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Mycronic AB (MYCR.SE)

Q2 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Sven Chetkovich

Investor Relations Director, Mycronic AB

Hello, and welcome to the presentation of Mycronic's Q2 Report. My name is Sven Chetkovich, I'm the Director, Investor Relations, at Mycronic. And with me today I have Mycronic's CEO and President, Anders Lindqvist; and CFO, Torbjörn Wingårdh, who will be presenting today.

And with that, I hand over to Anders.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

All right. Thank you very much and good morning to you all. So, what you see now on our screen is the agenda on what we want to talk about today. So it is the usual things, quarter two in short, divisional development. We have also added what is also interesting to also show, a little bit of our sustainability strategy. Torbjörn will fill in some – fill in with some financial details, and then we have also a little bit of information on the recently made acquisition of atg Luther & Maelzer, and then we will end with an quarter – question-and-answer session, of course.

And today, an extra service to you, we have also added the – a compilation, which is the Appendix, market update, which is a compilation of market data from third parties which can be helpful for you. And this will be in the presentation that is posted on our website afterwards, so this together with this presentation, obviously.

Okay. If we start with a snapshot of the quarter, so what happened in quarter two? We had – we completed the acquisition of atg Luther & Maelzer, and that was completed on the 25th of June. And all the comparisons here is to the same quarter last year, obviously. And compared to the same quarter last year, the order intake, we saw an increase of 54%, and the increase happened in actually all four divisions.

So, at the same time that net sales decreased by 2%, and that was very much due to a less favorable product mix and a very good product mix in the same quarter last year, and also impacted by negative currency effects of SEK 83 million. That resulted also in a decrease of EBIT with 14%, down to SEK 241 million. And we had improvements in the High Flex division, High Volume division and Global Technologies division, so the decrease was in the Pattern Generator (sic) [Pattern Generators] division.

The EBIT margin ended at 23%. And we're very happy and proud to see that in the, what we call, the former Assembly Solution (sic) [Assembly Solutions] business area, where we have a financial target of reaching above 10% this year, we recorded a 13% EBIT margin. So we see step by step improvements on the margin side in that – on that side. The order backlog declined to almost SEK 1.8 billion, and we have nine mask writers now in the backlog as of end of the quarter. That backlog also includes the SEK 130 million that we get together with the atg acquisition.

To go a little bit more in detailed on – details on the different divisions, starting with Pattern Generators, so again everything is compared to the same quarter last year, so we had sales of close to SEK 400 million and the 45% EBIT. We only had one order. The intake improved despite that compared to the same quarter [ph] with – to (00:03:54) 89%, and we had also quite a lot of orders after the quarter. But during the quarter, we had [ph] lesser – less (00:04:00) order.

And if we look on the long-term market trend, we see that the – all the drivers and trends for the display market and photomask markets are all in place. We still see the same shift from LCD panels to AMOLED panels, more complex displays, more – higher resolution displays and more displays of different shapes and so on, so we see that all the long-term trends are there. Although, and that you will see also when you look in the Appendix if you want to do that, that we had a negative impact last year on the photomask markets for display which actually declined during 2020, and there's a forecast improvement from this year and also the coming years on that side.

The backlog here is SEK 617 million as of end of the quarter, and at this very moment we have 11 systems in the backlog which includes 2 orders that we get now in July. The result, the sales, the gross margin and the EBIT is lower compared to the same quarter. And although we delivered four system this quarter compared to three system, we didn't have any high-end system so, therefore, the margin and EBIT is somewhat lower.

If we move to the High Flex division, we see a very, very positive market there. We have the very strong demand from consumers, and also we see the same strong demand for electronics in general. We could also see that the order intake increased with 63%, mainly driven from Europe and also US, and we had a really major, a big order in Europe. In the quarter, the sales increased by 6%, so a little bit less, and then we had an EBIT of SEK 11 million or corresponding to 4%. In the same quarter last year, we had minus 15%.

And that big difference is actually mainly explained, that they had a very big negative currency impact in the quarter two last year which was SEK 22 million. So, that – the difference is actually less than it looks like. The strong order intake, of course, have an impact on the backlog. So, we're now up to SEK 150 million, which is a very good backlog for the division. If we move further then to Assembly Solutions High Volume, here, we see also a very strong market mainly driven by that – we can see that – so the majority of the business we have here in this division is in China, and we have seen that the Chinese production that – outside of China have – is moving back to China to a large degree and, at the same time, there are large investments in automation in this kind of business, which is both favorable for us.

