

Sensing is life

amul OSRAM

Presentation for Q2 / 2023 Earnings Call

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28 July 2023

Focus on profitability and on monetizing innovation, benefitting from structural growth and our strong position in our key markets

Strategy & business outlook reassessed by new management team

Key challenges of previous business model

- Strong focus on disruptive, custom technologies for high volume opportunities in the Consumer device arena is risky when it comes to industrialization, execution and market adoption
- ‘Home-made’ execution issues, partly due to unclear ownership in current matrix organization
- Uptake of new markets or adoption of new, disruptive technologies have not always happened as quickly as planned
- De-prioritization of some structural growth opportunities in sticky core markets such as Automotive, Industrial and Medical
- High sensitivity to macro-economic shocks such as pandemic and geopolitical crises

Adjusted business model

- Focus semiconductor portfolio on differentiated, intelligent sensors and emitter components
- Expand leading positions in relevant Automotive, Industrial, Medical markets with strengthened investments into structural growth opportunities
- Exit non-core semiconductor businesses with revenue run-rate of EUR 300 – 400 million
- Continue to pursue specific opportunities in Consumer markets where we sustainably differentiate
- Invest selectively in disruptive innovation such as microLED technology
- ‘Re-establish the Base’ program adjusting semiconductor portfolio, company over-head, infrastructure and organization to new adjusted business model
- Streamline organizational set-up within Semiconductor segment by going from 3 to 2 Business Units with full end-to-end ownership & responsibility
- Portfolio streamlining and efficiency measures target savings of EUR 150 million by end-of-2025 and improving Cash Flow of the Group

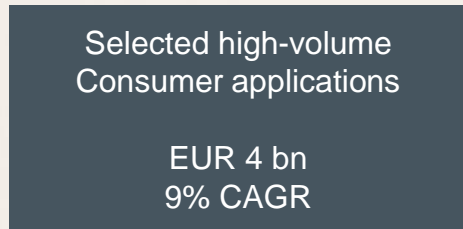
Laying the foundation for 6 – 10% revenue CAGR from new base and ~15% adj. EBIT by 2026

Benefitting from structural growth and our strong position in Automotive, Industrial, Medical markets

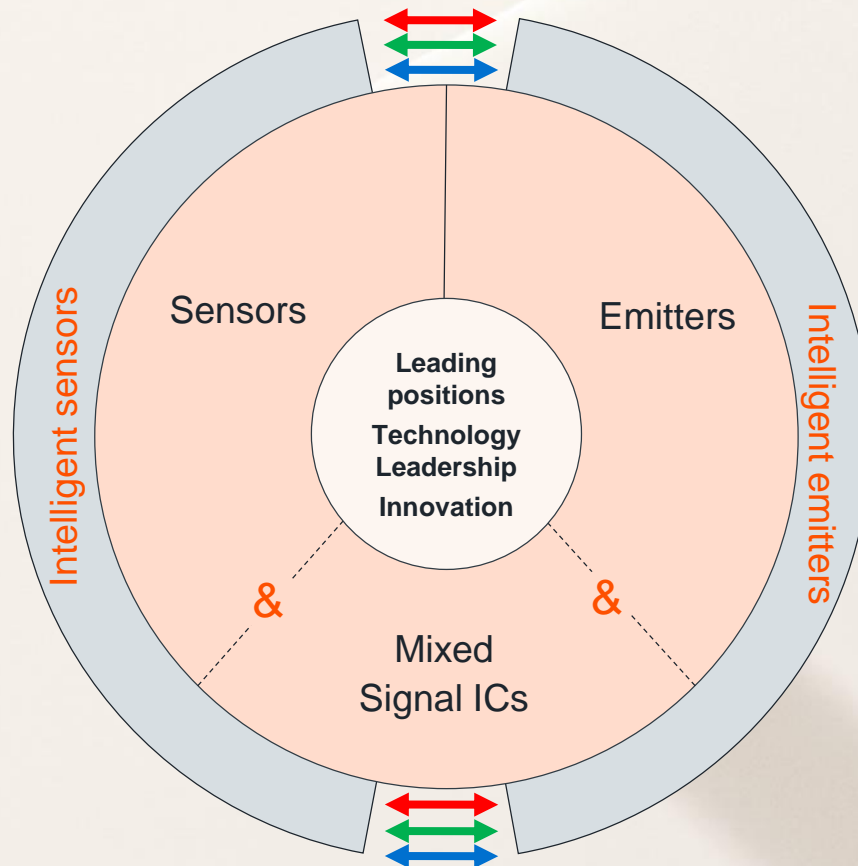
Growing from the core of sensor & emitter components by increasingly adding intelligence to drive system performance

Semiconductor Addressable Markets*

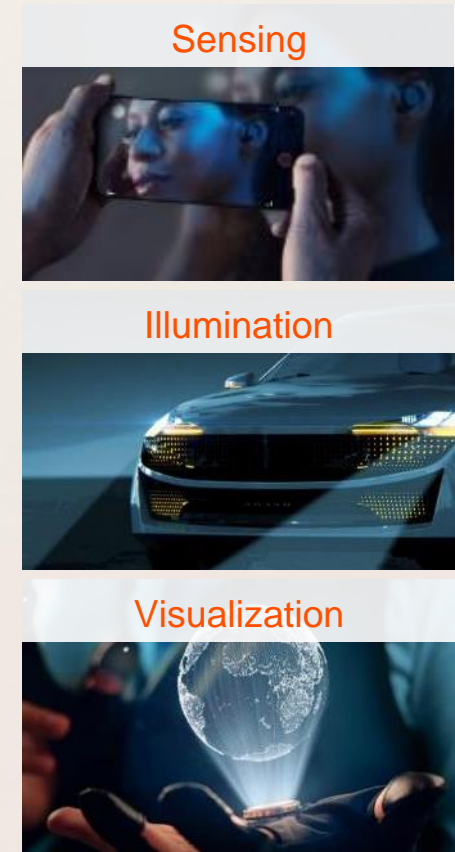
- application view -
2022 / CAGR**



Core Semiconductor Portfolio



Functional Applications



ams OSRAM holds leading positions in its core Semiconductor & Lamps markets

Leverage strong positions with focused core portfolio and commitment to Automotive, Industrial, Medical markets

#2 in LED

LED Suppliers by 2022 market share
(Total market USD ~12bn; TrendForce)

1.	Nichia	15%
2.	ams OSRAM	13%
3.	Seoul Semiconductors	7%
4.	Samsung LED	7%
5.	Lumileds	6%



#2 in Light Sensors

Light Sensor Suppliers by 2021 market share
(Total market USD ~1.3bn; OMDIA)

