



Full Year 2021 Results

29 March 2022

IQE plc



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Welcome

Americo Lemos, CEO



Americo Lemos: Global industry experience

Background:

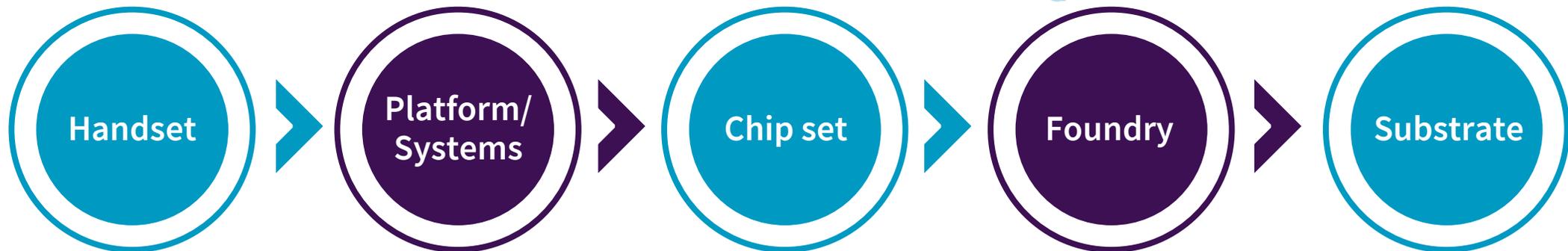
- Joined IQE in January 2022
- Previously at GlobalFoundries
- Formerly at Qualcomm, Intel, Texas Instruments



Experience working in key global markets



Experience within all parts of the technology ecosystem



Initial perspectives on IQE's value proposition

1. Drive technology innovation
2. Supply chain diversification
3. Supply security and resilience
4. Delivery at scale



FY 2021 Business Performance

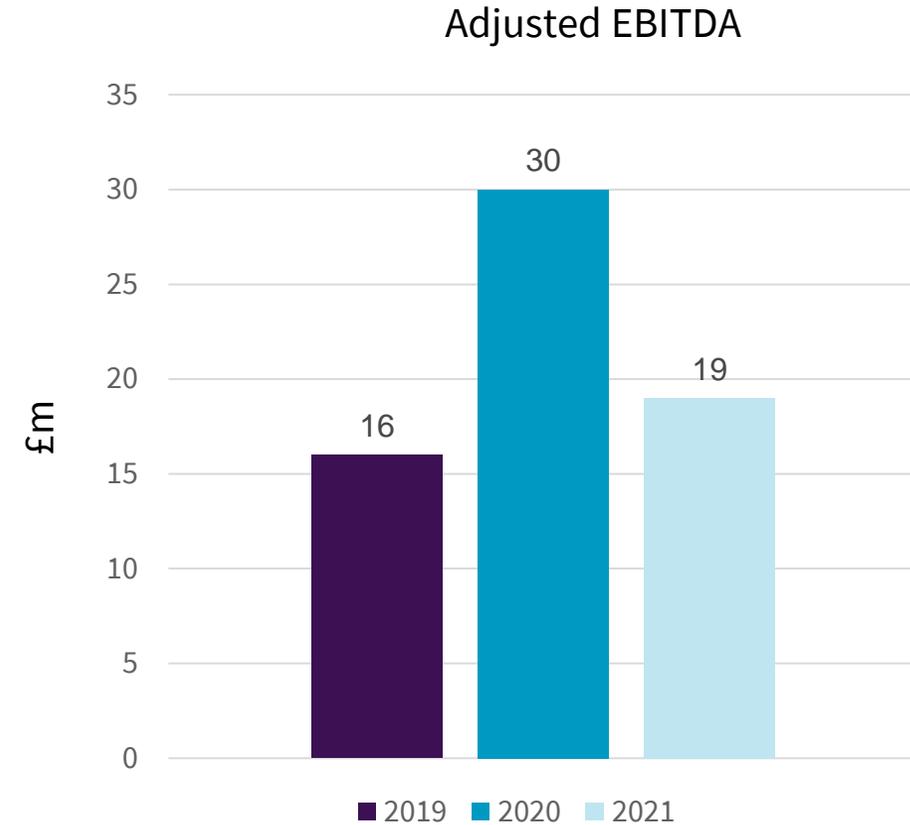
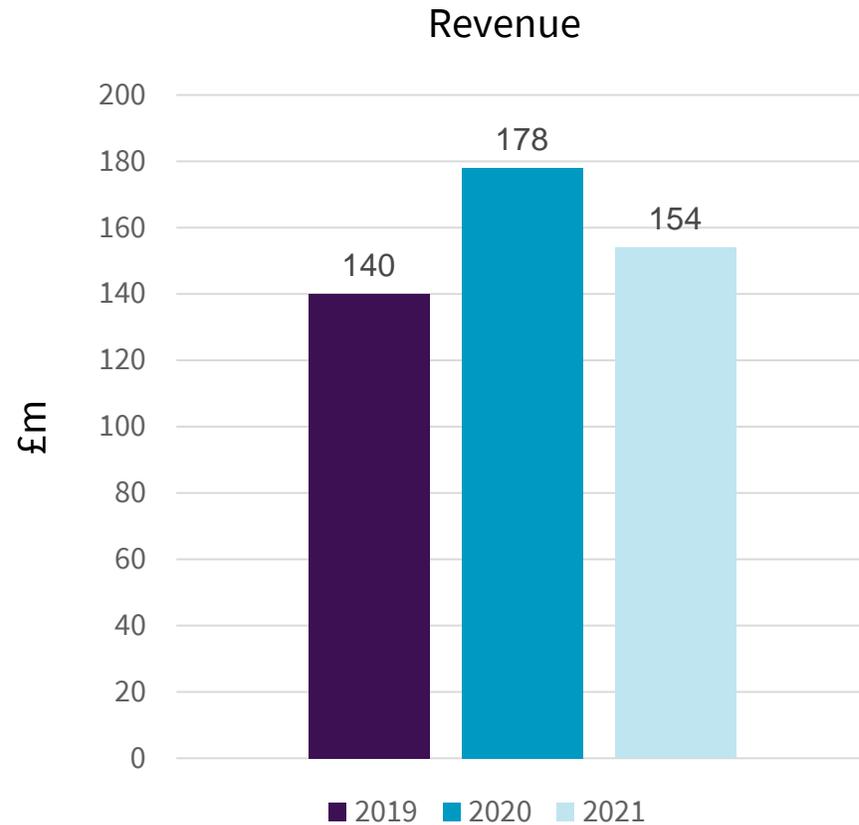
Tim Pullen, CFO



