

# Annual General Meeting

M A Y 1 6 , 2 0 2 3

**mer**sen

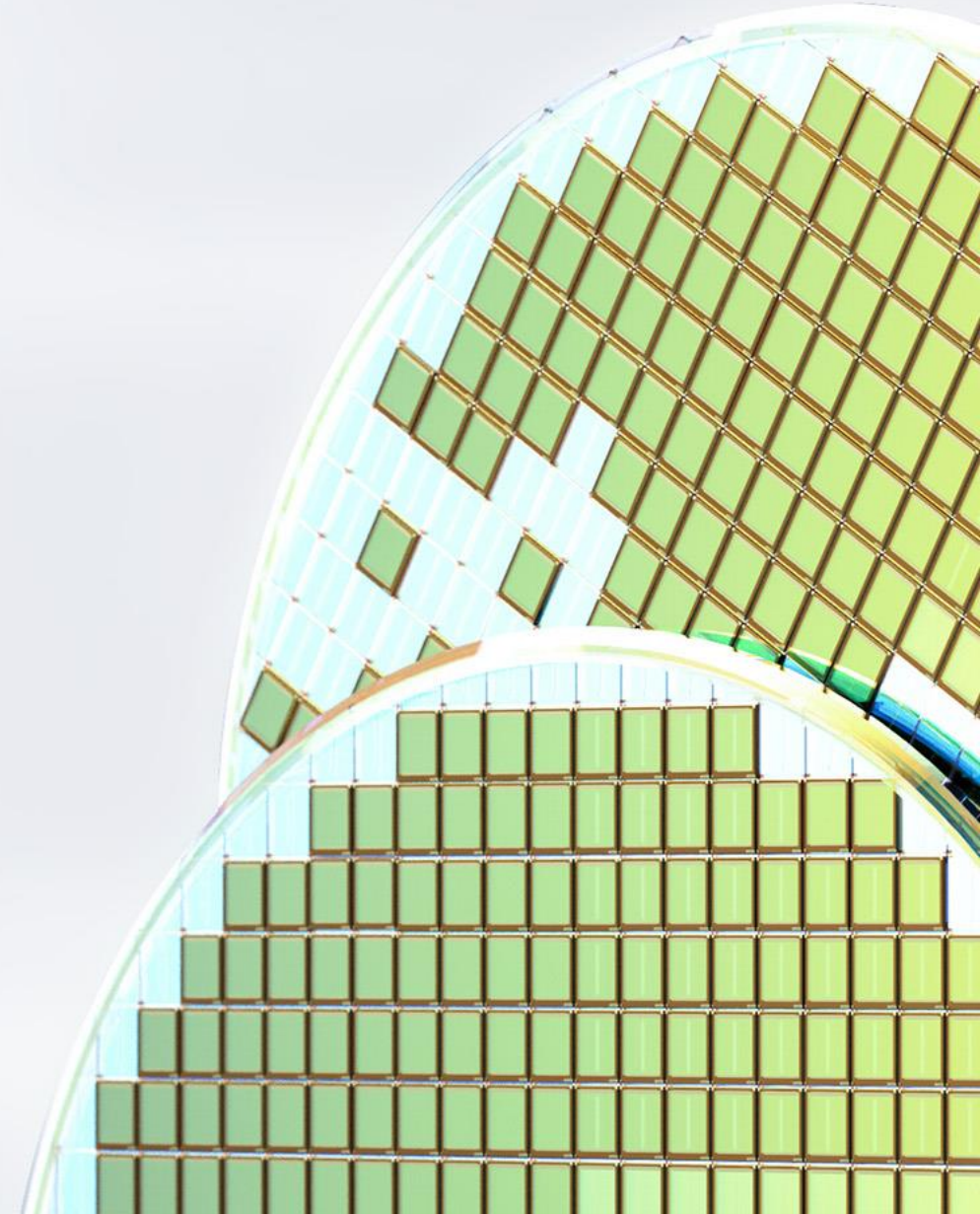


# Agenda

- **Introduction**
- **Management report and 2022 results**
- **2023 outlook**
- **2027 mid-term plan**
- **Capital Increase**
- **Report by the statutory Auditors**
- **Corporate Governance report**
- **Answers to shareholder's questions**
- **Vote of resolutions**

# 2022 RESULTS

THOMAS BAUMGARTNER, CFO



# Dynamic growth in all markets, particularly **semiconductors, electric vehicles and solar**



## Chemicals

+



## Process industries

++



## Transportation

Rail

Aeronautics

EV

+  
++  
+++



## Energies

Solar

Wind

+++  
++

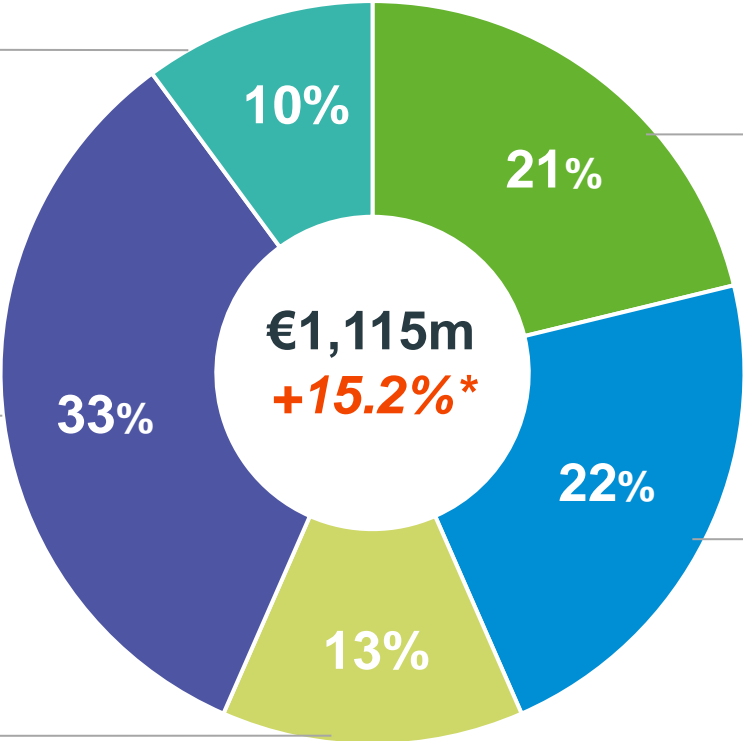


## Electronics

SiC semiconductors

Si semiconductors

+++  
++



\* Organic growth - 2022 vs 2021

Organic growth – 2022 vs. 2021

+++ >+20%  
++ +15%; +20%  
+ +10%

# Strong growth in profitability

(€m)	2021	2022	
<b>EBITDA before non-recurring items</b>	<b>148.8</b>	<b>186.4</b>	<b>+25%</b>
<i>Recurring EBITDA margin</i>	16.1%	16.7%	
<b>Depreciation and amortization</b>	<b>(56.2)</b>	<b>(64.8)</b>	
<b>Operating income before non-recurring items</b>	<b>92.6</b>	<b>121.6</b>	<b>+31%</b>
<i>Operating margin before non-recurring items</i>	10.0%	10.9%	

- Increase in depreciation and amortization due to the major investment program since 2018

