

# Interim Results

## Six months ended 31 March 2013



The touch solution for all environments



Presented by Mark Cambridge, Chief Executive  
Denis Mullan, Group Finance Director

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# Financial Overview

	Six Months ended 31 March	
	2013	2012
Revenue	£8.5m	£10.6m
Gross Profit	£2.2m	£3.9m
Gross Profit Margin	26.0%	36.4%
Profit before taxation	£0.8m	£2.1m
EPS	4.1p	11.1p
Interim Dividend	2.75p	2.6p

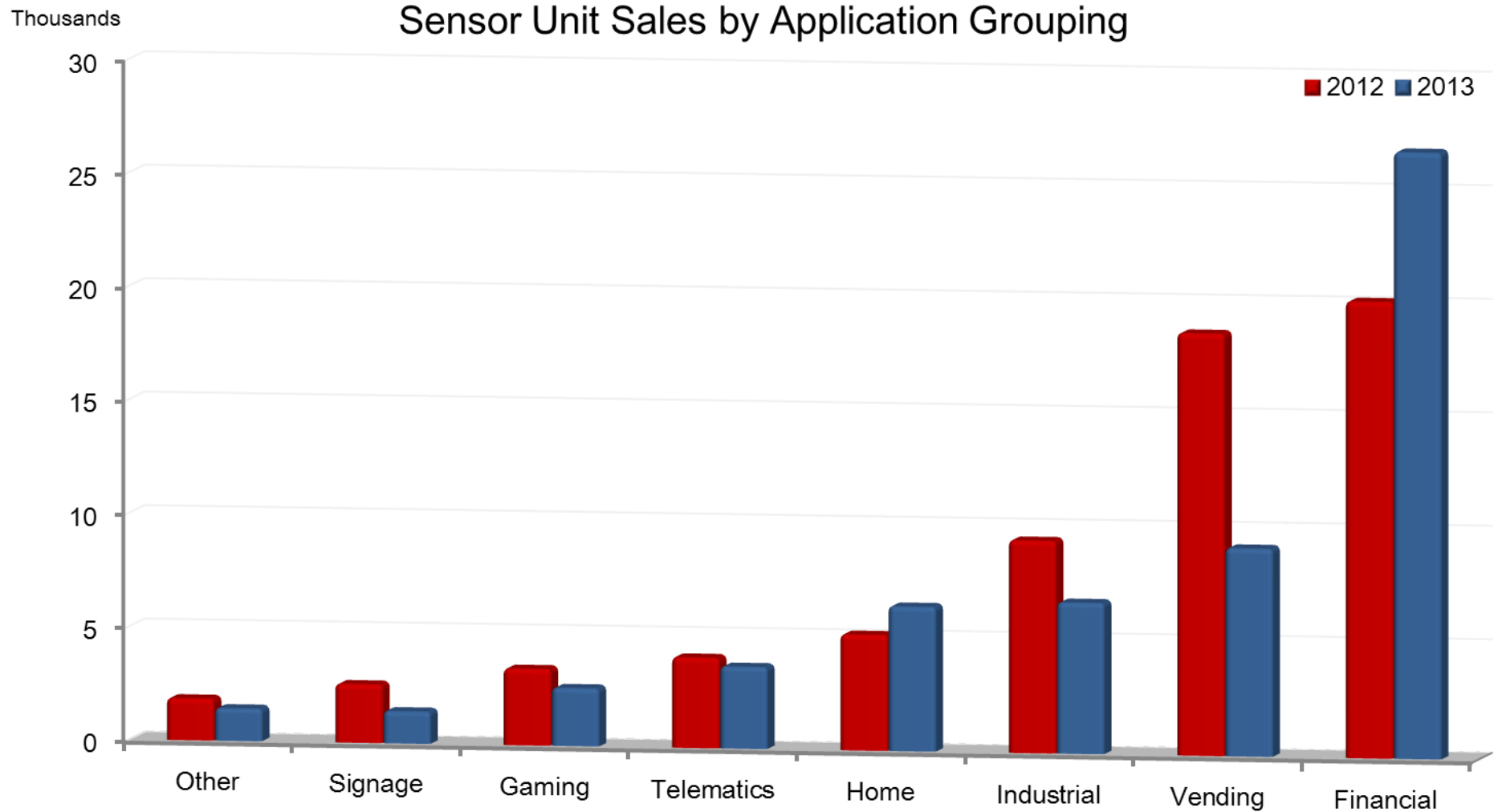
- Group revenue down by 20%
  - Non-touch down by £1.0m
  - Touch down by £1.1m
  - All geographic regions down
- Mix and operational gearing impact margin
- Interim dividend increased by 6% to 2.75p
- Cash less borrowings increased to £2.8m

