

ELES Spa presents its three-year Plan

The Board of Directors has approved the Industrial Plan 2020-2022

Todi (PG), 27th November 2019 - ELES Spa, innovative PMI listed in the AIM market and supplier of semiconductor test device supplier (IC Integrated Circuits) with Automotive and Mission Critical applications, conveys that the Board of Directors composed of independent directors, under the presidency of Antonio Zaffarami, has approved the Plan 2020-2022 by a majority, being presented by Eles CEO, Francesca Zaffarami.

- **NET SALES REVENUE** EXPECTED EQUAL TO 24,2 MILLION EURO BY 2020 (+39,8% COMPARED TO 2019) AND TO 42,2 MILLION EURO BY 2022, WITH A **CAGR 19-22 AMOUNTING TO 34,6%**
- **EBITDA** EXPECTED EQUAL TO 4,8 MILLION EURO BY 2020 (+57% COMPARED TO 2019) AND TO 13,0 MILLION BY 2022, WITH A **CAGR 19-22 AMOUNTING TO 63,1%**
- **EBITDA MARGIN** EXPECTED EQUAL TO 19,7% BY 2020 (+2,3%pp COMPARED TO 2019) AND TO 30,9% BY 2022
- **EBIT MARGIN** EXPECTED EQUAL TO 11,6% BY 2020 (+5,1%pp COMPARED TO 2019) AND 24,5% BY 2022
- **NET PROFIT** EXPECTED AT EURO 1.6 MILLION IN 2020 (+ 279.8% COMPARED TO 2019) AND 7.1 MILLION IN 2022
- **TOTAL INVESTMENTS** OF 11,4 MILLION EURO EXPECTED, OF WHICH 7,2 MILLION IN R&D

On the basis of the results achieved in 2019, the new Industrial Plan 2020-2022 presents significant elements of strategic and technological development, leading ELES to pursue its plan to enter into new markets and new business, besides the historical ones.

FORECAST 2019

The year 2019 has been characterized by situations of uncertainty at the macroeconomic level and worldwide, mainly caused by the customs duties war between the USA and China, strongly impacting the automotive/aerospace/defense semiconductors sector.

The worldwide Burn-In Test Equipment market has recorded a decrease of 64%; but, thanks to the proposal of an innovative test approach (TDBI: Test During Burn-In), the R.E.T.E. methodology (Reliability Embedded Test Engineering) and the counter-cyclical offer, Eles will be able to minimize revenue decrease in semiconductor business (Core Business) by only 12%.

Revenue in business ECU (Automotive, Aerospace and Defense) are expected to decline by 67% in 2019 due to the significant contraction in the Automotive market, especially in Europe.

For this reason, even though being confronted with a contraction in the concerned sector, the Company foresees closing its activity for the year 2019 with net sales revenue amounting to 17,3 million Euro and to maintain its margin levels, estimated as positive EBITDA equal to 3,0 million Euro (EBITDA margin equal to 17,4%), EBIT equal to 1,1 million Euro (EBIT margin equal to 6,5%) and net result amounting to 0,4 million Euro (2,3% of net revenue).

Such result is even more positive considering that the Company has been strengthening its organizational structure. Among the new recruits, 4 managers have been hired, with a cost impact of approximately 400 thousand Euro. The benefits of which are not yet reflected in current results.

The net financial position is estimated to amount to 1,3 million Euro (PFN/EBITDA equal to 0,45), and whose improvement, compared with 2018, is due to the liquidity obtained during its listing process into the Italian Stock Exchange Market "AIM Italia", market for the SME, as net listing costs incurred.

Antonio Zaffarami, President of ELES, has stated: "Even if in 2019 the automotive semiconductor marked slowdown, due to the so called customs duties war and the "diesel-gate" that have generated a situation of global macroeconomic uncertainty, slowing down investments decisions, we have continued to invest in the ELES offer development, a pillar of our industrial growth plan. The growth forecasts of our market segments anyway remain important, because they are supported by global trend in AI (artificial Intelligent), electrification and self driving cars that will transform the automotive sector".

