

# Siltronic AG

## Q2 2022 Conference Call Presentation

July 29, 2022

# Strong market demand and high fab utilization drive strong sales and results in H1 2022

- ▶ Significant increase in sales and q-o-q and y-o-y
- ▶ Earnings excluding one-offs at a record high
- ▶ Increase is driven by strong US Dollar and price increases
- ▶ Smooth operational performance allowed for small volume increase in Q2
- ▶ Strong US Dollar pushes sales and ASP, but contributes to cost increases
- ▶ Major investment projects “FabNext” in Singapore and new crystal pulling hall in Freiberg continue to proceed smoothly, no delays
- ▶ Softness in some end market segments has not reflected in wafer demand, full capacity utilization for 200 mm and 300 mm wafers continues
- ▶ Sales guidance range adjusted to plus 21 to 27 percent, unchanged for other KPIs
- ▶ Dividend of EUR 3.00 per share planned for fiscal 2022

# Growing uncertainty in some end markets without impact on wafer demand so far

## Smartphones

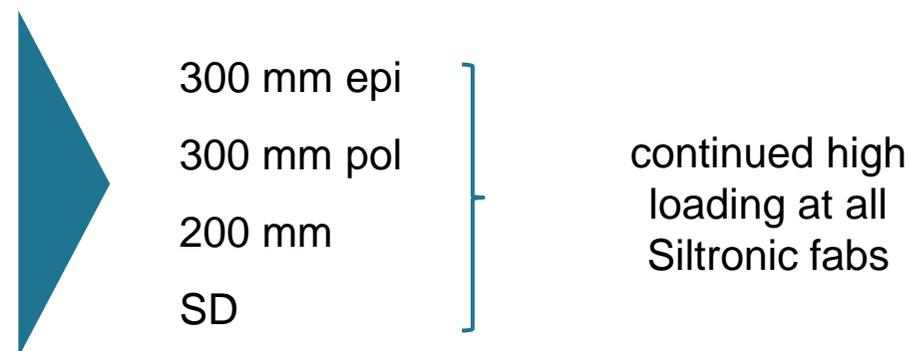
- ▶ Unit softness due to macro uncertainty and China lockdowns
- ▶ Ongoing trend to more cameras and memory per phone
- ▶ 5G continues to drive content growth

## Industry / Auto

- ▶ Auto still impacted by supply chain disruptions, unit sales well below demand
- ▶ Increasing electronic functionality and growing xEV share push up silicon content per car
- ▶ Industrial orders continue to be strong

## Servers / PC

- ▶ Servers and cloud services show strong growth
- ▶ PC units declining from very high level
- ▶ High demand for gaming PCs / consoles continues



- ▶ ASP significantly up y-o-y
- ▶ Price increases continue q-o-q

# Highlights: Financial figures Q2 2022

## Sales

– EUR 442.2 mn (Q1 2022: EUR 417.0 mn)

## EBITDA

– EUR 147.0 mn (Q1 2022: EUR 186.0 mn)  
– EBITDA margin: 33.2% (Q1 2022: 44.6%)

## EBIT

– EUR 102.8 mn (Q1 2022: EUR 143.7 mn)  
– EBIT margin: 23.2% (Q1 2022: 34.5%)

## CapEx

– EUR 165.0 mn (Q1 2022: EUR 205.7 mn)

## Net cash flow

– EUR -123.4 mn (Q1 2022: EUR 36.9 mn)

## Net financial assets

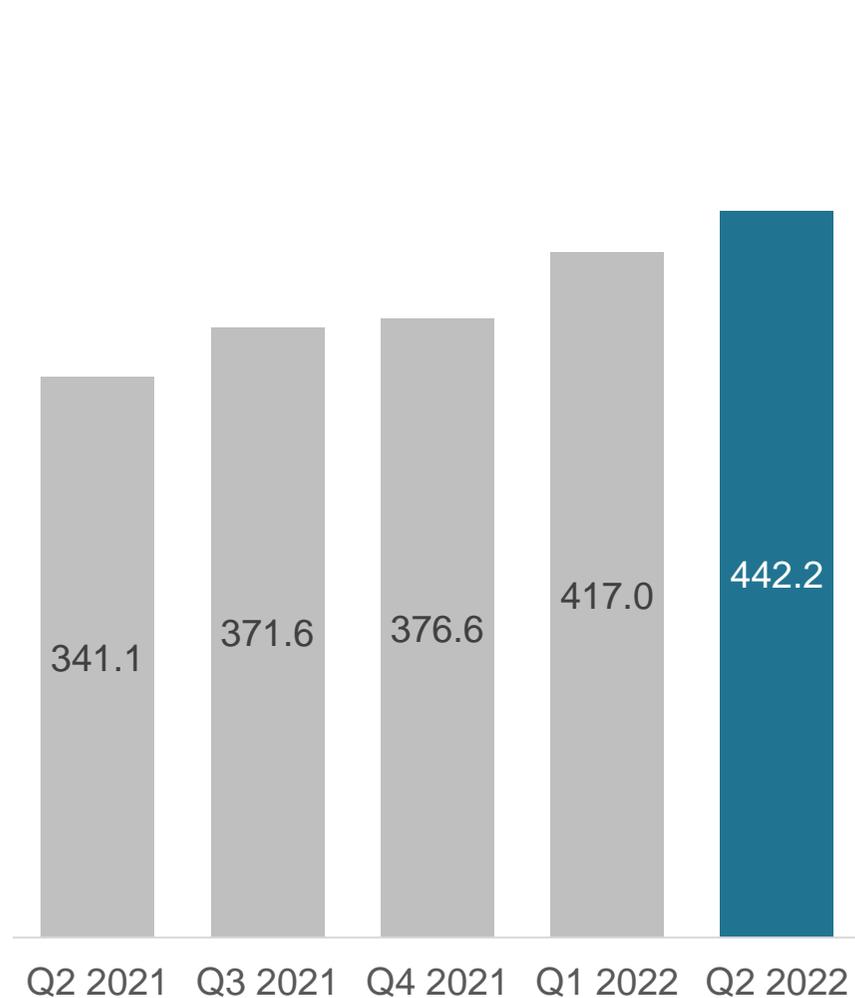
– EUR 597.2 mn (December 31, 2021: EUR 572.8 mn)