# Strong pricing power and ability to pass on inflation

		(% points)
<b>2021 operating margin before non-recurring items</b>		<b>10.0%</b>
Volume/mix effect		+3.1
<b>Price effect</b>		<b>+3.7</b>
<b>Raw material/energy inflation</b>		<b>-2.3</b>
<b>Productivity gains</b>	<b>+0.1</b>	<b>+0.9</b>
<b>Wage inflation</b>		<b>-2.2</b>
Columbia start-up, EV team		-1.4
Depreciation and amortization		-0.5
Other (including currency effect)		-0.4
<b>2022 operating margin before non-recurring items</b>		<b>10.9%</b>

High-tech customized products with limited cost versus total cost

Operational excellence, purchasing optimization

+5% on average over the year

# Net income up by a sharp 27%

(€m)	2021	2022
<b>Operating income before non-recurring items</b>	<b>92.6</b>	<b>121.6</b>
Non-recurring income and expenses	(4.9)	(11.4)
Net financial expense	(10.7)	(12.9)
Income tax	(18.6)	(23.0)
<b>Net income</b>	<b>58.4</b>	<b>74.3</b>
Attributable to Mersen shareholders	54.4	67.7

- Non-recurring income and expenses: mainly non-cash ACE goodwill impairment (chemicals market) due to the increase in WACC to 8.3%
- Effective tax rate of 24% (21% excluding the impact of goodwill impairment)

# Operating cash flow impacted by a higher working capital requirement

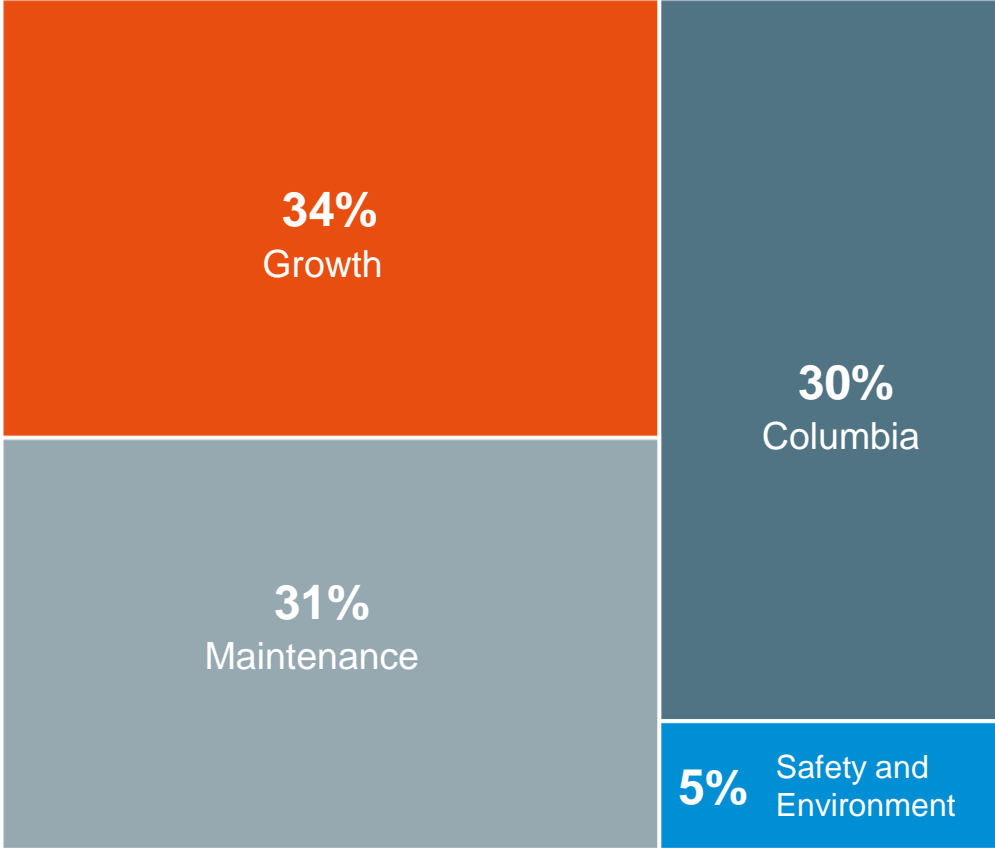
(€m)	2021	2022
<b>Operating cash flow before change in WCR</b>	<b>138.4</b>	<b>180.8</b>
Change in WCR	(5.9)	(63.2)
<i>o/w change in inventories</i>	(24.7)	(69.7)
Income tax paid	(15.7)	(12.1)
<b>Operating cash flow</b>	<b>116.8</b>	<b>105.5</b>

- Rise in inventories due to demand, industrial projects (Columbia) and increased buffer inventory
- WCR ratio: 20.7% (vs 19.4% in 2021)
- Income tax paid down sharply, as the Group benefited from accelerated tax depreciation in the United States linked to investments made at its Columbia site.



