

# Mycronic, Q1 2015

Lena Olving, President and CEO

Per Ekstedt, CFO



# Mycronic in the electronics industry

**40 years**

of high-tech innovation  
experience

**450 patents**

strong IP portfolio

**>2,200 customers**

supported by solutions from  
two business areas SMT and PG.

- SMT for mounting components on PCBs
- PG for the production of photomasks

**510**

employees in 10 countries

**50 countries**

market coverage through  
subsidiaries and distributors

**98%**

of total revenues  
from exports

# Key events 2015

- Marketplace

- SMT market recovered after 2 years decline and grew 22% in 2014
- High utilization of mask writers
- Product launches
  - launch of new functionality for material handling and large PCB jet printing

- Order intake/sales

- Order intake of 471 MSEK, an increase of 64%
- Increased order backlog to 869 MSEK
- Solid aftermarket business
- Orders received for three mask writers, one display replacement system and two FPS systems

# Key events 2015

- Q1 – profitable
  - Increased sales 26%
  - Positive currency effects 49 MSEK
  - Improved gross margin levels
  - Increased R&D activities
  - Strong cash flow and cash position
- Q2 – product launch
  - Launch of Prexision-MMS for quality assurance at the symposium Photomask Japan
- Corporate
  - Sr VP R&D Johan Franzén in place from 23 March
  - Sr VP General Manager PG Magnus Råberg placed in Japan from June
  - Participation in Apex, Nepcon China, Productronica China, Photomask Japan and SMT Nurnberg
  - AGM on 5 May at headquarters



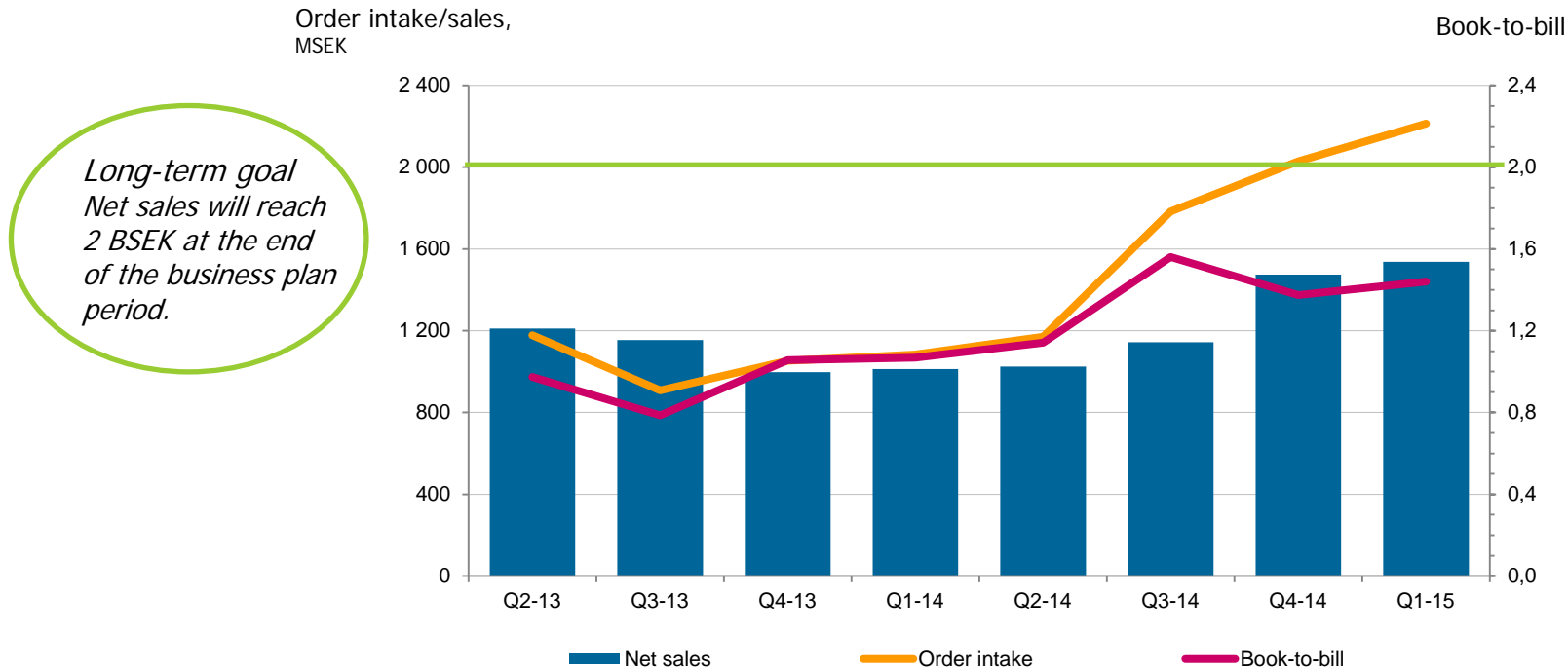
Mycronic at Apex in January, 2015

# Mycronic outlook

The board's assessment is that sales 2015 will be in the span of SEK 1,650-1,750 million.

