

Siltronic AG

Q2 2020 Conference Call Presentation

July 30, 2020

Corona Update

- ▶ Employee safety highest priority
 - ▶ No additional Covid-19 cases

- ▶ Production running smoothly at all sites
 - ▶ No production shutdowns

- ▶ Delays in some invest projects due to travel ban
 - ▶ Time loss on start of operation of some equipment in Q1 and Q2
 - ▶ Confident to finish most planned projects by year-end

- ▶ Increased freight costs, especially in Q1 and Q2, will impact cost base
 - ▶ Freight costs started to normalize in Q3

What did silicon demand look like in Q2?

Logic

- ▶ Foundry business: strong
- ▶ Servers: strong (Home Office, streaming)
- ▶ Inventories: ok

Industry / Auto

- ▶ Auto: weak, higher negative impact to follow in H2
- ▶ Traditional applications: high inventories
- ▶ Hybrid and electrical cars: flattish

Memory

- ▶ DRAM: inventories flattish q-o-q on an elevated level
- ▶ NAND: finished goods inventories on normalised levels (servers: strong; smartphones: weak)
- ▶ overall uncertainty about upstream inventories in semi value chain

▶	300 epi	strong (unchanged q-o-q)
▶	200 pol + FZ	strong (unchanged q-o-q)
▶	200 epi	good (unchanged q-o-q)
▶	300 pol	stable q-o-q
▶	SD	improved q-o-q

- ▶ Price trend flattish q-o-q

Highlights Q2 2020: Financials

Sales

– EUR 323.1m (Q1 2020: EUR 300.1m)

EBITDA

– EUR 100.4m (Q1 2020: EUR 84.2m)
– EBITDA margin: 31.1% (Q1 2020: 28.1%)

EBIT

– EUR 66.9m (Q1 2020: EUR 53.3m)
– EBIT margin: 20.7% (Q1 2020: 17.8%)

Capex

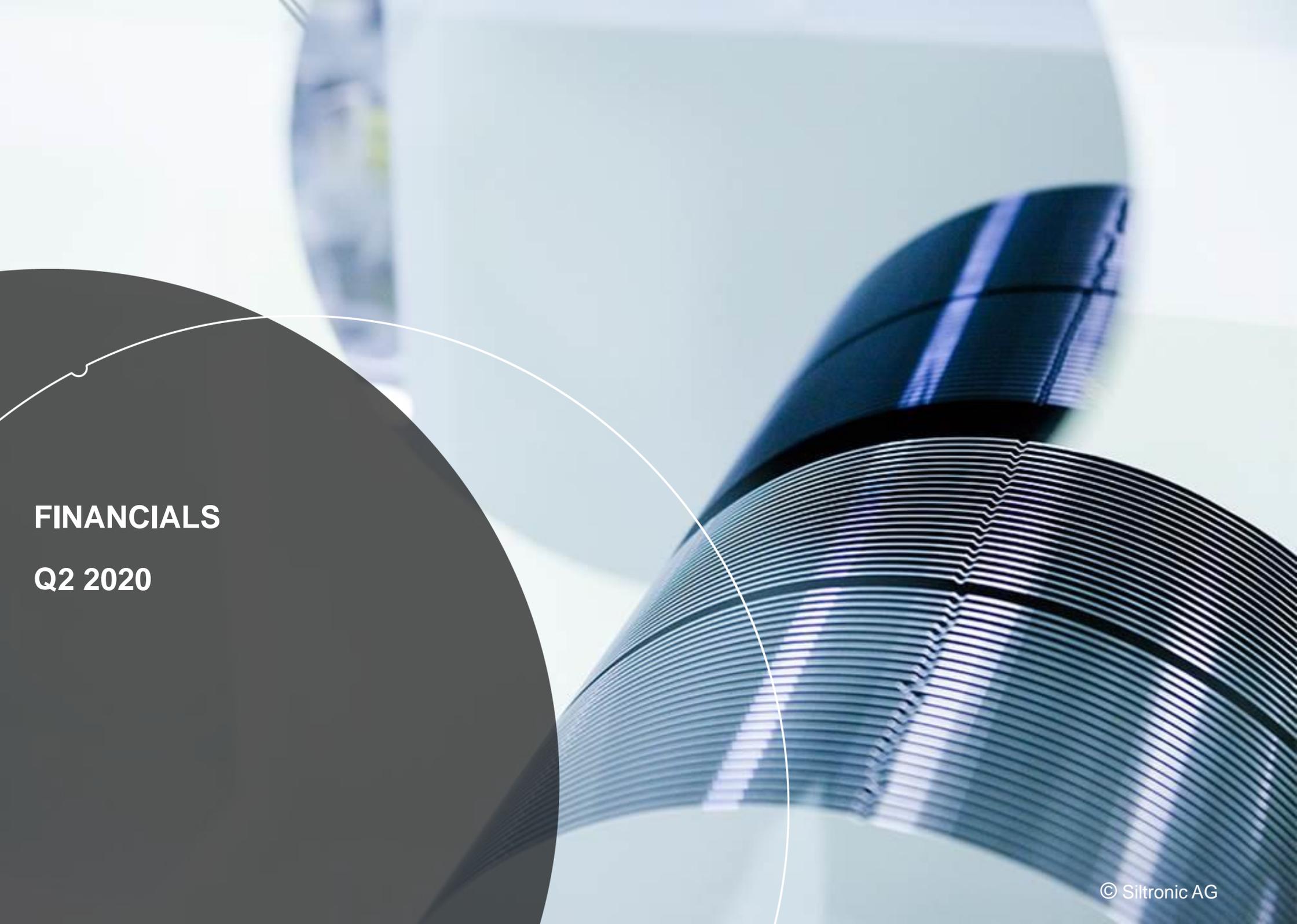
– EUR 48.3m (Q1 2020: EUR 46.0m)

