

FY'20 Annual Results



SOITEC

June 11 2020



Disclaimer

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The Company’s business operations and financial position is described in the Company’s registration document 2018-2019 registered by the Autorité des marchés financiers (the “AMF”) on July 4th, 2019 under visa D.19-0649 (the “Document de Référence”) and in the Company’s FY’20 half year report released on December 2nd, 2019. Copies of the Document de Référence and of the FY’20 half-year report are available in French and English language through the Company and may also be consulted and downloaded on the Company’s website (www.soitec.com). The Document de Référence is also available on the AMF’s website (www.amf-france.org).

Your attention is drawn to the risk factors described in Chapter 2 of the Document de Référence.

This document contains summary information and should be read in conjunction with the Document de Référence and the FY’20 half-year report.

This document contains certain forward-looking statements. These forward-looking statements relate to the Company’s future prospects, developments and strategy and are based on analyses of earnings forecasts and estimates of amounts not yet determinable. By their nature, forward-looking statements are subject to a variety of risks and uncertainties as they relate to future events and are dependent on circumstances that may or may not materialize in the future. Forward-looking statements are not a guarantee of the Company’s future performance.

The Company’s actual financial position, results and cash flows, as well as the trends in the sector in which the Company operates may differ materially from those contained in this document. Furthermore, even if the Company’s financial position, results, cash-flows and the developments in the sector in which the Company operates were to conform to the forward-looking statements contained in this document, such elements cannot be construed as a reliable indication of the Company’s future results or developments.

The Company does not undertake any obligation to update or make any correction to any forward-looking statement in order to reflect an event or circumstance that may occur after the date of this document. In addition, the occurrence of any of the risks described in Chapter 2 of the Document de Référence may have an impact on these forward-looking statements.

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Outline

1 FY'20 Highlights

2 Business Units highlights

3 FY'20 financials

4 Outlook

Outline

1 FY'20 Highlights

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4 Outlook

FY'20 Highlights – Continuing our strong profitable growth and value creation trajectory

Semiconductor megatrends

Differentiated engineered substrates to serve our strategic end markets

Key figures in FY'20

5G



AI



EE*



~600 M€ sales

+28% y/y organic growth in FY'20
Sales x2.5 in last 3 years

31% EBITDA margin

EBITDA x4.5 in last 3 years

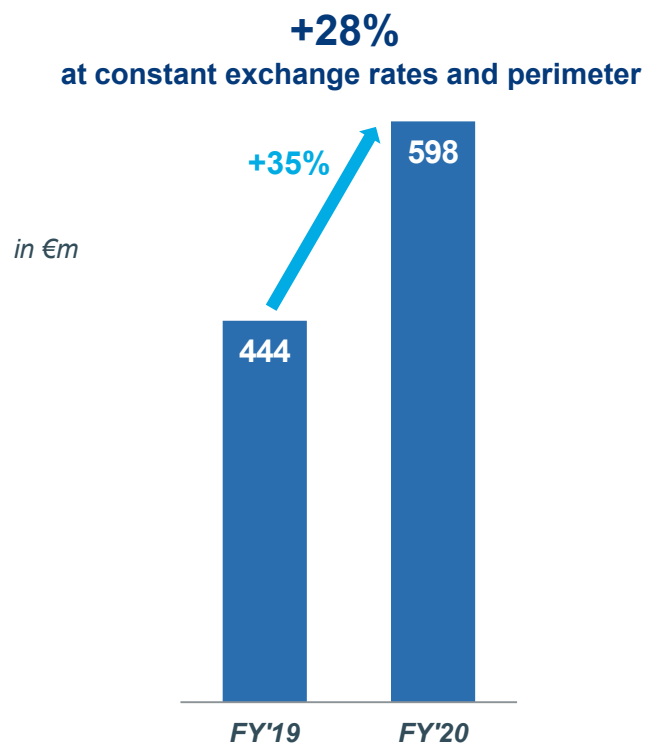
~3 B€ market cap

Share price x2 in last 3 years

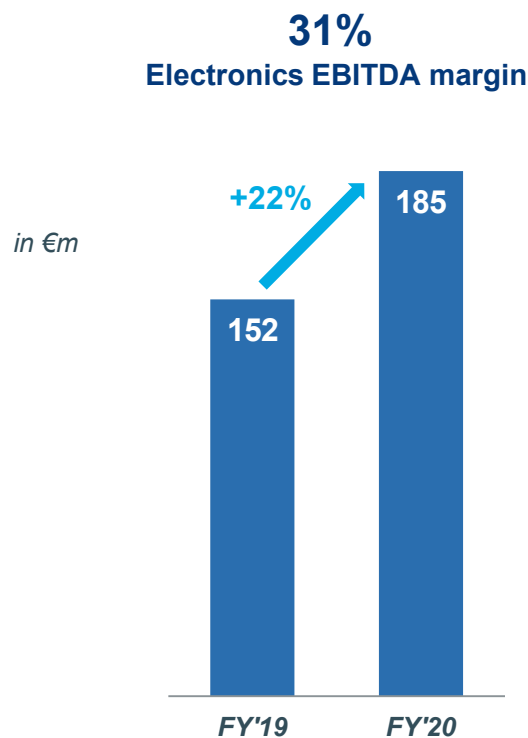
*Energy Efficiency

FY'20 – Financial highlights

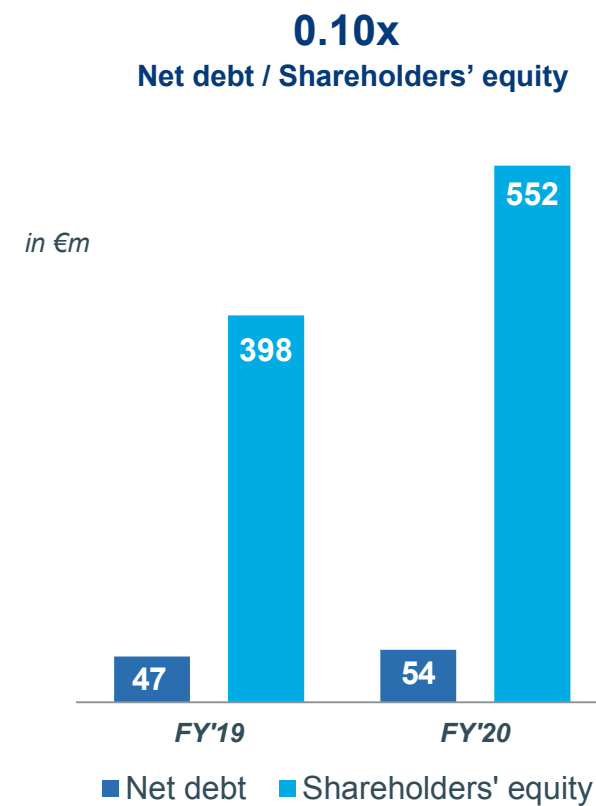
Sharp increase in revenues



Sustained Electronics EBITDA margin



Strengthened balance sheet



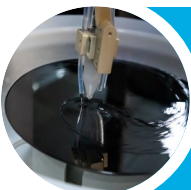
FY'20 highlights – Steady expansion across the company to support profitable growth

TALENT



- › 1,600 employees globally
 - › +350 new headcounts in FY'20
 - › +300 in France, +50 in Singapore
- › 6.9M€ invested by employees in the co-investment plan
- › New organization with Business Units focused on Strategic end markets and Singapore reinforced as business hub with stronger Corporate executive presence – Successful integration of EpiGaN
- › Success of the co-investment campaign in preferred shares (1/3 of eligible employees participated) and of the ESPP (74% participation in France)
- › Gender equality index at 89/100 highlighting good results in closing pay gap and equal access to merit increase and promotions

