

# Half Year'19 Results

November 2018



# Disclaimer

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The Company's business operations and financial position is described in the Company's Document de Référence 2017-2018 registered by the Autorité des marchés financiers (the "AMF") on June 18th, 2018 under visa D.18-0586 (the "Document de Référence") and in the Company's FY'19 half-year report. Copies of the Document de Référence are available in French and English languages through the Company and may as well be consulted on the AMF's website ([www.amf-france.org](http://www.amf-france.org)). The Document de Référence and of the FY'19 half-year report can also be downloaded on the Company's website ([www.soitec.com](http://www.soitec.com)). Your attention is drawn to the risk factors described in Chapter 4 of the Document de Référence.

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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 4 of the Document de Référence may have an impact on these forward-looking statements.

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# Agenda

*Greetings*

**1** Paul Boudre, CEO

**2** Rémy Pierre, CFO

**3** Paul Boudre, CEO

*Q&A session*

# H1'19 highlights – On track to deliver a very strong year

## Business

- **H1'19 sales up 36% Y/Y at constant exchange rates and perimeter**
- Growth mostly driven by **RF-SOI** (300mm) and **FD-SOI** adoption
- **Soitec content growth story validated in each strategic end markets**



## Manufacturing

- **Capacity expansion** in sync with customer demand
  - **Bernin I** annual capacity raised to 950k
  - **Bernin II** annual capacity for FD-SOI raised to 350k
  - **Singapore** installation and qualification of pilot line
- **Recruitment** of ~200 year-to-date people in production in 2018

*Expanding capacity*



*Recruiting talent*



## Financials

- **Strong operating leverage**
  - 35.4% gross margin (vs. 32.4% in H1'18)
  - 22.2% current operating margin (vs. 15.8% in H1'18)
- **Capex deployment in line with plan**
  - €65.2m in H1'19 out of €120m planned for FY'19
- **Issuance of a €150m convertible bond to strengthen balance sheet**
  - Zero coupon
  - 5-year maturity
  - €20.7m recognized as equity, €129.3m as debt

# H1'19 highlights – Solid momentum for SOI adoption

## RF-SOI

- **Nokia** ReefShark chipset for 5G basestation to be built on RF-SOI
- **GlobalFoundries'** 8SW 300-mm RF-SOI new products for LTE and Sub-6 GHz front-end module applications: 5G IoT, mobile
- **pSemi (Murata)** introduced the 1<sup>st</sup> monolithic SOI Wi-Fi Front-end Module (LNA + PA + 2 switches on the same chip)
- **TowerJazz** to ramp its RF-SOI 65nm process (300-mm fab in Japan) site and signing of a wafer supply agreement with Soitec

## FD-SOI

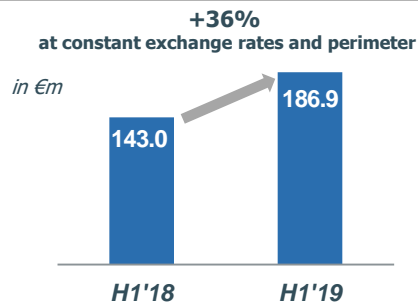
- **ARM/Samsung** 1<sup>st</sup> embedded MRAM (eMRAM) on 28FDS
- **Blink/Amazon** (home security cameras) new chip tape-out on 28FDS
- **Renesas** energy-harvesting embedded controller for IoT device on 65nm SOTB\*
- **Samsung** 1<sup>st</sup> 5G mmWave cellular chip on 28FDS
- **Synaptics** low-power accelerator for neural networking on 22FDX

## Innovation and M&A

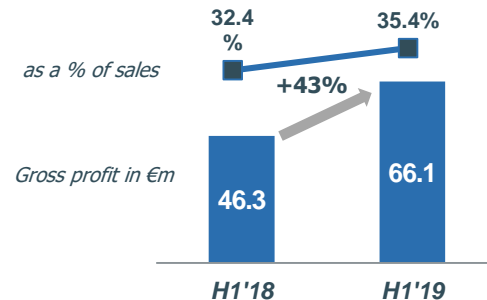
- **Leti and Soitec** launched a new substrate innovation center to accelerate time to market of new engineered substrates from R&D to Prototypes
- **Dolphin Integration** assets acquisition
  - Soitec 60% / MBDA 40%
  - Skillset to reinforce a full IP and service offering related to energy efficient solutions for chip design on FD-SOI.
  - Financial investment of around €6m (Soitec+MBDA)
  - Consolidated into Soitec's financials as of Sept. 2018

# H1'19 highlights – Strong financial performance

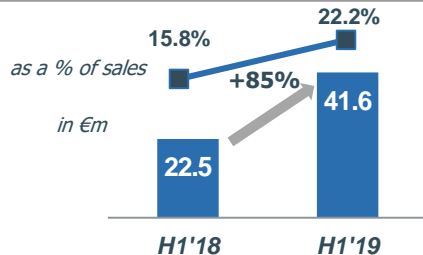
## Accelerated growth in sales (Electronics)



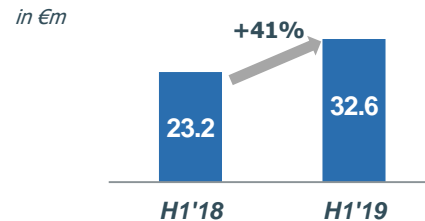
## Strong improvement in gross margin



## Significant increase in current operating income



## Strong increase in net result



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 now exclusively and fully reflects the Electronics activities as well as corporate expenses.



