



GlobalWafers (6488 TT) 1Q20 Results Presentation

May 2020



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Executive Comments

➤ Outlook

- Macro economic, Semi/wafer markets are in tremendous flux. Forecast predictions are a temporary "best guess" and highly dependent on the unknown length and depth of COVID-19 impact.
- The semiconductor's industry has been designated as 'Essential' by the regulators of the world's major economies. All GlobalWafers production sites are operating normally.
- The need for medical supplies & ROHO peripherals are boosting demand.
- Customers are building safety stock to mitigate wafer supply chain risks.
- The near-term demand picture is unclear, but the long-term industry trend is positive as the onset of 5G, Edge Computing, AIoT, Industry 4.0 etc. will drive demand growth.
- The outlook for 2H20 heavily depends on further developments in the COVID-19 pandemic. Market supply and demand could return to normal if containment efforts are effective.
- Key factors for the recovery timing:
 - When the global macro-economy will recover
 - When COVID-19 pandemic will be effectively contained.
 - When the data industry will drive Capex in memory.
 - When smart phone sales will recover.
 - When automotive sales will recover
- Stimulus measures planned by governments to soften epidemic blow may bring a potential demand surge.



➤ 2020Q1

- 1Q20 ended with an uptick in wafer shipments. However the logistic challenges resulted from COVID-19 outbreak and the subsequent restriction measures offset partial profits.
- 2Q20 wafer demand is forecasted stable or very close to 1Q20. 2H20 wafer demand will depend on large part whether the COVID-19 impact is contained or if it continues into 2H20 and the effectiveness of the stimulus plan in every country.
- Cash flow from operations of NTD 3,168mn (US\$ 105mn)* and cash of NT\$ 35,547mn (US\$ 1,176mn)* reflect our correct operation strategy and emphasize the strength of our business model and financial moats.

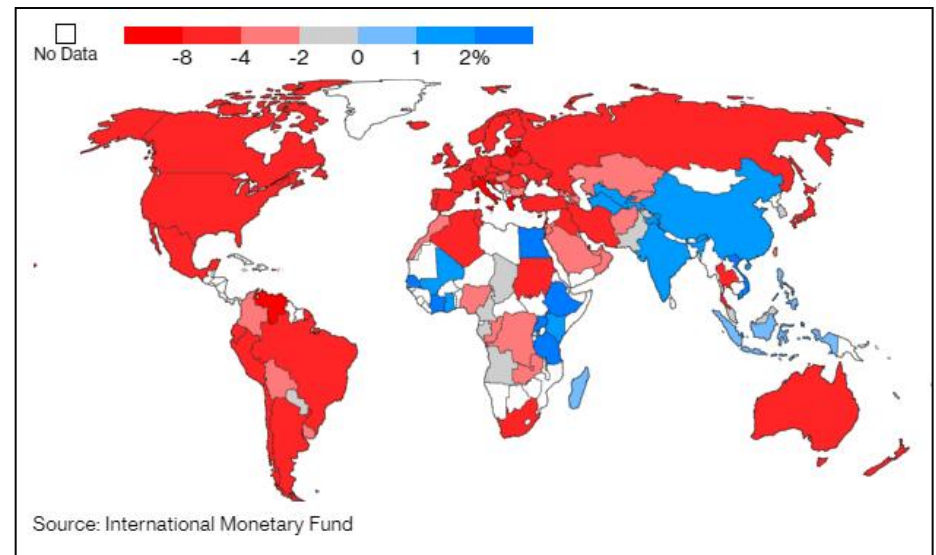
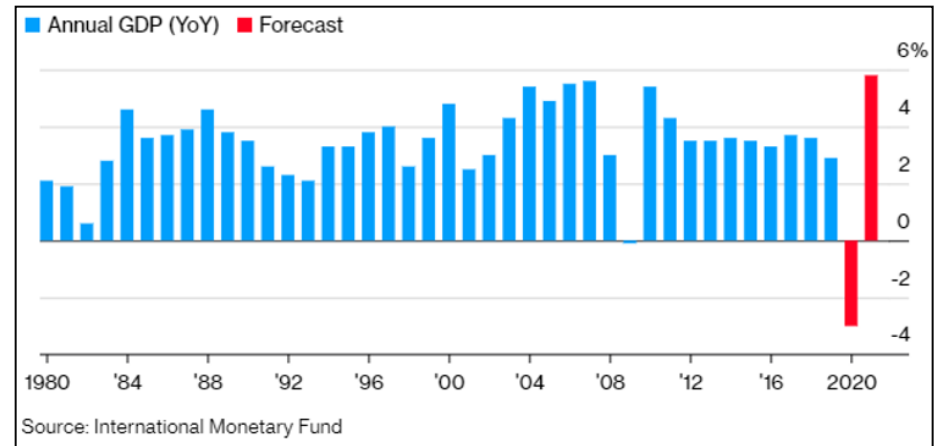
Note:

1. FX Rate: NTD:USD = 30.225

2. Cash = cash and the equivalent + restricted cash

Global GDP Growth Forecast

- In its revised March forecast, the IMF predicted the “Great Lockdown” recession would be the steepest in almost a century and warned the world economy’s contraction and recovery could be worse than anticipated if the coronavirus lingers or returns.
- The IMF lowered it’s 2020 global GDP growth forecast to a -3% contraction, more than a 6% downward swing from it’s January prediction of 3.3% expansion. Global GDP shrinking -3% would dwarf the 2009 financial crisis contraction of -0.1%.



The IMF's Revised World Economic Outlook



GlobalWafers Co., Ltd.
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- Strong balance sheets will be needed for post-COVID-19 Capex Spending.

(real GDP, annual percent change)	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source: IMF, World Economic Outlook, April 2020



IDC's Projections for COVID-19 Recovery

- Regardless of which scenario emerges, the winners will be those who are prepared to respond to the demands of emerging technologies like 5G, the Internet of Things, high-performance computing and the intelligent edge.
- We have the resources to withstand current macro headwinds and stand ready to supply customer needs.

Mapping Four Semiconductor Revenue Forecast Scenarios

2020 Worldwide Semiconductor Revenue Growth Forecast Scenarios	Technology Supply Chain Recovery	Global Disruption to Economy and Technology Demand	Impact on Broader Technology Industry & Initiatives
Scenario 1: Decline -12% or more	1-3 months	9-12+ months	9-12+ months
Scenario 2: Decline -3 to -6%	3-9 months	3-9 months	3-9 months
Scenario 3: Growth +2%	1-3 months	3-9 months	3-9 months
Scenario 4: Growth +6% or more	1-3 months	1-3 months	1-3 months
Source: IDC, March 2020			



The Semiconductor Industry's Vital Role in the COVID-19 Pandemic

- Being the key enabler, semiconductors are necessary in every aspect of the economy, keeping infrastructure and the society functioning.
- Apart from consumer devices, semiconductors are widely used in critical infrastructure, such as telecommunications, energy, finance, transportation and medical devices.
- Demand for digital services has risen during the quarantine and stay-at-home period.
- The semiconductor's industry has been designated as 'Essential' by the regulators of the world's major economies.



