

# Mycronic, Q2 2014

Lena Olving, President and CEO

Per Ekstedt, CFO

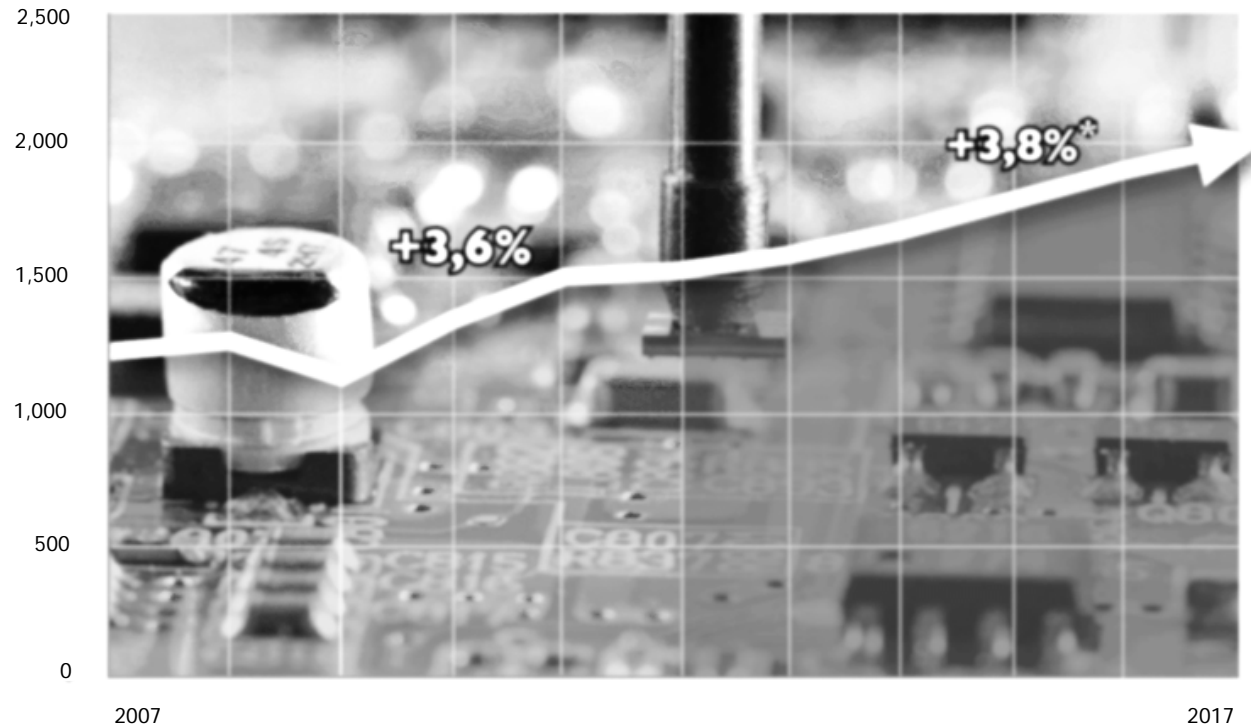


# Production solutions to the electronics industry

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- Two business areas:
    - Pattern Generators (PG)
    - Surface Mount Technology (SMT)
  - Strong presence close to customers
  - Market coverage in more than 50 countries
  - Strong patent portfolio with over 420 granted patents
  - Listed on NASDAQ OMX Stockholm, market cap 30 June, 2014: SEK 1,802 million
  - Revenues 2013: SEK 997 million
  - 517 employees at end of June

# Mycronic operates in a growing market

Billion USD



- Electronics industry growth 2007-2012 was 3.6%
- Electronics industry growth 2013 was 3.8%
- Annual growth of 4% forecasted 2014-2018

\* Expected growth

Source: Prismark, 2014

# Key events January-June 2014

- Marketplace

- SMT market showing a stronger beginning of 2014 compared to same period 2013
- Continued high utilization of mask writers
- Product launches
  - successful introduction of MY200 continues into further markets
  - launch of MY600 for contact-free application of solder paste for challenging PCB solutions
  - launch of mask writer Prexision-80 for display applications
- Customer evaluation of the LDI technology has ended
  - the LDI meets future technical requirements due to its innovative solutions
  - due to slow development pace of performance requirements in the industry, customers are hesitant to invest in new technology
  - short-term Mycronic will focus on maintain systems in field

- Order intake/sales

- Positive development of order intake, up 27 % in H1
- Continued stable aftermarket business
- Order received for a mask writer Sigma7700 for semiconductor applications and for two FPS mask writers from two different customers