# Key investments in 2022

€97m



South Korea plant

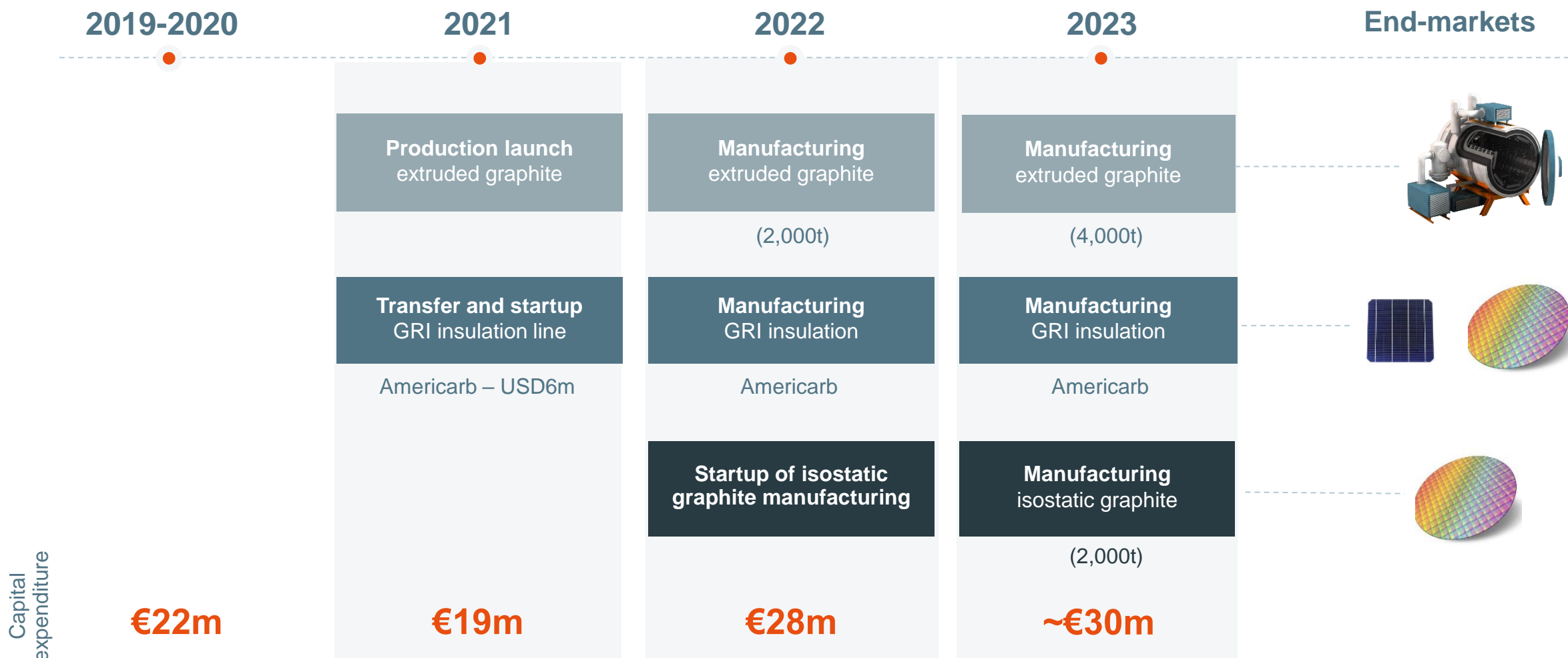


New Thermal Treatment project in Amiens



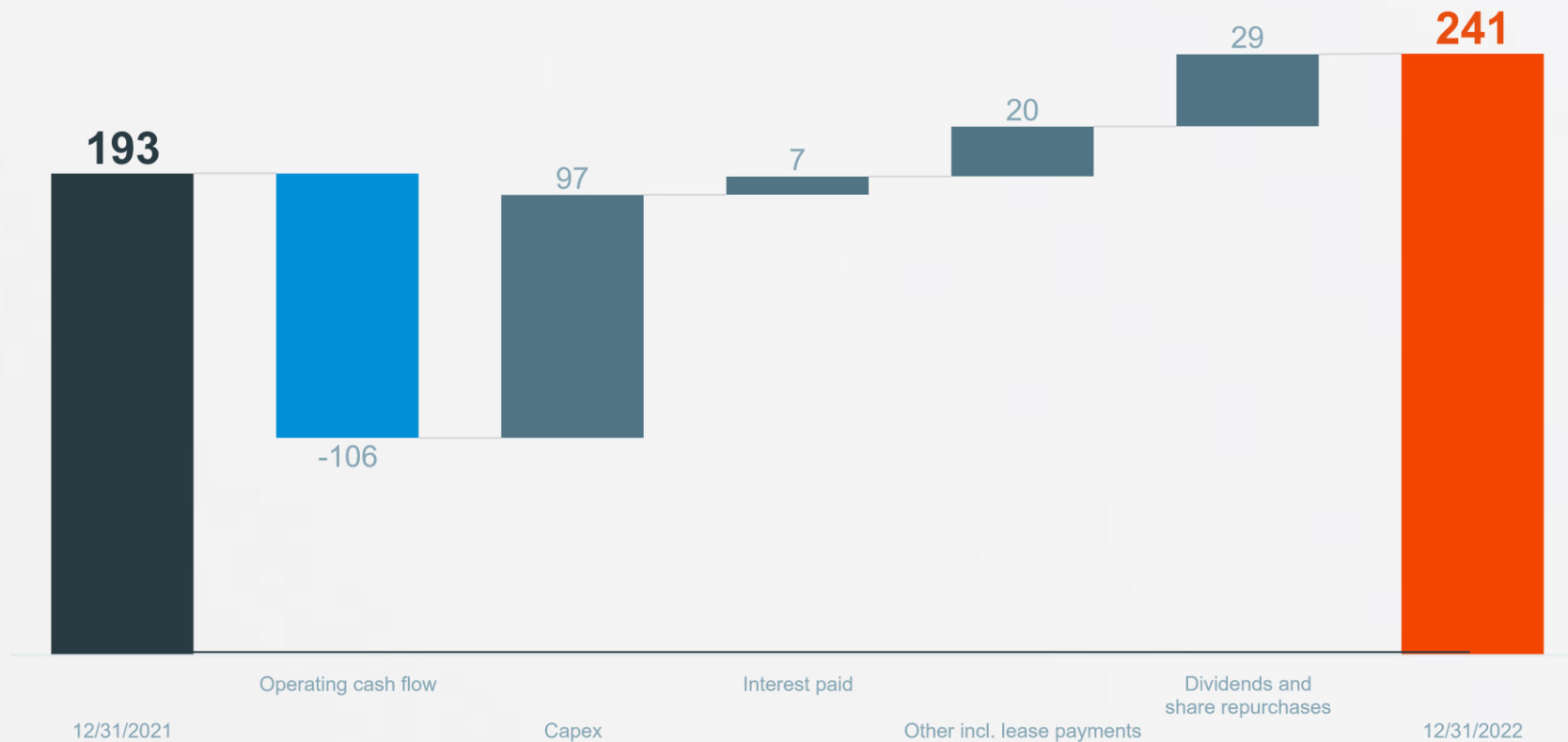
Columbia plant (USA)

# Columbia, a strategic plant for our markets, especially SiC semiconductors



# Solid, well-controlled leverage

Net debt (€m)



**Leverage: 1.36x**  
(1.42x in 2021)

Does not include lease liabilities

**€55m**

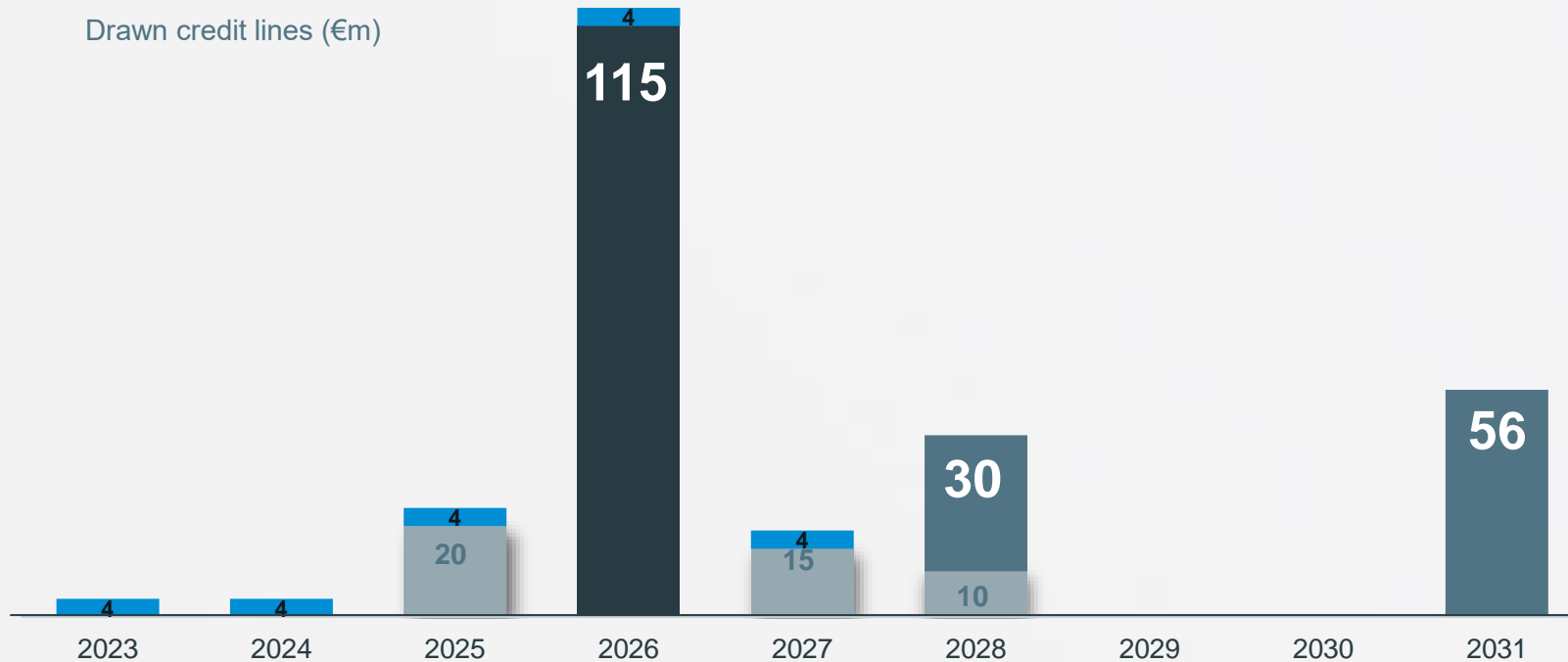
(vs. €53m at Dec. 31, 2021)

and pension obligations

**€39m**

(vs. €49m at Dec. 31, 2021)