# Agenda



*Greetings*



1 Paul Boudre, CEO



2 Rémy Pierre, CFO



3 Paul Boudre, CEO



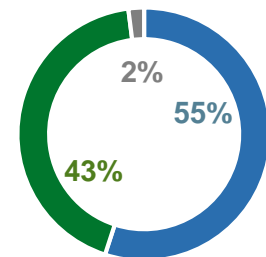
*Q&A session*

# H1'19: strong growth in sales

In million euros

	H1'18	Q1'19	Q2'19	H1'19	H1'19/H1'18 change reported	constant forex and perimeter <sup>1</sup>
200mm wafer sales	93.9	50.9	51.2	102.0	+9%	+13%
300mm wafer sales	44.9	39.3	41.3	80.6	+80%	+87%
Royalties and other revenues	4.2	1.7	2.5	4.3	+2%	-21%
<b>Total sales</b>	<b>143.0</b>	<b>91.9</b>	<b>95.0</b>	<b>186.9</b>	<b>+31%</b>	<b>+36%</b>

H1'19 sales breakdown



- 200mm
- 300mm
- Royalties and other revenues

## › 200mm wafer sales up 13% at constant exchange rates and perimeter

- Growth reflecting higher volumes thanks to outsourced production, a more favorable product mix
- Supported by the sustained demand for radiofrequency (RF-SOI) and power electronics applications (Power-SOI) in the mobile and automotive markets

## › 300mm wafer sales up 87% at constant exchange rates and perimeter

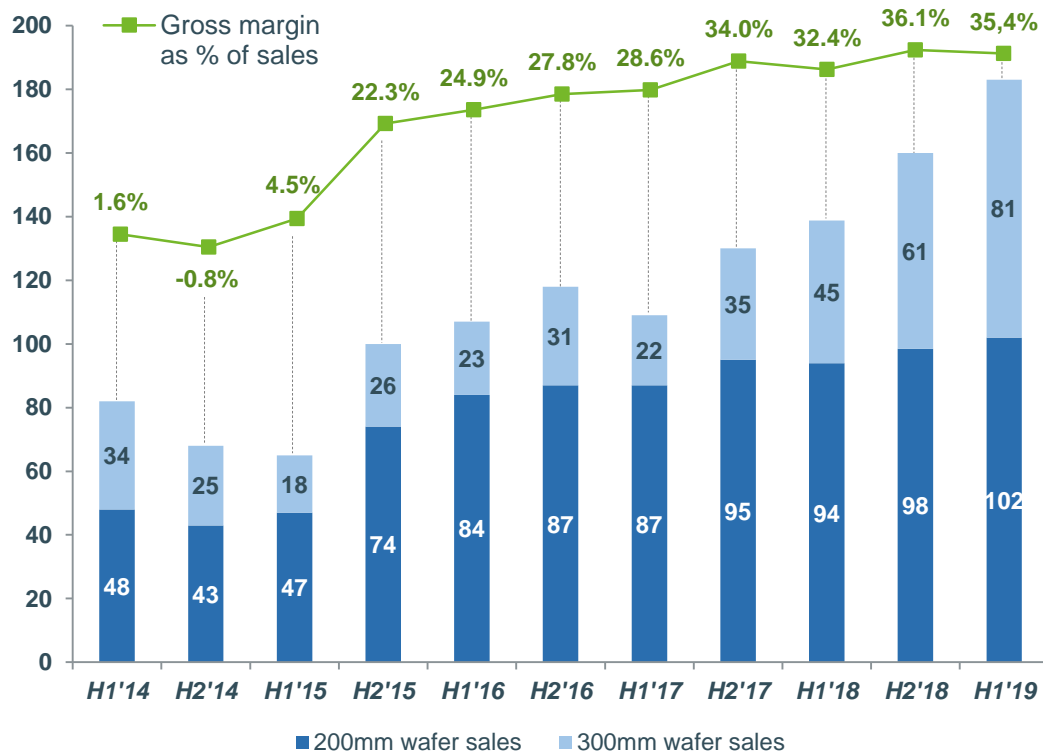
- Strong growth in sales resulting from higher volumes and, to a lesser extent, a more favorable product mix
- Very strong surge in both FD-SOI and RF-SOI 300 mm

## › Lower Royalties and IP revenues offset by revenues generated by Frec|n|sys and Dolphin Integration assets



# H1'19 gross margin above 35%

Sales  
in €m



- › Steady revenue growth over the last semesters
- › Bernin I running at full capacity
- › Bernin II capacity utilization from an average of slightly above 30% in H1'18 to an average of nearly 60% in H1'19
- › Better absorption of production costs vs H1'18 despite unfavorable forex impact, higher bulk material prices and higher expenses incurred by the restart of Singapore facility

