

SkyWater Technology (Nasdaq: SKYT)

Q1 2023 Financial Results

May 8, 2023

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; changes in local, regional, national and international economic or political conditions, including those resulting from rising inflation and interest rates, a recession, or intensified international hostilities; 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; our ability to meet our long-term growth targets; and other factors discussed in Item 1A. “Risk Factors” for our Annual Report on Form 10-K for the year ended January 1, 2023 filed with the SEC on March 15, 2023 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

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Q1 2023 Business Highlights

- ***Record revenues exceeded expectations due to accelerated demand and expanded scope*** *of multiple U.S. government contract awards year to date.*

- ***Gross margin expansion ahead of schedule*** *as a result of flow-through performance ahead of expectations, with strong adjusted EBITDA equal to 12% of quarterly revenues.*

- ***Continued to make progress on the productization and qualification of SkyWater's 90nm RadHard platform*** *to prepare for the planned production ramp in 2025.*

- ***Expanded development agreement with PsiQuantum to produce silicon photonic chips*** *that will become part of future quantum computing systems.*

- ***Continued confidence in securing CHIPS Act funding*** *to further expand the capabilities at our existing sites in Minnesota and Florida, while transforming the industry with our unique Purdue partnership.*

Q1 2023 Financial Progress

- **Record Revenues of $66.1M**
  - ATS Revenue of $48.3M, compared to $26.6M in Q1’22
    - Tool sales were $0.5M, compared to $1.1M in Q1’22
      - Excluding tool sales, ATS revenue of $47.8M increased 86.7% YoY
  - Wafer Services Revenue of $17.8M, compared to $21.5M in Q1’22
    - Total WS Revenues decreased 17% YoY
    - WS Revenues in Q1’22 had included $8M pull-in of revenue due to revised, more favorable contract terms with large historical customer

- **Improving Gross Margins**
  - GAAP gross margin was 24.9%, compared to (2.0)% in Q1’22
    - Includes $0.5M of equity-based compensation
  - Non-GAAP gross margin was 25.8%, compared to 1.1% in Q1’22
    - Increased revenue volume, more favorable revenue mix, increased fab efficiency, cost reduction program
    - Cost of revenues increasing less than forecast for these revenue volumes, leading to flow-through above expectations

- **Access to Capital**
  - $100M Revolver with $22M available
  - Additional funding options as a public company include Universal Shelf filed August 2022
  - Debt refinance completed at year-end; an additional $3M in ATM proceeds during Q1 2023

Q1 2023 Financial Summary

In USD millions	Q1 23	Q1 22	Y/Y
ATS Revenue	$48.3	$26.6	82%
Wafer Services Revenue	$17.8	$21.5	(17)%
Total Revenue	$66.1	$48.1	37%
Non-GAAP Gross Profit	$16.9	$0.5	3118%
Non-GAAP Gross Margin	25.8%	1.1%	2,470 bps
Adjusted EBITDA	$8.1	$(4.8)	nm
Adjusted EBITDA margin	12.3%	(10.0)%	2,230 bps

Revenue

- Total revenue +37% YoY
  - ATS growth of 82% reflects increased momentum and expanded scope of multiple strategic programs
  - Wafer Services revenue (17)% decline YoY reflects the $8M pull-in of WS revenue in Q1’22 upon new contract with large historical customer

