

Regulated Information

X-FAB Third Quarter 2024 Results

Intermediate declaration by the Board of Directors
Tessenderlo, Belgium – October 24, 2024, 05.40 p.m. CEST

Highlights Q3 2024:

- Revenue was USD 206.4 million, within the guidance of USD 205-215 million, down 12% year-on-year (YoY) and up 1% quarter-on-quarter (QoQ)
- Bookings at USD 217.1 million with a book to bill ratio at 1.05
- EBITDA at USD 50.3 million, down 23% YoY and up 5% QoQ
- EBITDA margin of 24.4%; excluding IFRS 15 impact, EBITDA margin was 23.5%, compared to the guidance of 24-27%
- EBIT was USD 25.0 million, down 43% YoY and up 9% QoQ

Outlook:

- Q4 2024 revenue is expected to come in within a range of USD 195-205 million with an EBITDA margin in the range of 22-25%.
- The guidance is based on an average exchange rate of 1.10 USD/Euro and does not take the impact related to IFRS 15 into account.
- X-FAB is adjusting the full-year revenue guidance from USD 860-880 million to USD 822-832 million; the full-year EBITDA margin guidance has been adjusted to 23.4-24.0%.

Revenue breakdown per quarter:

in millions of USD	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q3 y-o-y growth
Automotive	104.4	120.9	131.1	135.3	151.8	135.6	142.4	146.0	8%
Industrial	42.3	46.9	51.3	53.7	54.3	52.6	34.4	31.5	-41%
Medical	14.6	17.6	16.2	17.0	16.4	14.5	13.2	12.1	-29%
Subtotal core business	161.3	185.4	198.7	206.1	222.5	202.6	190.1	189.6	-8%
	87.9%	89.1%	90.8%	92.2%	92.8%	92.6%	93.7%	92.9%	
CCC ¹	21.6	22.5	20.0	17.2	17.2	16.0	12.6	14.2	-17%
Others	0.7	0.2	0.2	0.2	0.1	0.1	0.1	0.1	-30%
Revenue*	183.6	208.1	218.9	223.5	239.8	218.7	202.8	204.0	-9%
Impact from revenue recognized over time	0	0	8.3	10.4	-2.0	-2.6	2.3	2.4	
Total revenue	183.6	208.1	227.1	233.8	237.7	216.2	205.1	206.4	-12%

¹Consumer, Communications & Computer

*excluding impact from revenue recognized over time according to IFRS 15



in millions of USD	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q3 y-o-y growth
CMOS	151.9	172.8	180.7	180.5	188.4	168.3	166.2	175.0	-3%
Microsystems	19.5	22.2	20.8	24.4	27.9	24.1	25.1	21.6	-11%
Silicon carbide	12.2	13.2	17.3	18.6	23.5	26.3	11.6	7.4	-60%
Revenue*	183.6	208.1	218.9	223.5	239.8	218.7	202.8	204.0	-9%
Impact from revenue recognized over time	0	0	8.3	10.4	-2.0	-2.6	2.3	2.4	
Total revenue	183.6	208.1	227.1	233.8	237.7	216.2	205.1	206.4	-12%

Business development

In the third quarter of 2024, X-FAB recorded revenues of USD 206.4 million, down 12% year-on-year and up 1% quarter-on-quarter, thereof a positive impact from revenue recognized over time amounting to USD 2.4 million. This compares to a guidance of USD 205-215 million.

Revenues in X-FAB's core markets – automotive, industrial, and medical – amounted to USD 189.6 million*, down 8% year-on-year and accounted for a 93% share of total revenues*. Bookings were up 4% year-on-year with a book-to-bill of 1.05 in the third quarter. Backlog came in at USD 481.4 million, compared to USD 517.3 million at the end of the previous quarter. The decrease in backlog is related to orders worth USD 114 million for which delivery dates had not yet been confirmed at the end of the quarter. These are longer-term orders for delivery up to 2026.

In the third quarter, X-FAB's automotive business grew 8% year-on-year, while automotive bookings weakened due to year-end inventory adjustments. X-FAB's industrial and medical business decreased 41% and 29% year-on-year respectively. Current market trends and uncertainties have led to destocking activities and delays across the entire supply chain, however, order intake in the industrial and medical end markets picked up strongly in the third quarter. The CCC (Consumer, Communication & Computer) business, after bottoming out in recent quarters, grew by 13% quarter-on-quarter with strong bookings and a book-to-bill of 2.06.

