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Presentation

Alexander Foltin, Infineon Technologies AG - Head of Investor Relations [1]

Good morning, everyone, and a very warm welcome to the Infineon analyst call. Actually, this is going to be much more than a usual analyst call. You have all seen yesterday's exciting news about our revised financial targets. Our new fab building plan in Dresden, but also about our successful 2022 fiscal year and about our continued automotive silicon carbide design win momentum with the big win at Stellantis. Lots of great stuff to tell. And therefore, we thought to augment the time and format and host one could say a mini version of a Capital Markets Day today. This is what we have in store. Jochen Hanebeck, Infineon's CEO; Sven Schneider, Chief Financial Officer, will take you through about 1 hour of presentation. They will start with a brief look back onto the highlights of Q4 and the 2022 fiscal year. The core of the presentation will be on the upgraded target operating model, how it is derived from our strategy and how it is leading to enhanced value creation over the mid- to long term. More near term, you will certainly be keen to hear about our outlook for the 2023 fiscal year. Following the presentation, the entire Infineon Management Board will be ready to take questions from the sell-side analysts. I will explain technicalities later on. Basically, you will use the raise hand function on your Zoom panel and then your computer microphone. But first, sit up right and focus as Jochen will take the stage.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [2]

Thank you, Alexander, and good morning to all of you. It's a great pleasure to stand here and talk about how Infineon is shifting into higher gear. Alexander already alluded to our Capital Markets Day in October 2021. A little over 1 year ago, we explained how semiconductor solutions from Infineon are addressing 2 of mankind's most pressing challenges: the need to fight climate change and the desire to reap the benefits of digitalization. We also talked about how our strategic approach of P2S or product to system, coupled with a long-term entrepreneurial perspective, has led to self-reinforcing leadership positions in multiple structural growth markets.

Infineon is at the core of such major growth drivers as E-mobility, renewable energy, autonomous driving, data center and power supply, the IoT and many others. The integration of Cypress has contributed significantly to this unique positioning. All this continues to be true, in fact, even more so than before. Executing very successfully under the challenging conditions of 2022 has provided further evidence of the great strength and resilience of our business model. It is therefore time to set ourselves more ambitious financial goals and upgrade our target operating model.

Before coming to those revised targets, let's take a brief look back. 2022 is seeing a new Infineon management team with me taking over from Reinhart and Andreas and Rutger becoming appointed as CMO and COO, respectively. Together with Constanze and Sven, we formed a team that is firmly committed to sustainable, profitable growth, a team with great spirit. 2022 is also characterized by an accelerating business momentum for our company. We are proud to be a preferred innovation partner for mission-critical projects of market-shaping customers. We noted several high-profile, high-volume design wins for both silicon carbide as well as gallium nitride solutions. And we took the key investment decision to build a wide-bandgap dedicated fab in Kulim.

In terms of financials, our 2022 fiscal year has set records. Our revenue grew by 29%. Our segment result margin improved by 510 basis points. And we recorded more than EUR 1.6 billion of free cash flow. Sven

will add some color to these numbers now.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [3]

Good morning, everyone, and welcome also from my side to our different than usual earnings call. Our 2022 fiscal year is already in the rearview mirror, but allow me to briefly go through some of the financial highlights.

In a strong market environment, we recorded 4 consecutive quarters of both revenue and margin expansion defying our usual seasonality and allowing us to beat and raise our guided numbers a couple of times and deliver record results.

On an annual basis, our revenue grew by more than EUR 3 billion to a total of EUR 14.2 billion. Over half of that increase comes from volume, in other words, from expanding our manufacturing capacities and from incremental foundry supply. Furthermore, tailwinds from a stronger U.S. dollar as well as positive impacts from pricing and mix contributed each with meaningful triple-digit million amounts to the revenue increase.

In line with top line growth, we also strongly improved our profitability, bringing the segment result margin up by 510 basis points to 23.8%. A rising share of system solutions, favorable pricing, positive currency effects and high fab utilization levels all helped to more than offset burdens from strongly increasing costs for materials and foundry supply as well as for energy. For many of our products, demand outstripped available supply by far throughout the '22 fiscal year. As a consequence, ordering behavior by customers was very dynamic. While we are now step by step coming out of allocation, our backlog at the end of September was stable compared to 1 quarter before amounting to EUR 43 billion. Adjusted for currency and pricing, we saw a slight quarterly decline.

Now let's take a quick look at the divisions. All 4 of them significantly expanded their revenue and could have done so even faster and the absence of capacity constraints and supply chain disruptions, such as the Shanghai lockdown. Automotive took the pole position in terms of growth with a rate of 35% followed by CSS with 30%.

In automotive, in particular, XEV solutions and components for making cars smarter were in high demand. All 4 divisions also noticeably grew their profitability, all 4 ending up with the segment result margin above 20%. Among the 4 ATV and CSS saw the biggest relative increase, PSS once again achieved the highest margin with close to 28%. And A great business performance needs to translate into a healthy cash flow generation, and it has done so. A surge in our operating cash flow by around EUR 900 million year-over-year, allowed us to fund significantly more investments into organic growth and still bring up the free cash flow level of close to EUR 1.7 billion. That free cash flow was mainly used besides making a dividend payment for further deleveraging. Throughout the last fiscal year, we repaid a net amount of around EUR 1.4 billion of financial debt. The Cypress refinancing has been completed significantly ahead of plan, our leverage ratios are firmly within our target corridor, and we have regained our BBB flat investment-grade rating.

Now let's take our eyes of the rearview mirror and onto the path ahead of us. Back to you, Jochen.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [4]

Let's look ahead as an ambitious sailing crew would do with eyes on the horizon and the clear course with sales optimally trimmed and all gear in place. Knowing that waters will not always be common, wins will not always come from good directions, but knowing from experience and what to do in different weathers, how to stay the course and having full trust in each other. With such a grew and the great boat, you win the race. And that's exactly what I envision for Infineon.

In business terms, we have clear targets, and we have set them with a long-term ownership perspective. We also know how to get there with a proven strategy and a very experienced and capable management team. In addition, we are developing our corporate culture forward. We have started a global internal initiative under the headline Spirit to emphasize and strengthen 3 behaviors, setting more ambitious goals, establishing clear responsibilities, taking timely decisions and implementing them.

The journey ahead of us is highly attractive and rewarding with strong structural growth opportunities and profitability potentials. Markets will likely continue to follow cyclical patterns and we'll confidently manage them. Together with my Board colleagues and the division heads, we did a thorough review of our target markets and application, technology, product portfolio, competitive landscape, R&D pipeline and operational setup. The results show that the outstanding potential of the Infineon business model. As a consequence, we revised our financial goal significantly upwards and today are committing to more ambitious targets to you, our investors.

Our upgraded target operating model is putting profitable growth at its center. We are fully confident to be able to keep outgrowing our industry going forward, even accelerating our average target growth rate to more than 10% annually from 9% plus before. What is more, we will strengthen our focus on profitability. Our segment result margin target takes an even bigger relative step-up to 25% through the cycle, 6 percentage points up from our previous target of 19%. We have identified actionable levers from this margin expansion, and Sven will talk about them later.

For the first time, we are putting a free cash flow goal in our target operating model, replacing the former invest-to-sales ratio. Over the cycle, we want to achieve an adjusted free cash flow margin of 10% to 15% of revenue. In this figure, we do not consider expenditures for large front-end fab buildings as they typically are of a lump-sum nature, as you know, all parameters of the model apply on a through-cycle basis, which we continue to view as the approach that is best suited to our industry.

Raising our financial ambitions should not come at the expense of other stakeholders. We certainly want to keep customer and employee satisfaction at their current high levels. We clearly stay committed to our environmental, social, governance and compliance goals. We were among the very first semiconductor companies to status the CO2 neutrality goal, and we will do what it takes achieve it by 2030.

In the following presentation part, we will elaborate on the components of our upgraded target operating model, beginning with the growth rate. At the core of all great businesses is a purpose of why. In our case, it is being part of the solution to 2 secular challenges: decarbonization and digitalization, which will fundamentally change the world we live in throughout this decade and beyond. To limit global warming and preserve the living conditions on our planet for future generations, a tectonic shift away from fossil fuels towards renewable sources of energy is necessary. On the other hand, creating a sustainable economy and society requires digital technologies, which bring about productivity leads and are key to living and working smarter. The green and the digital transformation are thus going hand-in-hand. And semiconductor solutions are the essential building blocks over climate neutral and digitalized world.

Consequently, the semiconductor TAM in key markets like E-mobility, renewable energies, data centers and IoT is poised to expand significantly. Market researchers are predicting double-digit growth rates. In other words, decarbonization and digitalization are causing accelerated structural growth of Infineon's target markets. In order to capture these unprecedented opportunities and to sustainably improve profitability, we will foster our leadership in power systems and IoT. The system approach is the key to unlocking value.

Let's first turn to Power Systems. They are the essence of electrification. Probably the most prominent example is an electric vehicle where you have several such power systems like the traction inverter, the onboard charger or the battery management system. Furthermore, Power Systems are needed to harvest renewable energy generated from wind or solar. A third example or data centers were highly sophisticated power stages right next to the power hungry processors are required to make servers used in enterprise and cloud computing, artificial intelligence and machine learning more power-efficient and significantly supporting green computing. There are many more cases for Power Systems and often they literally define the application.

