



H1 2021 Interim Results

7 September 2021

IQE plc



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Business Update and Leadership Transition

Drew Nelson, President and Non-Executive Director

H1 2021 Strategic Progress



Investing in the future of compound semis



Strategic Goal

- Leveraging and expanding the IP portfolio
- Developing and launching new products
- Targeting new market entry
- Innovation in integration and miniaturization

Progress

- **Full-service DFB lasers** for data comms using Nano-Imprint Lithography in qualification, revenues anticipated in FY 2022
- Expansion of VCSEL portfolio with turnkey **IQVCSEL™** product line, a value-add solution that accelerates customers' ability to introduce new products, thereby expanding the VCSEL market
- Achievement of key power and reliability milestones for its **IQDN-VCSEL™** technology for advanced sensing applications at longer wavelengths (1100-1600 nm) on 150 mm GaAs substrates

Scaling up the business for growth



Strategic Goal

- Expand Group capacity
- Qualify customers in strategic markets
- Enhance management controls, systems and processes to enable mass production

Progress

- The **systems transformation programme** which aims to provide a consistent, agile and scalable platform for business growth has been initiated and is on track
- Taiwan Court determination received on 18th August related to the acquisition of **minority shareholdings** in IQE Taiwan
- **Three new Aixtron G4 tools and three refurbished G3s** ordered for delivery in 2021 to support volume growth for Wireless GaAs in Taiwan in 2022
- **Diversification in infrastructure markets** to be enabled by GaN on Si development programmes and a multi-year strategic partnership with a major semiconductor foundry signed to develop epiwafers for 5G small cells

Expanding Margins and Cashflows



Strategic Goal

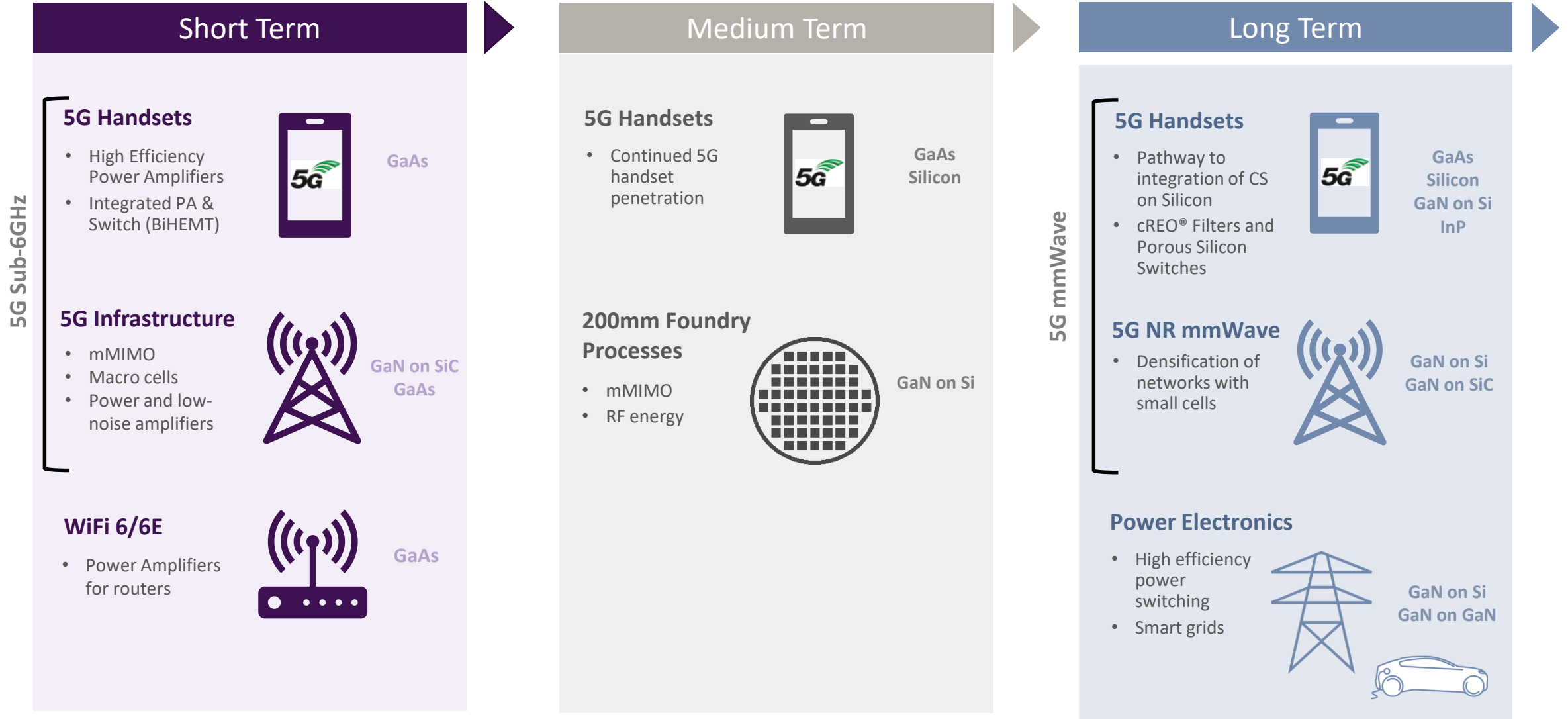
- Superior unit economics from superior yields and economies of scale
- Customer and market diversification
- Intellectual property generation as a materials solutions provider

