



WIN Semiconductors

*Compound Semiconductor Solutions
From RF to Light-Wave*

Company Presentation



March 2018

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.*

Outline

- ✓ **2017 Review**
- ✓ **Market Outlook**
- ✓ **Technologies**
- ✓ **The WIN Strategy**
- ✓ **Financial Review & Guidance**
- ✓ **Q&A**



2017 Revenue Hit a Record High



Enlisted in MSCI Global Standard Indexes



Introduce Strategic Investors and Strengthen Partnership with Customers

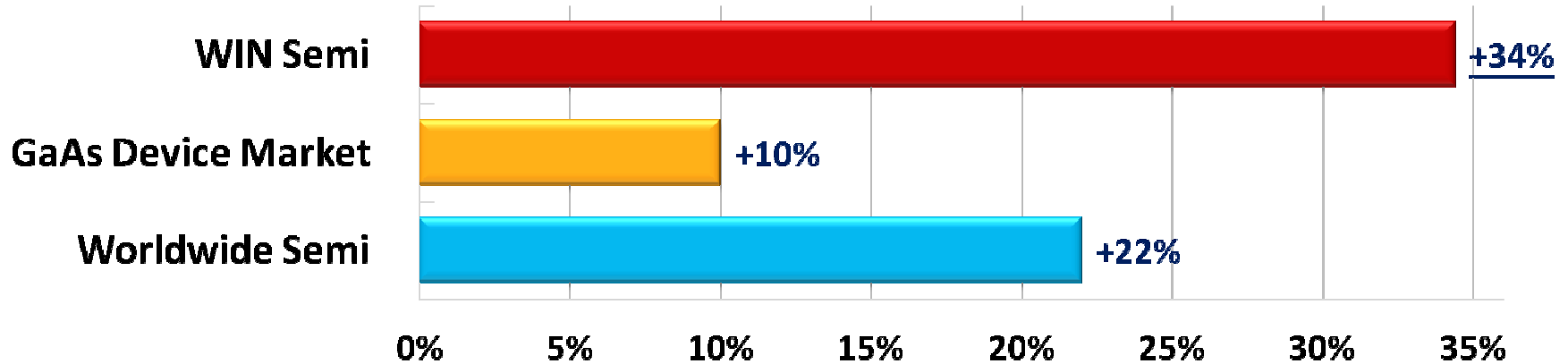


MMIC Sustaining Growth, Optical Device >10% Revenue Share

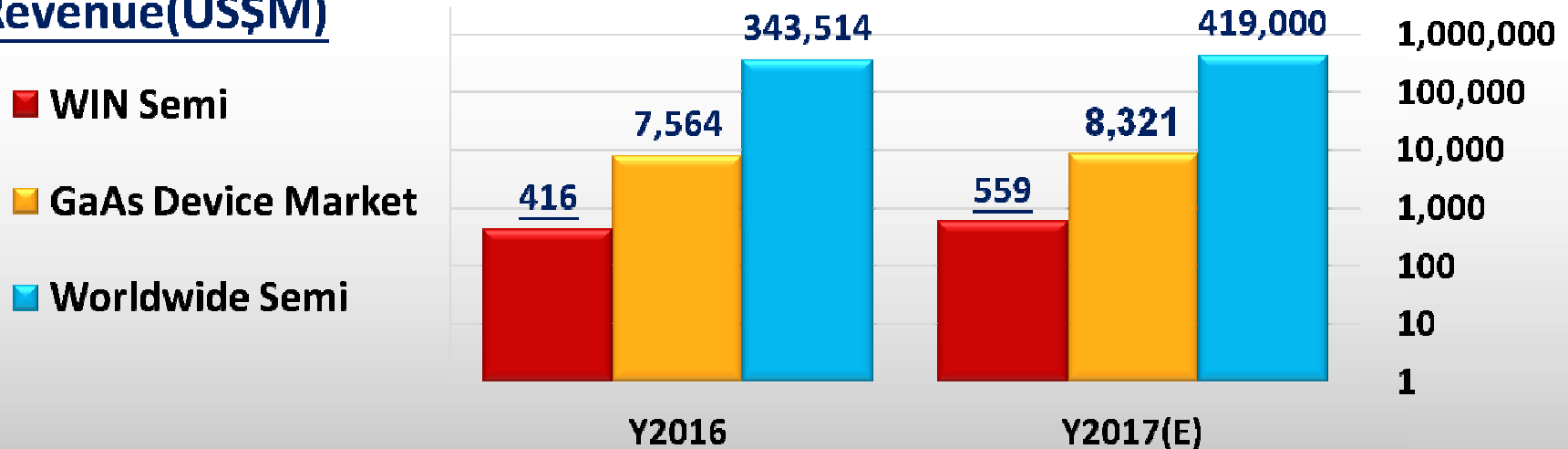
Semiconductor Revenue Growth (US\$)



Y2017 Revenue Growth Rate



Revenue(US\$M)



Source : (1) Worldwide Semiconductors Revenue, Gartner, Jan. 2018
 (2) GaAs Market Estimation, Strategy Analytics, Jan. 2018