# Key events January-June 2014

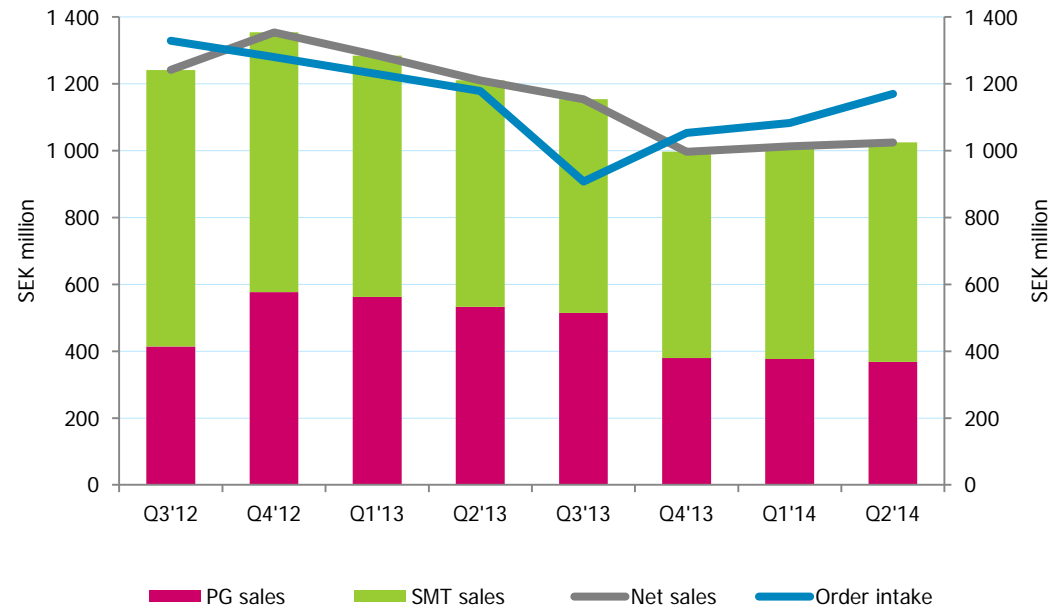
- Earnings

- Fourth consecutive quarter with positive EBIT
- Positive EBIT despite lack of sales of PG systems
- Improved gross margin level in SMT

- Brand/corporate

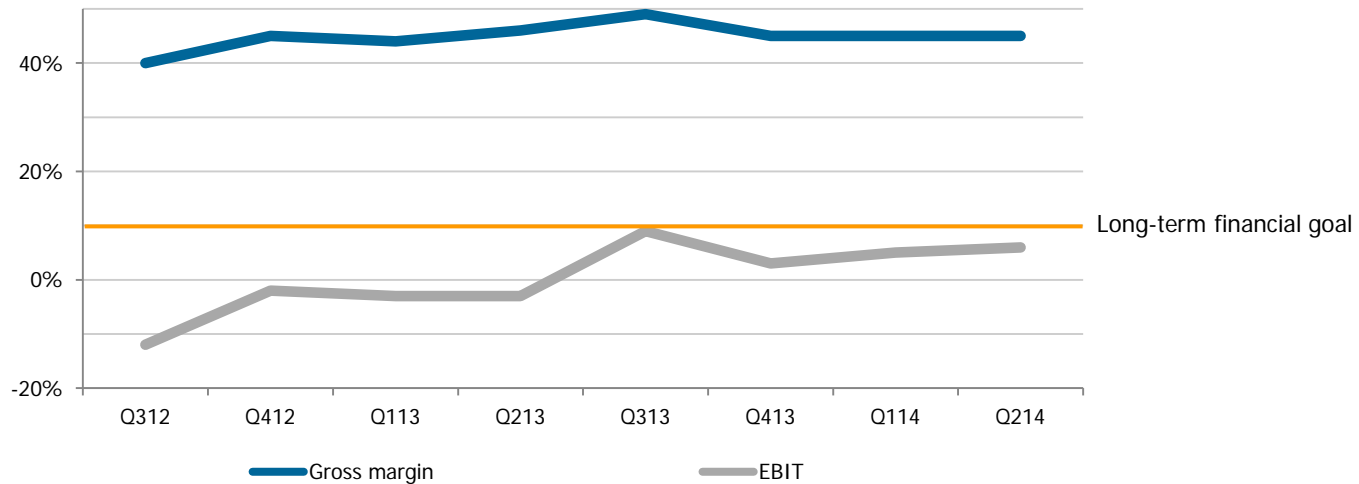
- Change of company name to Mycronic, the change in subsidiaries globally ongoing
- Corporate brand project ongoing and new visual identity under implementation
- Operational excellence function added into Corporate management team
- AGM held in the Täby office

# Order intake/net sales, 12 months rolling



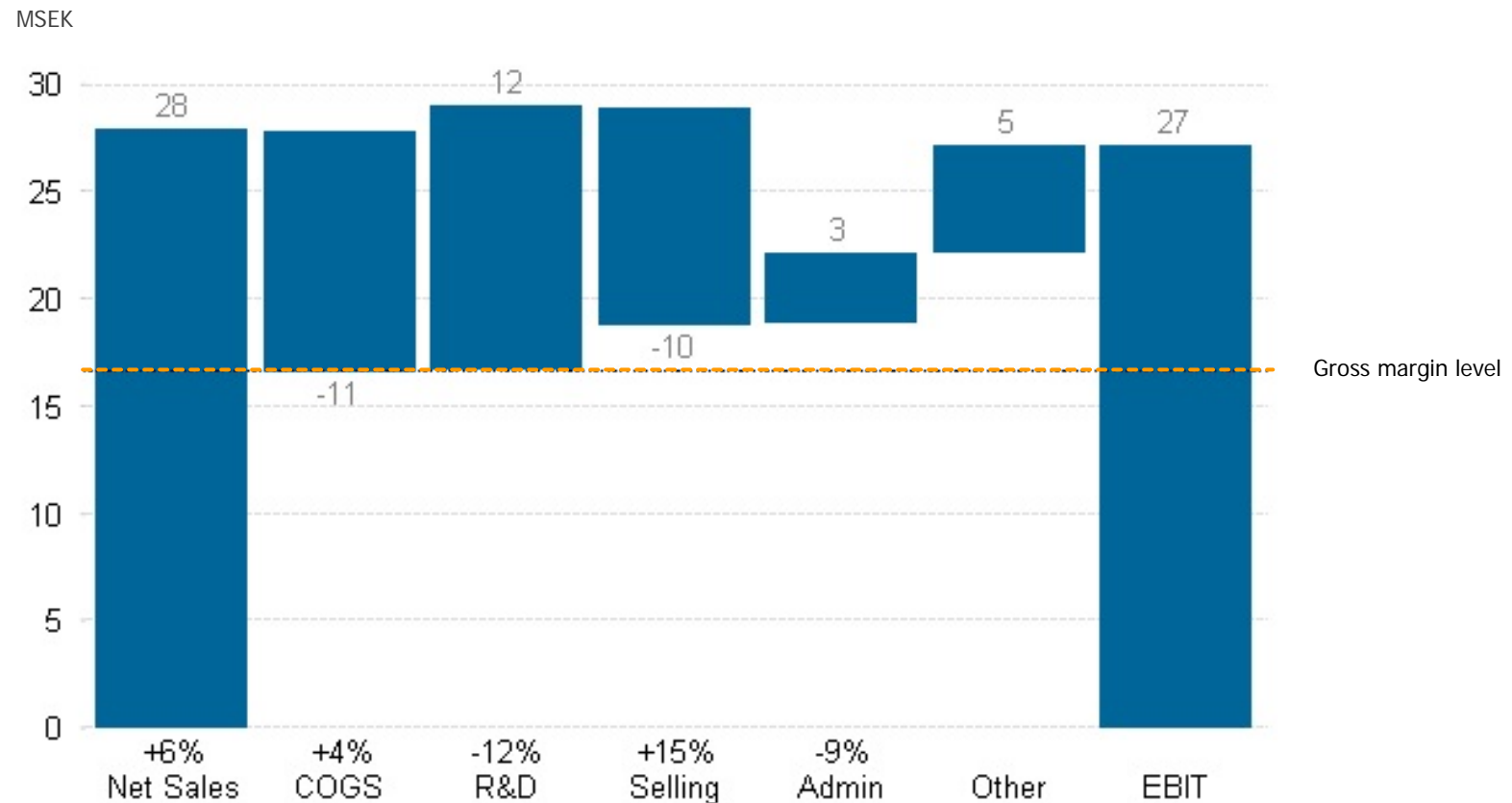
- Order intake rolling 12 months at 1,173 MSEK
- Order intake higher than net sales for the fourth consecutive quarter
- SMT order intake increase by 30% in H1, 2014
- PG order intake include one Sigma7700 and two FPS5500 mask writers
- Order backlog 236 (85) MSEK
- SMT sales recovering 2014 after weak 2013
- Aftermarket sales remain stable