Progress

- **Closure of IQE's PA site** by 2024 and consolidation of US MBE development and production at the NC site is on track
- ROI of small cell epiwafer development programme enhanced through joint investment

Wireless Roadmap

Technology Evolution



Photonics Roadmap

Technology Evolution



Short Term

3D Sensing Content Gain

- World-facing camera (ToF / Lidar)
- DToF for Android market



Advanced RF and Sensing

- GaN on SiC for comms and radar
- Sb emitters and detectors for advanced infrared applications



Medium Term

BOLED Sensing

- Beneath Screen (Below OLED) 3D Sensing



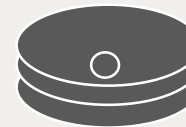
Wearables

- Non-invasive clinical-grade measurement of health bio-markers



Diffusers and Wafer-Level Optics

- Structured light solutions



Long Term

Automotive Sensing/LiDAR

- Development of long-wavelength technology for autonomous vehicles



8-inch VCSEL

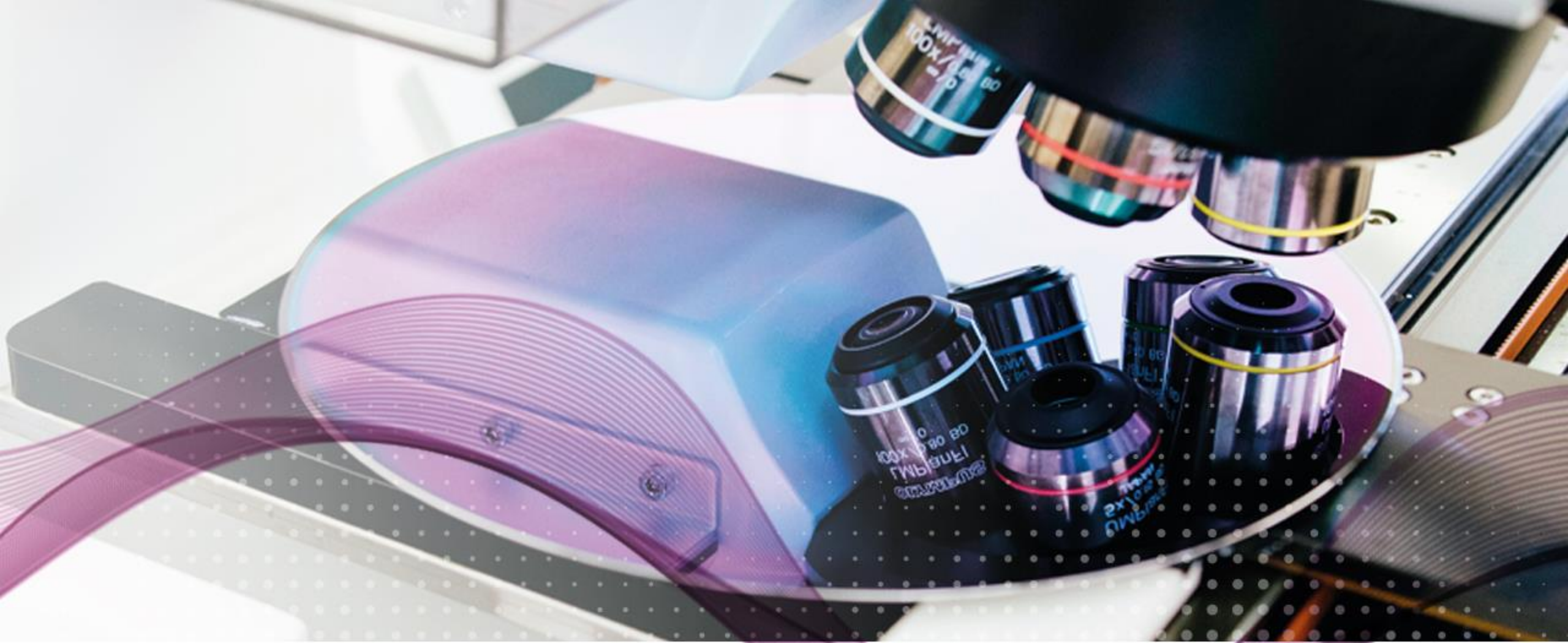
- Patented material system



Wearables

- Display technologies for Augmented Reality



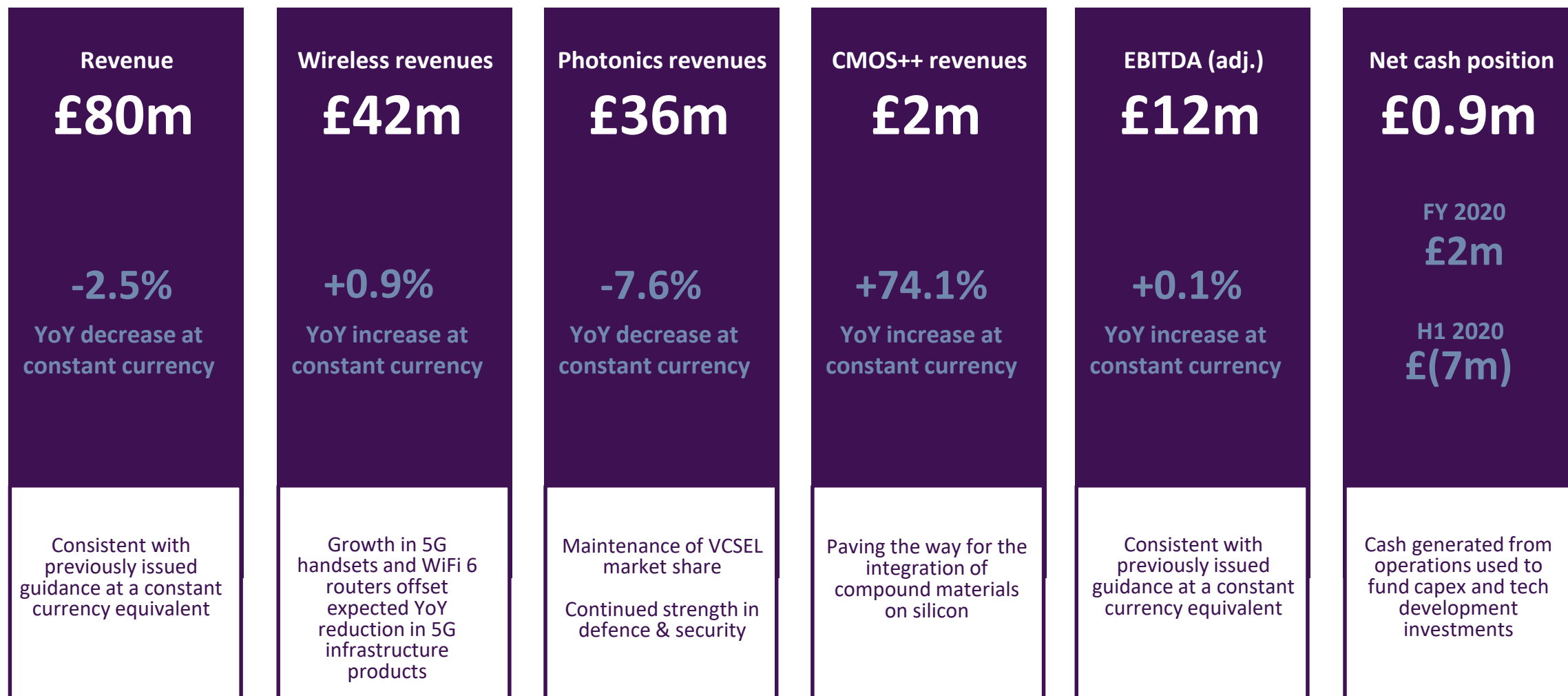


Financial Results

Tim Pullen, CFO

H1 2021 Business Performance

Financial Highlights



Summary Financials



£'million	H1 2021	H1 2020
Revenue	79.5	89.9
Adjusted EBITDA ¹	11.6	16.3
Adjusted operating profit / (loss)	(0.9)	4.3
Reported loss after tax	(2.7)	(5.0)
Cash generated from operations	10.4	15.1
Adjusted cash from operations	9.1	16.2
Capital expenditure ²	6.1	1.1
Net cash / (debt) ³	0.9	(7.4)
Cash and cash equivalents	20.6	17.4
Adjusted fully diluted EPS	(0.21p)	0.28p

