


Zürich, March 11th 2014

TECAN

Full Year Results 2013

Analyst & Media Conference

 

Speakers

Dr. David Martyr, CEO

Dr. Rudolf Eugster, CFO

Agenda

• Introduction	Dr. David Martyr
• Financial Results	Dr. Rudolf Eugster
• Priorities	Dr. David Martyr
• Outlook & Summary	Dr. David Martyr
• Questions & Answers	

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Financial Performance 2013

- Financial objectives set at start of the year only partly met
- Sales growth of +0.1% in local currencies below original expectations
  - One clear cause: lower Life Sciences Business instrument sales in established markets in tough market environment
  - Continued solid growth in Partnering Business, despite faster than anticipated phase out of products
  - Double-digit growth in both segments in China and in consumables business
- Profitability target achieved
  - EBIT margin improved by 60 basis points
  - Net profit margin increased by 100 basis points
- Improved cash flow from operating activities

Operational Highlights 2013

- Important progress in the implementation of strategic priorities
- Dako Omnis development (P16) concluded
  - Instrument successfully launched by partner Dako in September 2013
- Good progress in other development programs with launch of ORTHO Vision™ (P14) in Partnering Business and next generation liquid handling platform in Life Sciences Business expected in 2014
- Strengthening of management team with three new members of the Management Board and additional targeted appointments at different levels of organization and in regions


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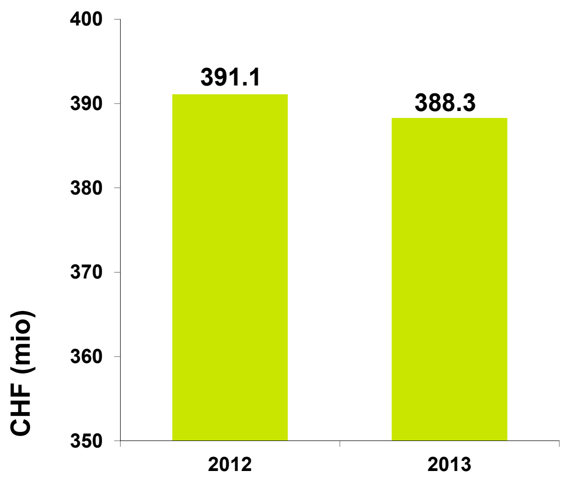
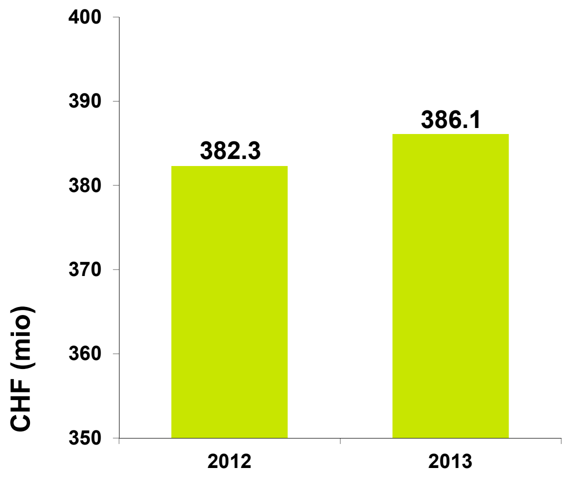
2013 Sales Performance and Order Entry

Sales FY 2013



Order Entry FY 2013



- Sales FY 2013 vs. FY 2012
  - -0.7% in Swiss Francs
  - +0.1% in local currencies
- Sales H2 2013 vs. H2 2012
  - -1.1% in Swiss Francs
  - +0.8% in local currencies
- Order Entry FY 2013 vs. FY 2012
  - +1.0% in Swiss Francs
  - +1.9% in local currencies
- Order Entry H2 2013 vs. H2 2012
  - -2.9% in Swiss Francs
  - -1.0% in local currencies

