

# Preliminary Results for the Year ended 30<sup>th</sup> September 2013



The touch solution for all environments



Presented by  
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Claire Smith, Interim Finance Director

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# Overview

	Year ended 30 September		
	2013	Underlying* 2013	2012
Revenue	£17.3m	£17.3	£20.4m
Gross Profit	£4.9m	£5.3m	£7.4m
Gross Profit Margin	28%	31%	36%
Profit before taxation	£1.9m	£2.4m	£4.2m
EPS	11.1p	13.9p	22.2p
Total dividend for year	9.1p	9.1p	8.5p

- Touch Revenue 73% of Group (2012: 71%)
- Touch Volume 126k units (2012: 123k)
- Margin of 28%, underlying\* 31% (2012: 36%)
  - (H1 26%, H2 31%, H2 underlying 35%\*)
- PBT of £1.9m, underlying\* £2.4m (2012: £4.2m)
  - (H1 £0.8m, H2 £1.1m, H2 underlying\* £1.6m)
- EPS 11.1p, adjusted\* 13.9p (2012: 22.2p)
- Net cash generated from operations £3.3m (2012: 3.6m)
- Total proposed dividends for year increased by 7% to 9.1p

Underlying\* - Adjustment for £0.4m impairment of royalty pre-payment (non-cash)

# Markets

## Vending USP's

- Ultra Large sizes
- Customisation
- Reliability

Future:

- Encryption
- Multitouch



## Digital Signage USP's

- Ultra large sizes
- Vandal resistance
- Through window touch

Future:

- Multitouch



## Financial USP's

- Vandal resistance
- All weather performance
- Reliability

Future:

- Size
- Encryption



## Gaming USP's

- Customisation
- Reliability
- Large size

Future:

- Curved
- Multitouch

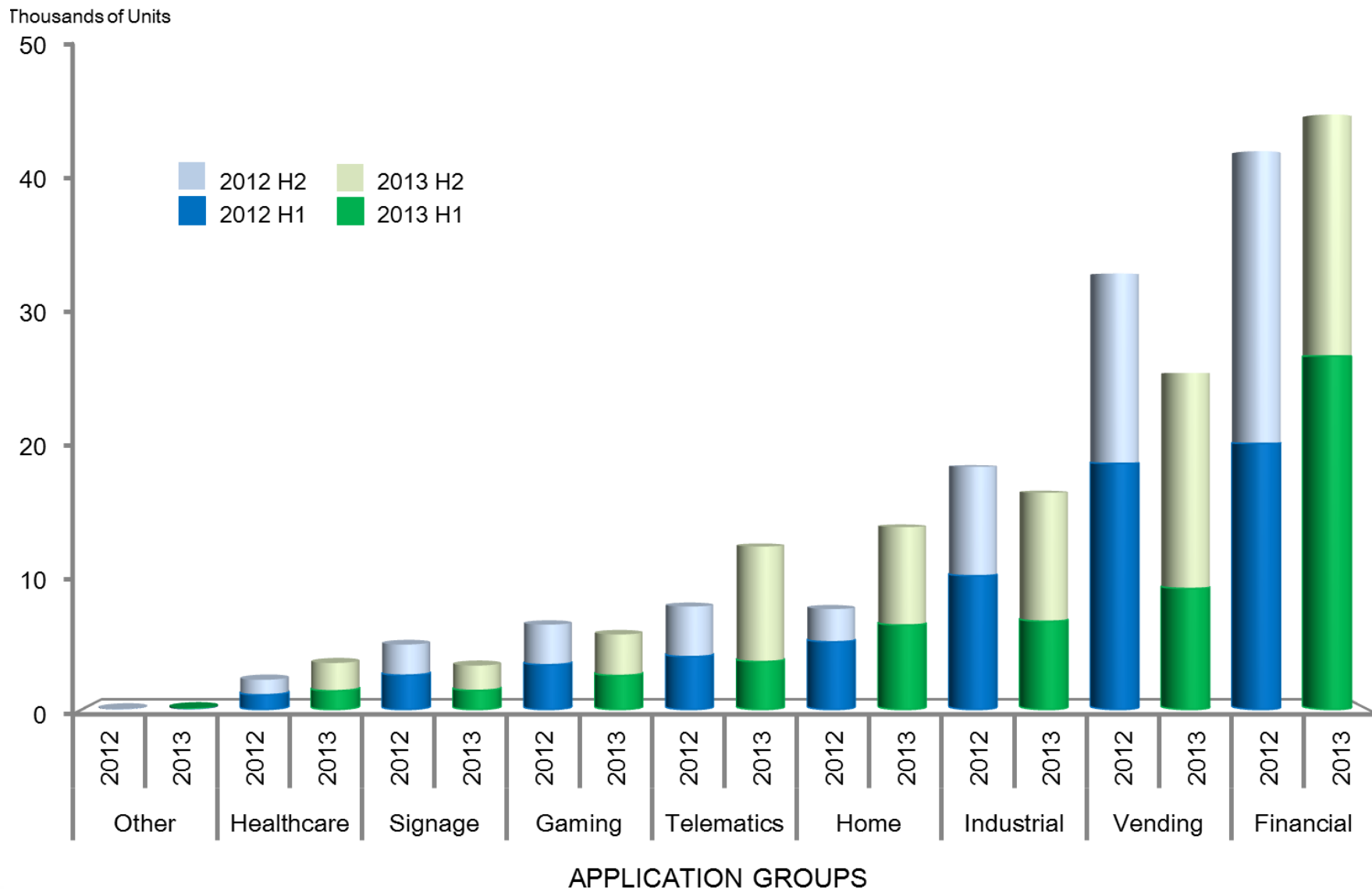


# Operational

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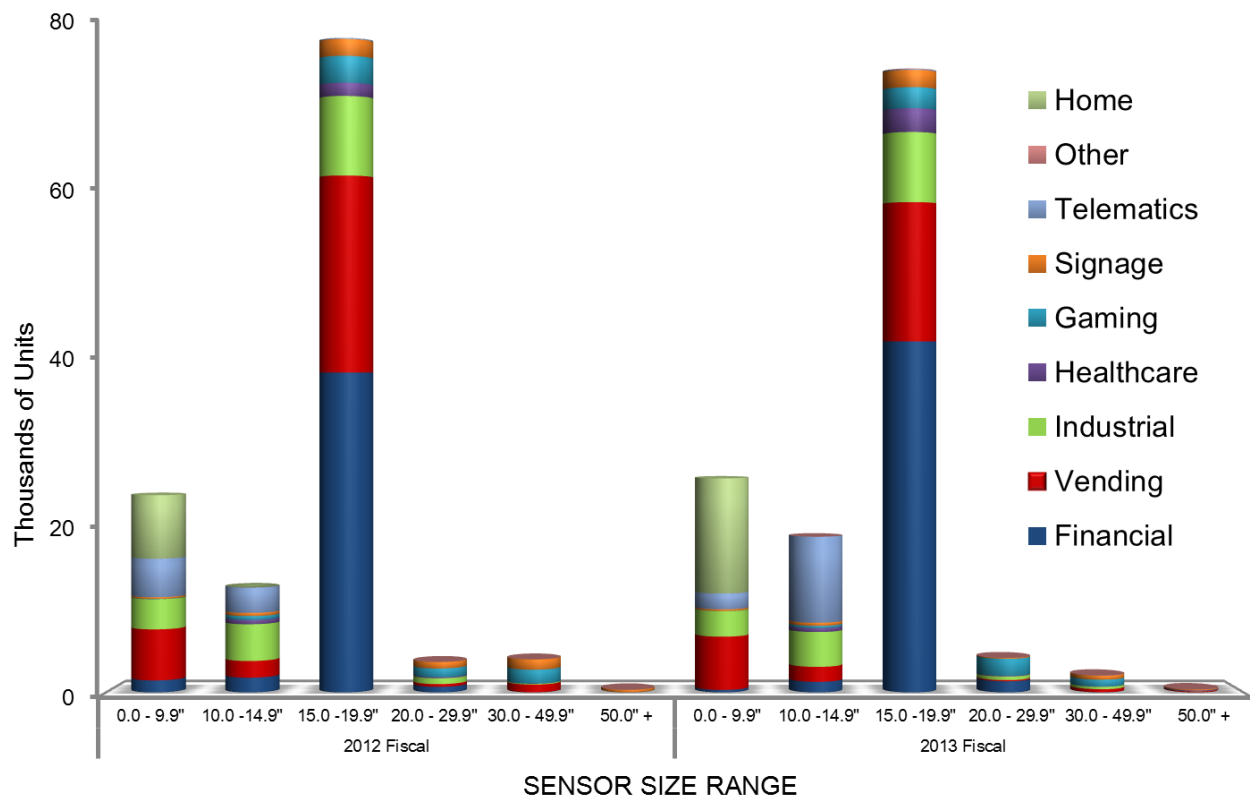
- Total revenues of £17.3m (2012: £20.4m)
  - £8.5m in H1 and £8.8m in H2 (2012: £10.6m H1, £9.8m H2)
- Non-Touch
  - YoY revenues reduced as expected by £1.2m (H1 £1.0m, H2 £0.2m) to £4.7m
  - 75% of revenues attributable to ATM filter displays
    - Major changes in display filter configurations for ATM OEM's
  - All visor manufacture exited in Q1, sale of equipment concluded Q2
- Touch
  - YoY revenues down £1.9m (H1 £1.1m, H2 £0.8m) to £12.6m
  - YoY volume increase to 126k units (2012: 123k units)
  - Financial application group strongest
    - ATM unit sales level, revenues 24% lower due to product mix and re-designs
    - Increased deployment of bill payment and financial kiosks
  - Home volume growth
    - Bosch cooktop revenues increase, product releases beyond Gaggenau brand
  - Vending significantly impacted
    - Substantial reduction in Coca Cola® Freestyle™ volume

