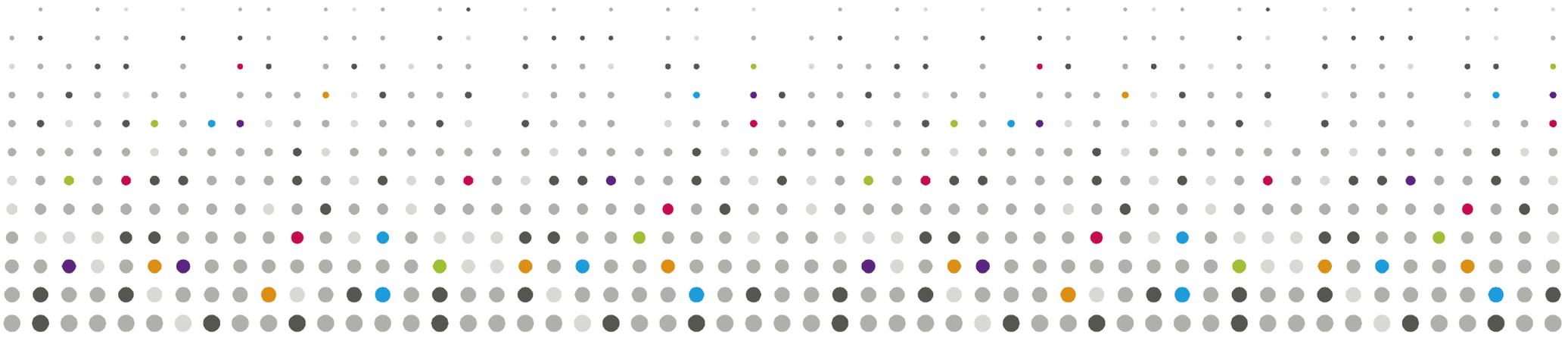


# Mycronic, Q3 2016

Lena Olving, President and CEO

Per Ekstedt, CFO

Magnus Råberg, Sr VP Business area PG



# Mycronic in the electronics industry

**>500**

employees in  
10 countries

**>40 years**

of high-tech innovation  
experience

**>470 patents**

strong IP portfolio

**>2,300 customers**

supported by solutions from  
two business areas SMT and PG.  
- SMT for mounting components on PCBs  
- PG for the production of photomasks

**>97%**

of total revenues  
from exports

**>50 countries**

market coverage through  
subsidiaries and distributors

 Mycronic sub's and main offices

# Key events January-September 2016

- Marketplace

- Continued weak SMT market in H1, 2016 with 7 percent decline
- Positive development of photomask market
- Products
  - introduction of high-speed jet dispensing continues globally
  - launch of Prexision-800 on 6 April at Photomask Japan
  - introduction of FPS6100 with 20-40 higher writing speed

- Order intake/sales

- Order intake of 1,936 MSEK and order backlog of 1,699 MSEK
- Orders received for nine PG systems
  - one Prexision-MMS
  - two advanced display mask writers – Prexision-80 & Prexision-8
  - three replacement systems for display applications
  - three FPS systems

# Key events January-September 2016

- Financial highlights

- Increased net sales 9%
- EBIT 286 MSEK, EBIT margin 22%
- Cash at 786 MSEK

- Corporate

- Acquisition of Axxon, provider of dispensing equipment, ongoing
- Torbjörn Wingårdh appointed new CFO as of 10 December
- Acquisition of RoyoTech, provider of the storage solution SMD Tower
- Winner of the European Business Award – as the Best Export Company
- Täby facility bought back and sold again - 10 year lease contract



*Mycronic at Productronica in November, 2015*

# Events after end of September

## Acquisition of Axxon

- In the end of September Mycronic received regulatory approvals from authorities in China and on 8 October Mycronic was registered in the Chinese Companies Registration Office
- New Board of Directors assigned
- Consolidation into the Mycronic Group from payment date – which is dependent on Chinese procedures

# Acquisition of Axxon

- The deal
  - Acquisition of 75% of shares in Shenzhen Axxon Automation Co., Ltd
  - Price 343 MRMB (approx. 445 MSEK incl currency effect), with possible earn-out to be added
  - Agreement to acquire remaining 25% in two steps
    - 5% ongoing process – expected to be completed within six months
    - 20% in three years – price dependent on several performance parameters
  - Payment by own cash - not done yet
- Axxon – the company
  - Founded in 2008 by entrepreneur Chen Long
  - 240 employees
  - Net sales in 2015 was approximately 150 MSEK – up 100% in one year
  - EBIT margin above 20%

