



PVA TePla AG  
Im Westpark 10-12  
35435 Wettenberg  
Germany

## Press Release

Wettenberg, December 17, 2020

### Reply to a letter from Riposte Capital: Explanation of the market positioning and strategy of PVA TePla AG

The Supervisory Board and Management Board of PVA TePla AG received a letter from Mr. Khaled Beydoun on December 14, 2020. Mr. Beydoun is Portfolio Manager & Managing Principal of Riposte Capital, a New York-based investment company that is a subsidiary of Jefferies Financial Group. By its own account, Riposte Capital has held a 3.6% stake in PVA TePla AG for several years. This letter sets out reflections on the strategic positioning of the PVA TePla Group with regard to its market capitalization. Here is the letter in full:

*“Dear Members of the Board,*

*We are longstanding shareholders of PVA TePla AG (“PVA TePla” or the “Company”) and have exposure to about 3.6% of the outstanding shares. We are writing to express our concern regarding the depressed valuation despite management’s attempts at highlighting the merit of the Company’s profitable assets to the market.*

*PVA TePla sits at the forefront of the Electric Vehicle (EV) revolution with its unique ability to manufacture premium systems that produce silicon carbide (SiC), the single most important component of EV battery productivity (faster charging), range, and economics. SiC in power electronics reduces the overall battery size which in turn has a cascading impact on wiring, thermal management, packaging, and overall weight of the vehicle. In a nutshell, it is invaluable.*

A global shortage of SiC is gradually building with Tesla announcing that they are to invest in their own production capacity to keep up with demand as third party suppliers are no longer able to fill the void. PVA TePla is **the only** company globally that supplies machines to silicon manufacturers allowing customers to tailor their own SiC process and solutions. While some nascent competition is emerging in China, they are at a minimum 10 years behind in terms of technology.

SiC has now displaced traditional silicon in electric vehicles and, as such, the Company's early mover advantage and opportunity cannot be understated. However, it has become apparent that PVA TePla's SiC platform and other wafer manufacturing businesses that supply into powerful global mega-trends (i.e. artificial intelligence, internet of things (IoT), autonomous vehicles) are greatly underappreciated by the investment community resulting in a hefty Company discount. Some of the reasons include:

(1) The fact that the semiconductor/wafer business (although 68% of group sales) is commingled with more industrial and cyclical activities that typically trade at lower multiples in public markets.

(2) The fact that management has yet to leverage PVA TePla's position in SiC given that the total addressable market (TAM) within EVs alone is an over €1.2 billion opportunity assuming 10% EV adoption by 2025. This is the equivalent to 10x the current sales of the Company. However, we suspect that this may prove ultra conservative given that China wants battery operated vehicles to total 20% of all vehicles sold in the country by 2025 and 50% by 2035 vs just 5% in 2020. This is equivalent to 400% growth in the next five years and 1,000% growth in next 15 years. Unsurprisingly, the sheer size of this opportunity is creating a highly competitive Chinese EV production market. The more competitive the market and the faster the EV ramp, the better the opportunity will be for PVA TePla as the only third-party supplier of SiC production systems. We cannot emphasize this enough.

(3) The fact that there is insufficient buy-side focus and poor stock liquidity. This results in the perception that the Company is a German small-cap industrial with cyclical headwinds and no secular growth optionality.

In the current capital market environment, companies that demonstrate this type of growth potential trade at significantly higher revenue multiples compared to PVA TePla's 2.3x1 2021 EV/Sales. Moreover, unlike most peers in the EV supply chain, PVA TePla's SiC business is **already profitable**, making the dislocation even more extreme and unsustainable.

Although our conversations with senior management and members of the Board suggest that the Company recognizes the opportunity at hand, it has failed to translate into an appropriate share price (notwithstanding recent price appreciation). **Total shareholder return is -1.7% percent in the prior 2.5 years** during which the Electric Vehicle / ESG revolution has gone into overdrive with markets willing to handsomely reward companies that are direct beneficiaries.

