



*Compound Semiconductor Solutions
from RF to Lightwave*

穩懋半導體

WIN Semiconductors Company Presentation

Nov - Dec 2020



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.**

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

MARKET OUTLOOK

Business Growth Drivers



5G + Wi-Fi 6



Infrastructure



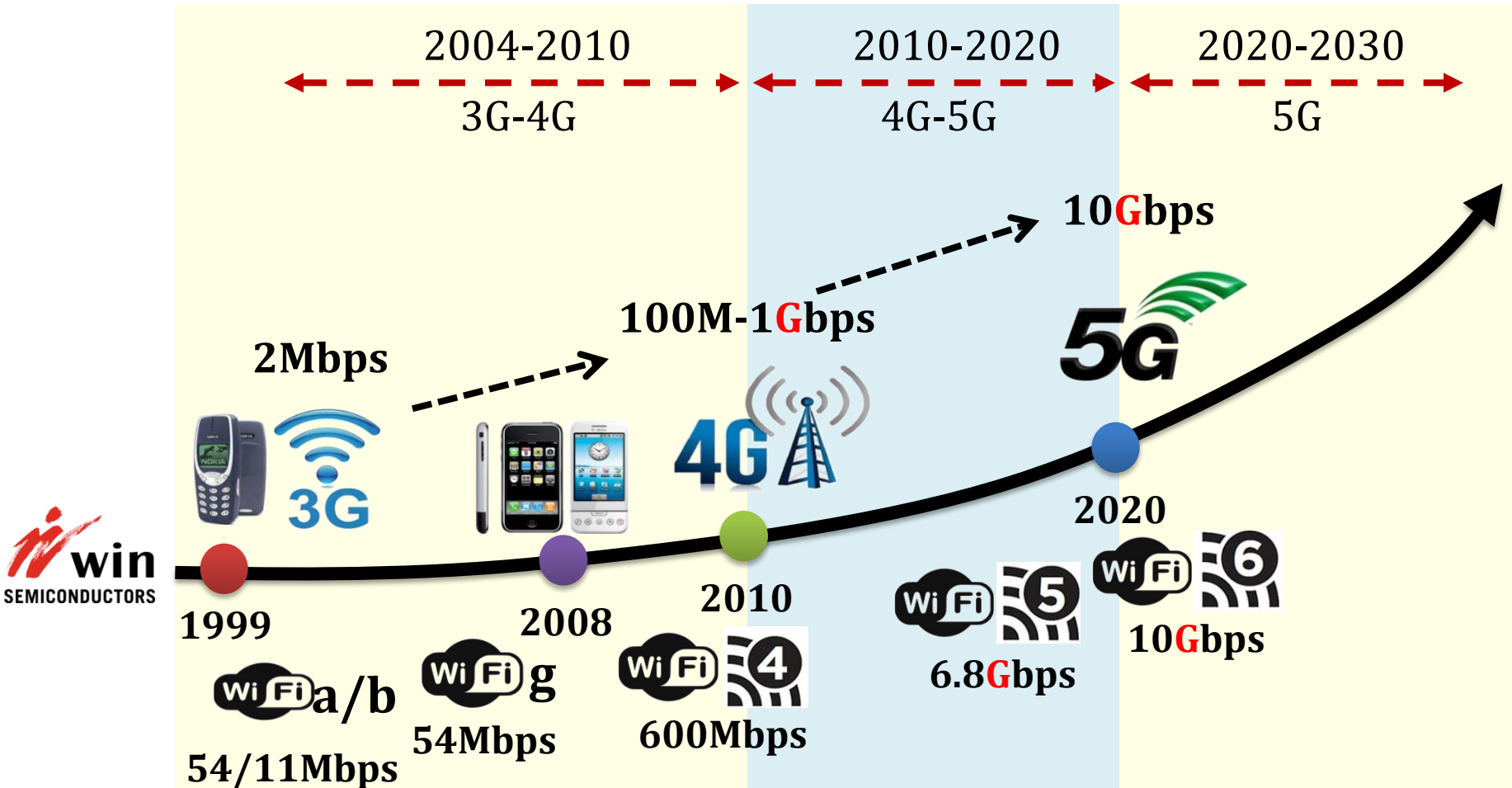
Optical Devices



Performance

Ultra-High
Speed

is required in **wireless communication**.
It is the advantage of compound semiconductors.





