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EANS-Adhoc: ams AG / ams reports first quarter results in guidance range reflecting customer volume effects, revenues up 147% year-on-year; expected second quarter revenues strongly impacted by ...

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Key financial data for first quarter 2018

Quarterly Report
23.04.2018

Premstaetten - (PR title cont'd) ... accelerated customer product transition; significant second quarter capacity under-utilization as product changes in major consumer program prevent pre-production; on track for expected major second half ramp-ups; Annual Report 2017 published

Premstaetten, Austria (23 April 2018) -- ams AG (SIX: AMS), a leading worldwide supplier of high performance sensor solutions, reports first quarter results with revenues and operating profitability in guidance range reflecting customer volume effects, and revenues up 147% year-on-year. ams expects a significant short-term impact from strongly accelerated customer-driven product transitions related to large smartphone programs in the second quarter resulting in expected revenues of USD 220-250 million. Due to these product transitions and product changes in a major consumer program preventing a pre-production of parts, ams also expects a significant under-utilization of capacity in the second quarter leading to a negative adjusted operating margin. At the same time, preparations for expected major ramp-ups in the second half 2018 are on track.

First quarter group revenues were USD 452.7 million, in the lower half of our previous guidance, up 147% from USD 183.5 million in the same quarter 2017 and 22% lower sequentially compared to the previous quarter. Adjusted gross margin for the first quarter 2018 was 36% (excluding acquisition-related and share-based compensation costs), compared to 44% in the same quarter 2017 (33% including acquisition-related and share-based compensation costs, compared to 40% in the same period 2017).

The adjusted result from operations (EBIT) for the first quarter was USD 77.3 million or 17% of revenues in line with previous guidance (excluding acquisition-related and share-based compensation costs), up strongly from USD 5.0 million or 3% of revenues in the first quarter 2017 (USD 46.5 million or 10% of revenues including acquisition-related and share-based compensation costs, compared to USD -16.9 million or -9% of revenues in the first quarter 2017).

Adjusted net income for the first quarter was USD 99.9 million (excluding valuation effect of option element of foreign currency convertible bond), compared to USD -19.9 million for the same period 2017 (first quarter 2018: USD 77.1 million including valuation effect). Adjusted basic/diluted earnings per share for the first quarter were CHF 1.20/1.12 or USD 1.25/1.17 based on 80,064,021/ 83,082,083 shares (weighted average; CHF 0.92/0.86 or USD 0.96/0.89 including valuation effect; first quarter 2017: CHF -0.23/-0.23 or USD -0.27/-0.26 based on 74,496,209/76,213,409 shares, weighted average).

Cash flow from operations for the first quarter was USD 56.3 million compared to USD 32.0 million in the same quarter last year. Total backlog on 31 March 2018, excluding consent stock agreements and including certain forecasted

commitments, was USD 345.9 million (USD 666.1 million on 31 December 2017 and USD 240.4 million on 31 March 2017).

ams' business showed a solid performance in the first quarter with strong year-on-year growth despite customer volume effects in its consumer business. ams' first quarter results thus confirm the company's strong market position in high performance sensor solutions across consumer and non-consumer businesses.

The consumer and communications business started into the year on a positive but more balanced note as the market success of ams' solutions was moderated by noticeable customer volume effects in the smartphone market. Leading in optical sensing, ams provides high performance optical sensing solutions including 3D sensing optical systems, TrueColor display management, proximity sensing and other optical applications to many of the world's largest smartphone and consumer OEMs. With a focus on emerging applications ams drives innovation around optical technologies for long-term growth markets. ams' optical sensing portfolio spans a wide array of hardware and software where ams recently added leading software IP for 3D facial recognition through the acquisition of KeyLemon which closed in the quarter.

