

# DATACOLOR AG

HALF-YEAR REPORT **OCTOBER 1, 2017 TO MARCH 31, 2018**

Dear shareholders

In the first half of fiscal year 2017/18 Datacolor AG increased net sales by 17.4% to USD 41.0 million (previous year: USD 34.9 million), an increase of 14.2% in local currencies. Datacolor's sales in the reporting period were significantly influenced by a substantial order from a major retail company in North America for a complete software and hardware system. The results for the first half of fiscal year 2017/18 include not only positive currency effects, but also earnings from the newly launched ColorReader family of mobile, ultra-portable color measuring instruments. Although sales increased significantly due to the extraordinary order from the US retail company, the gross profit margin of 64.0% (previous year: 67.7%) was well below the previous year. The decrease is explained by the product mix. On the one hand, an exchange program for higher-margin high-end instruments is expiring, and on the other hand the substantial order from a major retailer has a substantially lower gross margin compared to Datacolor's other product portfolio due to an unusually high share of hardware. As a result, the EBIT of USD 3.1 million (previous year: USD 3.4 million), the EBIT margin of 7.7% (previous year: 9.8%) and the EBITDA margin of 10.4% (previous year: 14.2%) were also significantly below the previous year's figures. The financial result was neutral in the second quarter of the current fiscal year (previous year: USD 0.9 million) due to the high volatility of the stock markets. Accordingly, net income decreased to USD 2.3 million (previous year: USD 3.4 million) compared to the prior year. Datacolor AG continues to be debt-free. Net liquidity increased to USD 39.7 million (September 30, 2017: USD 38.2 million) and includes financial assets of USD 23.5 million (previous year: USD 18.8 million). At 61.2% (September 30, 2017: 62.0%), Datacolor has a very solid equity ratio. In comparison with the previous year, the average number of employees increased by 41 to 413 full-time equivalents (previous year: 372). Most of the new employees were employed in the areas of sales and marketing as well as research and development.

#### **Substantial order from the US retail trade has a major impact on half-year results**

Thanks to Datacolor's strong commitment to developing easy-to-use and cost-effective solutions for precise color matching, the Company has a strong market position throughout the world. Datacolor has therefore won the order to install its retail paint color management solution in over 4,000 stores of a major US retailer. This is the largest single order Datacolor has ever received in its history. This exceptional major order strengthens Datacolor's image as a leading international color management company and enables the company to significantly accelerate the implementation of various innovative growth projects that are crucial for the future with decisive investments.

#### **Strong growth in America and Europe – investments in market position in Asia**

The company continued its geographical expansion, especially in the Asia region. Datacolor recently established a subsidiary in Vietnam with the goal of further strengthening its strong sales and marketing organization. In Asia, the political situation and financial upheavals in the reporting period, particularly in India and Bangladesh, dampened the investment climate. This region therefore made a below-average contribution of 31.1% (previous year: 37.2%) to Group sales in the reporting period. Sales in Europe kept pace with the Group's strong sales growth due to solid growth rates in the pigments business. At 36.1% (previous

year: 35.8%), Europe is again Datacolor's largest market region. The North and South America region also showed strong growth, increasing its share of Group sales to 32.8% (previous year: 27.0%). This positive development was significantly influenced by the substantial retail paint order from the large US retailer.

#### **Innovative solutions based on the latest technologies**

Datacolor is one of the leading international companies for digital color management solutions and is continuously expanding its strong market position through the launch of innovative solutions and partnerships with leading suppliers of color measurement technology and customers. The latest market launch is the ColorReader product family, which combines the latest miniaturized sensor technologies for color measurement with the high usability of Datacolor's mobile applications in a highly precise and extremely cost-effective solution. ColorReader enables companies and professionals to measure and communicate color with the highest quality and the easiest operation.

#### **Sound financial structure**

After a dividend payment of USD 2.4 million and the buyback of own shares, Datacolor had cash and cash equivalents including financial assets of USD 39.7 million and equity of USD 43.5 million at the end of March 2018 (September 30, 2017: USD 42.2 million).

#### **Changes in the Board of Directors**

Jvo Grundler was elected as a new member of the Board of Directors of Datacolor AG by the Annual General Meeting on December 7, 2017. With his extensive experience as a lawyer, he extends the legal and business know-how of the Board of Directors. He succeeded Peter Beglinger, who had been a member of the Board of Directors since 1992.

#### **Group structure streamlined**

In the name of a lean group structure, the Swiss companies Datacolor Holding AG and Datacolor Logistik AG were merged into Datacolor Europe AG retroactive from October 1, 2017.