# Margins, 12 months rolling



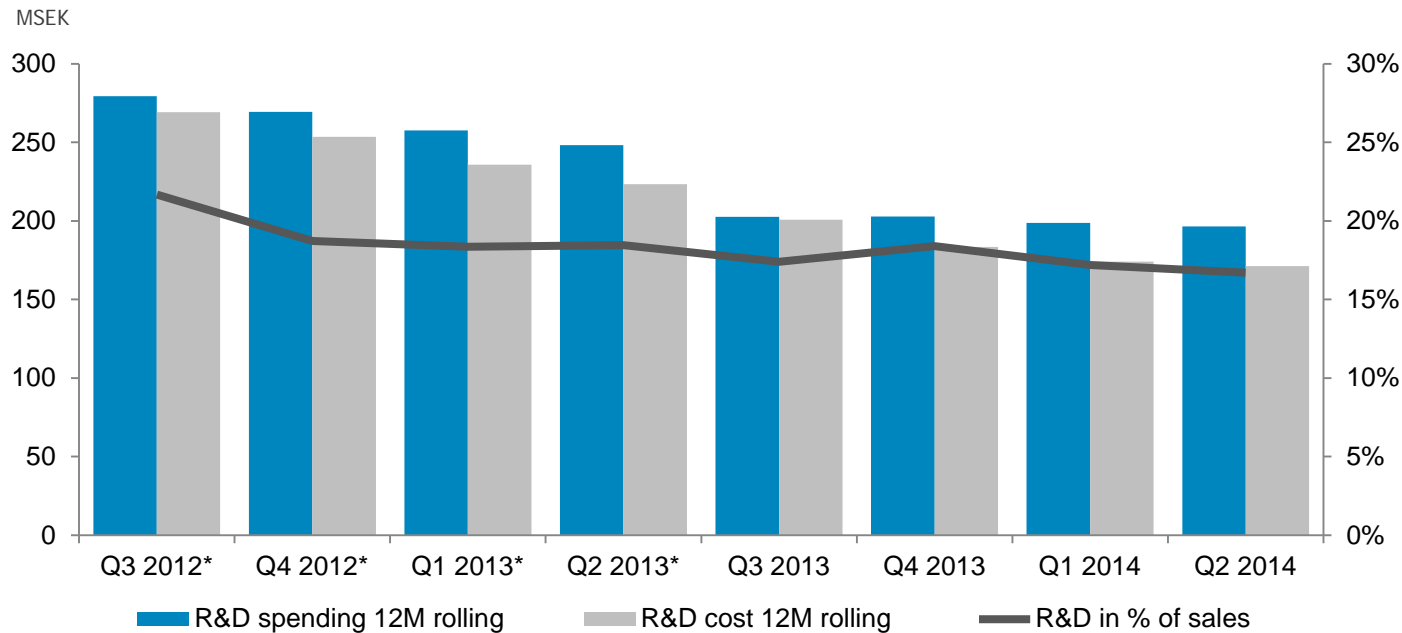
- Gross margin level maintained
- Positive EBIT, despite lack of PG system sales

# The "bridge" H1 2014 vs H1 2013





# R&D expenses, 12 months rolling



- R&D costs 17% (18%) of net sales
- Successful launch of MY200 continues
- Launch of MY600 and Prexision-80 in H1
- Net capitalized costs 7(1) MSEK in SMT during H1