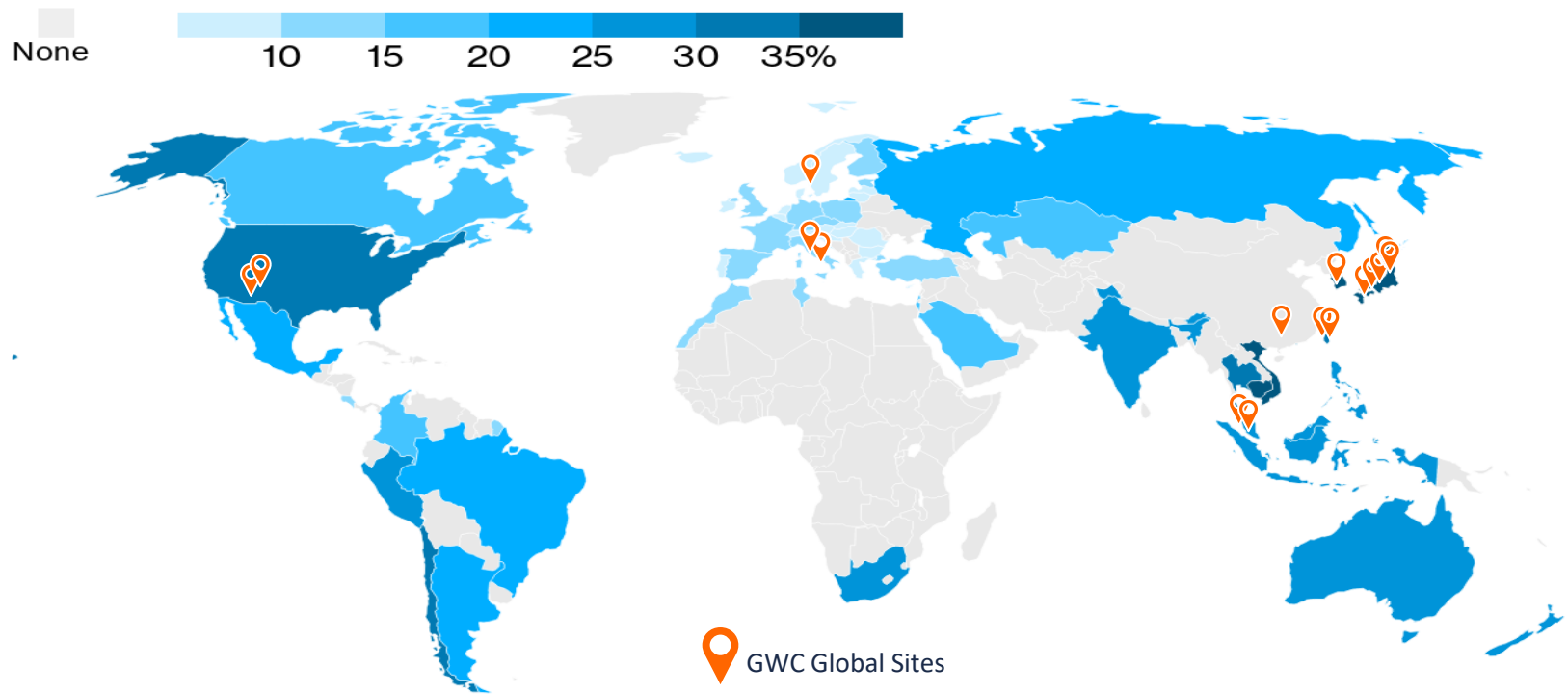
GlobalWafers COVID-19 Countermeasures

- Build safety inventory for all necessary raw materials to guard against supply chain disruptions.
- Maximize our ability to shift orders as needed between our global manufacturing sites, pending changes in local country quarantine policies.
- Risk management of our multi-tiered supply chain to lower the dependence on one single area.
- Continuously re-evaluate financial and market forecasts and take corresponding actions
- Monitor how the competitive environment and supply chain shift and quickly adapt to the new norm.

COVID-19 Brings Immediate Challenges

- COVID-19 could be a catalyst for companies to revisit their global supply chain strategies.
- It could reshape the global supply chain.
- We will be well-positioned should this happen.

Share of all Imports of Intermediate Manufacturing Products from China



Source: OECD TiVA, Bloomberg Economic, February, 2020



Potential Supply Chain Responses to COVID-19

1. Deglobalization

- Supply chain players may seek to mitigate future disruptions
- This could accelerate the trend towards diminished global interdependence and integration

Our View:

GlobalWafers supplies **GLOBALLY and LOCALLY.**

Our global footprint is the best contingency plan to minimize global uncertainty.

- MULTIPLE SOURCES in MULTIPLE COUNTRIES as a contingency plan.
- LOCAL SUPPLY to MITIGATE macro INSTABILITY and geopolitical TENSION.
- AGILITY to allocate worldwide capacity for faster time-to-market.



Potential Supply Chain Responses to COVID-19

2. China seeks to enhance its domestic supply chain

- Supply chain players seek to diversify away from China, leading China to redouble its efforts to build a strong, self-sustaining semiconductor supply chain.

Our view:

- Such efforts will take time
- A R&D gap exists
- IP concerns and existing industry partnerships will be a significant entry barrier for newcomers.

