

SkyWater Technology (Nasdaq: SKYT)

May 3, 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 Item 1A. “Risk Factors” for our Annual Report on Form 10-K for the year ended January 2, 2022 filed with the SEC on March 10, 2022 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 manufacturing capabilities

Q1 2022 Business Progress

- ***Sequential revenue growth*** achieved in multiple bio-health, DOD, and high-performance power management customer programs
- ***Increased pricing and improved visibility*** of revenues from our largest historical customer, with new contract reflecting improved terms for pricing and revenue recognition, now made over time as wafers are fabricated
- Progress toward ***pilot production and anticipated 2H-2022 revenue ramp with Rockley Photonics***, as they are engaged with multiple wearable and medical device customers to expand their biomarker sensing platform
- ***Radiation-hardened progress toward completion of the development phase*** and launch of qualification and productization phases, in preparation for anticipated revenue ramp by year-end 2022
- ***Announced collaboration with Quicklogic***, expanding a developing ecosystem that will enable a wide spectrum of advanced solutions for extreme-environment microelectronics
- In heterogeneous integration, ***initiated process for DECA M-series test vehicle builds***, which will leverage DECA's disruptive adaptive patterning technology for fan-out wafer-level packaging applications
- Continued ***progress toward securing long-term agreements*** across all market verticals, as we create an increasingly robust sales pipeline
- As a result of improved pricing and increased revenue volume, ongoing ***gross margin momentum improved***
- ***Florida facility achieved ISO 9001: 2015 Quality Management System certification***, which is the world's most widely recognized quality management standard
- ***Continued momentum in U.S. government activities***, in partnership with SkyWater, to bolster the domestic semiconductor supply chain and strengthen the defense industrial base

Q1 2022 Financial Progress

- **Total Revenues of $48.1M**
  - ATS Revenue of $26.6M, compared to $38.1M in Q1'21
    - Tool sales were $1.0M, compared to $15.4M in Q1'21
    - Excluding tool sales, **ATS revenue of $25.6M increased 13% YoY**
  - Wafer Services Revenue of $21.5M
    - Including revenue recognition of $8.2M in work-in-process inventory with large customer (a pull-in from Q2/Q3)
    - **Total WS Revenues up 115% YoY; or 33% excluding the WIP component in Q1'22**
- **Improving Gross Margins**
  - GAAP gross loss was 2.0%
    - Includes $1.5M of equity-based compensation and Florida start-up costs
  - Non-GAAP gross margin turned positive at 1.1%
    - Compared to (6.1)% in the prior quarter and 11.5% in Q1'21
    - Excluding the WIP impact, Cost of Revenues declined sequentially from Q4'21
  - Investments in RadHard and Heterogeneous Integration to drive future revenue growth (2023 and beyond)
    - Depreciation related to RadHard ~$7M per year ($1.5M in Q1'22)
    - Florida facility Cost of Revenues = $2.8M in Q1'22 (excluding tool costs)
    - Building for long-term differentiation as domestic TaaS provider
- **Access to Capital**
  - $65M Revolver with $29.1M available[1]
  - Additional funding options as a public company

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

Q1 2022 Financial Summary

In USD millions	Q1 22	Q1 21	Y/Y
ATS Revenue	$26.6	$38.1	(30)%
Wafer Services Revenue	$21.5	$10.0	115%
Total Revenue	$48.1	$48.1	0%
Non-GAAP Gross Profit	$0.5	$3.8	(86)%
Non-GAAP Gross Margin	1.1%	11.5%	(1,040) bps
Adjusted EBITDA	$(4.8)	$5.6	(186)%
Adjusted EBIDTA margin	(10.0)%	11.7%	(2,170) bps

Revenue

- **Total revenue flat YoY; comparable results increased 19%**, after excluding:
  - Episodic tool revenues, which were $1.0M in Q1'22 compared to record high $15.4M in Q1'21
  - $8.2M pull-in of WS revenue in Q1'22
    - impact of rev. rec. on WIP with significant customer due to revised contract terms
- Revenue growth on a comparable basis to Q1'21:
  - ATS growth of 13%
  - Wafer Services growth of 33%
- Provides greater confidence in FY2022 revenue growth objectives

