ams OSRAM delivers like-for-like structural growth with solid Q1, restructures microLED development and works on exiting 8-inch-wafer factory SLB, accelerating path to positive free cash flow

- **Q1/24:** revenues EUR 847 m, adj. EBIT EUR 44m (5.2%), adj. EBITDA EUR 124m (14.6%)
- **Q1/24:** available liquidity of EUR 2.1bn (therein EUR 1.1bn in cash, EUR 800m RCF, EUR 206m bilateral facilities)
- **Q2/24:** expected second quarter revenues of EUR 770 to 870m and adj. EBITDA margin of 14 to 17%
- **Free cash flow (before net interest) 2024:** reconfirmed to be positive
- **Revision of microLED strategy:**
  - Around EUR 700m one-off cost, of that EUR 513m impairment and EUR 119m transformation costs in Q1
  - Substantial restructuring of microLED development initiated (more than 500 employees affected), remaining activities focus on microLED technology for own automotive applications
  - Significant cash flow improvement of more than a EUR 100m and adj. EBIT improvement of around EUR 100m in 2025 compared to continuation of the cornerstone project
  - Kulim 8-inch-wafer factory to be transferred to new lessee with high priority
  - Reduction of debt by around EUR 400m targeted (SLB value)
- **'Re-establish the Base (R-t-B)' program:**
  - Restructuring of CMOS Imaging Sensors business with significant overhead reduction, turning business profitable

Premstaetten, Austria, and Munich, Germany (26 April 2024) -- ams OSRAM delivers solid Q1 revenues of EUR 847m, adj. EBIT margin of 5.2%, restructures microLED development, works on exiting 8-inch factory SLB, on track for positive FCF (after interest) in 2025.

"The industry dynamics in our LED markets have changed with cancellation of the microLED cornerstone project. We adjust our strategy accordingly and continue to strengthen investments in the soon biggest LED market segment – automotive – which is to grow structurally for years to come. We intend to step out of the 8-inch factory and focus our microLED development on automotive needs for accelerating our path towards delivering truly positive free cash flow in 2025. We showed year-on-year growth in Q1 on a like-for-like basis in a difficult environment driven by structural growth in automotive and some cyclical recovery. The promising mid-term growth prospects of all our core businesses that we are focusing on in automotive, industrial, medical, as well as selected consumer applications, are intact." said Aldo Kamper, CEO of ams OSRAM.

Q1/24 financial update

ams OSRAM announces revenues of EUR 847 million for the first quarter 2024, at the midpoint of the guided range of EUR 800 – 900 million, a EUR 61 million – seasonal – decrease compared to the previous quarter. On a like for like basis (without portfolio or currency effects), revenues improved by around 5% year-on-year compared to the clean base of EUR 817 million in Q1/23. The main drivers for this year-on-year increase are the automotive and consumer semiconductor businesses, whilst industrial business remains weaker than a year ago.

The adjusted EBIT (adjusted earnings before interest and taxes, i.e. operating margin adjusted for special, non-operational effects) margin came in slightly below the midpoint of the guided range of 4% - 7%, namely at 5.2%. This is a consequence of the stop of the cornerstone microLED project, as less related research & development expenditures could be capitalized. The adjusted EBIT amounted to EUR 44 million. Without the capitalization effect, adjusted EBIT would have come in EUR 11 million higher – above the mid-point of the guided range.

The adjusted EBITDA came in at EUR 124 million, i.e. at a 14.6% adj. EBITDA margin. Adjusted depreciation & amortization of EUR 77 million does not include microLED related charges and amortization of intangible assets arisen from purchase price allocations (PPA), but are related to previous, ordinary investments into PPE and capitalized R&D. Adjusted EBITDA is considered a key metric, representative of the cash flow performance of the underlying businesses.

Restructuring of microLED development and exit of Kulim 8-inch-wafer factory

On February 28th, 2024, ams OSRAM announced that a lead-customer had stopped the cornerstone microLED development project. The company initiated restructuring its microLED related development activities in both Malaysia and Germany to a remaining minimum core development for mainly proprietary use in future automotive products, such as advanced, high-pixelated forward lighting solutions. In total, more than 500 employees at the respective sites combined are affected. Some freed-up resources are reallocated to further strengthen the company's market leadership position in the automotive LED market, which is poised to soon become the single largest segment in the LED market according to latest market research. This new view of the market also suggests that the superior features of advanced, high-performance microLED based displays will primarily play a role in several smaller applications that also will scale slower and later than expected previously.