At the core, you find power transistors or also called power switches that do the AC-DC and DC-DC conversion. Controllers and driver ICs are needed to operate the switches. It is the interplay of these components that defines the performance of a power system. This is where also a broad range of packaging solutions as well as software and algorithms come into play.

The common denominator of Power Systems is to achieve power density, optimal efficiency in switching and therefore, system cost. This has tangible economic and ecological benefits. A highly efficient system

reduces losses and help saving or avoiding CO2 emissions. Another commodity commonality are high-quality requirements as power systems typically are operated over long lifetimes and under rock conditions.

Infineon is the world market leader in Power Systems. We have established this position over many years through the consistent pursuit of our P2S strategy. We have created a unique competitive moat, building around realistic understanding of customer requirements, focused innovation in all areas of power and operational excellence in our in-house manufacturing. The resulting comprehensive solutions provide superior value and drive sustainable competitive differentiation and a self-reinforcing business model.

To deal with climate change, a strongly increasing number of power systems will be needed at every step of the power transformation chain, and this plays right into our hands. At the generation level, renewables are getting an extra boost from the desire of energy independence. Infineon is the #1 semi enabler of renewable energy generation, around half of the current installed solar and white wind capacity on the globe is powered by Infineon. Renewables require modification and upgrade of the electricity distribution network. Infineon is again in the driver's seat, around 2/3 of the grid infrastructure built so far for renewables, including EV charging station is enabled by power systems from us.

Going forward, energy storage will become very important. This is the crucial step required to create energy supply completely based on renewables and technologies like hydrogen, but also batteries in many forms will play a role. The biggest opportunity for us, however, is the efficient usage of electrical energy across a multitude of applications for which Infineon is offering the best-in-class solution portfolio. Take electric vehicles. The XEV adoption is accelerating. Last September was the first month ever in which more than 1 million battery and plug-in hybrid vehicles were sold worldwide. Infineon is serving 17 of the 20 top-selling brands. In our 2022 fiscal year, we were the first semiconductor company breaking the EUR 1 billion revenue mark with ex EV semi solutions.

Similar dynamics apply to many more application areas. In some cases, decarbonization and digitalization go hand-in-hand in order to bring down the CO2 burden. Just think of smart buildings or green computing. In short, climate neutrality will not happen without chips going into power systems.

At the core of Infineon's leadership in Power Systems is the mastery of all relevant power technologies. For decades, the base material has been silicon. Nowadays, wide-bandgap based solutions are rapidly gaining importance. Silicon carbide and gallium nitride complement and expand the possibilities of silicon and can offer cost benefit advantages for various use cases. Several applications have reached or surpassed their tipping points and market researchers are predicting very dynamic growth. We have a clear strategy for capturing this growth and the value associated with it. At the same time, different applications will take different transition paths. Silicon carbide lends itself to high-power applications where the power density and switching performance play a decisive role. Extending the range of battery electric vehicle or allowing a smaller battery to be used, enabling fast charging or building more compact solar inverters are all good examples here. Same as energy storage in the future. The key benefit of gallium nitride lies in a superior switching performance, resulting in higher efficiency and lower system cost. Some applications like chargers and adapters will over time migrate directly from silicon to gallium nitride. In other cases, like the onboard charger in cars, we see an interim silicon carbide phase.

Some semiconductor companies active in wide-bandgap are telling their investors that the days of silicon in power discretes are numbered. Well, number they might be but adding up to a very, very large number. In fact, silicon is and will remain for a long time, the dominant power technology with a lot of innovation going into it. And it makes good sense given it's significantly lower cost, silicon can be deployed where highest performance in the smallest form factor is not the first party such as in battery power tools, server, power stages for silicon MOSFETs and huge markets like wind, industrial drives and trains for IGBTs. Of the 2 fast-growing wide-bandgap markets, silicon carbide has taken off first. And we are at the forefront of shaping it. The best way to think of Infineon's SIC trajectory is in 2 phases. In the current Phase 1, we do the initial silicon carbide ramp in [indiscernible]. The speed of the ramp is limited by available clean room. So physical space is the factor that is currently constraining our supply. We are creating more space by moving silicon equipment out. Overall, Phase 1 should get us the first EUR 1 billion of silicon carbide revenue by 2025. Our focus is to get on all applications and industrial and automotive, giving priority to margin accretive ones and achieve a steep learning curve. Then we are moving to Phase 2.

In spring, we announced the building of a wide-bandgap dedicated fab in Kulim. This new fab will result in at least tenfold increase of our silicon carbide revenue capacity to EUR 3 billion by 2027, calculated on 6-inch wafers. All equipment we deploy is 8-inch ready. All suppliers we sign up have to have a credible 8-inch road map. The implication is that we can go broad now as we add significant scale, in particular, also for high automotive volumes. Construction at the site has begun and is going according to plan. With production scheduled to start in autumn 2024, we are going after projects for the new facility now, and we are winning them at a fast clip. Silicon carbide is a marathon and we are confident about our goal of achieving 30% silicon carbide market share by the end of the decade.

That confidence is firmly grounded in the fact that we take all the right boxes for success. With our qualified bull and wafer suppliers, we have sufficient access to the base material. We are actively working on further broadening and diversifying our supply base in an emerging and overtime commoditizing merging market -- merchant market. And we expect more news to come soon. Our proprietary laser-based coal split technology is helping us increase productivity, getting volumes up and costs down. We believe a full vertical integration also including crystal growth does not ultimately create value.

On device level, we went for the superior trench architecture right away, bringing us 1, 2 generations ahead to competition. Trench not only leads to higher performance it also pays into productivity with 30% more chips per wafer compared to planar. This is another example of how innovation and manufacturing expertise create competitive advantage. The combination of these 2 factors also applies to packaging, a somewhat overlooked area of differentiation. With our industry-leading array of packaging solutions, we can optimally cater to customers' needs across all relevant voltage and power classes.

Finally, decades of experience in automotive and industrial power have led to an unmatched depth of system understanding. All in all, Infineon fully masters all key factors for sustainable success in silicon carbide-based power systems, which means we can bring a very convincing offer both off-the-shelf and customized solutions to our customers. And customers are signing up to what we have to offer at an accelerating pace.

Big automotive silicon carbide design wins tend to grab the headlines. Well, here we go. In the last 4 months alone, we landed close to EUR 3 billion of automotive silicon carbide design wins. You are already aware of the bidirectional fast charging onboard charger win at a well-known American OEM announced at our Q3 earnings call. About a month ago, during the ATV divisional update, we spoke about our first-ever silicon carbide onboard charger win at a major Japanese car manufacturer and now Stellantis. We are proud to help drive the transition to electromobility of Stellantis. We signed a memorandum of understanding to enter a multiyear supply and capacity reservation agreement for our CoolSic bare dies with a value of significantly more than EUR 1 billion. We aim to power more than 10 million battery electric vehicles from European and American Stellantis brands in the second half of the decade.

With 3 high-profile wins covering 3 continents, we clearly see accelerating traction in the marketplace for our automotive silicon carbide solutions. At the same time, we retain our leadership in industrial applications, in particular for renewable energies. Industrial is somewhat outside the spotlights, but growing very strongly and in particular accretive to our margins. We are working with highly innovative customers and together are putting decarbonization into practice. Recent design wins for solar and charging applications from the likes of solar edge or delta are underscoring this.

Summing up our customer success trajectory from both automotive and industrial is giving us reason to be confident about our 30% market share goal in silicon carbide towards the end of the decade. The other exciting fast-growing wide-bandgap material is gallium nitride. The market for gallium nitride is still nascent today but is forecast to rapidly grow by a mid-double-digit percentage rate to reach several billions over the coming years. With a key benefit of higher switching frequencies, gallium nitride is enabling much more compact form factors for power applications like chargers, adapters or server power supplies while also supporting advanced RF applications like high-bandwidth antennas in 5G networks.

Underscoring our leadership position in Power Systems across all relevant materials, we witnessed strong interest by market-shaping customers for our gallium nitride solutions and have achieved a cumulative design win volume of around EUR 1.5 billion. Different from silicon carbide, gallium nitride components are not adopted in replacement. Instead, the system topology has to be changed to optimally drive and control a gallium nitride switch with sophisticated interconnect technology. Infineon, including the International Rectifier legacy has pioneered gallium nitride on silicon and holds the strongest IP portfolio in the industry,

counting 300 patent families covering the whole value chain from EP to device circuitry and packaging. Together with our cost-efficient IDM set up a dual-side in-house production, this makes us ideally positioned to exploit the profitable growth potentials that gallium nitride is offering. One further aspect, while today, we are moving to 8-inch, it is quite conceivable that over a longer term, gallium nitride will transition to 12-inch, which would nicely tie into another of our core competencies.

