

Full Year 2023 Results Presentation

10 April 2024



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2023 in review



Americo Lemos
Chief Executive Officer



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2023 | A year in review

Macro-economic conditions

Global recession looms as cost-of-living crisis crushes post-Covid rebound
The Telegraph, 23 Aug 23

The Cost-of-Living Crisis Reaches Breaking Point
Newsweek
5 Apr 23

Weak Growth, High Inflation, and a Cost-of-Living Crisis
The World Bank, 20 Apr 23

Europe grapples with higher inflation than the US
The Financial Times, 4 Sept 23

Geopolitics

US-China relations have entered a frightening new era
The Financial Times, 25 Apr 23

China tells Britain to stop efforts to 'enhance' ties with Taiwan
Reuters, 9 Nov 23

China curbs exports of key computer chip materials
BBC, 4 July 23

A new geopolitical dark age is about to shatter the West's fatal illusions
Mint, 16 Oct 23

Industry-wide inventory excess

TSMC warns over deepening slump in chipmaking sector
Financial Times, 22 Apr 23

Taiwan Chip Exports Plunge 21% as Device Makers Clear Inventory
Bloomberg, 12 July 23

Samsung to cut chip production as profits plunge by 96%
The Guardian, 7 Apr 23

Spectre of layoffs looms over Intel following dismal sales
The Register, 9 May 23

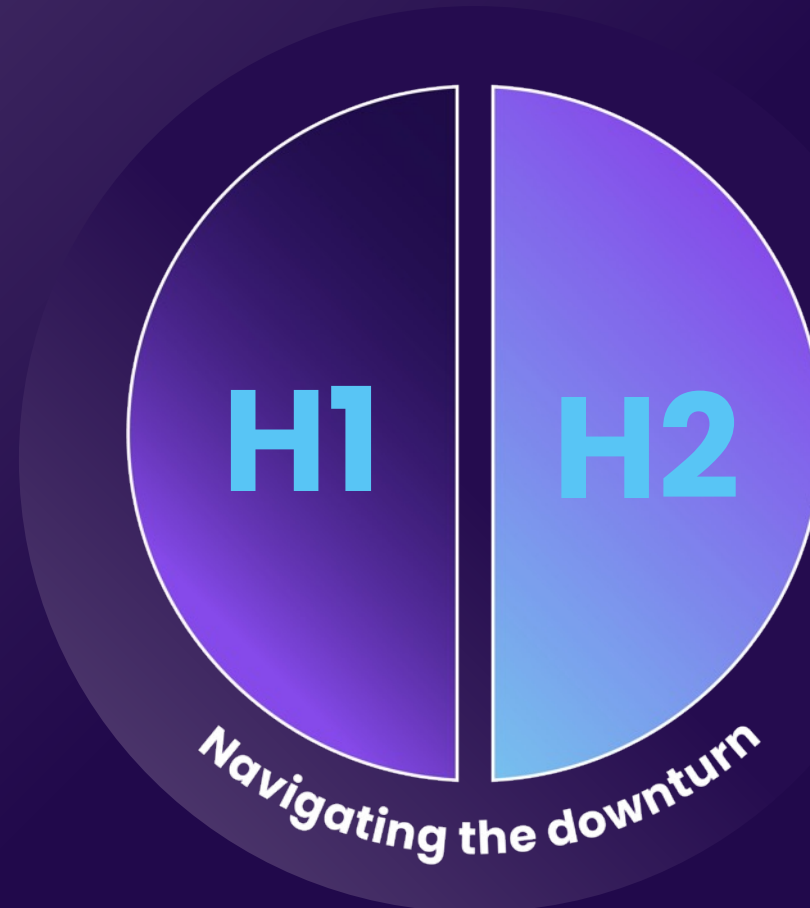
Chipmaker Qualcomm to lay off over 1200 California workers
CNN, 12 Oct 23

