

Final Results 2013



Dietmar Ley (CEO), Hardy Mehl (CFO/COO)

Disclaimer

This document includes forward looking statements on Basler AG, its subsidiaries and associates, and on the economic und political conditions that may influence the business performance of Basler AG.

All these statements are based on assumptions made by the Executive Board using information available to it at the time.

Should these assumptions prove to be wholly or partly incorrect, or should further risks arise, actual business performance may differ from that expected.

The Executive Management Board therefore cannot assume any liability for the statements made.

Agenda

- **Company Profile**
- Growth Strategy
- Financials
- Outlook



Company Profile

Who We Are

- A public listed family business
- The most trusted name in industrial cameras
- Founded in 1988
- 2013 revenue € 65.1 million
- 340 employees
- Headquarters in Ahrensburg, Germany



Company Profile

What We Make

- Cameras, made for
 - professional users (e.g. OEMs)
 - usage in investment goods (i.e. integration into machines)
 - automated imaging applications (e.g. quality inspection, license plate reading, blood analysis, face recognition)
 - 8 - 10 year product life cycle



Company Profile

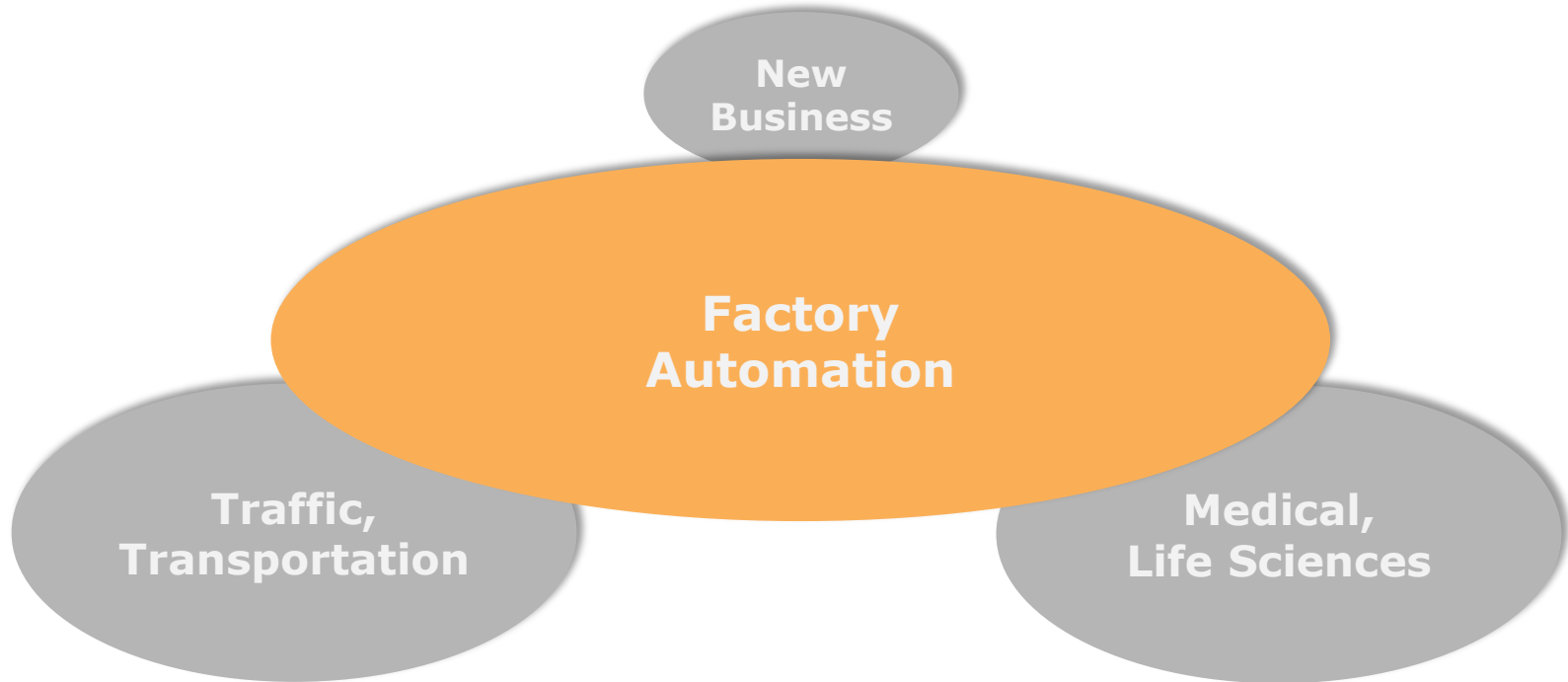
What We Make

- Full-line Camera Portfolio
 - > 500 products
 - Wide selection of sensors & interfaces covering the needs of OEM customers
 - Standard and customized products
- pylon Camera Software Suite
 - Drives all Basler cameras
 - Serves multiple operating systems
 - Interface for developers (SDK)



Company Profile

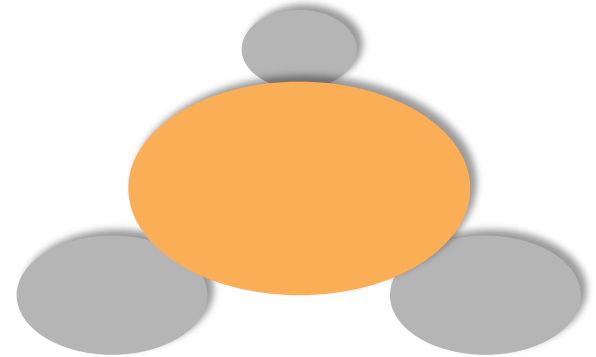
Which Markets We Serve



Company Profile

Which Markets We Serve

- Factory Automation,
Medical & Life Sciences,
Traffic & Transportation
 - Professional Camera Market ~ € 750 mill.
 - CAGR 8 – 10 %
- New Business
 - Professional Camera Market ~ € 100 mill.
 - CAGR > 20 %



Company Profile

Which Customers We Serve

A light gray world map is visible in the background of the slide, centered behind the text boxes.