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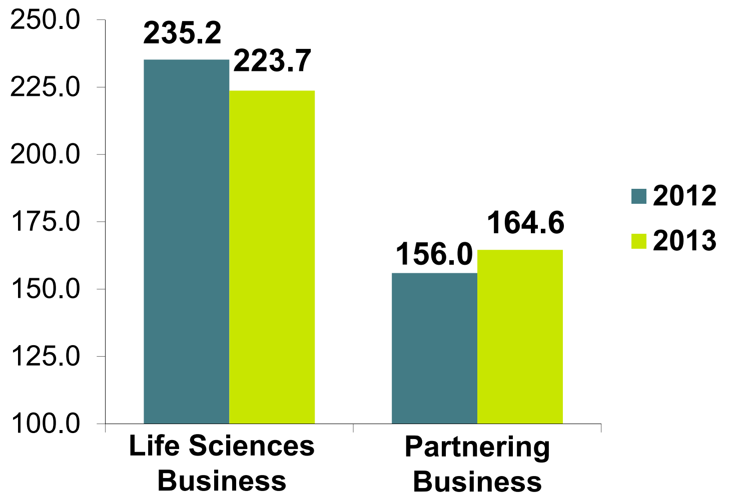
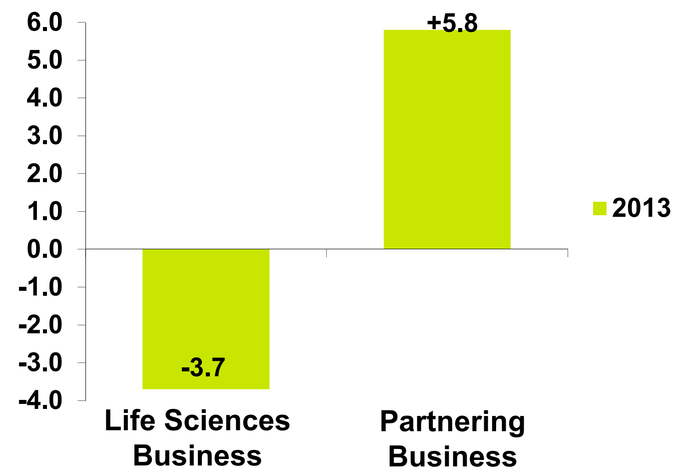
2013 Segment Sales

Sales (in CHF millions)

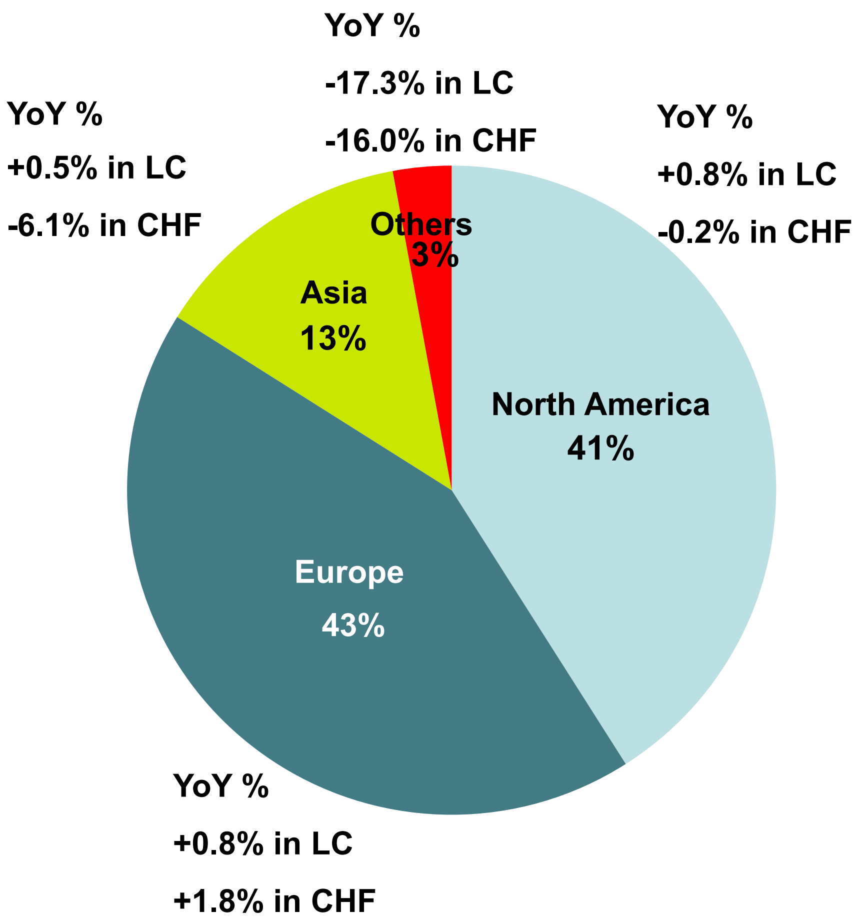


Sales in local currency (change in %)



