



**ChipMOS TECHNOLOGIES INC. Q3 2023 Earnings Conference Call  
November 2, 2023 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 Third Quarter 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' third quarter 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 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.

We delivered revenue growth, increased utilization and healthy profitability, which we are happy to see given the many market challenges.

In terms of Q3 highlights....

- Our Q3 revenue increased 2.5% from Q2 2023.



- Q3 Gross Margin came in at 15.9%, down 140 basis points compared to Q2 2023.
- Net Earnings were NT\$ 0.8 in Q3 2023 , a decrease of NT\$ 0.06 compared to NT\$ 0.86 of Q2 2023. For the first nine months of 2023 EPS was NT\$ 1.94.

I am pleased to report that our overall utilization rate continues to increase to 63% in Q3 2023. Assembly utilization was at 47% and Testing average was 60%. DDIC continuously increased to 74% and Bumping UT level increased to 65%. Inventories are bottoming out and long-term demand dynamics are healthy. We may see some near term lumpiness but long-term trends are strong.

Regarding our manufacturing business, our assembly represented 20% of Q3 revenue. Mixed-signal and memory Testing represented around 20.1% and wafer bumping represented around 22.7% of Q3 revenue. On a product basis, our DDIC product increased to around 37.7%, with gold bumping representing about 21.3%. Revenue from DRAM and SRAM represented about near 14% of Q3 revenue. Our Mixed-signal products represented about 7.1%. We are benefitting from the diversity in our product line and leadership in key areas like DDIC.

As additional color on our business, our memory products represented about 33.9% of total Q3 revenue. Memory product revenue was up about 4.4% compared to Q2 2023, but down about 22.9% on a year-over-year basis. DRAM revenue represented about 13.4% of total Q3 revenue. Flash revenue represented about 20% of Q3 revenue, and this was up 10.5% compared to Q2 and benefited from customer restocking. NOR Flash was significantly up around 20.8% compared to Q2. NAND Flash, was up around 13.3% compared to Q2, and represented about 30.2% of Q3 total Flash revenue.

Moving onto Driver IC and gold bump revenue, it represented about 59% of total Q3 2023 revenue and increased 2.7% compared to Q2 2023. We expect this to remain healthy over the long-term but may see some softness near-term given end market demand noise. Inline with broader trends this was up significantly around 50.9% on a year-over-year basis. Gold bump revenue continued to increase and was up 5.2% compared to Q2 2023. DDIC revenue was also up about 1.4% compared to Q2 2023. I am pleased to report that more than 20% of DDIC revenue came from Automotive panels in Q3, which was up 6.8% compared to Q2 2023. There has been some lumpiness as inventory levels are adjusted but we view Automotive as an important long-term growth market for us. We also benefited from rush orders for large panel TVs, which led to a 6% increase in our COF revenue compared to Q2, and represented about 40% of Q3 DDIC revenue. Regarding TDDI, it represented around 21.9% of Q3 DDIC revenue, with OLED at about 14.4% of Q3 DDIC revenue, which is up 3.7% compared to Q2 OLED revenue.

On an end-market basis, total revenue from Automotive and Industrial was up slightly over Q2 and represented about 20.3% of Q3 revenue. Smartphones represented about 33.7% of Q3 revenue, and increased 2.5% compared to Q2. Consumer represented 23.6% of Q3 revenue, and increased to 13.3% compared to Q2. Lastly, TVs and Computing as an end market, accounted about 17.7% and 4.7%, respectively.

**Now let me turn the call to Ms. Silvia Su, to review the third quarter 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\$ 32.24 against US\$1 as of September 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 third quarter of 2023, total revenue was NT\$ 5,582 million.

Net profit attributable to the Company was NT\$ 581 million in Q3.

Net earnings for the third quarter of 2023 were NT\$ 0.80 per basic common share or US\$ 0.50 per basic ADS.

EBITDA for Q3 was NT\$ 1,701 million. EBITDA was calculated by adding depreciation and amortization together with operating profit.

Return on equity of Q3 was 9.6%.

**Referencing presentation Page 13 Consolidated Statements of Comprehensive Income Compared to 2Q23:**

Total 3Q23 revenue increased 2.5% compared to 2Q23.

3Q23 Gross profit was NT\$ 889 million, with gross margin at 15.9% compared to 17.3% in 2Q23. This represents a decrease of 1.4ppts.

Our operating expenses in 3Q23 were NT\$ 439 million, or 7.9% of total revenue, which is about 0.6% lower compared to 2Q23.

Operating profit for 3Q23 was NT\$ 487 million, with operating profit margin at 8.7%, which is about a 0.9ppts decrease compared to 2Q23.

Net non-operating income in 3Q23 was NT\$ 231 million, an increase of NT\$ 8 million compared to 2Q23. The difference is mainly due to the increase of the foreign exchange gains of NT\$ 17 million and share of profit of associates accounted for using equity method of NT\$ 9 million. This was partially offset by the decrease of interest income of NT\$ 17 million.

Profit attributable to the Company in 3Q23 decreased 7.6% compared to 2Q23. This primarily reflects a decrease of operating profit of NT\$ 34 million and the increase of income tax expense of NT\$ 22 million and partially offset by the increase of net non-operating income of NT\$ 8 million.

Basic weighted average outstanding shares were 727 million shares.

**Compared to 3Q22:**

Total revenue for 3Q23 increased 6.2% compared to 3Q22.

Gross margin at 15.9% increased 0.4ppts compared to 3Q22.

Operating expenses decreased 3.7% compared to 3Q22.



Operating profit margin at 8.7% increased 1.1ppts compared to 3Q22.