Net cash flow

– EUR 26.7m (Q1 2020: EUR 40.9m)

Net financial assets

– EUR 509.4m (March 31, 2020: EUR 588.1m)

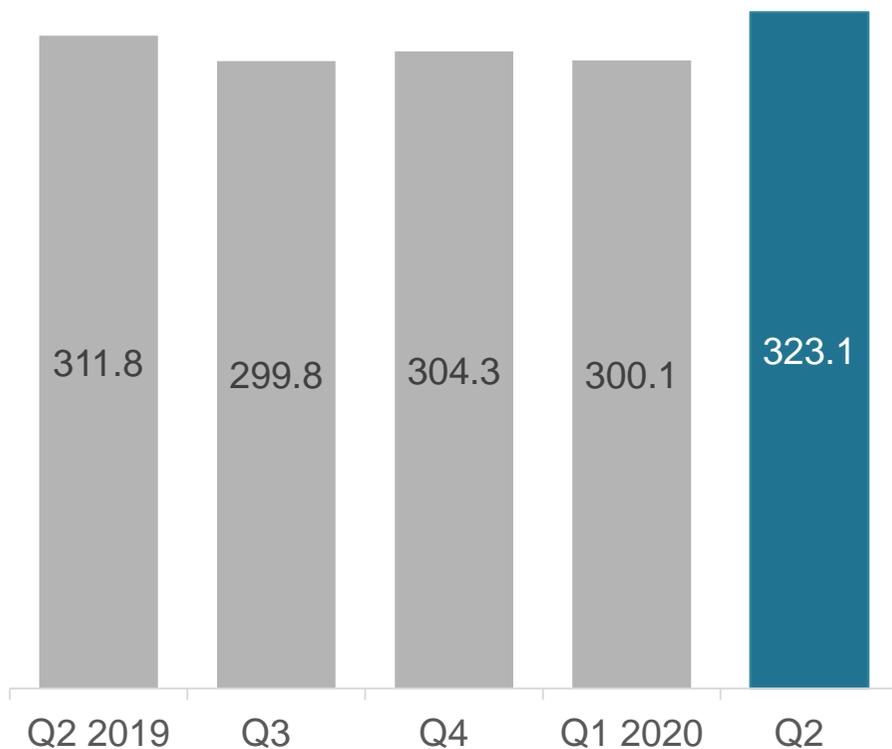


FINANCIALS

Q2 2020

Q2 sales improved q-o-q

Sales, in EUR m



Ø FX rates	Q2/19	Q3	Q4	Q1/20	Q2/20
EUR / USD	1.12	1.11	1.11	1.10	1.10
EUR / JPY	124	119	120	120	118

Comments

- ▶ Q2 sales up q-o-q:
 - ▶ higher wafer area sold
 - ▶ flattish price trend

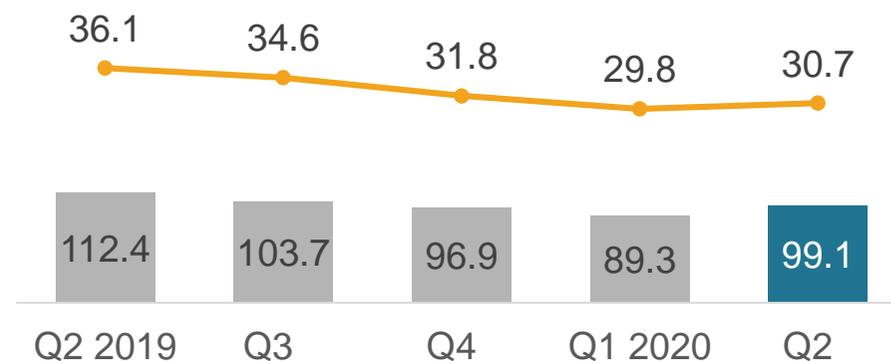
- ▶ Tailwind from USD y-o-y; no change q-o-q