We have the number one position in the Chinese market, and you could see that the order intake increased by 21%, net sales increased 40%, so now up to SEK 315 million, and for the quarter we had a very strong gross margin, we had a very favorable mix in the quarter, 53%. And EBIT, almost SEK 100 million which is corresponding to a 30% margin, so very strong performance in this division.

If we move into Global Technologies, so this division which will be the home of the recently made acquisition, atg Luther & Maelzer, so the acquisition was completed on June 25 and the remaining days between June 25 and the end of the quarter is not consolidated into the results. So all the quarterly result is without the impact of atg L&M, except for the backlog in the balance sheet. So that is the – how we have treated that part.

So after many months of weak business in the camera module for the automotive industry, we have seen now a – quite a good increase in the activity from everywhere, both in the US and Europe and China. We have seen there is quite intense local competition in China in this business, but we have had very good order intake increase in this part of our business.

We also have good progress in the die bonding business and with also new customers and some major orders in China here as well. So, all in all, for the division, the order intake increased by 94%, so a very strong increase. Sales was a little bit down, but the margin is still stable at 38%, the gross margin. Also, we saw an improvement on the EBIT side, so very happy to record a positive result.

We have had negative results here for quite some time, so now we have the EBIT margin of 6% or equal to SEK 7 million. And that is actually coming from efficiency improvements that we have made during this last year, so very good to see that is coming through in the numbers here. The backlog here is now SEK 250 million, almost, close to, and that includes the SEK 130 million that is coming from the acquisition of atg L&M in this case.

So that was about the divisions. It's very good to have good momentum here and, therefore, the board also have revised the outlook for the year on the revenue side. And we believe that we will reach a sale of – sales of SEK 4.5 billion, and this is at current exchange rates. And the reason for change is partly because of the acquisition, of course, we will have a half year of revenues of the acquisition of atg L&M in here, in the result as well. But also we have seen – we have a volume increase in the remaining business, so that, together, led to this decision.

The other targets are still the same as they had been before, that the profitability should be – EBIT profitability, above 15% over a cycle, a business cycle; a dedicated specific target for the, what was at that time the Assembly Solutions business area where we said that we want to be above 10% for this year, and for the quarter you may have noticed that we were at 13%, so ahead of this target right now; and the net debt should not be larger than 3 times EBITDA, and this is also an average over three years. The long-term target is that we should reach sales by SEK 5 billion of – in 2023, so coming really close to that right now as you can see.

Okay. [indiscernible] (00:11:34), as I said, should be a good opportunity also to show a little bit on what we are doing on sustainability and also our sustainability strategy. So at Mycronic, we have put three different strategic goals in place when it comes to sustainability and the target is to reach those goals by 2030. One is around innovation and our customers where we said we want to have innovation for sustainability, and this is really to enable our customers to achieve their sustainability goals and ambitions and we can do that through innovation of our products.

The second goal is that we want to foster and develop future engineers through diversity, and we really want to foster diversity, equality and inclusiveness in all the communities where we act. And the last goal is around

environmental footprint, and this is our own environmental footprint where we want to reduce our own carbon dioxide emissions by 50% at 2030.

And if we look a little bit on what kind of impact we have as a company on the environment and we – if we look in terms of carbon dioxide equivalents, we have the three different scopes as the standard says, and the Scope 1 and Scope 2 is direct emissions. So, this is all the energy we consume in our own facilities, both fuel for vehicles, oil or gas for heating or electricity, and also the electricity that we use in all of our facilities. And you can see that this is only 2% of the total impact that we have as a company.

So, the largest the impact we have as a company is from indirect emissions which is 98%, which is business travel, transportation, waste and so on. The largest part of that one is the use of products. The use of products is 80% of the total impact, so this is actually the customers' use of our product in their businesses. That is where we have the biggest impact. And this is also, of course, where we have the biggest possibility and opportunity to make a change. And therefore, we have this target innovation for sustainability. And I want to show you one example on what we're doing within this initiative. And this is really about our mask writers. So, a mask writer is sold from the PG division. They're typically used 24 hours a day, 7 days a week at the customers. And there is the laser and the mask writer consumes quite a lot of energy. And this use of mask writers is the largest source of the emissions that we have at Mycronic or that we generate at Mycronic.

On the innovation side, what we have done is that with the latest mask writer, the SLX, we have a different type of laser which is called a Solid State Laser technology. And this laser technology can save up to 99% of the energy used for the lasers, very big improvement in the area where they have the biggest impact. So, our ambition long term is to enable this technology in all of our mask writers in the future that we will have quite a significant change on our impact on environment.

