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Q1 2026 Results - Call Script
7 May 2026 / 9:45 a.m. CEST

Aldo Kamper (CEO), Rainer Irle (CFO), Dr. Juergen Rebel (Head of IR)

Juergen Rebel (Head of IR)

Good morning, Juergen speaking.

Welcome to today's call on first quarter 2026 results.

Aldo, our CEO, will comment on business performance and strategic progress.

Rainer, our CFO, will then walk you through the financials.

Please refer to the Q1 earnings call presentation available on our website.

Aldo, how did we perform in the first quarter following the launch of our Digital Photonics strategic realignment?

Aldo Kamper (CEO)

[Slide 3 – Quarterly Achievements]

Thank you Juergen and good morning everyone.

Turning to slide 3.

Overall, we delivered a very strong first quarter and made further tangible progress towards our ambition of becoming a focused Digital Photonics powerhouse.

On a like for like basis, our semiconductor core portfolio grew by 9% year-on-year, clearly underlining that our strategic focus is the right one.

Group revenue came in well above the midpoint of our guidance range.

Adj. EBITDA reached the upper end.

Design-win momentum continued unabated across all end markets.

From a Digital Photonics perspective, we achieved two important milestones in the quarter.

First, we are in the process of extending our portfolio of optical components that are decisive for the system performance of AI enabled augmented reality smart glasses, covering key functional building blocks.

Second, in AI Photonics, we signed a development agreement for highly parallel, micro-emitter array based "slow & wide" optical interconnects targeting hyperscaler AI data centers.

In parallel, we advanced on execution topics:

- the Simplify transformation program is well under way, and
- our balance sheet deleveraging plan progressed as planned.

The sale of the Entertainment & Industrial Lamps business to Ushio closed in early March and cash proceeds were received.

The divestment of our non-optical sensor business to Infineon remains well on track, with unchanged timing for mid-year 2026.

Finally, we delivered positive free cash flow in Q1.

As expected, divestment proceeds offset the seasonally high interest payments that typically occur in the first quarter.

With that, let's look at the details.

[Slide 4 – Q1/26 Group Performance]

Turning to slide 4.

Q1 performance came in stronger than initially expected.

Group revenues came in with 796 million Euros – well within the upper half of the guidance band.

Adjusted EBITDA reached 16.5%, at the upper end of the guidance, driven mainly by the OS division and a very strong Automotive Lamps performance.

Year-on-year revenues declined slightly, entirely due to the weaker US dollar, with a top-line impact of roughly 50 million Euros. On a like-for-like basis at constant currencies, the group would have grown by approximately 8%. Adjusted EBITDA declined modestly year-on-year solely due to the deconsolidation of the Specialty Lamps business, despite the FX headwinds.

[Slide 5 – Q1 Segment Performance]

Let's turn to segment performance on slide 5:

OS held up very well in the typically soft first quarter. Revenues were almost flat quarter-on-quarter.

We experienced supply constraints in selected product lines due to short-term order increases; without those, even a sequential growth would have been possible.

Margin declined sequentially due to higher gold prices, annual price downs effective January 1st and FX effects.

However, it was two percentage points higher year-on-year, reflecting higher production volumes that are not fully visible in reported revenues due to the weaker US dollar.

CSA delivered a solid performance in the seasonally weakest quarter.

Results were driven by continued strong demand for custom sensor products in consumer handhelds and a recovery in Industrial & Medical.

Revenues were slightly lower year-on-year solely due to the declining contribution from exited non-core portfolio activities.

Profitability followed typical revenue fall-through dynamics, however, was down year-on-year which is due to higher R&D expenses to fund growth projects and FX headwinds on top.

Lamps & Systems again delivered a very strong quarter.

Aftermarket demand remained elevated, including short-notice orders following financial difficulties at a competitor.

Specialty lamps contributed for only two months. The deconsolidation explains why reported revenues did not increase year-on-year. Strong production loading in Q1 supported profitability.

Overall, it was mostly a strong quarter across the portfolio.

[slide 6 – Semiconductor performance per end market]

Turning to slide 6.