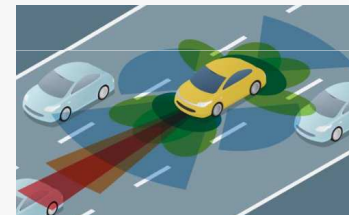
Market Outlook

Business Growth Drivers



5G Wireless

- Sub-6GHz
- mmWave



Optical Devices

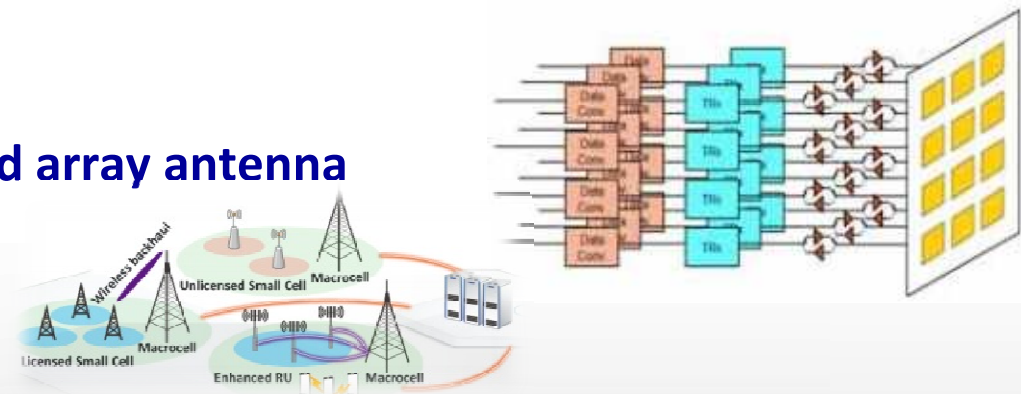
- 3D Sensing
- Optical Communication



5G Wireless

Largely increased RF contents

- Sub-6 GHz
 - More frequency bands at higher frequencies
 - MIMO to enhance data transmit rate
- mmWave (>28GHz)
 - Beamforming using phased array antenna
 - Small cell base stations



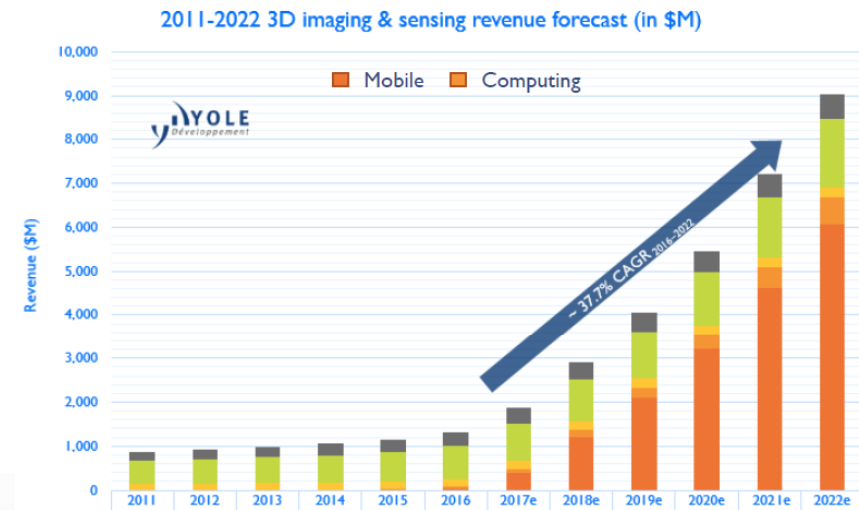
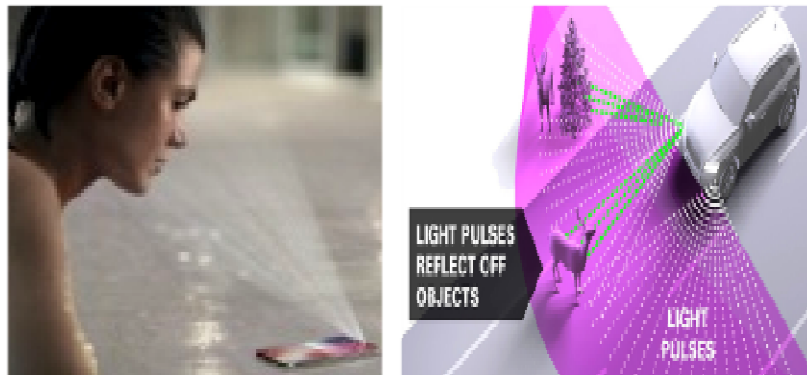
WIN Semiconductors' technology portfolio provides high performance integrated solutions across all 5G frequency bands

- Sub 6GHz: GaAs HBT and BiHEMT
- mm-wave: Integrated GaAs pHEMT PA/LNA/Switch

Optical Devices

➤ 3D Sensing market explosion

- Face and gesture recognition, AR/VR, LiDAR

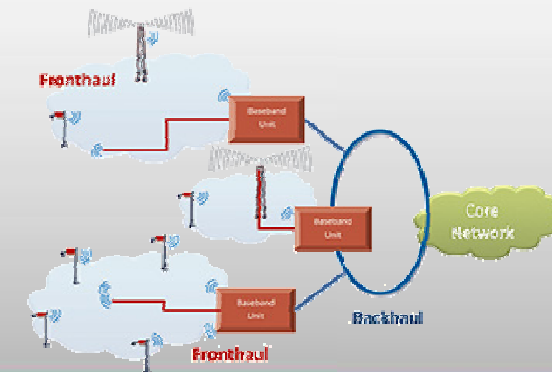


@2017 | www.yole.fr | iPhone X Analysis

Source: Webcast 3D Imaging Sensing, Yole Development, System Plus Consulting, Sept. 2017

➤ Optical Communication

- Fiber to The Home (FTTH)
- Data Center
- 4G/5G Mobile fronthaul and backhaul access