Productivity improvements lead to lower costs per wafer area

Cost of sales, in EUR m



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



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

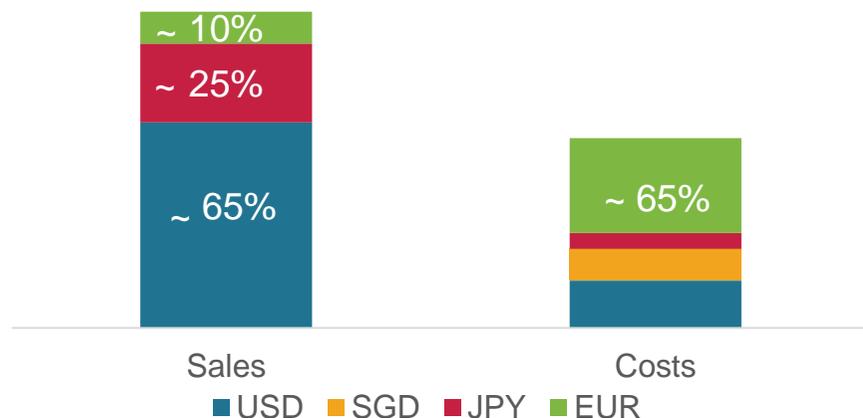


Comment

- ▶ COGS up
 - ▶ higher production volume
 - ▶ higher scheduled depreciation
- ▶ Costs per wafer area down q-o-q because of productivity improvements
- ▶ Q2 gross margin
 - ▶ up q-o-q because of higher wafer area sold
 - ▶ down y-o-y due to lower ASP

High US-Dollar and Japanese Yen exposure

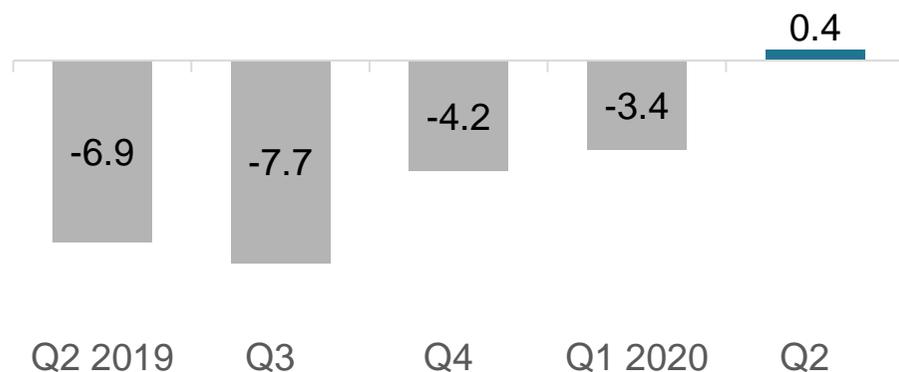
FX exposure, in %



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

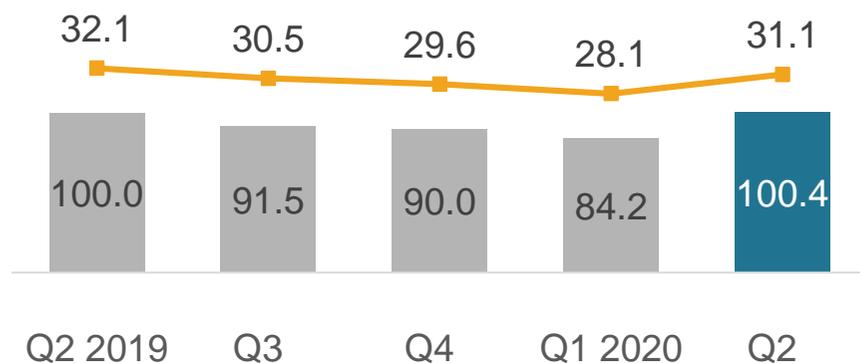


Comment

- ▶ No major impact by FX q-o-q
- ▶ Positive currency effects 2020 vs. 2019
 - ▶ H1 2019: expenses of EUR 15.1m
 - ▶ H1 2020: expenses of EUR 3m

