

# Siltronic AG Q3/2018 Results

October 25, 2018

# Highlights Q3/2018: Financials

<b>Sales</b>	EUR 379.8m (Q2/2018: EUR 361.3m)
<b>EBITDA</b>	EUR 160.2m (Q2/2018: EUR 146.0m)
<b>EBITDA margin</b>	42.2% (Q2/2018: 40.4%)
<b>EBIT</b>	EUR 138.0m (Q2/2018: EUR 124.1m)
<b>ROCE</b>	66,8% (Q2/2018: 62,0%)
<b>CapEx</b>	EUR 62.8m (Q2/2018: EUR 45.2m)
<b>Net cash flow</b>	EUR 93.0m (Q2/2018: EUR 67.1m)
<b>Net financial assets</b>	EUR 715.8m (June 30, 2018: EUR 602.7m)



**MARKET UPDATE**

# Market highlights Q3/2018

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## Semiconductors

- ▶ Semi units trended further upwards in August (+7.9% 3MMA, YoY) after some volatility while silicon area continues on high level
- ▶ Additional ASP increases resulted in higher semi revenues (+14.9% YoY)

## Silicon wafer market

- ▶ Wafer market in Q3 2018 was ~7bn cm<sup>2</sup>/month, 2.9% over Q2 2018 average and 8.6% up YoY

## Wafer demand

- ▶ Demand on sustainable high level
- ▶ Still low raw wafer inventories at customers

