Sensing is life

Fourth Quarter and Fiscal Year 2023 Results Earnings Call

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Rainer Irle, CFO
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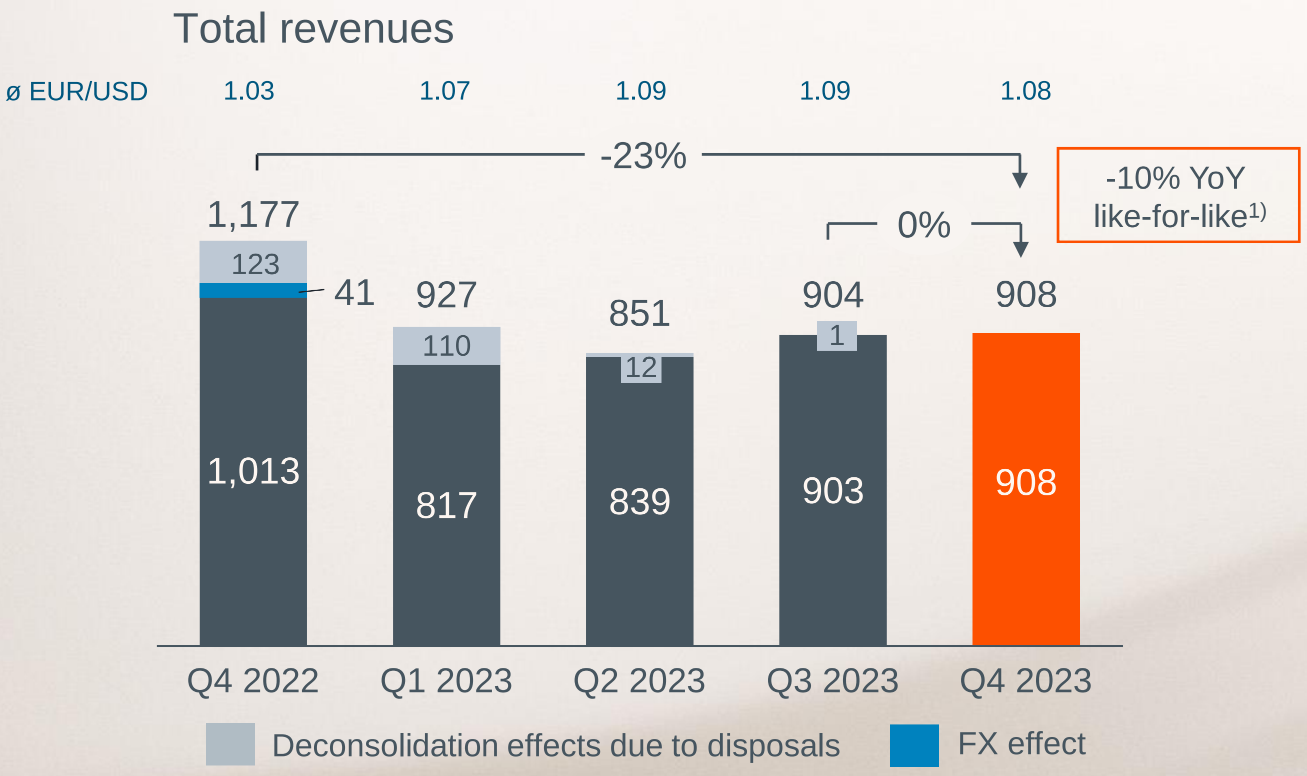
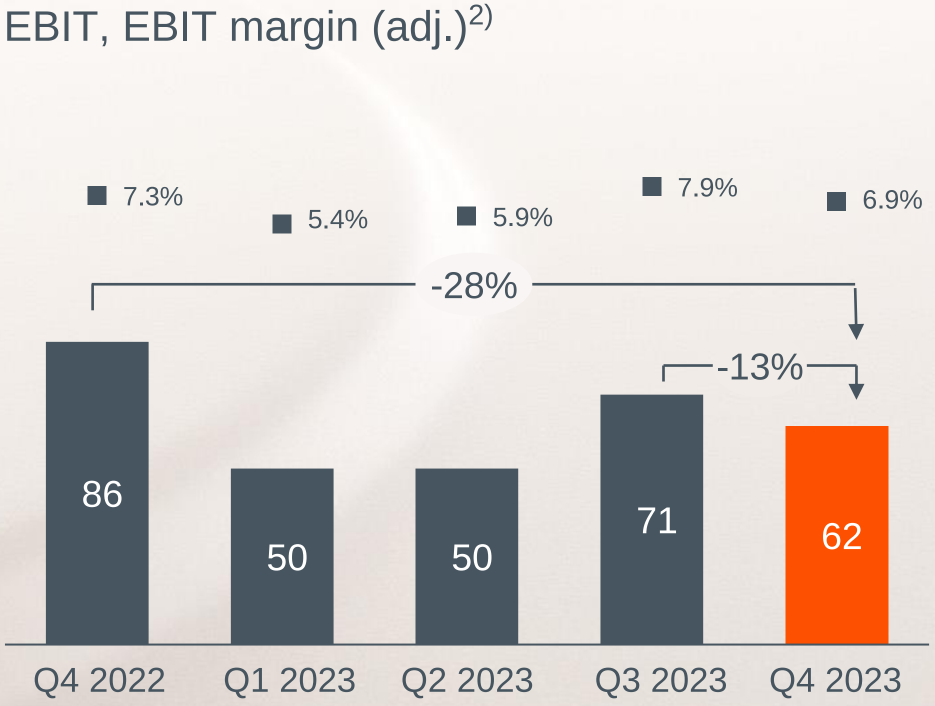
09 February 2024

Fourth Quarter 2023
Business & Financial Update

Group revenues and adjusted EBIT above mid-point of the guided range

All figures in EURm / % of revenues





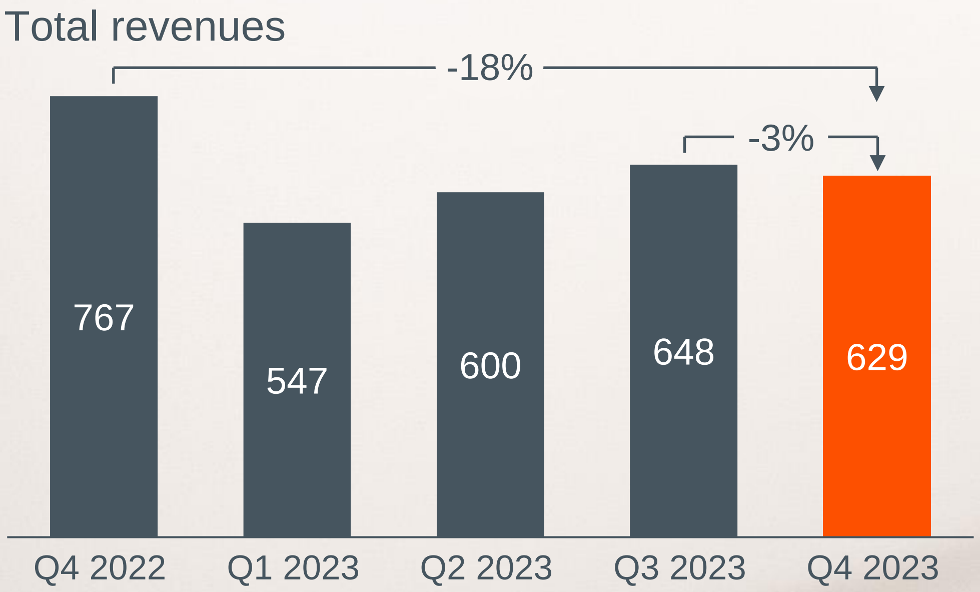
- Revenue slightly above mid-point of the guided range of EUR 850m to 950m
- YoY: Like-for-like decline mainly driven by ramp-down of previous high-runner mobile-phone components