# Acquisition of Axxon

- Operations
  - Develops and sells dispensing equipment
  - Leading position in the Chinese SMT market
    - Broad product portfolio
    - Fast response to customer and market requirements
  - High-value customer base
    - Smart phones
    - Other mobile devices
  - Solid technical strength
- Market opportunities
  - Leading dispensing business globally
  - Complementary businesses
  - Total equipment market worth 500 MUSD

*Source: Prismark November 2015*

# Mycronic outlook

The board's assessment remains, that net sales 2016 will be at the level of SEK 1,900 million, excluding effects from acquisitions.

# SMT – market update

## General industry update

- Electronics industry
  - Market declined 0.1% to USD 1,865 billion in 2015 with weakest development in computers and automotive
  - The latest forecast indicates a decline of 0.6% in 2016
  - Some segments estimated to show positive development
    - Servers and data storage
    - Consumer electronics, such as TVs
    - Automotive electronics
- Semiconductor market
  - Semiconductor market declined 0.3% in 2015
  - Market decline of 6% in H1 2016 compared to H1 2015
  - Current market estimate for FY 2016 is USD 323 billion, which is a decline of 3.5%

*Source: Prismark August and September 2016*

# SMT – market update

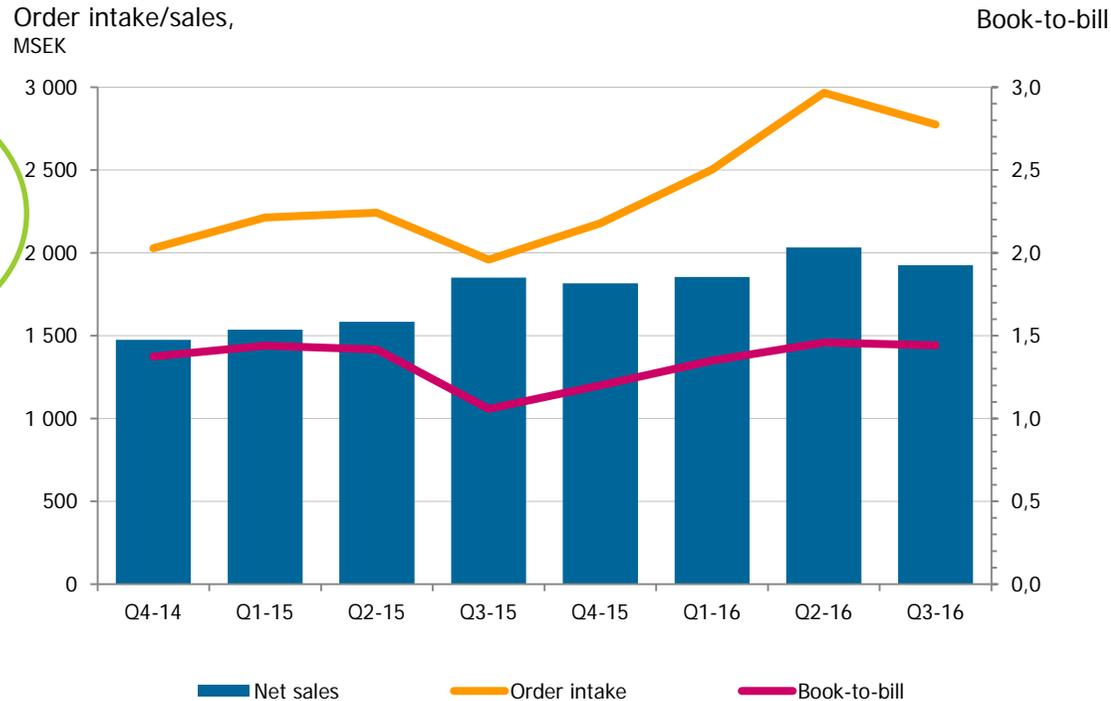
## SMT equipment market

- SMT market development
  - 2015 saw a decline of 19% compared to 2014, with decline beginning in Q2
  - H1 2016 declined 7% compared to H1 2015
    - Negative development in North and South America, China and Japan
    - Positive development in Europe and other Asia
- Mycronic SMT market performance
  - Weak trend in H1
  - Positive development in Q3 2016 - slightly better than Q3 2015
  - Mycronic assessment for SMT equipment demand is cautious but with possibilities for stronger H2 than H1 2016

