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Mycronic AB (MYCR.SE)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Tobias Bülow

Director Investor Relations, Mycronic AB

Good morning and welcome to the Mycronic First Quarter 2020. My name is Tobias Bülow, and I'm the Director of Investor Relations. With me today, here in Stockholm, I have the Mycronic President and CEO, Anders Lindqvist as well as our CFO, Torbjörn Wingårdh.

After the presentation, there will be time for questions. I would like you to limit your questions to two per person as a start. Our operator, Chris, for today will guide you on how to ask questions. We will end at 11:00 AM. And for your information, this session will also be uploaded as an on-demand on the web. For this reason, we ask you to stick to English also during the Q&A.

With that, I'll leave over to Anders.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Thank you very much, Tobias. So, I will present the quarter one – our quarter one performance and also including our review on the impact from the COVID-19 virus as well as our outlook for the rest of the year, and also long term. I also will talk a little bit about our new organization that we implemented this year on April 1. And after that, Torbjörn will make a little bit of a deeper dive into the financials.

So, if we start with the quarter one result, we are very – it was very much as planned. And we are, of course very, very happy with the order intake that actually doubled compared to the same quarter in 2019. And a part of the reason is that the fact that we had no system orders in Pattern Generators business area last year. And this year, we had four SLX machine systems ordered and also one Prexision 800 Evo max writer – mask writer.

And especially happy we are with the order intake in Assembly Solutions business area, which is 25% higher than the same period last year. And this altogether results in that our order book is almost double now than it was compared to a year ago.

On the invoicing and sales side, it's a little bit an opposite situation where we had quite a lot of deliveries last year's quarter or quarter one last year where we delivered several mask writers, and this quarter, no, did not deliver any mask writer, which is all as planned. This is according to customer schedules and the requests from our – from our customer, of course, and no change there, so this was planned. The Assembly Solutions business area was up 8% in sales where we saw a very, very strong demand in dispensing applications especially in China.

To continue with things that we're very happy about is the four systems of SLX mask writers ordered. It was three orders, and four systems, and two of the machines were sold to Intel Corporation. And we are very, very proud to have them as a customer. The SLX mask writer is a mask writer that is writing masks for the semiconductor industry segment, which is a new – a new thing for us. We were in the semiconductor industry 10 years ago, and now we have relaunched a new product into that segment and we have seen very good interest, and also good orders here in the first quarter for this machine, which we are very happy about.

So, to continue with our review on the – on the COVID-19 virus or the coronavirus and the COVID-19 infections. You can see from the quarter one result that we had the marginal impact on quarter one. The sales were according to plan. No change in there, and the order intake was very strong. And at the same time, we can, of course, also see there's an increased uncertainty for the rest of the year, and everything depends of course on the length of the different lockdowns and the government actions, and what mitigations there will be for that. So, it's very difficult to have an opinion about that. But in our view, we see that it's an increased uncertainty.

From the company's side, you see that we have a very robust order book. Our order book is almost at SEK 3 billion, which is double the size than it was a year ago. We also see that we have a very diversified sales, diversified in different customer segments with different products and also in different geographies.

We also have a very strong financial position with no debt, and good liquidity position, and judging everything together and assessing the current situation, and our forecast going forward, we remain on our short-term outlook that we will have a revenue of SEK 4.1 billion this year. And we also remain at our longer term outlook to reach SEK 5 billion in – by the latest of 2023. I'll come back to that little bit.

And something else to say here is that on April 1, this year, we are operating in a new model, a new structure, and this was announced already last quarter, but some details to that is that now we are running the Assembly Solution business area in three different divisions, and those three different divisions have a clear market focus, and also full accountability for the business and for the division's result.

And we can also see that there are some new people running this division. If you go from left to right, we have the Pattern Generators. This is as before, headed by Charlott Samuelsson, so no change there.

And then we have the Assembly Solutions business area, divided into three divisions. And the first division we call Assembly Solutions High Flex, this is a division that's focusing on the high flex market, high mix market, which is typically med tech industry, industrial application, defense, which is normally a little bit lower volume, and higher flexibility, and high mix. And this is headed by Clemens Jargon who has been with us many years and he is an acting president for that division.

