

AIXTRON SE

Analyst Earnings Conference Call Q2/2025 Results

31 July 2025

Executive Board Speech

Executive Board
Dr. Felix Grawert, CEO & President
Dr. Christian Danninger, CFO

The spoken word applies

Operator & Forward-Looking Statements

Operator

Ladies and gentlemen, welcome to AIXTRON's Q2 2025 results conference call. Please note that today's call is being recorded. Let me now hand you over to Mr. Christian Ludwig, VP Investor Relations & Corporate Communications at AIXTRON, for opening remarks and introductions.

Christian Ludwig, VP IR & CC

Thank you, [operator, *Name*]. A warm welcome to AIXTRON's Q2 2025 results call. My name is Christian Ludwig, I am the Head of IR&CC at AIXTRON.

With me in the room today are our **CEO, Dr. Felix Grawert** and our **CFO, Dr. Christian Danning** who will guide you through today's presentation and then take your questions.

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I would now like to hand you over to our CEO for his opening remarks. Felix, the floor is yours.

Slide 2 – Q2 2025 Highlights

Dr. Felix Grawert, *Executive Board*

Thank you, Christian!

Let me also welcome you all to our Q2 2025 results call. I will start with an overview of the highlights of the quarter and then hand over to our CFO Christian for more details on our financial figures. Finally, I will give you an update on the development of our business and our guidance.

Let me start by giving you an update on the key business developments of the second quarter on **slide 2**.

The important messages for Q2 are:

- we have delivered a robust Q2/2025 in a soft market environment and recognized solid new **orders** of EUR 119 million which lead to an **equipment order backlog** of EUR 285 million
- we concluded the quarter with **revenues** of EUR 137 million. With that we came in at the upper end of our guided range of EUR 120 to EUR 140 million.
- the **gross margin** reached 41% in Q2 and averaged 36% in H1. This figure includes a one-off expense related to our implemented personnel reduction
- Adjusted for this effect, the **gross margin** in H1 came out at **38%** - slightly above previous year's 37%, mainly due to a better product mix.
- With these results we confirm our FY 2025 **guidance** published in February 2025
- A key contributor to our success remains the **G10 product series**. The G10-AsP has firmly established itself as the tool of record in the laser market, while the G10-SiC has been instrumental in winning and fulfilling a major SiC volume order from China.
- The optoelectronics market shows very strong momentum, while the power electronics market stays soft, with orders coming mostly from Asia, namely China.

Christian will now provide a detailed look into our Financials on the following pages before I take over with an update on our markets. Christian?

Slides 3-5 – Q2/2025 Income Statement, Balance Sheet, Cash Flow Statement

Dr. Christian Danninger, *Executive Board*

Thanks, Felix, and hello to everyone.

Let me start with the highlights of our **revenue development** on **slide 3**.

We had a good quarter in a soft market environment, with **revenues** at EUR 137 million, slightly up compared to the EUR 132 million last year and at the upper end of our guided range of EUR 120 million to EUR 140 million. For the first half revenues came in at EUR 250 million - virtually flat yoy. A breakdown per application shows that 71% of equipment revenues in H1 come from GaN & SiC power, 16% from LED, 9% from Optoelectronics, and a 4% contribution from R&D tools. The After Sales business well contributed to total revenues with EUR 52 million. The After Sales share of revenues in H1 was stable yoy at 21%.

Now let's take a closer look at the financial KPIs of the **income statement** on **slide 4**. I already talked about the revenue line. **Gross profit** increased yoy in Q2/2025 to EUR 56 million. Gross margin came in at 41% up 4 pts versus the prior year. For the first half gross profit was EUR 90 million, slightly below last years figure. At 36% our **Gross Margin in H1 was 1 ppt lower than in H1/2024**. But please recall, as stated in our Q1 release, this includes a one-off expense of a mid-single-digit million EUR amount in connection with the implemented personnel reduction in the operations area. Adjusted for this effect, the gross margin in H1 would be above the previous year at around 38%. The 1 ppt increase yoy is mainly due to a better product mix.

