Half-Year 2023 Results

Marc von Waldkirch, CEO
Matthias Gantner, CFO

23 August 2023

SENSIRION

Please note that this event will be recorded.

Agenda

Marc von Waldkirch
CEO

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Business review

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Matthias Gantner
CFO

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Marc von Waldkirch
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HY 2023 overview

Business

- Weak end customer demand in H1/2023, mainly in appliance and consumer markets.
- Revenue reduction caused on general slowdown in global economy, in combination with pandemic related over-consumption in the past 2 years and de-stocking effects. Due to excellent supply capabilities in the past, we have no backlog to benefit from.
- No business or projects have been lost to competition.
- At the same time, we have continued with the targeted expansion of our R&D capacities to enable important product launches in new applications in 2024 and 2025 and thus also strengthen our medium-term growth.

Financials

Revenue CHF	123.2m, -25.2% (-22.8% organic, -2.4% FX)
Gross margin	56.3%
EBITDA margin	8.7%
Operating cash flow	CHF -1.9m, free cash flow CHF -19.5m

Outlook

- Short term visibility will remain low due to geopolitical and macro-economic challenges.
- Medium and long-term outlook remains positive
  - Unchanged tailwinds from global megatrends such as energy efficiency, climate change and health.
  - New product family of gas leakage sensors developed for the upcoming regulatory changes in the US HVAC market look promising. First customer ramp ups expected for end of 2024.
- We confirm our medium-term sales growth target of 10%–15% per year based on the ongoing implementation of our growth strategy as well as good progress of important R&D projects.

Assuming unchanged foreign currency exchange rates, we expect for FY 2023

Revenue	CHF 235m to 255m	-27% to -21% (-19% to -13%)*
Gross margin	mid fifties %	
EBITDA margin	5-10% depending on the topline development	

*core business without one-off special effects

Automotive HY 2023 Business Review

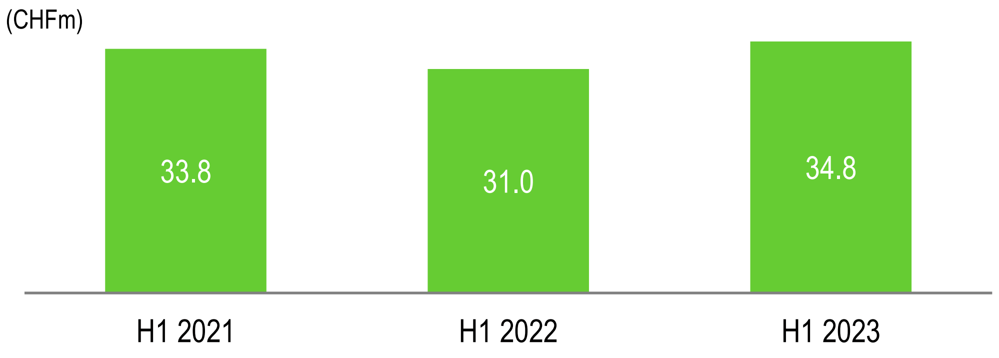
Main results

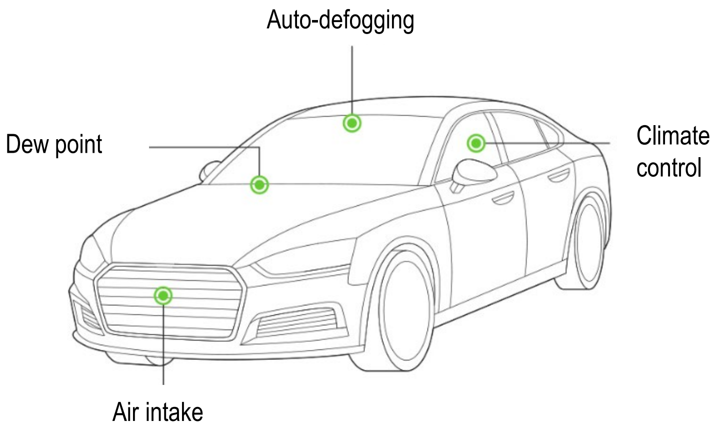
HY 2023 revenue increased by **12%** HoH to CHF **34.8m**

Resilient revenue development in the automotive sector which was in contrast to the economic downturn in other markets