INDUSTRIAL PLAN 2020-2022 HIGHLIGHT IN TERMS OF ECONOMICS AND FINANCE

A recovery of the relevant sector is estimated from 2020 and, in line with the market trends expected as follows:

Euro .000	2019FCT	2020BDG	2021BP	2022BP	CAGR 19-22
Net sales revenues	17.310	24.197	32.832	42.226	34,6%
<i>Var % yoy</i>	-21,9%	39,8%	35,7%	28,6%	-
EBITDA	3.006	4.770	8.224	13.031	63.1%
<i>EBITDA margin %</i>	17,4%	19,7%	25,0%	30,9%	-
EBIT	1.117	2.810	5.854	10.358	110,1%
<i>EBITDA margin %</i>	6,5%	11,6%	17,8%	24,5%	-
PFN	1.341	1.298	-968	-7.363	-
<i>PFN/EBITDA</i>	0,45x	0,27x	-	-	-

HIGHLIGHT IN TERMS OF STRATEGY AND INDUSTRY

Strategic guide lines at the basis of the development Plan 2020-2022

1. Product innovations

The main three product innovations developed by ELES R&D team:

- a) First of all, the **R.E.T.E. approach (Reliability Embedded Test Engineering)**, according to which ELES is committed to assisting its clients from the IC (*Integrated Circuit*) design phase to fine tune the best test approach, the offer of products and services and supporting the continuous improvement of ICs reliability, targeting the “Zero Defects” goal, currently quantified as <0,1ppm – parts per million).
- b) Secondly, looking at the continuous improvement reliability requirements, ELES has introduced, an innovative **High Power Liquid Cooling LTC (Local Temperature Control)** solution, based on liquid cooling (under patent) and solutions for **System Level Test During Burn-In** able to drive the Zero Defects target from 0,1 ppm to 10 ppb – parts per billion, reducing by a further factor of 10 vs the market standard.
- c) Its third innovation consists in reproducing the test approach and its offering for Semiconductors also for modules **ECU (Electronic Control Unit)**.

Looking at the future, ELES has introduced a further product innovation: **Adaptive DfT Tester for Total Test** allowing to ATE systems substitution and enter some sectors like the Consumer one, where ELES is not still present. Improvements related to such innovations are not included in the Plan.

2. Acquired clients consolidation

During the implementation of the Plan, ELES aims at increasing its sales for its already acquired clients, in particular, **for the most important players in the market**, and becoming their reference supplier.

3. Market ECU (Electronic Central Unit) penetration

ELES strengthens its position in the ECU market, which despite the contraction recorded in 2019 related to the Automotive sector, is expected to grow strongly thanks to the introduction of EVs (Electrical Vehicles) and autonomous driving that will transform the Automotive sector. The growth in turnover resulting from ECU sales, from Euro 1.3 million in 2019 to Euro 8.0 million in 2022, with CAGR 19-22 equal to 82.2%, is mainly driven by sales to new customers in the Automotive and Aerospace.

4. Acquisition of new customers

ELES plans to acquire new customers both in the Semiconductors business and in the ECU and to consolidate sales to them from year to year with the aim of representing a strategic supplier for these customers.

5. Entering new geographic areas

In the course of 2020-2022, the Plan foresees ELES to develop in **the Unites States**, with a CAGR 20-22 equal to 67,1% thanks to the strengthening of relations with the main players in the USA market and a sales increase in **Asia**, with a CAGR 20-22 equal to 49,6%, by its entering into new geographic areas like the Chinese one. The Company has signed a **trade agreement** with the

Chinese Company XCET. ELES has been laying the groundwork for a future development into other geographic areas like India. Prudently, such developments have not been included in the Plan.

