Sense the power of light

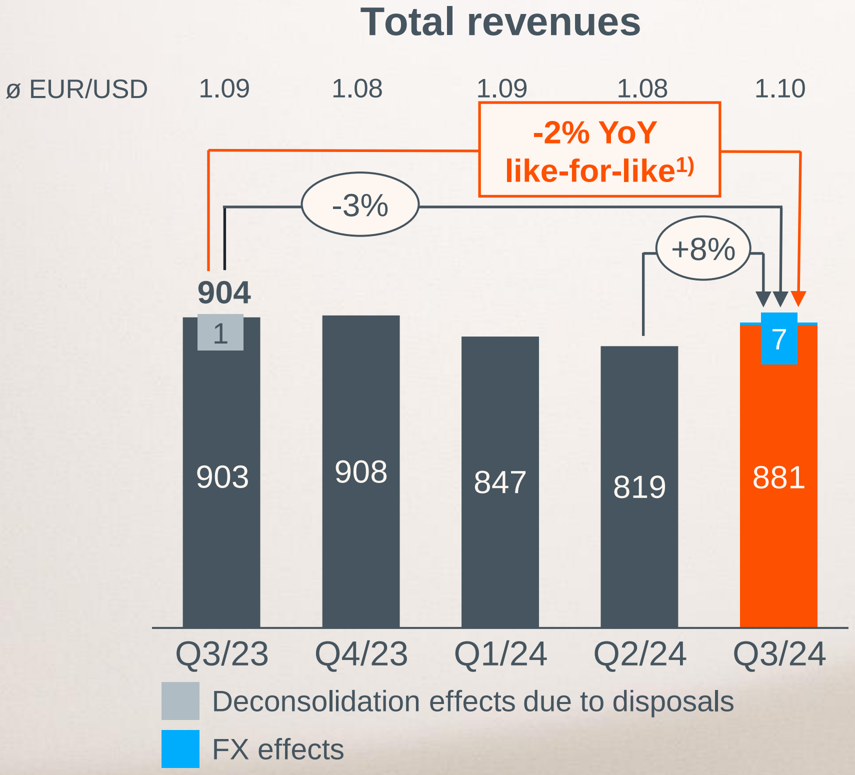
Third Quarter 2024 Results Earnings Call

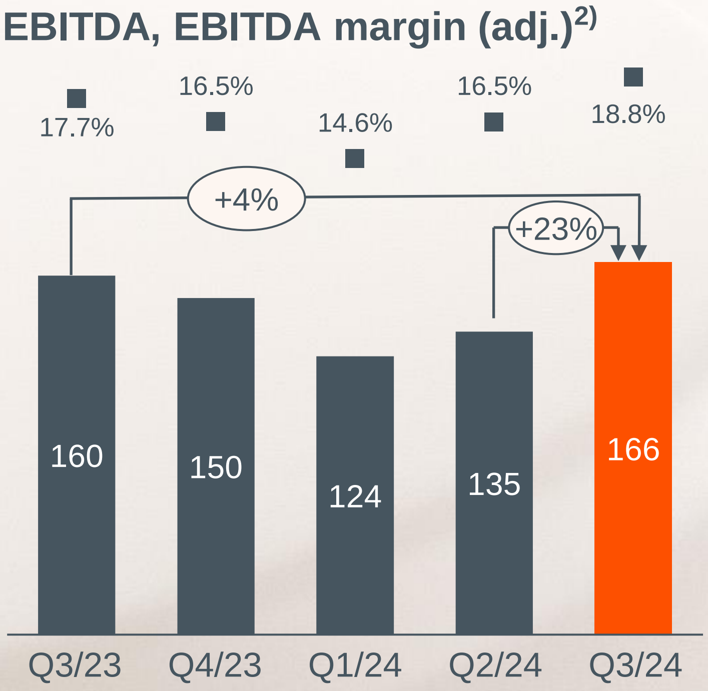
Aldo Kamper, CEO
Rainer Irle, CFO
Dr Juergen Rebel, SVP Investor Relations

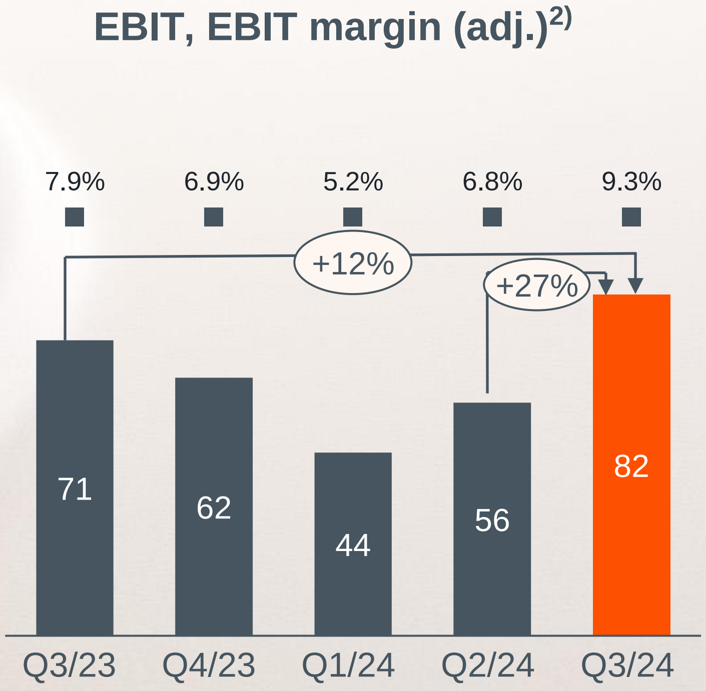
07 November 2024

Q3/24: solid revenues in a difficult market

All figures in EURm / % of revenues







- Revenue at mid-point of guided range of EUR 830m to 930m
- YoY: -2% like-for-like growth (constant currencies, same portfolio)

