

Sense the power of light

amul OSRAM

# First Quarter 2024 Results Earnings Call

Aldo Kamper, CEO

Rainer Irle, CFO

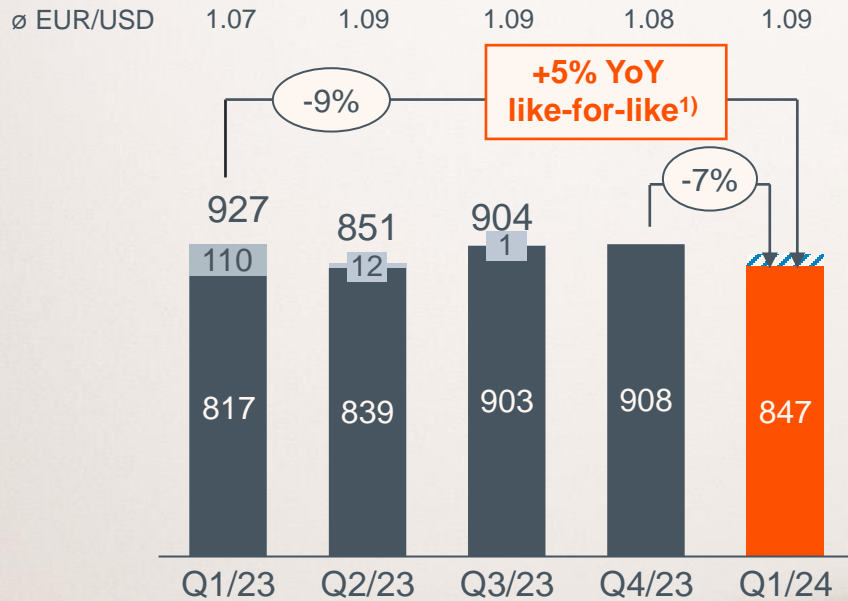
Dr Juergen Rebel, SVP Investor Relations

26 April 2024

# Group revenues with year-on-year growth on a like-for-like basis

All figures in EURm / % of revenues

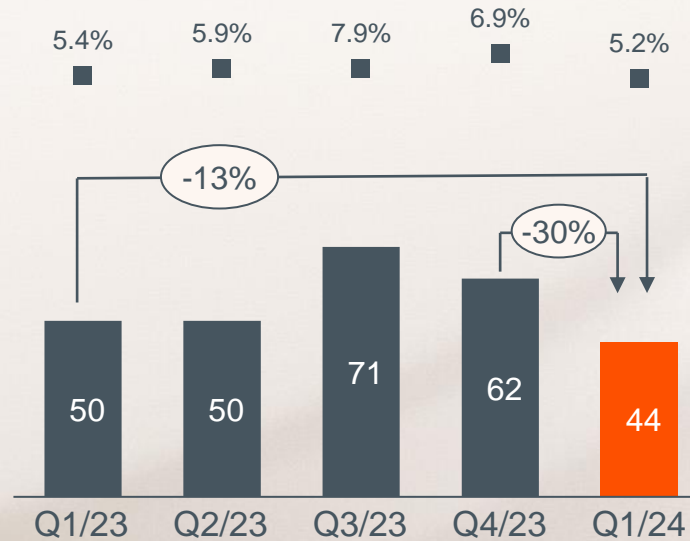
## Total revenues



■ Deconsolidation effects due to disposals  
 ▨ FX effect

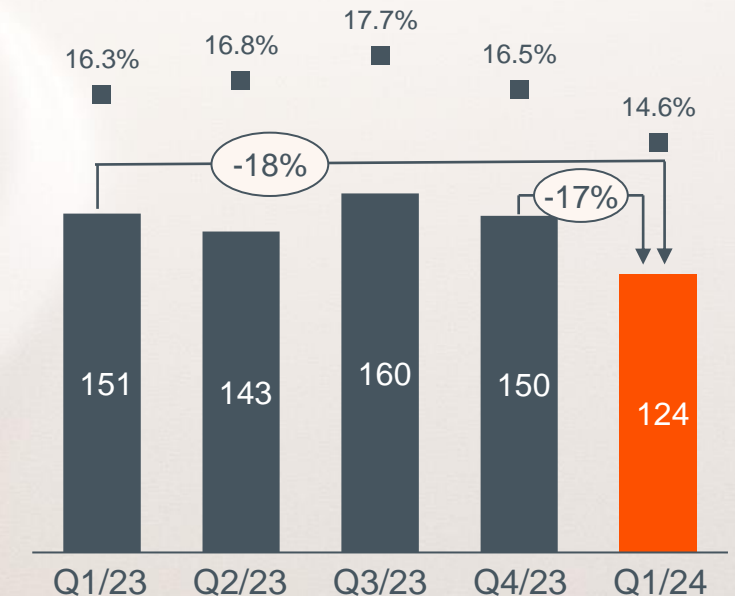
- Revenue at mid-point of guided range of EUR 800m to 900m
- YoY: +5% like-for-like growth (constant currencies, same portfolio)

## EBIT, EBIT margin (adj.)<sup>2)</sup>



- Adj. EBIT margin 5.2% slightly below mid-point of guided range of 4% to 7% due to less capitalization of microLED related R&D
- QoQ decline in principle in line with fall-through besides capitalization effect

## EBITDA, EBITDA margin (adj.)<sup>2)3)</sup>



- YoY adj. EBITDA reduction due to deconsolidation effect lower in L&S segment and lower semi D&A
- QoQ decline in line with fall-through due to lower revenues and lower semi D&A

