

FINANCIAL RESULTS FOR FY2019 AND BUSINESS UPDATE

ELES S.p.A.

Webinar 28 MAGGIO 2020



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Francesca Zaffarami

CEO

- (1997 – 2003) MSc in Electronics Engineering from Università degli Studi di Perugia
- (2008 – 2009) EMBA at LUISS Business School (Rome)
- (2003 – 2004) Application Engineer at ELES Semiconductor Equipment
- (2004 – 2006) Member of the team responsible for “Wafer Level Burn In” R&D project, assisted by Catania Research Lab
- (2005 – 2006) Project Manager deputy to digitalization and research project
- (2006 – 2008) Improvement Project Portfolio Manager at ELES Semiconductor Equipment S.p.A.
- (2008 – 2014) Controller and COO Assistant at ELES Semiconductor Equipment S.p.A.
- (2016 – current) CEO and Vice Chairman at ELES Semiconductor Equipment S.p.A.



Roberto Scappito

CFO

- (1992 – 1998) MSc in Economics from Università degli Studi di Perugia
- (1998– 2000) EMBA at Centro Formazione Imprenditoriale (AsFor – Perugia)
- (2012 - 2012) SdA Bocconi School of Management (Milano)
- (2001 – 2008) Group Management Control Manager – Emicom Group (Perugia)
- (2008 – 2016) Administration and Management Control Manager – Aria SpA (Milano)
- (2016 – 2019) Group Management Control Manager – Tiscali SpA (Cagliari)
- (2019 – actual) Chief Financial Officer – ELES SpA – (Todi – PG)



Marco Messori

MyMediarelation Srl

Moderator



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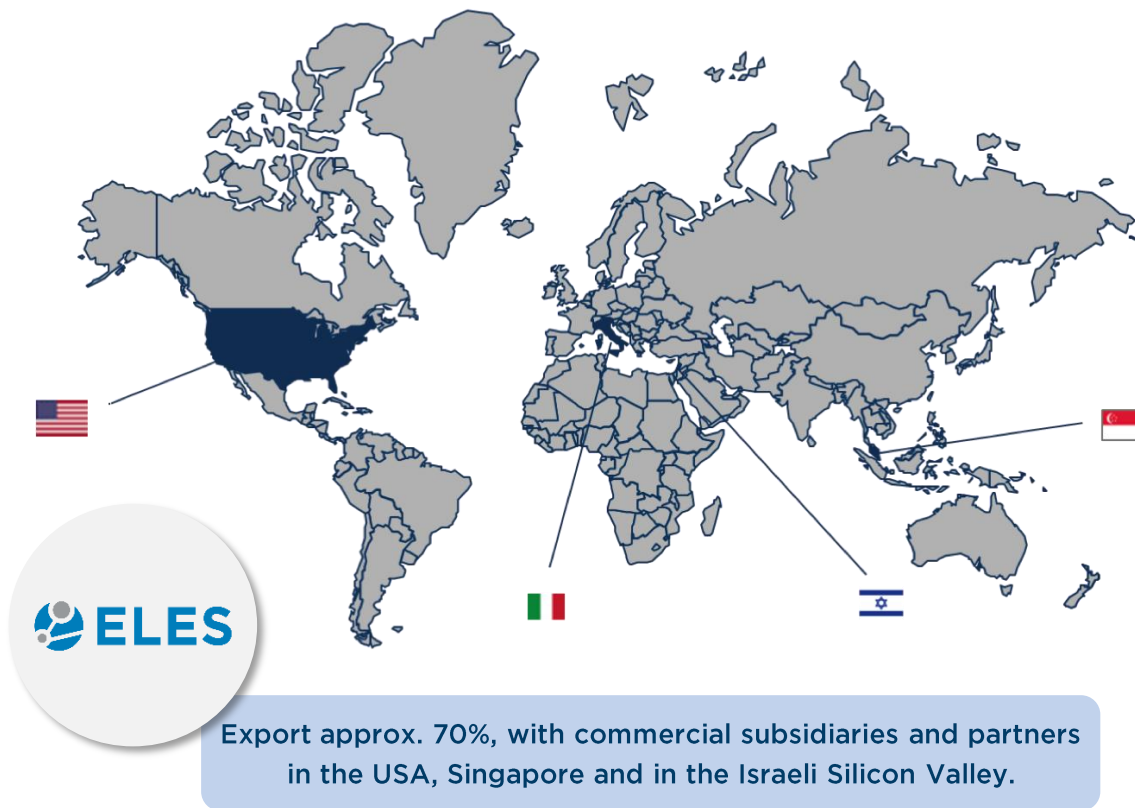


COMPANY OVERVIEW

Eles at a glance

Eles is an innovative Italian SME that operates in the Microelectronics Testing systems sector, offering Test System (machines) and Test Application (Boards & Services).

