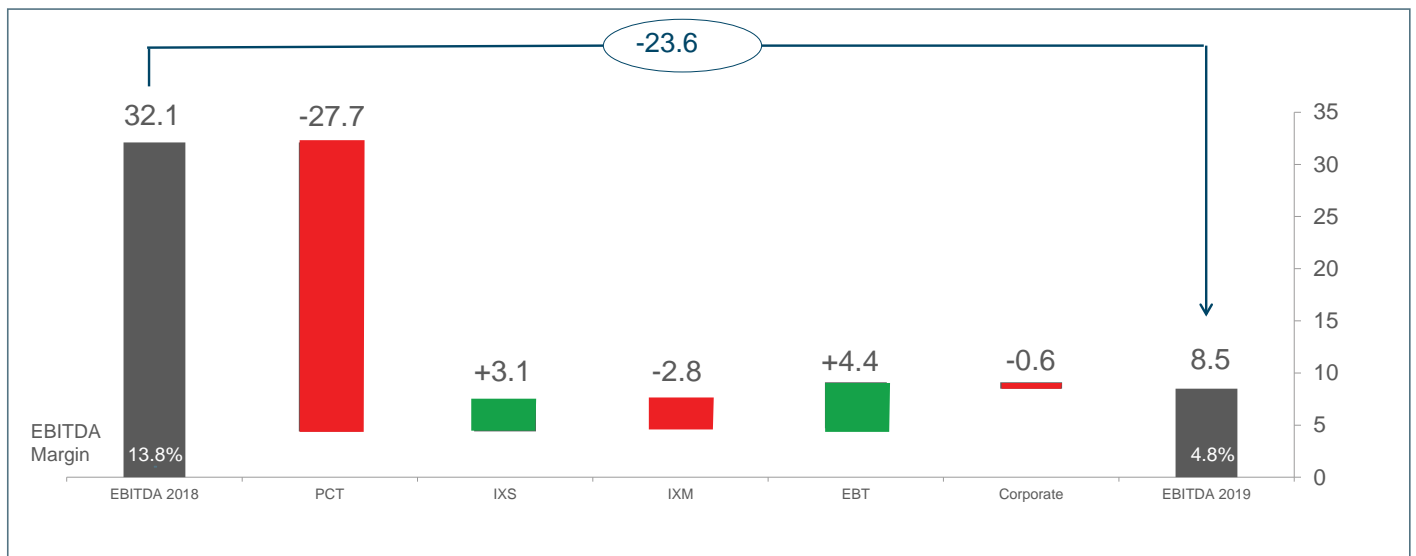
FINANCIAL RESULTS

Sales performance affected by downturn of PCT



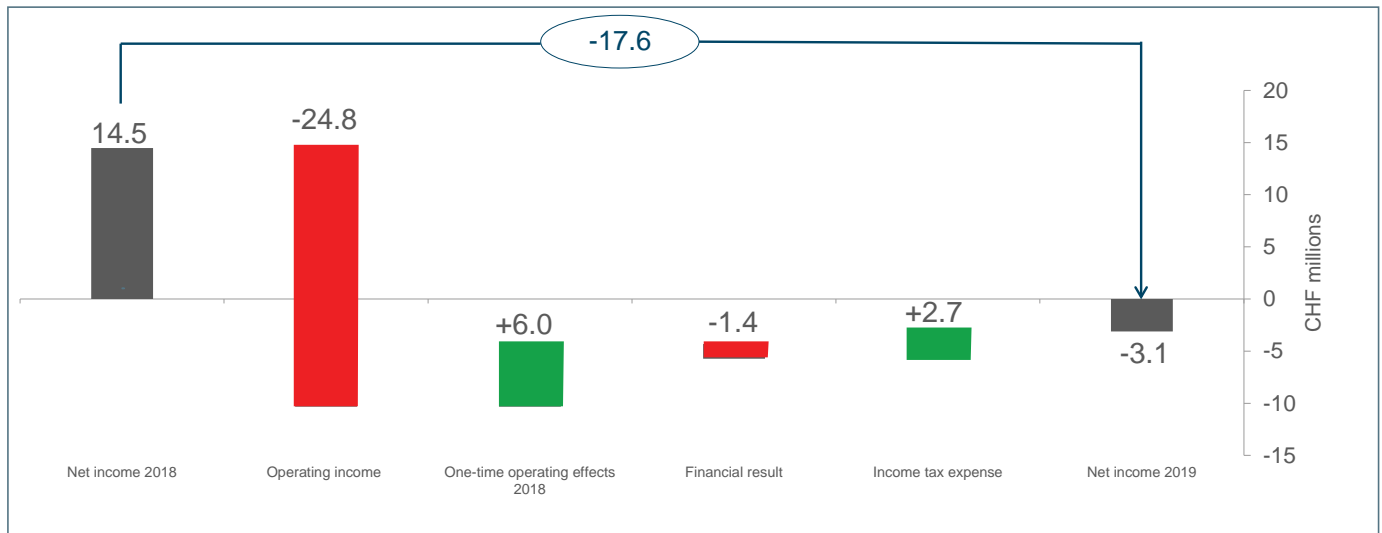
FINANCIAL RESULTS

EBITDA driven by PCT Sales performance



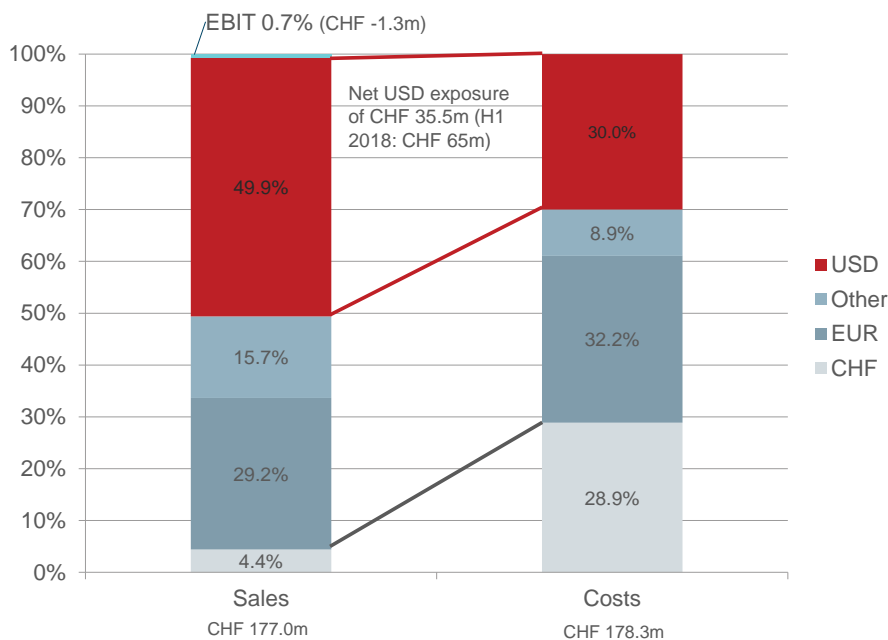
FINANCIAL RESULTS

Net income driven by lower Sales/lower Operating income, positive impact through one-off item



FINANCIAL RESULTS

Decreasing USD exposure; structural cost base in CHF



- Structural cost base in CHF remains
- USD net exposure decreased due to lower business activities in USD
- Natural hedge of EUR
- Slight increase in net exposure of other currencies (CNY, JPY)
- Weaker EUR main reason for foreign currency loss of CHF 1.2m incurred

CASH MANAGEMENT

Stronger operating Cash-Flow as a result of consequent net working capital management

in CHF millions	H1 2019		Change
	2019	2018*	Absolute
Net cash provided by operating activities	14.4	4.2	10.2
<i>in % of net sales</i>	8.1%	1.8%	
Net cash used in investing activities	-8.5	-17.4	8.9
Free Cash-Flow	5.9	-13.2	19.1
Net cash used in financing activities	-5.0	-14.8	9.8
Net in-/decrease in cash and cash equivalents	0.9	-28.0	28.9
Foreign currency translation differences on cash and cash equivalents	-0.2	0.2	-0.4
Net cash and cash equivalents at January 1	43.0	60.4	-17.4
Net cash and cash equivalents at June 30	43.7	32.6	11.1

