

# TOPSIL UPDATE Q2 2015

Jyske Bank 26 August 2015

## **AGENDA**

- **Q2 highlights**
- Financial Performance Q2
- Expectations for 2015

# POSITIVE PERFORMANCE DEVELOPMENT IN Q2

## HIGHLIGHTS OF THE QUARTER

### Market

- Market expectations unchanged compared to outlook previously given.
- Yole Developpement still forecasts volume growth and a strong but declining pressure on prices

### Financial performance

- Revenue was DKK 76.4m (2014: DKK 65.3m), up 17%. Partly achieved because customer complaint was resolved and deliveries to customer resumed in Q2.
- EBITDA was a profit of DKK 6.2m (2014: a loss of DKK 5.0m). Contribution ratio was 48.6%, an improvement of 6.3 percentage point and fixed cost was reduced by DKK 1.8m against last year
- Cash flow from operating activities in H1 2015 were an inflow of DKK 2.7m (outflow of DKK 3.1m in H1 2014). Investments DKK 4.7m in H1 2015.

### Updated strategy planned to be published in Q4 2015 with focus on

- lifting earnings to a significantly higher level,
- reducing working capital, and
- strengthening the capital base.

# POSITIVE PERFORMANCE DEVELOPMENT IN Q2

## HIGHLIGHTS OF THE QUARTER

### Business

- After the release of the interim report for Q2 2015 Topsil concluded an agreement with its third-party contractor regarding financial compensation as a result of the settlement of the customer complaint case from 2014.
- In total, the compensation will be higher than expected and thus also higher than the carrying amount of the receivable. The compensation is expected to have a favourable impact on EBITDA of about DKK 4 million in 2015.
- It is expected that the compensation will partly be set off against the contractor's current receivables from Topsil and partly be paid in cash. The cash payment is expected to be received in Q3 2015.

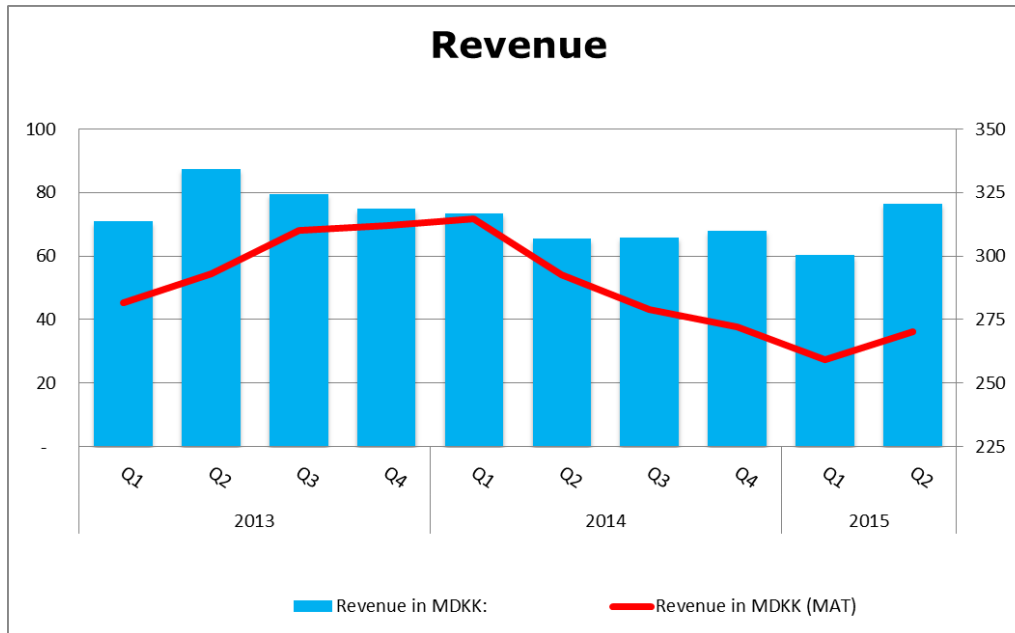
### Outlook for 2015

After signing the agreement with the third-party contractor the guidance for EBITDA is increased from DKK 10-20 million to DKK 14-24 million. Revenue growth is still expected to be in the range of 0-5%.

