

Soitec Annual Results

Fiscal year 2017/2018
Paris, France



Disclaimer

This document was prepared by Soitec (the “Company”) on June 13, 2018 in connection with the announcement of the full-year FY’18 results.

This document is provided for information purposes only. It is public information only.

The Company’s business operations and financial position is described in the Company’s registration document 2016-2017 registered by the Autorité des marchés financiers (the “AMF”) on July 4, 2017 under visa D.17-0720 (the “Document de Référence”) and in the Company’s FY’18 half-year report. Copies of the Document de Référence are available in French and English languages through the Company and may as well be consulted on the AMF’s website (www.amf-france.org). The Document de Référence and of the FY’18 half-year report can also be downloaded on the Company’s website (www.soitec.com).

Your attention is drawn to the risk factors described in Chapter 4 of the Document de Référence. A review of these risks factors has been conducted after closing of FY’18 first half and no new risk was found. This document contains summary information and should be read in conjunction with the Document de Référence and the FY’18 half-year report. In the event of a discrepancy between this document and the Document de Référence or the FY’18 half-year report, the Document de Référence or, as the case may be, the FY’18 half-year report, shall prevail.

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Agenda



Greetings

1 Paul Boudre, CEO

2 Rémy Pierre, CFO

3 Paul Boudre, CEO



Q&A session



Agenda



Greetings



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3 Paul Boudre, CEO



Q&A session

Executive summary

1

Outstanding financial performance for fiscal year 2017/2018

2

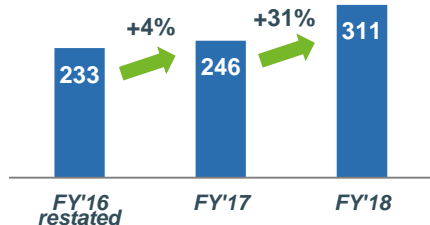
Business trends are robust across our key end markets

3

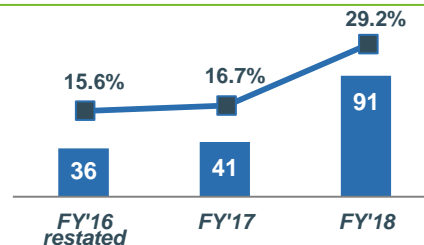
Strong focus on ramp-up execution

Further substantial improvement in operating profitability in FY'18

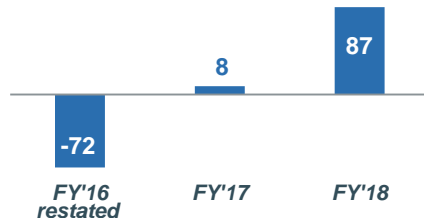
Sales growth
€m, % at constant FX



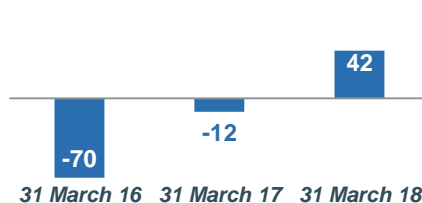
Significant increase in EBITDA (Electronics)
€m, as a % of sales



