
# Nanya Technology

## Cathay Securities NDR

Presentation to Investors and Analysts, 18-19 Apr. 2018

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# Agenda



# 01

# Q1'18 KEY TAKEAWAYS

# Q1’18 Key Takeaways

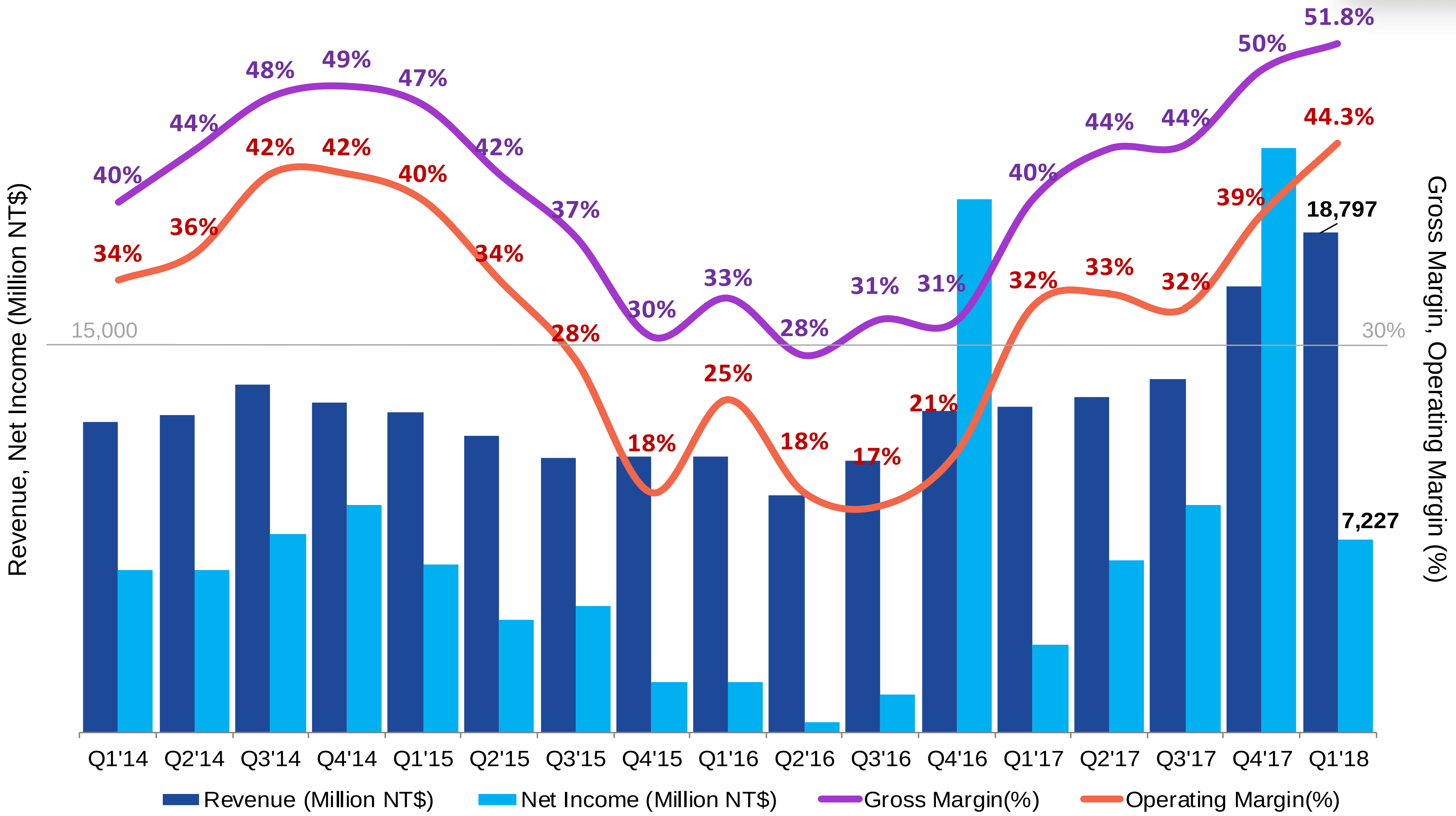
- Q1’18 Revenue of NT$ 18,797 million(M), (+12.1% QoQ)
- ASP increased 6.1%, Bit shipment increased 8.4%
- Gross Margin 51.8%; Operating Margin 44.3%
- Foreign exchange loss of NT$ 1,178M
- As of Mar. 7, 2018, 100% of ECB were converted
- Q1’18 Net Income of NT$ 7,227M, Net Margin 38.4%, EPS NT$ 2.39, BVPS NT$ 47.24