*Source: PROTEC MDC January and July 2016*

# Order intake and net sales

## 4 quarters rolling



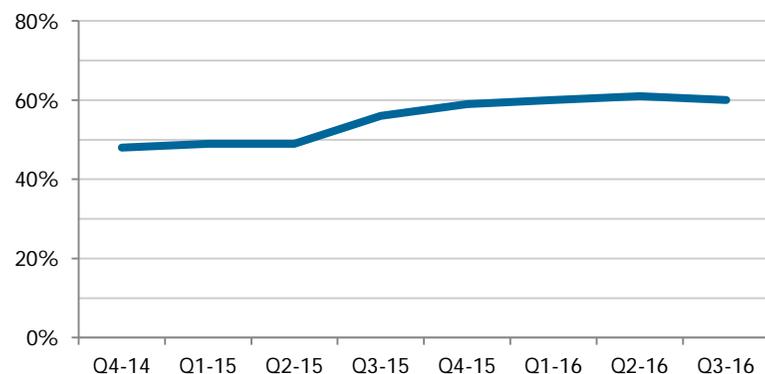
- SMT order intake increased in Q3, 2016 compared to Q3, 2015
- PG order intake includes nine systems

- Order backlog at 1,699 (849) MSEK, including 13 PG systems

# Margins

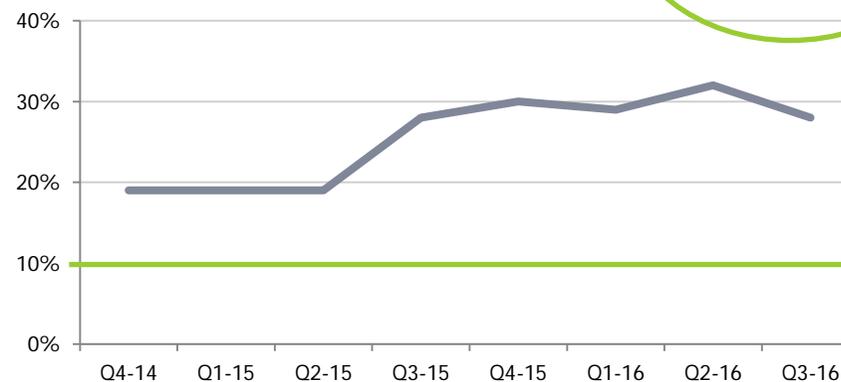
## 4 quarters rolling

Gross margin



- YTD gross margin 57% (56%)
- Gross margin rolling 4 quarters at 60%

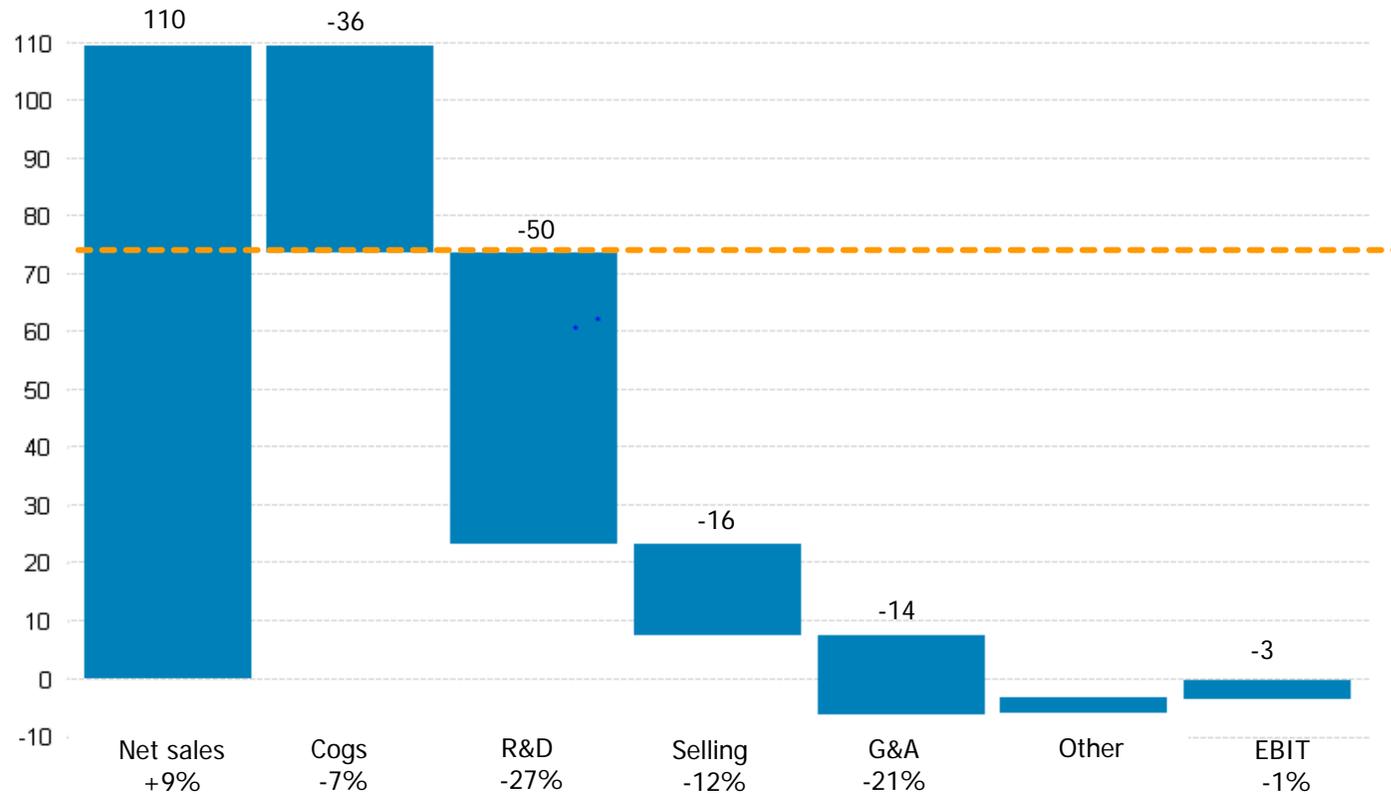
EBIT margin



*Long-term goal  
Over time EBIT will  
exceed 10 percent  
of net sales over a  
business cycle.*

- YTD EBIT margin 22% (24%)
- EBIT margin rolling 4 quarters at 28%
- Product development continues at high pace
- Investments in M&A and sales&marketing