- **Life Sciences Business:**
  - FY 2013: Sales 4.9% below prior-year in CHF and 3.7% lower in local currencies
  - Decline largely due to fewer instruments sold in established markets
  - Sales in China and of consumables recorded strong growth
  - Order Entry also down, but exceeded sales
  - H2 2013: Sales down by 6.1% in CHF and 3.8% lower in local currencies
- **Partnering Business:**
  - FY 2013: Sales up by 5.5% in CHF and 5.8% in local currencies
  - Strong growth in Services & Consumables, good performance in Components, instruments only slightly down
  - Order Entry also saw good growth
  - H2 2013: Sales accelerated further and increased by 7.8% in CHF and 8.9% in local currencies

2013 Regional Sales Development



- Europe: growth in the Partnering Business accelerated further in the second half, driven by instrument deliveries to Dako; lower Life Sciences Business sales due to continuing challenging economic situation
- North America: Partnering Business increased, driven by the components business; Life Sciences Business sales below the prior-year as public budget cuts and the government shutdown in October had a negative impact
- Asia: both segments recorded clearly double-digit sales growth in China; declining Life Sciences Business sales in Japan and Asia-Pacific

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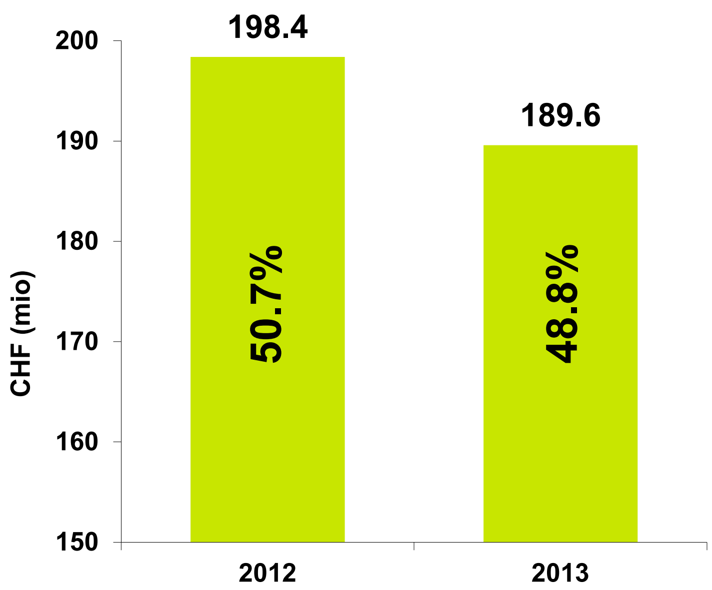
FY 2013 Gross Profit

Gross Profit (% = as a % of sales)



- Gross profit decreased to CHF 189.6m
  - CHF 8.8m or 4.5% below 2012
- Gross profit margin at 48.8%
  - Product mix impact: more sales from Partnering Business and Services & Consumables with lower GP margins and less sales from higher margin Life Sciences Business instruments
  - Slight price increases
  - Less costs of OEM development programs offset by medical device tax and higher non-standard cost of sales

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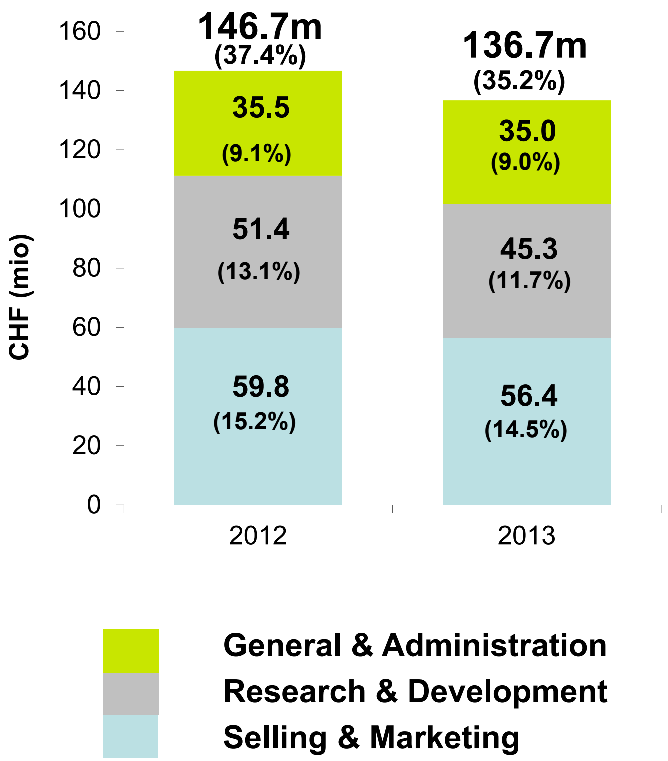
FY 2013 Cost Structure