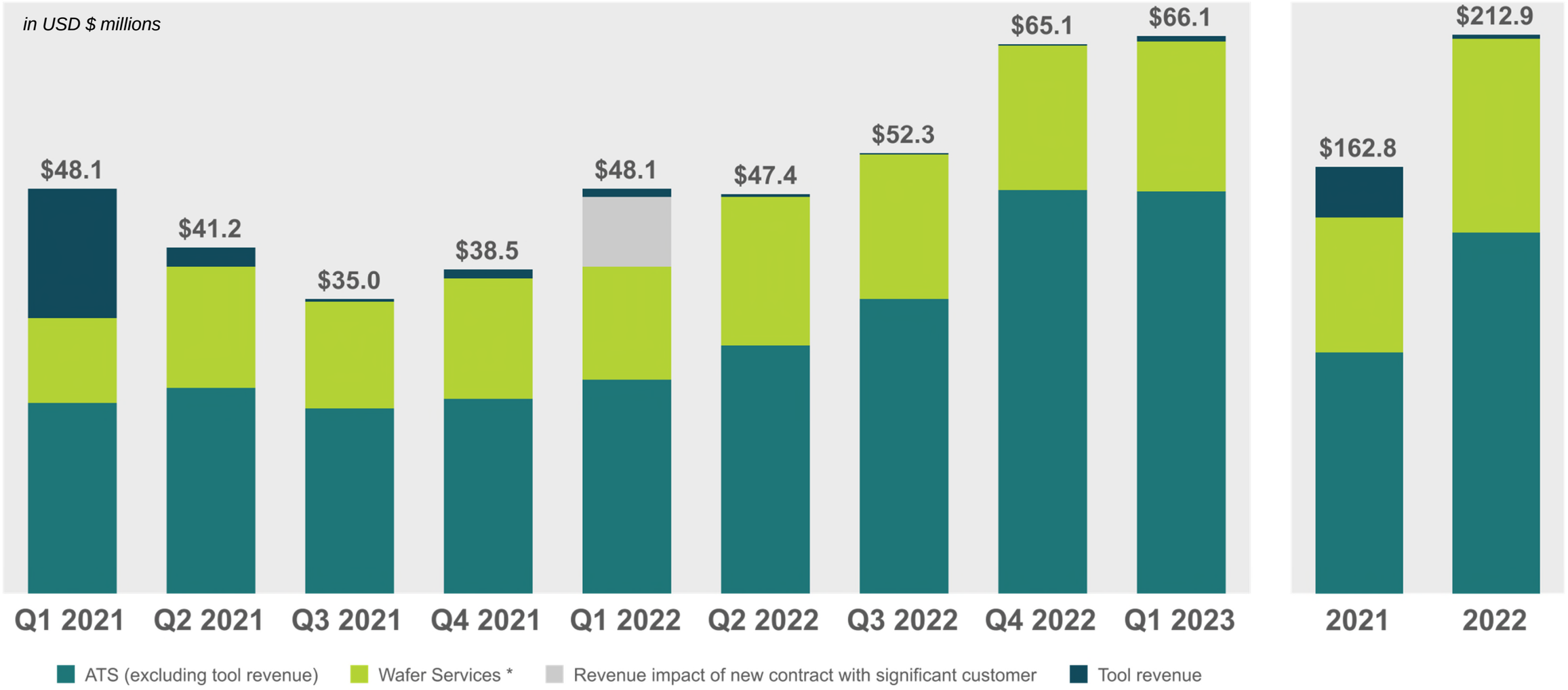
Gross Margin

- Non-GAAP Gross Margin improved to 25.8%, from 1.1% last year
- Improvement demonstrates flow-through well exceeding our target model of >50% on incremental revenue growth due to favorable mix and COR increasing less than forecast
- Reflects continued investments in RadHard ($1.4M) and Heterogeneous Integration ($3.1M)

Adjusted EBITDA

- $8.1M or 12.3% of revenue
- Strong YoY improvement due to GM accretion and close management of expenses:
  - R&D investments in multiple strategic growth areas
  - SG&A investments in sales, business leadership and public company costs

