

# Interim Results

## Six months ended 31 March 2014



The touch solution for all environments



Presented by  
Mark Cambridge, Chief Executive  
Claire Smith, Finance Director

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# Overview

Performance	Six months ended 31 March		Comments
	2014	2013	
Group revenue	£8.8m	£8.5m	77% of Touch revenues (H1 2013: 74%)
Gross profit	£3.0m	£2.2m	Increased by 35%
Gross profit margin	33.9%	26.0%	Mix/volume and operational benefits
Profit before taxation	£1.4m	£0.8m	Increased by 87%
Earnings per share	7.7p	4.1p	Increased by 88%
Interim dividend	2.85p	2.75p	Increased by 3.6%
Net cash	£4.6m	£2.8m	£3.7m at 30 September 2013

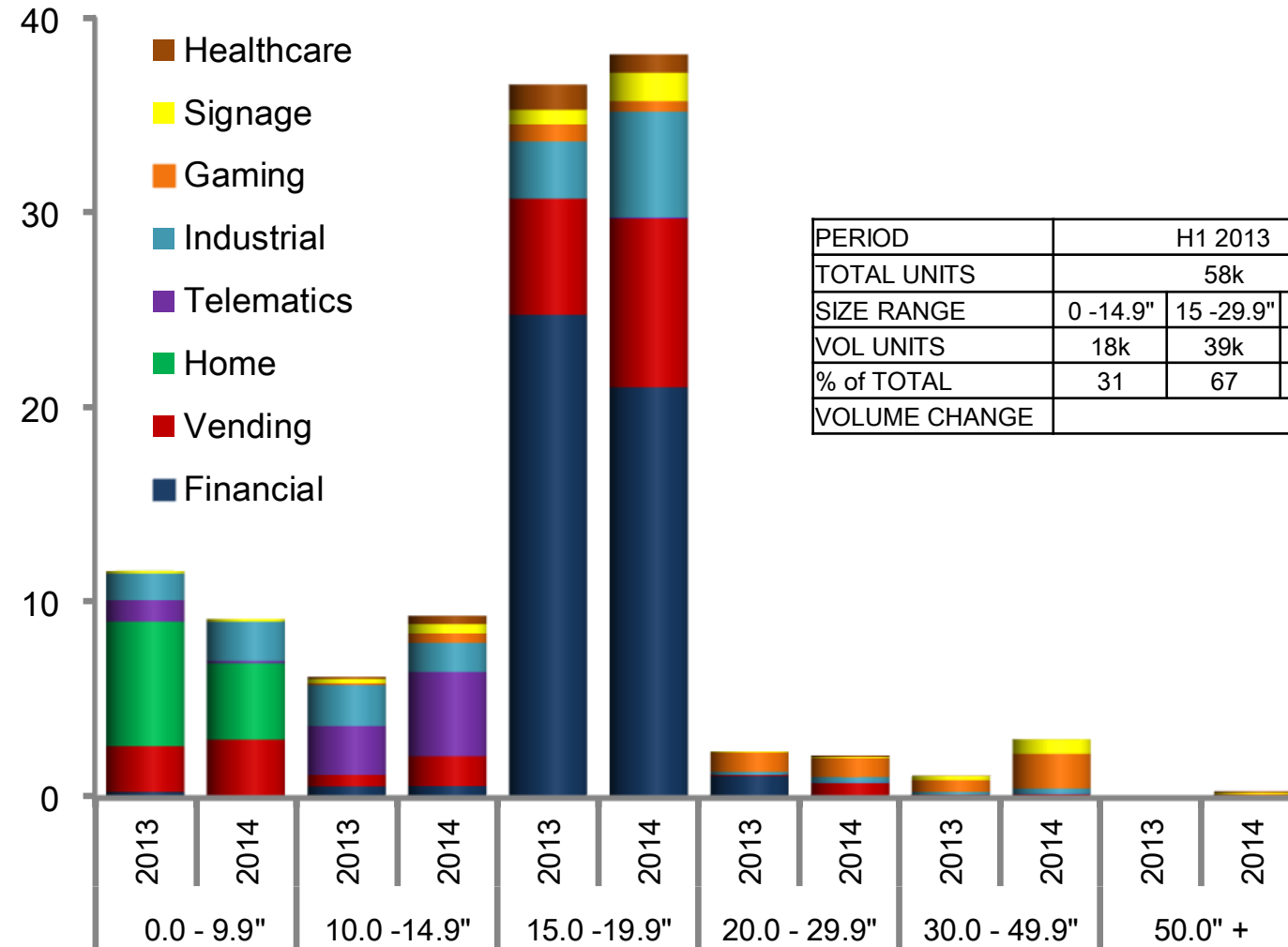
# Operational

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- Total revenues of £8.8m (H1 2013: £8.5m)
  - Growth in touch revenues now 77% of total (H1 2013: 74%)
    - 95% exported (H1 2013: 94%)
  
