



Zürich, August 13<sup>th</sup> 2014



# Half Year Results 2014

## Analyst & Media Conference Call



## Speakers



Dr. David Martyr, CEO

Dr. Rudolf Eugster, CFO

# Agenda

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

# Financial Performance H1 2014

- Mixed financial results in the first half of 2014
  - Strong recovery in Life Sciences Business with good start in established markets
  - Disappointing sales in Partnering Business, mostly due to delays in order placement from two large customer accounts for unrelated reasons
- Good growth in Order Entry; at double-digit rate in Life Sciences Business
- Order Backlog at highest level in at least the last five years
- Increased Gross Profit and EBIT margin
- Improved Net Profit and EPS



# Operating Highlights H1 2014

- Important progress in our development programs
- Particular highlight: launch of the Fluent™ laboratory automation family, Tecan's next generation liquid handling platform
- Sales and delivery ramp-up of Dako Omnis (P16) in H1 2014 as expected
- ORTHO Vision™ (P14) continues in validation, first series instruments delivered to customer in recent weeks; continued development of second instrument variant ORTHO Vision™ Max
- Acquisition of IBL International, a leading immunoassay company, to offer integrated solutions for specialty diagnostics

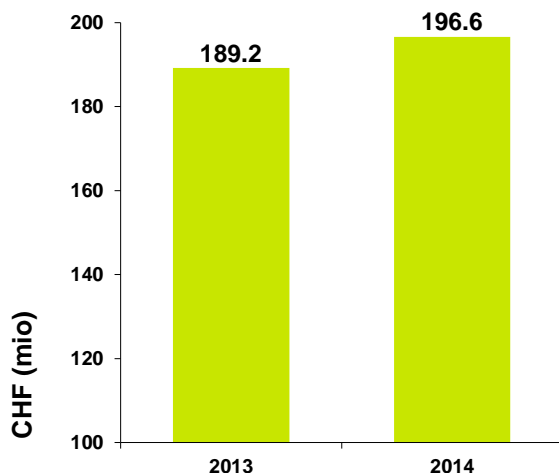


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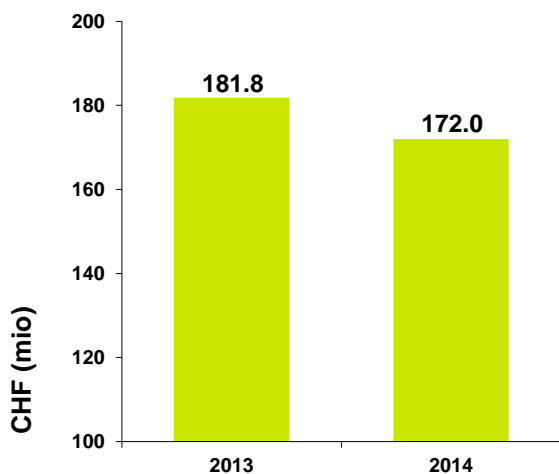
# H1 2014 Order Entry and Sales Performance

## Order Entry



- Order Entry H1 2014 vs. H1 2013
  - +6.8% in local currencies
  - +3.9% in Swiss Francs
  - Order Backlog with double-digit increase