## Price increases

- ▶ Wafer ASP continued to increase q-o-q

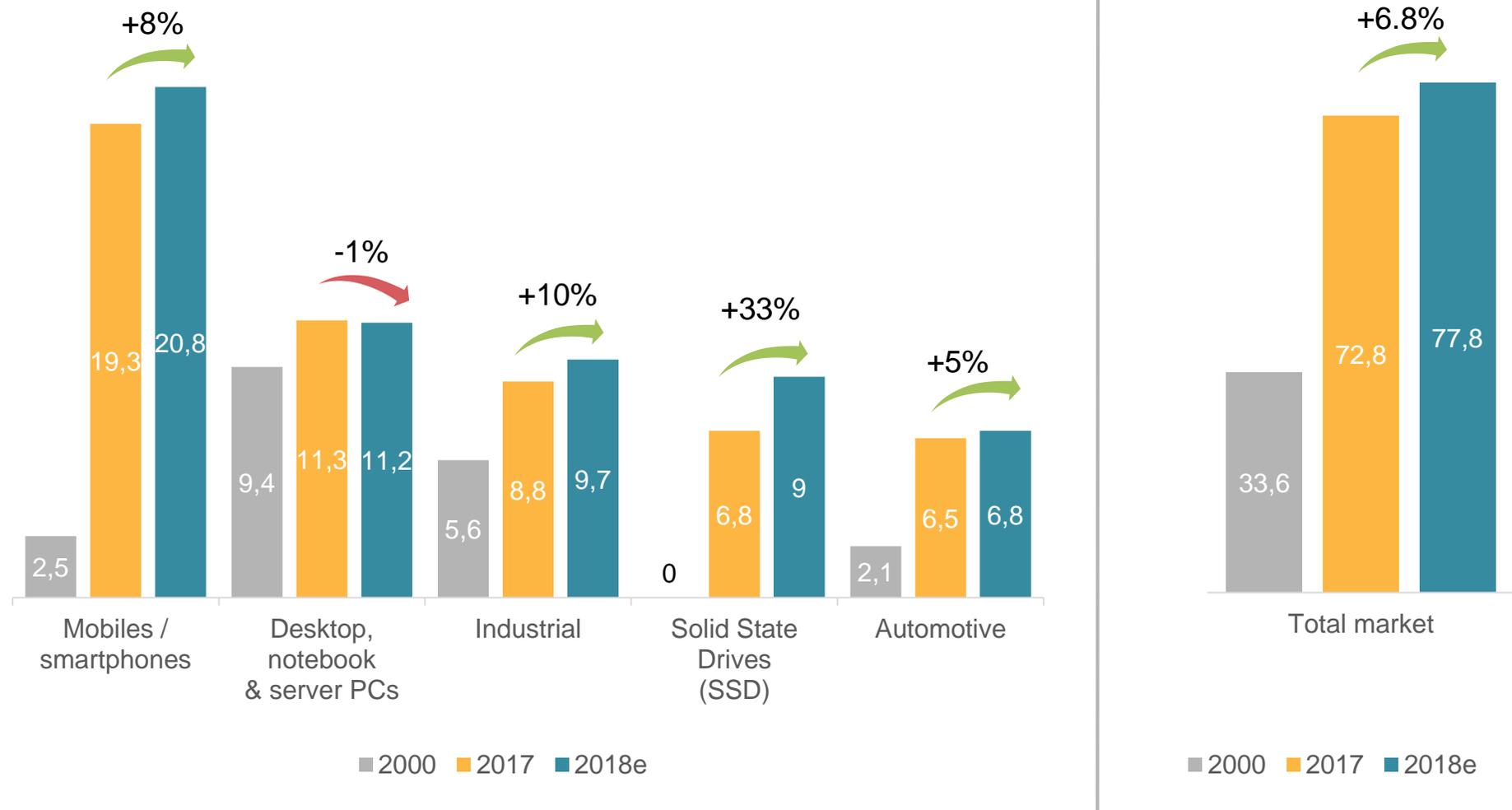
## Competition

- ▶ Wafer suppliers continue to report strong demand for all diameters

Sources WSTS up to August 2018, Semi October 2018

# Increasing silicon demand supported by 1 stable and 4 growing end applications

Wafer demand, in bn cm<sup>2</sup>, 2017/2018 expected growth, in %



Source: Data based on IHS Markit, Technology Group, Semiconductor Silicon Demand Forecast Tool, Q3 2018. Results are not an endorsement of Siltronic. Any reliance on these results is at the third party's own risk. Visit [technology.ihs.com](http://technology.ihs.com) for more details.

# Growth in memory driven by SSD, computing and smartphones

## DRAM growth

- ▶ Growth in servers
- ▶ Increase in DRAM density in servers and smartphones
- ▶ Growing Artificial Intelligence functionality



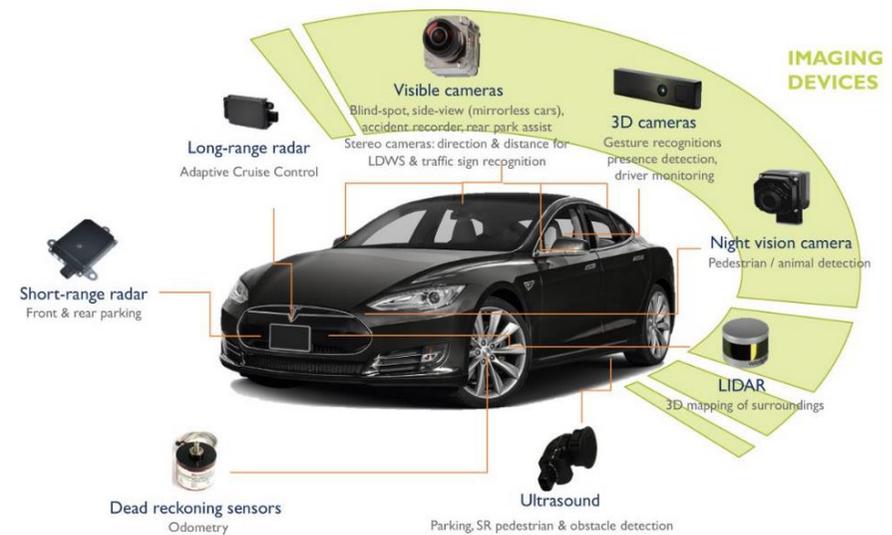
Source: Apple.com

## NAND growth

- ▶ SSD growing with data traffic and HDD substitution
- ▶ NAND growth in smartphones due to higher density per unit (e.g. iPhone XS with up to 512 GB).
- ▶ NAND prices sliding from a high level due to over-supply. Sliding NAND prices not negative for wafer demand as falling prices will increase SSD demand in PCs (price elasticity)
- ▶ Customers' demand still shows ~10% growth (CAGR 18-23)

# Automotive growth in all diameters with 300 mm to grow faster than other diameters

- ▶ Infotainment, connectivity and ADAS become standard, driven by consumer request and government mandates
- ▶ ADAS, infotainment and connectivity require advanced logic as well as large amounts of memory
- ▶ Change in car architecture towards domain and inter-domain control requires fewer, but advanced MCUs instead of large amounts of simple MCUs for each electronic control unit
- ▶ Advanced process nodes for logic are on 300 mm