Higher production volumes positive for earnings

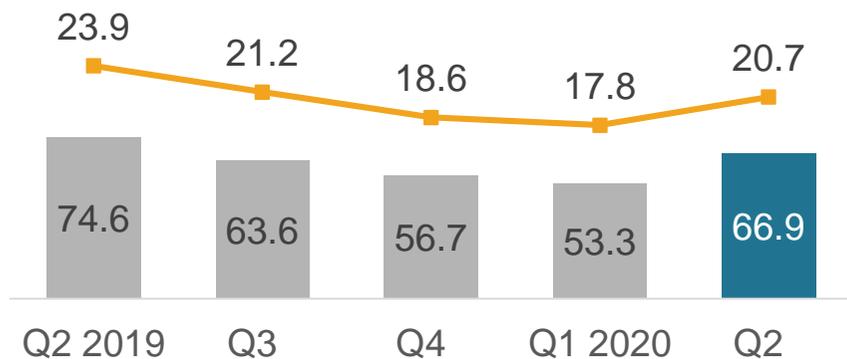
EBITDA, in EUR m / EBITDA margin, in %



Depreciation, in EUR m



EBIT, in EUR m / EBIT margin, in %

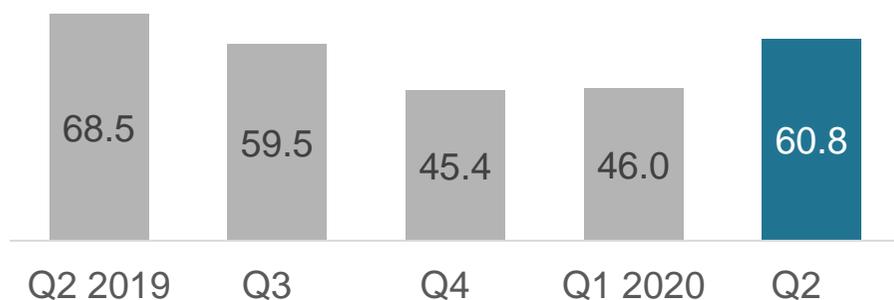


Comments

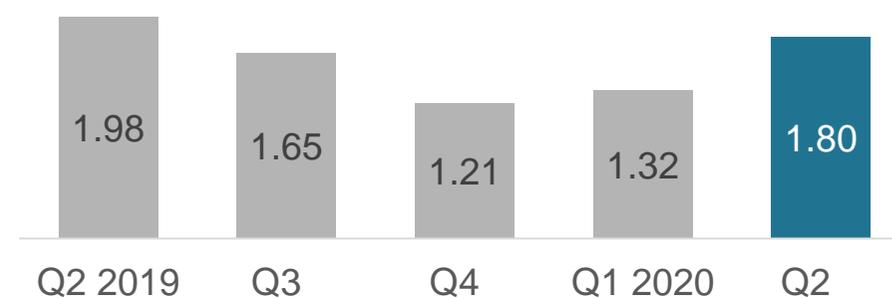
- ▶ Higher production volume helped to compensate lower ASP q-o-q
- ▶ Tailwind from USD y-o-y but no significant change q-o-q
- ▶ Depreciation increased as scheduled q-o-q

Net profit of EUR 61 million

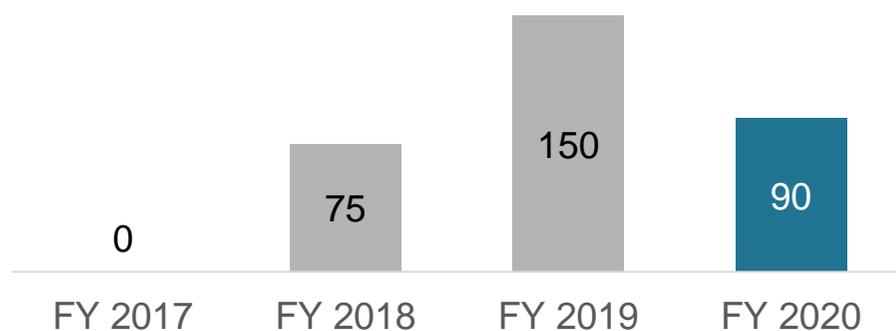
Net profit, in EUR m



EPS, in EUR



Dividend payment, in EUR m

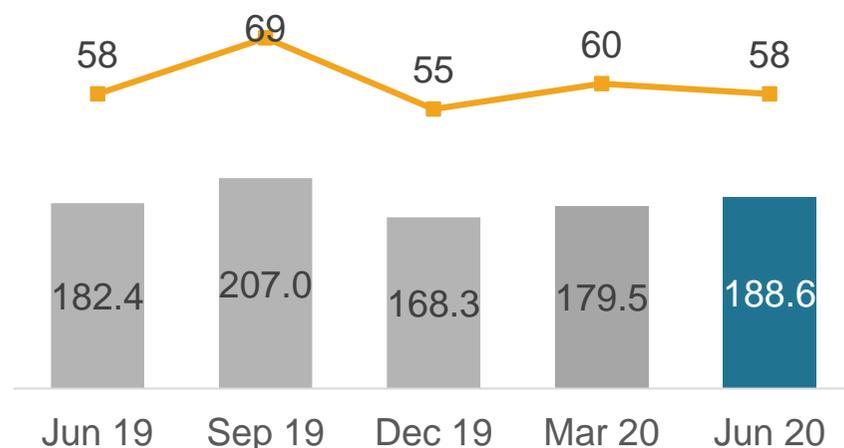


Comments

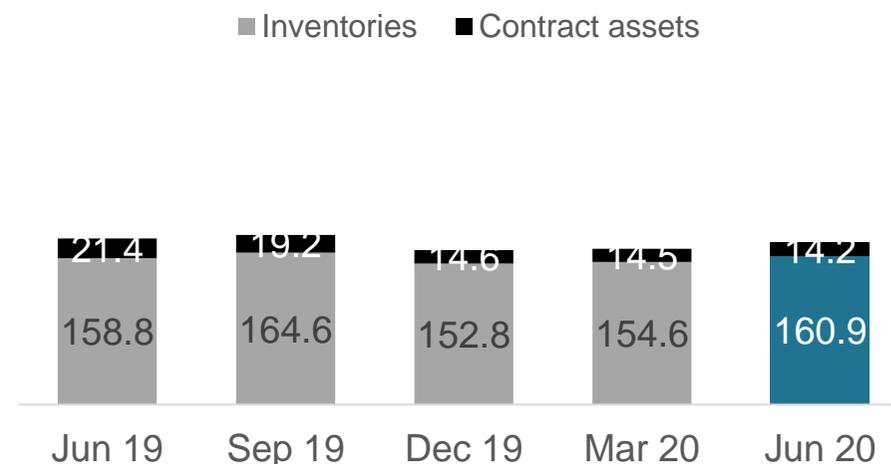
- ▶ Net profit of EUR 61 million in Q2
- ▶ Low tax rate of 8% in H1
 - ▶ deferred tax income and some tax relief relating to Corona in the USA
- ▶ Payment of EUR 90 million dividend on June 30, 2020