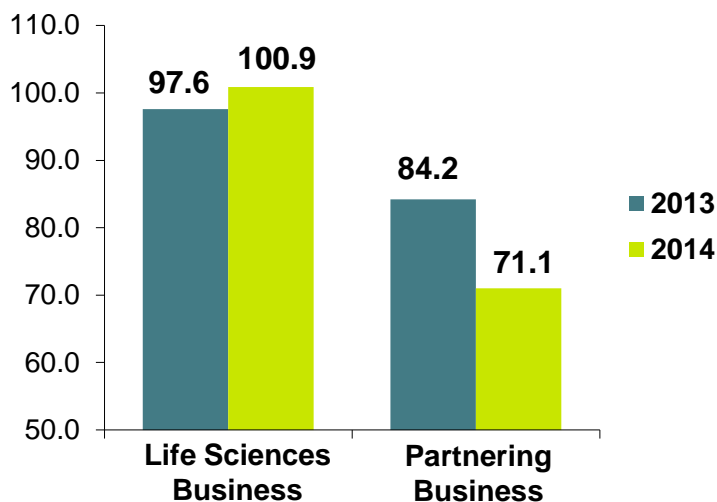
## Sales



- Sales H1 2014 vs. H1 2013
  - -2.7% in local currencies
  - -5.4% in Swiss Francs

# H1 2014 Segment Sales

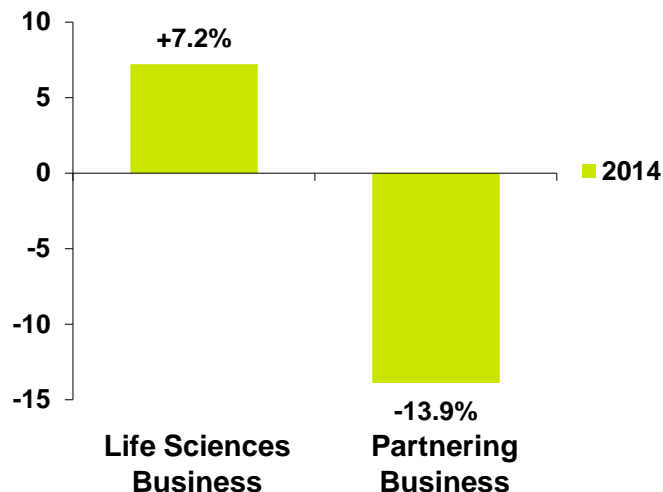
Sales (in CHF millions)



• **Life Sciences Business:**

- Sales up by 7.2% in local currencies and 3.4% in CHF
- Strong recovery in Europe and North America, markets most affected by austerity measures and budget cuts in 2013
- Sales of liquid handling platforms recorded double-digit growth
- Order Entry exceeded sales considerably; significant increase in Order Backlog

Sales in local currency (change in %)

