



**ChipMOS TECHNOLOGIES INC. Q3 2024 Earnings Conference Call  
November 5, 2024, 4:00 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 2024 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 2024 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 more 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.

Our results were strong in the third quarter. We are pleased with our business execution in the face of headwinds from inventory adjustments across most end markets, which is being seen by the broader industry and is not specific to ChipMOS. At the same time, we continue to focus on improving operating leverage, operating expense management and overall efficiency of our business. We are carefully adding capacity through disciplined capital allocation to meet higher growth opportunities. As a result, we are expanding our leadership and building greater value for shareholders over the long-term.



### In terms of Q3 highlights....

- Our Q3 revenue increased 4.4% compared to Q2 2024, and was up 8.7% on a year-over-year basis.
- Q3 Gross Profit increased 3.4% compared to Q2 2024, while Gross Margin remained flat over the same period, impacted by cost increases and a lower Assembly UT and decreased 200 basis points compared to Q3 2023.
- Net Earnings of NT\$ 0.41 in Q3 2024, and NT\$ 1.63 for the first nine months of 2024.

In terms of the details, our overall utilization rate was 67% in Q3 2024 compared to 69% in Q2 2024. The slight decrease came from Assembly UT which decreased to 58% in Q3, impacted by customer inventory adjustments. Average Test utilization and DDIC both held the same level as Q2 2024 were 67% and 75% respectively. Bumping UT level slightly increased to 66%.

Regarding our manufacturing business, assembly represented 22.1% of Q3 revenue. Mixed-signal and memory Testing represented 22.8% and wafer bumping represented 23.2% of Q3 revenue. On a product basis, our DDIC product represented 32.6% of total revenue in Q3, with gold bumping representing about 20.5%. Revenue from DRAM and SRAM represented 13.6% of total Q3 revenue. Our Mixed-signal products represented 10.6% of total Q3 revenue.

As additional color on our business, our memory products represented 36.3% of total Q3 revenue. Memory product revenue slightly increased 1.1% compared to Q2 2024, and increased 16.2% on a year-over-year basis. DRAM revenue slightly decreased 1.6% compared to Q2 2024 and represented 13.3% of total Q3 revenue. Flash revenue represented about 22.7% of Q3 revenue, which was up 3.2% compared to Q2 2024. NOR Flash also benefitted from customers rebuilding inventory levels and increased 9% compared to Q2 2024. NAND Flash represented 30.2% of Q3 total Flash revenue, impacted by customer adjust inventory, and decreased 10.4% compared to Q2 2024.

Moving onto Driver IC and gold bump revenue, this represented about 53.1% of total Q3 revenue. This was up 4.3% compared to Q2 2024 and generally flat on a year-over-year basis. Of note, Gold bump revenue was up 14.5% compared to Q2 2024, while DDIC revenue was slightly down 1.3% compared to Q2 2024. New OLED project production helped offset macro softness in large panel demand. COG represented about 65% of Q3 DDIC revenue and grew 7.3% compared to Q2. Demand related to Auto panels contributed about 25% of our Q3 DDIC revenue, which was down about 2.7% compared to Q2, reflecting ongoing customer inventory rebalancing. Regarding TDDI, it represented around 17.7% of Q3 DDIC revenue, while OLED grew to 26.3% of Q3 DDIC revenue. This was up 9.2% compared to Q2 2024 driven by New OLED project production and customer re-stocking.

On an end-market basis, total revenue from Automotive and Industrial represented about 21.2% of Q3 revenue. This was up slightly 1.6% compared to Q2 2024. TV panel demand represented 16.3% of Q3 revenue, which was down 10% compared to Q2 2024, reflecting broader demand softness of large panels. Smartphone revenue represented 39.5% of total Q3 revenue, which was up 10.6% compared to Q2 2024, led by New OLED projects. Computing accounted for 3.4% of Q3 revenue, which was mostly flat with Q2 2024. Lastly, Consumer related revenue represented 19.6% of total Q3 revenue, which was up 5.2% compared to Q2 2024, due to seasonally typical customer re-stocking.



Now let me turn the call to Ms. Silvia Su, to review the third quarter 2024 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\$ 31.65 against US\$1 as of September 30, 2024. 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 2024, total revenue was NT\$ 6,068 million. Net profit attributable to the Company was NT\$ 299 million in Q3. Net earnings for the third quarter of 2024 were NT\$ 0.41 per basic common share or US\$ 0.26 per basic ADS.

