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EANS-Adhoc: ams AG / ams reports first quarter revenues and adjusted operating (EBIT) margin in upper half of guidance range; Covid-19 effects within expectations, resilient profitability, strong cash flow ...

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Selected financial information for the first quarter 2020

Annual Reports/Annual Report/Quarterly Report
29.04.2020

Premstaetten - (PR title cont'd) ... generation; limited impact from Covid-19 expected in second quarter with expected revenues of USD 440-480 million and adjusted operating (EBIT) margin of 17-20%; OSRAM acquisition on track supported by successful equity raise; Annual Report 2019 published

Premstaetten, Austria (29 April 2020) -- ams (SIX: AMS), a leading worldwide supplier of high performance sensor solutions, reports first quarter results with revenues and adjusted operating (EBIT) margin in the upper half of the guidance range. Driven by ams' consumer solutions, these positive results demonstrate the strength of ams' business and its robust profitability in light of the demanding Covid-19 situation. For the second quarter, ams expects a very solid business performance with expected revenues of USD 440-480 million and an adjusted operating (EBIT) margin in the range of 17-20%, reflecting a limited impact from the Covid-19 outbreak.

First quarter group revenues were USD 501.2 million, above the mid-point of the expectation range, which is an increase of 32% from USD 379.0 million in the first quarter 2019 and a decrease of 23% sequentially compared to the fourth quarter 2019. Adjusted gross margin for the first quarter was 39% (excluding acquisition-related and share-based compensation costs) with IFRS reported gross margin at 37% (including acquisition-related and share-based compensation costs), up from 32% and 29% respectively in the same quarter 2019.

The adjusted result from operations (EBIT) for the first quarter was USD 101.0 million or 20% of revenues (excluding acquisition-related and share-based compensation costs), fully in line with expectations, while increasing strongly from USD 22.8 million in the same quarter 2019 (USD 59.8 million or 12% of revenues including acquisition-related and share-based compensation costs, up from USD -4.3 million in the same period 2019).

Adjusted net result for the first quarter was USD -17.0 million (excluding valuation effect of the option element of the foreign currency convertible bond) reflecting one-time expenses related to the recent capital increase and the acquisition of OSRAM Licht AG (OSRAM), compared to USD -9.2 million for the same period 2019 (first quarter 2020 including valuation effect: USD -16.4 million). Adjusted basic/diluted earnings per share for the first quarter were CHF -0.20/-0.05 or USD -0.21/-0.05 based on 82,689,261/89,625,077 shares (weighted average; first quarter 2020 including valuation effect: CHF -0.19/-0.04 or USD -0.20/-0.04; first quarter 2019: CHF -0.12/-0.12 or USD -0.11/-0.11 based on 80,235,377/81,864,338 shares, weighted average).

The operating cash flow for the first quarter reached USD 234.6 million, significantly up from USD 93.3 million in the same quarter last year. Total backlog on 31 March 2020 (excluding consignment stock agreements) stood at USD

255.5 million compared to USD 264.2 million at the end of 2019 and USD 280.1 million on 31 March 2019.

ams' business showed a very positive performance in the first quarter of 2020 with results fully in line with the guidance expectations. ams was able to achieve this in spite of the different challenges posed by the evolving Covid-19 situation through the quarter, which ams has been able to manage well. The safety and well-being of ams' staff is its key priority while ams works closely with suppliers, customers and partners to mitigate the effects of Covid-19 on its business. Importantly, ams would like to thank its employees worldwide for their exemplary commitment and flexibility in this demanding situation. ams' positive first quarter results were driven by demand and shipments of consumer solutions that developed along expectations whereas the expected subdued demand prevailed in ams' non-consumer markets.

ams' consumer business again contributed the largest share to its overall revenues and results. ams' industry-leading portfolio in optical sensing comprises high performance solutions for 3D sensing including VCSEL (Vertical Cavity Surface-Emitting Laser)-based illumination, high quality display management including behind-OLED sensing, micro-scale proximity sensing, bio- and spectral sensing, and other optical applications. As the leading provider of optical sensing solutions, ams' broad 3D sensing portfolio and system know-how covers all architectures, structured light (SL), time-of-flight (ToF), and active stereo vision (ASV), which enables ams to fully support customers' technology choices and roadmaps.

