

Siltronic AG

Q3 2020 Conference Call Presentation

October 29, 2020

Highlights Q3 2020: Financials

Sales

– EUR 299.2m (Q2 2020: EUR 323.1m)

EBITDA

– EUR 80.1m (Q2 2020: EUR 100.4m)
– EBITDA margin: 26.8% (Q2 2020: 31.1%)

EBIT

– EUR 43.6m (Q2 2020: EUR 66.9m)
– EBIT margin: 14.6% (Q2 2020: 20.7%)

Capex

– EUR 35.1m (Q2 2020: EUR 48.3m)

Net cash flow

– EUR 28.6m (Q2 2020: EUR 26.7m)

Net financial assets

– EUR 519.3m (June 30, 2020: EUR 509.4m)

Silicon wafer area in Q3 slightly up versus Q2

Logic


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

Industry / Auto

- ▶ Auto: uneven recovering with China up, US and Europe flattish and RoW down
- ▶ Industry applications: mixed
- ▶ Hybrid and electrical cars: strong pick up
- ▶ Corona-driven uncertainty

Memory

- ▶ Raw wafer inventory levels slightly up
- ▶ Partly elevated inventories in value chain, e.g. for server components
- ▶ Overall uncertainty due to US-China trade tensions



300 mm epi	stayed strong q-o-q
300 mm pol	increased q-o-q
200 mm	weakened q-o-q
SD	stable on a low base q-o-q