2023 | A year in review

Inventory excess throughout the supply chain

Reduction in customer orders

Maintained market share



Increasingly positive signs of industry recovery

Customer demand improved from Q3, accelerated in Q4

Returned to growth from H1 to H2 2023

2023 | A year in review

**Manage the
temporary
downturn**

**Invest
for growth**

**Improve
profitability**

ESG

2023 | A year in review

**Manage the
temporary
downturn**

**Invest
for growth**

**Improve
profitability**

**Retained and diversified
customer base**

Strengthened balance sheet

**Implemented cost-saving
measures**

Improved operational efficiencies

2023 | A year in review

Manage the temporary downturn

Invest for growth

Improve profitability

Expanded customer pipeline to deliver on 'maintain and diversify' strategy

Ramped up additional capacity for GaN Power with qualification for key customers

2023 | A year in review

Manage the
temporary
downturn

Investing for
growth

Improve
profitability

**Standardised and centralised
operations to reshape cost base**

**Site consolidation with
Pennsylvania facility closed
ahead of schedule**

2023 | A year in review

Manage the temporary downturn

Investing for growth

Improve profitability

ESG

TCFD reporting introduced

Science-based targets progress

Strengthened and diversified Board and senior management

FY 2023 Financial Results



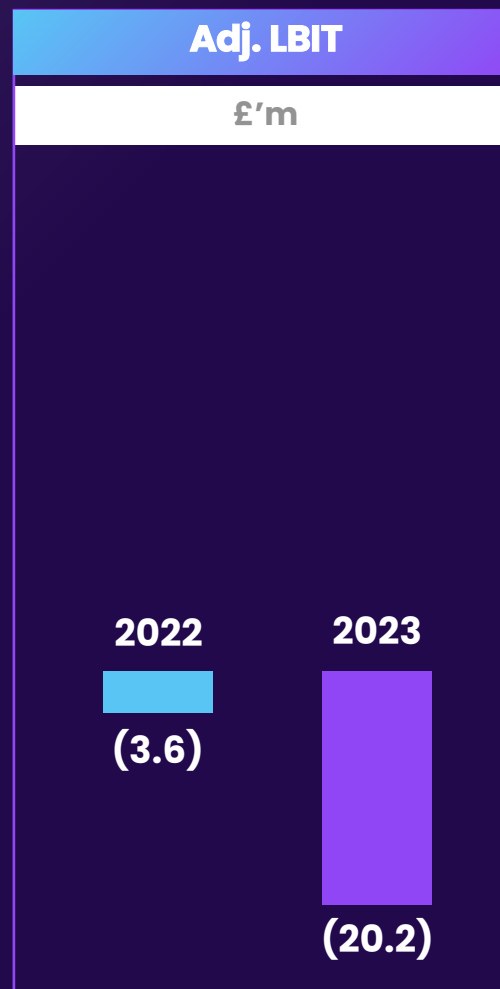
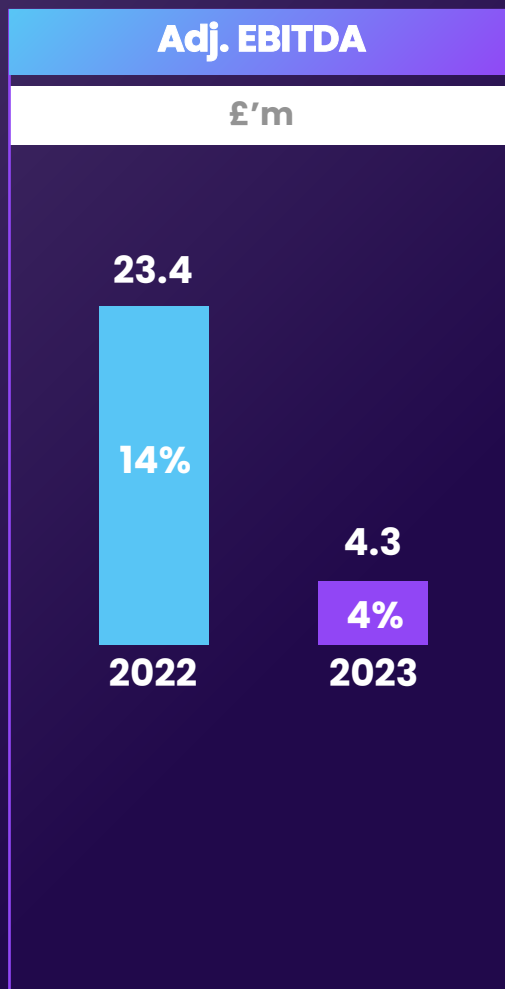
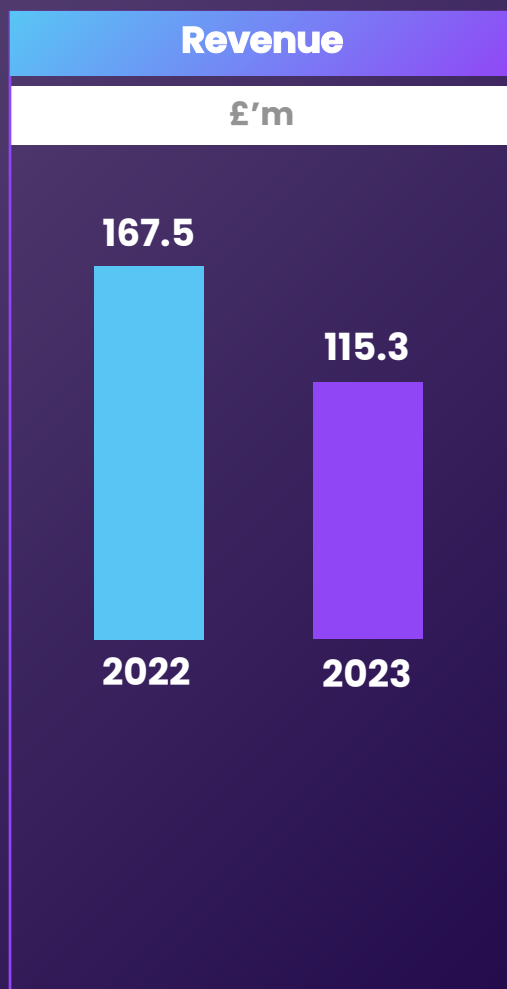
Jutta Meier
Chief Financial Officer