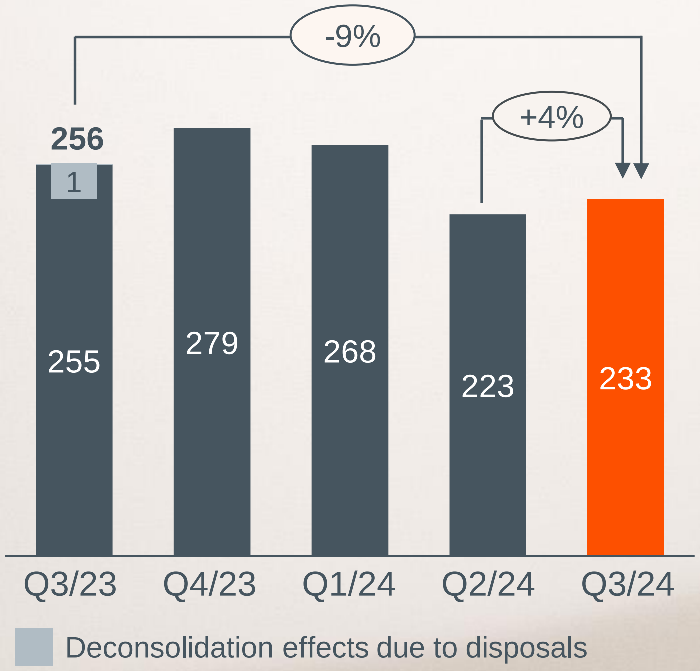
- QoQ: adj. EBITDA margin above mid-point of the guided range, supported by NRE payments
- YoY: adj. EBITDA7EBIT improvement due to NRE payments and higher loading

1) Based on like-for-like portfolio comparison 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

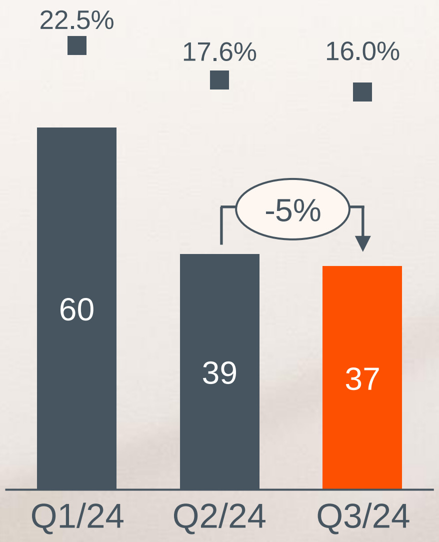
Lamps & Systems: aftermarket off-season in Q3, continued weakness in industrial

All figures in EURm / % of revenues

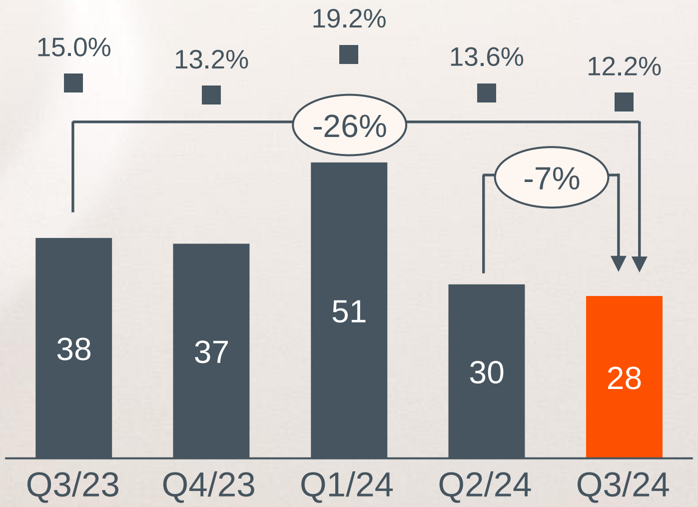
Total revenues



EBITDA, EBITDA margin (adj.)[1)]



EBIT, EBIT margin (adj.)[1)]



- QoQ slight increase due to first signs of seasonal aftermarket uplift in September
- YoY decline mainly due to discontinued OEM module business and softer traditional lamps business (e.g. OEM and specialty)

- QoQ: adj. EBIT/EBITDA decline due to seasonal increase of marcom spend during 'lighting season' and positive one-off effect in Q2/24
- YoY: adj. EBIT/EBITDA reduced mainly due to lower volume and higher selling expenses (e.g. marcom)

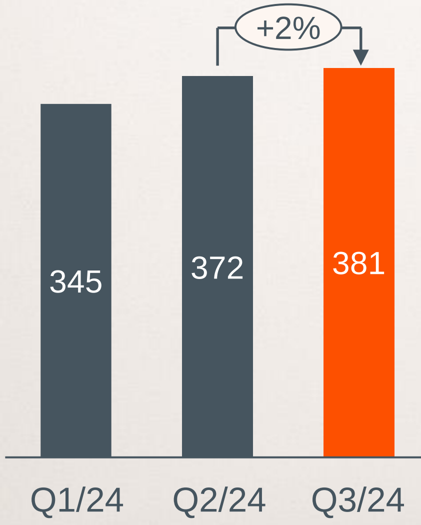
[1)] Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses

Semis: new product ramps and savings program drive improved performance

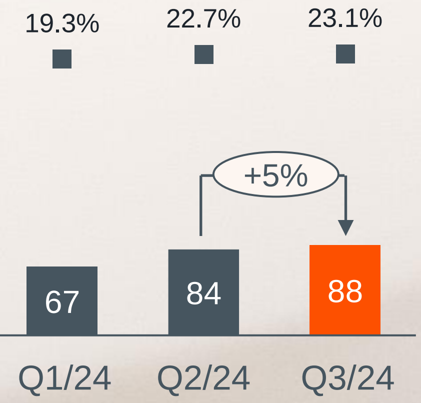
All figures in EURm / % of revenues

Opto Semiconductors (OS) segment

Revenues

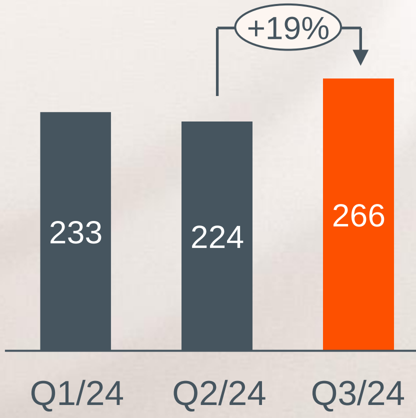


EBITDA (adj.)[1]

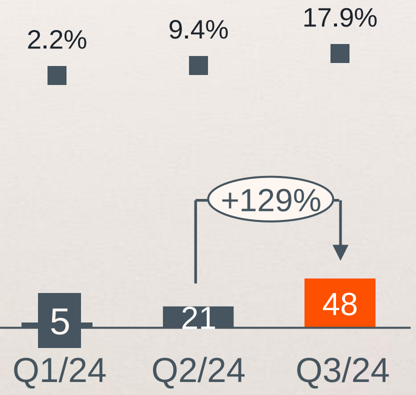


CMOS Sensors and ASICs (CSA) segment

Revenues



EBITDA (adj.)[1]



Revenues:

- Horticulture, NREs for technology developments and solid revenues for professional ligthing drove revenue increase.