# Group consolidated P&L (1/2)

<i>In €m</i>	H1'19	H1'18	Change
<b>Sales</b>	<b>186.9</b>	<b>143.0</b>	<b>+31%</b>
<b>Gross profit</b>	<b>66.1</b>	<b>46.3</b>	<b>+43%</b>
<i>As a % of sales</i>	<i>35.4%</i>	<i>32.4%</i>	
Gross R&D expenses	(24.0)	(22.3)	+8%
Prototype sales	5.6	3.7	+54%
Subsidies and research tax credits	10.1	9.1	+10%
<b>Net R&amp;D expenses</b>	<b>(8.3)</b>	<b>(9.5)</b>	<b>-13%</b>
<i>As a % of sales</i>	<i>4.4%</i>	<i>6.7%</i>	
Sales & Marketing expenses	(4.2)	(3.5)	+21%
General and administrative expenses	(12.0)	(10.7)	+12%
<b>Total SG&amp;A expenses</b>	<b>(16.2)</b>	<b>(14.2)</b>	<b>+14%</b>
<i>As a % of sales</i>	<i>8.7%</i>	<i>10.0%</i>	
<b>Current operating income</b>	<b>41.6</b>	<b>22.5</b>	<b>+85%</b>
<i>As a % of sales</i>	<i>22.2%</i>	<i>15.8%</i>	

## R&D expenses:

- › Slight increase in Gross R&D costs
- › More than offset by higher prototype sales as well as higher subsidies and research tax credits

## SG&A expenses:

- › Moderate increase in expenses and additional charges related to the share incentive plan implemented for all staff
- › Decrease as a percentage of sales

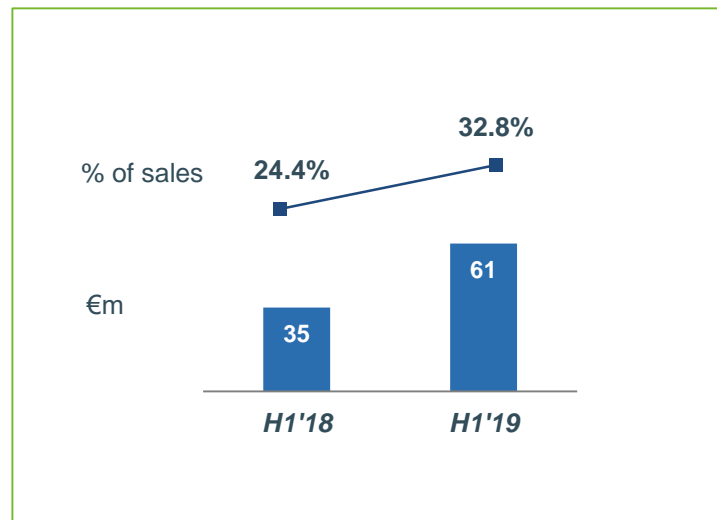
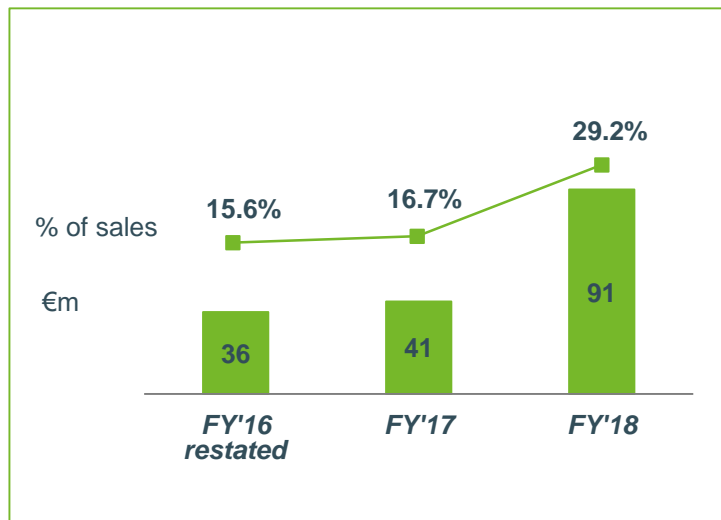
# Group consolidated P&L (2/2)

<i>In €m</i>	H1'19	H1'18	Change
<b>Current operating income</b>	<b>41.6</b>	<b>22.5</b>	<b>+85%</b>
Other operating income and expenses	(0.0)	(0.1)	
<b>Operating income</b>	<b>41.6</b>	<b>22.5</b>	<b>+85%</b>
Net financial result	(0.4)	4.5	
Income tax	(5.2)	(2.6)	
<b>Net profit from continuing operations</b>	<b>35.9</b>	<b>24.4</b>	<b>+47%</b>
Net profit / (loss) from discontinuing operations	(3.3)	(1.2)	
<b>Net profit</b>	<b>32.6</b>	<b>23.2</b>	<b>+41%</b>

## Net financial result:

- › H1'18 benefitted from a €4.6m non recurring financial income (early repayment of a guarantee deposit related to Touwsrivier)