X-FAB's CMOS business declined slightly year-on-year. Demand for X-FAB's popular 180nm CMOS platform remained healthy and new prototypes were started for future high-volume applications in X-FAB's 110nm CMOS process. In line with market trends, X-FAB also suffered from inventory corrections, particularly noticeable in the 350nm CMOS technology. The 0.6-micron CMOS technologies on 150mm wafers, for which demand had significantly declined over recent years, recorded an uptick in bookings after X-FAB had announced the discontinuation of these technologies as per end of 2026. The decision was taken to support the ongoing transition to the microsystems business at the site in Erfurt, Germany. Customers responded with high order volumes to ensure supply in the medium term, while initiating activities to work on redesigns for next-generation products. The upturn in the 0.6-micron business is expected to contribute positively to revenues from the fourth quarter onwards.

*excluding impact from revenue recognized over time according to IFRS 15



Third quarter silicon carbide sales continued to decline in a persistently weak market environment and decreased 60% year-on-year. Visibility remains low but SiC development activities have been encouraging, especially for next-generation technologies that come with improved device performance and a 30% increase in dies per wafer. Combined with the recent reduction in SiC substrate prices, this represents a potential 40% cost improvement for the final SiC device, fostering the further adoption of silicon carbide. As soon as the SiC power market picks up, these new high-performance designs will contribute to the future growth of X-FAB's silicon carbide business.

In the third quarter, X-FAB's microsystems business recorded a decline of 11% year-on-year, reflecting current market weaknesses. Inventory adjustments in the automotive industry and delays in new model launches have particularly impacted the microsystems business. The medical end market, typically a strong driver of microsystems sales, has also been affected by destocking, but is expected to contribute positively in the future due to healthy bookings and high demand applications.

Quarterly prototyping revenues totaled USD 23.6 million*, down 14% year-on-year and up 12% against the previous quarter.

X-FAB adjusts its full-year revenue guidance to USD 822-832 million in response to current weaknesses and the impact on fourth quarter revenues of an operational incident at the Malaysian factory. Required rework of affected material will shift approximately USD 15-20 million of sales into next year.

The fundamental drivers of X-FAB's business remain intact. These include the growth of semiconductor content in cars, the "electrification of everything" to drive the decarbonization of the world, and the digitization in the medical sector to make healthcare more efficient in an era of aging populations. X-FAB's comprehensive set of technologies and expertise enable customers to develop world-leading solutions for the most important challenges facing the world today. X-FAB's business is expected to return to robust growth once the current destocking cycle is completed.

Prototyping and production revenue* per quarter and end market:

in millions of USD		Revenue	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Automotive	Prototyping		6.2	10.0	6.7	7.6	9.3
	Production		129.1	141.8	128.9	134.8	136.7
Industrial	Prototyping		14.3	10.5	10.7	8.9	8.2
	Production		39.4	43.8	41.9	25.5	23.3
Medical	Prototyping		3.3	3.3	2.7	2.0	3.0
	Production		13.7	13.1	11.8	11.2	9.1
CCC	Prototyping		3.3	3.5	3.1	2.5	3.0
	Production		13.9	13.7	12.9	10.2	11.3

*excluding impact from revenue recognized over time according to IFRS 15



Operations update

In the third quarter, X-FAB continued its capacity expansion program with the focus on its popular 180nm and 110nm CMOS technologies at X-FAB France and X-FAB Sarawak. The newly constructed cleanroom at X-FAB's Malaysian site is now ready for the first equipment to be moved in.

The expansion of CMOS capacity is also critical to support X-FAB's microsystems business. Microsystems are based on a CMOS wafer to which specialized MEMS layers are added or systems are integrated at wafer level. With the planned discontinuation of the 0.6-micron CMOS business, the Erfurt site is well on track to entirely focus on the manufacturing of complex microsystems in the future.

The SiC capacity expansion at the Texas fab, which has been slowed in line with current demand weakness, will be resumed as soon as the SiC market recovers and long-term customer commitments require additional capacity. At the end of the quarter, approximately half of the SiC capacity targeted in X-FAB's three-year capacity expansion plan had been installed. In addition, X-FAB aims to further increase the proportion of customers who source their own SiC raw wafers and consign them to X-FAB, resulting in a lower total billing as there is less pass-through for substrates sourced by X-FAB. Due to both the lower installed SiC capacity and the decision to optimize the proportion of customer consigned SiC wafers, the original SiC revenue target of USD 300-350 million in 2026 is no longer achievable. This will result in changes to the timing and product mix of X-FAB's growth path.

Total capital expenditures in the third quarter came in at USD 149.8 million, thereof about two thirds related to the expansion of X-FAB Sarawak. X-FAB reiterates its capex projection for the full year of 2024 in the amount of USD 550 million.

An operational incident at the Malaysian factory caused a three-day production slowdown in the third quarter. This has been fully resolved and rework of the affected material is underway.

Financial update

Third quarter EBITDA was USD 50.3 million with an EBITDA margin of 24.4%. Excluding the positive impact from revenues recognized over time, the EBITDA margin of the third quarter would have been 23.5%.