EBITDA:

- QoQ increase due higher revenues, supported by NRE payments

Revenues:

- QoQ increase due to ramp of new products and solid broad sensor business

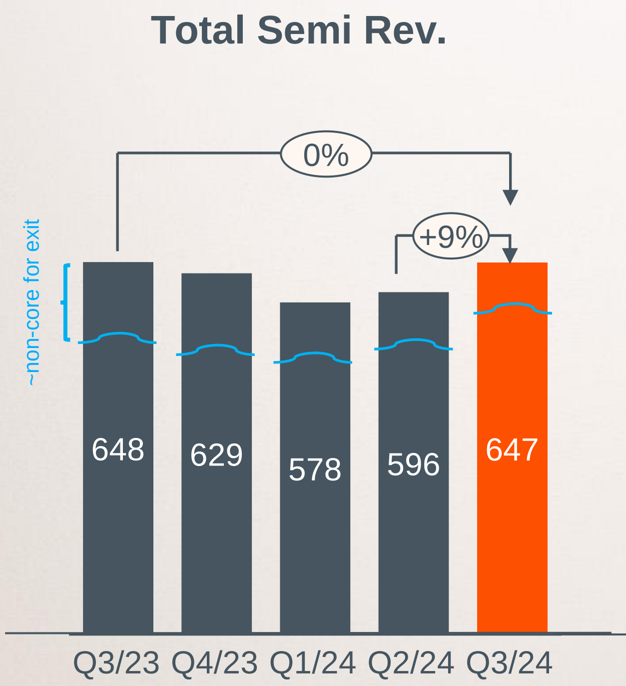
EBITDA:

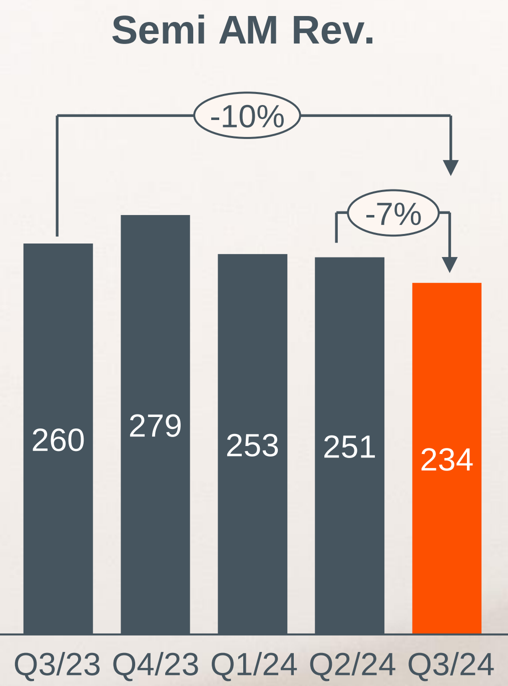
- Strong QoQ increase due to higher revenues, higher factory loading and 'Re-establish-the-Base' savings

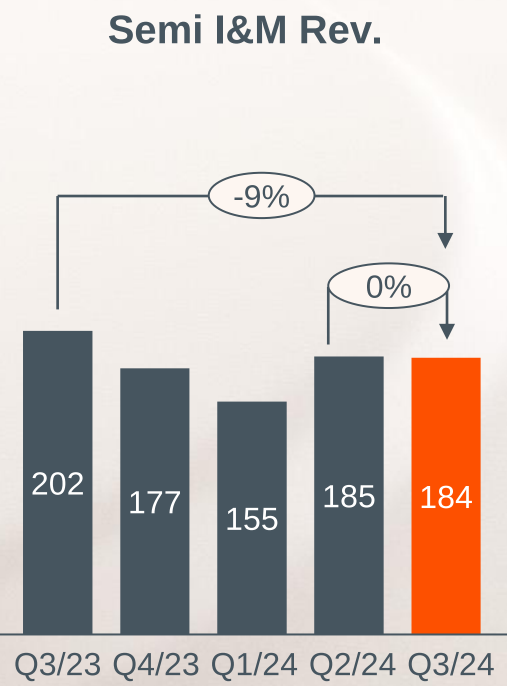
[1] Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses

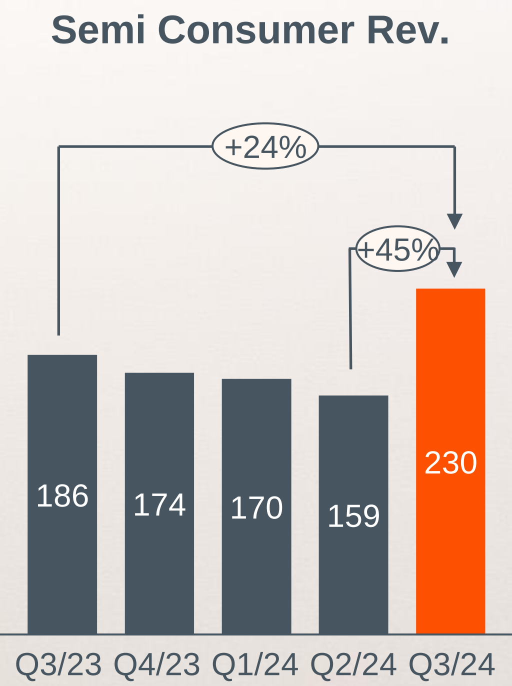
Semis: structural growth in consumer compensates cyclical weakness in automotive and I&M

Semiconductors, figures in EURm









Total

- QoQ increase driven by ramp of new products in consumer applications, seasonal peak of horticulture and solid professional lighting revs.
- YoY flat as structural growth in consumer applications compensates cyclically weak automotive and industrial business

Automotive

- QoQ down in line with market
- YoY down in line with market cyclicality

I&M

- QoQ flat with seasonal peak of horticulture and solid professional lighting leveled by weakness in other end applications and mass market
- YoY reduction due to persistent inventory correction in capital goods market, medical equipment and overall market weakness

Consumer

- QoQ & YoY: strong increase due to ramp of new products and solid overall consumer handheld and wearables sales

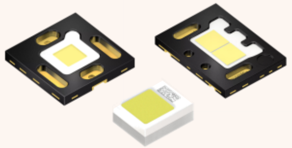
I&M denotes Industrial & Medical

Q3/24 design-win momentum continues

Design-wins stand at EUR 3.5bn (life-time-value) year-to-date

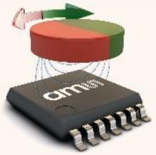
Automotive:
Classic FWL

>150m€ LTV[1] design wins



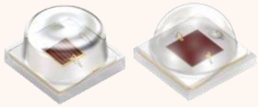
Automotive/Medical:
Temp & Position Sensors