# Strong H1'19 EBITDA of the continuing operations (Electronics)



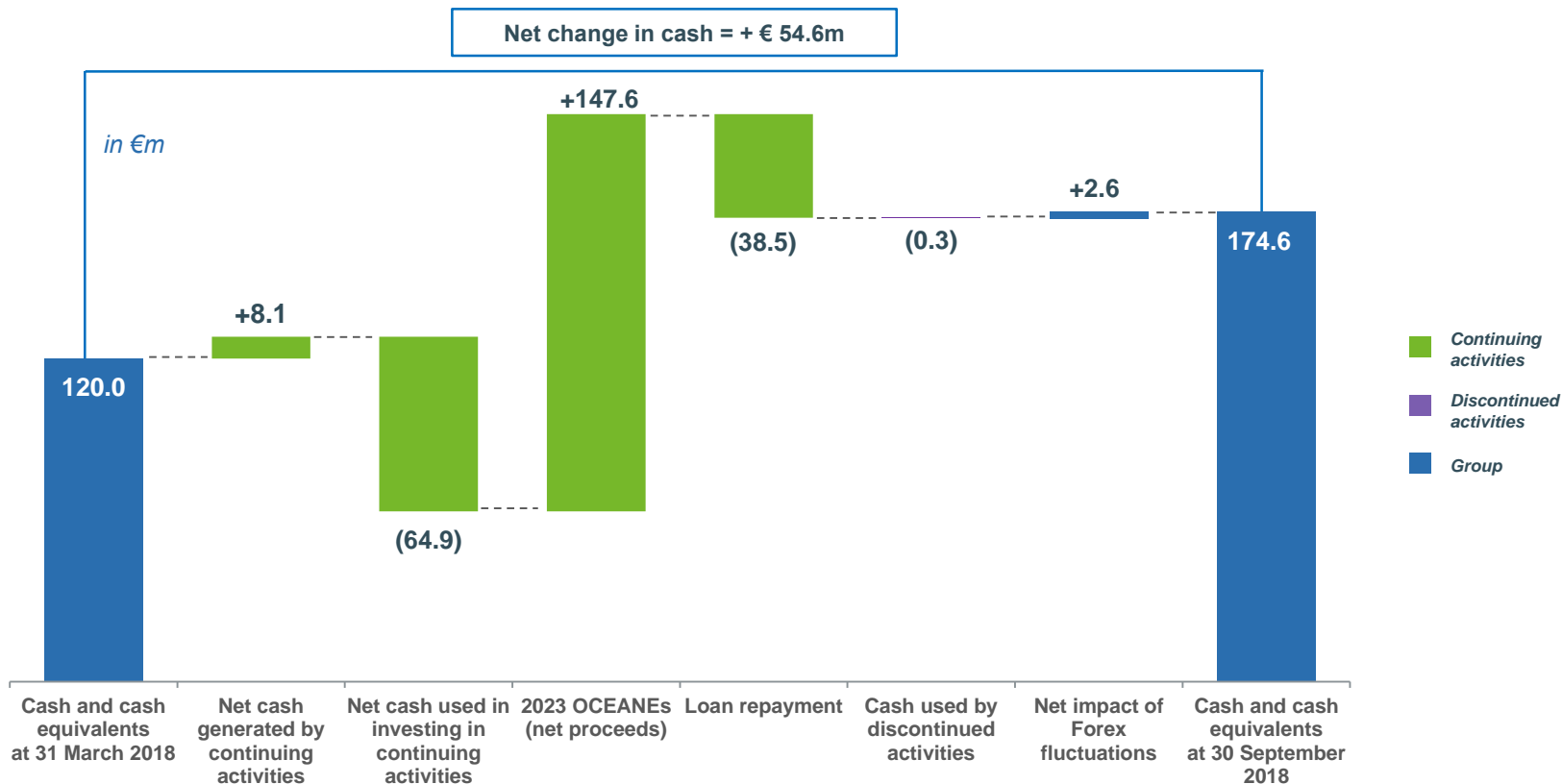
# Cash generation from operating activities

In €m

	H1'19			H1'18		
	Continuing operations	Discounted operations	Total	Continuing operations	Discounted operations	Total
<b>Net profit</b>	<b>35.9</b>	<b>(3.3)</b>	<b>32.6</b>	<b>24.4</b>	<b>(1.2)</b>	<b>23.2</b>
Depreciation and amortization	10.6	-	10.6	9.3	-	9.3
Other items	14.9	1.8	16.7	1.2	(0.9)	0.3
<b>EBITDA</b>	<b>61.4</b>	<b>(1.5)</b>	<b>59.9</b>	<b>34.9</b>	<b>(2.1)</b>	<b>32.8</b>
R&D redeemable advance reversal to income	0.2		0.2	0.3	-	0.3
Change in working capital	(53.5)	1.1	(52.4)	(29.3)	0.0	(29.3)
<b>Net cash generated by / (used in) operating activities</b>	<b>8.1</b>	<b>(0.4)</b>	<b>7.7</b>	<b>5.9</b>	<b>(2.2)</b>	<b>3.8</b>

- › Strong Electronics EBITDA
- › Increase in working capital requirement: higher level of activities, including an increase in inventories and in trade receivables