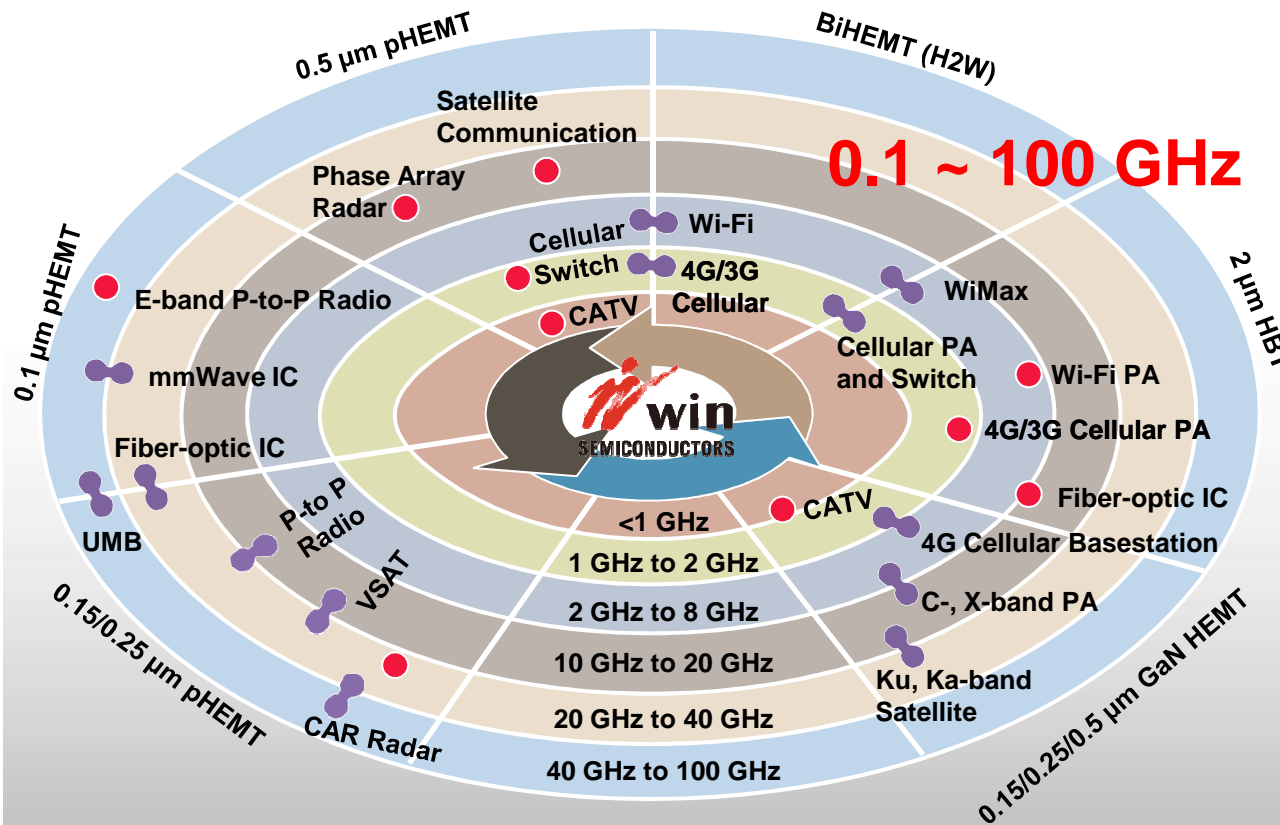


Technologies

Broad Portfolio of Advanced Technologies **win**

SEMICONDUCTORS

The most comprehensive technology portfolio in industry enables customers to develop optimized products for a wide range of applications



0.1 ~ 100 GHz

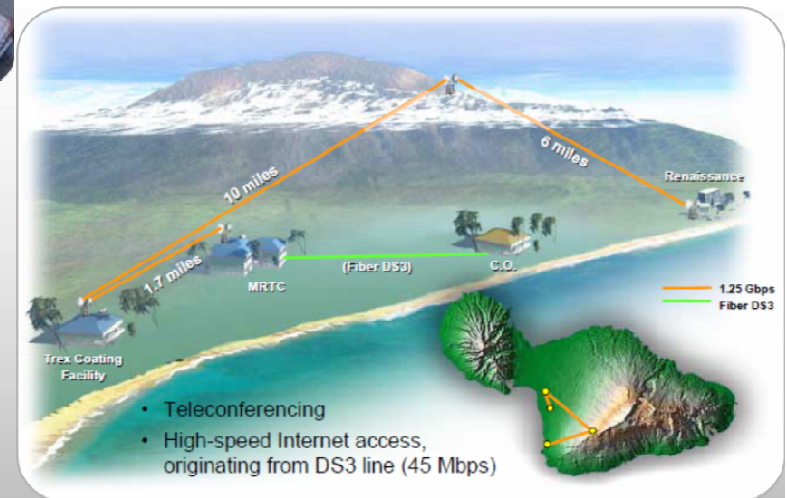
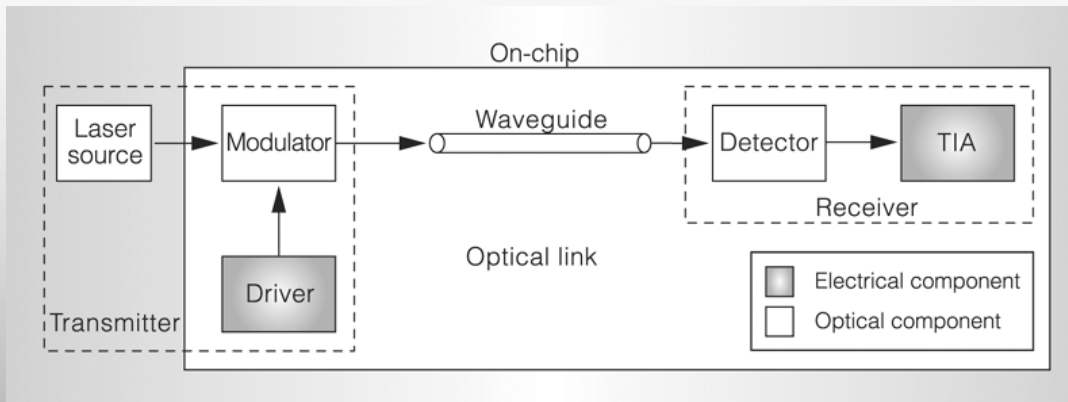
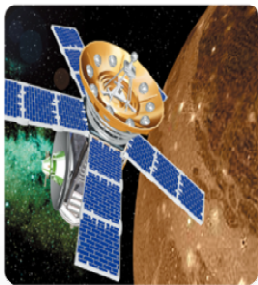
- ✓ Dominant market share for high-performance HBT used in LTE PAs
- ✓ Leading BiHEMT technology for advanced integrated FEM
- ✓ First and only foundry worldwide to commercially develop 0.1μm pHEMT on 6" GaAs wafer
- ✓ Industry leading 0.15–0.25μm pHEMT technology
- ✓ Supports broad range of products such as PAs (from 50MHz–100GHz), switches, and fiber optic IC
- ✓ Developing GaN for high power devices (4/5G base station)