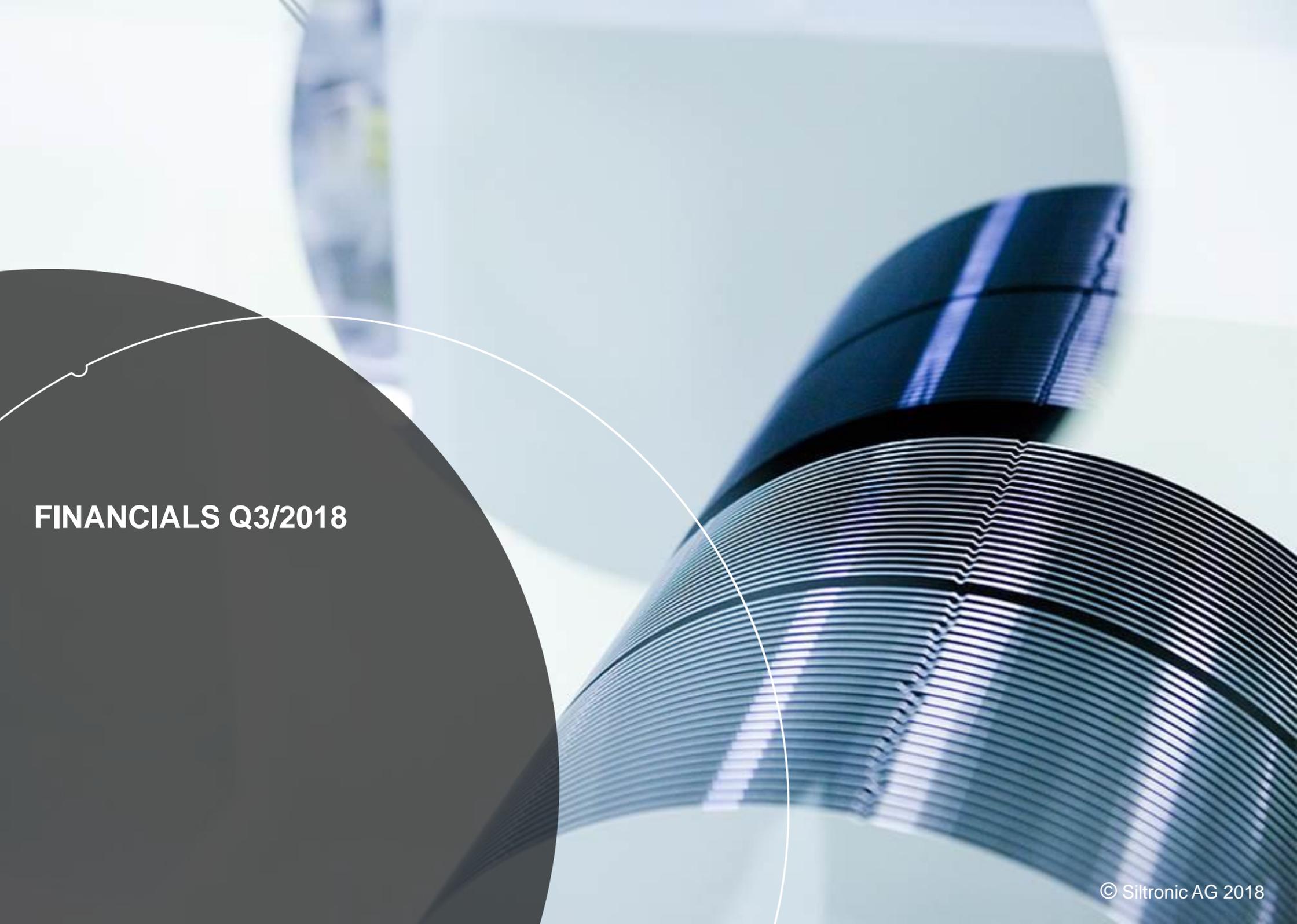


Source: Yole 2018

# Investor key messages

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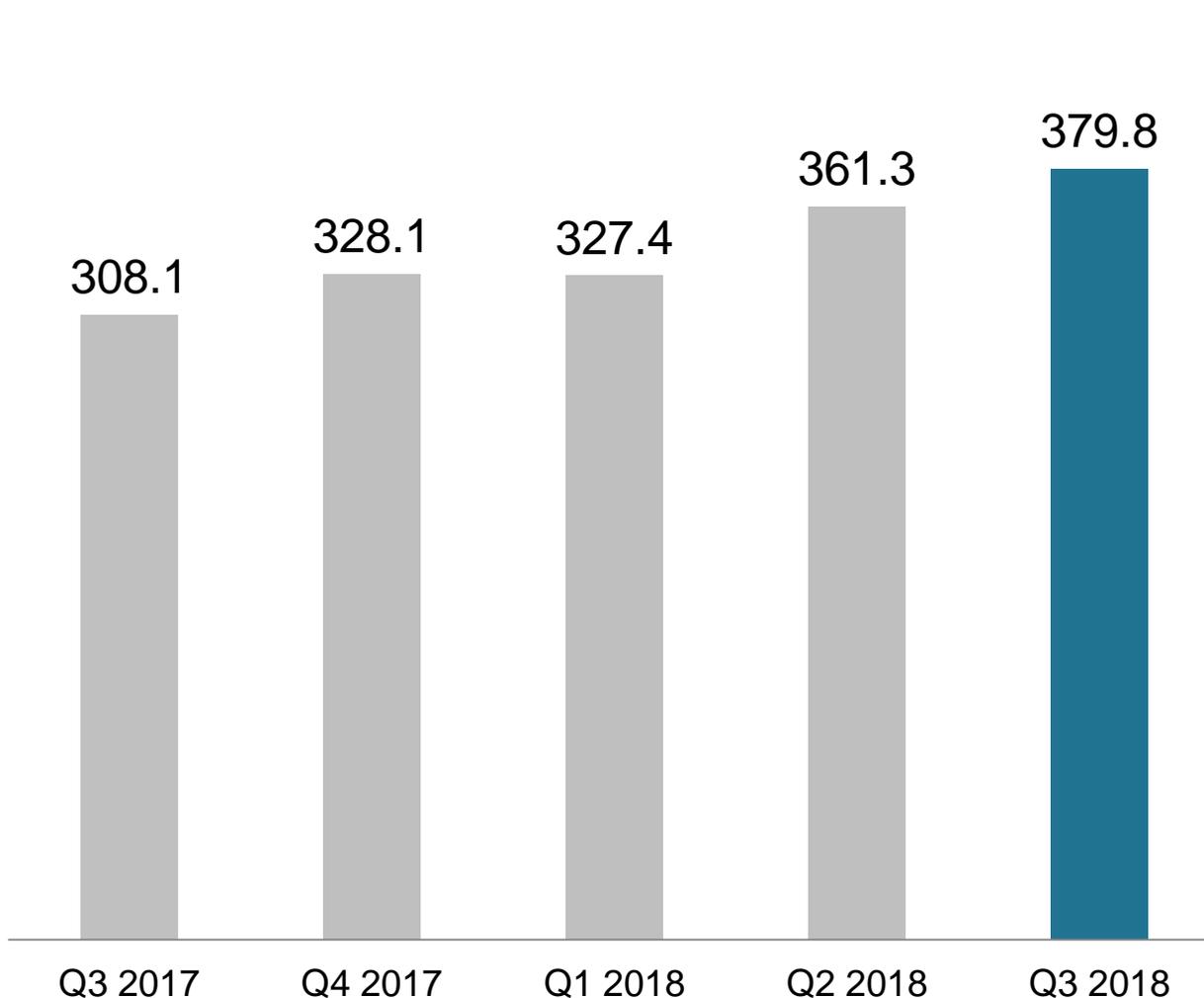
- ▶ Fundamental NAND growth intact
- ▶ Smartphone content additionally supported by CIS development
- ▶ Significant investment and ramp in new fabs by NAND players
- ▶ Demand of most automotive semi customers strengthening