Strong Revenue Momentum in Both ATS and WS

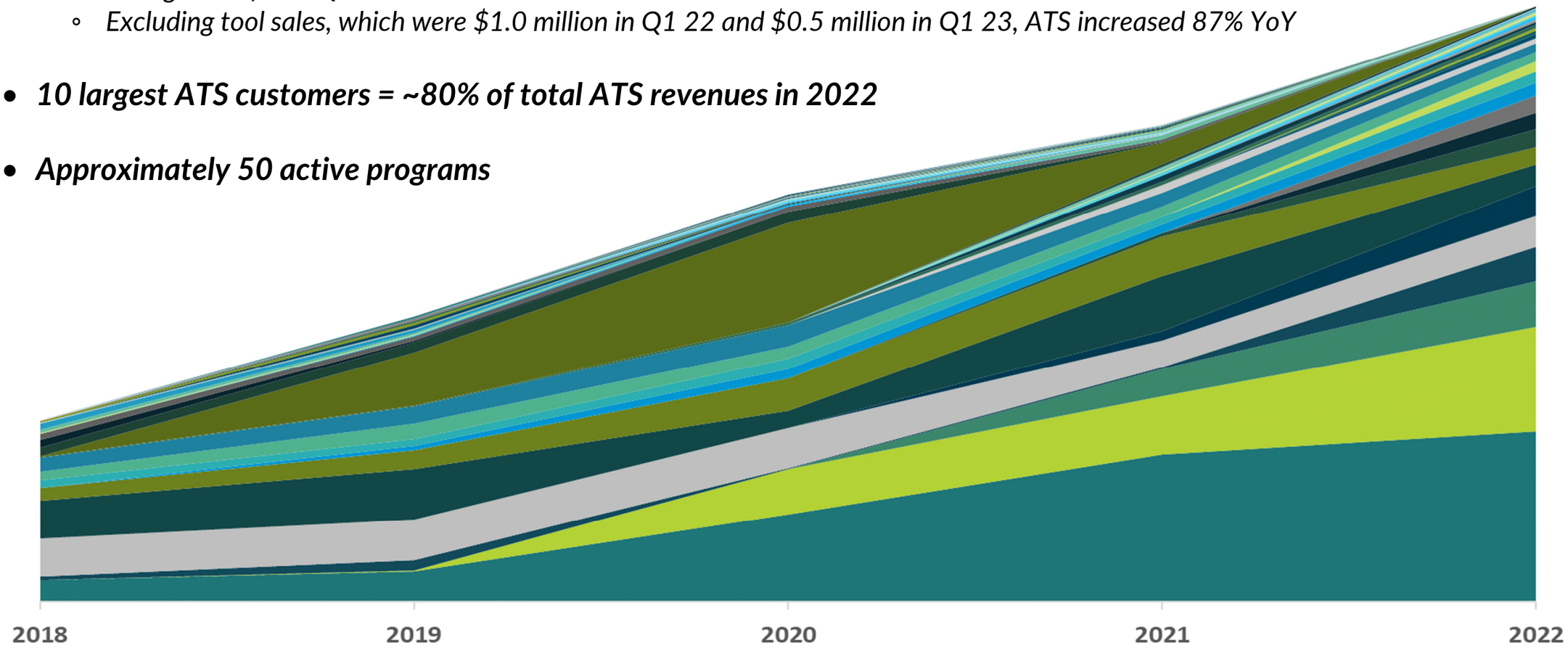


* Q1 2022 wafer services amount excludes impact of new contract with significant customer

