



## Regulated Information

# X-FAB Third Quarter 2019 Results

### Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – October 29<sup>th</sup>, 2019, 5.40 pm CET

#### Highlights for Q3 2019:

- **Revenue was USD 130.5 million, within the guidance of USD 128-135 million, down 14% year-on-year and 1% quarter-on-quarter**
- **Record quarterly revenues achieved in prototype manufacturing as well as in the medical market segment**
- **EBITDA was USD 12.7 million, down 57% year-on-year and up 8% quarter-on-quarter; EBITDA margin of 10%, on the upper end of 4-10% guidance**
- **EBIT was USD -6.1 million, down USD 20.5 million year-on-year and down USD 0.5 million quarter-on-quarter**
- **Net loss was USD 8.2 million, down USD 20.3 million year-on-year and down USD 0.1 million quarter-on-quarter**

#### Outlook:

- **Q4 2019 revenue is expected in the range of USD 111-118 million with an EBITDA margin in the range of 1-7%. Due to the continuing uncertainties in the market, visibility on the fourth quarter remains limited.**
- **Q4 2019 guidance is based on an average exchange rate of 1.12 USD/Euro.**

#### Revenue breakdown per quarter:

in millions of USD	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q3 y-o-y growth
Automotive	68.5	79.3	76.6	59.7	64.1	62.5	60.5	-21%
Industrial	23.2	25.0	23.8	24.3	24.1	23.3	24.4	2%
Medical	4.8	5.6	6.3	7.3	6.8	6.3	8.8	38%
<b>Subtotal core business</b>	<b>96.5</b>	<b>109.8</b>	<b>106.7</b>	<b>91.3</b>	<b>95.0</b>	<b>92.1</b>	<b>93.7</b>	<b>-12%</b>
	<b>67.2%</b>	<b>70.6%</b>	<b>70.5%</b>	<b>66.4%</b>	<b>72.5%</b>	<b>70.0%</b>	<b>71.8%</b>	
CCC <sup>1</sup>	46.5	45.3	44.4	45.9	35.8	39.1	36.7	-17%
Others	0.5	0.3	0.3	0.3	0.2	0.3	0.0	n.m.
<b>Total revenues</b>	<b>143.5</b>	<b>155.5</b>	<b>151.4</b>	<b>137.4</b>	<b>131.0</b>	<b>131.6</b>	<b>130.5</b>	<b>-14%</b>

<sup>1</sup> Consumer, Communications & Computer



## **Business development**

X-FAB's third quarter revenues came in at USD 130.5 million, within the guidance range of USD 128-135 million. Compared to the same quarter last year, revenues declined 14%, quarter-on-quarter they went down slightly by 1%.

Revenues in X-FAB's core business, namely automotive, industrial and medical, came in at USD 93.7 million, a decline of 12% year-on-year, entirely driven by the continuously weak production revenue in automotive. Compared to the previous quarter, core business went up by 2%.

In the third quarter, automotive revenues decreased 21% year-on-year reflecting the ongoing weakness of the automotive market. While production revenues declined 23%, prototyping revenues in the automotive segment recorded an increase of 28% compared to the same quarter last year, with positive implications on the future development of the automotive business.

Revenues in the industrial market went up by 2% year-on-year with flat prototyping revenues and a growth of 3% in production revenues.

In the third quarter, X-FAB's medical business generated record sales with a growth of 38% compared to the same quarter last year. Prototyping revenues went up by 85%, production revenues by 23%. As in the previous quarters, lab-on-a-chip applications remained the strongest growth driver.

Consumer, communications & computer business (CCC) declined 17% year-on-year. While prototyping revenues grew 45% mainly driven by RF applications for the Asian market, CCC production revenues were down 22% due to the declining legacy business manufactured at X-FAB France. This is however in line with the plan. The share of the French site's revenues based on X-FAB technologies was at 14%. While it was down from the previous quarter, on average, it has been otherwise trending up over the past few quarters.

In the third quarter, X-FAB group overall prototyping revenue came in at USD 17.3 million. This is an increase of 23% year-on-year. Excluding the one-off effects caused by an IP sale in previous quarters, prototyping revenues reached an all-time high. They mainly include new contracts adding up to the project pipeline supporting future growth.

Bookings have been weak over the summer months with an uptick in September. In the third quarter, they came in at USD 121.4 million, down 6% year-on-year. Customers remained cautious in placing large orders, whereas the number of clients submitting orders for fast delivery increased over the third quarter, pointing towards lower inventory levels on customer side.