- ▶ We don't see any significant change in the market demand, but we might see some volatility triggered by political events and Chinese phone inventories in the short-term



**FINANCIALS Q3/2018**

# Q3 sales 5% higher than in previous quarter

Sales, in EUR million



## Comment

### ▶ Positive

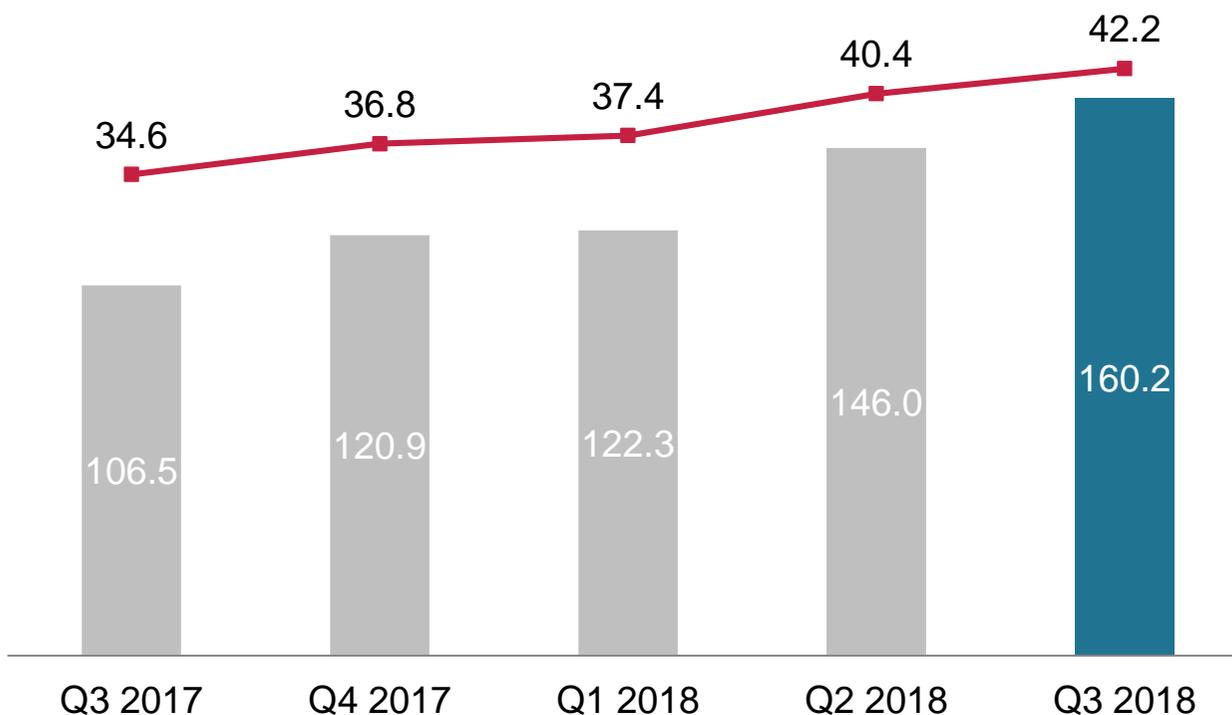
- ▶ ASP increase y-o-y and q-o-q
- ▶ One-off effect of EUR 8m in Q3/2018: conversion of a customer from sea freight to air freight
- ▶ Slight tailwind from USD q-o-q

