



**ChipMOS TECHNOLOGIES INC. Q4 and full year 2023 Earnings Conference Call  
February 22, 2024 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 2023 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 2023 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 remind you to review our forward-looking statements disclaimer, which is noted as the "Safe Harbor Notice" on the second page of today's presentation and in the results press release we issued. 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.

We are very pleased with our strong results in the face of broader industry headwinds and market challenges. We continue to carefully add capacity, expand our leadership, and build value for shareholders.

In terms of Q4 and full year highlights....



- Our Q4 revenue increased 22.2% compared to Q4 2022, and was up 2.6% from Q3 2023. Full year 2023 revenue declined 9.2% compared to 2022 reflecting industry headwinds and inventory corrections.
- Q4 Gross Margin increased 560 basis points to 20.1% from 14.5% in Q4 2022, and increased 420 basis points compared to Q3 2023. Overall Gross margin decreased 430 basis points for 2023 to 16.6% compared to 2022.
- Net Earnings tripled to NT\$ 0.66 in Q4 2023 from NT\$ 0.22 in Q4 2022 but decreased NT\$ 0.14 compared to NT\$ 0.8 of Q3 2023. Overall 2023 is NT\$ 2.60.

Our overall utilization rate was 62% in Q4 2023. Assembly utilization increased to 57% and Testing average was 61%. DDIC was at 71% and Bumping UT level decreased to 53%.

Regarding our manufacturing business, our assembly represented 23.2% of Q4 revenue. Mixed-signal and memory Testing represented around 19.9% and wafer bumping represented around 20.4% of Q4 revenue. On a product basis, our DDIC product represented around 37.1%, with gold bumping representing about 18.9%. Revenue from DRAM and SRAM represented around 17.2% of Q4 revenue. Our Mixed-signal products represented about 7.8%.

As additional color on our business, our memory products represented about 36.2% of total Q4 revenue. Memory product revenue was up about 9.5% compared to Q3 2023, and increased 9.9% on a year-over-year basis. This is inline with broader industry trends as customers adjust inventory levels. DRAM revenue increased up 28.4% compared to Q3 and represented about 16.9% of total Q4 revenue. The significant growth came from domestic customers restocking and increasing DRAM rush assembly orders in Q4 to meet demand. Flash revenue represented about 19% of Q4 revenue, which down just slightly 2.2% compared to Q3. NAND Flash also benefitted significantly from customers restocking and increased about 22.4% compared to Q3, and represented about 37.8% of Q4 total Flash revenue.

Moving onto Driver IC and gold bump revenue, this represented about 56% of total Q4 2023 revenue and was up significantly around 40.5% on a year-over-year basis but decreased 2.6% compared to Q3 2023. Strong growth offset some pockets of softness. Of note, Gold bump revenue was down 9% compared to Q3 2023 and DDIC revenue was little up about 0.9% compared to Q3 2023. In line with what we have said on prior calls, Automotive has been a strong market for us over the past year. This continued in Q4 with revenue from Auto panels increasing about 11.8% from Q3 and accounting for more than 25% of our Q4 DDIC revenue, and more than 23% of 2023 full year DDIC revenue. We continue to view Automotive as an important mid and long-term growth market for us. For example, we benefited from Automotive panels and OLED, which led to a 7.7% increase in our COG revenue compared to Q3, and represented about 64% of Q4 DDIC revenue. Regarding TDDI, it represented around 17.1% of Q4 DDIC revenue, with OLED at about 17.2% of Q4 DDIC revenue, which is significantly up 20.5% compared to Q3 OLED revenue.

On an end-market basis, total revenue from Automotive and Industrial was up 6.9% compared to Q3 and represented about 21.2% of Q4 revenue. Smartphones represented about 35.2% of Q4 revenue, and increased 7.3% compared to Q3. Consumer represented 24% of Q4 revenue, and increased to 4.3% compared to Q3. Lastly, TVs and Computing as an end market, accounted about 14.7% and 4.9%, respectively.



Now let me turn the call to Ms. Silvia Su, to review the fourth quarter and full year 2023 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\$ 30.62 against US\$1 as of December 29, 2023.

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

**Referencing presentation Page 12 Consolidated Operating Results Summary**

For the fourth quarter of 2023, total revenue was NT\$ 5,725 million.

Net profit attributable to the Company was NT\$ 482 million in Q4.

Net earnings for the fourth quarter of 2023 were NT\$ 0.66 per basic common share or US\$ 0.43 per basic ADS.

EBITDA for Q4 was NT\$ 1,872 million. EBITDA was calculated by adding depreciation and amortization together with operating profit.

Return on equity of Q4 was 7.8%.

**Referencing presentation Page 13 Consolidated Statements of Comprehensive Income Compared to 3Q23:**

Total 4Q23 revenue increased 2.6% compared to 3Q23.

4Q23 Gross profit was NT\$ 1,150 million, with gross margin at 20.1% compared to 15.9% in 3Q23. This represents an increase of 4.2ppts.

