



# **WIN** Semiconductors

***Wireless • Information • Networking***



**2Q 2016 Investor Conference**



**July 2016**

# Safe Harbor Notice



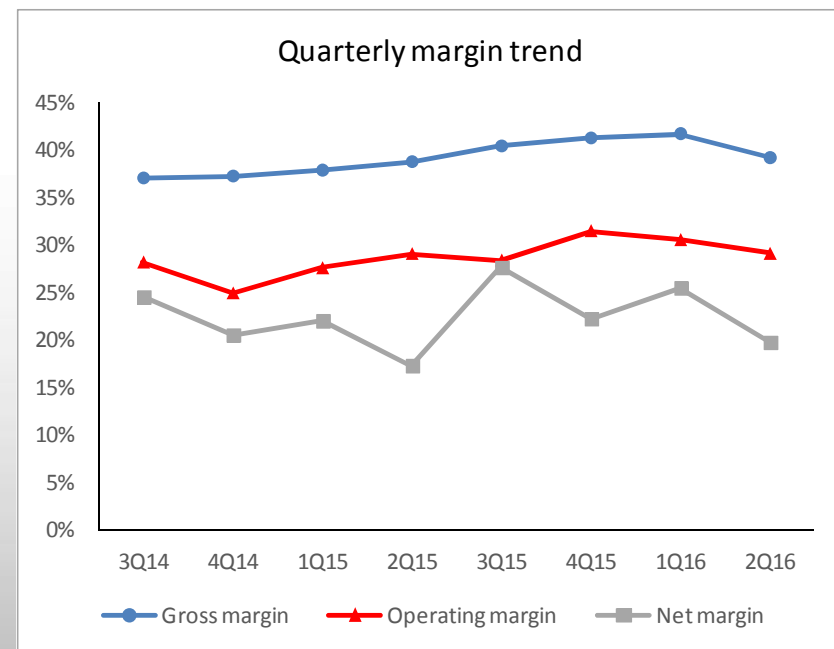
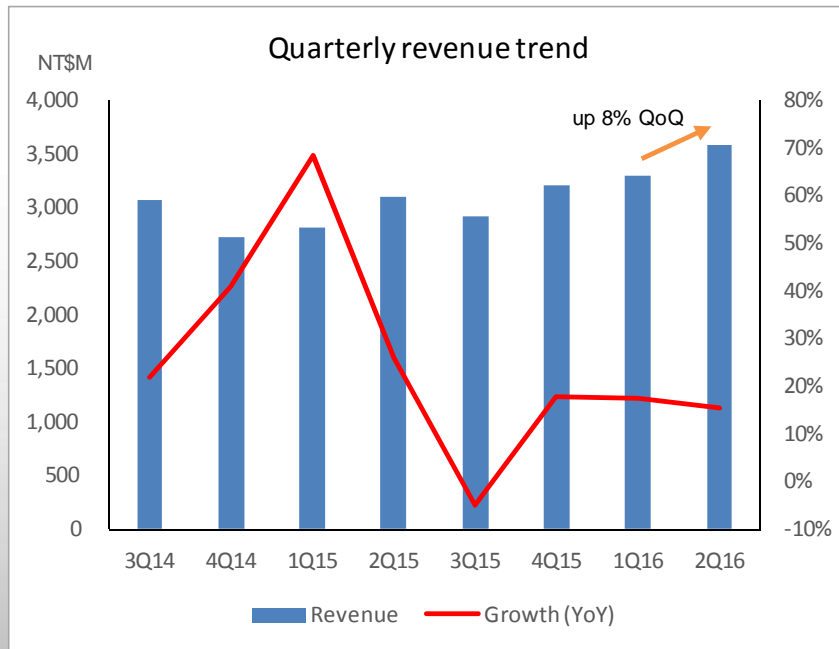
- *This presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.*
- *Except as required by law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

# Quarterly Results & Guidance

# Revenue & Margin Trend



- 2Q16 revenue was up 8% QoQ, and up 15% YoY mainly reflecting customers' demand in a stronger season.
- 2Q16 GM declined 2.5pp sequentially to 39.2%, primarily due to product mix and increasing depreciation expenses. OPM decreased 1.5pp to 29.1%.

