Wolfspeed FY24 Q2 Earnings

Wolfspeed JANUARY 31, 2024

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FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES

Note on Forward-Looking Statements

This presentation contains forward-looking statements involving risks and uncertainties, both known and unknown, that may cause Wolfspeed's actual results to differ materially from those indicated in the forward-looking statements. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about our plans to grow the business, our ability to achieve our targets for the second quarter of fiscal 2024 and periods beyond, our ability to meet targeted utilization rates at the Mohawk Valley Fab, and our market growth. Actual results could differ materially due to a number of factors, including but not limited to, ongoing uncertainty in global economic and geopolitical conditions, such as the ongoing military conflict between Russia and Ukraine and ongoing conflicts in the Middle East, infrastructure development or customer or industrial demand that could negatively affect product demand, including as a result of an economic slowdown or recession, collectability of receivables and other related matters as consumers and businesses may defer purchases or payments, or default on payments; risks associated with our expansion plans, including design and construction delays and cost overruns, timing and amount of government incentives actually received, issues in installing and qualifying new equipment and ramping production, poor production process yields and quality control, and potential increases to our restructuring costs; the risk that we do not meet our production commitments to those customers who provide us with capacity reservation deposits or similar payments; the risk that we may experience production difficulties that preclude us from shipping sufficient quantities to meet customer orders or that result in higher production costs, lower yields and lower margins; our ability to lower costs; the risk that our results will suffer if we are unable to balance fluctuations in customer demand and capacity, including bringing on additional capacity on a timely basis to meet customer demand; the risk that longer manufacturing lead times may cause customers to fulfill their orders with a competitor's products instead; product mix; risks associated with the ramp-up of production of our new products, and our entry into new business channels different from those in which we have historically operated; our ability to convert customer design-ins to design-wins and sales of significant volume, and, if customer design-in activity does result in such sales, when such sales will ultimately occur and what the amount of such sales will be; the risk that the markets for our products will not develop as we expect, including the adoption of our products by electric vehicle manufacturers and the overall adoption of electrical vehicles; the risk that the economic and political uncertainty caused by the tariffs imposed by the United States on Chinese goods, and corresponding Chinese tariffs and currency devaluation in response, may negatively impact demand for our products; the risk that we or our channel partners are not able to develop and expand customer bases and accurately anticipate demand from end customers, which can result in increased inventory and reduced orders as we experience wide fluctuations in supply and demand; risks related to international sales and purchases; risks resulting from the concentration of our business among few customers, including the risk that customers may reduce or cancel orders or fail to honor purchase commitments; the risk that our investments may experience periods of significant market value and interest rate volatility causing us to recognize fair value losses on our investment; the risk posed by managing an increasingly complex supply chain (including managing the impacts of ongoing supply constraints in the semiconductor industry and meeting purchase commitments under take-or-pay arrangements with certain suppliers) that has the ability to supply a sufficient quantity of raw materials, subsystems and finished products with the required specifications and quality; risks relating to the COVID-19 pandemic or future outbreaks of infectious diseases or similar public health events, including the risk of disruptions to our operations, supply chain, including our contract manufacturers, or customer demand; the risk we may be required to record a significant charge to earnings if our remaining goodwill or amortizable assets become impaired; risks relating to confidential information theft or misuse, including through cyber-attacks or cyber intrusion; our ability to complete development and commercialization of products under development; the rapid development of new technology and competing products that may impair demand or render our products obsolete; the potential lack of customer acceptance for our products; risks associated with ongoing litigation; the risk that customers do not maintain their favorable perception of our brand and products, resulting in lower demand for our products; the risk that our products fail to perform or fail to meet customer requirements or expectations, resulting in significant additional costs; risks associated with strategic transactions; and other factors discussed in our filings with the Securities and Exchange Commission (SEC), including our report on Form 10-K for the fiscal year ended June 25, 2023, and subsequent reports filed with the SEC.

