

# Siltronic AG

## Investor Presentation – Q2 2022

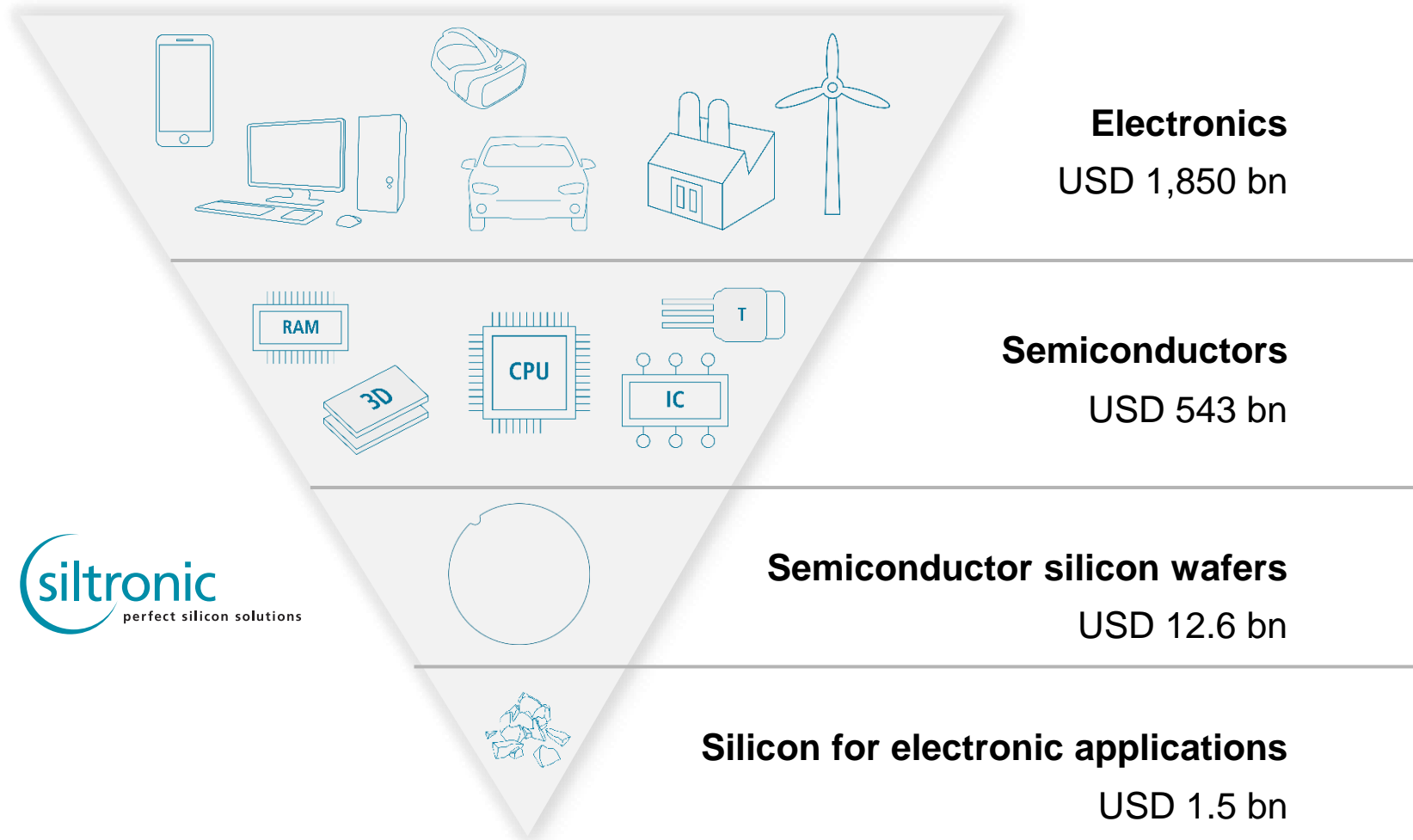
July 29, 2022

The background features a series of vertical blue stripes of varying shades, creating a textured effect. On the left side, there is a large, dark grey circular shape. A thin white line curves across the page, starting from the left edge and ending near the bottom right.

## Market overview

# Electronics value chain continued to grow in 2021

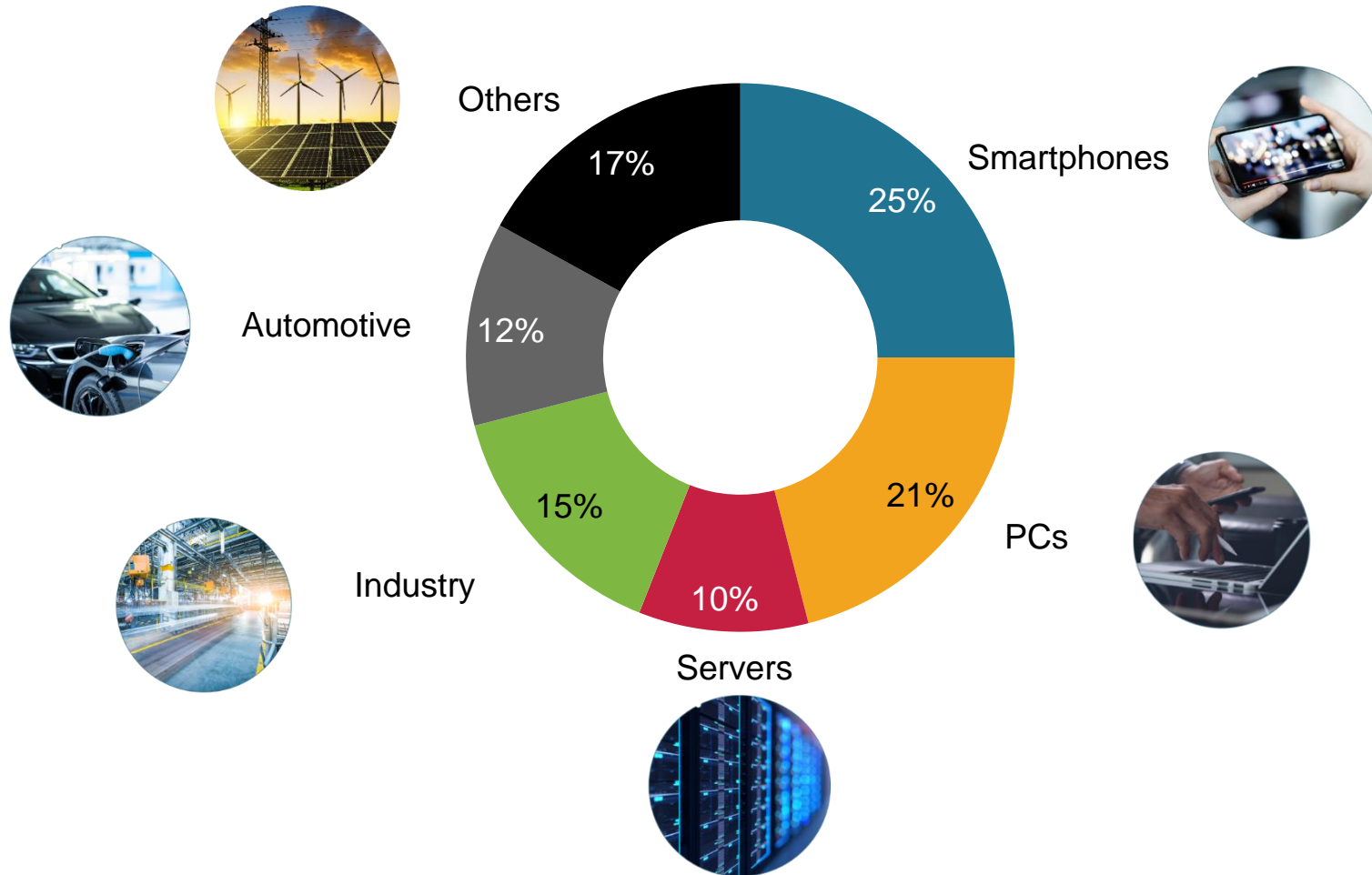
Increasing demand for electronic devices and new applications drive semiconductor growth, which in turn fuels silicon demand



