



Semiconductors in the Driver's Seat:
Accelerating Automotive Innovation through
the acquisition of Elmos Semiconductor SE by
Infineon Technologies AG

Aaron Justin Conrad

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Borges de Assunção

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Abstract

Retaining and extending a competitive edge in the semiconductor industry is essential to prevail market dominance and keep up with the constantly high pace of innovation. Additionally, the semiconductor industry is vitally important to superior industries and promises high growth potential, fueled by trends in the automotive, green energy, or personal electronics space. Given this combination, consolidation is one prime path to tackle the challenges in the industry. Therefore, this dissertation investigates whether there is a valid rationale for Infineon Technologies AG to acquire Elmos Semiconductor SE.

Main drivers and risk factors are identified and assessed, assumptions in relation to different growth profiles are compiled and complemented with different valuation approaches. Ultimately a takeover price of €89.00 per share is computed, indicating a premium of 30% in comparison to the share price of €68.20 as of May 8, 2023.

When deducting the acquisition premium (356 eurM) from the assumed value of Elmos to Infineon (based on DCF), the value created to Infineon amounts to 195 eurM, whereas the target shareholders are compensated with a premium of 356 eurM, resulting in bilateral value creation. In total the merged firm inherits net synergies of 586 eurM and is valued at an Enterprise Value of 36 877 eurM.

The deal will primarily be financed through senior secured debt (1 183 eurM), supplemented with a cash payment of 341 eurM.

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Author: Aaron Justin Conrad

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Resumo

Manter e alargar a vantagem competitiva na indústria de semicondutores é essencial para prevalecer o domínio de mercado e acompanhar o ritmo constantemente elevado de inovação. Além disso, a indústria de semicondutores é crucial para indústrias superiores e promete um elevado potencial de crescimento, alimentado por tendências no sector automóvel, da energia verde e da electrónica pessoal. Tendo em conta esta combinação, a consolidação é uma via privilegiada para enfrentar os desafios da indústria e, por conseguinte, esta dissertação investiga se existe uma razão válida para a Infineon Technologies AG adquirir a Elmos Semiconductor SE.

São identificados e avaliados os principais factores de risco, compilados pressupostos em relação a diferentes perfis de crescimento e complementados com diferentes abordagens de avaliação. Em última análise, é calculado um preço de aquisição de 89.00 EUR por ação, o que indica um prémio de 30 % em comparação com a atual cotação das ações (68.20 EUR em 8 de maio de 2023).

Ao deduzir o prémio de aquisição (356 eurM) do valor presumido da Elmos para a Infineon (com base no DCF), o valor criado para a Infineon ascende a 195 eurM, enquanto os accionistas-alvo são compensados com um prémio de 356 eurM, resultando numa criação de valor bilateral. No total, a empresa resultante da fusão herda sinergias líquidas de 586 eurM e é avaliada num Enterprise Value de 36 877 eurM.

A operação será financiada essencialmente através de dívida sénior garantida (1 183 eurM), complementada com um pagamento em numerário de 341 eurM.

Título: Semicondutores no lugar do condutor: Acelerar a inovação automóvel através da aquisição da Elmos Semiconductor SE pela Infineon Technologies AG

Autor: Aaron Justin Conrad

Palavras-chave: Indústria de semicondutores, Fusões e aquisições, Avaliação, Sector automóvel

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List of Abbreviations

ADAS	Advanced Driving System
AI	Artificial Intelligence
APV	Adjusted Present Value
ATV	Automotive
bn	Billion
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditures
CAPM	Capital Asset Pricing Model
CF	Cash Flow
Change	Change in NWC
COGS	Cost of Goods Sold
COMPS	Comparables
CSS	Connected Secure Systems
D	Debt
D&A	Depreciation & Amortization
D/C	Debt to Capital
D/E	Debt to Equity
DAX	Deutscher Aktien Index
DCF	Discounted Cash Flow
DIO	Days Inventory Outstanding
DowJones	Dow Jones Industrial Average
DPO	Days Payable Outstanding

DSO	Days Sales Outstanding
E	Equity
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest and Taxes, Depreciation and Amortization
EPS	Earnings per Share
ETF	Exchange Traded Fund
eurB	Billion Euros
eurM	Million Euros
EV	Enterprise Value
Fab	Fabrication
FCF	Free Cash Flow
FCFE	Free Cash Flow to Equity
FCFF	Free Cash Flow to Firm
FY	Financial Year
g	Perpetual Growth Rate
GaN	Gallium Nitride
GDP	Gross Domestic Product
GIP	Green Industrial Power
HVAC	Heating, Ventilation, and Air Conditioning
IC	Integrated Circuit
IoT	Internet of Things
KPMG	Kleinvelde Peat Marwick Goerdeler
LTM	Last Twelve Month

M&A	Mergers & Acquisitions
MV	Market Value
NOPLAT	Net Operating Profit Less Adjusted Taxes
NWC	Net Working Capital
OEM	Original Equipment Manufacturer
OPEX	Operating Expenses
P/E	Price to Earnings
PPE	Property, Plant & Equipment
PSS	Power & Sensor Systems
PV	Present Value
PWC	PriceWaterhouseCoopers
R&D	Research & Development
SC	Semiconductor
SG&A	Sales, General & Administrative
Si	Silicon
SiC	Silicon Carbide
TSMC	Taiwan Semiconductor Company Limited
uFCF	unlevered Free Cash Flow
USD	US Dollar
WACC	Weighted Average Cost of Capital
YTM	Yield to Maturity

1. Introduction

Components that humankind cannot see, however, cannot live without. Semiconductors are essential in everyone's daily life and are indispensable for any technology-related function. Therefore, they shape the baseline of all present innovations and are a significant catalyst for further technological advantages.

Especially the automotive industry witnessed remarkable advancements primarily driven by integrating semiconductor technology into modern vehicles, enabling improved safety features, connectivity, and autonomous driving. Moreover, given the dynamic landscape and the constant need for a competitive edge, mergers have become crucial in leveraging market share.

The comprehensive analysis conducted on the proposed acquisition of Elmos Semiconductor SE by Infineon Technologies AG sheds light on the potential value that can be harnessed through combining complementary technological expertise, expanding market presence, and fostering innovation through shared research and development resources. Alongside the potential benefits, this thesis will also critically evaluate the accompanied pre-merger and post-merger risks and recommendations to mitigate or eliminate potential challenges to maximize the merger's value creation.

Incorporating intricacies regarding the influence of geopolitical tensions into the evaluation cannot be neglected, with a war in Ukraine, influencing international supply chains or tensions between China and Taiwan fueled by the involvement of the US, which are all significant advocates of the semiconductor industry.

2. Mergers and Acquisitions

2.1. Definition and Motivation of M&A

According to Drury-Grogan (2016), M&A are transactions where two or more companies merge, or one company acquires another, creating a new entity. This process usually involves changing company ownership, management, and control. In the same sense, McGrath (2016) argues that M&A activities can range from small transactions to mega-mergers involving billions of dollars. Technically M&A has initially been discussed by Chandler (1962), Wrigley (1970), and Rumelt (1982) in a first attempt to differentiate between diversification in related or unrelated circumstances. They developed specific determining factors concerning further developed M&A definitions in later years. Drury-Grogan (2017) defined a merger as the combination of two separate organizations, which form a new combined entity upon completion of the transaction. On the other hand, an acquisition is the purchase of an entire or part of a company by the acquiring party.

In contrast, the acquiring entity often has a higher economic or financial standpoint than the targeted company. Even so, defining a distinctive, unique, and stand-alone M&A definition can be challenging due to the topic's broad nature and attempted diversification rationale. Drury-Grogan (2017) further argues that M&A is a type of corporate restructuring, then a sheer form of diversification, as such events affect a company's organization, operations, policies, and strategies.

Damodaran (2006) noted that motivations for M&A can be grouped into four categories: synergy, diversification, vertical integration, and strategic realignment. Synergies are the most commonly cited motivation for M&A, as they involve combining two companies to achieve greater efficiency and cost savings than either could achieve on a stand-alone basis. Diversification, another common motivation, allows companies to enter new markets and spread risk across various industries. Strategic realignment involves restructuring a company's portfolio of businesses to focus on its core competencies. Massari et al. (2016) note that M&A activity is often driven by external factors such as economic conditions, regulatory changes, and industry trends. In addition, Ibrahim (2018) highlights the importance of cultural fit and post-merger integration in determining the success of M&A transactions. Drury-Grogan (2017) notes that M&A can significantly impact stakeholders beyond shareholders, including employees, customers, and local communities.

2.2. Types of Mergers and Acquisitions

2.2.1. Vertical Diversification

Vertical diversification refers to the acquisition of one company by another one. In contrast, in most cases, one company is in a dominant position, not only from an economic but also from a financial and a value chain point of view. The acquiring company is positioned on a super-ordinated level. The target company might be in a supplier-, producer-, service-, vendor- or development (R & D) relationship with the acquirer (Rumelt, 1974). Vertical integration can be further separated into backward and forward integration. Backward integration is present if a company integrates another company subordinated in the value chain. Forward integration, on the other hand, refers to the integration of a company on a higher level in the value chain. From a rationality and benefits perspective, the acquiring entity may pursue a reduction in production costs, a higher distribution channel stability, the consolidation of specific business functions, reduced transportation costs, or reduced overhead staff (Ibrahimi, 2018).

2.2.2. Horizontal diversification

Horizontal diversification refers to M&A activity between two companies positioned on the same value chain level. These companies might be competitive as they produce relatively similar goods or services. Therefore, horizontal diversification can be referred to as a technique to increase market share and power, enter new geographies, use economies of scale, or reduce competition (McGrath, 2012). The high similarity of the merging entities can heavily affect market concentration and reduce competition in the market. Therefore, specific regulatory procedures have been installed in the European Union, which are subject to be fulfilled before approval by the authorities. Reasons for these regulatory measures are the possible effects of mergers on a firm's market power and the possible negative effect on consumers regarding product quality, increased prices, or limitation of choices. (Ibrahimi, 2018).

2.2.3. The conglomerate – unrelated diversification

Compared to the prior merger types, Ibrahimi (2018) highlights that a conglomerate merger, also known as 'unrelated diversification,' does not directly appear to create substantial strategic or financial benefits. The two merging entities either have minimal synergy potential since their products are usually unrelated, or the companies are active in entirely unrelated markets.

McGrath (2012) argues that this merger type is accompanied by a low synergy potential, given that the two entities are not competing in any market or neither have a vertical or complementary relation to each other. At the same time, a conglomerate merger is limited to economies of scale given the little consolidation potential or the management pursues a higher goal.

2.3. Synergies

Three types of synergies can be distinguished: revenue, cost and financial. Damodaran (2006) describes revenue synergies as the elevated level of revenue channels. "Cost synergies" are defined as decreased costs following the merger. Financial synergies are advantages that arise from a merger and enhance the combined entity's financial structure. In corporate valuation, synergies can be significant, particularly when a company is buying another company. Massari et al. (2016) argue that synergies are often overestimated, leading to unrealistic expectations of the combined entity's performance. In that sense, it is essential to understand the underlying assumptions and limitations of each synergy type to ensure accurate valuation. Two synergy approaches are commonly used. The bottom-up approach estimates synergies as the precise impact they might have on the income or cash flow statements. On the other hand, the top-down approach quantifies the synergies as a multiple or a defined multiplier on revenues or the EBITDA.

It is vital to decrease the difficulty level because synergies often depend on factors such as changes in market share, customer retention, and cross-selling opportunities. Cost synergies are more straightforward in estimation because they involve identifying areas where expenses can be reduced by combining the two companies. However, cost synergies can be challenging to achieve because of the potential resistance from employees and customers. Instead, it can be a politically challenging situation within the company. Financial synergies are often the most significant source of value in mergers and acquisitions. These synergies include tax benefits and improved access to capital markets. However, financial synergies can be challenging to quantify, given the variety of factors, including the financial structure of the combined entity and the prevailing economic conditions.

2.4. Takeover Premium and Value Creation

According to Damodaran (2005), synergies are directly correlated with the offer price of a target company. They are therefore determined by the maximum premium the acquirer can pay for the target on top of the current valuation. Based on the estimated synergies and the current valuation of the target company, a share price incorporates both vending incentives to the shareholder and value to the acquirer remaining after paying the base share price plus the defined premium. If these two conditions are satisfied, an M&A transaction creates value for both participating parties and is beneficial. Takeover premia can highly fluctuate and are influenced by numerous criteria. Reasons can, for instance, be a strong growth profile of the target or a complicated shareholder structure.

Equation 1: Takeover Premium

$$\% \text{ of Premium Paid} = \frac{\text{Bid Share Price}}{\text{Pre} - \text{Bid Share Price}} - 1$$

2.5. Payment method

A company's ownership transfer must be concluded with a payment to conclude a merger or acquisition. According to Damodaran (2010), an acquisition can be finalized with a cash payment, company stock, or a combination of both payment methods. Nonetheless, Faccio et al. (2005) argues that both methods have conflicting effects. Due to the often-limited cash resources of the acquiring party, most cash payments require a certain degree of debt financing to stem an acquisition. In that sense, an unavoidable trade-off between raising equity and the concomitated control concern of raising equity and an increase in leverage and financial distress risk in a sole debt financing case. Besides, a firm's ability to raise debt for an acquisition is also highly dependent on the company's asset base, implying that companies with a more extensive tangible asset base have a higher degree of access to the debt market. Corporate government structure in the choice of payment method plays a significant role. A shareholder's voting power in a stock payment scenario is affected alongside a general dilution in an equity-raising scenario. If the bidder is keen to preserve ownership and voting rights without giving away stock, he might opt for a cash payment.

On the other hand, a bidder might not be affected by granting the seller a minority in the acquiring entity, as he has a supermajority voting right, which implies a low risk of threat by the selling shareholders. At the same time, the tax benefits of stock can be an influential part of

the selling entity, whereas a cash payment accounts for a higher level of security to the seller. Faccio et al. (2005) mention that a seller might accept a stock payment in case of tax liability deferral purposes or, in an opposed case, prefers a cash payment to prevent being a minority shareholder in the bidder's firm.

2.6. Valuation Techniques

The most common valuation methods will be analysed, namely the absolute valuation and the market approach, which, according to Massari et al. (2016), is the value of an investment in relation to comparable assets on the market. In absolute valuation, the income approach considers the value of an investment by the expected returns and is broadly known as Discounted Cash Flow. Damodaran (2012) differentiates primarily between two standardized valuation approaches. Firstly, the discounted cash flow and the adjusted present value, as well as the relative valuation, which estimates the value of an asset based on comparable ratios, such as earnings, sales, or profitability.

2.6.1. Absolute Valuation

Absolute valuation models, or according to Pinto et al. (2010), intrinsic valuation is the determination of a fair asset value based on the present value of future expected cash flows. Prominently two absolute valuation methods dominate the practice of absolute valuations: the DCF method and the APV method. According to Luehrman (1997), both methods are based on the present value of expected future cash flows and should incorporate the asset's level of risk, reflected by the discount rate.

2.6.2. Discounted Cash Flow (DCF) Valuation

Discounted cash flow, more broadly known as DCF, is, according to Pinto et al. (2010), a valuation method that discounts a firm's expected future cash flows to the present value. Rosenbaum et al. (2009) separate the DCF method into five steps: (1) Thorough analysis of the target to determine performance drivers, (2) project of the free cash flows to the firm, (3) calculation of the WACC, (4) determine the terminal value of the firm and (5) add up the present value of the projected cash flows with the terminal value of the firm to determine the enterprise

value of the firm. To compute the forecasted cash flows, it is necessary to adequately forecast the income statement and the balance sheet for the aimed forecasting period. Then one must define what is meant by cash flows. Pinto et al. (2010) argue that a firm's cash flow is the added-up cash from selling products or services, such as the economic value created from the company's operations.

Nonetheless, the cash flow at the end of the firm's fiscal period, which includes the cash flows from operations, financing, and investments, must be adjusted adequately to assemble the so-called free cash flow (FCF). The FCF can either be assembled as the free cash flow to equity (FCFE) or free cash flow to the firm (FCFF), and the choice is highly dependent on a firm's capital structure dynamics. In contrast, the FCFF is the most used DCF valuation scenario.

Equation 2: FCFF

$$FCFF = EBIT \times (1 - t) + D\&A - CAPEX - \Delta NWC$$

EBIT = Earnings before interest and taxes

t = Marginal tax rate

D&A = Depreciation & Amortization

CAPEX = Capital Expenditures

Δ NWC = Increase / Decrease in Net Working Capital

2.6.2.1. Weighted Average Cost of Capital (WACC)

In the aftermath of the FCF and in consonance with Pinto et al. (2010), determining an applicable discount rate is essential in computing an appropriate present value of a CF while reflecting not only the time value of money but also the level of risk. Massari et al. (2010) outline that the valuation of the choice of FCF also reflects the choice of choosing the correct discount factor. In the FCFE model, one must assume the unlevered cost of equity (K_{eu}) as the discount factor, whereas in the FCFF model, the WACC is utilized.

Equation 3: WACC

$$\text{WACC} = K_E \times \frac{\text{Equity}}{\text{Equity} + \text{Debt}} + K_D \times (1 - \text{Tax rate}) \times \frac{\text{Debt}}{\text{Equity} + \text{Debt}}$$

Whereas:

$$\text{Cost of Equity} = K_E$$

$$\text{Cost of Debt} = K_D$$

$$E = \text{Equity}$$

$$D = \text{Market Value of Debt}$$

2.6.2.1.1. Cost of Equity

Damodaran (2012) argues that the equity portion of the weighted average cost of capital can be gathered relatively uncomplicated with the CAPM while still blending in specific risk factors. In conclusion, the market risk in the CAPM is captured by the beta (β).

Equation 4: CAPM

$$\text{CAPM} = r_f + \beta_u \times (r_m - r_f)$$

Whereas:

$$r_f = \text{risk - free rate}$$

$$\beta_u = \text{beta of the unlevered firm}$$

$$r_m = \text{Market risk premium}$$

The risk-free rate, which is according to Damodaran (2012), the rate an investor will receive with certainty must need to fulfil two conditions. First, there should be no default risk present in the underlying rate, and therefore, it should be issued by a stable government. This security can, for instance, be a government treasury bill, preferably in the domicile country of the firm. If the firms' domicile country differs from their core markets, one could also assume a rate in the according market currency to match a risk-free rate to the according market correctly. Secondly, Damodaran (2012) argues that no uncertainty about reinvestment rates should be

present, implying to choose a commensurate treasury bill matching the time horizon of the forecasted period. Another critical part of the CAPM is the market risk premium, which is, according to Damodaran (2012), the extra return demanded by the investors for diversifying from a risk-free investment to an investment of increased risk. Pinto et al. (2010) argue that the market risk premium is the yield demanded or the excess return above the risk-free rate and is conventionally measured by computing a historical geometric mean of an equity index.

2.6.2.1.2. Cost of Debt

The cost of debt, which are, according to Massari et al. (2010), the current costs of the firms' interest-bearing debt obligations. The cost of debt (K_d) consists of three components: the priorly mentioned risk-free rate, the credit spread, and the marginal tax rate. The credit spread, which is, according to Massari et al. (2010), the implied YTM of the outstanding debt of a firm, or in other words the market value of debt.

Equation 5: Market Value of Debt

$$\text{Market Value of Debt } (MV_D) = C \times \left(1 - \frac{\left(\frac{1}{(1+K_D)^T}\right)}{K_D}\right) + \left(\frac{FV}{(1+K_D)^T}\right)$$

Whereas:

C = Annual Interest Expenses

FV = Total Long-Term Debt

T = Weighted Average Maturity of Outstanding Debt

To also include the tax benefit of the interest-bearing debt, an adequate marginal tax rate must be assumed, either by referring to historical tax rates or expected future tax assumptions.

Equation 6: Cost of Debt

$$K_D = r_f + \text{Credit Spread}$$

2.6.2.1.3. Value of the Firm

After estimating the forecasted cash flows and an adequate WACC, the CF's must be discounted to the present value to obtain a firm's enterprise value.

Equation 7: Enterprise Value

$$\text{Enterprise value} = \sum_{t=1}^{t=n} \frac{FCF_1}{(1+WACC)^1} + \frac{FCF_2}{(1+WACC)^2} + \frac{FCF_n}{(1+WACC)^n} + \frac{FCF_n \times (1+g)}{(WACC-g)}$$

Whereas:

FCF = Free Cash Flow

g = perpetual growth rate

n = period number

The enterprise value in the DCF model consists of two components: the sum of the PV of FCF in the projection period and the firm's terminal value. In dependence on Damodaran (2012), three different approaches can obtain the terminal value. Option one assumes a sale of all assets in the terminal year at the adherent value of the assets. The second approach applies a particular comparable multiple, such as revenue, earnings, or book value, to obtain the firm's terminal value. The third approach assumes the FCF of the final forecasting period to grow at a stable, perpetual growth rate (g) and is referred to as the "Perpetuity Growth Method." According to Rosenbaum et al. (2009), this growth rate is obtained by considering long-term industry growth rates or GDP growth.

Terminal value according to the Perpetuity Growth method:

Equation 8: Terminal Value

$$\text{Terminal value} = \frac{FCF_n \times (1+g)}{(WACC-g)}$$

At last, the two components, the sum of the present value of all cash flows and the terminal value, must be added up to receive the firm's enterprise value, which represents, according to Pinto et al. (2010), the value of the firm without subtracting the market value of debt. In an

M&A scenario, the actual price paid for a firm is the equity value, which assumes that all debt-like items are subtracted from the enterprise value to compute a firm's equity value. From a publicly traded company perspective, Pinto et al. (2010) argue that the equity value divided by the number of outstanding shares implicates the value per share.

2.6.3. APV

The APV technique, similarly to the DCF model, considers the forecasted future cash flows as a reference and discounts them to the present value with the unlevered cost of equity. Nonetheless, according to Luehrman (1997), the APV consists of two components. Component one is the previously mentioned discounted future cash flows; in other words, it values the value component if the firm was entirely financed by equity. The second component values all side effects of financing separately, which are, according to Myers (1974), the present value of the tax benefits or, in other words, the interest tax shield, financial distress costs, or agency costs. The conventional DCF model, on the other hand, consolidates all financing effects in the WACC.