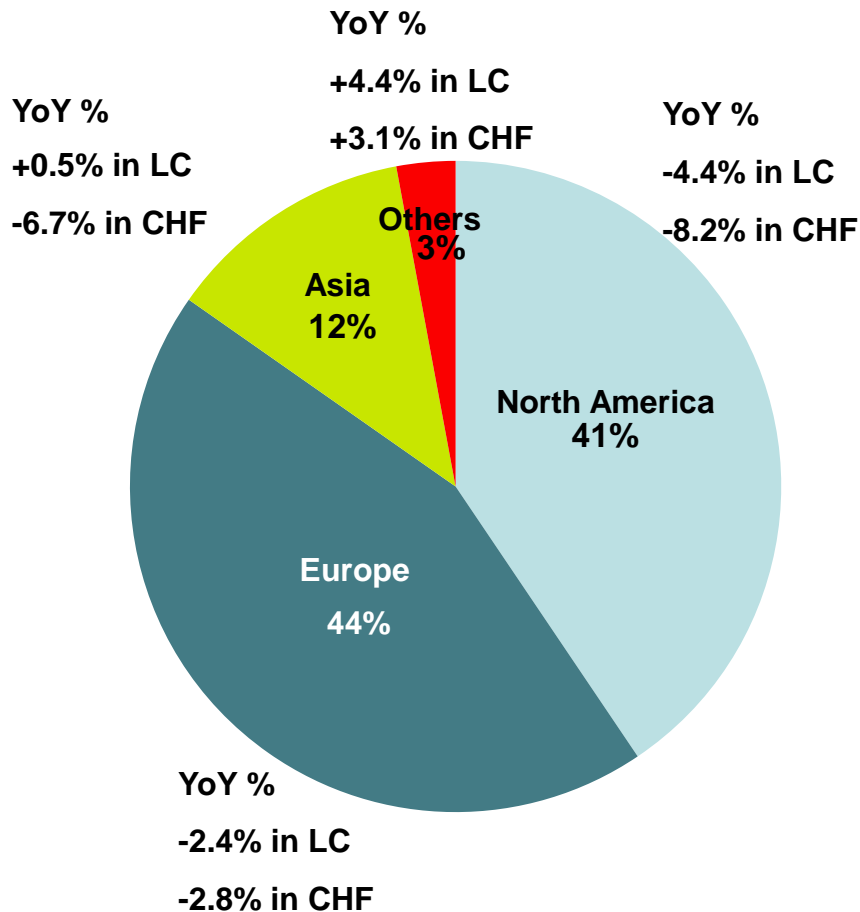


• **Partnering Business:**

- Sales 13.9% below prior-year in local currencies and 15.6% in CHF
- Instrument sales down due to the timing of orders from two large corporate customers
- Slowdown in Components sales versus tough comparison from H1 2013
- Slight increase in Order Entry; significantly higher Order Backlog



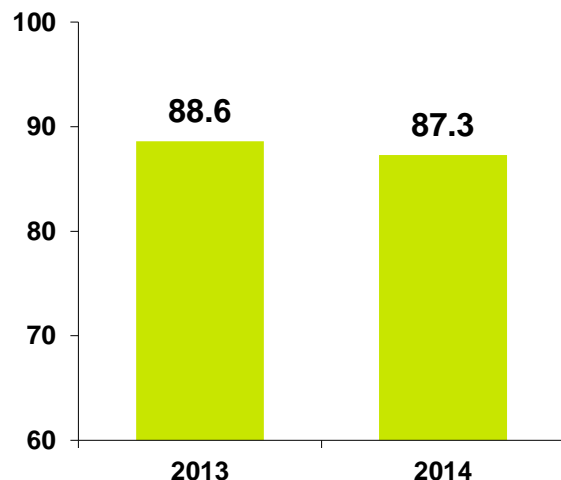
# H1 2014 Regional Sales Development



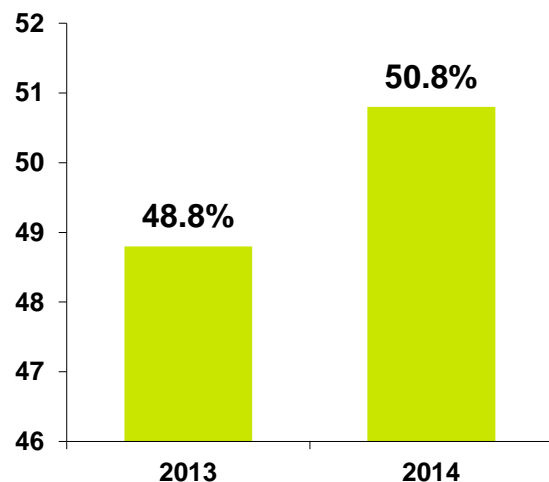
- Europe: **Life Sciences Business** recovered strongly, growing with a double-digit rate; **Partnering Business** declined due to delays in orders from two large corporate customers, despite ramp up from deliveries to Dako
- North America: **Life Sciences Business** with good sales growth in improved funding environment; **Partnering Business** declined with slowdown in Components sales
- Asia: China with delays in government tenders and in academic spending, as widely noted in the industry; drag to **Life Sciences Business** sales in Asia; strong performance of **Partnering Business** in China and Asia overall

