

Siltronic AG

FY 2019 Conference Call Presentation

March 9, 2020

2019 second-best year in Siltronic's history despite slowdown in wafer demand

Q4 2019 comment

- ▶ Sales in Q4 higher than expected due to business with customers which could not be supplied during tightness
- ▶ ASP q-o-q slightly down with most pressure on SD and partly on 200 mm
- ▶ Logic and foundry business strong with 300 mm epi being close to full load
- ▶ Memory business still muted due to high raw wafer inventories at some customers
- ▶ 200 mm loading low especially for standard products
- ▶ Loading in SD at low level

Full year 2019 comment

- ▶ Sales volume significantly down due to high inventories at customers, volume shifts under LTAs and muted demand mainly in 300 mm polished, 200 mm and SD
- ▶ Cost reductions could not fully compensate cost increases (mainly higher energy costs)
- ▶ EBITDA margin decrease y-o-y mainly a volume effect

Highlights 2019: Financials

Sales

– EUR 1,270.4m (2018: EUR 1,456.7m)

EBITDA

– EUR 408.7m (2018: EUR 589.3m)
– EBITDA margin: 32.2% (2018: 40.5%)

EBIT

– EUR 298.3m (2018: EUR 497.7m)
– EBIT margin: 23.5% (2018: 34.2%)

Capex

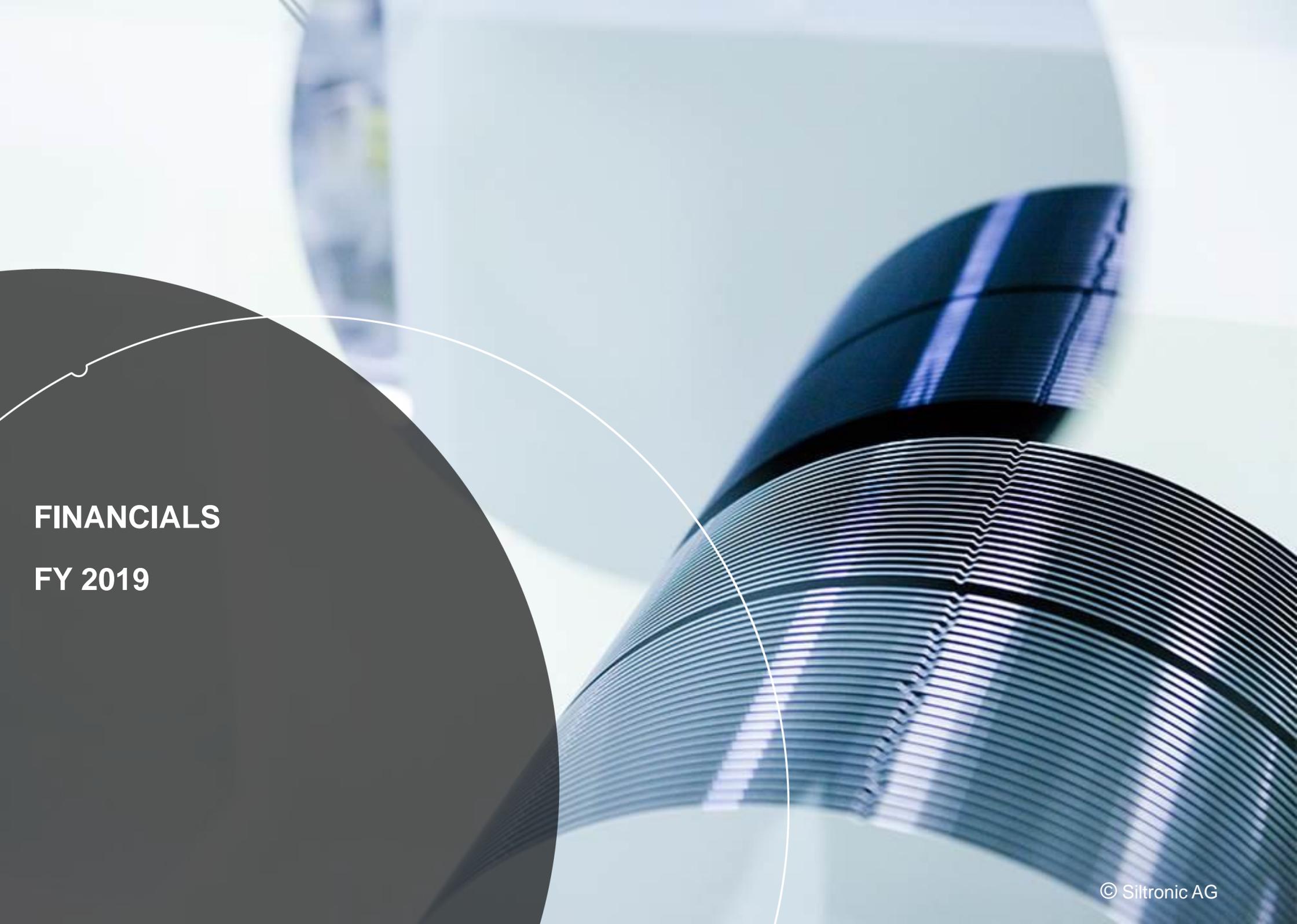
– EUR 363.0m (2018: EUR 256.9m)

Net cash flow

– EUR 81.3m (2018: EUR 240.4m)

Net financial assets

– EUR 588.9m (December 31, 2018: EUR 691.3m)