Working capital slightly up

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



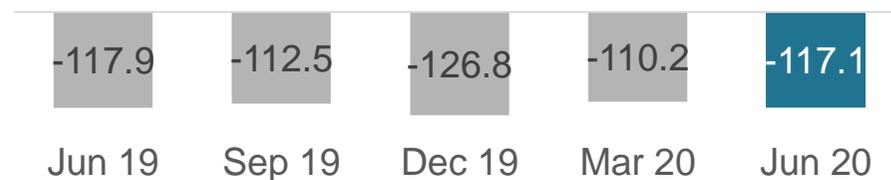
Inventories and contract assets, in EUR m



Trade receivables, in EUR m

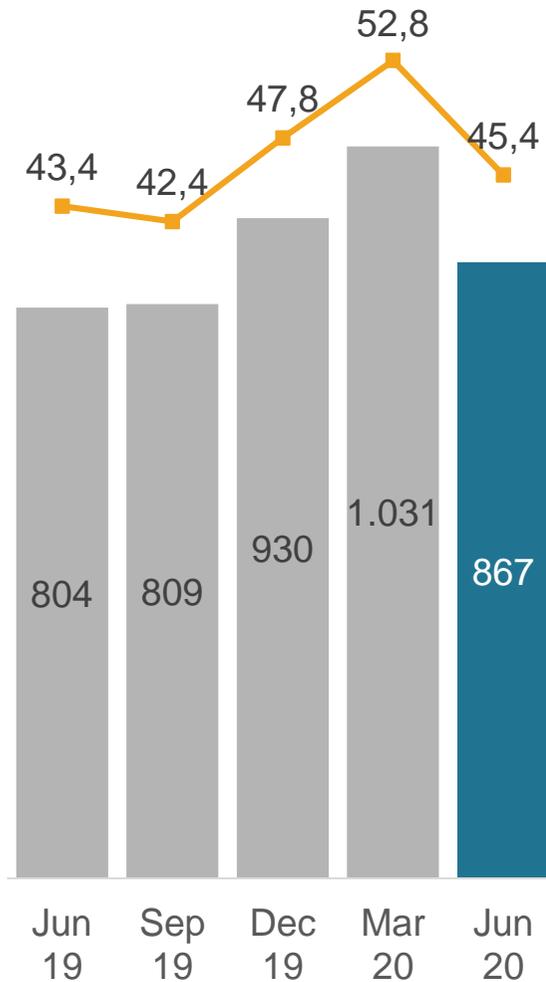


Trade liabilities, in EUR m



Equity decreased due to dividend payment and higher interest-related pension obligations