- Positive impact from reduction of NWC CHF 6.2m
- Free Cash-Flow improved due to operating activities and CAPEX freeze
- Main financing activities;
 - + bridge-loan of CHF 7.8m
 - dividend payment of CHF -9.3m
 - interest and lease liabilities repayment of CHF -2.3m (IFRS 16)

* All 2018 figures IFRS 16 restated

FINANCIAL RESULTS

Robust balance sheet ratios

in CHF millions	H1 2019		31.12.2018*	
Current assets	199.1	53.1%	206.1	54.2%
Non-current assets	175.9	46.9%	174.2	45.8%
Total assets	375.0	100%	380.3	100%
Current liabilities	107.0	28.5%	98.1	25.8%
Non-current liabilities	85.0	22.7%	83.9	22.1%
Total liabilities	192.0	51.2%	182.0	47.9%
Equity	183.0	48.8%	198.3	52.1%
Total liabilities and equity	375.0	100%	380.3	100%

* All 2018 figures IFRS 16 restated

- Decrease in current assets related to accounts receivables (CHF -3.1m) and inventories (CHF -4.6m)
- Increase in liabilities mainly related to short term financing (CHF 7.8m)
- Decrease in equity ratio related to net loss of the period (CHF -3.1m), actuarial losses recognized in other indirect income (CHF -2.3m) and changes in cumulative translation adjustments (CHF -0.8m), partly compensated by lower dividend (CHF 2.3m)

Strategic Direction

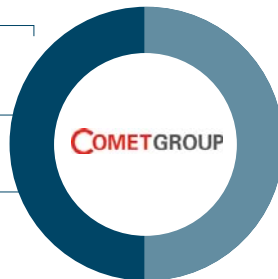


STRATEGIC REALIGNMENT

Current assessment of Comet Group after 3 months of leadership

TO LEVERAGE

- State of the art technology in most areas
- Highly skilled and motivated workforce who are eager to outperform
- Long-term partnerships with leading companies in our main markets who want to grow with us
- RF and x-ray technology are key enablers in progressive digitalization of society ⇒ attractive potential with existing and new customers based on innovation and product portfolio expansion
- Services have high potential to grow
- Robust financial basis

