CAPITAL MARKETS DAY

LPKF LASER & ELECTRONICS AG | 17 SEPTEMBER 2020

AGENDA
17.09.2020

15:00 CET | KEY NOTE – Big Picture
Goetz M. Bendele (CEO) & Christian Witt (CFO)
Presentation (30 minutes)

15:30 CET | Q&A Panel
(15 minutes)

15:45 CET | WELDING
Simon Reiser (Managing Director Welding)
Presentation and Q&A (20 minutes)

16:05 CET | SOLAR
Juergen Bergedieck (Managing Director Solar)
Presentation and Q&A (20 minutes)

16:25 CET | ELECTRONICS
Roman Ostholt (Managing Director Electronics)
Presentation and Q&A (20 minutes)

16:45 CET | LIDE
Roman Ostholt (Managing Director Electronics)
Presentation and Q&A (40 minutes)

17:25 CET | ARRALYZE
Robin Krueger (Head of Product Management and Innovation)
Presentation and Q&A (15 minutes)

17:40 CET | WRAP-UP and final Q&A Panel
Goetz M. Bendele (CEO) & Christian Witt (CFO)
Wrap-up and Q&A (20 minutes)

END

CONTENT

- LPKF TODAY – TRANSFORMATON AND IMPACT
- LPKF THROUGH 2024 – SOURCES OF GROWTH
- CURRENT SITUATION
- KEY FIGURES AND OUTLOOK

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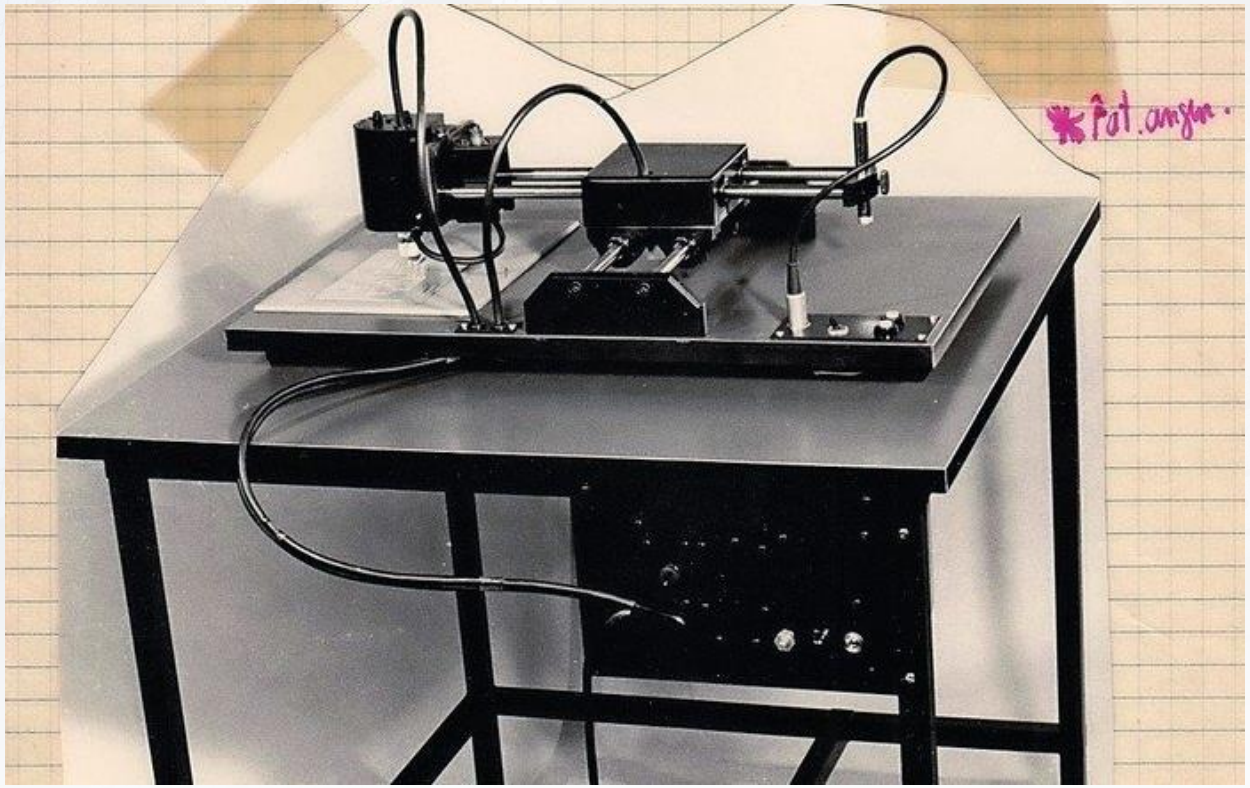
WE ENABLE INNOVATION