The **personnel reduction measure** has been completed in Q2 and will result in an annualized improvement of a mid-single-digit million EUR figure. This cost reduction was partially effective in Q2 and will be fully effective from Q3/2025 onwards on a pro-rata basis. Please note that we will see the effects in the

headcount figures slightly later than the cost effects due to the notice period of the affected employees.

OPEX in the quarter was reduced to EUR 32 million, primarily driven by lower **R&D spending** compared to the previous year. For the first 6 months OPEX came in at EUR 63 million, a reduction of 10% driven primarily by around 24% lower R&D expenses.

R&D expenses were down mainly due to reduced external contract work and consumables costs. This will revert to some extent in H2, so please do not take the Q1/Q2 number as a run rate for the next quarters. For the full year we expect R&D costs to be slightly lower than in 2024.

OPEX was also impacted by strong exchange rate changes, which have led to **expenses from exchange rate valuation** in the amount of EUR 3.9 million in Q2/2025 and EUR 4.6 million in H1/2025 compared to EUR 1.9 million in H1/2024. As FX rates are currently very volatile, we have decided not to adjust our budget rate at this time. To give you some color on potential impacts, we see the following: An **average USD/EUR exchange rate of 1.20** in the second half of fiscal year 2025 would reduce the full-year Gross- and EBIT-margin by around 1 percentage point.

EBIT for the quarter is EUR 24 million, a significant improvement versus Q2/24. The main drivers, in addition to the operating leverage effect resulting from higher revenues, were a more favorable product mix, which led to improved gross profit, and the above-mentioned lower R&D expenses. The strong performance in Q2 lead to an EBIT of EUR 27 million for the first half, an increase of 18% yoy. This translates into an EBIT margin of 11%. Again, please recall that the one-off expense in connection with the personnel reduction in the operations area is included in this figure. Adjusted for this effect, the H1 EBIT margin would be around 13%.

Now to our key balance sheet indicators on **slide 5**

Working Capital was down by EUR 65 million since end of FY 24. Several balance sheet items contributed here. We continued to decrease **inventories** to EUR 328 million compared to EUR 369 million at the end of 2024. Year-over-year, inventories have even been reduced by EUR 120 million as we continue to optimize our working capital. And as stated before, we expect further inventory reductions to materialize throughout 2025.

Trade receivables at the end of June were at EUR 130 million, compared to EUR 193 million at the end of 2024. The reduction versus year end is mainly the result of the collection of the payments related to the large shipments end of 2024.

Advance payments received from customers at quarter end were EUR 52 million, down about EUR 30 million from end of 24 primarily driven by some cutoff-date effects and some regional shifts in the order book. Advance payments represent about 18% of order backlog.

The fourth key element of working capital, **trade payables**, has now come down to EUR 22 million from EUR 34 million at the end of 24. This well reflects the now fully adjusted supply chain situation with significantly reduced purchasing levels.

Adding it all up, our **Operating cash flow** improved in H1 to EUR 85 million - a strong improvement of more than EUR 70 million versus last years EUR 13 million.

On the back of the improvement in operating cash flow, **free cash flow** improved even more. It came in at EUR 71 million compared to EUR -56 million last year. The improvement was even more pronounced as our capex in H1 at EUR -14 million

was significantly lower than last years number of EUR -69 million. This is primarily due to the now completed investment in the innovation center.

Our **cash balance including other current financial assets** as of June 30, 2025, improved to EUR 115 million. This equals an increase of EUR 50 million compared to EUR 65 million at the end of Fiscal Year 2024, despite the dividend payment of about EUR 17 million in Q2.

As stated before, our top priority for the **use of cash** will continue to be the implementation of our strategy. We will apply our core competencies and abilities to markets with high growth, differentiation and margin potential in order to sustainably increase the value of the company.

With that, let me hand you back over to Felix.

Slide 6 following – Update on the Markets

Dr. Felix Grawert, *Executive Board*

Thank you, Christian.

Let me continue with an update on key trends in our different markets, starting with Optoelectronics as this is currently our most dynamic market.