1.	STMicroelectronics	30%
2.	ams OSRAM	25%
3.	Maxim	8%
4.	Sensortek (Sitronix)	8%
5.	Lite-On	4%



#1 in traditional Auto lamps/bulbs

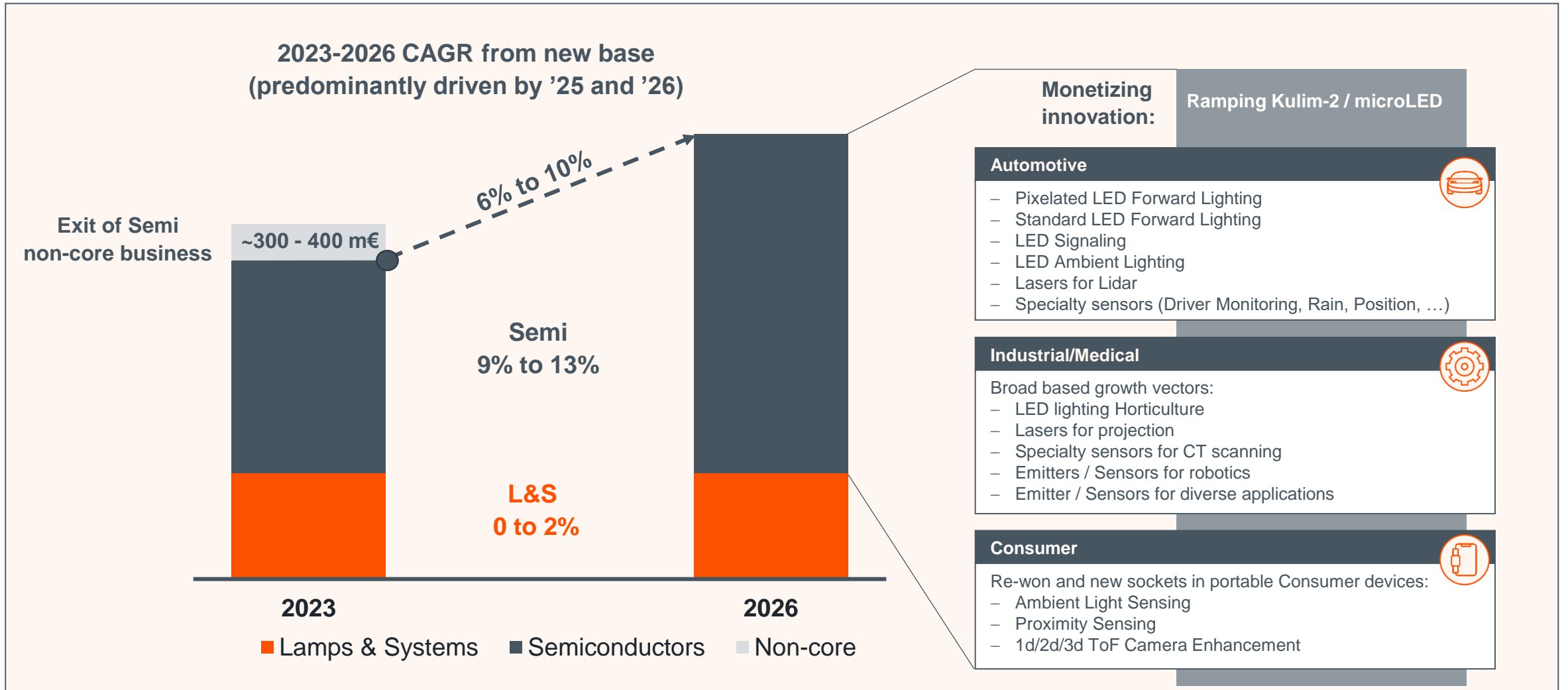
Bulb Suppliers by 2022 market shares
(Total market USD ~1.5bn; own market model due to lack of external research)

- 1. ams OSRAM
- 2. Lumileds
- 3. Others (incl. Asian suppliers)



Semiconductors core portfolio in Automotive, Industrial, Medical drives significant future growth

Strong design win base enables meaningful growth from new core portfolio in Semiconductors



Re-establish the Base program

Focusing on our core as the new base for sustainable, profitable growth



Portfolio

Exit non-core semiconductor portfolio of ~300 to 400 m€ run-rate



Set-up & Infrastructure

Adjusting the organization and the infrastructure to the new base



Monetizing Innovation

Streamlining the organization for stronger accountability with end-to-end responsibility

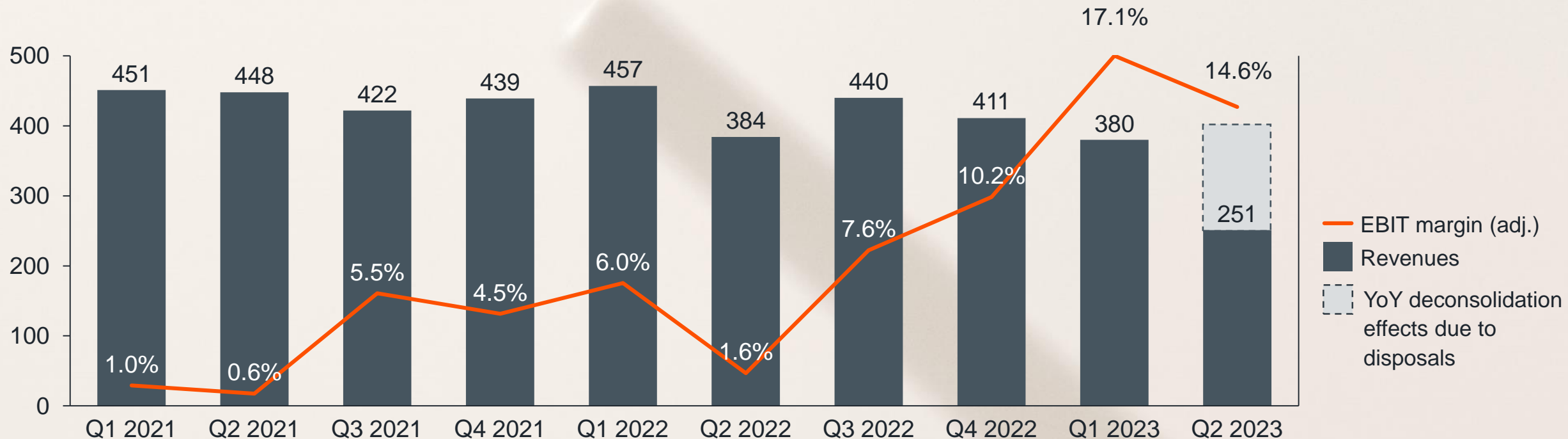
Objectives:

1. Focus the portfolio on the core with the highest profitability and the best growth perspective
2. Center mindset and accountability on “monetizing innovation” and overall profitability
3. Make the company lean and efficient by having the appropriate size, infrastructure and agility
4. Bottom-line improvements from portfolio-measures and savings (75m€ run-rate by end-2024, 150m€ run-rate by end-2025) for improved profitability in 2024 and ~15% adj. EBIT by 2026 onwards

First L&S, now Semiconductors: Focused portfolio for improved profitability

Development of L&S segment revenues and EBIT margin (adj.) since 2021, figures in EUR million




- ✓ Proven track record of successful portfolio re-alignment with focus on sustainable and profitable businesses
- ✓ Reduction of revenue base while markedly increasing profitability
- ✓ Focus on attractive core business areas, similar approach now applied to Semiconductors segment



Re-assessment of portfolio and market outlook leads to an updated mid-term target financial model


Focus on profitability and structural growth from the new core portfolio in Semiconductors

Over-the-cycle mid-term target financial model

 Revenue growth CAGR	6% - 10%*
 Adjusted EBIT	~15% (2026+)
 CAPEX	10%

*>2x WSTS opto-electronics F99 & sensors H99 = 3.1% CAGR '22 to '26 due to addressed segments