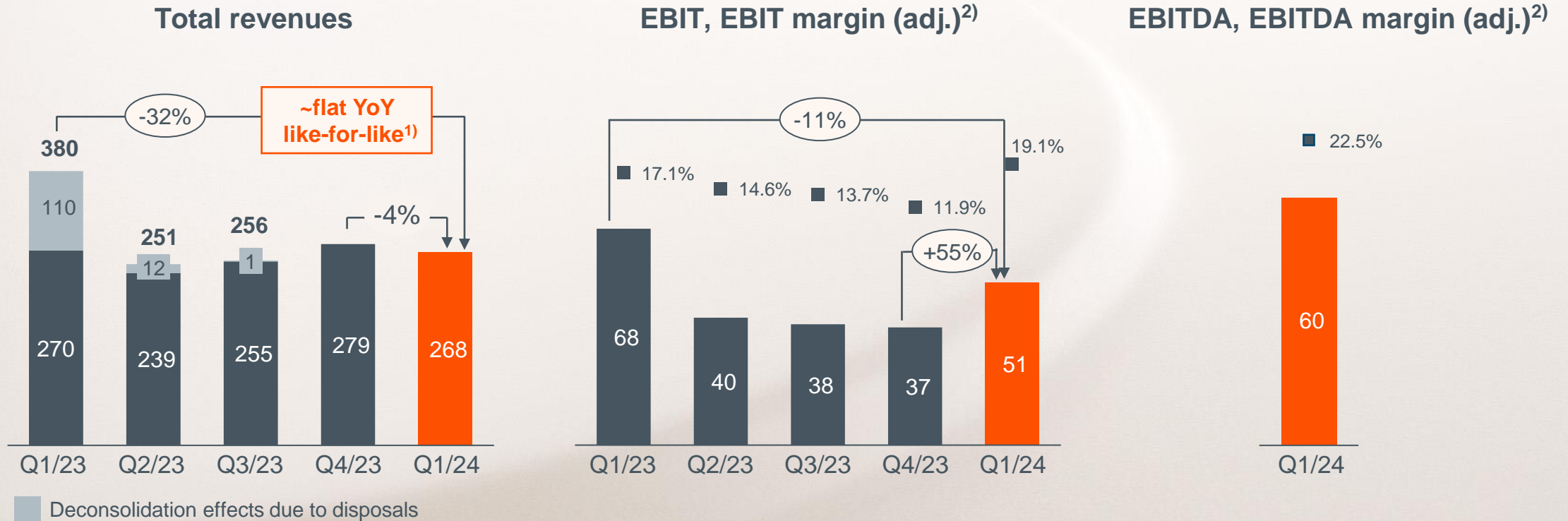
<sup>1)</sup> Based on like-for-like portfolio comparison basis and constant currencies

<sup>2)</sup> Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses

<sup>3)</sup> Includes EUR -8m EBITDA from corporate items

# Lamps & Systems: seasonally strong Q4, continued weakness in industrial

All figures in EURm / % of revenues



- Revenues: Q4 & Q1 always strongest aftermarket quarters, slight QoQ decline due to normal seasonality
- Revenues: YoY due to deconsolidation effects due to disposals
- Adj. EBIT/QoQ: strong increase primarily due to favorable product mix (Q4 was negatively impacted by raw material one-off)
- Adj. EBIT/YoY: Q1/23 had a positive inventory re-evaluation effect of EUR ~13 million; like-for-like stable
- Adj. EBITDA: driven by strong EBIT

¹) Based on like-for-like portfolio comparison basis

²) Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses

# Semiconductors – increasing transparency by now reporting in two segments

All figures in EURm / % of revenues

## Optical Semiconductors (OS) segment



## CMOS Sensors and ASICs (CSA) segment



### EBITDA:

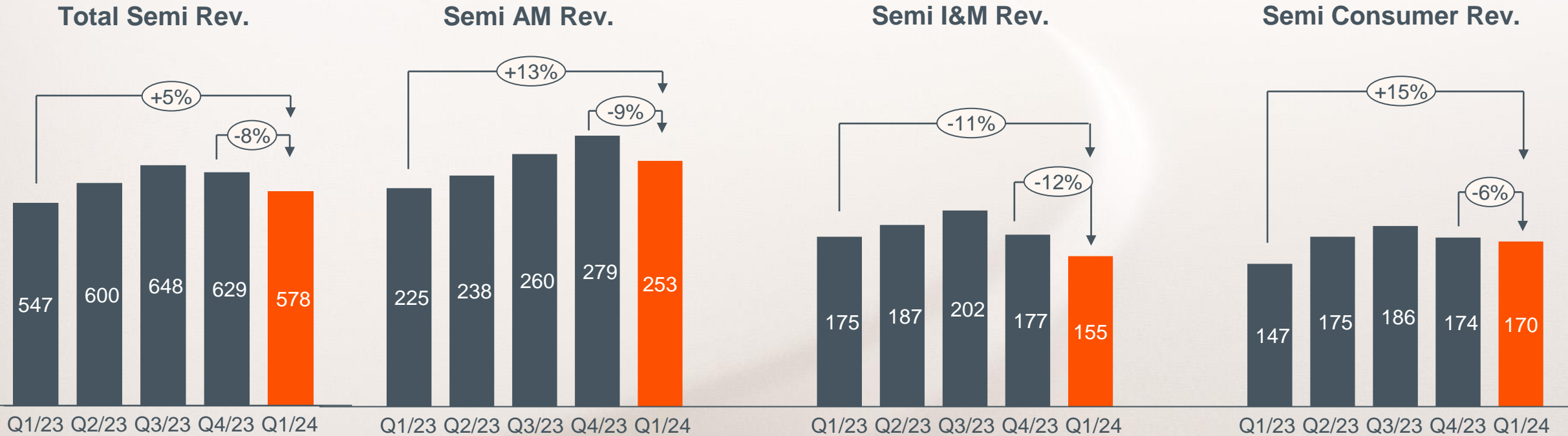
- Lower capitalization of r&d due to stop of cornerstone microLED project (Ad-hoc Feb 28<sup>th</sup>, 2024)
- High r&d run-rate for microLED project that is yet to be adjusted
- Persisting industrial weakness weighs on profitability

### EBITDA:

- Impacted by non-core businesses that are planned to be exited
- Continued inventory correction in industrial & medical markets

# Semis/Q1: auto and consumer with strong yoy growth, I&M in inventory correction

Semiconductors, figures in EURm



## Total

- YoY growth driven by automotive and consumer

## Automotive

- Strong YoY growth
- China still strong, normalizing
- Structural BoM growth driven by content growth in highly digitized platforms and new products

## I&M

- Sequential decrease due to inventory correction now in full swing
- YoY decline reflects overall weak macro economics in almost all industrial end markets

