



**ChipMOS TECHNOLOGIES INC. Q1 2021 Earnings Conference Call
May 11, 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
Stanley Wang – SinoPAC securities

Operator

Greetings, and welcome to the ChipMOS First 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' first 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 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 Q1 2021. Our performance in Q1 was even more impressive given this is normally a seasonal low period. We are very pleased with our record Q1 revenue and with our Team's continued execution. Let me give you some highlights from the quarter:



- First, Revenue for the Q1 2021 increased 15.7% year over year to a new record high, and grew 2.5% from the prior to Q4 2020.
- Gross Margin declined 20 basis points for Q1 2021 to 24.2% compared to Q4 2020 as we grew despite headwinds from higher materials and supply chain costs in Q1.
- Operating expenses declined to 6.6% of revenue in Q1 from 7.1% in the year ago period, as we continue to focus on supply chain costs and driving operating efficiencies.
- EPS for the first quarter of 2021 was NT\$ 1.32, which increased 40.4% from the prior Q4 2020 and increased 34.7% compared to Q1 2020.
- Given our business strength, demand strength and balance sheet strength, our Board of Directors has already approved a 2020 dividend of NT\$ 2.2 per common share. This is pending shareholder approval at our AGM. We expect our 2021 dividend will be higher than 2020, based on our positive business trends and cautiously optimistic 2021 outlook.
- I am also pleased to report we improved overall utilization to 86% from 79% in Q1 2020 and 85% in Q4 2020. Q1 assembly utilization level increased to 95% up from 81% in Q1 2020, with tightness continuing from Q4. Testing also significantly increased to 81% compared to Q4 2020. Our high-end DDIC test platforms, including new capacity we added in Q1 were also fully utilized in support of strong customers' demand. Both bumping and LCD driver were improved in first quarter.

Regarding our manufacturing business, assembly was up and represented about 28.8% of Q1 revenue. Testing represented around 21% and wafer bumping represented more than 21% of Q1 revenue. On a product segment basis, our DDIC, including COG and COF, was more than 29% and gold bumping represented around 17.6% of Q1 revenue. Revenue from DRAM and SRAM represented 16.4% of Q1 revenue. Our Flash segment and the Mixed-signal segment represented around 27% and 10% of Q1 revenue respectively. In the meantime, Mixed-signal product segment grew around 30% compared to Q4 2020.

In terms of adding color on our business, our memory product benefitted from strong demand across all end markets with growth in servers, IoT, and gaming. Revenue was up 18.6% compared to Q1 2020 and up about 5% compared to Q4 2020. Memory products represented around 43.3% of total Q1 revenue. Total Flash revenue grew 40% compared to Q1 2020 and grew 16% compared to Q4 2020. The NOR and Mask ROM grew more than 90% compared to Q1 2020 and grew 13% compared to Q4 2020. Our NAND Flash business also grew significantly increasing 23% over Q4 2020. This represented about 31.5% of our total Q1 Flash revenue. DRAM revenue declined about 6.6% compared to Q1 2020 and 9.4% compared to Q4 2020.

Moving to Driver IC-related product revenue, this increased 14% compared to Q1 2020 and slightly down about 4% compared to Q4 2020. This represented around 46.8% of total Q1 revenue. Total DDIC revenue was up more than 11% year-over-year and down just slightly about a half a percent compared to Q4. We are pleased with our progress and are also benefitting from an increased allocation share on some key customer cooperation projects. This helped drive an improvement in the DDIC revenue ratio of COF to about 43% in Q1, with COF utilization level for TV and NB also increasing. Our high-end DDIC test platforms, including new capacity we added in Q1 were fully utilized reflecting the strong demand we continue to see. The TDDI representing about 31% and OLED representing about 3% of Q1 DDIC revenue.



On an end market basis, revenue from Automotive and Industrial significantly increased to 13% of Q1 revenue. Smartphones and TV as an end market accounted 36.5 and 15.5% respectively. Computing represented about 12% and consumer represented about 23% of Q1 revenue.

Now let me turn the call to Ms. Silvia Su, to review the first 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\$ 28.48 against US\$ 1 as of March 31, 2021.

