

# Y 2023 Earnings Call

## Company Participants

- Burkhardt Frick, Chief Executive Officer
- Cornelia Ballwiesser, Chief Financial Officer
- Sven Kopsel, Head of Investor Relations
- Thomas Rohe, Chief Operating Officer

## Other Participants

- Analyst
- Florian Sager, Stifel
- Malte Schaumann, Warburg Research
- Oliver Wojahn, AlsterResearch

## Presentation

### Operator

A warm welcome to today's Conference Call of SUSS MicroTec SE following the publication of the financial year figures of 2023.

The management board will speak in a moment and guide us through the presentation and the results. And after the presentation, we will move on with a Q&A session, in which you will be allowed to state your questions directly via audio line or chat. So we're looking forward to the results.

And having said this, I hand over to Sven Kopsel from Investor Relations. So Sven, the stage is yours.

### Sven Kopsel {BIO 19599807 <GO>}

Thank you, Sarah, and welcome to our full year 2023 conference call.

Some basic information ahead. As usual, this call is being recorded and considered as copyright material. It cannot be recorded or rebroadcast without permission, and participating in this call implies your consent to this procedure. Please be aware of our safe harbor statement on Page 2 of the slide deck. It applies throughout the conference call.

And now, I hand over to our CEO, Burkhardt Frick, who will present the full year highlights, followed by our CFO, Cornelia Ballwiesser; and our COO, Thomas Rohe,

with an update from a financial and operations perspective.

Burkhardt, it's yours.

**Burkhardt Frick** {BIO 17616376 <GO>}

Thanks a lot, Sven, for the intro.

I'd like to welcome all participants, also on behalf of our CFO, Cornelia Ballwiesser; and COO, Thomas Rohe, who will contribute to this presentation. We will all be available for questions after our presentation.

Let's start with the highlights for the past year 2023. The key figures for the financial year are no surprise, as we already published these at the end of February, as preliminary and unaudited. There are no changes to these figures. Our management view on these figures is two-fold. We can be very satisfied with growing by 17% year-on-year to EUR304 million, and with a record order intake of EUR420 million.

On the other hand, we can't be overly happy with our gross margin of 34.1% and the EBIT margin of 9.1%. This is simply not good enough for our semiconductor equipment sector. More details on all figures will come in the following slides.

Now, I'd like to highlight selected milestones and events of the past quarters. As already mentioned, 2023 was the best year in our company's history in terms of order intake and sales. The largest growth driver was the AI-driven demand for our temporary bonding equipment, where we were able to generate order intake of EUR130 million in the second half of 2024.

As you know, our solutions are used for the production of high bandwidth memory and for the AI chip packaging process. I'm happy that we were able to deliver a strong finish in 2023 with Q4 sales of more than EUR100 million and EBIT margins close to 15%.

I already touched on our margin situation. Gross profit margin and EBIT margin were affected by product mix effects, by our capacity ramp up in Taiwan for production of temporarily bonders, and further by more intense engagement with external production partners as an additional measure to increase capacity.

We are undergoing a growth transformation. Some of these measures involve additional expenses and an initial decline of efficiency, but we will be more successful in the mid and long-term, and I'm quite optimistic about that. I also like to reflect on the recent sale of our MicroOptics business. Here the most important message is that we have increased our focus and are now a 100% pure-play semiconductor equipment company.

Let's have a closer look into our two business units. In Advanced Backend Solutions, we had a strong bonder business in both order intake, which more than doubled

and sales with a growth rate of almost 50% year-on-year, and even accelerated growth can be expected in 2024 due to the strong AI-related order book.

In our Litho business, which consists of imaging and coating product lines, order intake dropped by around 30% and sales by 7%. Here, we have a closer links to general semiconductor cycles, which is still awaiting for an upturn in 2024.

In a few moments, I would like to highlight two more strategic projects, our increased portfolio focus on high-volume manufacturing and our recently announced joint development agreement with Heraeus.

For our Photomask business solution unit, I'd like to express that we are very happy with our 84% growth to a level of EUR90 million in 2023. Order intake almost reached the very strong 2022 figures. Our order book of EUR165 million is still very high in this business unit. However, we expect a more flat sales trend in '24 until we manage to increase our production capacity.

Also, we have continued to work on our disruptive Wafer Cleaning solution. An alpha tool has been installed in our Sternenfels application center and we are ready for customer demonstrations and needs to work on a scalable manufacturing platform in the next phase. Sales contribution is expected in the second half of this decade.