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FY 2023 financial highlights

Financial performance reflective of temporary industry downturn

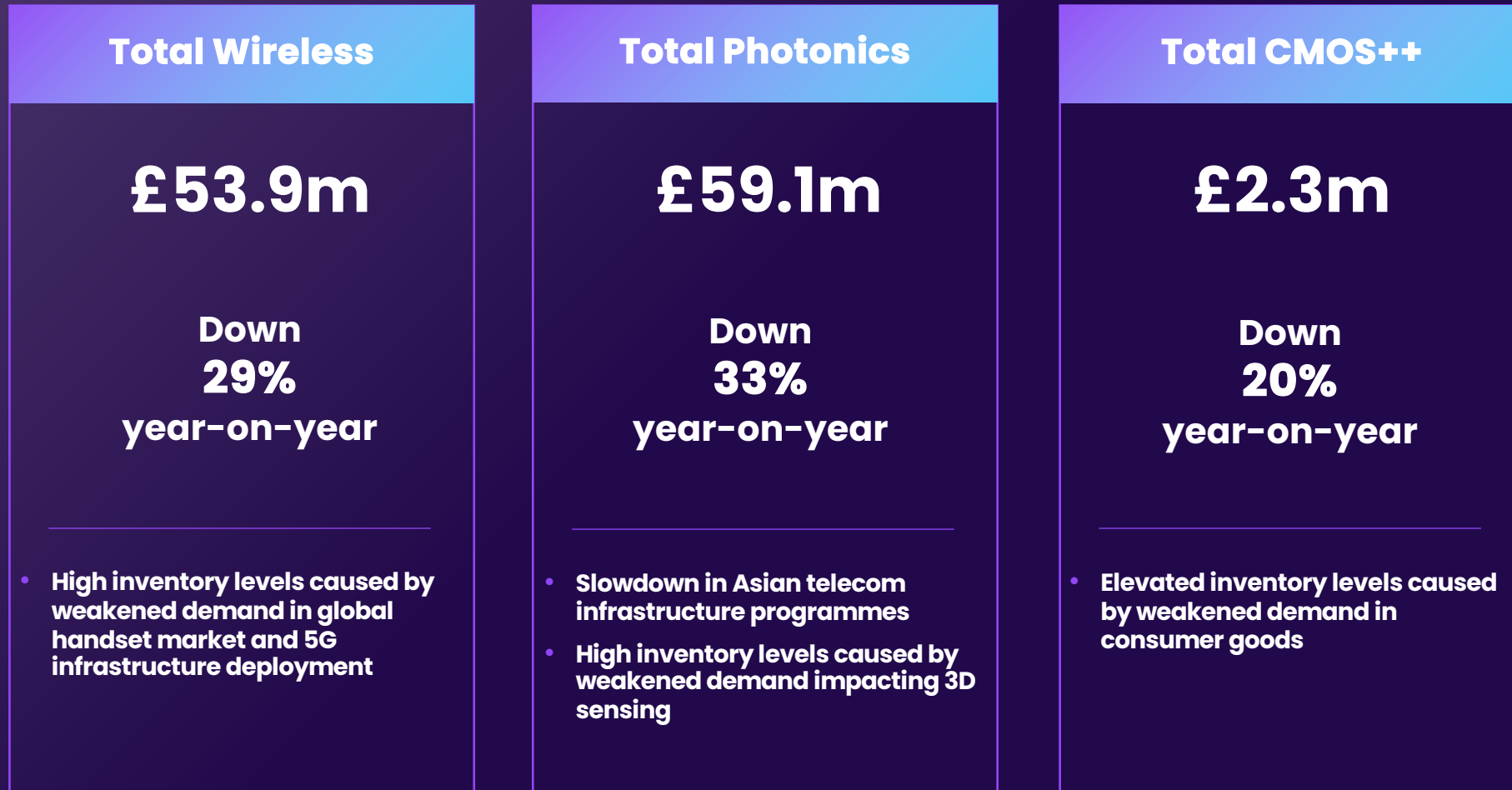


¹Adjusted EBITDA and EBIT are non-IFRS measures, may be calculated differently and therefore not directly comparable to other companies

²Adjustments include CFO severance and recruitment costs, gain on acquisitions, restructuring costs, CEO recruitment costs and share-based payment charges.