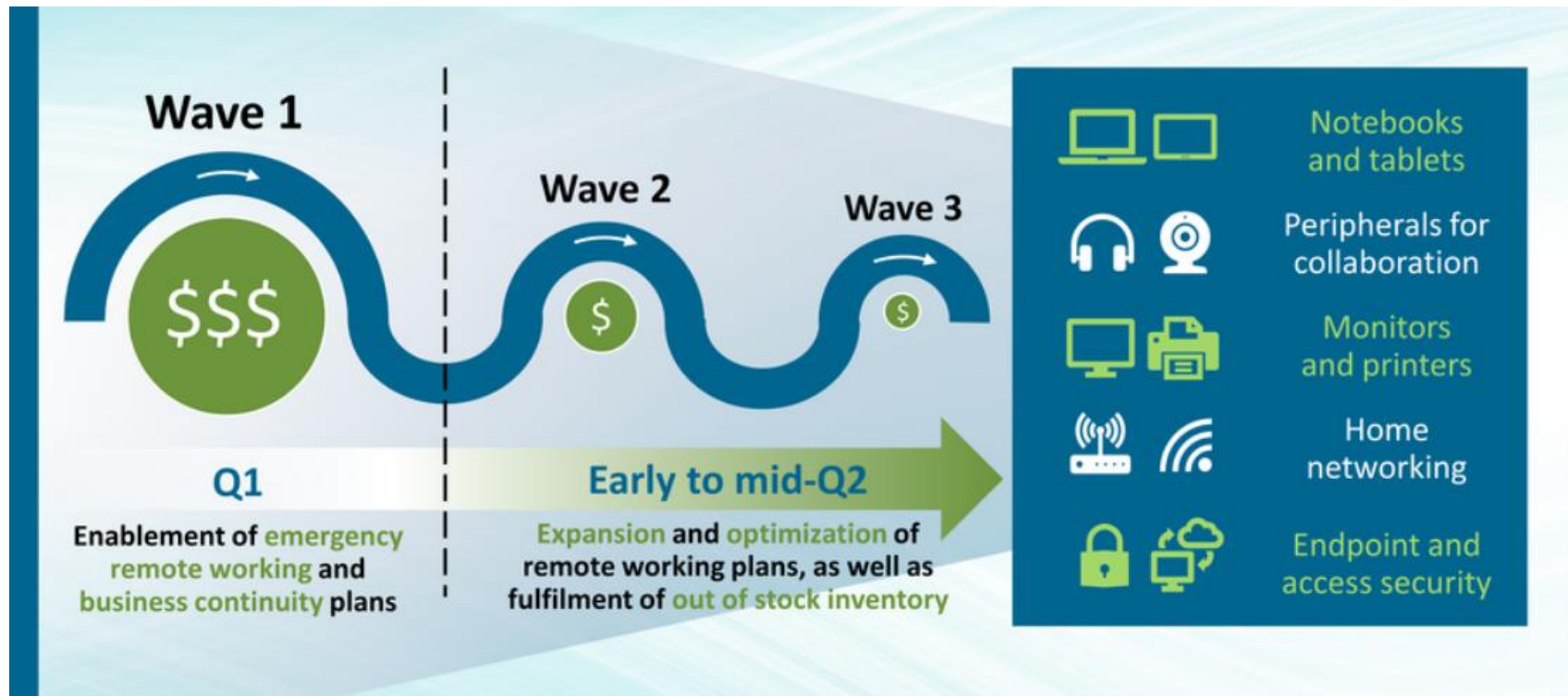


Industry Overview

Parts of Tech Sectors Boomed in 1Q20

- As business were suddenly forced to equip a newly remote work force, some parts of the tech supply chain benefitted from WFH(Work From Home) & ROHO (Remote Office Home Office) associated demand.

Parts of Tech Sectors Boomed in 1Q20



Source: Canalyses, April, 2020

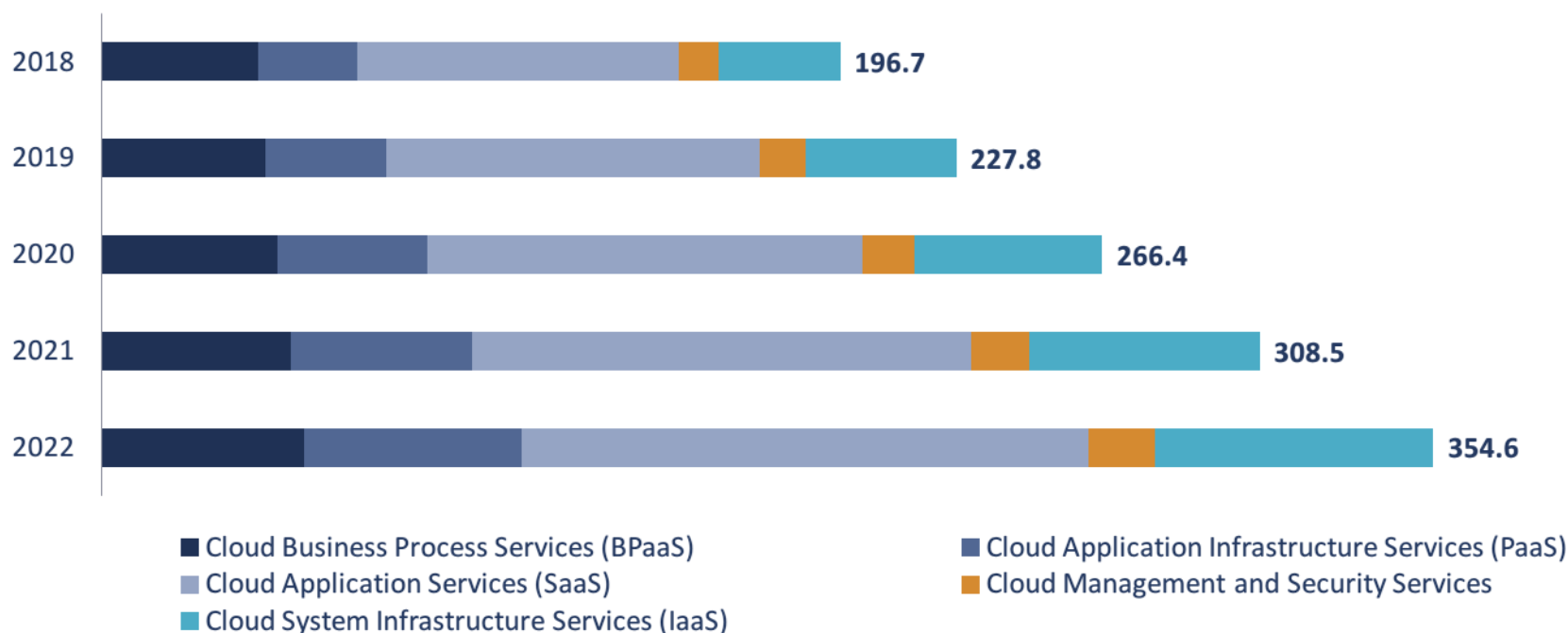


Worldwide Public Cloud Revenue

- The worldwide public cloud services market is forecast to grow 17% in 2020 to total \$266.4 billion, up from \$227.8 billion in 2019.

Worldwide Public Cloud Service Revenue Forecast

(USD bn)