All right. That was all for me. I will come back a little bit later, but now, Torbjörn will talk a little bit about the financials.

August Torbjörn Gunnar Wingårdh

Chief Financial Officer, Mycronic AB

Thank you very much, Anders. When we look at net sales and EBIT margin rolling 12 months, we can see that we had a revenue amounting to SEK 4.4 billion. And we also have an improved EBIT in the three divisions, just like Anders mentioned, High Flex, High Volume, and Global Technologies coming out the previous business area, Assembly Solutions. And we're very satisfied about this improvement, which has been very good work by these divisions. And for Pattern Generators, it's still generating a very good result.

But in terms of comparison with previous – in the quarter, in the previous year, the product mix is less favorable for Pattern Generators and that, of course, then impacts our EBIT margin in Q2, which ended up at 23% and for rolling 12-month, 29%. And as we clearly see, illustrated here on this slide, that our aftermarket business really constitutes a strong and stable base of recurring revenue for our company, which we find this a very, very good thing to have in terms of our performance.

If you look at then at the lower EBIT in Q2, where the 23% should be compared to 26% in the same quarter in the previous year, we can see that the effects come partly from volume and partly from the COGS, which was, of course, impacted by product mix. The negative volume effects that we're pertaining to Pattern Generators and to Global Technologies, while we can see a positive contribution from High Flex and High Volume divisions.

The increase in R&D expenditures, and we'll come back a little bit to that later. Of course, R&D expenditure is very important for our company, for our continued strong future. We have an impact from low capitalization, behind these increasing R&D costs. And as you know, it's important to reiterate that we are very conservative in terms of activating R&D cost on the balance sheet. But this time, there was a bit of a difference and the difference was that the capitalization was lower, as I said.

In terms of the selling costs that have been impacted by M&A activities, and very happy about the acquisition that we conclude here in quarter two. And then in terms of current results, they were in this quarter positive effect compared to ending up at other income and expenses. And we're looking at the quarter in the previous year. You can see there are quite big swings in some of the currencies impacting us, so ending the quarter then at 23% EBIT margin for quarter two.

If we then look a little bit closer and now when we present our divisions externally since sometime back, we can see that the change here – as we have described, to a large extent, is for Pattern Generators. So, while Pattern Generators still generate a very strong performance, when comparing to the quarter two in 2020, it's SEK 99 million lower.

Then as we said for the other divisions, there is a good improvement. High Flex, SEK 26 million; High Volume, SEK 37 million; and also Global Technologies despite lower volume, still an improvement because they worked very diligently on their cost side. And therefore, the group functions where we have taken costs for the acquisition, we have an increase in cost at that part of the business.

And as you can see, the three divisions from the former Assembly Solutions could not fully outweigh the changing product mix with Pattern Generators, but it's a significant chunk that could be compensated by improvement in those divisions, which we seem very, very satisfied about.

Looking then at R&D for innovation and growth, which continues to be very important for our future. We would like to iterate that, of course, our spending in R&D is based on the conscious business cases in each of the divisions in terms of their respective R&D opportunities, and that is the guiding principle in a new organization with decentralized decision-making. So, underpinning this is the decisions in their respective divisions.

Still we find it interesting to display and comment at the group level how we develop here. And as I said before impacted by lower capitalization, the R&D spending increased SEK 10 million compared to quarter two in last year. And we have a rolling R&D cost-to-sales ratio at 12%.

Of course in terms of our strong balance sheet that had an impact from the acquisition that we performed. So, in the investing activities, what you see here is almost SEK 1.1 billion the acquisition of atg L&M was a little bit more than SEK 1 billion. In terms of the financing activities then, we utilized credit facilities for almost SEK 500 million. We also then paid the dividend of close to SEK 300 million and we also had a small acquisition of non-controlling interest in a subsidiary to Axxon. We end the quarter with a net cash of a little bit more SEK 300 million on June 30. And in terms of available cash, we then have a little bit more than SEK 1 billion cash at hand.

And having said that, then I hand the word back to you, Anders.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Okay. Thank you very much. And I want to talk a little bit about this latest acquisition of atg Luther & Maelzer. So, atg L&M is a company headquartered in Germany, Wertheim in Germany. 190 people in total global business and

global coverage with all these people. And the company develops and produces and sells what is called the flying probe and grid test systems for PCB. And what this equipment is doing it is testing connections on PCB with pins.