Profitability is not affected by exchange rate fluctuations as X-FAB's business is naturally hedged. At a constant USD/Euro exchange rate of 1.09 as experienced in the previous year's quarter, the EBITDA margin would have been 0.1 percentage points lower.

Cash and cash equivalents at the end of the third quarter amounted to USD 315.9 million.



Management comments

Rudi De Winter, CEO of X-FAB Group, said: "While unfavorable market developments and related inventory adjustments are impacting our business in the short term, the long-term outlook remains positive. I am confident in the unique technologies we offer and the high-growth end markets we serve putting us in the right position to address today's key challenges and deliver sustainable growth over the long term. As soon as the market begins to recover, order patterns will change rapidly. With the progress we are making with our capacity expansion program, we will be well prepared to meet our customers' needs, especially for our 180nm technologies, and return to solid growth."

X-FAB Quarterly Conference Call

X-FAB's third quarter results will be discussed in a live conference call/webcast on Thursday, October 24, 2024, at 6.30 p.m. CEST. The conference call will be in English.

Please [register here](#) for the audiocast (listen only).

Please [register here](#) for the conference call (listen and ask questions).

The fourth quarter 2024 results will be communicated on February 6, 2025.



About X-FAB

X-FAB is a global foundry group providing a comprehensive set of specialty technologies and design IP to enable its customers to develop world-leading semiconductor products that are manufactured at X-FAB's six wafer fabs located in Malaysia, Germany, France, and the United States. With its expertise in analog/mixed-signal technologies, microsystems/MEMS and silicon carbide (SiC), X-FAB is the development and manufacturing partner for its customers, primarily serving the automotive, industrial and medical end markets. X-FAB has approximately 4,500 employees and has been listed on Euronext Paris since April 2017 (XFAB). 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 2024 unaudited	Quarter ended 30 Sep 2023 unaudited	Quarter ended 30 Jun 2024 unaudited	Nine months ended 30 Sep 2024 unaudited	Nine months ended 30 Sep 2023 unaudited
Revenue*	203,982	223,452	202,847	625,541	650,431
Impact from revenue recognized over time	2,384	10,360	2,255	2,079	18,622
Total revenue	206,366	233,812	205,102	627,620	669,052
Revenues in USD in %	56	57	58	59	56
Revenues in EUR in %	44	43	42	41	44
Cost of sales	-155,162	-164,147	-160,236	-481,184	-474,551
Gross profit	51,204	69,665	44,866	146,436	194,501
<i>Gross profit margin in %</i>	<i>24.8</i>	<i>29.8</i>	<i>21.9</i>	<i>23.3</i>	<i>29.1</i>
Research and development expenses	-13,087	-10,782	-11,387	-35,581	-34,609
Selling expenses	-2,177	-1,999	-2,142	-6,857	-6,307
General and administrative expenses	-11,369	-11,583	-11,660	-35,840	-34,044
Rental income and expenses from investment properties	534	977	394	2,362	3,438
Other income and other expenses	-147	-2,376	2,755	4,455	-864
Operating profit	24,957	43,902	22,825	74,976	122,115
Finance income	12,191	9,011	6,775	24,744	24,207
Finance costs	-10,945	-8,493	-7,419	-26,017	-26,977
Net financial result	1,246	518	-644	-1,273	-2,770
Profit before tax	26,204	44,420	22,181	73,703	119,345
Income tax	-254	-2,747	-2,359	-4,872	3,747
Profit for the period	25,950	41,673	19,822	68,831	123,092
Operating profit (EBIT)	24,957	43,902	22,825	74,976	122,115
Depreciation	25,345	21,808	25,028	74,137	63,891
EBITDA	50,302	65,711	47,853	149,113	186,006
<i>EBITDA margin in %</i>	<i>24.4</i>	<i>28.1</i>	<i>23.3</i>	<i>23.8</i>	<i>27.8</i>
Earnings per share	0.20	0.32	0.15	0.53	0.94
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	1.09825	1.08842	1.07667	1.08704	1.08330