In case a new lead customer commits in a timely manner to fund dedicated developments for specific applications, the company may continue a more substantial microLED development in an essentially cash flow and EBIT neutral manner.

The stop of the cornerstone project will incur one-time cost of around EUR 700 million, at the lower end of the previously indicated range of EUR 600 to 900 million. The company booked EUR 513 million of non-cash impairment for equipment and capitalized project-specific research & development expenses and EUR 119 million of transformation costs for adjusting its microLED strategy, such as cancellation fees and deinstallation cost in Q1/24. For the remainder of the year, potentially up to EUR 70 million of further transformation costs may come due when adjusting the development set-up for microLED, which includes restructuring measures.

With the cancellation of a significant share of equipment orders and related charges, outstanding CAPEX for the project will be reduced by around EUR 120 million in 2024/25. This leads to reduction of CAPEX for PPE (property, plant, and equipment) to around EUR 450 million (including capitalized R&D and some carried over PPE accounts payable from 2023) and underpins the target for 2025 to reach the target CAPEX to sales ratio of around 10%.

The company is also pursuing to exit the Sale-and-Lease-Back (SLB) contract for its state-of-the-art Kulim-8-inch factory to a new lessee with high priority. The intended exit is being pursued in close alignment with the SLB investors. With this step the company intends to reduce its long-term debt by around EUR 400 million (booked under ‘other liabilities’), significantly reduce its net-debt position and eliminate the lease payments.

For 2025, the company expects upon implementation of these decisions significant improvements of cash flow of more than EUR 100 million and adjusted EBIT of around EUR 100 million, respectively, which is to be seen in comparison to a continuation of the cornerstone project according to the previous plan.

Re-establish-the-Base – non-core semiconductor portfolio

The company announces the following steps when it comes to the exit of the non-core semiconductor portfolio (with 2023 run-rate of around EUR 300 to 400 million) that was announced in Q2/23.

CMOS Imaging Sensors

ams OSRAM decided to optimize and focus its CMOS Imaging Sensor business on medical and industrial applications for growth and profitability. Development activities that had been targeting future consumer applications will be restructured. One affected site will be restructured and one development site closed. One-time transformation costs are estimated around EUR 4 million. Therefore, revenues in the order of EUR 50 million to EUR 100 million per annum will remain part of the group and its long-term planning.

The company is also making good progress in divesting the Passive Optical Components assets.

Furthermore, the optimization of other structural costs is progressing as planned according to the ‘Re-establish-the-Base’ program.

Semiconductor business update

With strengthening the end-to-end responsibility of ams OSRAM’s Business Units beginning Q4/23, the business is being steered along relevant KPIs for those Business Units. Consequently, and in line with our efforts to increase transparency, the company will report revenues and adjusted profitability KPI for EBITDA along these lines. With that, the semiconductor business is now being reported in the segments OS (‘Optical Semiconductors’) and CSA ('CMOS Sensors and ASICs’).

Optical Semiconductors segment (OS)

Revenues for optical semiconductors stood at EUR 345 million in Q1/24. Adjusted EBITDA stood at EUR 67 million, representing an adjusted EBITDA Margin of 19.3%.

The profitability is still impacted by underutilization charges, high research & development expenses before adjusting the microLED development structures, and significantly less capitalization of research and development charges due to the cancellation of the cornerstone microLED project.

CMOS Sensors and ASICs segment (CSA)

Revenues for CMOS sensors and ASICs came in at EUR 233 million in Q1/24. Adjusted EBITDA stood at EUR 5 million, representing an adjusted EBITDA Margin of 2.2%.

The currently unsatisfactory profitability of CSA continues to be impacted by loss-making non-core businesses. In the context of the ‘Re-establish-the-Base' program, the CMOS Imaging Sensor business will be restructured and optimized for structural growth in medical and industrial applications as described above. On top, the company is making good progress in divesting the Passive Optical Components assets.