Growth was mainly achieved through Tier-1 module business with European OEMs

Revenue development





Medical HY 2023 Business Review

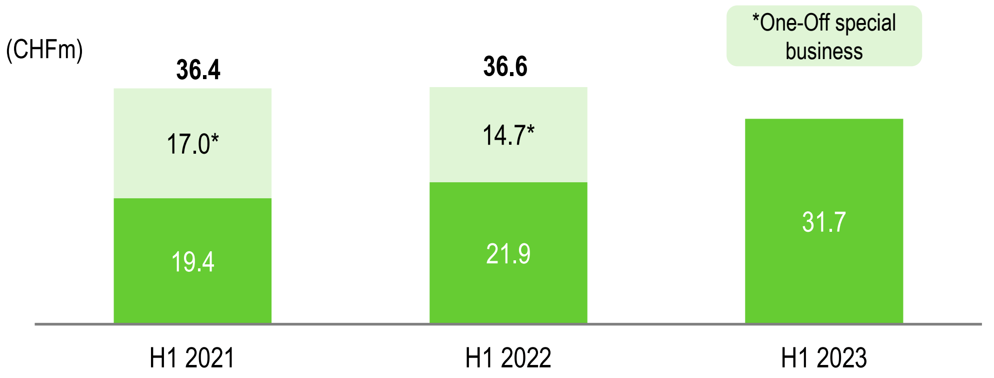
Main results

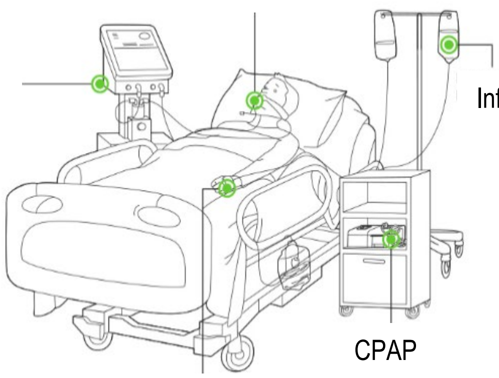
HY 2023 revenue decreased by -13% HoH to CHF 31.7m

Adjusted for last year's one-time effect through the CPAP recall, the core business showed substantial growth (+44.7%)

Growth was mainly fueled by increased demand from China. Further we expect some stock piling within those growth figures

Revenue development





Industrial HY 2023 business review

Main results

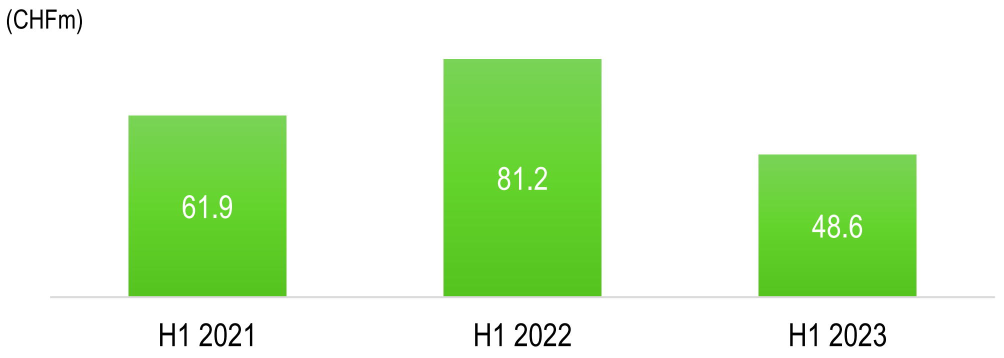
HY 2023 revenue decreased by **-40%** HoH to **CHF 48.6m**

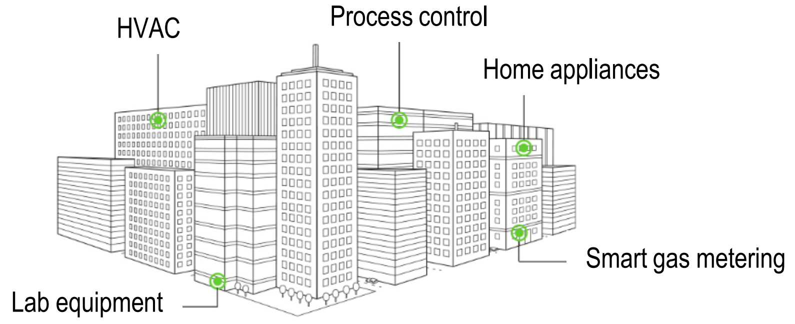
Reduced demand mainly from the appliance sector that benefitted the past 2 years over-proportionally from growing awareness for clean indoor air. (partially Covid driven)

Additionally, slow-downs amplified by continued high inventories that are only slowly declining.

No customers or projects have been lost. Design-in projects at customers for new businesses are on track and we continue to invest to capture upside potential.