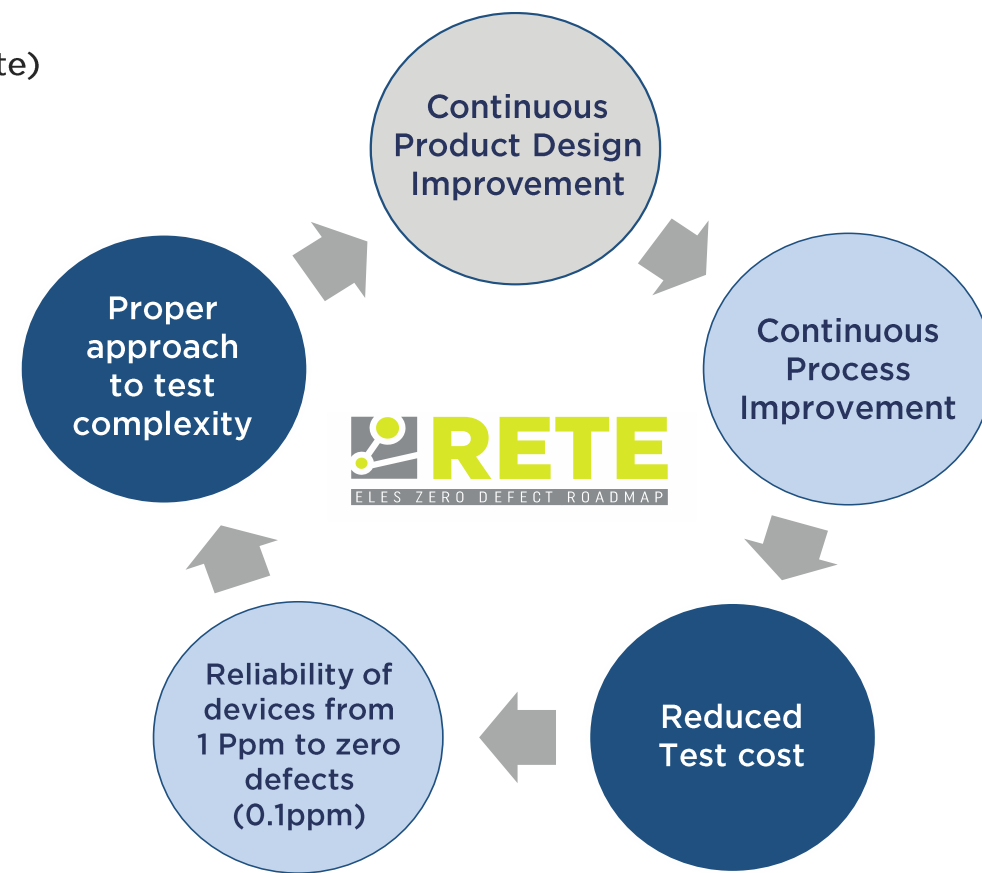
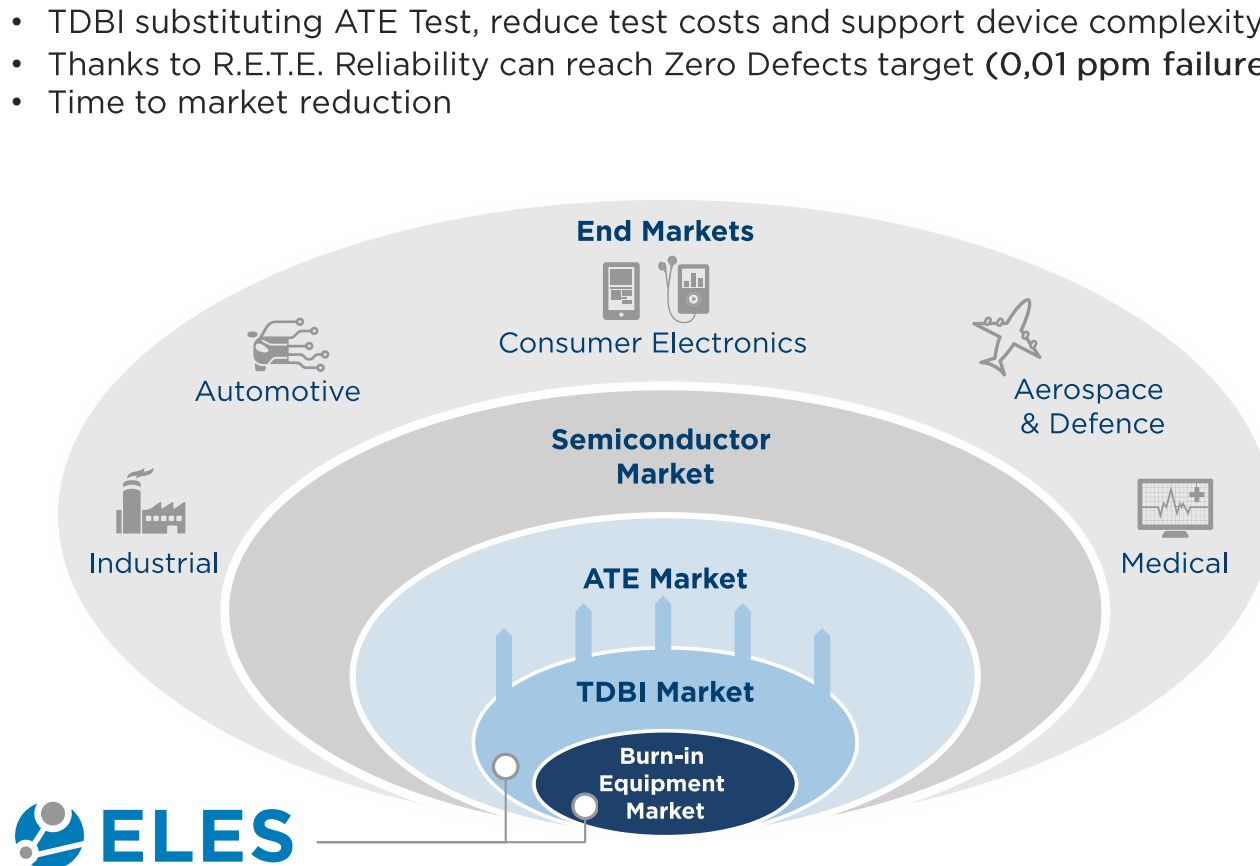
- Higher reliability as a market request and Test evolution needed: Eles supports its clients in improving the reliability of their products in order to achieve Zero Defects, primary goal for Mission Critical and Safety applications (i.e: Airbags).
- One of the sector's leading companies offering a transformed reliability test, via early co-engineering, always reaching to achieve the Zero Defects criteria.
- More than € 15 millions invested in R&D in the last 10 years (an average of approx. 10% on the Sales basis). Highly specialized staff: 53% holds a master degree (electronic, mechanical, IT engineering, etc.). Over 30% of Eles employees work in R&D Department.
- Eles IPO on June 2019 strenghtened the financial position to support the growth plan.