Net result
€m



Net cash position
€m



Powerful innovation trends across technology markets

Mobility enhanced with new device features and 5G



Autonomous and e-vehicles to set new standards



Artificial intelligence already in our everyday life



Augmented & Virtual reality, more than a gadget



4 strategic end markets



Smartphones



Cloud infrastructure



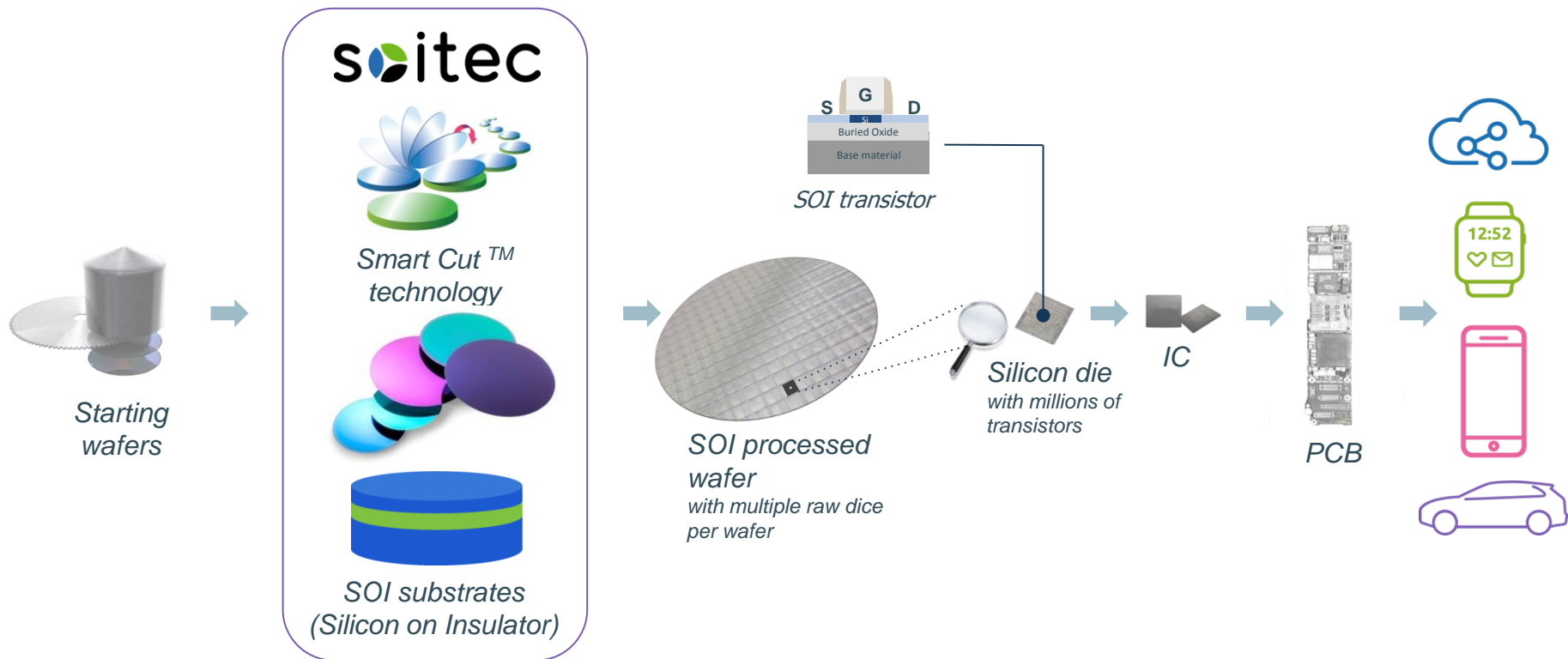
Automotive



Internet of Things

Soitec in the value chain

Engineered substrates



Smartphones

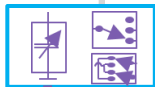
3G/4G fuelling current growth 5G around the corner



4G



5G



RF-SOI for Antennas & Switches



RF-SOI for Low Noise Amplifiers & Power Amplifiers



POI - New engineered substrates for filters

3D image sensors initial adoption for facial recognition – use cases for AR/VR



Facial recognition



Mobile AR/VR

FD-SOI value proposition recognized for several critical applications

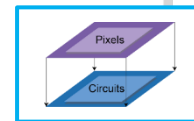
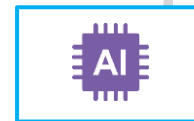
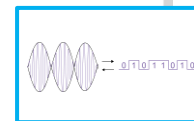


Image signal processors



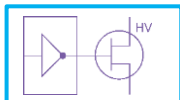
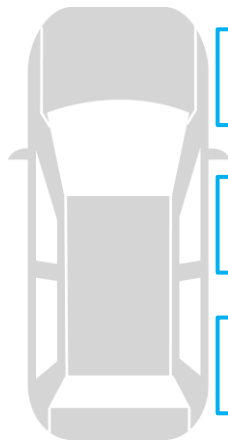
Artificial intelligence system-on-chips



5G transceivers

Automotive

Power-SOI to benefit from structural semi content increase



Power-SOI for gate drivers



Power-SOI for Class D audio amplifiers



Power-SOI for in-vehicle networking

FD-SOI to ramp for ADAS Development in radars



Super computing chips

ASICs for radars



Image classification

FD-SOI chips ramping up for infotainment application processors



Multimedia application processors



Voice-recognition processors



... and a wide range of microcontroller applications for automotive

Automotive – View from a leading car maker



Audi Project Manager Andre Blum says SOI stands for Solutions, Opportunities and Innovation — at the 2018 SOI Symposium in Silicon Valley



FD-SOI value proposition (AUDI)

› Key benefits

› Ultra low voltage operation

Down to 0.4 V by corner trimming / bias trimming
> 70% power reduction possible

› Performance gain

By corner trimming / bias trimming
« more bang for the buck »

› Dynamic switching between situation specific optimum operating points

High performance ADAS systems: not always need for 100% performance
Application / situation adaptive biasing

› New applications and use cases

Due to new ultra low power sensors and microcontrollers (acoustic, MEMS, optical/light...)

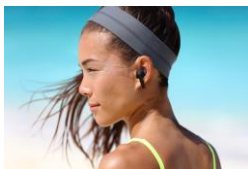
Dr André Blum, AUDI AG | 2018-04-26 | SOI Silicon Valley Symposium, Santa Clara, CA

Internet of Things

FD-SOI for consumer applications



GPS for smartwatches



Ear buds



Smarthome speakers



Drones

FD-SOI for industrial applications



Smart cities

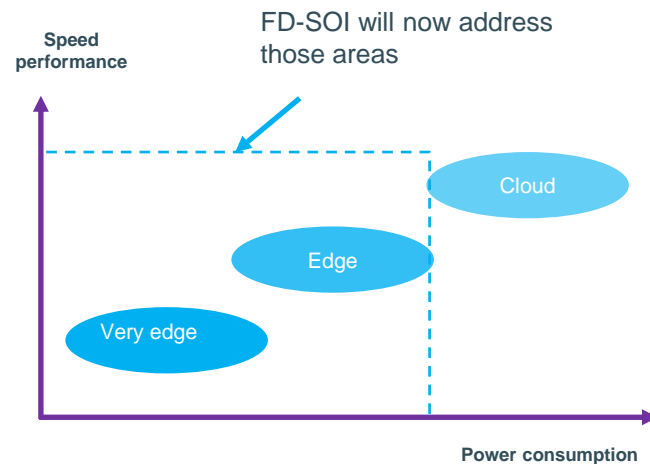


Smart meters



Security cameras

FD-SOI offers the best value proposition for edge-computing and ultra-low power applications