Revenue development





Consumer HY 2023 business review

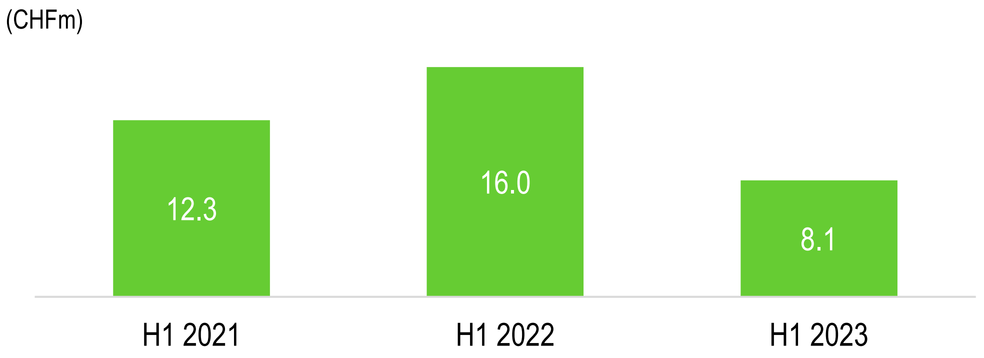
Main results

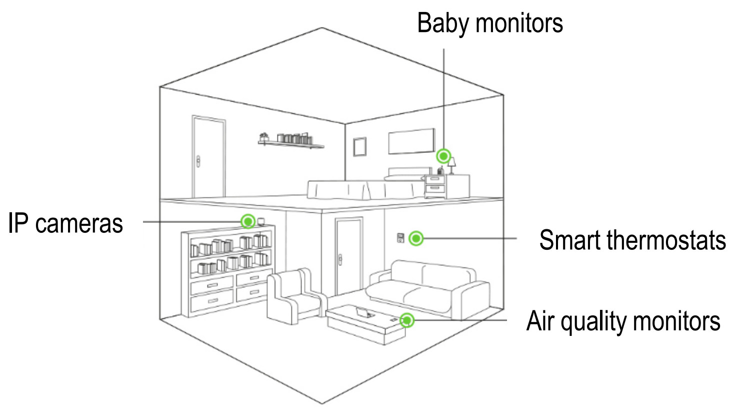
HY 2023 revenue decreased by **-49%** HoH to **CHF 8.1m**

Inflation and difficult market circumstances have negative impact on end customer sentiment. High stock levels lead to significantly reduced demand in this highly fragmented market.

Just like in the Industrial market, we did not lose any projects or customers to competition.

Revenue development





Medium- and long-term outlook remains positive

Strong supportive megatrends such as energy efficiency, climate change and health, which are accelerating the increased use of sensors in numerous applications.

Mid-term:
Miniaturized versions of environmental sensors in development

Mid-term:
New product family of gas leakage sensors for air conditioners

Long-term:
Complementary business area for "sensor as a service"

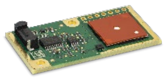
Carbon dioxide

 →  → 

Particulate matter

 → 

Formaldehyde

 → 

Gas leakage sensor for ACs

Methane leakage detection

Condition monitoring

Strategic achievements HY 2023

Strategic focuses

Focus 3:
Develop technologies for long-term growth

Focus 2:
Become market leader for the entire environmental market

Focus 1:
Drive market and cost leadership in our core markets of RHT and flow

Fundamentals:
"SensiSpirit": unique culture of innovation and entrepreneurship

Strategic achievements

- Promising new product family of gas leakage sensors for air conditioners in the US market to be launched end of 2024
- Main focus remains on building up a complementary business area where the focus is on qualified sensor data rather than sensor hardware for OEM suppliers ("Sensor as a service")

- Successful progress in our internal R&D projects for miniaturized versions of all environmental sensor families.
- Successful public announcement of our second generation PM2.5 combo module with innovative laser detector technology entirely developed in-house.
- Positioning within European Automotive OEMs as Tier 1 supplier for their environmental sensor needs is progressing as expected.

- Strategic expansion of our own stock levels to overcome potential supply chain disruptions.
- Market adaption of our 4th and latest humidity component is in full swing.
- Strategic partnership with our former competitor STMicroelectronics. In the future, STMicro-electronics will integrate and offer our humidity sensors on their boards. We will benefit from another important sales channel.