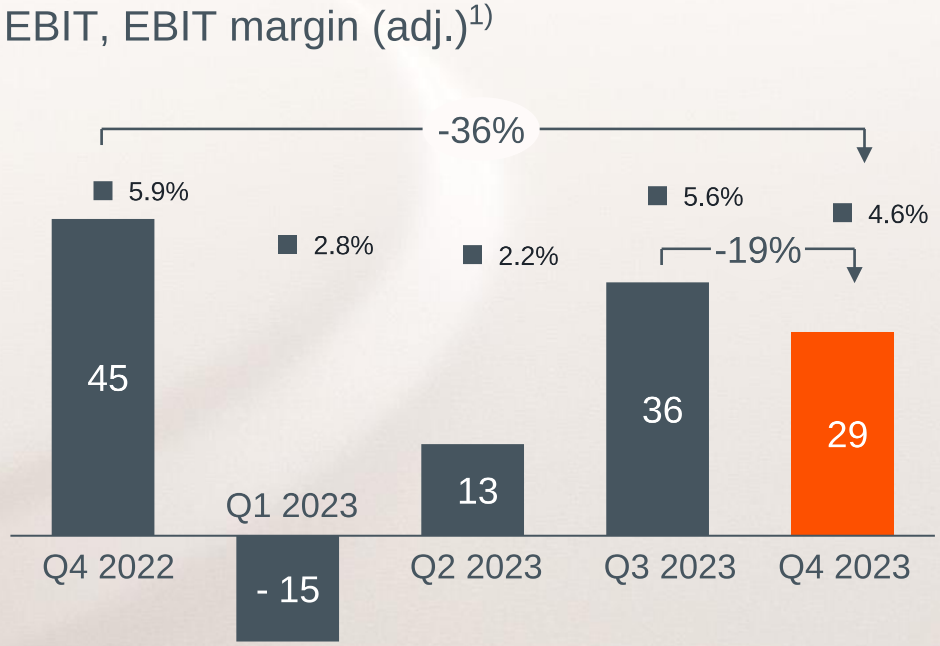
- Adj. EBIT margin 6.9%, above mid-point of the guided range of 5% to 8%
- QoQ decline due to one-time positive effect in Q3

[1] Based on like-for-like portfolio comparison basis and constant currencies
[2] Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses

Semiconductors: decline driven by consumer and I&M, all-time-high in automotive

All figures in EURm / % of revenues





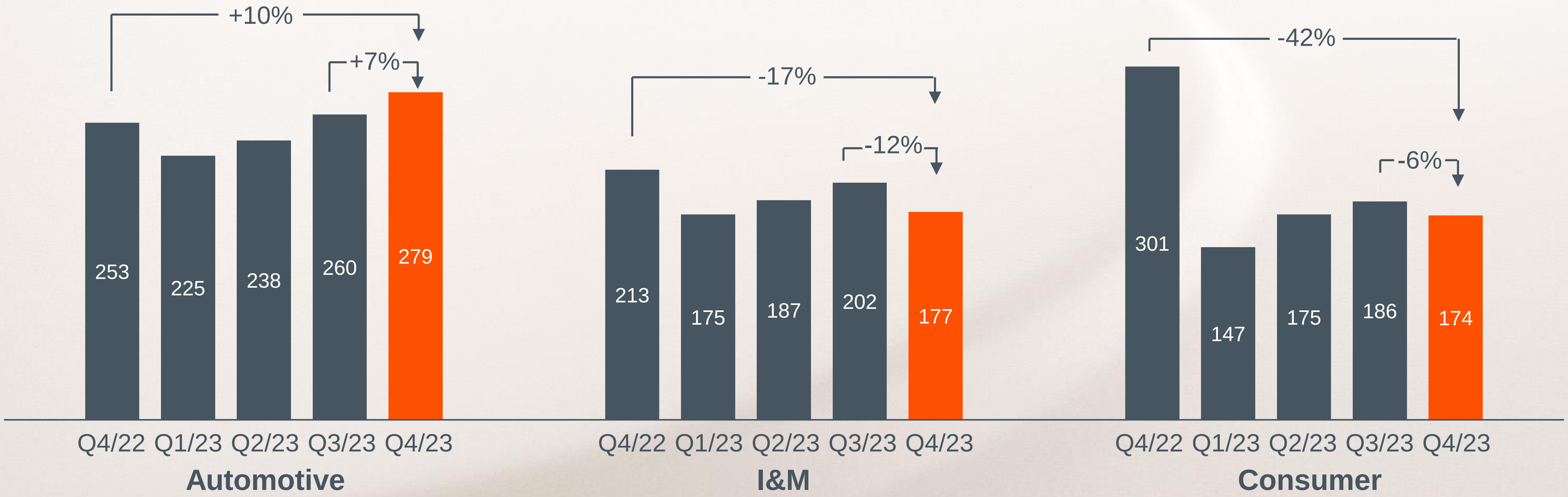
- Revenues/YoY: decline mainly driven by ramp down of previous high-runner custom products for mobile phones after socket losses and weakness in industrial markets
- Revenues/QoQ: decline driven by Consumer & I&M, whilst automotive increased to record level
- EBIT/YoY: decline due to lower run-rate causing high underutilization cost especially in Consumer related products
- EBIT/QoQ: decline due to positive one-time effect in Q3 (funding catch-up of ~10m€), like-for-like QoQ improvement

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

Semiconductors Segment in Q4: auto strong, I&M and consumer weak

Semiconductors segment, like-for-like Q4 development QoQ & YoY (excl. disposal effects), figures in EURm

Semiconductor AM Revenues | **Semiconductor I&M Revenues** | **Semiconductor Consumer Revenues**



- Highest ever automotive semiconductor revenue
- Strong demand from China
- YoY growth, driven by content growth in highly digitized platforms (e.g. EVs)

- Sequential decrease due to macro economic pressure in all verticals
- YoY decline reflects overall weak macro economics in many areas, such as industrial lighting and horticulture, in line with soft LED market development

- QoQ upswing in Android overshadowed by ramp-down due to design-losses
- YoY reflects design-loss in high-runner phone, slowdown of Android market and weak macro economy

I&M denotes Industrial & Medical

Continued strong design-win traction – Q4 2023 examples

Winning new business across the board

LTV estimates*

LIDAR (Automotive)

>100 m€ to date

Traditional Forward LED lighting
(Automotive)

+100 m€ in Q4

Material treatment
(Industrial)

Laser projection
(Consumer)

dToF sensors
(Consumer)