WE ENABLE INNOVATION SINCE 1976 ...

"LEITERPLATTENKOPIERFRÄSE"



1976

- The original LPKF 39, the first device for in-house production of PCB prototypes
- **LPKF's first innovation helped accelerate the production of PCB prototypes worldwide.**
- Ever since, we have been the No. 1 provider of PCB prototyping solutions.
- Today and in the future, our Development segment continues to contribute growth and margin.

... AND WE ENABLE INNOVATION TODAY

LASER INDUCED DEEP ETCHING (LIDE)

2020

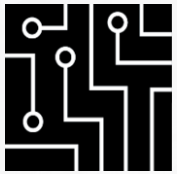
- LIDE is a transformative platform technology for creating microstructures in glass, and a significant element of our growth strategy.
- LIDE enables flexible microstructure designs with superior quality and far lower cost.
- LIDE expands the range of glass applications, replacing several of today's materials.
- Multiple active LIDE applications in several industries, incl. Display, Semiconductors, Microfluidics, Optoelectronics, MEMS.

LPKF OVERVIEW - FOUR BUSINESS UNITS

WIDE RANGE OF SOLUTIONS FOR SPECIFIC CUSTOMER DEMAND

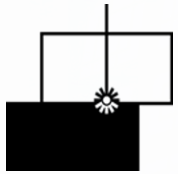
DEVELOPMENT

- Solutions for in-house PCB prototyping and micromaterial processing



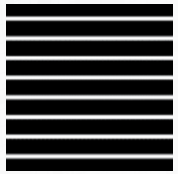
ELECTRONICS

- Solutions for volume manufacturing of electronics
- LIDE (Laser Induced Deep Etching) - Thin glass processing



WELDING

- Solutions for laser plastic welding in volume manufacturing



SOLAR

- Solutions for thin-film PV module production
- Solutions for Digital printing of ceramic inks (LTP)

BUSINESS SEGMENT STRATEGY

- Leverage increasing synergies across segments in R&D, production, sales and service.
- Become both technology and market leader in each segment we operate in.
- Accomplish sustained profitable growth in each business segment.

WE HAVE TRANSFORMED LPKF ...

IMPACT TO DATE ON LPKF JOURNEY TO BECOME HIGH TECH LEADER

CUSTOMER

- Built out focus on customer orientation throughout LPKF
- Strengthened Service Business
- Reoriented sales more towards new customers & new segments
- Established LIDE Glass Foundry business model as significant future growth driver

TECHNOLOGY

- Commercializing LIDE as platform technology across industries
- Developed new products & variants targeting specific customer demand
- Design-to-cost to enhance global cost competitiveness
- Increased speed and transparency of R&D programs

PEOPLE

- Successful turnaround executed without layoffs
- Increased attractiveness as employer: record employee profit sharing; new ESPP; revamped LTI
- Today: short-time work @100% pay
- Higher employee satisfaction, lower fluctuation

