

SkyWater Technology (Nasdaq: SKYT)

February 22, 2022

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SkyWater Technology Forward-Looking Statements

This presentation and the accompanying oral presentation, including answers to questions, contains “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements that are based on the Company’s current expectations or forecasts of future events, rather than past, events and outcomes, and such statements are not guarantees of future performance. Forward-looking statements include all statements other than statements of historical fact contained in this presentation, including information or predictions concerning the Company’s future business, results of operations, financial performance, plans and objectives, competitive position, market trends, and potential growth and market opportunities. In some cases, you can identify forward-looking statements by words such as “intends,” “estimates,” “predicts,” “potential,” “continues,” “anticipates,” “plans,” “expects,” “believes,” “should,” “could,” “may,” “will,” “targets,” “projects,” “seeks” or the negative of these terms or other comparable terminology.

Forward-looking statements are subject to risks, uncertainties and assumptions, which may cause the Company’s actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Key factors that could cause the Company’s actual results to be different than expected or anticipated include, but are not limited to: our goals and strategies; our future business development, financial condition and results of operations; our ability to continue operating our sole semiconductor foundry at full capacity; our ability to appropriately respond to changing technologies on a timely and cost-effective basis; our customer relationships and our ability to retain and expand our customer relationships; our ability to accurately predict our future revenues for the purpose of appropriately budgeting and adjusting our expenses; our expectations regarding dependence on our largest customers; our ability to diversify our customer base and develop relationships in new markets; the performance and reliability of our third-party suppliers and manufacturers; our ability to procure tools, materials, and chemicals amid industry-wide supply chain shortages; our ability to control costs, including our operating and capital expenses; the size and growth potential of the markets for our solutions, and our ability to serve and expand our presence in those markets; the level of demand in our customers’ end markets; our ability to attract, train and retain key qualified personnel in a competitive labor market; adverse litigation judgments, settlements or other litigation-related costs; changes in trade policies, including the imposition of tariffs; our ability to raise additional capital or financing; our ability to accurately forecast demand; the impact of the COVID-19 pandemic on our business, results of operations and financial condition and our customers, suppliers and workforce; the impact of the COVID-19 pandemic on the global economy; the level and timing of U.S. government program funding; our ability to maintain compliance with certain U.S. government contracting requirements; regulatory developments in the United States and foreign countries; our ability to protect our intellectual property rights; and other factors discussed in the “Risk Factors” section of the prospectus the Company filed with the SEC on April 22, 2021 and in other documents that the Company files with the SEC, which are available at http://www.sec.gov. The Company assumes no obligation to update any forward-looking statements, which speak only as of the date of this presentation.

SkyWater's Unique Model Accelerates Disruption

WHO WE ARE

Technology as a Service℠ (TaaS)℠

Innovation as a Service + **Manufacturing as a Service**

Advanced Technology Services (ATS)
enable co-creation of differentiated solutions which are the unique expression of the combined customer/SkyWater multi-disciplinary technology teams.

Wafer Services
supply customers with ICs and microdevices for commercial or mission ready products.

Non-Recurring Engineering

Production

OUR TaaS℠ MODEL

Co-creates disruptive technologies

Builds long relationships through collaborative development and manufacturing

Leverages world-class capabilities

2021 Business Progress

Completed IPO in April 2021

Radiation Hardened Platform

- Completed processing of critical test chip vehicles with copper back-end processing
- Opened customer support office at Westgate of NSWC Crane in Indiana
- Planning for productization and qualification stage in 2022

Heterogeneous Integration/Advanced Packaging

- Executed agreement to take over operations of Heterogeneous Integration facility in Kissimmee, Florida
- Installation and qualification of tools
- Initial revenue generation for existing programs, won new programs
- Launch of ISO9001 and Trusted accreditations

Power

- Achieved industry breakthrough in power MOSFET architecture
- Higher efficiency technology for voltage and signal conversion in vast range of power applications