1 Adjusted performance measures exclude the impact of certain non-cash items, non-operational items and restructuring costs fully disclosed in the Accounts

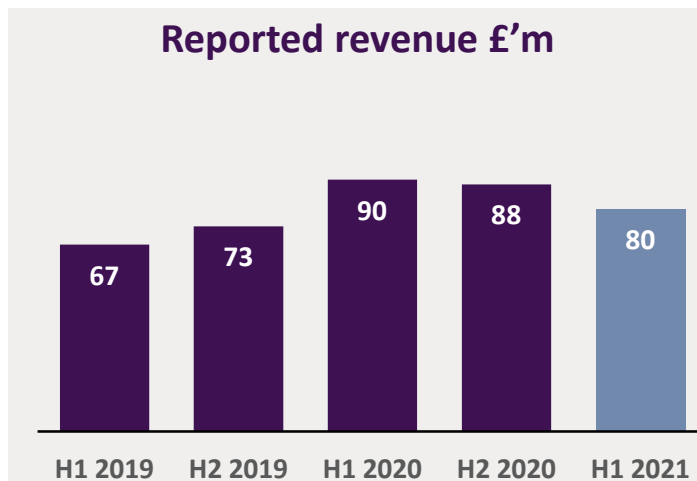
2 Capex stated is Property Plant and Equipment cash capex

3 Net cash / (debt) is defined as borrowings less cash but excluding lease liabilities

Financial Performance



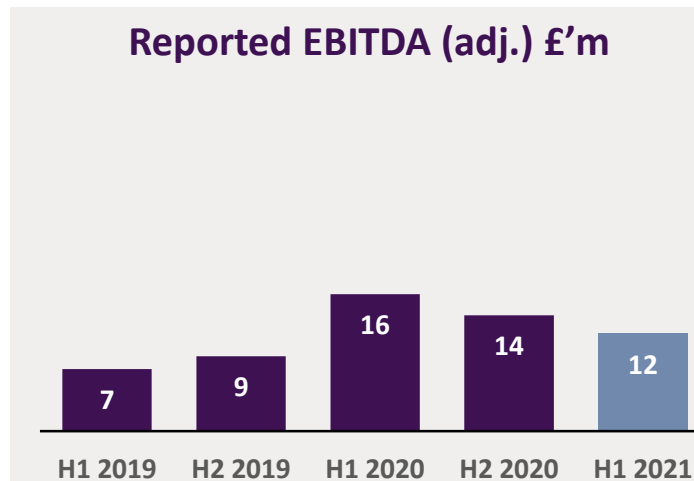
Reported revenue £'m



Sustained YoY USD Revenue Performance

- £79.5m revenue is in line YoY (against a record performance in FY20) at constant currency, in line with guidance
- FX headwind of ~£8.1m
- Strong growth in GaAs power amplifiers for 5G and WiFi 6 offsetting an expected decline in GaN for 5G infrastructure, affected by the nature of global deployments
- The multi-year 5G cycle is still in its infancy and is expected to provide strong future growth

