

Infineon and Cypress: Strengthening the link between the real and the digital world

September 2019



Agenda

1

Deal rationale and key facts

2

Acquisition accelerates Infineon's strategy execution

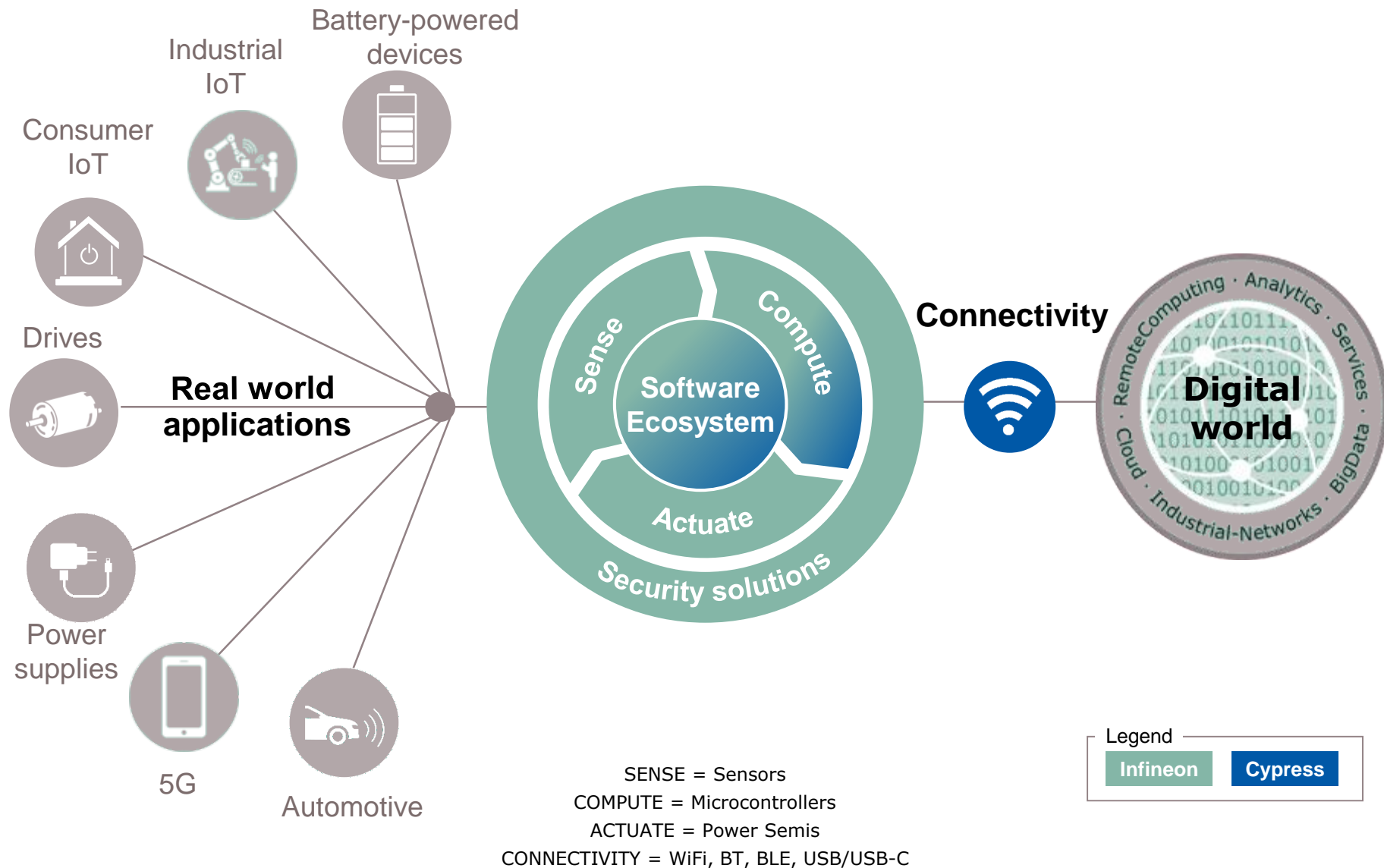
3

Gaining strength in high growth markets

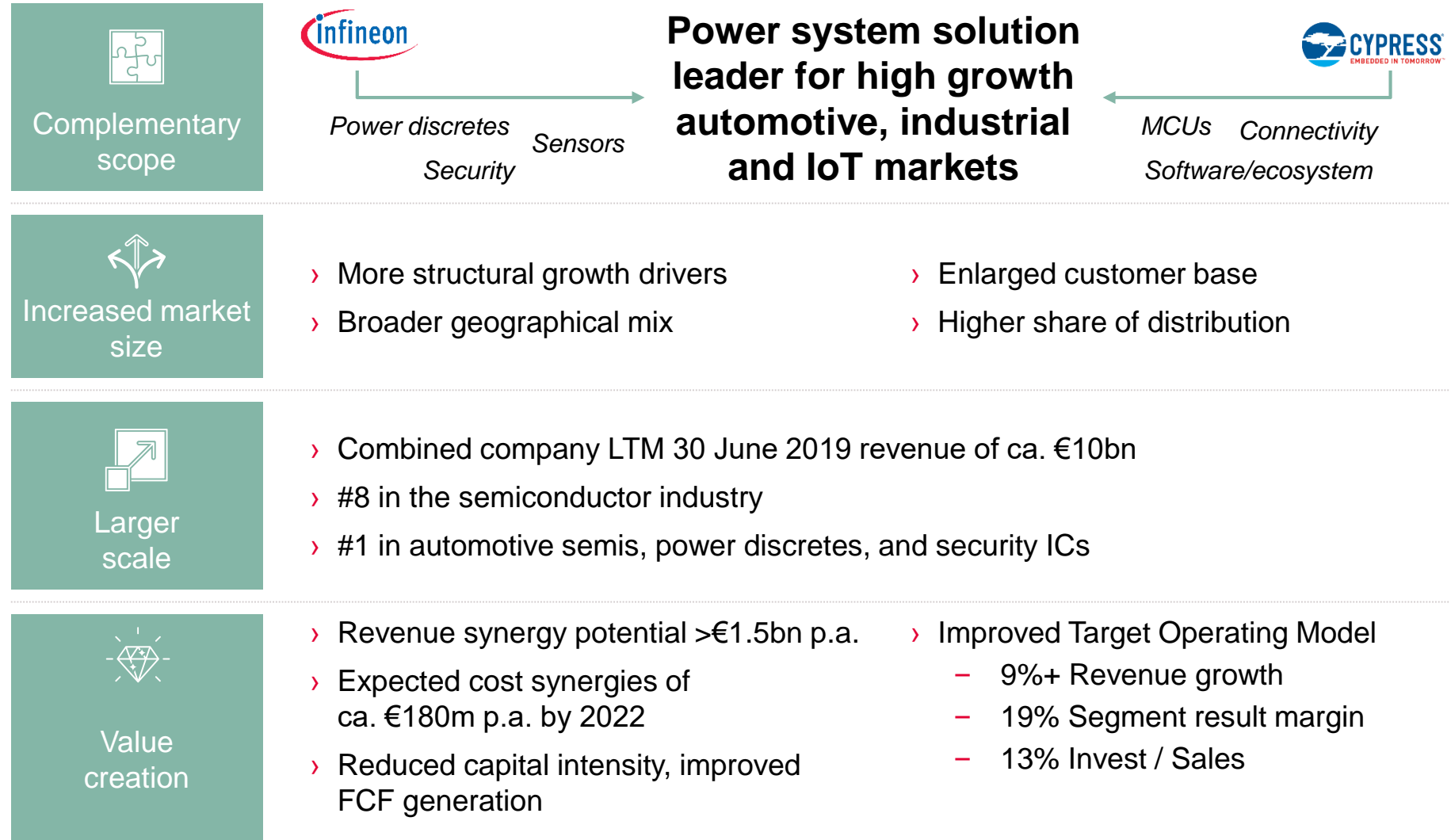
4

Strengthening the financial base of the company

The deal shapes a portfolio that perfectly links the real and the digital world



Infineon and Cypress: Strengthening the link between the real and the digital world

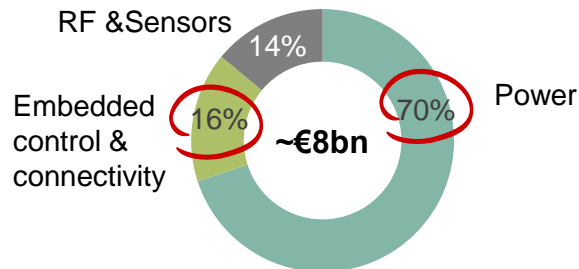


Enlarged portfolio scope retains its strong core while making Infineon more resilient

