AIXTRON SE

Analyst Earnings Conference Call

Q2 and H1/2021 Quarterly Results

July 29, 2021

Prepared Remarks

Executive Board

Dr. Felix Grawert, CEO & President

Dr. Christian Danninger, CFO

The spoken word applies

Slide 1 – Operator & Forward-Looking Statements

Operator

Ladies and gentlemen, welcome to AIXTRON's second quarter and first half 2021 results conference call. Please note that today's call is being recorded. Let me now hand you over to Mr. Guido Pickert, VP of IR & Corporate Communications at AIXTRON, for opening remarks and introductions.

Guido Pickert

Investor Relations & Corporate Communications

Thank you, operator. Welcome to AIXTRON's presentation of our Q2 and H1 2021 results. I'd like to welcome our CEO, Dr. Felix Grawert and our new CFO, Dr. Christian Danninger.

As the operator indicated, this call is being recorded by AIXTRON and is considered copyright material. As such, it cannot be recorded or rebroadcasted without permission. Your participation in this call implies your consent to this recording.

Please take note of our Safe Harbor Statement which can be found on page 2 of our results presentation slide deck, as it applies throughout the conference call.

This call is not being immediately presented via webcast or any other medium. However, we will place an audio file of the recording or a transcript on our website at some point after the call.

I would now like to hand you over to Felix Grawert for opening remarks. Felix?

Slide 2 – Q2/2021 Highlights & Operational Performance

Dr. Felix Grawert

Executive Board

Thank you Guido! Let me all welcome you to our second quarter 2021 results presentation. I will start with an overview of the highlights in the quarter and then hand over to Christian for more details on our Q2/2021 figures. Finally, I will give you an update on the development of our business as well as our guidance for the year.

Let me start by giving you an overview of the key developments in Q2 on **slide 2**.

During Q2/2021, we continued to note a strong order momentum throughout all our businesses but in particular in GaN Power, LEDs and data communications. The overall semiconductor market is seeing sustained strong chip demand across the board.

Orders in Q2 came in at 139 million Euros – an amount slightly above the high level of Q1/2021.

Some of these orders were of large volume, which led to the trading statement and the increase of our guidance on orders, revenues and EBIT margin in June.

Revenues developed as expected. At 68 million Euros, they were higher than the 50 million Euros we have recorded in Q1. We expect the revenue figures to substantially increase in the quarters to come, with Q4 being the quarter with the highest quarterly revenue of 2021.

The current level of customer inquiries gives us a good indication that orders will also remain very strong in the coming quarters. We therefore increased our guidance for order intake once again from 420 to 460 million Euros to now between 440 million and 480 million Euros.

In Q2, we have fully implemented the structural changes of our OLED subsidiary APEVA, as announced in our last earnings call. That is, we have closed the operations of APEVA Korea and reduced the team size in Germany to a smaller size. This move enables us to focus the APEVA activities on the differentiated key components for the Chinese Market preserving the upside of this technology. At the same time, the running cost to operate APEVA has been significantly reduced to a "low single digit" million amount until a customer project starts. Including one-off charges we will keep the overall cost for OLED in 2021 within the "high single digit" million range that we have previously mentioned.

Now, let me give you a quick update on the COVID-19 situation at AIXTRON. Our strong internal safety measures continue to prove effective in mitigating the risk of infection within our premises. We have offered a first vaccination to all interested employees at our premises in Germany and continue to offer regular testing twice a week resulting in the execution of more than 1.200 tests – all of which had a negative result. From July onwards, many of our employees are back to the office. At the present COVID level, we target an occupancy rate of about 50% and we get feedback from many of our people that the personal face-to-face interaction – always adhering to strict safety standards – is much appreciated as it brings energy and spirit back into the company.

We continue to operate all functions of our business without any significant effects related to COVID-19. Also, our supply chain continues to be stable delivering on the pre-ordered components as agreed. However, we will continue to watch the development of the global pandemic very carefully and we remain to be ready to take further measures if necessary.