Now, in various analysts/investors meetings and already during our Capital Markets Day, we said that we want to bring more product portfolio focus into our company and decrease complexity. This page shows how we are doing this in our Advanced Backend Solutions business unit.

For all three product lines, bonding, imaging and coding systems, you can see how the product mix will evolve until 2030. The overall key message is here. We will more than half the number of semi-automated tools from 23 to 10, as we partly sell these tools only in very small quantities, predominantly to research institutes and universities.

As a result, the share of sales generated by automated tools will go up. The rationale here is we want to grow with our strategic high-volume manufacturing accounts. Further, we want to reduce complexity for engineering, purchasing, manufacturing, and service, for example, by introducing common platforms.

Secondly, a more strategic topic is the recently announced joint development agreement with Heraeus. The application here is completely new for us. It's about shielding components from electromagnetic interferences caused by various different radio networks, such as Wi-Fi, Bluetooth, NFC, 5G, and devices with a small footprint. We are pleased with the partnership as both companies can bring in their core competencies.

Heraeus has developed a special metallic ink and digital printing process. And with our JETx platform, we do have a scalable inkjet printing solution offering volume manufacturing capability, but also bringing our global sales and service network.

A few words on the timing. Over the next few quarters, we will be working together to develop the first tools and move towards customer qualification. The good news is there are already several customers who are very excited about our solution.

Commercialization is targeted from 2026 onwards. The yearly sales potential can be in a nice double-digit million euro range, but please understand that we can't be more specific in this very early stage.

Now I'd like to hand over to Cornelia for deeper coverage of our financial results. Cornelia?

**Cornelia Ballwiesser** {BIO 21934910 <GO>}

Thank you, Burkhardt, and also, a warm welcome from my side.

This page summarizes our 2023 financial results regarding our continuing operations, that means without the MicroOptics business unit.

In regard of order intake and sales, Burkhardt already presented the positive development. The margin situation is challenging and a result of our growth transformation.

In a growth phase, some things have to be changed that initially cause additional costs or initially lead to lower efficiency or additional work or efforts. However, we will do everything in our power to counter this trend. We are fully committed to improve the margin profile of SUSS MicroTec. And the outlook for '24 that will be presented at the very end of this presentation, shows that we expect an improvement already in '24.

On this page, I'd like to present the order intake of the past 16 quarters in a more detailed overview. Please note that all presented years are adjusted for the MicroOptics' order intake, meaning they only include continuing operations.

In 2023, the graph clearly shows how our bonder business is growing. The third and fourth quarter '23 were characterized by the very strong order situation of our temporary bonding solutions, supporting the ramp-up of semiconductors of AI applications.

Looking at the right-hand side, you can see a breakdown of our order intake by region. The Asia-Pacific has been increased its importance with a share of around 85%.

This overview shows how our two segments developed in 2023. Let me start with Advanced Backend solutions. As already said, it was a bond of business driving both, the very strong order intake and our sales growth. However, gross profit margin was only 36.2% and EBIT margin 9.3%. In our growth transformation, we especially increased our manufacturing capacity and are still in a phase of changing and adapting associated processes. This is reflected in our margin situation.

In the Photomask Solution segment, the year-on-year growth of 83.8% was very strong based on the execution of our order book and the improved supply chain situation.

In the fourth quarter, we recognized sales in an amount of EUR34.2 million, which is more than one-third of total sales in 2023. Gross-profit margin declined to a level of 29.6%, as it is the Photomask solution business, where we onboard most of our external production partners, causing initial pressure on the margin.

Now, let us move on to the balance sheet. The balance sheet is characterized by the reclassification of the MicroOptics' business assets to a new position within current assets named assets held-for-sale. The assets held-for-sale amounted to EUR33.9 million. Total assets are not affected by this reclassification, but non-current assets decreased accordingly by around EUR20 million.

Total assets increased by EUR16.5 billion to around EUR370 million at the end of '23. This is mainly caused by an increase in inventories of around EUR24 million to supply the order book of our continuing operations with materials for the manufacturing of the next tools. Cash and cash of equivalents decreased from EUR51.4 million to EUR38.1 million.

And here a look on the equity and liability side. Equity didn't change materially. Due to the increased balance sheet total, our equity ratio amounted to 47.8% at the end of '23, after 50.3% in previous year. We consider this as a very healthy situation. Our current liabilities increased from EUR142.6 million to EUR166.7 million. That's a plus of EUR24.1 million.

Three reasons contributed to this development. Firstly, the reclassification of our MicroOptics business, EUR8.9 million from non-current liabilities into current liabilities. Secondly, increased contract liabilities. That means higher down payments of our customers, EUR9.1 million. And thirdly, higher tax liabilities, EUR4.8 million.