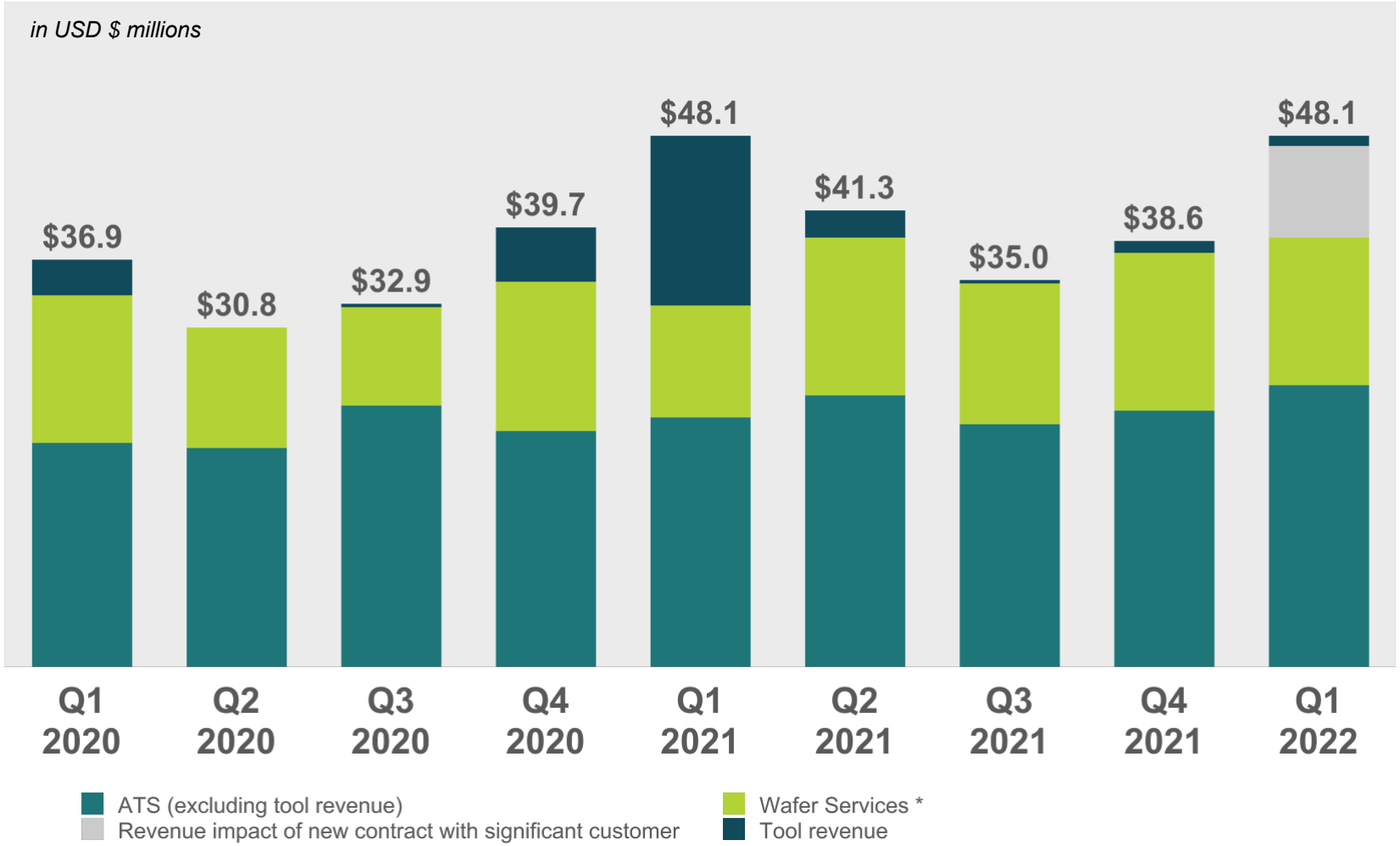
Gross Margin

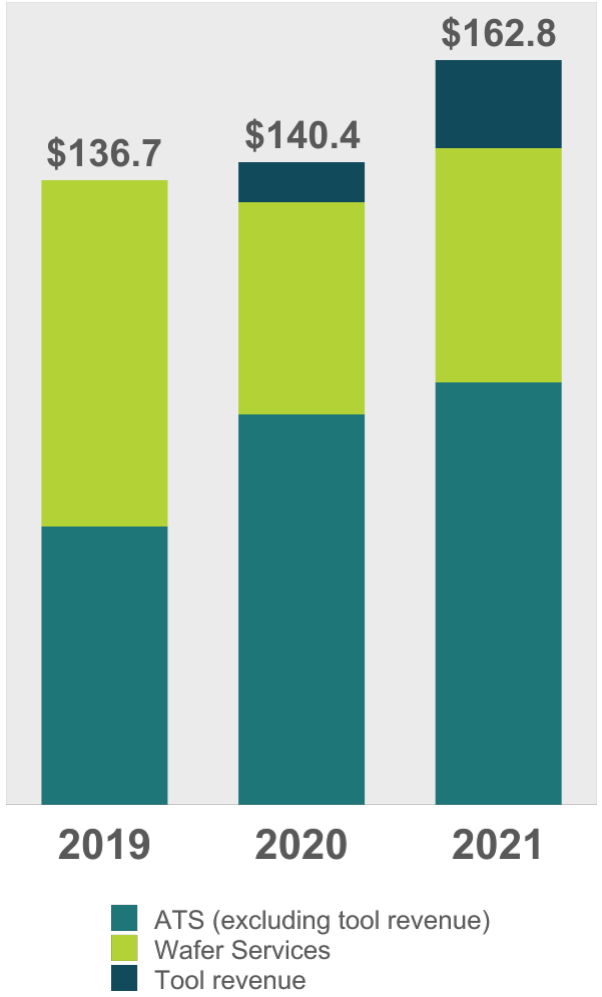
- Non-GAAP Gross Margin turned positive at 1.1%
- Consistent with objective for positive GM in mid-$40M quarterly revenue level
- Investments in RadHard ($1.5M) and HI ($2.8M excl. tool costs)
- Continued wage inflation and supply chain challenges