Opportunities for Compound Semiconductors



Y2019-20

Implement Phase

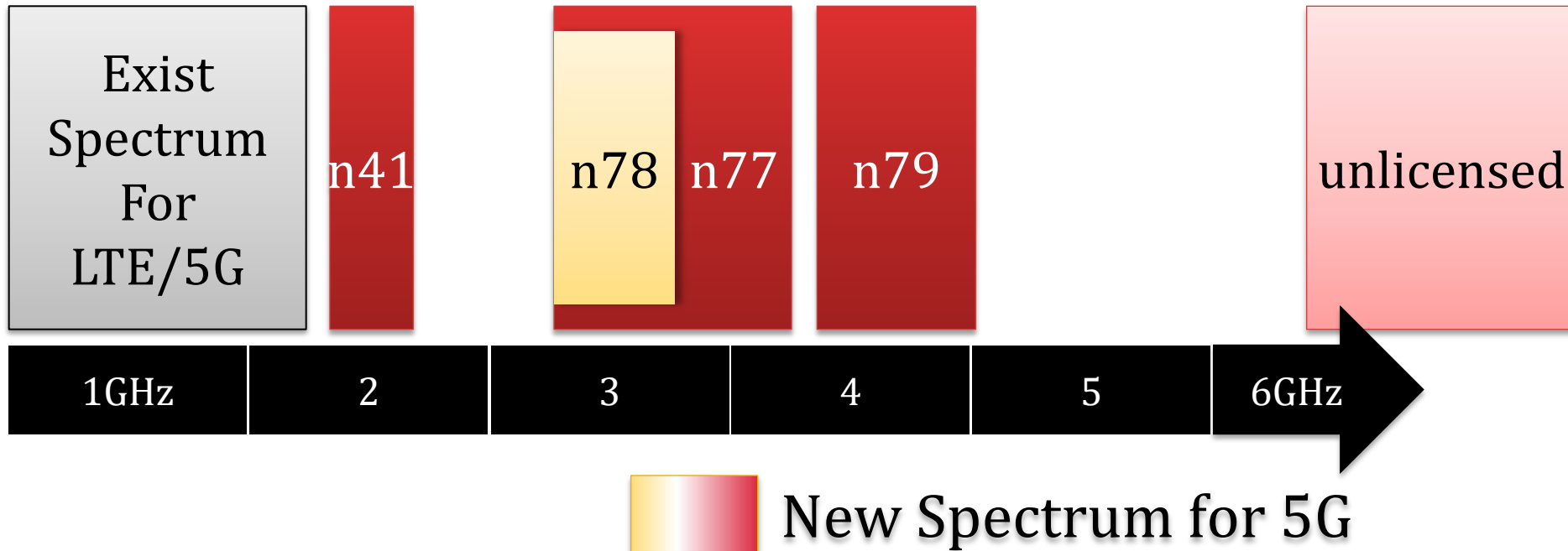
Y2021-25

Demand Rapid Growth

	Mobile Device	Infrastructure/CPE
Sub-6GHz	<ul style="list-style-type: none">• GaAs HBT	<ul style="list-style-type: none">• GaN HEMT• GaAs pHEMT
mmWave	<ul style="list-style-type: none">• Integrated compound semi technologies	<ul style="list-style-type: none">• GaN HEMT• GaAs pHEMT

- 5G sub-6GHz (<6GHz) spectrum bands for ubiquitous network coverage
- 5G mmWave (~30GHz) likely for fixed wireless access as a start followed by extreme mobile broadband in the longer term

5G Sub-6GHz Freq. Spectrum



(1) New frequency bands for 5G

(2) MIMO: n41, n77, n78, and n79

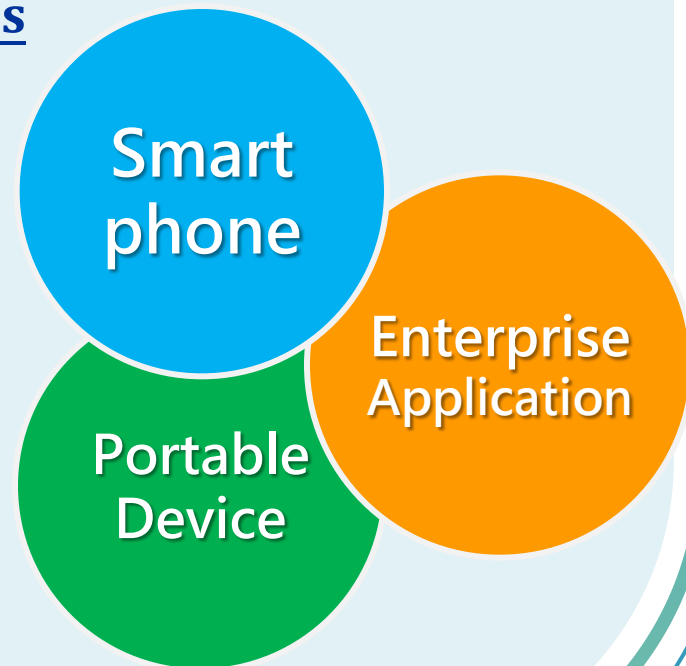
(3) Additional 5G PA (Refarm existing 4G Frequency band)



Opportunities

Wi-Fi 6 has been arriving and Wi-Fi 7 is developing

- Wi-Fi will be upgraded from 802.11ac to 802.11ax (Wi-Fi 6), from flagship to mid-range phones
 - Faster throughput
 - Higher network efficiency
 - Better in dense environments
- 802.11be (Wi-Fi 7)
 - Extreme high throughput
 - Extend to 6GHz frequency band