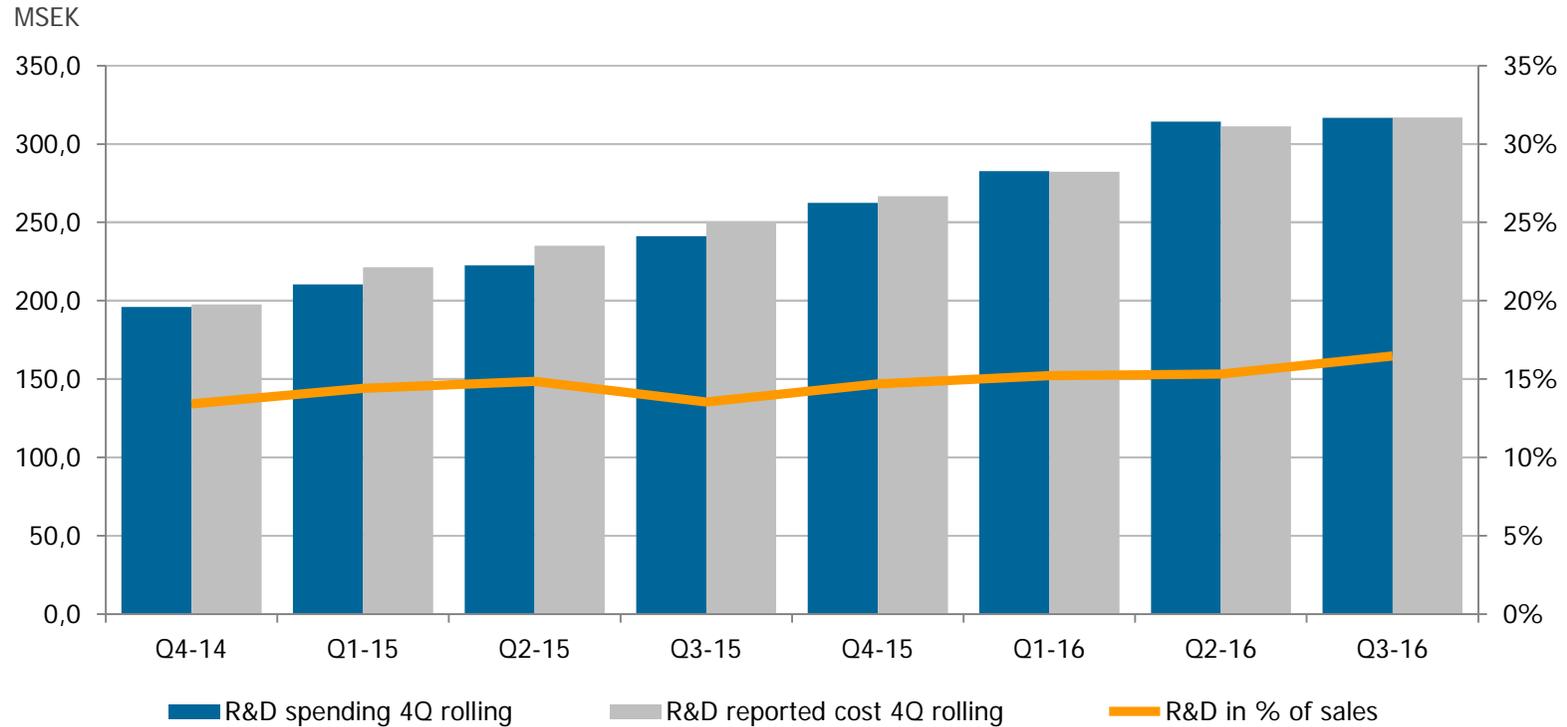
# The "bridge" YTD 2016 vs YTD 2015



- Investments in growth
- R&D costs 50 MSEK higher, refers mainly to SMT
- Selling and G&A costs higher due to investments in organization and increased M&A activities

# R&D costs

## 4 quarters rolling



- R&D activities continue at high pace in line with strategy

# Summary by segment, Q3

	Q3 2016	Q3 2015
SMT	219	202
PG	148	356
<b>Order intake (MSEK)</b>	<b>367</b>	<b>559</b>
SMT	65	70
PG	1,634	779
<b>Order backlog (MSEK)</b>	<b>1,699</b>	<b>849</b>
SMT	211	207
PG	286	398
<b>Net sales (MSEK)</b>	<b>497</b>	<b>605</b>
SMT	47%	48%
PG	69%	74%
<b>Gross margin</b>	<b>59%</b>	<b>65%</b>
SMT	-5%	1%
PG	56%	65%
<b>EBIT margin</b>	<b>30%</b>	<b>43%</b>

# Summary by segment, YTD

	YTD 2016	YTD 2015	Rolling 4Q	FY 2015
SMT	570	627	773	829
PG	1,366	714	2,001	1,349
<b>Order intake (MSEK)</b>	<b>1,936</b>	<b>1,341</b>	<b>2,774</b>	<b>2,179</b>
SMT	65	70	65	52
PG	1,634	779	1,634	1,014