# Operational Overview

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- **Non-Touch** revenues reduced by a third to £2.2m (H1 FY2012: £3.3m)
  - Non repeat of one-off benefits experienced from ATM customers
    - ATM customers moving to simplified lower priced designs
    - One customer finally transferred its Asian business to local supply
  - Visors exited at end of December
  - Revenue forecast to continue declining
- **Touch** revenues down 15% to £6.3m (H1 FY2012: £7.4m)
  - Financial and Home sectors improved
    - ATM showing 1% growth
    - Bill payment kiosk systems increasing in EMEA
    - Significant improvement in Bosch cooktop sales
  - Vending significantly impacted
    - Freestyle™ de-stocking, although shipments now restarted
    - Samsung exit uVend programme, significant future opportunities remain
  - Industrial market impacted by weak value add reseller (VAR) sales
- Erratic order patterns and product mix impacting operational efficiency and margin

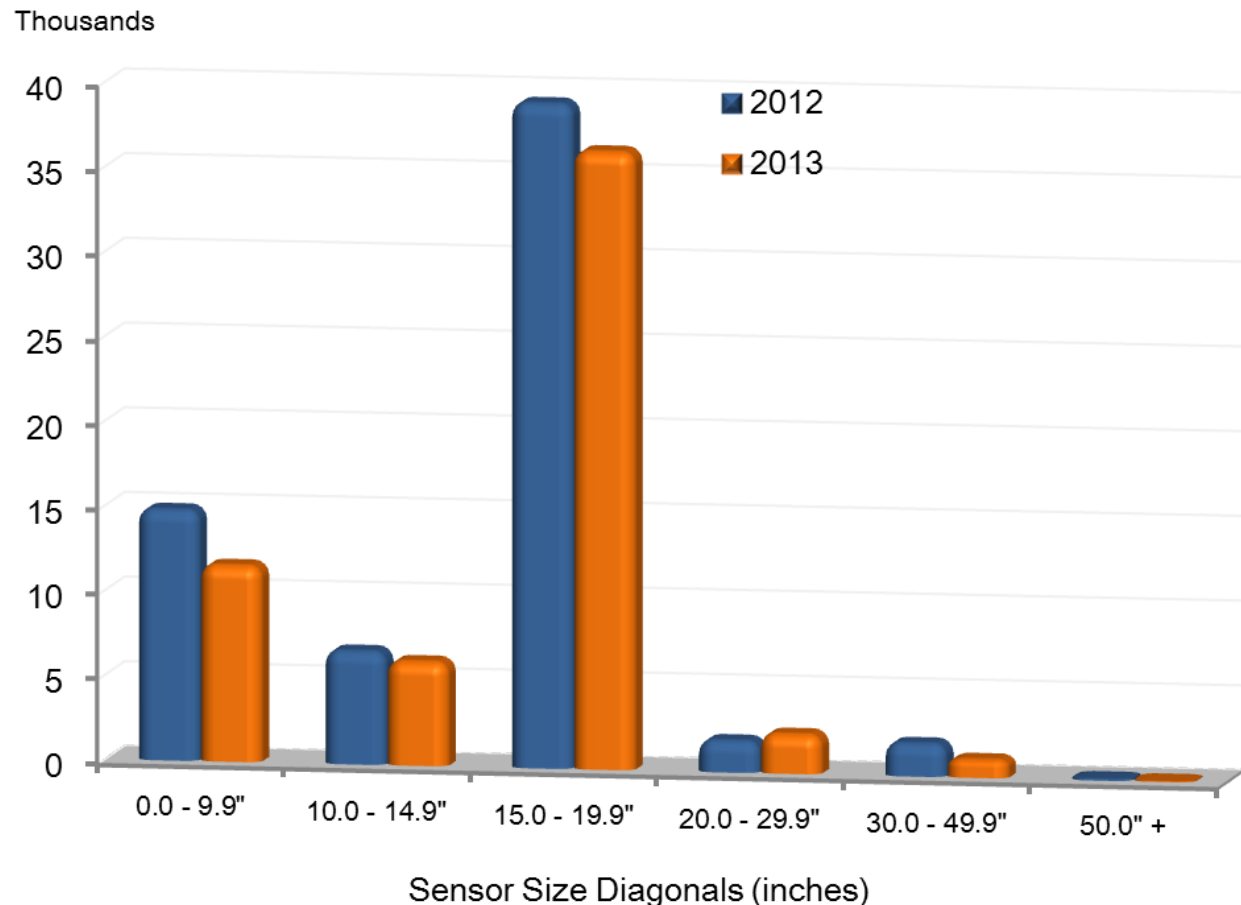
# Touch Sales – unit quantities



# Touch Sales – sensor sizes

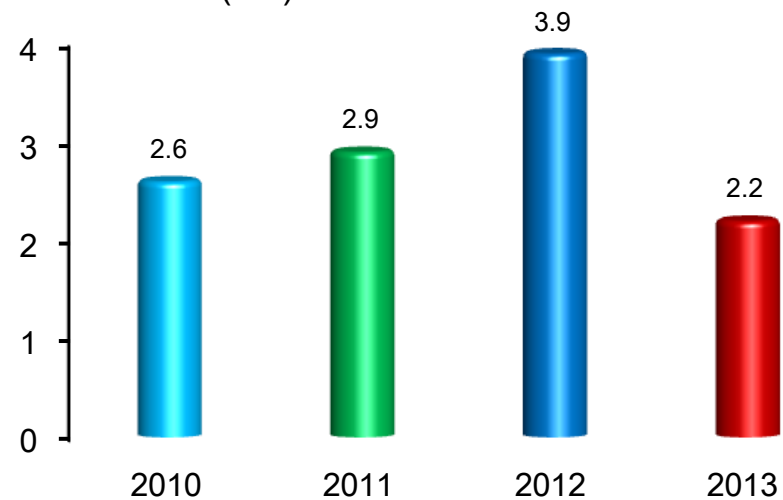
- 58,000 units supplied in H1 FY2013 (H1 FY2012: 65,000)
  - Sensor sizes <15", 31% of total, a reduction of 3,700 units
  - Sensor sizes >15" : <30", 67% of total, a reduction of 2,300 units
  - Sensor sizes >30", 2% of total, a reduction of 1,000 units