Now, I will be handing over to my new colleague Dr. Christian Danninger who took up his position as CFO of AIXTRON in May of this year. He will take you through the financials of Q2 and H1.

Christian?

Slides 3-5 – Q2 and H1/2021 P&L, Balance Sheet, Cash Flow

Dr. Christian Danninger

Executive Board

Thanks, Felix, and hello to everyone.

Let me please quickly introduce myself as this is my first quarterly earnings call for AIXTRON. I joined AIXTRON on May 1st and have used my time here to get familiar with our business and its financials. Due to Investor Relations being part of my responsibilities, I am looking forward to soon be communicating with many of you on a regular basis.

I was born in Austria in 1979. My wife, our three children and I live in Cologne. I studied business administration in Linz and the USA and earned a doctorate in law.

Among other roles, I was regional CFO in the Austrian Engel Group and before joining AIXTRON, I was CFO of the Putzmeister Group.

I look forward to playing my part in ensuring that we continue to shape the future - and in doing so, successfully realize our potential and growth opportunities in our addressed markets.

But now back to our financial results of the second quarter of 2021.

Starting on **Slide 3**, our income statement. As expected, total revenue for the quarter was 68 million Euros compared with 56 million Euros in Q2/2020. Gross margin of 41% this quarter was 1% point higher than the 40% in the same quarter last year. The difference is mainly due to the higher share of products with better margins in Q2 of 2021.

Operating Expenses in the quarter increased from 20 million Euros in Q2/2020 to 22 million in Q2/2021. This is mainly due to charges of 3 million Euros from the in Q1 announced structural measures executed within APEVA.

G & A expense increased to 7 million Euros in Q2/2021 from 5 million Euros in 2020, influenced by higher variable compensation and also some charges resulting from the structural measures within APEVA.

R&D expense of 15 million Euros in Q2 was 1 million Euros lower than the comparable period in 2020. Apart from charges of 2.6 million Euros from the previously mentioned structural measures, this is in line with regular fluctuations we have in R&D.

Net Other Operating Income was 2 million Euros in the quarter which was stable compared to the same quarter in 2020.

We recorded an EBIT of 6 million Euros for the quarter compared to 3 million Euros in Q1/2020.

The further improved outlook has led us to recognize a further 3.4 million Euros of deferred tax assets which leaves us with a net profit for Q2/2021 of 8 million Euros compared with 3 million Euros in Q2/2020.

Turning to the balance sheet **on the next slide.**

In line with the increased order intake and the expected output, inventories have risen to 126 million Euros from 79 million Euros at the end of 2020.

Advance payments received from customers increased to 122 million Euros from 51 million Euros at the end of 2020. This represents about 42% of backlog.

Our cash balance including other financial assets and post our 12 million Euros dividend payment in May, increased to 348 million Euros at the end of the quarter from 310 million at the end of 2020.

Please note that we have shifted financial assets in the amount of 60 million Euros from non-current assets to current assets due to a shorter remaining maturity of the respective financial instruments.

Moving to **slide 5**, which shows our cash flow statement.

We generated a free cash flow of 18 million Euros in the quarter primarily reflecting our current profitability and an overall reduction in working capital, which includes i.e. an increase in customer deposits of 22 million Euros and an increase in inventories for future shipments of 28 million Euros.

With that, let me hand you back over to Felix.

Slide 6 – 2021 Guidance and Development Projects

Dr. Felix Grawert

Executive Board

Thank you, Christian.

I would like to give you an update on the key developments in our addressed markets before concluding with the outlook for the rest of the year.