- We celebrated '25 Years Sensirion' at our HQ in Stäfa with colleagues, friends and family.
- Once again, we were awarded by the organization "Great place to work" as one of the best employers in Switzerland as well as in our sites in Germany, Hungary and the Netherlands

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HY 2023 overview

Key financials

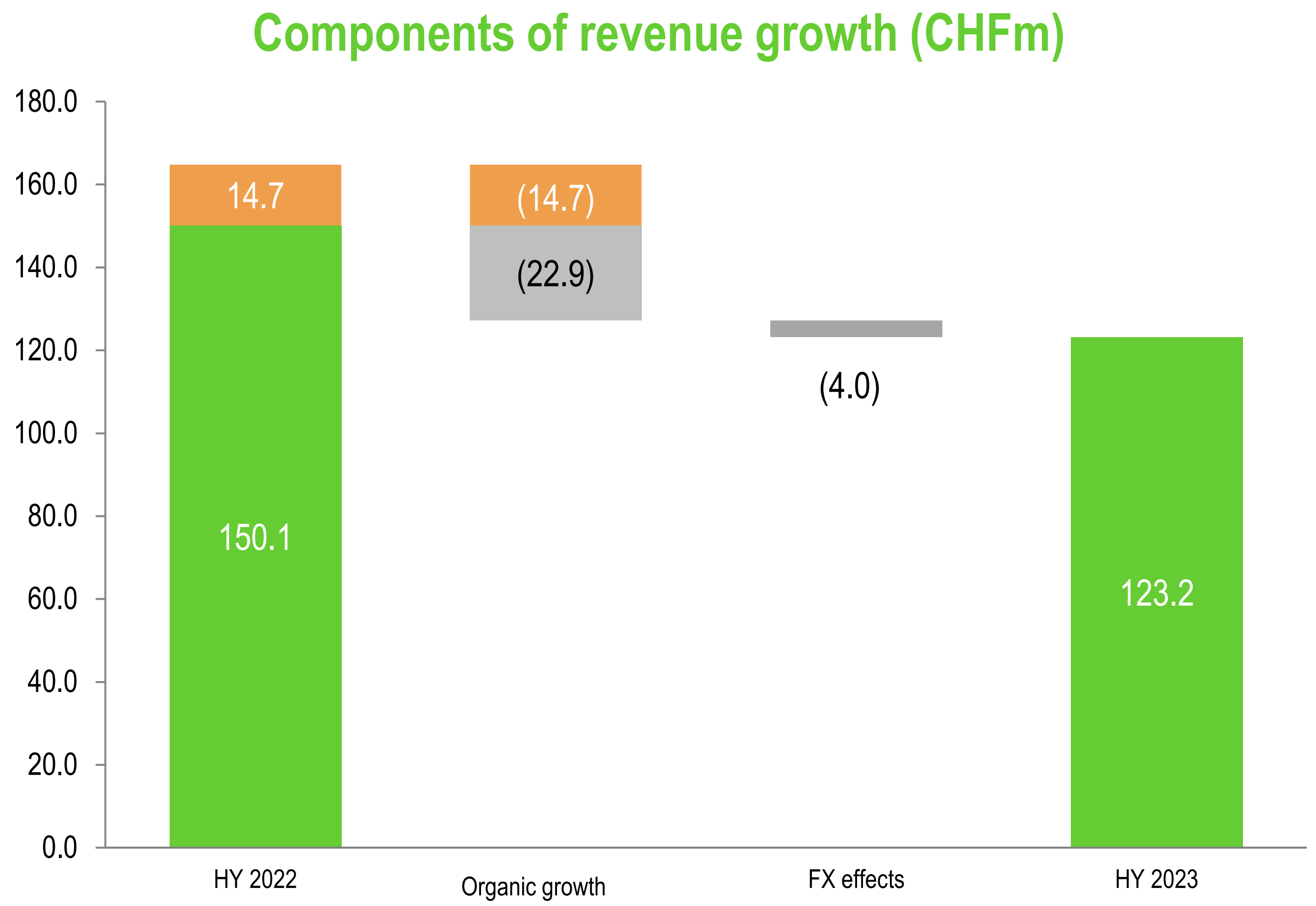
Revenue
CHF 123.2m
-25.2% YoY
(-22.8% organic,
-2.4% FX effects)

EBITDA margin
8.7%

Gross margin
56.3%

Operating cash flow
CHF -1.9m,
free cash flow
CHF -19.5m

Revenue development from H1 2022 to H1 2023



Revenue H1 2023

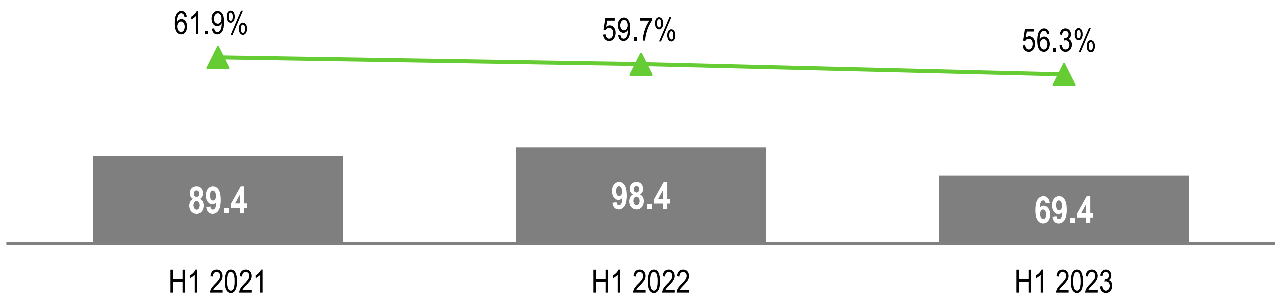
- -25 % YoY organic growth, eliminating one-time business in H1 2022 –18%. Market wide reduced demand in volumes.

