



H1 2022 Results

6 September 2022

IQE plc



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Welcome

Americo Lemos, CEO



Our strategic priorities

- 1.**
Place customers at the centre of everything we do
- 2.**
Take a markets and products based approach
- 3.**
Maintain our technology innovation leadership
- 4.**
Capture greater value through long term and strategic agreements
- 5.**
Scale while optimising our global footprint

Progress against our strategic priorities

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Place customers at the centre of everything we do
- 2.**
Take a markets and products based approach
- 3.**
Maintain our technology innovation leadership
- 4.**
Capture greater value through long term and strategic agreements
- 5.**
Scale while optimising our global footprint

3X increase in customer engagement

Progress against our strategic priorities

1.

Place customers at the centre of everything we do

2.

Take a markets and products based approach

3.

Maintain our technology innovation leadership

4.

Capture greater value through long term and strategic agreements

5.

Scale while optimising our global footprint

MicroLED

LiDAR for Automotive

Progress against our strategic priorities

1.

Place customers at the centre of everything we do

2.

Take a markets and products based approach

3.

Maintain our technology innovation leadership

World's first 200mm VCSEL

4.

Capture greater value through long term and strategic agreements

5.

Scale while optimising our global footprint

Progress against our strategic priorities

1.

Place customers at the centre of everything we do

2.

Take a markets and products based approach

3.

Maintain our technology innovation leadership

4.

Capture greater value through long term and strategic agreements

Strategic partnership agreement with Lumentum

5.

Scale while optimising our global footprint

Progress against our strategic priorities

1.

Place customers at the centre of everything we do

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Take a markets and products based approach

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Maintain our technology innovation leadership

4.

Capture greater value through long term and strategic agreements

5.

Scale while optimising our global footprint

Singapore facility closed and site optimisation on track



H1 2022 Financial Performance

Tim Pullen, CFO



Financial highlights

	Reported	Adjusted	Adjusted at constant currency	Comments
Revenue	£86.2m	£86.2m	£80.7m	Up 1% year-on-year on a constant currency basis
EBITDA	£9.7m	£12.3m	£11.6m	Flat EBITDA on a constant currency basis
LBIT	(£7.4m)	(£1.4m)	(£1.7m)	One off exceptional items of £6.0m (including £4.5m non-cash)
Operating cashflow	£6.2m	£8.3m		

