



# Siltronic AG Q2 2019 Conference Call Presentation

July 25, 2019

# Highlights Q2 2019: Financials

## Sales

– EUR 311.8m (Q1 2019: EUR 354.4m)

## EBITDA

– EUR 100.0m (Q1 2019: EUR 127.2m)  
– EBITDA margin: 32.1% (Q1 2019: 35.9%)

## EBIT

– EUR 74.6m (Q1 2019: EUR 103.4m)  
– EBIT margin: 23.9% (Q1 2019: 29.2%)

## Capex

– EUR 105.1m (Q1 2019: EUR 72.8m)

## Net cash flow

– EUR 0.4m (Q1 2019: EUR 80.8m)

## Net financial assets

– EUR 592.1 (March 31, 2019: EUR 691.3m)





**MARKET UPDATE**

# Market developments

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## End Markets 2019

- ▶ Most end markets remain to be soft from a unit point of view in 2019, but as of today, content is still expected to grow in most end markets

## Silicon wafer market 2019

- ▶ Q2 SEMI market was ~6.4 bn cm<sup>2</sup>, -2.2% below Q1 19 average and -5.7% YoY

## Wafer demand

- ▶ Strong decline in demand for 150 mm
- ▶ Mixed demand picture in 200 mm with special products still high
- ▶ Demand for 300 mm slightly down as customer inventories remain high and customers shift volumes under LTAs

Sources SEMI press release July 23, 2019 /Siltronic



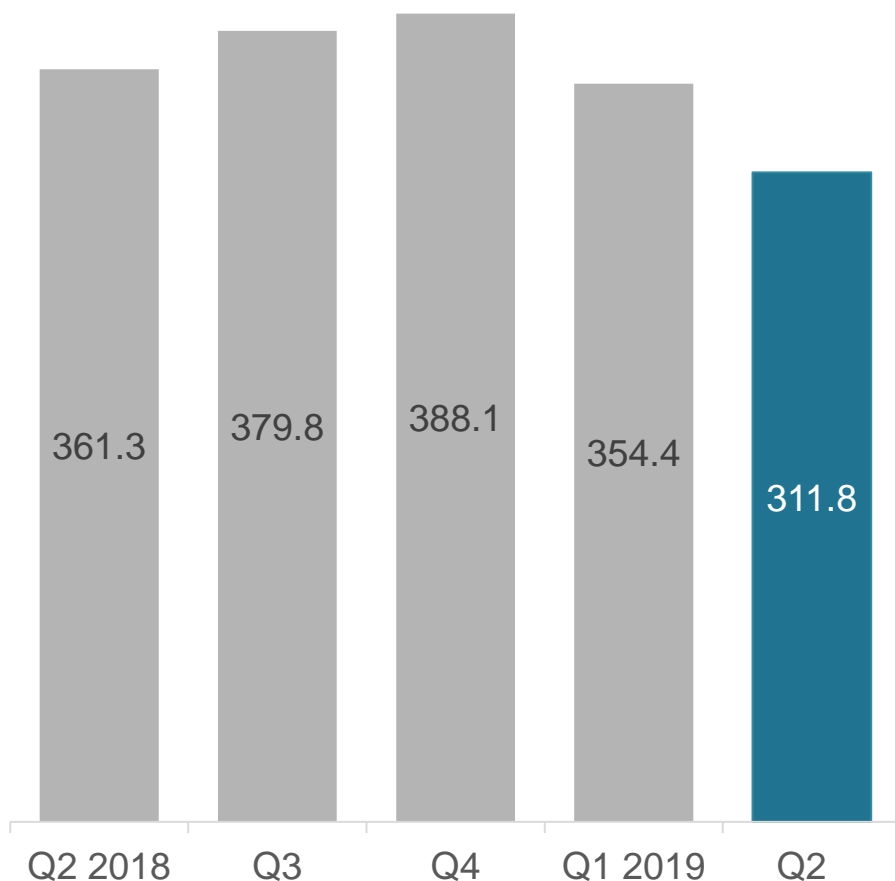


# FINANCIALS

Q2 2019

# Sales development negatively impacted by lower wafer area demand

Sales, in EUR million



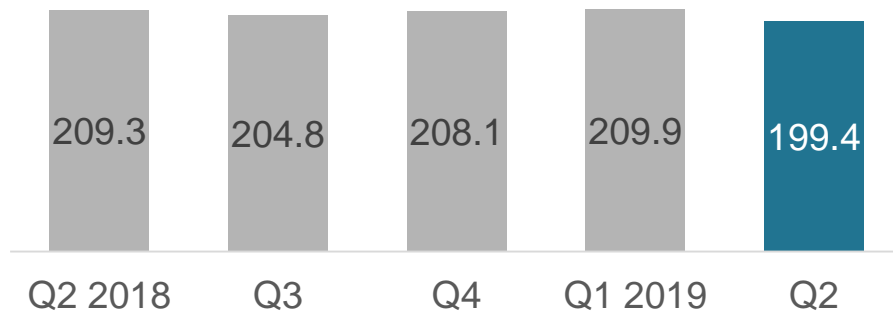
Ø FX rates	Q2/18	Q3	Q4	Q1/19	Q2
EUR / USD	1.19	1.16	1.14	1.14	1.12
EUR / JPY	130	130	129	125	124