... WHICH OUR RESULTS REFLECT

IMPACT TO DATE ON LPKF JOURNEY TO BECOME HIGH TECH LEADER

KEY FIGURES

- Significant P&L improvement (*2017 vs. 2019*, prior to meaningful LIDE impact):
  - Revenue EUR 102m → EUR 140m
  - EBIT EUR 4.0m → EUR 19.2m
  - FCF EUR 3.3m → 42.2m
- Balance Sheet transformation*
  - Working Capital EUR 33.3m → EUR 14.8m
  - Net debt EUR 37.7m → Net cash EUR 24.5m
- In 2019, all four Business Units profitable for the first time

CAPITAL MARKETS

- Market Capitalization up by >3x: EUR 160m (*May 2, 2018*) → EUR 523m (∅ *7-8/2020*)
- XETRA Trading volume up by >10x: 16.5k (∅ *Q2/2018*) → 169k (∅ *7-8/2020*)
- LPKF joined SDAX (*Feb. 2020*) and TecDAX (*Aug. 2020*) indices
- Successful public placement of 29% of LPKF shares (*May 2020*)

* From Dec. 31, 2017 to Dec. 31, 2019

LPKF 2024

WHERE OUR JOURNEY WILL TAKE US

CUSTOMERS

- LPKF established as key technology partner for several large customers (e.g., semicon, consumer electronics, medical, automotive)
- Glass Foundry services built out as differentiator
- LPKF performance has accomplished preferred supplier status across business areas.

TECHNOLOGY

- LIDE established as standard process for structuring thin glass across industries
- Strong pipeline of new technologies (iterative and/or transformative) for commercialization
- LPKF remains technology leader in each of its current business areas (today's BUs)

PEOPLE

- LPKF has achieved broad visibility for technology and business talent across tech space
- LPKF attracts top talent from a global and diverse talent pool

KEY FIGURES

- At least EUR 360m revenue total, with min. 25% EBIT
- Sustained growth in current BUs as well as LIDE business, plus visible new business(es)

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- **LPKF THROUGH 2024 – SOURCES OF GROWTH**
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SOURCES OF GROWTH – CORE

SUSTAINED GROWTH EXPECTED FOR ALL CURRENT LPKF BUSINESS

CORE

- Development
- Electronics*
- Solar
- Welding

MARKET

- LPKF (sub-)markets forecast to exhibit above-average growth
- Correlation of LPKF business with customer innovation
- Laser share of broader market up with cost-down of laser solutions

CUSTOMER

- Expand sales effort: geography, customer type served
- Increase share via best-in-class customer-facing performance (e.g. agility)
- Design-to-cost effort increases cost competitiveness

APPLICATION

- Adjust current solutions to specific customer needs (e.g., variants)
- New, distinct customer applications of existing LPKF technologies
- Commercialization of new technologies for customer applications#

CORE BUSINESS CAGR EXPECTED IN ~10-15% RANGE THROUGH 2024

* without LIDE business
\# not included in 2024 guidance

SOURCES OF GROWTH – LIDE BUSINESS

STRONG GROWTH EXPECTED FROM BROAD SET OF APPLICATIONS

LIDE

- OEM Business
- Foundry

SEVERAL INDUSTRIES

Guidance based on active applications in several customer industries:

- Displays
- Semiconductors
- Microfluidics
- Optoelectronics
- MEMS
- Plus in addition: others*

MULTIPLE APPLICATIONS

- In each industry, we actively work with (current & potential) customers on a number of different applications
- Active customers are buying engineering samples from LPKF on regular basis → future volume manufacturing projects
- While project timing of each application may vary, size of project portfolio leads to higher confidence in overall growth path