INNOVATION



- › **45 M€ invested in innovation programs**
 - › 10 M€ in funding
 - › 32 new patents
- › Silicon Carbide: joint-development agreement with Applied Materials
- › 1st generation POI products moved to industrialization and ramp-up
- › Substrate Innovation Center now operational within CEA-Leti clean room
- › Expanding core business with new programs on MEMS and 3D integration

OPERATIONS



- › **110 M€ committed capex**
- › Bernin I & II running at full capacity
- › Bernin III ramping up & preparing fab expansion up to 500K wafers/year
- › GaN epiwafers: High volume manufacturing tool qualified in Hasselt
- › Singapore running both FD & RF (expanding both SOI & Epi capacity)
- › Simgui capacity expanded to 350K wafers/year

SUPPLY CHAIN



- › 30% growth of raw silicon wafer sourcing
- › Long term contracts in place
- › Supply chain poised to absorb future industry growth thanks to trusted long term relationships with key suppliers
- › Global procurement team spanning France, Singapore and China
- › Expanding supplier base globally to adapt to new products and technologies (POI, SiC, GaN)

Covid-19 pandemic – we are getting out stronger company from the crisis

PROTECTING PEOPLE



- › Masks provided and mandatory for every single person on Soitec sites
- › Infrared measurement to check body temperature at site entrance
- › Gel manufactured and provided on site
- › Protocol in place, split incoming/outcoming flow when alternating teams, alternate engineers work from home

MAINTAINING OUR OPERATIONS

- › Continuity of operations activities and supply chain
- › Operations management to secure priorities through Supply Continuity cell and internal communication on site
- › 24/7 operations continuity
- › Deliveries plan re-organization to accommodate air freight restrictions



SUPPORTING OUR CLIENTS



- › Continuity of our deliveries to every single customer
- › No degradation of our on-time deliveries
- › Active communication of our situation
- › Commitment to support clients actual and future businesses with R&D being active during this period

HELPING OUR COMMUNITY

- › Support of local initiatives: Donation of suitable materials to hospitals (masks, suits)
- › Supply of hydroalcoholic gel to local communities and chemical to local labs to manufacture gel
- › Computers donation to children to remote education





Outline

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FY'20 Highlights

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Outlook

RF-SOI Business Unit

5G

FY'20 highlights

Established standard for smartphone RF front-end modules

- › Switch, diversity path (LNA + switch), antenna tuners

Strong demand in both 200-mm and 300-mm

- › 200-mm remains solid and in high volumes at all major foundries
- › 300-mm demand growing fast - major foundries developing their flagship RF front-end technologies

Soitec technology leadership

- › Developing product roadmaps covering both high end and low end markets segments

Market dynamics

Global smartphone market to decline ~10% Y/Y in 2020 (strong rebound expected in 2021)

- › 5G smartphones shipments estimated at 200M units

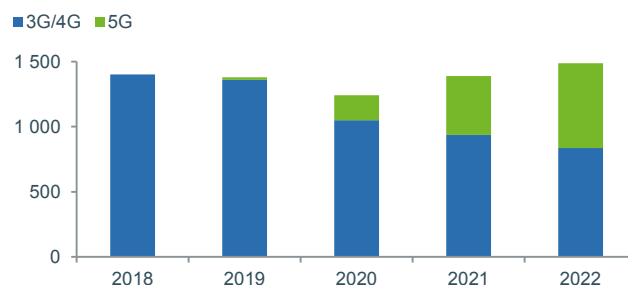
5G smartphones to drive significant RF-SOI content increase

- › Sub-6 GHz: RF-SOI content 60% higher on average vs 4G
- › mmWave: strong traction with antennas systems, 120mm² SOI content
- › WiFi: RF-SOI design wins in Wi-Fi 6 and Wi-Fi 6E MU-MIMO RF FE

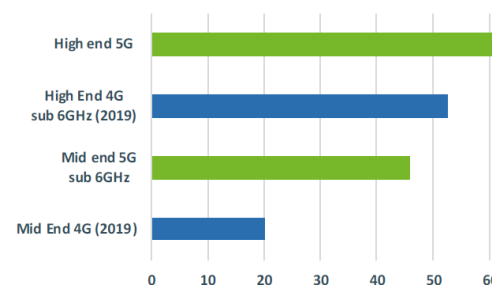
100% penetration in 4G/5G



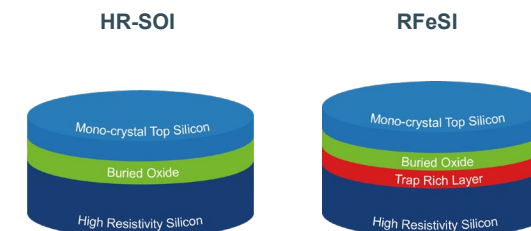
Smartphone expectations (M units)



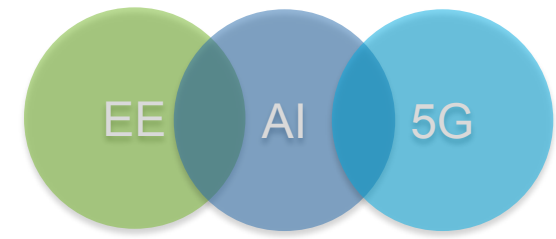
RF-SOI content per sub-6 GHz smartphone (mm²)



RF-SOI substrates



FD-SOI Business Unit



FY'20 highlights

Adding Voice & Sight with Vision, Edge-Compute & Machine-Learning Processor(s)

- › Low-Power FPGA platform with embedded memory
- › Efficient multithreading ADAS processor
- › Smart-edge voice-processor with cloud data-security
- › Increased adoption of battery-less MCUs (wearables)

FD-SOI computes at the Edge with security and reliability

300-mm wafers available to serve technology nodes at 65nm, 28nm and 22nm

Market dynamics

FD-SOI continues adoption for Ultra Low Power applications

Adding Radio Connectivity to the cloud with RF-to-Bits SoC(s) managed by AI & using next-generation Soitec

- › Cost-Efficient Integrated Radio in 5G (mmWave), WiFi-6 & radar
- › Energy-Efficient Analog / Mixed-Signal solutions (data converter)
- › Compute-Efficient automotive with eMRAM Memory
- › Next-Generation Soitec solution for Sub-THz Design

FD-SOI connects the Cloud with efficiency low power and new architecture

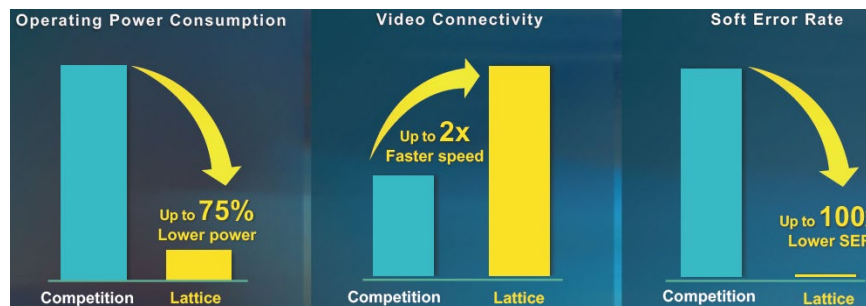
Foundries developing technology nodes at 18nm and 12nm

“Vision” processors for autonomous driving

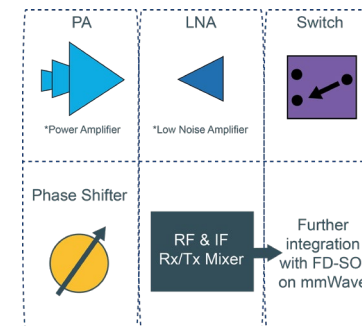
Lattice Semiconductor FD-SOI based “Nexus” FPGA platform