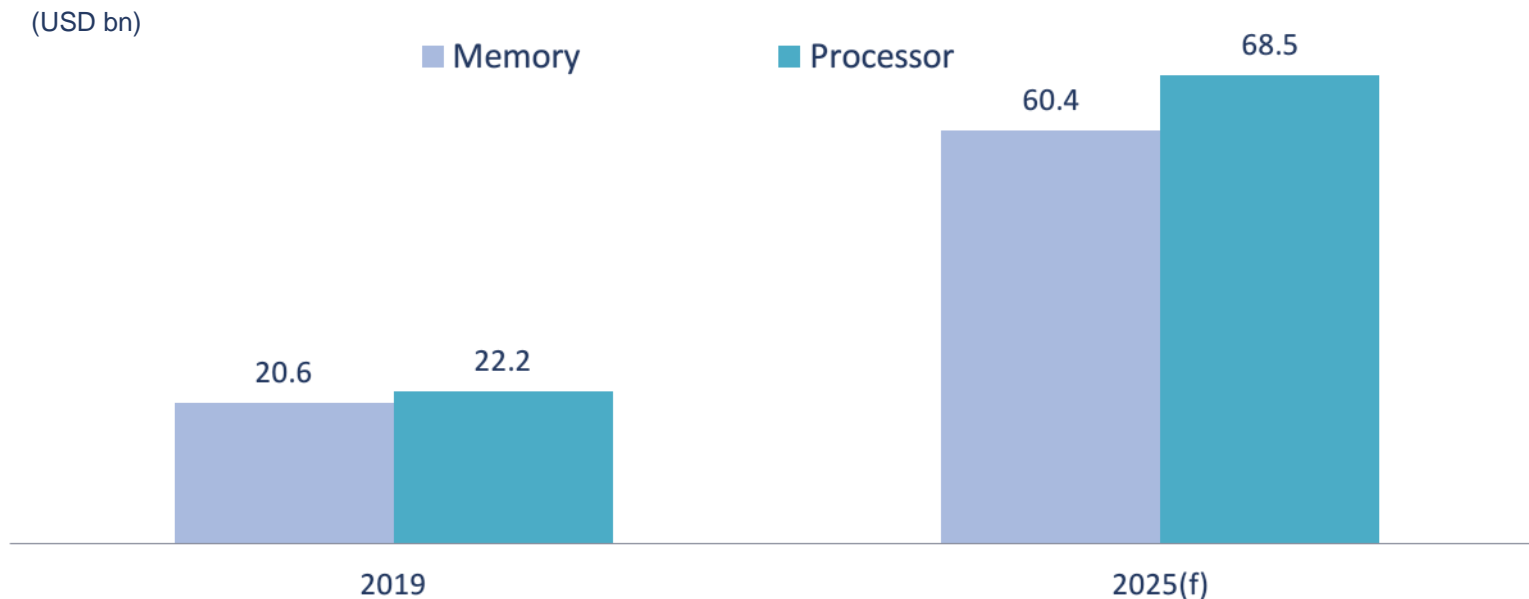


Source: Gartner, April, 2020

AI-enabled ICs to See Strong Long-Term Growth

- Chips used for AI applications are set for massive growth in the next five years as use of the technology expands across a variety of markets.
- Its significant computational capabilities and vast potential for deep learning are applicable to a wide variety of applications.
- AI and big data have combined to assist COVID-19 containment efforts.

Semiconductors with AI functions Market Forecast (2019 - 2025)



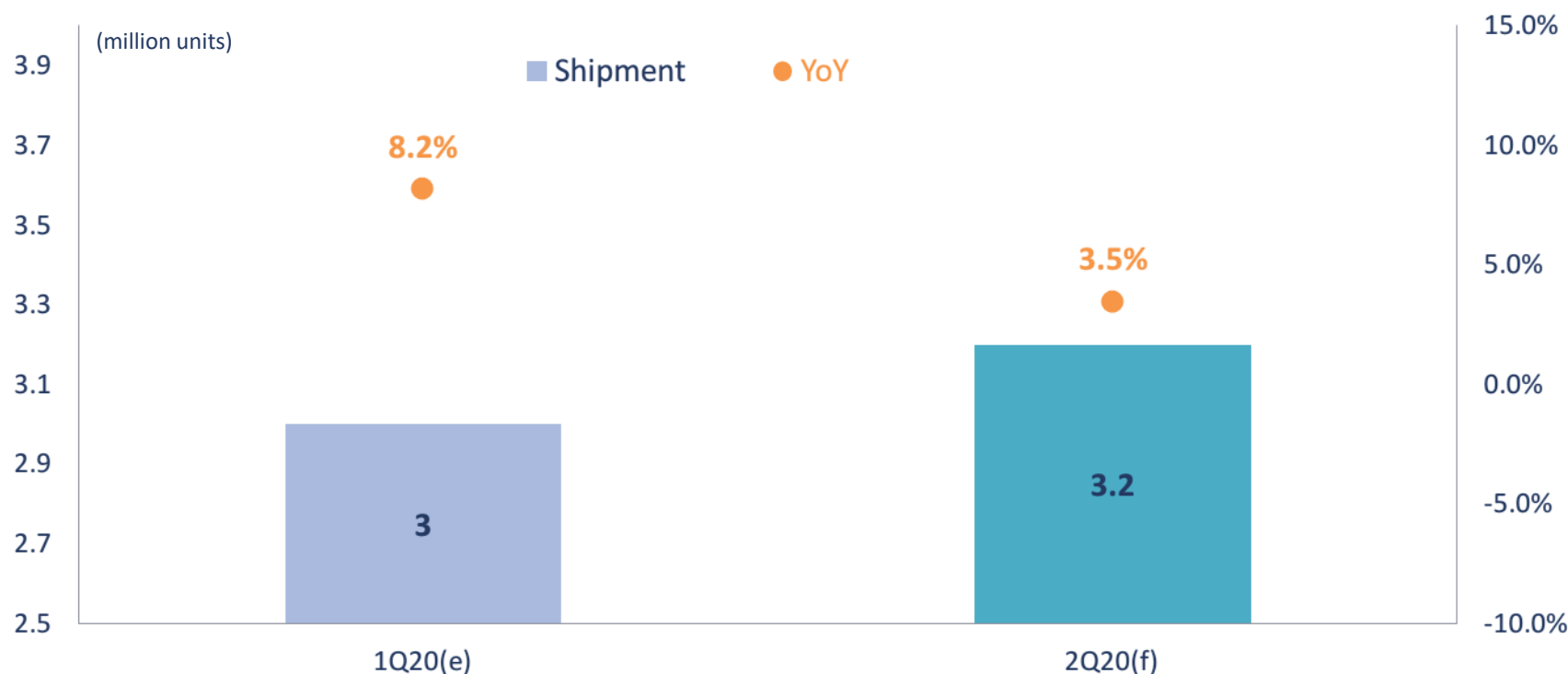
Source: IHS Markit, January, 2020



Strong Server Shipment

- Owing to strong orders for data center servers and traditional server brands' preemptive stock-up demand to avoid pandemic-induced breaks in the server supply chain, overall server shipment is expected to remain on the upswing in 2Q20.