ELES is a leader offering an Innovative Test Approach for Zero Defects based on R.E.T.E. and TDBI

Innovative Test Approach results:

- TDBI substituting ATE Test, reduce test costs and support device complexity
- Thanks to R.E.T.E. Reliability can reach Zero Defects target (0,01 ppm failure rate)
- Time to market reduction



**FINANCIAL RESULTS
FOR FY2019**

Profit & Loss



IT Gaap
IFRS
Restated

IFRS

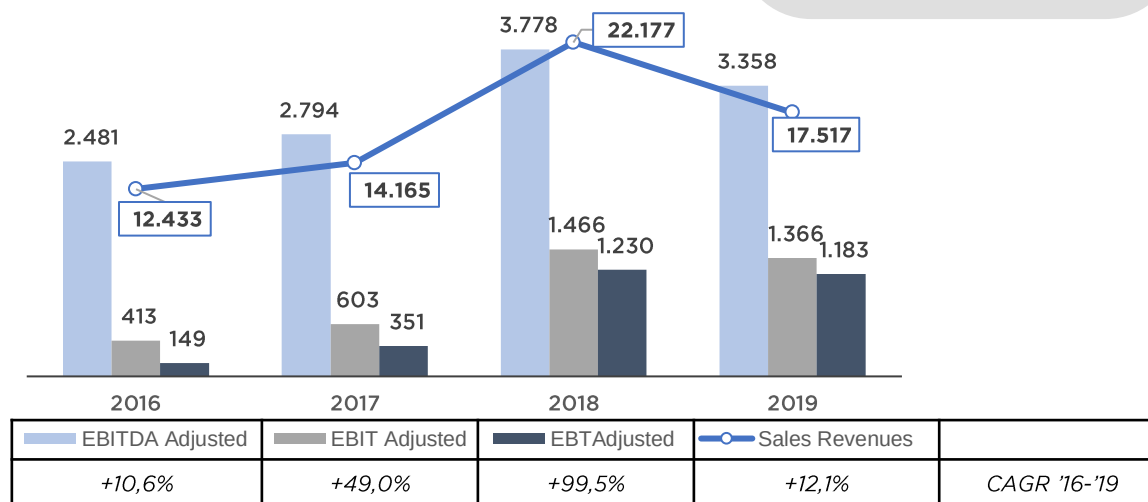
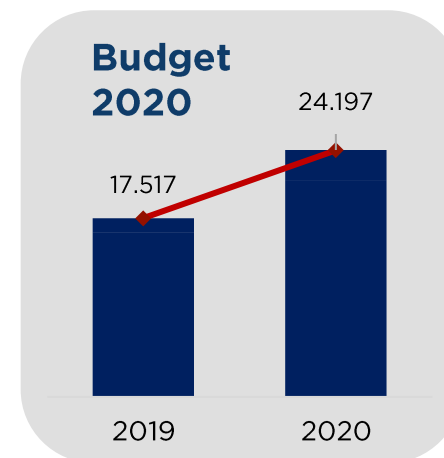
Profit & Loss (€/000)	FY2016	FY2017	FY2018	FY2019
Sales	12.433	14.165	22.177	17.517
Other income	55	234	425	697
Revenues	12.488	14.399	22.602	18.214
Revenues YoY Growth %	-	15,3%	57,0%	(19,4%)
Net consumption	(5.075)	(5.270)	(9.410)	(7.054)
Net consumption (materials) %	40,8%	37,2%	42,4%	40,3%
Cost of services	(2.416)	(2.628)	(4.530)	(3.676)
Cost of Labour	(2.224)	(3.386)	(4.445)	(3.847)
Other expenses	(292)	(321)	(439)	(452)
EBITDA	2.481	2.794	3.778	3.185
Listing costs	-	-	-	173
EBITDA Adjusted	2.481	2.794	3.778	3.358
EBITDA Adjusted %	20,0%	19,7%	17,0%	18,2%
D&A	(2.017)	(2.168)	(2.221)	(1.923)
Provisions	(52)	(23)	(91)	(70)
EBIT Adjusted	413	603	1.466	1.365
EBIT Adjusted %	3,3%	4,3%	6,6%	7,8%
Financial income (expenses)	(264)	(252)	(236)	(183)
EBT Adjusted	149	351	1.230	1.183
Taxes	(124)	(167)	(477)	(172)
Net Profit Adjusted	25	184	753	1.011
Net Profit Adjusted %	0,2%	1,3%	3,4%	5,8%

Note:

- Separate IT Gaap audited

- 2016 unaudited IT Gaap separate FS restated IFRS, 2017 unaudited IFRS consolidated FS, 2018 and 2019 audited IFRS consolidated FS,

- Thanks to RETE approach and the standardization of the offered solutions, the company sales shown a +12% growth rate in 2016-2019 period.

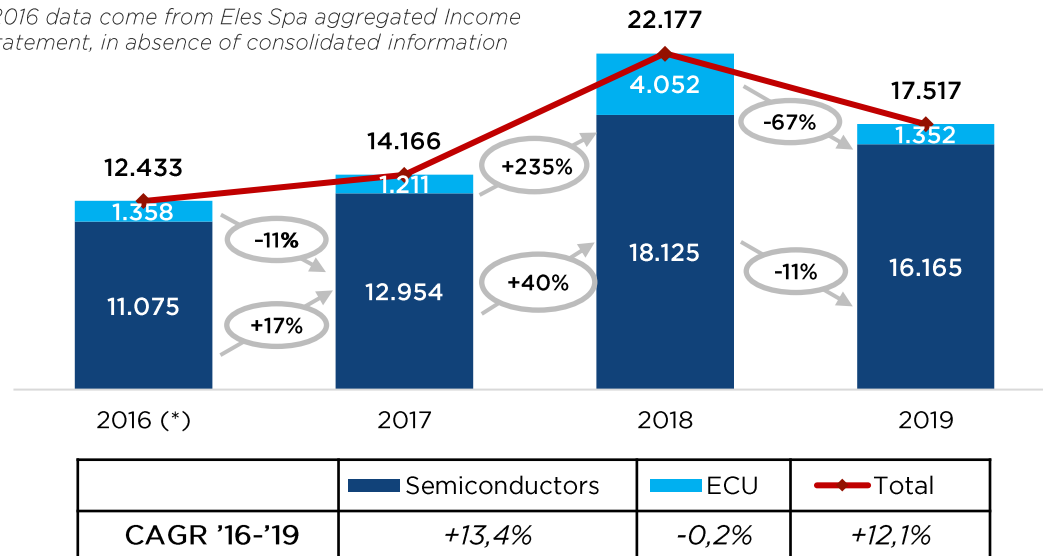


- EBITDA Adjusted shows a +11% CAGR 2016-2019 and represents on average the 18,7% of Sales Revenues in the period 2016-2019.
- EBIT and EBT Adjusted represent respectively 8% and 7% on 2019 Sales Revenues
- In 2019 company has been strengthening its organizational structure (among the recruits four new executive).