Then, we have a division Assembly Solutions High Volume. The market focus of this division is really then on the high volume applications. This is typically mobile phone, computer, cameras and that kind of equipment. It's headed by Ivan Li. Ivan Li was formerly the General Manager of Axon. He is a Chinese national, and I should say that Clemens is German national.

And then we have the Assembly Solutions Global Technologies, which is a division focusing on niche applications in markets that have a growing trend. And today the Global Technologies division is focusing on camera module assembly for automotive applications and also for die bonding applications mainly in the optoelectronics area market segment. And this is headed by Michael Chalsen who is a US citizen.

So, you can see that with the team here running those four divisions, we have a very international composition and, of course, we have a very international business. I think this is a good position.

So, one reason for the change of organization is to enable the realization of our strategic roadmap going forward. We have three pillars or three themes in that strategic roadmap and one of them is to drive customer centricity, and we believe that with a more market-focused organization, with a clear market and application focus, we will be able to do that to a larger extent.

Another theme was to increase the Assembly Solutions profitability, and also by separating the Assembly Solutions into three areas, we could really focus on where that profitability should be driven. And the last theme is to secure and expand Pattern Generators. And our strategy here is to secure our current position in which we have mainly in the display mask writer industry and defend that position, and expand in to adjacent segment such as we do with the semiconductor market segment with the launch of the SLX mask writer.

If we talk a little bit about our long-term targets, we have made no change in our financial targets, so starting with the outlook for this year, we remain, as earlier communicated, that our outlook for 2020 is that we should have a revenue of SEK 4.1 billion at the end of the year. And the longer term target is to reach revenue of SEK 5 billion, and that is, by the latest by the year 2023, and this was our original financial target and original strategy as well.

On the profitability side, we have said that we want to be above 15% EBIT margin over our business cycle, and this remains. And something we added recently is that on the Assembly Solutions business area, we want to be above 10%, and this is latest by the full year of 2021.

On the Pattern Generators business area, we want to continue on a healthy level, healthy, meaning average where we have been. And on the capital structure we said that we should have a net debt which is not larger than 3 times our average EBITDA, and this is calculated over three years. So, no change at all in those.

So, that was my part and now, I would like to hand over to Torbjörn who will make a more granular and deeper dive in the financials.

August Torbjörn Gunnar Wingårdh

Chief Financial Officer & Senior Vice President, Mycronic AB

Thank you very much, Anders. So, looking at this quarter one report, of course, we are very happy about the strong order intake, and we note also that we, on a rolling 12-month basis, now are at SEK 5.3 billion in order intake. So, the quarter one order intake increased 99% to a little bit more than SEK 1.4 billion and for Assembly Solutions, the increase was 25%, which we are very happy about, and for Pattern Generators as we did not have any system orders the corresponding quarter last year was very high.

We have a backlog at – close to SEK 3 billion which is almost double the size that was one year ago. And for Assembly Solutions, the increase is totaled 71%, almost up to SEK 1 billion for Assembly Solutions. And for Pattern Generators, it is almost doubled to close to SEK 2 billion. So that is a – puts a very good foundation for the remainder of the year.

Net sales decreased according to plan, we had no plans for delivering Pattern Generators in this first quarter as compared to deliveries in quarter one 2019. So, that led to the decrease in quarter one net sales of 33% to a little bit more than SEK 700 million. For Assembly Solutions, however, the increase was 8% to SEK 567 million, which partly was due to a good momentum in China, and then again, according to plan, for Pattern Generators, the turnover decreased to SEK 169 million due to the natural lumpiness of the business. And in these numbers, we have positive currency effect of SEK 22 million.

In terms of the margin development, the quarter one gross margin at group level was a little bit more than 45% compared to a bit more than 62% in the corresponding quarter last year. For Assembly Solutions, the gross margin remained approximately at the same level, around 40% while for Pattern Generators, it decreased to a still very strong almost 65%. And as said before, this was according to plan.