Here our cash position, as already mentioned, our cash position has decreased over the course of the year 2023 from EUR51.4 million at the beginning of the year to EUR38.1 million at the end. Operating activities generated positive cash flow of EUR3.8 million. This figure includes a negative operating cash flow of minus EUR8.7 million from our MicroOptics business.

Operating cash flow from continuing operations amounted to plus EUR12.5 million. However, the positive generated cash flow was offset by cash outflows from investing

activities of minus EUR8.2 million and from financing activities of minus EUR8 million. The cash outflow from investing activities related to MicroOptics business in the amount of EUR3.6 million. This means nearly the half.

Financing activities were attributable to MicroOptics only to a very small extent of EUR0.8 million. Just for information purposes, based on our continuing operations, the change in cash and cash equivalents would have amounted to EUR0.7 million. The free cash flow from continuing operations amounted to plus EUR7.9 million, and with or including the MicroOptics business minus EUR4.4 million.

However, in the course of the first quarter '24, our cash position has significantly improved. With the completion of the MicroOptics sale in January, we have received a cash inflow of EUR75 million. The expected capital gain from this transaction will be somewhere around EUR58 million, as we already communicated.

Let me now spend a few words on how to use the additional proceeds. We intend to take focus, expense and capital expenditures in our semiconductor equipment core business and related major R&D projects. In addition, we need to invest in our locations in the coming years, such as the expansion of our cleaning room capacity for development and manufacturing, and the energy efficient modernization of buildings.

Furthermore, the digitalization of our business processes and the modernization of IT systems, for example, the migration of our ERP system to S/4HANA will require additional spending. With these measures, we will become a more professional company and take the company to the next level.

Next to this, we are finally well-equipped to run and expand our operational business. That means we can refinance new orders by early sourcing materials and we can maintain sufficient liquidity for industry-specific volatility.

I already touched a little bit the energy-efficient modernization of our buildings. This will help us to further improve our ESG performance, as one example, on which we have reported intensively within the today released annual reporting.

Our ESG activities start very early in the development of new tools as we were able to impact the ESG footprint of our customers. One example is our disrupting Wafer Cleaning R&D project, where we try to replace aggressive chemicals.

This page illustrates some of our ESG KPIs. Since mid-2023, we have a full-time ESG manager in our team, driving ESG management and ESG reporting.

Now, I'd like to hand over to our COO, Thomas Rohe.

**Thomas Rohe** {BIO 22187305 <GO>}

Thank you, Cornelia. I also would like to welcome you.

And today, I would like to provide a short operations update. So far, you have seen in the presentation that we are undergoing a growth transformation process. Our customers are demanding more tools as we have ever experienced before. Our order book is very well filled. 2024 will therefore be a year of execution, especially in our Bond and Photomask solution business. It is about our operations, whether we can achieve the expected growth.

This overview shows where we manufacture our different products. In the second half of 2023, we have qualified our Taiwanese side to build temporary bonders. The first bonder made in Taiwan has been completed in early March.

In the background of this page, you can see some people working for us in Hsinchu. With the capacity ramp of our temporary bonder production, we had 50 plus people there. We think that we will have the full capacity available in summer 2024.

Today, we would like to provide some more color on the question of how large our sales potential in temporary bonding equipment is when we combine the capacity in Taiwan, where we produce a temporary bonder, and in Steinplatz, where we continue to produce deep bonders and cleaners. The answer is, we think that we are able to generate yearly temporary bonding sales of around EUR150 million once the capacity ramp is completed.

But besides the increase of our workforce, we also have to increase and to optimize our cleanroom space. Therefore, we are looking for additional cleanroom expansion opportunities, as Cornelia already explained earlier.

What we are now doing in Taiwan is increasing capacity in an existing production site by adding additional people. The second level to increase capacity is to more intensely involve external manufacturing partners. This also helps us to increase flexibility in terms of volatility. We want to build up a network of four or more strategic partners across Europe and Asia.

We today focus on the product lines with the highest order book, which are bonding and Photomask solutions. Here, the challenge is to identify the right partners, prepare all documentations in a way that the partner can make full use of it, and to train the people on our complex tools or modules. And as a result, we have already outsourced some really demanding modules, which are already supplied to us in significant numbers.