## Comment

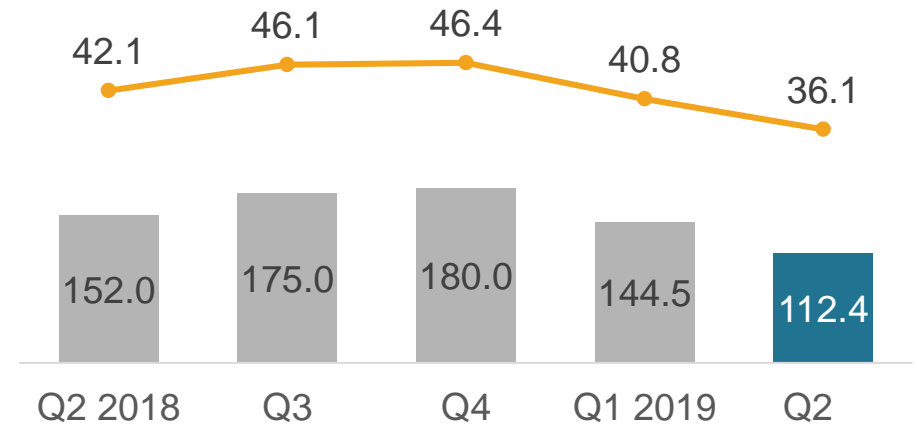
- ▶ Sales in Q2 down vs. Q1 as expected due to lower wafer area sold
- ▶ ASP H1 2019 up compared to H1 2018

# Q2 2019 weak as expected due to lower wafer area demand and higher energy costs

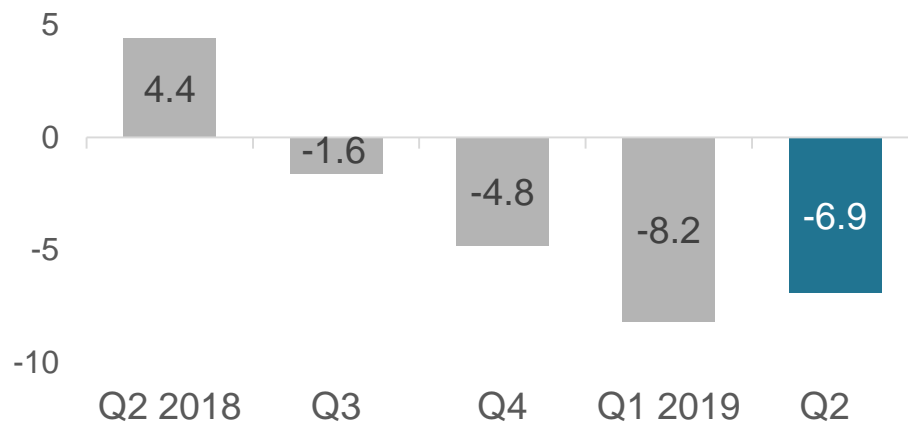
Cost of Sales, in EUR million



Gross profit, in EUR million / Gross margin, in %



Other currency effects (mostly hedging), in EUR million



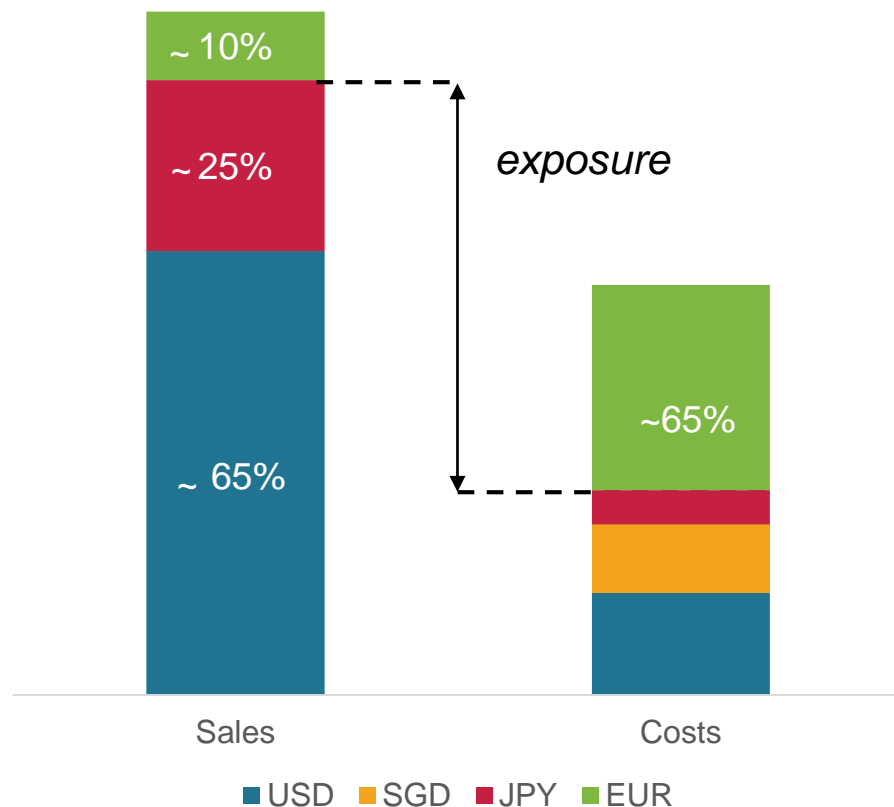
## Comment

- ▶ COGS y-o-y declined only slightly as lower costs for materials and supplies were largely offset by higher energy costs
- ▶ COGS q-o-q declined by 5%. Lower personnel and supplies' costs partly offset by slightly higher depreciation
- ▶ Negative effects from currency hedging substantially lower in Q2 compared to Q1