**Financials Q2 2022**

# Strong sales growth driven by rising ASP and favorable FX

Sales, in EUR m



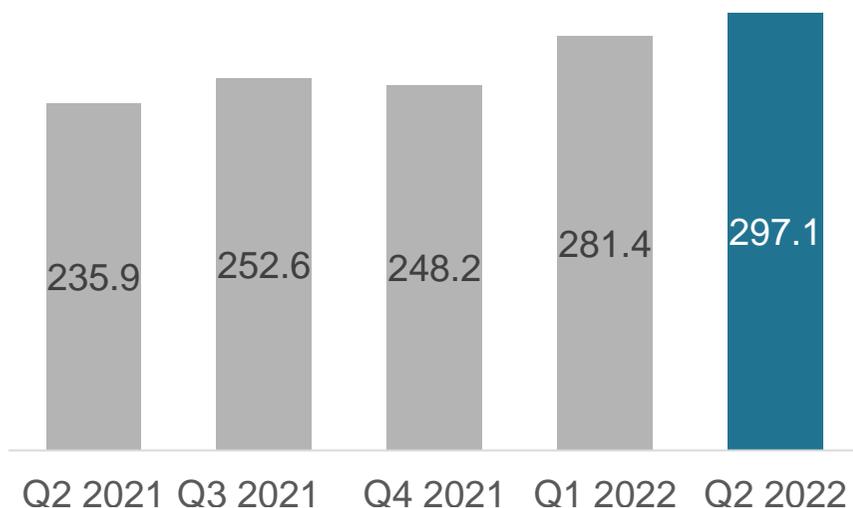
Ø FX rates	Q2/21	Q3	Q4	Q1/22	Q2
EUR / USD	1.21	1.18	1.14	1.12	1.07
EUR / JPY	132	130	130	130	136

## Comments

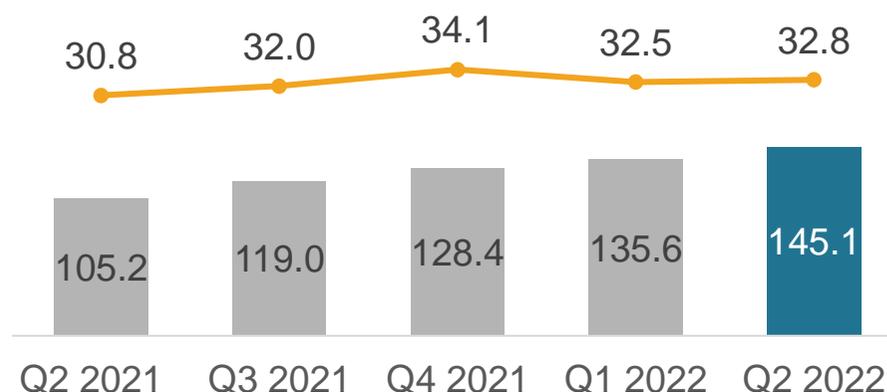
- ▶ Wafer area sold slightly up q-o-q
- ▶ Sales prices slightly up q-o-q, significantly up y-o-y
- ▶ Favorable FX y-o-y and q-o-q

# Higher COGS due to FX and inflation

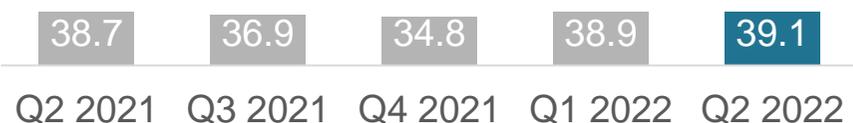
Cost of sales, in EUR mn



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



Selling, R&D and admin expenses, in EUR mn

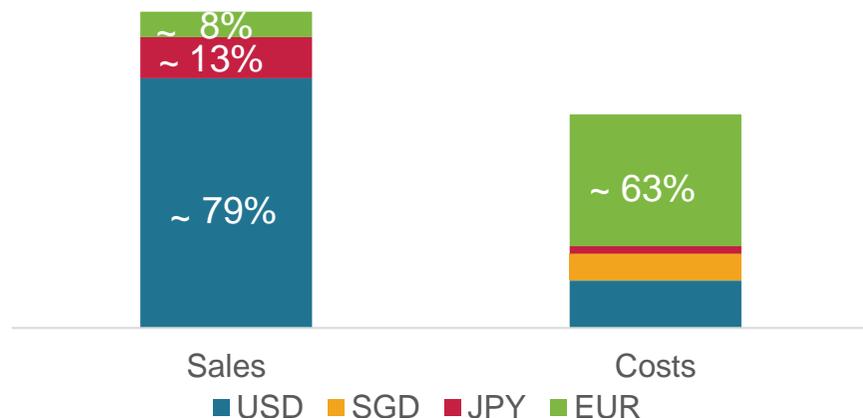


## Comments

- ▶ COGS up
  - ▶ Higher wafer area sold y-o-y
  - ▶ Higher costs, especially for electricity and supplies q-o-q and y-o-y
  - ▶ FX effects
- ▶ Gross margin was burdened q-o-q due to unit cost increases