## AGENDA

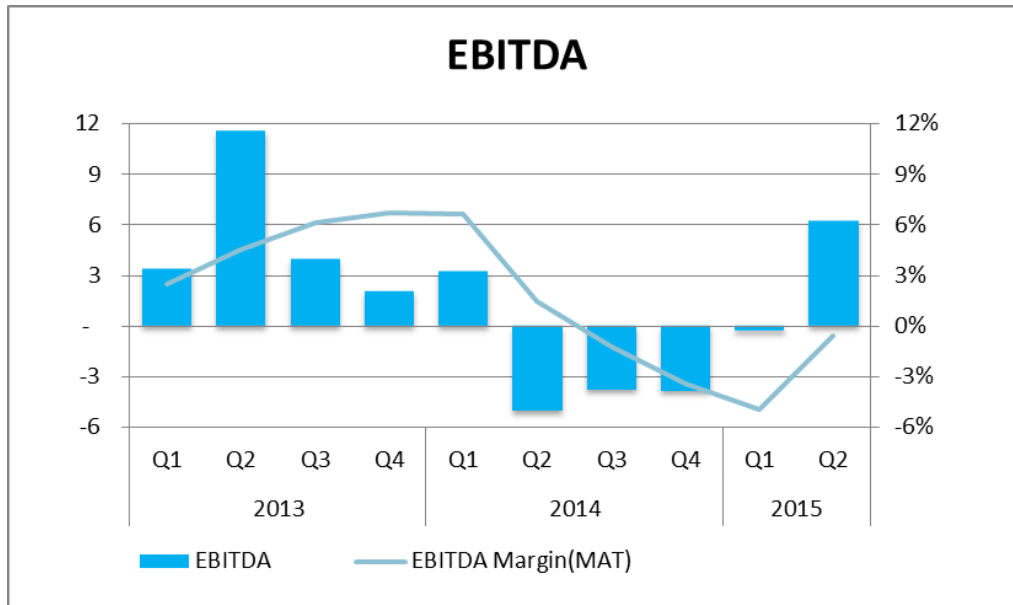
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# REVENUE



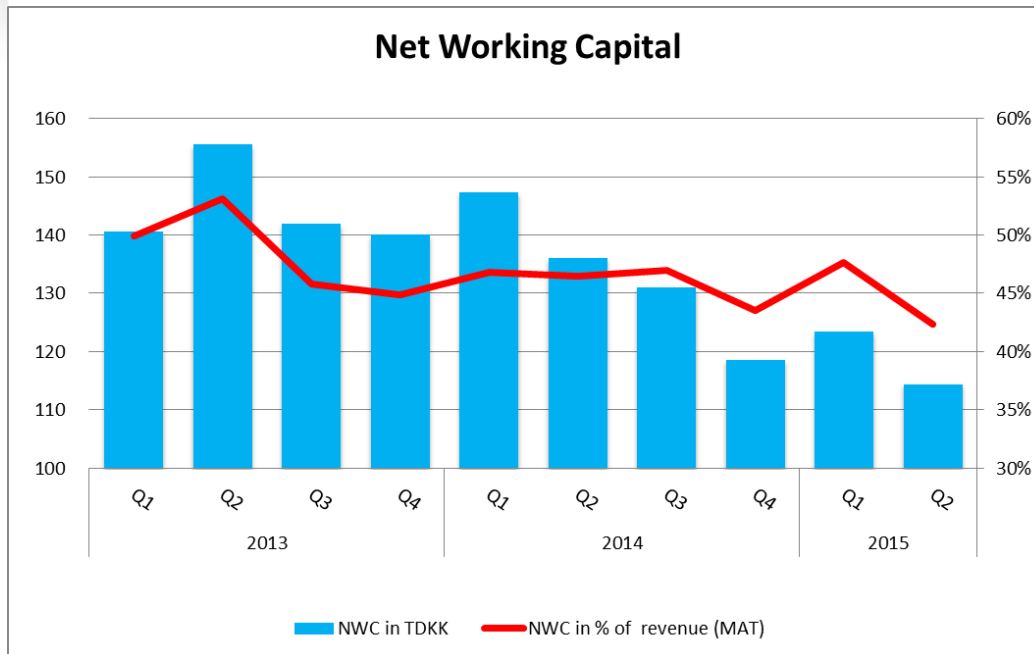
- Revenue in Q2 DKK 76.4m (up 18%). Organic growth rate 10.5%.
- Customer complaint resolved and deliveries to customers resumed in Q2.
- Revenue 1H 2015 at DKK 136.6m (DKK 138.7m in 1H 2014).
- Additionally, prices remain squeezed due to the continuing surplus capacity in the industry.
- Yole Developpement still forecasts volume growth and a strong but declining pressure on prices

# EBITDA



- Contribution ratio 48.6% in Q2 (Q2 2014: 42.3%)
- Fixed costs decreased by DKK 1.8m in Q2
  - Production at one plant in DK and announced cost saving program
  - Reduction of 15 non-production employees in January 2015 (in Q2 2/3 of the redundant employees left the company)
- EBITDA was a profit of DKK 6.2m against a loss of DKK 5.0m in Q2 2014
- Depreciation was DKK 7.7m (2014: DKK 7.3m)
- Net financials were an expense of DKK 4.0m against an expense of DKK 2.6m in 2014, whereof appr. DKK 0.7m is due to FX-impacts
- Loss after tax DKK 5.0m (Loss of DKK 12.4m in Q2 2014)