FD-SOI for mmWave

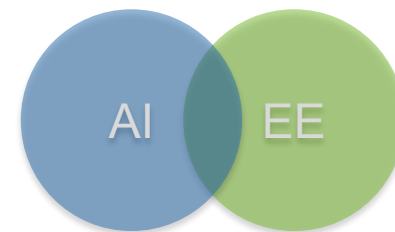
Synaptics 22nm FD-SOI far-field voice processing



Source: Lattice



Specialty-SOI Business Unit



FY'20 highlights

Power-SOI for management control

- › Sustainable business, product extension in 300-mm
- › New products under development to address automotive and MEMS markets

Imager-SOI for facial recognition

- › 300-mm solution renewed for high-end smartphone

Photonics-SOI as a standard for datacenters optical transceivers

- › 300-mm ramp with multiple IDMs and foundries (100G and beyond)

Market dynamics

Automotive market – Weak demand in 2020, slow recovery ahead

- › Innovation to fuel Power-SOI demand for Battery Management System (BMS) and high voltage gate drivers based on SOI

3D sensing for smartphones

- › Image sensing is expending with demanding features
- › Depending on success of Face-ID smartphones

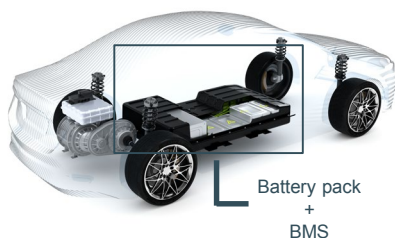
Datacenters demand – Healthy growth for cloud data center traffic

- › 400G Silicon Photonics
- › Proof-of-concept for co-packaged optics

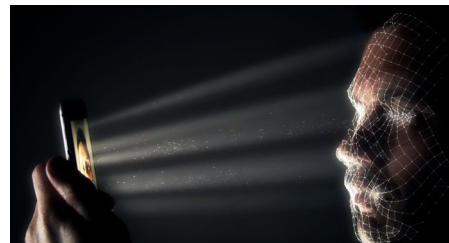
Power-SOI for management control



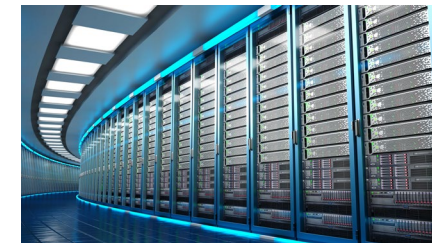
Power-SOI opportunities for BMS



Imager-SOI for facial recognition



Photonics-SOI for datacenters



FY'20 highlights

POI – Ideal substrate for SAW filters, new paradigm addressing Sub-6 GHz

- › Strong traction from front-end module makers
- › Now ramping in 150-mm in high volume manufacturing
- › Bernin III facility ramp began in January 2020
- › Preparing fab expansion up to 500K wafers/year (vs 400K initially)

Frec|n|sys – Accelerating POI product development and adoption

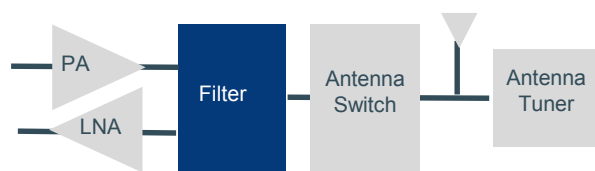
Market dynamics

5G Sub-6 GHz adoption driving content growth for filters

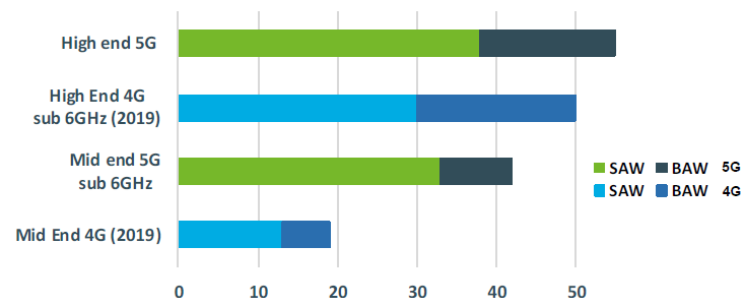
- › Expecting >50% filter number growth in smartphones by 2023
- › 5G bands require more performance (larger bandwidth from filters)

Product roadmap to address several bands and new 5G requests

Smartphone RF front-end module block diagram

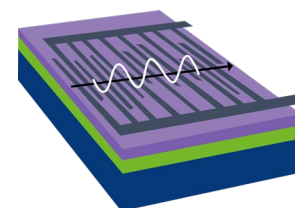


Filters materials average content per smartphone (mm²)

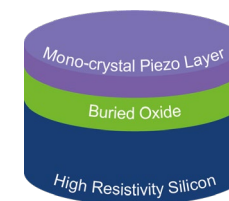


Source: Soitec estimates

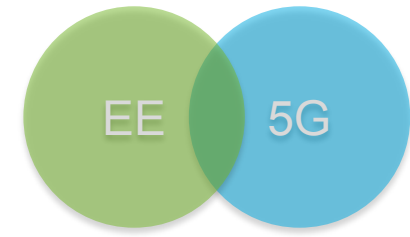
SAW filter



POI substrate



EpiGaN Business Unit



FY'20 highlights

Successful integration within Soitec

- › EpiGaN as Soitec Business Unit
- › Qualification of large capacity production tool
- › Production ramp and leverage with Soitec operations expertise

Increase of qualified customers

- › GaN/Silicon with RF IDMs and foundries

Product roadmap

- › GaN/Silicon Carbide under qualification (up to 150-mm)

Market dynamics

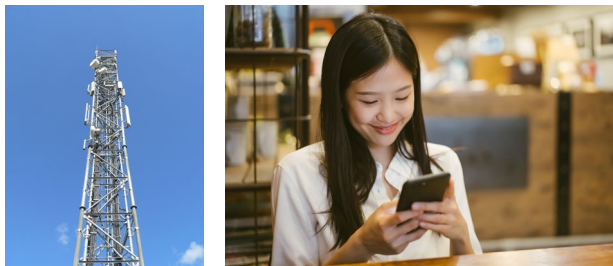
GaN epiwafers for RF

- › Base stations: strong traction for GaN RF infrastructure (power amplifiers)
- › Smartphones: GaN considered for 5G mm-wave and sub-6GHz (power amplifiers)

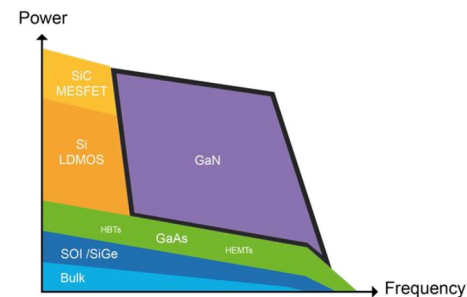
GaN epiwafers for Power

- › Start evaluation of GaN for Power in DC/DC 48V converters

GaN epiwafer for 5G base stations, smartphone power amplifiers

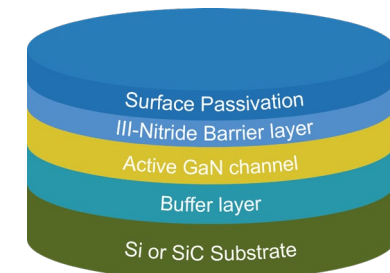


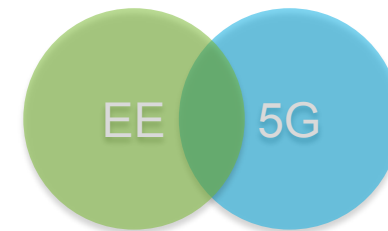
GaN differentiation



Source: Figure adapted from Analog Device 2017

GaN epiwafer substrate





FY'20 highlights

Smart Cut™ based Silicon Carbide – JDA with Applied Materials

- › Combine Soitec leadership in engineered substrates with Applied Materials' expertise in materials engineering solutions
- › Demonstrated technology proof of concept
- › Building of R&D samples