Optoelectronics / Lasers:

In Optoelectronics AIXTRON continues to lead the market, maintaining a clear leadership position with a strong and sustained market share over many years. Our technological edge and earned customer trust have enabled us to secure additional top-tier engagements for our G10-AsP platform.

Recently, a major global customer has expanded its G10-AsP order to also include their operations in the United States. Besides this, as communicated in a press release in April, we have won Nokia as a customer. Beyond this, we are seeing strong traction among other top-ten industry players, as well as a growing number of customers across Europe, the U.S., Japan, and Taiwan.

The increasing demand in optoelectronics is primarily driven by the rising need for laser technologies in datacom and telecom applications. This momentum is supported by several key industry shifts:

The rapid growth in data demand — driven by AI, data center and 5G — is causing bandwidth needs in transport networks to double roughly every two years. In hyperscale data centers, this trend is accelerating the shift toward Co-Packaged Optics (CPO) to support AI workloads. As data links become more parallelized, the demand for datacom chips and lasers is expected to surge, prompting increased investment in optical infrastructure.

At the same time, Photonic Integrated Circuits (PICs) are gaining traction over traditional discrete laser setups. By integrating lasers, modulators, and detectors on a single chip, PICs offer better performance, reduced size, and lower energy consumption. This transition is closely tied to the adoption of 150mm InP substrates, where our G10-AsP system delivers industry-leading yields. The PIC market is forecasted to reach USD 41 billion by 2031, growing at an annual rate of around 16%.

As PICs incorporate over 100 components, manufacturing precision becomes critical. Epitaxial processes must meet tight specifications across wafers and production cycles, while backend manufacturing must adapt to higher volumes and complexity — further reinforcing the move to 150mm InP substrates.

Overall, we expect lasers to account for approximately one-third of our full-year order intake. This growth is fueled not only by the demand for datacenter lasers to support AI workloads, both intra-datacenter and interconnect, but also by the increasing adoption of multi-junction VCSELs for LiDAR applications in the automotive sector, mainly in China.

SiC Power:

The SiC market is currently undergoing a longer digestion period, particularly in Western-oriented regions. As a result, decisions for new fab investments are not on the agenda these days. However, the first half of the year saw continued momentum in Asia, namely China, where demand remained robust and investment activity continued at a decent level. In the first half 2025, SiC shipments totaled up to 45% of our equipment revenues – however this strong momentum is not expected to continue in the fully year. Overall, we expect to be roughly flat yoy in SiC revenues. Despite the soft market, AIXTRON's G10 platform benefited

significantly from this environment, gaining strong traction due to its outstanding performance and cost-efficiency.

In H1/2025 AIXTRON has received the order and completed shipment of a major volume order for its G10-SiC systems from a Chinese customer. This order supports both 6-inch and 8-inch production capacity, underscoring the flexibility and scalability of the G10 platform. This major deal reflects the continued demand seen in China during H1. For the 2nd half of 2025, we expect slower demand from Chinese SiC customers, while customer qualifications and strategic planning for future capacity expansions are ongoing.

Whenever the SiC market will recover, AIXTRON is well-positioned to benefit strongly from new investment activity, thanks to its proven technology leadership and strong customer relationships.

GaN Power:

The GaN market remains soft in the near term in the Western world, as far as we can judge. However, the regional dynamics have changed significantly. Western markets remain largely soft, with investment decisions continuing to be postponed. In contrast, China demonstrated strong momentum in the first half of the year, driven by sustained demand and active investment behavior. This regional strength has helped to balance out weaker activity elsewhere, resulting in an overall year-on-year GaN tool shipment performance that is roughly flat.

Despite these headwinds, AIXTRON has secured a significant volume order in the GaN Power segment from a tier-one customer from Asia. The order underscores the continued trust in AIXTRON's technology leadership.

The market is currently facing a moderately oversaturated installed base, requiring time to absorb existing capacities. This digestion phase is expected to continue for some quarters before a broader recovery sets in.