As mentioned at the beginning – we continue to see strong momentum from all our end-markets but in particular for systems for the production of Gallium Nitride (GaN) Power Electronics. Most of our customers from that space have made the decision to adopt GaN Power Electronics on a broad basis resulting in substantial capacity investments throughout the industry – from foundries to Integrated Device Manufacturers. Several customers have now placed volume orders in the range of 5 to 15 tools in size. In the end-markets, we are already seeing a strong expansion of products being offered based on GaN Technology. They range from high performing chargers for portable consumer electronics to energy efficient power supplies of data centers and telecom base stations just to name two prominent applications.

In the area of systems for the production of Silicon Carbide (SiC) Power Electronics, we have made further technical progress on the tool performance. In addition to that have we received repeat orders from some customers for our 6” SiC solution. In parallel to that, we work on a 6” / 8” dual wafer size tool. This will allow customers to make CAPEX decisions today that are safe upon the upcoming 8” wafer size transition. Given all that, we expect to benefit from the volume ramp plans of some large industry players.

We see these developments in power electronics as only the start of a broader substitution wave of silicon power electronics by wide-band-gap materials such as GaN and SiC. This is the beginning of a multi-year growth opportunity for us.

In our Optoelectronics business, we have recorded strong demand from the optical data communication market in Q2: The global build out of optical data communication networks continues in order to serve the massively growing data volumes. We expect this momentum to continue throughout 2021 and also in 2022. On the 3D sensing side, we see some moderate demand in 2021 driven by individual tool orders from customers. We expect larger order momentum in this area, once the rollout of VCSELs for the world side of smartphone begins. This is in preparation today, but it may take 1-2 more years as a killer application for that functionality is missing as of today.

Finally, we have recorded some large orders in the area of Red-Orange-Yellow mini LEDs, which are used for example in fine pitch LED displays. Our customers are continually expanding their capacities at scale. On the other hand, Micro LED display technologies are still in the R&D phase. We expect significant volume in this area from 2023 onwards, with 2022 as a transition year with further R&D activities and some pilot line buildup.

We are happy to be in such a very positive environment with strong demand momentum from our addressed markets.

With that, let me move to our guidance on **slide 6**.

In June, we have issued a trading statement in which we increased our annual guidance. Due to the very positive order development, we increased our annual guidance on orders again from between 420 and 460 million Euros previously to a new range of 440 to 480 million Euros. Revenues are expected to be between 400 and 440 million Euros with an EBIT Margin between 20 and 22% of Revenues. We expect our gross margin to be around 40% of revenues.

Out of the 295 million Euros backlog, we expect to turn about 235 million Euros into 2021 revenues. Taking H1 revenues of 117 million Euros and the assumed after sales business of ca. 30 million Euros into account, we still need about a further 20 to 60 million Euros of orders to be converted into revenues to reach the expected revenue range.

In summary – we are looking forward to significant growth of 2021 Revenues and EBIT quarter-to-quarter within this year as well as compared to the previous year.

With that, I'll pass it back to Guido before we take questions.

Guido Pickert

Investor Relations & Corporate Communications

Thank you very much, Felix and Christian. Operator, we will now take questions, please.

Question-and-Answer Session

Janardan Menon, Liberum Capital

Hi, good morning, or rather good afternoon. And thanks for taking the question. My first question is on the GaN power market, which clearly is doing extremely well for you right now. And there's a lot of demand out there. But I'm just trying to get a comment on how you see this market evolving. Is it likely to be reasonably smooth? Are people, are your customers going a little bit ahead of themselves and ordering too much this year, especially when you say that customers are ordering, between 50 and 70 tools - the high-end of that seems quite high? So what I'm trying to get at is will we see some digestion into 2022? Or do you think we're still at a very early stage of the evolution of this technology, and so it will continue to be quite linear for some time to come?

And even if we do get some kind of a sort of digestion phase in 2022, I just want to know what your views are on silicon carbide, especially your comment that you would expect to benefit from the ramp of some major industry players.

Is there a timing for that? Is that likely to come through by 2022 overlapping further? And then, I have a very brief follow-up. Thank you.