InGaNOS (microLEDs) – Ongoing R&D

- › Transition from 100 to 150-mm
- › R&D samples shipped to key prospects

Market dynamics

Silicon Carbide

- › Pilot line expected to be fully operational in Q420
- › Qualification products ready in Q121
- › Strategic interest from majors automotive device/system makers

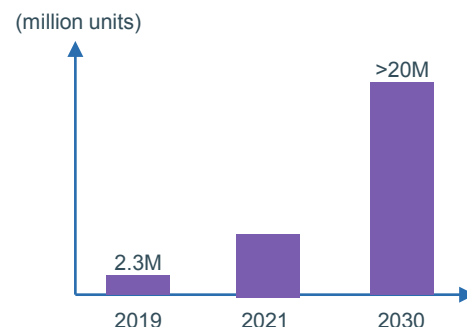
InGaNOS (microLEDs) – Ongoing R&D

- › Demonstration of green and red InGaN μ LED efficiency

SiC substrates for electric vehicles

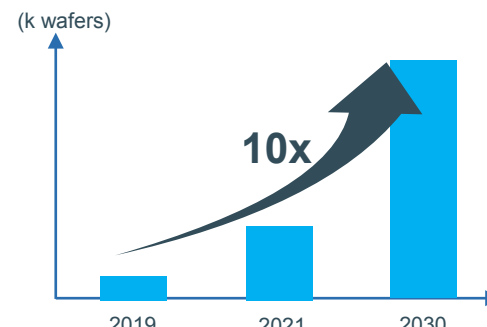


Electric vehicles demand (M units)



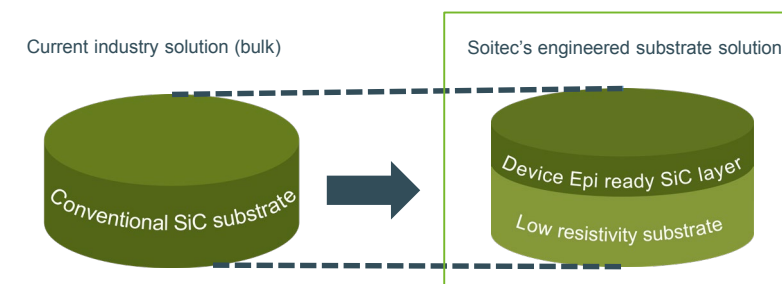
Source: Soitec estimates

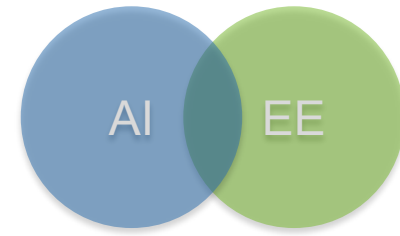
Projected SiC wafers demand



Source: Soitec estimates

Soitec SiC engineered substrate solution





Key achievements in FY'20

IP business

- › More than 20 GlobalFoundries-FD-SOI Adaptive-Body-Biasing IP licenses
- › Launched new IP R&D (focused on 22nm FD-SOI & 22nm ultra low leakage)
- › Introduced energy-efficient MCU sub-system platform for IoT (audio, MEMS)

ASIC

- › Re-built solid physical implementation teams
- › Strengthening of aerospace and defense business development
- › 1st design wins in consumer IoT (wearables, video codec)

Market dynamics

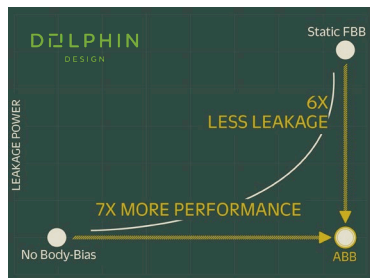
IP business

- › Introduce DSP platform to address AI & edge applications (smart meters)
- › Launch of new platforms: power management, MCU sub-system, digital signal processing (standard and AI with neuronal networks), audio detection and emission

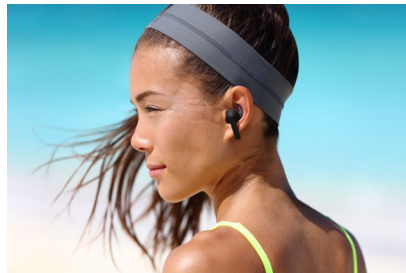
ASIC

- › Leverage IP platform on AIoT, industrial & defense

Adaptive Body Biasing (ABB)



IP for earpods



IP for wearables



IP for smart meters

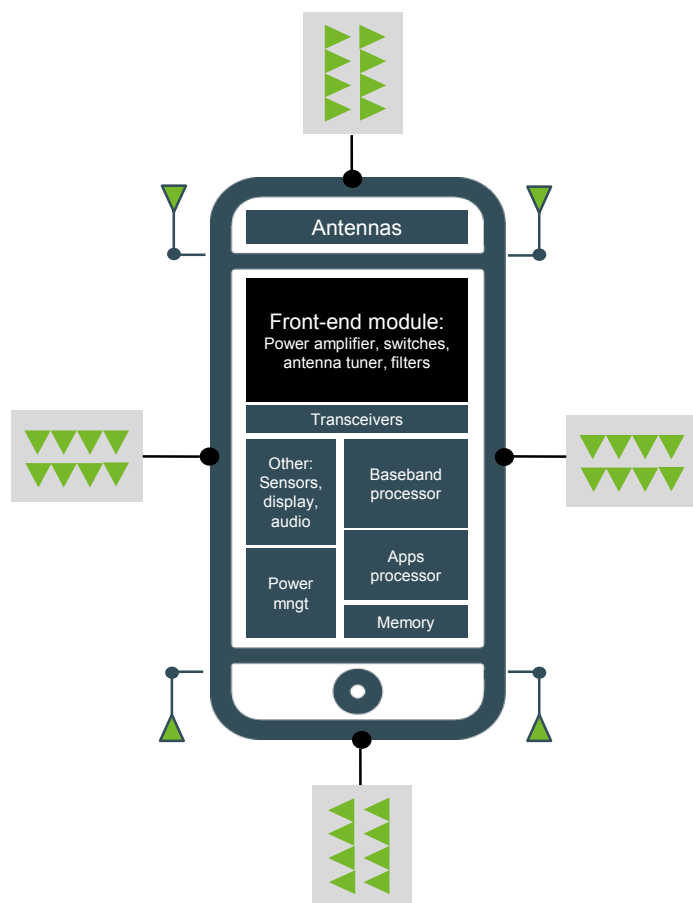


ASIC for aerospace



5G: Soitec comprehensive offering for key markets

5G



5G handset Sub-6Ghz FEM key blocks

	PA *Power Amplifier	LNA *Low Noise Amplifier	Switch	Tuner	Filter	ET *Envelope Tracker
RF-SOI		✓	✓	✓		
POI					✓	
FD-SOI						✓