These forward-looking statements represent Wolfspeed's judgment as of the date of this presentation. Except as required under the U.S. federal securities laws and the rules and regulations of the SEC, Wolfspeed disclaims any intent or obligation to update any forward-looking statements after the date of this presentation, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

Note on Non-GAAP Measures

This presentation includes certain non-GAAP financial measures and targets. Wolfspeed's management evaluates results and makes operating decisions using both GAAP and non-GAAP measures included in this presentation. Non-GAAP measures exclude certain costs, charges and expenses which are included in GAAP measures. By including these non-GAAP measures, management intends to provide investors with additional information to further analyze the Company's performance, core results and underlying trends. Non-GAAP measures are not prepared in accordance with GAAP and non-GAAP measures should be considered a supplement to, and not a substitute for, financial measures prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliations of non-GAAP financial measures to their most directly comparable GAAP measures attached to this presentation. Please see the Appendix at the end of this presentation.

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WOLFSPEED AT A GLANCE

With the sale of the RF business, Wolfspeed is now the world's only pure-play, vertically integrated silicon carbide company

$208 million FY24 Q2 revenue

The JP: the world's largest and only 200mm materials facility

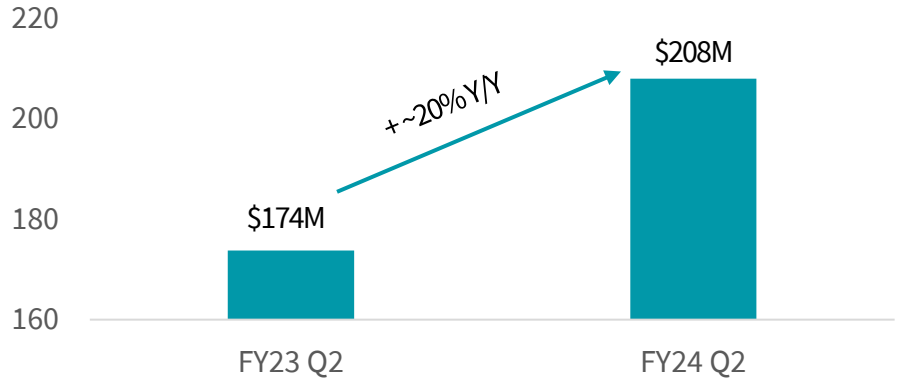
$6.5 billion in planned capacity investments for materials & fab

$2.1 billion Power Device Design-In Awards in FY24 Q2

Mohawk Valley Fab: The world's first 200 mm silicon carbide fab

Experienced team led by semiconductor and silicon carbide experts

Wolfspeed Revenue[1] ($M)