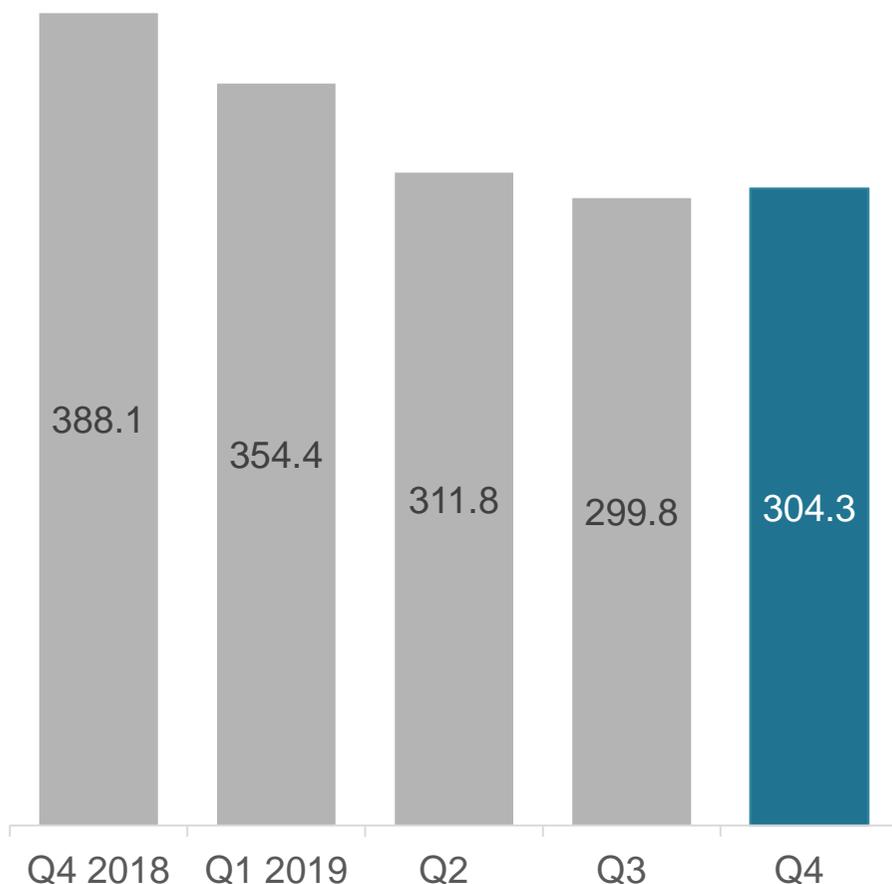


FINANCIALS

FY 2019

Sales development negatively impacted by lower wafer area sold

Sales, in EUR m



Ø FX rates	Q4/18	Q1/19	Q2	Q3	Q4
EUR / USD	1.14	1.14	1.12	1.11	1.11
EUR / JPY	129	125	124	119	120

Comments

▶ Positive

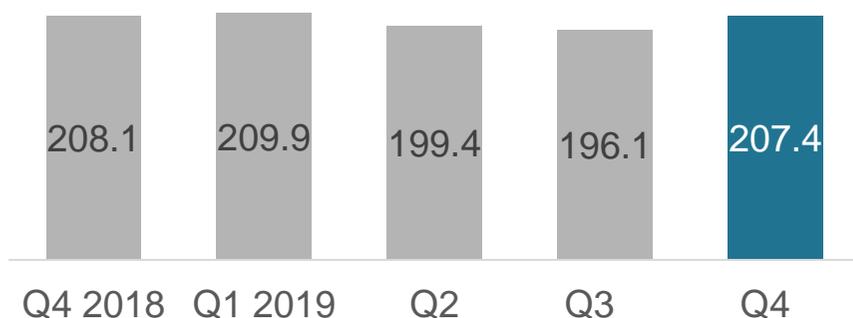
- ▶ ASP in EUR slightly up y-o-y
- ▶ Tailwind from USD y-o-y but only slightly sequential changes q-o-q
- ▶ Sales in Q4 slightly better than expected due to wafer supply to customers which could not be served during tightness

▶ Negative

- ▶ Sales down y-o-y as expected due to lower wafer area sold

Higher energy costs and depreciation burden cost of sales

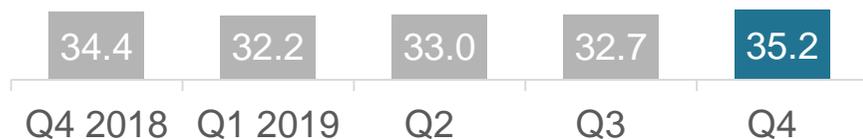
Cost of sales, in EUR m



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



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

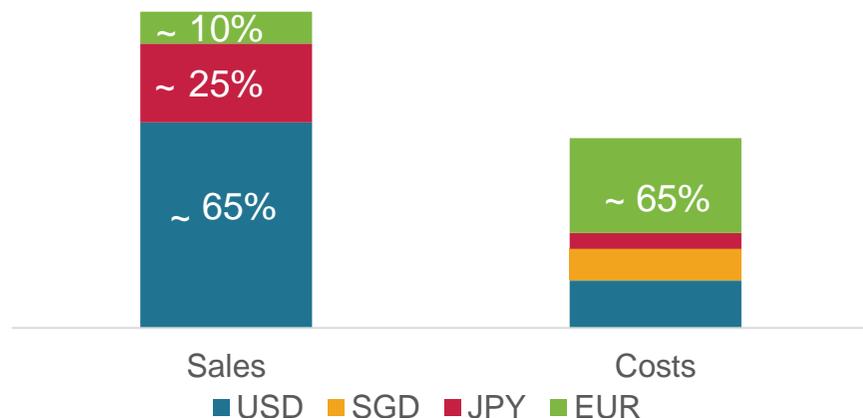


Comment

- ▶ COGS y-o-y slightly declined due to lower wafer area produced
- ▶ Costs per wafer area increased due to lower production volume, higher energy costs, higher depreciation
- ▶ R&D expenses of EUR 68m (= ~5% of sales) in 2019 on a stable level

