

# Soitec IR Presentation

Q2'19 revenues Roadshow



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# Agenda


1 FY18 overview, business trends and ramp-up execution

2 FY18 financial performance

3 FY19 guidance – H1'19 revenues

4 Dolphin Integration assets acquisition

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- 
- 1 **FY18 overview, business trends and ramp-up execution**
  - 2 FY18 financial performance
  - 3 FY19 guidance – H1'19 revenues
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# FY18 at a glance

1

Outstanding financial performance for fiscal year 2017/2018

2

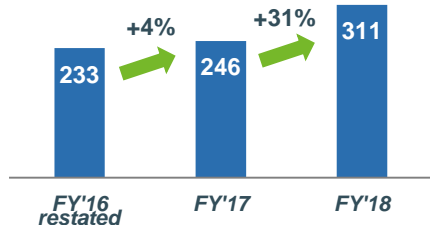
Business trends are robust across our key end markets

3

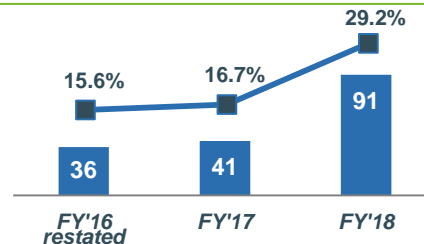
Strong focus on ramp-up execution

# Further substantial improvement in operating profitability in FY'18

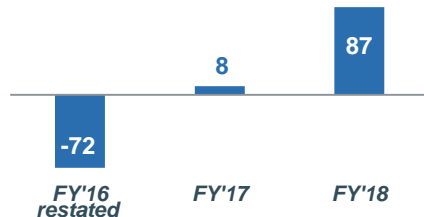
**Sales growth**  
€m, % at constant FX



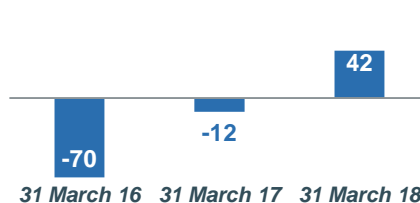
**Significant increase in EBITDA (Electronics)**  
€m, as a % of sales