And we have here two different type of technologies for doing that. So you can see illustrated on this page on the top right what is called the flying probe. And the flying probe test that is robotized or the pins that tested the electrical connectivity on the board, they are robotized and can move in various patterns, which allows for a very high flexibility in the test and it can test different type of boards with high throughput the same time.

The other technology is called the grid test and the difference of that – so it's still pins testing electrical connections but it's in a fixed pattern. And this is for high speed production because here, you have no flexibility. You put the grid in a specific pattern that corresponds to the board, and then you can move the product very fast through this process. So you have these two technologies of electrical testing.

When it comes to the different product lines, so we have what's called flying probe PCB test. And this is this robotized flying probe technology on PCBs, and typically, with high flexibility in the low to mid volume market. We also have flying probe technology for testing substrates with the same robotized technology solutions. And here, we can test down to very high accuracy of 10 micrometer on the pad sizes for different substrates. And then we have the grid PCB test which is a fixed pattern on the testing pins for high volume production. So this is the offering. In addition to that, [indiscernible] (00:24:49) have a very strong aftermarket and consumable business which is very nice.

Why we believe that this was a good company for Mycronic to be the owner of, is that we could see that atg L&M really have a very good DNA and culture. They have a very similar thinking with us. We have a similar position in most markets where we also have a strong position in the High Flex market with high precision and a niche position in this kind of market.

The business is very stable. It's well-established, has been there for a long time. The company has a leading position in the flying probe test. Very solid aftermarket business and a strong profitability which is also very stable. So, I think it's a really good company and a very good fit with us. And why we believe that we can be a good owner and a good home for atg L&M is that coming out of a different ownerships in the past, we will be a long-term focused owner, really to allow atg L&M to focus on the business and develop that business.

What we can offer is that we have a very strong global presence in the right markets and the right places in the world that atg can leverage. And especially strong presence in what we have from [indiscernible] (00:26:14), our China presence, with more than 800 people in China right now that atg L&M also can leverage on.

And so, that [indiscernible] (00:26:25) even though that we have just made acquisition, we still have strong financials to allow for further expansion around this technology. So, you see that we can be a very good owner and we're very happy to have atg L&M onboard with us.

All right. So, just some final remarks before we move into the Q&A session. So, I think that we have – you can see that we have a very strong position for – continue with the sustainable profitable growth. [ph] We have with the set-up (00:27:02) and the operating model that we are running in very customer-centric, very scalable and decentralized organization. In all our businesses, we have a very competitive product portfolio, which we continue to invest in to stay competitive.

And we want to make this sustainable growth through a combination of organic growth and acquisition-driven growth. And on top of everything, very dynamic, innovative, and responsible culture. So, I think we have a very good position to continue our growth journey. And, yeah, we look forward to the coming quarters with that.

All right. That was everything from me. Now we can move into the Q&A session.

Sven Chetkovich

Investor Relations Director, Mycronic AB

Okay. So now we're moving over to your questions. In general, please keep it to two questions per time in order to allow for everybody to be able to ask questions. And if you have more questions, you could ask them later and we will try to get to those questions as well. So then, I would ask the operator, do we have any questions?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Daniel Djurberg of Handelsbanken. Please go ahead. Your line is now open.

Daniel Djurberg

Analyst, Handelsbanken Capital Markets

Thank you very much, and congratulations to [ph] the earning (00:28:48) quarter report, especially from [ph] AS (00:28:50) segments. I would like to ask two question, if I may. And that is mainly to the – on the TV side, on displays.

We saw in your presentation that – in appendix that the market expects – or the market growth for photomasks and displays is 4.5% this year to first half 2020. I was wondering if you have any insight in how this growth is expected to pan out in terms of more advanced mask, i.e. AMOLED and G10.5 or versus a little more low and up to Generation 8 and more LCD. And so far, the orders you took here in July has been more tilted to the lower end. But hopefully we will see the more advanced masks also in the second half. But, yeah, any comments will be great.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Yeah. That's a difficult correlation to be made there, I think. In general, I would say that an increasing photomask market must be a good thing for us and so on. And then what kind of equipment that will result and that we see that there is still a very strong – you see also in the same – on the other page, I think after that actually, that you can see the transition from LCD to AMOLED is quite much stronger than the display area growth in general.