High US-Dollar and Japanese Yen exposure

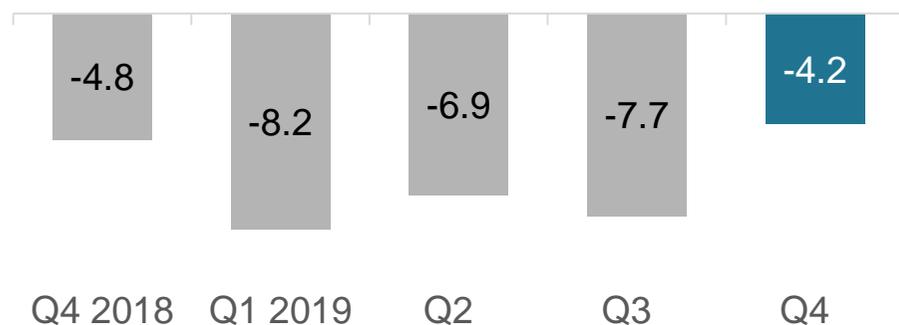
FX exposure, in %



FX sensitivity

	Sales	EBITDA unhedged
1 USD-cent change	~ EUR 6 million	~ EUR 4.5 million
1 JPY change	~ EUR 2.5 million	~ EUR 2 million

Other currency effects (mostly hedging), in EUR m

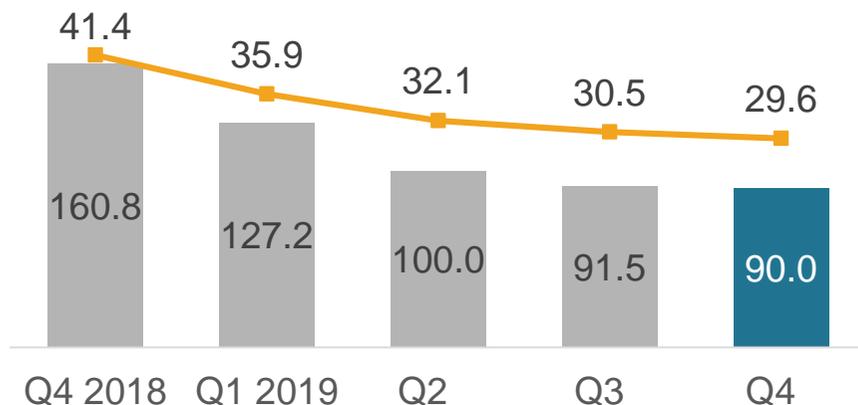


Comment

- ▶ FX development was positive on sales and gross margin in Q1 to Q3
- ▶ Currency hedges had opposite effect on other operating income and expenses
- ▶ Other currency effects of EUR -27m in 2019

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

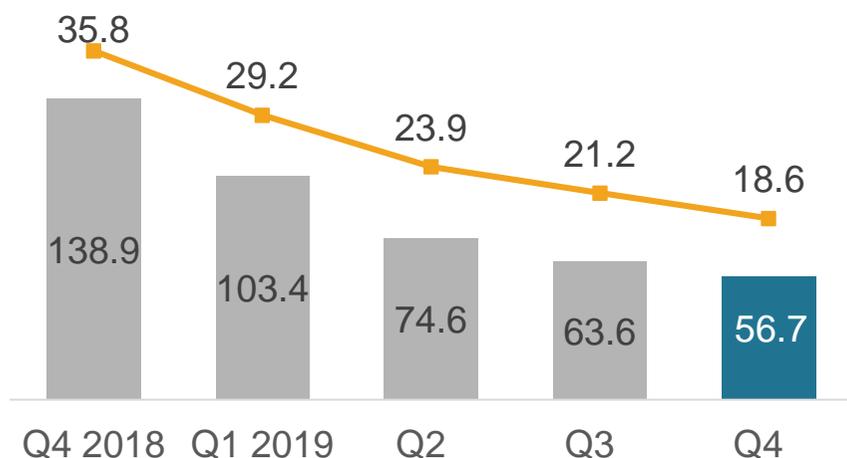
EBITDA, in EUR m / EBITDA margin, in %



Depreciation, in EUR m



EBIT, in EUR m / EBIT margin, in %



Comments

► Positive

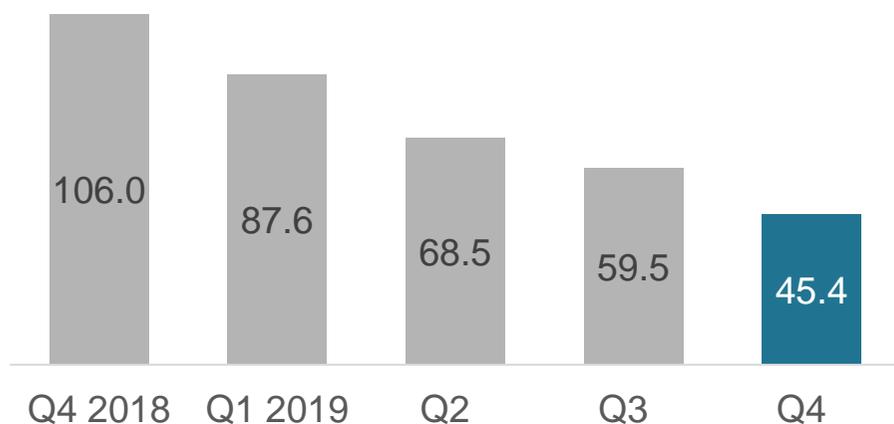
- ASP in EUR slightly up y-o-y
- Tailwind from USD y-o-y but only slightly sequential changes q-o-q