Net non-operating income decreased NT\$ 172 million compared to 3Q22. The difference is mainly due to a decrease of foreign exchange gains of NT\$ 131 million and share of profit of associates accounted for using equity method of NT\$ 79 million. This was partially offset by the positive valuation impact of financial assets at fair value through profit or loss of NT\$ 37 million which resulted from the gain of NT\$ 4 million in 3Q23 and loss of NT\$ 33 million in 3Q22.

Profit attributable to the Company decreased 13.6% compared to 3Q22. The difference is mainly due to a decrease of net non-operating income of NT\$ 172 million, the increase of income tax expense of NT\$ 9 million and partially offset by the increase of operating profit of NT\$ 90 million.

#### **Referencing presentation Page 14 Consolidated Statements of Financial Position & Key Indices**

Total assets at the end of 3Q23 were NT\$ 45,078 million.

Total liabilities at the end of 3Q23 were NT\$ 20,603 million.

Total equity at the end of 3Q23 was NT\$ 24,475 million.

Accounts receivable turnover days in 3Q23 were 84 days.

Inventory turnover days was 54 days in 3Q23.

#### **Referencing presentation Page 15 Consolidated Statements of Cash Flows**

As of September 30, 2023, our balance of cash and cash equivalents was NT\$ 11,312 million, which represents an increase of NT\$ 1,415 million compared to the beginning of the year.

Net free cash inflow for the first nine months of 2023 was NT\$ 1,089 million compared to net free cash outflow of NT\$ 428 million for the same period in 2022. The difference is mainly due to the decrease of operating profit of NT\$ 1,712 million and partially offset by the decrease of cash dividend paid NT\$ 1,454 million, CapEx of NT\$ 1,358 million and income tax expense of NT\$ 351 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\$ 725 million in CapEx in Q3.

The breakdown of CapEx in Q3 was 5.1% for bumping, 38.7% for LCD Driver, 15.3% for assembly and 40.9% for testing.

Depreciation expenses were NT\$ 1,214 million in Q3.

As of October 31, 2023, the Company's outstanding ADS number was approximately 4.3 million units, which represents around 11.9% 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.

We feel comfortable with our market position, diversity of customers, and strength of our balance sheet. Based on the current industry situation and customers' feedback, there are some ongoing fluctuations in our markets and at our customers that could impact our end results. Therefore, we expect our operating momentum is cautiously conservative in Q4 compared to Q3. This is also in line with what we have heard from some of the largest semiconductor companies. This is mostly an air pocket in the short term because the long-term growth trends remain strong.

In our DDIC product, the UT level of large panel, TV, and smart phone products are 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. Part of this is new customer programs ChipMOS has been ramping. This leads to the high UT level of high-end DDIC test platforms and some specific high-end test platform are near fully occupied. In the meantime, we also remain positive on Automotive and OLED panels, which are the majority of our customer's new DDIC projects.

In our memory product, assembly and test UT are impacted by the continued destocking and softer demand at certain customers. However, we are seeing increasing DRAM rush assembly orders in Q4 compared to Q3 as we benefit from Memory IDMs lowering their UT levels. Coupled with rebounding NAND Flash demand, we think memory product momentum will be better than DDIC in Q4.

Regarding capacity expansion, we continue to maintain a healthy CapEx level in support of our customers as we drive strong free cash flow. As you know, we pulled some high-end DDIC test platforms into the first half to meet customer demand. As the high-end DDIC test platform UT still remains high level, we will add new DDIC high-end capacity in Q4 based on further customer demand to maintain our competitive advantage and strength.

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 Stanley Wang from SinoPac. You may begin.

#### **Stanley Wang**

Thanks for taking my question. Firstly, would you please tell us why Q3 gross margin decreased while UT level improved? Secondly, color on the breakdown of net non-operation income?

#### **Silvia Su**



There are several factors in gross margin including mix and variable costs. We saw higher electricity costs in Q3, about NT\$67 million, including a higher rate charged and a disadvantageous product mix.

The breakdown of net non-operation income, primarily includes the foreign exchange gains of NT\$ 170 million and share of profit of associates accounted for using equity method of Unimos of NT\$ 61 million, interest income of NT\$41 million and interest expense of NT\$ 68 million.

**Stanley Wang**

Could you comment about the sequential QoQ growth in 2023 in your comments?

**SJ Cheng**

As I mentioned earlier on the call, according to the current industry situation and customers' feedback, our customers are being impacted by ongoing broader market softness in most end markets. We felt confident in October. However, UT level of large panel, TV, and smart phone products are were impacted by softness in end product demand and likely will be for the coming period. Memory product momentum will be better than DDIC in Q4. We expect it would be flat QoQ in Q4.

**Stanley Wang**

Could you comment about DDIC price pressure currently?

**SJ Cheng**

Regarding to the price issue, as the high-end DDIC test platform UT remains at a high level, we will add new DDIC high-end capacity in Q4 for OLED and Automotive panel. We would expect to still maintain the price level of high-end testers due to higher UT rate for OLED product. For low-end testers and COF, we are taking this on a customer by customer basis and retaining some flexibility in the OEM price to the further improvement of the utilization rate.

**Stanley Wang**

Please give us the 2024 outlook and comment on our dividend policy.

**SJ Cheng**

This is early for us to provide a view on 2024. We would normally due that after our budgeting when we report Q4 results. Regarding to dividend policy, it will be based on our payout ratio policy.

**Stanley Wang**

It looks like the revenue from Mixed-signal has declined a lot, could you explain the reason? Furthermore, for mid- to long-term, is the Company developing new product lines for business other than memory and DDIC?

**SJ Cheng**

Within mixed-signal products, we see increased revenue QoQ from products like E-compass, however, product display peripheral chips revenue significantly declined. To your second question, yes we have been developing more business in the areas like sensor, E-compass and flip chip package with the advantage of having bumping and assembly capabilities.



**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**

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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