Q3 FY 2025

101st Quarterly Results of Infineon Technologies AG

Analyst Call Intro Statement

Jochen Hanebeck (CEO), Dr. Sven Schneider (CFO)

Jochen Hanebeck:

General Introduction

Let me start today's call with some broader perspectives: semiconductor markets are slowly coming out of one of the most protracted downturns in history. After a long rolling cyclical correction, affecting different end markets at different points in time, we should expect a rolling recovery to set in. And we are indeed seeing some evidence of it: our June quarter marked the second consecutive one with sequential growth, at constant currency even above 9 percent. In the September quarter, we expect revenues to grow again, and it will be the first quarter in two years with year-over-year growth, considering a material adverse currency development. That said, the usual dynamics of supply and demand remain influenced by geopolitical and macroeconomic turmoil. In the light of rising U.S. tariff schemes customers order on short notice and are refraining from any broader re-stocking. Hence, we continue to expect some near-term headwinds, which we will address with our proven cycle management.

From a more structural point of view, I would like to offer a fresh look at Infineon: aligning the presentation of our product categories closer to industry standards, the success of our strategy to build an unmatched and system-relevant portfolio of competencies becomes even more apparent. Taking our revenue from the 2024 fiscal year as the basis, around forty percent relates to Power Discretes and Modules, our historical stronghold, covering silicon, silicon carbide, and gallium nitride. Around thirty percent pertains to Analog and Sensors. This includes for example drivers, DC-DC converters and smart power switches, and, of course, our broad array of sensors, as well as our portfolio of specialty memories. The final thirty percent belong to the Control and Connectivity category, encompassing our automotive, security and industrial microcontrollers as well as a broad spectrum of wireless and wired product families. The latter will be strengthened further through the acquisition of the automotive Ethernet business from Marvell, on which I will share good news with you in a moment.

For Infineon's differentiation and value creation it is imperative to have this complementing portfolio and related deep set of competencies. Based on them we will be able to also address applications which are yet to emerge and following our P2S approach will then deliver long-term value.

Now let me continue with a look at our June quarter financials:

Group performance in Q3

In our third fiscal quarter we recorded **revenues** of 3 billion 704 million Euros. This represents a sequential increase of around 3 percent, despite a substantial negative currency effect with an average US-Dollar/Euro exchange rate of 1.14 for the quarter, versus 1.05 for the quarter before. The strong underlying volume pickup, especially in GIP and PSS, is a reflection of customers having worked through their inventories in these areas.

The **Segment Result** amounted to 668 million Euros with a **Segment Result Margin** of 18.0 percent. The improvement in comparison to the previous quarter resulted mainly from volume growth and lower idle costs, overcompensating the adverse currency development.

Our order **backlog** stood at around 18 billion Euros at the end of June, influenced mostly by the significantly weaker US-Dollar compared to the end of Q2.

Now to our divisional review, beginning with Automotive.

Division-level performance in Q3

1 *Automotive*

In the third quarter of the 2025 fiscal year, ATV achieved **revenues** of 1 billion 870 million Euros, a slight increase in comparison to the previous quarter. The **Segment Result** of ATV amounted to 371 million Euros, corresponding to a **Segment Result Margin** of 19.8 percent. The slight downtick is related to currency and mix effects, overcompensating lower idle costs.

Global car sales have been fairly healthy in the June quarter, led by strength in the U.S. and China. Going forward, however, there are concerns on potential tariff-led weakness in the former, and negative newsflow around inventory build, price wars and removal of trade-in subsidies in the latter. So, there is cautiousness around the overall auto market for the rest of the year to be considered.

Regarding semiconductor inventories, we see the risk that some customers lower their inventory targets yet again, due to significant financial constraints, implying the possibility of further de-stocking to unsustainable levels.

In this environment we are building on the unique strength of having the broadest automotive semiconductor portfolio. And with the Ethernet business from Marvell we will leverage a highly complementary technology by combining it with our existing, broad MCU portfolio to provide our customers even more comprehensive, leading solutions for software-defined vehicles. We have

obtained all necessary regulatory approvals for the transaction in a very short period of time. We expect the closing to happen in the near future and are excited to welcome several hundred experts in the field of ethernet which will also help us make even broader inroads into other areas of physical AI such as humanoid robots.