Long-term target leverage

 Long-term leverage	Net Debt / (adj.) EBITDA < 2
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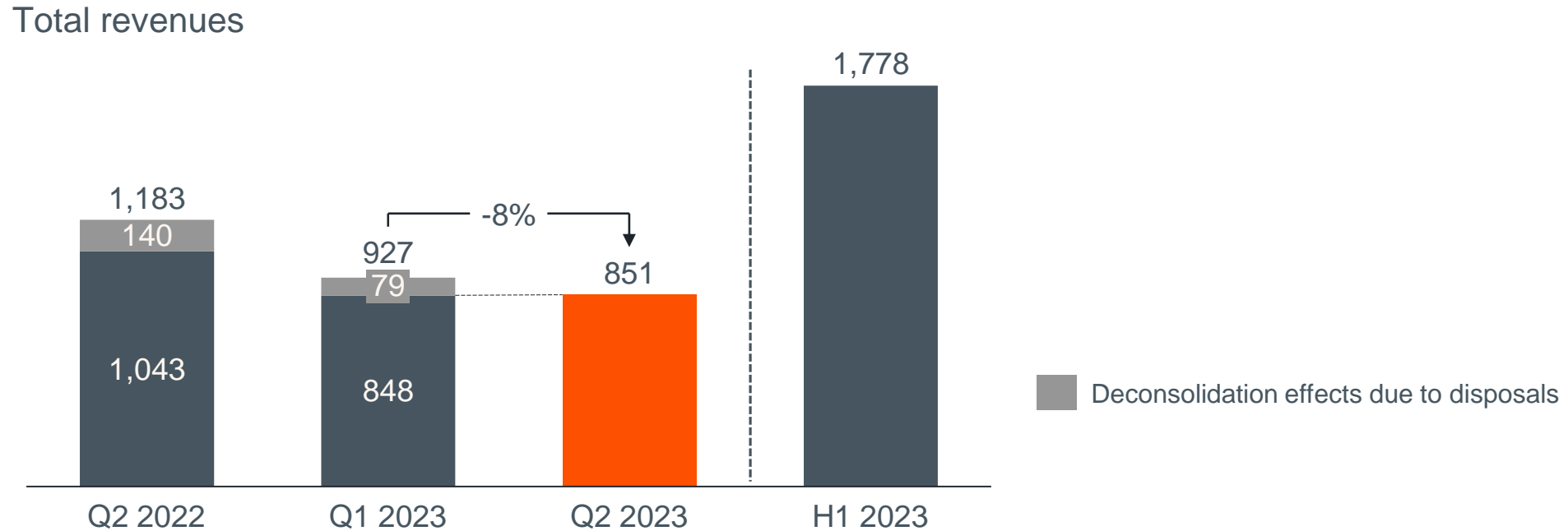
Assumptions:

- Starting base is CY 2023 revenues, less EUR ~300m to 400m of non-core semiconductor portfolio to be exited
- Target Financial Model is valid for new Semiconductor Segment + Lamps & Systems Segment combined

Financial results in detail Q2 2023 and H1 2023

Group revenues slightly up sequentially (excluding deconsolidation effect in Q1)

All figures in EURm / % of revenues

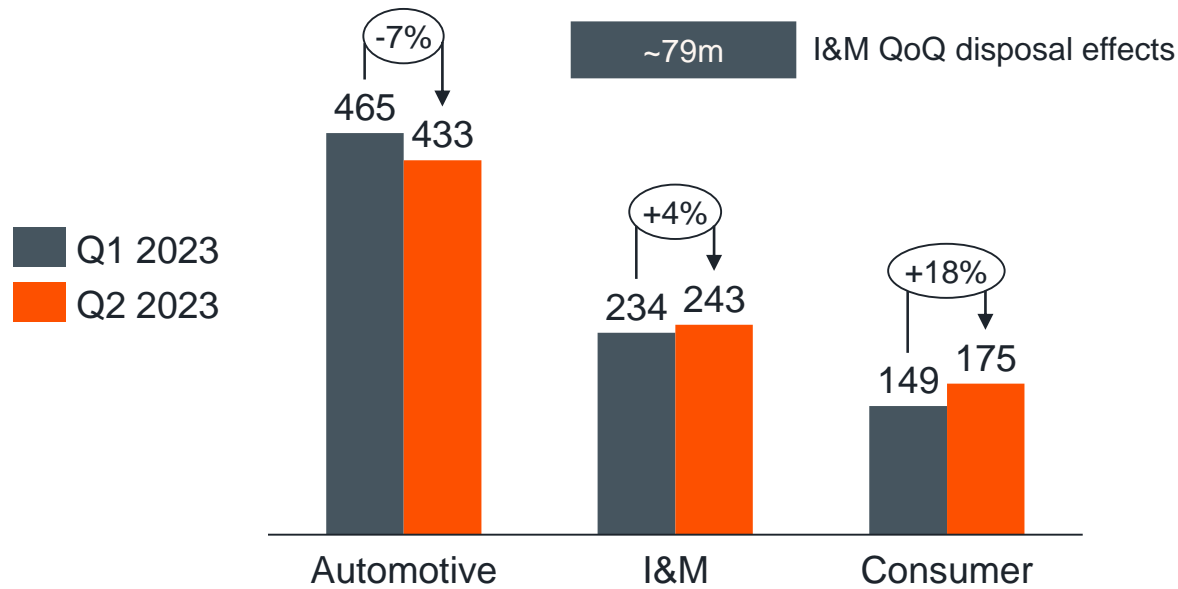


- Revenues at midpoint of guidance range, challenging market environment continued in Q2 as expected
- Slight revenue growth sequentially on like-for-like basis (excl. deconsolidation effects)
- Year-on-year comparison reflects de-consolidation effects of around EUR 140m from several disposals, including former OSRAM Continental JV business AMLS, Digital System business and others

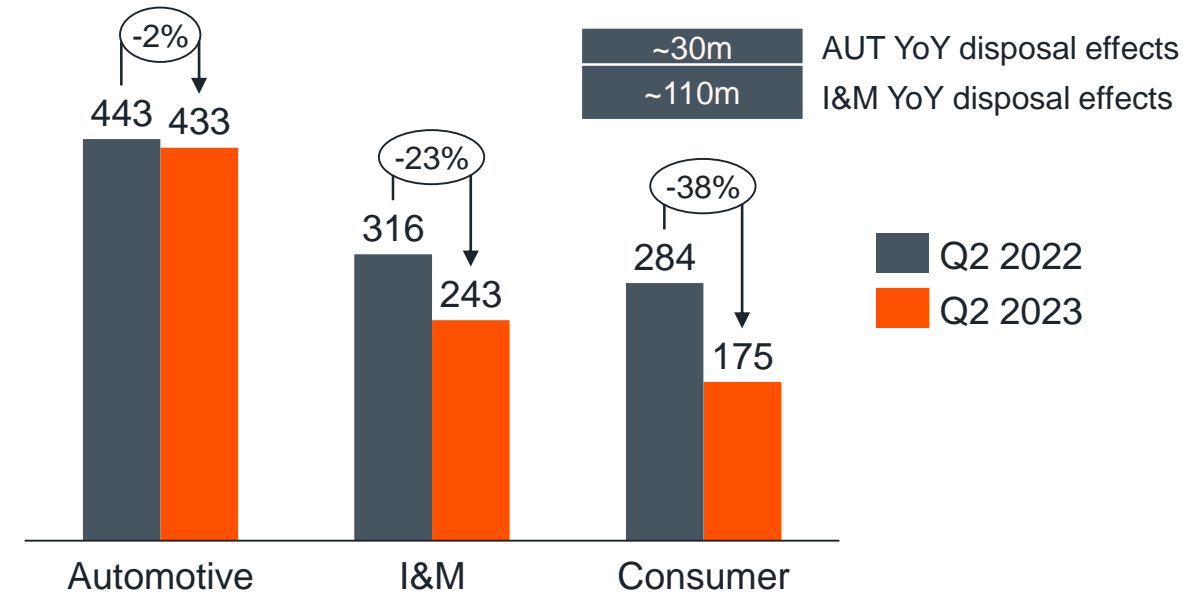
Group revenue development: I&M, Consumer up sequentially