A third strategic opportunity to increase capacity can be the addition of a data manufacturing site in Europe or in Asia by purchasing an existing one or by building a new one. We continuously analyze potential options depending on size and availability of cleanroom capacity, local labor potential and the existence of local suppliers. There is no specific project to mention today, but we are investing several options and there might be a moment in the future where one of these options become real.

And now I would like to hand over to Burkhardt again with the outlook for 2024.

**Burkhardt Frick** {BIO 17616376 <GO>}

Many thanks, Thomas.

And let's come to the outlook and our sales guidance. Let me first explain the underlying logic. We have started this year with an order book of around EUR450 million. We expect we'd be able to convert about two-thirds of this into sales in 2024, based on our capacity.

In addition, we expect some new orders for imaging and coating systems that we will receive in the first half of 2024 to be delivered and recognized in sales still this year. On top of that, there's our service, spare parts and upgrade business, representing roughly 15% of total sales.

If you sum up these items, we expect to achieve a sales range of EUR340 million to EUR370 million in 2024. The mid-point of this range would correspond to a continued year-on-year growth rate of 16.7%.

We also expect to improve our margins in 2024. This needs to be our main focus while we are undergoing our growth transformation as explained before. Some of the measures, especially onboarding new people in Taiwan, more intense collaboration with external manufacturing partners, and setting up new processes, require additional expenses. On the other hand, we are ambitious and want to get through the learning curve quickly.

The higher sales volume combined with the expected margins of tools that we plan to build and deliver in 2024 makes us very confident to improve the gross profit margin to a range of 35% to 38%. EBIT margin should also increase to a level of 10% to 12%.

Connecting the dots, 2024 will be a step towards achieving our 2025 targets. For revenues, this still is EUR400 million. And I'd like to repeat that we didn't adjust this target even after divesting the MicroOptics business.

We also confirm our mid-term EBIT margin target of 15%, which means that we need to close a 6 percentage point gap within two years. This is more ambitious compared with the sales target, but achievable.

And with this, we are very happy to take your questions.

## Questions And Answers

### Operator

(Question And Answer)

Thank you so much for your presentation, Mr.Frick, Mrs.Ballwiesser, and Mr.Rohe. So we will now move over to our Q&A session. (Operator Instructions). So and we already received the first virtual hand by Florian, so please go ahead and ask your question.

**Q - Florian Sager** {BIO 23187935 <GO>}

Hey. Good afternoon and thanks for taking my question. I actually have two. The first one would be how your available capacity is looking for temporary bonders looking in 2025. I'm assuming you're pretty much booked for '24, but how is it looking for '25? Have you received orders already? And the second question would be, it's for CapEx. Maybe you could give us a guidance as to how we can model CapEx going forward because you mentioned that you wanted to use the proceeds of MicroOptics for CapEx. Maybe just give us a rough estimation how we should model that going forward for '24 and thereafter. Thanks.

**A - Thomas Rohe** {BIO 22187305 <GO>}

Thank you very much for your question. Capacity for 2025, as you mentioned, pretty far in the future. For now, we are focusing mainly on 2024, but we are also in discussion with our main customers concerning the forecast for 2025 and we will also adapt to the demand in 2025. Right now, it's a little bit unclear what will really be the demand and how the AI wave will continue in 2025, but we are prepared to get even more orders and we will be prepared with our capacity to fulfill the demand. Concerning the investment, I would like to hand over to Cornelia.

**A - Cornelia Ballwiesser** {BIO 21934910 <GO>}

The CapEx volume will definitely increase in 2024 and subsequent years. In which years, which sums will be incurred depends on how quickly we can implement various projects, as well as which options currently being evaluated are feasible, and in particular, how quickly they can be implemented. For example, we are analyzing options for expanding capacity by renting, expanding our own existing sites or building or purchasing new locations. And then we will see what timeline will come out of this analysis. For 2024, we are currently assuming that CapEx will be around EUR10 million to EUR12 million.

**Q - Florian Sager** {BIO 23187935 <GO>}

Okay. Thank you very much.

**Operator**

Thank you for your question. So we will now move on with the question from Johannes. So please go ahead.

**Q - Analyst**

Yes. You can hear me?

## Operator

Very well.

## Q - Analyst

Okay. Then I'll start. Maybe a first follow-on question to market situation from the CAE-driven investment, primarily from some memory guys in the HBM sector. All what we hear is that there's still huge plans to increase the capacity. So is it right to expect that at least for this year, there should be a strong demand from this side? Maybe with the impact you mentioned before in the year '25. And secondly, you mentioned the mix is improving. Can you explain a little bit more how the mix in your business in this year improves? Is it the ramp of the temporary bonder businesses also set in Photomask cleaning? More maybe other customers instead of your large customers will drive the sales? And maybe a longer-term question. You mentioned that the wafer cleaning maybe drives sales in the second half of the decade. You mentioned also the in-check business is something you should start at '26.

