



**ChipMOS TECHNOLOGIES INC. Q4 and Full Year 2021 Earnings Conference Call  
February 24, 2022 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

**Operator**

Greetings, and welcome to the ChipMOS Fourth Quarter and Full Year 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, Technical Deputy Director-Strategy and Investor Relations**

Thank you, operator. Welcome everyone to ChipMOS' fourth quarter and full year 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 also on 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, Chairman and President**

Yes, thank you, GS. We appreciate everyone joining our call today.

I am very pleased with our Team's work in 2021. It was a challenging year for everyone in the industry with COVID-19 and supply constraints. We were in position to capture higher volumes of the higher margin segments we have been expanding. Finally, while Q4 was slightly lower than Q3 this reflects normal seasonal patterns. Our business and underlying demand trends remain strong entering 2022 and we are very positive about our business. Revenue and profit of 2021 were both the new record high of ChipMOS. Let me give you some highlights:

- First, we achieved a new full year revenue, NT\$ 27.4 Billion with a 19.1% increase in 2021 revenue.



- Gross Margin increased 460 basis points for 2021 to 26.5% compared to 2020.
- We achieved a new net earnings record, NT\$ 6.96, in 2021 with a 113.5% increase in 2021 compared to 2020, NT\$ 3.26, and NT\$ 1.95 in Q4 EPS.

We continue to stress operating efficiency targets and utilization improvement and maintain operating expense healthy level, and it was at 6.9% of Q4 revenue.

The overall utilization was 76% in Q4, it decreased compared to Q3 given the capacity we have been adding, and some wafer tightness which slowed loading rates. We saw this most in Assembly utilization, which decreased to 67% in Q4 2021. Testing held at 80%. Driven by strong demand from OLED DDIC and Automotive applications, our high-end DDIC test platform remained fully utilized in Q4. DDIC and Bumping UT level remained at around 78% and 83% respectively, despite the non-linear wafer supply led.

Regarding our manufacturing business, assembly represented 27% of Q4 revenue. Testing represented just over 21% and wafer bumping represented about 20% of Q4 revenue. On a product segment basis, our DDIC, including COG and COF, was about 31.6% of Q4 revenue, with gold bumping representing about 18% of Q4 revenue. Revenue from DRAM and SRAM represented about 16.8% of Q4 revenue. Our Flash segment and the Mixed-signal segment represented about 23% of Q4 revenue and 10.5% of Q4 revenue, respectively.

In terms of adding color on our business, our memory product revenue was up about 2% on a year over year basis and down 12.7% compared to Q3 2021, led by seasonally adjusted and yearend inventory. Memory products represented about 40% of total Q4 revenue. 2021 full year memory revenue was up 19.8%, driven by IoT and Consumer electronics demand growth, including gaming and increased assembly price. DRAM revenue represented about 16% of total Q4 revenue, down about 14.3% compared to Q3 2021, but up about 2% year over year. DRAM was also increased about 4% for the full year 2021.

Total Flash revenue grew about 5% year over year but declined about 11.5% compared to Q3 2021. Flash revenue represented about 23% of Q4 revenue, as we benefitted from further diversification in the applications we serve combined with customers' continued re-stocking. 2021 full year Flash revenue grew significantly and was up 33.6%. NOR increased more than 45% and NAND increased about 12%. This represented about 30% of total Flash revenue in 2021.

Moving onto Driver IC-related product revenue, including gold bumping. Our test ASP increased driven by customers optimizing their product mix, and benefitted from higher OLED and Auto demand. These would have been even higher but we continue to work through ongoing industry-wide wafer supply bottlenecks from foundry capacity constraints. Despite the supply constraints, our Driver IC-related product revenue increased about 6.6% compared to Q4 2020 and was up about 3.3% compared to Q3 2021. Driver IC-related revenue was about 49.5% of total Q4 revenue, and was up about 15% in 2021 driven by price increases and our high end test platform being fully utilized. Total DDIC revenue, including COG and COF, was up just over 13% year-over-year and up slightly over Q3 2021, and up more than 18% for the full year 2021 with COF revenue representing about 44% of total DDIC revenue for the full year 2021. TDDI revenue increased more than 11% compared to Q3 2021 and represented 27% of Q4 DDIC revenue. OLED grew significantly by more than 15% compared to Q3 2021 and represented more than 5% of Q4 DDIC revenue.



On an end market basis, we benefitted from strong demand from Automotive electronics applications. Revenue from Automotive and Industrial increased to 17.5% of Q4 revenue and grew around 80% in 2021 compared to 2020. Meanwhile, driven by strong demand for car display panels, the DDIC portion of Auto grew to more than 1/3. Smartphones and TV, as an end market, accounted about 33.5% and about 17% of Q4 2021 revenue, respectively. Computing represented about 6% and consumer represented 26% of Q4 revenue.