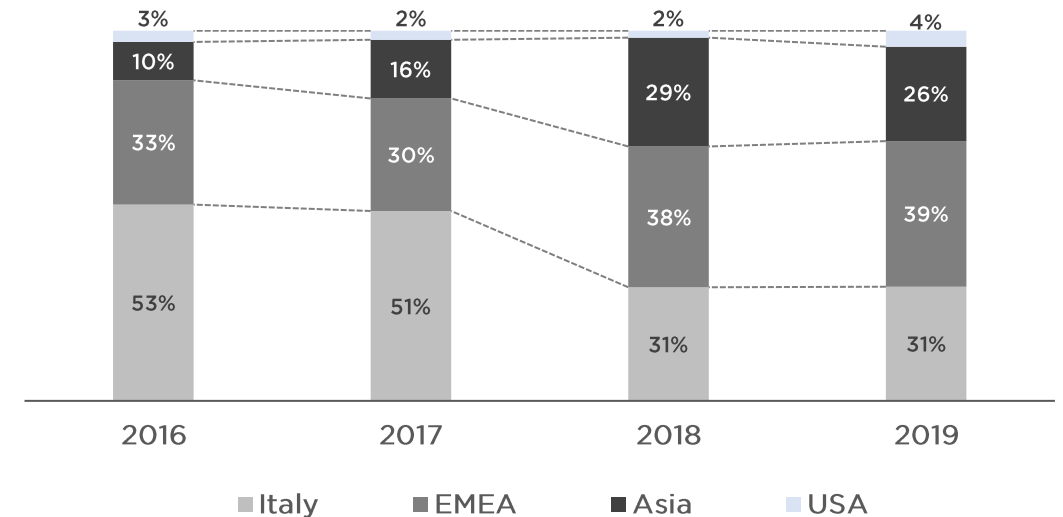
ELES revenues shown +12,1% growth rate in 2016-2019 period, higher than Global ICs ATE growth rate (+9,75%)

'000 Euro – Sales Revenues Trend by Business

* 2016 data come from Eles Spa aggregated Income Statement, in absence of consolidated information



'000 Euro - Sales Revenues Trend by Geographic Areas



- **Semiconductor** revenue shows an important growth in 2018 (+40% vs 2017) followed by a 11% decrease in 2019. This is **lower than -64% global Burn In Test decrease** thanks to **TDBI approach, R.E.T.E.** offering and Test Applications sales (**counter-cyclical offer**).
- Thanks to **RETE and standardization** of the offered solutions, the company revenues has shown a **growth rate of 12%** in the period 2016-2019 and is projected to further growth in the next years.
- **ECU** shows a CAGR of -0,2% in the period due to the decrease in 2019 related to Automotive slow down in Europe, in particular, and is projected to grow in the next years thanks to the development of both **Automotive and Aerospace & Defense** sectors.
- **Export growth**, whose impact on sales went from 47% in 2016 to 69% in 2019

Balance Sheet

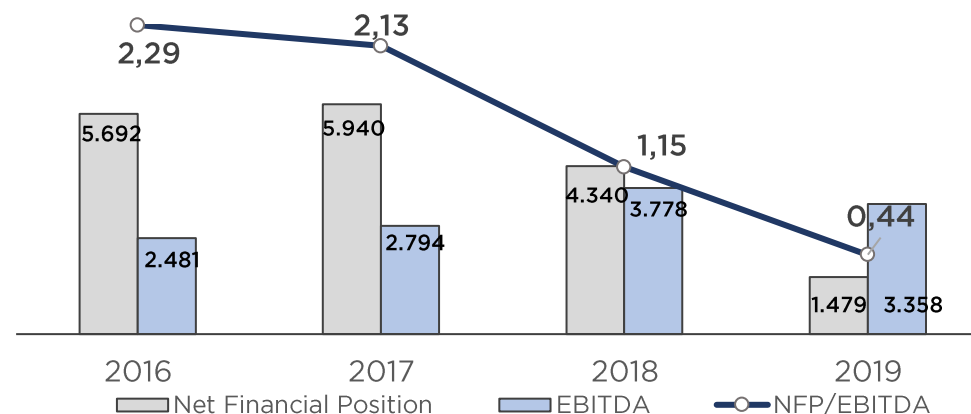


IT Gaap
IFRS
Restated

IFRS

Balance Sheet (€/000)	FY2016	FY2017	FY2018	FY2019
Intangible Assets	6.151	5.173	3.607	3.861
Tangible Assets	3.962	3.683	3.748	3.942
Financial Assets	691	732	982	1.041
Fixed Assets	10.804	9.588	8.337	8.843
Inventories	2.317	3.070	3.783	3.770
Trade receivables	3.421	5.558	5.851	4.270
Trade payables	(2.241)	(3.817)	(4.415)	(2.674)
Operating Working capital	3.497	4.811	5.218	5.366
Other current assets/(liabilities)	(1.162)	(784)	(812)	1.237
Net Working capital	2.335	4.027	4.406	6.604
Funds and other provisions	(1.223)	(1.255)	(1.327)	(855)
Net Invested Capital	11.916	12.360	11.416	14.592
Shareholders' Equity	5.586	5.751	6.542	12.504
Current Financial Asset	-	-	-	(198)
Current Debt	4.147	4.552	4.725	2.837
Long Term Debt	3.781	3.879	3.881	5.602
(Cash & Cash equivalents)	(1.598)	(1.822)	(3.733)	(6.153)
Net Financial Positions	6.330	6.609	4.873	2.088
Total Sources	11.916	12.360	11.415	14.592
Net Financial Positions	6.330	6.609	4.873	2.088
Long Term Financial credit	(638)	(669)	(533)	(609)
Net Financial Positions Adjusted	5.692	5.940	4.340	1.479

- The return on Net Invested Capital has passed from about 3% in 2016 to about 9% in 2019.
- The Net Financial Position Adjusted as of 31st december 2019 amounts to 1.479K€ including the revenues deriving from the capital increase related to the IPO as of 19th June 2019 (approximately Euro 6 million gross of the listing costs).



