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EANS-Adhoc: ams AG / ams reports second quarter results with revenues in upper half of guidance range reflecting demanding market environment; third quarter expected revenues show sequential growth at improved operating margin; acquisition of CCMOSS comp

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Financial Figures/Balance Sheet/6-month report
25.07.2016

Key financial data for the second quarter and first half 2016

Premstaetten, Austria (25 July 2016) – ams (SIX: AMS), a leading worldwide manufacturer of high performance sensor and analog solutions, reports second quarter 2016 revenues in the upper half of its guidance range which reflects the demanding market environment. For the third quarter 2016, ams expects sequential revenue growth to EUR 146-153 million at an improved operating margin compared to the second quarter. ams completed the acquisition of CCMOSS in the second quarter creating the global technology leader in gas and infrared sensing and additionally concluded a smaller acquisition in color and spectral sensing focused on industrial and medical markets.

Second quarter group revenues were EUR 132.4 million, down 4% sequentially compared to the first quarter and decreasing 22% from EUR 169.5 million in the same quarter 2015. Group revenues for the first half of 2016 were EUR 269.6 million, down 17% compared to EUR 322.9 million recorded in the first half of 2015. On a constant currency basis, second quarter revenues were 20% lower compared to the second quarter last year with first half revenues 16% lower compared to the first half of 2015.

In the second quarter, adjusted gross margin (excluding acquisition-related and share-based compensation costs) remained high at 56% with IFRS reported gross margin (including acquisition-related and share-based compensation costs) at 53%, compared to 56% and 54% respectively, in the same quarter 2015. In the first half of 2016, adjusted gross margin (excluding acquisition-related and share-based compensation costs) stood at 57% and IFRS reported gross margin (including acquisition-related and share-based compensation costs) at 54%, compared to 56% and 54% respectively, in the first half of 2015.

The adjusted result from operations (EBIT) (excluding acquisition-related and share-based compensation costs) for the second quarter was EUR 24.4 million or 18% of revenues in line with previous expectations, decreasing from EUR 49.0 million in the same period 2015. The IFRS reported result from operations (EBIT) (including acquisition-related and share-based compensation costs) for the second quarter was EUR 16.7 million or 13% of revenues, down from EUR 44.6 million in the same period 2015. This expected decrease reflects negative operational leverage effects from lower revenues as well as a higher run rate of R&D expenses for future programs. For the first half of 2016, the adjusted EBIT (excluding acquisition-related and share-based compensation costs) was EUR 52.6 million, down from EUR 92.0 million in the same period 2015, and the IFRS reported EBIT (including acquisition-related and share-based compensation costs) was EUR 36.4 million, down from EUR 82.8 million in the first half year 2015.

The net result for the second quarter was EUR 19.6 million compared to EUR 41.8

million in the same period last year. Basic and diluted earnings per share were CHF 0.32/0.31 or EUR 0.29/0.28 based on 68,085,043/70,016,054 shares (basic/diluted; weighted average) compared to CHF 0.63/0.61 or EUR 0.61/0.58 for the second quarter 2015 based on 68,948,844/71,639,611 shares (basic/diluted; weighted average). The net profit for the first half year 2016 was EUR 33.2 million, equivalent to CHF 0.53/0.52 or EUR 0.49/0.47 per share (basic/diluted) based on 68,321,871/70,388,158 shares (basic/diluted; weighted average), compared to EUR 84.0 million, i.e. CHF 1.28/1.23 or EUR 1.22/1.17 per share (basic/diluted) based on 68,792,636/71,560,877 shares (basic/diluted; weighted average), for the same period last year.

Operating cash flow for the second quarter was EUR 7.3 million compared to EUR 33.7 million in the second quarter last year, while operating cash flow for the first half was EUR 14.8 million compared to EUR 72.3 million in the first half year 2015. Total backlog on June 30, 2016 (excluding consignment stock agreements) was EUR 146.6 million compared to EUR 126.2 million at the end of the first quarter and EUR 133.3 million on June 30, 2015.

ams' business performed to expectations in a more demanding market environment in the second quarter and first half of 2016, particularly in the consumer and smartphone markets. ams' results demonstrate the advantages of its model and the attractiveness of the company's balanced portfolio of consumer and non-consumer businesses.

ams' consumer and communications business showed a solid performance in the second quarter and first half despite a challenging situation in the consumer market which continued in the second quarter. The development of the business was again driven by ams' range of high performance light sensor solutions. Run rates for ams' portfolio of intelligent light sensors at leading consumer and smartphone OEMs remained high but were in total lower year-on-year, in line with expectations. This included ambient light sensing solutions, combination modules, and highly-integrated multi-function modules for successful mobile device platforms.

ams is seeing traction for its next generation of mobile device light sensors with smaller volume shipments already underway. Other product lines that ams ships into major device vendors' products continued to support the performance of the company's consumer business. ams' audio business performed well in the first half of the year and ams has identified significant opportunities for its ANC noise cancellation solution targeting high volume in-box smartphone accessories.