LIDE EXPECTED TO CONTRIBUTE ~€150-200 MILLION REVENUE IN 2024

* not included in 2024 guidance

REALIZING LPKF'S GROWTH AMBITIONS

SALES IS KEY SUCCESS FACTOR IN IMPLEMENTING GROWTH STRATEGY

	NON-LIDE BUSINESS	LIDE BUSINESS
CUSTOMER DEMAND	• Key success factor: leverage customer value, drive sales growth across geos, industries, applications	• Key success factor: leverage customer value, develop LIDE business across industries incl. large-scale situations
PRODUCTION CAPACITY	• Sufficient existing capacity for ~2-3x current production volume	• OEM: leverage Garbsen capacity • Foundry: ~6 months to build capacity
ADDITIONAL STAFF	• Only incremental staff additions (R&D, service, production, SG&A)	• Specific talent for some LIDE applications (applications R&D) • Otherwise Incremental staff addition
REQUIRED INVEST	• Very modest for production capacity, otherwise minimal	• Modest for OEM production; invest for foundry feasible from LPKF cash-flow

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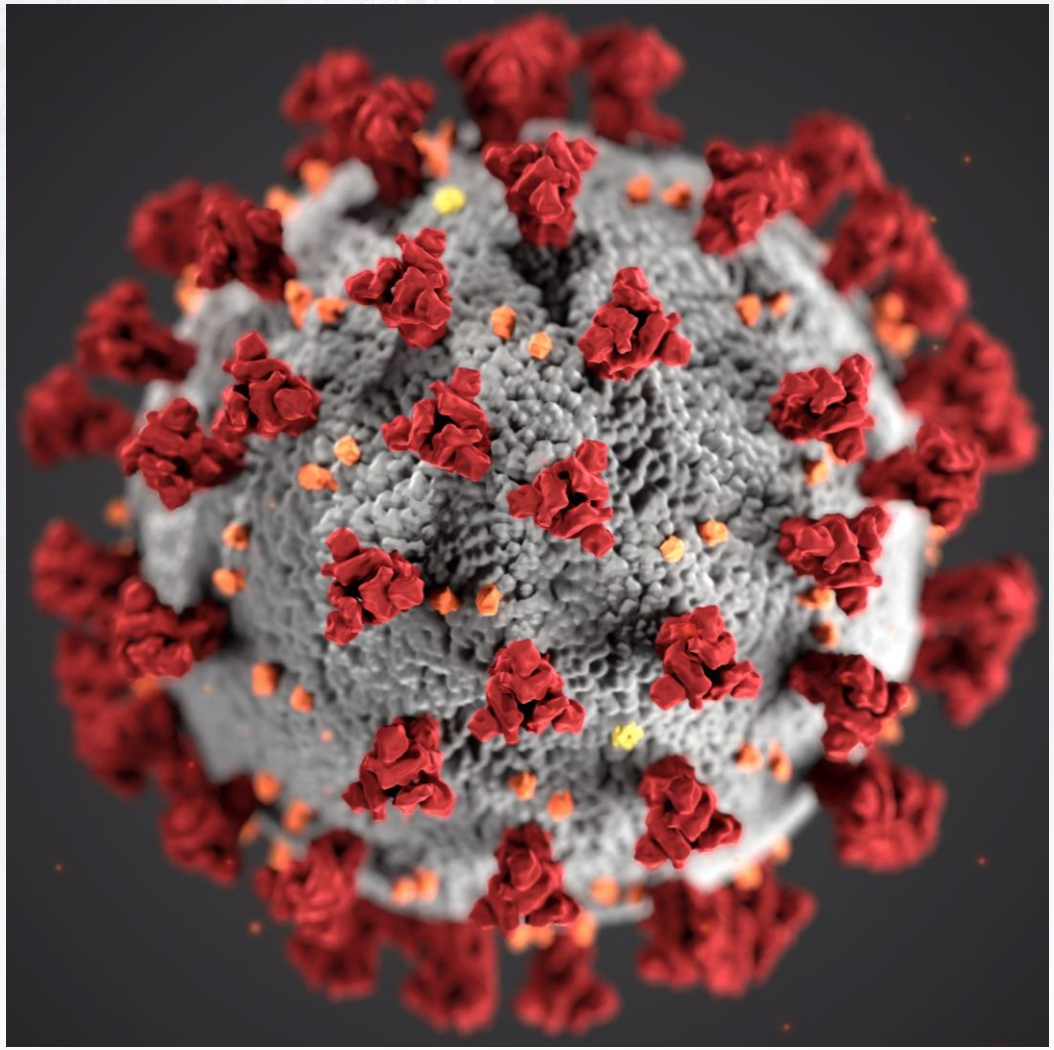
COVID-19: DIRECT IMPACT ON LPKF