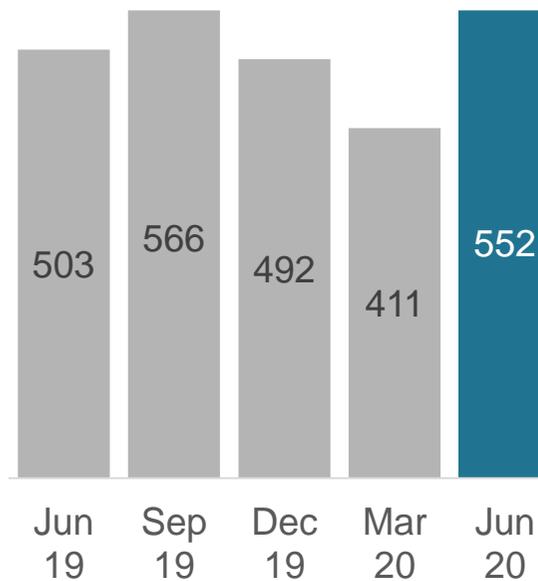
Equity, in EUR m
Equity ratio, in %



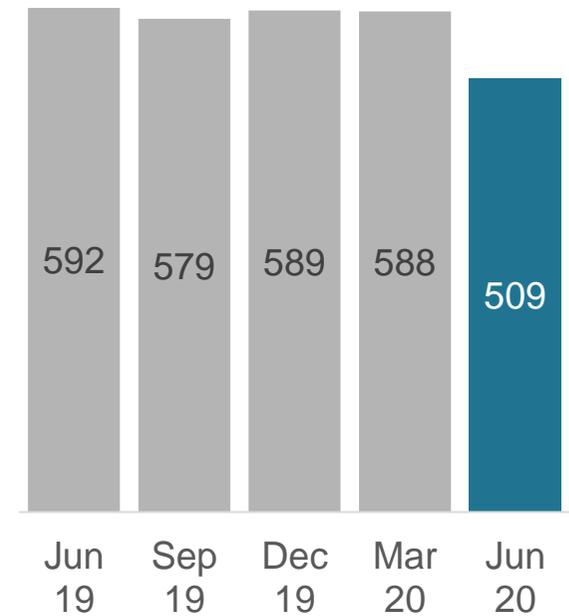
Provisions for pensions, in EUR m

Interest rates IFRS

USA	3.37%	2.99%	2.98%	2.88%	2.46%
Germany	1.29%	0,97%	1.24%	1.92%	1.23%

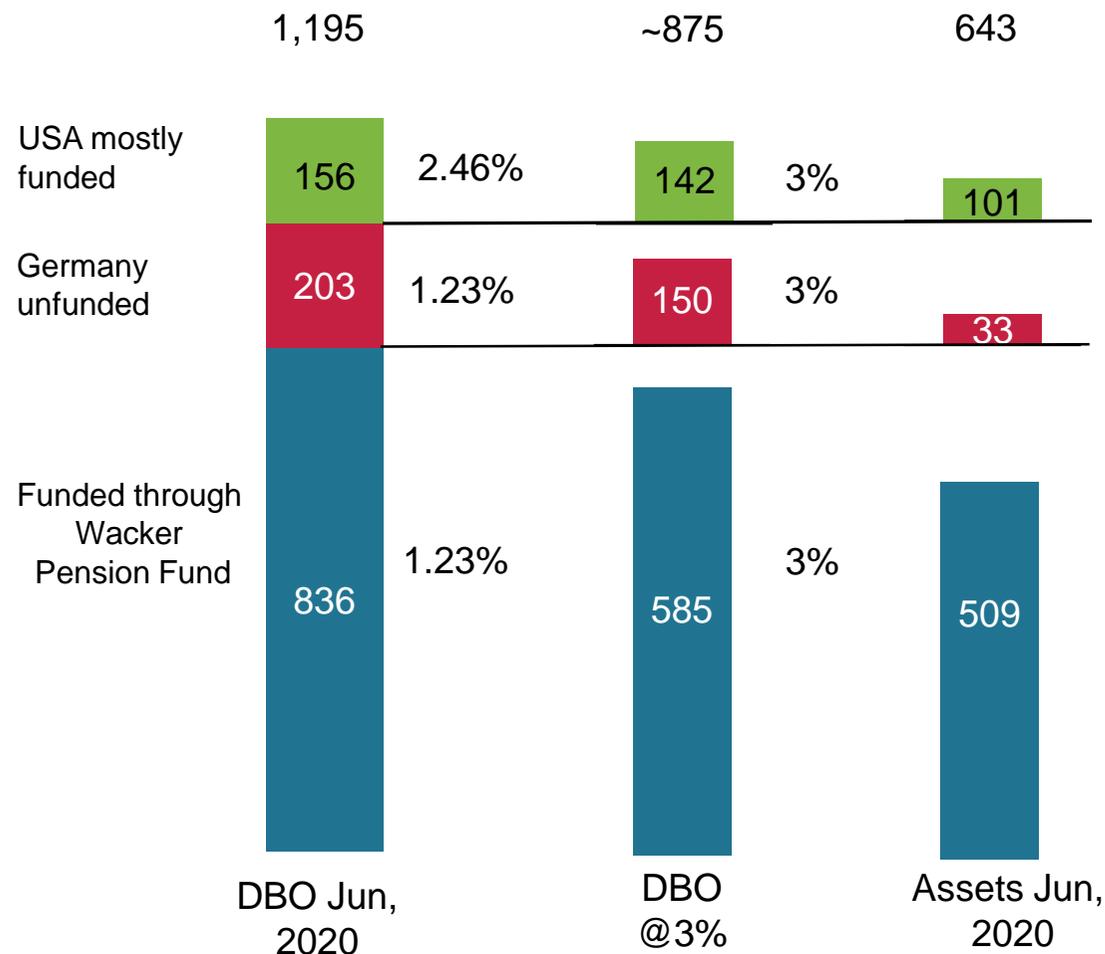


Net financial assets, in EUR m



Pension reserves up due to lower IFRS interest rates in Germany

DBO and pension reserves, in EUR m

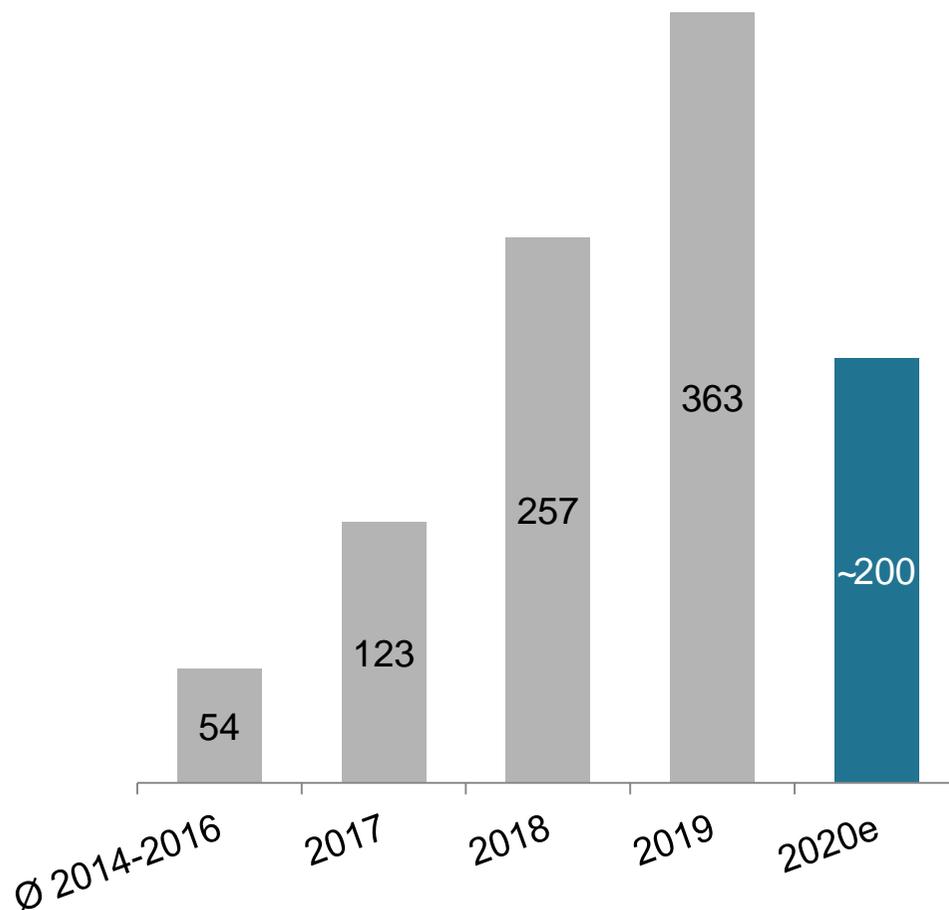


Comment

- ▶ DBO of EUR 1,195 million ./ assets of EUR 643 million = EUR 552 million