Now to some design-wins: we are pleased to report that we are designed into the world's most advanced active suspension system by US-based ClearMotion. This 48 Volt high-end application is using our AURIX™ MCU in combination with the OPTIREG™ power management IC – an analog / mixed signal product – and our OptiMOS™ switch, featuring a world-class forward resistance of only 1.2 milliohm. The system is not only used by a European premium sports-car manufacturer but is also employed in further cutting-edge vehicles like the NIO ET9 in China.

A further highlight for the quarter is a mid-triple digit million lifetime design-win for the power distribution in a new class of cars of a European premium OEM. This innovative vehicle lineup will feature a broad set of smart power components, like our PROFET™ smart switches, across a broad range of ADAS, chassis, and E/E architecture applications.

2 *Green Industrial Power*

Let's now move to Green Industrial Power, where **revenues** increased by 9 percent quarter-over-quarter to 431 million Euros. At a constant US-Dollar/Euro exchange rate, growth would have been double digit. Key applications like power infrastructure, renewable energy, as well as automation and drives all contributed to the sequential improvement. As a consequence, GIP's **Segment Result** has improved notably to 61 million Euros in the third quarter of our 2025 fiscal year, equivalent to a **Segment Result Margin** of 14.2 percent.

Structural growth drivers continue to strengthen demand and expand business opportunities, particularly in power infrastructure. This end demand is now meeting more normalized customer inventories, with a few pockets of additional de-stocking remaining, laying the path for the typical seasonal pattern.

We are proud to announce that Infineon power modules are being deployed in the world's largest grid-forming project, paired with a large-scale energy storage system in China. This plant combines a storage capacity of around 400 megawatt-hours with a photovoltaic system and is able to power roughly 270,000 households. It is capable of autonomously adjusting voltage and frequency during grid fluctuations or outages without relying on external voltage signals. A prime example of differentiation due to our unique expertise to build highly reliable modules required in such an application.

3 *Power & Sensor Systems*

Now to Power & Sensor Systems. PSS recorded **revenues** of 1 billion 53 million Euros in the June quarter, a growth of 8 percent quarter-over-quarter, which at constant currencies would have been above 10 percent. The continued significant growth momentum we see for our power solutions for AI servers was a key contributor.

The **Segment Result** of PSS increased to 198 million Euros, corresponding to a **Segment Result Margin** of 18.8 percent. The increase was driven by higher volume and lower idle costs, more than offsetting adverse exchange rate effects.

AI remains a powerful engine of growth, with infrastructure expansion and data center buildouts accelerating dynamically, aligning with our projection to achieve related revenues of around 600 million Euros this fiscal year, rising to around 1 billion Euros next year. A cornerstone of our success in this market is the unmatched breadth of our product portfolio. We are not only offering individual power conversion stages but are collaborating closely with leading customers to optimize the entire power flow from grid to core – now and in the future. As an example, in May we announced a significant collaboration with NVIDIA to develop the industry-first 800 Volt high-voltage direct current power delivery architecture for AI data centers. This innovative system will considerably improve energy-efficient power distribution and allow for direct power conversion close to the core, supporting the increasing demands of data centers as they scale beyond 100,000 GPUs and require over one megawatt per rack.

Another highlight from our sensor portfolio are the automotive radar MMICs serving the newly emerging central radar architecture, in which the compute is done solely in the central HPC box, leaving only the MMIC in the edge part which is then connected via Ethernet to the central box. We see this architecture being adopted very quickly in China and are therefore perfectly positioned to benefit from the roll out of ADAS.

4 *Connected Secure Systems*

To complete the divisional review, let's take a look at Connected Secure Systems. CSS recorded quarterly **revenues** of 349 million Euros, representing a 2 percent decrease compared to the March quarter, reflecting an unfavorable currency development.
The **Segment Result** of CSS declined slightly to 39 million Euros, corresponding to an unchanged **Segment Result Margin** of 11.2 percent. IoT and security markets move sideways as macroeconomic uncertainties continue to weigh on consumer sentiment and corporate spending.