**Now let me turn the call to Ms. Silvia Su, to review the fourth quarter and full year 2021 financial results. Silvia, please go ahead.**

**Silvia Su, Vice President-Finance and Accounting Management Center**

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\$ 27.74 against US\$1 as of December 30, 2021.

All the figures were prepared in accordance with Taiwan-International Financial Reporting Standards.

**Referencing presentation Page12 Consolidated Operating Results Summary**

For the fourth quarter of 2021, total revenue was NT\$ 6,791 million.

Net profit attributable to the Company was NT\$ 1,418 million in Q4.

Net earnings for the fourth quarter of 2021 were NT\$ 1.95 per basic common share or US\$ 1.41 per basic ADS.

EBITDA for Q4 was NT\$ 2,490 million. EBITDA was calculated by adding depreciation and amortization together with operating profit.

Return on equity of Q4 was 24.0%.

**Referencing presentation Page13 Consolidated Statements of Comprehensive Income Compared to 3Q21:**

Total 4Q21 revenue decreased 5.2% compared to 3Q21.

4Q21 Gross profit was NT\$ 1,769 million, with gross margin at 26.0% compared to 27.3% in Q3. This represents a decrease of 1.3ppts.

Our operating expenses in Q4 were NT\$ 467 million, or 6.9% of total revenue, which is about a 0.8% improvement compared to Q3.

Operating profit for Q4 was NT\$ 1,336 million, with operating profit margin at 19.7%, which is about a 1.6ppts decrease compared to Q3.

Net non-operating income in Q4 were NT\$ 319 million compared to NT\$ 148 million in 3Q21. The difference is mainly due to an increase of the share of gain of associates accounted for using equity method of NT\$ 190 million and partially offset by the increase of loss on valuation of financial assets at fair value through profit or loss of NT\$ 12 million and the foreign exchange losses of NT\$ 8 million.

Profit attributable to the Company in Q4 expanded 1.3% compared to Q3.

Basic weighted average outstanding shares were 727 million shares.

**Compared to 4Q20:**

Total revenue for 4Q21 was up 7.6%.

Gross margin at 26.0% increased 1.6ppts compared to 4Q20.



Operating expenses increased 13.1% compared to 4Q20.

Operating profit margin at 19.7% increased 1.3ppts compared to 4Q20.

Net non-operating income of NT\$ 319 million in 4Q21 compared to net non-operating expenses of NT\$ 278 million in 4Q20 which increased NT\$ 597 million. The difference is mainly due to an increase of the share of gain of associates accounted for using equity method of NT\$ 439 million, a lower foreign exchange losses of NT\$ 150 million and the interest expense of NT\$ 5 million.

Profit were up 106.5% compared to 4Q20. The difference between 4Q21 and 4Q20 is mainly due to an increase of operating profit of NT\$ 176 million and the net non-operating income of NT\$ 597 million and partially offset by the increase of income tax expense of NT\$ 42 million.

### **Referencing presentation Page14 Consolidated Statements of Comprehensive Income Compared to last year:**

Total revenue for 2021 was NT\$ 27,400 million, which is up 19.1% compared to 2020. As SJ mentioned, this was a record level for the company.

Gross margin increased to 26.5%, up 4.6ppts compared to 2020.

Our operating expenses in 2021 were NT\$ 1,817 million, which was up 13.5% compared to 2020.

Operating profit margin in 2021 was 20.3%, an improvement of 4.8ppts compared to 2020.

Net non-operating income in 2021 was NT\$ 473 million. The difference mainly due to an increase of the share of gain of associates accounted for using equity method of NT\$ 773 million, a lower foreign exchange losses of NT\$ 266 million and the interest expense of NT\$ 41 million.

Net profit in 2021 was NT\$ 5,059 million, which was up 113.7% compared to 2020. The difference due to an increase of the operating profit of NT\$ 1,996 million and net non-operating income of NT\$ 1,066 million and partially offset by the increase of income tax expense of NT\$ 371 million.

Net earnings for the year of 2021 were NT\$ 6.96 per basic common share compared to NT\$ 3.26 per basic common share for 2020.

### **Referencing presentation Page15 Consolidated Statements of Financial Position & Key Indices**

Total assets at the end of 4Q21 were NT\$ 42,523 million.

Total liabilities at the end of 4Q21 were NT\$ 18,137 million.

Total equity at the end of 4Q21 was NT\$ 24,386 million.

Accounts receivable turnover days in 4Q21 were 84 days.

Inventory turnover days was 53 days in 4Q21.