### ▶ Negative

- ▶ Headwind from USD y-o-y (but not as much as expected at the beginning of the year)

# EBITDA and EBITDA-margin further up

EBITDA margin in %; EBITDA in EUR million



## Comment

### ► Positive

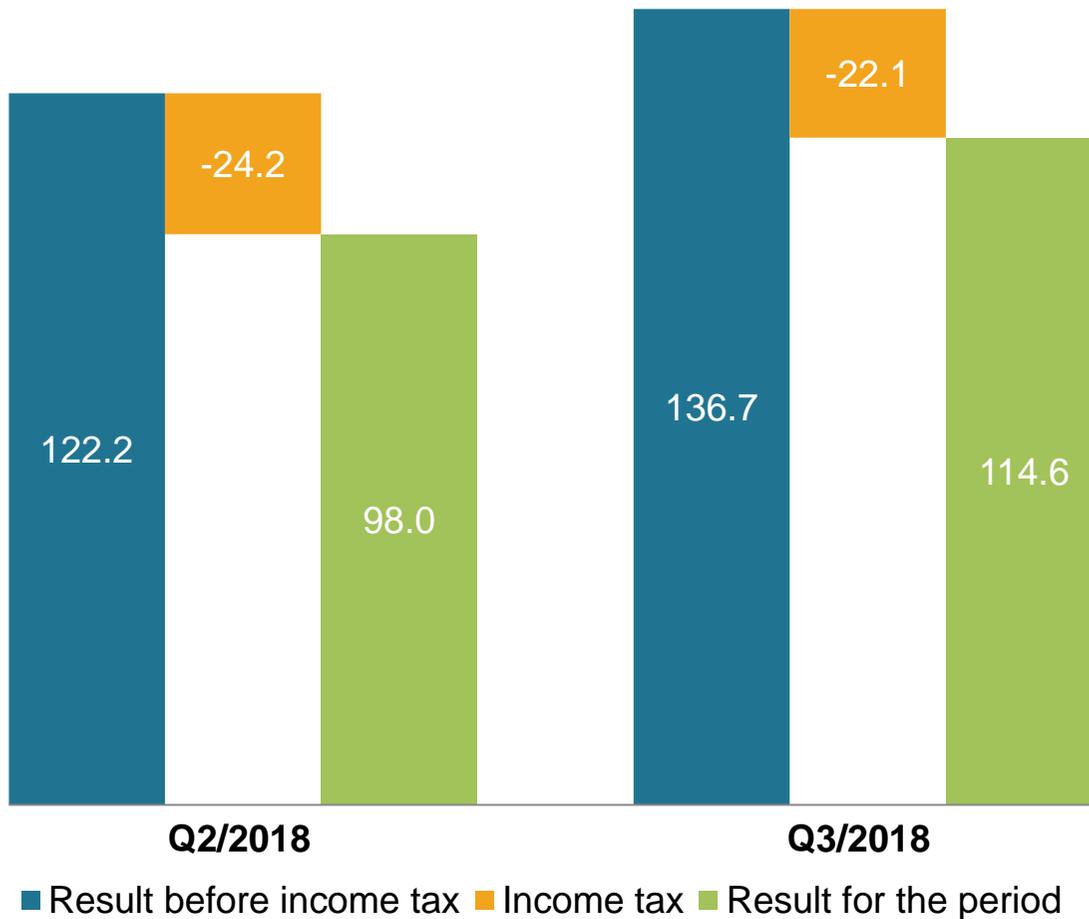
- Higher ASP y-o-y and q-o-q
- Slight tailwind from USD q-o-q
- Slightly lower cost per wafer area q-o-q

### ► Negative

- Headwind from USD y-o-y (but not as much as expected at the beginning of the year)

# Strong growth of net profit

Result and income tax, in EUR million



## Comment

- ▶ Net profit in Q3/2018 about 17% up vs. Q2/2018
- ▶ Higher ASPs and slightly lower cost of sales per wafer area contributed
- ▶ EUR 22.1m expenses for taxes in Q3/2018
- ▶ Tax rate of 16% in Q3/2018