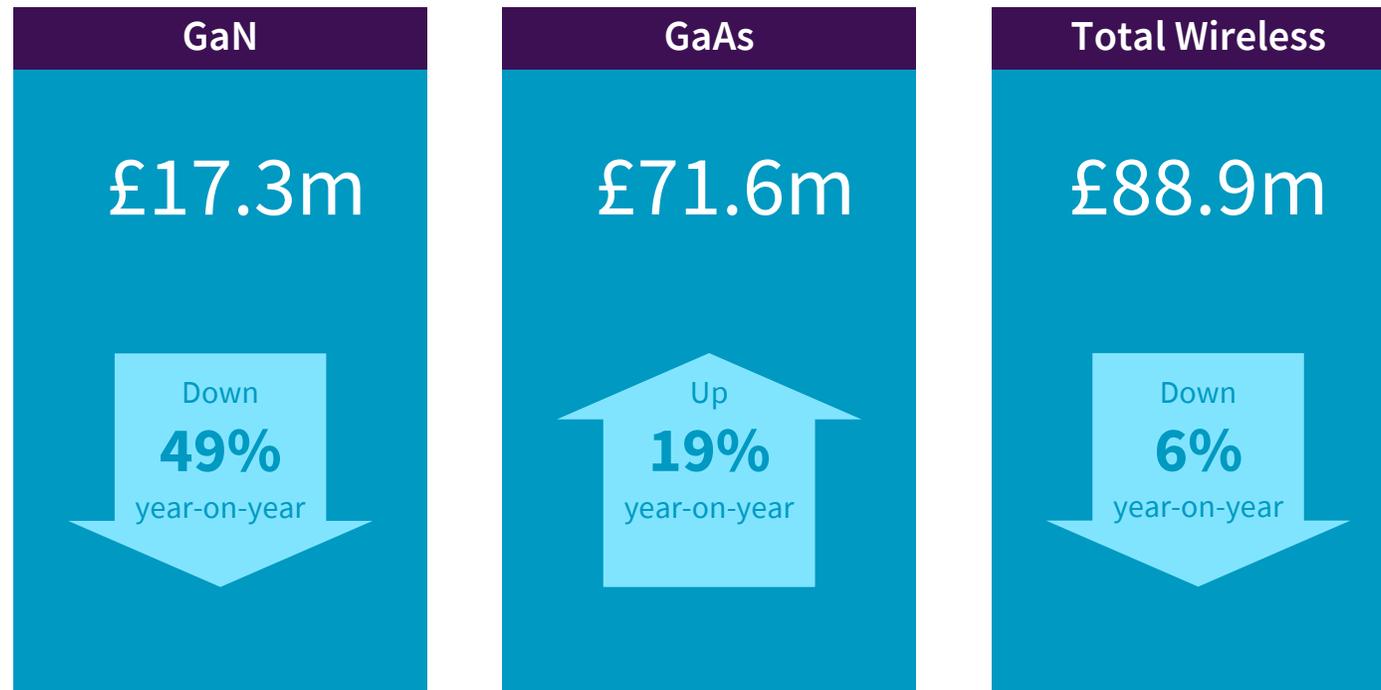
Financial highlights

	Reported	Adjusted	Adjusted at constant currency	Comments
Revenue	£154.1m	£154.1m	£165m	Down 7% year-on-year on a constant currency basis
EBITDA	£12.6m	£18.7m	£25.0m	12% Adj. EBITDA margin on a constant currency basis