Sources: IC Insights, WSTS, SEMI SMG, Siltronic Marketing

# Digitalisation continues to drive wafer demand

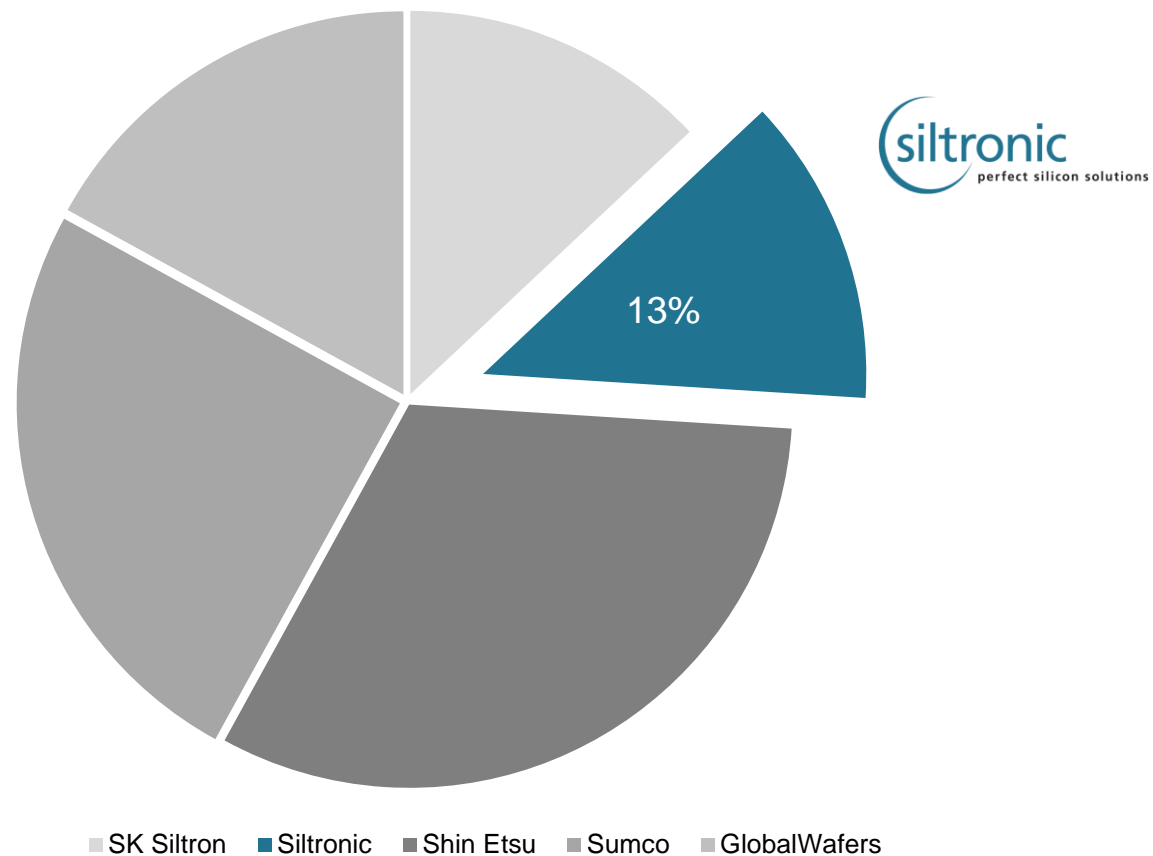
2021 Silicon Wafer Demand by End Markets in % of wafer area



Source: Siltronic Marketing April 2022  
Images: coolhand118/stock.adobe.com, tippapatt/stock.adobe.com, monsitj/stock.adobe.com, Wellnhofer Designs/stock.adobe.com, 安琦 王/stock.adobe.com, AdobeStock\_10158029

# Consolidated market with 5 major wafer manufacturers

Top 5 wafer producers serve more than 90% of the market across all diameters



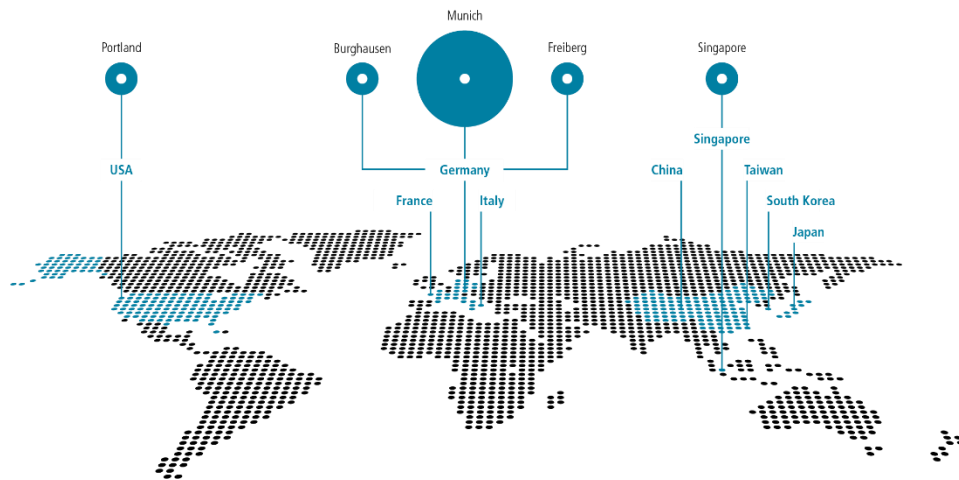
Sources: Siltronic, SEMI SMG



## Company overview




# Siltronic at a glance




## Key financial figures 2021


- ▶ Sales: EUR 1,405.4 million
- ▶ EBITDA: EUR 466.4 million
- ▶ EBITDA margin: 33.2%
- ▶ Net cashflow: EUR 1.7 million
- ▶ Net financial assets: EUR 572.9 million