**Net result**  
€m



**Net cash position**  
€m



# Powerful innovation trends across technology markets

## Mobility enhanced with new device features and 5G



## Autonomous and e-vehicles to set new standards



## Artificial intelligence already in our everyday life



## Augmented & Virtual reality, more than a gadget



# 4 strategic end markets



Smartphones



Cloud infrastructure



Automotive

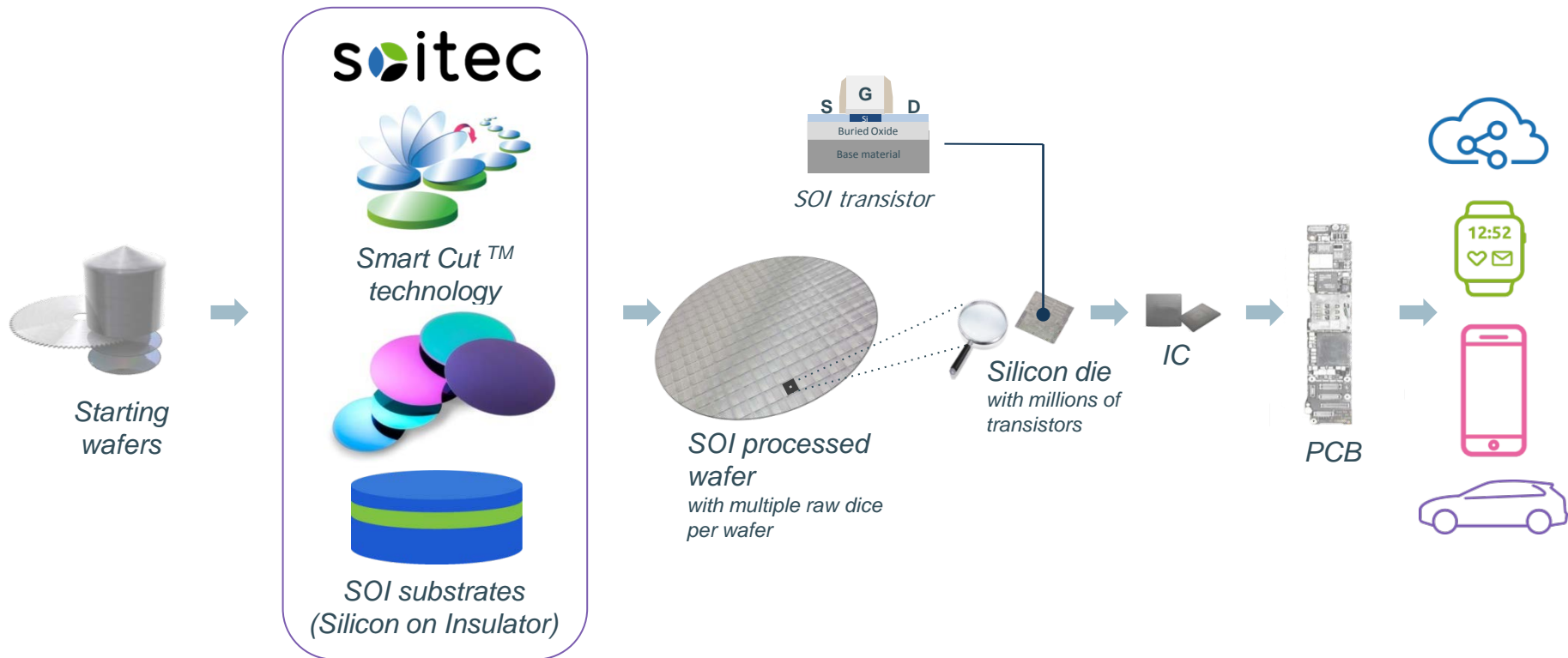


Internet of Things



# Soitec in the value chain

## Engineered substrates



# Smartphones

## 3G/4G fuelling current growth 5G around the corner



4G



5G



**RF-SOI** for Antennas & Switches



**RF-SOI** for Low Noise Amplifiers & Power Amplifiers



**POI** - New engineered substrates for filters

## 3D image sensors initial adoption for facial recognition – use cases for AR/VR



Facial recognition



Mobile AR/VR

## FD-SOI value proposition recognized for several critical applications

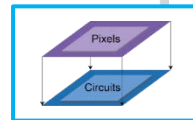
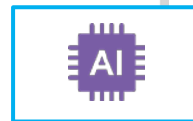
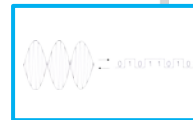


Image signal processors



Artificial intelligence system-on-chips

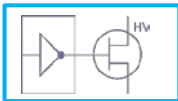
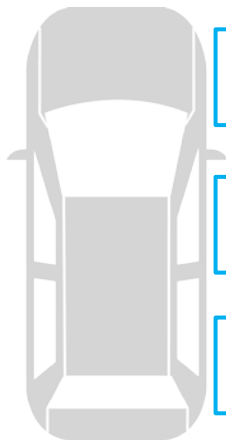


5G transceivers



# Automotive

## Power-SOI to benefit from structural semi content increase



**Power-SOI** for gate drivers



**Power-SOI** for Class D audio amplifiers



**Power-SOI** for in-vehicle networking

## FD-SOI to ramp for ADAS Development in radars



Super computing chips

ASICs for radars



Image classification

## FD-SOI chips ramping up for infotainment application processors



Multimedia application processors



Voice-recognition processors



... and a wide range of microcontroller applications for automotive

# Automotive – View from a leading car maker



Audi Project Manager Andre Blum says SOI stands for Solutions, Opportunities and Innovation — at the 2018 SOI Symposium in Silicon Valley



## FD-SOI value proposition (AUDI)

### › Key benefits

#### › Ultra low voltage operation

Down to 0.4 V by corner trimming / bias trimming  
> 70% power reduction possible

#### › Performance gain

By corner trimming / bias trimming  
« more bang for the buck »

#### › Dynamic switching between situation specific optimum operating points

High performance ADAS systems: not always need for 100% performance  
Application / situation adaptive biasing

#### › New applications and use cases

Due to new ultra low power sensors and microcontrollers (acoustic, MEMS, optical/light...)

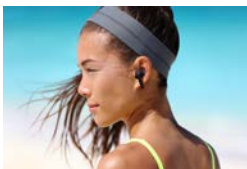
Dr André Blum, AUDI AG | 2018-04-26 | SOI Silicon Valley Symposium, Santa Clara, CA