Equation 9: Value Levered Firm

$$\text{Value of the levered firm} = V_u + V_f$$

$$V_u = \text{Value of the unlevered firm}$$

$$V_f = \text{value of side effects of financing}$$

2.6.4. Relative Valuation

Relative valuation, or in other words, comparable company valuation, is, according to Rosenbaum et al. (2009), the valuation of a company based on market benchmarks and public comparables. Relatively identical, Damodaran (2010) describes the practice of relative valuation as the process of deriving an asset's value based on the price of comparable assets on the market. In this context, both authors consider the selection of the right universe of companies with similar characteristics as the heart of the entire valuation. Massari et al. (2010) recommend breaking down the list of comparable companies into two sections: the industry and the company's main activity. Similar characteristics or proxies of the priorly selected

company universe must be gathered in the next step. These can, for instance, be direct financial ratios, such as the P/E, EV/EBITDA, or EV/EBIT, but also indirect ratios, such as the EV/Sales. Other indicators include a company's cash flows, risk profile, or growth potential. Damodaran (2010) suggests comparing the targeted company directly with one or two similar companies or composing a peer group average of all selected comparable companies for the consequent valuation of the target company. In the case of the latter option, one should also consider adjusting the average for any outliers that distort the consequent valuation. Relative valuation, in general, is referred to as relatively simple, but on the other side, according to Damodaran (2010) susceptible to errors. Specific industries with high momentum and often associated with overvaluation might provide a completely different firm value than other valuation methods.

3. Market Overview

Semiconductors are indispensable in everyone's daily life and are integrated into almost any electronically enabled device, including and not limited to computers, electrical infrastructure, cars, manufacturing devices, and countless others. Notably, both companies involved in the anticipated transaction, namely Infineon Technologies AG (“the acquirer” or “Infineon”) and Elmos Semiconductor (“the target” or “Elmos”), are active within the semiconductor industry, but heavily concentrated on the automotive sector.

3.1. Company description

3.1.1. Infineon Technologies AG

Infineon Technologies (Infineon or "the company") is a Germany-based (Neubiberg, Bavaria) designer, developer, and manufacturer of semiconductors and semiconductor system solutions. Infineon is listed in the DAX, employs around 57 000 employees, and operates through 59 R&D and manufacturing locations worldwide. As of May 8th, 2023, the total market capitalisation is 43.6 eurB. The company is the market leader in the automotive SC market (TechInsights, 2023), the Power Semiconductor Industry (Omdia, 2022) and amongst the top players in the Microcontroller segment (Omdia, 2023). Infineon's segments are distributed as follows:

- "Automotive" (ATV): The segment accounted for 45% of the firm's FY22 revenues. The ATV segment caters to all electronic parts of a modern vehicle, from the powertrain and energy management system to connectivity and infotainment, body and comfort electronics, safety, and data security. Infineon is the global market leader in automotive chip production and a supplier to most of the key players in the automotive industry.
- "Power & Sensor Systems" (PSS): The PSS unit accounted for 29% of total revenues in FY22 and produced semiconductors for power supplies and power tools, lighting systems, mobile devices, and industrial and consumer applications. Ultimately, PSS's primary goal is the production of smaller, lighter, and more energy-efficient chips.
- "Green Industrial Power" (GIP): The third largest segment, which accounted for 13% of total FY22 revenues, produces semiconductor solutions along the entire electric energy value chain. In particular, the unit produces SC chips for energy generation, transmission, storage, and electricity usage.
- Connected Secure Systems (CSS): CSS accounts for around 13% of Infineon's revenues in FY22 and is mainly catering products in microcontrollers for Bluetooth and Wi-Fi or

components used for IoT solutions. The segment refers to hardware chips for connected and reliably protected systems.

In geographical terms, 24% of FY22 revenues have been acquired in Europe (11% in Germany), 16% in the Asia Pacific, 37% in China, 10% in Japan, and 13% in the Americas. The focused growth areas of Infineon are primarily Mobility, Energy and IoT.

3.1.1.1. Shareholder Structure

Infineon's listing in major global indices such as the DAX, TecDAX or DowJones and has attracted investment managers as the largest group of shareholders (see Figure 10) to their obligation to maintain coverage of indices through funds and ETFs.

3.1.1.2. Dividends and Pay-out Ratio

The history of Infineon's dividend pay-out (see Figure 11) shows a gradual increase in dividends per share each year from 2012 to 2019. However, due to the Covid-19 pandemic and the resulting market uncertainty, the dividend was reduced in 2020. Despite this setback, Infineon has made a strong recovery post-COVID and increased its dividends to a new historical high of €0.32 per share in 2022, reflecting its high profitability.

3.1.1.3. Revenue and Cost Development

The revenue (see Figure 12), divided by segments, developed quite well overall (15% CAGR), with the Automotive (17% CAGR) segment and the Connected Secure Systems (13% CAGR) segment experiencing the most significant increase in revenue since 2016. The EBITDA margin has significantly improved since 2020, following the shortage of chips during the Covid-19 pandemic and the concomitant distortions concerning global supply chain issues. Most of the semiconductor companies benefited from this problem in the upturn during the pandemic, selling their products at a higher profit margin, given the uncertainty of the market and the necessity of their customers receiving enough supply for production. In this period, the CSS segment benefitted from a larger share of sales to data-centre operators and related customers as the world shifted to remote work infrastructure and broader connectivity. Therefore, it is essential to add that Infineon has no customers representing more than 10% of total sales.

Costs have developed coherently with revenues with steady margin improvements. After the pandemic, after hitting a long-time low in 2020, Infineon picked up the EBIT margin, following the trends mentioned in the previous section. The margin is according to company guidance expected to remain at this level, with improvement in sectors such as ATV and CSS expected to post in the mid-term. R&D has always been a company driver, and expenses have increased steadily. Infineon runs 59 R&D facilities in 24 countries, employing more than 12 000 people. Thus, the R&D side of the business is the backbone of the future prosper of the company, with 29 600 patents in their portfolio and another 1 600 newly filled pattern applications in 2022 (Infineon Annual Report, 2022).

3.1.1.4. Capital Structure

According to company guidance, Infineon intends to maintain a stable capital structure and with a stable company rating at BBB (S&P) to ensure potential additional leverage opportunities.

3.1.1.5. Stock Performance

In comparing Infineon's stock performance with the widely recognized German stock index, DAX40, it is evident that the company has outperformed, particularly after the impact of COVID-19 in 2020. This can be attributed to the significant rise in stock prices of technology companies and related industries, as well as the rebound of industrial production following the initial shock of the pandemic (see Figure 14).

3.1.1.6. Competitors

Infineon covered 2.30% of the global semiconductor market share in 2021, whereas the most prominent two players, Intel and Samsung, cover 12.90% and 12.70%. In the Automotive segment, Infineon is primarily competing against NXP, Bosch, Texas Instruments, onsemi, Renesas and STMicro, whereas they are still the market leader with a total market share of 12.70% in 2021.

3.1.2. Elmos Semiconductor

Elmos Semiconductor AG is a leading, German-based (Dortmund) mixed-signal semiconductor developer and manufacturer with 1 200 employees, of whom around 350 are dedicated to product development and engineering. The company generated 447 eurM in sales in 2022 and has a market capitalization of 1.2 eurB as of May 8th, 2023. Elmos is primarily active in the automotive space (88% of FY22 revenues) but also offers products in the non-automotive space (12% of FY22 revenues). Within the automotive segment, Elmos pursues the goal of supporting megatrends such as electrification, autonomous driving, safety systems, or digitalization through the utilization of their semiconductor chips. Corresponding the critical lines in the automotive segment include motor control SCs, lightning solutions, sensor SCs, environment detection SC's other safety and optical SCs.

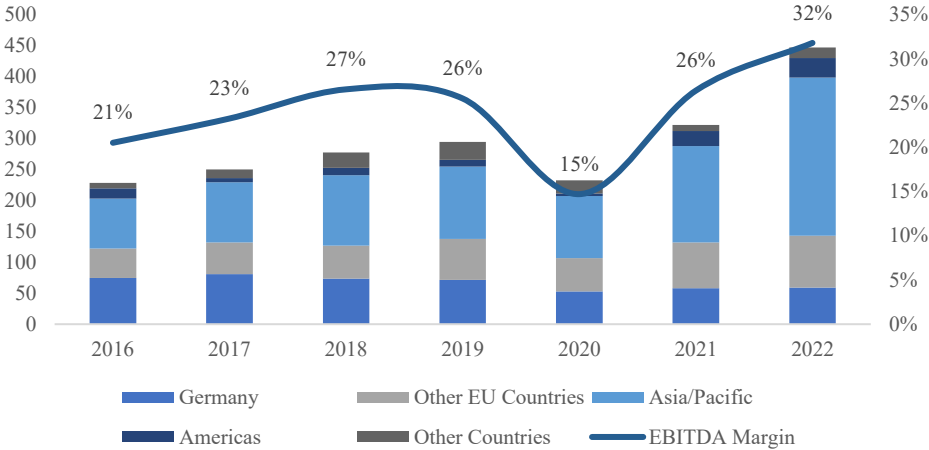
Further, the other key segment, the non-automotive segment, focuses on innovative home solutions and industrial automation. To put the relevance and market penetration into perspective, a semiconductor produced by Elmos is used in about every 7th newly produced car worldwide, and they are a leading innovator within ultrasonic integrated circuits, HVAC flaps, gesture controls, ambient lighting, and rear lights. Elmos' key strategy is a shift to become a fabless producer, which is supposed to be completed with the disposal of their semiconductor fabric in Dortmund, Germany. The sale of the fabrication side in Dortmund to a Swedish group was anticipated to be completed in 2022. However, German authorities ultimately prohibited the sale due to the involvement of a Chinese investor.

Elmos' peers primarily match Infineon's peers, as both companies have a strong presence in the automotive segment. The major players in the industry are hardly comparable to Elmos because they are significantly bigger. Still, Elmos is competing with them for market share due to their innovative approach.

3.1.2.1. Revenue and Cost Development

Elmos' key markets are Asia/Pacific (57% of FY22 sales), Europe (32% of FY22 sales), and the Americas (7% of FY22 sales), whereas the rest of the world accounted for 4% of the revenues in 2022.

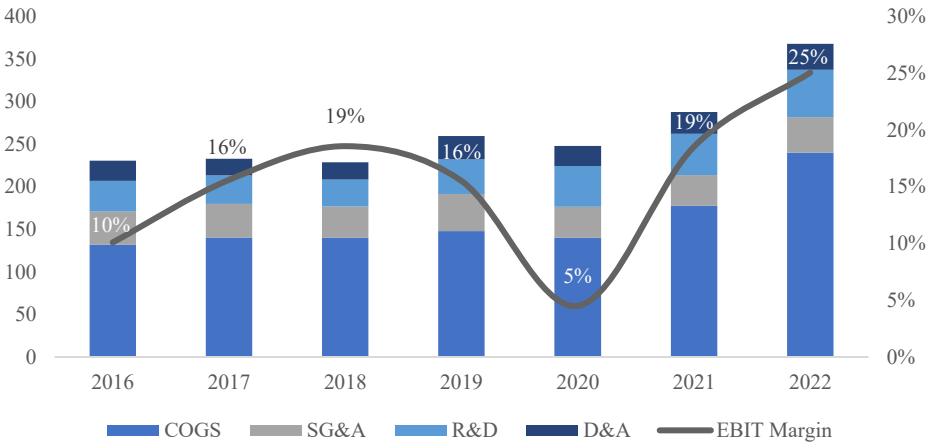
Figure 1: Elmos Revenue per Geography & EBITDA Margin



Source: own calculation based on company information

Overall revenues have exceeded other market players by far, and especially in the economic upturn in the succession of the pandemic, Elmos was able to carry the momentum through and reached high double-digit growth rates of more than 38% in 2021 and 2022. Even though Elmos performed acquisitions in the past, they had no significant impact on the company's growth. The company's organic growth was primarily fueled by R&D, which plays an integral role in the company's strategy. EBIT and EBITDA margins developed exceptionally alike and are expected to remain at this level and are well in line with industry peers, which even still indicate a certain upside potential.

Figure 2: Elmos Cost Structure & EBIT Margin



Source: own calculation based on company information

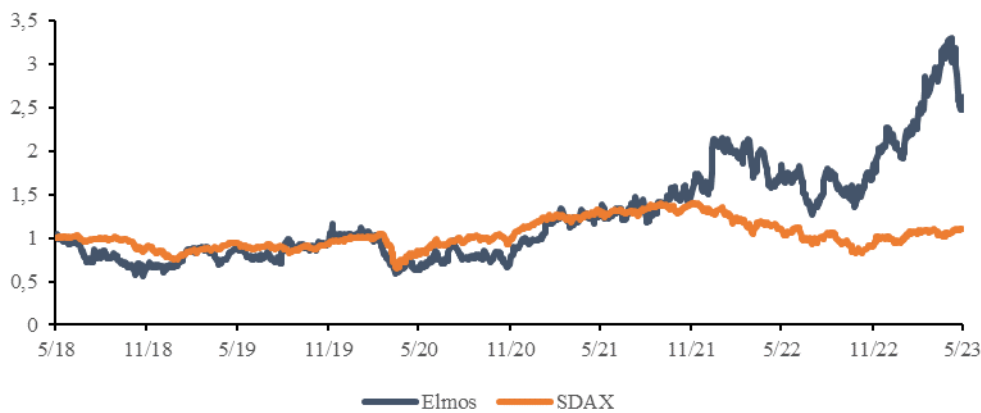
3.1.2.2. Capital Structure

The company's leverage has historically increased gradually, following its strong growth path, which could only partially have been financed through its cash flows. Still, the debt-to-capital ratio stayed below a 66% threshold, and the total D/E ratio increased to only 19% in 2022, which is considerably low but relatively common for semiconductor firms.

3.1.2.3. Stock Performance

Referring to the chart of Elmos' stock performance compared to the SDAX, it is visible that Elmos traded in line with the index until late 2021. Following the strong demand for loosening Covid-19 restrictions, economic recovery, and solid inbound demand for semiconductors, the stock flourished exceptionally. Despite the substantial spike, such development also imposes high expectations from investors, which is only sometimes easing the circumstances regarding retaining momentum.

Figure 3: Elmos & SDAX Performance



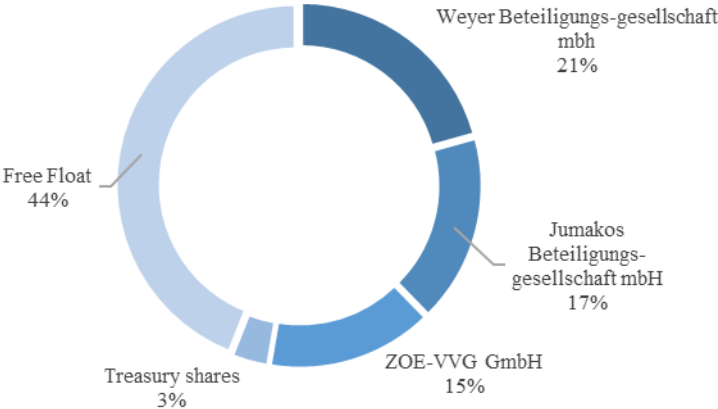
Source: own calculation based on Refinitiv Eikon

3.1.2.4. Shareholder structure

The shareholder structure is apart from the free float and treasury shares distributed through three private holding companies. The two Co-Founders of Elmos, Dr Klaus Weyer (Weyer Beteiligungsgesellschaft mbH) and Prof. Dr Günter Zimmer (ZOE-VVG GmbH) are holding 36% of the total share capital via their respective holding companies. They are still part of the supervisory board of the company. Besides, one more prominent shareholder is also involved,

namely Jumakos Beteiligungsgesellschaft mbH, holding 17% of Elmos. Considering that most of the shares are held by the founders, an acquisition of Elmos must benefit the shareholders, especially in anticipation of the post-merger and future development of the firm.

Figure 4: Elmos Shareholder Structure



Source: Own table, based on company presentation

3.2. Semiconductor definition and industry background

Semiconductors, or in other words, microchips or integrated circuits, are goods produced based on pure elements, predominantly Silicon, Silicon Carbide, and Gallium Nitride. Chips containing a single element, e.g., Silicon, are called elemental semiconductors, whereas semiconductors made from two or more elements, such as Silicon and Carbide, are called compound semiconductors. Silicon, which accounts for most of the chip production, is based on sand; Carbide is based on a combination of tungsten carbide and cobalt. On the other hand, Gallium Nitride is a combination of hydrogen and gallium, a waste product from metal works. SiC and especially GaN are expected to increase their overall contribution to the raw material mix in the current market cycle until 2030. They will enable significant innovation due to their unique characteristics of much higher performance, power density, and often lower system costs. Still, Si is the primary raw material used in current times due to its well-explored nature and relatively low costs. Infineon is well-positioned due to its increasing production capacity and expects to contribute 30% market share in the SiC segments until the end of the decade (Infineon Quarterly Update, 2023).

3.3. Value Chain

In today's world, a wide range of established and upcoming technologies require a high degree of involvement from countless parties. Hence a value chain (see Figure 15) must be thoroughly planned and operated to mitigate the risk of supply chain interferences and the concomitant production delays, unplanned expenses, and ultimately degrading customer or supplier relationships. The value chain can be split into five stages: chip design, wafer manufacturing, packaging, testing, and assembly (Deloitte, 2022).

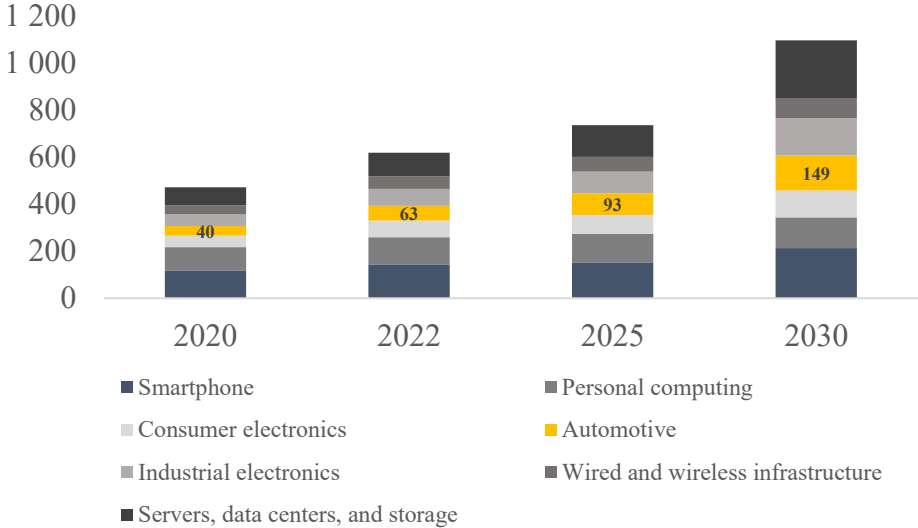
According to a recent study by McKinsey, a company can capture an outsized portion of the industry revenue by producing a slightly better service or product than the competition. This incentivizes companies to invest in R&D and actively engage in the market to keep up with the pace. In practice, chip design builds logical, integrated electronic circuits on a wafer plate. (AnySilicon, 2021). A wafer is a disk-shaped sliced piece of silicon mass and approximately 0.5mm to 1mm thick (Hitachi, 2023). The wafers form the base layer of each semiconductor chip, and the other components and transistors are deposited onto the wafer. The size of wafers has increased significantly over the decades, whereas 300mm wafers are the most used option today. Through the constant increase in wafer size, manufacturers benefit from more semiconductors on each wafer and, therefore, a higher chip throughput under lower production costs. The front-end process involves forming integrated circuits on the base wafer via deposition (MatsuadaPrecision, n.d.). Contrarily, the back-end process describes cutting each wafer to the size of the priority deposited semiconductors shapes. They assemble them into packages, ready to be mounted onto different circuit boards by their application. Lastly, the chips are delivered to the end customer, primarily OEMs in the automotive industry, electronic manufacturers, or industrial manufacturers (Accenture, 2021).

3.4. Market Segmentation

The international semiconductor market is distributed widely, with certain vital concentrations in specific geographies. Following the priority mentioned trend of shifting fabrication to low-cost countries was specifically a catalyst for successful development in Asia. In terms of global market share (see *Figure 16*), China has the highest concentration of approximately 36% of the global semiconductor market share, followed by the United States (19%), Japan (8%), Taiwan (8%), and South Korea (6%). Germany only accounts for 2% of the global semiconductor market (Statista, 2023). A recent study published by McKinsey (2022) separated the global

semiconductor market in 2021 into six application fields: Computing & Data Storage, Wireless Communication, Automotive electronics, industrial electronics, consumer electronics, and wired communication. Computing & Data Storage and Wireless communication account for the largest share of the total market, with 38% and 29%. Automotive accounted only for about 8% but is expected to have the steepest CAGR until 2030 with a total expected volume of 149 bn USD. In total, the global semiconductor market aggregated to 590 bn USD (McKinsey, 2021) in 2021 and 619 bn USD (Statista, 2023) in 2022 (see Figure 16). The expected annual compounded growth rate (CAGR) is expected to yield 7% until 2030. A more granular breakdown of each application field concerning the expected CAGR is mainly in favour of the envisaged transaction between Infineon and Elmos, as the automotive segment, which accounts for a majority of both companies' sales, is expected to grow at the steepest level with approximately 12% CAGR per year until 2030. Primarily Infineon classifies E-Mobility and ADAS as two of their main revenue growth contributors in the upcoming years, particularly fitting to the market adopting these trends immensely. At the same time, trends such as industrial electrification, including topics such as IoT, are expected to contribute strongly to the further overall connectivity of industries (Elmos Annual Report, 2022).

Figure 5: Expected SC Segment Growth until 2030



Source: own chart, based on Statista

Elmos has emphasized future mobility and built its reputation as a leading innovator in several niche control application fields, which are essential catalysts in future mobility. In the early days of industry development, companies engaged in chip design and development alongside

producing the chips in dedicated fabrication plants. These companies are referred to as "Fab" companies. Nonetheless, this original market orientation shifted to a somewhat fragmented approach to the semiconductor industry, primarily driven by cheaper production conditions, i.e., lower wages in Asian countries or closer proximity to other steps in the SC value chain (Deloitte, 2022). Hence, several companies changed their approach and sold existing fabrication plants by outsourcing their production to more beneficial geographies, mostly related to lower production costs, resulting in higher capital efficiency and competitive pricing (Samsung, 2022). With outsourced production, the company can now concentrate solely on the development and chip design but is, on the other hand, dependent on third-party producers. Companies exclusively focusing on development and design are named "Fabless" (Semiconductor Engineering, 2022). Infineon is classified as a "Fab" company, as they own several production facilities, whereas Elmos is on track to convert to a "Fabless" company. This conversion was initially planned to be completed with the sale of their production facility in Dortmund (Germany), which German authorities ultimately called-off in 2022 (Elmos Investor Presentation, 2023). Nonetheless, Elmos is still dedicated to completing the sale in the short-term (Elmos Investor Presentation, 2023).