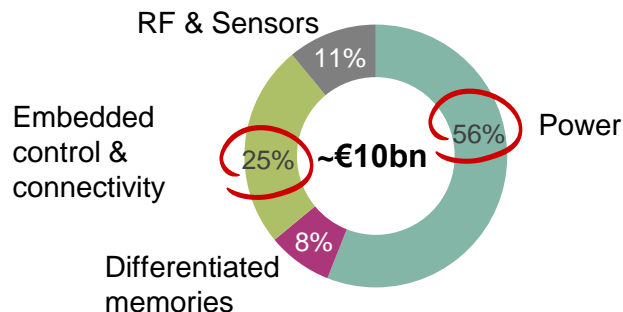


Revenue by product category

Infineon LTM 30 June 2019

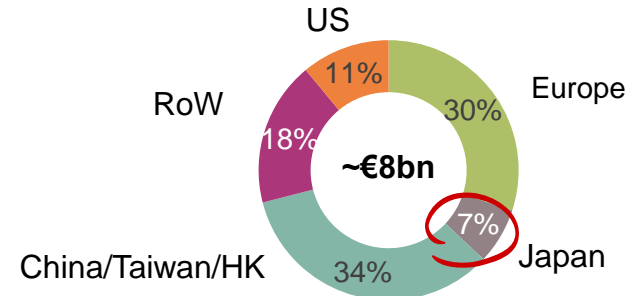


Infineon + Cypress LTM 30 June 2019

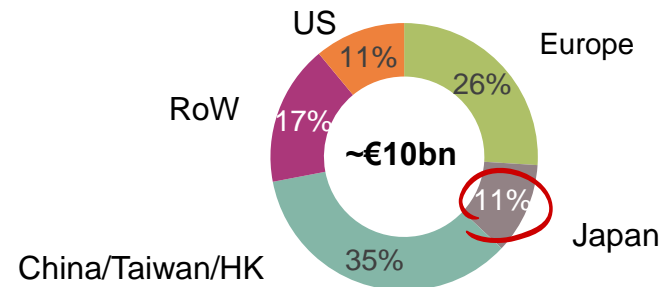


Revenue by region

Infineon LTM 30 June 2019



Infineon + Cypress LTM 30 June 2019



On the product side embedded control & connectivity will be strengthened;
from a regional perspective Japan business is becoming more important

Source: Company information

Note: to conform to the Infineon reporting currency, the historical Cypress US GAAP consolidated financial information has been converted from US dollar to euro at an exchange rate of 1.1380 for financial data as of 30 June 2019