Besides decarbonization, there is another secular theme that is causing tectonic shifts in this decade and beyond: Digitalization. Adding intelligence and connectivity devices in an Internet of Things enables completely new use cases and step changes in productivity. Digitalization will fundamentally change the way we live and work. And Infineon is right at the core of it. With our IT solutions, we are linking the real and the digital world. By IoT, we mean holistic semiconductor solutions that comprise different functionalities like sensing, control, actuate, connectivity and security, sometimes physically integrated in a package or even on a chip. The different functionalities are glued together by software layers. Technically speaking, critical IoT components are microcontrollers, connectivity products, such as WiFi, Bluetooth or NFC sensors, security ICs as well as power supply and switches. Following the landmark acquisition of Cypress, Infineon commands all relevant competencies to drive digitalization and reap strong structural growth from across the various IoT areas. Specifically, Cypress added IoT-dedicated PSoC microcontroller, WiFi/Bluetooth combos, the CAPSENSE family of capacitive touch controllers and the motors toolbox development ecosystem. Market-wise, the IoT can be roughly structured into a consumer-oriented part with applications ranging from wearables to smart home devices and industrial part with examples like predictive maintenance and automated guided vehicles. In these areas, there's a myriad of small but very profitable projects to be addressed.

Additionally, also the automotive world is seeing a digitalization wave with a car of the future becoming a smart and connected IoT device. The user experience and with the car of the future will be more intuitive and seamless. Software-defined cars will become a reality, supported and enhanced by the emergence of new electrical and electronic or EE architectures. OEMs are moving from distributed to domain and then to the zone architecture. The ultimate level is a full car computer. For the coming years, the main growth is taking place in mixed domain and zone architectures. This shift opens up a key opportunity for Infineon. In the new architectures, MPUs and MCUs will coexist as many use cases of processing arise. Our RX family of microcontrollers with real-time capability, highest level of functional safety and automotive grade certification has developed in a kind of gold standard. The third generation incorporates AI-based features and dedicated domain and zone control functions. At higher levels of car automation, it can act as an intelligent safety host, enabling fail operational driving modes. As a result, our automotive microcontroller business is poised to grow by 2.5x to EUR 4 billion of revenue over the coming years. And the story does not end there. Each microcontroller needs a fitting power supply realized an analog mixed signal technology with an average value of 1/3 of the micro.

Infineon has a history of bringing game-changing innovations to market. Radar solutions for both automotive and consumer IoT applications are a case in point. We started making cars safer with radar systems over 15 years ago. Since then, we have kept the leading position with more than every second greater IC coming from Infineon, delivering to practically all major OEMs, and we continue to innovate. Our new radar MMIC based on 28-nanometer CMOS technology are now sampling. Customer feedback on signal-to-noise ratio, system level performance and the scalable platform approach is very positive. We expect the market to grow strongly with a number of radar modules per car going structurally up driven by new features such as advanced emergency braking systems and the increasing penetration of higher levels of vehicle autonomy. This again, bodes well for our microcontrollers forming part of their -- the radar modules. Here, we are lined up to get to the #1 market position within the next 3 to 4 years. Innovative radar solutions are also shaping the consumer IoT. Here, the key benefit of radar is the combination of precision and anonymity. For example, Smart TV set with presence detection leads to superior user experience without sacrificing privacy. IoT systems thus enable safer and more comfortable life.

Besides privacy, another key factor for IoT adoption is that interaction between humans and machines are seamless. Here is where CAPSENSE comes into play a capacitive touch technology inherited from Cypress. It basically enables IoT at a fingertip with ease of use, reliable and robust solutions even working on wet displays. We are the leading touch-based human machine interface market profound experience has led to an unrivaled IP base in this area. CAPSENSE is in volume production in a wide range of applications, enabling consumer, industrial and automotive IoT solutions. It is 1 of many examples of former Cypress products

helping us to build an extensive design win pipeline and achieving the envision revenue synergies from the acquisition.

We are once again reconfirming our well-known mid- and long-term synergy targets being fully on track to reach or even overachieve them. Digitalization cannot be sought out of without software. With the help of software, functionality performance, energy efficiency and security can be optimized at system level. Consequently, software is a crucial element of our product to system approach, and we are strengthening our software capabilities. This does not only mean hiring programmers, but we are creating a framework for success by aligning internal organizations, processes, structures, tools and culture. The aim is to increase customer value by developing more differentiating system solutions. By capturing a fair share of such value, software will result in significant growth and margin contribution over the next 5 years.

The growth part comes from 2 aspects. Agile software development enables efficient portfolio expansion through derivatives, and software brings direct additional revenue admittedly from a small base, but growing significantly faster than hardware. Encouragingly, we see first green shots emerging. Software is supporting profitability by making our system offerings more complete. The development ecosystem we inherited from Cypress and continue to enhance further is making customer relationships stickier especially also for smaller solution-oriented customers that require ease of use and short time to market.

Let's quickly recap now before coming to our upgraded financial targets. The 2 secular themes, decarbonization and digitalization drive accelerated structural growth in our target markets. We are addressing these opportunities through leadership in Power Systems and IoT. This is underpinned by the consequential pursuit of our proven P2S strategy. investing in software capabilities will bolster profitable growth. Our go-to-market approach will be enhanced by digital marketing and sales and eye-level strategic partnerships with market-shaping customers. All of that crystallizes into our upgraded target operating model.

The first parameter of our target operating model is top line growth. We are convinced that we can grow our revenue by more than 10% annually, clearly continuing to outgrow the overall market. Let me remind you our targets are on a through-cycle basis, which means we are acknowledging cyclicality and factor in periods of slowdown and boom. Linking our market perspective with strategy and business setup, we have identified 5 key applications that will drive high structural growth going forward. E-mobility, renewables, ADAS, data center and IoT are closely related to decarbonization and/or digitalization. Taken together, these 5 will account for around 60% of Infineon's revenue growth over the next 5 years. In some of these cases, more than 1 division will contribute to an application, which is logical and intended given our system approach. Take electromobility, as an example. You might find ATV in the traction inverter and PSS in the onboard charger of a car. Heavier commercial or agricultural vehicles are addressed by IPC. As a consequence, the average divisional growth rates are not expected to differ much from the overall Infineon rate. Having said this, we do think that ATV and IPC have the biggest upside in the coming years.

Strong double-digit growth and the creation of customer value is made possible by consistently expanding manufacturing capacities. Our proven strategy stays in place. manufacturing know-how is a key ingredient to the secret sauce in power semiconductors. Investing in in-house facilities contribute significantly to our competitive advantage. The related decisions have to be made with a long-term through-the-cycle view. This entrepreneurial perspective has paid off nicely in the case of our 2 300-millimeter power fabs in Dresden and Villach, which we are now running and ramping further with our 1 virtual fab concept.

Looking forward, we are planning to focus on 2 key front-end projects. The first one, the building of a wide-bandgap dedicated fab in Kulim I've already described. We are investing north of EUR 2 billion to capture the exciting opportunities of silicon carbide and gallium nitride. Construction is going according to plan, and we will set up the complete process chain there, including epitaxy and in case of silicon carbide, the cold split method. The other key investment we are planning is the expansion of our site in rate by adding a fourth module for 300-millimeter production of analog mixed signal components as well as for power switches.

Let's look closer into this project. As we have seen, sophisticated power and IoT systems are made up by a finely balanced set of different semiconductor components. Dresden 4 would help us to deliver critical power system parts of various kinds to our customers in the right quantity and quality. With an amount of EUR 5 billion, Dresden 4 would be the largest single organic investment in Infineon's history. Once fully rend, it would have an annual revenue capacity matching the investment, in other words, around EUR 5 billion over euros per year, allowing us to capture growth opportunities in the second half of the decade.

The availability of adequate public funding has a major influence on the implementation of the project, and we are in close contact with the relevant authorities. Construction could commence an autumn of next year reaching ready for production around 3 years later. The new fab would be highly automated, very resource-efficient and set up for very flexible production programs, combining different technologies under 1 roof. A key part of overall capacity is to be dedicated to analog mixed signal components or broadly speaking, power ICs, manufactured using 130-nanometer technology on 300-millimeter wafers.

The global supply market in these mature nodes is suffering from historic periods of underinvestment. Foundries have little incentive to invest in these technologies, leading to a widening gap between strong and underlying demand and available as well as projected supply, which Dresden 4 could help to close. The products coming out of Dresden 4 exactly match our key growth applications. Let me illustrate this with a couple of examples. Power systems for e-mobility require battery management ICs and power supplies for microcontrollers. The later are also required for ADAS. Power systems for renewables need driver IC, the power stage for data center consists of 2 MOSFETs and the driver IC. And IoT devices typically has a small dedicated microcontroller. Many also have USB connectors Furthermore, Dresden 4 would add highly efficient 300-millimeter capacity for power switches like MOSFETs to fulfill demand and drive economies of scale.

Let's take a deep dive into the intended product spectrum of Dresden 4. The new fab would be capable of turning out highly differentiating portfolios, running from different types of power switches to analog mixed signal ICs and systems on chip. By adding significant manufacturing capacities in these categories, we are laying the foundation for expanding our market leadership in Power Systems. Silicon-based power switches like MOSFETs are expected to continue to grow, so-called profits, which are MOSFETs with protection features against, for example, over current are the first type of devices that include some analog mixed signal circuitry in addition to pure power structures. They are essential for body control modules and power distribution in the future. They allow new EE architectures like zones or domains in the most efficient and safest way.