# Internet of Things

## FD-SOI for consumer applications



GPS for smartwatches



Ear buds



Smarthome speakers



Drones

## FD-SOI for industrial applications



Smart cities

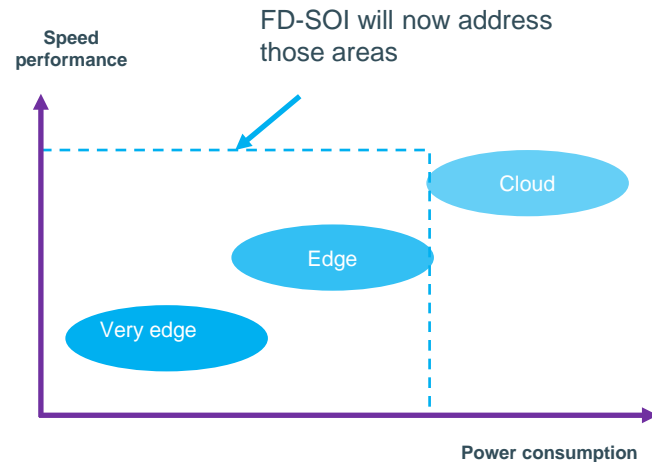


Smart meters



Security cameras

## FD-SOI offers the best value proposition for edge-computing and ultra-low power applications



# Infrastructure for cloud, mobile and satellite

## Photonics-SOI

For datacenters optical transceivers



## FD-SOI

For crypto-currency mining



## FD-SOI

For base stations

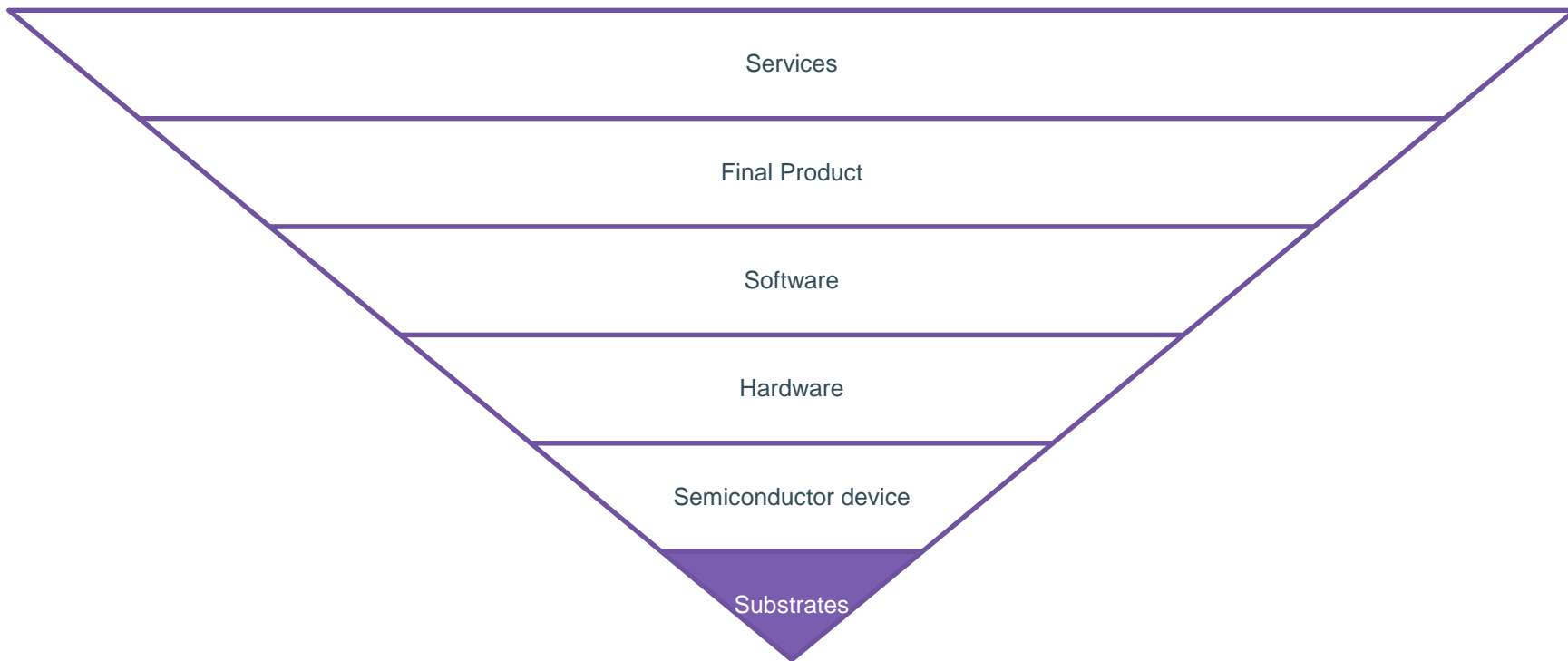


## FD-SOI

For broadband communications in Low Earth Orbit (LEO) satellites



# Substrate materials at the base of electronics innovation



# Towards more partnerships in our innovation model

## Today – A global R&D network



## Tomorrow – More partnerships with OEMs



Soitec leading industry-wide consortium (+25 companies) to accelerate FD-SOI adoption in critical automotive applications

**CEAN<sub>12</sub>**  
(Opportunity to Carry European Autonomous driving further with FD-SOI technology up to 12nm node)