- Touch
  - Revenues up £0.5m to £6.8m (H1 2013: £6.3m)
  - Unit volume increased to 62k units (H1 2013: 58k units)
  - Improved mix of sensor sizes, significant increase in >30" sizes
    - Gaming and Signage improving, driving larger sized deployments
  - Continuing momentum in large format MPCT™
  
- Non-Touch
  - Revenues broadly stable at £2.0m (H1 2013: £2.2m)
    - ATM display filters account for 76% of total

# H1 Touch Volumes by Size & Markets

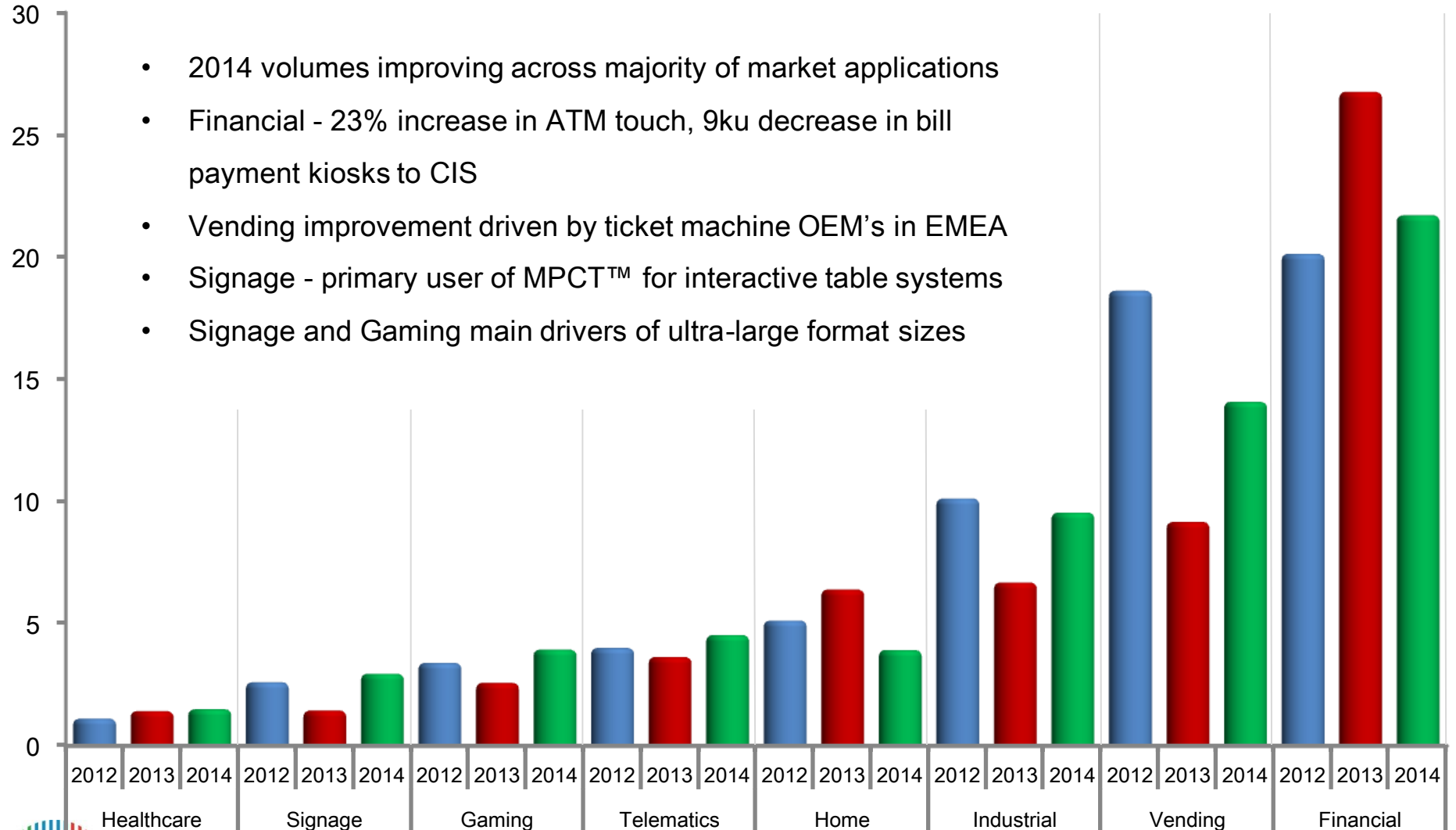
'000 of Units



PERIOD	H1 2013			H1 2014		
TOTAL UNITS	58k			62k		