\* Adjusted for non-recurring items of 36 MSEK

# Profit and loss by segment Q2, 2014, MSEK

|                           | Q2 2014    | Q2 2013    | Rolling 12M  | FY 2013    |
|---------------------------|------------|------------|--------------|------------|
| <b>Net Sales</b>          |            |            |              |            |
| SMT equipment             | 165        | 144        | 657          | 618        |
| Pattern generators        | 73         | 82         | 368          | 379        |
| <b>Group net sales</b>    | <b>238</b> | <b>226</b> | <b>1,025</b> | <b>997</b> |
| <b>Gross margin</b>       |            |            |              |            |
| SMT equipment             | 44%        | 41%        | 43%          | 41%        |
| Pattern generators        | 47%        | 49%        | 49%          | 50%        |
| <b>Group gross margin</b> | <b>45%</b> | <b>44%</b> | <b>45%</b>   | <b>45%</b> |
| <b>EBIT</b>               |            |            |              |            |
| SMT equipment             | 8          | -5         | 47           | 17         |
| Pattern generators        | -1         | -1         | 18           | 21         |
| Amortization excess value | -2         | -2         | -6           | -6         |
| <b>Group EBIT</b>         | <b>6</b>   | <b>-8</b>  | <b>59</b>    | <b>32</b>  |

# Profit and loss by segment H1, 2014, MSEK

|                           | H1 2014    | H1 2013    | Rolling 12M  | FY 2013    |
|---------------------------|------------|------------|--------------|------------|
| <b>Net Sales</b>          |            |            |              |            |
| SMT equipment             | 332        | 292        | 657          | 618        |
| Pattern generators        | 149        | 160        | 368          | 379        |
| <b>Group net sales</b>    | <b>481</b> | <b>453</b> | <b>1,025</b> | <b>997</b> |
| <b>Gross margin</b>       |            |            |              |            |
| SMT equipment             | 44%        | 40%        | 43%          | 41%        |
| Pattern generators        | 45%        | 49%        | 49%          | 50%        |
| <b>Group gross margin</b> | <b>44%</b> | <b>43%</b> | <b>45%</b>   | <b>45%</b> |
| <b>EBIT</b>               |            |            |              |            |
| SMT equipment             | 21         | -9         | 47           | 17         |
| Pattern generators        | -10        | -7         | 18           | 21         |
| Amortization excess value | -3         | -3         | -6           | -6         |
| <b>Group EBIT</b>         | <b>9</b>   | <b>-18</b> | <b>59</b>    | <b>32</b>  |

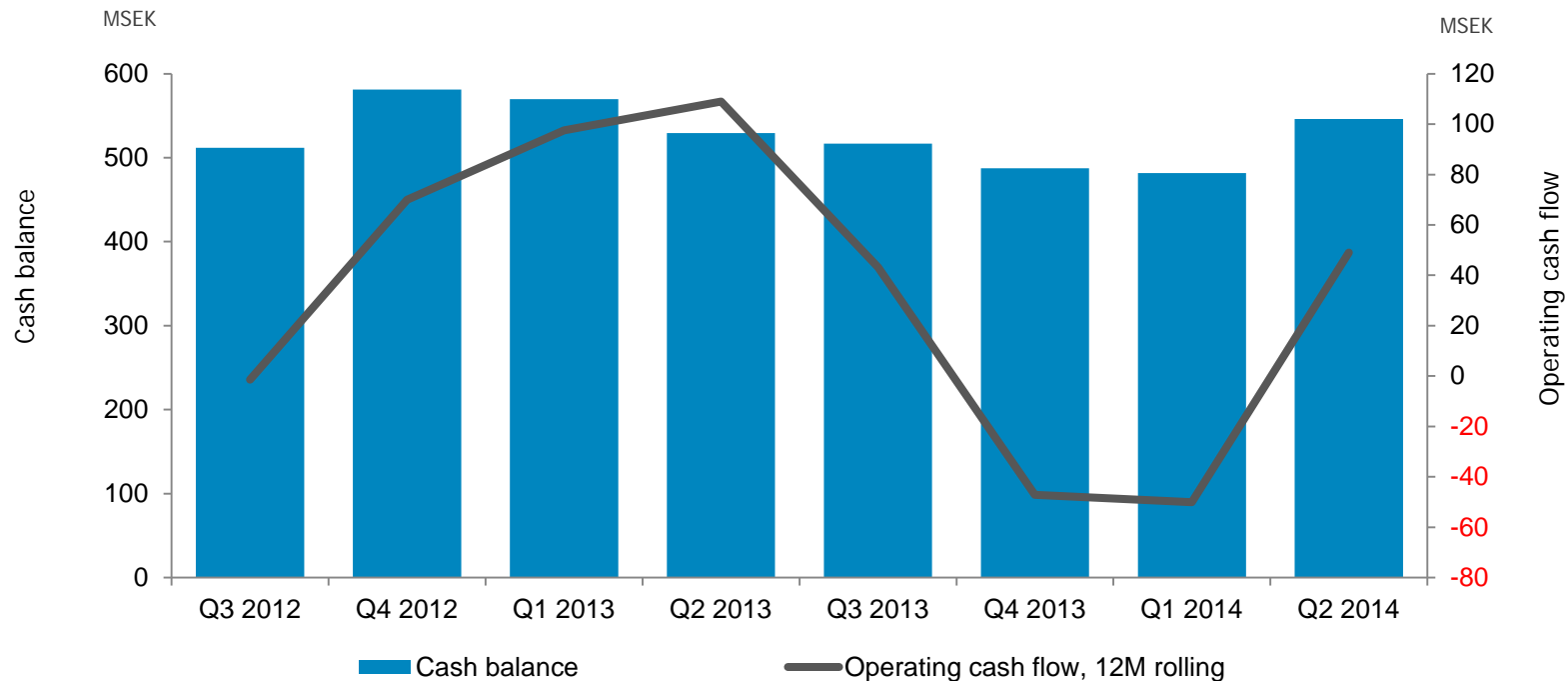
# Cash flow statements, MSEK

|   | H1 2014    | H1 2013    |
|---|------------|------------|
| Cash flow from operations   | 14         | -21        |
| Change in working capital   | 50         | -11        |
| <b>Cash flow from operations after changes in working capital</b> | <b>64</b>  | <b>-33</b> |
| Investments in development  | -11        | -6         |
| Other investments, net  | -3         | -3         |
| <b>Cash flow before financing activities</b>                      | <b>50</b>  | <b>-42</b> |
| Financing   | 0          | -1         |
| <b>Cash flow</b>  | <b>50</b>  | <b>-43</b> |
| <b>Cash at end of period*</b>                                     | <b>546</b> | <b>529</b> |