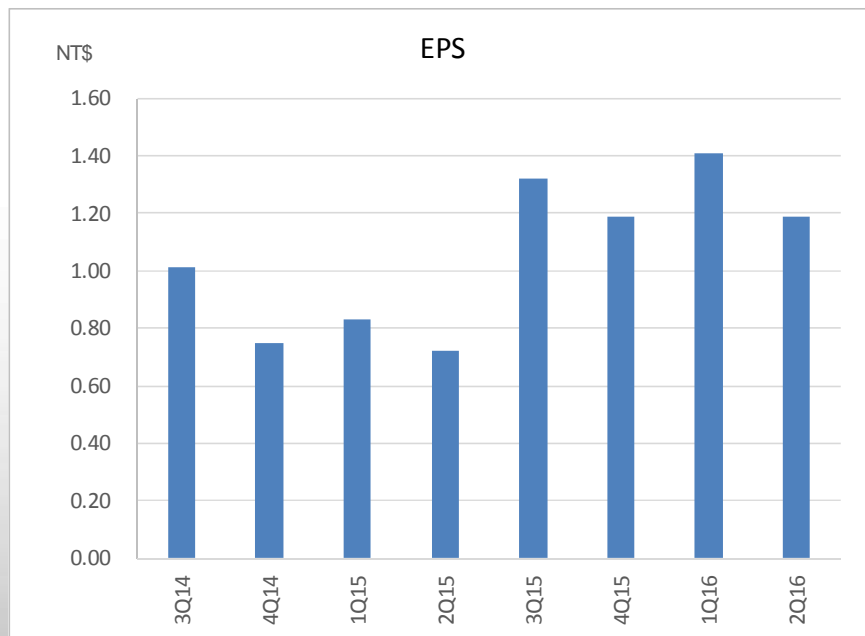
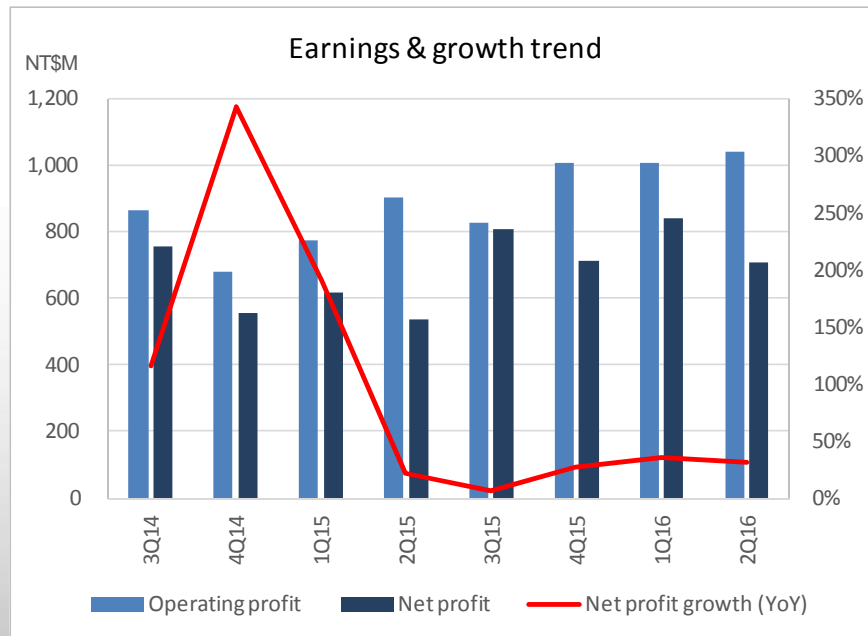


Source: company.

# Earnings Trend



- 2Q16 net profit was NT\$706mn, which increased 31% YoY but decreased 16% QoQ. The sequential decline was due to one-off undistributed earnings tax, with income tax expense increasing by NT\$220mn (or NT\$-0.36 per share) compared to last quarter.
- EPS came in at NT\$1.19, compared to NT\$1.41 in 1Q16.