#### **Outlook**

With its very sound balance sheet and high level of liquidity, Datacolor intends to significantly expand its strong market position in the textile, paint and coatings industry with new, high-precision color measurement instruments and software, as well as the accelerated expansion of its sales and service organization. The Board of Directors intends to lay a solid basis for long-term growth by further increasing investments in the development and market introduction of innovative new product families and in strengthening direct sales and services, particularly in Asia and America. Assuming a favorable global economic development, Datacolor continues to strive for a continuous increase in sales. Orders such as the one-time large delivery to a major retail company in North America will hardly be repeated in the short term. The conscious investments in product and market development to increase sales are long-term in scope and will mean that Datacolor's margins and results can hardly be significantly increased in the coming years.

Lucerne, May 4, 2018

Datacolor AG



Werner Dubach  
Chairman of the Board of Directors

## KEY FIGURES DATACOLOR

in USD million	Half-year 2017/18	Half-year 2016/17
<b>Net sales</b>	<b>41.0</b>	<b>34.9</b>
Change relative to previous period in %	17.4%	3.5%
<b>EBIT</b>	<b>3.1</b>	<b>3.4</b>
Change relative to previous period in %	-8,3%	29.3%
as a % of net sales	7,7%	9.8%
<b>Net profit</b>	<b>2,3</b>	<b>3,4</b>
Change relative to previous period in %	-30,4%	29.0%
as a % of net sales	5,7%	9.6%
as a % of average shareholders' equity	5,5%	8.8%
<b>Cash flow from operating activities</b>	<b>3,2</b>	<b>4,1</b>
Change relative to previous period in %	-22,2%	12.6%
as a % of net sales	7,8%	11.7%
<b>Cash flow from investing activities</b>	<b>-4,9</b>	<b>-0,6</b>
Change relative to previous period in %	708,6%	181.9%
as a % of cash flow from operating activities	-153,5%	-14.8%
<b>Free cash flow</b>	<b>-1,7</b>	<b>3,5</b>
Change relative to previous period in %	-149,3%	2.0%
as a % of net sales	-4,2%	10.0%
<b>Average number of employees</b>	<b>413</b>	<b>372</b>
<b>Personnel expenses</b>	<b>18.8</b>	<b>15.1</b>
	<b>31.03.2018</b>	<b>31.03.2017</b>
<b>Total assets</b>	<b>71.0</b>	<b>61.8</b>
<b>Shareholders' equity</b>	<b>43.5</b>	<b>38.3</b>
as a % of total assets	61.2%	62.0%
<b>Net liquidity including financial assets</b>	<b>39.7</b>	<b>33.5</b>
	<b>Half-year 2017/18</b>	<b>Half-year 2016/17</b>
<b>Per share data (non-diluted) <sup>1</sup></b>		
Average number of pending shares	161 794	158 604
Earnings per share in USD	14.61	21.18
Free cash flow in USD	-10.56	22.02
Shareholders' equity in USD (March 31)	268.76	241.78

<sup>1)</sup> The calculation is based on the average number of shares outstanding (issued shares less treasury shares).

## ADDITIONAL GEOGRAPHIC INFORMATION

in TUSD	Half-year 2017/18	in % of total	Half-year 2016/17	in % of total
<b>Net sales to third parties</b>	<b>41 000</b>	100.0%	<b>34 925</b>	100.0%
Europe	14 792	36.1%	12 509	35.8%
America	13 457	32.8%	9 430	27.0%
Asia/Pacific	12 751	31.1%	12 986	37.2%
	<b>31.03.2018</b>	in % of total	<b>31.03.2017</b>	in % of total
<b>Assets</b>	<b>71 049</b>	100.0%	<b>61 848</b>	100.0%
Europe	38 757	54.5%	33 747	54.6%
America	15 203	21.4%	12 266	19.8%
Asia/Pacific	17 089	24.1%	15 835	25.6%
	<b>Half-year 2017/18</b>	in % of total	<b>Half-year 2016/17</b>	in % of total
<b>Average number of employees</b>	<b>413</b>	100.0%	<b>372</b>	100.0%
Europe	90	21.8%	86	23.1%
America	139	33.7%	121	32.5%
Asia/Pacific	184	44.5%	165	44.4%

## KEY DATES

October 23, 2018	Publication annual result 2017/18
November 13, 2018	Publication annual report 2017/18
December 5, 2018	Annual general meeting of shareholders 2017/18