Dr. Felix Grawert

Thank you very much for the questions, Janardan. Let me take the GaN power question first, so the question about the digestion phase or continued order momentum. We have a firm view on that market being now at the starting point of adoption with fast charging being the first volume applications and other applications being added later.

Of course, we cannot look into the detailed order books of our customers on which order they receive from their customers. So we cannot predict exactly whether there will be a digestion phase in 2022.

But what we do see from the market is that gallium nitride power electronics is currently experiencing a very broad adoption in the market. In addition to the above-mentioned application of fast charging, other applications in the high-power domain are being added by customers driven by efficiency, such as power supplies for data centers or telecom base stations and others beyond that. Therefore, I clearly expect that this is a multiyear trend.

Furthermore, we all see the global desire to go green and to focus on energy efficiency. This is happening across the European Union with the Green Deal, in China but also in the US with all the big Silicon Valley players wanting to go to zero emissions with their data centers. This creates a very strong momentum. On top of that, we also see that our customers are working on opening up additional applications, be it integrated circuits based on gallium nitride for power electronics devices or be it low voltage devices.

That being said, we very clearly see that the adoption of GaN power is at the beginning and we expect a multiyear trend here. How exactly that translates into orders on a quarter-to-quarter basis, I cannot tell you. I can only give you the big picture on GaN power.

On silicon carbide, I took your question, as related to timing of potential order momentum. Here it is also difficult to predict exactly on a quarter-to-quarter basis, when exactly customers will actually place their orders. So I'd rather look at the big picture of the market here as well. And there, we very clearly see the biggest order momentum coming from automotive applications such as fast charging infrastructure as well as onboard chargers or the main inverter in the car.

We also see that a large number of BEV models are going to be launched in 2023 and in 2024. With the usual lead-time of about 9 months, our customers will need to get their lines established, i.e. the tools up and running and qualified. When exactly that translates into orders for us once again I would not be able to tell you.

Janardan Menon, Liberum Capital

Okay, but you have confidence that you will benefit from the ramp of some major industry players outside of your historical large customer?

Dr. Felix Grawert

Yes, we have.

Janardan Menon, Liberum Capital

And then, my follow-up is just 2 if I can. One is on silicon carbide systems again. Where are you on 8-inch silicon carbide systems? And then a brief follow-up on tax rate is you have these tax benefits that you brought forward. If you maintain this sort of profitability, what should we be modeling as an effective tax rate for you over this year or next year?

Dr. Felix Grawert

8-inch wafers, in reasonable quantity and with good process results are running in our Erlangen lab, to your first question. And the second question, I pass to Christian.

Dr. Christian Danninger

Thanks. To take that question, first time for me. I would recommend, as we do for our internal budgeting, to use a 15% tax rate. That is not taking into account swings that result out of adjustments on deferred tax assets.

Janardan Menon, Liberum Capital

Understood. And just on the silicon carbide side, when do you think it will move into commercial volume, or commercially available your 8-inch system?

Felix Grawert

We are shipping first volume systems in the first half of 2022.

Janardan Menon, Liberum Capital

Understood. Thank you very much.

Uwe Schupp, Deutsche Bank

Yes. Good afternoon, gentlemen. I've got 2 questions, please. Firstly, on the supply chain, and secondly, also on the silicon carbide competitive front, if I may. So firstly, on the supply chain, can you just comment generally speaking on what you're seeing out there with regard to lead times, given that the constraints that I think we can hear and read about every day in the newspaper, so how have lead-times developed lately?

And in relation to that, can you also talk about whether certain customers have tried to make sure that they absolutely get the machine in time? In other words, do you think that you have seen double ordering here and there, or even on a broader basis?

And then, secondly, on the silicon carbide and really related to Janardan's question, I think we've heard now from several competitors, that your main competitor on silicon carbide may have issues on the 8-inch tool. Is that something that you've heard as well? And that you would comment on? Probably no is the answer if I may. But let me put it in a positive way, do you see a certain chance for you to get a kickstart as this market gets in bigger volume next year? Thank you.