And also a topic you didn't mention, I also want maybe you can update a little bit on this is hybrid bonding, which seems to the latest news flow has pushed out a little bit in HBMs to the next generation. So for a chance for you to maybe to get a better share, maybe also some words about maybe the growth driver after '25, two you have mentioned directly, third maybe is important part hybrid bonding. Sorry, three long questions in one, but I hope it's okay.

## A - Burkhardt Frick {BIO 17616376 <GO>}

Johannes, thanks for your questions. I think I counted five, but it is -- I think these are very valid questions. Let's start with high bandwidth memory demand. Of course, this year is massive ramp up phase of HBM3E, where we are heavily engaged in. And we have reached our peak capacity in the summer, as Thomas alluded to, and that is pretty much already booked. And the memory companies are really busy ramping themselves. They, of course, carefully look at what the year after demand will be and they expect a further growth. So we have to look at this carefully because there are two ways of growing. One is making more machines or improving the processes to increase the throughput of the installed machines. And therefore, so we are going in the second half of this year with the max annual capacity of EUR150 million worth of AI bonding-related equipment.

But we also anticipate that we might need to step up further and that's also why our investigations to increase our footprint are very important because we need to put enough headroom in place that we can grow beyond what we have installed by this summer. But nobody knows exactly where this is heading to, so we have to watch this very carefully, but we do all preparations already now that we regain our flexibility.

## Q - Analyst

Only short, maybe add-on questions, the EUR400 million is -- with EUR150 million capacity in the temporary bonded business or is the increase included in this

EUR400 million for next year?

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Look, there is increase anticipated because we do more than the AI-related business with bonding solutions.

**Q - Analyst**

Okay.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

But please excuse that I don't give more details at this point in time. So we need to grow further than that. That's the key message. On the product mix, I think obviously the majority of advanced backend equipment we are selling this year is the one where we collected orders last year. And that's a more favorable product mix compared to last year. So that's also why we are confident that we can improve our margins, not only this year, but also the years after. The third question wafer cleaning, that of course is still in early phase, development phase. We have an alpha tool ready. We get wafers from customers. We are getting process acknowledgement. And there we of course have to look into how can we build a high-volume solution out of the alpha solution we currently have. That's also why this is more towards the end of the decade that we can also see revenues for the wafer cleaning coming in, in larger scales.

And the last question, I remember at least, is about hybrid bonding and that is obviously we gained a bit more time now with the latest releases from the memory makers that the height restriction of the memory stack has been relaxed a bit. That means, for HBM4, it's not a must-have to have hybrid bonding mass production ready. For some companies, that was not so good news. For us, actually, it is good news because we have more time to refine and finalize our own solution for this application. So -- and also let's make no mistake, whether or not you use hybrid bonding, you always also need temporarily bonding because you have the thin wafers, otherwise, you couldn't stack the dies. So therefore, hybrid bonding schedule is a bit relaxed now. And we, in particular, have a bit more time to improve our solution.

**Q - Analyst**

And wafer to wafer hybrid bonding, it's all in the early phase, but you have one machine orders within --

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Correct and there might be more coming.

**Q - Analyst**

Okay. Thanks a lot.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

You're welcome.

**Operator**

Thank you so much for your question. So now let's move in with Oliver. So please go ahead with your question.

**Q - Oliver Wojahn** {BIO 4086208 <GO>}

Yes, that was me. It was difficult to understand, but I'll ask my question.

**Operator**

So sorry.

**Q - Oliver Wojahn** {BIO 4086208 <GO>}

And let me just check what's left here. So I mean you talked about the transformation cost in '23 and expected transformation cost in '24, now I'm aware that it's difficult to answer exactly. But could you somehow give a ballpark figure of how high these transformation costs are maybe split by the direct costs and indirect costs by a lower productivity or efficiency? That would be the first question. The second one may be on the investments in Taiwan. I mean, just in case -- I mean, you're planning for EUR150 million of sales capacity in the temporary bonding. Now just in case somehow demand slows down there somewhat over the next years, how easy would it be to qualify different products in Taiwan? And that's it.

**A - Thomas Rohe** {BIO 22187305 <GO>}

Perhaps I try to answer your question concerning the transformation costs, which you mentioned. It's very hard to give a number there or even a ballpark because we have transferred a lot of people from Taiwan to Stanford to train them. So this is for sure we have travel cost, we have labor cost and also productivity for the first product is low and -- but we are speeding up there.