# Order intake and net sales

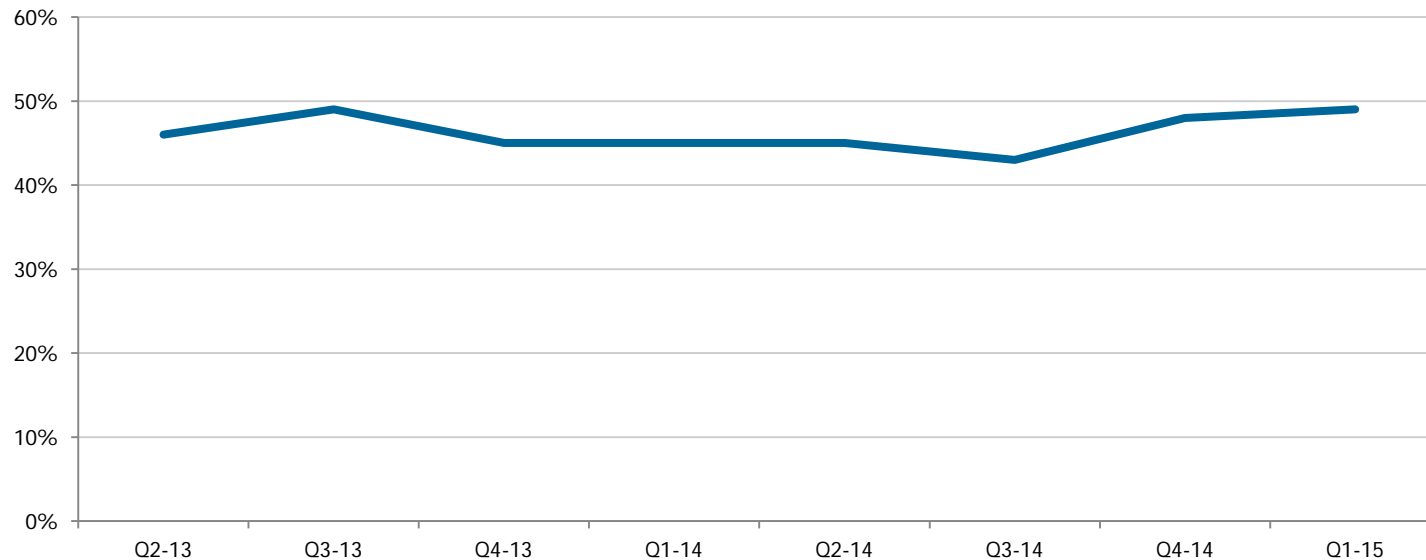
## 4 quarters rolling



- SMT order intake increase 38% in Q1 compared to Q1 last year
- PG order intake include three mask writers; one mask writer replacing older machine for display applications and two FPS systems
- Order backlog 869 (193) MSEK
- Positive currency effects on sales 49 MSEK

# Gross margin

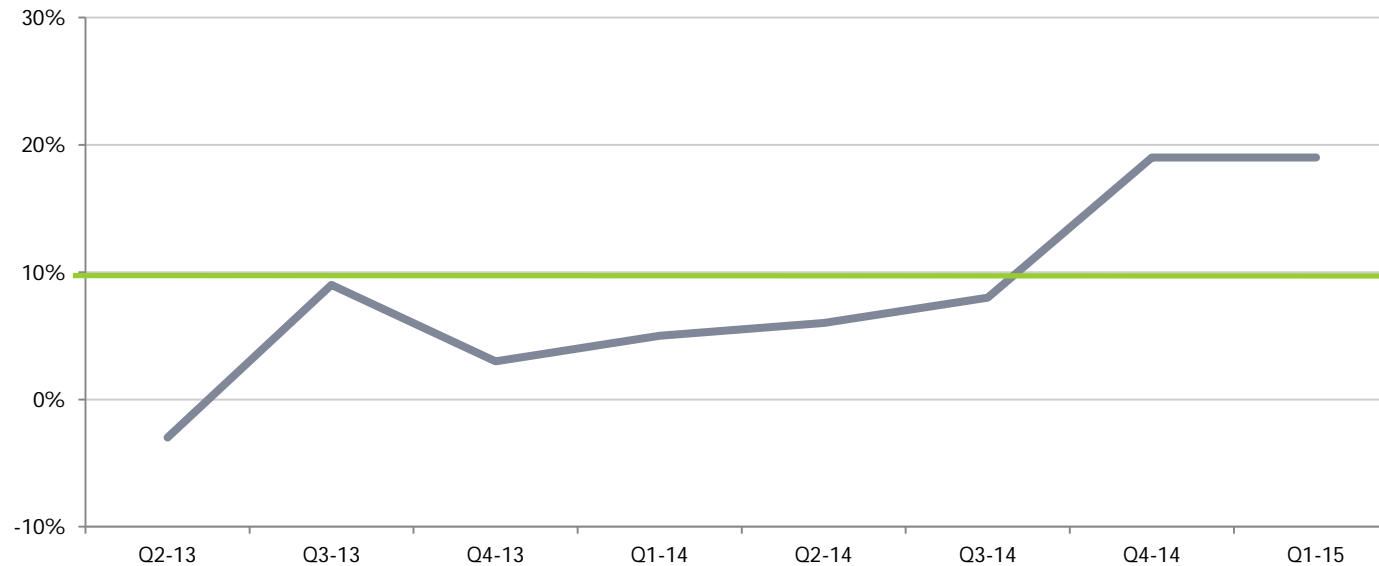
## 4 quarters rolling



- Gross margin 47% (43%) in Q1
- Improved gross margin levels due to higher sales and currency effects, but also charged with fixed costs