► Negative

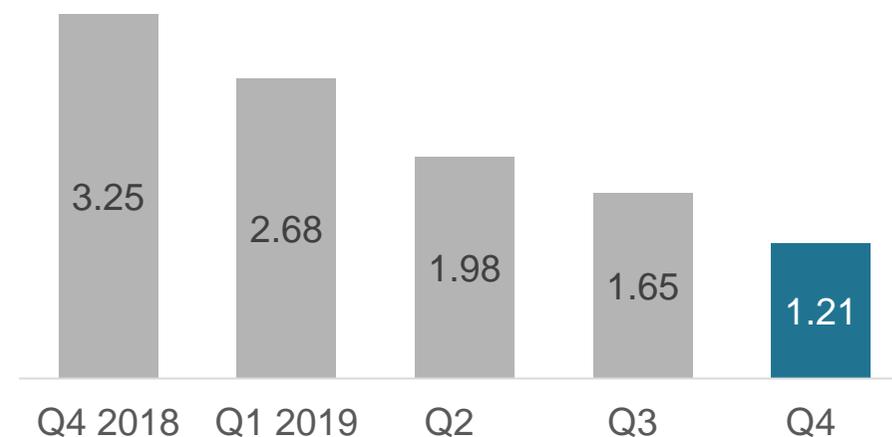
- EBITDA down y-o-y by lower loading and higher energy costs

Net profit of EUR 261 million

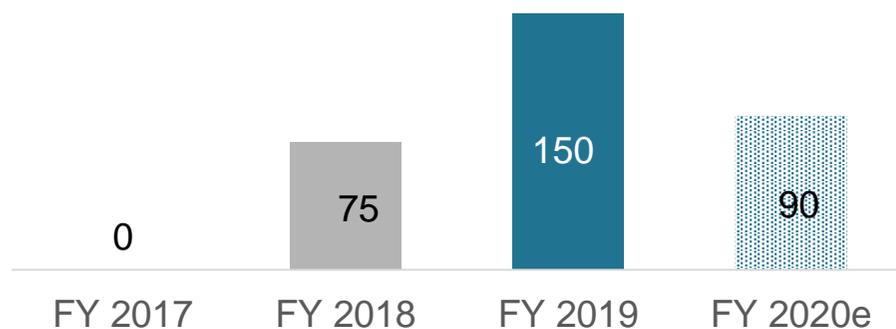
Net profit, in EUR m



EPS, in EUR



Dividend payment, in EUR m



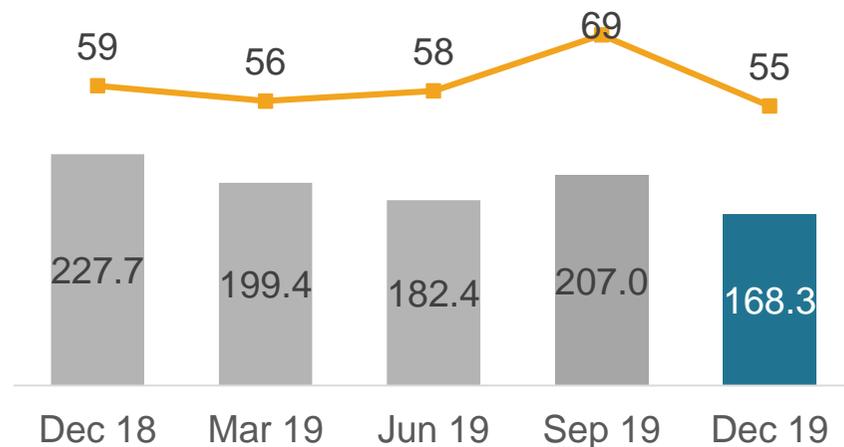
Comments

- ▶ Net profit of EUR 261 million; thereof EUR 225.6 million attributable to Siltronic shareholders
- ▶ Tax rate of 14% influenced by release of deferred tax assets in Germany; effective tax rate would have been around 10% due to higher profit share in Group companies with low effective tax rates
- ▶ Dividend proposal of EUR 3.00 per share = EUR 90 million dividend payout in 2020

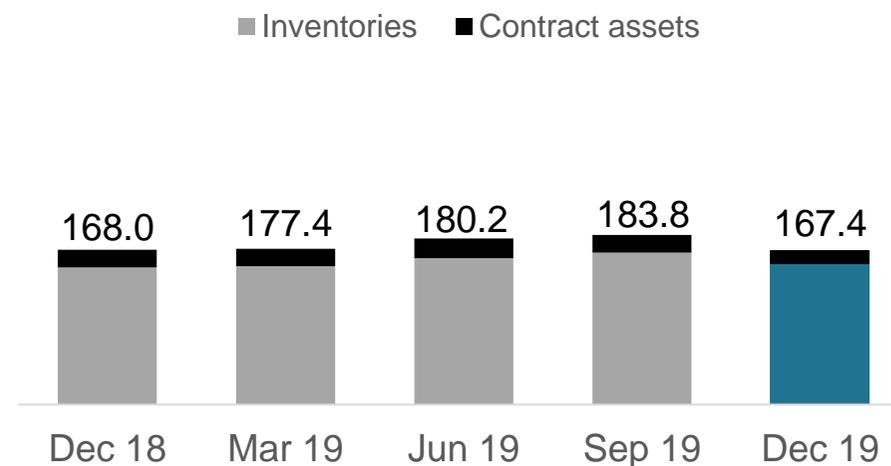
Working capital down

High trade liabilities related to capex

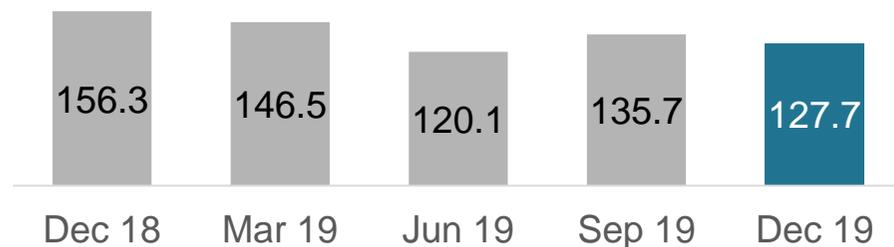
Working capital, in EUR m,
Working capital ratio to quarterly sales, in %