New Infineon



ca. €10bn

Annual revenue

ca. €45bn

Total addressable market

47 000+

Total Employees

8 600+

R&D Employees

30 000+

Patents

8th largest

Semiconductor company

#1 player

in automotive semiconductors,
power discretes and security ICs

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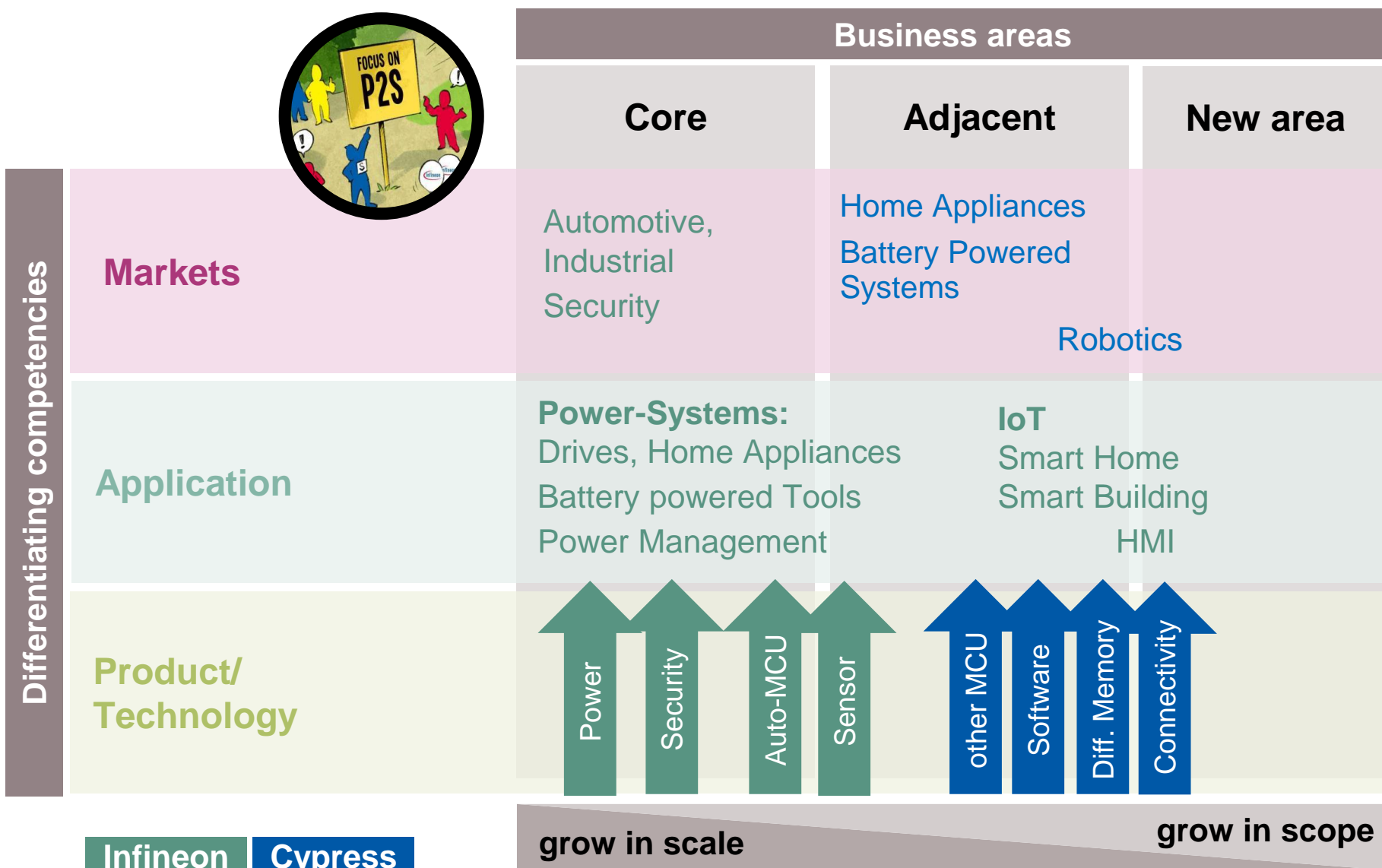
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Strengthen and grow our core: from providing great products to solving the system challenge