## Touch Sensor Volumes by Size Range

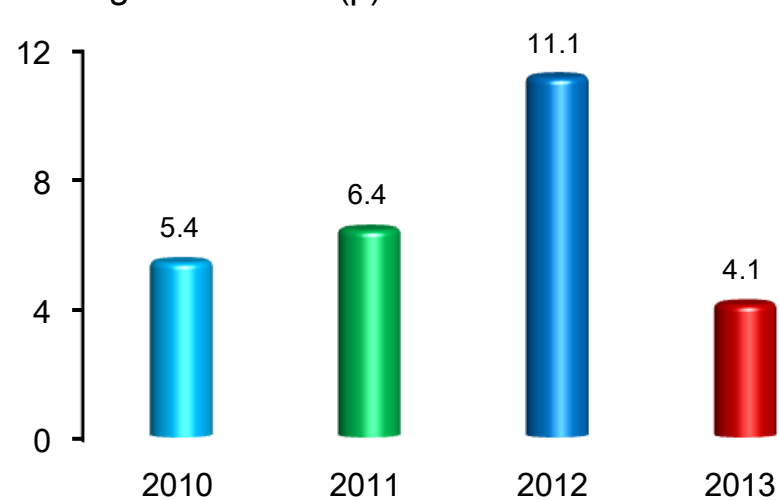


# H1 Key Financial Metrics

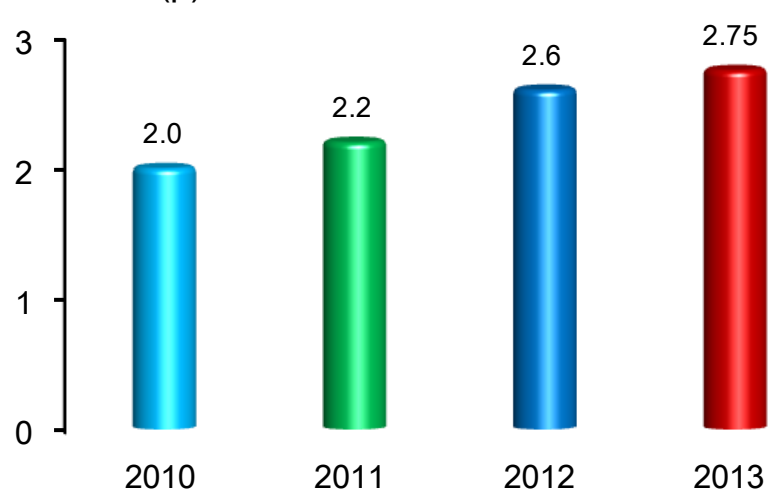
Gross Profit (£m)



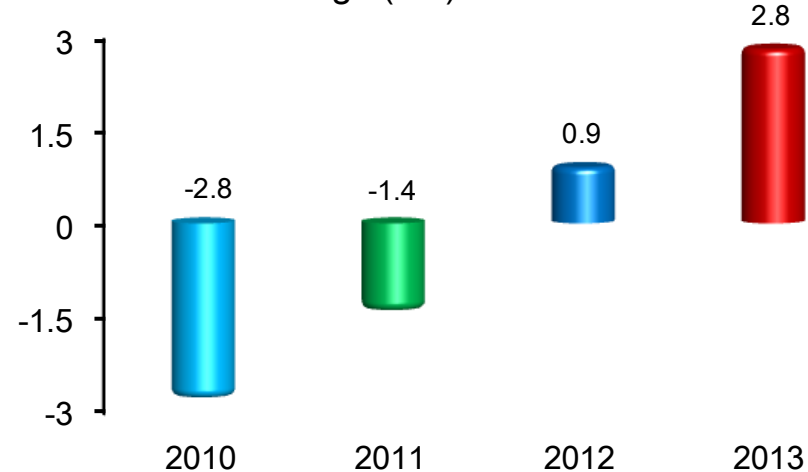
Earnings Per Share (p)



Dividend (p)



Cash less Borrowings (£m)



# Income Statement

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- Group revenue £8.5m (H1 FY2012: £10.6m)
- Gross profit margin shows significant decrease to 26.0% (H1 FY2012: 36.3%)
  - Reduced finished goods stocks
  - Labour efficiency affected by decreased volume throughput
  - Unfavourable mix of touch sensors
- Proactive steps to mitigate reduced profitability
  - Short-term layoffs and redundancies
  - Tighter control of Admin expenses; reduced to £1.4m (H1 FY2012: £1.7m)
- Tax rate continues to decrease; estimated at 20% (H1 FY2012: 23%)
- Interim dividend increased by 6% to 2.75p (2012 interim: 2.6p)



# Balance Sheet & Cashflow

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- Group remains in a strong financial position
- Cash position and cashflows
  - Net cash increased to £4.6m (30 September 2012: £4.2m)
  - Borrowings reduced to £1.8m (30 September 2012: £1.9m)
  - Limited spend on tangible & intangible fixed assets
  - Reduction in working capital of £0.9m (H1 2012 increase: £0.4m)
  - Taxation paid decreased to £0.4m (H1 2012: £0.5m)
  - Final dividend payment increased to £0.9m from £0.8m
- Group remains ungeared

# Strategic Touch Markets

## Vending USP's

Now

- Ultra Large sizes
- Customisation
- Reliability

Future:

- Encryption



## Digital Signage USP's

Now:

- Ultra large sizes
- Vandal resistance
- Through window touch

Future:

- Multitouch



## Financial USP's

Now:

- Vandal resistance
- All weather performance
- Reliability

Future:

- Size
- Encryption



## Gaming USP's

Now:

- Customisation
- Reliability
- Large size

Future:

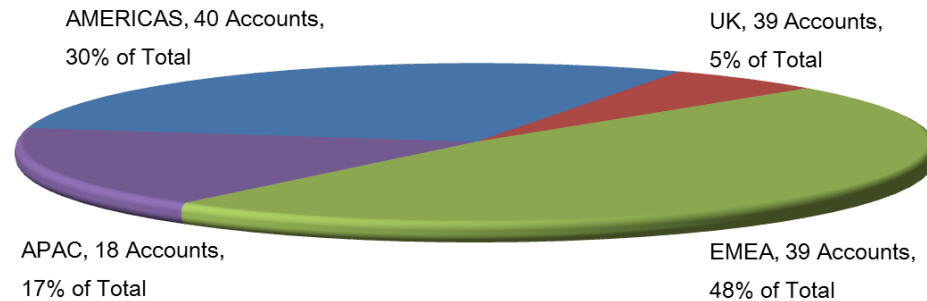
- Curved
- Multitouch



# Geographic Focus



REGIONAL TOUCH REVENUES H1 FY2013



- Export focused business
- Sales Channel Partnerships in 37 Countries
  - Manufacturer Representatives
  - Value Add Resellers (VAR's)
- Long standing customer relationships
  - Generates new project opportunities

# Touch Sales & Opportunities Profile

Applications	Customers	Products	New Projects	Impact	End-use Categories
Finance	7# (7#)	57 (49)	7 – 1 – 4	++	ATM's, Bill Payment Kiosks
Gaming	14 (13)	27 (27)	2 – 1 – 2	+	Casino Table Game, Casino Upright Game Jukebox, Wagering/Lottery Terminal, Pub Game
Vending	35 (33)	86 (71)	8 – 2 – 3	++++	Fuel Vend, Product Vend, Service Vend
Signage	36 (47)	86 (151)	8 – 2 – 2	+	Interactive Tables, Wayfinding, Menu-boards, POI Systems
Industrial	48 (47)	150 (134)	5 – 4 – 1	+	Human Resource Kiosks, Factory Automation
All Other	13 (13)	36 (21)	1 – 1 – 0	+	Industrial/Agricultural GPS, Marine GPS, Medical Equipment, Fitness Equipment Cooking, Washing, Home Control

**Customers** – the number of individual customers to whom sales were made in H1 FY2013, (x) the H1 FY2012 comparison, # - NCR group as 1 global customer, Diebold group as 1 global customer

**Products** – the number of unique individual sensor designs manufactured and sold in H1 FY2013, (x) the H1 FY2012 comparison

**New Projects** – the present new projects with a high probability of production sales. The first digit represents the number of individual projects from existing and new customers, the second digit represents the number of new customers and the third digit represents the number of delayed/deferred projects in FY2013

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



# Business Development

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- Improved lead generation
  - Lead Forensics (Website Traffic)
  - Target industrial designers
- Focused marketing initiatives
  - Application specific trade shows and exhibitions
  - Support to VAR's
- Patent and trademark portfolio expansion
- Investment in customer support based in North America and Asia;
  - Regional technical and sales support
- Research & Development facilities expansion and recruitment
  - Continuing touch product development
    - MPCT™
    - Software
    - Gen 3 ASIC

# Summary

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- Disappointing performance due to project delays
- Strong financial position
- Broadly based business with strong customer relationships
- Defined target markets with substantial project opportunities
- Continued investment in business development
- Dividend continues to increase; up by 6%

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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

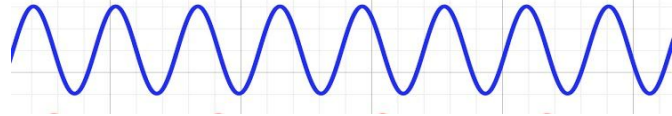


# Key Milestone Events

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- 2012 Development 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