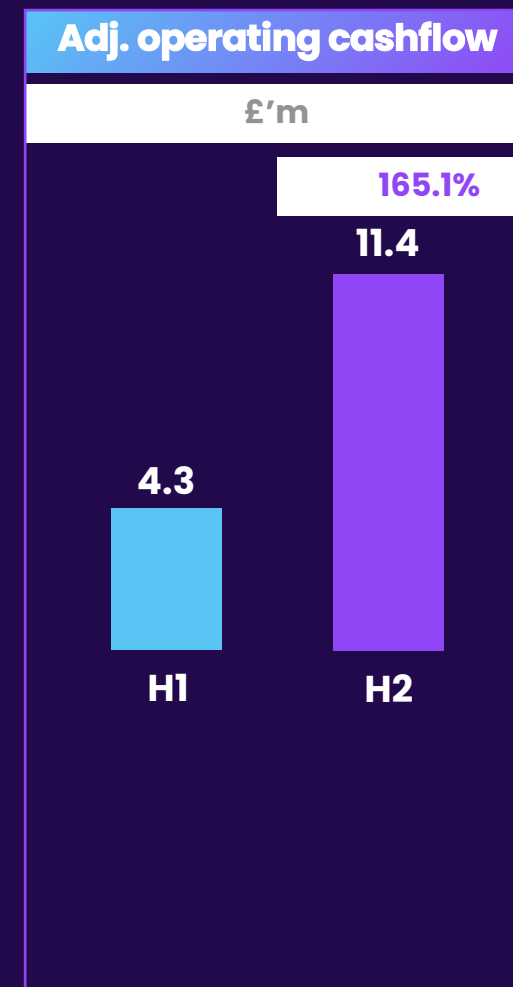
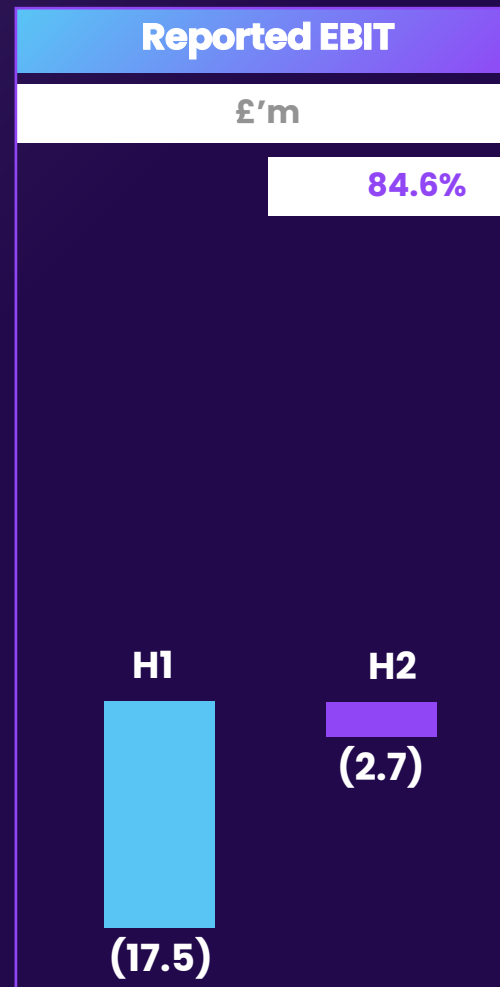