SIZE RANGE	0 -14.9"	15 -29.9"	30.0" +	0 -14.9"	15 -29.9"	30.0" +
VOL UNITS	18k	39k	1k	19k	40k	3k
% of TOTAL	31	67	2	30	65	5
VOLUME CHANGE				+0.6k	+1.3k	+2.1k

# H1 Touch Volume by Market

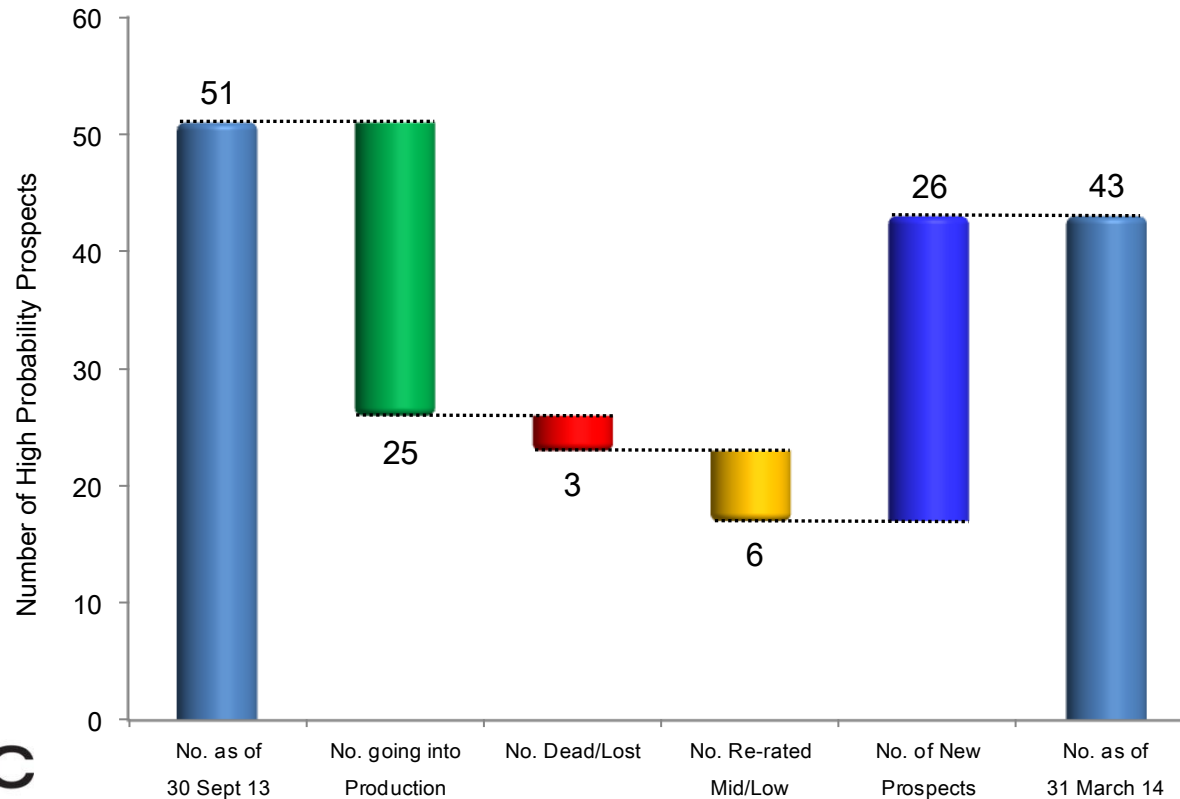
'000 of Units



- 2014 volumes improving across majority of market applications
- Financial - 23% increase in ATM touch, 9ku decrease in bill payment kiosks to CIS
- Vending improvement driven by ticket machine OEM's in EMEA
- Signage - primary user of MPCT™ for interactive table systems
- Signage and Gaming main drivers of ultra-large format sizes