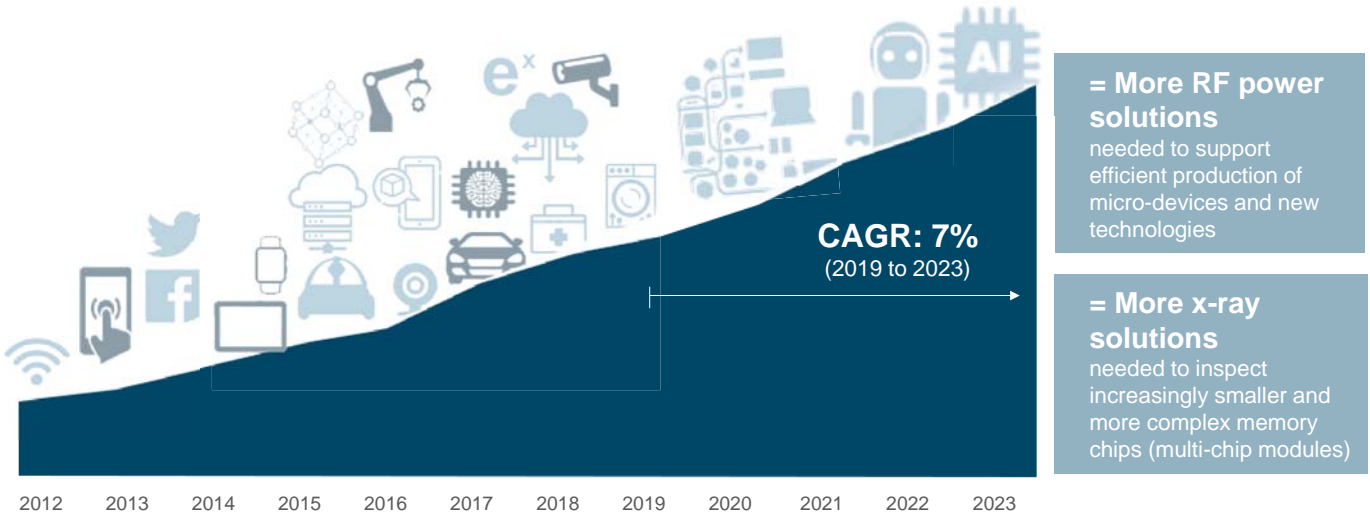


TO IMPROVE

- Reduction of complexity ⇒ more focus on profitable market growth
- Invest in capabilities in the area of artificial intelligence, machine learning and data analysis
- Expansion in high volume markets with a high degree of standardization and a high probability of remaining or becoming market leader
- Operational excellence and the ability to manage the cycles through make-or-buy decisions
- Expansion of our footprint in Asia as the biggest end-market now and in the future

Addressing the Semiconductor/Electronic and related markets

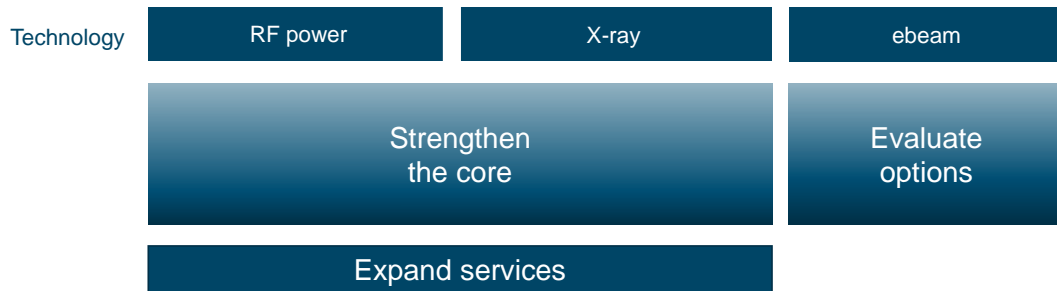
Installed Capacity to 2023



STRATEGIC FOCUS

Focusing on plasma control and x-ray technologies and developing strategic options for ebeam

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STRATEGIC DIRECTION

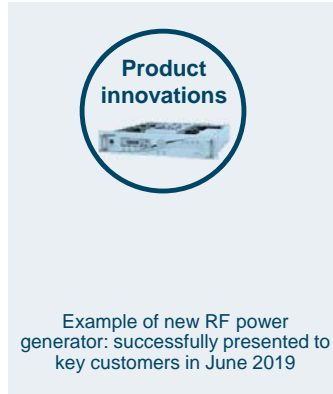
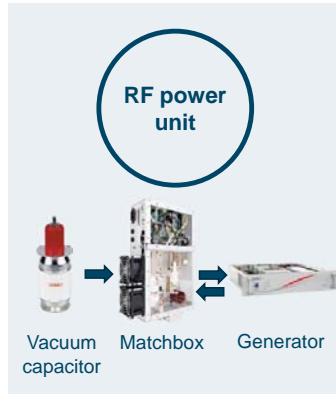
Strengthen the RF power business

Leverage unique position as one-stop shop for all three components of the RF power unit, expanding the portfolio

Continue on innovation path with the new unique RF power generator

Adjust structures, costs and processes

Expand business activities in Asia, exploiting market potential



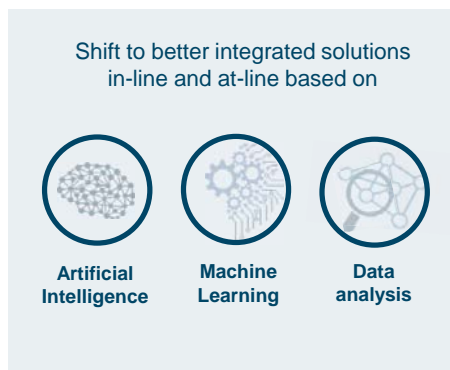
STRATEGIC DIRECTION

Reposition the x-ray systems business

Focus on profitable, high-growth market segments with high volume, standardization and the ability to become number one in the market