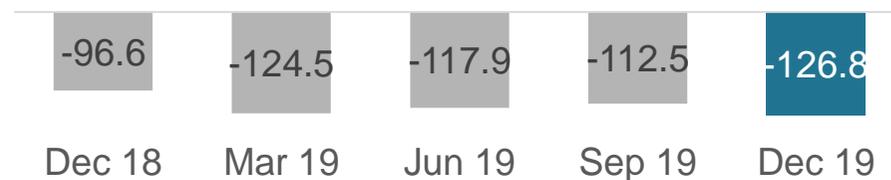
Inventories and contract assets, in EUR m



Trade receivables, in EUR m

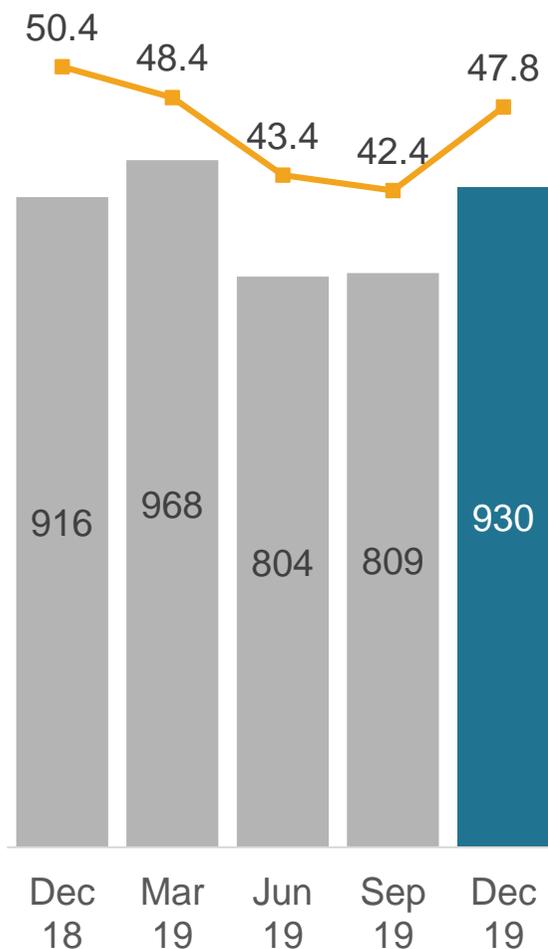


Trade liabilities, in EUR m



Strong equity ratio and solid net financial assets

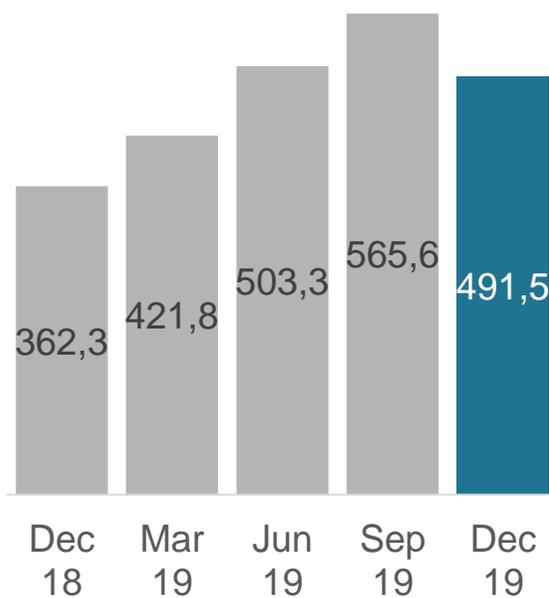
Equity, in EUR m
Equity ratio, in %



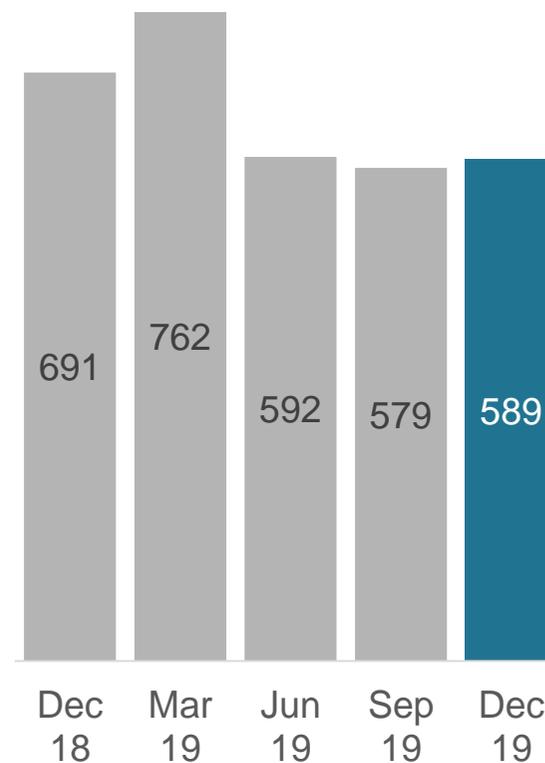
Provisions for pensions,
in EUR m

Interest rates IFRS

USA	4.08%	3.69%	3.37%	2.99%	2.98%
Germany	1.98%	1.66%	1.29%	0.97%	1.24%

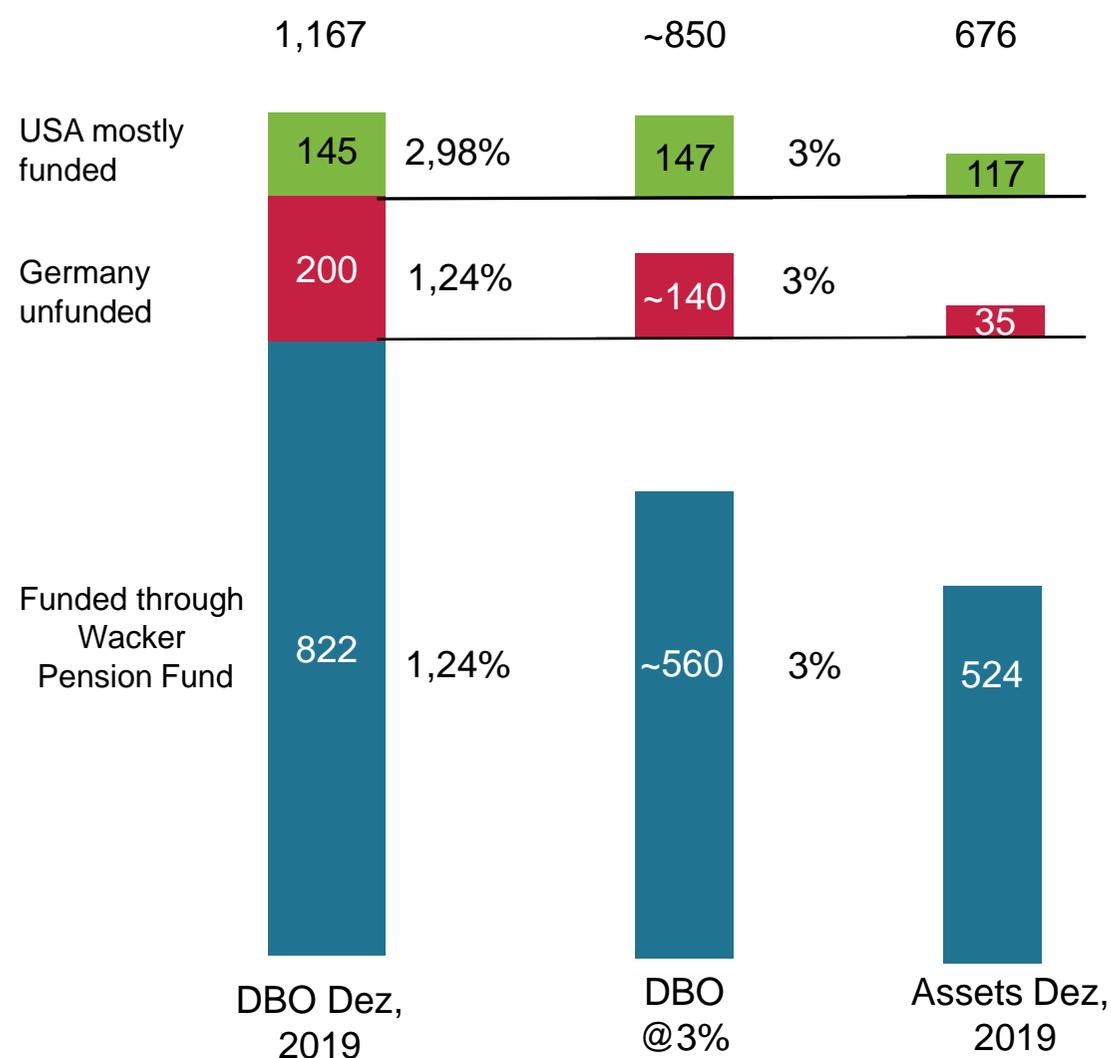


Net financial assets,
in EUR m



Pension reserves impacted by low IFRS interest rates

DBO and pension reserves, in EUR m

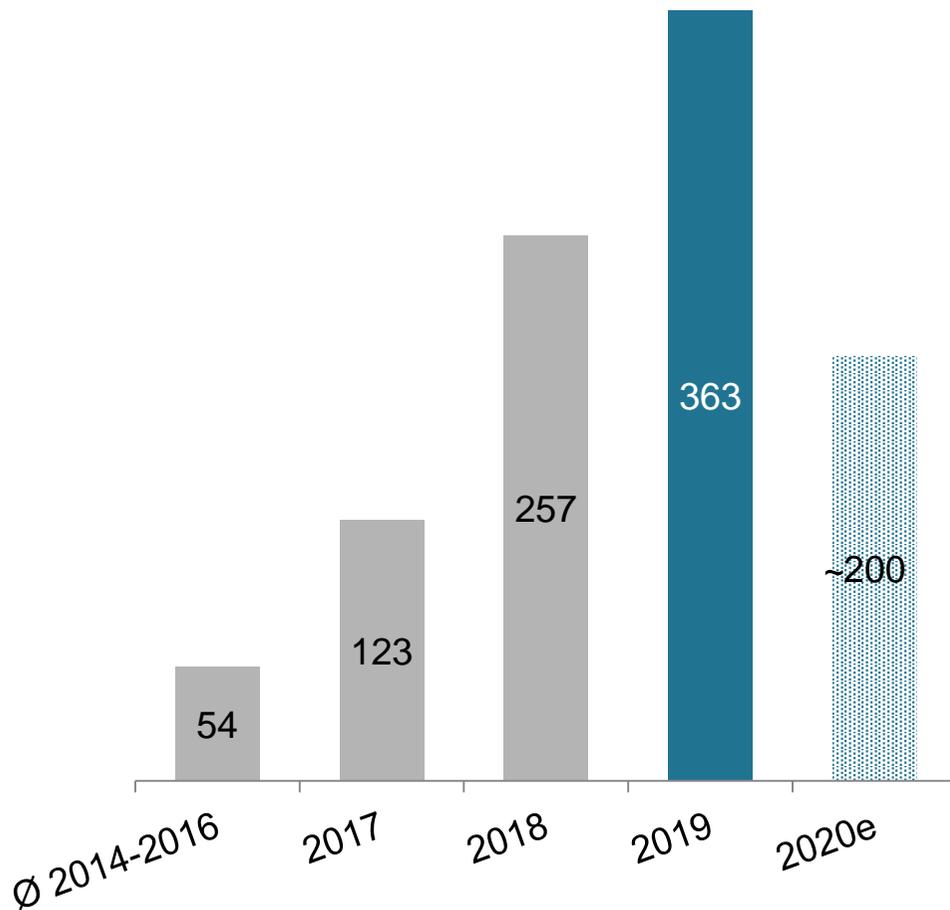