# EBIT margin

## 4 quarters rolling

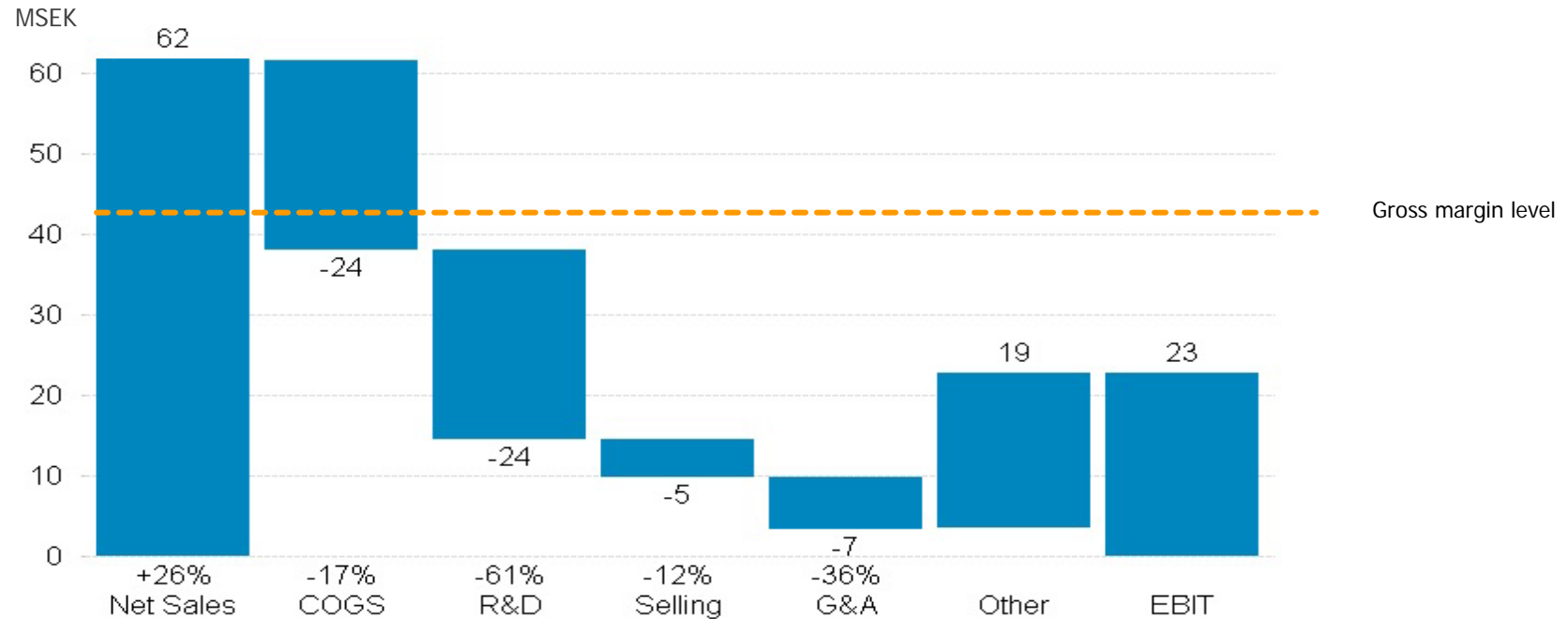


*Long-term goal  
Over time EBIT will  
exceed 10 percent  
of net sales over a  
business cycle.*

- EBIT margin 8% (1%) in Q1 without mask writer system sales
- Increased product development and activities for future growth
- EBIT positively affected by currency effects and sales volumes



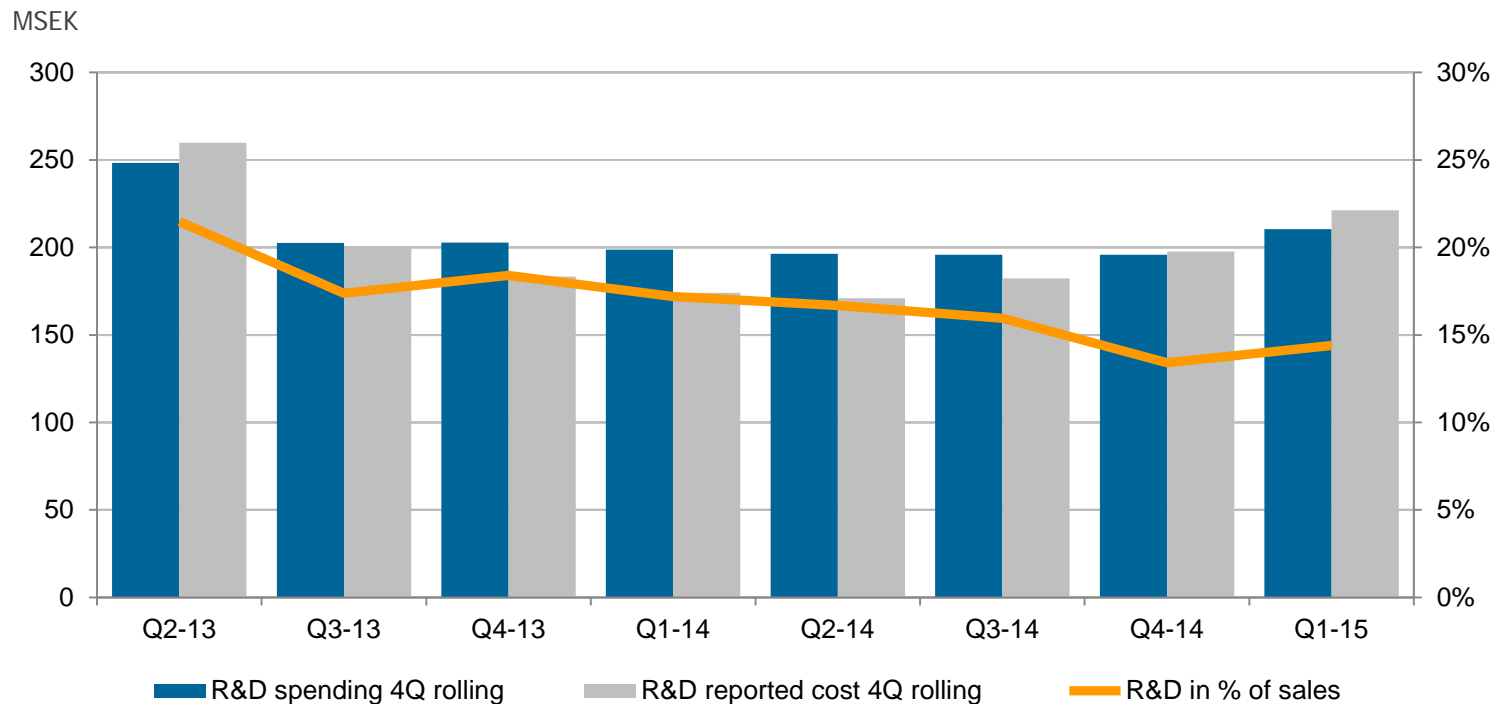
# The "bridge" Q1-15 vs Q1-14



- Increased gross margin
- R&D spending 14 MSEK higher
- Selling costs increasing due to higher volumes
- Other income/expenses positive due to currency effects

# R&D costs

## 4 quarters rolling



- Increasing R&D activities, especially within SMT
- Product development of new Prexision-MMS ongoing
- No capitalization of R&D in Q1 (9 MSEK)