Reduce complexity in markets and products, standardize

Medium-term ambition to significantly improve profitability



STRATEGIC DIRECTION

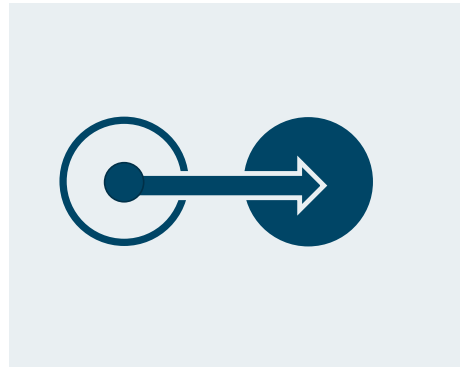
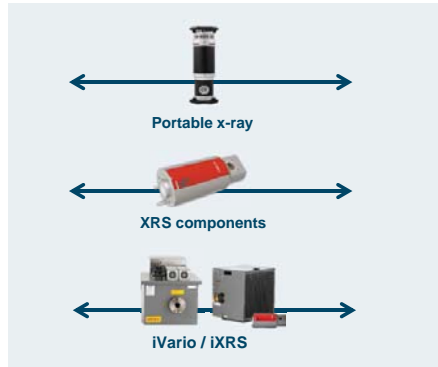
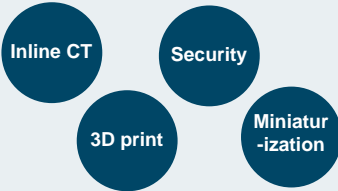
Strengthen x-ray modules and components

Address substantial potential for growth in existing and new applications and markets

Continued expansion of product portfolio to address more applications and new markets through launch of additional products

Transfer of components from IXS to IXM to increase market share

Supporting customer needs and trends

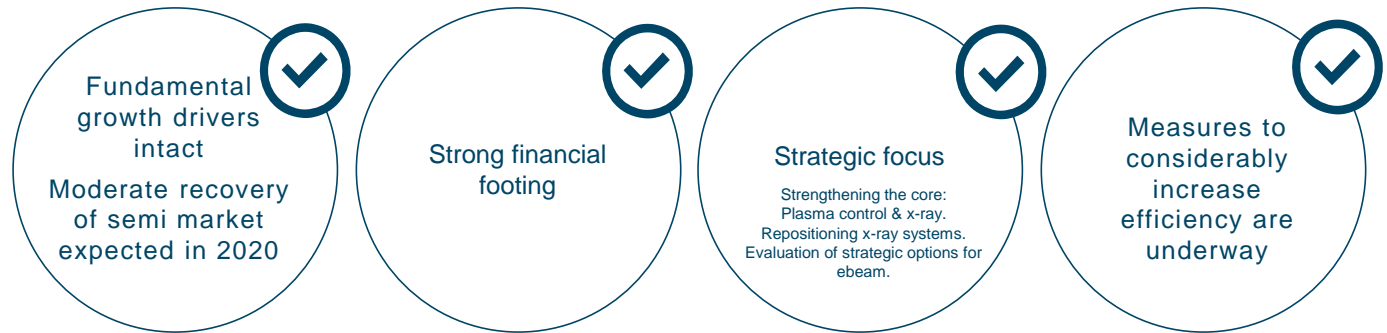


Outlook



SUMMARY

Optimistic market outlook – Comet Group is taking the necessary actions for future profitable growth



SUMMARY

Outlook

While the effects of geopolitical upheaval remain difficult to predict, Comet believes that the bottom of the semiconductor cycle has been reached and demand in the semiconductor market will recover again in 2020.

For the full year 2019 the management and Board of Directors expect:

Net sales in CHFm	EBITDA margin in %
350 to 370	7.0 to 8.5
2019E	

Questions and Answers



Thank you for your interest