So it's very hard to calculate and give you a real number, which is really feasible. Also concerning outsourcing, when we are talking to outsourcing partners and companies to manufacture modules for us, we have to train them, we have to qualify golden samples and really accompany the companies in the ramp-up phase. So it's very hard to give a real number on it. For sure, we have some costs there and we think that this is some percentage points also in the EBIT margin, on the gross profit margin, but we cannot really quantify this really with a really good number there, to be honest.

Concerning the invest in Taiwan, how fast is it to transfer it. Well, we started with the transfer of the bonder, temporary bonding, mainly was planning in the Q4 and we executed in November starting and we now in first of -- in the beginning of March we finished the first two. So this gives you a rough estimate that it takes four to five

months to transfer a product line, probably also to Taiwan or also probably to other sites. So roughly half a year, you should really take into account for a transfer for product line, which is I think feasible and doable.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

And let's also add on the second half of that question. The reason we've chosen Taiwan for the temp bonders is that the platforms, the coding platforms and bonding platforms are similar. So the learning curve is quick and this also should answer your second question a bit in case demand reduces for temporarily bonders, then the other machines, which are already running in Taiwan can be built, or we can even transfer other machines there. So the nice thing it's -- we're steering towards flexible platforms where the base competencies are very similar. So we have quite some flexibility to utilize this capacity once it's built up. And also let's not forget we have the UV scanners also made in Taiwan. So we have like three different products, which we can switch the volume and the load.

**Q - Oliver Wojahn** {BIO 4086208 <GO>}

Thank you very much.

**Operator**

Thank you for your questions, Oliver. So before we move on with the questions from Malte, let me remind you to ask your questions by audio line or chat if there are open topics you would like to discuss. So please unmute yourself.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Can you hear me well?

**Operator**

Very well.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Okay, great. So firstly, I wanted to follow -- I have a couple of questions, I do them one by one. Firstly, I wanted to follow-up on the wafer cleaning and die-to-wafer hybrid bonding. Maybe you can provide a little bit more color on which milestones you're expecting to achieve in '24 -- 2024 and whether any technical challenges in the development or in the processes and solutions came up during the past couple of quarters or if everything is broadly on track.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Yes. Well, of course, I don't want to and I can't go into details here, but on wafer cleaning, I think I mentioned we have customer samples being cleaned by our alpha solution we have set up. So the next phase is obviously to move to a more mass production concept once the process is being released. All this -- the finalization of this will be towards the end of this decade for wafer cleaning. For data wafer

bonding, we are further ahead. We also have an evaluation tool, which is being used increasingly by customers. We have now more time to refine and finalize the process. As you might know, with data wafer bonding, you have always the mismatch between throughput and accuracy. So either you have a fast machine, which is not accurate or you have a slow, but accurate machine. So it's finding the sweet spot there, which is the biggest challenge for all players, by the way, involved.

I think we are making good progress there, but as also said in various analyst discussions, we are not in the frontline there, those are other companies. So we're still in a catch-up mode, but luckily, we have a bit more time now. And the initial customer feedback we are getting is quite positive. Primarily, they like that we -- a single party who can offer an integrated solution and that customers don't have to talk to multiple parties separately.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Okay. Fair enough. And then on the core lithography products, coating and emitting, the market expects quite good -- the equipment -- semiconductor equipment market to be quite in good shape in 2025. So next year, so that indicates -- might be in increasing demand for the year '24. So maybe you can shed some more color on what you see in your pipeline. Is there kind of a recovery in the order intake expected then to occur maybe in Q2 or Q3?

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Right now, I think we also mentioned it earlier and we also saw it in the second half of last for last year, the order intake, especially for quotas was very low. And also I think we expect this to remain a bit low until the cycle swings back. You rightfully say that it should be back in full swing in 2025. So I think we are also monitoring this closely. We see limited action in this market space. The moment the market pulls again, I'm also pretty sure that we get our fair share.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Yes. Okay. Permanent bonding, maybe you can provide an update how the status is on the permanent bond side. I mean, temporary is running very successful, obviously. So -- but what about permanent bonders?