# High US-Dollar and Japanese Yen exposure

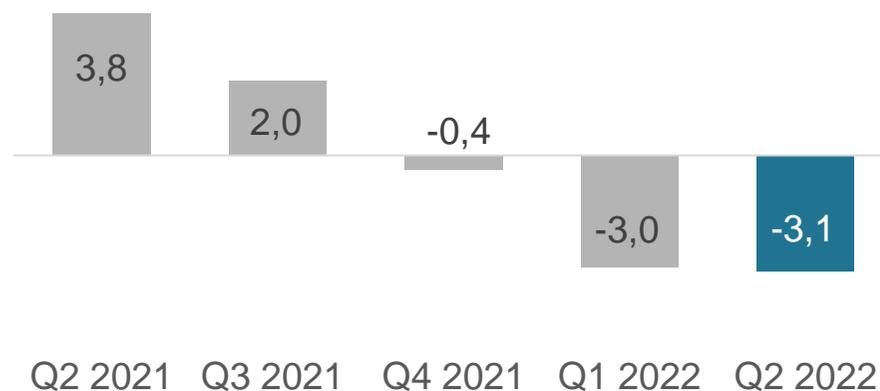
## FX exposure, in %



## FX sensitivity

	Sales	EBITDA Unhedged
1 USD-/SGD-cent change	~ EUR 12.5 mn	~ EUR 9.0 mn
1 JPY change	~ EUR 1.7 mn	~ EUR 1.4 mn

## Other currency effects (mostly hedging), in EUR mn

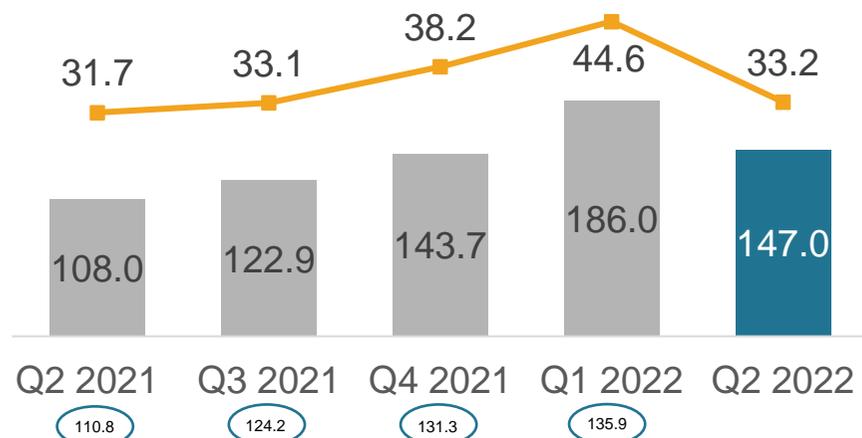


## Comments

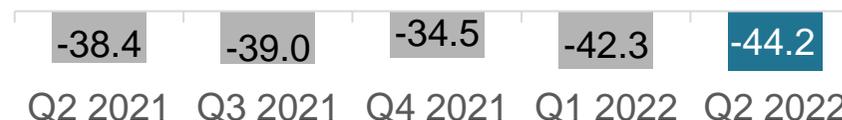
- ▶ Weaker Euro q-o-q
- ▶ High exposure to USD (higher sales) and SGD (higher cost)
- ▶ USD invoicing close to 80%, declining JPY share
- ▶ Tailwind on top line
- ▶ Negative hedging result in Q2

# Strong EBITDA, supported by FX and higher sales prices

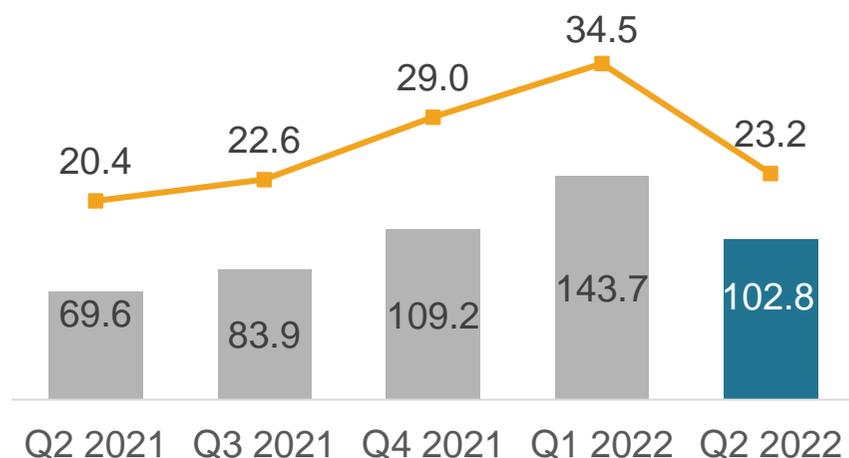
EBITDA, in EUR mn / EBITDA margin, in %



Depreciation, in EUR mn



EBIT, in EUR mn / EBIT margin, in %



## Comments

### Positive

- ▶ Wafer area sold up y-o-y
- ▶ ASP per wafer area up y-o-y
- ▶ Favorable FX trend in H1
- ▶ EUR 50 mn one-time profit in Q1 (termination fee)
- ▶ EBITDA excluding the termination fee up q-o-q