## Consumer

- Sequential decrease due to seasonality
- Strong YoY increase due to Android market growth including inventory replenishments

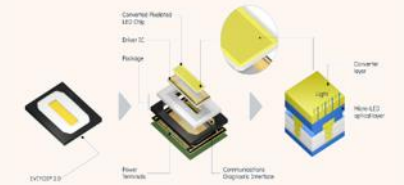
# Q1/24 design-win examples

Continuous strong traction with key products across all core verticals



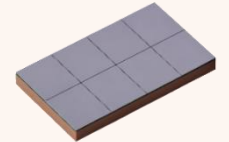
**EVIYOS high-pixelated forward lighting**

**Now >350 m€ LTV\* design wins to date**



**Medical CT scanning sensor**

**100 m€ LTV\* design win**



**Horticulture, new benchmark product**

**75 m€ LTV\* design win**



**Spectral light sensing in smartphones**

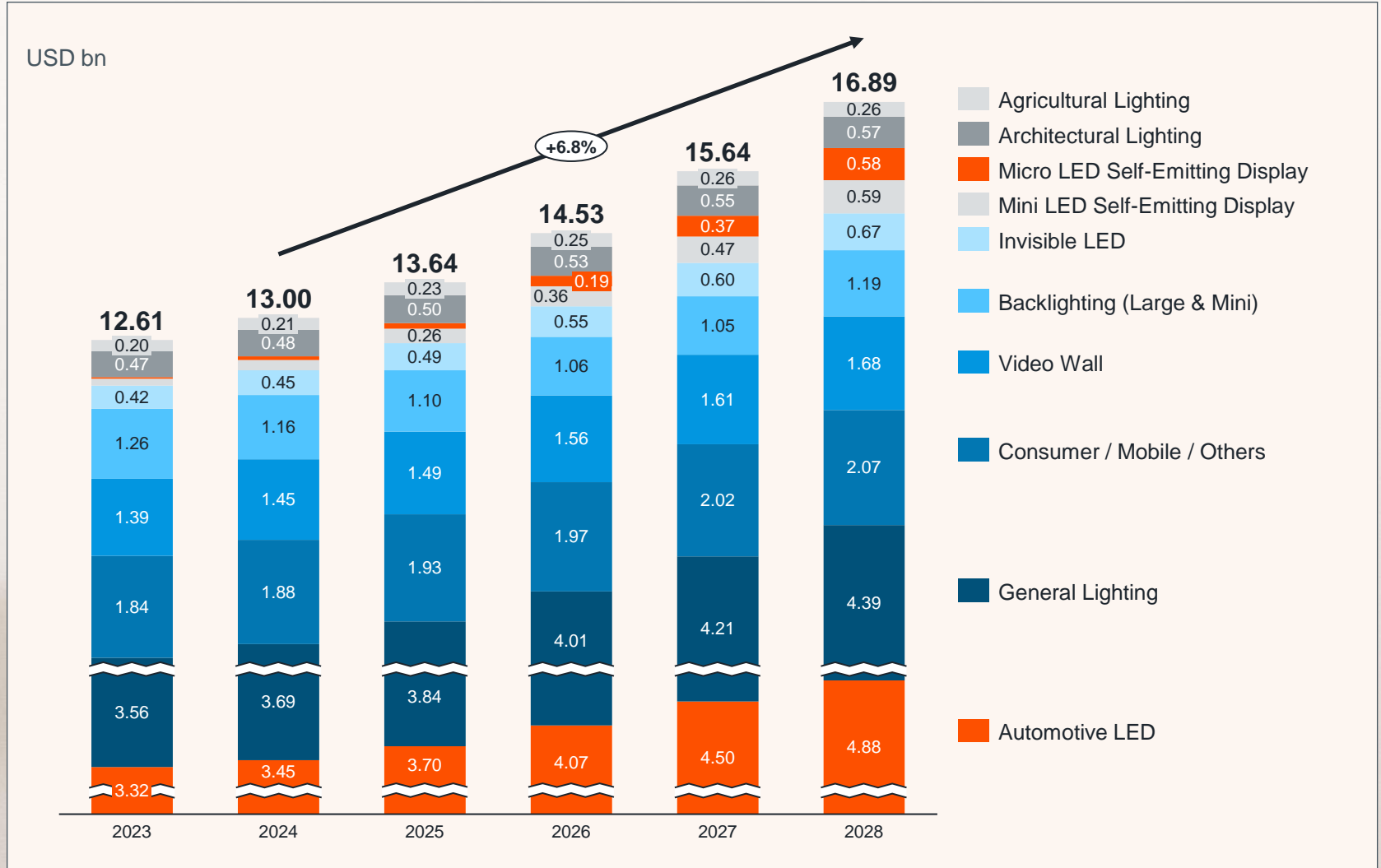
**>50 m€ LTV\* design wins**



# TrendForce: LED Market growing with 6.8% CAGR until 2028

Automotive poised to become largest segment in the LED market by 2026

- Automotive LED market predicted to become largest segment of LED market by 2026
- Over-all market outlook for microLED based personal handheld devices almost completely taken out by TrendForce after cancellation of cornerstone project



# Update on microLED strategy

## Significant EBIT and Cash Flow improvements in 2025

### Restructuring of microLED development

- Substantial restructuring of microLED related organizations initiated
- In total, more than 500 employees are affected in Kulim (MAL) and Regensburg (GER)
- Some freed-up resources to strengthen core developments, e.g. future high-pixelated automotive Forward Lighting
- More significant development activities for specific applications will only be continued if new lead-customer steps in in the very near future

### Exit of 8” Kulim – Sale-and-Lease-Back (SLB)

- **Target option:** transfer of new, 8” state-of-the-art facility to new lessee in alignment with SLB investors
- Discussions with interested parties have started