 4 world-class production sites

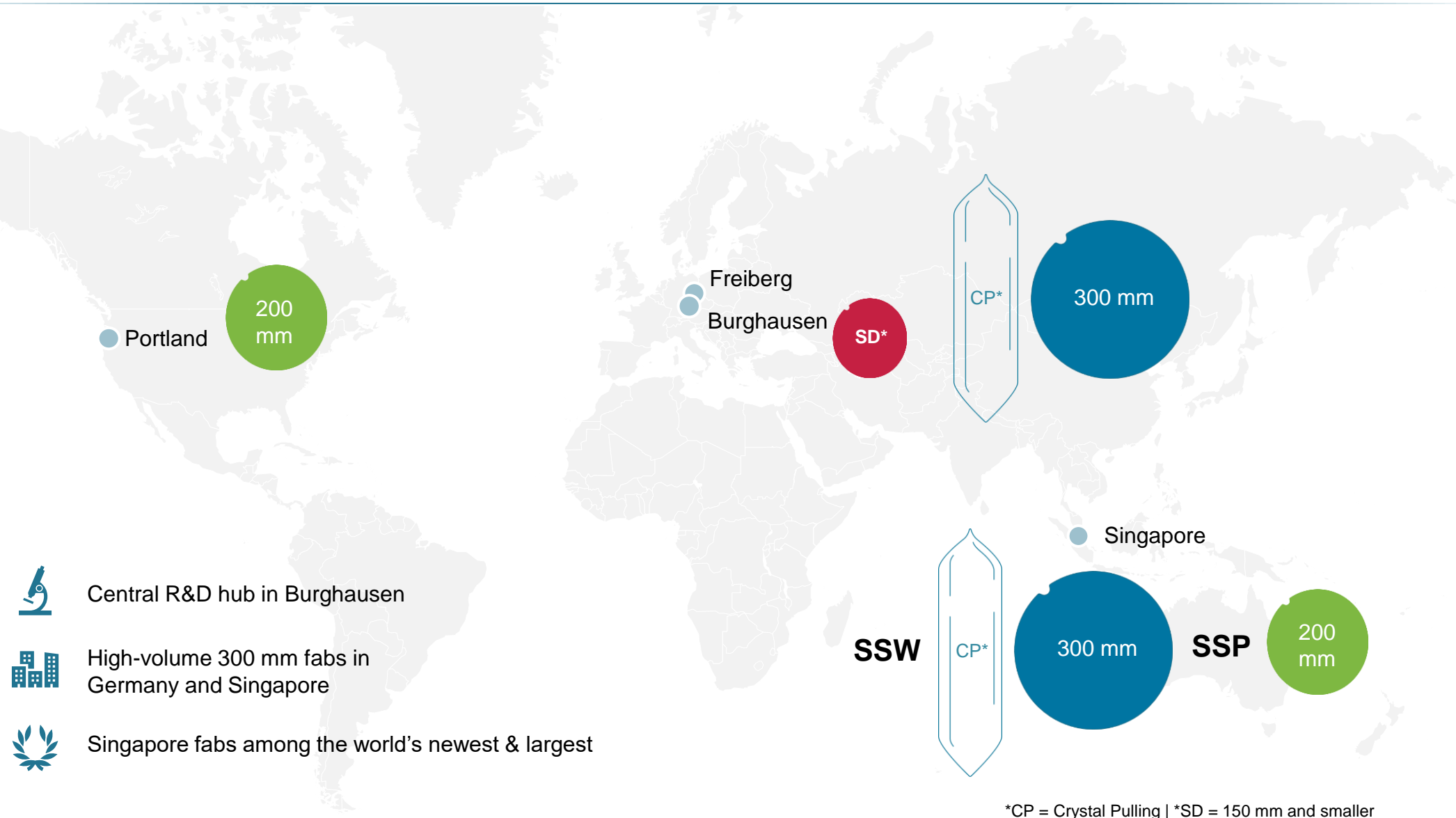
 ~ 4,300 employees

 global scale and reach

 50+ years of history in silicon technologies

 = Production sites, Headquarter in Munich

# International manufacturing network supports strong market position and business focus



Central R&D hub in Burghausen



High-volume 300 mm fabs in Germany and Singapore

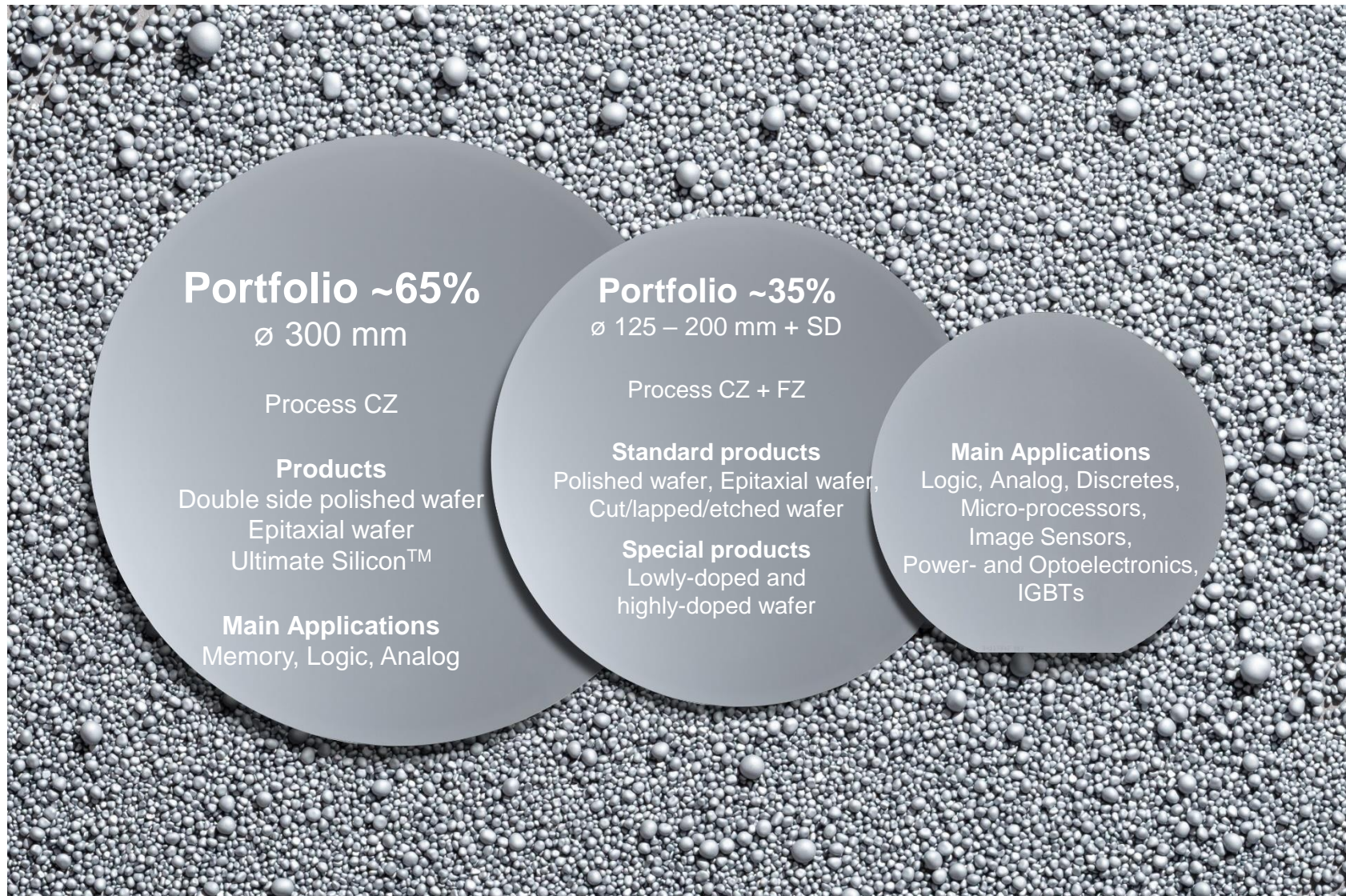


Singapore fabs among the world's newest & largest

\*CP = Crystal Pulling | \*SD = 150 mm and smaller



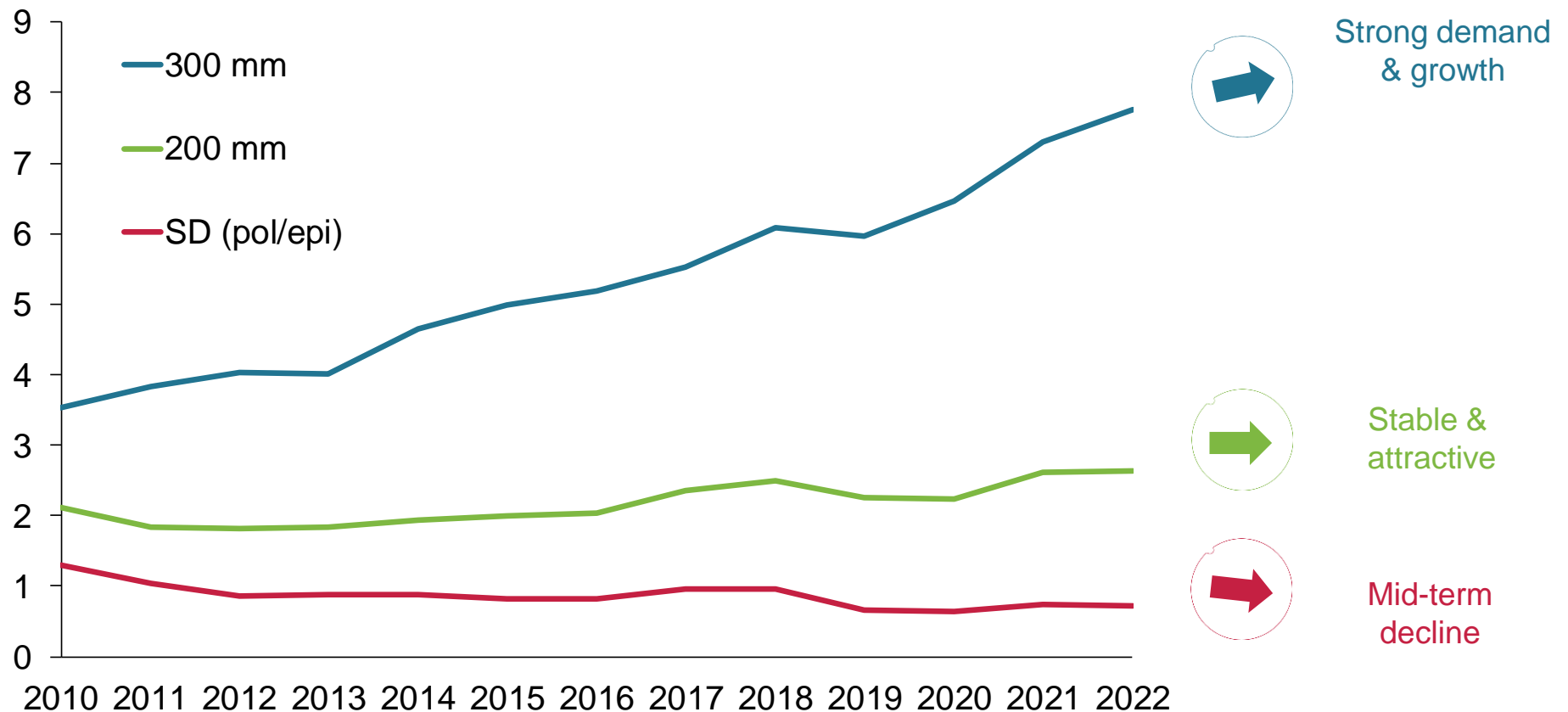
# A broad product portfolio covers standard and leading-edge requirements of the customers



Note: CZ: Czochralski crystal growing, FZ: float zone technology

# Siltronic is focused on growing 300 mm and attractive 200 mm business.

Development of Total Wafer Demand per Diameter, in mn 300 mm equivalents per month



Source: SEMI up to June 2022

# Top technology position complemented with a high level of quality

## A leading position in wafer technology

- ▶ First supplier to ship 300 mm wafers
- ▶ Development of 3 nm design rule started in 2019 (commercialization expected to start in 2022)
- ▶ Concurrently optimizing on 50+ wafer parameters of each design rule
- ▶ Single wafer traceability for 300 mm
- ▶ Standardized processes across sites enabling “copy exactly” at product level



>400 engineers worldwide



Approximately 1,870 pending and active patents in almost 360 patent families\*

## Quality awards from several top semiconductor customers received over the years



## R&D expenditure, in EUR million (% of sales)



\*as of December 31, 2021



# Expansion projects are proceeding according to plan



## FabNext in Singapore



Project timeline and budget on track



Customer LTAs with pre-pay in place for 80 % of FabNext capacity throughout the ramp phase



First shipments to customers in early 2024



## New crystal pulling hall in Freiberg



Project is proceeding well



Construction on track, starting equipment move in in Q3

Top: FabNext construction in Singapore, bottom: CZ expansion in Freiberg

Source: Siltronic AG

# Siltronic Fab Next at Group site in Singapore

## Fab Next

- most modern and cost-efficient 300 mm fab
- construction well on track
- first wafers out in 2024
- R&D hub Burghausen will support expansion on technology topics

## Investment rationale

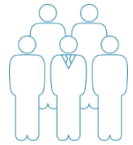
- strong market demand and long term growth
- customers' expansion plans cannot be supported by existing capacity
- substantial part of new capacity secured in LTAs with prepayments

## Capex

- capex of around EUR 2 bn until end of 2024
- high up-front for plant buildings and facilities
- financing based on cash, cash flow, customer pre-payments, and loans/bonds

