A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the NOVA – School of Business and Economics.

Equity Research Report:
Infineon Technologies AG
-
Infineon Technologies: Thriving Through the Market Cycles in the Rapidly Changing Semiconductor Industry

Gonçalo Freitas 47395

A Project carried out on the Master in Finance Program, under the supervision of:

Camillo Riva

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Abstract

This equity valuation report analyzes Infineon Technologies AG, with the objective of deriving its intrinsic value and formulate an investment strategy. The report dives into the company's historical performance and aims at forecasting future performance within the semiconductors industry.

A detailed examination of the industry was conducted, addressing both broader market dynamics and specific industry segments, including the automotive, industrial power control, power & sensor systems, and connected secure systems, as well as key global trends driving growth within the industry.

The findings of this thesis reflect Infineon's adaptability to different market cycles.

Keywords

Semiconductors, Electromobility, Digitalization, Power Management

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This report is part of the Infineon Technologies AG - Equity Research Report, developed by Gonçalo Freitas and Miguel Jóia Martins, and should be read as an integral part of it.

INFINEON TECHNOLOGIES AG

COMPANY REPORT

SEMICONDUCTORS

17 DECEMBER 2024

GONÇALO FREITAS, MIGUEL JÓIA MARTINS

Navigating Market Cycles

Capturing Growth in a Transforming Industry

- In **2024**, Infineon reported **revenues of €14.955 billion**, an **8.3% decline** from the previous year due to a **market correction phase** in the semiconductor industry.
- Infineon's **automotive segment** showed resilience, remaining the **Company's largest revenue driver**, fuelled by the adoption of **electric vehicles** and expansion of **ADAS technologies**. The **other segments faced challenged**, with **declines in revenues**, amid **weak industry demand**. Geographically, **China leads with 34.3% of revenues**, driven by automotive demand, while **EMEA contributed 25.8% but continues to lose share to Asian markets**.
- The semiconductor industry is set for recovery following a correction phase in 2023-2024, boosted by **expected strong demand in EVs**, **renewable energy**, and **AI applications**. Geopolitical initiatives, mainly in Europe and America, aim to **enhance domestic production** and **strengthening supply chains**.
- Our Infineon's **DCF valuation** projects a **share price of €39.37** for FY25, indicating a **20% upside** when compared to the current price, supported by a multiples analysis.

Company description

Infineon Technologies AG is a leading German semiconductor manufacturer, specializing in products that drive electromobility, energy efficiency, and IoT security. The company operates in four key segments: Automotive, (Green) Industrial Power, Power & Sensor Systems, and Connected Secure Systems. Headquartered in Neubiberg, Germany, the company has a global footprint with a strong presence in Europe, Asia, and the Americas.

Recommendation:	**BUY**
Price Target FY25:	**39.37 €**
Price (as of 17-Dec-24)	**32.75 €**

Reuters: IFXGn.f, Bloomberg: IFX:GR

52-week range (€)	27.80-39.35
Market Cap (€b)	42.98
Outstanding Shares (b)	1.30

Source: Refinitiv

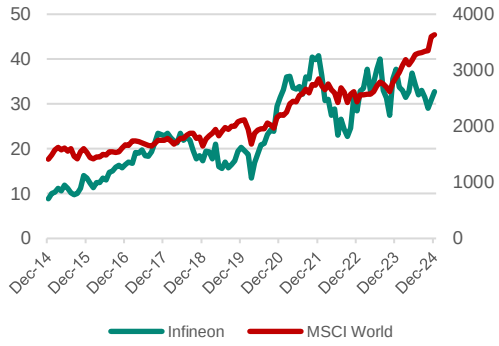

***Figure 1** – Infineon Stock Price vs. MSCI World Index (€)*

Source: Refinitv

(Values in € Billions)	2023	2024	2025F
Revenues	16.309	14.955	19.784
EBIT	3.829	2.530	3.759
NOPLAT	3.065	2.215	3.158
FCF	1.108	0.240	2.671
Core ROIC (%)	16%	10%	14%
Core RONIC (%)	31%	-69%	64%

Source: Infineon Annual Reports, Estimates

Table of Contents

INTRODUCTION 6

INDUSTRY OVERVIEW .....ERROR! BOOKMARK NOT DEFINED.

POST-PANDEMIC LANDSCAPE .....**ERROR! BOOKMARK NOT DEFINED.**
CURRENT DYNAMIC 7
REGULATORY FRAMEWORK .....**ERROR! BOOKMARK NOT DEFINED.**
COMPETITIVE LANDSCAPE .....**ERROR! BOOKMARK NOT DEFINED.**
FUTURE OUTLOOK .....**ERROR! BOOKMARK NOT DEFINED.**

FINANCIAL ANALYSIS.....ERROR! BOOKMARK NOT DEFINED.

SEGMENT RESULTS .....**ERROR! BOOKMARK NOT DEFINED.**
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FORECASTING.....ERROR! BOOKMARK NOT DEFINED.

VALUE DRIVERS .....**ERROR! BOOKMARK NOT DEFINED.**
REVENUE FORECAST .....**ERROR! BOOKMARK NOT DEFINED.**
COST STRUCTURE .....**ERROR! BOOKMARK NOT DEFINED.**

APPENDIX 19

INCOME STATEMENT 19
BALANCE SHEET 20
CASH FLOW MAP 21
SEGMENT RESULTS 21

REFERENCES 22

REPORT RECOMMENDATIONS 26

Introduction

The purpose of the joint report is to provide a comprehensive equity research analysis of Infineon Technologies AG, with the main objective of determining its intrinsic value and providing an investment strategy.

The conclusions highlight Infineon's current challenges during a correction phase in the semiconductor industry. This correction phase arises from a post-pandemic adjustment, after companies having stockpiled inventories to mitigate potential supply chain risks, that temporarily suppressed demand. Despite these challenges, Infineon's strong market positioning and strategic focus on high-growth areas suggest a promising future outlook, particularly as demand is expected to normalize in the near future, and as the company is set to capitalize on key trends such as the adoption of EVs, the green transition, and AI applications.

The structure of the joint report is as follows:

- Company Overview.
- Industry Overview.
- Financial Analysis.
- Forecasting Rationale.
- Valuation.
- Conclusion.

The sections covered in this individual report are:

- Company Overview.
- Valuation.
- Conclusion.

The remaining sections are covered by my colleague, Miguel Jóia Martins (58151)

Company Overview

Company Description

Figure 2 *– Infineon's Logo*

Infineon Technologies AG (Infineon, the Company) (Figure 2) is a leading global semiconductor company specializing in designing, manufacturing, and supplying of semiconductor and system solutions focused on mobility, energy efficiency and security. The Company operates across multiple industries, including the automotive industry, industrial power control, power & sensor systems, and connected security, allowing it to capitalize on trends such as electrification, the green transition, and connectivity.

Headquartered in Neubiberg, Germany, the company's presence includes various manufacturing and Research and Development facilities across Europe, Asia-Pacific, and the Americas, spanning over 50 countries and a workforce of approximately 58,000 employees worldwide [23]. Established in 1999 as a spin-off from Siemens AG, Infineon Technologies AG has grown to become one of the largest semiconductor companies in Europe and a key player in the semiconductors global market.

Infineon's business model places itself across multiple stages along the complex semiconductor value chain as an Integrated Device Manufacturer (IDM). This vertically integrated model not only ensures high quality and reliability in the Company's products, but also gives Infineon the flexibility to adapt to rapidly changing market conditions. By leveraging its IDM capabilities, the Company can meet customers' application-specific needs, particularly in high growth areas such as electromobility, advanced driver-assistance systems (ADAS), renewable energy infrastructure, and IoT security.

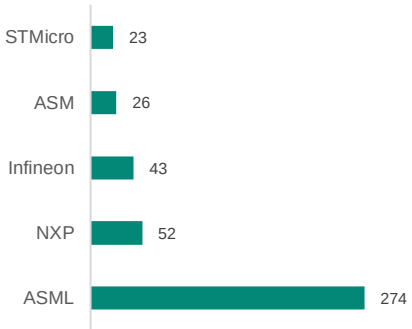

Figure 3 *– Top 5 Biggest European Semiconductor Companies by Market Capitalization (€ Billion)*
Source: Refinitiv

With a market capitalization of €42.980 billion (as of 17 December 2024), Infineon is the third largest semiconductor company in Europe, following ASML and NXP Semiconductors (Figure 3). In 2023, the Company ranked 9th in the global semiconductor market with a 3.2% market share and secured the 5th position in its reference market, holding a 4.4% share [23]. These rankings underscore Infineon's prominence in both broad and specialized segments, reflecting its vital role in enabling progress across automotive, industrial power control, and connectivity solutions.

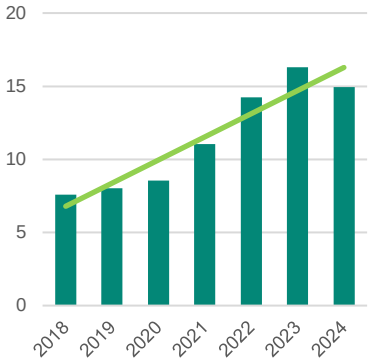

Figure 4 *– Revenue (€ Billion)*
Source: Infineon Annual Reports

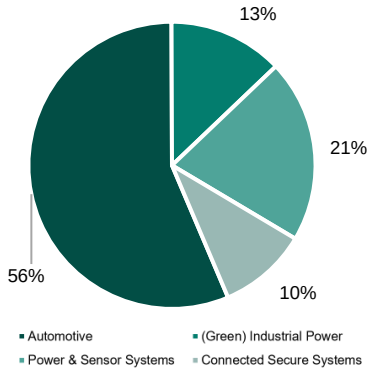

Figure 5 *– Revenue Breakdown by Segment*

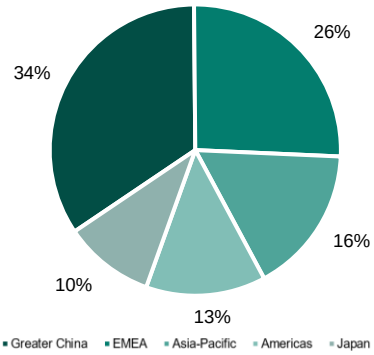

Figure 6 *– Revenue Breakdown by Geography*
Source: Infineon Annual Reports

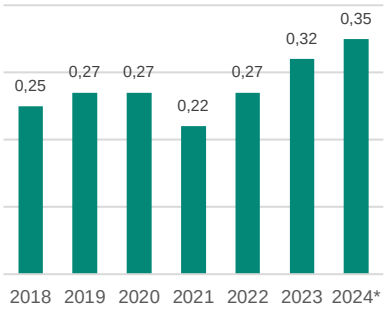

Figure 7 *– Dividend Payout per Share (€)*
Source: Infineon Annual Reports
*To be proposed

Group Performance

In the 2024 fiscal year, Infineon reported €14.955 billion in revenues, representing 8.3% decrease from the previous year mainly due to lower demand in the semiconductor industry, consequence of a correction phase this past year. In the last 6 years, the Company revenue grew from €7.599 billion to €14.955 billion representing a 11.9% CAGR from 2018 to 2024 (Figure 4), mostly driven by increasing volumes after the COVID-19 pandemic to meet demand for advancements driving growth in the industry, that will be explored further ahead.

The revenue breakdown by segment (Figure 5) highlights Infineon's increasing reliance on the automotive segment, which increased its share of total revenue by around 13.1% over the past 6 years. While this growth reflects the Company's success in capitalizing on the opportunities within the automotive sector, it also suggests the need to diversify its investments and customer base across other sectors to reduce dependency on the automotive market and mitigate possible risks.

Moreover, Infineon's revenue breakdown by geography (Figure 6) shows that the largest portion of revenue in 2024 is concentrated in Greater China (Mainland China and Hong Kong), accounting for 34.3% of total revenues, followed by EMEA at 25.8%, with Germany contributing the majority within this region. EMEA's share of revenues has declined by approximately 6.3% over the past 6 years, primarily shifting toward Asian markets, particularly Japan that gained 3.0% of the share of revenues in the same time span. While the available data lacks the granularity needed for a fully comprehensive analysis, we believe the shift in portion of revenues from EMEA to Asian markets is largely driven by growth of the Automotive sector in this region, particularly for EVs [19].

Moreover, Infineon's dividend payout has shown a consistent upward trend in recent years (Figure 7). In 2024, the Company's management proposed a further increase to €0.35 per share which will be presented at the forthcoming annual general meeting, according to the last published annual report. Overall, the sustained growth in the past years and the proposed dividend reflect both the Company's profitability, and its focus on maintaining a stable shareholder return policy.

***Figure 8** – Infineon Stock Price (€)*
Source: Refinitiv

***Figure 9** – Infineon Stock Price (€)*

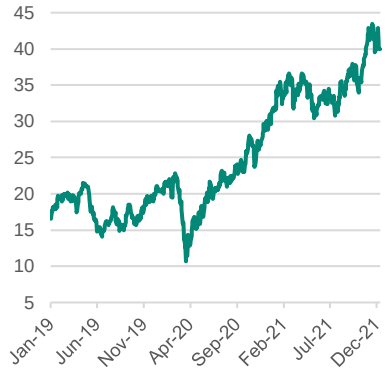

***Figure 10** – Infineon Stock Price (€)*
Source: Refinitiv

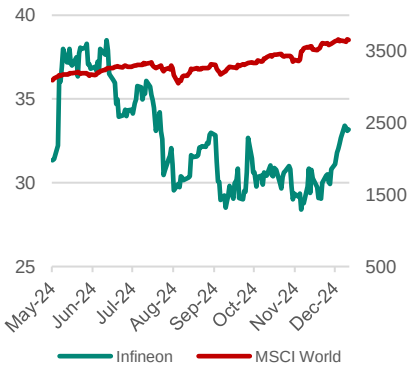

***Figure 11** – Infineon Stock Price vs. MSCI World Index (€)*

Stock Performance

Infineon's stocks are traded under the "IFX" ticker in the Frankfurt Stock Exchange since March 13, 2000, following the already mentioned spin-off from Siemens AG. Infineon's IPO price was set at €35 per share, conducted on both the Frankfurt Stock Exchange and the New York Stock Exchange. A total of 174 million shares were offered, generating over €6 billion and representing approximately 26% of the Company's equity, having Siemens AG retained a 74% stake in Infineon post-IPO [7][8]. Shortly after its IPO in March 2000, Infineon's stock soared to an all-time high of around €83 per share (Figure 8), riding the wave of the dot-com bubble. However, like many technology sector stocks, it faced a sharp decline when the dot-com bubble burst (Figure 8), reflecting the collapse of the technology sector.

By the mid-2000s stock performance stabilized after the turbulence of the dot-com bubble. However, the 2008 global financial crisis represented a significant impact to the stock market, with Infineon's stock hitting an all-time low of approximately €0.35 per share (Figure 9). In the late 2010s Infineon's stock grew strongly reflecting the adoption of electric vehicles (EVs) and the expansion of Internet of Things (IoT) that led to an increasing demand for the Company's semiconductor solutions.

More recently, the COVID-19 pandemic introduced volatility to Infineon's stock as global markets struggled with uncertainty, and supply chains faced disruptions globally, with Infineon's stock almost hitting €10 per share in the outset of the pandemic (Figure 10). Despite these challenges, when economies started to recover there was an increase in semiconductor demand during the pandemic driven by the increased adoption of technologies for remote work and cloud services, and also fuelled by industries like automotive and consumer electronics relied heavily on Infineon's supply.

When comparing Infineon's stock performance to the MSCI World Index, Infineon's stock closely tracked the benchmark in earlier periods, particularly during broad market recoveries like those following the 2008 crisis and the COVID-19 pandemic. However, a divergence emerged in recent months (Figure 11) largely driven by the weak demand for semiconductors in particular sectors, highlighting the Company's stock sensitivity to cyclicality and the Company's reliance on high-demand sectors like the automotive and the renewable energy sectors.

Mergers & Acquisitions

Year	Company	Sector/ Function	Acquisition Price
2004	AMDTek	Communications	$80 million
2015	International Rectifier	Power Management	$3 billion
2016	Innoluce BV	ADAS	n.a.
2020	Cypress Semiconductor	Semiconductors	$9.4 billion
2023	GaN Systems	Power Management	$830 million

Figure 12 *– Infineon Past Acquisitions*
Source: Infineon Press Releases

Infineon has consistently adopted a strategic approach to growth, supplementing organic growth with selective and meaningful acquisitions that align with their core objectives: providing a strategic fit, being financially advantageous, and offering strong cultural alignment. Over the years, the Company has engaged in multiple acquisitions (Figure 12), to diversify its product portfolio and enhance its technological capabilities. Recently, the most significant acquisitions – *Cypress Semiconductor* and *GaN Systems* – highlight the Company's ability to identify and integrate complementary businesses that address market trends and drive innovation. More specifically, the acquisition of *Cypress* helps Infineon "*strengthen its focus on structural growth drivers and on a broader range of applications*" [2]. As for the *GaN Systems* acquisition, it demonstrates Infineon's commitment to advancing technologies in power management, *"paving the way for more energy-efficient and CO_2-saving solutions that support decarbonization"* [1].

ESG

On the 29th of November 2024 Infineon Technologies AG won the German Sustainability Award in the "Electrical Engineering and Electronics" category. "The jury is of the opinion that Infineon has assumed a leading role in the field of sustainability and serves the sector as a 'beacon' for successful transformation," the judges said in their statement [32]. The German Sustainability Award recognizes companies which make effective and exemplary contributions to transformation and which function as role models within their industry, with the award being the Europe's biggest for ecological and social commitment. Furthermore, for five years in succession now, Infineon has been awarded an AA rating, while in the 2024 fiscal year it was awarded an AAA rating for the first time by the MSCI World ESG Index, which focuses on Environmental, Social and Governance aspects [33].

Environmental

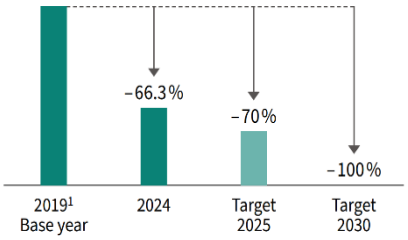

Figure 13 *– CO_2 Emissions Targets*
Source: Sustainability at Infineon Report 2024

Infineon acts towards creating products and solutions that help reduce emissions during their entire use phase. Ensuring resource efficiency in manufacturing is also an essential pillar of Infineon's sustainability strategy. Infineon has set itself the target of becoming carbon-neutral by the end of the 2030 fiscal year in terms of scope 1 and scope 2 emissions (Figure 13). By the end of the 2025 fiscal year, emissions will be reduced by 70% compared with the 2019 calendar year. In December 2023, Infineon committed itself to setting a science-based target (SBT) in relation to climate, thus extending its climate strategy to the supply chain.

Infineon is also actively aiming at reducing its carbon footprint in various areas of application (automotive electronics, industrial drives, photovoltaics and wind energy), Infineon's products can achieve CO_2 savings during their lifetime of around 130 million tons of CO_2 equivalents. Compared with the European electricity mix, this is around 17.6% of the annual net electricity production of the European Union. [33]

Social

As of 30 September 2024, the Supervisory Board consisted of 16 members in total, nine men and seven women (Figure 14). Two of the members were between 30 and 50 years old, while fourteen members were over 50. The Management Board consisted of five members, including one woman. All the members of the Management Board were over 50 years old. The promotion of women to management positions is one of the key focus areas of Infineon's Diversity & Inclusion activities. At the end of the 2024 fiscal year, the percentage of women in middle and senior management positions was 17.9%. Infineon continues to pursue the long-term goal of increasing the proportion of women in management positions to 20% by 2030. This long-term goal is also reflected in the remuneration system for the Management Board laid down by the Supervisory Board.