We urge the Board to be more proactive and conduct a full strategic review of all available options including:

(1) A separation of the Semiconductor Systems division into an independent entity (with a possible listing in China, the Company's largest prospective market). Under such a scenario, we would recommend that current CEO, Alfred Schopf, head this division given that he has been instrumental in developing the product and engaging with

*prospective customers. This separation is even more pertinent following the announcement on November 30th that the Company's largest client, Siltronic AG, is to be acquired by GlobalWafers Co. creating a materially larger customer for the group.*

*(2) An outright sale of the semiconductor business to a global player with a lower cost of capital who can better leverage the technology (incorporating their own SiC solution/process) on a much larger platform. It is now clear that stand-alone PVA TePla has significant limitations in scaling the opportunity at hand.*

*PVA TePla has established some enviable assets that not only have a large and unappreciated TAM, but are also among the only currently profitable operations in the EV supply/production chain. The Board must now proactively and promptly address the Company's unwarranted discount.*

*Time does not stand still for anyone and the continued pursuit of this laissez-faire, passive strategy is a detriment to all shareholders. With the correct strategic positioning, PVA TePla's assets would command a market value that is multiples higher than the current ~€360 million market capitalization.*


*We sincerely hope that the Board will act in the best interest of investors and consider actively pursuing a business separation or sale.*

*We look forward to your response in due course.*

*Regards,  
Khaled Beydoun  
Portfolio Manager & Managing Principal  
Riposte Capital"*

The Supervisory Board and Management Board would like to thank Mr. Khaled Beydoun, a long-standing PVA TePla AG shareholder, for his many years of personal, constructive dialog geared towards our company's success. Our reply is as follows:

From 2017 to 2019, the sales revenues of the PVA TePla Group grew from EUR 85 million to EUR 130 million, while EBIT rose from EUR 3.0 million to EUR 12.3 million in the same period. Based on this development, the company's share price has increased more than six-fold from EUR 2.50 to around EUR 17.




On the basis of the company's leading technologies and medium-term strategy, the Supervisory Board and Management Board see hugely promising prospects for the further development of sales revenues and earnings, and envisage a corresponding increase in the PVA TePla Group's enterprise value.

This is largely based on our competitive strength in the semiconductor market and the expected growth in the serviced market segments.

- In the silicon wafer sector, a new wave of investment is apparent among established manufacturers. In addition, new companies are entering the market, and some of them are investing in this technology with substantial government backing. PVA TePla has been superbly positioned in this growth market for more than 40 years, and has massively expanded its customer base in the past three years.
- Sales revenues of systems for quality inspection in the semiconductor industry have been consistently posting double-digit growth in recent years. A virtual who's who of the world's leading manufacturers in the semiconductor industry count among the PVA TePla Group's customers. With the recently announced acquisition in the USA, further markets are also being tapped into in order to maintain this growth in the long term.
- Furthermore, vacuum and high-temperature systems provide extremely important access to the semiconductor market, particularly in the production of pure and ultra-pure high-tech materials that are hugely important to semiconductor technology.
- In the increasingly established market for silicon carbide wafers, the PVA TePla Group is a uniquely positioned developer and manufacturer of crystal growing systems, as Mr. Beydoun





rightly points out in his letter. As electric mobility continues to evolve, markets with extremely high growth potential for 2021 to 2030 are emerging.

In addition, strategic options such as cooperations with customers, research institutions and suppliers are constantly being explored and enhanced in order to further the company's successful development in the interest of its shareholders.

With its current positioning, the PVA TePla Group can respond flexibly to and make the most of market opportunities that arise in the SiC technologies sector. This platform is giving rise to attractive and balanced medium-term and long-term prospects in terms of sales revenue and earnings development as well as enterprise value.

PVA TePla AG

Alexander von Witzleben  
Chairman of the Supervisory Board

Alfred Schopf  
CEO

**For further information, please contact:**

Dr. Gert Fisahn  
Investor Relations  
Phone: +49(0)641/68690-400  
<mailto:gert.fisahn@pvatepla.com>