3.5. Market trends in the semiconductor industry

As outlined earlier, the semiconductor industry is integral in converting from the current market environment to the envisaged setting of a closer-connected, autonomous, and sustainable future. McKinsey & Company (2022) outlined significant trends shaping the industry, mainly referring to three industries (Automotive, computation and wireless) which are expected to account for 70% of the predicted growth.

3.5.1. Automotive

Automotive is expected to increase, primarily fueled by megatrends such as E-Mobility, Autonomous driving, and the concomitant infrastructure necessary to enable large-scale applications. The expected CAGR of this segment is expected to be in the 12% range until 2030 and is majorly fueled by topics such as electrification, sustainability, and autonomous driving, but also connectivity and the constant urgency to research and development to keep up with the constantly changing market conditions (McKinsey, 2022). Interestingly the automotive trends

are interconnected with several required fields of the semiconductor industry, and on a closer look, these trends can easily be translated into action by utilizing the capabilities of semiconductors. Thus, the semiconductor and automotive industries manifest a certain degree of dependency on one another. On another note, global car production is increasing its output despite the COVID-19 market slowdown, market distortions following certain geopolitical events, and obstacles to global supply chains. The output is still far off from pre-COVID levels. However, increasing production, especially from the Americas and China, is a valuable indicator of the concomitant output of semiconductors (OICA, 2022). New car registrations, a good indicator of automotive market growth, were developing somewhat reserved in 2022. Germany being up 1% YoY in 2022, Europe down 4% YoY, China is up 10% YoY, and the United States is experiencing a decline of 8% YoY in 2022 (VDA, 2023). Decarbonization through the utilization of new technologies, or in other words, through the utilization of next-level microchips, is also majorly contributing to the sector's growth. Car manufacturers, especially in the European Union, must drive their decarbonization efforts, which can again be reached through microchips to enable higher penetration of electric vehicles.

3.5.2. Computation & Data Centers

Computation and data storage are intensified constantly with the ongoing shift of on-premises infrastructure to a well-connected global cloud infrastructure, requiring a high concentration and distribution of large-scale data centres and the according computing power to process large amounts of data in as little time as possible (McKinsey, 2022). At the same time, Artificial Intelligence is gaining increasing interest, i.e., through AI-driven applications. These tools and the general application of AI and Machine Learning require strong, high-performing, and efficient microchips at a large scale. Again, semiconductors are the main driver for these innovations, and as this trend will without any doubt continue in the short and long term, manufacturers must adopt these trends to keep up with the competition.

3.5.3. Raw Materials

Historically, the standard practice in choosing raw materials for chips has been Silicon, whereas new materials entered the market in recent years. As mentioned in the previous chapter, the trend in the raw material section is shifting to new advanced raw material compositions. Si, the

most used raw material, is moving to reach its physical limits, as it cannot satisfy the technical capabilities necessary to enable the most advanced applications fields. Therefore, SiC and GaN are the upcoming drivers in the raw material mix, with numerous explorational opportunities concerning more powerful microchips at an adequate price level.

3.6. Market Risks

Growth projections typically involve numerous risk factors influencing envisaged growth projections and market dynamics. Geopolitical tensions, especially between two key market players, namely China and Taiwan, and the involvement of the United States are key risk factors for the entire semiconductor industry. With the most prominent global semiconductor company, TSMC, Taiwan is especially in the spotlight and has large production sides in Taiwan. Alongside the geopolitical influence, the energy crisis, especially in Europe in 2022, was majorly affecting production and concomitant production costs (Deloitte, 2022). The SC industry, especially the production process, requires high quantities of energy input, so ensuring production stability and constant security of supply is essential.

Additionally, the talent shortage across the market contributes evenly to the pile of risk factors. Attracting and reaching critical talent and retaining key personnel is a significant risk within the industry. The industry is subject to constantly changing conditions, and to adapt, companies depend on their personnel, as human intellectual capital is crucial in developing innovative, cutting-edge product offerings and applications (Fitch, 2023). Lastly, two key risks concerning ensuring supply to customers are an adequate supply of raw materials for production and well-thought supply chains. Hence having a well-diversified supplier base, rather than relying on individual vital suppliers, is an additional mechanism to cope with and mitigate the risk of raw material supply (Deloitte, 2022).

3.7. Deal Rationale

Since the semiconductor industry is undergoing constant changes and dynamic product adjustments, innovation is a crucial parameter in retaining and ideally expanding market share. Therefore, semiconductor companies are constrained to constantly challenge and expand their vision, often through validating M&A opportunities. Consolidation in the industry is standard and often a driver for entering new markets, expanding the product portfolio, or gaining an

advantage over competitors (McKinsey, 2022). The Chinese semiconductor industry was a critical catalyst for mergers and acquisitions within the semiconductor market. However, this momentum has been stymied due to geopolitical tensions between China and the Western world, including Taiwan (Arthos Semiconductor Market Overview, 2022). The United States government has implemented certain export restrictions prohibiting the sale of the "most-advanced" chips to Chinese manufacturers (BIS, 2022). The regulation has also caused European manufacturers to feel the squeeze. The United States is warning of the possibility of barring certain European entities from conducting sales within the US market unless they cease their sales to China. Although implementing these regulations may provide a short-term advantage over China, they could also incentivize China's pursuit of self-reliance in the semiconductor manufacturing industry. Additionally, the high concentration of both companies' revenues towards the Asian market imposes additional complexity on the deal due to a potential impending war between China and Taiwan or a complete hold of US supplies into the region. The latter would also pressure the European suppliers and require them to monitor the situation and revenue certainty closely.

The restrictions against China particularly impacted Elmos, as selling their semiconductor fabrication lab in Dortmund to a Swedish company with Chinese backing, Silex, was prohibited. These recent changes have shifted towards nearshoring within M&A activities, emphasizing regional and allied country transactions more than those involving entities from the far east. This trend is expected to continue (Arthos, 2022). Besides influencing geopolitical factors, Infineon is well-experienced with transactions, with two in 2023 and nine since 2018 (Capital IQ, 2023). Even in current distorted and volatile financial markets and fiscal policies, where M&A tends to progress rapidly, they are dedicated to continuing acquisitions, given their relatively good access to capital markets, strong Free Cash Flows, and stable cash at hand. With Elmos' prominent presence in the Automotive sector and robust growth expectations in this segment in the upcoming years, an acquisition of the company is a logical next step in expanding Infineon's product diversification in the automotive segment.

High entry barriers hinder product replication in this highly technical industry, leading to stable recurring revenues through long-term contracts and a potentially high order backlog. Given this influence, technological innovation approaches used in both firms can perfectly be combined and might result in further technological advances (Accenture, 2022). Both firms compete for market share in the automotive space. However, joint R&D expertise, cross-selling and customer lock-in will result in a larger share of wallets and higher margins.

Access to highly skilled staff is a challenging aspect throughout the industry, and with over 350 engineers and developers, Elmos is exceptionally well-equipped in this relation (Elmos Annual Report, 2022).

From a synergy perspective, overhead management and administrative staff can be eliminated, whereas R&D and production facilities can be combined in certain regions, which would overall result in better utilization of SG&A expenses while still being well-positioned to tackle the upcoming megatrends of electrification, autonomous driving, and other subordinated trends in the automotive industry.

The increased market power will additionally result in an elevated negotiation position concerning payables and receivables and an extended supplier base, which is crucial in ensuring a constant supply of raw materials and complementary goods. Furthermore, expertise plays a critical role in the acquisition process. Elmos' leadership position as an innovator in fields that align with the major global automotive trends is a crucial strategic factor.

As aforementioned, both companies compete in certain parts of the automotive space against each other, directly transforming into potential monopoly concerns that the German government could raise.

4. Valuation

4.1. Infineon Technologies AG Valuation

The methodology used for the valuation of Infineon is the intrinsic valuation via the DCF and the comparable company valuation. In contrast, the APV technique was disregarded, given Infineon's somewhat well-predictable debt schedule, making the APV abundant. If the anticipated merger had been executed in 2020, it would have been relevant to consider the APV, given that Infineon levered rapidly following their acquisition of Cypress in 2020 and a rapid paydown of most of the debt until 2022.

4.1.1. Discounted Cash Flow

4.1.1.1. Assumptions

To assume relevant growth profiles for Infineon, company guidance and industry reports were gathered to form three valuation scenarios (Base, Upside, Downside) for each company segment while still incorporating potential risks (see Table 5 and Table 6). Given the lack of publicly available information regarding produced quantities or similar metrics, the above-named approach was undertaken.

The cost structure and coherent profitability margins were estimated through the percentage of revenue, as this is a comparably good indicator considering margins remain constant or only slightly improve in the medium- or long-term.

COGS remain stable on the 2022 level in 2023 but slightly decrease in the following years, following a further improvement of margins. SG&A and Other Operating Expenses are based on a trailing 3-year average, indicating only very low fluctuation of these items. The R&D expenses, which have increased on a CAGR of nearly 16% since 2016, will continue to grow at this rate to retain the high level of innovation and constantly develop new cutting-edge chips (see Table 7).

D&A and PPE & Intangibles were forecasted through a dedicated schedule and are based on historical percentages of PPE and Intangibles due to low fluctuation, indicating a strong relationship between these positions. This approach results in a yearly depreciation rate of 17% for PPE & Intangibles. Investments in intangibles were estimated via the historical CAGR from 2016-2022, and this growth rate in investments was applied for the entire forecasting period (see Table 10).

Taxes are assumed to remain stable on the 2022 level, as a different tax rate can only vaguely be forecasted, given the company's international operations and constant exposure to government-led tax incentives and subsidies.

Most balance sheet items are assumed to remain on the 2022 level. Working capital-related figures (see Table 12), including the Accounts Receivable, Inventory and Accounts Payable, were forecasted through the computation of the DRO, DIO and DSO, whereas the DSO and DRO (see Table 10) are also directly related to the three valuation scenarios, indicating a better utilization of these ratios in the upside scenario and contrast a poorer utilization in the downside scenario.

Other working capital items are expected to remain on the 2022 level, given insufficient information on these items or no identifiable trend, which would justify assuming a trailing average or median.

Capital Expenditures, a central component of uFCF, were estimated in guidance of Infineon's expectations in 2023 (3 000 eurM) and then rolled forward on a trailing 3-year preceding average percentage of revenue. This approach reflects market trends and excludes the covid-19 related downturn in 2020, which would otherwise distort the current market momentum. Infineon's debt issuance and repayment activities were estimated based on two leading indicators, namely repayment of bonds at maturity and the amortization of existing debt and repayments concerning Infineon's significant acquisition of Cypress Semiconductor in 2020. The acquisition was partly debt-financed, but most of the debt (see Table 11) has been repaid since then. In the projection period, the long-term debt constantly increases while retaining a targeted stable debt-to-equity structure, ensuring a good investment grade rating and strong financial position. As indicated in the company overview, dividends (see Figure 11) have historically played an integral role in the company's strategy, and this approach is expected to continue in the long term. Therefore, the average 7-year pay-out ratio was assumed for 2023 onwards, implying a pay-out ratio ranging from 34% to 37% of net income in the projection period (see Table 9).

The computation of the uFCF essential line items has been estimated in the previous step. The NOPLAT was calculated by referencing the EBITDA as a baseline, then deducting D&A, and finally deducting the implied income tax from the EBIT. D&A must be added, and CAPEX and the Change in Net Working Capital must be deducted to receive the uFCF. The cash flows for the forecasting period are then multiplied with the according discount factor in each year.

4.1.1.2. WACC

The discount factor was estimated through the WACC (see Table 18), consisting of the cost of equity and debt. Infineon's cost of equity, according to the CAPM, is yielding 8.72%, whereas the cost of debt yields (see Table 19) 3.36%.

As aforementioned, Infineon aims to maintain a stable capital structure rather than a dynamic one. For the WACC calculation, a constant Debt to Capital ratio of 21% and vice-versa, an Equity to a Capital ratio of 79% was assumed. Ultimately these factors result in a constant WACC of 7.16% in the projection period. The outstanding debt implied is not assumed as the book value of debt but was determined as the current market value of debt. This technique considers the actual value of debt, incorporating current market and interest rate conditions concerning Infineon's bond maturity profile. Generally, this figure results in a more market-adjusted and considerate debt valuation and expresses the actual current value of the outstanding debt.

Equation 10: Infineon WACC

$$WACC: (8.20\% \times 79\%) + (3.36\% \times 21\%) = 7.16\%$$

4.1.1.3. Cost of Equity

For the beta, a peer group of companies based on size, risk, geographic activity, and product resemblance (see Table 16) was gathered. In the next step, the unlevered average 5Y monthly peer beta will be multiplied by Infineon's target capital structure and implied tax rate (20.65%), resulting in a levered beta of 1.441. The risk-free rate, representing a riskless investment, has been chosen by considering the yield of a 10 Year German Federal Bond¹, trading at 2.24%. The basis of the market risk premium was obtained through the annualized 5Y average return of the DAX40 yielding to 6.37%. Considering these factors, the cost of equity according to the CAPM model result in the following:

Equation 11: Infineon Cost of Equity

$$Cost\ of\ Equity: (2.24\% + 1.441 \times (6.37\% - 2.24\%)) = 8.20\%$$

¹ 10Y Daily Yield German Bundesbank

4.1.1.4. Cost of Debt

For the cost of debt (see Table 19), the risk-free rate must be supplemented with the incremental borrowing rate before adjusting the sum for the tax effect. The default spread, applicable for firms with an outstanding bond balance, was obtained through Infineon's credit rating of BBB, corresponding to a credit spread of 2.00% according to Damodaran². Including all components, the cost of debt is summing up to:

Equation 12: Infineon Cost of Debt

$$\text{Cost of Debt: } (2.24\% + 2.00\%) \times (1 - 20.65\%) = 3.37\%$$

4.1.1.5. Unlevered Free Cash Flow and Implied Valuation

For the computation of the uFCF, essential line items have been estimated in the previous step. The NOPLAT was calculated by referencing the EBITDA as a baseline, then deducting D&A, and finally deducting the implied income tax from the EBIT. D&A must be added, and CAPEX and the Change in Net Working Capital must be deducted to receive the uFCF. The cash flows for the forecasting period are then multiplied with the according discount factor in each year.

Table 1: Infineon DCF - Base

DCF (Base Case) Mid-Year Convention: No €M	Projection Period				
	2023E	2024E	2025E	2026E	2027E
NOPLAT	2 805	2 988	3 193	3 378	3 551
(+) Depreciation and Amortization	(1 741)	(1 968)	(2 178)	(2 428)	(2 692)
(-) CAPEX	(3 000)	(2 686)	(3 124)	(3 484)	(3 653)
(-) Change in Net Working Capital	271	285	309	336	365
uFCF	1 276	1 986	1 938	1 986	2 225
Year Count	1	2	3	4	5
Discount Factor	0.9332	0.8708	0.8126	0.7582	0.7076
PV of uFCF	1 190	1 729	1 574	1 506	1 574

Source: Own calculation

Discounting the obtained uFCF with the individual yearly discount rate to the present value results in 7 574 eurM. Subsequently, a growth rate of 1.70% was assumed for the terminal value, representing inflation forecasts in the euro zone, while still providing a stable perpetual growth. Based on this implied terminal growth rate, the terminal value amounts to 41 415 eurM,

²Damodaran Credit Spread

indicating a 5,8x FY27E EBITDA multiple. After discounting the terminal value to the current date (29 303 eurM) and adding the sum of all present values of the projection period, the total Enterprise Value results in 36 877 eurM. After deducting the net financial debt (4 699 eurM), consisting of long-term debt and debt-like items, less cash and cash equivalents, an equity value of 32 178 eurM is computed in the base case. Dividing this value by the current number of shares outstanding (1.3bn Shares), an implied share price of €24.71 per share (Upside Case €29.08; Downside Case €20.76) is computed. Even though this price implies an overvaluation of Infineon, given the substantially higher current share price (08/05/2023) of €33.20, high valuations in the industry are incurring due to the high level of momentum within the industry. Over proportional share prices across market participants are no exceptional case but relatively common among semiconductor companies.

Table 2: Infineon EV to Equity Bridge

Infineon EV to Equity Value in eurM	
PV of uFCF`s	7 574
Terminal Value	41 415
Discount Factor	0.7076
PV of Terminal Value	29 303
Enterprise Value	36 877
Net Debt	4 699
# of Shares Outstanding (in m)	1 302
Implied Share Price in € Base Case	24.71
Implied EV/EBITDA Multiple	7.33x

Source: own calculation

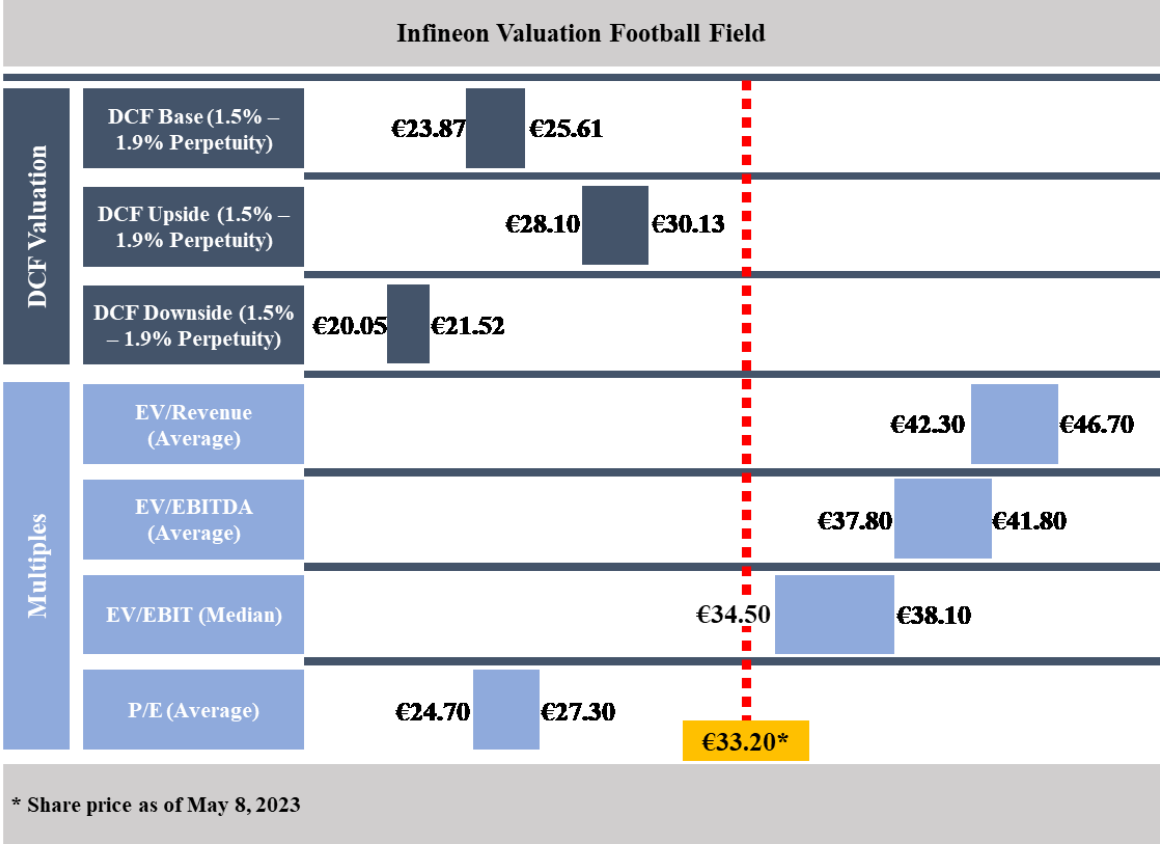
4.1.2. Comparable Company Valuation

The comparable companies include the main competitors in each operating segment and several national market participants, yielding 18 comparable companies. Nonetheless, not all of these companies have been considered in estimating adequate multiples, given the need to filter out any outliers that could potentially distort the valuation.

Overall, the multiple valuations imply a range based on average and median results of €26.01 to €50.80 per share, with the EV/Revenue multiple generating the largest share price and the price/earnings multiple yielding the lowest share price. Ultimately an adequate range indicating a possible share price is via the EV/EBITDA or the EV/EBIT multiple, implying a range between €36.27 and €43.47 per share (see Table 15).

4.1.3. Infineon Valuation Range

Figure 6: Infineon Valuation Football Field



Source: own figure

4.2. Elmos Semiconductor SE Valuation

4.2.1. Discounted Cash Flow

For growth assumptions, company expectation, historical development, market outlook and global car production output were weighed in on a weighted average (see Table 23), as the company does not publish any production metrics on total semiconductor output per segment or geography. Considering this approach, the overall revenue growth in the base growth profile ranges from 21.9% to 22.5%, 27.9% to 28.5% in the upside case and 20.4% to 21.0% in the pessimistic case. These growth rates generally align with Elmos` assumptions, which refer to a revenue growth rate of +/- 25% per year.

Margins are expected to remain high in the forecasting period, with expected EBITDA margins north of 33% and EBIT margins between 25% to 30%. The assumptions regarding forecasting COGS and Other Operating Expenses are drawn upon 2022 figures as a percentage of revenue

(see Table 28). This approach is not only in line with company expectations regarding the concomitant margin but also reflects the current market environment. For SG&A, a two-year trailing was assumed, given the exceptionally higher costs during the pandemic. D&A is calculated based on the average percentage of PPE in 2022 and is expected to remain at that level in the projection period.

Directly related to D&A and PPE are the capital expenditures estimated through company guidance for 2023, indicating a 17% portion of revenue as CAPEX. The CAPEX figures 2023 (see Table 28) onwards were determined via a 3-year trailing average and are not expected to fluctuate strongly in the mid-term. Nonetheless, these figures can constantly change, as most investments in the semiconductor space require solid financial commitments, so the figure must be investigated constantly. Investments in intangibles were estimated via the historical CAGR from 2016-2022 (see Table 28: Elmos Forecasting Ratios), and this growth rate in investments was applied for the forecasting period. Other intangibles have decreased slightly over the historical period from 2016-2022. A negative CAGR was applied on the 2022 level and was carried forward until 2027, with the same technique applied for long-term investments, which similarly indicated a negative trend.

Elmos is subject to relatively high taxes, primarily from statutory government taxes. For 2023 onwards, the effective tax rate of 34.32% is considered compared to the implied tax rate of 32.80%.

Accounts Receivable, Inventory and Accounts Payable were forecasted through the computation of the DRO, DIO and DSO (see Table 28), whereas the DRO and DSO are directly related to the three valuation scenarios, indicating a better utilization of these ratios in the upside scenario and contrast a poorer utilization in the downside scenario. The base case indicates that the days outstanding for each item remain on the 2022 level because considering figures which date back further in history would not represent an adequate classification of current terms.