Like-for-like Q2 development QoQ & YoY (excl. disposal effects), figures in EURm

QoQ revenue development



YoY revenue development



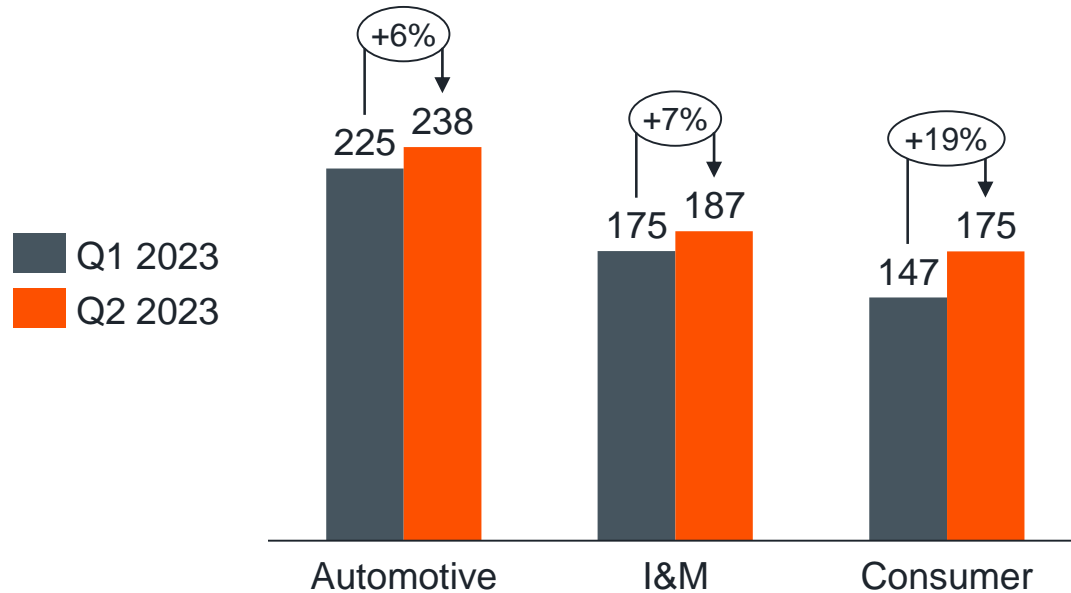
- Automotive: Stabilizing and positive trends in order patterns, seasonal effects in aftermarket business
- I&M: Strong medical, mixed industrial business depending on sub-market business trends
- Consumer: Positive development across business areas after challenging Q1

- Automotive: Stable YoY development with normalizing supply chain in Q2 2023 and seasonality in aftermarket auto lamps
- I&M: Challenging environment in several industrial sub-markets
- Consumer: Muted demand across device classes and expected end-of-life of certain volume projects

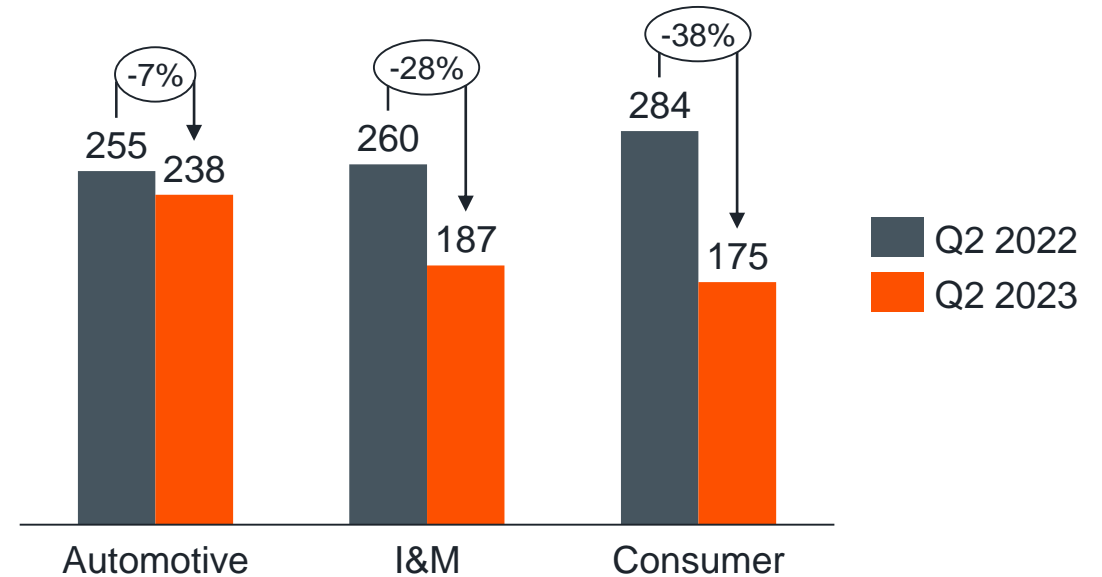
Semiconductors: Positive sequential development across markets

Semiconductors segment, like-for-like Q2 development QoQ & YoY (excl. disposal effects), figures in EURm

QoQ revenue development



YoY revenue development



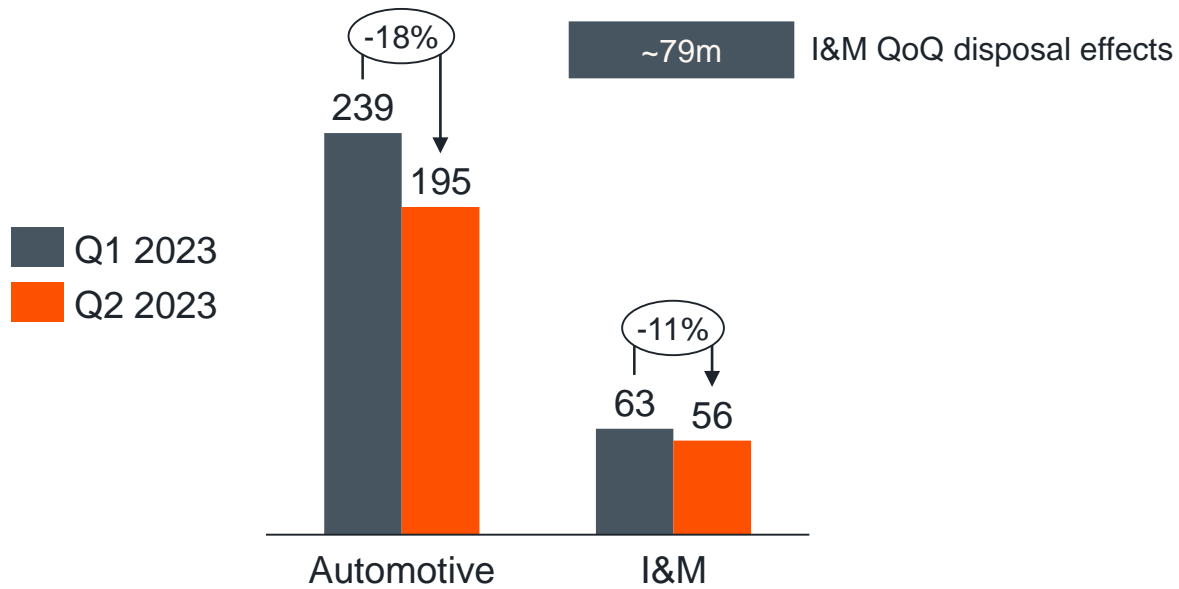
- Automotive: Stabilizing inventory situation and order pattern, positive trend towards end of quarter
- I&M: Strong medical business, mixed industrial business depending on sub-market trends
- Consumer: Strong sequential improvement in existing sockets

- Automotive: Global demand still muted in spite of stabilizing supply chain
- I&M: YoY decline reflects overall weak macro economics in many areas, such as industrial lighting
- Consumer: YoY reflects some big sockets approaching End-of-Life, before new designs will kick-in