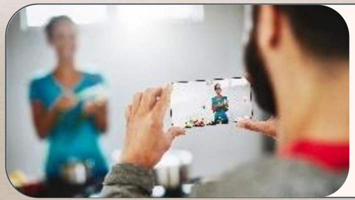
>50m€ LTV[1] design wins



Industrial:
Professional lighting

>75m€ LTV[1] design wins





Consumer:
ALS/PROX sensing

>50m€ LTV[1] design wins

1) cumulated, estimated project life-time values

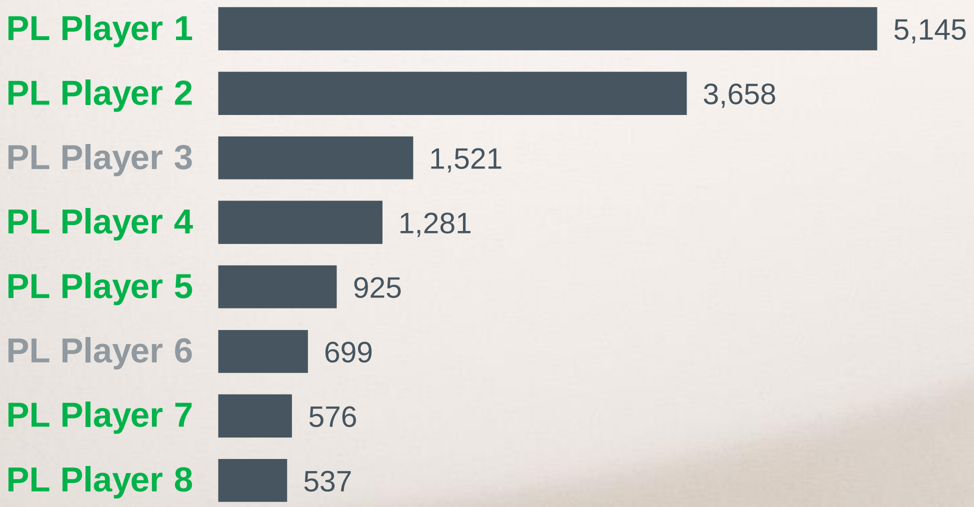
Professional lighting – best light performance tailored to the application

ams OSRAM works with most the top players with focus on Professional Lighting

6 out of the 8 top professional lighting (PL) players trust ams OSRAM

Estimated sales of lighting fixtures (2022)[1)]

USDm



Outdoor

Indoor

Customers value of ams OSRAM products

- High efficacy focused on lm/W
- Reliability and extreme long lifetime
- High light quality for high end luminaire design

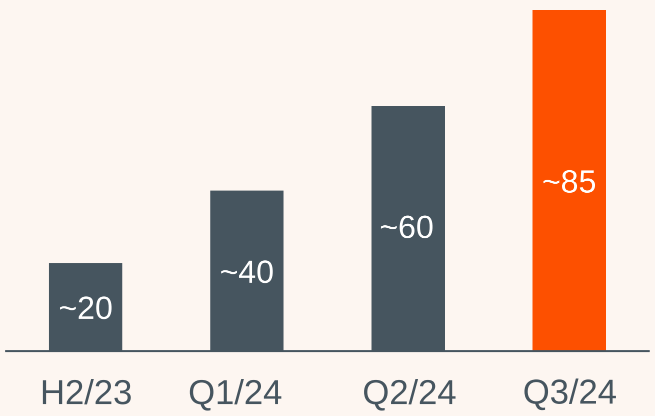
1) Source: CSIL Lighting World Market Outlook November 2022

Re-establish-the-Base implementation ahead of schedule

Cost savings reached End-of-FY24 implementation target of EUR ~75m already in Q3/24

Realized savings to date

in EURm



Note:
No 100% fall-through to bottom line (2023 reference) due to price decline & general cost increases (inflation, factor price changes, etc..)

Set-up & Infrastructure

- BU end-to-end responsibility established
- Structural adjustments implemented to a significant extent

Portfolio

- Passive Optical Components & CMOS IS addressed
- Remaining non-core portfolio EOL

Monetizing Innovation

- Ramping advanced ALS and automotive lighting products
- Innovation funnel strengthened