# Cost-competitiveness a pre-requisite in the wafer industry

## Major cost items



Labor



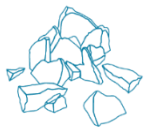
Depreciation



Supplies

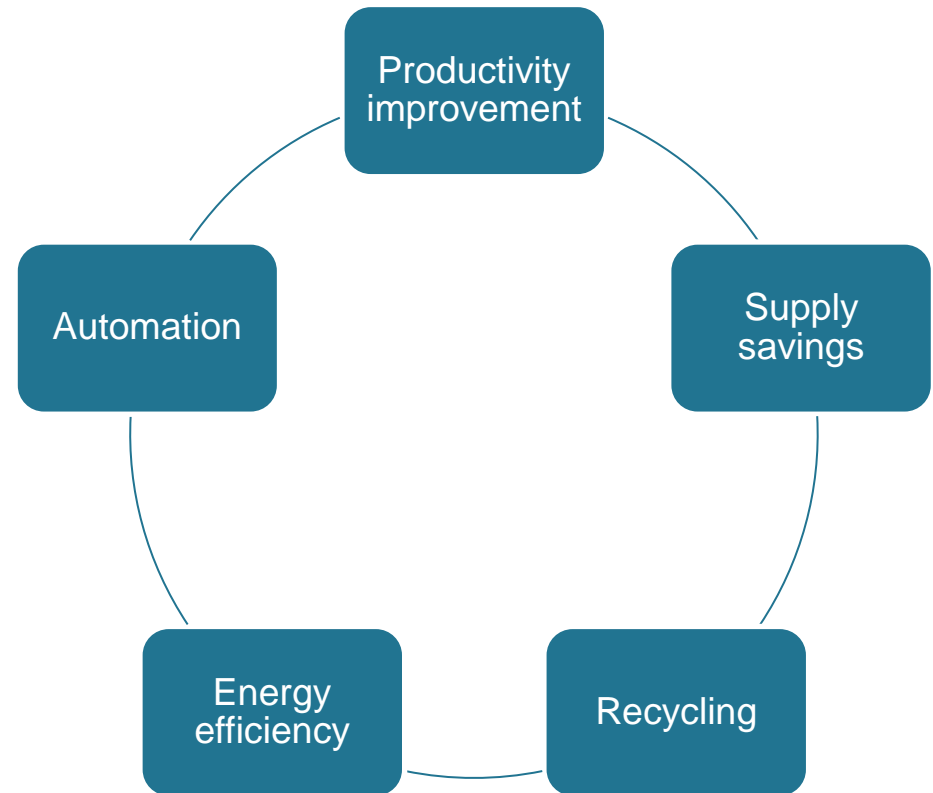


Energy



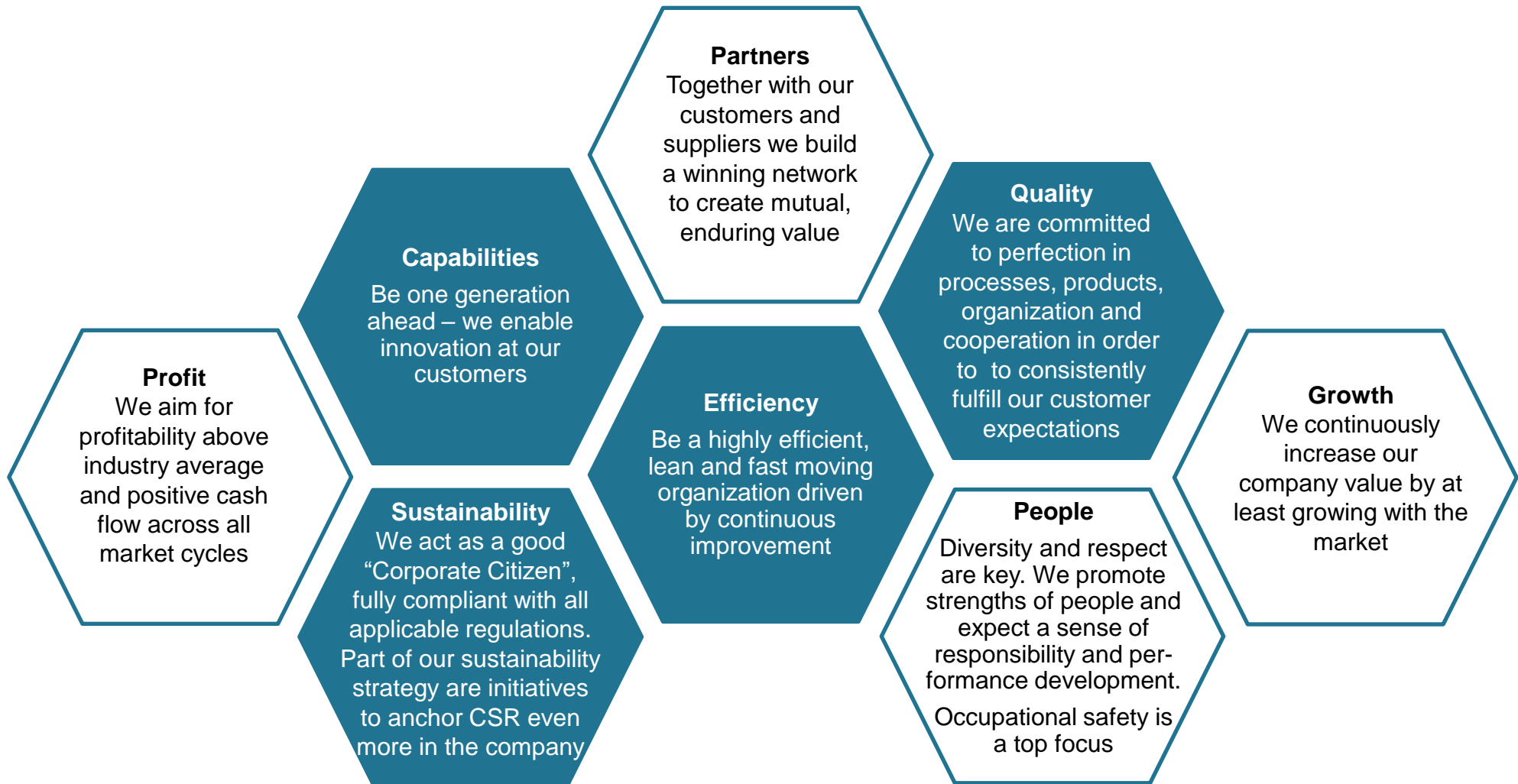
Polysilicon

## Continuous cost roadmaps to counter unit cost increases





# Our objectives and values



# Strategy based on four pillars

Continuously increasing  
the value for our stakeholders



## Grow

by optimizing  
product mix and  
increase  
capacities when  
needed



## Ensure

top technology  
position &  
highest quality



## Improve

financial  
performance &  
cash flow



## Execute

cost reduction  
roadmaps &  
debottlenecking  
concepts

Optimize returns, stay ahead in technology and grow with the market

# Overview Financials

Adjusted financial figures (EUR million)	2017	2018	2019	2020	2021
<b>Sales</b>	1,177.3	1,456.7	1,270.4	1,207.0	1,405.4
<b>EBIT</b>	235.7	497.7	298.3	192.2	316.9
<b>EBIT margin in %</b>	20.0	34.2	23.5	15.9	22.5
<b>EBITDA</b>	353.1	589.3	408.7	332.0	466.4
<b>EBITDA margin in %</b>	30.0	40.5	32.2	27.5	33.2
<b>Earnings per share</b>	6.20	12.40	7.52	5.36	8.44
<b>Capex</b>	123.2	256.9	363.0	187.6	426.6
<b>Free cash flow <sup>1</sup></b>	169.6	416.4	36.4	32.0	108.6
<b>Net cash flow <sup>1</sup></b>	124.8	240.4	81.3	77.4	1.7
<b>Dividend</b>	75.0	150.0	90.0	60.0	90.0

<sup>1</sup> In 2018, Siltronic started reporting the key figure „net cash flow“ instead of „free cash flow“. Net cash flow represents free cash flow without the time shifts created by inflow and return of customer prepayments which, due to the size, impairs the meaningfulness of free cash flow.

# Key investment highlights

## Market Position

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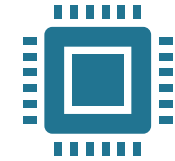
- ▶ Strong market position in the semiconductor and wafer industry



## Strategy

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- ▶ Best-in-class technology and quality



## Customers

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- ▶ Supplier to all top 20 silicon wafer consumers



## Financials

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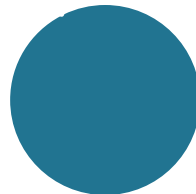
- ▶ Profitable sales increase and on-going efficiency improvement



## Products

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- ▶ High-quality wafers made of hyper pure silicon



## Management

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- ▶ Experienced management team and highly skilled workforce








**Corporate Social  
Responsibility**

# Siltronic Climate Action Program - aligned with Paris agreement to limit global warming to 1.5°C






## Siltronic Climate Action Program

- ▶ Siltronic commits to Science Based Target initiative to limit global warming to 1.5°C:
  - ▶ **mid-term goal:** 50% CO<sub>2</sub>eq reduction (Scope 1 + 2) until 2030<sup>1</sup>
  - ▶ **long-term goal:** net zero until 2045

### ▶ Three main levers:

-  Energy efficiency
-  Own generation of renewable energy
-  Purchasing renewable energy

## CSR targets until 2030

-  Reduce specific energy consumption by 20%<sup>1</sup>
-  Increase waste recycling by 25%<sup>1</sup>
-  Reduce specific water usage by 20%<sup>1</sup>
-  Increase water recycling by 25%<sup>1</sup>
-  Reduce specific greenhouse gas emissions by 50%<sup>2</sup>



<sup>1</sup>) base year 2015

<sup>2</sup>) base year 2021



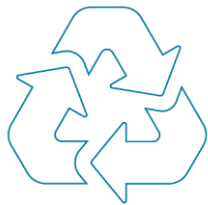
# Siltronic enables technologies for a sustainable future

## Resource efficiency

Innovation driver for environmentally friendly and resource-saving technologies

Industrial automation and smart factories

Increasing wafer content



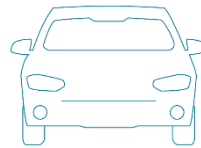
- Raw materials
- Energy consumption
- Water recycling
- Emissions

## Sustainable mobility

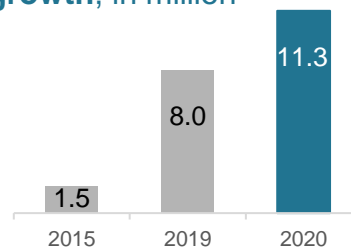
Reduction of transport emissions and carbon footprint to achieve climate targets