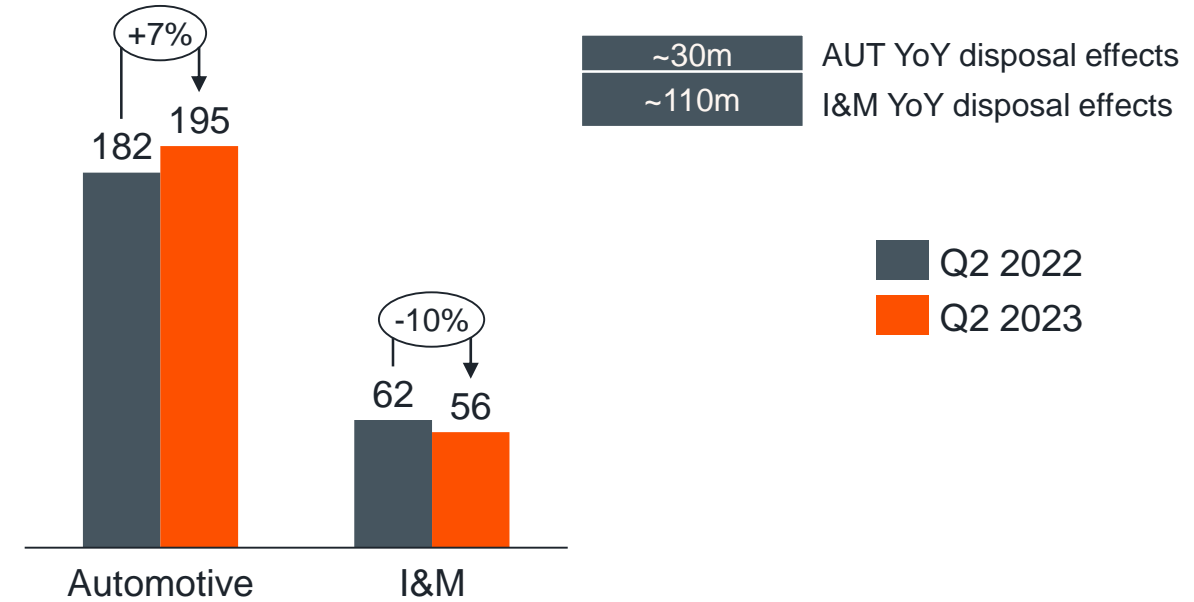
Lamps & Systems: Seasonal effects in Q2, stable YoY development

Lamps & Systems segment: Like-for-like Q2 development QoQ & YoY (excl. disposal effects), figures in EURm

QoQ revenue development



YoY revenue development



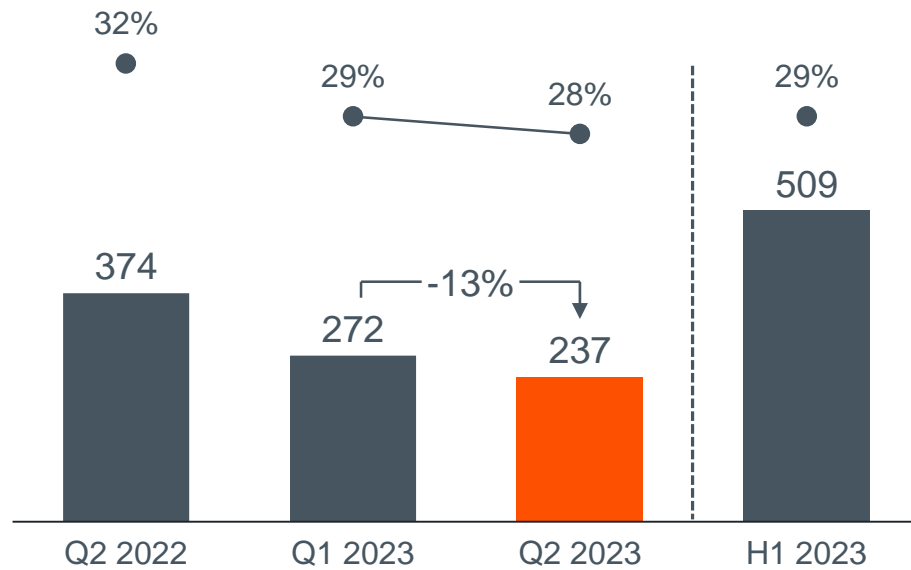
- Automotive: Seasonality in automotive lamps business drives sequential development
- I&M: Reflects substantial disposals effects, remaining business focuses on specialized entertainment and industry lamps

- Automotive: Strong YoY development, further expanding leading market position, also driven by strong “LED replacement lamps” portfolio
- I&M: Remaining business driven by certain industrial trends, such as softer demand for specialty lamps for semiconductor manufacturing equipment

Group profitability – adj. EBIT margin improved sequentially

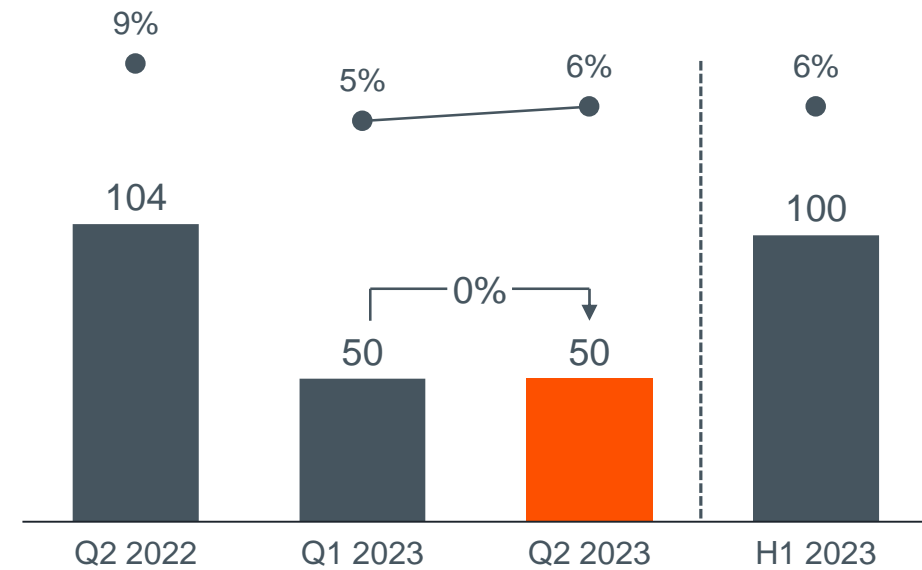
All figures in EURm / % of revenues

Gross profit, gross margin (adj.)¹⁾



- Gross profit in-line with company expectations
- Continued to be impacted by meaningful underutilization effects in manufacturing

EBIT, EBIT margin (adj.)¹⁾

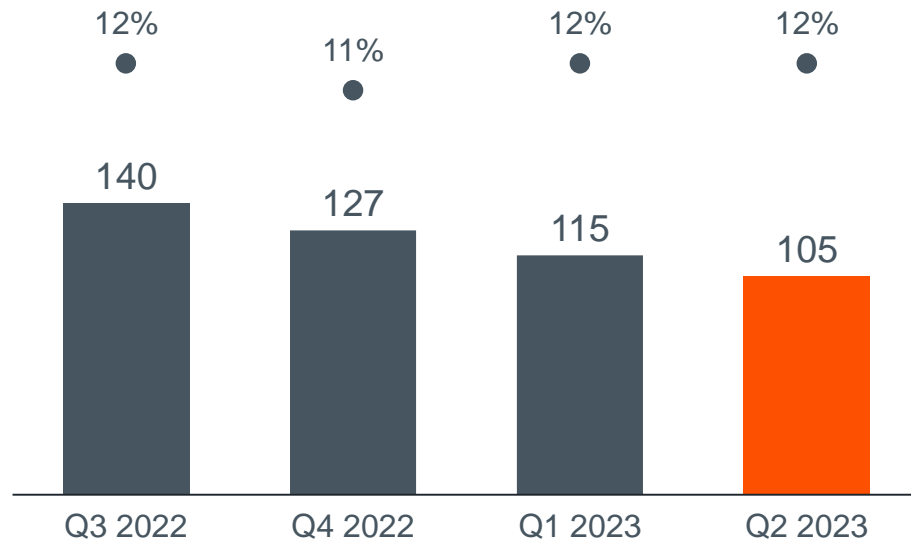


- Adj. EBIT margin at top end of guidance range
- Reduced adj. operating expenses support improved profitability sequentially
- Clear target to increase profitability