ams' industrial, medical, and automotive businesses performed to expectations in the second quarter and first half. ams is a key supplier to a broad base of industrial OEMs globally where ams enables a wide range of high value industrial sensor applications through its differentiated sensor and sensor interface solutions. Demand patterns in some of ams' industrial end markets appear less consistent as customers experience end market and macroeconomic uncertainty. At the same time, environmental sensor design-in efforts remain on track.

ams' medical business again recorded attractive results driven by digital imaging sensor solutions for advanced computed tomography (CT), digital X-ray, and mammography where ams offers diagnostic benefits to global OEMs. Focused on differentiated sensor and sensor interface solutions, ams' automotive business continued to perform to expectations in the second quarter. ams' automotive sensor and analog expertise aligns with major automotive trends and supports sensor-driven applications including advanced driver assistance, position sensing, and level and chassis control. ams' specialty analog foundry business also contributed attractively to the company's results in the first half.

In the second quarter, ams completed the acquisition of Cambridge CMOS Sensors Ltd (CCMOSS), the technology leader in micro hotplate structures for gas and infrared sensing, which makes ams the clear leader in gas and infrared sensor technology worldwide. CCMOSS' gas sensing MEMS structures on CMOS wafers allow the creation of complete monolithically integrated CMOS sensor ICs that offer high cost-efficiency, low power consumption, small footprint and the ability to integrate additional sensor modalities like relative humidity, temperature, and pressure. CCMOSS' hotplate expertise is highly synergetic with ams' technology

leadership in MOX gas sensing materials to detect gases like CO, NOx, and VOCs for volume applications in the automotive, industrial, medical, and consumer markets.

CCMOSS additionally offers industry-leading IR technology comprising high performance IR radiation sources and detectors. Fully complementary to ams' spectral sensing strategy for next generation optical sensor technologies, this portfolio enables miniaturized sensor implementations and efficient integration for applications including CO2 gas sensing and human presence detection. CCMOSS, which was founded in 2008 and is located in Cambridge, UK, with 33 employees, strongly enhances ams' portfolio of products and technologies for the environmental sensor market and creates substantial growth opportunities in the coming years.

ams also concluded a smaller strategic transaction recently acquiring the color and spectral sensing systems specialist MAZeT GmbH for an undisclosed amount in cash. Focused on industrial and medical applications, MAZeT offers very strong system and application know-how in advanced color and spectral sensing and outstanding optical engineering expertise. MAZeT's capabilities include IC and filter design as well as hardware and software system development with current applications including airplane interior lighting, agricultural sensors, and medical skin lesion analysis. The company also has a legacy business acting as module supplier to its previous industrial shareholders. Based in Jena, Germany, which is a global center of excellence in optical technologies, MAZeT is profitable and has around 80 employees. The addition of MAZeT complements ams' existing strengths in emerging optical sensor technologies and creates exciting new product and application opportunities for spectral sensing in the automotive, industrial, and medical end markets.

In operations, ams is realizing further accelerated investments into optical filter deposition equipment to prepare for the expected customer uptake of latest generation light sensor products and is implementing investments for other equipment to support upcoming revenue opportunities from its pipeline. Based on current information, total capital expenditures for 2016 are now expected above EUR 80 million to support these capacity needs.

For the third quarter 2016, ams sees positive momentum in its consumer business resulting in quarter-on-quarter group revenue growth while demand and macroeconomic uncertainties in other end markets continue. Based on available information and a current USD/EUR exchange rate of 1.10, ams expects third quarter revenues to grow sequentially to EUR 146-153 million. At the same time, ams anticipates attractive gross margin profitability to continue in the third quarter. Adjusted gross margin (excluding acquisition-based and share-based compensation costs) is expected at a stable or slightly lower level than for the second quarter reflecting the expected business mix. The adjusted operating margin for the third quarter (excluding acquisition-based and share-based compensation costs) is expected to show a sequential improvement to around 18-20%.

Particularly looking towards 2017 and beyond, ams confirms its strong and expanded revenue and development pipeline which fully supports ams' growth plans for the coming years, based on available information.

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about ams

ams is a global leader in the design and manufacture of advanced sensor solutions and analog ICs. Our mission is to shape the world with sensor solutions by providing a seamless interface between humans and technology.

ams' high-performance analog products drive applications requiring extreme precision, dynamic range, sensitivity, and ultra-low power consumption. Products include sensors, sensor interfaces, power management, and wireless ICs for consumer, communications, industrial, medical, and automotive markets.

With headquarters in Austria, ams employs over 2,100 people globally and serves

more than 8,000 customers worldwide. ams is listed on the SIX Swiss stock exchange (ticker symbol: AMS). More information about ams can be found at www.ams.com

Further inquiry note:

Moritz M. Gmeiner

Senior Director Investor Relations

Tel: +43 3136 500-31211

Fax: +43 3136 500-931211

Email: investor@ams.com

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euro adhoc

issuer: ams AG

Tobelbader Strasse 30

A-8141 Premstaetten

phone: +43 3136 500-0

FAX: +43 3136 500-931211

mail: investor@ams.com

WWW: www.ams.com

sector: Technology

ISIN: AT0000A18XM4

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