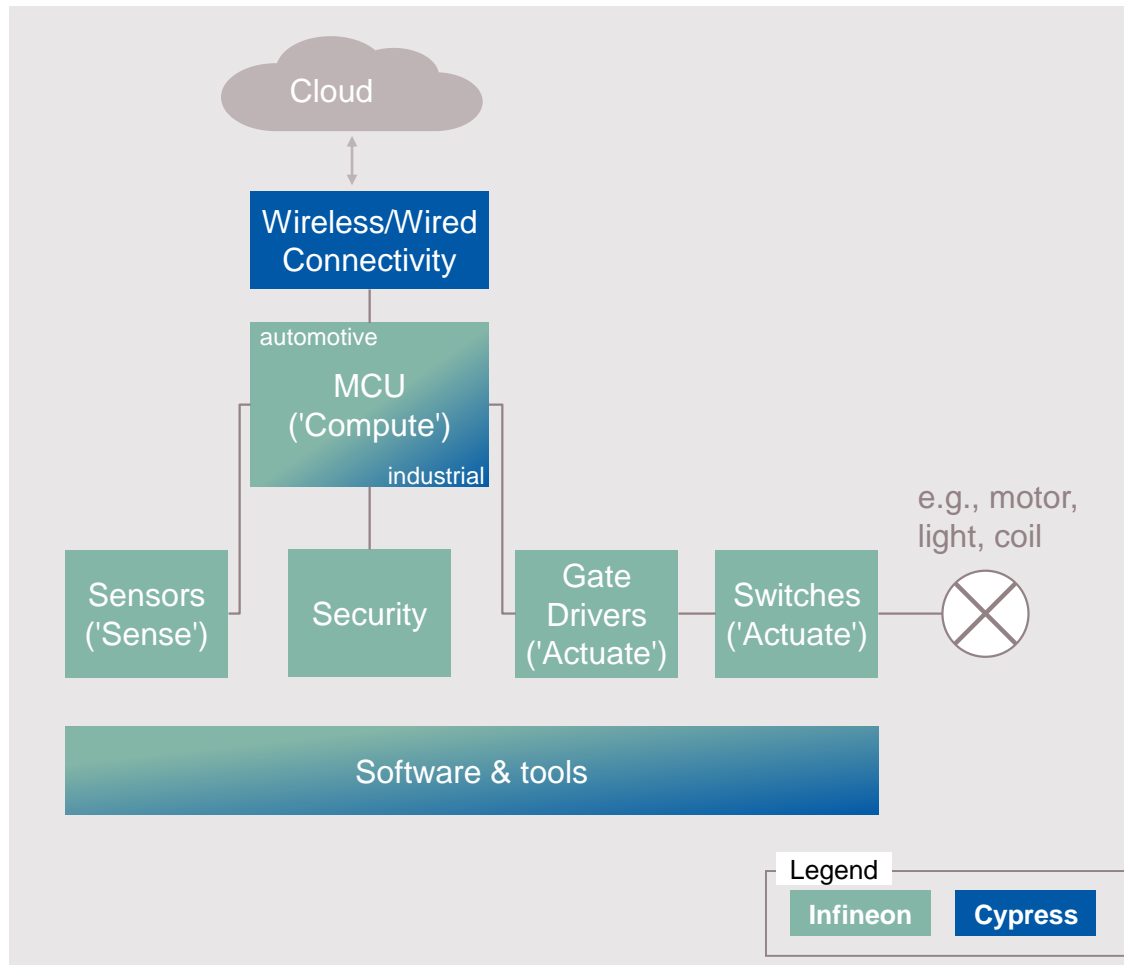


Infineon

Cypress

Combination creates a strong system solution provider by expanding Infineon's scope

Example System Solution – Control loop for IoT



Benefits of Combination

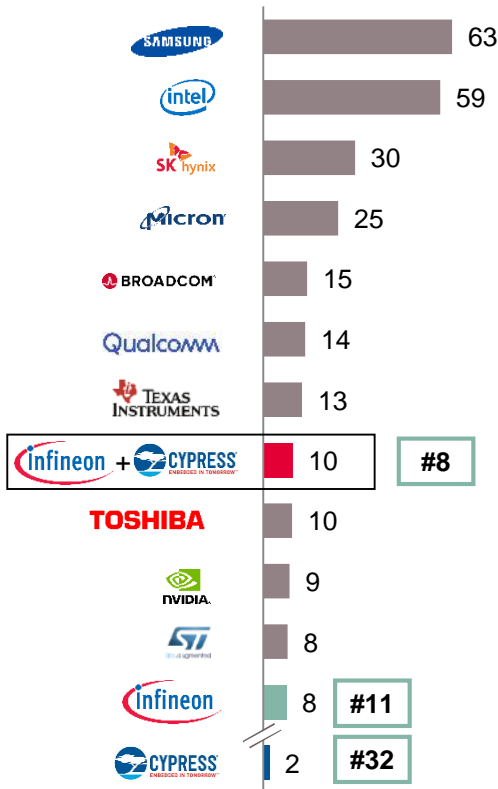
- › Higher BOM in core target applications
- › More design-wins due to MCU socket opportunities
- › Cross-selling opportunities
- › Address adjacent and new markets with the complementary portfolio and system solution:
 - › Better system understanding
 - › Faster design cycles
 - › Software, ecosystem and solution enablement services
- › Better value proposition for small customers, i.e. one-stop shop, system solutions, reference designs

With the acquisition of Cypress Infineon increases scale and strengthens its market position



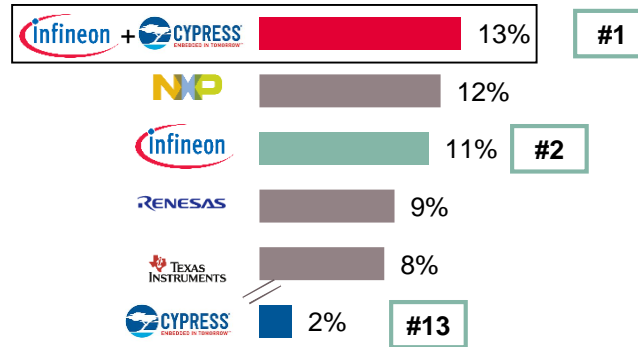
Top semiconductor companies

Revenue 2018 (€bn)
Total market = €408bn



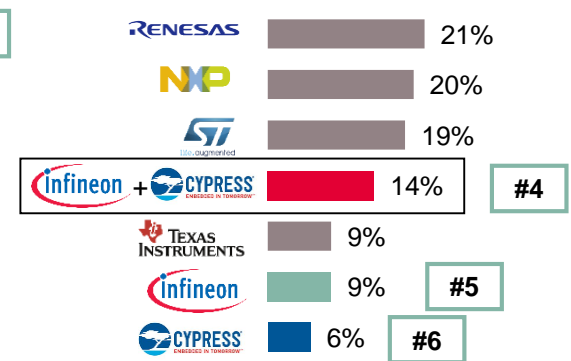
Top automotive semiconductor suppliers

Market share 2018, total market = €32bn



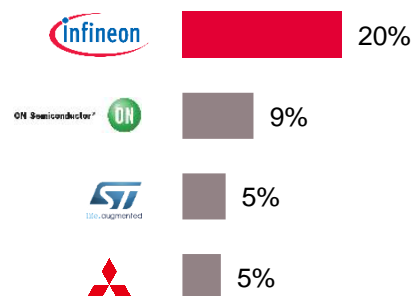
Top 32-bit MCU suppliers

Market share 2018, total market = €8bn



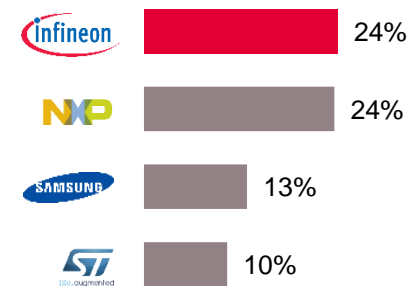
Power discretes & modules market share

Market share 2018, total market = €18bn



Security ICs market share

Market share 2017, total market = €3bn



Source: Based on content supplied by IHS Markit, Technology Group, "Annual 2001-2018 Semiconductor Market Share Competitive Landscaping Tool – 2019", August 2019 (for total semiconductor companies and 32-bit MCU suppliers) and "Power Semiconductor Market Share Database – 2018", August 2019 (for power semiconductor discretes & modules market shares); Strategy Analytics, "Automotive Semiconductor Vendor 2018 Market Shares", April 2019; ABI Research, "Smart Card & Secure ICs", October 2018.