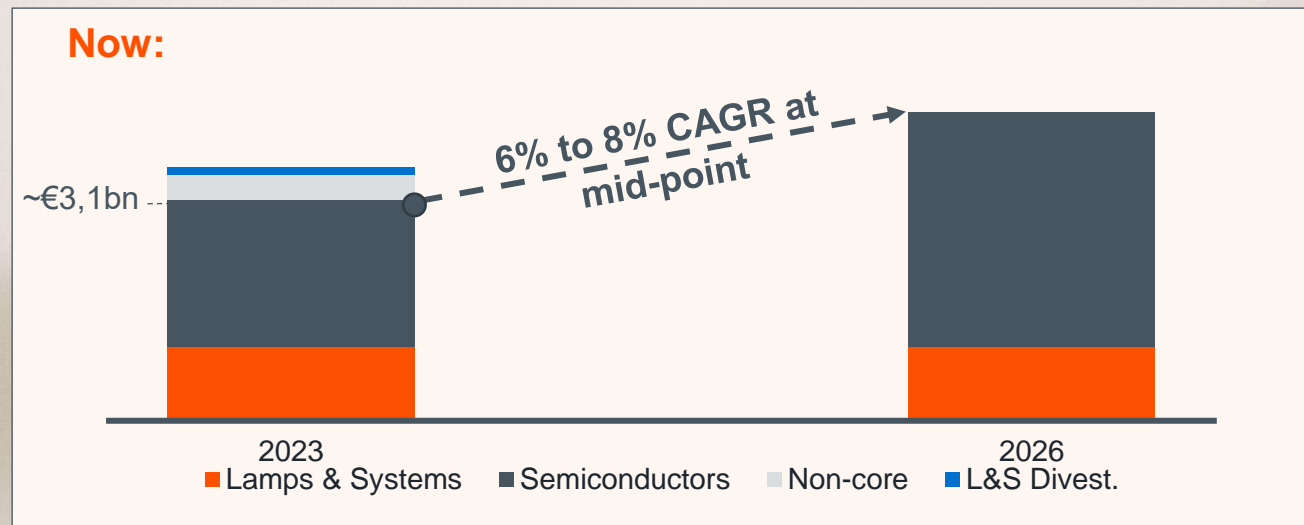
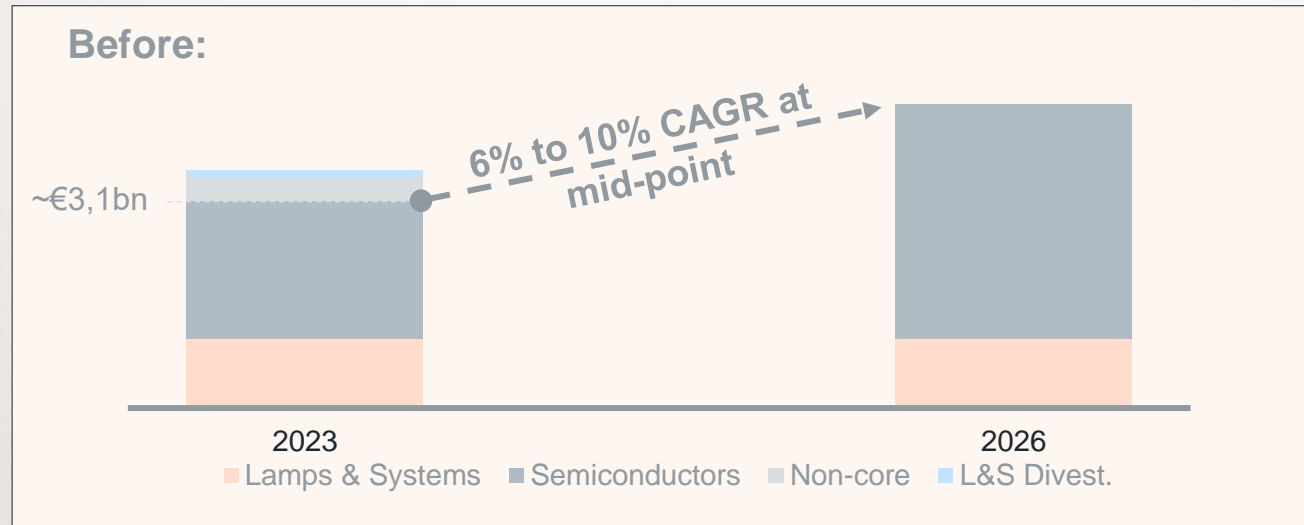


- **2024:** about EUR 700m of transformation cost; Q1: EUR 513m impairment charges (dedicated equipment, capitalized R&D), cash transformation cost of EUR 119m; up to EUR 70m transformation cost for the remainder of the year for adjusting the structure;
- **2025: Significant Free Cash Flow improvement** of more than a EUR 100m and **adj. EBIT improvement** of around EUR 100m in 2025 compared to continuation of the cornerstone project (see p.12); divestment of Kulim-2 factory would reduce other financial liabilities by about 400 m EUR
- **Net-debt reduction of ~ EUR 400m** if Sale-and-Lease-Back is transferred to new lessee as intended



# Underlying growth outlook in core semi-conductor business fully intact

Mid-point of target growth model from core-business base changes to 6% to 8% CAGR (Ad-Hoc 2024-Feb-28)



## Key growth contributors until 2026 are unchanged:

- Automotive (largest): BoM growth, design-wins
- Mobile light sensors: new design-win ramping
- Industrial : expanding business, e.g. in distribution
- Medical: 2x market growth based on design wins after inventory correction

## Continuously strong design-win momentum:



# Re-establish-the-Base

## Update of exit of non-core semiconductor portfolio (BU CSA)

### CMOS Imaging Sensors



- Restructuring CMOS Imaging Sensor business for profitability
- Two sites affected (restructuring one site, closure of another US development site)
- Restructuring of development activities for future Consumer applications
- Focus on structural growth in medical & industrial applications
- Turning business profitable and cash flow positive in 2025

- Savings in line with Re-establish-the-Base program's target of EUR ~75m run-rate savings end-of-2024 and ~150m run-rate savings end-of-2025.