Dr. Felix Grawert

Thank you, Uwe, for your questions. Let me first comment on the supply chain question. With respect to constraints, lead times along our own supply chain and then potential double ordering by our customers. We have been preparing our own supply chain very well with respect to order volumes in 2021 and also in 2022. Because we have taken precautions and we have proactively taken action, we are able to say that we are well set to have secured all the volumes for 2021 and also going into 2022. Due to that proactivity, we can now really benefit from that and have been able to communicate to our customers all the time, that we can continue to ship at reasonable lead times. I was just 2 days ago on the phone with a very large North American customer, who told us that lead times with other equipment vendors have been doubling towards 12 to 15 months. This is not the case with AIXTRON – you can place your order when you really need the capacity.

Due to that message we are able to give to our customers, I would not assume that there is double ordering, even though you can never fully exclude that. However, I would rather assume that our customers are ordering based on their real demand instead of placing double orders. This this is my own assessment, but I've given you the logic on why I believe that we are seeing real demand rather than orders to secure scarce resources.

Now to your question regarding the competitive situation in Silicon Carbide. I would not want to comment on the wafer transition performance of the competitors. There is always competition in the market and it's always important to take the competitors very serious.

Nevertheless, our new equipment is capable of processing both 6-inch and 8-inch wafers. This allows our customers to buy our equipment now and use it for 6-inch initially, which is today the dominant wafer size in the ramp up of silicon carbide. Later the customer could convert the equipment to 8-inch wafers if those become available and our customer decides to switch a line to that wafer size. We all are aware that today the 8-Inch SiC-Wafer availability is limited but once the wafers become available in larger quantities, we very much expect to benefit from the wafer size transition to 8-inch.

Uwe Schupp, Deutsche Bank

That's very clear. Thank you, Felix. If I could have a follow-up, please. In previous upturns over the last 15 or 20 years, you were able to take advantage of the good market environment and adjust your pricing accordingly. I was just wondering, whether on a year-over-year basis, or over the last 2 years, you've done this again, and adjusted your prices not only to reflect the rising raw material price input costs.

Dr. Felix Grawert

For price adjustments, you must always choose the right time to do so. For example, when we have made an improvement on our equipment, or deliver additional performance, so a price increase can very well be justified rather than just rising prices opportunistically based on a positive market environment. So just giving our customers the same piece of equipment with the same piece of performance but at a higher price is not the strategy, we are pursuing.

We'd rather link price increases to performance gains for example with generation changes of tools than rising prices across the board. You all are very aware, that we are actively driving a generation change across our portfolio. So yes, this gives us the opportunity to adjust pricing linked to customer benefits.

Uwe Schupp, Deutsche Bank

That's very clear. Thank you very much, Felix.

Oliver Wojahn, AlsterResearch

Yes, thank you for taking my question. I had 2 questions, if I may. So the first one is a follow-up on the order book. Compared to the end of last year, the order backlog more or less doubled in size. And at the same time, prepayments increased like 2.5 times. So the question is whether you're taking higher prepayments on each system? Or maybe not showing all the orders you have collected prepayments on the order book, because of execution risks?

Dr. Felix Grawert

Thank you. It's a very good question. The ratio of prepayments to order backlog fluctuates since we do not have the same prepayment-policies with all customers and in fact there is a certain range of different policies. So similar to prices or margins that depend on a certain product mix, there are also mix effects on the prepayment behavior. This mix includes different regional habits, different habits of some large customers, and so on. So what you see is rather the result of such a mix effect than a systematic effect of any kind.

Oliver Wojahn, AlsterResearch

Okay, fair enough. Second question is on your margin guidance as understanding the gross margin guidance of 40% was based on an exchange rate of US$1.25 to the Euro. Now, we've been around US$1.17, US$1.18 for a while. So if we would extrapolate that into the rest of the year, would that mean that you would consider upgrading the gross margin guidance?