# H1'19 cash generation



# Simplified consolidated balance sheet

In €m

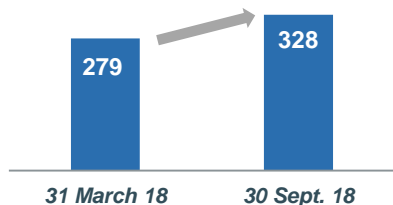
	30 Sept. 2018	31 March 2018
Intangible assets	27.2	8.2
Tangible assets and other non current assets	280.2	207.3
<b>Total non-current assets</b>	<b>307.4</b>	<b>215.5</b>
Current assets	165.0	120.3
Cash and cash equivalents	174.6	120.0
<b>Total current assets</b>	<b>339.5</b>	<b>240.2</b>
Assets held for sale and discontinued	18.1	24.0
<b>Total assets</b>	<b>665.0</b>	<b>479.7</b>

In €m

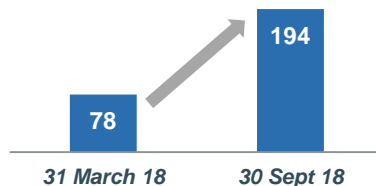
	30 Sept. 2018	31 March 2018
<b>Total equity</b>	<b>328.4</b>	<b>278.6</b>
Long-term financial debt	174.9	59.6
Provisions and other non-current liabilities	15.0	11.4
<b>Total non-current liabilities</b>	<b>189.9</b>	<b>71.1</b>
Short-term financial debt	18.6	18.6
Current liabilities	118.8	99.2
<b>Total current liabilities</b>	<b>137.4</b>	<b>117.8</b>
Liabilities from discontinued operations	9.3	12.2
<b>Total liabilities and equity</b>	<b>665.0</b>	<b>479.7</b>

# Solid financial position

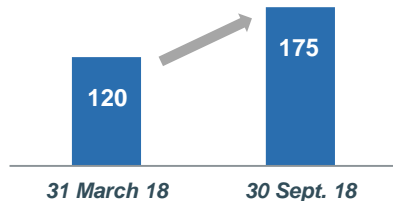
Shareholders' equity  
€m



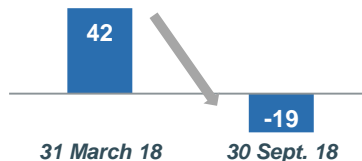
Gross debt  
€m



Cash and cash equivalent  
€m



Net cash position  
€m



Equity reinforced by +€50m:

- > +€33m retained H1'19 earnings
- > +€20m recognized as equity out of the €150m OCEANE 2023 bonds issues
- > +€9m capital increase related to share-based payments
- > -€13m revaluation of hedge instruments fair value

Gross debt increase:

- > €128m recognized as debt out of the €150m OCEANE 2023 bonds issues partly offset by €30m of credit lines redeemed during H1'19
- > Finance lease increase: +€5.5m
- > €4.4m of lease debt recognized with first time application of IFRS 16
- > Put option granted to the minority shareholder of Dolphin Design: debt valued at €7.7m

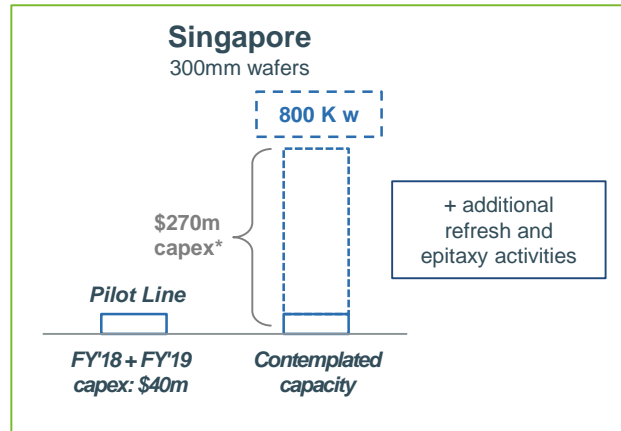
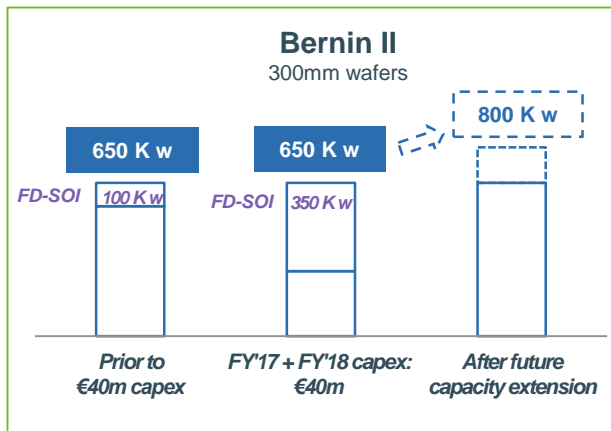
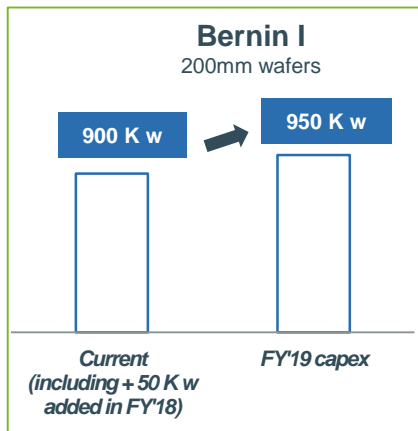