# Strong available liquidity and balanced maturity profile with diversified funding mix

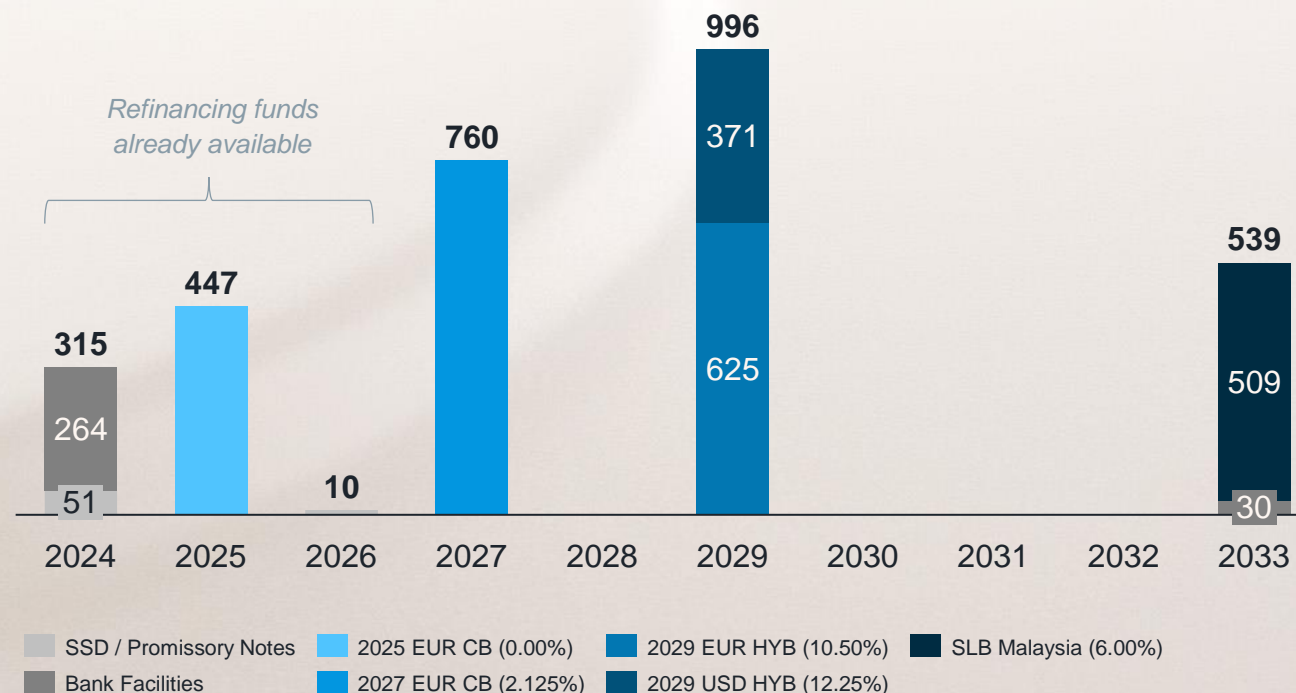
## Current capitalization

€m, IFRS values as of March 2024

IFRS book values	March 2024
	EUR million
Cash	(1,076)
Other Financial Debt <sup>1), 2)</sup>	355
2025 EUR Convertible Bond (0.00%) <sup>1)</sup>	438
2027 EUR Convertible Bond (2.125%) <sup>1)</sup>	674
2029 EUR Senior Unsecured Note (10.50%) <sup>1)</sup>	631
2029 USD Senior Unsecured Note (12.25%) <sup>1)</sup>	377
Revolving Credit Facility (EUR 800m undrawn)	0
SLB Malaysia transaction <sup>1)</sup>	394
<b>Total debt</b>	<b>2,869</b>
<b>Total net debt <sup>3)</sup></b>	<b>1,793</b>
Outstanding OSRAM Licht AG – Put Options	610
<b>Available Liquidity <sup>4)</sup></b>	<b>2,082</b>

