

Siltronic AG

Q3 2019 Conference Call Presentation

October 24, 2019

Highlights Q3 2019: Financials

Sales

– EUR 299.8m (Q2 2019: EUR 311.8m)

EBITDA

– EUR 91.5m (Q2 2019: EUR 100.0m)
– EBITDA margin: 30.5% (Q2 2019: 32.1%)

EBIT

– EUR 63.6m (Q2 2019: EUR 74.6m)
– EBIT margin: 21.2% (Q2 2019: 23.9%)

Capex

– EUR 88.6m (Q2 2019: EUR 105.1m)

Net cash flow

– EUR -8.8m (Q2 2019: EUR 0.4m)

Net financial assets

– EUR 578.8m (June 30, 2019: EUR 592.1m)

A person wearing a white cleanroom suit and a clear face shield is working in a cleanroom. They are positioned behind a large, highly reflective, metallic object that is suspended by a thin wire. The object has a conical top and a cylindrical body, and it is reflecting the surrounding environment. The background is a cleanroom with various pieces of equipment and a bright, sterile atmosphere. A large, semi-transparent teal circle is overlaid on the left side of the image, containing the text 'MARKET UPDATE'.

MARKET UPDATE

Market development

Economic sentiment softens across major economies

- ▶ GDP grew at a slower pace QoQ while PMI is in negative territory for all major regions
- ▶ Unemployment remains low in most regions
- ▶ Consumer confidence varies from region to region

Silicon wafer volumes down

- ▶ Q3 SEMI market was ~6.3 bn cm²/month, -1.7% below Q2 19 average and -9.9% YoY
- ▶ Siltronic expects market weakness to carry well into 2020

Wafer demand impacted by high inventories

- ▶ Demand for 150 mm further down in Q3 and Q4, price pressure on quarterly contracts
- ▶ Standard products in 200 mm down while special products still high, some price pressure on less loaded products
- ▶ Demand for 300 mm slightly down as customer inventories remain high and customers shifted volumes under LTAs; pricing under existing LTAs firm, non-LTA prices may decline slightly in 2020

Sources SEMI up to Sep. 2019 /Siltronic

End markets expectations for early 2020 rather flattish: visibility for 2020 extremely low

Smartphones



- ▶ Volumes expected to be flat
- ▶ Silicon content growth depend on mix effect

PCs/Laptops



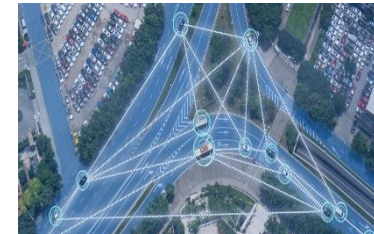
- ▶ Volumes expected to be rather flattish
- ▶ But increasing NAND content

Servers



- ▶ Data center growth expected to be “slower”
- ▶ But with “upside risk”, compounded by machine learning applications which drive memory and logic content

Automotive



- ▶ Car volumes have been softening
- ▶ Content should be driven by further ADAS implementation and electrification
- ▶ The latter could be impacted short-term by consumer acceptance in Europe

Industrial



- ▶ Silicon demand partly impacted by reduced capex
- ▶ Content growth expected to continue

Pictures: zapp2photo/stock.adobe.com, Denis Rozhnovsky/stock.adobe.com, phonlamaiphoto/stock.adobe.com, ekkasit919/stock.adobe.com, denisismagilov/stock.adobe.com
Source: Siltronic Oct. 2019

Silicon outlook: Demand muted due to high inventories

Silicon demand drivers

	Units in 2020	Content	Die / density	Semi device inventories end of 2019	Impact
Smart-phones	→	→	↘	↘	↘
PCs	→	↗	↘	—	→
Server	→	→	↘	↘	→
Industry	↘	→	—	↘	↘
Cars	↘	↗	—	↘	→

