

07.02.2017 – 07:21 Uhr

EANS-Adhoc: ams AG / ams reports full year 2016 results with fourth quarter 2016 revenues at upper end of guidance; expects sequential revenue growth in first quarter 2017 with flattish revenue development before Heptagon consolidation; confirms strong r

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Financial Figures/Balance Sheet

07.02.2017

Selected financial information for fiscal year and fourth quarter 2016

Premstaetten, Austria (7 February 2017) - ams (SIX: AMS), a leading worldwide supplier of high performance sensor and analog solutions, reports full year results for 2016 with fourth quarter 2016 revenues at the upper end of previous guidance. Following soft demand in the first half year, the success of ams' consumer solutions in new devices played a key role for ams' business performance in the second half. For the first quarter 2017, ams sees sequentially higher expected revenues of EUR 141-148 million including the Heptagon business and a flattish quarter-on-quarter revenue development improving on typical seasonality, when excluding the Heptagon business.

2016 full year revenues were EUR 549.9 million (USD 608.7 million) compared to EUR 623.1 million in 2015. Adjusted gross margin (excluding acquisition-related and share-based compensation costs) was 55% while the full year adjusted operating (EBIT) margin (excluding acquisition-related and share-based compensation costs) was 18%. Revenues for the fourth quarter 2016 were EUR 133.6 million, down 9% year-on-year and 9% quarter-on-quarter. Adjusted gross margin for the fourth quarter 2016 stood at 52%, while the adjusted operating (EBIT) margin reached 12%, in line with previous expectations.

Financial overview

Group revenues for 2016 were EUR 549.9 million (USD 608.7 million), decreasing 12% from EUR 623.1 million (USD 691.4 million) for 2015. In constant currency, full year revenues were 12% lower compared to the previous year. Revenues for the fourth quarter 2016 were EUR 133.6 million, at the upper end of published expectations of EUR 127-134 million and 9% lower compared to EUR 147.2 million recorded a year ago (10% lower in constant currency).

Gross margin for the full year 2016 was 55% (excluding acquisition-related and share-based compensation costs), compared to 56% in 2015 (52% including acquisition-related and share-based compensation costs, compared to 54% in 2015). ams achieved this positive result despite gross margin impacts in several product areas including product life cycle effects and a previously announced customer-specific volume impact in the fourth quarter. Gross margin for the fourth quarter 2016 was 52% (excluding acquisition-related and share-based compensation costs), down from 57% in the same period 2015 (49% including acquisition-related and share-based compensation costs, compared to 55% in the same period 2015).

The result from operations (EBIT) for 2016 was EUR 97.1 million or 18% of revenues (excluding acquisition-related and share-based compensation costs) compared to EUR 165.5 million or 27% in 2015 (EUR 93.3 million or 17% of

revenues including acquisition-related and share-based compensation costs, compared to EUR 147.3 million or 24% of revenues in 2015). Research and development expenses amounted to EUR 138.6 million or 25% of revenues in 2016 and were driven by consolidation effects and expanded development resources. The result from operations (EBIT) for the fourth quarter 2016 was EUR 16.4 million or 12% of revenues (excluding acquisition-related and share-based compensation costs) compared to EUR 35.0 million or 24% of revenues in the fourth quarter 2015 (EUR 7.1 million or 5% of revenues including acquisition-related and share-based compensation costs, compared to EUR 29.3 million or 20% of revenues in the fourth quarter 2015).

Net income for 2016 was EUR 102.9 million, compared to EUR 148.7 million in 2015. Basic / diluted earnings per share for 2016 were CHF 1.67 / 1.62 or EUR 1.53 / 1.48 based on 67,241,926 / 69,373,197 shares (weighted average; 2015: CHF 2.30 / 2.21 or EUR 2.16 / 2.08 based on 68,873,498 / 71,604,447 shares, weighted average). Net income for the fourth quarter 2016 was EUR 13.7 million compared to EUR 30.6 million for the same period 2015. Basic / diluted earnings per share for the fourth quarter were CHF 0.22 / 0.22 or EUR 0.21 / 0.20 based on 66,245,957 / 67,812,290 shares (weighted average; 2015: CHF 0.48 / 0.46 or EUR 0.44 / 0.43 based on 69,026,942 / 71,598,007 shares, weighted average).