Operating Expenses (% = as a % of sales)



- Costs decreased by CHF 10.0m (-6.8%)
  - Selling & Marketing
    - Less costs, despite increased investments in sales organization (especially in China)
  - Research & Development
    - Net R&D decreased by 11.8% to CHF 45.3m
    - Net R&D expenses down to 11.7% of sales
    - Gross R&D investments decreased by 9.2% to CHF 104.1m (2012: CHF 114.6m),
    - Gross R&D includes CHF 51.2m for OEM partners and CHF 10.2m capitalized R&D costs (2012: CHF 4.0m)
  - General & Administration
    - Decreased by 1.6% with less cost on corporate level

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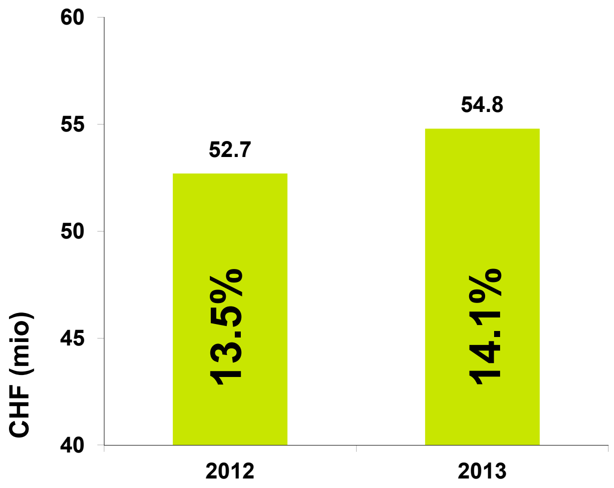
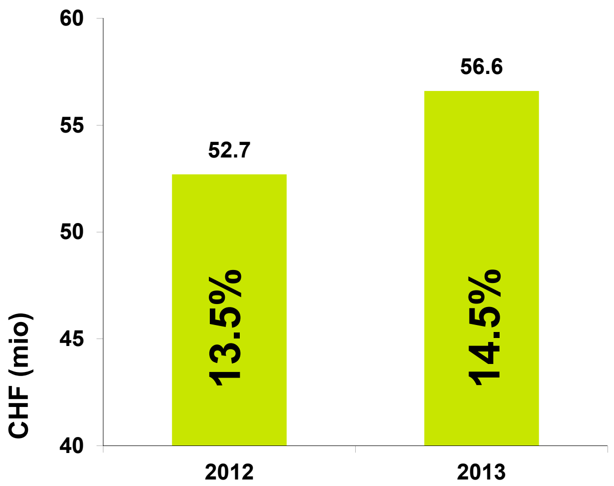
FY 2013 EBIT

EBIT (% = as a % of sales)



EBIT 2013 at 2012 constant currencies



- EBIT increased to CHF 54.8m
  - CHF 2.1m or 4.0% above 2012
- EBIT margin at 14.1%
  - 60 basis points higher, fulfilling target of improvement of "around 50 basis points"
  - Main effects impacting the EBIT margin:
    - (-) GP margin 190 bps lower
    - (+) Expenses 250 bps better
  - At 2012 constant exchange rates EBIT margin reached 14.5% of sales