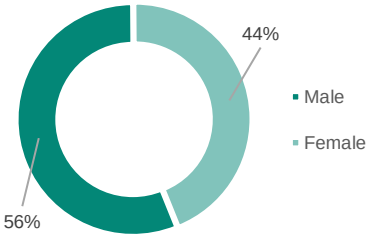

***Figure 14** – Supervisory Board by Gender*
Source: Sustainability at Infineon Report 2024

In the 2024 fiscal year, Infineon's staff participated in a total of 881,078 hours of training, based on the estimated duration of each training session. A total of 33.2 percent of training hours were provided to female employees and 66.8% to male employees. Production training hours accounted for most of the hours utilized, at 56.0% [33].

Governance

Shareholders make their decisions at the Annual General Meeting, which takes place once a year, at least, where each share carries one vote. The Annual General Meeting decides on issues assigned to it by law, most notably the appropriation of profit, the approval of the acts of the Management Board and the Supervisory Board, the election of the auditor, corporate contracts, and amendments to the Articles of Association.

Infineon has set up a human rights risk management system to ensure compliance with applicable laws and regulations. It is designed to identify and minimize risks relating to human rights in Infineon's own business area and in the supply chain and facilitate continuous improvements, in order to prevent any breaches. Human rights training is mandatory for all Infineon employees worldwide and must be repeated every three years. [31]

Infineon Management Board, headed by Jochen Hanebeck, the CEO of the Company since April 2022, has in place a remuneration system closely linked with Infineon's strategy, incentivizing the achievement of its corporate targets. It is composed of two components, a fixed part, in the form of a basic annual salary, fringe benefits and the company pension plan, and a variable (performance-related) remuneration, comprising the one-year Short-Term Incentive (STI) and the four-year Long-Term Incentive (LTI).

For the LTI tranche issued on 1 April 2024, the Supervisory Board determined that the target achievement relating to the ESG targets would comprise 20% of the overall target achievement for the LTI. The target is to be achieved by switching to renewable energy (green electricity), through technical measures at Infineon sites such as reducing perfluorinated compound (PFC) emissions, energy efficiency measures, and/or development assistance measures associated with decarbonization. The aim is to achieve a total reduction of 80,000 tons in carbon emissions in the period from the 2024 fiscal year up to and including the 2027 fiscal year. The environmental target comprises 10 percent of the overall target achievement for the LTI. [33]

The Supervisory Board also defined a second ESG target, one that relates to social matters. This target relates to diversity at Infineon and concerns principally the proportion of women in management positions. A target range has been defined with the aim of increasing the proportion of women with Global Grade 13 functions and higher to between 18 percent and 20 percent by the 2030 fiscal year. The social target comprises the other 10 percent of the overall target achievement for the LTI.

Share Repurchase Program

In the period from 26 February 2024 to 18 March 2024, the Company acquired 7 million of its own shares as part of a share repurchase program. The amount paid for the whole operation totalled to €233 million. The repurchased shares were used to allocate shares to Infineon's employees, members of the Management Board of the Company and affiliated companies as part of share-based payments. The obligation to the credit institution to repurchase 7 million shares was valued at €237 million at the time of the appointment and led to a corresponding reduction in equity. [30] The difference of €4 million between the expected repurchase value and the total purchase price of the shares was recognized in the Consolidated Statement of Profit and Loss as financial income.

Valuation.

Discount Rate

WACC Calculation	
Risk-Free	2,1%
MRP	7,1%
Target D/E	28%
Beta	1,64
WACC	**9,8%**

Figure 52 *– WACC Components*

Weighted Average Cost of Capital (WACC)

In order to discount the estimated free cash flows, the Weighted Average Cost of Capital (WACC) (Figure 52) was determined, which represents a weighted average of Infineon's cost of equity and cost of debt.

For the calculations, the corporate tax rate was assumed to be the average effective tax rate of the company in the past years, that equals 16%. Besides, a debt-to-equity ratio stabilizing at approximately 28% was also assumed. Based on these assumptions, the WACC was estimated at 9.79%.

Below, we will delve into the computation of both the cost of equity and the cost of debt, used in the calculations of the WACC.

Risk-free Rate

For the risk free-rate the 10-year German government bond yield, at 2,13%, was utilized as a proxy. This selection was based on the fact that Infineon's bonds are predominantly issued in the Eurozone, namely Germany (Refinitiv), making the German government bond yield as accurate representation of the debt risk associated with Infineon's debt.

Market Return

The market return was derived from the historical average return of the MSCI World Index over the past 20 years. This benchmark serves as a reliable benchmark by reflecting Infineon's global operations.

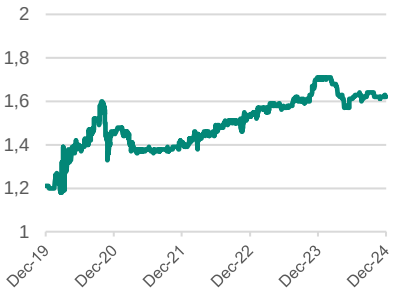

Figure 53 *– Infineon 5Y Beta*
Source: Refinitiv

Beta

The beta (Figure 53), which reflects the sensitivity of Infineon's stock relative to market movements, was calculated by running a regression analysis of Infineon's historical stock returns against the benchmark, the MSCI World Index. This analysis resulted in a beta of 1.64, indicating that the Company's stock is more volatile than the market and also suggesting that it may be more exposed and sensitive to industry cycles and also macroeconomic conditions.

Cost of Debt

The cost of debt was estimated using an approach combining the risk-free rate and the credit rating spread, as described in the equation below:

$$Cost\ of\ Debt = Risk\text{-}Free\ Rate + Credit\ Rating\ Spread$$

Regarding the credit rating spread, in February 2024, S&P Global Ratings upgraded Infineon's investment grade rating from to BBB+ [44]. Therefore, a spread of 1.47%, corresponding to the market spreads for BBB+ rated debt at this market capitalization [45], was applied in the calculations.

In the end, Infineon's cost of debt was determined to be 3.60%.

Cost of Equity

The cost of equity was calculated using the Capital Asset Pricing Model (CAPM), which incorporates the risk-free rate, beta, and the equity market premium to calculate the required return on equity. The determined cost of equity was 13.71%, expressed by the CAPM equation:

$$Cost\ of\ Equity = Rf + \beta(Rm - Rf)$$

Discounted Cash Flow Model

To determine the intrinsic value of Infineon Technologies AG, we employed the discounted cash flow (DCF) model.

The Free Cash Flow (FCF) projections over the forecasted period (Figure 54) illustrate a consistent increase, reflecting the Company's ability to leverage growth in its core segments. These cash flows were discounted using the WACC, calculated at 9.79%. Additionally, the assumed terminal growth rate of 2.5% was set to align with the average long-term growth of real GDP in the main regions where Infineon operates, ensuring a realistic growth assumption.

Based on these assumptions, the DCF model yielded and Enterprise Value of €55.774 billion, translating to an EV/EBIT multiple of 14.8x – a reasonable value considering the ones of the peer group that will be explored further in the *Multiples Valuation*.

Finally, after accounting for net debt and non-core results, the implied share price of Infineon as of 31st December 2025, was determined to be €39.87 (Figure 55), providing a comprehensive perspective on the Company's valuation and potential investment attractiveness.

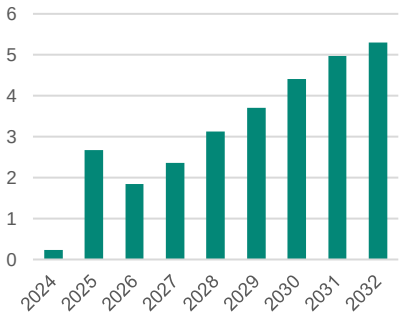

Figure 54 *– Projected FCF Evolution (€ Billion)*

Implied Enterprise Value	(€ Billion)
WACC	9,79%
Sum of DFCF	16,900
Terminal Value	38,874
Terminal Growth	2,5%
Enterprise Value	**55,774**
EV/EBIT	14,8

Equity Bridge	(€ Billion)
Enterprise Value	**55,774**
+ Non-core Items	0,388
- Net Debt	-3,935
Equity Value	52,228
# (Billion) Shares Outstanding	1,31
Share Value (€)	**39,87**

Figure 55 *– Infineon Implied Enterprise Value and Implied Share Price*

Multiples Valuation

Company	Operating Segments
NXP	• Automotive • Industrial • Communication Infrastructure • Mobile
ON Semi	• Power • Analog Solutions • Intelligent Sensing
Renesas	• Automotive • Industrial • Power • IoT
STMicro	• Automotive • Power • IoT

***Figure 56** – Infineon's Peer Group Operating Segments*
Source: Refinitiv

Company	EV/Sales	EV/EBITDA	EV/EBIT
Infineon	**2,8**	**10,0**	**17,3**
NXP	5,1	14,3	18,0
ON Semi	4,3	11,7	15,9
Renesas	3,5	10,6	18,1
STMicro	1,4	5,0	8,8
Share Price (€)	**40,4**	**32,8**	**30,9**

***Figure 57** – Multiples Valuation*

In the multiples' valuation analysis, we identified two sets of comparable firms:

A broader comparable group, including companies operating within the broader semiconductor industry, and a more refined peer group that were selected after a careful analysis of the financial structures, ratios, and operating segments of the companies in the broader group, therefore these are companies whose business models and financials are closely related with Infineon (Figure 56).

In the semiconductor industry, EBITDA, EBIT, and revenue-based multiples are commonly used as valuation metrics due to the capital-intensive nature of the sector, usually excluding the so common P/E multiples given variations in financing and tax structures across companies. Specifically, **EV/EBITDA** and **EV/EBIT** are particularly relevant because they reflect operating performance and can be compared across peers without the effects of capital structure and tax policies. **EV/Sales** is also a valuable metric, especially for growth-focused companies.

For our valuation analysis, the narrower peer group was utilized, as we believe it most accurately reflects Infineon's financial positioning. For the different evaluated multiples, the group median was taken as the industry benchmark to provide robustness and reduce sensitivity to outliers. Using this methodology, an EV/EBIT multiple range of 15.9 to 18.1 was applied, resulting in an implied share price range of €28.14 to €32.46.

Additionally, considering the industry's strong growth outlook, the EV/Sales multiple may provide a more appropriate perspective. Applying the industry median of 3.5, the analysis yields an implied share price of €40.30, aligning closely with the valuation derived through the DCF model.

Scenario Analysis

For our scenario analysis, we investigated how differently a base scenario, a worst-case scenario or a best-case scenario would impact the share price, as predicted by our DCF valuation. We looked into variables regarding revenues, like different market size growth across several segments, variables affecting Infineon's cost structure, like COGS and CAPEX and looked into how variations in certain assumptions like the risk-free rate, terminal growth rate or the tax rate would impact share price. By incorporating key variables related to revenues, costs, and the Weighted Average Cost of Capital (WACC), we were able to assess Infineon's potential valuation under varying market conditions and internal performance assumptions.

Scenario	Share Price (€)
Worst Case	21,78
Base Case	39,87
Best Case	74,51

Figure 58 *– Scenario Analysis*

The base case represents the most likely scenario, assuming stable growth in market size, moderate costs, and industry-standard assumptions for WACC and terminal growth. In the worst case, revenues are constrained by lower market size growth assumptions and higher costs, which naturally translate into a lower share price. The best case assumes strong market size growth, efficient cost management, and favourable financing conditions, resulting in a higher share price.

Furthermore, from our analysis we were also able to conclude that the share price is most sensitive to changes in the cost structure, ceteris paribus, arriving at a share price of 29,54€ for the worst case and 49,90€ for the best case. The costs section of the valuation exhibits higher sensitivity to changes compared to other inputs, such as revenues or discount rates, due to its direct and significant impact on profitability and cash flows. Since free cash flows (FCF) are derived from EBIT, any reduction in operating profits has a compounding effect on our DCF valuation. For this very reason, it is of extreme importance that Infineon is able to maintain its cost structure stable, as that is the input that promotes the biggest volatility regarding share price estimation. On the other hand, the share price is least sensitive to changes in the company´s WACC, namely in the cost of debt, cost of equity or in the market and risk-free returns, factors that fall outside of Infineon's scope of action and serve as assumptions for our DCF valuation, and more specifically for the computation of the discount factor. When testing our model for different WACC scenarios, it output a share value of 34,39€ for the worst case, and a share value of 48,87€ for the best-case scenario, both cases representing a variation around 15-20%, from the base-case scenario, ceteris paribus. From these values we concluded that the valuation itself is sound and robust and operational performance, more specifically revenues and cost structure, plays a far more significant role in determining valuation than the financing assumptions.

Beta	1,29	1,47	1,64	1,81	1,98
Re	11,27%	12,49%	13,71%	14,92%	16,14%

Figure 59 *– Cost of Equity Sensitivity to Beta*

Sensitivity Analysis

Firstly, a sensitivity analysis was conducted to assess how different values for the company's beta would affect its cost of equity. With a 95% confidence level, the true beta of the company's equity lies between 1.29 and 1.98 (Figure 59). Given such interval, the true value for the cost of equity shall fall between 11,27% and 16,14%. Secondly, it was computed how variations in the cost of equity and in the cost of debt would affect the WACC. It is presented as no surprise, that variations in the cost of equity translate into bigger changes in WACC than variations in the cost of debt, given that the WACC is the weighted average cost of capital, and Infineon's equity is 3.60 times higher than its debt. Given that, the WACC estimates

Re \ Rd	9,79%	2,9%	3,2%	3,6%	4,0%	4,4%
11,27%	8,05%	8,12%	8,19%	8,27%	8,36%	
12,49%	8,85%	8,92%	8,99%	9,07%	9,16%	
13,71%	9,65%	9,72%	9,79%	9,87%	9,96%	
14,92%	10,45%	10,52%	10,59%	10,67%	10,76%	
16,14%	11,25%	11,32%	11,39%	11,47%	11,56%	

Figure 60 *– Cost of equity and cost of debt*

WACC \ Terminal Growth Rate	39,87	1,5%	2,0%	2,5%	3,0%	3,5%
8,05%	47,79	51,04	54,88	59,48	65,10	
8,92%	41,22	43,61	46,37	49,59	53,42	
9,79%	36,02	37,82	39,87	42,22	44,95	
10,67%	31,84	33,23	34,79	36,56	38,58	
11,56%	28,37	29,47	30,69	32,05	33,58	

Figure 61 *– WACC and terminal growth rate*

Re	11,27%	12,49%	13,71%	14,92%	16,14%
WACC	8,19%	8,99%	9,79%	10,59%	11,39%

Figure 62 *– Cost of equity and WACC*

Rd	2,92%	3,24%	3,60%	3,96%	4,36%
WACC	9,65%	9,72%	9,79%	9,87%	9,96%

Figure 63 *– Cost of debt and WACC*

could range between 8,05% and 11,56% (Figure 60), implying a share price ranging from 30.69€ to 54.88€. Furthermore, an analysis considering WACC variations and terminal value was conducted, confirming that the terminal value is far less impactful on the share price than the WACC, nonetheless, together, the two inputs provide estimates ranging from 28,37€ up until 65,10€ (Figure 61), while terminal growth alone has share price ranging from 36,02€ to 44,95€.

Conclusion

Infineon Technologies AG presents a compelling investment opportunity. Being a leader in automotive and power semiconductors, the Company is well-positioned to benefit from key global trends such as digitalization, the green transition, and the spread of IoT and AI technologies.

Our valuation analysis supports a "Buy" recommendation, projecting a share price of €39.37 as of 31st December 2025, offering at least 20% upside from the current price of € 32.75.

The promising outlook is supported by Infineon's strong record, and the industry's favourable dynamics that further strengthen Infineon's growth potential.

As a key player capitalizing on transformative trends, Infineon is well positioned to deliver long-term value to its investors.