Note:

- Separate IT Gaap audited

- 2016 unaudited IT Gaap separate FS restated IFRS, 2017 unaudited IFRS consolidated FS, 2018 and 2019 audited IFRS consolidated FS

Cash Flow Statement

Cash Flow Statement (€/000)	FY2017	FY2018	FY2019
Net Profit	184	753	838
D&A	2.168	2.221	1.923
+/- Δ Inventories	(753)	(741)	12
+/- Δ Trade receivables	(2.138)	(293)	1.578
+/- Δ Trade payable	1.576	223	(1.741)
Cash Flow after NWC	1.037	2.163	2.610
+/- Δ Other current Assets (liabilities)	(398)	146	(2.523)
Operating Cash Flow	639	2.309	87
+/- Δ Capex	(952)	(593)	(2.430)
Cash Flow from Investment activities	(952)	(593)	(2.430)
+/- Δ Credit (Debt)	538	195	(364)
+/- Δ Equity			5.127
Cash Flow from financial activities	538	195	4.763
Cash Flow	225	1.911	2.421

Note:

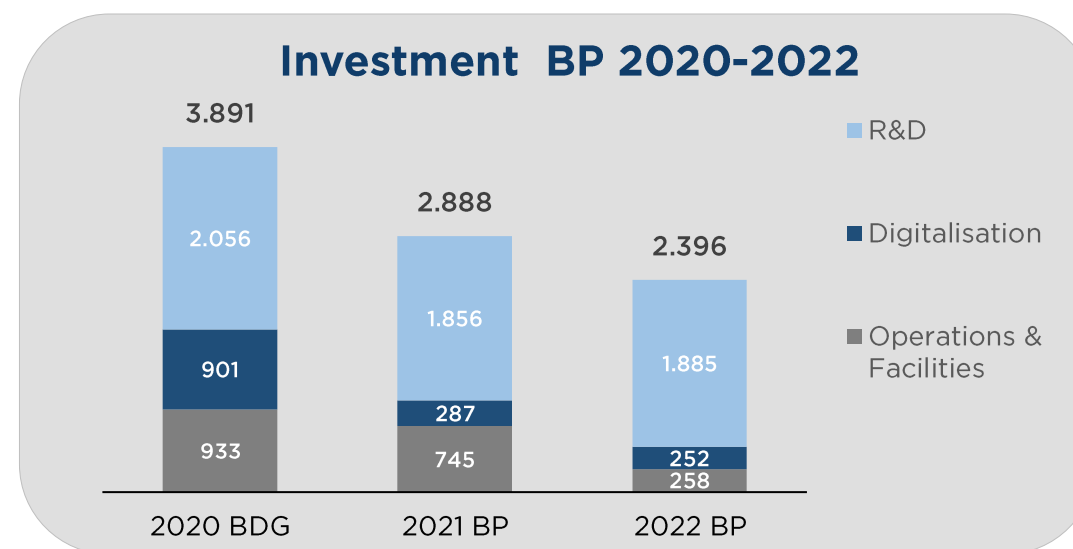
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The RETE approach allowed for an increase in Net Profit on a year base.

The Cash Flow after Net Working Capital increase in the period.

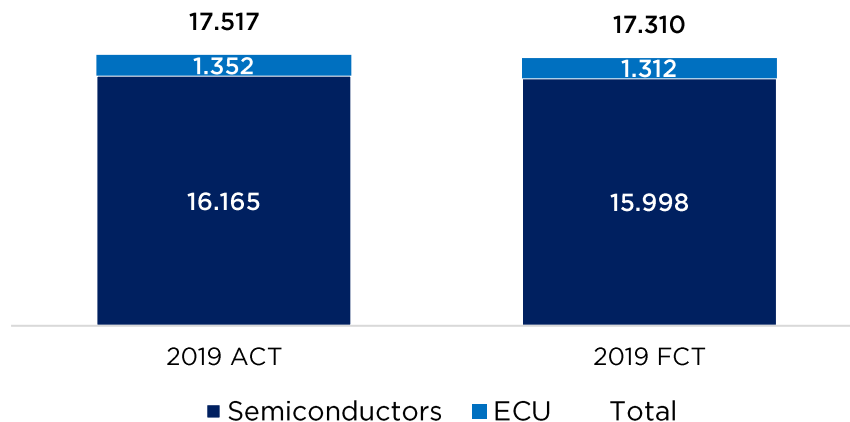
The R&D activity remains the largest investment area that represents a key factor to preserve the technological leadership of the Company and to implement its development plan.

The 2019 cash flow from financial activities include the increase in capital deriving from the IPO June 2019.