Furthermore, the industrial and medical business that we continue to focus on is still experiencing an inventory correction in the supply chain and because of this significantly below normal run-rates with associated underutilization.

Semiconductors industry dynamics

Revenues from the two semiconductor business units represent 68% of Q1/24 revenues, or correspondingly EUR 578 million. End-markets continued to show a diverse pattern.

Automotive:

Automotive business performed well in spite of the anticipated normalization of sales in China. A strong 13% year-on-year increase could be recorded. Both Automotive sensor and emitter businesses performed well along demand from new and existing platforms. The design-win momentum continues as well, supporting our mid-term growth ambitions.

Industrial & Medical (I&M):

Business showed a mostly prolonged weakness in industrial and medical end-markets with some exceptions. Whilst inventory correction in industrial capital goods and medical markets is in full swing, some early stabilization in certain regional mass markets could be noted. Infrastructure-related industrial markets showed relatively stable development.

Consumer:

Revenues from shipments to personal Consumer device applications have shown for the first time since many quarters a year-on-year increase of 15% on the back of strong business with Android based smart-phones. Other parts of the Consumer business stabilized as well.

Lamps & Systems segment (L&S)

The Lamps & Systems segment represented 32% of Q1/24 revenues, or correspondingly EUR 268 million.

Adjusted EBITDA in Q1 came in at EUR 60 million or 22.5% adjusted EBITDA margin on the back of a favorable product mix and a positive EUR 13 million one-off effect (inventory revaluation) that together drove the strong underlying profitability in Q1. In terms of industry dynamics, both automotive and industrial & entertainment markets, business performed as expected.

Automotive:

Aftermarket sales came in again as strong as seasonally expected. The company typically sees its strongest demand in Q4 and Q1 when high halogen bulb replacement rates can be expected in Europe and North America. Q4 to Q1 dynamics was in line with normal seasonal patterns.

Specialty Lamps:

Industrial and professional entertainment markets continued to show weak demand.

Comments on additional key financial figures

The adjusted net result came in at EUR -35 million in Q1/24 after EUR -16 million in Q4/23, primarily driven by lower gross profit in line with revenue decline and higher operating expenses.

Consequently, first quarter adjusted diluted earnings per share came in at EUR -0.04, lower than the EUR -0.03 in the previous quarter, as in Q4/23 the average share count stood at 456,490,225 after completion of the rights issue on December 7th, 2023. However, in Q1/24, the net number of shares (excluding company held treasury shares), i.e. 987,522,245, were considered.

The IFRS net result stood at EUR -710 million in Q1, dominated by the impairment taken on microLED related equipment and capitalized R&D in view of the revised microLED strategy.

For this, the diluted IFRS earnings per share came in at EUR -0.72, after EUR -0.18 in the fourth quarter.

With this quarter, the **operating cash flow includes net interest paid**. Operating cash flow stood at EUR 55 million in the first quarter, which was impacted by raw materials inventory build-up for ramping new products in H2 and a higher level of trade receivables in the lamps business.

Cash flow from investments into PPE, or CAPEX, improved significantly to EUR -120 million from EUR -222 million in the previous quarter and was substantially lower than a year ago.

Free cash flow – defined as operating cash flow including net interest paid minus cash flow from CAPEX plus proceeds from divestments – came in at EUR -60 million in Q1. Both year-on-year and quarter-on-quarter a significant improvement can be noted driven by much less investments in PPE.

Key financial figures

EUR millions **(except per share data)**	**Q1 2024**	**Q4 2023**	**QoQ**	**Q1 2023**	**YoY**
Revenues	**847**	908	-7%	927	-9%
Operating income (EBIT) adj.[1]	**44**	62	-30%	50	-13%
Operating margin (EBIT) adj.[1]	**5.2%**	6.9%	-170 bps	5.4%	-20 bps
EBITDA adj.	**124**	150	-17%	151	-18%
EBITDA margin adj.	**14.6%**	16.5%	-190 bps	16.3%	-170 bps
Net result adj.	**-35**	-16	+119%	6	-683%
Diluted EPS adj. (in EUR)[1][2]	**-0.03**	-0.03	0%	0.02	-250%
Net result (IFRS)	**-710**	-82	+886%	-134	+430%
Diluted EPS (IFRS, in EUR)	**-0.72**	-0.18	+294%	-0.51	+39%
Operating cash flow [3]	**55**	34	+62%	141	-61%
Cash flow from CAPEX [4]	**-120**	-222	+46%	-302	-60%
FCF (incl. net interest paid)	**-60**	-125	-56%	-159	-65%
Net debt	**1,399**	1,312	+7%	1,940	-28%
Net debt (incl. SLB) [5]	**1,793**	1,696	+5%	1,940	-8%