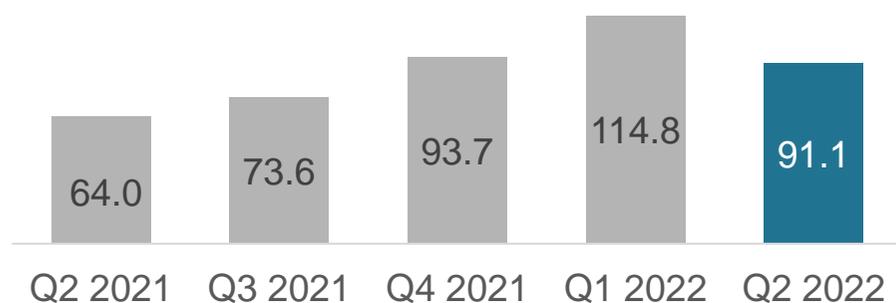
### Negative

- ▶ Cost increases

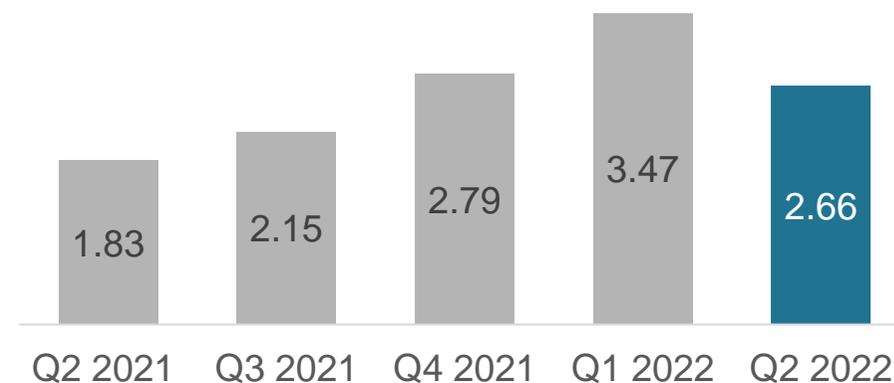
○ EBITDA excluding effects related to GlobalWafers tender offer

# Net profit of EUR 91.1 million in Q2 2022

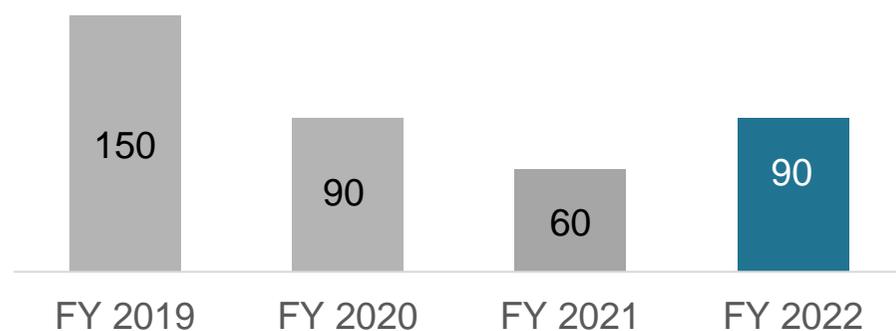
## Net profit, in EUR mn



## EPS, in EUR



## Dividend payment, in EUR mn

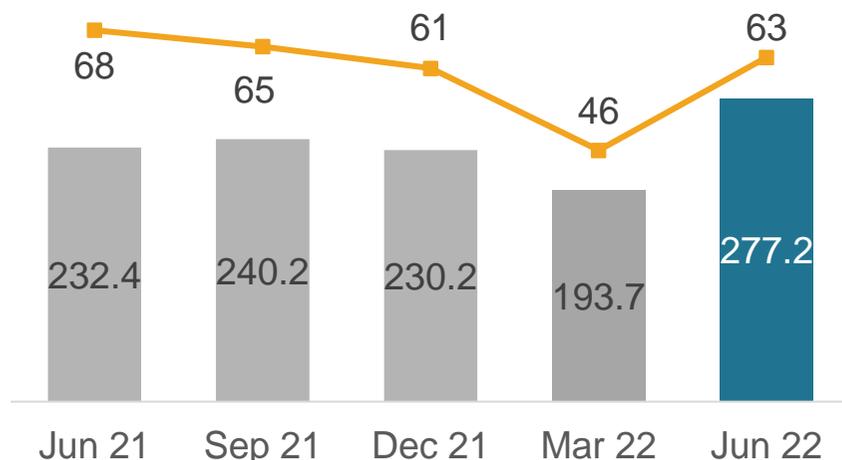


## Comments

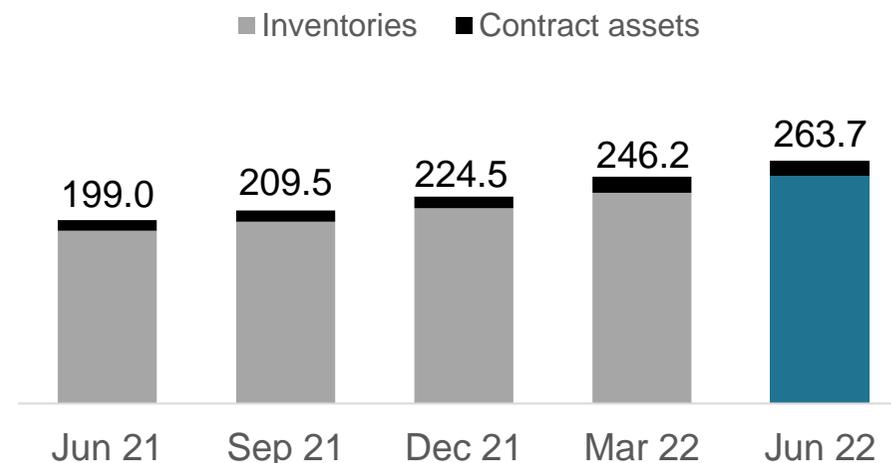
- ▶ Net profit of EUR 205.8 mn in H1 2022; thereof EUR 184.1 mn attributable to Siltronic shareholders
- ▶ Dividend of EUR 3.00 per share = EUR 90 mn dividend payout in May 2022