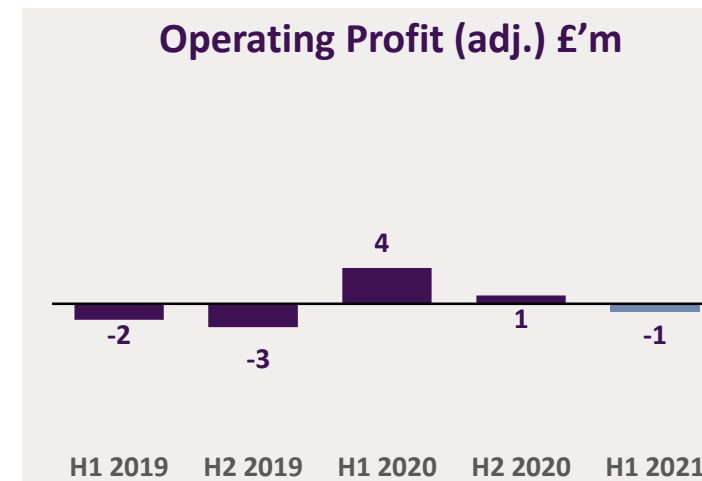
Reported EBITDA (adj.) £'m



Sustained YoY EBITDA at constant currency

- £11.6m Adj EBITDA is in line YoY at constant currency, in line with guidance
- FX headwind of ~£4.7m

Operating Profit (adj.) £'m



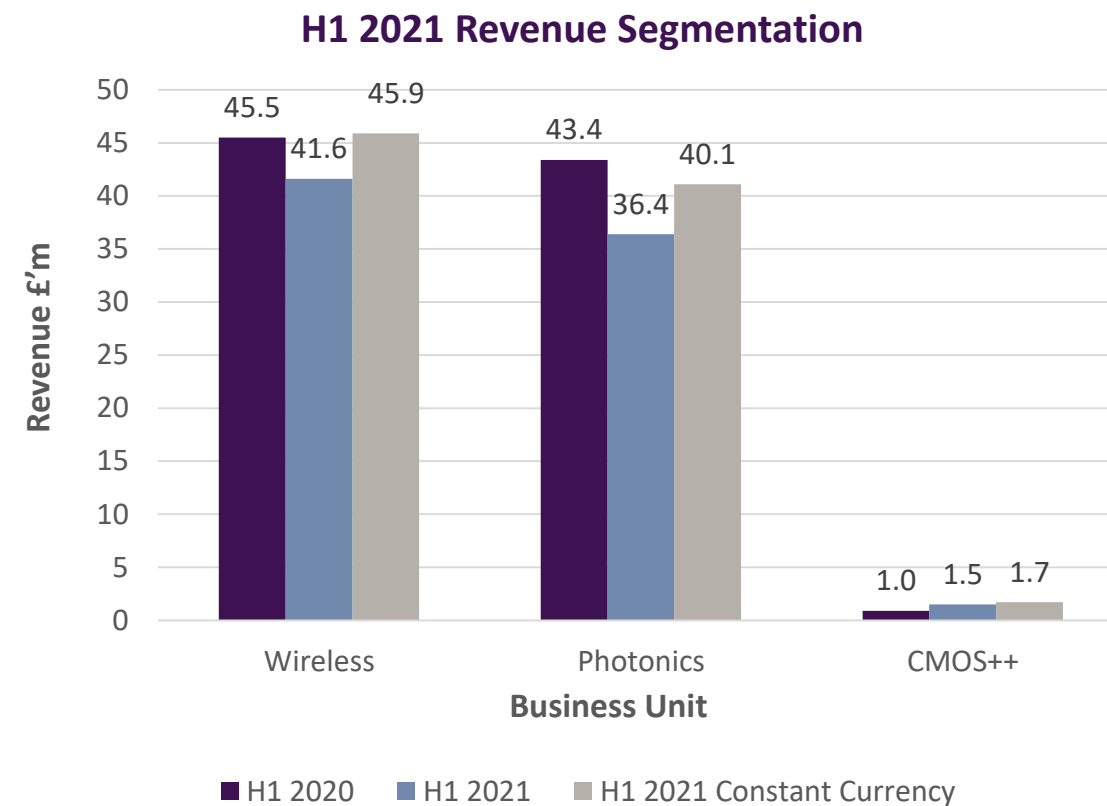
Positive Operating Profit at constant currency