Global Server Shipment Forecast



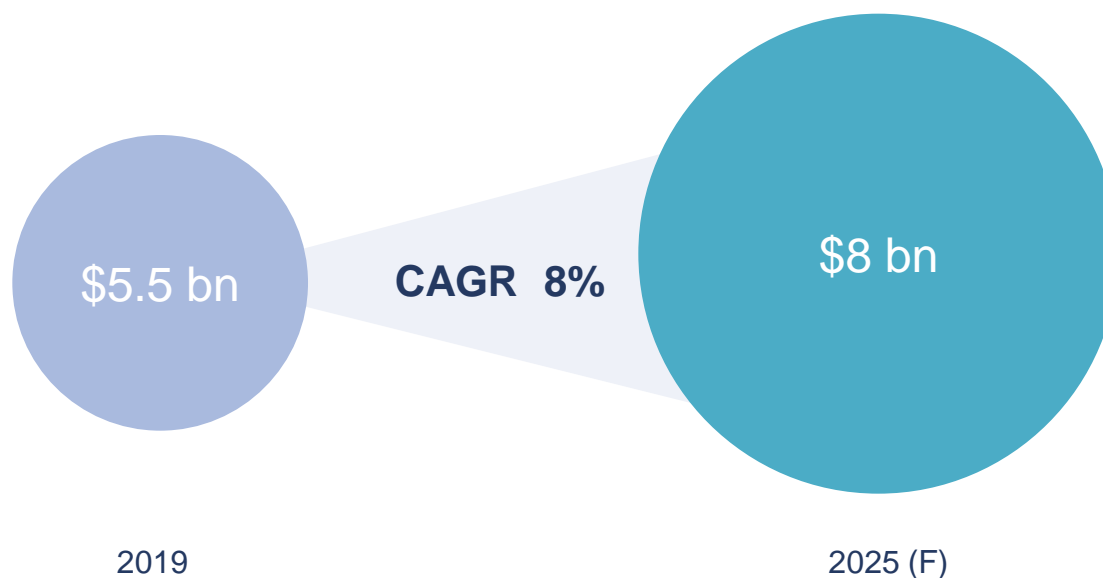
Source: TrendForce, April, 2020

Medical Electronics Market

- Semiconductors in medical electronics market are expected to grow with a CAGR of 8% each year, expanding from \$5.5 billion now to a little under \$8 billion by 2024.
- The market for semiconductors used in medical applications is one of the fastest growing segments of the industrial semiconductor market. There are significant growth drivers in this market which provide strong opportunities in the analog, digital, and sensors segments.

Medical Electronics Market Forecast

(USD bn)



Source: Business Wire, November end, 2019

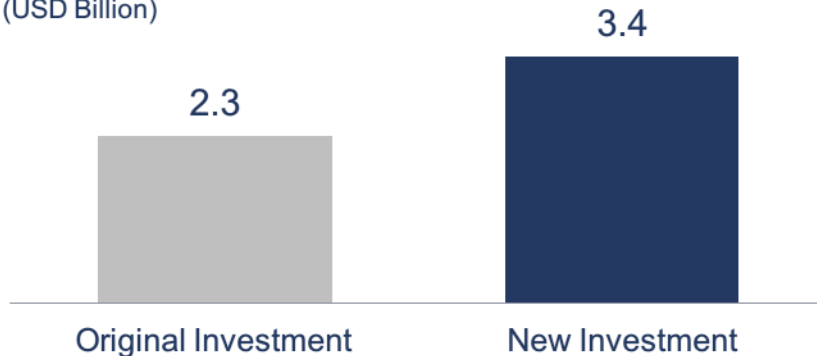
Accelerating 5G Infrastructure Construction

- Though the global economy is under the shadow of COVID-19, many nations consider 5G a crucial strategy to offset the uncertainties and are accelerating infrastructure construction.

Korea

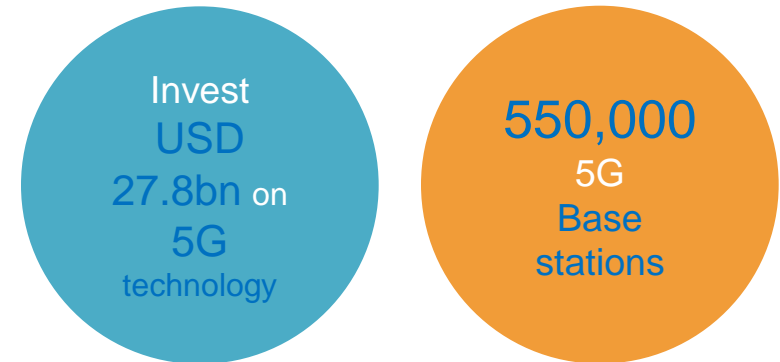
3 main telecom companies increased 5G network investment from USD 2.3bn to USD 3.4 bn in 5G in 1H20.

(USD Billion)



China

China deploys "new infrastructure" projects to accelerate 5G infrastructure and data centers. Major telecom firms plan hefty 5G investments.



Japan

- ✓ SoftBank, NTT DoCoMo and KDDI launch 5G service 4 months earlier than original scheduled.
- ✓ Rakuten Mobile will initiate 5G service in June.

USA

- Telecoms invest **USD 275 bn** for 5G networks
- Biggest 5G spectrum auction



1Q20 Performance Update



1Q20 Financial Highlights

➤ Stable financial performance

- Revenue
 - ✓ NTD 13,515mn (QoQ : 0.1%)
 - ✓ EBITDA: 5,015mn (QoQ : 1.1%)
 - ✓ EBIT: 3,845mn (QoQ : 1.9%)
- Profits are slightly offset by rising logistics cost
 - ✓ GM: 36.5% (QoQ : -1.7%)
 - ✓ Operating Profit: 28.2% (QoQ : -0.3%)
 - ✓ Net Profit : 21.3% (QoQ : -0.2%)
 - ✓ EPS: NTD 6.62 (QoQ : - NTD 0.06)

➤ Financial Leverage

- Sufficient cash* position – NT\$ 35,547mn (US\$ 1,176mn)*.
- Prepayment – NT\$ 19,441 mn (US\$ 643.2 mn)*

Note:

1. FX Rate: NTD:USD = 30.225

2. Cash = cash and the equivalent + restricted cash



Financial Highlight : 1Q20 vs. 4Q19

(NT\$m)	1Q20	4Q19	QoQ
Revenue	13,515	13,506	0.1%
EBITDA* ¹	5,015	4,959	1.1%
EBITDA %	37.1%	36.7%	1.1%
EBIT	3,845	3,772	1.9%
Operating Profit	3,805	3,853	-1.3%
Operating Profit %	28.2%	28.5%	-0.3%
Net Profit	2,880	2,908	-1.0%
Net Profit %	21.3%	21.5%	-0.2%
EPS	NT\$6.62	NT\$6.68	-NT\$0.06
ROE* ² (annualized)	28.2%	30.9%	-2.7%
ROA* ³ (annualized)	12.0%	14.7%	-2.7%