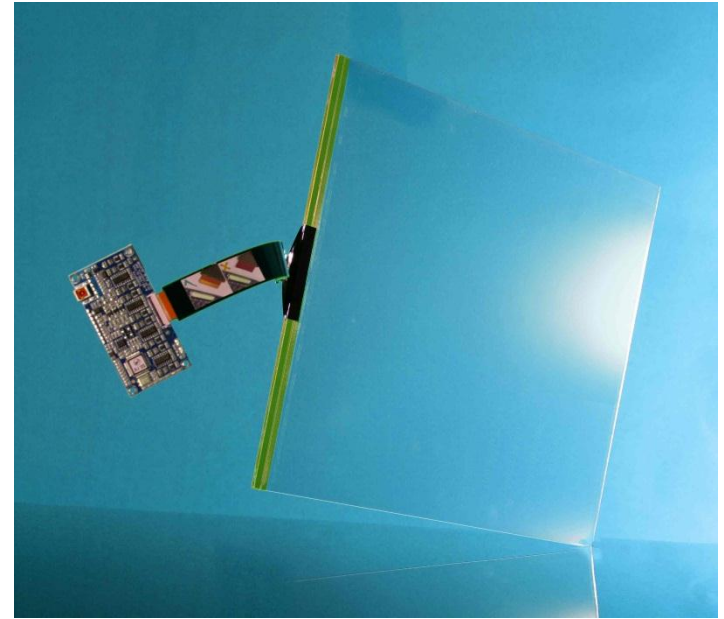
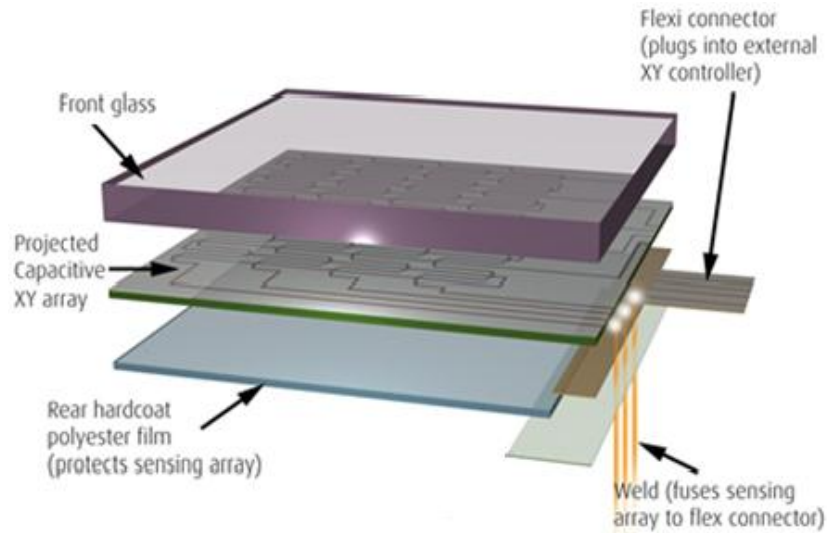
# Zytronic's PCT™ Sensing



Capacitive electrodes oscillate at a known frequency



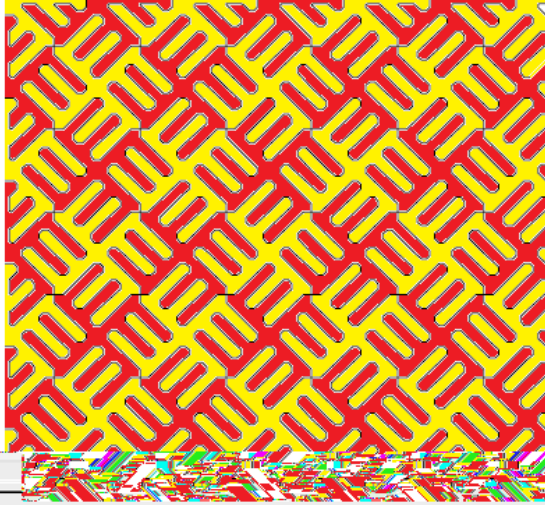
Applying a finger due to the body's self-capacitance changes the frequency of oscillation. Measuring the change on an XY array, identifies the 2D touch point.