Bio-Med

- New rapid-diagnostics, genetic sequencing, and consumer and clinical med device design wins moving rapidly through TaaS funnel

2021 Financial Progress

Grew Revenue 16%

- Revenue growth driven by Advanced Technology Services (an NRE business) through both new and existing program expansion (as well as $109 million of deferred revenue, not yet recognized)
- ***Increased customer base by over 70%*** from April '21 IPO to 2021 year end
- Robust **sales pipeline growth of 50%** in 2021
- ***Portfolio diversification*** ~ 70% Commercial and 30% A&D revenue mix

Platform Start-Up Costs Pressure Near-Term Profitability

- Investments in RadHard and Heterogeneous Integration to drive future revenue growth (2023 and beyond)
  - Operational and start-up investments are a near-term headwind to margins and profitability
  - Depreciation related to RadHard ~$7M per year
  - Building for long-term differentiation as domestic TaaS provider
- $19M of customer-funded tool revenue in 2021 at little to no profitability

Access to Capital

- $65M Revolver with $38.6M available[1]
- Additional funding options as a public company

[1] Subject to maintaining $15M of availability to maintain financial convents compliance

Q4 2021 Financial Summary

In USD millions	Q4 21	Q4 20	Y/Y
ATS Revenue	$24.4	$26.3	(7)%
Wafer Services Revenue	$14.2	$13.4	5%
Net Revenue	$38.5	$39.8	(3)%
Non-GAAP Gross Profit	$(1.9)	$4.8	(139)%
Non-GAAP Gross Margin	(4.8)%	12.2%	(1,700) bps
Adjusted EBITDA	$(4.9)	$1.3	(478)%
Adjusted EBIDTA margin	(12.6)%	3.2%	(1,580) bps

Revenue

- ***Total revenue increased 15%***, excluding:
  - $2.5M for additional operating week in Q420
  - Non-recurring tool revenue of $1.1M in Q421 and $4.9M in Q420
- Wafer Services increased due to a large customer contract
- Total activities increased 12% led by ATS

Gross Margin

- Investments in RadHard ($1.7M) and HI ($2.7M)
- Increased headcount, wage inflation and supply chain challenges

Adjusted EBITDA

- R&D investments platforms including power
- SG&A investments in sales, business leadership and public company costs

2021 Financial Summary

In USD millions	2021	2020	Y/Y
ATS Revenue	$111.7	$94.0	19%
Wafer Services Revenue	$51.2	$46.4	10%
Net Revenue	$162.8	$140.4	16%
Non-GAAP Gross Profit	$9.9	$24.3	(59)%
Non-GAAP Gross Margin	6.1%	17.3%	(1,120) bps
Adjusted EBITDA	$(2.6)	$14.4	(118)%
Adjusted EBIDTA margin	(1.6)%	10.3%	(1,190) bps

Revenue

- 19% ATS growth through existing program expansion and new customer wins
- Wafer Services growth as fab increased production levels

Gross Margin

- Investments in RadHard ($6.9M) and HI ($7.6M)
- Increased headcount, wage inflation and supply chain challenges

Adjusted EBITDA

- R&D investments in platforms, including power
- SG&A investments in sales, business leadership and public company costs