Appendix

Income Statement

	Historical Results							Forecasted Results							
Income Statement	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Millions															
Core Business															
Automotive	3284	3503	3521	4841	6516	8242	8423	10108	12533	15291	18349	20551	22195	23305	23771
% Growth		*7%*	*1%*	*37%*	*35%*	*26%*	*2%*	*20%*	*24%*	*22%*	*20%*	*12%*	*8%*	*5%*	*2%*
Green Industrial Power	1323	1418	1406	1542	1790	2205	1934	2303	2626	2994	3353	3688	3909	4027	4107
% Growth		*7%*	*-1%*	*10%*	*16%*	*23%*	*-12%*	*19%*	*14%*	*14%*	*12%*	*10%*	*6%*	*3%*	*2%*
Power & Sensor Systems	2318	2445	2650	3268	4070	3798	3088	4793	5465	6230	7102	7812	8281	8529	8700
% Growth		*5%*	*8%*	*23%*	*25%*	*-7%*	*-19%*	*55%*	*14%*	*14%*	*14%*	*10%*	*6%*	*3%*	*2%*
Connected Secure Systems	664	642	974	1397	1822	2046	1506	2561	3201	4002	5002	5903	6611	7008	7148
% Growth		*-3%*	*52%*	*43%*	*30%*	*12%*	*-26%*	*70%*	*25%*	*25%*	*25%*	*18%*	*12%*	*6%*	*2%*
Other	10	21	16	12	20	18	4	18	18	19	26	28	30	32	32
% of Revenue	*0,1%*	*0,3%*	*0,2%*	*0,1%*	*0,1%*	*0,1%*	*0,0%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*
Revenue	**7599**	**8029**	**8567**	**11060**	**14218**	**16309**	**14955**	**19784**	**23844**	**28534**	**33832**	**37981**	**41025**	**42900**	**43757**
% Growth		*6%*	*7%*	*29%*	*29%*	*15%*	*-8%*	*32%*	*21%*	*20%*	*19%*	*12%*	*8%*	*5%*	*2%*
Cost of Goods sold	-4714	-5035	-5791	-6800	-8087	-8896	-8886	-11277	-13523	-16103	-18998	-21222	-22809	-23732	-24086
% of Revenue	*62%*	*63%*	*68%*	*61%*	*57%*	*55%*	*59%*	*57%*	*57%*	*56%*	*56%*	*56%*	*56%*	*55%*	*55%*
% Gross Margin	*38%*	*37%*	*32%*	*39%*	*43%*	*45%*	*41%*	*43%*	*43%*	*44%*	*44%*	*44%*	*44%*	*45%*	*45%*
Selling, General and Administrative Expenses	-850	-865	-1042	-1354	-1565	-1599	-1554	-2176	-2623	-3139	-3722	-4178	-4513	-4719	-4813
% of Revenue	*11%*	*11%*	*12%*	*12%*	*11%*	*10%*	*10%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*
Research and Development Expenses	-836	-945	-1113	-1448	-1798	-1985	-1985	-2572	-3100	-3709	-4398	-4938	-5333	-5577	-5688
% of Revenue	*11%*	*12%*	*13%*	*13%*	*13%*	*12%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*
Core Result before Taxes	**1199**	**1184**	**621**	**1458**	**2768**	**3829**	**2530**	**3759**	**4598**	**5583**	**6714**	**7644**	**8371**	**8872**	**9170**
Statutory Taxes	-300	-332	-174	-408	-775	-1072	-708	-1053	-1287	-1563	-1880	-2140	-2344	-2484	-2567
Tax Adjustments	136	119	98	249	229	308	304	451	552	670	806	917	1004	1065	1100
Core Result after Taxes	**1035**	**972**	**545**	**1299**	**2222**	**3065**	**2125**	**3158**	**3862**	**4690**	**5640**	**6421**	**7031**	**7452**	**7702**
Non-Core Business															
Other Operating Income	332	56	76	64	129	192	58	163	190	191	258	282	298	319	323
% of Revenue	*4,4%*	*0,7%*	*0,9%*	*0,6%*	*0,9%*	*1,2%*	*0,4%*	*0,8%*	*0,8%*	*0,7%*	*0,8%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*
Other Opearting Expenses	-62	-79	-116	-52	-52	-73	-398	146	176	211	250	281	303	317	324
% of Revenue	*0,8%*	*1,0%*	*1,4%*	*0,5%*	*0,4%*	*0,4%*	*2,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*
Share of profit (loss) of associated and joint ventures accounted fc	-5	-6	-9	9	39	27	11	34	33	36	49	52	56	60	60
% of Revenue	*-0,1%*	*-0,1%*	*-0,1%*	*0,1%*	*0,3%*	*0,2%*	*0,1%*	*0,2%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*
Non-Core Result before Taxes	**265**	**-29**	**-49**	**21**	**116**	**146**	**-329**	**343**	**399**	**438**	**558**	**615**	**657**	**696**	**706**
Statutory Taxes	-66	8	14	-6	-32	-41	92	-96	-112	-123	-156	-172	-184	-195	-198
Tax Adjustments	30	-3	-8	4	10	12	-39	41	48	53	67	74	79	84	85
Currency effects	27	85	-543	90	1369	-718	-519	44	-398	-291	-215	-301	-269	-262	-277
Gains (losses) resulting from hedge accounting	-2	155	-213	64	4	9	9	3	3	3	3	3	3	3	3
Cost of hedging	0	-42	42	0	0	-4	6	0	0	0	0	0	0	1	2
Actuarial gains (losses) on pensions and similar commitments	-4	-153	21	128	310	17	-32	53	53	53	53	53	53	53	53
Profit (loss) from discontinued operations, net of income taxes	-143	-19	-4	-6	-7	-2	-479	0	0	0	0	0	0	1	2
Non-Core Result after Taxes	**107**	**2**	**-740**	**295**	**1769**	**-581**	**-1291**	**388**	**-7**	**133**	**309**	**271**	**339**	**381**	**376**
Financial															
Financial Income	15	26	29	22	7	105	119	72	87	104	123	138	149	156	159
% of Revenue	*0,2%*	*0,3%*	*0,3%*	*0,2%*	*0,0%*	*0,6%*	*0,8%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*
Financial Expenses	-68	-98	-177	-182	-168	-159	-162	-256	-309	-370	-438	-492	-531	-556	-567
% of Revenue	*-0,9%*	*-1,2%*	*-2,1%*	*-1,6%*	*-1,2%*	*-1,0%*	*-1,1%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*
Financial Result before Taxes	**-53**	**-72**	**-148**	**-160**	**-161**	**-54**	**-43**	**-184**	**-222**	**-266**	**-315**	**-354**	**-382**	**-400**	**-408**
Statutory Taxes	13	20	41	45	45	15	12	-52	-62	-74	-88	-99	-107	-112	-114
Tax Adjustments	-6	-7	-23	-27	-13	-4	-5	-22	-27	-32	-38	-42	-46	-48	-49
Financial Result after Taxes	**-46**	**-59**	**-130**	**-143**	**-129**	**-43**	**-36**	**-258**	**-311**	**-372**	**-441**	**-495**	**-535**	**-559**	**-571**
Total Comprehensive Income	**1096**	**915**	**-325**	**1451**	**3862**	**2441**	**798**	**3288**	**3545**	**4451**	**5509**	**6197**	**6835**	**7274**	**7508**

Balance Sheet

	Historical Results							Forecasted Results							
Balance Sheet	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Millions															
Core Business															
Operating Cash	380	401	428	553	711	815	748	989	1192	1427	1692	1899	2051	2145	2188
% of Revenues	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Trade Receivables	971	888	1196	1483	1887	1991	2250	2529	3047	3647	4324	4854	5244	5483	5593
Average Collection Period	*47*	*40*	*51*	*49*	*48*	*45*	*55*	*47*	*47*	*47*	*47*	*47*	*47*	*47*	*47*
Inventories	1480	1701	2052	2181	3081	3974	3990	4049	4856	5783	6822	7621	8190	8522	8649
Average Holding Period	*115*	*123*	*129*	*117*	*139*	*163*	*164*	*131*	*131*	*131*	*131*	*131*	*131*	*131*	*131*
Current income tax receivables	52	83	77	57	58	63	101	97	123	160	177	203	221	228	234
% of Revenues	*0,7%*	*1,0%*	*0,9%*	*0,5%*	*0,4%*	*0,4%*	*0,7%*	*0,5%*	*0,5%*	*0,6%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*
Contract Assets	0	91	97	82	85	115	105	132	165	196	231	261	281	294	300
% of Revenues	*0,0%*	*1,1%*	*1,1%*	*0,7%*	*0,6%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*
Other Current Assets	366	770	530	518	625	959	1146	1183	1552	1917	2166	2485	2689	2788	2858
% of Revenues	*4,8%*	*9,6%*	*6,2%*	*4,7%*	*4,4%*	*5,9%*	*7,7%*	*6,0%*	*6,5%*	*6,7%*	*6,4%*	*6,5%*	*6,6%*	*6,5%*	*6,5%*
Trade Payables	-1181	-1089	-1160	-1569	-2260	-2765	-1990	-2797	-3354	-3994	-4712	-5263	-5657	-5886	-5974
Average Payable Period	*91*	*79*	*73*	*84*	*102*	*113*	*82*	*91*	*91*	*91*	*91*	*91*	*91*	*91*	*91*
Current Provisions	-590	-383	-436	-815	-983	-799	-698	-923	-1113	-1332	-1579	-1773	-1915	-2002	-2042
% of Revenues	*-8%*	*-5%*	*-5%*	*-7%*	*-7%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*
Current Income Tax Payables	-117	-144	-340	-288	-356	-418	-301	-467	-551	-636	-778	-866	-931	-979	-997
% of Revenues	*-1,5%*	*-1,8%*	*-4,0%*	*-2,6%*	*-2,5%*	*-2,6%*	*-2,0%*	*-2,4%*	*-2,3%*	*-2,2%*	*-2,3%*	*-2,3%*	*-2,3%*	*-2,3%*	*-2,3%*
Current Contract Liabilities	0	0	-4	-12	-26	-99	-75	-69	-98	-133	-146	-158	-177	-187	-188
% of Revenues	*0,0%*	*0,0%*	*0,0%*	*-0,1%*	*-0,2%*	*-0,6%*	*-0,5%*	*-0,3%*	*-0,4%*	*-0,5%*	*-0,4%*	*-0,4%*	*-0,4%*	*-0,4%*	*-0,4%*
Other Current Liabilities	-269	-406	-946	-860	-1135	-1186	-1509	-1491	-1797	-2151	-2550	-2863	-3092	-3233	-3298
% of Revenues	*-4%*	*-5%*	*-11%*	*-8%*	*-8%*	*-7%*	*-10%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*
Net Working Capital	**1092**	**1912**	**1494**	**1330**	**1687**	**2650**	**3767**	**3232**	**4023**	**4884**	**5646**	**6400**	**6904**	**7172**	**7323**
% of Change		*75%*	*-22%*	*-11%*	*27%*	*57%*	*42%*	*-14%*	*24%*	*21%*	*16%*	*13%*	*8%*	*4%*	*2%*
Property, Plant and Equipment	3038	3510	4110	4443	5545	7045	8002	9023	10254	11727	13473	15434	17551	19766	22024
% Change		*15,5%*	*17,1%*	*8,1%*	*24,8%*	*27,1%*	*13,6%*	*12,8%*	*13,6%*	*14,4%*	*14,9%*	*14,6%*	*13,7%*	*12,6%*	*11,4%*
Goodwill	764	909	5897	5962	7083	6547	6797	6797	6797	6797	6797	6797	6797	6797	6797
Straight-line															
Other Intangible Assets	832	896	3621	3349	3483	2977	2820	3731	4496	5381	6380	7162	7736	8089	8251
% of Revenues	*27,4%*	*11,2%*	*42,3%*	*30,3%*	*24,5%*	*18,3%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*
Right-of-Use Assets	0	0	286	336	405	405	374	396	420	444	471	498	528	559	592
% of PPE	*0,0%*	*0,0%*	*7,0%*	*7,6%*	*7,3%*	*5,7%*	*4,7%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*
Investments Accounted for using the equity method	37	29	87	71	100	114	117	110	114	114	113	113	113	113	113
Straight-line (MAA)															
Non-current income tax receivables	0	0	1	1	2	2	1	1	2	2	2	3	3	3	3
% of Revenues	*0,00%*	*0,00%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*
Deferred Tax Assets	648	599	627	695	527	268	264	663	624	669	852	1028	1045	1085	1127
% of Revenues	*8,5%*	*7,5%*	*7,3%*	*6,3%*	*3,7%*	*1,6%*	*1,8%*	*3,3%*	*2,6%*	*2,3%*	*2,5%*	*2,7%*	*2,5%*	*2,5%*	*2,6%*
Other non-current Assets	137	145	191	225	314	389	471	391	417	426	412	418	419	416	418
Straight-line (MAA)															
Deferred Tax Liabilities	-9	-20	-293	-324	-371	-254	-177	-353	-360	-426	-539	-582	-631	-667	-675
% of Revenues	*-0,1%*	*-0,2%*	*-3,4%*	*-2,9%*	*-2,6%*	*-1,6%*	*-1,2%*	*-1,8%*	*-1,5%*	*-1,5%*	*-1,6%*	*-1,5%*	*-1,5%*	*-1,6%*	*-1,5%*
Other non-current provisions	-46	-283	-313	-319	-289	-300	-196	-342	-388	-444	-554	-610	-656	-692	-703
% of Revenues	*-0,6%*	*-3,5%*	*-3,7%*	*-2,9%*	*-2,0%*	*-1,8%*	*-1,3%*	*-1,7%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*
Non-current lease liabilities	0	0	-235	-265	-310	-309	-284	-301	-298	-294	-298	-297	-296	-297	-297
Straight-line (MAA)															
Non-current contract liabilities	0	0	0	-13	-6	-27	-152	-40	-48	-57	-68	-76	-82	-86	-88
% of Revenues	*0,0%*	*0,0%*	*0,0%*	*-0,1%*	*0,0%*	*-0,2%*	*-1,0%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*
Other non-current liabilities	-137	-165	-222	-200	-197	-165	-851	-404	-473	-576	-485	-511	-524	-507	-514
Straight-line (MAA)															
Core Non-Current Assets and Liabilitites	**5264**	**5620**	**13757**	**13961**	**16286**	**16692**	**17186**	**19673**	**21556**	**23763**	**26556**	**29378**	**32002**	**34579**	**37050**
Core Invested Capital	**6356**	**7532**	**15251**	**15291**	**17973**	**19342**	**20953**	**22905**	**25579**	**28646**	**32202**	**35778**	**38906**	**41751**	**44373**
Non-Core Business															
Assets classified as held for sale	11	12	0	9	0	0	0	0	0	0	0	0	0	0	0
Financial Investments	1811	2758	1376	2173	2279	1770	395	1481	1215	1031	1242	1163	1145	1184	1164
Pensions and Similar Commitments	-552	-733	-739	-617	-297	-268	-303	-289	-287	-293	-290	-290	-291	-290	-290
Non-Core Invested Capital	**1270**	**2037**	**637**	**1565**	**1982**	**1502**	**92**	**1192**	**929**	**738**	**953**	**873**	**854**	**893**	**874**
Total Invested Capital	**7626**	**9569**	**15888**	**16856**	**19955**	**20844**	**21045**	**24097**	**26508**	**29384**	**33154**	**36651**	**39760**	**42645**	**45247**
Financial															
Excess Cash	-352	-620	-1423	-1196	-727	-1005	-1058	-1210	-1538	-1868	-2156	-2452	-2650	-2758	-2822
% of Revenues	*-4,6%*	*-7,7%*	*-16,6%*	*-10,8%*	*-5,1%*	*-6,2%*	*-7,1%*	*-6,1%*	*-6,5%*	*-6,5%*	*-6,4%*	*-6,5%*	*-6,5%*	*-6,4%*	*-6,4%*
Short-term financial debt and current portion of long-term fin	25	22	505	833	752	330	500	527	452	493	491	479	488	486	484
Current Lease Liabilities	0	0	59	66	76	72	73	76	81	86	91	96	102	108	114
% Right-of-Use Assets			*20,6%*	*19,6%*	*18,8%*	*17,8%*	*19,5%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*
Long-term Financial Debt	1507	1534	6528	5752	4910	4403	4311	4541	4418	4424	4461	4434	4440	4445	4440
Net Financial Debt	**1180**	**936**	**5669**	**5455**	**5011**	**3800**	**3826**	**3935**	**3414**	**3134**	**2887**	**2557**	**2379**	**2281**	**2216**
Total Equity	**6446**	**8633**	**10219**	**11401**	**14944**	**17044**	**17219**	**20162**	**23094**	**26250**	**30267**	**34094**	**37381**	**40364**	**43030**

Cash Flow Map

	Historical							Forecasted							
Free Cash Flows	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Millions															
EBIT	1199	1184	621	1458	2768	3829	2530	3759	4598	5583	6714	7644	8371	8872	9170
Income Taxes	-300	-332	-174	-408	-775	-1072	-708	-1053	-1287	-1563	-1880	-2140	-2344	-2484	-2567
Tax Adjustments	136	119	98	249	229	308	304	451	552	670	806	917	1004	1065	1100
NOPLAT	**1035**	**972**	**545**	**1299**	**2222**	**3065**	**2125**	**3158**	**3862**	**4690**	**5640**	**6421**	**7031**	**7452**	**7702**
Depreciation & Amortization	861	945	1260	1513	1664	1754	1865	2442	2944	3523	4177	4689	5065	5296	5402
% of PPE	*28,3%*	*26,9%*	*30,7%*	*34,1%*	*30,0%*	*24,9%*	*23,3%*	*27,1%*	*28,7%*	*30,0%*	*31,0%*	*30,4%*	*28,9%*	*26,8%*	*24,5%*
Operating Free Cash Flow	**1896**	**1917**	**1805**	**2812**	**3886**	**4819**	**3990**	**5600**	**6806**	**8212**	**9817**	**11110**	**12096**	**12748**	**13104**
CAPEX		1481	4871	1624	2969	2748	2634	3464	4174	4995	5923	6649	7182	7510	7661
Changes in Net Working Capital		821	-418	-164	357	964	1116	-535	791	861	762	754	504	267	152
Free Cash Flow	**1896**	**-385**	**-2648**	**1352**	**560**	**1108**	**240**	**2671**	**1841**	**2356**	**3131**	**3706**	**4410**	**4971**	**5292**

Segment Results

	Historical Results							Forecasted Results							
Revenue Model (Top-Down Approach)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Billions															
Revenue by Segment															
Automotive	3	4	4	5	7	8	8	10	13	15	18	21	22	23	24
Market Size	*39*	*38*	*38*	*49*	*58*	*64*	*62*	*70*	*82*	*97*	*115*	*128*	*139*	*146*	*148*
% Market Share	*8,4%*	*9,2%*	*9,2%*	*9,9%*	*11,2%*	*12,8%*	*13,5%*	*14,5%*	*15,2%*	*15,7%*	*16,0%*	*16,0%*	*16,0%*	*16,0%*	*16,0%*
% GoM Infineon		*9%*	*0%*	*10%*	*16%*	*16%*	*5%*	*8%*	*6%*	*4%*	*2%*	*0%*	*0%*	*0%*	*0%*
(Green) Industrial Power Control	1	1	1	2	2	2	2	2	3	3	3	4	4	4	4
Market Size	*30*	*28*	*30*	*39*	*41*	*38*	*38*	*42*	*48*	*54*	*61*	*67*	*71*	*73*	*75*
% Market Share	*4,4%*	*5,1%*	*4,7%*	*3,9%*	*4,4%*	*5,8%*	*5,1%*	*5,1%*	*5,1%*	*5,1%*	*5,1%*	*5,1%*	*5,1%*	*5,1%*	*5,1%*
% GoM Infineon		*15%*	*-8%*	*-21%*	*11%*	*30%*	*-12%*								
Power & Sensor Systems	2	2	3	3	4	4	3	5	5	6	7	8	8	9	9
Market Size	*277*	*235*	*283*	*358*	*341*	*291*	*395*	*437*	*498*	*568*	*647*	*712*	*755*	*778*	*793*
% Market Share	*0,8%*	*1,0%*	*0,9%*	*0,9%*	*1,2%*	*1,3%*	*0,8%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*
% GoM Infineon		*21%*	*-12%*	*-3%*	*29%*	*8%*	*-53%*								
Connected Secure Systems	1	1	1	1	2	2	2	3	3	4	5	6	7	7	7
Market Size	*192*	*228*	*245*	*284*	*336*	*393*	*434*	*512*	*640*	*800*	*1000*	*1181*	*1322*	*1402*	*1430*
% Market Share	*0,3%*	*0,3%*	*0,4%*	*0,5%*	*0,5%*	*0,5%*	*0,3%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*
% GoM Infineon		*-22%*	*-44%*	*28%*	*12%*	*-5%*	*-37%*								
Total	**8**	**8**	**9**	**11**	**14**	**16**	**15**	**20**	**24**	**29**	**34**	**38**	**41**	**43**	**44**

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Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
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INFINEON TECHNOLOGIES AG

COMPANY REPORT

SEMICONDUCTORS

17 DECEMBER 2024

GONÇALO FREITAS, MIGUEL JÓIA MARTINS

Navigating Market Cycles

Capturing Growth in a Transforming Industry

- In **2024**, Infineon reported **revenues of €14.955 billion**, an **8.3% decline** from the previous year due to a **market correction phase** in the semiconductor industry.
- Infineon's **automotive segment** showed resilience, remaining the **Company's largest revenue driver**, fuelled by the adoption of **electric vehicles** and expansion of **ADAS technologies**. The **other segments faced challenged**, with **declines in revenues**, amid **weak industry demand**. Geographically, **China leads with 34.3% of revenues**, driven by automotive demand, while **EMEA contributed 25.8% but continues to lose share to Asian markets**.
- The semiconductor industry is set for recovery following a correction phase in 2023-2024, boosted by **expected strong demand in EVs**, **renewable energy**, and **AI applications**. Geopolitical initiatives, mainly in Europe and America, aim to **enhance domestic production** and **strengthening supply chains**.
- Our Infineon's **DCF valuation** projects a **share price of €39.37** for FY25, indicating a **20% upside** when compared to the current price, supported by a multiples analysis.