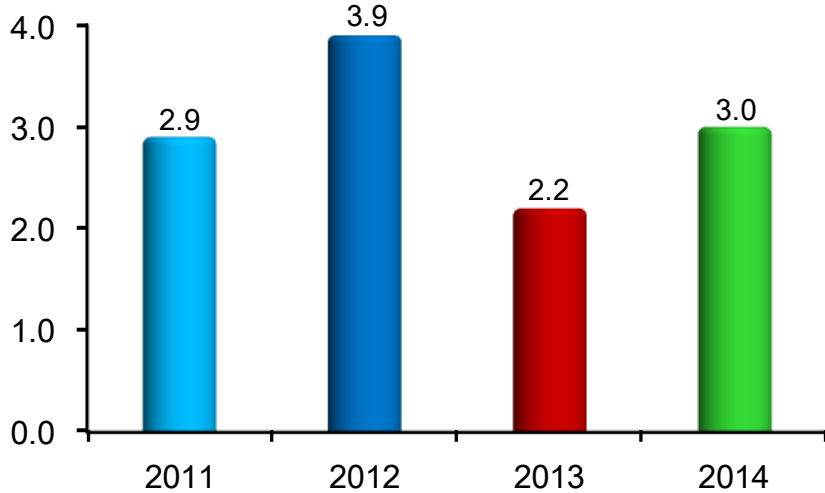
# High Probability Pipeline Analysis

MARKET	30/09/13	Production	Dead/Lost	Re-rated	New	31/03/14
Finance	6	0	0	2	6	10
Gaming	4	3	0	0	4	5
Vending	10	4	2	2	4	6
Signage	17	7	1	2	7	14
Industrial	7	4	0	0	4	7
Other	7	7	0	0	1	1

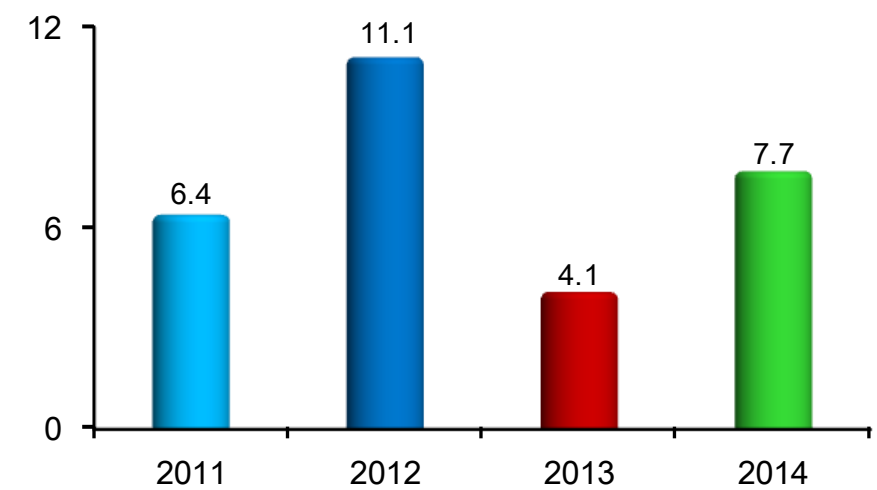


# H1 Key Financial Metrics

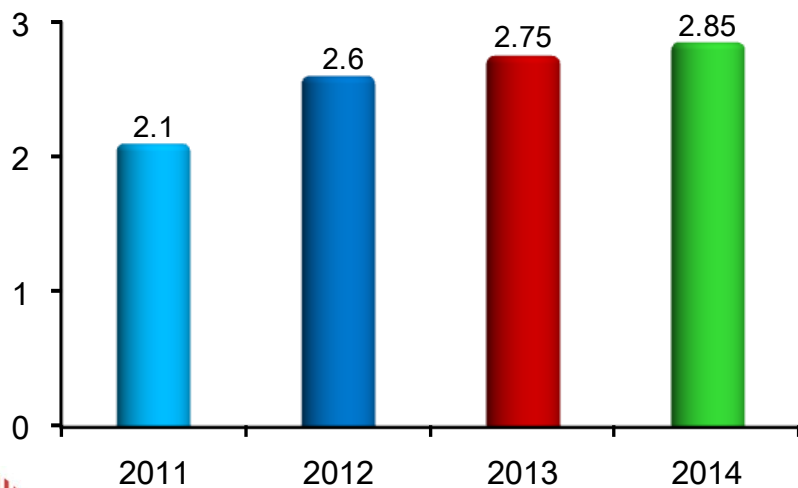
Gross profit (£m)