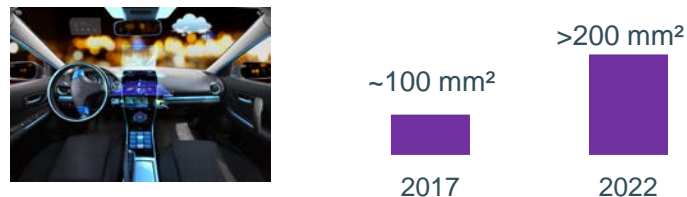


# Soitec footprint to expand in every end market

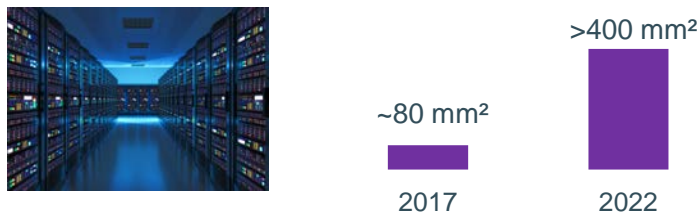
## Smartphones



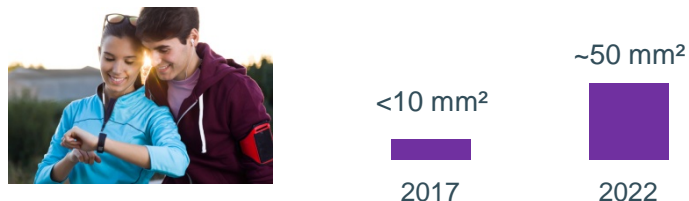
## Automotive



## Cloud infrastructure

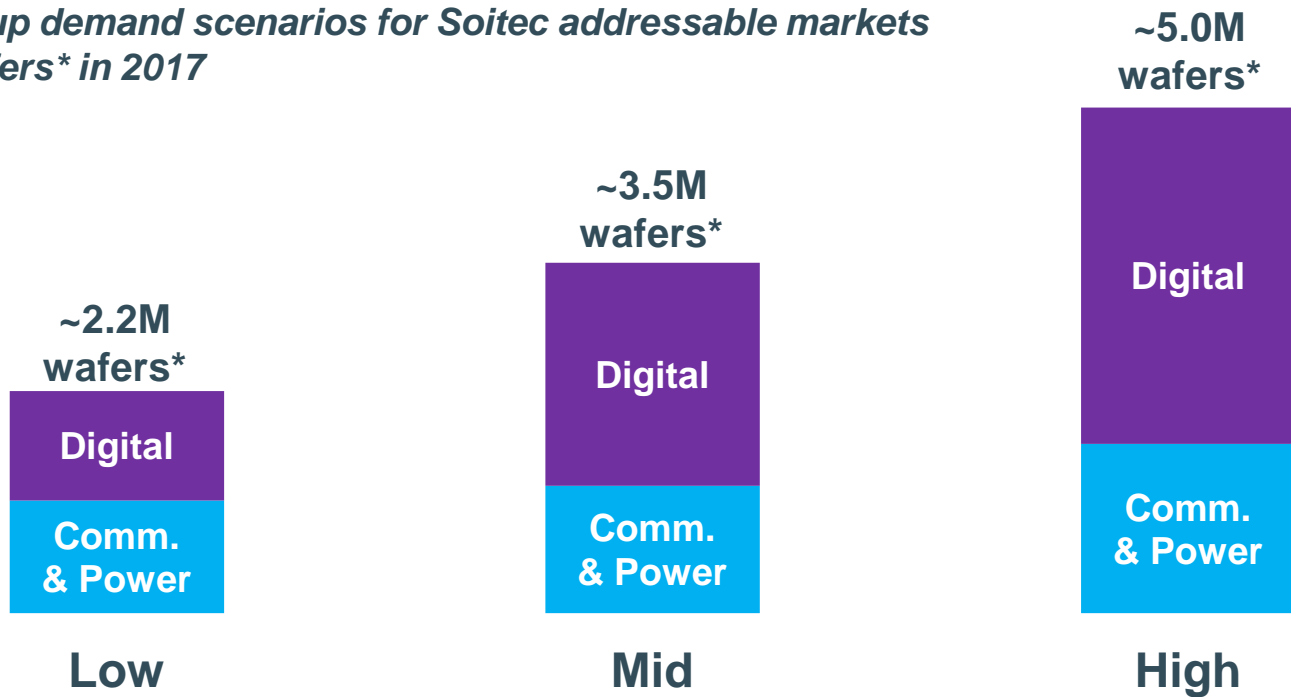


## Internet of Things



# Strong business trends support our FY22 TAM outlook

*Bottom-up demand scenarios for Soitec addressable markets  
>1 M wafers\* in 2017*



# Strong focus on ramp-up execution

## People



**100** people recruited in France in 2018 out of **200**



**45** people recruited in Singapore in 2018 out of **100**

## Manufacturing



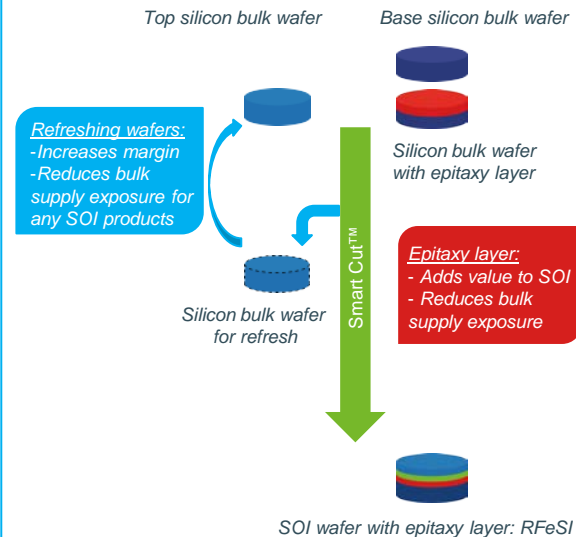
**Multi-product**  
manufacturing expansion in France



Manufacturing expansion in Singapore on both  
**FD-SOI and RF-SOI**

## Supply chain

### Securing access to silicon wafers





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3 FY19 guidance – H1'19 revenues

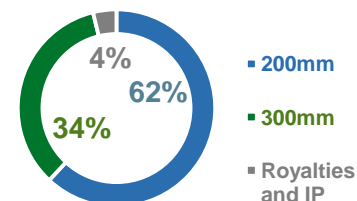
4 Dolphin Integration assets acquisition

# FY'18: revenue breakdown

In €m

	FY'17	Q1'18	Q2'18	Q3'18	Q4'18	FY'18	Change vs FY'17	
							%	% at constant FX
200mm wafer sales	182.5	46.5	47.4	49.4	49.1	192.4	+5%	+9%
300mm wafer sales	56.7	21.1	23.7	24.9	36.5	106.3	+88%	+95%
Royalties and IP revenues	6.6	1.9	2.2	1.7	6.1	11.9	+82%	+89%
<b>Total sales</b>	<b>245.7</b>	<b>69.6</b>	<b>73.3</b>	<b>76.0</b>	<b>91.7</b>	<b>310.6</b>	<b>+26%</b>	<b>+31%</b>

Sales breakdown



## › 200mm wafer sales up 9% excl. currency impact

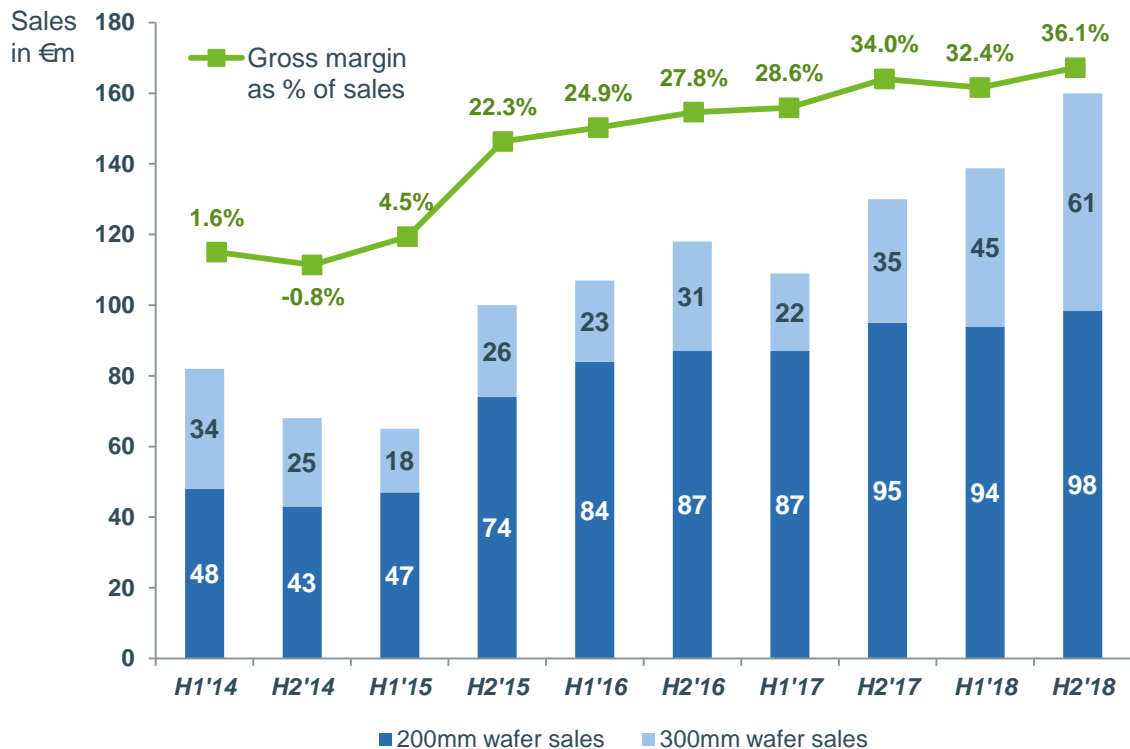
- Sustained demand for radio frequency and power electronics applications (mobile and automotive markets)
- Bernin I production site operating at full capacity ; additional volume coming from Simgui's facility