Company description

Infineon Technologies AG is a leading German semiconductor manufacturer, specializing in products that drive electromobility, energy efficiency, and IoT security. The company operates in four key segments: Automotive, (Green) Industrial Power, Power & Sensor Systems, and Connected Secure Systems. Headquartered in Neubiberg, Germany, the company has a global footprint with a strong presence in Europe, Asia, and the Americas.

Recommendation:	**BUY**
Price Target FY25:	**39.37 €**
Price (as of 17-Dec-24)	**32.75 €**

Reuters: IFXGn.f, Bloomberg: IFX:GR

52-week range (€)	27.80-39.35
Market Cap (€b)	42.98
Outstanding Shares (b)	1.30

Source: Refinitiv

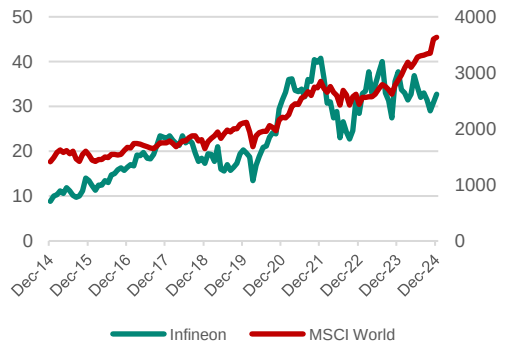

***Figure 1** – Infineon Stock Price vs. MSCI World Index (€)*

Source: Refinitv

(Values in € Billions)	2023	2024	2025F
Revenues	16.309	14.955	19.784
EBIT	3.829	2.530	3.759
NOPLAT	3.065	2.215	3.158
FCF	1.108	0.240	2.671
Core ROIC (%)	16%	10%	14%
Core RONIC (%)	31%	-69%	64%

Source: Infineon Annual Reports, Estimates

Table of Contents

COMPANY OVERVIEW 3

COMPANY DESCRIPTION 3
GROUP PERFORMANCE 4
STOCK PERFORMANCE 5
MERGERS & ACQUISITIONS 6
ESG 6

INDUSTRY OVERVIEW 9

POST-PANDEMIC LANDSCAPE 9
CURRENT DYNAMIC 10
REGULATORY FRAMEWORK 10
COMPETITIVE LANDSCAPE 12
FUTURE OUTLOOK 13

FINANCIAL ANALYSIS 14

SEGMENT RESULTS 14
PROFITABILITY 15
FINANCIAL HEALTH 16

FORECASTING 17

VALUE DRIVERS 17
REVENUE FORECAST 18
COST STRUCTURE 21

VALUATION. 22

DISCOUNT RATE 22
DISCOUNTED CASH FLOW MODEL 23
MULTIPLES VALUATION 24
SCENARIO ANALYSIS 24
SENSITIVITY ANALYSIS 25

CONCLUSION 26

APPENDIX 27

INCOME STATEMENT 27
BALANCE SHEET 28
CASH FLOW MAP 29
SEGMENT RESULTS 29

REFERENCES 30

REPORT RECOMMENDATIONS 34

Company Overview

Company Description

Figure 2 *– Infineon's Logo*

Infineon Technologies AG (Infineon, the Company) (Figure 2) is a leading global semiconductor company specializing in designing, manufacturing, and supplying of semiconductor and system solutions focused on mobility, energy efficiency and security. The Company operates across multiple industries, including the automotive industry, industrial power control, power & sensor systems, and connected security, allowing it to capitalize on trends such as electrification, the green transition, and connectivity.

Headquartered in Neubiberg, Germany, the company's presence includes various manufacturing and Research and Development facilities across Europe, Asia-Pacific, and the Americas, spanning over 50 countries and a workforce of approximately 58,000 employees worldwide [23]. Established in 1999 as a spin-off from Siemens AG, Infineon Technologies AG has grown to become one of the largest semiconductor companies in Europe and a key player in the semiconductors global market.

Infineon's business model places itself across multiple stages along the complex semiconductor value chain as an Integrated Device Manufacturer (IDM). This vertically integrated model not only ensures high quality and reliability in the Company's products, but also gives Infineon the flexibility to adapt to rapidly changing market conditions. By leveraging its IDM capabilities, the Company can meet customers' application-specific needs, particularly in high growth areas such as electromobility, advanced driver-assistance systems (ADAS), renewable energy infrastructure, and IoT security.

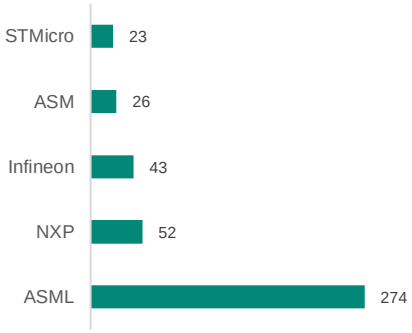

Figure 3 *– Top 5 Biggest European Semiconductor Companies by Market Capitalization (€ Billion)*
Source: Refinitiv

With a market capitalization of €42.980 billion (as of 17 December 2024), Infineon is the third largest semiconductor company in Europe, following ASML and NXP Semiconductors (Figure 3). In 2023, the Company ranked 9th in the global semiconductor market with a 3.2% market share and secured the 5th position in its reference market, holding a 4.4% share [23]. These rankings underscore Infineon's prominence in both broad and specialized segments, reflecting its vital role in enabling progress across automotive, industrial power control, and connectivity solutions.

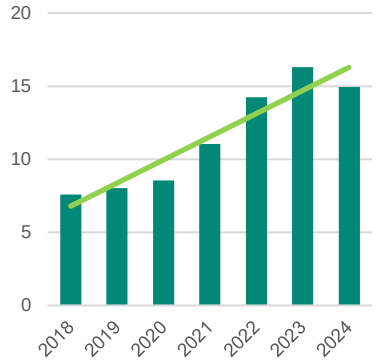

Figure 4 *– Revenue (€ Billion)*
Source: Infineon Annual Reports

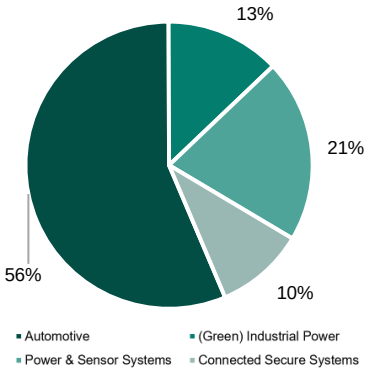

Figure 5 *– Revenue Breakdown by Segment*

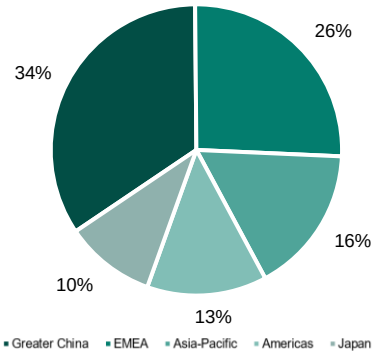

Figure 6 *– Revenue Breakdown by Geography*
Source: Infineon Annual Reports

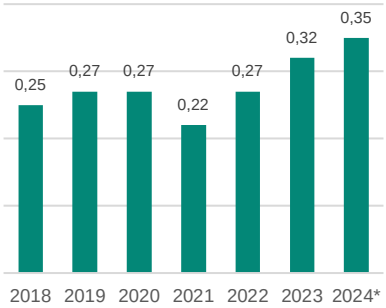

Figure 7 *– Dividend Payout per Share (€)*
Source: Infineon Annual Reports
*To be proposed

Group Performance

In the 2024 fiscal year, Infineon reported €14.955 billion in revenues, representing 8.3% decrease from the previous year mainly due to lower demand in the semiconductor industry, consequence of a correction phase this past year. In the last 6 years, the Company revenue grew from €7.599 billion to €14.955 billion representing a 11.9% CAGR from 2018 to 2024 (Figure 4), mostly driven by increasing volumes after the COVID-19 pandemic to meet demand for advancements driving growth in the industry, that will be explored further ahead.

The revenue breakdown by segment (Figure 5) highlights Infineon's increasing reliance on the automotive segment, which increased its share of total revenue by around 13.1% over the past 6 years. While this growth reflects the Company's success in capitalizing on the opportunities within the automotive sector, it also suggests the need to diversify its investments and customer base across other sectors to reduce dependency on the automotive market and mitigate possible risks.

Moreover, Infineon's revenue breakdown by geography (Figure 6) shows that the largest portion of revenue in 2024 is concentrated in Greater China (Mainland China and Hong Kong), accounting for 34.3% of total revenues, followed by EMEA at 25.8%, with Germany contributing the majority within this region. EMEA's share of revenues has declined by approximately 6.3% over the past 6 years, primarily shifting toward Asian markets, particularly Japan that gained 3.0% of the share of revenues in the same time span. While the available data lacks the granularity needed for a fully comprehensive analysis, we believe the shift in portion of revenues from EMEA to Asian markets is largely driven by growth of the Automotive sector in this region, particularly for EVs [19].

Moreover, Infineon's dividend payout has shown a consistent upward trend in recent years (Figure 7). In 2024, the Company's management proposed a further increase to €0.35 per share which will be presented at the forthcoming annual general meeting, according to the last published annual report. Overall, the sustained growth in the past years and the proposed dividend reflect both the Company's profitability, and its focus on maintaining a stable shareholder return policy.

Figure 8 *– Infineon Stock Price (€)*
Source: Refinitiv

Figure 9 *– Infineon Stock Price (€)*
Source: Refinitiv

Figure 10 *– Infineon Stock Price (€)*
Source: Refinitiv

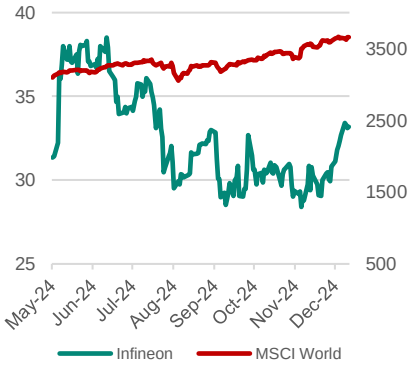

Figure 11 *– Infineon Stock Price vs. MSCI World Index (€)*

Stock Performance

Infineon's stocks are traded under the "IFX" ticker in the Frankfurt Stock Exchange since March 13, 2000, following the already mentioned spin-off from Siemens AG. Infineon's IPO price was set at €35 per share, conducted on both the Frankfurt Stock Exchange and the New York Stock Exchange. A total of 174 million shares were offered, generating over €6 billion and representing approximately 26% of the Company's equity, having Siemens AG retained a 74% stake in Infineon post-IPO [7][8]. Shortly after its IPO in March 2000, Infineon's stock soared to an all-time high of around €83 per share (Figure 8), riding the wave of the dot-com bubble. However, like many technology sector stocks, it faced a sharp decline when the dot-com bubble burst (Figure 8), reflecting the collapse of the technology sector.

By the mid-2000s stock performance stabilized after the turbulence of the dot-com bubble. However, the 2008 global financial crisis represented a significant impact to the stock market, with Infineon's stock hitting an all-time low of approximately €0.35 per share (Figure 9). In the late 2010s Infineon's stock grew strongly reflecting the adoption of electric vehicles (EVs) and the expansion of Internet of Things (IoT) that led to an increasing demand for the Company's semiconductor solutions.

More recently, the COVID-19 pandemic introduced volatility to Infineon's stock as global markets struggled with uncertainty, and supply chains faced disruptions globally, with Infineon's stock almost hitting €10 per share in the outset of the pandemic (Figure 10). Despite these challenges, when economies started to recover there was an increase in semiconductor demand during the pandemic driven by the increased adoption of technologies for remote work and cloud services, and also fuelled by industries like automotive and consumer electronics relied heavily on Infineon's supply.

When comparing Infineon's stock performance to the MSCI World Index, Infineon's stock closely tracked the benchmark in earlier periods, particularly during broad market recoveries like those following the 2008 crisis and the COVID-19 pandemic. However, a divergence emerged in recent months (Figure 11) largely driven by the weak demand for semiconductors in particular sectors, highlighting the Company's stock sensitivity to cyclicality and the Company's reliance on high-demand sectors like the automotive and the renewable energy sectors.

Mergers & Acquisitions

Year	Company	Sector/ Function	Acquisition Price
2004	AMDTek	Communications	$80 million
2015	International Rectifier	Power Management	$3 billion
2016	Innoluce BV	ADAS	n.a.
2020	Cypress Semiconductor	Semiconductors	$9.4 billion
2023	GaN Systems	Power Management	$830 million

***Figure 12** – Infineon Past Acquisitions*
Source: Infineon Press Releases

Infineon has consistently adopted a strategic approach to growth, supplementing organic growth with selective and meaningful acquisitions that align with their core objectives: providing a strategic fit, being financially advantageous, and offering strong cultural alignment. Over the years, the Company has engaged in multiple acquisitions (Figure 12), to diversify its product portfolio and enhance its technological capabilities. Recently, the most significant acquisitions – *Cypress Semiconductor* and *GaN Systems* – highlight the Company's ability to identify and integrate complementary businesses that address market trends and drive innovation. More specifically, the acquisition of *Cypress* helps Infineon "*strengthen its focus on structural growth drivers and on a broader range of applications*" [2]. As for the *GaN Systems* acquisition, it demonstrates Infineon's commitment to advancing technologies in power management, *"paving the way for more energy-efficient and CO_2-saving solutions that support decarbonization"* [1].

ESG

On the 29th of November 2024 Infineon Technologies AG won the German Sustainability Award in the "Electrical Engineering and Electronics" category. "The jury is of the opinion that Infineon has assumed a leading role in the field of sustainability and serves the sector as a 'beacon' for successful transformation," the judges said in their statement [32]. The German Sustainability Award recognizes companies which make effective and exemplary contributions to transformation and which function as role models within their industry, with the award being the Europe's biggest for ecological and social commitment. Furthermore, for five years in succession now, Infineon has been awarded an AA rating, while in the 2024 fiscal year it was awarded an AAA rating for the first time by the MSCI World ESG Index, which focuses on Environmental, Social and Governance aspects [33].

Environmental

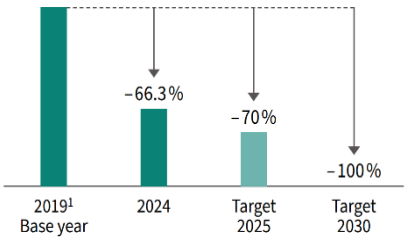

***Figure 13** – CO_2 Emissions Targets*
Source: Sustainability at Infineon Report 2024

Infineon acts towards creating products and solutions that help reduce emissions during their entire use phase. Ensuring resource efficiency in manufacturing is also an essential pillar of Infineon's sustainability strategy. Infineon has set itself the target of becoming carbon-neutral by the end of the 2030 fiscal year in terms of scope 1 and scope 2 emissions (Figure 13). By the end of the 2025 fiscal year, emissions will be reduced by 70% compared with the 2019 calendar year. In December 2023, Infineon committed itself to setting a science-based target (SBT) in relation to climate, thus extending its climate strategy to the supply chain.

Infineon is also actively aiming at reducing its carbon footprint in various areas of application (automotive electronics, industrial drives, photovoltaics and wind energy), Infineon's products can achieve CO_2 savings during their lifetime of around 130 million tons of CO_2 equivalents. Compared with the European electricity mix, this is around 17.6% of the annual net electricity production of the European Union. [33]

Social

As of 30 September 2024, the Supervisory Board consisted of 16 members in total, nine men and seven women (Figure 14). Two of the members were between 30 and 50 years old, while fourteen members were over 50. The Management Board consisted of five members, including one woman. All the members of the Management Board were over 50 years old. The promotion of women to management positions is one of the key focus areas of Infineon's Diversity & Inclusion activities. At the end of the 2024 fiscal year, the percentage of women in middle and senior management positions was 17.9%. Infineon continues to pursue the long-term goal of increasing the proportion of women in management positions to 20% by 2030. This long-term goal is also reflected in the remuneration system for the Management Board laid down by the Supervisory Board.

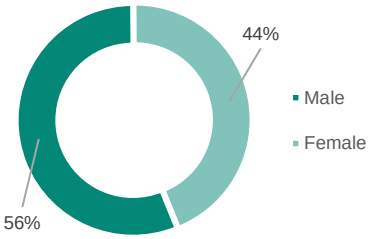

Figure 14 *– Supervisory Board by Gender*
Source: Sustainability at Infineon Report 2024

In the 2024 fiscal year, Infineon's staff participated in a total of 881,078 hours of training, based on the estimated duration of each training session. A total of 33.2 percent of training hours were provided to female employees and 66.8% to male employees. Production training hours accounted for most of the hours utilized, at 56.0% [33].

Governance

Shareholders make their decisions at the Annual General Meeting, which takes place once a year, at least, where each share carries one vote. The Annual General Meeting decides on issues assigned to it by law, most notably the appropriation of profit, the approval of the acts of the Management Board and the Supervisory Board, the election of the auditor, corporate contracts, and amendments to the Articles of Association.

Infineon has set up a human rights risk management system to ensure compliance with applicable laws and regulations. It is designed to identify and minimize risks relating to human rights in Infineon's own business area and in the supply chain and facilitate continuous improvements, in order to prevent any breaches. Human rights training is mandatory for all Infineon employees worldwide and must be repeated every three years. [31]

Infineon Management Board, headed by Jochen Hanebeck, the CEO of the Company since April 2022, has in place a remuneration system closely linked with Infineon's strategy, incentivizing the achievement of its corporate targets. It is composed of two components, a fixed part, in the form of a basic annual salary, fringe benefits and the company pension plan, and a variable (performance-related) remuneration, comprising the one-year Short-Term Incentive (STI) and the four-year Long-Term Incentive (LTI).

For the LTI tranche issued on 1 April 2024, the Supervisory Board determined that the target achievement relating to the ESG targets would comprise 20% of the overall target achievement for the LTI. The target is to be achieved by switching to renewable energy (green electricity), through technical measures at Infineon sites such as reducing perfluorinated compound (PFC) emissions, energy efficiency measures, and/or development assistance measures associated with decarbonization. The aim is to achieve a total reduction of 80,000 tons in carbon emissions in the period from the 2024 fiscal year up to and including the 2027 fiscal year. The environmental target comprises 10 percent of the overall target achievement for the LTI. [33]

The Supervisory Board also defined a second ESG target, one that relates to social matters. This target relates to diversity at Infineon and concerns principally the proportion of women in management positions. A target range has been defined with the aim of increasing the proportion of women with Global Grade 13 functions and higher to between 18 percent and 20 percent by the 2030 fiscal year. The social target comprises the other 10 percent of the overall target achievement for the LTI.

Share Repurchase Program

In the period from 26 February 2024 to 18 March 2024, the Company acquired 7 million of its own shares as part of a share repurchase program. The amount paid for the whole operation totalled to €233 million. The repurchased shares were used to allocate shares to Infineon's employees, members of the Management Board of the Company and affiliated companies as part of share-based payments. The obligation to the credit institution to repurchase 7 million shares was valued at €237 million at the time of the appointment and led to a corresponding reduction in equity. [30] The difference of €4 million between the expected repurchase value and the total purchase price of the shares was recognized in the Consolidated Statement of Profit and Loss as financial income.