We recently gained the biggest design whenever for these category of devices, covering more than EUR 0.5 billion with a single major German OEM VR Aptiv as a Tier 1. This will enable our customers to build smarter and more reliable cars with the highest degree of autonomous driving features. Analog mixed signal components like power supplies for microcontroller, driver ICs or also CAPSENSE touch mentioned before, are integral parts of Power Systems regardless of whether the switching is done on silicon, silicon carbide or gallium nitride. Power system on chips represent in themselves power systems for numerous small motor applications such as window lifters or pumps, the application-specific controllers would go into IoT applications such as USB or white goods. By the way, Infineon is global #1 for USB power delivery and USB-C which will become the charging standard for all consumer products. 130-nanometer is the sweet spot for these components, providing an optimal balance between analog and power capabilities and the integration of some digital circuitry. A further shrinking will not happen anytime soon.

Taking an existing site, like Dresden for such an expansion would reduce complexity, ensure fast execution and allow for significant economies of scale. Deploying 300-millimeter technology in-house would lead to a cost advantage of around 40% in a steady state compared to sourcing analogic signal components from foundries. At the same time, expanding another site with high-volume capabilities would improve supply chain resilience in Europe and beyond.

So much for growth and investment in our upgraded target operating model. Sven will now continue with profitability and cash flow generation. Over to you.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [5]

Thank you, Jochen. Infineon has consistently grown its profitability over the recent years. And yet, we see further margin expansion potential over the next cycle. Our clear focus is on profitable growth with added emphasis on profitable. So it's no surprise that within our upgraded target operating model, the profitability parameter is seeing the most significant revision. We are raising our full cycle segment result target from 19% to 25%.

Let me elaborate on the levers we have identified for this big step-up. As you can see, there are several factors driving margin accretion, partially offset by some headwinds. In each case, we are comparing against

our previous through-cycle margin target of 19%. Jochen has explained how system solutions create value for our customers, and we expect the share of such solutions in our revenue to go up. Taking customer value instead of production costs as the starting point for price setting, in other words, more consistently deploying value-based pricing will help us capture a fair share of the value created. Furthermore, we are working on improving the product and technology mix over time. This is addressed by a portfolio management across the group for example, by investing our R&D resources into the most promising opportunities without any large-scale divestitures being in the pipeline.

On the cost of goods side, we anticipate additional benefits from accelerating manufacturing productivity driven by the increasing 300-millimeter share and scale effects from faster revenue growth. Further positive contributions to our segment result margin are expected from OpEx discipline, supported by digitalization and scaling. Compared to the previous target operating model, we benefit from a foreign currency effect, in particular, due to the increased strength of the U.S. dollar against the euro. On the other hand, margin expansion is going to be dampened by cost increases related to topics like materials and supplies, energy or wages.

Furthermore, we plan to prefund the creation of more system solutions including software by scaling up R&D resources and also accelerating our wide-bandgap road map. The height of the bars gives you an indication about the relative strength of the respective level. Taken together, they will let us reach our new average target segment result margin level of 25% through the cycle, percentage points higher than our current through-cycle segment result margin target. This implies a kind of annual margin floor in the high teens and the potential to go up to high 20s and strong market faces. Infineon's business is therefore going to be more attractive and more resilient.

Regarding the gross margin implicit in our target operating model, we can give you an indication. Assuming average market and business conditions, we target a level of around 45% and for our adjusted gross margin, which would then lead to our 25% segment result margin target. This should provide you a hint for your financial models and is not meant as a midterm guidance. Profitability translated into cash generation creates value. This is the reason for including for the first time ever, an explicit free cash flow target in our model. It will replace the investment to sales ratio. Of course, we continue to guide the planned investment amount for the following fiscal year.

Over the last 2 years, following the acquisition of Cypress, Infineon's operating cash flow has strongly risen to a level of EUR 4 billion in our 2022 fiscal year. Going forward, we see this number going up further through the combination of the first 2 parameters in our upgraded target operating model, accelerated growth and higher profitability. On the other hand, accretive investments into high organic growth remains our #1 capital deployment priority. We are convinced that this leads to the highest long-term financial value creation and we have a very stable financial profile that enable these investments in all phases of the cycle. And let me be very clear, our conservative capital structure targets derived from an investment-grade rating remain unchanged. We manufacture in-house where it adds to our competitive differentiation. At the same time, our outsourcing share will go up to around 40% by 2025. This is unchanged. Crucially, we expect operating cash flow to outgrow investments leading to improved free cash flow generation from profitable growth and higher asset efficiency over time. In particular, the next 2 years will be characterized by significant investments into our front-end locations. Jochen has described the key projects in Kulim and Dresden. Having available clean room space is the key to reaping structural growth opportunities. We plan to spend a cumulative amount of around EUR 3.5 billion on major front-end buildings over the next 5 years with a front-loaded timing. Adjusting for these lump sum investments to enable future revenue, we are targeting a free cash flow level of 10% to 15% of sales over the cycle. Looking at a 5-year horizon, it's fair to assume that we will reach the upper end of this range in the outer years.

Now let's put it all together. Infineon is sailing a clear course, navigating into promising waters of profitable growth. We, as top management, are committing ourselves to more ambitious financial goals summarized in an upgraded target operating model. Through this cycle, we plan to achieve more than 10% annual revenue growth, an average segment result level of 25% and adjusted free cash flow of 10% to 15% of sales. As a result, our reported return on capital employed or ROCE is expected to continue to consistently grow and to reach twice the cost of capital level. This way, we will create superior value for you, our owners.

For Infineon, shareholder value creation is fully in line with other stakeholders' expectations. We take a holistic view Decarbonization is a major challenge of our time, as again seen at the Global Climate Conference in Egypt. The green transformation will not happen without semiconductors helping pave the way towards climate neutrality. In the 2022 fiscal year, Infineon products have again caused a significant net ecological benefit over their lifetime, they save around 100 million tons of CO2 emissions, 33 times what it took to manufacture and deliver them. And we do not stop there. Rather, we are reiterating our stated goal of achieving carbon neutrality with respect to our Scope 1 and 2 emissions by 2030 with an interim step of 70% reduction by 2025. This is aligned with the Paris Climate Agreement's 1.5 degree target.

On our road to carbon neutrality, we have achieved significant milestones like using green energy in Europe and North America. In our 2022 fiscal year, we have brought down our CO2 burden by 23% compared to the 2019 base year despite very strong business volume growth. We will continue our efforts with some measures already implemented and showing future impact like completing the abatement system in Kulim, others being prepared like switching our agent sites to green energy. We will stand by our promise.

Now back from our midterm targets to something more typical of an analyst call our near-term outlook. We are today providing a full year forecast. This is not without challenges. Let me frame this outlook for you. After 2 years of strong fundamental growth, macro, geopolitical and sector-specific headwinds are intensifying. Uncertainties around the type of lending after a long up cycle are evident. Generally speaking, the supply shortages are alleviating. Constraints are less pervasive, lead times are stabilizing, shortages are narrowing to fewer product areas. This allows distributors and downstream customers to replenish certain stocks. We have seen channel inventories overall go up from 7.5 to 9 weeks during the September quarter and stabilize at around that level subsequently, which means they are still below target. And there is a divergent pattern where some parts are at least back to normal reach levels, there are still many categories that are scarce, such as MCUs, in particular for automotive, IGBTs for renewables, wide-bandgap and analog mixed signal parts driven by limited supply additions at mature process nodes. In automotive, there are still golden screw components that are impacting supply chains.

For inventories on our own balance sheet, reach levels have gone slightly down the September quarter, which we ended with 120 days, 4 less than 1 quarter before. We have been seeing a bifurcation of semiconductor end markets for some time now. There is, on the one hand, the well-known weakness in several mostly consumer-related applications, smartphones consumer battery power tools, home appliances, but also various areas in the computing space. On the other hand, market conditions for automotive applications, especially EV and ADAS, Industrial, in particular, renewables, remain supportive. The underlying trends are intact.

As said already in our last earnings call, it is by no means clear that all applications will follow an identical pattern only starting at different points in time. On the contrary, the supply-demand situation for power devices may well get worse going into 2023, resulting from a search in renewable demand on the back of the desire for energy independence in Europe, the U.S. infrastructure bill and government programs across Asia. At the same time, electric vehicle adoption will progress more or less unabated and these 2 areas compete for the same capacities. Needless to say, in such times of heightened volatility, careful monitoring of lead indicators is paramount. Our key markets have different drivers and different cyclicalities. We are constantly and closely monitoring business KPIs in order to react swiftly.

Our outlook for the fiscal year that has just started can be characterized by structural optimism with some cautionary undertones. What does this mean in numbers? We are on track for a good start into our new fiscal year. For the December quarter, we expect revenues of around EUR 4 billion, reflecting a typical pre-pandemic seasonality. There is no specific currency impact as our assumed U.S. dollar euro exchange rate of 1 is virtually identical to the actual one from the September quarter. By division, we expect ATV's revenue to sequentially grow by low single-digit percentage rate. Revenue generated by PSS is expected to decline by a high single-digit percentage rate, a softness in consumer computing and communications adds to normal seasonality. Seasonality will also affect IPC for which a revenue decline of around 10% is forecast from the all-time high level in the September quarter, primarily driven by home appliances. CSS revenue is likely to remain at around the same level as in the quarter before. The segment result margin for the December quarter should develop in line with revenue and come in at a level of around 25%.