# Touch Sales – Application Distribution



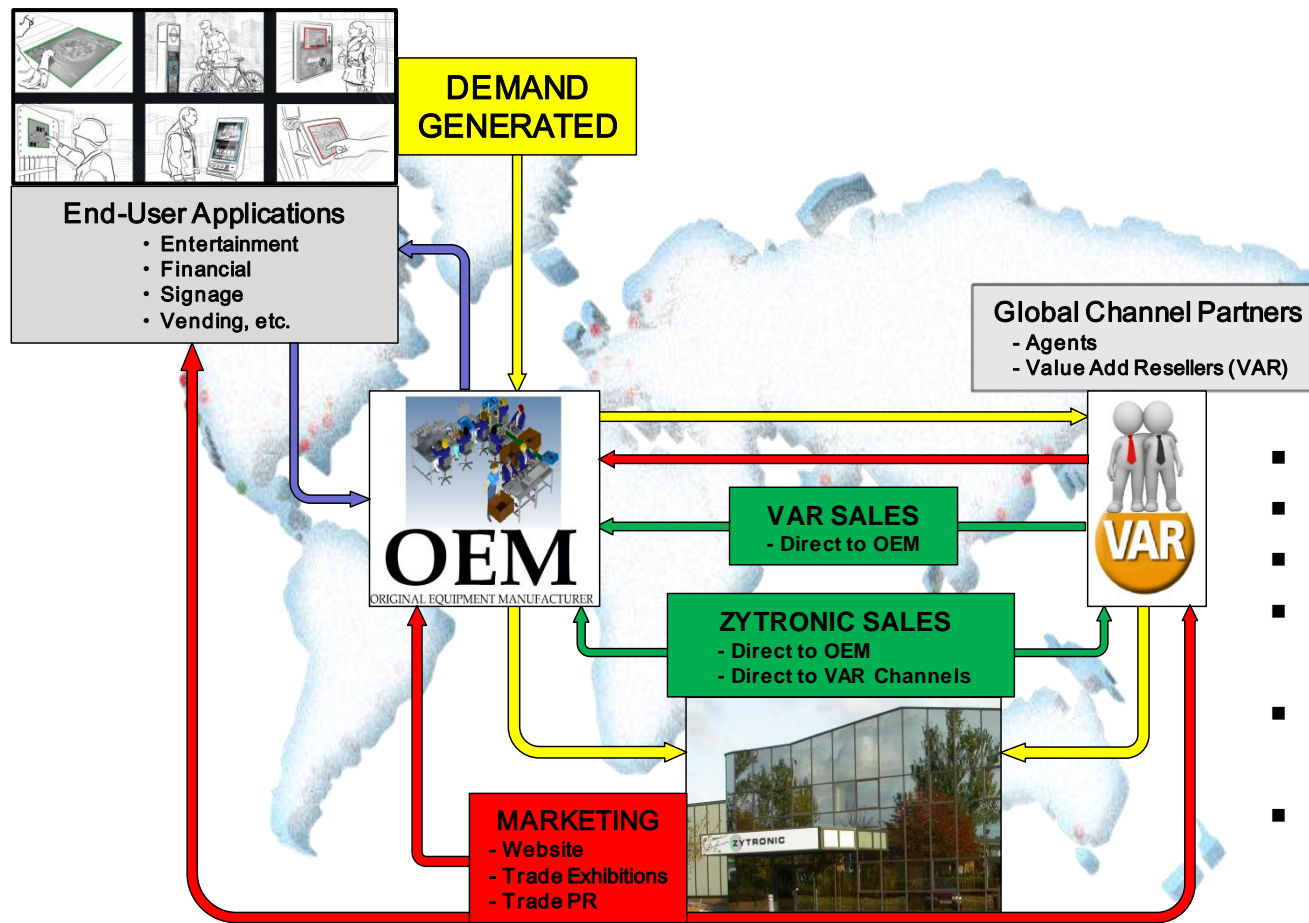
# Touch Sales – Size and Application

YEAR	2012			2013		
TOTAL UNITS	123k			126k		
SIZE RANGE	0 -14.9"	15.0 -29.9"	30.0" +	0 -14.9"	15.0 -29.9"	30.0" +
VOL UNITS	36k	82k	4k	44k	79k	2k
% of TOTAL	30%	67%	3%	35%	63%	2%
VOLUME CHANGE				+8.1k	-3.2k	-1.9k





