

Global Unichip Corp. (GUC) Reports Financial Results for 1Q19

Hsinchu – May 2, 2019 -- Global Unichip Corporation (TAIEX: 3443) today announced consolidated net sales of NT\$2,561 million, income from operations of NT\$125 million, net income of NT\$153 million, and basic earnings per share of NT\$1.14 for the first quarter ended Mar 31, 2019.

Financial Summary

<i>(In NT\$M except EPS and percentage)</i>	<u>1Q19</u>	<u>4Q18</u>	QoQ	<u>1Q18</u>	YoY
Net Sales	2,561	3,552	-28%	2,758	-7%
NRE	1,067	1,097	-3%	992	8%
Turnkey	1,408	2,409	-42%	1,741	-19%
Others	86	46	87%	25	244%
Gross Profit	808	985	-18%	931	-13%
Gross Margin	31.6%	27.7%	--	33.8%	--
Operating Expense	683	711	-4%	696	-2%
Income from Operations	125	274	-54%	235	-47%
Operating Margin	4.9%	7.7%	--	8.5%	--
Net Income	153	276	-45%	207	-26%
Net Profit Margin	6.0%	7.8%	--	7.5%	--
EPS (NT\$)	1.14	2.06	-45%	1.54	-26%
Cash from Operating activity	-172	-497	-65%	-171	1%

Topics in This Report:
● Revenue Analysis
● Gross Margin Analysis
● Expense Analysis
● Net Profit & EPS
● Financial Condition Review
● Cash Flow Analysis

Financial Highlights: First Quarter 2019

- Net Sales was NT\$2,561 million, representing a 28% decrease from NT\$3,552 million in 4Q18 and a 7% decrease from NT\$2,758 million in 1Q18.
- NRE revenue was NT\$1,067 million, decreased 3% in 1Q19 from 4Q18. Turnkey revenue was NT\$1,408 million, decreased 42% in 1Q19 from 4Q18.
- Gross Margin was 31.6%, 3.9 percentage points higher than 4Q18 but 2.2 percentage points lower than 1Q18.
- Operating Margin was 4.9%, down 2.8 percentage points from 4Q18 and 3.6 percentage points from 1Q18.
- Net Margin was 6.0%, 1.8 percentage points lower than 4Q18 and 1.5 percentage points lower than 1Q18.

CONTACT

Asia Lin
Acting Spokesperson
Global Unichip Corp.
Tel: 886-3-5646600# 6868
Email: asialin@guc-asic.com

Daniel Chien
Spokesperson:
Global Unichip Corp.

Revenue Analysis

● By Segment

NRE by Technology	1Q19	4Q18	1Q18
	%	%	%
7nm	15%	0%	1%
16nm	35%	53%	27%
28nm	31%	32%	49%
40nm	5%	9%	11%
65nm Above	14%	6%	12%
Total	100%	100%	100%

Turnkey by Technology	1Q19	4Q18	1Q18
	%	%	%
7nm	13%	33%	0%
16nm	0%	0%	0%
28nm	25%	24%	26%
40nm	18%	14%	10%
65nm Above	44%	29%	64%
Total	100%	100%	100%

By segment, combined 7/16/28 nm accounted for 81% of total NRE revenue in 1Q19. For Turnkey revenue, 7nm revenue contribution decreased to 13% in 1Q19, which was primarily resulted from crypto currency shipments decrease.

● By Technology/Application/Region

Net Sales by Technology	1Q19	4Q18	1Q18
	%	%	%
7nm	14%	22%	1%
16nm	15%	17%	10%
28nm	29%	27%	34%
40nm	12%	13%	10%
65nm Above	30%	21%	45%
Total	100%	100%	100%

Net Sales by Application	1Q19	4Q18	1Q18
	%	%	%
Communication	22%	20%	14%
Computer	31%	36%	24%
Consumer	37%	37%	48%
Others	10%	7%	14%
Total	100%	100%	100%

Net Sales by Region	1Q19	4Q18	1Q18
	%	%	%
Taiwan	15%	12%	31%
USA	26%	26%	22%
China	14%	8%	20%
Japan	26%	36%	11%
Korea	14%	12%	8%
Europe	5%	6%	8%
Total	100%	100%	100%

By technology, 7nm revenue contribution decreased in 1Q19 compared to 4Q18, which was mainly resulted from crypto currency shipments decrease, but 7nm revenue contribution increased on YoY basis. Advanced technologies (40nm and below) accounted for 70% of total revenue in 1Q19.