# H1 2014 Gross Profit

## Gross Profit (in CHF millions)



## Gross Profit (as a % of sales)

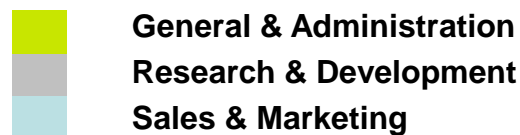
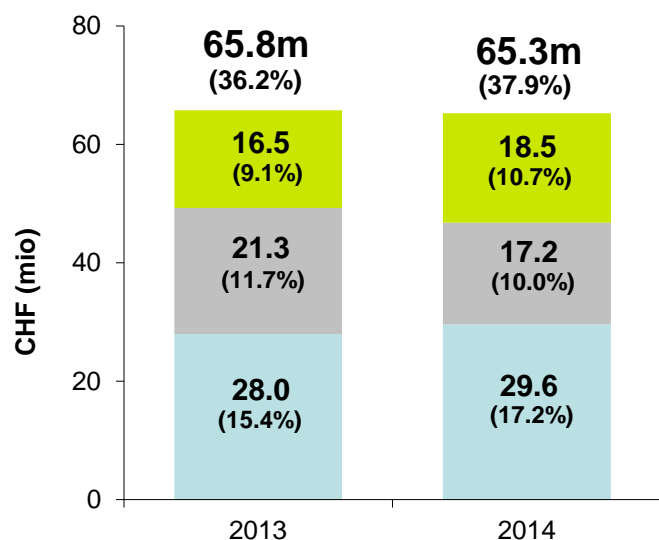


- Gross profit amounted to CHF 87.3m
  - CHF 1.3m or 1.5% below H1 2013
- Gross profit margin up by 200 bps
  - Material cost savings, less non-standard cost of sales and costs of OEM development programs
  - Positive product mix impact: more instrument sales from Life Sciences Business with higher gross profit margins
  - Partly offset by negative exchange rate impact and price decreases

# H1 2014 Cost Structure

Operating Expenses (% = as a % of sales)

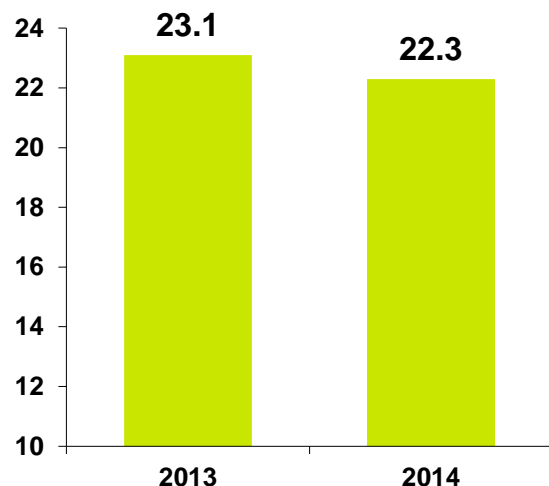
• Costs decreased by CHF 0.5m (-0.8%)



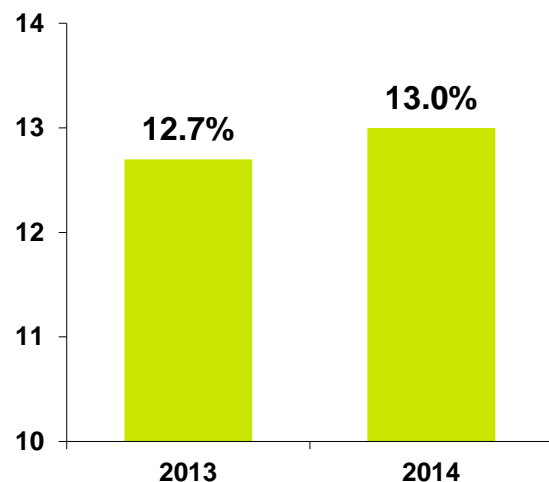
- Sales & Marketing up by 5.6%
  - Investments in sales organization (mainly China and US), marketing and product management to support product launches
- Research & Development
  - Net R&D decreased by 19.3% to CHF 17.2m
  - Net R&D expenses down to 10.0% of sales
  - Gross R&D investments decreased by 11.9% to CHF 47.6m (H1 2013: CHF 54.0m)
  - Gross R&D includes CHF 18.5m for OEM partners and CHF 12.7m gross capitalized R&D costs as projects near market launch (H1 2013: CHF 4.2m)
- G&A up by 12.0%
  - Higher cost on Corporate level, e.g. for Corporate Development activities