Siltronic Marketing Oct. 2019

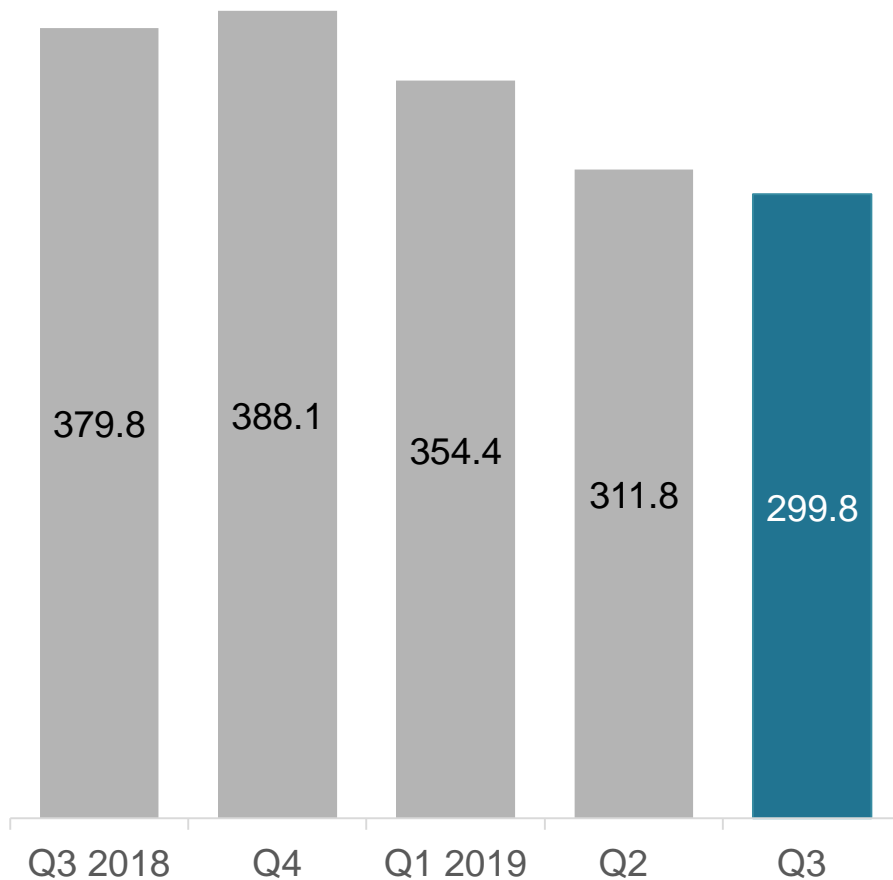


FINANCIALS

Q3 2019

Sales development negatively impacted by lower wafer area demand

Sales, in EUR million



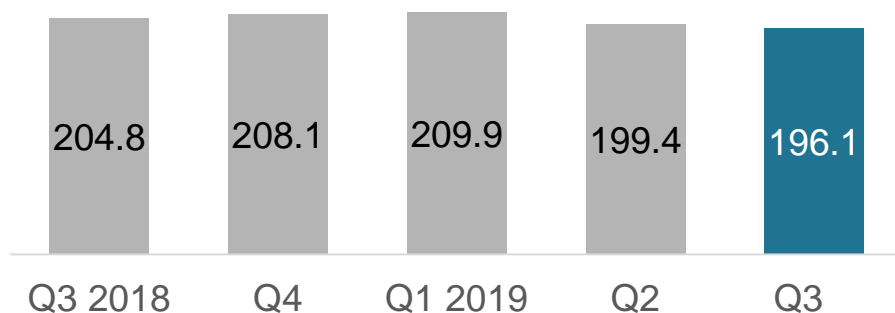
Ø FX rates	Q3/18	Q4	Q1/19	Q2	Q3
EUR / USD	1.16	1.14	1.14	1.12	1.11
EUR / JPY	130	129	125	124	124

Comment

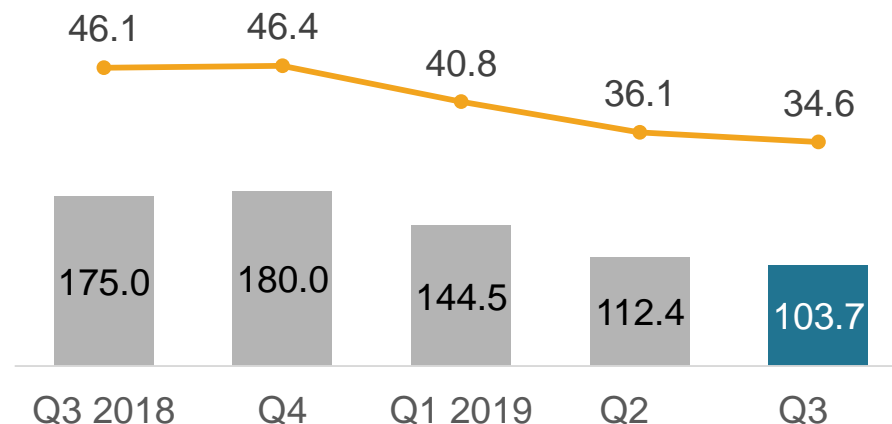
- ▶ Sales in Q3 down as expected due to lower wafer area sold and minimal price reductions especially in SD and some in 200 mm
- ▶ ASP in EUR Q1-Q3 2019 up compared to 2018