Infrastructure for cloud, mobile and satellite

Photonics-SOI

For datacenters optical transceivers



FD-SOI

For crypto-currency mining



FD-SOI

For base stations

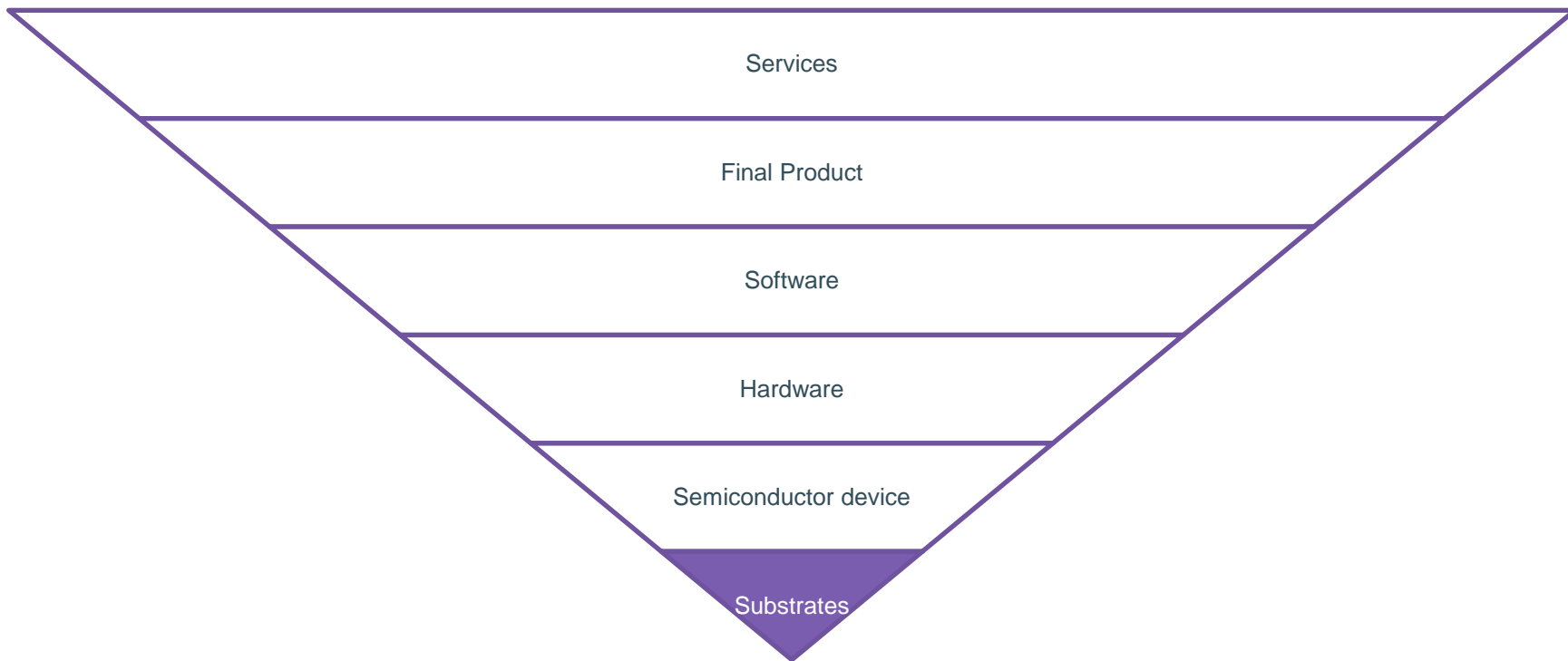


FD-SOI

For broadband communications in Low Earth Orbit (LEO) satellites



Substrate materials at the base of electronics innovation



Towards more partnerships in our innovation model

Today – A global R&D network



Tomorrow – More partnerships with OEMs



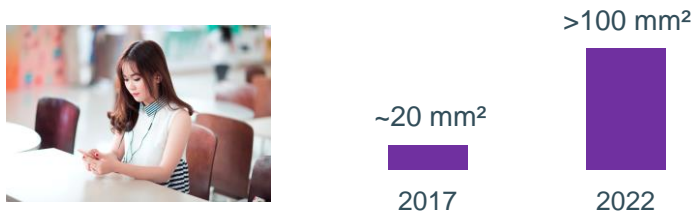
Soitec leading industry-wide consortium (+25 companies) to accelerate FD-SOI adoption in critical automotive applications

CEAN₁₂
(Opportunity to Carry European Autonomous driving further with FD-SOI technology up to 12nm node)