1) Excluding M&A-related, transformation and share-based compensation costs, results from investments in associates and sale of businesses
2) Earnings per share in CHF were converted using the average currency exchange rate for the respective periods
3) From Q1 2024, operating CF includes net interest paid, Q4/23 and Q1/23
4) Cash flow from investments in property, plant, and equipment and intangibles (such as capitalized R&D)
5) Incl. EUR 394m equivalent from SLB Malaysia transaction closed in December 2023

Quarter-on-quarter, the net debt position slightly increased to EUR 1,399 million in Q1 after EUR 1,312 million in Q4/23 as a consequence of EUR 70 million less cash. When including EUR 394 million equivalent from the Sale-and-Lease Back Malaysia transaction (booked under other liabilities), the net debt position increased slightly to EUR 1,793 million in the first quarter from EUR 1,696 in Q4/23.

Status of outstanding OSRAM minority shares

On March 31st, 2024, the Group held around 86% of OSRAM Licht AG shares unchanged to December 31st, 2023. The total liability for minority shareholders' put options stood at EUR 610 million at the end of Q1/2024 compared to EUR 611 million at the end of Q4/2023. The reduction was around EUR 0.5 million.

The company has an undrawn Revolving Credit Facility (RCF) of EUR 800 million in place, which was prolonged to September 2026 with the successful execution of the rights issue in December 2023. The RCF is primarily in place to cover any further significant exercises under the 'domination and profit and loss transfer agreement (DPLTA)' put option but can also be drawn for general corporate and working capital purposes.

Second Quarter 2024 Outlook

Looking at the semiconductor segments, the company continues to see robust demand from Automotive applications for its semiconductor products. The demand from industrial and medical markets remains muted with some early signs of stabilization in certain mass markets. The outlook for shipments into consumer device applications is cautiously optimistic.

Looking at the L&S segment, automotive aftermarket for halogen lamps will enter its usually slower season during the summer and sales will show a typical quarterly decline.

As a result, the Group expects second quarter revenues to decline in line with typical seasonality, pronounced by weakness in industrial & medical markets and land in a range of EUR 770 – 870 million. The adj. EBITDA is expected to come in accordingly, in line with fall-through, at 14% to 17%. The EUR/USD exchange rate is assumed at 1.10.

Comments on Fiscal Year 2024

The company continues to expect improvement in the second half of the year, driven by new business wins and a potential normalization in some industrial and medical business segments.

Within the context of its 'Re-establish-the-Base' program, the company expects to exit certain non-core semiconductor businesses with EUR 300 to 400 million of 2023 revenues. In 2024, the run-rate of these non-core businesses will be lower as some of these businesses are phasing out gradually. With restructuring the CMOS imaging sensor business, revenues in medical and industrial applications of EUR 50 to 100 million will remain part of the group and its long-term planning.

The 'Re-establish-the-Base' program is expected to deliver approximately EUR 75 million run-rate improvements to adjusted EBIT at the end of FY24 and associated measures are being implemented on an ongoing basis. In contrast to these improvements, the company expects back to normal annual price declines and less capitalized R&D expenses as outlined in its ad-hoc from February 28th, 2024, after the stop of the microLED cornerstone project.

CAPEX is now expected to come in **below EUR 450 million** (including capitalized R&D and rolled-over accounts payable related to PPE from 2023) compared to an aggregated figure of EUR 700 million before.

The company continues to expect free cash flow **excluding net interest paid** to be positive in 2024.

Additional Information

Additional financial information for the first quarter 2024 is available on the company website. The first quarter 2024 investor presentation incl. detailed information is also available on the company website.