1. EBITDA = Net Profit + Tax + Interests + Depreciation + Amortization.

2. ROE = Net Profit / Average Shareholders Equity

3. ROA = (Net Profit + Interest*(1- Effective Tax Rate))/Average Asset

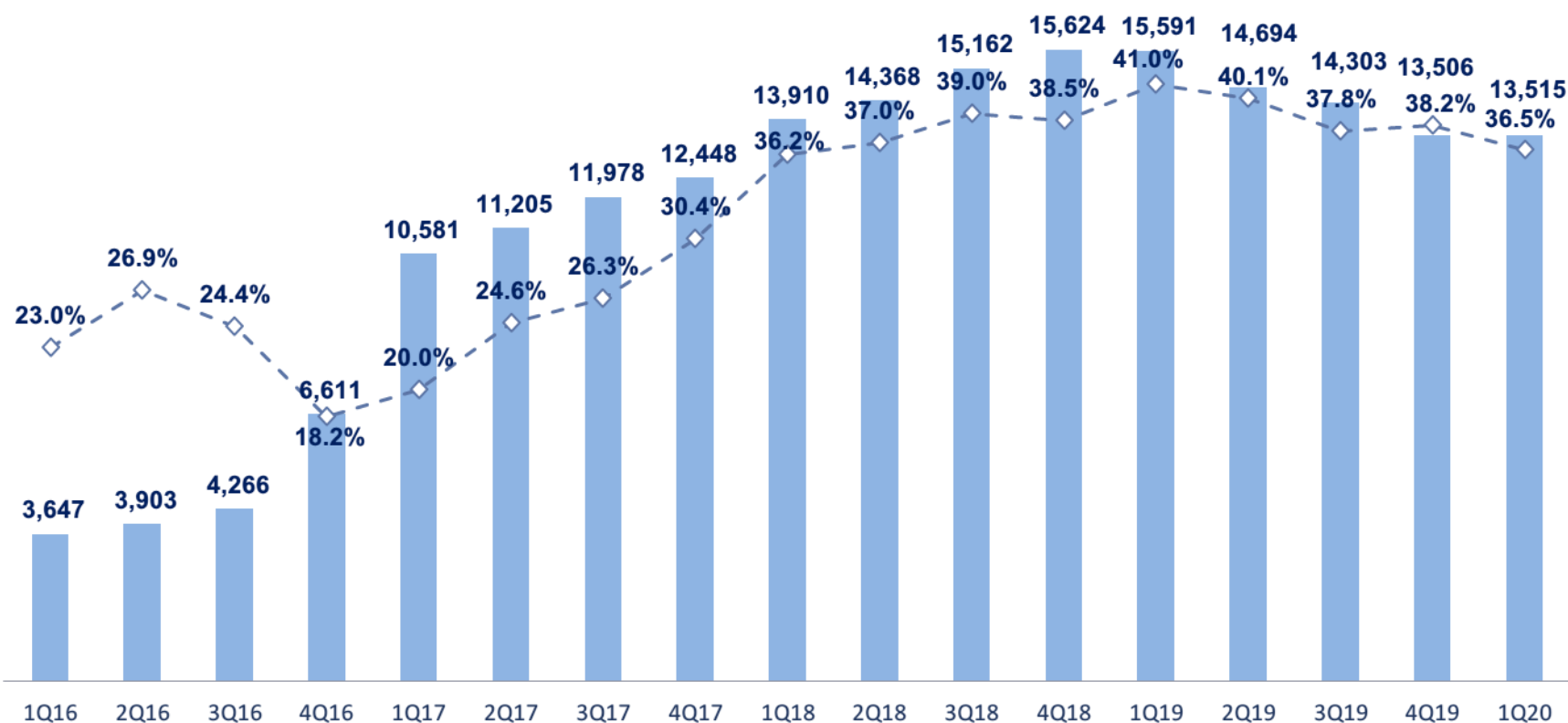


Revenue & Gross Margin

Revenue & Gross Margin

(NT\$mn)

Revenue —◇— GM %

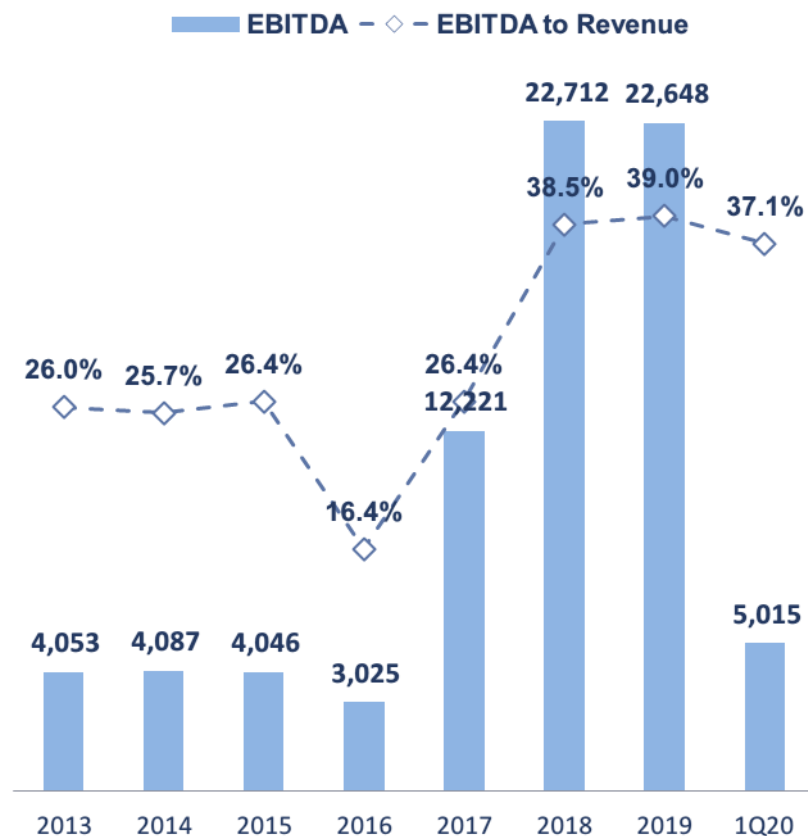




EBITDA & EPS

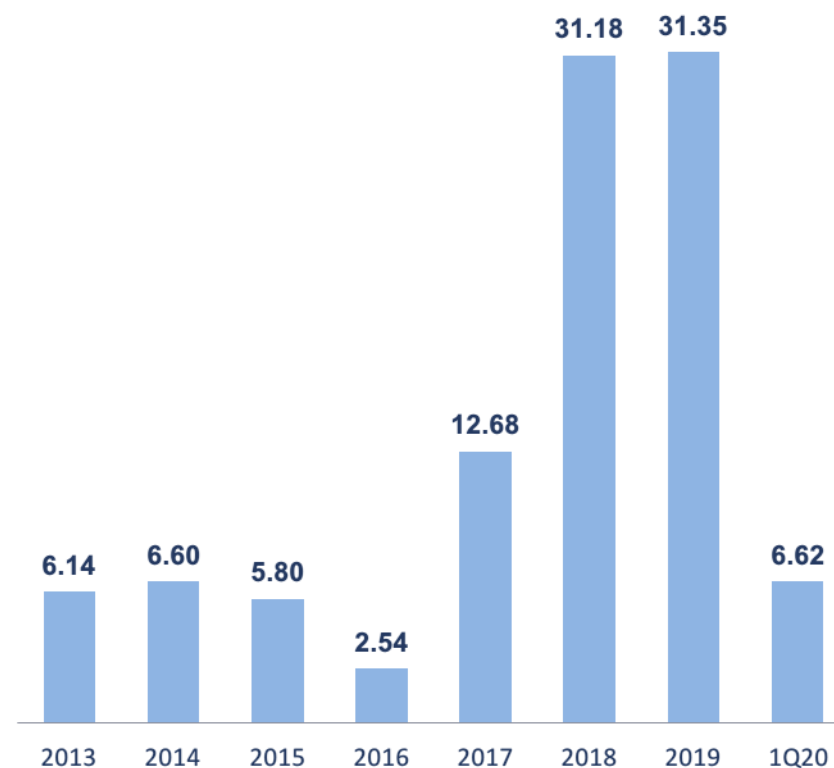
EBITDA

(NT\$mn)