Original Equipment Manufacturers (OEMs)

- machine builders, device makers, system integrators
- distributed across many vertical markets

Component Manufacturers

- e.g. factory automation devices

Company Profile

How We Reach Our Customers

Basler Direct Sales

- Germany
- USA

Distributors (VARs)

- EMEA
- APAC

Partners (Complementary Device Manufacturers)

- World-Wide (brand-labeled products)

Company Profile

Who We Compete With

- Top -5 Industrial Camera Vendors
 1. Teledyne-Dalsa (CAN)
 2. **Basler (GER)**
 3. Allied Vision Technologies (GER)
 4. Toshiba Teli (JPN)
 5. Point Grey Research (CAN)
- Many small vendors (< € 15 mill.)
with regional focus or niche positioning



Company Profile

Who We Compete With

- Entry barriers for potential new entrants
 - Highly fragmented target market
 - Design in business with long life cycles (8 – 10 years)
 - Camera functionality ever-more depending on software
 - Limited availability of good sales channels
 - High switching-costs to new suppliers



Company Profile

Why We Lead

- Leading brand power
- Superior market access
- Unparalleled insight into market & technological trends
- Cost advantages through lean production, innovation, and economies of scale
- Supply chain excellence
- Passionate team



Company Profile

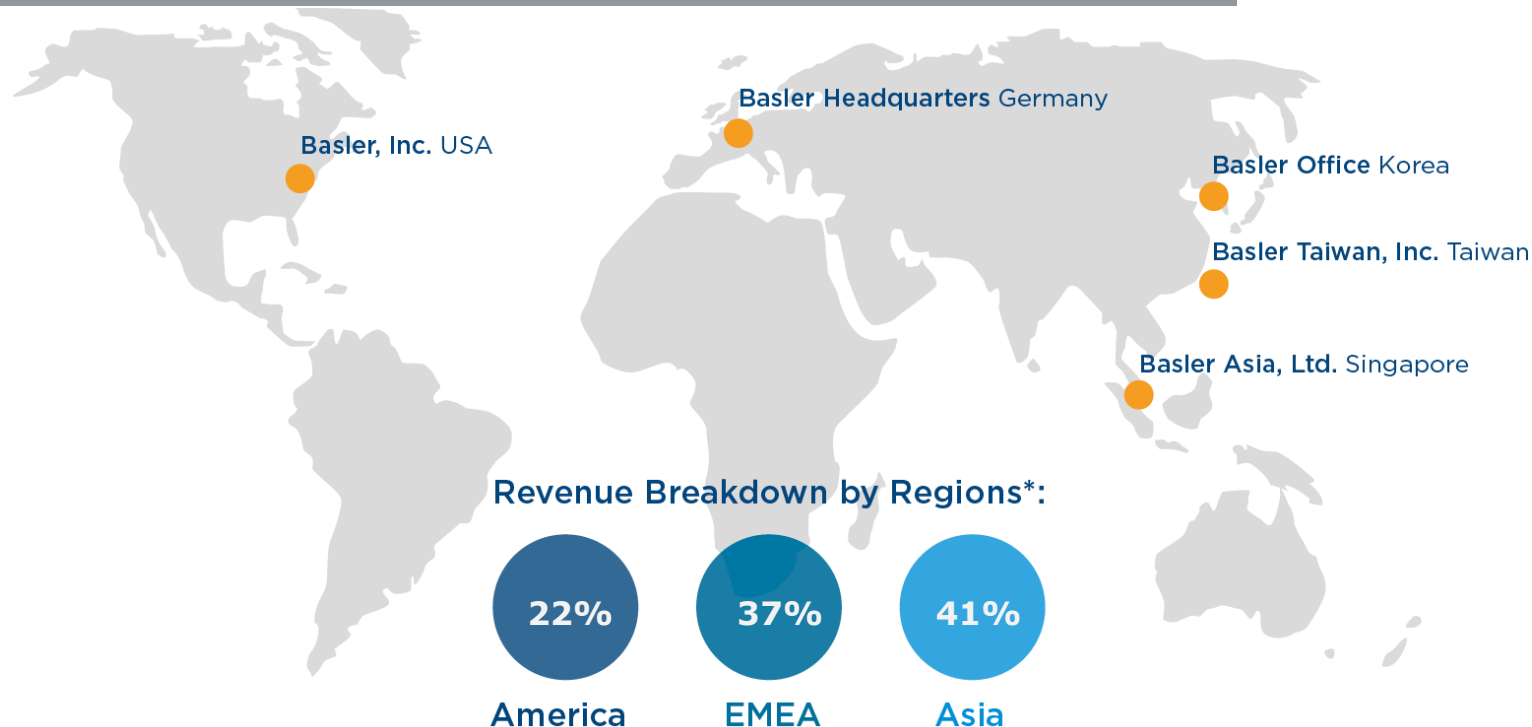
Why We Lead

- Company Culture
 - We believe our company culture is as important for our success as our strategy
 - We value and believe in respect, candor, passion, ambition, and shared responsibility
 - We have a low personnel turnover of $< 1.5\%$



Company Profile

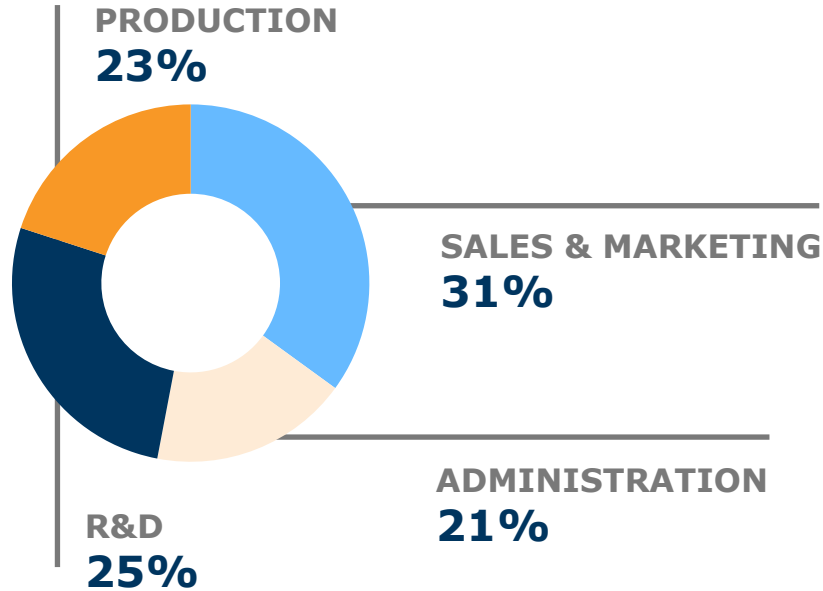
Where We Are



*as of Dec. 31, 2013

Company Profile

What We Are Made Of



*340 fulltime equivalent jobs as of December 31th, 2013

Company Profile

Experienced Management-Team



Dr. Dietmar Ley
(Chief Executive Officer)