Elmos aims to pay out dividends on a constant level to retain sufficient cash in the company to fund its operations and certain larger investments without issuing too much debt and retain shareholder confidence. In the post-pandemic growth stage, the payout ratio averaged 19.6% (see Table 27) and is a good proxy for future assumptions.

4.2.1.1. WACC

The discount factor was estimated through the WACC (see Table 36), consisting of the cost of equity and debt. Infineon's cost of equity, according to the CAPM, is resulting in 7.22%, whereas the after-tax cost of debt is 3.00%. Given the company's current growth path in relation to the capital structure, a constant level is assumed for the WACC. Ultimately the above-mentioned ratios are weighted-in and result in a WACC of 6.41% in the projection period.

Equation 13: Elmos WACC

$$WACC: (7.22\% \times 81\%) + (3.00\% \times 19\%) = 6.41\%$$

4.2.1.2. Cost of Equity

The unlevered beta for the Elmos was also gathered through un-levering peer group betas and averaging them. The beta was also obtained via regression against the SDAX for similar reasons. Nonetheless, peer beta (see Table 30) was used as the regression beta would have resulted in a misleading and not representative market reflection. When matching the unlevered beta (1.04) with the target capital structure of Elmos (81% Equity / 19% debt) and incorporating the effective tax rate (34.22%), a levered beta of 1.204 is computed.

Equation 14: Elmos Levered Beta

$$Levered\ Beta: 1.04 \times (1 + 19\% \times (1 - 34.32\%) / 81\%) = 1.204$$

The risk-free rate, representing a riskless investment, was estimated by considering the yield of a 10 Year German Federal Bond, trading at 2.24%. The basis of the market risk premium was obtained through the annualized 5Y average return of the DAX40 yielding to 6.37%. This rate is also in line with expectations from PWC or KPMG. Considering these factors, the cost of equity according to the CAPM model result in:

Equation 15: Elmos Cost of Equity

$$Cost\ of\ Equity: (2.24\% + 1.204 \times (6.37\% - 2.24\%)) = 7.22\%$$

4.2.1.3. Cost of Debt

Elmos does not have any publicly issued debt and solely relies on bank debt, so it is impossible to obtain the market value of debt. Therefore, book values (see Table 35) of debt were considered. Nonetheless, the cost of debt is computed similarly, with the credit spread being exchanged with the actual borrowing rate of Elmos. This rate can be computed by utilizing the following formula:

Equation 16: Elmos Borrowing Rate

$$\text{Borrowing Rate: } \left(\frac{\text{Interest Expenses}}{\text{Interest Bearing Debt}} \right)$$

$$\text{Borrowing Rate: } \left(\frac{1.6m}{68.9m} \right) = 2.32\%$$

To calculate the pre-tax cost of debt, resulting in 4.56%, the priory calculated borrowing rate must be added up with the risk-free rate.

Equation 17: Elmos Cost of Debt

$$\text{Cost of Debt: } (2.24\% + 2.32\%) \times (1 - 34.32\%) = 3.00\%$$

4.2.1.4. Unlevered Free Cash Flow and Implied Valuation

Discounting the obtained uFCF with the respective yearly discount rate to the present value results in the sum of all present values of uFCFs of 146 eurM.

Table 3: Elmos DCF – Base

Discounted Cash Flow (Base Case) Mid-Year Convention: No €M	Projection Period				
	2023E	2024E	2025E	2026E	2027E
NOPLAT	92	117	149	189	239
(+) Depreciation and Amortization	(39)	(49)	(61)	(76)	(94)
(-) CAPEX	(93)	(110)	(136)	(165)	(203)
(-) Change in Net Working Capital	26	32	41	51	65
uFCF	12	24	34	49	65
Year Count	1	2	3	4	5
Discount Factor	0.9398	0.8831	0.8299	0.7799	0.7329
PV of uFCF	12	21	28	38	48

Source: own calculation

Similarly, to Infineon, a perpetual growth rate of 1.70% was assumed, representing expected inflation in the euro zone, while still providing a stable growth foundation. By using this rate,

a terminal value of 1 399 eurM, indicating a 3.06x FY27E EBITDA multiple was computed. After discounting the terminal value to the present value (1 026 eurM) and adding the sum of all present values, the total EV results in 1 172 eurM. Deducting the net financial debt (39.8 eurM), consisting of the long-term debt and debt-like items, minus cash & cash equivalents, results in an equity value of 1 132 eurM (Base case). Dividing this value by the current number of shares outstanding (17.1m Shares), an implied share price of €66.14 per share (Upside €74.80; Downside €60.19) is computed. The share price in the Base case is slightly lower than the current share price (€68.20 on 08/05/2023) but still below the all-time high of €93.90.

Table 4: Elmos EV to Equity Bridge

Elmos EV to Equity Value in eurM	
Sum of PV of uFCF	146
Terminal Value	1 399
Discount Factor	0.7329
Present Value of Terminal Value	1 026
Enterprise Value	1 172
Net Debt	40
# of Shares Outstanding (in m)	17
Implied Share Price in € Base Case	66.14
Implied EV/EBITDA Multiple	8.23x

Source: own calculation

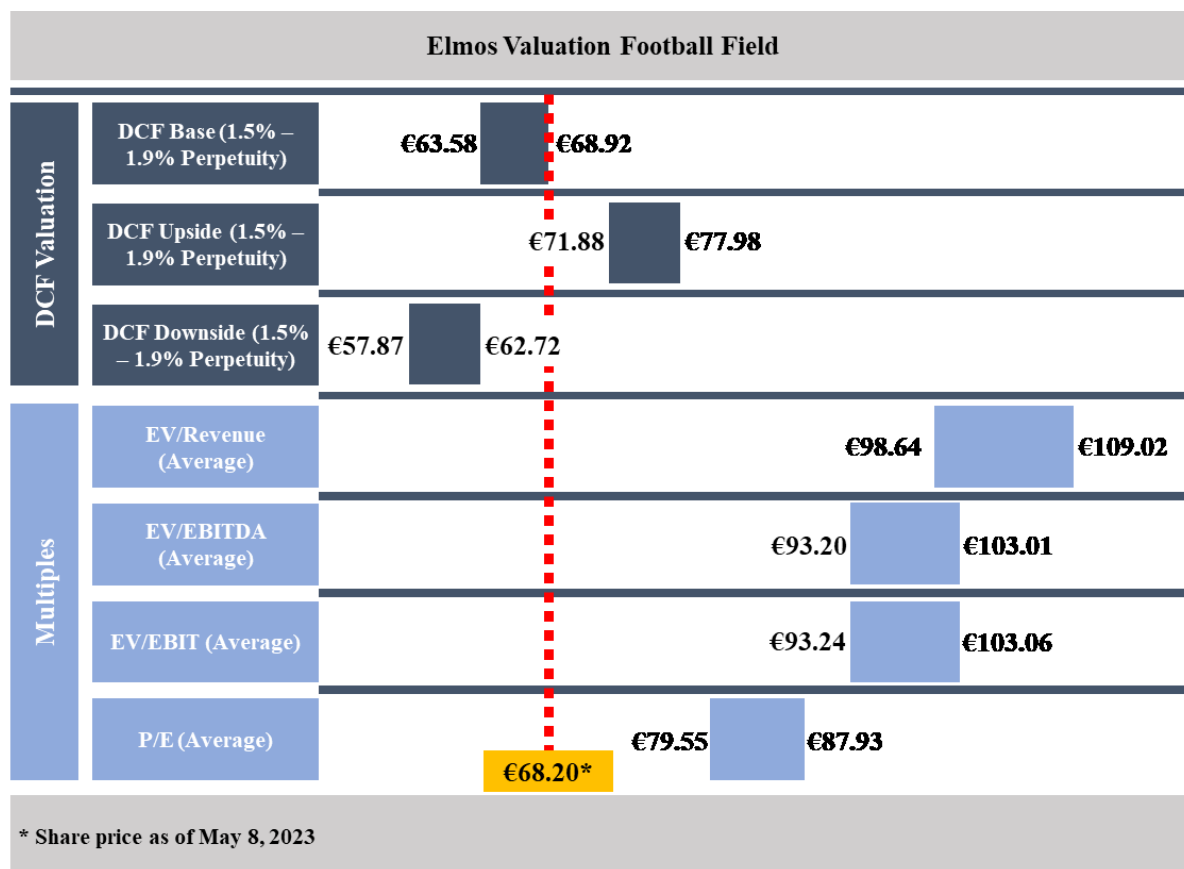
4.2.2. Comparable Company Valuation

The DCF valuation is far below any of the metrics compared to trading multiples. A peer group comprising nine comparable companies with similar characteristics to Elmos was compiled. Nonetheless, not all of these companies have been considered in estimating adequate multiples, given the need to filter out any outliers that could potentially distort the valuation.

Overall the multiple valuations imply a range based on average and median results of €76.67 to €103.83 per share, with the EV/Revenue multiple generating the largest share price and the price/earnings multiple yielding in the lowest share price. Ultimately an adequate range indicating a possible share price is possible via the EV/EBITDA or the EV/EBIT multiple, implying a range between €91.55 and €98.15 per share.

4.2.3. Elmos Valuation Range

Figure 7: Elmos Valuation Football Field



Source: own figure

5. Transaction outline

Given the relatively high difference in size between both companies, the transaction instead refers to an add-on acquisition than a typical merger. Still, the characteristics of the transaction are similar. Acquisitions of this size are common across the industry and are often the only option to enter new markets or extend the product portfolio quickly.

5.1. Valuation of the combined firm without synergies

When disregarding any synergies or transaction effects on the combined entity, the standalone value of the combined firm would result in the sum of Infineon's enterprise value (36 877 eurM Base Case) and Elmos' enterprise value (1 172 eurM Base Case), yielding to a total of 38 049 eurM.

5.2. Synergies

5.2.1. Revenue Synergies

5.2.1.1. Cross-Selling Opportunities

Offering the product portfolio acquired from Elmos through cross-selling to its current customer base will result in potential revenue synergies. In contrast, customers introduced by Elmos may expand their engagement with Infineon's product portfolio. This might leverage and further strengthen customer relationships, provide a deeper insight into customer needs, and ultimately increase customer value. In relatives, the benefit can result in up to 3.00% (see Table 52) of Elmos' revenue share, relating to 76 eurM in gross revenue synergies in the projection period (gradual phase-in) with further upside potential in the long-term.

5.2.1.2. Customer Lock-In

A large portion of the chips produced by both companies are supplied to the customers on a long-term basis, creating a certain degree of dependency of the customers on both companies. For example, depending on the degree of customer lock-in, stable, recurring, and plannable revenue streams might add up to 3.00% (see Table 52), indicating a potential gross revenue increase of accumulated 76 eurM until 2027, preceded by a gradual phase-in in previous years and further growth potential beyond 2027.

5.2.1.3. Elevated Market Power and Market Share

By becoming a one-stop shop for customers, the company would attract new customers and, more importantly, retain the existing ones. Additionally, the potential higher market share can result from expanded innovation fueled by joint R&D output. In relative numbers, the synergies can be converted to 1.00% (see Table 52) in revenue synergies, which are expected to become fully effective as of 2027. In absolutes, this number can yield up to an accumulated 25 eurM in the projection period, with an even further increase beyond the projection period.

5.2.1.4. Elevated Market Share in the Automotive Sector

Elmos obtains 88% of its revenue from automotive chips, and Infineon is a leading player in this segment. Including additional products, mainly Ranging ICs, Power Control ICs and Sensor ICs, is a valuable addition to Infineon's current portfolio. Offering a more comprehensive product range in the automotive sector aligns with the anticipated growth projections and accumulates to 44 eurM of additional automotive revenues. By 2027 the synergies related to this effect are expected to reach 2.00% (see Table 52) of total automotive sales, with a gradual phase-in during the preceding years (2024-2026).

5.2.2. Cost Synergies

5.2.2.1. Elimination of administrative headcount (SG&A)

Eliminating administrative headcount is a common factor whilst quantifying synergies, referring to the abundance of overhead G&A staff and a joint management team. At first, complete integration of the target is necessary, and in the second step, the disposable headcount can be identified and eliminated. Therefore, the overall synergies are phasing in slowly, amounting to a total of 2.50% (see Table 52) in SG&A synergies of Elmos, expected to start posting in 2024 before steadily increasing to full effectiveness in 2027.

5.2.2.2. COGS Synergies in raw material supply

The supply of materials, particularly raw materials in the SC industry, is a critical element and source of risk for most companies. Smaller producers often face significant challenges in ensuring a constant supply of raw materials, due to the increased influence of larger SC

companies on suppliers, through demanding larger quantities. At the same time, the merger might also impose economies of scale, which would indicate better supply conditions in the mid-term. Nonetheless, this indicator should not be overestimated, given the two companies' size difference. The expected synergies in this relation will amount to approximately 2.50% (see Table 52) of Elmos' COGS and will be fully effective by 2027, with a gradual phase-in in previous years.

5.2.3. Financial Synergies

5.2.3.1. Tax Benefits

Infineon has historically paid relatively low taxes, given a substantial generation of their taxable income by subsidiaries outside of Germany. As a result, the effective tax rate is subject to the respective country-specific tax laws. In contrast, Elmos generates most of its taxable income through its German entity, resulting in a comparably high tax rate of 34.32%. As Infineon will most likely consolidate Elmos, the income will be fully subject to Infineon's tax rate.

5.2.3.2. Integration Costs

Organizational challenges with the merger are indispensable. In this instance, the integration costs are estimated to represent 4.00% (61 eurM) of the total acquisition price of Elmos and are expected to be effective as of 2023 with a gradual phase-out until 2026. Ultimately this figure could vary depending on the anticipated success of the post-merger integration and can easily exceed this amount. Valuing the synergies on a standalone basis, they amount to a total present value of 683 eurM. For the valuation of the synergies, the weighted average discount rate of 7.15% (see

Table 49) was assumed. The cost of debt (3.4%), the equity risk premium and the tax rate will be similar to Infineon's figure, alongside the terminal growth rate. When deducting the PV of all transaction related fees and integration costs, the PV of net synergies results in 587 eurM.

5.3. Purchase price and transaction outline

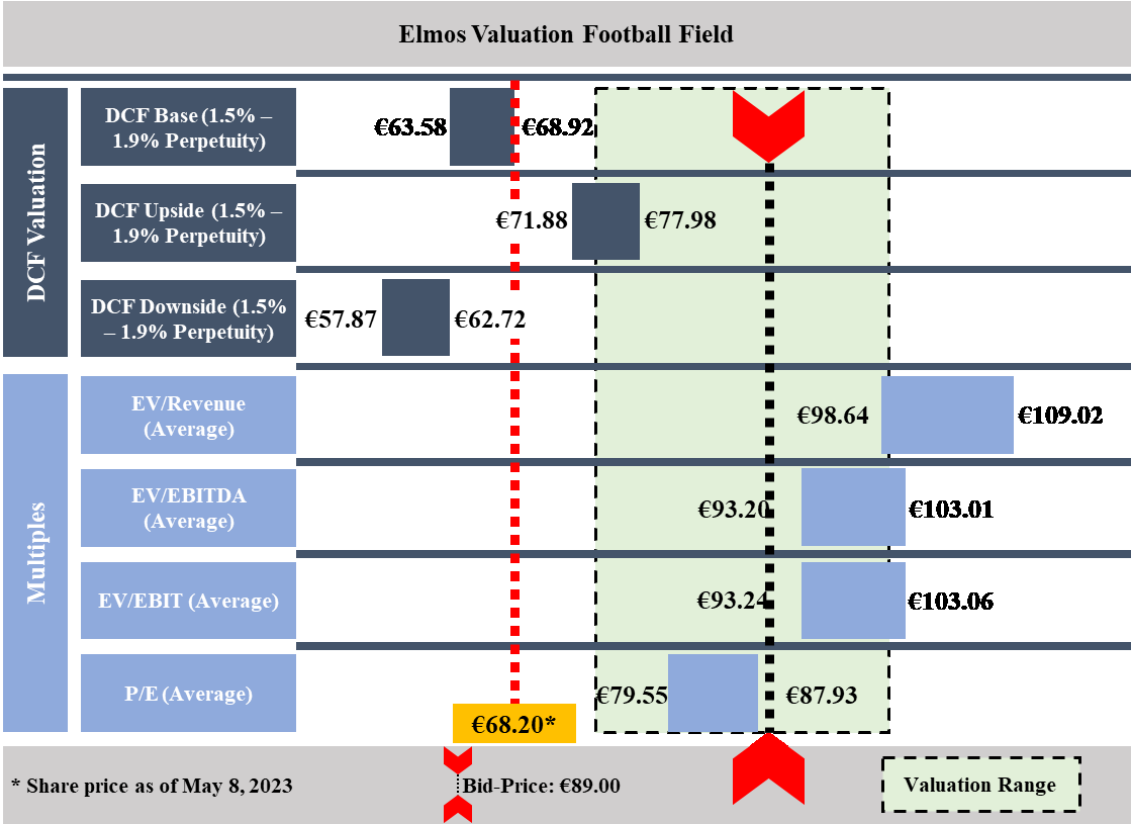
5.3.1. Valuation of the combined firm with synergies

When considering the valuation of the combined entity, including net synergies, the value of the two standalone enterprises must be complemented with the present value of the net synergies and the standalone value of the two firms. In the case of this merger, the total combined value results in 38 636 eurM, computed by the value of the combined firm without synergies (38 049 eurM) plus the net synergies (587 eurM).

5.3.2. Offer price assumptions

The upper end of the base case (€66.14) is relatively close to the share price on May 8th 2023, whereas DCF upside scenario results in a share price, of €74.80, or slightly higher when incorporating a higher terminal growth rate. In contrast, when considering the different valuation techniques, a range (including premium) between €73.00 and €100.04 was drawn. Considering the different valuation techniques and the maximum premium payable in relation to the share price of €66.14 a range between €75.00 and €98.00 has been drawn.

Figure 8: Bid-Price Determination



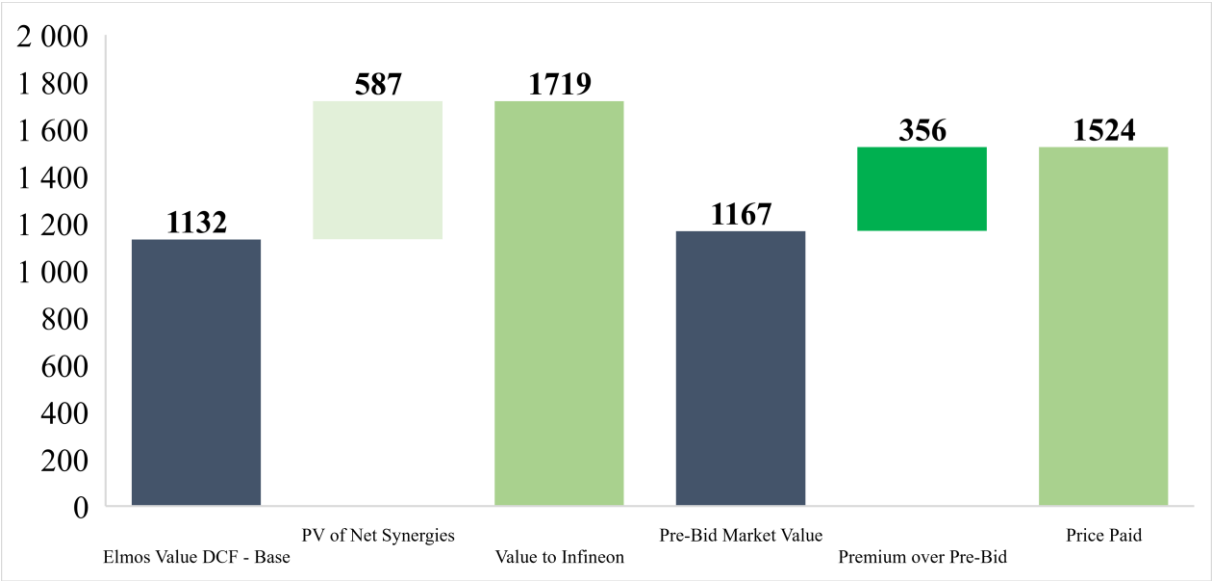
Source: own figure

Based on this range and considering the different valuation ranges and the implication that the shareholders of Elmos must be appropriately rewarded in the sales process, a bid-price of €89.00 was determined. This price reflects a premium of 30% and is close to the stocks all-time-high. At the same time, Infineon is not overpaying for the firm. Converted to market multiples, the purchase price implies a 10.70x EV/EBITDA (LTM) multiple, which is slightly below but still well in line with current market valuations of Elmos` peers (12.07x average LTM EV/EBITDA / 11.43x median LTM EV/EBITDA).

5.3.3. Value Creation and Capture

One of the main rationales behind mergers and acquisitions is capturing value in a transaction. In this case, the value to Infineon amounts to 1 719 eurM, computed by summing the intrinsic EV of Elmos (1 132 eurM - Base Case) up with the PV of synergies (587 eurM). Contrarily the price paid to the target shareholders amounts to 1 524 eurM, computed by summing up the pre-bid market value (08/05/2023) and the takeover premium over the pre-bid price. Subsequently, the value created for the acquiring shareholders is computed by subtracting the “Price paid” from the “Value to Infineon”, which results in a total value capture of 195 eurM. Contrarily the value captured by the target shareholders is computed by the price paid compared to the DCF value and results in 392 eurM (Price Paid – DCF Base).

Figure 9: Transaction Value Creation



Source: own figure

5.4. Transaction Structure and Payment Method

The total amount necessary for the transaction relates to the purchase equity value of 1 524 eurM, all transaction-related fees of 45 eurM and the total outstanding debt by Elmos results in a total capital requirement of 1 645 eurM. Considering the minimum cash balance of 1 000 eurM, 341 eurM was available for the deal. However, the transaction fees were also covered by the cash balance. The remainder was covered by 1 183 eurM in newly issued debt. As for the newly issued debt, a senior secured debt facility has been negotiated with Deutsche Bank with all-in debt costs of 5.02%, based on a EURIBOR floor (3-month floating) of 3.27% and a spread of 175 bps (see Table 43).

Furthermore, the transaction creates goodwill of 322 eurM, and a majority of PP&E (60.0%) and Intangibles (Indefinite – 50.0% & Definite – 30.0%) will be written-up, given the excellent fit of, i.e. patents and the existing capitalized PP&E. The sum of these components has been multiplied by Infineon`s tax rate to identify the new deferred tax liabilities of 216 eurM.