WIN 0.25/0.15/0.10 μ m pHEMT Inside!



Ultra high frequency semiconductor technology provider!

- Wireless infrastructure
- Satellite Communications
- Fiber optic Communication
- ADAS

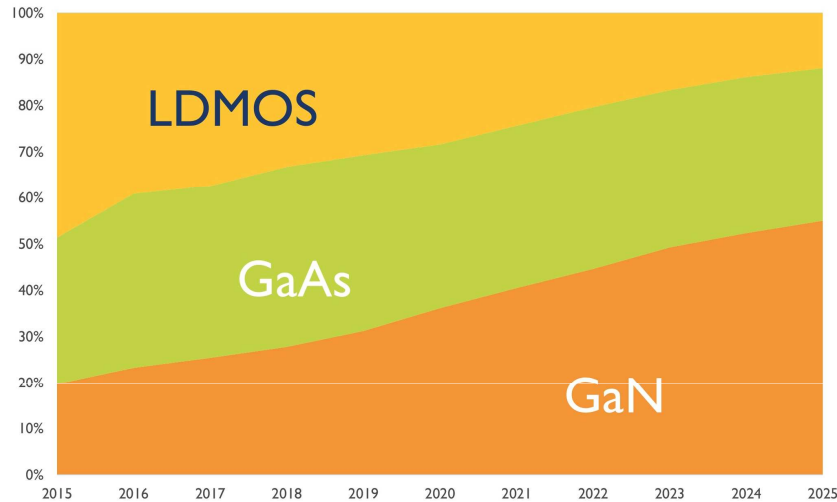


GaN's Opportunities in 5G Infrastructure



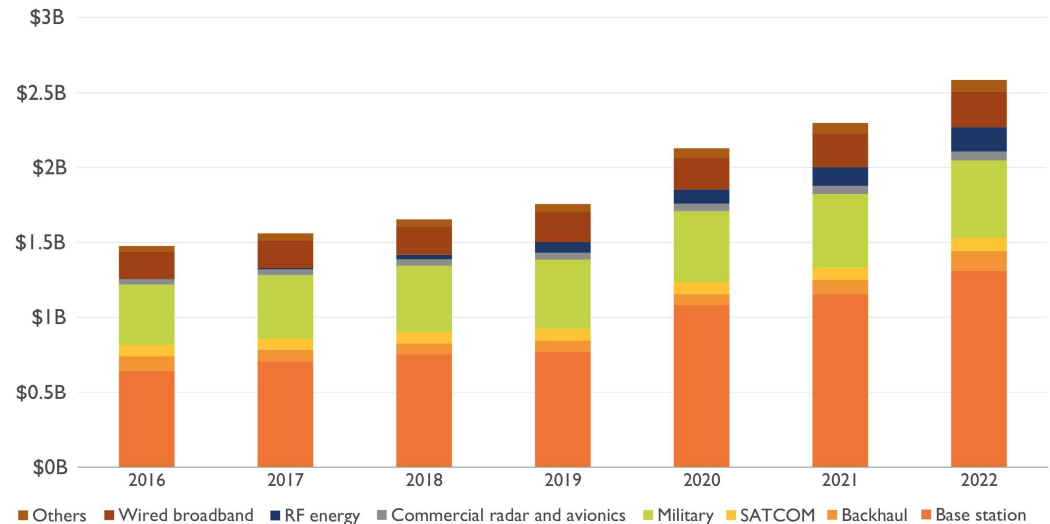
RF power device market, in value – Breakdown by technology

(Only considering RF power semiconductors above 3W, excluding such applications as mobile PAs)



“Growth is being driven by increasing demand for telecom base-station upgrades and small-cell implementations.”