Increasing safety and efficiency

EV's with substantially higher wafer content



**Global EV growth, in million**

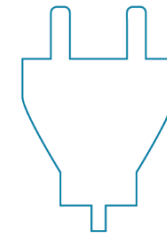


➔ 230 million vehicles estimated in 2030

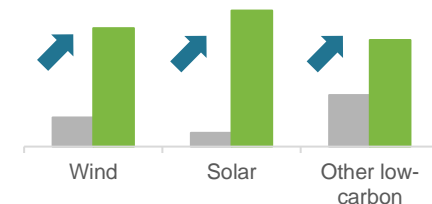
## Clean energy

Wafers as a foundation for semiconductors enable clean, renewable energy sources and improving energy efficiency

Renewable energy needs more and more wafer content



**Change in global electricity, 2000 - 2019 vs. 2019 - 2040**



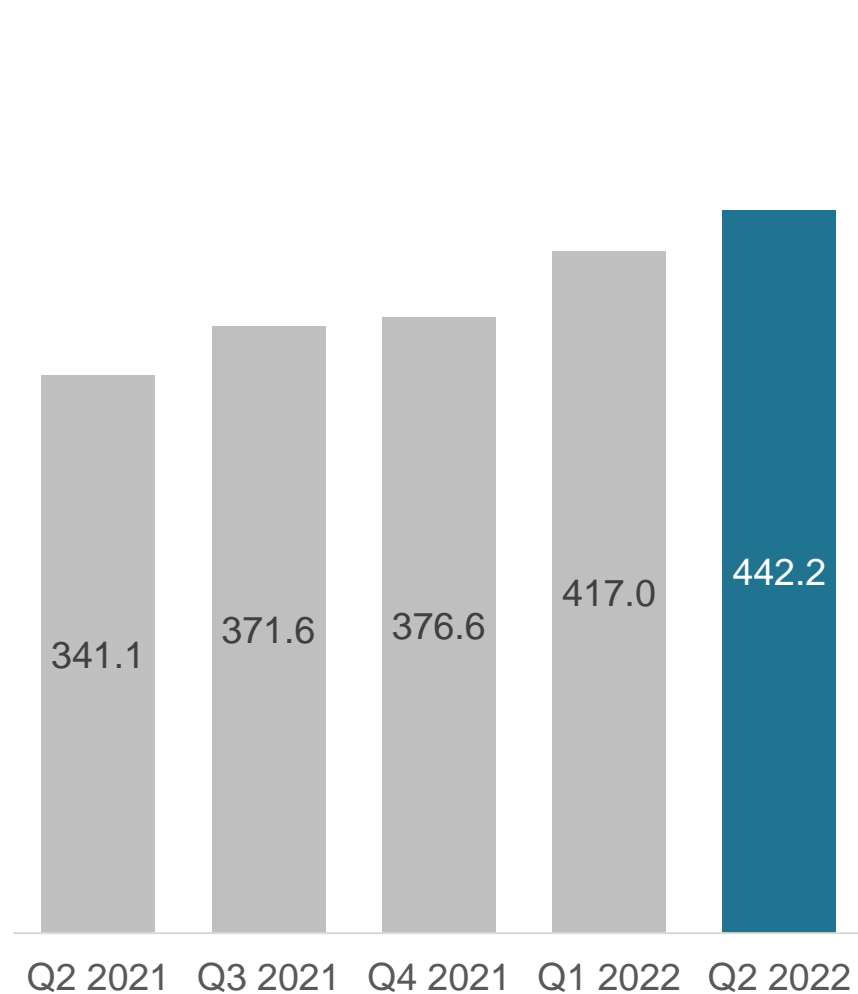
Source: IEA Global EV Outlook 2021; IEA 2020 World Energy Outlook



**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

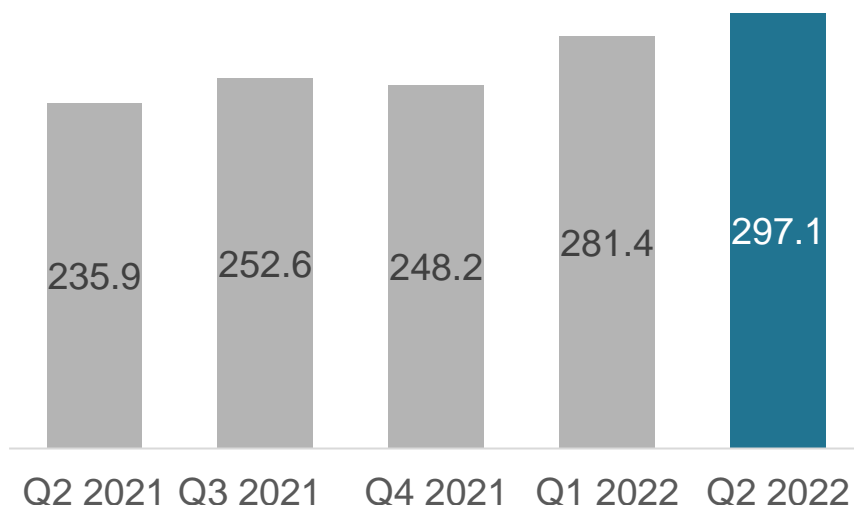
## Comments

- ▶ 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

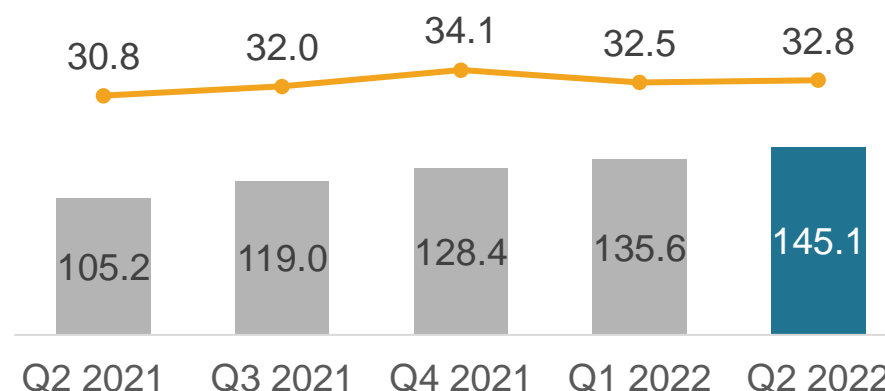


# Higher COGS due to FX and inflation

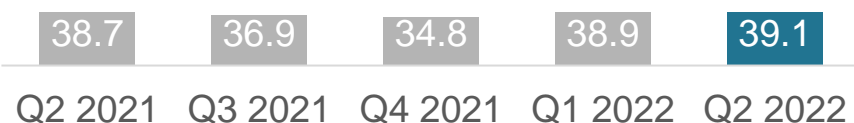
Cost of sales, in EUR mn



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



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

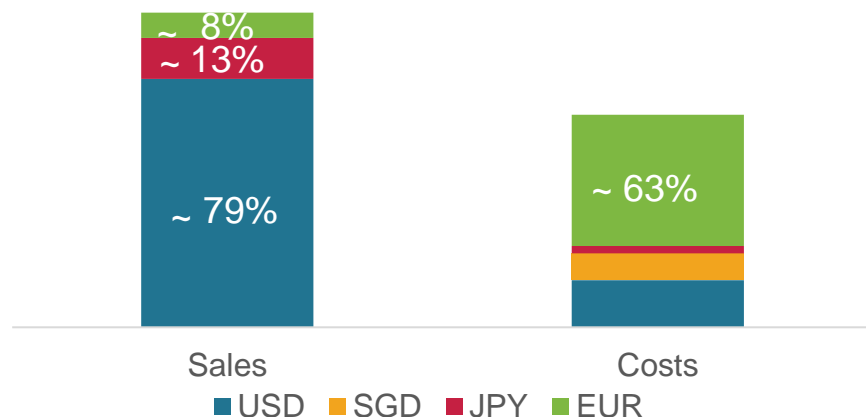


## Comments

- ▶ 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

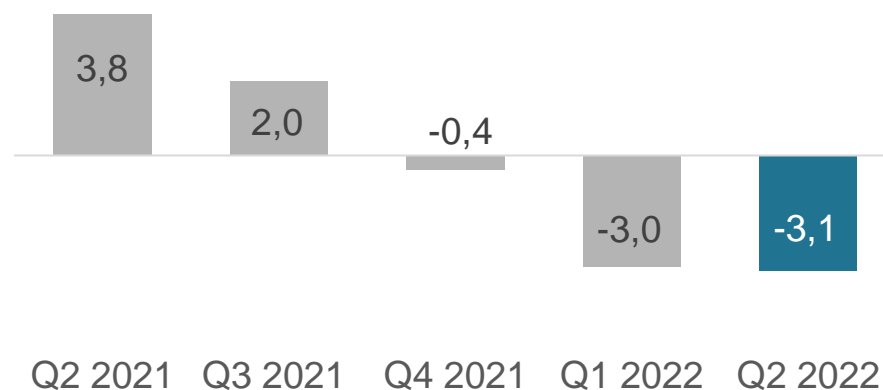
## FX exposure, in %



## 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

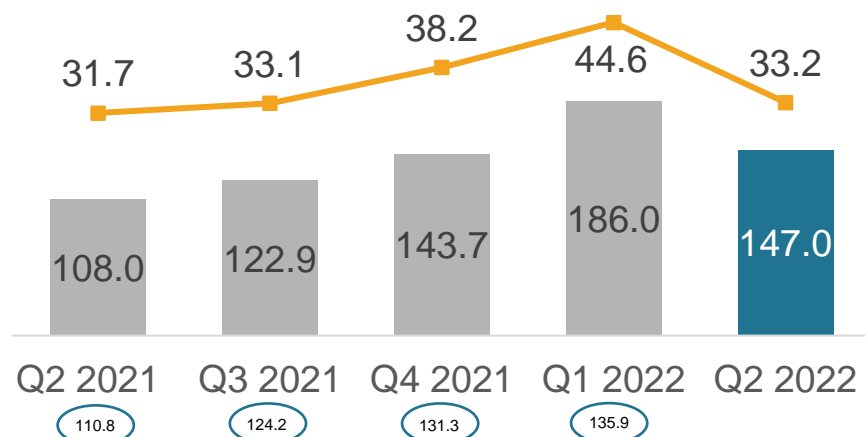


## Comments

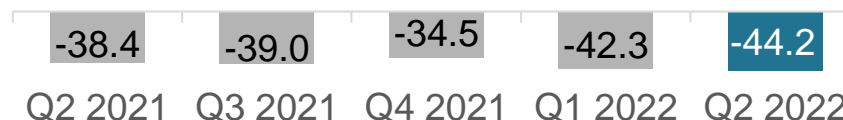
- ▶ Weaker Euro q-o-q
- ▶ High exposure to USD (higher sales) and SGD (higher cost)
- ▶ USD invoicing close to 80%, declining JPY share
- ▶ Tailwind on top line
- ▶ Negative hedging result in Q2