5.5. Accretion and Dilution

Accretion and dilution, measured on earnings per share, indicates whether the acquisition generates value for the shareholders in the years to come while incorporating all assumptions following the transaction. While the EPS, in comparison to the acquirers` standalone EPS, are yielding an outcome of about -0.50% in 2023, this effect will turn around and result in the accretion of 1.3% in 2024 and ultimately 7.90% in 2027. The pro-forma EPS, which excludes the effects of the merger concerning write-ups or intangibles, contrasts the EPS performing exceptionally well. In 2023, they are expected to post around 2.50% higher than the standalone EPS, whereas they further increase to 38.80% compared to the standalone EPS in 2027. Overall the deal will be significantly accretive to the shareholders, and positive effects will incur very early.

5.6. Transaction Risks and Limitations

Eventually, the transaction can be subject to several challenges and limitations. The long-standing shareholder structure, more precisely persuading the shareholders to a tender offer, will be a significant effort. Additionally, under the circumstances of Elmos` previously blocked fabrication sale to a Chinese-backed company, the German authorities will closely examine the

acquisition of Elmos by Infineon. Merging the largest and the fifth largest German semiconductor companies (by Market Cap) might not only influence the German OEM suppliers' landscape. However, it might also result in a shift of market power across the entire automotive semiconductor industry. In anticipation of potential limitations, the analyses could be further driven and sensitized with potential downside cases concerning an impending war between Taiwan and China or a total loss of revenues to China imposed by further export restrictions. These further analyses would be the impact on the revenue and cost structure of the company, but also the implied discount rates and the valuation.

Additional targets in Europe with similar characteristics and a high automotive concentration are namely ams Osram and Melexis.

6. Conclusion

As the title of this thesis and the conducted analyses imposes, semiconductors are one significant driver for megatrends such as electrification, future mobility, IoT, and technological advancements. Hence this dissertation analysed whether the above-named trends can potentially be further underpinned with an acquisition of Elmos Semiconductor SE by Infineon Technologies AG.

Considering the different assumptions regarding the growth prospects for Elmos, a DCF valuation and comparable company analysis (CCA) were performed to assess the firm's value and further understand the financial profile of the acquirer and the target company.

In summary, these computations result in a tender offer price of €89.00 per share, which implies a premium of 30% compared to the share price of €68.20 on May 8, 2023.

However, this share price is only advantageous, conditional upon several substantial implications. First, existing shareholders of Elmos must accept the proposed bid offer and the German authorities must comply with the transaction regarding competition law. In addition, no further export restrictions to China shall be assumed, paired with the exclusion of a possible war between China and Taiwan.

The synergies from the acquisition are estimated to reach a net value of 518 eurM, consisting of revenue synergies through cross-selling, customer lock-in and higher market share, along with cost synergies such as a reduction in COGS and the elimination of overhead SG&A.

The total purchase price of Elmos is 1 524 eurM, and the acquisition structure implicates a combination of cash (341 eurM) and the issuance of new senior debt (1 182 eurM). The cash balance covers debt and advisory fees, and the cash flow of the combined entity covers the integration costs. The transaction will be accretive to Infineon's shareholders with an average increase in EPS of 4.40% from 2024 – 2027.

In conclusion, from a strategic perspective, the acquisition of Elmos presents a highly favourable fit, offering an expanded product range, joint R&D initiatives and the potential for more intense penetration in the automotive semiconductor space.

7. References

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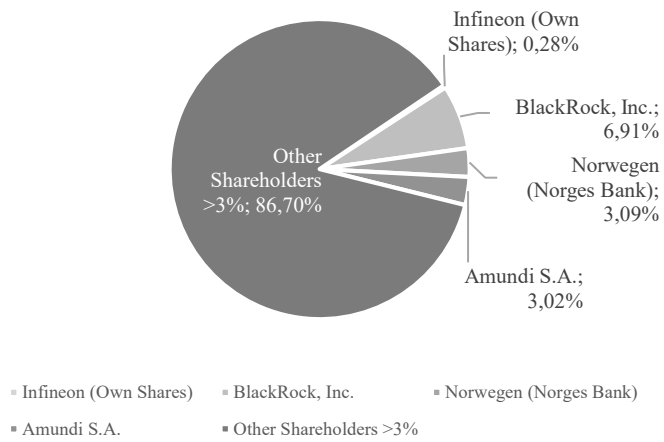
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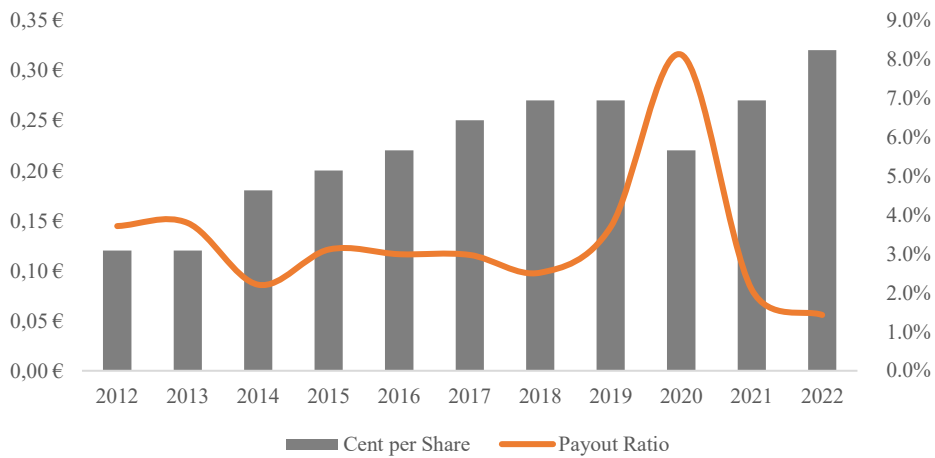
8. Appendices

Figure 10: Infineon Shareholder Structure



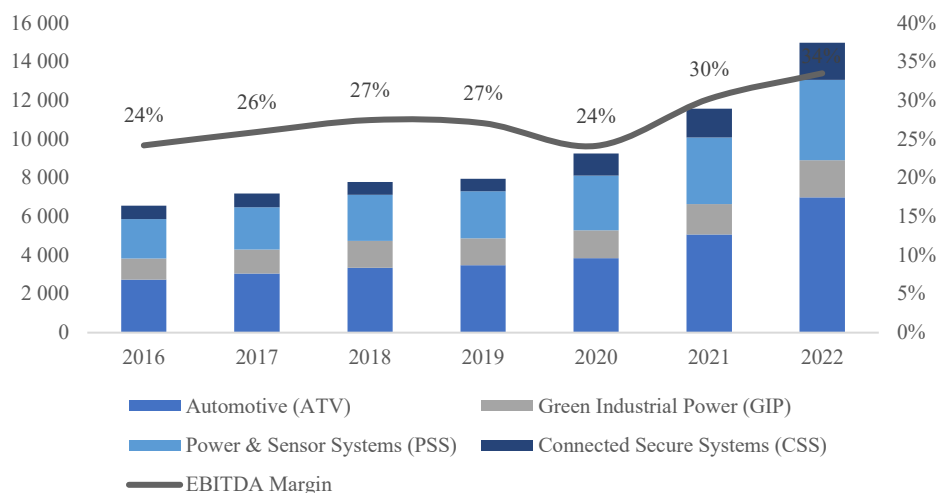
Source: own figure, based on Refinitiv Eikon

Figure 11: Infineon - Dividends & Payout Ratio



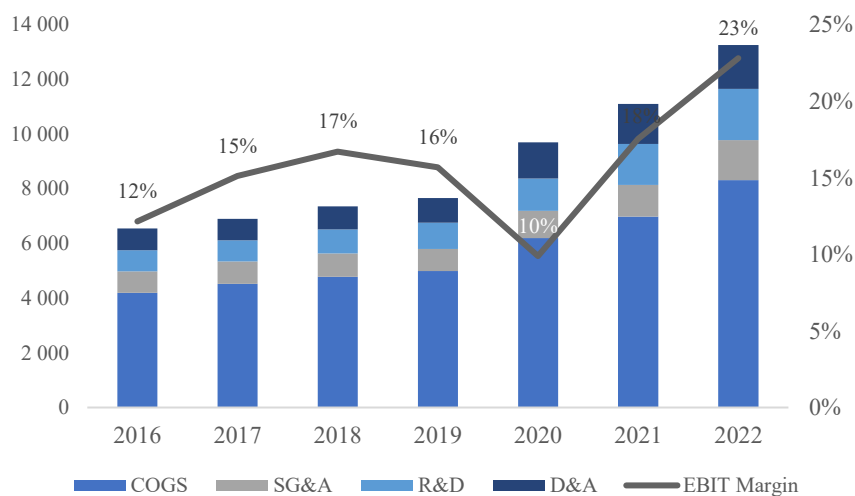
Source: own figure based on company information

Figure 12: Infineon Segment Revenues & EBITDA Margin



Source: own figure based on company information

Figure 13: Infineon Cost Structure & EBIT Margin Development



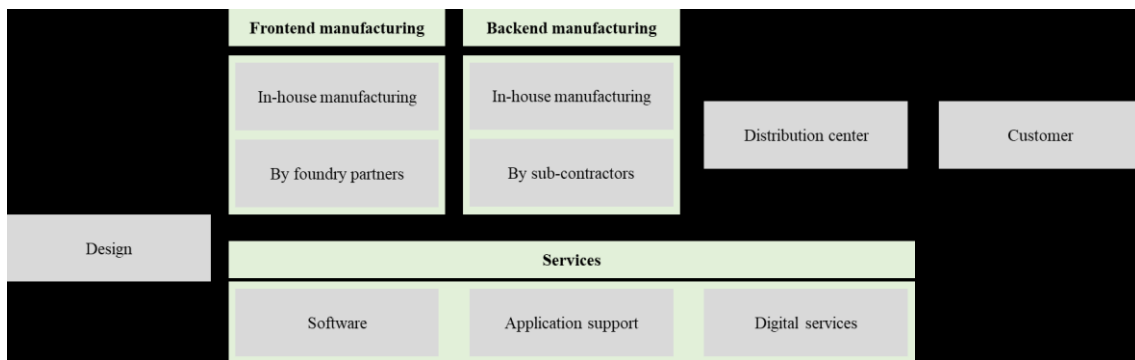
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Figure 14: Infineon vs. DAX40



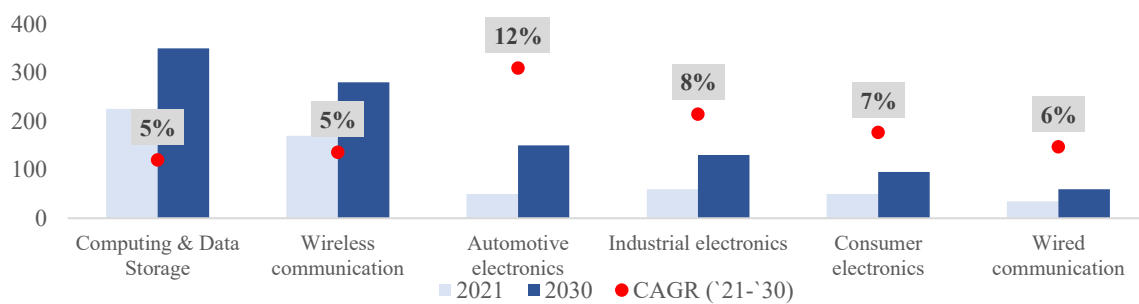
Source: own figure based on Refinitiv Eikon

Figure 15: Semiconductor Value Chain



Source: own figure based on Infineon Technologies AG Annual Report 2022

Figure 16: Expected Segment Growth



Source: own figure based on Statista AG

Table 5: Infineon Growth Case Assumptions

Infineon Revenue Growth Cases per segment		Projection Period				
		2023E	2024E	2025E	2026E	2027E
Automotive (ATV)	Case	1				
Industry Growth			7.0%	7.0%	7.0%	7.0%
Segment Growth			10.0%	10.0%	10.0%	10.0%
Company Expectations			12.0%	12.0%	12.0%	12.0%
(1) Base			9.7%	9.7%	9.7%	9.7%
(2) Upside	2.0%		11.7%	11.7%	11.7%	11.7%
(3) Downside	(2.0%)		7.7%	7.7%	7.7%	7.7%
Industrial Power Control (IPC)	Case	1				
Industry Growth			7.0%	7.0%	7.0%	7.0%
Segment Growth			8.5%	8.5%	8.5%	8.5%
Company Expectations			11.0%	11.0%	11.0%	11.0%
(1) Base			8.8%	8.8%	8.8%	8.8%
(2) Upside	2.0%		10.8%	10.8%	10.8%	10.8%
(3) Downside	(2.0%)		6.8%	6.8%	6.8%	6.8%
Power & Sensor Systems (PSS)	Case	1				
Industry Growth			7.0%	7.0%	7.0%	7.0%
Segment Growth			7.0%	7.0%	7.0%	7.0%
Company Expectations			10.0%	10.0%	10.0%	10.0%
(1) Base			8.0%	8.0%	8.0%	8.0%
(2) Upside	2.0%		10.0%	10.0%	10.0%	10.0%
(3) Downside	(2.0%)		6.0%	6.0%	6.0%	6.0%
Connected Secure Systems (CSS)	Case	1				
Industry Growth			7.0%	7.0%	7.0%	7.0%
Segment Growth			6.0%	6.0%	6.0%	6.0%
Company Expectations			10.0%	10.0%	10.0%	10.0%
(1) Base			7.7%	7.7%	7.7%	7.7%
(2) Upside	2.0%		9.7%	9.7%	9.7%	9.7%
(3) Downside	(2.0%)		5.7%	5.7%	5.7%	5.7%

Source: own calculations and assumptions

Table 6: Infineon Projected Revenues per Segment

Infineon Assumptions	Projections				
	2022E	2023E	2024E	2025E	2026E
Revenues per Segment					
Total Revenue	16 335	17 779	19 351	21 064	22 929
% Growth	8.8%	8.8%	8.8%	8.9%	8.9%
Automotive (ATV)	7 674	8 416	9 230	10 122	11 101
% Growth	9.7%	9.7%	9.7%	9.7%	9.7%
(1) Base	9.7%	9.7%	9.7%	9.7%	9.7%
(2) Upside	11.7%	11.7%	11.7%	11.7%	11.7%
(3) Downside	7.7%	7.7%	7.7%	7.7%	7.7%
Green Industrial Power (GIP)	2 077	2 260	2 460	2 677	2 913
% Growth	8.8%	8.8%	8.8%	8.8%	8.8%
(1) Base	8.8%	8.8%	8.8%	8.8%	8.8%
(2) Upside	10.8%	10.8%	10.8%	10.8%	10.8%
(3) Downside	6.8%	6.8%	6.8%	6.8%	6.8%
Power & Sensor Systems (PSS)	4 491	4 850	5 238	5 657	6 110
% Growth	8.0%	8.0%	8.0%	8.0%	8.0%
(1) Base	8.0%	8.0%	8.0%	8.0%	8.0%
(2) Upside	10.0%	10.0%	10.0%	10.0%	10.0%
(3) Downside	6.0%	6.0%	6.0%	6.0%	6.0%
Connected Secure Systems (CSS)	2 074	2 233	2 404	2 588	2 787
% Growth	7.7%	7.7%	7.7%	7.7%	7.7%
(1) Base	7.7%	7.7%	7.7%	7.7%	7.7%
(2) Upside	9.7%	9.7%	9.7%	9.7%	9.7%
(3) Downside	5.7%	5.7%	5.7%	5.7%	5.7%
Other & Adjustments	20	20	20	20	20
% Growth	0.0%	0.0%	0.0%	0.0%	0.0%
(1) Base					
(2) Upside					
(3) Downside					

Source: own calculations and assumptions

Table 7: Infineon P&L

Infineon P&L Case: Base (€m)	Actuals							Projections				
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Revenue	6 562	7 193	7 794	7 975	9 282	11 588	15 010	16 335	17 779	19 351	21 064	22 930
Revenue Growth		10%	8%	2%	16%	25%	30%	9%	9%	9%	9%	9%
COGS	(4 198)	(4 518)	(4 776)	(4 996)	(6 202)	(6 984)	(8 315)	(9 049)	(9 778)	(10 565)	(11 416)	(12 335)
SG&A	(787)	(828)	(863)	(807)	(988)	(1 154)	(1 468)	(1 654)	(1 801)	(1 935)	(2 108)	(2 308)
Total Other Operating (Expense) / Income	(8)	12	25	29	11	81	68	69	75	82	89	97
Research and Development	(772)	(771)	(877)	(950)	(1 185)	(1 499)	(1 871)	(2 168)	(2 513)	(2 913)	(3 376)	(3 912)
Operating income	797	1 088	1 303	1 251	918	2 032	3 424	3 532	3 763	4 021	4 253	4 471
Net Interest	(63)	(53)	(44)	(36)	(114)	(169)	(110)	(201)	(215)	(232)	(244)	(287)
Unusual Items	(16)	(35)	228	(189)	(328)	(271)	(224)	(224)	(224)	(224)	(224)	(224)
EBT incl. Unusual Items	718	1 000	1 487	1 026	476	1 592	3 090	3 108	3 323	3 565	3 785	3 960
Taxes	36	(168)	(221)	(181)	(58)	(212)	(636)	(640)	(684)	(734)	(779)	(815)
Tax Rate	-5%	17%	15%	18%	12%	13%	20,58%	20,6%	20,6%	20,6%	20,6%	20,6%
Discont. Ops.	(2)	2	(142)	(19)	(4)	(10)	(4)	-	-	-	-	-
Net Income	752	834	1 124	826	414	1 370	2 450	2 468	2 640	2 831	3 006	3 145

Source: own calculations based on Capital IQ and own assumptions

Table 8: Infineon Cash Flow Statement

Infineon Cash Flow Statement Case: Base (€m)	Actuals							Projections				
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Net Income	752	834	1 124	826	414	1 370	2 450	2 468	2 640	2 831	3 006	3 145
(+) Depreciation & Amort.	791	777	838	908	1 322	1 469	1 606	1 741	1 968	2 178	2 428	2 692
Change in Acc. Receivable	(62)	(78)	(59)	(39)	46	(279)	(307)	(165)	(179)	(195)	(213)	(232)
Change in Inventories	(55)	(73)	(349)	(96)	124	(121)	(766)	(286)	(284)	(307)	(331)	(358)
Change in Acc. Payable	54	153	225	(104)	(71)	407	640	180	178	193	208	225
Change in Other Operating Assets	15	(90)	(15)	(129)	234	338	(183)	-	-	-	-	-
Other Assets Consolidated	(82)	82	(44)	107	148	89	375	96	122	128	152	159
Cash from Ops.	1 413	1 605	1 720	1 473	2 217	3 273	3 815	4 035	4 445	4 828	5 251	5 631
Capital Expenditure	(759)	(949)	(1 203)	(1 141)	(933)	(1 390)	(2 246)	(3 000)	(2 686)	(3 124)	(3 484)	(3 653)
Sales/(Purchase) of Intangibles	(104)	(162)	(166)	(157)	(194)	(232)	(261)	(304)	(355)	(413)	(482)	(562)
Other Investing Activities	(325)	(19)	278	(2 033)	(5 346)	(852)	(13)	(13)	(13)	(13)	(13)	(13)
Cash from Investing	(1 188)	(1 130)	(1 091)	(3 331)	(6 473)	(2 474)	(2 520)	(3 317)	(3 054)	(3 551)	(3 979)	(4 228)
Short Term Debt Issued	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt Issued	-	-	-	-	-	-	500	792	990	1 238	1 547	1 934
Total Debt Issued	822	1	1	-	9 815	1 084	500	792	990	1 238	1 547	1 934
Short Term Debt Repaid	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt Repaid	-	-	-	-	-	-	-	(750)	(350)	(1 100)	(1 100)	(350)
Total Debt Repaid	(831)	(132)	(316)	(22)	(5 602)	(1 477)	(1 972)	(750)	(350)	(1 100)	(1 100)	(350)
Issuance of Common Stock	23	18	6	2 714	1 042	-	-	-	-	-	-	-
Repurchase of Common Stock	-	-	-	-	(20)	(39)	(39)	-	-	-	-	-
Common Dividends Paid	(225)	(248)	(283)	(305)	(336)	(286)	(351)	(840)	(913)	(999)	(1 105)	(1 155)
Total Dividends Paid	(225)	(248)	(283)	(305)	(336)	(286)	(351)	(840)	(913)	(999)	(1 105)	(1 155)
Other Financing Activities	-	(1)	44	(33)	15	2	(9)	-	-	-	-	-
Cash from Financing	(211)	(362)	(548)	2 354	4 914	(716)	(1 871)	(798)	(273)	(862)	(658)	429
Foreign Exchange Rate Adj.	(31)	(2)	1	20	(107)	19	1	-	-	-	-	-
Net Change in Cash	(17)	111	82	516	551	102	(575)	(80)	1 118	415	614	1 832

Source: own calculations based on Capital IQ and own assumptions

Table 9: Infineon Balance Sheet & CF Projections

Infineon BS Projections		Projections					
Case: Base (Cm)		2022A	2023E	2024E	2025E	2026E	2027E
PPE							
BOY: PPE			6 139	7 926	9 140	10 565	12 095
Invest (CAPEX)			3 000	2 686	3 124	3 484	3 653
Depreciation	% of PPE + Intan.	17%	(1 213)	(1 472)	(1 699)	(1 954)	(2 211)
EOY: PPE		6 139	7 926	9 140	10 565	12 095	13 537
Cash & Cash Equivalents							
BOY			1 421	1 341	2 459	2 874	3 488
Increase/Decrease			(80)	1 118	415	614	1 832
EOY		1421	1 341	2 459	2 874	3 488	5 320
Long-Term Debt							
BOY			4 715	4 757	5 397	5 535	5 981
Issued			792	990	1 238	1 547	1 934
Required Repay(Bonds)			(750)	(350)	(1 100)	(1 100)	(350)
EOY		4715	4 757	5 397	5 535	5 981	7 565
Retained Earnings							
BOY			4 224	5 853	7 579	9 411	11 312
Net Income		2 450	2 468	2 640	2 831	3 006	3 145
Payout Ratio		14.3%	34.0%	34.6%	35.3%	36.7%	36.7%
Payout (Dividends)		(351)	(840)	(913)	(999)	(1 105)	(1 155)
EOY		4 224	5 853	7 579	9 411	11 312	13 303
Intangibles							
BOY			3 172	2 948	2 807	2 742	2 750
Invest			304	355	413	482	562
Amortization	% of PPE + Intan.	17%	(528)	(496)	(479)	(474)	(481)
EOY		3 172	2 948	2 807	2 742	2 750	2 831
Interest Expenses							
in %		2.3%	4.2%	4.2%	4.2%	4.2%	4.2%
Average Debt			4 736	5 077	5 466	5 758	6 773
Interest Expenses			201	215	232	244	287
Interest Expenses			201	215	232	244	287