# H1 2014 EBIT

**EBIT (in CHF millions)**



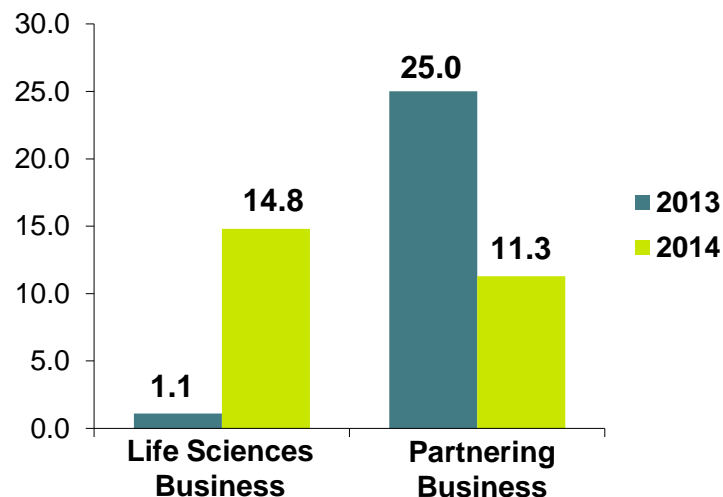
**EBIT (as a % of sales)**



- EBIT reached CHF 22.3m
  - CHF 0.8m or 3.5% below H1 2013
  
- EBIT margin at 13.0%
  - 30 basis points higher
  - Main effects impacting the EBIT margin:
    - (+) GP margin 200 bps better lower
    - (-) Expenses 170 bps higher
  
- At H1 2013 constant exchange rates
  - EBIT would have reached CHF 24.1m
  - EBIT margin would have stood at 13.6%

# H1 2014 Segment Profitability

EBIT (in CHF millions)



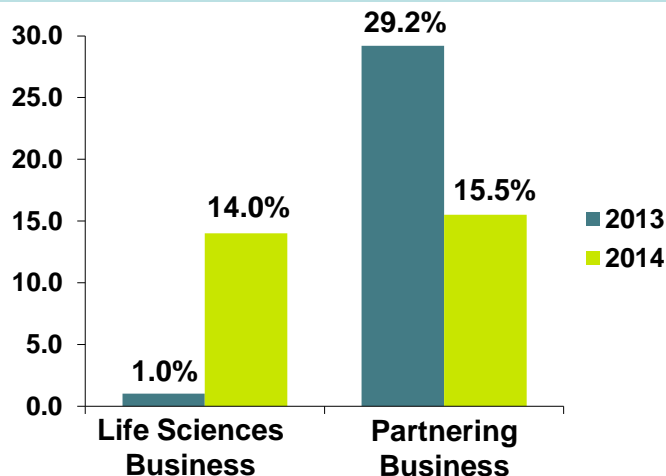
- **Life Sciences Business:**

- EBIT increased to CHF 14.8m
- EBIT margin grew to 14.0%
  - Significant positive volume effect
  - Reduced R&D expenses, but negative FX effect

- **Partnering Business:**

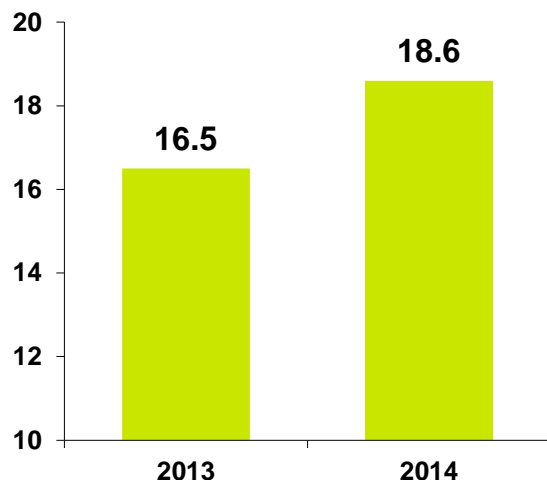
- EBIT down to CHF 11.3m
- EBIT margin decreased to 15.5%
  - Lower volumes
  - Higher operating expenses and negative mix effect