Ad hoc announcement pursuant to Art. 53 Listing Rules of SIX Swiss Exchange

ams OSRAM will host a press call as well as a conference call for analysts and investors on the first quarter results on Friday, 26 April 2024. The conference call for analysts and investors will start at 10.00am CEST and can be joined via webcast. The conference call for journalists will take place at 11.15am CEST.

About ams OSRAM:

The ams OSRAM Group (SIX: AMS) is a global leader in intelligent sensors and emitters. By adding intelligence to light and passion to innovation, we enrich people's lives.

With over 110 years of combined history, our core is defined by imagination, deep engineering expertise and the ability to provide global industrial capacity in sensor and light technologies. We create exciting innovations that enable our customers in the automotive, industrial, medical and consumer markets to maintain their competitive edge and drive innovation that meaningfully improves the quality of life in terms of health, safety and convenience, while reducing impact on the environment.

Our around 20,000 employees worldwide focus on innovation across sensing, illumination and visualization to make journeys safer, medical diagnosis more accurate and daily moments in communication a richer experience. Our work creates technology for breakthrough applications, which is reflected in over 15,000 patents granted and applied. Headquartered in Premstaetten/Graz (Austria) with a co-headquarters in Munich (Germany), the group achieved EUR 3.6 billion revenues in 2023 and is listed as ams-OSRAM AG on the SIX Swiss Exchange (ISIN: AT0000A18XM4).

Find out more about us on https://ams-osram.com

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Consolidated Statement of Income in accordance with IFRS

(unaudited)

in EUR million (except earnings per share)	Q1 2024	Q1 2023
Revenues	**847**	**927**
Cost of sales	-629	-717
Gross profit	**218**	**209**
Research and development expenses	-125	-147
Selling, general and administrative expenses	-102	-143
microLED termination expenses[1)]	-632	-
Other operating income	12	15
Other operating expenses	-3	-17
Result from investments accounted for using the equity method, net	0	-8
Result from operations	**-631**	**-90**
Financial income	36	11
Financial expenses	-94	-43
Net financial result	**-57**	**-32**
Result before income taxes	**-688**	**-122**
Income taxes	-21	-12
Net result	**-710**	**-134**
Attributable to:		
Non-controlling interests	0	0
Shareholders of ams-OSRAM AG	-710	-134
Basic earnings per share (in EUR)	**-0.72**	**-0.51**
Diluted earnings per share (in EUR)	**-0.72**	**-0.51**

[1)] microLED termination expenses reflect charges (e.g. impairments of assets and provisions) due to the cancellation of the microLED project on February 28, 2024.

Consolidated Balance Sheet in accordance with IFRS

(unaudited)

in EUR million	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	1,076	1,146
Current financial investments	5	6
Trade receivables	511	470
Inventories	752	716
Other current receivables and assets	250	279
Assets held for sale	3	3
Total current assets	**2,597**	**2,620**
Property, plant, and equipment	1,800	1,997
Intangible assets	2,106	2,249
Right-of-use assets	209	215
Investments in associates	11	11
Deferred tax assets	73	72
Other non-current assets	93	216
Non-current financial investments	22	22
Total non-current assets	**4,312**	**4,782**
Total assets	**6,909**	**7,401**
Liabilities and equity		
Current liabilities		
Current interest-bearing loans and borrowings	769	322
Trade payables	598	572
Income tax payable	56	64
Current provisions	331	236
Other current liabilities	1,313	1,259
Total current liabilities	**3,067**	**2,455**
Non-current interest-bearing loans and borrowings	1,706	2,136
Employee benefits	137	147
Deferred tax liabilities	69	58
Non-current provisions	39	43
Other non-current liabilities	662	659
Total non-current liabilities	**2,613**	**3,042**
Equity		
Issued capital	998	998
Additional paid-in capital	2,139	2,130
Treasury shares	-103	-103
Other components of equity	183	162
Retained earnings	-1,995	-1,289
Total equity attributable to shareholders of ams-OSRAM AG	**1,223**	**1,899**
Non-controlling interests	6	6
Total equity	**1,229**	**1,905**
Total liabilities and equity	**6,909**	**7,401**