By the Numbers

#1

Producer of silicon carbide substrates

>60%

Wolfspeed makes more than 60% of the world's silicon carbide today

>90%

Wolfspeed has manufactured >90% of the silicon carbide ever produced

1st

First commercially available fully qualified silicon carbide MOSFET

35+ years

Wolfspeed has been vertically integrated making silicon carbide semiconductors

7+ trillion

Silicon carbide device field hours

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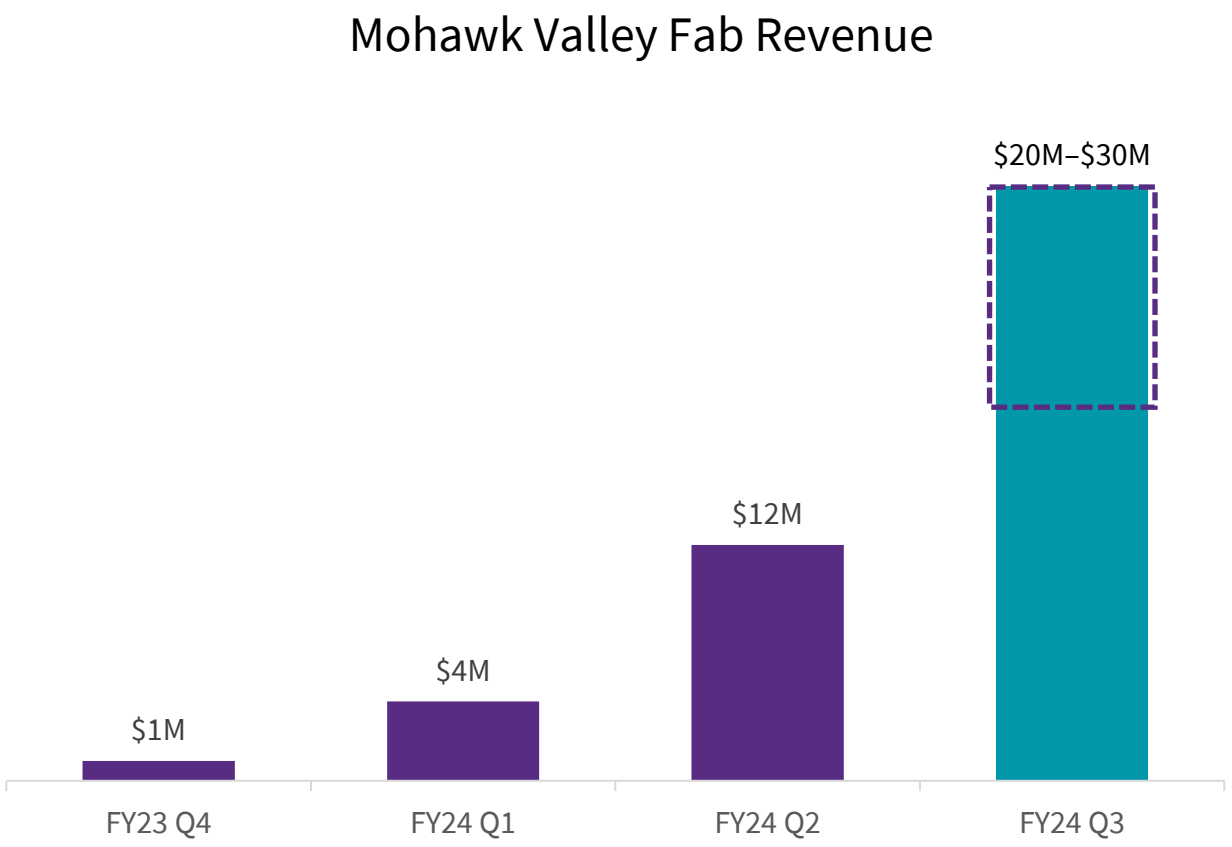
1) All figures represent results from continuing operations

MOHAWK VALLEY UPDATE



Key Takeaways

- FY24 Q2 revenue contribution of **$12M**
- FY24 Q3 targeted revenue of **$25M** at the midpoint
- On track to achieve 20% utilization by June 2024
- Qualified more than 12 additional products including two of our most complicated automotive devices
  - Received IATF automotive certification at MVF
- Over $150 million of 200mm device backlog providing ample runway for next 3 quarters of revenue growth at MVF
- Still working on optimizing factory tool utilization to account for ‘one of a kind’ tools and avoid downtime

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MATERIALS UPDATE





Building 10: Durham, NC

- 200mm buildout complete; production exceeding original utilization target for MVF
  - **Able to support ~25% utilization by end of CY24**
- Consistently producing high-quality, high-yielding 200mm wafers

The JP: Siler City, NC

- Will begin installing crystal growers in early February
- On track to qualify furnaces in CY24 Q3
- Anticipate boule production by end of CY24