- Joined Basler in 1993
- Responsible for Product Development & HR



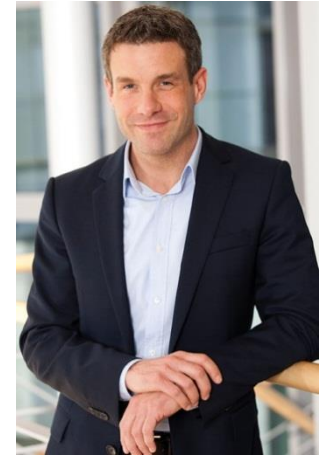
Arndt Bake
(Chief Marketing Officer)

- Joined Basler in 2001
- Responsible for Marketing & New Business



John P. Jennings
(Chief Commercial Officer)

- Joined Basler in 1998
- Responsible for Product Distribution & Subsidiaries



Hardy Mehl
(Chief Financial Officer,
Chief Operations Officer)

- Joined Basler in 1999
- Responsible for Finance, Admin & Operations

Company Profile

Basler Share

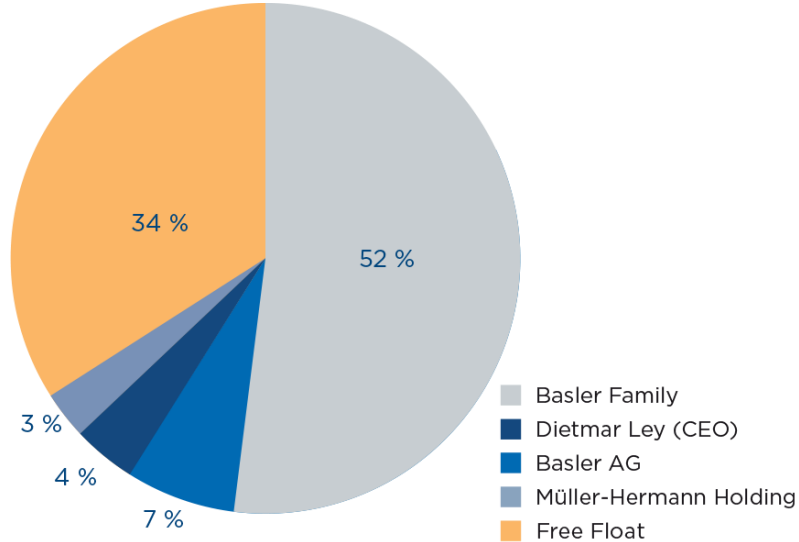
- Market capitalization ~ € 120 mill.
(as of March 25, 2014)
- Daily trading volume ~ 4,000 shares,
peak volumes up to 20,000 shares a day
- Dividend policy
 - Target distribution of 30% of net earnings
 - Base-Component of € 0.20 per share
 - Optional Performance-Component



Company Profile

Basler Share

■ Shareholder Structure



*as of December 31th, 2013

Company Profile

Basler Share

- Basler family committed to keep majority position in the long run
 - Free Float to remain at ~35%
- 4 buy-back programs of € 1 mill. each since Sept. 2011, fourth program not yet completed
 - Treasury shares to be kept for time being
- Typical investors are long-term oriented small cap- & family-funds



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What Drives Us

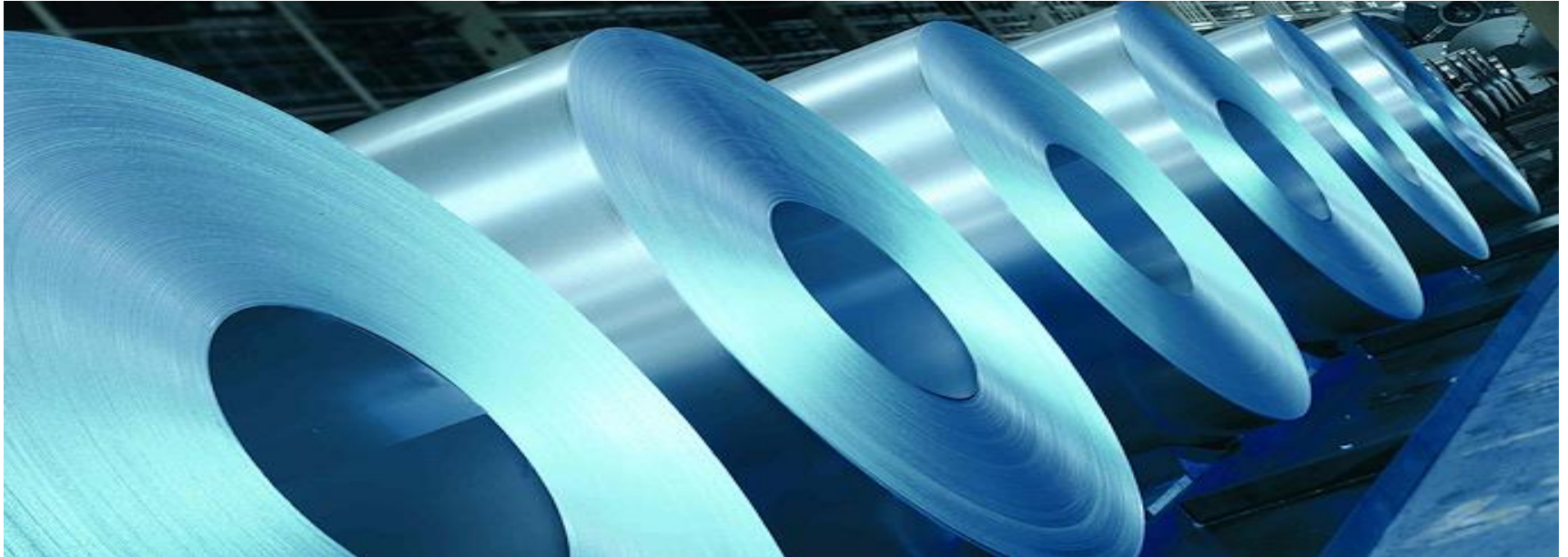
Our Vision & Mission

- Advances in technology will improve the quality of our lives
- We give technology the power of sight