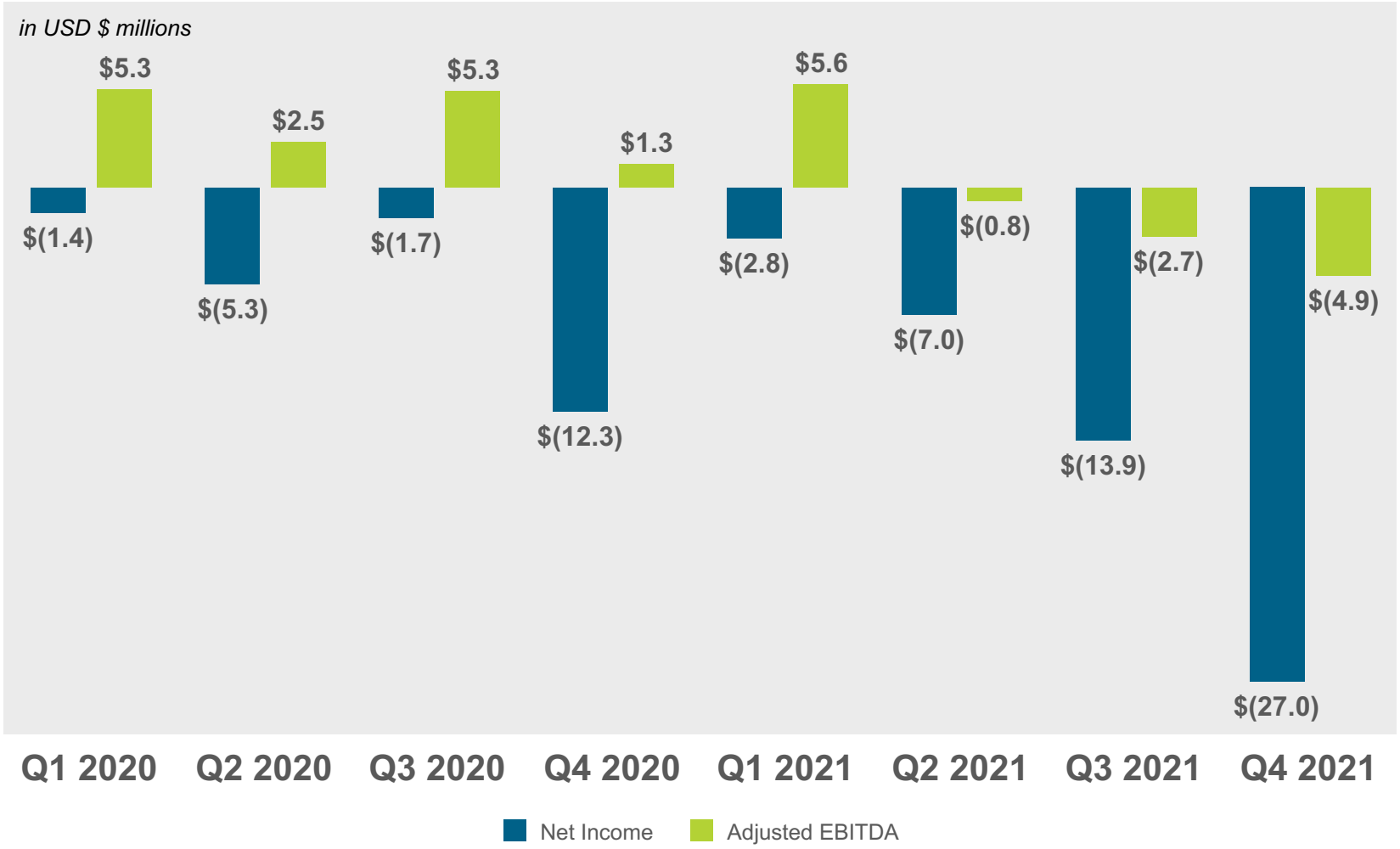
Balance Sheet

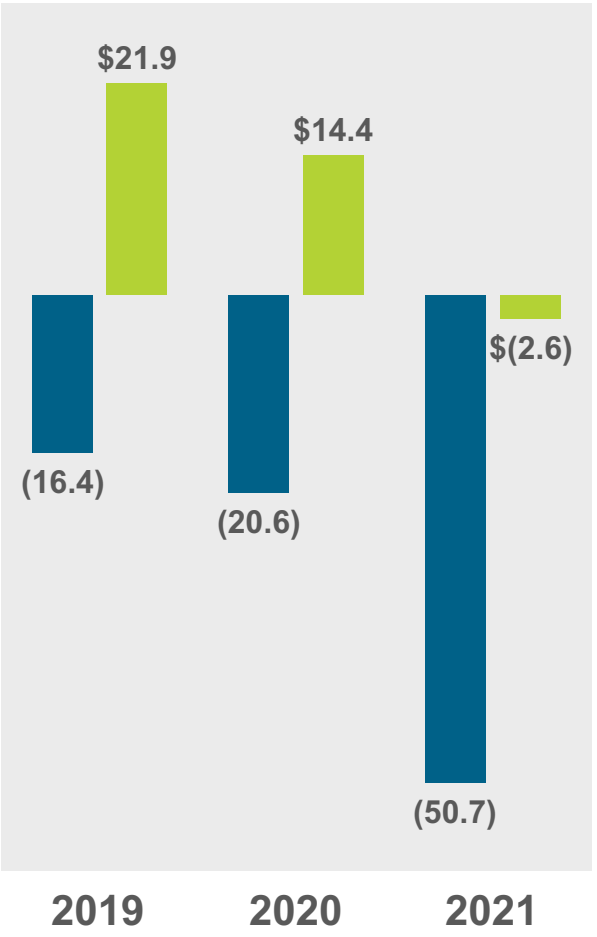
- $12.9M cash and equivalents
- $38.6M available on $65M line of credit

Revenues


in USD $ millions
$36.9
$30.8
$33.0
$39.8
$48.1
$41.2
$35.0
$38.5
Q1 2020
Q2 2020
Q3 2020
Q4 2020
Q1 2021
Q2 2021
Q3 2021
Q4 2021
Wafer Services
Advanced Technology Services
$136.7
$140.4
$162.8
2019
2020
2021

Net Income / Adjusted EBITDA





2022 Business Outlook

Expect ***revenue growth*** near long-term model of 25%

Investments in RadHard and HI Platforms

Implementing strategies to manage labor and supply chain costs

Anticipate ***gross margin expansion***

Leverage operating expense investments from 2021

Expect to ***use cash in operations*** but anticipate rate to decrease as revenue grow, business scales, and realize a return for the investments made in 2021


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GAAP to Non-GAAP Reconciliation

We provide supplemental non-GAAP financial information that our management utilizes to evaluate our ongoing financial performance and provide additional insight to investors as supplemental information to our U.S. GAAP results. We provide non-GAAP gross profit, non-GAAP gross margin, non-GAAP net loss to shareholders, and non-GAAP net loss per share. We provide these non-GAAP financial measures because we believe this non-GAAP presentation provides a baseline for analyzing trends in our business and to exclude certain items that may not be indicative of our core operating results. The non-GAAP financial measures disclosed in this earnings press release should not be viewed as an alternative to, or more meaningful than, the reported results prepared in accordance with GAAP. In addition, because our non-GAAP measures are not determined in accordance with U.S. GAAP, these measures