# Strong EBITDA, supported by FX and higher sales prices

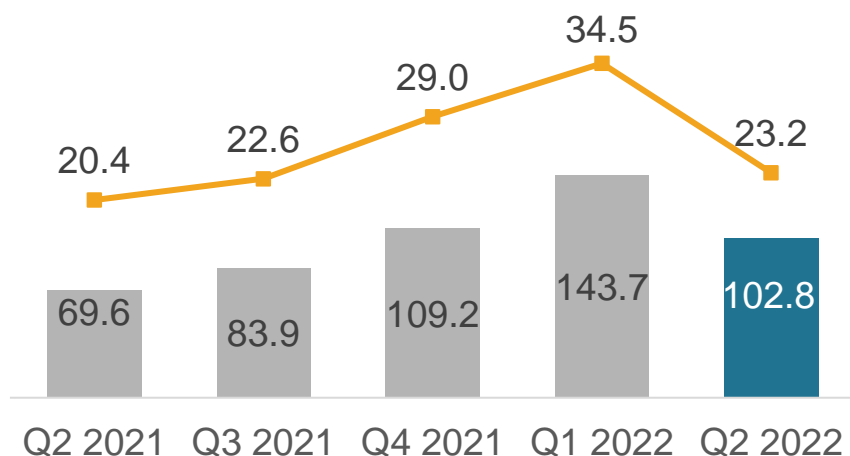
EBITDA, in EUR mn / EBITDA margin, in %



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

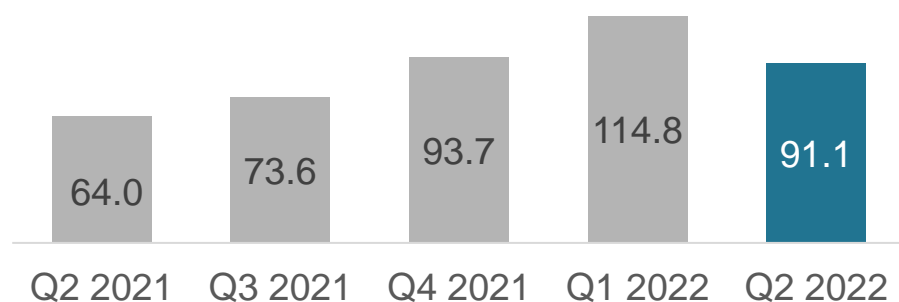
- ▶ Cost increases

○ EBITDA excluding effects related to GlobalWafers tender offer

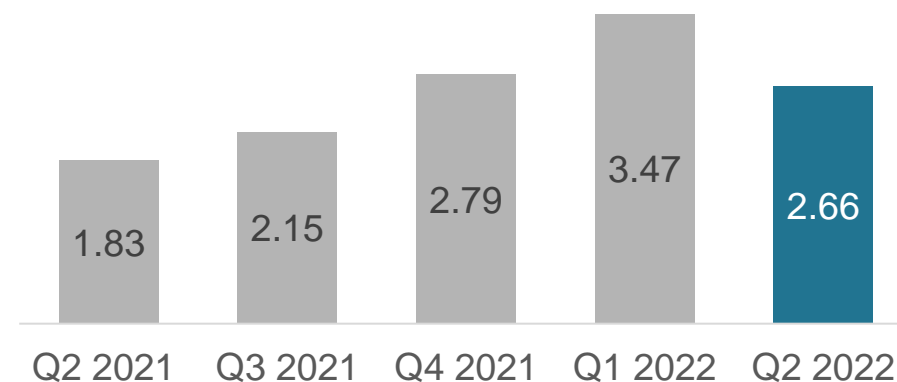


# Net profit of EUR 91.1 million in Q2 2022

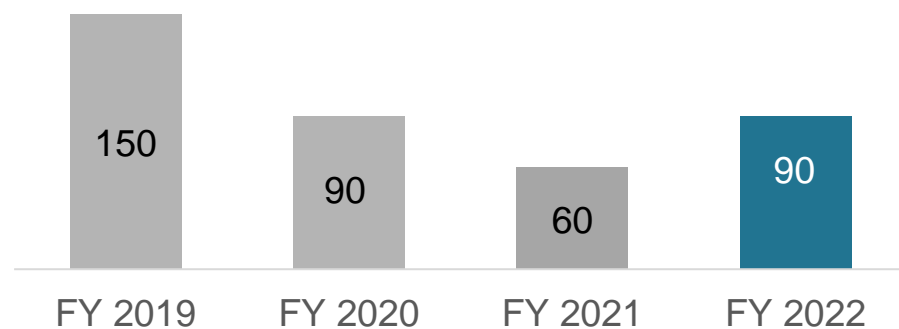
## Net profit, in EUR mn



## EPS, in EUR



## Dividend payment, in EUR mn

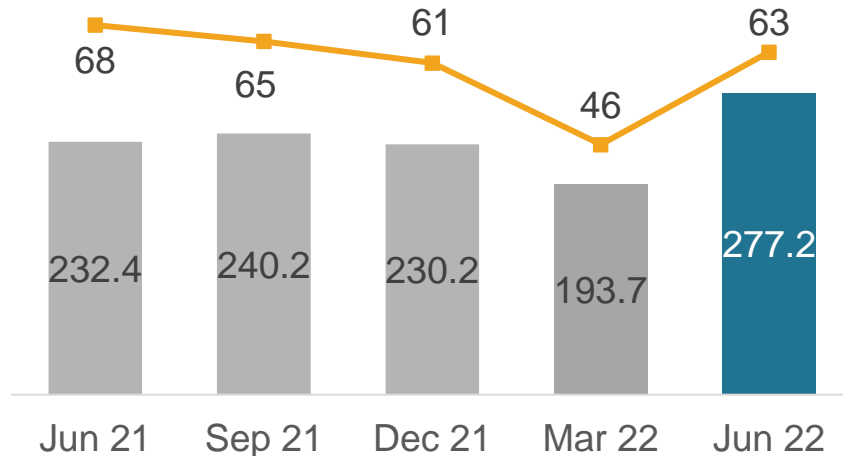


## Comments

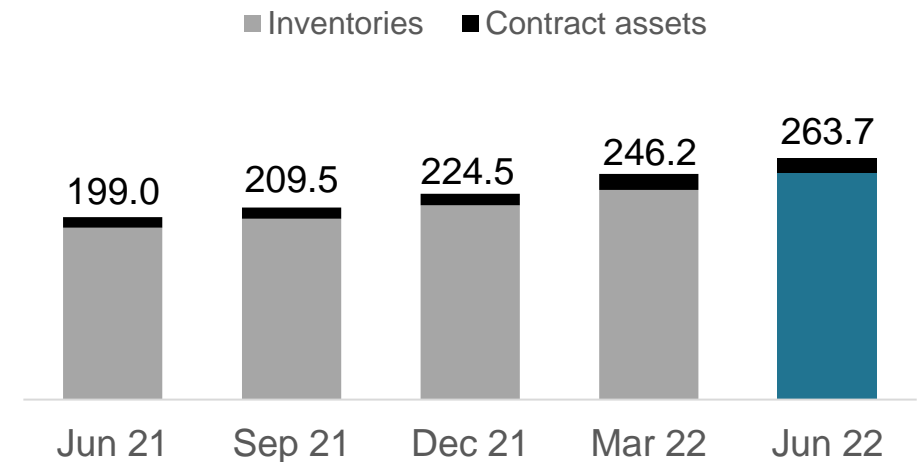
- ▶ Net profit of EUR 205.8 mn in H1 2022; thereof EUR 184.1 mn attributable to Siltronic shareholders
- ▶ Dividend of EUR 3.00 per share = EUR 90 mn dividend payout in May 2022

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

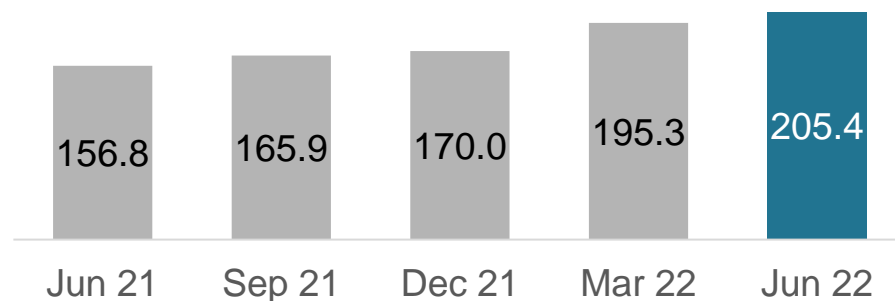
Working capital, in EUR mn,  
Working capital ratio to quarterly sales, in %