Dr. Felix Grawert

We will definitely stick to our guidance calculation logic based on the FX-rate of USD 1.25 to the Euro for 2021. This is our budget rate which we have fixed for the year and we will not change this throughout the year. If the euro-dollar exchange rate develops in our favor, we will recognize positive effects from that and vice-versa in case it develops in the other direction. Christian, do you maybe know how large these effects could be?

Dr. Christian Danninger

Yes, for 2021 we are planning with a USD/EUR FX-rate of 1.25. In the remainder of the year we expect to ship an approximate volume of 120 million additional sales in U.S. dollars that as of now we have factored in with our budget rate. So you can do your calculation based on your expectation what the exchange rate will be.

Nevertheless, we have reduced our overall exposure to the U.S. dollar due to more customers invoiced in Euros and an increase of the revenue proportion coming from Europe.

Oliver Wojahn, AlsterResearch

Okay. That was very clear. Thank you.

Andrew Gardiner, Barclays Capital

Good afternoon, gentlemen. Thanks for taking the question. I just had one in terms of the perhaps medium-term outlook and how you're planning for capacity, Felix, the guidance that you've now given us for the second half of the year, as you pointed out this quarter-on-quarter increase in shipments and revenue in the third quarter and again in the fourth quarter, and quite a steep trajectory of that could be perhaps around €200 million or so of revenue in the fourth quarter.

How are you then thinking about planning for 2022? You've already told us in the Q&A that you've got your supply chain, ready for that you've got the parts committed. In terms of your own site, what - do you - are you really stretched at that €200 million, or thereabouts in the fourth quarter? Do you need to add more capacity to make it a bit more comfortable in terms of meeting these larger volumes? Just a bit more insight as to what the latest order surge means for your planning in 2022 and beyond?

Dr. Felix Grawert

Thank you very much for your questions, Andrew. Indeed, we will definitely see the largest output in systems and therefore in revenues in the fourth quarter, as indicated. We have an excellent order backlog to support this. A big part of which we will ship this year and an increasing part of it will be shipped next year. Our order intake guidance which we slightly raised for the remainder of the year combined with our typical lead times of 6 to 8 months gives us confidence for a good start of 2022 in terms of shipments and revenues as the orders we are taking now will increasingly be shipped in 2022.

Coming back to your question on our capacity, we fortunately have a very flexible production model, which allows us to adopt to higher demand from the market. Let me give you 2 facts here. In the past, we have shipped a total of approximately 450 units out of the current facilities. That of course was a big peak with a lot of effort, but this is to demonstrate that such quantities have been shipped out of our facility.

And then secondly, we have activated a remote shop floor concept again in the fourth quarter of this year to free up capacities at our main shop floor. In concrete terms, this means that some pre-assemblies and modules which take time to assemble and have occupied main shop floor space, we now outsource to a remote shop floor to be assembled there. This reduces the overall time, the large systems require on the main shop floor in our facility by a couple of weeks. And that results in more systems can be finished and shipped per quarter.

So you get an idea of how we can extend our capacities with some flexible add-on measures. For the fourth quarter, we realized that, and it works quite nice.

Andrew Gardiner, Barclays Capital

Thank you, Felix. I had just a quick follow-up related to the same topic. I mean, now that some of the customers are giving you particularly large orders, as you mentioned in the GaN area. They take your normal lead times of 6 to 8 months into account. But are they now giving you longer visibility as they are planning for significant high volume ramps themselves and are going to need consistent tool deliveries, even if it's not committed orders per se, are you getting better visibility into the long-term plan of your customers?