- £(0.9)m adjusted operating loss reflects ~£1.0m YoY decline at constant currency
- FX headwind of ~£4.2m
- YoY constant currency decline principally reflects increased non cash depreciation (~£0.7m) and amortisation (~£0.2m) charges following prior period capital and technology investments

Revenue Segmentation



Revenue segmentation £'m	H1 2021 reported	H1 2021 constant currency	H1 2020 reported	YoY constant currency change (%)
Wireless	41.6	45.9	45.5	0.9
Photonics	36.4	40.1	43.4	(7.6)
CMOS++	1.5	1.7	1.0	74.1
Total revenues	79.5	87.7	89.9	(2.5)

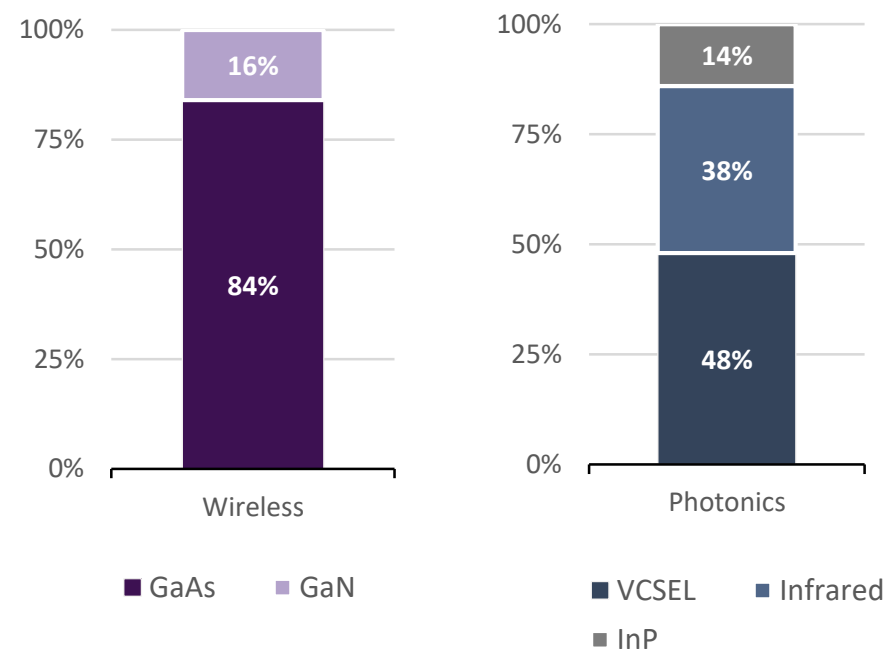


Business Unit Segmentation

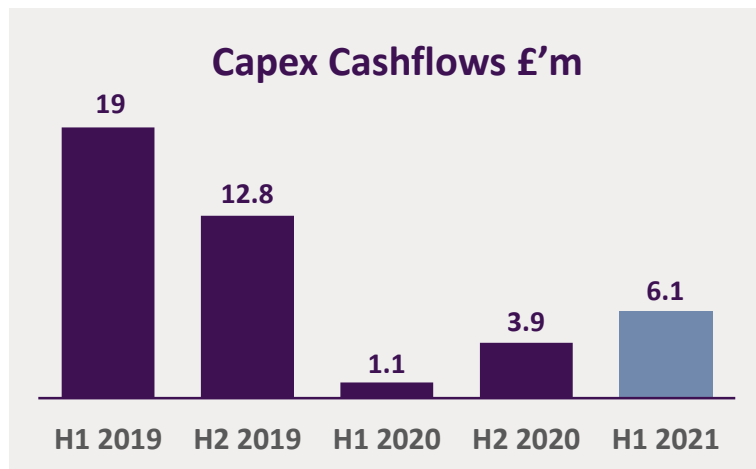


Operating profit segmentation £'m	H1 2021 reported	H1 2021 constant currency	H1 2020 reported	YoY constant currency change (%)
Wireless	3.7	5.8	6.9	(15.4)
Photonics	3.5	5.6	6.1	(7.8)
CMOS++	(0.4)	(0.3)	(0.5)	45.8
Corporate costs	(7.7)	(7.8)	(8.0)	3.4
Total adjusted operating (loss) / profit	(0.9)	3.3	4.3	(23.1)