# Working capital and trade liabilities show variations due to high Capex projects

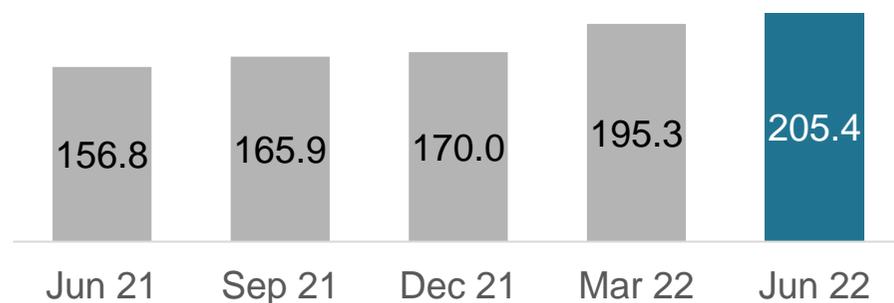
Working capital, in EUR mn,  
Working capital ratio to quarterly sales, in %



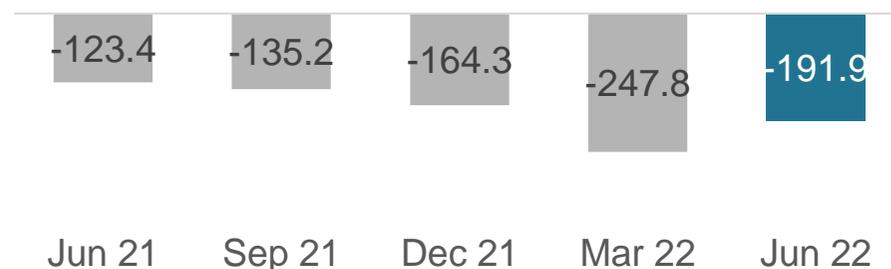
Inventories and contract assets, in EUR mn