Higher energy costs and depreciation burden cost of sales

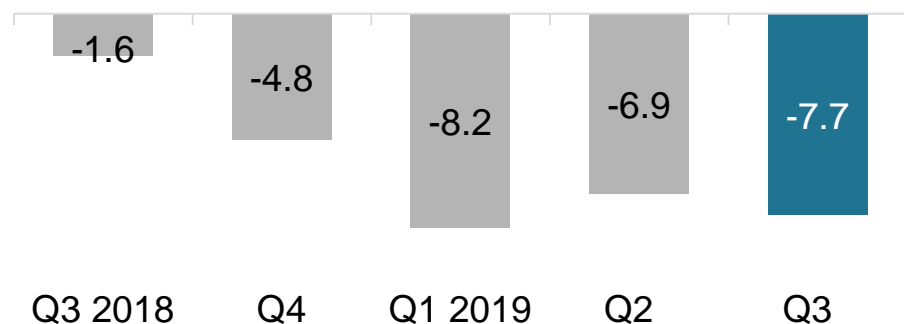
Cost of Sales, in EUR million



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



Other currency effects (mostly hedging), in EUR million

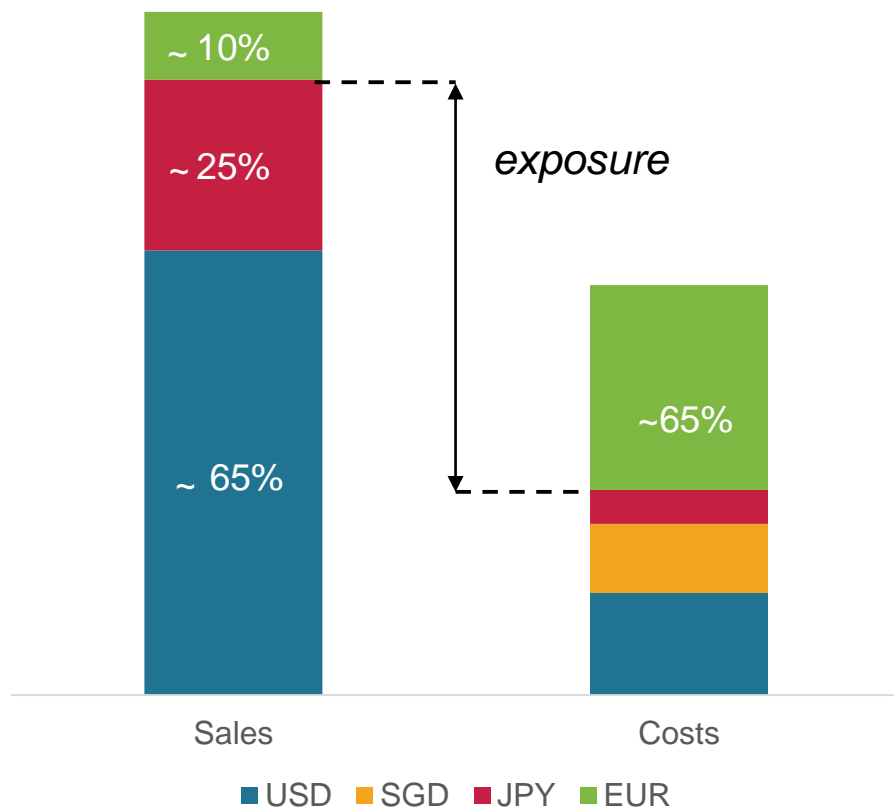


Comment

- ▶ COGS y-o-y declined only slightly as lower costs for materials and supplies were largely offset by higher energy costs and depreciation
- ▶ COGS q-o-q declined by 1.7%. Lower personnel and supplies' costs partly offset by higher depreciation
- ▶ Negative effects from currency hedging increased q-o-q

High US-Dollar and Japanese Yen exposure

FX exposure, in %



Sensitivity

1 USD-cent change

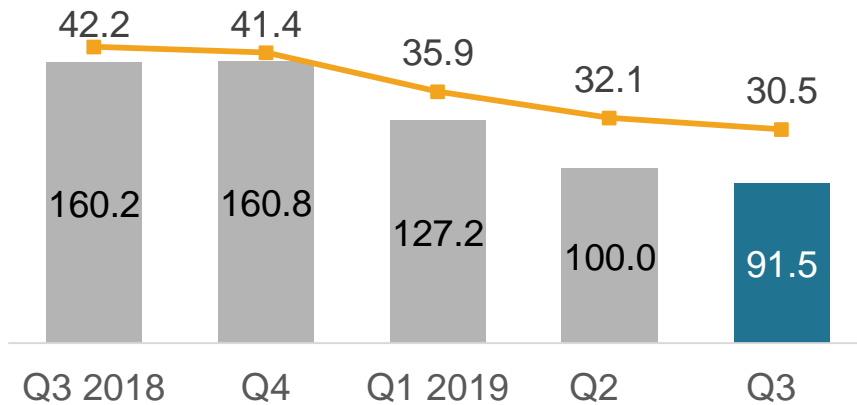
- ▶ ~ EUR 8.0 million sales
- ▶ ~ EUR 6.5 million EBITDA unhedged
- ▶ ~ EUR 4.5 million EBITDA after hedging