**A - Thomas Rohe** {BIO 22187305 <GO>}

So permanent bonders, as we already mentioned before, we sold the first tool also to a customer. So this is ongoing and we are in close contact with other customers, also potential customers for this. So this is an ongoing systematic process, so nothing special to explain now.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

We are of course working with institutes there, so we are still of course targeting to get volume production orders. Right now we have institutional orders, which is good because that's a showcase of our wafer-to-wafer bonding, permanent bonding equipment, so we have to see how much traction we build on this.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Yes, okay. One question to your guidance or implied OpEx levels, I mean your guidance implies kind of a 20% increase in spending in SG&A and R&D costs, so maybe you can provide some more details how you intend to spend these extra EUR15 million, roughly EUR15 million on the individual items, and what are the big projects you're spending your money on?

**A - Cornelia Ballwiesser** {BIO 21934910 <GO>}

Can you hear me? Okay. Yes, the main topic is R&D projects. We will spend, yes, the biggest share of the amount into our R&D activities.

**A - Thomas Rohe** {BIO 22187305 <GO>}

We are hiring people, looking for really building and expanding also our R&D capacity there, but we are also really working with other external companies and institutes together where we really want to intensify the cooperation, for example, with well-known Belgium institutes or others.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Okay. Should --

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Internal cost for R&D hiring people and to spend there, but also out-farming R&D activities, which contribute.

**A - Cornelia Ballwiesser** {BIO 21934910 <GO>}

That's the biggest share. And as I mentioned, we will spend also some money for digitalization projects and in our IT infrastructure. That's the two main topics.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Yes. Okay. Then on the operating efficiency, I mean, you're working a lot with qualifying external outsourcing partners, et cetera. So how many of these or what are the key projects made for '24 you want to have finished by the end of the year that will then provide a better platform for higher revenue volumes in '25 and which are the projects that will take a bit longer than lasting into next year or potentially even beyond?

**A - Thomas Rohe** {BIO 22187305 <GO>}

So right now we are in cooperation with a few suppliers here. And the challenge for this year will be to identify even more modules, which we can outsource. We are actually also in Taiwan cooperating with a partner for outsourcing where we identified I think five or seven modules, which we can produce outside of our factories to really get more efficiency and this will be a continuing process by really continuously looking in potential modules that can be outsourced and really manufactured by other suppliers because we gained already, let's say, roughly about

20 people or the capacity of 20 people, which we outsourced to these partners right now, which we do not need to hire, not in Germany, not in Taiwan, so this process will continue in this year and also in the next years.

This will be one part of our -- also of our development task that we for new products identify even in the design phase, modules and components, which can be produced or even perhaps in the even better case also developed by other partners so that we really save time, money and also gain more efficiency and shorter lead time. So this is something we started now, we learned a lot, this costs also some money, and also let's say, to be honest, some nerves here and there, but we are making progress and this will be continued in the next years.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Yes. Do you expect that the burden from this transformation costs will increase in '24 in comparison to '23 and then potentially start to come down in '25? So what's the kind of the curve we are seeing in this process?

**A - Thomas Rohe** {BIO 22187305 <GO>}

As I mentioned, this is an ongoing process. We started this. We will not stop this. I think this will for this and next year probably stay on the same level, but hopefully or potentially also with the increase of our revenue and also our hopefully market share, this will also increase over time because we need that kind of network to support us to follow our growth path.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Yes. Malte, it's a kind of mixed effect that you know, because we started some of those projects already last year, we should see the benefits of them kicking in this and next year already. Others are just starting now. And so this is a journey of two, three years, but we don't have to wait until the end of the three years, because the benefits of the early work should kick in.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Yes, exactly. So the peak should be maybe potentially this year or early next year, someone in that timeframe. Last question on the CapEx again, maybe, I mean, it's clear that you can't provide exact figures for individual years, but maybe we can share a number for the total kind of total CapEx budget you would expect for the next three to four years?

**A - Cornelia Ballwiesser** {BIO 21934910 <GO>}

It's hard to mention this right now. I would say definitely in '25, there will be a bigger portion. But to say the whole program over the years right now, it's hard because it depends of the decision from we have to take regarding the options I mentioned. And therefore, it's really hard to give a number.

**A - Thomas Rohe** {BIO 22187305 <GO>}

So perhaps I can comment also on this because there are a lot of options on the table right now. You're talking about or thinking about really expansion by building new buildings by ourselves, renting something, buying something, cooperating with other partners. So a lot of options are on the table and none of them is clear by now. So -- and even each option has a different investment in different projects and also different investment cases behind. So from that point of view, it's very, very hard to give you a real -- let's say, real number on this and real pricing on this. We don't know yet, but as soon as it's getting clear, for sure, we will inform in time.

**Q - Malte Schaumann** {BIO 3717294 <GO>}

Yes, fair enough. Many thanks.