Looking at the quarter one EBIT margin, it was at 7.5% which is lower than what we usually have. And we had SEK 36.7% in the corresponding quarter last year. We see that for Assembly Solutions, our road to improvement reaching the target of getting about 10% as mentioned by Anders. We are following that path of improving, and for Pattern Generators, we had a much lower, but still good EBIT volume, 21.5%, again according to plan.

If we look at our R&D spending for innovation and growth, it increased with SEK 24 million compared to quarter one 2019, and this was mainly driven by Pattern Generators. We had capitalizations of SEK 29 million. We should stress here that we are keeping – continue to keep a conservative view of what to capitalize. But since we have product which is now entering the commercialization stage, we are following the IFRS rules. And we, therefore, have capitalized a bit more than what we usually do. The R&D, rolling R&D, cost of sales ratio has increased to 14.2%. And here, we will look for the remainder of the year. We see that it will not get higher in 2020 than these levels.

Finally, I'd like to round off with a description of our financial strength, and we have a very strong cash position. We had an improvement in working capital, mainly driven by advances from customers and, of course, during the uncertainty of the circumstances, our focus on improving other parts of our working capital tie up is intensifying in these days. We had investing activities amounting to SEK 43 million, and capitalization of product development as mentioned before equaled SEK 29 million.

And at the end of the period, we had a cash position of SEK 911 million. And we'd also like to remind you all about the fact that we have revolving credit lines in place with two banks amounting to a total of SEK 2 billion which we – which we see gives us a strong position, and also a position for where we can act on opportunities should they arise.

And with that, I'd like to give the word back to Tobias.

Tobias Bülow

Director Investor Relations, Mycronic AB

Thank you, Torbjörn. With that, we concludes the presentation and move over to the Q&A session. Operator, please go ahead.

QUESTION AND ANSWER SECTION

Operator: Okay. Thank you. [Operator Instructions] And we have our first questions from Daniel Djurberg from Handelsbanken. Please go ahead.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Thank you very much. Good morning and congratulations to strong results. I have two questions to start with, and I will be back to queue after that. First question would be on impact of COVID-19, of course. To me, the High Volume business in China in AS was surprisingly strong given the – to me, China was like closed in February and March, still had some decent order intake and so on, and revenues. Can you comment a bit on situation in China as of now? And is there any delayed impact or if you see solid demand for – sorry, dispensing in China also in Q2.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Okay. Now, that's a very relevant question, of course. And China, if you say – if you comment on the quarter one on dispensing in China, dispensing is the main driver for the increased dispensing application which is mainly to or that is in High Volume market segment. And, of course, the Chinese New Year, and the consequential close – we had our factory closed for three weeks in total there. Of course, the production and orders were not very high, but the rebound was extremely strong, and on a higher level than before the crisis actually. So, the total quarter and – the total quarter, if you take, that was extremely strong on the order intake. And it's difficult to have a view on the future, of course, if this was temporary or if this is ongoing, but we have seen no change in that so far.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Perfect. If I may, the second question would be on Pattern Generators or PG. You have 15 machines and one update in the order book right now, but now we have the COVID-19, of course. Do you see any major increased risk for some of these orders to be canceled on back of the current situation?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

We have no such indications at the moment. But if you want to speculate, of course, I guess the risk is higher. But if we stick to facts there are no such discussions or any kind of indications from customers that they want to schedule delays or cancellations.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Sounds very good. I will get back to queue as instructed. Thank you.

Operator: Thank you. Our next question is from Fredrik Lithell from Danske Bank. Please go ahead.

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

Thank you. Congrats for a good result in the quarter and difficult quarter. Can I ask two questions, and I will like Daniel, also get back to the line after that. Can you give some type of qualitative comment on how you have sort of secured your suppliers of components? You have a variety of products. How do you see to it that they are standing on their feet? And then do you have dual sources on all critical components or do you have them in different areas of the world? Or how do you work with securing your component suppliers? So, that's the first one.

And then on the AS division, revenues came down, and thereby the aftermarket revenue as a share of total would then be higher, and still the gross margin was lower. I would assume that the aftermarket revenue was carrying a higher gross margin, if maybe Torbjörn could comment on that one. Thank you.