# Summary by segment

	Q1 2015	Q1 2014	Rolling 4Q	FY 2014
SMT	233	169	820	756
PG	238	118	1,393	1,272
<b>Order intake (MSEK)</b>	<b>471</b>	<b>287</b>	<b>2,213</b>	<b>2,028</b>
SMT	77	55	77	66
PG	792	138	792	636
<b>Order backlog (MSEK)</b>	<b>869</b>	<b>193</b>	<b>869</b>	<b>702</b>
SMT	222	166	798	742
PG	82	76	739	733
<b>Net sales (MSEK)</b>	<b>304</b>	<b>242</b>	<b>1,537</b>	<b>1,475</b>
SMT	45	43	45	45
PG	53	43	53	52
<b>Gross margin (%)</b>	<b>47</b>	<b>43</b>	<b>49</b>	<b>48</b>
SMT	4	8	6	7
PG	20	-11	34	31
<b>EBIT margin (%)</b>	<b>8</b>	<b>1</b>	<b>19</b>	<b>19</b>

# Cash flow statements

## MSEK

	Q1 2015	Q1 2014	Rolling 4Q	FY 2014
Cash flow from operations	12	13	335	336
Change in working capital	192	-8	281	82
<b>Cash flow from operations after changes in working capital</b>	<b>204</b>	<b>5</b>	<b>616</b>	<b>418</b>
Investments in development	-	-9	-2	-11
Other investments, net	-6	-1	-12	-7
<b>Cash flow before financing activities</b>	<b>198</b>	<b>-5</b>	<b>602</b>	<b>399</b>
Financing	0	0	-245	-245
<b>Cash flow</b>	<b>198</b>	<b>-5</b>	<b>357</b>	<b>154</b>
<b>Cash at end of period</b>	<b>869</b>	<b>482</b>	<b>869</b>	<b>661</b>

- Changes in working capital due to decrease in trade receivables and increase in advance payments from customers

- Proposal on dividend to be paid out in Q2
  - SEK 0.80 according to policy
  - SEK 3.20 as extraordinary dividend

# Financial summary Q1 2015

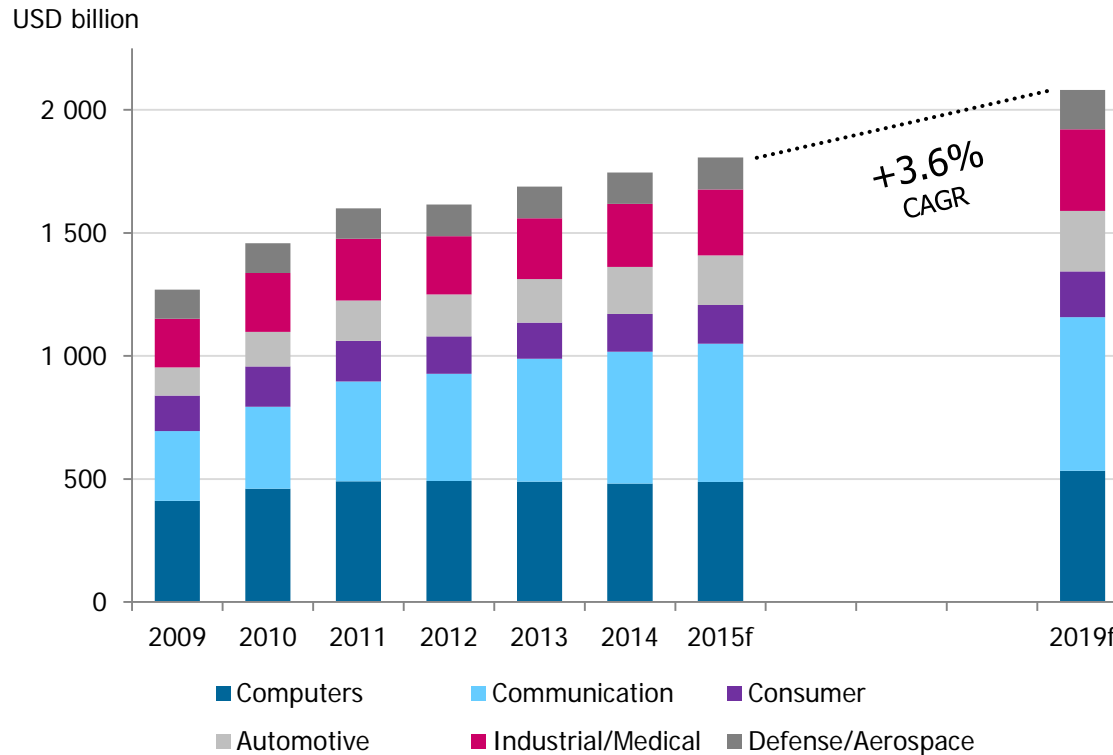
## Positive development of order intake, sales and cash

- Improved gross margins affected by
  - Increased sales volumes
  - Positive currency effects
  - Certain fixed costs
- Order backlog of 869 MSEK
- EBIT at 26 (3) MSEK
  - Activities in product development at high pace
  - Investments in future growth, acquisitions and sales organization
- Strong cash flow and financial position