Trade receivables, in EUR mn

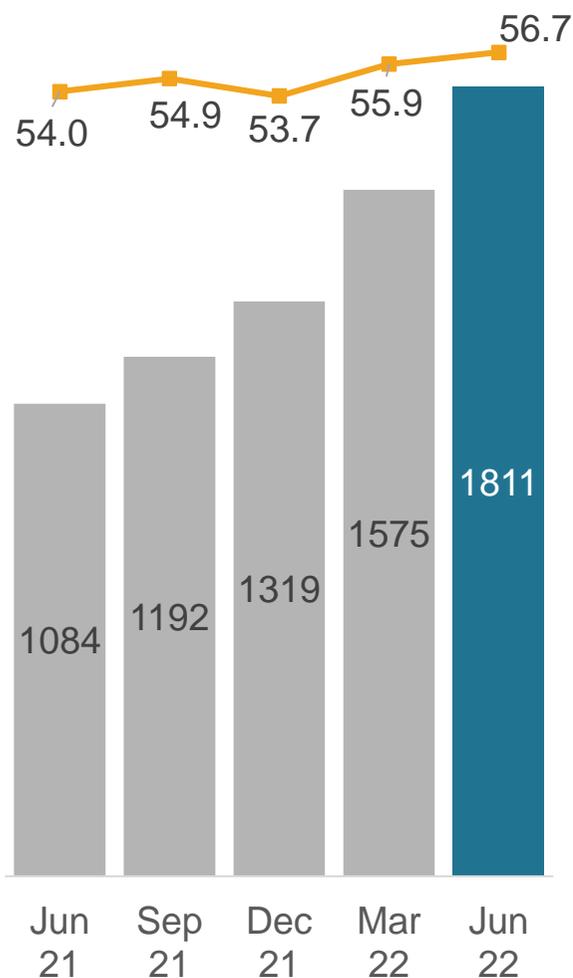


Trade liabilities, in EUR mn



# Equity exceeds EUR 1.8 bn, with equity ratio of 57%

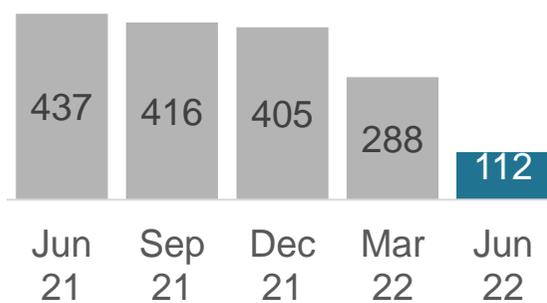
Equity, in EUR mn  
Equity ratio, in %



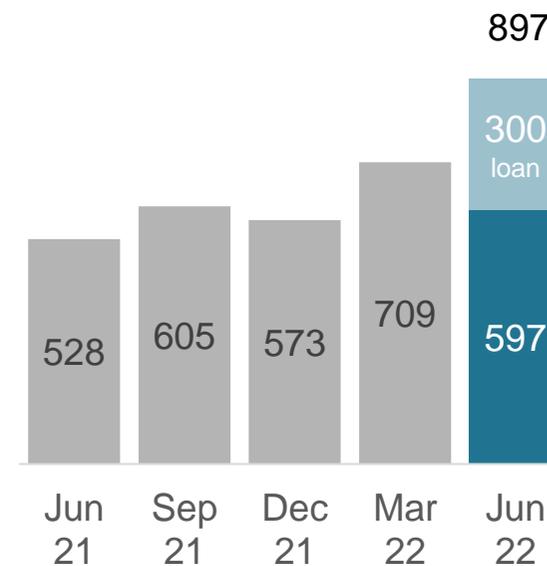
Provisions for pensions,  
in EUR mn

Interest rates IFRS

USA	2.39%	2.42%	2.51%	3.22%	4.16%
Germany	1.14%	1.19%	1.23%	1.86%	3.30%

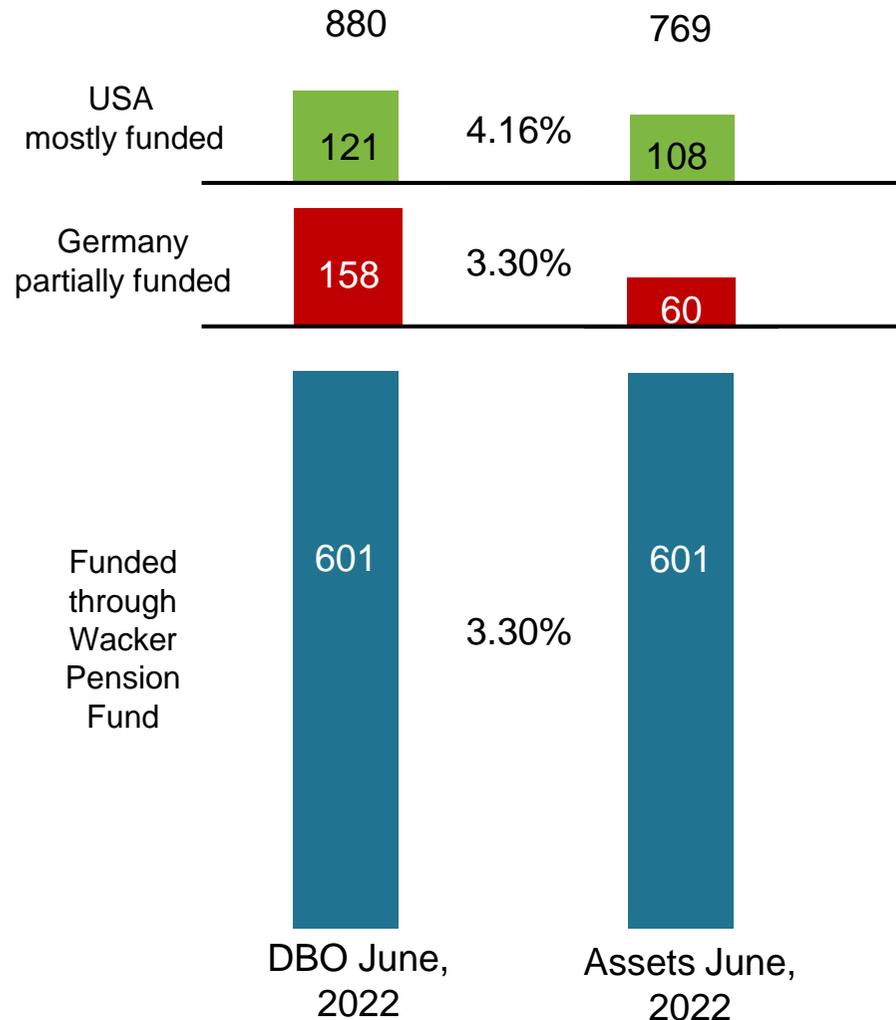


(Net) financial assets,  
in EUR mn



# Pension reserves decreased mainly due to higher IFRS interest rates

## DBO and pension reserves, in EUR mn



## Comment

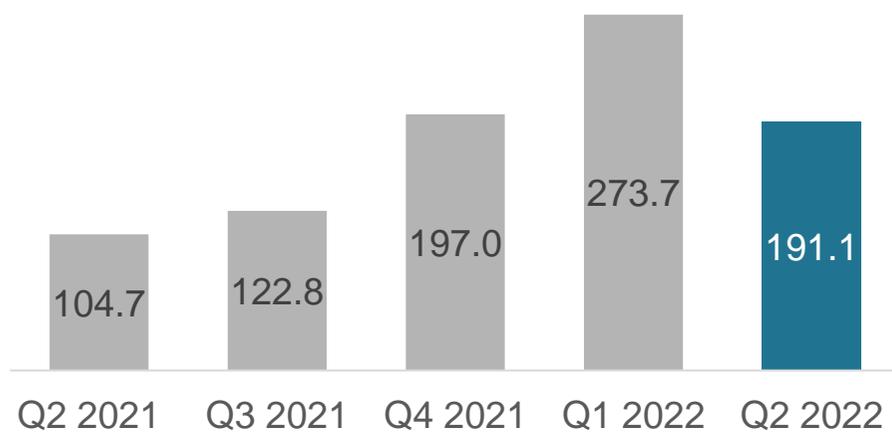
- ▶ DBO of EUR 880 mn - assets of EUR 769 mn = EUR 112 mn
- ▶ IFRS interest uses bond yields only, assets include bonds, equity, real estate and derivatives
- ▶ Wacker pension fund
  - ▶ fully funded under German pension fund regulations using 3.02% interest rate
  - ▶ asset liability study on probability of return in next 20 years:
 