# High US-Dollar and Japanese Yen exposure

## FX exposure, in %

## Sensitivity



### 1 USD-cent change

- ▶ ~ EUR 8.0 million sales
- ▶ ~ EUR 6.5 million EBITDA unhedged
- ▶ ~ EUR 4.5 million EBITDA after hedging

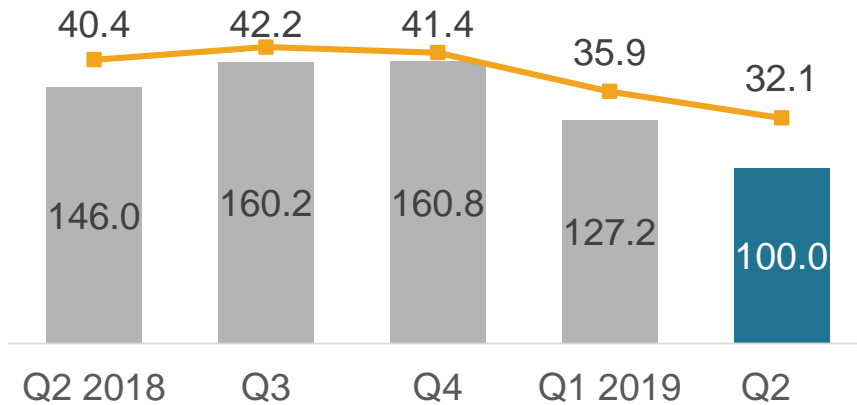
### 1 JPY change

- ▶ ~ EUR 2.5 million sales
- ▶ ~ EUR 2.0 million EBITDA unhedged
- ▶ ~ EUR 1.0 million EBITDA after hedging

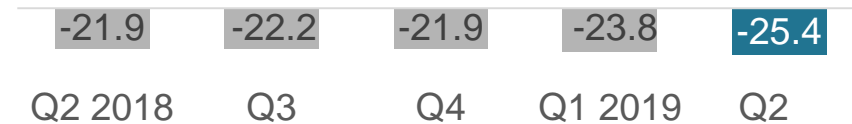


# Profitability affected by lower loading, higher energy costs and slightly increased depreciation

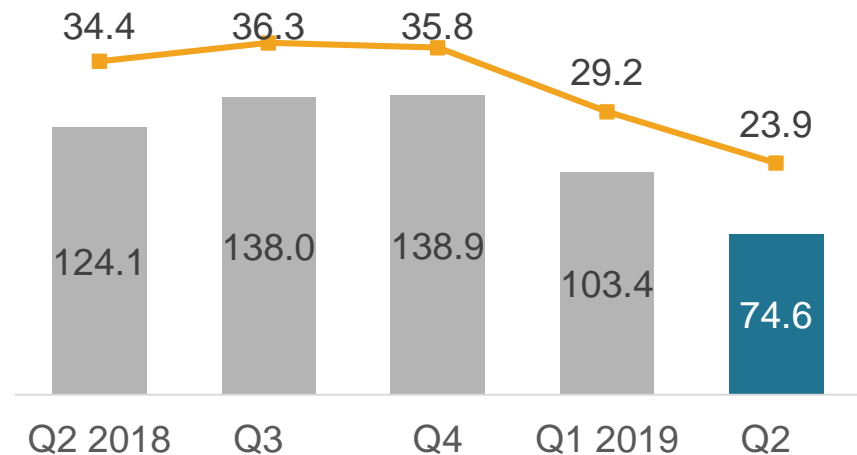
**EBITDA, in EUR million / EBITDA margin, in %**