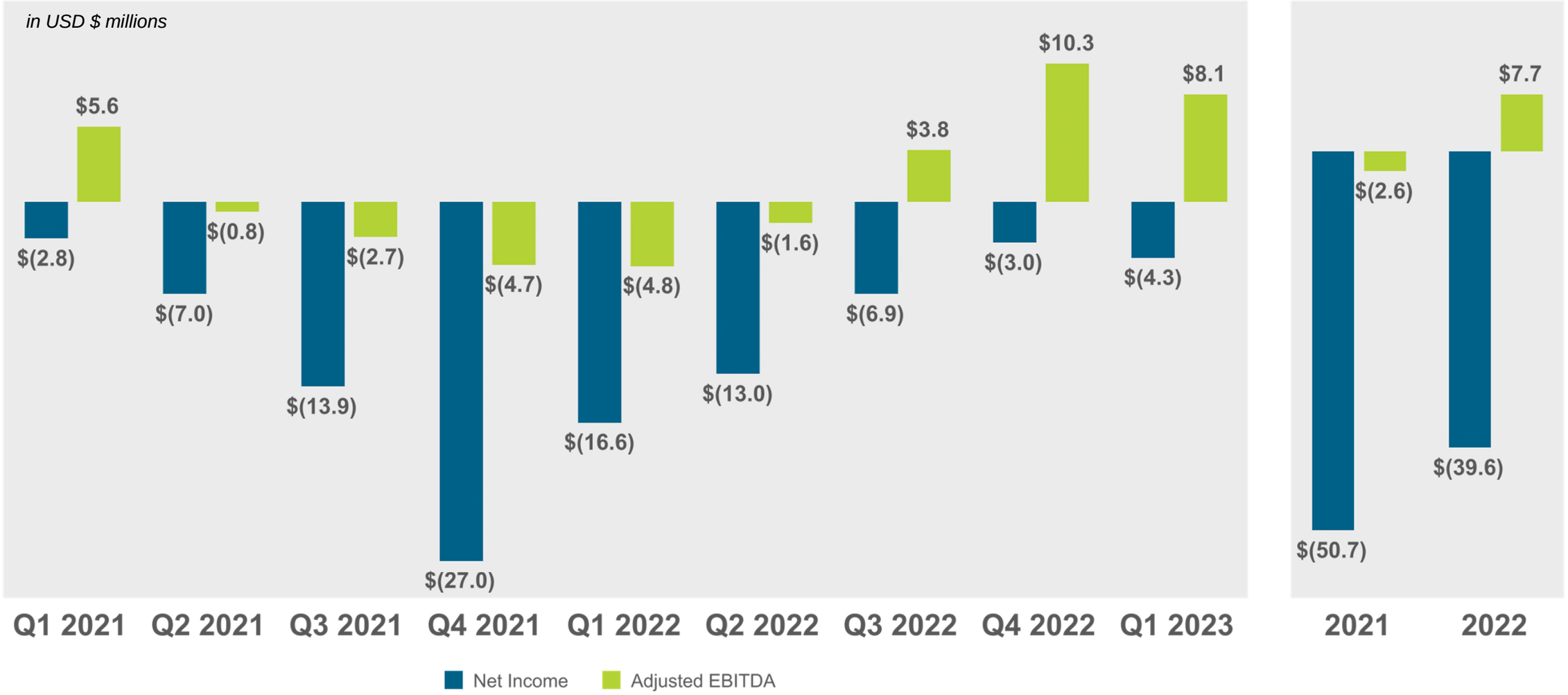
ATS Revenue by Customer

(each color band is a distinct customer)

- ***ATS revenues totaled a record $48.3M in Q1 2023***
  - *82% growth from Q1 2022*
  - *Excluding tool sales, which were $1.0 million in Q1 22 and $0.5 million in Q1 23, ATS increased 87% YoY*
- ***10 largest ATS customers = ~80% of total ATS revenues in 2022***
- ***Approximately 50 active programs***



Net Income / Adjusted EBITDA



* Q4 2022 Net Income and Adjusted EBITDA included $4.7M revenue event with no associated costs.

2023 Business Outlook

- We believe our ***ATS growth this year will be relatively decoupled from macro weakness in the semiconductor industry***.
  - Our ***DoD and U.S. Government programs*** are established, funding is secured, and the scope and scale of these programs ***has only increased*** year to date.
  - On RadHard – which is a key driver of growth this year – we continue to make ***progress on the productization and qualification of SkyWater's 90nm RadHard platform*** to prepare for the planned production ramp in 2025.
  - In the commercial space, ***customer R&D investments continue*** through this period of overall industry tightening. We see this as a unique opportunity to target customers that are best positioned to succeed in the long run, allowing us to prioritize those specific programs accordingly; one example of this is our recently-announced ***program expansion with our partner Psi Quantum.***
  - Our TaaS business model continues to attract innovators with long-tail applications addressing large TAM opportunities.
- ***We expect modest growth in Wafer Services*** this year, driven by:
  - Our continued focus on improved productivity
  - Additional ATS customers transitioning to production later this year
  - Ongoing improvements in pricing, as we take advantage of our unique capabilities in the market
- ***We also expect to achieve continued efficiency gains as a result of more automation and modernization.***
  - This includes the installation of a variety of new capabilities and tools we are bringing online that will improve our capabilities, productivity, and yields going forward
- All of this provides us with increased clarity and confidence that we could ***deliver annual revenue growth in 2023 approaching our long-term goal of 25%.***