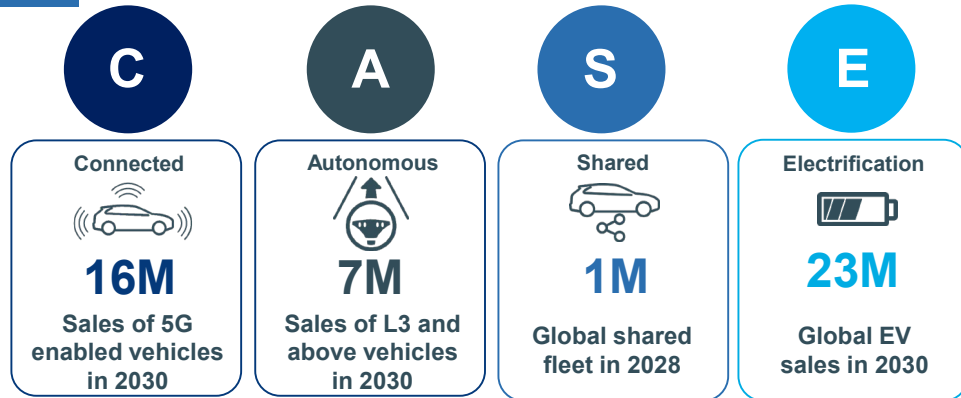
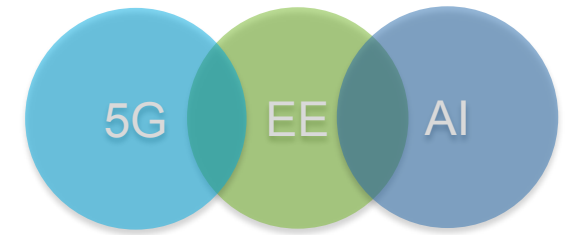
5G handset mmW transceivers key blocks

	PA	LNA	Switch	Tuner	RF & IF Rx/Tx Mixer	Further integration
FD-SOI	✓	✓	✓	✓	✓	✓
RF-SOI	✓	✓	✓	✓	✓	
GaN *	✓	✓	✓			

✓ Suitable solution

(*) : No public data available for GaN

Automotive: Soitec comprehensive offering for key markets

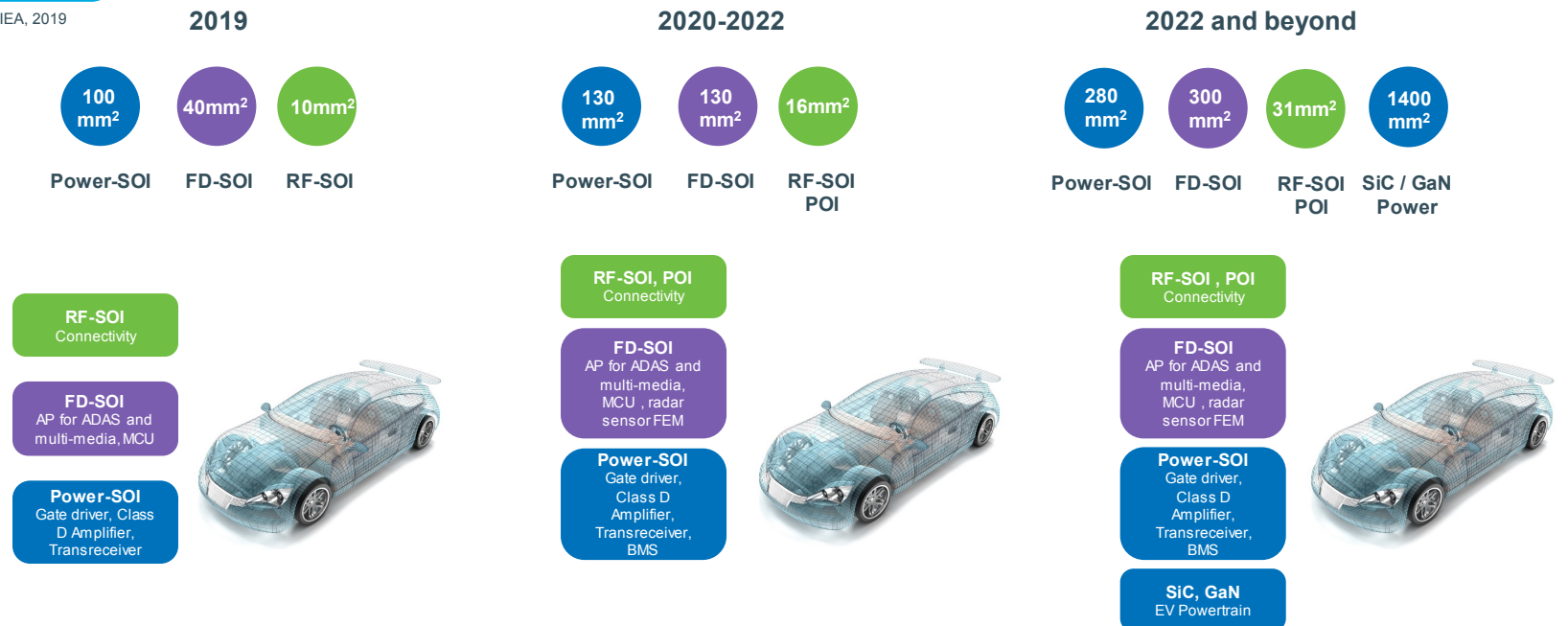


Source: PwC, 2019

Source: IHS Markit, 2020

Source: Strategic Analytic, 2019

Source: IEA, 2019



Note: Soitec estimation - based on premium EV and fully autonomous vehicle



Outline

1 FY'20 Highlights

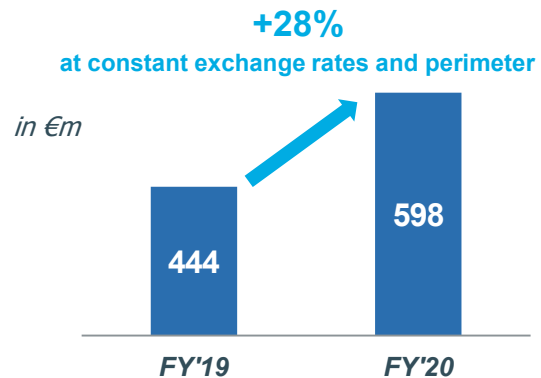
2 Business Units highlights

3 FY'20 financials

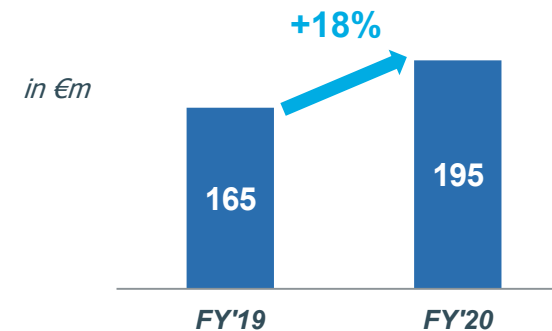
4 Outlook

FY'20 highlights – Record results

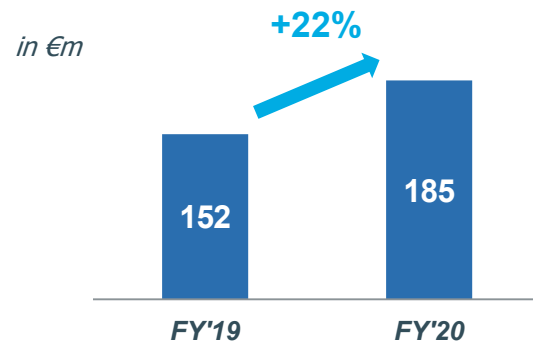
Sharp revenue growth



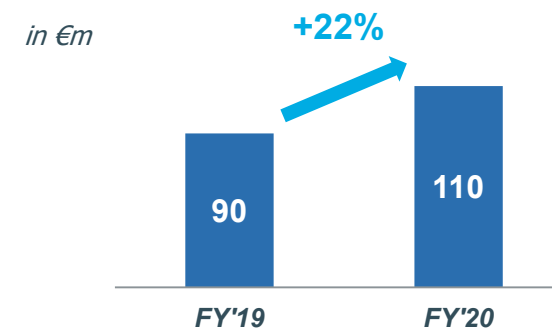
Increase in gross profit



Further increase in Electronics EBITDA



Record net profit



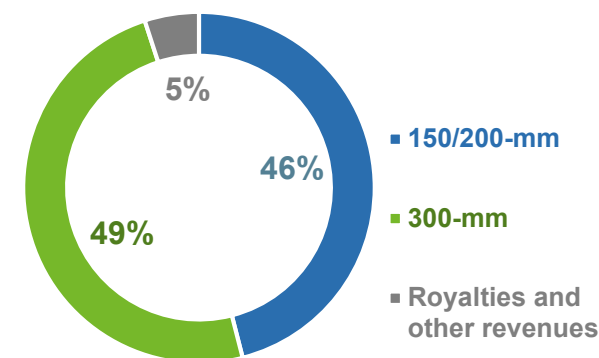
The income and expenses related to discontinued operations are directly reported as "Net result from discontinued operations". Down to the line "Net result after tax from continuing operations", the Group consolidated P&L account exclusively and fully reflects the Electronics activities as well as corporate expenses.