For the full 2023 fiscal year, we expect revenues of around EUR 15.5 billion, plus or minus EUR 500 million, translating into a top line growth of 9% year-over-year. As stated above, Infineon's key applications mostly still show robust dynamics. This robustness includes pricing. It applies in particular to areas with structural content growth and ongoing shortages like automotive and renewables. Having said this, in our base case, we expect overall growth to moderate and the consumer-related weakness to persist against an uncertain macro backdrop. Also, we envisage some inventory digestion to occur throughout the coming year.

Taking all of the above together, we have implicitly baked in a certain slowdown in the later parts of the fiscal year. By segment, we expect ATV to grow above IPC and CSS and PSS below corporate average. The expected top line growth of around 9% is positively impacted by the stronger U.S. dollar. Due to higher absolute revenues in U.S. dollars, our currency sensitivity has gone up.

Let me provide you an update on our rule of thumb going forward. For each cent movement of the exchange rate, we estimate a quarterly revenue impact of EUR 25 million and a quarterly segment result impact of EUR 10 million. Translating this into our guidance for the 2023 fiscal year for which we assumed the U.S. dollar to be at parity to the euro compared to an average rate of 1.08 in the previous fiscal year, it means that we should see an annual currency tailwind of around EUR 800 million. Pricing and volume will account for the remaining projected revenue increment. The segment result margin for the 2023 fiscal year is expected to land at around 24%. That level would be a notch up from the prior year, showing resilience in a year where revenue is anticipated to develop less strongly than at the average rate for just upgraded target operating model. Puts and takes regarding profitability are anticipated to offset each other by and large. We should see favorable currency effects, as just described and favorable pricing from contracts becoming effective. On the flip side, we expect cost increases for energy, materials and wages as well as some incremental underutilization charges.

For investments in property, plant and equipment, other intangible assets and capitalized development costs, we project a level of around EUR 3 billion, including cooling free and the planned new fab in Dresden as we are convinced of the value of forward-looking investing, preparing ourselves for secular growth.

For depreciation and amortization, we expect a value of around EUR 1.9 billion including amortization of around EUR 450 million resulting from purchase price allocations that will end up in our nonsegment result.

And for free cash flow, we expect a level of around EUR 0.8 billion, including some EUR 700 million planned for the aforementioned major front-end buildings. Excluding those our projected adjusted free cash flow would come in at around EUR 1.5 billion, representing around 10% of sales.

Let me conclude my part of the presentation with further good news. As we want shareholders to participate adequately in their company's success, we will propose to the coming Annual General Meeting a dividend increase of 19% to $0.32 per share.

Now back to Jochen, who has our key messages before Q&A.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [6]

Ladies and gentlemen, here is what you should take home from this proverbial in a nutshell. Decarbonization and digitalization are not possible without semiconductors. Infineon commands a unique position in key markets with double-digit TAM growth. We create sustainable competitive advantage through leadership in Power Systems and IoT. We are doubling down on wide-bandgap. So significant design wins in silicon carbide and gallium nitride underpin our 10x capacity expansion.

Other areas of significant value-accretive investment are analog mixed signal for which we are planning a landmark investment in Dresden and software. We see more profitable growth ahead and expect higher sustainable value generation from our upgraded target operating model.

Question And Answer

Alexander Foltin, Infineon Technologies AG - Head of Investor Relations [1]

Thank you very much. Jochen and Sven for this slamdunk presentation. From my point of view, you've already addressed all topics comprehensively, but I'm sure our sell-side analysts will want to investigate further. Therefore, we're now coming to our question-and-answer session with the entire Infineon Management Board. [Operator Instructions] Besides Jochen and Sven, you're also having Constanze Hufenbecher, Chief Digital Transformation Officer, Andreas Urschitz, Chief Marketing Officer; and Rutger Wijburg, Chief Operations Officer, to take your questions. I can see that a queue is already building. So let's take our first caller.

Unknown Executive [2]

We take the first question now from Francois Bouvignies, UBS.

Francois-Xavier Bouvignies, UBS Investment Bank, Research Division - Technology Analyst [3]

Hello, can you hear me?

Unknown Executive [4]

Yes, we can hear you.

Francois-Xavier Bouvignies, UBS Investment Bank, Research Division - Technology Analyst [5]

Okay. Great. I have 2, if I may. So the first 1 is on this new target. And when you said in the beginning, the first -- 1 of the first you said is like to change your gears. And when we look at your targets, it's -- when we look especially at the segment margin going from 19% to 25% seems a very change in terms of target meaningful. If I take for sample comments than in the past, you said today, we may be in the up cycle so the 19% is normal that it's below that. But now you are taking a margin that is well still be above what you are able to deliver today, which many out there are thinking it's more an up cycle than a below average cycle, if you see what I mean. So what makes you think today that the 25% in a historic average through cycle and that you show the graph to bridge here? But just wanted to understand more how confident are you that the 25% is still conservative on average through cycle rather than the up-cycle targets? And I have another question after that, please.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [6]

So maybe I start and then I hand over to Sven. I do the whole how part. When I took over as CEO, I talked to many colleagues in the top management team. And then we all felt, look, our strategy is perfectly fine. It's driven by decarbonization, digitalization, it's the 2 major growth drivers this world can offer and therefore, we are addressing those, and that's perfectly fine. Where we want to change is on our behavior or you can call also culture. So we want to set ourselves more profitable growth, goals, clarify responsibilities, drive timely decisions and execution. I think this is where we can create more value for the company and, of course, for our investors. And how that now goes into numbers, Sven can answer your question in more details.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [7]

Yes. Francois, thank you for the question. I don't want to repeat now the whole bridge. But you have seen there are different levers where we are really confident that if we execute them well, as Jochen was just pointing out, they will bring us to such a level through the cycle. There may be years which are above and below. So if we take the current year as an example, where we just ended with 24% that was a boom year in the old target operating model of 19%. And this needs to now compared to a situation where we have a 25% target through the cycle and where the high 20s number is now the comparable number to the old number in the old system in a boom phase.

If you look at the structural drivers, which Jochen has described in the presentation, and if you look at the potential, which is not yet in the books, so to say, and just to mention the OpEx scaling or the value-based pricing or the manufacturing, as we described. If you take that into equation, we think it is the right level going forward for a through-the-cycle target.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [8]

Maybe let me reiterate 1 thing. We are stressing profitable growth. We are not giving up on growth. We are stressing profitable growth. Infineon will remain, as you can see, with a higher than 10% growth number for CAGR, a growth company, but we believe that we can stress profitable growth in order to achieve the overall target operating model, which we just introduced to you.

Francois-Xavier Bouvignies, UBS Investment Bank, Research Division - Technology Analyst [9]

That's very clear. And maybe my second question is on the silicon carbide and Stellantis deal that seems quite meaningful, significantly more than EUR 1 billion. Now if we look at your EUR 1 billion capacity with Villach and EUR 3 billion with Kulim 3 within a few years, it's ironically seems with this kind of new deals, you're going to be at full capacity pretty soon. So I was just wondering what do you -- should we expect all the deals of this kind? What made you win this deal? Basically, is it like the trench or the capacity approach? And should we expect further investments because the EUR 3 billion might be you should announce other deals of this kind might need more already?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [10]

Yes. First of all, it's certainly a very big design win, and we convinced Stellantis is on all of our dimensions in terms of success factors, which I mentioned, it's about the trench, it's about our application know-how, but it's also our supply security, which we can offer. And the EUR 3 billion which are depicted on the picture are just a moment in time, right? Rutger will do everything to increase the capacity further. So it fits nicely into the corridor, and we will see strong growth beyond the EUR 3 billion the years after. And yes, so we will go for design wins across all application automotive, but also, again, industrial applications, which I think the market is still under value in terms of growth perspective.

Francois-Xavier Bouvignies, UBS Investment Bank, Research Division - Technology Analyst [11]

We should expect other deals of this kind going forward?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [12]

Yes. Maybe not every month, but I think we will also take some other big OEMs on board, yes.

Unknown Executive [13]

Next question comes from Alexander Duval, Goldman Sachs.

Alexander Duval, Goldman Sachs Group, Inc., Research Division - Equity Analyst [14]

Yes. Thank you very much for the question. Just following up on the previous question about the Stellantis win. I believe we saw some information stating that was for bare dies. But in your presentation, you also talked about your capabilities on modules. So I just wanted to understand to what degree we could look at packaging still being a differentiating factor for Infineon. And then second question is on silicon carbide market share. You talk about confidence of getting to 30% by 2030. To what degree is that driven by automotive and to what degree is that driven by other areas like industrial and renewables?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [15]

So first of all, you got it correctly, the Stellantis design win is at this point in time, a bare die number significantly above EUR 1 billion. The next step is now to work with Stellantis, but also the Tier 1s on packaging solutions, and it might as well be that we can increase our revenue potential by adding packaging solutions to the bare die. So it's just the first step in a journey. And the second question was on -- can you?

Alexander Duval, Goldman Sachs Group, Inc., Research Division - Equity Analyst [16]

30% target.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [17]

30% target. Yes, we will go for all the end markets for sure, automotive. But again, as I said, the highly attractive industrial space, we will not leave aside.

Unknown Executive [18]

Next question comes from Johannes Schaller, Deutsche Bank.