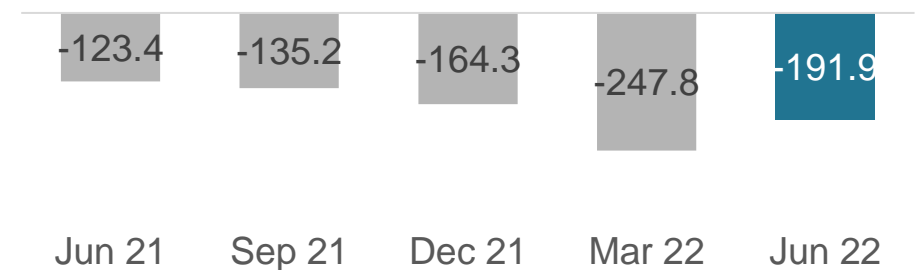
Inventories and contract assets, in EUR mn



Trade receivables, in EUR mn

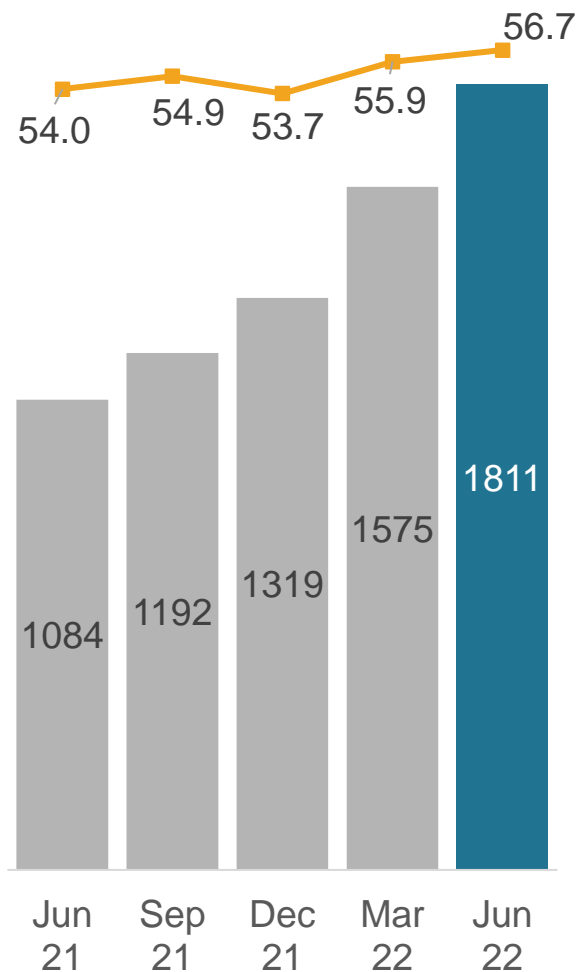


Trade liabilities, in EUR mn



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

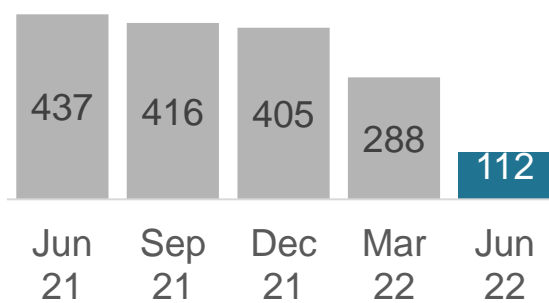
Equity, in EUR mn  
Equity ratio, in %



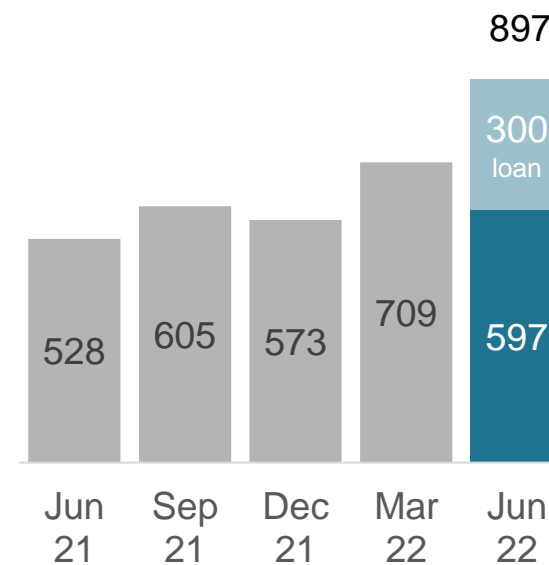
Provisions for pensions,  
in EUR mn

## 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%

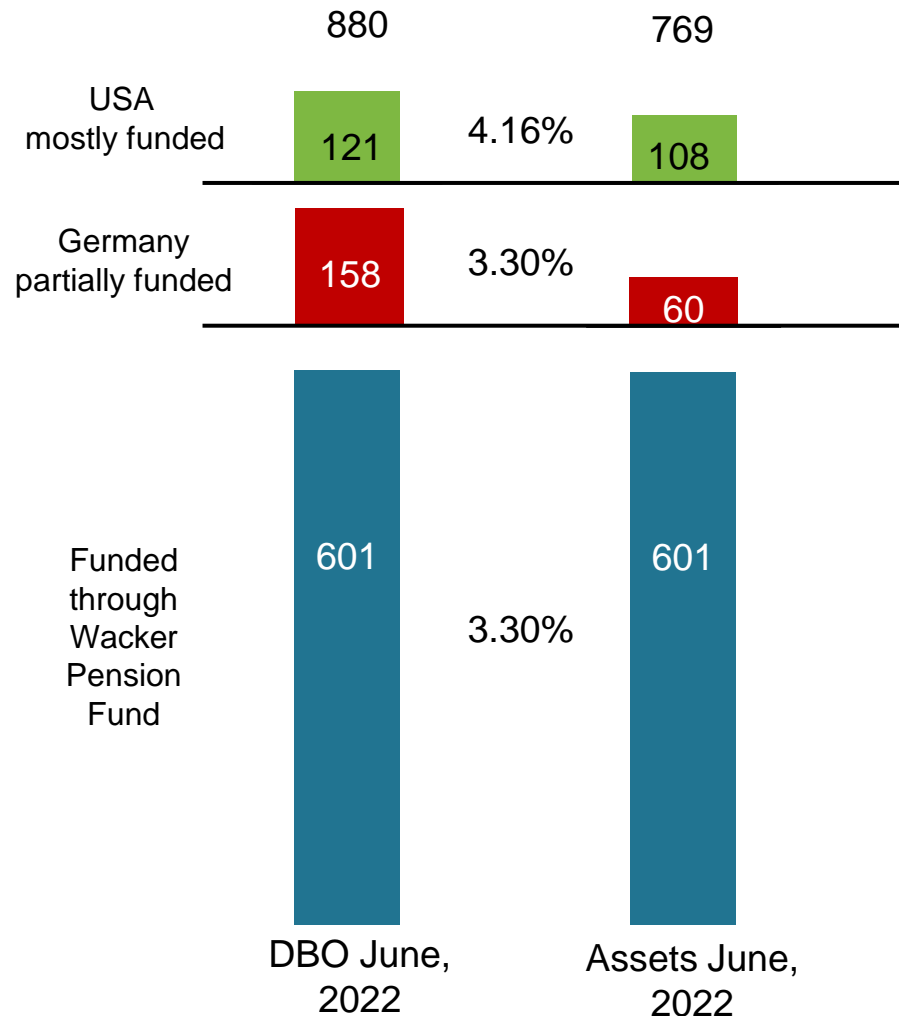


(Net) financial assets,  
in EUR mn



# Pension reserves decreased mainly due to higher IFRS interest rates

## DBO and pension reserves, in EUR mn



## Comment

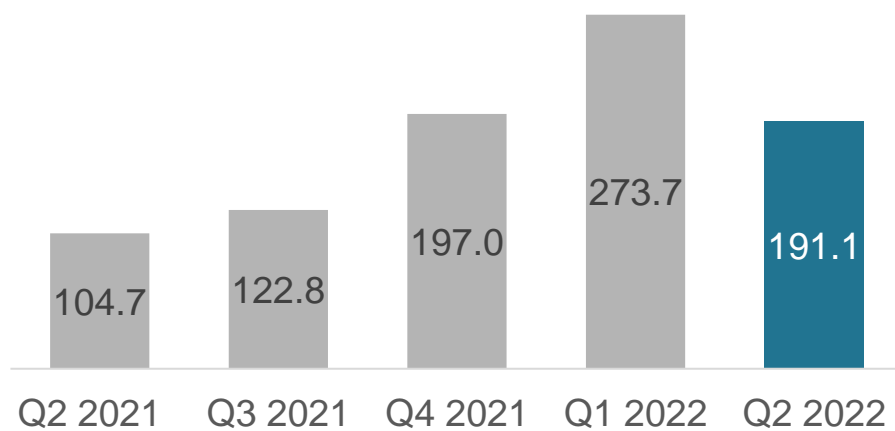
- ▶ DBO of EUR 880 mn - assets of EUR 769 mn = EUR 112 mn
- ▶ IFRS interest uses bond yields only, assets include bonds, equity, real estate and derivatives
- ▶ Wacker pension fund
  - ▶ fully funded under German pension fund regulations using 3.02% interest rate
  - ▶ asset liability study on probability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