Vision & Mission

We Are Helping To Inspect Steel, Paper and Plastic



Vision & Mission

We Are Helping To Develop Better Eye-Care



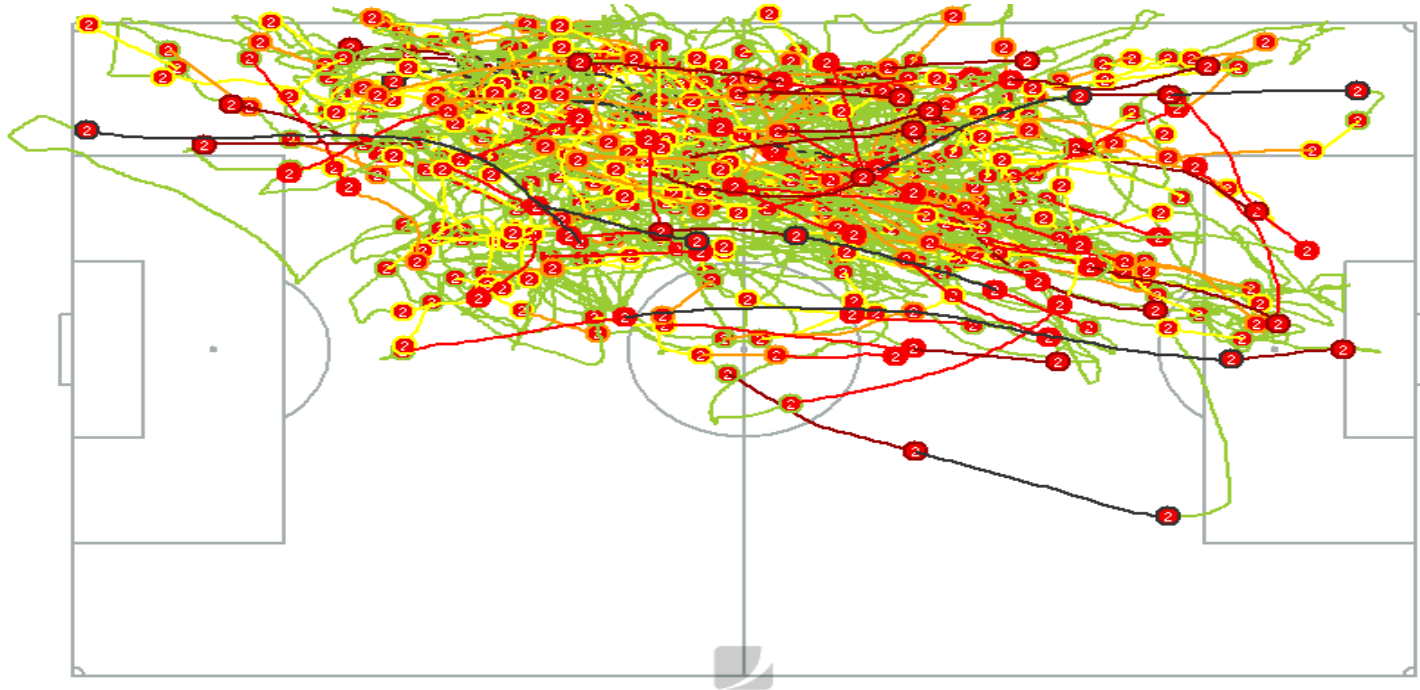
Vision & Mission

We Are Helping To Make American School Buses Safer



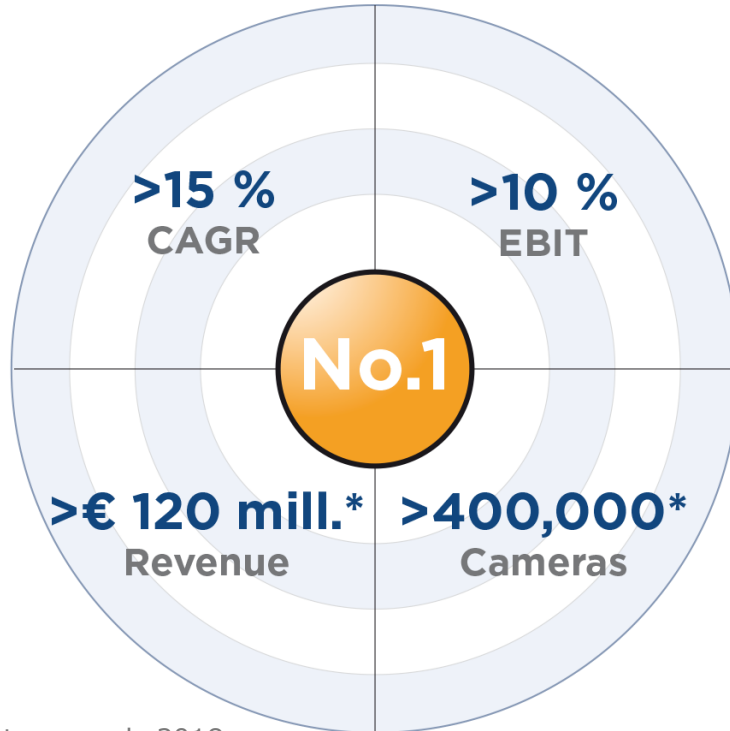
Vision & Mission

We Are Helping To Analyze Sports Events



Where We Are Going

Strategic Goals



*medium-term goals 2018

Where We Are Going

Strategic Goals

We achieve our 4YP by

- maximizing top-line growth at a healthy margin of $>10\%$ EBIT
- creating economic value with a $\sim 15\%$ ROCE (NOPAT) @ $7 - 9\%$ WACC
- generating positive free cash flows on a fiscal year base
- being focused on organic growth



How We'll Get There

Strategy

We evolve from

- being an industrial camera company
- to become a camera company (for B2B markets)