Source: own calculations based on Capital IQ and own assumptions

Table 10: Infineon Forecasting Ratios

Infineon Ratios		Actuals			Projections				
Case: Base	Units	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Ratios Income Statement									
COGS as % of revenue	%	67%	60%	55%	55%	55%	55%	54%	54%
SG&A as % of revenue	%	11%	10%	10%	10%	10%	10%	10%	10%
D&A as % of PPE& Intangibles	%	17%	18%	17%	17%	17%	17%	17%	17%
Total Other Operating as % of revenue	%	0%	1%	0%	0%	0%	0%	0%	0%
Ratios Balance Sheet									
DIO (Days Inventory Outstanding)	Days	115	121	142	142	142	142	142	142
DSO (Days Sales Outstanding)	Days	49	48	45	45	45	45	45	45
DPO (Days Payables Outstanding)	Days	66	88	89	89	89	89	89	89
Ratios Cash Flow Statement									
Capital Expenditures (CAPEX)	%	10%	12%	15%	18%	15%	16%	17%	16%

Source: own calculations based on Capital IQ and own assumptions

Table 11: Infineon Balance Sheet

Infineon Balance Sheet Case: Base (€ m)	Actuals						Projections					
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Assets												
Current Assets												
Cash and Cash Equivalents	634	745	827	1 343	1 894	1 996	1 421	1 341	2 459	2 874	3 488	5 320
Short Term Investments	1 575	1 567	1 479	3 516	1 440	2 288	2 287	2 287	2 287	2 287	2 287	2 287
Accounts Receivable (A/R)	735	798	972	902	1 257	1 516	1 864	2 029	2 208	2 403	2 616	2 848
Other Receivables	7	6	60	85	39	72	49	49	49	49	49	49
Inventory	1 249	1 282	1 591	1 767	1 955	2 319	3 239	3 525	3 809	4 115	4 447	4 805
Other Current Assets	297	366	451	630	527	461	693	693	693	693	693	693
Total Current Assets	4 497	4 764	5 380	8 243	7 112	8 652	9 553	9 923	11 505	12 422	13 580	16 001
Non-Current Assets												
Property, Plant & Equipment	2 519	2 750	3 193	3 771	4 378	4 925	6 139	7 926	9 140	10 565	12 095	13 537
Long-term Investments	32	28	33	73	79	75	98	98	98	98	98	98
Goodwill	-	-	-	-	5 633	6 101	6 477	6 532	6 540	6 558	6 562	6 564
Other Intangibles	1 726	1 565	1 736	1 786	3 409	3 330	3 172	2 948	2 807	2 742	2 750	2 831
Deferred Tax Assets, LT	646	632	631	603	625	673	480	480	480	480	480	480
Other Long-Term Assets	164	194	156	141	193	242	375	375	375	375	375	375
Total Non-Current Assets	5 087	5 169	5 749	6 374	14 317	15 346	16 741	18 359	19 440	20 817	22 360	23 884
Total Assets	9 584	9 933	11 129	14 617	21 429	23 998	26 294	28 283	30 944	33 239	35 940	39 886
Liabilities												
Current Liabilities												
Accounts Payable (A/P)	816	953	1 190	923	1 127	1 682	2 037	2 217	2 395	2 588	2 797	3 022
Short-term Borrowings	-	-	-	-	318	839	-	-	-	-	-	-
Curr. Port. of LT Debt	29	316	22	191	-	-	752	752	752	752	752	752
Curr. Port. of Leases	-	-	-	49	60	68	72	82	93	106	120	137
Curr. Income Taxes Payable	121	89	134	134	323	347	424	424	424	424	424	424
Other Current Liabilities	486	545	760	695	1 275	1 483	1 945	1 945	1 945	1 945	1 945	1 945
Total Current Liabilities	1 452	1 903	2 106	1 992	3 103	4 419	5 230	5 420	5 609	5 815	6 038	6 280
Non-Current Liabilities												
Long-Term Debt	2 014	1 493	1 511	1 340	6 385	5 818	4 715	4 757	5 397	5 535	5 981	7 565
Long-Term Leases	-	-	-	202	235	266	288	372	429	496	567	635
Pension & Other	609	507	555	682	745	619	293	293	293	293	293	293
Def. Tax Liability, Non-Curr.	12	16	15	17	277	332	329	329	329	329	329	329
Other Non-Current Liabilities	198	180	185	435	513	502	505	550	598	651	709	771
Total Non-Current Liabilities	2 833	2 196	2 266	2 676	8 155	7 537	6 130	6 300	7 046	7 303	7 879	9 593
Total Liabilities	4 285	4 099	4 372	4 668	11 258	11 956	11 360	11 720	12 655	13 118	13 917	15 873
Equity												
Common Stock	2 268	2 273	2 274	2 502	2 612	2 612	2 612	2 612	2 612	2 612	2 612	2 612
Additional Paid In Capital	5 025	4 779	4 489	5 499	6 468	6 526	6 601	6 601	6 601	6 601	6 601	6 601
Retained Earnings	(2 151)	(1 198)	(41)	672	682	1 856	4 224	5 853	7 579	9 411	11 312	13 303
Treasury Stock	(37)	(37)	(37)	(34)	(33)	(28)	(23)	(23)	(23)	(23)	(23)	(23)
Comprehensive Inc. and Other	194	17	72	1 310	442	1 076	1 520	1 520	1 520	1 520	1 520	1 520
Total Equity	5 299	5 834	6 757	9 949	10 171	12 042	14 934	16 563	18 289	20 121	22 022	24 013
Total Liabilities and Equity	9 584	9 933	11 129	14 617	21 429	23 998	26 294	28 283	30 944	33 239	35 940	39 886

Source: own calculations based on Capital IQ and own assumptions

Table 12: Infineon Working Capital

Infineon Working Capital Case: Base (eurM)	Actuals							Projections				
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Current Assets												
Cash and Cash Equivalents	634	745	827	1 343	1 894	1 996	1 421	1 341	2 459	2 874	3 488	5 320
Short Term Investments	1 575	1 567	1 479	3 516	1 440	2 288	2 287	2 287	2 287	2 287	2 287	2 287
Accounts Receivable (A/R)	735	798	972	902	1 257	1 516	1 864	2 029	2 208	2 403	2 616	2 848
Other Receivables	7	6	60	85	39	72	49	49	49	49	49	49
Inventory	1 249	1 282	1 591	1 767	1 955	2 319	3 239	3 525	3 809	4 115	4 447	4 805
Other Current Assets	297	366	451	630	527	461	693	693	693	693	693	693
Total Current Assets	4 497	4 764	5 380	8 243	7 112	8 652	9 553	9 923	11 505	12 422	13 580	16 001
Current Liabilities												
Accounts Payable (A/P)	816	953	1 190	923	1 127	1 682	2 037	2 217	2 395	2 588	2 797	3 022
Short-term Borrowings	-	-	-	-	318	839	-	-	-	-	-	-
Curr. Port. of LT Debt	29	316	22	191	-	-	752	752	752	752	752	752
Curr. Port. of Leases	-	-	-	49	60	68	72	82	93	106	120	137
Curr. Income Taxes Payable	121	89	134	134	323	347	424	424	424	424	424	424
Other Current Liabilities	486	545	760	695	1 275	1 483	1 945	1 945	1 945	1 945	1 945	1 945
Total Current Liabilities	1 452	1 903	2 106	1 992	3 103	4 419	5 230	5 420	5 609	5 815	6 038	6 280
Working Capital Components												
Inventory	1 249	1 282	1 591	1 767	1 955	2 319	3 239	3 525	3 809	4 115	4 447	4 805
Plus: Accounts Receivable (A/R)	735	798	972	902	1 257	1 516	1 864	2 029	2 208	2 403	2 616	2 848
Plus: Other Receivables	7	6	60	85	39	72	49	49	49	49	49	49
Plus: Other Current Assets	297	366	451	630	527	461	693	693	693	693	693	693
Less: Accounts Payable (A/P)	816	953	1 190	923	1 127	1 682	2 037	2 217	2 395	2 588	2 797	3 022
Less: Curr. Income Taxes Payable	121	89	134	134	323	347	424	424	424	424	424	424
Less: Other Current Liabilities	486	545	760	695	1 275	1 483	1 945	1 945	1 945	1 945	1 945	1 945
Net Working Capital	865	865	990	1 632	1 053	856	1 439	1 710	1 994	2 303	2 639	3 004
Change in Net Working Capital			125	642	(579)	(197)	583	271	285	309	336	365

Source: own calculations based on Capital IQ and own assumptions

Table 13: Infineon DCF (Base)

Discounted Cash Flow (Base Case) Mid-Year Convention: No €M	Projection Period				
	2023E	2024E	2025E	2026E	2027E
Revenues	16 335	17 779	19 351	21 064	22 930
% Growth	8.8%	8.8%	8.8%	8.9%	8.9%
EBITDA	5 273	5 731	6 198	6 681	7 163
EBITDA Margin	32.3%	32.2%	32.0%	31.7%	31.2%
Depreciation and Amortization	(1 741)	(1 968)	(2 178)	(2 428)	(2 692)
EBIT	3 532	3 763	4 021	4 253	4 471
EBIT Margin	21.6%	21.2%	20.8%	20.2%	19.5%
Taxes	(727)	(774)	(828)	(875)	(920)
Tax Rate	20.6%	20.6%	20.6%	20.6%	20.6%
NOPLAT	2 805	2 988	3 193	3 378	3 551
(+) Depreciation and Amortization	(1 741)	(1 968)	(2 178)	(2 428)	(2 692)
(-) Capital Expenditures (CAPEX)	(3 000)	(2 686)	(3 124)	(3 484)	(3 653)
(-) Change in Net Working Capital	271	285	309	336	365
Unlevered Free Cash Flow (uFCF)	1 276	1 986	1 938	1 986	2 225
Year Count	1	2	3	4	5
Discount Factor	0.9332	0.8708	0.8126	0.7582	0.7076
Present Value of uFCF	1 190	1 729	1 574	1 506	1 574

Source: own calculations based on Capital IQ and own assumptions

Table 14: Infineon Comparable Companies

Selected Financial Figures about Comparable Companies (in €, gathered from Refinitiv Eikon)										
Figures in EUR										
Company Name	Country	Enterprise Value	EV/ Revenue	EV/ EBITDA	EV/ EBIT	P/E	Selected for Revenue	Selected for EBITDA	Selected for EBIT	Selected for P/E
Advanced Micro Devices Inc	US	94,415,801,968	4.28x	17.46x	62.60x	100.13x	Yes	Yes	No	No
Analog Devices Inc	US	79,891,154,630	6.63x	13.03x	20.88x	26.34x	Yes	Yes	Yes	Yes
Applied Materials Inc	US	80,565,751,426	3.11x	9.67x	10.22x	14.81x	Yes	Yes	Yes	Yes
ASM International NV	NL	11,237,794,336	4.66x	14.92x	17.77x	44.92x	Yes	Yes	Yes	No
ASML Holding NV	NL	200,183,748,300	9.45x	24.17x	27.24x	37.65x	No	No	Yes	Yes
Broadcom Inc	US	228,677,518,764	6.86x	11.82x	15.95x	19.40x	Yes	Yes	Yes	Yes
Intel Corp	US	117,231,328,384	1.99x	8.16x	53.71x	14.96x	Yes	Yes	No	Yes
KLA Corp	US	49,197,254,854	5.60x	12.31x	13.48x	14.60x	Yes	Yes	Yes	Yes
Lam Research Corp	US	60,447,552,627	3.70x	11.16x	11.85x	12.79x	Yes	Yes	Yes	Yes
Microchip Technology Inc	US	44,414,923,327	7.21x	16.24x	26.11x	20.15x	No	No	Yes	Yes
Nokia Oyj	FIN	20,820,951,611	0.84x	5.20x	7.27x	5.86x	Yes	Yes	No	Yes
NXP Semiconductors NV	NL	45,396,032,047	3.68x	9.64x	12.82x	15.64x	Yes	Yes	Yes	Yes
Qualcomm Inc	US	149,841,201,876	3.28x	8.76x	9.81x	11.03x	Yes	Yes	No	Yes
Samsung Electronics Co Ltd	KOR	204,791,214,132	0.91x	3.35x	6.37x	0.01x	No	No	No	No
Soitec SA	FR	5,767,438,924	6.69x	19.56x	28.19x	21.68x	No	No	Yes	Yes
TSMC	TAI	333,450,788,219	4.82x	7.00x	9.72x	0.41x	Yes	Yes	No	Yes
Texas Instruments Inc	US	139,802,123,171	7.47x	13.15x	14.39x	17.75x	No	Yes	Yes	Yes
Tokyo Electron Ltd	JP	71,140,242,873	4.78x	15.05x	15.98x	0.12x	Yes	Yes	Yes	Yes

Source: own calculations based on Refinitiv Eikon and own assumptions

Table 15: Infineon CCA

Infineon Comparable Company Analysis (CCA)									
Multiple	EV/ Revenue	EV/ EBITDA	EV/ EBIT	P/E	Implied Share Price €	EV/ Revenue	EV/ EBITDA	EV/ EBIT	P/E
Max	9.5x	24.2x	62.6x	100.1x	Max	105.4	89.8	161.0	167.5
75th Percentile	6.7x	15.0x	24.8x	21.3x	75th Percentile	73.3	54.4	61.6	35.6
Median	4.7x	12.1x	15.2x	15.3x	Median	50.8	43.0	36.3	25.6
Average	4.2x	11.2x	17.9x	15.5x	Average	44.5	39.8	43.5	26.0
(25th Percentile)	3.4x	9.0x	10.6x	11.5x	(25th Percentile)	35.4	31.1	24.3	19.2
Low	0.8x	3.4x	6.4x	0.0x	Low	6.0	9.3	13.1	0.0

Source: own calculations based on Refinitiv Eikon and own assumptions

Table 16: Infineon Peer Group Beta

Infineon Beta Selection (in €, gathered from Refinitiv Eikon)							
Figures in €							
Company Name	Country	Beta 5 year monthly	Total Equity	Total Long-term debt	Effective Tax Rate, (%)	Unlevered Beta	Selection
Advanced Micro Devices Inc	US	1.92	51 158 400 000	2 305 164 800	-10.3%	1.83	Yes
Analog Devices Inc	US	1.15	36 600 609 348	6 572 920 399	11.3%	0.99	Yes
Applied Materials Inc	US	1.61	12 239 239 740	5 477 245 470	14.1%	1.16	Yes
ASML Holding NV	NL	1.54	11 286 000 000	3 665 700 000	14.0%	1.21	Yes
Broadcom Inc	US	1.12	22 793 250 390	39 219 968 250	7.6%	0.43	No
Intel Corp	US	0.84	94 769 651 200	35 211 929 600	-3.2%	0.61	No
Lam Research Corp	US	1.51	5 948 814 569	4 736 080 412	11.3%	0.88	Yes
NVIDIA Corp	US	1.76	20 337 782 220	8 928 894 660	-4.5%	1.21	Yes
NXP Semiconductors NV	NL	1.53	6 960 345 600	10 432 576 000	15.7%	0.68	No

Qualcomm Inc	US	1.27	18 589 235 870	13 970 048 630	13.4%	0.77	No
Samsung Electronics Co Ltd	KOR	1.07	255 798 885 801	3 035 892 218	-19.8%	1.06	No
STMicroelectronics NV	NL	1.26	12 558 336 000	1 754 803 200	10.7%	1.12	Yes
TSMC	TAI	1.37	90 015 971 005	26 551 438 295	11.1%	1.08	Yes
Texas Instruments Inc	US	1.02	13 620 748 800	7 694 784 000	12.8%	0.68	No
		Low				0.43	
		25th Percentile				0.71	
		Mean				0.92	
		Average				1.19	
		75th Percentile				1.15	
		Max				1.83	

Source: own calculations based on Refinitiv Eikon and own assumptions

Table 17: Infineon Net Debt

Infineon Net Financial Debt	
<u>Long Term Debt as of Dec-2022</u>	
Long-Term Debt	4 715
Long-Term Leases	288
Current Portion of LT Debt	752
Current Portion of Leases	72
Cash & Cash Equivalents	(1 421)
Net Financial Debt	4 406
<u>Other Positions</u>	
Pension & Other Post-Retire. Benefits	293
Other Deductible Positions	293
Net Debt	4 699
Net Debt / EBITDA	0.9x

Source: own calculations based on Refinitiv Eikon and own assumptions

Table 18: Infineon Cost of Capital

Cost of Capital Infineon	
Risk-free rate	2.24%
Unlevered Beta	1.19
Levered Beta	1.441
Market Risk Premium	6.37%
Pre-Tax Cost of Debt	4.24%
Effective Tax Rate	20.58%
Cost of Equity (CAPM)	8.20%
Cost of Debt (after Tax)	3.37%
Capital Structure	
Equity eurM	14 934
Debt eurM	4 056

WACC (Constant)	7.16%
Terminal Growth Rate	1.70%

Source: own calculations

Table 19: Infineon Cost of Debt & MV of Debt

Infineon Cost of Debt	
Infineon Incremental borrowing rate	
Risk Free Rate	2.24%
Default Spread (Rating BBB)	2%
Incremental Borrowing Rate	4.24%
Calculation: Market Value of Debt of Infineon	
Weighted average maturity (years):	5.3
Cost of debt:	4.24%
Total Debt at maturity (€bn):	5 827
Interest expense non-operating (2022, €bn):	(135)
Total non-current debt value at maturity (TV, €bn):	5 827
Market value of long-term debt (€bn):	4 056
Maturity profile of financial debt: Q2 Report (2023)	

Source: own calculations based on company data and own assumptions

Table 20: Infineon Credit Rating

Infineon Credit Rating				
Rating Agency	Long Term	Short Term	Outlook	Last Update
S&P Global Rating	BBB	/	positive	February 2023

Source: own calculations based on Refinitiv Eikon

Table 21: Infineon Maturity Profile

Maturity profile of financial debt				
Maturity	Volume (€ million)	Maturity		
2023	750	1		0.11
2024	350	2		0.10
2025	1 100	3		0.48
2026	1 100	4		0.64
2027	350	5		0.26
2028	835	6		0.73
2029	1 100	7		1.13
2030	0	8		0.00
2031	350	9		0.46
2032	650	10		0.95
2033	250	11		0.40
	6 835	Average Maturity:		5.27

Source: own calculations based on company data and own assumptions

Table 22: Infineon Sensitivity Analysis

Infineon Sensitivity Analysis - Case: Base						
Enterprise Value (in €m)				Price per Share (in €)		
WACC	Terminal Growth Rate	Terminal Growth Rate				
		1,30%	1,50%	1,70%	1,90%	2,10%
6.36%	40447	41858	43391	45061	46888	
6.76%	37401	38591	39876	41267	42777	
7.16%	34771	35787	36877	38051	39316	
7.40%	33359	34287	35280	36346	37491	
7.64%	32055	32905	33813	34783	35824	

Source: own calculations

Table 23: Elmos Growth Assumption

Elmos Revenue Growth Cases	Actuals								Projections				
	2016 A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	
Germany	Revenue	74.7	80.8	73.8	71.8	53.0	58.2	59.3					
	Growth in %		8%	-9%	-3%	-26%	10%	2%	5.8%	3.8%	4.8%	4.3%	4.6%
	Company Expectation								25.0%	25.0%	25.0%	25.0%	25.0%
	Geography Growth SC Industry								11.6%	11.6%	11.6%	11.6%	11.6%
	Automotive Car Production per Region								11.2%	11.2%	11.2%	11.2%	11.2%
	(1) Adjusted (Base)						1		21.3%	21.2%	21.3%	21.2%	21.3%
	(2) Upside						6.0%		27.3%	27.2%	27.3%	27.2%	27.3%
	(3) Downside						(1.5%)		19.8%	19.7%	19.8%	19.7%	19.8%
Other EU Countries	Revenue	47.9	51.1	53.4	66.1	53.8	74.0	84.0					
	Growth in %		7%	4%	24%	-19%	38%	14%	11.2%	12.0%	13.2%	11.5%	16.5%
	Company Expectation								25.0%	25.0%	25.0%	25.0%	25.0%
	Geography Growth SC Industry								11.6%	11.6%	11.6%	11.6%	11.6%
	Automotive Car Production per Region								3.0%	3.0%	3.0%	3.0%	3.0%
	(1) Adjusted (Base)						1		20.8%	20.8%	20.9%	20.8%	21.0%
	(2) Upside						6.0%		26.8%	26.8%	26.9%	26.8%	27.0%
	(3) Downside						(1.5%)		19.3%	19.3%	19.4%	19.3%	19.5%
ASIA/PACIFIC	Revenue	80.5	97.8	113.5	117.1	100.5	155.8	255.5					
	Growth in %		22%	16%	3%	-14%	55%	64%	24.3%	24.7%	26.2%	30.0%	37.4%
	Segment Growth								25.0%	25.0%	25.0%	25.0%	25.0%
	Geography Growth SC Industry								11.6%	11.6%	11.6%	11.6%	11.6%
	Automotive Car Production per Region								7.0%	7.0%	7.0%	7.0%	7.0%
	(1) Adjusted (Base)						1		21.8%	21.8%	21.9%	22.1%	22.5%
	(2) Upside						6.0%		27.8%	27.8%	27.9%	28.1%	28.5%
	(3) Downside						(1.5%)		20.3%	20.3%	20.4%	20.6%	21.0%
Americas	Revenue	16.5	6.5	11.8	10.5	3.9	24.1	31.7					
	Growth in %		-61%	83%	-11%	-63%	521%	32%	83.5%	107.5%	111.6%	132.0%	164.5%
	Company Expectation								25.0%	25.0%	25.0%	25.0%	25.0%
	Geography Growth SC Industry								11.6%	11.6%	11.6%	11.6%	11.6%
	Automotive Car Production per Region								9.7%	9.7%	9.7%	9.7%	9.7%
	(1) Adjusted (Base)						1		25.1%	26.3%	26.5%	27.5%	29.1%
	(2) Upside						6.0%		31.1%	32.3%	32.5%	33.5%	35.1%
	(3) Downside						(1.5%)		23.6%	24.8%	25.0%	26.0%	27.6%
Other countries	Revenue	9.2	14.2	25.1	29.4	21.4	10.0	16.8					
	Growth in %		56%	76%	17%	-27%	-53%	68%	36.3%	26.7%	21.9%	24.3%	25.5%
	Company Expectation								25.0%	25.0%	25.0%	25.0%	25.0%