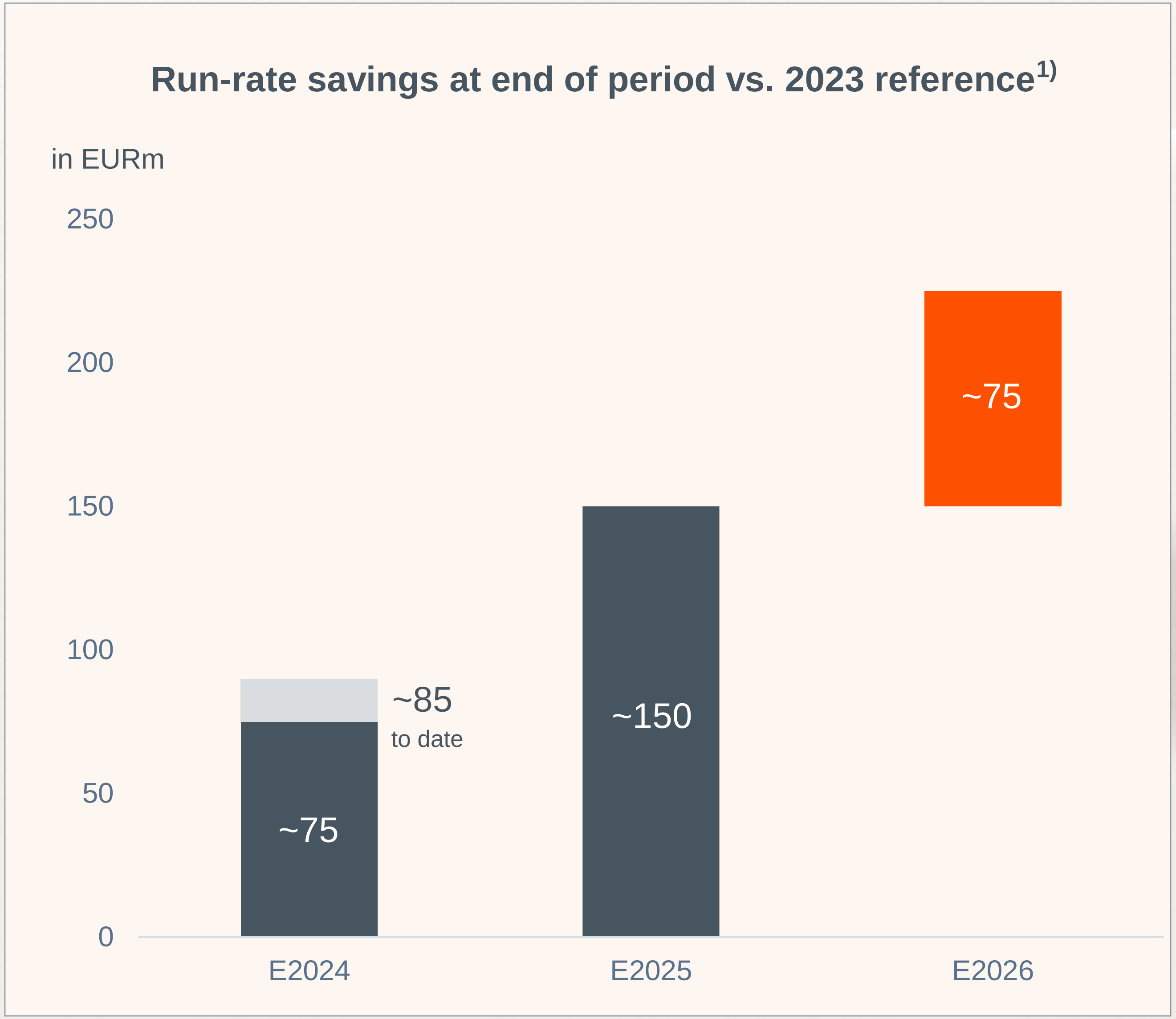
Refinancing

- Issuance of new HYBs in Oct 2023
- Rights Issue Dec 2023
- Extension of EUR HYB in Sep 2024

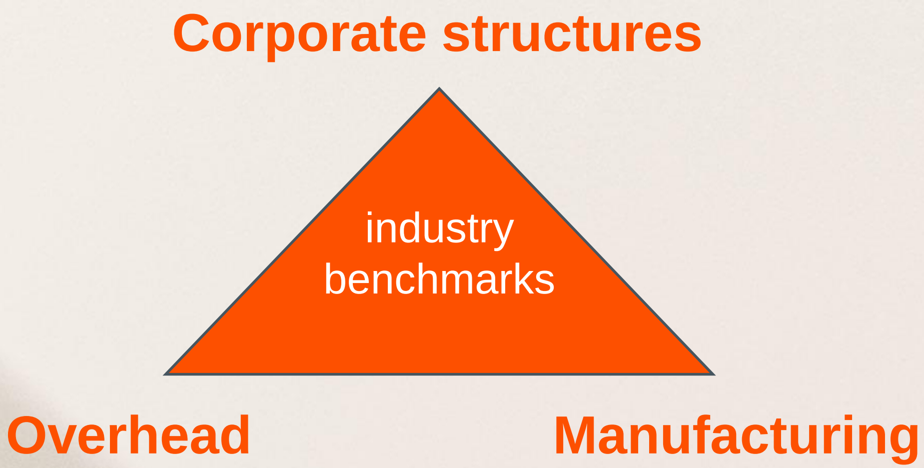
Monetizing Innovation

Upsizing Re-establish-the-Base efficiency program by EUR 75m

Safeguarding profitability in view of market uncertainty and working towards industry benchmark structures



- **Further efficiency & savings measures initiated to be effective by End-of-2026[2)]**
- **In total, approx. EUR 225m of run-rate savings targeted by End-of-2026**



Notes:

1) No 100% fall-through to bottom line (2023 reference) due to price decline & general cost increases (inflation, factor price changes, ...)
2) Upsizing of RtB causes one-time transformation cost estimated at approx. EUR 40m on top of the approx. EUR 50m for the initial program, i.e. approx. EUR 90m in total.

Q3/24 µLED: cost reduction on track, one-offs lower

R&D revision progressing

A. Previous microLED development:

- R&D re-assigned to core automotive and other LED development
- R&D re-assigned to NRE funded technology development
- R&D & factory personnel reduced

B. 8" Kulim factory:

- Process of finding 3rd party for taking over the 8” factory / SLB is continuing in a difficult environment

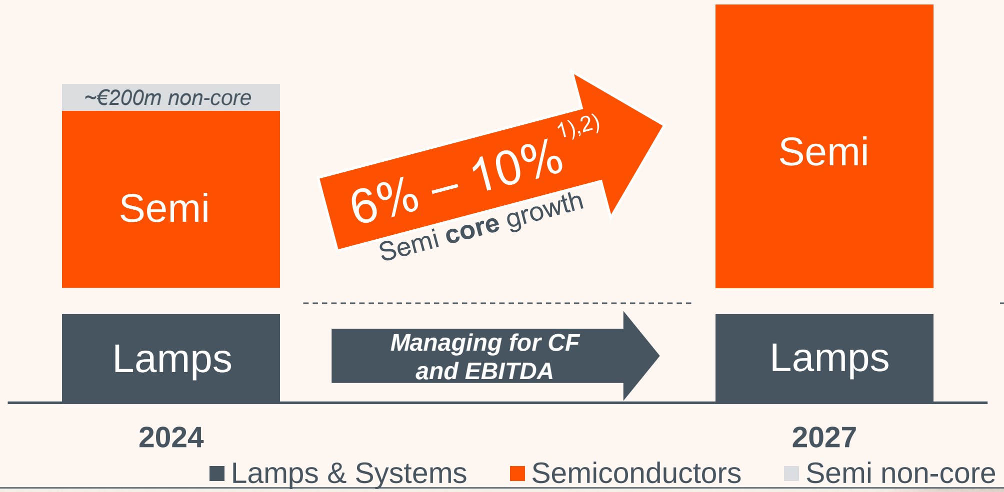
C. Transformation cost estimate:

- Lower than initially estimated due to lower equipment cancellation fees and less severance payments
- Q1/24: impairment of EUR 513m
- Ytd transformation cost (cash & non-cash): EUR 92m (compared to EUR 119m in Q1/24)
- Estimate for full year: max. up to EUR 660 m (down from estimate of EUR 700m in Q1/24)

Target model: Semiconductor business to grow 6% to 10% through cycle until 2027

Evolution of target operating model to focus on semi growth and reflect current market environment and semi-cycle