FY'20: revenue breakdown

In €m

	FY'20	FY'19	Change vs FY'19	
			%	% at constant FX and scope
150/200-mm wafer sales	274.9	221.0	+24%	+20%
300-mm wafer sales	294.4	205.7	+43%	+38%
Royalties and other revenues	28.3	17.3	+63%	+18%
Total sales	597.5	443.9	+35%	+28%

FY'20 sales breakdown

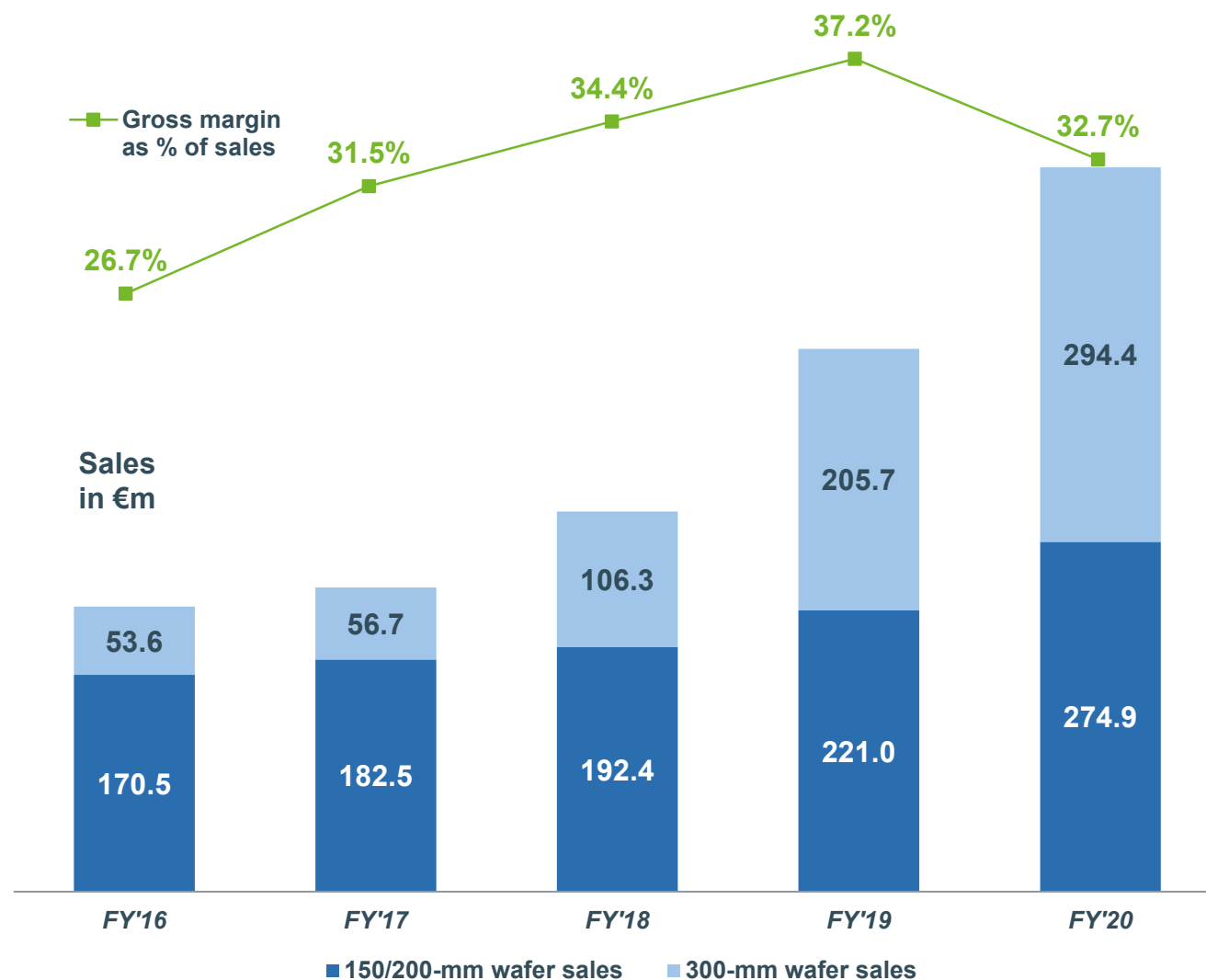


- › **200-mm wafer sales up 20%** (at constant exchange rates and perimeter)
 - › Higher volumes (Bernin I + production outsourced to Simgui)
 - › More favorable product mix
 - › Strong growth in RF-SOI
 - › Sustained demand for Power-SOI
 - › Very first sales of POI

- › **300-mm wafer sales up 38%** (at constant exchange rates and perimeter)
 - › Much higher volumes driven by strong surge in RF-SOI 300-mm
 - › Improved product mix
 - › Ongoing adoption of FD-SOI technology
 - › Sustained level of Photonics-SOI sales
 - › Sustained level of Imager-SOI sales

- › **Royalties and other revenues up 63%**
 - › 18% growth at constant exchange rates and perimeter
 - › Slightly lower Royalties and IP revenues
 - › €22.9m contribution from Frec|n|sys, Dolphin Design and EpiGaN
 - › Scope effect and strong organic growth of Dolphin Design

Gross margin evolution



Gross margin tailwinds

Strong operating leverage

- › Bernin I (200-mm) running at full capacity
- › Bernin II (300-mm) utilization rate close to full capacity throughout FY'20

Favorable forex impact



Gross margin headwinds

Impact of capacity increase

- › Higher outsourced production (200-mm Singui)
- › Higher depreciation costs
- › Ramp-up costs of Singapore facility

Higher bulk material prices (legacy contracts)

Further increase in current operating income

<i>In €m</i>	FY'20	FY'19	Change
Sales	597.5	443.9	+35%
Gross profit	195.4	165.0	+18%
<i>As a % of sales</i>	32.7%	37.2%	
Gross R&D expenses	(66.9)	(51.3)	+30%
Prototype sales and others	9.0	9.2	-2%
Subsidies and income tax credit	25.4	22.0	+15%
Net R&D expenses	(32.5)	(20.0)	+62%
<i>As a % of sales</i>	5.4%	4.5%	
Sales & Marketing expenses	(10.2)	(9.8)	+4%
General and administrative expenses	(35.0)	(26.8)	+31%
Total SG&A expenses	(45.2)	(36.6)	+24%
<i>As a % of sales</i>	7.6%	8.2%	
Current operating income	117.7	108.4	+9%
<i>As a % of sales</i>	19.7%	24.4%	

› Net R&D expenses sharply up:

- › Increase in gross R&D expenses
 - › Full-year impact of Dolphin Design and integration of EpiGaN
 - › Higher resources allocated to projects
 - › New R&D projects, e.g. Silicon Carbide
- › Higher subsidies and research tax credits

› Improved SG&A / sales ratio despite:

- › Increased expenses
 - › Higher activity
 - › Full-year impact of Dolphin Design and integration of EpiGaN
- › Increase in charges related to employee compensation schemes
 - › Higher number of staff
 - › Employee shareholding plan

The income and expenses related to discontinued operations are directly reported as "Net result from discontinued operations". Down to the line "Net result after tax from continuing operations", the Group consolidated P&L account exclusively and fully reflects the Electronics activities as well as corporate expenses.