Industry Overview

Post-Pandemic Landscape

The semiconductor industry has been profoundly shaped by the COVID-19 pandemic, which exposed vulnerabilities in global supply chains and brought significant challenges, but also opportunities to the sector. During the pandemic, global lockdowns severely disrupted chip production [3][17] in important manufacturing hubs leading to shortages that interrupted production in key industries such as the automotive semiconductors industry [3]. These disruptions underscored the global importance of the semiconductor sector and its role as the backbone of modern technologies.

When economies began to recover in 2021 and 2022, demand for semiconductors escalated, especially in sectors like the automotive sector or the industrial sectors, which faced big downturns during the pandemic, with the market for semiconductors experiencing a significant increase, reaching €573 billion in 2021, representing a YoY growth of 26.1% (Figure 15). In parallel, companies started building up their inventories, increasing demand for semiconductors, in order to mitigate the risks for possible supply chain disruptions in the future [5].

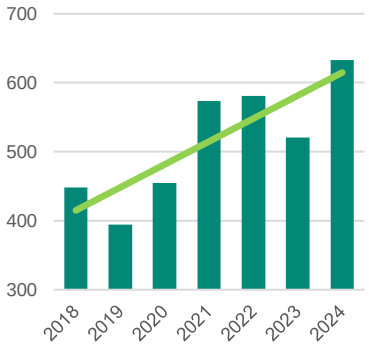

Figure 15 *– Global Semiconductor Market Size (€ Billion)*
Source: Bloomberg

Consequently, by 2023, this rise in inventories gave way to a correction phase as businesses with excess inventories scaled back their procurement, resulting in lower demand growth for semiconductors in the short-term, leading to a 10.4% decline in sales in 2023 in the global semiconductors market compared to the previous year (Figure 15). In 2024, the industry continued to face lower demand, contributing to declining growth across many sectors, namely the automotive.

Nevertheless, the semiconductor market is expected to fully recover in key industries by 2025 [4], driven by the normalization of inventory levels and renewed demand growth in high-potential areas such as electric vehicles ("EVs), artificial intelligence, and renewable energy technologies.

Current Dynamic

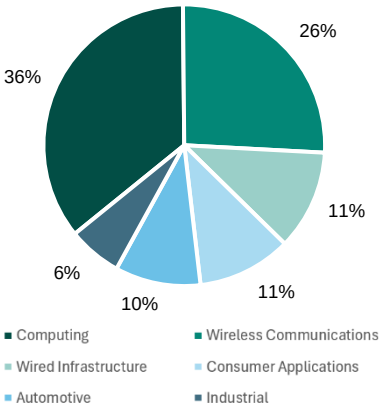

Figure 16 *- Semiconductor Market Breakdown (2023)*
Source: Bloomberg

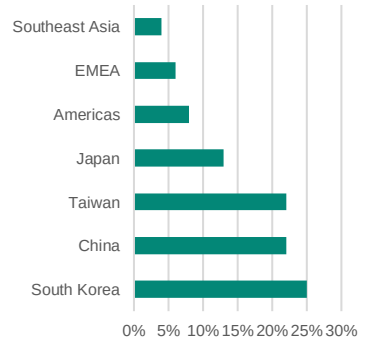

Figure 17 *– Global Semiconductor Fabricating Capacity (2022)*
Source: Statista

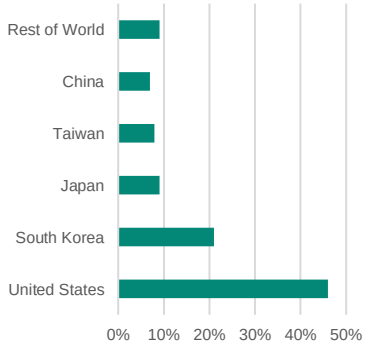

Figure 18 *– Semiconductor Sales by Country (2021)*
Source: Centre for Strategic & International Studies

The composition of the semiconductor market by sector is diverse (Figure 16), with computing semiconductors accounting for the largest share of the market, reflecting the increasing demand for high-performance chips used in data centres, cloud infrastructure, and consumer computing devices. The automotive semiconductor segment, although smaller compared to computing semiconductors and wireless communications semiconductors, has shown rapid growth in recent years due to the rising adoption of electric vehicles (EVs), and the integration of advanced driver-assistance systems (ADAS).

Moreover, there is a clear geographic distinction between manufacturing hubs [18] and consumer hubs [15], with a dynamic interplay between regions. From the perspective of manufacturing, the distribution of global semiconductor manufacturing capacity reveals the dominance of Asia as the main production hub (Figure 17), with South Korea leading with 25% of global capacity, followed by Taiwan and China. On the demand side, the geographic breakdown (Figure 18) reveals the U.S. as the largest consumer, naturally boosted by the country's position in high-tech industries, followed by South Korea that positions itself as both a consumer and manufacturing powerhouse. The geographic segmentation reinforces the idea of interdependence between regions in the semiconductor value chain that, however, also suggests exposure to potential risks, such as geopolitical tensions, namely trade wars, or natural disasters, also supported and confirmed by the impact of the recent pandemic. Nevertheless, there are currently in line efforts by governments in regions like the United States and Europe to increase production for semiconductors, reflecting a growing recognition of the need to reduce reliance on Asian manufacturers.

Regulatory Framework

Infineon, and the whole industry, operate within a regulatory framework that actively supports the green transition across various industries, and also legislation that aims at encouraging competitiveness and increase production in the sector.

Europe

The European Union introduced the European Chips Act in 2022, an initiative aimed at increasing Europe's production to 20% of the semiconductors global market by 2030, value that was around 10% in 2020 [10]. According to a survey conducted by the European Commission, the broad semiconductor industry expects demand for chips to double by 2030 [9], suggesting a significant opportunity for European players, for instance Infineon, to expand its presence in

"For the automotive ecosystem, a clear increase in the aggregate demand for chips is expected over the period 2022 to 2030, with a near doubling of demand."

Source: European Commission, European Chips Survey Report

"The energy renewables ecosystem had a significant growth in chip demand. Companies in the ecosystem forecast a six-fold growth rate by 2030 (…)"

Source: European Commission, European Chips Survey Report

the global market. The survey provides data for key industries, particularly those where Infineon is a main supplier, such as the automotive and renewable energy sectors. In the automotive sector, demand is expected to rise substantially, indicating that demand is ought to double between 2022 and 2030 [9] Similarly, the renewable energy sector is set to experience significant growth, with demand for chips to increase six times by 2030, compared to 2022 levels [9].

In parallel, the EU's Net-Zero Industry Act, introduced a year later, focuses on advancing green technologies manufacturing and sets the objective of producing 40% of European's needs with green technologies by 2030, also contributing to the transition to climate neutrality by 2050 [11]. This initiative directly supports the evolution of key value drivers of the industry, for instance boosting the production of renewable energy sources, increasing production of electric vehicles, and other sustainable technologies, further accelerating the green transition.

North America

In August 2022, the U.S. introduced the CHIPS and Science Act representing an important investment in domestic semiconductor manufacturing, as well as research and development. The initiative allocates $52.7 billion to increase production aiming to reduce reliance on global supply chains and position the U.S. as a leader in chip technologies [16]. As a leader in power electronics, this suggests an opportunity for Infineon to leverage the increasing production capacity of the U.S. to expand its footprint in this region. Besides, the act incentivizes demand for technologies that Infineon specializes in, including silicon carbide solutions, for EVs and renewable energy systems [16].

Additionally, the Inflation Reduction Act (IRA), also passed in August 2022, sets the allocation of approximately $370 billion to advance clean energy and sustainability technologies. The IRA provides incentives for renewable energy systems, such as solar and wind power, as well as the electrification of transportation, including subsidies for EVs and investment in infrastructure, namely charging points. However, with the new U.S. administration taking office in January 2025, there is uncertainty regarding the continuation of these policies as a government assumed to be less committed to the green transition [13][14] could slow the progress of some of the drivers of the industry. Such a shift would not only affect industries that directly depend on this type of incentives but could also decrease demand for semiconductors directed to powering green technologies. For Infineon, that heavily supplies for renewable energy and EV applications, such policy changes could present a major risk.

Competitive Landscape

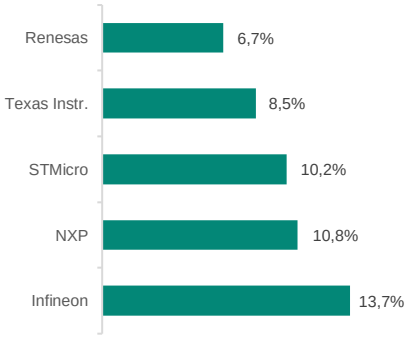

***Figure 19** – Automotive Semiconductors Market Share (2023)*
Source: Infineon Investor Relations (Q4 2024)

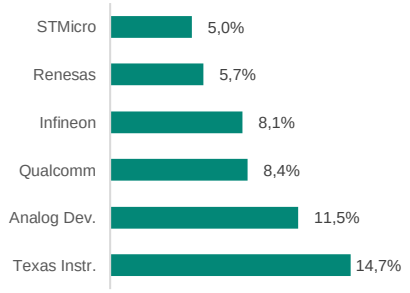

***Figure 20** – Power ICs Market Share (2022)*
Source: Infineon Investor Relations (Q4 2023)

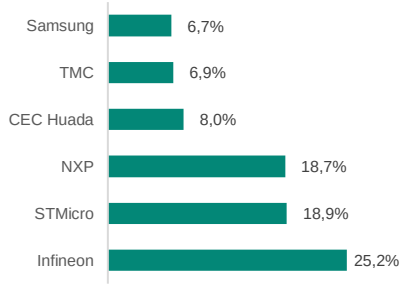

***Figure 21** – Security ICs Market Share (2022)*
Source: Infineon Investor Relations (Q4 2023)

The industry is comprised of three main categories of players, each fulfilling distinct roles within the value chain: Integrated Device Manufacturers (IDMs), such as Infineon, NXP Semiconductors, and STMicroelectronics, manage the entire semiconductor production process, from design and manufacturing to sales and customer support. In contrast, fabless companies like NVIDIA and AMD concentrate exclusively on the design and development of semiconductors, outsourcing the manufacturing process to specialized third parties, the foundries. These foundries, including industry leaders such as the taiwanese giant TSMC, dominate the production side of the sector, manufacturing chips for both fabless companies and also IDMs that choose to outsource part of their production.

In the automotive industry, Infineon has established itself as the market leader, controlling approximately 13.7% of the automotive semiconductor market share (Figure 19). The Company competes with players such as NXP Semiconductors and STMicroelectronics, the second and fifth largest European semiconductor companies by market capitalization, respectively (Refinitiv). Within the automotive sector, Infineon also leads the automotive microcontroller market, holding over 25% of the market share in 2023 [29], ahead of competitors such as Renesas, NXP, and STMicroelectronics.

In the (Green) Industrial Power Control segment, Infineon is a dominant player in power electronics, particularly in discrete IGBTs and IGBT modules, where it held more than 30% market share in both categories as of 2022 [29].

Within the Power & Sensor Systems segment, Infineon leads in market for discrete power MOSFETs, where it held over 25% market share in 2022 [29] ahead of ON Semiconductors and STMicroelectronics Additionally, the Company maintains a solid position as a supplier of Power ICs, accounting for roughly 8.1% of the market (Figure 20).

Lastly, in the Connected Secure Systems segment, Infineon is the leading supplier of Security ICs, controlling just over 25% of the market as of 2022 (Figure 21).

Porter's 5 Forces

The semiconductor industry operates in a highly dynamic and competitive environment, shaped by a variety of factors (Figure 22) that influence both market and strategic positioning of its key players.

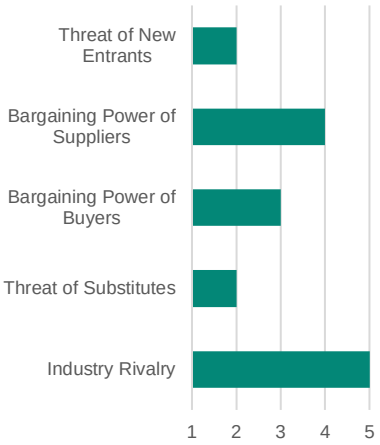

Figure 22 *– Porter's Five Forces Analysis*
Intensity (1 = Low, 5= High)

Significant **barriers to entry** characterize the sector, requiring substantial capital investments, advanced technical expertise, and access to a well-established supply chain. For instance, the development of a manufacturing facility entails heavy financial and technological resources. However, initiatives such as the U.S. Chips and Science Act and the EU Chips Act are beginning to lower entry barriers, by providing financial incentives to support domestic production.

As explored before, the supply chain remains a critical aspect of the semiconductor space, granting suppliers a relevant influence due to the scarcity of raw materials for production. Additionally, fabless companies and IDMs are heavily reliant on a small number of dominant foundries for chip fabrication. This dependence increases the **bargaining power of suppliers**, reinforcing their central role in the industry.

The **bargaining power of buyers** varies across sectors. Industries such as the automotive and the industrial applications usually procure semiconductors in large quantities, giving them considerable leverage to negotiate favourable prices and terms. Conversely, sectors requiring more specialized solutions have reduced buyer influence due to the tailored and technically complex nature of their demands. For Infineon, this dynamic presents both challenges and opportunities: its largest segment, the automotive, may face pricing pressures due to high buyer leverage, while its smaller but more specialized segments benefit from the demand for custom, application-specific solutions.

Moreover, the **threat of substitutes** in the semiconductor industry is minimal, as there are no direct alternatives to semiconductors in modern technologies.

Finally, the **competitive rivalry** within the industry is very high, creating a need for constant investment in R&D to maintain a competitive edge. Additionally, the cyclical nature of the market further increases competition, as companies must navigate varying supply and demand to sustain growth and profitability.

Future Outlook

In the upcoming years, the semiconductor industry is set for significant growth, with the market expected to expand to around €850 billion in 2029, with a CAGR of 6.1% from 2024 to 2029 (Figure 23), underscoring the increasingly important vital role semiconductors play across various sectors. The primary drivers of this growth are the digitalization of industries, the shift towards green energy technologies, and the spread of IoT devices, and these will have a particular impact in the industries Infineon operates in.

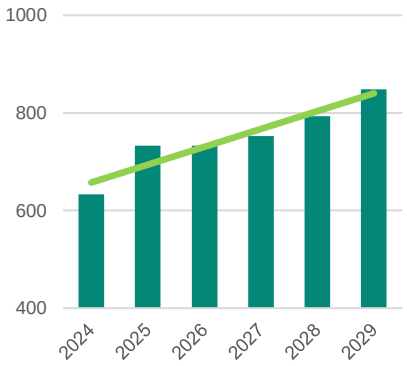

Figure 23 *– Semiconductor Market Size (€ Billion)*
Source: Bloomberg

Financial Analysis

Segment Results

As aforementioned, Infineon comprises four segments, each one of those focusing on the needs of its own target markets and customers.

Automotive

Infineon's automotive segment has experienced remarkable growth over the recent years, achieving €8.423 billion in revenue in 2024, representing a 17.0% CAGR from 2018 to 2024 (Figure 24).

Figure 24 *– Infineon Automotive Segment Revenue (€ Billion) & GoM (%)*
*Data for 2018 is unavailable

The Company consistently outperformed the broader automotive semiconductors market, having grown 9.0% faster than the market average over the observed period. This was particularly pronounced in the years following the pandemic, where revenue growth outpaced the market by approximately 16% in two consecutive years. In 2024, Infineon's GoM in the automotive segment stood at 5.2% (Figure 24).

(Green) Industrial Power Control

The (Green) Industrial Power segment focuses on solutions that enable efficient energy conversion, serving applications in renewable energy, industrial automation, and power generation. In 2024, revenue from this segment declined by 12.3% compared to the previous year (Figure 25), primarily due to anticipated declines in volumes.

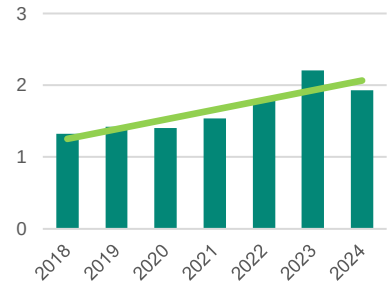

Figure 25 *– Infineon (Green) Industrial Power Control Segment Revenue (€ Billion)*

Infineon's market performance in this segment has been less consistent each year, with its GoM averaging 2.7% from 2018 to 2024.

Power & Sensor Systems

The Power & Sensor Systems segment encompasses sensor technologies and also power supplies in general, including those for data centres (especially the ones required for artificial intelligence), telecommunications and consumer applications. For the year 2024, Infineon reported a massive 18.7% decrease in revenues in this segment, having generated €3.088 billion in revenue (Figure 26), again explained by a drop in demand shared by the whole semiconductor industry.

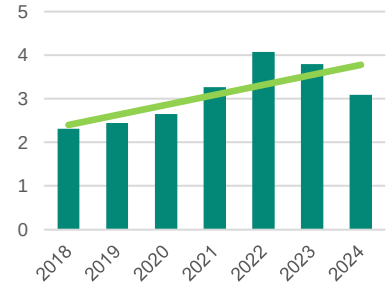

Figure 26 *– Infineon Power & Sensor Systems Segment Revenue (€ Billion)*

Similarly to the (Green) Industrial Power Control segment, Infineon's performance relative to the market in this segment has been inconsistent, with this segment growing 1.0% less than the market average during the observed period.

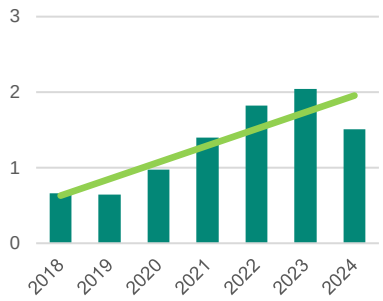

Figure 27 *– Infineon Connected Secure Systems Segment Revenue (€ Billion)*

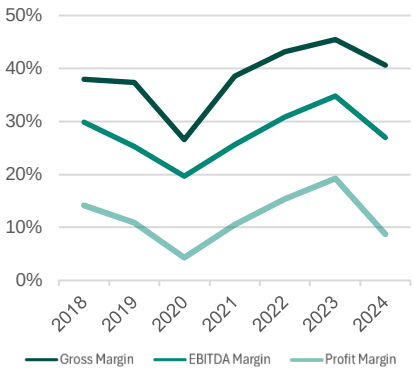

Figure 28 *– Infineon Margins*

Company	EBITDA Margin
Infineon	**27%**
NXP	35%
ON Semi	37%
Renesas	34%
STMicro	28%

Figure 29 *– EBITDA Margin compared to Peer Group*
Source: Refinitiv

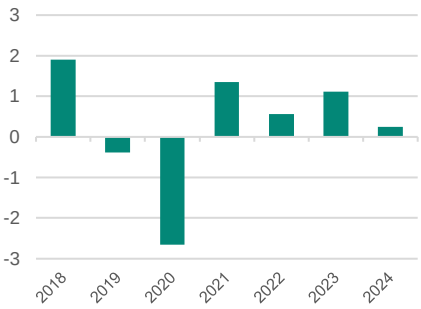

Figure 30 *– Free Cash Flow (€ Billion)*

Connected Secure Systems

Following the line of the other segments, the Connected Secure Systems segment Infineon generated €1.506 billion in revenue in 2024, a 26.4% decrease when compared to 2023 (Figure 27).