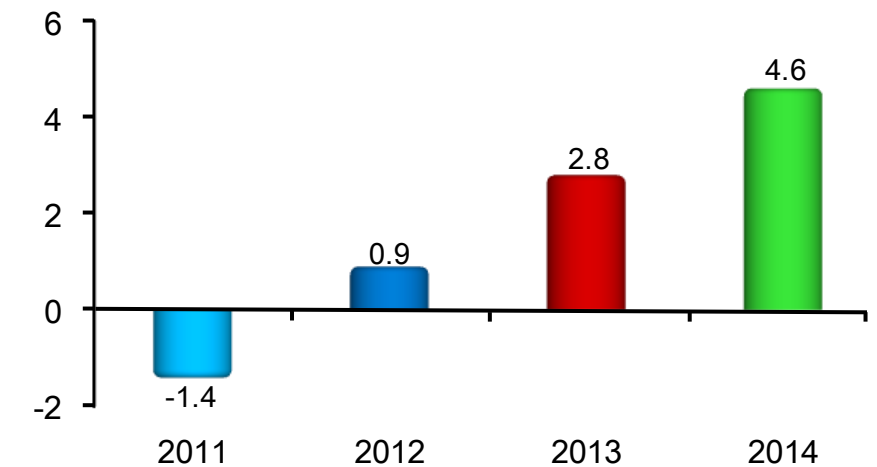
Earnings per share (p)



Dividend (p)



Net cash (£m)





# Income Statement

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- Group revenue £8.8m (H1 2013: £8.5m)
- Gross profit margin of 33.9% (H1 2013: 26.0%)
  - Greater volume of larger sized sensors sold
  - Operational efficiencies improved
  - Utilisation of previously impaired aged stock
- Tight control of admin expenses at £1.5m (H1 2013: £1.4m)
- PBT of £1.4m (H1 2013: £0.8m)
  - H1 2013 benefited by £0.1m from the remaining amortisation of the SFI grant
- Net effective tax rate estimated at 18% (H1 2013: 20%)
  - Average corporation tax rate for full year 2014 of 22%
  - Reduction for R&D tax credits and share option exercise reliefs
- Basic EPS of 7.7p (H1 2013: 4.1p)
- Interim dividend increased to 2.85p (2013 interim: 2.75p)

# Balance Sheet & Cashflow

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- Group remains in a strong financial position
- Currency fluctuation mitigated through natural hedging and FX contracts
- Cash position and cashflows
  - Strong net cashflow from operating activities £1.9m (H1 2013: £1.7m)
  - Cash increased to £6.3m (30 September 2013: £5.5m)
  - Borrowings reduced to £1.6m (30 September 2013: £1.7m)
  - Intangible fixed asset spend of £0.2m (H1 2013: £0.1m)
  - Reduction in working capital of £0.2m (30 September 2013: £0.9m)
  - Taxation paid £0.2m (H1 2013: £0.4m)
  - 2013 Final dividend payment increased to £1.0m (2013: Final dividend of £0.9m)
- Group remains ungeared

# Strategic Developments

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## Sales Channels

- North America channel partner support office
  - Atlanta based Zytronic Inc. established in February 2014
  - Sales Support Engineer appointment from May 2014
- New Chinese sales channel initiative
  - Export to China - Fast Track Programme

## Product development

- Large format curved touch solutions
- Encrypted touch sensors and displays

## Marketing

- Website
  - Launched microsites for China, Japan and USA
- Trade exhibitions during calendar 2014
  - ISE digital signage show in January
  - Infocomm digital signage show in June
  - Electronica in November

# Summary & Outlook

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- Significantly improved performance
- Benefiting from the improving mix of touch sensor solutions across a broad base
- Strong customer relationships
- Increasing opportunities across target markets
- Strong financial position
- Continued investment in business development
- Current trading has continued at the recently improved levels

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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