~150m€ in FY23

*cumulated, estimated project life-time values

ams OSRAM - ‘Outstanding Partner’ award by BYD

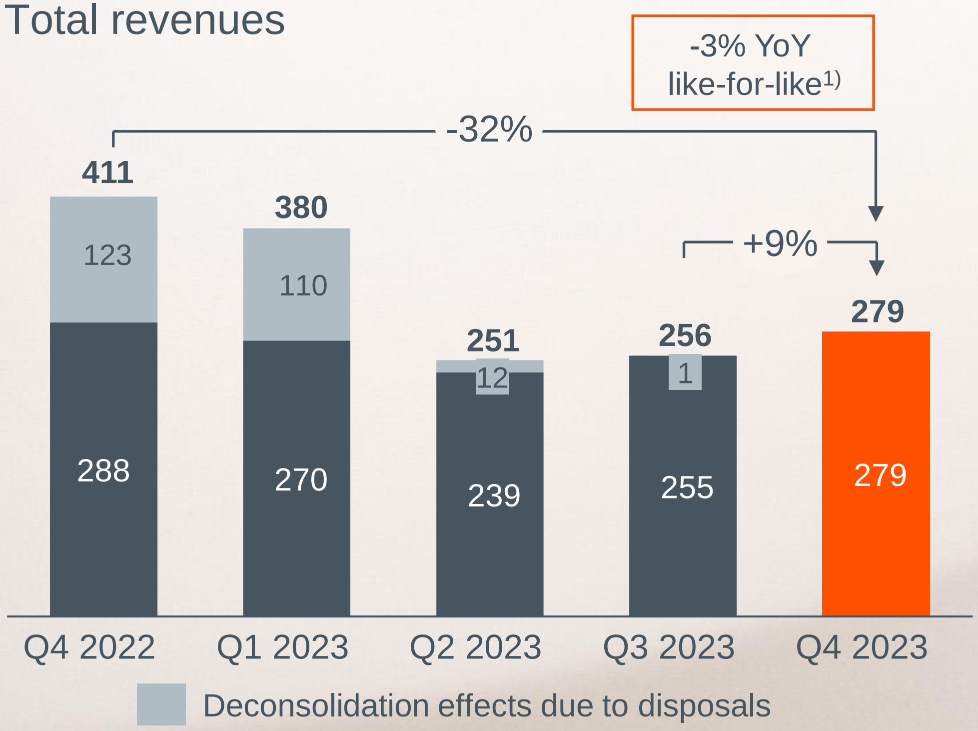
The world’s leading EV maker in 2023

ams OSRAM

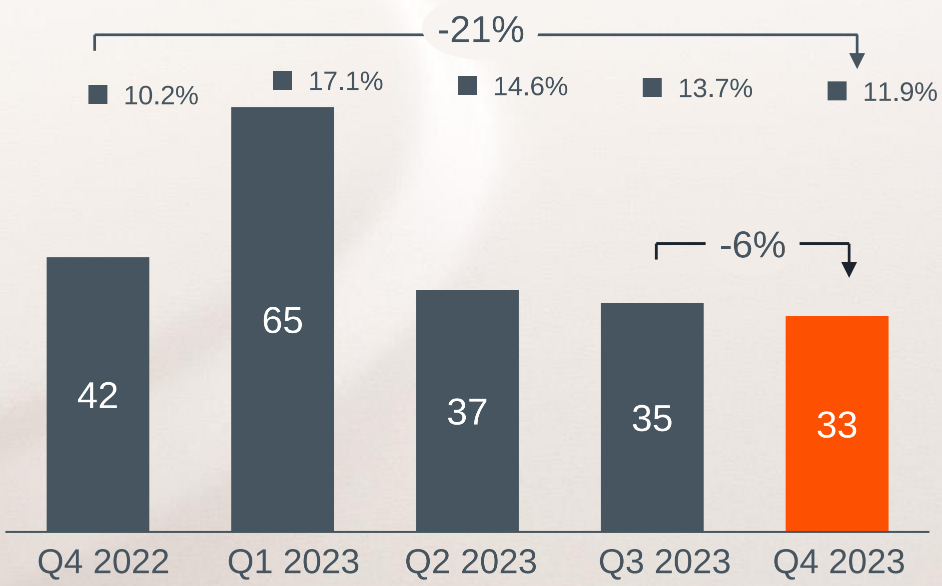
Lamps & Systems: seasonally strong Q4, continued weakness in industrial

All figures in EURm / % of revenues

Total revenues



EBIT, EBIT margin (adj.)[2)]



- Revenues/Q4: strong seasonal aftermarket business
- Revenues/YoY: like-for-like decline due to weakness in industrial lamps business
- EBIT/Q4: negative one-time effect due to raw-material value correction

[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

ams OSRAM is at the forefront of LED retrofits in automotive

Increasing potential of retrofit solutions for on-road and off-road applications

Key benefits of LED retrofit solutions:

- Easy upgrade to LED
- Earlier detection of signs and obstacles
- Optimized light distribution with reduced glare
- Stylish and modern look

2020

1st ever on-road[1)] LED headlamp retrofit in Europe NIGHT BREAKER LED H7

NIGHT BREAKER LED H7

2022

First leading player launching a “socket-design” solution for easier replacement

LEDriving HL EASY

Exemplary

2023

Further expansion of on-road and off-road portfolio for headlights and signal lights

Product launches (selection):

NIGHT BREAKER LED H1, W5W, H4 (motorcycle)

LEDriving HL EASY H1, H3

HLT BRIGHT 24V in H1, H4, H7 (trucks)

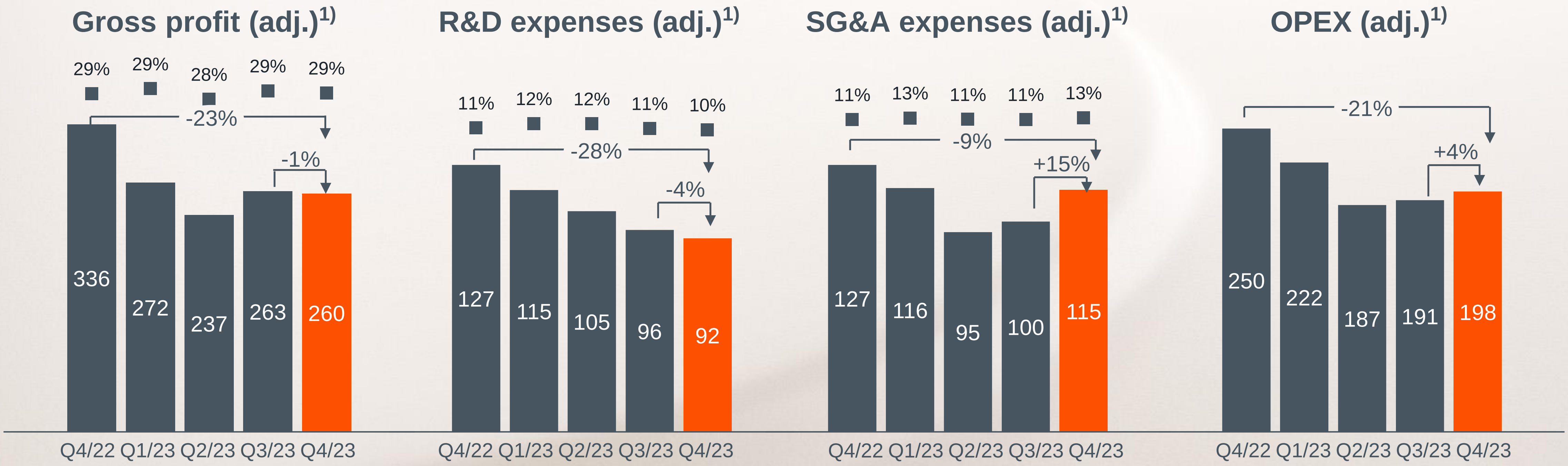
Way forward

Expand global leadership position in LEDr with our brands OSRAM and SYLVANIA

1) Approved LED light source - only applies to the respective countries in which there is approval or to which an equivalent approval applies, and the vehicle models and light functions currently listed in the compatibility list. For more details see www.osram.com/nb-led