# No significant refinancing before 2026



\* Calculated based on the use of committed credit lines.  
NEU MTN: Negotiable European Medium-Term Note

● USPP ● Schuldschein ● NEU MTN ● BPI

## UNDRAWN COMMITTED CREDIT LINES

(€m) DECEMBER 31, 2022

**~€265m**

**~€60m**

Available cash

**Maturity**

**~5 years\***

**Fixed rate**

**~66% of gross debt**

# Corporate social responsibility in all areas

## Roadmap

### Responsible partner:

ensure responsible purchasing, by obtaining a self-assessment of our suppliers and then monitoring improvement plans

**100%** of CSR self-assessments completed

### Limiting our environmental impact:

reduce CO<sub>2</sub> emissions intensity, recycle waste, reduce water consumption

**-38%** GHG emissions intensity vs. 2018

### Developing human capital:

promote equal opportunity, diversity, a social responsibility policy for all and well-being and safety at work

**25.3%** of women engineers and managers

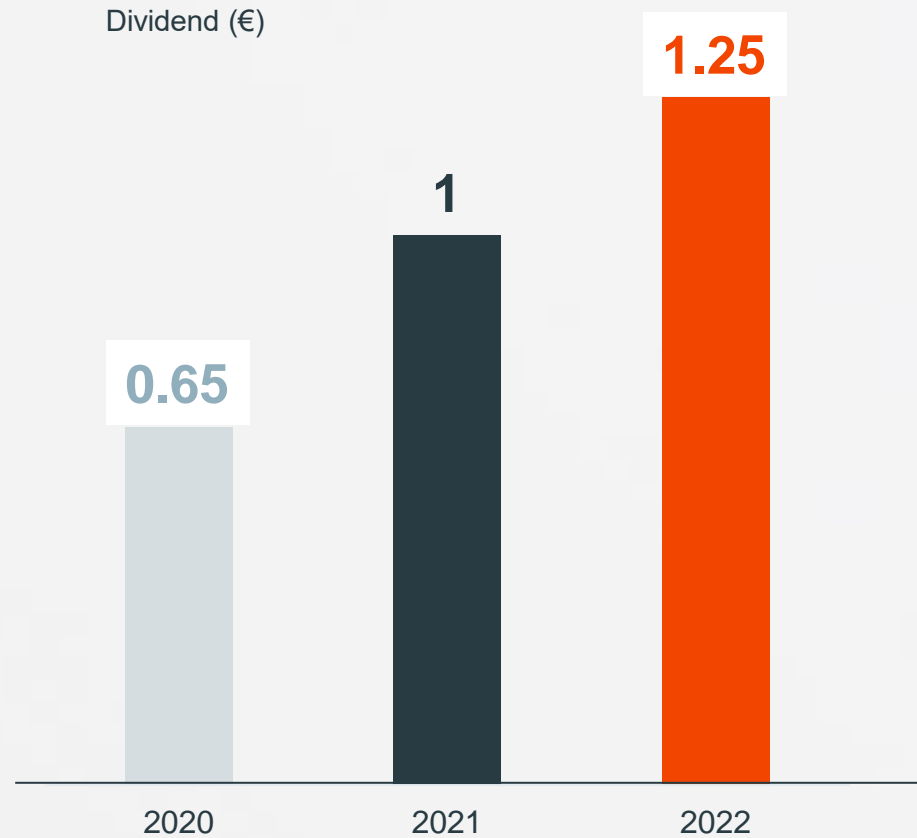
### Promoting an ethics and compliance culture:

develop training in ethics and cybersecurity

**>90%** targeted employees trained

**91% of employees proud to work at Mersen (2022 survey)**

# 25% increase in shareholder return



**Payout\* 33%**

In line with the Group's dividend policy (30% to 40% payout)

\* Dividend per share / Attributable net income adjusted for goodwill impairment

# 2023 objectives



## SALES

Organic growth  
of between  
**5% and 10%**



## OPERATING MARGIN BEFORE NON-RECURRING ITEMS

Between  
**10.5% and 11%**  
of sales



## CAPITAL EXPENDITURE

Between  
**€150m and €200m**

- Strong growth in SiC semiconductors market
- Voluntarily moderate growth in the solar market
- Growth in the EV market
- Growth in process industries linked to the economic environment

- Wage and energy inflation partially offset by price increases
- Additional resources for EV
- Increase in depreciation and amortization

- As part of the 2027 medium-term plan:
  - Columbia (USA)
  - Automated workshop in St Bonnet (France),
  - New equipment for the SiC market (France, USA)

# Q1 2023 sales: 18%- growth



- 1 **Europe**  
+16% vs Q1 2022
- 2 **North America**  
+32% vs Q1 2022
- 3 **South America / Africa**  
+7% vs Q1 2022
- 4 **Asia-Pacific**  
+6% vs Q1 2022



**€302m**  
**+18.3%**  
*Organic Growth*

*Organic growth (in % of sales)*

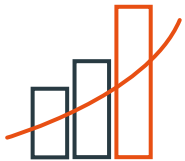




# A NEW DIMENSION

LUC THEMELIN

# Why “a new dimension”?



## 2022

good results thanks to  
judicious strategic  
choices



**56%** of sales  
generated in  
sustainable  
development markets

Sharp acceleration in  
**4 buoyant markets\***  
representing **27% of  
2022 sales**