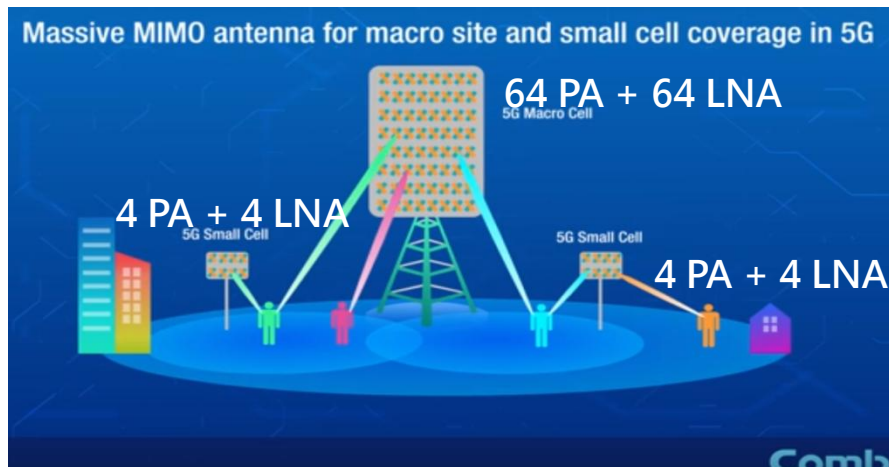


● RF Device Inside Macro & Small Cell Sector

- The high performance of compound semiconductors is the better choice for PA and LNA on 5G base-station.
- More than 100M transceivers in 2020.

● Satellite Communication Era is Coming

- More than 6,500 small satellites (<500kg) in orbit by 2027.
- Comms. application will be the key growth engine for satellite.



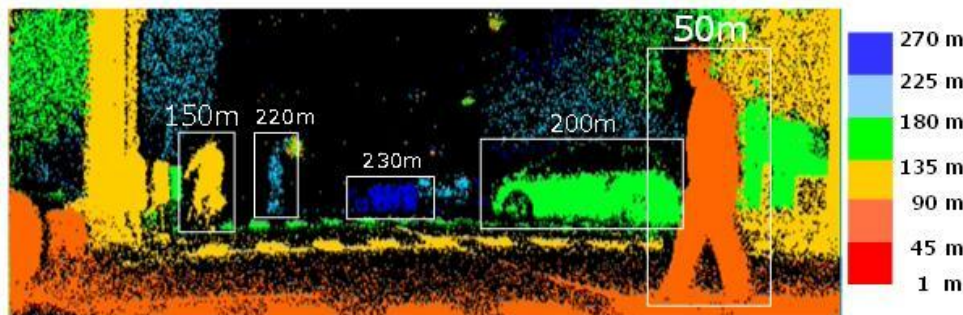
Optical for 3D Sensing

- **Structure-Light demand keep very strong**
- **ToF for 3D sensing applications will keep growth**
 - Production was started since 2H2019
 - Multiple customers use ToF for both front and world facing applications

World Facing AR



Autonomous



Gesture Recognition



● Optical Devices

- Data center interconnect, or metro/long-haul coherent transmission
- Proximity/Light sensor