Group: Gross Profit and OPEX sequentially flat, R&D further down

All figures in EURm / % of revenues

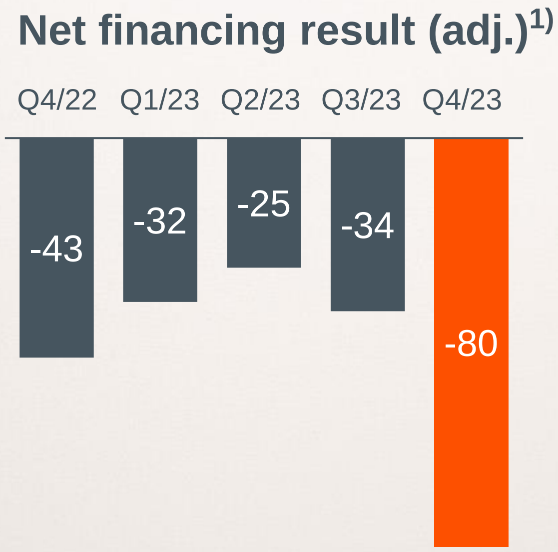


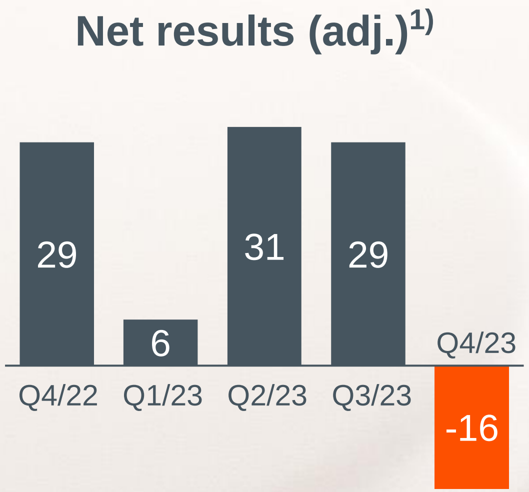
- Gross profit/QoQ flat, still impacted by underutilization effects mainly in consumer and industrial related manufacturing and a one-time raw material value correction in L&S
- R&D expenses QoQ decline reflects capitalization effect, besides continuous stream-lining and efficiency programs
- General sales overheads increased QoQ due to seasonal effects and bonus provisions. SG&A shows YoY a clear base-line reduction

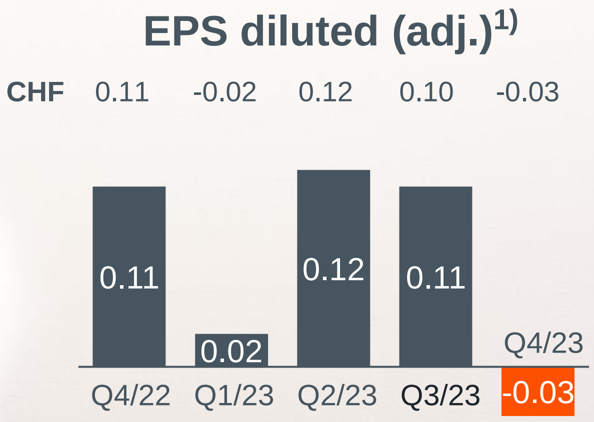
[1] Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses

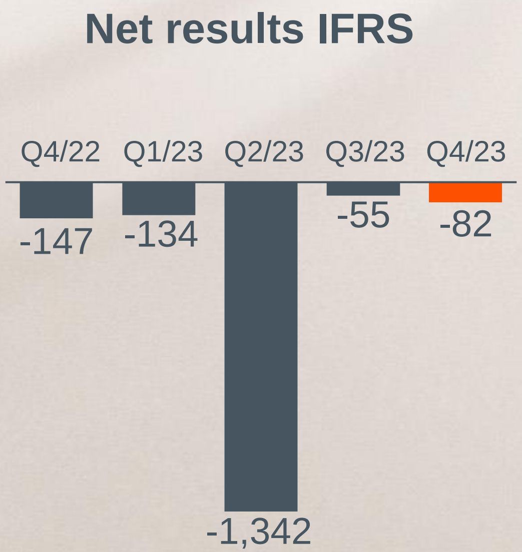
Adj. net result / Adj. EPS impacted by re-financing

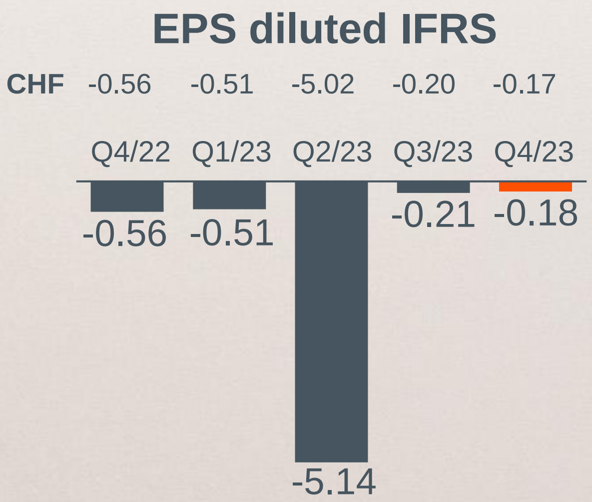
All figures in EURm / EUR per share











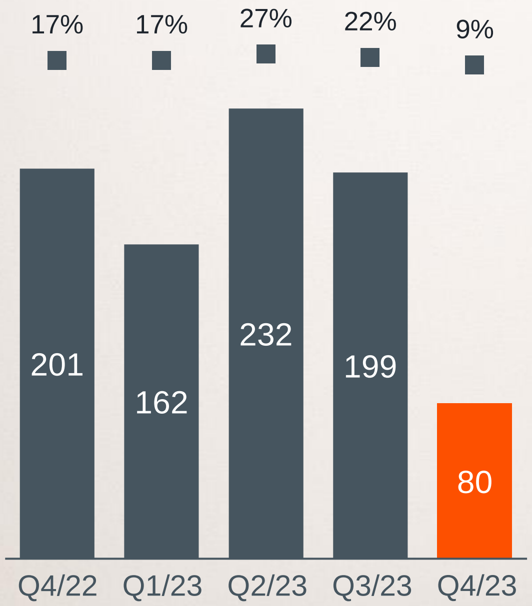
- Adjusted net financing result includes EUR 38m of re-financing related expenditures as a consequence of the EUR 2.25 bn re-financing, which leads to an adjusted net result of minus EUR 16m compared to the previous quarter
- **Change in share count: 274,289,910 increased to 998,443,942 as of Dec 7th, 2023**
- **Q4/23 average share count at 456,490,225**