\* Renewable energies, Si and SiC semiconductors, EVs



**Ahead of  
plan** on our  
2022-2025  
roadmap



**New  
objectives for  
2027**

# Mersen is ideally positioned to capture growth in the EV market, both upstream and downstream

## MATERIALS EXPERTISE

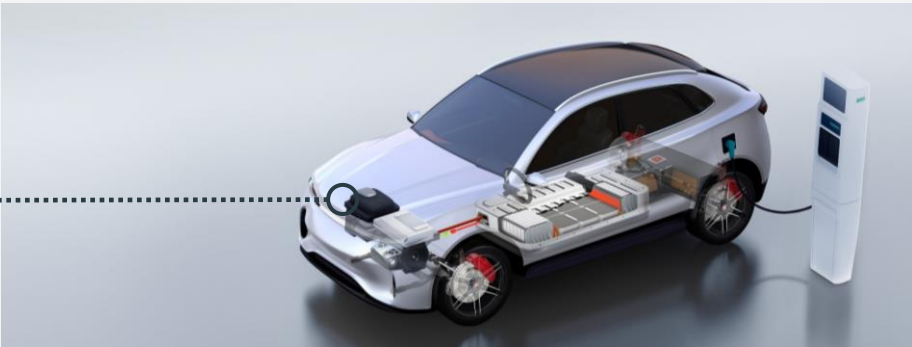


SiC wafer



SiC power semiconductors

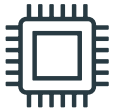
## ELECTRICAL EXPERTISE



Electric vehicles



# Mersen's unique position in the complex manufacturing process for SiC – PVT process

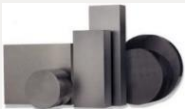


2022 sales  
**€52m**

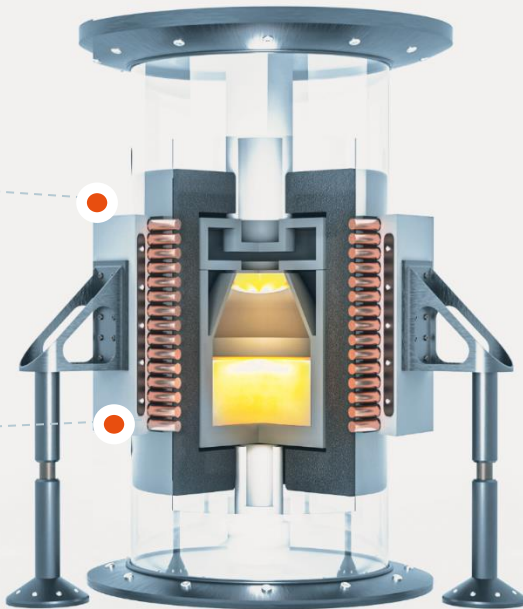
SILICON INGOT SUBLIMATION



**INSULATION FELT**  
(flexible or rigid)



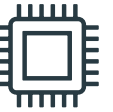
**PURIFIED ISOSTATIC**  
(crucibles, guides, etc.)



POWER SEMICONDUCTORS



# A major contract with Wolfspeed to accelerate the energy transition



Leader in SiC technologies, a longstanding partner of Mersen



Major investments in progress (USA, Germany)



Agreements with EV players: BorgWarner, ZF, Mercedes Benz, Jaguar Land Rover ...

Sales potential over 5 years

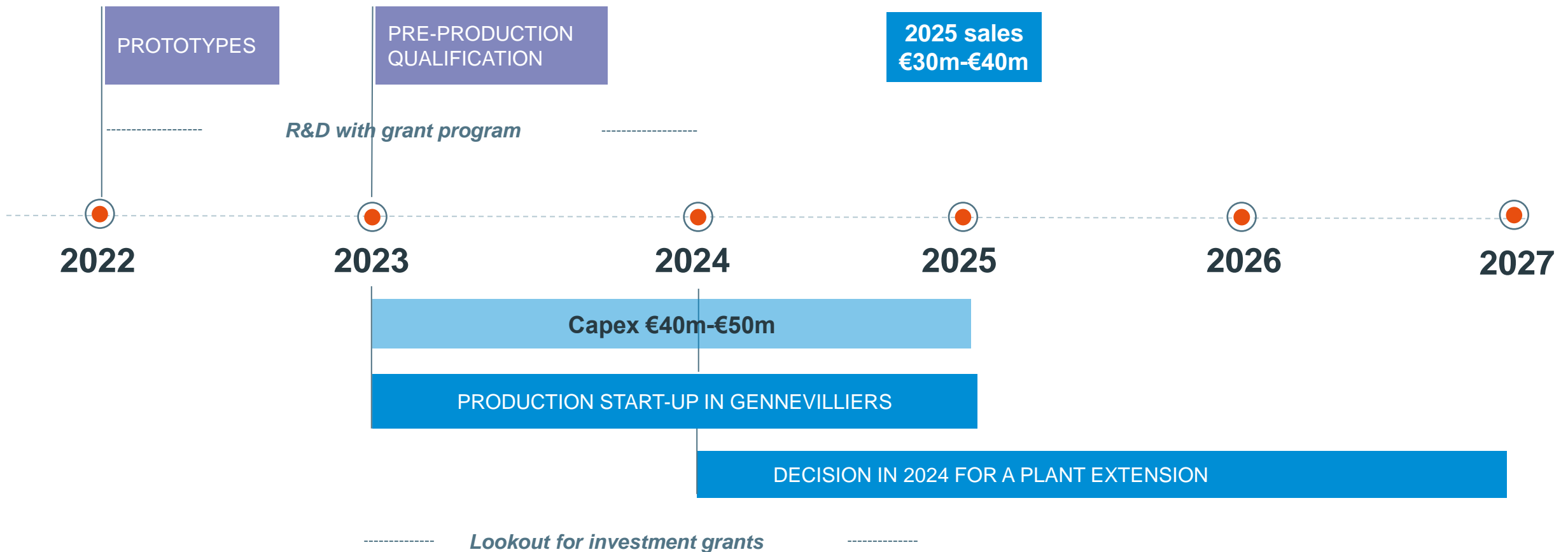
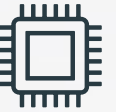
**USD400m**

Capital expenditure (2023-2025)

**USD120m**

Creation of **200 jobs** mainly in the United States

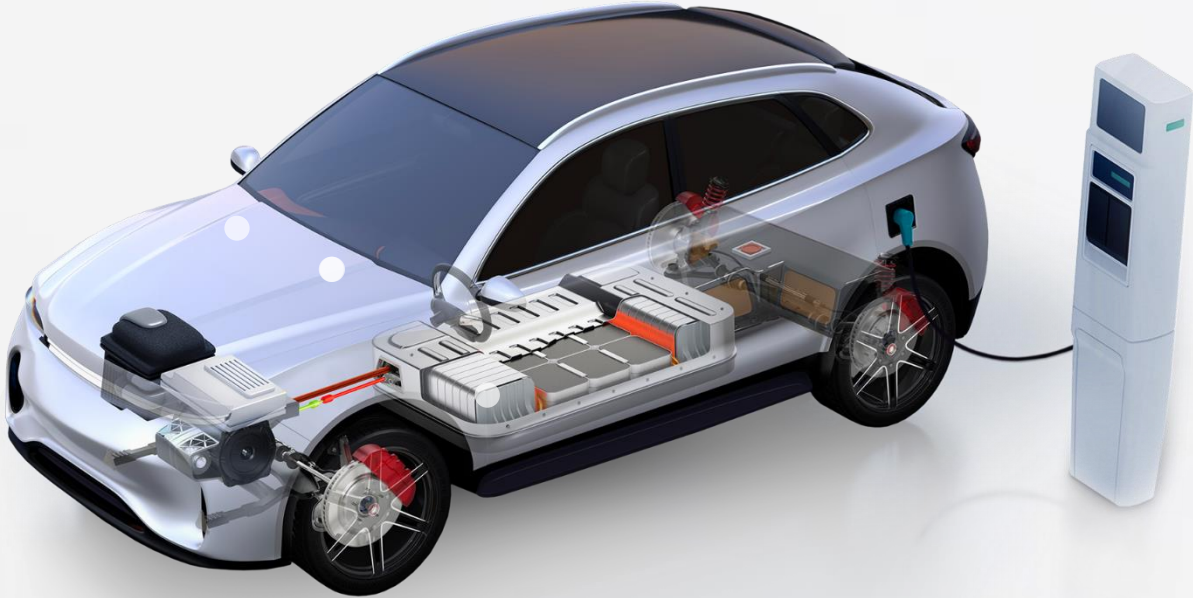
# Partnership with Soitec: another technology serving the SiC power semiconductor market