Comment

- ▶ DBO of EUR 1,167 million – assets of EUR 676 million = EUR 492 million
- ▶ Pension reserves @3% = DBO of EUR ~850 million – assets EURO 676 million = EUR 174 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%

Capex 2020 significantly down vs. 2019

Investment, in EUR m

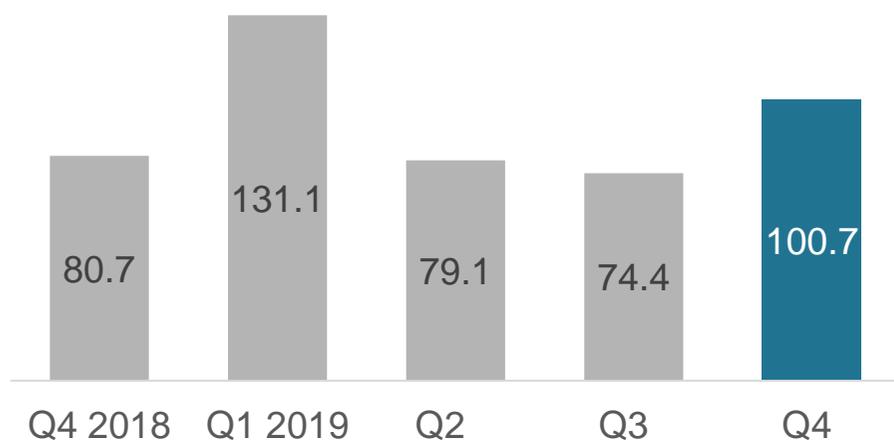


Comment

- ▶ Capex 2019
 - ▶ EUR 363m with a strong focus on capabilities and automation and also on 300 mm expansion based on LTAs
- ▶ Capex 2020
 - ▶ Significantly down to around EUR 200m
 - ▶ Capacity expansion projects to be completed in Q1
 - ▶ Crystal pulling hall in Singapore to be finished in Q2
 - ▶ Epi expansion in H2 to accommodate demand and market growth