**Depreciation, in EUR million**



**EBIT, in EUR million / EBIT margin, in %**

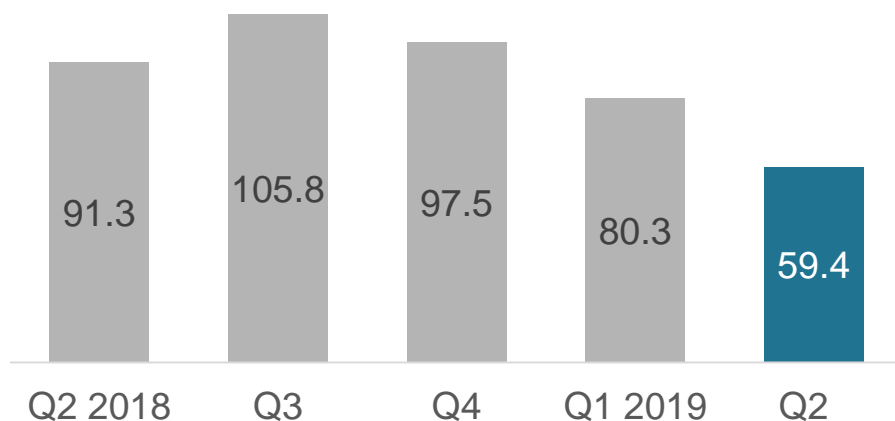


## Comment

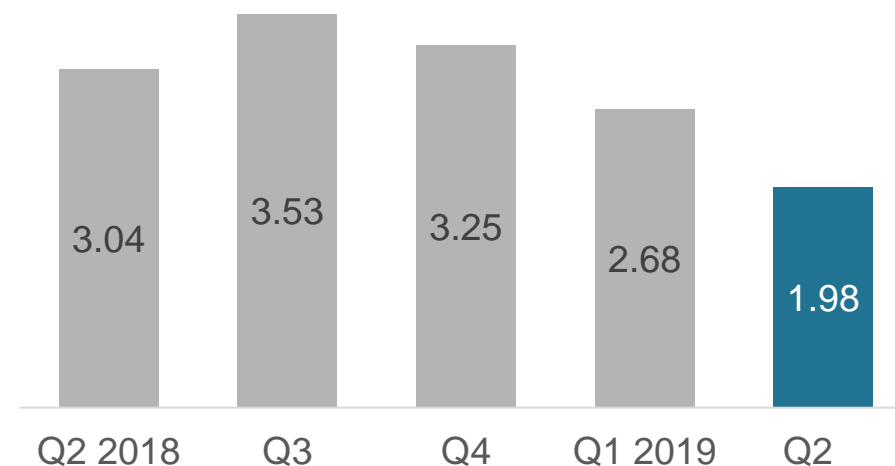
- ▶ Q-o-q decline of EBITDA margin mitigated by lower COGS and lower negative effects from currency hedging
- ▶ EBIT margin impacted by slow business, higher energy costs and slightly higher depreciation

# Net profit of EUR 156 million in H1 2019

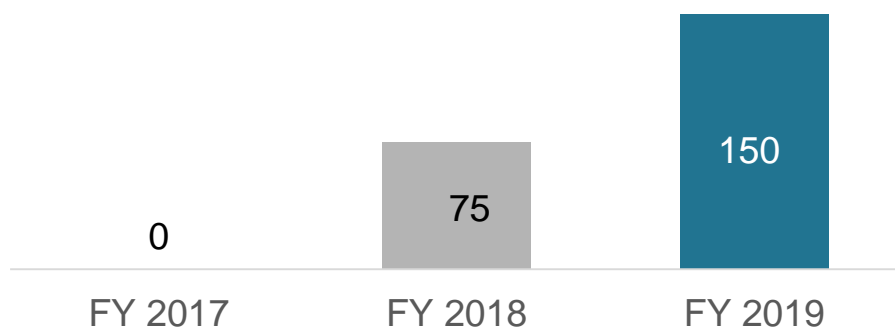
Net profit attributable to shareholders, in EUR million



