



Q3 2022 Trading and Business Update

- Extending technology leadership with a second 3nm design win
- Strong Q3 trading and design wins in the quarter reflect our hybrid business model, combining IP and custom silicon
- First time consolidation of OpenFive into the Group, from 1 September 2022
- Management remains confident in the outlook for the business and reiterates stand-alone¹ mid-term and long-term guidance, despite difficult macro environment

LONDON, United Kingdom and TORONTO, Ontario, Canada 17 October 2022 – Alphawave IP Group plc (LN:AWE, “Alphawave”, the “Company”), a global leader in high-speed connectivity for the world’s technology infrastructure, is pleased to publish its trading and business update for the three months ended 30 September 2022.

US\$m	Q3 2022	Q3 2021	Change
Licence and NRE	57.8	21.5	169%
Royalties and Silicon Orders	22.2	1.8	nm
New Bookings (excluding VeriSilicon and WiseWave multi-year subscription licences)	80.0	23.3	245%
Additional design win activity - FSA drawdowns and China re-sale licences ²	8.5	3.9	118%
WiseWave multi-year subscription licences	-	-	nm
Number of end-customers (as at end of period) ³	46	21	nm

Due to rounding, numbers presented in the table may not add up to the totals provided and percentages may not precisely reflect the absolute figures.

Tony Pialis, President and Chief Executive Officer of Alphawave IP said: “During the third quarter, we continued to see strong design win momentum, particularly in North America. Alongside this, we extended our technology leadership with a second 3nm design win and are already seeing the benefits of the greater scale of the hybrid business model in which we can further monetise our differentiated IP through custom silicon. With an enhanced product portfolio of high-speed connectivity and increasingly broader customer base, we are confident in the long-term growth potential of our business”.

¹ Stand-alone outlook excludes the acquisition of Baniyas Labs and the multi-year agreement with a leading North American hyperscaler announced on 13 October 2022.

² Both FSA (Flexible Spending Account) drawdowns and China re-sale licences convert previously announced contractual commitments included within bookings reported in prior periods to new product design wins which will be recognised as revenue over time.

³ Includes customers from OpenFive who were not already customers of Alphawave and who signed contracts from 1 September 2022.

John Lofton Holt, Executive Chairman of Alphawave IP said: “The level of bookings in the quarter reflects the strength of our technology combined with the ongoing strong execution of the team. Our continued leadership in the most advanced technologies and our talented team underpin the long-term growth potential of our business. We are working hard to deliver on our plans and create long-term value for our shareholders.”

Changes to Reporting of Bookings Including OpenFive

We have consolidated the acquired OpenFive business from 1 September 2022. As a combined business we bring a broader IP portfolio and engineering expertise in high-speed connectivity to customers in digital infrastructure markets. This, combined with a growing customer base and the greater scale of the hybrid business model will help us drive sustainable long-term revenue growth and create value for shareholders.

The following table summarises how each type of booking has been mapped into the new bookings classifications:

Alphawave		OpenFive		New Alphawave		
Type	Includes	Type	Includes	Type	Notes	Includes
Licence and related	- IP licensing, NRE and support	IP Licence	- IP licensing, NRE and support - IP royalties	Licence and NRE	Includes IP licensing, NRE and support of combined business Not volume dependent	- IP licensing NRE and support - Custom silicon NRE - Other custom silicon (not volume dependent)
Potential future royalties	- IP royalties	Custom silicon	- IP licensing, NRE and support - Custom silicon NRE - Other custom silicon	Royalties and silicon orders	Volume dependent	- IP royalties - Custom silicon revenue (finished product)
		Custom silicon	- Custom silicon revenue (finished product)			

Key Highlights

Licence and Non-recurring Engineering (“NRE”) bookings in Q3 2022 were up 169% year-on-year. Including estimates of potential future royalties⁴ and silicon orders, new bookings excluding the WiseWave multi-year subscription licence were up 245% year-on-year. Bookings in the third quarter were driven by North American and Chinese customers⁵.

Within the first month after closing the acquisition of OpenFive we secured a leading storage design win that leveraged both Alphawave’s IP as well as the custom silicon capabilities acquired with OpenFive.

⁴ Our bookings comprise in some instances, our estimate of potential future royalties. Our royalties are estimated based on contractually committed royalty prepayments or, in limited instances, on sensitised volume estimates provided by customers.

⁵ These Chinese customers are out of scope from the WiseWave and VeriSilicon agreements.

Cumulative bookings over the life of the Company⁶ exceeded US\$480 million.