EXTENSIVE MEASURES CONTINUE TO BE IN PLACE



MEASURES IN PLACE

Since early 2020, extensive measures taken to protect employees, their families and the community:

- Extensive use of home office
- Physical separation of each site into sections
- Limitation on visitors and on travel (as-needed basis)
- Strict hygiene concept (e.g. masks, distancing, tracing)

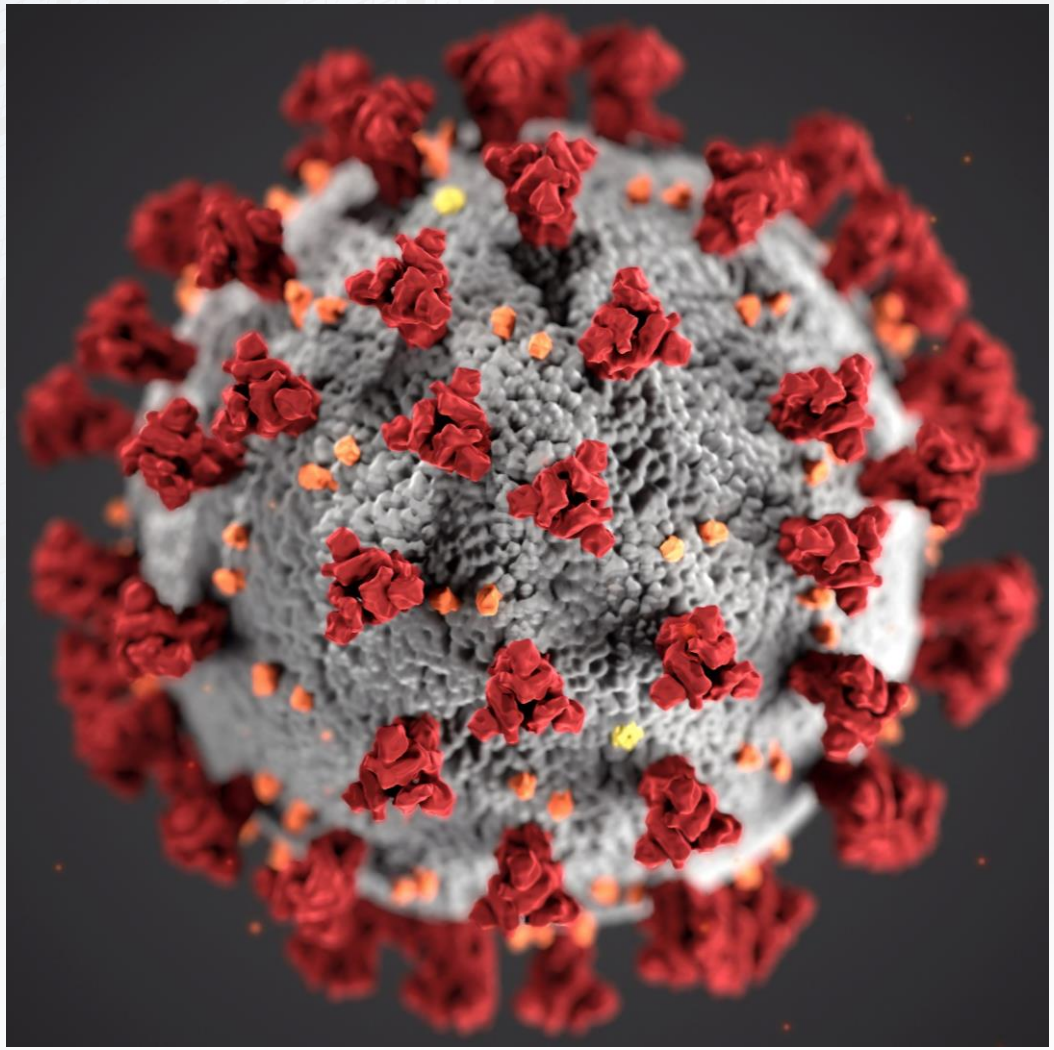
All measures continue today (Sep. 2020)