Growth model

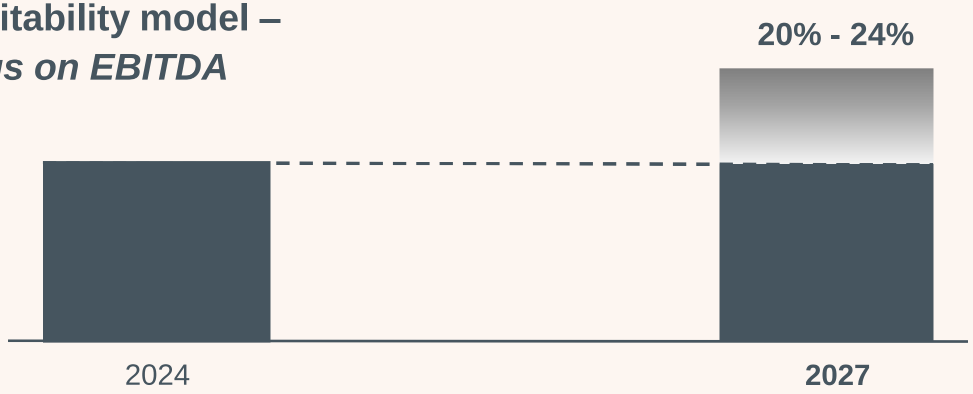


Key semi growth elements

1. Automotive (largest)
2. Mobile light sensors
3. Industrial & medical

~ slightly down or flat

Profitability model – *focus on EBITDA*



3 elements for EBITDA target:

1. Re-stablish-the-Base program (**EUR 225m** savings by **E-26**)
2. Ramp of new design-wins
3. Cycle / market recovery

Over-the-cycle targets

Semiconductor - Revenues
6% - 10% CAGR[1)]

Group adj. EBITDA Margin
20% to 24%

CAPEX
~8% of Sales[3)]

Free Cash Flow [4)]
Positive by 2025

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

Notes:
1) Driven from new base following disposal/exit 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 8%
4) Free Cash Flow = Operating Cash Flow (incl. net interest paid) less cash flow from CAPEX plus proceeds from divestments

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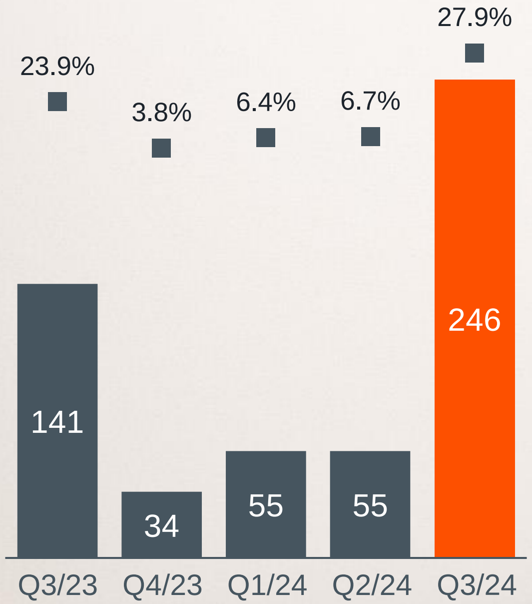
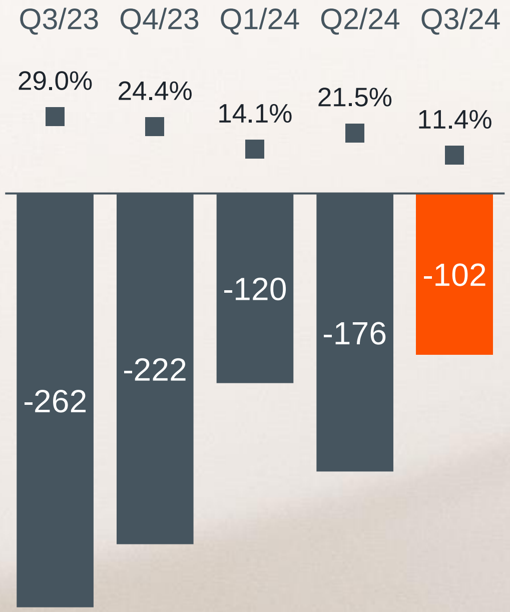
Strong OCF with customer prepayment, NREs and working capital further up

All figures in EURm / % of revenues

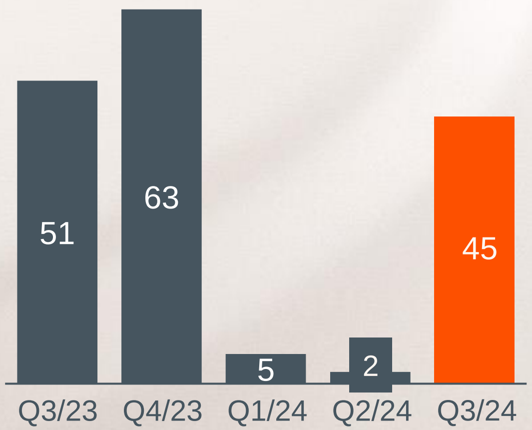
Operating Cash Flow (OCF)
(including net interest paid)



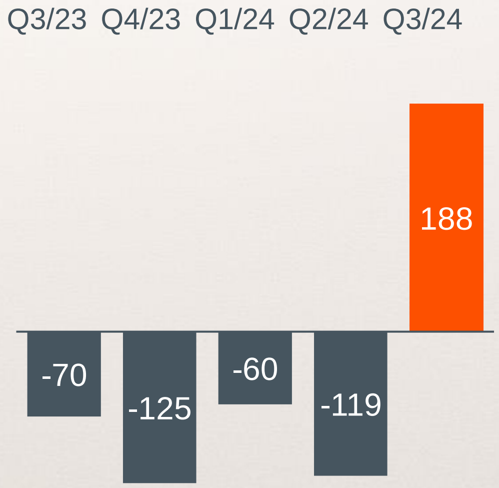
Cash Flow related to Capex



Inflow from Divestments



Free Cash Flow (FCF)[1)]
incl. divestments, **incl.** net interest paid



- **Operating CF:** significantly improved due to strong EBITDA, prepayment, NREs (note: OP CF includes EUR 64m net interest paid in Q3)
- **CAPEX:** still some overhang from µLED equipment that could not be cancelled

[1)] **Free Cashflow (FCF) defined as Operating CF (incl. net interest paid) – Capex + proceeds from divestments**

Strong available liquidity and balanced maturity profile with diversified funding mix