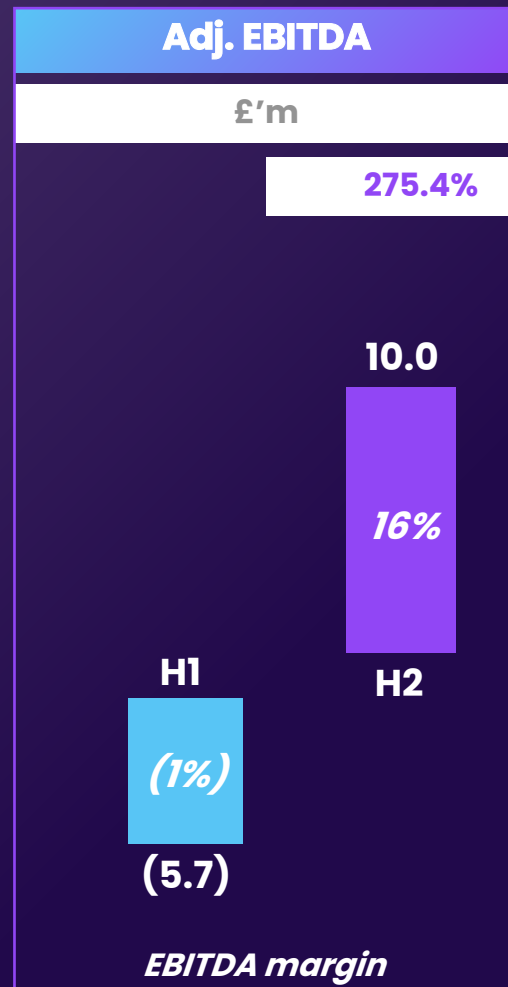
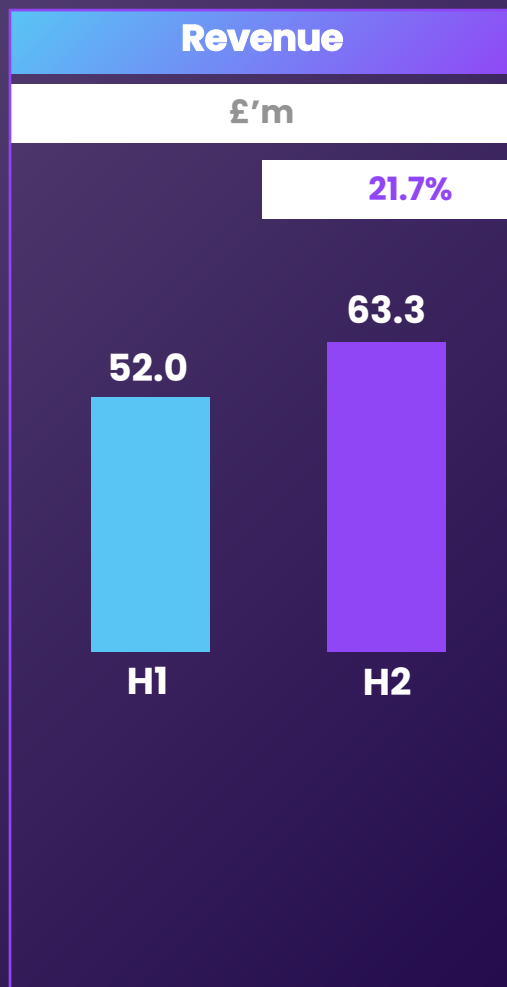
FY 2023 segmental revenue