EBITDA for Q3 was NT\$ 1,640 million. EBITDA was calculated by adding depreciation and amortization together with operating profit.

Return on equity remained very healthy in Q3 at 4.9%.

**Referencing presentation Page 13 Consolidated Statements of Comprehensive Income**

Compared to Q2 2024:  
Total Q3 2024 revenue increased 4.4% compared to Q2 2024.

Q3 2024 Gross profit was NT\$ 843 million, with gross margin flat compared to 14.0% in Q2 2024.

Our operating expenses in Q3 2024 were NT\$ 449 million, or 7.4% of total revenue, which decreased 2.5% compared to Q2 2024.

Operating profit for Q3 2024 was NT\$ 420 million, with operating profit margin at 6.9%, which is about an 0.5ppts increase compared to Q2 2024.

Net non-operating expenses in Q3 2024 were NT\$ 65 million compared to net non-operating income of NT\$ 128 million in Q2 2024. The difference is mainly due to the adverse foreign exchange impact of NT\$ 98 million from the foreign exchange gains of NT\$ 25 million in Q2 2024 to the foreign exchange losses of NT\$ 73 million in Q3 2024, decrease of gain on disposal of non-current assets held for sale of NT\$ 72 million and gain on valuation of financial assets at fair value through profit or loss of NT\$ 18 million.

Profit attributable to the Company in Q3 2024 decreased 33.6% compared to Q2 2024. The difference mainly due to the increase of net non-operating expenses of NT\$ 193 million, primarily due to the adverse foreign exchange impact noted above. This was partially offset by the increase of operating profit of NT\$ 46 million.

Basic weighted average outstanding shares were 727 million shares.



Compared to Q3 2023:

Total revenue for Q3 2024 increased 8.7% compared to Q3 2023.

Gross margin at 13.9% decreased 2.0ppts compared to Q3 2023.

Operating expenses increased 2.1% compared to Q3 2023.

Operating profit margin at 6.9% decreased 1.8ppts compared to Q3 2023.

Net non-operating expenses in Q3 2024 were NT\$ 65 million compared to net non-operating income of NT\$ 231 million in Q3 2023. The difference is mainly due to the adverse foreign exchange impact of NT\$ 240 million from the foreign exchange gains of NT\$ 167 million in Q3 2023 to the foreign exchange losses of NT\$ 73 million in Q3 2024 and the adverse impact of share of associates accounted for using equity method of NT\$ 68 million from share of profit of associates accounted for using equity method of NT\$ 63 million in Q3 2023 to share of loss of associates accounted for using equity method NT\$ 5 million in Q3 2024.

Profit attributable to the Company decreased 48.4% compared to Q3 2023. The difference is mainly due to an increase of net non-operating expenses of NT\$ 296 million and the decrease of operating profit of NT\$ 67 million. This was partially offset by a NT\$ 82 million decrease in income tax expense. As noted earlier, the increase in net non-operating expenses was primarily due to the adverse foreign exchange impact.

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

Total assets at the end of Q3 2024 were NT\$ 45,291 million.

Total liabilities at the end of Q3 2024 were NT\$ 20,449 million.

Total equity at the end of Q3 2024 was NT\$ 24,842 million.

Accounts receivable turnover days in Q3 2024 were 83 days.

Inventory turnover days was 49 days in Q3 2024.

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

As of September 30, 2024, our balance of cash and cash equivalents was NT\$ 13.777 billion.

Net free cash outflow for the first nine months of 2024 was NT\$ 401 million compared to net free cash inflow of NT\$ 1,089 million for the same period in 2023. The decrease was mainly due to a NT\$ 1,851 million CapEx increase and a NT\$ 364 million reduction in cash dividend paid. We continue to balance our capital allocation strategy by investing in the long-term capacity and revenue generation areas that will drive our success, while returning value to shareholders through the distribution of dividends.

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\$ 2,089 million in CapEx in Q3.

The breakdown of CapEx in Q3 was 3.5% for bumping, 53.6% for LCD Driver, 14.0% for assembly and 28.9% for testing.



Depreciation expenses were NT\$ 1,220 million in Q3.

As of October 31, 2024 the Company's outstanding ADS number was approximately 3.9 million units, which represents around 10.8% 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.