Johannes Schaller, Deutsche Bank AG, Research Division - Research Analyst [19]

Yes. I hope you can hear me. Congrats on the strong results and the outlook. I wanted to talk a little bit more about the new fab in Dresden. You've historically been a very strong advocate of pure 300-millimeter power fabs because the cost efficiencies there may be a bit greater than doing a mixed fab with various products. I mean, Jochen, you already said the pricing or the cost structure there is about 40% better than a lot of this stuff from foundries. But can you maybe help us compare the cost structure in the new Dresden fab also to your pure power 300-millimeter fabs and maybe 200-millimeter fabs? I think historically, you talked, for example, for the other Dresden fab, about a 20%, 30% front-end cost advantage. How should we think about this new fab? And also related to that, when we think about the EUR 5 billion investment, can you maybe give us a bit of insight how much subsidies you're getting for that? Maybe from the EU, maybe from Germany, if there's anything around that you can disclose?

And then as a second question, just on CSS and Cypress in general. My understanding was always you're sitting on a pretty big backlog here and your capacity constrained by foundry supply. I'm a bit surprised maybe that you're not guiding for more CSS growth in 2023 as one would expect foundry supply to improve. So maybe you can help us a little bit on that?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [20]

Good morning, Mr. Schaller. So first of all, you remember correctly what I said that keeping factories in a very homogeneous technology portfolio is an advantage. But now Dresden becomes so big that we feel that combining analog mixed signal and power discretes is possible because each of it has enough economy of scale, but the 2 together will also create then additional economy of scale.

Your second question, if I remember correctly, how is it compared to 8-inch? And yes, you are also right in that regard 12-inch versus 8-inches, roughly 20% to 30%, but more tendency, more for analog mixed signal as it is has more layers than power discretes.

The third question was with respect to the funding. Here, I ask you for your understanding. We are in very good discussions with the Ministry of Economics and the Chancery in Berlin and also with the corresponding politicians in Brussels. We feel that we will get very good support. But at this point in time, I would not like to disclose any number on the funding, which will be mainly provided by the EU chipset. And on the CSS, I ask Sven to take it on.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [21]

Mr. Schaller, thank you. Spot on. Indeed, it's a slightly reduced number compared to the Capital Market Day last year. There are a couple of factors which drove us to this assumption. Firstly, CSS as you have seen, grew by 30% in the last year. So the starting point is much higher than we anticipated. Number one. Number 2 is CSS, yes, is Cypress, but there's also half of the Infineon legacy business, which we always need to take into consideration. And some of the foundry easing, which we also start to be seeing only translate over time into revenue. So it's more in the outer years, and this is a CAGR over some years. So this also needs to be taken into equation. And on the short term, we have this consumer-related weakness, which we have also factored in. So taking all that together, these were the reasons for bringing CSS to around 10% growth.

Unknown Executive [22]

Next question comes from Sandeep Deshpande, JPMorgan.

Sandeep Sudhir Deshpande, JPMorgan Chase & Co, Research Division - Research Analyst [23]

Sandeep here at JPMorgan. Two questions, if I may. Looking at your new long-term guidance on margin, we noticed that your baseline is that 19%, which was the previous guidance from the company. Have you built this 25% from the ground up or from the 19%? Given where we are -- I mean there was this earlier question about the cycle, but there is also this question about where we are in terms of the currency at the moment, the euro-dollar, which is -- which helps your margin quite significantly. So that's my first question regarding the bottom up. And the second question I have is regarding silicon carbide. I mean, clearly, in the IGBT space, Infineon has been head and shoulders above everybody else in the market. As we go into silicon carbide does Infineon believe that over the next few years with these design wins, it can get itself into the kind of market position that it has had in IGBT or is silicon carbide basically going to be a much more competitive space?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [24]

So Sven will take on the first question.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [25]

Yes, Sandeep. Thank you. So it is a term-to-term. So there was an old term 19% through the cycle, by the way, which we have achieved on average if you look at the last years. And now it is a new target operating model through the cycle 25%. As I have said, with a high teens number showing the resilience in weaker market phases and a high 20s showing the potential in stronger markets like the 1 we have today based on the old model. And in this equation, you are right. As I said in the intro, there are a couple of factors, one is the dollar. So if you want more details -- if you take the average U.S. dollar rate, which was in the old target operating model, so to say, it depends on where it starts and stops exactly, but it's around 1.15, now we are at 1. So there is a significant contribution. Of course, it will fade out. There is this positive element for '23 then over time as we are now planning with 1 flat, it should fade out.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [26]

Yes. And Sandeep, I take the second question on the silicon carbide. Look, I can only speak for Infineon. We are confident to get to the 30% market share. Others, you need to ask themselves, but all these, let's say, very bullish statements you need to execute, and silicon carbide is a lot about execution, and it's not so easy. So let's see how it plays out. But what I can tell you is the unique position of Infineon is that we command all 3 materials, silicon carbide, gallium nitride and silicon and even more so, we are the leader in Power Systems. So that's our defendable market position. And here, I would like to highlight or to get your attention in that regard. It's not now about a couple of percentage points left and right on silicon carbide alone.

Unknown Executive [27]

Next question is Didier Scemama from Bank of America.

Didier Scemama, BofA Securities, Research Division - Director in EMEA Equity Research & Head of European IT Hardware [28]

Hello there, can you hear me? Hello?

Unknown Executive [29]

Yes.

Didier Scemama, BofA Securities, Research Division - Director in EMEA Equity Research & Head of European IT Hardware [30]

Two questions, if I may. Can you hear me?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [31]

Yes.

Unknown Executive [32]

We can hear you.

Didier Scemama, BofA Securities, Research Division - Director in EMEA Equity Research & Head of European IT Hardware [33]

Okay. Sorry. Yes, brilliant. Thanks for the presentation. I have a couple of questions. First of all, on your 2023 guide on segment results, obviously, you alluded to some caution baked in on your forecast for the second half. I just wondered how that reconciled with your pricing improving in fiscal year '23 and your aggressive CapEx? How does that work? Why are you increasing capacity if you assume that the second half will be lower? And then secondly, I also wanted to ask you about your 2025 target. So you previously mentioned that your target for sales was around EUR 16 billion. It looks like you're going to do that just this year. So do you have a new target for 2025? Or should we assume just 10% plus from 2022?

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [34]

Okay. Didier, I can take them right away. So the answer to your second question is, please take our 10% plus or greater than 10% as the base. So we are not guiding for a new number. But you are right, the growth in the fiscal '22 was so strong that we are much advanced compared to the revenue target, which we have announced a year ago.

Now on 2023, as I've said in the intro, there are these puts and takes. There are pieces which are very strong, which are in allocation. There are pieces which are weaker as we have said, for example, on the PSS segment. And if you now take all these pieces together, there are puts and takes. You have positive impact from higher revenues, so fall through to the margin. You have the positive U.S. dollar contribution, as I also said in my answer to Sandeep, where in comparison to last year, it's an 0.08 tailwind. We have positive pricing. As we previously stated, there have been pricing initiatives where -- there is still some pricing adjustments coming in this year. On the flip side, there are higher underutilization cost, which we expect given that we have planned for higher capacities than EUR 15.5 billion. There is a higher wage inflation, and there is also the energy contribution. So we are forecasting roughly EUR 200 million of higher energy costs for this year compared to last year. And taking all this together, this brings us then on the revenue line to the EUR 15.5 million and to the 24%. I think it's a prudent assessment in the current market. Can it change? Yes. I would say the longer we go into this year, the more visibility we will have.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [35]

And maybe Rutger add on to the CapEx budget. So where do we spend the EUR 3 billion on next year? Or this year?

Rutger Wijburg, Infineon Technologies AG - COO & Member of the Management Board [36]

So if you look at the CapEx budget that we spend, let's say, a part is for the that's a long-term drivers for the buildings like explained by Sven and Jochen. And the part is for specific capacities where we see strong growth in renewables and also in electrification. So we are focusing our CapEx where we see this growth going on. And then we're also preparing for the longer term growth with, let's say, preparing the major buildings.

Didier Scemama, BofA Securities, Research Division - Director in EMEA Equity Research & Head of European IT Hardware [37]

Brilliant. I mean that's clearly a much welcome upgrade to your fiscal year '23 and longer-term margin target. Maybe a quick follow-up, if I may. Can you tell us a little bit what your assumption is in terms of foundry prices baked in your gross margin guidance, give us a sense or do you assume prices to be up a lot or flattish, just so that we understand the sort of puts and takes in that.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [38]

Yes. The foundry world is currently also seeing some signs of softening related to computing, consumer and smartphones. So we do see areas where, let's say, market pricing or at least add-ons we needed to pay for spot wafers are coming down, coming down to zero. Other areas are still tight. But overall, I would say it's in

terms of tendency, it goes towards normalization. However, situation down the road years to come, might tighten again. And that's why this 130-nanometer capacity expansion for us in Dresden is so important because it's really those P2S components, which we have designed and introduced to the market so successfully over the last years and we really need to make sure that we have here a competitive capacity in place and in order to play our P2S card as effectively as possible.

Didier Scemama, BofA Securities, Research Division - Director in EMEA Equity Research & Head of European IT Hardware [39]

Thank you and congratulations.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [40]

Thank you.

Unknown Executive [41]

Next on the line is Matt Ramsey from Cowen.