# SMT Equipment

# Electronics industry systems market

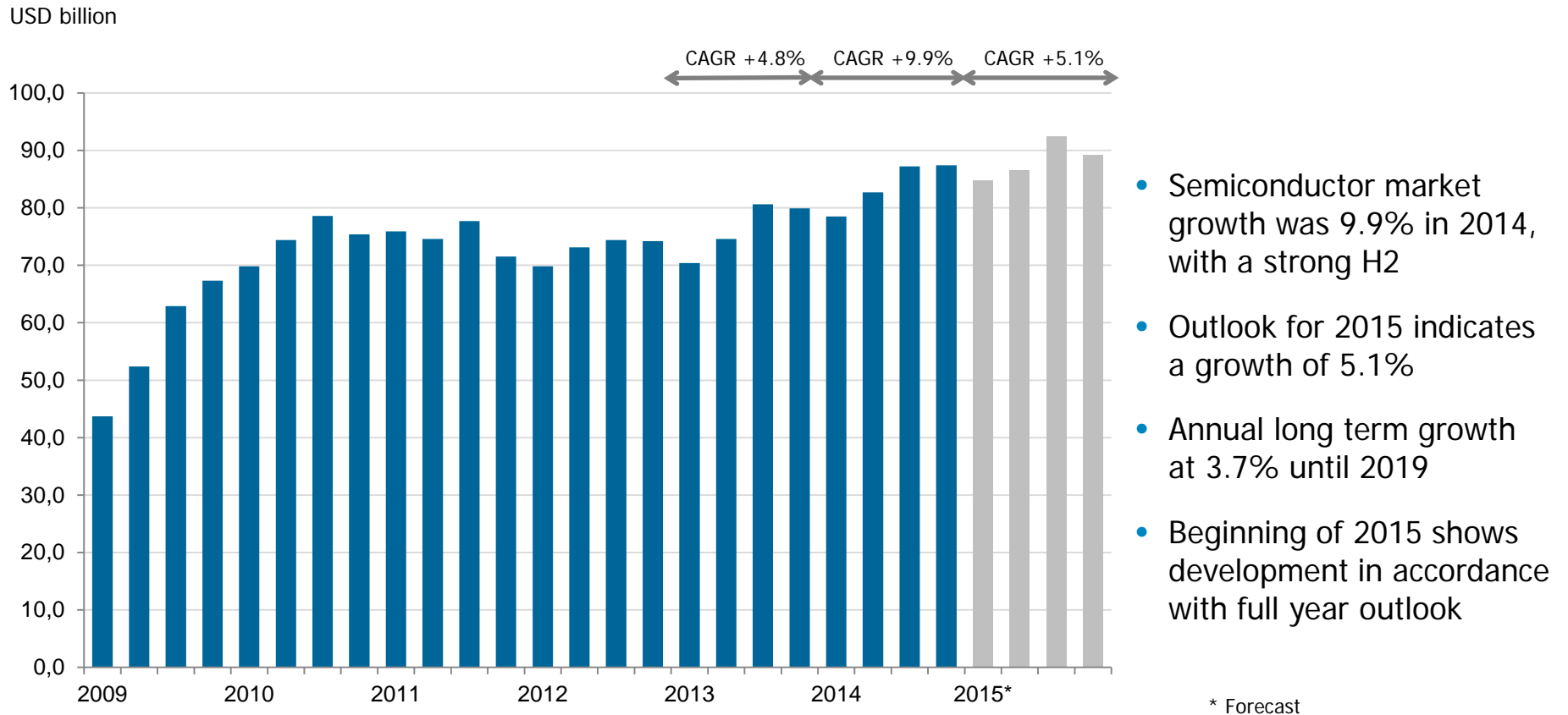


- Electronics systems market grew 3.5% in 2014 to 1,746 BUSD
  - automotive +8%
  - communication +7%
- Electronics systems growth forecasted at 3.5% for 2015
- Long-term annual growth of 3.6% 2015-2019 expected

Source: Prismark, March 2015

f = forecast  
CAGR Compound Annual Growth Rate

# Semiconductor market development



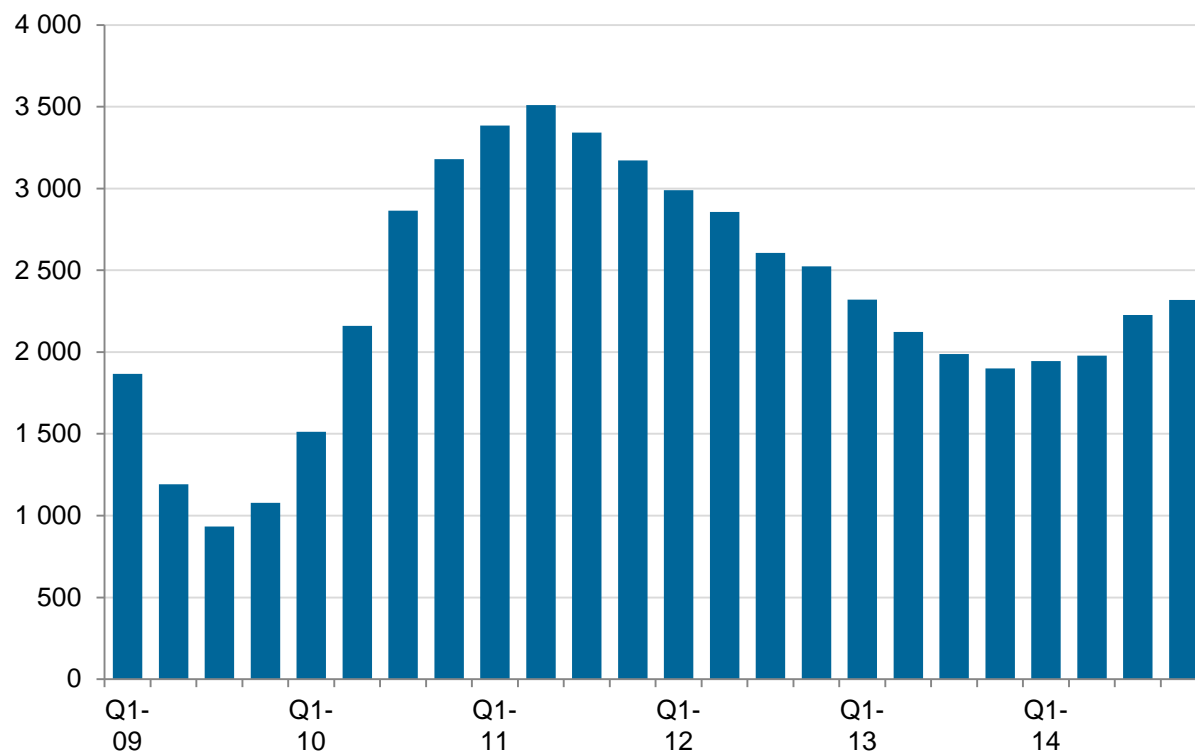
Source: Prismark, March 2015



# SMT equipment market development

## Rolling 4 quarters

Million USD



- Global SMT equipment market growth 22% in 2014
- Mycronic SMT order intake increased 27% in 2014
- Mycronic SMT order intake increased 38% in Q1 2015, compared to Q1 2014
- The SMT equipment market normally follows the semiconductor market with a delay of 2-3 quarters