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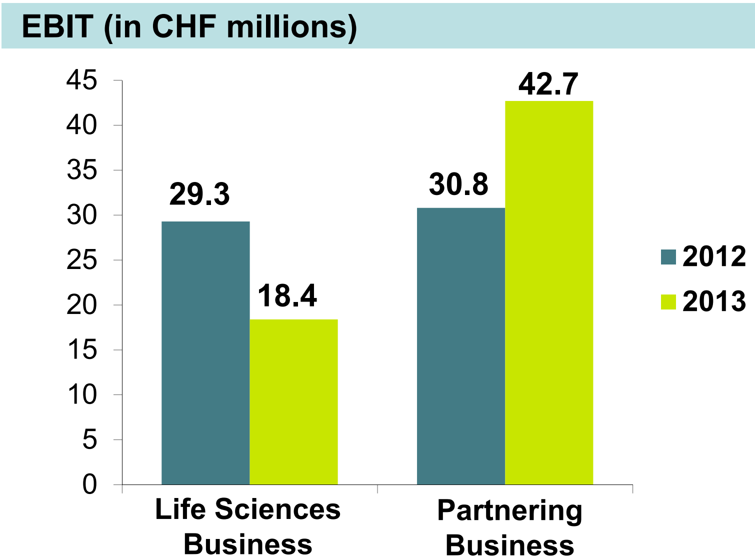
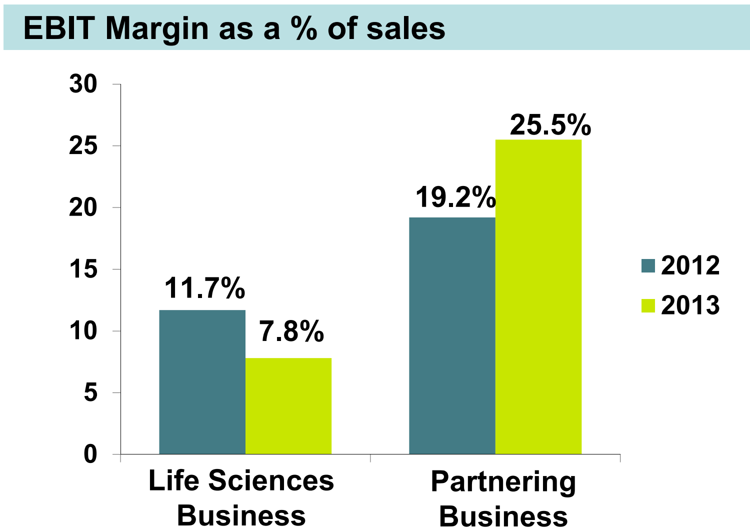
FY 2013 Segment Profitability

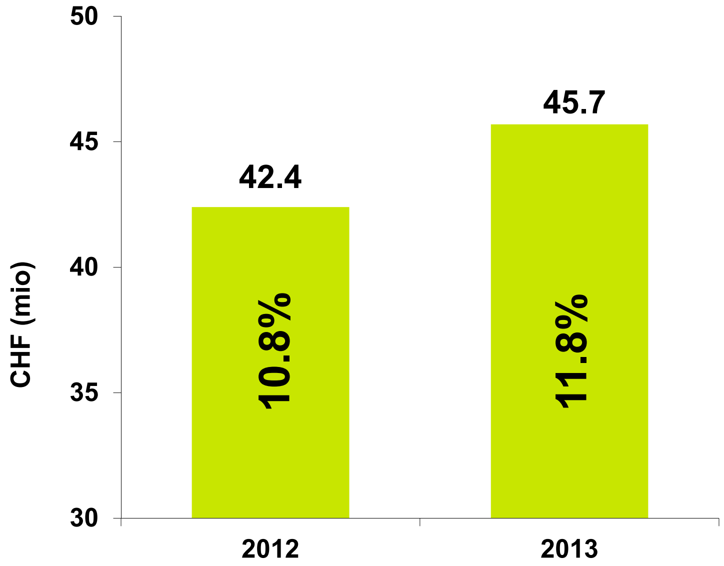




- **Life Sciences Business:**
  - EBIT down by 37% to CHF 18.4m
  - EBIT margin decreased to 7.8%
    - Significant negative volume and mix effect
    - Reduced R&D expenses, but negative FX and Medical Device Tax effect
- **Partnering Business:**
  - EBIT increased by 39% to CHF 42.7m
  - EBIT margin increased to 25.5% due to
    - Higher volumes
    - Lower engineering costs from development program and reversal of bad debt accrual

FY 2013 Net Profit

Net Profit (% = as a % of sales)



- Net profit of CHF 45.7m
  - CHF 3.3m or 7.8% above 2012
  - Positive effects below EBIT line: improved financial result and lower tax rate
- Net profit margin reached 11.8%
- Tax rate at 17.7% (2012: 19.6%)