## Current debt maturity profile

€m, repayment amounts as of March 2024

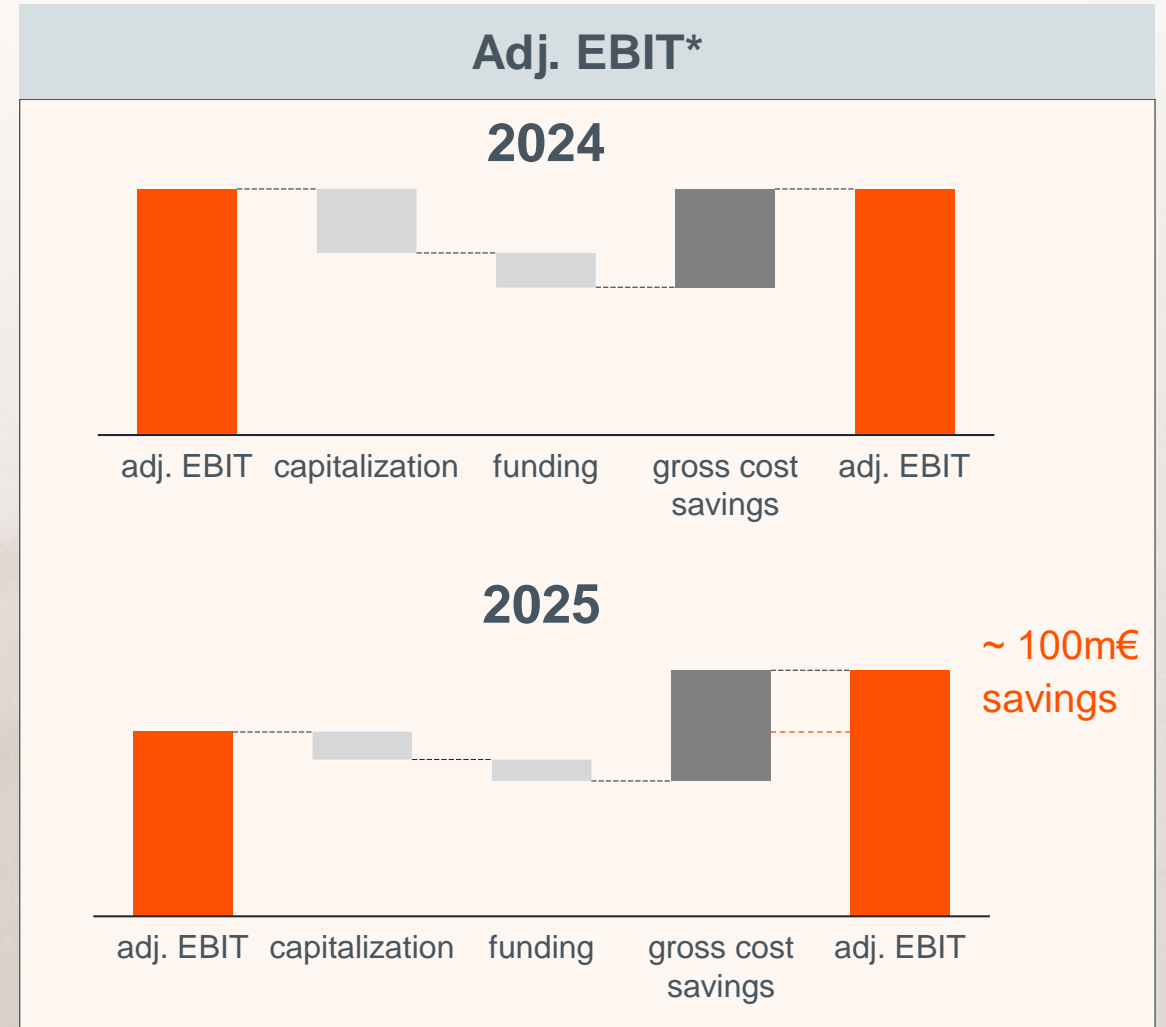
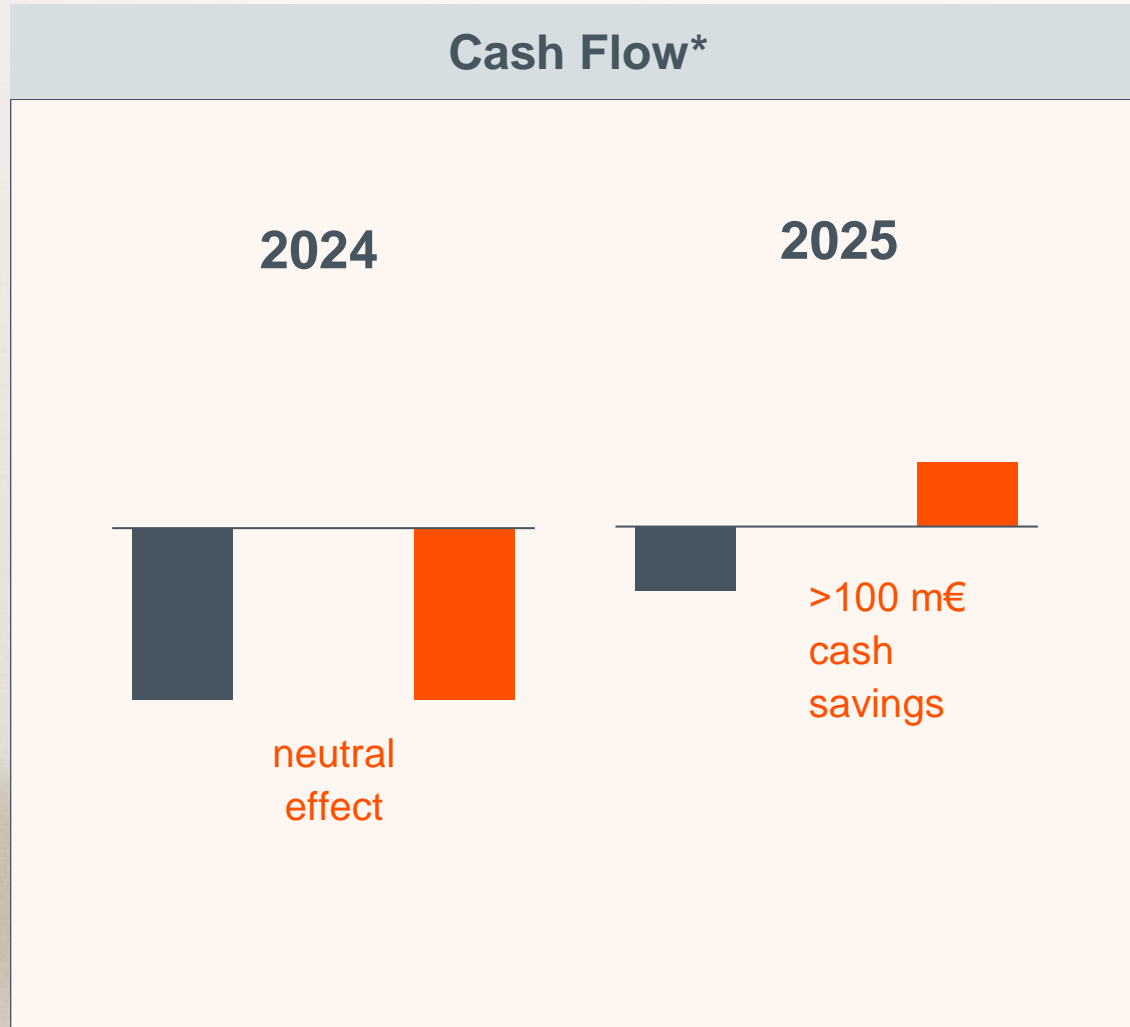


### Notes:

- Amounts reflect carrying amounts / book values. For 2025CB - Nominal Amount: EUR 447.4m (formerly EUR 600m; reduced by 2 buybacks in the meantime) / Book Value under Debt (IFRS per March 2024): EUR 438m. For 2027CB - Nominal Amount: EUR 760m / Book Value under Debt (IFRS per March 2024): EUR 674m
- Includes R&D loans, Bank Facilities and Promissory Notes
- Includes EUR 394m equivalent Sale-and-Lease back Malaysia transaction
- Includes EUR 1,076m Cash, EUR 800m RCF (undrawn) and EUR 206m bilateral bank facilities (undrawn)