- ▶ Price trend flattish q-o-q

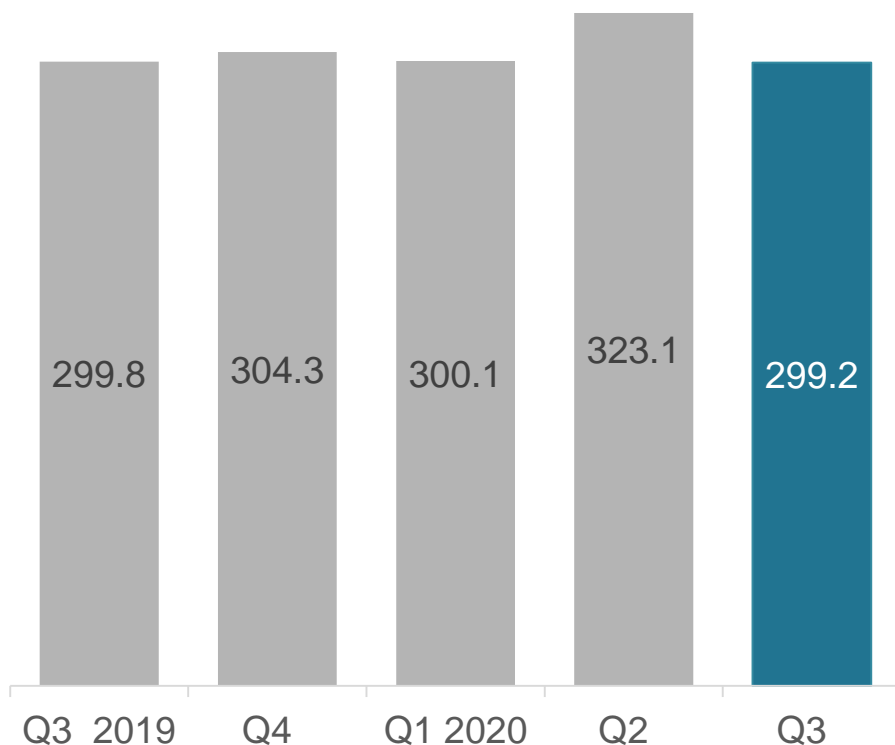


FINANCIALS

Q3 2020

Q3 sales down due to FX and product mix

Sales, in EUR m



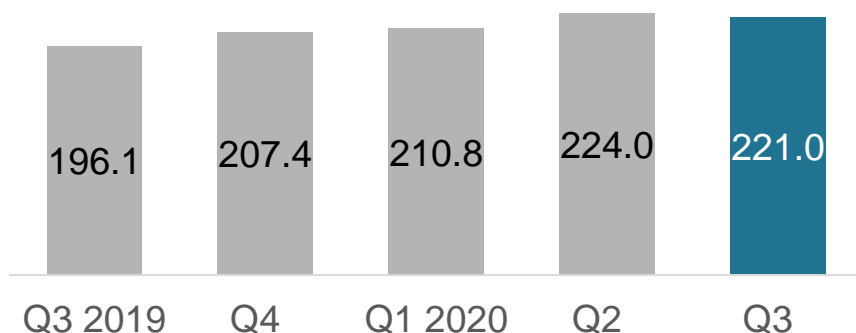
Ø FX rates	Q3/19	Q4	Q1/20	Q2	Q3
EUR / USD	1.11	1.11	1.10	1.10	1.17
EUR / JPY	119	120	120	118	124

Comments

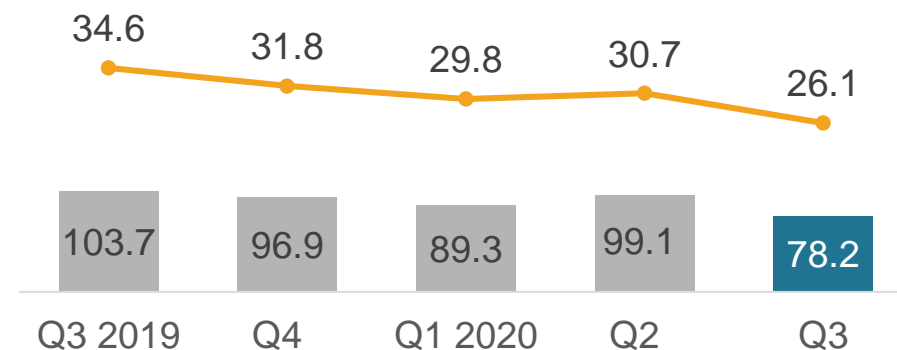
- ▶ Wafer area up q-o-q and y-o-y
- ▶ Flattish price trend q-o-q
- ▶ Strong headwind from:
 - ▶ EUR strength (negative EUR 16m impact q-o-q)
 - ▶ Negative impact from product mix in Q3
- ▶ ASP down y-o-y, stable q-o-q

Positive cost trend per wafer area despite higher depreciation

Cost of sales, in EUR m



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



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

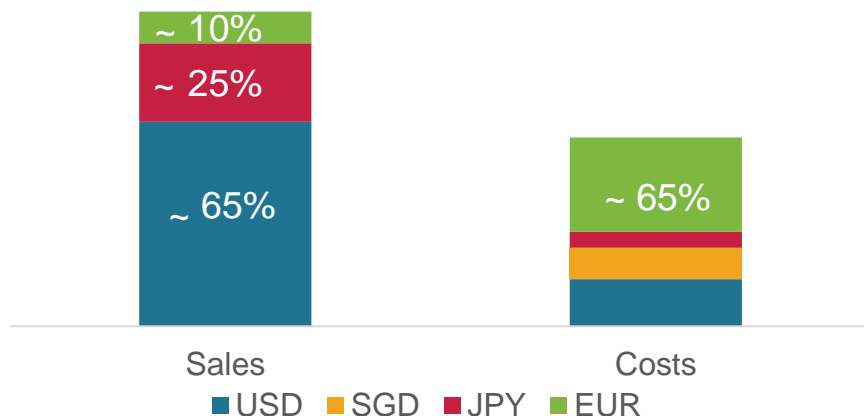


Comments

- ▶ COGS slightly down
 - ▶ Less FX effect than on sales q-o-q
 - ▶ Good progress on cost savings including profitability despite higher scheduled depreciation
- ▶ Q3 gross margin down due to FX and negative product mix