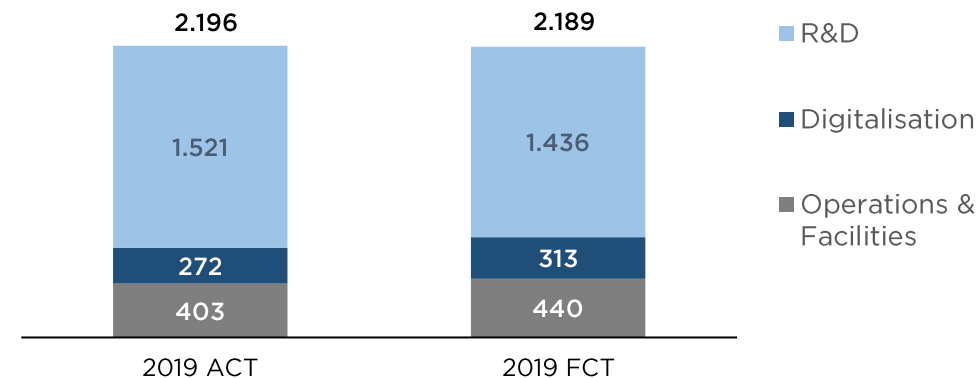


2019 Actual vs Forecast

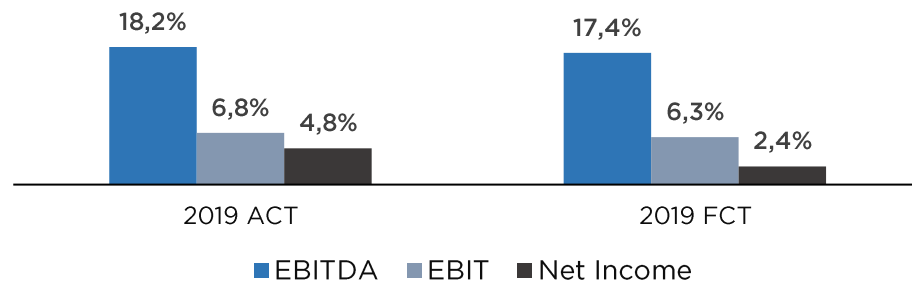
000 € - Sales



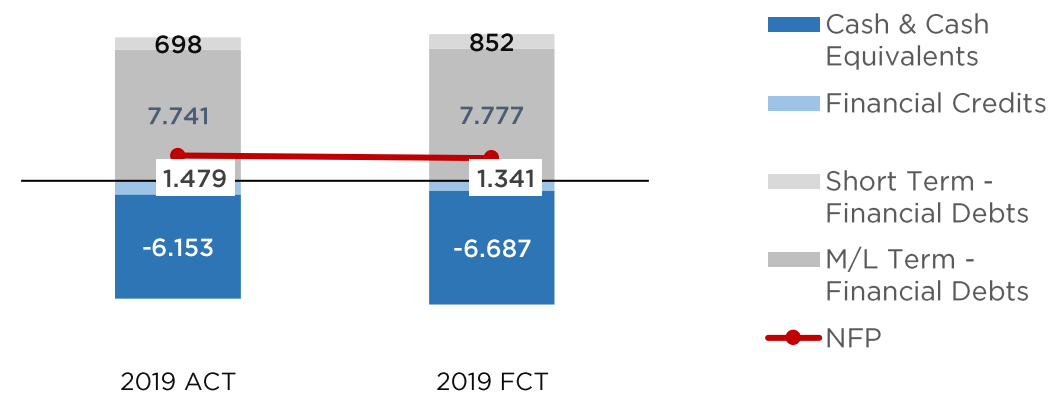
000 € - Capex



000 € - Profitability



% - NFP Evolution



Significant events after the end of the period



#1

In January Eles started a further collaboration for the performance of Corporate Broking services in order to pursue maximum transparency and foster relations with the financial community.

#2

From 7 February 2020, the Organization, Management and Control Model was adopted pursuant to Legislative Decree 231/2001 and a Supervisory Body in monochrome composition has been appointed.

#3

In March 2020, as part of the management process of its structure, ELES strengthened the front line with the entry of a Chief Technology Officer (CTO), called to continuously develop the potential of R.E.T.E. (Reliability Embedded Test Engineering), the reliability process for "zero defects", in line with the provisions of the Industrial Plan.

#4

In April 2020, in line with the Chinese market penetration strategy, the structure was strengthened with the inclusion of a Manager with significant previous experience in the Chinese, Indian and Asian markets more generally.

COVID-19

Actions put in place for the safeguard of the business continuity



#1

The company has remained operational as active in the **Aerospace & Defense** industry as well as in the supply chain activities **considered essential** by regulatory measures.

#2

It has adopted, in advance, the measures identified by the Government to counter the spread of the virus and allow employees to have a safe working environment. Also in the so-called “*Phase 2*” the company intends to continue to encourage agile work and keep active the solutions identified to reduce exposure to risk for employees.

#3

We have managed to minimize the impact of the redundancy fund and for a limited time, ensuring, at national and international level, the continuity of production and to respect the delivery time to customers.

#4

The Company’s financial position is solid.

COVID-19

Actions put in place for the safeguard of the business continuity



Therefore, despite the difficulty of formulating, at this moment, forecasts of any kind, taking into account the market in which the Company operates, it is reasonable to believe that, once the emergency phase has been overcome, business continuity can be regularly maintained, while remaining exposed to potential effects and consequences, even significant.

In the context outlined above, the Company will also proceed, if necessary, to activate all the measures useful for the redefinition of the terms contained in the previous financing agreements, as well as for the potential reorganization of some of the activities.

A hand is shown holding a complex, glowing network of white lines and teal nodes, resembling a digital or biological structure. A large white circle is centered over the network, containing the text "BUSINESS UPDATE".

BUSINESS UPDATE

WW SEMICONDUCTOR SCENARIOS

April 9, 2020 - GARTNER

Due to the impact of the coronavirus on semiconductor supply and demand, **worldwide semiconductor revenue is forecast to decline 0.9% in 2020**, according to Gartner, Inc. This is down from the previous quarter's forecast of 12.5% growth.

“Non-memory semiconductor markets will experience a significant reduction in smartphone, automobile and consumer electronics production and be heavily impacted across the board,” said Mr. Gordon. “In contrast, the hyperscale data center and communications infrastructure sectors will prove more resilient with continued strategic investment required to support increased remote working and online access.”

March, 2020 - IDC

Mapping Four Semiconductor Revenue Forecast Scenarios			
2020 Worldwide Semiconductor Revenue Growth Forecast Scenarios	Technology Supply Chain Recovery	Global Disruption to Economy and Technology Demand	Impact on Broader Technology Industry & Initiatives
Scenario 1: Decline -12% or more	1-3 months	9-12+ months	9-12+ months
Scenario 2: Decline -3 to -6%	3-9 months	3-9 months	3-9 months
Scenario 3: Growth +2%	1-3 months	3-9 months	3-9 months
Scenario 4: Growth +6% or more	1-3 months	1-3 months	1-3 months
Source: IDC, March 2020			

“IDC now believes there is an 80% chance of significant contraction in semiconductor revenues in 2020 instead of its previous expected growth of 2%. But that still leaves a 20% chance, that a strong bounce back from Covid-19 is possible in 2020.



The impact of COVID-19 and the subsequent shelter in place orders and shutdowns have **had an uneven impact on the semiconductor markets.**

Recovery depends on the length of these shutdowns and how fast consumers can recover from their economic losses.

Government economic and stimulus policy will also have an impact on how fast semiconductor sales and end-market can recover.