So, we still believe in the technology shift there with the AMOLED that requires more advanced photomask will have a stronger growth over the other type of technology. And also the same is valid for the new kind of the complexity of displays where we see – where we believe that there should be a breakthrough or we will see more of foldable and curved and [ph] new (00:30:46) shapes and so on. So, how that will be at the end, that we cannot really comment on, of course. But I think on the market trends, we believe that it's going in the right way.

Daniel Djurberg

Analyst, Handelsbanken Capital Markets

And do you have any insight on how large part of the AMOLED that you do serve or is currently served by the Prexision 800 Evo and so on and how much more masks that need to be done here [ph] and should we expect it to (00:31:27) – if you understand my question, is the underlying demand uptake in AMOLED versus the current availability for advanced photomasks.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

So, yeah, I can see when you're going, but it's not possible to make that correlation [indiscernible] (00:31:50) we know that, I mean, all the AMOLED [ph] displays (00:31:54) and the backplanes and so on, [ph] the older backplanes in those displays (00:31:58) are using high-end mask writers.

But the driver for mask writer is the change in technology and so on and not the volume of it and so on, and that split, we cannot say.

Daniel Djurberg

Analyst, Handelsbanken Capital Markets

Q

No, of course. And then the last question, if I may, and that is with regards to the EUVs competition to SLX. Is those machines much too expensive still to be seen as a competition to the SLX business, or are they coming down in price, so it can start to compete also with the SLX?

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

No. There's a significant price difference between that kind of equipment. And it's not only in the [ph] write itself (00:32:46) itself, it's also on the surrounding equipment, what you need downstream and upstream in such a process. So you need to build the complete process around the EUV technology over the laser technology. And the equipment used also after and before also have a very different price point. And so, there's a [indiscernible] (00:33:10) where you can use laser technology and where you will use other type of technologies for. And it's really coming down to the [ph] node sizes, how fine (00:33:18) patterns are printed.

Daniel Djurberg

Analyst, Handelsbanken Capital Markets

Q

Perfect. Thanks. I think I have my two questions. So good luck here in Q3 and have a great summer.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

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Thank you.

Operator: Our next question comes from the line of Fredrik Lithell of Danske Bank. Please go ahead. Your line is now open.

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

Thank you for taking my questions. Hope you are all well. I had a thinking around the micro LED and mini LED. If you could sort of address those two sort of emerging technologies even they are in very early stages, what would that sort of imply for you in terms of what type of equipment on the PG side that would be demanded for those

type of applications? Are there any differences of those applications, even more complex each of them or is it any other things we should think about there? Thank you.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Yeah. I think that's a very good question. And we could see that those technologies are picking up. And they also have positive impact on our other divisions actually from this technology as well, which is in total a good thing. So I cannot give you a very straight answer, but both the mini LED and the micro LED technology requires also backplanes in building up the displays quite similar to the LED technology. And so still photomasks will be required for making that, but how that will look at the end, I don't have an answer on that actually.

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Can I take another question then on the similarities or differences between High Flex and High Volume? I mean you have a very, very strong demand from customers in High Flex as you have in High Volume, but you have very different type of EBIT margins here. Is that due to – and within High Flex for example, you have stated in earlier years that you're one of the leaders and have up to maybe 50% market share on the High Flex. Is there a difference between these two segments that make it – so that the High Flex should run with around 4%, 5%, 6%, 7% EBIT margin, meanwhile the High Volume is 20% to 30% EBIT margin or can we see High Flex moving higher? Thank you.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Yes. So, yeah, it's very different segments. I mean if you look on the end product, it's really High Volume is mobile phone, consumer electronics, computers; and for our High Flex division, we really serve in a market that – where the end products are typically medical equipment or aerospace equipment and high-end industrial equipment and so on. So very different, but the demand is strong in both right now.

If we start with the High Flex, so we are not happy with the margin we have in High Flex. So there's – I mean, that's also part of this former, [ph] what we call also (00:36:37) Assembly Solutions where we said we want to be above 10% and with a strong emphasis on above 10%. Now, of course, High Volume is contributing quite a lot to that difference, but we want all divisions to contribute to that target quite a lot. And I believe that we can reach higher margins also on the High Flex business actually on that.

So, still work going on there. I think why we do so good in the High Volume, it's also different technologies. So the majority – the equipment we sell in High Volume is dispensing equipment, which is a higher volume product than – compared to what we have in the High Flex division which is more pick-and-place and jet printer equipment, which is typically lower margin products. And so it's the different type of products that generates the different type of profitability here.

[indiscernible] (00:37:33)

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Q

... assume that jet printing, for example, which is a very unique technology where you don't really have any competition, should carry and should help the High Flex to create better margins due to the uniqueness, and thereby that you can price it in a...