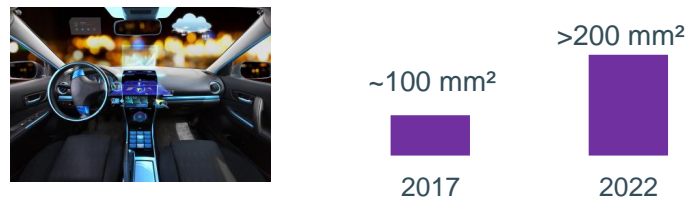


Soitec footprint to expand in every end market

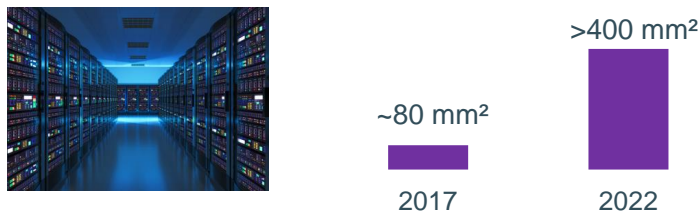
Smartphones



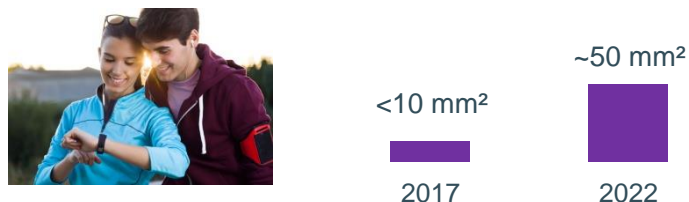
Automotive



Cloud infrastructure

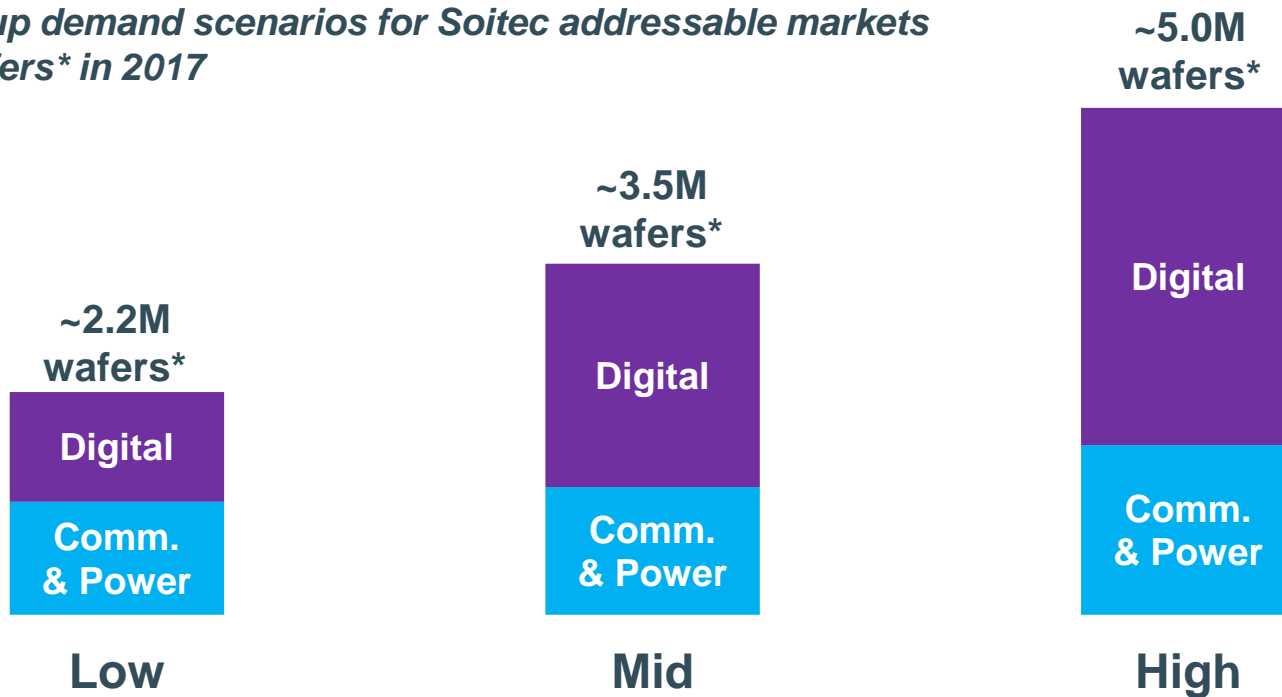


Internet of Things



Strong business trends support our FY22 TAM outlook

*Bottom-up demand scenarios for Soitec addressable markets
>1 M wafers* in 2017*



Strong focus on ramp-up execution

People



100 people recruited in France in 2018 over **200**



45 people recruited in Singapore in 2018 out of **100**

Manufacturing



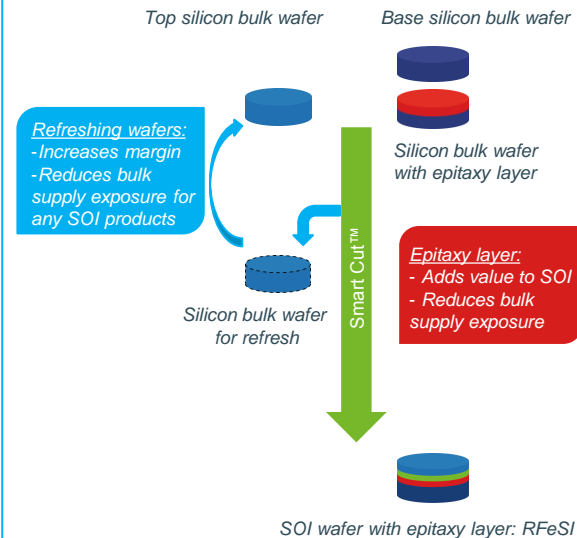
Multi-product
manufacturing expansion in France