EPS

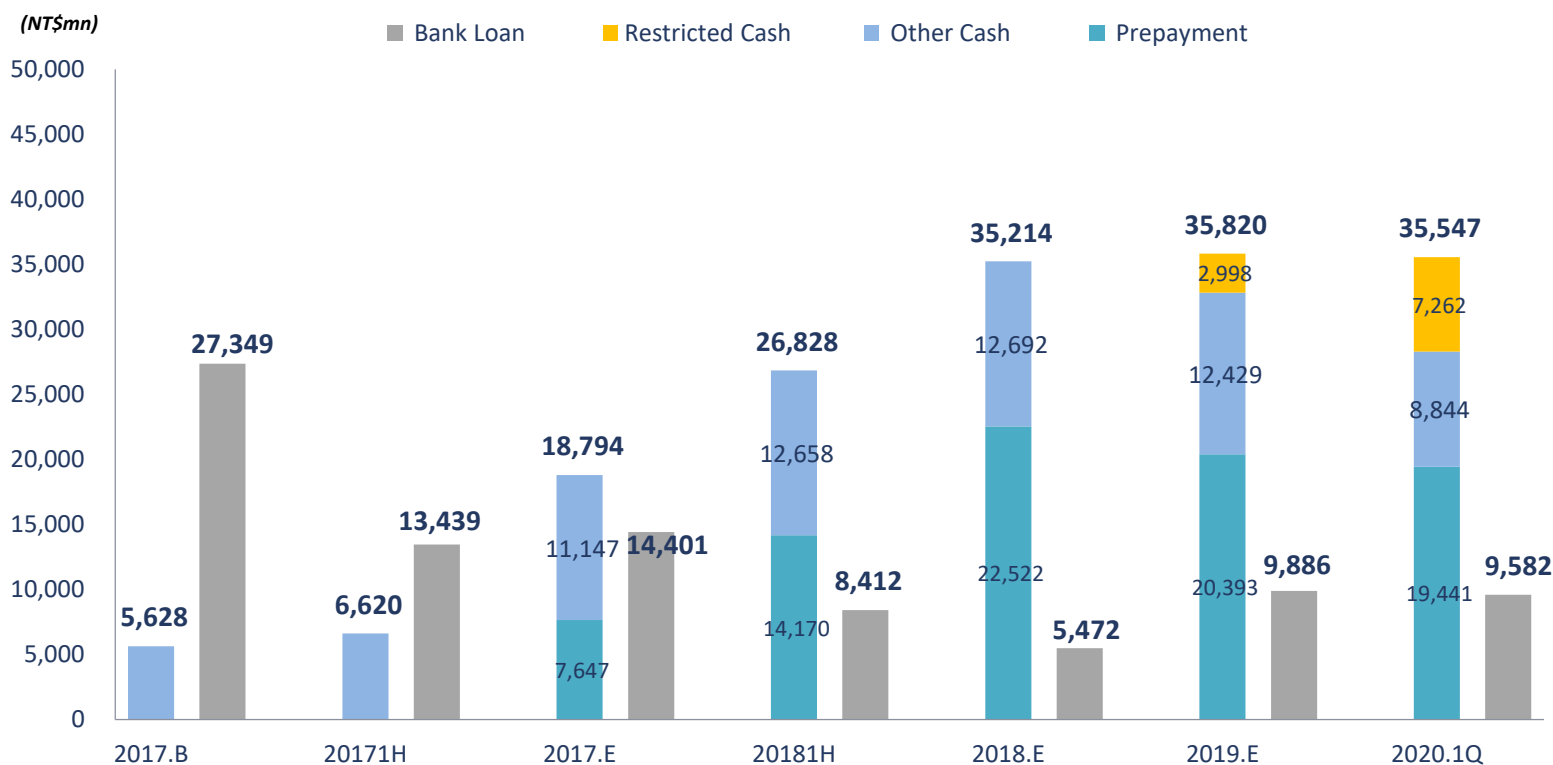
(NT\$)



Financial Leverage

- Sufficient cash makes GlobalWafers capable of sustainable development.
- Bank loans increased in preparation for dividend distribution.

Cash Structure and Bank Loan



Note: Cash = cash and the equivalent + restricted cash



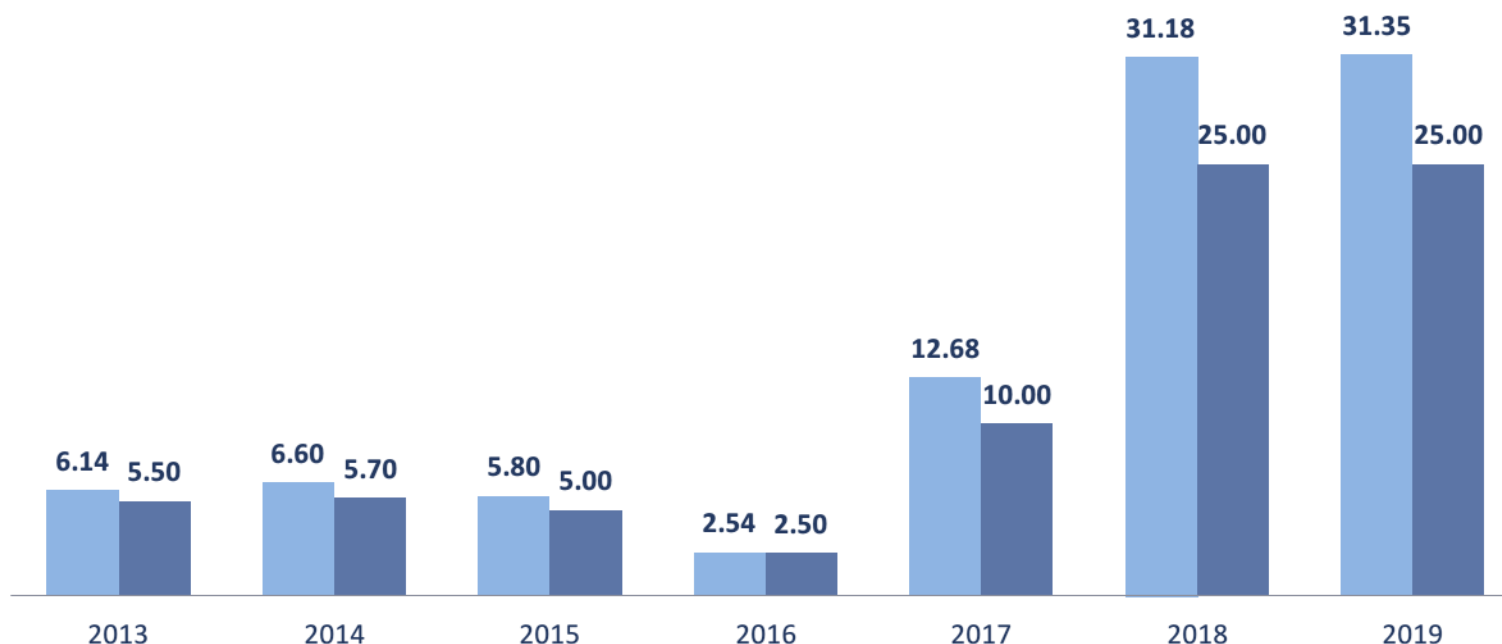
Dividend Payout

- Record high EPS in conjunction with a high dividend payout.