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Yeah...

A

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

...different way when...

Q

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Yeah, absolutely. And we are looking, we are striving for better margins in the total High Flex, and I think that the same is actually valid for the uniqueness of our pick-and-place equipment and also the storage solutions that we have. So, improvement possibility all across in that.

A

Fredrik Lithell

Analyst, Danske Bank A/S (Sweden)

Okay. Perfect. Perfect. Thank you.

Q

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Mikael Laséen of Carnegie. Please go ahead. Your line is now open.

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Yes. Good morning. Hi. I have a couple of questions on atg. First of all, can you tell us the growth rates that they have generated past couple of years, maybe four, five years, and the expected market growth going forward for flying probes and grid test systems?

Q

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

So, no, we cannot – I mean, they had a different owner the last years and so on. I think we stated when we acquired that last year they have a revenue of SEK 420 million, if I – I look at Torbjörn [indiscernible] (00:39:10)...

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August Torbjörn Gunnar Wingårdh

Chief Financial Officer, Mycronic AB

Yeah.

A

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Yes?

A

August Torbjörn Gunnar Wingårdh

Chief Financial Officer, Mycronic AB

SEK 420 million.

A

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Yeah, SEK 420 million.

A

August Torbjörn Gunnar Wingårdh

Chief Financial Officer, Mycronic AB

That's right. Yeah. Yeah.

A

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

...for 2020. And so no, that is the only – what we can disclose from that.

A

August Torbjörn Gunnar Wingårdh

Chief Financial Officer, Mycronic AB

I think also...

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Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

[ph] Yeah (00:39:22).

A

August Torbjörn Gunnar Wingårdh

Chief Financial Officer, Mycronic AB

...we said that the growth rate has been on the conservative side over the couple of years, we indicated that also.

A

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

Yeah. So, exactly, so it's not – this business is not a super-fast growing business but very stable and with moderate growth in it.

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Mikael Laséen

Analyst, Carnegie Investment Bank AB

It's also the case going forward that they will have maybe 3%, 4%, 5% growth, or could it be better than that, double-digit maybe?

Q

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

So we'll not comment on the numbers there, but we are looking for – we want – our expectation is that this business should grow but not that super high numbers.

A

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Okay. Got it. And then just curious to hear about the growth drivers, Global Technologies product areas, they have good support from structural trends, autonomous driving and 5G and data center investments and so on. So, what about atg, [ph] is this (00:40:27) company also benefiting from underlying trends in the [ph] B2B (00:40:31) or substrate markets in any way?

Q

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Yes. And it's different type of drivers. It's also the drivers we can generate with the products, but also in the market, if you look in the market, so the markets are testing and generally it's a growing market. There's more quality assurance, there's more testing, and we also know that the High Flex side of market is a good market to be in, especially now with production being more localized everywhere. So maybe the volumes will be actually lower when it – it's produced in more places than one.

One – the big growth driver in this market is on the substrate side, which is still a quite small part of the testing or of the, how do you say, the market. [ph] All the (00:41:22) products to that will require testing and the substrate market [ph] obviously will (00:41:28) have a quite strong growth actually. So that is also a driver to participate in that one. So, for sure, there are as well here some good market drivers for us.

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Q

All right. That was my third question. So maybe can you say something about the PPA amortization? If you have any early guidance on, that would be great. Thanks.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

So, we, just like we always do following the IFRS setup, we have done the preliminary PPA, as you can find in the quarterly report. We see the pattern just like in our other acquisitions that in respecting the – valuing the inventory at market value, it means that for the first two quarters, we will have an impact of turning around that inventory that has been valued upwards in connection with the acquisition, and so lesser gross margin than what is the case on the underlying.

We have commented on that as we proceed and we will use similar types of communication tools to show what the underlying – how the underlying business is performing for that. But, of course, in the coming two quarters, the contribution for this recently done acquisition, just like in our previous acquisitions, will be lesser than what it is in the medium and long term.

Mikael Laséen

Analyst, Carnegie Investment Bank AB

Q

Okay. Thanks.

Per Anders Lindqvist

President & Chief Executive Officer, Mycronic AB

A

Thank you.

Operator: Thank you. We currently have no further audio questions. I will hand back to the speakers for any further remarks.

Sven Chetkovich

Investor Relations Director, Mycronic AB

Okay. With that, I think we've reached the end of today's presentation. Thank you for attending.

Operator: This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.

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