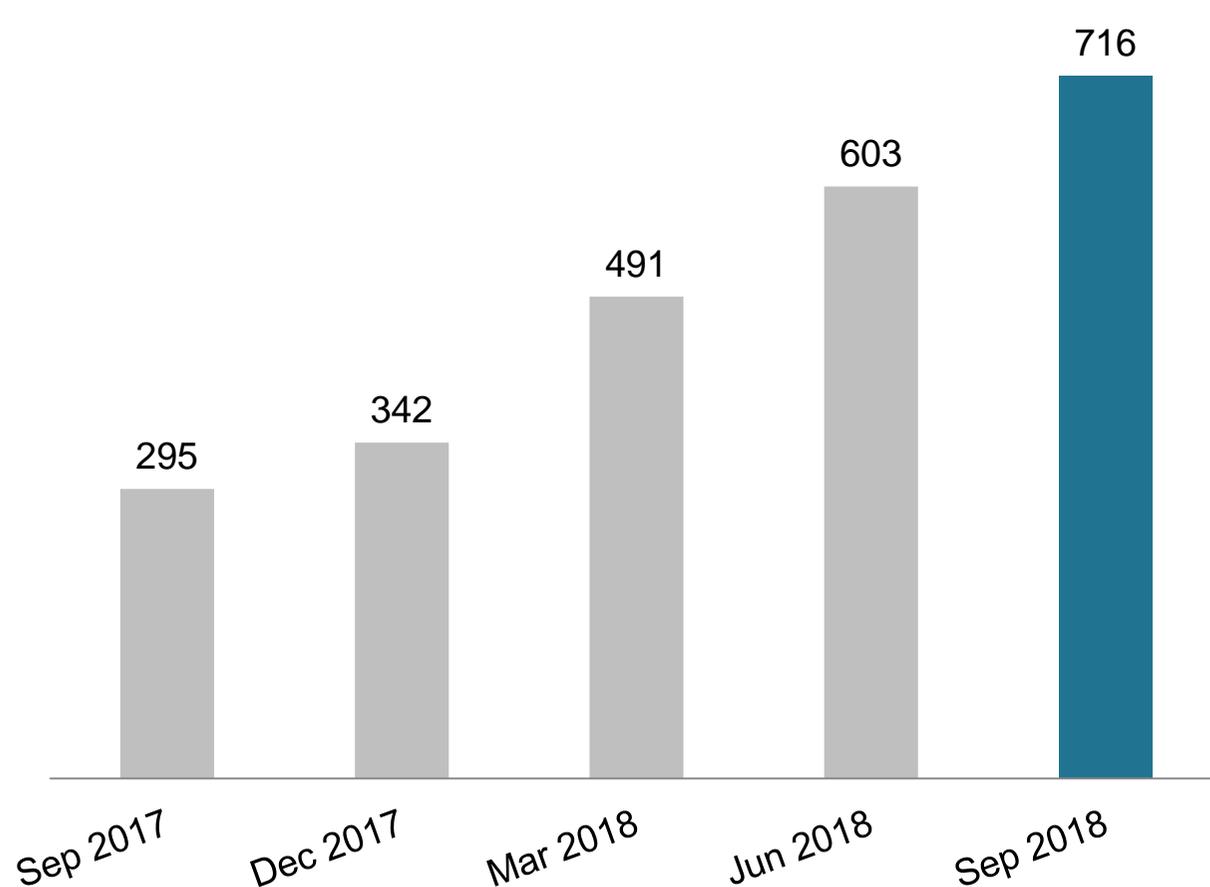
# Equity further increased due to strong profit for the period, solid equity ratio stable at about ~48%

## Balance sheet, in EUR million

Assets	Sep 30, 2018	Dec 31, 2017	Comments Sep 30, 2018	Equity and liabilities	Sep 30, 2018	Dec 31, 2017	Comments Sep 30, 2018
<b>Non-current</b>	<b>652.4</b>	<b>546.6</b>		<b>Equity</b>	<b>841.7</b>	<b>637.9</b>	
PP&E	587.1	513.3		Siltronic	822.1	637.3	
Other fixed	43.8	32.0	21 intangibles (related to SSW) 1 hedging	Other shareholders	19.6	0.6	Samsung's 22% in SSW
Securities and fixed-term deposits	21.5	1.3		<b>Liabilities</b>	<b>898.1</b>	<b>614.5</b>	
<b>Current</b>	<b>1,087.4</b>	<b>705.8</b>		Pension provision	373.6	367.2	Germany and US
Inventories and contract assets	152.0	149.9		Other provisions	124.5	54.6	37 personnel related (e.g. early retirement)
Trade receivables	167.4	159.9		Trade liabilities	91.6	67.1	
Other current	73.7	53.9	4 hedging	Customer prepayments	241.4	69.8	
Cash, fixed term deposits and securities	694.3	342.1		Other	67.0	55.7	50 employee-related 11 hedging
<b>Total</b>	<b>1,739.8</b>	<b>1,252.4</b>		<b>Total</b>	<b>1,739.8</b>	<b>1,252.4</b>	