Manufacturing expansion in Singapore on both
FD-SOI and RF-SOI

Supply chain

Securing access to silicon wafers





Agenda



Greetings

1 Paul Boudre, CEO



2 **Rémy Pierre, CFO**

3 Paul Boudre, CEO



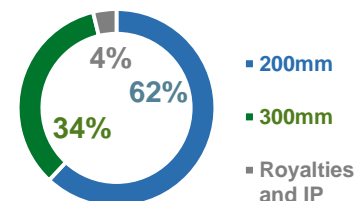
Q&A session

FY'18: revenue breakdown

In €m

	FY'17	Q1'18	Q2'18	Q3'18	Q4'18	FY'18	Change vs FY'17	
							%	% at constant FX
200mm wafer sales	182.5	46.5	47.4	49.4	49.1	192.4	+5%	+9%
300mm wafer sales	56.7	21.1	23.7	24.9	36.5	106.3	+88%	+95%
Royalties and IP revenues	6.6	1.9	2.2	1.7	6.1	11.9	+82%	+89%
Total sales	245.7	69.6	73.3	76.0	91.7	310.6	+26%	+31%

Sales breakdown



› 200mm wafer sales up 9% excl. currency impact

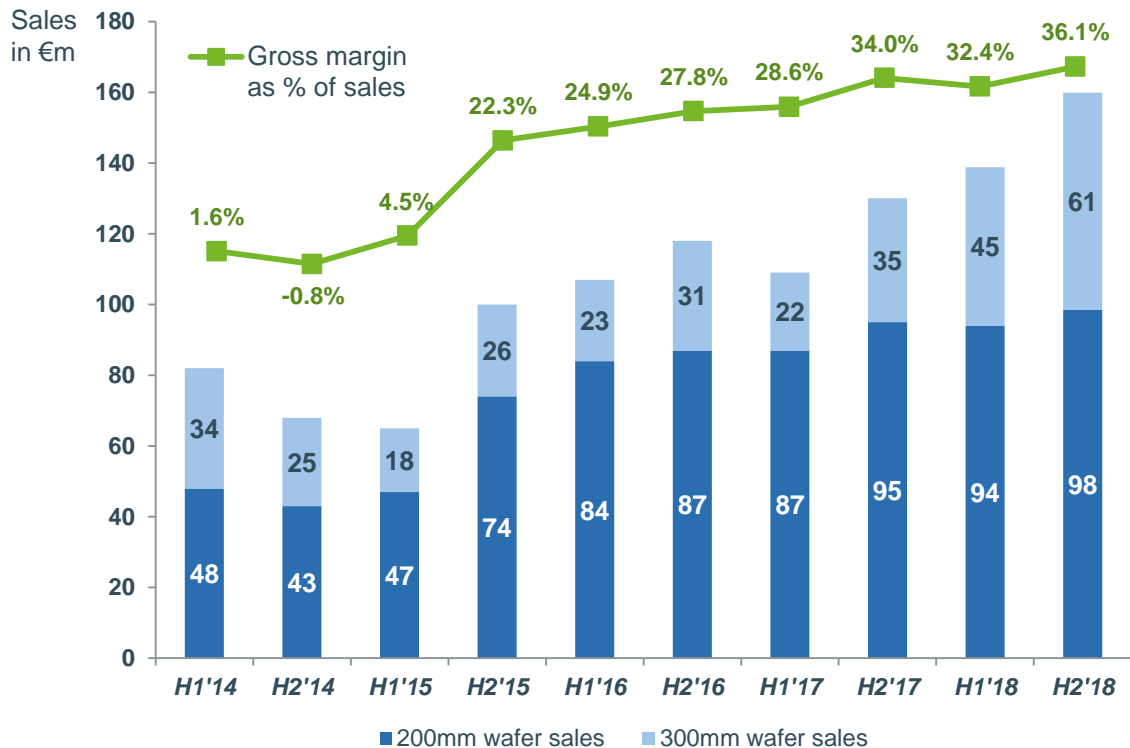
- Sustained demand for radio frequency and power electronics applications (mobile and automotive markets)
- Bernin I production site operating at full capacity ; additional volume coming from Simgui's facility

› 300mm wafer sales up 95% excl. currency impact

- Strong growth in sales of FD-SOI, Imager-SOI, Photonics-SOI and RF 300mm
- Stable PD-SOI sales