RF power market from 2016 to 2022



Source: Yole Développement's "RF Power Market and Technologies 2017: GaN, GaAs and LDMOS Report"

The WIN Strategy



Invest in capacity to capture demand growth and improve margins through product remix

Scale & Remix

Technology Leadership

Invest in technologies to maintain competitive edge and sustain leadership

Cost & Efficiency

Customer Diversification

Leverage on technology and manufacture expertise to lift efficiency and drive cost down

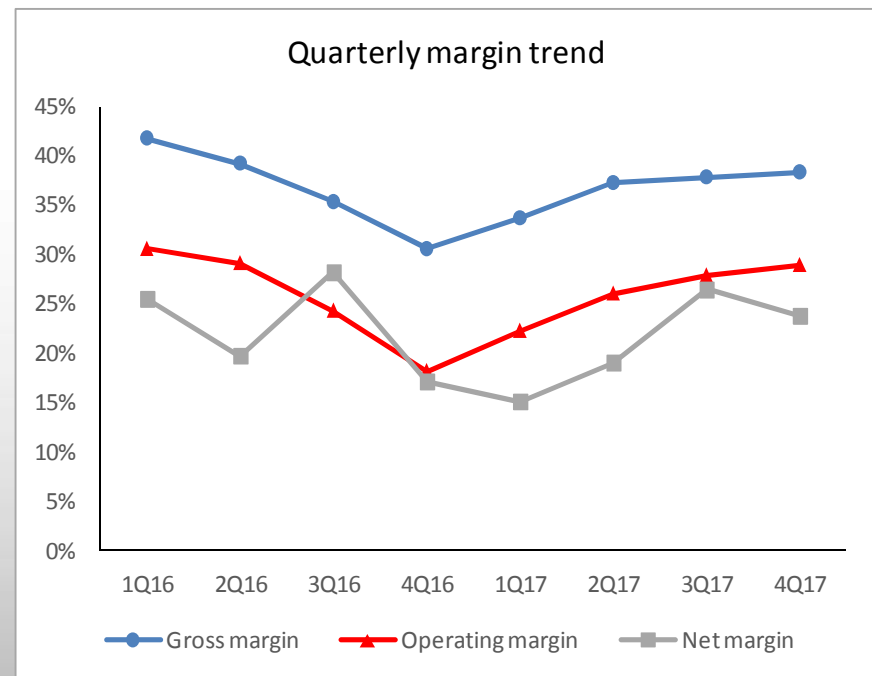
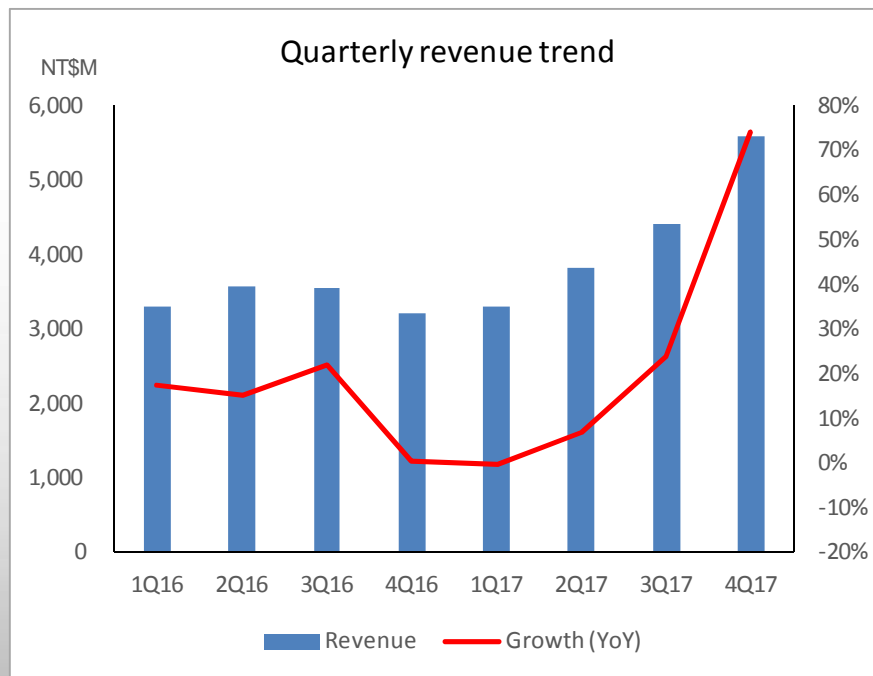
Grow and acquire new customers in existing and new markets to diversify customer base

4Q2017 & 2017 Results & 1Q2018 Guidance

Revenue & Margin Trend



- 4Q17 revenue increased 27% QoQ and 74% YoY. On top of the better-than-seasonal performance for the wireless communication business, the major growth driver was strong demand for the optical device applied on consumer products.
- 4Q17 GM and OPM were 38.3% and 28.9%, respectively, up 0.5 and 1 pp sequentially. This was mainly driven by the increase in capacity utilization and better product mix.