August Torbjörn Gunnar Wingardh

Chief Financial Officer & Senior Vice President, Mycronic AB

A

Okay. So I can take the question on the supplier side. So, it is more difficult of course to secure supplies. It has been a little bit of challenge, but we have had no delays because of that, and we are also having a forward looking way of working in doing that. On most items, we have a dual sourcing or even more than that, but not on everything, and of course, on the ones that are not – that are very, very specific, of course, components especially for the mask writers, we have a special dialogue with those suppliers, and so far there are no red flags in the supply chain, but it's a bigger challenge than normal to get parts in time.

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

Thank you.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

And then still there, Fredrik. So with the increase in net sales for Assembly Solutions, we see a mix shift for Assembly Solutions which explains the slight decrease in gross margin. We don't see that as a structural element, but it's just the mix in the quarter.

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Thank you.

Operator: Okay. Thank you. Our next question is from Mikael Laséen from Carnegie. Please go ahead.

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Q

Yeah. Hi. Hi, guys. Three questions. First of all, can you say something about the High Volume segment? How large that is, I guess segment and your exposure to China, approximately how much of revenues is coming from that country?

August Torbjörn Gunnar Wingardh

Chief Financial Officer & Senior Vice President, Mycronic AB

A

So, maybe if I start a little bit. So, we have as Anders described, just changed our organization into a more divisionalized structure. So, we stick to our Assembly Solutions and PG split in our comments. So, for the time being, we will not give a detailed breakdown of the elements within Assembly Solutions.

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Okay. And China, any?

Q

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

China if you take the high volume business as such. It is the typical applications, and that is cellphone, computer, cameras, consumer electronics. And that manufacturing is very China-oriented or especially Asia-oriented. So by nature, the large portion of sales will be in China or is in China.

A

Mikael Laséen

Analyst, Carnegie Investment Bank AB

I got it. But if High Volume products and business unit is at 25%, 30% or one-third, or is it a lot more or right now less than that? I mean just the ballpark will be.

Q

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

So, our final say on that in this call is that the divisions from the AS business area is presented in order of size.

A

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Okay. Yeah. Fair enough. And it would be great also if we can talk about the Chinese market, in general what type of customers you have there, how many you have, if it's focused on a few very strong players that are ordering this expensive solution, sorry if it's broad based, across many, many different players in the country.

Q

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

I can make a general comment on that. I think we have a quite wide customer base. But within that very specific segment of High Volume, of course there is a – there's a limited amount of players in that field. But our majority of sales is to the local Chinese customers, and it's very much in the mobile phone manufacturing area. But it's spread though over computer, and also a little bit in semiconductor, and in other telecom applications I would say. So...

A

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Okay.

Q

Operator: Okay. Thank you. Our next question is from Viktor Westman from Redeye. Please go ahead.

Viktor Westman

Analyst, Redeye AB

Thank you and good morning. First question is on the gross margins in Assembly Solutions, a little bit of a follow-up from that question from Fredrik, but in a more longer perspective, because it seems like the gross margin had trended down to 40% here as opposed to somewhere between 42% to 45% earlier. Can you comment a bit on why this is? I mean, this is comparing two, three years before?

Q

August Torbjörn Gunnar Wingardh

Chief Financial Officer & Senior Vice President, Mycronic AB

A

So yeah, I think we like to comment in this way that the way we have communicated the target for Assembly Solutions as a whole is the above 10% that Anders mentioned in the beginning of this call, so that remains. We are not necessarily guiding on the gross margin level. However, we think that the range where it is now is something that we would like to continue. Whether it moves up a little bit or down a little bit will be, to a large extent a couple to -which of the divisions which we're now starting to describe a little bit more in detail, but not fully in detail how they develop their relative size. So we will, for this call, remain at the comment that that is not a structural change, but it's a mix component.