# 02

# Q1'18 REVENUE & RESULTS

# Quarterly Financial Highlights



# Quarterly Revenue Results

| | QoQ<br>Q1 ’18 vs. Q4’17 | YoY<br>Q1’18 vs. Q1’17 |
|---|---|---|
| Revenue | +12.1% | +53.7% |
| Shipment | +8.4% | +34.6% |
| ASP | +6.1% | +21.4% |
| Exchange Rate | -2.6% | -5.9% |

- Q1’18 Revenue increased by 12.1% QoQ
- Q1’18 Bit shipment increased by 8.4% QoQ
- Q1’18 ASP increased by 6.1% QoQ

# Q1’18 Financial Results Summary

| Amount in Million NT$, except for EPS & BVPS | Q1'18 Unaudited | | Q4'17 Audited | | QoQ | Q1'17 Audited | | YoY |
|---|---|---|---|---|---|---|---|---|
| Net Sales | 18,797 | *100%* | 16,769 | *100%* | 12.1% | 12,231 | *100%* | 53.7% |
| Gross Margin (Loss) *Gross Margin(%)* | 9,741 | *51.8%* | 8,342 | *49.7%* | 16.8% | 4,901 | *40.1%* | 98.8% |
| Operating Income (Loss) *Operating Margin(%)* | 8,319 | *44.3%* | 6,526 | *38.9%* | 27.5% | 3,853 | *31.5%* | 115.9% |
| EBITDA* *EBITDA Margin (%)* | 11,236 | *59.8%* | 9,407 | *56.1%* | 19.4% | 5,458 | *44.6%* | 105.9% |
| Non-operating Income (Expense) | -1,092 | *-5.8%* | 15,457 | *92.2%* | | -566 | *-4.6%* | |
| Income Tax Benefit (Expense) | -1 | *0.0%* | -17 | *-0.1%* | | -4 | *0.0%* | |
| Net Income (Loss) *Net Margin (%)* | 7,227 | *38.4%* | 21,971 | *131.0%* | -67.1% | 3,275 | *26.8%* | 120.6% |
| Earnings Per Share (NT$) | 2.39** | | 7.42 | | | 1.19 | | |
| Book Value Per Share (NT$) | 47.24*** | | 44.54 | | | 35.31 | | |
| Shares Outstanding(million shares) | 3,060 | | 2,986 | | | 2,748 | | |

Note: * EBITDA = Operating income + Depreciation & Amortization Expenses

** EPS is based on weighted average outstanding shares of 3,028M

*** BVPS is calculated based on 3,060M outstanding shares (ECB conversion included) as of Mar. 31, 2018

# Q1’18 vs. Q4’17 Results Comparison

| Amount in Million NT$ | Q1'18 Unaudited | | Q4'17 Audited | | QoQ (PPT* Delta) | Difference |
|---|---|---|---|---|---|---|
| **Net Sales** | 18,797 | | 16,769 | | +12.1% | ■ ASP increased 6.1% QoQ<br>■ Bit shipment increased 8.4% QoQ |
| **Gross Income (Loss)**<br>Gross Margin(%) | 9,741 | ***51.8%*** | 8,342 | ***49.7%*** | +2.1% | ■ Q1’18 Gross Income increased NT$ 1,399M, mainly due to ASP& Shipment increase and cost improvement |
| **Operating Income (Loss)**<br>Operating Margin(%) | 8,319 | ***44.3%*** | 6,526 | ***38.9%*** | +5.4% | ■ Q1’18 OP Income increased NT$ 1,793M, mainly due to ASP& Shipment increase and R&D expense decreased |
| **Net Income (Loss)**<br>Net Margin (%) | 7,227 | ***38.4%*** | 21,971 | ***131.0%*** | -92.6% | ■ Q4’17 recognized Micron share disposal gain of NT$ +16,108M<br>■ FX** negative NT$ 782M (Q1’18: NT$ -1,178M, Q4’17: NT$ -396M)<br>■ Interest income positive NT$ 108M (Q1’18: NT$+234M, Q4’17: NT$ +126M) |