\*Including effects of exchange rate variances in cash

- Positive trend mainly due to trade receivables and advance payments from customers
- Dividend of 245 MSEK to be paid out in Q3

# Operating cash flow, 12 months rolling



- Remaining solid cash balance of MSEK 546 at end of Q2 2014

# Financial summary H1 2014

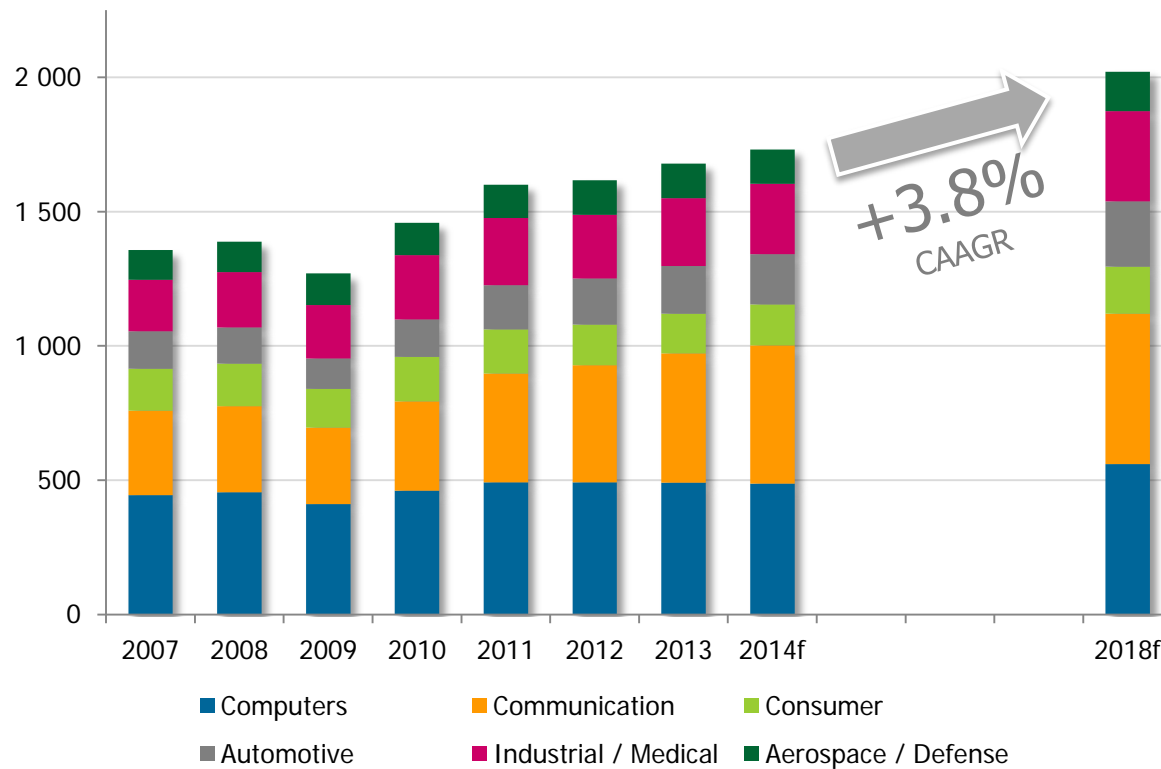
- SMT sales recovery beginning late Q4 2013 continued in H1, 2014
- Maintaining consolidated gross margin level
  - Increased sales volumes in SMT
  - Favorable product mix in SMT
  - Positive currency effects in SMT
- Sustained cost level
- Profitable at EBIT level four quarters in row
- Product launches
  - Launch of MY200 continues into further markets
  - MY600
  - Prexision-80