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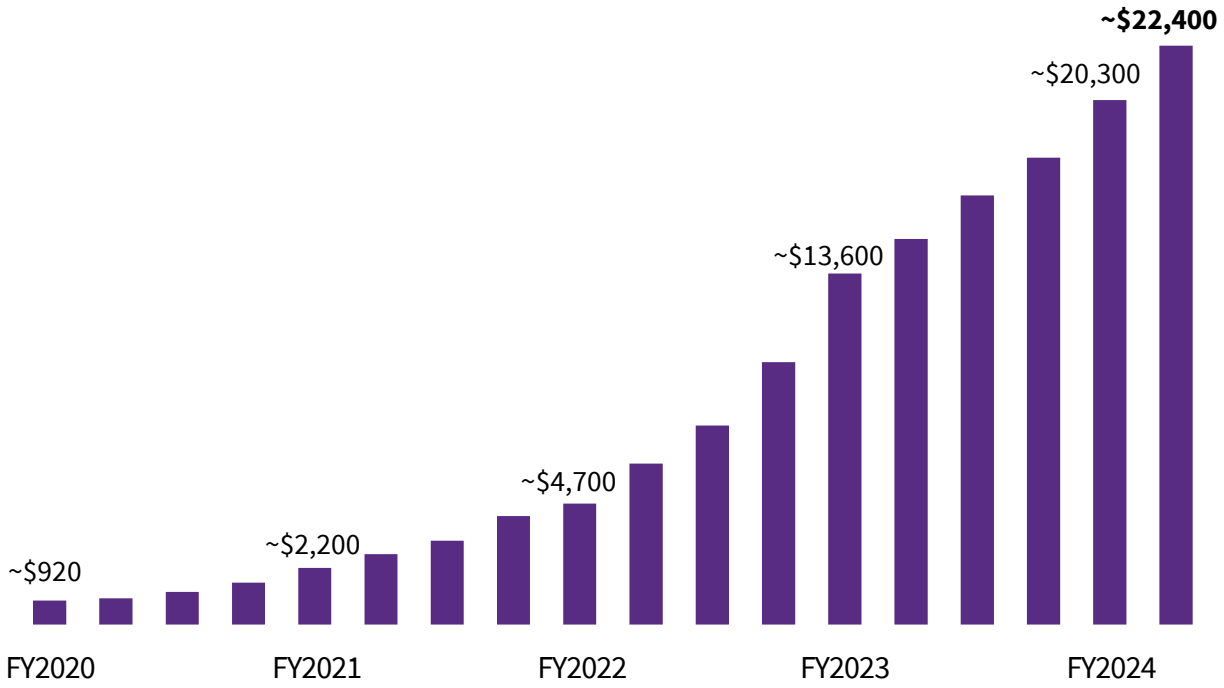
CAPTURING SHARE AMIDST RAPIDLY ACCELERATING DEMAND

Cumulative Power Device Design-Ins ($M) [1]



Key Takeaways

- **$2.1B of Power Device design-ins in FY24 Q2,** the 4th largest on record
  - Strong demand for Wolfspeed automotive products despite broader market headwinds
- **$2.9B of Power Device design-wins in FY24 Q2**, the largest on record
  - Over the next 3-5 years, nearly 120 different car models across 30 different OEMs will contain Wolfspeed devices
  - Design-wins from this quarter represent only 28 of these models, representing substantial runway

1) All figures represent results from continuing operations
NOTE: Design-in and design-win definitions in appendix