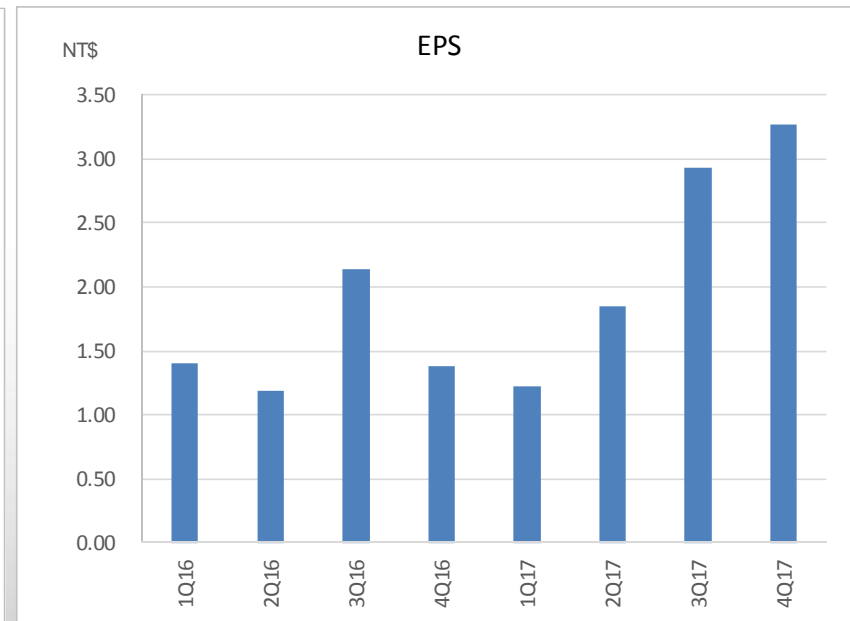
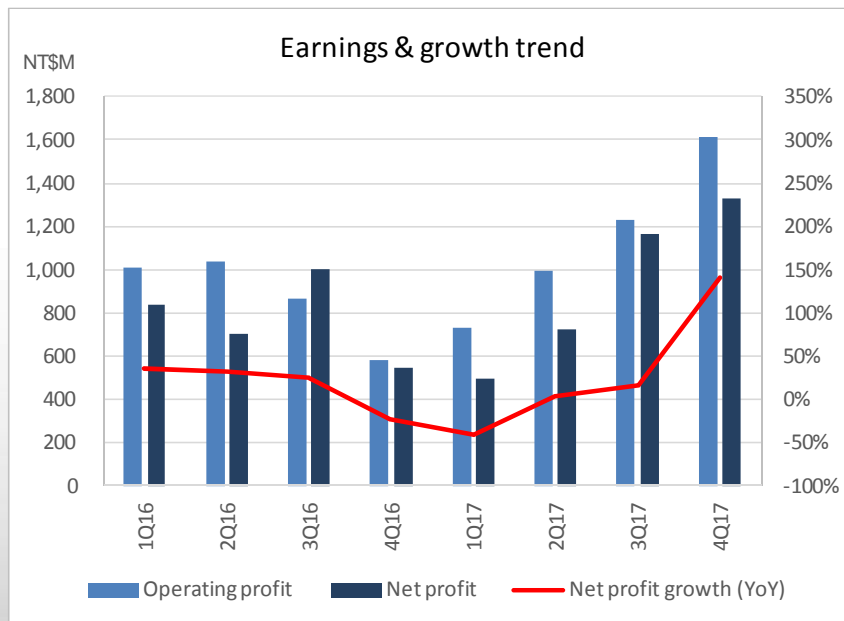


Source: company.

Earnings Trend



- Given the increase in revenue, 4Q17 net profit reached NT\$1,327mn, up 14% QoQ and 141% YoY.
- 4Q17 EPS came in at NT\$3.31, compared to NT\$2.93 in 3Q17.

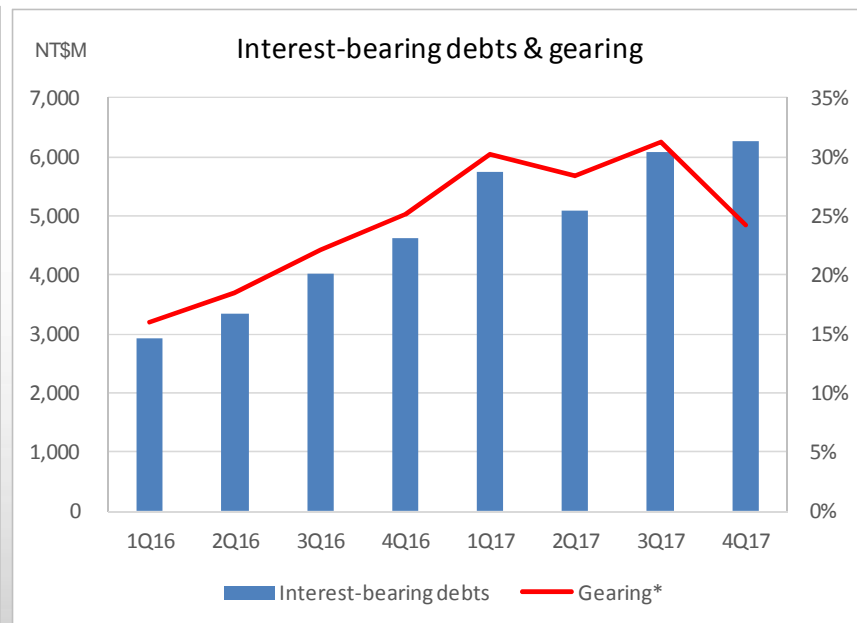
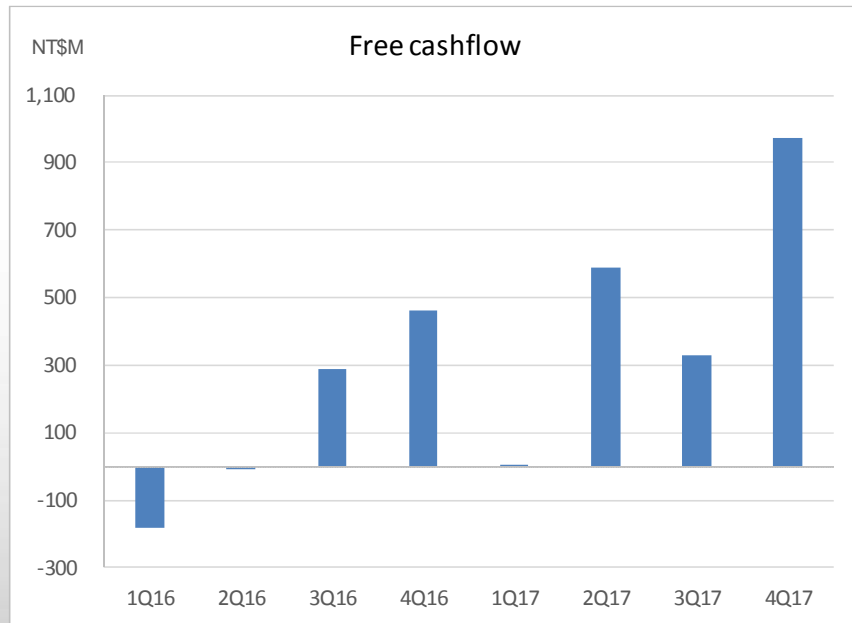


