Q2 2023 Trading and Business Update

- Expanded customer base with 8 new design wins, including 4 new custom silicon design wins and 4 IP licence design wins
- First 3nm custom silicon design win with our 224G SerDes IP
- Additional 3nm IP licencing design win and 3 chiplet-based design wins
- Strong rate of quarterly design wins reflects the scalability of our technology
- Management remains confident in the outlook for the business
- China business in Q2 2023 represented less than 10% of new Licence and NRE business

LONDON, United Kingdom and TORONTO, Ontario, Canada 20 July 2023 – Alphawave IP Group plc (LN: AWE, the "Company" or "Alphawave Semi"), 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 June 2023.

US$m	Q2 2023	Q2 2022	Change
Licence and NRE	47.7	19.0	150%
Royalties and Silicon Orders	36.4	9.4	290%
New Bookings (excluding VeriSilicon and WiseWave multi-year subscription licences)	84.1	28.4	196%
Additional design win activity - FSA drawdowns and China re-sale licences[1]	3.4	9.5	-64%
WiseWave multi-year subscription licences	-	-	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 Semi said: "We saw continued strong sales momentum during the quarter for our leading connectivity technology. We achieved some exciting new wins such as our first 3nm custom silicon coherent DSP with our 224G SerDes IP enabling 800G/1.6T connectivity in data centers, as well as a repeat design win on an AI accelerator. Customers' demand for our high-performance IP and products supports our strong pipeline. We are excited about the year ahead and the long-term continued growth potential of our business."

John Lofton Holt, Executive Chairman of Alphawave Semi said: "Our technology leadership in the most advanced technologies is enabling our customers to develop next-generation AI silicon. We continue making progress on the integration of the businesses we acquired last year, and we remain focused on strong execution and long-term value creation."

[1] 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.

Key Highlights

New bookings in Q2 2023 were up 196% year-on-year from US$28.4m to US$84.1m. North American customers represented over two-thirds of the total bookings in the quarter.

Licence and Non-recurring Engineering ("NRE") bookings in Q2 2023 were up 150% year-on-year to US$47.7m. These bookings were primarily driven by North American customers, including a 3nm custom silicon design win with a leading optical module company and a 3nm IP licencing design win with a leading industrial automation business. Chinese customers[2] represented less than 10%.

Royalties and Silicon orders were US$36.4m, up 290% over Q2 2022. The level of silicon orders was driven by pre-existing custom silicon designs for North American and Chinese customers including a leading North American semiconductor device company and a North American company focused on AI accelerators.

The level of bookings in the quarter reflects the scalability of our technology through IP licensing and custom silicon. Our vertically integrated business model enables the business to generate larger revenue streams and capture the full value embedded in our custom silicon offering. In parallel, our Connectivity Products Group made good progress toward our plan to start generating revenue in 2024.

Expanding Technology Leadership and Strong Customer Traction

Since 2017, the Company has demonstrated connectivity technology leadership in leading-edge technologies, including the 3nm process. In Q2 2023 we licenced our 3nm PCIe Generation 6 and controller IP to a leading industrial North American business. Additionally, we secured a repeat design on an AI accelerator with a North American customer and three chiplet-based design wins. These design wins reflect the increased market momentum of leading-edge connectivity and chiplet architectures. The Company expects further design wins in 3nm and continues to work with its foundry partners in 3nm and beyond.

With our expanded IP portfolio, we are strongly positioned to deliver complete connectivity solutions for our IP and custom silicon customers. In Q2 2023, we achieved our first custom silicon design win in 3nm for a coherent DSP solution using our 224G SerDes IP enabling next-generation 800G/1.6T connectivity for data centers.

During the quarter Alphawave Semi expanded its ongoing collaboration with the leading foundries in the industry. The Company announced the launch of its first connectivity silicon platform on TSMC's most advanced 3nm process with its ZeusCORE Extra-Long-Reach (XLR) 1-112Gbps NRZ/PAM4 serialiser-deserialiser ("SerDes") IP. The 3nm process platform is crucial for the development of a new generation of advanced chips needed to cope with the exponential growth in AI generated data, and enables higher performance, enhanced memory and I/O bandwidth, and reduced power consumption. This flexible and customizable connectivity IP solution together with Alphawave Semi's chiplet-enabled custom silicon platform which includes IO, memory and compute chiplets, allows end-users to produce high-performance silicon specifically tailored to their applications.

[2] These Chinese customers are out of scope from the WiseWave and VeriSilicon agreements.

Alphawave Semi also announced the expansion of its ongoing collaboration with Samsung to include the 3nm process node. Samsung Foundry platform customers now benefit from Alphawave Semi's most advanced high-performance connectivity IP and chiplet technologies, including 112 Gigabits-per-second (Gbps) Ethernet and PCI Express Gen6/CXL 3.0, interfaces to build the complex systems-on-a-chip (SoCs) needed to keep pace with the rapidly growing demands of data-intensive applications such as generative AI and the associated infrastructure required by global data centers.

In Q2 2023, there were no Flexible Spending Accounts[3] ("FSA") drawdowns (Q2 2022: US$5.6m) and US$3.4m of China (VeriSilicon) reseller deals[4] (Q2 2022: US$3.9m). Both FSA and reseller deals represent the conversion of customer commitments to design wins.

Overall, design win activity in the quarter was strong with 8 new design wins, 6 from new end-customers and 2 from existing end-customers.

Alphawave Semi has more than half of the top twenty semiconductor device companies as customers[5], a reflection of its continued strength in the data infrastructure markets that require the world's most advanced connectivity technology.

Outlook

The outlook for 2023 remains unchanged. Alphawave Semi expects 2023 revenue of US$340m to US$360m and adjusted EBITDA of approximately US$87m (or approximately 25% of revenue), which is at the mid-point of the revenue guidance range.

Despite the uncertain macroeconomic environment, our growing pipeline reflects positive secular growth trends in data infrastructure markets and the continued investment in next-generation AI-centric connectivity solutions. This, combined with our talented team and strong balance sheet, give us confidence in our future.

About Alphawave Semi

Alphawave Semi is a global leader in high-speed connectivity for the world's technology infrastructure. Faced with the exponential growth of data, Alphawave Semi's technology services a critical need: enabling data to travel faster, more reliably and with higher performance at lower power. We are a vertically integrated semiconductor company, and our IP, custom silicon, and connectivity products are deployed by global tier-one customers in data centers, compute, networking, AI, 5G, autonomous vehicles, and storage. Founded in 2017 by an expert technical team with a proven track record in licensing semiconductor IP, our mission is to accelerate the critical data infrastructure at the heart of our digital world. To find out more about Alphawave Semi, visit: awavesemi.com

[3] 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.

[4] 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.

[5] Semiconductor device companies ranked on market capitalisation as of 11.07.23.

Related Party Disclosures

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

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Trademarks

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