Foreign currency exchange effects

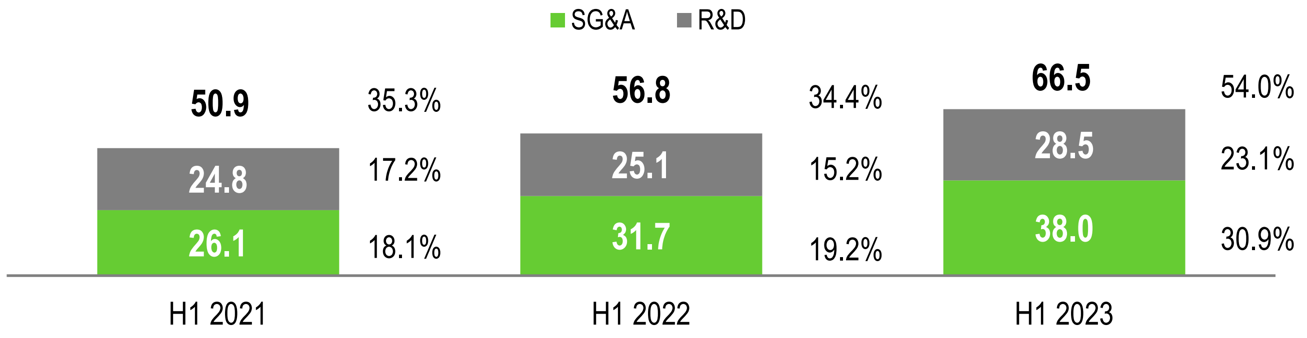
- Strong CHF causes FX/losses from sales portions in particularly USD, but also EUR, JPY and KRW.

Gross margin and opex development

Gross profit and gross margin (CHFm / % of revenue)



R&D and SG&A expenses (CHFm / % of revenue)



Gross profit and margin H1 2023

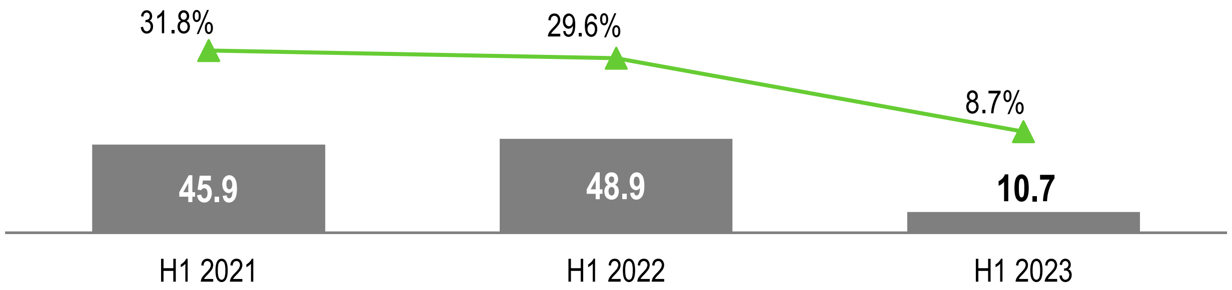
- Adaption of variable cost (temporary, leased staff)
- High portion of fixed cost in cost of goods sold due to high automatization in operations limits downscaling in downturn periods.

R&D, SG&A expenses H1 2023

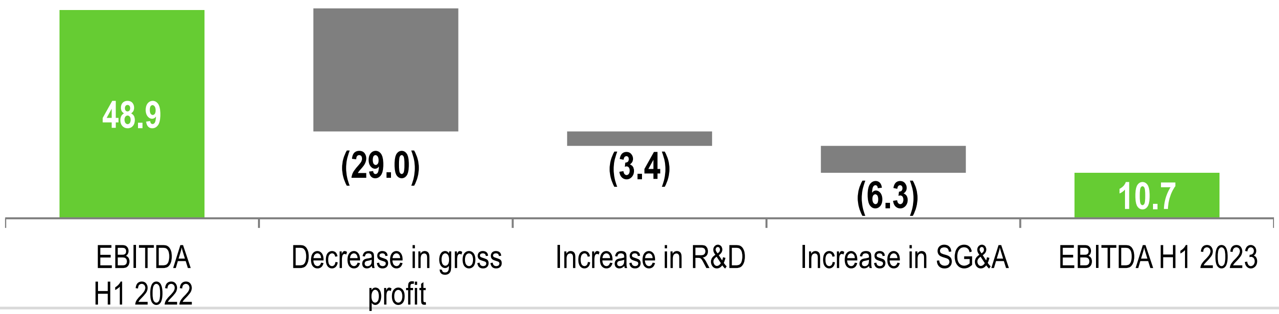
- Continuation in build-up of resources in R&D for support of innovation projects
- In parallel to R&D build-up of sales force for new business
- Adjustment of salary/wages worldwide