STATUS SEPTEMBER 2020

- No individual infected by COVID-19 at any LPKF site
- No COVID-19-related business interruption

COVID-19: ECONOMIC IMPACT ON LPKF

PANDEMIC AFFECTS 2020 RESULTS



IMPACT EXPERIENCED

- No meaningful impact from order cancellations (ca. EUR 200k total)
- Experiencing delays of several projects – both delivery and pipeline – across industries and geographies, especially from large customers
- Order entry low for most of 2020, but fundamental customer demand for our solutions remains unchanged

ASSESSMENT IN SEPEMBER 2020

- Revenue down 30% YoY for H1 of 2020
- Expecting H2 better than H1, but still impacted

GUIDANCE
AS OF 5 AUGUST 2020

FINANCIAL YEAR **2020**

The ability to make forecasts for the current financial year is still severely limited as the economic environment continues to be characterized by considerable uncertainty surrounding the ongoing COVID-19 pandemic.

In the event of a deeper recession, the Management Board expects a decline in revenue and earnings for the current financial year. The medium-term prospects for LPKF, and particularly the growth outlook for the LIDE segment, remain unchanged.

FOR **Q3 2020**, LPKF ANTICIPATES:

GROUP SALES	EBIT
24-27 MILLION EUR	1-3 MILLION EUR

FOR **2024**, LPKF ANTICIPATES:

GROUP SALES	EBIT MARGIN
> 360 MILLION EUR	> 25%

This forecast is subject to stable growth in the global economy.