<b>Order backlog (MSEK)</b>	<b>1,699</b>	<b>849</b>	<b>1,699</b>	<b>1,066</b>
SMT	557	623	777	844
PG	746	571	1,147	971
<b>Net sales (MSEK)</b>	<b>1,303</b>	<b>1,194</b>	<b>1,925</b>	<b>1,815</b>
SMT	45%	46%	45%	45%
PG	66%	67%	70%	71%
<b>Gross margin</b>	<b>57%</b>	<b>56%</b>	<b>60%</b>	<b>59%</b>
SMT	-15%	0%	-13%	-2%
PG	50%	51%	56%	58%
<b>EBIT margin</b>	<b>22%</b>	<b>24%</b>	<b>28%</b>	<b>30%</b>

# Cash flow, MSEK

	YTD 2016	YTD 2015	Rolling 4Q	FY 2015
Cash flow from operations	243	289	504	550
Change in working capital	81	156	36	111
<b>Cash flow from operations after changes in working capital</b>	<b>324</b>	<b>445</b>	<b>540</b>	<b>661</b>
Investments in development	-8	-3	-13	-8
Other investments, net	-46	-17	-58	-29
<b>Cash flow before financing activities</b>	<b>270</b>	<b>425</b>	<b>469</b>	<b>624</b>
Financing	-392	-392	-392	-392
<b>Cash flow</b>	<b>-122</b>	<b>33</b>	<b>77</b>	<b>233</b>
<b>Cash at end of period</b>	<b>786</b>	<b>700</b>	<b>786</b>	<b>898</b>