High US-Dollar and Japanese Yen exposure

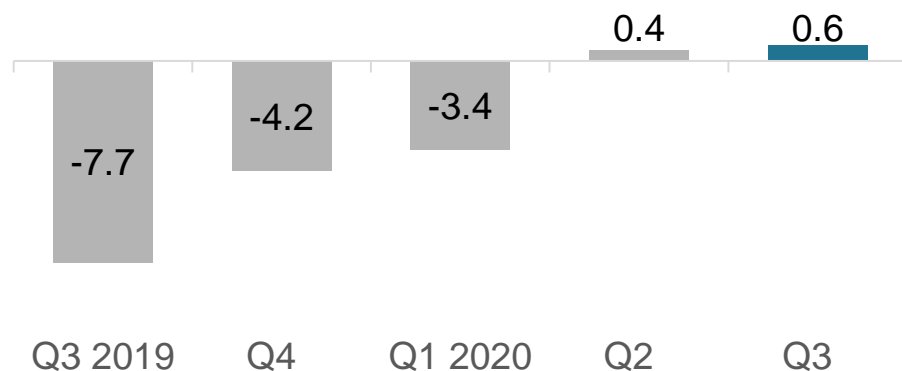
FX exposure, in %



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

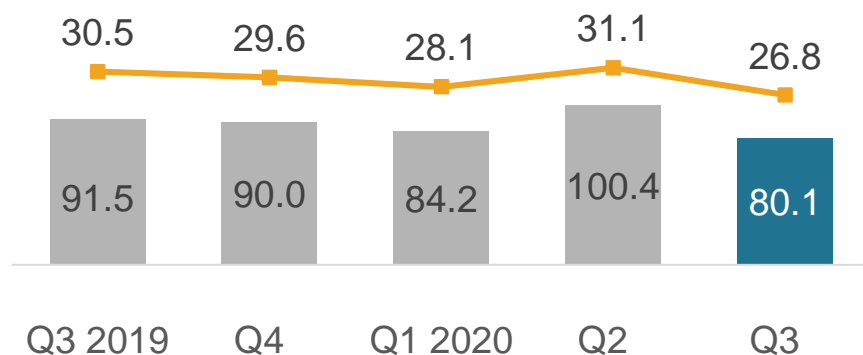


Comment

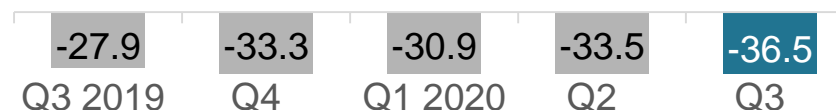
- ▶ Positive currency effect 2020 vs. 2019
 - ▶ Q1-Q3 2019: expense of EUR 22.8m
 - ▶ Q1-Q3 2020: expense of EUR 2.4m

Strong Euro and change in product mix negative for earnings

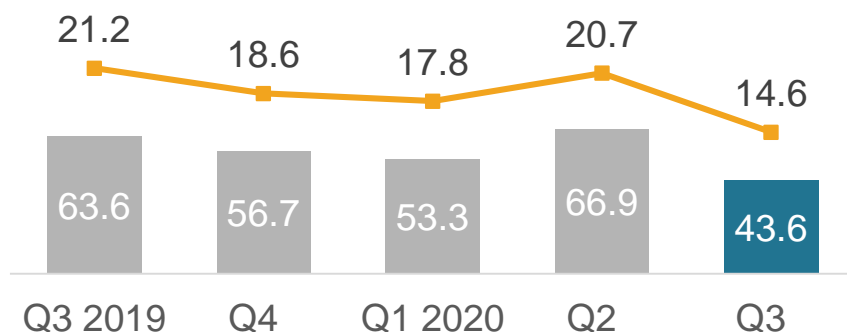
EBITDA, in EUR m / EBITDA margin, in %



Depreciation, in EUR m



EBIT, in EUR m / EBIT margin, in %

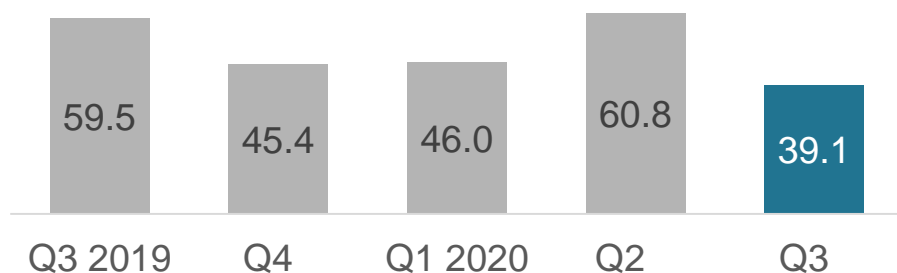


Comments

- ▶ Strong headwind from EUR strength
- ▶ Negative impact from product mix in Q3
- ▶ Depreciation increased as scheduled q-o-q