### **Operations update**

All manufacturing sites continued their capacity expansion and optimization projects tailored to increase output and productivity, thereby taking advantage of the currently lower utilization levels.

X-FAB's silicon carbide (SiC) activities progressed well. Revenues in the third quarter came in at USD 6.5 million, almost double the amount of the same quarter last year. Year-on-year, SiC prototyping revenues were flat while production revenues strongly increased by USD 3.2 million. This is due to the customers that have moved into volume production over the past nine months. In the third quarter, X-FAB added three new customers to its SiC customer base, all coming from the Asian region. The preparations for offering in-house epitaxy capabilities are on schedule with first prototypes to be manufactured until the end of 2019. Epitaxy refers to the process of depositing a thin epitaxial layer on a SiC raw wafer, which is a significant value-add step in the overall process of manufacturing silicon carbide semiconductors. X-FAB keeps expanding its SiC technologies and capabilities enabling high-performance products, and the pipeline for new customers and projects remains strong.

Capital expenditures for the third quarter came in at USD 18.6 million, down 20% compared to the same quarter last year. They mainly related to capacity and capability expansion projects, most of them initiated in 2018.

### **Profitability and FX volatility**

Profitability of the third quarter was negatively impacted by a decrease of unfinished and finished goods inventories amounting to USD 5.7 million, after they had increased by USD 2.1 million in the previous quarter. Even though these quarterly fluctuations are part of normal business, they caused the gross profit of the third quarter to go down.

The actual exchange rate for the third quarter of 2019 was 1.11 with a corresponding EBITDA margin of 9.7%. At a constant US-Dollar/Euro exchange rate of 1.16 experienced in the third quarter of last year, the EBITDA margin in Q3 2019 would have been at 8.9%.

In order to limit the impact of US-Dollar/Euro exchange rate fluctuations on profitability and to have a better natural hedging in place, X-FAB continued its efforts to increase the share of Euro-denominated sales. While the target was set to reach 25% by the end of 2019, an even higher level of 27% was already achieved in the third quarter of 2019.

Given the overall market weakness and the low visibility going forward, X-FAB continued its cost-saving initiative. In addition to the ongoing productivity improvement projects and the deferral or reduction of capital expenditures, a set of measures to reduce costs related to staff, travel, electricity and raw materials, initiated earlier this year, has also produced significant savings in the third quarter.



## Management comments & outlook

Commenting on the development of X-FAB's business, Rudi De Winter, CEO of X-FAB Group, said: "The third quarter continued to be impacted by the low demand in the automotive segment that started in Q4 2018 and visibility going forward has not improved. However, we keep seeing many bright spots. Only recently we organized X-FAB's first medical day in France, an event dedicated to all stakeholders in the med tech ecosystem, which generated a lot of interest and positive responses. Our medical revenues have been growing over many years and we support a great variety of different applications. Based on this, we consider ourselves well positioned to successfully develop this business in close collaboration with our customers. I am also very excited about the RF design wins for 5G base stations delivered out of our factory in France. 5G antennas are completely different from previous generation antennas as they include an array of semiconductors for which our RF technologies fit well. Finally, our prototyping revenues continue to develop strongly, which will materialize once the macroeconomic conditions improve and the market recovers."

In the fourth quarter, X-FAB will continue its cost-saving initiative which has been yielding significant savings. The fourth quarter revenue guidance of USD 111-118 million partly results from the fab shutdown periods undertaken in the context of the cost-saving program. This has caused lead times to increase and deliveries to be moved into early next year.

## X-FAB Quarterly Conference Call

X-FAB's third quarter results will be discussed in a live conference call on Tuesday, October 29<sup>th</sup>, 2019 at 6.30 pm CET. The conference call will be in English. Please register in advance of the conference using the following link: <http://emea.directeventreg.com/registration/1294907>

Upon registering, you will be provided with participant dial-in numbers, Direct Event passcode and a unique registrant ID. In the 10 minutes prior to the call, you will need to use the conference access information provided in the email received at the point of registering.

The conference call will be available for replay from October 29<sup>th</sup> 11.30 pm CET until November 5<sup>th</sup> 11.30 pm CET. The replay number will be +44 (0) 3333009785, conference ID 1294907.

The fourth quarter 2019 results will be communicated on February 11<sup>th</sup>, 2020.



## 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  $\mu\text{m}$ , 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 about 4,000 people worldwide.

For more information, please visit [www.xfab.com](http://www.xfab.com).