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

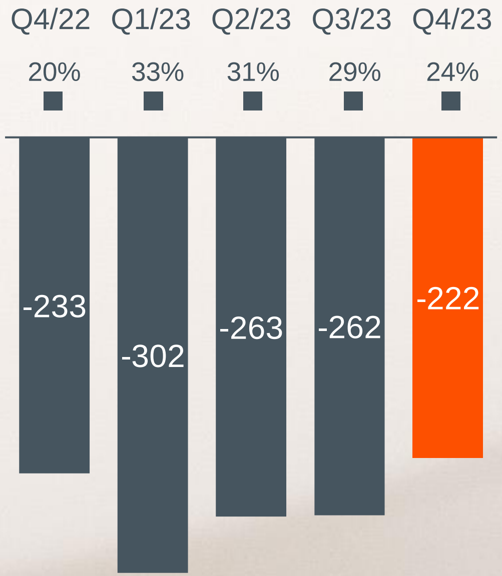
Drop in Operating Cash Flow and elevated Capex put pressure on the FCF

All figures in EURm / % of revenues

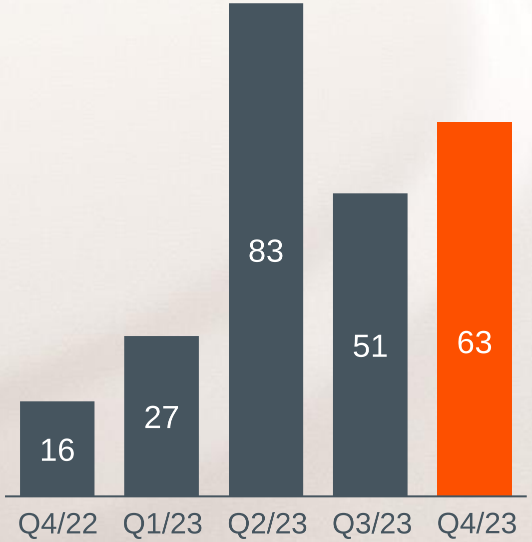
Operating Cash Flow



Cash Flow related to Capex

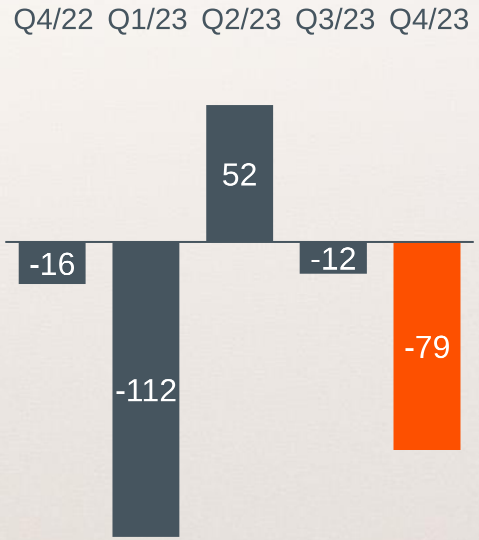


Inflows from Divestments



Free Cash Flow (FCF)[1)]

incl. divestments, excl. interest payments



– Significant drop in Operating CF due to EUR 77m reduction in accounts payable and seasonal increase of accounts receivables
– Still elevated Capex driven by tool installation in the 8-inch Kulim LED facility – in-line with expectations.

[1)] Free Cashflow (FCF) defined as Operating CF – Capex + proceeds from divestments

Fiscal Year 2023
Business & Financial Update

FY 2023 – Achievements & Major Developments

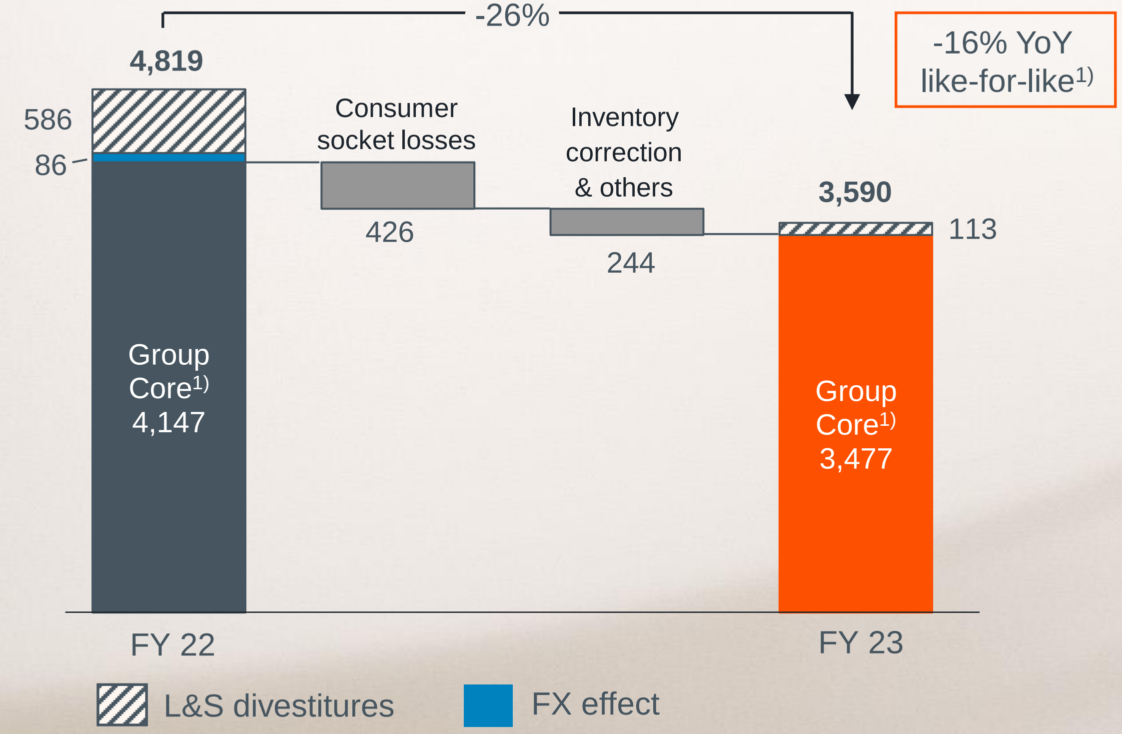
Changing course towards profitability, structural growth and investment grade profile

1. New management team and new organizational set up established for clear ownership, stringent execution and better monetization of innovation
2. Strategic re-alignment to profitable core & structural growth in automotive, industrial & medical and selected consumer applications
3. 'Re-establish-the-Base' efficiency & savings program initiated and on track
4. Update of mid-term target operating model
5. Successful re-financing of EUR 2.25bn ahead of initially indicated schedule
6. Strong design-win momentum for structural growth, especially in automotive
7. 'once-in-a-lifetime' peak CAPEX driven by setting up world's first 8-inch LED factory