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

*excluding impact from revenue recognized over time in accordance with IFRS 15

Condensed consolidated statement of financial position

in thousands of USD	Quarter ended 30 Sep 2024 unaudited	Quarter ended 30 Sep 2023 unaudited	Year ended 31 Dec 2023 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	1,005,438	653,024	734,488
Investment properties	7,478	7,319	7,171
Intangible assets	6,053	5,827	5,627
Other non-current assets	46	63	58
Deferred tax assets	83,277	79,155	83,772
Total non-current assets	1,102,293	745,387	831,116
Current assets			
Inventories	284,146	260,961	269,227
Contract assets	26,090	26,027	24,010
Trade and other receivables	91,307	111,828	123,101
Other assets	45,154	52,005	50,659
Cash and cash equivalents	315,917	391,274	405,701
Total current assets	762,613	842,095	872,698
TOTAL ASSETS	1,864,905	1,587,482	1,703,814
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	249,557	141,904	180,159
Cumulative translation adjustment	465	-328	-301
Treasury shares	-770	-770	-770
Total equity	1,030,707	922,260	960,542
Non-current liabilities			
Non-current loans and borrowings	333,757	49,244	235,318
Other non-current liabilities and provisions	4,833	4,024	4,024
Total non-current liabilities	338,590	53,268	239,342
Current liabilities			
Trade payables	48,962	69,811	90,681
Current loans and borrowings	33,492	214,778	25,659
Other current liabilities and provisions	413,155	327,365	387,590
Total current liabilities	495,608	611,954	503,930
TOTAL EQUITY AND LIABILITIES	1,864,905	1,587,482	1,703,814

Condensed consolidated statement of cash flows

in thousands of USD	Quarter ended 30 Sep 2024 unaudited	Quarter ended 30 Sep 2023 unaudited	Quarter ended 30 Jun 2024 unaudited	Nine months ended 30 Sep 2024 unaudited	Nine months ended 30 Sep 2023 unaudited
Income before taxes	26,204	44,420	22,181	73,703	119,345
Reconciliation of income before taxes to cash flow arising from operating activities:	21,988	26,845	28,972	74,692	72,721
Depreciation and amortization, before effect of grants and subsidies	25,345	21,808	25,028	74,137	63,891
Amortization of investment grants and subsidies	-924	-753	-624	-2,221	-2,241
Interest income and expenses (net)	2,308	-105	959	2,961	1,992
Loss/(gain) on the sale of plant, property, and equipment (net)	-312	-1,554	-2,020	-4,083	-3,174
Loss/(gain) on the change in fair value of derivatives and financial assets (net)	1,144	0	0	1,144	0
Other non-cash transactions (net)	-5,573	7,448	5,629	2,754	12,252
Changes in working capital:	29,732	-38,694	7,487	36,420	101,875
Decrease/(increase) of trade receivables	17,693	3,206	10,211	36,156	-39,277
Decrease/(increase) of other receivables and other assets	1,361	3,417	12,244	20,191	-516
Decrease/(increase) of inventories	-6,559	-13,049	-604	-12,113	-44,238
Decrease/(increase) of contract assets	-2,384	-10,360	-2,255	-2,079	-26,027
(Decrease)/increase of trade payables	-3,323	-19,254	-14,369	-17,898	-189
(Decrease)/increase of other liabilities	22,944	-2,653	2,260	12,164	212,123
Income taxes (paid)/received	914	-2,874	-1,227	-1,754	-3,383
Net cash from operating activities	78,838	29,697	57,413	183,061	290,558
Cash flow from investing activities:					
Payments for property, plant, equipment and intangible assets	-149,775	-83,964	-121,893	-376,648	-237,357
Acquisition of subsidiary, net of cash acquired	0	0	-24,863	-1,634	0
Payments for loan investments to related parties	0	-61	0	0	-237
Proceeds from loan investments related parties	0	44	0	0	206
Proceeds from sale of property, plant, and equipment	312	1,805	2,020	4,123	3,499
Interest received	2,644	3,139	2,984	9,060	6,709
Net cash used in investing activities	-146,820	-79,038	-141,752	-365,099	-227,181



Condensed consolidated statement of cash flows – con't

in thousands of USD	Quarter ended 30 Sep 2024 unaudited	Quarter ended 30 Sep 2023 unaudited	Quarter ended 30 Jun 2024 unaudited	Nine months ended 30 Sep 2024 unaudited	Nine months ended 30 Sep 2023 unaudited
Cash flow from (used in) financing activities:					
Proceeds from loans and borrowings	78,634	85,904	42,601	171,535	100,144
Repayment of loans and borrowings	-20,582	-79,067	-5,644	-120,339	-128,867
Receipts of sale and leaseback arrangements	32,766	0	-5,147	59,234	0
Payments of lease installments	-5,080	-1,530	-3,061	-9,309	-4,315
Interest paid	-4,834	-1,892	-4,574	-13,466	-4,460
Cash flow from (used in) financing activities	80,903	3,415	24,175	87,655	-37,498
Effect of changes in foreign currency exchange rates on cash balances	12,941	-4,587	-1,250	4,599	-4,030
Increase/(decrease) of cash and cash equivalents	12,921	-45,926	-60,164	-94,383	25,879
Cash and cash equivalents at the beginning of the period	290,054	441,786	351,468	405,701	369,425
Cash and cash equivalents at the end of the period	315,917	391,274	290,054	315,917	391,274

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