Strong net cash flow despite high payments for capex

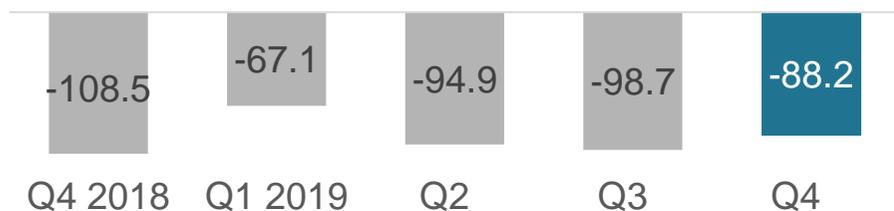
Operating cash flow (OCF), in EUR m



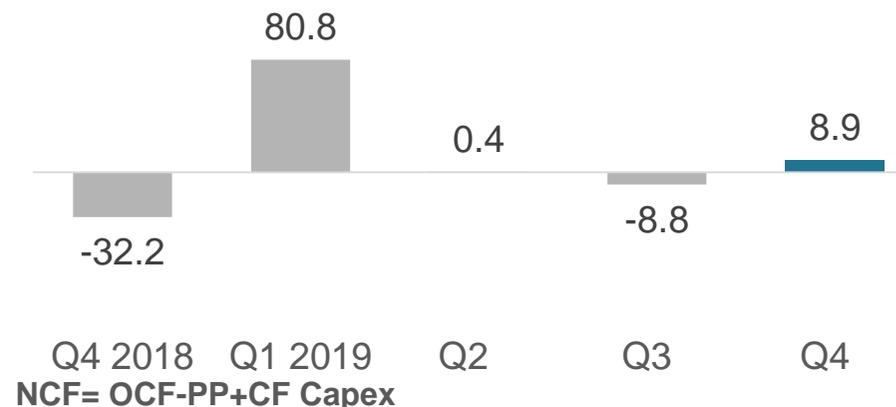
Customer prepayments net (PP), in EUR m

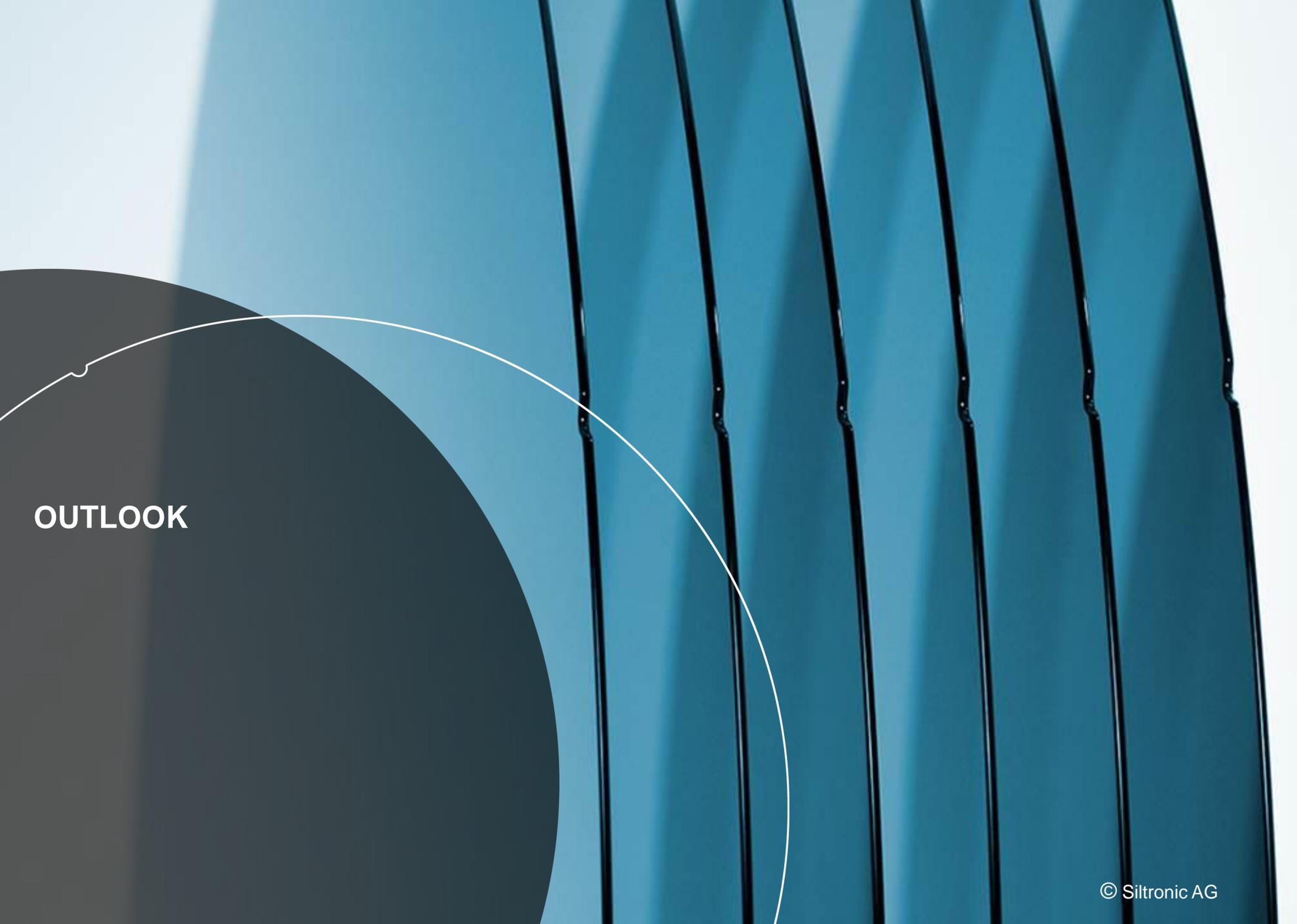


CF Capex, in EUR m



Net cash flow (NCF), in EUR m





OUTLOOK

Semi market still affected by high inventories but also some positive development (pre-corona view)

Logic develops better than anticipated

- ▶ Growing foundry business
- ▶ Strong server growth (stable wafer demand)
- ▶ Inventories ok

Industry/Auto

- ▶ doing better: ADAS
- ▶ traditional applications: high inventories
- ▶ demand uncertainty (+/-): hybrid and electrical cars

Memory

- ▶ DRAM stays weak: development strongly depends on growth of server market; inventories at customers still high but slowly declining
- ▶ NAND somewhat better: growing SSD share in PCs and servers, price elasticity works, finished goods inventories nearly at normal level



300 epi, 200 FZ	strong
200 epi	doing better
300 pol	weak
SD	weak

Underlying growth trend intact but muted start in 2020

- ▶ Muted start in 2020
- ▶ Wafer industry not fully loaded since 2019
- ▶ Despite first positive news flow from semi companies elevated inventory levels, especially in memory, have to come down
- ▶ Upturn in wafer demand will follow recovery of semi industry with a certain time lag