Matthew D. Ramsay, Cowen and Company, LLC, Research Division - MD & Senior Research Analyst [42]

And thank you for the great presentation. I guess for my first question, our team has spent a lot of time on the silicon carbide market, not just with yourselves and ST in Europe with ON and Wolfspeed and the other players in the U.S. And as that momentum in silicon carbide at least in the investment community has continued to ramp. I think we felt a bit investor pushback that silicon carbide was going to maybe displace or mute the growth or maybe even cannibalize some of the IGBT growth for your company. And I personally don't agree with that assessment, but it's an investor pushback that my team gets. So if the team would be willing to spend a little bit of time about talking through the IGBT growth story and also the competitive landscape, it seems like there's a ton of folks investing in silicon carbide and that's going to get quite competitive. But in the IGBT power space, it seems like Infineon's leadership is pretty steadfast. So it would be really helpful just to hear how you're thinking about the IGBT franchise growing over the period that you're modeling in the long-term forecast. That would be really helpful. And then I have a follow-up.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [43]

Sure. Matt, let me take that question. So we firmly believe that the 3 technologies will coexist. And there are good reasons why, for example, an onboard charger is today on silicon, tomorrow on silicon carbide in the day after on gallium nitride. And I think the 1 page we showed before summarizes all of that. But there are also clearly markets like wind drives, major home appliances and so on, which do not require fast switching and therefore, IGBT is the perfect solution. And maybe let me also hint into another direction in case there is not enough silicon carbides available in the market customers might rather take a bit less efficiency or less range and just still get the system out. So in that sense, also IGBT has a very strategic aspect to it. But we clearly believe that silicon carbide will take over the lead in those applications, which I mentioned, being inverter, being off-board charging and solar, and there is a lot of growth in front of us. But again, as I said to a previous question, you have to execute all on this silicon carbide ramp, and let's see who in the market will ultimately execute. And also, to say very clearly, IGBT innovation is not over. We still have good ideas. So some comparisons between wide-bandgap and silicon maybe also falls because assumption on progress on silicon is not correct. So we will play all 3 cards with full steam.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [44]

And a if I may just say. For you and for all the others, thank you for dialing in at that hour. It's very late or very early for all of those who are dialing in from the U.S. Thank you.

Matthew D. Ramsay, Cowen and Company, LLC, Research Division - MD & Senior Research Analyst [45]

Jochen, I appreciate the additional detail there. Sven for you, I think you guys guided 2023 to 9% growth and from some of the new metrics you gave around the euro-dollar FX rate, if you just do the math, I think maybe 5% of that growth comes from currency and maybe the other 3.5 units and, I guess, volume and pricing. So I mean that seems pretty palatable 3.5% volume and pricing growth relative to the economy that's out there and all the different things that are going on. So if you could kind of walk us through how you're seeing growth versus units versus pricing in the 2023 fiscal model? That would be really helpful.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [46]

Yes. So Matt, the first -- so the bridge is 14.2 to 15.5, that's the 9% growth. The first 1 is currency. We're looking at the new rule of thumb, 0.8, that translates into EUR 800 million. So you are already at EUR 15 million. And then the remaining part from EUR 15 million to EUR 15.5 million, that is a combination of both price as we said, from previous price agreements, which kick in, in '23 and volume. Sorry, I cannot go more into the details. So the EUR 500 million are a combination of both. And let's see, during the course of the year, how the 2 factors will play out then if we have more visibility in the next quarters.

Unknown Executive [47]

Next question comes from Andrew Gardiner from Citi. Okay. We apparently have some technical issues, sir. We continue with the next one that's Adi Metuku from Credit Suisse.

Adithya Satyanarayana Metuku, Crédit Suisse AG, Research Division - Research Analyst [48]

So firstly, just a quick clarification on the previous question. It sounded like you're planning to deliver on the target operating model regardless of where the FX rate ends up. Is that understanding correct? And then I've got 2 questions. One on the -- if you could answer that first, please.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [49]

Sven will take it.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [50]

Yes. So the term through the cycle is based on the assumption of a euro dollar because that's the most important currency pair for us of 1. So if we are around 1, everything remains unchanged. There's, of course, a huge shift either to the downside or to the upside, we may need to consider. But 1 is the basis for the target operating model.

Adithya Satyanarayana Metuku, Crédit Suisse AG, Research Division - Research Analyst [51]

Got it. And just on the new operating model. I just wondered if you could talk a bit about what pricing assumptions you're assuming beyond fiscal year '23. Are you assuming that we go back to low single-digit declines? And any color around that would be helpful. And then on the 300-millimeter share today, could you give us the numbers and where you expect that to get to over time? And finally, just a quick thing on the short term. I just wondered if you could talk a bit about the gross margin and OpEx assumptions as we go through the 4 quarters of the coming year.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [52]

Okay. So pricing, Andreas will take [indiscernible] and 300 and the numbers, Sven, please?

Andreas Urschitz, Infineon Technologies AG - CMO & Member of Management Board [53]

Yes. Regarding pricing, a couple of factors are kicking in. Point number one, there continues to be a lot of tailwind going forward with regards to structural growth and growth drivers for the markets were in digitalization and decarbonization, that's a positive momentum created. Second point, also our product to system strategy is getting a lot of traction. We see that right now, and we see that the additional value that we are creating for our customers, we are in a position to, so to say, translate back, capture and translate back then also into our P&L. So having said that, we believe that going forward, the entire topic of long-term pricing the tendency will be pretty strong. However, we are not blind. So there are market dynamics, in

particular in the consumer segment, such as related to commoditized or very commoditized consumer MOSFETs. So in that area, we believe that short to medium term, there might be then also a headwind coming towards us. But net-net, so we believe that out of the overall company position, we're in a very good position to kind of create further value to our customers and extract it back into the P&L and that is factored into the long-term prognosis.

Rutger Wijburg, Infineon Technologies AG - COO & Member of the Management Board [54]

Yes. Let me, let's say, quickly come back to how much of the future development will go to 300-millimeter. So you're right. We are investing heavily in 300-millimeter because of, let's say, the competitiveness of this node. If you now look, let's say, with the expansions of Villach with the expansion of Dresden, actually, we see that, I would say, in the coming years we go over 2/3 of our capacity goes to 300-millimeter. And with the Dresden addition, actually, we go even beyond that. So I would say that the majority of our products in the future will be built on 300-millimeters.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [55]

Okay. Then, Adi, I take your gross margin and OpEx question. So gross margin, and I'm talking here adjusted gross margin, it was about 45% to fiscal '22. I expect that to be at that flight level for '23, given the puts and takes I've just described. On OpEx, we came out with a -- that's now a reported number 23.5% OpEx to sales ratio in fiscal '22. This should come down over time, given what I described earlier in this OpEx scaling model where looking at digitalization and scale, we will allow for a reduced OpEx growth in future. But this takes time, and it heavily depends, of course, also on the exact revenue number we will be targeting. So for modeling purposes, I would now just say, please take the 45% as a gross margin, maybe a slightly reduced OpEx ratio for the quarters to come in fiscal '23. And we will, of course, update in the next quarterly earnings calls.

Adithya Satyanarayana Metuku, Crédit Suisse AG, Research Division - Research Analyst [56]

Maybe if I could briefly just on the 300-millimeter today, where is that share today in terms of internal manufacturing?

Rutger Wijburg, Infineon Technologies AG - COO & Member of the Management Board [57]

The number today is, I would say, about 50%, 40%, 50%. And like I said, we are growing that. And then it will go up so today, 50%.

Unknown Executive [58]

Next question comes from Stephane Houri, ODDO BHF.

Stephane Houri, ODDO BHF Corporate & Markets, Research Division - Research Analyst [59]

The first 1 is about your order book. I know you don't give any more details about the book-to-bills and the dynamic. But could you maybe elaborate a little bit on what's happening behind in terms of bookings? Do you have a lot of consolidations in the segments where it's weakening and things like that would very interesting for us. That's my first question, and I have a follow-up.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [60]

Yes, Stephane, Sven here. I start and then I pass it on to Andreas. So the order book is our order backlog, as we call it, is now around EUR 43 billion. If you look at the nominal amount, it has gone up slightly compared to the previous quarter. If you take price and currency out because that positively impacts the order book, there is a slight decline. So I would say around EUR 40 billion is probably the comparable number. So there is a slight decline, but we said it now for quarters we would love to see that number coming down to more normal levels. So that's not a bad sign at all. And for the other part of the question, I hand over to Andreas.

Andreas Urschitz, Infineon Technologies AG - CMO & Member of Management Board [61]

So talking about the consumer market to get started with that one. So here, definitely, we see the market trending southwards to give you a couple of examples, market for smartphones, for instance, is pretty much consolidating while we are speaking in terms of consumer demand has been slipping, but also consumer items such as video consoles on the one hand side, or TV sets on the other hand side is pretty weakish while we are speaking. Talking about consumer, computing as another segment where we are heavily engaged. So here, the picture is more differentiated, if you will -- consumer computers pretty much down. Enterprise servers, on the other hand, as well a weakening while hyperscale servers that are supporting cloud computing at scale, are pretty much robust with regards to demand and also demand outlook. Just recently, I had the pleasure to talk to 2 major data center operators located at the West Coast and there is why we speak no tendency for those guys to see reductions on their CapEx plans. On the other hand, then quite positive, as mentioned by Jochen and Sven already in the previous part of the presentation, areas such as the renewable energy sector, as well as also the electric car and the automotive -- autonomous driving car, pretty much strong. So here, we see continuous demand also forward-looking with regards to markets remaining very much robust.