## › 300mm wafer sales up 95% excl. currency impact

- Strong growth in sales of FD-SOI, Imager-SOI, Photonics-SOI and RF 300mm
- Stable PD-SOI sales

## › Royalties and IP sales include €4.4m one-off revenues

# Continuous improvement in gross margin



- > Steady revenue growth over the last quarters
- > 200mm: industrial productivity further improved in Bernin I
- > 300mm: utilization of Bernin II capacity increased to more than 50% in Q4'18 vs low point of 14% in Q2'17

# Group consolidated P&L (1/2)

<i>In €m</i>	FY'18	FY'17	Change
<b>Sales</b>	<b>310.6</b>	<b>245.7</b>	<b>+26%</b>
<b>Gross profit</b>	<b>106.9</b>	<b>77.4</b>	<b>+38%</b>
<i>As a % of sales</i>	<i>34.4%</i>	<i>31.5%</i>	
Gross R&D expenses	(43.9)	(45.2)	-3%
Prototype sales and others	8.8	4.4	+100%
Subsidies and income tax credit	26.9	22.1	+22%
<b>Net R&amp;D expenses</b>	<b>1 (8.2)</b>	<b>(18.7)</b>	<b>-56%</b>
<i>As a % of sales</i>	<i>2.6%</i>	<i>7.6%</i>	
Sales & Marketing expenses	(7.8)	(7.8)	-
General and administrative expenses	(23.5)	(23.2)	+1%
<b>Total SG&amp;A expenses</b>	<b>(31.2)</b>	<b>(31.0)</b>	<b>+1%</b>
<i>As a % of sales</i>	<i>10.1%</i>	<i>12.6%</i>	
<b>Current operating income</b>	<b>67.4</b>	<b>27.7</b>	<b>x2.4</b>
<i>As a % of sales</i>	<i>21.7%</i>	<i>11.3%</i>	

1

Net R&D expenses sharply down as a result of:

- › Capitalization of some development project costs
- › Higher prototype sales
- › Higher subsidies and research tax credits as a result of a one-off R&D subsidy for €7.5m

# Group consolidated P&L (2/2)

In €m

	FY'18	FY'17	
<b>Current operating income</b>	<b>67.4</b>	<b>27.7</b>	1 > Including impairment reversal related to Bernin II for €3.8m
Other operating income and expenses	1 4.1	(8.2)	2 > €(0.4)m interest and charges related to OCEANE 2018 vs €(6.6)m in FY'17 > A €4.6m non recurring financial income (early repayment of a guarantee deposit related to Touwsrivier) > Decrease in foreign exchange loss from €(2.6)m in FY'17 to €(0.8)m
<b>Operating income</b>	<b>71.5</b>	<b>19.5</b>	
Net financial income/(expense)	2 3.1	(11.6)	3 > Includes €25.4m related to the recognition of deferred tax asset over tax loss carry forwards
Income tax	3 17.5	(0.7)	4 > Relates to adjustment of provisions and value of solar assets
<b>Net profit from continuing operations</b>	<b>92.1</b>	<b>7.2</b>	
<b>Net profit / (loss) from discontinued operations</b>	4 (5.6)	1.1	
<b>Net profit (Group share)</b>	<b>86.5</b>	<b>8.4</b>	



# Cash generation from operating activities

In €m

	FY'18			FY'17		
	Continuing operations	Discounted operations	Total	Continuing operations	Discounted operations	Total
<b>Net profit</b>	<b>92.1</b>	<b>(5.6)</b>	<b>86.5</b>	<b>7.2</b>	<b>1.1</b>	<b>8.4</b>
Depreciation and amortization	18.6	-	18.6	20.8	-	20.8
Other items	<sup>1</sup> (20.1)	2.9	(17.2)	12.9	(10.0)	2.9
<b>EBITDA</b>	<b>90.6</b>	<b>(2.7)</b>	<b>87.9</b>	<b>41.0</b>	<b>(8.9)</b>	<b>32.1</b>
R&D redeemable advance reversal to income	(4.8)	-	(4.8)	0.9	-	0.9
Change in working capital	<sup>2</sup> (45.8)	(2.2)	(48.0)	(2.7)	1.2	(1.5)
<b>Net cash generated by / (used in) operating activities</b>	<b>40.0</b>	<b>(4.9)</b>	<b>35.1</b>	<b>39.3</b>	<b>(7.7)</b>	<b>31.6</b>