Summary financials

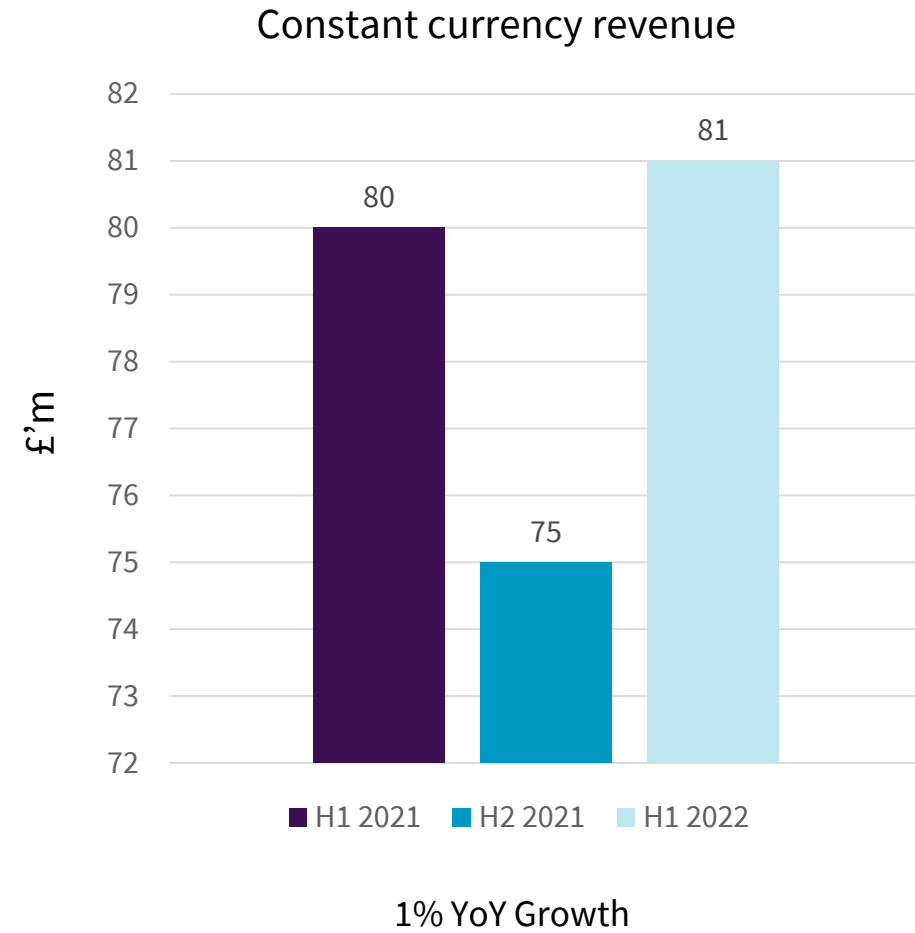
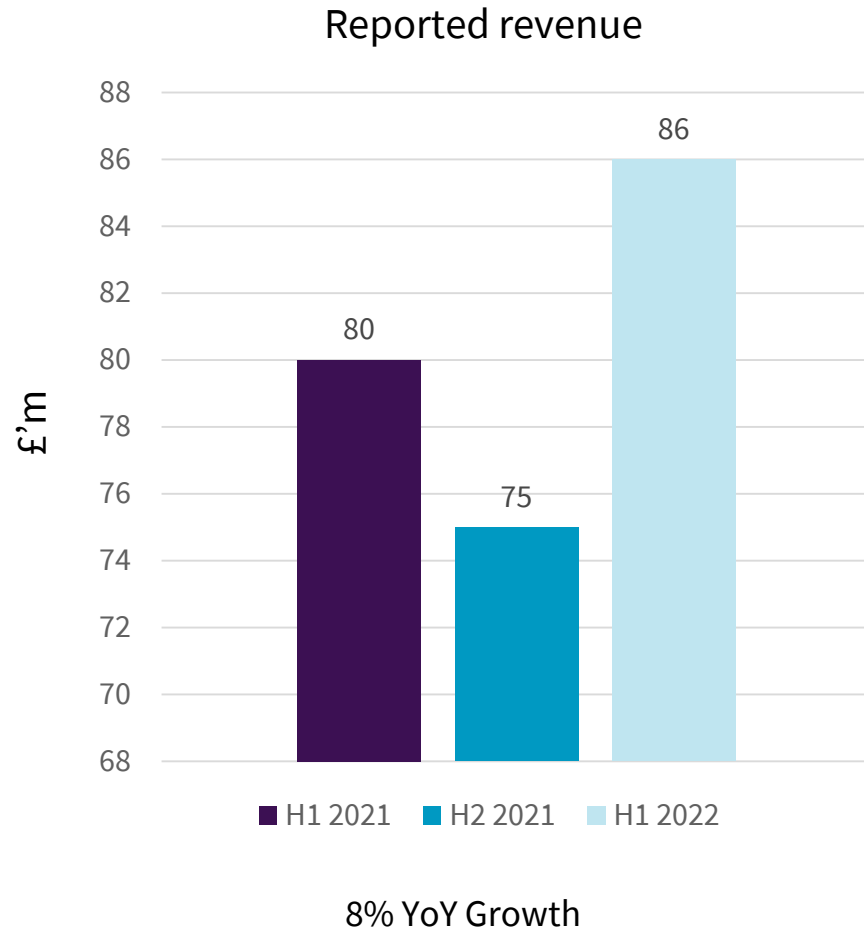
£'million	H1 2022	H1 2021
Revenue	86.2	79.5
Adjusted EBITDA ¹	12.3	11.6
Adjusted operating loss	(1.4)	(0.9)
Reported operating loss	(7.4)	(1.9)
Reported loss after tax	(8.3)	(2.7)
Adjusted Net Cashflow from Operations	8.3	9.1
Reported Net Cashflow from Operations	6.2	10.4
Capital expenditure ²	3.8	6.1
Net cash / (debt) ³	(6.7)	0.9
Cash and cash equivalents	15.4	20.6
Diluted LPS	(1.03p)	(0.34p)
Diluted LPS – adjusted	(0.36p)	(0.21p)