EPS, in EUR



Dividend payment, in EUR million

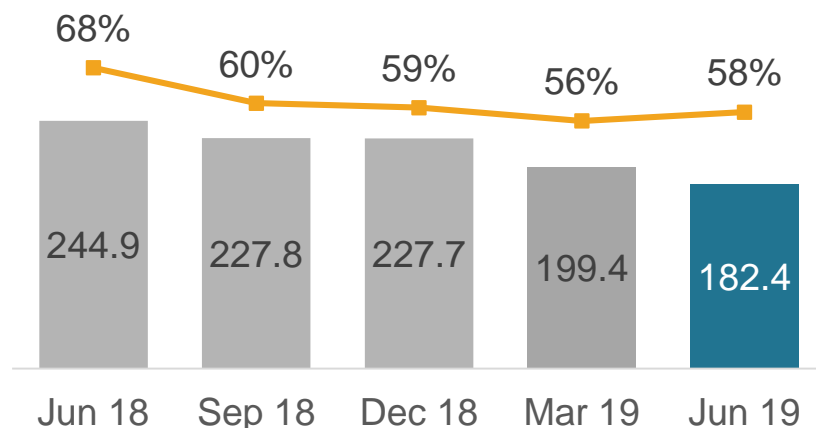


## Comment

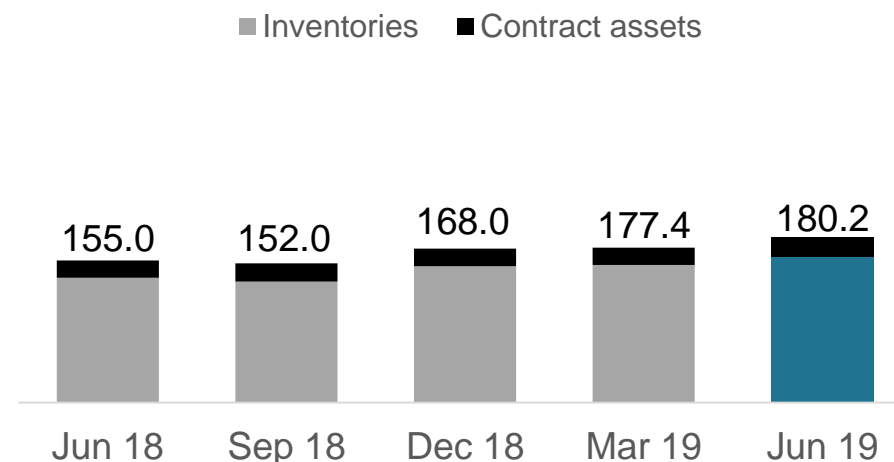
- ▶ Net profit EUR 156.1m in H1
- ▶ Tax rate down to 13% in H1
- ▶ General dividend policy: pay-out ratio of approx. 40% of net income attributable to shareholders
- ▶ Dividend payment for FY 2018 in 2019: EUR 150m

# Working Capital further down

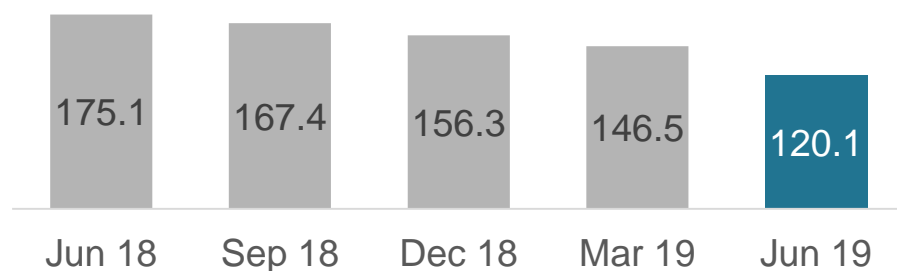
Working capital, in EUR million,  
Working capital ratio to last quarter sales, in %



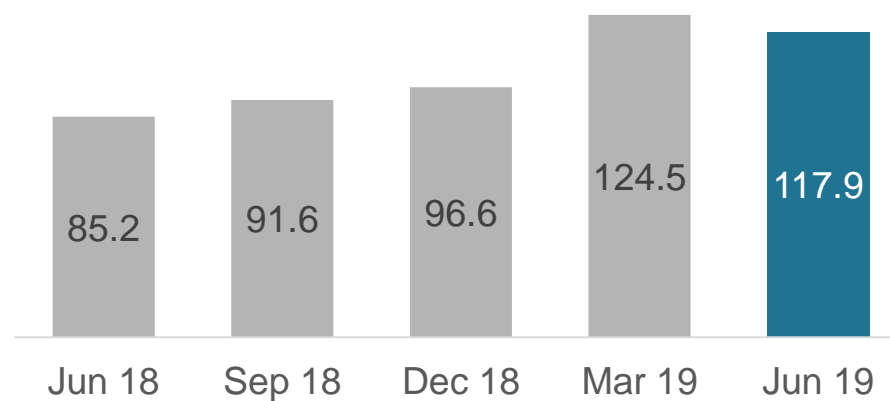
Inventories and contract assets, in EUR million



Trade receivables, in EUR million

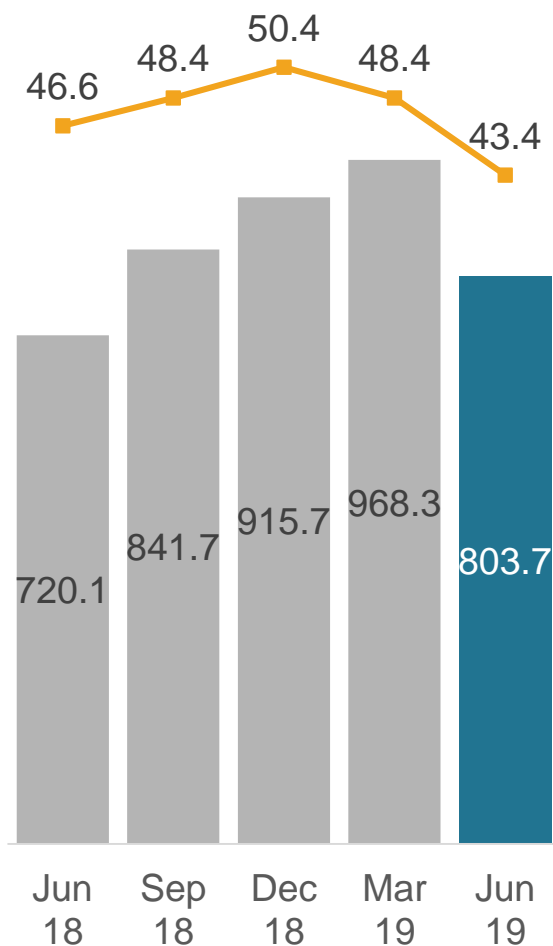


Trade liabilities, in EUR million



# Strong equity ratio and solid net financial assets

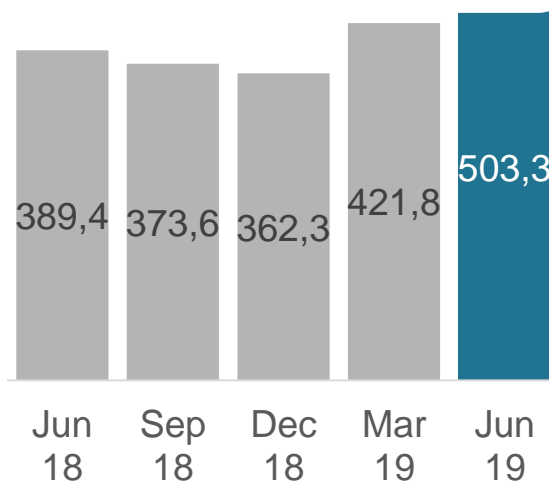
Equity, in EUR million  
Equity ratio, in %