## Operator

Thank you, Malte, for your question. So now let's come back, so we have some further questions from Johannes. So please go ahead.

**Q - Analyst**

Yes. Hello. Some short follow-on questions. I hope you can hear me because my colleague speaks loudly on the other side. Maybe first on inkjet again, you mentioned if I got it right in '26, you expect the first revenue contribution, only to have maybe a feeling when the different new opportunities come in and say it's -- and maybe also some words on one technology we didn't mention so far, it's imprint.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Yes. On Inkjet, I highlighted the joint development with Heraeus, but of course, as you know, Johannes, we also sell our standalone solutions for inkjet applications. And there we have the first volume orders received already this year. So that our inkjet business is taking off in a mass production environment, but the special collaboration I alluded to is more starting off from '26, '27 because that's also a very different application space and joint development activity. But the good news there is, as I also said, we have a large end customer already working closely with us there. So it looks very promising, to say that much.

**Q - Analyst**

And so far, you have already revenue in the low-double digit from the traditional inkjet business; isn't it, yes?

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Yes, that's correct.

**Q - Analyst**

Okay.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

And on imprint, yes, I mean, we -- this is, of course, we have the capability there. That market is I think in many ways not taking off, but not only for us, but we have the capability. We are also exploring various other activities, which are imprint related, but I cannot comment further because that's in an early phase. But it is an interesting market space, a lot of hype about it. But so far nothing really took off there. Some of these applications go into XR, VR things, waveguides, and this kind of stuff. And yes, we have to see if and what role we can play there.

**Q - Analyst**

Super. And finally, again, only to repeat and bring us back in mind, the gross margin must definitely go clear about 14% in the future, if I compare to others, it must be the target.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Yes. We only talked about this year's guidance, and also of course, we have our '25 targets. Johannes, we definitely will not stop there because the industry operating at other levels and we want to get there too.

**Q - Analyst**

It's clear. Thanks a lot.

**Operator**

Thank you so much. So now let's keep on with the questions from the person who has dialed in with the phone number 4495 at the end, so you can unmute yourself by pressing star key 6.

**Q - Analyst**

Hi. Good afternoon. Thanks for taking my question. Could you talk about the order momentum for the group and also for temporary bonders in the first few months of 2024, please? And then on Photomask Equipment, you are increasing capacity. What is going to be the achievable revenue once this capacity increase has been finalized? And maybe could you also give us a timetable for this? On temporary bonders, you're talking about the middle of this year. So what is the timetable looking like for Photomask Equipment? Thanks a lot.

**A - Burkhardt Frick** {BIO 17616376 <GO>}

Yes. First of all, yes, we are not here to make comments on the first quarter. We have our Q1 results early May. That's when we share details. But to say that much, we had a very good start into the year. And of course, this is also driven by the continued AI boom, but also equally by the PE equipment. So both are going strong. For the PE equipment, I said we expect a flattening sales trend this year, simply because we are running at peak capacity. So therefore, we don't expect another doubling this year.

But we have to see how through those outsourcing activities Thomas mentioned, we can shorten cycle time. And if you shorten cycle, you can also produce more units.

But for PE, especially the high-end PE equipment, the cycle time is rather long. It's almost twice as long as for bonders. And therefore, it's unrealistic to expect big jumps compared to last year's number this year. But of course, we want to grow further. We have a significant backlog. We have a dominant position in the market for Photomask cleaning equipment. And of course, we want to maintain that share. Therefore, we will find solutions to increase our output.

**Q - Analyst**

Okay. Thanks. So that means 2025, we're going to see, most likely, we can expect growth again in Photomask?

**A - Burkhardt Frick {BIO 17616376 <GO>}**

That's a good guess.

**Q - Analyst**

Okay. Thank you.

**Operator**

Thank you very much for your question. So in the meantime, we have received no further questions. We therefore come to the end of today's earnings call. Thank you very much for joining and your shown interest in SUSS MicroTec. We really appreciate all your questions and this lively conversation. So should other questions arise at a later time, please feel free to contact Sven from Investor Relations. And a big thank you also to you, Mr.Frick, Mrs.Ballwiesser, and Mr.Rohe for your presentation and the time you took to answer all these questions. So from my side, I wish you all a lovely remaining day and I hand over again to Sven for some final remarks.

**A - Sven Kopsel {BIO 19599807 <GO>}**

Yes. Thank you, Sarah. And I think nothing to add. Thanks for participating all to you guys. And yes, let us just know if any questions are open, we are always there for you. So thank you. Take care. Bye, bye, and happy Easter break.

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