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 and fair value gains/losses on derivative instruments

Revenue evolution

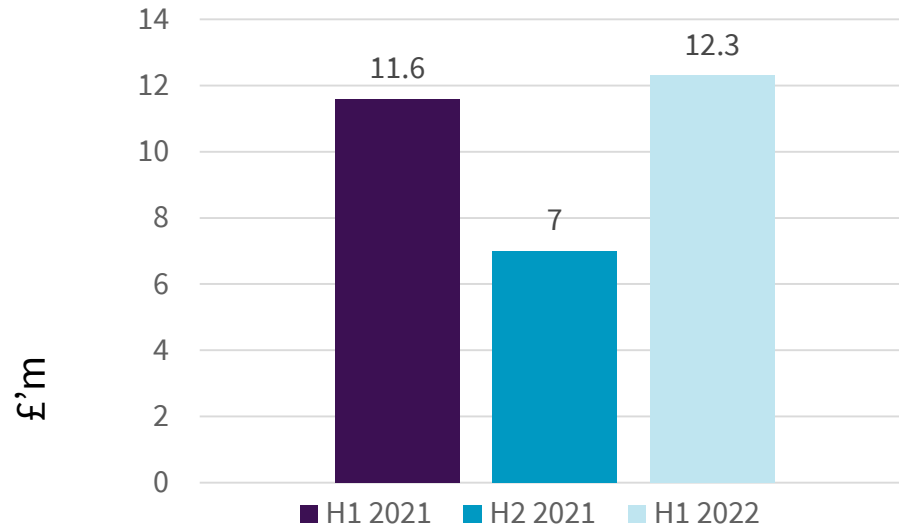


Revenue segmentation (USD constant currency)

	USD million	H1 2022	H1 2021	Change (%) at constant currency
Wireless revenue				
GaN		15.0	9.6	+56%
GaAs		45.6	48.5	-6%
Total Wireless		60.6	58.1	4%
Photonics revenue				
VCSEL		22.2	22.0	+0%
Infrared		14.9	19.3	-23%
InP and Other		12.9	9.0	+43%
Total Photonics		50.0	50.3	-1%
CMOS++ revenue				
Total CMOS++		1.4	2.1	-33%

Profitability

Adjusted EBITDA¹ of £12.3m



Adjusted EBITDA¹

- 6% YoY growth in Reported Adjusted EBITDA
- H1 EBITDA margin of 14% in line with prior year

Adjusted operating loss of £1.4m after the following exceptional items²

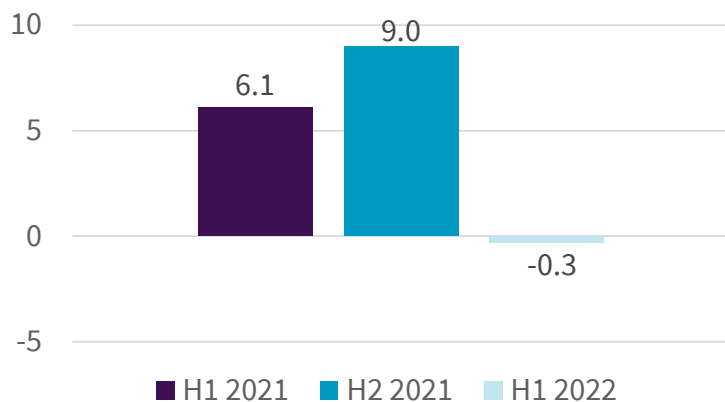
£'million	H1 2022 (£m)	H1 2021 (£m)	Notes
Share based payments	(1.1)	(0.8)	
Chief Executive Officer recruitment	(0.2)	-	Share award and cash costs
Restructuring	(1.3)	(0.2)	Closure of the Singapore site and the announced closure of Pennsylvania site
Impairment of intangibles	(3.4)	-	Previously disclosed decision to discontinue the development and commercialisation of DFB laser technology
Profit on disposal of PPE	0.0	-	£4.1m cash sale of certain PPE items as part of the closure of the Singapore site

¹ Adjusted performance measures exclude the impact of certain non-cash items, non-operational items and significant infrequent items that would distort period on period comparability disclosed in the accounts