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

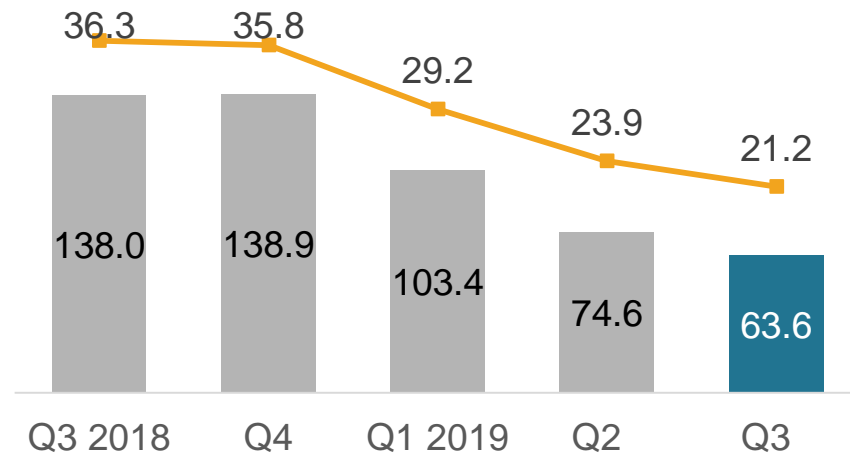
EBITDA, in EUR million / EBITDA margin, in %



Depreciation, in EUR million



EBIT, in EUR million / EBIT margin, in %

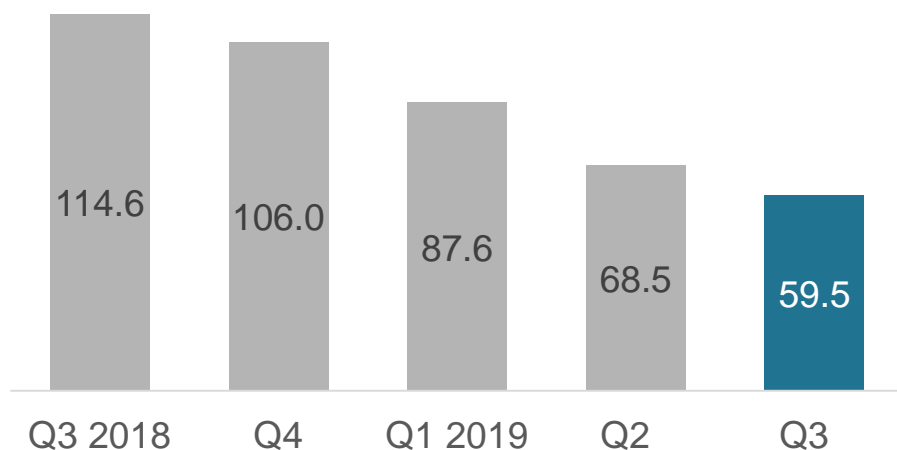


Comment

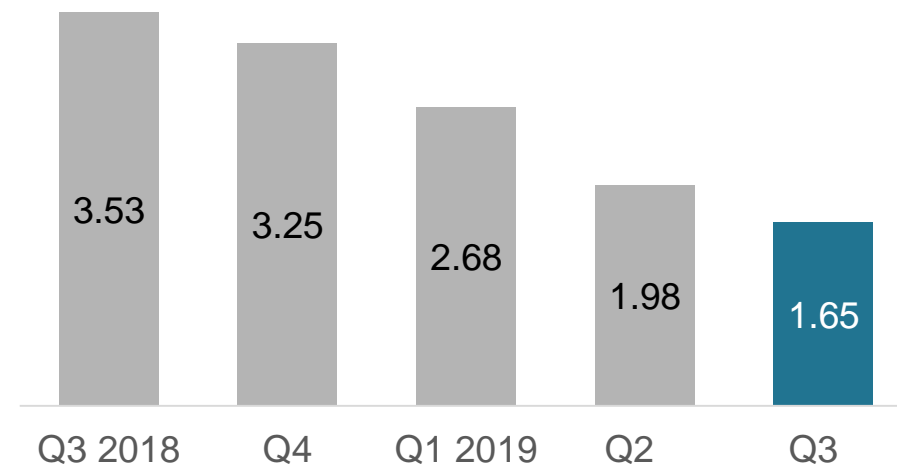
- ▶ Q-o-q decline of EBITDA margin mitigated by lower COGS
- ▶ EBIT margin impacted by slow business, higher energy costs and higher depreciation