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STRATEGIC OUTLOOK

PROFITABLE GROWTH AND CASH CONVERSION

PROFITABLE GROWTH

through permanent innovation and stable gross margins – current and new business

EBIT-MARGIN EXPANSION

Operating Laverage and further efficiency improvements

ASSET-LIGHT BUSINESS

in equpiment, sales and service
medium-light in glass foundry

IMPROVED WORKING CAPITAL

Working capital target:
< 10 % of net sales

BROAD BASIS FOR PROFITABLE GROWTH

CAGR CORE BUSINESS 10-15%, LIDE WELL DIVERSIFIED

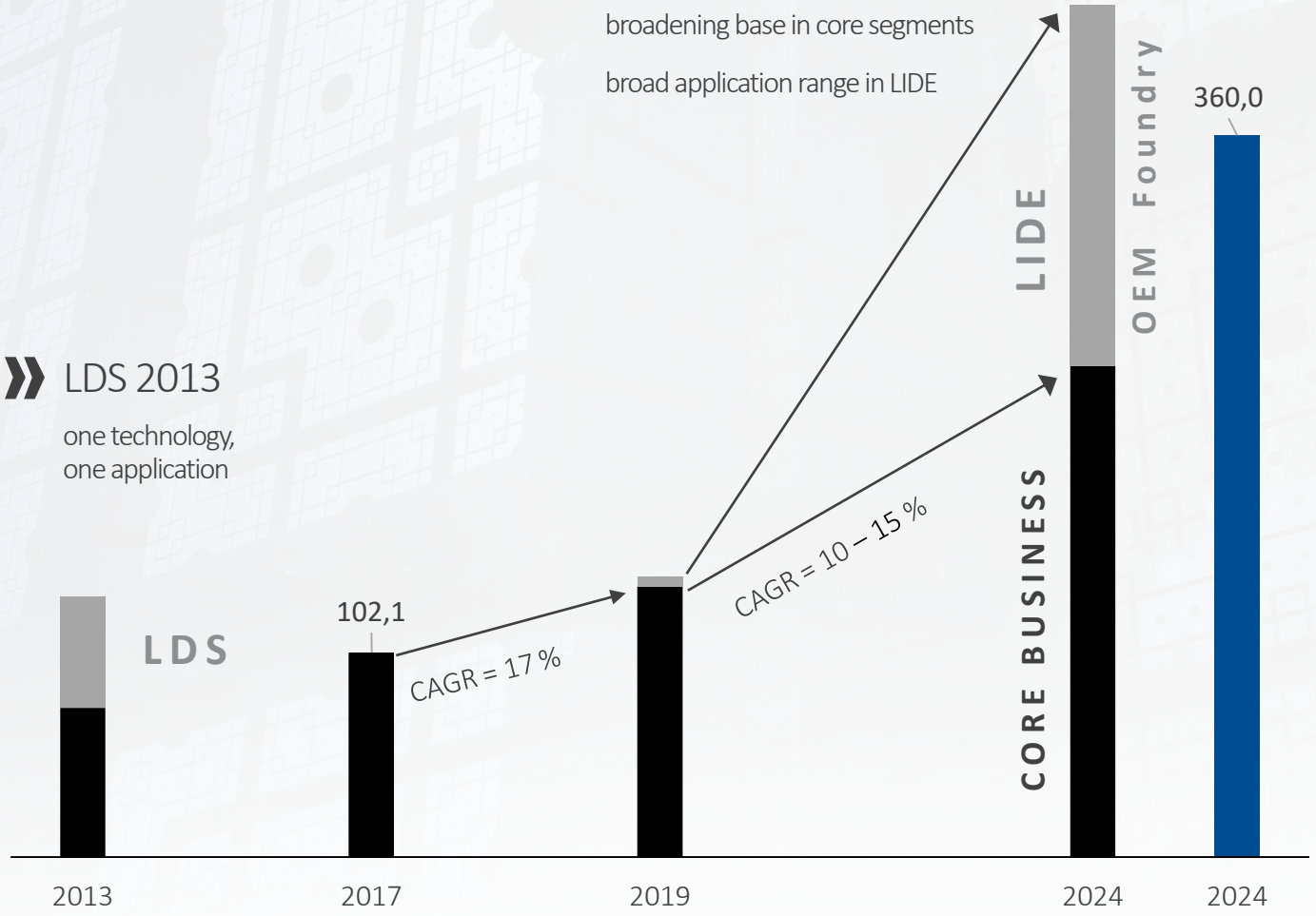
LDS 2013

one technology,
one application

2019-2024

broadening base in core segments

broad application range in LIDE



LIDE in 2024 well diversified

update 09/2020

LIDE ESTIMATE FOR 2024

- **most initiatives validated by customer projects**
- **conservative approach in all areas**
- **Foundry revenue with significant additional discount (timing)**

INCREASING EBIT-MARGINS

OPERATING LEVERAGE INCREASES PROFITABILITY

GROSS MARGINS

- **Permanent product innovation in all Business Units, stable Gross Margins**
- **Margins LIDE and other new Business similar to today's business**

INCREASED EFFICIENCY

- **In indirect areas by 5-15 % p.a.over the next years**
- **e.g. digitalization of sales administration, accounting, etc.**
- **R&D to grow more than general fixed cost**

OPERATING LEVERAGE

- **Underproportional growth of fixed cost – increase in EBIT margin**

SALES GROWTH 2019 – 2024: +160 %

FIXED COST 2019 – 2024: +80 %

HISTORICAL MARGINS CONFIRM OPERATING LEVERAGE

- **EBIT 2017/18: 4-6% (adjusted ca. 0-8%) - 2019: 13,7% - 2024: >25%**

ASSET-LIGHT BUSINESS MODEL

SUFFICIENT PRODUCTION CAPACITIES WITH ASSET LIGHT ASSEMBLY

DEVELOPMENT

- **Production Capacity 2 x 2019**

ELECTRONICS

- **Production Capacity 2 x 2019**
  + LIDE equipment production

WELDING

- **Production Capacity 4 x 2019**

SOLAR

- **Production Capacity 2 x 2019**

Core Business and LIDE Equipment: Assembly, no machining, low value add in Production