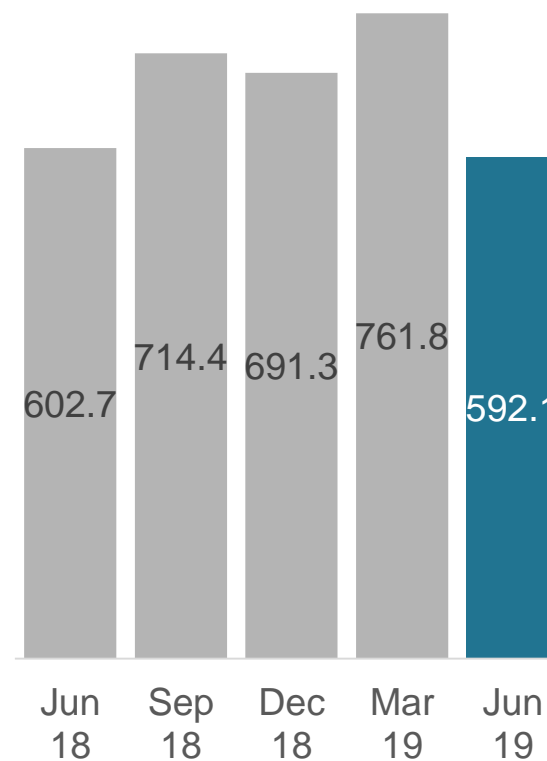
Provisions for pensions,  
in EUR million