Net profit of EUR 39 million

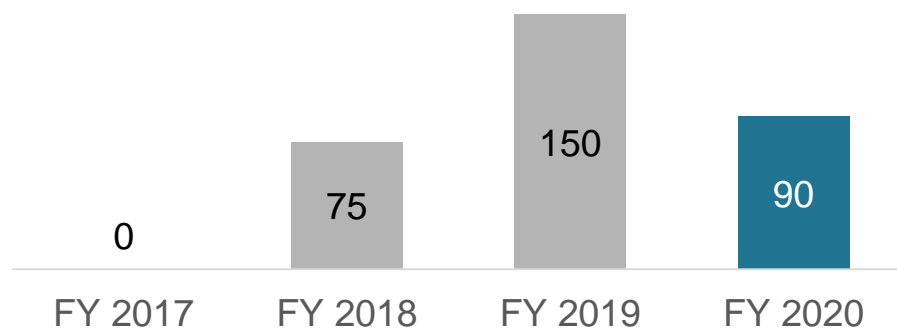
Net profit, in EUR m



EPS, in EUR



Dividend payment, in EUR m

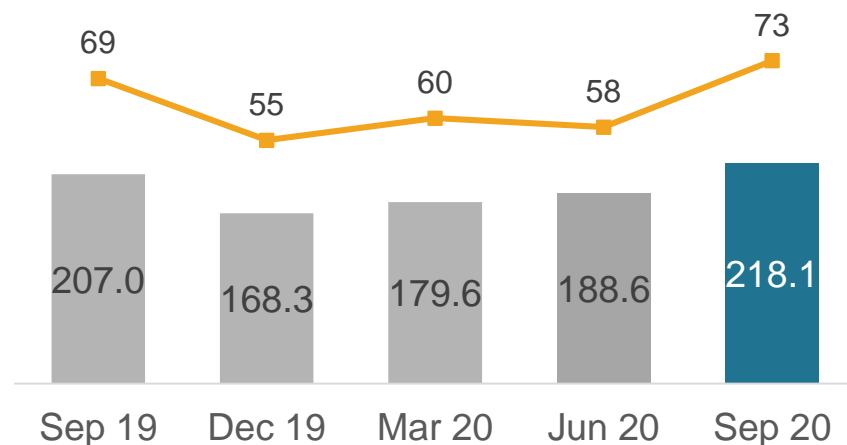


Comments

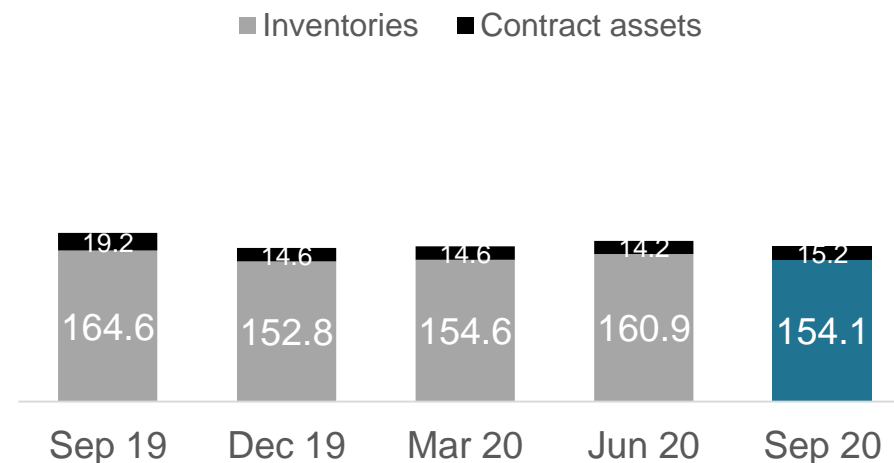
- ▶ Net profit of EUR 39m in Q3
- ▶ Q3 tax rate of 9%
- ▶ Q1-Q3 tax rate down from 12% to 8% y-o-y