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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	2021	Q1	Q2	Q3	Q4	2022	Q1 2023
Total revenue	**$ 48,101**	**$ 41,189**	**$ 35,025**	**$ 38,533**	**$162,848**	**$ 48,121**	**$ 47,407**	**$52,326**	**$65,087**	**$212,941**	**$66,094**
Estimated impact of additional operating week	—	—	—	—	—	—	—	—	—	—	—
Tool revenue	(15,405)	(2,346)	(281)	(1,128)	(19,160)	(984)	(313)	(219)	(30)	(1,546)	(536)
Revenue net of tool sales	**$ 32,696**	**$ 38,843**	**$ 34,744**	**$ 37,405**	**$143,688**	**$ 47,137**	**$ 47,094**	**$ 52,107**	**$ 65,057**	**$211,395**	**$ 65,558**
GAAP cost of revenue	**$ 38,935**	**$ 39,377**	**$ 36,852**	**$ 55,156**	**$170,320**	**$ 49,061**	**$ 45,327**	**$ 44,049**	**$ 48,536**	**$186,974**	**$ 49,626**
Inventory write-down	—	—	—	(13,442)	(13,442)	—	—	—	—	—	—
Equity-based compensation	(118)	(827)	(967)	(1,130)	(3,042)	(1,125)	(546)	(456)	(452)	(2,578)	(513)
SkyWater Florida start-up costs	—	(318)	(374)	(187)	(879)	(341)	(113)	(114)	(14)	(582)	—
Cost of tool revenue	(9,873)	(1,223)	(281)	(701)	(12,078)	(984)	(200)	(152)	(46)	(1,382)	(484)
Non-GAAP cost of revenue	**$ 28,944**	**$ 37,009**	**$ 35,230**	**$ 39,696**	**$140,879**	**$ 46,611**	**$ 44,468**	**$ 43,327**	**$ 48,024**	**$182,432**	**$ 48,629**
GAAP gross profit (loss)	**$ 9,166**	**$ 1,812**	**$ (1,827)**	**$ (16,623)**	**$ (7,472)**	**$ (940)**	**$ 2,080**	**$ 8,277**	**$ 16,551**	**$ 25,967**	**$ 16,468**
GAAP gross margin	***19.1 %***	***4.4 %***	***(5.2)%***	***(43.1)%***	***(4.6)%***	***(2.0)%***	***4.4 %***	***15.8 %***	***25.4 %***	***(4.6)%***	***24.9 %***
Inventory write-down	—	—	—	13,442	13,442	—	—	—	—	—	—
Equity-based compensation	118	827	967	1,130	3,042	1,125	546	456	452	2,578	513
SkyWater Florida start-up costs	—	318	374	187	879	341	113	114	14	582	—
Tool revenue	(15,405)	(2,346)	(281)	(1,128)	(19,160)	(984)	(313)	(219)	(30)	(1,546)	(536)
Cost of tool revenue	9,873	1,223	281	701	12,078	984	200	152	46	1,382	484
Non-GAAP gross profit (loss)	**$ 3,752**	**$ 1,834**	**$ (486)**	**$ (2,291)**	**$ 2,809**	**$ 526**	**$ 2,626**	**$ 8,780**	**$ 17,033**	**$ 28,963**	**$ 16,929**
Non-GAAP gross margin	***11.5 %***	***4.7 %***	***(1.4)%***	***(6.1)%***	***2.0 %***	***1.1 %***	***5.6 %***	***16.8 %***	***26.2 %***	***13.7 %***	***25.8 %***
GAAP research and development	**$ 1,927**	**$ 3,339**	**$ 2,253**	**$ 1,228**	**$ 8,747**	**$ 2,282**	**$ 2,361**	**$ 2,580**	**$ 2,208**	**$ 9,431**	**$ 2,668**
Equity-based compensation	(9)	(1,487)	(341)	$ 655	(1,182)	(225)	(128)	(115)	(126)	(596)	(162)
Non-GAAP research and development	**$ 1,918**	**$ 1,852**	**$ 1,912**	**$ 1,883**	**$ 7,565**	**$ 2,057**	**$ 2,233**	**$ 2,465**	**$ 2,082**	**$ 8,835**	**$ 2,506**
GAAP selling, general and administrative expenses	**$ 8,603**	**$ 15,415**	**$ 9,626**	**$ 9,951**	**$ 43,595**	**$ 11,690**	**$ 10,795**	**$ 10,778**	**$ 13,040**	**$ 46,303**	**$ 14,895**
SkyWater Florida start-up costs	—	(186)	(60)	$ (22)	(268)	(61)	(45)	—	2	(104)	—
Management transition expense	—	(435)	—	$ —	(435)	—	—	—	—	—	—
Equity-based compensation	(108)	(4,454)	(2,086)	$ (1,655)	(8,303)	(1,866)	(1,444)	(1,128)	(995)	(5,432)	(1,178)
Management fees	(276)	(56)	—	—	(332)	—	—	—	—	—	—
Non-GAAP selling, general and administrative expenses	**$ 8,219**	**$ 10,284**	**$ 7,480**	**$ 8,274**	**$ 34,257**	**$ 9,763**	**$ 9,306**	**$ 9,650**	**$ 12,047**	**$ 40,767**	**$ 13,717**