WW SEMICONDUCTOR SCENARIOS

April 22, 2020 - Ic Insight

Top Ten Best and Worst Years of IC Unit Volume Growth Since 1980

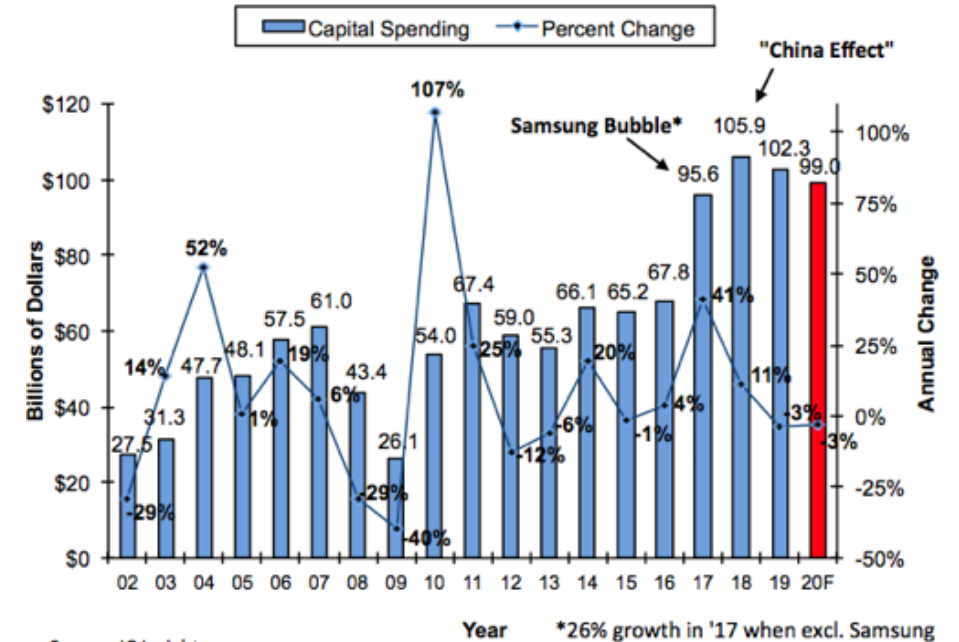
Best Years	Year	Percent Growth	Worst Years	Year	Percent Change	Year After the Worst Year	Percent Change
1	1984	50%	1	2001	-21%	2002	15%
2	2010	29%	2	1985	-16%	1986	18%
3	2000	27%	3	2009	-7%	2010	29%
4	1983	23%	4	2019	-6%	2020F	-3%
5	1997	22%	5	2012	-1%	2013	8%
6	1980	20%	6	1981	0%	1982	16%
7	2006	18%	7	1992	0%	1993	14%
8	1986	18%	8	1998	1%	1999	16%
9	2004	17%	9	2011	1%	2012	-1%
10	1982	16%	10	2008	2%	2009	-7%

Source: WSTS, IC Insights

IC Insights' baseline forecast for global IC market growth for 2020 now stands at -4% with total IC unit shipments are expected to decline by 3% this year. If this forecast comes to fruition, IC Insights believes it would be the only back-to-back annual IC unit shipment declines in the history of the IC industry.

April 16, 2020 - Ic Insight

Worldwide Semiconductor Capital Spending Trends (2002-2020F)



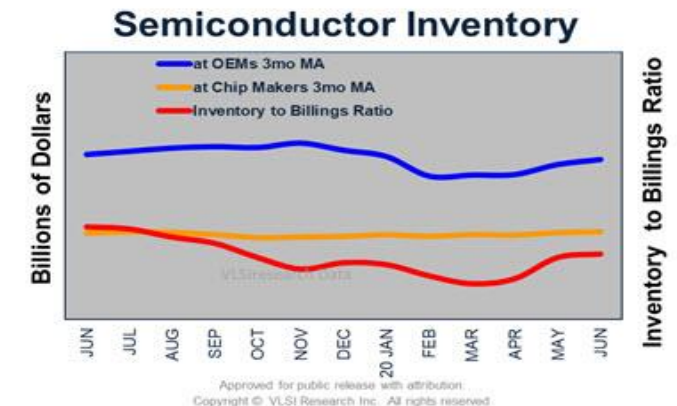
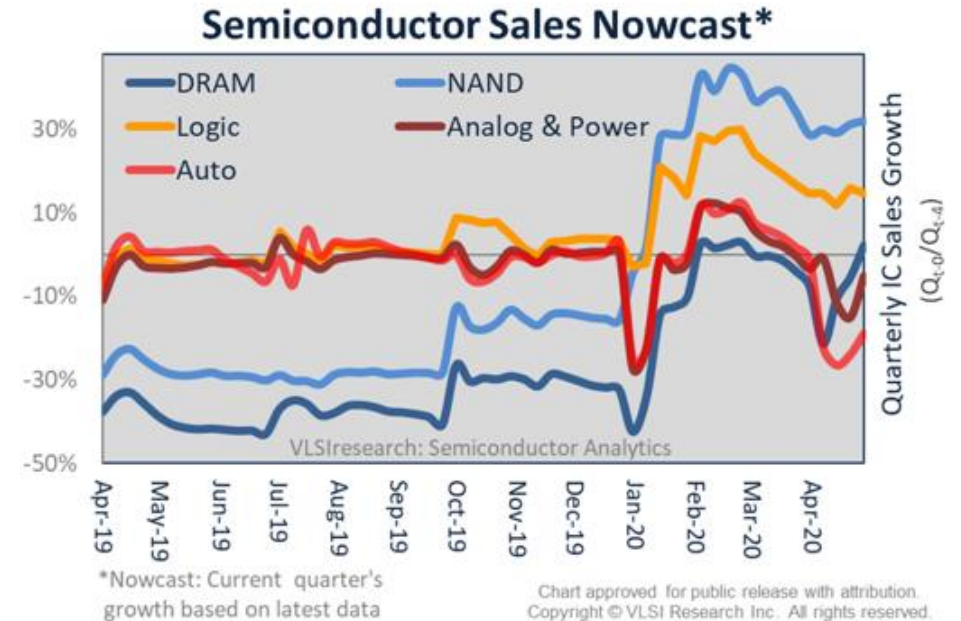
It should be noted that the capital expenditure decline this year is expected to be primarily due to spending cutbacks from the big three memory suppliers. In contrast, the other semiconductor manufacturers are expected to increase the capital expenditure (+4%) in 2020.

WW SEMICONDUCTOR SCENARIOS

May 20, 2020 - VLSI

Order activity is up despite limited visibility

- Order activity for semiconductor equipment surged nearly six points. Despite the uncertainty from the COVID-19 pandemic, demand for equipment remains solid as semiconductor companies continue to push forward with their capacity upgrades and additions plans.
- Working from home economy coupled with surging e-commerce has offset the weakness in other sectors like automotive and industrial.
- Inventory levels, especially at the electronics OEMs, are improving.
- These changes have given chipmakers confidence to continue spending amid the global recession.
- There have been some major changes to the forecasts in this update:
 - **Equipment sales are now expected to increase 7%** compared to our previous forecast of -6%.
 - **IC sales are expected to increase nearly 1%** compared to -4% in the previous update



China's Experience

- 30th March 2020. There have also been reports that **China is well on the road to recovery**, with the Nikkei weekly reporting that some IC facilities in China were operating throughout the entire crisis.
- If the announcement issued by SEMI China on March 16 is any indication, there is reason to be cautiously optimistic. The economy in China has moved into active recovery, and the company's core semiconductor businesses—fabs and OSATs—are ramped up to near-pre-epidemic levels. Overall, mainland China's leading fabs and other production lines, as well as production lines in Wuhan, have been back in operation since early February. Since then, seems to bear out that they are back functioning at about 80-90% capacity.
- It was reported on March 26th that Huawei had 90% of its workers back online in China, so it appears the Chinese manufacturing engines are starting to rev up again.
- Although lot of Chinese government investments have been directed to the treatment of the emergency, the “**Made in China 2025**” remain a strategic goal.