Expanding Technology Leadership and Strong Customer Traction

Since 2017, the Company has demonstrated connectivity technology leadership in 7nm, 6nm, 5nm, and 4nm technology. In Q3 2022, Alphawave IP extended its leadership with a second design win in 3nm technology. The Company expects further design wins in 3nm and is working with its foundry partners in 3nm and beyond.

Alongside the year-on-year growth in new bookings (excluding multi-year subscription licences) and a growing customer base, two additional data points underline the strong level of customer activity during the third quarter: Flexible Spending Accounts⁷ (“FSA”) drawdowns of US\$3.0 million, and China (VeriSilicon) reseller deals⁸ of US\$5.5 million. Both FSA and reseller deals represent the conversion of customer commitments to design wins.

Design win activity in the quarter was strong with seven new design wins, including five from new customers and two from repeat customers. In the quarter we built on the advantages of the hybrid business model with four new custom silicon wins in September. Our hybrid model enables the business to generate larger revenue streams by capturing the full value embedded in our custom silicon offering.

Alphawave has six of the top ten semiconductor device companies as customers⁹, a reflection of its continued strength in the data infrastructure markets that require the world’s most advanced connectivity technology.

Outlook

Based on current visibility, the Company expects continued customer traction during the last quarter of the year.

Alphawave IP reiterates its stand-alone mid-term and long-term outlook communicated on 21 September 2022 in its interim results for H1 2022¹⁰. Despite the uncertain macroeconomic environment, our growing

⁶ Since its inception in 2017.

⁷ FSAs or Flexible Spending Accounts represent contracts with customers who have committed to regular periodic payments. These payments are not in respect of specific licences but can be used as credit against future deliverables. FSA drawdowns represent the design win value of transactions signed during the period, against which FSA payments will be credited and will convert to revenue over time.

⁸ In February 2021, Alphawave IP signed a three-year exclusive subscription reseller agreement with VeriSilicon with a minimum value of US\$54 million. Reseller deals represent the subsequent licensing of IP by VeriSilicon to third parties in China and do not constitute additional bookings for the Company as they are part of the US\$54 million minimum commitment.

⁹ Semiconductor device companies ranked on market capitalisation.

¹⁰ Including the financial contribution from OpenFive, the Company expects to reach revenues of between US\$325m and US\$360m in 2023. Longer-term, we expect to achieve annual revenue run rates in excess of US\$500m in 2024 and in excess of US\$1bn by 2027. Near-term margins will be impacted by OpenFive as we integrate and scale that business, and we anticipate a 2023 adjusted EBITDA margin of 32% to 36% with a steady increase thereafter as we focus and integrate the business and realise the anticipated synergies. Excluding OpenFive, standalone revenues are expected to be in line with the guidance provided at IPO, namely \$210m to \$240m by 2023, with an adjusted EBITDA margin of 50% to 60%.

pipeline reflects positive secular growth trends in data infrastructure markets and the continued investment in next generation connectivity solutions. This combined with our talented team and strong balance sheet give us confidence in our future.

Further details on the pro forma 2023 outlook and long-term financial model, including the acquisition of Banias Labs and the multi-year agreement with a leading North American hyperscaler¹¹, will be communicated at our Capital Markets Day on 13 January 2023.

About Alphawave IP Group plc (LN:AWE)

Faced with the exponential growth of data, Alphawave IP's technology services a critical need: enabling data to travel faster, more reliably and with higher performance at lower power. Alphawave IP is a global leader in high-speed connectivity for the world's technology infrastructure. Our IP and custom silicon solutions meet the needs of global tier-one customers in data centers, compute, networking, AI, 5G, autonomous vehicles, and storage. Founded in Toronto, Canada in 2017, by an expert technical team with a proven track record in licensing semiconductor IP, our mission is to focus on the hardest-to-solve connectivity challenges. To find out more about Alphawave IP, visit: awaveip.com

Related Party Disclosures

There are no new related parties disclosed in this press release.

###

Trademarks

All registered trademarks and other trademarks belong to their respective owners.

Contact Information:

Alphawave IP Group plc	John Lofton Holt, Executive Chairman	ir@awaveip.com
	Jose Cano, Head of IR	+44 (0) 20 7717 5877
Brunswick Group	Simone Selzer	alphawave@brunswickgroup.com
	Sarah West	+44 (0) 20 7404 5959
Gravitate PR	Lisette Paras	alphawave@gravitatepr.com
	Wynton Yu	+1 415 420 8420

¹¹ Communicated on 13 October 2022