Proprietary

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2021	Q1	Q2	Q3	Q4	2022	Q1 2023
GAAP net loss to shareholders	**$ (2,811)**	**$ (6,979)**	**$ (13,870)**	**$ (27,036)**	**$ (50,696)**	**$ (16,606)**	**$ (13,005)**	**$ (6,939)**	**$ (3,041)**	**$ (39,593)**	**$ (4,273)**
Tool revenue	(15,405)	(2,346)	(281)	(1,127)	**(19,159)**	(984)	(313)	(219)	(30)	**(1,546)**	(536)
Cost of too revenue	9,873	1,223	281	701	**12,078**	984	200	152	46	**1,382**	484
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	158	114	12	**686**	—
Management transition expense	—	435	—	—	**435**	—	—	—	—	**—**	—
Fair value changes in contingent consideration	56	(942)	(1,670)	(154)	**(2,710)**	—	—	—	—	**—**	—
Equity-based compensation	235	6,768	3,394	2,130	**12,527**	3,216	2,118	1,699	1,573	**8,606**	1,853
Management fees	276	56	—	—	**332**	—	—	—	—	**—**	—
Non-GAAP net loss to shareholders	**$ (7,776)**	**$ (6,213)**	**$ (11,504)**	**$ (11,630)**	**$ (37,123)**	**$ (12,988)**	**$ (10,842)**	**$ (5,193)**	**$ (1,440)**	**$ (30,465)**	**$ (2,472)**
Equity-based compensation allocation in the consolidated statements of operations:											
Cost of revenue	$ 118	$ 827	$ 967	$ 1,130	**$ 3,042**	$ 1,125	$ 546	$ 456	$ 452	**$ 2,578**	$ 513
Research and development	9	1,487	341	(655)	**1,182**	225	128	115	126	**596**	162
Selling, general and administrative expenses	108	4,454	2,086	1,655	**8,303**	1,866	1,444	1,128	995	**5,432**	1,178
	$ 235	**$ 6,768**	**$ 3,394**	**$ 2,130**	**$ 12,527**	**$ 3,216**	**$ 2,118**	**$ 1,699**	**$ 1,573**	**$ 8,606**	**$ 1,853**
SkyWater Florida start-up costs allocation in the consolidated statements of operations:											
Cost of revenue	$ —	$ 318	$ 374	$ 187	**$ 879**	$ 341	$ 113	$ 114	$ 14	**$ 582**	$ —
Selling, general and administrative expenses	—	186	60	$ 22	**268**	61	45	—	(2)	**104**	—
	$ —	**$ 504**	**$ 434**	**$ 209**	**$ 1,147**	**$ 402**	**$ 158**	**$ 114**	**$ 12**	**$ 686**	**$ —**