Working capital significantly up due to higher trade receivables and lower trade liabilities

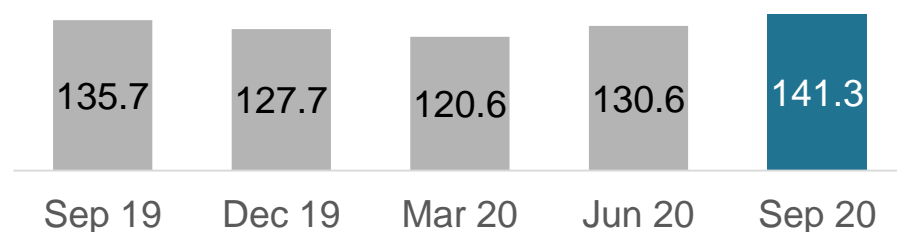
Working capital, in EUR m
Working capital ratio to quarterly sales, in %



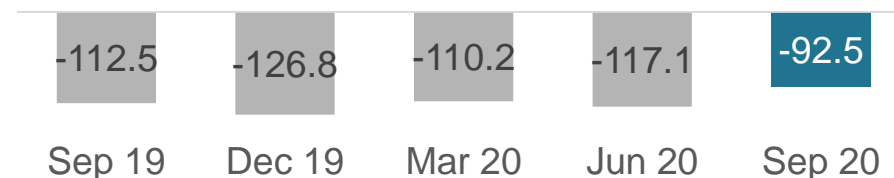
Inventories and contract assets, in EUR m