Based on ams' advanced VCSEL portfolio and optics capabilities ams serves the leading smartphone OEMs with a current main focus on 3D illumination for SL, ToF and ASV in front-side and world-facing systems. Expanding its position in the Android market, ams is shipping significant volumes of 3D sensing into a range of high-end device platforms. Adoption of world-facing iToF 3D sensing continues as the camera enhancement features these systems enable allow OEMs to offer strongly improved picture quality. Driven by their market success, ams supplies different VCSEL 3D illumination solutions into a range of platforms. At the same time, ams is successfully extending its system capabilities and widening the scope of its 3D offering through the integration of high quality NIR image sensing via the SmartSens partnership. ams pursues NIR sensing solutions to support several 3D architectures and front-facing use cases as its technology can drive excellent application performance on multiple aspects including high quantum efficiency (QE).

In display management, ams is seeing further adoption of its behind-OLED (BOLED) light sensing solutions in high volume Android smartphone and mobile device platforms including latest releases. This unmatched technology moves light and proximity sensing invisibly behind the OLED display allowing vendors to remove bezel-placed elements from the device front for maximized screen-to-body ratio. ams' strong market success continues to be driven by leading Android OEMs while ams moves along a multi-generation roadmap for this technology. All in all, ams is shipping significant volumes of its wide range of advanced display management solutions across the leading consumer OEMs.

ams has also started shipping its innovative sensor for highly accurate camera automatic white balancing (AWB) into a newly launched high-end smartphone platform as a first design-win. Based on its spectral sensing technology, the solution performs detailed spectrum analysis of the light environment for precise smartphone camera white balancing that was previously impossible. Correct white balancing is a key photographic parameter driving picture quality and color expression and ams enables significantly higher picture quality and vivid natural colors for mobile devices. Given outstanding camera performance with AWB sensing, ams is already engaged in additional customer designs. Taken together, recent Android platform launches underline ams' strong market position in new optical sensing applications such as BOLED light sensing, world-facing 3D camera enhancement and novel AWB sensing for compelling photography.

ams remains focused on strong R&D investments for further innovation in optical sensing. Leveraging its unmatched BOLED capabilities for 3D sensing, ams is progressing with its development efforts to move front-facing 3D sensing for face authentication invisibly behind the display. Based on ASV technology, ams

continues to expect to demonstrate a BOLED 3D solution in the second half of the year. Here ams works to combine ams' VCSEL illumination, NIR sensing, software and algorithms from its unmatched portfolio to create a high performance 3D offering. As ams addresses the key trend to reduce visible components on the device front ams expects significant market interest for 3D BOLED technology in mobile devices. Generally, ams sees both ASV and SL technology able to support BOLED 3D sensing and expects to explore all paths for innovation in this area. In addition, ams views dToF technology as an important upcoming element in 3D sensing that offers significant performance advantages for longer distances. As 3D applications continue to evolve and new use cases are being evaluated ams sees widening market interest for the demanding technology. On the basis of its illumination and sensing portfolio ams is advancing roadmap-based developments in this attractive area to drive high quality dToF solutions for world-facing applications. In audio sensing ams sees attractive traction for its high performance noise cancelling technologies and solutions where ams has built a strong market position. These include an innovative digital noise cancelling capability for loose-fitting wireless earbuds. Together with its other consumer product lines ams continues to ship substantial volumes following the disposal of its microphone-related business at the end of 2019.

ams' automotive, industrial and medical businesses recorded a subdued performance in the first quarter. In its automotive business ams is experiencing negative order trends reflecting the current challenges to production in the automotive industry. Despite this current development, ams is well positioned with its automotive sensing solutions focused on attractive markets in safety, driver assistance/autonomous driving, position sensing, and chassis control. Significant R&D activities and development efforts continue unchanged across these focus areas. This includes the previously announced LIDAR programs with different Tier 1 system suppliers where ams offers leading VCSEL illumination for advanced LIDAR architectures such as addressable high power VCSEL arrays. The full automotive qualification of ams' internal VCSEL production line, where ams is continuing a ramp-up through this year, provides a further competitive advantage in this area. ams' developments and market traction for in-cabin optical monitoring applications continue against the backdrop of increasing OEM and Tier 1 supplier interest and first secured projects. This emerging market offers attractive future opportunities for ams' system capabilities as shown by its ASV-based full 3D system solution including NIR sensing and software which ams showcased recently.