6. Strengthening of the organizational structure

In 2020 it is foreseen the inclusion in the organization of some figures to reinforce the sectors related to R&D and Commercial. In particular, a Chief Technical Officer who will support the Company in relations with the centers that develop DFT libraries to be integrated into the design of the semiconductors, for the continuous development of the RETE and TDBI offer and therefore of the **Strategic Technological Leadership** of the Company; as well as the coordination of the R&D structure of the Company. Important assumptions will be made in the Commercial area to support the international development plan. 4 resources will also be included to strengthen the subsidiary ELES Asia Ltd in order to ensure greater presence in Asian markets.

We will then proceed with the hiring of:

1 CTO

4 Sales for Business Development

6 Staff Resources

4 Resources for ELES Asia Ltd

HC	2019 FCT	2020 BDG	2021 BP	2022 BP
Indirect Personnel	45	49	58	60

7. Efficiency of procurement and production processes

ELES plans to reduce the impact on sales of **material and direct personnel costs** during the Plan period. The firsts decreased mainly due to the expansion of the qualified European supplier base, to the continuous improvement of products and to the reduction of assembly costs, since it is planned to purchase a part of components from China as early as 2020. Direct personnel costs will decrease especially thanks to the optimization of production lots, as well as to a **partial outsourcing of production in China**. This would also guarantee an improvement in the contribution margin, equal to 1.8% in 2021 and 3.2% in 2022.

M&A transactions (prudentially not included in the Plan)

With the aim of accelerating the acquisition of new customers, ELES plans to take merger and acquisition operations in the United States where it began the negotiation phase with some Companies, operating in the market of Burn-In test for semiconductors, whose portfolio of customers is complementary to that of ELES. The transactions would consist of acquisitions of majority stakes. With the aim of expanding its strategic technological leadership, after having



inserted a dedicated internal resource, expert of DfT (Design for Testability), the Company aims to start the scouting of Companies that develop DfT to support the design of semiconductors.

Francesca Zaffarami, ELES CEO, said: "Our commitment to innovating processes and being close to our customers, listening to them and assisting them in the search for performance and in containing production costs is total and has always been in the DNA of ELES. I take this opportunity to thank all those who have shared our strategic vision, giving us the needed resources to consolidate the positioning of ELES and the realization of its potential on the global market ".

ASSIGNMENT WARRANT ELES Spa 2019-2024

Please note that all holders of ELES Spa ordinary shares on January 13th 2020 will receive n. 1 Warrant every n. 2 ordinary shares held. The warrants will be assigned free of charge to the entitled parties and will be identified with the ISIN code IT0005374258. The "ELES Spa 2019-2024 Warrants" grant the right to subscribe ELES shares, in the windows provided for in the relevant Regulation, in the ratio of 1 Conversion Share for each 2 Warrants held, at a price per Conversion Share (the "Exercise Price ") Equal to Euro 2.00 in the year 2020 increased by 2.5% on an annual basis.

Appointment with investors to illustrate the 2020-2022 Business Plan

The Company will present the 2020-2022 Plan to the market today at 18.00 in Milan at the Hotel Bulgari Milan

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Eles S.p.A. (Eles), founded in 1988, designs and manufactures semiconductor test solutions (SOC, MEMS and Memories). Eles produces universal machines (so-called test system) and the related assistance services for reliability tests, having developed a co-engineering process aimed at guaranteeing a microelectronic product, so-called "ZERO DEFECTS". Furthermore, the company is active in the so-called test application providing its customers with the applications necessary to proceed with the various test solutions that can be performed by the machines produced, as well as a series of services related to the processing of data acquired during the activities and test phases. Eles counts among its customers multinational companies producing semiconductors and manufacturers of electronic modules for the automotive sector and the I&D sector. The Eles strategy provides for an internal growth program by entering new markets, a customer diversification and an ongoing solution improvement for its already acquired clients. It also provides for an external growth program through functional acquisitions leading to a faster business development in foreign countries.