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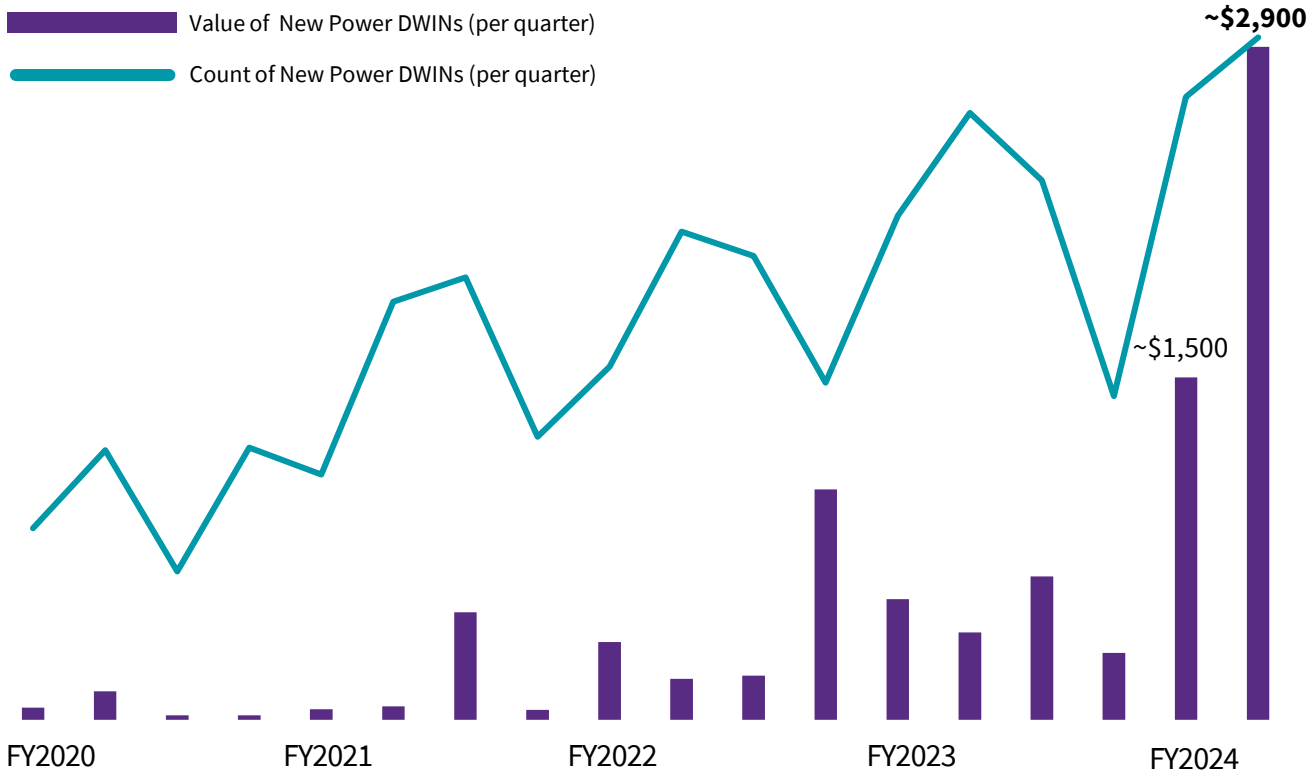
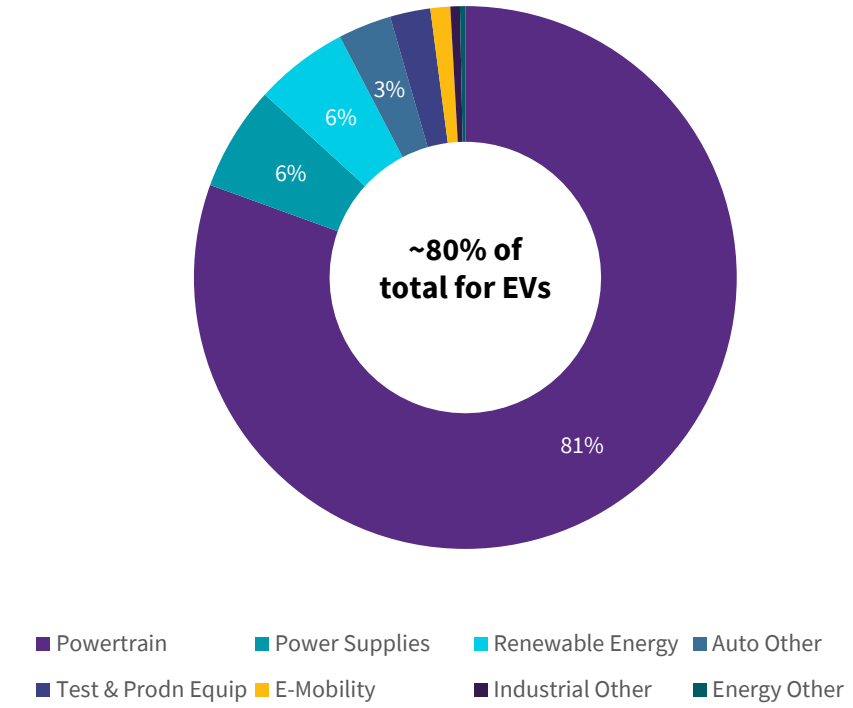
STRONG CONVERSION FROM DESIGN-INS TO DESIGN-WINS SINCE FY20

Auto-dominant design-win pipeline capitalizes on robust EV TAM while providing greater insight into future revenue due to longer design cycles

Power DWINs since FY20[1]