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2021	Q1	Q2	Q3	Q4	2022	Q1 2023
Net loss to shareholders	**$ (2,811)**	**$ (6,979)**	**$ (13,870)**	**$ (27,036)**	**$ (50,696)**	**$ (16,606)**	**$ (13,005)**	**$ (6,939)**	**$ (3,041)**	**$ (39,593)**	**$ (4,273)**
Interest expense	1,058	912	733	839	**3,542**	1,029	1,040	1,331	2,895	6,295	2,471
Income tax expense (benefit)	(425)	(4,237)	194	(2,322)	**(6,790)**	(194)	63	87	852	809	—
Depreciation and amortization	6,482	6,854	6,964	7,068	**27,368**	6,458	7,198	7,083	7,451	28,192	7,352
EBITDA	**4,304**	**(3,450)**	**(5,979)**	**$ (21,451)**	**$ (26,576)**	**(9,313)**	**(4,704)**	**1,562**	**8,157**	**(4,297)**	**5,550**
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	158	114	12	686	—
Management transition expense	—	435	—	—	**435**	—	—	—	—	—	—
Fair value changes in contingent consideration	56	(942)	(1,670)	(154)	**(2,710)**	—	—	—	—	—	—
Equity-based compensation	235	6,768	3,394	2,130	**12,527**	3,216	2,118	1,699	1,573	8,606	1,853
Fair value changes in warrants	—	—	—	—	**—**	—	—	—	—	—	—
Management fees	276	56	—	—	**332**	—	—	—	—	—	—
Net income attributable to non-controlling interests	758	757	907	871	**3,293**	859	826	440	597	2,722	707
Adjusted EBITDA	**$ 5,629**	**$ (804)**	**$ (2,706)**	**$ (4,748)**	**$ (2,629)**	**$ (4,836)**	**$ (1,602)**	**$ 3,815**	**$ 10,339**	**$ 7,717**	**$ 8,110**

GAAP to Non-GAAP Reconciliation

	Q1	Q2	Q3	Q4	2021	Q1	Q2	Q3	Q4	2022	Q1 2023
GAAP EPS											
Net loss attributable to SkyWater Technology, Inc.	$ (2,811)	$ (6,979)	$ (13,870)	$ (27,036)	**$ (50,696)**	$ (16,606)	$ (13,005)	$ (6,939)	$ (3,041)	**$ (39,593)**	$ (4,273)
Undistributed preferred return to Class B preferred unitholders	(359)	(39)	—	—	**(398)**	—	—	—	—	**—**	—
Net loss attributable to common shareholders	$ (3,170)	$ (7,018)	$ (13,870)	$ (27,036)	**$ (51,094)**	$ (16,606)	$ (13,005)	$ (6,939)	$ (3,041)	**$ (39,593)**	$ (4,273)
Denominator:											
Weighted-average common shares outstanding, basic and diluted	3,060	34,708	39,060	39,325	**29,038**	39,862	40,203	40,669	42,613	**40,835**	43,817
Net loss per common share, basic and diluted	$ (1.04)	$ (0.20)	$ (0.36)	$ (0.69)	**$ (1.76)**	$ (0.42)	$ (0.32)	$ (0.17)	$ (0.07)	**$ (0.97)**	$ (0.10)
Non-GAAP EPS											
Numerator:											
Net loss attributable to SkyWater Technology, Inc.	$ (7,776)	$ (6,213)	$ (11,504)	$ (11,630)	**$ (37,123)**	$ (12,988)	$ (10,842)	$ (5,193)	$ (1,440)	**$ (30,465)**	$ (2,472)
Undistributed preferred return to Class B preferred unitholders	(359)	(39)	—	—	**(398)**	—	—	—	—	**—**	—
Net loss attributable to common shareholders	$ (8,135)	$ (6,252)	$ (11,504)	$ (11,630)	**$ (37,521)**	$ (12,988)	$ (10,842)	$ (5,193)	$ (1,440)	**$ (30,465)**	$ (2,472)
Denominator:											
Weighted-average common shares outstanding, basic and diluted	3,060	34,708	39,060	39,325	**29,038**	39,862	40,203	40,669	42,613	**40,835**	43,817
Net loss per common share, basic and diluted	$ (2.66)	$ (0.18)	$ (0.29)	$ (0.30)	**$ (1.29)**	$ (0.33)	$ (0.27)	$ (0.13)	$ (0.03)	**$ (0.75)**	$ (0.06)