Interest rates IFRS

USA	3.99%	4.02%	4.08%	3.69%	3.37%
Germany	2.00%	2.04%	1.98%	1.66%	1.29%



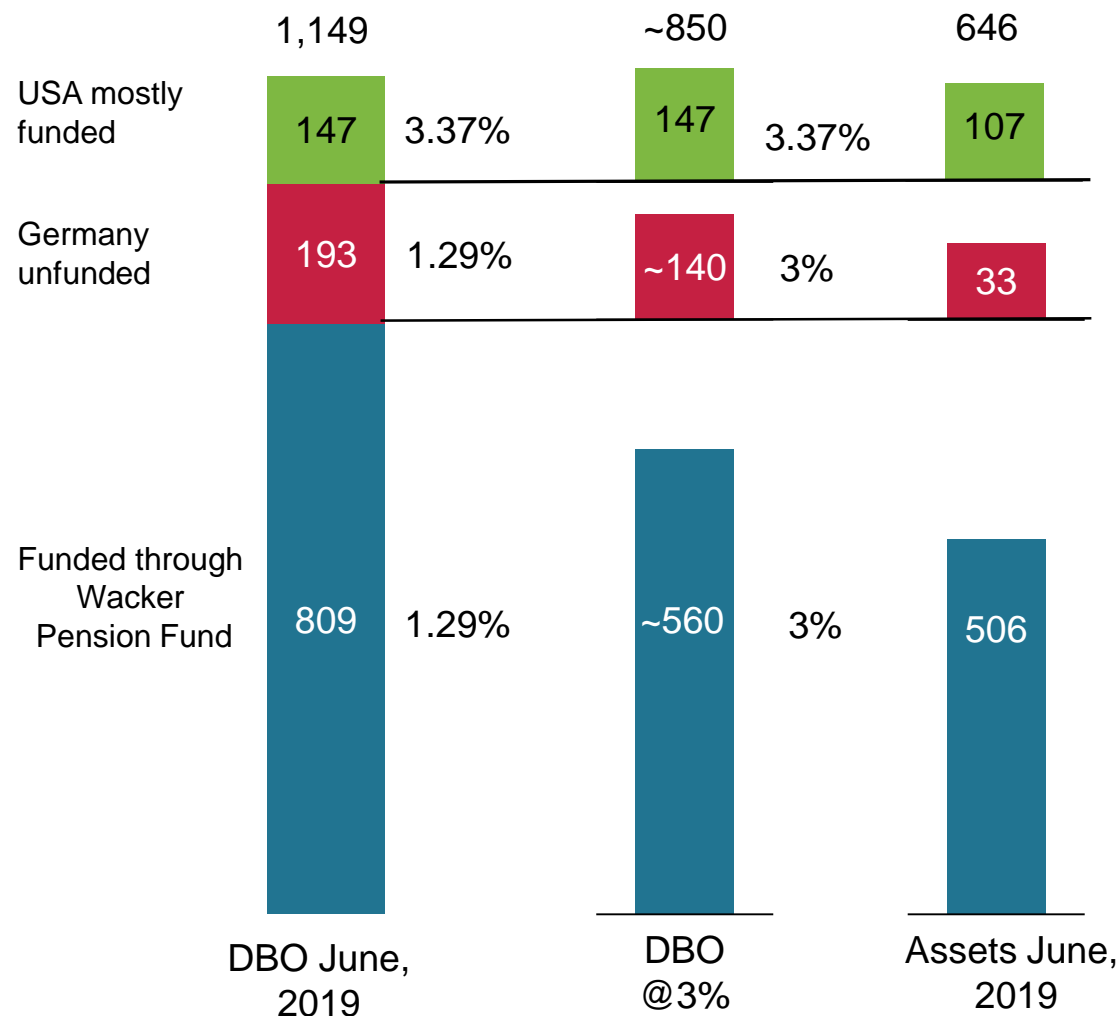
Net financial assets,  
in EUR million





# Pension reserves impacted by low IFRS interest rates, at 3% reserves would be EUR 200 million lower

## DBO and pension reserves, in EUR million

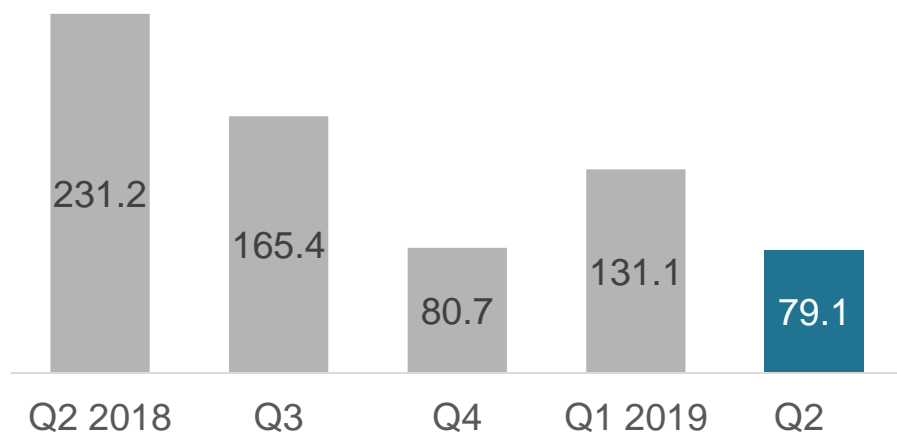


## Comment

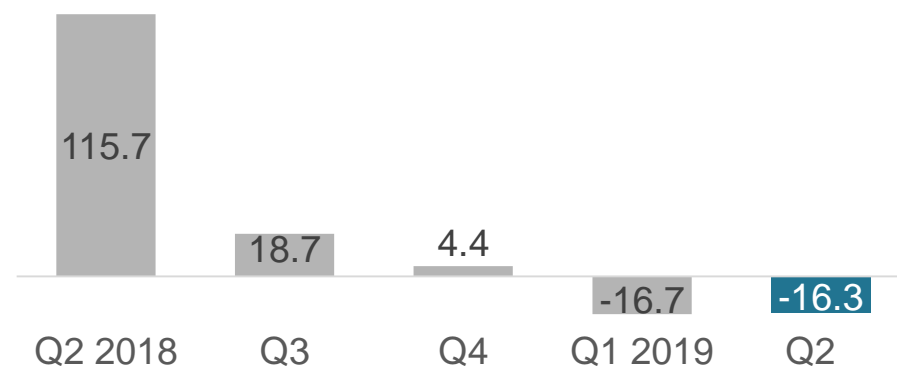
- ▶ DBO of EUR 1,149 million – assets of EUR 646 million = EUR 503 million
- ▶ Pension reserves @3% = DBO of EUR 850 million – assets EURO 646 million = EUR 204 million
- ▶ IFRS interest uses bond yields only, assets include bonds, equity, real estate + derivatives
- ▶ Wacker pension fund
  - ▶ fully funded under German pension fund regulations using 3.85% interest rate
  - ▶ asset liability study: probability of return in next 20 years:
    - ≥3.75% 73%
    - ≥3.0% 90%
    - ≥2.5% 96%

# Strong net cash flow despite high payments for capex

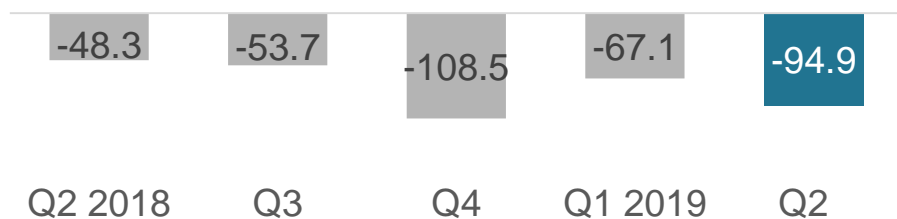
Operating cash flow (OCF), in EUR million