Note: Euro values based on 12-month average €/€ exchange rate of 1.19 for 2018 and 1.13 for 2017; Samsung including semiconductors segment only.

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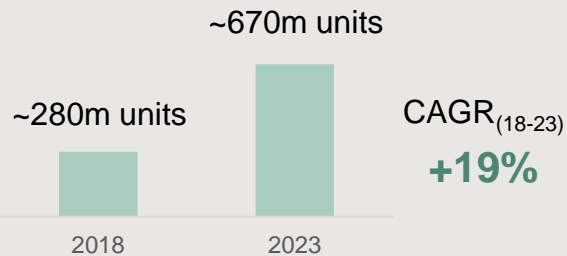
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Strengthening the financial base of the company

The addressed applications are in structural growth markets offering attractive growth rates...

Market volume development of example applications / bill of material increase through full system offering

E.g., Inverterized home appliances



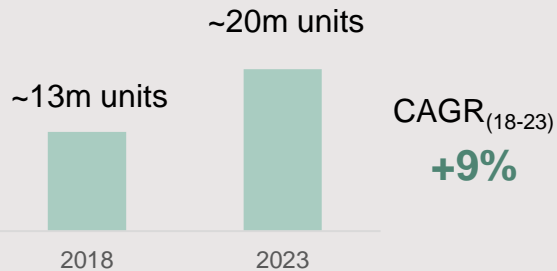
E.g., Cordless power tools



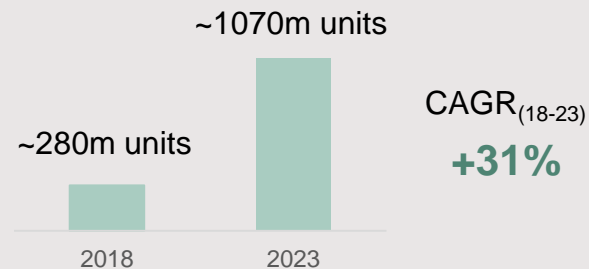
E.g., Motor control for servo drives



E.g., Robotics



E.g., Smart home devices



Source: Based on content supplied by IHS Markit, Technology Group, "Home Appliance Database: All Devices and Associated Electronics", May 2018; IHS Markit, "Industrial Motor Controls Sourcebook", January 2018; ABI Research, "Smart Home Systems", May 2019; Company analyses and estimates

...and Infineon can now offer full systems for them

Market volume development of example applications

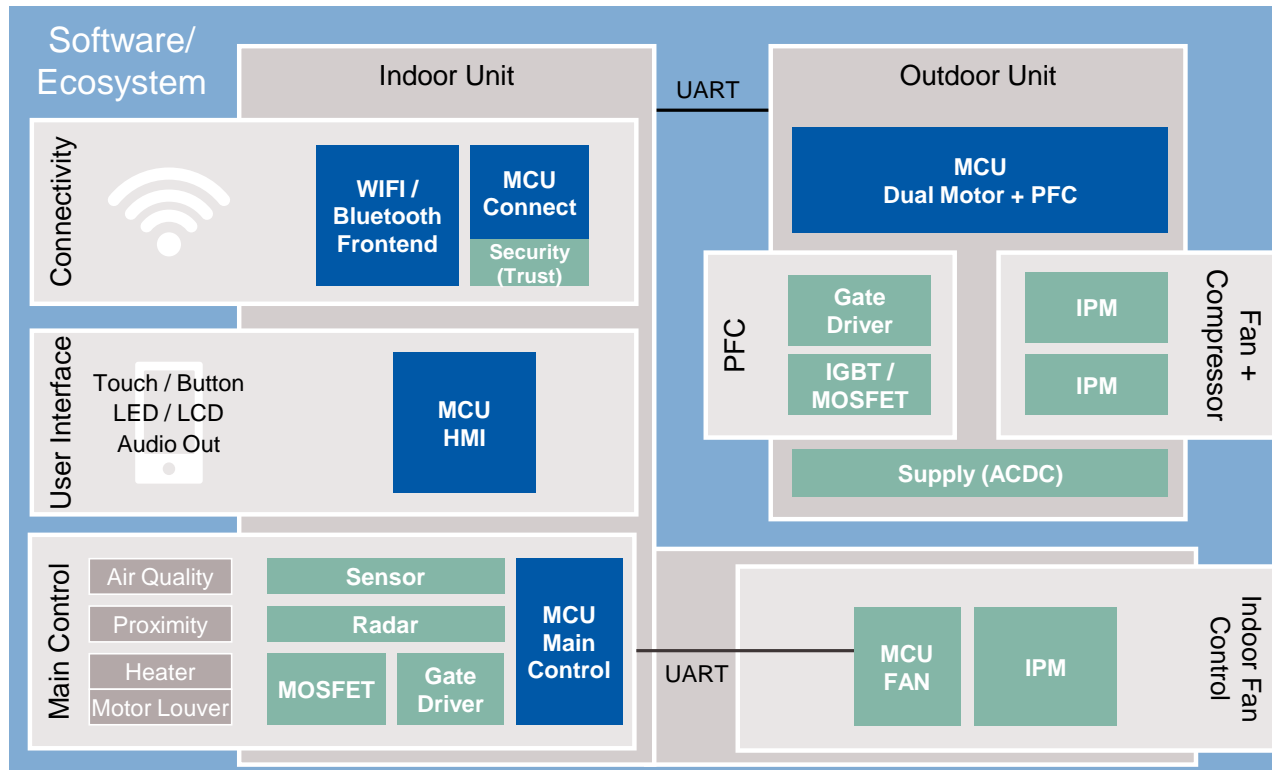
E.g., Inverterized home appliances



E.g., Cordless power tools



E.g., air-conditioning



What makes system solution attractive to customers?