≥3.5%	59%
≥3.0%	75%
≥2.5%	86%

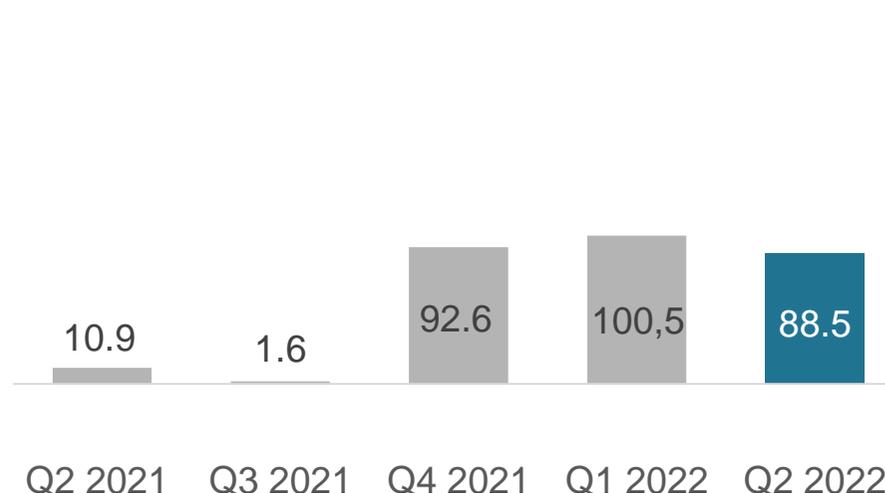
DBO: defined benefit obligation

# Net cash flow significantly negative due to ongoing invest in expansion projects

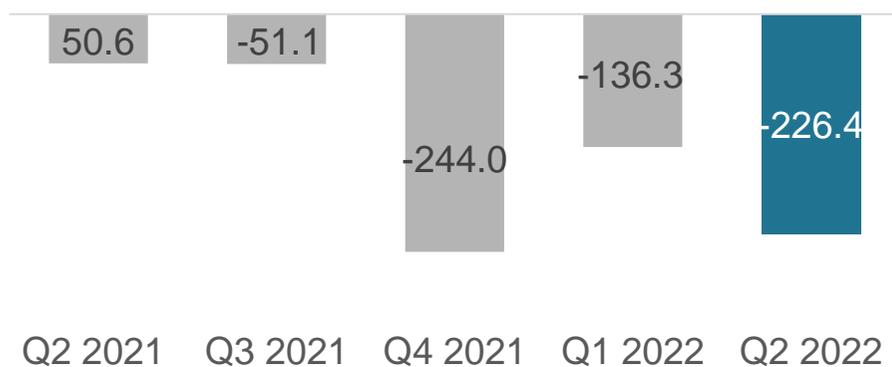
Operating cash flow (OCF), in EUR mn



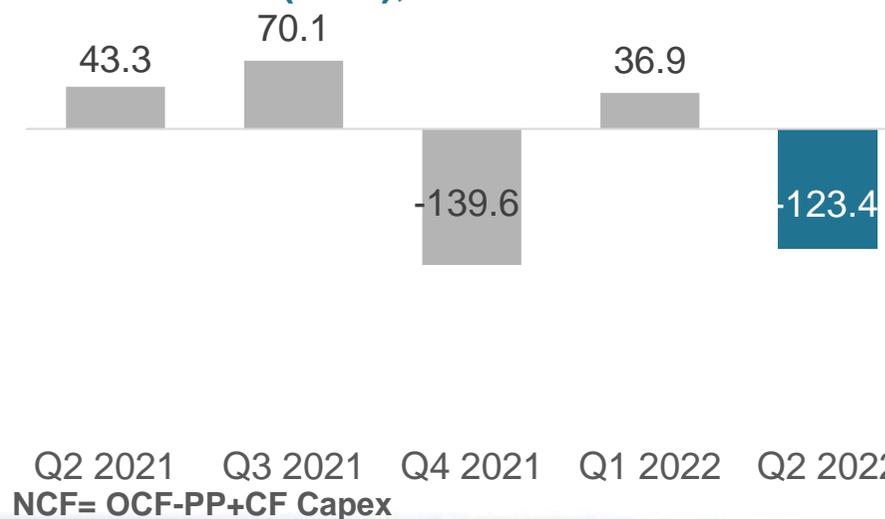
Prepayments net (PP), in EUR mn



CF Capex, in EUR mn

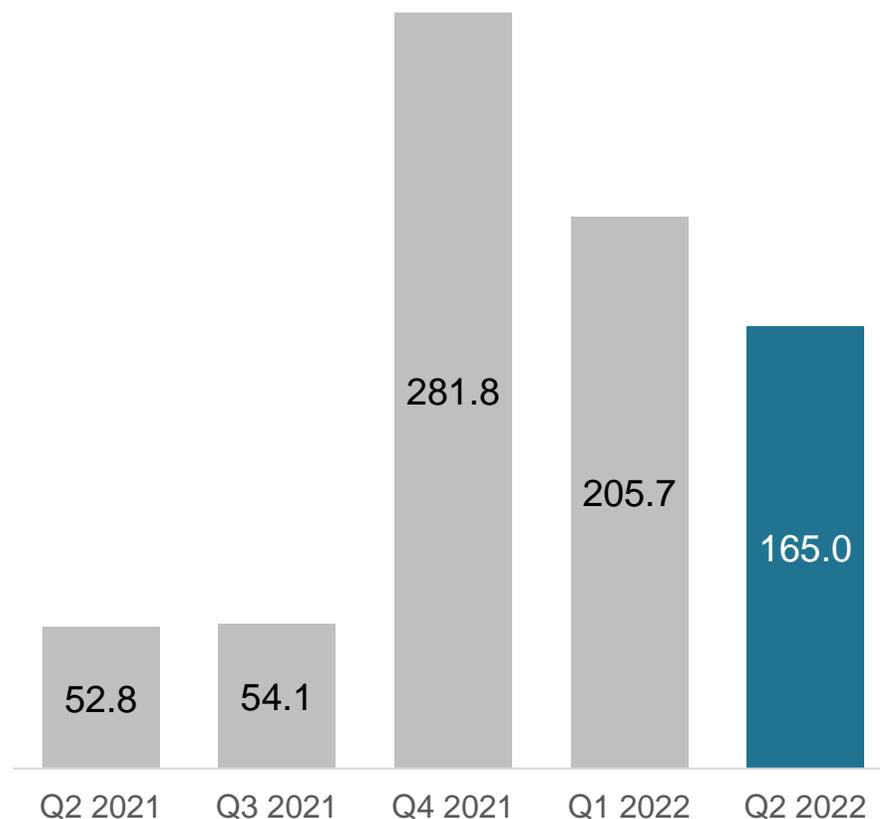


Net cash flow (NCF), in EUR mn



# High CAPEX related to expansion projects will increase in H2.

## Investment, in EUR m



## Comments

- ▶ Capex guidance 2022: EUR 1,100 mn
  - ▶ two thirds of capex for FabNext
  - ▶ 300 mm epi capacity
  - ▶ capabilities for future design rules
  - ▶ expansion of crystal pulling hall in Freiberg
- ▶ Capex in H2 will be significantly above H1 based on project phases

## Financing of Expansion Projects

- ▶ Existing cash and operating cash flow
- ▶ Customer pre-payments
- ▶ Issued EUR 300 mn promissory loan note in Q2
- ▶ Secured SGD loan, not yet drawn
- ▶ Dividend policy amended to max. EUR 3 per share
- ▶ No equity raise in 2022



## Outlook 2022

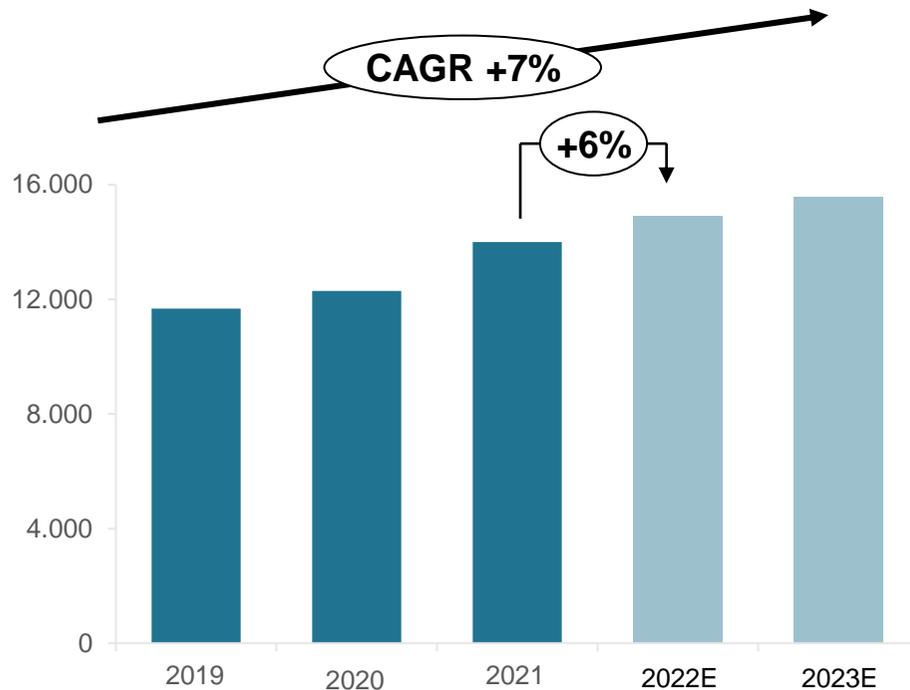
# Outlook

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- ▶ Macro uncertainties as a potential risk to end market demand, but so far no foreseeable change in customer order behavior for wafers
- ▶ Tailwind from FX continues to drive sales and results
- ▶ Long term growth drivers are in tact
- ▶ Structural shortage for 300 mm wafers is expected to persist