Nevertheless, AIXTRON maintains a clear number one position in the GaN Power market, supported by its proven performance, strong customer relationships, and readiness to scale once market momentum returns.

One of the drivers for the expected market recovery is the GaN in **AI power supply opportunity**. We had already highlighted this as a potential major market driver in our past calls. At the time, this opportunity was not included in market researchers models.

Recently we have seen multiple newsflow on this topic. The expected rapid growth of AI data centers using NVIDIA's new 800V HVDC architecture is creating a significant opportunity for GaN power technologies. Companies like Navitas and Infineon are leading the charge by integrating GaN and SiC semiconductors to enable:

- High-efficiency, high-density power delivery from grid to GPU.
- Reduced copper usage and infrastructure complexity.
- Improved energy efficiency (up to 5%) and lower cooling/maintenance costs.

This shift to 800V HVDC and centralized power architecture demands advanced GaN devices for both primary and secondary power conversion stages.

We believe that our role in enabling high-performance GaN device manufacturing makes us a key enabler in the AI power revolution in the future. The timing of that wave is very difficult to predict as of now.

Micro LED and LED:

AIXTRON continues to hold a clear number one position in the market for ROY (Red-Orange-Yellow) LEDs, underpinned by a consistently strong market share. However, also in this market segment, demand is currently weak.

Last but not least, let's come to micro LEDs. The market has not yet materialized at scale. In 2025, order activity in this segment is limited, with no signs of meaningful volume adoption. The few orders AIXTRON has secured this year are focused on R&D and pilot lines, rather than commercial production. While interest in applications such as TVs and AR devices persists, the transition to high-volume manufacturing continues to be held back by unresolved cost and process challenges.

In summary, we can say that the soft market period continues in almost all markets apart from the laser market, driven by the hunger for data from AI applications. In all other markets AIXTRON remains very well positioned and uses the “soft” market period for very close engagement with customers on preparing the next level of technical innovation and next generation products. Once the market demand picks up again, AIXTRON will benefit from the activities. Timing for the next uptick cannot be predicted yet.

US Tariffs

Let me finalize with an update on the US tariffs situation. The US/EU-framework agreement has been signed on 27.07.2025, in which semiconductor equipment is being declared as “strategic products” with zero % tariffs imposed. Although the full legal text has not been published yet as details need to be worked out, it seems highly likely that the semi equipment exemption (as of today) will stay.

Slide 11 – Guidance

With that, let me now move to our **guidance**. Based on the current market development, the current tariffs situation and the budget rate of 1.10 USD/EUR, we confirm **our guidance for 2025** as published in February:

We expect **revenues to come in at a range of EUR 530 million to EUR 600 million**. At the mid-point, this would be around 10% below 2024. We expect a **gross margin of 41% - 42%**, so at around last year's level, and an **EBIT margin between 18% and 22%**.

The guidance for the gross margin and EBIT margin includes a **one-off expense** of a mid-single digit million Euro amount in relation to the implemented personnel reduction in the operations area. The measure will lead to annualized savings in the mid-single-digit million EUR range in future, which corresponds to an improvement in the gross margin and EBIT margin of around 1pp.

As Christian explained before, there could be some potential impact from FX effects. An **average USD/EUR exchange rate of 1.20** in the second half of fiscal year 2025 could reduce the full-year gross- and EBIT-margin by around 1 percentage point.

As previously stated, we expect our tools to remain exempt from U.S. tariffs. However, we continue to closely monitor the impact of U.S. trade policies on the global economy and stand ready to implement any necessary measures to ensure the best possible outcomes for our customers and stakeholders.

For **Q3/2025** we expect revenues in the range around **EUR 110 million to EUR 140 million**. The range is slightly wider this quarter because an unusually high number of shipments is scheduled right at the cutoff date from Q3 to Q4. They will for sure ship in 2025, but the exact timing towards the quarter end is difficult to predict as of today.

With that, I'll pass it back to Christian before we take questions.

Christian Ludwig

Investor Relations

Thank you very much, Felix and Christian. Operator, we will now take questions, please.