- Changes in working capital primarily due to customer payments

- Other investments include acquisition of RoyoTech
- Dividend of 392 MSEK was paid out in May (ordinary SEK 1.50 and extra ordinary SEK 2.50)

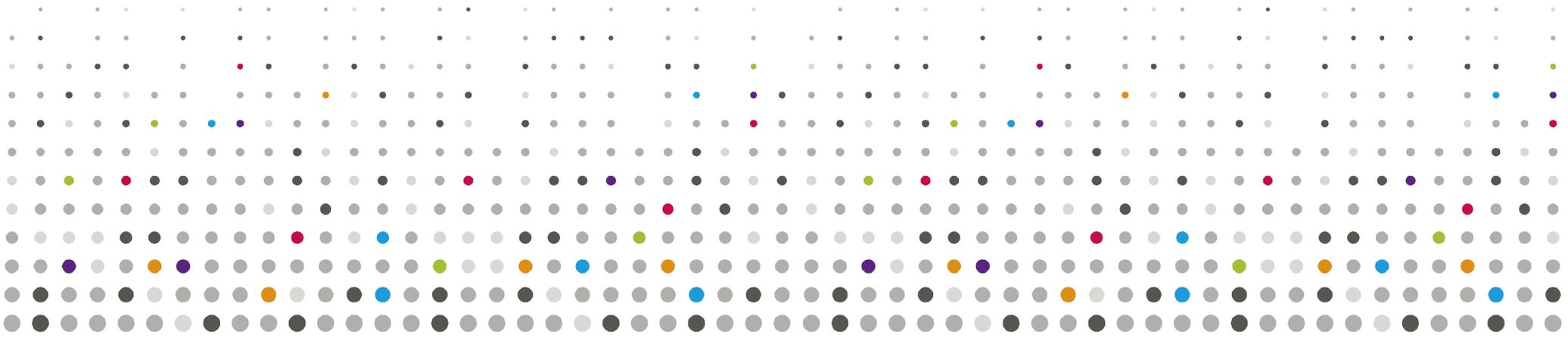
# Financial summary January-September 2016

## Strong development of order intake, sales and order backlog

- Order backlog at 1,699 MSEK
- Gross margin at 57 (56)%
  - Delivery of five PG systems
- EBIT at 286 (289) MSEK or 22% (24%)
  - Investments in product development in SMT
- Continued strong financial position
  - Cash 786 MSEK after dividend

# PG update – with focus on display market

Magnus Råberg, Sr VP Business area PG



# Display photomask market update

- Positive market situation continues
  - Trend towards more complex and valuable photomasks
  - Photomask volumes grew 5% to 17,000 units and revenue grew 6% to 610 MUSD in 2015
  - Photomask volumes expected to grow 3% annually 2016-2019. Revenue expected to grow 5% annually to reach 750 MUSD 2019
  - Somewhat lower degree of utilization in Q3 than in Q2
    - Earthquake in Japan in Q2 had an impact on production capacity for some time
    - Transition from LCD to AMOLED reduce fab output temporarily
- Mycronic market performance – orders for six systems
  - The first Prexision-MMS – for quality assurance
  - One Prexision-80 – in total four P-80s
  - Three replacement systems – in total six since introduction November 2014
  - One Prexision-8 with limited functionality and with possibilities for later upgrade