Adjusted EBITDA

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

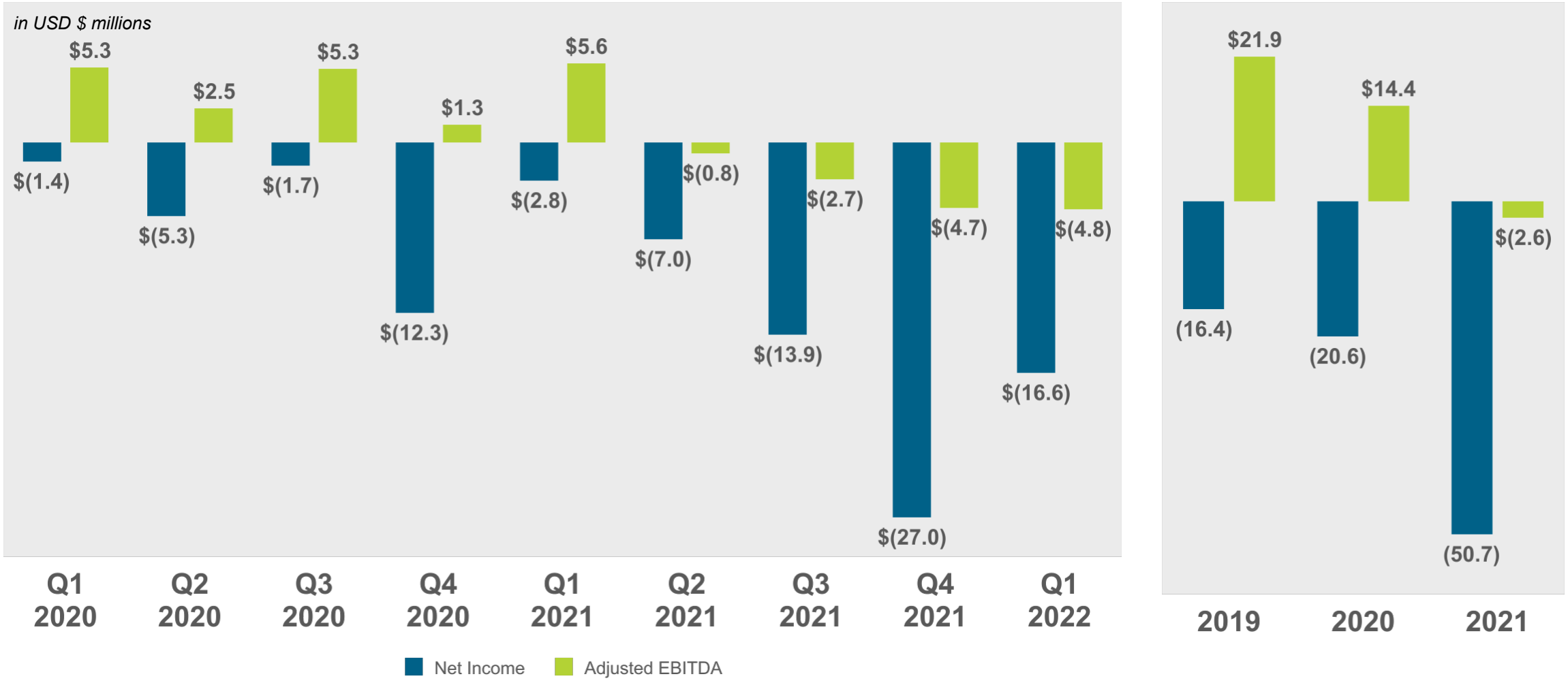
Revenues





* Q1 2022 wafer services amount excludes impact of new contract with significant customer

Net Income / Adjusted EBITDA



2022 Business Outlook

- Improved pricing and revenue recognition terms with largest historical customer enables greater confidence in achieving ***full-year revenue growth near long-term model of 25%***
- ***Investments*** in RadHard and Heterogenous Integration Platforms in preparation for upcoming revenue ramp
- ***Implementing strategies*** to manage labor and supply chain costs
- Anticipate continued ***gross margin expansion***
- ***Leverage operating expense investments*** from 2021
- Expect to ***use cash in operations*** but anticipate rate to decrease as revenue grows, business scale, and investments made in 2021 begin to realize a return on investment


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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	Q1 2022
						(In thousands)					
GAAP revenue	**$ 36,904**	**$ 30,759**	**$ 33,003**	**$ 39,772**	**$ 140,438**	**$ 48,101**	**$ 41,189**	**$ 35,025**	**$ 38,533**	**$ 162,848**	**$ 48,121**
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)	(984)
Non-GAAP revenue	**$ 33,731**	**$ 30,759**	**$ 32,643**	**$ 32,386**	**$ 129,519**	**$ 32,696**	**$ 38,843**	**$ 34,744**	**$ 37,405**	**$ 143,688**	**$ 47,137**
GAAP cost of revenue	**$ 30,480**	**$ 25,297**	**$ 25,725**	**$ 36,244**	**$ 117,746**	**$ 38,935**	**$ 39,377**	**$ 36,852**	**$ 55,156**	**$ 170,320**	**$ 49,061**
Estimated impact of additional operating week	—	—	—	(2,311)	(2,311)	—	—	—	—	—	—
Inventory write-down	—	—	—	—	—	—	—	—	(13,442)	(13,442)	—
Equity-based compensation	(112)	(112)	(112)	(1,308)	(1,644)	(118)	(827)	(967)	1,130	(782)	(1,125)
SkyWater Florida start-up costs	—	—	—	—	—	—	(318)	(374)	187	(505)	(341)
Cost of tool revenue	(2,266)	—	—	(3,895)	(6,161)	(9,873)	(1,223)	(281)	(701)	(12,078)	(984)