Trade receivables, in EUR m

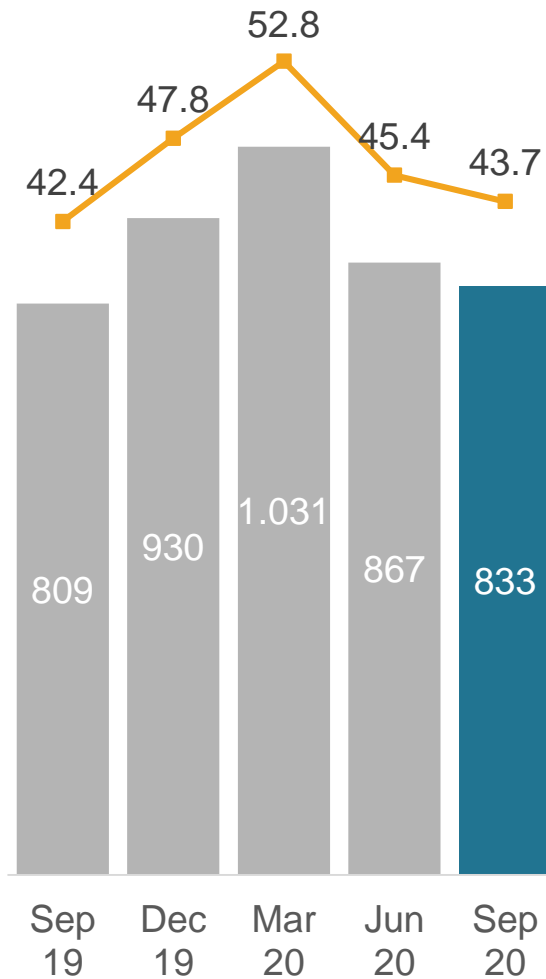


Trade liabilities, in EUR m



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

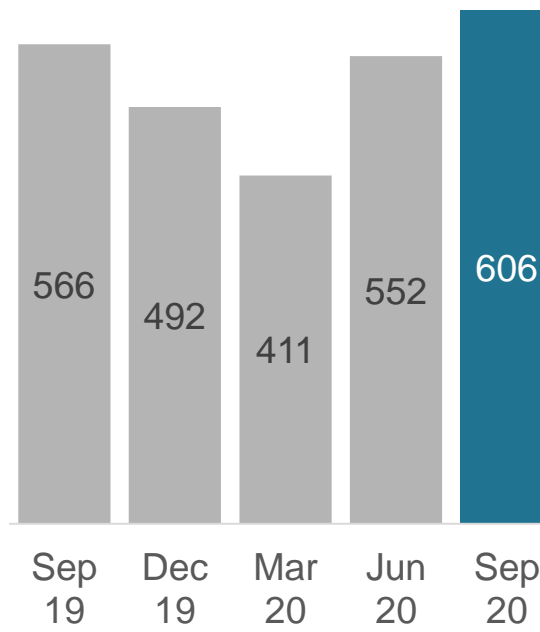
Equity, in EUR m
Equity ratio, in %



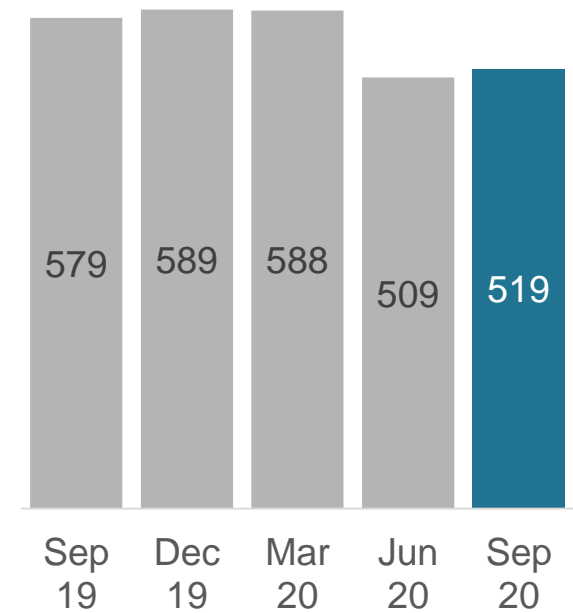
Provisions for pensions, in EUR m

Interest rates IFRS

USA	2.99%	2.98%	2.88%	2.46%	2.41%
Germany	0.97%	1.24%	1.92%	1.23%	0.95%

