



**ChipMOS TECHNOLOGIES INC. Q2 2021 Earnings Conference Call**  
**August 10, 2021 3:00 PM Taiwan**

**Company Participants**

S.J. Cheng – Chairman and President  
Silvia Su – Vice President-Finance and Accounting Management Center  
Jesse Huang – Spokesperson and Senior Vice President-Strategy and Investor Relations.  
G.S. Shen – Technical Deputy Director-Strategy and Investor Relations

**Conference Call Participants**

Jerry Su - Credit Suisse

**Operator**

Greetings, and welcome to the ChipMOS Second Quarter 2021 Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. I would now like to turn the conference over to Dr. GS Shen, of ChipMOS TECHNOLOGIES Strategy and Investor Relations team to introduce the management team of the Company in Conference. Dr. Shen, you may begin.

**GS Shen**

Thank you, operator. Welcome everyone to ChipMOS' second quarter 2021 results conference call. Joining us today from the company are Mr. S.J. Cheng, Chairman and President; and Ms. Silvia Su, Vice President of Finance and Accounting Management Center. We are also joined on the call today by Mr. Jesse Huang, Spokesperson and Senior Vice President of Strategy and Investor Relations. S.J. will chair the meeting and review business highlights and provide color on the operating environment. After Silvia's review of the company's key financial results, SJ will provide our current business outlook. All company executives will then participate in an open Q&A session.

Please note, we have posted a presentation on the MOPS and the ChipMOS' website [www.chipmos.com](http://www.chipmos.com) to accompany today's conference call. Before we begin the prepared comments, we advise you to review our forward-looking statements disclaimer, which is noted as the "Safe Harbor Notice" on the second page of today's presentation. As a reminder, today's conference call is being recorded and a replay will be made available later today on the Company's website.

At this time, I'd like to now turn the call over to our company's Chairman and President, Mr. S.J. Cheng. Please go ahead, sir.

**S.J. Cheng**

Yes, thank you, GS. We appreciate everyone joining our call today. We achieved record quarterly revenue in Q2 2021, and have now delivered over 22% revenue growth in the first half of 2021 compared to 2020. Our assembly and DDIC high end test platforms remain near full utilization level and we are adding capacity given continuing strong market demand. Both ASP increased and high utilization level both led revenue grew and profit improved. Let me give you some highlights from the quarter:



- First, we achieved a new quarterly revenue record with a 28.6% increase in Q2 2021 revenue year over year. This is up 8% over Q1 2021.
- Gross Margin increased 40 basis points for Q2 2021 to 28.2% compared to Q1 2021.
- And we achieved a 33.3% increase in Q2 EPS, NT\$ 1.76, compared to NT\$ 1.32 of Q1 2021, with a 78% increase in the first half 2021, NT\$ 3.08, compared to the first half 2020.

I am very pleased that our profitability growth is higher than our revenue growth. Our operating expense maintained 6.6% of Q2 revenue.

The overall utilization improved to 87% in Q2. Assembly utilization level maintained at 94% in Q2 2021, with tightness continuing from Q1 2021, even with added capacity. Testing also significantly increased to 87%. Lastly, despite the non-linear wafer supply led DDIC and gold bump utilization level fluctuations, however our high-end DDIC test platforms remained fully utilized in Q2. We also added capacity here but that became quickly used.

Regarding our manufacturing business, assembly represented about 30.3% of Q2 revenue. Testing represented around 22% and wafer bumping represented more than 18% of Q2 revenue. On a product segment basis, our DDIC, including COG and COF, was more than 29% of Q2 revenue, with gold bumping representing around 16% of Q2 revenue. Revenue from DRAM and SRAM represented 18.2% of Q2 revenue. Our Flash segment and the Mixed-signal segment represented around 25% of Q2 revenue and 11.5% of Q2 revenue, respectively. In the meantime, Mixed-signal product segment grew around 26% compared to Q1 2021 and increased around 37% year-over-year.

In terms of adding color on our business, our memory product benefitted from strong demand across all end markets with growth in computing, IoT, and Consumer electronics, including gaming. Revenue was up 7.4% in Q2 2021 compared to Q1 2021 and up about 29.6% year over year. Memory products represented around 43.1% of total Q2 revenue. DRAM revenue increased about 20% compared to Q1 2021, led by higher Consumer and Automotive electronics demand. Total Flash revenue was flat in Q2 compared to Q1 2021 because of tight capacity. NOR and Mask ROM grew about 3% in Q2 compared to Q1 2021 and grew more than 67% year-over-year. Our NAND Flash business declined about 5%, but grew about 38% over Q2 2020. This represented about 30% of our total Q2 2021 Flash revenue.