Geography Growth SC Industry			11.6%	11.6%	11.6%	11.6%	11.6%	
(1) Adjusted (Base)		1	24.3%	21.1%	19.5%	20.3%	20.7%	
(2) Upside	6.0%		30.3%	27.1%	25.5%	26.3%	26.7%	
(3) Downside	(1.5%)		22.8%	19.6%	18.0%	18.8%	19.2%	
Discontinued Operations	Revenue	-	-	-23.7	-21.4	-	-	-

Source: own assumptions

Table 24: Elmos Revenue Forecast per Geography

Elmos Assumptions Revenues per Geography (€m)	Actuals			Projections				
	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Total Revenue	233	322	447	545	664	810	989	1 211
% Growth	(14.9%)	38.5%	38.9%	21.9%	21.9%	21.9%	22.1%	22.5%
Automotive Revenue	198	287	394	480	585	712	870	1 066
% of Sales	85.0%	89.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Other Revenues	35	35	54	65	80	97	119	145
% of Sales	15.0%	11.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Germany	53	58	59	72	87	106	128	155
% Growth	(26.1%)	9.9%	1.8%	21.3%	21.2%	21.3%	21.2%	21.3%
(1) Base				21.3%	21.2%	21.3%	21.2%	21.3%
(2) Upside				27.3%	27.2%	27.3%	27.2%	27.3%
(3) Downside				19.8%	19.7%	19.8%	19.7%	19.8%
Other EU Countries	54	74	84	101	123	148	179	216
% Growth	(18.6%)	37.6%	13.5%	20.8%	20.8%	20.9%	20.8%	21.0%
(1) Base				20.8%	20.8%	20.9%	20.8%	21.0%
(2) Upside				26.8%	26.8%	26.9%	26.8%	27.0%
(3) Downside				19.3%	19.3%	19.4%	19.3%	19.5%
ASIA/PACIFIC	101	156	256	311	379	462	565	691
% Growth	(14.2%)	55.1%	63.9%	21.8%	21.8%	21.9%	22.1%	22.5%
(1) Base				21.8%	21.8%	21.9%	22.1%	22.5%
(2) Upside				27.8%	27.8%	27.9%	28.1%	28.5%
(3) Downside				20.3%	20.3%	20.4%	20.6%	21.0%
Americas	4	24	32	40	50	63	81	104
% Growth	(63.1%)	521.0%	31.8%	25.1%	26.3%	26.5%	27.5%	29.1%
(1) Base				25.1%	26.3%	26.5%	27.5%	29.1%
(2) Upside				31.1%	32.3%	32.5%	33.5%	35.1%
(3) Downside				23.6%	24.8%	25.0%	26.0%	27.6%
Other countries	21	10	17	21	25	30	36	44
% Growth	(26.9%)	(53.4%)	68.1%	24.3%	21.1%	19.5%	20.3%	20.7%
(1) Base				24.3%	21.1%	19.5%	20.3%	20.7%
(2) Upside				30.3%	27.1%	25.5%	26.3%	26.7%
(3) Downside				22.8%	19.6%	18.0%	18.8%	19.2%

Source: own assumptions

Table 25: Elmos P&L

Elmos P&L Case: Base (€m)	Actuals							Projections				
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Revenue	229	250	254	273	233	322	447	545	664	810	989	1 211
Revenue Growth		10%	1%	8%	-15%	38%	39%	22%	22%	22%	22%	23%
COGS	(132)	(140)	(140)	(148)	(140)	(177)	(240)	(292)	(356)	(434)	(530)	(649)
SG&A	(39)	(39)	(37)	(44)	(36)	(36)	(42)	(56)	(68)	(83)	(102)	(125)
Total Other Operating (Expense) / Income	1	2	2	1	2	(0)	2	2	3	4	4	5
Research and Development	(36)	(34)	(31)	(41)	(48)	(49)	(55)	(60)	(64)	(69)	(74)	(80)
Operating income	23.09	39	47	42	10.44	60	112	140	179	227	287	363
Net Interest	(1)	(2)	(1)	(1)	(0)	(1)	(2)	(3)	(3)	(3)	(4)	(4)
Others	1	(3)	(1)	(1)	(2)	1	3	-	-	-	-	-
Unusual Items	(0)	1	0	(12)	0	(0)	(5)	(5)	(5)	(5)	(5)	(5)
EBT incl. Unusual Items	23.12	35	46	29	8.265	59	109	132	171	219	279	354
Taxes	(7)	(11)	(14)	(10)	(2)	(19)	(37)	(45)	(59)	(75)	(96)	(122)
Tax Rate	30%	30%	31%	35%	21%	33%	34.31%	34.31%	34.31%	34.31%	34.31%	34.31%
Discont. Ops.	-	-	4	67	-	-	-	-	-	-	-	-
Minority Int. in Earnings	(0)	0	0	(0)	(0)	(0)	0	0	0	0	0	0
Net Income	16	25	35	86	6	40	71	87	112	144	183	233

Source: own calculations based on Capital IQ and own assumptions

Table 26: Elmos Cash Flow Statement

Elmos Cash Flow Statement Case: Base €m	Actuals							Projections				
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Net Income	16	25	35	86	6	40	71	86	112	143	183	232
(+) Depreciation & Amort.	24	19	20	27	24	25	30	34	44	55	68	84
Change in Acc. Receivable	(6)	(5)	(5)	(3)	14	(2)	(28)	(15)	(18)	(22)	(27)	(34)
Change in Inventories	(1)	(7)	(13)	(10)	(6)	5	(36)	(26)	(31)	(38)	(47)	(58)
Change in Acc. Payable	4	(3)	(4)	(7)	(1)	3	26	10	12	14	18	22
Change in Other Operating Assets	(3)	(1)	1	14	1	(12)	0	1	1	1	1	1
Other Assets Consolidated	1	9	13	(61)	(11)	21	35	35	35	35	35	35
Cash from Ops.	34	38	48	45	27	80	99	126	154	189	231	283
Capital Expenditure	(21)	(36)	(39)	(41)	(18)	(59)	(72)	(93)	(110)	(136)	(165)	(203)
Sales/(Purchase) of Intangibles	(4)	(9)	(13)	(9)	(5)	(10)	(12)	(14)	(17)	(21)	(25)	(30)
Other Investing Activities	(10)	(3)	18	87	(20)	(5)	11	(3)	(3)	(3)	(3)	(3)
Cash from Investing	(35)	(47)	(34)	37	(42)	(74)	(73)	(110)	(130)	(159)	(193)	(236)
Short Term Debt Issued	-	-	-	-	-	25	18	-	-	-	-	-
Long-Term Debt Issued	-	-	-	-	-	-	-	22	22	22	22	22
Total Debt Issued	-	40	-	-	-	25	18	22	22	22	22	22
Short Term Debt Repaid	(0)	(25)	(10)	(0)	-	-	-	-	-	-	-	-
Long-Term Debt Repaid	(0)	-	(0)	(4)	(4)	(4)	(14)	(14)	(14)	(14)	(14)	(14)
Total Debt Repaid	(1)	(25)	(10)	(4)	(4)	(4)	(14)	(14)	(14)	(14)	(14)	(14)
Issuance of Common Stock	2	2	-	-	0	0	-	-	-	-	-	-
Repurchase of Common Stock	-	(10)	(1)	(4)	(27)	(41)	-	-	-	-	-	-
Common Dividends Paid	(7)	(7)	(8)	(10)	(9)	(9)	(11)	(17)	(22)	(28)	(36)	(46)
Total Dividends Paid	(7)	(7)	(8)	(10)	(9)	(9)	(11)	(17)	(22)	(28)	(36)	(46)
Special Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activities	(1)	-	(1)	0	0	-	0	-	-	-	-	-
Cash from Financing	(6)	(0)	(20)	(18)	(39)	(29)	(7)	(10)	(15)	(21)	(29)	(38)
Foreign Exchange Rate Adj.	1	(1)	1	3	(0)	0	0	-	-	-	-	-
Net Change in Cash	(7)	(10)	(6)	64	(55)	(23)	19	6	9	8	10	9

Source: own calculations based on Capital IQ and own assumptions

Table 27: Elmos Balance Sheet & CF Projections

Elmos BS Projections		Projections				
Case: Base (€m)	2022A	2023E	2024E	2025E	2026E	2027E
PPE						
BOY: PPE		198	256	322	403	500
Invest (CAPEX)		93	110	136	165	203
Depreciation	% of PPE + Intangibles	(34)	(44)	(55)	(68)	(84)
EOY: PPE	198	256	322	403	500	618
Cash & Cash Equivalents						
BOY		37	43	52	61	70
Increase/Decrease		6	9	8	10	9
EOY	37	43	52	61	70	79
Long-Term Debt						
BOY		69	76	83	90	98
Issued		21	21	21	21	21
Required Repayments		(14)	(14)	(14)	(14)	(14)
EOY	69	76	83	90	98	105
Retained Earnings						
BOY		325	394	484	599	746
Net Income	71	86	112	143	183	232
Payout Ratio	15.6%	19.6%	19.6%	19.6%	19.6%	19.6%
Payout (Dividends)	(11)	(17)	(22)	(28)	(36)	(46)
EOY	325	394	484	599	746	933
Interest Expenses in %						
Interest Expenses	2,3%	4,6%	4,6%	4,6%	4,6%	4,6%
Average Debt		72	80	87	94	101

Source: own calculations based on Capital IQ and own assumptions

Table 28: Elmos Forecasting Ratios

Elmos Ratios		Actuals			Projections				
Case: Base	Units	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Ratios Income Statement									
COGS as % of revenue	%	60%	55%	54%	54%	54%	54%	54%	54%
SG&A as % of revenue	%	16%	11%	9%	10%	10%	10%	10%	10%
D&A as % of PPE& Intangibles	%	18%	16%	15%	15%	15%	15%	15%	15%
Total Other Operating as % of revenue	%	0%	1%	0%	0%	0%	0%	0%	0%
Ratios Balance Sheet									
DIO (Days Inventory Outstanding)	Days	221	165	178	178	178	178	178	178
DSO (Days Sales Outstanding)	Days	58	45	55	55	55	55	55	55
DPO (Days Payables Outstanding)	Days	24	25	67	67	67	67	67	67
Ratios Cash Flow Statement									
Capital Expenditures (CAPEX) as % of revenue	%	8%	18%	16%	17%	17%	17%	17%	17%

Source: own calculations based on Capital IQ and own assumptions

Table 29: Elmos Balance Sheet Historical & Projections

Elmos Balance Sheet Case: Base (€ m)	Actuals							Projections				
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Assets												
Current Assets												
Cash And Equivalents	43	32	27	95	40	18	37	43	52	61	70	79
Short Term Investments	7	13	14	12	3	5	2	2	2	2	2	2
Accounts Receivable (A/R)	39	44	49	51	37	40	68	83	101	123	150	184
Other Receivables	8	9	13	10	23	13	18	18	18	18	18	18
Notes Receivable	0	0	0	0	0	0	0	0	0	0	0	0
Inventory	59	65	78	79	85	80	117	142	173	211	258	316
Other Current Assets	0	0	0	0	1	2	3	3	3	3	3	3
Total Current Assets	156	164	181	247	188	158	245	292	350	419	503	604
Non-Current Assets												
Property, Plant & Equipment	83	94	116	133	126	159	198	256	322	403	500	618
Long-term Investments	45	41	21	17	45	43	33	32	30	29	27	26
Goodwill	4	4	4	3	3	7	2	2	2	2	2	2
Other Intangibles	10	11	9	7	5	4	4	3	2	2	2	1
Loans Receivable Long-Term	2	1	1	2	2	2	2	2	2	2	2	2
Deferred Tax Assets, LT	2	2	2	0	0	0	0	0	0	0	0	0
Other Long-Term Assets	11	20	34	31	26	45	60	48	39	33	32	36
Total Non-Current Assets	157	173	188	193	207	260	298	342	398	471	565	685
Total Assets	313	337	369	440	395	418	542	634	747	889	1 066	1 287
Liabilities												
Current Liabilities												
Accounts Payable (A/P)	25	23	26	10	9	12	44	54	66	80	98	120
Accrued Exp.	7	8	8	8	9	10	14	18	22	26	30	34
Curr. Port. of LT Debt	25	10	1	0	0	13	3	3	3	3	3	3
Curr. Port. of Leases	-	-	1	4	3	2	2	2	2	2	2	2
Curr. Income Taxes Payable	2	4	8	6	0	0	21	21	21	21	21	21
Other Current Liabilities	9	7	10	20	14	10	13	14	15	16	17	18
Total Current Liabilities	68	52	54	48	36	47	97	112	128	148	170	198
Non-Current Liabilities												
Long-Term Debt	11	41	40	40	40	53	69	76	83	90	98	105
Long-Term Leases	-	-	2	5	2	7	7	7	7	7	7	7
Pension & Other Post-Retire. Benefits	0	0	-	-	0	0	-	-	-	-	-	-
Def. Tax Liability, Non-Curr.	2	3	6	7	7	9	9	9	9	9	9	9
Other Non-Current Liabilities	0	-	-	-	0	1	1	1	1	1	1	1
Total Non-Current Liabilities	13	44	48	52	49	71	85	92	99	106	114	121
Total Liabilities	81	97	102	100	85	118	182	204	228	254	284	318
Equity												
Common Stock	20	20	20	20	20	18	18	18	18	18	18	18
Additional Paid In Capital	92	85	85	82	58	18	19	19	19	19	19	19
Retained Earnings	118	136	162	237	234	264	325	394	484	599	746	933
Treasury Stock	0	0	0	-1	-2	-1	-1	-1	-1	-1	-1	-1
Comprehensive Inc. and Other	0	-2	0	0	0	0	-1	-1	-1	-1	-1	-1
Total Equity	231	240	266	339	310	299	360	429	520	635	783	970
Minority Interest	1	1	1	1	1	1	1	1	1	1	1	1
Total Liabilities and Equity	313	337	369	439	395	418	542	634	747	889	1 066	1 287

Source: own calculations based on Capital IQ and own assumptions

Table 30: Elmos Peer Beta

Elmos Beta Selection (gathered from Refinitiv Eikon)							
Figures in €							
Company Name	Country	Beta 5 year monthly	Total Equity	Total Long-term debt	Effective Tax Rate, (%) (FY0)	Unlevered Beta	Selection
Aixtron SE	GER	0.89	663 112 000	0	4.4%	0.89	Yes
ams Osram AG	AT	2.24	2 826 000 000	2 807 000 000	39.8%	1.40	No
BE Semiconductor	NL	1.69	628 535 000	337 187 000	12.6%	1.15	Yes
Jenoptik AG	GER	1.44	831 951 000	477 729 000	33.5%	1.04	Yes
Melexis NV	BEL	1.26	482 082 820	2 538 900	17.3%	1.25	Yes
NXP Semiconductors	NL	1.53	6 960 345 600	10 432 576 000	15.7%	0.67	Yes
ON Semiconductor Corp	US	1.75	5 782 534 400	2 867 393 280	19.4%	1.25	Yes
Siltronic AG	GER	1.79	1 885 000 000	760 500 000	10.8%	1.32	No
SUESS MicroTec SE	GER	2.02	177 730 000	16 190 000	24.6%	1.89	No
VAT Group AG	CHF	1.83	788 761 367	8 272 533	13.9%	1.81	No
					Low	0.67	
					25th Percentile	1.07	
					Average	1.04	
					Median	1.25	
					75th Percentile	1.38	
					Max	1.89	

Source: own calculations based on Refinitiv Eikon

Table 31: Elmos Working Capital

Elmos Working Capital Case: Base (€m)	Actuals							Projections				
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Current Assets												
Cash and Equivalents	43	32	27	95	40	18	37	43	52	61	70	79
Short Term Investments	7	13	14	12	3	5	2	2	2	2	2	2
Accounts Receivable (A/R)	39	44	49	51	37	40	68	83	101	123	150	184
Other Receivables	8	9	13	10	23	13	18	18	18	18	18	18
Inventory	0	-	-	-	-	-	-	-	-	-	-	-
Other Current Assets	59	65	78	79	85	80	117	142	173	211	258	316
Total Current Assets	0	-	-	-	1	2	3	3	3	3	3	3
	156	164	181	247	188	158	245	291	350	418	501	602
Current Liabilities												
Accounts Payable (A/P)	25	23	26	10	9	12	44	54	66	80	98	120
Short-term Borrowings	7	8	8	8	9	10	14	18	22	26	30	34
Curr. Port. of LT Debt	25	10	1	0	0	13	3	3	3	3	3	3
Curr. Port. of Leases	-	-	1	4	3	2	2	2	2	2	2	2
Curr. Income Taxes	2	4	8	6	0	0	21	21	21	21	21	21
Total Current Liabilities	9	7	10	20	14	10	13	14	15	16	17	18
	68	52	54	48	36	47	97	112	128	148	170	198
Working Capital Components												
Accounts Receivable (A/R)	39	44	49	51	37	40	68	83	101	123	150	184
Other Receivables	8	9	13	10	23	13	18	18	18	18	18	18
Notes Receivable	0	-	-	-	-	-	-	-	-	-	-	-
Inventory	59	65	78	79	85	80	117	142	173	211	258	316
Other Current Assets	0	-	-	-	1	2	3	3	3	3	3	3
Accounts Payable (A/P)	25	23	26	10	9	12	44	54	66	80	98	120
Accrued Expenses	7	8	8	8	9	10	14	18	22	26	30	34
Curr. Income Taxes	2	4	8	6	0	0	21	21	21	21	21	21
Total Working Capital	63	77	88	97	113	103	113	139	171	212	263	328
Change in Net Working Capital		13	11	9	16	(10)	11	26	32	41	51	65

Source: own calculations based on company data and assumptions

Table 32: Elmos DCF (Base Case)

Discounted Cash Flow (Base Case) Mid-Year Convention: No €M	Projection Period				
	2023E	2024E	2025E	2026E	2027E
Revenues	545	664	810	989	1 211
% Growth	21.9%	21.9%	21.9%	22.1%	22.5%
EBITDA	179	228	288	363	457
EBITDA Margin	32.8%	34.3%	35.6%	36.7%	37.7%
Depreciation and Amortization	(39)	(49)	(61)	(76)	(94)
EBIT	140	179	227	287	363
EBIT Margin	25.6%	26.9%	28.0%	29.1%	30.0%
Taxes	(48)	(61)	(78)	(99)	(125)
Tax Rate	34.3%	34.3%	34.3%	34.3%	34.3%
NOPLAT	92	117	149	189	239
(+) Depreciation and Amortization	(39)	(49)	(61)	(76)	(94)
(-) Capital Expenditures (CAPEX)	(93)	(110)	(136)	(165)	(203)
(-) Change in Net Working Capital	26	32	41	51	65
Unlevered Free Cash Flow (uFCF)	12	24	34	49	65
Year Count	1	2	3	4	5
Discount Factor	0.9398	0.8831	0.8299	0.7799	0.7329
Present Value of uFCF	12	21	28	38	48

Source: own calculations based on Capital IQ and own assumptions

Table 33: Elmos CCA

Elmos Comparable Company Analysis (CCA)									
Multiple	EV/ Revenue	EV/ EBITDA	EV/ EBIT	P/E	Implied Share Price €	EV/ Revenue	EV/ EBITDA	EV/ EBIT	P/E
Max	8.8x	22.7x	28.2x	44.9x	Max	227.7	186.6	182.2	187.3
75th Percentile	5.7x	17.2x	19.8x	28.5x	75th Percentile	145.9	141.1	127.6	118.8
Median	3.6x	11.4x	14.3x	18.4x	Median	92.7	92.8	91.6	76.7
Average	4.1x	12.1x	15.4x	20.1x	Average	103.8	98.1	98.1	83.7
(25th Percentile)	1.8x	8.6x	10.5x	14.4x	(25th Percentile)	43.6	69.5	66.3	60.0
Low	0.7x	2.4x	3.6x	-3.6x	Low	15.9	17.9	20.9	-15.1

Source: own calculation, based on Refinitiv Eikon

Table 34: Elmos Peers

Selected Financial Figures about Comparable Companies (in €, gathered from Refinitiv Eikon)									
Figures in EUR									
Company Name	Country	Enterprise Value	EV/ Revenue	EV/ EBITDA	EV/ EBIT	P/E	Selected for EBITDA	Selected for EBIT	
ams Osram AG	AT	3,368,327,672	0.70x	2.43x	9.20x	-3.61x	Yes	Yes	
BE Semiconductor Industries NV	NL	6,364,503,812	8.80x	20.07x	21.64x	31.64x	Yes	Yes	
ASM International NV	NL	11,237,794,336	4.66x	14.92x	17.77x	44.92x	Yes	Yes	
Soitec SA	FR	5,767,438,924	6.69x	19.56x	28.19x	21.68x	Yes	Yes	
Jenoptik AG	GER	2,123,129,564	2.16x	11.43x	18.06x	26.44x	Yes	No	
Melexis NV	BEL	3,324,371,000	3.98x	12.25x	14.34x	17.11x	Yes	Yes	
NXP Semiconductors NV	NL	44,869,377,247	3.64x	9.53x	12.67x	13.85x	Yes	Yes	
ON Semiconductor Corp	US	27,687,986,305	3.56x	8.90x	10.67x	14.93x	Yes	Yes	
Siltronic AG	GER	1,864,600,000	1.03x	2.64x	3.55x	5.00x	Yes	Yes	
SUESS MicroTec SE	GER	0,404,406,812	1.35x	8.37x	10.31x	18.39x	Yes	Yes	
VAT Group AG	CHF	9,406,166,743	8.12x	22.71x	25.18x	30.56x	Yes	Yes	

Source: own calculations based on Refinitiv Eikon

Table 35: Elmos Net Debt

Elmos Net Financial Debt	
<u>Long Term Debt as of Dec-2022</u>	
Long-Term Debt	68.9
Long-Term Leases	6.7
Other Financial Liabilities	0.9
Cash & Cash Equivalents	36.6
Net Financial Debt	39.8
<u>Other Positions</u>	
Pension & Other Post-Retire. Benefits	-
Other Deductible Positions	-
Net Debt	39.8
Net Debt / EBITDA	0.3x

Source: Own calculations

Table 36: Elmos Cost of Capital

Cost of Capital Elmos		
Risk-free rate		2.24%
Unlevered Beta		1.04
Levered Beta		1.204
Market Risk Premium		6.37%
Pre-Tax Cost of Debt		4.56%
Effective Tax Rate		34.31%
Cost of Equity (CAPM)		7.22%
Cost of Debt (after Tax)		3.00%
Capital Structure	Equity eurM	360
	Debt eurM	85
WACC (Constant)		6.41%
Terminal Growth Rate		1.70%