*PPT: Percentage Points, ** FX: Foreign Currency Exchange

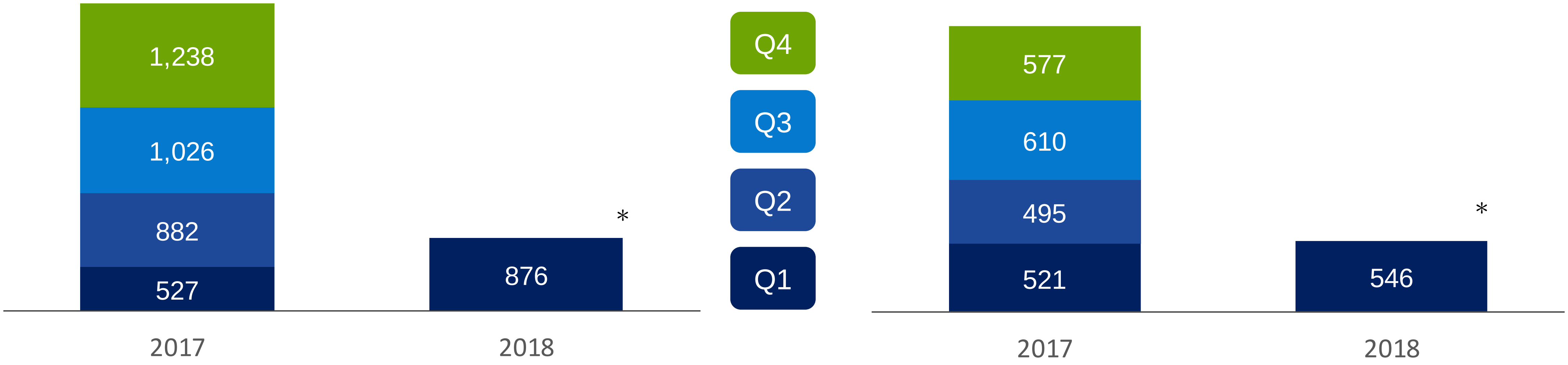
# Operating Expenses

## R&D Expenses

(Million NT$) * Unaudited number

## SG&A Expenses

(Million NT$) * Unaudited number




Note: R&D expenses decreased by NT$ 362M in Q1'18 mainly because certain 20nm R&D expenses deferred to later quarters

# ECB Conversion Completed

| Issuance Amount (US$) | % of total Issuance | Conversion Price / Share (NT$) | New Shares from Conversion (shares) | Dilution Effect |
|---|---|---|---|---|
| 500,000,000 | 100.00% | 50.94 | 311,052,084 | 10.17% |

- Nanya issued its ECB of US$500 million(M) on Jan. 24, 2017
- Accumulated valuation loss of NT$ 7,739M till the end of March of 2018, including:
  - Till end of 2017: NT$ 7,599M
  - Q1, 2018: NT$ 140M
- As of Mar. 7, 2018, 100% of ECB were converted into common shares. Outstanding shares increase to 3.06B

# Q1'18 Cash Flows

| Unit: Million NT$ | Q1'18 Unaudited & Consolidated | Q4'17 Audited & Consolidated | Q1'17 Audited & Consolidated |
|---|---|---|---|
| **Beginning Balance** | **33,769** | **24,540** | **9,102** |
| Cash from Operating Activities | 7,815 | 8,857 | 5,498 |
| Capital expenditures | -1,941 | -2,865 | -6,147 |
| Long-term & Short-term loans | 5 | -17,690* | 9,984 |
| Investments and others | 10,393** | 20,927 | 1,864 |
| **Ending Balance** | **50,040** | **33,769** | **20,300** |
| Free Cash Flow (1) | **5,874** | **5,992** | **-649** |