Moving onto Driver IC-related product revenue, this increased about 4.8% compared to Q1 2021 and significantly increased about 26% compared to Q2 2020. Driver IC-related revenue was just over 45% of total Q2 revenue. Total DDIC revenue, including COG and COF, was up about 24.5% year-over-year and increased about 9% compared to Q1 2021. We are benefitting from cooperation projects with some key customers. This helped the DDIC revenue ratio of COF increase about 12% compared to Q1 2021 and represented about 45% in Q2. TDDI revenue increased about 4% in Q2 compared to Q1 2021 and represented about 29.4% of Q2 DDIC revenue. OLED grew significantly and represented about 4.2% of Q2 DDIC revenue.

On an end market basis, revenue from Automotive and Industrial increased to 14% of Q2 revenue. We continue to see long-term growth in both Auto and Industrial. Smartphones and TV, as an end market, accounted 36% and 16% of Q2 2021 revenue, respectively. Computing represented about 12% and consumer represented about 22% of Q2 revenue.



Now let me turn the call to Ms. Silvia Su, to review the second quarter 2021 financial results. Silvia, please go ahead.

Silvia Su

Thank you S.J.

All dollar amounts cited in our presentation are in NT dollars. The following numbers are based on the exchange rates of NT\$ 27.91 against US\$ 1 as of June 30, 2021. All the figures were prepared in accordance with Taiwan-International Financial Reporting Standards.

**Referencing presentation Page12 Consolidated Operating Results Summary**

For the second quarter of 2021, total revenue was NT\$ 6,982 million.

Net profit attributable to the Company was NT\$ 1,284 million in Q2.

Net earnings for the second quarter of 2021 were NT\$ 1.76 per basic common share or US\$ 1.26 per basic ADS. We achieved a 78% increase in net earnings for the first half of 2021 to NT\$ 3.08 from NT\$ 1.73 in the first half of 2020.

EBITDA for Q2 was NT\$ 2,696 million. EBITDA was calculated by adding depreciation and amortization together with operating profit.

Return on equity of Q2 was 22.9%.

**Referencing presentation Page13 Consolidated Statements of Comprehensive Income Compared to 1Q21:**

Total 2Q21 revenue increased 8.0% compared to 1Q21.

2Q21 Gross profit was NT\$ 1,966 million, with gross margin at 28.2% compared to 24.2% in 1Q21. This represents an increase of 4.0ppts.

Our operating expenses in 2Q21 were NT\$ 463 million, or 6.6% of total revenue, which is about a 9.0% improvement compared to 1Q21.

Operating profit for 2Q21 was NT\$ 1,540 million, with operating profit margin at 22.1%, which is about an increase of 4.2ppts compared to 1Q21.

Net non-operating expenses in 2Q21 were NT\$ 19 million compared to net non-operating income in 1Q21. The difference is mainly due to the increase of foreign exchange loss of NT\$ 55 million, the increase of loss on valuation of financial assets at fair value through profit or loss of NT\$ 13 million and partially offset by the increase of the share of gain of associates accounted for using equity method of NT\$ 23 million.

Profit attributable to the Company in 2Q21 expanded 33.8% compared to 1Q21.

Basic weighted average outstanding shares were 727 million shares.

**Compared to 2Q20:**

Total revenue for 2Q21 was up 28.6%.

Gross margin increased 7.5ppts to 28.2%.

Operating expenses increased 16.2%.

Operating profit margin increased 7.6ppts to 22.1%.



Net non-operating expenses in 2Q21 were NT\$ 19 million compared to net non-operating expenses in 2Q20. The difference is mainly due to the increase of the share of gain of associates accounted for using equity method of NT\$ 64 million, the decrease of foreign exchange loss of NT\$ 59 million and partially offset by the increase of loss on valuation of financial assets at fair value through profit or loss of NT\$ 18 million.

Profit was up 135.6% compared to 2Q20. The difference is mainly due to the increase of the gross profit of NT\$ 842 million and partially offset by the increase of income tax expense of NT\$ 126 million.

#### **Referencing presentation Page14 Consolidated Statements of Financial Position & Key Indices**

Total assets at the end of 2Q21 were NT\$ 38,184 million.

Total liabilities at the end of 2Q21 were NT\$ 15,132 million.

Total equity at the end of 2Q21 was NT\$ 23,052 million.

Accounts receivable turnover days in 2Q21 were 74 days.

Inventory turnover days were 44 days in 2Q21.

#### **Referencing presentation Page15 Consolidated Statements of Cash Flows**

As of June 30, 2021, our balance of cash and cash equivalents was NT\$ 5,399 million, increased NT\$ 1,286 million compared to the beginning of Q1.

Free cash flow for the first half of 2021 was NT\$ 1,768 million compared to NT\$ 1,431 million for the same period in 2020. The difference is mainly due to the increase of operating profit of NT\$ 1,010 million and depreciation expenses of NT\$ 231 million and partially offset by the increase of CapEx of NT\$ 747 million and income tax expenses of NT\$ 169 million.

Free cash flow was calculated by adding depreciation, amortization, interest income together with operating profit and then subtracting CapEx, interest expense, income tax expense and dividend from the sum.