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

Referencing presentation Page12 Consolidated Operating Results Summary

For the first quarter of 2021, total revenue was NT\$ 6,465 million.

Net profit attributable to the Company was NT\$ 959 million in Q1.

Net earnings for the first quarter of 2021 were NT\$ 1.32 per basic common share or US\$ 0.93 per basic ADS.

EBITDA for Q1 was NT\$ 2,287 million. EBITDA was calculated by adding depreciation and amortization together with operating profit.

Return on equity of Q1 was 18.0%.

Referencing presentation Page13 Consolidated Statements of Comprehensive Income

Compared to 4Q20:

Total 1Q21 revenue increased 2.5% compared to 4Q20.

1Q21 Gross profit was NT\$ 1,562 million, with gross margin at 24.2% compared to 24.4% in 4Q20. This represents a decrease of 0.2ppts.

Our operating expenses in 1Q21 were NT\$ 425 million, or 6.6% of total revenue, which is about a 2.9% improvement compared to 4Q20.

Operating profit for 1Q21 was NT\$ 1,160 million, with operating profit margin at 17.9%, which is about a decrease of 0.5ppts compared to 4Q20.

Net non-operating income in 1Q21 were NT\$ 25 million compared to net non-operating expense in 4Q20.

The difference is mainly due to the decrease of foreign exchange loss of NT\$ 152 million and the increase of the share of gain of associates accounted for using equity method of NT\$ 142 million.

Profit attributable to the Company in 1Q21 expanded 39.7% compared to 4Q20. The difference is mainly due to the increase of the gross profit of NT\$ 20 million and net non-operating income of NT\$ 303 million and partially offset by the increase of income tax expense of NT\$ 30 million.

Basic weighted average outstanding shares were 727 million shares.

Compared to 1Q20:

Total revenue for 1Q21 was up 15.7%.

Gross margin at 24.2% increased 1.5ppts.



Operating expenses increased 7.2%.

Operating profit margin at 17.9% increased 1.8ppts.

Net non-operating income in 1Q21 were NT\$ 25 million compared to net non-operating expenses in 1Q20. The difference is mainly due to the increase of the share of gain of associates accounted for using equity method of NT\$ 69 million, the decrease of interest expense NT\$ 13 million and partially offset by the increase of foreign exchange loss NT\$ 55 million.

Profit was up 34.6% compared to 1Q20. The difference is mainly due to the increase of the gross profit of NT\$ 291 million, net non-operating income of NT\$ 30 million and partially offset by the increase of income tax expense of NT\$ 43 million.

Referencing presentation Page14 Consolidated Statements of Financial Position & Key Indices

Total assets at the end of 1Q21 were NT\$ 37,111 million.

Total liabilities at the end of 1Q21 were NT\$ 15,350 million.

Total equity at the end of 1Q21 was NT\$ 21,761 million.

Accounts receivable turnover days in 1Q21 were 77 days.

Inventory turnover days were 41 days in 1Q21.

Referencing presentation Page15 Consolidated Statements of Cash Flows

As of March 31, 2021, our balance of cash and cash equivalents was NT\$ 5,591 million, compared to NT\$ 1,477 million at the beginning of Q1.

Free cash flow for the first quarter was NT\$ 922 million compared to NT\$ 553 million for the same period in 2020. The difference is mainly due to our increased operating profit of NT\$ 260 million and the depreciation expenses of NT\$ 122 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\$ 1,110 million in CapEx in Q1.

The breakdown of CapEx was 4.4% for bumping, 42.1% for LCD Driver, 16.8% for assembly and 36.7% for testing.

Depreciation expenses were NT\$ 1,127 million in Q1.

As of April 30, 2021, the Company's outstanding ADS number was approximately 4 million units, which represents around 11.7% 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. Q2 2021 is starting out strong for us. We expect to benefit from several important trends in Q2. 5G buildouts are continuing worldwide, end market consumption continues to recover and the major digital transformation in industrial and automotive continues. Tightness remains in the semiconductor supply chain, with capacity shortages and longer lead times for raw materials. Based on public comments, we expect this situation to remain in 2Q21. On the other hand, we are very positive in



the outlook for ChipMOS. We expect the positive trends from Q1 will continue in our all product segments, with momentum continuing with strong demand and tight OSAT capacity. Profit is also expected to improve as the OSAT ASP increasing.