Dividend Payout since 2012 versus EPS

(NT\$)

■ EPS ■ Dividend



Dividend Payout Ratio%	89.6%	86.4%	86.2%	98.4%	78.9%	80.2%	79.7%
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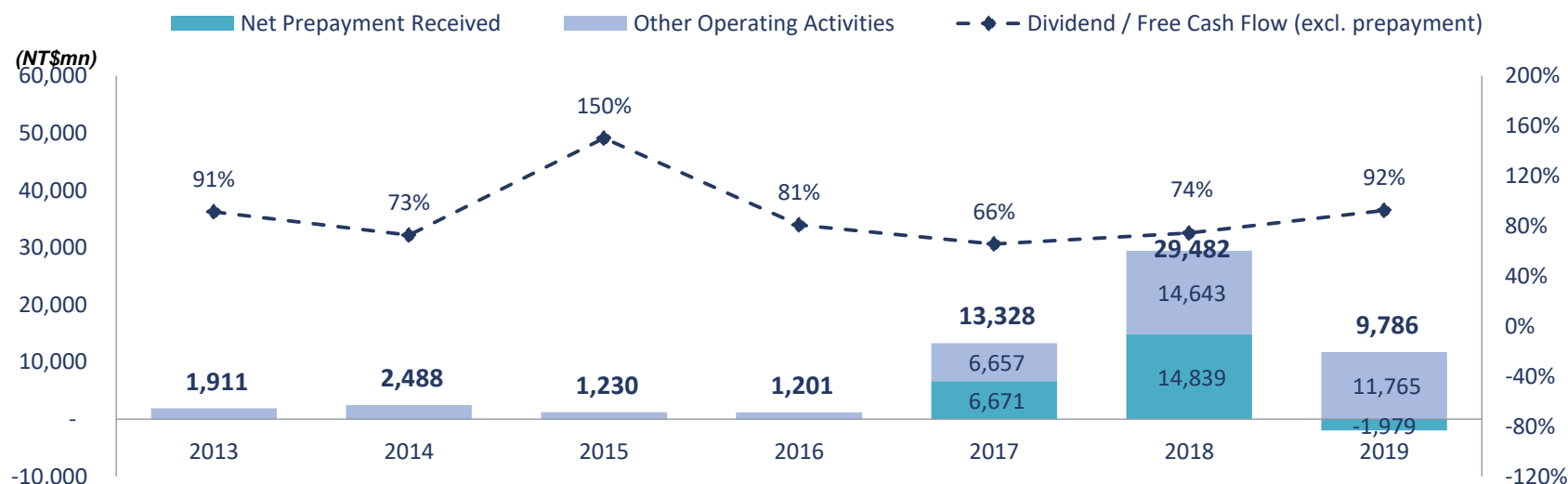
* 2019 dividend payout is subject to AGM approval on June 23, 2020



Smoothing Out the Shareholder Dividend Stream

- Dividend payout once every 6 months to smooth out the income stream for shareholders*.
- Our track record of consistently robust dividend payouts reflects GlobalWafers commitment to shareholder value creation.
- Dividend Distribution schedule :
 - 1H20 dividend → to be distributed in 1Q21
 - 2H20 dividend → to be distributed in 3Q21

Dividend Distribution vs. Free Cash Flow*



Note:

1. 2019 dividend payout is subject to AGM approval on June 23, 2020

2. Free cash flow = Cash flow from operating activities – Capex

3. 2019 Prepayment is lower due to the partial LTA fulfillment



Income Statement

Income Statement

(NT\$m)	2013	2014	2015	2016	2017	2018	2019	1Q20
Revenue	15,570	15,922	15,310	18,427	46,213	59,064	58,094	13,515
Growth (%)	-	2.3%	-3.8%	20.4%	150.8%	27.8%	-1.6%	-
Gross Profit	3,663	3,728	4,073	4,130	11,808	22,299	22,847	4,938
Gross Profit Margin (%)	23.5%	23.4%	26.6%	22.4%	25.6%	37.8%	39.3%	36.5%
EBITDA	4,053	4,087	4,046	3,025	12,221	22,712	22,648	5,015
EBITDA Margin (%)	26.0%	25.7%	26.4%	16.4%	26.4%	38.5%	39.0%	37.1%
Operating Profit	2,194	2,336	2,685	1,378	7,414	17,578	17,897	3,805
Operating Profit Margin (%)	14.1%	14.7%	17.5%	7.5%	16.0%	29.8%	30.8%	28.2%
Profit before Tax	2,204	2,679	2,808	1,344	6,875	18,253	18,554	3,922
Profit before Tax Margin (%)	14.2%	16.8%	18.3%	7.3%	14.9%	30.9%	31.9%	29.0%
Net Profit	1,948	2,095	2,044	939	5,278	13,634	13,636	2,880
Net Profit Margin (%)	12.5%	13.2%	13.4%	5.1%	11.4%	23.1%	23.5%	21.3%
EPS (NT\$)	6.14	6.60	5.80	2.54	12.68	31.18	31.35	6.62

Note: Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.



Balance Sheet

Balance Sheet

(NT\$mn)	2013	2014	2015	2016	2017	2018	2019	1Q20
Assets								
Cash and cash equivalents	1,536	2,685	3,662	5,628	18,794	35,214	32,822	28,285
Account receivable	3,165	3,694	4,538	7,642	7,869	9,226	8,140	8,574
Inventories	3,291	2,829	3,262	7,307	7,347	7,040	6,849	6,416
Property, plant and equipment	9,796	8,972	9,361	31,036	28,202	30,887	34,697	35,747
Other assets	3,286	3,204	2,994	8,948	8,020	7,455	14,078	17,691
Total assets	21,074	21,385	23,816	60,560	70,232	89,822	96,586	96,713
Liabilities								
Short-term loan	1,302	2,069	696	12,982	10,738	5,042	9,886	9,582
Account payable	1,816	1,789	1,383	5,126	4,269	4,870	3,837	3,746
Long term loan	--	--	--	14,367	3,663	430	0	0
Other liabilities	4,821	4,325	5,012	12,267	17,508	36,324	37,790	46,812
Total liabilities	7,939	8,184	7,091	44,742	36,178	46,666	51,513	60,140
Shareholder equity	13,135	13,201	16,725	15,819	34,054	43,156	45,073	36,573

Note:

1. Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.

2. Account receivables include account receivables from related parties.

3. Account payables include account payables from related parties.



Q&A



Thank You