LIDE FOUNDRY

- **EUR 20 – 30 million investment during 2020 – 2024**
- **Phase 1: 8m EUR, flexible ramp up**

WORKING CAPITAL AND FREE CASH FLOW

ATTRACTIVE FREE CASH FLOW WITH HIGH CASH CONVERSION

NET WORKING CAPITAL TARGET

- **Target: < 10% of annual revenue 2018: 31,6% 2019: 10,6%**

EQUIPMENT

- **< 30 days incl. down payments**

SERVICE

- **30 days (< 30 days DSO, some inventory)**

FOUNDRY

- **30 days (only DSO, rest insignificant)**

FREE CASH FLOW

- **Growing Working Capital and Investments financed by Profitable Business**
- **Will continue to see order and investment based swings**
- **Attractive Free Cash Flow, LPKF remains debt free**
- **Dividends paid based on Free Cash Flow**

KEY PERFORMANCE INDICATORS
FOR FUTURE GROWTH

	2019	2024 (e)
Revenue (in million EUR)	140.0	360
Recurring Revenue	19%	30%
EBIT margin	13.7%	>25%
Net Working Capital*	10.6%	<10%

RECURRING REVENUE
From service, license fees and foundry business

EBIT
Operating Leverage

WORKING CAPITAL
Target < 10%,

INVESTMENTS
Replacement, R&D, LIDE foundry/growth

FREE CASHFLOW
High cash conversion, order & investment based swings

*** incl. IFRS 15**

KEY GROUP FIGURES

6 MONTHS 2020 – COMMENTS UPDATED AS PER SEPTEMBER 2020

in Mio. EUR	6 months | 2020	6 months | 2019	Δ%
Revenue	50.0	72.7	**-31.2**
EBIT	2.8	10.1	**-71.7**
EBIT margin (%)	5.7	13.9	
Earnings per Share (EUR)	0.08	0.30	**-72.5**
Free cashflow	-12.4	17.8	**-169.8**
Incoming orders	39.6	45.8	**-13.7**
Orders on hand (30 June)	21.9	31.4	**-30.2**
Employees (total number)	683	674	**1.3**

ORDER SITUATION AND OUTLOOK 2020

- **Delays of projects especially in Solar segment**
- **Delay large orders Electronics & Welding to 2021**
- **Growth in Electronics w/o large customer**
- **Slight decline in Welding w/o large customer and in Development**
- **Generally shorter customer lead times**

SPEED & PROFITABILITY

- **Fast reaction to changing situations to assure profitability of the Business and sell when business picks up**

SUSTAINABILITY AT LPKF

VALUE PROPOSITION SUPPORTS SUSTAINABILITY

SUSTAINABLE VALUE CREATION

- Our technologies enable better products with less resources
- Our solar systems increase the efficiency of solar modules and improve the carbon footprint
- Strong customer focus
- 62 patent families with 250 individual patents & applications
- 10% of revenue invested in R&D
- >20% of workforce in R&D
- Strong focus on product quality
- ISO 9001 certificate

ENVIRONMENT

- Reduction of 56% CO_2 emissions within 2 years
- 100% renewable energies at German sites
- LPKF complies with RoHS and REACH requirements
- We require our suppliers to rule out the use of conflict minerals in a self-declaration

EMPLOYEES

- Occupational safety and health protection system
- Works council to guarantee interests and rights of employees
- Group-wide staff development program
- Diversity: Equal opportunities regardless of gender, nationality, skin color, religion and sexual orientation
- Idea management with rewards

SOCIETY

- Compliance Code requires employees to observe legislation on the protection of human rights
- Whistleblowing system since 2017
- Suppliers have to commit to complying with a social responsibility code

Further improvement in all areas targeted

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THANK YOU!

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