- › **Ease of design** -> combined portfolio covers all relevant system components
- › **Superior quality** -> integrated solution ensures MCU, power stage and peripherals work perfectly together
- › **Faster time-to-market** -> no addl. integration or software dev. costs

Legend

Infineon

Cypress

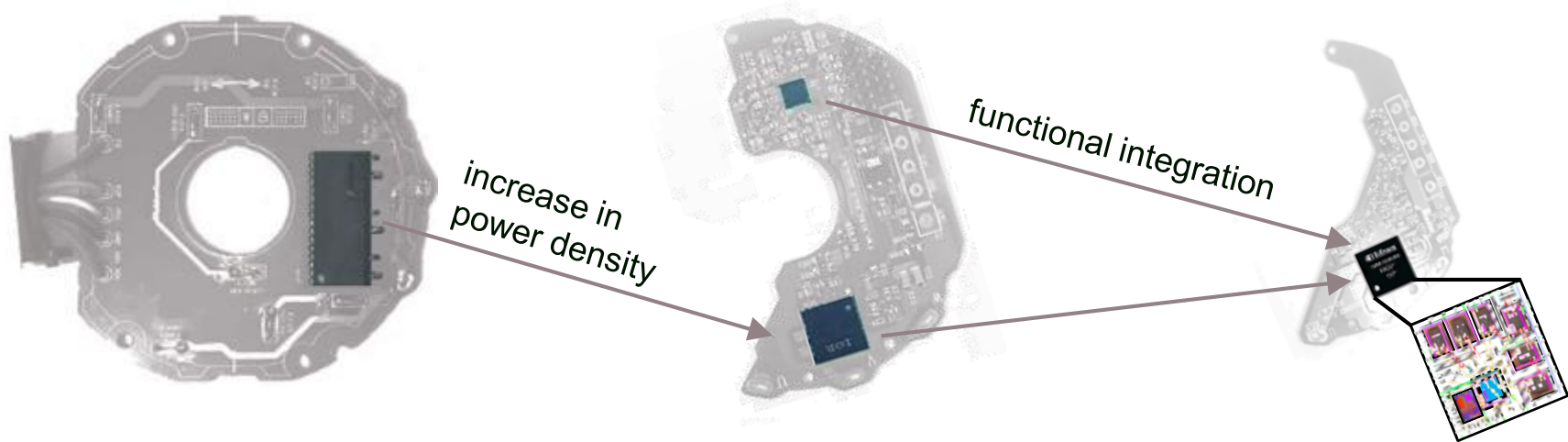
Infineon experience: shrink and functional integration drive customer value

Example: motor control solution for aircon indoor fan

Solution based on
standard IPM

Solution based on
CIPOS™ Nano

Solution based on
iMOTION™ Smart IPM



Customer benefits of highly integrated power ICs

- › Significant system cost reduction with BoM savings of ~30%
- › Reduction in engineering efforts
- › Reduction in time-to-market

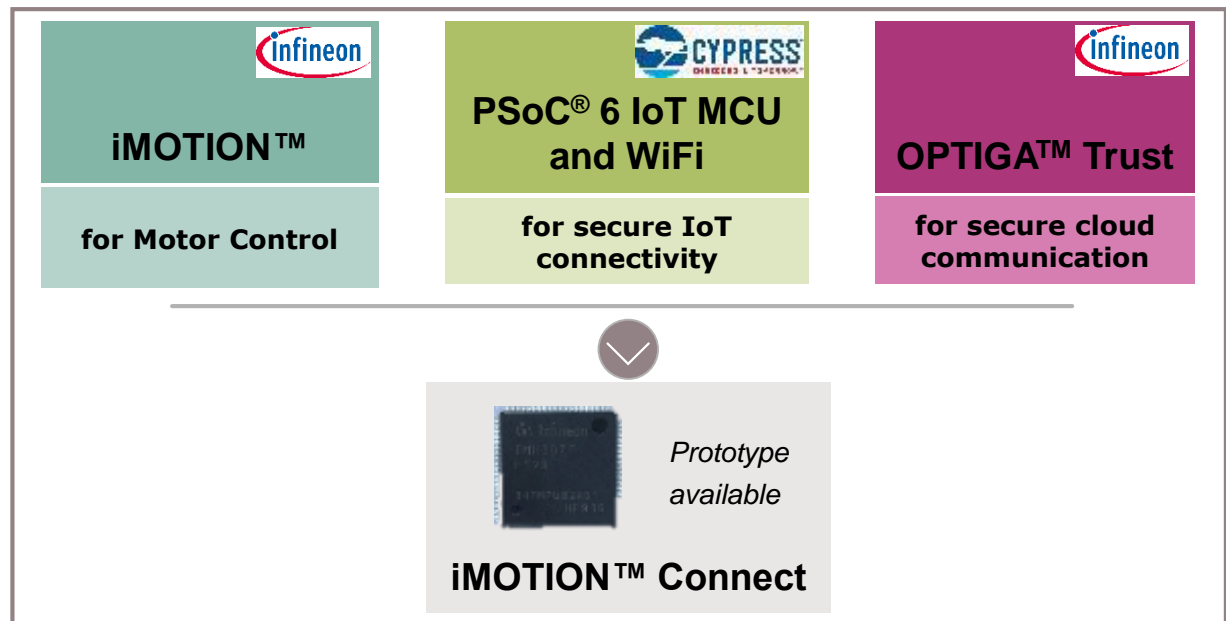
Market share*:
2017: 10.3%
2013: 6.4%
Continuous gains with IPMs

iMOTION™ Connect as a combined solution offering for the fast growing Smart Home market



iMOTION™ Connect Offering

- › **Infineon iMOTION™ 2.0** solution for digital motor control
- › **Cypress PSoC® 6 MCU and WiFi** delivering high-performance compute, integrated security and robust wireless connectivity
- › **Infineon OPTIGA™ Trust** device for secure cloud communication



NOR Flash supports growing use of MPUs in cluster/infotainment and automated driving

Drivers for increasing semiconductor content per car

Cluster/Infotainment



- › Premium cars are early adopters of high-end features
- › Trickle down to mid-range and beyond