Additionally, the smallest segment of the company has been showing inconsistent GoM each year, having the same growth as the market from 2018 to 2024.

Profitability

The trajectory of Infineon's margins from 2018 to 2024 (Figure 28) illustrates the Company's ability in navigating volatility in the semiconductor industry, particularly during the disruptions caused by the pandemic. In 2020, gross margin declined to 27%, reflecting a combination of reduced revenues due to weakened demand and increased production costs that were driven by global supply chain disruptions, marking a period of strong contraction across the semiconductor sector as well as many other industries.

Despite the decline in revenues, Infineon strategically increased its Research and Development (R&D) spending during the pandemic, underscoring its dedication to maintaining a competitive edge. However, this decision placed additional pressure on profitability in the short-term, with EBITDA margin contracting to approximately 20% in 2020. EBITDA margin saw another decline in 2024, placing Infineon towards the lower range among its peer group (Figure 29), reflecting the ongoing challenges in normalizing demand.

The volatility in Free Cash Flow (FCF) (Figure 30) further supports the financial challenges during this period. In 2018, Infineon demonstrated strong cash generation. However, the situation reversed in 2020, as the pandemic led to a contraction in revenues and profitability. This was coupled by considerable cash deployments for CAPEX, namely the acquisition of *Cypress.*

Post-2020, FCF began to recover, supported by improvements in operating performance with NOPLAT rising to €3.065 billion in 2023, driven by the increased demand in core segments of the Company due to stockpiling.

Financial Health

Liquidity Ratios	
Current ratio	1,9
Quick ratio	1,1
Cash Ratio	0,4

Figure 31 *– Infineon Liquidity Ratios (2024)*

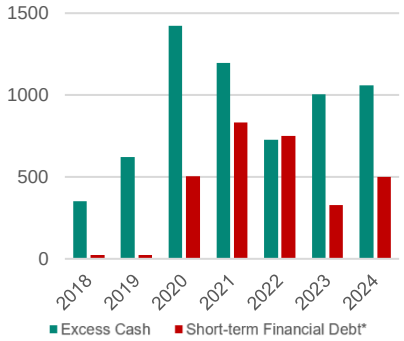

Figure 32 *– Infineon Excess Cash vs. Short-term Financial Debt*
*Includes current portion of long-term financial debt

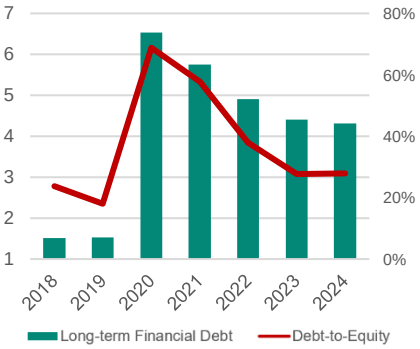

Figure 33 *– Infineon Long-term Financial Debt & Debt-to-Equity ratio*

Company	Debt-to-Equity
Infineon	**28%**
NXP	72%
ON Semi	10%
Renesas	58%
STMicro	-18%

Figure 34 *– Peer Group Leverage*

The liquidity ratios presented by Infineon (Figure 31) reflect the characteristics of a company operating in a highly cyclical and capital-intensive industry, as is the semiconductor industry. The Company maintains a solid Current Ratio of 1.9 to ensure liquidity during demand fluctuations, while the lower Quick Ratio of 1.1 and the Cash Ratio of 0.4 suggest the reliance or the need on inventory and strategic reinvestment in operations. The gap between the current ratio and quick ratio indicates that a significant portion of Infineon's assets consists of inventory, reflecting the need to manage production cycles and maintain inventory pillows during periods of uncertainty regarding demand. Additionally, the low cash ratio further reflects the industry's high capital intensity, where investments directed towards research and development are necessary, as well as for the maintenance and operation of the manufacturing facilities (fabs). In our perspective, these ratios reflect a balanced approach, allowing Infineon to manage short-term obligations while supporting long-term growth.

Analyzing Infineon's debt and cash dynamics, the company has recently reviewed its liquidity target, committing to maintaining a gross cash level of at least 10% of revenues throughout the years [23]. The fluctuations in excess cash (Figure 32) reflect the cyclical nature of the semiconductor industry, where cash reserves tend to increase during periods of high demand and are subsequently deployed for reinvestment during downturns. The slight reduction in excess cash post-pandemic reflects the strategic focus on funding growth initiatives, such as the acquisition of *Cypress*, and capital expenditures. Despite these fluctuations, Infineon has consistently maintained a solid liquidity position, with excess cash generally exceeding short-term debt and the current portion of long-term debt (Figure 32) throughout the observed period.

Long-term debt increased significantly in 2020 (Figure 33), likely driven by financing activities to cope with the challenges brought by the pandemic and fund strategic initiatives, including the aforementioned acquisition of *Cypress* in that year. This surge pushed the debt-to-equity ratio to 69% that year. However, in the years that followed, long-term debt consistently declined highlighting the Company's focus on deleveraging and improving financial health. In the past couple of years, the debt-to-equity ratio stabilized at 28%, positioning the company in the mid-range among its peers (Figure 34).

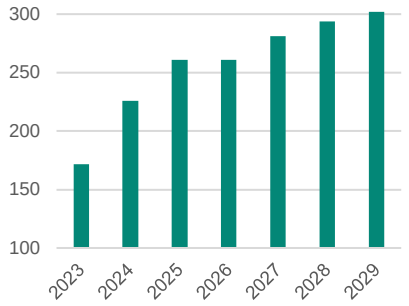

Figure 35 *- Global Computing Semiconductors Market Size (€ Billion)*
Source: Bloomberg

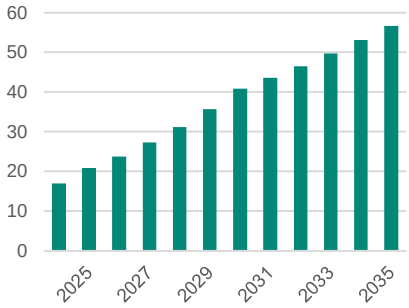

Figure 36 – Global EV Production (million units)
Source: International Energy Agency

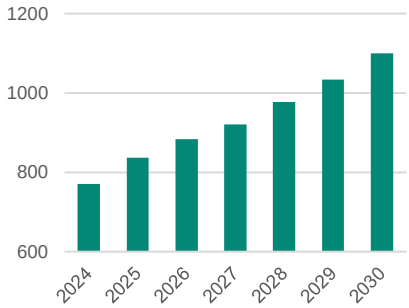

Figure 37 – Average Semiconductor Content per Vehicle (€)
Source: Boston Consulting Group

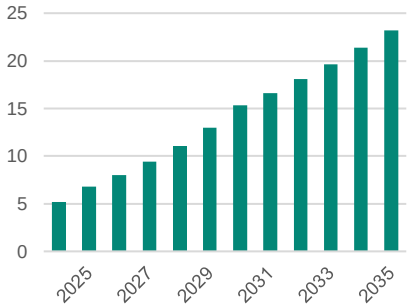

Figure 38 *– EV Charging Points Worldwide (million units)*
Source: International Energy Agency

Forecasting

Value Drivers

Repeatedly, growth in the semiconductors industry is driven by 3 main transformative global trends – Digitalization, Green Transition, and the expansion of Artificial Intelligence (AI) – each of them driving innovation and opening new growth opportunities in the semiconductor space.

Digitalization is one of the key drivers for growth to the semiconductor industry, fostering the integration of digital technologies across various sectors and enabling more efficient processes, automation, and connectivity. One prominent factor is the spread and growth of computing devices that consequently have an impact in semiconductor demand for this sector. By 2029, the global computing semiconductors market is expected to reach €302 billion, representing a 9.9% CAGR from 2023 to 2029 (Figure 35).

Additionally, the green transition is playing a pivotal role in transforming the semiconductor industry, in reflection of the global efforts to reduce carbon emissions and embrace renewable energy and sustainable technologies, across various sectors. These efforts are particularly evident in the automotive industry, where the adoption of EVs is accelerating worldwide. On average, EVs require 6 to 10 times more semiconductor content than traditional internal combustion engine vehicles [6] due to their growing dependence on technologies such as battery management systems, inverters, and advanced driver-assistance systems (ADAS). This trend is supported by the aforementioned regulatory initiatives and incentives aimed at promoting EV production, and consequently the production is expected to grow significantly in the coming years (Figure 36), projected to reach around 57 million units in 2035.

Moreover, the value and number of semiconductors in vehicles is also increasing, not just because of the shift to EVs but also due to the evolution of automated driving technologies, namely ADAS capabilities. By 2030 the average semiconductors content per car is projected to reach approximately €1100 (Figure 37), highlighting the role semiconductors play in modernizing the automotive sector.

To support the growth in EV adoption, a parallel transformation in charging infrastructure is necessary, with the expansion of charging networks also driving demand for semiconductor solutions. Global investments in EV infrastructure are

projected to grow significantly, with both governments and the private sector committing to increasing the number of charging stations worldwide (Figure 38).

Moreover, the continuing expansion of renewable energy will also drive demand for semiconductors, which are essential to make these systems work efficiently. Solar and wind power infrastructure, for example, rely on semiconductors to convert and manage the energy they generate. Energy generation from these sources is expected to grow significantly, projected to double by 2029 (Figure 39). Additionally, the number of power semiconductors used in the global renewable energy market is expected to grow at an 8% to 10% CAGR until 2027 [12].

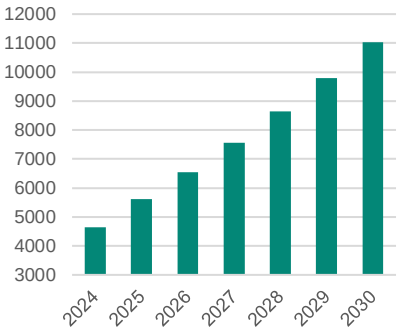

Figure 39 *- Solar, Onshore and Offshore Wind Energy Generation Worldwide (TWh)*
Source: International Energy Agency

Finally, the proliferation of IoT and the spread of AI is already transforming industries and driving a massive increase in semiconductor demand, with these technologies becoming essential across a wide range of applications, including consumer electronics, enterprise solutions, healthcare, automation, etc. One particular driver of growth is the expansion of data centres, which serve as the foundation for AI-driven services like cloud computing and analytics, and rely heavily on semiconductors for processors, memory, and networking, to handle the massive amount of data created by AI applications. As the adoption of AI accelerates, investments in data centres and in high-performance computing infrastructure are expected to grow significantly. By 2030, spending on data centres is projected to reach €628 billion, with a CAGR of 8.2% compared to 2024 (Figure 40). Additionally, the evolution of consumer and automotive IoT connections (Figure 41) reflect the growing demand for smart and connected devices, further driving the expansion of the IoT market. Between 2023 and 2029, the number of consumer and automotive IoT connections is expected to almost triple, rising from 9.3 billion units to 26.6 billion units, underscoring the increasing integration of IoT technology into devices using daily.

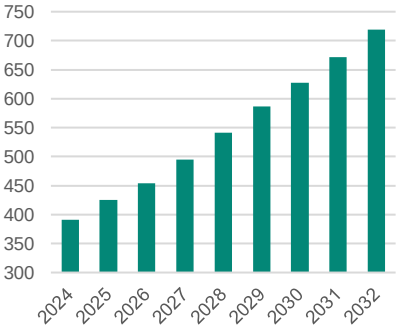

Figure 40 *– Data Centres Market Size (€ Billion)*
Source: Statista

Revenue Forecast

The forecasting of Infineon's revenues was approached using a top-down methodology, involving the analysis of broader market trends and the industry's growth drivers to estimate each segment's market size in the upcoming years, and thereafter Infineon's share within each market. This methodology is especially appropriate for the semiconductor industry as it is dependent and very sensitive to macroeconomic trends, technological developments, and structural shifts across its main application sectors. For Infineon, a company that supplies and is integrated into various main sectors, this method enables the incorporation of market dynamics, such as the adoption of EVs, the proliferation of IoT devices and

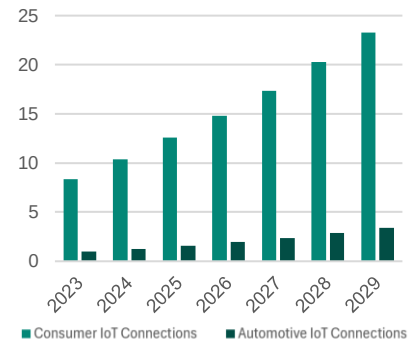

Figure 41 *– Consumer & Automotive IoT Connections (Billion units)*
Source: Statista

AI, and the global efforts to push towards green technologies, all of which were explored before.

Automotive

Looking ahead, the automotive semiconductors sector is projected to grow at around 11% CAGR [34][35], with the market size expected to reach €164 billion by 2032 as per our estimates. Additionally, Infineon's growth within this market is assumed to continue exceeding the market average, as it was explored in the *Financial Analysis*, particularly in the short-term. We projected a higher GOM for Infineon in the early years, and over time as the market matures, GoM is expected to gradually decrease at a sustainable level, with Infineon's market share stabilizing at 16.0% in the long-term.

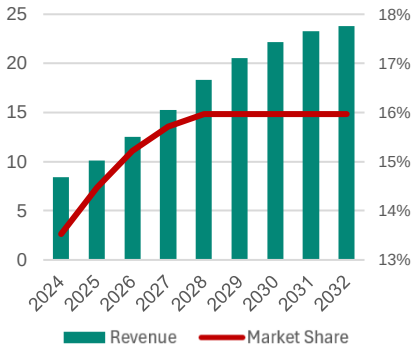

***Figure 42** – Infineon Automotive Segment, Revenue (€ Billion) & Market Share (%)*

By 2032, Infineon's automotive segment is forecasted to achieve revenues of approximately €23.770 billion (Figure 42), reflecting its continued ability to gain market share and capture growth opportunities, growing at a 13.8% CAGR from 2024 to 2032.

(Green) Industrial Power Control

The renewable energy and industrial applications segment serve markets that are heavily influenced by global efforts towards sustainability and industrial modernization. Given the inconsistency of Infineon in capturing GoM in the past years, it was assumed that Infineon's market share in this segment will stabilize at 5.5% during the forecasting period, reflecting Company's current positioning and mitigating uncertainty in future performance relative to the market.

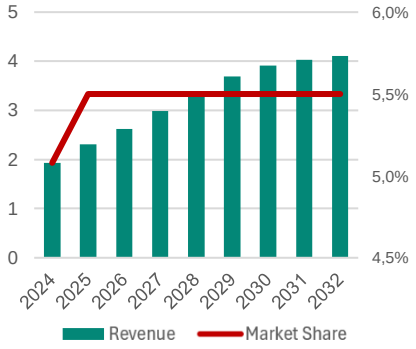

***Figure 43** – Infineon (Green) Industrial Power Control Segment, Revenue (€ Billion) & Market Share (%)*

Forecasts for industrial semiconductors suggest a CAGR of around 9% [34] from 2024 to 2032. However, given the analysis of the value drivers for this segment, including increasing investments in renewable energy infrastructure and advancements in power electronics, we projected a slightly higher growth, having estimated that the market will grow to approximately €75 billion by 2032.

Based on this projection, and Infineon's assumed market share of 5.5%, we project that the Company's revenues in this segment will reach approximately €4.107 billion by 2032 at a 9.9% CAGR (Figure 43).

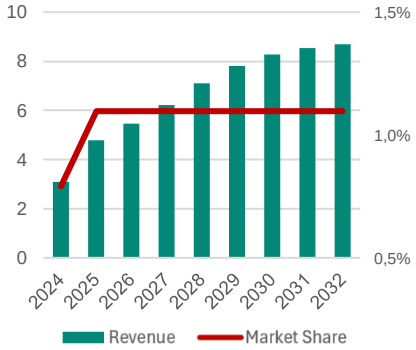

***Figure 44** – Infineon Power & Sensor Systems Segment, Revenue (€ Billion) & Market Share (%)*

Power & Sensor Systems

This segment benefits from trends such as data centre expansion, the growth of cloud computing, and advancements in wireless communications. The market for this segment, while broad and challenging to define precisely, can be approximated by indexing the growth of the computing semiconductors and wireless communications semiconductors sectors.

Similarly to the renewable energy and industrial applications segment, Infineon's GoM in this sector has been inconsistent over the past years. This way, it was also assumed that Infineon's market share in this segment will remain stable, being 1.1% throughout the forecasted period.

Forecasts for the broader market suggest a CAGR of 7.5% to 9% [34][41][42] from 2024 to 2032. Based on these projections, and Infineon's assumed stable market share of 1.1%, we estimate that the Company's revenues in this segment will reach approximately €8.700 billion by 2032, growing at a 13.8% CAGR (Figure 44).

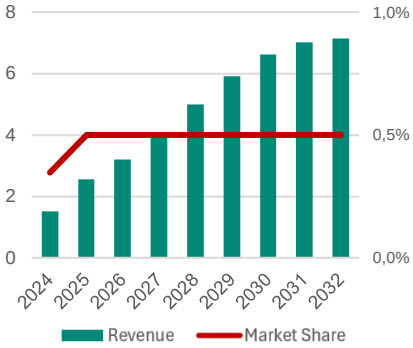

***Figure 45** – Infineon Connected Secure Systems Segment, Revenue (€ Billion) & Market Share (%)*

Connected Secure Systems

Finally, the Connected Secure Systems is one of the fastest-growing segments for Infineon, driven by the spread of IoT devices and applications.

Looking forward, projections indicate that the market for this segment will grow at a high CAGR of around 18% from 2024 to 2032 [39][40]. This also aligns with the analysis of key value drivers, including the rapid growth in consumer IoT connections, and of automotive IoT connections, which require semiconductor solutions for connectivity, processing, and security.

In our projections, we assumed that Infineon would maintain approximately the current market as the market to mature stabilizing at 0.5% during the forecasted period.

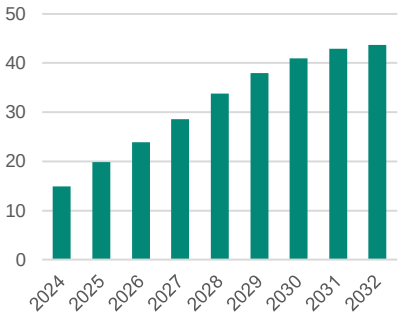

***Figure 46** – Infineon Projected Revenue (€ Billion)*

Based on these projections, we estimate that Infineon's revenues in this segment will grow to approximately €7.148 billion by 2032 (Figure 45), with the segment expected to play an increasingly important role in Infineon's overall growth strategy, capitalizing on trends such as digitalization of industries, and the growing need for secure, connected systems.

Total Revenue

Aggregating the forecasts for all segments, Infineon's total revenues are projected to grow significantly over the forecasted period, with total revenues expected to reach approximately €43.757 billion in 2032, representing a CAGR of 19.59% from 2024 to 2032 (Figure 46), primarily driven by the strong performance of the Automotive and Connected Secure Systems segments. By the final year of the forecasted period, the automotive segment is projected to remain Infineon's largest revenue contributor (Figure 47) but decreasing its share by approximately 2.0%. Additionally, the representation of the Power & Sensor Systems and the (Green) Industrial Power Control segments is also expected to decline, making way for the Connected Secure Systems segment to emerge as the segment to gain more representation of the Company's overall revenue share, in the forecasted period.