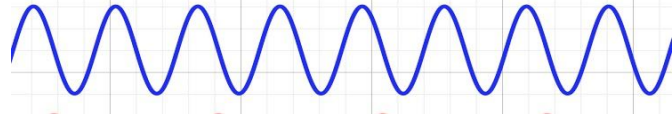
# Key Milestone Events

YEAR	DESCRIPTION
2014	Zytronic Inc. opened in Atlanta, Georgia, for pre and post technical sales support services
2013	MPCT™ touch solution wins two prestigious international engineering awards
2012	Development and patent filing of Mutual Projected Capacitive Technology (MPCT™) touch solution
2011	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
2009	ZYPOS design wins for Coca-Cola Freestyle™ drinks dispensing machine and Aristocrat Indago™ gambling equipment
2008	ZYPOS manufacturing facility operational. Electronics development programme of ZDL ASIC and ARM® processor for new touch controller
2006	ZYPOS® development. Acquisition of new building for future ZYPOS manufacturing
2005	ZYTOUCH design wins for Petrol Pump applications; Route to market defined through Global Channel partners of Agents and Value Add Resellers (VAR's)
2002	ZYTOUCH design wins for ATM's (2 of the global top 3) and BT Webphone
2001	First Commercial PCT based product to market – trade named ZYTOUCH®
2000	Zytronic quoted on London Stock Exchange (LSE), Alternative Investment Market (AIM)

® are registered trademarks in the UK.



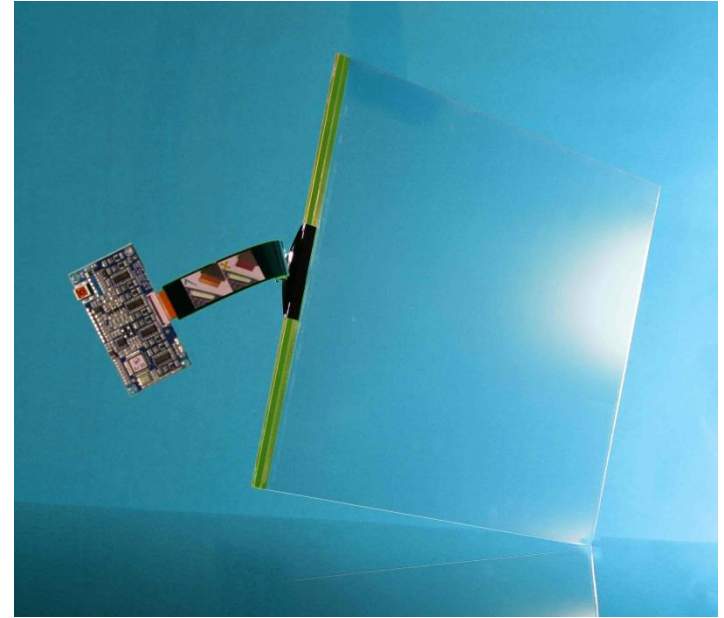
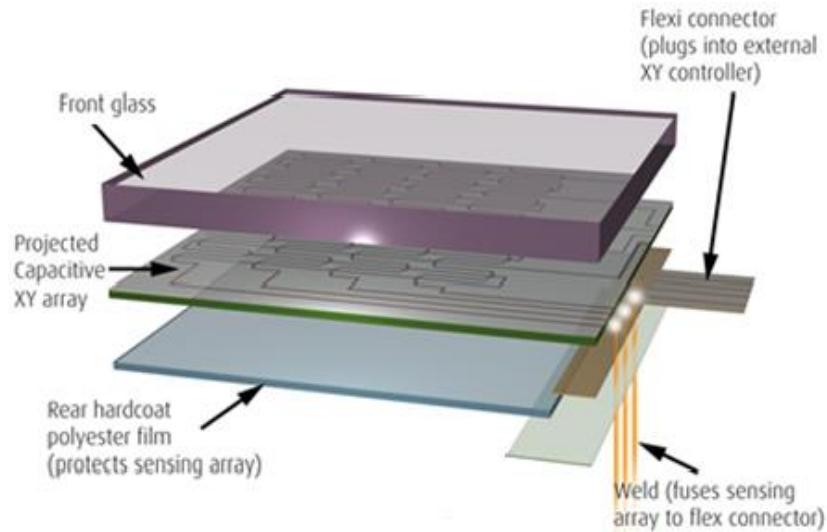
# Zytronic's PCT™ Sensing



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.