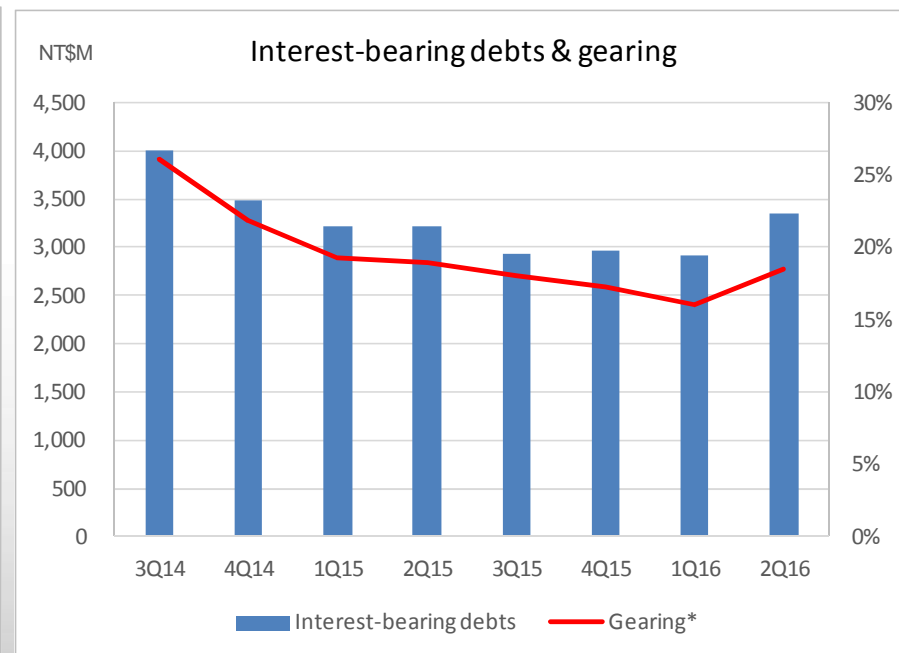
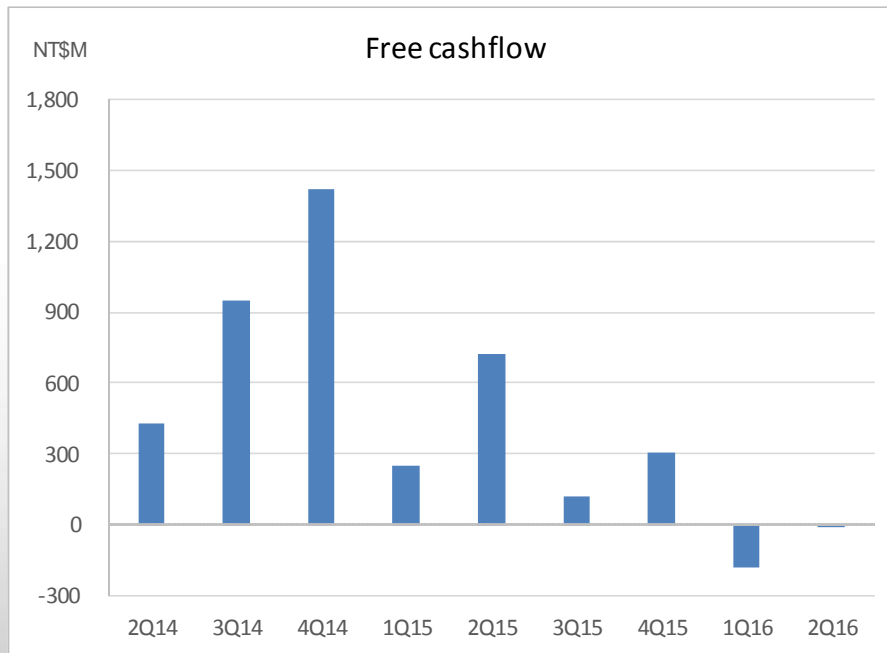


Source: company.

# FCF & Gearing Trend



- Despite continued investment in capex for capacity expansion, free cash flow has been improving in 2Q16.
- Interest-bearing debts and gearing ratio modestly increased, as we moderately increase leverage under a healthy financial structure.

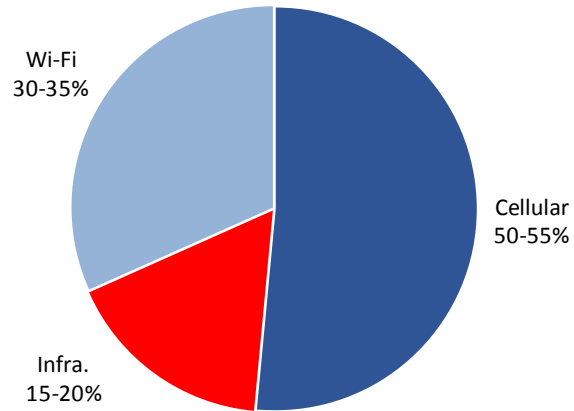


\* Gearing = interest-bearing debts / equity  
Source: company.