While ams is experiencing a more difficult short-term demand environment in the smartphone market, ams sees consumer OEMs actively engaging with the company on 3D sensing and other new upcoming sensing functionalities, all driven by the need for differentiation. ams pursues its comprehensive multi-generation roadmap in 3D sensing and prepares for significantly broader adoption of 3D sensing in the consumer market. ams' VCSEL and VCSEL driver capabilities are a key element of its 3D sensing portfolio with strong market traction and they create clear competitive advantages for ams' 3D sensing strategy. Given the complexity of 3D sensing, ams' broad solution expertise is of particular value as ams builds a leading position in this market. ams also works on extensive product development in further areas of optical sensing, including spectral sensing, and other multi-sensor solutions for consumer applications which enable new growth opportunities in the next years. ams' other consumer product lines including audio solutions saw continued attractive run rates at a range of device vendors and contributed positively to the company's first quarter.

ams' industrial, medical, and automotive businesses had a good start into the year in the first quarter, performing in line with to slightly ahead of expectations. In industrial markets, the overall demand situation remains attractive across product lines for automation, building control, HABA and emerging industrial IoT. ams' strong position in industrial sensing is built around innovation and the ability to support challenging applications for major OEMs and their customers. In imaging, ams recently received an important industry award for a new highly innovative industrial imaging solution. ams' medical business recorded attractive results as ams extends its medical imaging portfolio for computed tomography (CT), digital X-ray, and mammography and advances miniature camera technology. ams' automotive business also continued to perform well with its broad range of solutions for safety, driver assistance, position, and chassis control. ams is encouraged by the early large program win for VCSEL illumination in automotive 3D LIDAR which has increased further in projected life-time program value. This success confirms the key relevance of solid state LIDAR technology for autonomous driving. ams' unmatched ability to combine very high power VCSELs and advanced driver circuits into highly differentiated illumination solutions creates significant competitive advantages in this long-term market as market interest continues to grow. In addition, ams is seeing increasing traction for innovative in-cabin 3D sensing opportunities.

The investment into ams' internal VCSEL manufacturing capacity in Singapore is progressing to plan and ams is confident about its ability to support large scale internal production of differentiated high power VCSELs in 2019.

For the second quarter 2018, ams expects a significant short-term impact in its consumer business from strongly accelerated customer-driven product transitions related to large smartphone programs. ams' non-consumer businesses are expected to continue their solid development in the second quarter. As a result ams expects second quarter revenues of USD 220-250 million, up 10-25% year-on-year and leading to expected first half 2018 revenues growing 87-96% compared to the first half of last year, based on available information.

As previously mentioned, ams is preparing for major second half 2018 ramp-ups of high volume optical solutions for consumer 3D sensing applications, among others. To this end, ams focuses on ensuring full availability of resources for these substantial ramp-ups the company sees coming up. Consequently and to avoid unwanted risks, ams does not pursue short-term reductions of its trained workforce in its Asian manufacturing locations despite an impending significant underutilization of capacity. This underutilization is due to the mentioned product transitions as well as product changes in a major consumer program which prevent a potential pre-production of parts.

The adjusted operating margin for the second quarter (excluding acquisition-based and share-based compensation costs) is therefore expected to be negative at around -20 to -25% driven by the underutilization of production capacity in ams' Singapore facilities. Looking forward, ams does not expect a recurrence of short-term transition effects on a similar scale in future years. ams assumes intra-year ramp-up seasonality to be more balanced from 2019 onwards as ams expects to broaden its consumer OEM base in optical sensing. Despite this short-term volume effect ams' strong position and growth potential in several of the most exciting growth areas in sensing is underscored by the excellent market traction ams sees with OEMs across end markets. ams' mid-term growth and profitability targets for, respectively, the 2016-2019 period and onwards remain unchanged.

The quarterly report for the first quarter 2018 including additional financial information is available on the company website at www.ams.com/eng/Investor/Financial-Reports [<http://www.ams.com/eng/Investor/Financial-Reports>]. Concurrently, ams has published the Annual Report 2017 which is also available on the company website at www.ams.com/eng/Investor/Financial-Reports [<http://www.ams.com/eng/Investor/Financial-Reports>].

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