EBIT	£(20.0)m	£(6.5)m	£(0.7)m	One off exceptional items of £13.5m (including £9.1m non-cash)
Operating cashflow	£18.9m	£17.9m	N/A	96% Adjusted EBITDA to Adjusted operating cashflow conversion

Financial performance



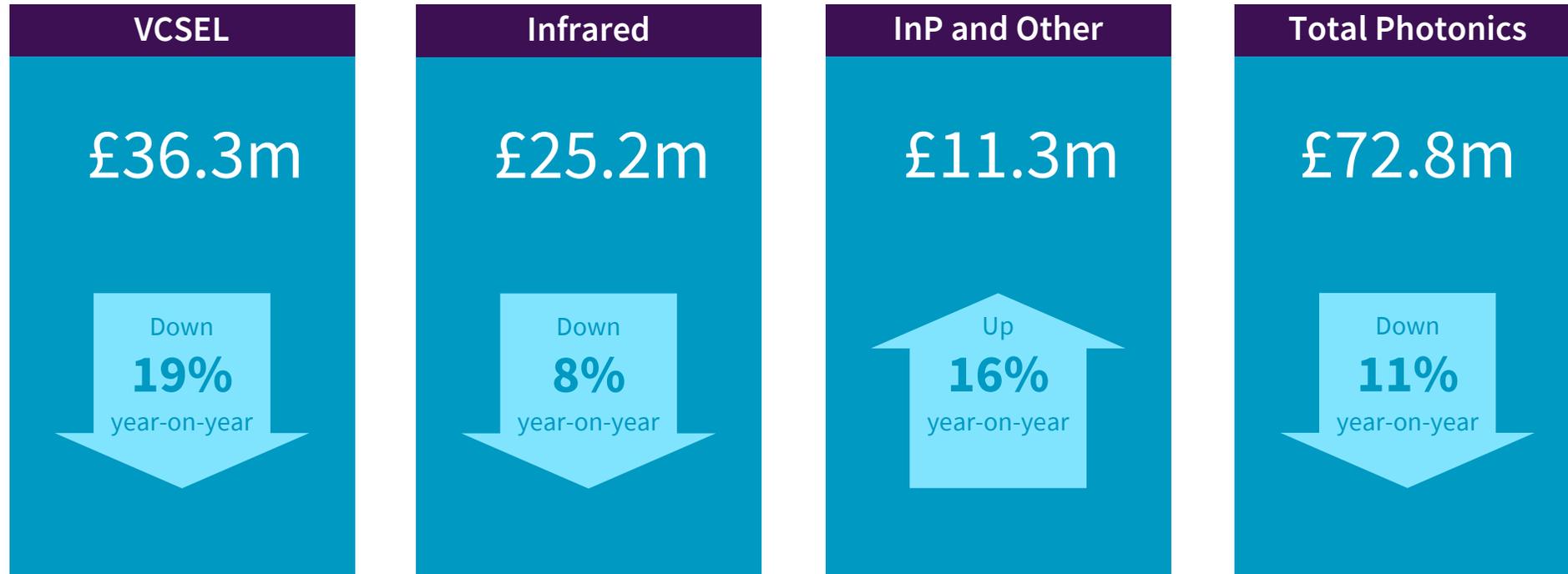
Wireless revenue (constant currency)