Automated Driving



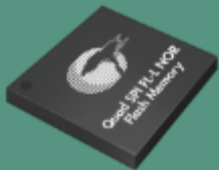
Today

- › Crash avoidance
- › ADAS

Tomorrow

- › Autonomous Driving
- › Over-the-air software updates

Resulting in high growth of processing power (MPUs)
enabled by NOR flash



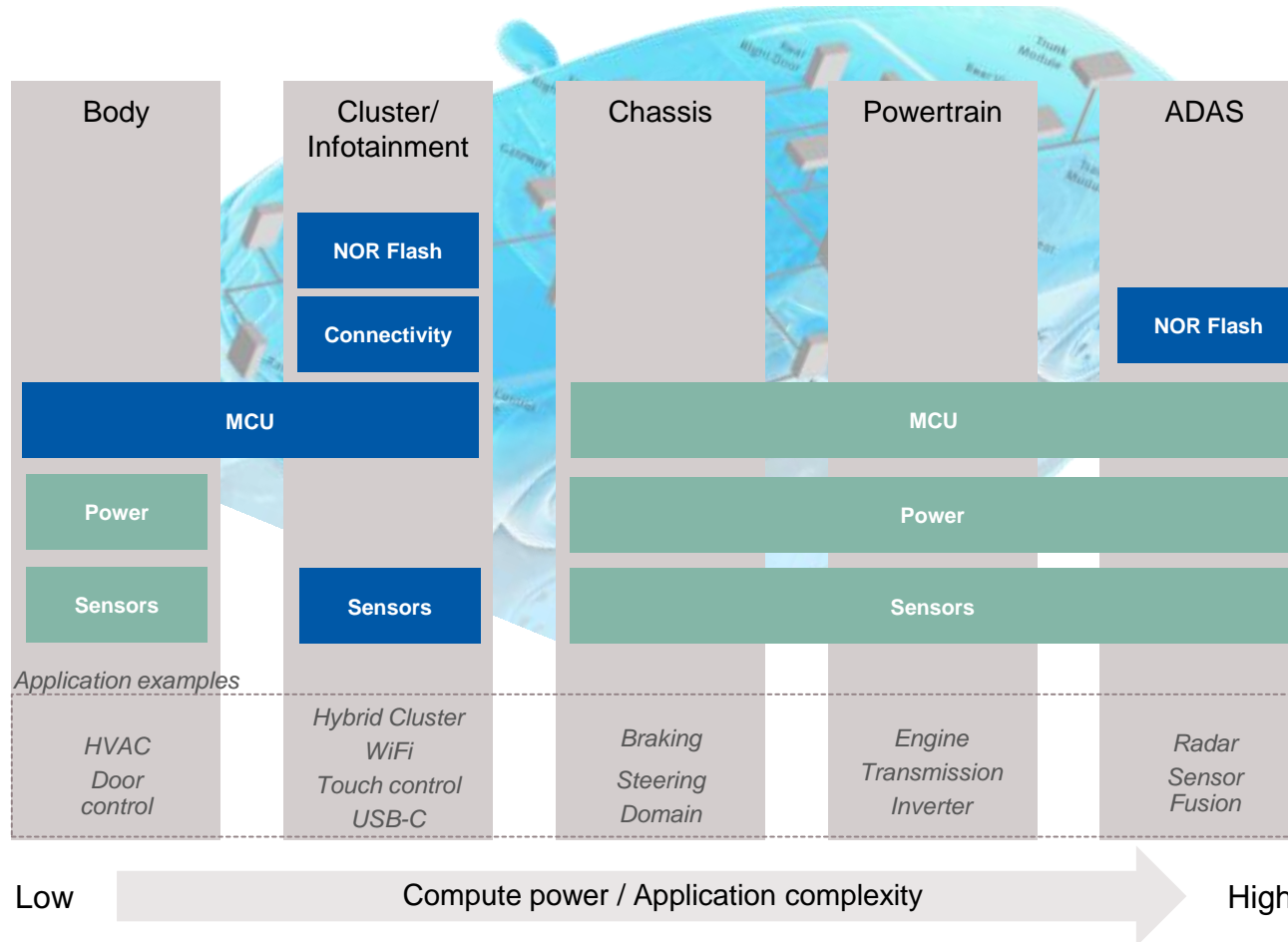
**High density NOR used as Instant-on program flash
for Processors in Cluster/Infotainment & ADAS**

In automotive, Infineon and Cypress portfolios complement each other and address entire range of applications



Rounding out the MCU product portfolio

Full coverage of all application fields within automotive



Benefits of combination

Creating the #1 auto semiconductor vendor*

Complementary MCU portfolio results in:

- › Broader customer access
- › Cross selling opportunities

Portfolio expansion through:

- › Connectivity (WiFi, Bluetooth, USB-C)
- › External NOR flash for Processors in Auto

Legend

Infineon

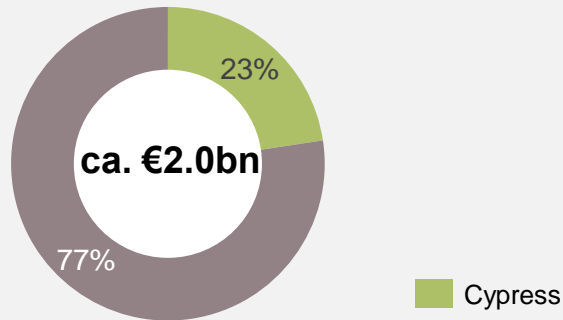
Cypress

* Strategy Analytics, "Automotive Semiconductor Vendor 2018 Market Shares", April 2019

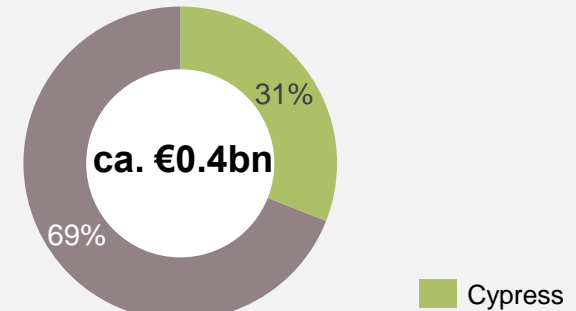
Cypress offers highly differentiated NOR-Flash & SRAM portfolio