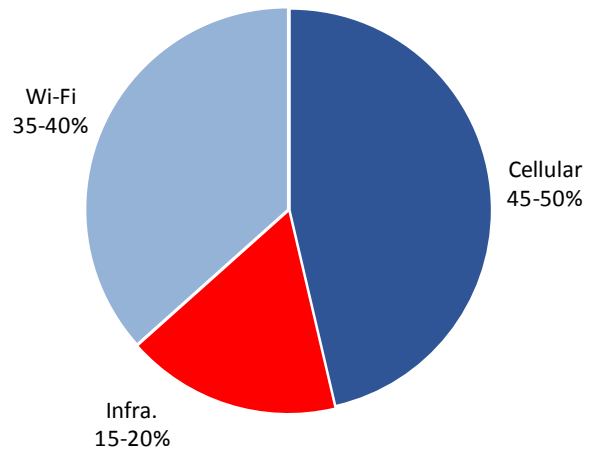
# Product Mix



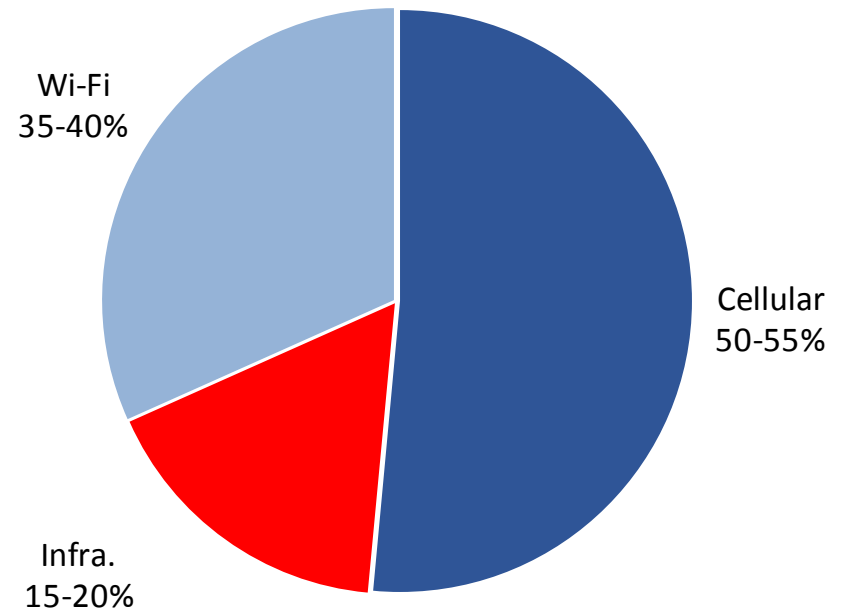
2Q15



1Q16



2Q16



Source: company.

# 3Q16 Guidance



- We expect 3Q16 revenue to grow by low single digit QoQ.
- We expect 3Q16 gross margin to be maintained at the 2Q16 level.



# Financial Summary

# Consolidated Statements of Comprehensive Income - Quarterly



Unit: NTD Million	2Q'15	1Q'16	2Q'16 (unaudited)	QoQ	YoY
<b>Net revenue</b>	<b>3,099</b>	<b>3,292</b>	<b>3,572</b>	<b>+8%</b>	<b>+15%</b>
Gross profit	1,201	1,374	1,400	+2%	+17%
<i>Gross margin (%)</i>	38.8%	41.7%	39.2%		
Operating expenses	(300)	(367)	(360)	-2%	+20%
<i>Operating expenses rate (%)</i>	-10%	-11%	-10%		
<b>Operating income</b>	<b>902</b>	<b>1,006</b>	<b>1,040</b>	<b>+3%</b>	<b>+15%</b>
<i>Operating margin (%)</i>	29.1%	30.6%	29.1%		
Non-operating incomes and expenses	(59)	(1)	50		
Income before income tax	843	1,005	1,090	+8%	+29%
Income tax expense	(306)	(165)	(384)		
<b>Net income</b>	<b>537</b>	<b>839</b>	<b>706</b>	<b>-16%</b>	<b>+31%</b>
<i>Net margin (%)</i>	17.3%	25.5%	19.8%		
<b>EPS (NT\$)</b>	<b>0.72</b>	<b>1.41</b>	<b>1.19</b>	<b>-16%</b>	<b>+65%</b>
Other comprehensive income, net	(112)	173	171		
<b>Comprehensive income</b>	<b>425</b>	<b>1,012</b>	<b>876</b>	<b>-13%</b>	<b>+106%</b>
ROE(%)	13%	19%	16%		
Approx. Utilization (%)	90%	90%	90%		
Depreciation	470	504	560		
CAPEX	380	879	795		