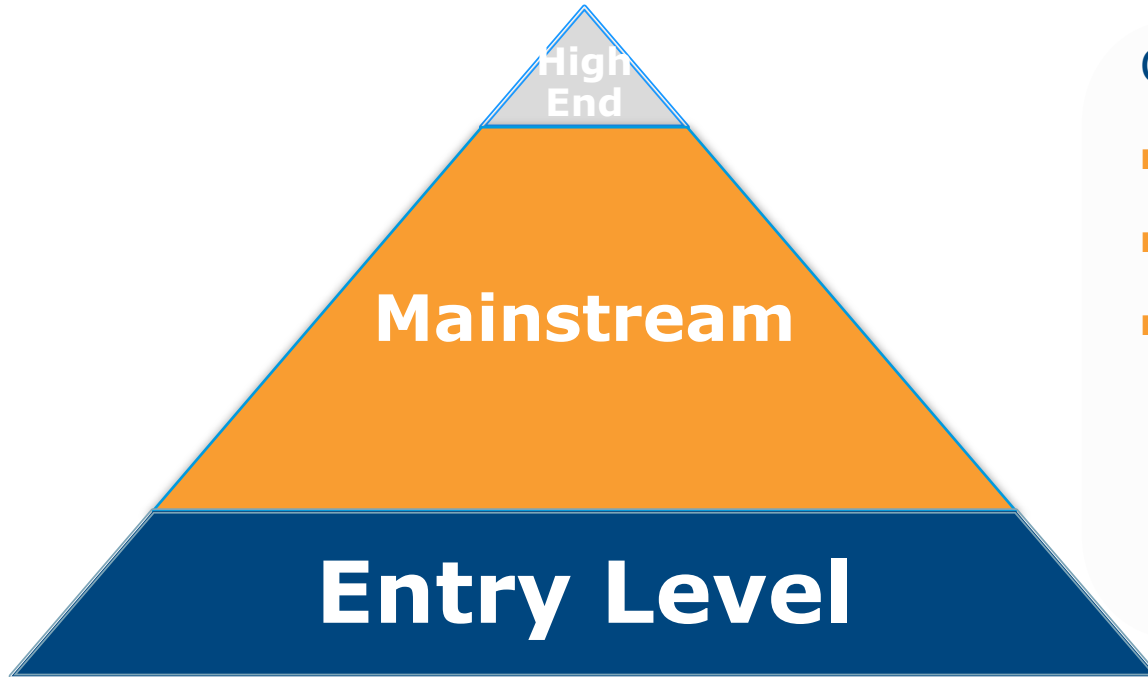
We grow by

- expanding our industrial camera business with regard to products and regions
- entering non-factory camera applications and markets