Impact of inventory excess throughout the supply chain



H1 vs H2 2023

A tale of two halves



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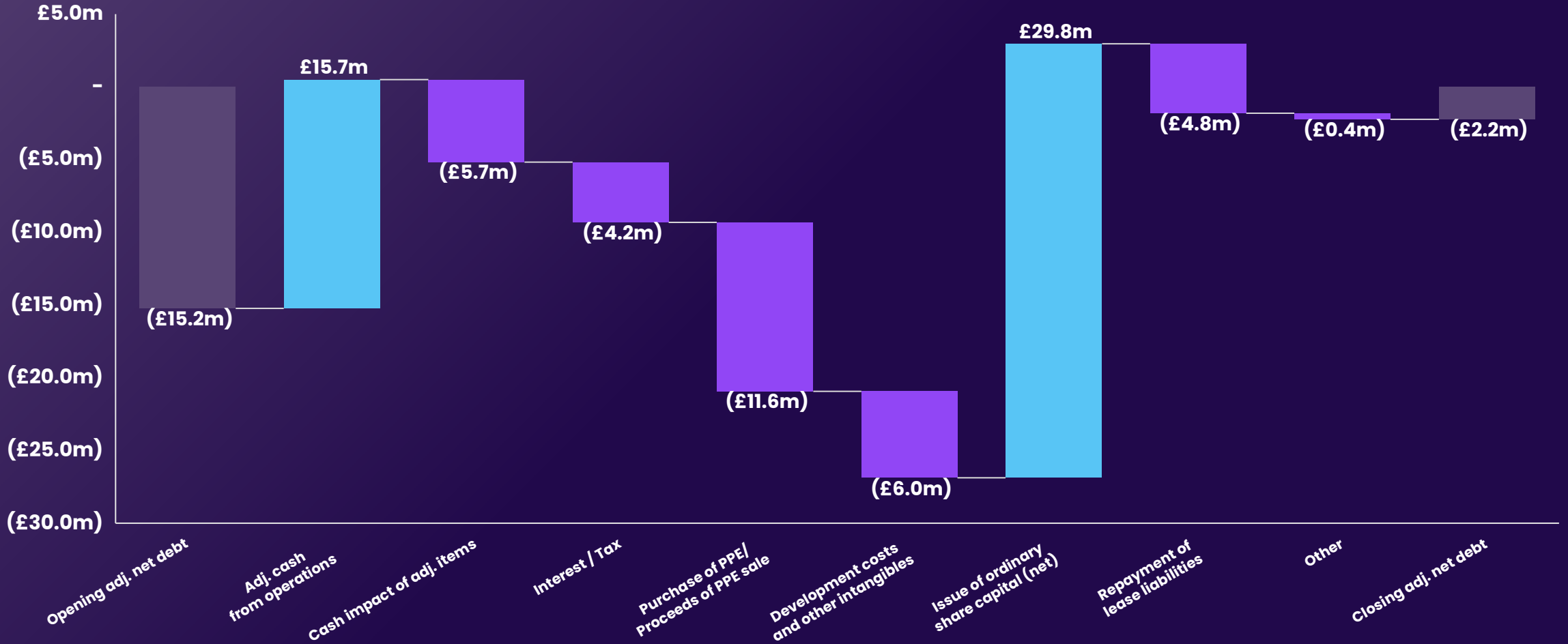
FY 2023 cashflow, capex and net debt

Tight control on spending to navigate macro environment



Net debt bridge

Strengthening the balance sheet



Cost control and cash preservation

£30m Placing in May 2023

Revolving Credit facility of \$35m (£27.3m) extended with HSBC, with an undrawn balance of \$30.0m (£23.4m) available as at the year end

Programme underway to drive efficiencies:

- **Headcount restructuring in 2023 resulting in over 10% reduction**
- **Asset optimisation**
- **Non-labour cost reduction**
- **Working capital optimisation**

Current trading and outlook – 2024

H2 recovery to continue throughout 2024

Inventory levels beginning to normalise and customer demand recovering

Trading during Q1 in line with Board expectations

Revenue and adjusted EBITDA are expected to be within the range of analyst forecasts for FY 2024¹

1. The analyst range of expectations for FY 2024 revenue are from £133.7m to £153.7m and for adjusted EBITDA from £11.1m to £16.6m .