# Sales & Marketing



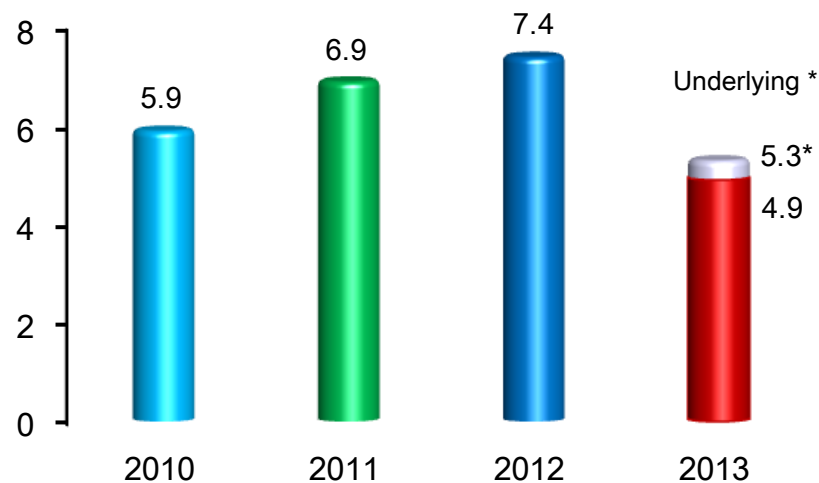
- Export focused business
- Coverage across 61 countries
- 38 partner agreements
- Several N. America changes after re-evaluation
- New appointments in Mexico, Malaysia & Turkey
- Appointment of USA VAR for 'foil' all plastic sensors

- End-User Application Exhibition focus
  - Integrated Solutions Europe – 'ISE'
  - Global Gaming Expo – 'G2E'
  - Computex Taiwan with local partner

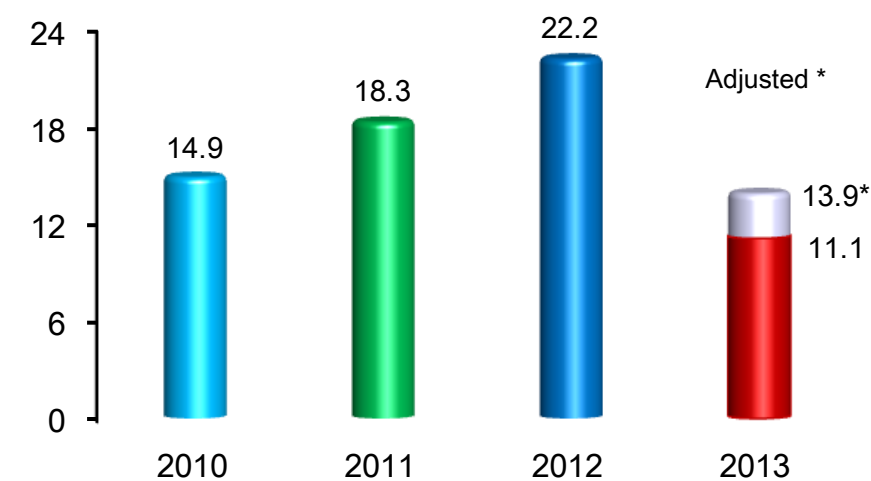


# Key Financial Metrics – FYE 30 Sept

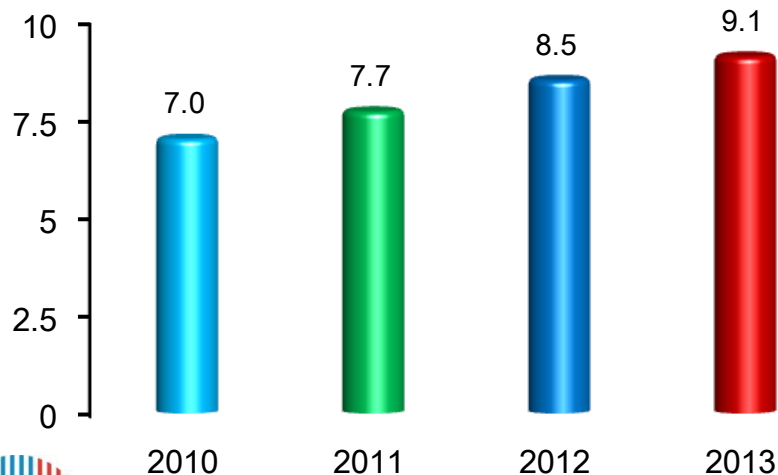
## Gross Profit (£m)