# Consolidated Statements of Comprehensive Income - YTD



Unit: NTD Million	1H'15	1H'16 (unaudited)	YoY
<b>Net revenue</b>	<b>5,906</b>	<b>6,864</b>	<b>+16%</b>
Gross profit	2,264	2,773	+22%
<i>Gross margin (%)</i>	38.3%	40.4%	
Operating expenses	(588)	(727)	+24%
<i>Operating expenses rate (%)</i>	-10%	-10%	
<b>Operating income</b>	<b>1,676</b>	<b>2,046</b>	<b>+22%</b>
<i>Operating margin (%)</i>	28.4%	29.8%	
Non-operating incomes and expenses	(91)	49	
Income before income tax	1,585	2,095	+32%
Income tax expense	(430)	(550)	
<b>Net income</b>	<b>1,155</b>	<b>1,545</b>	<b>+34%</b>
<i>Net margin (%)</i>	19.6%	22.5%	
<b>EPS (NT\$)</b>	<b>1.55</b>	<b>2.60</b>	
Other comprehensive income, net	(33)	343	
<b>Comprehensive income</b>	<b>1,122</b>	<b>1,888</b>	<b>+68%</b>
ROE(%)	14%	18%	
Approx. Utilization (%)	85%	90%	
Depreciation	938	1,065	
CAPEX	879	1,674	

# Non-operating Items



Unit: NTD Million

	2Q'15	2Q'16 (unaudited)	1H'15	1H'16 (unaudited)
Foreign exchange gains (losses)	(30)	(7)	(52)	(51)
Gains (losses) on disposals of property, plant and equipment	-	(1)	-	(1)
Gains (losses) on disposals of investments	0	0	2	1
Gains on financial assets (liabilities) at fair value through profit or loss, net	(4)	21	(2)	29
Share of loss of associates and joint ventures accounted for using equity	(19)	(5)	(33)	(10)
Others	(5)	42	(6)	80
<b>Total</b>	<b>(59)</b>	<b>50</b>	<b>(91)</b>	<b>49</b>

# Consolidated Balance Sheets



(Unit: NTD Million)	Major Item	2015/6/30		2016/3/31		2016/6/30 (unaudited)	
		\$	%	\$	%	\$	%
	Cash and cash equivalents	3,157	13%	1,718	7%	1,415	5%
	Current financial assets at fair value through profit or	1,328	6%	774	3%	506	2%
	Current available-for-sale financial assets	592	3%	839	3%	931	4%
	Notes and accounts receivable, net	994	4%	911	4%	1,297	5%
	Inventories	2,085	9%	2,534	10%	2,541	10%
	Long-term investments	1,913	8%	2,281	9%	2,588	10%
	Net property, plant and equipment	12,932	55%	15,057	61%	15,819	62%
	<b>Total Assets</b>	<b>23,424</b>	<b>100%</b>	<b>24,533</b>	<b>100%</b>	<b>25,591</b>	<b>100%</b>
	Current liabilities	3,699		4,127		4,983	
	Long-term borrowings	2,568		1,978		2,356	
	<b>Total Liabilities</b>	<b>6,461</b>	<b>28%</b>	<b>6,303</b>	<b>26%</b>	<b>7,545</b>	<b>29%</b>
	Common stock	7,441		5,967		5,867	
	<b>Total Equity</b>	<b>16,964</b>	<b>72%</b>	<b>18,230</b>	<b>74%</b>	<b>18,046</b>	<b>71%</b>
	Book value per share (NT\$)	22.80		30.55		30.76	
	<b>Key Indices</b>						
	Current ratio ( <i>Current assets / Current liabilities</i> )	227%		169%		140%	
	Debt ratio ( <i>Total liabilities / Total assets</i> )	28%		26%		29%	

# Q & A

For more information regarding WIN  
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