Net profit of EUR 216 million in Q1-Q3 2019

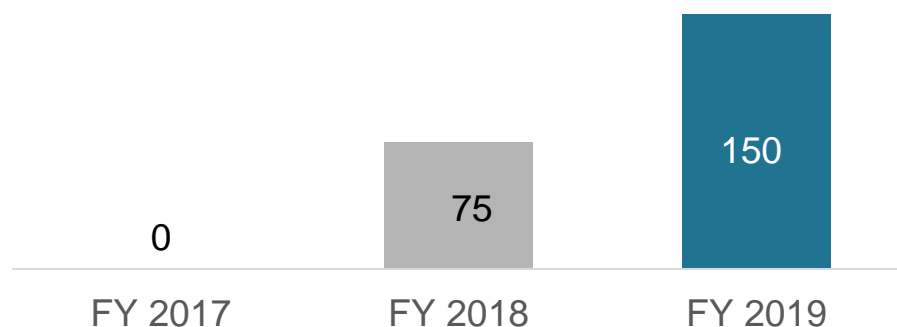
Net profit, in EUR million



EPS, in EUR



Dividend payment, in EUR million

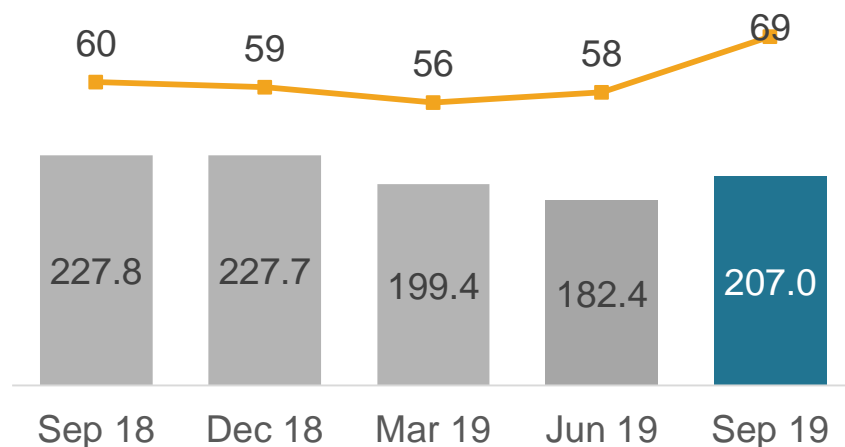


Comment

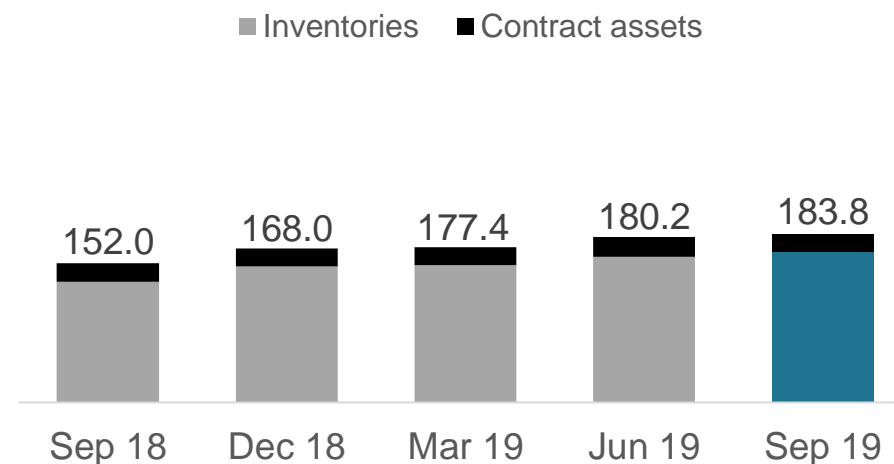
- ▶ Net profit EUR 215.6m in Q1-Q3
- ▶ Tax rate down to 12% in Q1-Q3
- ▶ General dividend policy: pay-out ratio of approx. 40% of net income attributable to shareholders

Working Capital up q-o-q but down y-o-y

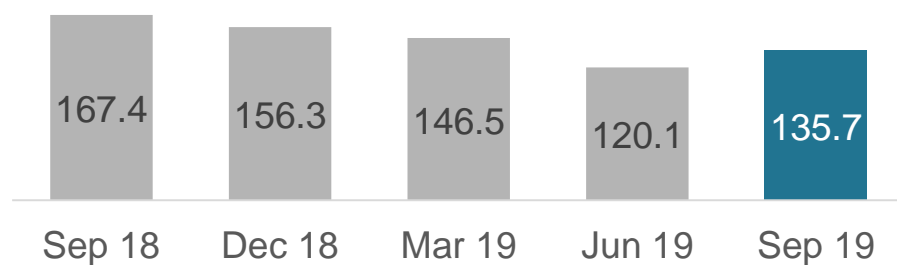
Working capital, in EUR million,
Working capital ratio to quarterly sales, in %