FY24 YTD Power DWINs by Application



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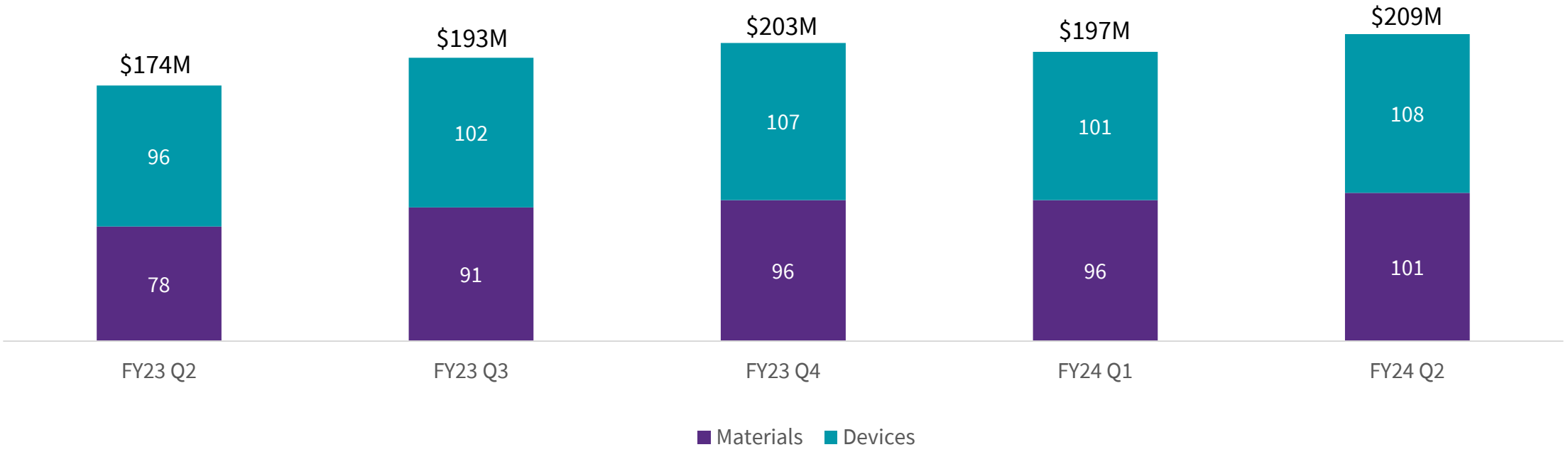
FY24 Q2 FINANCIAL PERFORMANCE – REVENUE[1]



Key Takeaways

- Results came in above midpoint of guidance provided in October
- Revenue up ~20% Y/Y and ~6% Q/Q
  - Record $108M of Power revenue
  - Record $101M of Materials revenue

FY24 Q2 Drivers

- $12M contribution from Mohawk Valley
- Materials outperformance driven higher by additional week of product shipments compared to the year prior
- Results offset by weakness in Industrial & Energy end-markets

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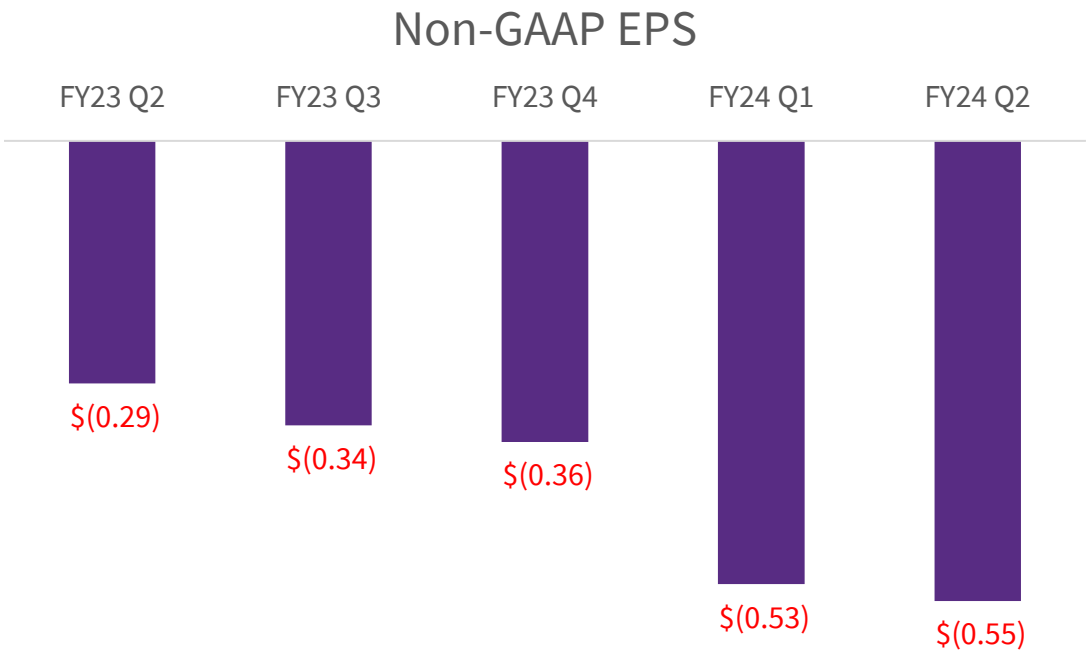
FY24 Q2 FINANCIAL PERFORMANCE – EPS AND MARGINS[1]