How We'll Get There

Strategy, Market Segmentation & Growth Potential

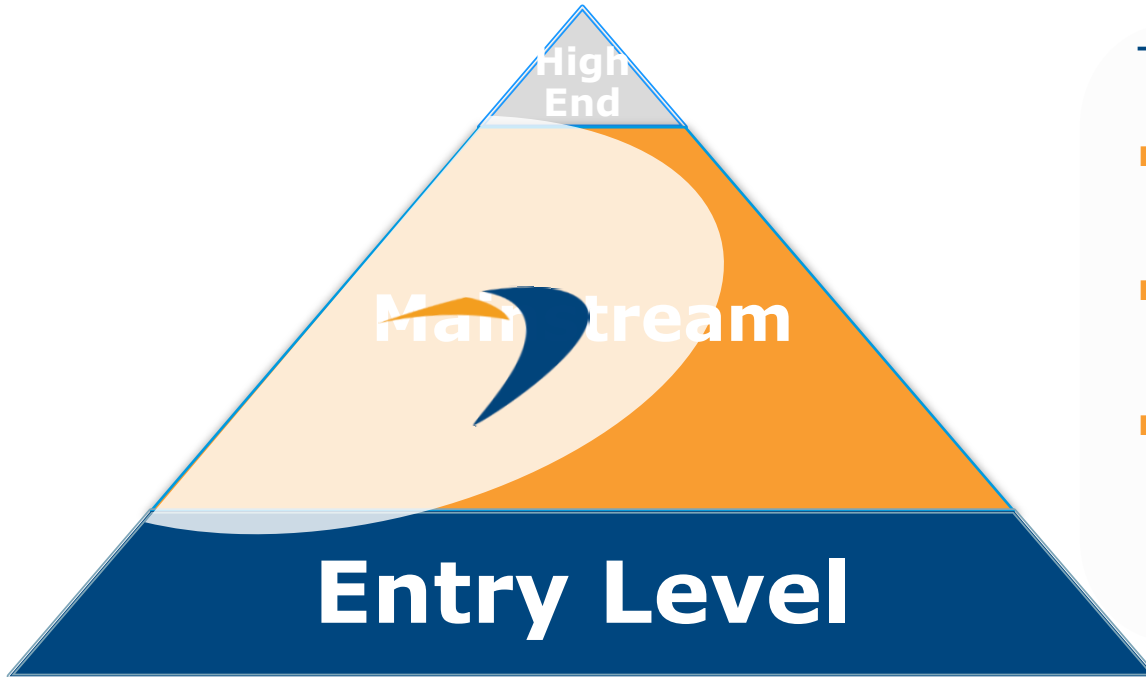


Growth Potential

- High-End 0
- Mainstream +
- Entry-Level ++

How We'll Get There

Strategy, Market Position

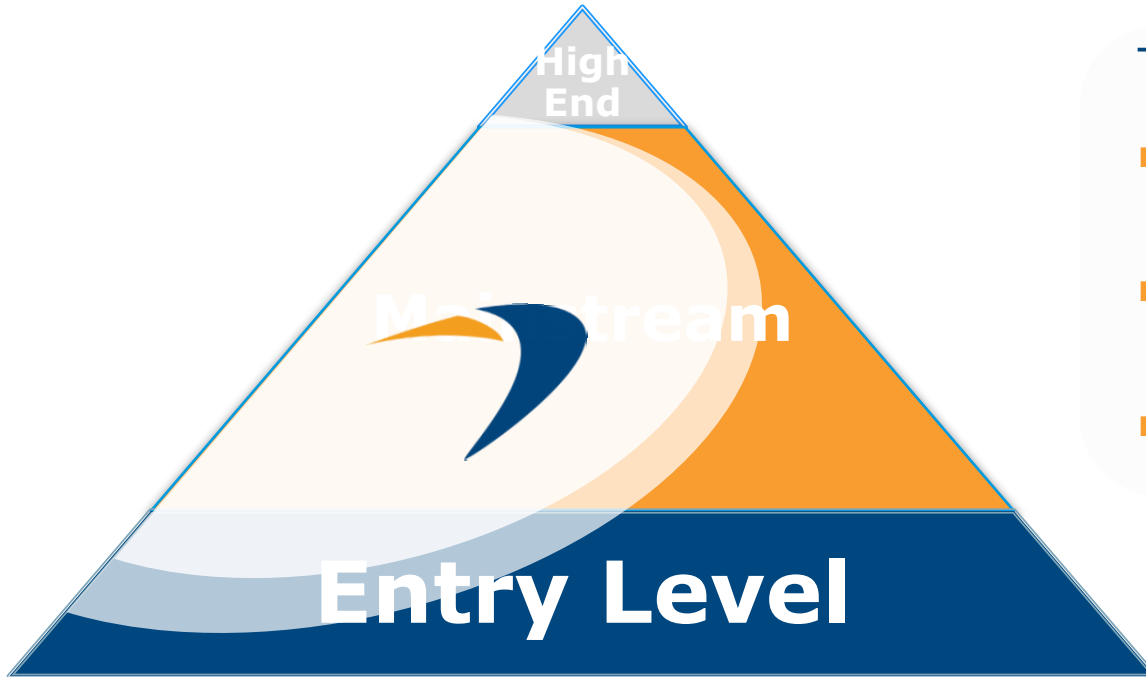


Today

- Some participation in High-End
- Strong foothold in Mainstream
- Fast-growing share in Entry-Level

How We'll Get There

Strategy, Market Position



Tomorrow

- Maintain position in High-End
- Expand position in Mainstream
- Expand position in Entry-Level

How We'll Get There

Our Cameras Helping To Make Autonomous Construction Machines?



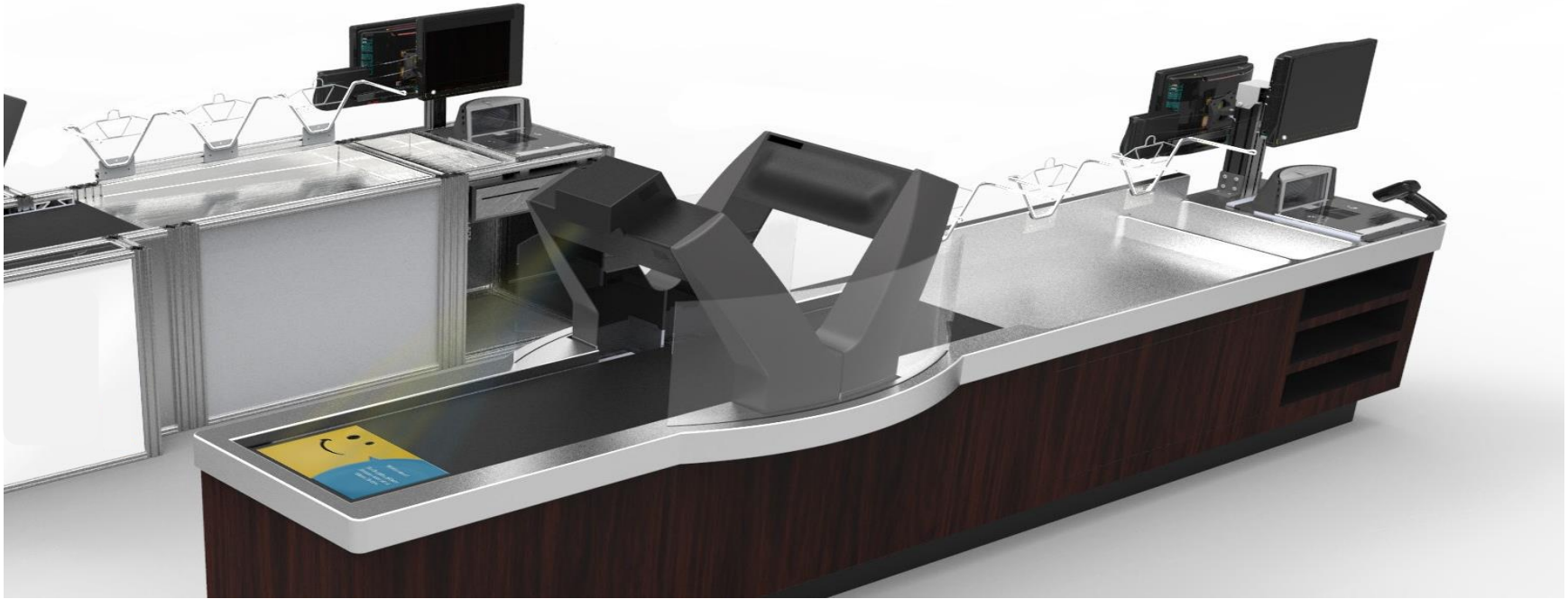
How We'll Get There

Our Cameras Helping To Make Kiosks Easier To Use?



How We'll Get There

Our Cameras Helping To Automate Self-Checkout Systems?