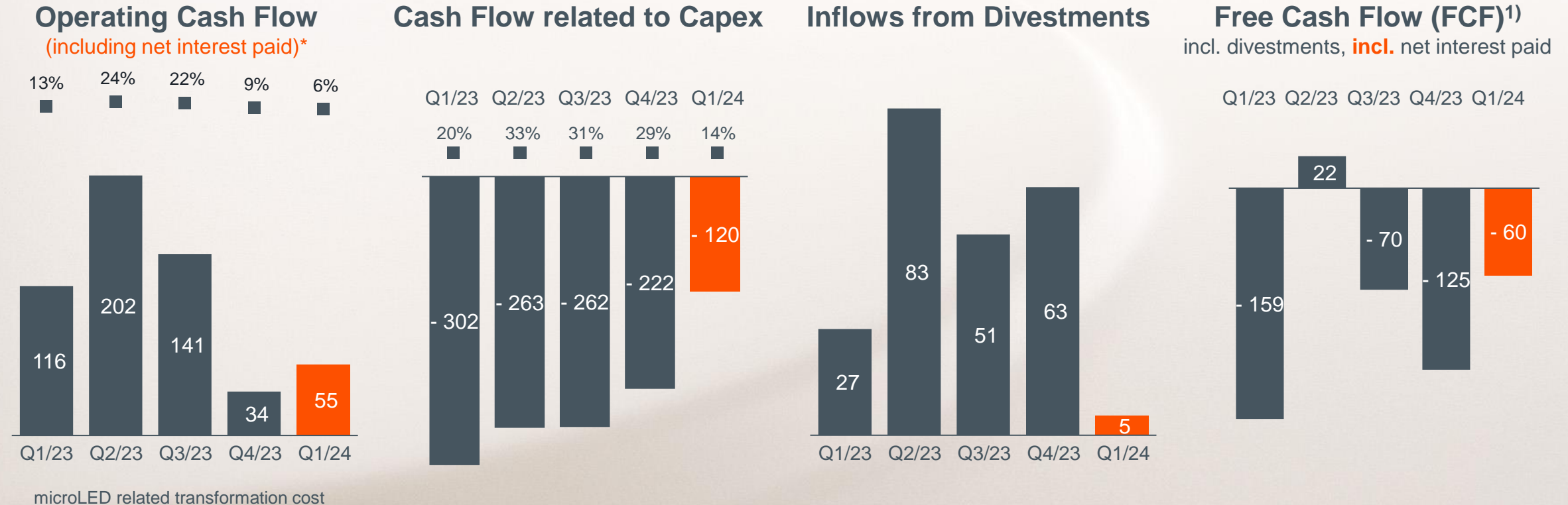
# Revised microLED strategy leads to strengthened free cash flow & adj. EBIT

Cancellation of microLED cornerstone project leads to acceleration of adj. EBIT and cash flow improvements in 2025



# Operating cash flow and FCF now includes net interest paid; CAPEX reduced

All figures in EURm / % of revenues

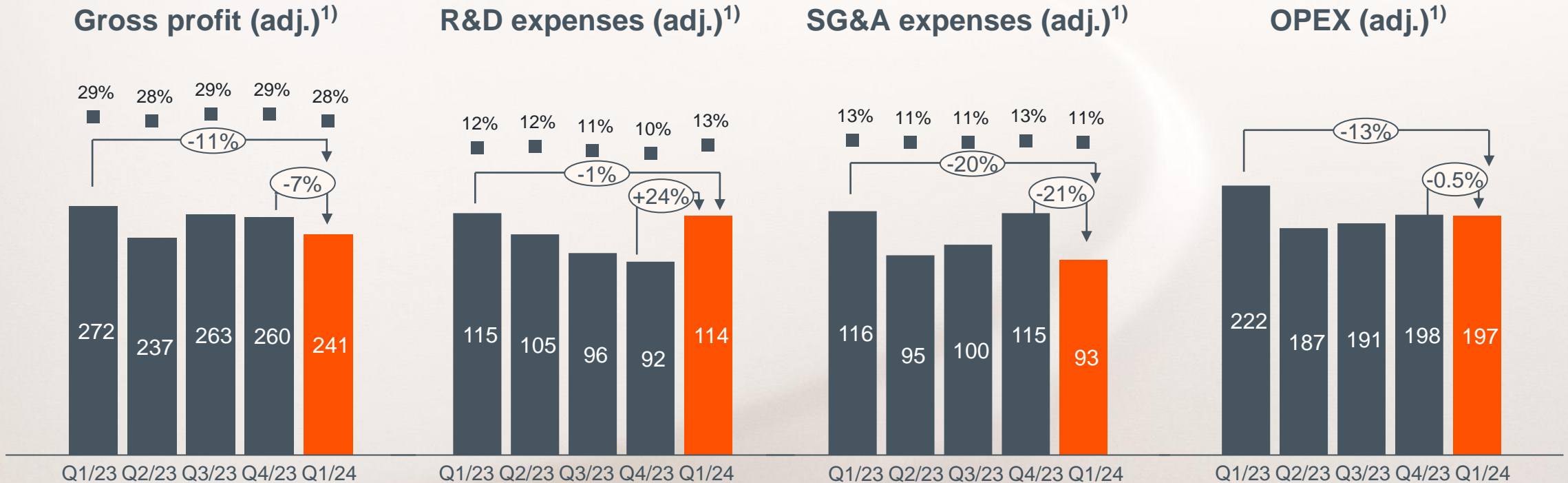


- **\*2024:** Operating CF definition **now includes net interest paid** (trailing four quarters are back-ward adjusted accordingly)
- **Q1/24:** Operating CF lower due to higher trade receivables in lamps business and raw material inventory built up for ramp of new semi products
- Capex still above target ratio due to non-cancellable, already ordered microLED equipment

<sup>1)</sup> Free Cashflow (FCF) defined as Operating CF (incl. net interest paid) – Capex + proceeds from divestments

# Group: microLED cancellation impacting adj. R&D

All figures in EURm / % of revenues

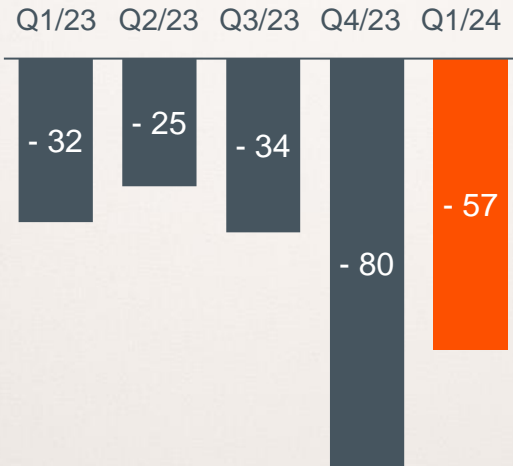


- Adj. Gross Profit: QoQ decline in line with seasonal decline in revenues; YoY decline in line with lower revenue (due to divestments)
- Adj. R&D expenses: increase due to microLED cornerstone project industrialization before cancellation and capitalization no-longer being applicable
- Adj. SG&A expenses: ongoing operational improvements, in line with 'Re-establish-the-Base' program and one-time effect in Q4/23 (end-of-year bonus accrual changes)