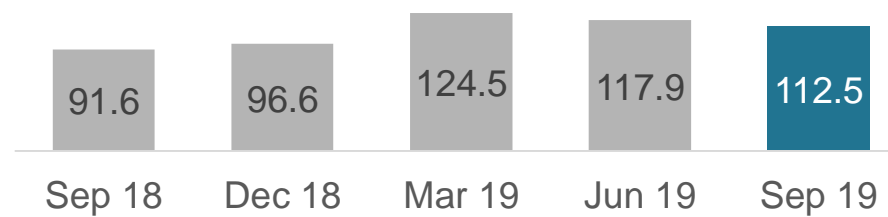
Inventories and contract assets, in EUR million



Trade receivables, in EUR million

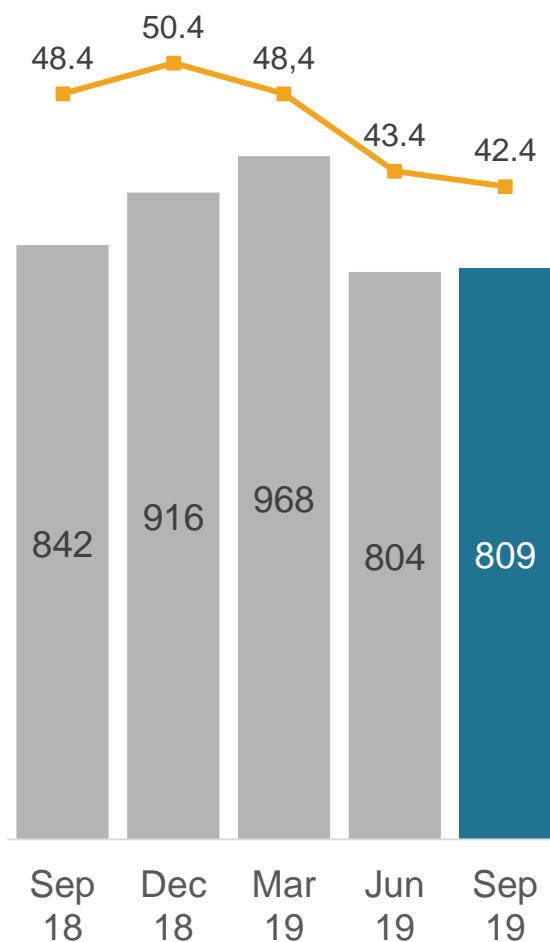


Trade liabilities, in EUR million



Strong equity ratio and solid net financial assets

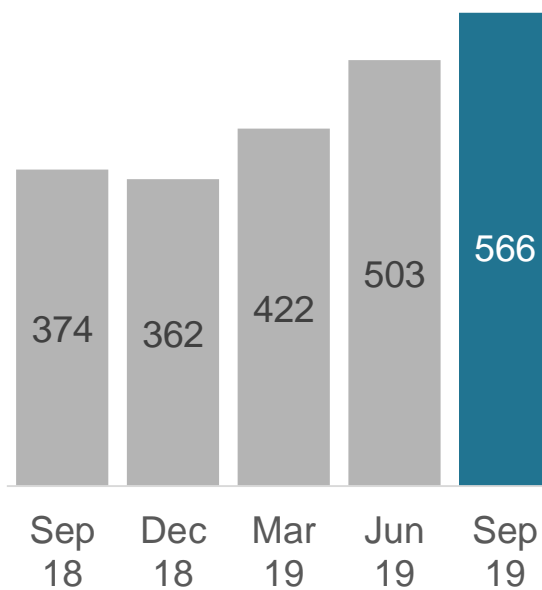
Equity, in EUR million
Equity ratio, in %