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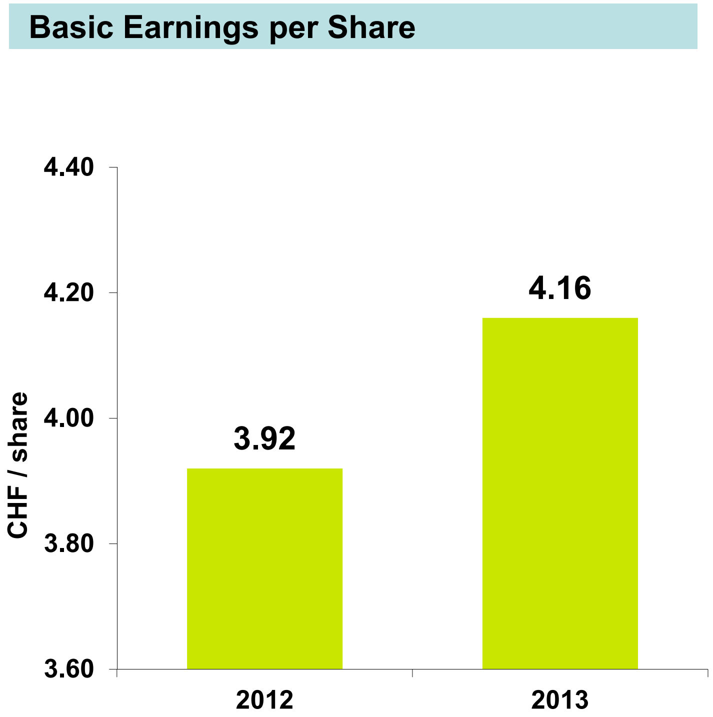
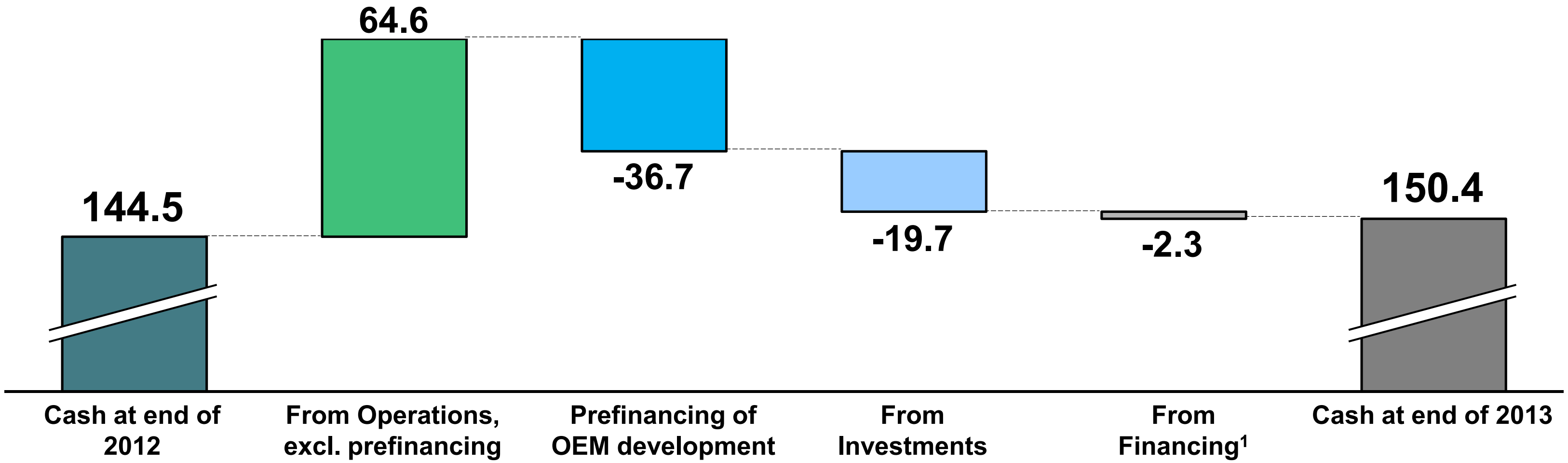
FY 2013 Basic Earnings per Share



- Earnings per share increased by 6.1% to CHF 4.16
- Average number of shares at 11.0m (2012: 10.8m)
- Unchanged dividend of CHF 1.50 per share proposed

FY 2013 Cash Flow



- Cash flow from operations increased to CHF 27.9m (2012: CHF 2.4m)
  - Excluding prefinancing of CHF 36.7m for OEM development project, cash flow from operations reached CHF 64.6m
- Net working capital excluding pre-financing of OEM development stable
  - Days Sales Outstanding at 51 days (2012: 56)
- Investments of CHF 19.7m (2012: CHF 13.3m), exceed CHF 10.3m for amortization & depreciation (2012: CHF 10.3m)
- Cash flow from financing activities includes dividend payments of CHF 16.5m and proceeds of CHF 10.8m from sales of treasury shares (mainly due to exercise of options)
- Net liquidity[2] increased to CHF 143.4m (Dec. 31, 2012: CHF 141.3m)