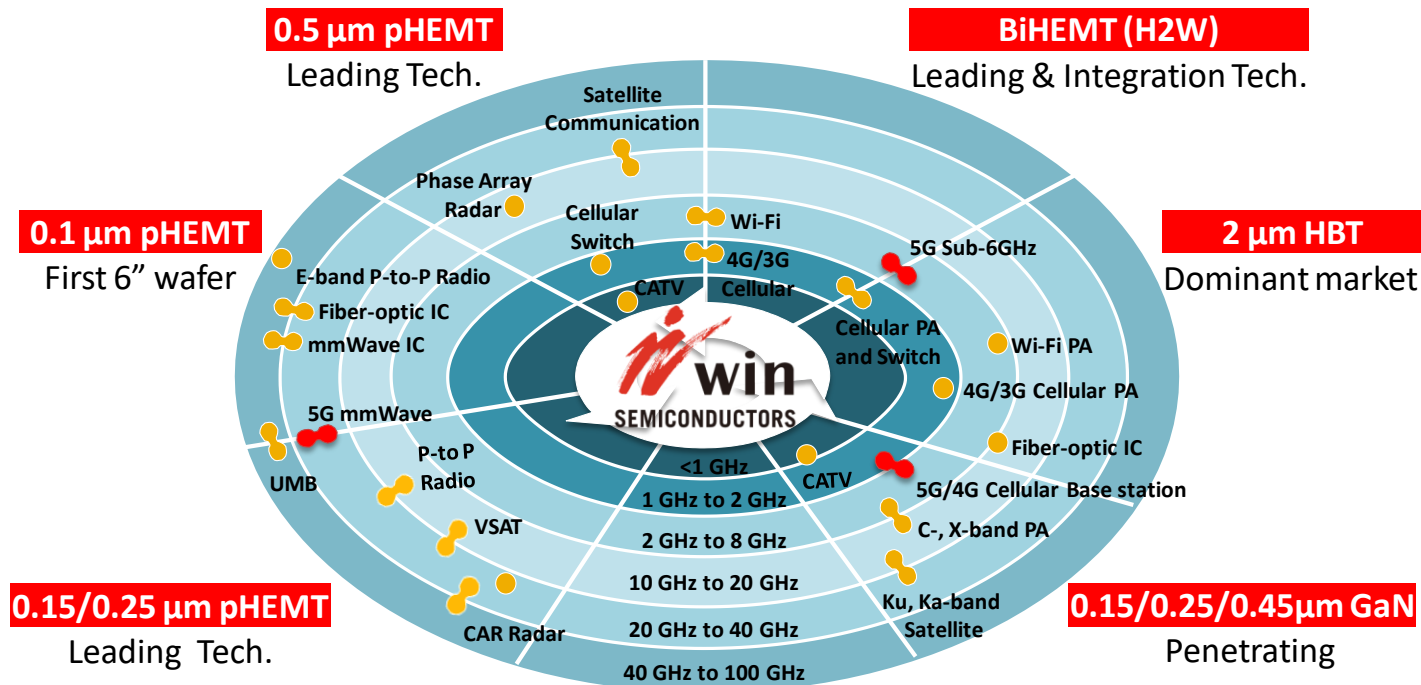


- More and more customers engagement and will enter production stage soon

TECHNOLOGIES

Broad Portfolio of Advanced Technologies

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



- 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 0.1 μm pHEMT on 6" GaAs wafer

- Industry leading 0.15–0.25 μm pHEMT technology
- Supports broad range of products such as PAs (from 50MHz–100GHz), switches, and fiberoptic IC
- Developing GaN for high power devices (4/5G base station)

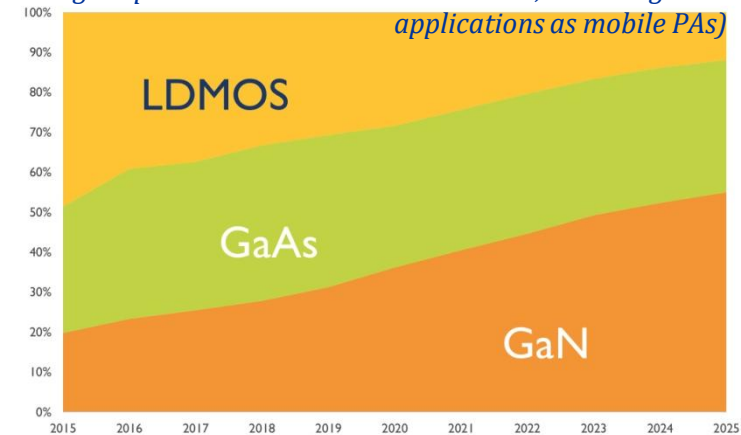
4/5G Infrastructure – WIN Inside!

Ultra high frequency semiconductor technology provider!

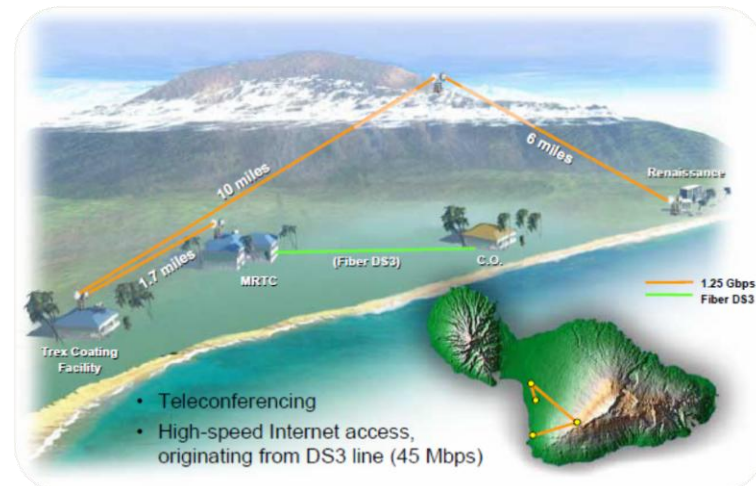
- Wireless infrastructure
- Satellite communications
- Fiberoptic communication
- ADAS