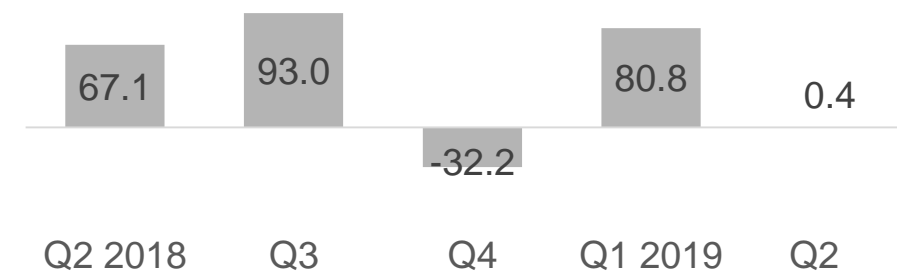
Customer prepayments net (PP), in EUR million



CF Capex, in EUR million



Net cash flow (NCF), in EUR million



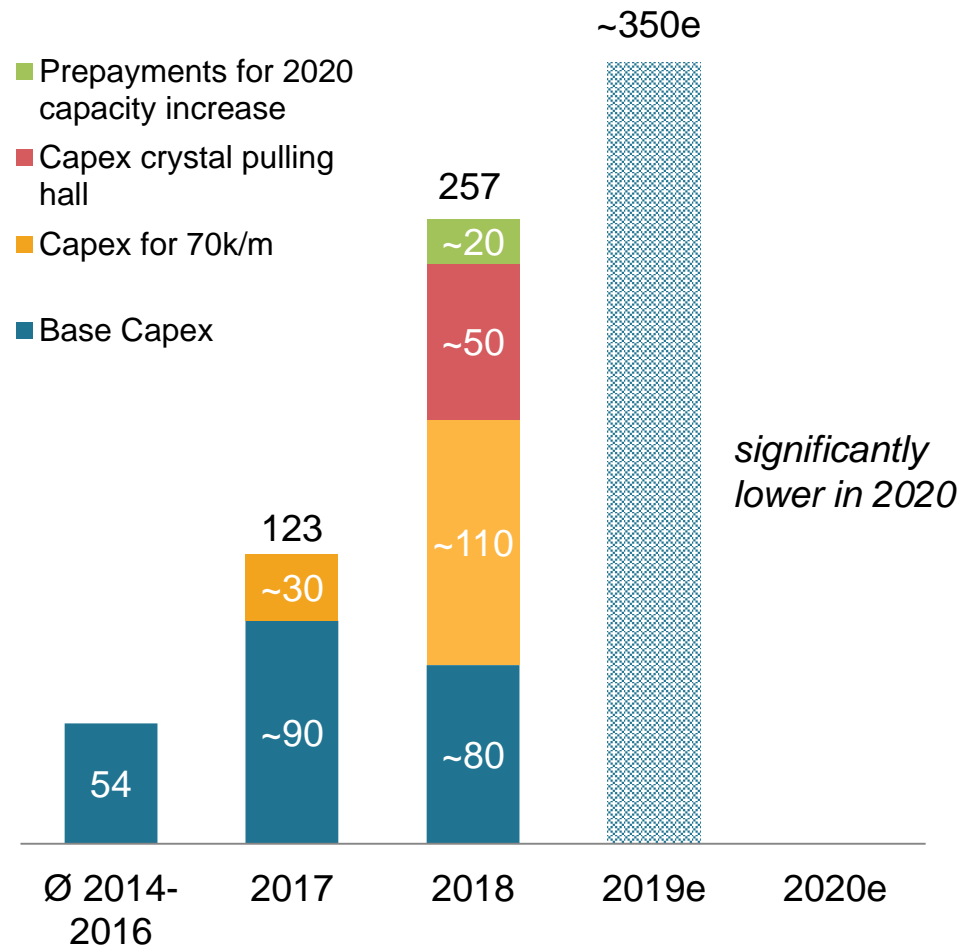
$NCF = OCF - PP + CF \text{ Capex}$



# OUTLOOK

# All investment to be finished as planned in 2019; Capex for capacity will come down in 2020

## Investment, in EUR million




## Comments

- ▶ Capex 2019
  - ▶ around EUR 350 million with a strong focus on capabilities and automation and also on 300 mm expansion based on LTAs
- ▶ Capex 2020
  - ▶ significantly lower



# Siltronic Outlook 2019 (as of July 23, 2019)

EBITDA margin	– between 30% and 35%
EBIT	– significantly below 2018
Net cash flow	– clearly positive, approx. EUR 180m below 2018, with a subsequent significant increase in 2020
Sales	– depending on timing of market recovery and on FX effects around 10% to 15% below 2018
Cost position	– negative effect due to tariff increases and EUR 20m higher electricity costs in Germany
FX effects	– negligible vs. 2018 assuming EUR/USD rate of 1.15 and EUR/JPY rate of 130
Depreciation	– around EUR 110m
Tax rate	– between 10% and 15% (prior: between 15% and 20%) 
Capex	– about EUR 350m in capacity, automation and capabilities; significantly lower in 2020
Earnings per share	– significantly below 2018



**APPENDIX**



# Contact and Additional Information

## Issuer and Contact

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## Additional Information

ISIN:	DE000WAF3001
WKN:	WAF300
Deutsche Börse:	WAF
Listing:	Frankfurt Stock Exchange Prime Standard

## Financial Calendar

Q3 Quarterly Statement                      October 24, 2019



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