are susceptible to differing calculations, and not all comparable or peer companies may calculate their non-GAAP measures in the same manner. As a result, the non-GAAP financial measures presented in this earnings press release may not be directly comparable to similarly titled measures presented by other companies.

We also provide adjusted EBITDA and adjusted EBITDA margin as supplemental non-GAAP measurements. We define adjusted EBITDA as net income (loss) before interest expense, income tax provision (benefit), depreciation and amortization, equity-based compensation and certain other items that we do not view as indicative of our ongoing performance, including fair value changes in contingent considerations, fair value changes in warrants and management fees, inventory write-down, corporate conversion and IPO related costs, Paycheck Protection Program loan forgiveness, SkyWater Florida start-up costs, net income attributable to non-controlling interests, and management transition expense. We believe adjusted EBITDA is a useful performance measure because it allows for an effective evaluation of our operating performance when compared to our peers, without regard to our financing methods or capital structure. We exclude the items listed above from net income or loss in arriving at adjusted EBITDA because these amounts can vary substantially within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income determined in accordance with U.S. GAAP. Certain items excluded from adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are reflected in adjusted EBITDA. Our presentation of adjusted EBITDA should not be construed as an indication that our results will be unaffected by the items excluded from adjusted EBITDA. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual, unless otherwise expressly indicated.