RF power device market, in value – breakdown by technology

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



Source: Yole Développement



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

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

Cost & Efficiency

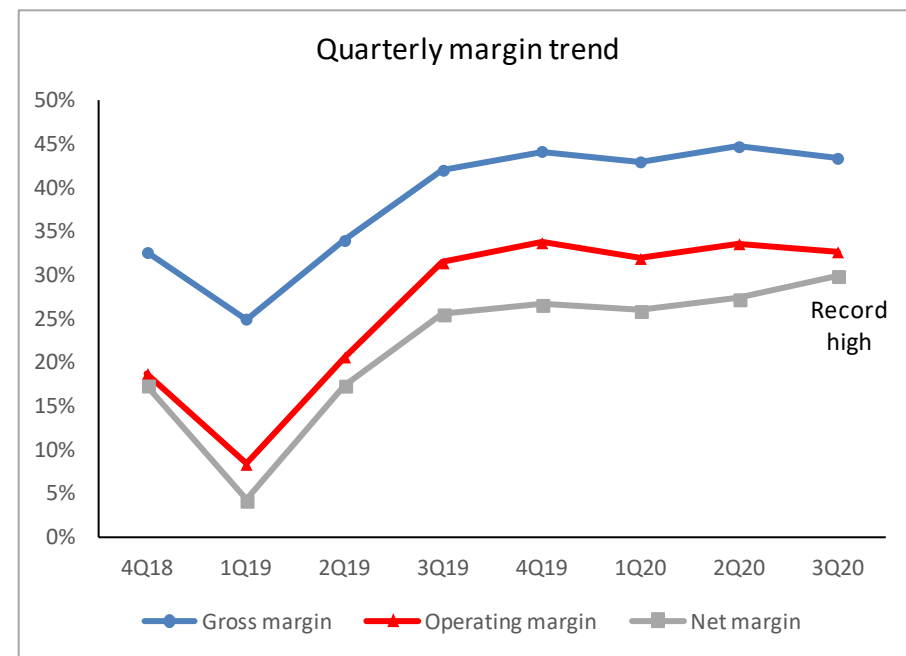
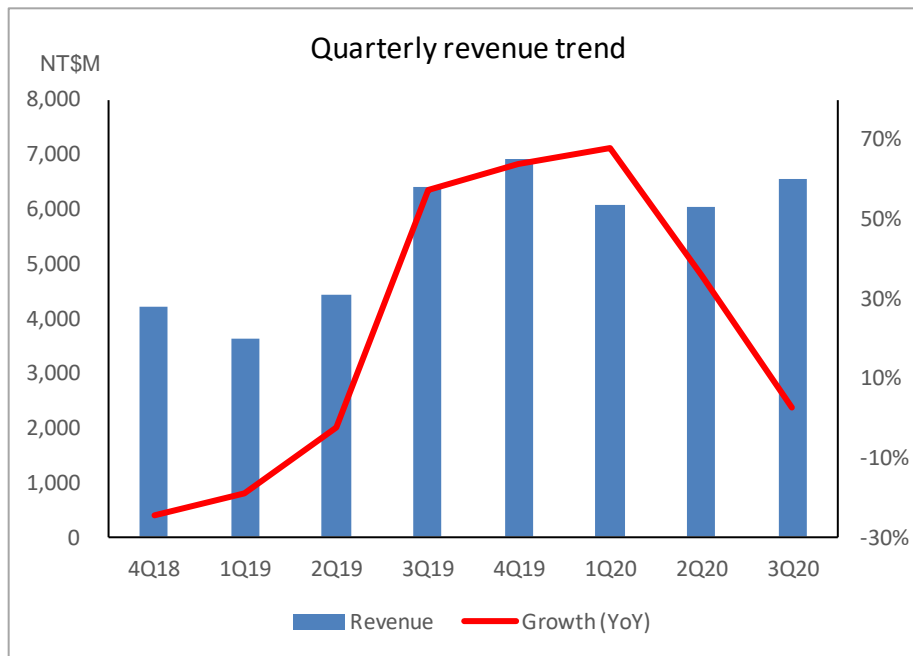
Customer Diversification