- ▶ Pension reserves @3% = DBO of EUR ~875 million ./ assets EUR 643 million = EUR ~232 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

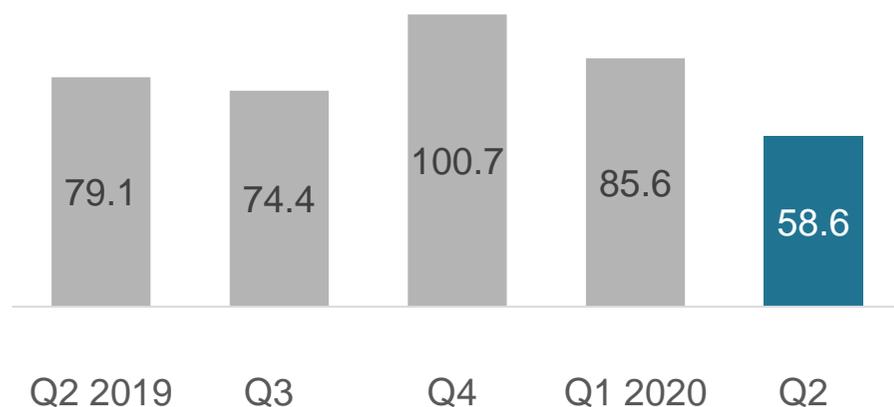


Comment

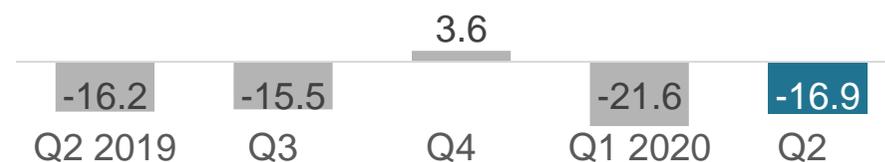
- ▶ Capex 2020
 - ▶ Significantly down to around EUR 200m
 - ▶ Capacity expansion projects completed in Q1
 - ▶ Crystal pulling hall in Singapore to be finished in Q2
 - ▶ Epi expansion in H2 to accommodate demand and market growth
- ▶ Some delays in invest projects due to Corona (no travel of engineers to start operation of equipment)