*Source: IHS, April 2016*

# Multi-purpose photomask market update

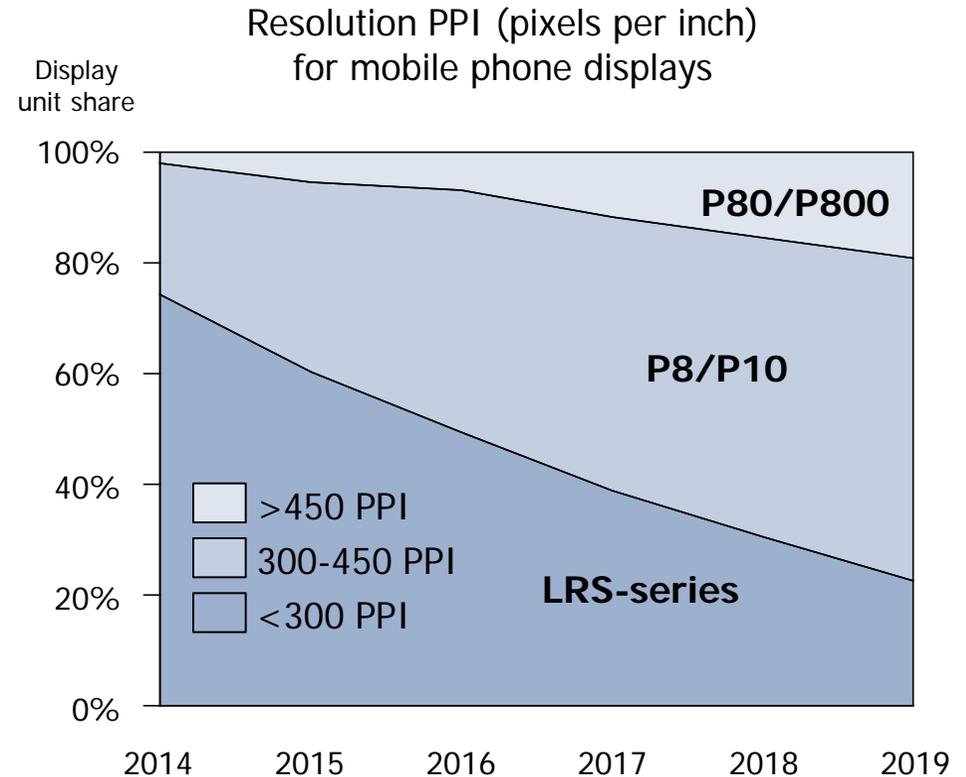
- A broad market with many segments
  - Electronic packaging, touch screens and MEMS (Micro-Electro-Mechanical Systems) among others
  - Positive trends in the more advanced segments which benefit Mycronic's FPS
  - Market estimated at 10-14 MUSD annually
- Mycronic market performance – orders for three systems
  - Mycronic introduced the new FPS6100 during the third quarter
    - Offers 20-40% higher productivity
  - Mycronic has received order for three FPS systems including one FPS6100
  - Mycronic assesses that the company is gaining market share

*Source: Mycronic*

# Display industry trends

## More and better displays

- Produced display area continues to grow year by year
  - 2016 forecast is ~185 million m2 (+4%)
  - Larger and larger displays
  - Displays in new applications
    - E.g. automotive, smart watches
- Displays become more and more advanced
  - Trend towards higher resolution
  - Trend to more advanced display technologies (e.g. AMOLED)
  - Required mask writer performance depends on both resolution and technology