EBIT Margin as a % of sales

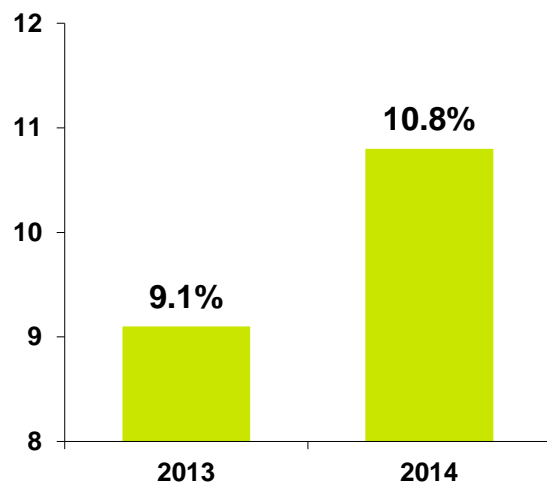


# H1 2014 Net Profit

**Net Profit (in CHF millions)**



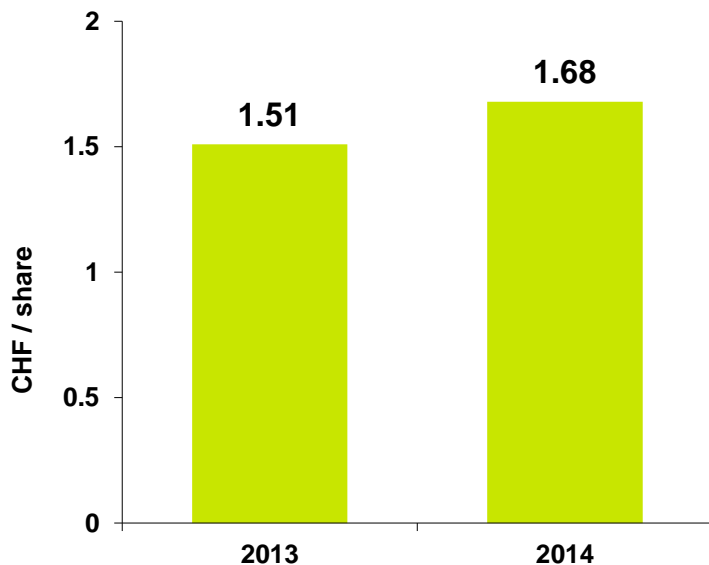
**Net Profit (as a % of sales)**



- Net profit of CHF 18.6m
  - CHF 2.1m or 12.8% above H1 2013
  - Positive effects below EBIT line: improved financial result and lower tax rate
- Net profit margin reached 10.8%
- Tax rate at 17.1% (H1 2013: 19.3%)