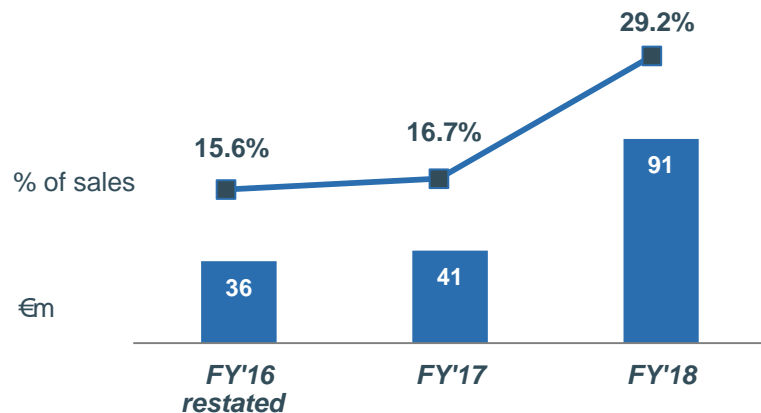
1

- › Including:
  - €3.8m impairment reversal related to Bernin II
  - €4.0m share-based payment expense
  - €25.4m related to the recognition of deferred tax asset over tax loss carry forwards

2

- › Increase in trade receivables due to high growth in sales
- › €5.7m of restructuring impacts

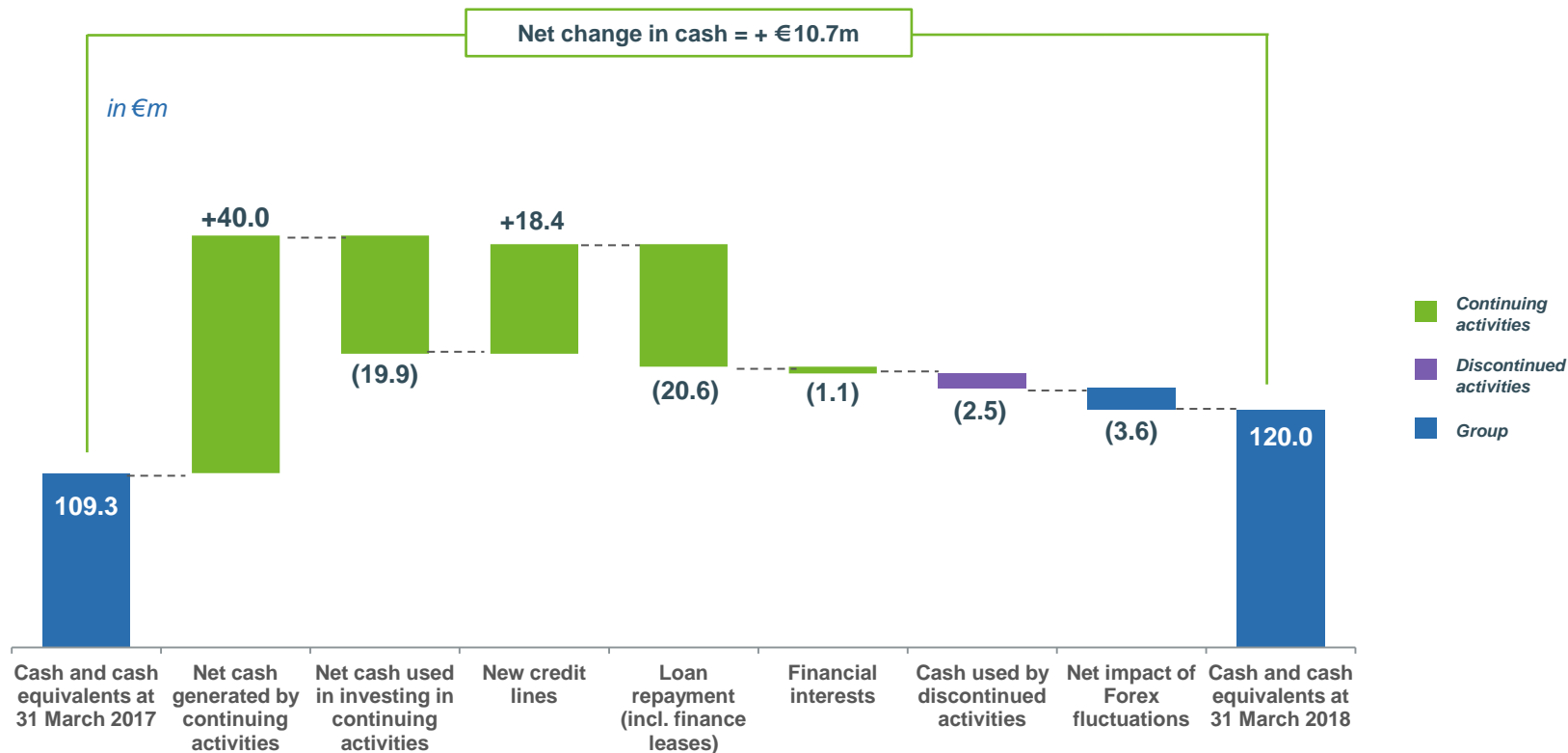
# Significant increase in EBITDA of the continuing operations (Electronics)



FY'18 EBITDA includes:

- > €2.9m resulting from one-off royalties and IP revenue
- > €7.5m one-off R&D subsidy