# Net financial assets exceed EUR 700 million for the first time

Net financial assets, in EUR million

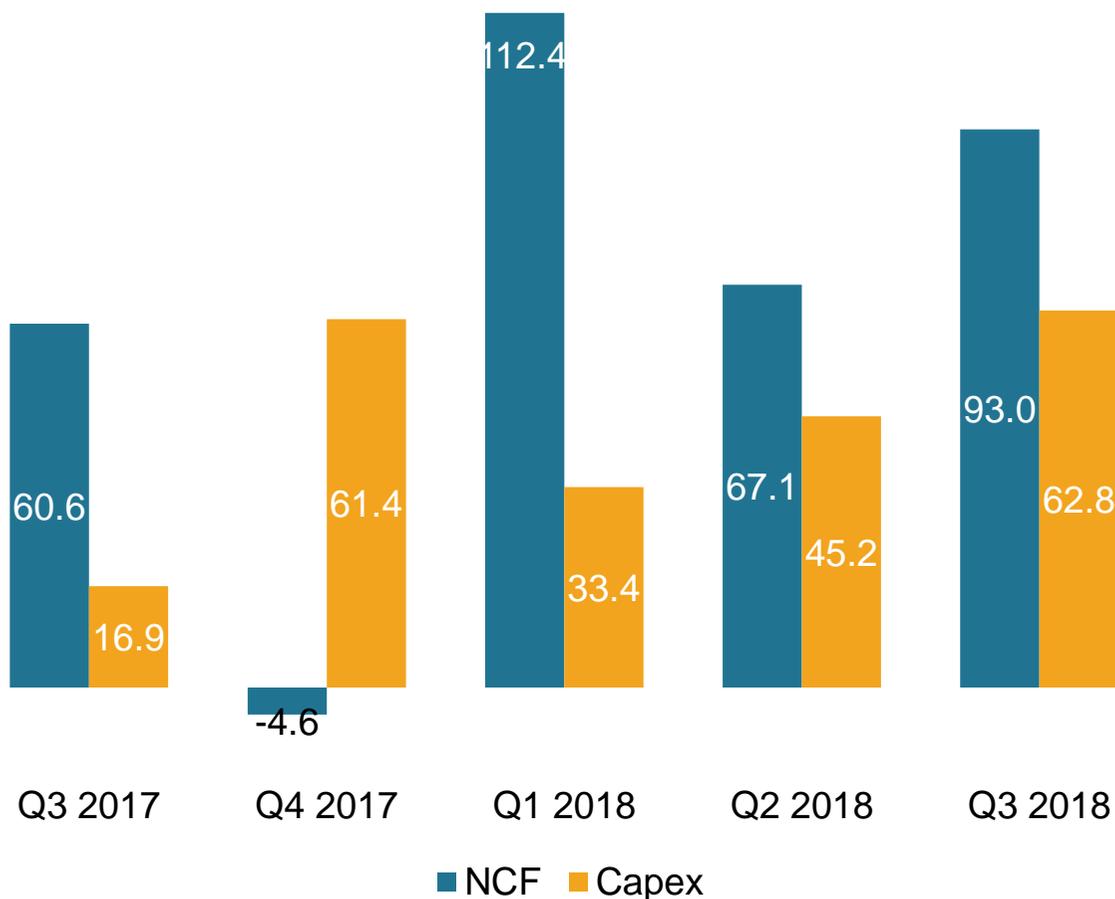


## Comment

- ▶ Prepayments of EUR 171.5m (net) received until September 2018

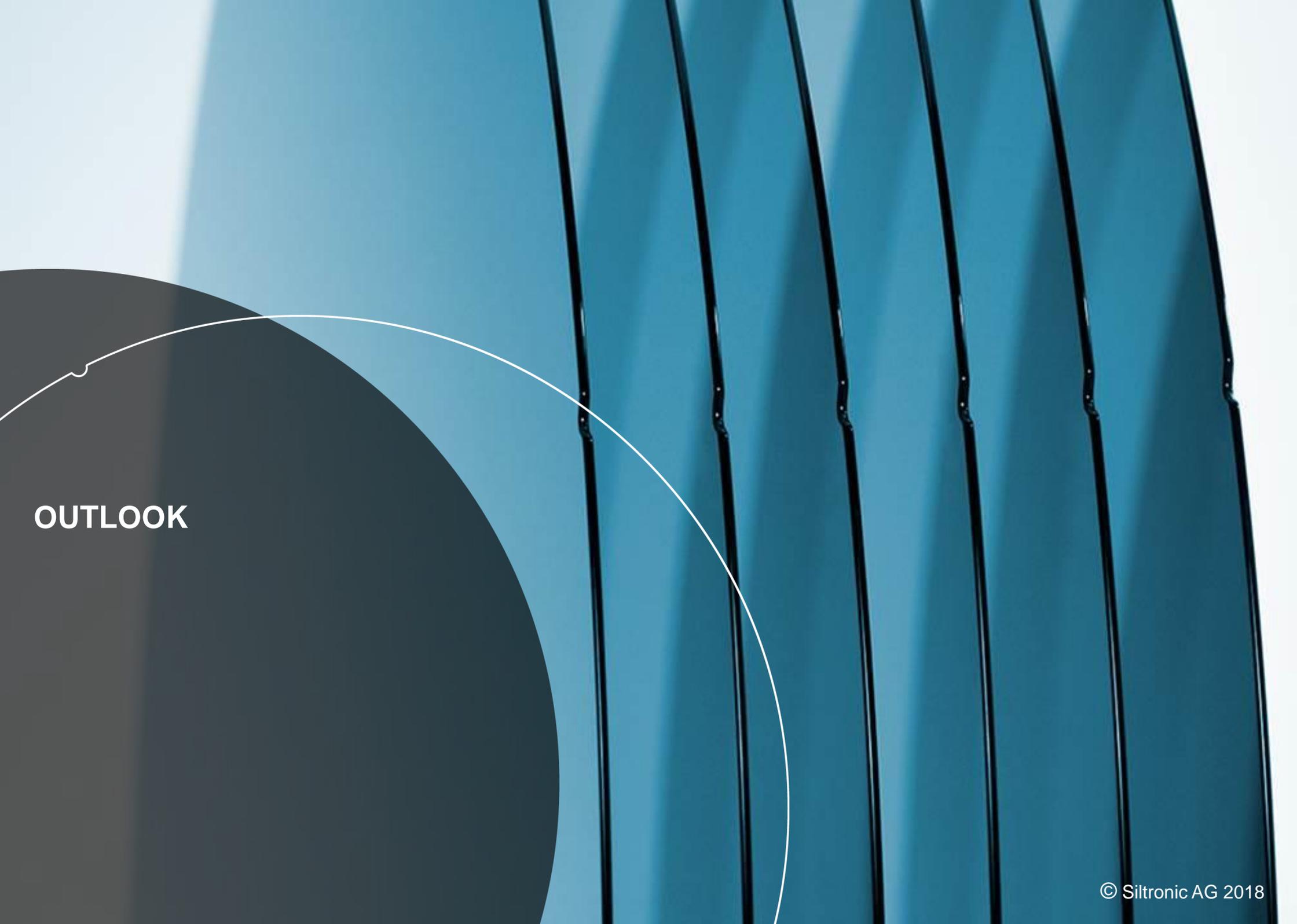
# Strong net cash flow despite investments in the future

Capex and NCF, in EUR million



## Comments

- ▶ Net cash flow of EUR 93.0m in Q3 2018
- ▶ Capex increase in Q3 related to:
  - ▶ capacity expansion in 2019
  - ▶ new crystal pulling hall in Singapore
  - ▶ ongoing automation projects
- ▶ Capex in 9M 2018: EUR 141.4m
- ▶ Expected capex in Q4 2018: approx. EUR 120-140m
- ▶ Capex guidance for FY 2018 unchanged EUR 260m-280m

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# OUTLOOK

# Siltronic Outlook for 2018 (as of October 25, 2018)

<b>EBITDA margin</b>	approximately 40%
<b>ROCE</b>	clearly higher than in 2017
<b>Net cash flow</b>	clearly higher than in 2017
<b>Sales</b>	slightly above EUR 1.4bn, depending on FX effects <b>update</b> 
<b>R&amp;D</b>	approx. 5% of sales
<b>Cost position</b>	negative effect on savings potential due to tariff increases and inflation
<b>FX effects</b>	assuming an EUR/USD exchange rate of 1.20 and an EUR/JPY exchange rate of 130 negative FX impact of approx. EUR 60m on sales and approx. EUR 40m on EBITDA
<b>Depreciation</b>	approx. EUR 90m
<b>Tax rate</b>	between 15% and 20%
<b>Financial result</b>	relatively stable
<b>CapEx</b>	approx. between EUR 260m and EUR 280m
<b>Earnings per share</b>	significantly higher than in 2017

# Contact and Additional Information

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## Additional Information

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

## Financial Calendar

Preliminary financial figures	January 31, 2019
Annual Report 2018	March 5, 2019
Q1 Quarterly Statement	May 3, 2019
Annual General Meeting	May 7, 2019
Half Year Report	July 25, 2019
Q3 Quarterly Statement	October 24, 2019



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