Net cash flow in Q2 influenced by dividend payment

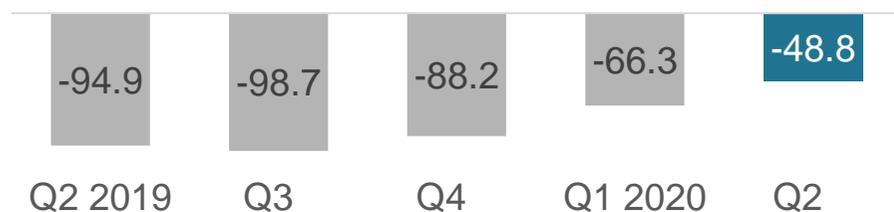
Operating cash flow (OCF), in EUR m



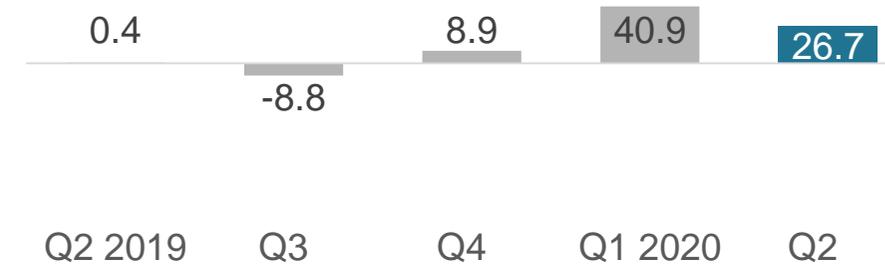
Customer prepayments net (PP), in EUR m



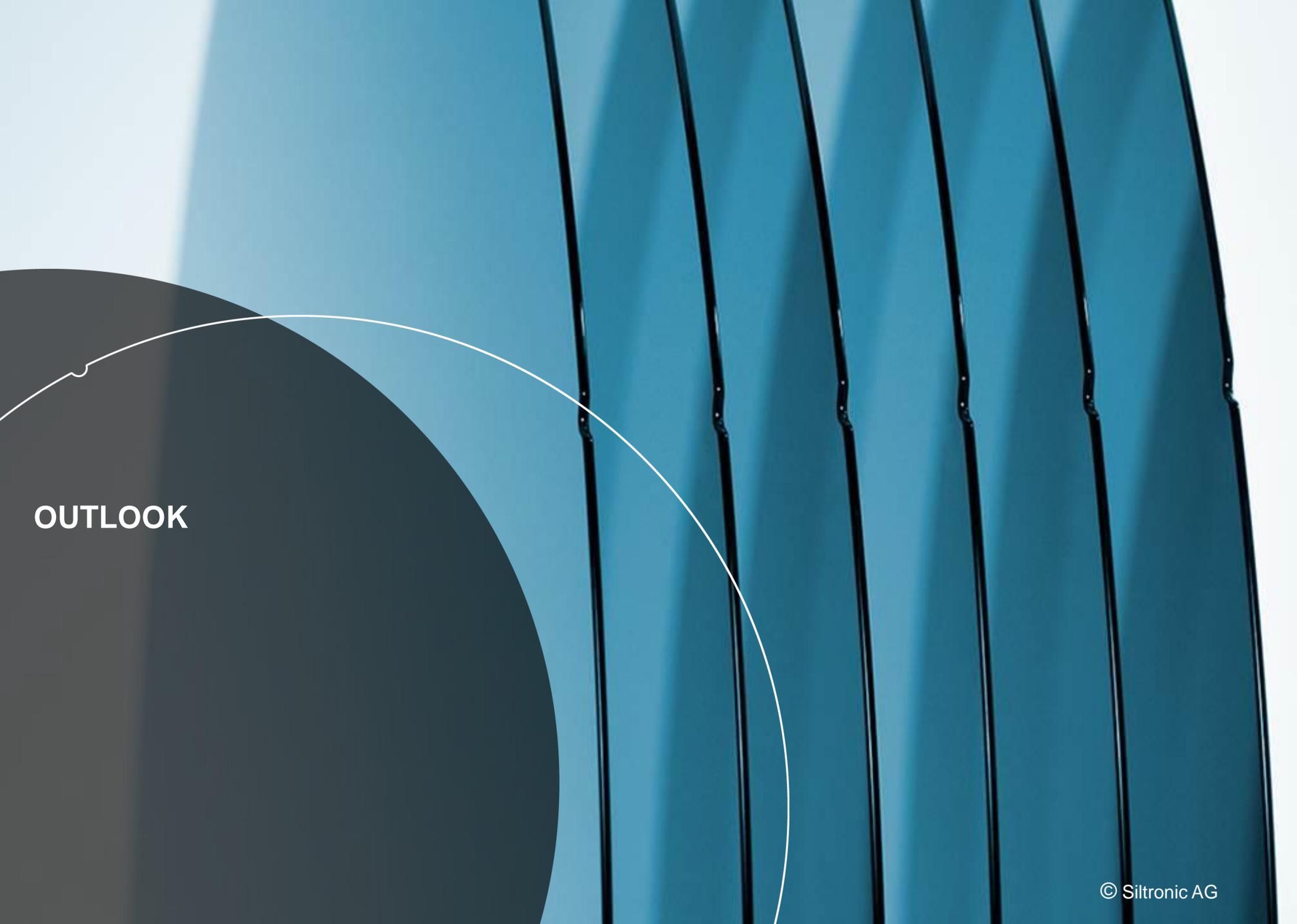
CF Capex, in EUR m



Net cash flow (NCF), in EUR m



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



OUTLOOK

Negative corona effects on silicon demand in H2 2020

Development of wafer volume in Q3

- ▶ 300 epi strong - good logic and foundry business
- ▶ 300 pol stable - still elevated raw wafer inventories
- ▶ 200 mm decline - high exposure to automotive industry
- ▶ SD decline - after strong Q2 back to Q1 level

What to expect in H2

- ▶ After strong Q2 with inventories at customers most likely up, H2 wafer area slightly below H1
- ▶ Negative impact on wafer demand of automotive industry in H2
- ▶ Tightened US sanctions against Huawei/HiSilicon add further uncertainty
- ▶ Uncertainty about smartphone recovery in H2
- ▶ Siltronic expects H2 to be weaker compared to H1 2020

Siltronic Outlook 2020 (as of July 21, 2020)

Sales

- mid-single digit %-range below 2019 with a slight sequential decrease in H2 vs. H1; in case of continuing USD weakness, decline could be somewhat higher

EBITDA margin

- mid-single digit percentage points below 2019

Depreciation

- around EUR 140m

EBIT

- significantly below 2019 due to higher depreciation

Tax rate

- below 10%

Capex

- around EUR 200m, mainly in capabilities and automation

Net cash flow

- significantly below 2019; around EUR 40 million burden from carry-over of unpaid 2019 investments

Earnings per share

- significantly below 2019



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 2020

Q3 Quarterly Statement	October 29, 2020
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