Adjusting for the weaker dollar and the exited non-core portfolio contribution, the clean core-portfolio grew 9% year-on-year. The non-core portfolio is now largely wound down, with only residual contribution of the order of 10 million Euros contributing.

Looking at the markets:

- **Automotive was broadly flat** versus the typical seasonal slowdown. After a lackluster start early into the year, we saw a clear ordering uptick in February and March. Given the declining underlying vehicle production outlook, we interpret this as partial restocking after a prolonged period of very lean inventories combined with some level of pre-caution due to the turbulences in the Middle East. All regions performed sequentially better except China, where end-market demand remains softer and competitive intensity is elevated.
- **Industrial & Medical** showed a clear recovery. Horticulture had its seasonal low point, but professional lighting demand was solid. Order intake improved materially, and order patterns at the end of the quarter point to a solid seasonal upswing into Q2.
- **Consumer** followed typical seasonal patterns sequentially. Year-on-year, the decline is explained by FX and the phase out of non-core portfolio elements.

[slide 7 – Q1 – Design-Win Performance]

Turning to slide 7.

Q1 is typically the weakest quarter for design-win activity, yet momentum remained solid.

Total design wins amounted to around 850 million Euro,

Naturally, design-wins are geared towards automotive, but the other verticals also contributed well.

In our classic semiconductor core business:

- **Automotive** remains the backbone, with triple-digit-million Euro contributions across the portfolio and strong momentum in forward lighting.
- **Industrial** showed very good traction, particularly in professional lighting with customers in the US and Europe, while horticulture performed materially better year-on-year.
- **Consumer** continued to see recurring sensor design wins in Android based smartphones, particularly in Display Management.

On the Digital Photonics side, progress was equally encouraging:

- **EVIYOS** continued to add platforms, taking the number of awarded platforms to well above 60. And interest for new designs remains strong, especially in China.
- **Augmented Reality**: several of our existing components, such as ambient light and spectral sensors, are already designed into smart glasses models available in the market.
- **AI Photonics**: product development for micro-emitter arrays for highly parallel AI Optical interconnects has started.

And, we are not doing this alone – we signed a collaboration agreement with a strong AI infrastructure partner.

We will now look at these Digital Photonics themes in more detail.

[Slide 8 – AR Smart Glass portfolio]

Turning to slide 8.

Augmented reality smart glasses are a key Digital Photonics growth theme. While the category is still at an early stage, adoption is accelerating even with today's limited functionality.

AI is the game changer, making these glasses potentially the mid-term replacement of our smartphones.

Some of our sensors and LEDs are already designed into several commercially available smart glasses models.

Our current and future portfolio covers key functional domains:

- Health & wellbeing: sensors enabling measurement of parameters such as melatonin levels via blue light, heart rate and UV exposure.
- **Privacy and camera performance**: spectral and flicker sensors as well as high performance LEDs.
- **Display engine**: today, our LEDs illuminate LCOS displays; going forward, microLED arrays can enable substantially higher brightness, resolution and power efficiency.
- **World sensing** comprises gesture and 3D Time-of-Flight sensing
- **HMI** – today, we supply our proven proximity sensors, tomorrow we have super tiny optical force sensing buttons in store.
- and **eye tracking** can be done with our integrated optical sensing solutions.

This illustrates our strategy of focusing on decisive system components built on our core technologies.

Content estimates naturally vary depending on volumes, lifecycle stage and customer implementation choices.

For this, we see **content potential between 50 and 100 EUR per device**, which underpins the triple digit million annual revenue opportunities we outlined when launching our Digital Photonics strategy.

[Slide 9 – AI Photonics – Scale-out, Scale-up, Chip-to-chip]

On to the next highlight of today – turning to slide 9.

Our progress in AI Photonics is accelerating.

I have three slides for you:

- **First**, where our products will sit in a data center.
- **Second**, how do we fit into the architecture.
- **Third**, which components are we targeting.