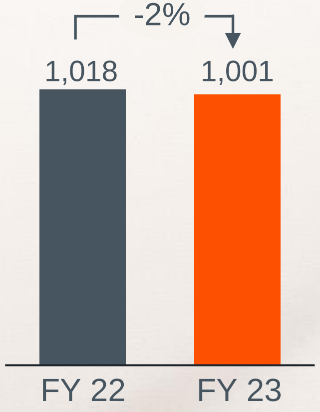
FY23 – like-for-like revenue decline mainly due to known consumer socket losses

Portfolio divestitures, inventory correction and phase out of specific consumer programs drove revenue decline

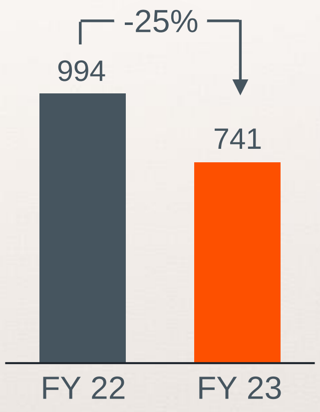
Group Revenues



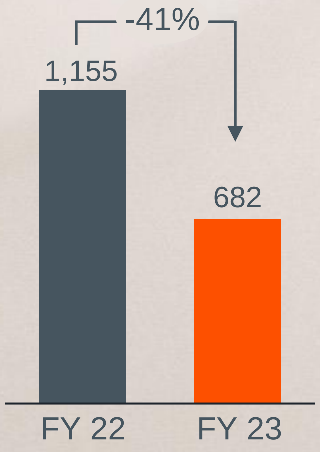
Semi Automotive[1)]



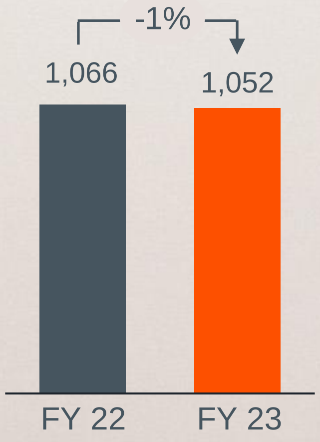
Semi Industry & Medical[1)]



Semi Consumer[1)]



Lamps & Systems Core[1)]



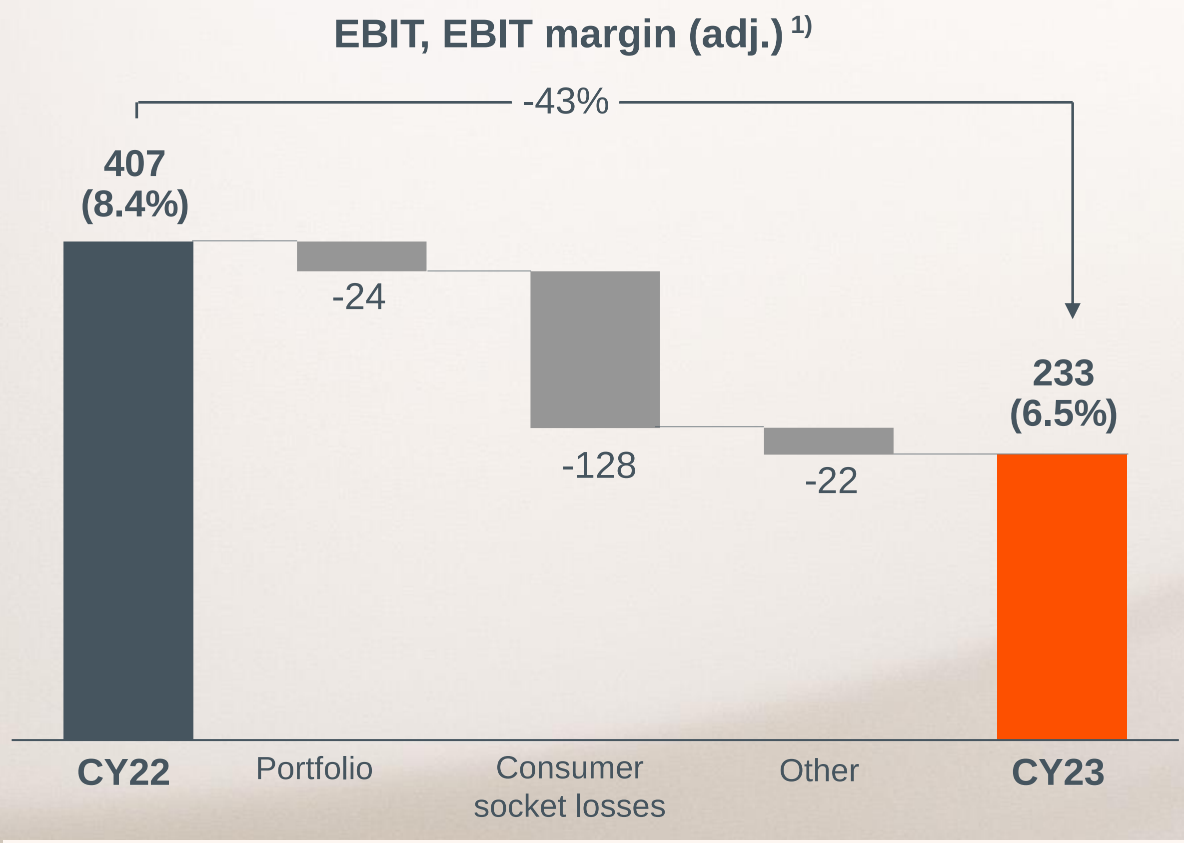
Main developments:

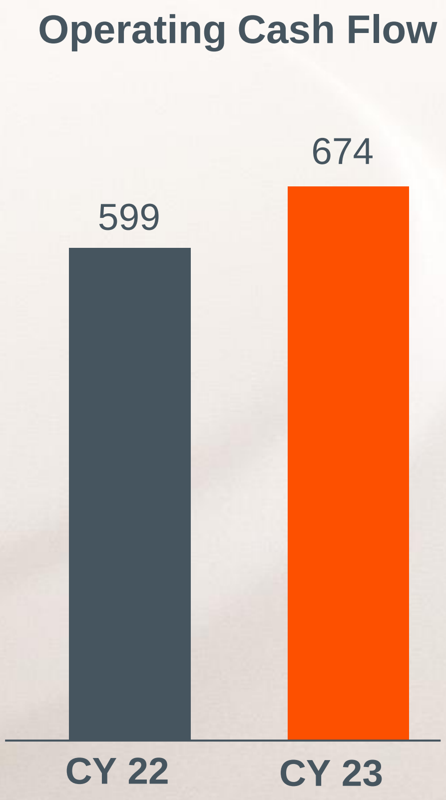
- L&S: portfolio divestitures (EUR ~586m total since FY22)
- Semi: stabilized automotive business, ongoing inventory correction in industrial/medical and phase-out of major programs in consumer