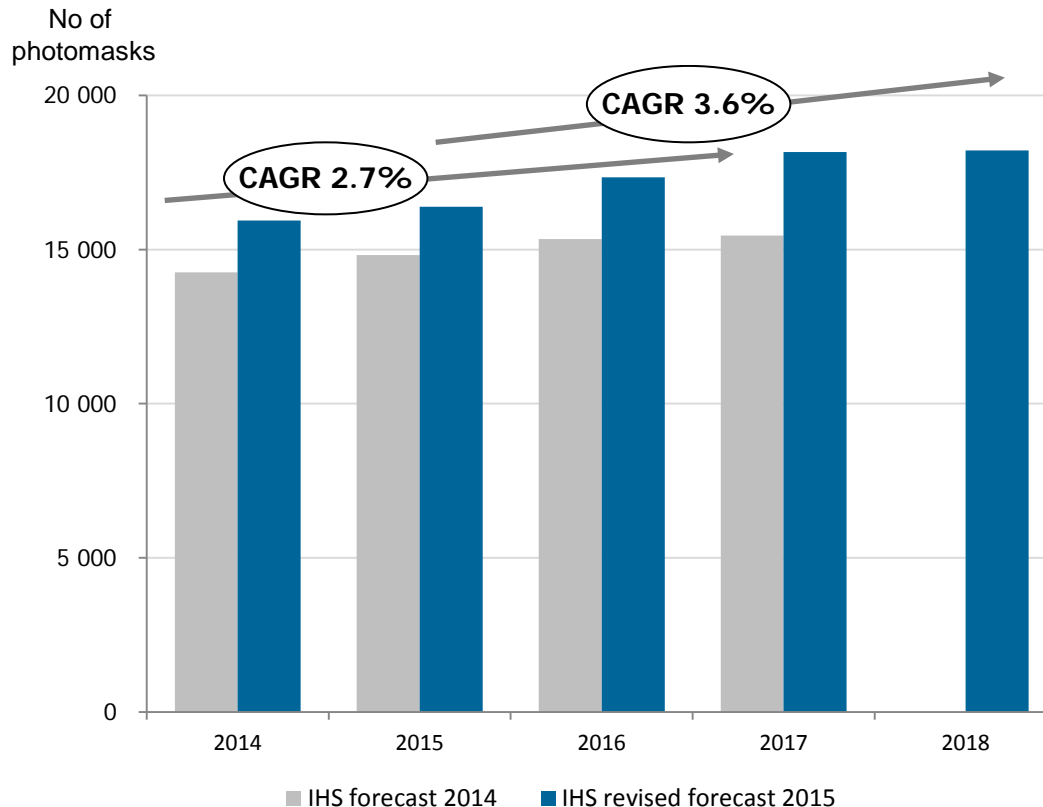
Source: PROTEC MDC, January, 2015



# Pattern Generators

# Photomask volumes increase

## Forecast upwards revised compared to 2014



- Photomask market better than expected 2014
  - Volumes judged to be 10 % higher than initially forecasted
- Photomask volumes expected to grow 3,6% yearly in 2015-2018
  - Slightly better growth than previous forecast
- Growing volumes will continue to improve the photomask market
  - High utilization
  - Photomask prices continued stabilizing
  - Photomask makers profitable

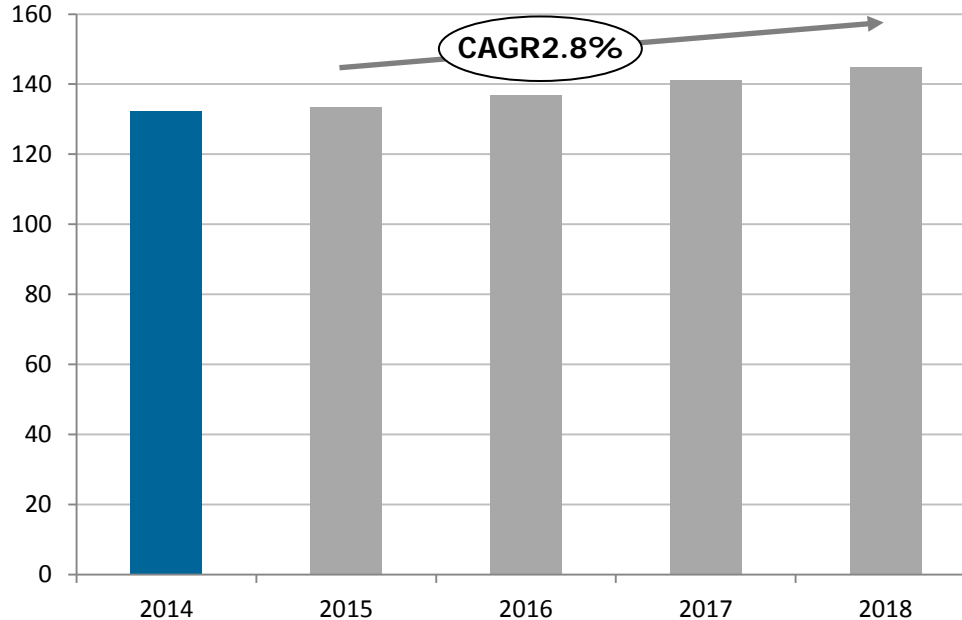
Source: IHS, April, 2015  
IHS acquired DisplaySearch in Q4, 2014