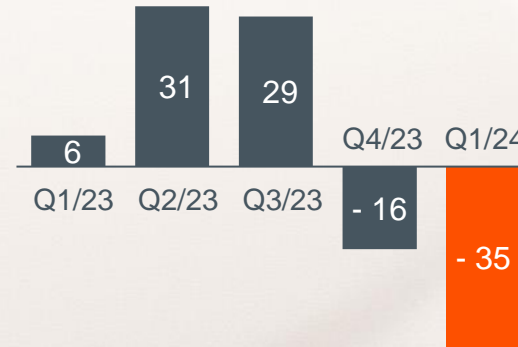
# Adj. net result / Adj. EPS impacted by re-financing

All figures in EURm / EUR per share

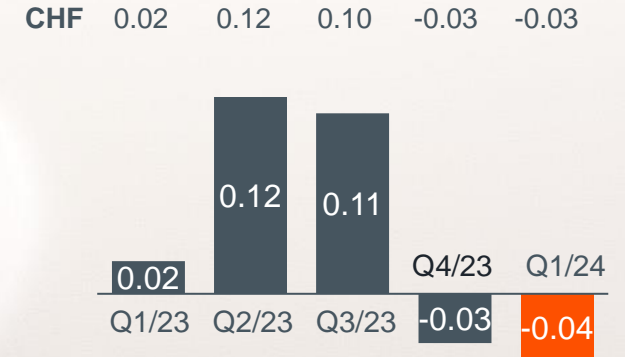
## Net financing result (adj.)<sup>1)</sup>



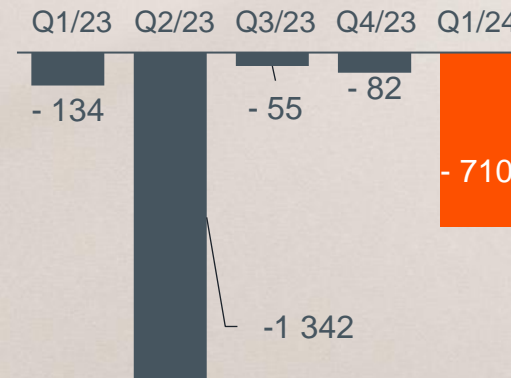
## Net results (adj.)<sup>1)</sup>



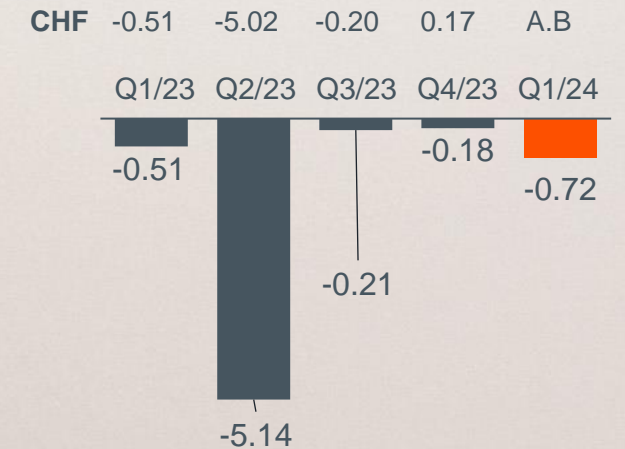
## EPS diluted (adj.)<sup>1)</sup>



## Net results IFRS



## EPS diluted IFRS



- Adjusted net financing essentially driven by net interest expenses (interest expenses plus interest received) after re-financing in Q4
- Avg. share count Q1/24: 987,522,245 (net of treasury shares)
- Avg. share count Q4/23: 456,490,225 due to increase Dec 7<sup>th</sup>, 2023 after successful rights issue

# Business outlook

## Q2 2024 Guidance

- Revenue EUR 770m- 870m
- Adj. **EBITDA** 14% - 17%
- Based on assumption  
EUR/USD 1.10

## 2024 comments

- Divesting/exiting of remaining part of non-core semiconductor portfolio
- H1/24 with continued macro weakness, H2/24 improving (ramp of design-wins and expected partial, slight market recovery)
- ~75 m€ savings run-rate at year-end from 'Re-establish-the-Base' program on track
- Some cost headwinds e.g. personnel cost, less capitalization
- CAPEX of less than EUR 450m after stop of microLED project (including lower capitalized R&D and carried-over accounts payable from 2023 on top)
- FCF before net interest payments positive (including divestments proceeds)



# Summary Q1

## Summary

### Q1/24:

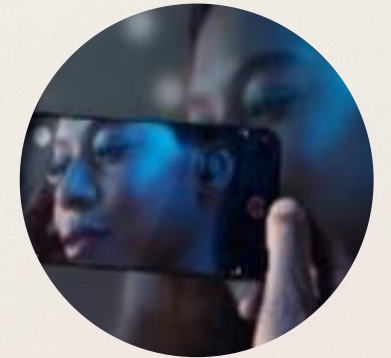
- Solid Q1 revenue and adj. EBIT performance
- Year-on-year structural growth on like-for-like basis
- Continued design-win momentum in core business
- Strong cash position and liquidity
- Implementation of 'Re-establish-the-Base' continuing

### MicroLED strategy update:

- Substantial restructuring of microLED related organizations initiated
- Exit the 8" Kulim factory & SLB in close alignment with the investors by transfer to a new lessee as priority option reducing net-debt
- Significant adj. EBIT and cash flow savings in 2025
- Mid-term growth opportunities outside microLED unaffected and solid

### Outlook Q2/24:

- Seasonal decline of revenue and adj. EBITDA pronounced by inventory correction in industrial & medical



# Q&A



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Head of IR