Predictable evolution of management

The management will continue to carry out the Business Strategic Plan whose guidelines focus on:

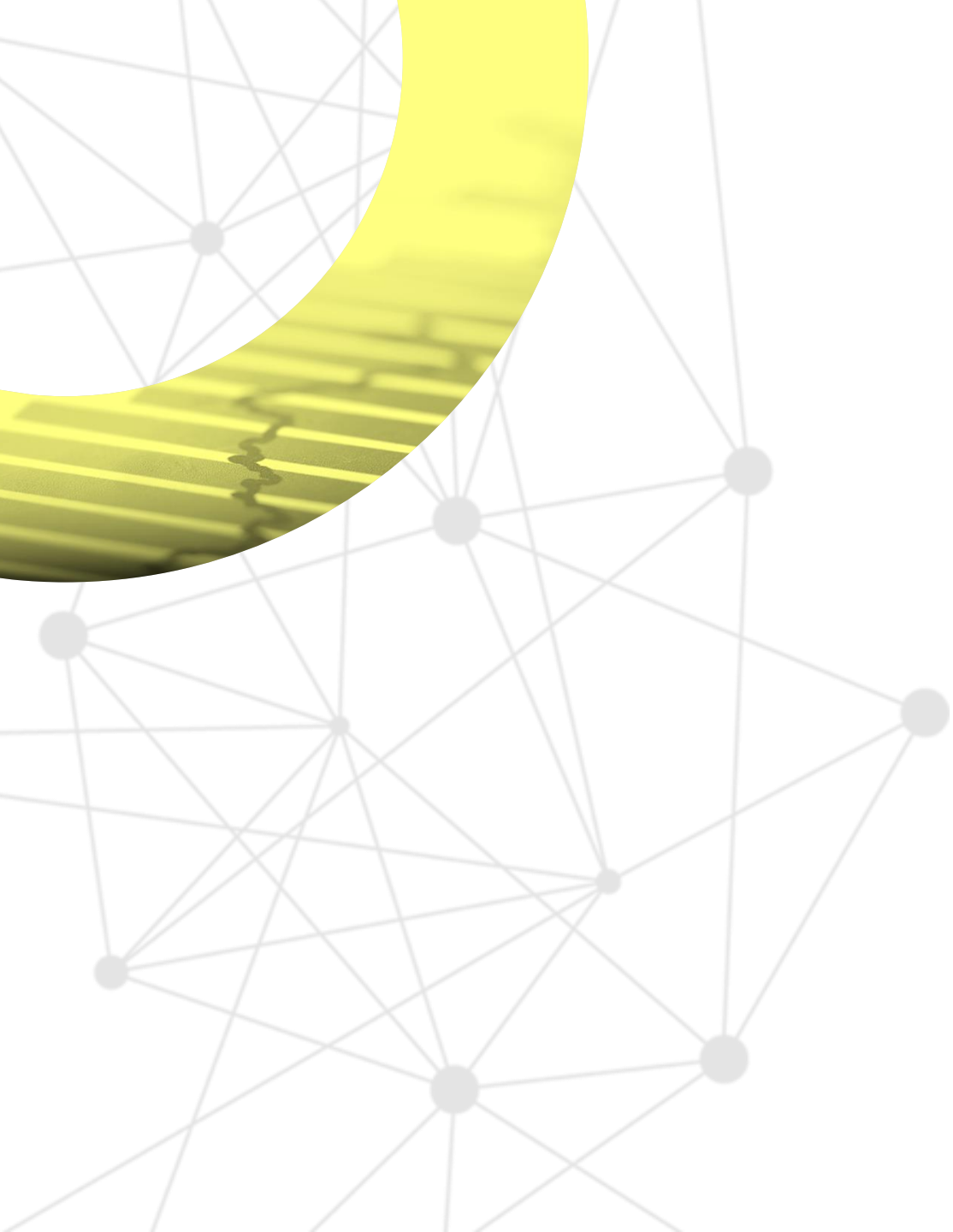
- Increased market share in Asia
- Growth for external lines
- Strengthening the sales and technical organization both quantitatively and qualitatively
- Increased coverage of the functional test up to the Total Test on the TDBI platform, a fundamental element of the company's technological leadership
- Enhanced presence in the SoC High and Very High Power segments
- Replication of the ELES technological solutions used for the testing of individual semiconductor devices, also for electronic modules (Electronic Control Unit - ECU) with applications in Mission Critical sectors.

The sector analysis and the profit warnings of the main semiconductor manufacturers, signal global concern, and a consequent slowdown in Capital Spending. This could entail the reshaping of our clients' investment plans (Capital Spending), even if at the moment there are no data that lead us to believe with reasonable certainty that the objectives disclosed by the Company are not achievable.

Despite the signs of global concern China has moved into active recovery and Covid-19 is not expected to change long-term outlook. 5G, datacenter, and AI, which require advanced SOCs, are expected to provide long-term growth for semiconductor and ICs test. Thanks to its vision and ability to innovate, the Company is in a good position to be a protagonist even in this scenario.

Glossary

ATE: Automated Test Equipment
DfR: Design for Reliability
DfT: Design for Testability
ECU: Electronic Control Unit
ICs: Integrated Circuits
ppb: parts per billion
ppm: parts per million
R.E.T.E: Reliability Embedded Test Engineering
SoC: System on a Chip
TDBI: Test During Burn-In
TfR: Test for Reliability
TTM: Time To Market



ELES S.p.A.

Fraz. Pian di Porto / Z.I. Bodoglie 148/1/Z

06059 Todi (PG) / Italy

Tel. +39 075 898000

Fax +39 075 8987215

info@eles.com



eles.com