EBITDA development

EBITDA[1] and EBITDA margin (CHFm / % of revenue)



HY 2022 to HY 2023



[1] EBITDA = Operating result + depreciation and amortization

EBITDA H1 2023

- EBITDA and EBITDA margin decreased due to limited downscaling in cost given by cost structure and continued build up of R&D and sales resources to support long-term growth.

Income statement

Condensed consolidated income statement

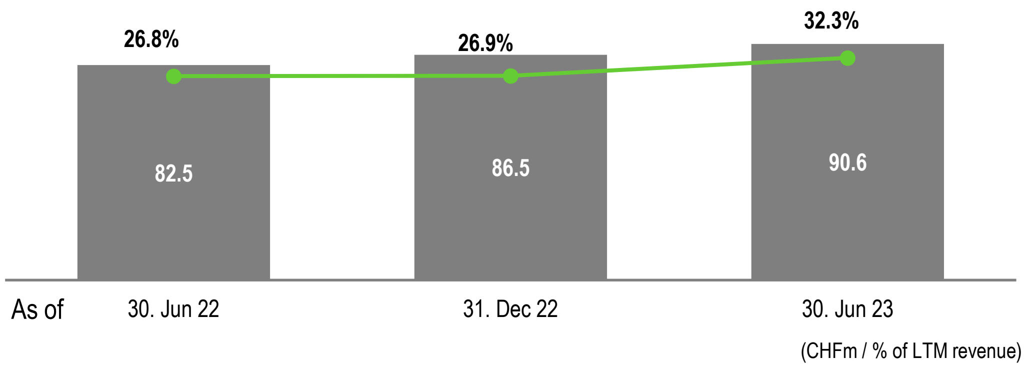
(CHFm / % of revenue)	H1 2022		H1 2023	
Revenue	**164.8**		**123.2**	
Cost of sales	(66.4)		(53.8)	
Gross profit	**98.4**	**59.7%**	**69.4**	**56.3%**
R&D expenses	(25.1)	(15.2%)	(28.5)	(23.1%)
SG&A expenses	(31.7)	(19.2%)	(38.0)	(30.9%)
Operating profit (EBIT)	**41.6**	**25.3%**	**2.9**	**2.3%**
Net finance result	(0.6)		(1.0)	
Profit (loss) before tax	**41.0**	**24.9%**	**1.9**	**1.5%**
Income taxes	(6.0)		(0.4)	
Profit (loss) for the period	**35.0**	**21.2%**	**1.4**	**1.2%**
EBITDA	**48.9**	**29.6%**	**10.7**	**8.7%**

H1 2023

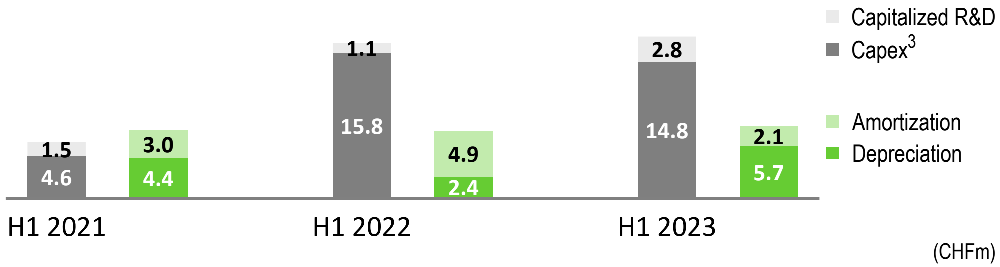
Profit for the period 1.2% of revenue

Net working capital and capital expenditures

Net working capital[1]



Capex[2] vs. D&A



Net working capital H1 2023

- Proactive build-up of inventory to assure service level in case of shortage supply or energy – focus on wafer inventories. Risk of obsolete stock marginal.
- Receivables: ongoing marginal debtor risk

Capex H1 2023

- Invest in infrastructure and machinery mainly in CH and HU.