#### **Referencing presentation Page 16 Capital Expenditures and Depreciation**

We invested NT\$ 1,586 million in CapEx in Q2.

The breakdown of CapEx was 11.7% for bumping, 54.6% for LCD Driver, 21.5% for assembly and 12.2% for testing.

Depreciation expenses were NT\$ 1,156 million in Q2.

As of July 31, 2021, the Company's outstanding ADS number was approximately 4 million units, which represents around 11.5% of the Company's outstanding common shares.

**That concludes the financial review. I will now turn the call back to our Chairman Mr. S.J. Cheng for our outlook. Please go ahead, sir.**

#### **SJ Cheng**

Thank you, Silvia. Our main end markets continue to recover, with positive trends expected to continue in our all product segments. Profit is also expected to improve as the OSAT ASP is increasing, with a stable high utilization level. We are cooperating closely with customers and watching utilization levels as we work through a tightened wafer supply. We expect to achieve growth in Q3 and the second half even with the bottleneck.



In memory, we are further increasing assembly and test capacity to meet increased capacity demand from customers, with demand increasing above expectations in Consumer and Auto electronics. We are benefiting from healthy demand in DRAM aided by customers re-stocking inventory. We expect our Flash businesses, including NOR and NAND, will continue to grow with momentum gradually bolstered as demand increases through Q3 2021. Overall, the memory growth momentum is expected to be better than DDIC in Q3.

For DDIC, we expect continued growth led by strong demand. Tightened wafer supply is expected to continue in Q3, which causes DDIC utilization level fluctuations. Regarding Mixed-signal, we expect to see continued growth in Q3 2021 as major customers re-stocking.

Finally, our 2020 dividend of NT\$ 2.2 per common share was approved at our July AGM. It is scheduled to be distributed at the end of August. We expect our 2021 dividend will be higher than 2020, based on our positive business trends and cautiously optimistic 2021 outlook.

Operator, that concludes our formal remarks, we can now take questions.

#### **Question-and-Answer Session**

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator provides Q&A instructions]

Our first question comes from Jerry Su from Credit Suisse. You may begin.

Jerry Su

Congratulations for the good performance and Q2 results. Please comment on the contribution for the gross margin rate increasing around 4 ppts from price hikes and utilization rate improvement, separately.

SJ Cheng

Thanks. Gross Margin increased 40 basis points for Q2 2021 to 28.2% compared to Q1 2021. We are adding capacity given continuing strong market demand. Our assembly and DDIC high end test platforms remain near full utilization levels and both ASP increased and high utilization level both led revenue growth and profit improvement. The average price increase from all product lines was about 5 to 6%.

Jerry Su

Based on your Q3 outlook, memory will grow better than DDIC and assembly and test ASP will increase. Does it mean including both memory and DDIC?

SJ Cheng



Due to longer machine and raw material lead time caused by tight capacity, we have reflected memory assembly contract price starting from July. As for DDIC, despite tight wafer supply, customers are allocating more of their wafers to high-end product, such as FHD TDDI, OLED and high frequency TV, which also requires our high-end test platform support. Therefore, we also reflect the price for some customers.

Jerry Su

Speaking of tight wafer supply, does chairman see any sign of loosened DDIC wafer foundry capacity supply?

SJ Cheng

Currently, no such sign appears. For those customers owning better technical capability and stronger bargaining power, it is easier to get wafer foundry support to meet their wafer quantity demand.

Jerry Su

Based on Chairman's memory outlook, do you see the possibility of a market price downturn in Q4 or Q1 next year? And how would it influence Company's business performance? Under that circumstance, would any take-or-pay or long term business contracts be considered?

SJ Cheng

We published that our July revenue grew 2.4% compared to June. Basically, we are optimistic for second half of this year. Our memory business comes from two segments; one is more like commodity and the other one is niche. Even the commodity memory could fluctuate. We see more stable and growing demand from the niche memory like low density DRAM, NOR and NAND. Our customers are also shrinking their wafer technology to increase the chip quantity. So we are expanding capacity to meet customers' demand.

Jerry Su

OK, thanks Chairman.

Operator

Thank you. And I am not showing any further questions in the queue. I would like to turn the call back over to GS.

GS Shen

Thank you, I will orally read some questions from foreign institutional investors.

The question is asking about Unimos.

Could company give an update on the recent performance of Unimos? Is Unimos now profitable on an ongoing basis?



Jesse Huang

UniMOS was profitable since Q1 2021 led by higher demand and operational improvements. ChipMOS recognized about 60.1MNTD profit in Q2 2021. We expect Unimos to have further improvements with the continuing growth of its 3D NAND flash business from YMTC.

GS Shen

That concludes our question-and-answer session. Thank you for participating. I'll turn the floor back to Mr. S.J. Cheng for any closing comments.

S.J. Cheng

Thank you everyone for joining our conference call. Please email our IR Team if you have any more questions. We appreciate your support. Goodbye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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