Key Takeaways

- Non-GAAP gross margin of 16.4% compared to 35.8% the year prior
  - Non-GAAP gross margin up 80 bps Q/Q
  - FY24 Q2 includes $35.6 million, or approximately 1700 bps, of underutilization costs
- Non-GAAP EPS of $(0.55) compared to $(0.29) the year prior
  - Non-GAAP EPS down 4% Q/Q

FY24 Q2 Drivers

- Gross margin improvement driven largely by incremental contribution from Mohawk Valley
- Non-GAAP EPS surpassed expectations due to improved gross margins, tighter cost controls, and higher interest income



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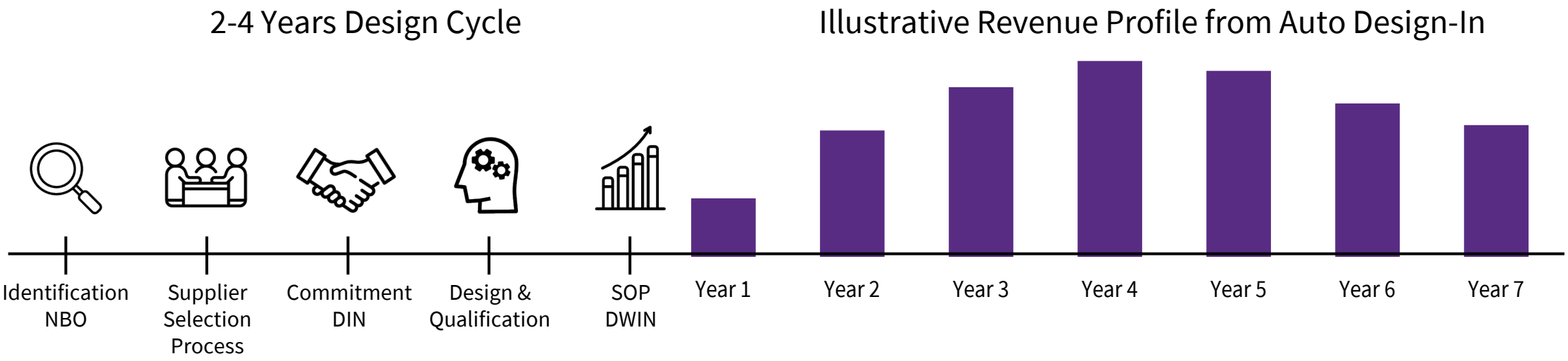
ANNUAL DESIGN-INS DELIVER LONG TAIL REVENUE OPPORTUNITY

- Design cycles, while long, are sticky and create multi-year revenue streams
- Automotive design-wins typically mature over a five- to seven-year period
- Automotive design-wins represented nearly 90% of $2.9B total for the quarter



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FY24 Q3 GUIDANCE

Revenue	$185M - $215M
Non-GAAP Gross Margin	13% - 20%
Non-GAAP OpEx	$108M - $110M
Non-GAAP Net Loss	$(87)M - $(71)M

Guidance Drivers

- $20M - $30M revenue contribution from Mohawk Valley; partially offset by China I&E weakness
- Q3 guidance reflects one less week of inventory shipment revenue recognition than Q2
- Gross margin driven by greater contribution from MVF
- $36 million impact from underutilization costs

Upcoming Milestones

- Mohawk Valley Fab
  - 20% utilization (wafer starts) by end of FY24
  - Target $100M of quarterly revenue by FY25 Q2
- JP begins wafer production by end of CY24 with meaningful contribution expected in Q1 of CY25