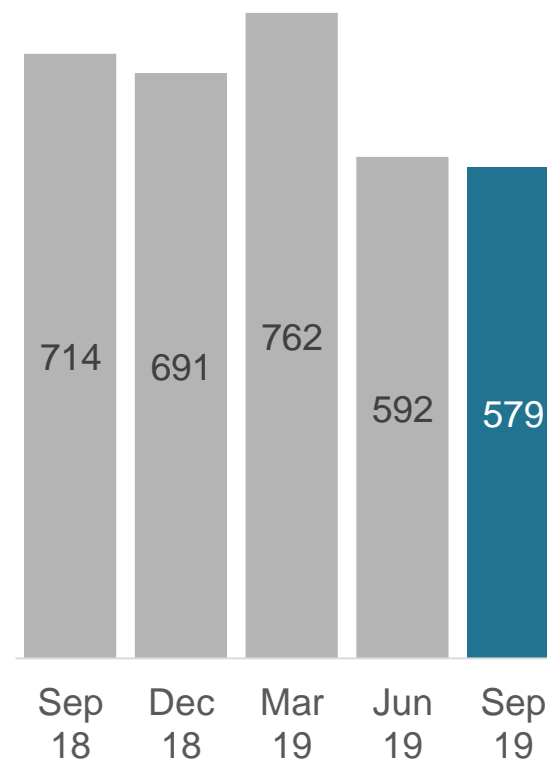
Provisions for pensions, in EUR million

Interest rates IFRS

USA	4.02%	4.08%	3.69%	3.37%	2.99%
Germany	2.04%	1.98%	1.66%	1.29%	0.97%

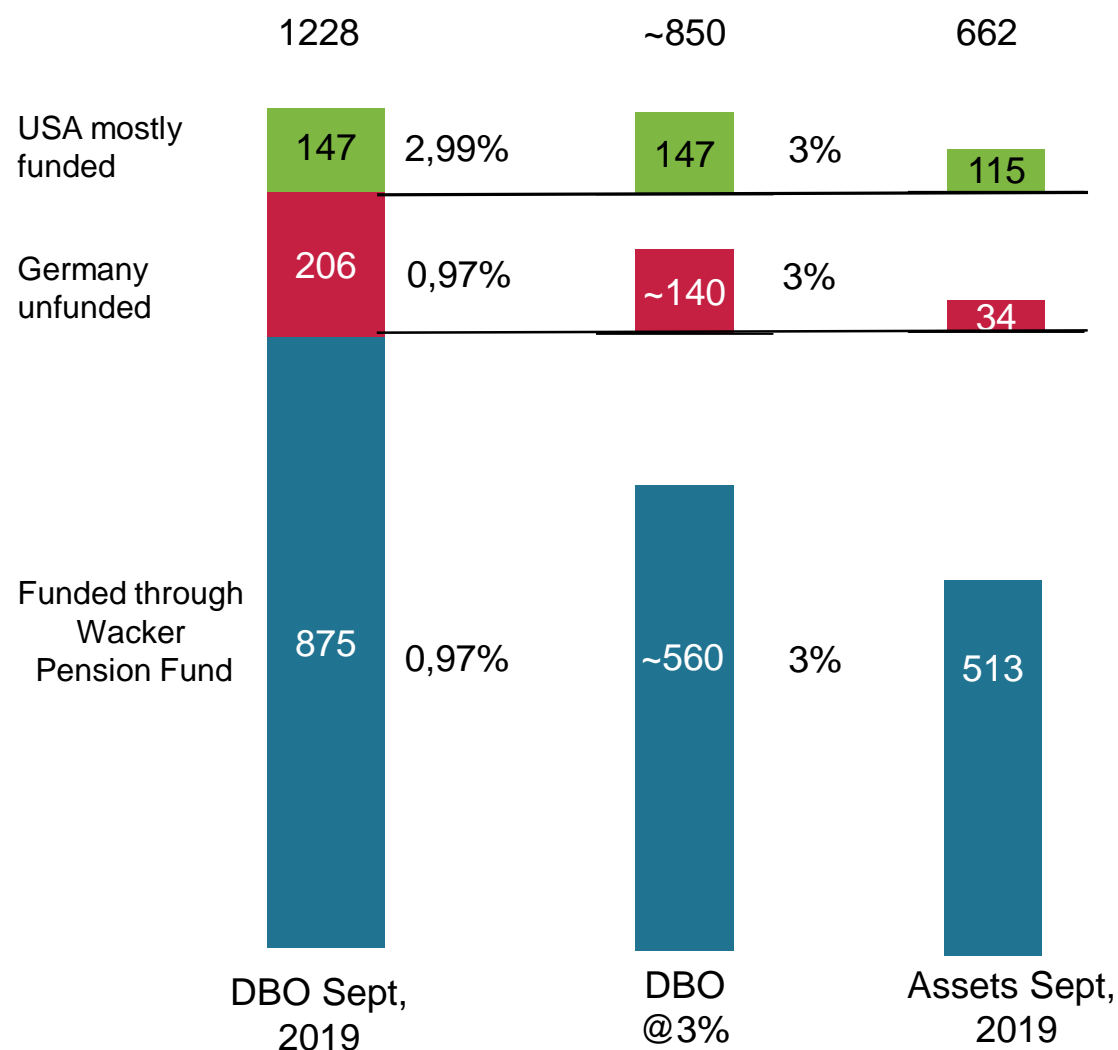


Net financial assets, in EUR million



Pension reserves impacted by low IFRS interest rates

DBO and pension reserves, in EUR million

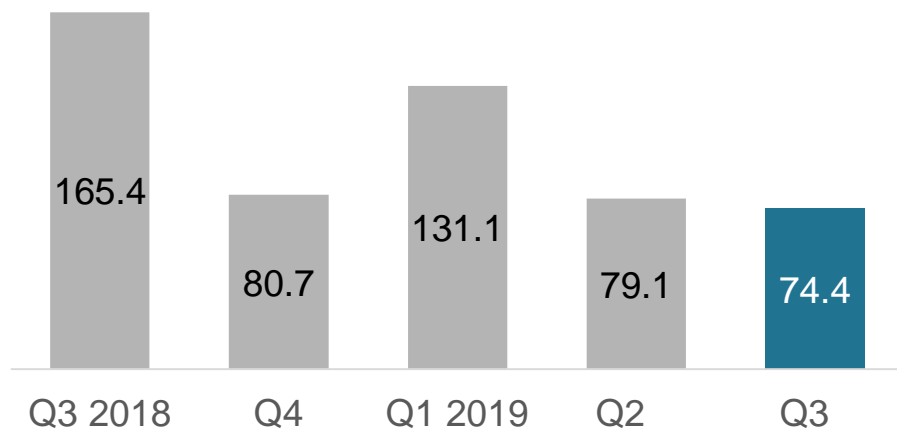


Comment

- ▶ DBO of EUR 1,228 million – assets of EUR 662 million = EUR 566 million
- ▶ Pension reserves @3% = DBO of EUR 850 million – assets EURO 662 million = EUR 188 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 3.54% interest rate
 - ▶ asset liability study: probability of return in next 20 years:
 - ≥3.75% 56%
 - ≥3.0% 80%
 - ≥2.5% 91%

Strong net cash flow despite high payments for capex

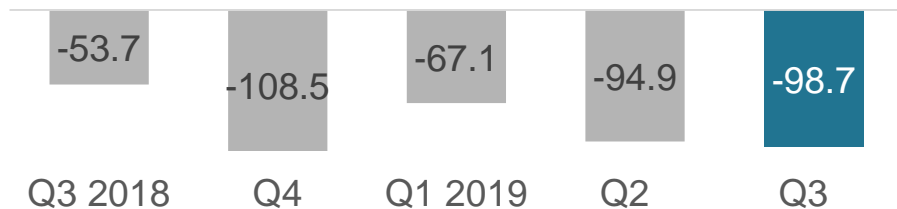
