

Regulated Information

X-FAB Third Quarter 2022 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – October 27, 2022, 05.40 p.m. CEST

Highlights Q3 2022:

- › Revenue was USD 188.3 million, within the guided USD 182-192 million, up 11% year-on-year (YoY) and flat quarter-on-quarter (QoQ)
- › Consistently strong demand across X-FAB's key end markets, with bookings totaling USD 217.0 million, up 9% YoY, while industrial and silicon carbide revenues were at record levels
- › EBITDA at USD 9.2 million with a 4.9% margin due to the USD 36.8 million one-off impact from arbitration proceedings; excluding this exceptional item, EBITDA would have been USD 46.0 million with a margin of 24.4% above the guided 20-24%
- › EBIT was USD -9.9 million and would have been USD 26.9 million excluding the one-off item

Outlook:

- › Q4 2022 revenue is expected to be in the range of USD 180-190 million with an EBITDA margin in the range of 20-24%, reflecting the temporary impact of a facilities-related incident, which caused a power outage at the Malaysian site in early October, and based on an average exchange rate of 1.00 USD/Euro. Full-year revenues are expected to come in at a range of USD 735-745 million.
- › Q1 2023 revenue is expected to come in at a range of USD 205-220 million following full operational recovery of X-FAB Sarawak, Malaysia, and based on a price increase effective January 2023.

Revenue breakdown per quarter:

in millions of USD	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q3 y-o-y growth
Automotive	65.4	83.5	82.8	81.5	83.8	89.7	98.3	96.9	19%
Industrial	27.3	32.4	35.2	38.3	39.7	41.4	42.5	46.7	22%
Medical	12.0	8.7	10.4	14.3	14.5	13.7	13.9	13.5	-6%
Subtotal core business	104.7	124.6	128.4	134.1	138.0	144.9	154.7	157.0	17%
	77.1%	80.1%	79.8%	79.3%	80.1%	81.1%	81.9%	83.4%	
CCC*	30.9	30.6	32.4	34.7	34.0	32.5	33.6	30.7	-11%
Others	0.3	0.3	0.1	0.3	0.3	1.2	0.6	0.6	
Total revenues	135.9	155.4	161.0	169.1	172.3	178.7	188.8	188.3	11%

* Consumer, Communications & Computer



in millions of USD	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q3 y-o-y growth
CMOS	115.0	134.9	137.5	141.8	144.2	148.6	156.3	152.6	8%
MEMS	14.6	14.4	16.2	17.4	17.5	17.9	19.8	18.4	6%
Silicon carbide	6.3	6.1	7.2	9.9	10.6	12.1	12.8	17.4	76%
Total revenues	135.9	155.4	161.0	169.1	172.3	178.7	188.8	188.3	11%

Business development

In the third quarter, X-FAB's business continued to develop strongly. Customer demand remained at high levels despite current political and economic volatility.

Third quarter revenues amounted to USD 188.3 million, within the guided USD 182-192 million, up 11% year-on-year and flat quarter-on-quarter. The current Euro weakness created a headwind for X-FAB's top line. At the same USD/Euro exchange rate as experienced in the respective comparable quarter, X-FAB's revenues would have recorded a growth of 19% year-on-year and 2% quarter-on-quarter.

Revenues in X-FAB's core markets – automotive, industrial, and medical – came in at USD 157.0 million, up 17% year-on-year and 2% quarter-on-quarter. Their share of the Group's total revenues increased further to more than 83% reflecting the continued strength of these key end markets and the underlying transformation towards businesses with longer life cycles and higher value-add.

X-FAB's automotive revenues in the third quarter were up 19% year-on-year and are expected to develop strongly going forward due to the rising trend of vehicle electrification. X-FAB's high-voltage CMOS as well as silicon carbide (SiC) technologies continued to be in high demand. In the third quarter, SiC revenues reached a record level of USD 17.4 million, up 76% year-on-year.

In the third quarter, X-FAB also recorded all-time high industrial revenues at USD 46.7 million, up 22% year-on-year. The strong and consistent growth in this market is mainly driven by the industry's transition to renewable and environmentally friendly energy sources, which keeps pushing demand for power semiconductors. Additionally, industrial automation to increase efficiency across all sectors is also contributing to the sustainable growth of X-FAB's industrial business.