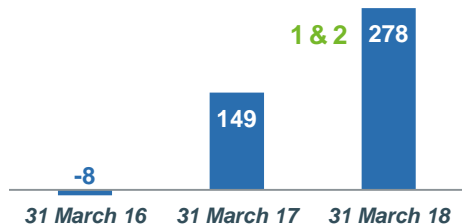
# FY'18 strong cash generation



# Further strengthening of the balance sheet during FY'18

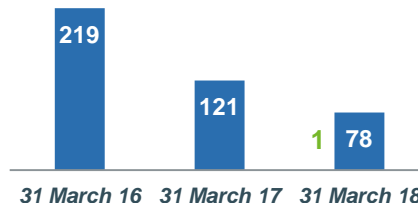
## Shareholders' equity

€m



## Gross debt

€m



1

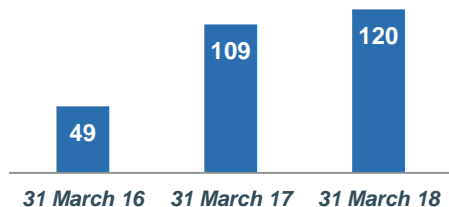
> Early conversion of 99% of the 2018 OCEANE in August 2017: equity reinforced by +€40.9m and debt reduced by nearly the same amount

2

> Increase in retained earnings: +€86.5m

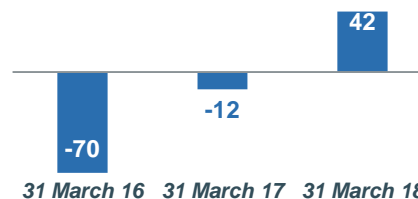
## Cash and cash equivalent

€m



## Net cash position

€m



# Simplified consolidated balance sheet

In €m

	31 March 2018	31 March 2017
Intangible assets	8.2	4.0
Tangible assets and other non current assets	207.3	157.0
<b>Total non-current assets</b>	<b>215.5</b>	<b>161.0</b>
Current assets	120.3	90.3
Cash and cash equivalents	120.0	109.3
<b>Total current assets</b>	<b>240.2</b>	<b>199.6</b>
Assets held for sale and discontinued	24.0	29.1
<b>Total assets</b>	<b>479.7</b>	<b>389.6</b>

In €m

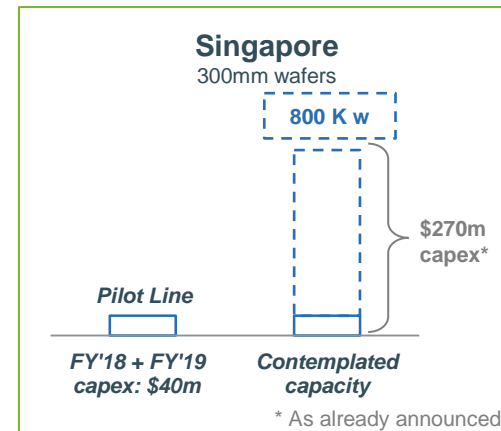
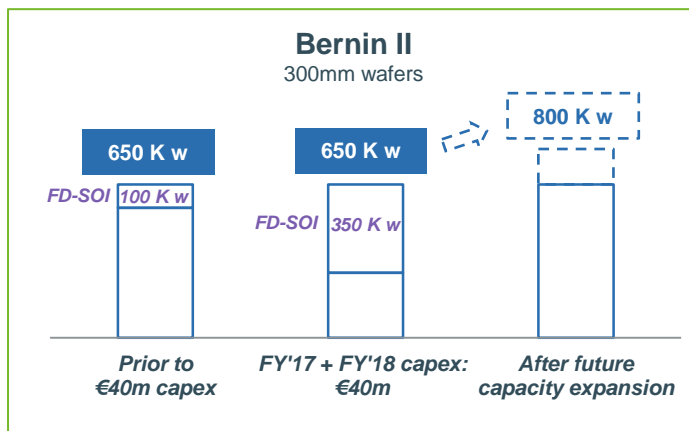
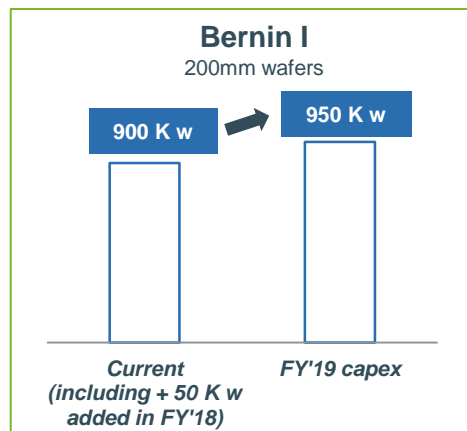
	31 March 2018	31 March 2017
<b>Total equity</b>	<b>278.6</b>	<b>149.1</b>
Long-term financial debt	59.6	104.7
Provisions and other non-current liabilities	11.4	15.2
<b>Total non-current liabilities</b>	<b>71.1</b>	<b>119.8</b>
Short-term financial debt	18.6	16.2
Current liabilities	99.2	90.7
<b>Total current liabilities</b>	<b>117.8</b>	<b>106.9</b>
Liabilities from discontinued operations	12.2	13.7
<b>Total liabilities and equity</b>	<b>479.7</b>	<b>389.6</b>

# Investment projects related to industrial sites

## › FY'19 capex planned at approx. €120m includes:

- › Bernin I: increase capacity by adding 50 K wafers
- › Bernin II: extend the existing building with a view to increase capacity by +150 K wafers in the future
- › Singapore: complete the pilot line and also add refresh and epitaxy activities

## › Contemplated capacity extension of existing sites:





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# Guidance for FY'19

## Revenue growth

Above 35%  
on a like-for-like  
basis<sup>1</sup>

## EBITDA<sup>2</sup> margin<sup>3</sup>

Around 30%

## Capex

Approx. €120m

<sup>1</sup> Like-for-like: at constant exchange rates and comparable scope of consolidation; scope effects relate to the acquisitions of FrecInSys in October 2017 and Dolphin Integration assets in August 2018, both included in the segment Royalties and other revenues

<sup>2</sup> The EBITDA represents the operating gain (EBIT) before depreciation, amortization, non-monetary items related to share-based payments, and changes in provisions on current assets and provisions for risks and contingencies, excluding income on asset disposals. This indicator is a non-IFRS quantitative measure used to measure the company's ability to generate cash from its operating activities. EBITDA is not defined by an IFRS standard and must not be considered an alternative to any other financial indicator.