# NET WORKING CAPITAL

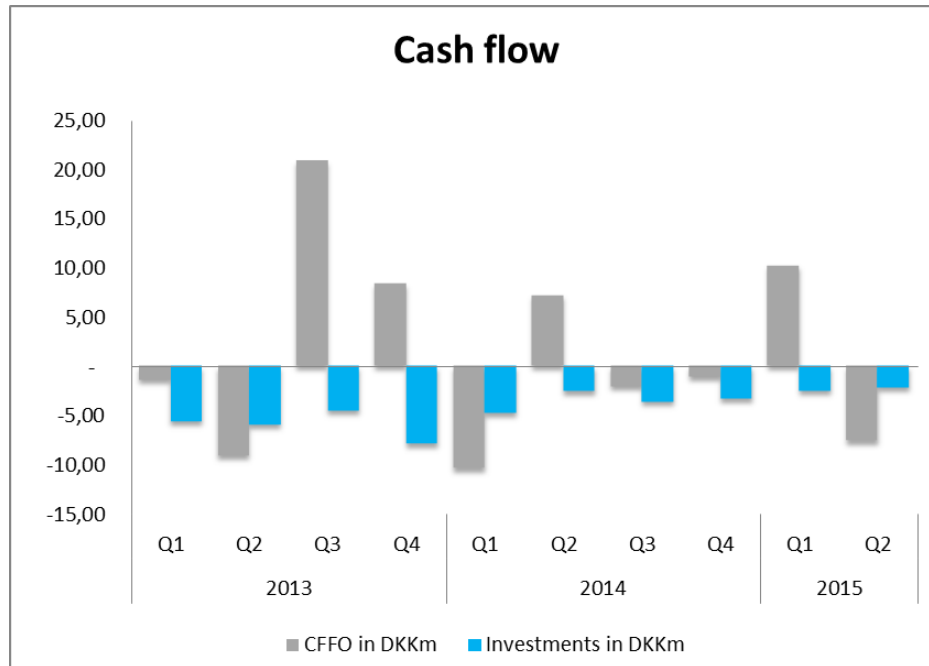


Net working capital (NWC) of DKK 114.5m, representing a decline of DKK 4.1m vs. end of 2014

- Inventories DKK 167.3m, up DKK 11.1m, compared to the end of 2014 mainly due to purchase commitments
- Prepayments from customers were DKK 18.6m higher than at end of 2014 due to extension of a long-term contract with one of Topsil's biggest customers.
- Trade creditors increased by DKK 14.1m year-on-year, partly as a consequence of the raw material obligations and agreed retention of payments to the third-party contractor involved in the customer complaint case of around DKK 7m.



# CASH FLOW DEVELOPMENT



- Cash flow from operations (CFFO) totalled an outflow of DKK 7.3m in Q2 2015 and an inflow of DKK 2.7m in 1H 2015 (outflow of DKK 3.1m in 1H 2014)
- CAPEX driven by investments of DKK 1.4m in production equipment, and DKK 0.8m in development projects (2014: DKK 2.6m).
- Net interest-bearing debt stood at DKK 182.2m at 30 June 2015, an increase of DKK 1.5m compared to end of 2014
- Credit facilities with principal bankers run until 1 March 2016, at which time they will be up for renegotiation.

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## EXPECTATIONS FOR 2015 MAINTAINED

- After signing the agreement with the third-party contractor the guidance for EBITDA is increased from DKK 10-20 million to DKK 14-24 million. Revenue growth is still expected to be in the range of 0-5%.
- Revenue is expected to grow in 2015, which is based on the strategic growth initiatives, the positive trend in the market and a gradual resumption of deliveries to the customer involved in the complaint in 2014. The highest growth rates are expected in Asia, especially in the market for silicon products for the medium-voltage segment (FZ-PFZ).
- The underlying volume growth will be somewhat higher, but prices are expected to remain squeezed as the surplus capacity in the market continues. However, the lower selling prices are expected to be offset by efficiency improvements and cost reductions.

The guidance is based on exchange rates of DKK 650/USD 100 and DKK 180/PLN 100..

*DISCLAIMER: This presentation includes forward-looking statements reflecting management's current expectations for certain future events and financial performance. Forward-looking statements are inherently subject to uncertainties, and results may differ significant from expectations. Factors that may cause the actual results to differ from expectations includes, but are not limited to, developments in the economy and financial markets, changes in the silicon market, market acceptance of new products and the introduction of competing products. Topsisil is only obliged to update and adjust the expectations if so required by Danish legislation and the Danish law on securities trading, etc.*

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