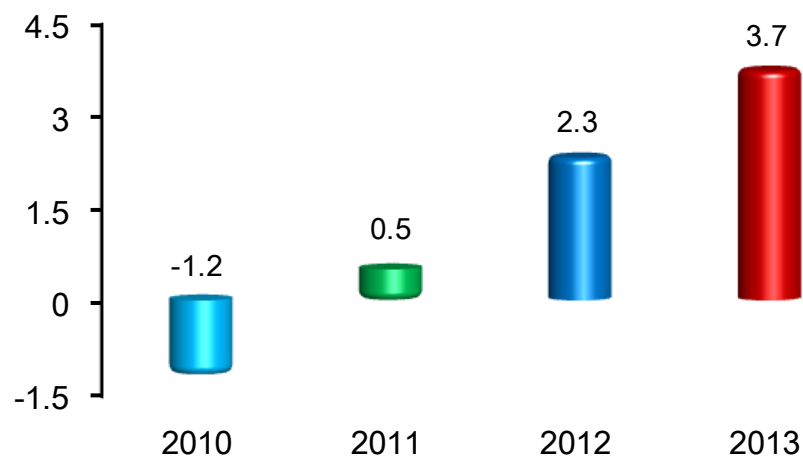
## Earnings Per Share (p)



## Dividend (p)



## Cash less Borrowings (£m)



# Income Statement

- Group revenue £17.3m (2012: £20.4m)
- Adjustment for £0.4m impairment of net-prepayment royalty (non-cash)
- Gross profit margin of 28%, 31% underlying\* (2012: 36%)
  - 26% in H1, 31% in H2 (35% underlying\* H2)
    - Proactive steps to mitigate reduced profitability in the first half
    - Favourable mix of touch sensors sold in H2
- Tight control of Admin expenses at £2.9m (2012: £3.1m)
- PBT of £1.9m, underlying\* PBT of £2.4m (2012: £4.2m)
  - H1: £0.8m, H2: £1.1m (H2 underlying\*: £1.6m)
- Net effective tax rate estimated at 14% (2012: 21%)
  - Average corporation tax rate 23%
  - Reduction for R&D tax credits, 2012 overprovision and share option exercise reliefs
- Basic EPS 11.1p, Adjusted EPS 13.9p (2012: 22.2p)
- Dividend for year increased by 7% to 9.1p (2012: 8.5p)

# Balance Sheet & Cashflow

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- Group remains in a strong financial position
- Cash position and cashflows
  - Strong net cashflow from operating activities £3.3m (2012: £3.6m)
  - Net cash increased to £5.5m (30 September 2012: £4.2m)
  - Borrowings reduced to £1.7m (30 September 2012: £1.9m)
  - Tangible & intangible fixed asset spends of £0.5m & £0.2m (2012: £0.7m & £0.2m)
  - Reduction in working capital of £1.0m (2012 increase: £0.5m)
  - Taxation paid £0.6m (2012: £1.0m)
  - Dividend payments of £1.3m (2012: £1.2m)
- Group remains ungeared

# Business Development

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- Research & Development facilities expansion and recruitment
  - Continuing touch product development
    - Mutual capacitive multi-touch
    - Software
- Patent and trademark portfolio expansion
- Improved lead generation
  - Lead Forensics (Website Traffic)
  - Target industrial designers
- Focused marketing initiatives
  - Application specific trade shows and exhibitions
  - Support to channel partners for local events

# Touch Sales & Opportunities Profile

Applications	Customers	New Projects	Impact	End-use Categories
Finance	9# (9#)	6 – 2 – 4 (7 – 1 – 4)	++	ATM's, Bill Payment Kiosks
Gaming	25 (25)	5 – 3 – 3 (2 – 1 – 2)	+	Casino Table Game, Casino Upright Game Jukebox, Wagering/Lottery Terminal, Pub Game
Vending	39 (51)	7 – 0 – 4 (8 – 2 – 3)	+++	Fuel Vend, Product Vend, Service Vend
Signage	66 (80)	16 – 3 – 8 (8 – 2 – 2)	++	Interactive Tables, Wayfinding, Menu-boards, POI Systems
Industrial	63 (70)	7 – 4 – 3 (5 – 4 – 1)	+	Human Resource Kiosks, Factory Automation
All Other	32 (28)	5 – 1 – 5 (1 – 1 – 0)	+	Industrial/Agricultural GPS, Marine GPS, Medical Equipment, Fitness Equipment Cooking, Washing, Home Control