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

FINANCIAL REVIEW & GUIDANCE

Revenue & Margin Trend

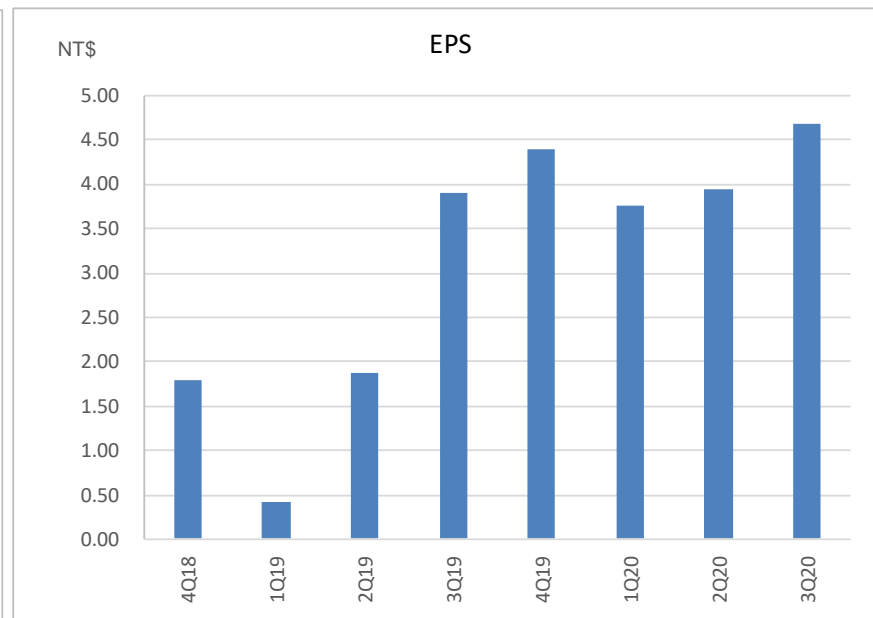
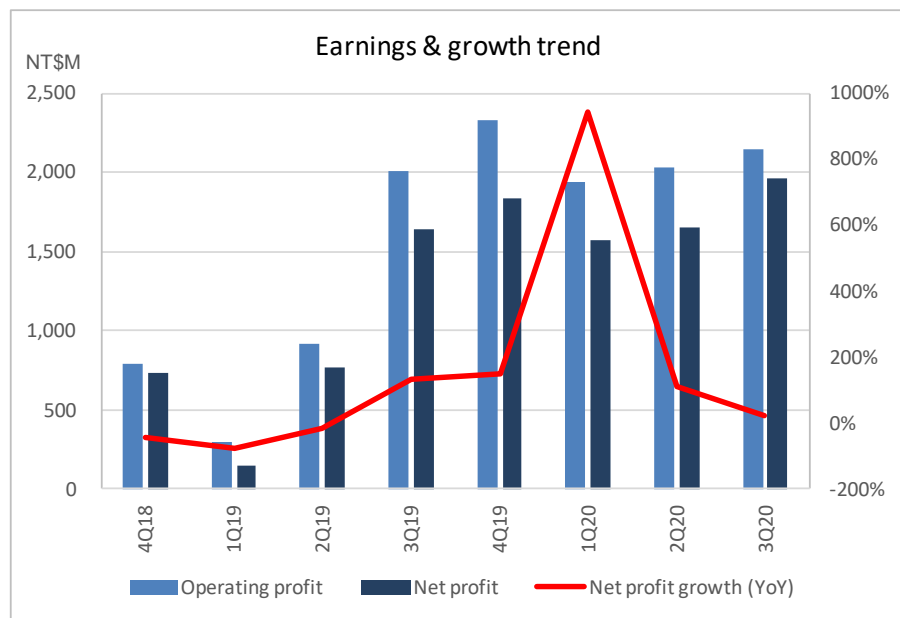
- 3Q20 revenue was NT\$6,566m, up 9% QoQ and up 3% YoY.
- In 3Q20, although the capacity utilization rate declined as new capacity came online month by month, with better product mix, 3Q20 gross margin was maintained at 43.4%, down 1.4pp sequentially. Operating margin was 32.7%, down 0.9pp sequentially.



Source: company.

Earnings Trend

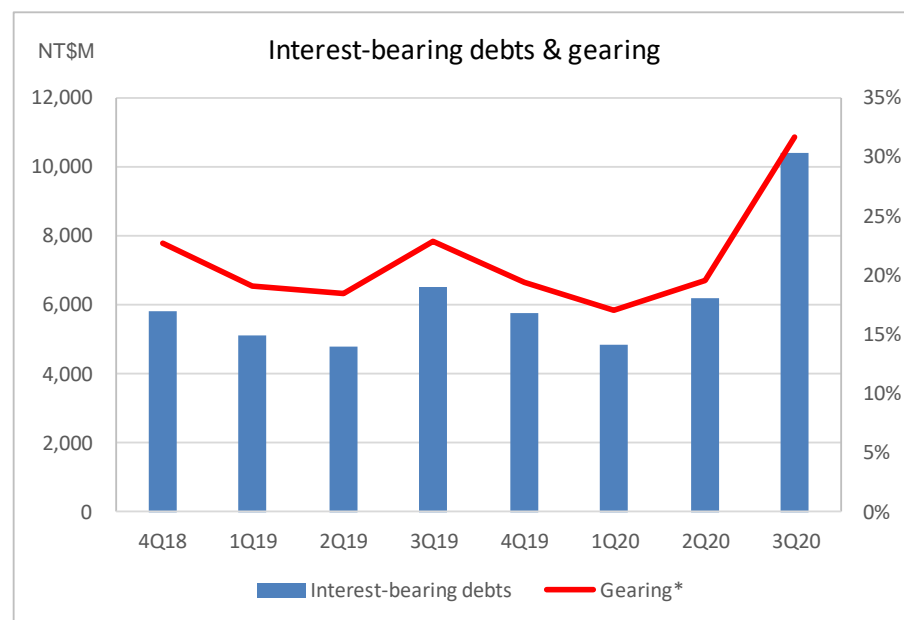
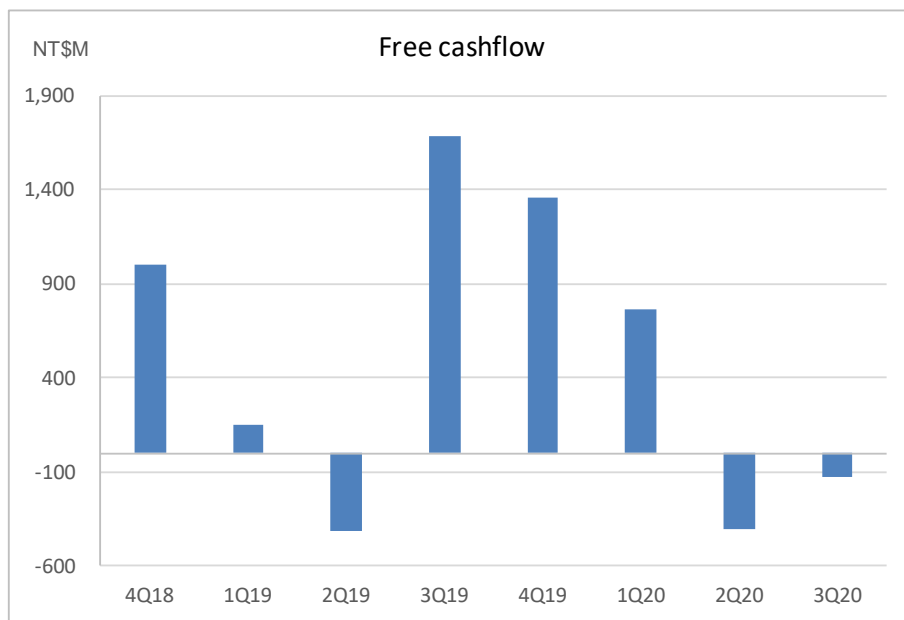
- In 3Q20, net profit was NT\$1,967m, making a record high for a single quarter, up 19% QoQ and 20% YoY. EPS came in at NT\$4.68, which also reached the highest level in company's history, compares to NT\$3.94 in 2Q20.