Our operating expenses in 4Q23 were NT\$ 445 million, or 7.8% of total revenue, which increased 1.3% compared to 3Q23.

Operating profit for 4Q23 was NT\$ 715 million, with operating profit margin at 12.5%, which is about a 3.8ppts increase compared to 3Q23.

Net non-operating expenses in 4Q23 were NT\$ 137 million compared to net non-operating income of NT\$ 231 million in 3Q23. The difference is mainly due to the increase of the foreign exchange losses of NT\$ 362 million to the foreign exchange losses of NT\$ 195 million in 4Q23 from the foreign exchange gains of NT\$ 167 million in 3Q23 and the decrease of rental income of NT\$ 9 million.

Profit attributable to the Company in 4Q23 decreased 17.0% compared to 3Q23. This primarily reflects an increase of net non-operating expenses of NT\$ 368 million and partially offset by the increase of operating profit of NT\$ 227 million and the decrease of income tax expense of NT\$ 42 million.

Basic weighted average outstanding shares were 727 million shares.

**Compared to 4Q22:**



Total revenue for 4Q23 increased 22.2% compared to 4Q22.

Gross margin at 20.1% increased 5.6ppts compared to 4Q22.

Operating expenses increased 6.7% compared to 4Q22, still well below the revenue growth rate.

Operating profit margin at 12.5% increased 5.9ppts compared to 4Q22.

Net non-operating expenses increased NT\$ 7 million compared to 4Q22.

Profit attributable to the Company increased 211.2% compared to 4Q22. The difference is mainly due to an increase of operating profit of NT\$ 404 million and partially offset by the increase of income tax expense of NT\$ 70 million and net non-operating expenses of NT\$ 7 million.

#### **Referencing presentation Page 14 Consolidated Statements of Comprehensive Income**

##### **Compared to last year:**

Total revenue for 2023 was NT\$ 21,356 million, which decreased 9.2% compared to 2022.

Gross margin at 16.6%, decreased 4.3ppts compared to 2022.

Our operating expenses in 2023 were NT\$ 1,727 million, which decreased 5.4% compared to 2022.

Operating profit margin in 2023 was 8.9%, a decrease of 4.8ppts compared to 2022.

Net non-operating income in 2023 was NT\$ 360 million. The difference was mainly due to a decrease of the foreign exchange gains of NT\$ 370 million, share of profit of associates accounted for using equity method of NT\$ 234 million and partially offset by an increase of interest income of NT\$ 136 million.

Net profit in 2023 was NT\$ 1,893 million, which decreased 43.8% compared to 2022. The difference due to a decrease of the operating profit of NT\$ 1,308 million and net non-operating income of NT\$ 451 million and partially offset by the decrease of income tax expense of NT\$ 281 million.

Net earnings for the full year 2023 were NT\$ 2.60 per basic common share compared to NT\$ 4.64 per basic common share for the full year 2022.

#### **Referencing presentation Page 15 Consolidated Statements of Financial Position & Key Indices**

Total assets at the end of 4Q23 were NT\$ 46,161 million.

Total liabilities at the end of 4Q23 were NT\$ 21,307 million.

Total equity at the end of 4Q23 was NT\$ 24,854 million.

Accounts receivable turnover days in 4Q23 were 86 days.

Inventory turnover days was 53 days in 4Q23.

#### **Referencing presentation Page 16 Consolidated Statements of Cash Flows**

As of December 31, 2023, our balance of cash and cash equivalents was NT\$ 12,354 million, which represents an increase of NT\$ 2,457 million compared to the beginning of the year.

Net free cash inflow for the full year 2023 was NT\$ 1,339 million compared to net free cash outflow of NT\$ 818 million for the full year 2022. The increase was mainly due to the decrease of operating profit of NT\$ 1,308 million and partially offset by the decrease of CapEx of NT\$ 1,690 million, cash dividend paid NT\$ 1,454 million and income tax expense of NT\$ 281 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\$ 1,499 million in CapEx in Q4 and NT\$ 3,228 million in CapEx in 2023.

The breakdown of CapEx in Q4 was 4.0% for bumping, 61.6% for LCD Driver, 15.5% for assembly and 18.9% for testing.

Depreciation expenses were NT\$ 1,158 million in Q4.

Depreciation expenses were NT\$ 4,779 million in 2023

As of January 31, 2024 the Company's outstanding ADS number was approximately 4.2 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, Chairman and President**

Thank you, Silvia.

As we come off a strong Q4, we expect the normal Q1 seasonality from fewer working days and the Lunar New Year. We are also seeing signs that inventory adjustments from Q4 will continue into Q1. We are very confident in our long-term business and any fluctuations would be more short-term in nature. We expect Q1 to be the trough quarter for 2024, which is inline with normal seasonal patterns. We expect our operating momentum will improve as we move through the year with the second half of 2024 coming in better than the first half. This is also in line with what we have heard from some of the largest semiconductor companies.