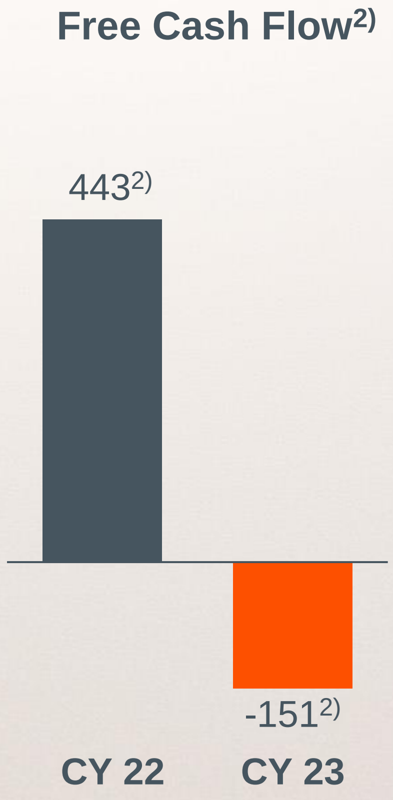
[1)] Excluding L&S portfolio divestitures, including FX effect

FY23 – adj. EBIT reduction essentially driven by known consumer socket losses

Adjusted EBIT and Free Cash Flow







Main developments:

- Drop in adjusted EBIT driven by underutilization cost in the semiconductor businesses for non-core consumer products, inventory corrections for products in industrial and automotive applications, and by high R&D spendings for microLED technology
- Significant improvement of operating cash flow
- Strong decline in FCF mainly driven by extraordinary investment into the 8-inch based microLED technology for next generation of displays

1) Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses
2) FCF including divestments, excl. interest

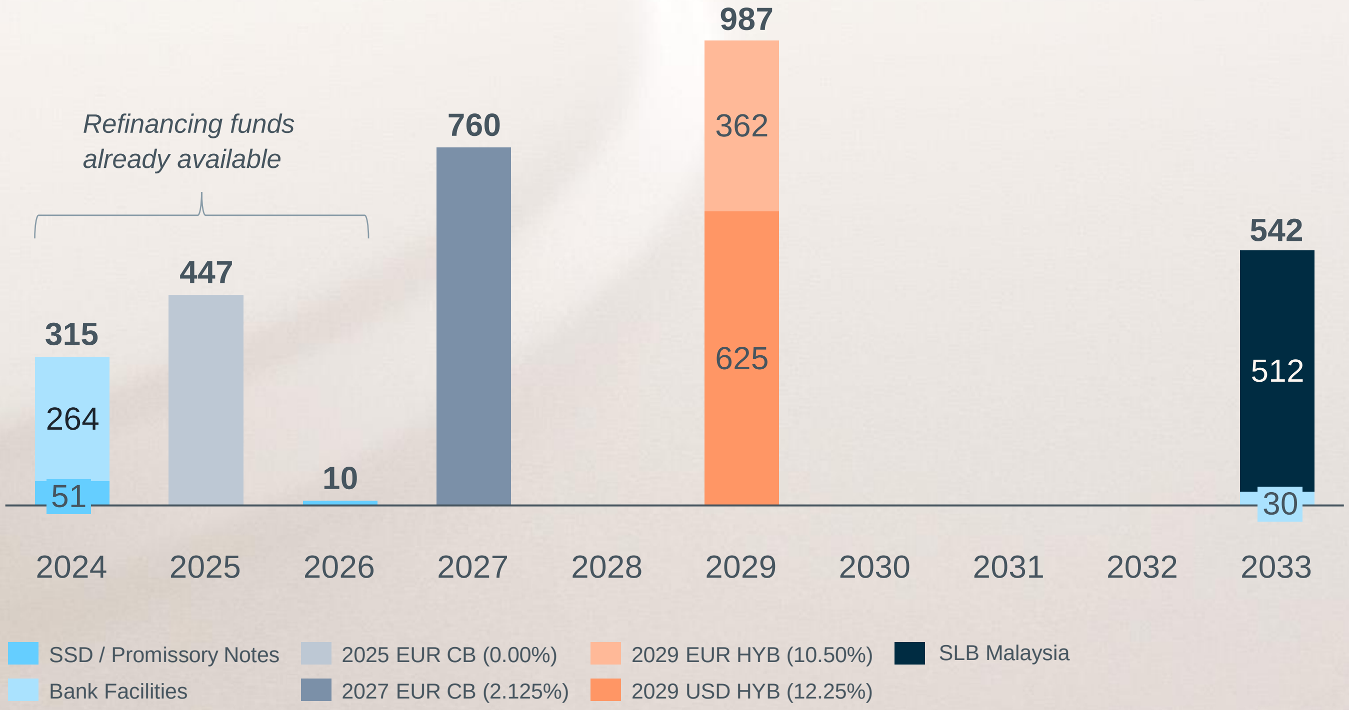
Well balanced maturity profile with diversified funding mix post refinancing Q4/23

Current capitalization

IFRS book values	December-23
	EUR million
Cash	(1,146)
Other Financial Debt [1), 2)]	355
2025 EUR Convertible Bond (0.00%) [1)]	436
2027 EUR Convertible Bond (2.125%) [1)]	669
2029 EUR Senior Unsecured Note (10.50%) [1)]	630
2029 USD Senior Unsecured Note (12.25%) [1)]	368
Revolving Credit Facility (EUR 800m undrawn)	0
SLB Malaysia transaction	384
Total debt	**2,842**
Total net debt [3)]	**1,696**
Outstanding OSRAM Licht AG – Put Options	611
Available Liquidity [4)]	**2,152**

Current debt maturity profile

EUR m, repayment amounts as of December 2023



Notes:
1. 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 31-Dec-23): EUR434m. For 2027CB - Nominal Amount: EUR 760m / Book Value under Debt (IFRS per 31-Dec-23): EUR 668m
2. Includes R&D loans, Bank Facilities and Promissory Notes
3. Includes EUR 384m equivalent Sale-and-Lease back Malaysia transaction
4. Includes EUR 1145m Cash, EUR 800m RCF (undrawn) and EUR 206m bilateral bank facilities (undrawn)

Re-establish the Base program

With Q2/23, the new management team announced a new strategy and an efficiency program 'Re-establish the Base'. It aims to strengthen profitability with targeted run-rate savings of EUR ~150m by end of 2025 and adj. EBIT margin target of ~15% in the mid-term

Set-up & Infrastructure

- *Make the company lean and efficient by having the appropriate size, infrastructure and agility*

Portfolio

- *Focus the semiconductor portfolio on the core of differentiated, intelligent sensor and emitter components with the highest profitability and the best growth perspective*
- *Expand leading positions in relevant Automotive, Industrial, Medical markets*
- *Continue to pursue specific opportunities in Consumer markets where we sustainably differentiate*
- *Exit non-core Semiconductor business with a 2023 revenue run-rate of EUR 300-400m*