**Customers** – individual account sales made per category in FY2013, (X) the FY2012 comparison, # - NCR group and Diebold group as 1 global customer each

**New Projects** – 'not in production' projects by 31 September 2013 with high probability of success. Digit 1 - the number of individual projects, Digit 2 - the number of new customers, Digit 3 - the number of delayed/deferred projects in FY2013. (X – Y – Z) – interim 2013 comparatives

**Impact** – A graphical representation of the impact potential of the opportunities

# Summary & Outlook

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- Disappointing YoY performance with a significant reduction in revenues and profits
- Improved performance in H2 margin and profitability compared with H1
- Strong financial position
- Continued investment in business development
- Broadly based business with strong customer relationships
- Defined target markets with increasing project opportunities
- Performance should improve this year provided the benefit from the trend towards touch sensor products continue

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# Appendices



# Vision & Mission

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## Vision

- Zytronic's touch sensor product ranges to be pre-eminent in those regions and uses requiring medium to ultra-large sized touch interactive systems

## Mission

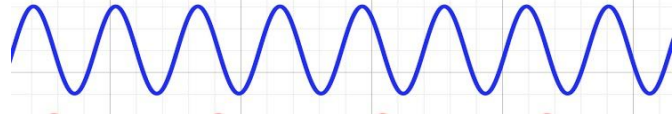
- Expansion of our global sales footprint, through regional sales channel partnership agreements
- Focus on growing vertical markets where we have a competitive advantage: vending, public information, industrial, financial and gaming equipment

# Key Milestone Events

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- 2012 Development and patent filing of Mutual Projected Capacitive Technology (MPCT™) touch
- 2011 Announcement of ZYPOS design win for Bosch Siemen's Gaggenau induction cooktop. Investment in additional equipment and cleanroom refurbishment to drive efficiency gains
- 2010 ZXY100 Series controllers and chipset solution to market. Development of new ITO based sensor designs for higher volume applications
- 2009 ZYPOS design wins for Coca-Cola Freestyle™ drinks dispensing machine and Aristocrat Indago™ gambling equipment
- 2008 ZYPOS manufacturing facility operational. Begin electronics development programme of ASIC and ARM® processor for new touch controller
- 2006 ZYPOS® development started. Acquisition of new building for future ZYPOS manufacturing
- 2005 ZYTOUCH design wins for Petrol Pump applications; North American Sales Rep Network introduced, followed by agreements in EMEA and APAC
- 2002 ZYTOUCH design wins for ATM's (2 of the global top 3) and BT Web phone
- 2001 First Commercial PCT based product to market – trade named ZYTOUCH®
- 1999 Technology License signed for PCT™ product development

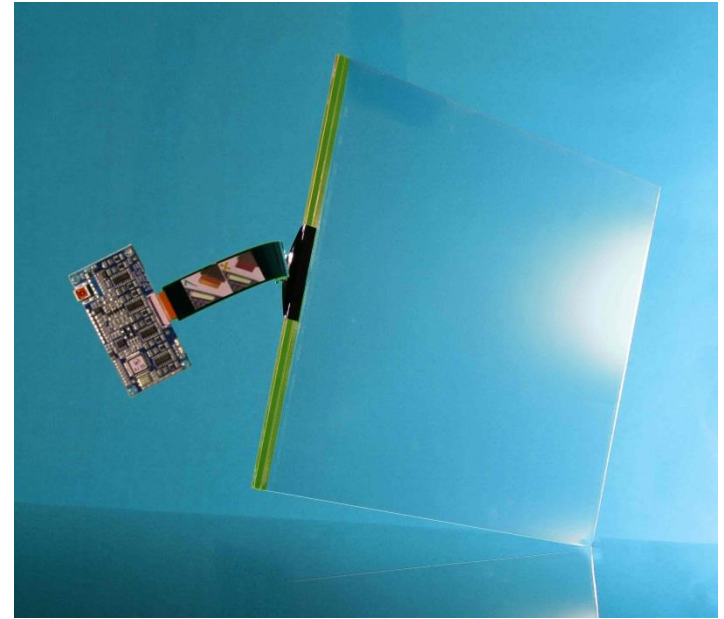
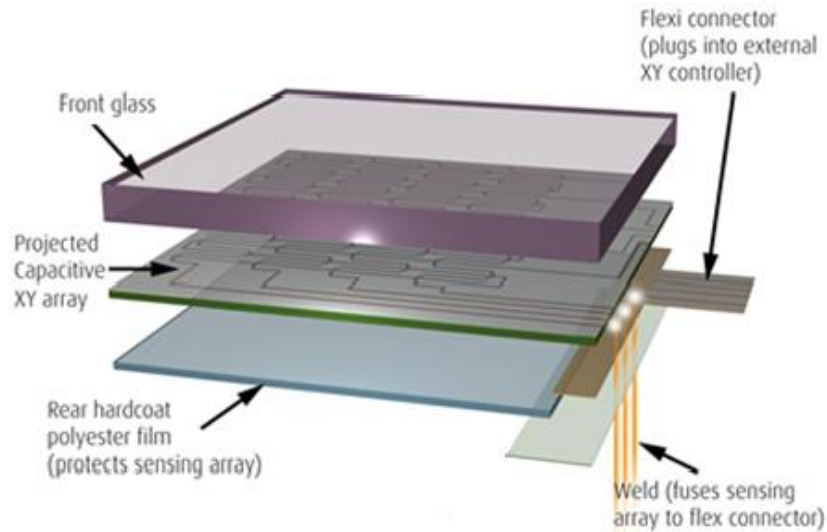
# Zytronic's PCT™ Sensing