# Investment projects related to industrial sites

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

- › Bernin I: increase capacity by adding 50 K wafers
- › Bernin II: start extending the existing building with a view to later subsequently increase capacity by +150 K wafers
- › Singapore: complete the FD-SOI 300 mm pilot line and also add refresh and epitaxy activities

## › Contemplated capacity extension of existing sites:



\* As already announced, excluding refresh and epitaxy activities



# Agenda



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**2** Rémy Pierre, CFO



**3** **Paul Boudre, CEO**



*Q&A session*

# Guidance for FY'19

## Revenue growth

Above 35% at  
constant exchange  
rates and perimeter

## Electronics EBITDA margin

Around 30% of  
sales

## Electronics Capex

Approx. €120m



# Q&A

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# Appendix

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# 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



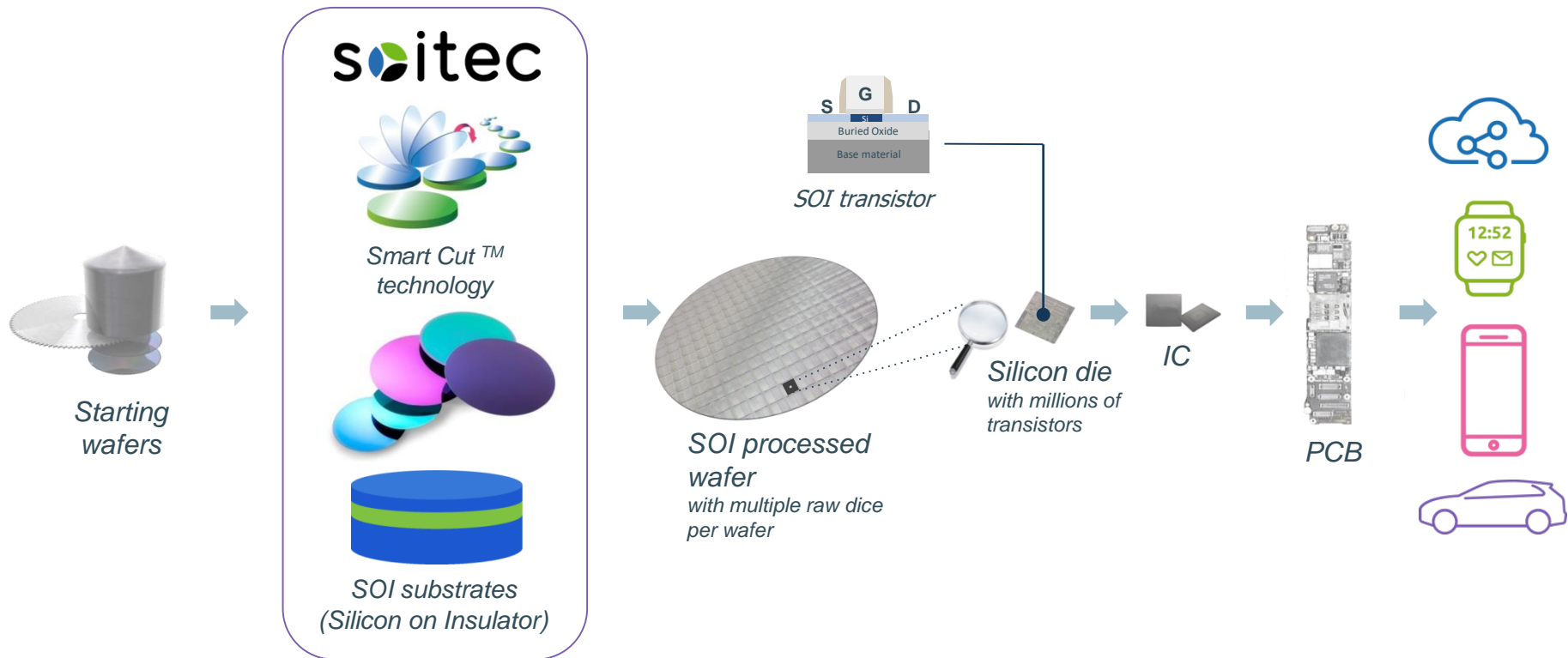
Automotive



Internet of Things

# Soitec in the value chain

## Engineered substrates





# Smartphones

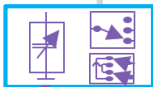
## 3G/4G fuelling current growth 5G around the corner



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

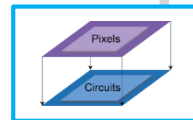
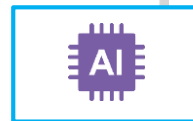
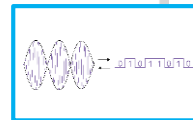


Image signal processors



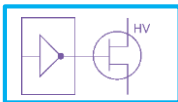
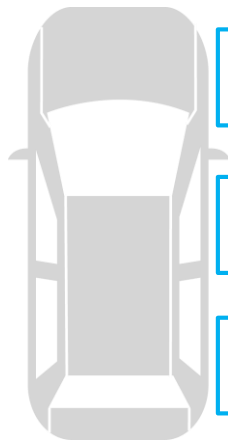
Artificial intelligence system-on-chips



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...)