# Display revenue forecast

## Moderate growth expected

Forecast of total display market 2015-2018

Billion USD

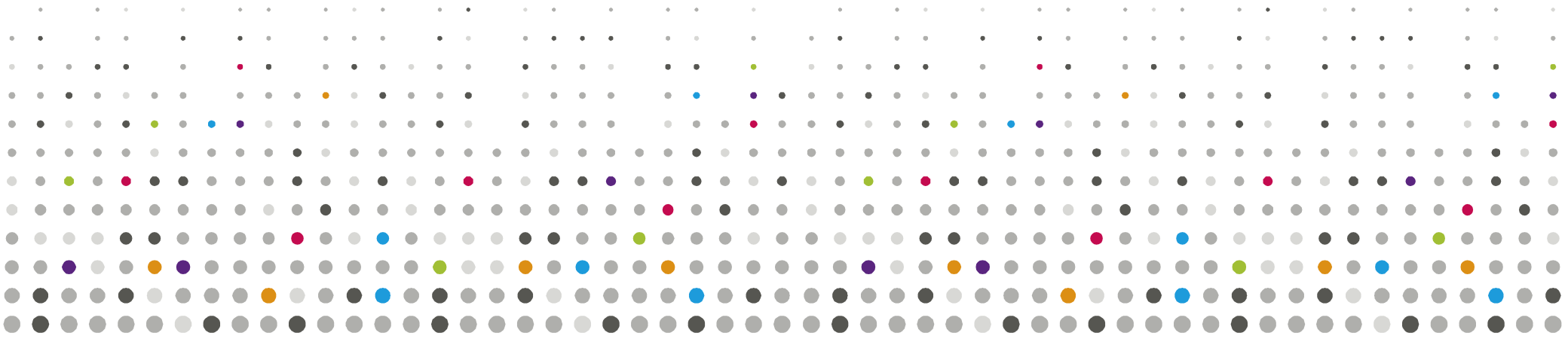


Source: IHS, April, 2015  
IHS acquired DisplaySearch in Q4, 2014

- Market growth primarily driven by
  - Advanced displays for smartphones
  - Advanced TV displays
  - Displays used in more and more products
    - In many cases used as a product differentiator

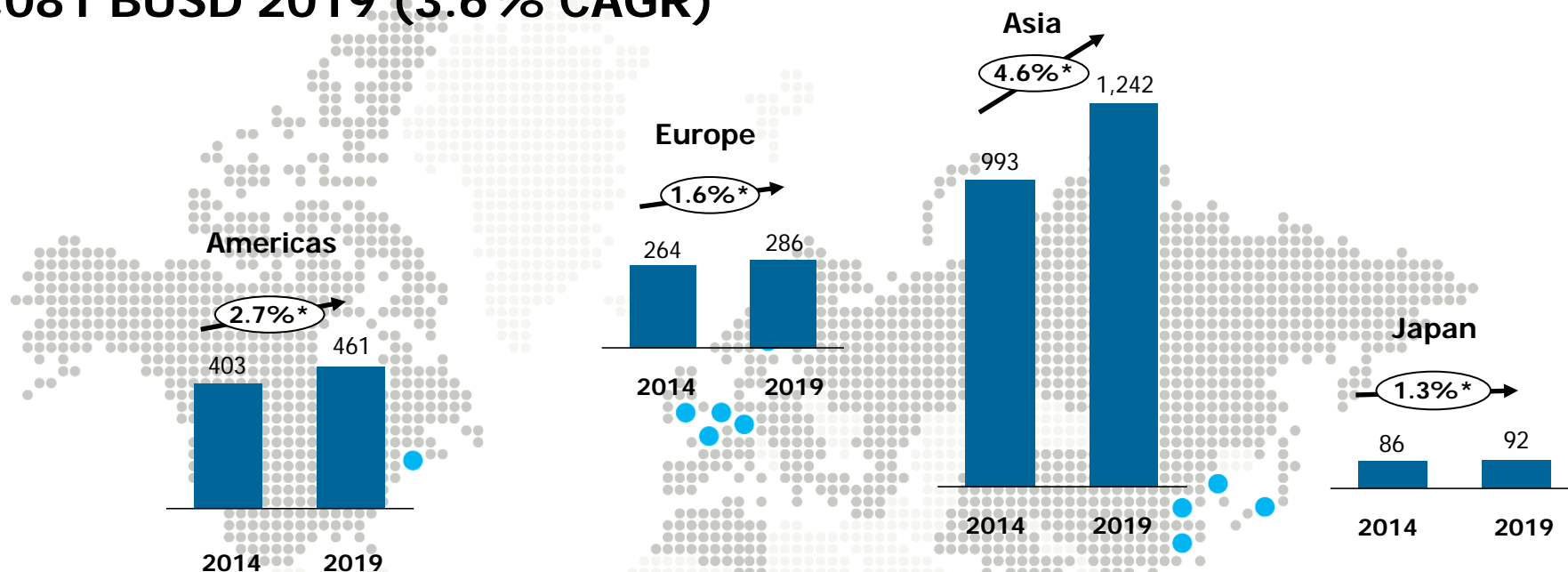
# Electronics industry trends, an update

Niklas Edling, Sr VP



# Electronics industry production forecast

2,081 BUSD 2019 (3.6% CAGR)