ams' industrial business showed a muted performance in the first quarter given the challenges in industrial end markets worldwide. Nevertheless, ams' broad product and application spectrum and leadership in high performance solutions remain helpful in the current situation as ams serves a wide range of customers in industrial and factory automation, HABA, imaging and other industrial sensing. Industrial imaging and machine vision developed in line with end market trends supported by ams' strong technology position in high quality global shutter technologies. Leveraging its technology base, ams is strongly focusing on the development of NIR image sensing solutions for 3D sensing markets.

ams' medical business performed well in the first quarter. As a result of the Covid-19 crisis, ams is fulfilling additional demand to support the accelerated deployment of computed tomography (CT) scanners worldwide which play a key role in clinical Covid-19 diagnostics. This development will also help further ams' market penetration across regions. Overall, ams' medical business benefits from its leading position in medical imaging for CT, digital X-ray, and mammography as well as miniature camera endoscopy. ams' medical product lines including NanEye endoscopy therefore continued their attractive contributions. A further innovative use of ams' unmatched spectral sensing technology is analyzing the results of medical lateral flow testing (LFT) at very high accuracy via an optical readout. In light of the current pandemic, ams is keen to exploit this medical sensing expertise to help support Covid-19 control efforts. Based on ams' current evaluation ams sees possibilities to accelerate advances in fast point-of-care diagnostics for Covid-19 and will continue to pursue this path. ams has started early co-operation activities with industry partners in medical testing but remains highly interested and open for additional partnerships with medical testing suppliers.

In operations, ams is taking all required and necessary measures to safeguard

the health of its employees as well as its ability to manufacture in all locations. These measures have enabled ams to stay aligned with customer requirements and to support customer demand in its end markets. Running volume production in all manufacturing locations, ams works very closely with suppliers and authorities to maximize availability for its customers. ams has also implemented a risk mitigation regime for employees worldwide and is confident these combined actions will allow ams to continue to navigate this situation successfully. In parallel, ams is taking a prudent approach to short-term capital expenditures and other costs without forfeiting its ability to support rebounding demand later.

The acquisition of OSRAM remains fully on track and ams successfully completed the related equity raise at the beginning of April. ams expects to use the gross proceeds of around EUR 1.65 billion to finance a major share of the tender offer consideration for OSRAM shareholders. ams is in the process of attaining remaining required merger control clearances for the transaction and currently expects the transaction to close by the end of the quarter subject to receipt of these clearances. Including the shares ams anticipates to receive at closing ams expects to hold around 68.2% of shares in OSRAM at that point in time. Preparation activities for the expected integration of ams and OSRAM continue and ams expects to start implementing the integration immediately following the closing.

For the second quarter 2020, ams anticipates its business to show a very solid performance in spite of the demanding Covid-19 situation and typical first half seasonality. Consumer solutions and programs remain drivers of demand with ongoing high volume shipments to a wide spectrum of OEMs and platforms including recent launches. ams' non-consumer end markets are expected to be more strongly impacted by the current situation while certain areas such as medical imaging continue to provide positive effects.

On the basis of available information, ams expects second quarter revenues of USD 440-480 million reflecting a limited impact from the Covid-19 situation and a significant year-on-year increase compared to last year's second quarter of 11% at the midpoint. The adjusted operating (EBIT) margin for the second quarter is expected at 17-20% despite anticipated Covid-19 effects on ams' business.

The expectations above assume no further unforeseen negative consequences of the Covid-19 outbreak having a meaningful negative impact on ams' business for the second quarter 2020. For reference, the revenue expectation above excludes deconsolidated revenues of around USD 20-25 million per quarter which have been deconsolidated as of year-end 2019.

The quarterly report for the first quarter 2020 including additional financial information is available on the company website at <https://ams.com/financial-reports> [<https://ams.com/financial-reports>]. Concurrently, ams has published the Annual Report 2019 which is also available on the company website at <https://ams.com/financial-reports> [<https://ams.com/financial-reports>].

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About ams

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

ams' high-performance sensor solutions drive applications requiring small form factor, low power, highest sensitivity and multi-sensor integration. Products include sensor solutions, sensor ICs, interfaces and related software for consumer, communications, industrial, medical, and automotive markets.

With headquarters in Austria, ams employs around 8,500 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 <https://ams.com> [<https://ams.com>]

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