› Royalties and IP sales include €4.4m one-off revenues

Continuous improvement in gross margin



- > Steady revenue growth over the last quarters
- > 200mm: industrial productivity further improved in Bernin I
- > 300mm: utilization of Bernin II capacity increased to more than 50% in Q4'18 vs low point of 14% in Q2'17

Group consolidated P&L (1/2)

<i>In €m</i>	FY'18	FY'17	Change
Sales	310.6	245.7	+26%
Gross profit	106.9	77.4	+38%
<i>As a % of sales</i>	<i>34.4%</i>	<i>31.5%</i>	
Gross R&D expenses	(43.9)	(45.2)	-3%
Prototype sales and others	8.8	4.4	+100%
Subsidies and income tax credit	26.9	22.1	+22%
Net R&D expenses	(8.2)	(18.7)	-56%
<i>As a % of sales</i>	<i>2.6%</i>	<i>7.6%</i>	
Sales & Marketing expenses	(7.8)	(7.8)	-
General and administrative expenses	(23.5)	(23.2)	+1%
Total SG&A expenses	(31.2)	(31.0)	+1%
<i>As a % of sales</i>	<i>10.1%</i>	<i>12.6%</i>	
Current operating income	67.4	27.7	x2.4
<i>As a % of sales</i>	<i>21.7%</i>	<i>11.3%</i>	

1

Net R&D expenses sharply down as a result of:

- › Capitalization of some development project costs
- › Higher prototype sales
- › Higher subsidies and research tax credits as a result of a one-off R&D subsidy for €7.5m

Group consolidated P&L (2/2)

In €m

	FY'18	FY'17	
Current operating income	67.4	27.7	1 > Including impairment reversal related to Bernin II for €3.8m
Other operating income and expenses	1 4.1	(8.2)	2 > €(0.4)m interest and charges related to OCEANE 2018 vs €(6.6)m in FY'17 > A €4.6m non recurring financial income (early repayment of a guarantee deposit related to Touwsrivier) > Decrease in foreign exchange loss from €(2.6)m in FY'17 to €(0.8)m
Operating income	71.5	19.5	
Net financial income/(expense)	2 3.1	(11.6)	3 > Includes €25.4m related to the recognition of deferred tax asset over tax loss carry forwards
Income tax	3 17.5	(0.7)	4 > Relates to adjustment of provisions and value of solar assets
Net profit from continuing operations	92.1	7.2	
Net profit / (loss) from discontinued operations	4 (5.6)	1.1	
Net profit (Group share)	86.5	8.4	

Cash generation from operating activities

In €m

	FY'18			FY'17		
	Continuing operations	Discounted operations	Total	Continuing operations	Discounted operations	Total
Net profit	92.1	(5.6)	86.5	7.2	1.1	8.4
Depreciation and amortization	18.6	-	18.6	20.8	-	20.8
Other items	¹ (20.1)	2.9	(17.2)	12.9	(10.0)	2.9
EBITDA	90.6	(2.7)	87.9	41.0	(8.9)	32.1
R&D redeemable advance reversal to income	(4.8)	-	(4.8)	0.9	-	0.9
Change in working capital	² (45.8)	(2.2)	(48.0)	(2.7)	1.2	(1.5)
Net cash generated by / (used in) operating activities	40.0	(4.9)	35.1	39.3	(7.7)	31.6

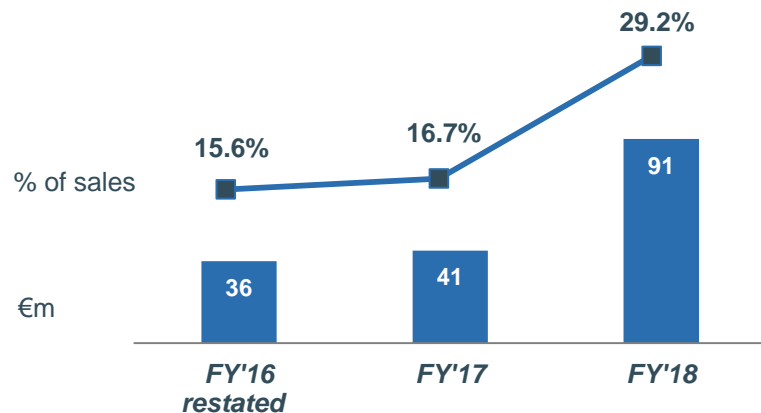
1

- › Including:
 - €3.8m impairment reversal related to Bernin II
 - €4.0m share-based payment expense
 - €25.4m related to the recognition of deferred tax asset over tax loss carry forwards

2

- › Increase in trade receivables due to high growth in sales
- › €5.7m of restructuring impacts