Source: Own calculations

Table 37: Elmos Cost of Debt

Elmos Cost of Debt	
Incremental borrowing rate	
Risk Free Rate	2.24%
Interest Rate	2.32%
Interest Expenses (FY22)	-1.6
LT Debt (FY22)	68.9
Effective Tax Rate	34.31%
Incremental Borrowing Rate	4.56%

Source: Own calculations

Table 38: Elmos Sensitivity Analysis

Elmos Sensitivity Analysis - Case: Base						
Enterprise Value (in €m)			Terminal Growth Rate			
		1,30%	1,50%	1,70%	1,90%	2,10%
WACC	6.01%	1190	1238	1291	1349	1413
	6.21%	1137	1181	1229	1281	1339
	6.41%	1088	1128	1172	1220	1272
	6.71%	1022	1057	1096	1137	1182
	6.91%	982	1015	1050	1088	1129

Price per Share (in €)			Terminal Growth Rate			
		1,30%	1,50%	1,70%	1,90%	2,10%
WACC	6.01%	67.17	69.99	73.07	76.46	80.19
	6.21%	64.08	66.66	69.46	72.52	75.88
	6.41%	61.23	63.58	66.14	68.92	71.96
	6.71%	57.38	59.45	61.69	64.11	66.74
	6.91%	55.03	56.94	59.00	61.22	63.63

Source: Own calculations

Table 39: Merger Assumptions

Assumptions on the acquisition of Elmos SC by Infineon	
Target Share Price (08/05/2023) in €:	in € 68.20
Premium Paid to current share price:	% 30%
Offer Share Price in €:	in € 89.00
Purchase Equity Value:	in €m 1 524
Purchase Enterprise Value:	in €m 1 563
LTM Purchase EV / EBITDA Multiple:	x 10.70x
LTM Purchase EV / Revenue Multiple:	x 10.98x
Minimum Cash Balance:	in €m 1000
Maximum Cash Available for Deal:	in €m 341
Maximum Debt / EBITDA:	x 1.20x
Maximum Debt Available for Deal:	in €m 1321
Debt - Annual Amortization:	% 20%

Source: Own calculations

Table 40: Merger Source & Use of Funds

Source & Use of Funds		
Sources	Units:	in €m
Cash Used (Cash - Minimum Cash Balance)	€m	341
Debt Issued	€m	1 183
Stock Issued	€m	0
Assume Target's Debt	€m	76
Cash for Transaction Fees	€m	46
Total Sources	€m	1 645

Uses	Units:	
Equity Purchase Price of Target	€m	1 524
Assume Target's Debt	€m	76
Transaction Fees	€m	30
Financing Fees	€m	15
Total Uses	€m	1 645

Source: Own calculation and assumptions

Table 41: Goodwill & Write Ups

Goodwill Calculation	in eurM
Equity Purchase Price	1 524
(-) Elmos Book Value	(360)
(+) Write-Off of Existing Goodwill	2
Total Allocable Purchase Premium	1 166
(-) Write-Up of PP&E	(119)
(-) Write-Up of Intangibles	(933)
(-) Write-Down of Deferred Tax Liabilities	(9)
(+) New Deferred Tax Liability	216
Total Goodwill Created	322

Source: own calculation

Table 42: Asset Write Up

Fixed Asset Write-Up	in eurM
PP&E Write-Up %	60%
PP&E Write-Up Amount	119
Depreciation Period (Years)	5

Intangible Asset Write-Up	
Purchase Price to Allocate	1 166
% Allocated to Indefinite-Lived Intangibles	50%
Indefinite-Lived Intangibles	583
% Allocated to Definite-Lived Intangibles	30%
Intangibles Write-Up Amount	350
Amortization Period (Years)	5
New Deferred Tax Liability	216

Source: own calculation

Table 43: Debt Issuance Terms

Debt Type	New Commitment in € M	Base Rate (EURIBOR 3mos)	Spread in bps	All-in-cost
Senior Secured Debt	1 268	3.27%	175	5.02%

Source: Own calculation and assumptions

Table 44: Combined Income Statement Post Merger

Combined Income Statement		Projections				
State: Post-Merger	Units:	2023E	2024E	2025E	2026E	2027E
Automotive (ATV)	€ M	8 178	9 060	10 053	11 176	12 456
	% of Revenue	48%	49%	49%	50%	51%
Industrial Power Control (IPC)	€ M	2 077	2 260	2 460	2 677	2 913
	% of Revenue	12%	12%	12%	12%	12%
Power & Sensor Systems (PSS)	€ M	4 491	4 850	5 238	5 657	6 109
	% of Revenue	27%	26%	26%	25%	25%
Connected Secure Systems (CSS)	€ M	2 074	2 233	2 404	2 588	2 787
	% of Revenue	12%	12%	12%	12%	11%
Other & Adjustments	€ M	89	108	132	164	205
	% of Revenue	1%	1%	1%	1%	1%
(+) Cross-Selling Opportunities	€ M	-	5	12	22	36
(+) Customer Lock-In	€ M	-	5	12	22	36
(+) Elevated Market Power and Market Share	€ M	-	2	4	7	12
(+) Elevated Market Share in the Automotive Sector	€ M	-	3	7	13	21
Total Revenues		16 880	18 458	20 196	22 118	24 247
(-) Costs of Goods Sold:		(9 341)	(10 134)	(10 999)	(11 946)	(12 985)
(-) Additional COGS in relation to Revenue Synergies		-	(8)	(19)	(35)	(57)
(+) COGS Synergies in Raw Material Supply	-	2	5	10	16	21

Segment Operating Income:	€ M	7 539	8 318	9 184	10 147	11 222
(-) SG&A	€ M	(1 711)	(1 869)	(2 018)	(2 210)	(2 433)
Additional SG&A in relation to Revenue Synergies		-	(1)	(4)	(7)	(11)
(-) R&D	€ M	(2 228)	(2 577)	(2 982)	(3 450)	(3 992)
(-) Other Operating Expense / (Income):	€ M	72	78	86	94	103
Additional Other in relation to Revenue Synergies		0	0	0	0	0
(-) Impairment Charges & Other:		-	-	-	-	-
(+) Elimination of Administrative Headcount (SG&A)	€ M	-	0	1	2	3
(-) Amortization of New Intangibles:	€ M	(70)	(70)	(70)	(70)	(70)
(-) Depreciation of PP&E Write-Up:	€ M	(24)	(24)	(24)	(24)	(24)
Consolidated Operating Income:	€ M	3 578	3 856	4 173	4 482	4 799
(+) Interest Income:	€ M	-	-	-	-	-
(+) Interest Expense:	€ M	(204)	(219)	(236)	(248)	(292)
(+) Other Income / (-) Expense:	€ M	-	-	-	-	-
(-) Interest Paid on New Debt Issued:	€ M	(53)	(42)	(30)	(18)	(6)
Net Interest Income / (Expense):	€ M	(258)	(260)	(265)	(266)	(298)
Unusual Items	€ M	(229)	(229)	(229)	(229)	(229)
Pre-Tax Income (EBT)	€ M	3 092	3 366	3 679	3 987	4 272
(-) Income Tax Provision:	€ M	(636)	(693)	(757)	(821)	(879)
Tax Rate	%	21%	21%	21%	21%	21%
Net Income:	€ M	2 456	2 673	2 922	3 167	3 393

Source: Own calculation and assumptions

Table 45: Combined Cash Flow Statement Post Merger

Combined Cash Flow Statement		Projections				
State: Post Merger	Units:	2023E	2024E	2025E	2026E	2027E
Net Income:	€ M	2 456	2 673	2 922	3 167	3 393
(+) Depreciation & Amortization:	€ M	1 780	2 017	2 239	2 504	2 785
(+) Amortization of New Intangibles:	€ M	70	70	70	70	70
(+) Depreciation of PP&E Write-Up:	€ M	24	24	24	24	24
(+/-) Change in Working Capital:	€ M	(169)	(164)	(191)	(204)	(240)
Cash Flow from Operations:	€ M	4 160	4 620	5 064	5 560	6 032
(-) Capital Expenditures:	€ M	(3 093)	(2 796)	(3 260)	(3 649)	(3 856)
(+/-) Sale/(Purchase) of Intangibles	€ M	(319)	(372)	(434)	(507)	(592)
(+/-) Other:	€ M	(16)	(16)	(16)	(16)	(16)
(-) Integration Costs:	€ M	(30)	(18)	(6)	(6)	-
Cash Flow from Investing:	€ M	(3 457)	(3 202)	(3 716)	(4 178)	(4 464)
(+) Debt Issued:	€ M	813	1 011	1 259	1 568	1 955
(-) Debt Repaid:	€ M	(764)	(364)	(1 114)	(1 114)	(364)
(-) Dividends:	€ M	(857)	(935)	(1 028)	(1 140)	(1 200)

(-) New Debt Principal Repayments:	€ M		(237)	(237)	(237)	(237)	(237)
Cash Flow from Financing:	€ M		(1 044)	(525)	(1 119)	(923)	154
Net Change in Cash:	€ M		(341)	894	228	460	1 722
New Debt Balance:	€ M	1 183	946	710	473	237	-
Total Debt Balance:	€ M		5 779	6 190	6 098	6 315	7 670
Total Cash Balance:	€ M	1 384	1 043	1 936	2 164	2 624	4 346

Source: Own calculation and assumptions

Table 46: Combined Metrics & Ratios Post Merger

Combined Key Metrics & Ratios		Projections				
State: Post-Merger	Units:	2023E	2024E	2025E	2026E	2027E
Consolidated Operating Income		3 578	3 856	4 173	4 482	4 799
(+) Depreciation & Amortization		1 780	2 017	2 239	2 504	2 785
(+) Amortization of New Intangibles	€ M	70	70	70	70	70
(+) Depreciation of PP&E Write-Up	€ M	24	24	24	24	24
EBITDA	€ M	5 452	5 966	6 506	7 080	7 678
Beginning Shareholders' Equity	€ M	4 549	6 148	7 886	9 780	11 806
(+) Net Income:	€ M	2 456	2 673	2 922	3 167	3 393
(-) Dividends:	€ M	(857)	(935)	(1 028)	(1 140)	(1 200)
Ending Shareholders' Equity:	€ M	4549	6 148	7 886	9 780	11 806
<i>Revenue Growth:</i>			9.3%	9.4%	9.5%	9.6%
<i>Operating Margin:</i>	%	21.2%	20.9%	20.7%	20.3%	19.8%
<i>EBITDA Margin:</i>	%	32.3%	32.3%	32.2%	32.0%	31.7%
<i>Net Margin:</i>	%	14.5%	14.5%	14.5%	14.3%	14.0%
<i>Effective Tax Rate:</i>	%	20.6%	20.6%	20.6%	20.6%	20.6%
<i>D&A % Revenue:</i>	%	10.5%	10.9%	11.1%	11.3%	11.5%
<i>CapEx % Revenue:</i>	%	18.3%	15.1%	16.1%	16.5%	15.9%
<i>Total Debt / EBITDA:</i>	x	1.1 x	1.0 x	0.9 x	0.9 x	1.0 x
<i>Net Debt / EBITDA:</i>	x	0.9 x	0.7 x	0.6 x	0.5 x	0.4 x
<i>EBITDA / Net Interest Expense:</i>	x	21.2 x	22.9 x	24.5 x	26.6 x	25.8 x

Source: Own calculation and assumptions

Table 47: Combined Balance Sheet Pre-Merger

Combined Balance Sheet pre Takeover	Units:	Actual	Projections				
		2022A	2023E	2024E	2025E	2026E	2027E
Assets							
Current Assets							
Cash And Equivalents	€ M	1 458	1 384	2 511	2 934	3 558	5 399
Short Term Investments	€ M	2 289	2 289	2 289	2 289	2 289	2 289
Accounts Receivable (A/R)	€ M	1 932	2 111	2 309	2 526	2 766	3 031
Other Receivables	€ M	67	67	67	67	67	67
Inventory	€ M	3 356	3 667	3 982	4 327	4 705	5 121
Other Current Assets	€ M	696	696	696	696	696	696
Total Current Assets	€ M	9 798	10 215	11 854	12 839	14 081	16 603
Non-Current Assets							
Property, Plant & Equipment	€ M	6 337	8 182	9 462	10 968	12 595	14 155
Long-term Investments	€ M	131	130	128	127	125	124
Goodwill	€ M	6 479	6 534	6 542	6 559	6 564	6 566
Other Intangibles	€ M	3 176	2 951	2 809	2 744	2 752	2 832
Loans Receivable Long-Term		2	2	2	2	2	2
Deferred Tax Assets, LT	€ M	480	480	480	480	480	480
Other Long-Term Assets	€ M	435	423	414	408	407	411
Total Non-Current Assets	€ M	17 039	18 702	19 837	21 289	22 925	24 569
Total Assets	€ M	26 836	28 916	31 692	34 128	37 006	41 173
Liabilities and Equity							
Current Liabilities							
Accounts Payable (A/P)	€ M	2 081	2 271	2 461	2 668	2 894	3 142
Short-term Borrowings	€ M	14	18	22	26	30	34
Curr. Port. of LT Debt	€ M	755	755	755	755	755	755
Curr. Port. of Leases	€ M	74	84	95	108	122	139
Curr. Income Taxes Payable	€ M	445	445	445	445	445	445
Other Current Liabilities	€ M	1 958	1 959	1 960	1 961	1 962	1 963
Total Current Liabilities	€ M	5 327	5 531	5 738	5 963	6 208	6 477
Non-Current Liabilities							
Long-Term Debt	€ M	4 784	4 833	5 480	5 625	6 079	7 670
Long-Term Leases	€ M	295	378	435	502	574	642
Pension & Other Post-Retire. Benefits	€ M	293	293	293	293	293	293
Def. Tax Liability, Non-Curr.	€ M	338	338	338	338	338	338
Other Non-Current Liabilities	€ M	506	550	599	652	710	772
Total Non-Current Liabilities	€ M	6 215	6 393	7 145	7 410	7 993	9 714
Total Liabilities	€ M	11 542	11 924	12 883	13 372	14 202	16 192
Equity							
Common Stock	€ M	2 630	2 630	2 630	2 630	2 630	2 630
Additional Paid In Capital	€ M	6 620	6 620	6 620	6 620	6 620	6 620
Retained Earnings	€ M	4 549	6 247	8 063	10 010	12 058	14 235
Treasury Stock	€ M	(24)	(24)	(24)	(24)	(24)	(24)
Comprehensive Inc. and Other	€ M	1 519	1 519	1 519	1 519	1 519	1 519
Total Equity	€ M	15 294	16 992	18 808	20 755	22 804	24 981
Minority Interest	€ M	1	1	1	1	1	1
Total Liabilities and Equity	€ M	26 836	28 916	31 692	34 128	37 006	41 173

Source: Own calculation and assumptions

Table 48: Combined Balance Sheet Post Merger

Combined Entity State: Post-Merger	Units:	Buyer	Seller	Adjustments 2023E		
		2023E	2023E	Debit	Credit	Close Date
Assets						
Current Assets						
Cash And Equivalents	€ M	1 341	43		(341)	1 043
Short Term Investments	€ M	2 287	2			2 289
Accounts Receivable (A/R)	€ M	2 029	83			2 111
Other Receivables	€ M	49	18			67
Inventory	€ M	3 525	142			3 667
Other Current Assets	€ M	693	3			696
Total Current Assets	€ M	9 923	291			9 873
Non-Current Assets						

Property, Plant & Equipment	€ M	7 926	256		(24)	8 158
Long-term Investments	€ M	98	32			130
Goodwill	€ M	6 532	2	322	(2)	6 854
Other Intangibles	€ M	2 948	3	933	(70)	3 814
Loans Receivable Long-Term	€ M		2			2
Deferred Tax Assets, LT	€ M	480	0			480
Other Long-Term Assets	€ M	375	48			423
Total Non-Current Assets	€ M	18 359	342			19 861
Total Assets	€ M	28 283	634			29 734
Liabilities and Equity						
Current Liabilities						
Accounts Payable (A/P)	€ M	2 217	54			2 271
Short-term Borrowings	€ M	-	18	(18)		-
Curr. Port. of LT Debt	€ M	752	3			755
Curr. Port. of Leases	€ M	82	2			84
Curr. Income Taxes Payable	€ M	424	21			445
Other Current Liabilities	€ M	1 945	14			1 959
Total Current Liabilities	€ M	5 420	112			5 513
Non-Current Liabilities						
Long-Term Debt	€ M	4 757	76			4 833
New Transaction Debt	€ M	-	-	(237)	1 183	946
Long-Term Leases	€ M	372	7			379
Pension & Other Post-Retire. Benefits	€ M	293	-			293
Def. Tax Liability, Non-Curr.	€ M	329	9		216	554
Other Non-Current Liabilities	€ M	550	1			550
Total Non-Current Liabilities	€ M	6 300	92			7 556
Total Liabilities	€ M	11 720	204			13 069
Equity						
Common Stock	€ M	2 612	18	(329)		2 300
Additional Paid In Capital	€ M	6 601	19			6 620
Retained Earnings	€ M	5 853	394			6 247
Treasury Stock	€ M	(23)	(1)			(24)
Comprehensive Inc. and Other	€ M	1 520	(1)			1 519
Total Equity	€ M	16 563	429			16 663
Minority Interest	€ M		1	1		1
Total Liabilities and Equity	€ M	28 283	634			29 734

Source: Own calculation and assumption

Table 49: Combined Discount Rate

Combined Discount Rate			
	Infineon	Elmos	Combined
EV Standalone (Base Case)	36 877	1 172	38 049
Risk-Free Rate	2.24%	2.24%	2.24%
Risk Premium	6.37%	6.37%	6.37%
Beta	1.44	1.20	1.4346
Tax Rate			20.58%
Debt/Capital Ratio	21.4%	19.1%	21.3%
Cost of Equity	8.2%	7.2%	8.2%
Cost of Debt (After tax)	3.4%	3.0%	3.4%
WACC	7.16%	6.41%	7.15%

Source: Own calculation and assumptions

Table 50: Synergy Assumptions

Combined Entity - Synergy Valuation	
Assumptions	
Integration Costs % Purchase Eq. Value:	4%
Total Integration Costs:	61
Acquirer's WACC:	7.26%
After-Tax Synergy Long-Term Growth:	1.70%
Tax-Rate	20.6%

Source: Own calculation and assumptions

Table 51: NPV Other Costs

NPV Other Costs eurM	2023E	2024E	2025E	2026E
Transaction & Financing Fees	46			
Integration Costs	30	18	6	6
Total Gross Costs	76	18	6	6
Discount Rate				7.14%
NPV Transaction & Integration Costs				97

Source: Own calculation and assumptions

Table 52: Synergy relative assumptions

Synergies Elmos Semiconductor SE		Projections				
		2023E	2024E	2025E	2026E	2027E
Revenue Synergies	in %					
	Phase-in % per year	0%	25%	50%	75%	100%
Cross-Selling Opportunities	3.00%	0.00%	0.75%	1.50%	2.25%	3.00%
Customer Lock-In	3.00%	0.00%	0.75%	1.50%	2.25%	3.00%
Elevated Market Power and Market Share	1.00%	0.00%	0.25%	0.50%	0.75%	1.00%
Elevated Market Share in the Automotive Sector	2.00%	0.00%	0.50%	1.00%	1.50%	2.00%
Total Revenue Synergies		0.00%	2.25%	4.50%	6.75%	9.00%
Cost Synergies	in %					
	Phase-in % per year	0%	25%	50%	75%	100%
Elimination of Administrative Headcount (SG&A)	2.50%	0.00%	0.63%	1.25%	1.88%	2.50%
COGS Synergies in Raw Material Supply	2.50%	0.00%	0.63%	1.25%	1.88%	2.50%
Total Cost Synergies		0.00%	1.25%	2.50%	3.75%	5.00%

Source: Own calculation and assumptions

Table 53: Elmos Synergy Valuation

Synergy Valuation Elmos Semiconductor SE		Projections				
Revenue Synergies		2023E	2024E	2025E	2026E	2027E
Cross-Selling Opportunities	€ M	-	5	12	22	36
Customer Lock-In	€ M	-	5	12	22	36
Elevated Market Power & Share	€ M	-	2	4	7	12
Elevated Market Share Automotive	€ M	-	3	7	13	21
Additional Revenue	€ M	-	15	35	65	106
Additional COGS from Synergies	€ M	-	(7.8)	(19.0)	(34.8)	(56.9)
Additional SG&A from Synergies	€ M	-	(1.5)	(3.7)	(6.7)	(10.9)
Additional Other from Synergies	€ M	-	0.1	0.2	0.3	0.5
Additional Costs from Synergies	€ M	-	(9.2)	(22.5)	(41.2)	(67.3)
Cost Synergies						
Elimination Headcount SG&A	€ M	-	0.4	1.0	1.9	3.1
COGS Synergies	€ M	-	2.2	5.4	9.9	16.2
Phase-in in %						
Additional Operating Income	€ M	-	8.0	19.4	35.6	58.1
After Tax Cash Flow from Synergies	€ M	-	6.3	15.4	28.3	46.2
Discount Rate		0.933	0.871	0.813	0.759	0.708
Present Value of Cash Flows	€ M	-	5.5	12.5	21.4	32.7
Sum of PV of CF's	€ M					72.2
Terminal Value of Synergies	€ M					862.6
Present Value of Terminal Synergies	€ M					610.9
Present Value of Synergies	€ M					683.1

Source: own calculation and estimation

Table 54: Accretion/Dilution

Accretion/Dilution Analysis		Projections				
Combined Entity		2023E	2024E	2025E	2026E	2027E
Acquirer - Standalone EPS in EUR:	€/ Share	1.90	2.03	2.17	2.31	2.41
Earnings Per Share (EPS):	€/ Share	1.89	2.1	2.2	2.4	2.6
Accretion / (Dilution) - €:	€/ Share	-0.01	0.03	0.07	0.12	0.19
Accretion / (Dilution) - %:	%	-0.5%	1.3%	3.2%	5.3%	7.9%
Pro-Forma Earnings Per Share (EPS):	€/ Share	1.9426	2.7	2.9	3.1	3.4
Pro-Forma Accretion / (Dilution) - €:	€/ Share	0.05	0.63	0.72	0.83	0.94
Pro-Forma Accretion / (Dilution) - %:	%	2.5%	31.1%	33.2%	35.7%	38.8%

Source: own calculation