Depreciation and amortization H1 2023

1 Defined as the sum of trade receivables and inventories, less trade payables.
2 Defined as the sum of investments in property, plant and equipment, proceeds from sale of property, plant and equipment, investment in intangible assets, and development expenditure.
3 Excluding technology, capitalized R&D, and M&A transactions

Statement of cash flows

Condensed consolidated statement of cash flows

(CHFm)	H1 2021	H1 2022	H1 2023
Cash flow from operating activities (CFO)	39.1	22.0	(1.9)
Cash flow from investing activities (CFI)	10.5	(18.9)	(17.7)
Cash flow from financing activities (CFF)	0.0	0.0	0.0
Net change in cash and cash equivalents	**49.7**	**3.1**	**(19.6)**
Cash and cash equivalents at 1 January	61.9	112.1	123.0
Effect of movements in exchange rates on cash held	0.1	(0.5)	(1.6)
Cash and cash equivalents at 30 Jun	**111.7**	**114.6**	**101.8**

Condensed consolidated statement of operating cash flow

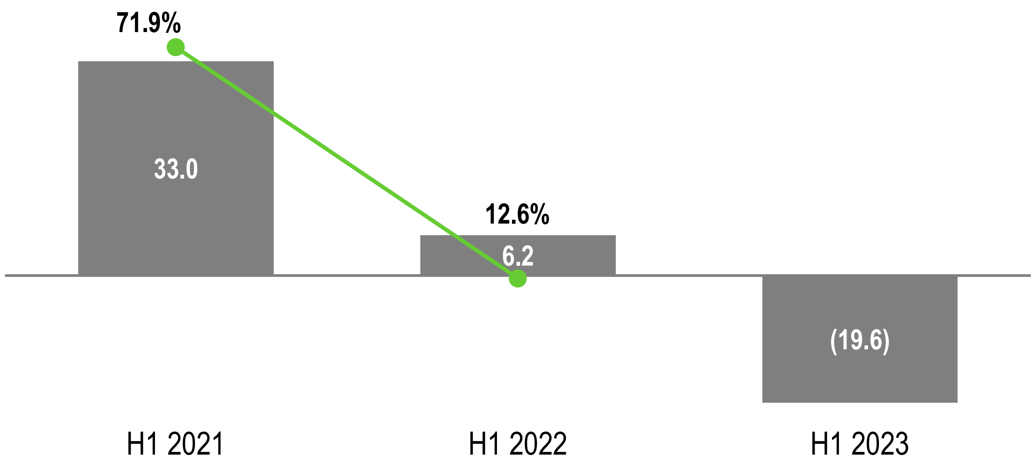
(CHFm)

CFO H1 2023

Low net profit in addition with increased inventory and non-cash related items

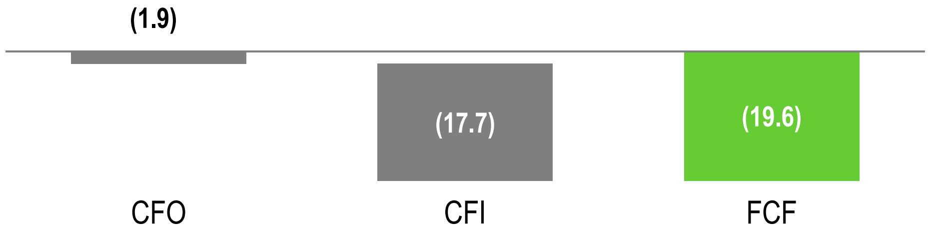
Free cash flow[1] development

FCF and FCF conversion rate[2] (%)



(CHFm / % of EBITDA)

H1 2023



(CHFm)

[1] Free cash flow (FCF) defined as the sum of CFO and CFI, excluding M&A activities.
[2] FCF conversion rate defined as FCF in percentage of EBITDA.

Continued strong balance sheet

As of 31 December 2022

Equity / total assets		**85.0%**	
Net cash[1]		CHF 123.0m	
Net cash / LTM EBITDA		1.4	
Assets		Liabilities and equity	
Cash and short term deposits	CHF 123.0	Trade payables	CHF 10.1m
		Other current liabilities	CHF 29.2m
		Non-current liabilities	CHF 14.6m
Trade receivables	CHF 36.5m	Equity	CHF 304.1m
Inventories	CHF 60.1m		
Other current assets	CHF 8.2m		
PPE	CHF 82.1m		
Other non-current assets	CHF 48.1m		
	CHF 358.0m		**CHF 358.0m**

As of 30 June 2023

Equity / total assets		**87.2%**	
Net cash[1]		CHF 101.8m	
Net cash / LTM EBITDA		2.0	
Assets		Liabilities and equity	
Cash and short term deposits	CHF 101.8	Trade payables	CHF 8.2m
		Other current liabilities	CHF 21.5m
		Non-current liabilities	CHF 14.8m
Trade receivables	CHF 29.3m	Equity	CHF 304.2m
Inventories	CHF 69.5m		
Other current assets	CHF 11.1m		
PPE	CHF 90.1m		
Other non-current assets	CHF 46.9m		
	CHF 348.7m		**CHF 348.7m**

[1] Defined as the sum of cash, cash equivalents and short-term deposits less loans and borrowings (current and non-current).