<sup>3</sup> Electronics EBITDA margin = EBITDA from continuing operations / Sales.



# H1'19 revenues

(Euros thousands)	H1'18	H1'19	H1'19/H1'18	
			change reported	change like-for-like <sup>1</sup>
200-mm	93,923	102,038	+9%	+13%
300-mm	44,867	80,595	+80%	+87%
Royalties and other revenues	4,186	4,262	+2%	-21%
<b>Total revenues</b>	<b>142,976</b>	<b>186,896</b>	<b>+31%</b>	<b>+36%</b>

<sup>1</sup> Like-for-like: at constant exchange rates and comparable scope of consolidation; scope effects relate to the acquisitions of Frec[n]sys in October 2017 and Dolphin Integration assets in August 2018, both included in the segment Royalties and other revenues



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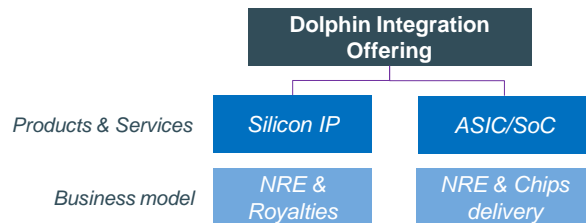
# Dolphin Integration activities

## Established supplier of semiconductor IP/design

### Corporate Identity

- › Founded in 1985 – Headquartered in Grenoble (France)
- › Affiliates in Canada and Israel
- › Employees: 155 (including 130 design engineers)
- › Expertise in multiple semiconductor technologies (180nm to 22 nm)
- › ~17 M€ revenues generated in FY18

*Critical IP blocks for low power, custom and high-requirements semiconductor chips*



### Complete foundry and IP ecosystem



## Key position in strategic end markets

### Aerospace & Defense



**THALES**



...

### Internet of Things (IoT)



**HIKVISION**

**Hisense**

...

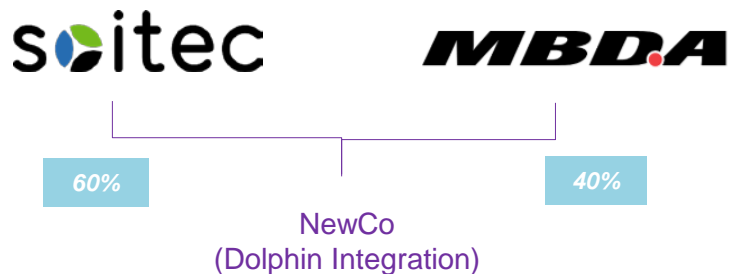
### Other end markets : Automotive – Consumer – Medical



**soitec**

# New entity to acquire Dolphin Integration assets

Soitec and MBDA establish a newco to acquire Dolphin Integration assets



Soitec and MBDA together committed to a financial investment of around 6 million Euros including the acquisition of most of Dolphin Integration's assets, the payment of certain liabilities and a significant cash injection to finance Dolphin Integration's working capital requirements.

Company structure to remain unchanged in order to maximize chances of turnaround

1. Dolphin Integration CEO & CFO unchanged
2. 100% of employees maintained in France, Canada and Israel
3. NewCo (joint venture) governance with a board of directors: 3 directors from Soitec, 2 directors from MBDA

# Soitec + MBDA – Complementary strategic support



## Engineered substrates expertise

1. Expertise in FD-SOI from material knowledge to specific design techniques (body biasing)
2. Leverage of Dolphin Integration capabilities in the design of low power devices – from IP blocks to full System-on-Chip (SoC)
3. Unique offering of energy efficient solutions on FD-SOI for key markets requiring very low power consumption and high reliability such as IoT/ mobile and automotive/ defense

## Industrial & commercial collaboration reinforcement

1. 10-year collaboration in developing custom ASIC & SoC for defense systems
2. Leveraging MBDA expertise in artificial intelligence and data protection
3. Broader access to the European defense ecosystem for Dolphin Integration



# Financial considerations for Soitec

## Financial impact from this transaction

- › **Cash investment of ~5 M€**
  - › Acquisition costs, working capital financing, FD-SOI/body-bias design project (within 24 months)
- › **New activity to be fully consolidated as of September 2018**

# Thank you

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# Appendix

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# FY'18 net financial result

*In €m*

	FY'18	FY'17
Interest expense on OCEANE 2018	(0.4)	(4.7)
One-off charge related to the repurchase of OCEANE 2018	-	(2.2)
Interest expense on loans and credit lines	(0.4)	(0.8)
Interest expense on leasing	(0.5)	(1.1)
Change in valuation of financial assets (non recurring)	5.2	0.6
Other financial income / (expense)	-	(0.8)
<b>Net financial income / (charges)</b>	<b>3.9</b>	<b>(9.1)</b>
Net foreign exchange result	(0.8)	(2.5)
<b>Net financial result</b>	<b>3.1</b>	<b>(11.6)</b>

# Net profit from discontinued operations

Directly reported at the bottom of consolidated P&L

<i>In €m</i>	FY'18	FY'17
<b>Sales</b>	<b>1.2</b>	<b>0.8</b>
Expenses	(1.8)	(0.6)
<b>Current operating income/(loss)</b>	<b>(0.6)</b>	<b>0.2</b>
Other operating income and expenses	(1.8)	(5.0)
<b>Operating income/(loss)</b>	<b>(2.4)</b>	<b>(4.8)</b>
Net financial income/(expense)	(2.7)	6.8
Income tax	(0.4)	(0.9)
Loss from equity affiliates	-	-
<b>Net profit / (loss) from discontinued operations</b>	<b>(5.6)</b>	<b>1.1</b>