Against this backdrop, innovation remains key. This covers both continuous improvements as well as leapfrog developments. An example for the former are our security solutions, where we have recently celebrated the cumulative delivery of 10 billion Integrity Guard-enabled devices. An

example of a step change is the introduction of the first security chip that even quantum computers cannot hack at present, of which we reported two quarters ago. We now booked the first large design-win for our OPTIGA™ TPM, a future-proof security solution with a post-quantum cryptography protected firmware, to be integrated into the next version of a market leading gaming console.

Handover to Sven Schneider

Now over to Sven, who will present our key financial figures.

Sven Schneider:

Thank you, Jochen, and good morning everyone.

(Adjusted) Gross Margin and OpEx, NSR

In our June quarter, we saw a positive gross margin momentum on the back of sequentially rising sales volumes. Despite currency headwinds, our **adjusted Gross Margin** came in at 43.0 percent, after 40.9 percent in the quarter before. The **reported Gross Margin** increased quarter-over-quarter by 220 basis points from 38.7 to 40.9 percent. Lower idle costs in the June quarter contributed to these positive developments. Furthermore, we see benefits from those parts of our Step Up program that focus on structural improvements to our cost-of-goods-sold. We have been able to achieve these benefits earlier than originally anticipated, contributing a notable positive impact from the second half of this fiscal year onwards.

On the Opex side, **Research and Development** expenses stayed at 560 million Euros in our fiscal third quarter. Our **Selling, General and Administrative** expenses went up to 410 million Euros, after 376 million Euros in the previous quarter, including the impact of annual merit increases.

Net other operating expenses amounted to 121 million Euros, containing, among others, costs and further charges related to the recently concluded sale of our Austin manufacturing site to the US foundry Skywater and Step Up related expenses. These charges are part of the **Non-Segment-Result,** which amounted to minus 244 million Euros for the June quarter.

Financial result

The **financial result** for the third fiscal quarter amounted to minus 40 million Euros, after minus 28 million Euros in the quarter before.

Tax

Income tax expense for the June quarter amounted to 95 million Euros, equivalent to an effective tax rate of 24 percent. Cash taxes for our third fiscal quarter were 87 million Euros. Adjusting for PPA effects, the quarterly cash tax rate stood at 18 percent.

Investments, Depreciation and Amortization

Our **investments** into property, plant and equipment, other intangible assets and capitalized development costs went down quarter-over-quarter, from 470 to 442 million Euros. **Depreciation and amortization** expenses including acquisition-related Non-Segment-Result effects decreased from 483 to 463 million Euros.

Free Cash Flow

Our **Free Cash Flow** improved quarter-over-quarter from 174 to 288 million Euros, driven by a higher business volume with better margins, the cash-in received for the sale of our Austin fab, as well as lower investments. Trade working capital had a small negative impact. Within that, our **inventory reach** remained flat, with DIO at the end of June standing at 176 days. We continue to actively manage utilization, targeting a reach level of around 150 to 160 days towards the end of our running fiscal year, which we deem appropriate for a pending upturn. Thus, idle charges will continue to be a material margin drag in the near term.

Liquidity, leverage, corporate finance, rating

Now to our liquidity and leverage. At the end of June our **gross cash** position equated to around 1.5 billion Euros, fully in line with our liquidity target. Our **gross debt** amounted to 5.0 billion Euros. Besides free cash flow, the main movement within the quarter affecting these figures was a repayment of 400 million Euros of short-term credit facilities. Our gross leverage is 1.4 times, net leverage is amounting to 1.0 times.

For the funding of the upcoming acquisition of the automotive Ethernet business from Marvell we will draw down the committed acquisition facility from our banks, consisting of a one billion Euro and a one billion US-Dollar tranche. The remaining purchase price will come from our own liquidity.

RoCE

Finally, our after-tax reported **Return on Capital Employed** for the third fiscal quarter of 2025 came in at around 6 percent.

Handover to Jochen Hanebeck

Now back to Jochen, who will comment on our outlook.

Jochen Hanebeck

Thank you, Sven.