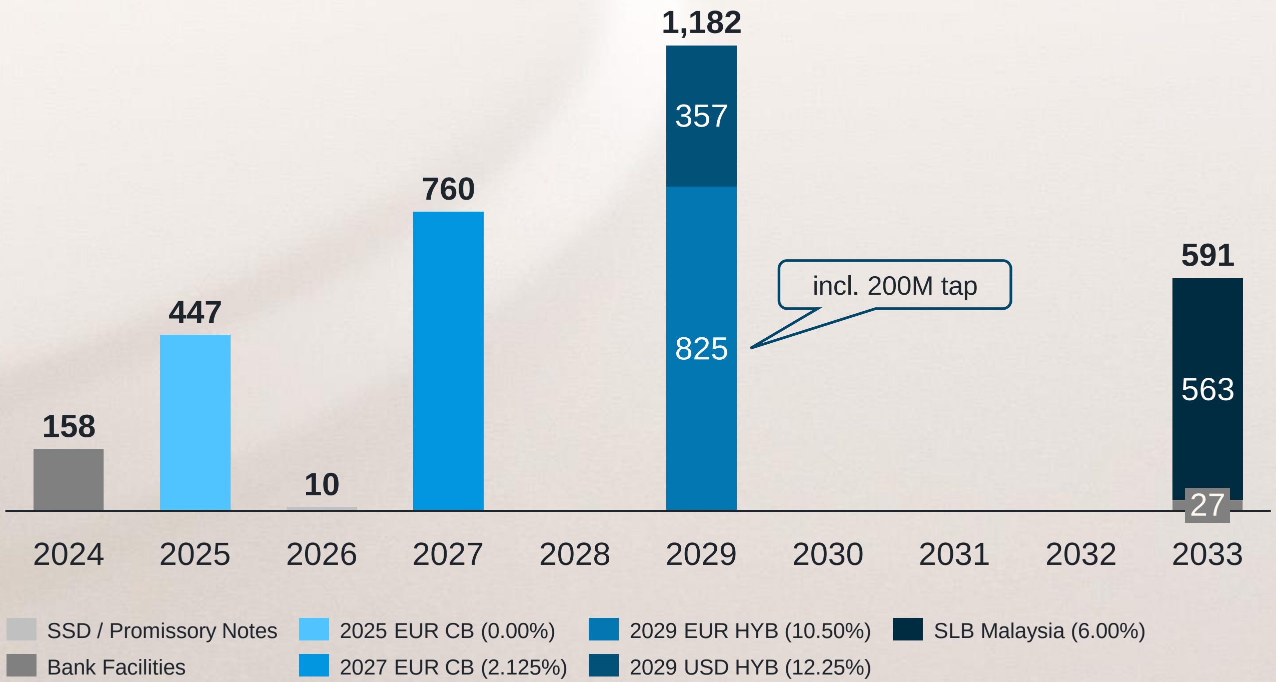
Current capitalization

EURm, IFRS values as of September 2024

IFRS book values	September 2024
	EURm
Cash	(1,097)
Other Financial Debt [1), 2)]	195
2025 EUR Convertible Bond (0.00%) [1)]	443
2027 EUR Convertible Bond (2.125%) [1)]	686
2029 EUR Senior Unsecured Note (10.50%) [1)]	818
2029 USD Senior Unsecured Note (12.25%) [1)]	354
SLB Malaysia transaction [1)]	441
Total debt	**2,937**
Total net debt	**1,840**
Outstanding OSRAM Licht AG – Put Options	604
Available Liquidity [3)]	**1,869**

Current debt maturity profile

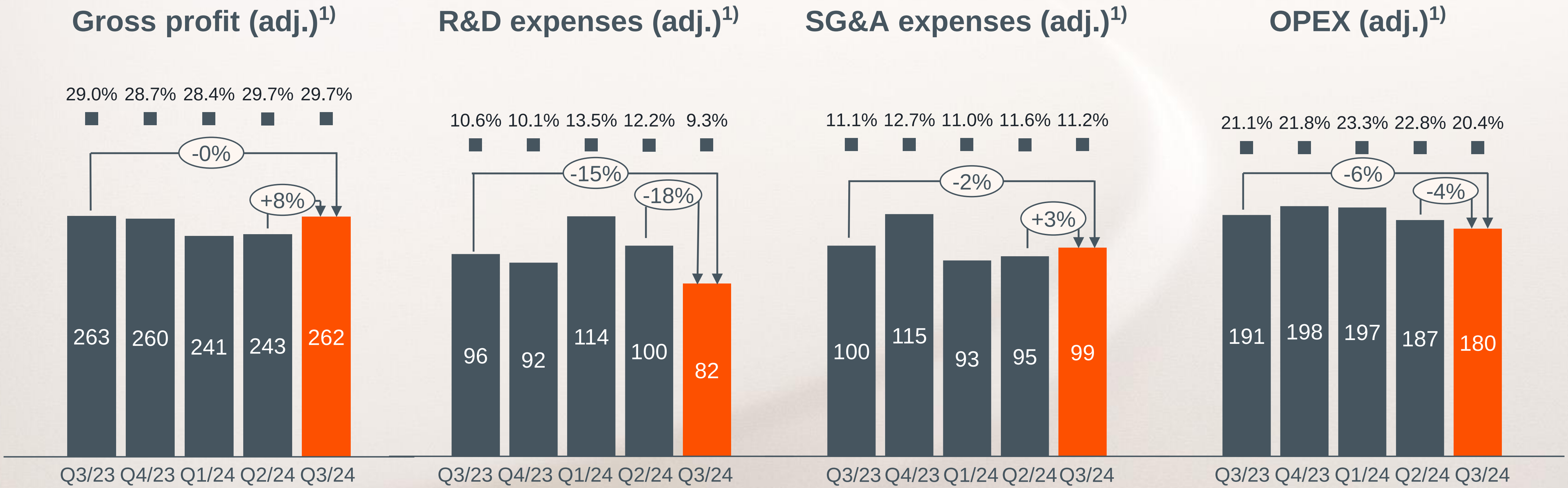
EURm, repayment amounts as of September 2024



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 September 2024): EUR 443m. For 2027CB - Nominal Amount: EUR 760m / Book Value under Debt (IFRS per September 2024): EUR 686m
2) Includes R&D loans, Bank Facilities and Promissory Notes
3) Includes cash, RCF, bilateral bank facilities