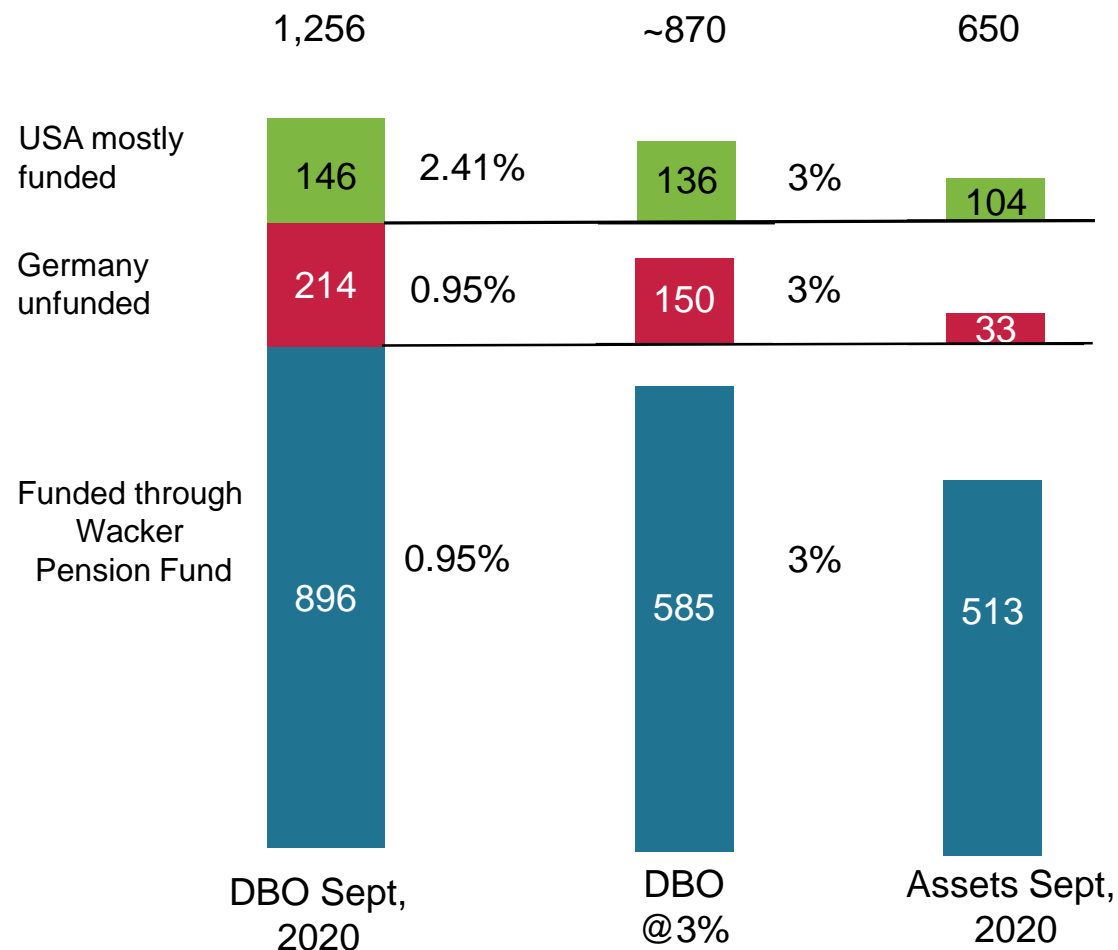


Net financial assets, in EUR m



Pension reserves up due to lowest IFRS interest rate in Germany in Siltronic history

DBO and pension reserves, in EUR m

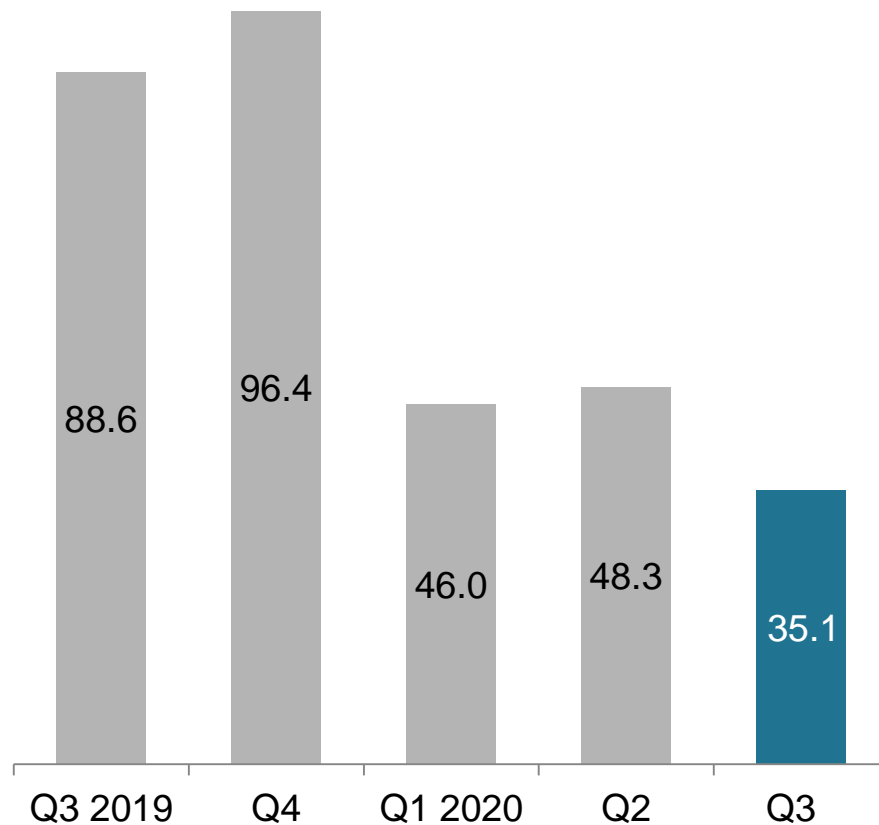


Comment

- ▶ DBO of EUR 1,256m ./ assets of EUR 650m = EUR 606m
- ▶ Pension reserves @3% = DBO of EUR ~870m ./ assets EUR 650m = EUR ~220m
- ▶ 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