Non-GAAP cost of revenue	**$ 28,102**	**$ 25,185**	**$ 25,613**	**$ 28,730**	**$ 107,630**	**$ 28,944**	**$ 37,009**	**$ 35,230**	**$ 42,330**	**$ 143,513**	**$ 46,611**
GAAP gross profit (loss)	**$ 6,424**	**$ 5,462**	**$ 7,278**	**$ 3,528**	**$ 22,692**	**$ 9,166**	**$ 1,812**	**$ (1,827)**	**$ (16,623)**	**$ (7,472)**	**$ (940)**
GAAP gross margin	***17.4 %***	***17.8 %***	***22.1 %***	***8.9 %***	***16.2 %***	***19.1 %***	***4.4 %***	***(5.2)%***	***(43.1)%***	***(4.6)%***	***(2.0)%***
Estimated impact of additional operating week	—	—	—	(180)	(180)	—	—	—	—	—	—
Inventory write-down	—	—	—	—	—	—	—	—	13,442	13,442	—
Equity-based compensation	112	112	112	1,308	1,644	118	827	967	1,130	3,042	1,125
SkyWater Florida start-up costs	—	—	—	—	—	—	318	374	—	692	341
Tool revenue	(3,173)	—	(360)	(4,895)	(8,428)	(15,405)	(2,346)	(281)	(1,128)	(19,160)	(984)
Cost of tool revenue	2,266	—	—	3,895	6,161	9,873	1,223	281	701	12,078	984
Non-GAAP gross profit (loss)	**$ 5,629**	**$ 5,574**	**$ 7,030**	**$ 3,656**	**$ 21,889**	**$ 3,752**	**$ 1,834**	**$ (486)**	**$ (2,478)**	**$ 2,622**	**$ 526**
Non-GAAP gross margin	***16.7 %***	***18.1 %***	***21.5 %***	***11.3 %***	***16.9 %***	***11.5 %***	***4.7 %***	***(1.4)%***	***(6.6)%***	***1.8 %***	***1.1 %***
GAAP research and development	**$ 662**	**$ 786**	**$ 1,088**	**$ 1,672**	**$ 4,208**	**$ 1,927**	**$ 3,339**	**$ 2,253**	**$ 1,228**	**$ 8,747**	**$ 2,282**
Equity-based compensation	(6)	(6)	(19)	$ (39)	(56)	(9)	(1,487)	(341)	$ 655	(1,182)	(225)
Non-GAAP research and development	**$ 656**	**$ 780**	**$ 1,069**	**$ 1,633**	**$ 4,152**	**$ 1,918**	**$ 1,852**	**$ 1,912**	**$ 1,883**	**$ 7,565**	**$ 2,057**
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**	**$ 11,690**
SkyWater Florida start-up costs	—	—	—	—	—	—	(186)	(60)	$ (22)	(268)	(61)
Management transition expense	—	—	—	—	—	—	(435)	—	$ —	(435)	—
Equity-based compensation	(558)	(70)	(70)	(242)	(940)	(108)	(4,454)	(2,086)	$ (1,655)	(8,303)	(1,866)
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**	**$ 9,763**