Source: company.

FCF & Gearing Trend

- In 3Q20, given continued increase in capex, we generated net outflow of free cash flow in the quarter.
- In 3Q20, interest-bearing debts and gearing ratio both increased sequentially, but our financial structure remained healthy.

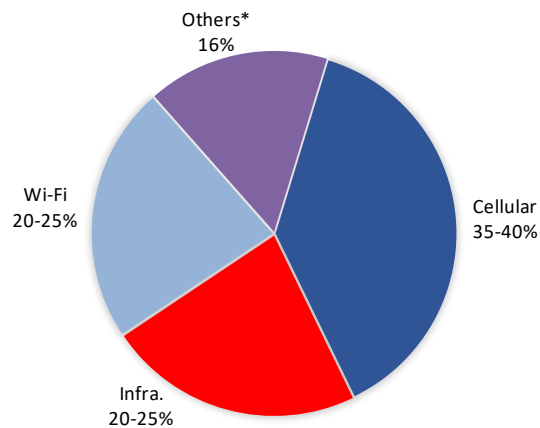


* Gearing = interest-bearing debts / equity

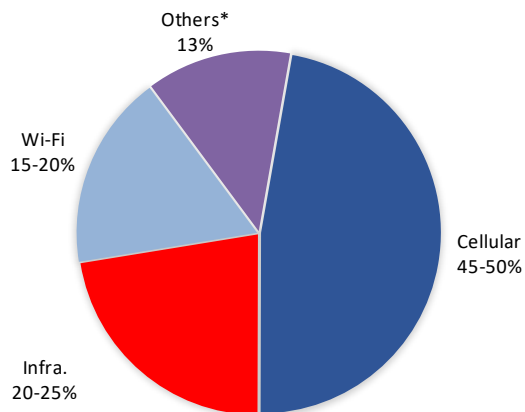
Source: company.

Product Mix

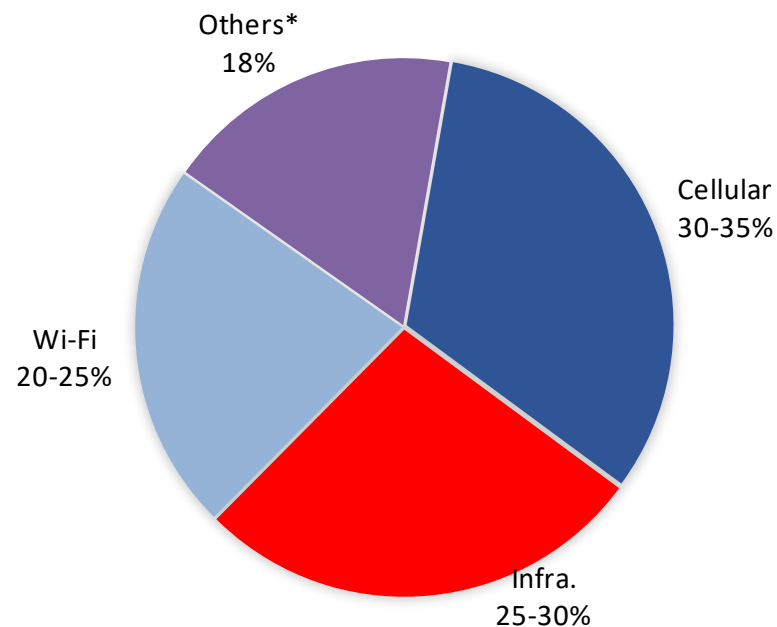
3Q19



2Q20



3Q20



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

Source: company.

4Q20 Guidance



- We expect 4Q20 revenue to grow by low-single digit QoQ.
- Due to the product mix change, 4Q20 gross margin will be around the level of high-thirties.