(1) Free Cash Flow = Cash from operating activities – Capital expenditures

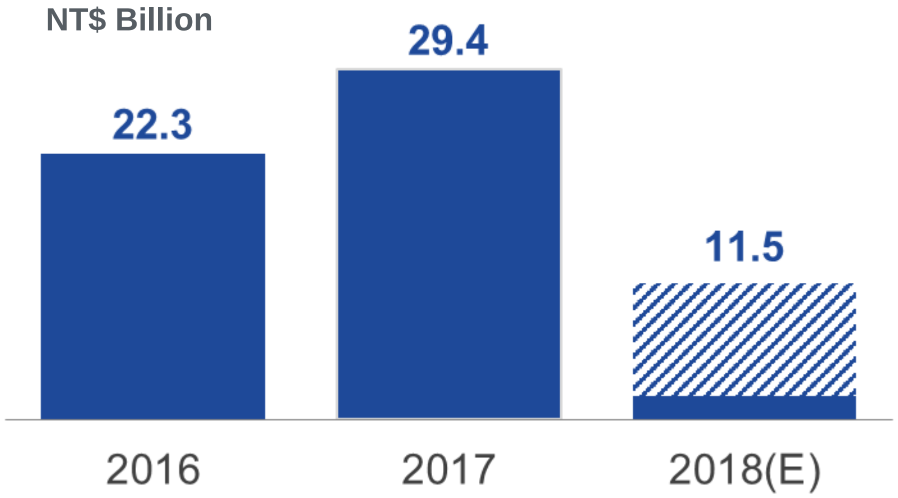
* Remaining NT$ 17.69 billion bank loans fully repaid
** Net proceeds received NT$10.6 billion in Q1'18 (Micron shares disposal in Q4'17)

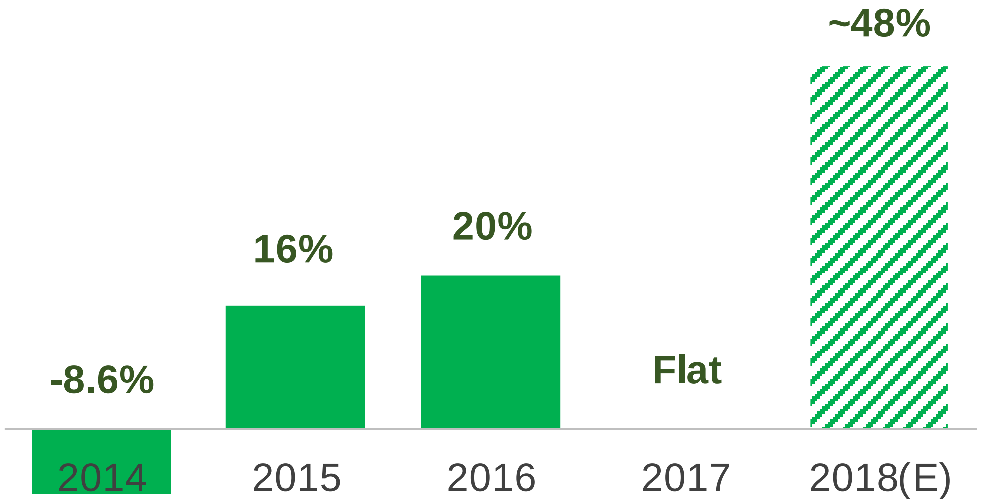
# 03

# CAPEX & BIT SHIPMENT

# CAPEX & Bit Shipment




CAPEX




Bit Shipment (YoY)

**Capital Expenditure** (CAPEX)

- Q1'18 CAPEX NT$ 1.94Billion (B)
- Estimated 2018 CAPEX of NT$ 11.5B
  - 20nm equipment payment deferred
  - 10nm Class technology development
- Additional CAPEX needed to maintain 2019 bit growth to mid teens %

**Bit Shipment**

- High teens % increase expected in Q2'18
- Target 2018 to reach 48% bit shipment growth, 2019 bit growth target to reach mid teens %

# 04

# MARKET OUTLOOK

# DRAM Market – Q2'18

**Supply**

- DRAM supply to remain tight in 1H'18; DRAM wafer starts increase likely in 2H'18.