Looking forward



Americo Lemos
Chief Executive Officer



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Favourable industry dynamics

Industry forecasting return to growth in 2024

TSMC expects up to 25% revenue growth this year
Taipei Times, 19 Jan 24

South Korea's semiconductor output rises by most in 14 Years
Bloomberg, 29 Mar 24

Unprecedented investment into semiconductor manufacturing

GF GaN fab to benefit from \$1.5B CHIPS Act funding
Compound Semiconductor, 20 Feb 24

Intel prepares for \$100bn spending spree across four US states
Reuters, 21 Mar 24

Growth of AI and decarbonisation of the global economy

Power mad: AI's massive energy demand risks causing major environmental headaches
Reuters, 4 Dec 23

Its done. The future is battery powered-electric cars
Bloomberg, 5 Oct 23

Enabling AI in a Net Zero future

Accurate sensing

VCSELs, lasers, detectors



Smart connected Devices



Autonomous vehicles

Ultra-low latency networks

GaN RF, GaAs HBT



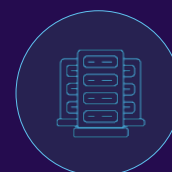
5G/6G



Wi-Fi 6/e

Smart processing

Photonics – InP, VCSEL



Data Centre



Edge AI

Efficient power conversion

GaN Power

We have the right strategy

Maintain

Diversify



CONNECT



SENSE



POWER



DISPLAY

Summary

IQE returned to growth in H2 2023, industry recovery expected to continue throughout 2024

Improving margins and profitability with actions taken to reshape cost base

Good progress on diversification strategy with new customer design wins in Power Electronics and Automotive

IQE remains well positioned to capture growth opportunities

IQE

Financial results appendix



Summary financials

£'million	FY 2023 (£'m)	FY 2022 (£'m)
Revenue	115.3	167.5
Sales, general & administrative costs	(32.5)	(31.2)
Impairment loss on intangible assets	-	(66.2)
Impairment loss on trade receivables and contract assets	1.8	(2.3)
Adjusted EBITDA ¹	4.3	23.4
Adjusted LBIT	(20.2)	(3.6)
Reported LBIT	(25.8)	(73.0)
Reported loss before tax	(28.8)	(75.4)
Reported loss after tax	(29.4)	(74.5)
Adjusted net cashflow from operations	15.7	15.7
Reported net cashflow from operations	10.1	8.9
Capital expenditure ²	(12.2)	(9.4)
Adjusted net debt ³	(2.2)	(15.2)
Reported net debt	(48.5)	(66.5)
Cash and cash equivalents	5.6	11.6
Reported Diluted EPS	(3.28p)	(9.27p)
Adjusted Diluted EPS	(2.68p)	(0.74p)



¹ Adjustments include CFO severance and recruitment costs, gain on acquisitions, restructuring costs, CEO recruitment costs and share-based payment charges.

² Capex stated is Property, Plant and Equipment cash capex

³ Adjusted net debt is calculated as cash less borrowings but excluding lease liabilities and fair value gains/losses on derivative instruments

Adjusted income statement items

	2023	2022
Share based payments	£(2.5)m	£(0.2)m
Share based payments – CEO recruitment	£(0.0)m	£(0.1)m
CEO recruitment	£(0.3)m	£(0.1)m
CFO severance and recruitment	£(0.5)m	-
Restructuring	£(4.7)m	£(4.2)m
Gain on acquisitions	£2.4m	-

Balance sheet

As at 31 December 2023

£'million	FY 2023	FY 2022
Intangible assets	35.4	37.0
Property, plant & equipment	129.6	127.1
Right of use assets	37.8	41.4
Total current assets	70.7	90.6
Current liabilities*	(46.1)	(40.2)
Bank borrowings due within 1 year	(4.2)	(6.2)
Lease liabilities due within 1 year	(5.8)	(4.8)
Total non-current liabilities*	(3.4)	(3.1)
Bank borrowings due after 1 year	(3.7)	(20.6)
Lease liabilities due after 1 year	(40.4)	(46.0)
Net Assets	169.8	175.1

* Excludes bank borrowings and lease liabilities highlighted separately