In memory, we are increasing the assembly capacity to meet the strong capacity demand from customers, particularly wire bonder capacity. We are benefiting from momentum in DRAM with customers re-stocking. We expect Flash businesses, including NOR and NAND will continue to grow as we move through Q2 2021.

In DDIC, we are closely monitoring the continuing tightness of wafer fab capacity and supply. We expect to continue to gain more allocation share in key customer cooperation projects, with COF utilization level for TV and NB on track for further improvement. We also expect the utilization level will remain on high as we benefit from continued strong demand levels in smart phone.

Regarding to Mixed-signal, based on customer discussion, we expect to see continued momentum in Q2 2021 led by strong demand from major customers and our expanded OSAT scale with strategic customers.

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

Chairman, Silvia and everybody. Considering the positive guidance for both of Memory and DDIC segments, could you please give us the more color for Q2 and April revenue?

SJ Cheng

Jerry, to answer your question, there is one work day less in April compared to March and non-linear wafer incoming of DDIC. Those were the main impacts. We expect to continue benefit from strong demand in May and June. Therefore, we could expect better Q2 revenue at least by high single digit growth.

Jerry Su

One more question about Mixed-signal segment. You mentioned it grew around 30% in Q1 compared to Q4'20, could you give us more color about the products and how the momentum could be sustained?

SJ Cheng

There are two major product groups. First, is for our Japanese customer. To meet the strong demand, ChipMOS built a captive line to serve the customer. Second, is from two of our domestic customers for TV SoC chip, including T-Con. The demand will likely be very strong, and we could continue to grow depending on the customers' assembly subcon's capacity support, which is not managed by ChipMOS. New testing capacity would be installed accordingly. That is why we are optimistic about e mixed-signal segment growth this year.

Jerry Su

Could you commend the assembly price hike in coming quarters?

SJ Cheng

As we mentioned before, to reflect the raw material cost increasing and the tightened capacity in assembly, we increased assembly price around 5 to 8% from Q4'20 to Q1'21. Additionally, since the raw material supply is still very tight, we will try to reflect the material cost to our customers in proper time again.

Operator

Next question comes from Stanley Wang from SinoPAC securities. You may begin.

Stanley



There are two questions. First is the pricing strategy to customers and second is safety stock preparation guidelines under current tight demand and supply?

SJ Cheng

Under the condition of longer raw material and equipment lead times and also tight wafer supply, our customers could absorb the cost pressure, so that we could have favorable pricing. As for the inventory question, considering the longer lead time we have increase the inventory preparation level to roughly 3 months.

Stanley

Is there any potential price increase in second half of this year?

SJ Cheng

Yes, we are monitoring closely.

Stanley

So, it looks like Q3 will be better than Q2?

SJ Cheng

Based on the new capacity installation schedule and strong customers' demand, we could expect further consecutive quarter on quarter growth.

Operator

Next question comes from Jerry Su from Credit Suisse. You may begin.

Jerry

I have a follow up question. If we could see consecutive quarter on quarter growth this year, plus on the previous earnings call giving double digits YoY growth. Could you guide more specifically for the double digits growth? Potential chance toward 20%?

SJ Cheng

With the first quarter result and current business visibility, we could potentially see 15 to 20% YoY growth.

Jerry

The market is concerned about China's smartphone demand correction and India's worsening COVID-19 pandemic. While your company is preparing more capacity at this moment, do you worry about the weaker smartphone demand in second half causing idle capacity due to customer forecast declines?

SJ Cheng

Under the tight wafer supply condition, our customers are optimizing their product mix in order to maintain the better revenue and margin. We are doing the same for higher value added product and cooperating closely with strategic customers to leverage the capacity.

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

Jesse

Unimos was profitable this quarter led by higher demand, improved operations and a one-time gain from the disposal of equipment. ChipMOS recognized about NT\$ 45 million profit. We expect Unimos to have further improvements with the continuing growth of its 3D NAND flash business from YMTC.

GS

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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