Third quarter revenues in the medical market were down 6% year-on-year due to normal fluctuations of medical prototyping revenues (-32%) while medical production revenues continued to grow steadily by 5%. With its combined CMOS and MEMS capabilities, X-FAB is uniquely positioned to support advances in healthcare increasingly achieved using semiconductor technology. This will drive the growth of X-FAB's medical business in the long-term. In the third quarter, the growth in medical volume production revenues was mainly driven by lab-on-a-chip applications for DNA sequencing, temperature sensors for contactless thermometers as well as chips for ultrasound equipment.



X-FAB's CCC business (Consumer, Communication & Computer) recorded revenues of USD 30.7 million, down 11% year-on-year and 9% quarter-on-quarter. The decrease relates to the legacy business still being produced at X-FAB France which has recently been decreasing at a faster pace and is expected to be fully replaced in the first quarter of 2023. The portion of the French site's revenues based on X-FAB technologies went up to 56% in the third quarter.

Quarterly bookings came in at USD 217.0 million, up 9% year-on-year and 33% quarter-on-quarter with particularly strong order intake in automotive. Third quarter bookings already reflect the increased price level effective 2023, both for LTA (long-term agreements) and non-LTA customers. Additionally, the bookings growth also shows the high demand beyond the business that will be covered by long-term contracts. This includes orders for MEMS and more mature CMOS nodes.

Third quarter prototyping revenues came in at USD 22.8 million, down 11% year-on-year and up 11% quarter-on-quarter.

Prototyping and production revenue per quarter and end market:

in millions of USD	Revenue	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q3 y-o-y growth
Automotive	Prototyping	3.5	3.6	5.0	4.1	3.3	-5%
	Production	78.0	80.2	84.8	94.2	93.6	20%
Industrial	Prototyping	12.9	11.5	11.0	9.2	11.1	-14%
	Production	25.4	28.2	30.4	33.3	35.6	40%
Medical	Prototyping	4.1	4.0	3.1	1.6	2.8	-32%
	Production	10.2	10.6	10.7	12.4	10.7	5%
CCC	Prototyping	4.8	4.5	4.3	5.0	5.0	4%
	Production	29.9	29.5	28.2	28.6	25.7	-14%

Operations update

In the third quarter, X-FAB continued to run its factories at full load and progressed to expand capacities in line with the delivery and availability of new tools. In times of universally limited resources, X-FAB's stringent supply chain management as well as comprehensive recruiting activities contributed to seamless operations across all sites.

The silicon carbide business gained further traction. Driven by X-FAB's streamlined onboarding process, which was introduced in the fourth quarter last year to speed up customers' time-to-market, the number of new projects has been increasing significantly, and X-FAB keeps attracting new customers. In response to strong demand, X-FAB accelerated its activities to expand SiC processing capacity and plans to more than double the current run rate by the end of 2023. The delivery of additional tools to increase SiC epitaxy capacity is still expected this year.



On October 2, 2022, the Malaysian site experienced a major facilities-related power outage. Thanks to the high level of commitment of the teams on site, the damage was quickly contained, and comprehensive repair and re-qualifications of production started immediately. The incident is expected to impact fourth quarter revenues by approximately USD 15 million, which is taken into account in the respective guidance.

Quarterly capital expenditures came in at USD 40.9 million, up 87% against the same quarter last year. Full year capital expenditures are expected to come in at approximately USD 200 million but could eventually be lower due to prolonged and uncertain lead times for the delivery of new equipment ordered.

Financial update

The outcome of arbitration proceedings with a supplier (see [press release dated Oct 6, 2022](#)) had a one-off negative impact of USD 36.8 million on X-FAB's third quarter earnings. EBITDA was USD 9.2 million with a margin of 4.9% versus the guided 20-24%. Excluding this non-recurring item, which was recorded under "Other income and expenses", the EBITDA margin would have been 24.4%. Third quarter operating profit (EBIT) came in at USD -9.9 million compared to USD 26.9 million excluding the impact of the arbitration, which has now been completed and fully accounted for.

Cash and cash equivalents at the end of the third quarter amounted to USD 327.5 million, up 30.6% compared to the previous quarter end.

While the current Euro weakness created a headwind for the top line the natural hedging of the business makes X-FAB's profitability largely independent from US-Dollar/Euro exchange rate fluctuations. At a constant USD/Euro exchange rate of 1.18 as experienced in the previous year's quarter, the EBITDA margin would have been 0.3 percentage points higher.