# Mersen's electric vehicle offering



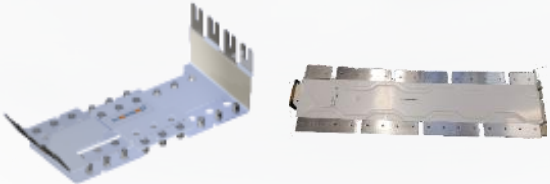
Mersen sales potential per car  
**€15-€300**



Mersen 2022 sales  
**€20m**

## 2 PRODUCT LINES

Busbars



Fuses



# ACC contract: first major contract with a battery manufacturer



Location of the future Gigafactory in Douvrain (France)



Smart laminated busbars for ACC modules

Sales potential over 7 years

**€200m**

Investments for a dedicated workshop in St Bonnet (France) 2023-2024

**€15m-€20m**



# Two other growth markets

## Silicon semiconductors

Investments ongoing (e.g., TSMC, Samsung, Intel, SMIC, SKhynix)

Mersen positioned on the most sophisticated stages of the manufacturing process (ALD, Ion implant)



2022 sales

**€60m**

## Solar

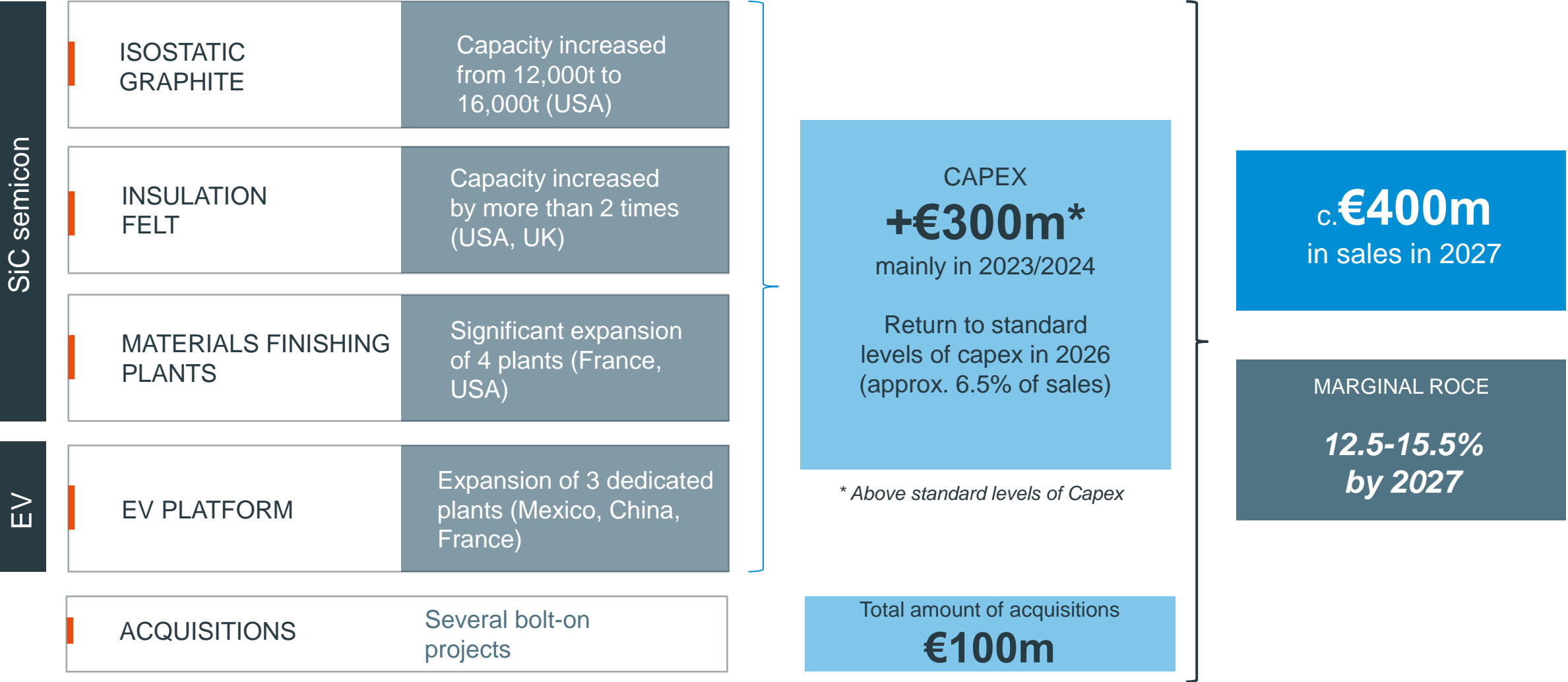
Voluntarily limited production capacity in China  
*Ongoing:* recently announced investments in the United States and India



2022 sales

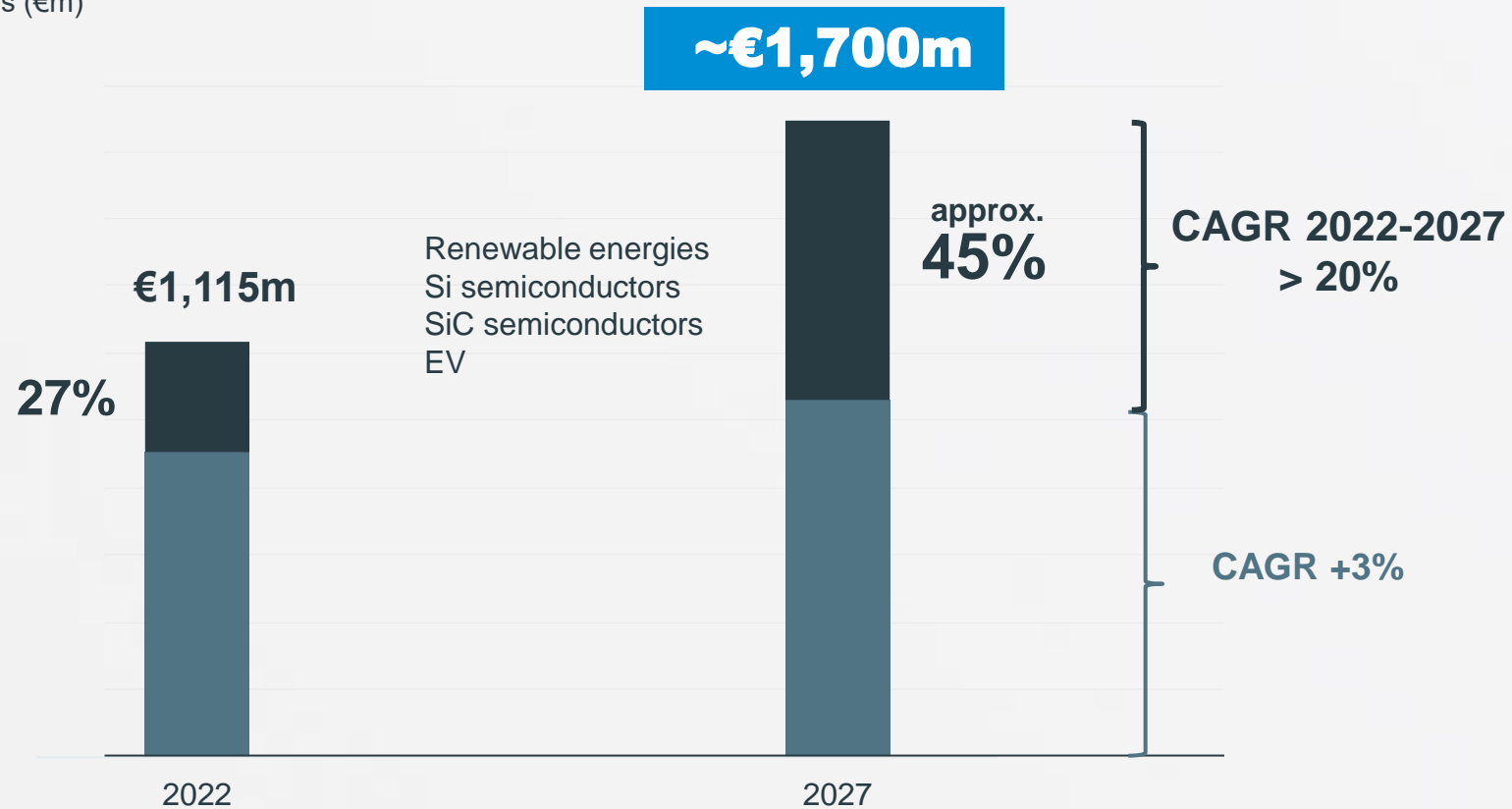
**€101m**

# An investment plan to support this strong growth



# 2027: a new dimension

Sales (€m)