## X-FAB Press Contact

Uta Steinbrecher  
Investor Relations  
X-FAB Silicon Foundries  
+49-361-427-6489  
[uta.steinbrecher@xfab.com](mailto:uta.steinbrecher@xfab.com)

## 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 2019 unaudited	Quarter ended 30 Sep 2018 unaudited	Quarter ended 30 Jun 2019 unaudited	Nine months ended 30 Sep 2019 unaudited	Nine months ended 30 Sep 2018 unaudited
Revenue	130,462	151,448	131,560	393,027	450,475
Revenues in USD in %	73	82	75	75	82
Revenues in EUR in %	27	18	24	25	18
Cost of sales	-118,960	-119,743	-115,988	-361,425	-363,587
<b>Gross Profit</b>	<b>11,503</b>	<b>31,704</b>	<b>15,571</b>	<b>31,602</b>	<b>86,888</b>
<i>Gross Profit margin in %</i>	8.8	20.9	11.8	8.0	19.3
Research and development expenses	-8,055	-7,280	-8,221	-21,683	-23,406
Selling expenses	-2,013	-1,900	-2,011	-6,016	-6,048
General and administrative expenses	-7,248	-8,299	-7,778	-22,811	-23,702
Rental income and expenses from investment properties	-110	467	-361	-297	1,476
Other income and other expenses	-199	-299	-2,797	-2,775	-1,425
<b>Operating profit</b>	<b>-6,122</b>	<b>14,393</b>	<b>-5,596</b>	<b>-21,980</b>	<b>33,783</b>
Finance income	3,145	2,803	3,405	10,106	17,318
Finance costs	-3,851	-4,750	-4,964	-11,437	-23,840
<b>Net financial result</b>	<b>-706</b>	<b>-1,947</b>	<b>-1,559</b>	<b>-1,331</b>	<b>-6,522</b>
<b>Profit before tax</b>	<b>-6,828</b>	<b>12,446</b>	<b>-7,155</b>	<b>-23,311</b>	<b>27,261</b>
Income tax	-1,361	-372	-926	-3,323	-153
<b>Profit for the period</b>	<b>-8,189</b>	<b>12,074</b>	<b>-8,081</b>	<b>-26,634</b>	<b>27,107</b>
Operating profit (EBIT)	-6,122	14,393	-5,596	-21,980	33,783
Depreciation	18,807	15,292	17,365	52,956	44,705
<b>EBITDA</b>	<b>12,685</b>	<b>29,685</b>	<b>11,769</b>	<b>30,976</b>	<b>78,488</b>
<i>EBITDA margin in %</i>	9.7	19.6	8.9	7.9	17.4
<b>Earnings per share at the end of period</b>	<b>-0.06</b>	<b>0.09</b>	<b>-0.06</b>	<b>-0.20</b>	<b>0.21</b>
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	1.11236	1.16271	1.12324	1.12398	1.19548

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	Nine months ended 30 Sep 2019 unaudited	Nine months ended 30 Sep 2018 unaudited	Year ended 31 Dec 2018 audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	369,115	328,130	345,626
Investment properties	9,231	8,822	9,415
Intangible assets	8,355	8,470	9,023
Non-current investments	741	515	381
Other non-current assets	29,327	16,715	20,594
Deferred tax assets	34,397	35,953	34,234
<b>Total non-current assets</b>	<b>451,166</b>	<b>398,605</b>	<b>419,272</b>
<b>Current assets</b>			
Inventories	153,026	131,139	147,150
Trade and other receivables	63,670	68,832	71,378
Other assets	23,475	19,802	26,699
Cash and cash equivalents	189,250	287,998	242,768
<b>Total current assets</b>	<b>429,421</b>	<b>507,771</b>	<b>487,995</b>
<b>TOTAL ASSETS</b>	<b>880,587</b>	<b>906,377</b>	<b>907,268</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-112,183	-79,726	-84,782
Cumulative translation adjustment	-496	-451	-539
Treasury shares	-770	-770	-770
<b>Total equity attributable to equity holders of the parent</b>	<b>668,005</b>	<b>700,508</b>	<b>695,363</b>
Non-controlling interests	377	363	364
<b>Total equity</b>	<b>668,382</b>	<b>700,871</b>	<b>695,726</b>
<b>Non-current liabilities</b>			
Non-current loans and borrowings	93,381	80,624	72,328
Other non-current liabilities and provisions	7,435	8,232	7,446
<b>Total non-current liabilities</b>	<b>100,816</b>	<b>88,856</b>	<b>79,774</b>
<b>Current liabilities</b>			
Trade payables	25,929	22,751	45,889
Current loans and borrowings	30,651	34,702	31,632
Other current liabilities and provisions	54,809	59,198	54,246
<b>Total current liabilities</b>	<b>111,389</b>	<b>116,650</b>	<b>131,767</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>880,587</b>	<b>906,377</b>	<b>907,268</b>



## Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Sep 2019 unaudited	Quarter ended 30 Sep 2018 unaudited	Quarter ended 30 Jun 2019 unaudited	Nine months ended 30 Sep 2019 unaudited	Nine months ended 30 Sep 2018 unaudited
<b>Income before taxes</b>	<b>-6,828</b>	<b>12,446</b>	<b>-7,155</b>	<b>-23,311</b>	<b>27,261</b>
<b>Reconciliation of net income to cash flow arising from operating activities:</b>	<b>19,154</b>	<b>16,894</b>	<b>19,807</b>	<b>52,794</b>	<b>48,791</b>
Depreciation and amortization, before effect of grants and subsidies	18,807	15,292	17,365	52,956	44,705
Recognized investment grants and subsidies netted with depreciation and amortization	-712	-784	-742	-2,199	-2,423
Interest income and expenses (net)	382	112	424	1,224	765
Loss/(gain) on the sale of plant, property, and equipment (net)	0	58	6	6	729
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	-35	212	-182	-360	3,418
Other non-cash transactions (net)	713	2,004	2,936	1,167	1,596
<b>Changes in working capital:</b>	<b>3,510</b>	<b>-3,087</b>	<b>-16,965</b>	<b>-21,399</b>	<b>-17,326</b>
Decrease/(increase) of trade receivables	-763	11,874	-4,666	7,978	12,736
Decrease/(increase) of other receivables & prepaid expenses	-1,848	-862	-5,010	-12,940	-1,026
Decrease/(increase) of inventories	4,933	-12,197	-6,679	-5,875	-25,293
(Decrease)/increase of trade payables	2,480	-3,394	-3,387	-8,383	-10,449
(Decrease)/increase of other liabilities	-1,293	1,492	2,777	-2,178	6,706
<b>Income taxes (paid)/received</b>	<b>-157</b>	<b>-162</b>	<b>-417</b>	<b>-667</b>	<b>-310</b>
<b>Cash Flow from operating activities</b>	<b>15,679</b>	<b>26,091</b>	<b>-4,730</b>	<b>7,417</b>	<b>58,416</b>
<b>Cash Flow from investing activities:</b>					
Payments for property, plant, equipment & intangible assets	-18,600	-23,278	-20,942	-63,356	-61,775
Payments for investments	0	0	-175	-350	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-63	-29	-60	-223	-156
Proceeds from loan investments related parties	44	46	40	177	142
Proceeds from sale of property, plant, and equipment	0	10	40	40	27
Interest received	672	840	624	1,959	2,253
<b>Cash Flow used in investing activities</b>	<b>-17,947</b>	<b>-22,411</b>	<b>-20,473</b>	<b>-61,753</b>	<b>-59,509</b>

Continues on next page





## Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Sep 2019 unaudited	Quarter ended 30 Sep 2018 unaudited	Quarter ended 30 Jun 2019 unaudited	Nine months ended 30 Sep 2019 unaudited	Nine months ended 30 Sep 2018 unaudited
<b>Cash Flow from (used in) financing activities:</b>					
Proceeds from loans and borrowings	24,706	0	0	24,706	0
Repayment of loans and borrowings	-7,329	-8,675	-7,083	-21,913	-25,237
Receipts from sale & leaseback arrangements	1,181	0	0	1,181	0
Payments of lease installments	-1,311	-629	-2,156	-4,086	-1,943
Receipt of government grants and subsidies	6,300	0	0	6,300	357
Interest paid	-383	-544	-401	-1,194	-1,677
Gross proceeds from capital increase	0	0	0	0	0
Direct cost related to capital increase	0	0	0	0	0
Payment of preference dividend	0	0	0	0	0
Distribution to non-controlling interests	0	0	0	-11	-12
<b>Cash Flow from (used in) financing activities</b>	<b>23,162</b>	<b>-9,848</b>	<b>-9,641</b>	<b>4,983</b>	<b>-28,512</b>
Effect of changes in foreign currency exchange rates on cash	-2,877	-1,178	-1,200	-4,165	-1,632
Increase/(decrease) of cash and cash equivalents	20,895	-6,169	-34,844	-49,353	-29,606
Cash and cash equivalents at the beginning of the period	171,232	295,345	207,276	242,768	319,235
<b>Cash and cash equivalents at the end of the period</b>	<b>189,250</b>	<b>287,998</b>	<b>171,232</b>	<b>189,250</b>	<b>287,998</b>

###