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Outlook FY 2023

- Short term visibility will remain low due to geopolitical and macro-economic challenges
- Medium and long-term outlook remains positive
  - Unchanged tailwinds from global megatrends such as energy efficiency, climate change and health
  - New product family of gas leakage sensors developed for the upcoming regulatory changes in the US HVAC market look promising. First customer ramp ups expected for H2 2024.
- Based on the ongoing implementation of our growth strategy as well as good progress of important R&D projects we confirm our medium-term sales growth target of 10%–15% per year and an averaged EBITDA margin of 17% over a cycle.

Assuming unchanged foreign currency exchange rates, we expect for FY 2023

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Revenue	CHF 235m to 255m
Annual revenue growth	-27% to -21% (-19% to -13%)*
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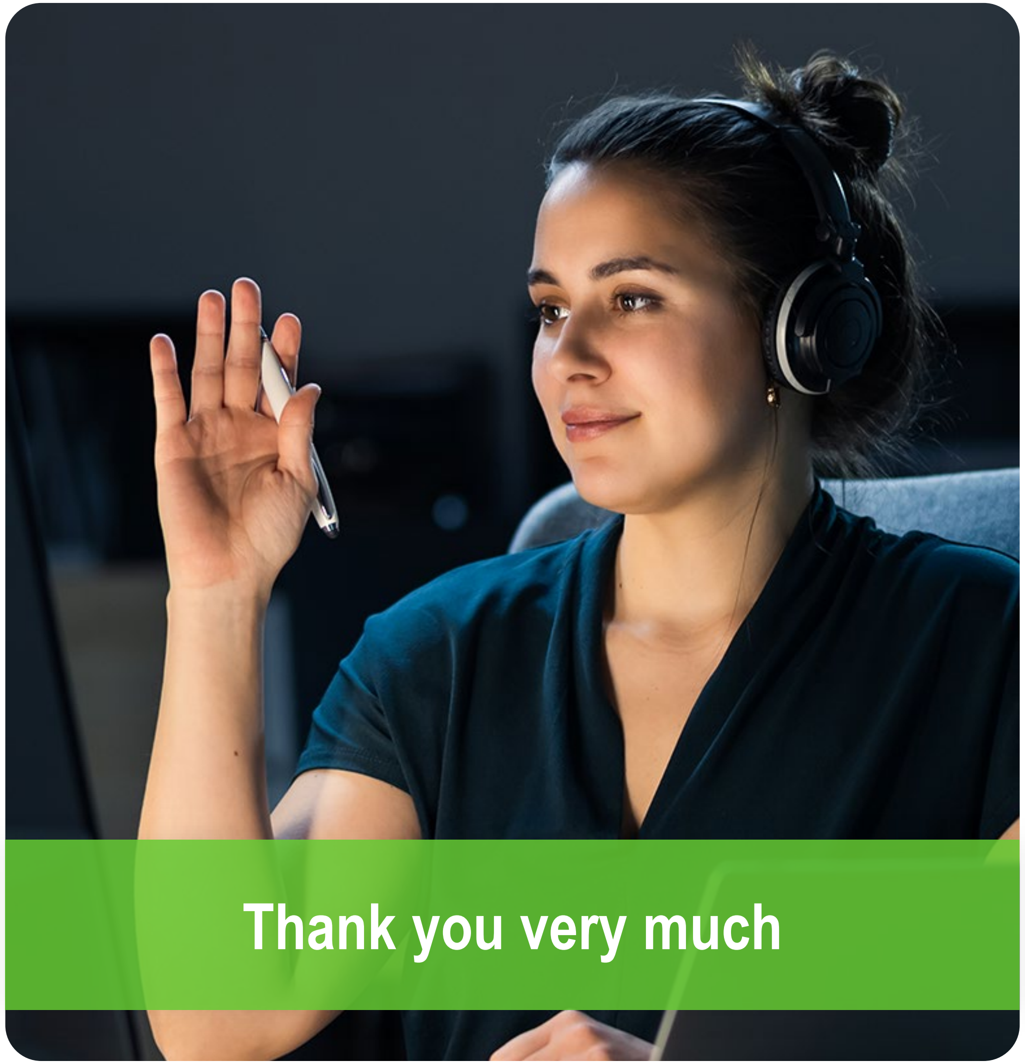

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