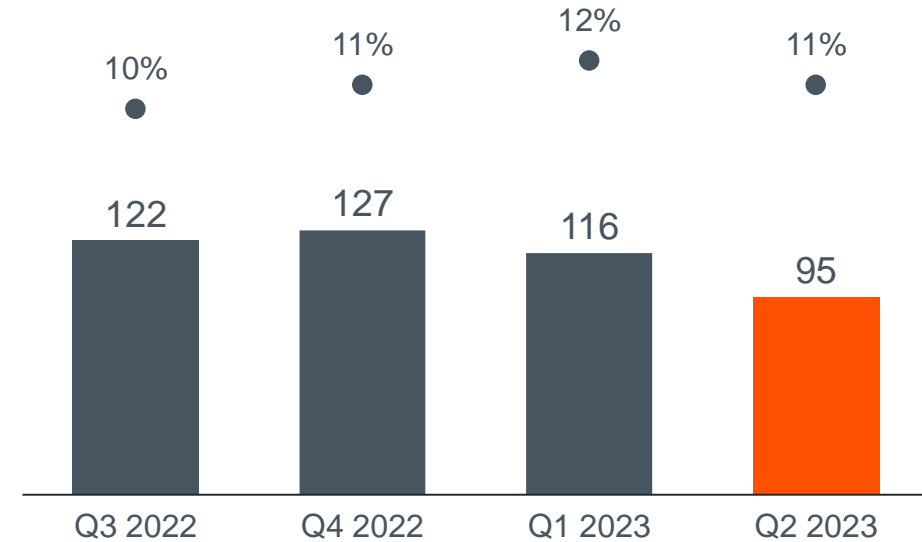
Operating expenses – adj. R&D and SG&A expenses reduced sequentially

All figures in EURm / % of revenues

R&D expenses (adj.)¹⁾



SG&A expenses (adj.)¹⁾

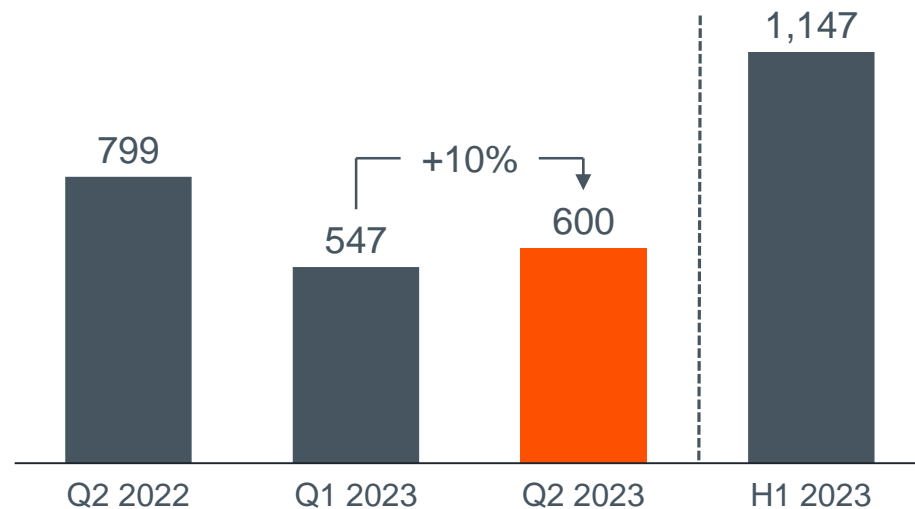


- Strong decrease in adj. operating expenses on absolute basis over last quarters
- R&D development reflects ongoing stream-lining and efficiency programs, majority of R&D in Semiconductors segment
- Clear SG&A base-line reduction from efficiency programs and synergies over last 12 months

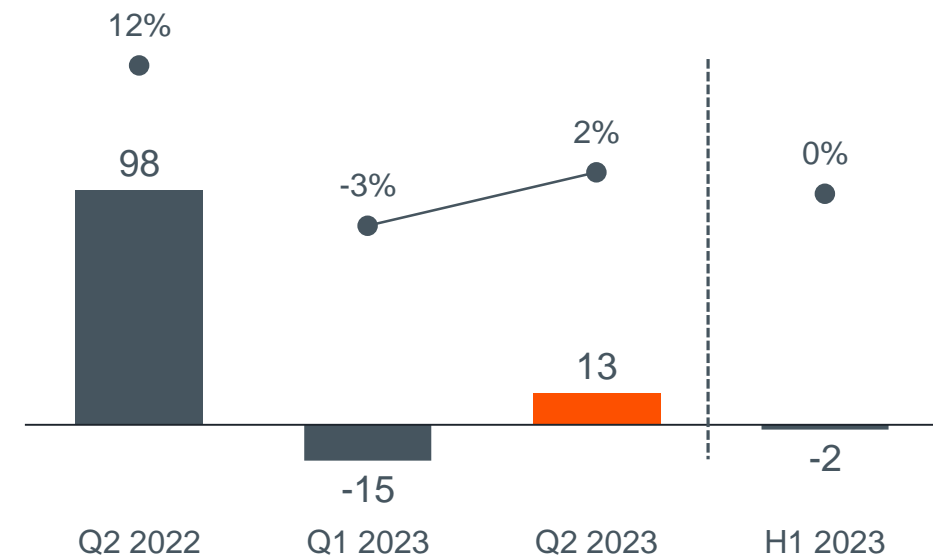
Semiconductors segment: revenues up and return to profitability

All figures in EURm / % of revenues

Total revenues



EBIT, EBIT margin (adj.)¹⁾

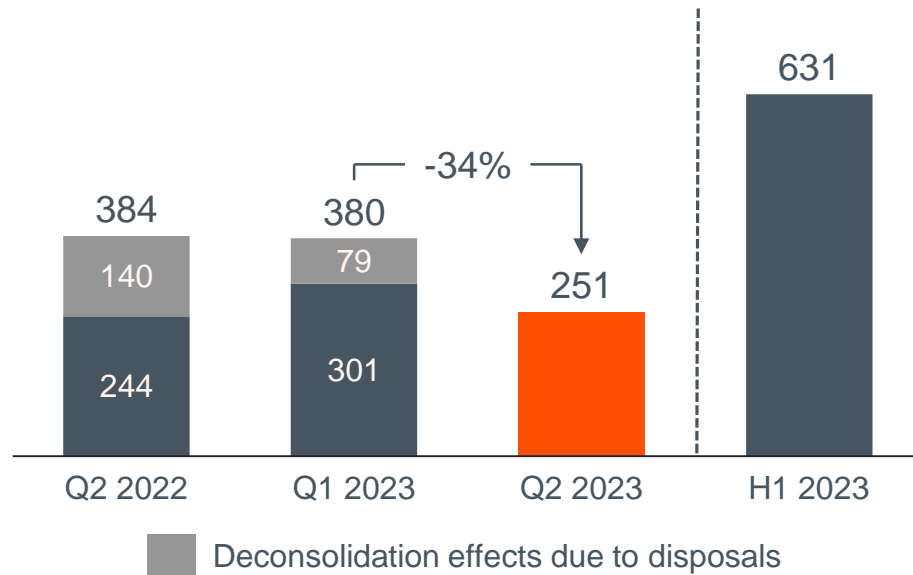


- Double-digit sequential increase driven by stabilization in some Consumer and certain Industrial areas
- Automotive business still impacted by inventory correction while showing signs of improved order patterns
- Mixed development in Industrial markets, strong Medical business
- Profitability still impacted by lower production volumes and underutilization, noticeable improvement sequentially

