

Global Unichip Corp. (GUC) Reports Financial Results for 1Q20

Hsinchu – May 7, 2020 -- Global Unichip Corporation (TAIEX: 3443) today announced consolidated net sales of NT\$3,170 million, income from operations of NT\$74 million, net income of NT\$99 million, and basic earnings per share of NT\$0.74 for the first quarter ended Mar 31, 2020.

Financial Summary

| <i>(In NT\$M except EPS and percentage)</i> | <u>1Q20</u> | <u>4Q19</u> | <u>QoQ</u> | <u>1Q19</u> | <u>YoY</u> |
|---|-------------|-------------|------------|-------------|------------|
| Net Sales | 3,170 | 3,297 | -4% | 2,561 | 24% |
| NRE | 777 | 958 | -19% | 1,067 | -27% |
| Turnkey | 2,377 | 2,287 | 4% | 1,408 | 69% |
| Others | 16 | 52 | -69% | 86 | -81% |
| Gross Profit | 765 | 1,081 | -29% | 808 | -5% |
| Gross Margin | 24.1% | 32.8% | -- | 31.6% | -- |
| Operating Expense | 691 | 738 | -6% | 683 | 1% |
| Income from Operations | 74 | 343 | -79% | 125 | -41% |
| Operating Margin | 2.3% | 10.4% | -- | 4.9% | -- |
| Net Income | 99 | 275 | -64% | 153 | -35% |
| Net Profit Margin | 3.1% | 8.3% | -- | 6.0% | -- |
| EPS (NT\$) | 0.74 | 2.06 | -64% | 1.14 | -35% |
| Cash from Operating activity | 218 | -278 | -178% | -172 | -227% |

Topics in This Report:

- Revenue Analysis
- Gross Margin Analysis
- Expense Analysis
- Net Profit & EPS
- Financial Condition Review
- Cash Flow Analysis

Financial Highlights: First Quarter 2020

- Net Sales was NT\$3,170 million, which decreased 4% compared to NT\$3,297 million in 4Q19 but representing a 24% increase from NT\$2,561 million in 1Q19.
- NRE revenue was NT\$777 million, decreased 19% in 1Q20 from 4Q19. Turnkey revenue was NT\$2,377 million, increased 4% in 1Q20 from 4Q19, which is better than guidance released earlier.
- Gross Margin was 24.1%, which is 8.7 percentage points lower than 4Q19 and also decreased 7.5 percentage points than 1Q19.
- Operating Margin was 2.3%, down 8.1 percentage points from 4Q19 and 2.6 percentage points lower than 1Q19.
- Net Margin was 3.1%, down 5.2% compared with 4Q19 and 2.9 percentage points lower than 1Q19.

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 | 1Q20 | 4Q19 | 1Q19 |
|--------------------------|------|------|------|
| | % | % | % |
| Below 7nm | 8% | 9% | 15% |
| 16nm | 25% | 41% | 35% |
| 28nm | 34% | 34% | 31% |
| 40nm | 24% | 3% | 5% |
| 65nm Above | 9% | 13% | 14% |
| Total | 100% | 100% | 100% |
| Turnkey by Technology | 1Q20 | 4Q19 | 1Q19 |
| | % | % | % |
| Below 7nm | 0% | 0% | 13% |
| 16nm | 5% | 9% | 0% |
| 28nm | 44% | 42% | 25% |
| 40nm | 21% | 13% | 18% |
| 65nm Above | 30% | 36% | 44% |
| Total | 100% | 100% | 100% |

By segment, combined 28 nm and below accounted for 67% of total NRE revenue in 1Q20, and mostly from 28nm. 7nm and below accounted for 8%.

For Turnkey revenue, 40nm & 28nm revenue contribution was 65% in 1Q20, and still no revenue contribution from 7nm and below in 1Q20.

● By Technology/Application/Region

| Net Sales by Technology | 1Q20 | 4Q19 | 1Q19 |
|-----------------------------|------|------|------|
| | % | % | % |
| Below 7nm | 2% | 3% | 14% |
| 16nm | 10% | 19% | 15% |
| 28nm | 41% | 40% | 29% |
| 40nm | 22% | 10% | 12% |
| 65nm Above | 25% | 28% | 30% |
| Total | 100% | 100% | 100% |
| Net Sales by Application | 1Q20 | 4Q19 | 1Q19 |
| | % | % | % |
| Communication | 8% | 10% | 12% |
| Computer | 44% | 39% | 41% |
| Consumer | 33% | 35% | 37% |
| Others | 15% | 16% | 10% |
| Total | 100% | 100% | 100% |
| Net Sales by Reigon | 1Q20 | 4Q19 | 1Q19 |
| | % | % | % |
| Taiwan | 17% | 13% | 15% |
| USA | 38% | 30% | 26% |
| China | 21% | 21% | 14% |
| Japan | 4% | 8% | 26% |
| Korea | 13% | 12% | 14% |
| Europe | 7% | 16% | 5% |
| Total | 100% | 100% | 100% |

By technology, 7nm and below revenue contribution in 1Q20 was 2%, and all of them were from NRE revenue. Advanced technologies (40nm and below) accounted for 75% of total revenue in 1Q20.

By application, revenue contribution from Computer increased sequentially to 44%, which was because of rush orders from server applications.

From a geographic perspective, revenue from China and USA totally accounted for 59% in 1Q20.