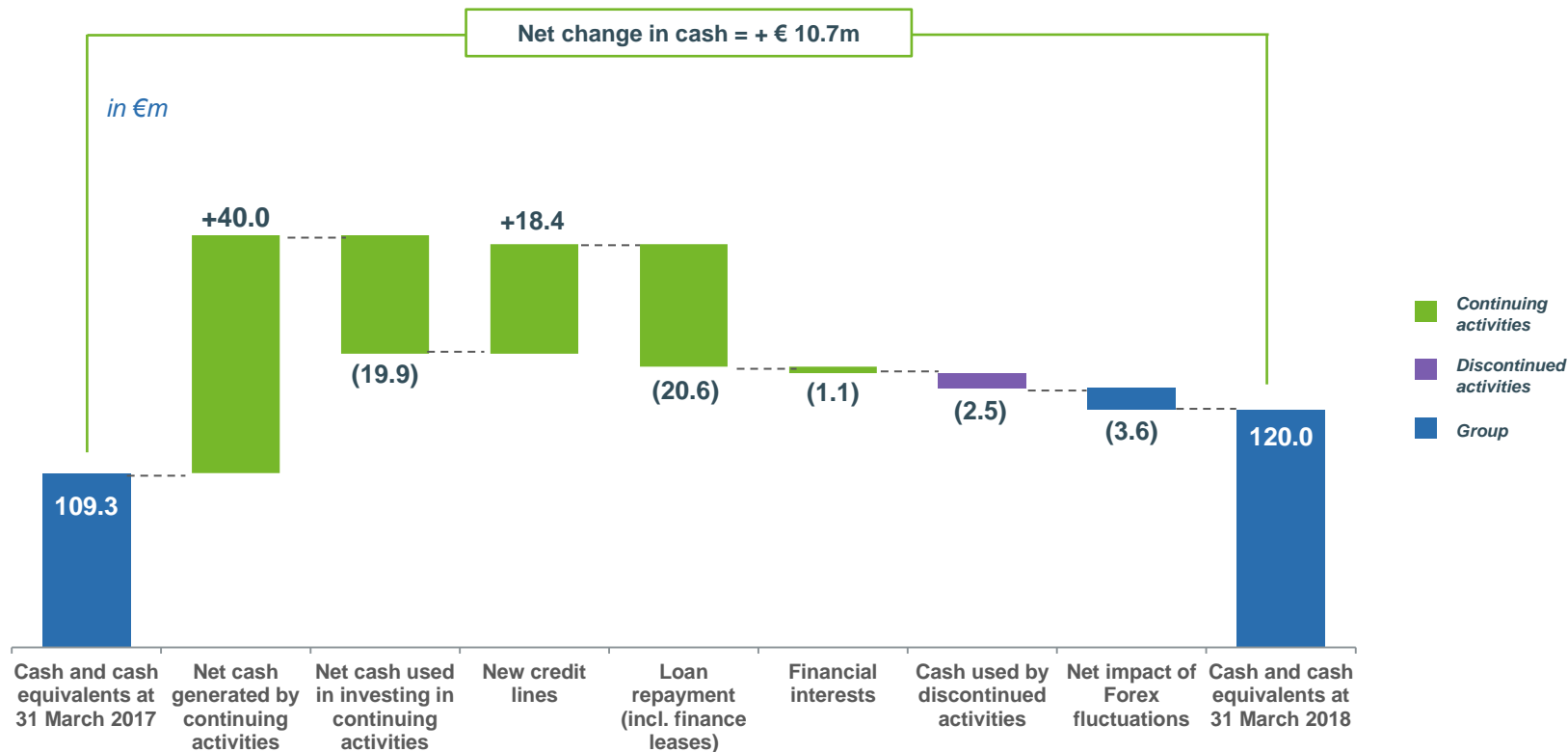
Significant increase in EBITDA of the continuing operations (Electronics)



FY'18 EBITDA includes:

- > €2.9m resulting from one-off royalties and IP revenue
- > €7.5m one-off R&D subsidy

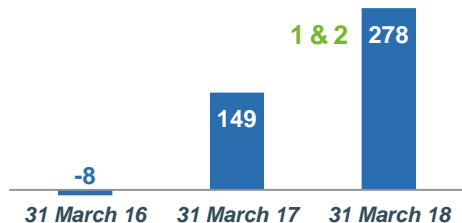
FY'18 strong cash generation



Further strengthening of the balance sheet during FY'18

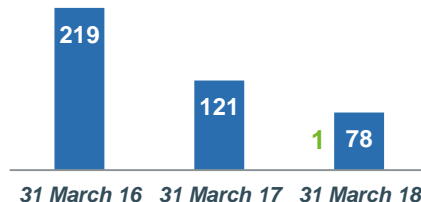
Shareholders' equity

€m



Gross debt

€m



1

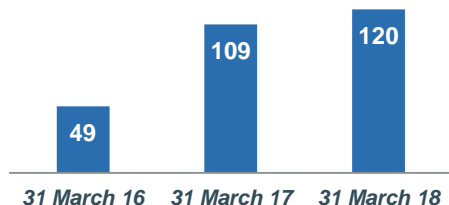
> Early conversion of 99% of the 2018 OCEANE in August 2017: equity reinforced by +€40.9m and debt reduced by nearly the same amount