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**Demand**

- Expect DRAM demand grow steady in Q2 and Q3 2018, demand growth 21~23% yoy.
- Mobile Market: new flagship smartphones with enhanced Artificial Intelligence(AI) and dual-cam features after MWC. High-end Android phones equipped with 4-6GB will continue to drive DRAM demand
- Server Market: server market remains strong, including hyperscale data centers, Intel Purley platform trigger potential replacement, high performance DRAM become instrumental for AI, big data and edge computing
- PC market: solid gaming PC demand and expect to see consumer PC recovery in North America, commodity DRAM consumption decline slowing down
- Consumer Market: consumer market remains healthy, including set-top boxes(STB) DRAM content grow to 0.9GB/box from 0.5GB/box, 4K IPTV penetration exceed 50%, high-end smart speaker equipped with 1~2GB/box, and game console equipped with 4GB/box to 12GB/box

 

# 05

# BUSINESS OUTLOOK

 

# Nanya Business Outlook

- **2018 2Q DRAM Demand-Supply remain stable**
- **Cash dividend of NT$ 10.88 billion (NT$ 3.5 ~ 3.62 per common share) will be proposed to the AGM on May 24, 2018**
- **Nanya Technology Operation Focuses:**
  - Expect ~48% YoY bit output in 2018, Q2'18 bit shipment guided for high teens %
  - 20nm products exceed 60% of total revenue, volume shipment of 8Gb DDR4
  - Expand 20nm product line up for diversified applications
  - On track to develop 10nm class technology node

 

# Thanks & Questions

# Q1’18 Consolidated Income Statement

| Amount: Million NT$ | Q1'18 Unaudited | | Q4'17 Audited | | QoQ | Q1'17 Audited | | YoY |
|---|---|---|---|---|---|---|---|---|
| Net Sales | 18,797 | 100.0% | 16,769 | 100.0% | 12.1% | 12,231 | 100.0% | 53.7% |
| Cost of Goods Sold | 9,057 | 48.2% | 8,427 | 50.3% | | 7,330 | 59.9% | |
| Gross Margin | 9,741 | 51.8% | 8,342 | 49.7% | 16.8% | 4,901 | 40.1% | 98.8% |
| SG&A Expenses | 546 | 2.9% | 577 | 3.4% | | 521 | 4.3% | |
| R&D Expenses | 876 | 4.7% | 1,238 | 7.4% | | 527 | 4.3% | |
| Operating Income | 8,319 | 44.3% | 6,526 | 38.9% | 27.5% | 3,853 | 31.5% | 115.9% |
| Non-operating Income (Exp.) | -1,092 | -5.8% | 15,457 | 92.2% | | -566 | -4.6% | |
| Income before Tax | 7,227 | 38.4% | 21,984 | 131.1% | -67.1% | 3,286 | 26.9% | 119.9% |
| Income Tax Benefit (Expense) | -1 | 0.0% | -17 | -0.1% | | -4 | 0.0% | |
| Net Income | 7,226 | 38.4% | 21,967 | 131.0% | | 3,283 | 26.8% | |
| Net income attributable to noncontrolling interests | -1 | 0.0% | -4 | 0.0% | | 7 | 0.1% | |
| Net Income attributable to NTC | 7,227 | 38.4% | 21,971 | 131.0% | -67.1% | 3,275 | 26.8% | 120.6% |
| EPS(NT$) | 2.39 | | 7.42 | | | 1.19 | | |
| Book Value Per Share | 47.24 | | 44.54 | | | 35.31 | | |

 