Cash flow from operations for 2016 was EUR 82.3 million compared to EUR 155.6 million in 2015. Cash and short term investments increased to EUR 215.8 million on 31 December 2016 from EUR 143.9 million at year-end 2015, while net debt was EUR 256.2 million on 31 December 2016 (year-end 2015: net debt EUR 131.3 million) due to strategic investments and transactions in 2016. Capital expenditures for 2016 were EUR 91.7 million compared to EUR 80.1 million for 2015, particularly driven by planned investments to expand optical layer deposition capacity. The total backlog on 31 December 2016, excluding consignment stock agreements, was EUR 136.1 million (EUR 132.2 million on 30 September 2016 and EUR 119.4 million at year-end 2015).

Based on the company's cash dividend policy stipulating the distribution of 25% of net earnings, ams will propose a dividend of EUR 0.30 per outstanding share for 2016.

Business

ams' business showed a solid performance in 2016 against the backdrop of a weak market environment in the consumer and smartphone markets in the first half of the year. ams benefitted from a stronger momentum in its consumer business in the second half of 2016 but group business performance was impacted by previously announced negative customer- and product line-specific effects in the fourth quarter. Overall, ams' consumer and communications business again had a strong influence on the development of group revenues.

ams is executing a focused strategy around leadership in the fast-growing markets for optical, imaging, environmental and audio sensing which the company defined last year. 2016 was an expected year of transformation for ams as the company started to implement this strategy through active management of its technology portfolio:

Taking a significant strategic step forward, ams announced the acquisition of Heptagon last year. Heptagon is a global leader in micro-optics and optical sensing solutions with particular expertise in high performance optical packaging. Adding Heptagon's capabilities positions ams very strongly for leadership in upcoming optical sensing applications including spectral sensing, time-of-flight technology, and 3D sensing. The Heptagon business offers a substantial existing pipeline and major opportunities to combine ams' and Heptagon technologies into industry-leading optical solutions. ams therefore expects the Heptagon business to accelerate growth for the group in the coming years. Following the recent closing of the transaction, ams will consolidate Heptagon's business from February 2017 onwards.

Besides Heptagon, ams acquired CCMOSS, a world leader in gas and IR sensor technologies, MAZeT, an important technology player in spectral sensing solutions, and Incus, a provider of intellectual property (IP) for digital active noise cancellation, in 2016. The addition of CCMOSS created a complete

value chain offering for integrated gas sensors propelling ams into a leadership position in gas sensing for industrial and consumer applications, while MAZeT broadened ams' portfolio for next generation spectral sensing with an industrial focus. Both transactions added significant future growth potential in new markets and innovative applications for ams. Incus' IP and acoustic characterization technology will improve new digital noise cancellation systems. Moreover, ams successfully divested its wireless business for NFC and RFID reader applications last year as part of its strategic portfolio alignment. ams retained relevant wireless IP to support the expected adoption of wireless sensor solutions in multiple end markets.

Based on its clear strategic focus, ams sees very strong traction across the company's global customer base. ams is receiving excellent market and customer feedback on its competences and capabilities and expects its strategy to drive significant growth and profitability for the company. ams therefore fully reiterates the previously announced growth and margin targets.

ams' consumer and communications business which is a major supplier of advanced sensor and analog solutions for smartphones, tablet PCs and other consumer devices recorded a solid performance in 2016 as expected. ams' optical sensor product lines again provided the largest share of group revenues in 2016 while ams fortified its position as worldwide market leader in advanced light sensors.

ams continued to supply a broad range of leading smartphone and consumer OEMs with mobile device light sensor solutions last year. ams' high performance color, ambient light and proximity sensors and modules are found in a wide spectrum of high volume consumer devices globally. The fourth quarter of 2016 was impacted by the previously expected customer-specific effect resulting in lower shipment volumes of a new optical sensor product. ams broadened its portfolio of mobile optical sensor solutions last year despite this development and has a strong pipeline including designs at new customers.

In combination with Heptagon, ams sees itself extremely well positioned to capture significant value in new optical sensing solutions for consumer and non-consumer applications from this year onwards. ams expects technologies such as true color, spectral sensing, 3D sensing and new imaging-related applications to drive substantial growth for the company over the coming years.