- ▶ ASP in 2020 will be lower than in 2019 - partly driven by base effect of 2019, partly by short-term prices coming down a little bit q-o-q
- ▶ Impact of COVID-19 depends on further spread of the virus and impact on semi supply chain and global economy
 - ▶ so far no direct impact on Siltronic fabs or sales offices
 - ▶ so far no order cancellations by customers but first customers reduced their outlook 2020

Siltronic Outlook 2020 (as of March 4, 2020)

	Before Covid-19	In case of further spread of Covid-19
Sales	slightly below 2019	significantly below 2019
EBITDA margin	slightly below 2019	significantly below 2019
Depreciation	around EUR 140m	around EUR 140m
EBIT	significantly below 2019 due to higher depreciation	significantly below 2019 due to higher depreciation
Tax rate	around 10%	around 10%
Capex	around EUR 200m in capabilities and automation	around EUR 200m in capabilities and automation
Net cash flow	clearly positive in the range of 2019; around EUR 40 million burden from carry-over of (unpaid) 2019 investments	significantly below 2019; around EUR 40 million burden from carry-over of (unpaid) 2019 investments
Earnings per share	significantly below 2019	significantly below 2019



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 2020

Annual Report 2019	March 9, 2020
Annual General Meeting	April 23, 2020
Q1 Quarterly Statement	April 28, 2020
Q2 Interim Report	July 30, 2020
Q3 Quarterly Statement	October 29, 2020



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