Viktor Westman

Analyst, Redeye AB

Q

Okay. Great. And one more question then maybe on any action taken for the coronavirus or have you for example considered the new Swedish temporary layoff regulations [indiscernible] (00:27:20) or anything similar?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

That's a little bit a mixed picture depending on where in the world we are. And if you take Sweden, we have not done that in Sweden, but we had already the restructuring into these three divisions in our journey to the 10% in Assembly Solutions. So, we were already looking at increasing the efficiency of the organization, meaning actually less people. So, that was an action already in place, which we are now finalized with the introduction of the new organization. So, at this moment, we are not looking at further changes but, of course, we have the possibility to do that if things will change for the worse.

Viktor Westman

Analyst, Redeye AB

Q

Understood. I will jump back in the queue. Thank you.

Operator: Thank you. Our next question is from Daniel Djurberg from Handelsbanken. Please go ahead.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Okay. Thank you. Just to follow up on COVID-19. Of course, the employees and customers is very much important and can you comment a bit on how you have managed so far with employees, you have done a major hit there in the key personnel assembly functionality, et cetera. That would be my first question and then I have another.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Yeah. So, if you look on the health and safety side, which is, of course, the most important for employees and colleagues, associates is that we are taking I think more or less the same safety measures as any other company with the majority of people are working remotely, if possible. We have reduced substantially the number of meetings, and distancing, and all that, and hygiene measures and so on. We have also split some teams who are performing critical duties and so on. And so far, this has worked well. We have no lack of productivity because of that. So, yeah.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

That's good. And now, the question could be a little bit on your R&D and so on. In 2019, you had like SEK 60 million or in fact SEK 59 million in capitalized development costs and so on. And you came out with the SLX mask writer [indiscernible] (00:29:43), et cetera, et cetera, and you also had some investments in the Evo control platform. And now we continue to have a quite high level as you mentioned, 14.1% rolling 12 months R&D to sales, and some SEK 21 million being capitalized in the quarter. Are we closing into, given the comment from Torbjörn on it will not increase further, we chose to a new big launch here that could be interesting to know about? And are we talking – or are we looking more into the display side of things, i.e. larger photo mask with higher quality. Is that needed or are we talking SLX 2.0 or something? Any comment would be helpful I think.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Which is of course difficult to get because, we'll not comment on coming launches. But let's say that we continue to invest in innovation and product development, of course. And there's also remaining development work on existing products because they are also coming out in different versions, and different levels of complexity within the platform itself and so on. So even though our product is launched, there will be continuous development work to tailor it for possible more applications, and so on.

And the intention is to continue, of course, to stay – to launch products, and to be very innovative and so on, so continue to invest in R&D where there's opportunity to do so. So, no change in strategy on that side.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Okay. May I have another question or is it [ph] still to come in (00:31:15)?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Operator, we can continue with next one, please.

Operator: Yeah. We'll give the floor to the next person, Fredrik Lithell from Danske Bank. Please go ahead.

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

Thank you. Just housekeeping here, Torbjörn, maybe if you could describe the other income figure in the P&L of, I think, it was SEK 49 million? And then also the difference in AS division between EBIT and underlying EBIT is now described as being amortizations of acquired asset. Is that – I mean you would have that for a number of years then, so should we see that as a new normal that you will have two layers of EBIT in the division? Thank you.

August Torbjörn Gunnar Wingårdh

Chief Financial Officer & Senior Vice President, Mycronic AB

A

Yeah. If I start from the back, so yes, you could do that for those acquisitions that we made historically. It's the amortization that remains, and it's going to continue for a couple of years going forward, and other elements which we have discussed several times before like earnouts are now gone out of this concept, and also the initial related to the work in progress and so on. So you are right there on that.

Your other question was on other income, and that one is dominated by effects from currency as well as in certain countries, we have tax discounts on activities related to our R&D activities mainly.

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

Thank you.

Operator: Thank you. And then we have another follow-up question from Viktor Westman. Please go ahead.

Viktor Westman

Analyst, Redeye AB

Q

Thank you. Hi, again. Yeah. I wanted to ask about Pattern Generator sales. It looks very solid there, SEK 169 million. Is this a new normal for the aftermarket? Or are there some larger [ph] VAP (00:33:24) sales or something else affecting?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

So, that sales, it is included just like you indicate the service, but also [ph] VAPS (00:33:43) that are not unusually large. So, it is a volume, which we feel comfortable. It could be – it could be sustainable, but there are different parts of it just like you refer to. We don't break it down into those parts. We denote it aftermarket, and that is – all that is included in those SEK 169 million.