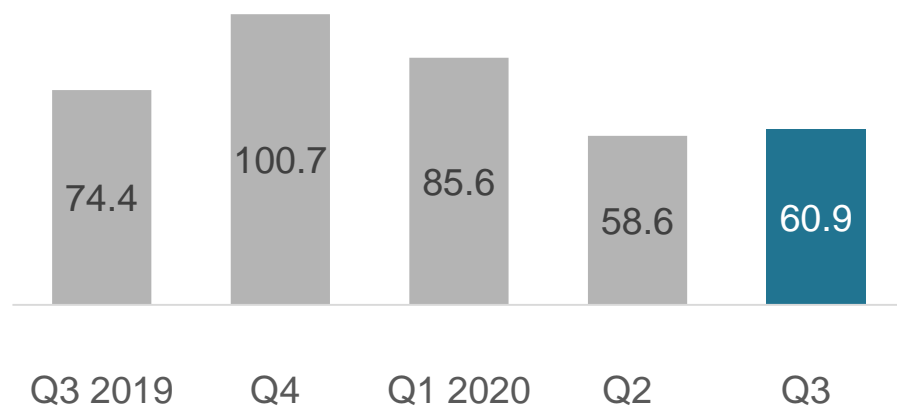


Comment

- ▶ Q1 included some roll-over from 2019 projects
- ▶ Planned capability and capacity expansion projects should be mostly completed by year-end
- ▶ Epi expansion in H2 to accommodate demand and market growth

Net cash flow clearly positive

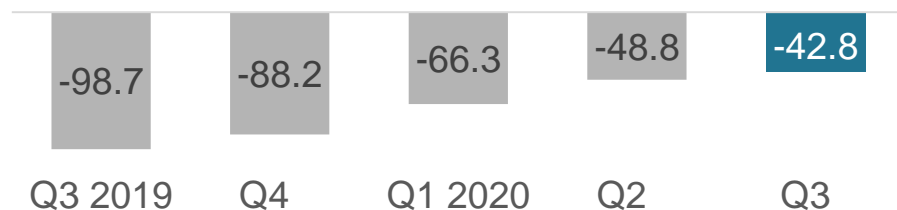
Operating cash flow (OCF), in EUR m



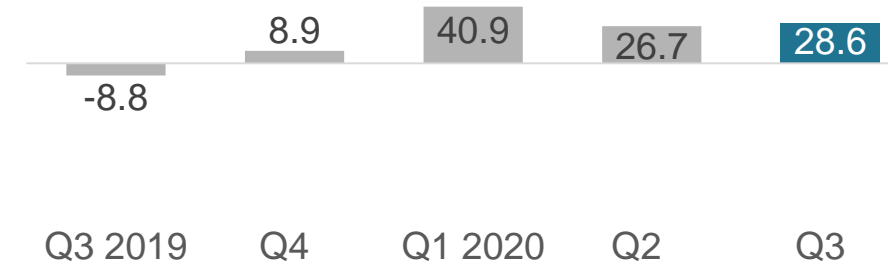
Customer prepayments net (PP), in EUR m



CF Capex, in EUR m



Net cash flow (NCF), in EUR m



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

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OUTLOOK

Siltronic Outlook 2020 (as of July 21, 2020) - unchanged

Sales

– mid-single digit %-range below 2019 with a slight sequential decrease in H2 vs. H1

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

Net cash flow

– slightly below 2019

Earnings per share

– significantly below 2019

Positive development of wafer volume in Q4 2020

300 mm

- Strong foundry and logic business
- Uncertainty due to US-China trade tensions might lead to elevated inventories
- Digestion of server components

200 mm

- High exposure to automotive and industry where end markets are mixed
- Assume some inventory digestion

SD

- Some recovery from a low base

What to expect in the short-term and medium-term

Short-term development

- ▶ Foundry and logic business to stay strong
- ▶ In memory, server-related inventories seem to be in a digestion phase
- ▶ Smartphones should see a recovery driven by 5G
- ▶ Server market seems to be softening
- ▶ Demand from automotive industry in recovery mode but under Corona uncertainty

Mid-term growth drivers for wafer volumes intact

- ▶ Smartphone recovery and content growth intact
- ▶ Notebooks and Chromebooks stronger driver for PC growth than desktop PCs
- ▶ Server market more driven by cloud servers with higher silicon content
- ▶ Auto units expected to recover with higher silicon content (ADAS) and more xEV



APPENDIX

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 2020

Preliminary Figures FY 2020 January 29, 2021



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