# SMT Equipment

# Electronics industry development

USD billion



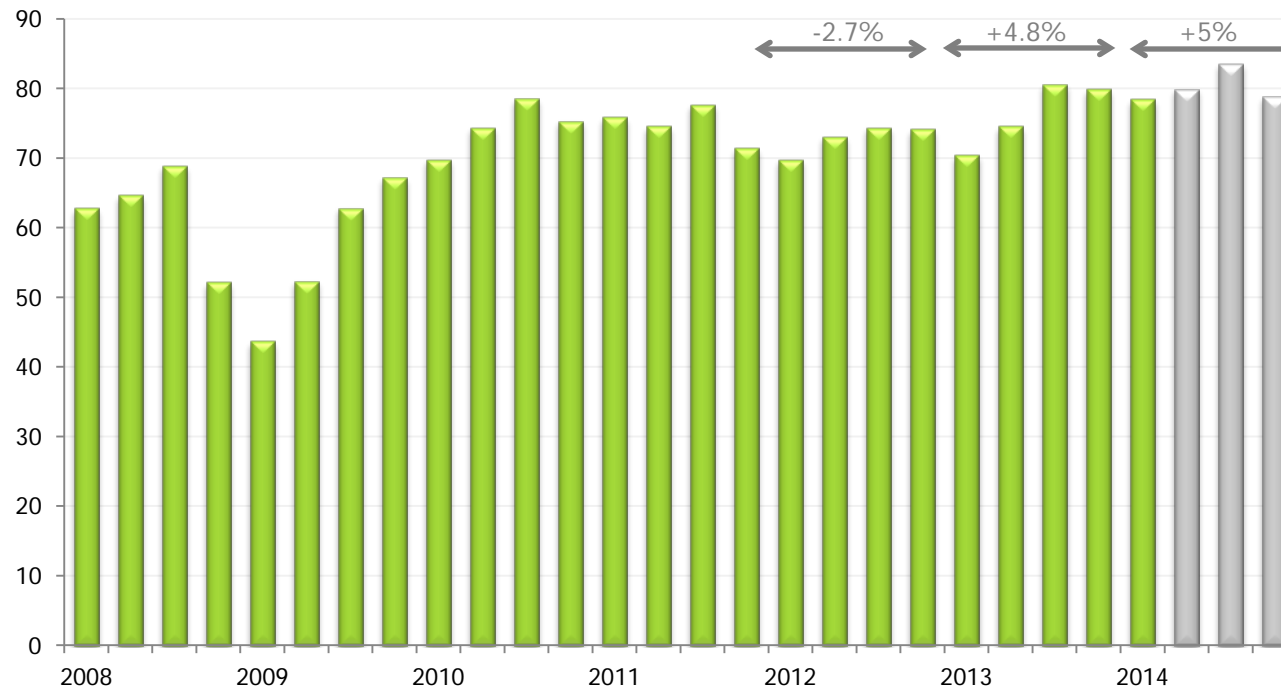
- Electronics industry segments growth in 2013
  - communications +11%
  - industrial +5%
  - automotive +4%
  - medical +3%
- Forecast same as in Q1
- Electronics industry growth forecasted at 3% for 2014
- Long-term annual growth of 4% 2014-2018 expected

Source: Prismark, March 2014



# Semiconductor market development

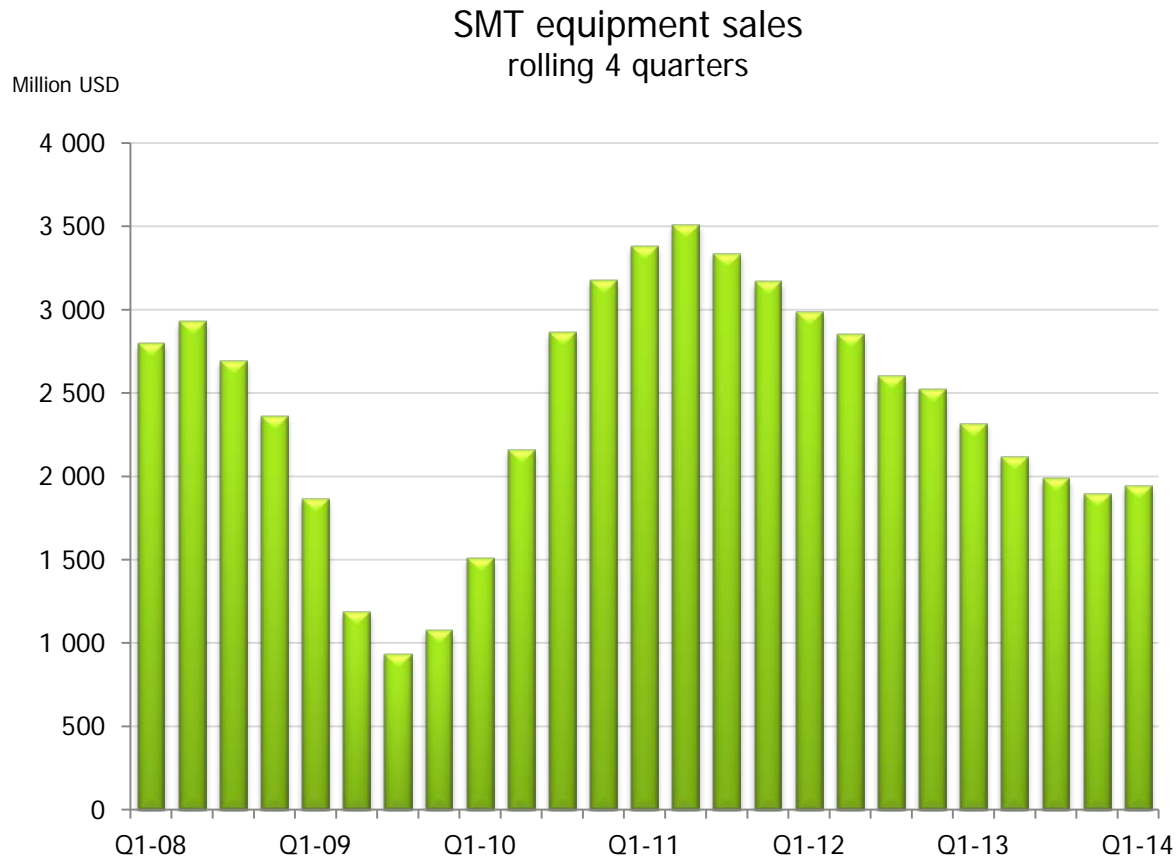
USD billion



- Semiconductor market growth was 4.8% in 2013, with growth mainly in H2
- Outlook for 2014 indicates a growth of 5%
  - Q1, 2014 a growth of 11% compared to Q1, 2013
- Annual long-term growth at 5% until 2018

Source: Prismark, June 2014

# SMT equipment market development



- Global SMT demand declined 25% in 2013
- Global SMT sales Q1, 2014 was up 11% compared to Q1, 2013
- Mycronic SMT sales increased 14% in H1, 2014 compared to H1, 2013
- Mycronic SMT order intake increase of 30% in H1, 2014
- The SMT equipment market normally follows the semi-conductor market with a delay of 2-3 quarters