We believe that so called **'slow & wide' optical interconnects** based on highly parallel micro-emitter arrays can play an important role in future AI data center architectures. Slow is relative, as we are talking about 8 Gbit switching speed and hundreds of parallel channels.

Initially, the focus is on shorter distance **Scale-out** interconnects, e.g. between racks, then **scale-up** connections within racks, replacing copper over distances of up to several tens of meters.

Over time, **chip-to-chip connections** – for example between GPUs and high bandwidth memory – could become addressable as well.

A really great market potential for us.

[Slide 10 – AI Photonics – architecture]

Turning to slide 10.

It is important to distinguish between **integration concepts** and the **optical engine technology** itself.

On the integration side,

- today's solutions on the upper right rely on **pluggable transceivers** or **active optical cables**, with energy consumption of up to 30 pico joules per bit. In these solutions, not only the long copper traces, but typically also signal shaping chips consume quite a lot of power.
- Top-center: **Near port optics** can reduce this to roughly 5–10 pico joules per bit. The Optical Engine moves much closer to the ASIC.
- **Co-packaged optics** – shown top left - promises further reductions towards 1–5 pico joules per bit

over time. The Optical Engine moves as close as possible to the ASIC.

Put simply, the closer the optical engine sits to the chip, the lower the electrical losses and the associated thermal load.

The slide illustrates this through distance comparisons.

Independently of the integration approach, optical engines can be implemented either as **"fast & narrow"** or **"slow & wide"** solutions.

"fast & narrow" is today's established technology, based on InP lasers, often EMLs, and silicon-photonics integration concepts.

We believe in future slow & wide architectures: highly parallel, micro-emitter array based optical engines that transmit light pulses at chip speed without the need for power hungry serializers and de-serializers.

Key advantages include:

- substantially higher bandwidth density,
- very low power consumption per bit, and
- inherent redundancy through parallelism – if one micro-emitter fails, no problem, there are enough channels for backup - an important consideration for hyperscale customers.

[Slide 11 – AI Photonics – our products, partnership agreement]

Turning to slide 11.

On the left, you see our prototype, which helped accelerate the signing of a development agreement with our ecosystem partner – a leading AI infrastructure supplier.

The table in the center illustrates the simplified technology stack for highly parallel optical interconnects.

In essence, you can think of the **transmitter side**, the **receiver side** and the **advanced packaging technology** that glues everything together.

Our current development focus is on the **transmitter side**: micro-lens and micro- emitter arrays.

Given our CMOS and sensor capabilities, we are also evaluating opportunities on the receiver side.

We will keep you updated as development progresses.

With that, let me hand over to Rainer for an update on selected financial aspects.

Rainer Irle (CFO)

[Slide 12 – Free Cash Flow]

Thank you, Aldo, and hello everyone.

I am on slide 12.

We generated 37 million Euro **Free Cash Flow** in Q1, which includes 90m divestment proceeds.

Cash inflow from the sale of the Specialty Lamps business was received early March.

Operating Cash flow was break-even – reflecting seasonally high interest payments on our senior notes.

Higher than a year ago after the 500 million Euros tap last summer.

Capex remained disciplined and well below our full year guidance of 8% of revenues.

With that, let us take a quick look at our 'Simplify' program that we launched with Q4 announcement on February 10th.

[Slide 13 – RtB completion and status update 'Simplify']

Turning to slide 13.

Last quarter we reported that 'Re-establish the Base' delivered its savings one year early.

But implementation of the remaining measures that had been identified continued.

The Re-establish-the Base-program delivered 237 million Euros of savings – a great success.

In February, we launched **'Simplify'**, a broader transformation program aimed at reshaping our operating model and delivering 200 million Euros of additional annual savings by 2028. All savings measures have been identified and 90% have a high maturity level.

'Cost – Speed – Agility' are our guiding principle as we reshape our operating model.

Implementation started immediately, and after just one quarter, teams have already delivered 5 million Euros of realized savings, demonstrating disciplined execution continuity.

Now, let's look at liquidity and capital structure on slide 14.

[slide 14 – Liquidity and capital structure]

In Q1 the interest payments for our senior notes were due.