Today, we are in the position that most of our peers typically find themselves in, namely having to guide just the next quarter, given that our fiscal year ends in September. Short-term visibility is currently characterizing our markets, caused by customers ordering “on sight”. Volatile macroeconomic and geopolitical factors are overlaying a cyclical recovery. The elongated period of de-stocking has largely come to an end, customer and distributor inventories are now at fairly healthy levels. Demand signals indicate a modest recovery, in particular for consumer-oriented and, more recently, industrial applications. On the datacenter side, AI-related infrastructure buildouts continue to fuel strong demand. In automotive visibility is lower, as explained earlier.

On the macroeconomic side, the worst-case scenario regarding tariffs has not materialized. Yet, recent agreements between the US, Japan, the EU, and some other countries suggest directionally higher tariffs compared to previous frameworks. Negative effects on semiconductor demand, whether indirect or even direct – remain likely.

This is the background which frames our forecast for the September quarter.

Outlook for Q4

In line with the further weakening of the US Dollar vs the Euro, we change the assumption again from 1.125 to 1.15 and predict our **revenue** for the September quarter to amount to around 3.9 billion Euros. This would equate to about 5 percent sequential growth, making our fourth quarter the strongest, as usual. By division, ATV is forecast to growth less than group average. GIP and PSS should see growth in excess of the group’s rate, whereas CSS is expected to grow at corporate average.

To account for the indirect impact of tariffs and trade conflicts, which are highly difficult to grasp, we had previously haircut the underlying revenue prediction for our fourth fiscal quarter by 10 percent. Now our sense is that the effect in Q4 is less pronounced than we had guesstimated. The somewhat stronger-than-anticipated business development is, however, offset to a degree by the incrementally weaker US-Dollar.

For the fourth quarter’s **Segment Result Margin** we expect a high-teens percentage level. We expect that the positive fall-through from higher sales will be compensated to a certain extent by underutilization charges, consciously incurred to manage down our inventories in the light of tariff risks, and the weaker US-Dollar exchange rate.

Outlook for FY25

The outlook for the full 2025 fiscal year is resulting from our first three concluded quarters and our predicted Q4 as follows: annual **revenues** are expected to be around 14.6 billion Euros, or slightly down from the previous year. Our margins are holding up better than previously anticipated. We expect our full year **adjusted Gross Margin** to be at least 40 percent, from previously around 40 percent, and our **Segment Result Margin** to land at a high-teens percent level, from a mid to high teens level before. Idle charges of an annualized amount of around one billion Euros constitute a significant margin burden, their cyclical part being equivalent to around 600 basis points. On the other hand, we are reaping positive contributions from our Step Up program sooner than expected, as Sven had already mentioned.

Investments, including capitalized development expenses, will amount to a reduced level of around 2.2 billion Euros. For annual **depreciation and amortization** we anticipate around 1.9 billion Euros, including around 400 million Euros resulting from purchase price allocations, which are recognized in our Non-Segment Result.

We upgrade our free cash flow expectation as follows: our **reported Free Cash Flow** is expected to organically increase by around 100 million Euros, reflecting the better business performance, and should amount to around 1 billion Euros. Considering the impact of the upcoming closing of the Marvell Ethernet acquisition, the figure would then land at around minus 1.2 billion Euros. The **adjusted Free Cash Flow**, net of the acquisition and of investments into major frontend buildings, is now expected to come in at around 1.7 billion Euros.

Closing remarks

Before going into Q&A, ladies and gentlemen, let me summarize:

- The inventory correction in our markets has largely run its course. We closed the third quarter of our 2025 fiscal year fully in line on the revenue side, with profitability slightly above the upper end of the expected range, despite a meaningfully weaker US-Dollar
- Cyclical dynamics are overlaid by continued geopolitical and macroeconomic headwinds, notably tariff impacts. Customers, in particular in automotive, are “driving on sight”
- While we see such tariff-related impacts as less severe for our Q4 than originally feared, an adverse currency development is diminishing that benefit
- We continue to manage the cycle prudently in this volatile environment and focus on what we can control, expecting both sequential as well as year-on-year growth in the September quarter

- At the same time, we build on our strength in highly attractive growth markets like artificial intelligence, energy infrastructure and software-defined vehicles - the latter fortified by integrating the automotive Ethernet business from Marvell
- With our comprehensive portfolio of power, analog & sensors and control & connectivity solutions, we are ideally positioned to serve high-growth markets and drive future innovation