- Slowdown in Mobile Network Operator 5G mMIMO deployments, particularly in Asia

- 5G handset penetration
- Wi-Fi 6/6E

Photonics revenue (constant currency)



- Stable content and market share

- Continued strong market share

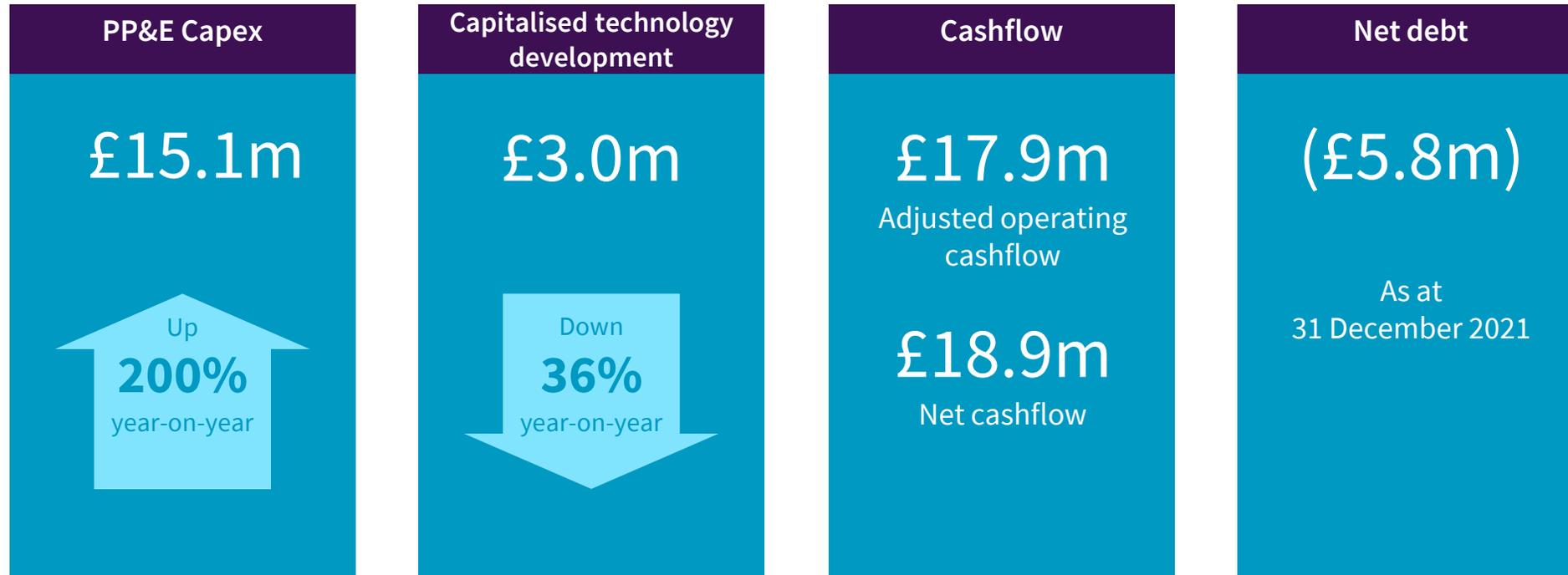
- Strength in datacom and telecom markets
- New growth areas of sensing

CMOS++ revenue (constant currency)



- Integration of compound semiconductors on silicon
- GaN on Si technology development for RF and display (LED) applications