By application, revenue contribution from Communication increased both compared with 4Q18 and 1Q18, while revenue contribution from Computer decreased in this quarter because of crypto currency shipments decrease.

From a geographic perspective, revenue from China, Korea, and Taiwan increased in 1Q19 compared to 4Q18 while revenue contribution from Japan decreased.

Gross Margin Analysis

(In NT\$M except percentages)	1Q19		4Q18		1Q18	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
Cost of sales	1,753	68.4%	2,567	72.3%	1,827	66.2%
Gross profit	808	31.6%	985	27.7%	931	33.8%

Gross margin rate was 31.6% in 1Q19, increased compare to 4Q18, which was primarily attributable to favorable product mix.

Expenses Analysis

(In NT\$M except percentages)	1Q19		4Q18		1Q18	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
SG&A Exp	143	5.6%	158	4.4%	149	5.4%
R&D Exp	540	21.1%	553	15.7%	547	19.8%
Total operating expenses	683	26.7%	711	20.1%	696	25.2%

Total operating expenses in 1Q19 represented 26.7% of net sales; operating expenses in 1Q19 decreased 4% and 2% on QoQ and YoY basis, respectively.

Net Profit & EPS

(In NT\$M except EPS)	1Q19		4Q18		1Q18	
	Net Income	EPS (NT\$)	Net Income	EPS (NT\$)	Net Income	EPS (NT\$)
	156	1.14	276	2.06	207	1.54

Net income in 1Q19 was NT\$156 million and EPS was NT\$1.14, down 45% from 4Q18 and 26% from 1Q18. The QoQ and YoY change was attributable to lower revenue level this quarter.

Financial Condition Review

● Liquidity Analysis

Unit: NT\$M

	03,31,2019	12,31,2018	03,31,2018
Assets			
Cash and cash equivalents	3,331	3,906	4,737
Accounts receivable, net	985	967	979
Inventories	1,223	1,275	1,612
Other current assets	362	481	372
Total current assets	5,901	6,629	7,700
Property, plant and equipment	1,051	1,089	693
Other non-current assets	560	391	470
Total assets	7,512	8,109	8,863
Liabilities			
Current liabilities	2,724	3,635	4,459
Non-current liabilities	266	108	150
Total liabilities	2,990	3,743	4,609
Total liabilities and equity	7,512	8,109	8,863
Net working capital (NT\$M)	3,177	2,994	3,241
Current ratio(%)	217	182	173

At the end of 1Q19, total liabilities decreased to NT\$2,990 million, mainly due to customer prepayments decrease and was recognized as revenue in 1Q19.

Net working capital was at NT\$3,177 million and current ratio was 217%.

● Receivable and Inventory days

	03,31,2019	12,31, 2018	03,31,2018
A/R turnover days	29	25	31
Inv. turnover days	65	47	69

Year-over-year, days of A/R turnover and Inventory turnover for 1Q19 decreased 2 days and 4 days to 29 days and 65 days, respectively.

Cash flow analysis

	Unit: NT\$M		
	1Q19	4Q18	1Q18
Cash flows from operating activities:			
(172)	(497)	(171)	
Cash flows from investing activities:			
(393)	(208)	(182)	
Cash flows from financing activities:			
(13)	0	0	
Effect of exchange rate changes on cash and cash equivalents	3	3	0
Net increase (decrease) in cash and cash equivalents	(575)	(702)	(353)
Cash and cash equivalents, beginning of period	3,906	4,609	5,090
Cash and cash equivalents, end of period	3,331	3,906	4,737

Net cash used in operating activities was NT\$172 million in 1Q19, which was because of customer prepayments decrease and was recognized as revenue in 1Q19, and cash outflow for accrued expense.

Net cash used in investing activities was NT\$393 million in 1Q19, which was mainly due to the acquisitions of equipment and intangible asset.



The Flexible ASIC Leader

May 2, 2019

GLOBAL UNICHIP CORP. (GUC) is the Flexible ASIC Leader™ whose customers target IC devices to leading edge computing, communications, and consumer applications. Based in Hsin-chu, Taiwan GUC has developed a global reputation with a presence in China, Europe, Japan, Korea, and North America. GUC is publicly traded on the Taiwan Stock Exchange under the symbol 3443. For more information, please visit GUC's company website (<http://www.guc-asic.com>) for details.

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