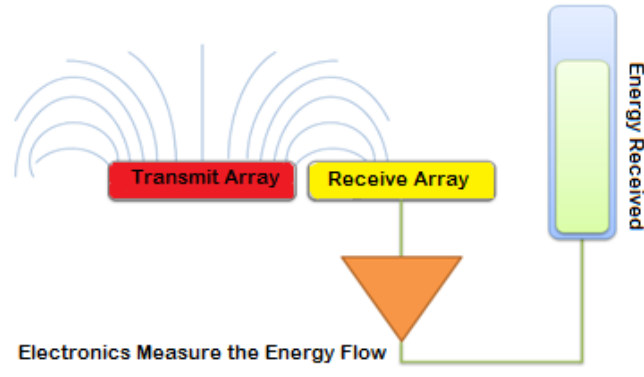
Saleable sensor and controller

# Zytronic's MPCT™ Sensing

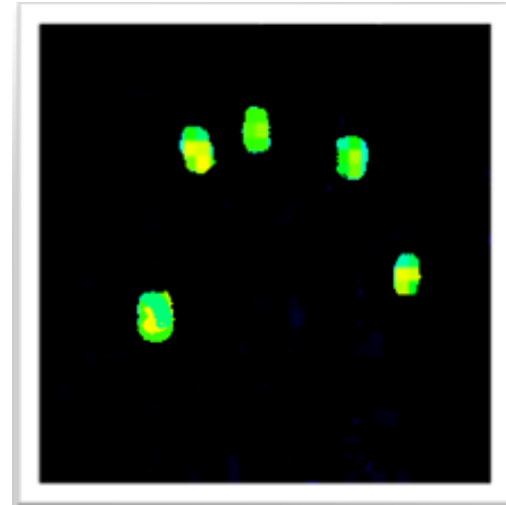
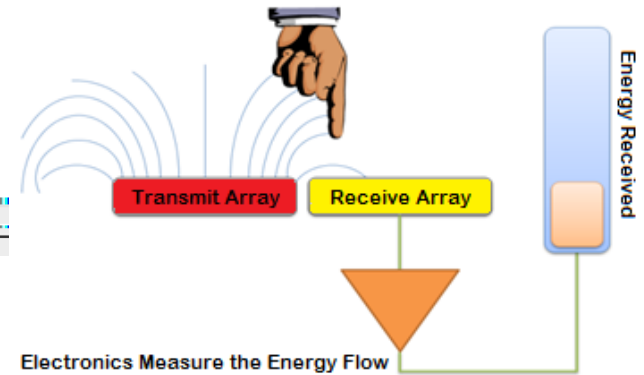
Complex ARRAY of X and Y, TRANSMIT and RECEIVE Micro-Fine Wire Electrodes



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.



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

- 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	GOOD	GOOD	GOOD	AVERAGE	GOOD	GOOD	AVERAGE	GOOD	GOOD	GOOD	GOOD	GOOD	GOOD
Surface Capacitive	AVERAGE	AVERAGE	POOR	AVERAGE	GOOD	POOR	AVERAGE	POOR	POOR	GOOD	GOOD	AVERAGE	POOR
Infra-Red	GOOD	AVERAGE	AVERAGE	GOOD	GOOD	AVERAGE	GOOD	POOR	AVERAGE	AVERAGE	AVERAGE	GOOD	GOOD
Acoustic	GOOD	AVERAGE	POOR	GOOD	GOOD	AVERAGE	POOR	AVERAGE	GOOD	GOOD	GOOD	AVERAGE	POOR
	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)**

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.

## **Finance Director - Denis Gerald Wilson Mullan, B.Sc., FCA**

Denis is a former partner in Ernst & Young LLP, specialising in corporate finance. He was based successively in its offices in London, Newcastle upon Tyne and finally Bristol. While based in Ernst & Young's Newcastle upon Tyne office, he led the work on the demerger of Zytronic Displays Limited in June 2000 from the parent company and the subsequent admission to AIM of Zytronic Plc in July 2000. He joined Zytronic in August 2003.

## **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 JEREMIE Fund.

## **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 non-executive director of Newcastle Building Society.