[1] Includes translation differences of CHF -0.1m

[2] Net Liquidity = cash and cash equivalents minus bank liabilities and loans

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FY 2013 Key Figures

CHF m	2012	2013	Δ 12/13
Sales	391.1	388.3	-0.7%
Sales in local currencies	387.8	388.3	+0.1%
Gross Profit	198.4	189.6	-4.5%
in % of sales	50.7%	48.8%	
R&D	51.4	45.3	-11.8%
in % of sales	13.1%	11.7%	
OPEX	146.7	136.7	-6.8%
in % of sales	37.4%	35.2%	
Operating profit / EBIT	52.7	54.8	+4.0%
in % of sales	13.5%	14.1%	
EBIT at 2012 constant currencies	52.7	56.6	+7.4%
In % of sales	13.5%	14.5%	
Net profit	42.4	45.7	+7.8%
in % of sales	10.8%	11.8%	
EPS	3.92	4.16	+6.1%
Return on net assets (RONA)	42%	32%	-23.8%
Net Added Value Index (1)	1.38	1.38	0.0%
Net liquidity December 31 (2)	141.3	143.4	+1.5%
Working capital (3)	122.9	159.5	+29.8%
Equity	293.6	336.2	+11.0%
Cash Flow (operating)	2.4	27.9	+1062.5%

(1) Net Added Value Index (NAVI) = (EBIT +personnel expenses)/personnel expenses
(2) Net Liquidity = cash and cash equivalents minus bank liabilities and loans
(3) Includes customer-specific development costs capitalized of CHF 110.4m as of Dec, 31, 2013 (Dec, 31, 2012: CHF 73.7m)

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Review of Priorities 2013

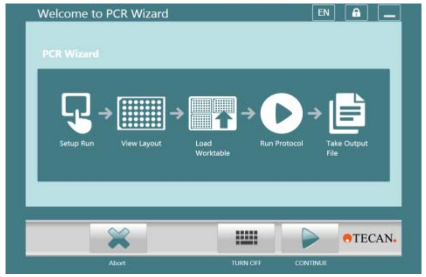
Commence instrument shipments for Dako Omnis (P16)	• Development successfully completed • Instrument launched in September; very positive end-user feedback
Commence instrument shipments for Ortho Vision (P14)	• Large batch of instruments for validation was supplied to partner in October • Preparations for series production and market launch started
Increase sales momentum in China	• Sales again increased with a clear double-digit growth rate • Sales exceeded CHF 25m (2012: >20m)
Improving the innovation process	• Ongoing changes to processes and adjustments within R&D organization • On track to launch next generation liquid handling platform in 2014
Continue to drive components business	• Posted solid sales growth; refined strategy • Strong growth in Next Gen Sequencing and increased footprint in China

Priorities for 2014

- Focus on driving growth in Life Sciences Business, especially in Europe and North America
- Supporting Partnering Business customers with delivery ramp-up (Dako Omnis and Ortho Vision)
- Continue to focus on building out China (Life Sciences Business and Partnering Business)
- Improving operational excellence and reducing manufacturing costs (COGS)
- Driving appropriate, thoughtful M&A as catalyst to core business and to support evolution into solutions

Driving Growth in the Life Sciences Business

- Improved economic and market environment in Europe and North America
- Recent and upcoming product introductions
  - Several new products with focus on improved user-friendliness launched early 2014
  - High-throughput ELISA workstation
  - AC Extraction plate: fast, convenient, pipette and shake sample preparation for Mass Spectrometry
  - Launch of next generation liquid handling platform focused on specific applications starting in 2014
- Strengthening the organization
  - Key regional hirings with extensive industry-specific experience
  - Expanding market coverage by rebalancing ratio of back-office / field functions



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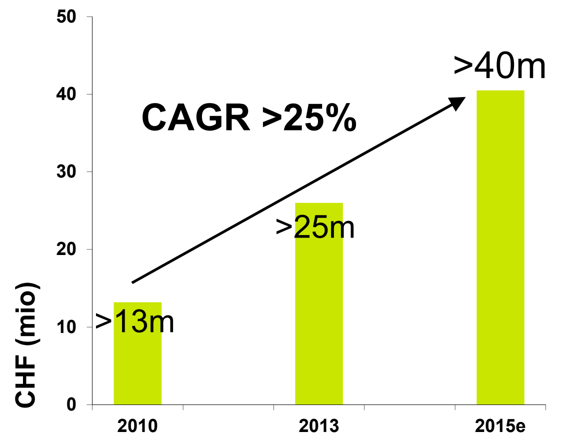
Partnering Business Delivery Ramp-up