Stephane Houri, ODDO BHF Corporate & Markets, Research Division - Research Analyst [62]

Okay. And the second question is about silicon carbide because as you are adding new contracts, your probably 1 of the only player who has not integrated vertically the manufacturing chain, and you are using your cold split technology. Do you think you will have to review that? Or do you think you have enough supply to meet your contracts?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [63]

Yes. Stephane, I take that question. We feel comfortable. We will line up 1 or 2 more bull and wafer suppliers over the next month. And yes, I would guess that next year, there will be also the first Chinese supplier amongst our supplier landscape.

Stephane Houri, ODDO BHF Corporate & Markets, Research Division - Research Analyst [64]

Okay. So you're not anticipating to review your vertical integration?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [65]

No, we believe that the -- as I said, the emerging market will emerge and then commoditize. And therefore, we do not feel that it ultimately creates shareholder value and investing into crystal growth for us.

Unknown Executive [66]

We now take the questions from Andrew Gardiner from Citi who mailed us 2 questions on fiscal year '23 and pricing value strategy. First question is on fiscal year '23, your backlog clearly points to you being able to ship everything you make, but also acknowledge macro factors. Can you highlight by how much you have haircut the stated customer demand per orders into your EUR 15.5 billion revenue?

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [67]

So we are -- maybe I take that question. So besides some areas of smartphone-related capacity our anticipation for the fiscal year is that we are loaded. And of course, on the foundry side, we will need to see what supply we get and we can easily match demand. So it's very much still a picture which is derived out of supply, except some pockets like I mentioned, we still believe that, as Sven pointed out, that in those EUR 40 billion backlog, there are double orders. We feel that this number will come down, and that's healthy. And again, in computing, consumer, smartphones allocation has certainly ended. We see weakening markets, whereas renewables, auto, hyperscaler, as mentioned before, strong demand outstripping our possibility to supply.

Unknown Executive [68]

Second question. You commented on customer value instead of production cost as basis of pricing will help us capture a fair share of value created. This is the biggest part of the through-cycle margin uplift. How does

that play out across divisions? And what has that been the response from customers? In other words, trajectory of profitability across segments. And let me finish with thank you great presentation today.

Andreas Urschitz, Infineon Technologies AG - CMO & Member of Management Board [69]

Yes. Thank you very much for the flowers, first. Second point, with regards to value-based pricing going forward. Look, the fundamental or 1 of the fundamentals of Infineon strategies is to go from product thinking towards system understanding and on high level, sit with customers in selected what we call focus or core applications and have debate on where can Infineon put more to the table by a combination out of power devices, sensors, microcontrollers, connectivity or even memory parts and coupled with some software, bring solution on the table. Such kind of, if you will, a system or solution offerings definitely, our customers are appreciating a lot. So we see that already in the here and now and managed to conveyor, so to say, this value proposition that we are creating out of the combination of many computers is we put to the table into pricing that is, so to say, margin accretive in the here and now already and then also in the planning going forward. So having said that, a major assumption for our profitability considerations and target operating model, for sure, is this factor and the continuation of this factor, value-based pricing maybe even coupled with for sure, even coupled with capacity reservation agreements which is another aspect of creating customer value and extract it back into the P&L.

Unknown Executive [70]

Next question comes from Janardan Menon from Jefferies. Yes, still on mute.

Janardan Nedyam Menon, Jefferies LLC, Research Division - Equity Analyst [71]

Congratulations on a great set of results and the increased guidance. My question is actually -- first question is on the timing of of the new sort of framework of profitability. When do you expect to achieve that? I mean, does that clock start from FY '23? Or is this an aspiration where you have to get your OpEx into order and the P2S thing into the entire P2S strategy into place? And is that something which you would achieve, say, in the next cycle or if it is already starting from FY '23, then how should we think about your own expectations of margins into FY '24, '25, given that you're guiding at 24%. Can we expect profitability as you see it today to be in excess of 25% into FY '24, '25? That's sort of my first question. And then I have a follow-up.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [72]

Yes. Janardan, thank you. I'll take this question. So I think it would be unrealistic to just say it was 19%, now we switch and it's 25%. So yes, there will be some period of time where we need to come into the new model. If you look at the different levers, which we have identified, and I think you heard from my colleagues already some comments where we stand. There are certain things which are already in the bank, so to say, but there are many others still to come. So it's something where we are now gradually moving in. But yes, it starts now and fiscal '23 is the first year of the new period. And we have explicitly said it's a through the cycle model. We are not guiding to a year, but you can assume, we call it, long-term financial targets. It is something which is not realistic to be achieved in a very short period of time, it should remain the guidance for the next years to come.

Janardan Nedyam Menon, Jefferies LLC, Research Division - Equity Analyst [73]

Okay. So -- but can we read anything from that into FY '24, '25? Or is it too early to be extrapolating anything from what you've said today into those years?

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [74]

I think what you can read in is, of course, if we are strongly committing to a 10% growth number. And this year, at least as of today, we are only guiding for 9%, including currency, you have some indication of how we look at the outer years to come. But I think we said it's not without challenges to guide for '23. So please accept that I'm not guiding for '24 or '25 now.

Janardan Nedyam Menon, Jefferies LLC, Research Division - Equity Analyst [75]

Understood. And then just when you look at what your comments today, it would appear that IGBT is going into both EVs as well as renewables is 1 area where you continue to see quite a bit of tightness. In fact, your comment almost suggested that, that is where you see more tightness and even the MCU side on the foundries. So I'm just wondering how you are addressing that? Is there a significant ramp at Dresden and Villach on the IGBT side over the course of this year? And do you think you will be able to reach a more equilibrium situation based on your current order visibility by the end of FY '23? Or is that likely because you don't have any other source apart from those 2 fabs, is that likely to be a continued source of tightness beyond that? And lastly, if I could -- if you could just give us the exact numbers on the XEV and the silicon carbide revenue for last year that would be extremely useful.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [76]

So maybe I take the first part. So we hinted at that, as you always ask, where is allocation ending and you got it right, that on the MCU side, some pockets will remain tight going into '23 for sure. But on the other hand, other markets of the foundries are weakening. And therefore, we expect some movement. When it comes to power semiconductors, of course, it all depends on the market and on our competitors also to ship. Part of the reason why we keep the CapEx budget also on a high level is that we keep on investing into IGBTs in our Villach and in our Dresden facility and anticipation is that we will see now 2 big end markets being e-mobility, being renewables meeting and likelihood that, that plays out in addition with the silicon carbide ramp easily and without any constraints is in my mind and from my experience, not that likely. So we are doing everything to serve our customers. We keep on investing into exactly those technologies to avoid constraints what I see in the market is potentially hinting rather to constraints. And the second part, Sven will take.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [77]

So on the 2 numbers you were asking for on the XEV, we passed the EUR 1 billion revenue number in 2022. If you look at it as e-mobility, as Jochen was explaining, in the 5 key allocations, which drive our growth, where you, for example, add also the PSS onboard charger part, we easily are above EUR 1 billion. And on the silicon carbide revenue, we came out with close on EUR 300 million revenues in '23 -- '22, sorry.

Janardan Nedyam Menon, Jefferies LLC, Research Division - Equity Analyst [78]

And do you have a GaN number as well, by any chance?

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [79]

Our GaN is a low double-digit number, still, but highest CAGR, highest growth rate by far.

Unknown Executive [80]

We take 1 last and hopefully short question from Aleksander Peterc from SocGen.

Aleksander Peterc, Societe Generale Cross Asset Research - Equity Analyst [81]

I just have 2 quick questions, I hope. The first 1 is on your unsaturation charges that seem to creep in back in the second half of the year, I suppose, and that is what is driving your full year margin guidance being below the Q1 level. Now what I understand is with the weakest being concentrated in consumer, and that's where you mostly outsource I would assume that you then have lower outsourcing to foundries and that would not generate the unsituation charges. So I just like to understand which products are affected by that? And they have a very quick follow-up.

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [82]

Okay. I'll take this 1 a quick answer. So the underutilization charges in '22 have been around EUR 150 million only given this huge demand we saw and the revenue. Now I'm forecasting close to EUR 500 million for this year. So there's a significant increase, given what you just said, yes, part of consumer and part of the consumer-related markets are outsourced, but by no means all of them. So we have baked in a number of around EUR 500 million in our segment result target.

Aleksander Peterc, Societe Generale Cross Asset Research - Equity Analyst [83]

And then just very quickly, would you be able to provide us with a guidance for your silicon carbide revenue for this year?

Sven Schneider, Infineon Technologies AG - CFO & Member of Management Board [84]

We expect that to grow significantly along the lines of the well-known CAGRs. So I would say EUR 450 million could be a good number.

Jochen Hanebeck, Infineon Technologies AG - CEO & Member of Management Board [85]

Limited only by supply to add to that. So by now, it would be time to wrap up or extended, I called it a miniature Capital Markets Day in the beginning. We went to the full 2 hour lengths, if there are still unsaturated questions, please reach out to the Investor Relations team. And otherwise, I would like to thank very much the entire Infineon Management Board for the presentation for the answers to your question. I hope this was informative and constructive. See you soon again, and have a great day.