In audio solutions, the MEMS microphone interface product line performed well again last year with ams' market leadership resulting in continued very high volumes. Active noise cancellation (ANC) where ams broadened its technology reach in 2016 through the addition of Incus offers attractive potential for higher ams content in consumer devices.

ams' industrial, medical and automotive businesses developed positively in 2016 in line with expectations. ams was able to improve its market penetration given a strong technology base including newly acquired IP, its wide range of end markets, and broad base of customers worldwide.

ams' industrial business performed well last year, however, business momentum remained limited in the fourth quarter and second half of 2016 with certain signs of end market and macroeconomic uncertainty. As a leading supplier of sensors and sensor interfaces for industrial and factory automation, building control, and industrial sensing, ams offers a broad portfolio of differentiated solutions for major OEMs and a wide range of applications worldwide. Imaging product lines generally developed in line with expectations last year with an attractive pipeline going forward driven by new applications. ams expects to resolve the currently remaining production yield issue for an industrial product line in the coming months as previously anticipated.

ams' medical business recorded attractive results again in 2016, mainly driven by the core area of Medical Imaging for computed tomography (CT), digital X-ray, and mammography. As the market leader in high resolution imaging solutions ams ramped a new OEM last year and gained additional imaging customers in Asia for future programs. ams therefore broadened its market reach and continues to advance diagnostic, patient and cost benefits in medical imaging.

The company's automotive business showed another year of solid growth in 2016 given a supportive demand environment and the ongoing expansion of sensing content in vehicles. ams' high performance sensor solutions for safety, position measurement, level control and other applications are successful in an growing range of vehicle platforms. ams sees attractive potential in the evolution of LIDAR technology which is expected to expand into a key element of the autonomous driving roadmap. ams' specialty foundry business for analog and mixed-signal ICs contributed attractively to the company's results.

ams' in-house manufacturing capacity was fully utilized throughout 2016. ams successfully completed its significant investment to expand optical filter layer deposition capacity at the company's headquarters last year, preparing for expected business growth in 2017 and beyond. In addition, ams has defined a robust, cost-attractive path for expanding wafer volumes with its technology manufacturing partners to support its growth targets for the years to come. The major capacity expansion for ams' Heptagon business to realize expected strong growth from the second half of 2017 onwards is progressing to plan.

Kirk Laney, ams' Chief Strategist Sensor Solutions, has decided to retire from his active role at ams, and will therefore resign from the Management Board as of 31 March 2017. Following the acquisition of TAOS in 2011, Kirk Laney has been active in ams' management team and served the company as CEO for almost three years. ams wants to thank Kirk Laney, who has been instrumental in creating leading technology for ams, focusing the company on sensor solutions, and building significant growth opportunities during his more than 5 years of service for ams. Additionally, ams' works council has decided that Guenter Kneffel is named as employee representative member of the Supervisory Board given that employee representative Vida Uhde-Djefroudi has been recalled from ams' Supervisory Board as of end of yesterday.

Outlook

For the first quarter 2017, ams expects sequentially higher revenues of EUR 141-148 million including consolidation of the Heptagon business, based on available information and a current USD/EUR exchange rate of 1.07. At the same time, ams expects the first quarter adjusted operating (EBIT) margin (excluding acquisition-related and share-based compensation costs) around break even due to consolidation effects from the known negative operating profitability of the Heptagon business.

Improving on typical first quarter seasonality, ams expects a flattish revenue development excluding the Heptagon business in the first quarter and sees the related adjusted EBIT margin excluding the Heptagon business on a level comparable to the fourth quarter 2016.

ams expects to continue its share buy-back activities over the course of 2017 up to a value of CHF 60 million in order to cover obligations from a prospective earn-out for the Heptagon transaction and employee incentive plans.

ams is confident about a strong revenue growth potential for the group for full year 2017 including expected growth from ams' existing businesses as well as from the Heptagon business. Based on currently available forecasts, ams expects the full earn-out for the Heptagon transaction to be realized which would relate to fully consolidated 2017 revenues of the Heptagon business of around USD 300 million.

Additional selected financial information for fiscal year 2016 and the fourth quarter 2016 is available on the company website at www.ams.com/eng/Investor/Financial-Reports

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Original content of: ams AG, transmitted by news aktuell

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