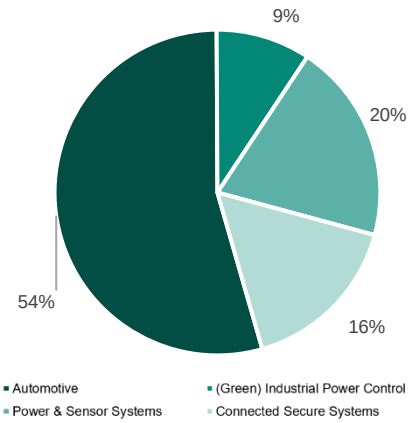

***Figure 47** – Infineon Revenue Breakdown by Segment (2032)*

Cost Structure

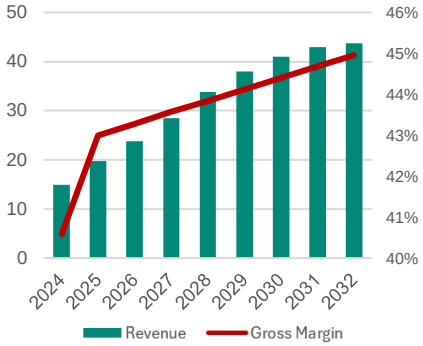

***Figure 48** – Infineon Projected Revenue vs. Gross Margin (€ Billion)*

Cost of Goods Sold

The underlying assumption under the forecast of Cost of Goods Sold (COGS), that was tied to revenues, is that, in aggregate, as Infineon invests in innovation, expands its operations and scales its production capabilities, the Company is positioned to realize economies of scale. These efficiencies are expected to drive a gradual reduction in costs, particularly in manufacturing, enabling Infineon to improve the gross margin moving forward (Figure 48). This dynamic, inherent to the semiconductor industry, underscores the potential to increase profitability while sustaining a strategic focus on innovation and operational excellence.

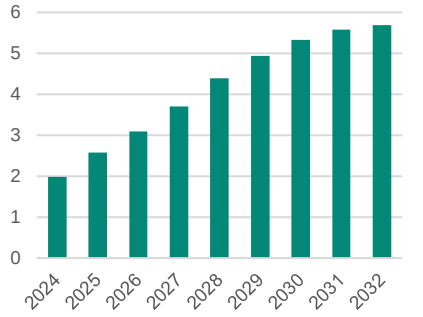

***Figure 49** – Infineon R&D Expenses (€ Billion)*

Research and Development

Since every player in the sector relies on continuous innovation to stay competitive, Research and Development (R&D) expenses play a central role being not merely an operational expense but a strategic necessity. In recent years Infineon showed a consistent defined allocation of total revenues to R&D expenses (Figure 49). Moving forward, it was assumed that R&D are going to be positioned at the upper limit of the past years, representing 13% of total revenues, reflecting the Company's commitment to keep up with innovation, and maintain its competitive positioning.

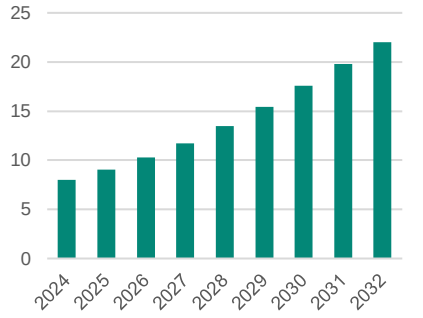

***Figure 50** – Infineon PP&E (€ Billion)*

Property Plant and Equipment

Unlike fabless companies that outsource manufacturing to foundries, IDMs like Infineon require substantial investments in Property, Plant and Equipment (PP&E) to maintain and expand its production capabilities and maintain interdependence from third-party foundries. PP&E was forecasted as a function of expected CAPEX and Depreciation & Amortization. Investments in PP&E are expected to increase in the future, with Infineon to have €22.024 billion invested in PP&E in 2032 (Figure 50).

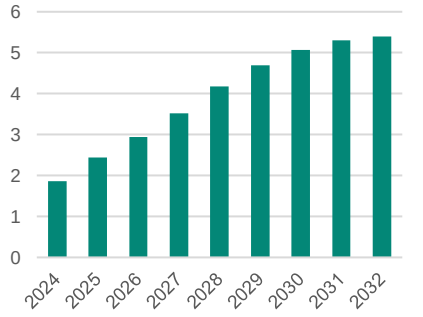

***Figure 51** – Infineon D&A (€ Billion)*

Depreciation & Amortization

In our forecast, Depreciation & Amortization (D&A) was tied to revenues, a simplified approach that, although not the most common to forecast D&A, was chosen as it provided a practical solution for forecasting PPE, driven by the interaction between CAPEX and D&A. This caption is expected to rise in the coming years, closely tracking the evolution of PPE (Figure 51), and capturing the cost of maintaining manufacturing infrastructure and scaling operations.

Valuation.

Discount Rate

WACC Calculation	
Risk-Free	2,1%
MRP	7,1%
Target D/E	28%
Beta	1,64
WACC	**9,8%**

Figure 52 *– WACC Components*

Weighted Average Cost of Capital (WACC)

In order to discount the estimated free cash flows, the Weighted Average Cost of Capital (WACC) (Figure 52) was determined, which represents a weighted average of Infineon's cost of equity and cost of debt.

For the calculations, the corporate tax rate was assumed to be the average effective tax rate of the company in the past years, that equals 16%. Besides, a debt-to-equity ratio stabilizing at approximately 28% was also assumed. Based on these assumptions, the WACC was estimated at 9.79%.

Below, we will delve into the computation of both the cost of equity and the cost of debt, used in the calculations of the WACC.

Risk-free Rate

For the risk free-rate the 10-year German government bond yield, at 2,13%, was utilized as a proxy. This selection was based on the fact that Infineon's bonds are predominantly issued in the Eurozone, namely Germany (Refinitiv), making the German government bond yield as accurate representation of the debt risk associated with Infineon's debt.

Market Return

The market return was derived from the historical average return of the MSCI World Index over the past 20 years. This benchmark serves as a reliable benchmark by reflecting Infineon's global operations.

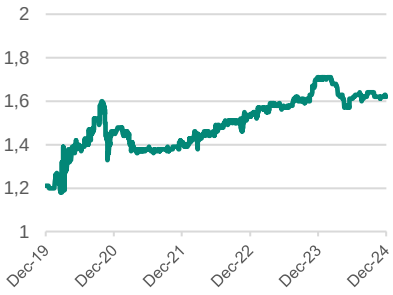

Figure 53 *– Infineon 5Y Beta*
Source: Refinitiv

Beta

The beta (Figure 53), which reflects the sensitivity of Infineon's stock relative to market movements, was calculated by running a regression analysis of Infineon's historical stock returns against the benchmark, the MSCI World Index. This analysis resulted in a beta of 1.64, indicating that the Company's stock is more volatile than the market and also suggesting that it may be more exposed and sensitive to industry cycles and also macroeconomic conditions.

Cost of Debt

The cost of debt was estimated using an approach combining the risk-free rate and the credit rating spread, as described in the equation below:

$$Cost\ of\ Debt = Risk\text{-}Free\ Rate + Credit\ Rating\ Spread$$

Regarding the credit rating spread, in February 2024, S&P Global Ratings upgraded Infineon's investment grade rating from to BBB+ [44]. Therefore, a spread of 1.47%, corresponding to the market spreads for BBB+ rated debt at this market capitalization [45], was applied in the calculations.

In the end, Infineon's cost of debt was determined to be 3.60%.

Cost of Equity

The cost of equity was calculated using the Capital Asset Pricing Model (CAPM), which incorporates the risk-free rate, beta, and the equity market premium to calculate the required return on equity. The determined cost of equity was 13.71%, expressed by the CAPM equation:

$$Cost\ of\ Equity = Rf + \beta(Rm - Rf)$$

Discounted Cash Flow Model

To determine the intrinsic value of Infineon Technologies AG, we employed the discounted cash flow (DCF) model.

The Free Cash Flow (FCF) projections over the forecasted period (Figure 54) illustrate a consistent increase, reflecting the Company's ability to leverage growth in its core segments. These cash flows were discounted using the WACC, calculated at 9.79%. Additionally, the assumed terminal growth rate of 2.5% was set to align with the average long-term growth of real GDP in the main regions where Infineon operates, ensuring a realistic growth assumption.

Based on these assumptions, the DCF model yielded and Enterprise Value of €55.774 billion, translating to an EV/EBIT multiple of 14.8x – a reasonable value considering the ones of the peer group that will be explored further in the *Multiples Valuation*.

Finally, after accounting for net debt and non-core results, the implied share price of Infineon as of 31st December 2025, was determined to be €39.87 (Figure 55), providing a comprehensive perspective on the Company's valuation and potential investment attractiveness.

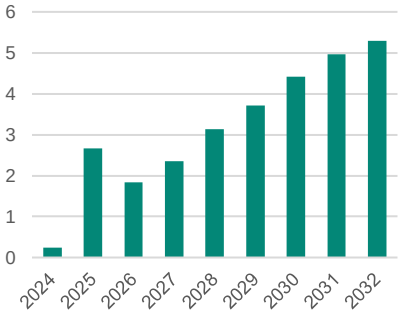

***Figure 54** – Projected FCF Evolution (€ Billion)*

Implied Enterprise Value	(€ Billion)
WACC	9,79%
Sum of DFCF	16,900
Terminal Value	38,874
Terminal Growth	2,5%
Enterprise Value	**55,774**
EV/EBIT	14,8

Equity Bridge	(€ Billion)
Enterprise Value	**55,774**
+ Non-core Items	0,388
- Net Debt	-3,935
Equity Value	52,228
# (Billion) Shares Outstanding	1,31
Share Value (€)	**39,87**

***Figure 55** – Infineon Implied Enterprise Value and Implied Share Price*

Multiples Valuation

Company	Operating Segments
NXP	• Automotive • Industrial • Communication Infrastructure • Mobile
ON Semi	• Power • Analog Solutions • Intelligent Sensing
Renesas	• Automotive • Industrial • Power • IoT
STMicro	• Automotive • Power • IoT

Figure 56 *– Infineon's Peer Group Operating Segments*
Source: Refinitiv

Company	EV/Sales	EV/EBITDA	EV/EBIT
Infineon	**2,8**	**10,0**	**17,3**
NXP	5,1	14,3	18,0
ON Semi	4,3	11,7	15,9
Renesas	3,5	10,6	18,1
STMicro	1,4	5,0	8,8
Share Price (€)	**40,4**	**32,8**	**30,9**

Figure 57 *– Multiples Valuation*

In the multiples' valuation analysis, we identified two sets of comparable firms:

A broader comparable group, including companies operating within the broader semiconductor industry, and a more refined peer group that were selected after a careful analysis of the financial structures, ratios, and operating segments of the companies in the broader group, therefore these are companies whose business models and financials are closely related with Infineon (Figure 56).

In the semiconductor industry, EBITDA, EBIT, and revenue-based multiples are commonly used as valuation metrics due to the capital-intensive nature of the sector, usually excluding the so common P/E multiples given variations in financing and tax structures across companies. Specifically, **EV/EBITDA** and **EV/EBIT** are particularly relevant because they reflect operating performance and can be compared across peers without the effects of capital structure and tax policies. **EV/Sales** is also a valuable metric, especially for growth-focused companies.

For our valuation analysis, the narrower peer group was utilized, as we believe it most accurately reflects Infineon's financial positioning. For the different evaluated multiples, the group median was taken as the industry benchmark to provide robustness and reduce sensitivity to outliers. Using this methodology, an EV/EBIT multiple range of 15.9 to 18.1 was applied, resulting in an implied share price range of €28.14 to €32.46.

Additionally, considering the industry's strong growth outlook, the EV/Sales multiple may provide a more appropriate perspective. Applying the industry median of 3.5, the analysis yields an implied share price of €40.30, aligning closely with the valuation derived through the DCF model.

Scenario Analysis

For our scenario analysis, we investigated how differently a base scenario, a worst-case scenario or a best-case scenario would impact the share price, as predicted by our DCF valuation. We looked into variables regarding revenues, like different market size growth across several segments, variables affecting Infineon's cost structure, like COGS and CAPEX and looked into how variations in certain assumptions like the risk-free rate, terminal growth rate or the tax rate would impact share price. By incorporating key variables related to revenues, costs, and the Weighted Average Cost of Capital (WACC), we were able to assess Infineon's potential valuation under varying market conditions and internal performance assumptions.

Scenario	Share Price (€)
Worst Case	21,78
Base Case	39,87
Best Case	74,51

Figure 58 *– Scenario Analysis*

The base case represents the most likely scenario, assuming stable growth in market size, moderate costs, and industry-standard assumptions for WACC and terminal growth. In the worst case, revenues are constrained by lower market size growth assumptions and higher costs, which naturally translate into a lower share price. The best case assumes strong market size growth, efficient cost management, and favourable financing conditions, resulting in a higher share price.

Furthermore, from our analysis we were also able to conclude that the share price is most sensitive to changes in the cost structure, ceteris paribus, arriving at a share price of 29,54€ for the worst case and 49,90€ for the best case. The costs section of the valuation exhibits higher sensitivity to changes compared to other inputs, such as revenues or discount rates, due to its direct and significant impact on profitability and cash flows. Since free cash flows (FCF) are derived from EBIT, any reduction in operating profits has a compounding effect on our DCF valuation. For this very reason, it is of extreme importance that Infineon is able to maintain its cost structure stable, as that is the input that promotes the biggest volatility regarding share price estimation. On the other hand, the share price is least sensitive to changes in the company´s WACC, namely in the cost of debt, cost of equity or in the market and risk-free returns, factors that fall outside of Infineon's scope of action and serve as assumptions for our DCF valuation, and more specifically for the computation of the discount factor. When testing our model for different WACC scenarios, it output a share value of 34,39€ for the worst case, and a share value of 48,87€ for the best-case scenario, both cases representing a variation around 15-20%, from the base-case scenario, ceteris paribus. From these values we concluded that the valuation itself is sound and robust and operational performance, more specifically revenues and cost structure, plays a far more significant role in determining valuation than the financing assumptions.

Beta	1,29	1,47	1,64	1,81	1,98
Re	11,27%	12,49%	13,71%	14,92%	16,14%

Figure 59 *– Cost of Equity Sensitivity to Beta*

Sensitivity Analysis

Firstly, a sensitivity analysis was conducted to assess how different values for the company's beta would affect its cost of equity. With a 95% confidence level, the true beta of the company's equity lies between 1.29 and 1.98 (Figure 59). Given such interval, the true value for the cost of equity shall fall between 11,27% and 16,14%. Secondly, it was computed how variations in the cost of equity and in the cost of debt would affect the WACC. It is presented as no surprise, that variations in the cost of equity translate into bigger changes in WACC than variations in the cost of debt, given that the WACC is the weighted average cost of capital, and Infineon's equity is 3.60 times higher than its debt. Given that, the WACC estimates

	Rd				
Re	9,79%	2,9%	3,2%	3,6%	4,0%	4,4%
	11,27%	8,05%	8,12%	8,19%	8,27%	8,36%
	12,49%	8,85%	8,92%	8,99%	9,07%	9,16%
	13,71%	9,65%	9,72%	9,79%	9,87%	9,96%
	14,92%	10,45%	10,52%	10,59%	10,67%	10,76%
	16,14%	11,25%	11,32%	11,39%	11,47%	11,56%

Figure 60 *– Cost of equity and cost of debt*

	Terminal Growth Rate				
WACC	39,87	1,5%	2,0%	2,5%	3,0%	3,5%
	8,05%	47,79	51,04	54,88	59,48	65,10
	8,92%	41,22	43,61	46,37	49,59	53,42
	9,79%	36,02	37,82	39,87	42,22	44,95
	10,67%	31,84	33,23	34,79	36,56	38,58
	11,56%	28,37	29,47	30,69	32,05	33,58

Figure 61 *– WACC and terminal growth rate*

Re	11,27%	12,49%	13,71%	14,92%	16,14%
WACC	8,19%	8,99%	9,79%	10,59%	11,39%

Figure 62 *– Cost of equity and WACC*

Rd	2,92%	3,24%	3,60%	3,96%	4,36%
WACC	9,65%	9,72%	9,79%	9,87%	9,96%

Figure 63 *– Cost of debt and WACC*

could range between 8,05% and 11,56% (Figure 60), implying a share price ranging from 30.69€ to 54.88€. Furthermore, an analysis considering WACC variations and terminal value was conducted, confirming that the terminal value is far less impactful on the share price than the WACC, nonetheless, together, the two inputs provide estimates ranging from 28,37€ up until 65,10€ (Figure 61), while terminal growth alone has share price ranging from 36,02€ to 44,95€.

Conclusion

Infineon Technologies AG presents a compelling investment opportunity. Being a leader in automotive and power semiconductors, the Company is well-positioned to benefit from key global trends such as digitalization, the green transition, and the spread of IoT and AI technologies.

Our valuation analysis supports a "Buy" recommendation, projecting a share price of €39.37 as of 31st December 2025, offering at least 20% upside from the current price of € 32.75.

The promising outlook is supported by Infineon's strong record, and the industry's favourable dynamics that further strengthen Infineon's growth potential.

As a key player capitalizing on transformative trends, Infineon is well positioned to deliver long-term value to its investors.