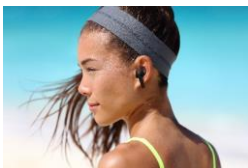
Dr André Blum, AUDI AG | 2018-04-26 | SOI Silicon Valley Symposium, Santa Clara, CA

# Internet of Things

## FD-SOI for consumer applications



GPS for smartwatches



Ear buds



Smarthome speakers



Drones

## FD-SOI for industrial applications



Smart cities

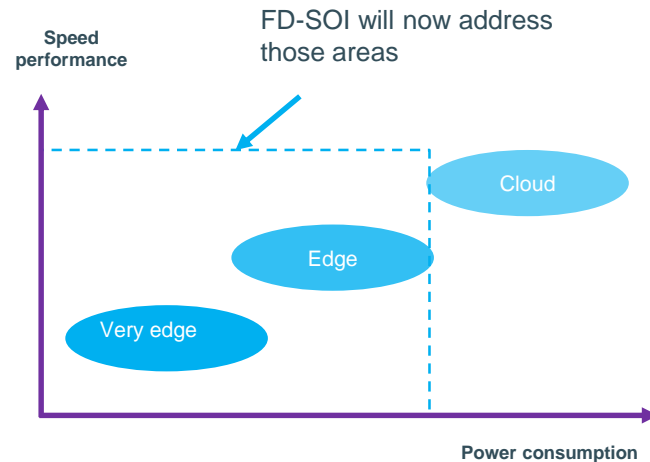


Security cameras



Smart meters

## 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

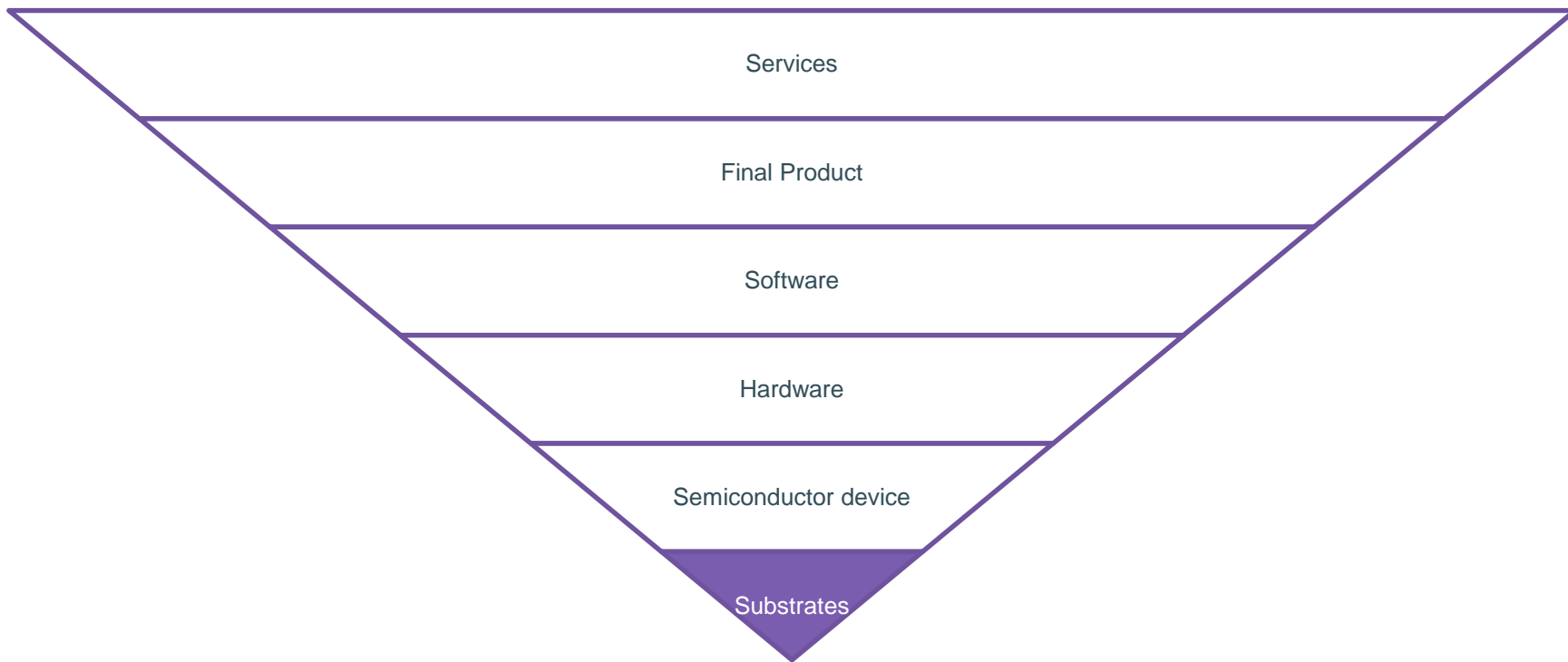


## FD-SOI

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)