H1 2021 Business Unit segmentation

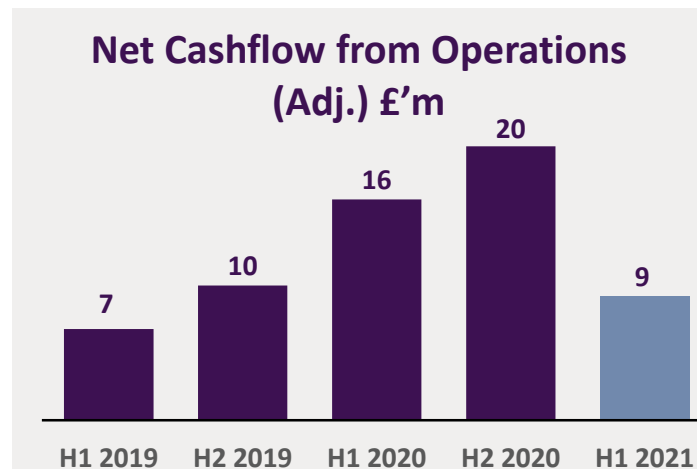


Capex, Cashflow and Net Debt



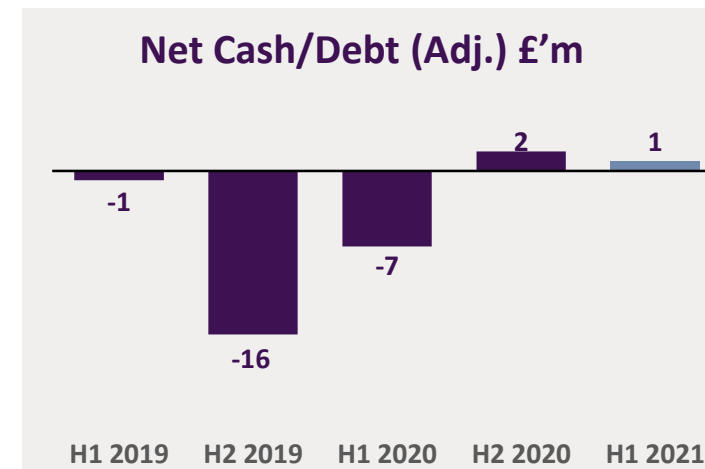
Targeted Investment in Tool Capacity

- £6.1m cash capex including the first payment on three new Aixtron G4 reactors for IQE Taiwan
- 2020 capex was at 'maintenance levels' following the completion of the infrastructure capacity expansion in 2019



Strong Operating Cash Generation

- £9.1m adjusted net cash from operations before exceptional items
- 78% adjusted EBITDA to adjusted operating cash conversion



Balance Sheet Strength

- Maintenance of a net cash positive position
- £0.9m net cash compared to prior YoY net debt of £7.4m
- Over £20m cash and equivalents in addition to undrawn \$35m RCF, providing ample financing headroom for planned tool expansion

Balance Sheet

As at 30 June 2021



£'million	H1 2021	H1 2020
Intangible assets	102.5	114.6
Property, Plant & Equipment	125.1	135.2
Other non-current assets	51.1	46.6
Total current assets	89.3	92.3
Current Liabilities*	(36.4)	(38.0)
Bank Borrowings	(19.7)	(24.8)
Lease Liabilities	(52.6)	(48.1)
Total non-current liabilities	(65.0)	(67.2)
Net Assets	255.9	274.2

* Excludes bank borrowings and lease liabilities highlighted separately

Business Outlook and Guidance



Revenue

Similar to prior year at constant currency

- Continued strength in Wireless GaAs
- Continued weakness in Wireless GaN in Q3 with opportunity for Q4 ahead of return to growth anticipated for FY22
- VCSELs and advanced sensing for defence & security at stable levels
- Possible volume opportunities in Q4 related to the success of handset launches