Source: company.

FCF & Gearing Trend

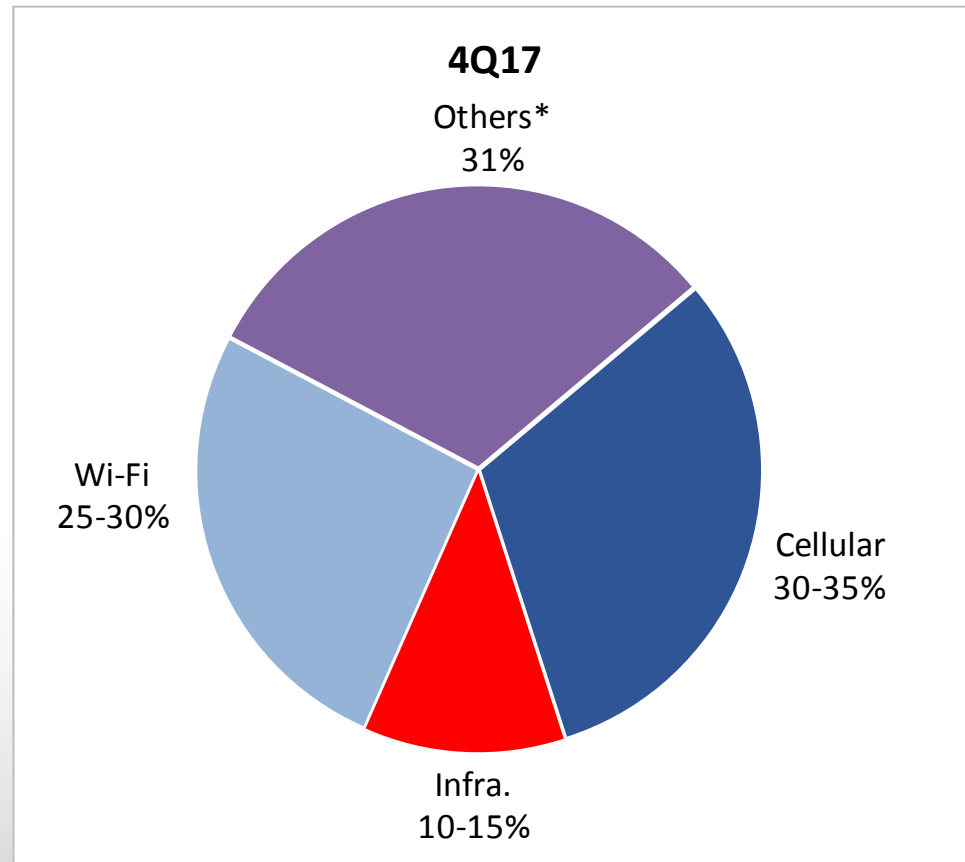
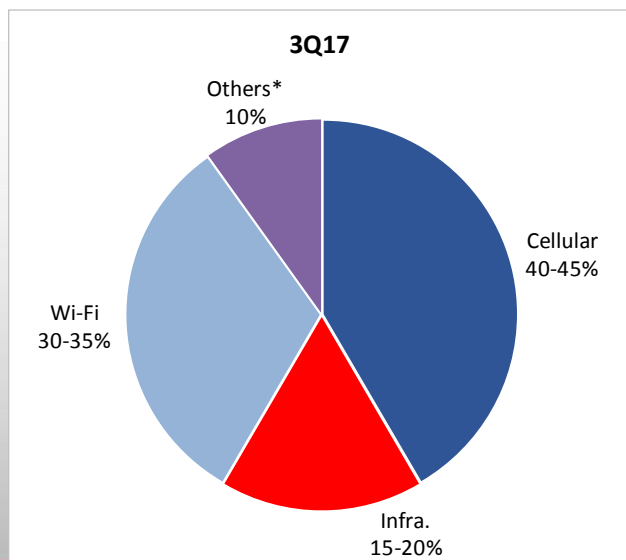
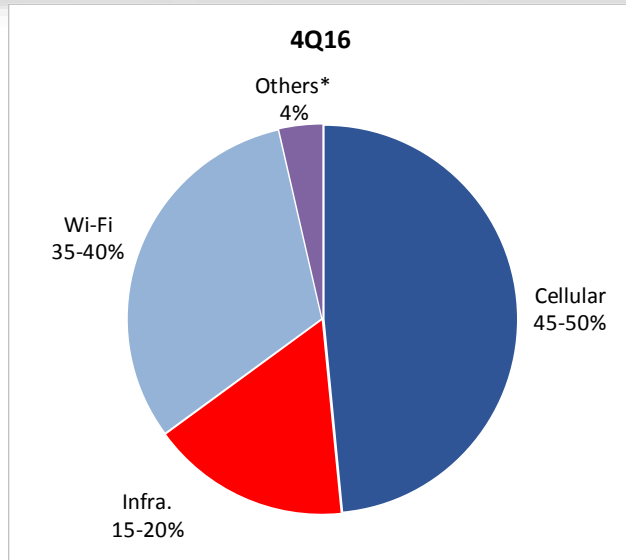


- Despite the significant increase in capex in 4Q17, free cash flow remained sufficient with the growth in profitability.
- Interest-bearing debts modestly increased, but gearing ratio has decreased following the completion of the private placement, which further enhanced our financial structure to a healthier level.