Proprietary

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021	Q1 2022
						(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)	$ (16,606)
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**	402
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**	3,216
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)	$ (12,988)
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	$ 1,125
Research and development	5	5	6	39	55	9	1,487	341	(655)	1,182	225
Selling, general and administrative expenses	559	70	70	242	941	108	4,454	2,086	1,655	8,303	1,866
	$ 676	$ 187	$ 188	$ 1,589	$ 2,640	$ 235	$ 6,768	$ 3,394	$ 2,130	$ 12,527	$ 3,216
SkyWater Florida start-up costs allocation in the consolidated statements of operations:											
Cost of revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ 318	$ 374	$ 187	$ 879	$ 341
Selling, general and administrative expenses	—	—	—	—	—	—	186	60	$ 22	268	61
	$ —	$ —	$ —	$ —	$ —	$ —	$ 504	$ 434	$ 209	$ 1,147	$ 402

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021	Q1 2022
						(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)**	**$ (16,606)**
Interest expense	1,462	1,322	1,303	1,412	**5,499**	1,058	912	733	839	**3,542**	1,029
Income tax expense (benefit)	(943)	915	316	4,631	**4,919**	(425)	(4,237)	194	(2,322)	**(6,790)**	(194)
Depreciation and amortization	4,322	4,314	4,477	5,753	**18,866**	6,482	6,854	6,964	7,068	**27,368**	6,458
EBITDA	**3,469**	**1,258**	**4,442**	**(502)**	**8,667**	**4,304**	**(3,450)**	**(5,979)**	**$ (21,451)**	**$ (26,576)**	**(9,313)**
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**	402
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**	3,216
Fair value changes in warrants	141	99	660	(1,680)	**(780)**	—	—	—	—	**—**	—
Management fees	222	206	216	235	**879**	276	56	—	—	**332**	—
Net income attributable to non-controlling interests	—	—	—	903	**903**	758	757	907	871	**3,293**	859
Adjusted EBITDA	**$ 5,349**	**$ 2,462**	**$ 5,306**	**$ 1,286**	**$ 14,403**	**$ 5,629**	**$ (804)**	**$ (2,706)**	**$ (4,748)**	**$ (2,629)**	**$ (4,836)**

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021	Q1 2022
						(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)**	$ (16,606)
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)**	$ (16,606)
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**	39,862
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)**	$ (0.42)
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)**	$ (12,988)
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)**	$ (12,988)
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**	39,862
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)**	$ (0.33)