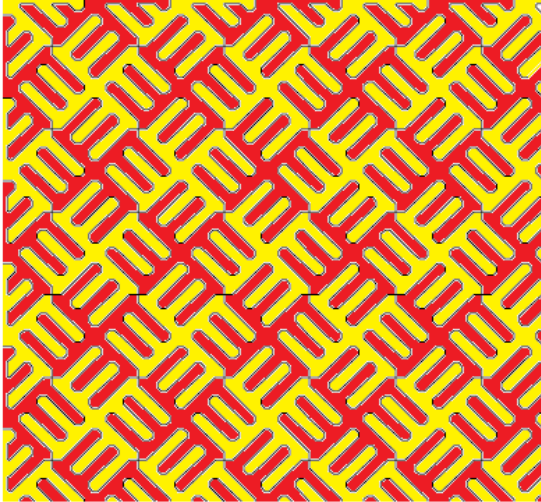


Saleable sensor and controller

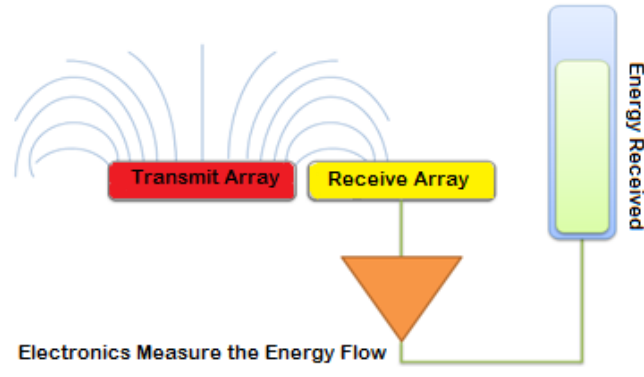


# Zytronic's MPCT™ Sensing

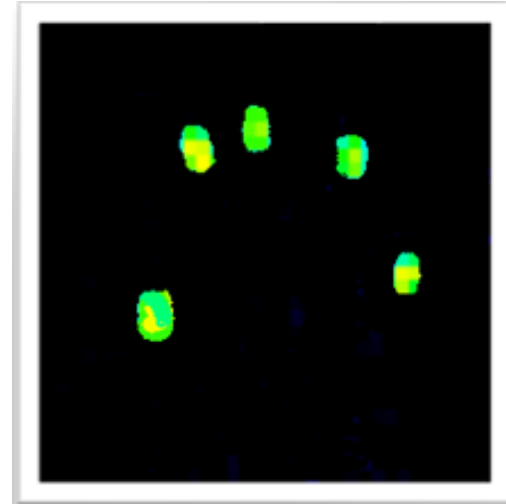
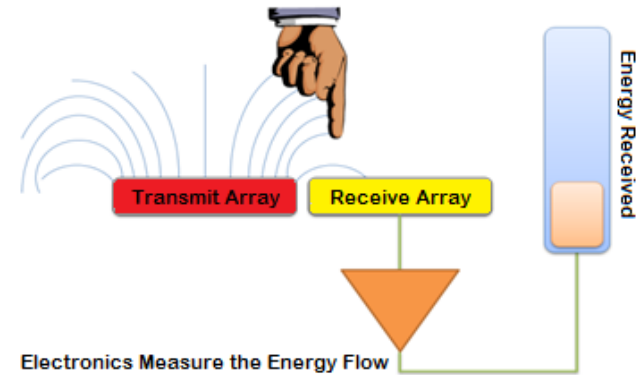
Complex ARRAY of X and Y, TRANSMIT and RECEIVE Micro-Fine Wire Electrodes



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.



A TOUCH reduces Energy Received by the Receiving Array



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.