The following tables present a reconciliation of the most directly comparable financial measures, calculated and presented in accordance with U.S. GAAP, to our non-GAAP financial measures.

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
					(In thousands)					
GAAP revenue	**$ 36,904**	**$ 30,759**	**$ 33,003**	**$ 39,772**	**$ 140,438**	**$ 48,101**	**$ 41,189**	**$ 35,025**	**$ 38,533**	**$ 162,848**
Estimated impact of additional operating week	—	—	—	(2,491)	(2,491)	—	—	—	—	—
Tool revenue	(3,173)	—	(360)	(4,895)	(8,428)	(15,405)	(2,346)	(281)	(1,128)	(19,160)
Non-GAAP revenue	**$ 33,731**	**$ 30,759**	**$ 32,643**	**$ 32,386**	**$ 129,519**	**$ 32,696**	**$ 38,843**	**$ 34,744**	**$ 37,405**	**$ 143,688**
GAAP cost of revenue	**$ 30,480**	**$ 25,297**	**$ 25,725**	**$ 36,244**	**$ 117,746**	**$ 38,935**	**$ 39,377**	**$ 36,852**	**$ 55,156**	**$ 170,320**
Inventory write-down	—	—	—	—	—	—	—	—	(13,442)	(13,442)
Equity-based compensation (1)	(112)	(112)	(112)	(1,308)	(1,644)	(118)	(827)	(967)	(1,130)	(3,042)
SkyWater Florida start-up costs (2)	—	—	—	—	—	—	(318)	(374)	(187)	(879)
Non-GAAP cost of revenue	**$ 30,368**	**$ 25,185**	**$ 25,613**	**$ 34,936**	**$ 116,102**	**$ 38,817**	**$ 38,232**	**$ 35,511**	**$ 40,397**	**$ 152,957**
GAAP gross profit (loss)	**$ 6,424**	**$ 5,462**	**$ 7,278**	**$ 3,528**	**$ 22,692**	**$ 9,166**	**$ 1,812**	**$ (1,827)**	**$ (16,623)**	**$ (7,472)**
GAAP gross margin	***17.4 %***	***17.8 %***	***22.1 %***	***8.9 %***	***16.2 %***	***19.1 %***	***4.4 %***	***(5.2)%***	***(43.1)%***	***(4.6)%***
Inventory write-down	—	—	—	—	—	—	—	—	13,442	13,442
Equity-based compensation	112	112	112	1,308	1,644	118	827	967	1,130	3,042
SkyWater Florida start-up costs	—	—	—	—	—	—	318	374	187	879
Non-GAAP gross profit (loss)	**$ 6,536**	**$ 5,574**	**$ 7,390**	**$ 4,836**	**$ 24,336**	**$ 9,284**	**$ 2,957**	**$ (486)**	**$ (1,864)**	**$ 9,891**
Non-GAAP gross margin	***17.7 %***	***18.1 %***	***22.4 %***	***12.2 %***	***17.3 %***	***19.3 %***	***7.2 %***	***(1.4)%***	***(4.8)%***	***6.1 %***
GAAP research and development	**$ 662**	**$ 786**	**$ 1,088**	**$ 1,672**	**$ 4,208**	**$ 1,927**	**$ 3,339**	**$ 2,253**	**$ 1,228**	**$ 8,747**
Equity-based compensation (1)	(6)	(6)	(19)	(39)	(56)	(9)	(1,487)	(341)	655	(1,182)
Non-GAAP research and development	**$ 656**	**$ 780**	**$ 1,069**	**$ 1,633**	**$ 4,152**	**$ 1,918**	**$ 1,852**	**$ 1,912**	**$ 1,883**	**$ 7,565**
GAAP selling, general and administrative expenses	**$ 5,633**	**$ 6,921**	**$ 5,765**	**$ 6,713**	**$ 25,032**	**$ 8,603**	**$ 15,415**	**$ 9,626**	**$ 9,951**	**$ 43,595**
SkyWater Florida start-up costs (2)	—	—	—	—	—	—	(186)	(60)	(22)	(268)
Management transition expense	—	—	—	—	—	—	(435)	—	—	(435)
Equity-based compensation	(558)	(70)	(70)	(242)	(940)	(108)	(4,454)	(2,086)	(1,655)	(8,303)
Management fees	(222)	(206)	(216)	(235)	(879)	(276)	(56)	—	—	(332)
Non-GAAP selling, general and administrative expenses	**$ 4,853**	**$ 6,645**	**$ 5,479**	**$ 6,236**	**$ 23,213**	**$ 8,219**	**$ 10,284**	**$ 7,480**	**$ 8,274**	**$ 34,257**