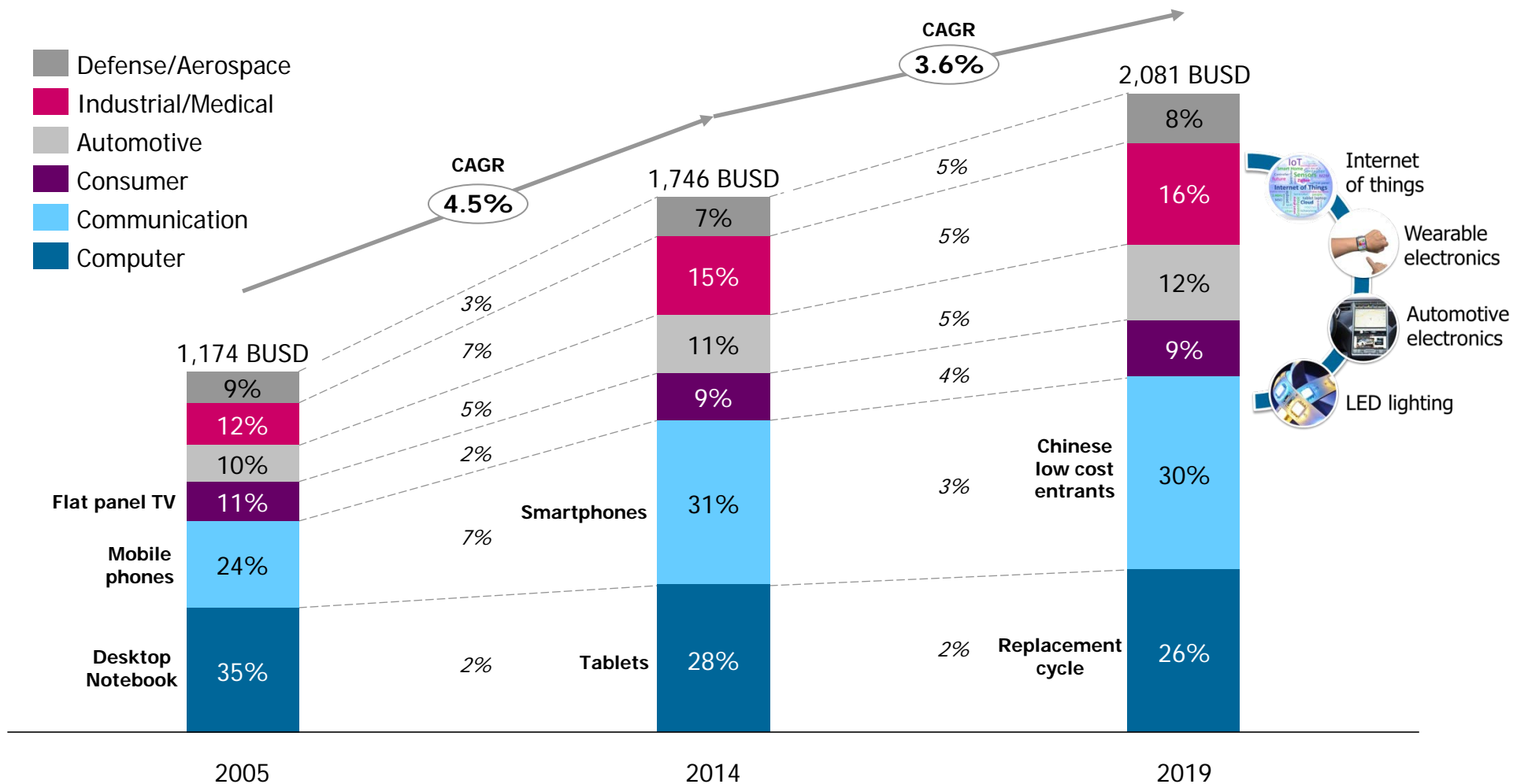


- The largest industry growth forecasted in Asia
- Growth rates in Americas and Europe lower than Asia, but electronics industry still play an important role in these regions

Source: Prismark April 2015

\* CAGR

# Future prospects for growth

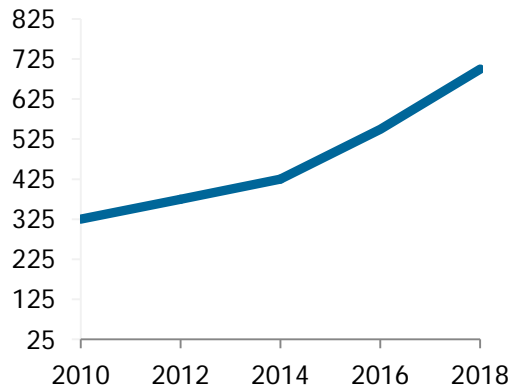


Source: Prismark April 2015

# Display Trends

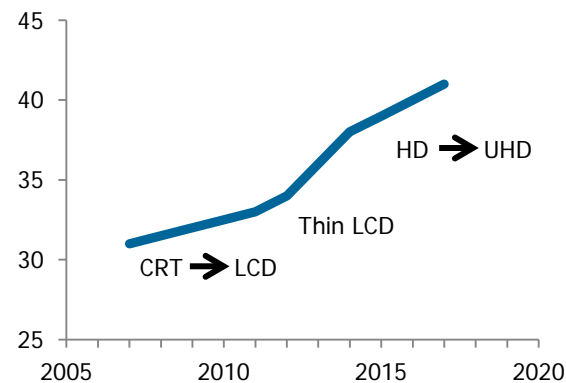
## High resolution

PPI development for high end smartphones



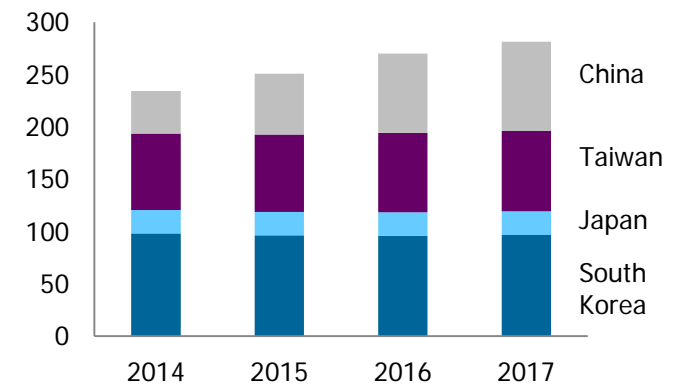
## TV size

Average TV display size development  
Inch



## China growth

Display manufacturing capacity  
Million Sqm



Source: DisplaySearch, 2014

Drivers for photomask demand:

**R&D, number of models & number of production lines**



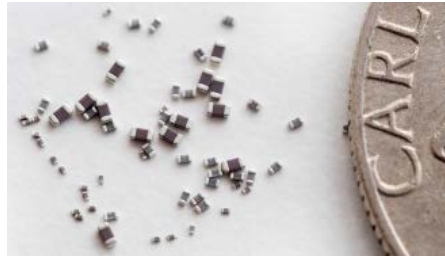
# SMT trends

## Decreasing cost



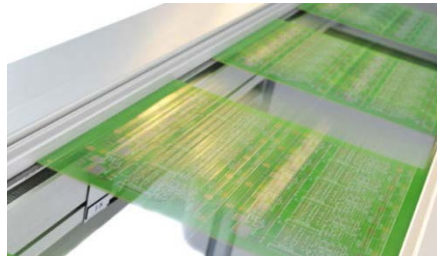
- Cost per placement
- Higher speed lines
- Higher utilization
- Higher quality

## Functionality & Miniaturization



- Higher accuracy
- New packaging needs
- 'Broad band' PCBs

## Build to order



- Higher mix and shorter batches and increased New Product Introductions (NPI)
- Logistics and material handling

## Maturing Chinese market



- Asia will account for 90%\* of SMT PCBA value growth (Printed Circuit Board Assembly)
- 40%\* will come from industrial, automotive, defense & infrastructure

*\*Source: Prismark, March 2015*

Increasing requirements across all dimensions:  
**Speed, quality, accuracy & flexibility**

When passion meets innovation ●