Capex, Cashflow and Net Debt

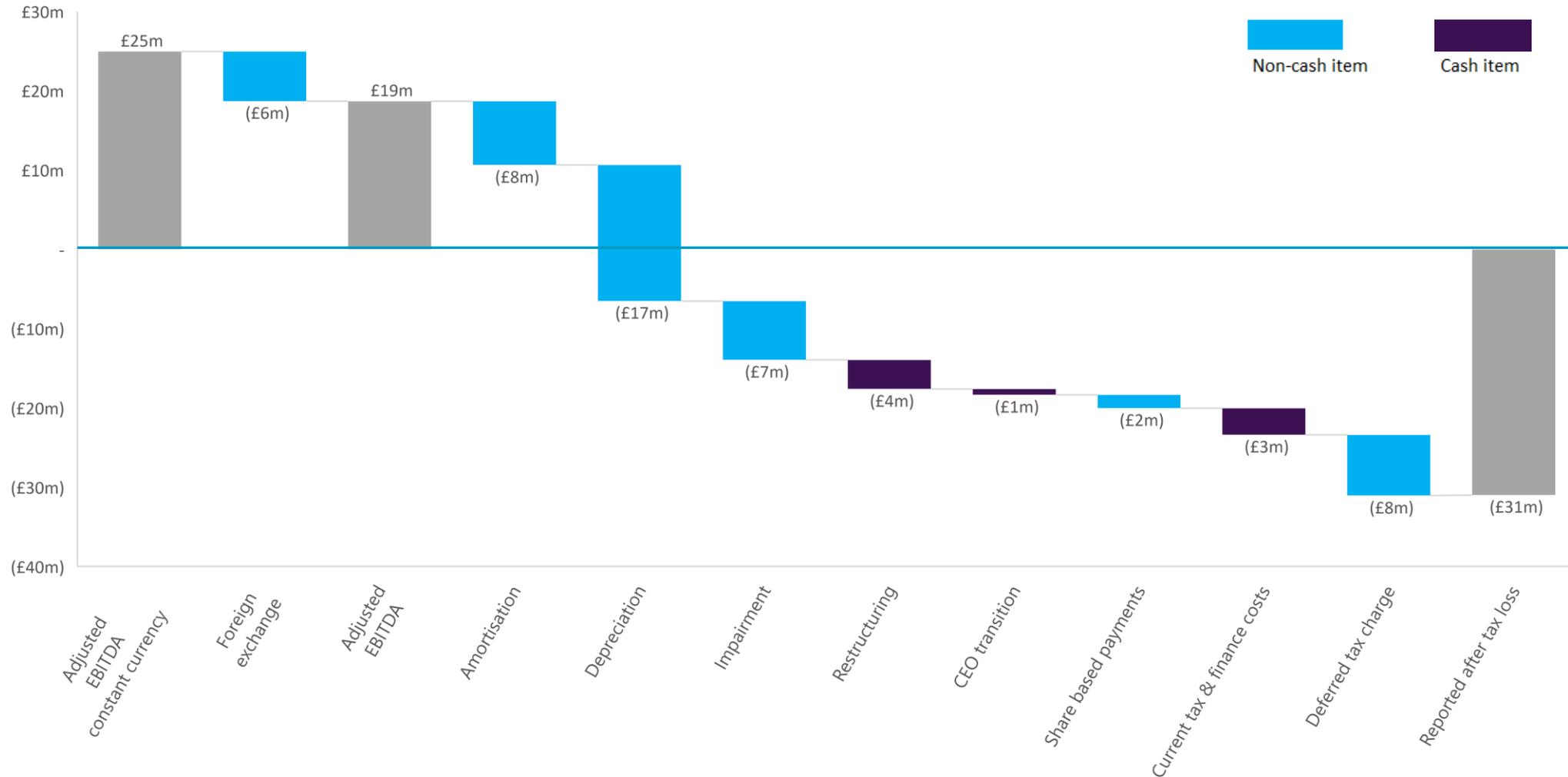


- Capacity expansion in Taiwan for GaAs Wireless and development of Asia 5G small cell products

- Continued investment in leading edge CS technologies
- Focus on long-wavelength VCSEL and healthcare sensing

- Credit facility with HSBC renewed in December 2021

EBITDA bridge



2021 Strategic progress

Investing in the future of compound semis

- 200mm wafer development
- 5G small cells
- Long-wavelength VCSEL
- Healthcare sensing

Scaling up the business for growth

- Taiwan tool expansion
- Industry leading systems deployment
- Multiple long-term strategic collaboration agreements

Expanding Margins and Cashflows

- Closure of IQE Singapore complete by mid-2022
- Closure of IQE Pennsylvania complete in 2024

2022 outlook and guidance

The Group will focus on building a platform for growth to deliver further progress in 2023 and beyond.