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APPENDIX

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NON-GAAP RECONCILIATION – GROSS MARGIN

	Three Months Ended December 31, 2023	Three Months Ended December 25, 2022
GAAP gross margin from continuing operations	13%	33%
Adjustments:		
Stock-based compensation expense	3%	3%
Non-GAAP gross margin from continuing operations	16%	36%

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NON-GAAP RECONCILIATION – EPS (5 QUARTER TREND)[1]

(in millions of U.S. Dollars)	Three Months Ended December 31, 2023	Three Months Ended September 24, 2023	Three Months Ended June 25, 2023	Three Months Ended March 26, 2023	Three Months Ended December 25, 2022
GAAP net loss	**(126)**	**(124)**	**(91)**	**(83)**	**(72)**
GAAP EPS	**($1.00)**	**($0.99)**	**($0.73)**	**($0.67)**	**($0.58)**
Adjustments:					
Stock-based compensation expense	22	20	16	17	19
Project, transformation and transaction costs	5	3	5	1	1
Amortization of discount and debt issuance costs, net of capitalized interest	7	7	2	2	2
Loss on Wafer Supply Agreement	7	7	6	5	3
Gain on equity investment	(5)	-	-	-	-
Total adjustments to GAAP net loss before provision for income taxes	(36)	(37)	(29)	(25)	(25)
Income tax adjustment	(20)	(20)	(17)	(15)	(11)
Non-GAAP Net Loss	**(70)**	**(67)**	**(45)**	**(43)**	**(36)**
Non-GAAP EPS	**($0.55)**	**($0.53)**	**($0.36)**	**($0.34)**	**($0.29)**

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NON-GAAP RECONCILIATION – GROSS MARGIN OUTLOOK

	Three Months Ended March 31, 2024
GAAP gross margin from continuing operations outlook range	9% to 16%
Adjustments:	
Stock-based compensation expense	4%
Non-GAAP gross margin from continuing operations outlook range	13% to 20%

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NON-GAAP RECONCILIATION – OPERATING EXPENSES OUTLOOK

(in millions of U.S. Dollars)	**Three Months Ended March 31, 2024**
GAAP operating expenses from continuing operations outlook	$129 - $131
Adjustments:	
Stock-based compensation expense	(14)
Project, transformation and transaction costs	(7)
Total adjustments to GAAP operating expenses from continuing operations	(21)
Non-GAAP operating expenses from continuing operations outlook	$108 - $110

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NON-GAAP RECONCILIATION – NET LOSS OUTLOOK

(in millions of U.S. Dollars)	**Three Months Ended March 31, 2024**
GAAP net loss from continuing operations outlook range	($155) to ($134)
Adjustments:	
Stock-based compensation expense	22
Amortization of discount and debt issuance costs, net of capitalized interest	7
Project, transformation and transaction costs	7
Loss on Wafer Supply Agreement	6
Total adjustments to GAAP net loss before provision for income taxes	42
Income tax adjustment	26 to 21
Non-GAAP net loss from continuing operations outlook range	($87) to ($71)

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GLOSSARY OF TERMS

Design-ins: Design-ins are customer commitments to purchase our products and are one of the factors we use to forecast long-term demand and future revenue. To meet the qualification of a design-in, the customer provides us with documentation (e.g., a letter of intent, statement of work or developmental contract) that can include details such as the expected delivery timeline, estimated price, necessary capacity and required support. A design-in, even with a formal commitment, does not always convert to future revenue (a 'design-win') for a variety of reasons, including, but not limited to, the customer delaying or abandoning the project, capacity constraints, timeline challenges, and/or technology changes. Therefore, management uses the design-in amount as a guide to forecast future demand but it should not be taken as an absolute indicator of future revenue.

Design-wins: Design-ins are considered design-wins when a customer issues a purchase order for at least 20% of the expected first year revenue. Design-wins reflect each project's entire commitment at the time this criteria is satisfied and should not be taken as an absolute indicator of future revenue. Depending on timing, certain projects may be reflected within a single period's design-in and design-win figures.

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LET’S REIMAGINE A MORE SUSTAINABLE WORLD.

TOGETHER.



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