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
					(In thousands)					
GAAP net loss to shareholders	$ (1,372)	$ (5,293)	$ (1,654)	$ (12,298)	$ (20,617)	$ (2,811)	$ (6,979)	$ (13,870)	$ (27,036)	$ (50,696)
Inventory write-down	—	—	—	—	—	—	—	—	13,442	**13,442**
Paycheck Protection Program loan forgiveness	—	—	—	—	—	—	(6,453)	—	—	**(6,453)**
Corporate conversion and initial public offering related costs	—	—	—	—	—	—	1,521	208	205	**1,934**
SkyWater Florida start-up costs	—	—	—	—	—	—	504	434	209	**1,147**
Management transition expense	—	—	—	—	—	—	435	—	—	**435**
Fair value changes in contingent consideration	841	712	(200)	741	**2,094**	56	(942)	(1,670)	(154)	**(2,710)**
Equity-based compensation	676	187	188	1,589	**2,640**	235	6,768	3,394	2,130	**12,527**
Fair value changes in warrants	141	99	660	(1,680)	**(780)**	—	—	—	—	**—**
Management fees	222	206	216	235	**879**	276	56	—	—	**332**
Non-GAAP net loss to shareholders	**$ 508**	**$ (4,089)**	**$ (790)**	**$ (11,413)**	**$ (15,784)**	**$ (2,244)**	**$ (5,090)**	**$ (11,504)**	**$ (11,204)**	**$ (30,042)**
Equity-based compensation allocation in the consolidated statements of operations:										
Cost of revenue	$ 112	$ 112	$ 112	$ 1,308	$ 1,644	$ 118	$ 827	$ 967	$ 1,130	$ 3,042
Research and development	5	5	6	39	56	9	1,487	341	(655)	1,182
Selling, general and administrative expenses	559	70	70	242	940	108	4,454	2,086	1,655	8,303
	$ 676	**$ 187**	**$ 188**	**$ 1,589**	**$ 2,640**	**$ 235**	**$ 6,768**	**$ 3,394**	**$ 2,130**	**$ 12,527**
SkyWater Florida start-up costs allocation in the consolidated statements of operations:										
Cost of revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ 318	$ 374	$ 187	$ 879
Selling, general and administrative expenses	—	—	—	—	—	—	186	60	22	268
	$ —	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 504**	**$ 434**	**$ 209**	**$ 1,147**