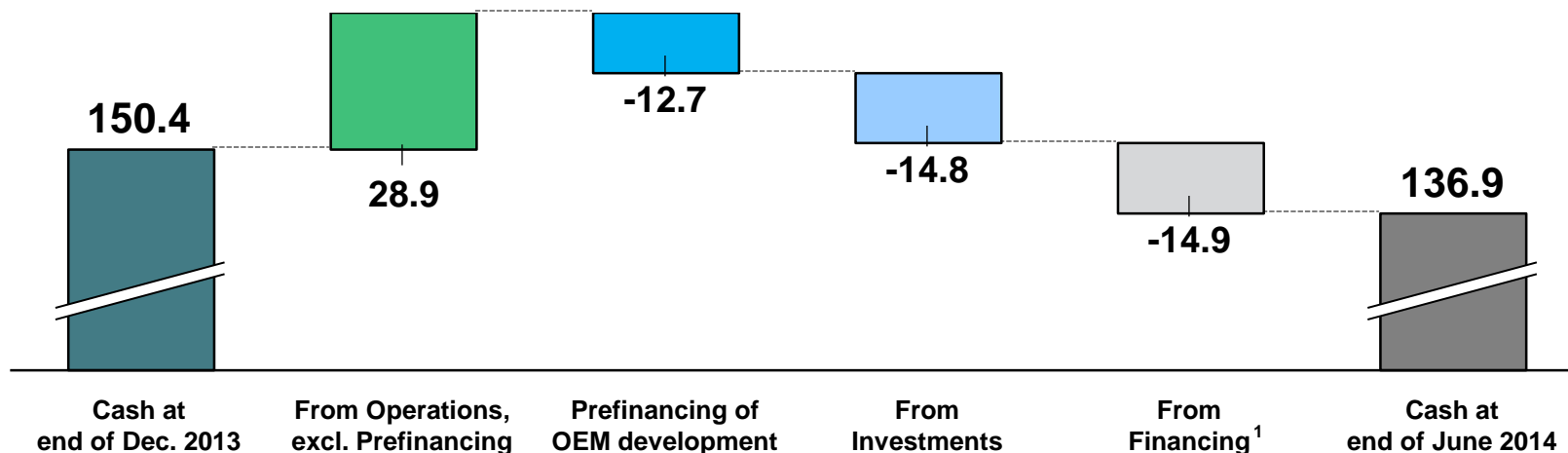
# H1 2014 Basic Earnings per Share

## Basic Earnings per Share



- Earnings per share increased by 11.3% to CHF 1.68
- Number of shares outstanding: 11.1m (June 30, 2013: 11.0m)

# H1 2014 Cash Flow



- Cash flow from operations of CHF 16.2m (H1 2013: CHF 5.5m)
  - Excluding prefinancing of CHF 12.7m for OEM development project, cash flow from operations reached CHF 28.9m (H1 2013: CHF 28.4m)
- Net working capital excluding pre-financing of OEM development decreased
  - Days Sales Outstanding at 54 days (June 30, 2013: 55)
- Investments of CHF 14.8m (H1 2013: CHF 6.9m) exceed CHF 4.5m for amortization & depreciation (H1 2013: CHF 5.2m)
- Cash flow from financing activities includes dividend payments of CHF 16.7m
- Net liquidity<sup>2</sup> amounted to CHF 130.0m (Dec. 31, 2013: CHF 143.4m; June 30, 2013: CHF 130.3m)

<sup>1</sup> Includes translation differences of CHF -0.11m

<sup>2</sup> Net Liquidity = cash and cash equivalents minus bank liabilities and loans



# H1 2013 Key Figures

CHF m	2013	2014	Δ 13/14
Order Entry	189.2	196.6	3.9%
Sales	181.8	172.0	-5.4%
Gross Profit	88.6	87.3	-1.5%
<i>in % of sales</i>	48.8%	50.8%	+200 bps
R&D	21.3	17.2	-19.3%
<i>in % of sales</i>	11.7%	10.0%	-170 bps
OPEX	65.8	65.3	-0.9%
<i>in % of sales</i>	36.2%	37.9%	+170 bps
Operating profit / EBIT	23.1	22.3	-3.5%
<i>in % of sales</i>	12.7%	13.0%	+30 bps
Net profit	16.5	18.6	12.8%
<i>in % of sales</i>	9.1%	10.8%	+170 bps
EPS	1.51	1.68	11.3%
Return on net assets (RONA)	28%	23%	-17.9%
Net liquidity June 30 <sup>(2)</sup>	130.3	130.0	-0.2%
Net liquidity December 31 <sup>(2)</sup>	143.4		
Net working capital <sup>(1)(3)</sup>	111.8	117.3	4.9%
Equity <sup>(1)</sup>	336.1	338.1	0.6%
Cash Flow (operating) <sup>(4)</sup>	5.5	16.2	194.1%
<p>(1) 2013 balance sheet figures are as of Dec. 31, 2013</p> <p>(2) Net liquidity = cash + cash equivalents minus bank liabilities and loans</p> <p>(3) Includes customer-specific development costs capitalized as part of the production costs of CHF 123.1m as of June 30, 2014 (June 2013: CHF 96.6m; Dec, 31, 2013: CHF 110.4m)</p> <p>(4) Includes prefinancing of CHF 12.7m for OEM development project (H1 2013: CHF 22.9m)</p>			