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

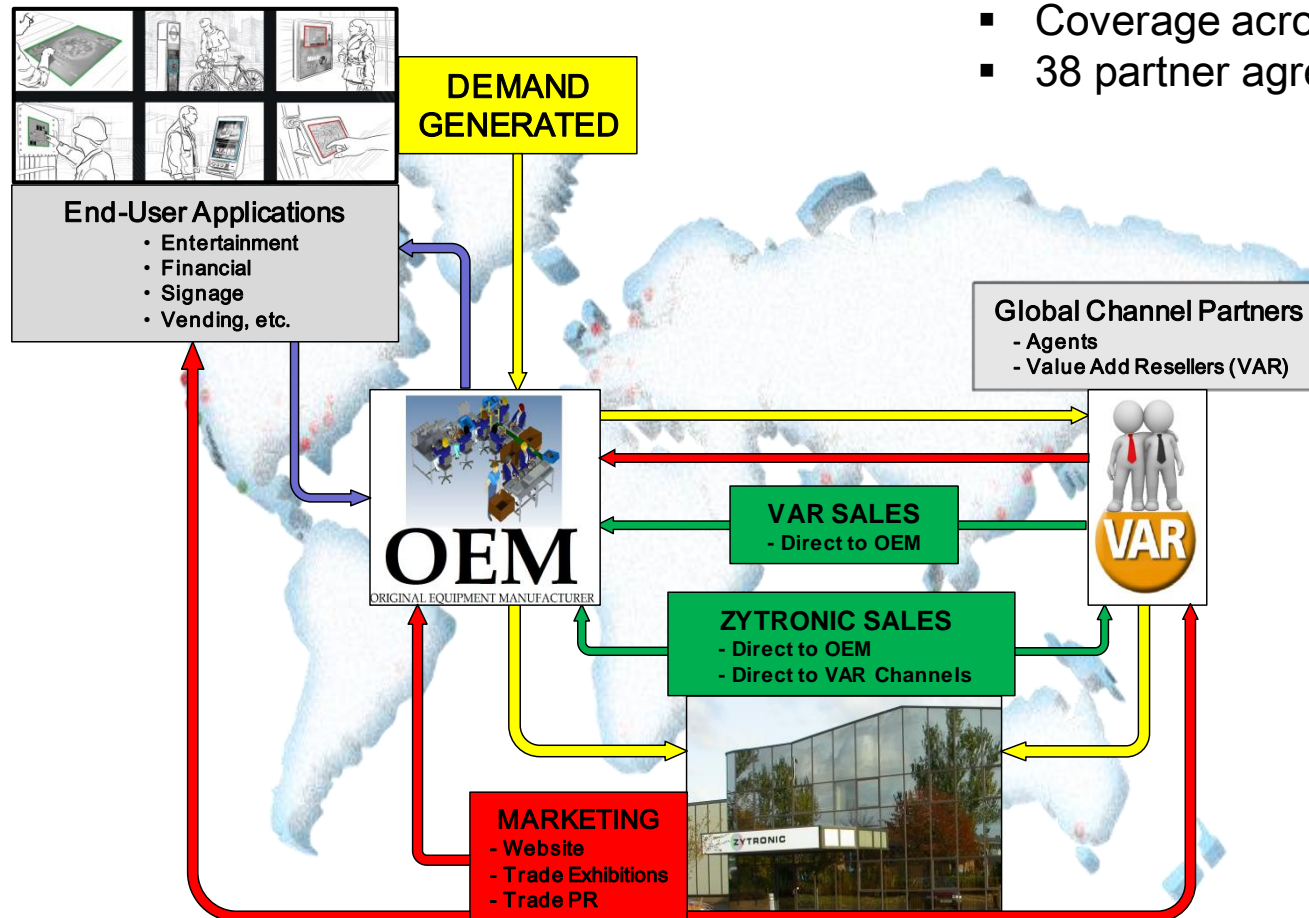
# Competition Comparison

- Zytronic's PCT™ & MPCT™ products used in industrial and public access markets and not consumer markets
- Historical competing technologies are Acoustic, Surface Capacitive and Infra-Red/Optical touch
- Increasing competition from ITO based Projected Capacitive suppliers (3M, TPK, etc.)
- Commercial availability of in-cell touch by display manufacturers is disruptive, albeit in the small size ranges

	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	Green	Green	Green	Green	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				

# Sales & Marketing

- Export focused business
- Coverage across 61 countries
- 38 partner agreements



- End-User Application Exhibition focus

# Touch Markets and Product Uses

Markets	End-use categories
Finance	ATM's, Bill Payment Kiosks
Gaming	Casino Table Game, Casino Upright Game, Jukebox, Wagering/Lottery Terminal, Pub Game
Vending	Fuel Vend, Product Vend, Service Vend
Signage	Interactive Tables, Wayfinding Terminals, Menu-boards, POI Systems
Industrial	Human Resource Kiosks, HMI
Other	(Industrial/Agricultural/Marine) GPS, Healthcare, Cooking, Washing, Home Control

# Target Growth 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
- Size



## Financial USP's

- Vandal resistance
- All weather performance
- Reliability

Future:

- Encryption
- Size



## Gaming USP's

- Customisation
- Reliability
- Large size

Future:

- Curved
- Multitouch



# Board Biographies

## **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 was appointed to the board of Zytronic Plc in June 2007 and subsequently to Chief Executive on 21 January 2008. 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 presently Managing Director of Zytronic Displays Limited the operating subsidiary and President of Zytronic Inc., the USA, technical sales support services operation.

## **Group 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 Finance Director of Zytronic plc in January 2014.

## **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.