By 2027

OPERATING MARGIN BEFORE  
NON-RECURRING ITEMS

**12% ±50pts**

RECURRING EBITDA MARGIN

**19% ±50pts**

ROCE

**13% ±50pts**

# A new dimension

## A **controlled** acceleration...

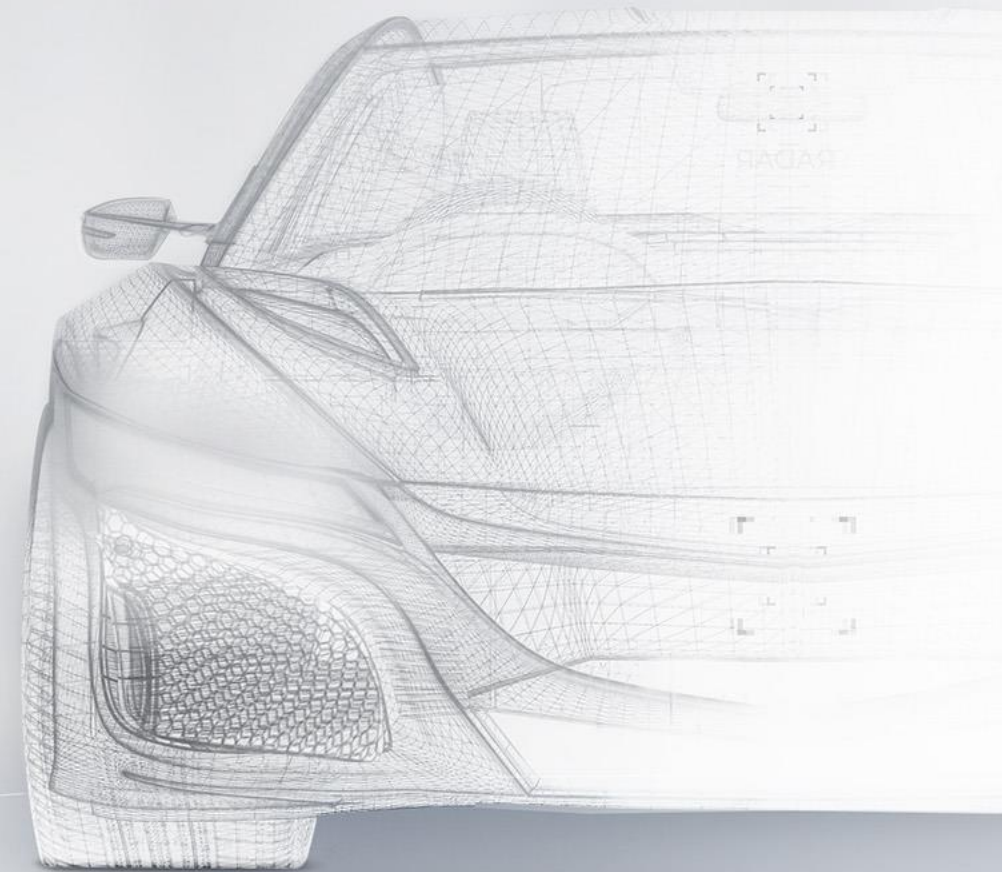
**+ In high tech segments**

**+ To serve energy  
transition markets**

**... by drawing on the Group's strengths:**  
international presence, leadership, expertise, close  
relationships with customers

# CAPITAL INCREASE

THOMAS BAUMGARTNER



# Capital increase of approx. € 100 million



IMPLEMENTING THE NEW 2027 ROADMAP...



...WHILE MAINTAINING FINANCIAL AND STRATEGIC FLEXIBILITY



ASSOCIATE ALL SHAREHOLDERS TO THIS NEW DIMENSION



**Capital increase with preferential subscription rights for existing shareholders of approx. €100million, supported by Bpifrance Participations, a strategic shareholder of Mersen.**

# Success of the capital increase

Offer Size	<ul style="list-style-type: none"><li>Capital increase of c.€100 million with preferential rights for shareholders</li><li><b>3,573,408 new shares</b> (ie 17.1% of capital)</li></ul>
Subscription price	<ul style="list-style-type: none"><li><b>€28.0</b> per new share</li><li>Representing 25.11% discount to TERP (based on a share price of €39.0 – ie. the reference share as of April 14th, 2023)</li></ul>
Subscription commitment	<ul style="list-style-type: none"><li>Bpifrance Participations committed to subscribe 100% of its rights (c.10.8% of capital)</li></ul>
Total demand	<ul style="list-style-type: none"><li>€202.6 million, ie an oversubscription rate of 2.0x</li></ul>
Subscription on an irreducible basis	<ul style="list-style-type: none"><li>3,356,088 new shares subscribed on an irreducible basis ie c. <b>93.92%</b> of new shares to be issued</li></ul>
Subscription on a reducible basis	<ul style="list-style-type: none"><li>217,320 new shares (coefficient of 0.032 calculated according to the number of rights submitted)</li></ul>