Based on what we are hearing from customers and companies in the industry, we expected the third quarter will be the high point for the year. We are taking a conservative view on Q4 given the continued headwinds facing the broader market and uncertainty around continued customer inventory adjustments. Overall, we continue to expect the second half of 2024 will be better than first half of 2024. This is also in line with what we have heard from some of the largest semiconductor companies. Therefore, UT level improvement is our operation and business priority for ChipMOS.

In our memory product business, a slight correction is expected in the fourth quarter due to softer demand and inventory adjustments by customers. DRAM products are maintaining stable momentum with improving end markets. A slight correction for NAND Flash is expected in Q4 primarily due to a weaker consumer market. NOR Flash is expected to be impacted by normal seasonal inventory adjustment at customers.

In our DDIC business, we expect to see some correction in Q4 due to soft demand of TV panels and customer de-stocking in Smart phones. Meanwhile, Auto panel and OLED business momentum has slowed with customers taking a more conservative order pattern in response to the market situation and inventory levels. Therefore, we expect our DDIC product momentum to be impacted more than our Memory product momentum.

In-addition, we are working closely with our customers on our new low cost silver alloy bump solution on panel level reliability qualification with continued manufacture process optimizations and simplifications. I am pleased to report that our low cost silver alloy bump solution has successfully passed the reliability test for small and medium-sized panels. This is another bright spot for us with some customers' products already starting to design us in, and a lot of interest from both overseas and domestic customers in our solution. We expect our low cost bump solution will further enhance our DDIC product competitive position.

Overall, ChipMOS is in a very strong position in long-term growth markets with a very strong balance sheet. We will continue to develop long-term customer relationships and provide the support that customers rely on us for and value.

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 Anthony Liu from Yuanta. You may begin.

### Anthony Liu, Analyst, Yuanta

Can you please give us some guidelines for 2024 and 2025 CapEx?

### Silvia Su, Vice President of Finance and Accounting Management Center

We expect 20% to 25% for 2024 due to previous high-end tester capacity expansion. And roughly 15% to 20% for 2025.

### Anthony Liu, Analyst, Yuanta

Can you please give us some guidelines for depreciation? Would you expect the depreciation to still be 3% to 4% incremental quarterly under the condition of previous higher CapEx?

### Silvia Su, Vice President of Finance and Accounting Management Center

We expect the depreciation of 4Q24 to 1Q25 would still be around a 3% to 4% quarterly increase. However, if the CapEx in 2025 would be lower as previously mentioned then the number could be reduced.

### Anthony Liu, Analyst, Yuanta

Maybe it is still too early, I have some questions about the 2025 outlook. Firstly, any strategy or action of the Company for competition from China?

### SJ Cheng, Chairman and President

As mentioned earlier, we are cooperating with our customers for our low cost silver alloy bump solution on panel level reliability qualification and have successfully qualified for small and medium-sized panels. We are already seeing a lot of interest from both overseas and domestic customers in our solution. We expect our low cost bump solution will further enhance our DDIC product competitive position.

Further, we also expect that our UT level could be lifted and then improve our profit with the recovery of end-demand. In the meantime, we are improving the product mix by increasing the market share of high profit and margin product, for example OLED, auto panel, flip chip of memory and other mixed-signal product.

### Anthony Liu, Analyst, Yuanta

Secondly, please give us more color on the DDIC and Memory segments in 2025?

### SJ Cheng, Chairman and President

Well it is still too early to comment, however, we expect to see some rush order of large panel DDIC while approaching year end. Further, we also see inventory level improving.

### Anthony Liu, Analyst, Yuanta



It appears that a couple of fabless companies in Taiwan and China are aggressively focusing on the OLED market. Do you see any business opportunity from them?

**SJ Cheng, Chairman and President**

A couple of them have been our long time customers. We closely follow their product roadmaps to grow together.

**Anthony Liu, Analyst, Yuanta**

Thirdly, please give us more color for Memory outlook in 2025?

**SJ Cheng, Chairman and President**

In terms of memory, we are optimistic about the product trend of upgrading commodity DRAM to DDR5 and high-density, multi-chip stacked NAND Flash.

**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, Technical Deputy Director of Strategy and Investor Relations**

Thank you, I will read one question from foreign institutional investors.

The question is asking about the Company's dividend policy under the current business situation.

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

To consider the further operation cash, capital expense and shareholders' equity, our dividend policy would still be between 40% to 60% of earnings.

**GS Shen, Technical Deputy Director of Strategy and Investor Relations**

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, Chairman and President**

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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