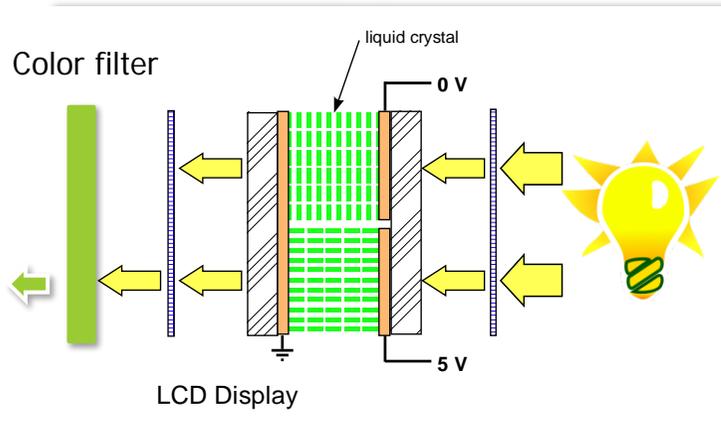


Source: IHS, July 2016

# Display industry trends

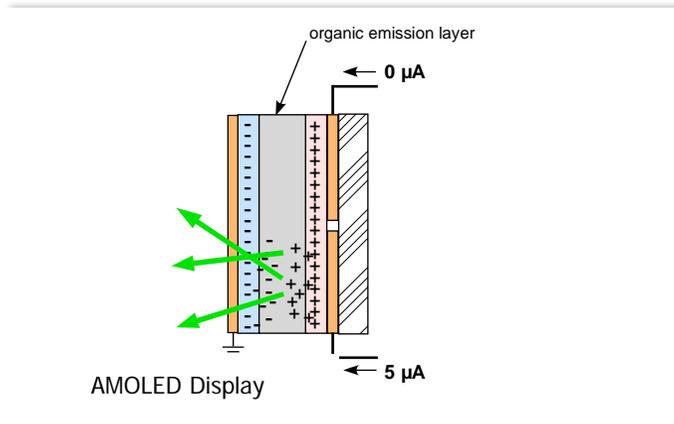
## Key differences LCD vs AMOLED

### LCD



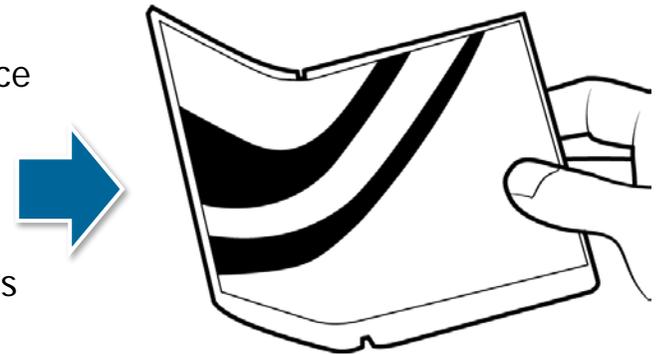
- Uses a back light
- Transmission through each pixel is controlled
- Low energy efficiency < 10%
- Curved displays possible but flexible displays is difficult

### AMOLED



- Each pixel is a light source
- Potential for higher efficiency
- Possible to make flexible/bendable displays

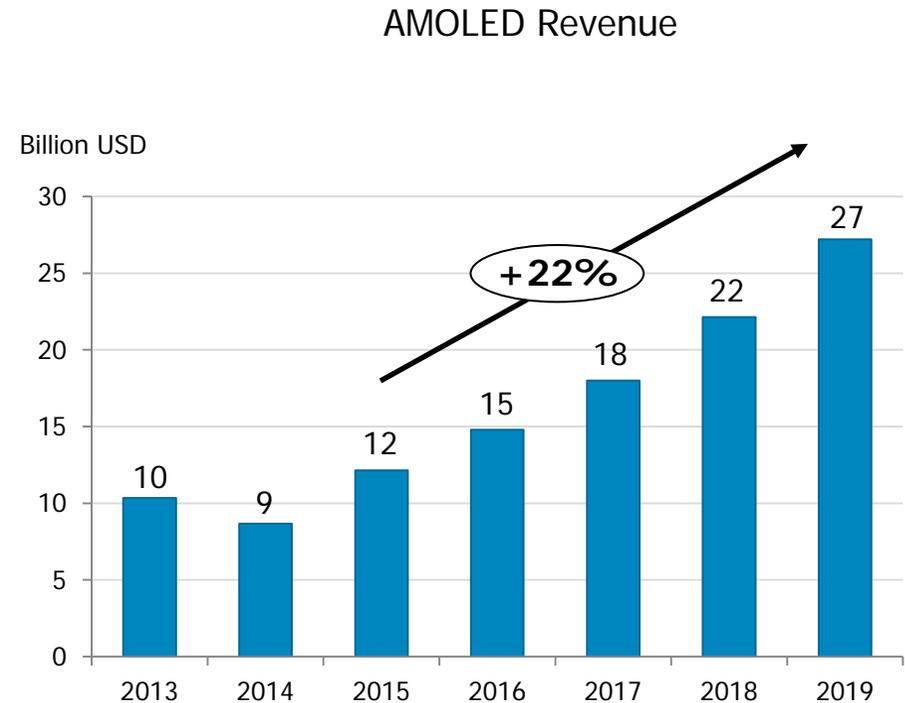
### Future Products?



# Display industry trends

## Trend LCD → AMOLED for advanced mobile displays

- AMOLED market share is rapidly growing
  - Revenue expected to grow from USD 12 billion in 2015 to USD 27 billion in 2019 - a CAGR of 22%
  - The smartphone is the main application
  - TV and mobile PC applications will be next
- The transition currently drives large investments
- During the coming years much AMOLED capacity will be added



Source: HIS, April and July, 2016

Source: IHS, July 2016

# Display industry trends

## Impact on Mycronic

- The last years have been positive for the display photomask market
    - Photomask volume market ~3.5 times larger compared to 10 years ago
    - The demand for new mask writers driven by both area and technology needs
  - The current display trends with high quality AMOLED displays will continue to drive the photomask market
    - Demand more advanced photomasks
    - Higher resolution is needed
    - Larger share of advanced layers
    - Registration is more important when combining the photomasks in production
- ➔ Drives demand for Mycronic's advanced mask writers & Precision-MMS

When passion meets innovation ●