Operating cash flow (OCF), in EUR million



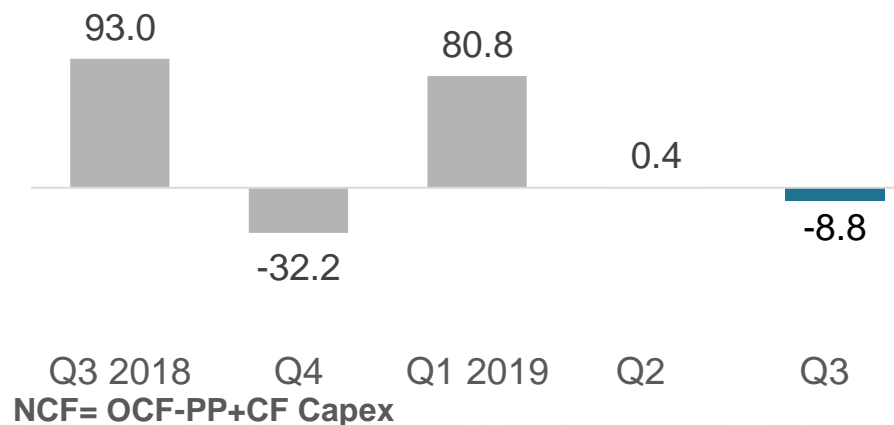
Customer prepayments net (PP), in EUR million



CF Capex, in EUR million



Net cash flow (NCF), in EUR million





OUTLOOK

Siltronic Outlook 2019 (as of October 24, 2019)

EBITDA margin	– between 30% and 35%
EBIT	– significantly below 2018
Net cash flow	– clearly positive, approx. EUR 180m below 2018
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%
Capex	– about EUR 350m in capacity, automation and capabilities, significantly lower in 2020
Earnings per share	– significantly below 2018



APPENDIX

Contact and Additional Information

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Additional Information

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

Financial Calendar

Preliminary figures FY 2019 January 29, 2020



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