Monetizing Innovation

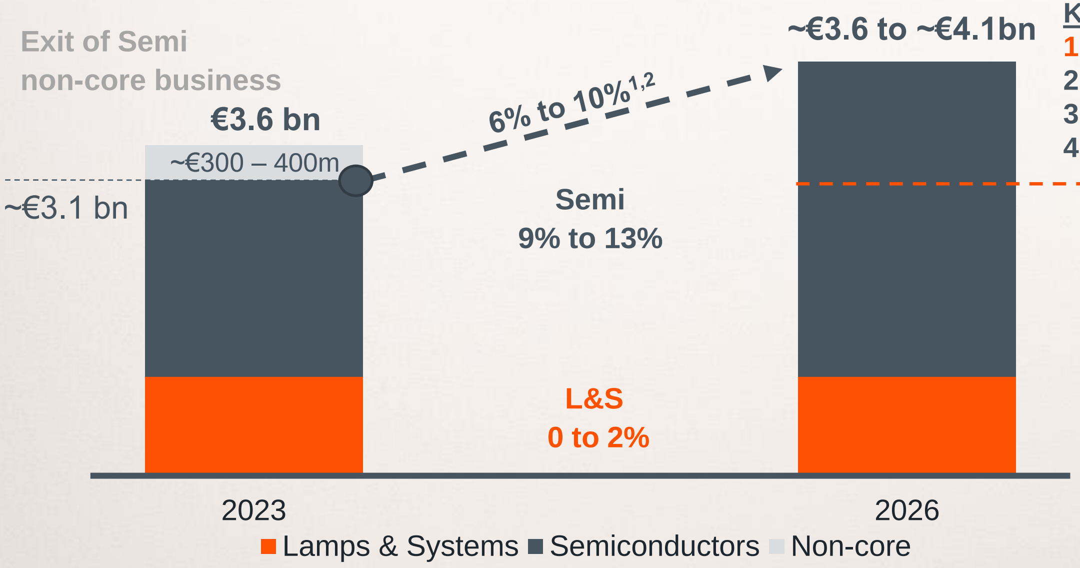
- *Center mindset and accountability on "monetizing innovation" and overall profitability*
- *Invest selectively in disruptive innovation such as microLED technology*

Refinancing

- *Reduction of total debt & balanced maturity profile*
- *Strengthened balance sheet*
- *Completed in 2023*

FY2023: mid-term target growth model, strong design-win base & ‘re-establish-base’ drive structural growth & adj. EBIT improvement until 2026+ for turn-around

Portfolio re-adjustment revenue target



Key growth contributors

1. Automotive (largest)
2. Mobile light sensors
3. 8” product sales
4. Industrial & Medical

Profitability adj. EBIT evolution target

EBIT improvement

- Fall-through from **multi-bn € design-win base** & some market recovery
- **Re-establish-the-Base** program (EUR 150m savings by E-25)

Over-the-cycle mid-term targets

Revenues
6 - 10% CAGR[1]

Adjusted EBIT Margin
~15%

CAPEX
~10% of Sales[3]

Free Cash Flow [4]
Positive after interest payment

Leverage
Net Debt / (adj.) EBITDA < 2x

Notes:
1. Driven from new base following disposal of “non-core” semiconductor assets
2. >2x WSTS opto-electronics F99 & sensors H99 = 3.1% CAGR `22 to `26 due to addressed segments
3. FY2024 still above 10%
4. FY2024: slightly positive, including proceeds from divestments, before interest payments

FY 2023: strong design-win traction underpinning structural growth model

Majority in automotive, industrial & medical and consumer very strong

Industrial Sensor ICs

Colored ambient lighting – iRGB (Automotive)

Industrial dToF Sensors

High Pixelated Forward Lighting (EVIYOS®) (Automotive)

Professional lighting

>5 bn € LTV*

Automotive LIDAR

Tileable CT scanning sensors (Medical)

Classic automotive LED forward lighting

Display Management (Consumer)

Classic automotive signaling

Camera Enhancement (Consumer)

Augmented reality (Consumer)

*Design- wins in 2023: estimated project life-time value

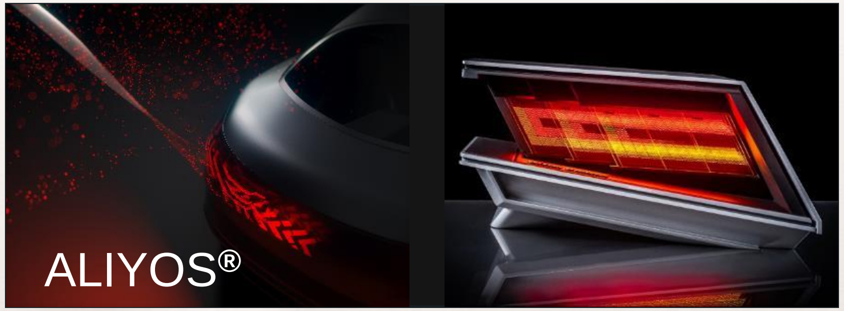
FY 2023: Innovation is at our core

Examples across industry verticals

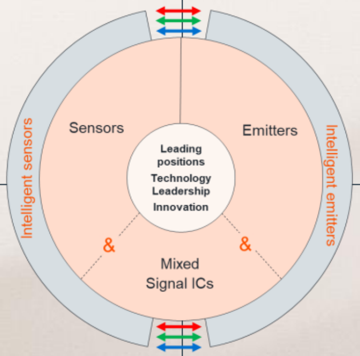
Next generation of medical imaging sensors

- Unparalleled resolution in CT medical imaging
- Lowest dosage exposure for patients

"Light out of nowhere": LED-on-foil technology creates novel effects in automotive lighting



- Successful technology launch & customer design-ins



World's first 8" facility in Kulim, Malaysia

- Continued progress on industrialization and successful transfer to our new 8" LED factory in Kulim

Laser material treatment

- Commercialization of our highest power blue edge emitting lasers for a multitude of applications in consumer and industrial

Outlook & Summary

Business Outlook

Q1 2024 Guidance	2024 comments
– Revenue 800 m€ - 900 m€ – Adj. EBIT 4% - 7%	– Divesting/exiting non-core semiconductor portfolio (2023 run-rate: 300 to 400 m€)
– Based on assumption EUR/USD 1.08	– H1/24 with continued macro weakness, H2/24 improving (ramp of design-wins and expected market recovery)
	– ~75 m€ savings run-rate at year-end from ‘Re-establish-the-Base’ program
	– Some cost headwinds e.g. personnel cost, 8” ramp-up cost
	– CAPEX in PPE of slightly above 500 m€ (incl. ~50m delayed PPE from 2023)
	– Accounts Payable roll-over from Q4/23 and cap. R&D, combined ~200m€
	– FCF positive (including divestments proceeds, before interest payments)

Summary Q4 & FY 2023

Summary

Q4/23:

- Solid Q4 revenue and adj. EBIT performance above mid-point
- Strong Design-Win traction continuing
- Implementation of Re-establish-the-Base program well on track

FY/23:

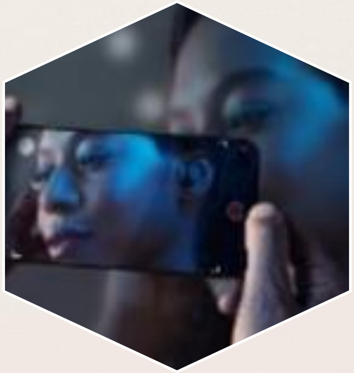
- Strategic re-alignment & revised mid-term financial model
- Re-financing completed ahead of schedule

Outlook Q1/24:

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

Comments FY/24:

- Executing 'Re-establish-the-Base' to benefit from structural growth



Q&A

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