- Partner Dako (an Agilent Technologies Company) successfully launched the Dako Omnis in 09/2013
  - Considerably higher production volumes of instrument expected in 2014 compared to 2013
- ORTHO Vision™ instrument will be launched by partner Ortho Clinical Diagnostics into several regional markets during 2014
  - Continued development of platform extension ORTHO Vision™ Max
- Tecan to ramp up serial production in support of phased regional product launches
- Close interaction between partners' support & complaint handling and Tecan expertline
- Continued close cooperation between R&D teams

Continue to Focus on Building out China

- Sales expected to continue to grow with a CAGR of around 25% to reach over CHF 40m by 2015
- Strengthened leadership and continuing to add "feet on the street"
- Expanding regional market coverage, dealer channels and service capabilities
- Added focus on Partnering Business sales
- High-throughput ELISA workstation, well suited to Chinese market

Sales Development in China



Improving Operational Excellence

- A multi-year project to reduce manufacturing costs (COGS) was launched at the start of 2014
- The biggest potential is lowering material costs
- Improved supply chain management and sourcing are key factors to develop profitability further
- Increased sourcing from around the world through supplier relocation and consolidation
- Freight cost optimization
- Additional longer-term benefits to be realized with the start of new product development programs
    - Building modular, flexible platforms
    - Increased re-use of common modules

Driving Appropriate, Thoughtful M&A

- M&A is a key element of the corporate strategy
- Team and approach
  - New experienced Corporate Development team with range of skills (scientific background, deep industry knowledge, finance expertise, project management)
  - Corporate strategy to define areas of focus
  - Active identification of targets, build-up of target funnel and cultivation of targets
  - Disciplined approach on valuation
  - Early involvement of key functions to ensure successful integration
- Areas of focus
  - Catalyst to core business and to support evolution into solutions
  - Ideally high consumables/reagents content, focusing on niches where Tecan is advantaged owner
  - Also interested in bolt-ons to expand addressable market

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Outlook for 2014

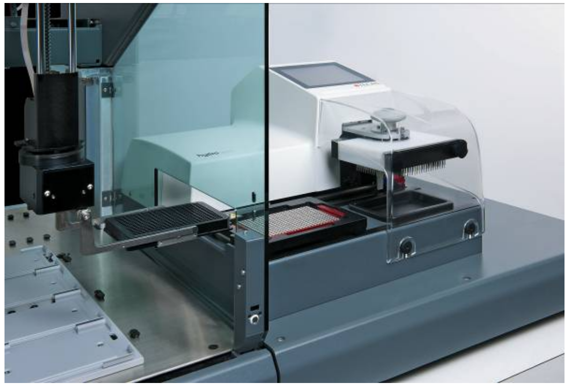
Sales

At least mid single-digit sales growth in local currencies

Profitability

Further increase of EBIT Margin by around 50 bps

Based on average FX rates of: 1.21 EUR/CHF and 0.92 USD/CHF



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Medium-Term Targets for 2015

Sales of around CHF 475 million at current currencies and increased profitability

- Updated objective reflecting negative FX impact since March 2013 (estimated CHF 15 million) and 2013 business results
- Actual rates in 2015 may differ and therefore can have a negative or positive effect
- Major growth drivers are intact, significant growth step expected in 2015 (P14)

≈ CHF 475m

LSB Core Business
New PB OEM Agreements
Services & Consumables
Components
China
P14 / ORTHO VISION™ platform
P16 / Dako Omnis

CHF 388m
2013

2015e

Summary and Conclusion

- Financial objectives for 2013 only partly met
- Topline below original expectations, profitability target achieved
- Good progress in development programs
- Strengthened organization
- Refined strategy in place, including focus on M&A
- Major organic growth drivers for medium-term targets are intact
- Strong balance sheet and key financial ratios
- Unchanged dividend proposed

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Next Events

2014:

March 25:	Publication of full Annual Report 2013
April 14:	Annual Shareholder Meeting
August 13:	Half Year Results 2014

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