In our memory product, despite assembly and test UT are impacted by the continued destocking and softer demand at certain customers. However, we are still benefitting from rebounding NAND Flash demand. Therefore, we think memory will outgrow DDIC product momentum in Q1.

In our DDIC product, the UT level of TV and smart phone products, is impacted by softness in end product demand. That said, we expect Automotive panel and OLED demand to remain stable compared to other products. Part of this is underlying industry demand. The other important driver continues to be new customer programs ChipMOS has been ramping. This leads to the high UT level of high-end DDIC test platforms. In the meantime, we also remain positive on Automotive and OLED panels, which are the majority of our customer's new DDIC projects.

We are taking a conservative approach with our CapEx budget in 2024, similar to 2023. We plan to carefully invest in green energy, automation, robotics and AI. Regarding to the new added capacity, including the DDIC high end test platform will be based on further customer demand and UT level in support of our customers as we drive strong free cash flow and maintain our competitive advantage and strength.



Finally, in terms of our capital allocation, our Board approved another dividend. This reflects our balance sheet strength, strong market position and our focus on building shareholder value. We prioritize returning capital to shareholders as part of our overall shareholder-friendly capital allocation plan. Pending shareholder approval at our May AGM, we will distribute NT\$ 1.8 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. Our first question comes from Angela Dai from UBS. You may begin.

#### **Angela Dai, UBS**

Why did gross margin go up so much in Q4?

#### **SJ Cheng**

Margin is a constant focus for us. In Q4, several factors impacted gross margin, including mix and variable costs. We saw much lower electricity charges in Q423, including a lower rate charged and consumption decreased NT\$86 million compared to 3Q23, and lower gold material charges by about NT\$45 million compared to 3Q23. Meanwhile, the depreciation in Q423 decreased around NT\$53 million compared to Q323.

#### **Angela Dai, UBS**

Could you provide a more detailed outlook about 1Q24 for revenue and gross margin?

#### **SJ Cheng**

We expect Q124 to be the normal trough quarter for 2024, which is in line with typical seasonal patterns. We expect our operating momentum will improve as we move through the year with the second half of 2024 coming in better than the first half. Overall we are targeting positive annual revenue growth in 2024.

#### **Operator**

Our second question comes from Stanley Wang from SinoPac.

#### **Stanley Wang, SinoPac**

What is your CapEX, depreciation and effective income tax rate for 2024?

#### **Silvia Su**

According to our budget, we are taking a conservative approach with our CapEx in 2024 expected to be similar to 2023 or around 15% of annual revenue. On the basis of 4Q23, the depreciation rate would increase around 1% to 3% quarterly. The effective tax rate will be around 17% to 19% in 2024.

#### **Stanley Wang, SinoPac**

Please give me more color on the CapEx increase QoQ from DDIC?



**Jesse Huang**

The Capex was used mainly for high-end testers in Q423.

**Stanley Wang, SinoPac**

What is the DDIC high-end tester utilization rate after Lunar New Year holiday?

**SJ Cheng**

The high-end tester utilization rate still maintains at a high level. However, the mid to low end tester utilization rate declined.

**Stanley Wang, SinoPac**

Please give us more color about revenue for the first half and second half of 2024?

**Silvia Su**

A rough estimation for the first half would be around 46 to 47 percent and the second half would be around 53 to 54 percent.

**Stanley Wang, SinoPac**

Comparing revenue and gross margin for the growth momentum of 2024, which one could perform better?

**SJ Cheng**

We see positive revenue growth. However, we would also be impacted by cost increases of green energy requirements and electricity charges.

**Stanley Wang, SinoPac**

Please give me more color about wafer bank digestion by product line.

**Jesse Huang**

We think memory will outgrow DDIC product momentum in Q124. The level of memory, NAND flash demand from module customers appears to be better than the others.

**Stanley Wang, SinoPac**

The Company benefited from automotive market demand in 2023, however, the end demand seems to be slowing down. What can you comment on this segment in 2024?

**Jesse Huang**

We think it would be flattish YoY in 2024.

**Stanley Wang, SinoPac**

We see more of your customers placing orders at foundries in China. What is the competition from China OSATs?

**SJ Cheng**



We remain committed to investing in R&D and developing core technologies to meet customers' evolving requirements while enhancing our competitiveness and business strength. And we will continue to improve our quality, operational competitiveness, and expand the penetration rate of high-end products such as OLED, automotive panels, and high-end TVs to maintain our Company's competitive advantage. We also expect to benefit from a higher quality level requirement for European and American end brands.

**Stanley Wang, SinoPac**

Is there any plan for high end tester capacity expansion in 2024?

**SJ Cheng**

Regarding to the new DDIC high end tester capacity, it will be based on further customer demand and UT level in support of our customers as we drive strong free cash flow and maintain our competitive advantage and strength.

**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 Shen.

**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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