Appendix

Income Statement

	Historical Results							Forecasted Results							
Income Statement	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Millions															
Core Business															
Automotive	3284	3503	3521	4841	6516	8242	8423	10108	12533	15291	18349	20551	22195	23305	23771
% Growth		*7%*	*1%*	*37%*	*35%*	*26%*	*2%*	*20%*	*24%*	*22%*	*20%*	*12%*	*8%*	*5%*	*2%*
Green Industrial Power	1323	1418	1406	1542	1790	2205	1934	2303	2626	2994	3353	3688	3909	4027	4107
% Growth		*7%*	*-1%*	*10%*	*16%*	*23%*	*-12%*	*19%*	*14%*	*14%*	*12%*	*10%*	*6%*	*3%*	*2%*
Power & Sensor Systems	2318	2445	2650	3268	4070	3798	3088	4793	5465	6230	7102	7812	8281	8529	8700
% Growth		*5%*	*8%*	*23%*	*25%*	*-7%*	*-19%*	*55%*	*14%*	*14%*	*14%*	*10%*	*6%*	*3%*	*2%*
Connected Secure Systems	664	642	974	1397	1822	2046	1506	2561	3201	4002	5002	5903	6611	7008	7148
% Growth		*-3%*	*52%*	*43%*	*30%*	*12%*	*-26%*	*70%*	*25%*	*25%*	*25%*	*18%*	*12%*	*6%*	*2%*
Other	10	21	16	12	20	18	4	18	18	19	26	28	30	32	32
% of Revenue	*0,1%*	*0,3%*	*0,2%*	*0,1%*	*0,1%*	*0,1%*	*0,0%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*
Revenue	**7599**	**8029**	**8567**	**11060**	**14218**	**16309**	**14955**	**19784**	**23844**	**28534**	**33832**	**37981**	**41025**	**42900**	**43757**
% Growth		*6%*	*7%*	*29%*	*29%*	*15%*	*-8%*	*32%*	*21%*	*20%*	*19%*	*12%*	*8%*	*5%*	*2%*
Cost of Goods sold	-4714	-5035	-5791	-6800	-8087	-8896	-8886	-11277	-13523	-16103	-18998	-21222	-22809	-23732	-24086
% of Revenue	*62%*	*63%*	*68%*	*61%*	*57%*	*55%*	*59%*	*57%*	*57%*	*56%*	*56%*	*56%*	*56%*	*55%*	*55%*
% Gross Margin	*38%*	*37%*	*32%*	*39%*	*43%*	*45%*	*41%*	*43%*	*43%*	*44%*	*44%*	*44%*	*44%*	*45%*	*45%*
Selling, General and Administrative Expenses	-850	-865	-1042	-1354	-1565	-1599	-1554	-2176	-2623	-3139	-3722	-4178	-4513	-4719	-4813
% of Revenue	*11%*	*11%*	*12%*	*12%*	*11%*	*10%*	*10%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*
Research and Development Expenses	-836	-945	-1113	-1448	-1798	-1985	-1985	-2572	-3100	-3709	-4398	-4938	-5333	-5577	-5688
% of Revenue	*11%*	*12%*	*13%*	*13%*	*13%*	*12%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*
Core Result before Taxes	**1199**	**1184**	**621**	**1458**	**2768**	**3829**	**2530**	**3759**	**4598**	**5583**	**6714**	**7644**	**8371**	**8872**	**9170**
Statutory Taxes	-300	-332	-174	-408	-775	-1072	-708	-1053	-1287	-1563	-1880	-2140	-2344	-2484	-2567
Tax Adjustments	136	119	98	249	229	308	304	451	552	670	806	917	1004	1065	1100
Core Result after Taxes	**1035**	**972**	**545**	**1299**	**2222**	**3065**	**2125**	**3158**	**3862**	**4690**	**5640**	**6421**	**7031**	**7452**	**7702**
Non-Core Business															
Other Operating Income	332	56	76	64	129	192	58	163	190	191	258	282	298	319	323
% of Revenue	*4,4%*	*0,7%*	*0,9%*	*0,6%*	*0,9%*	*1,2%*	*0,4%*	*0,8%*	*0,8%*	*0,7%*	*0,8%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*
Other Opearting Expenses	-62	-79	-116	-52	-52	-73	-398	146	176	211	250	281	303	317	324
% of Revenue	*0,8%*	*1,0%*	*1,4%*	*0,5%*	*0,4%*	*0,4%*	*2,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*
Share of profit (loss) of associated and joint ventures accounted fc	-5	-6	-9	9	39	27	11	34	33	36	49	52	56	60	60
% of Revenue	*-0,1%*	*-0,1%*	*-0,1%*	*0,1%*	*0,3%*	*0,2%*	*0,1%*	*0,2%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*
Non-Core Result before Taxes	**265**	**-29**	**-49**	**21**	**116**	**146**	**-329**	**343**	**399**	**438**	**558**	**615**	**657**	**696**	**706**
Statutory Taxes	-66	8	14	-6	-32	-41	92	-96	-112	-123	-156	-172	-184	-195	-198
Tax Adjustments	30	-3	-8	4	10	12	-39	41	48	53	67	74	79	84	85
Currency effects	27	85	-543	90	1369	-718	-519	44	-398	-291	-215	-301	-269	-262	-277
Gains (losses) resulting from hedge accounting	-2	155	-213	64	4	9	9	3	3	3	3	3	3	3	3
Cost of hedging	0	-42	42	0	0	-4	6	0	0	0	0	0	0	1	2
Actuarial gains (losses) on pensions and similar commitments	-4	-153	21	128	310	17	-32	53	53	53	53	53	53	53	53
Profit (loss) from discontinued operations, net of income taxes	-143	-19	-4	-6	-7	-2	-479	0	0	0	0	0	0	1	2
Non-Core Result after Taxes	**107**	**2**	**-740**	**295**	**1769**	**-581**	**-1291**	**388**	**-7**	**133**	**309**	**271**	**339**	**381**	**376**
Financial															
Financial Income	15	26	29	22	7	105	119	72	87	104	123	138	149	156	159
% of Revenue	*0,2%*	*0,3%*	*0,3%*	*0,2%*	*0,0%*	*0,6%*	*0,8%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*	*0,4%*
Financial Expenses	-68	-98	-177	-182	-168	-159	-162	-256	-309	-370	-438	-492	-531	-556	-567
% of Revenue	*-0,9%*	*-1,2%*	*-2,1%*	*-1,6%*	*-1,2%*	*-1,0%*	*-1,1%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*	*-1,3%*
Financial Result before Taxes	**-53**	**-72**	**-148**	**-160**	**-161**	**-54**	**-43**	**-184**	**-222**	**-266**	**-315**	**-354**	**-382**	**-400**	**-408**
Statutory Taxes	13	20	41	45	45	15	12	-52	-62	-74	-88	-99	-107	-112	-114
Tax Adjustments	-6	-7	-23	-27	-13	-4	-5	-22	-27	-32	-38	-42	-46	-48	-49
Financial Result after Taxes	**-46**	**-59**	**-130**	**-143**	**-129**	**-43**	**-36**	**-258**	**-311**	**-372**	**-441**	**-495**	**-535**	**-559**	**-571**
Total Comprehensive Income	**1096**	**915**	**-325**	**1451**	**3862**	**2441**	**798**	**3288**	**3545**	**4451**	**5509**	**6197**	**6835**	**7274**	**7508**

Balance Sheet

	Historical Results							Forecasted Results							
Balance Sheet	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Millions															
Core Business															
Operating Cash	380	401	428	553	711	815	748	989	1192	1427	1692	1899	2051	2145	2188
% of Revenues	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Trade Receivables	971	888	1196	1483	1887	1991	2250	2529	3047	3647	4324	4854	5244	5483	5593
Average Collection Period	*47*	*40*	*51*	*49*	*48*	*45*	*55*	*47*	*47*	*47*	*47*	*47*	*47*	*47*	*47*
Inventories	1480	1701	2052	2181	3081	3974	3990	4049	4856	5783	6822	7621	8190	8522	8649
Average Holding Period	*115*	*123*	*129*	*117*	*139*	*163*	*164*	*131*	*131*	*131*	*131*	*131*	*131*	*131*	*131*
Current income tax receivables	52	83	77	57	58	63	101	97	123	160	177	203	221	228	234
% of Revenues	*0,7%*	*1,0%*	*0,9%*	*0,5%*	*0,4%*	*0,4%*	*0,7%*	*0,5%*	*0,5%*	*0,6%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*
Contract Assets	0	91	97	82	85	115	105	132	165	196	231	261	281	294	300
% of Revenues	*0,0%*	*1,1%*	*1,1%*	*0,7%*	*0,6%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*
Other Current Assets	366	770	530	518	625	959	1146	1183	1552	1917	2166	2485	2689	2788	2858
% of Revenues	*4,8%*	*9,6%*	*6,2%*	*4,7%*	*4,4%*	*5,9%*	*7,7%*	*6,0%*	*6,5%*	*6,7%*	*6,4%*	*6,5%*	*6,6%*	*6,5%*	*6,5%*
Trade Payables	-1181	-1089	-1160	-1569	-2260	-2765	-1990	-2797	-3354	-3994	-4712	-5263	-5657	-5886	-5974
Average Payable Period	*91*	*79*	*73*	*84*	*102*	*113*	*82*	*91*	*91*	*91*	*91*	*91*	*91*	*91*	*91*
Current Provisions	-590	-383	-436	-815	-983	-799	-698	-923	-1113	-1332	-1579	-1773	-1915	-2002	-2042
% of Revenues	*-8%*	*-5%*	*-5%*	*-7%*	*-7%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*	*-5%*
Current Income Tax Payables	-117	-144	-340	-288	-356	-418	-301	-467	-551	-636	-778	-866	-931	-979	-997
% of Revenues	*-1,5%*	*-1,8%*	*-4,0%*	*-2,6%*	*-2,5%*	*-2,6%*	*-2,0%*	*-2,4%*	*-2,3%*	*-2,2%*	*-2,3%*	*-2,3%*	*-2,3%*	*-2,3%*	*-2,3%*
Current Contract Liabilities	0	0	-4	-12	-26	-99	-75	-69	-98	-133	-146	-158	-177	-187	-188
% of Revenues	*0,0%*	*0,0%*	*0,0%*	*-0,1%*	*-0,2%*	*-0,6%*	*-0,5%*	*-0,3%*	*-0,4%*	*-0,5%*	*-0,4%*	*-0,4%*	*-0,4%*	*-0,4%*	*-0,4%*
Other Current Liabilities	-269	-406	-946	-860	-1135	-1186	-1509	-1491	-1797	-2151	-2550	-2863	-3092	-3233	-3298
% of Revenues	*-4%*	*-5%*	*-11%*	*-8%*	*-8%*	*-7%*	*-10%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*	*-8%*
Net Working Capital	**1092**	**1912**	**1494**	**1330**	**1687**	**2650**	**3767**	**3232**	**4023**	**4884**	**5646**	**6400**	**6904**	**7172**	**7323**
% of Change		*75%*	*-22%*	*-11%*	*27%*	*57%*	*42%*	*-14%*	*24%*	*21%*	*16%*	*13%*	*8%*	*4%*	*2%*
Property, Plant and Equipment	3038	3510	4110	4443	5545	7045	8002	9023	10254	11727	13473	15434	17551	19766	22024
% Change		*15,5%*	*17,1%*	*8,1%*	*24,8%*	*27,1%*	*13,6%*	*12,8%*	*13,6%*	*14,4%*	*14,9%*	*14,6%*	*13,7%*	*12,6%*	*11,4%*
Goodwill	764	909	5897	5962	7083	6547	6797	6797	6797	6797	6797	6797	6797	6797	6797
Straight-line															
Other Intangible Assets	832	896	3621	3349	3483	2977	2820	3731	4496	5381	6380	7162	7736	8089	8251
% of Revenues	*27,4%*	*11,2%*	*42,3%*	*30,3%*	*24,5%*	*18,3%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*	*18,9%*
Right-of-Use Assets	0	0	286	336	405	405	374	396	420	444	471	498	528	559	592
% of PPE	*0,0%*	*0,0%*	*7,0%*	*7,6%*	*7,3%*	*5,7%*	*4,7%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*	*5,9%*
Investments Accounted for using the equity method	37	29	87	71	100	114	117	110	114	114	113	113	113	113	113
Straight-line (MAA)															
Non-current income tax receivables	0	0	1	1	2	2	1	1	2	2	2	3	3	3	3
% of Revenues	*0,00%*	*0,00%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*	*0,01%*
Deferred Tax Assets	648	599	627	695	527	268	264	663	624	669	852	1028	1045	1085	1127
% of Revenues	*8,5%*	*7,5%*	*7,3%*	*6,3%*	*3,7%*	*1,6%*	*1,8%*	*3,3%*	*2,6%*	*2,3%*	*2,5%*	*2,7%*	*2,5%*	*2,5%*	*2,6%*
Other non-current Assets	137	145	191	225	314	389	471	391	417	426	412	418	419	416	418
Straight-line (MAA)															
Deferred Tax Liabilities	-9	-20	-293	-324	-371	-254	-177	-353	-360	-426	-539	-582	-631	-667	-675
% of Revenues	*-0,1%*	*-0,2%*	*-3,4%*	*-2,9%*	*-2,6%*	*-1,6%*	*-1,2%*	*-1,8%*	*-1,5%*	*-1,5%*	*-1,6%*	*-1,5%*	*-1,5%*	*-1,6%*	*-1,5%*
Other non-current provisions	-46	-283	-313	-319	-289	-300	-196	-342	-388	-444	-554	-610	-656	-692	-703
% of Revenues	*-0,6%*	*-3,5%*	*-3,7%*	*-2,9%*	*-2,0%*	*-1,8%*	*-1,3%*	*-1,7%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*	*-1,6%*
Non-current lease liabilities	0	0	-235	-265	-310	-309	-284	-301	-298	-294	-298	-297	-296	-297	-297
Straight-line (MAA)															
Non-current contract liabilities	0	0	0	-13	-6	-27	-152	-40	-48	-57	-68	-76	-82	-86	-88
% of Revenues	*0,0%*	*0,0%*	*0,0%*	*-0,1%*	*0,0%*	*-0,2%*	*-1,0%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*	*-0,2%*
Other non-current liabilities	-137	-165	-222	-200	-197	-165	-851	-404	-473	-576	-485	-511	-524	-507	-514
Straight-line (MAA)															
Core Non-Current Assets and Liabilitites	**5264**	**5620**	**13757**	**13961**	**16286**	**16692**	**17186**	**19673**	**21556**	**23763**	**26556**	**29378**	**32002**	**34579**	**37050**
Core Invested Capital	**6356**	**7532**	**15251**	**15291**	**17973**	**19342**	**20953**	**22905**	**25579**	**28646**	**32202**	**35778**	**38906**	**41751**	**44373**
Non-Core Business															
Assets classified as held for sale	11	12	0	9	0	0	0	0	0	0	0	0	0	0	0
Financial Investments	1811	2758	1376	2173	2279	1770	395	1481	1215	1031	1242	1163	1145	1184	1164
Pensions and Similar Commitments	-552	-733	-739	-617	-297	-268	-303	-289	-287	-293	-290	-290	-291	-290	-290
Non-Core Invested Capital	**1270**	**2037**	**637**	**1565**	**1982**	**1502**	**92**	**1192**	**929**	**738**	**953**	**873**	**854**	**893**	**874**
Total Invested Capital	**7626**	**9569**	**15888**	**16856**	**19955**	**20844**	**21045**	**24097**	**26508**	**29384**	**33154**	**36651**	**39760**	**42645**	**45247**
Financial															
Excess Cash	-352	-620	-1423	-1196	-727	-1005	-1058	-1210	-1538	-1868	-2156	-2452	-2650	-2758	-2822
% of Revenues	*-4,6%*	*-7,7%*	*-16,6%*	*-10,8%*	*-5,1%*	*-6,2%*	*-7,1%*	*-6,1%*	*-6,5%*	*-6,5%*	*-6,4%*	*-6,5%*	*-6,5%*	*-6,4%*	*-6,4%*
Short-term financial debt and current portion of long-term fin	25	22	505	833	752	330	500	527	452	493	491	479	488	486	484
Current Lease Liabilities	0	0	59	66	76	72	73	76	81	86	91	96	102	108	114
% Right-of-Use Assets			*20,6%*	*19,6%*	*18,8%*	*17,8%*	*19,5%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*	*19,3%*
Long-term Financial Debt	1507	1534	6528	5752	4910	4403	4311	4541	4418	4424	4461	4434	4440	4445	4440
Net Financial Debt	**1180**	**936**	**5669**	**5455**	**5011**	**3800**	**3826**	**3935**	**3414**	**3134**	**2887**	**2557**	**2379**	**2281**	**2216**
Total Equity	**6446**	**8633**	**10219**	**11401**	**14944**	**17044**	**17219**	**20162**	**23094**	**26250**	**30267**	**34094**	**37381**	**40364**	**43030**

Cash Flow Map

	Historical							Forecasted							
Free Cash Flows	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Millions															
EBIT	1199	1184	621	1458	2768	3829	2530	3759	4598	5583	6714	7644	8371	8872	9170
Income Taxes	-300	-332	-174	-408	-775	-1072	-708	-1053	-1287	-1563	-1880	-2140	-2344	-2484	-2567
Tax Adjustments	136	119	98	249	229	308	304	451	552	670	806	917	1004	1065	1100
NOPLAT	**1035**	**972**	**545**	**1299**	**2222**	**3065**	**2125**	**3158**	**3862**	**4690**	**5640**	**6421**	**7031**	**7452**	**7702**
Depreciation & Amortization	861	945	1260	1513	1664	1754	1865	2442	2944	3523	4177	4689	5065	5296	5402
% of PPE	*28,3%*	*26,9%*	*30,7%*	*34,1%*	*30,0%*	*24,9%*	*23,3%*	*27,1%*	*28,7%*	*30,0%*	*31,0%*	*30,4%*	*28,9%*	*26,8%*	*24,5%*
Operating Free Cash Flow	**1896**	**1917**	**1805**	**2812**	**3886**	**4819**	**3990**	**5600**	**6806**	**8212**	**9817**	**11110**	**12096**	**12748**	**13104**
CAPEX		1481	4871	1624	2969	2748	2634	3464	4174	4995	5923	6649	7182	7510	7661
Changes in Net Working Capital		821	-418	-164	357	964	1116	-535	791	861	762	754	504	267	152
Free Cash Flow	**1896**	**-385**	**-2648**	**1352**	**560**	**1108**	**240**	**2671**	**1841**	**2356**	**3131**	**3706**	**4410**	**4971**	**5292**

Segment Results

	Historical Results							Forecasted Results							
Revenue Model (Top-Down Approach)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
€ in Billions															
Revenue by Segment															
Automotive	3	4	4	5	7	8	8	10	13	15	18	21	22	23	24
Market Size	*39*	*38*	*38*	*49*	*58*	*64*	*62*	*70*	*82*	*97*	*115*	*128*	*139*	*146*	*148*
% Market Share	*8,4%*	*9,2%*	*9,2%*	*9,9%*	*11,2%*	*12,8%*	*13,5%*	*14,5%*	*15,2%*	*15,7%*	*16,0%*	*16,0%*	*16,0%*	*16,0%*	*16,0%*
% GoM Infineon		*9%*	*0%*	*10%*	*16%*	*16%*	*5%*	*8%*	*6%*	*4%*	*2%*	*0%*	*0%*	*0%*	*0%*
(Green) Industrial Power Control	1	1	1	2	2	2	2	2	3	3	3	4	4	4	4
Market Size	*30*	*28*	*30*	*39*	*41*	*38*	*38*	*42*	*48*	*54*	*61*	*67*	*71*	*73*	*75*
% Market Share	*4,4%*	*5,1%*	*4,7%*	*3,9%*	*4,4%*	*5,8%*	*5,1%*	*5,5%*	*5,5%*	*5,5%*	*5,5%*	*5,5%*	*5,5%*	*5,5%*	*5,5%*
% GoM Infineon		*15%*	*-8%*	*-21%*	*11%*	*30%*	*-12%*								
Power & Sensor Systems	2	2	3	3	4	4	3	5	5	6	7	8	8	9	9
Market Size	*277*	*235*	*283*	*358*	*341*	*291*	*390*	*437*	*498*	*568*	*647*	*712*	*755*	*778*	*793*
% Market Share	*0,8%*	*1,0%*	*0,9%*	*0,9%*	*1,2%*	*1,3%*	*0,8%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*	*1,1%*
% GoM Infineon		*21%*	*-12%*	*-3%*	*29%*	*8%*	*-53%*								
Connected Secure Systems	1	1	1	1	2	2	2	3	3	4	5	6	7	7	7
Market Size	*192*	*228*	*245*	*284*	*336*	*393*	*434*	*512*	*640*	*800*	*1000*	*1181*	*1322*	*1402*	*1430*
% Market Share	*0,3%*	*0,3%*	*0,4%*	*0,5%*	*0,5%*	*0,5%*	*0,3%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*	*0,5%*
% GoM Infineon		*-22%*	*44%*	*28%*	*12%*	*-5%*	*-37%*								
Total	**8**	**8**	**9**	**11**	**14**	**16**	**15**	**20**	**24**	**29**	**34**	**38**	**41**	**43**	**44**

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Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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