Management comments

Rudi De Winter, CEO of X-FAB Group, said: "I am very excited about how well X-FAB is positioned and I could not be more convinced of our long-term growth trajectory. With the technologies and expertise X-FAB offers we address exactly those segments of the semiconductor industry that are forecast to show the strongest growth over the next decade, in particular the automotive part of our business, and we see this reflected in the consistently strong customer interest with bookings beyond our capability to produce. The urgent need for green mobility and sustainable energy keeps driving demand for X-FAB's silicon carbide and high-voltage CMOS technologies while X-FAB also benefits from rising demand for novel medical applications that increasingly rely on semiconductor technologies as we provide them. I see X-FAB well on track to reach USD 1 billion revenues by 2024 with an EBITDA margin of 30% despite the currently challenging macro-economic environment."



X-FAB Quarterly Conference Call

X-FAB's third quarter results will be discussed in a live conference call on Thursday, October 27, 2022, at 6.30 p.m. CEST. The conference call will be in English. Please register in advance of the conference using the following link: <https://cossprereg.btc.com/prereg/key.process?key=PYN6XUTKT>.

The conference call will be available for replay for ten days following the event. Please call +1 617 801 6888 and enter the following passcode: 95428830.

The fourth quarter 2022 results will be communicated on February 9, 2023.

About X-FAB

X-FAB is the leading analog/mixed-signal and MEMS foundry group manufacturing silicon wafers for automotive, industrial, consumer, medical and other applications. Its customers worldwide benefit from the highest quality standards, manufacturing excellence and innovative solutions by using X-FAB's modular CMOS processes in geometries ranging from 1.0 to 0.13 μm , and its special silicon carbide and MEMS long-lifetime processes. X-FAB's analog-digital integrated circuits (mixed-signal ICs), sensors and micro-electro-mechanical systems (MEMS) are manufactured at six production facilities in Germany, France, Malaysia and the U.S. X-FAB employs approx. 4,000 people worldwide. For more information, please visit www.xfab.com.

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Forward-looking information

This press release may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, X-FAB's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this press release regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless legally required. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this press release.

The information contained in this press release is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness, or completeness of the information contained herein and no reliance should be placed on it.

Condensed Consolidated Statement of Profit and Loss

in thousands of USD	Quarter ended 30 Sep 2022 unaudited	Quarter ended 30 Sep 2021 unaudited	Quarter ended 30 Jun 2022 unaudited	Nine months ended 30 Sep 2022 unaudited	Nine months ended 30 Sep 2021 unaudited
Revenue	188,336	169,097	188,832	555,831	485,471
Revenues in USD in %	59	60	58	59	64
Revenues in EUR in %	41	40	42	41	35
Cost of sales	-142,432	-129,773	-142,870	-420,724	-369,422
Gross Profit	45,904	39,323	45,962	135,107	116,049
<i>Gross Profit margin in %</i>	24.4	23.3	24.3	24.3	23.9
Research and development expenses	-9,917	-7,751	-9,920	-30,596	-24,925
Selling expenses	-1,844	-1,969	-1,968	-5,961	-6,095
General and administrative expenses	-8,860	-8,320	-10,495	-28,087	-24,120
Rental income and expenses from investment properties	-328	422	187	151	1,717
Other income and other expenses	-34,897	-340	257	-34,310	374
Operating profit	-9,943	21,366	24,023	36,304	63,000
Finance income	10,219	5,166	8,585	25,896	12,920
Finance costs	-13,690	-6,027	-24,153	-46,332	-16,299
Net financial result	-3,471	-861	-15,567	-20,436	-3,379
Profit before tax	-13,413	20,505	8,456	15,868	59,621
Income tax	-1,608	1,296	-1,539	-4,596	1,691
Profit for the period	-15,021	21,801	6,917	11,272	61,313
Operating profit (EBIT)	-9,943	21,366	24,023	36,304	63,000
Depreciation	19,123	19,076	18,442	56,372	56,345
EBITDA	9,180	40,442	42,465	92,676	119,345
<i>EBITDA margin in %</i>	4.9	23.9	22.5	16.7	24.6
Earnings per share at the end of period	-0.11	0.17	0.05	0.09	0.47
Weighted average number of shares	130,631,921	130,631,921	130,631,921	130,631,921	130,631,921
EUR/USD average exchange rate	1.00955	1.17954	1.06719	1.06620	1.19661

Amounts in the financial tables provided in this press release are rounded to the nearest thousand except when otherwise indicated, rounding differences may occur.