² The adjusted items above figures are pre-tax

Capex, Cashflow and Net Debt

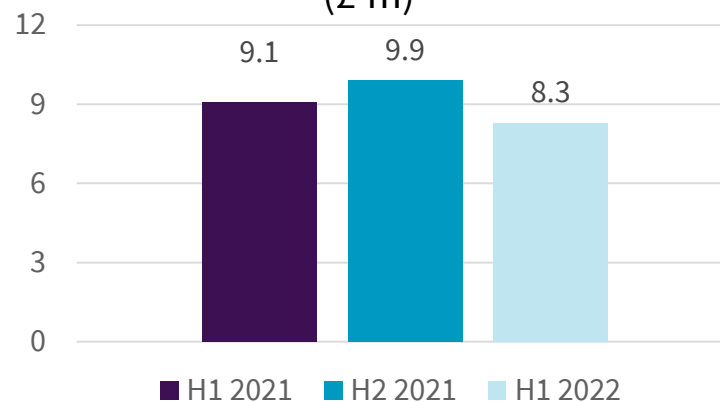
Net capex cashflows (£'m)



Reduced PP&E Capex

- £3.8m cash capex primarily relates to the previously reported investment in reactor capacity in Taiwan to for Wireless GaAs epiwafer production
- Proceeds of £4.1m from the disposal of assets related to Singapore site closure

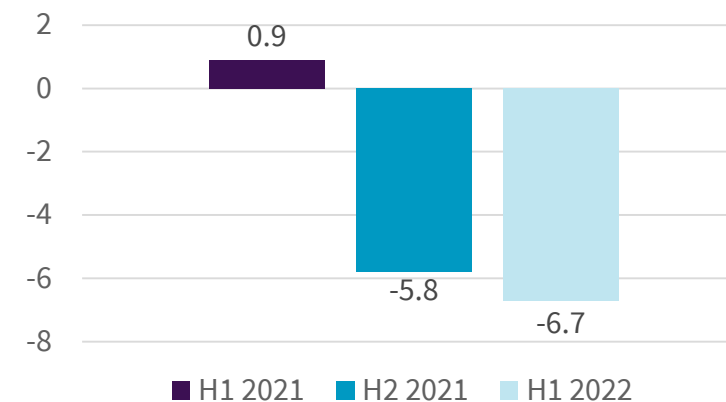
Net cashflow from operations (adj.) (£'m)



Continued operating cash generation

- Consistent levels of operating cash generation

Net cash/debt (adj.) (£'m)



Net Debt of £7m

Continued investment in strategic priorities including:

- Targeted capex for reactor investments
- Market-led innovation and R&D programmes
- Systems and process transformation for scalability
- Cash costs associated with the global footprint optimisation programme

Balance Sheet

As at 30 June 2022

£'million	H1 2022	H1 2021
Intangible assets	99.6	102.5
Property, plant & equipment	127.0	125.1
Right of use assets	43.4	42.5
Deferred tax assets	-	8.5
Total current assets	103.3	89.3
Current liabilities*	(50.4)	(36.4)
Bank borrowings due within 1 year	(14.9)	(6.2)
Lease liabilities due within 1 year	(5.3)	(4.4)
Total non-current liabilities*	(2.8)	(3.3)
Bank borrowings due after 1 year	(7.2)	(13.5)
Lease liabilities due after 1 year	(48.4)	(48.2)
Net Assets	244.3	255.9

* Excludes bank borrowings and lease liabilities highlighted separately

2022 Full Year Outlook

- FY 2022 revenue guidance reiterated: Low single digit % growth (at constant currency)
 - Strong Photonics sales offsetting softness in Wireless markets in H2
 - Trading remains resilient to macro-economic and supply chain risks
- A similar adjusted EBITDA margin % to 2021 (at constant currency) is anticipated
- Full year PP&E capex in the range of £10-15m range and c.£8m of capitalised intangibles relating to development costs and systems transformation, as previously guided



Looking ahead

Americo Lemos, CEO



Focusing on growth

Power

Sense

Connect

Display

Smart Consumer
Devices



Communication
Infrastructure



Intelligent
Transportation



Expand roadmap into new
markets & customers

Develop new technology
& materials

Innovative commercial
models



Capital Markets Day 2022

Wednesday 9th November 2022
London



Thank you



Please forward questions to investors@iqep.com