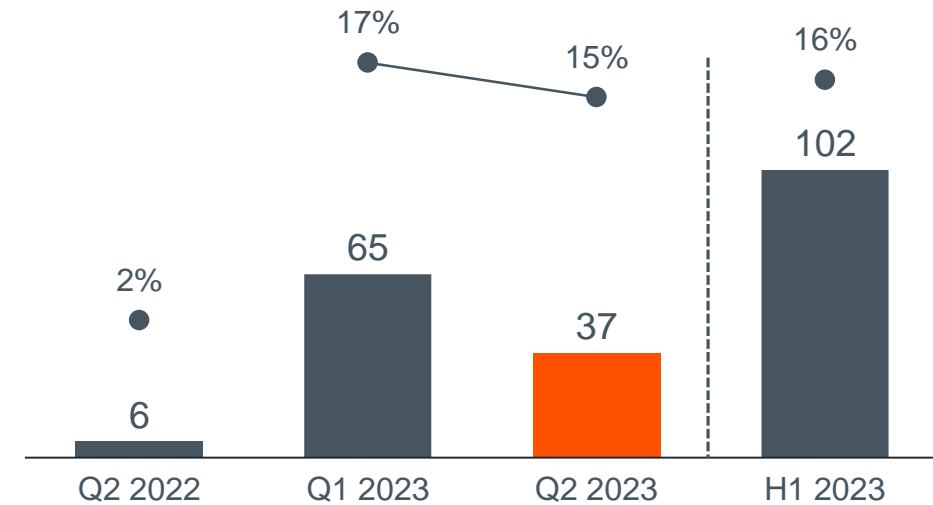
Lamps & Systems: strong profitability in spite of seasonal revenues decline

All figures in EURm / % of revenues

Total revenues



EBIT, EBIT margin (adj.)¹⁾

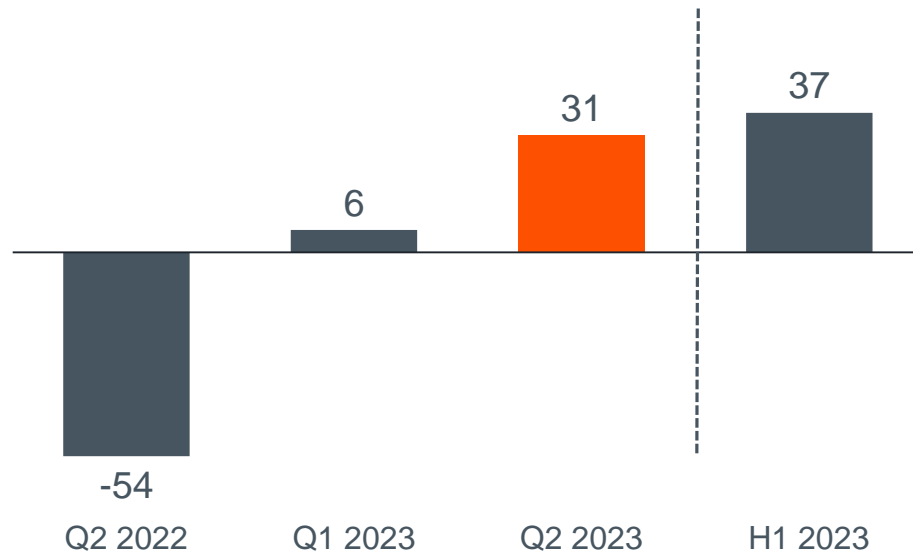


- Significant deconsolidation effects due to disposal of Digital Systems business
- Seasonal effects in L&S automotive business (~80% of remaining L&S business)
- Substantially and structurally improved profitability reflecting positive disposal-related and portfolio streamlining effects

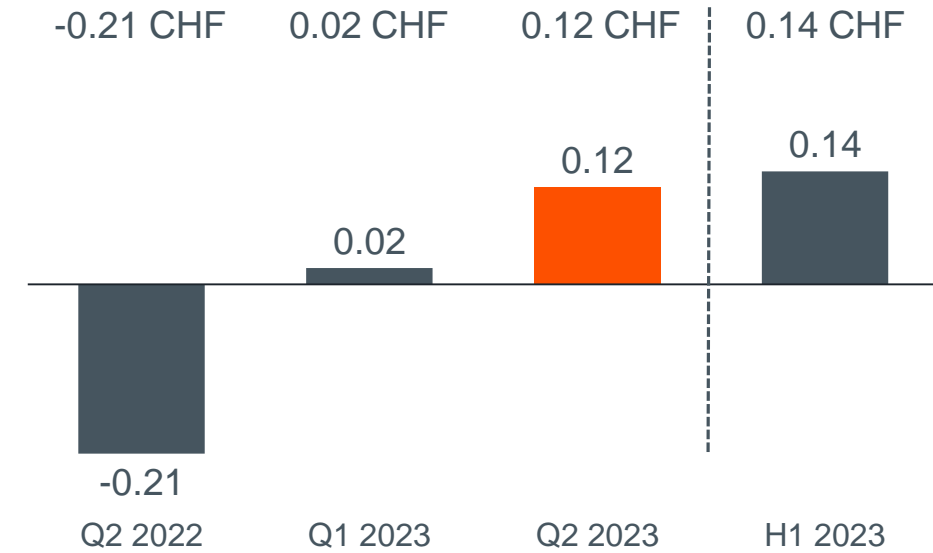
Adj. net result / Adj. EPS – strong improvement sequentially to 0.12 CHF EPS

All figures in EURm / EUR / CHF per share

Net result (adj.)¹⁾



EPS diluted (adj.)¹⁾

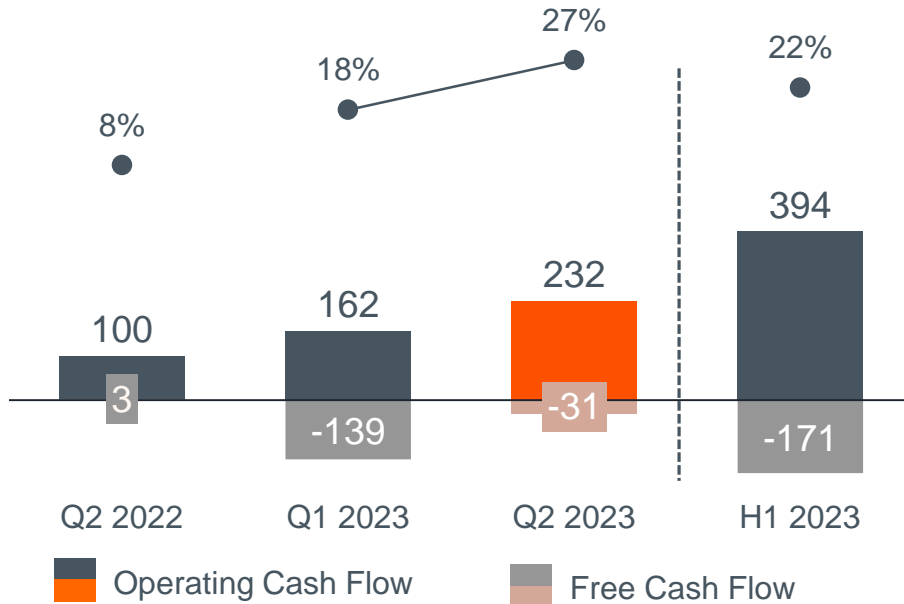


- Financial result Q2 EUR -25m (Q1 EUR -50m), due to positive FX effects and adjustments to the yearly compensation payment to the OSRAM Licht AG minority shareholders (reduced amount of outstanding shares)
- Positive income tax result Q2 EUR 7m based on reduction of deferred tax liabilities
- Q2 IFRS reported net result EUR -1,342m, impacted by impairment charge / IFRS EPS diluted EUR -5.14 / CHF -5.02