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

Product Mix



* Others: Revenue not attributable to main product segments and additional revenue being consolidated in accordance with IFRS.

Source: company.

1Q18 Guidance



- We expect in USD term, 1Q18 revenue to decline by high-teens QoQ. If no reverse of TWD appreciation trend, 1Q18 revenue will decline by low twenties QoQ in TWD term.
- We expect gross margin to be lower than 4Q17.

Appendix - Financial Summary

Consolidated Statements of Comprehensive Income - Quarterly



Unit: NTD Million	4Q'16	3Q'17	4Q'17 (unaudited)	QoQ	YoY
Net revenue	3,206	4,404	5,581	+27%	+74%
Gross profit	979	1,664	2,137	+28%	+118%
<i>Gross margin (%)</i>	30.5%	37.8%	38.3%		
Operating expenses	(395)	(436)	(523)	+20%	+32%
<i>Operating expenses rate (%)</i>	-12%	-10%	-9%		
Operating income	584	1,228	1,615	+31%	+176%
<i>Operating margin (%)</i>	18.2%	27.9%	28.9%		
Non-operating incomes and expenses	61	137	(38)		
Income before income tax	645	1,365	1,577	+16%	+145%
Income tax expense	(95)	(201)	(249)		
Net income	550	1,164	1,327	+14%	+141%
<i>Net margin (%)</i>	17.2%	26.4%	23.8%		
EPS (NT\$)	1.38	2.93	3.31	+13%	+140%
Other comprehensive income, net	(72)	366	17		
Comprehensive income	478	1,530	1,345	-12%	+181%
ROE(%)	12%	25%	23%		
Approx. Utilization (%)	80%	95%	100%		
Depreciation	636	650	714		
CAPEX	691	772	1,470		

Consolidated Statements of Comprehensive Income - YTD



Unit: NTD Million	2016	2017 (unaudited)	YoY
Net revenue	13,623	17,086	+25%
Gross profit	5,006	6,328	+26%
<i>Gross margin (%)</i>	36.7%	37.0%	
Operating expenses	(1,512)	(1,759)	+16%
<i>Operating expenses rate (%)</i>	-11%	-10%	
Operating income	3,495	4,569	+31%
<i>Operating margin (%)</i>	25.7%	26.7%	
Non-operating incomes and expenses	393	(41)	
Income before income tax	3,888	4,529	+16%
Income tax expense	(791)	(813)	
Net income	3,096	3,715	+20%
<i>Net margin (%)</i>	22.7%	21.7%	
EPS (NT\$)	6.04	9.34	+55%
Other comprehensive income, net	341	743	
Comprehensive income	3,437	4,458	+30%
ROE(%)	17%	17%	
Approx. Utilization (%)	85%	95%	
Depreciation	2,338	2,515	
CAPEX	3,226	3,996	

Non-operating Items



Unit: NTD Million

	4Q'16	4Q'17 (unaudited)	2016	2017 (unaudited)
Foreign exchange gains (losses)	69	(38)	(16)	(174)
Gains (losses) on disposals of property, plant and equipment	(0.001)	(2)	(3)	(2)
Gains (losses) on disposals of investments	(1)	44	227	158
Gains on financial assets (liabilities) at fair value through profit or loss, net	(4)	(2)	14	(35)
Share of loss of associates and joint ventures accounted for using equity	(25)	(78)	(43)	(158)
Others	21	38	213	171
Total	61	(38)	393	(41)

Consolidated Balance Sheets



(Unit: NTD Million)	Major Item	2016/12/31		2017/9/30		2017/12/31 (unaudited)	
		\$	%	\$	%	\$	%
	Cash and cash equivalents	2,388	9%	2,841	10%	7,849	21%
	Current financial assets at fair value through profit or	218	1%	166	1%	1,301	4%
	Current available-for-sale financial assets	975	4%	1,597	5%	1,662	4%
	Notes and accounts receivable, net	1,069	4%	1,444	5%	1,551	4%
	Inventories	2,727	10%	3,403	12%	3,745	10%
	Long-term investments	2,034	8%	2,364	8%	2,206	6%
	Net property, plant and equipment	16,081	61%	16,593	56%	17,551	47%
	Total Assets	26,411	100%	29,501	100%	37,027	100%
	Current liabilities	4,194		4,362		5,077	
	Long-term borrowings	3,674		5,397		5,905	
	Total Liabilities	8,093	31%	10,010	34%	11,223	30%
	Common stock	4,077		4,027		4,227	
	Total Equity	18,318	69%	19,490	66%	25,805	70%
	Book value per share (NT\$)	44.93		48.40		61.05	
	Key Indices						
	Current ratio (<i>Current assets / Current liabilities</i>)	186%		232%		331%	
	Debt ratio (<i>Total liabilities / Total assets</i>)	31%		34%		30%	

Q & A

For more information regarding WIN
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