Consolidated Statement of Cash Flows in accordance with IFRS

(unaudited)

in EUR million	Q1 2024	Q1 2023
Operating activities		
Net result	-710	-134
Reconciliation between net result and cash flows from operating activities		
Amortization, depreciation, and impairment[1]	615	173
Expenses from stock option plans (acc. to IFRS 2)	5	20
Income taxes	21	12
Net financial result	57	32
Result from sales of businesses, intangible assets, and property, plant, and equipment	-2	3
Result from investments in associates	0	8
Change in current assets and current liabilities		
Inventories	-33	-28
Trade receivables	-33	-20
Other current assets	-6	10
Trade payables	14	-35
Current provisions	94	17
Other current liabilities	41	121
Changes in other assets and liabilities	0	-9
Income taxes paid	-10	-14
Interest received	11	7
Interest paid	-10	-46
Cash flows from operating activities	**55**	**116**
Investing activities		
Additions to intangible assets and property, plant, and equipment	-120	-302
Inflows from sale of investments, intangible assets, and property, plant, and equipment	5	16
Inflows and payments from sales of businesses, net of cash and cash equivalents disposed	-	11
Cash flows from investing activities	**-115**	**-275**

[1] Q1 2024: EUR 457 million (Q1 2023: EUR 111 million) related to property, plant and equipment; Q1 2024: EUR 158 million (Q1 2023: EUR 62 million) related to intangible assets.

in EUR million	Q1 2024	Q1 2023
Financing activities		
Transaction costs for the capital increase and the issue of bonds	-14	-
Inflows from loans	2	0
Repayment of loans	-1	-2
Repayment of lease liabilities	-14	-15
Inflows from sale and lease back financing	10	-
Acquisition of non-controlling interests in OSRAM Licht AG	-1	-31
Cash flows from financing activities	**-18**	**-47**
Change in cash and cash equivalents	-70	-224
Effect of changes in foreign exchange rates on cash and cash equivalents	8	-18
Cash and cash equivalents at the beginning of the period	1,146	1,098
Cash and cash equivalents at the end of the period	**1,076**	**874**
Less: cash and cash equivalents of assets held for sale at the end of the period	0	13
Cash and cash equivalents at the end of the period	**1,076**	**861**

Reconciliation from adjusted figures to reported figures in accordance with IFRS

in EUR million	Q1 2024	Q1 2023
Gross profit – adjusted	**241**	**272**
Acquisition related expense[1)]	-13	-23
Share-based compensation	-1	-1
Transformation costs	-9	-15
Asset restructuring	0	-23
Gross profit – IFRS reported	**218**	**209**
Gross margin in % – adjusted	28%	29%
Gross margin in % – IFRS reported	26%	23%
Operating expenses – adjusted	**-197**	**-222**
microLed termination expenses[2)]	-632	-
Acquisition related expense	-12	-21
Share-based compensation	-4	-19
Result from the sale of businesses	-4	-6
Transformation costs	1	-24
Result from investments in associates	0	-8
Operating expenses – reported	**-849**	**-299**
Result from operations – adjusted	**44**	**50**
microLED termination expenses[2)]	-632	-
Acquisition related expense[1)]	-26	-44
Share-based compensation	-5	-20
Transformation costs	-8	-39
Asset restructuring	0	-23
Result from the sale of a business	-4	-6
Result from investments in associates	0	-8
Result from operations – IFRS reported	**-631**	**-90**
Operating margin in % – adjusted	5%	5%
Operating margin in % – reported	-75%	-10%
Result from operations – adjusted	**44**	**50**
Amortization, depreciation and impairment (excluding acquisition-related expense)[1)]	80	101
EBITDA – adjusted	**124**	**151**
Result from operations – adjusted	**44**	**50**
Net financing result	-57	-32
Income tax result	-21	-12
Net result - adjusted	**-35**	**6**
Basic adjusted earnings per share (in EUR)	**-0.04**	**0.02**

[1)] Acquisition-related expense includes amortization, depreciation and impairment of purchase price allocated assets, goodwill impairment, integration, carve-out and acquisition related costs.
[2)] microLED termination expenses reflect charges (e.g. impairments of assets and provisions) due to the cancellation of the microLED project on February 28, 2024.