Adj. EBITDA

Similar to prior year at constant currency

- Cost base consistent with prior year
- Maintenance of contribution margins

PP&E Capex

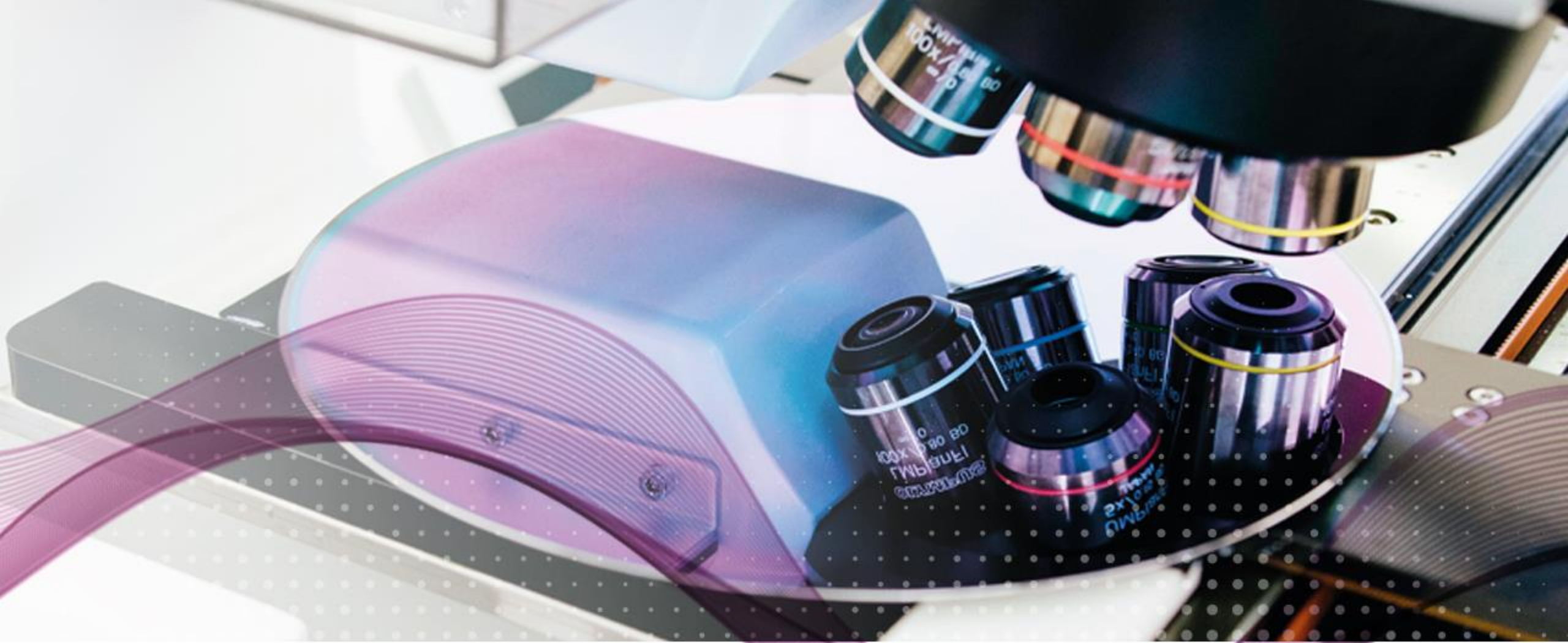
£20-30m

- Reiteration of full year guidance
- Includes purchase or refurbishment of an additional nine tools

Intangible Capitalisation

£5-8m

- Reduction to full year guidance
- Includes IT transformation and technology development



Summary

Phil Smith, Executive Chairman

- Revenue performance in line with management expectations in H1 2021 with strong growth in Wireless GaAs offsetting reductions in Wireless GaN resulting from slower global 5G deployments. Overall this sustains the record revenue performance of H1 2020
- Deployment of 5G technologies will be a multi-year, mega replacement cycle and we are still at the beginning of this cycle
- IQE's product portfolio positions the group to capitalise on this growth and the associated proliferation in sensing technologies that are enabled by this macro trend
- IQE's unrivalled global manufacturing footprint and IP portfolio will enable strong execution as demand for advanced semiconductor materials grows
- Today's leadership transition announcement is the next step in the evolution of IQE and marks the end of a hugely successful era under Dr Drew Nelson, beginning a new chapter for the company