Net profit sharply up

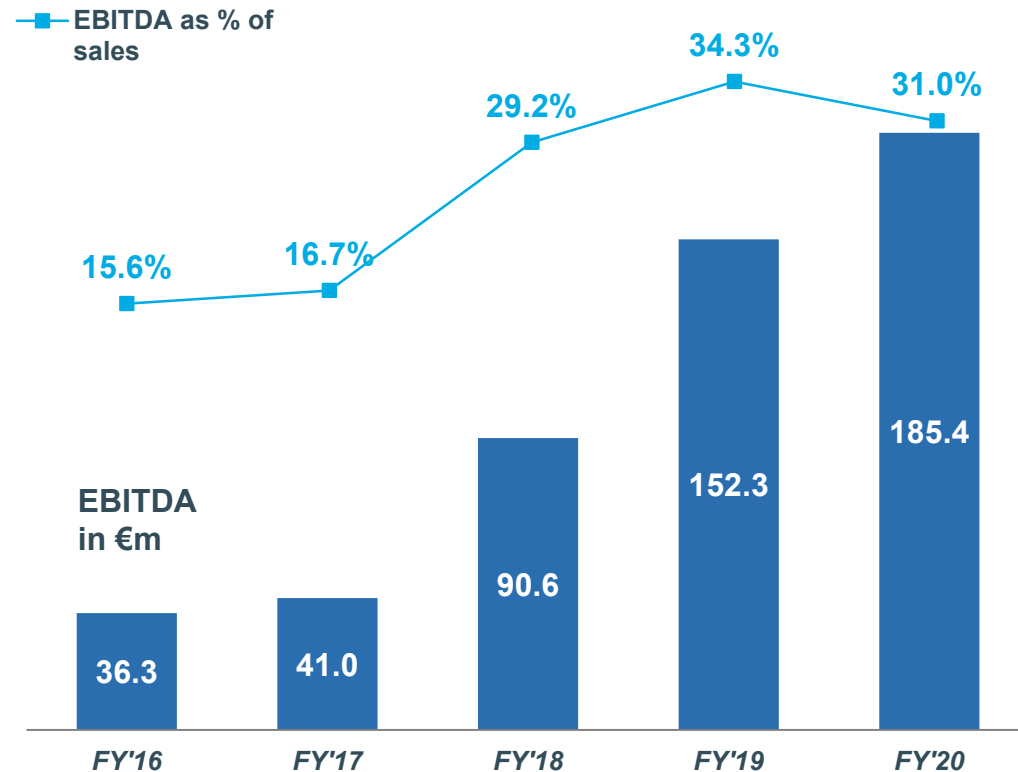
In €m

	FY'20	FY'19
Current operating income	117.7	108.4
Other operating income and expenses	1.8	0.5
Operating income	119.5	108.9
Net financial income/(loss)	(4.1)	(8.1)
Income tax	(4.9)	(10.9)
Net profit from continuing operations	110.5	89.9
Net profit / (loss) from discontinued operations	(0.9)	0.3
<hr/>		
Net profit (Group share)	109.7	90.2

- › **Other operating income** includes a gain on the disposal of an industrial site no longer in use
- › **Net financial loss:**
 - › Mainly includes the non-cash financial interests related to OCEANes 2023
 - › Improved thanks to a foreign exchange gain of €0.6m vs a loss of €(4.6)m in FY'19
- › **Income tax** continues to benefit from tax loss carryforwards
- › Minor loss from **discontinued operations** including €0.6m gain on disposal of 20% equity stake in solar power plant in South Africa
- › **Net profit sharply up (+22%)**

The income and expenses related to discontinued operations are directly reported as "Net result from discontinued operations". Down to the line "Net result after tax from continuing operations", the Group consolidated P&L account exclusively and fully reflects the Electronics activities as well as corporate expenses.

Significant increase in Electronics EBITDA (continuing operations)



- › EBITDA increased more than 5x compared to FY'16
- › FY'20 EBITDA up 22% vs. FY'19
- › FY'20 EBITDA margin slightly down as anticipated (lower gross margin)

Strong increase in operating cash-flow

Operating cash-flows from continuing operations

In €m	FY'20	FY'19
Net profit	110.5	89.9
Depreciation and amortization	45.5	24.6
Other items	29.4	37.8
EBITDA	185.4	152.3
Change in working capital	(59.1)	(78.7)
Tax paid	(25.6)	(14.2)
Net cash generated by operating activities	100.7	59.3

› Strong increase in D&A mainly results from:

- › Continuous investments
- › Full-year impact of Dolphin Design and integration of EpiGaN

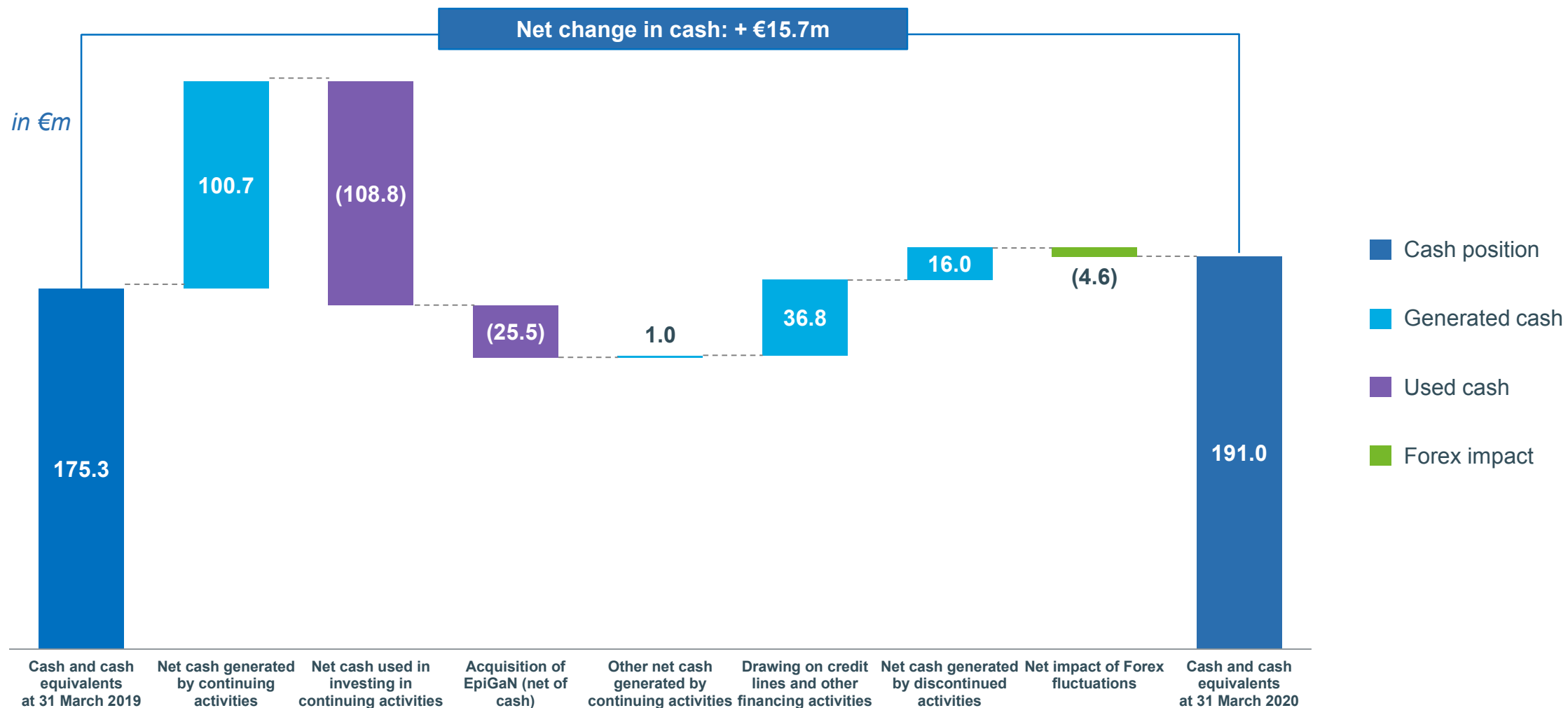
› Increase in WCR due to:

- › Higher level of activity
- › Increase in inventories partly due to difficult shipping conditions met in March 2020 (Covid-19)
- › Increase in trade receivables

› Cash generated by operating activities up 70%:

- › Higher EBITDA vs. FY'19
- › Lower increase in WCR vs FY'19
- › Higher tax paid

Increase in cash position with sustained level of capex and EpiGaN acquisition



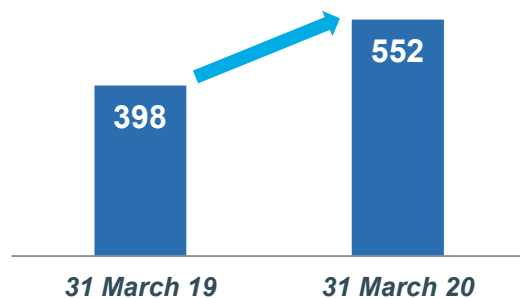
A sound and further strengthened balance sheet

<i>In €m</i>	31 March 2020	31 March 2019
Intangible assets	87.5	38.5
Tangible assets	297.2	253.6
Non-current financial assets	14.4	11.0
Other non current assets	9.0	44.4
Deferred tax assets	37.2	25.6
Total non-current assets	445.2	373.0
Current assets	365.0	257.5
Cash and cash equivalents	191.0	175.3
Total current assets	556.0	432.8
Assets held for sale and discontinued	-	16.7
Total assets	1 001.2	822.5

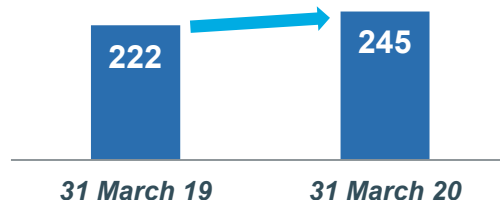
<i>In €m</i>	31 March 2020	31 March 2019
Total equity	551.7	398.3
Long-term financial debt	192.5	199.2
Provisions and other non-current liabilities	40.5	21.4
Total non-current liabilities	233.0	220.6
Current liabilities	164.3	174.8
Short-term financial debt	52.2	22.6
Total current liabilities	216.5	197.4
Liabilities from discontinued operations	-	6.2
Total liabilities and equity	1 001.2	822.5

A solid financial structure

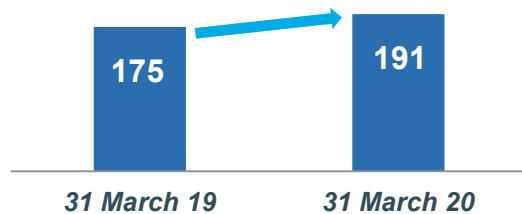
Shareholders' equity
€m



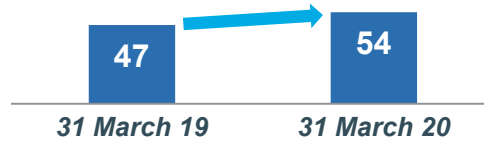
Gross debt
€m



Cash and cash equivalents
€m



Net debt
€m



- › **Equity reinforced by €154m:**
 - › Mainly thanks to retained FY'20 earnings
- › **Gross debt increased by €23m:**
 - › €22m loan reimbursed
 - › New leasing contracts
 - › €3m put option granted to the minority shareholders of EpiGaN
 - › €24m additional drawings on credit lines
- › **Increase in cash position reflects:**
 - › Strong operating cash-flow
 - › Cash used to finance capex and EpiGaN acquisition
 - › €17.1m proceeds from the sale remaining 20% stake in solar asset (Touwsrivier) and settlement of loan granted
- › **Net debt / Equity ratio: 0.10**



Outline

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FY'20 Highlights

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Business Units highlights

3

FY'20 financials

4

Outlook



Outlook – FY'21 & FY'22

FY'21 guidance

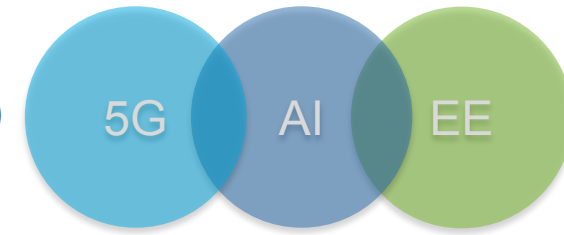
- › Stable revenues at constant exchange rates and perimeter
- › Electronics EBITDA margin to reach around 30%

FY'22 outlook

- › Revenues expected at around 800 million Euros*

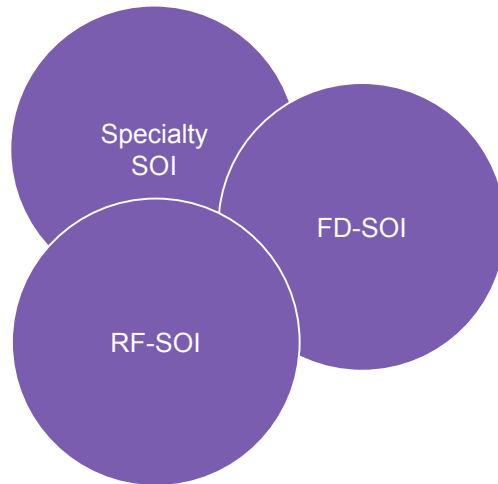
* Based on a \$/€ rate of 1.13
vs. €900m initially indicated

Mid-term outlook* – Solid growth ahead for SOI and new products (POI, GaN...)



FY'24 SAM*
~1.6-2.4 Billion \$
4G/5G – Auto – IoT – Cloud

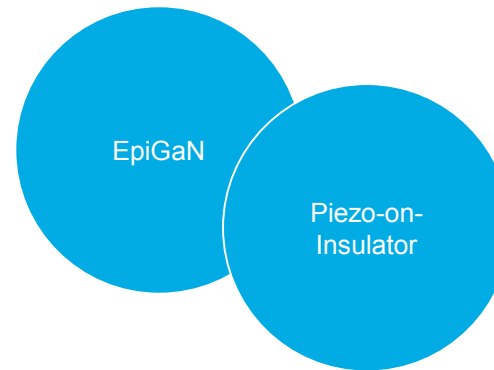
SOI products portfolio



CAGR ~15-25% between FY19-24

New products:
> 500 M\$ SAM* in FY'24
5G – Auto – Sensors

Beyond SOI – POI & GaN



New opportunities:
>1 Billion \$ SAM*
Displays – Auto – Imaging...

Compounds semi.



Source: Soitec market estimates in FY24

*Unchanged view of mid-term outlook

Thank you

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