- ▶ Project to become independent of gas supply at German sites:
  - ▶ potential reduction of consumption in the short term
  - ▶ Freiberg site considering to replace gas with fuel oil within 6 months, plan to become independent of fossil fuels in next years
- ▶ Siltronic focus on smooth project execution and operational excellence

# Siltronic's growth strategy is aligned with global demand growth

## Expected Global Silicon Wafer Area Demand in mn inch<sup>2</sup>



## Silicon demand growth in advanced technologies



Innovation to keep top position in leading-edge technology



Efficiency programs and cost roadmaps



Smooth execution of expansion projects



Long term growth drivers are in tact

Source: Siltronic Marketing, SEMI SMG forecast for 2022 and 2023;

## Siltronic Outlook 2022 (as of July 29, 2022)

Sales	– 21 to 27 percent increase	+
EBITDA margin	– increase to 34 to 37 percent (incl. termination fee)	=
Depreciation	– around EUR 185 mn	=
EBIT	– significant increase	=
Tax rate	– between 10 to 15 percent	=
CapEx	– around EUR 1,100 mn (approx. 2/3 for FabNext)	=
Net cash flow	– significantly negative due to high investments	=
Earnings per share	– significant increase	=

# Contact and Additional Information

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## Additional Information

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

## Financial Calendar 2022

Q3 Quarterly Statement	October 28, 2022
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