APPENDIX - FINANCIAL SUMMARY

Consolidated Statements of Comprehensive Income - Quarterly

Unit: NTD Million	3Q'19	2Q'20	3Q'20 (unaudited)	QoQ	YoY
Net revenue	6,404	6,048	6,566	+9%	+3%
Gross profit	2,693	2,707	2,851	+5%	+6%
<i>Gross margin (%)</i>	<i>42.1%</i>	<i>44.8%</i>	<i>43.4%</i>		
Operating expenses	(681)	(674)	(705)	+5%	+4%
<i>Operating expenses rate (%)</i>	<i>-11%</i>	<i>-11%</i>	<i>-11%</i>		
Operating income	2,012	2,033	2,146	+6%	+7%
<i>Operating margin (%)</i>	<i>31.4%</i>	<i>33.6%</i>	<i>32.7%</i>		
Non-operating incomes and expenses	(29)	(3)	244		
Income before income tax	1,983	2,030	2,391	+18%	+21%
Income tax expense	(346)	(380)	(423)		
Net income	1,637	1,651	1,967	+19%	+20%
<i>Net margin (%)</i>	<i>25.6%</i>	<i>27.3%</i>	<i>30.0%</i>		
EPS (NT\$)	3.90	3.94	4.68	+19%	+20%
Other comprehensive income, net	1,031	606	(590)		
Comprehensive income	2,668	2,256	1,377	-39%	-48%
ROE(%)	24%	22%	24%		
Approx. Utilization (%)	95%	90%	75%		
Depreciation	809	868	935		
CAPEX	1,116	1,938	2,291		

Consolidated Statements of Comprehensive Income - YTD

Unit: NTD Million	2019Q1-3	2020Q1-3 (unaudited)	YoY
Net revenue	14,474	18,685	+29%
Gross profit	5,109	8,169	+60%
<i>Gross margin (%)</i>	<i>35.3%</i>	<i>43.7%</i>	
Operating expenses	(1,879)	(2,052)	+9%
<i>Operating expenses rate (%)</i>	<i>-13%</i>	<i>-11%</i>	
Operating income	3,230	6,118	+89%
<i>Operating margin (%)</i>	<i>22.3%</i>	<i>32.7%</i>	
Non-operating incomes and expenses	(55)	268	
Income before income tax	3,175	6,385	+101%
Income tax expense	(613)	(1,192)	
Net income	2,561	5,193	+103%
<i>Net margin (%)</i>	<i>17.7%</i>	<i>27.8%</i>	
EPS (NT\$)	6.18	12.38	+100%
Other comprehensive income, net	2,505	13	
Comprehensive income	5,067	5,206	+3%
ROE(%)	13%	22%	
Approx. Utilization (%)	75%	85%	
Depreciation	2,477	2,645	
CAPEX	3,605	5,551	

Non-operating Items

Unit: NTD Million

	3Q'19	3Q'20 (unaudited)	2019Q1-3	2020Q1-3 (unaudited)
Foreign exchange gains (losses)	19	(31)	63	(33)
Gains (losses) on disposals of property, plant and equipment	(288)	(3)	(289)	(4)
Gains (losses) on disposals of investments	(32)	-	48	-
Gains on financial assets (liabilities) at fair value through profit or loss, net	146	48	68	(19)
Share of gains (losses) of associates and joint ventures accounted for using equity method	(6)	77	(196)	92
Others	132	153	251	231
Total	(29)	244	(55)	268

Consolidated Balance Sheets

(Unit: NTD Million)	Major Item	2019/9/30		2020/6/30		2020/9/30 (unaudited)	
		\$	%	\$	%	\$	%
	Cash and cash equivalents	4,993	12%	6,159	13%	6,709	13%
	Current financial assets at fair value through profit or loss	720	2%	1,033	2%	1,098	2%
	Notes and accounts receivable, net	2,220	5%	2,318	5%	1,762	4%
	Inventories	4,364	11%	5,347	11%	5,549	11%
	Long-term investments	6,191	15%	7,150	15%	7,359	15%
	Net property, plant and equipment	20,432	50%	23,058	49%	24,514	49%
	Total Assets	40,580	100%	47,169	100%	49,701	100%
	Current liabilities	4,971		8,906		5,749	
	Long-term borrowings	6,521		6,187		10,433	
	Total Liabilities	12,024	30%	15,629	33%	16,763	34%
	Common stock	4,241		4,241		4,241	
	Total equity attributable to owners of parent	28,427		30,596		32,000	
	Total Equity	28,557	70%	31,540	67%	32,938	66%
	Book value per share (NT\$) ¹	67.04		72.15		75.46	
	Key Indices						
	Current ratio (<i>Current assets / Current liabilities</i>)	253%		172%		279%	
	Debt ratio (<i>Total liabilities / Total assets</i>)	30%		33%		34%	

¹ Book value per share = total equity attributable to owners of parent / number of common shares

Q & A

For more information regarding WIN
www.winfoundry.com

For all inquiries, suggestions, and comments
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