Cash Flow – Strong Operating CF at EUR 232 million in Q2

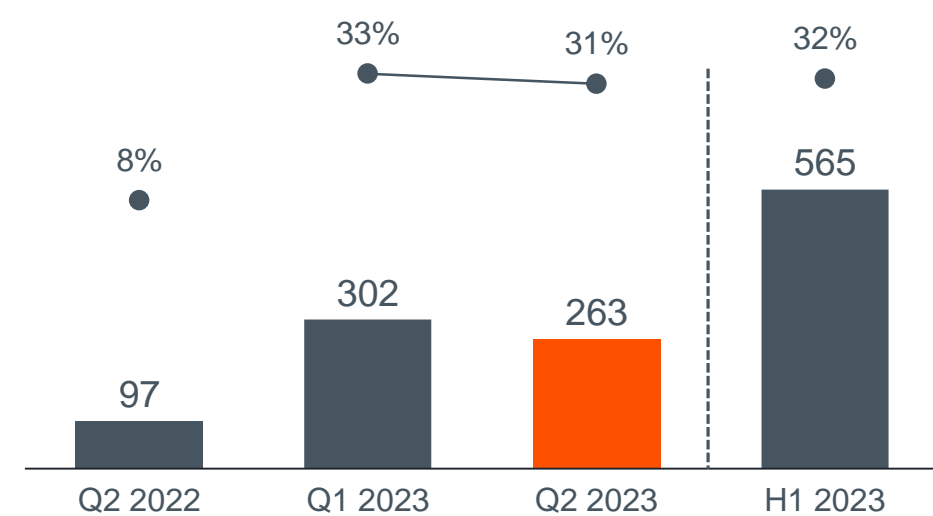
All figures in EURm / Operating Cash Flow % of revenues

Operating / Free Cash Flow (FCF)



- Very strong operating cash flow generation, up year-on-year and sequentially (27% of revenues)
- Free cash flow (FCF) development as expected given substantial capital expenditures

Capital expenditures



- Continued meaningful CAPEX driven by industry-first 8" LED front-end fab, in line with plans
- Focused investments in European manufacturing footprint (Austria and Germany)

More conservative approach on long-term view leads to non-cash impairment

Assessment and impairment testing

Periodic impairment testing in line with IFRS requirements and regulations

Approach

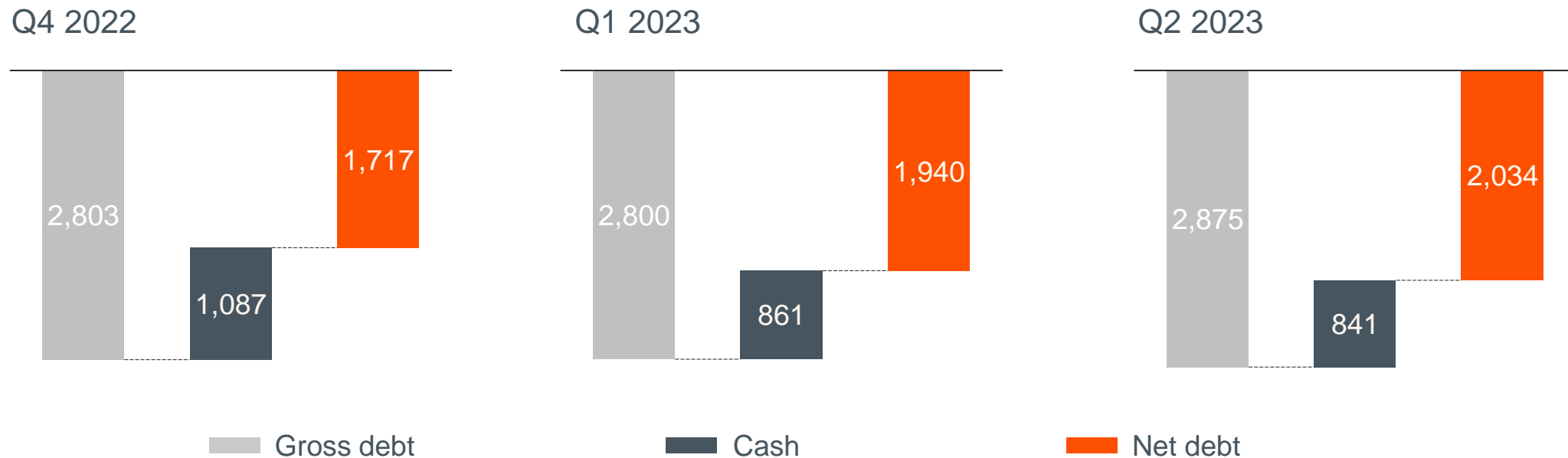
- New management re-assessed the business outlook of each business line of the Group
- Meaningfully more conservative view in light of current macro-economic environment
- Applied across all businesses and segments

Effect and outcome

- Updated internal outlook and external parameters lead to decreased fair value of certain goodwill assets, triggering impairment charge
- Non-cash, one-time impairment charge of EUR 1.3 billion related to goodwill
- Related to “Semiconductors” segment
- No impact on liquidity

Cash and debt overview – leverage slightly up as expected

All figures in EURm



- Expected uptick in group leverage to 2.9x net debt/adjusted¹⁾ EBITDA driven by CAPEX and trailing EBITDA trend
- EUR ~930 million undrawn multi-year lines (incl. EUR 800m revolving facility)
- ~90% of outstanding debt on fixed rate basis
- Adj. EBITDA¹⁾ LTM EUR 693m (based on adj. EBIT + D&A not related to adjustments)
- Considerations and detailed planning incl. potential instruments for refinancing 2025 maturities ongoing

Short term outlook and FY 2024 comments

Q3 2023 guidance

Revenues*: EUR 840 - 940 million

(adj.) EBIT margin: 5 – 8%

*EUR ~120m YOY deconsolidation effects vs. Q3 2022

Q4 2023 comments

Semiconductors:

- High uncertainty in end-markets persisting
- Especially Industrial and Consumer end-markets are challenged
- Automotive revenues should continue to stabilize with normalizing supply chain and new products ramping

Lamps & Systems:

- Robust revenues expected due to seasonally strong Automotive aftermarket

FY 2024 comments

- Absolute Group revenues expected to decline compared to 2023 due to portfolio decisions
- Semiconductor core business expected to outgrow target markets - assuming end-markets stabilize
- Group targets slightly positive Free Cash Flow assuming end-markets stabilize. Significantly reduced CAPEX compared to 2023.
- Focus on improving profitability

Expected and based on current information and exchange rates

Adjusted figures exclude M&A-related, transformation and share-based compensation costs as well as results from investments in associates and sale of businesses

In Summary: sharpening the profile & the set up for maximum result

Focus on profitability and monetizing innovation, benefitting from structural growth in Automotive, Industrial, Medical

-  New management with holistic value creation mindset and proven track record
-  Focusing the Semiconductor portfolio on its profitable core in differentiated, intelligent sensor and emitter components
-  Strong commitment to structural growth opportunities in AIM backed by secular mega-trends
-  Continue selected investments into high-volume Consumer opportunities where ams OSRAM can provide sustainable differentiation with cutting-edge technology
-  Exit non-core business with revenue run-rate of EUR 300 – 400m, e.g. passive Optical Components
-  Impairment charge of EUR 1,313m due to market re-assessment
-  Automotive & specialty lamps (Lamps & Systems Segment) will continue to contribute meaningfully to Group results
-  “Re-establish the Base” efficiency program & portfolio focus target together EUR 150m savings by end of 2025
-  Centering our organizational set-up on “Monetizing Innovation” with clear end-to-end ownership
-  Pursuing selected, disruptive innovation such as microLED

Mid-term Target Financial Model: 6 – 10% revenue CAGR from new base, ~15% adj. EBIT 2026+