Dr. Felix Grawert

Very good point, Andrew. Usually we stretch the delivery of large orders we receive over a certain period of time. If we receive a large order of let's say ten systems, not all 10 are shipped within a month. Reason for that is that our customer themselves cannot digest 10 systems to be installed, ramped up and put into volume production in the factory in such a short time. Therefore, deliveries on such orders are rather being spread over a certain period of time than being shipped all at once. We then see a certain number of units leaving our facility every week or every 2 weeks, arriving at our customers facility and being installed and starts up step by step utilizing the existing resources efficiently from the operational view of our customers.

So yes, some customers do give us better visibility but at the same time, other customers continue to surprise us with how sudden they make decisions to order a large quantity of systems.

In other words, we cannot derive a certain visibility, beyond the 6 months that we typically give as an indication.

Andrew Gardiner, Barclays Capital

Okay, understood. Thank you.

David O'Connor, Exane BNP

Great. Good afternoon and thanks for taking my question. Felix, I'm just curious, given the broad-based strength you talk about across the business. I was just wondering why the order intake for the second half is going to 25% below the first half? Maybe can you give us some of the puts and takes around that? Or maybe even if there was only pull-forwards in the order intake into the first half, given the tight supply chain across the industry? And I have a follow-up, thanks.

Dr. Felix Grawert

Thank you, very good question. So as said, we typically have a good visibility for 6 months forward, so we have a pretty good visibility now for third quarter. For the fourth quarter, visibility remains moderate. We base our updated guidance on these data points, resulting in EUR 220 million to go in H2 or average H2-orders per quarter of EUR 110 million which is little below the first half. This is based on the upper end of our order guidance for 2021, i.e. EUR 480 million in combination with EUR 260 million having been received in H1 of this year.

The first half was characterized by some very large volume orders. There could be similar order patterns in the second half as well. But this we do not know.

However, we would not expect, such volume orders to surprise us again as they did, triggering the trading statement in June. Nevertheless, we cannot exclude that either. And that's the reason why we have given the guidance today, following our logic not to fuel expectations going too high given the current visibility. This expresses our current view on the demand for the remainder of the year.

In summary this is what we currently see in terms of the volume which we believe is a very good volume. And we are here on a long-term trend.

David O'Connor, Exane BNP

Okay, got it. Understood. Thanks for that. And maybe just within that order, very strong order intake, was there any pull-ins there by customers? I mean, we did hear about pull-ins from other 2 vendors. So just wondering if we experience a similar factor in the Q2 order intake?

Dr. Felix Grawert

We have not seen the effect that originally planned orders have been pulled-in or moved forward by a quarter or two. Nevertheless, we have seen some selected customers have placing order with us, asking us for a very short lead-time as they themselves have been surprised by end-customer demand on their side, leading them to increase their volumes faster than they initially planned. In such cases, some customers have asked us to do them a favor, shipping the equipment not within 6 to 8 months, but rather in 3 to 4 months. And in some selected cases, we have been able to make that possible at least for one or two tools, as it is also our desire to really support them in such a manner.

David O'Connor, Exane BNP

Okay, got it. Thanks for that. That's helpful. And maybe if I could squeeze in one last question. Just on the backlog, close to the previous LED peak, can you just maybe give us a split of that backlog across the end-application, LED, after telecom and power, just to give us a sense of kind of where the percentage of the backlog, where it lies from an application standpoint. Thank you.

Dr. Felix Grawert

At the end of Q2/21, a little more than a third is power electronics, GaN and SiC. Then I think around a quarter is on the LED side, and a little less than 30% or so is on the telecom/datacom side.

So this is reflecting what we have written in our report, namely, power electronics being number 1, telecom/datacom come number 2, and LED being number 3.

David O'Connor

That's very helpful. Thank you.

Guido Pickert

Investor Relations & Corporate Communications

Thank you very much. With this, I would like to conclude today's call. Thanks to all of you for attending. Please note that our next earnings call will be on November 4, 2021, for our Q3 '21 quarterly results.

Thank you. And bye bye.