2

> Increase in retained earnings: +€86.5m

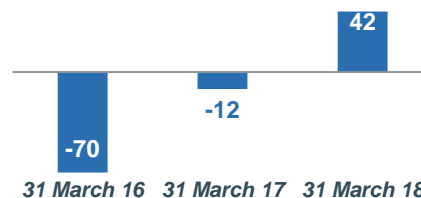
Cash and cash equivalent

€m



Net cash position

€m



Simplified consolidated balance sheet

In €m

	31 March 2018	31 March 2017
Intangible assets	8.2	4.0
Tangible assets and other non current assets	207.3	157.0
Total non-current assets	215.5	161.0
Current assets	120.3	90.3
Cash and cash equivalents	120.0	109.3
Total current assets	240.2	199.6
Assets held for sale and discontinued	24.0	29.1
Total assets	479.7	389.6

In €m

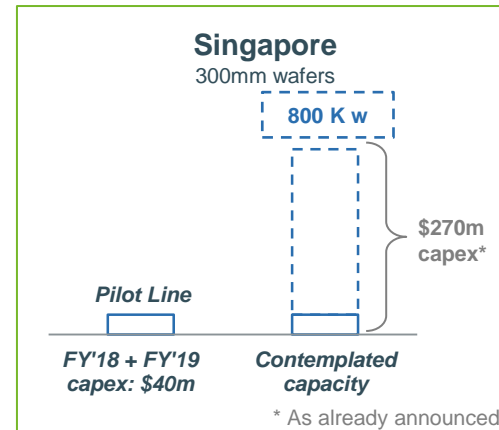
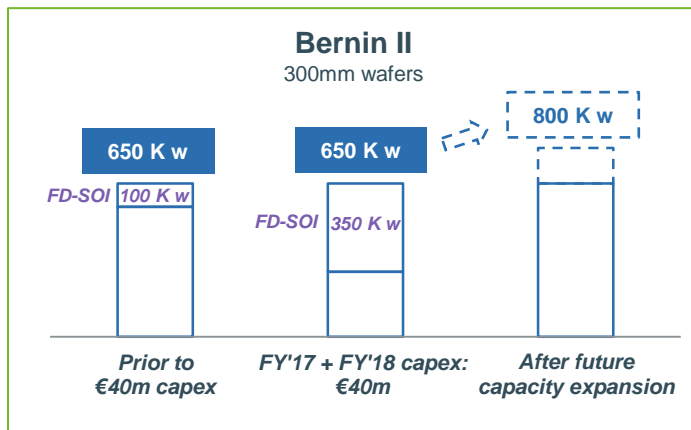
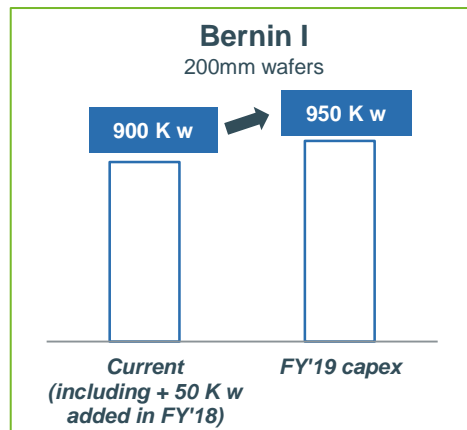
	31 March 2018	31 March 2017
Total equity	278.6	149.1
Long-term financial debt	59.6	104.7
Provisions and other non-current liabilities	11.4	15.2
Total non-current liabilities	71.1	119.8
Short-term financial debt	18.6	16.2
Current liabilities	99.2	90.7
Total current liabilities	117.8	106.9
Liabilities from discontinued operations	12.2	13.7
Total liabilities and equity	479.7	389.6

Investment projects related to industrial sites

› FY'19 capex planned at approx. €120m includes:

- › Bernin I: increase capacity by adding 50 K wafers
- › Bernin II: extend the existing building with a view to increase capacity by +150 K wafers in the future
- › Singapore: complete the pilot line and also add refresh and epitaxy activities

› Contemplated capacity extension of existing sites:





Agenda



Greetings



1 Paul Boudre, CEO



2 Rémy Pierre, CFO



3 **Paul Boudre, CEO**



Q&A session

Guidance for FY'19

Revenue growth

Above 35%
growth at constant
exchange rate

EBITDA margin

Around 27%

Capex

Approx. €120m



Q&A

Appendix



FY'18 net financial result

In €m

	FY'18	FY'17
Interest expense on OCEANE 2018	(0.4)	(4.7)
One-off charge related to the repurchase of OCEANE 2018	-	(2.2)
Interest expense on loans and credit lines	(0.4)	(0.8)
Interest expense on leasing	(0.5)	(1.1)
Change in valuation of financial assets (non recurring)	5.2	0.6
Other financial income / (expense)	-	(0.8)
Net financial income / (charges)	3.9	(9.1)
Net foreign exchange result	(0.8)	(2.5)
Net financial result	3.1	(11.6)

Net profit from discontinued operations

Directly reported at the bottom of consolidated P&L

<i>In €m</i>	FY'18	FY'17
Sales	1.2	0.8
Expenses	(1.8)	(0.6)
Current operating income/(loss)	(0.6)	0.2
Other operating income and expenses	(1.8)	(5.0)
Operating income/(loss)	(2.4)	(4.8)
Net financial income/(expense)	(2.7)	6.8
Income tax	(0.4)	(0.9)
Loss from equity affiliates	-	-
Net profit / (loss) from discontinued operations	(5.6)	1.1

Thank you

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