How We'll Get There

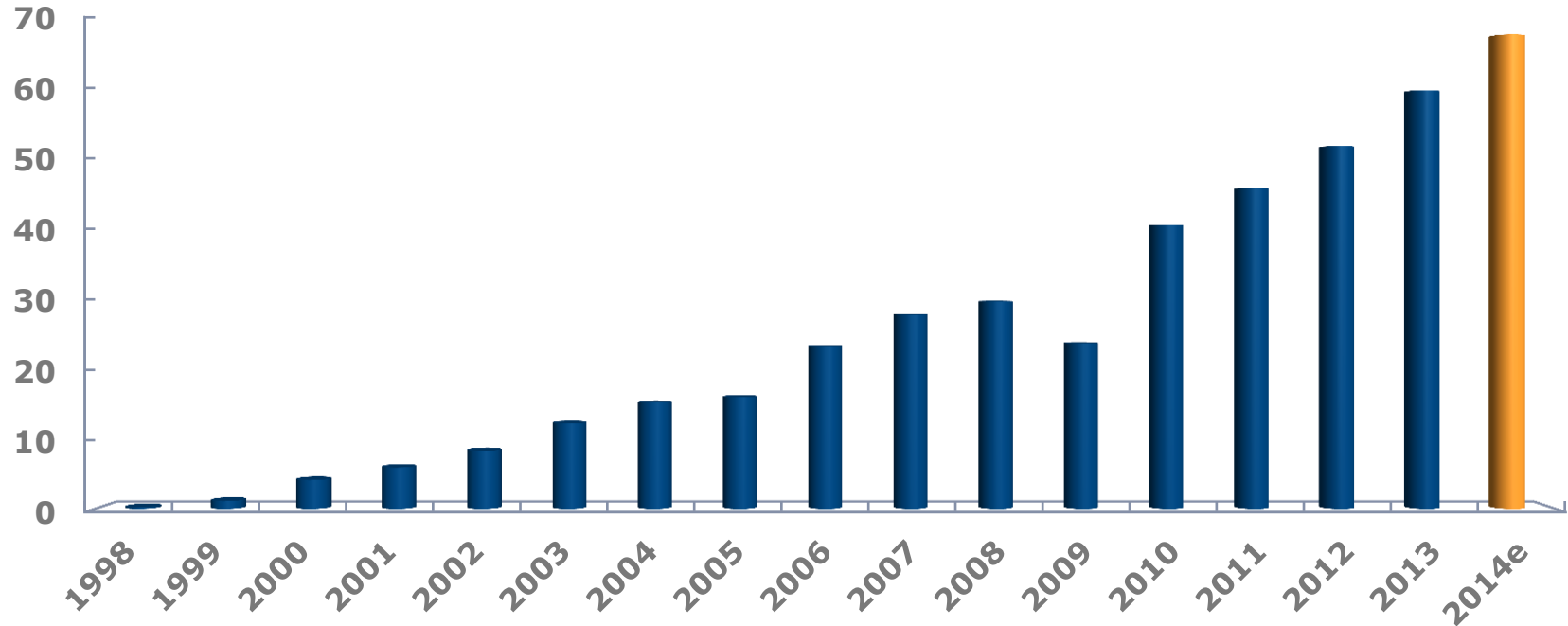
Go-To-Market Strategy

- Drive regional expansion to enlarge market access
- Develop existing/add complementary channel partners to improve market access
- Increase direct sales force for existing & new business



Growth Track Record

Camera Business CAGR > 20%



*Numbers in € mill.

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Final Results FY-2013

Profit & Loss

	FY-2012	FY-2013	+/-
Order Entry	60.6	68.6	+13 %
Sales	55.9	65.1	+16 %
Gross Profit	26.9	32.5	+21 %
EBIT	8.3	8.5	+2 %
EBT	5.6	7.8	+39 %
Net Income	4.1	5.6	+37 %
EPS*	1.21	1.70	+40 %



*All numbers other than EPS in € mill., EPS in €

Final Results FY-2013

Cashflow

	FY-2012	FY-2013	+/-
Cash, b.o. period	7.4	8.2	+11 %
Cashflow from Operations	12.6	12.1	-4 %
Cashflow from Investments	-6.3	-6.5	+3 %
Free Cashflow	6.3	5.6	-11 %
Cashflow from Financing	-5.5	-4.2	-24 %
Cash, e.o. period	8.2	9.7	+18 %



*All numbers in € mill.

Final Results FY-2013

Net Cash

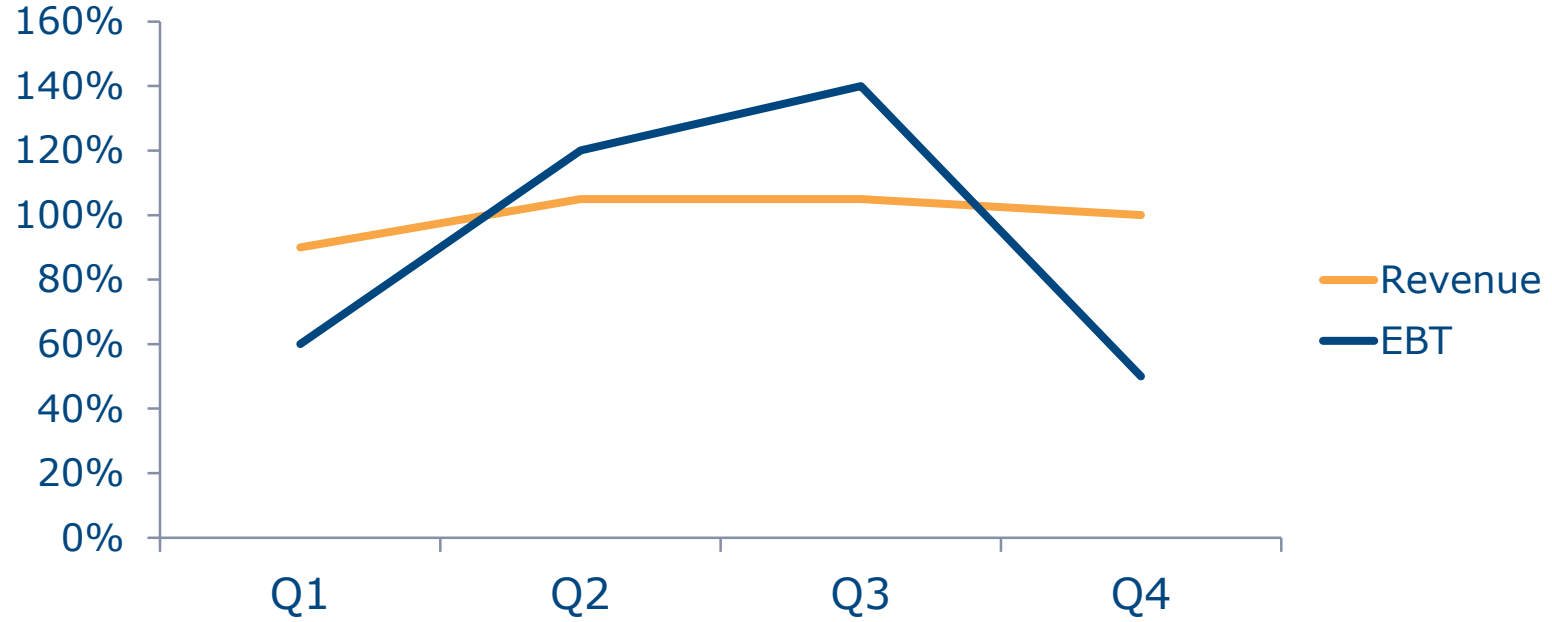
	Dec. 31st, 2012	Dec. 31st, 2013	+/-
Liabilities to banks	-4.7	-6.0	+28 %
Total Debt	-4.7	-6.0	+28 %
Cash & Cash equivalents	8.2	9.7	+18 %
Operative Net Cash	3.5	3.7	+6 %



*Numbers in € mill.