Viktor Westman

Analyst, Redeye AB

Q

Okay. Great. Well, one more from me also. Can you comment on Samsung and LG discontinuing the LCD to focus more on OLED. What's the next step for you here? Is that positive mostly or negative?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

I would say in general, anyone who is changing from LCD to OLED is positive for us because it's both, means that there are more photomasks needed to produce the layers per screen because the OLED screen have more layers. And then also the quality of some of those masks are higher or needed to be higher, so which means the more higher end of our machine offering is needed. So, I would say that's for anyone changing from LCD to OLED is a positive – should be a positive impact for us.

Viktor Westman

Analyst, Redeye AB

Q

Okay. Great. Thank you.

Operator: Thank you. Our next question is from Daniel Djurberg again. Please go ahead.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Yeah. Thank you. A question on SLX, if you could update us on the competitive landscape, if you've seen any major actions taken by the existing competitors like your German competitor, Heidelberg, et cetera, in terms of features, price cuts or since you have done this reentrance to the market. And also, if you can comment a bit on the development of the Global Technologies in the quarter such as sales and margins for MRSI and your optoelectronic business. Sorry.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

All right. So, let's see what was the first question here. Yeah, on the competitor side. Yeah, exactly. Yes. So, I think we see the same activity as normal, I would say, of having two major competitors on – for the SLX, and one of them is the company you mentioned, Heidelberg. Then we have AMAT who is another competitor here. And we have seen Heidelberg had a new machine a few years ago, I would say that they are actively promoting. But we have not seen any change in strategy or any recent offering, or a change in offering from their side. But they are valid competitors in the semiconductor mask market – mask writer market.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Yes. And then, on Global Technologies, any comment?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Yeah. I think it's a little bit – because we are addressing quite narrow application segment here with one business mainly focusing on camera module assembly for vehicles. And of course, we can say that the vehicle production globally has been already before the crisis down a little bit, which had a, of course, a negative impact. But on the same time, we had a positive impact on the number of cameras, and the development of cameras in the vehicles, a number of cameras. I mean, the amount cameras per vehicle, I think that's more or less uneven. But we still believe in this segment going forward, I would say.

And then, on the optoelectronic side, this is mainly driven by telecom applications and data communication. And we believe that the – still that the introduction of 5G which is not yet really implemented everywhere will still have a positive impact on applications for us in this area. So, we believe in a positive trend in these applications.

Operator: Okay. Thank you.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Q

Okay. And on the – thank you.

Operator: Thank you. Our next question is from Viktor Westman from Redeye. Please go ahead.

Viktor Westman

Analyst, Redeye AB

Q

Yeah. Hi, just another one on the coronavirus here. Of course, this is a super big uncertainty, but is there anyone in your network of partners or customers that you can go to and ask about this, and if they have any good visibility? And if so, what's the message from them?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

That's a tricky question. I would say and it's – I don't see that we have – we don't see a major change yet in customer planning or behavior, but of course, in the western and – in Europe and the US, many of them are semi-closed and the activity is very low, but we have no indication or no discussion or dialogue about anything very, very different or unique, I would say.

Viktor Westman

Analyst, Redeye AB

Q

The display market, and if that would be bad for you in terms of fewer display models.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

I think, you can see, I think, we enclosed a little bit market section in the report, and some research on the outlook for display is a little bit revised down in that one. At the same time, we have, as you mentioned, also the change to a bigger amount of OLED and so on. So, and also the horizon, if a customer invest in a mask writer, they typically will need at least five years horizon on their business to do so. So, I think they look quite much beyond this right now. So, yeah, I think we need to balance what is the long term trend and what is the short term impact there.

Viktor Westman

Analyst, Redeye AB

Q

Okay. Great. Thank you.

Operator: Thank you. [Operator Instructions]

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

We have no further questions, we end the call. And thanks for joining us here today, and welcome back next quarter.

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