≥3.5%	59%
≥3.0%	75%
≥2.5%	86%

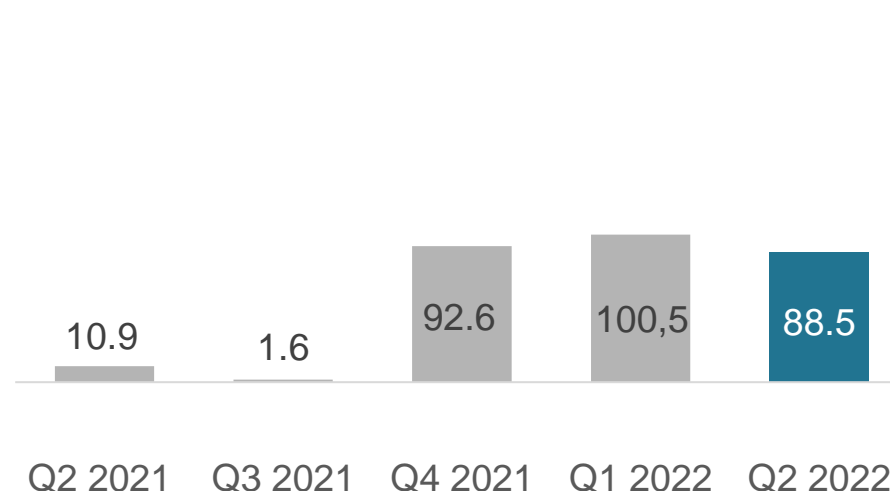
DBO: defined benefit obligation

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

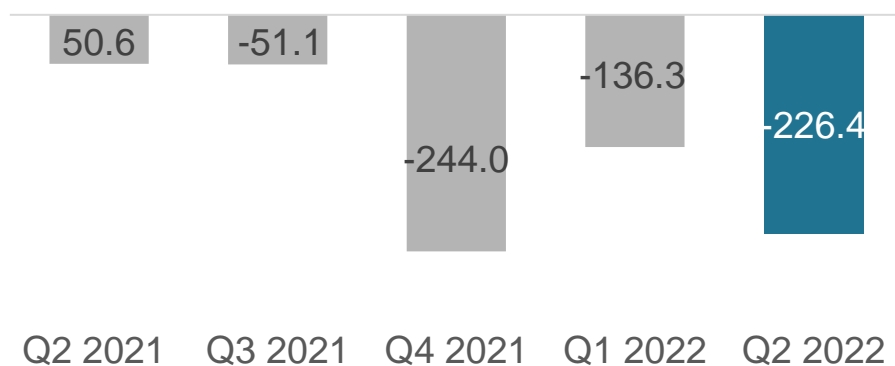
Operating cash flow (OCF), in EUR mn



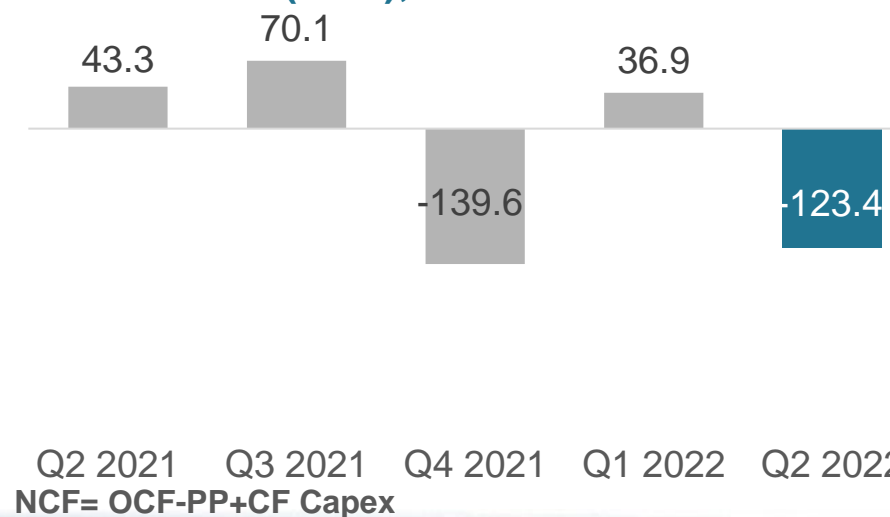
Prepayments net (PP), in EUR mn



CF Capex, in EUR mn

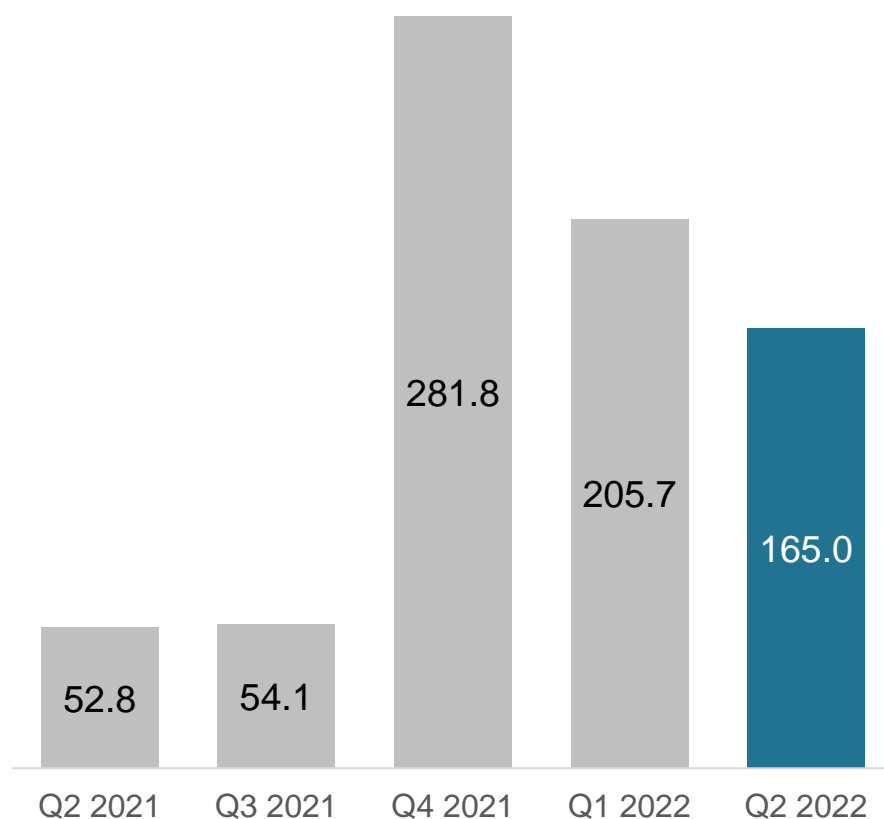


Net cash flow (NCF), in EUR mn



# 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

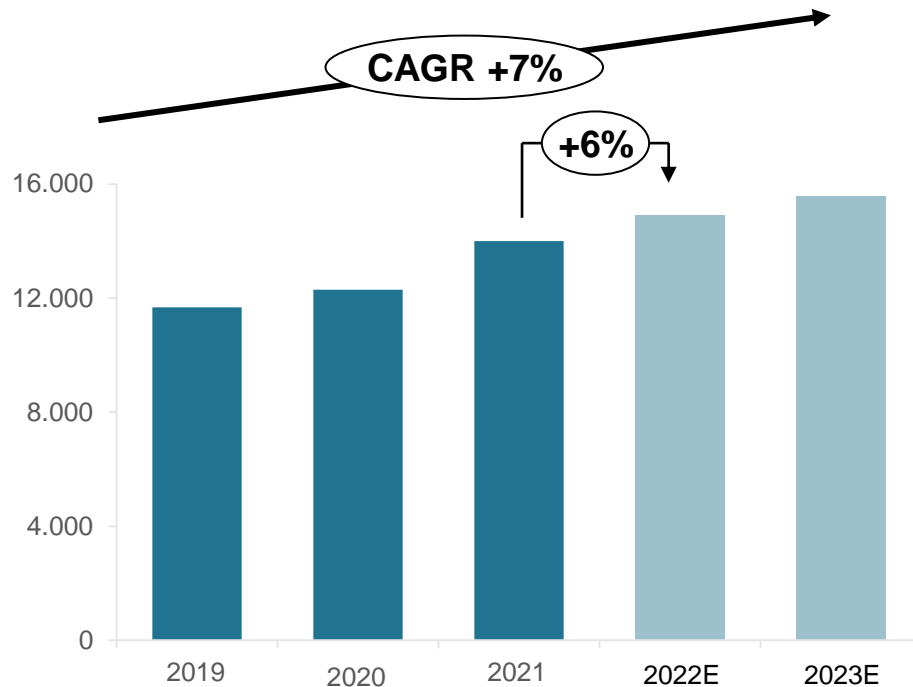


A person wearing a white cleanroom suit and a clear face shield is working in a cleanroom. They are focused on a large, highly reflective, metallic object that is suspended by a thin wire. The object has a conical top and a rounded bottom, resembling a large, polished metal component or a piece of equipment. The background is a clean, industrial environment with various pieces of machinery and equipment. A large, semi-transparent teal circle is overlaid on the left side of the image, containing the text "Outlook 2022".

**Outlook 2022**

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

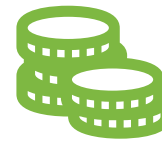
## Expected Global Silicon Wafer Area Demand in mn inch<sup>2</sup>



## 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

## Issuer and Contact

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## Additional Information

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

## Financial Calendar 2022

Q3 Quarterly Statement	October 28, 2022
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# Disclaimer

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