Revenue

Low single digit growth at constant currency, weighted in H2

Adjusted EBITDA margin %

Similar to 2021 at constant currency

Capex

£10-15m of PPE capex

Intangible capex

£6-8m relating to development costs and IT transformation



Looking forward

Americo Lemos, CEO



Doing business in the new normal

New geopolitical paradigm



Supply chains are de-coupling

Rapid shift to digital world



Coalescing digital economy

Pace of innovation accelerating



In a post Moore's Law reality

Multiplication of megatrends



Supply at scale is now critical

Mega trends: Incredible opportunities for IQE

Intelligent & connected devices



Intelligent transportation



AI at The Edge



Metaverse



Our growth markets

Power

Sense

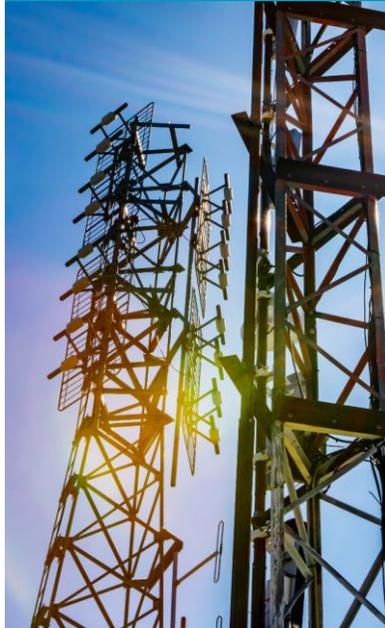
Connect

Display

Smart Consumer
Devices



Communication
Infrastructure



Automotive

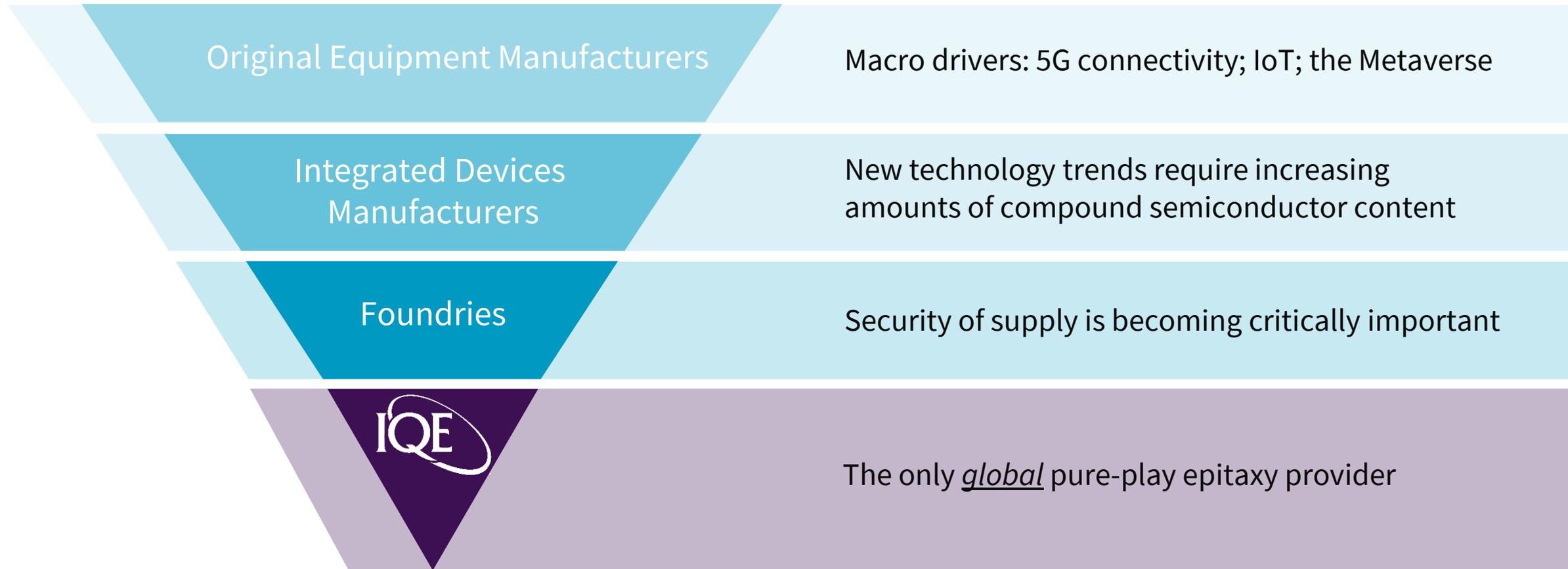


Expand roadmap into new
markets & customers

Develop new
technology & materials

Innovative commercial
models

Strategically positioned in the ecosystem



Looking forward – Our strategic priorities

1. Place customers at the centre of everything we do
2. Take a markets/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

What to expect from IQE

2022

- Upgrade our commercial engine
- Increase visibility through forming longer term agreements with existing customers
- Diversify our customer base by establishing long term and strategic agreements with new customers

2023

- Scale the business
- Accelerate growth
- Develop the volume/profitability dynamic

Stay tuned for our Capital Markets Day in H2 2022

Looking ahead to an exciting growth opportunity

- Our technology roadmap drives value creation
- Demand for our technology expands as key megatrends drive growth
- Focus on key markets and customers drives long term revenues

Expanding our markets

Diversifying our customer base

Creating value for our shareholders



Thank you



Please forward questions to investors@iqep.com

IQE plc – FY 2021 Results Presentation – 29 March 2022



Appendix

Financial Summaries

Summary Financials

£'million	FY 2021	FY 2020
Revenues	154.1	178.0
Adjusted EBITDA ¹	18.7	30.1
Adjusted operating profit / (loss)	(6.5)	5.4
Reported operating profit / (loss)	(20.0)	(5.5)
Reported PAT	(31.0)	(2.9)
Net Cashflow from Operations (Adjusted)	17.9	36.3