Revenues CY2018

NOR Flash market share



SRAM market share



› High gross and operating margins due to differentiating factors

- NOR flash: density >4x the industry average, fast reading, long data retention, automotive grade
- SRAM: specialty SRAM for robust data logging (e.g., black box, medical)
- F-RAM: non-volatile memory with high speed ultra high number of read/write cycles

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Financing: Important first steps already accomplished

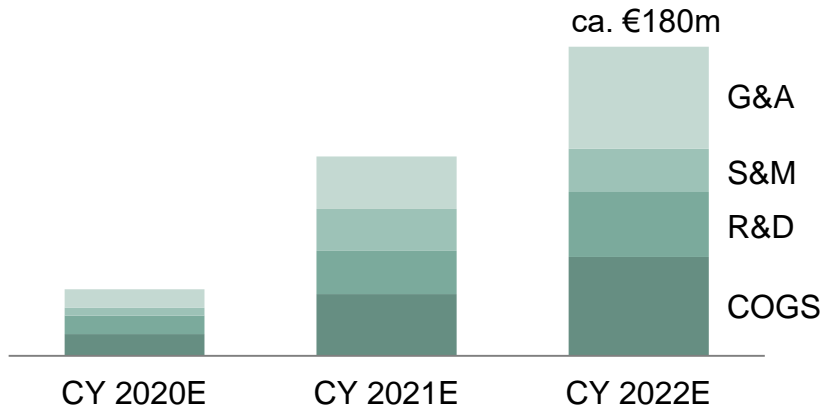
STEP 1	Underwriting of full acquisition amount by 3 banks	
STEP 2	Confirmation by S&P that Infineon Group's investment grade rating would be confirmed or rated down by one notch at a maximum following the acquisition of Cypress	
STEP 3	Equity financing of approx. 30% of the transaction value of EUR 9 billion; first step successfully accomplished with the raise of €1.5bn via ABB	
STEP 4	Successful syndication of acquisition facility to 20 national and international banks	
NEXT	<ul style="list-style-type: none"> ➤ Refinancing of remaining bridge and term loan through capital markets ➤ Deleveraging – return to target level $\leq 2x$ Gross Debt EBITDA in the mid-term 	

Expected cost synergies of ca. €180m p.a. by 2022

Revenue synergy potential >€1.5bn p.a. long-term



Planned ramp up of cost synergies



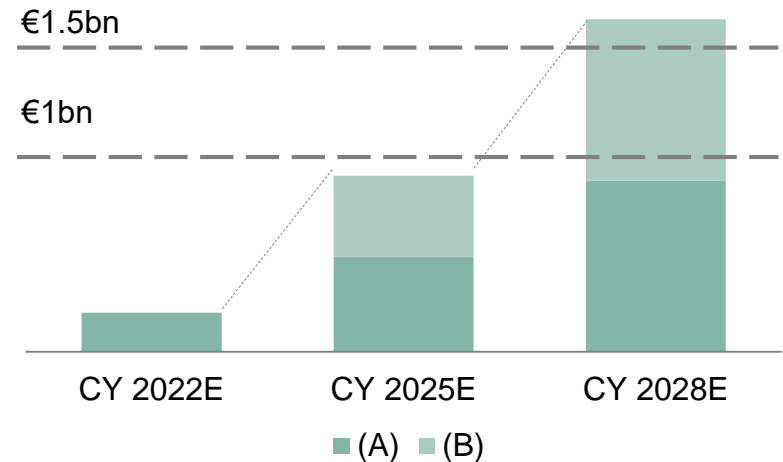
COGS

- › Procurement for materials and manufacturing services

OpEx

- › R&D: Optimize portfolio, reduce overhead
- › S&M: Efficiency gains in account coverage
- › G&A: Optimize corporate service providers

Planned ramp up of revenue synergies



(A) Near-term revenue synergy ramp up




- › Improved customer access and cross-selling
- › Optimize Cypress digital marketing potential to address revenue opportunities and grow customer numbers

(B) P2S for long-term revenue synergy ramp up

- › Sensor Solutions
- › Security-hardened Controllers and Connectivity
- › Motor control Solutions

Further improvement of through-cycle Target Operating Model for IFX stand-alone and combined company



		Current Target <i>As announced at CMD 2018</i>		Target for Integrated Company*
Revenue growth		9%	>	9%+
Segment result margin		17%+	>	19%
Investment-to-sales		15%	>	13%

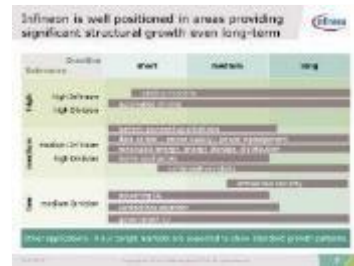
* Infineon financial performance to approach new targets as integration progresses

Transformational acquisition delivers on Infineon's strategic direction and financial targets



What we said at the Capital Markets Day

- › Reinforce positioning in structural growth markets



- › Leverage strong core to expand into adjacent and new markets/applications/technologies

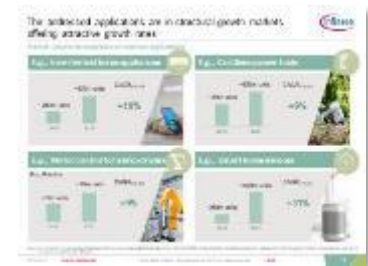


- › Deliver profitable growth

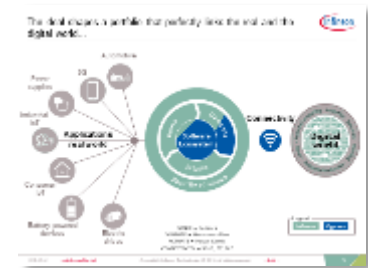


Cypress deal

- › Combined portfolio in high growth markets



- › Optimized system solutions
- › Increased scale and scope



- › More ambitious Target Operating Model





Strengthening the link between the real and the digital world

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