Capacitive electrodes oscillate at a known frequency



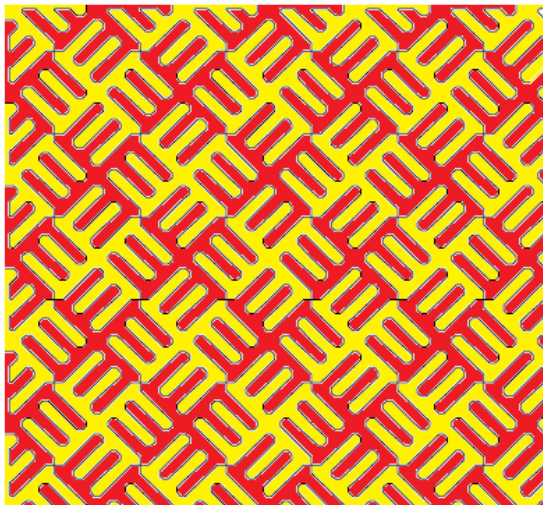
Applying a finger due to the body's self-capacitance changes the frequency of oscillation. Measuring the change on an XY array, identifies the 2D touch point.



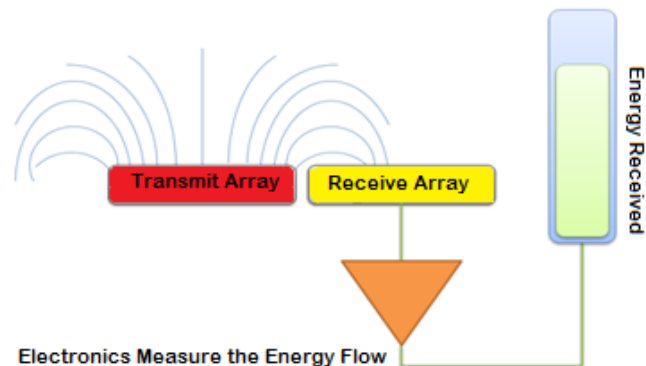
Saleable sensor and controller

# Zytronic's MPCT™ Sensing

Complex ARRAY of X and Y, TRANSMIT and RECEIVE Micro-Fine Wire Electrodes

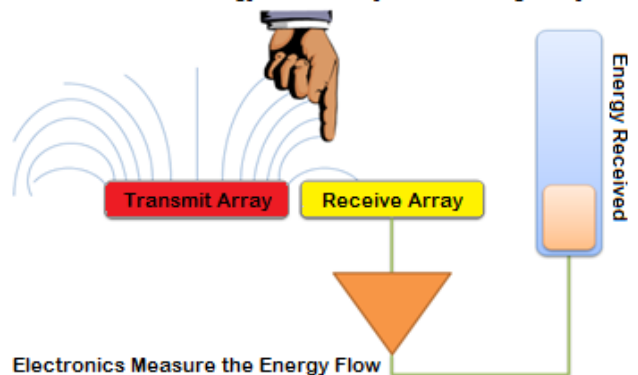


A complex array of X and Y micro-fine wire electrodes is created to cover the whole surface of the touch active area. Point to point spacing varies between 6 – 15mm depending upon sensor size.