With the cash proceeds from the sale of the Specialty lamps FCF was still positive – such that our cash on hand position only reduced by paying back 200 million Euros nominal of the convertible note – standing at around 1.3 bn Euros at quarter end.

With that, the available liquidity position closed accordingly at **2 billion Euros**.

It is backed by a diversified mix of instruments — cash, Revolving Credit Facility and bilateral lines.

The Sale-end-Lease-back value moved up in line with currency swings and the quarterly interest accrual.

With that let us zoom in on the coverage of the upcoming short-term maturities on the next slide – page 15.

[slide 15 – Near term maturities & next steps capital structure]

We have 1.3 billion Euros cash on hand.

We expect another 570 million Euros from Infineon upon closing of the divestiture of our non-optical sensor business mid-year.

This amounts to close to **1.9 billion Euros in pro-forma cash**.

This comfortably covers all near-term maturities:

- **First**, the outstanding 2027 Convertible of 560 million Euros. When we receive the money from Infineon, we have 120 days to offer the amount related to guarantor assets at par to notes holders – approximately 130 million Euros.
- **Second**, business needs for the transition effects in 2026, such as lower adj. EBITDA from selling businesses and stranded cost, and high transformation cost from the 'Simplify' program. We will be repaying 100 million USD in customer prepayments and reduce factoring by about 100 million Euros. EXCLUDING disposal proceeds, expect something triple-digit-million negative. However, in 2027, the FCF will be substantially better. If business remains strong, we expect it to move to positive territory, excluding disposal proceeds and even that we need to repay a similar amount of customer pre-payments.
- **Third**, the expected tendering of the OSRAM minority shares after a final verdict.

We still expect it in the second half of this year. That should leave around 500 million Euros in cash.

And this is the important point: all upcoming near-term maturities are already fully covered!

This allows us to focus conceptually on optimizing the cost and maturity profile of our 2029 senior notes. We will keep you posted what our plans are.

Let me hand back to Aldo for the summary and outlook

Aldo Kamper (CEO)

[Slide 16 – Q1 summary and outlook to Q2]

Let me now summarize today's call - I am on slide 16:

In Q1

- We beat again or revenue and profitability guidance.
- The **core semiconductor business grew 9%** like for like.
- Free cash flow was positive at **37 million euros**.
- We completed 'Re-establish-the-Base' with 237 million Euro savings
- And started executing 'Simplify'.

In Digital Photonics:

- we continue to progress on a comprehensive **component portfolio for AI enabled smart glasses** giving us a content opportunity between 50 and 100 Euro per smart glass.
- We initiated the product development **of micro-emitter array-based AI Optical Interconnects** together with a commercialization partner.

We also progressed in **balance sheet deleveraging**:

- The Specialty lamps transaction closed and proceeds were received
- The Infineon transaction remains on track, no changes to the indicated closing timeline mid of the year

Now, to the outlook for the Second Quarter:

We expect revenues **between 725 and 825 million Euros**, with **adjusted EBITDA around 15.5% ± 1.5 percentage points**, based on EUR/USD around 1.17.

The traditional auto lamps business will show the usual seasonal slow-down in view of the overweight in the aftermarket. Remember, all non-automotive business is transferred to Ushio. We still had 10 million Euros revenue in Q1, and zero in Q2.

Semis will make a step forward in Q2, more than typical seasonality. We see strong order intake and Book-to-Bill higher than previous quarters.

Our full-year 2026 outlook remains unchanged:

- **Group revenues** modestly softer given the divestments and FX.
- **adjusted EBITDA of around 15.5% +/- 1.5 percentage points**, **assuming EUR/USD around 1.17**. adj. EBITDA will be negatively impacted by several one-offs: the divestments, stranded costs, precious metal prices and other factors.
- **Free Cash Flow**: we expect above 300 million Euro including divestment proceeds.
- **Into 2027**: we see a path to **positive Free Cash Flow** without any divestment proceeds even with repaying a similar amount of customer prepayments.

With that, we are happy to take your questions.