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- **Priorities & Outlook** Dr. David Martyr
- Questions & Answers

## 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

## Update: Driving Growth in the Life Sciences Business

- Launch of the Fluent™ Laboratory Automation Solution
- Tecan's next generation liquid handling platform family
- Unique concept built around application-specific needs of laboratories
- First Fluent solutions are designed to meet needs of strongly growing cell biology market
- Fluent provides high precision, superior throughput, more capacity, increased speed and extended walkaway time
- Test sites and assay partners have been impressed by Fluent's speed and capabilities
- Well received by end users and product shipments are expected within the coming weeks



## Update: Driving Appropriate, Thoughtful M&A

- Tecan acquired IBL International, based in Hamburg, Germany
- A leading immunoassay company for specialty diagnostics
- Subsegment of the immunoassay market not in competition with typical Partnering Business instrumentation customers
- IBL offers a large selection of specialty assays for endocrinology, neurodegeneration, neonatal screening and for assessing steroid hormones in saliva
- Dedicated sales teams in Germany, North America and Benelux
- Founded in 1983 with currently more than 80 employees
- ~ EUR 16m revenue in 2013, consistently growing and profitable



IBL International, Hamburg facility  
ISO certified, FDA audited



Well organized manufacturing facility  
Automated production lines



One of the widest ranges of tests  
for specialty diagnostics

# Immunodiagnostic Expert Meets Automation Specialist

## A perfect strategic fit!

- Immunodiagnostic expert
- Low volume and high mix Immunoassay reagents
- Key products in Endocrinology, Autoimmunity, and Immunology

- Automation leader
- Comprehensive and versatile automation and detection (reader) portfolio
- Strong Clinical customer base

INTERNATIONAL  
a Tecan Group company

### INTEGRATED SOLUTIONS FOR SPECIALTY DIAGNOSTICS

- 1** Combine automation and reagents into new integrated solutions for specialty diagnostics
- 2** Overlapping customer base – cross-selling of both product portfolios
- 3** Broader geographic reach

## Acquisition of IBL International

- Transaction successfully closed on July 31, 2014
- Total consideration of EUR 29.0m (CHF 35.2m); cash and debt free
- Transaction fully paid in cash
- Valuation representing a multiple of 1.8 times fiscal year 2013 sales of IBL International
- EBITDA of IBL at a similar level to the Tecan Group
- Since August 1<sup>st</sup>, 2014, IBL is part of Tecan's Life Sciences Business
- Transaction expected to be accretive to EPS before transaction-related amortization in the second full year



# Outlook for Financial Year 2014

(organic)

## Sales

At least mid single-digit sales growth in local currencies

## Profitability

Further increase of EBIT Margin by around 50 bps compared to 2013

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

Acquisition of (from Aug 1<sup>st</sup>, 2014)

## Sales

Mid single-digit million CHF contribution

## Profitability

Consolidation impact on Group EBIT of up to CHF -2m

Including purchase price amortization and initial integration costs





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## Next Events

### **2014:**

September 18: Capital Markets Day

### **2015:**

March 18: Financial Results 2014

April 16: Annual Shareholder Meeting

## Contact

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