Seasonality of Financial KPI's

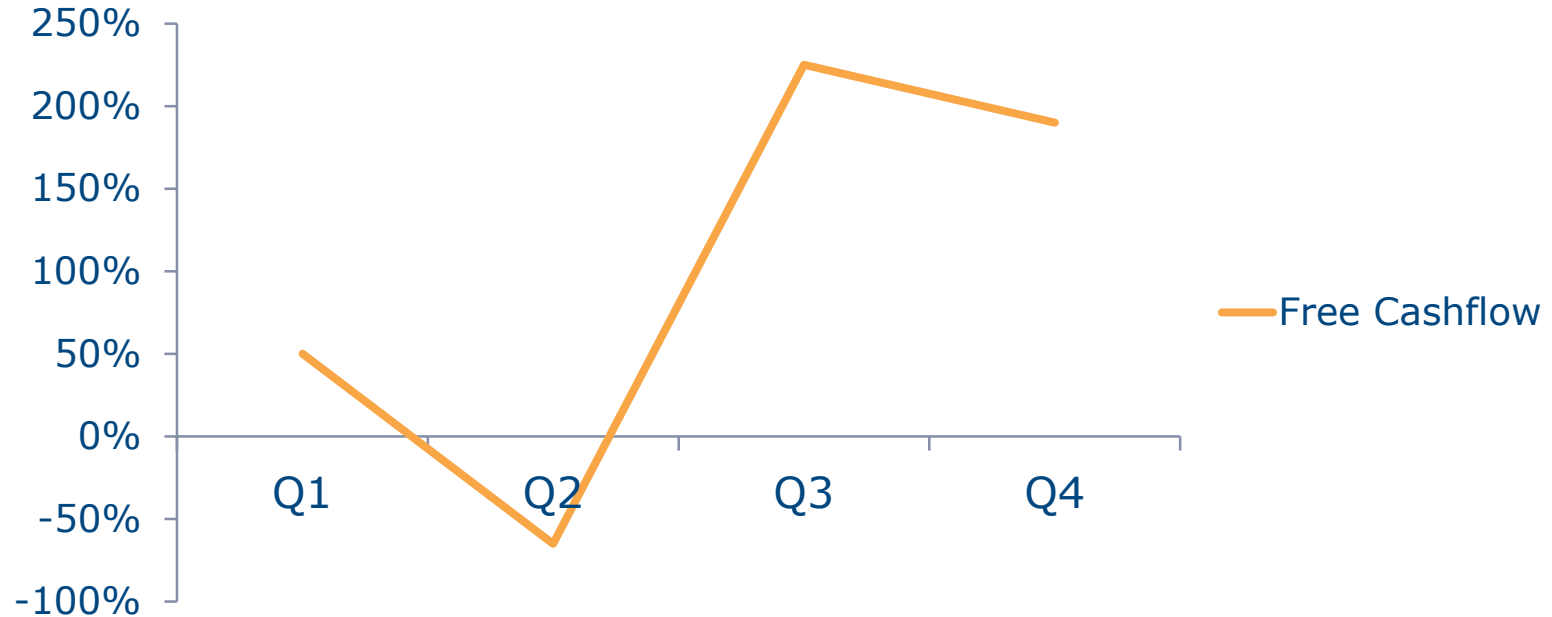
Revenue, EBT Peaking in Q2 & Q3



*KPI's in % of average quarterly result during fiscal year 2013

Seasonality of Financial KPI's

Free Cashflow Slow in HY1, Strong in HY2



*KPI's in % of average quarterly result during fiscal year 2013

Business Review

Growth Continued At Higher Rates Than Market

- 2013 German & US Machine Vision markets have grown by ~ 6% vs. 2012*
- Basler top-line growth ~ 3x above market
- Due to volume strategy Basler was able to grow market share and to penetrate new businesses (verticals & regions)
- Gross profit margin benefitted from product mix and innovation



Business Review

Gig-E Cameras No. 1 Growth Driver in 2013

- Gigabit Ethernet cameras & Asian markets driving the growth
- Due to early-stage market, no significant revenue contribution from new USB3 product line yet
- Successful ramp-up of new **racer** line scan camera family



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- **Outlook**



Outlook

2014 Environment

- Global macro-economic environment expected to remain mostly unchanged (if geopolitical tensions can be managed)
- Demand for investment goods expected to slightly improve
- No significant devaluation of US Dollar and Japanese Yen anticipated



Outlook

What's Important For Basler In 2014?

- Further expand market leadership in Gigabit-Ethernet camera market
- Ramp-up USB-3 product line & leverage early-mover advantage
- Gain market share in line scan camera market
- Prepare for becoming a € 100 mill.+ company in all value-generating functions



Outlook

Guidance FY-2014

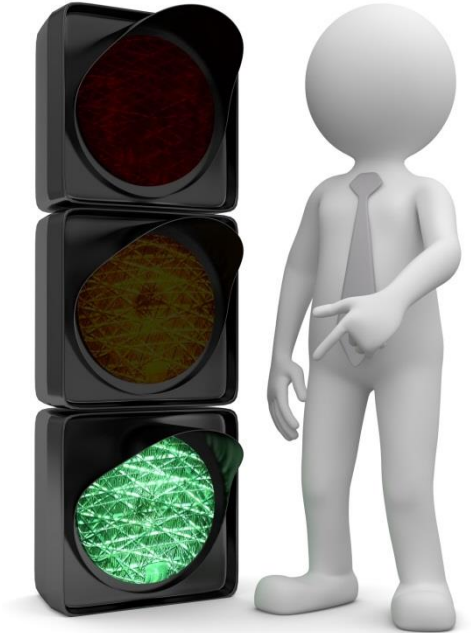
- Revenue € 70 – 74 mill.
- EBT-Margin 8 – 10%
- Positive free cashflow (on fiscal year base)
- 1st year w/o new orders from former business segment Solutions



Outlook

What's Possible For Basler In The Mid-Term?

- Universe of camera applications within & beyond the factory arena continuing to expand
- As to strategy, competitive advantage, financial stability, and corporate culture Basler in good position for sustained profitable growth above market rates



Ask Questions

Get Answers



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