Group: adj. R&D significantly reduced due to NRE payments in OS segment

All figures in EURm / % of revenues



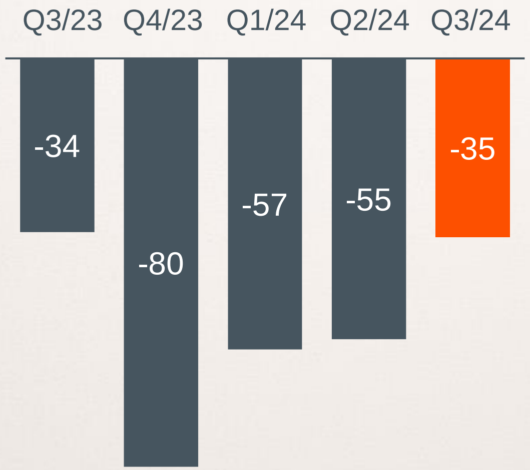
- Adj. gross profit: QoQ increase in line with improved loading in CSA, ‘Re-establish-the-Base’ savings, NRE contribution
- Adj. R&D expenses: temporary drop due to NRE payments and funding catch-up
- Adj. SG&A expenses: quarterly increase due to ’lighting season’ marcom expenses in L&S segment

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

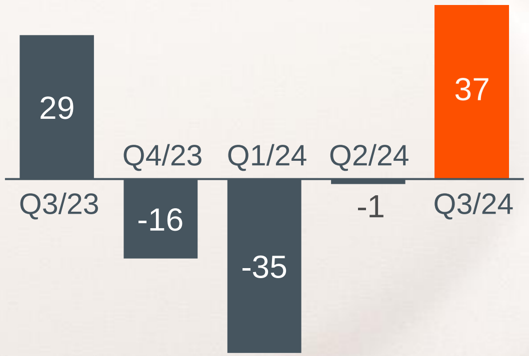
Adj. net result / adj. EPS improving quarter over quarter with help of one-offs

All figures in EURm / EUR per share

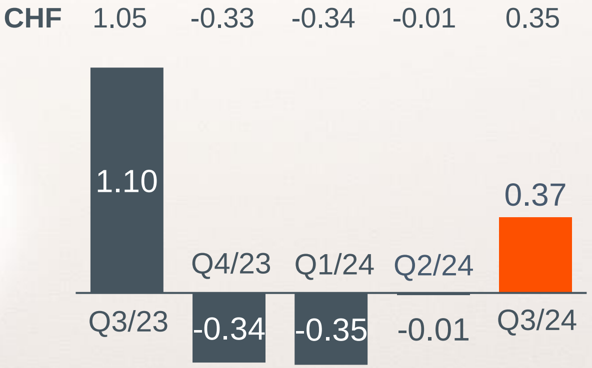
Net financing result



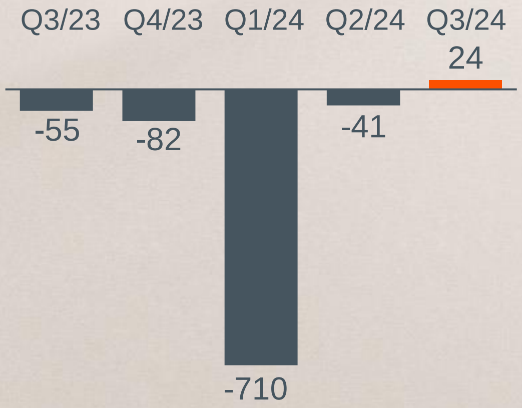
Net results (adj.)1)



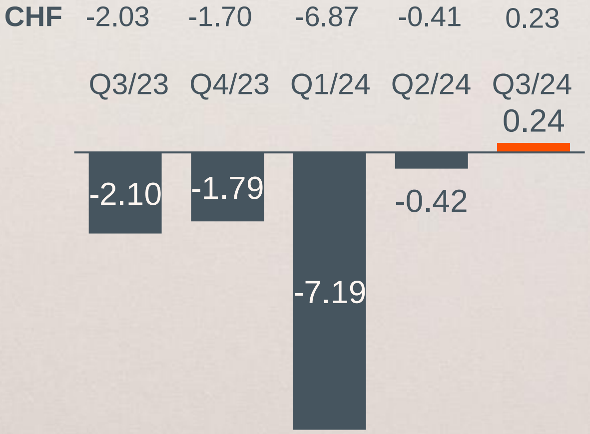
EPS diluted (adj.)1) 2)



Net results IFRS



EPS diluted IFRS 2)



- Net financing driven by net interest expenses (interest expenses plus interest received) and an option valuation gain
- Weighted average number of shares outstanding during Q3/24: 98,924,792 considering the reverse split registered 24 September 2024 with new shares trading on 30 September 2024

[1] Excluding M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses
[2] earnings per share for the comparative periods were adjusted following the reverse share split on 30 September 2024

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Business outlook

Q4 2024 Guidance	FY 2024 comments	FY 2025 comments

Q4 2024 Guidance

- Revenue EUR 810m – 910m
- Adj. EBITDA 15% - 18%
- Based on assumption EUR/USD 1.10

FY 2024 comments

- CAPEX expected to land between EUR 500m to 550m
- FY24 FCF - excluding net interest payments - positive

FY 2025 comments

- In Q1/FY25, weak revenues expected
- Full FY25, revenues in line with evolved target operating model, i.e. **core** semiconductor portfolio to grow between 6% to 10%
- **FCF - including net interest payments - positive**

Summary Q3

Summary

Operational update:

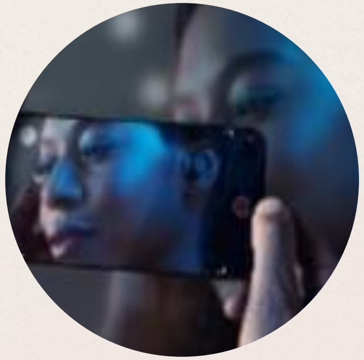
- Solid Q3 revenue and profitability supported by NRE payments
- Semis: consumer segment compensated automotive & industrial weakness
- Semis – core portfolio: estimated mid-single-digit yoy growth
- Semis: continued design-win momentum, EUR 3.5bn ytd
- Strong, positive FCF of EUR 188m supported by customer prepayment, NREs
- Strong cash position with EUR >1bn

Strategic update

- RtB[1)] : EUR ~85m run-rate savings realized to date – ahead of E/24 target
- RtB[1)]: upsizing by EUR ~75m run-rate savings, in total EUR ~225m by E/26
- microLED: adjustment of R&D nearing completion; finding new tenant or other use of Kulim-2 will take more time given the semi-cycle
- Focusing mid-term Target Operating Model on core semi business & adj. EBITDA

Outlook Q4/24:

- Revenues of EUR 810m to 910m and 15% to 18% adj. EBITDA



[1)] RtB: ‘Re-Establish-the-Base‘ strategic efficiency program, launched July 2023

Q&A

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Rainer Irle

CFO

Dr. Jürgen Rebel

Head of IR

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