Condensed Consolidated Statement of Financial Position

in thousands of USD	Quarter ended 30 Sep 2022 unaudited	Quarter ended 30 Sep 2021 unaudited	Year ended 31 Dec 2021 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	419,827	330,295	340,670
Investment properties	7,952	8,120	8,310
Intangible assets	7,269	3,996	4,034
Other non-current assets	6	38	28
Deferred tax assets	44,912	36,097	45,645
Total non-current assets	479,967	378,546	398,687
Current assets			
Inventories	204,278	172,560	181,014
Trade and other receivables	82,595	66,530	73,689
Other assets	47,118	38,784	43,354
Cash and cash equivalents	327,468	226,013	290,187
Total current assets	661,459	503,886	588,244
TOTAL ASSETS	1,141,425	882,432	986,931
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-24,625	-58,671	-36,154
Cumulative translation adjustment	185	-587	-559
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	756,243	721,426	743,971
Non-controlling interests	0	348	365
Total equity	756,243	721,774	744,335
Non-current liabilities			
Non-current loans and borrowings	65,234	32,251	39,917
Other non-current liabilities and provisions	3,686	4,153	5,686
Total non-current liabilities	68,921	36,404	45,602
Current liabilities			
Trade payables	41,282	31,204	41,364
Current loans and borrowings	191,519	17,647	87,114
Other current liabilities and provisions	83,460	75,404	68,515
Total current liabilities	316,261	124,255	196,993
TOTAL EQUITY AND LIABILITIES	1,141,425	882,432	986,931

Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Sep 2022 unaudited	Quarter ended 30 Sep 2021 unaudited	Quarter ended 30 Jun 2022 unaudited	Nine months ended 30 Sep 2022 unaudited	Nine months ended 30 Sep 2021 unaudited
Income before taxes	-13,413	20,505	8,456	15,868	59,621
Reconciliation of net income to cash flow arising from operating activities:	18,392	18,131	36,295	75,631	51,801
Depreciation and amortization, before effect of grants and subsidies	19,123	19,076	18,442	56,372	56,345
Recognized investment grants and subsidies netted with depreciation and amortization	-820	-850	-841	-2,535	-2,539
Interest income and expenses (net)	967	-139	13,015	14,165	-379
Loss/(gain) on the sale of plant, property, and equipment (net)	-1,822	80	-19	-1,998	-312
Other non-cash transactions (net)	945	-36	5,698	9,628	-1,313
Changes in working capital:	8,067	15,565	-21,335	-45,451	-17,494
Decrease/(increase) of trade receivables	7,883	1,439	-15,479	-16,232	-10,796
Decrease/(increase) of other receivables & prepaid expenses	1,913	10,743	-918	-4,804	-811
Decrease/(increase) of inventories	-5,852	-10,324	-3,062	-23,263	-18,848
(Decrease)/increase of trade payables	-3,080	4,446	-3,341	-8,436	4,845
(Decrease)/increase of other liabilities	7,203	9,261	1,466	7,284	8,117
Income taxes (paid)/received	-342	-220	-108	-557	-1,967
Cash Flow from operating activities	12,704	53,981	23,308	45,491	91,962
Cash Flow from investing activities:					
Payments for property, plant, equipment & intangible assets	-40,918	-21,932	-36,760	-126,524	-45,849
Payments for investments	-204	0	0	-204	0
Payments for loan investments to related parties	-45	-72	-35	-193	-201
Proceeds from loan investments related parties	70	42	62	230	166
Proceeds from sale of property, plant, and equipment	1,887	47	64	2,115	449
Interest received	394	451	275	906	1,390
Cash Flow used in investing activities	-38,815	-21,464	-36,393	-123,670	-44,046

Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Sep 2022 unaudited	Quarter ended 30 Sep 2021 unaudited	Quarter ended 30 Jun 2022 unaudited	Nine months ended 30 Sep 2022 unaudited	Nine months ended 30 Sep 2021 unaudited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	129,728	310	15,281	152,270	4,789
Repayment of loans and borrowings	-1,892	-8,561	-1,367	-6,062	-20,411
Receipts of sale & leaseback arrangements	0	0	0	7,723	0
Payments of lease installments	-1,362	-1,335	-1,258	-4,379	-4,037
Receipt of government grants and subsidies	512	0	0	512	0
Interest paid	-13,503	-312	-432	-14,074	-1,010
Distribution to non-controlling interests	0	0	0	-11	-12
Cash Flow from (used in) financing activities	113,484	-9,898	12,224	135,979	-20,681
Effect of changes in foreign currency exchange rates on cash	-10,734	-1,715	-7,581	-20,519	-7,089
Increase/(decrease) of cash and cash equivalents	87,373	22,619	-861	57,800	27,235
Cash and cash equivalents at the beginning of the period	250,828	205,109	259,271	290,187	205,867
Cash and cash equivalents at the end of the period	327,468	226,013	250,828	327,468	226,013

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