Net Cashflow from Operations (Reported)	18.9	35.5
Capital expenditure ²	(15.1)	(5.0)
Net cash / (debt) ³	(5.8)	1.9
Cash and cash equivalents	10.8	24.7
Diluted EPS	(3.87p)	(0.41p)
Diluted EPS – adjusted	(2.41p)	0.29p

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

Balance Sheet

As at 31 December 2021

£'million	FY 2021	FY 2020
Intangible assets	95.9	105.8
Property, plant & equipment	129.7	126.2
Right of use assets	44.3	37.3
Deferred tax assets	-	7.8
Total current assets	81.4	94.1
Current liabilities*	(42.1)	(37.5)
Bank borrowings due within 1 year	(6.2)	(6.2)
Lease liabilities due within 1 year	(4.7)	(4.8)
Total non-current liabilities*	(3.6)	(3.6)
Bank borrowings due after 1 year	(10.4)	(16.5)
Lease liabilities due after 1 year	(49.7)	(42.2)
Net Assets	234.6	260.4

* Excludes bank borrowings and lease liabilities highlighted separately

Adjusted to Reported Loss Reconciliation

£'million	FY 2021 (£m)	Notes
Adjusted operating loss	(6.5m)	
Share based payments	(1.7m)	This charge relates to share based payments recorded in accordance with IFRS 2 'Share based payment' of which £1,127,000 (2020: £177,000) has been classified within cost of sales in gross profit and £564,000 (2020: £88,000) has been classified as selling, general and administrative expenses in operating profit. £46,000 cash has been defrayed in the year (2020: £nil) in respect of employer social security contributions following the exercise of unapproved employee share options.
Chief Executive Officer recruitment	(0.7m)	This charge includes settlement costs and legal fees associated with the transition of the former Chief Executive Officer to a non-executive role and external recruitment fees.
Restructuring	(3.7m)	This charge relates to restructuring costs relating to the announced closure of the Group's manufacturing facilities in Pennsylvania, USA and Singapore.
Impairment - intangibles	(7.4m)	The non-cash charge of £7,411,000 (2020: £6,537,000) relates to the impairment of certain technology development costs and intellectual property patent assets. The Group has taken the decision to pause development related activities in relation to cREO™ filter technology and Photonic Quasi Crystal technology given the current lack of visibility over the timeline to commercialisation of each of the technologies.
Reported operating loss	(20.0m)	
Reported loss after tax	(31.0m)	