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
					(In thousands)					
Net loss to shareholders	**$ (1,372)**	**$ (5,293)**	**$ (1,654)**	**$ (12,298)**	**$ (20,617)**	**$ (2,811)**	**$ (6,979)**	**$ (13,870)**	**$ (27,036)**	**$ (50,696)**
Interest expense	1,462	1,322	1,303	1,412	**5,499**	1,058	912	733	839	**3,542**
Income tax expense (benefit)	(943)	915	316	4,631	**4,919**	(425)	(4,237)	194	(2,322)	**(6,790)**
Depreciation and amortization	4,322	4,314	4,477	5,753	**18,866**	6,482	6,854	6,964	6,957	**27,368**
EBITDA	**3,469**	**1,258**	**4,442**	**(502)**	**8,667**	**4,304**	**(3,450)**	**(5,979)**	**(21,562)**	**(26,576)**
Inventory write-down	—	—	—	—	**—**	—	—	—	13,442	**13,442**
Paycheck Protection Program loan forgiveness	—	—	—	—	**—**	—	(6,453)	—	—	**(6,453)**
Corporate conversion and initial public offering related costs (3)	—	—	—	—	**—**	—	1,521	208	205	**1,934**
SkyWater Florida start-up costs (2)	—	—	—	—	**—**	—	504	434	209	**1,147**
Management transition expense (4)	—	—	—	—	**—**	—	435	—	—	**435**
Fair value changes in contingent consideration (5)	841	712	(200)	741	**2,094**	56	(942)	(1,670)	(154)	**(2,710)**
Equity-based compensation (1)	676	187	188	1,589	**2,640**	235	6,768	3,394	2,130	**12,527**
Fair value changes in warrants (6)	141	99	660	(1,680)	**(780)**	—	—	—	—	**—**
Management fees (7)	222	206	216	235	**879**	276	56	—	—	**332**
Net income attributable to non-controlling interests (8)	—	—	—	903	**903**	758	757	907	871	**3,293**
Adjusted EBITDA	**$ 5,349**	**$ 2,462**	**$ 5,306**	**$ 1,286**	**$ 14,403**	**$ 5,629**	**$ (804)**	**$ (2,706)**	**$ (4,859)**	**$ (2,629)**

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
					(In thousands)					
GAAP EPS										
Net loss attributable to SkyWater Technology, Inc.	$ (1,372)	$ (5,293)	$ (1,654)	$ (12,298)	**$ (20,617)**	$ (2,811)	$ (6,979)	$ (13,870)	$ (27,036)	**$ (50,696)**
Undistributed preferred return to Class B preferred unitholders	—	—	—	—	**—**	(359)	(39)	—	—	**(398)**
Net loss attributable to common shareholders	$ (1,372)	$ (5,293)	$ (1,654)	$ (12,298)	**$ (20,617)**	$ (3,170)	$ (7,018)	$ (13,870)	$ (27,036)	**$ (51,094)**
Denominator:										
Weighted-average common shares outstanding, basic and diluted	18,000	18,000	18,000	18,000	**18,000**	3,060	34,708	39,060	39,325	**29,038**
Net loss per common share, basic and diluted	$ (0.08)	$ (0.29)	$ (0.09)	$ (0.68)	**$ (1.15)**	$ (1.04)	$ (0.20)	$ (0.36)	$ (0.69)	**$ (1.76)**
Non-GAAP EPS										
Numerator:										
Net loss attributable to SkyWater Technology, Inc.	$ 145	$ (4,089)	$ (1,666)	$ (11,413)	**$ (15,784)**	$ (2,244)	$ (5,090)	$ (11,504)	$ (11,204)	**$ (30,042)**
Undistributed preferred return to Class B preferred unitholders	—	—	—	—	**—**	(359)	(39)	—	—	**(398)**
Net loss attributable to common shareholders	$ 145	$ (4,089)	$ (1,666)	$ (11,413)	**$ (15,784)**	$ (2,603)	$ (5,129)	$ (11,504)	$ (11,204)	**$ (30,440)**
Denominator:										
Weighted-average common shares outstanding, basic and diluted	18,000	18,000	18,000	18,000	**18,000**	3,060	34,708	39,060	39,325	**29,038**
Net loss per common share, basic and diluted	$ 0.01	$ (0.23)	$ (0.09)	$ (0.63)	**$ (0.88)**	$ (0.85)	$ (0.15)	$ (0.29)	$ (0.28)	**$ (1.05)**