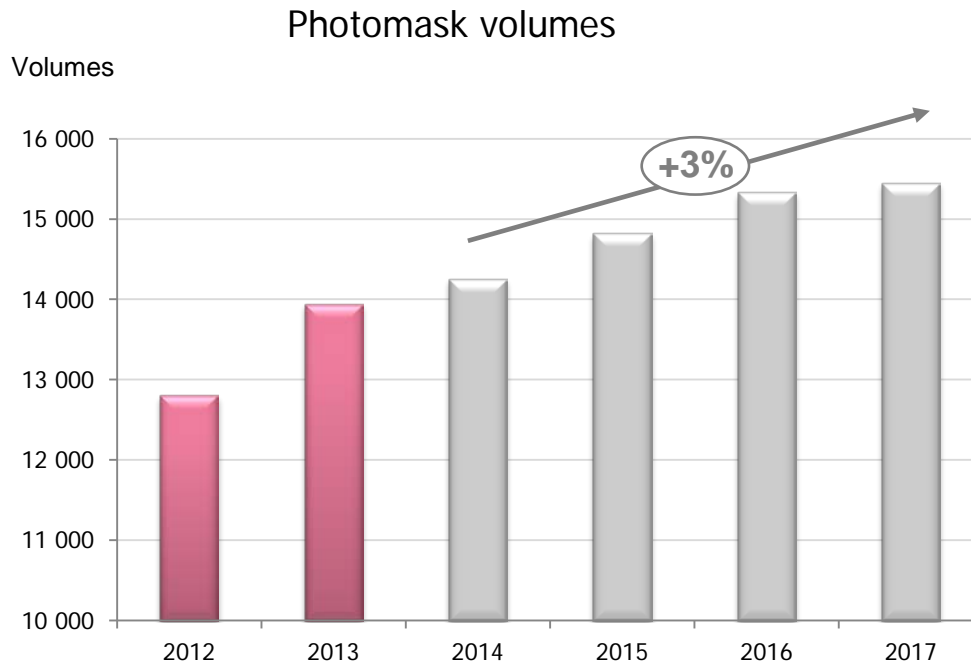
Source: PROTEC MDC, April 2014



# Pattern Generators

# Photomask volumes continue to increase

## Photomask market continues to improve

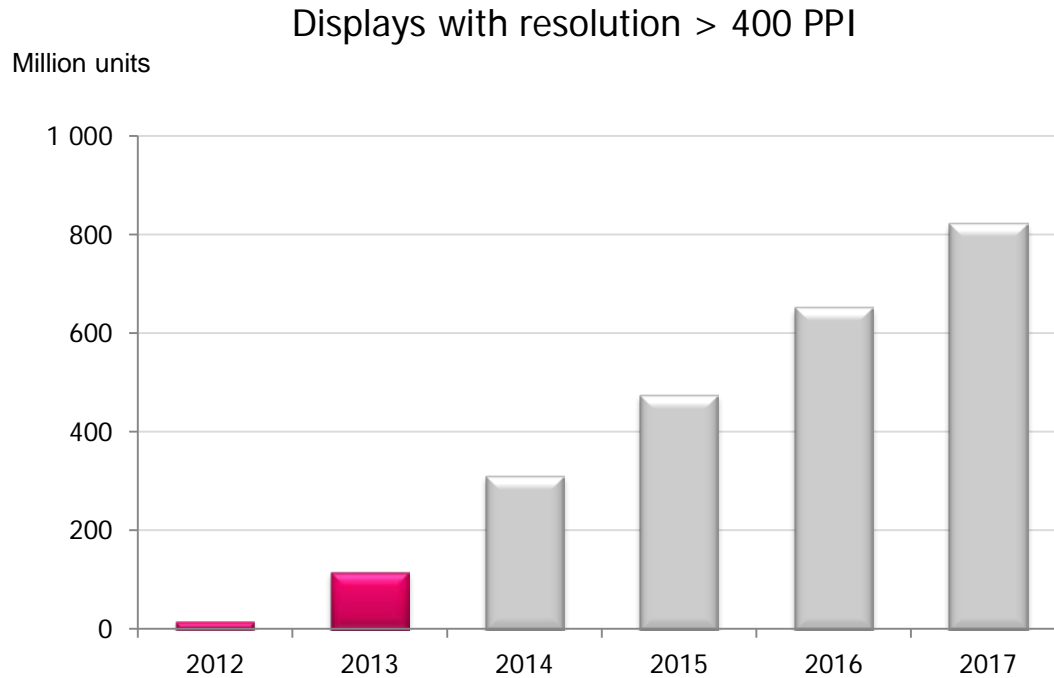


- Growing volumes continue to improve the photomask market:
  - High utilization
  - Photomask prices stabilizing
  - Photomask makers profitable
- Photomask volumes expected to grow by 3% yearly in 2014-2017
  - High resolution displays and AMOLED are the main drivers of photomask complexity
  - Photomask volumes are driven by R&D activities and by the number of display models

Source: DisplaySearch, Jan, 2014

# Display market expected to grow

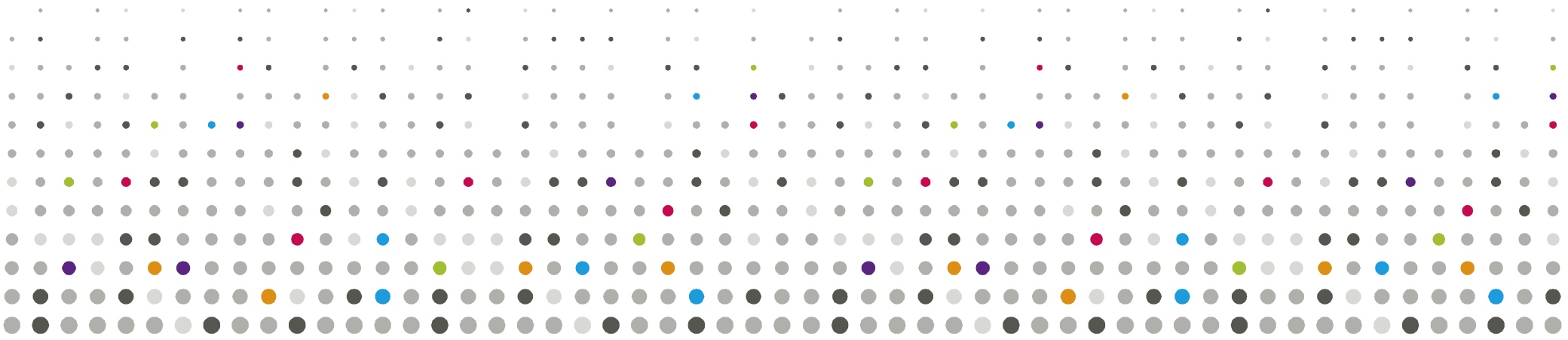
## trend towards higher resolution displays