Gross Margin Analysis

| | 1Q20 | | 4Q19 | | 1Q19 | |
|--------------------------------------|--------|----------------|--------|----------------|--------|----------------|
| | Amount | % of net sales | Amount | % of net sales | Amount | % of net sales |
| <i>(In NT\$M except percentages)</i> | | | | | | |
| Cost of sales | 2,405 | 75.9% | 2,216 | 67.2% | 1,753 | 68.4% |
| Gross profit | 765 | 24.1% | 1,081 | 32.8% | 808 | 31.6% |

Gross margin rate was 24.1% in 1Q20, decreased compare to 4Q19 and 1Q19, which was primarily attributable to product mix, and margin of both NRE and TK business in 1Q20 were lower.

Expenses Analysis

| | 1Q20 | | 4Q19 | | 1Q19 | |
|--------------------------------------|--------|----------------|--------|----------------|--------|----------------|
| | Amount | % of net sales | Amount | % of net sales | Amount | % of net sales |
| <i>(In NT\$M except percentages)</i> | | | | | | |
| SG&A Exp | 129 | 4.1% | 157 | 4.8% | 143 | 5.6% |
| R&D Exp | 562 | 17.7% | 581 | 17.6% | 540 | 21.1% |
| Total operating expenses | 691 | 21.8% | 738 | 22.4% | 683 | 26.7% |

Total operating expenses in 1Q20 represented 21.8% of net sales; operating expenses in 1Q20 decreased 6.4% sequentially but slightly increased 1.2% on YoY basis.

Net Profit & EPS

| | 1Q20 | | 4Q19 | | 1Q19 | |
|------------------------------|------------|------------|------------|------------|------------|------------|
| | Net Income | EPS (NT\$) | Net Income | EPS (NT\$) | Net Income | EPS (NT\$) |
| <i>(In NT\$M except EPS)</i> | | | | | | |
| | 99 | 0.74 | 275 | 2.06 | 153 | 1.14 |

Net income in 1Q20 was NT\$99 million and EPS was NT\$0.74, decreased 64% compared with 4Q19 and decreased 35% on YoY basis.

Financial Condition Review

● Liquidity Analysis

Unit: NT\$M

| | 03,31,2020 | 12,31,2019 | 03,31,2019 |
|-------------------------------|------------|------------|------------|
| Assets | | | |
| Cash and cash equivalents | 2,586 | 2,542 | 3,331 |
| Accounts receivable, net | 1,727 | 1,743 | 985 |
| Inventories | 1,671 | 1,778 | 1,223 |
| Other current assets | 455 | 553 | 362 |
| Total current assets | 6,439 | 6,616 | 5,901 |
| Property, plant and equipment | 930 | 983 | 1,051 |
| Other non-current assets | 801 | 742 | 560 |
| Total assets | 8,170 | 8,341 | 7,512 |
| Liabilities | | | |
| Current liabilities | 3,332 | 3,638 | 2,724 |
| Non-current liabilities | 428 | 390 | 266 |
| Total liabilities | 3,760 | 4,028 | 2,990 |
| Equity | | | |
| Total equity | 4,410 | 4,313 | 4,522 |
| Total liabilities and equity | 8,170 | 8,341 | 7,512 |
| Net working capital (NT\$M) | 3,107 | 2,978 | 3,177 |
| Current ratio(%) | 193 | 182 | 217 |

At the end of 1Q20, total assets were NT\$8,170 million and total liabilities were NT\$3,760 million. Both decreased sequentially, which was mainly due to decrease of inventory and account payable in 1Q20. Total assets and total liabilities increased on YOY basis, which was because of inventory and advance receipts increase.

Net working capital in 1Q20 was NT\$3,107 million and current ratio was 193%, which was higher than the number at end of 4Q19.

● Receivable and Inventory days

| | 03,31,2020 | 12,31,2019 | 03,31,2019 |
|--------------------|------------|------------|------------|
| A/R turnover days | 42 | 40 | 29 |
| Inv. turnover days | 65 | 78 | 65 |

Days of A/R turnover and Inventory turnover in 1Q20 were 42 days and 65 days, respectively. Inventory turnover days decreased compared with 2019.

Cash flow analysis

| | Unit: NT\$M | | |
|--|-------------|-------|-------|
| | 1Q20 | 4Q19 | 1Q19 |
| Cash flows from operating activities: | 218 | (278) | (172) |
| Cash flows from investing activities: | (157) | (129) | (393) |
| Cash flows from financing activities: | (15) | (15) | (13) |
| Effect of exchange rate changes on cash and cash equivalents | (2) | (9) | 3 |
| Net increase (decrease) in cash and cash equivalents | 44 | (431) | (575) |
| Cash and cash equivalents, beginning of period | 2,542 | 2,973 | 3,906 |
| Cash and cash equivalents, end of period | 2,586 | 2,542 | 3,331 |

Net cash generated from operating activities was NT\$218 million in 1Q20, which was because of advance receipts increase in 1Q20.

Net cash spent in investing activities was NT\$157 million in 1Q20, which was mainly due to the acquisitions of intangible asset and properties.

Financing activities spent cash of NT\$15 million during this quarter.



The Advanced ASIC Leader

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GLOBAL UNICHIP CORP. (GUC) is the Advanced 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](http://www.guc-asic.com)) for details.

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