### **Referencing presentation Page16 Consolidated Statements of Cash Flows**

As of December 31, 2021, our balance of cash and cash equivalents was NT\$ 5,906 million, increased NT\$ 1,793 million compared to the beginning of the year.

Free cash flow for the year was NT\$ 956 million compared to NT\$ 1,559 million in 2020. The difference is mainly due to an increase of operating profit of NT\$ 1,996 million and depreciation expenses of NT\$ 459 million and partially offset by the increase of CapEx of NT\$ 2,419 million, income tax expense of NT\$ 371 million and cash dividend paid of NT\$ 291 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 17 Capital Expenditures and Depreciation**



We invested NT\$ 2,685 million in CapEx in Q4 and NT\$ 6,553 million in CapEx in 2021.

The breakdown of CapEx in Q4 was 4.6% for bumping, 34.8% for LCD Driver, 25.1% for assembly and 35.5% for testing.

Depreciation expenses were NT\$ 1,155 million in Q4.

Depreciation expenses were NT\$ 4,634 million in 2021.

As of January 31, 2022, the Company's outstanding ADS number was approximately 4.5 million units, which represents around 12.4% 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, Chairman and President**

Thank you, Silvia. While we are pleased with our progress and record results in 2021, we think there is still more room for improvement. Despite Q1 is typically impacted by seasonally shortened workday schedules. However, we are cautiously optimistic for Q1 for current healthy customers' demand and supply chain situation.

In our memory product, momentum is improving and we will work to offset seasonality in Q1 with flat to slightly up segment revenue. We expect growth in DRAM against the trend with near-term upside coming from rush orders. We expect healthy demand momentum in NAND as we benefit from customers re-stocking inventory.

And in DDIC, customer momentum is healthy, with our high end test platform fully utilized led by strong demand from OLED and automotive applications. We strategically extended new DDIC high end test capacity to meet such strong demand and have added take or pay contracts with customers for the new test platform. This will help ensure the UT level in the future 3 years of the new capacity added. However, we do expect DDIC revenue to come down a little in Q1 due to the longer lead time of our test platform and shortened workday schedule. On the plus side, we expect to increase our test pricing over the near term based on high end test capacity remains tight and industry healthy situation.

Finally, reflecting our business strength, positive outlook and focus on building shareholder value, our Board approved another dividend. Pending shareholder approval at our May AGM, we will distribute NT\$ 4.3 per common share.

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.

Please give us more color about your statement. Regarding better memory visibility of DRAM and Flash in 1Q22, why is this segment not impacted by seasonal adjustment as the regular pattern? Besides, could you further quantify the DDIC outlook in 1Q22 caused by less working day as mentioned?

SJ Cheng

As you know, there was a COVID-19 pandemic event in Xian recently. We benefitted by receiving some rush orders from customers for commodity DRAM.

For DDIC, our high end test platform remains tight and fully utilized led by strong demand from OLED and automotive applications. We strategically extended new DDIC high end tester capacity to meet such strong demand and have added 3 year take or pay contracts with customers for the new test platform to help ensure the UT level in the future. There should be around a 4% capacity increase in 1Q22, and a total 16 to 17% in 2022. In the meantime, the package format is switching to COF from COG for automotive application due to reliability and quality requirements in large & curved displays.

We expect to benefit from all of these factors can help drive approximately high single digit YoY revenue growth company wide in 2022.

Jerry Su

Please give us more color for niche DRAM in 2022

SJ Cheng

Our niche DRAM customers have reserved capacity from specific wafer foundries. Depending on market demand, they will release the wafers for assembly and test at our site. Besides, Korean DRAM players are stepping out of the DDR3 & DDR4 market, this is also good for the supply chain in Taiwan.

Jerry Su

Finally, I would like to ask your CapEX and depreciation in 2022.

SJ Cheng

For 2021, our CapEx was about 6.5BNTD, around 25% of annual revenue. For 2022, our CapEX will be about 20% of annual revenue. However, this does not include some planned extra expense in green energy, stable power supply quality of searching for a new factory or land for future shop-floor expansion in northern Taiwan.

Silvia Su

As for depreciation, 4Q21 was about 1.1BNTD, and it should increase about 3% to 4% quarterly.

Jerry Su

Could you share which business segment will be expanded in northern Taiwan as you mentioned?

SJ Cheng

There are two portions, one for Bumping, and the other one for mixed-signal and wafer test.



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 automotive & Industry applications, which increased so much in Q4, is this from share gains or a demand increase? Will it continue to grow in 2022?

Jesse Huang

We are really pleased with our continued growth in Auto and Industrial. We view this as a multi-year growth driver for the company and are well positioned. We expect that ratio will continue to increase, led by some different product segment customers, including Memory, DDIC & Mixed-signal, as everyone focuses their products on serving Automotive applications.

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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