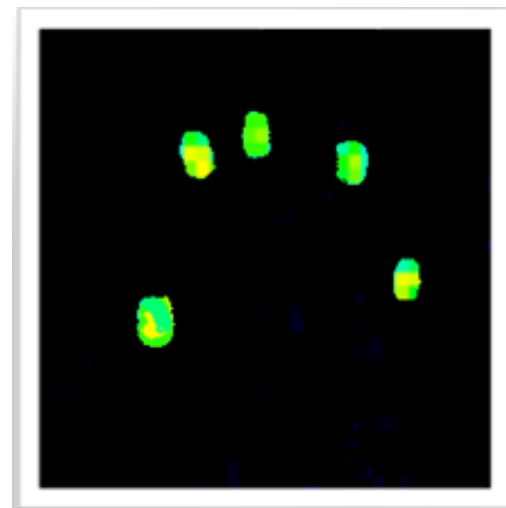


Electronics Measure the Energy Flow

A TOUCH reduces Energy Received by the Receiving Array



Electronics Measure the Energy Flow



Each cross-over point in the array is uniquely addressable, therefore a number of touch points are simultaneously achievable.

The X axis acts as a transmitter whilst the Y acts as a receiver. The common term applied to the sensing technique is Mutual Capacitance.

# Competition Comparison

- PCT™ & MPCT™ products used in industrial and public access markets and not consumer markets
- Competing technologies historically are Acoustic, Surface Capacitive and Infra-Red/Optical touch
- Increasing competition from new Projected Capacitive suppliers (3M, TPK, Displax, etc.)
- Commercial availability of in-cell touch by display manufacturers will be disruptive, albeit in the small size ranges initially

	Environmental				Touch				Physical				
	Surface Durability	Vandal Resistance	Dust/Water Resistance	Optical Clarity	Finger or Hand	Gloved Hand Input	Other inputs (pens etc.)	Dual-Touch Capability	Bezel-less Designs	Small Displays (<5")	Medium Displays (6-10")	Large Displays (10-40")	Ultra Large Displays (>42")
Projected Capacitive	Green	Green	Green	Orange	Green	Green	Orange	Green	Green	Green	Green	Green	Green
Surface Capacitive	Orange	Orange	Red	Orange	Green	Red	Orange	Red	Red	Green	Green	Orange	Red
Infra-Red	Green	Orange	Orange	Green	Green	Orange	Green	Green	Red	Orange	Orange	Green	Green
Acoustic	Green	Orange	Red	Green	Green	Orange	Red	Orange	Orange	Green	Green	Orange	Red
	GOOD				AVERAGE				POOR				

# Board Biographies

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## **Non-Executive Chairman - Tudor Griffith Davies , B.Sc**

Tudor has over twenty years listed company experience as a Director of Castle Support Services plc, Chairman of Dowding & Mills Plc, Chairman of Stratagem plc, Chairman and Chief Executive of Hicking Pentecost Plc, and a Non-Executive Director of Scottish Highland Hotels Plc.

## **Chief Executive Officer - Mark Cambridge , B.Sc (Hons), FIoD**

Mark graduated in 1986 in Materials Science and has a Securities Institute Certificate in Corporate Finance (2003). He has held the positions of Technical & Quality Director, Sales and Marketing Director and is now the Managing Director of Zytronic Displays Limited the operating subsidiary. On 1 June 2007, Mark was appointed to the board of Zytronic Plc and subsequently to Chief Executive on 21 January 2008.

## **Interim Finance Director – Claire Louise Smith, B.A. (Hons), ACMA, GCMA, CertICM**

Claire graduated in 2000 in Business and Finance, attained CIMA accreditation in 2006 and a certificate in International Cash Management in 2011. She held various positions with Procter & Gamble and the NAAFI, before joining Zytronic Displays Limited in April 2007, as Group Financial Controller. In 2012, Claire was appointed Finance Director of the operating subsidiary Zytronic Displays Limited, and interim Finance Director of Zytronic plc in September 2013.

## **Senior Independent Non-Executive Director - Sir David Robert Macgowan Chapman Bt., DL, B Comm.**

Sir David is a former Director of Northern Rock plc, the London Stock Exchange and was a member of the Greenbury Committee on Corporate Governance. Sir David is currently Chairman of the Virgin Money Pension Scheme and is on the Advisory board of the North East Finance.

## **Independent Non-Executive Director - David John Buffham**

David worked at the Bank of England (the “Bank”) for 32 years until 2010. Most recently he was the Bank’s Agent for the North East of England for nine years. David is a director of Newcastle Building Society and William Leech (Investments) Ltd.