# REPORT BY THE AUDITORS

PIERRE BOURGEOIS  
ERNST&YOUNG AUDIT

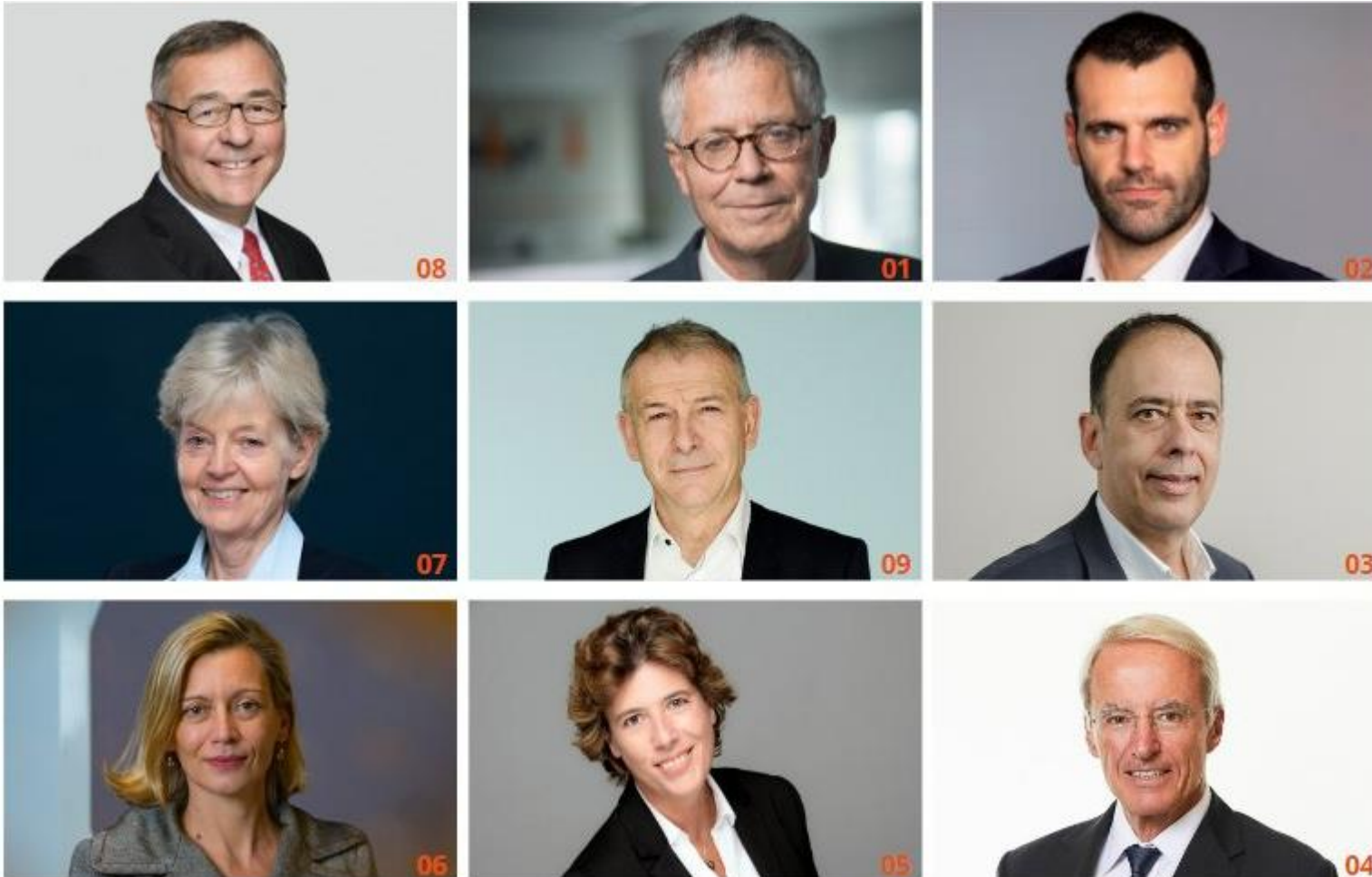




# CORPORATE GOVERNANCE REPORT

OLIVIER LEGRAIN

# Board members



- 1 - Olivier Legrain (independent)
- 2 – Emmanuel Blot
- 3 - Pierre Creusy (rep. Salariés)
- 4 - Michel Crochon (independent)
- 5 - Carolle Foissaud (independent)
- 6 - Magali Joëssel
- 7 - Ulrike Steinhorst (independent)
- 8 - Denis Thiery (independent)
- 9 – Luc Themelin

# Gouvernance : Replacement of a director

The term of office of **Mrs Ulrike Steinhorst** is due to expire

**Election** of a new director.

## **Mrs Emmanuelle Picard, 48 y, independent member**

Currently Executive Vice President Building Materials AHLSTROM

Emmanuelle Picard has more than 20 years of industry experience with international responsibility, gained in strategy, marketing and executive management positions. In particular, she spent nearly 15 years with the Saint-Gobain group, where her positions included Managing Director of the Abrasive Wheel Reinforcement business and then of Saint-Gobain Adfors Industrial Fabrics Europe. She was also Managing Director, Performance Additives, for the EMEA region at Imerys.

No other directorships in listed companies



# Compensation for 2022

Luc Themelin, CEO	2022	Comments
Fixed compensation	500,000	
Annual variable compensation	660,000	100% of max on operating margin before non recurring items 50% of max on cash-flow 100% of max on EBITDA 90% objectives on non-financial criteria
Performance shares	306,306	Correspond to 12,600 performance shares
Incentives	20,568	
Benefits in kind	33,510	

Olivier Legrain, Chairman of the Board	2022	Comments
Fixed compensation	120,000	
Directors' compensation	36,827	Mostly based on attendance in committees and the Board of Directors

# Proposed compensation policy for 2023

## CEO

- Fixed remuneration (€500,000), unchanged vs 2022
- Annual variable compensation unchanged vs 2022
- Multi-annual variable compensation: performance bonus shares

## Chairman of the Board

- Fixed remuneration (€120,000), unchanged vs 2022

## Members of the Board

- Maximum ceiling (€305,000) unchanged vs 2022

# Work performed by the board of Directors in 2022

## Strategy

Strategic plans, budget, acquisitions  
Main markets, in particular EV and SiC semicon  
Columbia plant (United States)

## CSR policy

CSR performance and road-map  
GHG emissions

9 meetings in 2022  
Attendance 100%

**Financial results:** approval of accounts, guidance

## Governance :

Succession plans  
Assessment of the independency of the directors

**Remuneration :** corporate officers and LTI

**AGM:** resolutions

# Main work performed by the audit & accounts committee in 2022

**Results:** review of the accounts and the process

**Universal Registration Document**

**Accounting and regulatory changes**

**Risk mapping** (including environment, compliance et cybersecurity)

**Financing:** approval of the refinancing of a syndicated loan

**Internal Control:** review and approval of audit programs

**Auditors** : independency and fees

Other topics such as European taxonomy, pensions, taxation and cash

6 meetings in 2022  
Attendance 100%

# Main work performed by the appointments and remuneration committee in 2022

## Compensation

Compensation 2022 et proposals for 2023

## Governance

Appointment of a consulting firm to evaluate the work of the Board of Directors, review of directors' skills

Review of Board and Committee attendance rates, Board composition

Review of the Corporate Governance Report

Succession plan for the Chief Executive Officer and members of the Executive Committee

Assessment of the independence of directors

Selection of a director to replace Ulrike Steinhorst

Evaluation of the implementation of the policy of increasing the number of women in management bodies

4 meetings in 2022  
Attendance 100%

## Preparation of the General Meeting



# Attribution of shares

## 3 plans proposed for 3 types of beneficiaries

1. Executives (including CEO) – 86,100 shares for 14 beneficiaries
2. Managers – 100,800 shares for approximately 200 beneficiaries
3. Experts & Talents – 12,000 shares for approximately 50 beneficiaries

## Common principle

- Duration: 3 years
- Presence criteria

## Performance criteria on 3 years for plans 1 and 2

- Executives: stock market criteria (1/3), financial criteria (1/3) and CSR criteria (1/3)
- Managers: financial criteria (2/3) and CSR criteria (1/3)

## Performance criteria Executive Plan\*

### Share price

0% if lower than the SBF120 evolution  
100% if above or equal to 7 points above the SBF120

### Financial

ROCE: lower limit 10%  
ROCPA\*\* : lower limit €5.02 (ROCPA 2022 €5.88 restated to reflect the number of shares following the capital increase announced on April 18)  
Upper limits disclosed ex-post

### CSR

3 independent and quantifiable criteria:  
Percentage of women engineers and managers  
Percentage of waste recycled  
CO<sub>2</sub> emissions intensity

\* Detailed presentation in the convening brochure pages 28 to 30

\*\* Operating income before non-recurring items per share

# Q&A SESSION



# VOTE OF THE RESOLUTIONS