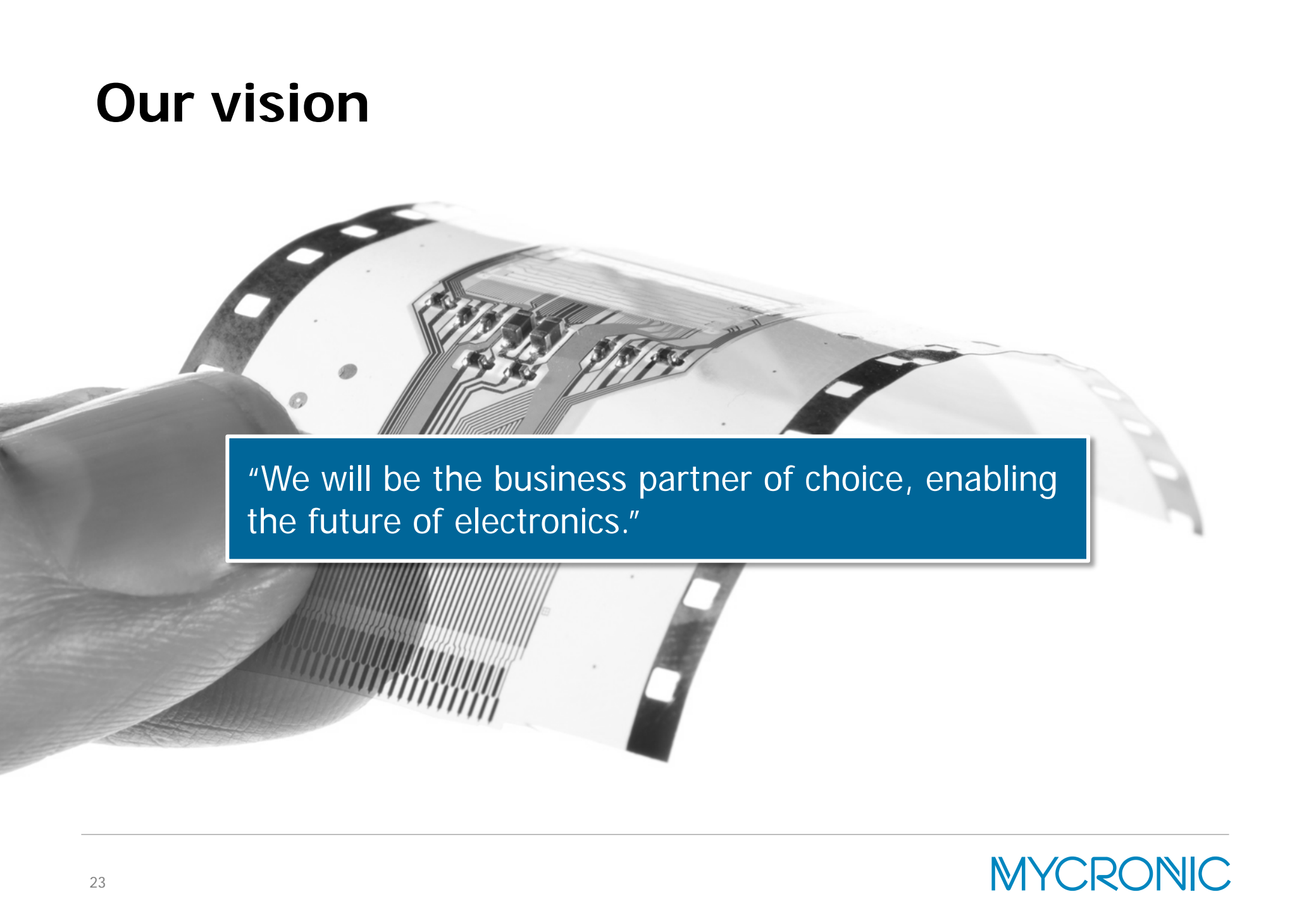
- Total display revenue forecast to increase 1% in 2014
- Display market expected to continuously grow over the coming years
  - Trend towards higher resolution displays
  - AMOLED will be one of the major drivers for future growth
  - Flexible displays continue to emerge during 2014, in TV and mobile applications

Source: DisplaySearch, Jan, 2014

# Brand



# Our vision



"We will be the business partner of choice, enabling the future of electronics."

# Our mission

“We aim to be the market leader within our key segments across the globe. We continuously improve and develop innovative solutions, products and services to meet the changing needs of our customers. We do not compromise with our goal to deliver sustainable growth, profitability and shareholder value. We meet our challenging goals by engaging the passion and talent of people dedicated to deliver.”



# Our core values

**Passion** for business  
**Passion** for people  
**Passion** for technology

# Our brand promise

When passion meets innovation ●

# Mycronic outlook unchanged

The assessment is that sales 2014 will be in the span of 1,150 - 1,250 MSEK. The assessment is unchanged from the previous quarter.