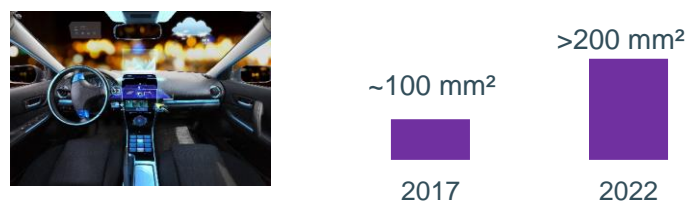


# Soitec footprint to expand in every end market

## Smartphones



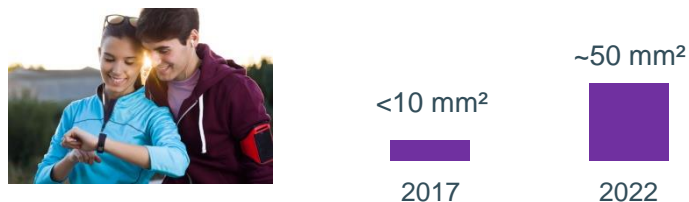
## Automotive



## Cloud infrastructure



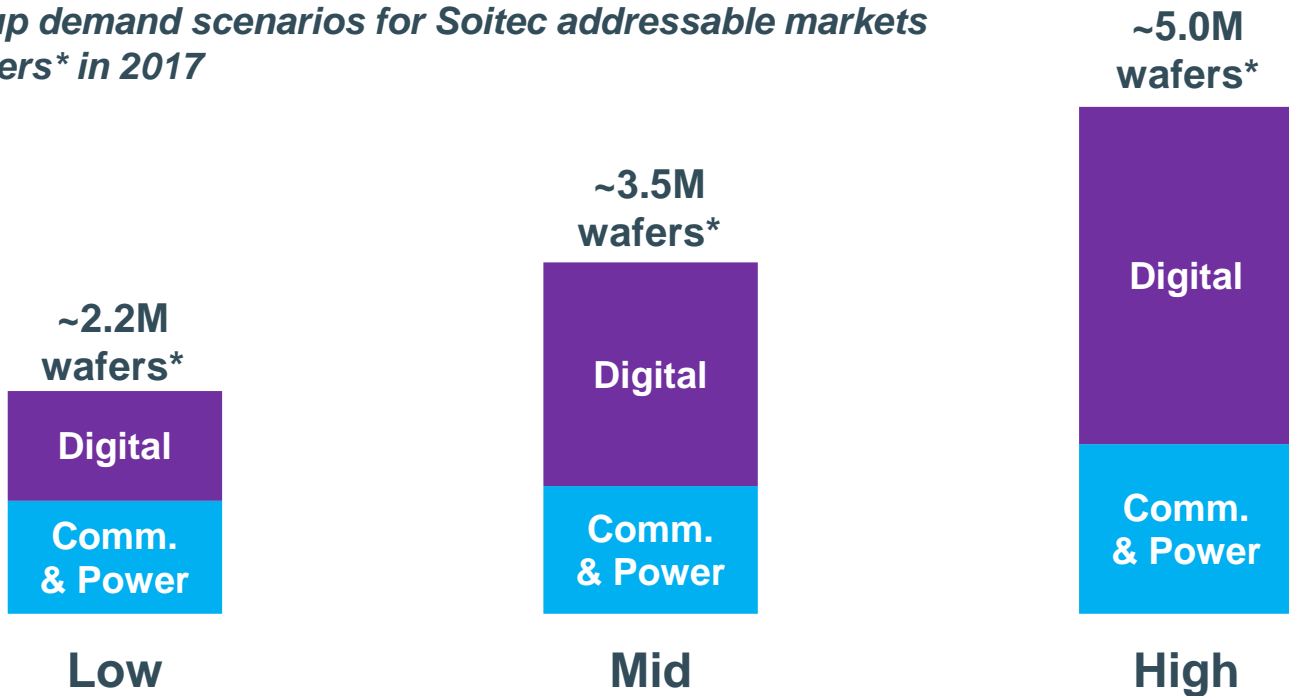
## Internet of Things





# Strong business trends support our FY22 TAM outlook

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



# Net profit from discontinued operations

Directly reported at the bottom of consolidated P&L

<i>In €m</i>	H1'19	H1'18
<b>Sales</b>	<b>0.1</b>	<b>0.8</b>
Expenses	(0.4)	(0.3)
<b>Current operating income/(loss)</b>	<b>(0.4)</b>	<b>(0.5)</b>
Other operating income and expenses	(0.7)	(0.8)
<b>Operating income/(loss)</b>	<b>(1.0)</b>	<b>(0.3)</b>
Net financial income/(expense)	(2.2)	(0.8)
Income tax	(0.1)	(0.1)
<b>Net profit / (loss) from discontinued operations</b>	<b>(3.3)</b>	<b>(1.2)</b>

# Thank you

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